



EUROPEAN CENTRAL BANK

MONTHLY BULLETIN 08 | 2004

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EUROPEAN CENTRAL BANK



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## MONTHLY BULLETIN AUGUST 2004

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## ABBREVIATIONS

### COUNTRIES

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

### OTHERS

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

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





## EDITORIAL

At its meeting on 5 August 2004, the Governing Council of the ECB decided to leave the minimum bid rate on the main refinancing operations of the Eurosystem unchanged at 2.0%. The interest rates on the marginal lending facility and on the deposit facility were also left unchanged at 3.0% and 1.0% respectively.

On the basis of the regular economic and monetary analyses, the Governing Council confirmed its previous assessment that, while somewhat stronger inflationary pressure is likely to persist over the short term, the outlook still remains in line with price stability over the medium term. Accordingly, the Governing Council decided to retain its monetary policy stance and left the key ECB interest rates unchanged. The level of interest rates is low by historical standards, both in nominal and in real terms, which lends support to economic activity. The Governing Council will remain vigilant with regard to all developments that could affect the risks to price stability over the medium term.

Starting with the economic analysis underlying the Governing Council's assessment, the data releases since the previous meeting confirm that the economic recovery in the euro area is continuing. All in all, the latest indicators of output and demand remain consistent with ongoing growth in real economic activity.

Looking ahead, the Governing Council remains confident that the improvement in economic activity will continue. The conditions for a broadening and strengthening of the upturn are in place. On the external side, economic growth outside the euro area is robust and should continue to foster euro area exports. On the domestic side, investment should benefit from global demand, improving business confidence and the very favourable financing conditions within the euro area. Private consumption should continue to grow in line with increases in real disposable income, which should also be supported, with a lag, by a strengthening of employment growth. Forecasts by international and private organisations paint a similar picture

of the outlook for the euro area. The expectation of a continued economic recovery is also in line with recent developments in financial markets.

This recovery scenario may be influenced by a number of factors. On the one hand, the continuation of the upturn in the euro area is supported by robust growth in the global economy, recent developments in industrial production and some survey data. On the other hand, high oil prices may dampen growth dynamics, both globally and through their impact on the euro area's terms of trade. Furthermore, there is still concern about the persistence of global imbalances.

With regard to price developments, oil prices continue to exert upward pressure on the general price level over the short term. According to Eurostat's flash estimate, annual HICP inflation was 2.4 % in July, unchanged from June. Annual HICP inflation excluding the more volatile items of energy and unprocessed food was 2.2% in June 2004. Markets now expect oil prices to remain at high levels for a longer period than they did earlier this year. If this expectation were to materialise, annual inflation rates would most likely remain above 2% for the rest of this year and in the first few months of 2005.

Annual rates of consumer price inflation should drop back to below 2% in the course of 2005, once the strong upward shocks to prices seen in 2004 (stemming from both energy prices and indirect taxes and administered prices) fall out of the computation of these rates. Looking further ahead, there are no indications as yet of a build-up of stronger general inflationary pressures. In particular, domestic price increases should remain contained, provided that wages continue to develop moderately, in line with the latest available evidence. In addition, the expected recovery of productivity should dampen price pressures stemming from labour costs.

Nevertheless, upside risks to price stability over the medium term need to be monitored

closely. Concerns relate, in particular, to the continued high level of oil prices, which may be sustained by the strength of global economic growth. A further upward risk to price stability relates to the future evolution of indirect taxes and administered prices. It is difficult to assess at this stage whether the increases seen in the past will continue to be in a similar order of magnitude in the future, as such information usually becomes available only later in the year. These shorter-term concerns also raise the potential risk of second-round effects via wage and price-setting behaviour.

Vigilance is also needed with regard to the development of inflation expectations. Maintaining confidence in price stability is key to preserving favourable long-term market interest rates, thereby supporting economic growth and job creation in the euro area.

Turning to the monetary analysis, notwithstanding the strong month-on-month growth in June, the annual rates of increase in M3 have continued to moderate over the past few months, in line with the trend that has been apparent since summer 2003. The moderation of M3 growth over recent quarters largely represents a normalisation of portfolio allocation behaviour since the second half of 2003, when the exceptional economic and financial uncertainty which prevailed between 2001 and early 2003 receded.

At the same time, it appears that the reversal of past portfolio shifts is proceeding more slowly than would have been expected on the basis of historical regularities. This may reflect a greater aversion of households and firms to risk than in the past, given the stock market losses experienced between 2000 and the spring of 2003. Moreover, the current level of interest rates is very low in historical terms. The low level of interest rates continues to support monetary expansion, especially in the case of the most liquid assets included in the narrow aggregate M1. The growth of loans to the private sector has risen to a relatively robust rate over recent months, also fuelled by the low

level of interest rates. In particular, the rate of mortgage loans to households is rather high.

There remains substantially more liquidity in the euro area than is needed to finance non-inflationary growth. It is uncertain at this juncture for which purpose this excess liquidity will be used in the future. Yet, if significant parts of these liquid holdings were to be transformed into transaction balances, particularly at a time when confidence and economic activity were strengthening, inflationary risks would rise.

In summary, the economic analysis indicates that the medium-term outlook for price developments remains in line with price stability. However, close monitoring continues to be necessary. Cross-checking with the monetary analysis underpins the case for continued vigilance regarding the materialisation of upside risks to price stability.

Given the signs that the economic recovery will continue, it is particularly important that fiscal policies and structural reforms play their part in improving the economic fundamentals of the euro area. It is high time for governments in a number of countries of the euro area to undertake the reforms of public expenditure policies necessary to foster potential output growth and reduce budgetary imbalances. After the publication on 13 July 2004 of the European Court of Justice's ruling clarifying the competencies of the Commission and the Council with regard to the excessive deficit procedure, the ECB has noted with satisfaction that the judgement confirms that the rules and procedures foreseen in the Treaty and the Stability and Growth Pact need to be fully applied. As for the implications of the ruling, the ECB expects that the institutions concerned will undertake the necessary steps in order to ensure the full implementation of these rules and procedures. The ECB remains convinced that there is no need for changes to the Treaty and the Stability and Growth Pact, but that the implementation of the Stability and Growth Pact could be further improved.

Equally, it is essential to make use of the opportunity offered by the current economic upswing to implement the necessary structural reforms in the labour and product markets of the euro area in an effective manner. This would strengthen confidence in a sustainable upswing, improve overall economic efficiency and foster both growth and job creation. In particular, there is an urgent need for structural reforms that enhance labour productivity growth and potential output growth.

This issue of the Monthly Bulletin contains three articles. The first article addresses the European Constitution, with a focus on aspects that are of direct relevance to the ECB. The second article describes the properties and uses of general government quarterly accounts for the euro area. The third article discusses the developments in the issuance, production and counterfeiting of euro banknotes since their introduction and the key issues of banknote research and development.





# ECONOMIC AND MONETARY DEVELOPMENTS

## I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

*Global economic prospects remain favourable, although some moderation in the pace of global economic activity has become evident recently. While oil prices continue their upward trend, global inflation measures still remain moderate.*

### DEVELOPMENTS IN THE WORLD ECONOMY

Global economic growth was vigorous in the first half of 2004 (see Chart 1), possibly more than generally expected. Overall financial conditions continue to support corporate investment and, as indicated by different surveys, global confidence indicators point to the upside, both in the consumer and the corporate sectors. The global manufacturing Purchasing Managers' Index (PMI), for instance, posted high levels of business confidence. However, following several months of extremely robust growth, a few signs of moderation in the pace of world economic activity have recently appeared. Among them, the OECD global leading indicator was almost unchanged between February and May, after nine months of particularly robust growth.

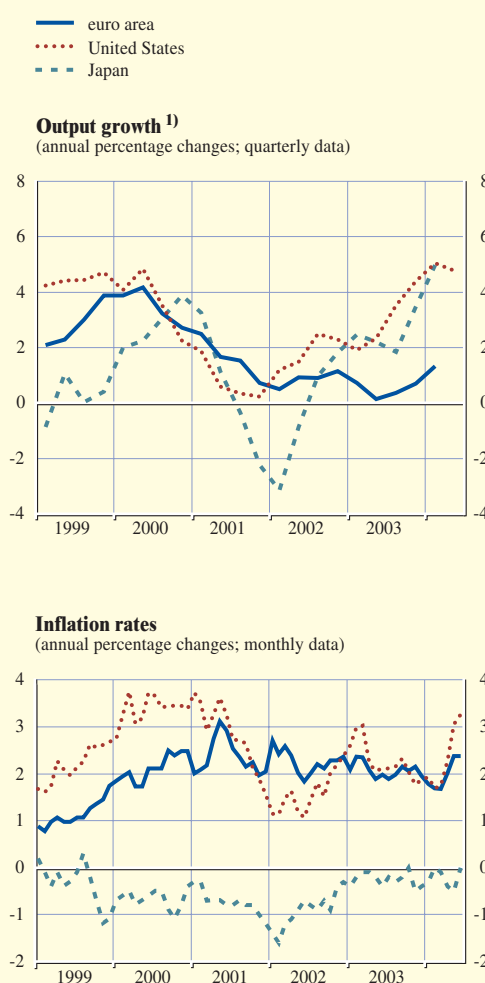
Over the past few weeks, the rise in oil prices has had a direct and immediate impact on inflation in the economies of several of the euro area's important trading partners – notably the United States and China. However, so far, these price pressures have remained concentrated in the energy sector, with no clear evidence of second-round effects.

In the United States, GDP growth slowed between the first and the second quarter, easing from 1.1% to 0.8% quarter on quarter. This reduction mainly reflected a significant deceleration in personal consumption expenditures (from 1.0% to 0.3%), whereas exports and corporate investment accelerated.

The annual rate of CPI inflation rose from 3.1% in May to 3.3% in June, mostly reflecting higher energy prices. The CPI excluding food and energy also increased – from 1.7% in May to 1.9% in June. The Federal Reserve System reported that the capacity utilisation rate in the industrial sector decreased slightly in June (from 77.6% to 77.2%).

In Japan, the economic recovery continues, albeit at a more moderate pace than at the beginning of the year. As export growth remains relatively robust, especially towards Asia, the trade surplus widened in June.

Chart 1 Main developments in major industrialised economies



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

Increasingly, the recovery seems to be spilling over to the household sector, in line with improved labour market conditions. Against this background, deflationary pressures are lessening. In June the annual rate of change of the CPI rose to 0% while the Corporate Goods Price Index increased by 1.4% year on year – the highest rate of increase since September 1997.

In the United Kingdom, real GDP rose by a quarterly rate of 0.9% in the second quarter of 2004, up from 0.7% in the first quarter. Output from the production industries recorded its strongest quarterly growth since the third quarter of 1999. Annual HICP inflation rose from 1.5% in May to 1.6% in June.

In Sweden, the rise in industrial production was confirmed in May. In June annual HICP inflation slowed to 1.2%, down from 1.5% the previous month. Inflation in Denmark also fell, from 1.1% in May to 0.9% in June. In most of the new EU Member States, the pace of activity remains strong. In Poland, annual HICP inflation rose from 3.5% in May to 4.3% in June, while in the Czech Republic it was almost unchanged over the same period (2.6% in May and 2.7% in June).

In non-Japan Asia, amid the uncertainties surrounding China's slowdown, overall growth remains strong. In China, the slowdown in fixed investment during the second quarter was mirrored by a firm rebound in retail sales and exports. Energy prices have weighed on CPI inflation, which rose to 5% year on year in June from 4.4% in May. In other Asian economies, particularly in Singapore and South Korea, exports are still an important factor in overall activity. However, in the latter country, signs of weakening in domestic demand have appeared.

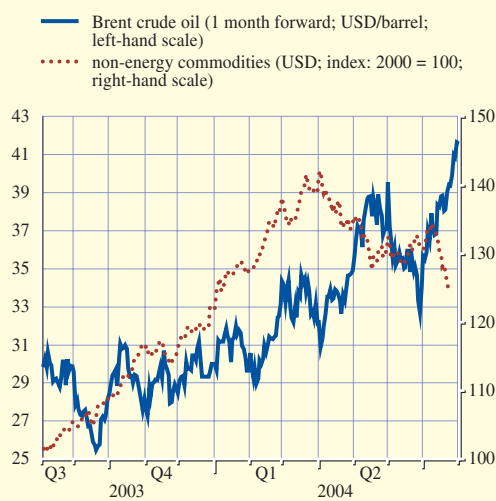
Among the Latin American economies, activity has remained particularly robust in Mexico, as indicated by the sixth consecutive month of positive year-on-year growth in industrial output. Similarly, in Brazil, year-on-year industrial production rose for the seventh month in a row in May.

## COMMODITY MARKETS

Following their decline in June amid signs of rising supplies and inventories, oil prices rebounded sharply in July, mainly on the back of supply-side concerns. In particular, fears of oil supply disruptions re-emerged in several producing countries, while spare capacity has become very limited and the demand for oil continues to be stronger than previously expected. The price of Brent crude oil stood at USD 38.3 (€31.5) on July 26 (see Chart 2). Market participants expect oil prices to remain high throughout the remainder of the year.

After reaching their highest levels in many years at the beginning of April 2004, non-energy commodity prices have eased over recent months. Nevertheless, in US dollar terms, non-energy commodity prices in June 2004 were 26.8% higher than a year earlier.

Chart 2 Main developments in commodity markets



Sources: Datastream and HWWA.

## **OUTLOOK FOR THE EXTERNAL ENVIRONMENT**

Overall growth prospects remain sound, particularly in Asia, whose importance as an engine of world growth is increasing. However, after a brisk first six months, possibly stronger than previously anticipated, there are signs that global output growth may decline somewhat in the second half of 2004. The risks to the outlook for global economic activity continue to appear rather balanced, whereas in the context of oil price developments, risks to inflation appear to be on the upside.



## 2 MONETARY AND FINANCIAL DEVELOPMENTS

### 2.1 MONEY AND MFI CREDIT

Despite the observed rise in the annual rate of growth of M3 in June 2004, the analysis of the main components and counterparts indicates that euro area investors continued to gradually normalise their portfolio allocation, shifting funds towards longer-term assets outside M3. At the same time, M3 growth seems to be increasingly driven by the low level of interest rates in the euro area, and there remains significantly more liquidity in the euro area than is needed to finance non-inflationary economic growth. The low level of interest rates also supported the continued strength of MFI loans to the private sector. Loans to households, especially for house purchases, continue to be the principal driving force behind the growth of credit to the private sector. The growth rate of MFI loans to non-financial corporations has recovered slightly in recent months, reflecting the improving economic environment and favourable financing conditions.

#### THE BROAD MONETARY AGGREGATE M3

The annual rate of growth of M3 increased to 5.4% in June 2004, from 4.8% in the previous month (see Chart 3). This increase reflected a significant month-on-month rise (0.7%) in June. However, taking a slightly longer perspective, the three-month average of the annual growth rates of M3 fell to 5.2% in the period between April and June 2004, from 5.5% in the period between March and May.

The analysis of some of the main components and counterparts of M3 indicates that the gradual unwinding of past portfolio shifts into money continued in June. Yet, at the same time, the low level of interest rates supported credit expansion and thus stimulated monetary growth from the counterparts side.

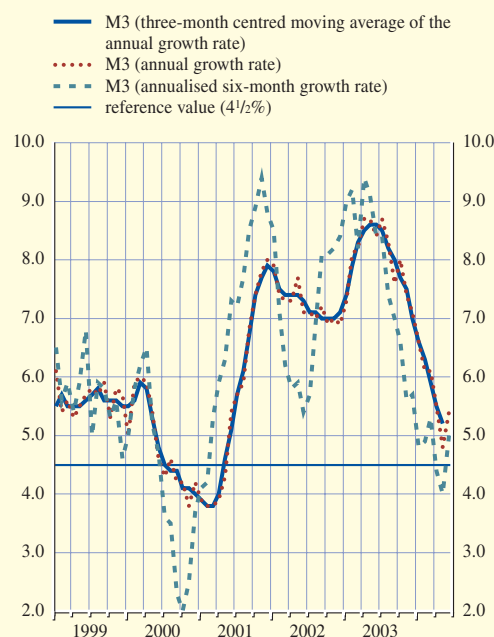
There remains substantially more liquidity in the euro area than is needed to finance non-inflationary growth. It is uncertain at this juncture for which purpose this excess liquidity will be used in the future. Yet, if significant parts of these liquid holdings were to be transformed into transaction balances, particularly at a time when confidence and economic activity were strengthening, inflationary risks would rise.

#### MAIN COMPONENTS OF M3

In June 2004 the annual rate of growth of the narrow monetary aggregate M1 increased to 9.6%, from 9.3% in the previous month (see Table 1). This reflected a rise in the annual rate of growth of overnight deposits (to 7.8%, from 7.4% in May). By contrast, the annual rate of expansion in currency in circulation moderated slightly in June, while remaining at very high levels. The strong growth of the liquid instruments included in M1 continues to reflect

Chart 3 M3 growth and the reference value

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



Source: ECB.

Table I Summary table of monetary variables

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

	Outstanding amount as a percentage of M3 <sup>1)</sup>	Annual growth rates						
		2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 May	2004 June
<b>M1</b>	<b>44.3</b>	<b>11.3</b>	<b>11.4</b>	<b>11.0</b>	<b>11.0</b>	<b>10.2</b>	<b>9.3</b>	<b>9.6</b>
Currency in circulation	6.7	35.7	29.6	26.5	24.0	21.6	21.8	21.1
Overnight deposits	37.7	8.1	8.8	8.7	9.1	8.5	7.4	7.8
<b>M2 - M1 (= other short-term deposits)</b>	<b>41.0</b>	<b>5.6</b>	<b>5.8</b>	<b>4.8</b>	<b>3.3</b>	<b>1.7</b>	<b>1.6</b>	<b>1.7</b>
Deposits with agreed maturity of up to and including two years	15.8	0.0	-1.4	-3.0	-4.4	-7.0	-7.1	-6.8
Deposits redeemable at notice of up to and including three months	25.2	10.1	11.6	11.0	9.2	8.1	8.1	8.0
<b>M2</b>	<b>85.3</b>	<b>8.3</b>	<b>8.5</b>	<b>7.9</b>	<b>7.2</b>	<b>6.0</b>	<b>5.5</b>	<b>5.7</b>
<b>M3 - M2 (= marketable instruments)</b>	<b>14.7</b>	<b>10.0</b>	<b>7.4</b>	<b>5.8</b>	<b>2.4</b>	<b>1.9</b>	<b>1.3</b>	<b>3.6</b>
<b>M3</b>	<b>100.0</b>	<b>8.6</b>	<b>8.3</b>	<b>7.6</b>	<b>6.4</b>	<b>5.4</b>	<b>4.8</b>	<b>5.4</b>
<b>Credit to euro area residents</b>	<b>170.0</b>	<b>4.7</b>	<b>5.3</b>	<b>5.8</b>	<b>5.8</b>	<b>6.0</b>	<b>5.9</b>	<b>6.4</b>
Credit to general government	36.7	3.4	4.8	6.6	6.0	6.4	6.1	7.3
Loans to general government	13.4	-0.4	1.0	1.5	1.2	2.2	2.0	2.6
Credit to the private sector	133.3	5.1	5.5	5.6	5.7	5.9	5.8	6.2
Loans to the private sector	115.8	4.6	4.9	5.3	5.4	5.6	5.7	6.0
<b>Longer-term financial liabilities (excluding capital and reserves)</b>	<b>52.2</b>	<b>5.3</b>	<b>5.6</b>	<b>6.4</b>	<b>7.2</b>	<b>8.3</b>	<b>8.4</b>	<b>8.5</b>

Source: ECB.

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

the stimulative effect of low interest rates, which reduces the opportunity cost of holding such assets.

Short-term deposits other than overnight deposits grew by 1.7% in June, compared with 1.6% in the previous month. The instruments included in this category continued to show rather divergent developments. While the demand for short-term time deposits (i.e. deposits with an agreed maturity of up to and including two years) continued to decline, that for short-term savings deposits (i.e. deposits redeemable at a period of notice of up to and including three months) remained high.

The marketable instruments included in M3 expanded at a higher annual rate in June 2004 (3.6%, up from 1.3% in the previous month). This faster expansion reflected the stronger growth of repurchase agreements and debt securities issued with an agreed maturity of up to two years. Because the short-term developments in these instruments are characterised by relatively high volatility, the month-on-month developments in June should not be overemphasised. By contrast, the annual rate of growth of money market fund shares/units continued to follow the downward trend that started one year ago. The declining growth of money market fund shares/units – which are instruments often used to store funds temporarily in safe and liquid form at times of uncertainty – indicates an ongoing normalisation in the asset allocation behaviour of euro area households and firms.

### MAIN COUNTERPARTS OF M3

The annual growth rate of MFI loans to the private sector increased to 6.0% in June, from 5.7% in the previous month. Within this overall figure, the annual rate of growth of MFI loans to households and of MFI loans to non-financial corporations both strengthened in June (see Table 2).



**Table 2 MFI loans to the private sector**

(end of period; not adjusted for seasonal and calendar effects)

	Outstanding amount as a percentage of total <sup>1)</sup>	Annual growth rates					
		2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 May	2004 June
<b>Non-financial corporations</b>	<b>42.2</b>	<b>3.6</b>	<b>3.6</b>	<b>3.5</b>	<b>3.2</b>	<b>3.8</b>	<b>4.0</b>
Up to one year	31.2	0.5	-1.0	-0.8	-2.5	-2.2	-1.9
Over one and up to five years	17.3	2.4	4.4	3.0	3.8	5.8	6.4
Over five years	51.5	6.2	6.4	6.5	6.9	7.0	7.1
<b>Households <sup>2)</sup></b>	<b>50.0</b>	<b>5.5</b>	<b>5.8</b>	<b>6.4</b>	<b>6.6</b>	<b>6.9</b>	<b>7.2</b>
Consumer credit <sup>3)</sup>	13.8	3.5	3.0	2.9	4.4	4.8	5.5
Lending for house purchase <sup>3)</sup>	67.3	7.2	7.4	8.1	8.4	8.8	9.0
Other lending	18.9	1.4	2.4	3.2	2.3	1.9	2.4
<b>Insurance corporations and pension funds</b>	<b>0.7</b>	<b>5.0</b>	<b>10.4</b>	<b>12.9</b>	<b>9.4</b>	<b>21.1</b>	<b>18.7</b>
<b>Other non-monetary financial intermediaries</b>	<b>7.0</b>	<b>3.4</b>	<b>5.8</b>	<b>11.5</b>	<b>9.0</b>	<b>7.6</b>	<b>9.0</b>

Source: ECB.

Notes: MFI sector including Eurosystem; sectoral classification based on the ESA 95. For further details, see footnote 2 to Table 2.4 in the "Euro area statistics" section and the relevant technical notes.

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

2) As defined in the ESA 95.

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

The rapid expansion of loans to households in June 2004 continued to be driven mainly by the strong growth of loans for house purchases. This, in turn, reflected the low level of mortgage interest rates in the euro area and the strength of housing market dynamics in several euro area countries. The annual rate of growth of consumer credit recorded a further rise in June, continuing the recovery observed since the start of this year. Finally, June also saw a rise in the annual rate of growth of other lending to households.

In June 2004 the annual rate of growth of MFI loans to non-financial corporations, while remaining at a more moderate level, continued the slight upward trend observed in recent months. This rise is in line with the improving economic environment and the continuing favourable financing conditions. The annual rate of growth of MFI loans to other non-monetary financial intermediaries (excluding insurance corporations and pension funds) also rose in June.

The results of the Eurosystem's July 2004 bank lending survey show that, for the first time since the survey began in January 2003, banks reported a slight net easing of credit standards for loans and credit lines to enterprises over the previous three months (see Box 1). Similarly, banks reported a small net easing in credit standards applied to the approval of loans to households for house purchases in the second quarter of 2004.

The broader aggregate MFI credit to the private sector (which includes, in addition to MFI loans, MFI holdings of securities issued by the private sector) also expanded at a higher annual rate in June (6.2%, up from 5.8% in the previous month). Over the same period, the annual rate of growth of MFI credit to general government increased significantly, to 7.3%, from 6.1% in the previous month. The increasing annual growth rate of MFI credit to general government reflects the relatively weak budgetary positions in some euro area countries.

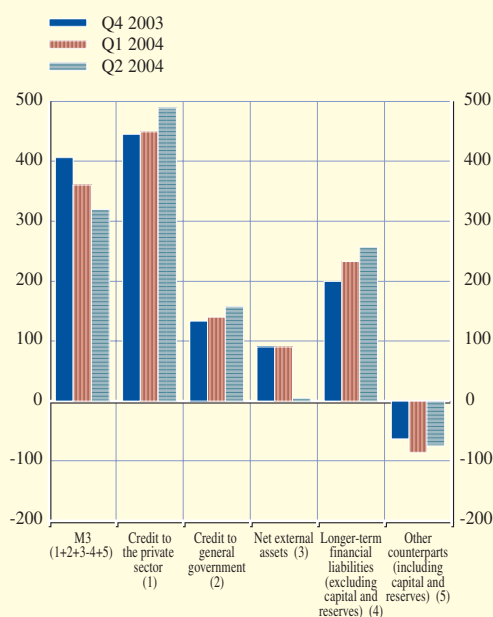
Among the other counterparts of M3, the annual rate of growth of MFI longer-term financial liabilities (excluding capital and reserves) remained relatively high in June (8.5%, compared with

8.4% in the previous month). The continuing robust growth of these instruments provides evidence that past portfolio shifts into liquid instruments are being reversed and the funds reallocated to longer-term assets. Finally, the annual flow of the net external assets of the euro area MFI sector declined further in June. Since this counterpart reflects transactions between the euro area money-holding sector and foreign residents, the decline in MFI net external assets is consistent with greater purchases of foreign securities by euro area residents, a further sign of portfolio reallocation in favour of assets outside M3.

Summing up the information from the counterparts of M3, the sustained expansion in MFI longer-term financial liabilities (excluding capital and reserves) and the declining annual flow in MFI net external assets (see Chart 4) indicate the continuation of the process of gradual normalisation in the asset allocation behaviour of euro area households and firms. The unwinding of past portfolio shifts into money is dampening M3 growth. However, in June 2004 the impact of these portfolio readjustments on monetary dynamics was more than offset by the robust growth of MFI credit to euro area residents, which, in turn, was supported by the prevailing favourable financing conditions.

**Chart 4 Movements in M3 and its counterparts**

(annual flows, end of period; EUR billions; adjusted for seasonal and calendar effects)



Source: ECB.

**Box 1**

**THE RESULTS OF THE JULY 2004 BANK LENDING SURVEY FOR THE EURO AREA**

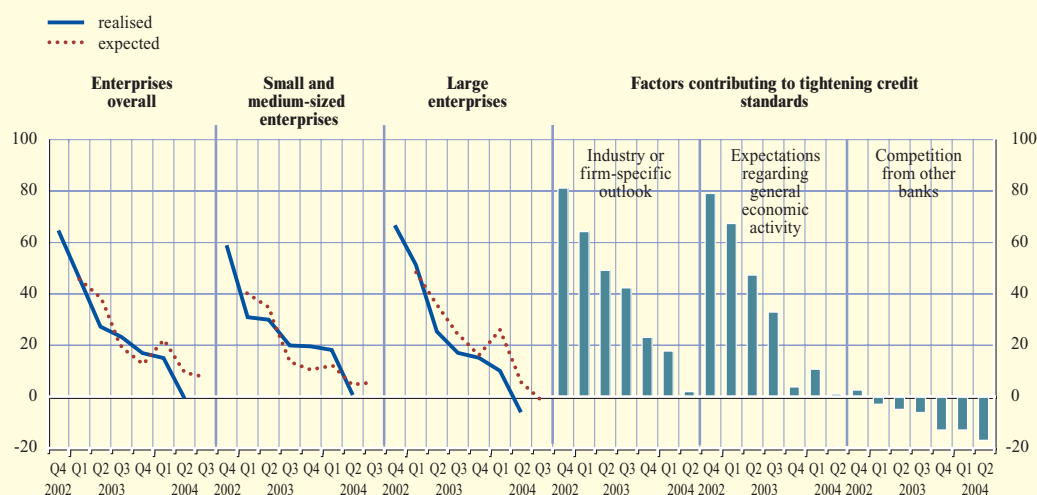
This box describes the main results of the July 2004 bank lending survey for the euro area conducted by the Eurosystem.<sup>1</sup> The survey shows that the net percentage<sup>2</sup> of banks tightening credit standards for loans and credit lines to enterprises and housing loans to households declined significantly in the second quarter of 2004, resulting, for the first time since the bank lending survey began in January 2003, in a slight net easing in such credit standards. Overall, the results of the survey point to a general improvement in bank financing conditions at a time of an economic upswing.

1 A comprehensive assessment of the results of the July 2004 euro area bank lending survey was released on 12 August 2004 and can be found on the ECB's website ([www.ecb.int/stats/money/html/index.en.html](http://www.ecb.int/stats/money/html/index.en.html)).

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

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

(net percentages)



Notes: The net percentages refer to the difference between the sum of the percentages for “tightened considerably” and “tightened somewhat” and the sum of the percentages for “eased somewhat” and “eased considerably”. The net percentages for the questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to tightening and to easing. “Realised” values refer to the period in which the survey was conducted. “Expected” values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, “expected” values for the third quarter of 2004 were reported by banks in the July 2004 survey. The euro area results are the aggregation of the national outcomes weighted by the share of the total amounts outstanding of national lending in the total amount outstanding of euro area lending to euro area residents.

### Loans or credit lines to enterprises

*Credit standards.* For the second quarter of 2004, banks reported a slight net easing in credit standards for loans or credit lines to enterprises after a net tightening was witnessed in the first quarter. This continues a downward trend in the net percentage for credit standards for loans or credit lines to enterprises (see Chart A, first panel). It is the first time since the bank lending survey began in January 2003 that a net easing in credit standards has been reported. Conditions remained slightly tighter for loans to small and medium-sized enterprises than for loans to large enterprises.

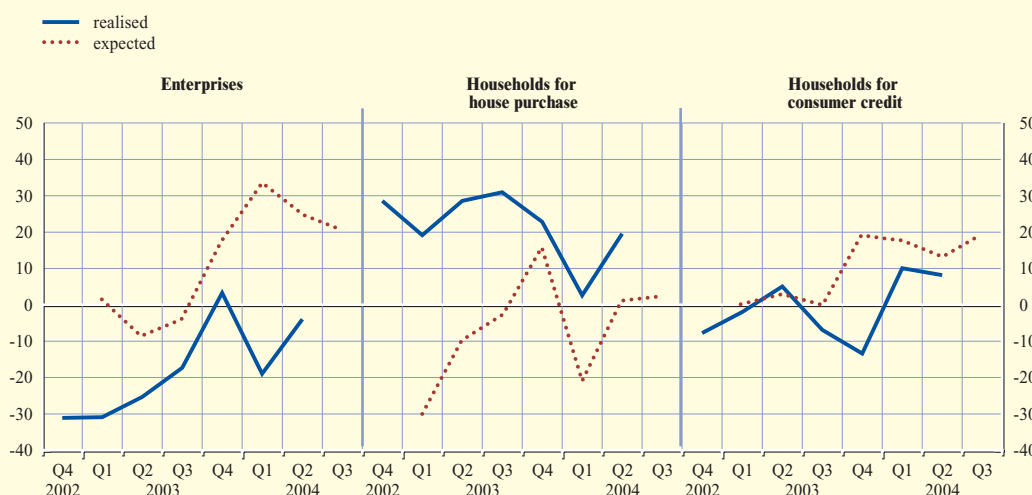
Among the factors explaining changes in credit standards, an improvement in the risk perceptions related to the industry or firm-specific outlook and general economic activity, as well as in the costs related to banks’ capital, contributed positively to the shift from a net tightening to a slight net easing (see Chart A). At the same time, competition from other banks continued to work in favour of easing credit standards. As regards the terms and conditions of credit, there was a significant decline in the net percentage of banks tightening credit standards through collateral requirements and loan covenants, resulting in a net easing in such standards for the latter.

*Loan demand.* There was a significant increase in net demand<sup>3</sup> for loans to enterprises in the second quarter of 2004 (see Chart B, first panel). The increase in net demand was more

<sup>3</sup> The term “net demand” refers to the difference between the share of banks reporting an increase in loan demand and those reporting a decline.

Chart B Changes in the demand for loans or credit lines to enterprises and households

(net percentages)



Notes: The net percentage refers to the difference between the sum of the percentages for “increased considerably” and “increased somewhat” and the sum of the percentages for “decreased somewhat” and “decreased considerably”. “Realised” values refer to the period in which the survey was conducted. “Expected” values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, “expected” values for the third quarter of 2004 were reported by banks in the July 2004 survey. The euro area results are the aggregation of the national outcomes weighted by the share of the total amounts outstanding of national lending in the total amount outstanding of euro area lending to euro area residents.

pronounced for small and medium-sized enterprises, where net demand became positive, than for large enterprises. According to reporting banks, a major factor contributing negatively to net demand is the increased use of internal financing by enterprises (meaning that less external financing is needed).

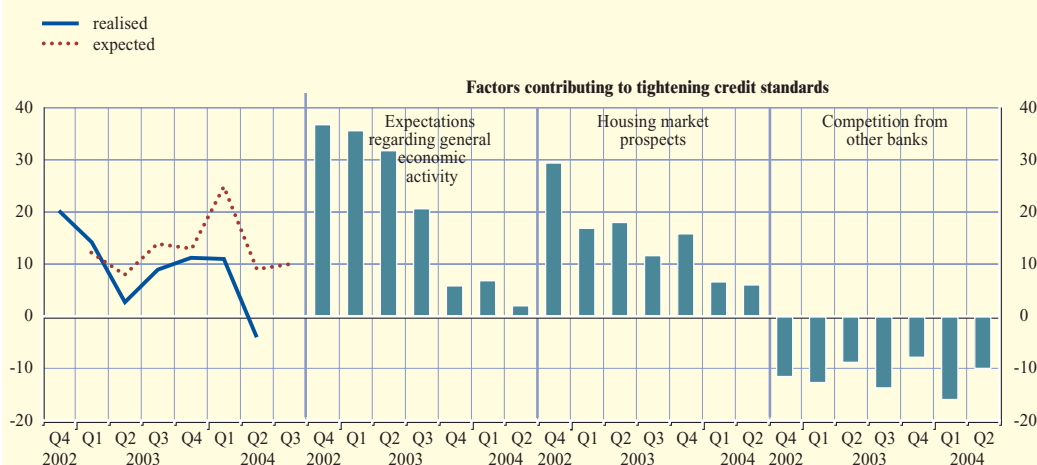
*Expectations.* For the third quarter of 2004, banks expected a slight net tightening for loans or credit lines to enterprises, compared with the slight net easing seen in the previous quarter (see Chart A, first panel). At the same time, banks expected a substantially higher net demand for corporate loans in the third quarter than had been reported for the second quarter (see Chart B, first panel).

### Loans to households for house purchase

*Credit standards.* Banks reported a shift from net tightening in the first quarter of 2004 to a small net easing in credit standards applied to the approval of loans for house purchase in the second quarter of 2004. This is the first time since the bank lending survey began in January 2003 that a net easing in credit standards for housing loans to households has been reported (see Chart C, first panel). The net easing partly reflected lower perceptions of risk regarding general economic activity (see Chart C, second panel). Banks’ assessment of housing market prospects remained largely unchanged. As regards the terms and conditions of housing loans to households, banks eased credit standards mainly through lower margins on average loans and less stringent collateral requirements.

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

(net percentages)



Notes: The net percentages refer to the difference between the sum of the percentages for “tightened considerably” and “tightened somewhat” and the sum of the percentages for “eased somewhat” and “eased considerably”. The net percentages for the questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to tightening and to easing. “Realised” values refer to the period in which the survey was conducted. “Expected” values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, “expected” values for the third quarter of 2004 were reported by banks in the July 2004 survey. The euro area results are the aggregation of the national outcomes weighted by the share of the total amounts outstanding of national lending in the total amount outstanding of euro area lending to euro area residents.

*Loan demand.* In the second quarter of 2004, net demand for loans for house purchase increased substantially (see Chart B, second panel). A slight increase in net demand for non-housing-related expenditure, households’ assessment of housing market prospects as well as the low level of interest rates continued to support the demand for housing loans.

*Expectations.* For the third quarter, respondent banks expected a slight net tightening as compared with the slight net easing reported in the previous quarter (see Chart C, first panel). Banks also expected lower net demand for housing loans in the third quarter (see Chart B, second panel).

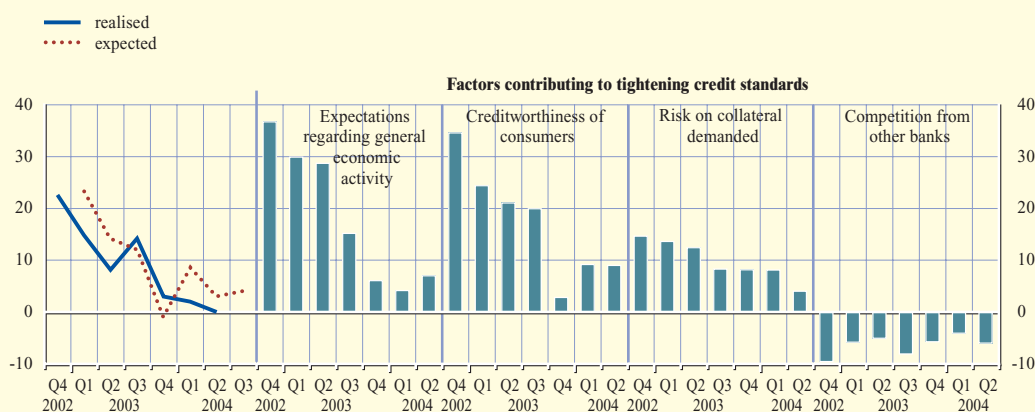
### Loans to households for consumer credit and other lending

*Credit standards.* In the second quarter of 2004 credit standards for loans to households for consumer credit remained broadly unchanged, with the net tightening close to zero (see Chart D, first panel). Underlying this were broadly unchanged net percentages for banks’ expectations regarding the general economic activity and creditworthiness of consumers. As regards terms and conditions, banks eased credit conditions through margins on average loans and collateral requirements. However, banks also reported net tightening through wider margins on riskier loans.

*Loan demand.* Net demand for consumer credit and other lending to households remained slightly positive in the second quarter and was broadly unchanged from the previous quarter

**Chart D Changes in credit standards applied to the approval of loans to households for consumer credit and other lending**

(net percentages)



Notes: The net percentages refer to the difference between the sum of the percentages for “tightened considerably” and “tightened somewhat” and the sum of the percentages for “eased somewhat” and “eased considerably”. The net percentages for the questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to tightening and to easing. “Realised” values refer to the period in which the survey was conducted. “Expected” values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, “expected” values for the third quarter of 2004 were reported by banks in the July 2004 survey. The euro area results are the aggregation of the national outcomes weighted by the share of the total amounts outstanding of national lending in the total amount outstanding of euro area lending to euro area residents.

(see Chart B, third panel). The main factor contributing positively to net loan demand was spending on durable consumer goods, which increased significantly.

*Expectations.* For the third quarter of 2004 broadly unchanged credit standards for loans to households for consumer credit were expected (see Chart D, first panel). The reporting banks also expected a slight increase in net demand for consumer credit over the next quarter (see Chart B, third panel).

## 2.2 SECURITIES ISSUANCE

The annual rate of growth of debt securities issued by euro area residents remained unchanged in May 2004. At the same time, the annual rate of growth of debt securities issued by non-financial corporations and non-monetary financial corporations continued to decline. The annual growth rate of quoted shares issued by euro area residents increased slightly in May, but equity issuance activity in the euro area remained low.

### DEBT SECURITIES

The annual rate of growth of debt securities issued by euro area residents remained unchanged at 7.1% in May 2004 (see Chart 5). This was the result of a continued decline in short-term debt securities issuance and a slight increase in long-term debt securities issuance. This shift in the maturity structure of debt financing mirrored that seen in previous months. It took place despite a relatively steep yield curve and is probably related to the fact that long-term interest rates are still relatively low when seen from a historical perspective.

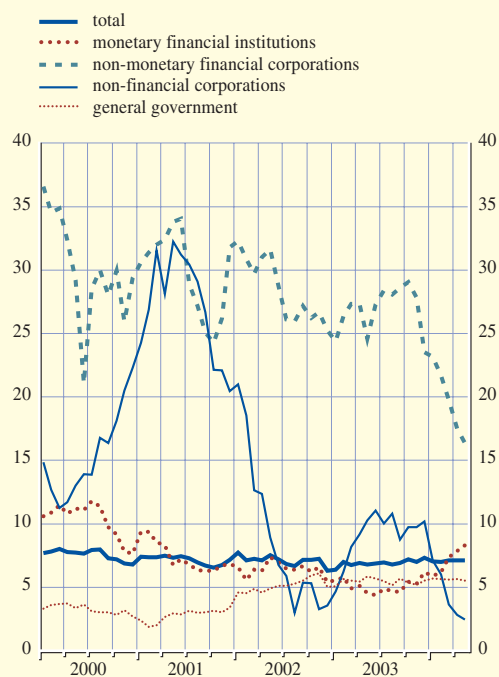


With regard to the sectoral breakdown, the annual growth rate of debt securities issued by MFIs increased by 0.4 percentage point to 8.3% in May (see Table 3). In the non-MFI corporate sector, which includes both non-monetary financial corporations and non-financial corporations, the annual growth rate of debt securities fell by 0.8 percentage point between April and May 2004, to 9.5%. Underlying this development was a further decline in the annual growth rate of debt securities issued by non-financial corporations, which fell to 2.4% in May 2004, and also a decrease in the annual growth rate of debt securities issued by non-monetary financial corporations, which fell to 16.4% in May 2004.

The decline in the annual growth rate of debt securities issued by non-financial corporations was partly due to base effects, as the issuance activity in May 2003 was very strong. Indeed, it appears that companies took advantage of the extraordinarily low levels of bond yields in mid-2003 to pre-fund part of their future borrowing needs. In addition, the downward trend in debt securities issuance observed over the past few quarters might be related to

**Chart 5 Sectoral breakdown of debt securities issued by euro area residents**

(annual growth rates)



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

**Table 3 Securities issued by euro area residents**

Issuing sector	Amount outstanding, (EUR billions) 2004 Q1	Annual growth rates <sup>1)</sup>					
		2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Apr.	2004 May
<b>Debt securities:</b>	<b>8,957</b>	<b>6.8</b>	<b>6.9</b>	<b>7.1</b>	<b>7.1</b>	<b>7.1</b>	<b>7.1</b>
MFIs	3,401	4.8	4.7	5.4	6.3	7.9	8.3
Non-monetary financial corporations	695	26.4	28.1	27.6	22.1	17.5	16.4
Non-financial corporations	588	9.7	10.2	9.6	6.7	2.8	2.4
General government	4,271	5.6	5.4	5.4	5.6	5.6	5.5
<i>of which:</i>							
Central government	4,040	4.7	4.7	4.6	4.9	5.0	4.9
Other general government	230	29.4	22.8	22.4	21.4	18.7	17.6
<b>Quoted shares:</b>	<b>3,766</b>	<b>1.0</b>	<b>1.1</b>	<b>1.1</b>	<b>1.3</b>	<b>1.0</b>	<b>1.1</b>
MFIs	571	0.8	0.8	1.3	1.9	2.3	2.4
Non-monetary financial corporations	354	1.6	2.0	2.4	3.0	1.4	1.3
Non-financial corporations	2,839	1.0	1.0	0.9	1.0	0.7	0.8

Source: ECB.

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

improved corporate earnings, which have reduced firms' external financing needs. This is in line with the results of the July 2004 bank landing survey (see Box 1), which suggest that a major factor explaining the reduction in firms' demand for external financing was their increased use of internal financing. Since levels of corporate debt remained relatively high, some firms seemed to be using their improved cash balances to reduce the outstanding debt.

As regards the government sector, the annual growth rate of debt securities issued by the general government sector declined slightly in May 2004, to 5.5%. Underlying this development was a decrease in issuance activity by both the central government sector and local governments.

### QUOTED SHARES

The annual growth rate of quoted shares issued by euro area residents increased slightly in May 2004, by 0.1 percentage point to 1.1% (see Chart 6 and Table 3). From a historical perspective, issuance activity in the primary equity market in the euro area remained subdued. This may in part reflect the fact that the cost of equity capital has remained relatively high as compared with other means of finance.

Turning to the sectoral breakdown, the annual growth rate of quoted shares issued by non-financial corporations, which account for roughly three-quarters of total amounts outstanding, increased slightly in May 2004, to 0.8%, from 0.7% in the previous month. The annual growth rate of quoted shares issued by non-monetary financial corporations (including insurance companies) declined slightly in May, by 0.1 percentage point to 1.3%. By contrast, the annual growth rate of quoted shares issued by MFIs increased slightly to 2.4% in that month.

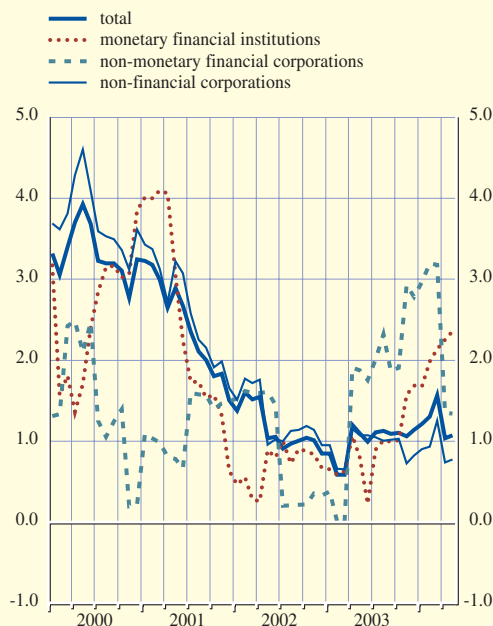
### 2.3 MONEY MARKET INTEREST RATES

*Having risen modestly in the period since early April, longer-term money market interest rates remained broadly stable in July. With short-term money market interest rates also remaining stable, the slope of the money market yield curve was broadly unchanged in early August as compared with the end of June.*

After peaking in mid-June 2004, longer-term money market rates decreased until mid-July but then recovered somewhat towards the end of the month (see Chart 7). As a result, on 4 August the long-term money market rates were close to those recorded at the end of June 2004. At the same time, interest rates at the very short end of the money market yield curve remained stable, in line with

**Chart 6 Sectoral breakdown of quoted shares issued by euro area residents**

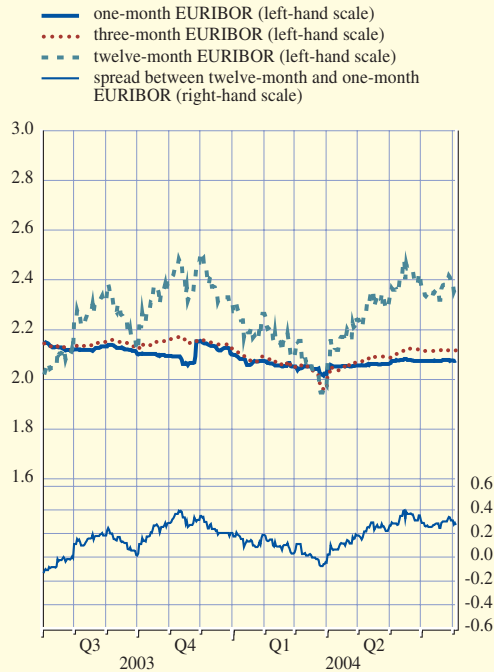
(annual growth rates)



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

Chart 7 Money market interest rates

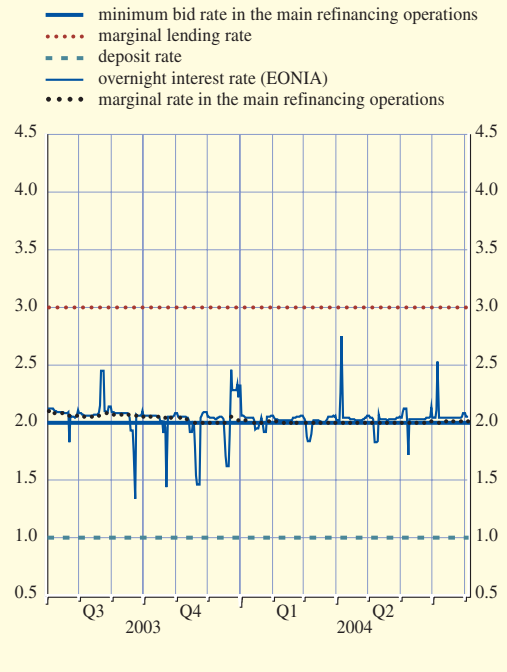
(percentages per annum; percentage points; daily data)



Source: Reuters.

Chart 8 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

key ECB interest rates (see Chart 8). As a consequence, the slope of the money market yield curve remained broadly unchanged at the beginning of August as compared with the end of June. The twelve-month EURIBOR was 35 basis points higher than the one-month rate on 4 August.

In July market participants' expectations of short-term interest rates for the coming months decreased slightly. The rates implied by three-month EURIBOR futures contracts maturing in September and December 2004 and March 2005 decreased by 4-19 basis points between the end of June and 4 August.

Liquidity and interest rate conditions at the shortest maturity were very stable between the end of June and 4 August. The allotment rates in the Eurosystem's main refinancing operations have been remarkably stable for several months. The marginal and weighted average rates both remained at or just above the minimum bid rate of 2.00% throughout July. The EONIA (euro overnight index average) stood at around 2.04% for most of the month, except during the last few days of the reserve maintenance period ending on 6 July. The EONIA increased to 2.53% on 6 July as the reserve maintenance period ended with somewhat tight liquidity conditions on account of unexpected changes in autonomous liquidity factors. In the Eurosystem's longer-term refinancing operation allotted on 28 July, the marginal and weighted average rates were 2.07% and 2.08% respectively, slightly lower than the three-month EURIBOR interest rate prevailing at that time.

## 2.4 BOND MARKETS

Long-term government bond yields in the United States and the euro area declined in July. Implied bond market volatility, an indicator of market participants' uncertainty regarding future bond yield developments, also fell somewhat during that period.

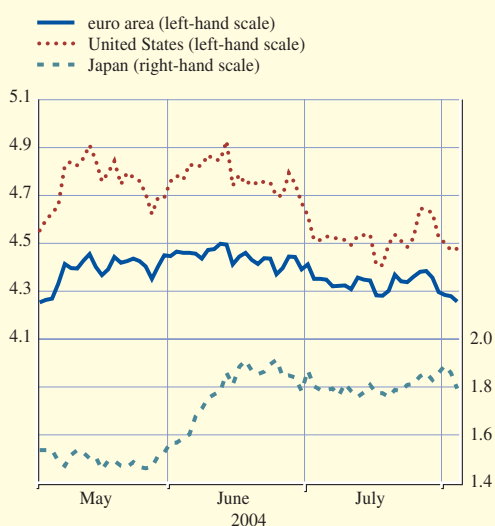
### UNITED STATES

In the United States, long-term nominal bond yields declined by around 20 basis points between the end of June and 4 August to stand at 4.5% on the latter date (see Chart 9). This decline followed data releases on economic activity and inflation in the United States which were, overall, somewhat below market participants' expectations. In particular, bond yields declined significantly in early July after the release of employment data which seemed to surprise market participants on the downside.

The decline in bond yields seems to mirror slightly dampened long-term growth expectations by market participants. Real bond yields, as measured by yields on ten-year index-linked government bonds, declined by around 20 basis points between the end of June and 4 August. The break-even inflation rate, measured as the difference between nominal and index-linked bond yields, declined slightly over the same period. Market participants' uncertainty regarding future developments in long-term bond yields in the United States, as measured by implied bond market volatility,

Chart 9 Long-term government bond yields

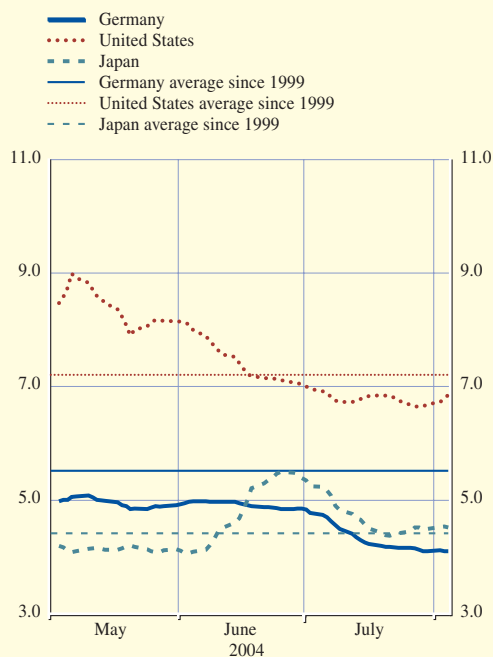
(percentages per annum; daily data)



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

Chart 10 Implied bond market volatility

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



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

declined slightly over the review period and stood in early August at a level slightly below its average since January 1999 (see Chart 10).

## JAPAN

Long-term government bond yields in Japan remained broadly unchanged between the end of June and 4 August and stood at 1.8% on the latter date. The increase in Japanese long-term bond yields in the first weeks of July, which occurred on the back of a more positive outlook for economic growth and a weakening in deflationary pressures as perceived by investors, was offset by downward pressures from global bond market developments at the end of the review period.

Following a slight increase observed over recent months, uncertainty regarding future bond market developments in Japan fell again in July. In early August implied bond market volatility stood once more at a level close to the historical average since 1999.

## EURO AREA

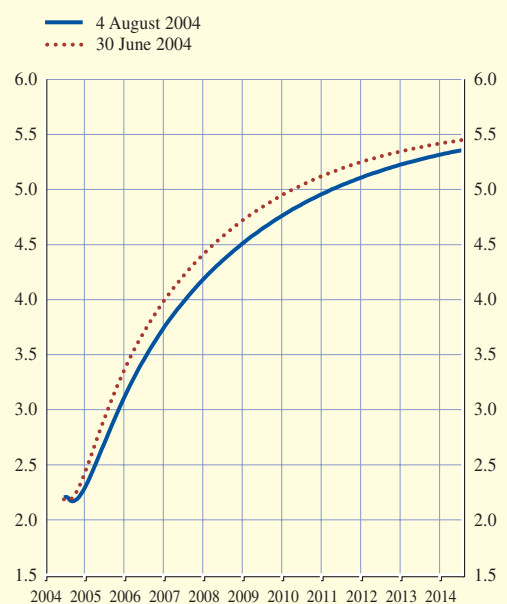
In the euro area, long-term government bond yields declined by around 15 basis points between end-June and 4 August. On the latter date, government bond yields stood at 4.3%. Data releases in the euro area did not seem to have a significant effect on bond yields, since they appeared to broadly confirm previous market expectations of a continued economic recovery. Euro area bond yields were, however, affected by the decline in US government bond yields. The positive interest differential between US and euro area long-term bond yields declined by around 5 basis points to stand at around 20 basis points on 4 August.

Real bond yields, as measured by yields on ten-year index-linked government bonds, declined by around 10 basis points between the end of June and 4 August. At the same time, the ten-year break-even inflation rate derived from the difference between the yields on ten-year nominal and index-linked government bonds (indexed to the euro area HICP excluding tobacco) – which reflects, among other things, market participants' long-term inflation expectations – was largely unchanged. The ten-year break-even inflation rate for the euro area remained at around 2.2% on 4 August, which is relatively high by historical standards. This indicator should, however, be treated with some caution, since various premia may distort its interpretation.

The decline in nominal bond yields in the euro area was mirrored by a downward shift in the implied forward overnight interest rate curve (see Chart 11 and Box 2). At the same time, the degree of uncertainty prevailing in the euro area bond markets, as measured by implied bond market volatility, declined further in July and stood on 4 August well below its average level since January 1999.

**Chart 11 Implied forward euro area overnight interest rates**

(percentages per annum; daily data)



Source: ECB estimate.

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

## Box 2

## THE INFORMATION CONTENT OF EURO AREA LONG-TERM FORWARD INTEREST RATES

From a monetary policy perspective, long-term government bond yields contain useful information about market participants' expectations of future economic activity and inflation over the time to maturity of the bonds concerned. Generally, long-term nominal bond yields can be broken down into three parts: the expected real interest rate, which is often regarded as being closely linked to expectations of average economic growth, the expected long-term rate of inflation, and risk premia. Of the risk premia, the most important are related to the uncertainty regarding future developments in inflation and real interest rates, and therefore in real economic growth. It is not straightforward to identify which factors move bond yields over time: movements may stem from re-evaluated economic growth expectations or inflation expectations, or from changes in risk premia. In addition, it is not clear from looking at long-term bond yields only at which horizon market participants revise their growth and/or inflation expectations.

The main purpose of this box is to briefly describe how forward interest rates derived from bond yields can be used to analyse such information.<sup>1</sup> The focus is on the implied forward overnight interest rate ten years ahead extracted from the term structure of zero-coupon government bond yields. In the absence of term premia, implied forward overnight rates could be interpreted as market participants' expectations of short-term interest rates at some point in the distant future and as such are linked to the expectations for long-term growth and inflation in ten years' time. In the chart below, the implied forward rate is calculated on the basis of data on German government bonds, for which relatively long time series are available. Given the rather small and relatively stable spreads between government bond yields within the euro area since 1999, German bond yields can be regarded as providing a fairly sound illustration of interest rate developments in the euro area over the last couple of years.

One way to address the problem of identifying the specific factors driving the implied forward overnight interest rate is to compare yields with developments in measures of the private sector's long-term real growth and inflation expectations.<sup>2</sup> If one assumes, for the sake of simplicity, that bonds are priced according to these expectations,<sup>3</sup> the difference between their sum (expected long-term nominal growth) and the long-term forward rate should reflect the risk premia embedded in bond yields.

The chart below shows the implied forward overnight rate ten years ahead on a monthly basis since 1973, together with bi-annual (April and October) Consensus Economics forecasts for long-term real GDP growth and inflation (i.e. six to ten years ahead), available from 1990 onwards. The data refer both to Germany and to the euro area as a whole (aggregating data for France, Germany, Italy, the Netherlands and Spain).

1 See the article entitled "The information content of interest rates and their derivatives for monetary policy" in the May 2000 issue of the Monthly Bulletin for a comprehensive description of how to extract market expectations from fixed-income securities.

2 Information extracted from break-even inflation rates and inflation-linked swaps could also be useful in this context. See, for example, the box entitled "Recent developments in the market for index-linked bonds in the euro area" in the December 2003 issue of the Monthly Bulletin. Unfortunately, these data series are relatively short.

3 For instance, the assumption that in the long-run the real interest rate equals real economic growth is a simplification, since, according to standard theoretical models, economic agents' time preferences and population growth may also determine real interest rates over the long run. However, if these factors are considered to be stable, the risk premia embedded in the difference between long-term bond yields and long-term nominal growth expectations will only be adjusted accordingly by a constant term.

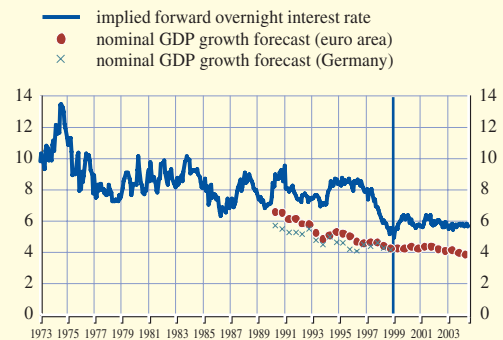


The chart illustrates that there has been an overall downward shift in forward rates since 1990. In addition, the forward rates seem to have been less volatile since the introduction of the euro in 1999. The chart suggests that this is to a large extent due to reduced risk premia as measured by the difference between expected nominal GDP growth and forward rates. Indeed, these seem to have declined substantially in the late 1990s.

The chart can therefore be regarded as illustrating the fact that the market has perceived the introduction of the euro as contributing to a significantly more stable macroeconomic environment. It may reflect not only the fact that since 1999 market participants have expected long-term price stability to be maintained, but also the fact that, in their view, longer-term uncertainty about economic developments has also declined.

### Implied forward overnight interest rate ten years ahead and Consensus Economics forecasts for long-term<sup>1)</sup> nominal GDP growth

(percent, annually compounded)



Source: Consensus Economics, Deutsche Bundesbank, ECB calculations.

Note: The vertical line indicates the introduction of the euro in January 1999. Consensus forecasts are calculated as the sum of real GDP growth and inflation expectations. Euro area data calculated as a weighted average of data for France, Germany, Italy, the Netherlands and Spain. The time series for German nominal growth expectations are not shown for the period after the introduction of the euro. Due to the high degree of internal integration of the euro area government bond market, German government bond yields should reflect euro area rather than domestic economic developments since then.

1) The long-term forecasts reported are the six to ten years ahead Consensus forecasts.

## 2.5 INTEREST RATES ON LOANS AND DEPOSITS

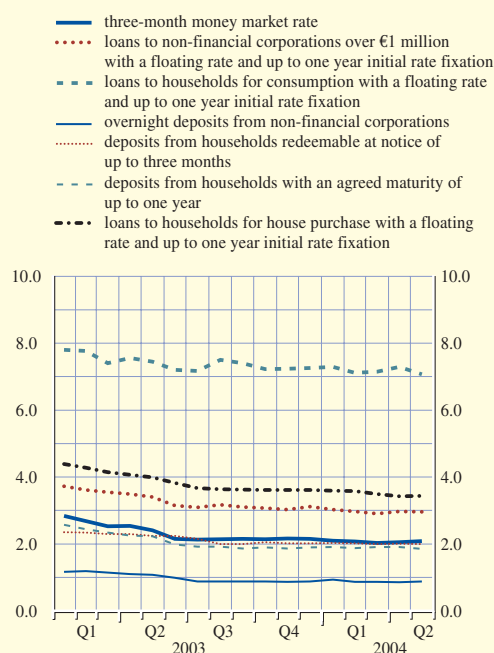
*MFI interest rates remained broadly unchanged in May 2004. Taking a longer-term perspective, MFI interest rates have been on a downward trend since early 2003.*

As explained in Box 3, starting this month, for analytical purposes, weight-adjusted MFI interest rates will be commented on in this part of the Monthly Bulletin. As compared with the official statistics (see “Euro area statistics” section), the adjusted MFI interest rates have the advantage of reducing the impact of changes related to variations in new business, thereby displaying more clearly the underlying movements in national interest rates at the euro area level.

Short-term MFI interest rates on new business remained broadly unchanged in May 2004 (see Chart 12). Taking a somewhat longer-term perspective, short-term MFI interest rates have been declining since May 2003, the last reporting date before the reduction in the key ECB interest rates in June 2003. For example, since May 2003, the rate on loans to households for house purchase with a floating rate and up to one year initial rate fixation has fallen by more than 50 basis points. Over the same period, the rate on loans to non-financial corporations over €1 million with a floating rate and up to one year initial rate fixation has declined by more than 40 basis points. At the same time, the rate on short-term savings deposits from households (i.e. redeemable at notice of up to three months) has declined at a somewhat slower rate, by less than 30 basis points. The rates on overnight deposits from non-financial corporations have decreased by about 20 basis points since May 2003, while the rate on short-term time deposits from households (i.e. with an agreed maturity of up to one year) and loans to households for consumption with a floating rate and

**Chart 12 Short-term MFI interest rates and a short-term market rate**

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

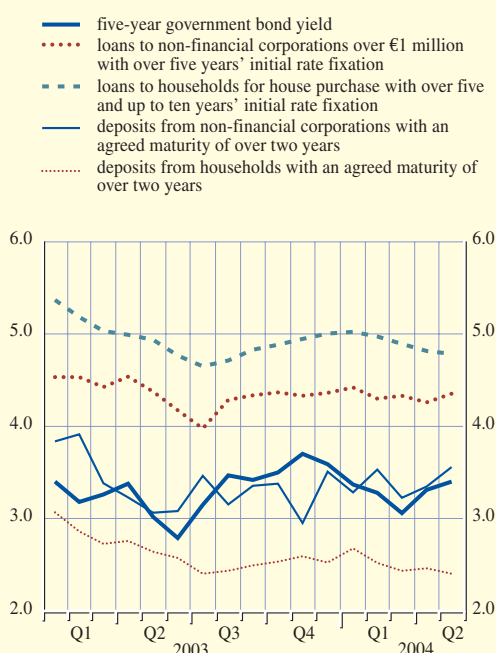


Source: ECB.

1) For the period from December 2003 onwards, the weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. For the preceding period, from January to November 2003, the weight-adjusted MFI interest rates are calculated using country weights constructed from the average of new business volumes in 2003. For further information, see Box 3.

**Chart 13 Long-term MFI interest rates and a long-term market rate**

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



Source: ECB.

1) For the period from December 2003 onwards, the weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. For the preceding period, from January to November 2003, the weight-adjusted MFI interest rates are calculated using country weights constructed from the average of new business volumes in 2003. For further information, see Box 3.

up to one year initial rate fixation have both fallen by more than 30 basis points during the same period. By comparison, the three-month (EURIBOR) money market rate has declined by 30 basis points since May 2003.

Developments in long-term MFI interest rates on new business were mixed in May 2004 (see Chart 13). Taking a longer-term perspective, the rate on loans to non-financial corporations over €1 million with over five years' initial rate fixation declined by less than 20 basis points between January 2003 and May 2004, whereas, in the same period, the rate on loans to households for house purchase with over five and up to ten years' initial rate fixation declined somewhat more strongly, by about 60 basis points. Rates on deposits from non-financial corporations with an agreed maturity of over two years decreased by less than 30 basis points, while rates on deposits from households with the same maturity decreased by about 70 basis points. By comparison, five-year government bond yields remained broadly unchanged over the same period.

The differences in movements in long-term MFI interest rates reflect the fact that they react with rather long lags to changes in market rates. Furthermore, MFI interest rates are not as volatile as comparable market rates. Nevertheless, it appears that since January 2003 banks have lowered the margins for mortgage loans to households somewhat more than comparable margins for loans to non-financial corporations.

**ANALYSING MFI INTEREST RATES AT THE EURO AREA LEVEL**

The new MFI interest rate statistics introduced in December 2003 offer many opportunities for analysing developments in euro area interest rates. These statistics are of significantly higher quality than the previous “euro area retail interest rates”, as they are based on a common framework for all euro area countries (see the box entitled “New ECB statistics on MFI interest rates” in the December 2003 issue of the ECB’s Monthly Bulletin).

MFI interest rates on new business are calculated at every compilation level (reporting institution, national and euro area) by weighting the interest rates by the amounts agreed as being borrowed from or deposited with MFIs during the reporting month. Thus, at the final compilation stage, euro area MFI interest rates are obtained by weighting national MFI interest rates on new business by the amounts agreed as being borrowed from or deposited with MFIs in the euro area countries in the month concerned. The euro area MFI interest rates therefore measure the average interest per euro borrowed from or deposited with euro area MFIs in a given period. In terms of statistics, the euro area MFI interest rates are properly aggregated unit values.

Changes in the euro area MFI interest rates reflect not only changes in the individual national MFI interest rates, but also changes in the corresponding weights, that is, the amounts agreed as being borrowed or deposited at these rates. Given that the levels of national MFI interest rates still differ, in part significantly, across the countries of the euro area, changes in the respective country weights can sometimes have a major impact on developments in the euro area MFI interest rates.

The volatility in country weights thereby complicates the analysis of the transmission of changes in market interest rates to the individual interest rates charged or offered by MFIs. It is therefore useful, for analytical purposes, to draw a distinction between the official euro area MFI interest rates (unit values) and a measure indicating the average of the individual interest rates set by MFIs.

**Illustration of the effect of changes in country weights on euro area MFI interest rates**

The effect that changes in the amounts agreed as being borrowed or deposited have on the level of euro area MFI interest rates can be seen from the MFI interest rate on loans to households for consumption with a floating rate and up to one year initial rate fixation. At the euro area level, this average unit value has been somewhat volatile since January 2003. However, this volatility has largely been due to changes in country weights, which have overshadowed the underlying movements in individual MFI interest rates.

The underlying reason for this volatility is the large disparity that exists in interest rate levels for this instrument category across the countries of the euro area. Despite this disparity, in nearly all euro area countries borrowing costs on loans to households for consumption with a floating rate and up to one year initial rate fixation fell between January 2003 and May 2004, in most cases by 50 basis points or more. The simple average of the national MFI interest rates across the euro area (excluding Luxembourg) fell by 76 basis points over that period, from

**Table Aggregate euro area MFI interest rates on loans to households for consumption with a floating rate and up to one year initial rate fixation**

(percentages per annum; percentage points; rates on new business)

	January 2003	May 2004	Change January 2003 to May 2004	Average January 2003 to May 2004
Weighted average <sup>1)</sup>	7.28	7.30	0.02	7.42
Simple average <sup>2)</sup>	8.05	7.29	-0.76	7.67
Weight-adjusted average <sup>3)</sup>	7.80	7.07	-0.73	7.35
Memo item				
Three-month money market interest rate	2.83	2.09	-0.74	2.26

Source: ECB.

1) Official euro area MFI interest rate.

2) The data for Luxembourg are subject to statistical confidentiality and are thus excluded from the simple average for the euro area.

3) The weight-adjusted average MFI interest rate is, for the period from December 2003 onwards, calculated using country weights constructed from a 12-month moving average of new business volumes. For the preceding period, from January to November 2003, the weight-adjusted MFI interest rate is calculated using country weights constructed from the average of new business volumes in 2003.

8.05% in January 2003 to 7.29% in May 2004. However, despite the fact that this MFI interest rate declined in nearly all euro area countries, the corresponding euro area weighted average rose over that period, from 7.28% to 7.30%. This increase was caused by a fall in the weight of Germany in the euro area weighted average, from 51% to 18%, between January 2003 and May 2004. Since this country records one of the lowest MFI interest rates in the euro area for loans to households for consumption with a floating rate and up to one year initial rate fixation, the increase in the weight of other countries with higher MFI interest rates led, accordingly, to the observed increase in the euro area weighted average.

This is an extreme case, which does not reflect the behaviour of most MFI interest rates and which is caused by large cross-country differences in this specific category of MFI interest rates. However, changes in weights may occasionally also affect developments in other series and blur the analysis of the interest rate pass-through from changes in market interest rates, especially in the short term.

### Reducing the effects of volatile country weights

In order to better assess the pass-through of market interest rates to individual MFI interest rates, this box introduces, as a new analytical tool, weight-adjusted MFI interest rates, which are derived indicators measuring the average of the individual national interest rates set by euro area MFIs. These indicators reduce, at the euro area level, the impact of changes in country weights. In these indicators, the weights applied to the national unit values do not just reflect the business volumes of the reporting month. Instead, national weights are constructed using a 12-month moving average of the monthly business volumes in those countries.

This adjustment method thereby eliminates most of the month-to-month variability related to changes in country weights. It therefore allows a time series to be constructed which represents the underlying individual interest rate movements more closely than the official MFI interest rate statistics.

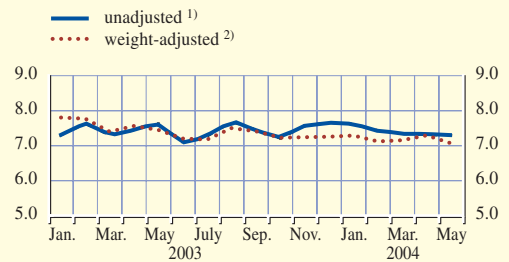
The chart below shows the weight-adjusted euro area MFI interest rate, using a 12-month moving average of business volumes, and the official euro area MFI interest rate for loans to households for consumption with a floating rate and up to one year initial rate fixation. It is

clear that, in the period under review, the weight-adjusted MFI interest rate showed a tendency to decline, falling by 73 basis points from 7.80% in January 2003 to 7.07% in May 2004. In contrast, as mentioned above, the official MFI interest rate rose by 2 basis points over the same period. By way of comparison, the three-month euro area money market interest rate fell by 74 basis points, from 2.83% in January 2003 to 2.09% in May 2004.

The text and the charts relating to MFI interest rates in this section of the Monthly Bulletin will from now on be based on the weight-adjusted series, given its focus on the pass-through from market interest rates to MFI interest rates. Obviously, for other purposes, such as the calculation of interest flows, the official MFI interest rate statistics published in the “Euro area statistics” section of the Monthly Bulletin remain the main reference source.

**Chart MFI interest rates on loans to households for consumption with a floating rate and up to one year initial rate fixation**

(percentages per annum; rates on new business)



Source: ECB.

1) Official euro area MFI interest rate.

2) The weight-adjusted average MFI interest rate is, for the period from December 2003 onwards, calculated using country weights constructed from a 12-month moving average of new business volumes. For the preceding period, from January to November 2003, the weight-adjusted MFI interest rate is calculated using country weights constructed from the average of new business volumes in 2003.

## 2.6 EQUITY MARKETS

*Stock prices in the major economies declined in July, in part on account of persistently high oil prices and a number of corporate profit warnings for the remainder of the year. At the same time, implied stock market volatility remained relatively low.*

### UNITED STATES

Between the end of June and 4 August the broad-based Standard & Poor's 500 index fell by around 4% (see Chart 14), while the technology-dominated Nasdaq Composite declined by 9%. One factor contributing to these declines was persistently high oil prices. In addition, some economic data releases were weaker than had been expected by market participants. Furthermore, although reported earnings for the second quarter of 2004 exceeded market expectations during the review period, market earnings expectations for the remainder of the year were revised downwards in July on account of a number of corporate profit warnings. Such profit warnings were particularly severe in the technology sector.

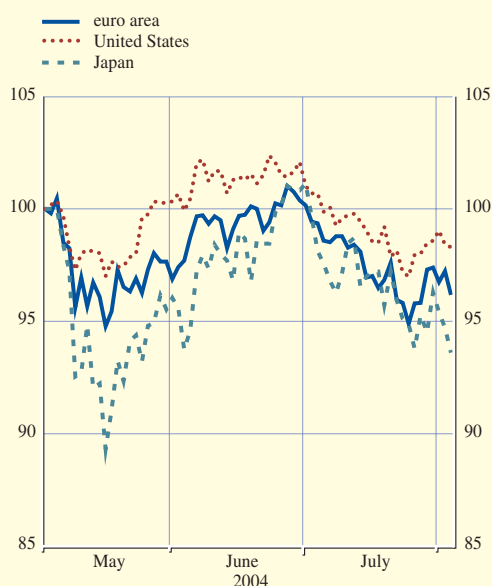
Uncertainty in the US stock market, as measured by the ten-day moving average of implied volatility extracted from options on the Standard & Poor's 500 index, increased by around 1 percentage point between the end of June and 4 August and continued to stand at levels somewhat below its historical average since 1999 (see Chart 15).

### JAPAN

In Japan, stock prices, as measured by the Nikkei 225 index, decreased by 7% between end-June and 4 August. This decrease seemed to result from persistently high oil prices and a downward correction by market participants of Japanese export prospects. The ten-day moving average of

Chart 14 Stock price indices

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

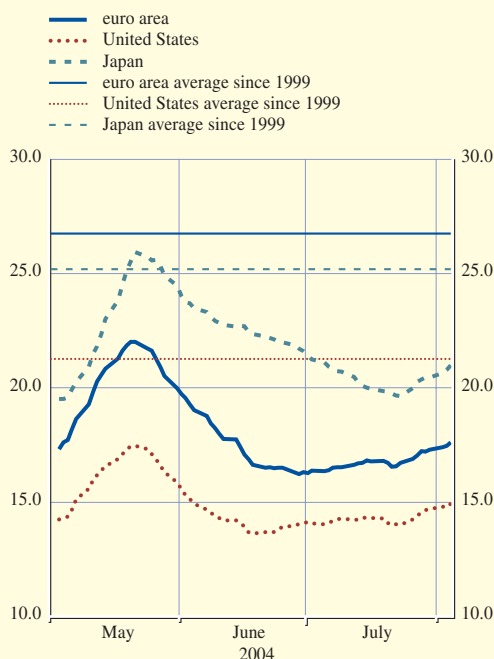


Source: Reuters.

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

Chart 15 Implied stock market volatility

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



Source: Bloomberg.

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

implied volatility extracted from options on the Nikkei 225 index decreased slightly and continued to stand at levels below its historical average since 1999.

## EURO AREA

In the euro area, stock prices fell by 4% between end-June and 4 August. As in the United States, persistently high oil prices and some downward revision of market participants' earnings expectations contributed to the downward pressure on euro area stock prices. At the same time, favourable earnings figures for the second quarter of 2004 supported euro area stock prices to some extent. Stock market uncertainty in the euro area increased somewhat over the review period, as indicated by the ten-day moving average of implied stock market volatility extracted from options on the Dow Jones EURO STOXX 50 index. Nevertheless, on 4 August this volatility measure stood well below its average since 1999.

As regards recent sectoral developments within the euro area, stock prices in all economic sectors covered by the Dow Jones EURO STOXX index, with the exception of the energy sector, decreased over the review period. This decline was most pronounced for the technology sector, where a fall of 16% was recorded for this period, mainly reflecting changes in market participants' views on the sector's profit outlook.

## 3 PRICES AND COSTS

*Euro area HICP inflation edged down in June 2004, mainly on account of developments in energy prices. According to Eurostat's flash estimate, inflation in July is estimated to have remained unchanged at 2.4%. Looking at the earlier stages of the pricing chain, producer price inflation remained unchanged in June despite the continued increases in the non-energy components. The latest labour cost indicators for the first quarter of 2004 confirmed that annual wage growth in the euro area remains moderate. Looking ahead, the recent oil price increases may continue to exert upward pressure on inflation in the short term, with inflation rates likely to remain above 2% for longer than was expected just a few months ago. Beyond the short term, however, the outlook should remain consistent with price stability, provided that wages develop moderately, in line with the latest evidence available. This view is also supported by the latest indications from the ECB's Survey of Professional Forecasters. Risks to this outlook relate to further upward pressure on commodity prices, in particular oil, the evolution of indirect taxes and administered prices and, against this background, potential second-round effects.*

### 3.1 CONSUMER PRICES

#### FLASH ESTIMATE FOR JULY 2004

According to Eurostat's flash estimate, euro area inflation remained unchanged at 2.4% in July 2004 (see Table 4). Although no detailed breakdown is available as yet, most components are expected to remain broadly unchanged. Given the preliminary nature of the information, however, this estimate is surrounded by the usual uncertainty.

#### HICP INFLATION IN JUNE 2004

Euro area inflation inched down to 2.4% in June 2004, from 2.5% in May, mainly on account of developments in energy prices (see Chart 16). The annual rate of change in energy prices declined from 6.7% in May to 5.9% in June. This decline mainly reflected the decrease in oil prices in euro terms between mid-May and end-June. Contrary to previous months, the change in the year-on-year rate of energy prices between May and June was not affected by base effects. Adding to the downward pressures from energy prices, the annual rate of change in unprocessed food prices – the other main volatile item in the HICP – declined from 1.7% in May to 1.2% in June. This mainly reflected a base effect associated with the increase in this component a year ago.

**Table 4 Price developments**

(annual percentage changes, unless otherwise indicated)

	2002	2003	2004 Feb.	2004 Mar.	2004 Apr.	2004 May	2004 June	2004 July
<b>HICP and its components</b>								
Overall index <sup>1)</sup>	2.3	2.1	1.6	1.7	2.0	2.5	2.4	2.4
Energy	-0.6	3.0	-2.2	-2.0	2.0	6.7	5.9	.
Unprocessed food	3.1	2.1	1.9	1.7	1.6	1.7	1.2	.
Processed food	3.1	3.3	3.2	4.1	3.9	3.9	3.8	.
Non-energy industrial goods	1.5	0.8	0.8	0.7	1.0	0.9	0.9	.
Services	3.1	2.5	2.6	2.5	2.5	2.6	2.6	.
<b>Other price indicators</b>								
Industrial producer prices	-0.1	1.4	0.0	0.4	1.4	2.4	2.4	.
Oil prices (EUR per barrel)	26.5	25.1	24.1	26.7	27.6	30.9	29.3	30.7
Non-energy commodity prices	-0.9	-4.5	7.2	17.2	19.7	21.1	21.9	18.0

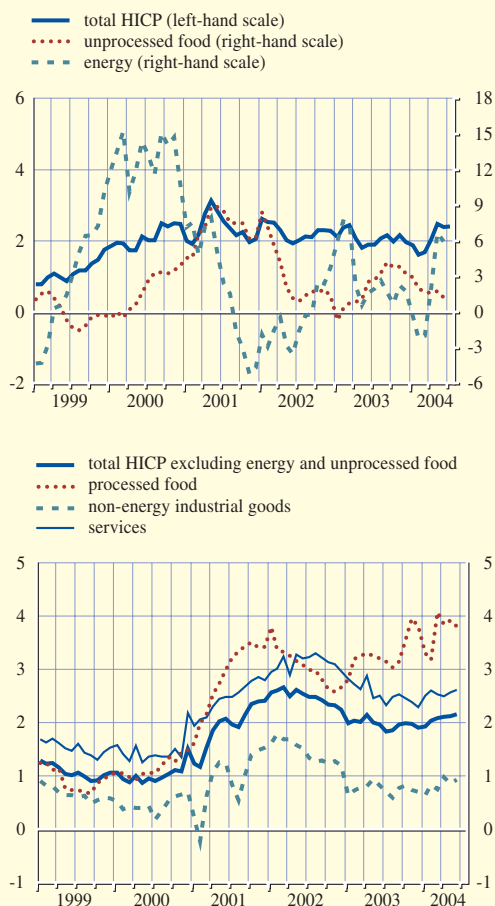
Sources: Eurostat, Thomson Financial Datastream and HWWA.

1) HICP inflation in July 2004 refers to Eurostat's flash estimate.



**Chart 16 Breakdown of HICP inflation: main sub-components**

(annual percentage changes; monthly data)



Source: Eurostat.

By contrast, the annual rate of change in all the non-energy components of producer prices increased or remained broadly stable over the same period. As a result, the annual rate of change in the PPI excluding construction and energy rose by 0.3 percentage point to 1.9% in June. This was mainly due to a further increase in producer prices of intermediate goods which was related to the delayed indirect effects of the past increases in oil and non-oil commodity prices. Furthermore, the annual rate of change in consumer goods rose by 0.2 percentage point to 1.6% in June. Past tobacco price increases continued to contribute significantly to the annual rate of change in producer prices of consumer goods.

The Eurozone Input Price Index (EPI) for July suggests that producer price inflation will increase further in the coming months. Although it declined slightly to 70.2 in July, the level of this indicator remains well above 50 and thereby indicates that survey respondents perceive considerable pressure on their input costs in the manufacturing sector.

Despite relatively stable price developments in each of its main sub-components, the annual rate of change in the HICP excluding unprocessed food and energy increased from 2.1% in May to 2.2% in June as a result of rounding effects. The annual rate of change in processed food prices declined from 3.9% in May to 3.8% in June, while the annual rate of change in non-energy industrial goods prices remained unchanged at 0.9%. Finally, services prices grew by 2.6% year on year in June, unchanged from May. Overall, these developments suggest that there is no evidence as yet of a significant passthrough from higher energy prices to the prices of non-energy goods and services at consumer level.

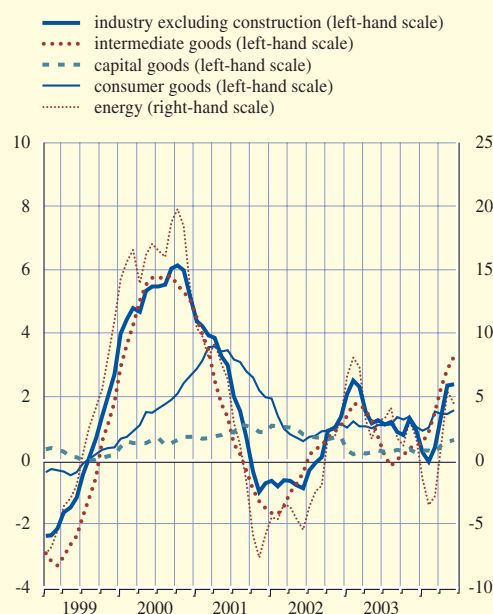
### 3.2 INDUSTRIAL PRODUCER PRICES

While the non-energy components continued to exert upward pressure on euro area producer prices, the declines in oil prices observed in June kept overall pressure on producer prices unchanged in June (see Chart 17). The annual rate of change in the overall index of producer prices (PPI) excluding construction remained unchanged at 2.4% in June.

The annual rate of change in energy prices declined in June. The decline reflected a base effect associated with the rise in this component one year previously and the decline in oil prices in euro terms observed between mid-May and end-June 2004.

**Chart 17 Breakdown of industrial producer prices**

(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

### 3.3 LABOUR COST INDICATORS

Developments in labour cost indicators support the view that annual wage growth remained moderate in the first quarter of 2004 (see Chart 18). The annual growth rate of compensation per employee, the most harmonised measure of labour costs, declined to 1.9% in the first quarter of 2004, from 2.1% in the previous quarter (see Table 5). At the sectoral level, this downward movement was mainly driven by the service sector, and in particular market-related services (see Chart 19). Some caution is, however, warranted when interpreting these latest indications of a further decline in wage growth. In particular, national data point to a slight increase in wage growth between the last quarter of 2003 and the first quarter of 2004 in line with other labour cost indicators. For example, the annual growth rate of hourly labour costs increased to 2.5% in the first quarter of 2004, from 2.3% in the previous quarter, while the annual growth rate of negotiated wages increased from 2.2% to 2.3% over the same period. Hence, some statistical factors may explain the latest decline in the

growth of compensation per employee at the euro area level and an upward revision to the euro area estimate cannot be ruled out. Taken together, the overall evidence suggests a broadly moderate pattern in nominal wage growth over the year up to the first quarter of 2004.

Reflecting mainly the significant increase in labour productivity, and also the decline in the annual growth rate of compensation per employee mentioned above, annual unit labour cost growth eased further in the first quarter of 2004 to 0.9%, from 1.6% in the last quarter of 2003.

**Table 5 Labour cost indicators**

(annual percentage changes, unless otherwise indicated)

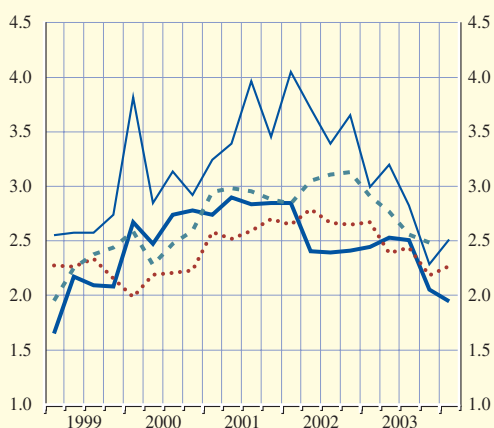
	2002	2003	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1
Negotiated wages	2.7	2.4	2.7	2.4	2.4	2.2	2.3
Total hourly labour costs	3.7	2.8	3.0	3.2	2.8	2.3	2.5
Gross monthly earnings	3.0	2.7	2.9	2.8	2.6	2.5	.
Compensation per employee	2.5	2.4	2.4	2.5	2.5	2.1	1.9
<i>Memo items:</i>							
Labour productivity	0.3	0.3	0.6	0.0	0.2	0.5	1.1
Unit labour costs	2.2	2.0	1.8	2.5	2.3	1.6	0.9

Sources: Eurostat, national data and ECB calculations.

Chart 18 Selected labour cost indicators

(annual percentage changes)

- compensation per employee
- negotiated wages
- - - gross monthly earnings
- hourly labour costs

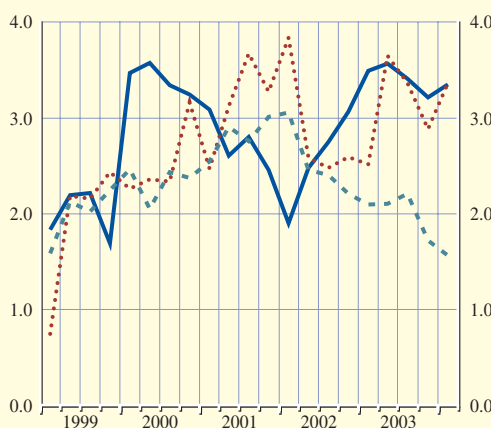


Sources: Eurostat, national data and ECB calculations.

Chart 19 Sectoral compensation per employee

(annual percentage changes; quarterly data)

- industry excluding construction
- construction
- - - services



Sources: Eurostat and ECB calculations.

### 3.4 THE OUTLOOK FOR INFLATION

The recent increases in oil prices will continue to exert some upward pressure on inflation over the coming months. However, the unprocessed food component is expected to exert countervailing downward pressures on inflation. Overall inflation rates are expected to remain above 2% for longer than was expected a few months ago, mainly on account of the recent increase in oil prices. Looking beyond the short term, however, the outlook should remain consistent with price stability, provided that wages develop moderately, in line with the latest evidence available. This view is also supported by the latest indications from the ECB's 2004 Q3 Survey of Professional Forecasters (see Box 4).

Risks to this outlook relate to further upward pressure on commodity prices, including oil, due to the strength of the global economic upturn, the evolution of indirect taxes and administered prices and, against this background, potential second-round effects.

## Box 4

### PRIVATE SECTOR EXPECTATIONS FOR INFLATION AND ECONOMIC ACTIVITY IN THE EURO AREA: RESULTS OF THE 2004 Q3 SURVEY OF PROFESSIONAL FORECASTERS (SPF) AND OTHER AVAILABLE INDICATORS

This box reports the results of the 24th Survey of Professional Forecasters (SPF) conducted by the ECB between 16 and 26 July 2004. The SPF gathers expectations for euro area inflation, economic activity and unemployment from experts affiliated to financial or non-financial institutions based in the European Union. It is important to bear in mind that, given the diversity of the panel of participants, aggregate SPF results can reflect a relatively heterogeneous set of subjective views and assumptions. Whenever possible, SPF results are compared with other available indicators of private sector expectations for the same horizons.

#### Inflation expectations for 2004-06

Survey participants' expectations for HICP inflation in 2004 and 2005 have been revised upwards compared with the previous SPF. Expectations for 2004 and 2005 have been revised upwards by 0.3 and 0.1 percentage point to 2.1% and 1.9% respectively. According to SPF respondents, commodity price developments, in particular oil prices, are the main factor behind these upward revisions. With regard to other external factors impacting on the inflation outlook, the euro exchange rate is expected to have a downward impact, while global growth is expected to exert an upward impact. Respondents report that domestic factors, in particular labour costs in the context of the anticipated gradual nature of the economic recovery are expected to exert a downward impact, although some of them mention the issue of possible second-round effects from commodity price increases. The profile of inflation implied by the SPF projections is quite

#### Results from the SPF, Consensus Economics and Euro Zone Barometer

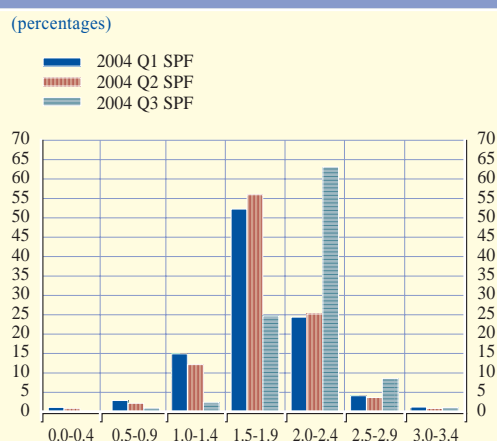
(annual percentage changes, unless otherwise indicated)

	Survey horizon					
	2004	June 2005	2005	June 2006	2006	Longer term <sup>2)</sup>
<b>HICP inflation</b>						
2004 Q3 SPF	2.1	1.8	1.9	1.9	1.9	1.9
Previous SPF (2004 Q2)	1.8	-	1.8	-	-	1.9
Consensus (July 2004)	2.1	-	1.8	-	-	1.9
Euro Zone Barometer (July 2004)	2.1	-	1.8	-	1.9	1.9
<b>Real GDP growth</b>						
2004 Q3 SPF	1.8	2.1	2.1	2.3	2.3	2.3
Previous SPF (2004 Q2)	1.6	-	2.1	-	-	2.3
Consensus (July 2004)	1.7	-	2.0	-	-	2.1
Euro Zone Barometer (July 2004)	1.8	-	2.2	-	2.3	2.1
<b>Unemployment rate<sup>1)</sup></b>						
2004 Q3 SPF	8.9	8.7	8.6	8.3	8.3	7.5
Previous SPF (2004 Q2)	8.8	-	8.5	-	-	7.5
Consensus (July 2004)	8.9	-	8.7	-	-	-
Euro Zone Barometer (July 2004)	8.9	-	8.7	-	8.3	7.7

1) As a percentage of the labour force.

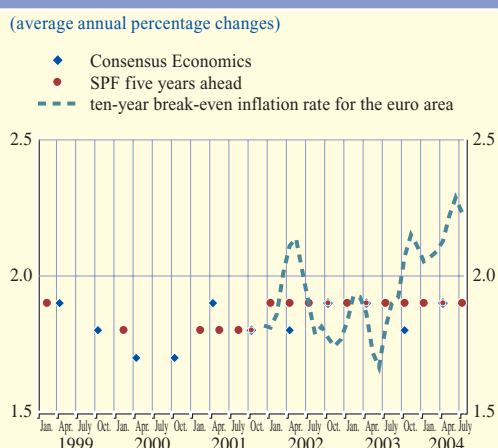
2) In the current SPF round, longer-term expectations refer to 2009. In the Euro Zone Barometer and the previous SPF round these referred to 2008. The Consensus Economics forecast refers to the period 2010-14 (data published in the April 2004 Consensus Economics Survey).

**Chart A Probability distribution for average inflation in 2004 in the last three SPF rounds**



Sources: Eurostat, national data and ECB calculation.

**Chart B Indicators of long-term inflation expectations**



Sources: French Treasury, Reuters, Consensus Economics and ECB.

flat, with expectations for 2006 also at 1.9%. Expectations for 2006 were not surveyed in the previous round; hence it is not possible to compare with the current round.

Overall, SPF expectations are broadly in line with the figures reported in the July 2004 issues of Consensus Economics and the Euro Zone Barometer (see the table on the opposite page).

SPF participants are also asked to assign a probability distribution to their forecasts. This distribution provides information on the probability, expressed as a percentage, that the actual future outcome will fall within a specific interval. The probability distribution resulting from the aggregation of responses also helps to assess how, on average, survey participants gauge the risk of the actual outcome being above or below the most likely range. Chart A reports the aggregate probability distributions for average annual rates of HICP inflation in 2004 in the last three survey rounds. Compared to the previous round there has been a clear increase in the probability associated with an outcome in the 2.0-2.4% range. This movement reflects the increase in the mean expected rate. Consequently, the probability associated with inflation in 2004 falling within the 1.5-1.9% range has decreased significantly.

### Indicators of longer-term inflation expectations

Longer-term inflation expectations (i.e. five years ahead) reported by SPF participants remained at 1.9%, unchanged for the eleventh consecutive SPF (see Chart B). This is consistent with other survey measures of longer-term inflation expectations. In July 2004 the Euro Zone Barometer forecast an average inflation rate of 1.9% in 2008, and in April Consensus Economics published an average inflation rate of 1.9% for the period 2010-14 (more up-to-date information on longer-term expectations from Consensus Economics will become available in October 2004). Regarding indicators of inflation expectations extracted from financial instruments, the ten-year break-even inflation rates derived from French government bonds linked to the euro area HICP (excluding tobacco) have declined somewhat in the last few weeks,

but still remain at a relatively high level.<sup>1</sup> It should be noted, however, that break-even inflation rates are also affected by a variety of risk premia (including inflation uncertainty and liquidity premia). The hypothesis that the current level of the break-even inflation rate may reflect inflation uncertainty is supported by the fact that, although there was no increase in the average of respondents' point estimates for long-term inflation in the SPF, there was some increase in the probability attached to higher inflation outcomes.<sup>2</sup>

### **Expectations for real GDP growth and unemployment in the euro area**

Expected GDP growth in 2004 has been revised upwards to 1.8%, which is 0.2 percentage point higher compared with the last SPF. The point estimate for 2005 is higher at 2.1%, unchanged since the last round. In 2006 GDP growth is expected to be 2.3%. Based on respondents' qualitative comments, forecasters expect the upturn in overall activity in 2004 to be mainly driven by strong external demand. This will in turn facilitate a more broadly based recovery thereafter. On the domestic side, favourable financing conditions should support an upswing in investment. Nevertheless, on the external side, commodity price and exchange rate developments and, on the domestic side, a lack of confidence and internal demand, and uncertainties pertaining to structural reforms are still cited as factors hindering growth prospects. The SPF forecasts for GDP growth in 2004 and 2005 are broadly similar to those published in the July issues of Euro Zone Barometer, which are 1.8% for 2004 and 2.2% for 2005, but are slightly above the ones published in the July Consensus Economics, which are 1.7% for 2004 and 2.0% for 2005 (see table above). Considering longer-term growth rates, expectations five years ahead (i.e. 2009) stand at 2.3%, which is unchanged from the previous SPF.

SPF respondents' expectations for unemployment in 2004 and 2005 have been revised upwards to 8.9% and 8.6% respectively compared with the previous round. This upward revision, despite a more positive outlook for short-term growth, mainly reflects an upward revision to historical data. The anticipated gradual nature of the economic recovery, the increasing practice of outsourcing from industries and the tendency to reduce the size of the public sector are the main factors cited as being behind the relatively slow decline forecast in unemployment in 2004 and 2005. Once the upswing gathers steam respondents expect the cycle to be the main driving factor behind the declining unemployment dynamic. The expected rate of unemployment in 2009 stands at 7.5%, unchanged compared with the previous round. Whilst some respondents cite labour market reforms as being behind the expected decline in unemployment over the longer-term horizon, a number of respondents are concerned that the magnitude of future reforms may be insufficient to have a meaningful impact on long-term unemployment.

1 It should be noted that the break-even inflation rate reflects average expected inflation over the (residual) maturity of the bonds used in its construction and is not a point estimate for a precise year (as is the case for some of the survey indicators of long-term inflation expectations). For a thorough description of the conceptual nature of the break-even inflation rate, refer to the box entitled "Deriving long-term euro area inflation expectations from index-linked bonds issued by the French Treasury" in the February 2002 issue of the Monthly Bulletin.

2 Additional data are available on the ECB's website at [www.ecb.int/stats/prices/indic/forecast/html/index.en.html](http://www.ecb.int/stats/prices/indic/forecast/html/index.en.html)

## 4 OUTPUT, DEMAND AND THE LABOUR MARKET

The latest information on activity in the euro area has confirmed the strengthening of the recovery in the first quarter of this year and points to ongoing growth in the second quarter. At the sectoral level, available information points to strong activity, especially as regards the industrial sector. Concerning the expenditure side, available indicators suggest that export growth continued to be strong while household spending may have been somewhat less dynamic. Recent indicators seem to signal that the situation of the labour market could improve in the second half of the year. Overall, the conditions for a broadening and strengthening of the upturn are in place.

### 4.1 OUTPUT AND DEMAND DEVELOPMENTS

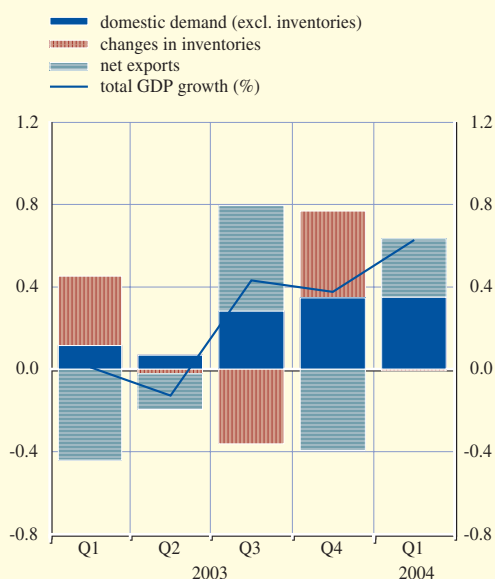
#### REAL GDP AND EXPENDITURE COMPONENTS

The second estimate of national accounts data for the first quarter of 2004 was unchanged compared with the first estimate, at 0.6% quarter on quarter, confirming the strengthening of real GDP growth at the beginning of 2004 (see Chart 20).

The unchanged quarterly GDP growth rate concealed, however, opposite revisions in net exports and domestic demand. On the one hand, the contribution of net exports has been revised downwards, as a result of both a downward revision in exports growth and an upward revision in imports growth. In spite of this downward revision, exports growth continued to play a leading role in the recovery in the first quarter of the year. On the other hand, the contribution of domestic demand has been revised upwards. This was due to an upward adjustment in investment, which is now recording an increase in the first quarter. At the same time, the negative contribution of the change in inventories has been reduced. The growth rates of the remaining domestic demand components, i.e. private and government consumption, were unchanged.

Chart 20 Contributions to real GDP growth

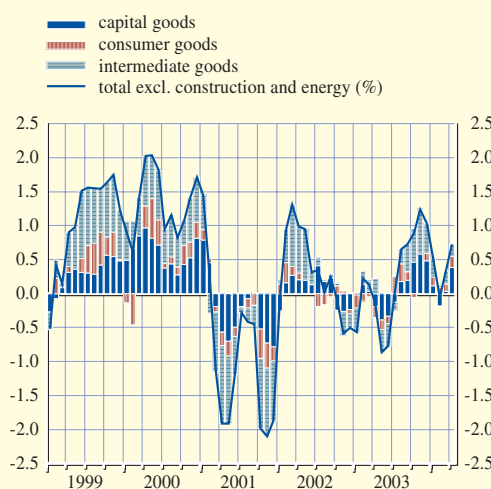
(quarterly percentage point contributions; seasonally adjusted)



Sources: Eurostat and ECB calculations.

Chart 21 Contributions to growth in industrial production

(percentage point contributions; seasonally adjusted)



Sources: Eurostat and ECB calculations.

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



## SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

Industrial production data point to continued growth in manufacturing activity in the second quarter of this year. Euro area industrial production (excluding construction) rose month on month in May 2004, confirming the positive indications coming from survey data. On a three-month moving average basis, industrial production growth reached 0.8% in May. This is expected to lead to a growth rate in the second quarter more in line with that recorded by value added data in industry in the first quarter. In line with this view, data on order books point to further improvements in the sector in coming months. See Box 5 for a detailed analysis of differences between industrial production and value added data in industry in the first quarter.

The increase in production in May was broadly based across sectors. Production increased significantly in the capital goods producing sectors and, less significantly, in the intermediate and consumption goods producing sectors and in energy (see Chart 21).

### Box 5

#### DIFFERENCES BETWEEN INDUSTRIAL PRODUCTION AND VALUE ADDED DATA IN INDUSTRY IN THE FIRST QUARTER OF 2004

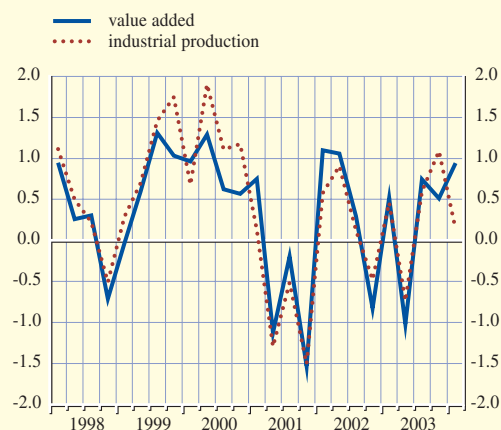
Industrial production and data on value added in industry showed significantly different growth rates in the first quarter of 2004. This has made the assessment of the strength of industrial activity difficult. This box presents a number of factors which may account for this difference. It also reports on developments in other indicators related to industrial activity that provide useful complementary information. These indicators suggest that actual growth in industry was probably stronger than observed in the industrial production data, although possibly not as strong as currently indicated by the value added series.

In the first quarter of this year, euro area industrial production (excluding construction) rose by 0.2% quarter on quarter, giving the impression of renewed weakness in the sector. This result was at odds with value added data, which showed growth of 0.9% in the first quarter (see Chart A). The gap between current estimates of the two indicators is narrower than it was with initial estimates of growth in the first quarter. However, it is still substantial, which complicates the assessment of the pace of growth in industry at the beginning of this year.

When analysing possible factors accounting for this difference, it should be noted that the statistical concepts of the two indicators are similar. In particular, both series measure output net of inputs used in production. However, due to data availability at the country level, the estimate of euro area

Chart A Growth in industrial activity

(quarter-on-quarter percentage changes; seasonally adjusted data)



Source: Eurostat.

industrial production is based on a larger geographical coverage than value added data. In addition, the impact of different coverage for the two indicators was emphasised by different growth patterns across the euro area. In the countries for which value added data were available, growth in industry seems to have been significantly stronger than in those for which only industrial production data were available. The combination of different country coverage and different patterns of growth across countries accounts for around 0.2 percentage point of the 0.7 percentage point gap between euro area industrial production and value added results. Therefore, as quarterly and annual national accounts for the remaining countries become available, the gap between value added and industrial production could be expected to narrow further with slightly lower estimates of growth in value added.

A second factor relates to different seasonal adjustments for the two indicators. Euro area industrial production data are calculated by aggregating working-day adjusted national data. Eurostat then adjusts this aggregate for seasonal factors. By contrast, euro area value added data are constructed by aggregation of national seasonally (and, in most cases, working-day) adjusted series. Seasonal adjustment may partly account for the observed discrepancy in the first quarter of this year, but its contribution is difficult to quantify. Over time, different seasonal adjustment procedures for industrial production and value added in industry should have a random impact on the difference between the two indicators.

Developments in other industry-related variables bring valuable information for assessing the strength of activity in industry at the beginning of this year. Some of these indicators are shown in Chart B. All point to some improvement in the first quarter compared with the end of last year. For example, industrial turnover rose by 2.0% quarter on quarter in the first quarter in nominal terms (no constant price data are available). This was stronger than in the previous quarter. Based on nominal turnover data, a slowdown in real value added as indicated by the industrial production data would imply that either inputs to production rose sharply, that inventories of finished products have been reduced (both hypotheses implying a difference between turnover and value added concepts) or that output prices fell significantly compared with input prices (leading to a gap between growth rate developments in nominal and real terms). No direct information on inputs to production is available, but businesses' assessment of quantity purchases in the Purchasing Managers' Index (PMI) for the manufacturing sector showed only a modest rise in the first quarter. Similarly, survey data on businesses' assessment of stocks of finished goods do not show any evidence of significant destocking. Finally, indicators on prices and costs make it possible to dismiss the hypothesis of divergent input and output prices. Similarly, subdued growth in industrial production

**Chart B Indicators related to industrial activity**

(seasonally adjusted data)



Sources: European Commission and Reuters NTC.

Note: Manufacturing turnover and exports of goods as quarter-on-quarter growth rates; European Commission survey of manufacturing confidence and manufacturing PMI normalised. Turnover data are in nominal terms. Exports of goods include cross-border intra-euro area trade.

would be at odds with robust growth in external demand as witnessed by data on exports of goods (see Chart B). Finally, both the European Commission survey of manufacturing confidence and the manufacturing PMI reported ongoing improvements in businesses' assessment of activity in the sector, which is also contrary to the picture given by the industrial production numbers.

Overall, the available range of indicators consistently points to a strengthening of industrial activity in the first quarter of this year. While increased coverage could imply some downward revisions to the current value added estimates, it seems that growth was stronger than suggested by the industrial production data, although possibly not as strong as currently indicated by the value added series.

#### SURVEY DATA FOR MANUFACTURING AND SERVICES SECTORS

Recent survey data point to continued positive contributions to activity developments both from the industrial and services sector.

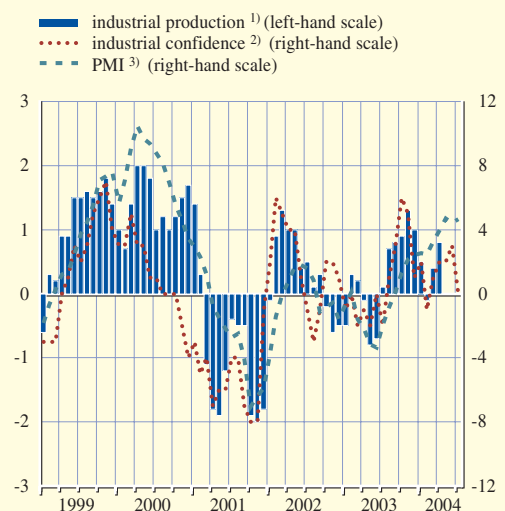
The European Commission's industrial confidence indicator remained unchanged in July compared with June and with the second quarter as a whole, pointing to ongoing growth in industrial production at the start of the third quarter of 2004. Continued dynamism in the industrial sector is also supported by a further increase in both order books and the level of capacity utilisation in July. A positive picture is also given by the Purchasing Managers' Index (PMI) for the manufacturing sector, as it rose in July, offsetting the decline recorded in June and exceeding the level of the second quarter of 2004 on average (see Chart 22).

As regards the components of the European Commission's industrial confidence indicator, businesses' assessment of order books improved further in July contributing positively to industrial confidence. An additional positive contribution was due to the slight decline in the assessment of stocks of finished products. However, a decline in production expectations for the next three months offset these developments. The improvement in the PMI for the manufacturing sector in July was broadly based among components. It continued to show an expansion in output and new orders, following an increase in the second quarter, while stocks of purchased goods continued to fall and the suppliers' delivery times registered a further lengthening.

As regards activity in the services sector, survey data from the European Commission and the PMI remained broadly unchanged in July, pointing to continued positive growth in services sector activity at the start of the third quarter.

**Chart 22 Industrial production, industrial confidence and the PMI**

(monthly data; seasonally adjusted)



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

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

## INDICATORS OF HOUSEHOLD SPENDING

Indicators for private consumption give a mixed picture regarding the developments in the second quarter of 2004. On the one hand, although retail sales in the euro area increased by 1.8% month on month in June, a downward revision to May retail sales data in some countries has led to a decline in retail sales in the second quarter as a whole compared with the first quarter (see Chart 23). On the other hand, data for new passenger car registrations up to June indicate a significant increase of this component of consumer spending for the second quarter as a whole. Car registrations increased slightly in June after declining in May. On average, new passenger car registrations grew by 1.8% in the second quarter compared with the first quarter of 2004.

## 4.2 LABOUR MARKET

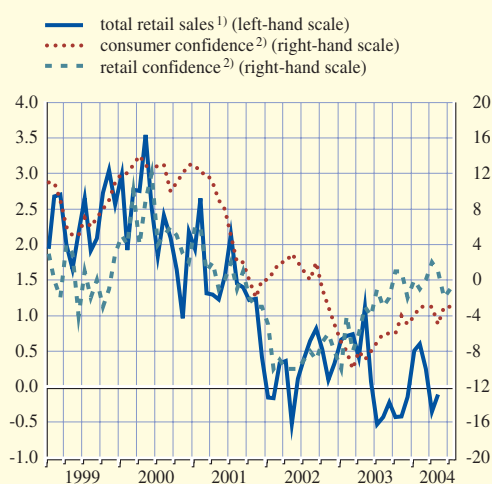
### UNEMPLOYMENT

In June 2004 the unemployment rate stood at 9.0%, unchanged compared with the previous month (see Chart 24). This implies an increase of 0.1 percentage point between the first and the second quarter of 2004. However, the rise in the number of unemployed declined in the second quarter compared with the previous quarter. This points to some stabilisation in labour market conditions after the deterioration recorded at the beginning of 2004, which was partly due to country-specific developments.

In terms of the age breakdown, both the unemployment rate of those below 25 years old and those aged 25 and above remained unchanged in June, at 17.5 % and 7.9% respectively. The increase in

**Chart 23 Retail sales and confidence in the retail trade and household sectors**

(monthly data)



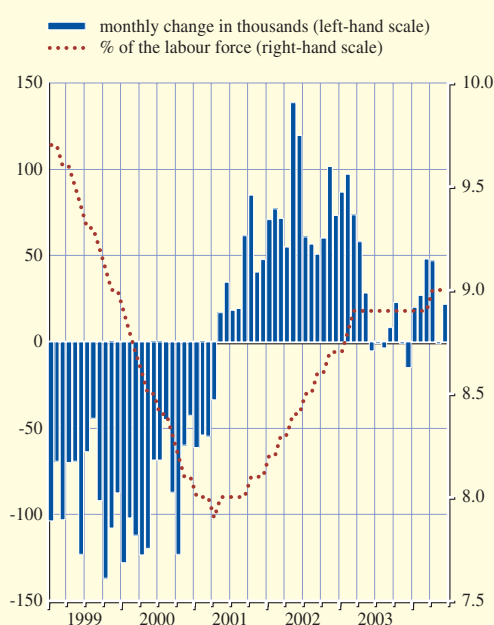
Sources: European Commission Business and Consumer Surveys and Eurostat.

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

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

**Chart 24 Unemployment**

(monthly data; seasonally adjusted)



Source: Eurostat.

the overall unemployment rate in the second quarter was mainly concentrated in those below 25 years old.

## EMPLOYMENT

As reported in the previous issue of the Monthly Bulletin, employment growth was zero in the first quarter of this year compared with the previous quarter (see Table 6). Unchanged employment at the beginning of 2004 conceals, however, a further decline in employment in the industrial sector, both in manufacturing and construction, while net job creation in the services sector remained positive.

The most recent information on surveys confirms the broadly based improvement in employment expectations recorded in the second quarter, although still at relatively low levels. According to the European Commission's Business Surveys, employment expectations in the manufacturing sector remained unchanged in July, at a slightly higher level than that recorded in the second quarter, while they improved in the PMI for the manufacturing sector. The index of the latter is now very close to the level of 50, which implies stable employment. For the services sector, the European Commission's Business Surveys for July have confirmed the picture of improving employment expectations in the second quarter, in line with the PMI. At the same time, available information at the national level points to a stabilisation of the vacancy rate in the second quarter of this year, following continued declines since the beginning of 2001.

Overall, employment growth is expected to have remained low in the second quarter. However, there are indications pointing to some improvement in the labour market in the second half of this year.

### 4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

The latest information on activity developments in the euro area supports the assessment of ongoing growth in the second quarter of this year.

Looking ahead, the recovery is expected to continue and be based on positive contributions both from the external and domestic sides. The ongoing strong expansion in most economic regions of

**Table 6 Employment growth**

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

	Annual rates		Quarterly rates				
	2002	2003	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1
Whole economy	0.5	0.1	0.0	0.1	0.0	0.1	0.0
<i>of which:</i>							
Agriculture and fishing	-2.0	-1.6	-0.8	-0.1	0.2	0.0	-0.8
Industry	-1.2	-1.5	-0.3	-0.2	-0.5	-0.5	-0.4
Excluding construction	-1.4	-1.9	-0.4	-0.5	-0.5	-0.6	-0.5
Construction	-0.6	-0.3	0.0	0.4	-0.4	-0.3	-0.1
Services	1.4	0.8	0.2	0.2	0.2	0.3	0.2
Trade and transport	0.3	0.6	0.1	0.3	0.4	0.2	0.2
Finance and business	2.4	1.2	0.1	0.2	0.3	0.6	0.4
Public administration	1.8	0.9	0.3	0.2	-0.1	0.2	0.2

Sources: Eurostat and ECB calculations.

the world continues to be the most important factor supporting this assessment on the external side. On the domestic side, two relevant factors are the favourable environment for investment and the expected improvement in the labour market, which should have a positive impact on consumption, while high oil prices may dampen growth dynamics. Available forecasts seem to confirm this picture (see Box 4 on private sector expectations for inflation and economic activity in the euro area).

## 5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

### 5.1 EXCHANGE RATES

Following some fluctuations throughout July, by the beginning of August the nominal effective exchange rate of the euro had declined to a level slightly lower than that recorded a month earlier. The developments in the foreign exchange markets in July reflected some uncertainty regarding medium-term growth and inflation prospects in all major economic areas. Against this background, the main feature was the initial relatively broad-based weakening and subsequent strengthening of the US dollar. Regarding the new EU Member States, the most notable development was the continuing appreciation of the Polish zloty against the euro.

#### US DOLLAR/EURO

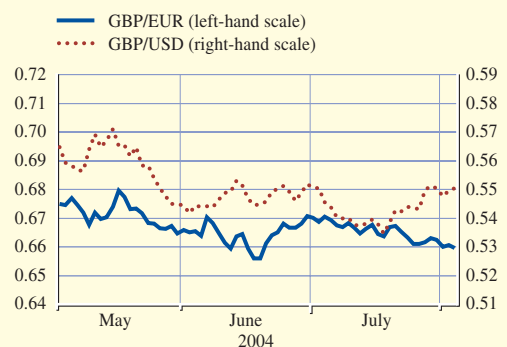
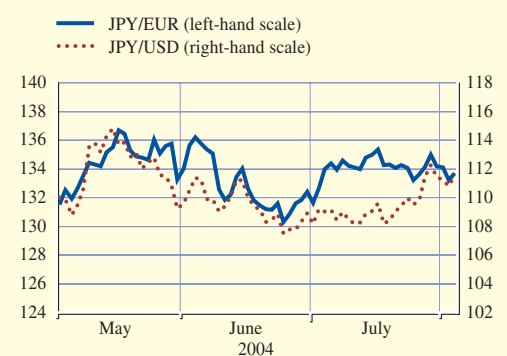
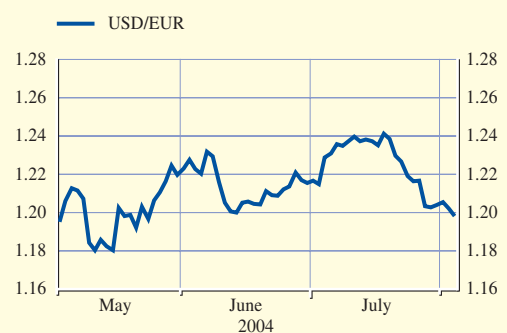
After appreciating against the US dollar in the first half of July, the euro depreciated in the second half of the month to close the period on 4 August somewhat lower than the level recorded in late June (see Chart 25). These developments could be attributed to mixed data releases on economic activity and future inflationary risks in the United States, which, together with data releases for the euro area, were also closely connected with market participants' expectations on prospective yield differentials between the two economic areas. In particular, the depreciation of the dollar throughout the first half of July seemed to reflect a downward revision of market participants' expectations of growth and inflation in the United States following the release of data indicating declining durable goods orders and a lower than expected core CPI measure. Towards the end of the month, the testimony by the Chairman of the Federal Reserve System and data suggesting an improvement in US consumer confidence contributed to an increase in US bond yields and an appreciation of the US dollar against all major currencies. On 4 August the euro stood at USD 1.20, 1.4% below its end-June level and 5.9% higher than its 2003 average.

#### JAPANESE YEN/EURO

Throughout the first half of July the euro appreciated against the Japanese yen. It subsequently lost some of the gains and fluctuated in a fairly narrow range in the second half of the month to trade in early August only slightly above its end-June level (see

Chart 25 Patterns in exchange rates

(daily data)

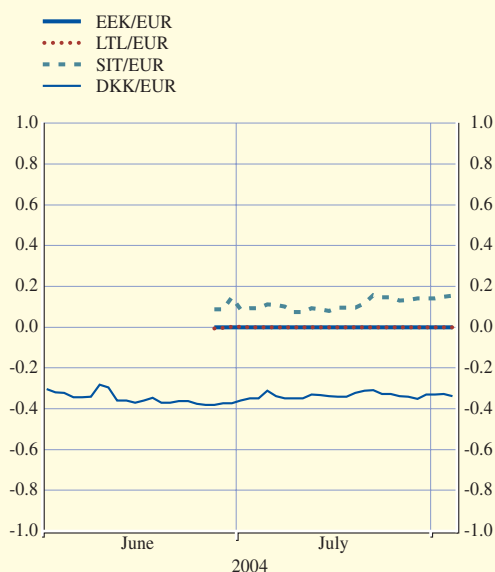


Source: ECB.



**Chart 26 Patterns in exchange rates within ERM II**

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



Source: ECB.

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

Chart 25). At the same time, the Japanese currency depreciated against the US dollar. The initial weakening of the yen vis-à-vis the euro appeared to be linked to temporary market uncertainty regarding the future prospects of the Japanese economic reforms in the context of the run-up to the Japanese parliamentary elections. Towards the end of the period under review, the upgrading by the Japanese cabinet office of Japan's growth forecast for the fiscal year 2004 – in line with a series of data releases suggesting a continued recovery of domestic demand – provided support for the yen. On 4 August the euro was quoted at JPY 133.7, 1.0% higher than its end-June level and 2.1% higher than its 2003 average.

#### EU MEMBER STATES' CURRENCIES

In ERM II, the Danish krone and the Slovenian tolar fluctuated in narrow ranges close to their respective central parities (see Chart 26). In line with the unilateral commitments by Estonia and Lithuania to currency board arrangements within the standard ERM II fluctuation bands, the Estonian kroon and the Lithuanian litas remained unchanged relative to their central parities.

With regard to the currencies of other EU Member States, the euro depreciated against the pound sterling in July and in early August (see Chart 25). The strengthening of the pound was associated with a further widening of the bond yield differential in favour of the United Kingdom in July amid the upward revision of GDP data in the United Kingdom for the first quarter of 2004. On 4 August the euro traded against the pound sterling at GBP 0.66, 1.7% lower than its level at the end of June and 4.7% lower than its 2003 average. The euro continued to depreciate vis-à-vis the Polish zloty in the aftermath of the decision by Narodowy Bank Polski to raise interest rates on two occasions, 30 June and 28 July, but it recovered slightly during the first days of August. Throughout most of the period under review, the euro also weakened vis-à-vis the Hungarian forint, while it remained broadly stable against the Swedish krona, the Czech koruna, the Slovak koruna, the Latvian lats, the Cyprus pound and the Maltese lira.

#### OTHER CURRENCIES

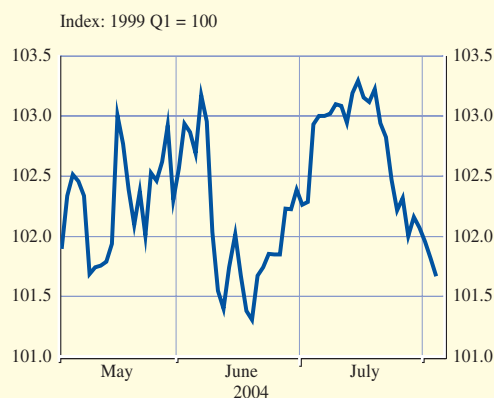
Turning to other currencies, in July the euro appreciated by 1% vis-à-vis the Swiss franc, reversing its depreciation of similar magnitude a month earlier. Other notable developments in July were the appreciation of the Australian dollar and the Canadian dollar.

#### EFFECTIVE EXCHANGE RATE OF THE EURO

On 4 August in nominal effective terms – as measured against the currencies of 12 of the euro area's important trading partners – the euro stood 0.7% below its end-June level and 1.4% higher than its average level in 2003 (see Chart 27). This movement was mainly a reflection of the euro's appreciation against the Japanese yen and the Swiss franc, which was more than offset by a

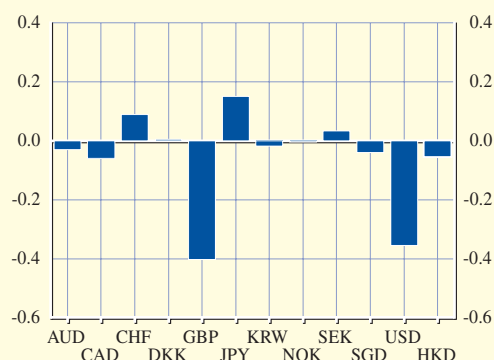
**Chart 27 The euro effective exchange rate and its decomposition <sup>1)</sup>**

(daily data)



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

From 30 June to 4 August 2004  
(in percentage points)



Source: ECB.

1) An upward movement of the index represents an appreciation of the euro against the currencies of 12 major trading partners.

2) Changes are calculated, using trade weights, against 12 major trading partners.

weakening against the pound sterling and the US dollar. The level of the euro nominal effective index in July 2004 was approximately 2.8% higher than the level recorded in the first quarter of 1999.

## 5.2 BALANCE OF PAYMENTS

The recovery in euro area exports that started during the second half of 2003 continued in May 2004. As goods imports also grew at a robust pace over this period, the goods surplus remained broadly unchanged. Taking a longer-term perspective, the 12-month cumulated current account surplus of the euro area increased steadily from December 2003, mainly due to the robust export performance. In the financial account, combined direct and portfolio investment continued to record net outflows in May, primarily driven by sizeable net outflows in money market instruments.

### CURRENT ACCOUNT AND TRADE

The seasonally adjusted current account of the euro area recorded a surplus of €5.8 billion in May 2004 (a surplus of €3.2 billion in non-seasonally adjusted terms). This reflected surpluses in both goods and services, which were partly offset by deficits in income and current transfers (see Table 7.1 in the “Euro area statistics” section).

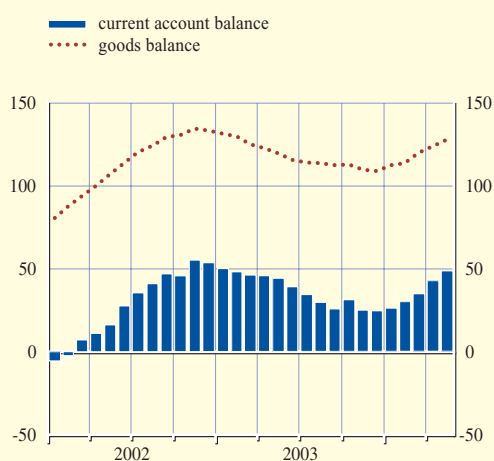
The seasonally adjusted current account surplus decreased by €3 billion in May compared with

the revised data for April. This was the combined result of increases in the income and current transfers deficits (by €1.7 billion and €2.6 billion respectively) and a €1.5 billion increase in the services surplus, while the goods surplus decreased only marginally over this period. Reflecting strong foreign demand, exports of goods rose by 1.8% in May compared with the previous month. However, the value of extra-euro area imports of goods also grew strongly in May – partly on account of the rise in oil prices over this period – leaving the trade balance marginally lower than in April.

Taking a longer-term perspective, the 12-month cumulated current account surplus of the euro area increased steadily from a trough of less than €25 billion in December 2003 to more than €48 billion (about 0.7% of GDP) in May 2004, which is close to the levels seen a year earlier (see Chart 28). This development was mainly accounted for by the robust export performance recorded since the third quarter of 2003.

**Chart 28 The euro area current account and goods balances**

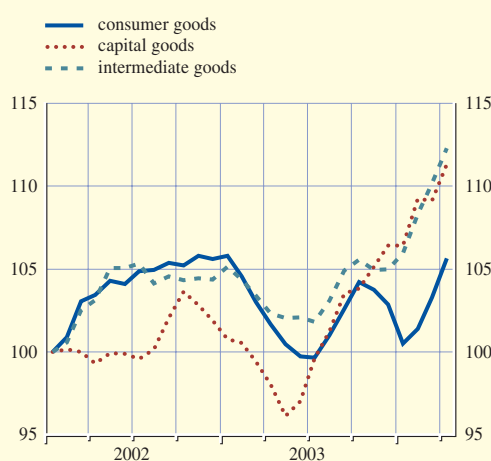
(EUR billions; monthly data; seasonally adjusted; 12-month cumulated data)



Source: ECB.

**Chart 29 Extra-euro area export volumes by sector**

(index: January 2002 = 100; seasonally adjusted; three-month moving averages)



Sources: Eurostat and ECB calculations.  
Note: Latest observations are for April 2004.

According to the decomposition of trade flows into volumes and prices – based on Eurostat's External Trade Statistics up to April 2004 – the increase in export values observed since the second half of 2003 seems to be mostly attributable to rising export volumes, consistent with the recovery in foreign demand over this period. At the same time, export prices increased slightly for the second consecutive month in April, after falling almost continuously since early 2002.

The rise in export volumes since the third quarter of 2003 can be mainly attributed to exports of intermediate and capital goods (see Chart 29). In the first quarter of 2004, these two categories of exports rose by 4.9% and 2.6% respectively, compared with the previous quarter, while exports of consumer goods increased by only 0.4%. The strength in capital goods exports recorded since the second half of last year is consistent with strong investment expenditures in the euro area's largest trading partners over the same period.

## FINANCIAL ACCOUNT

Euro area combined direct and portfolio investment recorded net outflows of €26.6 billion in May, essentially reflecting net outflows in portfolio investment (€25.8 billion), while direct investment flows were almost balanced.

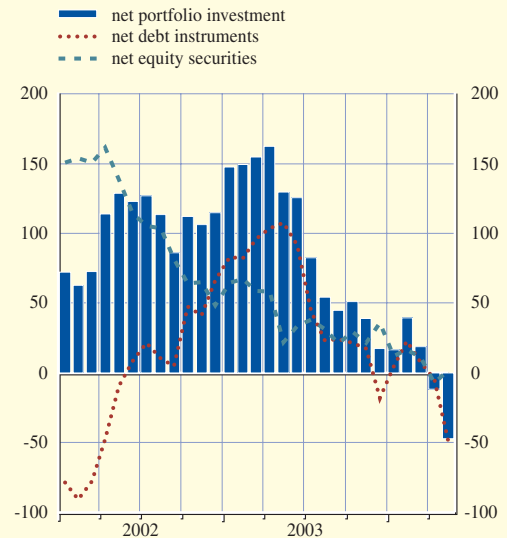
The developments in direct investment resulted from net outflows of €3.9 billion in equity capital and reinvested earnings being almost completely offset by net inflows of €3.2 billion in other capital (mostly inter-company loans). Net outflows in portfolio investment were mostly in debt instruments (€20.8 billion) and, to a lesser extent, equity securities (€5 billion). The developments in debt instruments principally stemmed from net purchases of foreign bonds and notes by euro area residents and from net sales of euro area money market instruments by non-residents.

From a longer-term perspective, in the 12-month period up to May 2004, combined direct and portfolio investment of the euro area recorded cumulated net outflows of €94.9 billion, compared

with cumulated net inflows of €115.9 billion a year earlier (see Chart 30). This reversal resulted primarily from portfolio investment turning from net inflows to net outflows and, to a lesser extent, from an increase in net direct investment outflows. The latter development stems mainly from a gradual decline in inflows of foreign direct investment into the euro area over the past twelve months (from €139.4 billion to €44.1 billion), which was only partly counterbalanced by the decrease in euro area direct investment abroad. In contrast, the shift in portfolio investment was essentially driven by a strong increase (of €138 billion) in net purchases of foreign equity and debt securities by euro area residents and by a decline (of €108.2 billion) in the net purchases of euro area debt instruments by non-residents. Net purchases of euro area equity securities by non-residents rose sharply over the same 12-month period, although on a net basis this was more than counterbalanced by the increased purchases of foreign equity securities by euro area residents.

**Chart 30 Net portfolio investment flows**

(EUR billions; 12-month cumulated data)



Source: ECB.

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

The dynamics in the portfolio investment account over the 12-month period up to May 2004 coincided with a broadening of the global economic recovery and a decline in uncertainty. Overall, international investors seem to have responded to these developments by allocating funds in countries where the outlook for the economy and corporate profitability improved more markedly over this period. Moreover, the decline in risk aversion encouraged investors to rebalance their portfolios, moving out of assets with shorter maturities and lower yields into riskier ones. This is reflected in the marked increase in net purchases of equity securities both by non-residents in the euro area and by euro area residents abroad. At the same time, non-residents reduced their exposure to euro area debt instruments, particularly money market instruments.

## ARTICLES

# THE EUROPEAN CONSTITUTION AND THE ECB



*The Treaty establishing a Constitution for Europe (European Constitution) was agreed upon by the Heads of State or Government of the European Union (EU) during their meeting of 17-18 June 2004 in Brussels. The European Constitution marks a further milestone in the process of European integration. This article describes the process that led to its creation and reviews the principal measures introduced by it in order to render the EU more effective, transparent and democratic.<sup>1</sup> The article also focuses on the way in which the European Constitution deals with the institutional framework of Economic and Monetary Union (EMU). In particular, it assesses the aspects that are of direct relevance to the ECB and the ESCB and demonstrates that the European Constitution will not lead to substantive changes to the current “monetary constitution”. By improving the overall framework of the EU and by broadly confirming the current Treaty provisions in the realm of EMU, the European Constitution will contribute to the effective functioning of EMU.*

### INTRODUCTION

The agreement of the Heads of State or Government during the final meeting of the Intergovernmental Conference (IGC) in Brussels on 17-18 June 2004 on the Treaty establishing a Constitution for Europe marks an important step in the history of European integration. When the European Constitution enters into force after its ratification, it will introduce a single constitutional text that consolidates and simplifies the existing Treaties, reinforces past achievements and reforms the institutions of the EU.

The European Constitution is the result of a long process of political deliberation that was different from previous rounds of Treaty revisions. The process was formally initiated in December 2000 during the meeting of Heads of State or Government in Nice. In the context of the negotiation of the Treaty of Nice, Heads of State or Government adopted a declaration which called for a comprehensive debate on the future of the EU with a view to a further revision of the Treaties by a new IGC. The European Council adopted a second declaration in Laeken a year later, on 15 December 2001, which further specified the objectives and procedures of that debate. The Laeken declaration stated that the revision should improve the division and definition of competences within the EU, simplify the present Treaties and increase democratic legitimacy. In order to accomplish these

objectives, the declaration introduced the idea of a European Constitution and committed the EU to preparing for the IGC in a new, more transparent and broad-based way.

Following the Laeken declaration, the Convention on the Future of Europe was convened to examine the essential questions raised by the development of the EU and to present proposals that would be used as the starting point for the negotiations of the IGC. The Convention brought together the main players in the debate on the future of the EU. It included representatives of the governments of the then 15 Member States, 12 accession countries and 1 candidate country, together with representatives of their national parliaments, representatives of the European Parliament and the European Commission, 13 observers from the Committee of the Regions and the Economic and Social Committee, representatives of the European social partners and the European Ombudsman. The work of the Convention was organised by a Praesidium, headed by Chairman Mr Valéry Giscard d'Estaing and two Vice-Chairmen, Mr Giuliano Amato and Mr Jean-Luc Dehaene. The Convention started its work on 28 February 2002. After 15 months of debate in plenary sessions and working parties, the

<sup>1</sup> This article is based on the consolidated version of the European Constitution which the Irish Presidency presented shortly after the final IGC meeting in June 2004. Thus, it does not account for adjustments introduced subsequently by the Council's legal and linguistic experts, including the shift to continuous numbering of the text.

Convention agreed a draft Constitution, which was submitted to the Thessaloniki European Council on 20 June 2003 and finalised on 18 July 2003.

The draft produced by the Convention served as the basis for the work of the IGC, which started under the Italian Presidency on 4 October 2003. The failure to reach a final agreement at the meeting of Heads of State or Government in Brussels on 12-13 December 2003 brought the IGC to a halt. The IGC negotiations resumed at a meeting of 17-18 May 2004 under the Irish Presidency. The European Council meeting in Brussels on 17-18 June 2004 successfully concluded the IGC and brought about an agreement on the European Constitution. The European Constitution will need to be signed by Heads of State or Government and ratified by all EU Member States in accordance with their constitutional requirements before it can enter into force.

The ECB followed the debates within the Convention and the negotiations during the IGC closely, contributing to them at various stages. This was mainly motivated by the fact that the ECB and the ESCB, being part of the Community framework, have a natural interest in institutional and political developments within the EU, developments that determine the framework conditions under which they operate. Moreover, the Treaty on European Union requires that the ECB be consulted on any institutional changes in the monetary area. The ECB therefore considered it essential to monitor the debates at all stages so as to give its opinion whenever appropriate.

This article aims to analyse those aspects of the European Constitution which are of particular relevance to the ECB and the ESCB. To put these aspects into perspective, the first part of the article outlines the principal measures introduced by the European Constitution in order to render the EU more effective, transparent and democratic. The second part of this article briefly describes the minor adjustments to the economic policy framework

of EMU brought about by the European Constitution. The third part sets out the role played by the ECB in the debate on the European Constitution and examines in detail those provisions of the European Constitution that relate to the competences of the ECB and the ESCB.

## **I THE PRINCIPAL MEASURES INTRODUCED BY THE EUROPEAN CONSTITUTION**

The European Constitution is divided into four parts, dealing respectively with the constitutional architecture of the EU, the Union's Charter of Fundamental Rights, the policies and operation of the Union and, lastly, general and final provisions (see Box 1 for a further explanation of the structure of the European Constitution).

Each of these four parts contains new provisions. The principal new elements are detailed below, divided, for ease of analysis, into changes to the institutional framework of the EU, changes concerning the EU institutions and changes to legislative procedures and voting modalities.

### **CHANGES TO THE INSTITUTIONAL FRAMEWORK**

A driving force behind the changes introduced by the European Constitution was the desire to clarify and simplify the institutional framework so as to make the Union more transparent and accessible to its citizens.

In contrast to the current situation, where different legal entities and a number of legal texts coexist, the European Constitution creates a single legal personality for the Union and establishes a single text. Moreover, it abolishes the current three-pillar structure, namely the distinction between the pillars of the European Communities, the common foreign and security policy and justice and home affairs, and establishes a single institutional framework for the Union as a whole. Another important development is the Charter of

## Box I

**THE STRUCTURE OF THE EUROPEAN CONSTITUTION**

The European Constitution consists of the following four parts:

**Part I**

Part I of the European Constitution defines the Union and sets out its objectives, as well as containing provisions concerning fundamental rights and the citizenship of the Union. It also specifies the Union's institutions and competences, as well as including provisions relating to the democratic life of the Union, the Union's finances and immediate environment, and membership of the Union.

**Part II**

Part II contains the Charter of Fundamental Rights of the Union, with those rights detailed under the broad headings of dignity, freedoms, equality, solidarity, citizens' rights and justice. Part II also includes general provisions governing the interpretation and application of the Charter.

**Part III**

Part III deals with the policies and the functioning of the Union and consequently constitutes the largest part of the European Constitution. It not only includes provisions of general application, but also deals with non-discrimination and citizenship, internal policies and action, relations with overseas countries and territories, the Union's external action and the functioning of the Union, as well as laying down common provisions. Provisions relating to Economic and Monetary Union feature under the heading "Internal policies and action".

**Part IV**

Part IV consists of general and final provisions, which cover succession and legal continuity, the scope and duration of the European Constitution, and several other issues. It also sets out how the European Constitution is to enter into force and how it may be amended in the future.

Annexed to the European Constitution are various protocols and declarations, including, among others, the Protocol on the Euro Group and the Protocol on the Statute of the European System of Central Banks and of the European Central Bank (ESCB/ECB Statute).

Fundamental Rights, which, after being solemnly proclaimed at the Nice European Council in December 2000, will be incorporated in full in Part II of the European Constitution.

Another step forward is the simplification of the existing system of EU legal acts. The number of legal acts has been vastly reduced, from over 30 to just 6, namely laws, framework laws, regulations, decisions, recommendations and opinions. Similarly, in order to achieve

greater transparency, the division of powers between the EU and the Member States is further clarified. To this end, the European Constitution sets out the Union's competences and provides that any competence not explicitly designated as being at the European level must remain at the national level. On this basis, the competences of the Union are divided into: exclusive competences of the Union; areas of shared competence; the competence to promote and coordinate the economic and employment



policies of the Member States; the competence to define and implement a common foreign and security policy, including the progressive framing of a common defence policy; and the competence to carry out actions to support, coordinate or supplement the actions of the Member States in certain areas. Monetary policy is listed as one of the areas in which the Union has exclusive competence.

As a further means of ensuring the effective sharing of power between the EU and the Member States, the European Constitution strengthens the application of the two principles of subsidiarity and proportionality. It requires that the Commission explain the way in which it has taken the two principles into account when it makes a proposal and, for the first time, assigns an important role to national parliaments. Every national parliament will be able to issue a reasoned opinion in the event that it considers that the principle of subsidiarity has not been respected. If a certain number of national parliaments do so, the Commission can be forced to review its proposals.

The European Constitution also introduces two provisions that allow for partial changes to the allocation of competences between the Member States and the EU. A flexibility clause provides for an extension of EU powers within the objectives of the Union by unanimous decision of the Council of Ministers and with the consent of the European Parliament. Provisions governing enhanced cooperation make it possible, subject to certain conditions, for a group of at least one third of the Member States to pursue further integration.

For the first time since the start of European integration, Member States will be able to withdraw from the EU on the basis of a formalised procedure. The European Constitution provides that the institutional and political consequences of a voluntary withdrawal would be dealt with by an agreement between the exiting Member State and the Council, acting on behalf of the Union. The Council would in such circumstances act by

qualified majority, after obtaining the consent of the European Parliament. Although no specific reference is made to the role of the ECB in this procedure, it goes without saying that the ECB would be fully involved to the extent that such arrangements had implications for the monetary area. In this context, it is important to stress that the European Constitution does not provide for Member States withdrawing from the euro area without simultaneously leaving the EU.

#### **CHANGES CONCERNING THE EU INSTITUTIONS**

Under the European Constitution, the Council of Ministers, the European Commission, the European Parliament and the Court of Justice of the European Union remain the core institutions of the Union. The European Constitution also grants institutional status to the European Council. While the European Constitution broadly maintains the balance between the institutions, it also introduces important changes with regard to the organisation and operation of individual institutions. Most importantly, it strengthens the representation and management of several institutions through the introduction of elected chairpersons, thus making the policy-making process of the Union more visible and accountable.

The role of the European Parliament is reinforced through the extension of its power of co-decision to a significant number of areas, including certain aspects of judicial cooperation and agricultural policy. Moreover, the European Constitution raises the maximum number of members of the European Parliament to 750, from the ceiling of 732 agreed in Nice, with a minimum of 6 and a maximum of 96 seats per Member State.

As for the European Council and the Council of Ministers, the European Constitution replaces the current system of six-month rotating presidencies with a new model that provides for more continuity and visibility. An individual, rather than a Member State, will chair the European Council. The President of the

European Council will be elected by the European Council by a qualified majority for a two-and-a-half-year term, renewable once, and will not be allowed to hold any national mandate during this period. The President will be responsible for driving forward the work of the European Council, which, while not exercising legislative functions, will provide the Union with the necessary impetus and political direction. With regard to the sectoral formations of the Council of Ministers, the European Constitution introduces team presidencies consisting of representatives of several Member States. Under this system, which is laid down in a declaration annexed to the European Constitution, the Presidency of the Council, with the exception of the Foreign Affairs Council, will be held by pre-established groups of three Member States for an 18-month period. The three Member States, who will share the Presidency, will have to agree on a common programme. During the 18-month period, the Presidency of each Council formation will rotate between the three Member States and across the different sectoral Councils, so that, at the end of the 18-month period, each of the three Member States will have chaired each Council formation for six months.

The European Constitution provides for a reduction in the size of the Commission. From 2014 onwards the number of Commissioners will be lowered from the current 25 to two-thirds of the number of Member States, unless the European Council, acting unanimously, decides to alter this figure. The Commissioners will be chosen on the basis of equal rotation between the Member States. The role of the European Parliament in the selection of the President of the Commission will be strengthened. The European Council – after taking into account the results of European elections and after the appropriate consultation of the European Parliament – will select by qualified majority voting (QMV) a candidate for the Presidency of the Commission and will propose this candidate to the European Parliament. The candidate must then be elected by a majority of the members of the European

Parliament. The European Council, by common accord with the Commission President, will select the Commissioners. It will do so on the basis of lists of three candidates submitted by each Member State having the right to a Commissioner as determined by the rotation system.

The creation of the post of Union Minister for Foreign Affairs represents another innovation under the European Constitution. The Union Minister for Foreign Affairs will be responsible for the conduct of the Union's common foreign and security policy and for the consistency of the Union's external activities, chair the Foreign Affairs Council, take part in the work of the European Council and act as the Vice-President of the Commission. The post will combine the current responsibilities of the EU's High Representative for the Common Foreign and Security Policy and the Commissioner in charge of external relations. Correspondingly, the Union Minister for Foreign Affairs will be appointed by the European Council, acting by QMV, with the agreement of the Commission President.

#### CHANGES TO PROCEDURES AND VOTING MODALITIES

With a view to complementing the reform of the institutions and their operation, the European Constitution restructures the different legislative procedures of the Union and adjusts the thresholds for qualified majority voting. Under the European Constitution, the co-decision procedure will become the “ordinary” legislative procedure of the Union, with other legislative procedures (such as the assent procedure and the consultation procedure) becoming the exception. At the same time, the application of qualified majority voting in the Council will be extended to some 30 further provisions, for which unanimity is currently required. Moreover, a “passerelle clause” provides for movement from unanimity to QMV and from the special legislative procedures to the ordinary legislative procedure for areas covered by Part III on the basis

of a unanimous decision of the European Council with the consent of the European Parliament. However, the objection of one national parliament will be sufficient to block such a move. Finally, with a view to facilitating decision-making in an enlarged Union, the European Constitution introduces a new rule

governing decisions taken by qualified majority voting (see Box 2). This rule is based on the principle of a double majority, a majority in terms of both Member States and population. Thus, it reflects the idea that the EU's legitimacy has two sources: the Member States and the citizens of the Union.

## Box 2

### THE NEW RULE GOVERNING DECISIONS TAKEN BY QMV

#### Article I-24

1. A qualified majority shall be defined as at least 55% of the members of the Council, comprising at least 15 of them and representing Member States comprising at least 65% of the population of the Union.

A blocking minority must include at least four Council members, failing which the qualified majority shall be deemed attained.

2. By derogation from paragraph 1, when the Council is not acting on a proposal from the Commission or from the Union Minister for Foreign Affairs, the qualified majority shall be defined as at least 72% of the members of the Council, representing Member States comprising at least 65% of the population of the Union.

[...]

## 2 ASPECTS RELATED TO THE ECONOMIC POLICY FRAMEWORK OF EMU

The European Constitution leaves the current Treaty provisions governing the economic policy framework of EMU fundamentally unchanged. It introduces only a small number of adjustments, which are reviewed below.

One of these adjustments pertains to the Euro Group, which, for the first time, is formally recognised by primary law. A brief protocol annexed to the European Constitution specifies that the finance ministers of the Member States whose currency is the euro meet to discuss "questions related to the specific responsibilities they share with regard to the single currency". The Commission takes part in the meetings, while the ECB is invited to do likewise. Moreover, the system of half-yearly

rotating presidencies for the Euro Group will be abolished. Instead, the Euro Group President will be elected by a majority of the members of the Euro Group for a period of two and a half years.

The European Constitution reinforces slightly the decision-making powers of the euro area Member States. It provides clarification that decisions on the non-compliance by a Member State of the euro area with the broad economic policy guidelines are to be taken only by euro area Member States. The same applies in the realm of the excessive deficit procedure, starting with the establishment of the existence of an excessive deficit. In this context, the European Constitution also provides that any decision on the existence of an excessive deficit is to be taken without taking into account the vote of the Member State concerned. The

European Constitution also allows euro area Member States to adopt measures designed to bring about the closer coordination of their national fiscal and economic policies. It also introduces a provision whereby the Council, when establishing which Member States with a derogation fulfil the necessary criteria for participating in the single currency, is to act upon a recommendation from the euro area Member States.

The European Constitution strengthens somewhat the role of the Commission in the excessive deficit procedure and multilateral surveillance. Decisions on whether an excessive deficit exists in a Member State will no longer be based on a recommendation by the Commission, but rather on a proposal, which the Council can amend only by unanimity. Where the existence of an excessive deficit is established, subsequent Council decisions, including the adoption of recommendations addressed to Member States running excessive deficits, will still be based on Commission recommendations which may be amended by QMV. Moreover, within the framework of multilateral surveillance, the European Constitution allows the Commission to address a “direct” warning to a Member State where its economic policies are inconsistent with the broad economic policy guidelines or risk jeopardising the proper functioning of EMU.

At the final meeting of the IGC on 17-18 June 2004 Heads of State or Government also adopted a declaration on the Stability and Growth Pact. That declaration is annexed to the European Constitution but is not legally binding. In it, the IGC reaffirms its commitment to the Stability and Growth Pact and calls on Member States to consolidate public finances and to improve their budgetary positions during economic upswings.

### 3 ASPECTS RELATED TO THE COMPETENCES OF THE ECB AND THE ESCB

The ECB followed the debates within the Convention and the negotiations during the IGC

closely, contributing to them at various stages. Although not directly involved in the Convention and the IGC, the ECB was able to make its views known through different channels (see Box 3 for an overview of the ECB’s participation in the debate). The ECB welcomed the efforts to simplify, streamline and clarify the legal and institutional framework of the EU as a way of furthering the construction of a united Europe capable of meeting its citizens’ expectations and equipped to assume international responsibilities commensurate with its size and importance. Such improvements would complement and further bolster the success of EMU. At the same time, the ECB made clear that the current rules and provisions governing EMU were sound in terms of both their objectives and the allocation of responsibilities. In particular, the ECB saw no need to adjust the monetary constitution that had proved so successful for the operation of the single currency.

As a result, the ECB considered it essential that price stability remain a stated objective of the EU, in addition to being the primary objective of the ECB and the ESCB. The ECB also deemed it indispensable to the successful performance of its tasks that the special institutional features of the ECB and the ESCB be preserved.

The section below assesses how these essential elements of the monetary framework are preserved in the European Constitution. This analysis also covers other issues addressed by the ECB in the context of the negotiations at the Convention and the IGC.

#### PRICE STABILITY

Price stability is, as an objective of the EU and the Member States, and as the primary objective of the ECB and the ESCB, a key component of the EU’s monetary constitution. Its importance to the creation of EMU cannot be overestimated, as it provided the foundations on which the EMU project was built. The founding fathers of EMU were convinced that only by making price stability an explicit priority could a sound and stable single currency be guaranteed.

**OVERVIEW OF THE ECB'S PARTICIPATION IN THE DEBATE**

Although not formally represented in the Convention or at the IGC, the ECB monitored the debate closely and intervened in the following ways:<sup>1</sup>

- The President of the ECB was invited to an expert hearing of the Convention's Working Group on Economic Governance on 13 September 2002.
- The President of the ECB communicated comments and drafting suggestions to the Chairman of the Convention on issues relating to the ECB and the ESCB in two letters of 8 May and 5 June 2003.
- The ECB issued an opinion on 19 September 2003 (CON/2003/20), at the request of the Council, on the Convention's draft Constitution. This was submitted, together with an accompanying letter, to the President of the Council.
- The ECB submitted a proposal for a revision of the ESCB/ECB Statute to the President of the European Council on 29 October 2003 (IGC document 40/03).
- The ECB President sent a letter to the President of the Council on 26 November 2003 regarding a proposed simplified procedure for amending the ESCB's basic constitutional rules (IGC document 58/03).
- The ECB President issued a letter to the President of the Council on 16 April 2004 regarding the negotiations on the draft Constitution.

<sup>1</sup> All documents referred to here are available on the ECB's website.

The European Constitution confirms the importance of price stability in all respects. It retains price stability as the primary objective of the ECB and the ESCB in Article I-29(2) and as an objective of the Union in Article I-3(3) (see Box 4 for selected legal provisions related to the ECB and the ESCB). In confirming the mandate of the ECB and the ESCB and the prominence assigned to price stability, the European Constitution acknowledges the success of the existing monetary constitution. That confirmation followed the assessment of two questions: first, whether supporting sustainable growth and high levels of employment should be added, on an equal footing, to the primary objective of the ECB and the ESCB; and, second, the extent to which price stability should be an objective not

only for the ECB and the ESCB, but also for the Member States and the Union as a whole.

While the widening of the primary objective was put forward by some Convention members, the vast majority rejected this suggestion. They were of the view that the current mandate to pursue price stability as a primary objective is based on a broad consensus among policy-makers and economists – as reflected in the Maastricht Treaty – that maintaining price stability is the best contribution monetary policy can make with regard to the achievement of other economic goals. Price stability ensures confidence in the long-term value of the euro and translates into low and stable long-term interest rates, which in turn create favourable conditions for a high level of investment and,

ultimately, growth and employment. Given the strength of this argument, the Convention agreed to confirm the status of price stability as the primary objective of the ECB and the ESCB. Likewise, it confirmed that the ECB and the ESCB should support the general economic policies in the Community, including the pursuit of high levels of economic growth and employment, only to the extent that this would not prejudice the pursuit of price stability.

Members of the Convention also touched upon the question of the extent to which price stability should be an objective not only for the ECB and the ESCB, but also for the Member States and the Union as a whole. Early on in the discussions it became clear that stable prices would remain a guiding principle for the Member States and the Union, as reflected in the Convention's draft and, subsequently, in Article III-69 of the European Constitution. However, in contrast to the current Treaty provisions, the Convention's draft did not list price stability as one of the Union's objectives. One of the arguments employed was that, given its status as a guiding principle in Article III-69, sufficient reference had already been made to price stability. Nonetheless, after the publication of the Convention's draft, a debate ensued on whether or not price stability should

continue to be listed among the overarching objectives of the Union. In its contribution to this debate, the ECB stressed that price stability had to retain its prominent place as a Union objective given the impact that Member States have on price stability via their responsibility for determining national fiscal policies and setting the overall framework conditions for the economy. Moreover, the ECB pointed out that price stability clearly benefited society and so merited a mention among the Union's objectives. The IGC ultimately agreed with this view and included price stability among the Union's objectives.

#### INSTITUTIONAL STATUS OF THE ECB AND THE ESCB

One of the key objectives of the Convention and the IGC was to clarify the current institutional framework. It was considered important to emphasise, in a prominent place, the role that the key institutional actors play in shaping the policies of the EU. A clear overview of the EU's institutional framework was regarded as being necessary in order to make EU decision-making more accessible to the citizens of the Union. In this context, the Convention debated the idea of granting the ECB the status of an EU institution. To establish the ECB as an EU

#### Box 4

#### SELECTED LEGAL PROVISIONS RELATED TO THE ECB AND THE ESCB

##### Objectives of the Union

###### *Article I-3(3)*

The Union shall work for sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and with a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance.

##### The European Central Bank

###### *Article I-29*

1. The European Central Bank, together with the national central banks, shall constitute the European System of Central Banks. The European Central Bank, together with the national



central banks of the Member States whose currency is the euro, which constitute the Eurosystem, shall conduct the monetary policy of the Union.

2. The European System of Central Banks shall be governed by the decision-making bodies of the European Central Bank. The primary objective of the European System of Central Banks shall be to maintain price stability. Without prejudice to that objective, it shall support general economic policies in the Union in order to contribute to the achievement of the Union's objectives. It shall conduct other Central Bank tasks in accordance with Part III and the Statute of the European System of Central Banks and the European Central Bank.
3. The European Central Bank is an Institution, which shall have legal personality. It alone may authorise the issue of the euro. It shall be independent in the exercise of its powers and in the management of its finances. Union Institutions, bodies, offices and agencies and the governments of the Member States shall respect that independence.
4. The European Central Bank shall adopt such measures as are necessary to carry out its tasks in accordance with Articles III-77 to III-83 and Article III-90, and with the conditions laid down in the Statutes of the European System of Central Banks and of the European Central Bank. In accordance with these same articles, those Member States whose currency is not the euro, and their central banks, shall retain their powers in monetary matters.
5. Within the areas falling within its responsibilities, the European Central Bank shall be consulted on all proposed Union acts, and all proposals for regulation at national level, and may give an opinion.
6. The decision-making organs of the European Central Bank, their composition and operating methods are set out in Articles III-84 to III-87, as well as in the Statute of the European System of Central Banks and of the European Central Bank.

### **Economic and monetary policy**

#### *Article III-69*

1. For the purposes set out in Article I-3, the activities of the Member States and the Union shall include, as provided in the Constitution, the adoption of an economic policy which is based on the close coordination of Member States' economic policies, on the internal market and on the definition of common objectives, and conducted in accordance with the principle of an open market economy with free competition.
2. Concurrently with the foregoing, and as provided in the Constitution and in accordance with the procedures set out therein, these activities shall include a single currency, the euro, and the definition and conduct of a single monetary policy and exchange-rate policy, the primary objective of both of which shall be to maintain price stability and, without prejudice to this objective, to support general economic policies in the Union, in accordance with the principle of an open market economy with free competition.
3. These activities of the Member States and the Union shall entail compliance with the following guiding principles: stable prices, sound public finances and monetary conditions and a stable balance of payments.



institution and make it part of the institutional framework would, however, modify the current Treaty provisions which separate the ECB and the ESCB from the Community institutions.

The ECB contributed to this debate by emphasising that such a change to the existing Treaty provisions should not impact on the operation and effective functioning of the ECB and the ESCB. In this respect, the ECB stressed that it was not so much the place of the ECB in the institutional framework but rather its special features that were of importance to the ECB and the ESCB. The three key special features – namely the independence of the ECB and the ESCB, the legal personality of the ECB and the ECB’s regulatory powers – are necessary for the ECB and the ESCB to fulfil the tasks laid down in the EC Treaty. They also provide the basis for the *sui generis* status of the ECB, which sets it apart from the Community institutions listed in Article 7 of the EC Treaty. It was therefore essential to the ECB that these special features remain untouched. The Convention fully concurred with this point of view. It introduced the ECB in the first part of its draft Constitution as an institution of the Union that, owing to its special features, continues to enjoy a *sui generis* status. The IGC confirmed the Convention’s draft in this respect.

The independence of the ECB was never in question. Article I-29(3) fully confirms the political independence of the ECB. Moreover, it explicitly recognises the financial independence of the ECB and thus reinforces this aspect of the ECB’s independence as compared with the current Treaty provisions. The European Constitution also maintains the ECB’s right to set its own operational rules, including, for example, the determination of employment conditions for ECB staff.

Similarly, the Convention and the IGC recognised the relevance of the legal personality which the ECB has under the current Treaty provisions. This is a key difference between the ECB and the other institutions of the Union, which do not have legal personality and can

represent the Union only by acting on its behalf and in its name. The ECB’s legal personality has both an internal and external dimension. This relates to the ECB’s ability to act internally, for example when operating in financial markets, or externally in the international arena, for example when managing foreign reserves or when the Community is involved in international agreements on monetary and foreign exchange regime matters. The European Constitution fully confirms the current provisions and provides in Article I-29(3) that the ECB “shall have legal personality”.

Finally, the regulatory powers of the ECB were confirmed. Under the current Treaty provisions, the ECB has regulatory powers, namely the right to issue legally binding acts for the fulfilment of its tasks. The European Constitution does not alter the ECB’s regulatory powers and confirms the involvement of the ECB in the legislative processes of the Union, requiring that the ECB be consulted on any proposed Union act in its field of competence.

Overall, it is clear that the special features of the ECB and the ESCB are preserved by the European Constitution. As regards the financial independence and legal personality of the ECB, the explicit recognition in Article I-29(3) even adds clarity to current provisions. The ESCB/ECB Statute, which is annexed to the Constitution and forms an integral part of it, likewise ensures that the special features of the ECB and the ESCB are retained. Thus, the European Constitution fully confirms and further clarifies the *sui generis* status of the ECB, which sets the ECB apart from the core EU institutions. That special status is further underlined by the classification of the ECB as one of the “other Institutions and bodies” of the Union and the ECB’s separation from the Union institutions listed in Article I-18, namely the European Parliament, the European Council, the Council of Ministers, the European Commission and the Court of Justice of the European Union.

The European Constitution also retains the current Treaty provisions concerning the status of the ESCB. The ESCB is explicitly mentioned in Article I-29(1) and dealt with in detail in Part III. The explicit reference in Part I and the detailed provisions in Part III ensure the full recognition of the functions and tasks that the ESCB fulfils. In this context, the ECB had suggested that Article I-29 also make reference to the independence of the national central banks, complementing Article III-80. This was not taken up by the IGC. However, the independence of the national central banks is still fully anchored in the European Constitution through the provisions of Part III.

In addition to the explicit reference to the ESCB, Article I-29 also introduces the term “Eurosystème”. This was suggested by the ECB, which has been using the term for several years. The term helps to clarify the differences between the two meanings of the acronym ESCB as used in the EC Treaty and the European Constitution. On the one hand, ESCB refers to the ECB and the national central banks of all the EU Member States. On the other hand, however, ESCB can also refer to the ECB and the national central banks of the Member States that have adopted the euro. The term “Eurosystème” refers to the latter, that is to say the ECB and the national central banks of the euro area.

The procedure for the appointment of members of the ECB’s Executive Board was also reviewed by the IGC. In accordance with the broad principle of seeking to bring the ECB more into line with certain aspects of the other EU institutions, the IGC decided that members of the ECB’s Executive Board should no longer be selected by “common accord” of the national governments and should instead be appointed by a qualified majority vote in the European Council. As far as the voting requirements in the European Council are concerned, the appointment procedure for Executive Board members was thus aligned with those in place for other prominent positions in the Union, such as the President of the Commission, the

Union Minister for Foreign Affairs and the President of the European Council. From the point of view of the ECB, the switch to QMV has no impact on the actual operation and effective functioning of the ECB and the ESCB. Hence, the ECB did not contribute to the discussion.

#### **OTHER RELEVANT PROVISIONS**

In addition to the substantial points detailed above, the Constitution also introduces other minor changes.

In order to provide for some flexibility in the revision of the European Constitution, the IGC introduced a simplified revision procedure (Article IV-7b). The procedure allows for amendments to the provisions in Part III concerning the Union’s internal policies, including the provisions relating to monetary policy. Revisions are to be adopted by a unanimous decision of the European Council without convening an IGC. Ratification by all Member States is still required. The European Parliament and the Commission must be consulted. Given that ratification by the Member States remains a prerequisite for revision, the legitimacy of revisions will be unaffected, while amendments can, in principle, be implemented more rapidly. As the ECB was already to be consulted in the event of institutional changes in the monetary area under the ordinary revision procedure, it requested – and was granted – an analogous right in respect of the simplified revision procedure.

One of the recurrent themes in the debates on the future of the EU was the need to strengthen the external dimension of the Union. This is reflected in several new provisions introduced by the European Constitution. Article III-90, for instance, provides for tools aimed at securing the euro’s place in the international monetary system. More specifically, it provides that euro area Member States in the Council may adopt decisions that establish common positions and ensure unified representation within international financial institutions and

conferences. In this context, the exclusive competence of the ECB for the monetary policy of the euro area and thus its right to determine the euro area's position on monetary policy remains clearly anchored in other provisions of the European Constitution.

The European Constitution introduces a minor change to the current simplified amendment procedure for selected provisions of the ESCB/ECB Statute and for the adoption of complementary legislation. In line with current Treaty provisions, Article III-79 provides that the Council may adopt European regulations or decisions concerning, for example, the collection of statistical information or an increase in the ECB's capital. Such complementary legislation or amendments to the ESCB/ECB Statute are to be initiated either by a proposal from the Commission or by a recommendation from the ECB. The European Constitution has, however, established in Article I-24(2) that, as a general rule, where the Council is not acting on a proposal from the Commission or from the Union Minister for Foreign Affairs, the voting requirements to be applied differ from those applicable to a Commission proposal. Consequently, an initiative that is based on a recommendation by the ECB requires a qualified majority of 72% of the members of the Council, representing at least 65% of the population of the Union. In contrast, an amendment under the simplified amendment procedure or a piece of complementary legislation initiated by means of a Commission proposal requires only the normal qualified majority of 55% of the members of the Council, representing 65% of the population of the Union (see Box 2 above). Although the ECB had suggested excluding Article III-79 from the scope of Article I-24(2), it accepted that Article I-24(2) is a reflection of an overarching principle of the European Constitution, namely that the Commission's right of initiative should be strengthened, in particular in policy areas that have traditionally been part of the intergovernmental realm. Notwithstanding those different voting requirements, the ECB's right to initiate

complementary legislation and amendments to the ESCB/ECB Statute remains intact under the European Constitution.

The discussion of the aspects of particular relevance to the ECB and the ESCB therefore demonstrates that no substantive changes have been made to the monetary framework of the EU. The European Constitution provides continuity by leaving intact the framework that has been so successful to date. That discussion also shows that, although some of the ECB's suggestions for clarifications have not been followed, the ECB successfully contributed to the negotiations on the European Constitution.

#### 4 CONCLUSION

The European Constitution represents a further milestone in the process of European integration. Although it introduces no drastic changes to the existing allocation of powers across the different levels of governance, it sets out the institutional framework of the EU in a more transparent way and increases the efficiency of the decision-making procedures. It also includes provisions that strengthen the democratic legitimacy of the EU. At the same time, where Economic and Monetary Union is concerned, the European Constitution confirms the status quo and introduces no changes to the substance of the current Treaty provisions. Monetary policy is recognised as an exclusive competence of the Union to be conducted by the Eurosystem. The prominent position of price stability in the mandate of the ECB and the ESCB and as an objective of the Union is preserved. The special institutional features of the ECB and the ESCB, namely the independence of the ECB and the national central banks, the legal personality of the ECB and its regulatory powers, are retained in full.

Both aspects of the European Constitution, the improvements in the overall framework and the decision-making on the one hand and the confirmation of the current Treaty provisions concerning EMU on the other, contribute to the

effective functioning of EMU. A strong and efficient Union that meets the demands of European citizens provides an important anchor for a successful EMU. At the same time, the current Treaty provisions already provide the EU with a suitable institutional framework for the conduct of monetary policy. Those provisions are therefore not altered by the European Constitution. The fact that the Convention and the IGC confirmed the existing institutional structure of the ECB and the ESCB after such close assessment is a clear recognition of the success of the existing monetary constitution and a sign that the present institutional structure of the ECB and the ESCB has become normal and stable.

The European Constitution tries to strike a balance between two potentially incompatible objectives. On the one hand, it seeks by its very nature to introduce a durable institutional framework that will provide stability for years to come. On the other hand, it seeks to avoid becoming an obstacle in the event that Member States wish to proceed further with the process of integration. Hence, the European Constitution includes a number of provisions which allow for partial changes without a full-scale revision of the European Constitution, such as the flexibility clause, the passerelle clause and enhanced cooperation. These provisions take into account the dynamic nature of the process of integration and thus offer flexibility within the overall stability provided by the European Constitution. European integration remains a gradual process, within which the European Constitution is an important stepping stone, albeit not the final destination. Further changes and developments are likely to occur in the future.

The European Constitution will enter into force once all 25 Member States have ratified it in accordance with their national procedures. In some countries this will involve a referendum. Given the debates that it has sparked, the ratification process will be the first major challenge that the European Constitution has to face. Its authors will have to convince

the European citizens that the European Constitution is in the interests of all of them.

# PROPERTIES AND USE OF GENERAL GOVERNMENT QUARTERLY ACCOUNTS

ARTICLES

Properties  
and use of general  
government  
quarterly accounts

*This article describes general government quarterly accounts for the euro area, supported by new data sources. It explains the definitions and methods used to compile the euro area aggregates and highlights recent developments in public finances viewed from a quarterly perspective.*

*These new data are now available as a result of various Community regulations governing the collection of statistics and are being published for the first time in this issue of the Monthly Bulletin (see Part 6 of the “Euro area statistics” section). They cover the period from the first quarter of 1999 to the first quarter of 2004.*

*General government quarterly data provide key information for the analysis of turning points, seasonal patterns and specific developments in government finance. The data are particularly useful for fiscal forecasting and monitoring. First, they can serve as an early indicator of annual fiscal developments: main revenue and expenditure components follow clear and relatively stable seasonal patterns that enhance the usefulness for monitoring purposes. Second, the quarterly patterns of the revenue data closely match those of real economic activity. Third, the production of quarterly data is likely to enhance the quality and timeliness of public finance data in general.*

## I NEW QUARTERLY DATA ON GENERAL GOVERNMENT ACCOUNTS

## THE USEFULNESS OF GENERAL GOVERNMENT QUARTERLY ACCOUNTS

### SOURCE AND COVERAGE OF THE NEW DATA

The new quarterly data have become available as a result of two Community regulations on the collection of quarterly data on government revenue and expenditure, and one Community regulation on quarterly financial accounts for the government sector.<sup>1</sup> These regulations require quarterly data to be supplied to Eurostat no later than three months after the end of the reference quarter.

At present the financial accounts data are incomplete because quarterly local government data are not yet transmitted by all countries, and some data are missing for the national accounts category “other accounts receivable/payable”. This category includes trade credit and the effects of time discrepancies between distributive transactions and the corresponding payment such as the difference between accruing taxes and taxes paid. As the regulation on quarterly financial accounts for the government sector only requires complete coverage by the end of 2005, the financial accounts data have to be regarded as provisional. In any case, the share of quarterly financial transactions of local government in the different financial instruments is small.

The new set of general government quarterly accounts provides information on the main revenue, expenditure, financial investment and financing transactions of all units classified in national accounts under the general government sector. The table presents transactions as an integrated system of quarterly accounts for the government sector and the resulting balance. The structure and definitions of the accounts detailed in the table are summarised in Box 1.

Quarterly data on government finances are useful for three main reasons. First of all, such data can be applied to assess the implementation of expenditure, as well as the most recent developments in government revenue. This supports the ongoing monitoring of public finances within the year and allows assessments of the forecasts prepared by the governments for the year as a whole. While the quarterly data are somewhat volatile, their seasonal patterns are reasonably stable. This means that broad trends can be identified in the year-on-

<sup>1</sup> Commission Regulation (EC) No 264/2000 of 3 February 2000, OJ L 29, 4.2.2000, p.4; Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002, OJ L 179, 9.7.2002, p.1; Regulation (EC) No. 501/2004 of the European Parliament and of the Council of 10 March 2004, OJ L 81, 19.3.2004, p.1.

### GENERAL GOVERNMENT QUARTERLY ACCOUNTS: STRUCTURE AND DEFINITIONS

The quarterly transaction data presented in this article are compiled according to the ESA 95 methodology from national datasets provided by the euro area member countries. The general government sector comprises all institutional units which are delineated in line with their principal economic function: either the provision of goods and services to the community or to individual households at prices that are economically insignificant; or, the redistribution of income and wealth by means of transfer payments. Both of these activities are financed primarily by taxes or by transfers from other government units.<sup>1</sup> For the sake of brevity, “general government” is shortened to “government” in this text.

Government revenue and expenditure are linked to the government’s financial transactions – the acquisition of financial assets and the incurrence of liabilities – as follows:

$$\begin{aligned} & \text{Government revenue} - \text{government expenditure} \\ &= \text{Government surplus/deficit (net lending (+)/net borrowing (-))} \\ &= \text{Net acquisition of financial assets} - \text{net incurrence of liabilities} \end{aligned}$$

The following points should be noted:

- The surplus/deficit, or “government net lending (+)/net borrowing (-)”, is equal to government revenue minus government expenditure and is also referred to as the “balance of government non-financial transactions”. A negative value indicates that expenditure is higher than revenue.
- Incurring liabilities (such as selling government bonds), or disposing of financial assets (such as running down bank deposits), both yield cash resources to fund an excess of expenditure over revenue.

Government net lending (+)/net borrowing (-) is therefore also equal to the difference between the net acquisition of financial assets and the net incurrence of liabilities. Both are shown in the financial transaction account, which reveals the details of how governments meet their borrowing requirements.

For more information on these definitions and methods see  
[https://stats.ecb.int/stats/download/eas\\_ch06/eas\\_ch06/eas\\_note\\_ch6.pdf](https://stats.ecb.int/stats/download/eas_ch06/eas_ch06/eas_note_ch6.pdf)

<sup>1</sup> Thus, some public institutional units which provide goods at market prices or which government does not directly control are classified as public corporations and do not belong to the government sector; typical examples are hospitals and railways. The delineation of the government sector is much influenced by institutional arrangements and can distort comparisons of the data; this distortion applies particularly to health and education services.

Table Main indicators of general government quarterly accounts in the euro area

(as a percentage of GDP)							
			2003				2004
	2002	2003	Q1	Q2	Q3	Q4	Q1
<b>Government revenue and expenditure</b>							
<b>Revenue</b>	<b>46.1</b>	<b>46.3</b>	<b>42.7</b>	<b>47.1</b>	<b>43.9</b>	<b>51.2</b>	<b>42.3</b>
<i>of which:</i> direct taxes	12.2	11.8	10.0	12.4	11.1	13.6	9.9
indirect taxes	13.4	13.5	13.1	12.9	12.9	14.7	13.1
social contributions	16.0	16.2	15.9	16.1	15.9	16.8	15.8
<b>Expenditure</b>	<b>48.4</b>	<b>49.0</b>	<b>47.1</b>	<b>48.1</b>	<b>48.0</b>	<b>52.7</b>	<b>46.7</b>
<i>of which:</i> intermediate consumption	4.8	4.9	4.3	4.7	4.8	5.7	4.3
compensation of employees	10.6	10.8	10.5	10.7	10.4	11.3	10.4
interest payable	3.7	3.5	3.7	3.5	3.5	3.3	3.3
social benefits	22.2	22.7	22.1	22.3	22.3	23.9	21.9
investment	2.4	2.6	2.0	2.4	2.6	3.3	2.0
<b>Surplus (+) / deficit (-)</b>	<b>-2.3</b>	<b>-2.7</b>	<b>-4.4</b>	<b>-1.0</b>	<b>-4.1</b>	<b>-1.5</b>	<b>-4.4</b>
<b>Government financial transactions <sup>1)</sup></b>							
<b>Net acquisition of main financial assets</b>	<b>0.6</b>	<b>-0.7</b>	<b>2.7</b>	<b>2.5</b>	<b>-1.1</b>	<b>-6.5</b>	<b>1.3</b>
<i>of which:</i> currency and deposits	0.0	-0.2	1.8	1.9	-1.8	-2.6	1.4
securities	0.1	0.2	0.0	0.1	0.2	0.4	-0.4
loans	0.3	-0.7	-0.1	0.0	0.0	0.3	-0.5
shares and other equity	0.1	-0.1	0.3	0.3	0.3	-1.1	0.0
<b>Net incurrence of main liabilities</b>	<b>3.1</b>	<b>2.4</b>	<b>7.9</b>	<b>4.7</b>	<b>3.1</b>	<b>-5.5</b>	<b>2.1</b>
<i>of which:</i> currency and deposits	0.2	-0.9	-0.6	0.2	0.0	-2.9	-3.1
short-term securities	0.7	0.8	2.8	2.0	-0.5	-1.1	1.9
long-term securities	2.3	2.1	4.6	2.6	2.6	-1.1	3.1
short-term loans	0.1	0.2	0.7	-0.1	0.4	-0.3	0.2
long-term loans	-0.3	0.2	0.9	0.1	0.5	-0.6	0.4

1) The deficit is financed by incurring financial liabilities (borrowing) or by disposing of financial assets.

year comparisons. Moreover, year-on-year comparisons provide a reliable indication for better assessing the forecasts (see Box 2). This sort of analysis has been used effectively in those Member States that already produce quarterly public finance data based on the ESA 95.

Second, changes in the quarterly pattern may provide information on possible changes in the trend of government finances during the course of a year that cannot be inferred from a single figure for the year as a whole. For example, the latest annual figure for the deficit would not reveal whether it was increasing or decreasing during the course of the year or whether there was a turning point within the year.

Third, the statistical procedures that Member States need to produce quarterly data can help to improve the quality and timeliness of government finance statistics in general,

including annual data. For example, compilation systems need to be made more automated and robust and the treatment and recording of new types of transactions, and any potential problems, can be resolved well in advance during the course of the year.

However, in order to understand better the link between quarterly macroeconomic variables and quarterly government revenue, expenditure and financial investment and financing data, further work is necessary. For instance, the ESA 95 rules of accounting generally require data to be recorded in line with the “accruals” principle of accounting, with some well-defined exceptions. With respect to revenue, the principle requires that it be recorded in the period in which the economic activity that generates the liability to pay the tax takes place, which may differ from the period in which the actual payment is due. While the accruals principle of accounting is generally adhered to, it cannot always be



## Box 2

### GOVERNMENT QUARTERLY ACCOUNTS DATA AS AN EARLY INDICATOR OF ANNUAL RESULTS

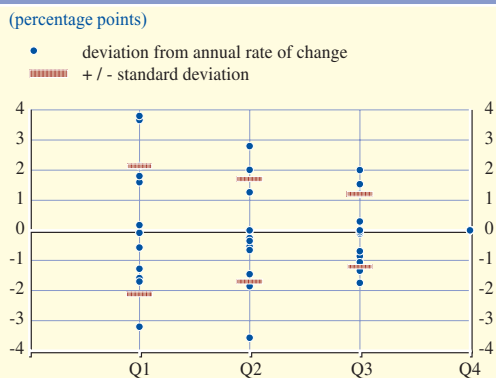
Government quarterly accounts data can serve as an early indicator of the annual outcomes. This function is especially useful in mutual fiscal surveillance procedures as in the EU framework for fiscal policies.

The uncertainty surrounding the annual result of a budgetary item is relatively high in the first quarter but should diminish as and when data for additional quarters become available. Eventually, when the release of data for the fourth quarter coincides with the publication of annual data, there is no more uncertainty over the annual result.

While the indicator function of quarterly data and the gain in information when additional quarters are released need to be assessed in a more technical analysis, a simple exercise can illustrate the use of quarterly data as an early indicator of annual results. As a simple approach to forecasting the annual outcome of a budgetary item, it is assumed that the rate of change between outcomes cumulated over subsequent quarters of one year and the previous year is the same as the annual rate of change in that item. This assumption can be used to forecast the annual outcomes in past periods, which are actually known. In this way, four forecasts – one for each quarter – are generated for each year. Subsequently, the deviations of the forecasts from the annual result can be computed for each of the four quarters.

One would expect the deviations to decrease between the first quarter and the fourth, when they eventually amount to zero, as the change between cumulated fourth-quarter outcomes is by definition equal to the annual rate of change.

Chart Quarterly forecasts of annual changes in direct tax revenues in the euro area



Source: ECB calculations based on national data.

While this exercise demonstrates how the uncertainty in the forecast of the annual rate of change decreases as and when additional quarters become available, a significant amount of uncertainty still remains in the third quarter. Furthermore, both annual and quarterly government accounts data are often revised ex post. Hence, caution is required when gauging

This is indeed the case. The chart shows as an example quarterly forecasts for the annual rate of change in direct taxes in the euro area<sup>1</sup> and the standard deviations of the forecasts for each quarter. The data cover the period from the first quarter of 1991 to the fourth quarter of 2003. While the dispersion of the forecasts is high in the first quarter, forecasts in the third quarter deviate much less from the final annual rate of change. Similar results can be obtained with other budgetary items and for other countries.

While this exercise demonstrates how the uncertainty in the forecast of the annual rate of change decreases as and when additional quarters become available, a significant amount of uncertainty still remains in the third quarter. Furthermore, both annual and quarterly government accounts data are often revised ex post. Hence, caution is required when gauging

<sup>1</sup> While most of the data concerned by Commission Regulation (EC) No 264/2000 of 3 February start in the first quarter of 1991, some data for direct taxes are missing and have been estimated in order to compute euro area aggregate figures.

final annual results on the basis of quarterly data. It must be kept in mind, however, that the forecasting model is a simple one and not the optimum one. With more advanced techniques, better models and more precise forecasts would be obtainable.

strictly applied in practice. For example, the accruals principle is difficult to apply on a quarterly basis for taxes that are levied annually. While to some extent unavoidable, deviations from the accruals principle complicate the economic analysis of the relationship between government accounts and macroeconomic variables.

Furthermore, work is under way to compile an integrated system of quarterly accounts for all institutional sectors of the euro area. Such an integrated system of accounts will make it easier to analyse the interaction between economic developments and the government sector. The following sections explore the quarterly profile of government revenue, expenditure, deficit and financial transactions. Finally some trends in the quarterly government accounts are highlighted.

## 2 THE MAIN AGGREGATES: GOVERNMENT REVENUE, EXPENDITURE AND BUDGET BALANCE

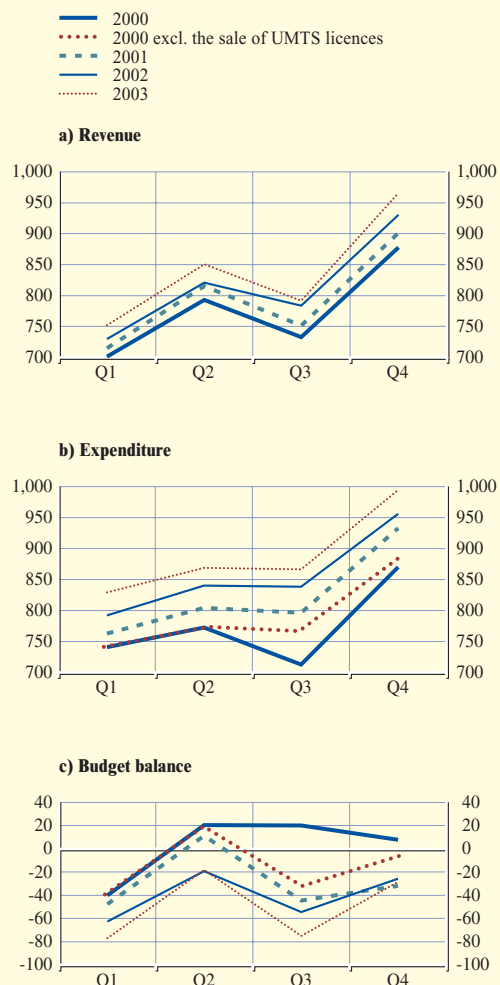
This section analyses the changes within the year in the main aggregates – government revenue, expenditure, and deficit – between the first quarter of 2000 and the first quarter of 2004. Such an analysis is necessary in order to distinguish between longer-term and short-term developments of government finances. The main findings are a distinct stability in the seasonal pattern of these aggregates, which only in some years is disturbed by temporary influences, and a high degree of congruence with the seasonal pattern in real economic activity.

Chart 1 shows the seasonal patterns of the main aggregates of relevance for fiscal policy analysis: government revenue, government expenditure and the budget balance. In most years, the deficit is lowest in the second and fourth quarter. This is mainly a consequence of

the quarterly pattern of government revenue: in many countries corporate taxes and taxes paid by the self-employed are payable in the second and fourth quarters. The surge in tax receipts in the fourth quarter is greater than that in expenditure, which is highest in that quarter.

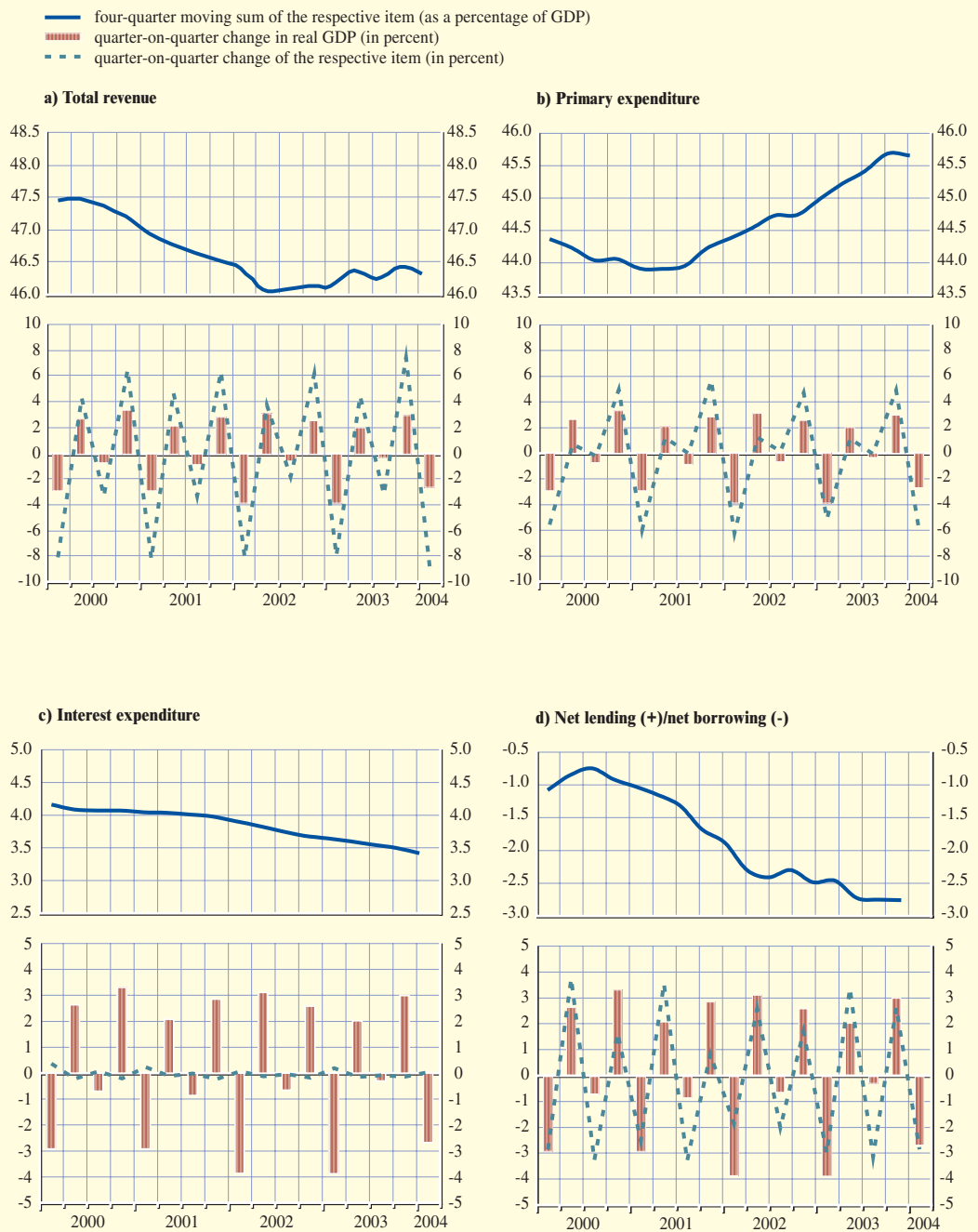
**Chart 1 Quarterly patterns of government revenue, expenditure and budget balance in the euro area**

(in EUR billions)



Sources: ECB calculations based on national data.

Chart 2 Trends and quarterly changes in main items of general government accounts



Sources: ECB calculations based on Eurostat and national data.

One-off events affect these regularities in the data, and their precise identification is crucial for making a sound assessment of government finance developments. For example, large sales of UMTS licences in Germany and the Netherlands in the third quarter of 2000, and in Italy and Austria in the fourth quarter of 2000 are recorded in the national accounts as negative government investment. As Chart 1 shows, they affected the seasonal pattern in government expenditure and in government net lending in the third and fourth quarters of 2000. Expenditure and deficit figures in Charts 2 and 4 have therefore been adjusted for sales of UMTS licences.

Chart 2 shows the evolution of the main aggregates as a ratio to GDP, with expenditure split into primary and interest expenditure. For each of these ratios, the chart differentiates between the smoother changes of the four-quarter moving sums in the upper part, and their quarter-on-quarter change, in comparison with the quarter-on-quarter changes in real GDP in the lower part. This format, which presents the more persistent trends in combination with the short-term developments, will also be used in the following charts to show how the main components of government revenue and expenditure have developed. As Chart 2 shows, the seasonal pattern of the government revenue ratio closely matches that of real economic activity, reflecting the co-movements of most revenue items and economic activity. Furthermore, the volatility of the revenue ratio is somewhat higher than that of the government primary expenditure ratio. Quarterly fluctuations of interest expenditure as a percentage of GDP are negligible.

### 3 GOVERNMENT REVENUE

This section provides a more detailed analysis of the revenue side, decomposing government revenue into its main components: direct taxes, indirect taxes, social contributions and other sources of government revenue.

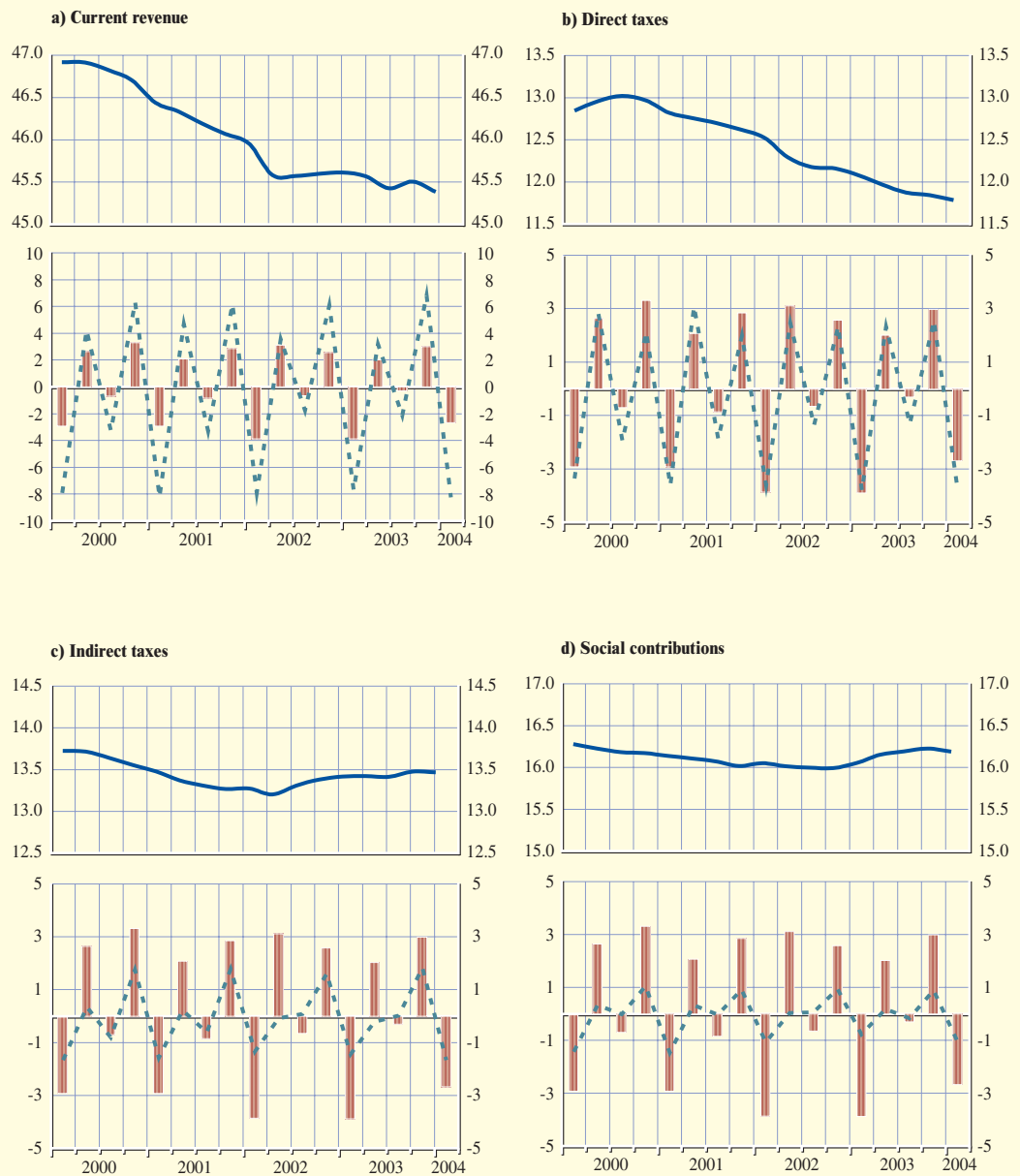
The data confirm in more detail the previous finding that government revenue is affected by cyclical phenomena. Deviations largely reflect the impact of discretionary measures. Furthermore, specific administrative arrangements for the collection of the different revenue items have a limited impact on the quarterly pattern of the respective ratios. While generally this pattern is mitigated by the accruals principle of accounting, the ESA 95 rules of accounting deliberately allow some well-defined exceptions from this principle. The exceptions concern cases in which the liability to pay income taxes can only be determined in an accounting period later than that in which the income accrues. The periods in which such taxes are recorded are therefore defined in a more flexible way. For instance, pay-as-you-earn taxes and regular prepayments of income taxes may be recorded in the periods in which they are paid while any final tax liability on income can be recorded in the period in which the liability is determined.

In Chart 3, government current revenue and its main components (direct taxes, indirect taxes and social contributions) are presented, following the same conventions used in Chart 2.

*Direct taxes* consist of taxes on personal income and company profits, including taxes on capital gains, and personal taxes on property and wealth. On average they represent about 27% of euro area government revenue. The amount of direct taxes recorded in each quarter varies more than for other government revenue on account of the administrative arrangements for collecting them. The variation within years, observed in the quarterly data, arises because some direct taxes are levied on the basis of activity over a whole year and become due for payment at certain dates during that year or the following year. That is also when these direct taxes are recorded in quarterly national accounts. This typically applies to taxes on company profits and self-employed people. The main part of direct taxes – pay-as-you-earn taxes, which are deducted from employees' monthly salaries – and regular prepayments

**Chart 3 Trends and quarterly changes in the main revenue items of general government accounts**

— four-quarter moving sum of the respective item (as a percentage of GDP)  
 ■ quarter-on-quarter change in real GDP (in percent)  
 - - - quarter-on-quarter change of the respective item (in percent)



Sources: ECB calculations based on Eurostat and national data.

## Box 3

**TRANSACTIONS INVOLVING THE EU BUDGET**

The government sector in each Member State does not include all of the EU budget transactions. For example, import duties, agricultural levies and a proportion of value added taxes (VAT) are treated as direct payments from residents to the rest of the world, not affecting the government account. Similarly, subsidies financed out of the EU budget are recorded as payments by the rest of the world, and as the receipts of the resident sectors that receive them. The inclusion of transactions between the EU budget and non-government residents in the euro area and the consolidation of transactions between national governments and the EU would add around 0.2% of GDP to the total revenue and expenditure figures quoted in this article. The exclusion of EU budget transactions from government revenue and expenditure raises problems when analysing trends in VAT receipts since a proportion is not recorded as government revenue. The VAT transferred to the EU institutions is not necessarily a stable share of the VAT collected within a country because any modification of the fiscal arrangements will have an uneven effect on the Member States as well as on the total sum of VAT transferred to the EU institutions. The remainder (VAT receipts of government) can therefore display an erratic pattern unconnected with transactions in products subject to VAT.

of income taxes show much less variability within the year.

*Indirect taxes* include value added taxes (VAT), excise duties on specific goods, other purchase taxes, certain types of levies and licence fees paid by businesses, and taxes on buildings and vehicles used by businesses and other organisations. These taxes are levied on specific transactions and represent nearly 30% of government revenue.<sup>2</sup> The seasonal pattern of indirect taxes is mainly affected by the seasonal changes in economic activity and shows a pronounced peak in the fourth quarter. This is mainly explained by the increase in consumer spending in the run-up to Christmas.

*Social contributions* consist of actual social contributions by employees, employers and the self-employed as part of social insurance schemes and imputed social contributions in respect of government occupational pension schemes. They represent about 35% of euro area government revenue. The seasonal pattern of social contributions is similar to that of direct taxes, with a significant peak in the fourth quarter. The volatility of social contributions is less pronounced because most social

contributions are collected from monthly salaries rather than annually as in the case of some direct taxes.

*Other sources of government revenue* are sales<sup>3</sup> (such as the sale of publications by government departments), property income from government lending and share ownership, and receipts from taxes on capital, such as inheritance taxes. Together, these categories represent about 10% of all euro area government revenue. They do not show a distinctive seasonal pattern.

**4 GOVERNMENT EXPENDITURE**

This section presents the main components of euro area government expenditure, composed mainly of intermediate consumption, compensation of employees, social benefits, capital expenditure and interest expenditure. As a general result, expenditure developments are less dependent on economic growth than

<sup>2</sup> The figures presented in this article exclude taxes paid to EU institutions (see Box 3).

<sup>3</sup> Such as sales of government services, e.g. sewerage, refuse collection.

revenue. In addition, the quarterly ratios to GDP of most expenditure items show low seasonal volatility compared with the revenue items. Finally, a characteristic seasonal feature in the quarterly government expenditure profile is that the figures for the fourth quarter are always higher than the figures for the other quarters. Chart 4 offers a synthetic view of the most relevant expenditure items in euro area government accounts, with the same conventions as used in the previous charts.

*Intermediate consumption* consists of the purchase of goods and services by government for its own use, and so excludes government purchases of goods and services that are delivered directly to individuals. It represents about 10% of euro area government expenditure. The “end-of-year surge” (reflected in the fourth quarter expenditure peak) is likely to be an indication of the way in which budgets are executed. For example, there might be an increase in actual purchases near the end of the year to ensure that budgets are fully used up.

*Compensation of employees*, about 22% of government expenditure, consists of wages and employers’ non-wage costs such as social contributions. The increase of compensation of employees in the final quarter mainly reflects the annual Christmas bonuses paid to government employees in some countries.

*Social benefits* comprise payments by government and government’s purchase of goods and services that are delivered directly to individuals as part of social policy. It includes, for example, support for families on low incomes and for the unemployed, pensions, and the purchase of healthcare on behalf of individual citizens. Social benefits account for roughly 46% of euro area government expenditure. Social benefit payments are highest in the fourth quarter.

*Capital expenditure* includes government investment, and the net acquisition of non-financial assets such as buildings, machines, land and certain types of leases. Capital

expenditure constitutes about 7% of euro area government expenditure. It shows the same end-of-year surge as intermediate consumption.

*Interest expenditure on government debt*, which represents about 8% of euro area government expenditure, is shown in Chart 2. Like all other components in national accounts, it is measured on an accrual basis. This means that interest is recorded in the accounting period in which it “accrues”, i.e. when the value is added, regardless of whether it is actually paid in that period. This explains why interest expenditure is almost equally distributed between the quarters.

As with interest expenditure, the *other components of government expenditure*, comprising mainly subsidies and grants amounting to about 7% of euro area government expenditure, do not show any marked seasonal pattern.

## 5 GOVERNMENT FINANCIAL TRANSACTIONS

This section discusses the quarterly profile of financial transactions in government financial assets and liabilities and their relationship with government revenue and expenditure. The transactions in financial assets and liabilities are recorded net: in the case of financial assets, they represent the purchase minus the sale of assets; and in the case of liabilities, they show the incurrences minus the redemptions of liabilities. Compared with government revenue and expenditure, government financial transactions are small. For instance, the net issuance of long-term debt securities is still below 5% of GDP.

Quarterly financial transactions typically do not follow the quarterly patterns of revenue and expenditure, mainly for three reasons. First, while revenue and expenditure are predominantly based on accrual accounting, the transactions in financial assets and liabilities reflect government liquidity management. Second, a deficit may not only be financed by



**Chart 4 Trends and quarterly changes in the main expenditure items of general government accounts**

— four-quarter moving sum of the respective item (as a percentage of GDP)  
 ■ quarter-on-quarter change in real GDP (in percent)  
 - - - quarter-on-quarter change of the respective item (in percent)



Sources: ECB calculations based on Eurostat and national data.

incurring liabilities, but also by selling financial assets. Third, some transactions in financial assets and liabilities are made for policy reasons unconnected to the need to finance the deficit. Examples are the provision of low-cost loans to certain groups, such as students and small businesses, and the privatisation of public corporations. Such privatisations have had a temporary but significant impact in some countries and have led to a restructuring of the financial assets without affecting the government deficit.

Indeed, a regular quarterly pattern in financial asset transactions does not seem to exist, while impacts of special one-off events are clearly observable. For example, there was a significant increase in bank deposits held by government following the sale of UMTS licences.

The most obvious quarterly pattern in transactions in liabilities is found in the issuance of long-term securities (government bonds). There is a regular peak in the net sale of government bonds in the first quarter of each year and in some countries also in the third quarter. The level of net issuance of liabilities is lowest in the fourth quarter. This is mainly because the fourth quarter (along with the second quarter) has the smallest deficits to finance.

The table provides a summary of the components of financial investment and the financing of the euro area government deficit. A deficit can be financed either by disposing of financial assets, such as bank deposits, or by incurring liabilities, such as issuing government long-term bonds and other securities or taking loans. In the first quarter of 2004, for example, the deficit was largely financed by the issuance of long-term debt securities amounting to 3.1% of GDP, and short-term debt securities amounting to 1.9% of GDP. The net issuance of debt exceeded the amount needed to finance the deficit by 0.6% of GDP.

## 6 RECENT DEVELOPMENTS IN PUBLIC FINANCES FROM A QUARTERLY PERSPECTIVE

This section highlights the main trends of government finances in the euro area in recent years as reflected in quarterly accounts. Quarterly data confirm the general picture painted by annual data, with more precise information on the timing. The increase in the euro area deficit has been driven by the cycle, several cuts in direct taxes and continuous upward pressure on social transfers since the second half of 2001.

Until mid-2000 government receipts in the euro area benefited from strong economic activity and the protracted asset price boom nurturing growth in direct taxes and social contributions. Primary expenditure as a ratio to GDP declined only marginally, despite the favourable growth conditions. Low unemployment gave rise to a modest slowdown in cyclically sensitive social transfer expenditure. However, other expenditure items did not follow this trend.

Thus, the euro area deficit ratio was still decreasing in the first half of 2000, which dominated the overall results for 2000. The annual outcome for the 2000 euro area deficit – adjusted for proceeds from the sale of UMTS licences – amounted to 0.9% of GDP compared with 1.3% of GDP in 1999.

From the second half of 2000, government revenue was mainly influenced by the negative effect of weakening economic activity. In addition, major cuts in direct tax revenue and social contributions, which were estimated to amount to roughly 1¾% of GDP throughout the period 2000-2003, contributed to the revenue decline. The relative increases in indirect taxes in Member States from mid-2002 to mid-2003 were mainly driven by technical moves on VAT collected on behalf of the EU budget. In one large Member State an “ecological tax reform” resulted in an increased ratio of indirect taxes. However, the negative revenue effect of tax cuts was aggravated by unexpected tax shortfalls, especially in corporate taxes. As a consequence,

the revenue ratio in the euro area decreased steeply between the second half of 2000 and the first half of 2002.

Since mid-2002 the subsequent worsening in the deficit ratio was driven by developments on the expenditure side. While intermediate consumption and compensation of employees developed roughly in line with GDP, the marked increase in social spending exceeded GDP growth from the second half of 2001 and is continuing unabated. In the first quarter of 2004 the deficit reached 4.4% of GDP, the same as in the first quarter of 2003.

## 7 CONCLUSION

A broad set of quarterly data for the government sector is now available, complementing annual data. They will be completed over the next two years to yield a full set of quarterly transaction accounts and a financial balance sheet for the euro area government sector.

As shown above, although the quarterly profiles for most revenue and expenditure items and for the deficit show large seasonal fluctuations, the quarterly patterns are reasonably stable from year to year. This means that a comparison of the latest quarter with the same quarter of the previous year can generally provide a reliable guide to the trends in the euro area fiscal position. Moreover, the seasonal pattern of revenue closely matches that of real economic activity, reflecting the co-movements of most revenue items and economic activity.

These general properties encourage the use of quarterly data for the government sector for fiscal forecasting and monitoring. Moreover, further improvements in the quality and availability of quarterly data are also likely to have a positive knock-on effect for the quality of annual data.



# EURO BANKNOTES: FIRST YEARS OF EXPERIENCE

## ARTICLES

Euro banknotes:  
first years  
of experience

*This article discusses the developments in the issuance, production and counterfeiting of euro banknotes since their introduction, and the key issues related to research and development. The number and overall value of euro banknotes in circulation are continuing to rise, mainly due to ongoing hoarding and the increasing international role of the euro. The banknote circulation is characterised by increasing migration of euro banknotes between euro area countries, a fall in the overall return frequency rate for banknotes being returned to NCBs and some deterioration of the quality of the low-value banknotes. In order to ensure the quality of the banknotes in circulation, the ECB has introduced minimum sorting standards for the processing of the euro banknotes by NCBs, credit institutions and other euro area institutions engaged in the sorting of banknotes and their distribution to the public as a professional activity. Furthermore, key steps towards a single euro payment area (SEPA) have been taken, including the introduction by NCBs of a common approach towards fee policy, basic services, opening hours, debiting and crediting, and packaging rules. As a global currency, the euro has also attracted the attention of counterfeiters. After rising very strongly during the first two years of the euro's life, there are now indications that the rate of counterfeiting has stabilised.*

## I THE ISSUANCE OF EURO BANKNOTES

### DEVELOPMENTS IN THE EURO BANKNOTE CIRCULATION

During the run-up to the cash changeover, the stocks of hoarded legacy banknotes fell, which led to a 29% decrease in value terms in the circulation of legacy currencies in 2001.

Since early 2002 the circulation of euro banknotes has risen strongly, in particular in terms of value. The end-2000 level was reached again in mid-2003, and the growth in holdings has continued without any clear signs of a slowdown. The average circulation rose by 20.3% (in terms of value) and 10.5% (in terms of volume) in the period January-June 2004 in comparison with the corresponding period of the previous year. The main reasons for this strong growth include the ongoing hoarding of euro banknotes and the increasing international role of the euro.

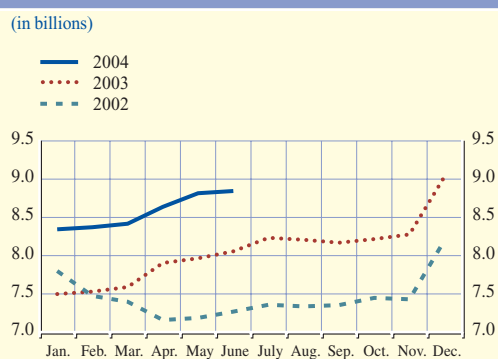
The availability of high-denomination banknotes in all euro area countries has increased the use of currency for hoarding purposes. The convenience of using euro banknotes that are legal tender in 12 countries and the fact that they are widely accepted in Europe have increased the demand for euro banknotes by travellers to most European countries in comparison with the legacy

currencies and with other major international currencies. In addition, the appreciation of the euro against the US dollar since 2002 may have played an additional role in fostering the non-resident demand for euro banknotes. There is some indication that demand for euro banknotes is emerging in countries where there was no substantial demand for the legacy currencies (e.g. in Russia). Moreover, an increased expectation in the new EU Member States that the euro will become their legal tender in the foreseeable future might also have contributed to foreign demand for euro banknotes. However, at the same time, the economic stabilisation and recovery in eastern and south-eastern Europe has led to a decrease in the use of foreign currencies for hoarding.

At the end of June 2004, around 9 billion euro banknotes with a value of €450 billion were in circulation. According to the estimate of non-resident holdings presented in the ECB publication entitled "Review of the international role of the euro" (December 2003), around €50 billion of euro banknotes (about 10-12% of euro currency in circulation) are circulating outside the euro area.

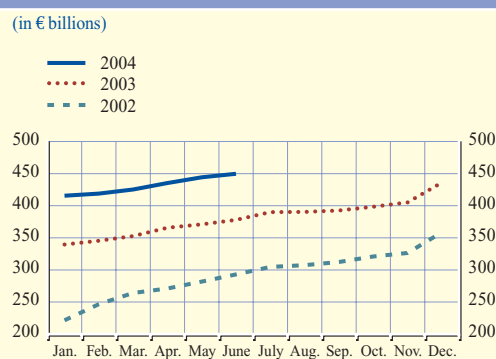
The circulation has shifted towards the higher-value denominations. The share of the denominations ranging from €50 to €500 had increased from the initial 25% (in terms of

**Chart 1 Total number of euro banknotes in circulation at period-end**



Source: ECB.

**Chart 2 Total value of euro banknotes in circulation at period-end**



Source: ECB.

volume) and 69% (in terms of value) to 46% and 86%, respectively, by early 2004. Consequently, the average euro banknote value has gradually increased. In November 2003 the highest average legacy banknote value reached in December 2000 (the equivalent of €49 for the Deutsche Mark) was surpassed. Since February 2004 the average value of euro banknotes has exceeded €50. Charts 1 and 2 show the developments in the circulation of euro banknotes from January 2002.

A salient feature of the euro banknote circulation is the increased migration between the euro area countries, which is a natural consequence of the introduction of the single currency. In addition to the general public, banks and other economic agents have started to use euro banknotes on a cross-border basis within the euro area. For instance, foreign businesses can buy and sell euro banknotes in whichever euro area country they prefer. This greater migration of euro banknotes is reflected in negative net issuance figures recorded by a few NCBs for certain denominations. These negative figures imply a net inflow of a given denomination to the NCBs concerned. These developments had already been observed in 2002 and, since then, more NCBs and more denominations have been affected. A framework for the management of the Eurosystem's banknote stock has therefore been established, which addresses the impact of

migration by redistributing excess logistical stocks by means of bulk transfers between NCBs.

On the whole, euro banknotes are returned less frequently to the NCBs than in the past. The latest overall return frequency rate<sup>1</sup> stands at 3.4 per year for the period from July 2003 to June 2004, 6% lower than for the corresponding period one year earlier. In addition, this rate varies, according to the denomination, between 0.6 and 4.7 per year. The highest figures were observed for the €10 and €20 denominations (see Table 1).

**Table 1 Banknote return frequency rates**

(July 2003 to June 2004)

€500	€200	€100	€50
0.6	0.8	1.1	3.0
€20	€10	€5	Total
4.6	4.7	3.3	3.4

Source: ECB.

<sup>1</sup> Defined as the total number of banknotes returned to NCBs between July 2003 and June 2004 divided by the average number of banknotes in circulation during this period.

### STEPS TOWARDS A SINGLE EURO PAYMENT AREA

The Eurosystem has been in the process of defining common principles and objectives regarding its role in the cash cycle.

In addition, the banking industry and other commercial parties concerned (e.g. cash-in-transit companies) have requested that the Eurosystem ensures a level playing-field for euro cash services. This would help individuals and enterprises to fully reap the benefits of EMU and the Single Market in general.

At the same time, NCBs have been reviewing the range of cash services they provide, as well as their own organisation and role in the cash cycle.

These parallel developments have highlighted the need to define more precisely the Eurosystem's responsibilities/tasks in the medium and long term with regard to its statutory task of issuance of the euro, as laid down in Article 106 (1) of the Treaty establishing the European Community (hereafter referred to as the Treaty). It is, however, not envisaged to design a "one-scheme-fits-all" policy for NCB cash services. In line with the decentralised structure of the Eurosystem, it will be up to the NCBs, in consultation with the parties concerned, to decide on how to implement the responsibilities and objectives defined in this context. The NCBs will need to take into account inter alia the respective national economic situation and banking structure, the existing NCB branch network and the relative share of cash payments. In addition, technological developments, such as the use of cash-recycling machines, require thought to be given to the most efficient use of resources in the cash cycle.

Given its prominent role in the cash cycle, the Eurosystem should provide continuity and stability to facilitate the planning of the actors in the cash cycle (e.g. banks, cash-in-transit companies). To this end, the ECB has liaised with banks and other interested parties to

discuss ways to enhance the efficiency of the cash supply system, recently in particular the framework for the detection of counterfeits and fitness sorting by credit institutions and other professional cash handlers.

### MEASURES TO ENSURE AN ACCEPTABLE QUALITY OF BANKNOTES IN CIRCULATION

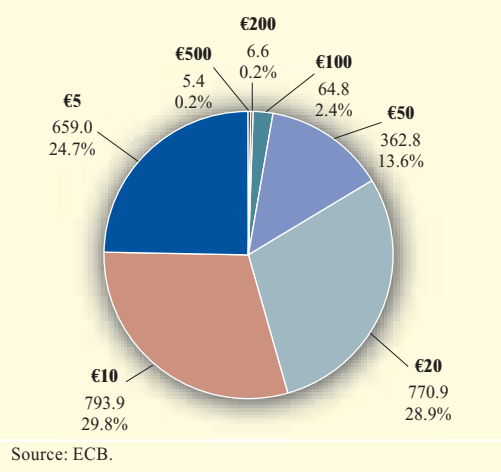
To maintain the quality of euro banknotes in circulation, the Eurosystem developed a common minimum sorting standard in 2001, which has been applied by all Eurosystem NCBs since the introduction of euro banknotes in 2002. When banknotes return from circulation, NCBs carefully check the quality of all euro banknotes deposited by their customers. The quality control is carried out by sophisticated sorting machines against the common standard, with thresholds for a number of fitness criteria such as soiling, tears and other damage. These operations ensure that only banknotes that are fit for use are reissued and defective banknotes are removed from circulation.

Another objective of the common minimum sorting standard is to help ensure that the euro banknotes in circulation used as a daily means of payment by the general public of the euro area are of a consistent quality. In the course of 2003, however, there were first indications that in some euro area countries the quality of the low-value denominations in circulation, notably the €5 banknotes, has deteriorated markedly and fallen below an acceptable level. Analyses have revealed that in the countries where the quality is not satisfactory, the €5 banknotes are mainly circulating within the retail sector and their return frequency to NCBs via credit institutions is accordingly low. This phenomenon can be partly explained by the fact that the €5 banknotes are only supplied to a marginal extent (if at all) via automated teller machines (ATMs) to the public and the circulating banknotes are needed by retailers for giving change and therefore not returned to the credit institutions for processing. Consequently, the €5 banknotes stay in circulation longer and are exposed to more wear and tear. Furthermore,



**Chart 3 Replacement of unfit banknotes in 2003**

(in millions of pieces; as a percentage of total unfit banknotes)



the €5 and €10 banknotes might be treated by the public less carefully than the higher denominations due to their lower value.

The NCBs of the countries experiencing quality problems have tried to improve the circulation quality, e.g. by adjusting their sorting policy and/or by issuing temporarily only new banknotes in 2004. Additionally, initiatives have been taken in cooperation with the banking sector to increase the return frequency of the low-value denominations to NCBs so that larger amounts of unfit banknotes can be withdrawn from circulation. Currently, the Eurosystem is conducting a representative sample survey covering all euro area countries in order to evaluate the impact of these short-term measures. For the longer term, the Eurosystem is working on projects aimed at enhancing the durability of euro banknotes.

In 2002 NCBs replaced 750 million unfit banknotes with new and fit ones. This represented only 9.2% of the average number of euro banknotes in circulation during that year because of the newness of the banknotes. In 2003 the total number of unfit banknotes amounted to 2,663 million, which represented 33.1% of the average number of banknotes in

circulation in 2003. The denominational breakdown of the replacement of unfit banknotes for the year 2003 is shown in Chart 3. In 2003 the highest ratios of unfit banknotes were observed for the €10, €20 and €5 denominations, which together accounted for 83.5% of all unfit banknotes.

## 2 PRODUCTION OF EURO BANKNOTES

The production of banknotes for the launch was a very demanding task, including the coordination of 15 printing works in 12 different countries printing the same banknotes with the same designs and the same level of visual and technical quality. The peak production rate was achieved in 2001, with approximately 1 billion banknotes being produced per month. Now that the production requirements are determined by the number of banknotes necessary to accommodate the increase in circulation and to replace unfit banknotes that have been destroyed, the production requirements have fallen significantly to approximately 3 to 4 billion banknotes per year (see Table 2). This fall has provided the Eurosystem with an opportunity to reflect upon and review the working practices and controls that are being applied to manage the printing and distribution processes. After more than five years of production and two-and-a-half years of circulation of the current euro banknote series, a wealth of experience has been gained. It has been used to refine technical standards and the quality management system and has also provided the basis for the production of future euro banknote series.

During the production of the launch stocks, there was a great deal of concern about the ability of the different printing works to produce high volumes of banknotes to a common standard. To meet this common standard, the quality controls and the visual checking processes that were applied had to be very strict. Following the introduction of euro banknotes, the feedback from the general public and the cash-handling community has

Table 2 Production volume and allocation of euro banknote production in 2005 <sup>1)</sup>

Denomination	Quantity (in millions of banknotes)	Value (€ millions)	NCBs commissioning production
€5	530.0	2,650	FR
€10	1,020.0	10,200	DE, GR, IE, AT
€20	700.0	14,000	ES, FR, NL, PT, FI
€50	1,100.0	55,000	BE, DE, ES, IT, NL
€100	90.0	9,000	IT
€200	-	-	
€500	190.0	95,000	DE, LU
<b>Total</b>	<b>3,630.0</b>	<b>185,850</b>	

Source: ECB.

1) It should be noted that the stocks of €200 banknotes are sufficient, so there is no need to produce this denomination in 2005.

demonstrated that the banknotes are being produced to acceptable quality standards.

The technical specifications describe the technical requirements for the production of the banknotes. The technical specifications for the current series have been progressively improved over the last few years. In late 2003 it was decided that they had reached a sufficient level of maturity to be frozen until the launch of the second series of euro banknotes.

#### DEVELOPMENT AND MAINTENANCE OF THE TECHNICAL STANDARDS

Visual consistency is monitored by collecting “production reference banknotes” and evaluating them. A small sample of all production batches/lots is then collected and a team of experts periodically compares these production samples with each other and with the reference banknotes. This ongoing comparison concerns both the visual appearance and other characteristics and has confirmed that the production of euro banknotes has stabilised in terms of consistency and the variations in visual quality are now very small.

All main producers involved in the production of euro banknotes are regularly informed and/or consulted via liaison meetings about any matter related to euro banknote production. Several groups representing the banknote users are also regularly informed and consulted about any matter related to the circulation of the euro banknotes. This helps the Eurosystem to

monitor the performance of the current banknote series and prepare for a future series.

#### DEVELOPMENT AND MAINTENANCE OF THE QUALITY MANAGEMENT SYSTEM

To achieve a common banknote quality at all printing works, it is essential that a common quality management system is also in place. Coordination and maintenance of this system is an important Eurosystem role. The quality management system that was devised in 1997 before the start of euro banknote production has been significantly upgraded since the launch, taking into account the experience gained. A key change has been the shift from relying on final quality checks to monitoring the processes to achieve quality levels and reduce the cost of waste.

As part of the general improvement programme and to improve communication in the supply chain, all printing works, paper mills and other key material suppliers are periodically audited by the ECB to ensure compliance with the quality management system requirements. All manufacturing sites now work according to the most stringent industrial standards. The common requirements concern in particular the banknote production documentation, the quality control process (inspection of raw materials, process checks and final inspection) and the quality control standards (common limits for acceptance and rejection).

## **BANKNOTE PROCUREMENT AND SUPPLY CHAIN ANALYSIS**

The desire to enhance overall efficiency within the Eurosystem has led to a review of the current procurement rules and proposals for a future banknote procurement strategy. The basis of this future strategy will be a common tendering procedure. This will promote competition and consequently reduce the cost of banknotes. This future strategy is currently being developed, with the objective of the new system being in place by 2008 and fully implemented by 2012.

In 2003 an in-depth analysis of the supply chain for euro banknotes and raw materials was undertaken with the objective of determining the level of risk to supply continuity. The study was structured to identify all key materials used in the euro banknotes (e.g. paper, foil, security thread, inks, chemicals) along the supply chain. The result was a comprehensive analysis of the suppliers and their interdependencies. The study confirmed that there is no significant risk to the supply of euro banknotes. More importantly, it has provided some principles to be considered and incorporated into any future design and development processes to manage the future risks to the supply chain. These may include more use of techniques and concepts such as functional requirement development, supply chain development and simultaneous engineering.

The targets are to improve overall efficiency, improve the quality management system and operate a well-managed and transparent supply chain with more structured communications with all partners and customers in the banknote production environment.

### **3 COUNTERFEITING**

#### **DEVELOPMENTS IN EURO BANKNOTE COUNTERFEITING**

Since the launch of euro banknotes in January 2002, the quantity of counterfeited banknotes has increased slowly from a zero base. The ECB

recently announced that around 307,000 counterfeit banknotes were recovered from circulation during the first six months of 2004. This figure is of the same order of magnitude as the number recovered during the previous six-month period (311,000), indicating that the rate of counterfeiting may now have stabilised. Whilst these figures may seem high, they must be seen in the context of the number of genuine banknotes in circulation (approximately 9 billion), the population of the euro area countries (approximately 300 million) and the number of cash transactions involving banknotes (estimated to be approximately 120 billion per year). Comparison of these figures with those for other currencies is misleading since no other currency has, or has had, the same circulation pattern or equivalence in denominational values and split. Now that the euro has become an established currency, the most valid comparison would be with past developments in euro counterfeiting. A very small number of counterfeit euro banknotes are of good quality, but the vast majority of counterfeits can be readily distinguished from genuine notes by using the simple feel-look-tilt method described in the Eurosystem's information material. Even well-made counterfeits can be detected by carefully applying this test. If in doubt, another good test of authenticity is to compare a suspect note with one that is known to be genuine.

The ECB has updated its communication materials, which can be used by the NCBs to help banknote users to distinguish counterfeit notes from genuine ones.

Reports that counterfeit euro banknotes have been dispensed by ATMs in Germany have appeared in the press recently. However, this should not happen on account of an agreement that obliges German credit institutions to feed ATMs only with banknotes that have been previously authenticated by the Deutsche Bundesbank. The Bundesbank has followed up all claims that an ATM has dispensed a counterfeit and it has not substantiated any of these claims.

### COUNTERFEIT DETERRENCE

The competence to issue banknotes (Article 106 of the Treaty and Article 16 of the ESCB Statute) includes a right for the ECB and the NCBs to take all necessary measures to maintain the integrity of the euro, including measures to combat counterfeiting of euro banknotes. In this respect, the measures taken so far by the ECB include the establishment and management of the Counterfeit Analysis Centre (CAC) in order to centralise the classification and analysis of technical data relating to counterfeit notes, and of the Counterfeit Monitoring System, which is the repository of technical and statistical information on euro counterfeiting.

A group – the Central Bank Counterfeit Deterrence Group (CBCDG) – has been established under an agreement between the Governors of the central banks of the G10 countries. This group is mandated to investigate emerging threats to the security of banknotes and to propose solutions. It has now developed a system that will prevent the reproduction of banknotes using standard PC hardware and software. The ECB recently announced a public consultation in connection with its desire to see EU-wide legislation implemented that would make it mandatory for manufacturers and importers of PC hardware and software to incorporate the CBCDG's counterfeit deterrence modules in their products.

### COOPERATION WITH LAW ENFORCEMENT AGENCIES AND OTHER RELEVANT INSTITUTIONS

The ECB cooperates closely with Europol, the European organisation with specific responsibility for fighting cross-border and organised crime within the European Union. Europol has access to the Counterfeit Monitoring System and CAC experts have participated in police investigation teams. The ECB also has cooperation agreements with the International Criminal Police Organisation (Interpol), the European Commission and the competent national authorities of neighbouring and third countries regarding the exchange of information and the provision of training.

In conclusion, whilst the level of counterfeiting of the euro appears to have reached a plateau, one should never be complacent about the future threat. The ECB believes, however, that there is now an effective infrastructure in place to combat counterfeiting.

## 4 RESEARCH AND DEVELOPMENT

The banknote R&D strategy approved by the Governing Council stresses the need for the euro banknotes to defend themselves. When addressing the counterfeit threat, the European approach has traditionally focused on the banknotes, putting as many technical obstacles as possible in the way of counterfeiters rather than relying heavily on law enforcement. This European approach, which is included in the current euro R&D strategy, was also part of the strategies for most of the legacy currencies.

Banknote R&D is crucial in protecting the integrity of the euro. When designing the euro banknote series, the 15 EU NCBs were involved, each contributing R&D resources. Faced with the challenge of the launch, the NCBs shared the R&D portfolios that they had built up over the years. During these early times, the NCBs together with a number of private organisations devoted very significant human resources to designing and producing the common currency. There was a pioneering spirit whereby everybody wanted to meet the historical challenge and to play a part in this key achievement.

At the end of 1999 the Eurosystem identified the need to adopt a more structured approach to R&D to prepare for future euro banknote upgrades and the second series. The new structure had to accommodate ongoing R&D as “business as usual”. It also had to contribute to maintaining the integrity of the current and future euro banknotes and to ensure a level playing-field for all suppliers. The Governing Council approved the organisation of euro R&D as a decentralised network coordinated by the ECB. The system then developed to include, in

addition to the ECB, the NCBs and their long-term suppliers, other industry players, thereby enhancing the innovative capability. Accordingly, the system is now open to all companies willing to propose ideas and projects, opening the way for the innovation that a global currency such as the euro needs. The Eurosystem has defined the policy and created the procedural framework to assess and select projects for funding in order to develop the euro R&D portfolio. This set of procedures was assessed and certified under the ISO 9001:2000 norm.

Security features in all banknotes are degraded over time: initially a newly designed feature will perform well, then as it becomes known by legitimate users and as the counterfeiters' technology advances it is eventually emulated and needs to be replaced. It is up to R&D to provide the replacement features. Security features are developed in order to enhance the banknotes' technological foundation; development activity programmes better define the requirements for a set of security features and look at compatibility issues; finally, industrialisation programmes identify potential problems during the production phase and allow the definition of the technical specifications of the new security features. Only when all the stages are successfully completed can a security feature be included in the euro banknote specifications.

Banknotes are essentially products with a technical performance to deliver. The definition of the functional requirements relies on marketing-based techniques. The derived specifications are used to initiate product design programmes for banknote design upgrades and new banknote series. The focus is on the different kinds of customers and users: the general public (including visually impaired people), cashiers, vending machines, banknote processing machines, cash handlers, law enforcement authorities and the note-issuing authority itself. Each has different needs in terms of convenience, authentication, efficiency, resilience and cost, and these needs

also differ for low, medium and high-denomination banknotes.

R&D activities are divided into the long-term R&D work, which provides the technology that enables the new features necessary to stay ahead of the counterfeiters, and the specific R&D project activities that support the development of the respective design projects. Striking a balance between these two areas of activity is vital to a smooth long-term banknote design programme. One example of an area of research is the field of nanotechnology where new material development/processing could give rise to new unique optical properties and/or behaviours that could be used in banknotes. The banknote R&D strives to exploit such new developments by converting new technologies into security features that could be used efficiently by the general public to verify the authenticity of the euro banknotes, but pose insurmountable difficulties for the counterfeiters in their attempt to emulate the security features.

## 5 CONCLUSION

Progress is continuing to be made with regard to the euro banknotes and the new currency is maturing well. After more than five years of production and two-and-a-half years of circulation of the current euro banknote series, the wealth of experience gained is being used to refine technical standards and the quality management system. It also forms the basis for the production of future euro banknote series.

The focus is now shifting to the management of the banknote circulation, the future entry of new countries to the euro area and the wider international use of the euro. A major challenge will be the introduction of the second banknote series, which is expected towards the end of this decade.

# EURO AREA STATISTICS







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

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#### WHAT'S NEW

Henceforth *quarterly* euro area government revenue and expenditure will be published in Section 6.4 of the Euro area statistics section. This month's table includes figures for 2004 Q1. The early information on the general government fiscal position is based on the same methodology that is used to calculate the Maastricht deficit. For further details, see the article entitled "Properties and use of general government quarterly accounts" in this issue of the Monthly Bulletin.

Furthermore, this issue is also the first to include the euro area balance of payments with "loans" separated from "currency and deposits" for the assets of euro area non-MFIs (see Tables 8 and 9 in Section 7.1 of the Euro area statistics section). Additional information on this breakdown can be found in the "External transactions and positions" section of the General Notes in this issue of the Monthly Bulletin.

#### Conventions used in the tables

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

# EURO AREA OVERVIEW



## Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

### 1. Monetary developments and interest rates

	M1 <sup>1)</sup>	M2 <sup>1)</sup>	M3 <sup>1),2)</sup>	M3 <sup>1),2)</sup> 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government <sup>1)</sup>	Securities other than shares issued in euro by non- financial and non- monetary financial corporations <sup>1)</sup>	3-month interest rate (EURIBOR, % per annum, period averages)	10-year government bond yield (% per annum, period averages)
	1	2	3	4	5	6	7	8
2002	7.7	6.6	7.3	-	5.3	21.1	3.32	4.92
2003	10.9	8.0	8.0	-	4.9	20.4	2.33	4.16
2003 Q3	11.4	8.5	8.3	-	4.9	22.2	2.14	4.16
Q4	11.0	7.9	7.6	-	5.3	21.6	2.15	4.36
2004 Q1	11.0	7.2	6.4	-	5.4	16.4	2.06	4.15
Q2	10.2	6.0	5.4	-	5.6	.	2.08	4.36
2004 Feb.	10.7	6.8	6.1	6.3	5.4	16.0	2.07	4.18
Mar.	11.4	6.7	6.1	5.9	5.3	13.4	2.03	4.02
Apr.	10.9	6.2	5.5	5.5	5.5	11.7	2.05	4.24
May	9.3	5.5	4.8	5.2	5.7	10.9	2.09	4.39
June	9.6	5.7	5.4	.	6.0	.	2.11	4.44
July	.	.	.	.	.	.	2.12	4.34

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

	HICP	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2002	2.3	-0.1	3.7	0.9	-0.5	81.5	0.5	8.4
2003	2.1	1.4	2.8	0.5	0.4	81.0	0.1	8.9
2003 Q3	2.0	1.1	2.8	0.4	-0.2	81.1	0.1	8.9
Q4	2.0	1.0	2.3	0.7	1.5	81.0	0.2	8.9
2004 Q1	1.7	0.2	2.5	1.3	1.0	80.6	0.1	8.9
Q2	2.3	2.0	.	.	.	81.0	.	9.0
2004 Feb.	1.6	0.0	-	-	0.9	-	-	8.9
Mar.	1.7	0.4	-	-	1.6	-	-	8.9
Apr.	2.0	1.4	-	-	1.6	80.7	-	9.0
May	2.5	2.4	-	-	3.8	-	-	9.0
June	2.4	2.4	-	-	.	-	-	9.0
July	2.4	.	-	-	.	81.3	-	.

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

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: narrow group (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
2002	65.4	133.6	-4.7	114.6	366.1	89.7	92.2	0.9456
2003	38.3	108.5	-13.1	17.6	306.5	99.9	103.5	1.1312
2003 Q3	14.3	36.8	-19.1	-59.1	332.9	100.2	104.0	1.1248
Q4	24.7	30.7	-9.6	10.5	306.5	101.8	105.9	1.1890
2004 Q1	16.2	28.1	-28.9	5.2	308.4	103.9	108.3	1.2497
Q2	.	.	.	.	301.4	101.6	105.7	1.2046
2004 Feb.	7.3	9.4	7.8	16.5	298.5	104.4	108.8	1.2646
Mar.	11.7	13.4	-26.1	-4.9	308.4	102.8	107.0	1.2262
Apr.	1.0	10.7	-2.9	-3.0	303.9	100.9	105.0	1.1985
May	5.5	11.1	-0.7	-25.8	298.9	102.0	106.1	1.2007
June	.	.	.	.	301.4	101.8	106.0	1.2138
July	.	.	.	.	.	102.4	106.9	1.2266

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

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

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



# MONETARY POLICY STATISTICS

## 1.1 Consolidated financial statement of the Eurosystem

(EUR millions)

### 1. Assets

	2004 9 July	2004 16 July	2004 23 July	2004 30 July
<b>Gold and gold receivables</b>	127,417	127,418	127,382	127,382
<b>Claims on non-euro area residents in foreign currency</b>	175,586	173,728	174,778	172,133
<b>Claims on euro area residents in foreign currency</b>	16,370	16,921	16,988	17,316
<b>Claims on non-euro area residents in euro</b>	6,717	7,034	7,710	7,915
<b>Lending to euro area credit institutions in euro</b>	328,013	317,516	334,502	333,003
Main refinancing operations	252,999	242,501	259,500	258,001
Longer-term refinancing operations	75,001	75,001	75,001	75,000
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	10	11	0	1
Credits related to margin calls	3	3	1	1
<b>Other claims on euro area credit institutions in euro</b>	522	804	878	894
<b>Securities of euro area residents in euro</b>	73,780	73,175	72,851	67,487
<b>General government debt in euro</b>	42,080	42,080	42,080	42,080
<b>Other assets</b>	110,541	110,164	110,462	115,539
<b>Total assets</b>	881,026	868,840	887,631	883,749

### 2. Liabilities

	2004 9 July	2004 16 July	2004 23 July	2004 30 July
<b>Banknotes in circulation</b>	458,176	459,174	458,684	463,148
<b>Liabilities to euro area credit institutions in euro</b>	137,550	140,139	136,823	131,276
Current accounts (covering the minimum reserve system)	137,486	140,069	136,797	131,208
Deposit facility	63	69	23	34
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	1	1	3	34
<b>Other liabilities to euro area credit institutions in euro</b>	302	302	125	125
<b>Debt certificates issued</b>	1,054	1,054	1,054	1,054
<b>Liabilities to other euro area residents in euro</b>	70,731	56,060	78,156	77,109
<b>Liabilities to non-euro area residents in euro</b>	8,183	8,183	8,585	8,790
<b>Liabilities to euro area residents in foreign currency</b>	220	224	224	242
<b>Liabilities to non-euro area residents in foreign currency</b>	13,099	11,268	11,480	9,368
<b>Counterpart of special drawing rights allocated by the IMF</b>	5,896	5,896	5,896	5,896
<b>Other liabilities</b>	55,843	56,568	56,631	56,768
<b>Revaluation accounts</b>	70,205	70,205	70,205	70,205
<b>Capital and reserves</b>	59,767	59,767	59,768	59,768
<b>Total liabilities</b>	881,026	868,840	887,631	883,749

Source: ECB.

## 1.2 Key ECB interest rates

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

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

Source: ECB.

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

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

(EUR millions; interest rates in percentages per annum)

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

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Variable rate tenders			Running for (...) days
				Minimum bid rate	Marginal rate <sup>4)</sup>	Weighted average rate	
1	2	3	4	5	6	7	
<b>Main refinancing operations</b>							
2004 7 Apr.	255,399	317	218,500	2.00	2.00	2.01	7
14	265,103	341	205,500	2.00	2.00	2.01	7
21	267,511	371	211,000	2.00	2.00	2.01	7
28	270,499	366	220,000	2.00	2.00	2.01	7
5 May	267,916	349	211,000	2.00	2.00	2.01	7
12	273,449	344	207,000	2.00	2.00	2.01	7
19	275,403	371	223,500	2.00	2.00	2.01	7
26	280,155	371	232,500	2.00	2.00	2.01	7
2 June	269,747	337	236,000	2.00	2.00	2.01	7
9	278,440	344	233,500	2.00	2.00	2.01	7
16	305,245	376	232,000	2.00	2.00	2.01	7
23	331,013	406	260,000	2.00	2.00	2.01	7
30	315,078	385	256,000	2.00	2.01	2.02	7
7 July	315,956	383	253,000	2.00	2.00	2.01	7
14	328,840	390	242,500	2.00	2.01	2.01	7
21	322,945	416	259,500	2.00	2.01	2.01	7
28	321,937	403	258,000	2.00	2.01	2.02	7
4 Aug.	342,842	359	255,000	2.00	2.01	2.02	7
<b>Longer-term refinancing operations</b>							
2003 31 July	25,416	134	15,000	-	2.08	2.10	91
28 Aug.	35,940	143	15,000	-	2.12	2.13	91
25 Sep.	28,436	106	15,000	-	2.10	2.12	84
30 Oct.	32,384	150	15,000	-	2.13	2.14	91
27 Nov.	25,402	128	15,000	-	2.12	2.13	91
18 Dec.	24,988	114	15,000	-	2.12	2.14	105
2004 29 Jan.	47,117	145	25,000	-	2.03	2.04	91
26 Feb.	34,597	139	25,000	-	2.01	2.03	91
1 Apr.	44,153	141	25,000	-	1.85	1.90	91
29	54,243	180	25,000	-	2.01	2.03	91
27 May	45,594	178	25,000	-	2.04	2.05	91
1 July	37,698	147	25,000	-	2.06	2.08	91
29	40,354	167	25,000	-	2.07	2.08	91

#### 2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders	Variable rate tenders			Running for (...) days
					Fixed rate	Minimum bid rate	Marginal rate <sup>4)</sup>	Weighted average rate	
1	2	3	4	5	6	7	8	9	
2000 5 Jan. <sup>5)</sup>	Collection of fixed-term deposits	14,420	43	14,420	-	-	3.00	3.00	7
21 June	Reverse transaction	18,845	38	7,000	-	-	4.26	4.28	1
2001 30 Apr.	Reverse transaction	105,377	329	73,000	-	4.75	4.77	4.79	7
12 Sep.	Reverse transaction	69,281	63	69,281	4.25	-	-	-	1
13	Reverse transaction	40,495	45	40,495	4.25	-	-	-	1
28 Nov.	Reverse transaction	73,096	166	53,000	-	3.25	3.28	3.29	7
2002 4 Jan.	Reverse transaction	57,644	61	25,000	-	3.25	3.30	3.32	3
10	Reverse transaction	59,377	63	40,000	-	3.25	3.28	3.30	1
18 Dec.	Reverse transaction	28,480	50	10,000	-	2.75	2.80	2.82	6
2003 23 May	Collection of fixed-term deposits	3,850	12	3,850	2.50	-	-	-	3
2004 11 May	Collection of fixed-term deposits	16,200	24	13,000	2.00	-	-	-	1

Source: ECB.

- 1) The amounts shown may differ slightly from those in Table 1.1 due to operations allotted but not settled.
- 2) With effect from April 2002, split tender operations, i.e. operations with one-week maturity conducted as standard tenders in parallel with a main refinancing operation, are classified as main refinancing operations. For split tender operations conducted before this month, see Table 1.3.2.
- 3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.
- 4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
- 5) This operation was conducted with a maximum rate of 3.00%.

## 1.4 Minimum reserve and liquidity statistics

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

## 1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at <sup>1)</sup> :	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
2002	11,116.8	6,139.9	409.2	1,381.9	725.5	2,460.3
2003	11,538.7	6,283.8	412.9	1,459.1	759.5	2,623.5
2003 Dec.	11,538.7	6,283.8	412.9	1,459.1	759.5	2,623.5
2004 Jan.	11,691.2	6,328.2	428.0	1,461.4	825.3	2,648.3
Feb.	11,775.2	6,315.9	431.3	1,470.0	882.0	2,676.0
Mar.	11,926.7	6,404.7	442.5	1,483.2	867.7	2,728.6
Apr.	12,088.2	6,474.0	451.3	1,492.1	911.8	2,759.0
May	12,141.3	6,506.8	442.3	1,499.1	898.2	2,794.9

## 2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2002	128.8	129.5	0.8	0.0	3.06
2003	131.8	132.6	0.8	0.0	2.00
2004 Q1	133.4	134.1	0.7	0.0	2.00
2004 6 Apr.	134.6	135.3	0.7	0.0	2.00
11 May	134.4	135.0	0.6	0.0	2.00
8 June	136.4	137.1	0.7	0.0	2.00
6 July	138.0	138.8	0.8	0.0	2.00
10 Aug.	138.5	.	.	.	.

## 3. Liquidity

Maintenance period ending on:	Liquidity-providing factors						Liquidity-absorbing factors				Credit institutions current accounts	Base money
	Monetary policy operations of the Eurosystem						Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)			
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility				Other liquidity-absorbing operations		
	1	2	3	4	5	6	7	8	9	10	11	12
2002	371.5	168.1	45.0	1.1	2.0	0.2	0.0	350.7	51.7	55.5	129.5	480.5
2003	320.1	235.5	45.0	0.6	0.0	0.1	0.0	416.1	57.0	-4.5	132.6	548.7
2004 Q1	303.3	219.4	56.7	0.4	0.0	0.2	0.0	418.0	48.6	-21.1	134.1	552.3
2004 6 Apr.	301.4	217.9	67.1	0.4	0.0	0.4	0.0	425.3	51.5	-25.7	135.3	561.0
11 May	310.7	213.2	75.0	0.1	0.0	0.1	0.4	436.4	46.0	-18.9	135.0	571.5
8 June	311.3	224.7	75.0	0.1	0.0	0.5	0.0	442.5	52.2	-21.1	137.1	580.1
6 July	308.2	245.4	75.0	0.3	0.0	0.1	0.0	449.1	65.0	-24.1	138.8	588.1

Source: ECB.

1) End of period.





# MONEY, BANKING AND INVESTMENT FUNDS

## 2.1 Aggregated balance sheet of euro area MFIs

(EUR billions; outstanding amounts at end of period)

### 1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/units <sup>1)</sup>	Holdings of shares/other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Eurosystème														
2002	1,042.8	416.2	24.2	0.6	391.3	94.6	86.0	1.0	7.6	-	13.2	374.0	11.9	132.9
2003	1,086.8	471.3	22.6	0.6	448.0	133.6	121.5	1.3	10.8	-	12.8	317.9	12.4	138.8
2004 Jan.	1,090.0	469.7	22.6	0.7	446.4	136.4	123.9	1.4	11.2	-	12.9	321.6	13.0	136.3
Feb.	1,091.3	474.4	22.6	0.6	451.1	140.5	127.1	1.4	11.9	-	13.1	309.0	13.9	140.4
Mar.	1,102.7	467.6	22.6	0.7	444.3	143.4	128.9	1.5	13.0	-	13.1	320.7	14.0	143.9
Apr.	1,130.8	493.6	22.6	0.6	470.3	146.0	131.4	1.8	12.7	-	13.3	314.6	13.9	149.4
May	1,128.1	493.4	22.6	0.6	470.1	147.0	132.9	1.8	12.3	-	13.0	310.0	14.0	150.8
June <sup>(p)</sup>	1,200.0	560.9	22.2	0.6	538.0	147.8	133.5	1.9	12.3	-	13.3	311.3	14.1	152.7
MFIs excluding the Eurosystème														
2002	18,857.9	11,611.4	813.0	6,780.6	4,017.8	2,671.5	1,135.0	366.2	1,170.4	62.4	827.6	2,465.5	167.6	1,051.8
2003	19,799.1	12,114.1	819.0	7,101.5	4,193.6	2,947.5	1,246.0	425.6	1,275.9	67.3	894.9	2,567.0	162.1	1,046.2
2004 Jan.	20,041.1	12,138.3	816.8	7,117.0	4,204.5	2,992.4	1,271.4	425.0	1,295.9	76.2	909.6	2,694.6	159.3	1,070.7
Feb.	20,159.6	12,153.4	808.2	7,138.6	4,206.6	3,037.8	1,292.6	430.5	1,314.7	77.3	908.9	2,724.2	159.5	1,098.4
Mar.	20,408.7	12,233.0	823.3	7,171.7	4,238.0	3,081.2	1,305.6	431.6	1,344.0	78.0	926.3	2,830.4	160.0	1,099.7
Apr.	20,703.6	12,400.6	817.6	7,229.6	4,353.4	3,104.4	1,313.8	435.8	1,354.8	79.8	954.0	2,914.7	160.7	1,089.5
May	20,673.8	12,360.4	811.7	7,268.4	4,280.3	3,146.1	1,340.5	439.9	1,365.6	77.4	955.6	2,886.6	159.1	1,088.5
June <sup>(p)</sup>	20,790.2	12,467.6	818.4	7,323.0	4,326.1	3,159.5	1,351.5	444.5	1,363.5	76.9	944.4	2,873.6	159.3	1,108.9

### 2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/units <sup>2)</sup>	Debt securities issued <sup>3)</sup>	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
Eurosystème											
2002	1,042.8	392.9	328.4	29.5	15.6	283.3	-	3.6	165.9	32.9	119.1
2003	1,086.8	450.5	324.0	21.3	16.9	285.8	-	1.6	143.8	27.5	139.4
2004 Jan.	1,090.0	430.0	345.9	42.7	15.5	287.6	-	1.6	140.8	29.4	142.2
Feb.	1,091.3	433.4	349.4	48.9	16.5	283.9	-	1.6	142.3	24.3	140.2
Mar.	1,102.7	439.9	336.6	43.1	15.8	277.7	-	1.6	155.5	23.6	145.3
Apr.	1,130.8	450.2	358.3	43.6	16.7	297.9	-	1.6	149.4	25.1	146.2
May	1,128.1	459.3	350.2	46.0	18.3	285.8	-	1.6	146.5	22.2	148.3
June <sup>(p)</sup>	1,200.0	465.1	413.2	67.1	18.4	327.6	-	1.6	145.5	23.5	151.1
MFIs excluding the Eurosystème											
2002	18,857.9	0.0	10,197.8	106.9	5,954.3	4,136.6	532.8	2,992.6	1,108.7	2,594.2	1,431.7
2003	19,799.1	0.0	10,772.6	132.3	6,277.6	4,362.6	649.1	3,158.8	1,151.1	2,609.6	1,457.9
2004 Jan.	20,041.1	0.0	10,766.3	131.3	6,269.4	4,365.5	667.8	3,205.2	1,153.7	2,721.0	1,527.0
Feb.	20,159.6	0.0	10,806.7	144.1	6,282.7	4,380.0	676.5	3,235.2	1,153.7	2,742.0	1,545.4
Mar.	20,408.7	0.0	10,863.3	140.7	6,308.8	4,413.8	680.2	3,303.5	1,160.4	2,833.6	1,567.7
Apr.	20,703.6	0.0	11,015.3	136.0	6,351.3	4,528.0	691.3	3,338.6	1,167.6	2,912.1	1,578.8
May	20,673.8	0.0	10,993.2	149.1	6,375.1	4,469.0	686.9	3,359.2	1,171.6	2,910.0	1,553.0
June <sup>(p)</sup>	20,790.2	0.0	11,099.2	157.1	6,410.9	4,531.1	685.9	3,366.5	1,182.0	2,875.6	1,581.1

Source: ECB.

1) Amounts issued by euro area residents. Amounts issued by non-euro area residents are included in external assets.

2) Amounts held by euro area residents.

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

## 2.2 Consolidated balance sheet of euro area MFIs

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

## 1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/other equity issued by other euro area residents	External assets <sup>1)</sup>	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	Total	General government	Other euro area residents				
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2002	13,931.2	7,618.5	837.2	6,781.2	1,588.1	1,221.0	367.1	572.7	2,839.5	179.5	1,132.9
2003	14,553.6	7,943.8	841.7	7,102.1	1,794.4	1,367.4	427.0	623.6	2,884.9	174.5	1,132.4
2004 Jan.	14,766.3	7,957.1	839.4	7,117.7	1,821.7	1,395.3	426.4	632.9	3,016.2	172.3	1,166.1
Feb.	14,861.2	7,970.1	830.8	7,139.2	1,851.6	1,419.7	431.9	634.0	3,033.2	173.4	1,198.8
Mar.	15,063.7	8,018.3	845.9	7,172.4	1,867.6	1,434.5	433.1	649.4	3,151.1	174.0	1,203.3
Apr.	15,227.4	8,070.5	840.2	7,230.2	1,882.8	1,445.3	437.6	672.1	3,229.3	174.6	1,198.1
May	15,251.5	8,103.4	834.3	7,269.0	1,915.2	1,473.5	441.7	666.6	3,196.6	173.1	1,196.6
June <sup>(p)</sup>	15,331.0	8,164.3	840.7	7,323.7	1,931.5	1,485.1	446.4	657.4	3,184.9	173.4	1,219.5
Transactions											
2002	602.0	299.2	-9.4	308.6	73.2	43.6	29.6	7.7	243.2	-1.3	-19.9
2003	787.3	385.4	13.6	371.8	171.6	117.7	53.9	19.3	221.4	-3.5	-7.0
2004 Jan.	176.0	20.6	-2.4	23.0	15.6	17.5	-1.9	7.1	110.8	-2.4	24.3
Feb.	96.2	17.2	-8.5	25.7	26.0	21.6	4.4	2.1	23.0	1.2	26.9
Mar.	156.1	47.2	16.3	30.9	15.1	14.4	0.7	15.6	76.4	0.5	1.3
Apr.	151.0	51.6	-6.9	58.4	16.6	11.6	5.0	21.6	70.5	0.6	-10.0
May	54.2	36.6	-5.9	42.5	34.9	30.7	4.2	-2.9	-11.4	0.3	-3.2
June <sup>(p)</sup>	71.7	63.0	5.9	57.2	12.7	7.4	5.3	-10.1	-16.9	0.3	22.7

## 2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/other euro area residents	Money market fund shares/units <sup>2)</sup>	Debt securities issued <sup>3)</sup>	Capital and reserves	External liabilities <sup>1)</sup>	Remaining liabilities	Excess of inter-MFI liabilities
Outstanding amounts										
2002	13,931.2	341.2	136.4	5,969.9	470.5	1,818.1	1,006.4	2,627.0	1,550.9	10.8
2003	14,553.6	397.9	153.6	6,294.5	581.8	1,873.7	1,010.8	2,637.2	1,597.3	6.9
2004 Jan.	14,766.3	389.1	174.1	6,285.0	591.6	1,899.7	1,004.8	2,750.5	1,669.2	2.3
Feb.	14,861.2	393.5	193.0	6,299.2	599.2	1,910.1	1,008.0	2,766.4	1,685.7	6.1
Mar.	15,063.7	399.6	183.8	6,324.6	602.2	1,948.2	1,025.9	2,857.2	1,713.0	9.3
Apr.	15,227.4	409.4	179.6	6,368.0	611.4	1,972.7	1,021.8	2,937.3	1,725.0	2.2
May	15,251.5	416.6	195.1	6,393.4	609.5	1,982.9	1,016.1	2,932.1	1,701.2	4.4
June <sup>(p)</sup>	15,331.0	423.0	224.3	6,429.4	609.0	1,992.2	1,027.2	2,899.1	1,732.2	-5.5
Transactions										
2002	602.0	101.4	-5.8	222.0	70.0	104.6	39.7	75.9	-92.3	86.5
2003	787.3	79.0	12.9	315.8	57.7	132.2	37.5	132.4	-38.7	58.5
2004 Jan.	176.0	-8.8	20.5	-13.2	9.2	21.9	-3.4	86.9	71.4	-8.6
Feb.	96.2	4.3	18.9	14.9	7.5	11.4	2.8	15.6	14.9	5.8
Mar.	156.1	6.1	-9.2	21.9	5.0	28.9	7.9	70.2	27.7	-2.4
Apr.	151.0	9.8	-4.7	41.7	8.9	21.8	2.2	62.3	19.0	-10.0
May	54.2	7.3	15.5	29.0	-2.0	14.5	-2.0	9.8	-23.5	5.7
June <sup>(p)</sup>	71.7	6.3	29.2	35.6	-4.5	8.8	8.8	-35.9	27.7	-4.2

Source: ECB.

- 1) Since the end of November 2000, balances arising from the TARGET system are netted by novation on a daily basis. This implies that the bilateral positions of each NCB vis-à-vis the ECB and other NCBs have been replaced by a single net bilateral position vis-à-vis the ECB. For the TARGET gross end-of-month positions in 1999 and in 2000 (January to October), see the corresponding footnote in the February 2000 and December 2000 issues of the Monthly Bulletin.
- 2) Amounts held by euro area residents.
- 3) Amounts issued with maturity up to two years held by non-euro area residents are included in external liabilities.

## 2.3 Monetary statistics

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

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

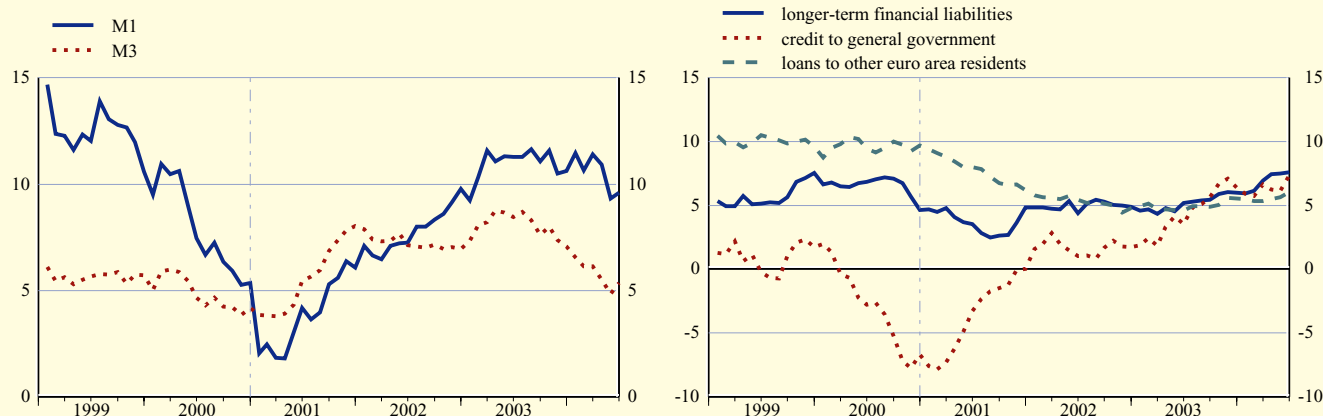
	M1		M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets <sup>2)</sup>
	1	2	3	4	5	6	7	8	Loans		11
									9	10	
Outstanding amounts											
2002	2,441.7	2,475.9	4,917.6	852.7	5,770.4	-	3,989.2	2,071.8	7,723.3	6,778.9	184.3
2003	2,676.2	2,559.6	5,235.8	907.6	6,143.4	-	4,142.9	2,225.3	8,155.5	7,100.6	220.6
2004 Jan.	2,712.0	2,554.2	5,266.2	900.3	6,166.4	-	4,160.6	2,235.8	8,183.0	7,122.9	267.2
Feb.	2,720.7	2,558.2	5,278.9	909.0	6,188.0	-	4,183.2	2,246.1	8,213.7	7,151.3	276.1
Mar.	2,769.1	2,552.2	5,321.3	900.1	6,221.4	-	4,242.2	2,265.3	8,240.6	7,166.5	319.3
Apr.	2,781.9	2,556.2	5,338.1	911.7	6,249.9	-	4,280.2	2,278.9	8,299.1	7,210.6	332.8
May	2,766.9	2,578.1	5,345.0	904.3	6,249.3	-	4,290.9	2,290.2	8,336.4	7,254.6	288.9
June <sup>(p)</sup>	2,792.2	2,582.2	5,374.3	924.4	6,298.7	-	4,309.6	2,309.6	8,398.3	7,296.5	272.6
Transactions											
2002	217.3	89.3	306.5	68.0	374.5	-	188.3	35.4	348.0	311.9	169.1
2003	258.2	114.6	372.8	33.4	406.1	-	236.5	133.6	445.4	372.6	90.0
2004 Jan.	35.3	-9.1	26.2	-5.1	21.0	-	13.9	-0.2	31.4	29.7	52.5
Feb.	10.0	3.4	13.4	9.6	23.0	-	22.3	7.6	34.7	32.6	15.2
Mar.	46.9	-7.5	39.4	-7.2	32.3	-	39.5	19.9	24.4	13.0	22.3
Apr.	12.0	3.8	15.8	11.4	27.2	-	40.8	13.4	58.6	44.7	23.7
May	-14.1	23.9	9.8	-7.5	2.3	-	19.3	13.6	43.5	47.8	-37.5
June <sup>(p)</sup>	24.7	4.3	28.9	16.5	45.5	-	15.3	14.8	64.1	44.3	-18.8
Growth rates											
2002 Dec.	9.8	3.7	6.6	8.7	6.9	7.1	4.9	1.7	4.7	4.8	169.1
2003 Dec.	10.6	4.7	7.6	3.9	7.1	7.0	6.0	6.4	5.8	5.5	90.0
2004 Jan.	11.5	3.6	7.5	1.3	6.6	6.6	5.9	5.9	5.7	5.5	104.2
Feb.	10.7	3.0	6.8	2.5	6.1	6.3	6.1	5.7	5.6	5.4	101.9
Mar.	11.4	2.1	6.7	2.8	6.1	5.9	7.0	6.6	5.8	5.3	89.8
Apr.	10.9	1.5	6.2	1.4	5.5	5.5	7.4	6.2	5.9	5.5	105.8
May	9.3	1.6	5.5	1.3	4.8	5.2	7.5	6.1	5.8	5.7	41.9
June <sup>(p)</sup>	9.6	1.7	5.7	3.6	5.4	.	7.6	7.3	6.2	6.0	4.9

### C1 Monetary aggregates

(annual growth rates; seasonally adjusted)

### C2 Counterparts

(annual growth rates; seasonally adjusted)



Source: ECB.

1) Monetary liabilities of MFIs and central government (post office, treasury) vis-à-vis non-MFI euro area residents excluding central government (M1, M2, M3: see glossary).

2) Values in section 'growth rates' are sums of the transactions during the 12 months ending in the period indicated.

## 2.3 Monetary statistics

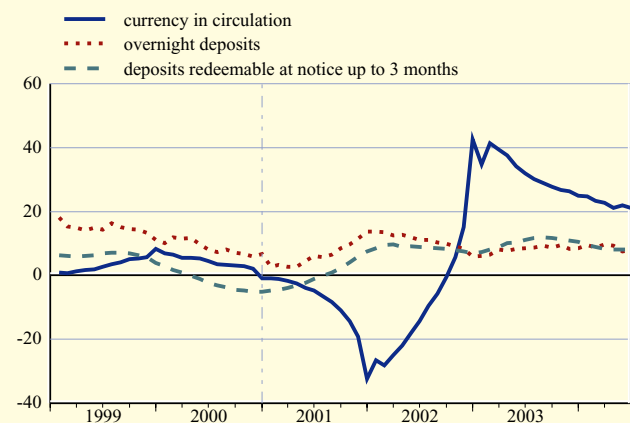
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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

	Currency in circulation	Overnight deposits	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Repos	Money market fund shares/units	Debt securities up to 2 years	Debt securities over 2 years	Deposits redeemable at notice over 3 months	Deposits with agreed maturity over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2002	332.3	2,109.4	1,077.0	1,399.0	240.6	484.5	127.7	1,694.0	103.8	1,186.6	1,004.8
2003	387.6	2,288.6	1,037.0	1,522.6	222.4	597.4	87.7	1,790.4	90.6	1,253.1	1,008.8
2004 Jan.	395.0	2,316.9	1,027.1	1,527.1	215.5	593.7	91.0	1,813.7	90.3	1,256.4	1,000.1
Feb.	399.0	2,321.8	1,019.9	1,538.2	221.4	595.5	92.1	1,821.5	90.1	1,262.7	1,008.9
Mar.	406.2	2,363.0	1,003.9	1,548.3	213.6	596.6	89.8	1,857.2	90.1	1,268.3	1,026.7
Apr.	409.6	2,372.3	995.9	1,560.3	215.2	601.7	94.8	1,879.6	90.0	1,284.1	1,026.5
May	416.4	2,350.6	1,005.9	1,572.1	214.0	601.0	89.3	1,890.8	89.4	1,287.6	1,023.0
June <sup>(p)</sup>	420.5	2,371.7	995.6	1,586.6	220.2	611.4	92.9	1,898.1	89.1	1,298.7	1,023.8
Transactions											
2002	99.3	118.0	-1.1	90.3	10.7	70.6	-13.2	117.9	-10.0	41.0	39.4
2003	77.8	180.4	-28.8	143.4	-9.0	59.2	-16.8	149.9	-13.2	62.6	37.1
2004 Jan.	7.5	27.8	-13.6	4.5	-5.9	-4.4	5.1	17.4	-0.3	3.0	-6.2
Feb.	3.9	6.1	-7.7	11.1	5.9	1.8	2.0	7.9	-0.2	6.3	8.3
Mar.	7.2	39.7	-17.4	9.9	-7.8	3.0	-2.4	26.6	0.0	5.1	7.8
Apr.	3.4	8.5	-8.2	12.0	1.2	4.8	5.4	19.3	-0.1	15.6	6.1
May	6.8	-20.9	12.1	11.9	-1.2	-0.8	-5.6	15.5	-0.6	4.1	0.3
June <sup>(p)</sup>	4.1	20.5	-10.2	14.5	6.2	6.2	4.1	6.2	-0.3	11.0	-1.5
Growth rates											
2002 Dec.	42.6	5.9	-0.1	6.9	4.6	17.1	-9.5	7.3	-8.8	3.5	4.0
2003 Dec.	24.9	8.5	-2.7	10.4	-4.0	11.3	-16.7	9.0	-12.7	5.3	3.7
2004 Jan.	24.8	9.5	-4.1	9.5	-7.3	8.8	-16.5	9.5	-11.9	5.5	2.3
Feb.	23.3	8.7	-4.8	8.9	-1.9	7.8	-14.4	9.5	-11.2	5.5	2.9
Mar.	22.7	9.7	-6.1	8.2	-1.8	7.0	-9.6	10.5	-9.9	5.4	4.4
Apr.	21.2	9.3	-7.3	8.1	-2.0	7.3	-18.8	10.8	-8.6	6.6	4.4
May	21.8	7.4	-7.1	8.1	-3.5	5.4	-10.9	10.7	-8.3	6.4	4.8
June <sup>(p)</sup>	21.1	7.8	-6.8	8.0	2.0	4.6	0.6	10.4	-7.1	7.0	4.9

### C3 Components of monetary aggregates

(annual growth rates; seasonally adjusted)



### C4 Components of longer-term financial liabilities

(annual growth rates; seasonally adjusted)



Source: ECB.

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

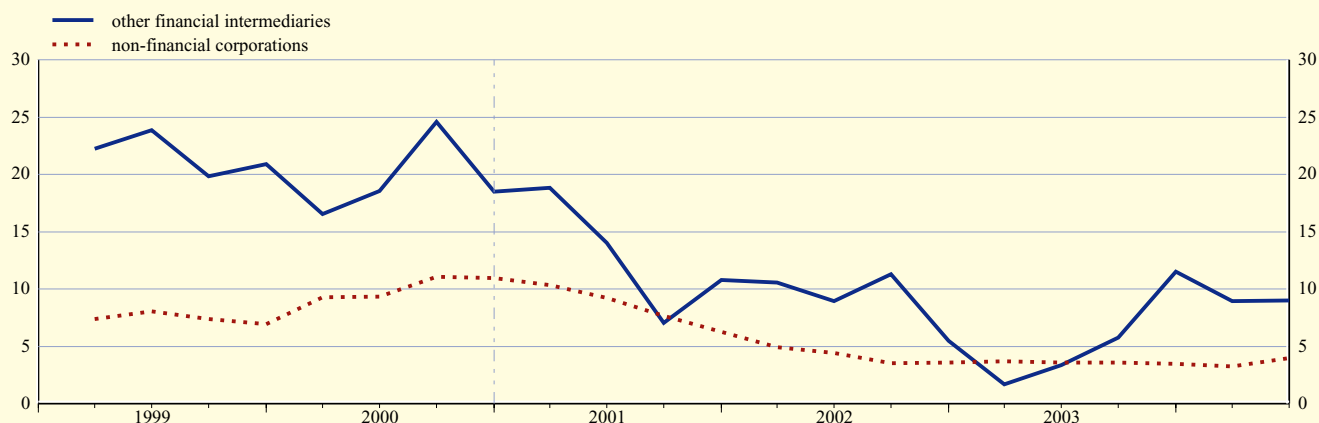
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	Insurance corporations and pension funds		Other financial intermediaries <sup>2)</sup>		Non-financial corporations			
	Total		Total		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	Up to 1 year 2	3	Up to 1 year 4	5	6	7	8
Outstanding amounts								
2002	32.9	19.6	455.5	289.3	2,965.1	980.2	514.8	1,470.1
2003	35.6	22.1	514.6	324.6	3,030.6	956.8	526.5	1,547.3
2004 Jan.	47.5	34.2	505.2	313.5	3,038.2	960.1	528.4	1,549.7
Feb.	47.0	33.2	513.6	318.6	3,038.4	952.4	529.2	1,556.7
Mar.	46.3	32.2	508.0	306.6	3,052.7	952.6	527.0	1,573.1
Apr.	51.4	37.7	512.1	314.6	3,076.6	958.3	531.6	1,586.6
May	56.5	42.6	515.6	317.4	3,085.9	952.5	537.1	1,596.3
June <sup>(p)</sup>	53.7	40.0	513.4	309.4	3,093.5	966.4	535.3	1,591.9
Transactions								
2002	-4.1	-7.3	24.0	16.2	103.5	-24.4	32.0	96.0
2003	4.6	2.5	53.4	25.9	102.1	-8.0	15.4	94.7
2004 Jan.	11.9	12.1	-3.0	-4.3	6.8	2.3	1.9	2.6
Feb.	-0.6	-1.0	8.1	6.4	2.6	-6.9	1.2	8.3
Mar.	-0.7	-1.0	-7.0	-12.5	13.2	0.1	2.2	11.0
Apr.	4.7	5.1	8.3	11.3	21.8	4.9	4.7	12.2
May	5.1	4.9	4.4	3.4	11.5	-4.3	5.3	10.5
June <sup>(p)</sup>	-2.8	-2.5	-2.2	-8.0	26.6	17.9	0.4	8.4
Growth rates								
2002 Dec.	-10.3	-26.4	5.5	5.9	3.6	-2.4	6.5	6.9
2003 Dec.	12.9	12.7	11.5	8.6	3.5	-0.8	3.0	6.5
2004 Jan.	12.6	15.5	12.4	10.8	3.2	-3.1	4.9	6.9
Feb.	6.7	5.4	13.1	11.1	3.0	-3.4	4.2	7.0
Mar.	9.4	7.4	8.9	3.3	3.2	-2.5	3.8	6.9
Apr.	10.2	11.2	8.2	4.6	3.5	-2.3	4.3	7.1
May	21.1	26.0	7.6	4.5	3.8	-2.2	5.8	7.0
June <sup>(p)</sup>	18.7	26.2	9.0	4.0	4.0	-1.9	6.4	7.1

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

(annual growth rates)



Source: ECB.

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

2) This category includes investment funds.

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

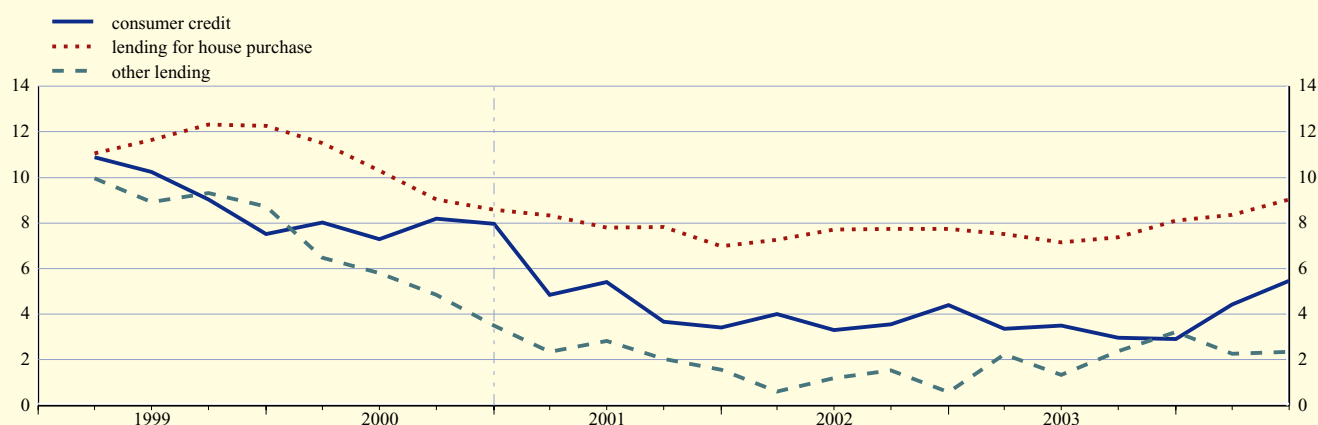
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	Total	Consumer credit				Lending for house purchase				Other lending			
		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
Outstanding amounts													
2002	3,327.0	518.9	105.9	178.3	234.7	2,188.5	22.3	65.1	2,101.1	619.6	153.9	99.7	366.0
2003	3,520.7	484.4	112.0	181.0	191.5	2,360.4	14.3	63.3	2,282.7	675.8	144.8	95.9	435.2
2004 Jan.	3,526.1	481.2	110.3	179.3	191.6	2,372.6	14.0	62.3	2,296.2	672.3	142.5	95.0	434.8
Feb.	3,539.6	481.4	109.3	180.1	191.9	2,384.9	13.9	62.3	2,308.7	673.4	140.4	95.2	437.7
Mar.	3,564.7	484.6	109.9	182.3	192.4	2,400.1	14.2	61.6	2,324.3	680.1	141.5	95.5	443.1
Apr.	3,589.5	489.3	110.7	184.0	194.6	2,419.1	14.1	62.0	2,343.0	681.1	141.1	96.1	443.8
May	3,610.5	489.7	110.2	183.9	195.6	2,439.3	14.2	62.4	2,362.8	681.4	139.8	96.1	445.5
June <sup>(p)</sup>	3,662.5	504.6	115.2	185.2	204.2	2,464.8	14.9	63.6	2,386.4	693.0	146.9	97.4	448.7
Transactions													
2002	181.8	21.9	7.1	5.4	9.4	156.3	-0.3	2.5	154.1	3.6	-3.0	2.2	4.4
2003	211.6	13.6	8.7	6.4	-1.4	177.4	-5.9	1.7	181.6	20.6	-6.8	-4.9	32.2
2004 Jan.	7.2	-2.8	-1.4	-1.7	0.3	12.5	-0.2	-1.0	13.8	-2.5	-1.9	-0.8	0.2
Feb.	15.6	0.7	-0.8	1.0	0.5	13.0	-0.1	-0.1	13.2	1.9	-1.7	0.2	3.4
Mar.	25.3	4.2	0.6	2.5	1.1	19.3	0.3	0.3	18.7	1.8	1.2	0.9	-0.4
Apr.	23.8	3.9	0.8	1.5	1.6	19.0	0.0	0.4	18.6	1.0	-0.4	0.5	0.8
May	21.5	0.8	-0.5	0.1	1.2	20.3	0.1	0.3	19.9	0.5	-1.3	0.0	1.7
June <sup>(p)</sup>	35.5	7.9	3.6	0.9	3.3	20.6	0.7	1.0	18.9	7.0	5.8	-0.1	1.4
Growth rates													
2002 Dec.	5.8	4.4	6.9	3.1	4.2	7.7	-1.4	4.2	8.0	0.6	-1.9	2.1	1.2
2003 Dec.	6.4	2.9	8.3	3.6	-0.2	8.1	-26.3	2.6	8.7	3.2	-4.5	-5.0	8.5
2004 Jan.	6.4	3.6	0.7	6.3	3.0	8.3	2.8	-1.0	8.7	2.1	-1.9	-3.8	5.0
Feb.	6.3	4.5	-0.8	7.0	5.5	8.2	0.8	-1.8	8.6	1.2	-2.4	-5.2	4.0
Mar.	6.6	4.4	0.1	6.3	5.2	8.4	4.7	-3.3	8.8	2.3	-1.3	-1.8	4.4
Apr.	6.8	4.9	0.4	6.4	6.2	8.7	6.1	-3.4	9.1	2.0	-1.0	-1.6	3.9
May	6.9	4.8	0.8	5.4	6.5	8.8	5.7	-3.4	9.2	1.9	-0.6	-1.5	3.5
June <sup>(p)</sup>	7.2	5.5	2.4	5.3	7.5	9.0	8.1	-0.3	9.3	2.4	-0.6	1.2	3.7

### C6 Loans to households

(annual growth rates)



Source: ECB.

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

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

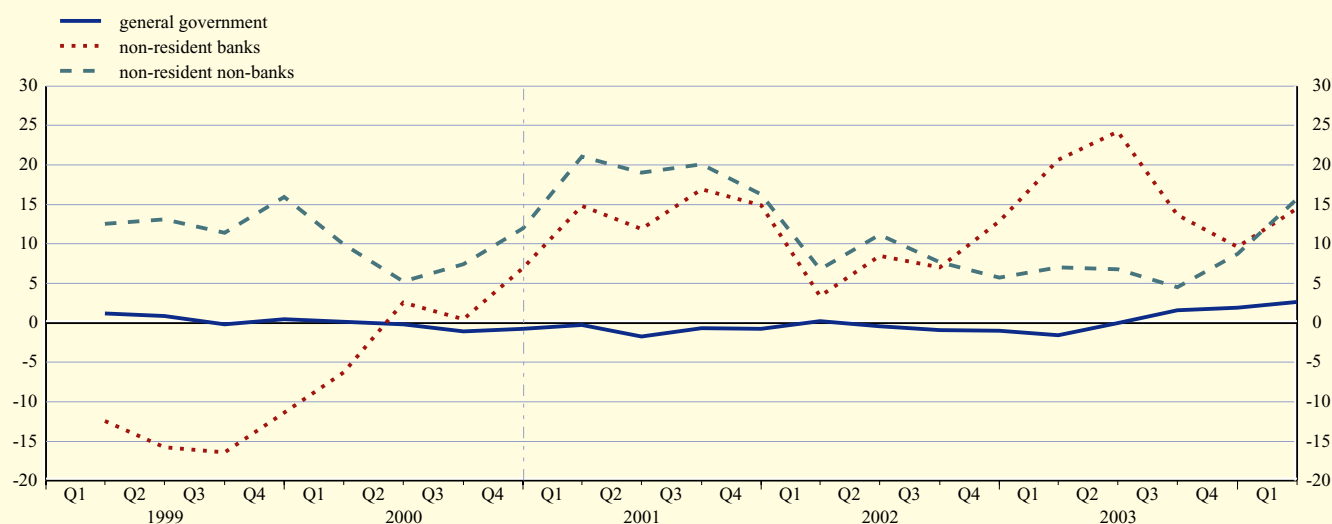
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>2)</sup>	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2001	822.0	145.6	298.3	362.9	15.2	1,704.3	1,095.6	608.7	69.9	538.8
2002	813.0	132.7	277.7	382.8	19.7	1,730.1	1,146.2	583.9	64.6	519.3
2003 Q1	805.0	134.2	267.2	379.2	23.9	1,767.1	1,173.1	594.0	59.0	535.0
Q2	794.3	126.6	263.5	375.3	28.3	1,832.7	1,242.4	590.3	59.2	531.1
Q3	797.6	127.9	262.7	375.8	30.6	1,741.0	1,157.4	583.6	59.8	523.8
Q4	819.0	130.0	265.1	388.3	35.0	1,762.9	1,182.3	580.6	59.3	521.2
2004 Q1 <sup>(p)</sup>	823.3	134.8	261.3	392.1	34.3	1,953.9	1,300.6	653.0	62.4	590.6
Transactions										
2001	-6.2	-18.7	1.1	9.9	1.7	225.2	140.0	84.6	4.3	80.3
2002	-7.9	-11.3	-21.1	19.9	4.6	169.1	135.2	34.5	-1.2	35.7
2003 Q1	-0.4	0.2	-10.2	4.9	4.1	66.4	44.0	22.4	-5.5	27.9
Q2	-8.3	-7.2	-3.8	-1.8	4.5	104.6	93.1	11.2	0.3	10.9
Q3	3.3	1.4	-0.8	0.5	2.2	-86.2	-82.9	-3.3	0.6	-3.9
Q4	20.6	1.2	2.5	12.4	4.5	75.1	55.4	19.7	-0.2	19.9
2004 Q1 <sup>(p)</sup>	5.4	5.9	-3.9	3.9	-0.8	161.5	99.9	61.0	3.1	58.0
Growth rates										
2001 Dec.	-0.8	-11.4	0.4	2.8	12.4	15.4	14.9	16.3	6.3	17.8
2002 Dec.	-1.0	-7.8	-7.1	5.5	30.0	10.3	12.9	5.7	-1.9	6.7
2003 Mar.	-1.6	-13.5	-9.2	7.2	56.3	15.6	20.7	7.0	-13.9	9.8
June	0.0	-8.8	-6.3	5.2	54.3	18.0	24.2	6.8	-8.4	8.7
Sep.	1.6	-3.7	-4.3	5.0	50.1	10.4	13.7	4.5	-10.5	6.4
Dec.	1.9	-3.3	-4.4	4.2	77.5	9.3	9.6	8.7	-7.5	10.8
2004 Mar. <sup>(p)</sup>	2.6	1.0	-2.2	3.9	43.7	14.9	14.5	15.7	6.4	16.8

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

(annual growth rates)



Source: ECB.

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

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



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

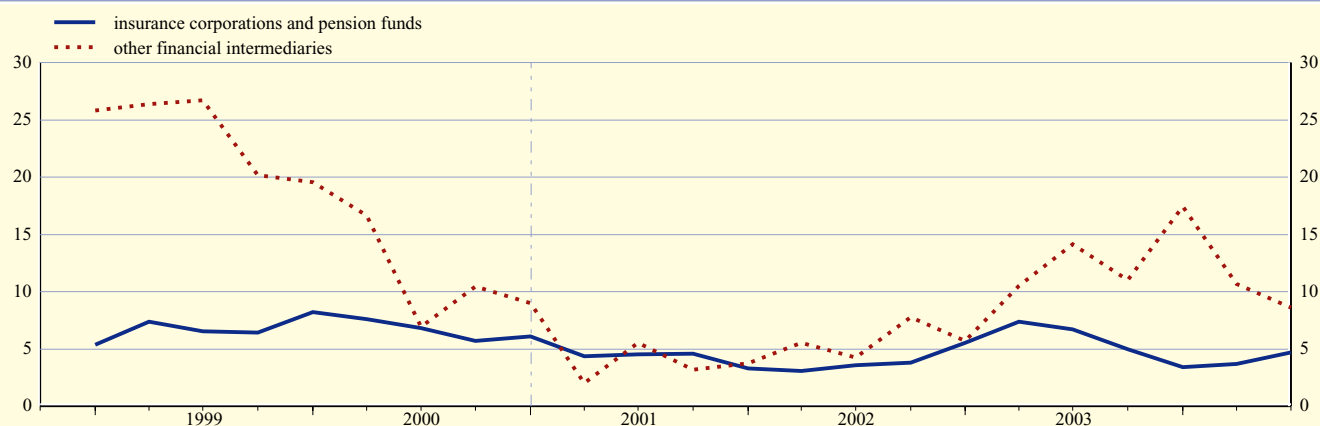
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries <sup>2)</sup>						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
2002	523.1	55.8	-	-	-	-	17.8	493.6	152.7	-	-	-	-	97.1
2003	541.9	58.9	41.7	420.5	1.3	0.3	19.1	568.9	183.1	130.6	144.5	6.1	0.1	104.4
2004 Jan.	554.2	65.4	43.2	422.2	1.3	0.3	21.7	571.5	181.7	130.7	141.3	6.9	0.1	110.8
Feb.	556.2	62.8	42.3	424.3	1.3	0.3	25.1	578.9	184.1	122.8	143.5	8.4	0.1	120.1
Mar.	556.6	64.7	42.2	426.1	1.3	0.3	22.0	586.3	197.0	119.7	147.0	7.8	0.1	114.7
Apr.	562.3	62.3	41.7	431.3	1.4	0.4	25.2	601.2	195.2	129.0	149.9	8.3	0.1	118.6
May	563.1	57.2	45.7	435.7	1.5	0.4	22.7	595.9	192.1	127.4	149.0	7.9	0.1	119.3
June <sup>(p)</sup>	565.4	59.9	42.2	439.8	1.3	1.0	21.2	597.5	194.9	122.0	154.8	8.3	0.1	117.3
Transactions														
2002	27.6	7.8	-	-	-	-	1.4	26.7	-4.7	-	-	-	-	12.8
2003	17.8	1.6	-3.8	18.7	0.3	-0.1	1.1	84.8	27.5	-0.7	38.8	3.2	0.0	16.0
2004 Jan.	12.1	6.5	1.4	1.6	0.0	0.0	2.6	1.3	-1.0	-2.4	-3.4	0.8	0.0	7.4
Feb.	2.0	-2.6	-0.9	2.2	0.0	0.0	3.4	6.6	2.5	-8.8	2.2	1.5	0.0	9.3
Mar.	0.3	1.8	-0.2	1.8	0.0	0.0	-3.1	5.7	12.5	-3.4	2.7	-0.7	0.0	-5.4
Apr.	5.5	-2.4	-0.5	5.2	0.1	0.0	3.1	14.1	-2.1	9.2	2.8	0.5	0.0	3.6
May	0.7	-5.2	4.0	4.4	0.0	0.0	-2.5	-3.0	-2.8	-0.2	-0.4	-0.4	0.0	0.8
June <sup>(p)</sup>	1.6	2.7	-3.5	4.1	-0.1	0.0	-1.5	3.0	4.2	-5.4	5.8	0.4	0.0	-2.0
Growth rates														
2002 Dec.	5.6	16.3	-	-	-	-	8.5	5.7	-3.0	-	-	-	-	14.9
2003 Dec.	3.4	2.8	-8.3	4.7	40.9	-12.5	6.0	17.4	17.8	-0.6	36.8	70.7	-	17.1
2004 Jan.	4.3	15.2	5.4	2.8	50.0	-9.7	-0.3	12.9	12.0	1.5	23.1	58.0	-	15.3
Feb.	4.8	15.3	5.9	2.7	57.7	-7.7	15.2	13.3	16.6	-9.4	25.0	76.4	-	21.5
Mar.	3.7	5.1	8.0	2.4	40.8	1.8	18.6	10.7	17.1	-13.2	22.3	47.6	-	16.4
Apr.	4.4	8.4	-3.8	3.9	49.2	6.2	17.0	10.2	15.4	-13.3	24.8	64.5	-	15.1
May	4.0	-0.9	0.1	5.2	10.0	6.6	1.8	5.4	7.2	-14.9	15.8	38.9	-	16.6
June <sup>(p)</sup>	4.7	-6.4	10.8	6.4	39.4	3.8	-6.3	8.6	8.1	-10.4	18.3	44.5	-	20.6

### C8 Deposits by financial intermediaries

(annual growth rates)



Source: ECB.

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

2) This category includes investment funds.

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

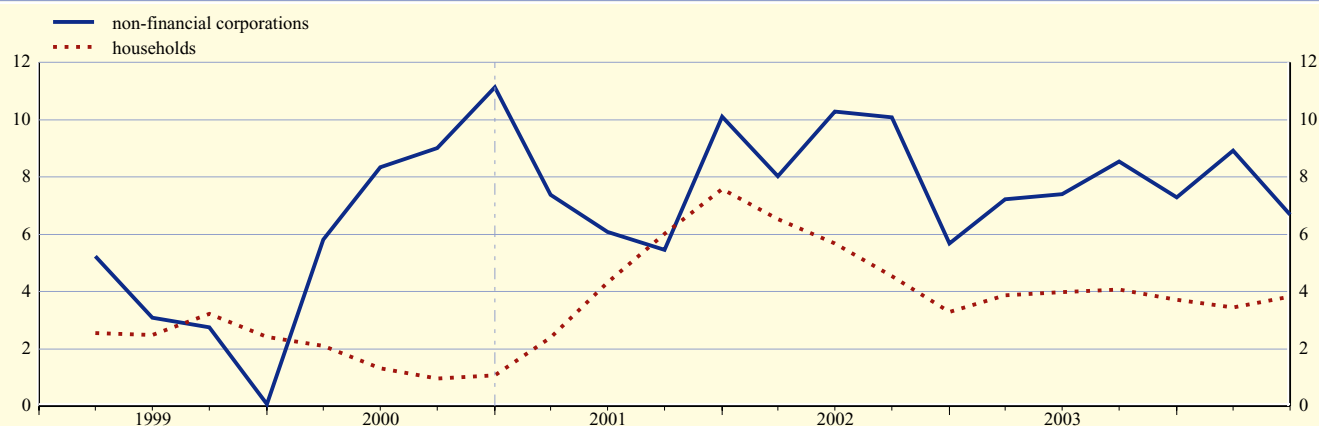
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	Non-financial corporations							Households <sup>2)</sup>						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
2002	990.0	595.6	-	-	-	-	34.7	3,806.3	1,173.0	-	-	-	-	74.7
2003	1,049.5	633.4	280.2	66.4	38.1	1.5	30.0	3,978.5	1,311.8	544.0	600.8	1,379.2	89.9	52.9
2004 Jan.	1,010.2	610.9	266.3	67.0	39.0	1.5	25.4	3,995.4	1,315.7	539.0	604.7	1,393.0	88.8	54.1
Feb.	1,015.1	603.2	277.1	67.8	39.3	1.6	26.0	3,995.9	1,317.7	531.5	607.0	1,397.1	88.4	54.2
Mar.	1,036.0	624.2	275.9	68.6	39.9	1.7	25.8	3,997.9	1,320.7	527.4	608.6	1,401.2	88.2	51.9
Apr.	1,038.0	627.9	271.7	69.8	40.5	1.7	26.4	4,014.9	1,335.8	523.1	610.1	1,406.5	87.1	52.3
May	1,051.4	633.0	279.4	70.4	40.9	1.7	26.0	4,027.4	1,349.5	518.9	610.9	1,411.4	86.2	50.5
June <sup>(p)</sup>	1,054.3	651.8	265.9	69.1	41.0	1.0	25.5	4,055.8	1,367.6	517.2	612.6	1,422.2	85.8	50.4
Transactions														
2002	54.3	28.9	-	-	-	-	-1.3	120.5	65.3	-	-	-	-	-1.9
2003	71.7	41.0	54.2	-29.9	10.2	0.4	-4.2	141.9	95.2	-71.2	35.9	117.4	-13.7	-21.8
2004 Jan.	-40.6	-23.1	-14.5	0.6	1.0	0.0	-4.6	16.1	3.7	-5.4	3.9	13.8	-1.1	1.2
Feb.	6.0	-6.7	10.9	0.8	0.3	0.1	0.6	0.8	2.1	-7.3	2.3	4.1	-0.4	0.1
Mar.	20.1	20.3	-1.8	1.2	0.6	0.0	-0.3	1.1	2.7	-4.7	1.6	4.1	-0.2	-2.3
Apr.	1.6	3.4	-4.1	1.1	0.6	0.0	0.7	16.8	15.1	-4.4	1.5	5.3	-1.1	0.4
May	14.4	5.8	7.9	0.7	0.4	0.0	-0.4	12.8	13.6	-3.9	0.8	4.9	-0.9	-1.8
June <sup>(p)</sup>	9.0	21.4	-11.2	-0.7	0.0	0.0	-0.5	21.4	13.7	-3.8	1.1	10.8	-0.4	-0.1
Growth rates														
2002 Dec.	5.7	5.1	-	-	-	-	-3.5	3.3	6.0	-	-	-	-	-2.5
2003 Dec.	7.3	6.8	23.4	-30.8	41.5	49.6	-12.4	3.7	7.9	-11.5	6.4	9.3	-13.2	-29.2
2004 Jan.	7.3	10.4	1.7	11.2	33.0	38.3	-27.1	4.1	9.6	-9.0	3.7	8.7	-12.4	-28.5
Feb.	8.1	10.0	4.6	12.4	26.7	17.2	-19.3	3.7	8.7	-8.7	3.3	8.0	-11.6	-28.4
Mar.	8.9	11.9	3.4	13.1	23.1	20.6	-19.1	3.5	7.7	-8.7	3.7	7.4	-10.5	-26.5
Apr.	8.0	10.9	1.1	15.8	22.2	20.3	-15.9	3.5	7.7	-8.8	4.1	7.2	-9.3	-25.5
May	7.1	10.4	-0.2	18.9	20.4	22.2	-23.4	3.6	8.0	-9.1	4.3	7.1	-8.8	-26.5
June <sup>(p)</sup>	6.7	10.5	-2.7	15.1	17.0	20.6	-13.5	3.8	7.5	-8.2	4.5	7.0	-7.7	-18.6

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

(annual growth rates)



Source: ECB.

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

2) Including non-profit institutions serving households.

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

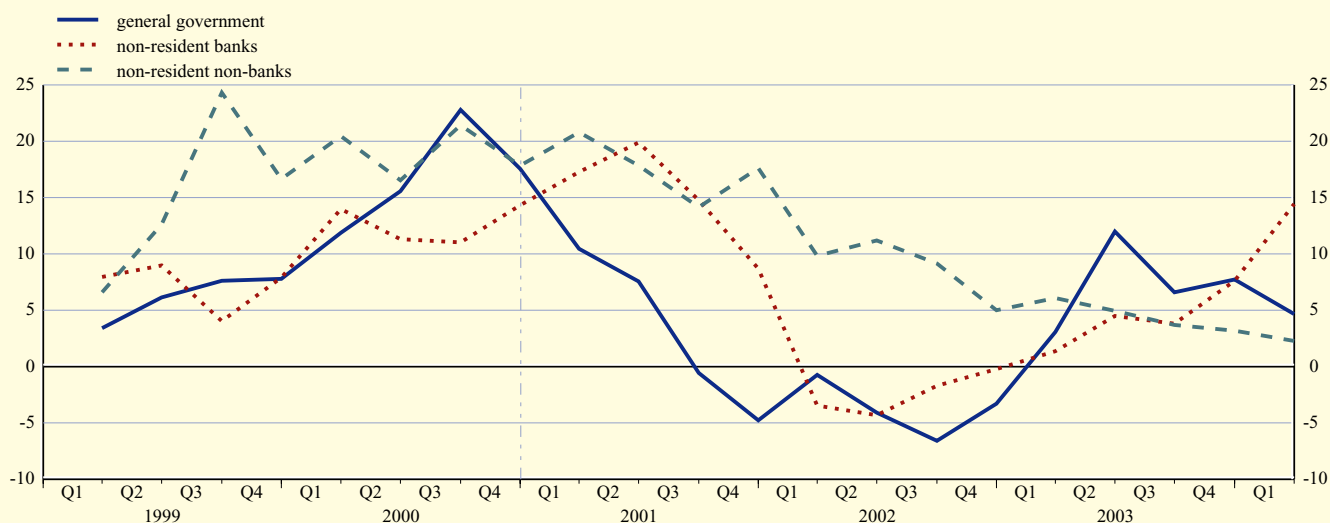
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>2)</sup>	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2001	253.6	103.9	29.9	68.9	50.9	2,400.1	1,696.9	703.2	94.1	609.1
2002	248.4	106.9	31.6	69.2	40.7	2,271.0	1,585.3	685.7	97.4	588.3
2003 Q1	264.0	125.5	32.0	65.5	41.0	2,292.0	1,588.0	704.0	97.8	606.2
Q2	290.9	147.6	34.2	64.5	44.5	2,274.5	1,580.6	693.9	94.6	599.3
Q3	263.9	128.9	32.3	64.2	38.5	2,256.3	1,562.4	693.8	93.4	600.5
Q4	271.2	132.3	31.1	66.9	40.9	2,246.3	1,580.9	665.4	96.1	569.3
2004 Q1 <sup>(p)</sup>	272.7	140.7	30.0	62.4	39.6	2,444.2	1,745.3	701.3	100.8	600.5
Transactions										
2001	-12.5	-14.1	-0.8	-0.2	2.6	234.7	130.6	103.9	10.2	93.6
2002	-8.3	-0.2	1.8	0.4	-10.3	30.2	-4.9	35.2	3.6	31.6
2003 Q1	8.7	11.6	0.4	-3.7	0.3	61.5	30.2	31.4	0.5	30.8
Q2	26.9	22.1	2.2	-0.9	3.5	30.2	27.2	3.0	-3.3	6.3
Q3	-23.5	-16.0	-1.9	-0.4	-5.2	-6.5	-7.8	1.4	-1.2	2.6
Q4	7.3	3.4	-1.1	2.7	2.3	54.4	67.9	-13.5	2.7	-16.2
2004 Q1 <sup>(p)</sup>	1.5	8.4	-1.1	-4.4	-1.3	154.4	132.3	24.5	4.8	19.7
Growth rates										
2001 Dec.	-4.8	-12.0	-2.6	-0.3	5.3	11.1	8.7	17.6	12.2	18.5
2002 Dec.	-3.3	-0.2	5.9	0.5	-20.2	1.3	-0.2	5.0	3.9	5.1
2003 Mar.	3.1	13.0	3.7	2.1	-16.9	2.8	1.4	6.1	0.0	7.0
June	12.0	29.9	0.4	-1.6	-3.0	4.6	4.5	5.0	-0.5	5.9
Sep.	6.6	18.9	-5.7	0.8	-5.7	3.8	3.8	3.7	-7.7	5.7
Dec.	7.7	19.3	-1.5	-3.4	2.6	6.3	7.6	3.2	-1.3	3.9
2004 Mar. <sup>(p)</sup>	4.7	14.4	-6.1	-4.6	-1.5	10.6	14.4	2.3	3.1	2.2

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

(annual growth rates)



Source: ECB.

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

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

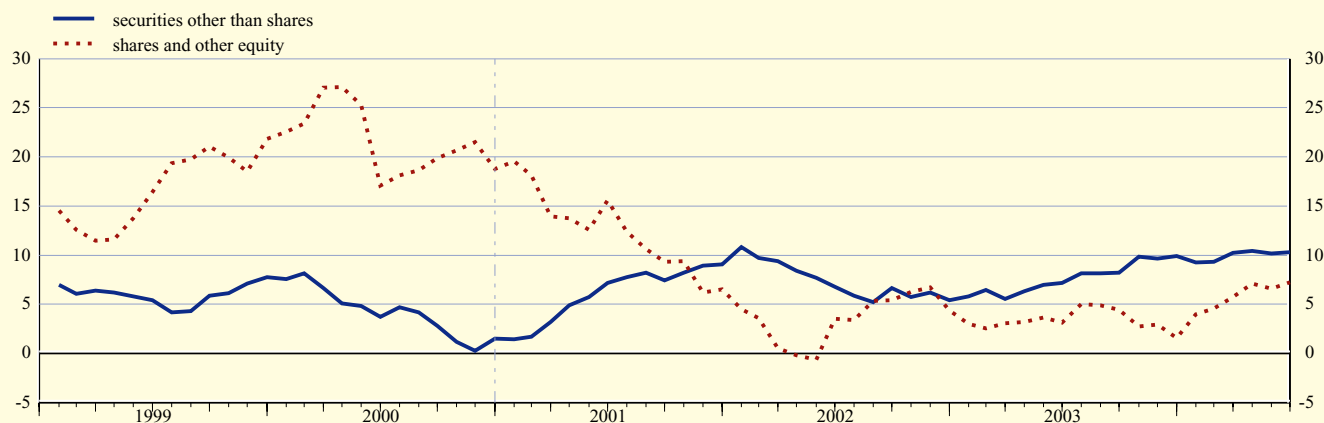
## 2.6 MFI holdings of securities, breakdown <sup>1)</sup>

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2002	3,228.2	1,122.2	48.2	1,119.5	15.5	349.5	16.7	556.6	1,004.9	263.3	564.3	177.3
2003	3,576.8	1,218.5	57.4	1,230.4	15.6	407.1	18.6	629.3	1,068.6	279.7	615.2	173.7
2004 Jan.	3,661.7	1,235.0	60.9	1,255.3	16.1	407.4	17.7	669.4	1,089.7	285.4	624.3	180.1
Feb.	3,712.0	1,257.0	57.8	1,276.6	15.9	412.5	18.0	674.1	1,093.7	283.6	625.3	184.8
Mar.	3,767.1	1,283.1	60.9	1,287.9	17.8	413.6	18.0	685.9	1,115.7	285.6	640.7	189.5
Apr.	3,811.8	1,292.7	62.0	1,296.5	17.3	417.2	18.6	707.4	1,145.4	290.8	663.2	191.4
May	3,849.6	1,304.2	61.5	1,323.4	17.2	422.3	17.6	703.5	1,148.9	297.6	658.0	193.3
June <sup>(p)</sup>	3,859.9	1,299.8	63.7	1,334.0	17.6	426.4	18.1	700.4	1,150.0	295.9	648.5	205.6
Transactions												
2002	167.0	47.9	-0.5	38.9	-0.8	26.6	3.2	51.6	42.7	14.0	7.0	21.8
2003	325.1	91.6	3.4	80.2	0.9	51.8	2.0	95.2	15.8	7.2	19.3	-10.7
2004 Jan.	61.4	13.9	2.3	15.2	0.1	-0.7	-1.3	31.9	17.0	3.9	7.1	6.0
Feb.	47.0	21.4	-3.2	19.0	0.0	3.9	0.5	5.5	6.0	-0.2	2.1	4.2
Mar.	46.5	26.0	2.2	11.7	1.3	1.0	-0.3	4.8	21.8	2.4	15.6	3.9
Apr.	41.8	9.7	0.8	8.7	-0.4	4.3	0.4	18.4	29.0	5.6	21.6	1.8
May	46.4	11.3	-0.2	28.6	0.1	4.9	-0.7	2.4	6.3	6.7	-2.8	2.4
June <sup>(p)</sup>	6.7	-5.0	2.2	6.3	0.4	4.8	0.4	-2.4	-1.6	-3.2	-10.2	11.9
Growth rates												
2002 Dec.	5.4	4.5	-1.8	3.7	-4.3	8.3	21.9	9.7	4.4	5.5	1.3	13.6
2003 Dec.	9.9	8.1	7.4	7.0	5.7	14.7	9.9	17.1	1.6	2.7	3.4	-5.8
2004 Jan.	9.3	7.2	4.2	6.5	1.6	12.8	9.1	18.0	4.0	7.3	4.4	-1.9
Feb.	9.3	8.1	-0.7	6.9	-4.3	11.9	9.7	16.7	4.6	7.3	5.0	-0.8
Mar.	10.3	9.6	4.1	7.3	5.6	10.7	4.8	18.7	5.8	6.2	7.5	-0.3
Apr.	10.4	10.6	10.0	6.6	3.2	8.0	7.9	19.9	7.1	8.7	8.3	0.9
May	10.1	10.3	9.0	6.6	6.6	9.0	-7.4	18.7	6.6	9.4	5.9	4.6
June <sup>(p)</sup>	10.3	9.5	7.6	8.5	10.4	10.3	2.2	15.9	7.2	7.4	5.3	13.6

## C11 MFI holdings of securities

(annual growth rates)



Source: ECB.

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

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

(EUR billions)

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

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2002	-0.9	-	-	-	-1.3	-	-	-	-5.3	-	-	-
2003	-2.7	-1.1	-0.5	-1.0	-3.2	-0.3	-0.1	-2.8	-7.4	-2.8	-0.3	-4.3
2004 Jan.	-0.5	-0.3	-0.1	-0.2	-0.6	0.0	0.0	-0.5	-1.1	-0.5	-0.1	-0.6
Feb.	-0.4	-0.1	-0.1	-0.2	-0.5	0.0	0.0	-0.4	-0.7	-0.2	0.0	-0.4
Mar.	-0.2	-0.1	0.0	-0.1	-0.2	0.0	0.0	-0.2	-0.6	-0.2	0.0	-0.4
Apr.	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	-0.1	-0.2	-0.1	0.0	-0.1
May	-0.1	0.0	0.0	-0.1	-0.1	0.0	0.0	-0.1	-0.3	-0.1	0.0	-0.2
June <sup>(p)</sup>	-0.3	-0.1	-0.1	-0.1	-0.4	0.0	0.0	-0.3	-0.5	-0.1	0.0	-0.3

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2002	-9.7	-2.1	-2.7	-4.9	-7.2	-	-
2003	-17.6	-8.8	-1.3	-7.6	-1.0	-0.4	-0.6
2004 Jan.	-3.3	-1.8	-0.4	-1.1	-0.5	-0.2	-0.2
Feb.	-1.2	-0.5	-0.1	-0.6	-0.2	-0.1	-0.1
Mar.	-1.2	-0.7	-0.1	-0.5	-0.2	0.0	-0.2
Apr.	-0.3	-0.2	0.0	-0.1	0.3	0.1	0.2
May	-0.7	-0.7	0.3	-0.3	0.2	0.0	0.2
June <sup>(p)</sup>	-1.5	-0.9	-0.1	-0.5	0.2	0.1	0.2

## 3. Revaluation of securities held by MFIs

	Securities other than shares							Shares and other equity				
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2002	39.6	9.9	0.6	13.2	-0.1	5.8	0.2	9.9	-12.3	-5.0	-1.5	-5.8
2003	-1.2	-0.7	-0.4	3.1	-0.1	-1.2	-0.1	-2.0	19.2	7.9	5.0	6.4
2004 Jan.	9.9	1.5	0.1	7.8	0.1	0.0	0.0	0.4	4.2	1.6	2.2	0.4
Feb.	4.1	0.7	0.0	2.2	0.0	1.3	0.0	-0.1	-2.0	-1.6	-1.0	0.6
Mar.	2.6	0.3	0.1	1.1	0.1	0.2	0.0	0.7	0.2	-0.4	-0.2	0.8
Apr.	-5.1	-0.3	0.0	-4.1	0.0	-0.4	0.0	-0.3	0.6	-0.5	0.9	0.2
May	-3.7	0.1	-0.1	-1.8	0.0	0.2	0.0	-2.1	-2.3	0.3	-2.0	-0.5
June <sup>(p)</sup>	1.2	-0.5	0.0	2.0	0.0	-0.7	0.0	0.4	0.8	-0.3	0.6	0.5

Source: ECB.

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

2) Including non-profit institutions serving households.

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

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

### 1. Deposits

	MFIs <sup>2)</sup>							Non-MFIs						
	All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies				All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
By euro area residents														
2001	3,829.6	87.7	12.3	8.0	0.9	1.8	1.0	5,867.1	96.6	3.4	2.2	0.4	0.2	0.3
2002	4,136.6	90.2	9.8	6.1	0.8	1.5	0.7	6,061.2	97.1	2.9	1.8	0.3	0.2	0.3
2003 Q1	4,196.4	90.5	9.5	6.1	0.7	1.5	0.8	6,120.8	97.1	2.9	1.8	0.3	0.2	0.3
Q2	4,296.7	91.0	9.0	5.8	0.6	1.4	0.8	6,244.1	97.0	3.0	1.8	0.3	0.2	0.4
Q3	4,309.4	91.0	9.0	5.6	0.5	1.5	0.9	6,257.1	97.1	2.9	1.7	0.4	0.1	0.3
Q4	4,362.6	91.2	8.8	5.4	0.5	1.5	0.9	6,409.9	97.3	2.7	1.7	0.3	0.1	0.3
2004 Q1 <sup>4)</sup>	4,413.8	90.4	9.6	5.8	0.5	1.5	1.1	6,449.5	97.1	2.9	1.8	0.3	0.1	0.3
By non-euro area residents														
2001	1,696.9	36.5	63.5	46.5	2.9	4.4	7.0	703.2	43.7	56.3	40.9	2.4	2.6	8.0
2002	1,585.3	43.7	56.3	39.2	2.1	4.3	7.8	685.7	48.3	51.7	35.0	2.3	1.9	9.8
2003 Q1	1,588.0	46.1	53.9	36.8	2.1	4.4	7.9	704.0	51.7	48.3	32.0	2.5	1.9	8.9
Q2	1,580.6	45.9	54.1	37.4	1.7	4.2	8.0	693.9	52.1	47.9	32.3	2.2	1.9	8.8
Q3	1,562.4	46.4	53.6	35.9	1.7	4.1	8.9	693.8	52.9	47.1	30.3	2.4	2.3	9.2
Q4	1,580.9	46.9	53.1	35.6	1.8	3.6	9.4	665.4	51.1	48.9	32.0	2.1	2.2	9.6
2004 Q1 <sup>4)</sup>	1,745.3	46.3	53.7	35.4	1.7	3.4	10.5	701.3	53.3	46.7	30.0	2.1	1.9	9.6

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

	All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies				
			Total				
			USD	JPY	CHF	GBP	
1	2	3	4	5	6	7	
2001	3,030.2	85.1	14.9	8.2	2.2	1.4	2.2
2002	3,138.7	85.4	14.6	7.7	1.8	1.6	2.3
2003 Q1	3,197.1	85.2	14.8	8.1	1.6	1.6	2.3
Q2	3,226.5	85.6	14.4	8.1	1.4	1.6	2.1
Q3	3,261.6	85.3	14.7	8.2	1.5	1.7	2.1
Q4	3,303.2	85.4	14.6	7.9	1.5	1.7	2.3
2004 Q1 <sup>4)</sup>	3,458.0	84.6	15.4	7.7	1.8	2.0	2.5

Source: ECB.

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

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

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

## 3. Loans

	MFIs <sup>2)</sup>							Non-MFIs						
	All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies				All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies					
			Total	USD	JPY	CHF			GBP	Total	USD	JPY	CHF	GBP
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
To euro area residents														
2001	3,794.0	-	-	-	-	-	7,340.7	95.4	4.6	2.5	0.7	1.1	0.4	
2002	4,017.8	-	-	-	-	-	7,593.6	96.2	3.8	1.8	0.5	1.1	0.3	
2003 Q1	4,075.1	-	-	-	-	-	7,658.9	96.2	3.8	1.8	0.5	1.1	0.3	
Q2	4,144.1	-	-	-	-	-	7,736.0	96.3	3.7	1.7	0.4	1.1	0.3	
Q3	4,155.6	-	-	-	-	-	7,792.8	96.4	3.6	1.7	0.4	1.2	0.3	
Q4	4,193.6	-	-	-	-	-	7,920.5	96.5	3.5	1.6	0.3	1.2	0.3	
2004 Q1 <sup>(p)</sup>	4,238.0	-	-	-	-	-	7,995.0	96.4	3.6	1.6	0.3	1.2	0.4	
To non-euro area residents														
2001	1,095.6	41.3	58.7	37.9	4.0	3.4	8.4	608.7	33.1	66.9	51.9	1.9	4.2	6.1
2002	1,146.2	48.3	51.7	32.4	4.5	2.6	9.1	583.9	36.2	63.8	47.6	2.3	4.7	5.6
2003 Q1	1,173.1	50.6	49.4	30.7	4.2	2.7	8.7	594.0	38.2	61.8	46.7	1.9	4.6	5.6
Q2	1,242.4	50.8	49.2	31.0	4.6	2.4	8.0	590.3	39.3	60.7	46.2	1.5	4.2	5.8
Q3	1,157.4	49.7	50.3	30.6	5.3	2.4	8.7	583.6	38.3	61.7	45.9	2.1	4.4	6.3
Q4	1,182.3	50.2	49.8	29.5	4.7	2.3	9.3	580.6	38.7	61.3	43.9	2.4	4.6	7.0
2004 Q1 <sup>(p)</sup>	1,300.6	49.1	50.9	31.1	4.7	2.3	9.2	653.0	40.0	60.0	42.0	2.5	4.3	8.1

## 4. Holdings of securities other than shares

	Issued by MFIs <sup>2)</sup>							Issued by non-MFIs						
	All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies				All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies					
			Total	USD	JPY	CHF			GBP	Total	USD	JPY	CHF	GBP
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Issued by euro area residents														
2001	1,122.9	95.2	4.8	2.7	0.6	0.1	0.7	1,413.0	97.6	2.4	1.3	0.8	0.1	0.2
2002	1,170.4	95.9	4.1	1.7	0.4	0.2	0.9	1,501.2	97.9	2.1	1.0	0.7	0.1	0.4
2003 Q1	1,234.0	95.1	4.9	2.6	0.3	0.6	1.1	1,598.8	97.7	2.3	1.2	0.6	0.1	0.3
Q2	1,242.5	95.2	4.8	2.5	0.3	0.5	1.1	1,644.3	97.9	2.1	1.1	0.5	0.1	0.3
Q3	1,256.4	95.4	4.6	2.3	0.3	0.5	1.2	1,670.2	97.9	2.1	1.1	0.6	0.1	0.3
Q4	1,275.9	95.5	4.5	2.1	0.3	0.5	1.4	1,671.6	98.0	2.0	1.1	0.5	0.1	0.2
2004 Q1 <sup>(p)</sup>	1,344.0	95.5	4.5	2.1	0.3	0.4	1.4	1,737.2	97.9	2.1	1.2	0.5	0.1	0.2
Issued by non-euro area residents														
2001	233.0	34.4	65.6	49.6	1.8	1.2	10.2	308.0	41.3	58.7	44.1	5.9	0.8	4.7
2002	239.6	36.9	63.1	45.5	1.7	0.6	13.2	317.1	41.5	58.5	42.0	5.8	0.9	5.6
2003 Q1	256.0	40.0	60.0	43.2	1.5	0.8	12.7	338.1	43.3	56.7	38.3	6.1	1.1	6.3
Q2	259.4	42.2	57.8	39.7	1.3	0.7	14.5	356.2	44.1	55.9	38.2	4.8	1.0	6.3
Q3	261.3	43.1	56.9	37.7	1.2	0.7	15.5	363.9	44.9	55.1	37.6	5.6	1.0	6.0
Q4	275.5	44.9	55.1	35.2	1.2	0.6	16.2	353.8	45.8	54.2	36.0	5.9	1.1	6.4
2004 Q1 <sup>(p)</sup>	308.1	43.9	56.1	35.1	1.1	0.6	17.2	377.3	44.7	55.3	34.8	6.7	0.9	7.6

Source: ECB.

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

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

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

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

(EUR billions; outstanding amounts at end of period)

### 1. Assets

	Total 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
2002 Q4	2,860.6	242.2	1,335.0	72.0	1,263.1	853.4	203.1	120.5	106.4
2003 Q1	2,746.9	217.2	1,331.8	70.6	1,261.2	767.3	205.8	116.7	108.1
Q2	2,959.5	232.6	1,382.7	67.1	1,315.6	880.9	224.5	120.7	118.1
Q3	3,085.6	248.3	1,405.3	65.3	1,340.0	932.3	234.6	126.3	138.8
Q4	3,175.0	235.2	1,389.4	67.4	1,322.0	1,033.7	243.9	133.7	139.1
2004 Q1 <sup>(p)</sup>	3,353.4	266.5	1,433.9	70.3	1,363.7	1,102.5	262.6	136.6	151.2

### 2. Liabilities

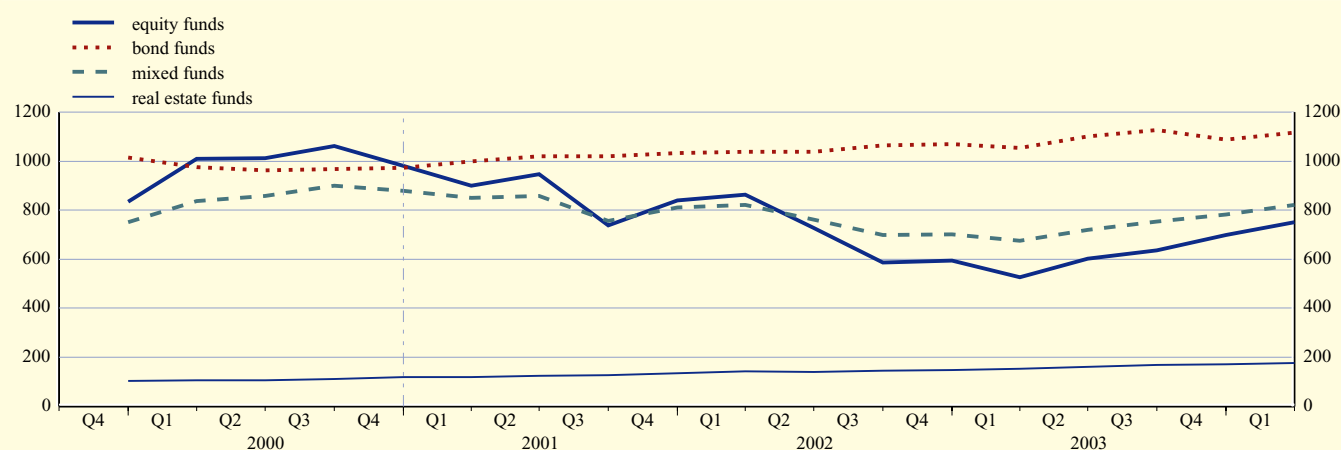
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
2002 Q4	2,860.6	39.3	2,744.3	76.9
2003 Q1	2,746.9	40.2	2,628.3	78.4
Q2	2,959.5	41.8	2,825.8	91.9
Q3	3,085.6	43.2	2,917.7	124.8
Q4	3,175.0	44.2	3,011.7	119.1
2004 Q1 <sup>(p)</sup>	3,353.4	49.6	3,171.0	132.8

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

	Total 1	Funds by investment policy				Funds by type of investor		
		Equity funds 2	Bond funds 3	Mixed funds 4	Real estate funds 5	Other funds 6	General public funds 7	Special investors' funds 8
2002 Q4	2,860.6	594.1	1,068.2	701.6	147.5	349.2	2,087.7	772.9
2003 Q1	2,746.9	525.9	1,054.1	675.3	153.9	337.7	1,975.5	771.4
Q2	2,959.5	603.3	1,099.5	720.8	161.4	374.4	2,140.4	819.1
Q3	3,085.6	635.4	1,127.0	754.2	167.7	401.4	2,249.0	836.6
Q4	3,175.0	697.8	1,086.6	783.4	171.7	435.6	2,318.2	856.8
2004 Q1 <sup>(p)</sup>	3,353.4	750.1	1,116.6	821.2	176.0	489.6	2,470.3	883.1

### C12 Total assets of investment funds

(EUR billions)



Source: ECB.

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



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

(EUR billions; outstanding amounts at end of period)

**1. Funds by investment policy**

	Total 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
<b>Equity funds</b>									
2002 Q4	594.1	26.6	28.0	3.1	24.9	506.1	18.4	-	14.9
2003 Q1	525.9	24.5	30.2	2.8	27.5	438.5	16.5	-	16.1
Q2	603.3	27.9	31.6	2.9	28.7	506.5	18.5	-	18.8
Q3	635.4	29.5	27.8	2.4	25.4	536.4	19.5	-	22.1
Q4	697.8	29.3	31.3	2.9	28.4	593.6	21.1	-	22.5
2004 Q1 <sup>(p)</sup>	750.1	32.7	32.2	3.0	29.2	635.3	23.4	-	26.5
<b>Bond funds</b>									
2002 Q4	1,068.2	83.9	902.8	36.6	866.2	31.9	12.3	-	37.2
2003 Q1	1,054.1	77.5	899.8	35.8	864.0	26.6	18.6	-	31.5
Q2	1,099.5	82.4	927.8	33.0	894.8	31.1	20.9	-	37.3
Q3	1,127.0	93.6	934.7	30.7	904.1	29.1	21.7	-	47.9
Q4	1,086.6	82.5	905.9	31.6	874.3	31.0	21.6	-	45.5
2004 Q1 <sup>(p)</sup>	1,116.6	97.3	918.4	35.3	883.1	32.9	21.4	-	46.6
<b>Mixed funds</b>									
2002 Q4	701.6	53.9	294.9	21.3	273.6	233.0	87.7	3.4	28.6
2003 Q1	675.3	50.4	300.8	21.8	278.9	209.9	83.7	0.7	29.9
Q2	720.8	49.4	311.9	20.9	291.0	237.0	91.9	0.3	30.3
Q3	754.2	50.5	324.0	22.2	301.8	248.4	95.4	0.3	35.6
Q4	783.4	49.5	324.0	22.1	301.9	272.5	100.5	0.3	36.7
2004 Q1 <sup>(p)</sup>	821.2	52.9	333.9	21.2	312.6	287.0	107.2	0.3	39.9
<b>Real estate funds</b>									
2002 Q4	147.5	10.9	9.5	0.5	8.9	0.7	7.0	112.6	6.8
2003 Q1	153.9	14.7	8.3	0.5	7.7	0.7	8.6	115.1	6.5
Q2	161.4	16.5	9.0	0.6	8.5	0.7	9.1	119.8	6.3
Q3	167.7	16.1	9.0	0.6	8.4	0.8	9.5	125.3	6.9
Q4	171.7	13.2	9.3	0.6	8.7	0.8	8.5	132.7	7.4
2004 Q1 <sup>(p)</sup>	176.0	14.7	9.1	0.6	8.5	0.8	7.7	135.8	8.0

**2. Funds by type of investor**

	Total 1	Deposits 2	Holdings of securities other than shares 3	Holdings of shares/ other equity 4	Holdings of investment fund shares 5	Fixed assets 6	Other assets 7
2002 Q4	2,087.7	191.0	904.8	663.5	153.2	105.8	69.6
2003 Q1	1,975.5	165.6	882.6	599.9	155.1	101.3	71.0
Q2	2,140.4	181.6	912.3	691.7	168.3	104.2	82.2
Q3	2,249.0	199.0	927.6	736.5	176.6	108.9	100.4
Q4	2,318.2	191.7	913.6	815.8	183.8	115.4	98.0
2004 Q1 <sup>(p)</sup>	2,470.3	219.3	948.9	877.9	198.8	117.5	107.9
<b>Special investors' funds</b>							
2002 Q4	772.9	51.2	430.3	190.0	49.9	14.7	36.8
2003 Q1	771.4	51.6	449.2	167.4	50.7	15.4	37.1
Q2	819.1	51.0	470.4	189.2	56.1	16.5	36.0
Q3	836.6	49.3	477.7	195.8	58.0	17.4	38.4
Q4	856.8	43.4	475.9	217.9	60.1	18.3	41.2
2004 Q1 <sup>(p)</sup>	883.1	47.2	485.0	224.6	63.8	19.1	43.3

Source: ECB.



## FINANCIAL AND NON-FINANCIAL ACCOUNTS

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

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

	Currency and deposits											Memo: deposits of non-banks with banks outside the euro area
	Total	Total	Currency	Deposits of non-financial sectors other than central government with euro area MFIs					Deposits of central government with euro area MFIs	Deposits with non-MFIs <sup>1)</sup>		
				Total	Overnight	With agreed maturity	Redeemable at notice	Repos				
	1	2	3	4	5	6	7	8	9	10	11	
Outstanding amounts												
2002 Q3	14,308.9	5,450.9	278.4	4,827.5	1,757.3	1,585.8	1,365.7	118.8	146.3	198.6	289.0	
Q4	14,598.6	5,610.9	309.2	4,952.2	1,846.7	1,581.9	1,411.7	111.9	136.4	213.1	293.2	
2003 Q1	14,552.9	5,635.8	288.9	4,948.2	1,836.2	1,571.9	1,434.1	106.1	176.2	222.5	323.9	
Q2	15,011.4	5,749.7	310.1	5,029.7	1,918.4	1,560.2	1,456.4	94.7	200.3	209.6	329.8	
Q3	15,108.3	5,754.4	320.9	5,071.2	1,956.6	1,555.8	1,469.5	89.3	183.9	178.4	345.4	
Q4	15,377.2	5,872.1	350.7	5,182.5	2,027.5	1,558.0	1,511.9	85.2	153.6	185.2	348.1	
Transactions												
2002 Q3	142.9	8.0	17.2	0.6	-3.1	-7.3	9.4	1.7	-12.5	2.7	9.1	
Q4	169.0	169.8	30.8	134.5	82.6	12.4	46.4	-6.9	-9.9	14.5	10.1	
2003 Q1	153.9	39.7	1.3	-3.9	-29.5	-11.6	43.0	-5.7	32.8	9.4	32.2	
Q2	208.0	131.6	21.2	85.9	83.8	-8.7	22.2	-11.4	24.1	0.3	11.4	
Q3	126.2	12.4	11.4	12.2	6.8	-3.8	13.0	-3.9	-13.7	2.5	17.2	
Q4	149.1	125.1	29.8	118.8	79.0	8.6	36.3	-5.2	-30.3	6.8	11.1	
Growth rates												
2002 Q3	4.3	4.7	-6.4	5.3	10.3	0.0	6.4	-2.6	-3.2	15.7	5.3	
Q4	3.9	4.9	33.8	3.5	5.7	0.1	5.3	-3.9	-4.2	12.2	4.0	
2003 Q1	4.2	5.9	31.2	4.3	7.3	-0.4	7.3	-10.6	5.1	14.5	13.7	
Q2	4.6	6.4	27.0	4.5	7.6	-1.0	8.9	-19.0	22.3	13.7	22.6	
Q3	4.6	6.5	23.3	4.7	8.2	-0.7	9.1	-23.5	22.8	13.4	24.5	
Q4	4.4	5.5	20.6	4.3	7.6	-1.0	8.1	-23.4	9.5	8.9	24.5	
Securities other than shares												
			Shares <sup>2)</sup>					Insurance technical reserves				
	Total	Short-term	Long-term	Total	Quoted shares	Mutual fund shares	Money market fund shares	Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims		
	12	13	14	15	16	17	18	19	20	21		
Outstanding amounts												
2002 Q3	1,966.1	200.9	1,765.2	3,427.5	1,696.7	1,730.9	313.9	3,464.5	3,125.0	339.4		
Q4	1,972.2	196.5	1,775.6	3,483.2	1,771.2	1,712.0	309.2	3,532.3	3,189.7	342.6		
2003 Q1	1,967.4	179.3	1,788.0	3,350.3	1,609.9	1,740.4	395.7	3,599.4	3,251.2	348.2		
Q2	1,933.0	162.9	1,770.1	3,655.4	1,818.5	1,836.8	401.9	3,673.3	3,322.2	351.1		
Q3	1,927.1	164.7	1,762.4	3,689.3	1,828.1	1,861.1	405.9	3,737.5	3,383.8	353.7		
Q4	1,921.1	172.3	1,748.8	3,818.5	1,942.9	1,875.6	404.4	3,765.5	3,410.0	355.5		
Transactions												
2002 Q3	33.9	17.0	16.9	48.9	24.1	24.8	13.9	52.0	47.8	4.2		
Q4	-13.3	-15.9	2.6	-24.9	-24.3	-0.6	-7.4	37.5	39.0	-1.6		
2003 Q1	-21.8	-20.4	-1.3	66.3	4.3	62.0	29.9	69.7	62.8	6.9		
Q2	-46.4	-16.1	-30.3	65.3	27.4	37.9	3.7	57.5	52.9	4.6		
Q3	7.2	2.5	4.7	51.5	34.2	17.3	2.6	55.1	51.7	3.4		
Q4	3.7	6.6	-2.8	-26.7	-26.8	0.1	-10.3	46.9	43.6	3.4		
Growth rates												
2002 Q3	1.6	-21.0	5.1	2.8	0.1	6.3	16.6	7.1	7.2	6.2		
Q4	0.6	-21.9	3.9	2.0	0.2	4.7	12.1	6.4	6.5	4.9		
2003 Q1	-0.7	-22.9	2.1	2.8	0.8	5.6	11.8	6.3	6.5	4.2		
Q2	-2.5	-19.3	-0.7	3.9	1.4	7.0	13.5	6.3	6.5	4.2		
Q3	-3.8	-24.9	-1.4	4.6	2.5	6.7	9.2	6.3	6.6	3.9		
Q4	-2.9	-14.0	-1.7	4.5	2.2	6.9	8.4	6.5	6.6	5.3		

Source: ECB.

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

## 3.2 Main liabilities of non-financial sectors

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

	Loans taken from euro area MFIs and other financial corporations by												Memo: loans taken from banks outside the euro area by non-banks
	Total			General government			Non-financial corporations			Households <sup>1)</sup>			
	Total	Taken from euro area MFIs		Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	
1	2	3	4	5	6	7	8	9	10	11	12	13	
Outstanding amounts													
2002 Q3	15,348.9	7,926.2	7,053.0	867.3	54.7	812.6	3,527.1	1,173.9	2,353.2	3,531.8	283.5	3,248.2	241.7
2002 Q4	15,581.9	8,047.2	7,130.0	881.9	60.6	821.3	3,560.6	1,158.1	2,402.5	3,604.7	286.0	3,318.7	241.6
2003 Q1	15,542.7	8,098.3	7,168.6	873.6	68.4	805.2	3,582.5	1,173.2	2,409.3	3,642.2	276.5	3,365.7	256.4
2003 Q2	16,091.1	8,195.6	7,235.7	860.8	69.6	791.2	3,627.1	1,196.2	2,430.9	3,707.7	280.7	3,426.9	253.8
2003 Q3	16,186.5	8,278.3	7,292.1	866.5	70.7	795.7	3,634.3	1,170.4	2,463.8	3,777.5	275.1	3,502.4	275.6
2003 Q4	16,460.1	8,358.8	7,393.0	887.0	80.5	806.5	3,632.0	1,145.6	2,486.4	3,839.9	275.8	3,564.1	266.5
Transactions													
2002 Q3	107.2	38.5	34.6	-8.4	1.3	-9.6	-1.2	-18.3	17.0	48.1	-4.2	52.2	-7.1
2002 Q4	159.5	135.9	95.5	15.0	5.9	9.1	53.1	-9.7	62.8	67.8	3.3	64.6	6.4
2003 Q1	256.9	85.9	65.9	-0.7	8.0	-8.7	42.5	20.5	22.1	44.1	-7.4	51.4	7.1
2003 Q2	228.7	108.7	83.9	-10.4	3.2	-13.6	49.5	22.3	27.1	69.6	4.9	64.7	2.6
2003 Q3	134.9	80.4	58.6	5.7	1.1	4.6	3.6	-23.3	27.0	71.0	-4.8	75.8	22.9
2003 Q4	82.3	106.4	118.4	19.9	9.8	10.1	13.9	-19.2	33.1	72.7	4.1	68.6	-1.3
Growth rates													
2002 Q3	4.0	4.1	4.0	-0.9	20.9	-2.1	3.0	-5.0	7.5	6.5	0.6	7.0	-4.5
2002 Q4	3.8	4.3	4.0	-2.0	21.3	-3.4	3.5	-4.2	7.8	6.9	1.4	7.4	-3.3
2003 Q1	4.3	4.7	4.0	-2.2	28.6	-4.1	4.4	-0.9	7.3	6.8	0.4	7.4	-4.1
2003 Q2	4.7	4.7	4.0	-0.5	34.4	-2.8	4.1	1.2	5.5	6.6	-1.2	7.3	3.6
2003 Q3	5.1	5.2	4.3	1.1	33.4	-1.1	4.2	0.8	5.9	7.1	-1.4	7.9	16.1
2003 Q4	4.5	4.7	4.6	1.6	36.6	-0.9	3.1	0.0	4.5	7.1	-1.1	7.9	12.9
Securities other than shares issued by													
	Total									Quoted shares issued by non-financial corporations	Deposit liabilities of central government	Pension fund reserves of non- financial corporations	
	General government			Non-financial corporations									
	Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	21	22	23	
	14	15	16	17	18	19	20						
Outstanding amounts													
2002 Q3	4,667.3	4,139.5	479.8	3,659.7	527.8	137.7	390.1	2,293.9	195.5	266.1			
2002 Q4	4,671.8	4,137.3	480.0	3,657.4	534.5	144.7	389.8	2,383.9	209.9	269.1			
2003 Q1	4,838.2	4,273.4	529.7	3,743.7	564.9	167.1	397.8	2,114.2	219.4	272.6			
2003 Q2	4,962.7	4,378.6	563.4	3,815.2	584.0	165.5	418.6	2,451.2	205.7	276.1			
2003 Q3	4,979.2	4,396.4	557.5	3,838.9	582.8	164.5	418.3	2,474.6	174.3	280.1			
2003 Q4	4,907.7	4,319.4	538.7	3,780.7	588.3	163.4	424.9	2,729.2	181.7	282.7			
Transactions													
2002 Q3	56.6	46.5	-0.9	47.4	10.2	7.3	2.8	5.6	2.6	3.9			
2002 Q4	3.8	-0.1	-8.3	8.2	3.9	6.9	-3.1	2.2	14.4	3.2			
2003 Q1	157.5	128.9	49.9	78.9	28.6	22.3	6.3	-0.2	9.5	4.2			
2003 Q2	100.7	84.4	33.9	50.5	16.3	-1.5	17.8	15.8	-0.6	4.2			
2003 Q3	43.5	44.0	-5.3	49.2	-0.5	-1.0	0.5	4.5	2.4	4.2			
2003 Q4	-36.4	-44.2	-18.4	-25.8	7.8	-1.1	8.9	0.8	7.4	4.1			
Growth rates													
2002 Q3	5.2	5.0	7.3	4.7	6.8	-1.7	10.2	1.2	15.8	4.9			
2002 Q4	5.1	5.2	10.6	4.5	4.1	3.7	4.2	0.7	12.3	5.3			
2003 Q1	6.3	6.1	16.7	4.7	8.0	15.2	5.1	0.4	14.7	5.6			
2003 Q2	7.0	6.5	15.5	5.3	11.5	26.9	6.2	0.8	13.4	5.9			
2003 Q3	6.5	6.2	14.6	5.1	9.2	19.4	5.5	1.0	13.2	6.0			
2003 Q4	5.7	5.1	12.5	4.2	9.8	12.9	8.6	0.9	8.9	6.2			

Source: ECB.

1) Including non-profit institutions serving households.

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

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

	Main financial assets											
	Total	Deposits with euro area MFIs					Loans			Securities other than shares		
		Total	Overnight	With agreed maturity	Redeemable at notice	Repos	Total	Short-term	Long-term	Total	Short-term	Long-term
1	2	3	4	5	6	7	8	9	10	11	12	
	Outstanding amounts											
2002 Q3	3,290.1	506.3	50.1	437.9	3.9	14.4	335.2	69.1	266.1	1,326.9	45.9	1,281.0
Q4	3,374.7	523.1	55.9	445.9	3.5	17.8	346.8	70.5	276.4	1,363.4	48.7	1,314.7
2003 Q1	3,402.0	535.8	61.7	454.2	1.6	18.3	351.6	72.0	279.6	1,423.6	53.8	1,369.8
Q2	3,534.5	537.8	63.8	450.5	1.3	22.3	355.5	73.5	282.0	1,455.8	50.9	1,404.9
Q3	3,590.3	532.9	57.5	455.3	1.4	18.7	354.9	72.6	282.2	1,485.3	52.5	1,432.7
Q4	3,705.4	541.9	58.9	462.3	1.6	19.1	341.0	72.6	268.4	1,520.9	53.1	1,467.7
	Transactions											
2002 Q3	50.7	2.5	1.7	5.1	0.3	-4.6	0.2	2.4	-2.2	40.9	8.1	32.8
Q4	73.4	16.8	5.8	8.0	-0.4	3.5	12.1	1.5	10.6	35.4	2.2	33.2
2003 Q1	86.5	12.4	4.3	7.8	-0.2	0.5	7.9	4.1	3.8	55.7	5.9	49.7
Q2	50.7	2.3	2.2	-3.9	0.0	3.9	7.0	4.0	3.0	23.6	-3.1	26.7
Q3	40.2	-6.3	-6.4	3.8	0.1	-3.8	2.5	1.7	0.8	28.3	1.7	26.6
Q4	66.1	9.4	1.5	7.2	0.2	0.5	-10.7	2.6	-13.2	40.4	0.7	39.8
	Growth rates											
2002 Q3	7.8	3.8	27.6	2.6	4.5	-19.6	4.6	21.7	1.1	9.7	-13.5	10.8
Q4	7.2	5.6	16.3	4.3	1.9	8.5	6.7	16.7	4.6	10.0	4.5	10.2
2003 Q1	6.8	7.4	37.1	4.8	-17.5	3.3	7.8	20.5	4.9	10.3	14.0	10.2
Q2	7.8	6.7	28.9	3.9	-9.5	17.4	8.1	18.5	5.6	12.4	36.0	11.6
Q3	7.6	5.0	11.7	3.6	-12.4	28.2	8.8	16.4	6.8	10.8	14.7	10.6
Q4	7.2	3.4	2.9	3.3	4.7	6.1	2.0	17.6	-2.0	10.9	10.7	10.9

	Main financial assets						Main liabilities								
	Shares <sup>1)</sup>				Prepayments of insurance premiums and reserves for outstanding claims	Total	Loans taken from euro area MFIs and other financial corporations		Securities other than shares	Quoted shares	Insurance technical reserves				
	Total	Quoted shares	Mutual fund shares	Money market fund shares			Total	Taken from euro area MFIs			Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims		
13	14	15	16	17	18	19	20	21	22	23	24	25			
	Outstanding amounts														
2002 Q3	1,011.4	456.1	555.3	50.0	110.3	3,490.1	56.5	42.1	10.9	125.7	3,297.0	2,790.6	506.4		
Q4	1,032.1	467.1	565.0	56.4	109.4	3,521.4	43.4	32.9	11.2	111.4	3,355.4	2,851.0	504.3		
2003 Q1	979.0	421.9	557.0	60.1	111.9	3,571.4	55.4	42.4	11.4	101.5	3,403.1	2,890.1	513.0		
Q2	1,071.6	481.7	589.9	64.4	113.9	3,677.8	58.1	44.8	11.6	134.3	3,473.9	2,955.6	518.2		
Q3	1,101.9	497.4	604.6	60.7	115.3	3,739.6	59.3	44.3	12.1	133.5	3,534.6	3,012.2	522.4		
Q4	1,185.0	548.8	636.2	64.4	116.6	3,793.3	49.5	35.6	12.4	153.8	3,577.6	3,051.9	525.7		
	Transactions														
2002 Q3	4.5	2.4	2.1	-1.6	2.6	48.0	-2.0	-2.5	0.0	0.0	49.9	43.2	6.7		
Q4	10.0	-4.3	14.3	6.7	-0.8	21.5	-11.5	-9.1	0.2	0.4	32.5	34.6	-2.1		
2003 Q1	7.9	-2.6	10.5	2.0	2.6	80.4	13.8	11.3	-0.1	-0.9	67.6	57.6	9.9		
Q2	15.8	5.1	10.7	4.6	2.0	62.5	2.8	2.6	0.1	4.5	55.1	48.1	7.0		
Q3	14.3	5.3	9.0	-4.2	1.5	53.6	1.2	-0.5	0.5	0.0	51.9	46.9	5.0		
Q4	25.5	10.5	15.0	4.3	1.4	36.2	-9.9	-8.8	0.4	3.9	41.8	36.9	4.9		
	Growth rates														
2002 Q3	7.3	5.4	9.0	4.5	21.5	7.2	3.0	6.8	9.0	0.3	7.8	7.5	9.4		
Q4	4.8	3.1	6.5	18.2	9.0	5.8	-13.7	-11.6	7.9	0.3	6.5	6.6	5.5		
2003 Q1	2.9	0.1	5.7	19.5	6.3	5.8	6.6	8.5	4.9	-0.2	6.3	6.6	4.2		
Q2	3.3	0.1	6.4	23.0	6.0	6.0	5.5	5.2	2.8	1.8	6.3	6.6	4.3		
Q3	4.7	0.8	8.0	18.2	4.8	6.2	11.2	10.1	6.6	3.2	6.3	6.7	3.9		
Q4	6.1	3.9	8.0	12.0	6.9	6.6	18.3	14.0	8.5	6.7	6.4	6.6	5.3		

Source: ECB.

1) Excluding unquoted shares.

## 3.4 Annual saving, investment and financing

(EUR billions, unless otherwise indicated)

## 1. All sectors in the euro area

	Net acquisition of non-financial assets					Net acquisition of financial assets							
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Changes in inventories <sup>1)</sup>	Non-produced assets	Total	Monetary gold and SDRs	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Insurance technical reserves	Other investment (net) <sup>3)</sup>
	1	2	3	4	5	6	7	8	9	10	11	12	13
1996	341.7	1,122.3	-783.9	2.9	0.4	1,728.9	-3.0	395.3	397.7	383.7	313.2	193.6	48.5
1997	354.1	1,139.3	-797.1	11.8	0.0	1,911.5	-0.2	394.4	332.2	449.9	485.7	222.0	27.5
1998	415.1	1,203.6	-823.6	35.0	0.2	2,396.0	11.0	422.7	357.3	523.4	844.8	215.4	21.4
1999	451.7	1,292.4	-863.7	22.8	0.2	3,057.5	1.3	557.7	427.6	881.6	903.3	261.5	24.6
2000	490.7	1,391.2	-913.1	29.3	-16.7	2,796.2	1.3	349.7	260.8	808.7	1,122.7	252.6	0.3
2001	467.6	1,443.7	-973.6	-4.5	1.9	2,577.6	-0.5	577.4	432.2	727.8	630.1	249.2	-38.6
2002	405.4	1,430.5	-1,022.1	-4.3	1.4	2,169.3	0.9	580.4	258.3	516.4	502.9	222.8	87.5

	Changes in net worth <sup>4)</sup>				Net incurrence of liabilities					
	Total	Gross saving	Consumption of fixed capital (-)	Net capital transfers receivable	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Insurance technical reserves
	14	15	16	17	18	19	20	21	22	23
1996	410.7	1,190.0	-783.9	4.6	1,659.9	472.5	383.4	334.9	272.8	196.3
1997	455.7	1,241.8	-797.1	11.0	1,809.9	511.6	317.7	378.5	372.2	229.9
1998	486.5	1,299.1	-823.6	11.1	2,324.6	648.4	323.0	482.5	649.4	221.2
1999	498.0	1,352.0	-863.7	9.7	3,011.2	929.3	503.8	759.9	555.7	262.6
2000	514.9	1,419.4	-913.1	8.6	2,772.0	532.1	414.6	850.0	722.3	253.0
2001	485.4	1,449.4	-973.6	9.6	2,559.8	663.2	490.3	605.6	549.6	251.2
2002	492.3	1,502.9	-1,022.1	11.5	2,082.5	527.0	455.7	460.1	396.1	243.6

## 2. Non-financial corporations

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth <sup>4)</sup>		Net incurrence of liabilities			
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Total	Gross saving	Total	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	131.4	567.3	-438.0	258.6	54.1	-13.7	55.1	87.4	119.5	514.5	270.5	7.0	143.6	112.4
1997	150.4	592.0	-453.3	239.8	25.3	-11.8	46.3	97.8	105.2	521.5	285.1	12.1	153.8	109.7
1998	193.8	635.2	-470.6	425.2	45.7	-12.0	96.3	203.4	147.8	569.2	471.2	22.8	252.9	184.5
1999	212.0	684.5	-490.9	604.8	26.9	91.3	169.1	302.2	107.7	548.7	709.2	47.3	423.2	222.1
2000	309.7	750.3	-522.9	825.7	71.8	83.8	193.0	448.6	84.4	560.4	1,051.0	58.8	558.2	425.5
2001	219.2	774.3	-554.8	621.6	101.3	34.8	142.1	250.8	88.2	583.5	752.6	99.7	322.2	319.2
2002	172.9	758.3	-579.3	383.5	20.4	-32.9	45.2	285.5	115.3	634.3	441.1	20.7	199.5	206.4

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

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth <sup>4)</sup>		Net incurrence of liabilities		Memo:	
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Shares and other equity	Insurance technical reserves	Total	Gross saving	Total	Loans	Disposable income	Gross saving ratio <sup>6)</sup>
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	170.0	384.6	-216.8	436.5	146.2	24.8	92.0	189.0	445.2	646.9	161.3	160.0	3,788.1	17.1
1997	168.3	377.5	-211.7	424.4	70.4	-19.8	192.7	215.8	424.2	617.3	168.4	167.0	3,816.2	16.2
1998	180.2	389.7	-216.4	440.6	96.3	-120.4	288.9	210.6	408.1	594.6	212.6	211.2	3,923.5	15.2
1999	191.4	418.5	-231.5	470.4	119.2	-24.0	189.2	247.4	392.9	582.0	268.9	267.4	4,086.5	14.2
2000	198.6	440.9	-241.7	420.4	65.6	35.2	120.2	246.5	396.1	598.3	222.9	221.2	4,276.1	14.0
2001	188.3	453.9	-264.1	405.1	175.1	90.7	61.3	229.3	425.3	653.0	168.2	166.3	4,571.6	14.3
2002	181.0	462.2	-283.1	491.3	218.5	48.2	-3.7	210.7	462.5	710.1	209.7	207.6	4,741.4	15.0

Source: ECB.

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



## FINANCIAL MARKETS

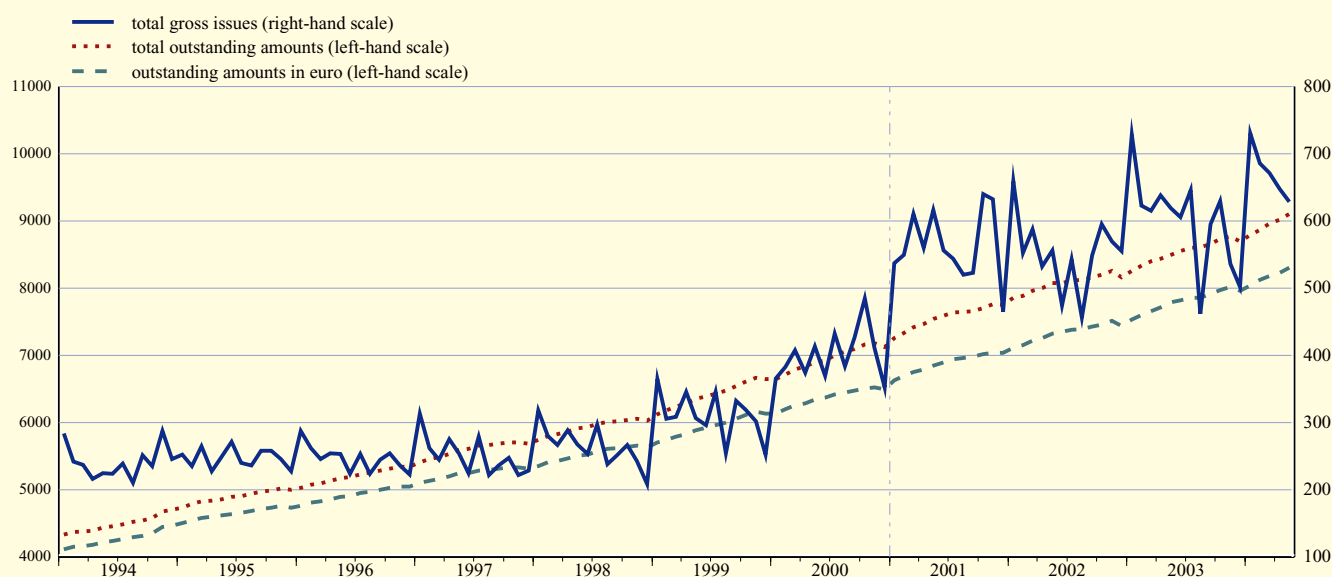
### 4.1 Securities issues other than shares by original maturity, residency of the issuer and currency

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

	Total in euro <sup>1)</sup>				By euro area residents							
	Outstanding amounts	Gross issues	Redemptions	Net issues	Total				Of which in euro			
					Outstanding amounts	Gross issues	Redemptions	Net issues	Outstanding amounts (%)	Gross issues (%)	Redemptions (%)	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Total</b>												
2003 May	8,901.8	624.9	529.4	95.5	8,498.4	619.2	536.6	82.6	91.6	93.4	93.6	75.9
June	8,982.3	636.6	556.3	80.2	8,550.5	606.2	566.1	40.0	91.5	93.7	93.9	36.3
July	9,015.9	649.0	615.9	33.1	8,599.0	645.3	601.4	44.0	91.4	93.1	94.3	33.6
Aug.	9,021.2	470.3	465.5	4.8	8,612.1	461.6	463.8	-2.1	91.3	93.9	92.6	3.8
Sep.	9,111.6	615.6	524.5	91.1	8,657.1	594.9	530.9	64.0	91.4	93.4	94.3	55.1
Oct.	9,169.2	635.6	578.8	56.7	8,731.0	629.7	561.6	68.1	91.3	93.7	94.7	58.1
Nov.	9,236.5	556.0	491.4	64.6	8,769.2	536.4	490.1	46.3	91.5	93.2	92.4	46.7
Dec.	9,200.4	519.4	551.9	-32.5	8,693.9	501.4	555.5	-54.1	91.6	93.7	94.6	-55.4
2004 Jan.	9,272.9	738.6	663.8	74.7	8,786.9	730.8	643.2	87.6	91.5	94.3	94.7	79.4
Feb.	9,348.9	698.7	622.9	75.8	8,863.5	685.9	605.5	80.3	91.6	94.6	94.2	78.1
Mar.	9,464.8	716.8	600.8	116.1	8,957.4	671.8	587.7	84.0	91.3	92.8	95.3	63.3
Apr.	.	.	.	.	9,023.8	647.6	587.4	60.2	91.2	93.2	95.0	45.5
May	.	.	.	.	9,105.3	628.7	541.9	86.8	91.2	93.9	94.9	76.1
<b>Long-term</b>												
2003 May	8,028.8	187.1	99.1	88.0	7,597.7	175.0	100.1	74.9	91.7	92.2	90.5	70.8
June	8,099.3	185.3	115.4	69.9	7,669.9	170.8	110.7	60.1	91.6	91.0	91.7	53.9
July	8,152.1	198.0	145.9	52.1	7,719.0	185.2	140.3	44.9	91.4	88.1	94.9	30.0
Aug.	8,164.4	86.4	75.8	10.7	7,745.4	79.0	69.9	9.1	91.2	88.0	90.4	6.4
Sep.	8,241.1	179.8	102.5	77.3	7,797.6	173.4	102.6	70.8	91.4	91.6	90.3	66.2
Oct.	8,296.0	179.2	125.5	53.7	7,850.3	168.3	120.4	47.8	91.4	91.7	94.0	41.1
Nov.	8,347.3	143.5	93.6	49.9	7,886.6	136.4	90.3	46.1	91.5	89.6	88.0	42.7
Dec.	8,341.1	118.2	119.5	-1.2	7,862.2	111.0	113.5	-2.6	91.6	90.3	93.0	-5.4
2004 Jan.	8,400.5	196.0	136.1	59.9	7,911.5	178.4	137.5	40.8	91.6	93.0	90.8	40.9
Feb.	8,486.0	193.8	109.4	84.4	7,994.6	183.0	98.7	84.4	91.7	92.2	88.0	82.0
Mar.	8,555.5	213.4	143.1	70.3	8,068.6	189.1	123.7	65.3	91.4	86.8	93.8	48.2
Apr.	.	.	.	.	8,118.1	154.5	110.7	43.9	91.3	88.4	94.7	31.8
May	.	.	.	.	8,201.4	155.8	67.2	88.6	91.3	89.4	91.1	78.1

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

(EUR billions)



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

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

## 4.2 Securities other than shares issued by euro area residents by original maturity and sector of the issuer

(EUR billions unless otherwise indicated; nominal values)

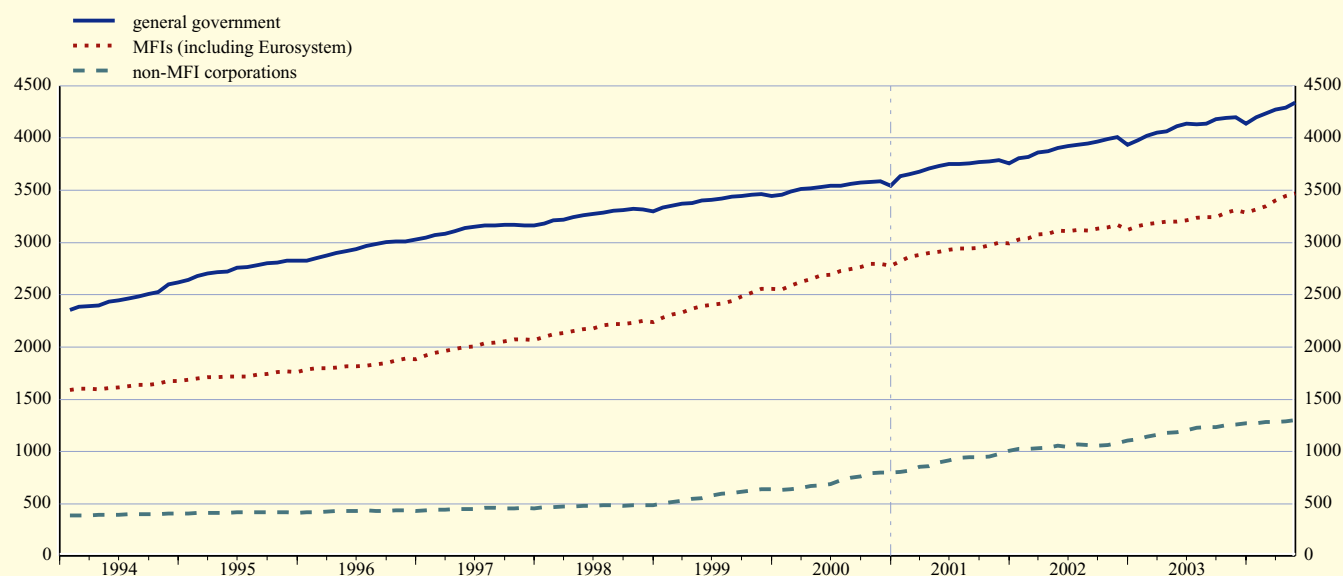
### 1. Outstanding amounts

(end of period)

	Total						Of which in euro (%)					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2003 May	8,498.4	3,200.2	600.8	584.3	3,914.5	198.6	91.6	86.0	85.5	88.2	97.4	95.7
June	8,550.5	3,211.4	618.3	586.0	3,931.7	203.0	91.5	85.8	85.6	88.2	97.3	95.7
July	8,599.0	3,239.6	637.5	588.6	3,928.9	204.4	91.4	85.7	85.4	88.0	97.3	95.5
Aug.	8,612.1	3,239.9	641.8	591.8	3,934.4	204.3	91.3	85.6	85.2	87.8	97.2	95.4
Sep.	8,657.1	3,245.9	649.9	583.5	3,968.7	209.0	91.4	85.5	86.2	88.1	97.4	95.5
Oct.	8,731.0	3,287.5	661.3	589.1	3,980.5	212.6	91.3	85.3	86.6	87.9	97.4	95.5
Nov.	8,769.2	3,309.6	669.1	590.3	3,983.1	217.1	91.5	85.5	86.9	88.2	97.5	95.6
Dec.	8,693.9	3,285.5	683.4	589.0	3,917.9	218.1	91.6	85.5	87.8	88.3	97.7	95.4
2004 Jan.	8,786.9	3,318.0	684.6	588.3	3,974.2	221.8	91.5	85.4	87.7	87.9	97.6	95.5
Feb.	8,863.5	3,345.7	693.2	591.1	4,005.6	227.9	91.6	85.6	88.0	87.9	97.6	95.6
Mar.	8,957.4	3,401.7	695.4	588.7	4,040.8	230.8	91.3	85.2	87.8	87.7	97.4	95.5
Apr.	9,023.8	3,442.1	700.2	590.5	4,059.0	232.0	91.2	84.9	87.9	87.5	97.4	95.4
May	9,105.3	3,468.5	699.8	598.3	4,105.1	233.6	91.2	84.8	88.2	87.6	97.5	95.6
	Long-term											
2003 May	7,597.7	2,808.6	592.3	477.2	3,525.0	194.6	91.7	86.7	85.3	86.6	97.3	95.9
June	7,669.9	2,831.7	609.6	484.8	3,544.7	199.0	91.6	86.4	85.4	86.8	97.2	95.9
July	7,719.0	2,862.2	628.8	487.2	3,540.7	200.0	91.4	86.2	85.2	86.6	97.2	95.7
Aug.	7,745.4	2,877.8	633.1	490.2	3,543.9	200.4	91.2	85.8	85.0	86.4	97.1	95.5
Sep.	7,797.6	2,889.2	641.9	485.8	3,575.2	205.5	91.4	85.9	86.1	86.8	97.2	95.7
Oct.	7,850.3	2,921.7	653.2	489.2	3,577.0	209.2	91.4	85.7	86.4	86.6	97.3	95.6
Nov.	7,886.6	2,936.1	660.8	493.0	3,583.0	213.7	91.5	85.8	86.8	87.0	97.4	95.8
Dec.	7,862.2	2,925.3	674.5	496.8	3,551.0	214.6	91.6	86.0	87.6	87.2	97.5	95.5
2004 Jan.	7,911.5	2,940.2	676.0	492.0	3,585.5	217.7	91.6	85.9	87.5	86.7	97.5	95.6
Feb.	7,994.6	2,975.8	685.1	494.4	3,615.9	223.5	91.7	86.0	87.9	86.6	97.5	95.7
Mar.	8,068.6	3,027.6	687.6	488.3	3,638.2	226.8	91.4	85.7	87.7	86.2	97.3	95.7
Apr.	8,118.1	3,058.5	692.0	483.6	3,656.5	227.5	91.3	85.4	87.8	85.9	97.3	95.6
May	8,201.4	3,090.6	691.5	490.7	3,699.8	228.8	91.3	85.2	88.0	86.0	97.4	95.7

### C14 Outstanding amounts of securities other than shares by sector

(EUR billions, end-of-period outstanding amounts, nominal values)



Source: ECB.



**4.2 Securities other than shares issued by euro area residents by original maturity and sector of the issuer**  
(EUR billions unless otherwise indicated; nominal values)

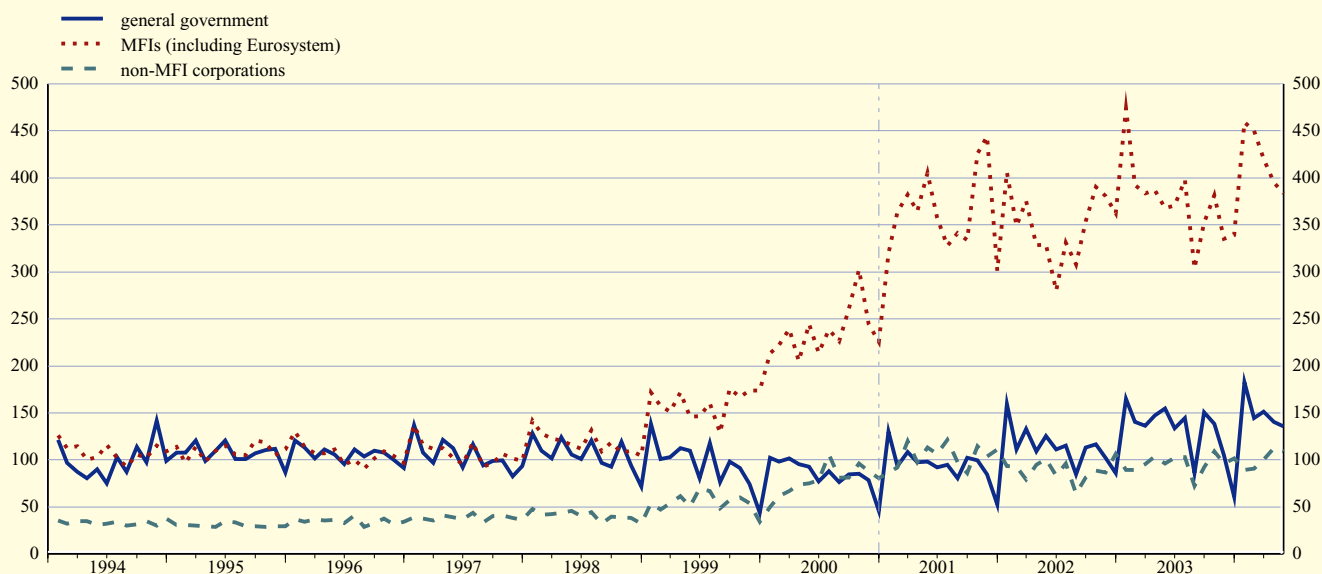
**2. Gross issues**

(transactions during the month)

	Total						Of which in euro (%)					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2003 May	619.2	367.8	14.8	81.6	149.2	5.9	93.4	92.2	84.3	94.6	96.8	90.5
June	606.2	370.2	23.5	79.2	125.2	8.2	93.7	91.8	96.1	97.0	96.8	94.9
July	645.3	397.7	26.5	76.7	138.6	5.8	93.1	92.1	83.2	94.5	96.9	91.2
Aug.	461.6	303.6	8.7	63.6	82.3	3.4	93.9	92.3	91.8	96.6	97.7	93.1
Sep.	594.9	352.0	22.0	70.3	140.7	9.9	93.4	90.3	98.7	96.5	98.5	96.5
Oct.	629.7	381.6	21.4	87.9	130.7	8.0	93.7	91.5	95.8	96.3	98.1	94.0
Nov.	536.4	335.2	20.2	75.7	97.4	7.8	93.2	92.0	86.7	95.9	96.2	98.2
Dec.	501.4	339.0	28.2	73.2	55.5	5.6	93.7	92.6	97.1	94.6	99.3	79.8
2004 Jan.	730.8	458.7	8.5	80.8	173.6	9.2	94.3	92.9	90.8	95.8	97.1	97.4
Feb.	685.9	450.3	18.3	72.7	136.1	8.5	94.6	93.3	95.8	96.1	97.5	97.8
Mar.	671.8	420.1	10.9	89.5	143.2	8.0	92.8	91.0	89.5	97.1	95.5	94.1
Apr.	647.6	394.7	19.0	93.6	134.9	5.3	93.2	90.9	92.5	96.8	97.6	97.2
May	628.7	383.7	8.8	100.3	130.7	5.2	93.9	91.8	88.0	97.3	98.0	97.9
	Long-term											
2003 May	175.0	61.7	11.8	12.4	85.6	3.5	92.2	87.9	80.3	84.0	98.2	91.8
June	170.8	68.9	20.1	12.8	63.0	5.9	91.0	81.8	95.4	99.0	97.5	95.2
July	185.2	74.6	24.1	9.9	73.5	3.2	88.1	82.6	81.5	80.1	97.0	87.5
Aug.	79.0	44.8	6.1	3.4	23.0	1.6	88.0	82.4	88.4	98.7	97.2	91.3
Sep.	173.4	65.0	18.9	3.6	78.8	7.1	91.6	79.6	98.6	96.6	99.0	98.8
Oct.	168.3	75.7	17.5	10.7	58.9	5.5	91.7	84.4	96.1	89.4	100.0	94.5
Nov.	136.4	62.4	16.6	10.7	40.9	5.8	89.6	86.9	85.2	91.2	93.5	99.6
Dec.	111.0	61.9	24.9	9.6	11.4	3.2	90.3	88.3	97.6	81.5	98.6	68.1
2004 Jan.	178.4	72.6	5.0	7.4	86.9	6.3	93.0	87.8	88.7	80.7	98.2	99.4
Feb.	183.0	86.1	15.0	5.7	70.2	6.0	92.2	86.5	96.0	87.5	98.2	99.0
Mar.	189.1	98.5	8.1	5.0	72.0	5.6	86.8	79.7	88.2	92.3	95.4	95.7
Apr.	154.5	69.7	15.0	4.4	63.0	2.5	88.4	79.4	93.4	76.4	97.5	100.0
May	155.8	67.3	6.5	9.4	70.0	2.7	89.4	79.7	85.9	87.7	98.8	99.6

**C15 Gross issues of securities other than shares by sector**

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



Source: ECB.

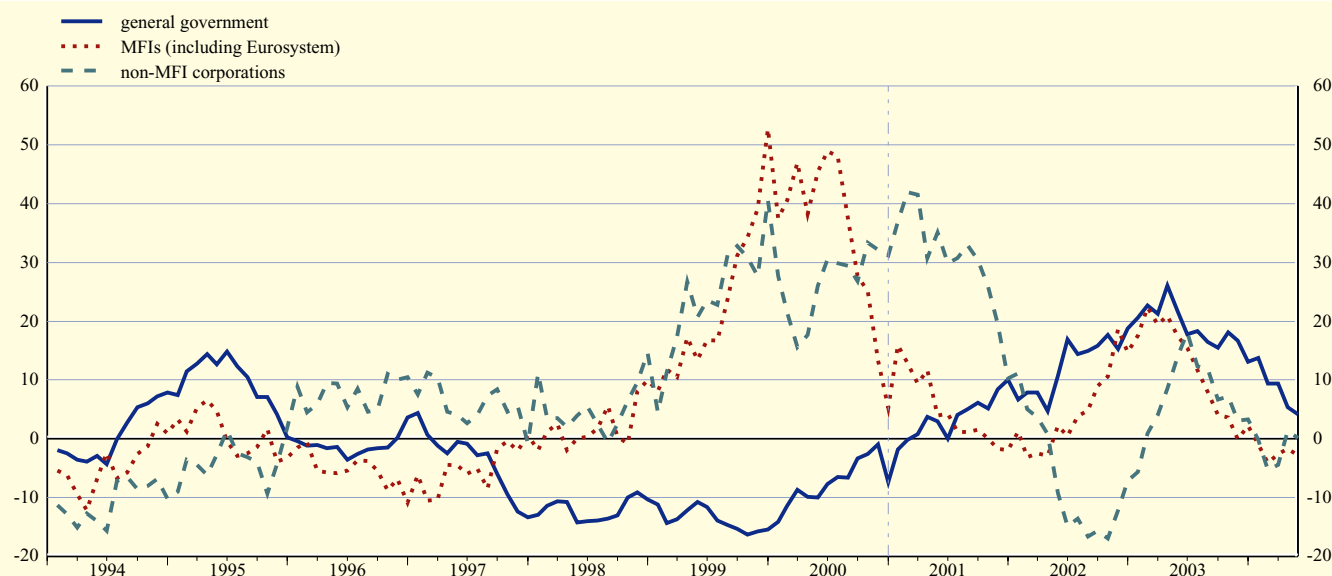
### 4.3 Annual growth rates of securities other than shares issued by euro area residents <sup>1)</sup>

(percentage changes)

	Total													
	Total		MFIs (including Eurosystem)	Non-MFI corporations			General government			Total		MFIs (including Euro- system)	Non-MFI	
	Total	Index Dec. 01 = 100		Total	Non- monetary financial corporations	Non- financial corporations	Total	Central gov.	Other general gov.	Total	Index Dec. 01 = 100		Total	Non- monetary financial corporations
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
In all currencies combined														
2003 May	6.8	111.4	4.5	17.2	24.6	10.3	5.8	4.9	27.6	18.8	131.0	17.5	14.0	30.9
June	6.9	111.9	4.4	18.9	27.3	11.1	5.7	4.7	28.3	16.8	128.1	15.5	18.1	29.0
July	7.0	112.5	4.8	18.9	28.4	10.0	5.5	4.7	21.9	14.6	127.9	11.7	12.3	22.9
Aug.	6.8	112.4	4.7	19.2	28.1	10.8	5.1	4.4	21.0	12.2	126.3	8.0	11.9	18.6
Sep.	6.9	113.3	4.6	18.4	28.6	8.7	5.7	4.9	23.3	9.4	125.3	4.1	6.7	17.0
Oct.	7.2	114.2	5.5	19.2	29.0	9.7	5.4	4.6	21.4	10.3	128.3	3.6	7.2	13.9
Nov.	7.0	114.8	5.3	18.7	27.8	9.7	5.2	4.4	23.0	7.3	128.3	-0.1	3.1	9.8
Dec.	7.3	114.1	6.2	17.0	23.5	10.2	5.5	4.7	22.2	6.9	120.8	2.2	3.3	20.8
2004 Jan.	7.0	115.2	5.9	15.2	23.1	7.1	5.7	4.9	21.8	5.2	127.6	-0.9	-0.2	16.8
Feb.	7.0	116.3	6.2	13.9	21.7	6.0	5.6	4.9	21.0	1.4	127.0	-4.1	-5.4	-8.1
Mar.	7.1	117.4	7.4	11.8	19.7	3.6	5.6	4.9	20.6	2.3	129.7	-2.6	-4.4	-15.1
Apr.	7.1	118.2	7.9	10.3	17.5	2.8	5.6	5.0	18.7	1.7	132.1	-1.8	1.3	-5.9
May	7.1	119.3	8.3	9.5	16.4	2.4	5.5	4.9	17.6	0.7	131.9	-2.8	0.1	-3.6
In euro														
2003 May	6.5	110.9	3.5	19.9	30.1	11.2	5.6	4.7	26.3	20.4	133.3	20.9	14.0	29.0
June	6.5	111.4	3.1	22.3	33.7	12.5	5.4	4.5	27.0	18.1	130.4	18.5	17.6	29.2
July	6.7	111.9	3.7	22.1	34.6	11.2	5.2	4.5	20.4	16.7	131.0	15.9	12.2	22.9
Aug.	6.5	111.9	3.6	22.5	34.5	11.9	4.9	4.2	19.5	14.8	130.5	13.5	11.2	18.6
Sep.	6.6	112.7	3.3	21.7	35.3	9.7	5.5	4.8	21.8	11.5	128.7	8.5	5.9	16.9
Oct.	6.9	113.5	4.2	22.7	36.3	10.5	5.3	4.6	20.8	12.5	131.5	7.7	6.8	14.3
Nov.	6.8	114.2	4.2	21.8	34.1	10.5	5.1	4.3	22.3	9.3	132.2	3.1	2.3	9.6
Dec.	7.0	113.4	5.0	19.3	27.7	10.9	5.5	4.7	21.2	8.9	124.0	5.6	2.9	19.1
2004 Jan.	6.9	114.5	4.9	17.1	27.1	7.2	5.7	5.0	21.1	6.0	130.3	-0.5	-0.9	16.5
Feb.	6.9	115.7	5.3	16.0	26.1	6.0	5.8	5.1	20.3	2.0	129.6	-3.7	-5.7	-8.6
Mar.	6.9	116.6	6.4	13.4	23.9	3.0	5.6	4.9	19.8	2.7	132.1	-2.2	-4.7	-16.2
Apr.	6.7	117.2	6.6	11.7	21.1	2.2	5.6	5.0	18.2	1.4	134.3	-2.9	1.2	-8.3
May	6.7	118.3	6.8	10.9	20.1	1.8	5.5	4.9	17.5	0.6	134.0	-3.5	-0.2	-4.4

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

(percentage changes)



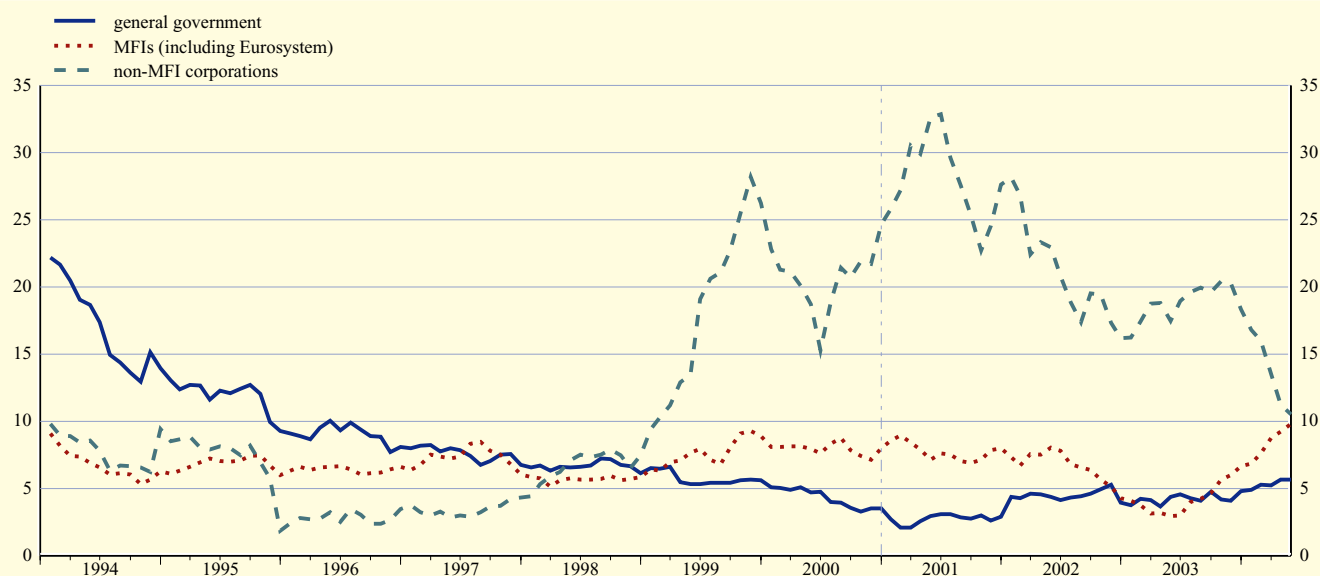
Source: ECB.

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

**4.3 Annual growth rates of securities other than shares issued by euro area residents <sup>1)</sup>**  
(percentage changes)

Short-term				Long-term												
corporations				General government			Total		MFIs (including Eurosysteem)	Non-MFI corporations			General government			
Non-financial corporations	Total	Central gov.	Other general gov.	Total	Index Dec. 01 = 100	Total	Non-monetary financial corporations	Non-financial corporations		Total	Central gov.	Other general gov.				
15	16	17	18	19	20	21	22	23	24	25	26	27				
In all currencies combined																
12.8	21.7	21.7	22.5	5.5	109.4	2.9	17.5	24.5	9.7	4.4	3.4	27.7	2003 May			
17.2	17.8	17.7	18.7	5.8	110.3	3.0	19.0	27.2	9.9	4.6	3.5	28.5	2003 June			
11.5	18.3	18.3	18.9	6.2	110.9	4.0	19.6	28.5	9.8	4.3	3.4	22.0	2003 July			
11.3	16.5	16.7	2.5	6.2	111.1	4.3	19.9	28.2	10.7	4.1	3.2	21.4	2003 Aug.			
5.9	15.5	15.5	14.5	6.6	112.1	4.7	19.6	28.8	9.3	4.7	3.8	23.4	2003 Sep.			
6.7	18.1	18.3	-2.9	6.9	112.8	5.7	20.4	29.2	10.4	4.2	3.3	21.9	2003 Oct.			
2.5	16.7	17.0	-3.7	6.9	113.4	6.0	20.3	28.1	11.3	4.1	3.2	23.5	2003 Nov.			
1.8	13.1	13.3	-5.6	7.4	113.4	6.7	18.3	23.6	11.9	4.8	3.9	22.8	2003 Dec.			
-1.4	13.8	13.6	31.3	7.2	114.0	6.8	16.8	23.2	9.0	4.9	4.0	21.6	2004 Jan.			
-5.1	9.4	9.2	21.1	7.6	115.2	7.6	16.0	22.2	8.5	5.3	4.4	21.0	2004 Feb.			
-3.5	9.4	9.4	9.6	7.7	116.1	8.8	13.5	20.3	5.2	5.2	4.4	20.8	2004 Mar.			
2.0	5.4	5.2	21.7	7.8	116.8	9.2	11.3	17.9	3.0	5.7	5.0	18.6	2004 Apr.			
0.4	4.2	4.1	17.4	7.9	118.0	9.8	10.5	16.6	2.9	5.6	5.0	17.6	2004 May			
In euro																
12.9	21.8	21.9	17.6	5.1	108.7	1.5	20.7	30.1	10.7	4.1	3.1	26.5	2003 May			
16.6	17.9	18.0	14.4	5.4	109.6	1.4	22.9	33.7	11.6	4.3	3.3	27.3	2003 June			
11.3	18.7	18.7	14.4	5.6	110.0	2.4	23.3	34.8	11.2	4.0	3.2	20.5	2003 July			
10.5	16.8	17.0	1.1	5.6	110.1	2.5	23.8	34.7	12.3	3.7	3.0	19.9	2003 Aug.			
5.0	15.4	15.4	14.5	6.1	111.2	2.7	23.6	35.6	10.8	4.5	3.7	21.9	2003 Sep.			
6.2	18.1	18.3	-5.1	6.3	111.8	3.7	24.6	36.6	11.5	4.0	3.2	21.2	2003 Oct.			
1.7	16.9	17.1	-7.0	6.5	112.5	4.3	24.2	34.6	12.6	4.0	3.1	22.9	2003 Nov.			
1.5	13.3	13.5	-4.7	6.8	112.4	4.9	21.1	27.8	13.0	4.7	3.9	21.7	2003 Dec.			
-2.3	13.9	13.7	40.2	7.0	113.0	5.5	19.2	27.3	9.4	4.9	4.1	20.8	2004 Jan.			
-5.5	9.3	9.2	23.3	7.5	114.3	6.5	18.6	26.8	8.8	5.4	4.6	20.3	2004 Feb.			
-3.7	9.0	9.1	4.1	7.4	115.1	7.5	15.5	24.6	4.7	5.3	4.5	20.0	2004 Mar.			
2.0	5.1	5.0	17.5	7.4	115.6	7.8	12.9	21.6	2.2	5.6	5.0	18.2	2004 Apr.			
0.2	4.1	4.0	19.9	7.4	116.8	8.1	12.3	20.5	2.2	5.7	5.0	17.4	2004 May			

**C17 Annual growth rates of long-term debt securities by sector of the issuer in all currencies combined**  
(percentage changes)



Source: ECB.

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

(EUR billions unless otherwise indicated; market values)

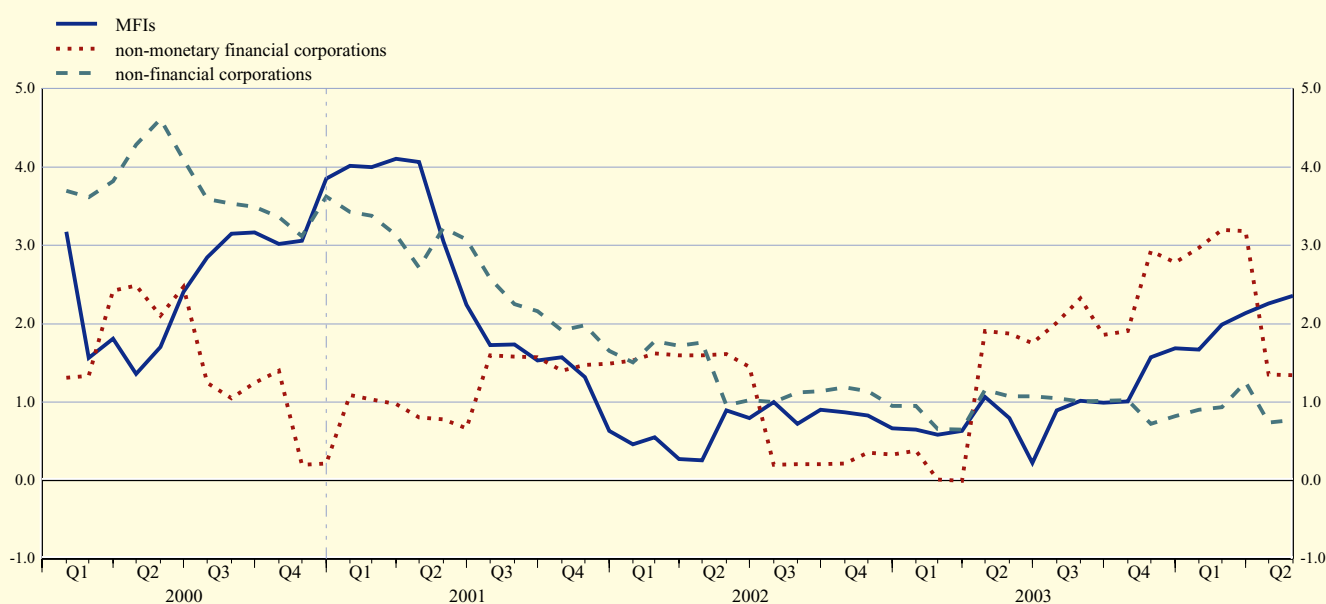
##### 1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Non-monetary financial corporations		Non-financial corporations	
	Total	Index Dec. 01 = 100 (%)	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2002 May	4,433.2	100.4	1.0	666.3	0.9	484.8	1.6	3,282.1	1.0
June	4,119.4	100.5	1.1	614.9	0.8	463.4	1.5	3,041.2	1.0
July	3,710.9	100.6	0.9	515.7	1.0	394.6	0.2	2,800.7	1.0
Aug.	3,521.3	100.6	1.0	521.7	0.7	371.1	0.2	2,628.6	1.1
Sep.	2,982.8	100.7	1.0	412.6	0.9	276.3	0.2	2,293.9	1.1
Oct.	3,252.7	100.7	1.0	446.9	0.9	321.2	0.2	2,484.5	1.2
Nov.	3,436.6	100.8	1.0	487.4	0.8	345.9	0.4	2,603.3	1.1
Dec.	3,118.2	100.8	0.8	450.7	0.7	283.6	0.3	2,383.9	1.0
2003 Jan.	2,978.3	100.8	0.8	425.8	0.6	261.1	0.4	2,291.4	1.0
Feb.	2,884.9	100.8	0.6	425.3	0.6	270.8	0.0	2,188.8	0.7
Mar.	2,763.4	100.8	0.6	413.0	0.6	236.2	0.0	2,114.2	0.7
Apr.	3,112.9	101.5	1.2	471.4	1.1	291.8	1.9	2,349.7	1.2
May	3,145.6	101.5	1.1	476.7	0.8	291.3	1.9	2,377.5	1.1
June	3,256.1	101.5	1.0	504.2	0.2	300.6	1.8	2,451.3	1.1
July	3,366.4	101.7	1.1	528.0	0.9	330.9	2.0	2,507.5	1.0
Aug.	3,413.3	101.7	1.1	506.5	1.0	325.5	2.3	2,581.3	1.0
Sep.	3,276.6	101.8	1.1	494.8	1.0	307.1	1.9	2,474.6	1.0
Oct.	3,483.9	101.8	1.1	535.2	1.0	333.2	1.9	2,615.5	1.0
Nov.	3,546.8	101.9	1.1	549.5	1.6	337.9	2.9	2,659.5	0.7
Dec.	3,647.3	102.0	1.1	569.5	1.7	348.6	2.8	2,729.2	0.8
2004 Jan.	3,788.5	102.0	1.2	584.1	1.7	372.3	3.0	2,832.0	0.9
Feb.	3,851.9	102.1	1.3	587.9	2.0	374.3	3.2	2,889.7	0.9
Mar.	3,766.4	102.4	1.6	571.9	2.1	355.0	3.2	2,839.5	1.3
Apr.	3,748.3	102.6	1.0	579.4	2.3	361.1	1.4	2,807.9	0.7
May	3,687.7	102.6	1.1	568.1	2.4	350.6	1.3	2,769.1	0.8

#### C18 Annual growth rates for quoted shares issued by euro area residents

(annual percentage changes)



Source: ECB.

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

#### 4.4 Quoted shares issued by euro area residents

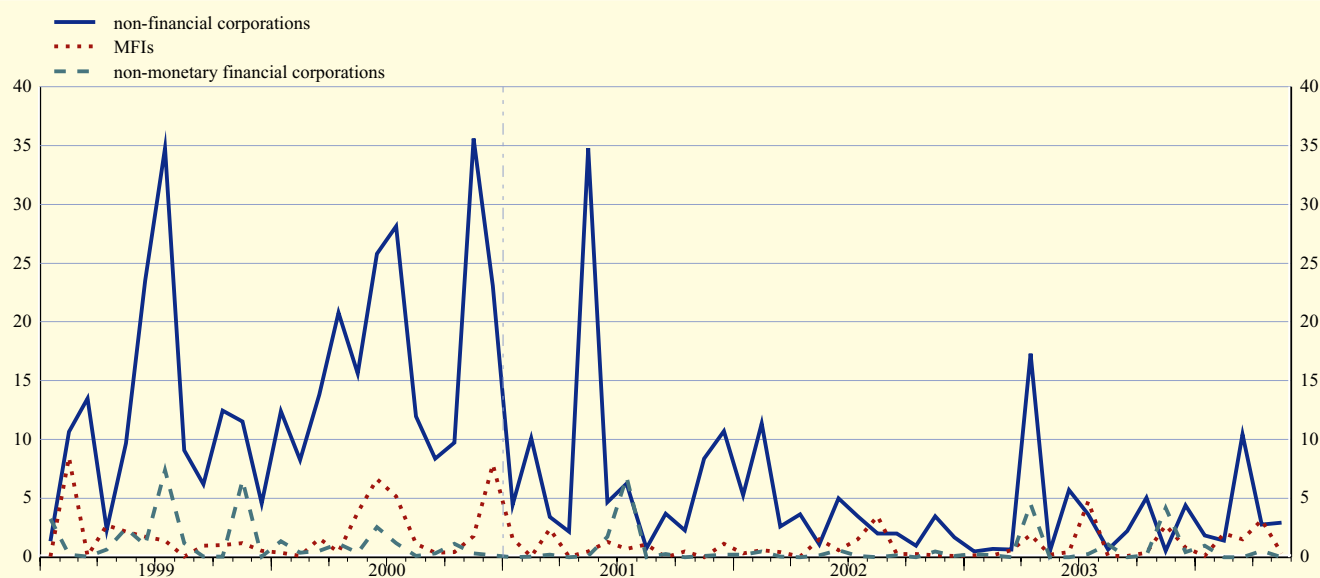
(EUR billions; market values)

##### 2. Transactions during the month

	Total			MFIs			Non-monetary financial corporations			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2002 May	2.7	0.2	2.5	1.5	0.0	1.5	0.2	0.0	0.2	1.1	0.2	0.9
June	6.2	0.4	5.7	0.6	0.0	0.6	0.6	0.0	0.6	5.0	0.4	4.6
July	5.1	1.2	3.8	1.5	0.1	1.4	0.1	0.9	-0.8	3.5	0.2	3.2
Aug.	5.5	5.3	0.2	3.5	4.0	-0.5	0.0	0.0	0.0	2.0	1.2	0.8
Sep.	2.4	0.4	2.0	0.3	0.1	0.1	0.2	0.0	0.2	2.0	0.3	1.7
Oct.	1.2	0.1	1.1	0.3	0.0	0.2	0.0	0.0	0.0	0.9	0.1	0.9
Nov.	4.1	0.7	3.4	0.2	0.4	-0.2	0.5	0.0	0.5	3.5	0.3	3.1
Dec.	1.9	0.5	1.4	0.1	0.0	0.1	0.1	0.1	0.0	1.7	0.4	1.3
2003 Jan.	0.9	1.4	-0.5	0.1	0.0	0.1	0.3	0.0	0.3	0.5	1.4	-0.9
Feb.	1.0	1.3	-0.4	0.1	0.0	0.1	0.1	0.8	-0.7	0.7	0.5	0.2
Mar.	1.2	0.7	0.5	0.6	0.1	0.5	0.0	0.0	0.0	0.6	0.5	0.1
Apr.	23.7	4.8	18.8	1.9	0.1	1.7	4.5	0.0	4.5	17.3	4.7	12.6
May	0.7	2.2	-1.5	0.2	0.4	-0.2	0.0	0.0	0.0	0.5	1.7	-1.3
June	6.1	5.2	1.0	0.4	2.8	-2.3	0.0	0.0	0.0	5.7	2.4	3.3
July	8.6	1.8	6.8	4.7	0.2	4.5	0.2	0.0	0.2	3.6	1.6	2.0
Aug.	1.8	1.0	0.8	0.1	0.0	0.1	1.1	0.1	1.0	0.6	0.9	-0.3
Sep.	2.3	1.7	0.6	0.1	0.1	0.0	0.0	1.3	-1.3	2.2	0.3	1.9
Oct.	5.5	3.8	1.7	0.4	0.0	0.4	0.1	0.0	0.1	5.0	3.8	1.2
Nov.	7.5	5.5	2.0	2.7	0.0	2.7	4.2	0.3	3.9	0.6	5.1	-4.5
Dec.	5.6	1.4	4.3	0.8	0.1	0.8	0.4	0.9	-0.4	4.4	0.5	3.9
2004 Jan.	2.9	0.9	2.0	0.1	0.0	0.1	0.9	0.0	0.9	1.8	0.8	1.0
Feb.	3.5	0.5	3.0	2.0	0.0	2.0	0.0	0.2	-0.2	1.4	0.3	1.2
Mar.	12.0	1.1	10.8	1.5	0.0	1.5	0.0	0.1	-0.1	10.5	1.0	9.5
Apr.	6.4	0.6	5.8	3.1	0.1	3.1	0.5	0.1	0.4	2.8	0.5	2.3
May	3.3	3.6	-0.3	0.3	0.0	0.3	0.0	0.1	-0.1	2.9	3.5	-0.6

#### C19 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

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

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

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

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight <sup>1)</sup>	With agreed maturity			Redeemable at notice <sup>1),2)</sup>		Overnight <sup>1)</sup>	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
2003 June	0.76	2.00	2.21	2.61	2.23	3.01	0.99	2.10	2.18	3.05	2.14
July	0.68	1.91	2.10	2.32	2.14	2.93	0.88	2.02	2.14	2.80	2.03
Aug.	0.68	1.91	2.12	2.51	1.99	2.88	0.88	2.03	2.27	3.56	1.98
Sep.	0.69	1.87	2.12	2.43	2.00	2.85	0.87	2.00	2.29	3.63	2.00
Oct.	0.69	1.89	2.16	2.51	2.05	2.73	0.88	1.98	2.23	3.89	1.99
Nov.	0.70	1.87	2.24	2.61	2.01	2.70	0.87	1.97	2.36	2.70	1.97
Dec.	0.69	1.89	2.40	2.41	2.02	2.68	0.86	2.00	2.42	3.35	1.99
2004 Jan.	0.69	1.91	2.37	2.74	2.03	2.65	0.93	1.99	2.07	3.12	1.95
Feb.	0.69	1.88	2.16	2.45	2.02	2.63	0.86	1.98	2.21	3.59	1.98
Mar.	0.70	1.92	2.15	2.34	2.00	2.59	0.86	1.96	2.11	3.35	1.98
Apr.	0.70	1.92	2.14	2.44	2.02	2.57	0.85	1.97	2.00	3.50	1.95
May	0.70	1.85	2.16	2.41	2.00	2.55	0.86	1.96	2.06	3.34	1.95

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

	Bank overdraft <sup>1)</sup>	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge <sup>3)</sup>	By initial rate fixation				Annual percentage rate of charge <sup>3)</sup>	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years				
2003 June	9.88	7.11	6.94	8.28	8.02	3.80	4.16	4.76	4.78	4.42	4.12	4.97	4.91
July	9.75	7.24	7.04	8.20	7.92	3.68	3.92	4.64	4.68	4.33	4.10	4.95	4.98
Aug.	9.73	7.70	6.84	8.27	8.04	3.64	3.96	4.69	4.69	4.41	4.13	5.00	4.98
Sep.	9.74	7.44	6.89	8.04	8.02	3.63	4.10	4.81	4.75	4.41	3.98	5.00	5.11
Oct.	9.71	7.20	6.74	8.07	7.91	3.62	4.02	4.87	4.78	4.40	4.05	5.09	5.21
Nov.	9.64	7.57	6.59	7.93	7.84	3.59	4.09	4.92	4.84	4.42	4.15	5.25	5.17
Dec.	9.69	7.66	6.43	7.63	7.71	3.63	4.17	5.02	4.95	4.46	3.85	5.00	5.08
2004 Jan.	9.87	7.62	7.04	8.49	8.32	3.63	4.28	5.02	4.92	4.49	4.06	5.12	5.16
Feb.	9.81	7.43	6.91	8.44	8.16	3.55	4.21	4.97	4.84	4.34	4.10	5.07	5.05
Mar.	9.71	7.34	6.80	8.28	8.01	3.47	4.12	4.86	4.78	4.29	3.94	5.06	4.97
Apr.	9.73	7.31	6.60	8.22	7.82	3.42	4.03	4.78	4.68	4.27	3.87	4.89	4.92
May	9.69	7.30	6.69	8.17	7.91	3.40	4.03	4.75	4.60	4.20	4.11	4.81	4.95

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

	Bank overdraft <sup>1)</sup>	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	
								1
2003 June		5.68	4.20	4.60	4.89	3.14	3.39	4.18
July		5.56	4.16	4.58	4.73	3.08	3.15	4.01
Aug.		5.47	4.17	4.65	4.77	3.18	3.35	4.36
Sep.		5.46	4.08	4.79	4.76	3.11	3.32	4.29
Oct.		5.46	4.14	4.76	4.83	3.08	3.26	4.33
Nov.		5.41	4.10	4.94	4.71	3.02	3.30	4.23
Dec.		5.57	4.04	4.84	4.81	3.12	3.41	4.32
2004 Jan.		5.66	4.06	4.86	4.81	3.01	3.37	4.29
Feb.		5.62	4.02	4.94	4.78	2.97	3.19	4.30
Mar.		5.56	3.94	4.79	4.77	2.91	3.25	4.41
Apr.		5.52	3.87	4.71	4.64	2.96	3.28	4.41
May		5.47	3.98	4.57	4.57	2.95	3.30	4.24

Source: ECB.

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

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

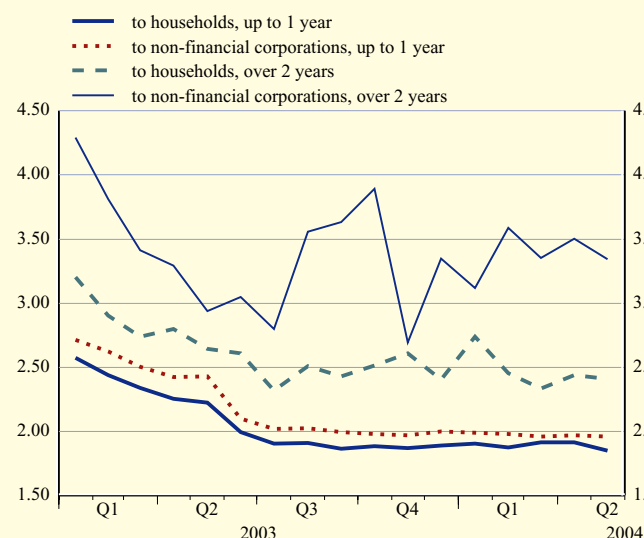
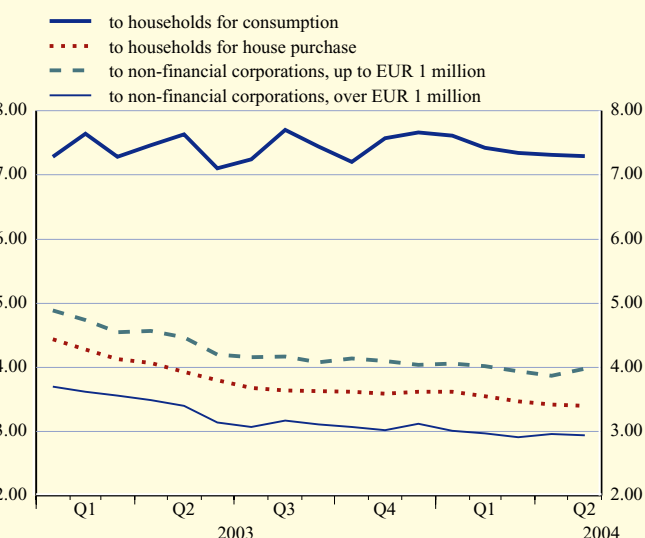
(percentages per annum; outstanding amounts as end-of-period, new business as period average unless otherwise indicated)

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

	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight <sup>1)</sup>	With agreed maturity		Redeemable at notice <sup>1)2)</sup>		Overnight <sup>1)</sup>	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2003 June	0.76	2.18	3.48	2.23	3.01	0.99	2.26	4.45	2.19
July	0.68	2.08	3.43	2.14	2.93	0.88	2.24	4.40	2.08
Aug.	0.68	2.04	3.43	1.99	2.88	0.88	2.20	4.26	2.05
Sep.	0.69	2.01	3.44	2.00	2.85	0.87	2.23	4.32	2.04
Oct.	0.69	1.97	3.47	2.05	2.73	0.88	2.12	4.33	2.03
Nov.	0.70	1.98	3.44	2.01	2.70	0.87	2.13	4.43	1.98
Dec.	0.69	1.97	3.54	2.02	2.68	0.86	2.14	4.25	1.98
2004 Jan.	0.69	1.94	3.36	2.03	2.65	0.93	2.09	4.25	1.95
Feb.	0.69	1.93	3.42	2.02	2.63	0.86	2.09	4.20	1.97
Mar.	0.70	1.92	3.32	2.00	2.59	0.86	2.07	4.17	1.93
Apr.	0.70	1.90	3.35	2.02	2.57	0.85	2.09	4.16	1.92
May	0.70	1.89	3.28	2.00	2.55	0.86	2.07	4.15	1.93

## 5. Interest rates on loans (outstanding amounts)

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase, with maturity			Consumer credit and other loans, with maturity			With maturity		
	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9
2003 June	5.27	5.13	5.40	8.39	7.37	6.03	4.72	4.47	4.90
July	5.18	5.07	5.31	8.33	7.28	5.96	4.60	4.32	4.80
Aug.	5.07	4.99	5.25	8.28	7.23	6.07	4.54	4.21	4.74
Sep.	5.00	4.95	5.24	8.30	7.27	6.00	4.55	4.20	4.75
Oct.	5.00	4.92	5.20	8.13	7.13	5.84	4.56	4.12	4.71
Nov.	4.97	4.90	5.17	7.98	7.09	5.82	4.52	4.18	4.67
Dec.	4.96	4.88	5.14	8.04	7.05	6.00	4.55	4.23	4.66
2004 Jan.	4.90	4.89	5.11	8.15	7.02	5.92	4.58	4.07	4.56
Feb.	4.87	4.90	5.11	8.13	7.16	5.95	4.62	4.06	4.58
Mar.	4.84	4.82	5.04	8.05	7.16	5.89	4.56	3.96	4.61
Apr.	4.76	4.75	5.01	8.03	7.07	5.85	4.51	3.91	4.59
May	4.89	4.72	4.99	7.98	7.04	5.82	4.50	3.87	4.55

C20 New deposits with agreed maturity  
(percentages per annum excluding charges; period averages)C21 New loans at floating rate and up to 1 year initial rate fixation  
(percentages per annum excluding charges; period averages)

Source: ECB.

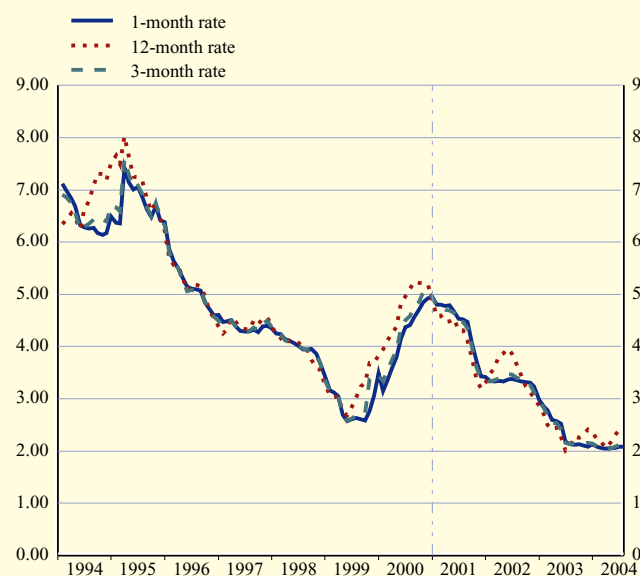
## 4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area <sup>1)</sup>					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2001	4.39	4.33	4.26	4.15	4.08	3.78	0.15
2002	3.29	3.30	3.32	3.35	3.49	1.80	0.08
2003	2.32	2.35	2.33	2.31	2.34	1.22	0.06
2003 Q2	2.44	2.43	2.37	2.29	2.24	1.24	0.06
Q3	2.07	2.13	2.14	2.15	2.20	1.13	0.05
Q4	2.02	2.11	2.15	2.20	2.36	1.17	0.06
2004 Q1	2.02	2.06	2.06	2.07	2.15	1.12	0.05
Q2	2.04	2.06	2.08	2.13	2.29	1.30	0.05
2003 July	2.08	2.13	2.13	2.09	2.08	1.11	0.05
Aug.	2.10	2.12	2.14	2.17	2.28	1.14	0.05
Sep.	2.02	2.13	2.15	2.18	2.26	1.14	0.05
Oct.	2.01	2.10	2.14	2.17	2.30	1.16	0.06
Nov.	1.97	2.09	2.16	2.22	2.41	1.17	0.06
Dec.	2.06	2.13	2.15	2.20	2.38	1.17	0.06
2004 Jan.	2.02	2.08	2.09	2.12	2.22	1.13	0.06
Feb.	2.03	2.06	2.07	2.09	2.16	1.12	0.05
Mar.	2.01	2.04	2.03	2.02	2.06	1.11	0.05
Apr.	2.08	2.05	2.05	2.06	2.16	1.15	0.05
May	2.02	2.06	2.09	2.14	2.30	1.25	0.05
June	2.03	2.08	2.11	2.19	2.40	1.50	0.05
July	2.07	2.08	2.12	2.19	2.36	1.63	0.05

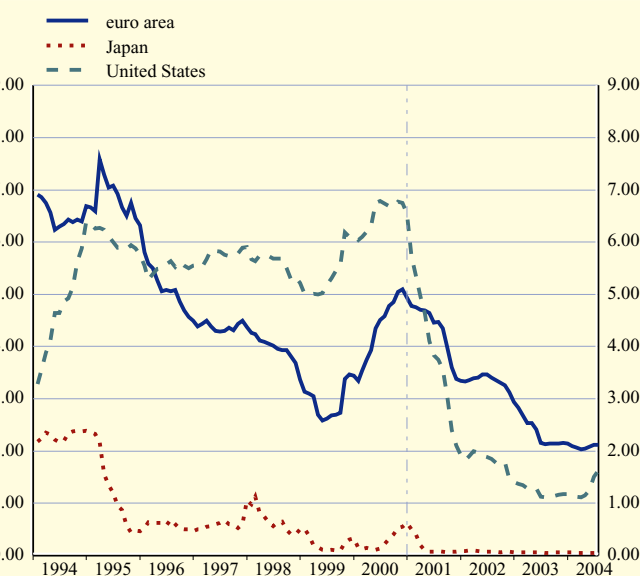
### C22 Euro area money market rates

(monthly; percentages per annum)



### C23 3-month money market rates

(monthly; percentages per annum)



Source: ECB.

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



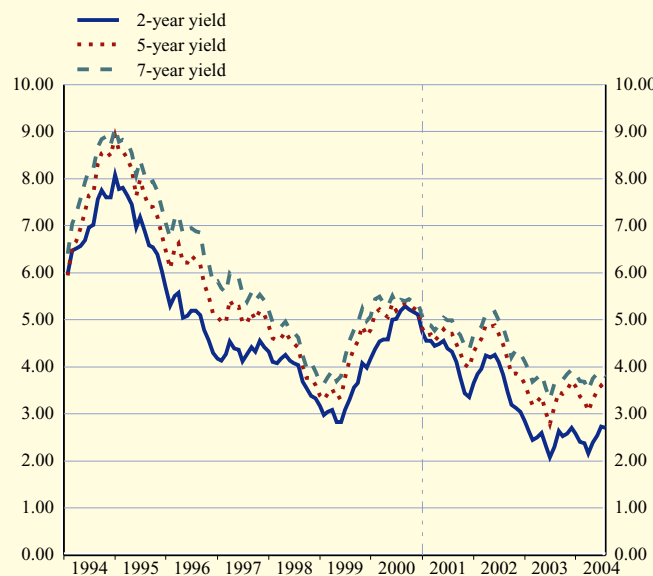
### 4.7 Government bond yields

(percentages per annum; period averages)

	Euro area <sup>1)</sup>					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
2001	4.11	4.23	4.49	4.79	5.03	5.01	1.34
2002	3.68	3.94	4.35	4.70	4.92	4.60	1.27
2003	2.49	2.74	3.32	3.74	4.16	4.00	0.99
2003 Q2	2.33	2.54	3.07	3.57	3.96	3.61	0.60
Q3	2.48	2.77	3.34	3.70	4.16	4.21	1.19
Q4	2.62	2.91	3.59	3.88	4.36	4.27	1.38
2004 Q1	2.31	2.63	3.23	3.63	4.15	4.00	1.31
Q2	2.56	2.92	3.47	3.84	4.36	4.58	1.59
2003 July	2.30	2.56	3.15	3.65	4.06	3.93	0.99
Aug.	2.63	2.91	3.47	3.74	4.20	4.44	1.15
Sep.	2.53	2.87	3.42	3.72	4.23	4.29	1.45
Oct.	2.59	2.88	3.50	3.85	4.31	4.27	1.40
Nov.	2.70	2.99	3.70	3.94	4.44	4.29	1.38
Dec.	2.58	2.88	3.59	3.85	4.36	4.26	1.35
2004 Jan.	2.41	2.71	3.37	3.70	4.26	4.13	1.33
Feb.	2.38	2.71	3.28	3.69	4.18	4.06	1.25
Mar.	2.16	2.48	3.06	3.51	4.02	3.81	1.35
Apr.	2.39	2.75	3.31	3.75	4.24	4.32	1.51
May	2.55	2.94	3.50	3.87	4.39	4.70	1.49
June	2.74	3.06	3.60	3.89	4.44	4.73	1.77
July	2.70	2.97	3.49	3.80	4.34	4.48	1.79

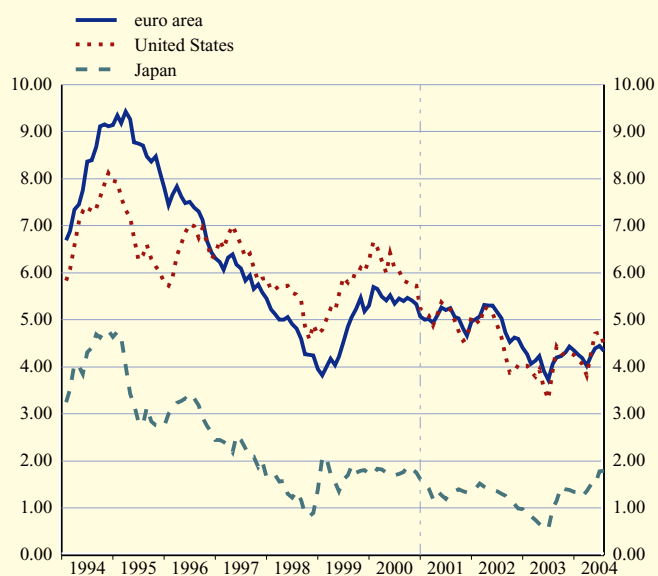
### C24 Euro area government bond yields

(monthly; percentages per annum)



### C25 10-year government bond yields

(monthly; percentages per annum)



Source: ECB.

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

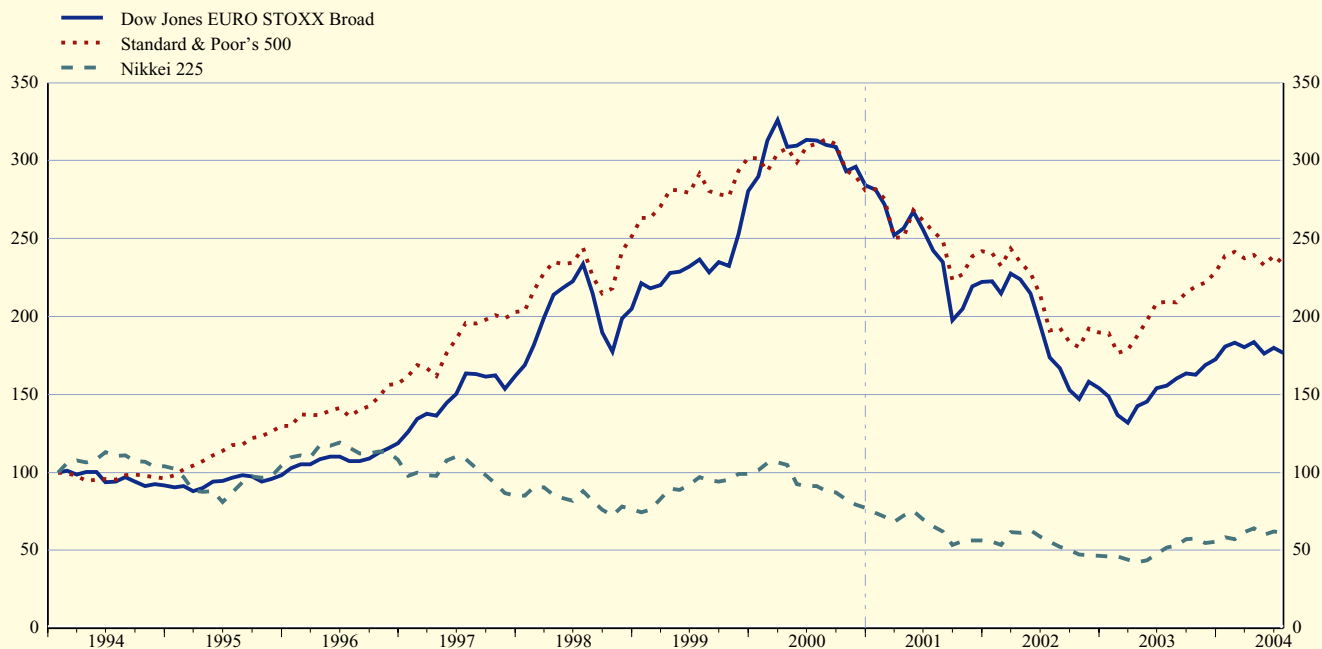
## 4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices												United States	Japan
	Benchmark		Main economic sector indices										Standard & Poor's 500	Nikkei 225
	Broad	50	Basic materials	Consumer cyclical	Consumer non-cyclical	Energy	Financial	Industrial	Technology	Utilities	Telecom.	Healthcare		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2001	336.3	4,049.2	296.0	228.2	303.3	341.4	321.6	310.0	530.5	309.6	541.2	540.1	1,193.8	12,114.8
2002	259.9	3,051.9	267.5	175.0	266.5	308.9	243.3	252.4	345.1	255.5	349.2	411.8	995.4	10,119.3
2003	213.3	2,422.5	212.5	137.5	209.7	259.5	199.3	213.5	275.1	210.7	337.5	304.4	964.8	9,312.9
2003 Q2	204.3	2,339.9	198.2	126.7	204.2	255.1	189.7	199.2	260.3	208.5	329.9	303.7	937.0	8,295.4
Q3	221.7	2,511.5	225.1	144.5	212.8	265.8	209.9	224.9	285.9	216.0	347.4	304.6	1,000.4	10,063.2
Q4	232.9	2,613.7	233.5	155.2	219.0	266.7	221.9	240.2	317.4	219.6	360.5	320.0	1,057.0	10,423.3
2004 Q1	251.5	2,845.3	244.9	163.8	226.7	279.9	240.3	257.0	352.9	248.6	405.1	366.5	1,132.6	10,995.7
Q2	249.8	2,794.5	244.7	164.7	229.4	300.8	234.6	256.1	299.3	262.1	388.2	394.9	1,123.6	11,550.0
2003 July	216.1	2,459.8	218.8	138.1	205.5	260.1	206.1	216.0	274.2	214.6	340.9	306.8	992.6	9,669.8
Aug.	222.3	2,524.1	227.2	144.6	211.9	268.6	211.6	227.0	281.7	217.0	352.4	293.2	989.5	9,884.6
Sep.	226.8	2,553.3	229.5	151.2	221.4	269.0	212.1	232.0	302.1	216.6	349.6	313.2	1,018.9	10,644.8
Oct.	225.5	2,523.3	222.0	150.1	218.9	263.0	212.9	231.5	308.0	210.8	348.4	309.7	1,038.7	10,720.1
Nov.	233.9	2,618.1	237.5	156.8	222.1	262.0	223.0	241.5	325.4	217.0	358.7	319.3	1,050.1	10,205.4
Dec.	239.4	2,700.3	241.5	158.8	216.3	274.6	229.9	247.8	319.8	230.7	374.1	331.1	1,081.2	10,315.9
2004 Jan.	250.6	2,839.1	250.3	164.8	222.0	277.2	242.0	257.5	349.2	239.6	405.1	350.3	1,131.6	10,876.4
Feb.	253.9	2,874.8	244.7	165.1	229.5	275.6	243.7	260.1	359.0	252.1	412.3	370.0	1,143.8	10,618.6
Mar.	250.2	2,825.6	240.0	161.6	228.9	286.2	235.8	253.8	351.0	254.2	398.8	379.0	1,124.0	11,437.8
Apr.	254.9	2,860.2	247.6	167.2	231.0	300.0	241.0	262.5	321.0	264.5	401.8	389.3	1,133.4	11,962.8
May	244.4	2,728.0	240.2	161.4	225.8	297.7	228.7	250.9	284.8	256.6	378.0	395.3	1,103.7	11,141.0
June	249.8	2,792.2	246.1	165.2	231.2	304.7	233.9	254.5	291.4	264.9	384.3	400.0	1,132.9	11,527.7
July	245.2	2,730.4	245.5	161.7	224.4	302.8	227.8	251.4	272.3	267.5	382.1	397.7	1,106.9	11,390.8

### C26 Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225

(January 1994 = 100; monthly averages)



Source: ECB.

# PRICES, OUTPUT, DEMAND AND LABOUR MARKETS



## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

### 1. Harmonised Index of Consumer Prices<sup>1)</sup>

	Total				Total (s.a., percentage change on previous period)					
	Index 1996 = 100	Total	Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services
% of total <sup>2)</sup>	100.0	100.0	58.7	41.3	100.0	11.8	7.7	31.0	8.1	41.3
	1	2	3	4	5	6	7	8	9	10
2000	106.0	2.1	2.5	1.5	-	-	-	-	-	-
2001	108.5	2.3	2.3	2.5	-	-	-	-	-	-
2002	110.9	2.3	1.7	3.1	-	-	-	-	-	-
2003	113.2	2.1	1.8	2.5	-	-	-	-	-	-
2003 Q2	113.2	1.9	1.5	2.6	0.2	0.8	0.5	0.2	-2.9	0.6
Q3	113.4	2.0	1.7	2.5	0.5	0.6	1.5	0.1	0.5	0.6
Q4	114.0	2.0	1.8	2.4	0.5	1.1	0.6	0.2	-0.2	0.6
2004 Q1	114.4	1.7	1.1	2.6	0.5	0.9	-0.5	0.2	1.2	0.7
Q2	115.8	2.3	2.1	2.6	0.8	1.1	-0.1	0.4	3.3	0.6
2004 Feb.	114.2	1.6	1.0	2.6	0.1	0.1	-0.4	0.1	-0.1	0.3
Mar.	115.0	1.7	1.1	2.5	0.3	1.2	0.0	0.0	1.3	0.2
Apr.	115.5	2.0	1.8	2.5	0.3	0.1	-0.2	0.3	1.1	0.2
May	115.9	2.5	2.4	2.6	0.3	0.3	0.2	0.0	2.5	0.2
June	115.9	2.4	2.2	2.6	0.1	0.1	0.3	0.1	-0.7	0.3
July <sup>3)</sup>	.	2.4	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy	Rents					
% of total <sup>2)</sup>	19.5	11.8	7.7	39.1	31.0	8.1	10.4	6.4	6.4	2.9	15.0	6.6
	11	12	13	14	15	16	17	18	19	20	21	22
2000	1.4	1.2	1.8	3.0	0.5	13.0	1.5	1.3	2.5	-7.1	2.4	2.5
2001	4.5	2.9	7.0	1.2	0.9	2.2	1.8	1.4	3.6	-4.1	3.6	2.7
2002	3.1	3.1	3.1	1.0	1.5	-0.6	2.4	2.0	3.2	-0.3	4.2	3.4
2003	2.8	3.3	2.1	1.2	0.8	3.0	2.3	2.0	2.9	-0.6	2.7	3.4
2003 Q2	2.5	3.3	1.5	1.0	0.9	1.5	2.4	2.1	3.0	-0.5	2.9	3.5
Q3	3.2	3.1	3.4	1.0	0.7	2.1	2.4	1.9	2.8	-0.4	2.6	3.2
Q4	3.7	3.8	3.6	0.9	0.8	1.6	2.3	1.9	2.8	-0.7	2.5	3.3
2004 Q1	3.0	3.5	2.2	0.2	0.7	-1.5	2.3	1.9	2.5	-1.0	2.4	4.9
Q2	2.9	3.9	1.5	1.7	0.9	4.8	2.3	1.8	3.0	-1.9	2.4	4.9
2004 Feb.	2.7	3.2	1.9	0.2	0.8	-2.2	2.4	1.9	2.4	-1.0	2.5	4.9
Mar.	3.1	4.1	1.7	0.1	0.7	-2.0	2.3	1.9	2.7	-1.3	2.4	4.8
Apr.	2.9	3.9	1.6	1.2	1.0	2.0	2.3	1.8	3.0	-1.7	2.2	4.8
May	3.1	3.9	1.7	2.1	0.9	6.7	2.3	1.8	2.9	-1.9	2.5	4.8
June	2.8	3.8	1.2	2.0	0.9	5.9	2.3	1.8	3.0	-2.0	2.5	5.0

Sources: Eurostat and ECB calculations.

1) Data prior to 2001 refer to the Euro 11.

2) Referring to the index period 2004. Due to rounding, component weights might not add up to the total.

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

## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

### 2. Industry and commodity prices

	Industrial producer prices										World market prices of raw materials <sup>1)</sup>	Oil prices <sup>2)</sup> (EUR per barrel)		
	Industry excluding construction									Construction <sup>3)</sup>			Manufacturing	
	Total (index 2000 = 100)	Total	Industry excluding construction and energy						Energy		Total			
			Total	Intermediate goods	Capital goods	Consumer goods								
						Total	Durable	Non-durable						
% of total <sup>4)</sup>	100.0	100.0	82.5	31.6	21.3	29.5	4.0	25.5	17.5		89.5	100.0	32.8	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2000	100.0	5.3	2.5	5.0	0.6	1.6	1.4	1.6	16.4	2.5	4.8	51.9	20.4	31.0
2001	102.0	2.0	1.7	1.2	0.9	3.0	1.9	3.1	2.6	2.2	1.2	-8.3	-8.1	27.8
2002	101.9	-0.1	0.5	-0.3	0.9	1.0	1.3	1.0	-2.3	2.7	0.3	-4.1	-0.9	26.5
2003	103.4	1.4	0.8	0.8	0.3	1.1	0.6	1.2	3.8	2.0	0.9	-4.0	-4.5	25.1
2003 Q2	103.2	1.3	0.9	1.2	0.3	1.0	0.5	1.1	2.7	2.5	0.7	-13.7	-7.9	22.7
Q3	103.2	1.1	0.5	0.0	0.3	1.2	0.6	1.3	3.0	1.9	0.4	-6.5	-5.8	25.1
Q4	103.4	1.0	0.6	0.3	0.3	1.2	0.5	1.3	2.0	1.5	0.5	-4.2	-1.2	24.5
2004 Q1	103.9	0.2	0.8	1.0	0.3	1.1	0.4	1.3	-2.6	1.6	0.2	-2.5	9.8	25.0
Q2	105.3	2.0	1.7	2.8	0.6	1.5	0.6	1.6	3.7	.	2.4	28.8	20.9	29.3
2004 Feb.	103.8	0.0	0.7	0.9	0.3	1.0	0.3	1.1	-3.5	-	0.0	-8.4	7.2	24.1
Mar.	104.4	0.4	1.2	1.5	0.3	1.5	0.5	1.7	-2.8	-	0.5	6.8	17.2	26.7
Apr.	104.9	1.4	1.5	2.3	0.5	1.4	0.6	1.6	1.1	-	1.7	23.1	19.7	27.6
May	105.5	2.4	1.6	2.9	0.6	1.4	0.6	1.6	5.5	-	2.8	35.9	21.1	30.9
June	105.5	2.4	1.9	3.3	0.6	1.6	0.6	1.7	4.4	-	2.8	27.8	21.9	29.3
July	.	.	.	.	.	.	.	.	.	-	.	24.9	18.0	30.7

### 3. Hourly labour costs<sup>5)</sup>

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo item: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
	1	2	3	4	5	6	7	8
2000	100.0	3.2	3.6	2.0	3.0	3.6	3.7	2.2
2001	103.5	3.5	3.7	2.9	3.4	3.9	3.2	2.6
2002	107.3	3.7	3.6	4.1	3.7	3.9	3.5	2.7
2003	110.4	2.8	2.7	3.3	3.0	3.3	2.7	2.4
2003 Q1	109.3	3.0	2.9	3.4	3.0	3.8	2.7	2.7
Q2	110.1	3.2	3.0	3.8	3.7	3.6	3.0	2.4
Q3	110.7	2.8	2.6	3.3	3.0	3.1	2.8	2.4
Q4	111.3	2.3	2.1	2.7	2.2	2.8	2.5	2.2
2004 Q1	112.1	2.5	2.6	2.3	2.8	2.9	2.5	2.3

Sources: Eurostat, HWWA (columns 12 and 13), Thomson Financial Datastream (column 14), ECB calculations based on Eurostat data (column 6 in table 5.1.2 and column 7 in table 5.1.3) and ECB calculations (column 8 in table 5.1.3).

- 1) Refers to the prices expressed in euro.
- 2) Brent Blend (for one-month forward delivery).
- 3) Residential buildings, based on non-harmonised data.
- 4) In 2000.
- 5) Hourly labour costs for the whole economy, excluding agriculture, public administration, education, health and services not elsewhere classified. Owing to differences in coverage, components are not consistent with the total.

## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated; seasonally adjusted)

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

	Total (index 2000 = 100)	Total	By economic activity					Public administration, education, health and other services
			Agriculture, hunting, forestry and fishing	Mining, manufacturing, and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	
	1	2	3	4	5	6	7	8
Unit labour costs <sup>1)</sup>								
2000	100.0	1.4	0.9	0.0	1.8	-0.2	3.9	1.8
2001	102.6	2.6	2.5	2.6	4.2	0.8	3.4	2.8
2002	104.8	2.2	-0.3	0.9	3.1	2.0	3.3	2.4
2003	107.0	2.0	4.5	1.4	3.2	1.7	2.1	2.1
2003 Q1	106.3	1.8	2.3	0.6	3.3	1.4	2.6	2.1
Q2	107.1	2.5	7.2	2.7	3.5	2.2	2.7	2.0
Q3	107.4	2.3	6.8	2.1	3.4	1.3	1.2	2.9
Q4	107.2	1.6	1.7	0.5	2.7	2.0	1.9	1.4
2004 Q1	107.2	0.9	-6.3	0.1	2.6	0.8	1.4	1.6
Compensation per employee								
2000	100.0	2.7	2.2	3.4	2.5	1.8	2.2	2.7
2001	102.8	2.8	1.8	2.7	3.1	2.7	2.4	3.1
2002	105.4	2.5	2.7	2.6	2.9	2.6	2.1	2.7
2003	107.9	2.4	2.5	3.4	3.1	1.8	2.0	2.2
2003 Q1	107.1	2.4	2.4	3.5	2.5	2.0	2.2	2.1
Q2	107.7	2.5	4.8	3.6	3.6	2.3	2.5	1.8
Q3	108.4	2.5	2.4	3.4	3.4	1.3	1.6	3.1
Q4	108.5	2.1	0.3	3.2	2.9	1.4	1.8	1.9
2004 Q1	109.2	1.9	-3.9	3.4	3.4	0.9	1.3	2.1
Labour productivity <sup>2)</sup>								
2000	100.0	1.3	1.2	3.4	0.7	2.1	-1.6	0.9
2001	100.2	0.2	-0.6	0.2	-1.0	1.9	-0.9	0.3
2002	100.6	0.3	3.1	1.7	-0.2	0.6	-1.2	0.2
2003	100.9	0.3	-1.9	2.0	-0.1	0.0	-0.1	0.1
2003 Q1	100.8	0.6	0.1	2.9	-0.8	0.5	-0.4	0.0
Q2	100.5	0.0	-2.3	0.8	0.2	0.1	-0.2	-0.2
Q3	101.0	0.2	-4.1	1.3	-0.1	0.0	0.4	0.2
Q4	101.3	0.5	-1.3	2.7	0.2	-0.6	-0.1	0.5
2004 Q1	101.9	1.1	2.5	3.2	0.8	0.2	-0.1	0.5

## 5. Gross Domestic Product deflators

	Total (index 2000 = 100)	Total	Domestic demand			Exports <sup>3)</sup>	Imports <sup>3)</sup>	
			Total	Private consumption	Government consumption			Gross fixed capital formation
	1	2	3	4	5	6	7	8
2000	100.0	1.4	2.6	2.2	2.7	2.7	4.9	8.5
2001	102.4	2.4	2.3	2.3	2.4	2.0	1.4	0.8
2002	105.1	2.6	2.1	2.3	2.1	2.0	-0.3	-1.6
2003	107.2	2.0	1.8	2.0	2.2	1.2	-0.5	-1.1
2003 Q1	106.3	2.0	2.0	2.3	2.1	1.6	0.0	0.1
Q2	106.9	2.1	1.7	1.9	2.3	1.2	-0.7	-1.8
Q3	107.6	2.1	1.9	1.9	2.7	1.2	-0.8	-1.5
Q4	107.9	2.0	1.7	1.9	1.6	1.0	-0.6	-1.4
2004 Q1	108.5	2.0	1.5	1.7	1.4	1.4	-0.9	-2.6

Sources: ECB calculations based on Eurostat data.

1) Compensation (at current prices) per employee divided by value added (at constant prices) per person employed.

2) Value added (at constant prices) per person employed.

3) Deflators for exports and imports refer to goods and services and include cross-border trade within the euro area.

## 5.2 Output and demand

### 1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance <sup>2)</sup>		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories <sup>1)</sup>	Total	Exports <sup>2)</sup>	Imports <sup>2)</sup>
1	2	3	4	5	6	7	8	9	
<i>Current prices (EUR billions, seasonally adjusted)</i>									
2000	6,576.1	6,519.5	3,762.6	1,306.9	1,420.2	29.7	56.6	2,448.9	2,392.2
2001	6,842.6	6,729.1	3,918.6	1,371.3	1,443.7	-4.5	113.4	2,564.6	2,451.2
2002	7,079.0	6,900.1	4,031.3	1,442.6	1,430.5	-4.3	179.0	2,596.4	2,417.4
2003	7,256.9	7,108.5	4,152.1	1,502.7	1,440.1	13.6	148.4	2,584.8	2,436.4
2003 Q1	1,795.8	1,765.1	1,031.4	369.3	358.0	6.3	30.7	645.2	614.5
Q2	1,803.6	1,769.7	1,033.3	374.2	358.5	3.7	33.9	636.2	602.3
Q3	1,822.2	1,777.7	1,040.4	379.9	359.9	-2.6	44.5	649.3	604.8
Q4	1,835.3	1,796.0	1,046.9	379.3	363.6	6.2	39.3	654.0	614.7
2004 Q1	1,855.6	1,811.0	1,058.3	380.2	366.9	5.6	44.6	661.0	616.4
<i>percentage of GDP</i>									
2003	100.0	98.0	57.2	20.7	19.8	0.2	2.0	-	-
<i>Constant prices (ECU billions at 1995 prices, seasonally adjusted)</i>									
<i>quarter-on-quarter percentage changes</i>									
2003 Q1	0.0	0.5	0.3	0.4	-0.8	-	-	-1.5	-0.3
Q2	-0.1	0.0	0.0	0.5	-0.1	-	-	-0.8	-0.3
Q3	0.4	-0.1	0.2	0.7	0.1	-	-	2.3	1.0
Q4	0.4	0.8	0.2	0.4	0.8	-	-	0.3	1.4
2004 Q1	0.6	0.4	0.6	-0.2	0.2	-	-	1.5	0.9
<i>annual percentage changes</i>									
2000	3.5	2.9	2.7	2.1	5.0	-	-	12.3	11.0
2001	1.6	1.0	1.8	2.5	-0.3	-	-	3.4	1.7
2002	0.9	0.4	0.5	3.0	-2.8	-	-	1.5	0.3
2003	0.5	1.2	1.0	2.0	-0.6	-	-	0.1	1.9
2003 Q1	0.7	1.5	1.5	2.0	-1.7	-	-	1.5	3.8
Q2	0.1	1.1	1.0	1.7	-0.2	-	-	-1.2	1.3
Q3	0.4	0.8	0.8	1.9	-0.3	-	-	-0.2	1.0
Q4	0.7	1.2	0.7	2.2	0.0	-	-	0.3	1.7
2004 Q1	1.3	1.1	0.9	1.5	1.0	-	-	3.4	2.9
<i>contributions to annual percentage changes of GDP in percentage points</i>									
2000	3.5	2.9	1.5	0.4	1.1	-0.1	0.6	-	-
2001	1.6	0.9	1.0	0.5	-0.1	-0.5	0.7	-	-
2002	0.9	0.4	0.3	0.6	-0.6	0.1	0.5	-	-
2003	0.5	1.1	0.6	0.4	-0.1	0.3	-0.7	-	-
2003 Q1	0.7	1.5	0.8	0.4	-0.4	0.6	-0.8	-	-
Q2	0.1	1.1	0.5	0.4	0.0	0.2	-0.9	-	-
Q3	0.4	0.8	0.5	0.4	-0.1	0.0	-0.4	-	-
Q4	0.7	1.2	0.4	0.4	0.0	0.4	-0.5	-	-
2004 Q1	1.3	1.1	0.5	0.3	0.2	0.0	0.2	-	-

Source: Eurostat.

1) Including acquisitions less disposals of valuables.

2) Exports and imports cover goods and services and include cross-border intra-euro area trade. They are not fully consistent with Table 7.3.1

## 5.2 Output and demand

## 2. Value added by economic activity

	Gross value added (basic prices)							Intermediate consumption of FISIM <sup>1)</sup>	Taxes less subsidies on products
	Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities	Public administration, education, health and other services		
	1	2	3	4	5	6	7	8	9
<i>Current prices (EUR billions, seasonally adjusted)</i>									
2000	6,087.6	145.8	1,369.1	337.0	1,281.2	1,649.6	1,305.0	212.6	701.1
2001	6,351.7	151.2	1,409.0	351.4	1,350.6	1,724.2	1,365.3	222.1	712.9
2002	6,567.4	149.0	1,432.8	362.5	1,386.5	1,803.6	1,433.0	227.6	739.3
2003	6,733.0	152.4	1,440.7	373.9	1,413.6	1,873.1	1,479.4	234.3	758.2
2003 Q1	1,665.2	37.5	361.3	91.8	348.2	461.0	365.4	58.0	188.6
Q2	1,673.3	37.5	356.0	93.0	352.5	466.4	367.9	58.7	189.0
Q3	1,693.2	38.3	360.4	93.8	356.1	471.1	373.5	58.8	187.9
Q4	1,701.3	39.1	363.0	95.3	356.8	474.6	372.5	58.7	192.7
2004 Q1	1,720.8	38.8	368.0	96.5	359.1	481.3	377.2	58.7	193.5
<i>percentage of value added</i>									
2003	100.0	2.3	21.4	5.6	21.0	27.8	22.0	-	-
<i>Constant prices (ECU billions at 1995 prices, seasonally adjusted)</i>									
<i>quarter-on-quarter percentage changes</i>									
2003 Q1	0.1	-1.1	0.5	-0.4	-0.4	0.2	0.2	-0.2	-0.7
Q2	-0.1	-2.1	-1.0	0.1	0.3	0.3	0.2	0.7	0.0
Q3	0.5	-1.0	0.7	-0.1	0.7	0.6	0.3	1.0	-0.2
Q4	0.3	2.1	0.5	0.2	-0.1	0.1	0.5	-0.5	0.9
2004 Q1	0.5	2.7	0.9	0.1	0.4	0.5	0.1	-0.7	0.8
<i>annual percentage changes</i>									
2000	3.8	-0.3	4.0	2.5	5.2	4.3	2.5	7.1	1.8
2001	1.9	-1.2	0.5	-0.6	3.4	2.9	1.7	4.7	0.2
2002	1.0	1.0	0.3	-1.0	1.0	1.1	2.1	-0.1	-0.6
2003	0.6	-3.6	0.0	-0.5	0.6	1.2	1.1	2.0	0.3
2003 Q1	0.8	-2.4	1.0	-1.7	0.6	1.2	1.3	1.8	0.3
Q2	0.2	-4.4	-1.0	0.0	0.4	0.8	1.0	2.5	0.8
Q3	0.5	-5.4	-0.6	-0.3	0.8	1.4	1.0	2.5	0.0
Q4	0.8	-2.1	0.7	-0.1	0.5	1.2	1.2	1.0	0.1
2004 Q1	1.2	1.8	1.2	0.4	1.3	1.5	1.1	0.5	1.6
<i>contributions to annual percentage changes of value added in percentage points</i>									
2000	3.8	0.0	0.9	0.1	1.1	1.1	0.5	-	-
2001	1.9	0.0	0.1	0.0	0.7	0.8	0.4	-	-
2002	1.0	0.0	0.1	-0.1	0.2	0.3	0.4	-	-
2003	0.6	-0.1	0.0	0.0	0.1	0.3	0.2	-	-
2003 Q1	0.8	-0.1	0.2	-0.1	0.1	0.3	0.3	-	-
Q2	0.2	-0.1	-0.2	0.0	0.1	0.2	0.2	-	-
Q3	0.5	-0.1	-0.1	0.0	0.2	0.4	0.2	-	-
Q4	0.8	-0.1	0.2	0.0	0.1	0.3	0.2	-	-
2004 Q1	1.2	0.0	0.3	0.0	0.3	0.4	0.2	-	-

Source: Eurostat.

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

## 5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

### 3. Industrial production

	Total		Industry excluding construction							Construction	Manufacturing	
	Total (s.a. index 2000 = 100)	Total	Industry excluding construction and energy					Energy				
			Total	Intermediate goods	Capital goods	Consumer goods						
						Total	Durable		Non-durable			
% of total <sup>1)</sup>	100.0	82.9	82.9	74.0	30.0	22.4	21.5	3.6	17.9	8.9	17.1	75.0
	1	2	3	4	5	6	7	8	9	10	11	12
2000	4.8	100.1	5.2	5.4	6.2	8.2	1.7	6.1	0.8	1.9	2.5	5.6
2001	0.4	100.5	0.4	0.1	-0.6	1.6	0.3	-2.1	0.8	1.4	0.8	0.3
2002	-0.5	100.0	-0.5	-0.7	0.1	-1.5	-0.4	-5.6	0.6	1.0	0.6	-0.7
2003	0.2	100.4	0.4	0.0	0.4	0.1	-0.5	-4.2	0.1	2.9	-0.1	0.1
2003 Q1	0.7	100.4	1.0	0.6	1.2	1.0	-0.8	-5.8	0.1	4.6	-2.2	0.7
Q2	-0.5	99.6	-0.8	-1.3	-0.7	-1.7	-1.4	-6.1	-0.6	2.0	0.7	-1.2
Q3	-0.3	100.2	-0.2	-0.6	-0.6	-1.1	0.2	-3.4	0.8	2.0	0.3	-0.5
Q4	1.0	101.3	1.5	1.4	1.7	2.0	-0.1	-1.4	0.2	2.6	0.6	1.5
2004 Q1	1.1	101.4	1.0	0.9	1.2	0.5	0.7	1.3	0.6	2.2	1.2	0.9
2003 Dec.	1.9	101.4	2.2	2.2	2.8	3.1	1.1	0.6	1.2	1.8	3.3	2.4
2004 Jan.	1.0	101.1	0.6	0.4	1.0	-0.2	0.0	1.3	-0.2	1.5	3.2	0.4
Feb.	1.5	101.5	0.9	1.2	2.3	-0.3	0.5	0.9	0.4	0.3	5.9	1.1
Mar.	0.8	101.7	1.6	1.0	0.3	1.7	1.7	1.7	1.7	4.8	-4.1	1.3
Apr.	.	102.0	1.6	1.6	2.0	2.1	0.5	2.4	0.2	2.0	.	1.7
May	.	102.7	3.8	3.9	3.2	5.2	2.6	4.6	2.2	4.1	.	4.0
<i>month-on-month percentage changes (s.a.)</i>												
2003 Dec.	0.4	-	0.2	0.0	0.5	0.3	0.1	0.2	0.1	0.6	2.5	0.2
2004 Jan.	-0.1	-	-0.3	-0.5	-0.6	-1.4	-0.1	1.1	-0.3	1.5	-0.2	-0.7
Feb.	0.3	-	0.4	0.5	0.5	0.1	0.2	-0.4	0.3	2.4	0.9	0.5
Mar.	-0.3	-	0.2	0.0	-0.9	0.9	0.2	-0.1	0.3	0.2	-5.5	0.2
Apr.	.	-	0.3	0.5	1.2	0.8	-0.1	0.7	-0.2	-1.8	.	0.5
May	.	-	0.7	0.8	0.0	1.1	0.4	0.1	0.4	0.9	.	0.7

### 4. Retail sales and passenger car registrations

	Retail sales (s.a.)								New passenger car registrations	
	Current prices		Constant prices						Total (s.a. thousands <sup>2)</sup> )	Total
	Total (index 2000 = 100)	Total	Total (index 2000 = 100)	Total	Food, beverages, tobacco	Non-food				
						Textiles, clothing, footwear	Household equipment			
% of total <sup>1)</sup>	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8	9	10
	1	2	3	4	5	6	7	8	9	10
2000	99.9	4.1	100.0	2.2	1.8	2.1	1.0	4.2	977	-1.8
2001	104.0	4.1	101.6	1.6	1.7	1.6	0.7	-0.1	968	-0.8
2002	106.0	1.9	101.7	0.1	0.9	-0.5	-1.9	-1.9	925	-4.4
2003	107.6	1.6	101.9	0.2	1.3	-0.6	-3.1	-0.3	912	-1.4
2003 Q2	107.5	1.8	102.3	1.1	1.6	-0.2	-1.8	0.1	896	-1.8
Q3	107.5	0.9	101.8	-0.4	1.2	-1.8	-5.0	-1.0	928	1.4
Q4	107.8	1.0	101.6	-0.4	-0.1	-0.6	-3.6	-0.1	924	-2.4
2004 Q1	108.3	0.6	102.5	0.5	0.0	-0.1	-1.9	2.0	912	0.9
Q2	108.6	1.0	102.2	-0.1	-0.3	-0.1	.	.	929	3.0
2004 Jan.	109.0	1.6	103.6	1.1	1.0	0.8	-0.9	2.9	905	1.1
Feb.	107.8	-0.3	102.2	-0.1	-1.4	-1.1	-1.0	1.5	919	2.5
Mar.	108.1	0.5	101.6	0.6	0.2	0.0	-3.8	1.6	913	-0.6
Apr.	108.8	1.1	103.1	0.2	0.0	0.1	0.0	2.0	930	4.6
May	108.1	0.8	100.8	-1.6	-1.3	-1.7	-3.2	0.8	925	4.1
June	108.9	1.1	102.6	1.1	0.5	1.4	.	.	931	0.6

Sources: Eurostat, except columns 9 and 10 in table 5.2.4 (ECB calculations based on data from the ACEA, European Automobile Manufacturers' Association).

1) In 2000.

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



## 5.2 Output and demand

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

## 5. Business and Consumer Surveys

	Economic sentiment indicator <sup>2)</sup> (long-term average = 100)	Manufacturing industry					Consumer confidence indicator <sup>3)</sup>				
		Industrial confidence indicator				Capacity utilisation <sup>3),4)</sup> (percentages)	Total <sup>5)</sup>	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total <sup>5)</sup>	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2000	114.2	4	2	4	16	84.5	1	4	1	1	2
2001	100.8	-9	-15	14	1	83.0	-5	2	-10	14	2
2002	94.4	-11	-25	11	3	81.5	-11	-1	-12	26	-3
2003	93.4	-10	-25	10	3	81.0	-18	-5	-21	38	-9
2003 Q2	91.3	-12	-28	9	0	80.8	-19	-4	-22	41	-9
Q3	94.2	-11	-27	11	4	81.1	-17	-4	-20	38	-8
Q4	97.7	-7	-22	9	8	81.0	-16	-5	-17	33	-9
2004 Q1	98.8	-7	-21	10	11	80.6	-14	-4	-13	30	-9
Q2	100.1	-4	-16	8	11	81.0	-15	-3	-15	32	-8
2004 Feb.	98.9	-7	-21	10	11	-	-14	-4	-12	30	-9
Mar.	98.8	-7	-21	10	11	-	-14	-4	-13	30	-9
Apr.	100.2	-4	-16	9	12	80.7	-14	-3	-14	31	-7
May	100.3	-5	-18	7	11	-	-16	-4	-16	33	-9
June	99.7	-4	-15	8	10	-	-14	-3	-14	31	-8
July	100.1	-4	-12	7	8	81.3	-14	-4	-14	30	-9
	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total <sup>5)</sup>	Order books	Employment expectations	Total <sup>5)</sup>	Present business situation	Volume of stocks	Expected business situation	Total <sup>5)</sup>	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2000	-5	-13	3	-2	-1	17	11	30	36	23	33
2001	-11	-16	-4	-7	-5	17	-1	15	16	8	20
2002	-19	-27	-11	-16	-20	18	-12	1	-4	-6	13
2003	-20	-27	-13	-11	-15	17	-2	2	-6	1	11
2003 Q2	-21	-27	-14	-12	-14	18	-5	-2	-12	0	6
Q3	-21	-28	-15	-10	-15	17	1	5	-1	4	13
Q4	-20	-27	-11	-8	-12	15	3	10	6	11	15
2004 Q1	-20	-29	-10	-8	-12	15	1	11	6	6	20
Q2	-17	-24	-9	-8	-10	15	2	11	5	11	17
2004 Feb.	-21	-32	-9	-9	-11	14	-1	11	7	6	21
Mar.	-19	-27	-10	-8	-12	14	1	11	5	5	22
Apr.	-17	-24	-10	-6	-7	15	3	11	6	11	16
May	-17	-22	-11	-7	-10	15	3	13	6	12	20
June	-16	-25	-6	-10	-14	16	0	10	4	11	15
July	-17	-26	-8	-9	-10	15	-2	11	6	12	16

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

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

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

(annual percentage changes, unless otherwise indicated)

### 1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing, and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total <sup>2)</sup>	100.0	100.0	84.2	15.8	4.7	18.8	7.1	25.2	14.5	29.8
	1	2	3	4	5	6	7	8	9	10
2000	131.430	2.2	2.5	0.7	-1.4	0.6	1.9	3.0	6.0	1.6
2001	133.262	1.4	1.6	0.2	-0.4	0.3	0.5	1.5	3.8	1.4
2002	133.947	0.5	0.7	-0.2	-2.0	-1.4	-0.6	0.3	2.4	1.8
2003	134.119	0.1	0.1	0.1	-1.6	-1.9	-0.3	0.6	1.2	0.9
2003 Q1	133.895	0.0	0.1	-0.1	-2.5	-1.9	-0.6	-0.1	1.6	1.3
Q2	134.040	0.2	0.1	0.3	-2.0	-1.9	0.2	0.4	1.1	1.2
Q3	134.061	0.1	0.1	0.2	-1.3	-1.9	-0.2	0.9	1.0	0.8
Q4	134.158	0.2	0.2	0.1	-0.6	-1.9	-0.4	1.1	1.1	0.6
2004 Q1	134.191	0.1	0.2	-0.3	-0.7	-2.0	-0.3	1.0	1.2	0.5
	<i>quarter-on-quarter changes (s.a.)</i>									
2003 Q1	0.026	0.0	0.0	-0.1	-0.8	-0.4	0.0	0.1	0.1	0.3
Q2	0.145	0.1	0.1	0.3	-0.1	-0.5	0.4	0.3	0.2	0.2
Q3	0.021	0.0	0.0	0.3	0.2	-0.5	-0.4	0.4	0.3	-0.1
Q4	0.097	0.1	0.1	0.1	0.0	-0.6	-0.3	0.2	0.6	0.2
2004 Q1	0.033	0.0	0.1	-0.5	-0.8	-0.5	-0.1	0.2	0.4	0.2

### 2. Unemployment

(seasonally adjusted)

	Total		By age <sup>3)</sup>				By gender <sup>4)</sup>			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total <sup>2)</sup>	100.0		78.2		21.8		50.2		49.8	
	1	2	3	4	5	6	7	8	9	10
2000	11.608	8.5	8.880	7.3	2.728	16.7	5.499	7.0	6.109	10.4
2001	11.085	8.0	8.536	7.0	2.549	15.8	5.338	6.8	5.747	9.7
2002	11.806	8.4	9.178	7.4	2.629	16.3	5.840	7.3	5.966	9.9
2003	12.532	8.9	9.798	7.8	2.734	17.2	6.296	7.9	6.236	10.2
2003 Q2	12.564	8.9	9.814	7.8	2.750	17.2	6.311	7.9	6.253	10.2
Q3	12.570	8.9	9.842	7.8	2.728	17.2	6.319	7.9	6.251	10.2
Q4	12.591	8.9	9.875	7.9	2.716	17.2	6.335	7.9	6.256	10.2
2004 Q1	12.635	8.9	9.889	7.9	2.746	17.4	6.355	7.9	6.280	10.2
Q2	12.730	9.0	9.963	7.9	2.767	17.5	6.402	8.0	6.328	10.3
2004 Jan.	12.601	8.9	9.868	7.8	2.733	17.3	6.338	7.9	6.264	10.2
Feb.	12.628	8.9	9.884	7.9	2.744	17.4	6.349	7.9	6.280	10.2
Mar.	12.676	8.9	9.916	7.9	2.760	17.5	6.378	8.0	6.298	10.2
Apr.	12.723	9.0	9.950	7.9	2.773	17.6	6.401	8.0	6.322	10.3
May	12.723	9.0	9.960	7.9	2.763	17.5	6.397	8.0	6.325	10.3
June	12.744	9.0	9.979	7.9	2.765	17.5	6.409	8.0	6.335	10.3

Sources: ECB calculations based on Eurostat data (in table 5.3.1) and Eurostat (table 5.3.2).

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

2) In 2003.

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

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

# GOVERNMENT FINANCE

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

### 1. Euro area – revenue

	Total		Current revenue								Capital revenue		Memo: fiscal burden <sup>2)</sup>	
	1	2	Direct taxes		Indirect taxes	Social contributions		Sales	Capital taxes	13				
			Households	Corporations		Received by EU institutions	Employers				Employees			
	3	4	5	6	7	8	9	10	11	12	14			
1995	47.1	46.5	11.5	9.1	2.0	13.4	0.9	17.3	8.4	5.6	2.4	0.6	0.3	42.5
1996	47.9	47.4	11.9	9.2	2.3	13.4	0.8	17.5	8.7	5.6	2.4	0.5	0.3	43.2
1997	48.1	47.5	12.1	9.2	2.6	13.6	0.7	17.5	8.7	5.5	2.4	0.6	0.4	43.6
1998	47.5	47.1	12.4	9.7	2.3	14.2	0.7	16.4	8.5	4.9	2.4	0.4	0.3	43.3
1999	48.0	47.6	12.8	9.8	2.6	14.4	0.6	16.4	8.4	5.0	2.3	0.4	0.3	43.8
2000	47.8	47.3	13.0	10.0	2.7	14.2	0.6	16.2	8.4	4.9	2.3	0.4	0.3	43.6
2001	47.1	46.7	12.6	9.8	2.5	13.9	0.6	16.0	8.4	4.8	2.2	0.4	0.3	42.8
2002	46.5	46.1	12.2	9.6	2.3	13.8	0.4	16.0	8.4	4.7	2.3	0.4	0.3	42.3
2003	46.6	45.8	11.8	9.3	2.2	13.8	0.4	16.2	8.5	4.8	2.3	0.8	0.5	42.4

### 2. Euro area – expenditure

	Total		Current expenditure							Capital expenditure			Memo: primary expenditure <sup>3)</sup>	
	1	2	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments		Subsidies	Paid by EU institutions	Investment	Capital transfers		Paid by EU institutions
							7	8						
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1995	52.2	47.7	11.2	4.8	5.8	26.0	22.8	2.3	0.6	4.5	2.7	1.8	0.1	46.4
1996	52.2	48.2	11.2	4.8	5.8	26.5	23.2	2.2	0.6	4.0	2.6	1.4	0.0	46.5
1997	50.8	47.1	11.1	4.7	5.2	26.1	23.1	2.1	0.6	3.7	2.4	1.3	0.1	45.6
1998	49.8	45.9	10.7	4.6	4.8	25.8	22.6	2.1	0.5	3.9	2.5	1.5	0.1	45.0
1999	49.3	45.3	10.7	4.7	4.3	25.7	22.5	2.0	0.5	4.0	2.5	1.5	0.1	45.0
2000	48.7	44.7	10.6	4.7	4.1	25.4	22.2	1.9	0.5	4.0	2.5	1.4	0.1	44.6
2001	48.8	44.7	10.5	4.7	4.0	25.4	22.3	2.0	0.5	4.1	2.5	1.6	0.0	44.8
2002	48.8	44.9	10.6	4.9	3.7	25.7	22.8	1.9	0.5	3.9	2.4	1.5	0.0	45.1
2003	49.4	45.3	10.7	4.9	3.5	26.2	23.2	1.9	0.5	4.0	2.6	1.5	0.1	45.9

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

	Deficit (-)/surplus (+)					Primary deficit (-)/surplus (+)	Government consumption <sup>4)</sup>							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
1995	-5.2	-4.4	-0.5	-0.1	-0.2	0.6	20.4	11.2	4.8	5.0	1.9	2.4	8.6	11.8
1996	-4.3	-3.8	-0.4	0.0	-0.1	1.4	20.5	11.2	4.8	5.1	1.9	2.4	8.6	11.9
1997	-2.7	-2.4	-0.4	0.1	0.1	2.5	20.2	11.1	4.7	5.1	1.8	2.4	8.4	11.8
1998	-2.3	-2.2	-0.2	0.1	0.1	2.5	19.9	10.7	4.6	5.0	1.8	2.4	8.2	11.7
1999	-1.3	-1.6	-0.1	0.1	0.4	3.0	19.9	10.7	4.7	5.0	1.8	2.3	8.2	11.7
2000	-0.9	-1.4	-0.1	0.1	0.5	3.2	19.9	10.6	4.7	5.1	1.8	2.3	8.2	11.7
2001	-1.7	-1.5	-0.4	0.0	0.3	2.3	20.0	10.5	4.7	5.2	1.8	2.2	8.2	11.9
2002	-2.3	-1.9	-0.5	-0.2	0.2	1.4	20.4	10.6	4.9	5.3	1.8	2.3	8.3	12.1
2003	-2.7	-2.2	-0.5	-0.1	0.0	0.8	20.7	10.7	4.9	5.4	1.8	2.3	8.4	12.3

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

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2000	0.2	1.3	-2.0	-0.9	-1.4	4.4	-0.6	6.3	2.2	-1.5	-2.8	7.1
2001	0.5	-2.8	-1.4	-0.4	-1.5	1.1	-2.6	6.3	0.0	0.2	-4.4	5.2
2002	0.1	-3.5	-1.4	0.0	-3.2	-0.2	-2.3	2.7	-1.9	-0.2	-2.7	4.3
2003	0.3	-3.9	-3.2	0.3	-4.1	0.2	-2.4	-0.1	-3.2	-1.3	-2.8	2.3

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

- Revenue, expenditure and deficit/surplus are based on the ESA 95, but the figures exclude proceeds from the sale of UMTS licences in 2000 (the euro area deficit/surplus including those proceeds is equal to 0.1% of GDP). Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.
- The fiscal burden comprises taxes and social contributions.
- Comprises total expenditure minus interest expenditure.
- Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
- Including proceeds from the sale of UMTS licences.

## 6.2 Debt <sup>1)</sup>

(as a percentage of GDP)

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

	Total	Financial instruments				Holders				Other creditors <sup>3)</sup>
		Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>2)</sup>				
						Total	MFIs	Other financial corporations	Other sectors	
1	2	3	4	5	6	7	8	9	10	
1994	70.7	2.9	16.3	10.7	41.0	56.4	30.3	9.6	16.5	14.4
1995	74.9	2.8	18.0	10.1	44.1	58.7	32.9	8.7	17.1	16.2
1996	76.2	2.8	17.4	10.2	45.8	59.1	32.7	10.2	16.2	17.1
1997	75.5	2.7	16.4	9.0	47.4	56.8	31.1	11.8	13.9	18.7
1998	73.8	2.7	15.2	7.9	48.0	53.2	28.8	12.7	11.6	20.7
1999	72.7	2.9	14.3	6.8	48.8	48.4	27.2	9.7	11.6	24.3
2000	70.4	2.7	13.2	6.1	48.4	44.2	23.5	9.2	11.5	26.2
2001	69.4	2.7	12.5	6.3	47.9	42.1	22.1	8.4	11.6	27.3
2002	69.2	2.7	11.8	6.7	47.9	39.0	20.5	7.0	11.4	30.2
2003	70.6	2.1	11.9	7.4	49.2	38.7	20.8	7.5	10.5	31.9

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

	Total	Issued by <sup>4)</sup>				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies <sup>5)</sup>	Other currencies
1994	70.7	58.9	5.3	6.0	0.6	12.3	58.4	7.3	17.9	27.1	25.8	68.4	2.3
1995	74.9	62.6	5.6	5.9	0.8	12.9	62.1	5.6	19.0	26.8	29.2	72.8	2.1
1996	76.2	63.9	6.0	5.8	0.5	12.2	64.0	5.3	20.5	25.9	29.8	74.1	2.1
1997	75.5	63.2	6.2	5.5	0.6	11.1	64.4	4.6	19.8	25.9	29.8	73.3	2.2
1998	73.8	62.0	6.2	5.3	0.4	9.4	64.4	4.8	17.1	26.9	29.8	72.0	1.9
1999	72.7	61.1	6.1	5.2	0.3	9.2	63.5	3.2	15.5	27.6	29.7	70.7	2.0
2000	70.4	59.1	6.0	5.0	0.3	8.3	62.1	2.8	15.3	28.2	26.9	68.5	1.9
2001	69.4	58.0	6.2	4.9	0.3	8.8	60.6	1.5	16.0	26.3	27.1	67.9	1.5
2002	69.2	57.7	6.4	4.8	0.3	9.1	60.1	1.7	16.8	25.2	27.3	67.8	1.4
2003	70.6	58.2	6.7	5.2	0.6	9.2	61.4	1.5	15.5	26.3	28.7	69.6	1.0

### 3. Euro area countries

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2000	109.1	60.2	106.2	61.2	57.2	38.4	111.2	5.5	55.9	67.0	53.3	44.6
2001	108.1	59.4	106.9	57.5	56.8	36.1	110.6	5.5	52.9	67.1	55.6	43.9
2002	105.8	60.8	104.7	54.6	58.6	32.3	108.0	5.7	52.6	66.6	58.1	42.6
2003	100.5	64.2	103.0	50.8	63.7	32.0	106.2	4.9	54.8	65.0	59.4	45.3

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

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

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

(as a percentage of GDP)

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

	Total	Source of change				Financial instruments				Holders			Other creditors <sup>7)</sup>
		Borrowing requirement <sup>2)</sup>	Valuation effects <sup>3)</sup>	Other changes in volume <sup>4)</sup>	Aggregation effect <sup>5)</sup>	Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>6)</sup>	MFIs	Other financial corporations	
	1	2	3	4	5	6	7	8	9	10	11	12	13
1995	7.7	5.2	0.4	2.4	-0.3	0.1	2.5	0.0	5.1	5.1	4.1	-0.4	2.6
1996	3.9	4.4	-0.2	0.1	-0.4	0.1	0.1	0.4	3.3	2.4	1.0	1.7	1.4
1997	2.3	2.3	0.5	-0.4	-0.1	0.0	-0.4	-0.8	3.4	0.0	-0.4	2.0	2.3
1998	1.7	1.9	-0.2	0.0	-0.1	0.1	-0.5	-0.7	2.7	-1.1	-0.9	1.4	2.8
1999	1.8	1.5	0.3	0.0	-0.1	0.2	-0.3	-0.8	2.6	-2.7	-0.5	-2.5	4.4
2000	1.1	1.0	0.2	0.0	0.0	0.0	-0.4	-0.4	1.9	-2.0	-2.4	-0.1	3.0
2001	1.8	1.7	0.1	0.0	0.0	0.1	-0.2	0.4	1.4	-0.4	-0.4	-0.5	2.1
2002	2.1	2.4	-0.4	0.1	0.0	0.1	-0.3	0.7	1.6	-1.7	-0.8	-1.0	3.8
2003	3.1	2.9	0.3	0.0	0.0	-0.5	0.4	0.8	2.4	0.7	0.7	0.6	2.4

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

	Change in debt	Deficit (-) / surplus (+) <sup>8)</sup>	Deficit-debt adjustment <sup>9)</sup>											
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	Other <sup>11)</sup>
				Total	Currency and deposits	Securities <sup>10)</sup>	Loans	Shares and other equity	Privatisations	Equity injections				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1995	7.7	-5.1	2.6	0.3	0.2	-0.1	0.4	-0.1	-0.4	0.2	0.4	-0.1	2.4	-0.6
1996	3.9	-4.3	-0.5	-0.1	0.0	0.0	-0.1	-0.1	-0.2	0.2	-0.2	-0.2	0.1	-0.2
1997	2.3	-2.7	-0.4	-0.4	0.1	0.0	0.0	-0.5	-0.7	0.2	0.5	0.2	-0.4	-0.1
1998	1.7	-2.3	-0.6	-0.5	0.1	0.0	-0.1	-0.5	-0.8	0.2	-0.2	0.0	0.0	0.0
1999	1.8	-1.3	0.5	-0.2	0.5	0.1	0.0	-0.7	-0.8	0.1	0.3	0.3	0.0	0.3
2000	1.1	0.1	1.2	0.6	0.7	0.1	0.2	-0.5	-0.4	0.1	0.2	0.1	0.0	0.5
2001	1.8	-1.6	0.1	-0.4	-0.6	0.0	0.2	0.0	-0.3	0.2	0.1	0.0	0.0	0.4
2002	2.1	-2.3	-0.2	-0.3	0.0	0.1	0.1	-0.5	-0.3	0.2	-0.4	0.0	0.1	0.4
2003	3.1	-2.7	0.4	-0.3	-0.1	0.0	0.0	-0.2	-0.4	0.1	0.3	-0.1	0.0	0.4

Source: ECB.

1) Data are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e.  $[\text{debt}(t) - \text{debt}(t-1)] \div \text{GDP}(t)$ .

2) The borrowing requirement is by definition equal to transactions in debt.

3) Includes, in addition to the impact of foreign exchange movements, effects arising from measurement at nominal value (e.g. premia or discounts on securities issued).

4) Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.

5) The difference between the changes in the aggregated debt, resulting from the aggregation of countries' debt, and the aggregation of countries' change in debt is due to variations in the exchange rates used for aggregation before 1999.

6) Holders resident in the country whose government has issued the debt.

7) Includes residents of euro area countries other than the country whose government has issued the debt.

8) Including proceeds from sales of UMTS licences.

9) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.

10) Excluding financial derivatives.

11) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).

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

(as a percentage of GDP)

### 1. Euro area – quarterly revenue

	Total		Current revenue					Capital revenue		Memo: fiscal burden <sup>2)</sup>
	1	2	Direct taxes	Indirect taxes	Social contributions	Sales	Property income	8	Capital taxes	
1999 Q1	44.2	43.7	10.8	13.3	16.0	2.0	0.7	0.5	0.3	40.4
Q2	48.3	47.8	13.7	13.6	16.2	2.2	1.3	0.5	0.3	43.8
Q3	45.2	44.8	11.9	13.1	16.1	2.1	0.7	0.5	0.3	41.4
Q4	52.0	51.4	14.5	14.9	17.1	3.1	0.8	0.7	0.3	46.8
2000 Q1	44.1	43.5	11.2	13.3	15.7	1.9	0.7	0.5	0.3	40.4
Q2	48.3	47.7	14.1	13.6	16.0	2.1	1.1	0.6	0.3	44.0
Q3	44.9	44.5	12.2	12.8	16.0	2.0	0.8	0.4	0.3	41.2
Q4	51.3	50.8	14.3	14.5	17.0	3.1	0.9	0.5	0.3	46.1
2001 Q1	43.0	42.6	10.7	13.0	15.5	1.8	0.8	0.4	0.2	39.5
Q2	47.7	47.3	13.8	13.2	15.9	2.0	1.5	0.4	0.2	43.1
Q3	44.4	44.0	11.9	12.6	15.9	1.9	0.8	0.4	0.3	40.6
Q4	50.7	50.1	13.9	14.3	16.8	3.2	0.9	0.6	0.3	45.3
2002 Q1	42.7	42.3	10.4	13.0	15.7	1.7	0.7	0.4	0.2	39.3
Q2	46.4	45.8	12.8	12.9	15.7	2.0	1.4	0.6	0.4	41.9
Q3	44.5	44.0	11.5	13.0	15.8	2.0	0.7	0.5	0.3	40.5
Q4	50.6	50.0	13.8	14.6	16.7	3.2	0.8	0.6	0.3	45.4
2003 Q1	42.7	42.3	10.0	13.1	15.9	1.7	0.7	0.4	0.2	39.3
Q2	47.1	45.5	12.4	12.9	16.1	2.1	1.2	1.6	1.4	42.7
Q3	43.9	43.4	11.1	12.9	15.9	1.9	0.7	0.5	0.3	40.2
Q4	51.2	50.1	13.6	14.7	16.8	3.2	0.7	1.1	0.3	45.4
2004 Q1	42.3	41.9	9.9	13.1	15.8	1.7	0.7	0.5	0.3	39.0

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

	Total		Current expenditure						Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social benefits	Subsidies	Investment	Capital transfers				
1999 Q1	47.8	44.5	10.5	4.3	4.7	25.0	21.8	1.3	3.3	2.0	1.3	-3.6	1.0
Q2	47.9	44.3	10.6	4.5	4.4	24.8	21.6	1.5	3.6	2.4	1.2	0.4	4.8
Q3	47.8	44.1	10.3	4.5	4.2	25.1	21.6	1.6	3.7	2.5	1.1	-2.5	1.6
Q4	51.7	46.9	11.2	5.3	3.9	26.5	22.9	1.6	4.8	3.1	1.7	0.3	4.2
2000 Q1	46.6	43.2	10.3	4.4	4.3	24.3	21.3	1.2	3.3	2.0	1.4	-2.5	1.7
Q2	47.1	43.6	10.5	4.5	4.0	24.6	21.4	1.4	3.4	2.4	1.1	1.2	5.3
Q3	43.7	43.4	10.2	4.5	4.1	24.6	21.4	1.5	0.3	2.5	1.1	1.2	5.3
Q4	50.8	46.9	11.2	5.3	3.9	26.5	22.8	1.6	3.9	3.2	1.5	0.5	4.4
2001 Q1	45.9	42.6	10.2	4.1	4.1	24.2	21.2	1.2	3.3	2.0	1.4	-2.9	1.3
Q2	47.0	43.6	10.5	4.6	4.0	24.5	21.3	1.4	3.4	2.4	1.1	0.7	4.7
Q3	47.0	43.3	10.2	4.5	4.0	24.6	21.5	1.5	3.7	2.5	1.2	-2.6	1.4
Q4	52.4	47.3	11.3	5.6	3.8	26.7	23.0	1.6	5.1	3.2	1.8	-1.8	2.0
2002 Q1	46.4	43.0	10.5	4.1	3.9	24.5	21.6	1.1	3.4	2.0	1.4	-3.7	0.2
Q2	47.5	44.0	10.5	4.9	3.7	24.9	21.7	1.3	3.4	2.3	1.1	-1.1	2.6
Q3	47.6	43.9	10.2	4.6	3.7	25.4	22.0	1.4	3.6	2.5	1.1	-3.1	0.6
Q4	52.0	47.6	11.3	5.6	3.5	27.1	23.5	1.5	4.4	2.8	1.6	-1.4	2.1
2003 Q1	47.1	43.7	10.5	4.3	3.7	25.2	22.1	1.1	3.5	2.0	1.5	-4.4	-0.7
Q2	48.1	44.6	10.7	4.7	3.5	25.7	22.3	1.3	3.5	2.4	1.1	-1.0	2.5
Q3	48.0	44.4	10.4	4.8	3.5	25.7	22.3	1.4	3.6	2.6	1.0	-4.1	-0.7
Q4	52.7	47.8	11.3	5.7	3.3	27.5	23.9	1.5	4.9	3.3	1.6	-1.5	1.8
2004 Q1	46.7	43.3	10.4	4.3	3.3	25.2	21.9	1.1	3.4	2.0	1.3	-4.4	-1.0

Source: ECB calculations based on Eurostat and national data.

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

2) The fiscal burden comprises taxes and social contributions.

# EXTERNAL TRANSACTIONS AND POSITIONS

## 7.1 Balance of payments

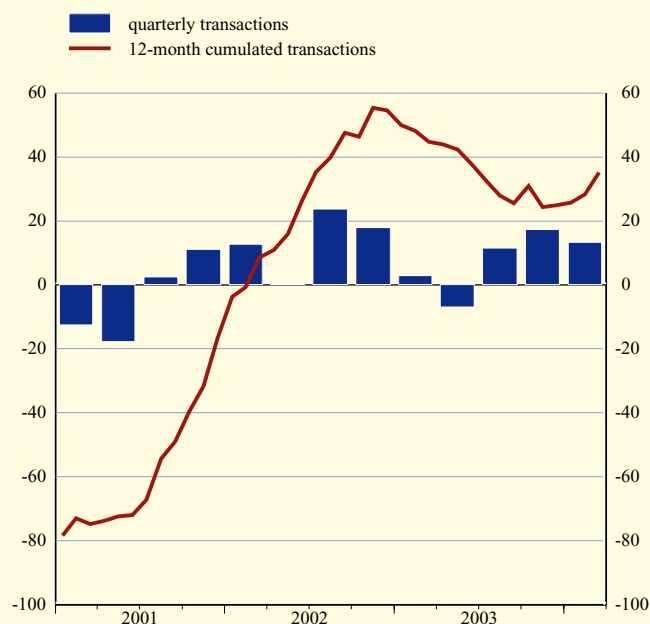
(EUR billions; net transactions)

### 1. Summary balance of payments

	Current account					Capital account	Net lending/borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	-16.7	73.6	-0.4	-38.6	-51.4	6.6	-10.1	-34.2	-112.4	67.9	-0.9	-6.6	17.8	44.3
2002	54.5	133.6	13.1	-44.1	-48.1	11.0	65.4	-65.8	-4.7	114.6	-10.8	-162.7	-2.3	0.4
2003	24.9	108.5	15.6	-43.4	-55.9	13.4	38.3	-50.5	-13.1	17.6	-13.1	-71.7	29.8	12.2
2003 Q1	2.9	16.8	1.9	-12.0	-3.8	1.4	4.3	-14.3	13.0	4.2	-3.1	-40.3	11.9	10.0
Q2	-6.9	24.2	5.7	-17.0	-19.7	1.9	-5.0	-32.0	2.7	62.0	-1.4	-97.6	2.3	37.0
Q3	11.5	36.8	3.7	-9.4	-19.6	2.8	14.3	-0.6	-19.1	-59.1	-4.6	80.1	2.0	-13.6
Q4	17.3	30.7	4.3	-5.0	-12.7	7.4	24.7	-3.6	-9.6	10.5	-4.1	-13.9	13.6	-21.2
2004 Q1	13.3	28.1	-2.6	-5.2	-7.0	2.9	16.2	-14.0	-28.9	5.2	6.2	-6.0	9.4	-2.2
2003 May	-1.6	7.4	1.8	-5.0	-5.8	0.3	-1.4	-23.0	0.6	9.4	1.7	-35.1	0.4	24.4
June	2.1	10.1	2.5	-3.3	-7.2	1.6	3.7	-26.4	13.6	25.0	-0.2	-65.6	0.8	22.8
July	2.8	15.5	2.6	-8.8	-6.4	0.8	3.6	0.3	-4.0	-33.7	-2.4	38.6	1.8	-4.0
Aug.	3.0	10.5	-0.1	-1.4	-6.0	1.7	4.8	5.9	-5.6	-36.2	-2.6	50.0	0.3	-10.7
Sep.	5.6	10.9	1.2	0.7	-7.2	0.2	5.9	-6.9	-9.5	10.8	0.4	-8.5	-0.1	1.0
Oct.	8.0	13.4	2.0	-3.9	-3.5	1.2	9.2	-0.1	-9.2	34.1	1.6	-27.3	0.7	-9.1
Nov.	3.3	8.7	0.6	0.4	-6.4	1.1	4.4	13.2	3.9	3.4	0.6	-0.2	5.5	-17.6
Dec.	6.1	8.6	1.8	-1.5	-2.8	5.1	11.1	-16.7	-4.3	-27.0	-6.3	13.6	7.3	5.5
2004 Jan.	-3.1	5.2	-2.0	-8.1	1.7	0.3	-2.8	-19.7	-10.6	-6.4	2.9	-2.7	-3.0	22.5
Feb.	5.2	9.4	-0.4	0.9	-4.7	2.1	7.3	16.7	7.8	16.5	0.9	-17.2	8.6	-24.0
Mar.	11.1	13.4	-0.2	1.9	-4.0	0.5	11.7	-11.0	-26.1	-4.9	2.4	13.8	3.7	-0.7
Apr.	0.3	10.7	0.5	-6.7	-4.2	0.7	1.0	-8.5	-2.9	-3.0	0.0	0.2	-2.7	7.5
May	3.2	11.1	3.4	-5.6	-5.8	2.3	5.5	-8.5	-0.7	-25.8	-1.3	18.7	0.7	3.0
<i>12-month cumulated transactions</i>														
2004 May	47.7	127.5	11.8	-35.2	-56.4	17.6	65.3	-61.6	-47.7	-47.2	-4.0	13.5	23.7	-3.7

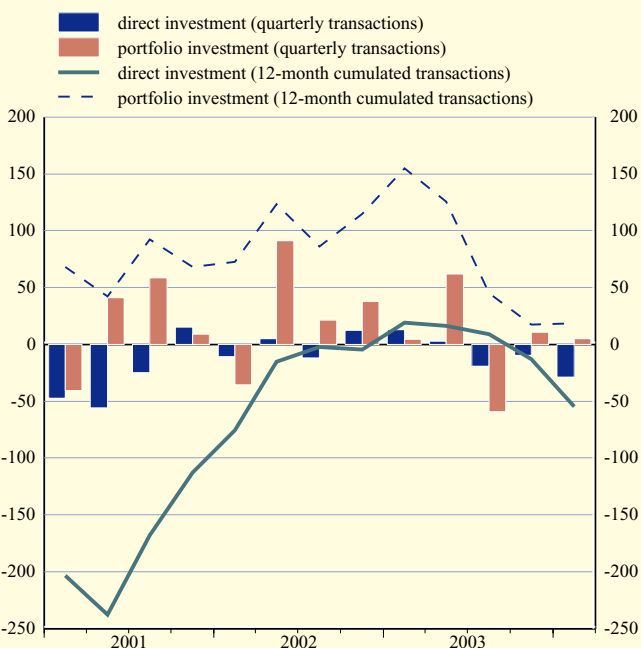
### C27 B.o.p. current account balance

(EUR billions)



### C28 B.o.p. net direct and portfolio investment

(EUR billions)



Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

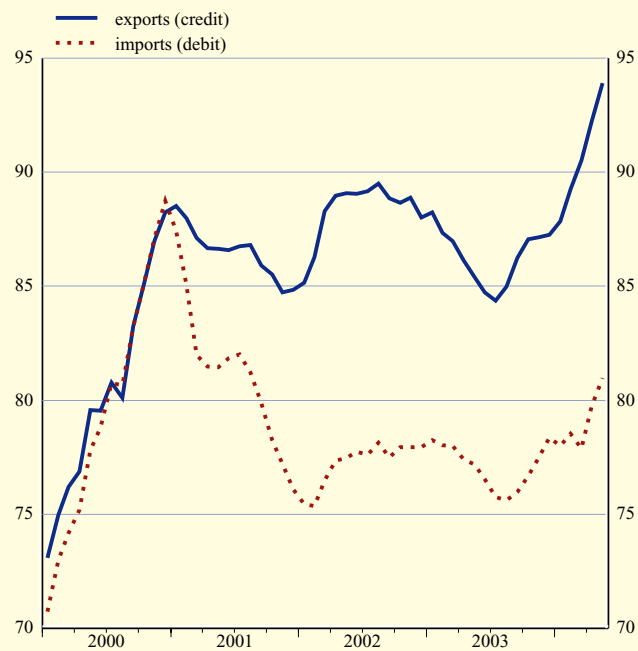
### 2. Current account

(seasonally adjusted)

	Total			Goods		Services		Income		Current transfers	
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11
2003 Q1	419.6	413.2	6.3	260.9	234.0	84.1	77.7	54.1	68.1	20.4	33.4
Q2	408.7	408.1	0.5	254.2	229.6	79.4	76.6	55.8	67.3	19.2	34.6
Q3	413.9	408.4	5.5	258.7	228.0	80.2	77.6	56.2	66.1	18.8	36.8
Q4	419.9	407.9	12.0	261.8	235.1	82.4	78.3	54.6	62.7	21.1	31.8
2004 Q1	432.2	415.7	16.5	271.5	233.6	83.3	81.7	57.3	64.1	20.2	36.3
2003 May	135.6	135.4	0.2	84.9	76.6	26.1	25.5	18.4	21.8	6.2	11.6
June	134.3	134.7	-0.4	83.2	75.4	26.2	25.4	18.0	22.2	6.9	11.7
July	136.7	135.8	1.0	85.0	75.3	26.6	25.6	18.7	22.6	6.4	12.3
Aug.	139.0	136.7	2.3	86.8	76.2	26.4	26.0	19.5	22.3	6.3	12.3
Sep.	138.2	136.0	2.2	86.9	76.5	27.1	26.0	18.1	21.3	6.1	12.2
Oct.	139.2	132.7	6.5	87.5	77.4	27.7	25.9	17.6	21.3	6.4	8.1
Nov.	139.8	137.4	2.4	87.0	78.5	27.6	26.9	18.5	19.9	6.7	12.2
Dec.	140.9	137.8	3.1	87.3	79.2	27.1	25.5	18.5	21.5	8.1	11.6
2004 Jan.	141.6	136.8	4.8	89.3	76.3	27.0	26.6	18.3	21.7	7.0	12.1
Feb.	145.4	140.6	4.8	91.2	80.1	28.8	28.1	19.3	20.6	6.1	11.9
Mar.	145.2	138.3	6.9	91.1	77.2	27.4	27.0	19.7	21.8	7.1	12.3
Apr.	147.9	139.0	8.8	94.5	81.9	27.0	26.4	20.0	21.8	6.4	9.0
May	149.6	143.8	5.8	96.2	83.8	29.1	27.0	17.7	21.3	6.5	11.8

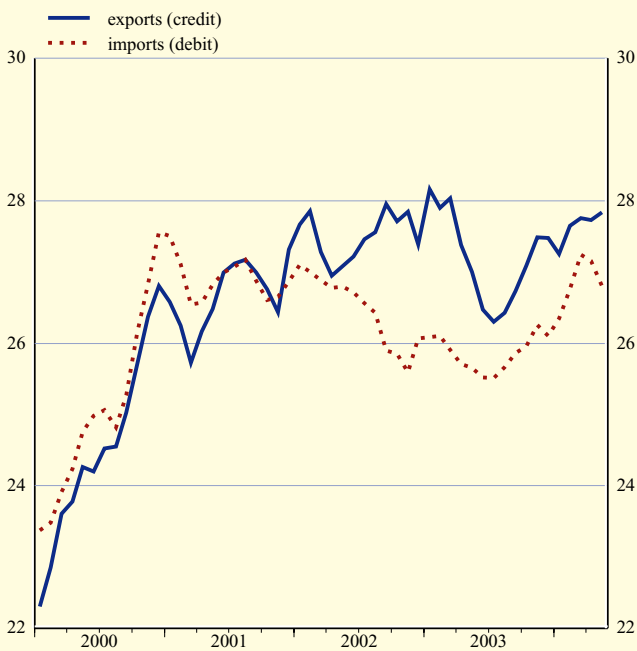
### C29 B.o.p. goods

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



### C30 B.o.p. services

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



Source: ECB.



## 7.1 Balance of payments

(EUR billions; transactions)

## 3. Current and capital accounts

	Current account											Capital account	
	Total			Goods		Services		Income		Current transfers		Credit	Debit
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	
2001	1,710.2	1,726.9	-16.7	1,033.9	960.2	321.7	322.0	275.9	314.4	78.8	130.2	17.4	10.8
2002	1,714.5	1,660.1	54.5	1,063.2	929.7	329.8	316.7	236.1	280.3	85.3	133.4	19.0	8.1
2003	1,664.1	1,639.3	24.9	1,036.2	927.7	326.0	310.3	221.2	264.6	80.8	136.6	23.2	9.8
2003 Q1	412.3	409.3	2.9	253.3	236.4	75.7	73.7	51.4	63.5	31.9	35.7	5.4	4.0
Q2	407.6	414.5	-6.9	254.5	230.3	79.4	73.7	59.3	76.3	14.5	34.2	4.5	2.6
Q3	412.6	401.1	11.5	257.1	220.2	86.5	82.8	53.9	63.4	15.1	34.7	4.1	1.4
Q4	431.7	414.3	17.3	271.4	240.7	84.4	80.1	56.6	61.5	19.4	32.1	9.2	1.9
2004 Q1	426.5	413.2	13.3	265.1	237.1	75.0	77.6	54.6	59.9	31.7	38.7	5.1	2.2
2003 May	133.7	135.3	-1.6	84.0	76.6	25.9	24.1	19.0	24.0	4.8	10.6	1.4	1.1
June	137.4	135.3	2.1	84.9	74.8	27.3	24.9	20.1	23.3	5.1	12.3	2.6	1.0
July	147.3	144.5	2.8	91.5	76.1	31.0	28.5	19.2	28.0	5.5	11.9	1.3	0.5
Aug.	125.4	122.3	3.0	76.4	65.9	27.5	27.6	16.6	18.0	4.8	10.8	2.1	0.4
Sep.	139.9	134.3	5.6	89.1	78.2	28.0	26.8	18.1	17.4	4.7	11.9	0.7	0.5
Oct.	148.1	140.1	8.0	97.3	83.9	29.1	27.1	17.1	21.0	4.5	8.0	1.6	0.4
Nov.	134.5	131.2	3.3	86.8	78.1	25.9	25.3	16.1	15.7	5.7	12.1	1.7	0.6
Dec.	149.1	143.1	6.1	87.3	78.7	29.4	27.6	23.3	24.8	9.1	11.9	5.9	0.9
2004 Jan.	138.5	141.6	-3.1	80.7	75.5	23.5	25.5	16.8	24.9	17.5	15.8	0.8	0.5
Feb.	133.8	128.6	5.2	85.4	75.9	24.5	25.0	17.2	16.2	6.7	11.4	2.6	0.5
Mar.	154.2	143.0	11.1	99.0	85.6	27.0	27.2	20.7	18.8	7.5	11.4	1.8	1.2
Apr.	145.9	145.5	0.3	94.1	83.5	26.0	25.4	21.1	27.8	4.7	8.9	1.1	0.4
May	143.4	140.3	3.2	92.4	81.3	28.5	25.1	17.6	23.2	5.0	10.7	2.7	0.3

## 4. Income account

	Total		Compensation of employees		Investment income							
	Credit	Debit	Credit	Debit	Total		Direct investment					
					Credit	Debit	Total		Equity		Debt	
							Credit	Debit	Credit	Debit	Credit	Debit
1	2	3	4	5	6	7	8	9	10	11	12	
2001	275.9	314.4	14.7	5.9	261.2	308.5	59.2	60.3	48.8	50.2	10.3	10.1
2002	236.1	280.3	14.7	6.0	221.5	274.3	52.5	57.9	44.4	50.7	8.1	7.2
2003	221.2	264.6	14.7	5.7	206.5	259.0	51.7	54.8	42.1	46.0	9.6	8.8
2003 Q1	51.4	63.5	3.6	1.2	47.8	62.2	8.9	10.9	7.2	8.9	1.8	2.1
Q2	59.3	76.3	3.6	1.4	55.6	74.9	14.3	16.5	11.4	14.2	2.9	2.4
Q3	53.9	63.4	3.7	1.5	50.2	61.9	12.6	13.4	10.5	11.9	2.1	1.5
Q4	56.6	61.5	3.8	1.5	52.8	60.0	15.8	13.9	13.0	11.1	2.8	2.9
2004 Q1	54.6	59.9	3.6	1.2	51.1	58.7	13.4	10.9	10.4	8.8	3.0	2.1

	Investment income									
	Portfolio investment						Other investment			
	Total		Equity		Debt		Credit	Debit	Credit	Debit
	Credit	Debit	Credit	Debit	Credit	Debit				
13	14	15	16	17	18	19	20			
2001	85.0	116.9	18.0	44.8	67.0	72.1	117.0	131.3		
2002	85.7	123.3	19.7	52.4	66.0	70.9	83.2	93.1		
2003	85.2	126.0	20.8	49.7	64.4	76.3	69.6	78.2		
2003 Q1	19.0	31.4	3.6	8.4	15.4	23.0	19.9	19.9		
Q2	23.4	37.7	7.8	21.3	15.6	16.3	17.9	20.7		
Q3	21.6	30.7	4.8	10.3	16.8	20.4	16.1	17.8		
Q4	21.2	26.3	4.7	9.7	16.6	16.6	15.7	19.8		
2004 Q1	21.5	30.1	4.7	9.5	16.8	20.6	16.1	17.6		

Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

### 5. Direct investment

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2001	-316.5	-237.9	-19.6	-218.3	-78.6	-0.1	-78.4	204.1	146.5	5.5	141.0	57.6	0.9	56.7
2002	-151.3	-136.4	-14.9	-121.4	-15.0	0.0	-14.9	146.6	111.9	3.1	108.8	34.7	0.5	34.3
2003	-118.6	-93.4	3.8	-97.2	-25.2	-0.1	-25.1	105.5	105.2	2.8	102.4	0.3	0.0	0.3
2003 Q1	-29.4	-18.0	-2.1	-15.9	-11.4	-0.1	-11.2	42.3	29.4	0.9	28.5	13.0	-0.1	13.1
Q2	-29.8	-22.4	5.1	-27.5	-7.4	0.0	-7.4	32.5	30.2	1.9	28.3	2.3	0.0	2.3
Q3	-32.2	-34.4	-1.2	-33.2	2.2	-0.1	2.4	13.1	15.9	-0.4	16.2	-2.8	-0.4	-2.4
Q4	-27.2	-18.6	2.0	-20.6	-8.7	0.2	-8.8	17.6	29.8	0.4	29.4	-12.2	0.5	-12.7
2004 Q1	-25.9	-19.6	-6.6	-13.0	-6.3	-0.1	-6.1	-3.0	7.1	-0.6	7.7	-10.1	-0.3	-9.7
2003 May	-15.1	-15.7	-0.8	-14.9	0.6	0.0	0.6	15.8	15.4	0.2	15.2	0.3	-0.1	0.4
June	2.4	1.6	7.2	-5.6	0.8	0.0	0.9	11.2	6.9	1.5	5.4	4.3	0.1	4.3
July	-9.4	-8.5	-0.9	-7.7	-0.9	-0.1	-0.8	5.4	4.3	-0.8	5.2	1.0	-0.6	1.6
Aug.	-4.9	-10.3	-0.5	-9.7	5.3	-0.1	5.4	-0.6	-0.9	0.2	-1.2	0.3	0.1	0.2
Sep.	-17.9	-15.6	0.2	-15.8	-2.3	0.0	-2.2	8.3	12.4	0.2	12.2	-4.1	0.1	-4.2
Oct.	-11.1	-5.8	2.0	-7.8	-5.3	0.0	-5.3	1.9	6.0	0.1	5.9	-4.1	0.3	-4.4
Nov.	0.6	4.1	-1.2	5.3	-3.5	0.1	-3.6	3.3	5.0	0.4	4.6	-1.8	0.1	-1.8
Dec.	-16.8	-16.9	1.2	-18.1	0.1	0.1	0.1	12.5	18.8	-0.1	18.8	-6.3	0.1	-6.4
2004 Jan.	-10.7	-5.3	-0.9	-4.5	-5.4	0.0	-5.4	0.1	6.7	0.2	6.5	-6.6	-0.1	-6.5
Feb.	-5.5	-3.0	-1.2	-1.9	-2.4	0.0	-2.4	13.3	2.9	0.3	2.6	10.4	-0.1	10.5
Mar.	-9.7	-11.3	-4.6	-6.6	1.6	-0.1	1.7	-16.4	-2.6	-1.2	-1.4	-13.8	-0.1	-13.7
Apr.	-7.9	-3.1	-0.4	-2.7	-4.8	0.1	-4.8	4.9	1.6	0.2	1.4	3.3	0.0	3.2
May	-1.1	-7.4	0.2	-7.6	6.3	0.0	6.4	0.3	3.5	0.4	3.1	-3.2	0.0	-3.2

### 6. Portfolio investment by instrument

	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	
2001	-281.9	349.8	-101.6	232.6	-180.3	-155.9	-24.4	117.3	113.1	4.1
2002	-175.8	290.4	-40.4	88.9	-135.4	-89.6	-45.8	201.5	133.7	67.9
2003	-283.8	301.4	-67.7	103.6	-216.1	-172.8	-43.3	197.8	191.8	6.0
2003 Q1	-48.9	53.1	11.2	2.2	-60.0	-50.9	-9.1	50.8	40.4	10.4
Q2	-107.3	169.3	-33.2	30.5	-74.1	-59.3	-14.8	138.8	124.6	14.2
Q3	-63.3	4.2	-19.4	25.1	-43.9	-37.2	-6.8	-20.9	-7.8	-13.1
Q4	-64.3	74.8	-26.3	45.7	-38.0	-25.4	-12.6	29.1	34.6	-5.6
2004 Q1	-89.9	95.1	-31.3	19.9	-58.6	-46.4	-12.2	75.2	53.4	21.7
2003 May	-36.7	46.1	-7.9	-6.2	-28.9	-19.6	-9.3	52.3	49.8	2.5
June	-47.4	72.4	-14.7	22.8	-32.7	-24.1	-8.6	49.6	53.0	-3.5
July	-27.1	-6.7	-8.6	10.9	-18.5	-22.0	3.5	-17.5	-13.3	-4.3
Aug.	-14.5	-21.7	-5.3	3.4	-9.2	-6.3	-2.9	-25.1	-8.8	-16.3
Sep.	-21.8	32.6	-5.6	10.8	-16.2	-8.8	-7.4	21.8	14.3	7.5
Oct.	-33.6	67.7	-15.0	22.2	-18.7	-11.7	-6.9	45.6	27.0	18.6
Nov.	-20.4	23.8	-3.6	11.3	-16.7	-15.0	-1.7	12.4	12.8	-0.4
Dec.	-10.3	-16.7	-7.7	12.2	-2.6	1.3	-3.9	-28.9	-5.1	-23.8
2004 Jan.	-46.1	39.8	-10.4	1.1	-35.8	-18.8	-17.0	38.6	28.1	10.5
Feb.	-18.3	34.8	-10.1	18.1	-8.2	-3.2	-5.0	16.7	16.3	0.4
Mar.	-25.4	20.5	-10.8	0.7	-14.6	-24.4	9.7	19.8	9.0	10.9
Apr.	-29.8	26.8	-2.5	-12.9	-27.3	-8.7	-18.6	39.7	27.2	12.5
May	-18.6	-7.2	-4.6	-0.4	-14.0	-16.4	2.4	-6.8	11.5	-18.3

Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

## 7. Portfolio investment assets by instrument and sector of holder

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Eurosysteem	MFIs excluding Eurosysteem	Non-MFIs			Eurosysteem	MFIs excluding Eurosysteem	Non-MFIs			Eurosysteem	MFIs excluding Eurosysteem	Non-MFIs		
			Total	General gov.	Other sectors			Total	General gov.	Other sectors			Total	General gov.	Other sectors
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2001	-0.4	4.0	-105.2	-2.1	-103.2	0.2	-67.1	-89.0	-1.2	-87.8	-2.4	-40.7	18.6	-0.1	18.7
2002	-0.4	-7.6	-32.4	-4.4	-28.0	-0.6	-15.0	-74.1	-0.9	-73.2	2.0	-32.8	-15.0	-1.1	-14.0
2003	-0.3	-12.7	-54.7	-2.6	-52.1	-2.2	-45.4	-125.1	-0.2	-124.9	0.2	-42.6	-0.9	0.6	-1.5
2003 Q1	-0.1	-3.7	14.9	-0.6	15.6	-0.3	-4.4	-46.2	0.2	-46.5	-0.8	-26.9	18.6	-1.6	20.2
Q2	-0.2	0.7	-33.8	-0.8	-33.0	-0.2	-25.6	-33.5	0.0	-33.5	1.0	-1.6	-14.3	1.0	-15.3
Q3	-0.1	-6.2	-13.1	-0.8	-12.3	-1.4	-8.5	-27.3	-0.3	-27.0	0.1	-1.0	-5.9	-0.1	-5.8
Q4	0.0	-3.6	-22.7	-0.4	-22.3	-0.4	-6.9	-18.1	-0.1	-18.0	-0.2	-13.1	0.7	1.3	-0.6
2004 Q1	0.0	-6.0	-25.3	-0.9	-24.4	-0.5	-25.8	-20.1	-0.6	-19.5	-0.2	-7.3	-4.7	-1.1	-3.6
2003 May	0.0	0.2	-8.1	-	-	-0.2	-2.7	-16.7	-	-	0.9	-6.4	-3.8	-	-
June	0.0	-0.1	-14.5	-	-	0.1	-14.9	-9.3	-	-	-0.4	1.6	-9.8	-	-
July	0.0	-2.0	-6.5	-	-	-0.1	-1.7	-20.2	-	-	0.2	-3.3	6.6	-	-
Aug.	0.0	-1.0	-4.2	-	-	-0.6	-2.3	-3.5	-	-	0.1	4.0	-7.0	-	-
Sep.	0.0	-3.2	-2.4	-	-	-0.7	-4.5	-3.6	-	-	-0.1	-1.7	-5.6	-	-
Oct.	0.0	-4.7	-10.3	-	-	-0.4	-1.7	-9.7	-	-	-0.1	-4.1	-2.8	-	-
Nov.	0.0	1.4	-5.1	-	-	0.0	-8.1	-6.8	-	-	-0.1	-2.7	1.1	-	-
Dec.	0.0	-0.3	-7.4	-	-	0.0	2.9	-1.7	-	-	0.0	-6.4	2.5	-	-
2004 Jan.	0.0	-3.4	-7.0	-	-	0.0	-13.0	-5.8	-	-	0.1	-15.0	-2.1	-	-
Feb.	0.1	-3.1	-7.0	-	-	0.0	-1.2	-2.0	-	-	-0.2	-3.6	-1.2	-	-
Mar.	0.0	0.5	-11.3	-	-	-0.4	-11.6	-12.3	-	-	0.0	11.2	-1.4	-	-
Apr.	0.0	-1.1	-1.4	-	-	0.2	-3.0	-5.9	-	-	0.0	-15.6	-3.0	-	-
May	0.0	-4.2	-0.4	-	-	0.2	-4.8	-11.8	-	-	-0.2	0.5	2.1	-	-

## 8. Other investment by sector

	Total		Eurosysteem		General government		MFIs (excluding Eurosysteem)						Other sectors			
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Total		Long-term		Short-term		Assets	Liabilities		
							Assets	Liabilities	Assets	Liabilities	Assets	Liabilities				
															Currency and deposits	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
2001	-268.2	261.6	0.6	4.4	3.0	-	-0.4	-229.1	232.4	-46.9	22.7	-182.3	209.7	-42.6	-	25.2
2002	-230.4	67.8	-1.2	19.3	0.1	-	-8.2	-166.0	27.8	-32.2	51.7	-133.8	-23.9	-63.4	-	28.8
2003	-236.5	164.9	-0.8	12.0	-1.3	-	-3.6	-152.8	133.8	-55.6	56.9	-97.2	76.9	-81.6	-	22.6
2003 Q1	-123.1	82.9	-0.6	2.0	-1.8	-	-8.3	-65.7	60.1	-14.9	10.5	-50.8	49.7	-55.1	-	29.0
Q2	-132.2	34.6	0.2	4.9	-2.0	-	3.9	-103.2	26.9	-11.5	11.8	-91.7	15.1	-27.2	-	-1.1
Q3	92.0	-11.9	0.3	5.8	-0.3	-	5.3	87.6	-7.1	-12.5	16.4	100.2	-23.4	4.4	-	-16.0
Q4	-73.2	59.3	-0.7	-0.6	2.7	-	-4.6	-71.5	53.8	-16.6	18.2	-54.8	35.6	-3.7	-	10.7
2004 Q1	-180.8	174.8	-0.6	-1.2	-0.3	-0.2	-6.4	-158.9	158.9	-20.3	3.0	-138.6	155.9	-20.9	-18.5	23.4
2003 May	-46.1	11.0	0.7	1.9	-3.7	-	1.3	-35.1	3.7	-1.7	2.4	-33.4	1.3	-7.9	-	4.1
June	-29.5	-36.0	-0.5	2.1	0.9	-	-0.2	-35.3	-28.9	-6.2	7.4	-29.1	-36.3	5.4	-	-9.1
July	41.3	-2.7	0.1	2.6	-2.5	-	2.1	42.4	2.6	-4.6	8.3	47.0	-5.7	1.3	-	-9.9
Aug.	79.8	-29.8	0.3	1.5	0.5	-	0.5	73.4	-30.2	-2.0	2.7	75.4	-33.0	5.6	-	-1.6
Sep.	-29.1	20.6	-0.1	1.8	1.7	-	2.7	-28.1	20.6	-5.9	5.4	-22.2	15.2	-2.5	-	-4.4
Oct.	-51.4	24.1	-0.2	0.9	1.1	-	-2.0	-40.7	25.7	-5.8	-2.0	-34.9	27.8	-11.6	-	-0.5
Nov.	-35.7	35.5	0.4	-2.8	1.1	-	1.5	-34.7	27.9	-6.0	10.0	-28.7	17.9	-2.4	-	8.9
Dec.	13.9	-0.3	-0.9	1.3	0.5	-	-4.0	3.9	0.2	-4.8	10.2	8.8	-10.0	10.3	-	2.3
2004 Jan.	-71.2	68.5	-0.4	2.6	-1.5	-1.5	-4.5	-63.0	76.9	-4.8	5.3	-58.2	71.6	-6.2	-4.8	-6.4
Feb.	-29.3	12.1	-0.3	-4.3	1.8	1.6	-0.3	-25.1	17.0	-8.7	0.0	-16.4	17.0	-5.7	-5.3	-0.3
Mar.	-80.3	94.2	0.0	0.5	-0.5	-0.3	-1.5	-70.8	65.1	-6.8	-2.3	-64.0	67.4	-9.0	-8.5	30.2
Apr.	-55.5	55.6	0.6	0.6	-1.0	-0.8	-0.2	-53.1	55.3	-8.3	-2.1	-44.9	57.4	-1.8	5.4	-0.1
May	13.2	5.5	-0.1	0.1	0.2	0.3	0.5	16.4	10.8	1.6	2.8	14.7	7.9	-3.2	3.9	-5.9

Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

### 9. Other investment by instrument

	Eurosystem				General government							
	Assets		Liabilities		Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
1	2	3	4	5	6	7	8	9	10	11	12	
2001	0.6	0.0	4.5	0.0	-0.1	4.4	-	-	-1.3	0.0	-0.5	0.1
2002	-1.2	0.0	19.3	0.0	1.5	-0.4	-	-	-1.0	0.0	-8.0	-0.2
2003	-0.8	0.0	12.1	0.0	-0.1	-0.4	-	-	-0.9	0.0	-3.9	0.3
2003 Q1	-0.6	0.0	2.0	0.0	0.0	-1.2	-	-	-0.5	0.0	-8.2	-0.1
Q2	0.2	0.0	4.9	0.0	0.0	-1.7	-	-	-0.3	0.0	3.6	0.3
Q3	0.3	0.0	5.8	0.0	0.0	-0.1	-	-	-0.2	0.0	4.8	0.5
Q4	-0.7	0.0	-0.6	0.0	0.0	2.7	-	-	0.1	0.0	-4.1	-0.4
2004 Q1	-0.6	0.0	-1.3	0.0	0.0	0.5	0.7	-0.2	-0.8	0.0	-6.1	-0.3

	MFIs (excluding Eurosystem)				Other sectors							
	Assets		Liabilities		Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
13	14	15	16	17	18	19	20	21	22	23	24	
2001	-215.1	-14.0	222.2	10.2	-3.5	-30.2	-	-	-8.9	1.3	18.7	5.2
2002	-162.2	-3.8	30.6	-2.8	-3.5	-58.4	-	-	-1.5	-3.0	25.9	5.9
2003	-150.7	-2.1	136.5	-2.7	-4.8	-63.8	-	-	-13.0	7.9	13.7	1.0
2003 Q1	-63.8	-1.9	59.7	0.5	-1.3	-47.9	-	-	-5.8	5.1	22.7	1.2
Q2	-103.9	0.7	28.5	-1.6	-1.1	-18.5	-	-	-7.5	-0.2	-7.2	6.4
Q3	87.9	-0.2	-5.7	-1.3	-1.3	4.7	-	-	0.9	0.9	-11.5	-5.4
Q4	-70.9	-0.6	54.0	-0.2	-1.1	-2.1	-	-	-0.5	2.1	9.7	-1.1
2004 Q1	-156.4	-2.6	157.4	1.6	-2.8	-16.3	2.2	-18.5	-1.7	4.9	18.2	0.4

### 10. Reserve assets

	Total	Monetary gold	Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims
					Total	Currency and deposits		Securities			Financial derivatives	
						With monetary authorities and the BIS	With banks	Equity	Bonds and notes	Money market instruments		
1	2	3	4	5	6	7	8	9	10	11	12	
2001	17.8	0.6	-1.0	-4.2	22.5	10.0	-5.3	-1.1	20.4	-1.6	0.0	0.0
2002	-2.3	0.7	0.2	-2.0	-1.2	-2.3	-15.3	0.0	8.1	8.5	-0.2	0.0
2003	29.8	1.7	0.0	-1.6	29.7	-1.8	1.6	0.0	22.6	7.3	0.1	0.0
2003 Q1	11.9	0.5	0.0	-0.2	11.5	0.8	-0.6	0.0	9.6	1.7	0.0	0.0
Q2	2.3	0.5	0.0	-2.6	4.4	-0.5	0.0	-0.1	4.8	0.2	0.0	0.0
Q3	2.0	0.1	0.0	-0.7	2.6	-1.1	4.1	0.0	-4.7	4.3	0.0	0.0
Q4	13.6	0.6	0.0	1.8	11.1	-1.0	-1.9	0.0	13.0	1.1	0.0	0.0
2004 Q1	9.4	-0.1	-0.1	0.7	8.8	0.8	1.8	0.5	8.1	-2.4	0.0	0.0

Source: ECB.

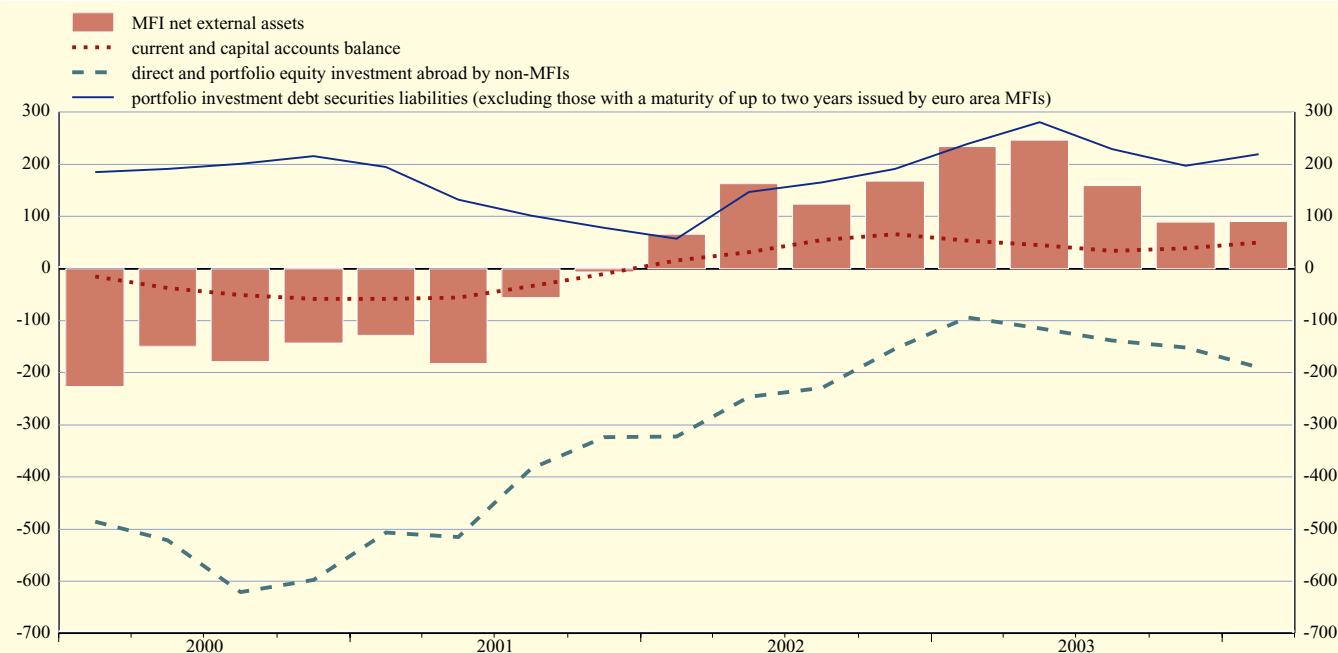
## 7.2 Monetary presentation of the balance of payments

(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non- resident units in the euro area	Assets Non-MFIs	Liabilities		Assets Non-MFIs	Liabilities Non-MFIs				
					Equity <sup>1)</sup>	Debt instruments <sup>2)</sup>						
1	2	3	4	5	6	7	8	9	10	11	12	
2001	-10.1	-296.8	203.2	-175.6	172.3	78.4	-39.7	24.7	-0.9	44.3	-0.1	-7.1
2002	65.4	-136.4	146.2	-121.5	52.0	191.1	-63.3	20.6	-10.8	0.4	143.7	167.4
2003	38.3	-122.3	105.5	-180.7	108.5	196.8	-83.0	19.0	-13.1	12.2	81.2	89.0
2003 Q1	4.3	-27.2	42.4	-12.7	10.0	46.0	-56.8	20.7	-3.1	10.0	33.6	35.5
Q2	-5.0	-34.9	32.5	-81.5	29.3	140.4	-29.2	2.8	-1.4	37.0	90.1	91.3
Q3	14.3	-30.8	13.5	-46.3	27.3	-5.9	4.1	-10.7	-4.6	-13.6	-52.8	-51.8
Q4	24.7	-29.4	17.1	-40.1	41.9	16.4	-1.0	6.1	-4.1	-21.2	10.3	13.9
2004 Q1	16.2	-19.1	-2.7	-50.1	3.9	68.6	-21.2	17.1	6.2	-2.2	16.8	37.4
2003 May	-1.4	-14.4	15.8	-28.6	2.8	48.1	-11.6	5.4	1.7	24.4	42.2	40.2
June	3.7	-4.8	11.1	-33.6	10.3	53.1	6.3	-9.3	-0.2	22.8	59.3	58.3
July	3.6	-8.5	5.9	-20.1	10.0	-14.6	-1.2	-7.8	-2.4	-4.0	-39.0	-38.1
Aug.	4.8	-4.3	-0.8	-14.7	-1.1	-11.4	6.1	-1.1	-2.6	-10.7	-35.7	-32.1
Sep.	5.9	-18.1	8.3	-11.5	18.5	20.1	-0.8	-1.7	0.4	1.0	21.9	18.4
Oct.	9.2	-13.1	1.6	-22.7	17.3	38.0	-10.5	-2.5	1.6	-9.1	9.7	8.9
Nov.	4.4	1.7	3.2	-10.8	10.9	10.6	-1.4	10.4	0.6	-17.6	12.0	18.0
Dec.	11.1	-18.0	12.3	-6.6	13.6	-32.2	10.8	-1.8	-6.3	5.5	-11.4	-13.0
2004 Jan.	-2.8	-9.8	0.2	-14.9	-6.7	36.5	-7.8	-10.9	2.9	22.5	9.2	23.9
Feb.	7.3	-4.3	13.4	-10.2	18.1	12.4	-3.9	-0.6	0.9	-24.0	9.2	7.4
Mar.	11.7	-5.0	-16.3	-25.0	-7.4	19.6	-9.5	28.6	2.4	-0.7	-1.5	6.2
Apr.	1.0	-7.6	4.9	-10.4	-15.1	32.6	-2.9	-0.3	0.0	7.5	9.7	8.2
May	5.5	-1.3	0.3	-10.0	2.0	-8.6	-3.0	-5.4	-1.3	3.0	-18.8	-21.2
	<i>12-month cumulated transactions</i>											
2004 May	65.3	-92.9	44.2	-190.6	70.3	156.1	-17.7	-2.4	-4.0	-3.7	24.6	44.9

## C31 Main b.o.p. transactions underlying the developments in MFI net external assets

(EUR billions; 12-month cumulated transactions)



Source: ECB.

1) Excluding money market fund shares/units.

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

## 7.3 Trade in goods

(seasonally adjusted, unless otherwise indicated)

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

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
	Exports	Imports	Total			Memo: Manufactures	Total			Memo:			
			Intermediate	Capital	Consumption		Intermediate	Capital	Consumption	Manufactures	Oil		
	1	2	3	4	5	6	7	8	9	10	11	12	13
Values (EUR billions; annual percentage changes for columns 1 and 2)													
2000	21.7	29.5	1,002.3	492.3	216.3	262.6	875.3	1,023.4	591.1	182.9	220.8	743.7	122.7
2001	6.1	-0.7	1,062.5	505.8	234.8	289.1	931.9	1,014.5	578.9	178.9	228.4	740.5	107.7
2002	2.0	-3.0	1,083.0	512.4	227.8	309.0	948.7	983.8	559.3	163.3	234.1	717.0	105.2
2003	-2.6	-0.1	1,054.9	496.0	220.1	297.2	917.9	982.5	548.4	160.6	237.8	708.5	108.0
2002 Q4	2.3	2.2	270.5	127.8	57.0	77.1	235.3	246.7	140.2	40.5	59.1	178.2	28.2
2003 Q1	-1.0	3.6	265.4	125.4	54.8	75.0	230.6	249.2	142.3	41.0	58.4	177.7	29.5
Q2	-5.9	-2.9	257.5	121.9	52.4	72.4	224.7	242.8	133.9	39.4	59.4	176.6	25.0
Q3	-2.6	-1.8	263.9	124.5	55.8	74.5	231.3	242.4	134.9	38.8	59.5	175.1	26.7
Q4	-0.8	0.8	268.1	124.2	57.2	75.3	231.3	248.1	137.2	41.4	60.5	179.0	26.7
2004 Q1	4.6	-0.2	276.4	129.7	58.1	75.0	241.0	249.0	135.5	40.6	61.2	181.0	26.1
2003 Dec.	4.8	5.7	90.4	42.3	19.8	24.8	78.0	83.7	46.7	13.6	20.2	59.6	9.3
2004 Jan.	-2.9	-6.6	90.0	42.1	18.7	24.2	79.2	81.6	44.3	13.1	20.2	60.2	8.5
Feb.	3.0	0.9	92.8	43.2	19.9	25.1	80.8	83.7	45.5	14.1	20.4	60.7	8.0
Mar.	13.1	5.1	93.6	44.4	19.4	25.6	81.1	83.7	45.7	13.4	20.6	60.1	9.6
Apr.	9.7	5.0	95.3	44.9	19.9	25.9	83.2	86.0	47.1	14.8	20.5	61.7	8.9
May	8.0	5.1	94.5	44.1	19.3	26.0	80.6	85.4	47.0	13.9	20.3	61.4	8.9
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2000	12.4	6.0	100.0	100.0	100.0	100.0	100.0	99.9	100.0	100.0	100.0	100.0	99.9
2001	5.2	-0.8	105.0	102.1	108.3	108.1	105.5	98.9	99.2	96.4	100.7	98.0	99.3
2002	2.9	-0.5	108.0	105.0	105.7	115.3	108.3	98.4	98.9	90.2	104.4	96.6	100.6
2003	0.7	3.3	108.7	104.8	106.3	114.3	108.6	101.6	99.6	94.4	109.4	99.5	103.0
2002 Q4	3.4	1.7	108.6	105.3	106.6	116.0	108.4	98.9	98.8	91.2	106.0	97.3	102.3
2003 Q1	1.9	3.9	107.8	104.3	104.1	114.2	107.5	100.1	99.0	94.8	106.8	98.4	95.9
Q2	-2.2	2.4	106.2	103.0	101.5	111.7	106.3	101.8	99.3	93.3	109.3	99.5	103.9
Q3	0.6	1.7	109.2	105.8	108.3	114.9	109.9	100.9	99.3	91.5	109.4	98.7	108.3
Q4	2.6	4.8	111.3	105.9	111.4	116.4	110.5	103.5	100.8	97.8	111.9	101.5	104.0
2004 Q1	7.6	4.5	115.5	111.1	114.2	116.4	115.6	104.8	99.6	98.3	114.8	103.5	100.2
2003 Dec.	7.8	10.2	112.7	108.1	115.8	115.2	111.8	105.0	102.8	96.7	113.2	102.0	106.0
2004 Jan.	0.0	-1.5	112.7	108.3	109.8	113.1	113.9	103.1	98.3	95.1	113.6	103.3	98.9
Feb.	6.5	6.1	116.6	111.3	117.3	117.0	116.5	106.0	100.5	102.5	115.2	104.2	92.8
Mar.	15.7	8.9	117.2	113.8	115.5	119.0	116.5	105.5	100.0	97.4	115.7	102.9	108.8
Apr.	10.8	5.6	118.4	114.7	116.7	119.4	119.0	107.0	101.4	106.2	115.3	104.8	97.8
May	.	.	.	.	.	.	.	.	.	.	.	.	.
Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2000	8.3	22.0	99.9	99.9	99.9	100.0	99.9	100.0	99.9	99.9	100.0	100.0	99.9
2001	1.0	0.2	100.9	100.7	100.2	101.8	100.9	100.2	98.7	101.5	102.7	101.6	88.6
2002	-0.9	-2.5	100.1	99.1	99.6	102.1	100.0	97.7	95.7	99.0	101.6	99.8	85.2
2003	-3.2	-3.2	96.9	96.2	95.7	99.0	96.6	94.5	93.2	93.0	98.5	95.7	85.7
2002 Q4	-1.1	0.4	99.4	98.6	98.8	101.3	99.2	97.5	96.0	97.1	101.0	98.5	89.7
2003 Q1	-2.8	-0.3	98.2	97.7	97.3	100.0	98.0	97.3	97.3	94.5	99.0	97.2	100.4
Q2	-3.7	-5.2	96.7	96.2	95.4	98.8	96.6	93.3	91.3	92.4	98.4	95.5	78.5
Q3	-3.1	-3.4	96.4	95.6	95.2	98.8	96.2	93.9	91.9	92.7	98.6	95.4	80.5
Q4	-3.3	-3.9	96.1	95.3	94.9	98.6	95.6	93.7	92.1	92.5	98.0	94.9	83.5
2004 Q1	-2.8	-4.5	95.5	94.8	94.0	98.1	95.2	92.8	92.1	90.5	96.6	94.1	85.0
2003 Dec.	-2.8	-4.0	96.0	95.3	94.7	98.5	95.7	93.5	92.3	92.1	97.2	94.3	86.0
2004 Jan.	-2.8	-5.2	95.6	94.8	94.6	97.9	95.3	92.8	91.5	90.6	96.6	94.0	84.3
Feb.	-3.2	-4.9	95.2	94.7	94.1	98.1	95.0	92.6	91.9	90.4	96.4	94.0	84.4
Mar.	-2.2	-3.5	95.7	95.1	93.4	98.5	95.4	93.1	92.9	90.3	96.6	94.3	86.3
Apr.	-1.0	-0.6	96.3	95.3	94.7	99.0	95.9	94.2	94.3	91.8	96.8	95.0	88.6
May	.	.	.	.	.	.	.	.	.	.	.	.	.

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

## 7.3 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

## 2. Geographical breakdown

	Total	Other EU Member States				Switzerland	United States	Japan	Asia excl. Japan	Africa	Latin America	Other countries
		United Kingdom	Sweden	Denmark	Others							
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Exports (f.o.b.)</b>												
2000	1,002.3	189.1	39.4	23.5	97.2	63.9	172.5	34.5	153.6	56.5	47.0	223.4
2001	1,062.5	202.4	37.0	24.4	105.9	66.3	180.2	34.5	165.4	60.5	49.8	241.9
2002	1,083.0	205.7	37.1	25.3	112.1	64.0	184.1	33.0	170.2	59.6	43.4	260.8
2003	1,054.9	193.0	38.5	24.8	117.3	63.2	166.1	31.2	170.3	59.2	37.8	271.6
2002 Q4	270.5	49.8	9.5	6.5	28.3	15.6	45.9	8.4	42.5	14.4	10.4	66.7
2003 Q1	265.4	48.9	9.6	6.3	28.5	16.5	43.1	7.7	42.7	14.6	10.3	65.9
Q2	257.5	47.1	9.5	6.1	29.0	15.6	40.3	7.6	41.3	14.4	9.5	66.7
Q3	263.9	48.1	9.6	6.3	30.2	15.3	41.3	7.8	43.3	15.2	9.1	69.6
Q4	268.1	48.9	9.8	6.1	29.6	15.8	41.3	8.1	43.0	15.0	8.9	69.4
2004 Q1	276.4	48.9	9.9	6.1	31.3	15.5	42.4	8.4	46.4	15.1	9.5	.
2003 Dec.	90.4	16.8	3.3	2.1	10.1	5.2	13.7	2.7	14.5	5.0	3.0	23.5
2004 Jan.	90.0	16.0	3.3	2.1	10.3	5.2	13.6	2.8	15.5	5.0	3.3	24.7
Feb.	92.8	16.9	3.3	2.0	10.4	5.1	14.3	2.8	15.6	5.0	3.1	23.5
Mar.	93.6	16.0	3.3	2.0	10.6	5.2	14.5	2.8	15.3	5.1	3.1	.
Apr.	95.3	16.6	3.4	2.2	10.9	5.5	14.7	2.7	15.7	5.2	3.2	.
May	94.5	.	.	.	.	.	.	.	.	.	.	.
<i>% share of total exports</i>												
2003	100.0	18.3	3.6	2.4	11.1	6.0	15.7	3.0	16.1	5.6	3.6	25.7
<b>Imports (c.i.f.)</b>												
2000	1,023.4	159.5	39.1	22.3	78.8	50.4	142.0	67.3	217.0	73.7	40.3	212.3
2001	1,014.5	154.5	35.6	22.0	88.9	52.9	138.7	58.5	208.2	74.0	40.9	229.4
2002	983.8	149.6	35.6	22.9	93.5	52.1	125.7	52.7	204.7	67.8	39.4	233.5
2003	982.5	137.1	36.6	23.0	102.0	50.5	110.2	52.1	215.2	68.5	39.5	250.5
2002 Q4	246.7	35.7	9.1	5.9	23.9	12.8	29.8	13.4	53.3	16.9	9.8	60.4
2003 Q1	249.2	35.6	9.1	5.9	24.8	13.1	28.2	13.3	53.3	18.4	9.8	62.3
Q2	242.8	34.1	9.1	5.8	25.1	12.6	28.1	13.1	52.9	16.8	9.6	61.3
Q3	242.4	33.6	9.1	5.6	25.1	12.4	27.3	12.7	53.0	16.7	9.7	61.8
Q4	248.1	33.8	9.3	5.7	27.0	12.4	26.6	13.0	56.0	16.5	10.5	65.1
2004 Q1	249.0	33.4	9.3	5.9	27.3	12.6	25.9	13.3	55.0	16.3	10.4	.
2003 Dec.	83.7	11.3	3.1	1.9	9.2	4.2	8.7	4.4	19.5	5.4	3.5	22.3
2004 Jan.	81.6	11.2	3.0	1.8	9.1	4.2	8.7	4.4	17.7	5.5	3.4	20.9
Feb.	83.7	11.3	3.1	2.0	9.2	4.2	8.7	4.4	18.5	5.2	3.4	21.9
Mar.	83.7	10.9	3.1	2.1	9.1	4.2	8.6	4.5	18.9	5.6	3.6	.
Apr.	86.0	11.4	3.1	1.9	9.7	4.3	10.0	4.3	20.2	5.1	3.6	.
May	85.4	.	.	.	.	.	.	.	.	.	.	.
<i>% share of total imports</i>												
2003	100.0	14.0	3.7	2.3	10.4	5.1	11.2	5.3	21.9	7.0	4.0	25.5
<b>Balance</b>												
2000	-21.0	29.5	0.3	1.2	18.4	13.5	30.4	-32.9	-63.4	-17.2	6.7	11.2
2001	47.9	47.9	1.4	2.4	17.0	13.4	41.5	-24.0	-42.8	-13.5	8.9	12.5
2002	99.2	56.0	1.5	2.4	18.6	11.9	58.5	-19.6	-34.5	-8.2	4.0	27.3
2003	72.4	55.9	1.9	1.8	15.3	12.7	55.9	-20.9	-44.8	-9.3	-1.7	21.1
2002 Q4	23.8	14.1	0.4	0.6	4.5	2.8	16.1	-5.0	-10.8	-2.5	0.6	6.3
2003 Q1	16.2	13.3	0.4	0.4	3.7	3.5	15.0	-5.6	-10.6	-3.8	0.6	3.6
Q2	14.7	13.0	0.4	0.3	3.9	3.0	12.2	-5.5	-11.5	-2.4	-0.1	5.4
Q3	21.5	14.4	0.5	0.7	5.1	2.8	14.0	-4.9	-9.7	-1.5	-0.6	7.8
Q4	20.0	15.1	0.5	0.4	2.6	3.4	14.8	-4.9	-13.0	-1.5	-1.6	4.3
2004 Q1	27.5	15.4	0.7	0.2	4.0	2.9	16.5	-4.9	-8.7	-1.2	-0.9	.
2003 Dec.	6.8	5.5	0.2	0.2	0.9	1.1	4.9	-1.7	-5.0	-0.5	-0.6	1.2
2004 Jan.	8.4	4.8	0.3	0.3	1.2	1.1	4.9	-1.6	-2.2	-0.5	0.0	3.7
Feb.	9.1	5.5	0.2	0.0	1.3	0.9	5.6	-1.6	-2.9	-0.2	-0.3	1.7
Mar.	9.9	5.1	0.2	0.0	1.5	0.9	5.9	-1.7	-3.6	-0.6	-0.5	.
Apr.	9.3	5.2	0.3	0.3	1.1	1.2	4.7	-1.6	-4.5	0.1	-0.4	.
May	9.2	.	.	.	.	.	.	.	.	.	.	.

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

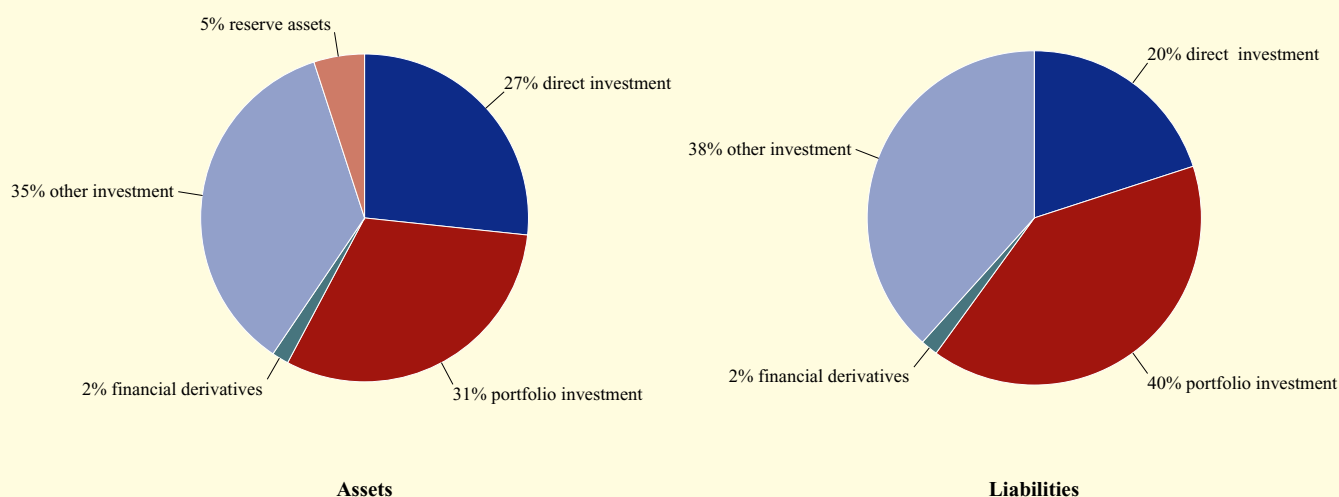
## 7.4 International investment position

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

### 1. Summary international investment position

	Total 1	Total as a % of GDP 2	Direct investment 3	Portfolio investment 4	Financial derivatives 5	Other investment 6	Reserve assets 7
Net international investment position							
1999	-318.5	-5.1	369.6	-892.8	16.0	-193.5	382.2
2000	-386.8	-5.9	452.7	-786.4	2.0	-446.3	391.2
2001	-189.6	-2.8	496.4	-691.4	1.5	-388.8	392.7
2002	-289.6	-4.1	425.1	-756.3	-8.1	-316.4	366.1
Outstanding assets							
1999	5,796.6	92.5	1,174.5	2,058.0	111.1	2,070.8	382.2
2000	6,751.2	102.7	1,626.7	2,351.1	105.8	2,276.4	391.2
2001	7,537.2	110.2	1,897.0	2,521.3	108.4	2,617.9	392.7
2002	7,277.9	102.8	1,937.5	2,270.4	122.6	2,581.3	366.1
Outstanding liabilities							
1999	6,115.1	97.6	804.9	2,950.8	95.1	2,264.3	-
2000	7,138.0	108.5	1,174.0	3,137.5	103.7	2,722.7	-
2001	7,726.8	112.9	1,400.6	3,212.7	106.9	3,006.7	-
2002	7,567.5	106.9	1,512.5	3,026.7	130.7	2,897.6	-

### C32 International investment position by item at end-2002



Source: ECB.



**7.4 International investment position**

(EUR billions; end-of-period outstanding amounts)

**2. Direct investment**

	By resident units abroad						By non-resident units in the euro area					
	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
1	2	3	4	5	6	7	8	9	10	11	12	
1999	938.7	85.7	853.0	235.8	1.8	234.0	606.3	24.3	582.0	198.6	1.7	196.9
2000	1,273.4	115.2	1,158.2	353.3	1.7	351.6	869.2	32.1	837.1	304.8	1.8	303.0
2001	1,513.2	129.3	1,383.9	383.8	1.4	382.4	1,043.3	42.3	1,001.1	357.3	2.5	354.8
2002	1,554.4	137.5	1,416.9	383.1	1.4	381.7	1,107.7	43.1	1,064.6	404.8	2.7	402.1

**3. Portfolio investment by instrument**

	Equity		Debt instruments					
	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	
1999	1,013.7	1,698.9	1,044.4	937.1	107.2	1,251.9	1,146.5	105.4
2000	1,183.7	1,606.7	1,167.4	1,045.3	122.2	1,530.8	1,365.5	165.4
2001	1,122.4	1,582.0	1,399.0	1,222.0	176.9	1,630.7	1,460.8	169.9
2002	862.2	1,328.3	1,408.3	1,168.7	239.6	1,698.5	1,518.5	179.9

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

	Equity					Debt instruments									
	Euro-system	MFIs excluding Eurosystem	Non-MFIs			Euro-system	MFIs excluding Eurosystem	Bonds and notes			Money market instruments				
			Total	General gov.	Other sectors			Total	General gov.	Other sectors	Euro-system	MFIs excluding Eurosystem	Total	General gov.	Other sectors
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
1999	0.4	25.9	987.3	4.1	983.2	4.5	257.2	675.4	6.2	669.2	2.6	68.5	36.1	0.2	35.9
2000	0.9	42.7	1,140.1	5.7	1,134.4	3.4	328.5	713.4	5.7	707.7	0.5	85.6	36.1	0.1	35.9
2001	1.3	38.1	1,082.9	6.7	1,076.3	2.2	418.7	801.1	8.3	792.8	2.8	131.9	42.2	0.2	42.0
2002	1.4	38.0	822.8	8.4	814.4	5.0	379.0	784.8	8.8	776.0	1.2	190.1	48.2	1.1	47.1

**5. Other investment**

	Eurosystem						General government							
	Total		Loans/currency and deposits		Other assets/liabilities		Total		Trade credits		Loans/currency and deposits		Other assets/liabilities	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1999	3.1	37.0	3.0	36.6	0.1	0.3	125.5	57.3	2.5	0.1	72.4	45.4	50.6	11.8
2000	3.0	41.8	2.9	41.4	0.1	0.3	133.9	59.5	2.8	0.2	77.5	47.2	53.5	12.1
2001	3.1	40.7	3.0	40.5	0.1	0.2	127.3	61.6	3.1	0.2	68.4	49.1	55.8	12.4
2002	3.4	58.1	3.4	57.9	0.1	0.2	120.6	61.0	1.3	0.1	64.9	45.8	54.3	15.1

	MFIs (excluding Eurosystem)						Other sectors							
	Total		Loans/currency and deposits		Other assets/liabilities		Total		Trade credits		Loans/currency and deposits		Other assets/liabilities	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
15	16	17	18	19	20	21	22	23	24	25	26	27	28	
1999	1,317.7	1,823.5	1,291.8	1,798.1	25.9	25.5	624.5	346.5	158.9	91.8	396.3	224.6	69.3	30.1
2000	1,458.5	2,169.0	1,421.4	2,127.1	37.1	42.0	681.1	452.4	173.9	110.9	422.9	311.8	84.2	29.6
2001	1,715.8	2,413.1	1,668.3	2,364.1	47.5	49.0	771.7	491.3	176.6	109.5	507.4	346.8	87.6	35.1
2002	1,717.0	2,274.6	1,660.1	2,227.2	56.9	47.4	740.3	503.9	176.5	105.2	485.4	354.6	78.4	44.0

Source: ECB.

## 7.5 International reserves

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

	Reserve assets													Memo		
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims	Assets	Liabilities	
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities			Financial derivatives		Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency	
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes					Money market instruments
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
<b>Eurosystem</b>																
2000 Dec.	391.2	119.2	404.157	4.3	21.2	246.5	16.8	20.5	208.5	0.0	155.3	53.2	0.7	0.0	16.3	-21.7
2001 Dec.	392.7	126.1	401.876	5.5	25.3	235.8	8.0	25.9	201.5	1.2	144.4	55.9	0.4	0.0	24.7	-28.5
2002 Dec.	366.1	130.4	399.022	4.8	25.0	205.8	10.3	35.3	159.8	1.0	117.1	41.7	0.4	0.0	22.4	-26.3
2003 June	326.1	120.0	396.229	4.6	25.5	176.1	8.3	34.8	132.2	-	-	-	0.8	0.0	18.2	-25.8
July	328.9	124.2	396.277	4.5	25.5	174.7	8.4	33.2	132.3	-	-	-	0.8	0.0	18.1	-27.2
Aug.	346.8	136.0	395.632	4.7	26.6	179.5	10.3	31.5	137.3	-	-	-	0.4	0.0	18.1	-27.6
Sep.	332.9	131.7	395.444	4.6	26.1	170.5	9.5	30.3	130.4	-	-	-	0.3	0.0	17.1	-25.5
Oct.	332.4	131.4	395.284	4.6	26.2	170.2	9.4	31.5	128.6	-	-	-	0.8	0.0	17.8	-24.9
Nov.	321.9	131.0	394.294	4.6	25.4	160.9	11.2	26.9	121.8	-	-	-	1.0	0.0	15.8	-17.5
Dec.	306.5	130.0	393.543	4.4	23.3	148.9	10.0	30.4	107.8	-	-	-	0.7	0.0	20.3	-16.3
2004 Jan.	309.7	127.0	393.542	4.5	23.5	154.7	10.2	32.5	111.7	-	-	-	0.3	0.0	19.3	-17.1
Feb.	298.5	125.4	393.540	4.5	23.3	145.2	10.1	32.6	102.4	-	-	-	0.1	0.0	20.8	-10.9
Mar.	308.4	136.4	393.539	4.6	23.2	144.2	9.7	29.3	105.5	-	-	-	-0.2	0.0	20.4	-10.5
Apr.	303.9	128.0	393.536	4.7	23.7	147.5	10.5	26.5	110.8	-	-	-	-0.2	0.0	20.4	-12.7
May	298.9	126.5	392.415	4.7	23.3	144.4	10.6	25.8	108.0	-	-	-	0.1	0.0	18.8	-9.3
June	301.4	127.8	392.324	4.6	22.4	146.7	11.4	27.6	107.1	-	-	-	0.6	0.0	18.3	-10.2
<b>of which held by the European Central Bank</b>																
2001 Dec.	49.3	7.8	24.656	0.1	0.0	41.4	0.8	7.0	33.6	0.0	23.5	10.1	0.0	0.0	3.6	-5.9
2002 Dec.	45.5	8.1	24.656	0.2	0.0	37.3	1.2	9.9	26.1	0.0	19.5	6.7	0.0	0.0	3.0	-5.2
2003 June	39.3	7.5	24.656	0.2	0.0	31.6	0.9	7.1	23.6	-	-	-	0.0	0.0	2.8	-1.8
July	41.3	7.7	24.656	0.2	0.0	33.4	0.8	6.7	25.9	-	-	-	0.0	0.0	2.3	-2.9
Aug.	42.7	8.5	24.656	0.2	0.0	34.0	0.9	5.7	27.4	-	-	-	0.0	0.0	2.7	-2.6
Sep.	40.7	8.2	24.656	0.2	0.0	32.3	0.9	4.5	26.9	-	-	-	0.0	0.0	2.4	-2.3
Oct.	40.4	8.2	24.656	0.2	0.0	32.0	1.0	4.7	26.3	-	-	-	0.0	0.0	2.7	-2.3
Nov.	39.6	8.2	24.656	0.2	0.0	31.2	1.0	5.2	25.0	-	-	-	0.0	0.0	2.6	-2.4
Dec.	36.9	8.1	24.656	0.2	0.0	28.6	1.4	5.0	22.2	-	-	-	0.0	0.0	2.8	-1.5
2004 Jan.	38.3	8.0	24.656	0.2	0.0	30.1	1.3	6.9	21.9	-	-	-	0.0	0.0	2.5	-2.0
Feb.	36.1	7.9	24.656	0.2	0.0	28.0	1.1	7.7	19.2	-	-	-	0.0	0.0	2.8	-0.4
Mar.	37.9	8.5	24.656	0.2	0.0	29.1	1.0	5.4	22.8	-	-	-	0.0	0.0	2.5	-0.4
Apr.	37.7	8.0	24.656	0.2	0.0	29.5	1.0	4.7	23.8	-	-	-	0.0	0.0	2.6	-0.5
May	37.4	7.9	24.656	0.2	0.0	29.2	1.4	5.5	22.3	-	-	-	0.0	0.0	2.4	-0.6
June	37.4	8.0	24.656	0.2	0.0	29.2	1.5	3.7	24.0	-	-	-	0.0	0.0	2.4	-0.5

Source: ECB.

# EXCHANGE RATES

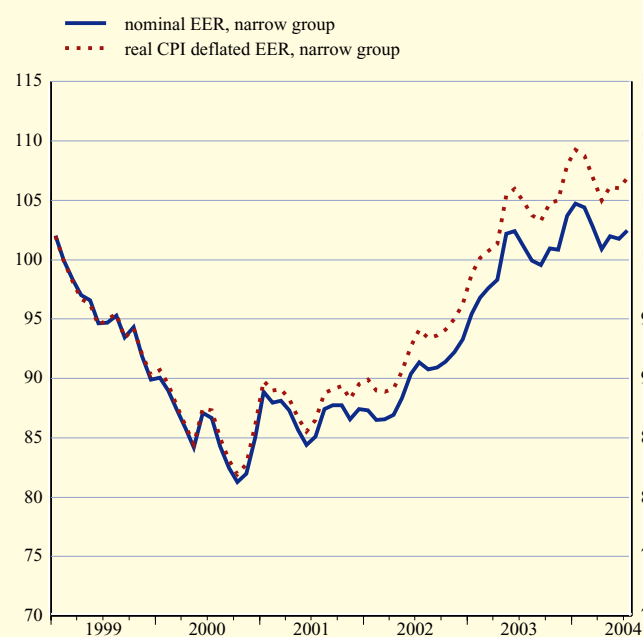
## 8.1 Effective exchange rates

(period averages; index 1999 Q1=100)

	Narrow group						Broad group		
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI	
	1	2	3	4	5	6	7	8	
2001	87.0	88.3	89.6	88.3	88.6	87.2	90.8	87.5	
2002	89.7	92.2	93.1	92.2	92.0	91.6	95.4	91.4	
2003	99.9	103.5	103.2	103.3	103.8	103.2	106.8	101.8	
2003 Q2	101.0	104.2	104.4	104.3	105.2	104.3	107.6	102.3	
Q3	100.2	104.0	103.3	103.7	104.4	103.8	106.7	101.8	
Q4	101.8	105.9	105.0	105.8	106.3	105.0	109.1	104.0	
2004 Q1	103.9	108.3	107.3	107.9	108.1	107.3	111.5	106.2	
Q2	101.6	105.7	105.3	.	.	.	109.1	103.5	
2003 July	101.1	104.9	104.4	-	-	-	107.5	102.6	
Aug.	99.9	103.8	103.1	-	-	-	106.4	101.6	
Sep.	99.5	103.3	102.6	-	-	-	106.1	101.3	
Oct.	101.0	104.8	104.0	-	-	-	108.0	103.0	
Nov.	100.9	105.0	104.1	-	-	-	108.1	103.1	
Dec.	103.7	107.9	106.8	-	-	-	111.2	106.0	
2004 Jan.	104.7	109.2	107.9	-	-	-	112.3	107.0	
Feb.	104.4	108.8	107.7	-	-	-	112.1	106.8	
Mar.	102.8	107.0	106.3	-	-	-	110.1	104.7	
Apr.	100.9	105.0	104.5	-	-	-	108.2	102.7	
May	102.0	106.1	105.7	-	-	-	109.6	103.9	
June	101.8	106.0	105.6	-	-	-	109.6	103.9	
July	102.4	106.9	106.3	-	-	-	110.0	104.4	
	<i>% change versus previous month</i>								
2004 July	0.6	0.8	0.6	-	-	-	0.4	0.5	
	<i>% change versus previous year</i>								
2004 July	1.3	1.9	1.8	-	-	-	2.3	1.8	

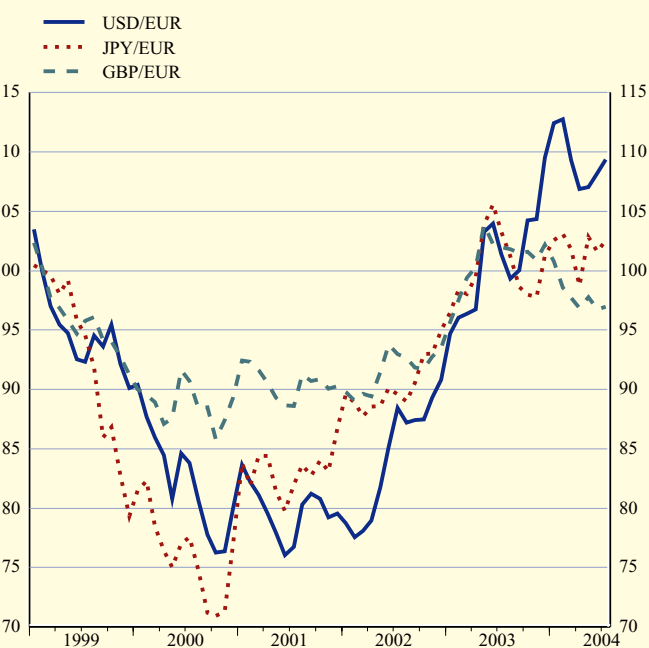
## C33 Effective exchange rates

(monthly averages; index 1999 Q1=100)



## C34 Bilateral exchange rates

(monthly averages; index 1999 Q1=100)



Source: ECB.



# DEVELOPMENTS OUTSIDE THE EURO AREA

## 9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

### 1. Economic and financial developments

	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Slovenia	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>HICP</b>													
2002	1.4	2.4	3.6	2.8	2.0	0.4	5.2	3.1	1.9	7.5	3.5	2.0	1.3
2003	-0.1	2.0	1.4	4.0	2.9	-1.1	4.7	2.6	0.7	5.7	8.5	2.3	1.4
2003 Q4	0.8	1.3	1.2	3.2	3.5	-1.2	5.4	1.1	1.4	5.0	9.4	1.9	1.3
2004 Q1	2.0	0.7	0.6	1.0	4.3	-1.1	6.8	0.9	1.8	3.7	8.2	0.6	1.3
2004 Q2	2.5	0.8	3.2	1.2	5.8	0.5	7.4	3.3	3.4	3.8	8.0	1.2	1.4
2004 Feb.	2.0	0.7	0.6	1.4	4.3	-1.2	7.0	0.9	1.8	3.6	8.4	0.2	1.3
2004 Mar.	2.1	0.4	0.7	0.1	4.7	-0.9	6.6	0.5	1.8	3.5	7.9	0.4	1.1
2004 Apr.	2.0	0.5	1.5	0.1	5.0	-0.7	7.0	3.6	2.3	3.6	7.8	1.1	1.2
2004 May	2.6	1.1	3.7	1.2	6.1	1.0	7.8	3.0	3.5	3.9	8.2	1.5	1.5
2004 June	2.7	0.9	4.4	2.4	6.1	1.0	7.5	3.3	4.3	3.9	8.1	1.2	1.6
<b>General government deficit (-)/surplus (+) as a % of GDP</b>													
2001	-6.4	3.1	0.3	-2.4	-1.6	-2.1	-4.4	-6.4	-3.5	-2.7	-6.0	2.8	0.7
2002	-6.4	1.7	1.8	-4.6	-2.7	-1.4	-9.3	-5.7	-3.6	-1.9	-5.7	0.0	-1.6
2003	-12.9	1.5	2.6	-6.3	-1.8	-1.7	-5.9	-9.7	-4.1	-1.8	-3.6	0.7	-3.2
<b>General government gross debt as a % of GDP</b>													
2001	25.2	47.8	4.7	64.4	16.2	23.4	53.5	61.8	36.7	26.9	48.7	54.4	38.9
2002	28.9	47.2	5.7	67.1	15.5	22.8	57.1	61.7	41.2	27.8	43.3	52.6	38.5
2003	37.6	45.0	5.8	72.2	15.6	21.9	59.0	72.0	45.4	27.1	42.8	51.8	39.8
<b>Long-term government bond yield as a % per annum, period average</b>													
2003 Dec.	4.82	4.52	-	4.75	5.07	4.81	8.24	4.71	6.76	5.27	5.42	4.86	4.94
2004 Jan.	4.68	4.35	-	4.75	5.06	4.81	8.36	4.71	6.67	5.14	5.16	4.65	4.84
2004 Feb.	4.80	4.30	-	4.79	5.05	4.81	8.65	4.70	6.82	5.01	5.11	4.55	4.88
2004 Mar.	4.50	4.10	-	5.17	4.98	4.64	8.04	4.70	6.65	4.99	5.09	4.31	4.76
2004 Apr.	4.60	4.30	-	5.17	4.89	4.55	7.89	4.65	7.02	4.83	5.06	4.55	4.99
2004 May	4.88	4.46	-	5.17	4.95	4.46	8.25	4.65	7.32	4.77	5.13	4.68	5.15
<b>3-month interest rate as a % per annum, period average</b>													
2003 Dec.	2.08	2.22	2.61	3.81	4.21	2.68	13.15	2.94	5.69	6.11	5.98	2.82	4.02
2004 Jan.	2.07	2.19	2.61	3.81	4.20	2.66	12.57	2.94	5.37	6.01	5.78	2.73	4.06
2004 Feb.	2.06	2.18	2.61	3.84	4.18	2.66	12.58	2.95	5.46	5.80	5.79	2.55	4.17
2004 Mar.	2.05	2.14	2.62	3.83	4.33	2.67	12.25	2.93	5.49	5.62	5.71	2.37	4.30
2004 Apr.	2.06	2.17	2.62	3.94	4.49	2.69	-	2.90	5.69	4.99	5.35	2.13	4.39
2004 May	2.16	2.20	2.61	5.16	4.47	2.70	-	2.90	5.99	4.76	4.91	2.14	4.53
<b>Real GDP</b>													
2002	1.7	1.0	7.2	2.0	6.4	6.8	3.5	1.7	1.3	3.4	4.4	2.1	1.8
2003	3.1	0.4	5.1	2.0	7.5	9.0	2.9	.	.	2.3	4.2	1.6	2.2
2003 Q4	3.3	1.1	6.2	2.9	7.5	10.6	3.6	.	.	2.5	4.7	2.3	2.9
2004 Q1	3.1	1.1	6.8	3.4	8.8	7.7	.	.	.	3.7	5.5	3.1	3.4
2004 Q2	.	.	.	.	.	6.9	.	.	.	.	.	.	.
<b>Current and capital accounts balance as a % of GDP</b>													
2002	-5.7	2.1	-9.9	-4.7	-6.8	-4.8	-6.8	-0.9	-2.6	1.4	-7.6	4.7	-1.6
2003	-6.5	2.8	-12.7	-3.4	-8.3	-6.5	-9.0	-5.2	-2.0	0.1	-0.5	6.3	-1.7
2003 Q3	-7.4	4.3	-9.8	9.4	-9.5	-4.6	-7.7	2.1	-1.1	1.9	0.8	6.6	-2.1
2003 Q4	-10.0	1.5	-15.9	-4.9	-9.0	-9.7	-9.1	.	-1.3	-0.7	-0.6	6.5	-1.7
2004 Q1	-2.6	2.9	-10.8	-12.6	-9.0	-8.9	-9.8	.	-1.4	0.8	1.7	7.8	-0.9
<b>Unit labour costs</b>													
2002	-	1.8	4.1	-	-0.4	-12.5	9.0	-	-	6.5	4.1	0.8	3.1
2003	-	1.9	4.6	-	4.9	0.2	.	-	-	.	7.2	0.5	.
2003 Q3	-	2.5	4.8	-	-	.	-	-	-	-	-	-	.
2003 Q4	-	0.7	2.7	-	-	.	-	-	-	-	-	-	.
2004 Q1	-	2.4	4.7	-	-	.	-	-	-	-	-	-	.
<b>Standardised unemployment rate as a % of labour force (s.a.)</b>													
2002	7.3	4.6	9.5	3.9	12.5	13.6	5.6	7.5	19.8	6.1	18.7	4.9	5.1
2003	7.8	5.6	10.1	4.5	10.5	12.7	5.8	8.2	19.2	6.5	17.1	5.6	5.0
2003 Q4	8.2	5.9	9.7	4.6	10.5	12.1	5.8	8.6	19.1	6.5	16.6	6.0	4.9
2004 Q1	8.6	5.9	9.4	4.7	10.6	11.7	5.9	8.9	19.1	6.4	16.5	6.3	4.7
2004 Q2	8.8	.	9.1	4.4	10.6	11.4	5.9	8.9	18.9	.	16.3	6.5	.
2004 Feb.	8.6	5.9	9.4	4.7	10.6	11.7	5.9	9.0	19.1	6.4	16.5	6.4	4.7
2004 Mar.	8.7	5.9	9.3	4.7	10.6	11.6	5.9	9.0	19.0	6.4	16.5	6.3	4.7
2004 Apr.	8.7	5.9	9.2	4.4	10.7	11.5	5.9	8.9	18.9	6.4	16.4	6.4	4.7
2004 May	8.7	5.9	9.1	4.2	10.6	11.4	5.9	8.9	18.9	6.4	16.3	6.7	.
2004 June	8.8	.	9.0	4.4	10.5	11.4	5.9	8.9	18.9	.	16.2	6.6	.

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

## 9.2 In the United States and Japan

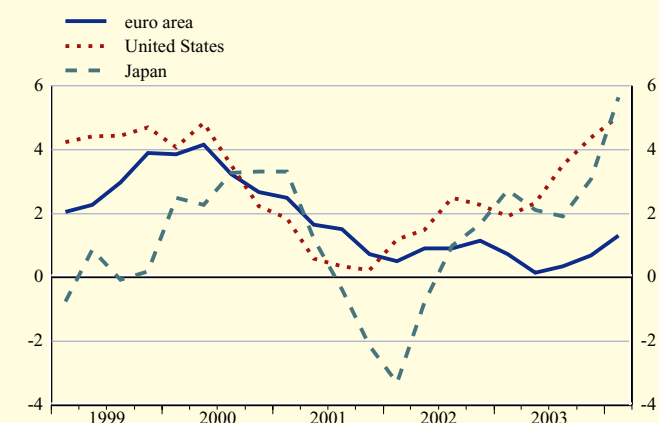
(annual percentage changes, unless otherwise indicated)

### 1. Economic and financial developments

	Consumer price index	Unit labour costs (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money <sup>1)</sup>	3-month interbank deposit rate <sup>2)</sup> as a % per annum	10-year government bond yield <sup>2)</sup> as a % per annum	Exchange rate <sup>3)</sup> as national currency per euro	Fiscal deficit (-)/surplus (+) as a % of GDP	Gross public debt <sup>4)</sup> as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
2000	3.4	4.3	3.7	4.8	4.0	9.4	6.53	6.03	0.9236	1.6	44.2
2001	2.8	0.1	0.8	-3.9	4.8	11.4	3.78	5.01	0.8956	-0.4	43.4
2002	1.6	-3.0	1.9	-0.5	5.8	8.0	1.80	4.60	0.9456	-3.8	45.6
2003	2.3	0.7	3.0	0.1	6.0	6.2	1.22	4.00	1.1312	-4.6	47.9
2003 Q2	2.1	1.1	2.3	-1.3	6.1	6.9	1.24	3.61	1.1372	-4.7	47.0
Q3	2.2	0.6	3.5	-0.6	6.1	7.2	1.13	4.21	1.1248	-5.1	47.4
Q4	1.9	0.5	4.4	1.7	5.9	4.5	1.17	4.27	1.1890	-4.3	47.9
2004 Q1	1.8	0.8	5.0	3.2	5.6	4.3	1.12	4.00	1.2497	-4.5	48.7
Q2	2.9	.	4.8	5.8	5.6	5.8	1.30	4.58	1.2046	.	.
2004 Mar.	1.7	.	.	4.1	5.7	4.9	1.11	3.81	1.2262	.	.
Apr.	2.3	.	.	5.5	5.6	5.4	1.15	4.32	1.1985	.	.
May	3.1	.	.	6.1	5.6	6.0	1.25	4.70	1.2007	.	.
June	3.3	.	.	5.9	5.6	5.9	1.50	4.73	1.2138	.	.
July	.	.	.	.	.	.	1.63	4.48	1.2266	.	.
Japan											
2000	-0.7	-6.7	2.8	5.7	4.7	2.1	0.28	1.76	99.47	-7.5	126.9
2001	-0.7	4.4	0.4	-6.8	5.0	2.8	0.15	1.34	108.68	-6.1	134.7
2002	-0.9	-3.2	-0.3	-1.2	5.4	3.3	0.08	1.27	118.06	-7.9	141.3
2003	-0.3	-3.8	2.5	3.2	5.3	1.7	0.06	0.99	130.97	.	.
2003 Q2	-0.2	-3.0	2.1	2.2	5.4	1.6	0.06	0.60	134.74	.	.
Q3	-0.2	-1.5	1.9	1.0	5.2	1.8	0.05	1.19	132.14	.	.
Q4	-0.3	-4.3	3.1	4.2	5.1	1.5	0.06	1.38	129.45	.	.
2004 Q1	-0.1	-6.5	5.6	6.8	4.9	1.7	0.05	1.31	133.97	.	.
Q2	-0.3	.	.	7.4	.	1.9	0.05	1.59	132.20	.	.
2004 Mar.	-0.1	-7.8	.	8.3	4.7	1.7	0.05	1.35	133.13	.	.
Apr.	-0.4	-7.6	.	8.7	4.7	2.0	0.05	1.51	129.08	.	.
May	-0.5	.	.	4.6	4.6	2.0	0.05	1.49	134.48	.	.
June	0.0	.	.	8.9	.	1.7	0.05	1.77	132.86	.	.
July	.	.	.	.	.	.	0.05	1.79	134.08	.	.

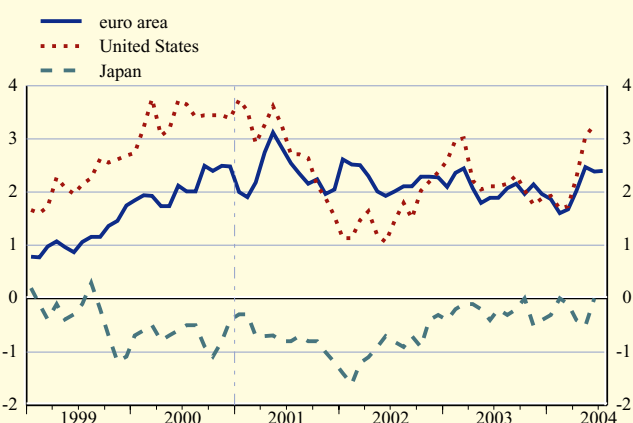
### C35 Real gross domestic product

(annual percentage changes; quarterly)



### C36 Consumer price indices

(annual percentage changes; monthly)



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

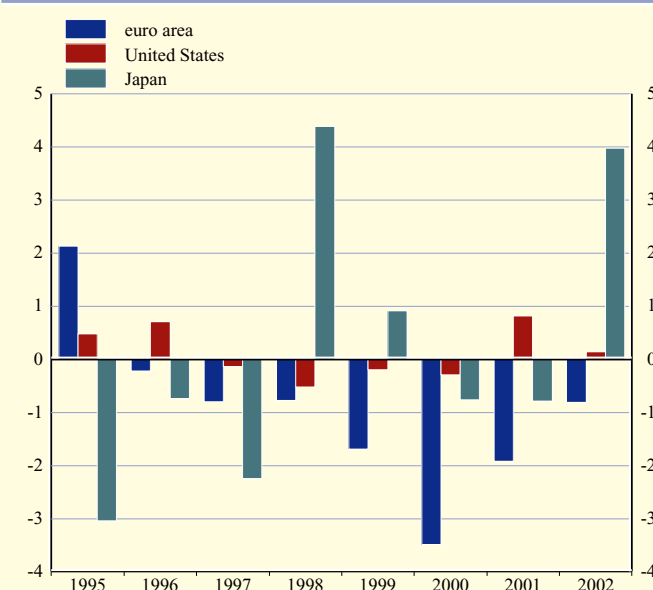
- 1) Average-of-period values; M3 for US, M2+CDs for Japan.
- 2) For more information, see Sections 4.6 and 4.7.
- 3) For more information, see Section 8.2.
- 4) Gross consolidated general government debt (end of period).

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

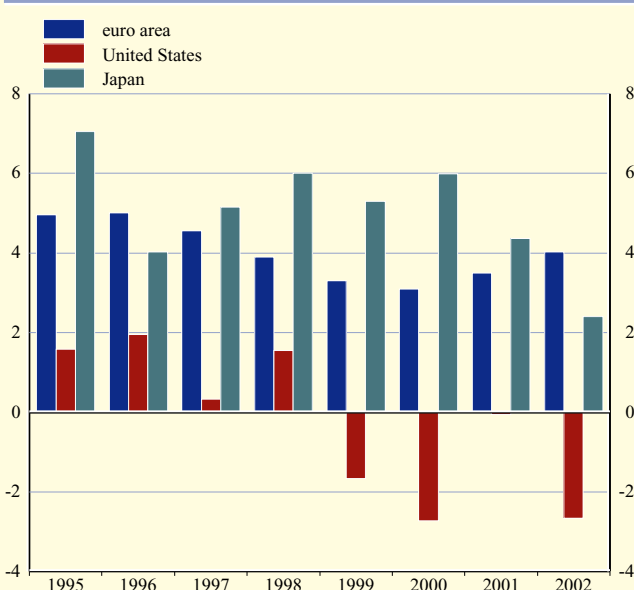
2. Saving, investment and financing

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households <sup>1)</sup>			
	Gross saving 1	Gross capital formation 2	Net lending to the rest of the world 3	Gross capital formation 4	Gross fixed capital formation 5	Net acquisition of financial assets 6	Gross saving 7	Net incurrence of liabilities 8	Securities and shares 9	Capital expenditures <sup>2)</sup> 10	Net acquisition of financial assets 11	Gross saving <sup>3)</sup> 12	Net incurrence of liabilities 13
United States													
2000	18.0	20.8	-4.0	9.5	9.0	12.3	7.5	12.6	2.4	12.6	3.1	11.0	5.9
2001	16.4	19.1	-3.8	8.0	8.4	1.8	7.6	0.9	1.8	12.7	5.9	10.6	5.9
2002	14.7	18.4	-4.4	7.4	7.4	1.2	8.2	1.0	0.0	12.8	4.0	11.1	6.7
2003	13.5	18.4	-4.7	7.1	7.2	5.0	8.7	3.2	0.9	13.0	7.0	10.9	8.3
2002 Q2	15.1	18.4	-4.6	7.3	7.4	2.3	8.2	2.1	0.4	12.8	3.5	11.6	5.7
Q3	14.5	18.5	-4.5	7.5	7.3	0.9	8.1	1.2	-1.6	12.8	2.7	10.9	5.8
Q4	13.8	18.4	-4.7	7.3	7.2	4.1	8.4	3.6	0.7	12.8	3.7	10.6	8.1
2003 Q1	12.9	18.1	-4.9	7.0	7.1	4.2	7.9	3.2	0.9	12.7	5.8	10.5	9.0
Q2	13.2	18.2	-5.0	7.0	7.1	5.7	8.6	3.9	2.1	12.9	11.4	11.1	12.6
Q3	13.4	18.4	-4.7	7.0	7.2	4.9	8.9	2.8	0.2	13.2	6.5	11.3	7.5
Q4	14.5	18.8	-4.3	7.3	7.3	5.0	9.4	2.9	0.3	13.1	4.4	10.7	4.3
2004 Q1	14.2	19.0	-4.8	7.5	7.3	5.3	9.1	3.4	0.7	12.9	7.1	10.7	9.5
Japan													
2000	27.8	26.3	2.3	15.4	15.5	0.9	14.5	-1.0	0.2	5.2	3.9	10.5	-0.1
2001	26.4	25.8	2.0	15.3	15.3	-2.8	14.3	-6.4	0.2	4.9	2.8	8.6	0.2
2002	25.7	23.9	2.8	13.8	14.0	-2.9	15.7	-7.0	-0.9	4.8	0.7	8.5	-2.1
2003	.	24.0	.	.	.	2.9	.	-5.0	-0.6	.	-0.8	.	-0.6
2002 Q2	24.1	23.4	2.8	.	.	-27.9	.	-23.7	0.8	.	5.8	.	-8.5
Q3	24.5	23.9	2.7	.	.	1.2	.	-9.7	-2.4	.	-6.8	.	-0.6
Q4	24.2	25.2	2.2	.	.	5.9	.	9.2	0.7	.	9.5	.	-1.5
2003 Q1	28.2	23.4	2.8	.	.	16.0	.	-4.6	0.3	.	-11.2	.	2.9
Q2	.	23.3	.	.	.	-25.1	.	-21.4	-0.9	.	4.1	.	-5.5
Q3	.	24.1	.	.	.	9.3	.	-2.9	-3.0	.	-5.4	.	1.6
Q4	.	24.9	.	.	.	11.6	.	8.3	1.2	.	8.4	.	-1.3
2004 Q1	.	23.8	.	.	.	10.6	.	-1.4	-0.6	.	-8.6	.	0.7

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



C38 Net lending of households<sup>1)</sup>  
(as a percentage of GDP)



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

1) Including non-profit institutions serving households.

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

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

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## TECHNICAL NOTES

### RELATING TO THE EURO AREA OVERVIEW (1. MONETARY DEVELOPMENTS AND INTEREST RATES)

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

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

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

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

### RELATING TO SECTIONS 2.1 TO 2.6

#### CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

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

#### CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

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

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

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

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

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

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

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

Finally, the three-month moving average for the annual growth rate of M3 is obtained as  $(a_t + a_{t-1} + a_{t-2})/3$ , where  $a_t$  is defined as in f) or g) above.

#### CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

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

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

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

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

#### RELATING TO SECTIONS 3.1 TO 3.3

#### CALCULATION OF GROWTH RATES

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

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

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

#### RELATING TO SECTION 4.3 AND 4.4

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

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

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

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

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

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

from transactions or from the index of adjusted outstanding amounts. If  $N_t^M$  represents the transactions (net issues) in month  $t$  and  $L_t$  the level outstanding at the end of the month  $t$ , the index  $I_t$  of adjusted outstanding amounts in month  $t$  is defined as:

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

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

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

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

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

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

## RELATING TO TABLE 1 IN SECTION 5.1

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

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

## RELATING TO TABLE 2 IN SECTION 7.1

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

The approach relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The raw data for goods and services are pre-adjusted to take “working day” and “Easter” effects into account. Data on income credits are subject to a “working day” pre-adjustment. The seasonal adjustment for these items is carried out using these pre-adjusted series. Income debits and current transfers are not pre-adjusted. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal factors are revised at semi-annual intervals or as required.

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





## GENERAL NOTES

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

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the Governing Council. For this issue, the cut-off date was 4 August 2004.

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

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

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

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

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

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

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

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

### OVERVIEW

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

### MONETARY POLICY STATISTICS

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

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

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

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

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

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

## MONEY, BANKING AND INVESTMENT FUNDS

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

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

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

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

Details of the sector definitions are set out in the “Money and Banking Statistics Sector

Manual – Guidance for the statistical classification of customers” (ECB, November 1999). The “Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics” (ECB, November 2002) explains practices recommended to be followed by the NCBs. Since 1 January 1999 the statistical information has been collected and compiled on the basis of Regulation ECB/1998/16 of 1 December 1998 concerning the consolidated balance sheet of the Monetary Financial Institutions sector<sup>1</sup>, as last amended by Regulation ECB/2003/10<sup>2</sup>.

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

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

## FINANCIAL AND NON-FINANCIAL ACCOUNTS

Sections 3.1 and 3.2 show quarterly data on financial accounts for non-financial sectors in the euro area, comprising general government (S.13 in the ESA 95), non-financial corporations (S.11 in the ESA 95), and households (S.14 in the ESA 95) including non-

<sup>1</sup> OJL 356, 30.12.1998, p. 7.

<sup>2</sup> OJL 250, 2.10.2003, p. 19.



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

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

The quarterly data in these three sections are based on quarterly national financial accounts data and MFI balance sheet and securities issues statistics. Sections 3.1 and 3.2 also refer to data taken from the BIS international banking statistics. Although all euro area countries contribute to the MFI balance sheet and securities issues statistics, Ireland and Luxembourg do not yet provide quarterly national financial accounts data.

Section 3.4 shows annual data on saving, investment (financial and non-financial) and financing for the euro area as a whole, and separately for non-financial corporations and households. These annual data provide, in particular, fuller sectoral information on the acquisition of financial assets and are consistent with the quarterly data in the two previous sections.

## FINANCIAL MARKETS

The series on financial market statistics for the euro area cover the EU Member States that had adopted the euro at the time to which the statistics relate.

Statistics on securities other than shares and quoted shares (Sections 4.1 to 4.4) are produced by the ECB using data from the ESCB and the BIS. Section 4.5 presents MFI interest rates on euro-denominated deposits and loans by euro area residents. Statistics on money market interest rates, long-term government bond yields and stock market indices (Sections 4.6 to 4.8) are produced by the ECB using data from wire services.

Statistics on securities issues cover securities other than shares (debt securities), which are presented in Sections 4.1, 4.2 and 4.3, and quoted shares, which are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. “Short-term” means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as “long-term”. The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. Euro-denominated securities indicated in Sections 4.1, 4.2 and 4.3 also include items expressed in national denominations of the euro.

Section 4.1 shows securities issued, redemptions, net issues and outstanding amounts for all maturities, with an additional breakdown of long-term maturities. Net issues differ from the change in outstanding amounts owing to valuation changes, reclassifications and other adjustments.

Columns 1 to 4 show the outstanding amounts, gross issues, redemptions and net issues for all euro-denominated issues. Columns 5 to 8 show



the outstanding amounts, gross issues, redemptions and net issues for all securities other than shares (debt securities) issued by euro residents. Columns 9 to 11 show the percentage share of the outstanding amounts, gross issues and redemptions of securities that have been issued in euro by euro area residents. Column 12 shows euro-denominated net issues by euro area residents.

Section 4.2 contains a sectoral breakdown of outstanding amounts and gross issues for euro area resident issuers which is in line with the ESA 95<sup>3</sup>. The ECB is included in the Eurosystem.

The total outstanding amounts in column 1 of Section 4.2 are identical to the data on outstanding amounts of Section 4.1, column 5. The outstanding amounts of securities issued by MFIs in Section 4.2, column 2, are broadly comparable with debt securities issued as shown on the liabilities side of the aggregated MFI balance sheet in Section 2.1, column 8.

Section 4.3 shows annual growth rates for debt securities issued by euro area residents (broken down by maturity and by sector of the issuer), which are based on financial transactions that occur when an institutional unit acquires or disposes of financial assets and incurs or repays liabilities. The annual growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions.

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

Section 4.4, columns 3, 5, 7 and 9, show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial

transactions that occur when an issuer sells or redeems shares for cash excluding investments in the issuers' own shares. Transactions include the quotation of an issuer on a stock exchange for the first time and the creation or deletion of new instruments. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes which do not arise from transactions.

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

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

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages.

<sup>3</sup> The code numbers in the ESA 95 for the sectors shown in tables in the Monthly Bulletin are: MFIs (including the Eurosystem), which comprises the ECB, the NCBs of the euro area countries (S.121) and other monetary financial institutions (S.122); non-monetary financial corporations, which comprises other financial intermediaries (S.123), financial auxiliaries (S.124) and insurance corporations and pension funds (S.125); non-financial corporations (S.11); central government (S.1311); and other general government, which comprises state government (S.1312), local government (S.1313) and social security funds (S.1314).

Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999 column 1 of Section 4.6 shows the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999 interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

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

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

## PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities. Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger car registrations are adjusted for the variations in the number of working days.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Section 5.1) is

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

Industrial producer prices (Table 2 in Section 5.1), industrial production and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics<sup>4</sup>. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001<sup>5</sup>. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

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

The Labour Cost Indices (Table 3 in Section 5.1) measure the average labour cost per hour worked. They do not, however, cover agriculture, fishing, public administration, education, health and services not elsewhere classified. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised national definition data.

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2

4 OJ L 162, 5.6.1998, p. 1.

5 OJ L 86, 27.3.2001, p. 11.

in Section 5.2), GDP deflators (Table 5 in Section 5.1) and employment statistics (Table 1 in Section 5.3) are results of the ESA 95 quarterly national accounts.

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

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

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

## GOVERNMENT FINANCE

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

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000<sup>6</sup> amending the ESA 95. Section 6.2 shows

details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in the Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002<sup>7</sup> on quarterly non-financial accounts for general government.

## EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1, 7.2, 7.4 and 7.5) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 2 May 2003 on the statistical reporting requirements of the ECB (ECB/2003/7)<sup>8</sup>, and Eurostat documents. Additional references about the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled “European Union balance of payments/international investment position statistical methods” (November 2003), which can be downloaded from the ECB’s website.

The presentation of net transactions in the financial account follows the sign convention of the IMF Balance of Payments Manual: an increase of assets appears with a minus sign, while an increase of liabilities appears with a

6 OJ L 172, 12.7.2000, p. 3.

7 OJ L 179, 9.7.2002, p. 1.

8 OJ L 131, 28.5.2003, p. 20.

plus sign. In the current account and capital account, both credit and debit transactions are presented with a plus sign.

The euro area b.o.p. is compiled by the ECB. The recent monthly figures should be regarded as provisional. Data are revised when figures for the following month and/or the detailed quarterly b.o.p. are published. Earlier data are revised periodically or as a result of methodological changes in the compilation of the source data.

Table 2 in Section 7.1 contains seasonally adjusted data for the current account. Where appropriate, the adjustment covers also working-day, leap year and/or Easter effects.

Table 7 in Section 7.1 provides a sectoral breakdown of euro area purchasers of securities issued by non-euro area residents. It is not yet possible to show a sectoral breakdown of euro area issuers of securities acquired by non-residents.

This issue of the Monthly Bulletin is the first to include the euro area balance of payments with “loans” separated from “currency and deposits” for the assets of euro area non-MFIs (see Tables 8 and 9 in Section 7.1). So far, the euro area balance of payments has been published with the instruments “loans” and “currency and deposits” aggregated within the “other investment” account. The distinction between these categories is important since “currency and deposits” may be used for expenditure in the euro area. The new breakdown is based on the sector of the non-resident counterpart, i.e. assets vis-à-vis non-resident banks are classified as deposits, whereas assets vis-à-vis other non-resident sectors are classified as loans. This breakdown follows the distinction made in other statistics such as the MFI consolidated balance sheet and conforms with the IMF Balance of Payments Manual (1993). The new series comprise data from January 2004 onwards.

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

Section 7.3 shows data on euro area external trade in goods. The main source is Eurostat. The ECB derives volume indices from Eurostat value and unit value indices, and performs seasonal adjustment of unit value indices, while value data are seasonally and working-day adjusted by Eurostat.

The breakdown by product group in columns 4 to 6 and 9 to 11 of Table 7.3.1 is in line with the classification by Broad Economic Categories. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 3 definition. The geographical breakdown shows main trading partners individually or in regional groups.

Owing to differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the balance of payments statistics (Sections 7.1 and 7.2). The difference for imports accounted for around 5% in the recent years (ECB estimate), a significant part of which relates to the inclusion of insurance and freight services in the external trade data (c.i.f. basis).

The data on the euro area i.i.p. in Section 7.4 are based on positions vis-à-vis non-euro area residents, considering the euro area as a single economy (see also Box 9 in the December 2002 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used to a large extent.

The outstanding amounts of the Eurosystem's international reserves and related assets and liabilities are shown in Section 7.5, together with the part held by the ECB. These figures are not fully comparable with those of the Eurosystem's weekly financial statement owing to differences in coverage and valuation. The data in Section 7.5 are in line with the recommendations for the IMF/BIS template on international reserves and foreign currency liquidity. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, updated on 8 March 2004. More information on the statistical treatment of the Eurosystem's international reserves can be found in a publication entitled "Statistical treatment of the Eurosystem's international reserves" (October 2000), which can be downloaded from the ECB's website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

## EXCHANGE RATES

Section 8.1 shows ECB calculations of nominal and real effective exchange rate indices for the euro, based on weighted averages of bilateral euro exchange rates. A positive change denotes an appreciation of the euro. Weights are based on 1995-97 manufactured goods trade with the trading partners and capture third-market effects. The narrow group is composed of the United States, the United Kingdom, Japan, Switzerland, Sweden, South Korea, Hong Kong, Denmark, Singapore, Canada, Norway and Australia. In addition, the broad group

includes the following countries: Algeria, Argentina, Brazil, China, Croatia, Cyprus, the Czech Republic, Estonia, Hungary, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Poland, Romania, Russia, Slovakia, Slovenia, South Africa, Taiwan, Thailand and Turkey. Real rates are calculated using consumer prices (CPI), producer prices (PPI), gross domestic product (GDP deflator), unit labour costs in manufacturing (ULCM) and unit labour costs in the total economy (ULCT). For more detailed information on the calculation of effective exchange rates, see the article entitled "Developments in the euro area's international cost and price competitiveness" in the August 2003 issue of the Monthly Bulletin and the ECB's Occasional Paper No. 2 ("The effective exchange rates of the euro", Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies.

## DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States (Section 9.1) follow the same principles as those for data relating to the euro area. Data for the United States and Japan contained in Section 9.2 are obtained from national sources.





# CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSISTEM<sup>1</sup>

## 3 JANUARY 2002

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.25%, 4.25% and 2.25% respectively.

The Governing Council also decides on an allotment amount of €20 billion per operation for the longer-term refinancing operations to be conducted in 2002. This amount takes into consideration the expected liquidity needs of the euro area banking system in 2002 and the desire of the Eurosystem to continue to provide the bulk of refinancing of the financial sector through its main refinancing operations. The Governing Council may adjust the allotment amount in the course of the year in the event of unexpected developments in liquidity needs.

## 7 FEBRUARY, 7 MARCH, 4 APRIL, 2 MAY, 6 JUNE, 4 JULY 2002

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.25%, 4.25% and 2.25% respectively.

## 10 JULY 2002

The Governing Council of the ECB decides to reduce the allotment amount for each of the longer-term refinancing operations to be conducted in the second half of 2002 from €20 billion to €15 billion. This latter amount takes into consideration the expected liquidity needs of the euro area banking system in the second half of 2002 and reflects the desire of the Eurosystem to continue to provide the bulk of liquidity through its main refinancing operations.

## 1 AUGUST, 12 SEPTEMBER, 10 OCTOBER, 7 NOVEMBER 2002

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.25%, 4.25% and 2.25% respectively.

## 5 DECEMBER 2002

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.50 percentage point to 2.75%, starting from the operation to be settled on 11 December 2002. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.50 percentage point, to 3.75% and 1.75% respectively, both with effect from 6 December 2002.

In addition, it decides that the reference value for the annual growth rate of the broad monetary aggregate M3 will remain at 4½%.

## 9 JANUARY 2003

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.75%, 3.75% and 1.75% respectively.

## 23 JANUARY 2003

The Governing Council of the ECB decides to implement the following two measures to

<sup>1</sup> The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2001 can be found on pages 176 to 180 of the ECB's Annual Report 1999, on pages 205 to 208 of the ECB's Annual Report 2000 and on pages 219 to 220 of the ECB's Annual Report 2001.



improve the operational framework for monetary policy:

First, the timing of the reserve maintenance period will be changed so that it will always start on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is pre-scheduled. Furthermore, as a rule, the implementation of changes to the standing facility rates will be aligned with the start of the new reserve maintenance period.

Second, the maturity of the MROs will be shortened from two weeks to one week.

These measures are scheduled to come into effect during the first quarter of 2004.

Further to the press release of 10 July 2002, the Governing Council also decides to maintain at €15 billion the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2003. This amount takes into consideration the expected liquidity needs of the euro area banking system in 2003 and reflects the desire of the Eurosystem to continue to provide the bulk of liquidity through its main refinancing operations.

### **6 FEBRUARY 2003**

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.75%, 3.75% and 1.75% respectively.

### **6 MARCH 2003**

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.25 percentage

point to 2.50%, starting from the operation to be settled on 12 March 2003. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.25 percentage point, to 3.50% and 1.50% respectively, both with effect from 7 March 2003.

### **3 APRIL 2003**

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.50%, 3.50% and 1.50% respectively.

### **8 MAY 2003**

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.50%, 3.50% and 1.50% respectively.

It also announces the results of its evaluation of the ECB's monetary policy strategy. This strategy, which was announced on 13 October 1998, consists of three main elements: a quantitative definition of price stability, a prominent role for money in the assessment of risks to price stability, and a broadly based assessment of the outlook for price developments.

The Governing Council confirms the definition of price stability formulated in October 1998, namely that "price stability is defined as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. Price stability is to be maintained over the medium term". At the same time, the Governing Council agrees that in the pursuit of price stability it will aim to maintain



inflation rates close to 2% over the medium term.

The Governing Council confirms that its monetary policy decisions will continue to be based on a comprehensive analysis of the risks to price stability. At the same time, the Governing Council decides to clarify in its communication the respective roles played by economic and monetary analysis in the process of coming to the Council's overall assessment of risks to price stability.

To underscore the longer-term nature of the reference value for monetary growth as a benchmark for the assessment of monetary developments, the Governing Council also decides that it will no longer conduct a review of the reference value on an annual basis. However, it will continue to assess the underlying conditions and assumptions.

#### 5 JUNE 2003

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.50 percentage point to 2.0%, starting from the operation to be settled on 9 June 2003. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.50 percentage point, to 3.0% and 1.0% respectively, both with effect from 6 June 2003.

#### 10 JULY, 31 JULY, 4 SEPTEMBER, 2 OCTOBER, 6 NOVEMBER, 4 DECEMBER 2003 AND 8 JANUARY 2004

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

#### 12 JANUARY 2004

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2004 from €15 billion to €25 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated for the year 2004. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2005.

#### 5 FEBRUARY, 4 MARCH 2004

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

#### 10 MARCH 2004

In accordance with the Governing Council's decision of 23 January 2003, the maturity of the Eurosystem's main refinancing operations is reduced from two weeks to one week and the maintenance period for the Eurosystem's required reserve system is redefined to start on the settlement day of the main refinancing operation following the Governing Council meeting at which the monthly assessment of the monetary policy stance is pre-scheduled, rather than on the 24th day of the month.



1 APRIL, 6 MAY, 3 JUNE, 1 JULY,  
5 AUGUST 2004

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

## DOCUMENTS PUBLISHED BY THE EUROPEAN CENTRAL BANK SINCE 2003



This list is designed to inform readers about selected documents published by the European Central Bank since January 2003. For Working Papers, the list only refers to publications released between May and July 2004. The publications are available to interested parties free of charge from the Press and Information Division. Please submit orders in writing to the postal address given on the back of the title page.

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

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## GLOSSARY

**Autonomous liquidity factors:** liquidity factors which normally do not stem from the use of monetary policy instruments. They include, for example, banknotes in circulation, government deposits with the central bank, and net foreign assets of the central bank.

**Central parity:** the exchange rate of ERM II member currencies vis-à-vis the euro around which the ERM II fluctuation margins are defined.

**Compensation per employee:** compensation is defined as the total remuneration, in cash or in kind, payable by employers to employees. Compensation includes gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions. Compensation per employee is defined as total compensation divided by the total number of employees.

**Consolidated balance sheet of the MFI sector:** obtained by netting out inter-MFI positions (mainly loans granted by one MFI to another) on the aggregated MFI balance sheet.

**Debt (financial accounts):** includes loans, debt securities issued, and pension fund reserves of non-financial corporations, valued at market value at the end of the period. In the quarterly financial accounts, debt does not include loans granted by non-financial sectors (for example inter-company loans) or by banks outside the euro area, whereas these components are included in the annual financial accounts.

**Debt ratio (general government):** general government debt is defined as total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government. The government debt-to-GDP ratio is defined as the ratio of general government debt to gross domestic product at current market prices and is the subject of one of the fiscal convergence criteria laid down in Article 104 (2) of the Treaty establishing the European Community.

**Debt securities:** represent a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) at a specified future date or dates. They usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

**Deficit ratio (general government):** the general government deficit is defined as net borrowing and corresponds to the difference between total government revenue and total government expenditure. The deficit ratio is defined as the ratio of the general government deficit to gross domestic product at current market prices and is the subject of one of the fiscal convergence criteria laid down in Article 104 (2) of the Treaty establishing the European Community. It is also referred to as the budget deficit ratio or the fiscal deficit ratio.

**Deposit facility:** a standing facility of the Eurosystem which counterparties may use to make overnight deposits, remunerated at a pre-specified interest rate, at a national central bank.

**Direct investment:** cross-border investment that reflects the objective of obtaining a lasting interest in an enterprise resident in another economy (in practice assumed for ownership equivalent to at least 10% of the voting rights). The direct investment account records net acquisitions of assets abroad by euro area residents (as "direct investment

abroad”) and net acquisitions of euro area assets by non-residents (as “direct investment in the euro area”). Direct investment includes equity capital, reinvested earnings and other capital associated with inter-company operations.

**EC surveys:** qualitative business and consumer surveys conducted for the European Commission. Questions are addressed to managers in manufacturing, construction, retail and services as well as to consumers. The confidence indicators are composite indicators calculated as the arithmetic average of the percentage balances of several components (see Table 5.2.5 in the “Euro area statistics” section for details).

**EONIA (euro overnight index average):** a measure of the interest rate prevailing in the euro interbank overnight market based on transactions.

**Equity securities:** represent ownership of a stake in a corporation. Comprise shares traded on stock exchanges (quoted shares), unquoted shares and other forms of equity. Equities usually produce income in the form of dividends.

**ERM II (exchange rate mechanism II):** the exchange rate arrangement which provides the framework for exchange rate policy cooperation between the euro area countries and the EU Member States not participating in Stage Three of EMU.

**EURIBOR (euro interbank offered rate):** the rate at which a prime bank is willing to lend funds in euro to another prime bank, computed daily for interbank deposits with different maturities of up to 12 months.

**Euro effective exchange rates (EERs, nominal/real):** nominal euro EERs are weighted averages of bilateral euro exchange rates against the currencies of euro area’s trading partners. The ECB publishes nominal EER indices for the euro against the currencies of a narrow and a broad group of trading partners. The weights used reflect the share of each partner country in euro area trade. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are, thus, measures of price and cost competitiveness.

**Eurozone Manufacturing Input Prices Index (EPI):** a weighted average of the manufacturing input price data derived from surveys of manufacturing business conditions conducted in a number of euro area countries.

**Eurozone purchasing managers’ surveys:** surveys of manufacturing and service sector business conditions conducted for a number of countries in the euro area and used to compile indices. The Eurozone Manufacturing Purchasing Managers’ Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers’ delivery times and stocks of purchases. The service sector survey asks questions on business activity, expectations of future business activity, amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated combining the results from the manufacturing and service sector surveys.

**External trade in goods:** intra- and extra-euro area exports and imports of goods, measured in terms of value and as volume and unit value indices. Intra-euro area trade records the arrival and dispatch of goods flowing between the euro area countries, while extra-euro area trade records

the external trade of the euro area. External trade statistics are not directly comparable with exports and imports recorded in the National Accounts, as the latter include both intra- and extra-euro area transactions and also combine goods and services.

**Fixed rate tender:** a tender procedure where the interest rate is specified in advance by the central bank and participating counterparties bid the amount of money they wish to transact at the fixed interest rate.

**General government:** comprises central, state and local government and social security funds. Publicly-owned units carrying out commercial operations, such as public enterprises, are in principle excluded from general government.

**Gross domestic product (GDP):** the final result of production activity. It corresponds to the economy's output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates which make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and exports and imports of goods and services (including intra-euro area trade).

**Gross monthly earnings:** a measure of gross monthly wages and salaries of employees, including employees' social security contributions.

**Harmonised Index of Consumer Prices (HICP):** a measure of consumer prices which is compiled by Eurostat and harmonised for all EU countries.

**Hourly labour cost index:** a measure of labour costs, including gross wages and salaries (including bonuses of all kinds), employers' social security contributions and other labour costs (such as vocational training costs, recruitment costs and employment-related taxes) and net of subsidies, per hour actually worked. Hourly costs are obtained by dividing the total of these costs for all employees by all hours worked by them (including overtime).

**Implied volatility:** a measure of expected volatility (standard deviation in terms of annualised percentage changes) in the prices of, for example, bonds and stocks (or of corresponding futures contracts), which can be extracted from option prices.

**Index of negotiated wages:** a measure of the direct outcome of collective bargaining in terms of basic pay (i.e. excluding bonuses) at the euro area level. It refers to the implied average change in monthly wages and salaries.

**Industrial producer prices:** a measure of the factory-gate prices (transportation costs are not included) of all products sold by industry excluding construction on the domestic markets of the euro area countries, excluding imports.

**Industrial production:** a measure of the gross value added created by industry at constant prices.

**Inflation-indexed government bonds:** debt securities whose coupon payments and principal are linked to a specific consumer price index.

**International investment position (i.i.p.):** the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world. Also referred to as the net external asset position.

**Job vacancies:** a measure of newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has taken recent active steps to find a suitable candidate.

**Key ECB interest rates:** the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the minimum bid rate on the main refinancing operations, the interest rate on the marginal lending facility and the interest rate on the deposit facility.

**Labour force:** the sum of persons in employment and the number of unemployed.

**Labour productivity:** a measure of the output that can be produced with a given input of labour. Labour productivity can be measured in several ways. It is commonly measured as GDP at constant prices divided by either total employment or total hours worked.

**Longer-term refinancing operation:** a monthly open market operation, conducted by the Eurosystem, with a usual maturity of three months. The operations are conducted as variable rate tenders with pre-announced allotment volumes.

**M1:** narrow monetary aggregate. Comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

**M2:** intermediate monetary aggregate. Comprises M1 and deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

**M3:** broad monetary aggregate. Comprises M2 and marketable instruments, i.e. repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

**Marginal lending facility:** a standing facility of the Eurosystem which counterparties may use to receive credit from a national central bank at a pre-specified interest rate against eligible assets.

**Main refinancing operation:** a weekly open market operation conducted by the Eurosystem. In 2003 the Governing Council decided that as of March 2004 the maturity of these operations would be reduced from two weeks to one. The operations are conducted as variable rate tenders with a pre-announced minimum bid rate.

**MFIs (monetary financial institutions):** financial institutions forming the money-issuing sector of the euro area. They include the ECB, the national central banks of the euro area countries, and credit institutions and money market funds located in the euro area.

**MFI credit to euro area residents:** comprises MFI loans to euro area residents and MFI holdings of securities issued by euro area residents. Securities comprise shares, other equity and debt securities.

**MFI longer-term financial liabilities:** comprise deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

**MFI net external assets:** comprise external assets of euro area MFIs (such as gold, non-euro banknotes, securities issued by non-euro area residents and loans granted to non-euro area residents) minus external liabilities of the euro area MFI sector (such as non-euro area residents' holdings of deposits, repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs).

**Portfolio investment:** a record of net acquisitions by euro area residents of securities issued by non-residents of the euro area ("assets") and net acquisitions by non-residents of the euro area of securities issued by euro area residents ("liabilities"). Includes equity securities, debt securities in the form of bonds and notes, and money market instruments. Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the voting rights.

**Price stability:** the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

**Reference value for M3 growth:** the annual growth rate of M3 over the medium term consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

**Reserve requirement:** the minimum amount of reserves a credit institution is required to hold with the Eurosystem. Compliance is determined on the basis of the average of the daily balances over a maintenance period of around one month.

**Unit labour costs:** a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation of employees to gross domestic product at constant prices.

**Variable rate tender:** a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

**Wage drift:** a measure of the gap between the rate of increase of wages and salaries actually paid and that of basic negotiated wages (e.g. due to additional elements such as bonuses and promotion premia and clauses covering unexpected inflation).

**Yield curve:** describes the relationship between interest rates at different maturities at a given point in time. The slope of the yield curve can be measured as the difference between interest rates at two selected maturities.

