



EUROPEAN CENTRAL BANK

MONTHLY BULLETIN 06 | 2005

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MONTHLY BULLETIN  
JUNE

EUROPEAN CENTRAL BANK





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## MONTHLY BULLETIN JUNE 2005

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*The cut-off date for the statistics included in this issue was 1 June 2005.*

ISSN 1561-0136 (print)

ISSN 1725-2822 (online)



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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 2 June 2005, 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 the deposit facility were also left unchanged at 3.0% and 1.0% respectively.

Overall, on the basis of its regular economic and monetary analyses, the Governing Council expects euro area underlying inflationary pressures to remain contained in the medium term. Accordingly, it decided to leave the key ECB interest rates unchanged. The exceptionally low level of interest rates across the entire maturity spectrum continues to provide considerable support to economic growth in the euro area, which currently shows only moderate dynamics. At the same time, the Governing Council will remain vigilant with regard to upside risks to price stability.

As regards the economic analysis underlying the Governing Council's assessment, real GDP grew by 0.5% quarter on quarter in the first quarter of 2005, according to first estimates, compared with 0.2% in the previous quarter. However, figures for real GDP growth over the last two quarters partly reflect statistical effects related to working-day adjustments to the data. This has led to some understatement of growth dynamics in the last quarter of 2004 and to some overstatement in the first quarter of 2005. Most recent indicators for economic activity remain, on balance, on the downside.

The moderation in economic activity observed since mid-2004 is partly related to the rise in oil prices. Looking ahead, there is scope for positive fundamental factors to again shape the outlook, assuming that the effects from adverse developments gradually diminish. Notably, global economic activity is expected to remain strong, despite some moderation from the record levels observed last year. This continues to support euro area exports and should also have a positive impact on investment. Investment is expected to benefit from robust earnings, improvements in business efficiency

and the very favourable financing conditions. At the same time, consumption growth is expected to develop in line with real disposable income growth.

This assessment is broadly consistent with the June 2005 Eurosystem staff projections. Euro area real GDP is projected to grow at rates of between 1.1% and 1.7% in 2005, and between 1.5% and 2.5% in 2006. Recent forecasts from international and private sector organisations give similar indications. In comparison with the March 2005 ECB staff projections, the ranges projected for real GDP growth in 2005 and 2006 have been adjusted slightly downwards.

All in all, in the judgement of the Governing Council real economic growth should gradually improve over the period ahead. At the same time, recent data have heightened the uncertainties surrounding the short-term evolution of domestic demand, and persistently high oil prices and global imbalances may pose downside risks to the projections for economic growth.

Turning to price developments in the euro area, according to Eurostat's flash estimate annual HICP inflation was 2.0% in May, compared with 2.1% in April. Over the coming months, annual HICP inflation rates are expected to remain broadly around current levels. On the one hand, energy prices are exerting upward pressure on HICP inflation. On the other hand, underlying inflationary pressure has been rather contained and, on average, wage increases have remained moderate over recent quarters.

In the June 2005 Eurosystem staff projections, average annual HICP inflation is seen to lie between 1.8% and 2.2% in 2005, and between 0.9% and 2.1% in 2006. Compared with the ECB staff projections published in March 2005, the inflation projections for 2005 have been revised slightly upwards and for 2006 slightly downwards. In 2006, this largely reflects the expected statistical effect of a planned health care reform in one euro area country, the Netherlands, which is estimated to imply a

one-off reduction of 0.2 percentage point in the euro area inflation rate for 2006. This effect should be excluded from the assessment of the medium-term outlook for price stability.

Taking into account the assumptions underlying the projections, upside risks to the inflation projections prevail. These risks relate notably to future oil price developments, indirect taxes and administered prices. Furthermore, ongoing vigilance is required in order to ensure that past price increases do not lead to second-round effects in wage and price-setting throughout the economy. In this respect, continued responsibility on the part of social partners is very important.

The monetary analysis provides further insight into the risks to price stability over the medium to longer term. Over the past few months, money and credit have continued to grow robustly in the euro area. These developments mainly reflect the stimulative effect of the low level of interest rates in the euro area. The monetary dynamics are driven by the strong growth of the most liquid components of broad money contained in the narrow aggregate M1. At the same time, the euro area private sector's demand for MFI loans, in particular for house purchase, has remained strong.

The assessment of ample liquidity in the euro area is confirmed by all indicators. In the light of, among other things, the increasingly liquid nature of monetary expansion, the accumulated stock of the broad monetary aggregate M3 may entail upside risks to price stability over the medium to longer term.

To sum up, the economic analysis suggests that underlying domestic inflationary pressures remain contained in the medium term. At the same time, it is necessary to underline the conditionality of this assessment and the related upside risks to price stability. Cross-checking with the monetary analysis supports the case for ongoing vigilance.

As regards fiscal policies, developments in the euro area remain of concern. While a few countries are succeeding in maintaining sound budgetary positions, in several countries it is essential that fiscal consolidation is given the highest priority in view of the budgetary situation. Moreover, the revised rules and procedures for the Stability and Growth Pact, expected to take effect soon, need to be implemented in a strict manner to ensure credibility and to promote a timely return to sound budgetary positions.

With respect to structural reforms, the "Integrated Guidelines" for 2005-08, covering both the new Broad Economic Policy Guidelines and the new Employment Guidelines, are soon to be adopted. These guidelines for economic and employment policies will, in turn, serve as the basis for action at the EU level and for Member States to draw up national reform programmes by the autumn of this year. The new governance structure of the Lisbon agenda should provide fresh impetus to structural reforms in Europe. These reforms are vital for Europe's ability to respond to the challenges arising from an ongoing deepening in the global division of labour, the fast process of technological change and the ageing of the population. A determined approach in addressing these challenges and successful communication that convinces the public of the benefits of the reforms hold the key to both improving the economic outlook in the short run and sustaining the prosperity of European citizens in the longer term.

# ECONOMIC AND MONETARY DEVELOPMENTS

## I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

The global economy continues to expand at a fairly robust pace. In particular, growth in the United States and China continues to support global activity, while the Japanese economy also rebounded in the first quarter. At the same time, global inflationary pressures remain contained overall. The outlook for the global economy and for euro area foreign demand remains fairly favourable. Risks to this outlook are associated with the impact of high oil prices and the persistence of global imbalances.

### I.1 DEVELOPMENTS IN THE WORLD ECONOMY

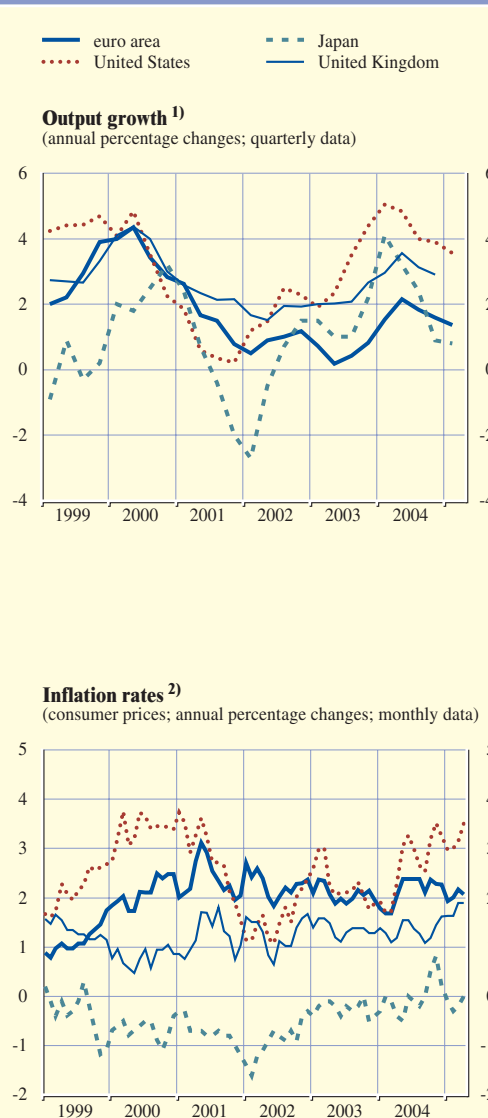
The global economy continues to expand at a fairly robust pace. In particular, growth in the United States and China continues to support global activity. Furthermore, the rebound in the Japanese economy in early 2005 was confirmed by first-quarter GDP figures. Global growth appears to have been particularly bolstered by the service sector, while manufacturing activity has been less strong in some countries. Largely reflecting past developments in oil prices, annual consumer price inflation increased recently in a number of countries. The annual rate of change of the CPI excluding food and energy stood at 2% on average for the OECD countries in March.

#### UNITED STATES

In the United States, economic activity slowed slightly in early 2005. According to “preliminary estimates”, real GDP grew at a quarterly annualised rate of 3.5% in the first quarter of 2005. The growth in private consumption and fixed investment decreased somewhat from the robust rates of the last quarter of 2004, whereas inventory investment grew more than in the previous quarter. The export growth rate increased, but the contribution of net trade to GDP remained negative, as imports continued to increase rapidly.

Recent data releases suggest that the economy has continued to expand in recent months, albeit at a slower rate than in the second half of 2004. Household spending has decelerated somewhat according to data available through April. At the same time, industrial production in April was virtually unchanged from the first quarter average. Business sentiment in the

Chart I Main developments in major industrialised economies



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



manufacturing sector has deteriorated slightly as suggested, for example, by the ISM index, but remains consistent with continued expansion overall. The weakness in orders for non-defence capital goods excluding aircraft points to a possible moderation in business fixed investment spending in recent months. High energy prices and the expiry of tax incentives for equipment spending may be behind this development.

The gradual absorption of accumulated slack in the labour market has continued. During the first four months of 2005, the average monthly increase in non-farm payroll employment was 211 000, against 162 000 in the second half of 2004. The annualised quarter-on-quarter increase in unit labour costs in the non-farm business sector rose to 2.2% in the first quarter of 2005.

Looking ahead, output growth is likely to remain fairly robust in the near future. Despite the recent weakening in orders, strong corporate profits and relatively favourable financing conditions should continue to support investment spending. Thus, business fixed investment is expected to continue growing, albeit at a more moderate rate than at the end of 2004. Given the historically low personal saving rate and significant household indebtedness, consumption spending growth is likely to depend increasingly on developments in disposable income rather than possible further reductions in savings. Growth in household income is expected to benefit from the continued improvement in labour market conditions, which also seem to be slowly leading to increases in real wages and salaries.

Annual consumer price inflation continued to increase, predominantly reflecting developments in the prices of food and energy. The annual rate of change of the headline CPI was 3.5% in April, against 3.1% in March. By contrast, annual consumer price inflation excluding food and energy declined slightly to 2.2% in April, despite continued signs of price pressures from producer prices, unit labour costs and anecdotal survey evidence.

## **JAPAN**

In Japan, the first estimate of national accounts for the first quarter of 2005 showed a surprisingly strong rebound in output growth, with real GDP rising by 1.3% on a quarterly basis, following zero growth in the last quarter of 2004. This rebound was entirely driven by strong private domestic demand, in particular private consumption and non-residential investment. According to various household surveys, favourable developments in labour markets have recently been reported as the main factors supporting consumer activity. The contribution from public spending was nil, while that of net trade was slightly negative, mainly reflecting weak export activity.

Looking ahead, the Japanese economy is likely to recover gradually, albeit at a less robust rate than in the first quarter. The strong first-quarter rebound may be interpreted to some extent as a “correction” following weak growth performance during most of 2004.

With regard to price developments, the annual rate of change in the CPI was 0.0% in April, while that of the CPI excluding fresh food stood at -0.2%. By contrast, producer prices – as measured by the domestic corporate goods price index – rose by 1.8% in April, reflecting increases in the prices of oil products and raw materials.

At its meeting on 20 May, the Bank of Japan decided to maintain its target for the outstanding balance of current accounts unchanged at around JPY 30-35 trillion. At the same time, it stated in the associated press release that when the demand for liquidity is exceptionally weak due to technical factors, the balance may be allowed to fall below the lower threshold of the target.

## UNITED KINGDOM

In the United Kingdom, output growth moderated somewhat in the first quarter of 2005, but remained fairly robust overall. Real GDP growth slowed to a quarterly rate of 0.5% in the first quarter (corresponding to 2.7% year on year). The moderation in economic growth mainly stemmed from subdued private consumption growth. In addition, gross fixed capital formation growth came to a halt and exports declined. However, as imports fell more strongly, the contribution of net exports to quarterly GDP growth was positive in the first quarter. Looking ahead, the prospects for economic activity remain positive, although growth in 2005 may prove somewhat weaker than last year, largely reflecting the slowdown in private consumption growth.

In April 2005 annual HICP inflation stood at 1.9%, unchanged from March but up from the 1.6% registered in each of the three preceding months. Inflation in April and March was primarily driven by prices for transport and food. The annual rate of producer price inflation continued to increase, mainly due to higher energy prices, reaching 10.7% in April. Growth in average earnings abated somewhat in March compared with February, although it remained fairly strong. The housing market seems to have stabilised and increases in house prices continued to slow in March. At its meeting on 9 May, the Bank of England's Monetary Policy Committee decided to leave the policy rate unchanged at 4.75%.

## OTHER EUROPEAN COUNTRIES

Economic activity in the other non-euro area EU countries continues to be dynamic, although it may have slowed in some countries in the first quarter of 2005. Nonetheless, demand from this region still has a significant positive impact on foreign demand in the euro area. Inflationary pressures remained muted in most of these economies, although the previous decline in inflation in some countries seems to have come to an end, partly owing to recent increases in energy prices.

In Denmark, preliminary estimates for the first quarter show that real GDP slowed to 0.8% compared with a year earlier, whereas short-term indicators for Sweden suggest that output growth may have been robust in the first quarter. The decline in Danish growth in the first quarter was mainly due to weaker domestic demand. The short-term outlook is, however, still positive in both countries. Inflation developments have remained subdued in both economies, although developments in recent months went in different directions. In Denmark, HICP inflation rose to 1.7% in April, whereas in Sweden it fell to 0.4%. In Denmark, the recent increase in inflation was mainly driven by higher energy prices. In Sweden, the subdued inflation rate is associated with strong competition in food retailing, lower prices of clothing and moderate wage increases combined with strong productivity growth.

In the three largest new EU Member States (Poland, the Czech Republic and Hungary), output growth continued to be strong, although it seems to have moderated in the first quarter. In Hungary and Poland, preliminary estimates suggest that real GDP growth declined in the first quarter of 2005. There are indications that growth may also have slowed in the Czech Republic, following the relatively strong rates in the fourth quarter of 2004. In some countries, the decline in annual growth rates of economic activity in the first quarter reflects base effects associated with the increase in growth that occurred a year before EU accession. Looking ahead, output growth is likely to remain strong in these economies, driven by increases in domestic demand. The decline in inflation that started in the course of 2004 seems to have come to an end in recent months, mostly owing to higher energy prices. In Hungary and the Czech Republic, HICP inflation picked up in April to 3.8% and 1.4% respectively, whereas it fell to 3.1% in Poland. Against the

background of an improved inflation outlook, on 23 May the Monetary Council of Magyar Nemzeti Bank decided to reduce its policy rate by 25 basis points to 7.25%.

In the remaining non-euro area EU countries, economic activity generally continued to expand rapidly in the fourth quarter of 2004 and early 2005. The strongest increases in economic activity were recorded in the Baltic States. Inflation has continued to fluctuate at relatively high rates in some of the faster-growing economies. On 20 May the Central Bank of Cyprus lowered its key interest rate by 50 basis points to 4.75%.

In Switzerland, the economy lost momentum in the fourth quarter of 2004, and recent data releases indicate ongoing weakness in activity at the beginning of this year. In particular, exports weakened in the first quarter of 2005, especially those to the main European trading partners. Annual CPI inflation was 1.4% in April 2005, unchanged from March.

In Russia, the pace of economic expansion appears to have slowed somewhat in early 2005. Year-on-year growth in industrial production declined to 3.6% in the first quarter of 2005. Overall activity continued to be supported by household spending, as retail sales remained relatively robust in early 2005. At the same time, the annual inflation rate for consumer prices increased to 13.4% in April 2005, up from 11.7% in 2004.

#### **NON-JAPAN ASIA**

Following a slowdown in the first quarter of 2005 in some major countries in non-Japan Asia, economic growth has recently regained momentum in the region. Export growth has recovered somewhat, after declining for a number of quarters. At the same time, domestic demand has remained robust in most economies in the region. Meanwhile, inflationary pressures eased in April 2005, after increasing in the first quarter.

In China, the economy continues to expand strongly, with annual growth in the first quarter standing at 9.4%. Both surging exports and robust domestic demand contributed to the growth performance. Subsequently, exports continued to expand rapidly, growing 31.9% year on year in April 2005. In that month, year-on-year growth in industrial production and urban fixed asset investment increased to 16.0% and 26.4% respectively. Annual CPI inflation declined noticeably, from 2.7% in March to 1.8% in April, mainly owing to a moderation of the rise in food prices.

In Korea, economic activity decelerated at the beginning of 2005, with real GDP expanding by 2.7% year on year in the first quarter of 2005. Growth in industrial production also slowed to 3.8% in April (year on year). The slowdown was largely due to the decline in export growth, while some domestic demand indicators improved. In May merchandise export growth recovered somewhat, rising by 11.9% (year on year) despite the significant strengthening of the Korean won.

Economic prospects for the non-Japan Asia region remain favourable, supported by the continuous improvement in domestic demand, particularly private consumption, although high oil prices remain a major risk to the region. Looking further ahead, however, there are indications that Chinese exports may slow, reflecting rising cost pressures, uncertainties surrounding China's exchange rate regime and growing trade friction.

#### **LATIN AMERICA**

The latest data releases for Latin America indicate that, in general, real output growth is continuing to expand robustly, albeit at a slower pace than in 2004. In Brazil and Mexico, the

region's two largest countries, there are signs of a deceleration, in part reflecting a slowdown in foreign demand, which has thus far been the main engine of growth in both countries. Annual real GDP growth fell from 4.7% and 4.9% in the last quarter of 2004 to 2.9% and 2.4% in the first quarter of 2005, respectively. In contrast, in Argentina, both exports and domestic demand have recently grown at robust rates, with the country's industrial production increasing by 10.2% (year on year) in April. Looking ahead, economic activity conditions are expected to remain favourable for the countries in the region, supported by both domestic and external demand. Inflationary pressures remain one of the downward risks to the economic outlook in the region. In addition, despite Argentina's successful debt restructuring deal, there is continued uncertainty relating to the prospects for multilateral financial support for the country.

## 1.2 COMMODITY MARKETS

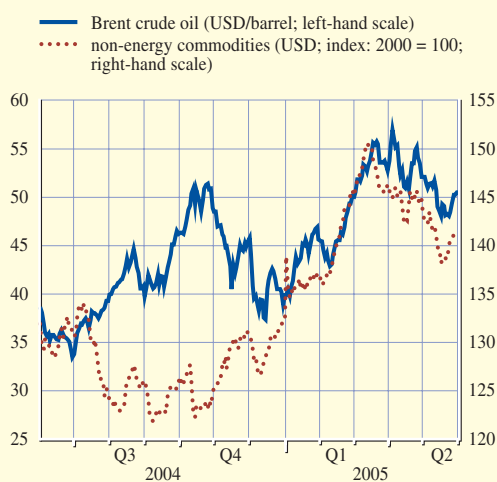
Following a new all-time high in early April, when the price of Brent crude oil reached USD 57, oil prices fell throughout most of May amid persistent and significant volatility. The recent decline followed data releases showing lower oil demand growth in China, rising OPEC production and rising inventories of oil in the United States. The recent decline notwithstanding, oil prices remain at high levels and continue to be subject to upward pressures due to the strong global demand for oil expected in the second half of this year, combined with supply-side constraints and concerns over the security of oil supplies. On 1 June 2005 the price of Brent crude oil stood at USD 50.4, 11% below the historical high, but still 25% above the level at the beginning of this year. Market participants expect oil prices to remain close to current levels for some time. On 1 June 2005 the end-2007 futures price for Brent crude stood at USD 51.5.

Similar to oil price developments, non-energy commodity prices, expressed in USD, also eased in May, after reaching a new all-time high in March 2005. In particular, this decline reflected developments in the price of industrial raw materials, while food prices remained relatively stable. Despite the recent decline, non-energy commodity prices were, in US dollar terms, still approximately 7% higher in May than one year ago.

## 1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

The outlook for the external environment and for euro area external demand remains fairly favourable. However, further gradual deceleration in global economic activity, as suggested by some available leading indicators, cannot be ruled out. The six-month rate of change of the OECD composite leading indicator declined for the second month in a row in March, following a temporary rebound that started in October of last year. Growth should, however, continue to be bolstered by the robust profit situation and overall

Chart 2 Main developments in commodity markets



Sources: Bloomberg and HWWA.

favourable financing conditions, despite some widening of credit spreads on corporate and emerging market debt. Nevertheless, this rather positive outlook is associated with some important risks, with oil prices continuing to be the main source of risk. The persistence of global external imbalances is an additional factor for concern.

## 2 MONETARY AND FINANCIAL DEVELOPMENTS

### 2.1 MONEY AND MFI CREDIT

The annual rate of growth of M3 remained robust in the first few months of 2005. At the same time, the strengthening observed during the second half of 2004 seems to have levelled off. While the normalisation of portfolio allocation behaviour by euro area residents has continued, albeit at a gradual pace, monetary dynamics continue to be predominantly driven by the stimulative impact of the low level of interest rates. The low level of interest rates also contributed to a further strengthening of credit growth in the first quarter of 2005. Overall, all the available evidence suggests that the stock of liquidity remains ample, which could pose upside risks to price stability over the medium to longer term.

#### THE BROAD MONETARY AGGREGATE M3

The annual rate of growth of M3 remained robust in the first few months of 2005, but the strengthening observed during the second half of 2004 seems to have levelled off. The annual growth rate of M3 stood at 6.7% in April 2005, having been 6.7% in the first quarter of 2005 and 6.0% in the fourth quarter of 2004. The three-month moving average of the annual growth rates of M3 remained at 6.6% over the period February-April 2005, unchanged from the period January-March 2005 (see Chart 3). The short-term dynamics of M3, as measured by the annualised six-month rate of growth of M3, have moderated compared with the end of 2004, and in April 2005 that growth rate stood at 6.4% (after a peak of 7.8% in December 2004).

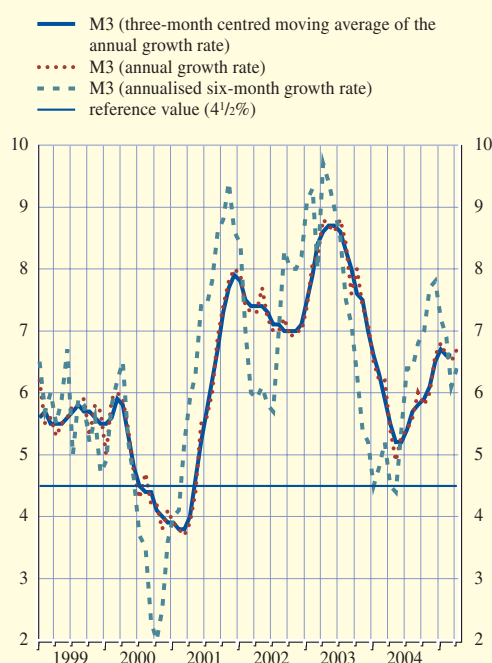
Monetary developments continue to be driven by two opposing forces. On the one hand, the ongoing normalisation of portfolio allocation behaviour following the exceptional preference for liquidity observed between 2001 and mid-2003 has tended to dampen monetary growth. The subdued growth of money market fund shares/units and the continued strong inflows into MFI longer-term financial liabilities both indicate that the normalisation of financial investment patterns has continued.

On the other hand, the low level of interest rates, which implies a low opportunity cost of holding money, has remained the dominant force behind monetary dynamics, exerting an upward impact in particular via the most liquid components of M3. This stimulative effect may be especially strong at low levels of interest rates, owing to transaction costs associated with shifts from liquid to less liquid assets.

The difference between the annual rates of growth of a measure of M3 corrected for the estimated impact of portfolio shifts and official M3 narrowed further during the first quarter of 2005 as a result of the only gradual pace of the

Chart 3 M3 growth and the reference value

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

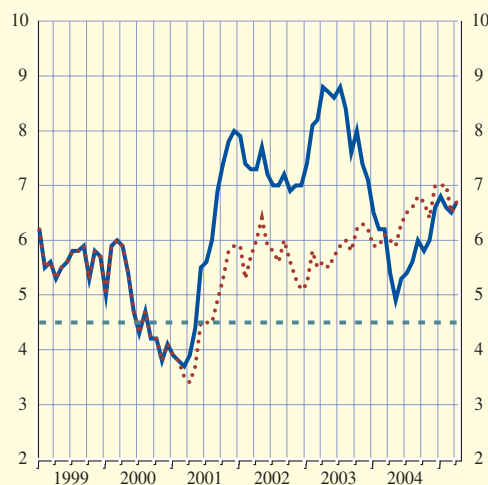


Source: ECB.

**Chart 4 M3 and M3 corrected for the estimated impact of portfolio shifts**

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

— official M3  
 ..... M3 corrected for the estimated impact of portfolio shifts<sup>1)</sup>  
 - - - - - reference value (4½%)



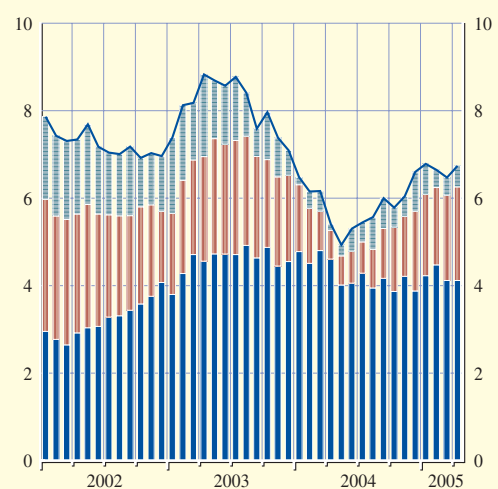
Source: ECB.

1) Estimates of the magnitude of portfolio shifts into M3 are constructed using the approach discussed in Section 4 of the article entitled "Monetary analysis in real time" in the October 2004 issue of the ECB's Monthly Bulletin.

**Chart 5 Contributions to annual M3 growth**

(contributions in percentage points; M3 growth in percentages; adjusted for seasonal and calendar effects)

■ M1  
 ■ other short-term deposits  
 ■ marketable instruments  
 — M3



Source: ECB.

normalisation of portfolio allocation behaviour by euro area residents. In April 2005 the annual growth rate of the corrected measure stood at 6.7%, the same as the official M3 annual growth rate (see Chart 4).<sup>1</sup> However, it should be noted that, given the inevitable uncertainties surrounding estimates of the magnitude of portfolio shifts, some caution is required in interpreting the corrected measure.

### MAIN COMPONENTS OF M3

Over the period under review, strong annual M1 growth continued to be the main contributor to M3 dynamics (see Chart 5), supporting the view that the low level of interest rates is currently the main driving force behind M3 growth. The annual rate of growth of M1 increased in the first quarter of 2005, to 9.6%, from 9.3% in the fourth quarter of 2004 (see Table 1). The increase in the annual growth rate of M1 masks divergent developments in the two components. While the annual growth rate of currency in circulation moderated to stand at 18.0% in the first quarter of 2005, compared with 19.1% in the fourth quarter of 2004, the growth rate of overnight deposits increased to 8.2%, from 7.7% in the previous quarter. In April 2005 the annual growth rate of M1 remained unchanged from the previous month, at 9.3%.

Since mid-2004 short-term deposits other than overnight deposits have played an increasingly important role in monetary developments. The annual growth rate of these deposits picked up

<sup>1</sup> For further details, see the article entitled "Monetary analysis in real time" in the October 2004 issue of the ECB's Monthly Bulletin.

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					
		2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Mar.	2005 Apr.
<b>M1</b>	<b>45.3</b>	<b>10.2</b>	<b>9.6</b>	<b>9.3</b>	<b>9.6</b>	<b>9.3</b>	<b>9.3</b>
Currency in circulation	7.2	21.6	20.3	19.1	18.0	17.8	17.5
Overnight deposits	38.1	8.5	7.9	7.7	8.2	7.8	7.9
M2 - M1 (= other short-term deposits)	40.3	1.7	2.0	3.5	4.4	4.8	5.2
Deposits with an agreed maturity of up to and including two years	15.4	-6.9	-5.8	-2.4	0.5	1.6	3.2
Deposits redeemable at notice of up to and including three months	24.9	8.1	7.6	7.4	7.0	6.8	6.5
<b>M2</b>	<b>85.7</b>	<b>6.0</b>	<b>5.8</b>	<b>6.4</b>	<b>7.1</b>	<b>7.1</b>	<b>7.3</b>
M3 - M2 (= marketable instruments)	14.3	2.0	4.0	3.8	4.0	2.8	3.2
<b>M3</b>	<b>100.0</b>	<b>5.4</b>	<b>5.6</b>	<b>6.0</b>	<b>6.7</b>	<b>6.5</b>	<b>6.7</b>
<b>Credit to euro area residents</b>		<b>6.0</b>	<b>6.2</b>	<b>6.0</b>	<b>6.5</b>	<b>6.4</b>	<b>6.7</b>
Credit to general government		6.3	6.3	3.7	3.4	2.3	2.9
Loans to general government		2.3	2.3	0.7	-0.4	-2.2	-0.7
Credit to the private sector		5.9	6.2	6.6	7.3	7.5	7.7
Loans to the private sector		5.6	6.2	6.8	7.3	7.6	7.4
<b>Longer-term financial liabilities (excluding capital and reserves)</b>		<b>8.3</b>	<b>8.6</b>	<b>8.9</b>	<b>9.5</b>	<b>9.8</b>	<b>9.5</b>

Source: ECB.

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

further during the first quarter of 2005, reaching 4.4%, from 3.5% in the previous quarter. This upward movement continued in April, with the annual growth rate increasing to 5.2%, from 4.8% in the previous month. This reflected considerably stronger demand for deposits with an agreed maturity of up to and including two years (time deposits), while the growth of deposits redeemable at notice of up to and including three months (savings deposits) remained robust.

The annual rate of growth of marketable instruments stood at 3.2% in April, having edged up to 4.0% in the first quarter of 2005, from 3.8% in the last quarter of 2004. On the one hand, the annual rate of growth of money market fund shares/units has tended to decline, with economic agents even reducing their holdings of money market fund shares/units over the last six months. This supports the view that the normalisation of portfolio allocation behaviour by euro area households and firms, albeit gradual, is continuing. On the other hand, demand for debt securities with a maturity of up to two years has tended to strengthen in recent months, although this has also been characterised by considerable volatility.

The sectoral breakdown of short-term deposits and repurchase agreements indicates that in the first four months of 2005 non-financial corporations made a higher contribution to overall short-term deposit growth than in the last quarter of 2004, particularly as regards time deposits. The contribution of non-monetary financial intermediaries has remained broadly unchanged since the last quarter of 2004, masking, however, a shift of funds from overnight deposits and repurchase agreements into time deposits. Households were the main contributors to the strengthening in the growth rate of short-term deposits and repurchase agreements in April 2005, particularly as a result of their increased demand for overnight deposits and time deposits.



### MAIN COUNTERPARTS OF M3

On the counterpart side, the annual growth rate of total MFI credit to euro area residents strengthened further in the first quarter of 2005 to stand at 6.5%, up from 6.0% in the previous quarter, broadly confirming the dynamics observed over the course of 2004. This masked a continuous upward trend in the growth of credit to the private sector, while the dynamics of credit to general government tended to moderate.

The further strengthening of the rate of growth of credit to the private sector in the first quarter of 2005 (reaching 7.3% on an annual basis, compared with 6.6% in the previous quarter) reflects both the low level of interest rates and improved credit supply conditions as reported in the April 2005 bank lending survey.<sup>2</sup> That strengthening continued in April, with the annual growth rate of credit to the private sector increasing to 7.7%, from 7.5% in March (see Sections 2.6 and 2.7 for sectoral developments in loans to the private sector).

The annual growth rate of credit to general government fell to 3.4% in the first quarter of 2005, from 3.7% in the previous quarter. This moderation was attributable to a reduction in the annual growth rate of loans to general government, which turned negative in the first quarter of 2005, while the growth rate of the direct purchase of government debt securities was unchanged compared with the last quarter of 2004.

Among the other counterparts of M3, the dynamics of longer-term financial liabilities (excluding capital and reserves) strengthened further in the first quarter of this year, continuing the trend observed from 2003 onwards (see Chart 6). The annual rate of growth of investment by the money-holding sector in MFIs' longer-term financial liabilities (excluding capital and reserves) rose further to stand at 9.5% in the first quarter of 2005, up from 8.9% in the fourth quarter of 2004. The increased demand for these longer-term instruments on the part of euro area investors supports the view of an ongoing normalisation of the portfolio allocation behaviour of the money-holding sector, with a gradual shift towards greater demand for longer-term assets. This might partly reflect stronger investment by households in the products of insurance corporations and pension funds, which typically hold a large part of their assets in longer-term assets (for details, see Box 1, entitled "The intermediation role of insurance corporations and pension funds and its impact on monetary developments"). Indeed, one of the major contributors to the increase in the growth rate of longer-term deposits observed in recent quarters has been insurance corporations and pension funds.

Chart 6 M3 and MFI longer-term financial liabilities (excluding capital and reserves)

(annualised six-month percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

<sup>2</sup> See Box 2, entitled "The results of the April 2005 bank lending survey for the euro area", in the May 2005 issue of the ECB's Monthly Bulletin.

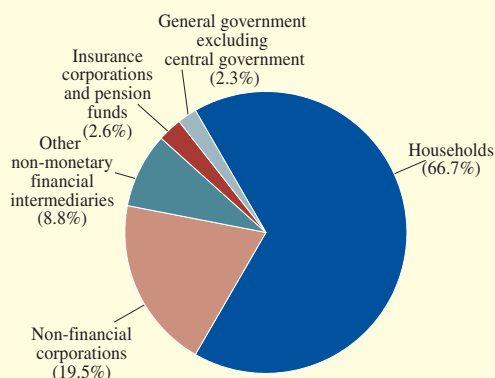
## Box I

**THE INTERMEDIATION ROLE OF INSURANCE CORPORATIONS AND PENSION FUNDS AND ITS IMPACT ON MONETARY DEVELOPMENTS**

Insurance corporations and pension funds (ICPFs)<sup>1</sup> hold between 15% and 20% of their assets in deposits, most of which are longer-term deposits not included in M3. In April 2005 ICPFs accounted for less than 3% of the holdings of short-term deposits and repurchase agreements included in the broad monetary aggregate (see Chart A), close to 80% of which is made up of deposits. The short-term deposits held by ICPFs thus constitute only a modest share of total M3. However, owing to the ICPF sector's role as an intermediary, primarily for the household sector, this share probably understates considerably the part played by ICPFs in shaping monetary dynamics over recent years. This box examines the nature of ICPFs' deposit holdings and the intermediation role they play through asset allocation.

**Chart A Sectoral shares in total holdings of short-term deposits**

(percentages of total short-term deposits and repurchase agreements; April 2005)



Source: ECB.

Note: The reporting sector comprises MFIs excluding the Eurosystem. Figures may not add up due to rounding.

**The degree of “moneyness” of ICPFs’ short-term deposit holdings**

It should be noted that short-term deposits held by ICPFs may not lend themselves to an economically meaningful interpretation in terms of “moneyness”. This is because they may be linked to off-balance sheet transactions that affect their economic character. ICPFs may use complex, structured products or derivatives in order to hedge positions or improve the risk/return profile of their portfolio. At the same time, they hold funds in the form of deposits as collateral. These deposits are held neither for transaction nor for saving purposes but in order to hedge the exposure or to cover possible margin calls. Although statistically treated as part of the money stock, they do not correspond to money in the usual economic sense but exhibit hybrid properties between those of money and longer-term securities.

**The intermediation role of ICPFs**

ICPFs are financed predominantly by the household sector. ICPF liabilities, mainly in the form of insurance technical reserves, therefore form part of the stock of household financial wealth. The importance of ICPFs to households has grown in recent years, with the share of insurance technical reserves in total household sector financial assets increasing from 21.3% in 1995 to 26.4% in 2003. A considerable variation in this percentage can be observed across countries, related to the extent of coverage offered by public pension systems and the depth of national

<sup>1</sup> The ICPF sector is heterogeneous in its composition, comprising very different types of entities: life and non-life insurance corporations, reinsurance corporations and pension funds.

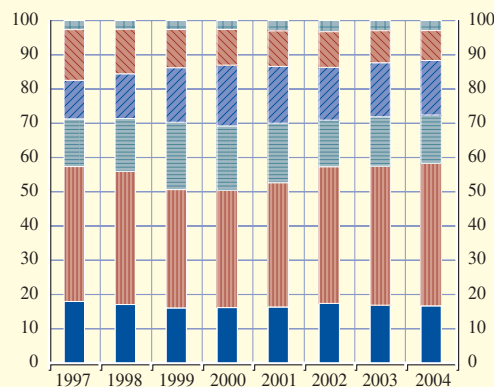
financial markets. Given that ICPFs are mainly financed by households, the asset allocation of ICPFs “replaces” household investment decisions. While households’ direct holdings of deposits are concentrated in shorter maturities, which are included in M3, a large share of ICPFs’ assets are deposits with an agreed maturity, particularly with a maturity of over two years, which lie outside M3. Changes in households’ portfolio allocation towards a greater investment in ICPFs can thus have an important impact on monetary developments. For instance, ICPFs tend to actively manage their funds in response to capital market developments, shifting more often between deposits and other asset categories than households. These changes in households’ portfolio allocation and the consequences of ICPFs’ liquidity management could make monetary developments more volatile.

In general, the professional risk management pursued by ICPFs allows them to invest in riskier and longer-term assets than households. ICPFs, in particular life insurers and pension funds, traditionally invest their funds in fixed-income assets and are important players in the euro area long-term bond market. They also purchase significant volumes of equities, to a large degree outside the euro area. To the extent that such transactions involve international capital flows settled through the euro area MFI sector, this impacts on the net external assets of the MFI sector and the deposit holdings of euro area residents, in turn affecting monetary developments. However, ICPFs’ investment behaviour is also governed by, among other things, regulatory mechanisms set up to safeguard the financial system and limit associated risks. In certain circumstances, such as a phase of declining stock market prices, these mechanisms can hinder ICPFs from taking a view that differs strongly from the market consensus. In Chart B, this is clearly visible for the period 2000 to 2002: ICPFs reduced their holdings of quoted shares while substantially increasing their holdings of securities other than

**Chart B Asset allocation of insurance corporations and pension funds**

(percentages of total financial assets; end of period)

- deposits with euro area MFIs and money market fund shares/units
- securities other than shares
- quoted shares
- mutual funds excluding money market funds
- loans
- prepayments of insurance premiums

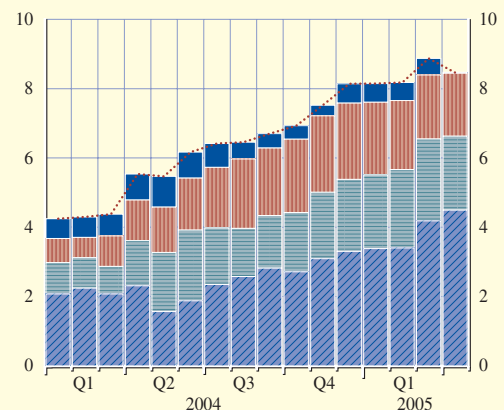


Source: ECB.

**Chart C Longer-term deposits**

(annual percentage changes; contributions in percentage points; not adjusted for seasonal or calendar effects)

- non-financial corporations
- households
- insurance corporations and pension funds
- other non-monetary financial intermediaries
- total private sector



Source: ECB.

Note: The reporting sector comprises MFIs excluding the Eurosystem.

shares, which are primarily long-term in nature, thus matching the behaviour of the non-financial sector. ICPFs held a significant share (31.2%) of MFI longer-term deposits in 2004 (those deposits falling outside M3) and have contributed to their rapid expansion since the second quarter of 2004 (see Chart C). To an important extent, the marked increases in ICPFs' holdings of longer-term deposits have been determined by two effects: first, the asset allocation behaviour of the ICPFs, and second, households' significant shift into insurance contracts in an environment of increased uncertainty related to the ageing of the population.

Overall, the intermediation role of ICPFs has increased in recent years and can be expected to gain further importance as changes to public pension systems are implemented and households' awareness of a need for private provision rises. Analysing the asset allocation behaviour of ICPFs and its impact on monetary developments in real time is thus an important issue for monetary analysis, which would benefit from the provision of more timely and detailed data on ICPFs' transactions and balance sheets.

By contrast with longer-term financial liabilities, the annual flow in the net external asset position of the euro area MFI sector continued to contribute positively to M3 growth in the first quarter of 2005. This signals, among other things, that euro area residents remain fairly reluctant to invest in foreign assets, which is dampening the speed of the normalisation of portfolio allocation behaviour. However, the annual flow in the net external asset position of the euro area MFI sector was lower than in the previous quarter. In fact, in the year to April 2005 it rose by €88 billion, compared with €161 billion in the year to December 2004 (see Chart 7). This implies a reversal of the strong upward trend observed in these flows in the second half of 2004, coinciding with the decline observed in recent months in the euro exchange rate.

Summing up, developments in the counterparts of M3 in the first four months of 2005 were in line with previous trends. On the one hand, the strong demand for MFI longer-term financial liabilities points to a continued normalisation of portfolio allocation behaviour by euro area residents. On the other hand, the strong growth in credit to the private sector, driven largely by the low level of interest rates, continued to fuel monetary growth over that period.

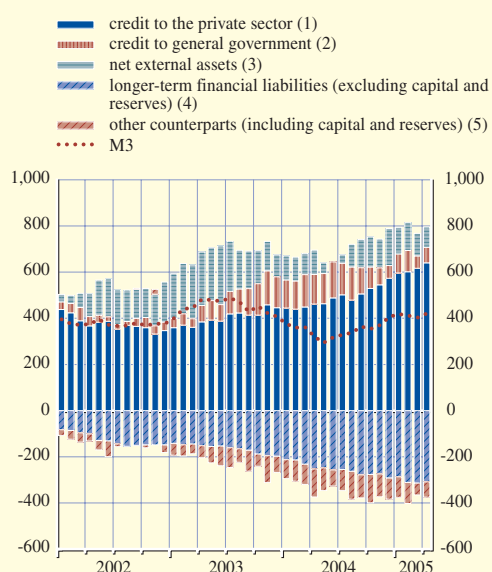
### GENERAL ASSESSMENT OF LIQUIDITY CONDITIONS IN THE EURO AREA

In the first quarter of 2005 the short-term dynamics of M3 implied a broad stabilisation of the estimates of the nominal and real money gaps.

The nominal money gaps constructed on the basis of the official M3 series and the M3 series corrected for the estimated impact of portfolio

Chart 7 Counterparts of M3

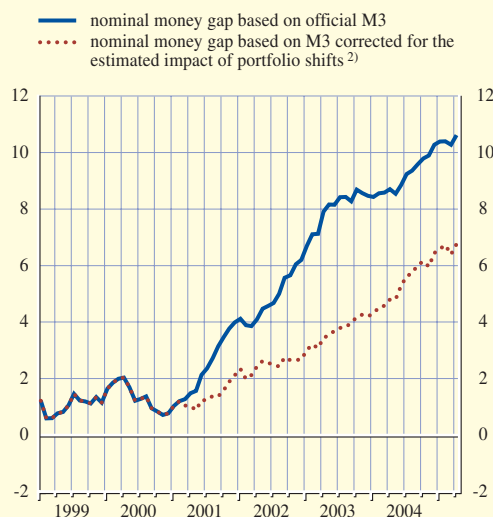
(annual flows; EUR billions; adjusted for seasonal and calendar effects)



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

**Chart 8 Estimates of the nominal money gap<sup>1)</sup>**

(as a percentage of the stock of M3; adjusted for seasonal and calendar effects; December 1998 = 0)



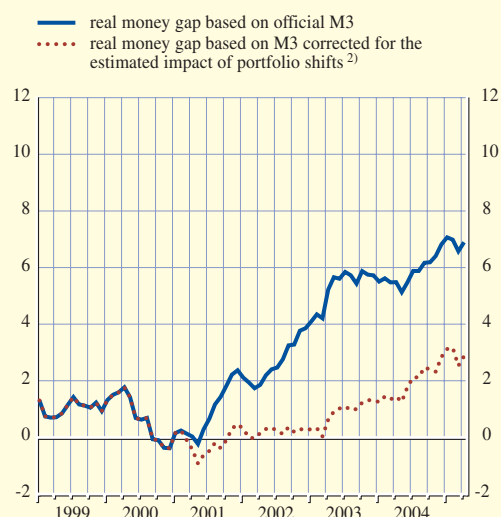
Source: ECB.

1) The measure of the nominal money gap is defined as the difference between the actual level of M3 and the level of M3 that would have resulted from constant M3 growth at its reference value of 4½% since December 1998 (taken as the base period).

2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the approach discussed in Section 4 of the article entitled "Monetary analysis in real time" in the October 2004 issue of the ECB's Monthly Bulletin.

**Chart 9 Estimates of the real money gap<sup>1)</sup>**

(as a percentage of the stock of real M3; adjusted for seasonal and calendar effects; December 1998 = 0)



Source: ECB.

1) The measure of the real money gap is defined as the difference between the actual level of M3 deflated by the HICP and the deflated level of M3 that would have resulted from constant nominal M3 growth at its reference value of 4½% and HICP inflation in line with the ECB's definition of price stability, taking December 1998 as the base period.

2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the approach discussed in Section 4 of the article entitled "Monetary analysis in real time" in the October 2004 issue of the ECB's Monthly Bulletin.

shifts increased in April 2005 on account of strong month-on-month growth above the high levels reached at the end of 2004. The two gaps remained at very different levels, with the money gap constructed using the corrected M3 series being substantially lower (see Chart 8).

The real money gaps take account of the fact that part of the accumulated liquidity has been absorbed by higher prices, reflecting upward deviations in inflation rates from the ECB's definition of price stability. While the real money gaps constructed using the official M3 series and a measure of M3 corrected for the estimated impact of portfolio shifts both increased in April, these nevertheless remained below their respective peaks observed at the turn of the year.

While these measures are merely estimates, which are surrounded by considerable uncertainty and should thus be treated with caution, they nonetheless point to the presence of ample liquidity in the euro area. Any normalisation of liquidity conditions will depend crucially on a further normalisation of the portfolio allocation behaviour of the euro area money-holding sector. Viewed from a medium-term perspective, ample liquidity poses risks to price stability, especially if liquid holdings were to be transformed into transaction balances at a time when confidence and economic activity were strengthening. Moreover, the combination of ample liquidity and strong credit growth could become a source of strong asset price increases.

## 2.2 FINANCIAL INVESTMENT OF THE NON-FINANCIAL SECTOR AND INSTITUTIONAL INVESTORS

*In the fourth quarter of 2004, the most recent quarter for which data on the financial investment of the non-financial sector are available, the annual growth rates of currency and deposits increased, while the annual rate of growth of purchases of securities declined, particularly with regard to quoted shares.*

### NON-FINANCIAL SECTOR

In the fourth quarter of 2004, the most recent quarter for which data on financial investment are available, the annual rate of growth of financial investment by the non-financial sector remained broadly stable at 4.7% (see Table 2). The pick-up in the growth rate of short-term financial investment continued, while long-term investment grew slightly more slowly than in the previous quarter (see Chart 10). These data are consistent with the strengthening of M3 growth seen in the second half of 2004 and reflect in part the prevailing low level of interest rates in the euro area. Moreover, they also suggest a moderation in the pace of the ongoing normalisation of portfolio allocation behaviour by euro area residents, following the exceptional preference for liquidity observed between 2001 and mid-2003.

The upturn in the short-term financial investment of the non-financial sector observed in the fourth quarter of 2004 was driven, in particular, by increases in the growth rates of short-term deposits. By contrast, there was a withdrawal of investment from money market funds over the same period. The slight decrease in the annual rate of growth of long-term financial investment was the result of diminished investor appetite for quoted shares and mutual fund shares, while investment in long-term debt securities expanded more strongly than in the previous quarter.

### INSTITUTIONAL INVESTORS

Data provided by EFAMA<sup>3</sup> suggest that the decline in the net annual flows into mutual fund shares over the course of 2004 was mainly due to lower demand for equity funds, although flows into these funds remained higher than for any other investment fund type (see Chart 11). The net annual purchase of bond funds increased in the fourth quarter of 2004, reversing the downward trend observed from the third quarter of 2003.

While the annual flows into euro area investment funds declined slightly in the fourth quarter of 2004 as compared with the third quarter, the annual rate of change in the value of total assets in such funds edged up marginally (from 10.0% in the third quarter to 10.6% in the fourth quarter of 2004). To a certain extent, this reflects the higher valuation of equity and bond holdings in the fourth quarter of 2004.

<sup>3</sup> The European Fund and Asset Management Association (EFAMA) provides information on net sales (or net inflows) of publicly offered open-ended equity and bond funds for Germany, Greece, Spain, France, Italy, Luxembourg, Austria, Portugal and Finland. See the box entitled "Recent developments in the net flows into euro area equity and bond funds" in the June 2004 issue of the ECB's Monthly Bulletin for further information.

**Chart 10 Financial investment of the non-financial sector**

(annual percentage changes)



Source: ECB.

1) Includes currency, short-term deposits, short-term debt securities and money market fund shares/units. It excludes holdings of central government.

2) Includes longer-term deposits, long-term debt securities, mutual fund shares excluding money market fund shares/units, quoted shares and insurance technical reserves. It excludes holdings of central government.

**Table 2 Financial investment of the euro area non-financial sector**

	Outstanding amount as a percentage of financial assets <sup>1)</sup>	Annual growth rates									
		2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Q4
<b>Financial investment</b>	<b>100</b>	<b>4.4</b>	<b>4.0</b>	<b>4.2</b>	<b>4.5</b>	<b>4.9</b>	<b>4.6</b>	<b>4.5</b>	<b>4.8</b>	<b>4.8</b>	<b>4.7</b>
Currency and deposits	38	4.7	4.9	5.9	6.4	6.5	5.5	5.3	5.3	5.6	6.2
Securities other than shares	12	3.7	2.4	-0.1	-2.3	-1.7	-1.1	-0.8	2.9	3.2	2.6
of which: short-term	1	-2.7	2.8	-7.4	-12.9	-9.1	-4.7	-0.6	18.2	17.7	6.5
of which: long-term	11	4.6	2.4	0.8	-0.9	-0.7	-0.7	-0.8	1.3	1.7	2.2
Mutual fund shares	12	6.2	4.5	5.5	7.0	7.2	7.1	5.1	2.9	1.8	1.2
of which: mutual fund shares, excluding money market fund shares/units	9	4.4	3.2	4.3	5.7	6.8	6.8	5.8	3.2	2.2	1.8
of which: money market fund shares/units	2	16.5	12.0	12.0	13.6	9.3	8.5	2.8	1.7	0.5	-1.1
Quoted shares	13	-1.2	0.0	0.2	0.6	1.6	1.2	2.2	4.1	3.3	2.0
Insurance technical reserves	25	7.1	6.3	6.2	6.2	6.3	6.8	6.7	6.4	6.4	6.6
M3 <sup>2)</sup>		7.2	7.0	8.2	8.6	7.6	7.1	6.2	5.3	6.0	6.6
Annual gains and losses in the securities holdings of the non-financial sector (as a percentage of GDP)		-9.2	-14.3	-17.2	-6.5	1.7	4.6	8.4	4.1	3.8	2.8

Source: ECB.

Note: See also Section 3.1 of the "Euro area statistics" section of the Monthly Bulletin.

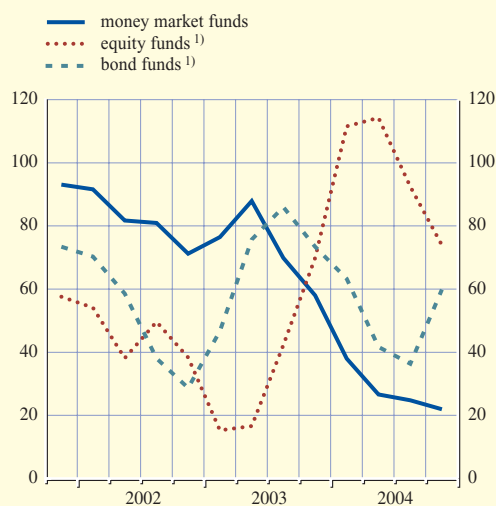
1) As at the end of the last quarter available. Figures may not add up due to rounding.

2) End of quarter. The monetary aggregate M3 includes monetary instruments held by euro area non-MFIs (i.e. the non-financial sector and non-monetary financial institutions) with euro area MFIs and central government.

The annual growth rate of the total financial investment of insurance corporations and pension funds in the euro area declined to 6.2% in the fourth quarter of 2004, from 6.7% in the previous quarter (see Chart 12). This reflects a slight decline in the contribution of long-term securities

**Chart 11 Net annual flows into investment funds (by category)**

(EUR billions)

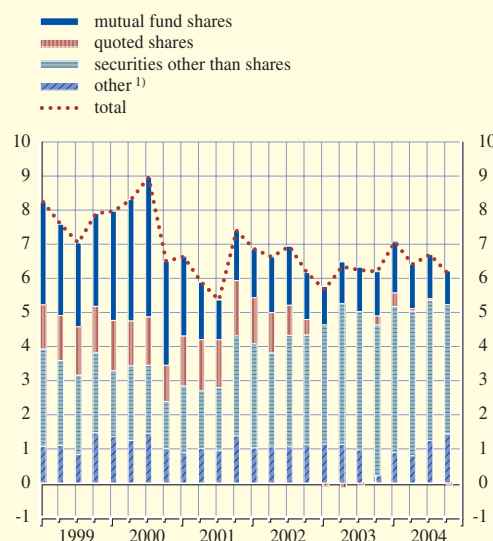


Sources: ECB and EFAMA.

1) ECB calculations on the basis of national data provided by EFAMA.

**Chart 12 Financial investment of insurance corporations and pension funds**

(annual percentage changes; contributions in percentage points)



Source: ECB.

1) Includes loans, deposits and insurance technical reserves.

other than shares, which nevertheless continued to grow robustly at an annual rate of 9.6%. At the same time, the contribution from quoted shares turned negative, as the annual growth rate declined from 0.3% in the third quarter to -0.4% in the fourth quarter of 2004. This supports the view that insurance corporations and pension funds remained cautious about holding equity (see also the box entitled “The intermediation role of insurance corporations and pension funds and its impact on monetary developments”). This cautious behaviour may be linked to the relatively moderate valuation gains recorded earlier in 2004.

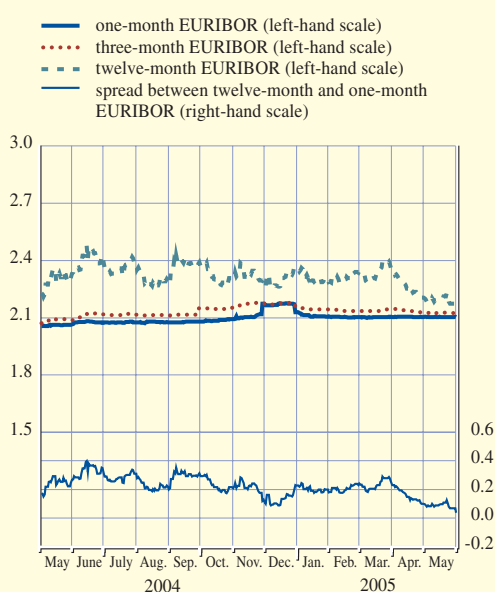
### 2.3 MONEY MARKET INTEREST RATES

*On 1 June longer-term money market interest rates were significantly below the levels observed at the beginning of March. With short-term interest rates remaining broadly stable, the slope of the money market yield curve has flattened over the past three months.*

After rising modestly during March 2005, longer-term money market interest rates declined to levels significantly below those observed at the beginning of March. Short-term interest rates have remained broadly stable over the last three months. Consequently, the slope of the money market yield curve has flattened compared with the beginning of the quarter. Notably, the spread between the twelve-month and the one-month EURIBOR interest rates stood at 4 basis points on 1 June 2005, 20 basis points lower than at the beginning of March (see Chart 13).

**Chart 13 Short-term money market interest rates**

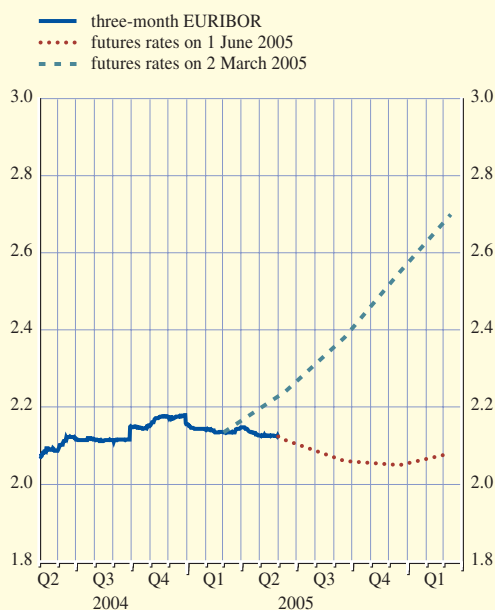
(percentages per annum; percentage points; daily data)



Source: Reuters.

**Chart 14 Three-month interest rates and futures rates in the euro area**

(percentages per annum; daily data)



Source: Reuters.

Note: Three-month futures contracts for delivery at the end of the current and next three quarters as quoted on Liffe.



Since the beginning of March market participants have revised their expectations considerably as regards the course of short-term interest rates during 2005. Currently, markets do not expect a rise in short-term interest rates until the second quarter of 2006, as illustrated by developments in three-month EURIBOR futures. The interest rates implied by three-month EURIBOR futures contracts maturing in September and December 2005 and March 2006 stood at 2.04%, 2.03% and 2.06% respectively on 1 June, 35, 53 and 65 basis points lower than at the beginning of March (see Chart 14).

The implied volatilities derived from options on the three-month EURIBOR futures rates have decreased over the past three months. These implied volatilities now stand at levels which are very low by historical standards (see Chart 15). This suggests that, at the current juncture, there is relatively little uncertainty among market participants with regard to developments in short-term interest rates over the coming months.

For most of the period between 3 March and 1 June 2005 interest rate conditions in the money market were relatively stable (see Chart 16). The marginal and weighted average rates in the Eurosystem's main refinancing operations stood at 2.05% for most of this period. The EONIA remained stable at 2.07% for most of this period, with a few exceptions owing to the usual end-of-month and end-of-quarter effects and the spikes at the end of the maintenance periods. In the maintenance period ending on 12 April 2005 the EONIA climbed to 2.18% on the last day as a result of market participants' expectations of a tight end to the maintenance period (see Box 2). In the three longer-term refinancing operations of the Eurosystem settled on 31 March, 28 April, and 26 May the marginal rates were 6, 5 and 5 basis points respectively below the three-month EURIBOR rates prevailing on those dates.

**Chart 15 Implied volatilities derived from options on three-month EURIBOR futures maturing in December 2005**

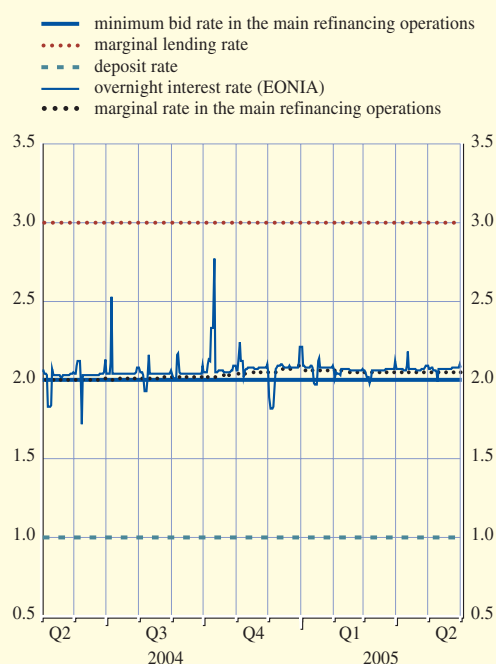
(percentages per annum; basis points; daily data)



Sources: Bloomberg and ECB calculations.  
 Note: The basis point measure is obtained as the product of implied volatility in percentages and the corresponding interest rate (see also the box entitled "Measures of implied volatility derived from options on short-term interest rate futures" in the May 2002 issue of the ECB's Monthly Bulletin).

**Chart 16 ECB interest rates and the overnight interest rate**

(percentages per annum; daily data)



Sources: ECB and Reuters.

Box 2

**LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS FROM 8 FEBRUARY TO 10 MAY 2005**

This box reviews the ECB's liquidity management during the three reserve maintenance periods ending on 8 March, 12 April and 10 May 2005.

**Liquidity needs of the banking system**

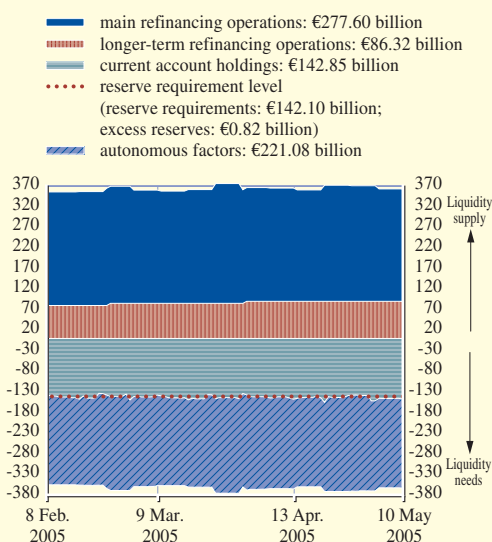
Banks' liquidity needs increased moderately over the period under review, mainly as a result of the increase in the stock of banknotes in circulation (see Chart A). Banknotes, which are the largest "autonomous factor" (i.e. a factor which does not normally stem from the use of monetary policy instruments), reached a historic high of €512.7 billion on 6 May. On average, autonomous factors absorbed €221.1 billion of liquidity in the period under review, which is more than in any other period since the introduction of the euro. Reserve requirements, which are the other major source of banks' liquidity needs, increased to €142.1 billion. Daily average excess reserves (i.e. the daily average of current account holdings in excess of reserve requirements) remained at relatively high levels (€0.83 billion in the first reserve maintenance period, €0.64 billion in the second and €0.93 billion in the third; see Chart B). The unusually high value observed for the period ending on 10 May was in part due to relatively large excess reserve holdings concentrated around banking holidays.

**Liquidity supply and interest rates**

In parallel with the growing demand for liquidity, the volume of open market operations increased (see Chart A). This growth was partly accommodated by the €5 billion increase in the size of the first two longer-term refinancing operations (LTROs) allotted during the period under review. This increase, decided by the Governing Council on 14 January 2005, was aimed at reaching a volume of €30 billion for LTROs conducted

**Chart A Liquidity needs of the banking system and liquidity supply**

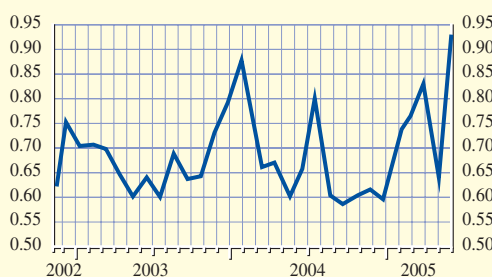
(EUR billions; daily averages for the whole period are shown next to each item)



Source: ECB.

**Chart B Excess reserves<sup>1)</sup>**

(EUR billions; average level in each maintenance period)



Source: ECB.  
1) Banks' current account holdings in excess of reserve requirements.

during 2005. The liquidity allotted in the main refinancing operation (MRO) settled on 23 March was €291.0 billion, the highest since the introduction of the euro. Nevertheless, the ratio between bids submitted by counterparties and satisfied bids (the bid-cover ratio) remained stable at a level of around 1.18 during the period under review. This was only slightly lower than the levels observed around Christmas, when participation is usually higher.

During the first of the three reserve maintenance periods under review, the ECB phased out its policy – introduced in October 2004 – of slightly loose MRO allotments. This policy was undertaken to prevent the occurrence of episodes of increased volatility in the overnight rate at the end of reserve maintenance periods, with a view to smoothing conditions in the money market ahead of the Christmas period. In line with this policy, the ECB allotted €0.5 billion more than the benchmark amount in the first three MROs of the reserve maintenance period that ended on 8 March, while in the last two MROs of the period, the benchmark amount was allotted. In the next two maintenance periods, the ECB provided the benchmark amount in all MROs. The difference between the marginal and weighted average rates was either zero or one basis point in all the weekly tenders, with the marginal rate at 2.05%.

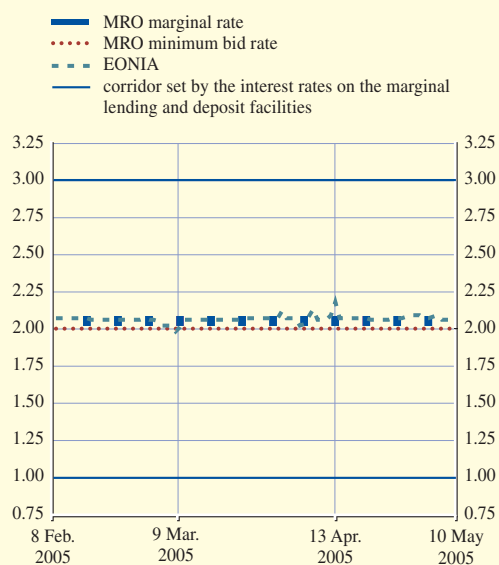
Generally, the EONIA (euro overnight index average) was fairly stable during most of the period under review, although its spread versus the minimum bid rate remained at a slightly high level (see Chart C). As usual, the EONIA increased at month-end and in the days between the last MRO and the end of the maintenance period, when the EONIA also exhibited somewhat higher levels of volatility. However, the end-of-period fine-tuning operations carried out since November 2004 have brought about a noticeable reduction in the level of volatility at the end of the maintenance period and have reinforced market expectations of neutral liquidity conditions at the end of the maintenance period.

After the last MRO allotment of the maintenance period ending on 8 March, the EONIA initially declined to levels slightly below the minimum bid rate of 2%, as market participants perceived liquidity conditions to be loose. On 8 March, the last day of the maintenance period, the ECB absorbed €3.5 billion in a fine-tuning operation. The period ended with a net recourse to the marginal lending facility of €1 billion and the EONIA at 2.01%.

In the following maintenance period, liquidity conditions gradually tightened after the last MRO allotment on 5 April. However, this had a muted impact on the overnight rate owing to widespread expectations that the ECB would restore neutral liquidity conditions on the last day. The EONIA thus stood at 2.06% and 2.09% on 8 and 11 April respectively. However, on 12 April, the last day of that maintenance period, the

**Chart C The EONIA and the ECB interest rates**

(daily interest rates in percentages)



Source: ECB.

Eurosystem's updated forecasts indicated that the expected imbalance was too small to warrant a fine-tuning operation. The net recourse to the marginal lending facility on that last day was ultimately €0.9 billion, with the EONIA finishing the day at 2.18%.

The EONIA remained stable after the last MRO allotment of the maintenance period ending on 10 May. The ECB decided not to conduct a fine-tuning operation after the revision in the average excess reserves on the last day of the maintenance period, which gave rise to very balanced liquidity conditions. The net recourse to the marginal lending facility on that last day amounted to €0.3 billion, with the EONIA standing at 1.99%.

## 2.4 BOND MARKETS

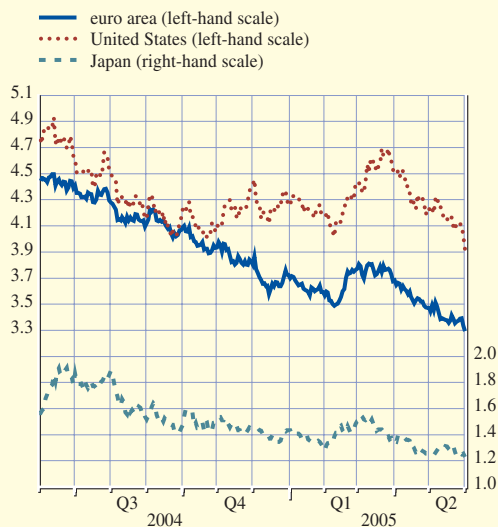
*Long-term government bond yields in the major markets have declined markedly over the past few months. In the euro area, the declines probably reflect a less favourable perception of the domestic growth outlook on the part of market participants, whereas the lower US bond yields seem to have emanated mainly from abating inflation concerns. Despite the significant movements in bond yields in most major markets over the period, market participants' uncertainty about near-term bond market developments, as indicated by implied bond market volatility, have remained fairly low.*

Developments in nominal long-term interest rates have been broadly similar across the major global markets over the past three months. Ten-year government bond yields in the euro area and the United States declined by around 45 and 50 basis points respectively between the end of February and 1 June (see Chart 17). As a result, the differential between US and euro area ten-year government bond yields narrowed somewhat and stood at around 65 basis points on 1 June. Ten-year government bond yields in Japan also declined, by around 25 basis points, over the same period. Although the trend was common to all markets, the general downturn in euro area long-term bond yields seemed mainly to reflect heightened concern among market participants about the outlook for economic growth, while the decline in US long-term bond yields was mainly related to lower inflation expectations among market participants. At the same time, there was little decline in market participants' uncertainty about near-term bond market developments, as indicated by implied bond market volatility, which remained fairly low in most major markets (see Chart 18).

In the United States the yield curve has flattened over the past three months, reflecting a larger decline in longer-term bond yields than in shorter-term bond yields. Yields on shorter maturity bonds were supported by the decisions of the Federal Reserve to raise the federal funds rate by 25 basis points at the meetings of 22 March and 3 May respectively. After increasing in the early part of the review period, from mid-March onwards long-term bond yields again began to follow a downward trend against a backdrop of data releases on economic activity that temporarily suggested a slowdown in the US growth outlook. In addition, safe-haven portfolio shifts – from stocks to bonds – may also have contributed to the lower level of US bond yields overall.

**Chart 17 Long-term government bond yields**

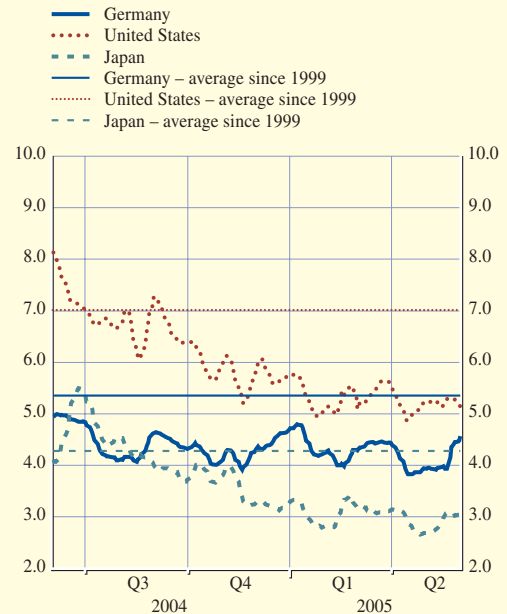
(percentages per annum; daily data)



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

**Chart 18 Implied bond market volatility**

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



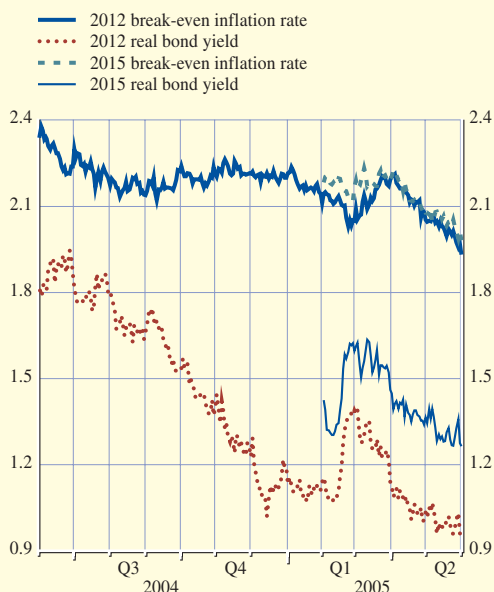
Source: Bloomberg.  
 Note: The implied volatility series represents the nearby implied volatility on the near-contract generic future, rolled over 20 days prior to expiry, as defined by Bloomberg. This means that 20 days prior to expiry of the contracts, a change in the choice of contracts used to obtain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

Over the period as a whole, weaker than expected data releases, as perceived by the markets, seem to have helped to contain inflation concerns, as evidenced by the decrease in break-even inflation rates across all horizons. The declines were more pronounced for shorter maturities, which were probably also affected by lower oil prices during the latter part of the review period. Real yields on long-term index-linked bonds declined slightly over the review period and remained at very low levels, while real yields over shorter maturities rebounded somewhat.

In the euro area, long-term government bond yields have declined to very low levels by historical standards over the past three months. The recent downturn in long-term interest rates mainly reflects market reactions to data releases on economic activity and business sentiment, which investors have interpreted as pointing to lower growth prospects for the euro area economy. One of the measures available in financial markets to gauge market participants' perceptions of future economic activity are the real yields offered on index-linked bonds. This indicator suggests that investors seem to have become concerned about the short to medium-term growth outlook. Reflecting this, the real yield on the index-linked Italian government bond (linked to the euro area HICP excluding tobacco) maturing in 2008 declined by around 50 basis points, whereas the real yield on the index-linked French government bond maturing in 2015 declined to a lesser extent, by around 35 basis points, between the end of February and 1 June (see Chart 19). In addition, the implied forward overnight interest rate curve for the euro area shifted downwards across all maturities over the review period (see Chart 20). At the same time, corporate bond spreads

**Chart 19 Euro area real bond yield and break-even inflation rate**

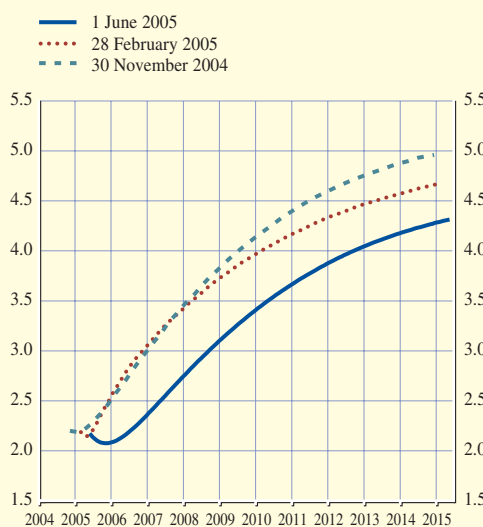
(percentages per annum; excluding charges; daily data)



Sources: Reuters and ECB calculations.  
Note: Real bond yields are derived from the market prices of French government bonds which are indexed to the euro area HICP (excluding tobacco prices). The method used to calculate the break-even inflation rate was outlined in Box 2 of the February 2002 issue of the Monthly Bulletin.

**Chart 20 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 in Box 4 of the January 1999 issue of the Monthly Bulletin. The data used in the estimate are derived from swap contracts.

increased significantly owing to a variety of factors (see also the box entitled “Recent increase in corporate bond spreads”).

Measures of long-term inflation expectations, such as the break-even inflation rate, also declined between the end of February and 1 June. The ten-year euro area break-even inflation rate, as derived from the difference between the yields on nominal and index-linked French government bonds maturing in 2015, stood at 1.98% on 1 June.

**Box 3**

**RECENT INCREASE IN CORPORATE BOND SPREADS**

After reaching very low levels by historical standards in early 2005, corporate bond spreads across the globe have increased sharply over the past few months. Thus, by late May, BBB-corporate bond spreads in the euro area stood at levels not observed since mid-2003. This box discusses the factors behind this development.

The importance of the corporate bond market as a source of finance for firms in the euro area is growing, although it still has a limited weight as compared with loans and the issuance of shares. Nevertheless, close monitoring of this segment is warranted from a monetary policy perspective. First, inasmuch as corporate bond spreads give an indication of how the market

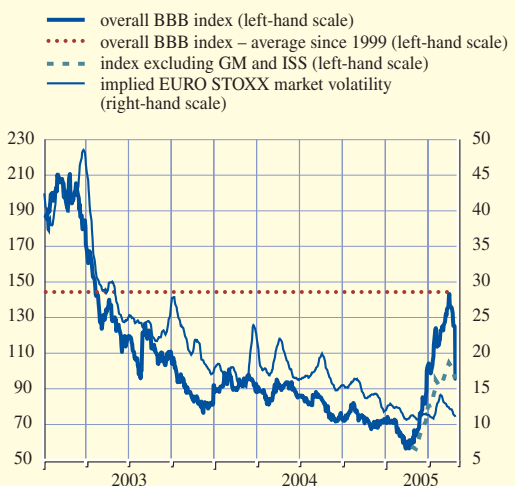
assesses the credit risk premium faced by corporations when raising external funding, they can provide some insight into future growth prospects for the economy and on the balance sheet situation and soundness of the corporate sector. Second, it is possible to gauge changes in market sentiment from the developments in BBB spreads. For instance, periods of financial turmoil usually coincide with high corporate bond spreads, triggered by portfolio shifts away from risky assets to safer and less volatile instruments. For these reasons, it is important to cross-check developments in corporate bond markets with other sources that may provide information on the background to changes in corporate bond spreads.

Focusing on the euro area, the difference between the yields on BBB corporate bonds and those on comparable risk-free government bonds more than doubled between the beginning of March 2005 and late May (see Chart), following several years of declining spreads.<sup>1</sup> The strong upturn over recent months may have originated from several different factors, of which changing fundamentals, firm-specific news and factors related to market dynamics can probably be deemed the most important.

First, at the macro level, there has been an increase in the rate of growth of debt in the course of 2005, indicating that the improvements in corporate balance sheets in the euro area observed over the past few years may have come to a halt (see also Section 2.6). In addition, while earnings growth has so far been very robust, data on analysts' twelve-month-ahead earnings growth expectations for euro area corporations have followed a downward trend since early 2004 (see Chart 23). This may indicate that earnings growth among euro area corporations, while expected to remain relatively strong, has reached its peak. At the same time, implied stock market volatility – an indicator which is in theory closely related to corporate bond spreads – increased concurrently with the upturn in the BBB spreads in April, but subsequently returned to very low levels by historical standards.<sup>2</sup>

**Chart BBB-rated euro-denominated corporate bond spreads and implied stock market volatility in the euro area**

(corporate bond spreads: basis points; implied stock market volatility: percentages per annum, ten-day moving average of daily data)



Source: Merrill Lynch, Bloomberg and ECB calculations.

Second, at the micro level, the increase in euro area corporate bond spreads seems to have been triggered by concerns about the credit quality of certain firms. In this respect, market reactions to General Motors' profit warning announcement in March 2005 triggered the rebound in corporate bond spreads. Standard & Poor's subsequent decision to downgrade General Motors' bonds to "junk" status on 5 May fuelled a further increase in the spreads. In addition, a

<sup>1</sup> The rise in corporate bond spreads in recent months has not been isolated to the BBB-rated segment (although in terms of percentage changes it showed the largest increase). In particular in the high yield segment (i.e. the bonds with the lowest credit rating) corporate bond spreads have also increased considerably since mid-March 2005.

<sup>2</sup> For a more detailed explanation on the linkage between corporate bond spreads and implied stock market volatility, see the box entitled "Determinants of the fall of corporate bond spreads in recent years" in the January 2005 issue of the Monthly Bulletin.

significant widening of the spreads on bonds issued by a Danish company specialising in industrial cleaning, ISS, has also contributed to the increase in the average spreads of the bonds included in the BBB index. All in all, from the beginning of March to end-May more than one-third of the overall increase in the euro-denominated BBB corporate bond index was due to the combined effect of these two companies. The large drop in the BBB spreads on 31 May can largely be explained by the exclusion of General Motors and ISS from the overall index (see Chart). Overall, between the end of February and 1 June BBB corporate bond spreads increased by 33 basis points, a level which was relatively low by historical standards.

Third, it cannot be ruled out that the recent increase in corporate bond spreads may also partly represent a normalisation of the pricing of corporate default risk. Over the past couple of years investors may, in their “search for yield” in a low interest rate environment, have driven up corporate bond prices to a level above sustainable values.<sup>3</sup> An unwinding of some of those positions may have contributed to the recent upturn in corporate bond spreads. Market factors in a phase of re-adjustment may have amplified movements. However, it is worth stressing that the corporate segment of the bond market is very volatile and that short-term movements in prices should therefore be treated with some caution.

<sup>3</sup> See Box 9 entitled “Corporate bond spreads and default expectations in the euro area” in the June 2005 issue of the ECB’s Financial Stability Review and Section 2.6 of the March 2005 issue of the Monthly Bulletin.

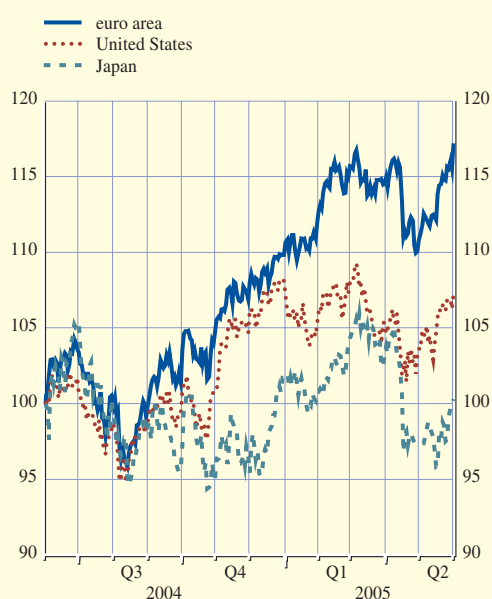
## 2.5 EQUITY MARKETS

*Overall, global stock markets have moved sideways over the past few months, reflecting a confluence of factors. Stock prices, particularly in the euro area, have remained resilient to the more subdued economic outlook, probably owing to continued strong profitability among firms. At the same time, global stock market uncertainty has remained fairly low.*

Between the end of February and 1 June, stock prices, despite undergoing large swings, remained broadly unchanged in the euro area and the United States overall (see Chart 21). In Japan, the Nikkei 225 index fell by around 3.5% over the same period, inter alia as a result of heightened political tensions. At the same time, stock market uncertainty, as measured by the implied volatility extracted from stock options, changed little overall in the major markets, and still remained well below the average over the period since 1999 (see Chart 22).

Chart 21 Stock price indices

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

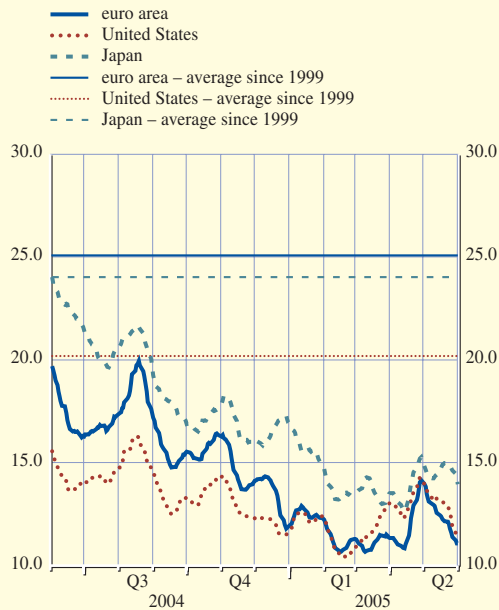


Sources: Reuters and Thomson Financial Datastream.  
Note: The Dow Jones EURO STOXX broad index for the euro area, the Standard & Poor's 500 index for the United States and the Nikkei 225 index for Japan.



**Chart 22 Implied stock market volatility**

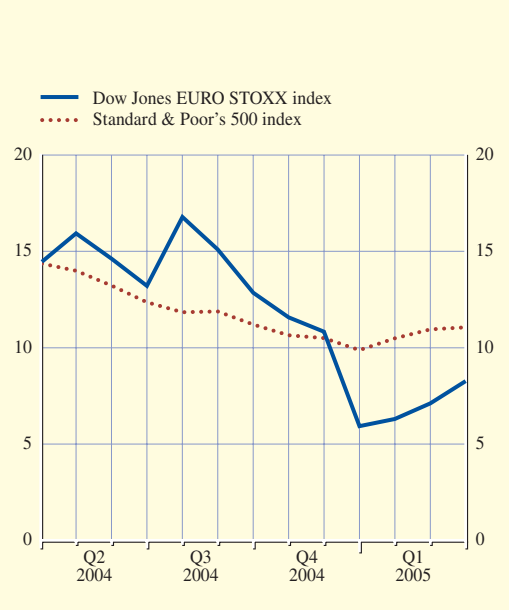
(percentages per annum; ten-day moving average of daily data)



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.

**Chart 23 Growth in expected earnings per share in the euro area and the United States**

(percentages per annum; monthly data)



Sources: Thomson Financial Datastream I/B/E/S and ECB calculations.  
 Note: Growth in earnings per share expected 12 months ahead.

Two discernible trends can be observed in US stock prices over the past three months. Between the end of February and mid-April US stock prices declined to levels not observed since late 2004. Mixed data releases regarding the US economic outlook may partly explain the more negative sentiment in the US stock markets during this period. The downward movement may also have been amplified by temporarily higher equity risk premia demanded by investors, which seemed to trigger portfolio shifts from the stock markets to the bond markets. This interpretation is also in line with an increase in perceived uncertainty, as reflected in the implied volatility extracted from stock options and the increase in corporate bond spreads. From mid-April onwards, US stock prices recovered and uncertainty declined, mainly supported by continued relatively strong reported earnings and lower long-term bond yields, implying a lower discount factor for expected future cash flows.

Overall, the movements in euro area stock markets were broadly similar to those in the United States. On the one hand, data releases on euro area economic activity, business sentiment and consumer confidence were perceived among market participants as less favourable, which probably weighed on stock prices. On the other hand, lower bond yields and ongoing strong profitability probably worked in the opposite direction. By mid-May analysts expected euro area corporations' earnings (included in the Dow Jones EURO STOXX index) to grow at an annual rate

of around 8%, indicating a slowdown from the expected growth rates observed in the latter part of 2004. The prevailing expected earnings growth rates for euro area corporations were slightly below those for corporations included in the Standard & Poor's 500 index (see Chart 23).

Viewed across sectors, performance was mixed, with the health care sector strongly outperforming the broad-based Dow Jones EURO STOXX index (see Table 3). This suggests that over the past three months investors may have become somewhat more inclined to invest in stocks which in general are less influenced by the state of the business cycle. At the same time, the stock prices of corporations in both the basic materials sector, which includes chemical companies, and the volatile telecommunications sector underperformed vis-à-vis the overall index. This possibly reflects concern among investors that final demand for the goods and services provided by firms in these sectors will be weaker than previously anticipated.

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

(price changes as percentages of end-of-period prices; historical volatility as percentages per annum)

	Basic materials	Consumer services	Consumer goods	Oil and gas	Financial	Health-care	Industrial	Technology	Tele-communications	Utility	EURO STOXX
<b>Share of sector in market capitalisation</b> <i>(end-of-period data)</i>	4.8	7.0	11.1	11.7	30.2	4.2	9.3	5.7	8.1	7.8	100.0
<b>Price changes</b> <i>(end-of-period data)</i>											
2004 Q1	-4.7	2.0	1.0	0.4	-0.9	11.6	1.3	10.1	4.0	7.2	1.9
2004 Q2	6.7	2.4	5.1	5.2	1.5	4.2	2.5	-13.6	-0.6	5.1	1.7
2004 Q3	1.5	-6.4	-9.0	3.3	-0.8	6.0	0.1	-13.0	-1.4	0.8	-2.1
2004 Q4	9.9	6.3	5.0	1.6	11.2	1.8	6.6	6.6	17.0	11.1	8.3
2005 Q1	6.0	7.5	6.3	9.7	4.7	0.1	5.3	-1.2	-4.0	3.7	4.3
April	-6.3	-4.9	-6.5	-2.9	-4.3	4.4	-4.9	-3.5	-4.7	-0.3	-3.9
May	4.7	4.3	7.0	4.9	4.1	5.8	6.0	10.2	2.0	4.3	5.0
End-February 2005 to 1 June 2005	-1.1	-0.2	3.5	3.2	0.5	13.9	1.1	6.0	-4.0	5.9	1.9
<b>Volatilities</b> <i>(period averages)</i>											
2004 Q1	15.2	17.2	15.0	16.6	15.6	16.4	15.3	26.9	18.3	14.3	14.3
2004 Q2	16.1	14.7	14.4	14.5	15.6	15.8	15.8	30.3	15.0	13.4	14.1
2004 Q3	13.1	13.6	12.7	12.8	11.6	12.4	11.7	25.3	11.7	8.6	11.2
2004 Q4	12.8	10.4	11.5	10.9	10.1	15.5	9.8	19.2	12.9	9.8	10.1
2005 Q1	10.6	8.4	8.5	11.6	8.8	16.5	9.3	14.7	9.9	13.0	8.2
April	15.3	13.1	11.7	15.6	13.1	17.2	14.9	20.1	13.4	14.1	12.6
May	11.2	6.5	7.1	11.2	8.8	11.2	8.1	13.7	9.5	10.2	7.6
End-February 2005 to 1 June 2005	12.7	9.8	9.7	13.6	10.8	17.4	11.1	15.3	11.3	12.5	10.1

Sources: Thomson Financial Datastream and ECB calculations.

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

## 2.6 FINANCING AND FINANCIAL POSITION OF NON-FINANCIAL CORPORATIONS

*Despite some increase in corporate bond spreads, the overall cost of debt financing faced by non-financial corporations remained low in the first quarter of 2005. In addition, over the same period, the conditions for access to bank credit improved further, supporting the favourable financing conditions for non-financial corporations in the euro area. The low cost of debt financing translated into a significant pick-up in debt financing flows to non-financial corporations in the first quarter of 2005, mainly driven by bank loans, whereas equity financing remained low. In consequence, the debt ratios of the euro area corporate sector increased over the same period.*

### FINANCING CONDITIONS

In the first quarter of 2005, the marginal real cost of external financing of non-financial corporations in the euro area, calculated by weighting the cost of different financing sources on the basis of outstanding amounts, continued to decline (see Chart 24; a detailed description of the measure of the real cost of external financing of euro area non-financial corporations can be found in Box 4 in the March 2005 issue of the ECB's Monthly Bulletin). The further decline in the real cost of external financing was driven predominantly by a decline in the cost of equity financing and the fact that the weighting based on the amounts outstanding gives a large weight to the cost of equity. At the same time, both the real cost of market-based debt and the real cost of MFI loans remained at the very low levels seen at the end of 2004.

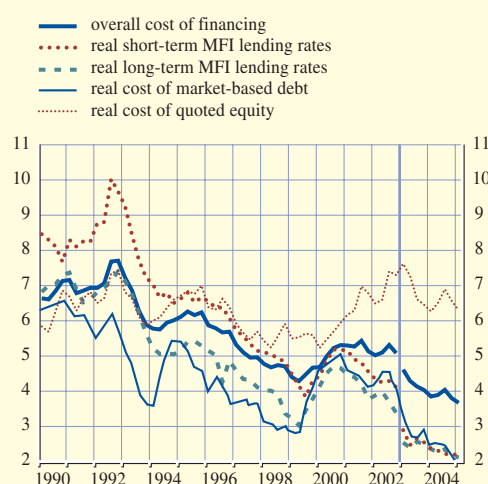
Regarding the components, the most important debt financing source of non-financial corporations is MFI loans. In the first quarter of 2005, the real cost of bank financing remained at the very low levels seen at the end of 2004. Indeed, MFI interest rates on most new loans to non-financial corporations have remained unchanged or declined slightly (see Table 4).

Regarding the maturity breakdown, most MFI interest rates on short-term loans remained unchanged or declined somewhat over the three-month period to March 2005, thereby reflecting developments in money market rates with comparable maturities. For example, both the MFI interest rate on bank overdrafts and the rate on loans of up to €1 million with a floating rate and an initial rate fixation of up to one year declined by a few basis points. By comparison, the three-month EURIBOR also declined by around 5 basis points during this period.

Over the three-month period up to March, most long-term MFI interest rates on loans to non-financial corporations declined slightly. For example, MFI interest rates on loans (of both

**Chart 24 Real cost of the external financing of euro area non-financial corporations**

(percent per annum)



Sources: ECB, Thomson Financial Datastream, Merrill Lynch and Consensus Economics forecast.

Notes: The real cost of the external financing of non-financial corporations is calculated as a weighted average of the cost of bank lending, the cost of debt securities and the cost of equity, based on their respective amounts outstanding and deflated by inflation expectations (see Box 1 in this issue of the Monthly Bulletin). The introduction of the harmonised MFI lending rates at the beginning of 2003 led to a statistical break in the series.

Table 4 MFI interest rates on new loans to non-financial corporations

(percentages per annum; basis points; weight-adjusted <sup>1)</sup>)

							Change in basis points up to March 2005			
	2004 Oct.	2004 Nov.	2004 Dec.	2005 Jan.	2005 Feb.	2005 Mar.	2003 Jan.	2003 Dec.	2004 Dec.	2005 Feb.
<b>MFI interest rates on loans</b>										
Bank overdrafts to non-financial corporations	5.40	5.37	5.27	5.36	5.30	5.26	-81	-21	-1	-4
Loans to non-financial corporations of up to €1 million										
with a floating rate and an initial rate fixation of up to one year	4.01	4.01	3.98	3.98	3.94	3.91	-96	-14	-6	-2
with an initial rate fixation of over five years	4.65	4.55	4.44	4.46	4.36	4.33	-82	-48	-11	-3
Loans to non-financial corporations of over €1 million										
with a floating rate and an initial rate fixation of up to one year	2.99	2.95	3.04	3.02	3.03	3.02	-70	-8	-2	-1
with an initial rate fixation of over five years	4.19	4.15	4.06	3.96	3.79	4.02	-53	-32	-5	23
<b>Memo items</b>										
Three-month money market interest rate	2.15	2.17	2.17	2.15	2.14	2.14	-70	-1	-4	0
Two-year government bond yield	2.47	2.41	2.36	2.39	2.45	2.49	-14	-9	13	4
Five-year government bond yield	3.18	3.08	2.93	2.92	2.97	3.08	-32	-51	15	11

Source: ECB.

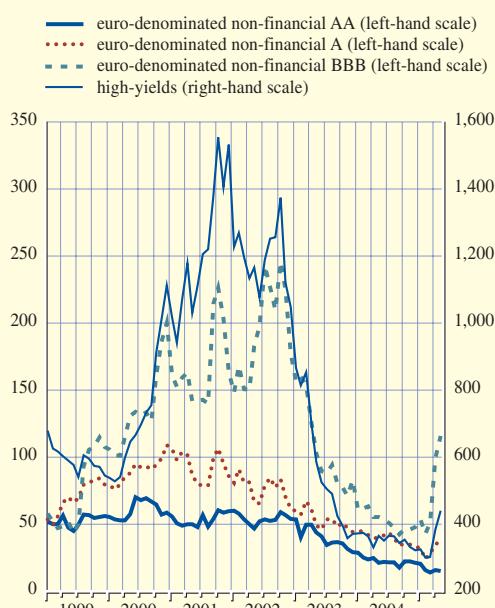
1) For the period from December 2003 onwards, the weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. For the preceding period, from January to November 2003, the weight-adjusted MFI interest rates are calculated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

up to €1 million and over €1 million) with an initial rate fixation of over five years, decreased by up to 10 basis points, whereas market interest rates for comparable maturities increased somewhat. For example, the ten-year government bond yield increased by 15 basis points over the same period. The different development in long-term bank interest rates and market rates for comparable maturities is possibly related to the temporary increase in yields on long-term bonds in February and early March and the fact that bank rates do not react to market rates immediately. Overall, bank interest rate margins on short-term loans remained broadly unchanged, whereas margins on long-term loans tended to decline somewhat.

In the first quarter of 2005, the real cost of market-based debt issued by non-financial corporations remained at the low levels observed at the end of 2004, although corporate bond spreads already picked up in March. More recently there has been a further increase in corporate bond spreads. In particular, the spread on bonds rated BBB and below over

Chart 25 Corporate bond spreads of non-financial corporations

(basis points; monthly averages)



Sources: Thomson Financial Datastream and ECB calculations.  
Note: Non-financial bond spreads are calculated against the AAA government bond yields.

benchmark bonds has increased significantly (see Box 3). This development might indicate a slight recent tightening of the financing conditions of non-financial corporations, although corporate bond spreads are still low by historical standards. In addition, the increase in the spreads on bonds rated A or above was significantly lower than that on relatively risky BBB-rated bonds (see Chart 25). It is also worth mentioning that the decline in government bond yields throughout the maturity spectrum dampened the upward pressure on the cost of financing resulting from the increase in spreads (see Section 2.4).

The real cost of quoted equity, driven by the more favourable developments in euro area stock markets, declined somewhat in the first quarter of 2005. The level of the real cost of quoted equity was in line with its average value since 1990, although still above the low values reached in the period 1999-2000.

#### **FINANCING FLOWS**

At the beginning of 2005 financing flows to non-financial corporations continued to accelerate. The real annual rate of growth of financing to non-financial corporations reached its highest level for more than three years in the first quarter of 2005. In addition, the internal financing capacity of non-financial corporations as indicated by corporate earnings stabilised at a high level. For example, actual earnings growth for major companies in the Dow Jones EURO STOXX index has remained robust in recent months (see Section 2.5 on equity markets). At the same time, some adjustments in earnings growth expectations seemed to occur in the first few months of 2005, as analysts revised their forecasts downwards to some extent (see Chart 23). Overall, non-financial corporations seem to have been adequately equipped with internal financing resources in recent months.

Taking the relatively moderate growth of real investments in the euro area into consideration, the acceleration in the recourse to external financing of non-financial corporations might in part be related to ongoing financial investments and, possibly, to pre-funding of forthcoming M&A activities and other investments in the future. Evidence in this respect is provided by the robust growth of deposits and other instruments included in M3 held by non-financial corporations (see Section 2.1) and the high overall growth in financial investment of the non-financial sector, even though current euro area statistics are not able to identify the financial investments of non-financial corporations precisely (see Section 2.2). In addition, an increased demand for working capital and the need for financing inventories might have supported this development (see Box 4).

#### **Box 4**

##### **THE RECOVERY IN THE GROWTH OF SHORT-TERM MFI LOANS TO NON-FINANCIAL CORPORATIONS IN RECENT QUARTERS**

Monitoring of the different components of MFI loans to non-financial corporations according to their maturity structure could shed light on the purposes of the different financing demands of corporations. While loans with a longer maturity tend to be used to finance long-term real and financial investment plans, developments in short-term loans are usually more volatile, as they mostly serve to finance the working capital needs of corporations.

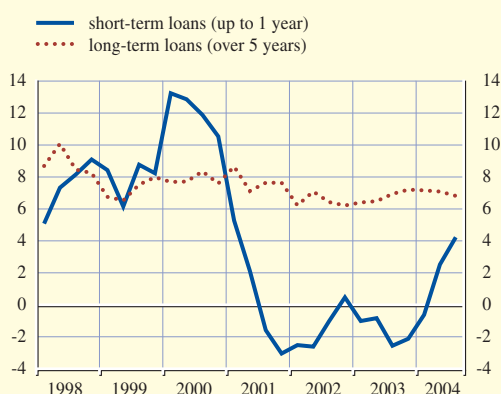
It has been argued that developments in short-term loans to non-financial corporations could offer useful insights into expected short-term economic developments and, more specifically, into detecting business cycle turning points. This argument is based on the conventional view

that at the early stages of an economic pick-up corporate demand for short-term funding rises, as corporations want to increase their working capital to finance the purchase of goods. At the same time, it could also be argued that the increased demand for short-term funding could be used to finance “undesired” inventory accumulation.

In the period between 1999 and 2000 short-term credit growth was very strong in the euro area, buttressed by strong economic activity. In addition, loan demand was also supported by an increase in M&A activity, as short-term loans were used to bridge gaps in financing in periods of strong demand for funds. In the following period, however, loan growth became negative and largely declined until early 2004. Since then, there has been a marked positive turnaround in the annual growth rate of short-term loans to non-financial corporations (see Chart A). In this respect, the pick-up in short-term loans took place in a period of stronger industrial confidence and an increase in inventory changes in 2004 (see Section 4.1 of this Monthly Bulletin). More recently, however, industrial confidence has declined somewhat and inventory accumulation has decreased. The results of the April 2005 bank lending survey<sup>1</sup> show that two major factors behind the acceleration in short-term loans to non-financial corporations were the financing of M&A activities and the financing of inventories and working capital (see Chart B). It is, however, difficult to disentangle to what extent the recent increase in short-term loans is due to short-term financing needs related to an optimistic assessment of future demand rather than to treasury developments linked to an undesired build-up of inventories.

**Chart A Short and long-term MFI loans to non-financial corporations**

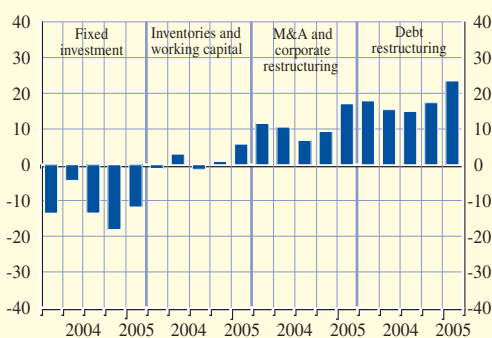
(annual growth rates)



Source: ECB.

**Chart B Factors affecting demand for loans and credit lines to enterprises**

(net percentages of banks reporting a positive (negative) contribution to demand)



Source: Eurosystem.

The latest European Commission survey on corporations’ perceptions with regard to the level of stocks of finished goods for the manufacturing sector suggests that there has been a net increase in the perception of above normal inventory accumulation since the third quarter of 2004. In absolute terms, however, this survey finds that the level of stocks of finished goods has recently been above but close to its long-term average, tentatively suggesting that it is unlikely that excessive inventory accumulation alone has accounted for the increase in the growth of short-term loans to non-financial corporations in recent months.

<sup>1</sup> A comprehensive assessment of the results of the April 2005 Bank Lending Survey for the euro area was released on 6 May 2005 and can be found on the ECB’s website ([www.ecb.int/stats/money/lend/html/index.en.html](http://www.ecb.int/stats/money/lend/html/index.en.html)).

**Table 5 Financing of non-financial corporations**

	Outstanding amount at the end of the last quarter available (EUR billions)	Annual growth rates (percentage changes)				
		2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1
<b>MFI loans</b>	3,193	3.2	4.0	4.5	5.5	6.0
up to 1 year	987	-2.6	-2.1	-0.6	2.5	4.2
over 1 and up to 5 years	555	3.7	6.5	6.1	6.1	6.8
over 5 years	1,651	6.9	7.2	7.2	7.1	6.8
<b>Debt securities issued</b>	612	5.9	2.2	3.6	3.0	3.3
short-term	105	-1.8	2.1	4.0	-1.0	3.1
long-term, of which: <sup>1)</sup>	507	7.6	2.2	3.5	3.8	3.3
fixed rate	413	8.5	2.5	1.1	0.7	-0.8
variable rate	80	-8.8	-2.3	18.4	29.5	29.9
<b>Quoted shares issued</b>	3,143	0.9	0.8	0.7	0.8	0.8
<b>Memo items<sup>2)</sup></b>						
Total financing	7,667	2.1	1.9	1.8	2.3	3
Loans to non-financial corporations	3,751	1.9	2.3	2.1	3.4	4½
Pension fund reserves of non-financial corporations	299	4.8	4.7	4.7	4.5	4¾

Source: ECB.

Note: Data shown in this table (with the exception of the memo items) are reported in money and banking statistics and securities issues statistics. Small differences with data reported in financial accounts statistics may arise mainly as a result of differences in valuation methods.

1) The sum of fixed rate and variable rate may not add up to total long-term debt securities because zero-coupon long-term debt securities, which include valuation effects, are not shown separately in this table.

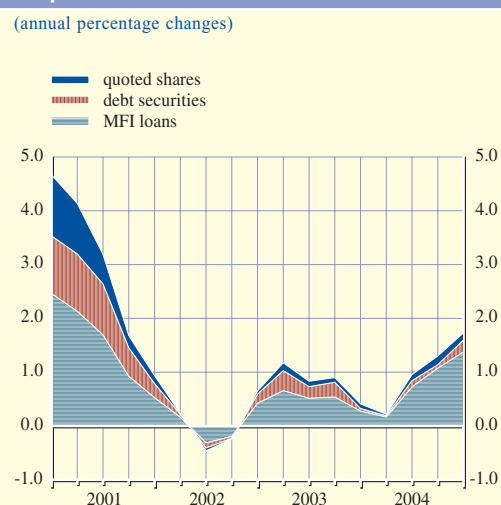
2) Data are reported from financial accounts statistics. Total financing of non-financial corporations includes loans, debt securities issued, quoted shares issued and pension fund reserves. Loans to non-financial corporations comprise loans granted by MFIs and other financial corporations. The latest quarter is estimated using data from money and banking statistics and securities issues statistics.

The acceleration of external financing of non-financial corporations in the first quarter of 2005 was driven by an increase in the demand for MFI loans (see Table 5). In fact, the annual growth rate of MFI loans to non-financial corporations increased from 5.5% in the last quarter of 2004 to 6.0% in the first quarter of 2005. More recently, the annual growth rate of MFI loans to non-financial corporations reached 6.2% in April 2005.

With respect to the maturity breakdown, growth in short-term loans to non-financial corporations increased considerably in the first quarter and in April of 2005.

In addition to the low MFI interest rates, the overall increase in loans to non-financial corporations was also supported by the recent net improvement in the conditions for access to bank credit. Indeed, the April 2005 bank lending survey (see Box 2 in the May 2005

**Chart 26 Breakdown of the real annual rate of growth of financing to non-financial corporations<sup>1)</sup>**



Source: ECB.

1) The real annual growth rate is defined as the difference between the actual annual growth rate and the growth rate of the GDP deflator.

issue of the Monthly Bulletin) reported a further net easing of credit standards for loans and credit lines to enterprises in the first quarter of 2005, which was significantly more pronounced than in the previous quarters.

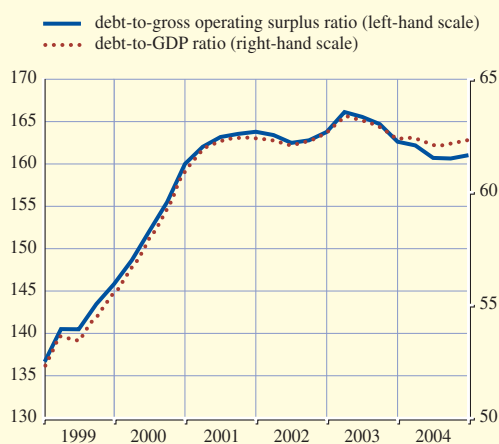
Regarding debt securities, the annual growth rate of debt securities issued by non-financial corporations increased slightly to 3.3% in the first quarter of 2005 and reached 5.1% in March 2005. The difference, until recently, in the level of recourse to the various forms of debt financing may to some extent reflect relatively high redemptions in debt securities, in particular in several euro area countries, after the strong issuance activity seen over previous years. Nevertheless, anecdotal evidence suggests an increase in M&A activity in the course of 2005, which might accelerate the growth of debt securities issuance. Traditionally M&A activities are, after a period of pre-financing via retained earnings or bank loans, financed via debt securities.

As regards equity financing, at the beginning of 2005 net equity issuance by non-financial corporations in the euro area remained subdued at the very low level observed over the past two years. The annual growth rate of quoted shares issued by non-financial corporations remained unchanged at 0.8% in the first quarter of 2005. The low recourse to equity financing is a consequence of the very low cost of other sources of finance and the availability of internal sources.

Overall, the annual growth rate of total financing of non-financial corporations is estimated to have increased to 3% in the first quarter of 2005, from 2.3% in the last quarter of 2004 (see Table 5).

**Chart 27 Debt ratios of the non-financial corporate sector**

(percentages)

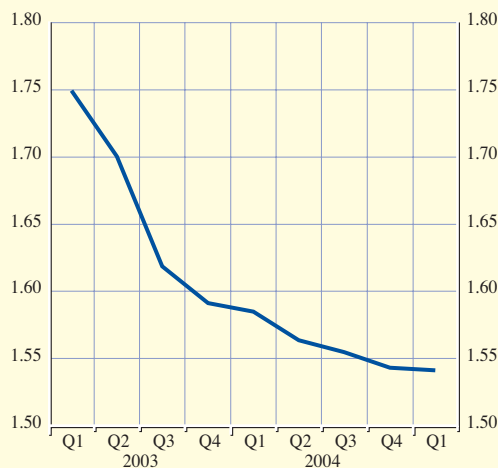


Sources: ECB and Eurostat.

Notes: The gross operating surplus relates to gross operating surplus plus mixed income for the whole economy. Debt is reported from financial account statistics. It includes loans, debt securities issued and pension fund reserves.

**Chart 28 Net interest payments of non-financial corporations**

(as a percentage of GDP)



Sources: ECB and Eurostat.

Note: Net interest payments relate to interest payments on euro-denominated MFI loans minus interest received on euro-denominated MFI deposits.



## FINANCIAL POSITION

In the first quarter of 2005, the reduction in the debt ratios of the non-financial corporate sector seen over the last two years came to a halt (see Chart 27). This development, driven by the increase in the recourse to debt financing, was supported by the very low cost of debt financing. In fact, at the beginning of 2005 the net interest payments of non-financial corporations remained at very low levels (see Chart 28) and thereby tempered the pressure to reduce the indebtedness of that sector. On the one hand, the increase in debt ratios should not be seen as a sign of weakness of the corporate sector, as it was triggered by the very low cost of debt and, in general, by a favourable lending attitude on the part of banks. On the other hand, the relatively high debt ratios combined with the recent pick-up in debt financing could have increased the risk exposure of non-financial corporations.

## 2.7 FINANCING AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

*Household borrowing remained buoyant in the first quarter of 2005, underpinned by favourable financing conditions. In particular, loans for house purchase continued to grow at robust rates, with dynamics showing some signs of stabilisation. As a result of the continued robust loan growth, the debt-to-GDP ratio of the household sector rose further.*

## FINANCING CONDITIONS

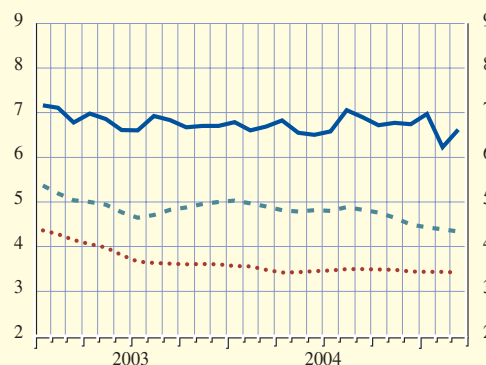
In the first quarter of 2005 financing conditions for the euro area household sector remained favourable. Interest rates are low by historical standards and rates on some types of loans to households edged down further in that quarter. Overall, developments in MFI interest rates mirrored those in comparable market interest rates across the maturity spectrum, leaving the respective spreads broadly stable.

Long-term MFI interest rates on lending for house purchase declined further in the first quarter of 2005. For example, the interest rate on housing loans with an initial rate fixation of over five and up to ten years fell by almost 50 basis points between September 2004 and March 2005 (see Chart 29). A similar pattern can be observed for the interest rate on housing loans with an initial rate fixation of over ten years. By contrast, the rate on housing loans with a floating rate and an initial rate fixation of up to one year, which continues to provide the bulk of new business as regards housing loans, has remained broadly unchanged for more than a year at rates just below 3.5% per annum. MFI interest rates on newly extended consumer credit are characterised by a greater

**Chart 29 MFI interest rates on loans to households**

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

- loans for consumption with a floating rate and an initial rate fixation of up to one year
- loans for house purchase with a floating rate and an initial rate fixation of up to one year
- - - - - loans for house purchase with an initial rate fixation of over five and up to ten years



Source: ECB.

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

degree of volatility. In particular, the interest rate on loans for consumption with a floating rate and an initial rate fixation of up to one year rebounded in March 2005 after a substantial decline in the previous month.

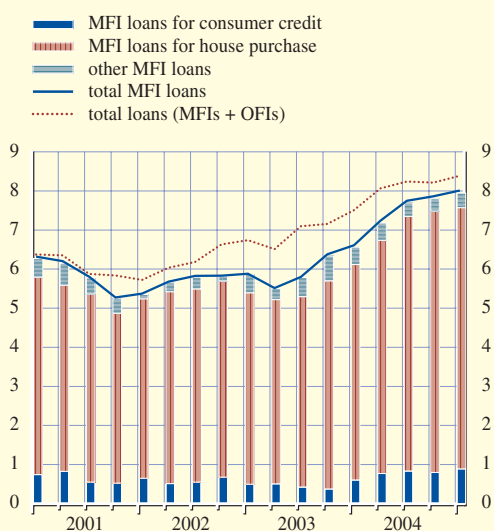
## FINANCING FLOWS

The most recent information on total loans granted to the household sector by all financial institutions is available from the quarterly financial accounts for the fourth quarter of 2004, when total household financing grew at an annual rate of 8.2% (unchanged from the previous quarter). Total loans to households are estimated, on the basis of information from money and banking statistics, to have grown at a similar pace in the first quarter of 2005. The continued robust growth of household financing in that quarter was mainly driven by developments in loans by MFIs, which grew at an annual rate of 8.0%. The contribution of loans by other financial institutions (OFIs) has diminished in recent quarters (see Chart 30).

The annual growth of MFI loans to households continued to be driven by buoyant MFI loans for house purchase in the first quarter of 2005, with some signs that the past strengthening had levelled off at a robust rate (a growth rate of 10.0% was recorded in March and April 2005, more or less unchanged from November 2004). The robust growth in household loans reflects favourable financing conditions and dynamic housing markets in a number of euro area countries. However, according to the results of the April 2005 bank lending survey, net demand for housing loans recorded, for the first time since the inception of the survey, a slight decline in the first quarter of 2005. This was reported to be primarily linked to weakening consumer confidence,

Chart 30 Total loans granted to households

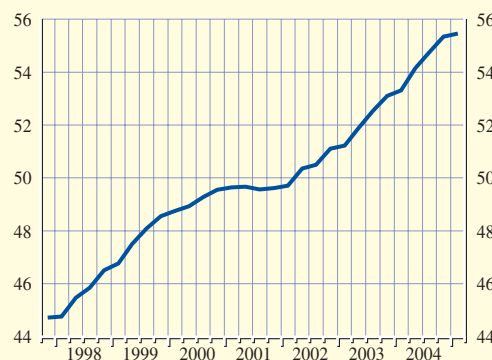
(annual growth rates in percentages; contributions in percentage points)



Source: ECB and ECB estimates.  
Note: Total loans (MFIs + OFIs) for the first quarter of 2005 have been estimated on the basis of transactions reported in money and banking statistics.

Chart 31 Ratio of household debt to GDP

(in percentages)



Source: ECB and ECB estimates.  
Notes: These data, compiled on the basis of the quarterly financial accounts, show the ratio of household debt to GDP as being somewhat lower than would be the case were they based on the annual financial accounts, mainly because loans granted by non-financial sectors and by banks outside the euro area are not included. Data for the last quarter shown have been partly estimated.

while borrowers' assessment of housing market prospects continued to be seen as providing a positive contribution to loan demand. Credit standards on loans for house purchase registered a slight further net easing.

The annual growth rate of consumer credit stood at 6.7% in March and April 2005 (yielding an average rate of 6.4% in the first quarter of 2005, compared with 6.2% in the final quarter of 2004), thus continuing the modest upward trend observed during 2004. The April bank lending survey points to broadly unchanged net demand for consumer credit as reported by banks in the first quarter of 2005. The annual growth rate of other MFI lending to households has remained broadly stable over recent quarters at around 2%.

#### **FINANCIAL POSITION**

Reflecting the strong dynamics in household borrowing over recent years, the ratio of household debt to GDP has risen continuously since 2002 and recorded a further rise, to around 55½%, in the first quarter of 2005 (see Chart 31). Despite this upward trend, the euro area household debt-to-GDP ratio remains considerably below those of other developed economies such as the United States or the United Kingdom. Moreover, the total debt service burden of the household sector (interest payments plus repayments of principal) as a percentage of disposable income has remained relatively stable in recent years, owing to the prevailing low levels of interest rates.

## 3 PRICES AND COSTS

Annual HICP inflation in the euro area remained at 2.1% in April 2005, for a third consecutive month. Inflationary pressures coming from energy prices were counterbalanced by weaker developments in unprocessed food and services prices. According to Eurostat's flash estimate, annual HICP inflation was slightly lower in May, at 2.0%. The upward pressure from oil price increases is also reflected in recent producer price developments. In the three months up to March 2005, producer price inflation rose year on year by 0.7 percentage point to 4.2%. Labour cost indicators for 2004 suggest that wage pressures have been moderate and the first indicators available for the first quarter of 2005 are consistent with this picture. In the coming months, annual HICP inflation is expected to remain broadly at recent levels, although some degree of volatility cannot be excluded in face of developments in oil prices. Looking ahead, underlying inflationary pressures are expected to remain contained in the euro area, but upside risks to price stability exist.

### 3.1 CONSUMER PRICES

#### FLASH ESTIMATE FOR MAY 2005

According to Eurostat's flash estimate, euro area HICP inflation declined to 2.0% in May 2005, from 2.1% in the three previous months (see Table 6). Uncertainty surrounding this estimate remains significant given the preliminary nature of the data, but provisional information suggests that the slight fall in the headline index reflects developments in energy prices, although their annual rate of change remained at a high level.

#### HICP INFLATION UP TO APRIL 2005

Euro area HICP inflation remained unchanged at 2.1% for the three months up to April 2005 (see Chart 32). The April HICP inflation figure was in line with Eurostat's flash estimate, released in late April. This stability in the annual rates of change for the overall HICP reflected counterbalancing forces. On the one hand, annual rates of change of the HICP excluding energy and unprocessed food eased to an average of 1.5%, compared with 1.9% in the three months prior to February. On the other hand, stronger oil price increases offset this downward pressure.

**Table 6 Price developments**

(annual percentage changes, unless otherwise indicated)

	2003	2004	2004 Dec.	2005 Jan.	2005 Feb.	2005 Mar.	2005 Apr.	2005 May
<b>HICP and its components</b>								
Overall index <sup>1)</sup>	2.1	2.1	2.4	1.9	2.1	2.1	2.1	2.0
Energy	3.0	4.5	6.9	6.2	7.7	8.8	10.2	.
Unprocessed food	2.1	0.6	0.0	-0.6	0.7	1.3	0.8	.
Processed food	3.3	3.4	3.2	2.8	2.6	1.6	1.6	.
Non-energy industrial goods	0.8	0.8	0.8	0.5	0.2	0.3	0.3	.
Services	2.5	2.6	2.7	2.4	2.4	2.5	2.2	.
<b>Other price indicators</b>								
Industrial producer prices	1.4	2.3	3.5	4.0	4.2	4.2	.	.
Oil prices (EUR per barrel)	25.1	30.5	30.0	33.6	35.2	40.4	41.4	39.4
Non-energy commodity prices	-4.5	10.8	-0.2	3.1	3.1	-0.4	-1.9	0.9

Sources: Eurostat, Thomson Financial Datastream and HWWA.

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

In April, the annual growth rate of energy prices continued to rise for a third consecutive month, reaching 10.2% compared with 6.2% in January. This reflected the dynamics of oil prices up to April. In contrast, the annual rate of increase in unprocessed food prices was 0.5 percentage point lower in April than in March, when unfavourable weather conditions had sparked strong price increases. This effect helped to offset the upward effects of energy prices on the overall index.

The annual rate of change in the HICP excluding energy and unprocessed food fell to 1.4% in April from 1.6% in the two previous months. This decline was driven by services prices, while the annual growth rates of non-energy industrial goods prices as well as processed food prices were broadly unchanged compared with the previous month. A closer look at the services components reveals, however, that sharp drops in the prices of volatile items (primarily package holidays and air transport) are behind this latest decline. Given the seasonal volatility of holiday-related items combined with the effect of the changing timing of the Easter holidays in different years, this downward impact on services prices and the HICP excluding energy and unprocessed food is expected to be largely reversed in the coming months. The dynamics of non-energy industrial goods prices continued to be subdued in April. To some extent, this was due to the dropping-out of the effects of last year's healthcare reform in Germany, which had pushed

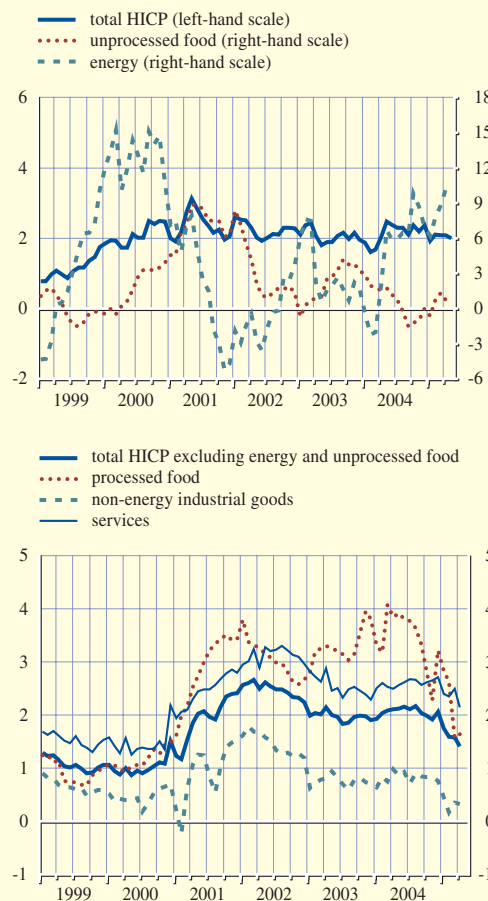
up the prices of pharmaceutical products. Notwithstanding the temporary nature of the further weakening in April, the moderate developments in HICP inflation excluding energy and unprocessed food continue to suggest that underlying inflationary pressures in the euro area remain subdued.

### 3.2 PRODUCER PRICES

The annual rate of change in producer prices excluding construction continued to increase in the first three months of 2005, from 3.5% in December 2004 to 4.2% in February and March 2005. This development mainly reflected the pass-through of higher energy prices. The latest available data continue to indicate strong growth in the producer prices of energy goods. The year-on-year growth rate of energy producer prices rose to 11.8% in March from 10.0% in February as a result of oil price developments.

**Chart 32 Breakdown of HICP inflation: main sub-components**

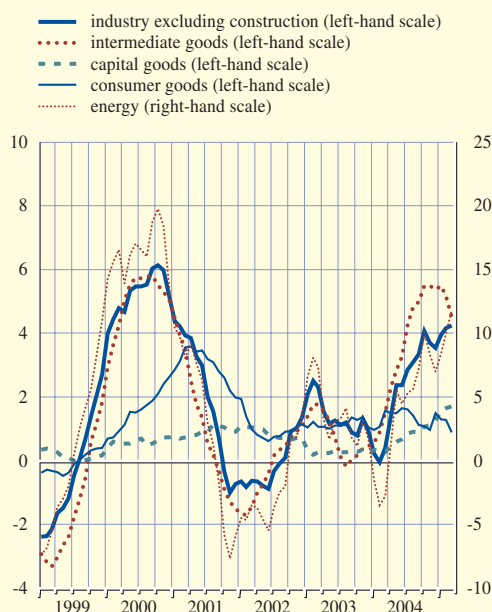
(annual percentage changes; monthly data)



Source: Eurostat.

**Chart 33 Breakdown of industrial producer prices**

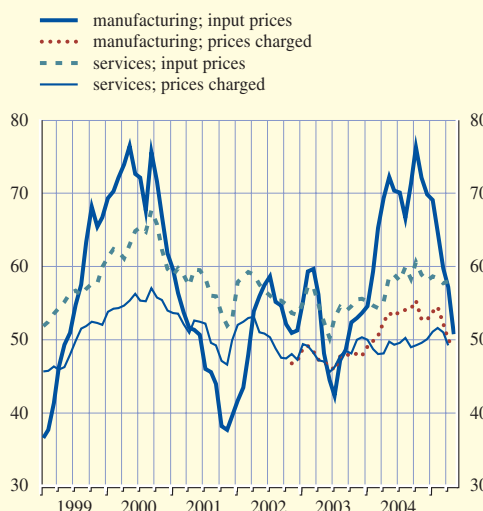
(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

**Chart 34 Producer input and output price surveys**

(diffusion indices; monthly data)



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

Looking at the other main components of producer prices, the annual rate of increase in intermediate goods producer prices declined for two consecutive months, reaching 4.5% in March 2005. While this rate remains relatively high, probably reflecting the dynamics of some raw material prices in recent months, the latest developments might suggest some reversal towards lower rates in the future. The annual rate of change in consumer goods producer prices eased in the first three months of 2005. In March consumer goods producer prices increased by 0.9% year on year, compared with 1.5% in December 2004. In this respect, manufacturing firms appear to have so far absorbed higher energy costs in their profit margins. As regards capital goods producer prices, their annual rate of growth was unchanged in March, at 1.7% (see Chart 33). Overall, while there are signs of some pass-through of higher energy costs to producer prices for capital and intermediate goods, evidence of any transmission to producer prices for consumer goods has thus far been very limited (see Box 5 entitled “Developments in consumer goods producer prices”).

Looking ahead, survey data for May 2005 continue to point to a possible decline in the annual growth rate of producer prices. In the manufacturing sector, the Eurozone Input Price Index from the Purchasing Managers’ Survey declined significantly in May, suggesting only small increases in input prices (see Chart 34). The index for prices charged by manufacturers (or output prices) fell below 50, the level which in theory implies unchanged prices. This evidence indicates that inflationary pressures at the producer level may be moderating to a larger extent than visible in the producer price data. However, survey data have to be interpreted with some caution. As regards the services sector, for which at the cut-off date for this publication data were only available up to April 2005, the index of input prices continues to point to a relatively strong expansion of input costs. By contrast, the index for prices charged remained very close to the level

indicating no change in output prices. On the whole, recent indicators have pointed to more muted increases in prices charged than in input prices, which might suggest that firms have absorbed part of the rising costs by squeezing profits, especially in the manufacturing sector.

#### Box 5

### DEVELOPMENTS IN CONSUMER GOODS PRODUCER PRICES

This box considers the pass-through of commodity prices to producer price developments at the later stages of the production chain and the implications for consumer price developments. The impact of the increases in (both oil and non-energy) commodity prices since late 2003 is clearly evident in the earlier stages of the production chain but less so in the later stages. The annual rate of change in producer prices for intermediate goods increased from below 1% at the end of 2003 to above 5% at the beginning of 2005, and for energy goods it has risen to above 10%. By contrast, the annual rate of change in consumer goods producer prices has remained at around 1%. This relatively subdued profile, however, conceals differences between price developments in the food and tobacco industry and developments in other consumer goods producer prices.

Thus, to analyse producer prices at the later stages of the production chain, a new measure of producer prices for consumer goods excluding food and tobacco has been constructed.<sup>1</sup> These excluded items have a large weight in consumer goods producer prices, accounting for approximately 50% of the total. Besides durable consumer goods, the new aggregate also includes the prices of some non-durable items, e.g. apparel and leather goods, publishing and printing as well as pharmaceutical and medicinal chemical goods. It may provide a new perspective when analysing the impact of producer prices on consumer price inflation. While overall consumer goods producer prices can be loosely associated with developments in HICP inflation excluding energy, producer prices for consumer goods excluding food and tobacco may better capture producer prices impacting on developments in the HICP non-energy industrial goods index. Nevertheless, any analysis should also take account of the statistical differences between the producer price index and the HICP.<sup>2</sup>

As may be seen in Chart A, producer prices for tobacco and food have evolved in a very different manner from producer prices for other consumer goods. Producer prices for tobacco products have been heavily affected by increases in tobacco taxation, particularly since 2002. Unlike VAT, these excise duties are reflected in producer price statistics. Producer prices for food products and beverages also rose significantly in 2000 and 2001, largely due to BSE and foot-and-mouth disease in livestock, and between 2002 and 2004, due mainly to adverse weather conditions. This latter increase, however, has been partly reversed since the second half of 2004, bringing the annual rate of change in producer prices for food products and beverages to its current low rate.

1 All EU countries provide data on producer prices for domestic sales at the broad Main Industrial Grouping level – i.e. energy, intermediate, capital and durable and non-durable consumer goods. On the basis of durable consumer goods and specific detailed sub-indices of non-durable consumer goods available for most countries, Eurostat has started to compile a measure of producer prices for consumer goods excluding food and tobacco for the euro area. Some countries have provided data beyond their legal requirements, which has ensured high country coverage for this new aggregate.

2 In particular, consumer goods producer prices do not cover some important goods that are covered by the HICP (e.g. cars, televisions and computers, as well as imported goods). Moreover, the HICP prices also include value added tax (VAT).

With regard to producer prices for consumer goods excluding food and tobacco, the development has been quite different. The annual rate of increase gradually eased from above 2% at the beginning of 2001 to close to 0% at the beginning of 2004 but has started to edge up somewhat since then. The easing observed between 2001 and early 2004 reflects two main developments. First, there was the unwinding of the indirect effects of commodity price increases and the exchange rate depreciation prior to 2001. Second, the euro's appreciation and weak demand since 2001 have exerted downward pressures.

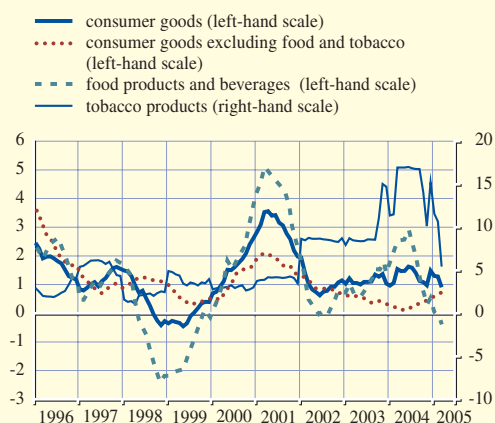
The recent upswing in producer prices for consumer goods excluding food and tobacco, which is broadly based, suggests that past increases in oil and non-energy commodity prices are feeding through further along the production chain to producer prices for consumer goods. However, weak consumer demand, the past appreciation of the euro and external competition have moderated these pressures. As noted before, despite the increase, the annual rate of change in producer prices for consumer goods has remained relatively moderate at slightly below 1%. Looking ahead, some further upward pressures are expected given the persistence of high commodity prices and the lags involved in the pass-through.

Turning to the implications for consumer price developments in the HICP, the upswing in producer prices for consumer goods excluding food and tobacco has not yet materialised in the HICP non-energy industrial goods index. Chart B shows that the annual rate of change in this component of the HICP has continued to edge down and is currently at around 0.3%.

Looking ahead, some upward pressure may therefore come from the upswing observed in producer prices. Indeed, there has been a strong lagged co-movement between the two series in the past, even though it has not always been one for one. In this respect, factors such as weak consumer demand, moderate wage growth and the potential impact on clothing and footwear prices of the removal of import quotas may serve to dampen the upward pressure coming from the indirect effects of past commodity price increases.

**Chart A Producer prices for consumer goods and sub-components**

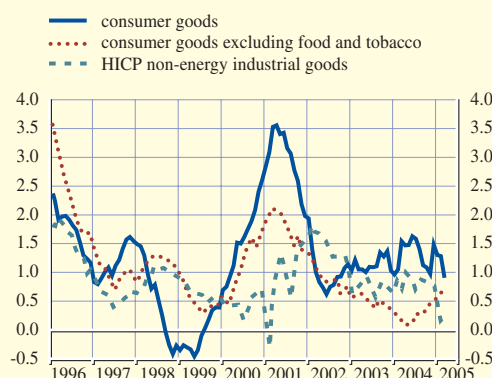
(annual percentage changes)



Sources: Eurostat and ECB calculations.

**Chart B Producer prices for consumer goods and HICP non-energy industrial goods**

(annual percentage changes)



Sources: Eurostat and ECB calculations.



In summary, the stripping-out of industry-specific factors from producer prices for consumer goods provides additional insights into producer price developments at the later stages of the production chain. These indicate that although there are some signs of indirect effects from commodity price increases, they have thus far been relatively subdued and have not yet been passed through to consumer prices.

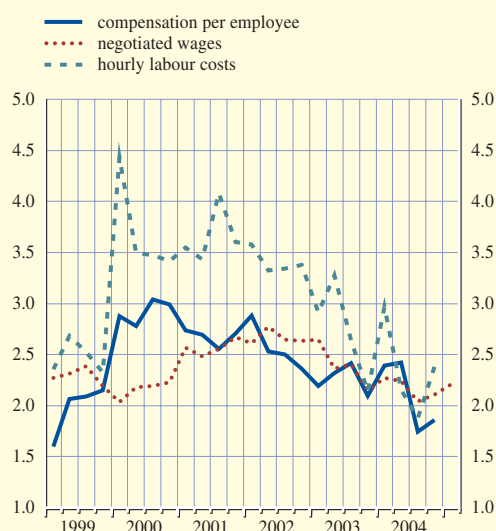
### 3.3 LABOUR COST INDICATORS

Negotiated wages in the euro area provide an initial indication of labour cost developments in the first quarter of 2005. On a year-on-year basis, they grew slightly more strongly than in the last quarter of 2004, and this picture was common across most euro area countries. A higher growth rate of negotiated wages was particularly visible in Italy, but this increase was probably of a temporary nature, caused by the renewal and phasing in of Italian wage agreements. Nonetheless, at 2.2%, the euro area annual growth rate remained similar to the average for 2004 (see Table 7).

Most indicators of labour cost growth declined in the second half of 2004, with the third quarter registering the smallest increases in all available indicators in 2004. In the final quarter of the year, the annual growth rate in hourly labour costs was 2.4%, up from the previous quarter but still below the average that prevailed in 2003. The annual rate of change in euro area compensation per employee also rose slightly to 1.9% in the fourth quarter (see Chart 35). At the current juncture, it is too early to judge whether wage growth has reached a turning point or is just levelling off at current levels.

Chart 35 Selected labour cost indicators

(annual percentage changes)



Sources: Eurostat, national data and ECB calculations.

Table 7 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

	2003	2004	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1
Negotiated wages	2.4	2.2	2.3	2.2	2.0	2.1	2.2
Total hourly labour costs	2.7	2.3	3.0	2.2	1.9	2.4	.
Compensation per employee	2.3	2.1	2.4	2.4	1.7	1.9	.
<i>Memo items:</i>							
Labour productivity	0.4	1.2	1.2	1.6	1.2	0.7	.
Unit labour costs	1.8	0.9	1.2	0.8	0.5	1.2	.

Sources: Eurostat, national data and ECB calculations.

Turning to unit labour costs, the slowdown in productivity in the second half of 2004 implied a rise in unit labour cost growth towards the end of the year, from 0.5% year on year in the third quarter to 1.2% in the fourth. As productivity growth is expected to recover only slowly, unit labour cost growth is not expected to ease further in the short term. Nonetheless, its current rate is broadly in line with the assessment of only moderate inflationary pressures emanating from the labour market.

### 3.4 THE OUTLOOK FOR INFLATION

In the coming months, HICP inflation is expected to remain around current levels. Looking further ahead, there is thus far no significant evidence of underlying inflationary pressures building up. In the context of moderate economic growth and high unemployment, wage growth should remain moderate.

The new Eurosystem staff macroeconomic projections (see the “Eurosystem staff macroeconomic projections for the euro area” section) foresee HICP inflation to lie between 1.8% and 2.2% in 2005 and between 0.9% and 2.1% in 2006. However, there are upside risks to these projections, which relate notably to future oil price developments. In addition, indirect taxes and administered prices could have stronger upward effects on inflation than currently assumed. Furthermore, ongoing vigilance is needed to ensure that past price increases do not lead to second-round effects in wage and price-setting throughout the economy.

## 4 OUTPUT, DEMAND AND THE LABOUR MARKET

*Euro area real GDP increased by 0.5% in the first quarter of 2005, following weaker growth in the second half of last year. However, the composition of demand showed a loss of momentum in private consumption and a decline in investment. The latest indications from survey data point to relatively subdued economic growth in the second quarter of 2005. The moderation of economic activity observed since mid-2004 can be attributed in part to the rise in oil prices. Looking ahead, however, there is scope for more positive fundamental factors to shape the environment again, assuming that the effects of adverse developments gradually diminish.*

### 4.1 OUTPUT AND DEMAND DEVELOPMENTS

#### REAL GDP AND EXPENDITURE COMPONENTS

First estimates of the euro area national accounts for the first quarter of 2005 indicate a pick-up in real GDP growth compared with the second half of last year. Quarter-on-quarter real GDP growth is estimated at 0.5% in the first quarter, compared with 0.2% in the fourth quarter of 2004 (see Chart 36). However, real GDP figures over these two quarters partly reflect statistical effects related to working-day adjustments to the data. This may have led to some understatement of growth dynamics in the last quarter of 2004 and some overstatement in the first quarter of 2005. Major statistical changes affecting national account data, which have started to be implemented in some countries, are explained in Box 6.

#### Box 6

#### MAJOR CHANGES IN EURO AREA AND MEMBER STATES' NATIONAL ACCOUNTS

In the course of 2005 and 2006 euro area and EU Member States' ESA 95 national accounts data will undergo major changes as a result of the introduction of (i) chain-linking of annual and quarterly series at constant prices, (ii) a new treatment of financial services indirectly measured (FISIM) and (iii) new methods for compiling government output, as well as benchmark revisions. This box discusses these changes, which will improve the quality of the national accounts. It also explains the timetable for revising the euro area national accounts and gives a preliminary assessment of the possible impact of these changes.<sup>1</sup>

The move to chain-linked annual accounts is required by EU rules<sup>2</sup> aimed at improving the accuracy and comparability of GDP volume measures between countries. Almost all EU countries have decided to implement chain-linking for quarterly national accounts for reasons of consistency. In order to measure the volume growth of GDP and its components, the effect of price changes has to be eliminated. For this purpose, most EU countries have been using a fixed weighting structure which is updated every five years. From 2005 onwards, the weights will be updated annually, using values at the prices of the previous year, and the results obtained using those weights will subsequently be (chain-)linked. The introduction of chain-linking improves the accuracy of volume growth measures. If fixed weights are used for a prolonged period, they become less and less relevant over time (for example, the 1995 share of computers in

<sup>1</sup> For further information see Eurostat's website.

<sup>2</sup> Commission Decision of 30 November 1998 (98/715/EC) clarifying Annex A to Council Regulation (EC) No 2223/96 on the European system of national and regional accounts in the Community as concerns the principles for measuring prices and volumes.

investment is out of date when the growth of fixed capital formation is computed for 2004). Chain-linking also improves comparability with US statistics, which have used a similar practice since the late 1990s. The same is true for comparability within the EU, since some EU countries have been using chain-linking for some time.

Furthermore, in the course of 2005 national statistical institutes (NSIs) are required to change the way in which the output of financial intermediaries is calculated and allocated.<sup>3</sup> To a large extent, the output of financial intermediaries is determined by an imputed output, FISIM. In the current treatment, the output of FISIM is calculated as the difference between interest received and interest paid and recorded as intermediate consumption by a nominal (sector or) branch of activity. FISIM therefore does not affect the level of GDP. Under the new treatment of FISIM, value added by branch of economic activity will change through the allocation of part of FISIM to intermediate input, and GDP will change through the allocation of part of FISIM to final consumption and exports.

NSIs are also required to start implementing new methods for compiling government output,<sup>4</sup> for example in the field of education, by replacing the current output estimates, derived by deflating the sum of the costs of producing government services, with direct measures of the volume growth of the output generated. In addition, the NSIs of most Member States plan to carry out a benchmark revision to their national accounts in the course of 2005 or 2006. Such benchmark revisions are necessary to align national accounts data with the latest available data sources, some of which are available only at intervals of several years (generally every five years).

These changes will be introduced in Member States' national accounts on a staggered basis up to the end of 2006. This will reduce the comparability between countries during an interim period. Eurostat plans to begin presenting chain-linked volume measures for the annual and quarterly European aggregates with the first regular release for the third quarter of 2005 on 30 November 2005, when it will have sufficient coverage of Member States' annual and quarterly national accounts. With the same release, Eurostat plans to implement the allocation of FISIM in both annual and quarterly European aggregates. Before this date, there will be no allocation of FISIM in the European aggregates. As a result, European aggregates will not be fully consistent with the data published for the Member States (which in several cases already include allocated FISIM).

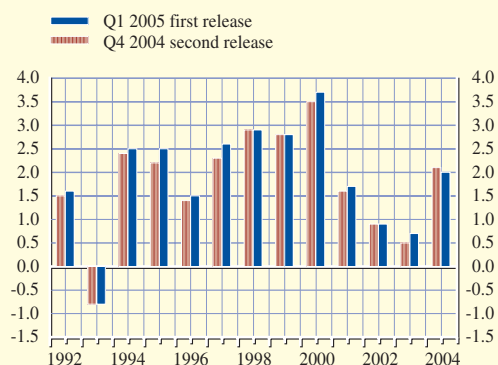
However, euro area releases prior to 30 November 2005 will already include the effect of revisions due to the introduction of chain-linking in some Member States' national accounts, as well as the effect of benchmark revisions and other changes made. For example, Eurostat's first regular release for the first quarter of 2005 (on 1 June 2005) includes the effect of introducing chain-linking and new government output measures in the annual and quarterly national accounts of Germany and Spain. It also includes the effect of the benchmark revisions in Germany, France and Spain.

3 Commission Regulation (EC) No 1889/2002 of 23 October 2002 on the implementation of Council Regulation (EC) No 448/98 completing and amending Regulation (EC) No 2223/96 with respect to the allocation of financial intermediation services indirectly measured (FISIM) within the European System of national and regional Accounts (ESA).

4 Commission Decision of 17 December 2002 (2002/990/EC) further clarifying Annex A to Council Regulation (EC) No 2223/96 as concerns the principles for measuring prices and volumes in national accounts.

**Chart A Annual euro area GDP volume growth**

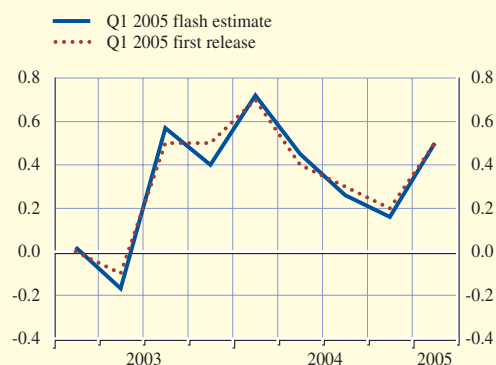
(percentages)



Sources: Eurostat and ECB calculations.

**Chart B Quarter-on-quarter euro area GDP volume growth**

(percentages; seasonally adjusted)



Sources: Eurostat and ECB calculations.

Chart A shows the revisions to annual euro area GDP volume growth compared with the second release for the fourth quarter of 2004. These revisions range from -0.1 percentage point for 2004 to +0.3 percentage point for 1997, while the average revision for the period 1992-2004 is +0.1 percentage point. The average revision of annual GDP volume growth for Germany and France is 0.2 percentage point, and for Spain 0.5 percentage point (for the latter, revised data have been published only for 2000 onwards). The profile of quarterly seasonally and working-day-adjusted GDP growth is only slightly revised, with the figures for the last three quarters remaining unchanged (see Chart B).

Revisions to the annual volume growth of the components of GDP vary significantly. For the period 2001-2004, they are most pronounced in government consumption growth (-0.3 percentage point) and gross fixed capital formation growth (+0.3 percentage point). Among the components of value added, revisions for the period 2001-2004 are most significant for construction growth (+0.7 percentage point), growth in trade, repairs, hotels and restaurants, transport and communication services (-0.4 percentage point) and growth in financial, real estate, renting and business services (+0.3 percentage point).

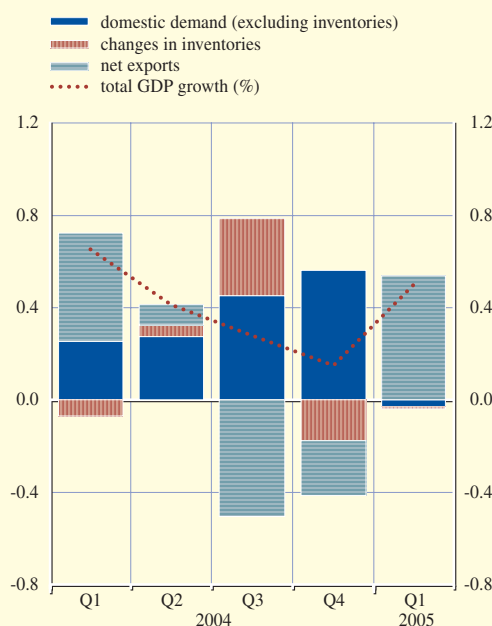
The euro area national accounts will be subject to further revisions as other Member States will also introduce similar improvements to their national accounts in the next months.

Regarding the expenditure breakdown, the contribution of domestic demand declined in the first quarter of 2005 compared with the previous quarter, owing mainly to a slowdown in private consumption growth and a decline in investment. However, consumer spending growth remains at a similar level to that recorded in the third quarter of 2004, after being almost stagnant in the second quarter. As regards investment, the decline may have been partly driven by temporary factors affecting construction, while growth in investment in machinery is estimated to have remained positive. Export growth remained subdued. However, since there was also a significant decline in imports, net trade made a substantial positive contribution, after having dampened growth significantly in the second half of 2004 (see Box 7). Finally, in line with the weakening in imports, inventories made a zero contribution to growth. This follows a negative contribution in the last quarter of 2004 after an increase in the third quarter.

Overall, the composition of real GDP growth in the first quarter does not indicate a broadening of economic growth. A sustained strengthening would require a stronger contribution from domestic demand.

**Chart 36 Real GDP growth and contributions**

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



Sources: Eurostat and ECB calculations.

### Box 7

#### ASSESSING THE RECENT IMPULSE FROM THE EXTERNAL SECTOR TO EURO AREA ACTIVITY

When assessing the strength of the external impulse to an economy, two measures are commonly used: exports and net trade (i.e. the difference between exports and imports). This box shows that these two concepts provide different information, which at times can give conflicting pictures. While net trade has the advantage of reflecting the income available in the domestic economy from trade flows, it may understate the extent to which external developments generate activity in the economy, through the creation of additional income. This is particularly relevant for the analysis of developments in the euro area at the current juncture. For 2004, considering net trade alone would understate the stimulus to activity from the external sector.

Exports and net trade feature in the accounting identity which equates total supply (GDP plus imports) and total demand (consumption, both household and government; investment, fixed and in inventories; and exports):

$$\begin{aligned} \text{Total supply} &= \text{Total demand} \\ \text{GDP} + \text{imports} &= \text{Consumption} + \text{Investment} + \text{Exports} \end{aligned} \quad (1)$$

From this identity, GDP is obtained as:

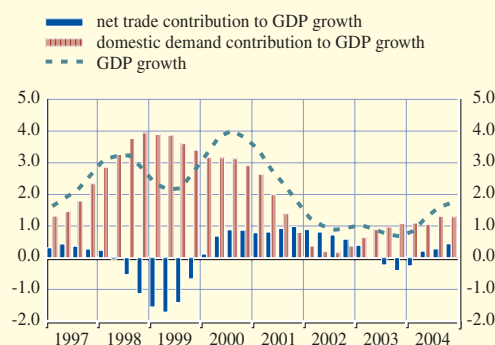
$$\begin{aligned} \text{GDP} &= \text{Consumption} + \text{Investment} + \text{Exports} - \text{Imports} \\ \text{or GDP} &= \text{Consumption} + \text{Investment} + \text{Net trade} \end{aligned} \quad (2)$$

Identity (2) provides an accounting decomposition of the sources of income (GDP) ultimately available in the domestic economy, the net trade component being a measure of the income obtained from external trade. For the euro area, since export and import data in the national accounts include intra-euro area trade, the net trade measure has the advantage of reflecting only transactions with the rest of the world. However, identity (2) is not well suited to providing an economic representation of how income and activity are generated. In this respect, identity (1) is more useful, since it separates demand and supply aspects. For instance, a parallel increase in exports and imports would leave both the right and left-hand sides of the second identity unchanged, while the first identity would record an increase in both total demand and total supply. In identity (2), the net trade contribution would not suggest that additional value added had been generated by the rise in exports. By contrast, in identity (1), the rise in the share of exports in total demand would clearly appear, suggesting that the external sector was providing a positive contribution to total demand.

When considering net income generated in the economy by the external sector, the export measure has the drawback of not reflecting imports induced by higher exports, which – by themselves – reduce net income. This is an important limitation, as the internationalisation of production processes is likely to have led to an increase in the import content of euro area exports. For a given rise in exports, the related increase in imports is therefore larger than in the past, which reduces net income left in the euro area. The net trade measure does not suffer from this drawback since it takes into account the rise in the import content of exports. However, this measure has the disadvantage that it also includes imports which are triggered by autonomous shocks to domestic demand.

**Chart A Euro area net trade and domestic demand contributions to GDP growth**

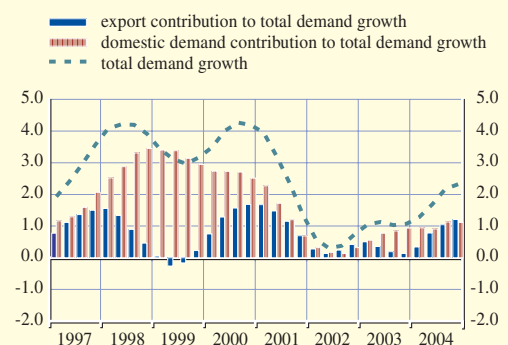
(four-quarter moving average growth rates and percentage point contributions; seasonally adjusted)



Sources: Eurostat and ECB calculations.  
Note: Trade flows refer to extra-euro area trade in goods only. Goods account for around 80% of extra-euro area trade.

**Chart B Euro area export and domestic demand contributions to total demand growth**

(four-quarter moving average growth rates and percentage point contributions; seasonally adjusted)



Sources: Eurostat and ECB calculations.  
Note: Trade flows refer to extra-euro area trade in goods only. Goods account for around 80% of extra-euro area trade.

These considerations are particularly relevant in the analysis of recent developments. The contribution of net trade to euro area real GDP growth in 2004 was positive but not particularly large, at 0.4 percentage point for the year as a whole (see Chart A). According to identity (2), real GDP growth appears to have been driven by domestic demand over this period. However, the decomposition of euro area total demand into domestic and external demand shows that exports were a major component of total demand last year (Chart B). The contribution of extra-euro area exports of goods to total demand was 1 percentage point, significantly larger than the 0.3 and 0.1 percentage point contributions recorded in 2002 and 2003 respectively. Extra-euro area exports of goods thus contributed about the same amount as the rest of demand, despite a much smaller weight in overall demand. Considering developments along the lines of identity (1) thus makes the significant contribution of the external impulse to activity in 2004 more apparent.

Both identities are subject to the caveats affecting all static accounting representations. In particular, they do not allow a quantification of how much domestic demand has been induced by the rise in exports. Simulations using macroeconomic models are generally employed for this purpose. They typically show that induced domestic demand is significant and rising over time, possibly becoming larger than the net trade effect.

Overall, while both net trade and exports are useful measures of activity, it should be borne in mind that the former may in some circumstances give an understated picture of the impulse from the external sector. In addition, both measures do not allow the identification of spillovers from the external to the domestic sector of the economy, which, according to macroeconomic models, are significant. This is particularly relevant for the analysis of current developments, which suggests that the external sector has significantly contributed to the recovery which started in mid-2003.

## SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

In terms of the sectoral composition of growth, the increase in total value added in the first quarter of 2005 is the result of positive developments in value added in industry excluding construction and of further growth in market services. By contrast, value added fell markedly in construction and to a lesser extent in non-market services.

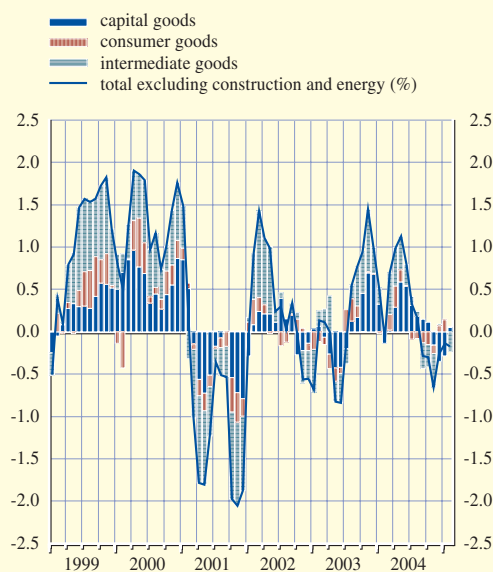
Euro area industrial production (excluding construction) fell in March compared with the previous month, following a decline in February. In the first quarter as a whole it recorded a slight decline with respect to the last quarter of the previous year. This result contrasts with the developments in value added in industry, which show a positive picture for industrial activity. It is difficult to reconcile this discrepancy, as the industrial production data seem to be supported by survey data and developments in investment and imports, while data on value added in industry is in line with the moderate increase in exports.

The decline in industrial production in the first quarter was concentrated in the intermediate goods sector, while the production of capital goods increased and the production of consumer goods was unchanged (see Chart 37). The increase in capital goods production, although moderate, follows a decline in the last quarter of 2004. As regards the production of consumer goods, the zero growth in the first quarter contrasts with the decline recorded on average in the second half of 2004. This slight improvement appears to have been shared by industries producing both durable and non-durable consumer goods.



**Chart 37 Industrial production growth and contributions**

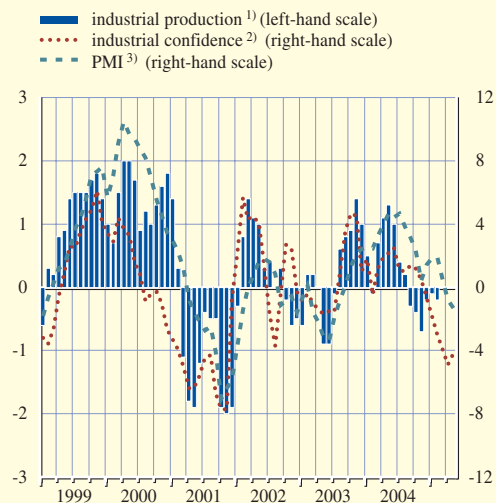
(growth rate and percentage point contributions; seasonally adjusted)



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

**Chart 38 Industrial production, industrial confidence and the PMI**

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, NTC Research 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.

The lack of dynamism in industrial production is confirmed by the latest developments in the value of new orders in manufacturing, which declined further in March, albeit to a lesser extent than in the previous two months. The largest order declines in the first quarter were in the textile and leather products industries as well as in the transport equipment sector.

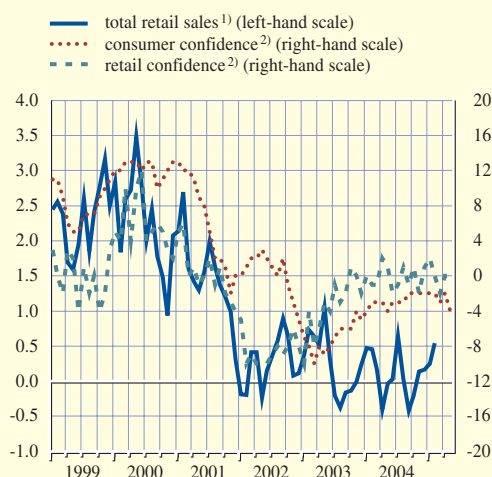
#### **SURVEY DATA FOR THE MANUFACTURING AND SERVICES SECTORS**

Survey data for the industry and services sectors point to ongoing but moderate growth at the start of the second quarter of 2005. As regards the industry sector, the Purchasing Manager's Index (PMI) and the European Commission's confidence indicator suggest that conditions may have deteriorated in the second quarter compared with the first (see Chart 38). Indeed, in April, the PMI fell below the level of 50 for the first time since August 2003 and declined further in May, which would indicate a decline in industrial activity. In line with this, the European Commission's industrial confidence indicator declined for the sixth consecutive month in May to levels not seen since mid-2003.

Turning to the services sector, confidence indicators are mixed but also point overall to a slight weakening in the pace of activity at the start of the second quarter of 2005, although to a lesser extent than in industry. On the one hand, the European Commission's services confidence indicator was lower on average in April and May 2005 than on average in the first quarter. On the other hand, the PMI for the services sector was broadly unchanged in April compared with the first quarter, pointing to ongoing growth.

**Chart 39 Retail sales and confidence in the retail trade and household sectors**

(monthly data)



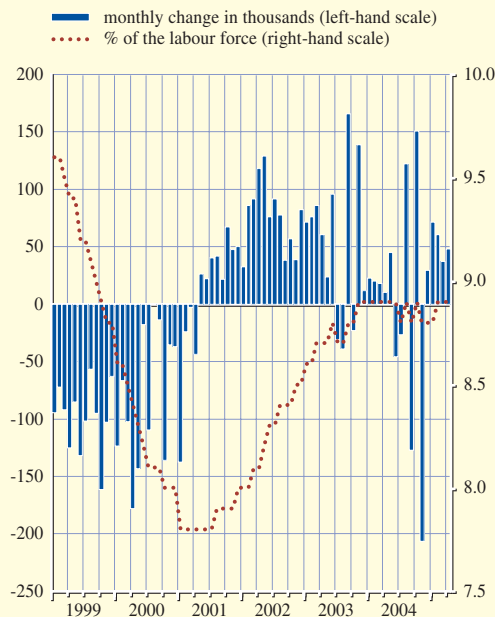
Sources: European Commission Business and Consumer Surveys and Eurostat.

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 40 Unemployment**

(monthly data; seasonally adjusted)



Source: Eurostat.

Overall, given that the services sector has a larger relative weight than the industrial sector in the euro area economy, indications from survey data are consistent with moderate but ongoing growth in the short term.

#### INDICATORS OF HOUSEHOLD SPENDING

Indicators of household spending suggest that private consumption is likely to continue to grow moderately in the second quarter of 2005. Retail sales volumes increased slightly more rapidly between January and March than on average in the fourth quarter of 2004 (see Chart 39). This pace of growth is expected to continue in the second quarter. New passenger car registrations, which grew by around 1.0% in April, are expected to contribute positively to private consumption growth in the second quarter.

By contrast, the European Commission's consumer confidence indicator declined in May, after having been broadly stable since the last quarter of 2004 at a level somewhat below its long-term average. This development could reflect ongoing weak labour market conditions and uncertainties related to the reform of public health and pension systems.

#### 4.2 LABOUR MARKET

Available employment data point to unchanged net job creation in the first quarter of 2005 compared with the second half of 2004. The latest unemployment and survey data confirm indications of broadly unchanged labour market conditions in the second quarter of 2005.

## UNEMPLOYMENT

The euro area standardised unemployment rate is estimated to have been 8.9% in April 2005, unchanged compared with the previous month (see Chart 40). However, the number of unemployed increased by around 48,000 persons in April, slightly more than in the previous month. This rise in the number of unemployed, which is in line with that recorded on average in the first quarter, seems to confirm that the moderate improvement recorded in the second half of 2004 came to a halt at the start of 2005.

## EMPLOYMENT

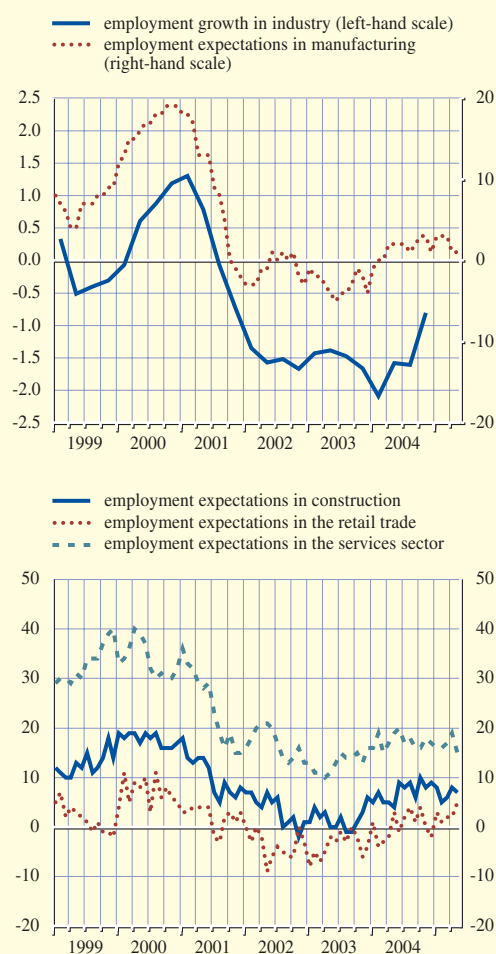
Employment increased by 0.2% quarter on quarter in the fourth quarter of 2004, unchanged from the previous quarter. This reflects positive developments in services, especially in the finance and business sub-sector, while developments in the industrial sector remained relatively subdued (see Table 8). Available national data suggest unchanged growth in the first quarter of 2005. Employment growth developments in the last few quarters point to a stabilisation of labour market conditions after the gradual improvement recorded in the first half of 2004. This partly reflects the slow pace of economic activity.

Looking ahead, employment expectations have remained broadly stable in recent months and continue to suggest ongoing but modest employment growth (see Chart 41). In the industry sector, the PMI employment index and the European Commission survey employment expectations declined in May 2005, compared with both the previous month and the first quarter on average. The Commission surveys indicate a small decline in employment expectations in the services sector and a slight improvement for retail trade. The PMI index for employment in services, available up to April, points to stable conditions.

Overall, available information would suggest no further improvement in labour market conditions in the first half of 2005.

Chart 41 Employment growth and employment expectations

(annual percentage changes; percentage balances; seasonally adjusted)



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

**Table 8 Employment growth**

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

	Annual rates		Quarterly rates				
	2003	2004	2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Q4
Whole economy	0.3	0.6	0.0	0.1	0.2	0.2	0.2
<i>of which:</i>							
Agriculture and fishing	-1.9	-0.4	-0.3	-0.4	0.0	0.5	0.1
Industry	-1.0	-0.6	-0.4	-0.5	0.3	-0.1	0.0
Excluding construction	-1.5	-1.6	-0.6	-0.7	0.1	-0.5	0.2
Construction	0.2	1.7	0.1	0.0	0.7	1.0	-0.5
Services	0.9	1.1	0.2	0.4	0.2	0.3	0.3
Trade and transport	0.3	0.7	0.1	0.1	0.3	0.3	0.1
Finance and business	1.3	2.5	0.4	1.0	0.3	0.6	0.5
Public administration	1.2	0.8	0.2	0.3	0.2	0.1	0.3

Sources: Eurostat and ECB calculations.

### 4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

The moderation of economic activity observed since mid-2004 can be attributed in part to the rise in oil prices. While real GDP growth rose again in the first quarter of 2005 following the subdued second half of 2004, this was partly due to statistical effects related to working-day adjustments. In addition, recent surveys point to a renewed slowdown in activity in the second quarter of 2005.

Over longer horizons, however, there is scope for more positive fundamental factors to shape the environment again, assuming that the effects from past adverse developments gradually diminish. Indeed, conditions remain in place for a moderate strengthening of economic activity in the second half of this year (see the “Eurosysteem staff macroeconomic projections for the euro area” section). On the external side, world trade growth is expected to remain dynamic, thereby supporting euro area exports. On the domestic side, very favourable financing conditions and strong corporate earnings growth should support investment, and private consumption should increase broadly in line with real disposable income growth. However, persistently high oil prices and global imbalances may pose downside risks to the outlook for economic growth.

## 5 FISCAL DEVELOPMENTS

The spring 2005 European Commission forecasts suggest that there will be little progress in reducing fiscal imbalances in 2005 and 2006. Broadly unchanged average deficits reflect a slightly tightening fiscal stance at the euro area level as economic growth is expected to recover to near trend in 2006. Continued expenditure restraint will more than offset further tax cuts, while one-off adjustment measures will continue to play a significant, albeit declining, role. The forecasts indicate that five euro area countries will report deficits above 3% of GDP in 2005 and/or 2006 and that there are shortfalls in fiscal adjustment. Consolidation efforts, especially in countries near or above the 3% deficit threshold, need to be stepped up as part of a comprehensive reform agenda.

### FISCAL DEVELOPMENTS IN 2005 AND 2006

Prospects for public finances in the euro area remain a matter for concern. According to the spring 2005 forecasts published by the European Commission, the average general government deficit ratio in the euro area will be broadly unchanged in 2005 and 2006, at 2.6% and 2.7% of GDP, respectively (see Table 9). In a number of countries severe fiscal imbalances are expected to persist or even grow. Germany, Greece, Italy and Portugal are forecast to report deficit ratios above 3% of GDP in 2005 while, for 2006, deficits above 3% of GDP are expected in Greece, France, Italy and Portugal. Less than half of the euro area countries are likely to report budgetary positions that are close to balance or in surplus at the end of the forecasting period.

The European Commission's fiscal forecasts depart significantly from the more optimistic targets set in the latest stability programmes, which were submitted by Member States at the end of 2004 and the beginning of 2005. The 2005 and 2006 deficit ratios forecast by the Commission for the

**Table 9 Forecasts of fiscal developments in the euro area**

(as a percentage of GDP)

	2001	2002	2003	2004	2005	2006
<b>Economic forecasts, European Commission, spring 2005</b>						
a. Total revenue	46.5	46.1	46.3	45.7	45.6	45.4
b. Total expenditure	48.3	48.6	49.1	48.5	48.2	48.0
of which:						
c. interest expenditure	4.0	3.7	3.5	3.3	3.3	3.3
d. primary expenditure (b - c)	44.3	44.9	45.6	45.2	45.0	44.8
Budget balance (a - b)	-1.8	-2.5	-2.8	-2.7	-2.6	-2.7
Primary budget balance (a - d)	2.2	1.2	0.6	0.6	0.6	0.6
Cyclically adjusted budget balance	-2.4	-2.6	-2.4	-2.4	-2.1	-2.2
Gross debt	69.6	69.5	70.8	71.3	71.7	71.9
Memo item: real GDP (annual percentage change)	1.6	0.9	0.6	2.0	1.6	2.1
<b>Stability programmes, ECB calculations based on member countries' updated stability programmes and European Commission figures, May 2005<sup>1)</sup></b>						
Budget balance			-2.7	-2.8	-2.3	-1.8
Primary budget balance			0.7	0.6	1.0	1.6
Cyclically adjusted budget balance				-2.2	-1.8	-1.4
Gross debt			70.7	71.1	70.6	69.7
Memo item: real GDP (annual percentage change)			0.6	2.1	2.3	2.4

Sources: European Commission, updated stability programmes 2004-05 and ECB calculations.

Note: Figures exclude proceeds from the sale of UMTS licences and may not add up due to rounding.

1) Data for Portugal is taken from the updated stability programme of December 2004.

euro area are, respectively, 0.3 and 0.9 percentage point of GDP higher than the average of the target ratios set in the latest stability programmes. The figures deviate from the targets in the case of most countries and, in particular, some countries with severe fiscal imbalances. For two countries the Commission forecasts expect a looser stance rather than progress with consolidation. These less favourable budgetary forecasts are not only explained by more cautious macroeconomic assumptions, they also reflect a lack of ambition and specificity in the budget measures that aim to attain consolidation objectives and to replace temporary measures.

Several risks surround the Commission forecasts and could lead to worse than expected fiscal outcomes. Government accounts for 2004 have not yet been validated by Eurostat for some countries, namely Greece, Portugal and Italy. In the case of Italy, the deficit ratio has been revised above the 3% reference value for 2001, 2003 and 2004 following decisions by Eurostat and the Italian National Institute of Statistics on some outstanding statistical issues. For all three countries, upward revisions of 2004 deficits may have a possible negative base effect on 2005 developments. More recent information from national governments is also adding to the overall uncertainty about fiscal developments. The Portuguese government has just presented to the parliament a revised stability programme which points to significantly less favourable fiscal developments in 2005 and the following years than initially projected. In the context of the revised programme and without additional measures, Portugal's deficit ratio is expected to go below the 3% reference value only in 2008. Furthermore, the new Italian budget estimates for 2005 suggest that the position will be much worse than initially planned, partly due to lower economic growth.

The government debt ratio for the euro area as a whole is forecast to increase both in 2005 and 2006. National debt ratios will be above 60% of GDP in seven countries over the forecasting horizon, with several reporting a continuing upward trend. Only Belgium's debt ratio is expected to follow a clear downward path.

#### **FACTORS UNDERLYING BUDGETARY DEVELOPMENTS**

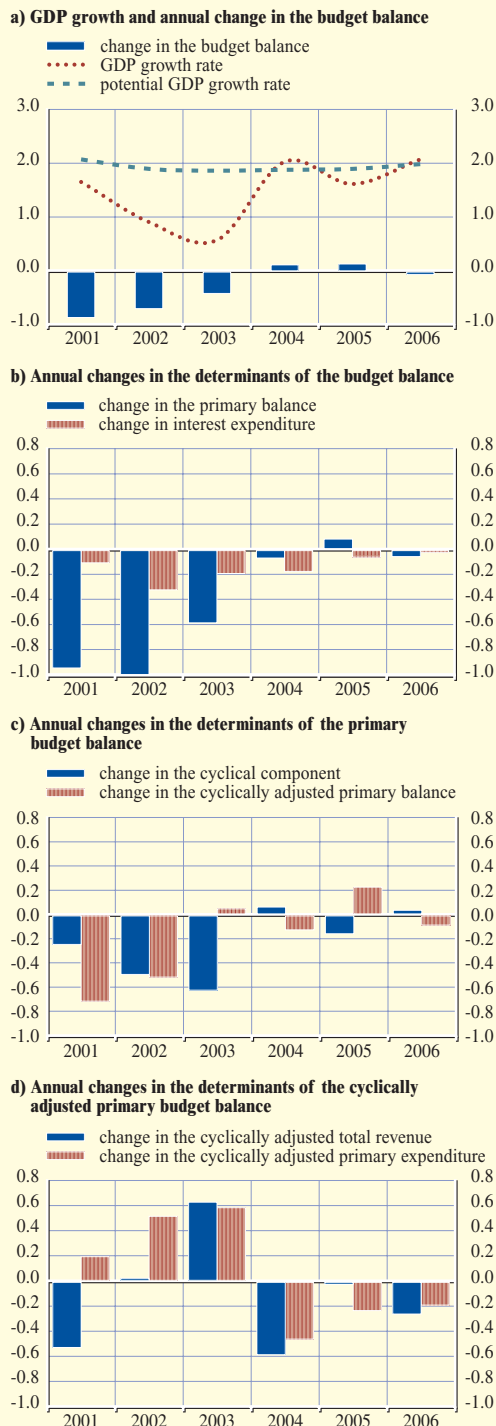
The fiscal policies of the euro area member countries are expected to result in a broadly unchanged budget balance at the euro area level over the forecasting horizon. This reflects the expectation of virtually no change in interest expenditure and in the primary balance (see Charts 42a and b). Against a background of growth somewhat below potential in 2005 and near potential in 2006, the fiscal stance in the euro area is forecast to tighten slightly in 2005 before turning broadly neutral in 2006. For the two-year forecast period, consolidation efforts, as measured by the change in the cyclically adjusted primary balance, will broadly offset a small, negative impact of cyclical factors (see Chart 42c).

The tightening of the fiscal stance in 2005 is expected to result from savings in primary expenditure, as shown by the change in cyclically adjusted primary expenditure (see Chart 42d), while cyclically adjusted revenue will remain unchanged. As for 2006, tax and expenditure cuts of similar size underlie the forecast of a broadly neutral fiscal stance.

At the euro area level, the average revenue ratio, adjusted for the effects of the cycle, is forecast to decrease by 0.3 percentage point over the period 2005-2006, mainly due to declining revenue from capital taxes which, in previous years, has been boosted by significant one-off receipts, particularly in some countries. Further measures to reduce direct taxes and social security contributions are expected to be partly compensated by increases in indirect taxes, a broadening of the tax base and various administrative measures to prevent tax evasion and avoidance, so that

**Chart 42 Determinants of budgetary developments in the euro area**

(in percentage points of GDP; percentage changes)



Sources: European Commission, spring 2005 and ECB calculations.

current revenue will decline only marginally in the euro area as a whole. However, at the country level, the picture is more heterogeneous, and a few countries are even expected to increase their revenue ratio.

The average primary expenditure ratio, net of cyclical effects and of interest expenditure, is forecast to decline by 0.4 percentage point over the period 2005-2006. Most of the reduction will stem from public consumption (namely, wage moderation and reduced public sector employment) and social benefits (reflecting the expected impact of pensions and social security reforms in some Member States). Moreover, social payments, particularly unemployment-related outlays, are expected to grow at lower rates in 2005 and 2006 than observed in the recent past.

#### KEY CHALLENGES TO FISCAL POLICIES

The main challenge for public finances remains the need to make determined progress in fiscal consolidation so as to attain sound and sustainable public finances in the euro area as a whole and in all its member countries. From a euro area perspective, the forecast of a broadly unchanged aggregate deficit that hovers close to 3% of GDP and precludes a satisfactory reduction in the average public debt ratio in a period of near-trend growth is a cause for concern.

Euro area developments point to significant shortcomings in member countries' strategies. Not only do the forecasts show the greatest deviation from stability programmes to be in countries with severe imbalances, as mentioned above, but they also point to a clear divergence in fiscal policy stance between countries.

In the light of these facts, it is important to recall the principles for sound fiscal strategies in all euro area countries. Countries in excessive deficit have to pursue fiscal plans that bring deficits below 3% of GDP as soon as possible, in compliance with their commitments, while new breaches of this

threshold must be avoided. By contrast, the Commission forecasts suggest insufficient (if any) progress will be made in reducing fiscal imbalances in all those countries. Forecasts indicate that only France is expected to undertake sufficient adjustments to bring its deficit below 3% in 2005. However, fiscal loosening is forecast to result in a renewed breach in 2006. Germany is forecast to report continued adjustment but insufficient progress to comply with the deadline of 2005 for the correction of its excessive deficit. In these two countries temporary adjustment measures feature prominently in 2005. Greece is committed to bringing its deficit below 3% of GDP by 2006 at the latest. When adjusted for the impact of new measures already adopted by Greece in 2005, the Commission forecast of fiscal developments shows significant consolidation. However, measures taken are still insufficient to achieve a deficit safely below the threshold in 2006. The other two countries that reported deficits above or near 3% of GDP in 2004 (Italy and Portugal, respectively) are forecast to loosen their fiscal policies and record deficits well above 3% over the forecasting period, as planned fiscal consolidation is insufficient to compensate for the unwinding of temporary measures and other adverse budgetary developments.

There are also a few euro area countries that are not yet in sound fiscal positions but do not face an imminent risk of breaching the 3% deficit threshold. These countries should undertake sufficiently ambitious measures to achieve an annual adjustment of no less than 0.5% of GDP in cyclically adjusted terms, excluding temporary and one-off measures, so as to attain sound positions in the medium term. If the underlying fiscal strategy is appropriate, automatic stabilisers should be allowed to operate, provided that excessive deficits are avoided.

A number of euro area countries are expected to remain in sound fiscal positions. In the case of the Netherlands, such a position will be achieved only shortly after being in excessive deficit. Leaving aside long-term challenges to the sustainability of their public finances – which should be tackled without delay – these countries should maintain a neutral fiscal stance by allowing automatic stabilisers to operate. There is no convincing argument for expansionary fiscal policies.

Severe imbalances are much harder to eliminate in a sluggish economic environment with a low rate of trend growth. This difficulty is not unconnected with the existence of structural features in tax/benefit systems that discourage investment and labour supply in several euro area countries. At the same time, in some euro area countries growth-friendly spending is being squeezed while pressure for less productive spending is hard to control.

Fiscal consolidation should be part of a comprehensive and determined agenda that tackles, in particular, expenditure trends that undermine governments' ability to honour their commitments in the long run. Adjustments in expenditure policies and tax/benefit systems need to be assessed not only against criteria of saving money in the next budget exercise or obtaining additional revenue from the tax structure at the present juncture, but with a medium-term horizon aimed at providing the appropriate incentives to foster productivity, employment and growth. Higher primary surpluses coupled with stronger growth would also imply lower debt ratios and would put public finances on a more sustainable footing to cope with the future impact of ageing populations. A combined strategy of fiscal and structural reforms would also enhance expectations of sound public finances and confidence in the growth prospects of all Member States. The resulting positive effects on confidence would mitigate adverse effects on demand in the short run.



At the same time, it is essential to implement the revised Stability and Growth Pact procedures in a strict and timely manner. The Stability and Growth Pact is an appropriate framework for maintaining fiscal discipline that safeguards confidence in the sustainability of public finances while allowing appropriate room for the stabilisation of output. The main elements of this framework are (i) statistical reporting and surveillance procedures that generate transparency, (ii) the definition of sound, medium-term, fiscal policy objectives and the adjustment path towards them which form the basis for benchmarking and peer pressure, (iii) the deterring of excessive deficits and, if need be, the inducing of their prompt correction through a gradual stepping-up of procedural pressure and the ultimate threat of sanctions, and (iv) the provision of clear “signals” of fiscal soundness to the public and markets, via reference values of 3% of GDP for the deficit and 60% of GDP for public debt. Despite criticisms about relaxed standards, increased discretion and loss of simplicity, Member States and the Commission have expressed their commitment to maintaining fiscal discipline via increased “ownership” of the rules. This will be needed to induce countries to pursue the strategies outlined above and to restore the credibility of the rules as a framework that fosters fiscal discipline and effective policy coordination.

## 6 EUROSISTEM STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

*On the basis of the information available up to 20 May 2005, Eurosysteem staff have prepared projections for macroeconomic developments in the euro area.<sup>1</sup> Average annual real GDP growth is projected to be between 1.1% and 1.7% in 2005, and between 1.5% and 2.5% in 2006. The average rate of increase in the overall Harmonised Index of Consumer Prices (HICP) is projected to amount to between 1.8% and 2.2% in 2005, and between 0.9% and 2.1% in 2006.*

The Eurosysteem staff projections are based on a series of assumptions about interest rates, exchange rates, oil prices, world trade outside the euro area and fiscal policies. In particular, the technical assumption is made that short-term market interest rates and bilateral exchange rates will remain unchanged over the projection horizon at the levels prevailing in the two-week period up to 17 May. The technical assumptions about long-term interest rates and both oil and non-energy commodity prices are based on market expectations until 17 May.<sup>2</sup> Fiscal policy assumptions are based on national budget plans in the individual euro area member countries. They include all policy measures that have already been approved by parliament or that have been specified in detail and are likely to pass the legislative process.

To express the uncertainty surrounding the projections, ranges are used to present the results for each variable. The ranges are based on the differences between actual outcomes and previous projections carried out over a number of years. The width of the ranges is twice the average absolute value of these differences.

### THE INTERNATIONAL ENVIRONMENT

The external environment of the euro area is expected to remain favourable in 2005 and 2006. Real GDP growth in the United States should remain robust, although at somewhat lower rates than in 2004. Real GDP growth in non-Japan Asia is expected to remain well above the global average, but lower than in recent years. Growth in most large economies is projected to remain dynamic. In addition, the countries that joined the European Union on 1 May 2004 are expected to continue to record strong growth rates.

Annual growth in *world real GDP outside the euro area* is estimated to average about 4.8% in 2005 and 4.6% in 2006. Growth in the *euro area's external export markets* is projected to be about 8.3% in 2005 and 7.3% in 2006. At the same time, inflation outside the euro area is projected to increase slightly with the continuation of global expansion and as a result of higher commodity prices.

### REAL GDP GROWTH PROJECTIONS

Eurostat's flash estimate for euro area real GDP in the first quarter of this year indicates quarter-on-quarter growth of 0.5%, following a rate of 0.2% in the fourth quarter of 2004. This improvement is however judged to be partly due to statistical effects related to working-day

1 The Eurosysteem staff projections are produced jointly by experts from both the ECB and the euro area NCBS. They are a biannual input into the Governing Council's assessment of economic developments and the risks to price stability. More information on the procedures and techniques used is given in "A guide to Eurosysteem staff macroeconomic projection exercises", ECB, June 2001.

2 Short-term interest rates as measured by the three-month EURIBOR are therefore assumed to remain constant at 2.13% over the projection horizon. The technical assumption of constant exchange rates implies that the EUR/USD exchange rate stays at 1.29 over the horizon and that the effective exchange rate of the euro is 1.4% higher than the average for 2004. Market expectations for euro area ten-year nominal government bond yields imply a small increase from an average of 3.6% in 2005 to an average of 3.8% in 2006. The increase in annual average non-energy commodity prices in US dollars is assumed to be 5.4% in 2005 and 1.3% in 2006. Based on the path implied by futures markets, annual average oil prices are assumed to be USD 50.6 per barrel in 2005 and USD 50.7 per barrel in 2006.

adjustments, and the quarter-on-quarter growth rate is expected to decline again in the second quarter. The projection rests on the view that the slowdown, observed since late 2004, has been mainly due to the lagged effects of the appreciation of the euro and the rise in oil prices. Looking ahead, as these effects are assumed to fade out, quarter-on-quarter growth rates are projected to return gradually to levels close to 0.5%. As a result, average annual real GDP growth is projected to range between 1.1% and 1.7% in 2005, and between 1.5% and 2.5% in 2006. Export growth, on the back of the assumed continued strength in foreign demand, is, over the horizon, expected to continue to support economic activity, while domestic demand should gradually strengthen.

Among the domestic expenditure components of GDP, average annual growth in *private consumption* is estimated to range between 1.2% and 1.6% in 2005, as restrained income growth and high energy prices have a dampening impact on household purchasing power. In 2006 consumption is projected to grow at a rate of between 1.0% and 2.2%. Households' real disposable income will be supported by stronger growth in employment, lower inflation and a positive contribution from capital income. The saving ratio is expected to rise slightly over the horizon, partly reflecting consumption smoothing and on-going concerns about the development of public finances and the longer-term prospects for public health care and pension systems.

The average annual rate of growth in *total fixed investment* is estimated to be between 0.5% and 2.7% in 2005, and between 1.9% and 5.1% in 2006. The recovery is expected to be stronger in *business investment*, which should benefit from favourable credit conditions and robust corporate profits. *Residential private investment* is projected to continue to grow at moderate rates over the projection horizon.

The average annual rate of change in *total exports*, which includes intra-euro area trade, is estimated to range between 3.1% and 5.9% in 2005, and between 4.5% and 7.7% in 2006. Extra-euro area export market shares are expected to decline somewhat, owing to lagged effects from the past euro appreciation and, more generally, to increased global competition. The average annual rate of growth in *total imports* is expected to be slightly below that in exports in 2005 and broadly in line with it in 2006. On balance, net trade is expected to make a small positive contribution to GDP growth over the projection horizon.

*Total employment* is projected to strengthen slightly over the horizon. At the same time, labour supply is expected to increase as a result of improved job prospects and structural labour market reforms in a number of euro area countries. Overall, the unemployment rate is projected to start to decline in 2006.

#### PRICE AND COST PROJECTIONS

The average rate of increase in the overall HICP is estimated to be between 1.8% and 2.2% in 2005, and between 0.9% and 2.1% in 2006. The decline in HICP inflation in 2006 is partly the result of the statistical treatment of a proposed health care reform in the Netherlands. The contribution from this factor to overall euro area HICP inflation is estimated to be -0.2 percentage point.

The price projections are conditional also on a number of other factors. First, the assumptions for oil prices imply a significant positive contribution from the energy component to HICP inflation in 2005. However, in line with the technical assumption of stabilising oil prices, this contribution is expected to fade out towards the end of 2006. Second, the growth in nominal compensation per employee is assumed to remain moderate over the horizon. This projection not only takes into

**Table 10 Macroeconomic projections**

(average annual percentage changes)<sup>1)</sup>

	2004	2005	2006
HICP	2.1	1.8-2.2	0.9-2.1
Real GDP	1.8	1.1-1.7	1.5-2.5
Private consumption	1.1	1.2-1.6	1.0-2.2
Government consumption	1.3	0.4-1.4	1.1-2.1
Gross fixed capital formation	1.7	0.5-2.7	1.9-5.1
Exports (goods and services)	6.1	3.1-5.9	4.5-7.7
Imports (goods and services)	6.1	2.6-6.0	4.4-7.8

1) For each variable and horizon, ranges are based on the average absolute difference between the actual outcomes and past projections by euro area central banks. The projections for real GDP and its components refer to working-day-adjusted data. The projections for exports and imports include intra-euro area trade.

account current wage settlements and the projected, only modest, improvement in labour market conditions, but also embodies the assumption of no second-round effects of past price rises on nominal compensation per employee. Third, the projections for real GDP growth and employment imply that labour productivity growth will slowly pick up. As a result of the developments in wages and productivity, unit labour cost growth is expected to remain relatively contained in both 2005 and 2006. Fourth, the contribution to inflation from administered prices and indirect taxes is assumed to be lower than in previous years.

**Box 8**

**COMPARISON WITH THE ECB STAFF MACROECONOMIC PROJECTIONS OF MARCH 2005**

In comparison with the March 2005 macroeconomic projections, the ranges projected for real GDP growth in 2005 and 2006 have been adjusted slightly downwards.

With regard to the HICP, the range projected for 2005 is within the range of the March 2005 projections. For 2006 the range projected has been adjusted slightly downwards, reflecting in particular the impact of the above-mentioned proposed Dutch health care reform. The revisions to the projections for unit labour costs are small.

**Comparison of macroeconomic projections**

(average annual percentage changes)

	2004	2005	2006
HICP – March 2005	2.1	1.6-2.2	1.0-2.2
HICP – June 2005	2.1	1.8-2.2	0.9-2.1
Real GDP – March 2005	1.8	1.2-2.0	1.6-2.6
Real GDP – June 2005	1.8	1.1-1.7	1.5-2.5

## Box 9

### FORECASTS BY OTHER INSTITUTIONS

A number of forecasts for the euro area are available from both international organisations and private sector institutions. However, these forecasts are not strictly comparable with one another or with the Eurosystem staff macroeconomic projections, as they were finalised at different points in time and use different methods to derive assumptions for fiscal, financial and external variables, including oil prices. The forecasts covered by the Consensus Economics Forecasts and the ECB Survey of Professional Forecasters use a variety of unspecified assumptions. In contrast to the Eurosystem staff projections, the other forecasts are typically not conditioned on the assumption that short-term interest rates will remain unchanged over the projection horizon.

Despite different assumptions, the forecasts for euro area annual GDP growth in 2005 and 2006 are quite similar. In the forecasts currently available from other institutions, there is a consensus that euro area annual GDP growth will average between 1.2% and 1.6% in 2005, and between 1.9% and 2.3% in 2006.

It should be borne in mind that the Eurosystem staff macroeconomic projections and the OECD forecasts both report working-day-adjusted annual growth rates, whereas the European Commission and the IMF report annual growth rates that are not adjusted for the number of working days per annum. Other forecasts do not specify whether they report working-day-adjusted or non-working-day-adjusted data. For 2004, the non-working-day-adjusted average annual growth rate of euro area GDP was around  $\frac{1}{4}$  percentage point higher than the working-day-adjusted growth rate, owing to the greater number of working days that year.

**Table A Comparison of forecasts for euro area real GDP growth**

(average annual percentage changes)

	Date of release	2004	2005	2006
European Commission	Apr. 2005	2.0	1.6	2.1
IMF	Apr. 2005	2.0	1.6	2.3
OECD	May 2005	1.8	1.2	2.0
Consensus Economics Forecasts	May 2005	1.8	1.5	1.9
Survey of Professional Forecasters	Apr. 2005	1.8	1.6	2.0

Sources: European Commission Economic Forecasts, Spring 2005; IMF World Economic Outlook, April 2005; OECD Economic Outlook No 77, Preliminary Edition; Consensus Economics Forecasts; and the ECB's Survey of Professional Forecasters. The European Commission Forecasts and the IMF World Economic Outlook both report growth rates that are not working-day-adjusted.

The forecasts anticipate annual average HICP inflation to be between 1.8% and 1.9% in 2005, and between 1.3% and 1.8% in 2006.

**Table B Comparison of forecasts for euro area overall HICP inflation**

(average annual percentage changes)

	Date of release	2004	2005	2006
European Commission	Apr. 2005	2.1	1.9	1.5
IMF	Apr. 2005	2.2	1.9	1.7
OECD	May 2005	2.1	1.8	1.3
Consensus Economics Forecasts	May 2005	2.1	1.8	1.7
Survey of Professional Forecasters	Apr. 2005	2.1	1.9	1.8

Sources: European Commission Economic Forecasts, Spring 2005; IMF World Economic Outlook, April 2005; OECD Economic Outlook No 77, Preliminary Edition; Consensus Economics Forecasts; and the ECB's Survey of Professional Forecasters.

## 7 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

### 7.1 EXCHANGE RATES

*In May and early June the euro depreciated in an environment characterised by an across-the-board strengthening of the US currency.*

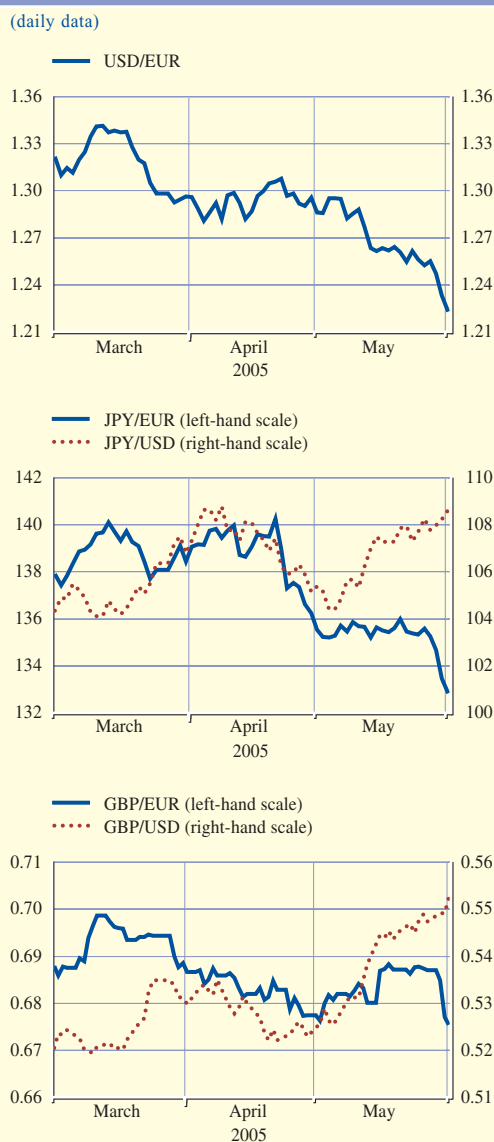
#### US DOLLAR/EURO

At the beginning of May the euro fluctuated in relation to the US dollar but with no clear trend. However, after the release of better than expected data on the US trade balance on 11 May, the dollar started to appreciate rather sharply. This appreciation of the US currency gained further momentum later in the month amid data indicating solid economic activity in the United States which contrasted with rather mixed economic news on the euro area. According to market reports, the dollar appreciation may have also been intensified by technical factors. Finally, the rejection of the EU constitutional Treaty in France may have added to the negative sentiment towards the euro. In response to these developments, the euro reached a seven-month low against the US dollar. On 1 June 2005, the euro stood at USD 1.22, i.e. 5.6% below its level at the end of April and 1.7% below its 2004 average.

#### JAPANESE YEN/EURO

After having appreciated rather strongly against both the euro and the US dollar towards the end of April, the Japanese yen depreciated against the US dollar in May, while it appreciated against the euro. This development appears to have been associated partly with subsiding expectations among foreign exchange market participants of a very near-term increase in exchange rate flexibility in the Asian region and partly with the broad-based rebound of the US currency. Much better than expected data on GDP growth for the first quarter of 2005 in Japan do not appear to have influenced the yen exchange rate. Towards the end of the period under review, the yen/euro exchange rate might have been influenced by market reactions to the outcome of the French referendum. On 1 June 2005 the euro was quoted at JPY 132.8, 2.5% below its end-April level and 1.2% lower than its 2004 average.

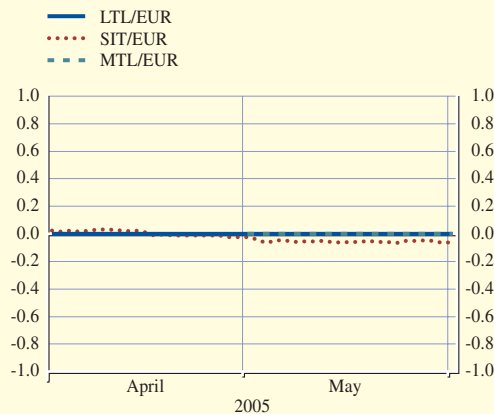
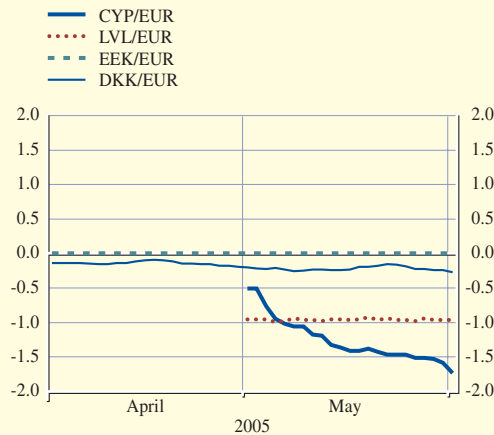
Chart 43 Patterns in exchange rates



Source: ECB.

**Chart 44 Patterns in exchange rates within ERM II**

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



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

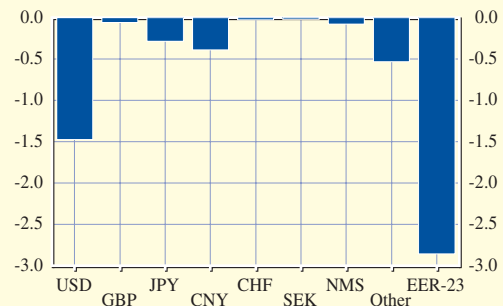
**Chart 45 Euro effective exchange rate and its decomposition <sup>1)</sup>**

(daily data)



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

From 29 April 2005 to 1 June 2005 (in percentage points)



Source: ECB.  
 1) An upward movement of the index represents an appreciation of the euro against the currencies of the most important trading partners of the euro area and all non-euro area EU Member States.  
 2) Contributions to EER-23 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category "NMS" refers to the aggregate contribution of the currencies of the ten new Member States which joined the EU on 1 May 2004. The category "Other" refers to the aggregate contribution of the remaining seven trading partners of the euro area in the EER-23 index. Changes are calculated using the corresponding overall trade weights in the EER-23 index.

**EU MEMBER STATES' CURRENCIES**

In ERM II, in May and early June the Danish krone and the Slovenian tolar moved in very narrow ranges close to their respective central rates, while the Estonian kroon, the Maltese lira and the Lithuanian litas remained unchanged relative to their central rates. The Latvian lats was stable in the upper side of its fluctuation band, while the Cyprus pound appreciated, before eventually stabilising at a level around 1.7% higher than its central rate.

With regard to the currencies of other EU Member States, the euro appreciated against the pound sterling in May and then depreciated rather sharply at the beginning of June, trading on 1 June at GBP 0.68, which is almost unchanged from its end-April level and 0.5% below its 2004 average. During the reference period, the euro depreciated against the Polish zloty (by 2.6%) and to a lesser extent against the Slovak koruna (by 0.6%). At the same time, the euro remained broadly stable

against the Czech koruna and the Swedish krona, while it appreciated moderately against the Hungarian forint (by 0.6%).

### OTHER CURRENCIES

As far as other currencies are concerned, the euro was broadly unchanged vis-à-vis the Swiss franc in May and early June compared with end-April. Other developments over the period under consideration include the depreciation of the euro vis-à-vis the Canadian dollar, the Korean won, the Singapore dollar and the Norwegian kroner (by 5.2%, 4.3%, 3.3% and 2.8% respectively).

### EFFECTIVE EXCHANGE RATE OF THE EURO

On 1 June 2005 the nominal effective exchange rate of the euro – as measured against the currencies of 23 of the euro area’s important trading partners – was 2.9% below its end-April level and 2% below its average level in 2004 (see Chart 45). The depreciation of the euro in effective terms was broadly based and primarily driven by its weakening against the US dollar, some of the major Asian currencies and some of the currencies of the new EU Member States.

Regarding developments in the international cost and price competitiveness of the euro area as measured by real effective exchange rate indices, Box 10 provides a detailed account of the similarities and differences between developments in the various indicators over a longer-term perspective.

#### Box 10

### INDICATORS OF EURO AREA COST AND PRICE COMPETITIVENESS: SIMILARITIES AND DIFFERENCES

Effective exchange rates (EERs) in real terms are commonly used measures of international cost and price competitiveness. Euro real EERs are obtained by deflating the nominal EER with various cost and price measures and using different sets of partner countries, thereby providing a broad range of real EER indicators.<sup>1</sup> As all the available real EER indices have conceptual merits and drawbacks – and could even diverge over time, thus giving rise to conflicting interpretations – this box analyses the developments in euro EER indices based on a broad set of indicators and examines potential similarities and discrepancies among them. A general note of caution applies, nonetheless, with regard to the interpretation of EER indicators as measures of competitiveness. Such indicators only encompass movements in relative prices and disregard changes in the non-price characteristics of goods, thereby ignoring important parameters relevant for international competition. The reference periods chosen for this box – the first quarter of 1999 and the average over the period 1995-2004 – are arbitrary and should not be seen as indicative of the “appropriate” level of the euro. All the relevant EER indices are available for the period from the first quarter of 1995 to the fourth quarter of 2004.

<sup>1</sup> The ECB computes nominal and CPI-based real EERs against three groups of trading partners, consisting of 12, 23 and 42 trading partners, and real EERs based on producer price indices, GDP deflators, unit labour costs in manufacturing and unit labour costs in the total economy against 12 and 23 trading partners. See the box entitled “Update of the overall trade weights for the effective exchange rates of the euro and computation of a new set of euro indicators” in the September 2004 issue of the ECB’s Monthly Bulletin. For a comprehensive discussion of the merits and drawbacks of the concepts, see the article entitled “Developments in the euro area’s international cost and price competitiveness” in the August 2003 issue of the ECB’s Monthly Bulletin.



## Table Deviation of the nominal and real euro EERs from average

(percentages)

Against the currencies of ...	Nominal EER	Real EER based on ...					Memo item: Real CPI-based EER compared with 25-year average
		Consumer price indices (CPI)	Producer price indices (PPI)	Unit labour costs in manufacturing (ULCM)	Unit labour costs in the total economy (ULCT)	GDP deflator (GDP)	
Fourth quarter of 2004 compared with the average over the period 1995-2004							
12 trading partners (EER-12)	9.1	12.2	10.3	9.2	9.5	13.1	9.3
23 trading partners (EER-23)	8.5	9.3	8.2	6.5	5.4	9.9	
42 trading partners (EER-42)	17.4	9.7					
Fourth quarter of 2004 compared with the first quarter of 1999							
12 trading partners (EER-12)	6.5	11.2	9.1	7.4	9.3	11.5	
23 trading partners (EER-23)	5.7	7.8	6.8	4.2	4.2	7.7	
42 trading partners (EER-42)	13.0	7.1					

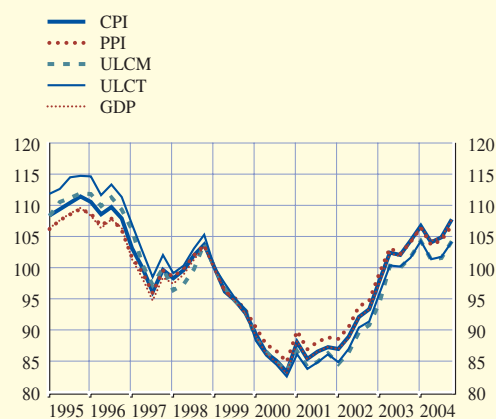
Note: The EER-12 covers Australia, Canada, Denmark, Hong Kong, Japan, Norway, Singapore, South Korea, Sweden, Switzerland, the United Kingdom and the United States. In addition to this group, the EER-23 covers the ten new EU Member States and China. The EER-42 adds other transition economies and emerging markets to this list.

Following its launch, the euro's evolution in nominal and real effective terms was initially characterised by a strong decline in the period 1999-2000. The rebound of the euro as from 2002, which continued at a more moderate pace over the following two years, more than offset this initial decline. In more detail, a comparison of indicators in *nominal* effective terms suggests that, if measured against the broad group of 42 trading partners (EER-42), the euro in the fourth quarter of 2004 had increased more compared with the first quarter of 1999 and stood further above its ten-year average level than vis-à-vis other groups of trading partners (EER-12 and EER-23 – see Table). This discrepancy, however, merely reflects on average higher inflation rates in the partner countries included in the broader index.

Turning to *real* EER indicators, Chart A illustrates that the different indicators have been highly correlated over the past ten years. A closer look suggests, however, that the deviation of these indicators in the fourth quarter of 2004 from their ten-year averages ranges from 5.4%, if the real EER vis-à-vis 23 trading partners and based on developments in unit labour costs (ULC) for the total economy is used, to 13.1%, if the real EER against 12 trading partners and based on developments in relative GDP deflators is used (see Table). Likewise, the rate of change for the same indicators since the first quarter of

Chart A Real euro EER-23 indices based on various cost and price deflators

(indices: 1999 Q1 = 100; quarterly data, against 23 trading partners)



Source: ECB.

Note: The last observation is for the fourth quarter of 2004.

1999 ranges from 4.2% to 11.5%. These similarities and differences across indicators are examined below in terms of the time horizon underlying the analysis, the coverage of trading partners and the use of different deflators.

As regards the *time horizon*, the real EER based on CPI indices, for which longer time series are available, was in the fourth quarter of 2004 somewhat higher with respect to its 10-year average (+12.2%) than to its 25-year average (+9.3%), mainly reflecting the fact that the longer period includes the episode of US dollar strength in the mid-1980s.

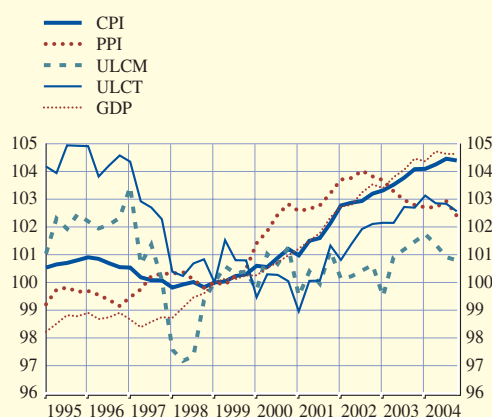
In terms of coverage of *trading partners*, the real EER indicators against 23 trading partners (EER-23) are closer to their ten-year averages and have increased less since the first quarter of 1999 than those vis-à-vis 12 trading partners (EER-12). This mainly reflects the fact that the EER-23 includes – in addition to the countries included in the EER-12 – the Member States which joined the EU on 1 May 2004 and China. Several of the new Member States in central and eastern Europe, in particular, have experienced a strong real appreciation of their currencies in recent years partly associated with the convergence and catching-up of their economies in the transition process. Accordingly, for longer-term comparisons it would seem more appropriate to consider the narrow EER-12 index, which includes only countries where such effects are likely to be small.

With regard to the use of *different deflators*, most of the real EER indices based on relative ULC have risen somewhat less since the first quarter of 1999 than the indices based on price indices (particularly consumer prices and GDP deflators). Chart B shows the evolution of relative costs and prices against 12 trading partners, thereby eliminating the impact of the nominal exchange rate – which dominates the fluctuations of the real indicators shown in Chart A – from the real EER. While the development of these indicators does not permit an assessment of individual relative cost and price indicators over time – particularly if there are significant differences in inflation between the euro area and its trading partners – it does allow a comparison of the evolution across indicators. The chart shows that relative ULC indicators (total economy and manufacturing) have been fluctuating without following a specific trend over the past ten years. The relative ULC-based indicators seem to have temporarily fallen in the second half of the 1990s, but this was not reflected by corresponding movements in prices. Thereafter, all indicators tended to rise again, albeit more moderately in the case of those based on relative ULC developments.

This difference in the evolution of relative cost and price indices may be due to several factors. One element could be that wage increases have been more moderate and in line with productivity developments in the euro area economy (relative to major trading partners) in recent years, particularly in the

**Chart B Developments in euro area costs and prices relative to euro area trading partners**

(index: 1999 Q1=100; quarterly data, against 12 trading partners)



Source: ECB.  
Note: The last observation is for the fourth quarter of 2004.

manufacturing sector. However, the discrepancy may also reflect the different properties of the available cost and price measures. More specifically, indicators based on ULC are less comparable across countries – particularly for countries outside the EU – and, more importantly, represent only a fraction of the total costs of a firm. As well as omitting, for example, R&D expenditure, capital costs and distribution costs, these indicators do not take into account the costs of imported inputs in production. Accordingly, the strong rise since the late-1990s in commodity prices, which constitute a significant share of companies' input costs, is not directly reflected in the evolution of these indicators. Moreover, the deviation in the evolution of the relative producer prices from that of the other price measures suggests that developments in the services sector may have had an effect.

Overall, measured against both their ten-year average levels and the levels prevailing in the first quarter of 1999, all real EER indicators were higher in the fourth quarter of 2004, suggesting that euro area price competitiveness has declined. However, indicators based on unit labour costs display a more moderate gap than most indicators based on price deflators. This discrepancy may be partly associated with more moderate wage increases in the euro area compared with major trading partners in recent years, but it may also reflect the different statistical properties of the available cost and price measures.

## 7.2 BALANCE OF PAYMENTS

*Compared with the last quarter of 2004, the value of extra-euro area exports of goods and services rose by 1.1% in the first quarter of 2005, while the value of extra-euro area imports of goods and services fell by 0.2%. This tends to confirm the trend of an acceleration in exports and a deceleration in imports since the third quarter of 2004. Combined direct and portfolio investment recorded net inflows of €9.2 billion in March 2005 on a 12-month cumulated basis. This follows a gradual decline in net capital outflows since the second half of 2004, which in turn was mostly related to higher net inflows in equity portfolio investment.*

### CURRENT ACCOUNT AND TRADE

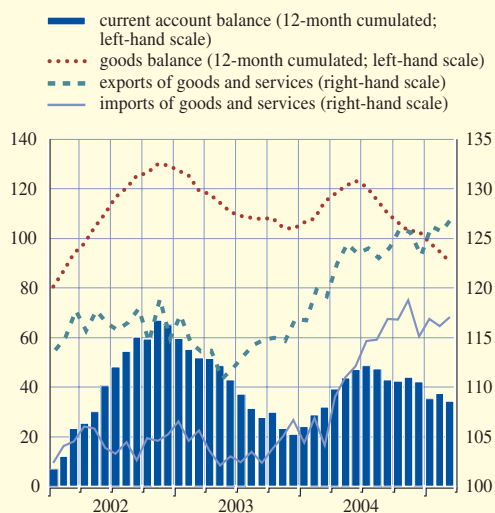
The seasonally adjusted current account of the euro area showed a surplus of €2.3 billion in March 2005. This reflected surpluses in goods (€9.2 billion) and services (€1.0 billion), which were partly offset by deficits in current transfers (€4.7 billion) and income (€3.2 billion).

Compared with the last quarter of 2004, the seasonally adjusted current account surplus remained stable in the first quarter of 2005 (at €6.5 billion). This was the result of rises in the income deficit (€3.0 billion) and in the current transfer deficit (€2.4 billion), which were counterbalanced by an increase in the surplus for goods and services (€4.6 billion). The latter was accounted for by the rise in the value of extra-euro area exports of goods and services (by 1.1%) and the decline in the value of extra-euro area imports (by 0.2%).

A closer look at extra-euro area export volumes of goods shows that the recovery in exports which started in the second half of 2003 has been broadly based across the various categories of goods, although it has been particularly strong for capital goods and somewhat more subdued for consumer goods (see Chart 47). This may be the result of consumer goods being more price elastic than capital goods, so that exports of consumer goods may be more affected by the appreciation of the euro. It may also be related to the strength of world trade in capital goods. This stems in

**Chart 46 The euro area current account and goods balance**

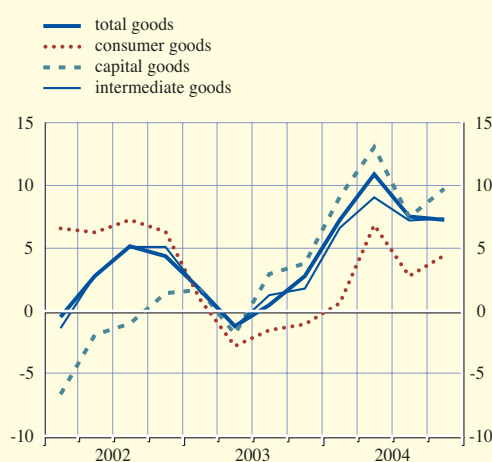
(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

**Chart 47 Extra-euro area export volumes by sector**

(percentage points; annual rates of growth; seasonally adjusted)



Sources: Eurostat and ECB calculations.

Note: The latest observations are for December 2004.

particular from China and, to a lesser extent, the new EU Member States, which – in relative terms – import more capital goods and have become increasingly important as euro area trade partners in recent years.

The 12-month cumulated surplus of the euro area current account up to March 2005 amounted to €34.3 billion, i.e. around 0.5% of GDP, compared with €32.1 billion a year earlier. This slight increase resulted from lower deficits in income and current transfers and a higher surplus in services, partly counterbalanced by a lower goods surplus (see Chart 46).

## FINANCIAL ACCOUNT

In March 2005 combined direct and portfolio investment recorded net outflows of €11.5 billion. This was accounted for by net outflows in direct investment (€8.8 billion) and debt instruments (€12.4 billion), while equity portfolio investment recorded net inflows.

Looking at developments over the 12-month period to March 2005, combined direct and portfolio investment recorded net inflows of €9.2 billion in March, after recording persistent net outflows throughout 2004 (see Chart 48). These developments stem mainly from net inflows in equity securities since the third quarter of 2004. Over the same period, net outflows in direct investment stabilised at around €50 billion, while developments in debt instruments were rather volatile, fluctuating between net inflows and outflows.

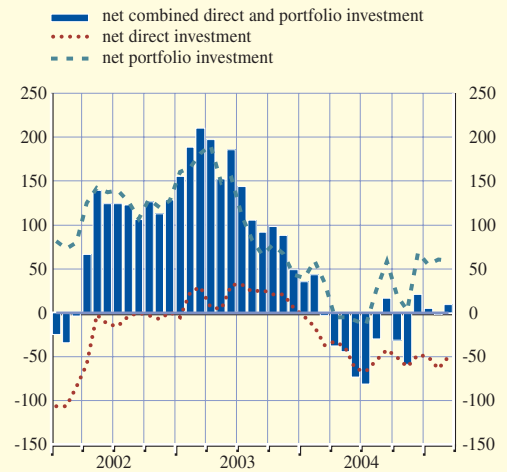
The net outflows in direct investment emanated from a decline in foreign direct investment inflows into the euro area. This decline might be partly related to stronger growth in the global economy relative to the euro area in 2004 and early 2005.

The higher net inflows in portfolio investment resulted from an increase in net purchases of euro area equity securities by non-residents as well as a decrease in net purchases of foreign equity securities by euro area residents. As mentioned in previous issues of the Monthly Bulletin, market surveys reported increased interest on the part of international investors in euro area equity securities, which were perceived to be more attractively priced in relative terms.

As regards debt instruments, their rather volatile pattern seems to be at least partly related to the fact that bonds were generally perceived to be overvalued worldwide. The low bond yield environment and the possibility of capital losses seem to have hindered the formulation by portfolio managers of stable long-term strategies in favour of or against euro area debt securities.

**Chart 48 Net direct and portfolio investment flows**

(EUR billions; 12-month cumulated data)



Source: ECB.

# 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

From now on, residential property price statistics for the euro area are included in Table 2 of Section 5.1.

#### 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
2003	10.9	8.0	8.1	-	4.9	19.2	2.33	4.16
2004	10.0	6.3	5.8	-	6.0	10.4	2.11	4.14
2004 Q2	10.2	6.0	5.4	-	5.6	9.6	2.08	4.36
Q3	9.6	5.8	5.6	-	6.2	9.4	2.12	4.21
Q4	9.3	6.4	6.0	-	6.8	8.3	2.16	3.84
2005 Q1	9.6	7.1	6.7	-	7.3	9.4	2.14	3.67
2004 Dec.	8.9	6.7	6.6	6.5	7.1	8.3	2.17	3.69
2005 Jan.	9.6	7.1	6.8	6.7	7.3	9.2	2.15	3.63
Feb.	10.2	7.3	6.6	6.6	7.3	9.0	2.14	3.62
Mar.	9.3	7.1	6.5	6.6	7.6	12.0	2.14	3.76
Apr.	9.3	7.3	6.7	.	7.4	.	2.14	3.57
May	.	.	.	.	.	.	2.13	3.41

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

	HICP <sup>1)</sup>	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
2003	2.1	1.4	2.7	0.7	0.3	81.1	0.3	8.7
2004	2.1	2.3	2.3	2.0	1.9	81.7	0.6	8.9
2004 Q2	2.3	2.0	2.2	2.1	3.0	81.6	0.5	8.9
Q3	2.2	3.1	1.9	1.8	2.8	82.1	0.6	8.9
Q4	2.3	3.8	2.4	1.5	1.1	82.0	0.9	8.8
2005 Q1	2.0	4.1	.	1.3	0.8	81.4	.	8.9
2004 Dec.	2.4	3.5	-	-	1.2	-	-	8.8
2005 Jan.	1.9	4.0	-	-	2.1	81.9	-	8.8
Feb.	2.1	4.2	-	-	0.4	-	-	8.9
Mar.	2.1	4.2	-	-	0.0	-	-	8.9
Apr.	2.1	.	-	-	.	80.9	-	8.9
May	2.0	.	-	-	.	-	-	.

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

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: EER-23 <sup>3)</sup> (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
2003	33.5	102.7	5.4	43.4	306.5	99.9	101.7	1.1312
2004	62.5	103.4	-47.9	68.6	280.6	103.8	105.9	1.2439
2004 Q2	7.4	31.4	-12.1	27.0	302.2	102.1	104.1	1.2046
Q3	15.5	23.5	1.1	7.2	298.5	102.8	104.9	1.2220
Q4	20.0	20.8	-14.0	23.1	280.6	105.7	107.7	1.2977
2005 Q1	5.5	14.8	-25.0	1.9	284.9	105.7	107.9	1.3113
2004 Dec.	9.6	7.3	5.1	38.3	280.6	107.1	109.2	1.3408
2005 Jan.	-8.0	0.2	-11.4	-17.1	289.0	105.8	108.0	1.3119
Feb.	9.9	6.1	-4.9	21.7	283.2	105.1	107.2	1.3014
Mar.	3.6	8.5	-8.8	-2.8	284.9	106.0	108.3	1.3201
Apr.	.	.	.	.	288.9	105.1	107.3	1.2938
May	.	.	.	.	.	104.0	106.2	1.2694

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.

- 1) 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.
- 2) 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.
- 3) For the definition of the trading partner groups and other information, please refer to the General notes.



# MONETARY POLICY STATISTICS

## 1.1 Consolidated financial statement of the Eurosystem (EUR millions)

### 1. Assets

	2005 6 May	2005 13 May	2005 20 May	2005 27 May
<b>Gold and gold receivables</b>	127,404	127,377	127,344	127,257
<b>Claims on non-euro area residents in foreign currency</b>	155,050	155,699	156,202	155,083
<b>Claims on euro area residents in foreign currency</b>	21,321	20,278	20,065	20,212
<b>Claims on non-euro area residents in euro</b>	8,946	8,883	8,806	8,989
<b>Lending to euro area credit institutions in euro</b>	363,206	357,527	362,506	361,203
Main refinancing operations	273,000	267,500	272,503	271,001
Longer-term refinancing operations	90,000	90,000	90,000	90,002
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	205	9	1	196
Credits related to margin calls	1	18	2	4
<b>Other claims on euro area credit institutions in euro</b>	2,985	2,760	2,956	2,774
<b>Securities of euro area residents in euro</b>	80,140	81,107	82,433	82,946
<b>General government debt in euro</b>	41,184	41,184	41,184	41,181
<b>Other assets</b>	126,877	128,127	128,308	128,136
<b>Total assets</b>	927,113	922,942	929,804	927,781

### 2. Liabilities

	2005 6 May	2005 13 May	2005 20 May	2005 27 May
<b>Banknotes in circulation</b>	512,680	513,484	510,949	511,911
<b>Liabilities to euro area credit institutions in euro</b>	146,473	141,847	147,973	144,308
Current accounts (covering the minimum reserve system)	146,125	141,820	147,939	144,238
Deposit facility	348	27	33	69
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	0	0	1	1
<b>Other liabilities to euro area credit institutions in euro</b>	140	140	140	141
<b>Debt certificates issued</b>	0	0	0	0
<b>Liabilities to other euro area residents in euro</b>	56,578	57,205	59,325	60,958
<b>Liabilities to non-euro area residents in euro</b>	9,438	9,278	9,479	10,388
<b>Liabilities to euro area residents in foreign currency</b>	365	303	259	233
<b>Liabilities to non-euro area residents in foreign currency</b>	10,908	10,438	10,723	9,841
<b>Counterpart of special drawing rights allocated by the IMF</b>	5,701	5,701	5,701	5,701
<b>Other liabilities</b>	54,663	54,343	55,051	54,013
<b>Revaluation accounts</b>	71,961	71,961	71,961	71,961
<b>Capital and reserves</b>	58,206	58,242	58,243	58,326
<b>Total liabilities</b>	927,113	922,942	929,804	927,781

Source: ECB.

## 1.2 Key ECB interest rates

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

	With effect from <sup>1)</sup>		Main refinancing operations				Marginal lending facility	
	Deposit facility		Fixed rate tenders	Variable rate tenders				
			Fixed rate	Minimum bid rate				
	Level	Change	Level	Level	Change	Level	Change	
	1	2	3	4	5	6	7	
1999 1 Jan.	2.00	-	3.00	-	-	4.50	-	
4 <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>							
2005 2 Feb.	332,198	329	277,500	2.00	2.06	2.06	6
8	327,172	305	275,500	2.00	2.06	2.06	8
16	352,917	341	276,500	2.00	2.05	2.06	7
23	349,248	352	284,500	2.00	2.05	2.06	7
2 Mar.	329,036	325	275,000	2.00	2.05	2.06	7
9	320,545	335	272,500	2.00	2.05	2.05	7
16	317,574	350	276,500	2.00	2.05	2.05	7
23	346,871	370	291,000	2.00	2.05	2.05	7
30	312,429	337	276,000	2.00	2.05	2.06	7
6 Apr.	292,103	350	275,000	2.00	2.05	2.05	7
13	313,575	348	270,500	2.00	2.05	2.05	7
20	328,593	370	282,000	2.00	2.05	2.05	7
27	329,984	351	280,500	2.00	2.05	2.05	7
4 May	339,182	301	273,000	2.00	2.05	2.05	7
11	349,569	325	267,500	2.00	2.05	2.05	7
18	358,949	342	272,500	2.00	2.05	2.05	7
25	376,920	351	271,000	2.00	2.05	2.05	7
1 June	369,397	337	281,500	2.00	2.05	2.06	7
<b>Longer-term refinancing operations</b>							
2004 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
26 Aug.	37,957	152	25,000	-	2.06	2.08	91
30 Sep.	37,414	138	25,000	-	2.06	2.08	84
28 Oct.	46,646	187	25,000	-	2.10	2.11	91
25 Nov.	51,095	174	25,000	-	2.13	2.14	91
23 Dec.	34,466	155	25,000	-	2.12	2.14	98
2005 27 Jan.	58,133	164	30,000	-	2.09	2.10	91
24 Feb.	40,340	145	30,000	-	2.08	2.09	91
31 Mar.	38,462	148	30,000	-	2.09	2.10	91
28 Apr.	47,958	148	30,000	-	2.08	2.09	91
26 May	48,282	140	30,000	-	2.08	2.08	98

#### 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
8 Nov.	Reverse transaction	33,175	42	6,500	-	2.00	2.06	2.07	1
7 Dec.	Collection of fixed-term deposits	18,185	16	15,000	2.00	-	-	-	1
2005 18 Jan.	Reverse transaction	33,065	28	8,000	-	2.00	2.05	2.05	1
7 Feb.	Reverse transaction	17,715	24	2,500	-	2.00	2.05	2.05	1
8 Mar.	Collection of fixed-term deposits	4,300	5	3,500	2.00	-	-	-	1

Source: ECB.

- 1) The amounts shown may differ slightly from those in Section 1.1 due to operations allotted but not settled.
- 2) With effect from April 2002, split tender operations, i.e. operations with one-week maturity conducted as standard tenders in parallel with a main refinancing operation, are classified as main refinancing operations. For split tender operations conducted before this month, see Table 2 in Section 1.3.
- 3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.
- 4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
- 5) 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
2004 Q1	11,926.7	6,404.7	442.5	1,483.2	867.7	2,728.6
Q2	12,148.5	6,524.1	439.1	1,515.1	859.0	2,811.2
Q3	12,209.6	6,488.0	435.3	1,535.3	880.8	2,870.3
Q4	12,415.9	6,593.7	458.1	1,565.2	913.7	2,885.3
2005 Jan.	12,596.6	6,697.7	460.1	1,577.8	943.1	2,918.0
Feb.	12,720.4	6,709.0	471.2	1,583.5	999.2	2,957.5
Mar.	12,866.9	6,783.3	472.3	1,599.3	1,010.8	3,001.1

### 2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2003	131.8	132.6	0.8	0.0	2.00
2004	137.9	138.5	0.6	0.0	2.05
2005 18 Jan.	138.4	139.1	0.7	0.0	2.07
7 Feb.	139.3	140.0	0.8	0.0	2.06
8 Mar.	140.5	141.3	0.8	0.0	2.05
12 Apr.	142.6	143.3	0.6	0.0	2.05
10 May	143.1	144.0	0.9	0.0	2.05
7 June	144.6	.	.	.	.

### 3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions current accounts	Base money
	Eurosystème's net assets in gold and foreign currency	Monetary policy operations of the Eurosystem				Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)				
1		2	3	4	5				6	7	8	9
2003	320.1	235.5	45.0	0.6	0.0	0.1	0.0	416.1	57.0	-4.5	132.6	548.7
2004	298.0	265.7	75.0	0.1	0.0	0.1	0.5	475.4	60.2	-36.0	138.5	614.1
2005 18 Jan.	290.3	272.9	75.0	0.2	0.2	0.1	0.0	496.0	45.3	-41.9	139.1	635.2
7 Feb.	280.6	276.6	78.0	0.1	0.1	0.1	0.0	487.1	63.8	-55.5	140.0	627.2
8 Mar.	280.2	277.8	82.2	0.1	0.0	0.1	0.1	489.5	68.5	-59.2	141.3	630.9
12 Apr.	282.1	278.2	86.9	0.2	0.0	0.1	0.0	498.6	67.4	-62.1	143.3	642.0
10 May	287.0	276.5	90.0	0.1	0.0	0.1	0.0	505.5	62.9	-58.9	144.0	649.7

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
Eurosysteem														
2003	1,086.8	471.3	22.6	0.6	448.0	133.6	121.5	1.3	10.8	-	12.8	317.9	12.4	138.8
2004	1,197.3	546.5	21.5	0.6	524.3	154.8	140.0	1.7	13.1	-	14.2	291.6	14.0	176.2
2005 Jan.	1,240.6	581.9	21.5	0.6	559.8	159.3	143.6	1.7	14.0	-	13.8	298.2	14.7	172.8
Feb.	1,275.4	614.5	21.5	0.6	592.4	162.5	146.6	1.6	14.4	-	13.9	294.2	12.5	177.7
Mar.	1,274.5	599.9	21.5	0.6	577.8	167.8	151.9	1.6	14.4	-	14.0	296.6	12.5	183.7
Apr. <sup>(p)</sup>	1,286.3	602.9	21.5	0.6	580.8	169.3	153.1	1.6	14.7	-	13.7	300.7	13.1	186.7
MFIs excluding the Eurosysteem														
2003	19,800.8	12,114.7	819.1	7,101.8	4,193.8	2,944.0	1,242.6	427.7	1,273.6	67.3	894.9	2,572.7	161.8	1,045.5
2004	21,357.3	12,826.3	812.7	7,556.8	4,456.8	3,187.8	1,299.9	465.3	1,422.5	72.5	943.1	2,947.5	159.6	1,220.4
2005 Jan.	21,664.4	12,909.2	817.8	7,596.0	4,495.3	3,236.9	1,339.9	468.0	1,429.0	75.7	961.7	3,075.1	157.4	1,248.4
Feb.	21,830.2	12,967.3	808.1	7,622.5	4,536.7	3,288.0	1,367.8	478.3	1,441.9	75.4	965.5	3,127.2	157.6	1,249.1
Mar.	22,051.6	13,054.7	805.7	7,674.4	4,574.6	3,294.4	1,357.3	481.0	1,456.1	72.5	974.7	3,194.0	156.7	1,304.6
Apr. <sup>(p)</sup>	22,483.5	13,231.3	811.3	7,723.2	4,696.8	3,340.0	1,372.0	490.1	1,477.9	76.0	1,043.8	3,303.7	156.5	1,332.1

#### 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
Eurosysteem											
2003	1,086.8	450.5	324.0	21.3	16.9	285.8	-	1.6	143.8	27.5	139.4
2004	1,197.3	517.3	346.6	24.7	15.0	306.8	-	0.5	138.4	27.2	167.4
2005 Jan.	1,240.6	502.4	402.0	57.6	16.0	328.4	-	0.5	145.7	25.8	164.1
Feb.	1,275.4	504.9	435.7	71.4	18.4	345.9	-	0.5	145.8	21.8	166.6
Mar.	1,274.5	516.4	411.5	61.1	17.6	332.7	-	0.5	149.9	24.9	171.3
Apr. <sup>(p)</sup>	1,286.3	523.2	410.6	59.3	15.8	335.5	-	0.5	152.5	25.9	173.5
MFIs excluding the Eurosysteem											
2003	19,800.8	0.0	10,774.7	132.3	6,277.6	4,364.9	648.8	3,161.4	1,151.0	2,606.5	1,458.4
2004	21,357.3	0.0	11,487.4	137.7	6,641.6	4,708.2	677.4	3,496.9	1,206.2	2,814.9	1,674.3
2005 Jan.	21,664.4	0.0	11,534.4	122.9	6,656.2	4,755.2	692.1	3,527.3	1,206.9	2,968.6	1,735.1
Feb.	21,830.2	0.0	11,602.6	138.7	6,659.9	4,804.1	691.0	3,579.8	1,211.5	3,008.0	1,737.3
Mar.	22,051.6	0.0	11,659.3	125.0	6,707.6	4,826.7	687.7	3,614.7	1,218.3	3,084.4	1,787.2
Apr. <sup>(p)</sup>	22,483.5	0.0	11,842.5	120.4	6,761.1	4,961.1	703.9	3,667.3	1,230.9	3,197.3	1,841.5

Source: ECB.

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

**2.2 Consolidated balance sheet of euro area MFIs**

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

**1. Assets**

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/ other equity issued by other euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	Total	General government	Other euro area residents				
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2003	14,557.3	7,944.2	841.7	7,102.4	1,793.1	1,364.1	429.0	623.6	2,890.6	174.1	1,131.7
2004	15,725.6	8,391.7	834.2	7,557.5	1,906.9	1,439.9	467.0	666.4	3,239.2	173.6	1,347.8
2005 Jan.	15,991.4	8,436.0	839.3	7,596.7	1,953.2	1,483.4	469.8	678.0	3,373.3	172.2	1,378.7
Feb.	16,105.5	8,452.8	829.6	7,623.2	1,994.3	1,514.4	479.9	681.5	3,421.5	170.1	1,385.5
Mar.	16,284.0	8,502.3	827.2	7,675.0	1,991.8	1,509.2	482.6	686.6	3,490.6	169.2	1,443.6
Apr. <sup>(p)</sup>	16,564.8	8,556.6	832.7	7,723.9	2,016.8	1,525.1	491.7	740.8	3,604.5	169.6	1,476.5
Transactions											
2003	767.4	385.9	13.7	372.2	170.4	116.3	54.1	19.3	224.8	-3.6	-29.5
2004	1,266.8	498.2	-5.4	503.6	93.2	58.1	35.1	34.5	434.0	2.7	204.3
2005 Jan.	199.7	42.4	4.1	38.3	40.7	38.2	2.4	10.9	82.2	-1.3	24.9
Feb.	133.8	17.5	-9.1	26.6	43.1	32.5	10.7	1.5	66.1	-2.1	7.5
Mar.	136.8	49.7	-2.2	51.9	-3.1	-5.8	2.6	5.9	43.7	-0.9	41.6
Apr. <sup>(p)</sup>	266.4	54.3	5.5	48.8	21.1	12.8	8.3	56.1	104.4	-0.1	30.5

**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>1)</sup>	Debt securities issued <sup>2)</sup>	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
Outstanding amounts										
2003	14,557.3	397.9	153.6	6,294.4	581.5	1,878.5	1,010.6	2,634.0	1,597.8	8.9
2004	15,725.6	468.4	162.4	6,656.6	604.9	2,061.8	1,053.7	2,842.1	1,841.7	33.9
2005 Jan.	15,991.4	459.9	180.6	6,672.2	616.5	2,084.8	1,055.2	2,994.4	1,899.3	28.6
Feb.	16,105.5	463.6	210.1	6,678.3	615.6	2,124.1	1,059.3	3,029.8	1,903.8	20.9
Mar.	16,284.0	471.7	186.1	6,725.2	615.2	2,144.8	1,066.0	3,109.3	1,958.6	7.1
Apr. <sup>(p)</sup>	16,564.8	480.9	179.7	6,776.9	627.9	2,175.3	1,066.8	3,223.2	2,015.0	19.0
Transactions										
2003	767.4	79.0	12.9	315.8	56.7	133.5	40.1	130.8	-61.2	59.8
2004	1,266.8	70.5	8.3	374.9	22.3	198.3	51.1	275.5	228.7	37.2
2005 Jan.	199.7	-8.5	18.2	9.2	12.5	4.8	-1.7	104.7	74.8	-14.3
Feb.	133.8	3.7	29.5	4.7	-1.8	43.7	5.7	52.2	-0.7	-3.1
Mar.	136.8	8.2	-23.9	44.1	-0.3	15.9	5.3	57.6	49.5	-19.4
Apr. <sup>(p)</sup>	266.4	9.2	-6.4	50.7	13.2	28.3	-2.7	107.4	56.5	10.1

Source: ECB.

1) Amounts held by euro area residents.

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



## 2.3 Monetary statistics

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

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

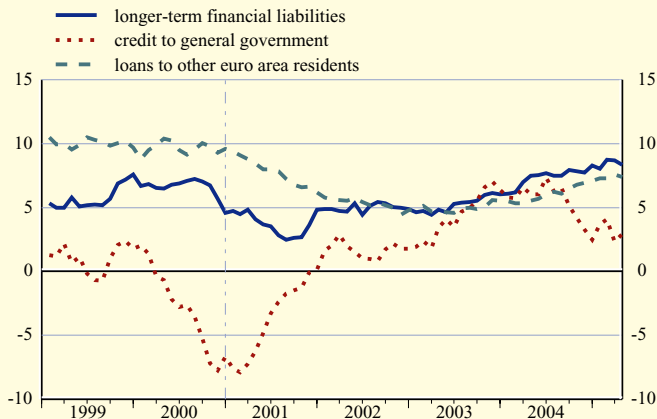
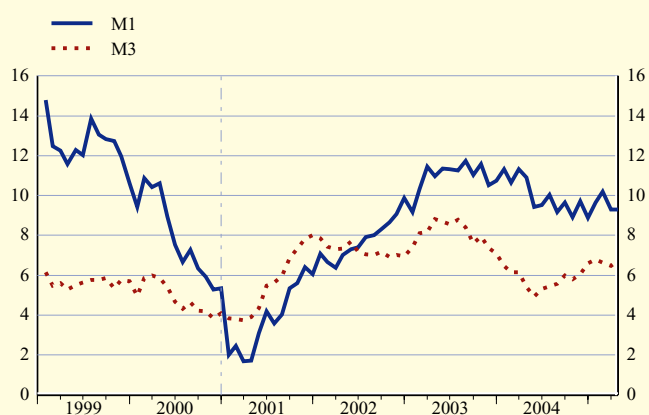
	M1		M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets <sup>2)</sup>
	1	2	3	4	5	6	7	8	Loans		11
									9	10	
Outstanding amounts											
2003	2,682.6	2,553.3	5,236.0	908.5	6,144.5	-	4,139.3	2,227.6	8,156.0	7,097.8	235.4
2004	2,912.6	2,662.8	5,575.3	963.1	6,538.4	-	4,459.5	2,298.4	8,691.8	7,552.3	378.1
2005 Jan.	2,961.1	2,665.2	5,626.3	949.4	6,575.7	-	4,497.6	2,328.9	8,750.2	7,599.9	378.7
Feb.	2,993.0	2,666.6	5,659.6	949.3	6,608.9	-	4,534.6	2,342.6	8,792.5	7,633.4	397.2
Mar.	3,007.3	2,675.7	5,683.0	942.7	6,625.7	-	4,580.2	2,326.4	8,835.0	7,675.3	396.1
Apr. (p)	3,025.8	2,693.7	5,719.5	956.4	6,675.9	-	4,612.7	2,352.3	8,912.9	7,707.6	414.1
Transactions											
2003	261.5	113.5	375.0	32.6	407.5	-	237.6	133.5	445.9	372.3	95.9
2004	238.3	111.9	350.2	55.5	405.7	-	343.1	55.1	573.1	503.1	160.7
2005 Jan.	46.1	-0.4	45.6	-13.3	32.3	-	16.3	24.2	56.4	46.6	-3.7
Feb.	32.2	-0.6	31.6	-6.8	24.8	-	49.2	15.9	41.0	33.5	19.7
Mar.	13.8	7.7	21.4	-6.3	15.1	-	38.3	-16.6	43.2	42.0	-4.7
Apr. (p)	18.1	17.6	35.6	13.9	49.6	-	26.9	22.7	78.9	32.3	15.1
Growth rates											
2003 Dec.	10.7	4.6	7.7	3.8	7.1	7.0	6.0	6.4	5.8	5.5	95.9
2004 Dec.	8.9	4.4	6.7	6.1	6.6	6.5	8.3	2.5	7.0	7.1	160.7
2005 Jan.	9.6	4.5	7.1	4.7	6.8	6.7	8.0	3.7	7.3	7.3	115.3
Feb.	10.2	4.3	7.3	2.7	6.6	6.6	8.7	4.1	7.3	7.3	120.4
Mar.	9.3	4.8	7.1	2.8	6.5	6.6	8.7	2.3	7.5	7.6	98.3
Apr. (p)	9.3	5.2	7.3	3.2	6.7	.	8.4	2.9	7.7	7.4	88.3

### 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

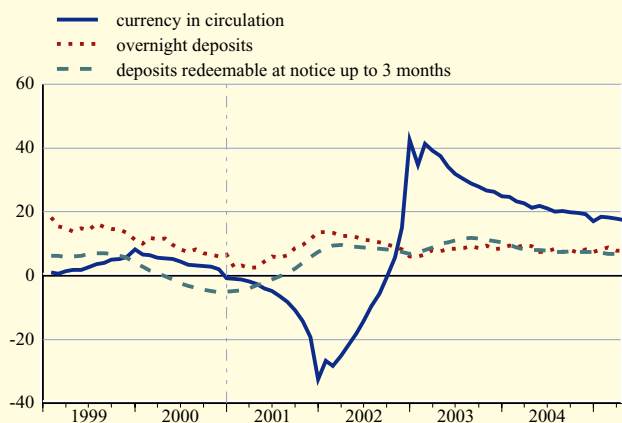
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

### 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											
2003	386.9	2,295.7	1,031.0	1,522.3	218.6	597.3	92.7	1,789.6	90.7	1,250.0	1,009.0
2004	452.7	2,459.9	1,028.1	1,634.7	240.4	620.3	102.3	1,962.7	89.6	1,355.6	1,051.6
2005 Jan.	466.7	2,494.4	1,025.6	1,639.5	230.5	619.7	99.2	1,991.6	90.0	1,364.5	1,051.6
Feb.	471.6	2,521.4	1,021.0	1,645.6	220.8	612.3	116.2	2,012.1	90.4	1,370.4	1,061.7
Mar.	477.5	2,529.8	1,019.7	1,656.0	224.5	610.3	107.9	2,036.2	90.9	1,387.3	1,065.9
Apr. <sup>(p)</sup>	481.4	2,544.4	1,030.8	1,662.9	217.5	617.9	121.1	2,055.0	91.3	1,395.2	1,071.2
Transactions											
2003	77.5	184.0	-29.7	143.1	-10.3	58.0	-15.1	149.2	-13.2	61.9	39.6
2004	65.7	172.5	-0.8	112.6	22.7	21.9	10.8	186.9	-1.1	106.6	50.7
2005 Jan.	14.0	32.1	-5.1	4.7	-10.1	0.3	-3.6	11.2	0.4	8.0	-3.3
Feb.	4.9	27.3	-7.5	6.9	-9.6	-8.3	11.1	30.8	0.4	6.3	11.7
Mar.	5.9	7.8	-1.8	9.5	3.6	-1.9	-8.1	19.0	0.0	16.5	2.8
Apr. <sup>(p)</sup>	3.9	14.2	10.7	6.9	-7.0	8.0	12.9	16.9	0.5	7.8	1.8
Growth rates											
2003 Dec.	24.9	8.7	-2.8	10.4	-4.6	11.1	-14.9	8.9	-12.7	5.2	4.0
2004 Dec.	17.0	7.5	-0.1	7.4	10.5	3.7	11.8	10.4	-1.2	8.5	5.0
2005 Jan.	18.5	8.1	0.5	7.1	6.8	4.3	2.7	9.9	-0.4	8.6	4.8
Feb.	18.3	8.8	0.3	6.9	-0.9	2.6	11.5	11.1	0.4	8.5	5.4
Mar.	17.8	7.8	1.6	6.8	4.0	1.8	6.6	10.6	0.5	9.3	5.2
Apr. <sup>(p)</sup>	17.5	7.9	3.2	6.5	0.4	2.6	13.0	10.4	1.2	8.8	4.6

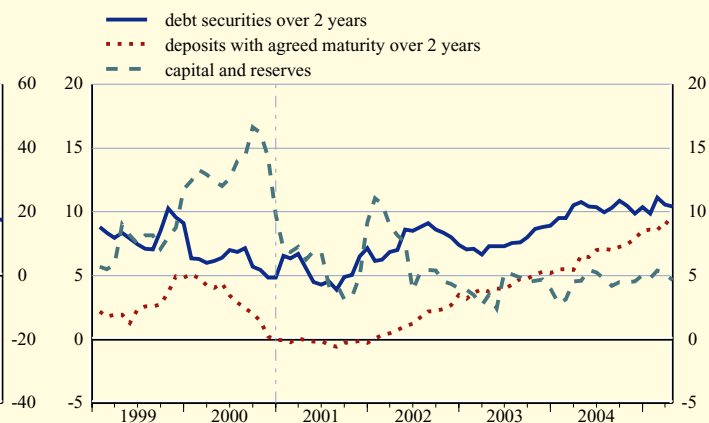
### C3 Components of monetary aggregates

(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>

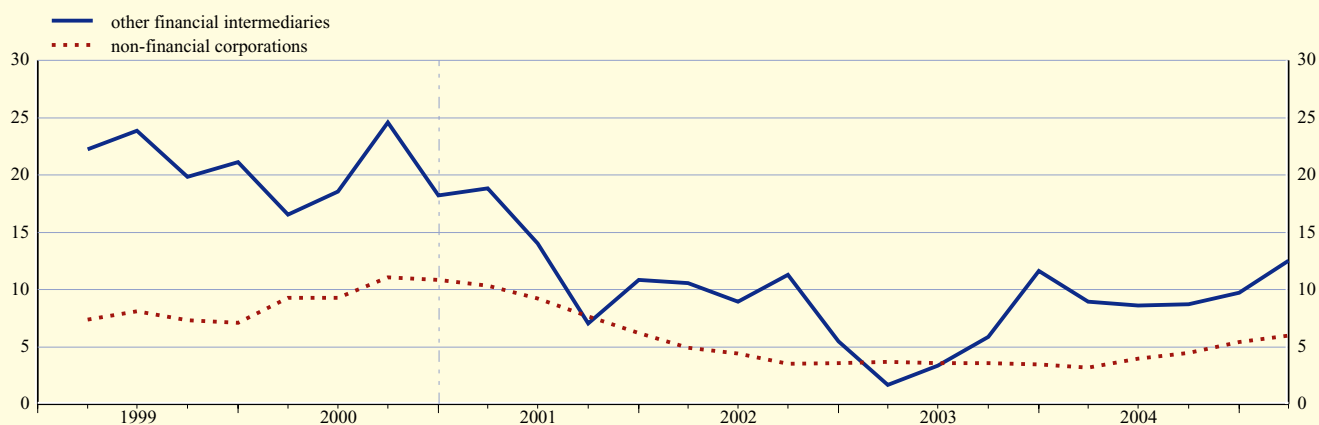
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 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								
2003	35.4	22.1	511.4	325.0	3,034.3	961.5	524.1	1,548.8
2004	48.6	31.4	546.2	334.5	3,156.2	974.4	547.1	1,634.8
2005 Jan.	55.5	38.6	546.5	338.5	3,173.3	981.0	555.4	1,636.9
Feb.	59.1	41.3	550.8	344.9	3,174.7	982.3	551.0	1,641.4
Mar.	58.2	40.1	561.2	351.2	3,193.6	987.5	555.5	1,650.6
Apr. <sup>(p)</sup>	59.3	41.1	556.7	343.5	3,219.5	996.9	560.1	1,662.5
Transactions								
2003	4.2	2.2	53.8	26.2	102.4	-7.9	15.5	94.9
2004	13.1	9.1	48.6	26.0	164.8	24.2	31.4	109.2
2005 Jan.	6.6	7.0	-1.7	2.7	16.9	6.7	8.3	2.0
Feb.	3.0	2.0	4.4	6.2	2.4	-1.0	-4.1	7.5
Mar.	-1.0	-1.1	8.6	5.7	20.0	5.6	4.8	9.5
Apr. <sup>(p)</sup>	1.1	1.0	-4.9	-7.9	27.4	9.6	5.9	11.9
Growth rates								
2003 Dec.	11.8	11.6	11.7	8.8	3.5	-0.8	3.0	6.5
2004 Dec.	36.9	41.5	9.7	8.4	5.5	2.5	6.1	7.1
2005 Jan.	16.3	11.9	10.0	10.6	5.8	3.0	7.3	7.0
Feb.	24.2	21.5	9.1	10.6	5.8	3.7	6.3	6.9
Mar.	23.6	21.8	12.5	17.2	6.0	4.2	6.9	6.8
Apr. <sup>(p)</sup>	14.3	7.8	9.6	10.4	6.2	4.8	6.8	6.7

### 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>

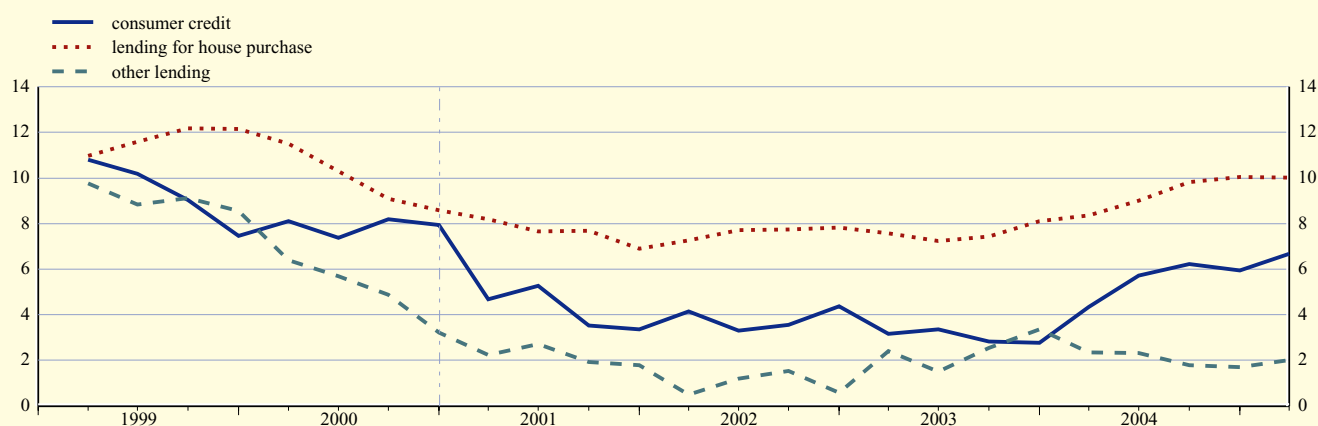
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 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													
2003	3,520.6	484.5	112.0	181.0	191.5	2,360.4	14.4	63.3	2,282.7	675.6	145.0	95.5	435.1
2004	3,805.8	514.5	118.3	190.5	205.7	2,592.7	15.5	65.8	2,511.4	698.7	144.4	99.6	454.8
2005 Jan.	3,820.7	514.1	119.2	189.3	205.6	2,607.3	15.0	65.5	2,526.8	699.2	143.4	98.5	457.3
Feb.	3,837.9	513.8	119.0	188.9	206.0	2,622.1	14.9	65.6	2,541.6	702.0	143.6	98.4	460.0
Mar.	3,861.4	519.7	120.2	191.5	208.0	2,640.3	14.9	67.0	2,558.3	701.4	144.1	99.0	458.3
Apr. <sup>(p)</sup>	3,887.8	523.5	120.4	192.8	210.2	2,662.1	14.2	66.3	2,581.6	702.2	142.4	100.2	459.6
Transactions													
2003	211.7	13.0	8.4	6.1	-1.4	177.3	-5.9	1.7	181.4	21.4	-6.2	-4.7	32.3
2004	277.1	28.8	6.9	8.6	13.3	236.8	0.9	2.9	232.9	11.6	-0.9	2.0	10.5
2005 Jan.	16.4	-0.1	0.4	-0.9	0.4	14.7	-0.4	-0.3	15.4	1.8	-0.5	-1.1	3.4
Feb.	16.7	0.1	0.1	-0.7	0.7	15.3	-0.1	0.1	15.3	1.3	0.1	0.2	1.0
Mar.	24.4	5.8	1.3	2.6	1.9	18.3	0.1	1.4	16.9	0.2	0.8	0.6	-1.1
Apr. <sup>(p)</sup>	25.2	4.3	0.3	1.4	2.6	21.4	-0.8	-0.7	22.9	-0.5	-1.6	-0.2	1.3
Growth rates													
2003 Dec.	6.4	2.8	8.0	3.4	-0.2	8.1	-26.3	2.6	8.6	3.4	-4.1	-4.8	8.5
2004 Dec.	7.9	6.0	6.1	4.8	7.0	10.0	6.4	4.7	10.2	1.7	-0.6	2.1	2.4
2005 Jan.	8.1	6.5	7.8	5.3	7.0	10.1	5.9	5.9	10.2	2.4	0.4	1.9	3.1
Feb.	8.1	6.4	8.7	4.3	7.0	10.1	6.0	6.1	10.3	2.2	1.7	1.7	2.5
Mar.	8.0	6.7	9.3	4.3	7.4	10.0	4.2	7.9	10.1	2.0	1.3	1.4	2.4
Apr. <sup>(p)</sup>	8.0	6.7	8.8	4.2	7.8	10.0	-1.0	6.2	10.2	1.8	0.6	0.4	2.5

### 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>

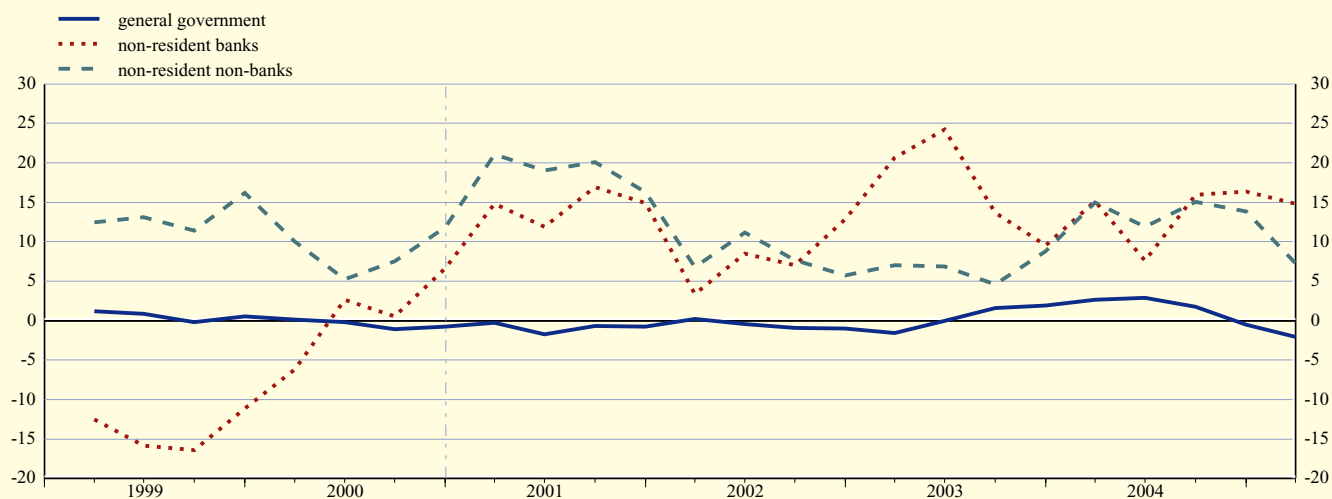
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 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										
2002	813.0	132.7	277.7	382.8	19.7	1,730.1	1,146.2	583.9	64.6	519.3
2003	819.1	130.0	265.1	388.9	35.0	1,762.7	1,182.2	580.6	59.3	521.2
2004 Q1	823.3	134.6	261.3	388.5	38.9	1,955.5	1,308.6	646.9	61.1	585.8
Q2	817.9	129.4	253.4	391.4	43.7	1,965.2	1,322.6	642.6	60.8	581.8
Q3	812.2	126.5	252.3	394.6	38.8	1,965.9	1,317.3	648.6	60.9	587.7
Q4	812.7	130.6	252.3	405.9	23.8	1,979.3	1,342.2	637.1	61.3	575.8
2005 Q1 <sup>(p)</sup>	805.7	132.0	248.1	404.1	21.6	2,141.5	1,468.7	672.8	62.9	610.0
Transactions										
2002	-7.9	-11.3	-21.1	19.9	4.6	169.1	135.3	34.5	-1.2	35.7
2003	15.3	-4.3	-12.2	16.6	15.3	159.6	109.2	50.3	-5.0	55.3
2004 Q1	5.7	5.7	-3.9	0.0	3.9	164.1	107.4	56.6	1.8	54.8
Q2	-7.0	-6.2	-8.5	2.8	4.8	6.1	11.3	-5.3	-0.5	-4.8
Q3	-5.4	-2.7	-1.0	3.3	-5.0	22.5	7.8	14.8	0.1	14.7
Q4	2.4	6.5	-0.5	11.3	-14.9	81.9	67.3	14.5	0.4	14.1
2005 Q1 <sup>(p)</sup>	-7.1	1.1	-3.7	-2.3	-2.2	124.8	103.2	21.5	1.5	20.0
Growth rates										
2002 Dec.	-1.0	-7.8	-7.1	5.5	30.0	10.3	12.9	5.7	-1.9	6.7
2003 Dec.	1.9	-3.2	-4.4	4.4	77.5	9.3	9.6	8.8	-7.7	10.9
2004 Mar.	2.7	0.8	-2.2	3.0	63.2	15.1	15.1	15.0	4.0	16.3
June	2.9	1.8	-4.0	4.2	54.4	9.0	7.6	11.9	2.9	12.9
Sep.	1.8	-1.4	-4.1	4.9	26.9	15.7	16.0	15.1	1.9	16.6
Dec.	-0.5	2.5	-5.2	4.5	-32.0	15.5	16.3	13.8	3.0	15.1
2005 Mar. <sup>(p)</sup>	-2.1	-1.0	-5.2	3.9	-44.5	12.3	14.8	7.2	2.6	7.7

### 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>

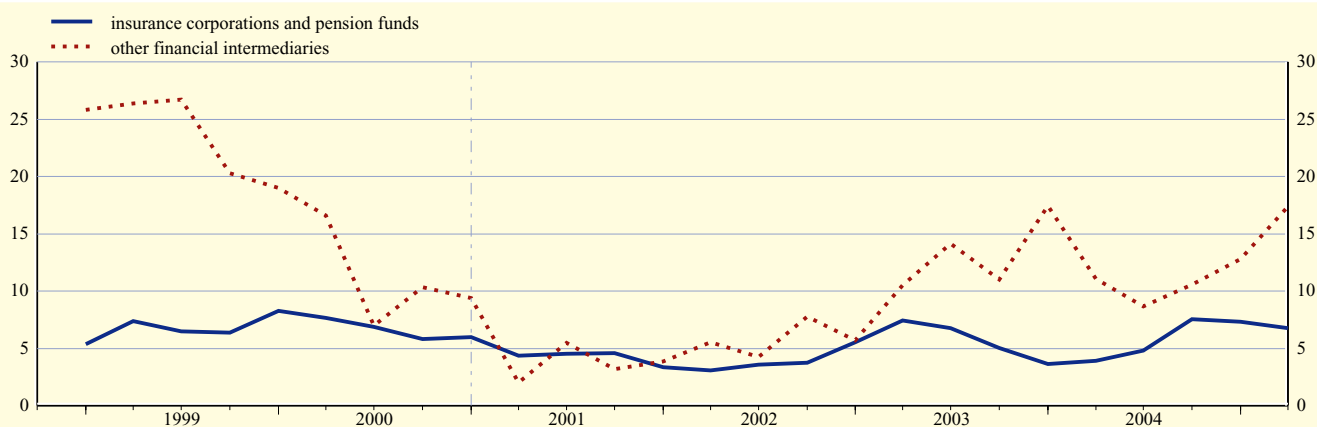
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 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														
2003	542.4	58.9	41.7	420.5	1.3	0.8	19.1	567.7	183.0	130.8	143.3	6.1	0.1	104.4
2004	583.2	59.2	51.4	449.4	1.2	1.3	20.8	637.3	180.3	138.9	187.3	10.1	0.1	120.5
2005 Jan.	595.7	67.3	50.9	451.2	1.4	1.3	23.6	662.4	209.9	129.6	186.4	11.6	0.1	124.8
Feb.	590.4	60.6	48.9	456.0	1.3	1.3	22.3	673.2	212.9	132.5	188.9	11.5	0.1	127.4
Mar.	597.0	65.7	48.6	460.2	1.3	1.3	19.8	689.1	212.0	133.0	202.9	11.5	0.1	129.6
Apr. <sup>(p)</sup>	602.4	65.5	50.7	462.5	1.3	1.3	21.1	703.4	207.2	143.6	210.4	13.1	0.1	128.9
Transactions														
2003	19.0	1.6	-3.1	18.8	0.3	0.4	1.1	85.0	27.4	-0.5	38.9	3.2	0.0	16.0
2004	39.9	0.7	10.3	27.7	-0.1	-0.1	1.5	72.7	1.8	5.8	43.7	4.1	0.0	17.2
2005 Jan.	12.2	8.0	-0.7	1.8	0.2	0.0	2.8	22.0	28.8	-10.0	-2.3	1.4	0.0	4.2
Feb.	-5.2	-6.7	-1.9	4.8	-0.1	0.0	-1.3	7.8	3.3	-0.8	2.6	-0.1	0.0	2.6
Mar.	5.6	5.1	-0.4	3.3	0.1	0.0	-2.5	14.5	-1.2	0.2	13.4	-0.1	0.0	2.1
Apr. <sup>(p)</sup>	5.4	-0.2	2.1	2.3	0.0	0.0	1.3	13.9	-4.9	10.5	7.4	1.6	0.0	-0.6
Growth rates														
2003 Dec.	3.6	2.8	-6.7	4.7	40.9	60.8	6.0	17.5	17.7	-0.5	36.8	70.6	-	17.1
2004 Dec.	7.4	1.2	24.6	6.6	-8.0	-43.1	7.9	12.8	0.9	4.3	30.4	67.6	-	16.5
2005 Jan.	7.3	3.5	18.9	6.6	5.1	36.2	8.2	16.4	17.7	-1.4	32.0	69.0	-	12.6
Feb.	5.8	-2.9	16.9	7.2	-2.8	-51.5	-11.6	16.4	17.8	5.1	31.8	38.2	-	6.1
Mar.	6.8	2.2	16.7	7.5	1.9	-51.5	-10.4	17.4	9.6	8.3	38.6	50.0	-	11.5
Apr. <sup>(p)</sup>	6.7	5.8	23.2	6.7	-9.2	-52.2	-16.2	17.3	8.2	8.5	41.0	60.1	-	8.9

### 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>

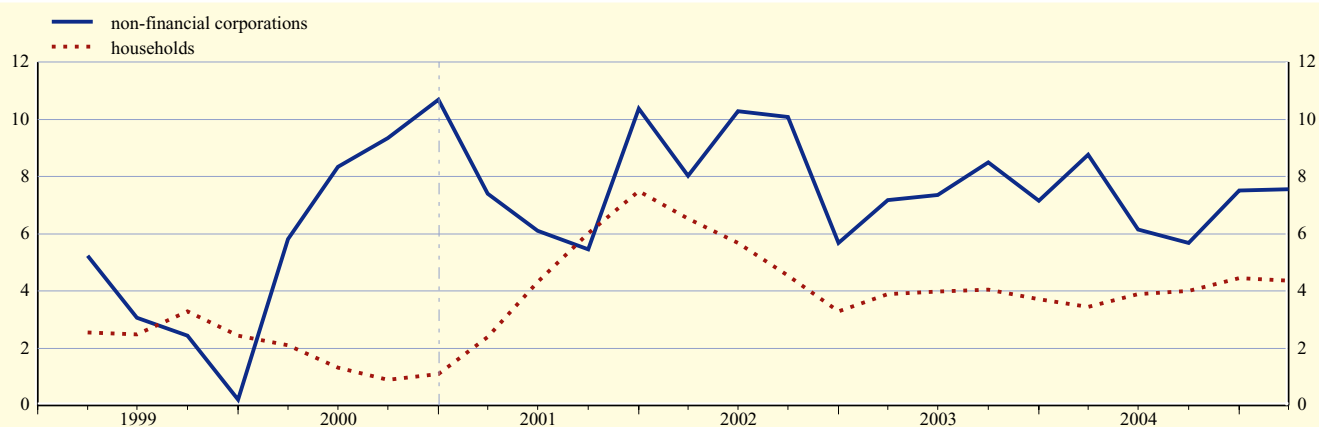
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 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														
2003	1,050.1	633.3	280.2	67.6	38.1	1.0	30.0	3,978.5	1,311.8	544.0	600.8	1,379.2	89.9	52.9
2004	1,116.2	674.6	293.6	73.5	43.7	1.1	29.7	4,160.4	1,403.1	514.2	632.8	1,466.7	88.0	55.6
2005 Jan.	1,080.5	659.0	279.5	73.7	42.5	1.1	24.9	4,166.9	1,400.5	514.5	634.6	1,477.3	87.7	52.2
Feb.	1,073.2	656.3	275.6	73.7	43.7	1.1	22.8	4,175.1	1,406.5	515.4	634.6	1,478.7	88.3	51.6
Mar.	1,102.5	675.8	283.8	74.4	44.0	1.1	23.4	4,175.4	1,409.7	511.0	633.0	1,481.8	88.7	51.2
Apr. <sup>(p)</sup>	1,103.2	679.4	285.4	69.4	44.7	1.1	23.1	4,206.6	1,434.4	514.7	633.6	1,485.0	88.2	50.8
Transactions														
2003	70.4	40.8	53.5	-29.8	10.2	0.0	-4.2	141.8	95.2	-71.2	35.9	117.4	-13.7	-21.8
2004	78.3	45.8	17.2	6.7	8.1	0.7	-0.2	177.5	90.1	-29.6	31.0	85.1	-1.9	2.8
2005 Jan.	-37.2	-16.7	-15.2	0.8	-1.2	0.0	-4.8	5.1	-2.9	-0.5	1.7	10.5	-0.3	-3.5
Feb.	-6.4	-2.1	-3.5	0.1	1.2	0.0	-2.1	8.8	5.4	1.3	0.0	2.2	0.6	-0.6
Mar.	28.3	19.0	7.8	0.6	0.3	0.0	0.6	0.9	3.6	-4.2	-0.3	2.3	-0.1	-0.4
Apr. <sup>(p)</sup>	0.4	3.5	1.5	-5.0	0.7	0.0	-0.3	31.1	24.6	3.5	0.6	3.2	-0.4	-0.4
Growth rates														
2003 Dec.	7.2	6.7	23.0	-30.7	41.5	-3.5	-12.4	3.7	7.9	-11.5	6.4	9.3	-13.2	-29.2
2004 Dec.	7.5	7.3	6.2	10.0	21.8	72.2	-0.8	4.5	6.9	-5.4	5.2	6.2	-2.1	5.2
2005 Jan.	8.0	8.6	6.2	10.2	15.4	14.4	-2.0	4.2	6.3	-4.6	4.8	5.9	-1.2	-3.5
Feb.	6.9	9.5	0.7	9.1	18.0	71.1	-12.2	4.4	6.6	-3.0	4.4	5.7	-0.1	-4.7
Mar.	7.6	9.0	4.2	8.2	16.9	68.0	-9.2	4.4	6.6	-3.0	4.1	5.6	0.1	-1.3
Apr. <sup>(p)</sup>	7.4	8.9	6.4	-0.6	17.1	66.5	-12.5	4.7	7.3	-1.5	3.9	5.4	0.9	-2.9

### 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>

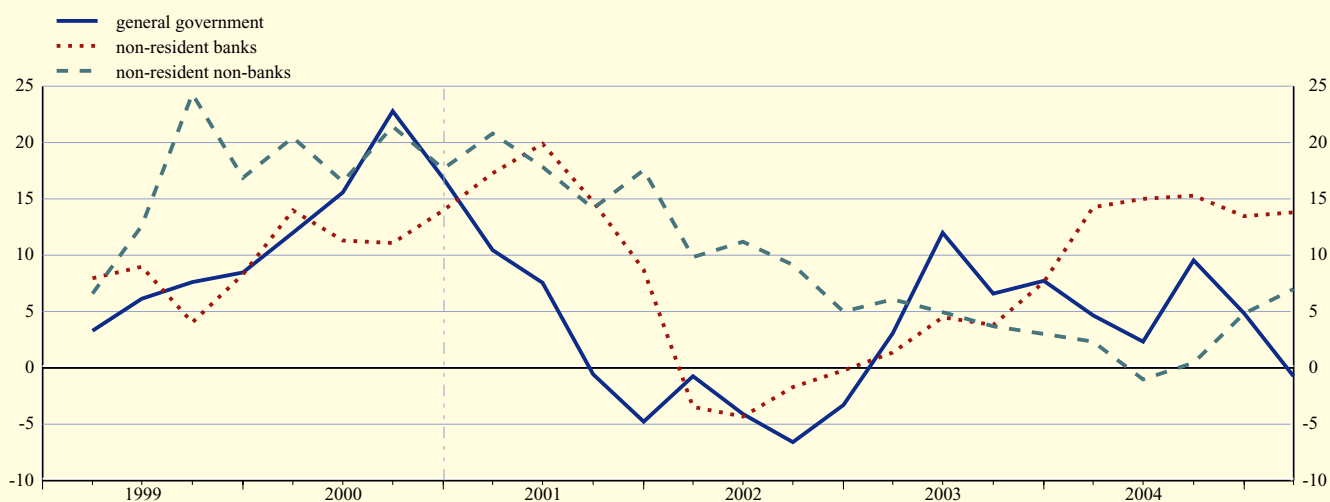
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 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										
2002	248.4	106.9	31.6	69.2	40.7	2,271.0	1,585.3	685.7	97.4	588.3
2003	271.2	132.3	31.1	66.9	40.9	2,245.1	1,580.9	664.3	96.1	568.2
2004 Q1	272.7	140.7	30.0	62.4	39.6	2,444.2	1,742.7	701.5	100.8	600.7
Q2	294.4	156.6	31.6	64.5	41.7	2,471.5	1,788.9	682.6	102.0	580.6
Q3	288.3	146.3	33.0	66.3	42.6	2,452.1	1,764.8	687.4	105.1	582.3
Q4	282.2	137.7	30.5	69.7	44.3	2,428.9	1,748.0	680.9	103.4	577.5
2005 Q1 <sup>(p)</sup>	268.6	125.0	33.4	67.3	42.9	2,667.7	1,934.5	733.3	105.1	628.1
Transactions										
2002	-8.3	-0.2	1.8	0.4	-10.3	30.2	-4.9	35.2	3.6	31.6
2003	19.3	21.1	-0.5	-2.3	1.0	138.7	117.6	21.1	-1.3	22.4
2004 Q1	1.5	8.4	-1.1	-4.5	-1.3	155.3	129.6	25.8	4.8	21.0
Q2	21.2	15.4	1.6	2.1	2.1	21.3	41.3	-20.1	1.2	-21.3
Q3	-4.8	-10.3	2.3	1.9	1.3	6.8	-4.6	11.5	3.1	8.4
Q4	-4.7	-8.7	-1.0	3.4	1.7	62.4	47.2	14.9	-2.1	17.0
2005 Q1 <sup>(p)</sup>	-13.6	-12.7	2.8	-2.3	-1.4	190.5	149.5	41.0	1.7	39.3
Growth rates										
2002 Dec.	-3.3	-0.2	5.9	0.5	-20.2	1.3	-0.2	5.0	3.9	5.1
2003 Dec.	7.7	19.3	-1.5	-3.4	2.6	6.2	7.6	3.0	-1.3	3.7
2004 Mar.	4.7	14.4	-6.2	-4.7	-1.4	10.6	14.3	2.3	3.1	2.2
June	2.4	7.9	-7.6	-0.2	-4.4	10.1	15.0	-1.0	7.9	-2.4
Sep.	9.5	13.2	5.1	3.3	11.5	10.7	15.3	0.4	12.5	-1.5
Dec.	4.9	3.7	5.6	4.2	9.2	10.9	13.4	4.8	7.2	4.4
2005 Mar. <sup>(p)</sup>	-0.7	-11.4	19.5	8.0	9.1	11.9	13.8	7.0	3.9	7.6

### 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.



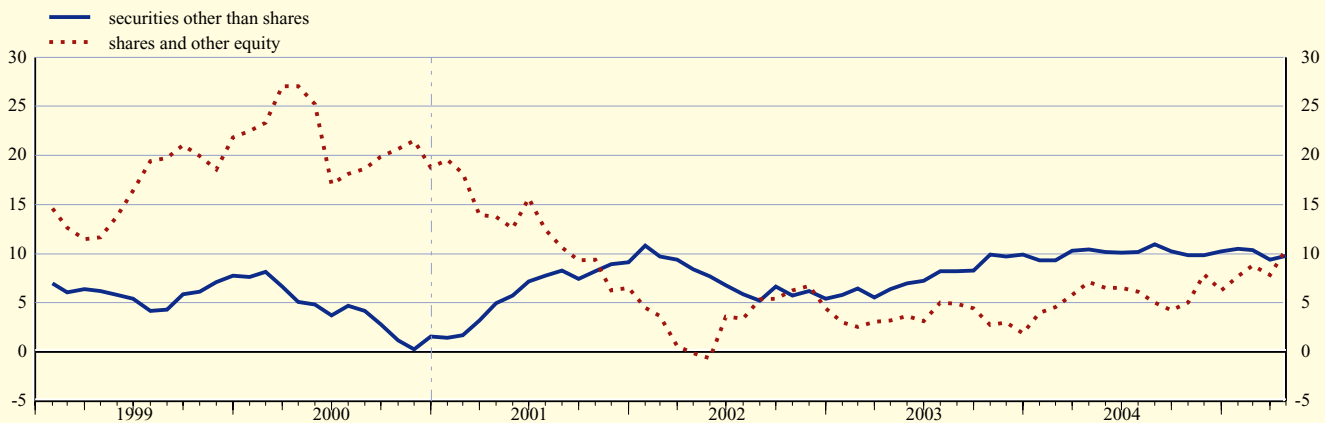
## 2.6 MFI holdings of securities, breakdown <sup>1)</sup>

(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												
2003	3,576.3	1,216.2	57.4	1,227.1	15.6	409.1	18.6	632.3	1,071.4	279.7	615.3	176.4
2004	3,939.5	1,362.6	59.9	1,284.1	15.8	449.1	16.3	751.7	1,158.3	286.5	656.6	215.2
2005 Jan.	4,032.2	1,363.4	65.6	1,321.0	18.9	451.5	16.5	795.3	1,190.0	293.0	668.7	228.3
Feb.	4,069.9	1,377.2	64.7	1,349.9	17.9	462.3	16.0	781.9	1,211.6	293.5	672.0	246.1
Mar.	4,096.9	1,389.7	66.4	1,341.5	15.8	464.8	16.1	802.5	1,223.4	297.7	677.0	248.6
Apr. <sup>(p)</sup>	4,161.5	1,412.8	65.1	1,354.1	17.9	472.5	17.6	821.5	1,281.7	312.2	731.6	238.0
Transactions												
2003	324.6	90.8	4.1	79.0	0.8	52.3	1.7	95.9	18.8	7.2	19.3	-7.8
2004	368.5	146.8	5.0	40.3	1.3	36.0	-1.3	140.4	67.4	2.2	34.4	30.8
2005 Jan.	79.0	4.6	3.9	33.4	2.5	2.8	-0.4	32.3	31.0	6.1	11.5	13.4
Feb.	44.6	13.7	-0.4	29.5	-0.7	11.1	-0.3	-8.3	18.7	0.0	1.5	17.3
Mar.	17.5	11.7	1.1	-8.8	-2.3	2.7	-0.1	13.2	13.4	4.6	5.8	3.0
Apr. <sup>(p)</sup>	58.4	23.3	-1.8	10.4	1.9	7.0	1.3	16.3	61.5	15.2	56.1	-9.8
Growth rates												
2003 Dec.	9.9	8.1	8.7	6.9	5.0	14.8	8.2	17.2	1.9	2.7	3.4	-4.2
2004 Dec.	10.2	12.1	8.5	3.3	7.7	8.7	-7.3	22.0	6.3	0.8	5.6	17.2
2005 Jan.	10.5	11.2	10.8	4.7	23.7	9.5	-3.2	20.9	7.7	1.6	6.2	22.3
Feb.	10.3	10.4	16.3	5.5	18.7	11.0	-7.2	18.8	8.8	1.6	6.1	28.6
Mar.	9.4	9.0	14.0	3.9	-3.9	11.3	-5.8	19.8	7.9	2.4	4.4	27.5
Apr. <sup>(p)</sup>	9.8	10.0	9.0	4.0	10.5	11.9	-1.1	19.1	10.4	5.5	9.4	21.3

## 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
2003	-2.7	-1.1	-0.5	-1.1	-3.2	-0.3	-0.1	-2.8	-7.4	-2.8	-0.3	-4.3
2004	-3.2	-1.3	-0.7	-1.3	-3.4	-0.3	-0.1	-3.0	-6.6	-2.3	-0.3	-4.0
2005 Jan.	-0.6	-0.3	-0.1	-0.2	-0.6	-0.1	0.0	-0.5	-1.2	-0.5	-0.1	-0.6
Feb.	-0.4	-0.2	-0.1	-0.1	-0.4	0.0	0.0	-0.4	-0.8	-0.4	0.0	-0.4
Mar.	-0.3	-0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.8	-0.2	0.0	-0.5
Apr. <sup>(p)</sup>	-0.3	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.3	-0.1	0.0	-0.2

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2003	-17.7	-8.8	-1.3	-7.6	-1.1	-0.3	-0.7
2004	-16.1	-8.8	-0.8	-6.4	-1.6	-0.5	-1.1
2005 Jan.	-2.6	-1.3	-0.3	-1.0	-0.2	0.0	-0.1
Feb.	-1.2	-0.6	-0.2	-0.5	-0.1	0.0	-0.1
Mar.	-1.3	-0.7	-0.2	-0.4	-0.1	0.0	0.0
Apr. <sup>(p)</sup>	-0.8	-0.5	0.0	-0.3	0.0	0.0	0.0

**3. Revaluation of securities held by MFIs**

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2003	-1.2	-0.8	-0.3	3.0	0.0	-1.1	-0.1	-1.9	19.4	8.0	5.0	6.4
2004	13.4	1.5	-0.1	10.8	-0.2	0.8	-0.1	0.6	8.4	1.3	3.6	3.5
2005 Jan.	5.5	0.0	0.1	4.2	0.1	-0.2	0.1	1.3	2.9	0.4	1.1	1.4
Feb.	-2.0	0.3	0.0	-1.4	0.0	-0.3	0.0	-0.4	2.8	0.5	1.8	0.5
Mar.	2.4	0.7	0.0	1.0	0.0	-0.2	0.0	0.8	-1.1	-0.4	-0.2	-0.5
Apr. <sup>(p)</sup>	3.6	0.4	0.0	2.2	0.0	0.7	0.0	0.3	-3.2	-0.8	-1.5	-0.8

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														
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	4,364.9	91.3	8.7	5.4	0.5	1.5	0.9	6,409.8	97.3	2.7	1.7	0.3	0.1	0.3
2004 Q1	4,412.5	90.4	9.6	5.7	0.5	1.5	1.2	6,451.0	97.1	2.9	1.7	0.3	0.1	0.4
Q2	4,522.7	90.3	9.7	5.7	0.5	1.5	1.3	6,565.2	97.1	2.9	1.8	0.3	0.1	0.4
Q3	4,586.6	90.5	9.5	5.7	0.5	1.5	1.3	6,587.6	97.1	2.9	1.8	0.3	0.1	0.4
Q4	4,708.2	91.4	8.6	5.0	0.5	1.5	1.1	6,779.3	97.2	2.8	1.7	0.3	0.1	0.4
2005 Q1 <sup>3)</sup>	4,826.7	91.0	9.0	5.5	0.4	1.4	1.1	6,832.6	97.0	3.0	1.8	0.3	0.1	0.4
By non-euro area residents														
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	1,580.9	46.9	53.1	35.6	1.8	3.6	9.4	664.3	51.0	49.0	32.1	2.1	2.2	9.6
2004 Q1	1,742.7	46.3	53.7	35.1	2.0	3.3	10.4	701.5	53.2	46.8	30.0	2.1	1.8	9.7
Q2	1,788.9	45.1	54.9	36.8	1.7	3.3	10.4	682.6	52.5	47.5	30.5	1.9	2.0	9.9
Q3	1,764.8	46.7	53.3	35.5	1.8	3.1	9.7	687.4	53.1	46.9	29.8	1.8	2.0	9.8
Q4	1,748.0	46.7	53.3	35.8	2.1	3.2	9.5	680.9	55.4	44.6	28.9	1.5	2.2	9.3
2005 Q1 <sup>3)</sup>	1,934.5	46.9	53.1	36.1	2.1	2.9	9.0	733.3	54.9	45.1	29.1	1.5	2.1	9.2

### 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	
2002	3,138.7	85.4	14.6	7.7	1.8	1.6	2.3
2003	3,304.0	85.4	14.6	7.9	1.5	1.7	2.3
2004 Q1	3,458.0	84.6	15.4	7.7	1.7	2.0	2.6
Q2	3,533.8	84.0	16.0	8.2	1.7	2.0	2.6
Q3	3,597.2	84.2	15.8	8.0	1.8	2.0	2.6
Q4	3,653.9	84.6	15.4	7.6	1.7	1.9	2.7
2005 Q1 <sup>3)</sup>	3,795.1	83.4	16.6	8.2	1.7	1.9	2.9

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						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
To euro area residents														
2002	4,017.8	-	-	-	-	-	7,593.6	96.2	3.8	1.8	0.5	1.1	0.3	
2003	4,193.8	-	-	-	-	-	7,920.9	96.5	3.5	1.6	0.3	1.2	0.3	
2004 Q1	4,224.9	-	-	-	-	-	7,993.4	96.4	3.6	1.6	0.3	1.2	0.4	
Q2	4,296.3	-	-	-	-	-	8,138.0	96.4	3.6	1.6	0.2	1.3	0.4	
Q3	4,356.4	-	-	-	-	-	8,213.5	96.5	3.5	1.5	0.2	1.3	0.4	
Q4	4,456.8	-	-	-	-	-	8,369.5	96.6	3.4	1.4	0.2	1.3	0.4	
2005 Q1 <sup>(p)</sup>	4,574.6	-	-	-	-	-	8,480.1	96.5	3.5	1.5	0.2	1.3	0.4	
To non-euro area residents														
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	1,182.2	50.2	49.8	29.3	4.7	2.5	9.2	580.6	38.7	61.3	43.9	2.4	4.6	7.0
2004 Q1	1,308.6	49.1	50.9	30.4	4.7	2.7	9.4	646.9	40.0	60.0	41.9	2.5	4.4	8.0
Q2	1,322.6	49.2	50.8	30.8	4.7	2.4	9.2	642.6	38.6	61.4	42.6	2.4	4.4	8.8
Q3	1,317.3	51.2	48.8	30.0	3.7	2.2	9.0	648.6	40.2	59.8	42.2	2.5	4.4	7.4
Q4	1,342.2	51.4	48.6	29.9	3.7	2.2	8.7	637.1	42.1	57.9	40.4	2.6	4.4	7.1
2005 Q1 <sup>(p)</sup>	1,468.7	51.9	48.1	29.5	3.5	2.0	8.9	672.8	41.4	58.6	42.7	1.4	4.3	7.0

**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						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Issued by euro area residents														
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	1,273.6	95.5	4.5	1.7	0.3	0.9	1.3	1,670.3	98.0	2.0	1.0	0.5	0.3	0.2
2004 Q1	1,341.8	95.5	4.5	1.6	0.3	0.9	1.4	1,735.8	97.9	2.1	1.0	0.5	0.2	0.2
Q2	1,359.4	95.4	4.6	2.2	0.4	0.4	1.4	1,794.2	98.0	2.0	1.1	0.5	0.1	0.2
Q3	1,385.9	95.5	4.5	2.1	0.3	0.5	1.3	1,793.3	98.1	1.9	1.0	0.5	0.1	0.2
Q4	1,422.5	95.8	4.2	1.8	0.3	0.5	1.3	1,765.2	98.2	1.8	0.9	0.5	0.1	0.3
2005 Q1 <sup>(p)</sup>	1,456.1	95.4	4.6	2.0	0.4	0.4	1.5	1,838.3	98.3	1.7	0.9	0.4	0.1	0.3
Issued by non-euro area residents														
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	276.9	45.1	54.9	30.6	1.2	4.9	15.4	355.5	45.8	54.2	31.1	5.8	5.8	6.4
2004 Q1	309.2	44.7	55.3	29.6	1.2	5.0	16.6	380.8	44.4	55.6	31.1	6.1	5.4	7.1
Q2	312.7	46.3	53.7	32.8	1.1	0.6	16.8	388.4	45.2	54.8	33.6	6.7	1.0	7.4
Q3	322.3	47.7	52.3	32.2	1.0	0.5	16.2	411.1	44.2	55.8	32.3	7.6	0.8	8.4
Q4	341.3	50.3	49.7	28.6	1.0	0.5	17.0	410.4	44.8	55.2	30.5	8.6	0.7	9.2
2005 Q1 <sup>(p)</sup>	361.8	49.2	50.8	30.2	1.0	0.5	16.4	440.6	44.1	55.9	32.1	7.3	0.7	9.0

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				
2003 Q3	3,085.0	248.2	1,404.9	65.3	1,339.6	932.2	234.6	126.3	138.8
Q4	3,174.3	235.1	1,389.0	67.4	1,321.6	1,033.6	243.9	133.7	139.1
2004 Q1	3,356.2	266.5	1,434.5	70.4	1,364.1	1,103.9	263.2	136.9	151.2
Q2	3,373.2	244.9	1,430.8	69.4	1,361.5	1,121.1	278.5	140.3	157.6
Q3	3,392.8	246.7	1,472.9	72.1	1,400.8	1,095.2	281.0	144.4	152.6
Q4 <sup>(p)</sup>	3,510.7	240.3	1,497.8	72.0	1,425.9	1,157.4	293.7	147.0	174.5

### 2. Liabilities

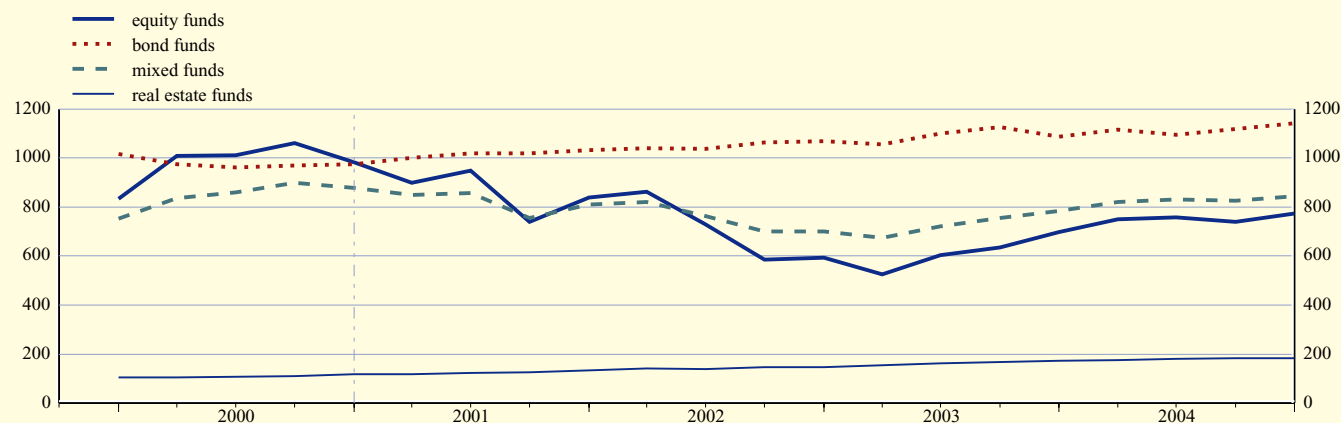
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
2003 Q3	3,085.0	43.2	2,917.0	124.8
Q4	3,174.3	44.2	3,011.0	119.1
2004 Q1	3,356.2	49.6	3,173.8	132.9
Q2	3,373.2	50.4	3,196.2	126.6
Q3	3,392.8	49.5	3,216.6	126.7
Q4 <sup>(p)</sup>	3,510.7	48.6	3,322.5	139.6

### 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
2003 Q3	3,085.0	635.4	1,126.7	753.8	167.7	401.4	2,248.5	836.5
Q4	3,174.3	697.8	1,086.3	783.0	171.7	435.5	2,317.7	856.6
2004 Q1	3,356.2	750.4	1,116.3	820.6	176.2	492.8	2,469.8	886.4
Q2	3,373.2	756.5	1,094.2	830.0	179.7	512.7	2,479.5	893.7
Q3	3,392.8	740.1	1,119.0	825.8	182.4	525.5	2,495.4	897.4
Q4 <sup>(p)</sup>	3,510.7	772.0	1,142.4	844.6	182.7	569.0	2,594.1	916.6

## 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				
Equity funds									
2003 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	750.4	32.8	32.2	3.0	29.2	635.6	23.4	-	26.5
Q2	756.5	31.5	31.6	3.2	28.3	642.8	25.3	-	25.3
Q3	740.1	31.5	33.1	3.7	29.4	625.2	25.1	-	25.1
Q4 <sup>(p)</sup>	772.0	28.5	34.1	3.7	30.4	652.8	28.0	-	28.6
Bond funds									
2003 Q3	1,126.7	93.6	934.5	30.7	903.8	29.1	21.7	-	47.9
Q4	1,086.3	82.5	905.7	31.6	874.1	31.0	21.6	-	45.5
2004 Q1	1,116.3	97.3	918.4	35.3	883.1	32.6	21.4	-	46.6
Q2	1,094.2	79.1	910.0	36.3	873.7	33.0	21.8	-	50.3
Q3	1,119.0	80.8	932.4	38.8	893.6	31.9	23.4	-	50.5
Q4 <sup>(p)</sup>	1,142.4	77.5	943.7	39.9	903.8	36.9	23.4	-	60.9
Mixed funds									
2003 Q3	753.8	50.4	323.8	22.2	301.6	248.3	95.4	0.3	35.6
Q4	783.0	49.4	323.8	22.1	301.7	272.3	100.5	0.3	36.7
2004 Q1	820.6	52.9	333.7	21.2	312.5	286.6	107.2	0.3	39.9
Q2	830.0	52.3	340.1	22.3	317.7	278.9	114.9	0.3	43.5
Q3	825.8	52.3	347.8	22.0	325.9	270.5	115.6	0.3	39.4
Q4 <sup>(p)</sup>	844.6	50.4	346.9	20.1	326.8	281.9	121.3	0.2	43.9
Real estate funds									
2003 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	176.2	14.7	9.1	0.6	8.5	0.7	7.7	135.9	8.0
Q2	179.7	15.0	8.6	0.6	7.9	0.7	7.7	139.2	8.7
Q3	182.4	14.4	8.5	0.6	7.9	0.7	7.5	143.1	8.0
Q4 <sup>(p)</sup>	182.7	14.7	7.1	0.7	6.4	0.9	6.9	144.9	8.1

## 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
2003 Q3	2,248.5	198.9	927.3	736.4	176.6	108.9	100.4
Q4	2,317.7	191.6	913.2	815.7	183.8	115.5	98.0
2004 Q1	2,469.8	219.2	948.7	877.3	198.8	117.8	107.9
Q2	2,479.5	202.1	945.8	890.2	211.0	120.5	109.8
Q3	2,495.4	205.7	974.5	872.5	213.2	124.0	105.5
Q4 <sup>(p)</sup>	2,594.1	201.5	997.2	927.2	222.8	127.5	117.9
Special investors' funds							
2003 Q3	836.5	49.3	477.6	195.8	58.0	17.4	38.4
Q4	856.6	43.4	475.8	217.9	60.0	18.3	41.2
2004 Q1	886.4	47.3	485.8	226.5	64.4	19.1	43.3
Q2	893.7	42.8	485.0	230.8	67.5	19.8	47.8
Q3	897.4	41.0	498.4	222.7	67.7	20.4	47.2
Q4 <sup>(p)</sup>	916.6	38.7	500.6	230.2	70.9	19.5	56.7

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												
2003 Q3	15,183.4	5,762.1	322.7	5,070.8	1,956.6	1,555.8	1,469.0	89.3	183.9	184.7	345.3	
Q4	15,595.5	5,881.9	352.4	5,183.1	2,027.4	1,559.2	1,511.4	85.2	153.6	192.8	348.0	
2004 Q1	15,810.8	5,915.0	350.8	5,180.6	2,020.6	1,545.0	1,533.9	81.2	183.8	199.8	394.6	
Q2	16,078.3	6,052.5	372.0	5,264.1	2,101.2	1,529.7	1,553.9	79.4	223.7	192.7	396.0	
Q3	16,158.8	6,077.1	383.5	5,284.4	2,104.2	1,532.3	1,565.1	82.8	204.1	205.1	390.8	
Q4	16,567.4	6,290.7	468.4	5,435.0	2,165.1	1,577.8	1,603.8	88.2	162.4	224.9	.	
Transactions												
2003 Q3	128.3	12.5	11.4	12.0	6.8	-3.8	12.9	-3.9	-13.7	2.8	17.1	
Q4	165.5	125.3	29.7	117.9	78.9	7.9	36.3	-5.2	-30.3	8.0	10.9	
2004 Q1	149.9	30.7	-1.6	-4.9	-7.5	-15.8	22.4	-3.9	30.2	7.0	41.9	
Q2	283.6	136.7	21.2	83.1	78.9	-14.5	20.7	-1.9	39.4	-7.1	0.8	
Q3	122.8	28.9	11.5	24.7	4.6	5.4	11.3	3.4	-19.7	12.4	-1.2	
Q4	175.9	167.8	30.4	159.4	65.2	49.9	38.9	5.4	-41.7	19.8	.	
Growth rates												
2003 Q3	4.9	6.5	23.9	4.7	8.2	-0.7	9.1	-23.5	22.8	12.9	24.9	
Q4	4.6	5.5	21.2	4.3	7.6	-1.0	8.1	-23.4	9.5	9.0	24.9	
2004 Q1	4.5	5.3	20.9	4.3	8.8	-1.3	6.5	-23.0	5.9	7.6	25.2	
Q2	4.8	5.3	19.5	4.1	8.2	-1.7	6.3	-15.7	12.8	5.0	21.4	
Q3	4.8	5.6	18.8	4.4	7.9	-1.1	6.2	-8.5	10.7	11.0	15.2	
Q4	4.7	6.2	17.4	5.1	7.0	1.6	6.2	3.6	5.4	16.7	.	
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												
2003 Q3	1,951.1	186.5	1,764.6	3,638.0	1,769.9	1,868.1	408.7	3,832.2	3,460.8	371.5		
Q4	1,913.1	191.2	1,721.8	3,924.6	2,028.9	1,895.7	406.6	3,875.9	3,504.3	371.6		
2004 Q1	1,927.8	198.3	1,729.5	4,028.0	2,077.5	1,950.5	420.9	3,939.9	3,559.4	380.5		
Q2	1,958.0	214.6	1,743.4	4,076.1	2,133.7	1,942.4	424.3	3,991.6	3,607.6	384.0		
Q3	1,980.5	216.0	1,764.5	4,044.8	2,107.2	1,937.6	424.6	4,056.5	3,669.6	386.9		
Q4	1,979.9	207.0	1,772.9	4,180.0	2,228.5	1,951.5	406.7	4,116.7	3,727.1	389.7		
Transactions												
2003 Q3	11.9	2.4	9.5	45.6	23.6	22.1	2.7	58.3	54.9	3.4		
Q4	2.0	9.9	-8.0	-18.6	-18.5	-0.1	-10.2	56.8	57.3	-0.5		
2004 Q1	9.4	6.5	2.9	37.9	7.9	30.0	15.1	71.9	62.0	9.9		
Q2	33.6	15.0	18.6	58.6	58.2	0.4	-0.6	54.6	50.1	4.5		
Q3	17.2	1.6	15.5	14.5	11.5	3.0	-2.3	62.1	58.2	3.9		
Q4	-9.8	-10.7	0.9	-49.0	-38.0	-11.0	-16.5	66.9	63.1	3.8		
Growth rates												
2003 Q3	-1.7	-9.1	-0.7	4.4	1.6	7.2	9.3	6.3	6.7	3.5		
Q4	-1.1	-4.7	-0.7	4.1	1.2	7.1	8.5	6.8	7.1	3.9		
2004 Q1	-0.8	-0.6	-0.8	3.7	2.2	5.1	2.8	6.7	6.9	4.8		
Q2	2.9	18.2	1.3	3.4	4.1	2.9	1.7	6.4	6.6	4.7		
Q3	3.2	17.7	1.7	2.5	3.3	1.8	0.5	6.4	6.6	4.8		
Q4	2.6	6.5	2.2	1.6	2.0	1.2	-1.1	6.6	6.7	6.0		

Source: ECB.

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

## 3.2 Main liabilities of non-financial sectors

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

	Loans taken from euro area MFIs and other financial corporations by												Memo: loans taken from banks outside the euro area by non-banks
	Total			General government			Non-financial corporations			Households <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													
2003 Q3	16,294.9	8,334.2	7,293.7	887.0	71.1	815.9	3,659.1	1,185.0	2,474.1	3,788.2	283.8	3,504.4	275.5
2003 Q4	16,641.0	8,481.0	7,397.3	958.6	81.0	877.6	3,663.0	1,167.8	2,495.2	3,859.4	284.6	3,574.8	266.4
2004 Q1	16,989.8	8,530.4	7,466.3	964.3	84.9	879.4	3,654.4	1,163.2	2,491.2	3,911.7	278.6	3,633.1	305.5
2004 Q2	17,189.5	8,677.7	7,597.2	956.7	90.4	866.2	3,699.1	1,171.5	2,527.6	4,021.9	290.7	3,731.2	304.4
2004 Q3	17,293.9	8,755.3	7,674.7	952.4	89.0	863.4	3,700.6	1,153.2	2,547.4	4,102.3	287.7	3,814.6	279.8
2004 Q4	17,662.8	8,887.7	7,796.9	952.5	79.7	872.9	3,751.6	1,174.2	2,577.3	4,183.6	292.1	3,891.5	.
Transactions													
2003 Q3	145.0	87.6	58.8	8.9	1.1	7.8	8.1	-25.8	33.9	70.7	-5.7	76.4	22.8
2003 Q4	133.2	117.2	118.4	23.3	9.9	13.5	16.1	-16.4	32.4	77.8	3.8	74.1	-1.4
2004 Q1	203.8	54.4	76.1	7.3	4.0	3.3	-10.5	-4.8	-5.6	57.7	-4.5	62.2	34.5
2004 Q2	270.3	155.3	134.6	-9.3	5.4	-14.7	70.9	15.4	55.5	93.8	8.8	84.9	-1.3
2004 Q3	148.5	79.5	85.9	-3.9	-1.4	-2.5	0.6	-15.9	16.5	82.8	-2.6	85.4	-21.4
2004 Q4	123.3	147.5	139.9	1.9	-9.4	11.3	63.0	21.0	42.0	82.6	5.9	76.7	.
Growth rates													
2003 Q3	5.3	5.5	4.3	2.9	33.1	0.8	4.6	1.1	6.4	7.1	-2.3	7.9	16.1
2003 Q4	4.9	5.1	4.6	3.7	36.5	1.3	3.4	0.2	5.0	7.2	-1.9	8.0	12.9
2004 Q1	4.6	4.6	4.7	3.9	26.5	2.0	1.9	-1.8	3.6	7.5	-0.7	8.2	22.8
2004 Q2	4.6	5.0	5.4	3.4	29.1	1.2	2.3	-2.6	4.8	8.1	0.8	8.7	21.5
2004 Q3	4.6	4.9	5.7	2.0	25.1	-0.1	2.1	-1.8	4.0	8.2	1.9	8.7	3.8
2004 Q4	4.5	5.2	5.9	-0.4	-1.7	-0.3	3.4	1.3	4.3	8.2	2.7	8.7	.
Securities other than shares issued by													
	Total			General government			Non-financial corporations			Quoted shares issued by non-financial corporations	Deposit liabilities of central government	Pension fund reserves of non- financial corporations	
	Total			Total	Short-term	Long-term	Total	Short-term	Long-term				
	14	15	16	17	18	19	20	21	22	23			
Outstanding amounts													
2003 Q3	5,021.5	4,410.4	561.0	3,849.3	611.1	192.0	419.2	2,473.0	174.3	291.9			
2003 Q4	4,959.5	4,336.5	548.4	3,788.1	623.0	196.7	426.4	2,726.3	181.7	292.5			
2004 Q1	5,139.7	4,520.7	590.8	3,929.9	619.0	208.9	410.1	2,834.1	189.0	296.5			
2004 Q2	5,186.3	4,555.1	616.3	3,938.7	631.2	218.7	412.5	2,843.0	181.9	300.7			
2004 Q3	5,276.1	4,638.5	614.2	4,024.3	637.6	216.7	421.0	2,763.5	194.0	305.0			
2004 Q4	5,281.2	4,645.4	581.9	4,063.5	635.8	213.9	421.8	2,980.9	213.5	299.5			
Transactions													
2003 Q3	48.0	39.0	-8.8	47.8	9.0	5.5	3.5	3.9	2.4	3.1			
2003 Q4	4.0	-5.6	-15.6	10.0	9.6	0.8	8.8	0.2	7.4	4.4			
2004 Q1	137.1	143.7	42.1	101.6	-6.7	12.2	-18.8	2.1	7.3	2.9			
2004 Q2	114.6	100.3	25.4	74.9	14.3	10.5	3.8	4.4	-7.1	3.1			
2004 Q3	47.8	39.4	-0.8	40.1	8.4	-1.0	9.5	5.9	12.1	3.2			
2004 Q4	-50.7	-48.0	-32.6	-15.4	-2.7	-3.9	1.2	3.2	19.4	3.8			
Growth rates													
2003 Q3	6.7	6.0	13.8	5.0	12.1	27.7	6.1	0.7	13.2	4.4			
2003 Q4	6.5	5.7	12.3	4.8	13.0	22.2	9.1	0.8	8.9	4.9			
2004 Q1	6.1	6.1	9.9	5.6	6.0	13.8	2.5	1.0	7.5	4.8			
2004 Q2	6.0	6.3	7.6	6.1	4.3	15.6	-0.7	0.4	4.8	4.7			
2004 Q3	6.0	6.3	9.1	5.9	4.2	11.7	0.8	0.5	11.3	4.7			
2004 Q4	5.0	5.4	6.2	5.3	2.1	9.1	-1.0	0.6	17.5	4.5			

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											
2003 Q3	3,504.5	533.3	57.5	455.3	1.8	18.7	341.5	61.3	280.2	1,422.4	59.7	1,362.7
Q4	3,598.1	542.4	58.9	462.3	2.1	19.1	336.6	61.6	275.0	1,459.4	59.1	1,400.3
2004 Q1	3,736.0	557.3	64.7	468.3	2.3	22.0	346.4	64.0	282.4	1,522.8	61.5	1,461.3
Q2	3,757.4	565.4	59.9	482.0	2.3	21.2	343.6	65.5	278.1	1,529.2	63.0	1,466.2
Q3	3,814.5	573.6	61.5	489.8	2.3	20.0	345.4	66.1	279.3	1,574.0	62.8	1,511.2
Q4	3,901.5	583.2	59.2	500.8	2.5	20.8	340.1	68.4	271.6	1,622.5	61.2	1,561.3
	Transactions											
2003 Q3	33.1	-6.2	-6.4	3.8	0.3	-3.8	0.9	-0.6	1.5	27.4	2.9	24.5
Q4	67.8	10.2	1.5	7.9	0.3	0.5	-5.3	0.0	-5.4	48.9	-1.4	50.3
2004 Q1	90.5	14.6	5.7	5.9	0.2	2.8	9.8	2.6	7.2	45.9	2.1	43.8
Q2	30.2	7.2	-4.9	13.7	-0.6	-0.9	-2.7	1.6	-4.3	24.5	1.0	23.5
Q3	46.2	8.2	1.6	7.8	-0.1	-1.1	1.8	0.7	1.2	25.1	-0.6	25.7
Q4	54.5	9.9	-1.7	10.6	0.2	0.7	-5.6	2.2	-7.8	41.0	-0.8	41.8
	Growth rates											
2003 Q3	6.2	5.0	11.7	3.6	-1.6	28.2	0.2	-17.4	5.2	10.2	25.8	9.6
Q4	6.2	3.6	2.9	3.5	17.9	6.1	-3.2	-11.3	-1.2	11.1	14.1	11.0
2004 Q1	7.1	3.9	5.0	3.0	38.5	18.7	2.6	3.4	2.4	10.4	10.8	10.4
Q2	6.4	4.8	-6.4	6.9	6.5	-6.3	0.8	5.8	-0.3	10.5	8.1	10.6
Q3	6.7	7.5	6.8	7.7	-12.8	6.7	1.1	8.0	-0.4	10.1	1.8	10.5
Q4	6.2	7.4	1.2	8.2	-12.0	7.8	1.0	11.5	-1.3	9.4	2.9	9.6

	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	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														
2003 Q3	1,092.1	483.9	608.2	60.6	115.2	3,794.9	62.7	44.3	19.0	164.8	3,548.4	3,022.8	525.7		
Q4	1,151.9	520.6	631.3	64.1	107.8	3,851.0	51.9	35.4	21.0	189.9	3,588.1	3,061.6	526.5		
2004 Q1	1,198.2	537.0	661.2	63.4	111.3	3,936.5	61.6	46.3	21.5	190.9	3,662.5	3,123.6	538.9		
Q2	1,207.0	535.8	671.2	63.6	112.2	3,993.4	69.6	53.7	22.0	193.3	3,708.6	3,165.5	543.1		
Q3	1,207.6	528.3	679.2	63.1	114.0	4,038.1	69.5	52.5	20.4	185.7	3,762.5	3,214.7	547.7		
Q4	1,240.7	550.8	689.9	68.3	115.0	4,106.7	64.1	48.6	21.3	207.1	3,814.2	3,264.0	550.2		
	Transactions														
2003 Q3	9.6	4.6	5.0	-4.3	1.4	57.2	2.0	-0.5	0.5	0.0	54.7	49.9	4.8		
Q4	21.3	5.9	15.4	4.1	-7.2	45.9	-10.8	-8.9	1.9	5.0	49.8	49.5	0.2		
2004 Q1	16.6	-0.4	17.0	-0.8	3.6	80.6	9.6	10.8	0.4	0.8	69.8	56.4	13.4		
Q2	0.0	-7.4	7.4	-0.1	1.1	58.7	7.6	7.0	0.5	0.1	50.5	45.3	5.2		
Q3	9.0	3.4	5.6	-0.5	2.0	59.3	-0.1	-1.1	-1.3	2.1	58.6	52.9	5.7		
Q4	7.6	2.1	5.5	5.3	1.5	49.9	-5.1	-3.6	0.6	0.1	54.3	50.8	3.5		
	Growth rates														
2003 Q3	4.0	-0.6	7.6	17.7	4.6	6.2	6.7	9.4	2.8	2.8	6.4	6.9	3.6		
Q4	5.1	1.9	7.6	11.3	-1.0	6.9	12.9	12.7	13.4	6.2	6.8	7.3	4.2		
2004 Q1	6.5	3.2	8.8	5.9	-0.1	6.7	0.9	8.5	16.3	8.3	6.7	7.1	4.9		
Q2	4.5	0.6	7.5	-1.7	-0.9	6.5	14.0	18.8	18.4	3.5	6.4	6.8	4.5		
Q3	4.3	0.3	7.5	4.6	-0.4	6.4	10.2	17.5	8.4	4.8	6.4	6.8	4.7		
Q4	2.9	-0.4	5.6	6.2	7.6	6.5	23.3	36.9	1.5	1.6	6.5	6.7	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
1997	351.8	1,136.1	-797.1	12.8	0.0	1,937.6	-0.2	390.9	330.7	464.6	491.4	224.1	36.0
1998	417.0	1,201.3	-823.6	39.2	0.2	2,407.0	11.0	419.6	360.1	515.3	845.0	213.7	42.3
1999	451.2	1,290.9	-863.7	23.8	0.2	3,111.1	1.3	559.2	429.1	878.8	942.2	259.2	41.3
2000	500.0	1,394.2	-913.1	35.6	-16.7	2,897.2	1.3	350.9	264.6	829.9	1,189.1	251.3	10.0
2001	482.1	1,449.3	-973.6	4.4	2.0	2,574.7	-0.5	579.0	449.1	731.2	602.3	248.8	-35.3
2002	395.8	1,439.7	-1,035.0	-10.0	1.1	2,295.6	0.9	656.6	279.7	632.8	468.4	220.8	36.4
2003	409.6	1,464.9	-1,064.6	8.9	0.5	2,394.9	1.7	678.6	426.8	578.8	456.6	240.7	11.7

	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
1997	455.7	1,241.8	-797.1	11.0	1,833.7	509.7	318.0	393.1	382.5	230.3
1998	486.5	1,299.1	-823.6	11.1	2,337.4	648.8	323.2	484.6	659.8	221.0
1999	498.0	1,352.0	-863.7	9.7	3,064.3	934.9	503.4	765.2	597.1	263.7
2000	515.1	1,419.4	-913.1	8.8	2,882.2	539.5	416.9	882.9	788.7	254.1
2001	486.0	1,449.4	-973.6	10.2	2,570.8	668.9	489.9	634.3	521.6	256.0
2002	457.7	1,482.8	-1,035.0	9.9	2,233.7	572.9	442.0	618.0	376.2	224.7
2003	411.8	1,471.4	-1,064.6	5.1	2,392.7	676.2	514.0	539.3	420.3	242.8

## 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
1997	150.3	591.9	-453.2	272.3	26.0	-12.1	65.8	100.8	104.8	521.3	317.8	12.1	175.9	120.1
1998	193.7	635.1	-470.6	439.8	45.7	-11.5	110.9	204.5	147.6	569.1	485.9	22.8	257.2	194.9
1999	212.0	683.1	-490.7	654.0	24.5	93.6	186.0	336.3	106.7	547.6	759.3	47.5	434.1	261.1
2000	306.1	751.6	-522.4	921.0	74.2	87.4	230.4	511.4	79.9	554.9	1,147.2	61.0	597.1	480.7
2001	215.7	778.9	-558.8	638.2	101.6	44.6	169.2	232.1	91.3	590.5	762.6	99.7	355.5	295.9
2002	171.9	757.6	-581.0	515.7	31.8	-55.7	174.2	253.1	108.6	633.2	579.0	21.0	352.0	190.8
2003	156.9	746.4	-597.8	360.6	69.3	-57.9	107.6	191.3	80.3	647.2	437.1	55.0	174.1	194.9

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
1997	167.8	374.7	-210.3	427.7	69.3	-20.8	192.5	217.6	425.7	615.5	169.7	168.3	3,852.4	16.0
1998	183.6	387.8	-215.1	440.7	92.9	-119.0	287.4	209.3	409.7	593.4	214.6	213.3	3,954.9	15.0
1999	192.2	418.2	-230.2	472.2	122.6	-28.5	195.8	245.2	395.9	580.1	268.4	266.9	4,105.3	14.1
2000	213.0	442.2	-240.3	420.3	66.2	35.3	122.6	245.9	406.9	607.5	226.4	224.7	4,329.8	14.0
2001	206.9	452.3	-257.6	398.2	180.7	82.7	45.4	229.1	429.0	650.1	176.2	174.3	4,619.4	14.1
2002	167.9	464.2	-291.3	472.6	220.6	83.1	-1.0	211.3	427.3	675.8	213.2	211.1	4,762.5	14.2
2003	184.6	485.0	-299.9	508.1	224.2	16.6	83.6	229.8	432.4	696.2	260.2	257.9	4,902.6	14.2

Source: ECB.

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



## FINANCIAL MARKETS

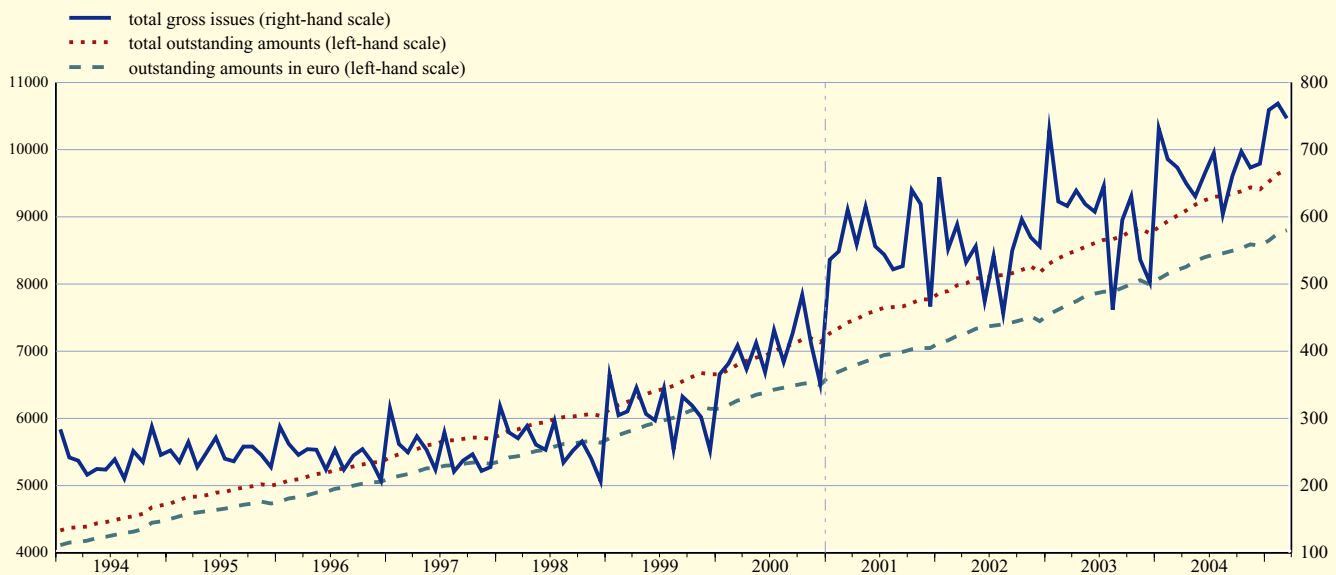
### 4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

(EUR billions, unless otherwise indicated; transactions during the month and end-of-period outstanding 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
Total												
2004 Mar.	9,495.0	717.8	612.1	105.8	9,022.4	673.1	600.3	72.8	91.0	92.7	95.3	51.9
Apr.	9,523.9	649.5	624.4	25.1	9,095.7	649.4	586.9	62.5	90.8	93.2	95.0	47.8
May	9,626.1	649.2	549.6	99.6	9,179.9	630.8	543.6	87.3	90.9	93.9	94.9	76.4
June	9,737.0	711.3	602.1	109.2	9,250.0	664.7	597.9	66.8	90.8	94.3	94.7	60.3
July	9,759.7	707.8	686.3	21.6	9,295.0	695.2	653.9	41.3	90.8	94.1	94.6	35.6
Aug.	9,792.5	619.8	590.5	29.3	9,310.6	603.7	590.2	13.5	90.8	94.7	94.8	12.8
Sep.	9,905.4	725.1	616.4	108.7	9,343.4	661.2	621.5	39.7	91.0	94.9	94.5	40.3
Oct.	9,931.2	712.2	690.1	22.0	9,380.5	696.7	656.0	40.8	91.0	93.7	94.9	30.5
Nov.	10,021.4	703.3	618.7	84.6	9,436.0	673.5	615.1	58.4	91.1	94.3	94.3	55.5
Dec.	10,025.0	705.7	701.2	4.5	9,408.4	679.5	702.3	-22.8	91.1	95.2	95.2	-21.5
2005 Jan.	10,091.0	763.2	709.3	53.9	9,522.6	759.5	675.8	83.7	90.8	93.8	95.6	66.1
Feb.	10,211.1	792.4	675.4	117.0	9,636.0	768.4	654.2	114.2	90.9	94.5	95.1	103.8
Mar.	10,319.1	795.0	687.3	107.7	9,702.0	746.6	691.8	54.8	90.7	93.9	94.9	44.7
Long-term												
2004 Mar.	8,569.6	213.5	154.0	59.5	8,091.2	189.6	135.8	53.8	91.3	86.8	94.2	36.5
Apr.	8,613.9	163.8	123.8	39.9	8,145.5	155.6	110.0	45.5	91.2	88.5	94.7	33.5
May	8,719.3	174.7	72.0	102.8	8,235.4	156.5	67.6	88.9	91.1	89.3	90.8	78.3
June	8,806.9	204.2	120.3	84.0	8,309.7	181.2	112.5	68.6	91.2	92.9	92.2	64.5
July	8,846.4	190.3	153.1	37.2	8,349.2	173.4	139.0	34.4	91.1	91.8	93.7	28.9
Aug.	8,873.7	87.2	61.9	25.3	8,364.8	75.3	59.8	15.5	91.1	86.9	91.6	10.6
Sep.	8,968.2	191.4	101.8	89.5	8,414.5	156.7	104.5	52.2	91.2	91.6	89.0	50.4
Oct.	9,005.2	174.0	139.9	34.1	8,435.9	158.1	131.9	26.2	91.2	88.0	93.7	15.6
Nov.	9,080.0	168.3	98.3	69.9	8,489.0	154.7	95.3	59.3	91.2	89.1	92.2	49.9
Dec.	9,104.6	147.6	123.0	24.5	8,496.2	135.1	119.2	16.0	91.4	91.6	90.4	16.0
2005 Jan.	9,175.0	198.4	137.6	60.8	8,585.5	195.0	130.7	64.3	91.1	89.7	93.8	52.2
Feb.	9,290.8	220.3	106.9	113.3	8,688.2	198.7	95.5	103.1	91.2	90.4	89.5	94.2
Mar.	9,366.9	200.9	125.1	75.7	8,754.3	181.3	122.7	58.6	91.1	89.0	90.0	50.9

### 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 sector of the issuer and instrument type

(EUR billions unless otherwise indicated; nominal values)

## 1. Outstanding amounts

(end of period)

	Total						Of which in euro (%)					
	Total	MFIs (including Eurosysteem)	Non-MFI corporations		General government		Total	MFIs (including Eurosysteem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
Total												
2003	8,749	3,353	665	589	3,923	219	91.4	85.0	87.5	88.3	97.7	95.4
2004	9,408	3,710	742	593	4,114	250	91.1	84.1	90.5	87.6	97.7	95.6
2004 Q1	9,022	3,491	666	587	4,045	232	91.0	84.5	87.4	87.6	97.4	95.5
Q2	9,250	3,574	694	604	4,139	239	90.8	84.0	88.3	87.4	97.4	95.5
Q3	9,343	3,641	696	600	4,163	242	91.0	84.0	89.1	87.3	97.6	95.7
Q4	9,408	3,710	742	593	4,114	250	91.1	84.1	90.5	87.6	97.7	95.6
2004 Dec.	9,408	3,710	742	593	4,114	250	91.1	84.1	90.5	87.6	97.7	95.6
2005 Jan.	9,523	3,742	745	601	4,178	256	90.8	83.6	90.4	87.6	97.6	95.6
Feb.	9,636	3,800	749	606	4,223	258	90.9	83.6	90.7	87.7	97.6	95.7
Mar.	9,702	3,842	762	612	4,227	259	90.7	83.3	90.8	87.8	97.6	95.7
Short-term												
2003	861	390	6	94	367	3	89.3	78.4	100.0	94.1	99.6	88.0
2004	912	447	7	90	362	5	88.7	78.5	94.1	95.5	99.5	87.3
2004 Q1	931	417	5	102	403	4	88.3	76.9	100.0	94.7	98.3	84.4
Q2	940	420	5	108	402	5	88.0	76.3	100.0	95.2	98.2	83.7
Q3	929	412	6	100	405	6	88.9	77.8	96.2	95.5	98.5	85.8
Q4	912	447	7	90	362	5	88.7	78.5	94.1	95.5	99.5	87.3
2004 Dec.	912	447	7	90	362	5	88.7	78.5	94.1	95.5	99.5	87.3
2005 Jan.	937	453	7	99	373	5	88.1	77.2	95.2	96.2	99.1	86.2
Feb.	948	456	8	106	372	6	88.2	77.5	96.8	96.4	98.8	87.4
Mar.	948	455	8	105	374	5	87.5	76.2	96.7	96.7	98.6	86.4
Total long-term <sup>1)</sup>												
2003	7,888	2,963	659	495	3,556	216	91.6	85.9	87.4	87.2	97.5	95.5
2004	8,496	3,263	734	503	3,751	245	91.4	84.9	90.5	86.2	97.6	95.8
2004 Q1	8,091	3,074	661	485	3,643	228	91.3	85.5	87.3	86.2	97.3	95.7
Q2	8,310	3,154	689	495	3,737	234	91.2	85.0	88.2	85.7	97.3	95.8
Q3	8,415	3,229	690	500	3,758	236	91.2	84.8	89.1	85.7	97.5	95.9
Q4	8,496	3,263	734	503	3,751	245	91.4	84.9	90.5	86.2	97.6	95.8
2004 Dec.	8,496	3,263	734	503	3,751	245	91.4	84.9	90.5	86.2	97.6	95.8
2005 Jan.	8,586	3,290	738	502	3,805	250	91.1	84.5	90.3	85.9	97.4	95.8
Feb.	8,688	3,344	741	500	3,851	252	91.2	84.4	90.6	85.8	97.5	95.9
Mar.	8,754	3,387	754	507	3,853	254	91.1	84.2	90.7	86.0	97.5	95.9
Of which long-term fixed rate												
2003	6,115	1,885	406	419	3,240	165	91.8	85.4	80.4	86.7	97.4	95.4
2004	6,377	1,928	422	411	3,430	185	91.7	84.0	84.2	85.5	97.5	95.5
2004 Q1	6,246	1,926	412	411	3,324	173	91.5	84.9	80.4	85.6	97.3	95.5
Q2	6,363	1,943	418	416	3,409	177	91.5	84.6	81.3	84.9	97.3	95.6
Q3	6,389	1,951	413	414	3,431	180	91.6	84.1	82.4	85.2	97.4	95.8
Q4	6,377	1,928	422	411	3,430	185	91.7	84.0	84.2	85.5	97.5	95.5
2004 Dec.	6,377	1,928	422	411	3,430	185	91.7	84.0	84.2	85.5	97.5	95.5
2005 Jan.	6,440	1,943	424	410	3,472	191	91.5	83.6	83.9	85.1	97.4	95.6
Feb.	6,493	1,957	424	407	3,513	193	91.6	83.6	84.3	85.0	97.4	95.8
Mar.	6,521	1,972	432	413	3,508	196	91.5	83.4	84.6	85.2	97.4	95.8
Of which long-term variable rate												
2003	1,580	959	249	59	262	51	91.3	87.5	98.7	89.5	97.5	95.8
2004	1,867	1,146	309	78	275	59	90.9	86.9	99.0	89.0	97.7	96.6
2004 Q1	1,636	1,008	246	62	265	55	91.1	87.5	98.7	89.2	97.5	96.0
Q2	1,715	1,048	268	65	277	57	90.8	86.7	98.8	89.7	97.5	96.2
Q3	1,770	1,100	274	73	268	56	90.6	86.7	98.9	87.5	97.5	96.3
Q4	1,867	1,146	309	78	275	59	90.9	86.9	99.0	89.0	97.7	96.6
2004 Dec.	1,867	1,146	309	78	275	59	90.9	86.9	99.0	89.0	97.7	96.6
2005 Jan.	1,878	1,148	311	79	282	59	90.7	86.6	99.0	89.1	97.7	96.5
Feb.	1,919	1,180	314	79	286	59	90.6	86.5	99.0	89.1	97.7	96.5
Mar.	1,950	1,204	319	80	290	58	90.5	86.3	99.0	89.2	97.9	96.3

Source: ECB.

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

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

(EUR billions unless otherwise indicated; nominal values)

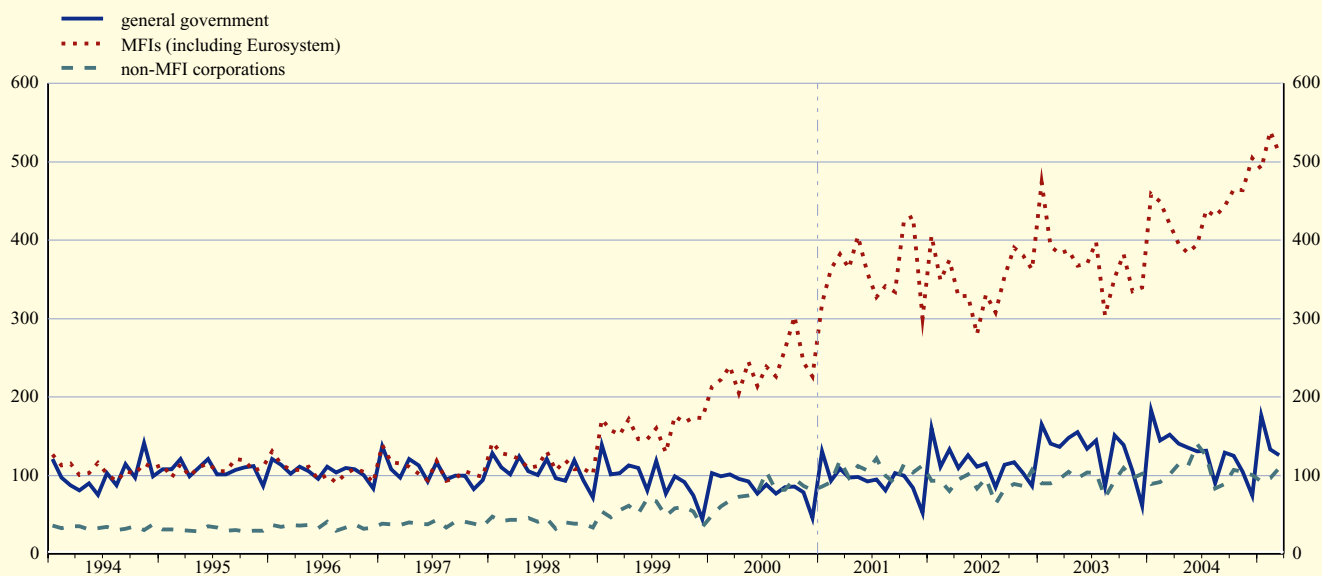
### 2. Gross issues

(transactions during the period)

	Total						Long-term <sup>1)</sup>					
	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						Long-term fixed rate					
2003	7,206.3	4,485.6	244.7	909.7	1,478.8	87.4	1,284.7	414.2	113.7	89.0	626.4	41.4
2004	8,044.9	5,249.8	227.8	1,027.9	1,457.1	82.4	1,192.1	406.7	75.6	60.4	614.0	35.5
2004 Q1	2,090.1	1,329.0	38.1	243.5	453.0	26.5	377.4	136.1	16.8	11.7	199.7	13.2
Q2	1,945.0	1,173.3	64.0	300.5	387.5	19.6	307.8	91.3	21.8	19.7	166.8	8.1
Q3	1,960.1	1,313.3	41.7	255.5	333.2	16.3	248.1	86.6	10.3	14.3	130.9	6.1
Q4	2,049.8	1,434.1	83.9	228.4	283.4	20.0	258.8	92.7	26.7	14.7	116.6	8.1
2004 Dec.	679.5	505.0	32.6	67.7	68.9	5.3	70.7	31.4	6.8	3.3	27.3	1.9
2005 Jan.	759.5	490.8	9.8	82.3	166.2	10.4	142.2	44.7	4.0	3.6	82.9	6.9
Feb.	768.4	539.0	15.0	81.1	125.8	7.6	127.4	50.9	5.1	3.3	63.6	4.6
Mar.	746.6	511.1	24.9	84.6	119.1	7.0	117.6	43.0	11.0	8.3	51.9	3.4
	Of which short-term						Long-term variable rate					
2003	5,332.7	3,698.2	41.3	796.1	767.6	29.4	507.8	336.8	89.5	11.7	53.3	16.5
2004	6,147.2	4,383.4	43.9	930.9	755.6	33.4	615.7	402.5	108.2	31.8	59.7	13.5
2004 Q1	1,539.0	1,072.1	10.0	224.7	223.7	8.4	146.4	105.3	11.3	6.6	18.4	4.9
Q2	1,451.7	969.5	11.1	271.1	191.3	8.8	159.7	97.0	31.1	7.8	21.1	2.7
Q3	1,554.7	1,118.9	10.8	230.4	185.9	8.7	136.0	95.2	20.6	10.0	8.6	1.6
Q4	1,601.9	1,222.9	12.0	204.7	154.7	7.5	173.7	105.0	45.2	7.4	11.7	4.4
2004 Dec.	544.4	435.9	3.5	61.4	41.2	2.4	58.1	31.9	22.3	2.9	0.0	1.0
2005 Jan.	564.5	408.3	4.2	77.3	72.1	2.5	44.8	33.3	1.6	1.3	7.5	1.0
Feb.	569.7	429.4	4.6	76.7	56.1	2.9	64.5	53.9	5.3	0.7	4.5	0.1
Mar.	565.3	423.7	3.5	74.7	60.2	3.2	54.7	38.8	10.2	1.4	4.0	0.3

### C14 Gross issues of securities, other than shares, by sector

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



Source: ECB.

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

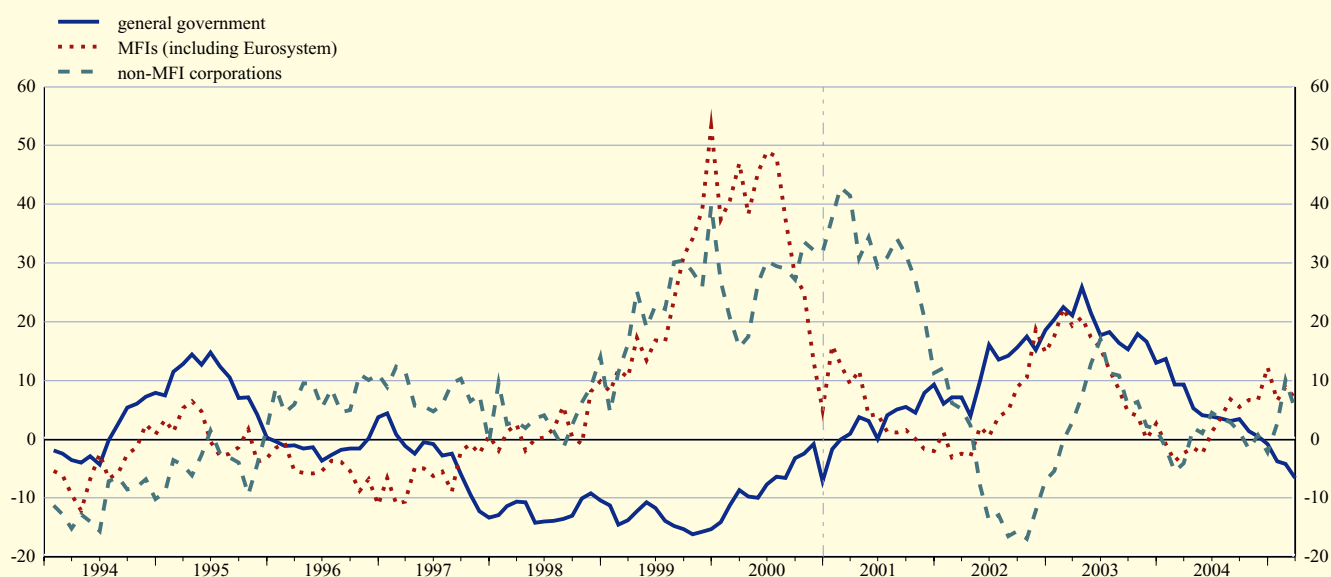
#### 4.3 Annual growth rates of securities, other than shares, issued by euro area residents <sup>1)</sup>

(percentage changes)

	Total						Short-term					
	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	
In all currencies combined												
2003	6.7	5.1	25.1	8.6	4.5	26.0	14.0	12.2	1.1	5.7	19.2	-2.2
2004	6.9	7.8	14.3	3.7	4.9	17.6	3.2	2.2	-9.6	0.9	4.9	29.9
2004 Q1	6.8	6.2	19.8	5.9	4.8	21.4	3.5	-1.5	-17.9	-1.8	11.4	7.7
Q2	6.9	7.9	14.6	2.2	5.0	18.5	1.7	-1.5	-16.6	2.1	5.2	16.9
Q3	7.1	8.5	12.4	3.6	5.2	16.4	3.9	4.6	-10.7	4.0	3.1	32.4
Q4	6.8	8.8	10.9	3.0	4.6	14.5	3.7	7.4	8.9	-1.0	0.5	66.9
2004 Oct.	6.6	8.7	10.2	3.2	4.4	14.3	3.4	6.7	4.5	-2.0	0.9	64.3
Nov.	6.7	8.5	11.4	3.3	4.5	14.3	3.2	6.7	7.7	0.3	-0.2	77.9
Dec.	7.1	9.3	12.1	1.6	4.9	14.2	5.0	12.3	22.3	-3.9	-1.3	51.2
2005 Jan.	7.0	8.7	11.9	3.1	5.0	14.9	1.7	6.6	23.3	1.4	-4.1	32.7
Feb.	7.3	9.3	11.2	3.4	5.3	12.8	3.3	8.9	45.7	8.2	-4.6	31.5
Mar.	7.1	8.7	14.6	5.1	4.5	11.8	0.8	7.0	47.6	2.8	-7.0	36.2
In euro												
2003	6.4	3.8	30.6	9.4	4.4	25.0	15.6	15.8	0.9	4.8	19.3	-8.2
2004	6.6	6.6	17.8	2.8	5.0	17.3	3.1	1.7	-11.1	0.9	4.8	29.5
2004 Q1	6.7	5.3	23.7	5.9	4.9	20.6	4.3	-0.9	-17.9	-2.5	11.3	8.4
Q2	6.5	6.6	18.1	1.4	5.0	18.1	1.5	-2.4	-15.5	1.7	5.0	14.6
Q3	6.7	7.0	16.2	2.4	5.3	16.3	3.0	2.5	-13.3	4.4	3.0	28.8
Q4	6.4	7.6	14.3	1.9	4.6	14.5	3.6	7.7	3.9	0.0	0.6	72.7
2004 Oct.	6.2	7.5	13.3	2.1	4.4	14.4	3.1	6.5	0.3	-1.2	1.1	69.3
Nov.	6.3	7.3	15.0	2.1	4.5	14.2	3.3	7.3	2.6	1.3	-0.1	91.5
Dec.	6.8	8.4	15.3	0.4	4.8	14.4	5.1	14.5	15.1	-2.5	-1.4	49.7
2005 Jan.	6.6	7.3	15.3	2.4	4.8	15.0	1.8	7.8	17.4	3.3	-4.0	28.6
Feb.	6.8	7.8	14.4	2.8	5.2	12.9	3.5	10.3	41.2	10.5	-4.5	28.6
Mar.	6.7	7.3	18.2	4.8	4.5	12.0	0.8	7.9	42.8	5.0	-6.8	39.2

#### C15 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 growth rates, see the Technical notes.

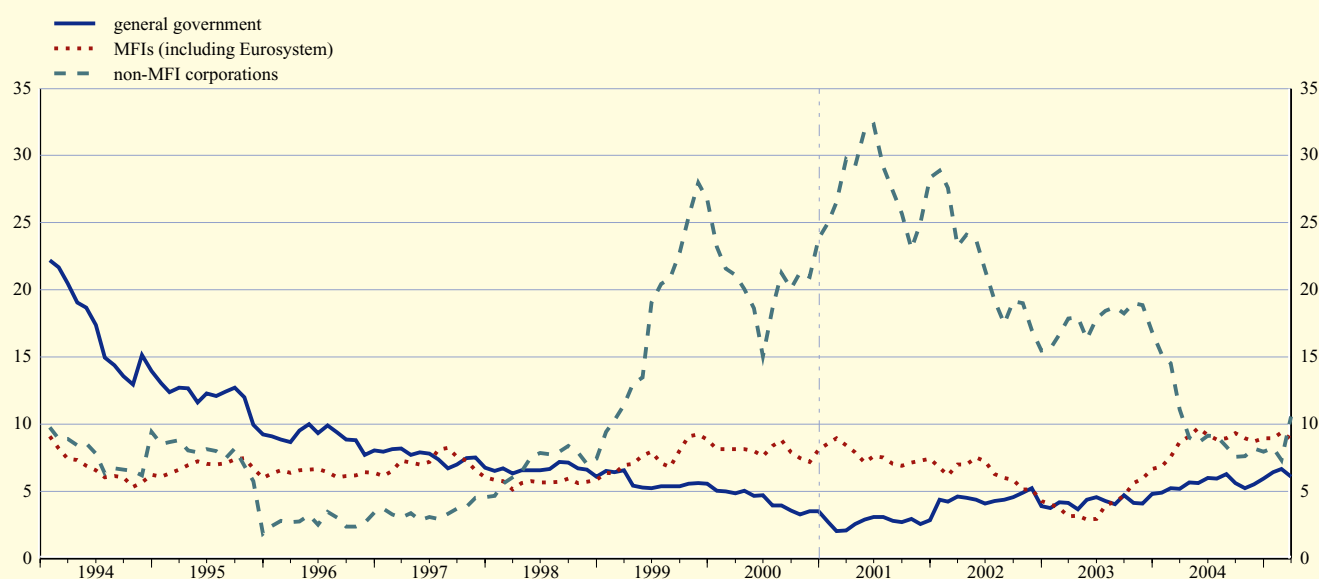
### 4.3 Annual growth rates of securities, other than shares, issued by euro area residents <sup>1)</sup> (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
13	14	15	16	17	18	19	20	21	22	23	24	
In all currencies combined												
2003	5.2	2.1	15.3	11.9	4.4	22.6	8.5	8.3	51.4	-13.4	-9.2	43.4
2004	5.0	3.1	7.6	3.1	5.7	14.7	16.2	18.3	27.7	8.3	0.3	26.5
2004 Q1	5.6	3.1	12.5	8.5	5.3	18.4	13.5	15.3	35.9	-8.8	-4.4	33.6
Q2	5.4	3.9	9.4	2.5	5.8	15.2	15.8	18.8	25.7	-2.3	0.8	30.2
Q3	4.9	3.0	4.8	1.1	6.1	13.5	17.5	19.0	27.6	18.4	3.0	25.2
Q4	4.3	2.3	4.0	0.7	5.6	12.2	17.7	20.0	22.9	29.5	2.0	18.8
2004 Oct.	4.2	2.3	3.3	1.7	5.4	12.0	17.3	20.4	22.3	26.9	0.1	18.6
Nov.	4.1	1.8	4.8	0.4	5.5	11.7	18.3	20.4	22.9	32.6	3.5	19.1
Dec.	4.5	2.6	4.7	-1.1	5.9	12.6	17.9	19.1	23.9	33.1	4.8	17.2
2005 Jan.	4.8	3.0	5.2	-0.7	6.0	14.7	17.9	18.4	22.6	30.2	9.1	14.4
Feb.	4.9	2.8	4.1	-1.8	6.7	12.7	18.2	20.2	22.1	28.1	6.5	11.9
Mar.	4.6	2.6	6.0	1.4	5.6	13.4	18.6	18.9	28.2	29.6	9.0	5.1
In euro												
2003	4.6	0.1	20.5	12.2	4.2	21.3	8.6	7.7	51.3	-8.9	-9.3	43.8
2004	4.8	1.3	11.8	1.8	5.8	14.7	15.6	17.6	27.8	8.6	0.3	25.4
2004 Q1	5.4	1.6	17.1	8.1	5.4	17.7	13.1	14.4	35.7	-6.0	-4.6	32.1
Q2	5.1	2.0	13.8	1.0	5.8	15.0	15.3	18.1	25.7	-0.3	0.8	28.9
Q3	4.7	1.2	9.1	-0.5	6.2	13.8	16.8	18.1	27.8	15.9	3.0	24.1
Q4	4.0	0.4	8.1	-0.9	5.6	12.4	17.1	19.4	23.2	27.0	2.0	18.1
2004 Oct.	3.9	0.3	7.1	0.3	5.5	12.4	16.7	19.9	22.6	24.1	0.1	17.8
Nov.	3.7	-0.3	9.3	-1.2	5.4	11.7	17.7	19.7	23.3	29.9	3.6	18.2
Dec.	4.2	0.7	8.7	-3.0	5.8	12.7	17.4	18.2	24.2	32.1	4.8	18.0
2005 Jan.	4.4	0.8	9.5	-2.3	5.9	14.7	17.3	17.4	22.9	29.4	9.2	15.1
Feb.	4.5	0.4	8.0	-3.5	6.6	12.7	17.3	18.7	22.4	27.4	6.6	12.4
Mar.	4.3	0.6	10.4	0.3	5.5	13.6	17.7	17.2	28.5	29.2	9.4	5.3

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

(percentage changes)



Source: ECB.

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

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

(EUR billions, unless otherwise indicated; market values)

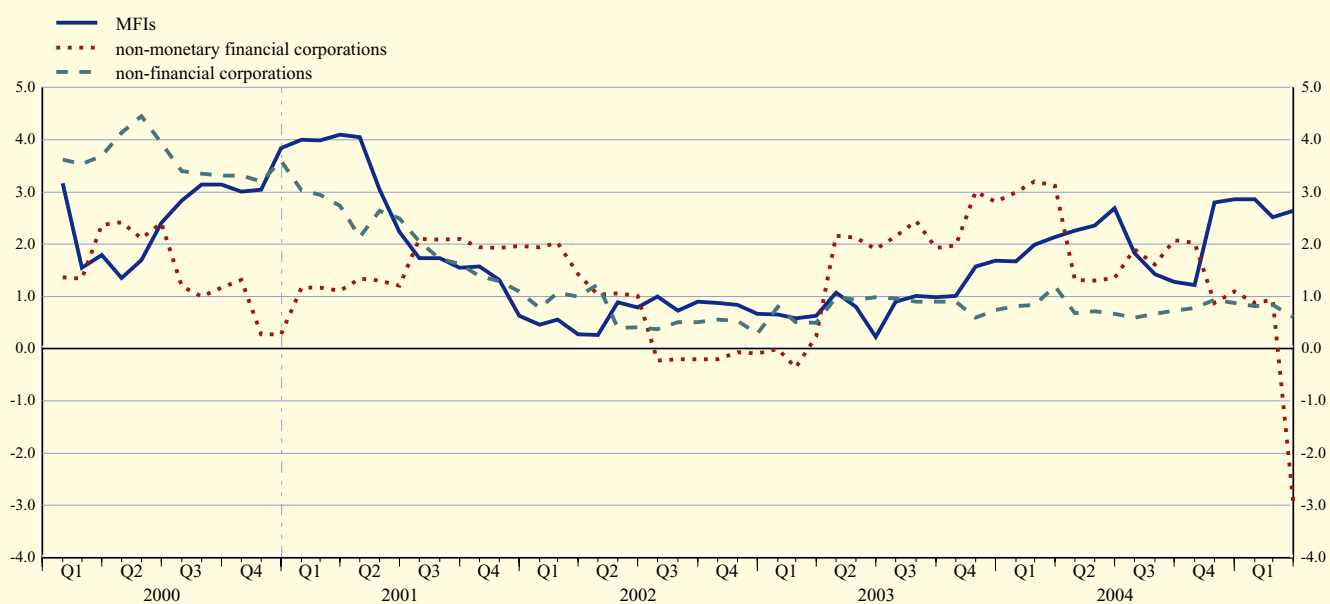
##### 1. Outstanding amounts and annual growth rates

(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
2003 Mar.	2,763.5	100.3	0.5	413.0	0.6	236.2	0.2	2,114.3	0.5
Apr.	3,113.0	100.9	1.1	471.4	1.1	291.8	2.2	2,349.8	1.0
May	3,145.7	100.9	1.0	476.7	0.8	291.3	2.1	2,377.7	0.9
June	3,256.2	100.9	0.9	504.2	0.2	300.6	1.9	2,451.4	1.0
July	3,366.5	101.1	1.1	528.0	0.9	330.9	2.1	2,507.6	1.0
Aug.	3,413.4	101.1	1.1	506.5	1.0	325.5	2.4	2,581.5	0.9
Sep.	3,276.7	101.1	1.0	494.8	1.0	307.1	1.9	2,474.7	0.9
Oct.	3,484.0	101.2	1.0	535.2	1.0	333.2	2.0	2,615.6	0.9
Nov.	3,546.9	101.3	1.0	549.5	1.6	337.9	3.0	2,659.6	0.6
Dec.	3,647.4	101.4	1.1	569.5	1.7	348.6	2.8	2,729.3	0.7
2004 Jan.	3,788.6	101.4	1.1	584.1	1.7	372.3	3.0	2,832.2	0.8
Feb.	3,852.1	101.5	1.2	587.9	2.0	374.3	3.2	2,889.9	0.8
Mar.	3,766.5	101.8	1.5	571.9	2.1	355.0	3.1	2,839.6	1.2
Apr.	3,748.5	101.9	1.0	579.4	2.3	361.1	1.3	2,808.0	0.7
May	3,687.9	101.9	1.0	568.1	2.4	350.6	1.3	2,769.2	0.7
June	3,790.1	102.0	1.0	582.5	2.7	362.0	1.4	2,845.7	0.7
July	3,679.8	102.0	0.9	562.3	1.8	354.0	1.9	2,763.5	0.6
Aug.	3,621.2	102.0	0.9	562.5	1.4	353.1	1.6	2,705.6	0.7
Sep.	3,707.9	102.1	0.9	579.6	1.3	362.3	2.1	2,766.1	0.7
Oct.	3,787.6	102.2	1.0	598.0	1.2	372.6	2.0	2,817.0	0.8
Nov.	3,906.5	102.5	1.2	623.9	2.8	386.5	0.9	2,896.2	0.9
Dec.	4,034.6	102.6	1.2	643.7	2.9	405.6	1.1	2,985.3	0.9
2005 Jan.	4,138.0	102.6	1.1	662.6	2.9	412.2	0.9	3,063.3	0.8
Feb.	4,254.5	102.6	1.1	681.1	2.5	431.8	0.9	3,141.5	0.8
Mar.	4,242.4	102.4	0.6	677.7	2.6	421.8	-2.9	3,142.9	0.6

#### C17 Annual growth rates for quoted shares issued by euro area residents

(annual percentage changes)



Source: ECB.

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



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

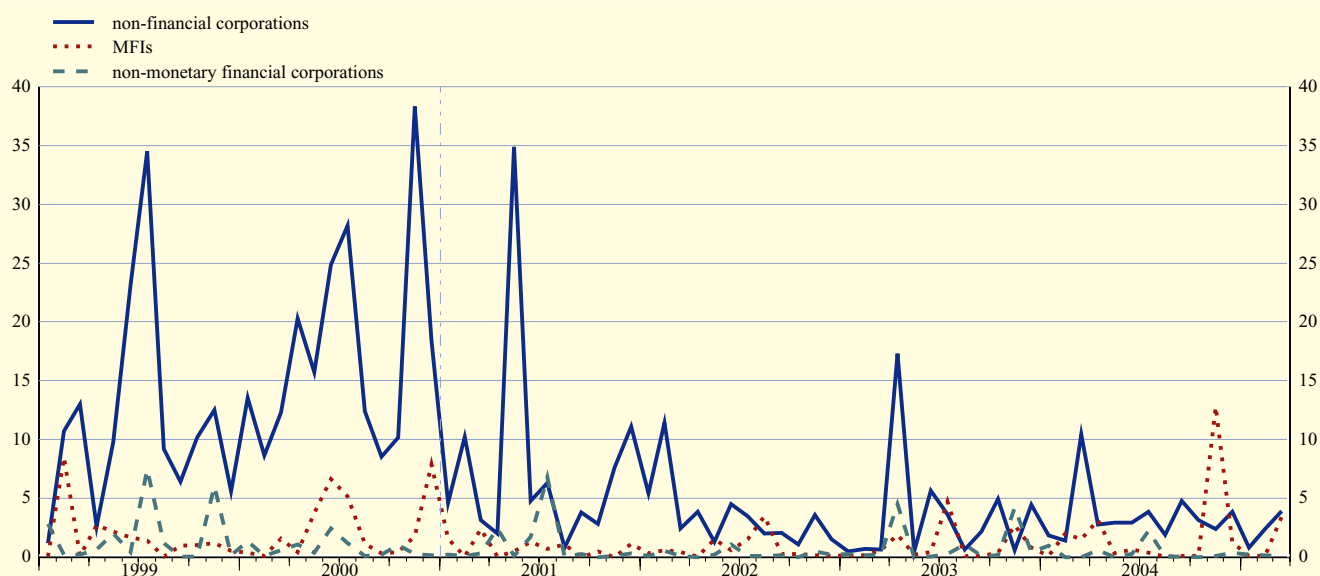
(EUR billions; market values)

### 2. Transactions during the month

	Total			MFIs			Non-monetary financial corporations			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2003 Mar.	1.4	1.5	-0.1	0.6	0.1	0.5	0.2	0.0	0.1	0.6	1.3	-0.7
Apr.	23.7	4.9	18.8	1.9	0.1	1.7	4.5	0.0	4.5	17.3	4.8	12.5
May	0.7	2.2	-1.6	0.2	0.4	-0.2	0.0	0.0	0.0	0.5	1.8	-1.3
June	6.1	5.2	0.9	0.4	2.8	-2.3	0.0	0.0	0.0	5.7	2.4	3.2
July	8.6	2.0	6.6	4.7	0.2	4.5	0.2	0.0	0.2	3.6	1.8	1.8
Aug.	1.8	1.4	0.4	0.1	0.0	0.1	1.1	0.1	1.0	0.6	1.3	-0.7
Sep.	2.3	2.1	0.3	0.1	0.1	0.0	0.1	1.6	-1.5	2.2	0.4	1.8
Oct.	5.4	3.9	1.6	0.4	0.0	0.4	0.2	0.0	0.1	4.9	3.8	1.1
Nov.	7.5	5.5	2.1	2.7	0.0	2.7	4.2	0.3	3.9	0.6	5.1	-4.5
Dec.	5.7	1.6	4.0	0.8	0.1	0.8	0.4	0.9	-0.5	4.4	0.6	3.8
2004 Jan.	2.9	1.0	1.9	0.1	0.0	0.1	0.9	0.0	0.9	1.8	1.0	0.8
Feb.	3.5	0.7	2.8	2.0	0.0	2.0	0.0	0.2	-0.2	1.4	0.5	1.0
Mar.	12.0	1.3	10.7	1.5	0.0	1.5	0.0	0.1	-0.1	10.5	1.1	9.3
Apr.	6.5	0.6	5.8	3.1	0.1	3.1	0.6	0.1	0.5	2.8	0.5	2.3
May	3.3	3.6	-0.4	0.3	0.0	0.3	0.0	0.0	0.0	2.9	3.6	-0.6
June	3.8	2.2	1.6	0.7	1.6	-1.0	0.3	0.0	0.2	2.9	0.5	2.4
July	6.4	3.6	2.8	0.4	0.0	0.4	2.2	0.0	2.2	3.8	3.6	0.2
Aug.	2.0	2.9	-0.9	0.1	2.2	-2.2	0.0	0.0	0.0	1.9	0.7	1.2
Sep.	4.9	2.2	2.7	0.1	0.9	-0.8	0.0	0.0	0.0	4.8	1.3	3.5
Oct.	3.2	0.5	2.7	0.1	0.0	0.1	0.0	0.0	0.0	3.1	0.5	2.7
Nov.	15.2	3.3	11.9	12.8	0.3	12.4	0.1	0.0	0.1	2.4	3.0	-0.6
Dec.	5.5	1.6	3.9	1.2	0.0	1.2	0.4	0.1	0.3	3.9	1.4	2.4
2005 Jan.	1.1	1.8	-0.7	0.1	0.0	0.1	0.2	0.0	0.2	0.8	1.8	-1.0
Feb.	2.6	0.6	2.0	0.1	0.0	0.1	0.2	0.1	0.1	2.4	0.5	1.9
Mar.	7.5	18.5	-11.0	3.4	0.9	2.6	0.1	16.8	-16.7	3.9	0.8	3.1

#### C18 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

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

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

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

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

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight <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	
		1	2	3	4	5		6	7	8	
2004 Apr.	0.70	1.96	2.13	2.41	1.96	2.57	0.87	1.97	2.04	3.46	1.95
May	0.71	1.86	2.15	2.43	1.94	2.56	0.86	1.96	2.07	3.74	1.95
June	0.70	1.87	2.21	2.42	1.96	2.55	0.87	1.99	2.32	3.76	1.97
July	0.70	1.90	2.21	2.54	1.94	2.55	0.86	1.99	2.60	4.00	1.98
Aug.	0.72	1.91	2.18	2.67	1.95	2.53	0.87	1.98	2.37	3.99	1.98
Sep.	0.72	1.90	2.20	2.48	2.00	2.52	0.90	2.00	2.32	3.68	1.99
Oct.	0.72	1.92	2.29	2.48	2.00	2.52	0.89	2.04	2.34	3.56	2.00
Nov.	0.73	1.94	2.20	2.50	2.01	2.51	0.90	2.04	2.23	3.39	2.02
Dec.	0.73	1.95	2.19	2.31	2.00	2.52	0.90	2.08	2.70	3.51	2.02
2005 Jan.	0.73	1.95	2.29	2.54	1.98	2.49	0.92	2.04	2.25	3.26	2.05
Feb.	0.74	1.95	2.19	2.32	1.97	2.49	0.92	2.03	2.25	3.47	2.03
Mar.	0.74	1.94	2.16	2.40	1.97	2.47	0.93	2.00	2.35	3.17	1.99

## 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				
		1	2	3		4	5	6	7				
2004 Apr.	9.91	6.84	6.61	8.30	7.74	3.42	4.06	4.77	4.69	4.24	3.89	4.97	4.95
May	9.81	6.72	6.73	8.28	7.83	3.40	4.05	4.75	4.61	4.17	4.14	4.87	4.94
June	9.79	6.59	6.74	8.42	7.87	3.42	4.12	4.82	4.69	4.17	3.93	4.97	5.01
July	9.79	6.64	6.86	8.52	7.97	3.47	4.16	4.81	4.69	4.20	4.04	4.94	5.01
Aug.	9.86	7.08	6.89	8.58	8.15	3.50	4.19	4.87	4.65	4.29	3.91	5.07	5.02
Sep.	9.60	6.92	6.96	8.45	8.07	3.49	4.14	4.82	4.66	4.24	3.90	4.98	5.00
Oct.	9.53	6.80	6.87	8.34	7.87	3.50	4.12	4.77	4.64	4.18	4.08	4.87	4.92
Nov.	9.48	6.89	6.84	8.23	7.85	3.45	4.07	4.66	4.58	4.09	3.96	4.89	4.82
Dec.	9.53	6.73	6.60	7.67	7.59	3.43	3.95	4.49	4.41	4.07	3.82	4.59	4.65
2005 Jan.	9.61	6.97	6.81	8.32	8.01	3.44	3.97	4.43	4.45	4.07	3.96	4.64	4.62
Feb.	9.66	6.20	6.83	8.18	7.77	3.40	3.94	4.39	4.33	3.98	3.99	4.73	4.49
Mar.	9.61	6.62	6.72	8.11	7.82	3.39	3.89	4.34	4.27	3.97	3.83	4.58	4.52

## 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	2	3	4	5	6	7
2004 Apr.		5.44	3.88	4.75	4.70	2.99	3.29	4.21
May		5.41	4.00	4.62	4.59	3.00	3.31	4.21
June		5.40	3.97	4.81	4.71	2.99	3.29	4.08
July		5.42	4.02	4.85	4.65	3.02	3.29	4.27
Aug.		5.44	4.06	4.89	4.73	2.98	3.12	4.30
Sep.		5.37	4.00	4.85	4.68	2.99	3.41	4.46
Oct.		5.39	4.02	4.87	4.64	2.99	3.30	4.27
Nov.		5.37	4.02	4.79	4.55	2.95	3.41	4.31
Dec.		5.26	3.97	4.67	4.46	3.05	3.55	4.10
2005 Jan.		5.40	3.97	4.69	4.47	3.02	3.30	4.08
Feb.		5.32	3.91	4.76	4.36	3.02	3.34	3.82
Mar.		5.28	3.88	4.51	4.32	3.03	3.52	4.07

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)

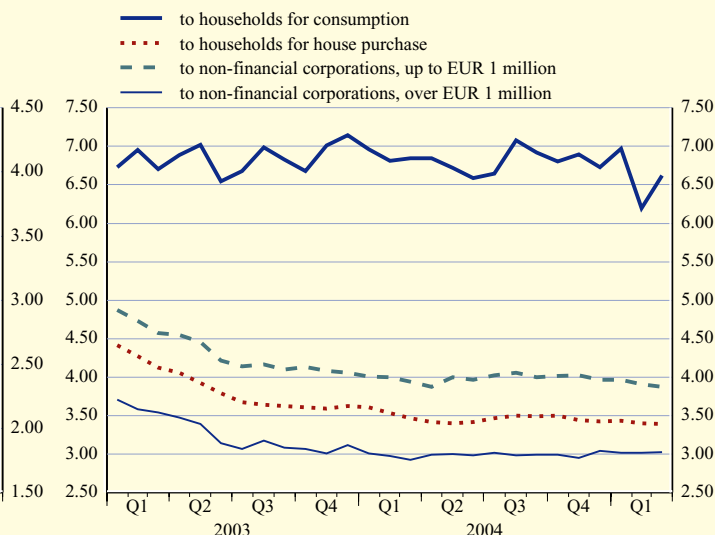
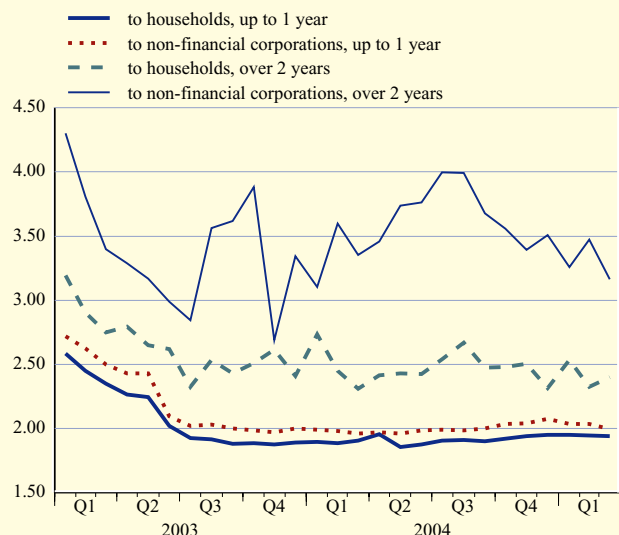
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight <sup>1)</sup>	With agreed maturity		Redeemable at notice <sup>1),2)</sup>		Overnight <sup>1)</sup>	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2004 Apr.	0.70	1.90	3.31	1.96	2.57	0.87	2.07	4.03	1.94
May	0.71	1.89	3.27	1.94	2.56	0.86	2.07	4.04	1.95
June	0.70	1.88	3.28	1.96	2.55	0.87	2.09	4.03	1.96
July	0.70	1.89	3.26	1.94	2.55	0.86	2.09	4.03	1.97
Aug.	0.72	1.90	3.24	1.95	2.53	0.87	2.10	3.99	1.98
Sep.	0.72	1.90	3.22	2.00	2.52	0.90	2.12	3.97	1.97
Oct.	0.72	1.90	3.27	2.00	2.52	0.89	2.10	3.89	1.98
Nov.	0.73	1.90	3.26	2.01	2.51	0.90	2.12	3.86	2.00
Dec.	0.73	1.92	3.24	2.00	2.52	0.90	2.16	3.77	2.02
2005 Jan.	0.73	1.90	3.23	1.98	2.49	0.92	2.13	3.68	2.01
Feb.	0.74	1.91	3.25	1.97	2.49	0.92	2.13	3.65	2.00
Mar.	0.74	1.90	3.22	1.97	2.47	0.93	2.09	3.69	1.99

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

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase, with maturity			Consumer credit and other loans, with maturity			With maturity		
	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9
2004 Apr.	4.86	4.75	5.02	8.27	7.20	5.87	4.43	4.01	4.58
May	4.87	4.73	4.99	8.22	7.14	5.83	4.41	3.99	4.54
June	4.83	4.72	4.97	8.14	7.15	5.90	4.43	4.00	4.54
July	4.84	4.64	4.94	8.16	7.10	5.85	4.43	4.00	4.52
Aug.	4.81	4.61	4.91	8.17	7.06	5.86	4.42	3.97	4.51
Sep.	4.82	4.58	4.90	8.06	7.13	5.85	4.45	3.99	4.52
Oct.	4.69	4.54	4.88	8.05	7.07	5.80	4.41	3.97	4.48
Nov.	4.67	4.52	4.86	7.94	6.98	5.82	4.40	3.96	4.48
Dec.	4.72	4.50	4.83	7.95	7.01	5.80	4.34	3.97	4.44
2005 Jan.	4.66	4.45	4.79	8.08	6.96	5.77	4.42	3.90	4.41
Feb.	4.62	4.45	4.76	8.07	7.02	5.76	4.40	3.92	4.46
Mar.	4.68	4.38	4.78	8.10	6.97	5.77	4.38	3.91	4.40

**C19 New deposits with agreed maturity**  
(percentages per annum excluding charges; period averages)

**C20 New loans at floating rate and up to 1 year initial rate fixation**  
(percentages per annum excluding charges; period averages)



Source: ECB.

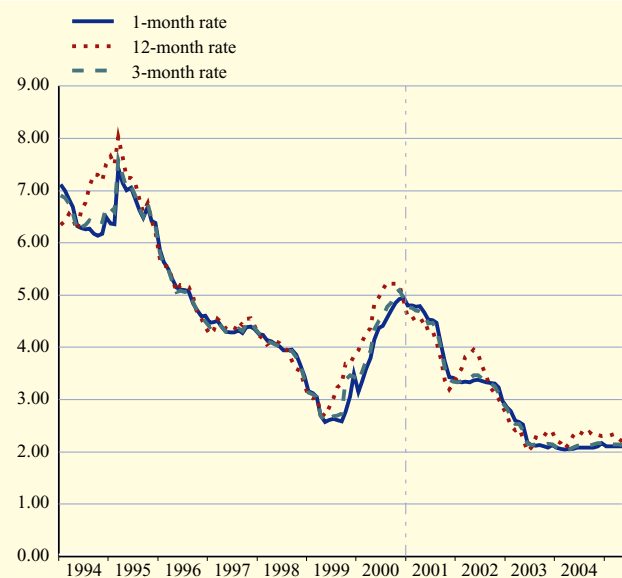
4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area <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
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
2004	2.05	2.08	2.11	2.15	2.27	1.62	0.05
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
Q3	2.05	2.08	2.12	2.19	2.35	1.75	0.05
Q4	2.08	2.12	2.16	2.20	2.32	2.30	0.05
2005 Q1	2.06	2.11	2.14	2.19	2.32	2.84	0.05
2004 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
Aug.	2.04	2.08	2.11	2.17	2.30	1.73	0.05
Sep.	2.05	2.08	2.12	2.20	2.38	1.90	0.05
Oct.	2.11	2.09	2.15	2.19	2.32	2.08	0.05
Nov.	2.09	2.11	2.17	2.22	2.33	2.31	0.05
Dec.	2.05	2.17	2.17	2.21	2.30	2.50	0.05
2005 Jan.	2.08	2.11	2.15	2.19	2.31	2.66	0.05
Feb.	2.06	2.10	2.14	2.18	2.31	2.82	0.05
Mar.	2.06	2.10	2.14	2.19	2.34	3.03	0.05
Apr.	2.08	2.10	2.14	2.17	2.27	3.15	0.05
May	2.07	2.10	2.13	2.14	2.19	3.27	0.05

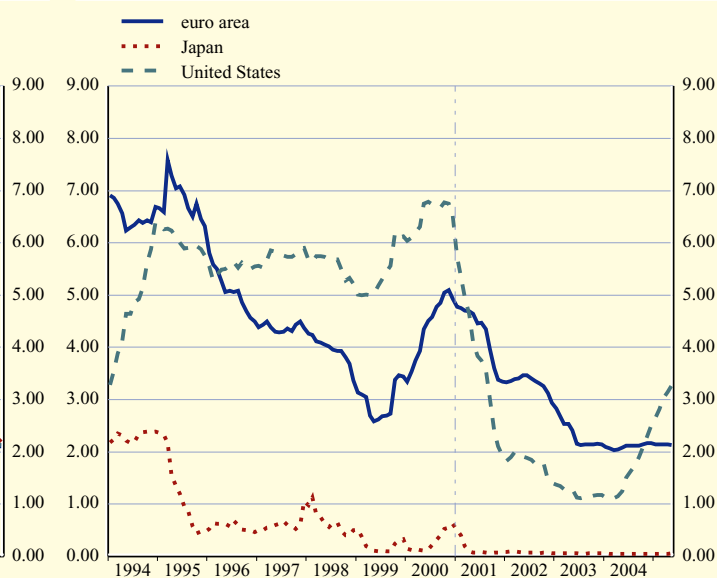
C21 Euro area money market rates

(monthly; percentages per annum)



C22 3-month money market rates

(monthly; percentages per annum)



Source: ECB.

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

## 4.7 Government bond yields

(percentages per annum; period averages)

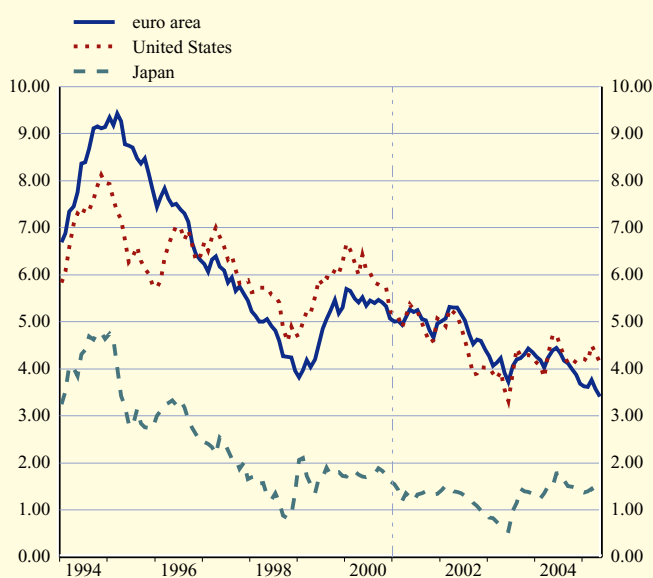
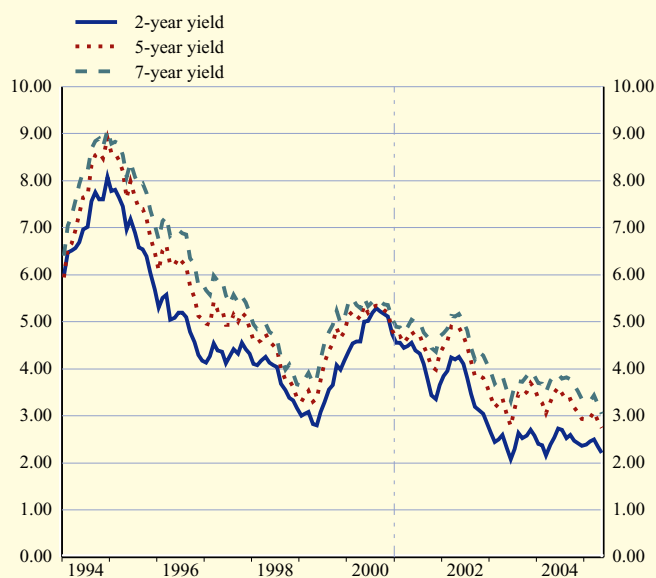
	Euro area <sup>1)</sup>					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
2002	3.67	3.94	4.35	4.69	4.92	4.60	1.27
2003	2.49	2.74	3.32	3.74	4.16	4.00	0.99
2004	2.47	2.77	3.29	3.70	4.14	4.26	1.50
2004 Q1	2.31	2.63	3.23	3.63	4.15	4.00	1.31
Q2	2.56	2.92	3.47	3.84	4.36	4.58	1.59
Q3	2.61	2.89	3.39	3.80	4.21	4.29	1.64
Q4	2.41	2.62	3.06	3.51	3.84	4.17	1.45
2005 Q1	2.45	2.66	2.99	3.36	3.67	4.30	1.41
2004 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
Aug.	2.53	2.83	3.33	3.82	4.17	4.27	1.63
Sep.	2.60	2.87	3.35	3.79	4.11	4.13	1.50
Oct.	2.47	2.71	3.18	3.66	3.98	4.08	1.49
Nov.	2.41	2.62	3.08	3.53	3.87	4.19	1.46
Dec.	2.36	2.53	2.93	3.35	3.69	4.23	1.40
2005 Jan.	2.39	2.57	2.92	3.31	3.63	4.21	1.37
Feb.	2.45	2.67	2.97	3.32	3.62	4.16	1.40
Mar.	2.49	2.74	3.08	3.44	3.76	4.49	1.45
Apr.	2.34	2.55	2.89	3.25	3.57	4.34	1.32
May	2.22	2.41	2.74	3.05	3.41	4.14	1.27

### C23 Euro area government bond yields

(monthly; percentages per annum)

### C24 10-year government bond yields

(monthly; percentages per annum)



Source: ECB.

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

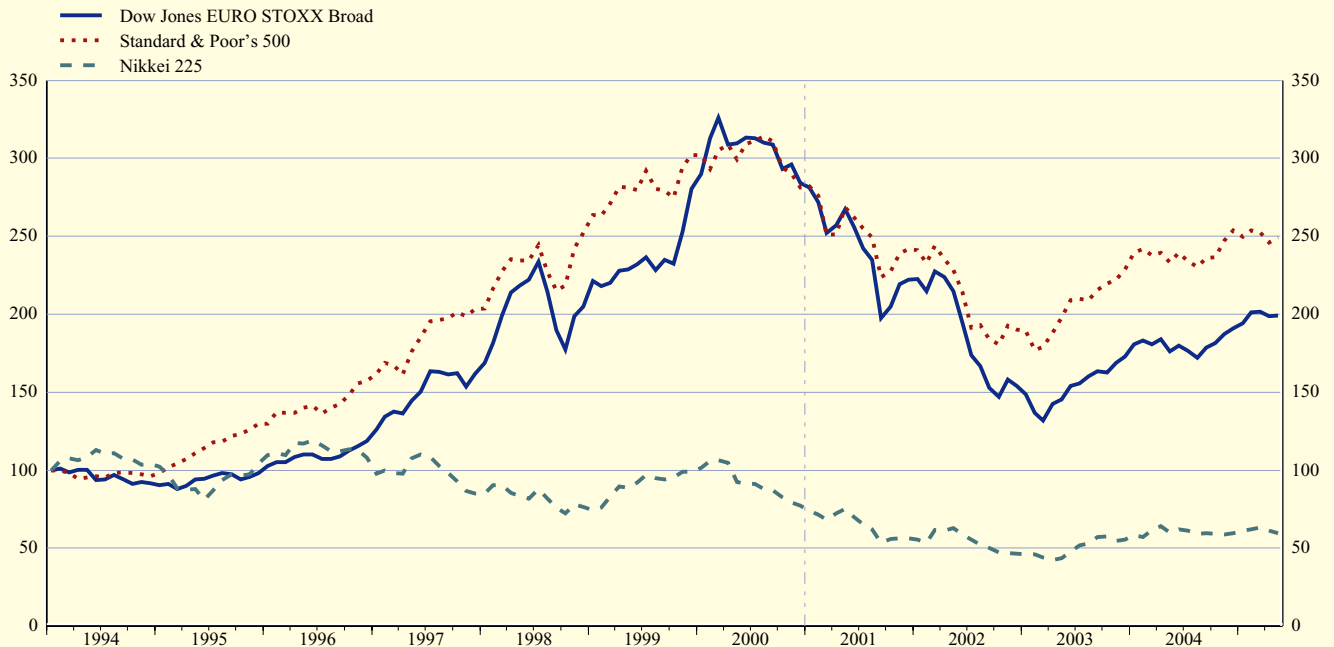
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices												United States	Japan
	Benchmark		Main industry indices										Standard & Poor's 500	Nikkei 225
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2002	260.0	3,052.5	267.5	194.8	239.0	309.0	243.4	252.4	345.2	255.5	349.2	411.9	995.3	10,119.3
2003	213.3	2,422.7	212.5	144.9	193.8	259.5	199.3	213.5	275.2	210.7	337.5	304.5	964.9	9,312.9
2004	251.1	2,804.8	251.4	163.4	219.9	300.5	238.2	258.6	298.3	266.3	399.2	395.9	1,131.1	11,180.9
2004 Q1	251.6	2,846.5	245.0	166.9	222.1	279.9	240.5	257.1	353.0	248.7	405.3	366.6	1,132.7	10,996.9
Q2	249.8	2,794.7	244.7	164.7	226.3	300.9	234.6	256.1	299.4	262.1	388.3	394.9	1,123.6	11,550.0
Q3	244.0	2,708.7	246.8	159.3	216.4	305.0	228.7	253.1	259.9	266.8	379.8	402.6	1,104.4	11,152.3
Q4	259.2	2,869.7	268.9	162.7	215.0	315.7	249.1	268.0	281.8	287.3	423.5	419.1	1,163.7	11,027.1
2005 Q1	276.2	3,025.3	290.4	177.0	227.9	335.8	269.0	290.9	274.8	309.6	446.5	427.0	1,191.7	11,594.1
2004 May	244.4	2,728.0	240.2	160.8	223.0	297.7	228.7	250.9	284.8	256.6	378.0	395.3	1,103.6	11,141.0
June	249.8	2,792.2	246.1	164.9	227.9	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	162.1	221.6	302.8	227.8	251.4	272.3	267.5	382.1	397.7	1,106.7	11,390.8
Aug.	238.9	2,646.9	243.7	155.7	212.5	300.2	223.9	248.1	245.3	262.6	372.8	396.4	1,088.9	10,989.3
Sep.	248.0	2,748.6	251.1	160.0	215.1	311.8	234.6	259.9	261.9	270.1	384.4	413.7	1,117.5	11,076.8
Oct.	252.1	2,794.4	259.1	157.4	211.5	315.5	240.4	262.5	273.3	278.8	401.2	415.1	1,118.1	11,028.9
Nov.	260.0	2,882.7	269.5	163.8	215.6	317.3	249.4	267.7	290.3	287.4	421.1	422.3	1,169.5	10,963.5
Dec.	264.8	2,926.0	277.2	166.5	217.7	314.4	256.8	273.2	281.3	295.0	446.2	419.6	1,199.7	11,086.3
2005 Jan.	269.4	2,957.0	277.0	172.0	221.6	318.1	262.8	284.2	270.4	302.9	450.6	423.8	1,181.6	11,401.2
Feb.	279.0	3,050.4	294.2	179.5	230.0	338.5	270.1	295.1	277.4	317.5	453.8	428.7	1,199.7	11,545.7
Mar.	279.8	3,065.8	299.4	179.3	232.0	349.5	273.7	293.5	276.5	308.7	436.3	428.6	1,193.9	11,812.5
Apr.	275.9	3,013.7	290.0	176.7	227.9	345.5	269.0	287.6	268.5	314.2	426.1	443.1	1,164.4	11,377.2
May	276.1	3,023.5	285.7	175.4	228.7	344.1	267.1	285.2	283.8	319.4	421.3	460.5	1,179.2	11,071.4

C25 Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225

(January 1994 = 100; monthly averages)



Source: ECB.



# PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

### 1. Harmonised Index of Consumer Prices

	Total					Total (s.a., percentage change on previous period)					
	Index 1996 = 100	Total		Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services
		Total excl. unprocessed food and energy									
% of total <sup>1)</sup>	100.0	100.0	83.8	59.0	41.0	100.0	12.0	7.6	30.8	8.6	41.0
	1	2	3	4	5	6	7	8	9	10	11
2001	108.5	2.3	1.9	2.3	2.5	-	-	-	-	-	-
2002	110.9	2.3	2.5	1.7	3.1	-	-	-	-	-	-
2003	113.2	2.1	2.0	1.8	2.5	-	-	-	-	-	-
2004	115.7	2.1	2.1	1.8	2.6	-	-	-	-	-	-
2004 Q1	114.4	1.7	2.0	1.1	2.6	0.6	1.0	-0.6	0.3	1.2	0.7
Q2	115.8	2.3	2.1	2.1	2.6	0.7	1.1	-0.1	0.2	3.3	0.6
Q3	115.9	2.2	2.1	2.0	2.6	0.5	0.3	-0.2	0.1	1.9	0.7
Q4	116.6	2.3	2.0	2.1	2.7	0.5	0.3	0.1	0.1	1.8	0.6
2005 Q1	116.7	2.0	1.6	1.8	2.4	0.3	0.6	0.7	-0.1	0.3	0.5
2004 Dec.	116.9	2.4	2.1	2.0	2.7	0.1	1.1	0.6	0.0	-1.8	0.2
2005 Jan.	116.2	1.9	1.7	1.6	2.4	0.0	-0.1	-0.5	-0.1	0.3	0.1
Feb.	116.6	2.1	1.6	1.8	2.4	0.2	-0.1	0.7	-0.1	1.4	0.2
Mar.	117.4	2.1	1.6	1.9	2.5	0.4	0.1	0.5	0.1	2.4	0.3
Apr.	117.9	2.1	1.4	2.0	2.2	0.2	0.2	-0.4	0.0	2.3	-0.1
May <sup>2)</sup>	.	2.0	.	.	.	.	.	.	.	.	.

	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>1)</sup>	19.6	12.0	7.6	39.4	30.8	8.6	10.4	6.4	6.4	2.8	14.8	6.6
	12	13	14	15	16	17	18	19	20	21	22	23
2001	4.5	2.9	7.0	1.2	0.9	2.2	1.8	1.4	3.6	-4.1	3.6	2.7
2002	3.1	3.1	3.1	1.0	1.5	-0.6	2.4	2.0	3.2	-0.3	4.2	3.4
2003	2.8	3.3	2.1	1.2	0.8	3.0	2.3	2.0	2.9	-0.6	2.7	3.4
2004	2.3	3.4	0.6	1.6	0.8	4.5	2.4	1.9	2.8	-2.0	2.4	5.1
2004 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
Q3	2.0	3.6	-0.3	2.0	0.8	6.3	2.5	2.0	2.8	-2.6	2.5	5.3
Q4	1.4	2.8	-0.7	2.4	0.8	8.5	2.6	2.1	3.0	-2.6	2.4	5.3
2005 Q1	1.6	2.3	0.5	1.9	0.3	7.6	2.6	2.1	3.1	-1.9	2.4	3.4
2004 Dec.	2.0	3.2	0.0	2.0	0.8	6.9	2.7	2.1	3.3	-2.6	2.4	5.4
2005 Jan.	1.5	2.8	-0.6	1.7	0.5	6.2	2.6	2.1	3.2	-2.4	2.3	3.5
Feb.	1.9	2.6	0.7	1.8	0.2	7.7	2.5	2.0	2.9	-1.8	2.3	3.5
Mar.	1.5	1.6	1.3	2.1	0.3	8.8	2.6	2.1	3.1	-1.5	2.5	3.4
Apr.	1.3	1.6	0.8	2.4	0.3	10.2	2.6	2.1	2.3	-1.7	1.9	3.5
May	.	.	.	.	.	.	.	.	.	.	.	.

Sources: Eurostat and ECB calculations.

1) Referring to the index period 2005.

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

## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

## 2. Industry, construction, residential property and commodity prices

	Industrial producer prices excluding construction										Construct- ion <sup>1)</sup>	Residential property prices <sup>2)</sup>	World market prices of raw materials <sup>3)</sup>	Oil prices <sup>4)</sup> (EUR per barrel)		
	Total (index 2000 = 100)	Total	Industry excluding construction and energy							Energy					Total	Total excluding energy
			Manu- facturing	Total	Interme- diate goods	Capital goods	Consumer goods									
							Total	Durable	Non-durable							
% of total <sup>5)</sup>	100.0	100.0	89.5	82.5	31.6	21.3	29.5	4.0	25.5	17.5	100.0	32.8				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2001	102.0	2.0	1.2	1.7	1.2	0.9	3.0	1.9	3.1	2.6	2.4	6.0	-8.3	-8.1	27.8	
2002	101.9	-0.1	0.3	0.5	-0.3	0.9	1.0	1.3	1.0	-2.3	2.8	6.8	-4.1	-0.9	26.5	
2003	103.4	1.4	0.9	0.8	0.8	0.3	1.1	0.6	1.2	3.8	2.2	7.0	-4.0	-4.5	25.1	
2004	105.7	2.3	2.5	2.0	3.5	0.7	1.3	0.7	1.4	3.9	2.7	7.2	18.4	10.8	30.5	
2004 Q1	103.9	0.2	0.2	0.9	1.0	0.3	1.2	0.4	1.3	-2.6	1.8	-	-2.5	9.8	25.0	
Q2	105.3	2.0	2.5	1.7	2.8	0.6	1.5	0.6	1.7	3.7	2.1	6.8 <sup>6)</sup>	28.8	20.9	29.3	
Q3	106.4	3.1	3.5	2.5	4.7	0.9	1.4	0.8	1.5	6.1	2.8	-	26.9	11.9	33.3	
Q4	107.2	3.8	4.0	2.8	5.5	1.2	1.2	1.1	1.2	8.5	3.7	7.3 <sup>6)</sup>	22.9	1.3	34.5	
2005 Q1	108.2	4.1	3.8	2.8	5.0	1.6	1.2	1.4	1.1	10.1	-	-	22.9	1.9	36.6	
2004 Dec.	107.0	3.5	3.8	2.9	5.4	1.3	1.5	1.1	1.5	7.0	-	-	12.8	-0.2	30.0	
2005 Jan.	107.7	4.0	3.7	3.0	5.5	1.6	1.3	1.3	1.3	8.4	-	-	20.7	3.1	33.6	
Feb.	108.1	4.2	3.9	2.9	5.2	1.7	1.3	1.5	1.3	10.0	-	-	23.7	3.1	35.2	
Mar.	108.9	4.2	3.9	2.5	4.5	1.7	0.9	1.4	0.8	11.8	-	-	24.1	-0.4	40.4	
Apr.	.	.	.	.	.	.	.	.	.	.	-	-	22.2	-1.9	41.4	
May	.	.	.	.	.	.	.	.	.	.	-	-	12.8	0.9	39.4	

3. Hourly labour costs<sup>7)</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	
2001	103.6	3.7	3.9	3.0	3.5	4.0	3.3	2.6
2002	107.1	3.4	3.4	3.4	3.4	3.7	3.2	2.7
2003	110.2	2.7	2.6	3.2	2.6	3.4	2.9	2.4
2004	112.7	2.3	2.4	2.2	2.6	2.4	2.2	2.2
2004 Q1	111.8	3.0	3.1	2.6	3.5	2.8	2.6	2.3
Q2	112.4	2.2	2.3	1.9	2.4	2.0	2.2	2.2
Q3	113.0	1.9	1.9	1.7	1.9	2.3	1.9	2.0
Q4	113.6	2.4	2.3	2.5	2.7	2.5	2.1	2.1
2005 Q1	.	.	.	.	.	.	.	2.2

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

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



## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated; 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>								
2001	102.3	2.3	2.3	1.3	2.8	1.6	3.2	2.6
2002	104.7	2.3	1.2	1.2	3.4	1.9	3.3	2.6
2003	106.6	1.8	4.6	1.3	3.3	2.1	1.3	2.1
2004	107.6	0.9	-6.3	-0.9	2.6	0.9	1.2	2.6
2003 Q4	106.8	1.4	1.1	0.6	2.9	2.8	1.2	1.1
2004 Q1	107.2	1.2	-6.6	0.3	1.5	1.5	1.0	2.8
Q2	107.6	0.8	-9.1	-2.2	1.0	0.2	0.7	3.6
Q3	107.6	0.5	-5.1	-2.0	4.4	1.2	1.8	1.6
Q4	108.0	1.2	-4.4	0.2	3.4	0.6	1.2	2.6
Compensation per employee								
2001	102.7	2.7	1.8	2.4	3.2	2.6	2.3	2.9
2002	105.3	2.6	2.7	2.7	3.2	2.5	2.1	2.9
2003	107.7	2.3	2.7	2.8	3.6	2.3	1.5	2.1
2004	109.9	2.1	0.0	2.3	2.6	1.8	1.2	2.9
2003 Q4	108.4	2.1	1.5	2.7	3.5	2.0	1.4	2.0
2004 Q1	109.3	2.4	-2.4	3.3	3.1	1.9	0.9	3.1
Q2	110.0	2.4	-1.2	2.3	2.1	1.6	1.1	4.1
Q3	110.1	1.7	2.6	1.7	2.9	1.9	1.6	1.8
Q4	110.4	1.9	0.9	1.8	2.4	1.8	1.0	2.5
Labour productivity <sup>2)</sup>								
2001	100.3	0.3	-0.5	1.1	0.4	1.0	-0.8	0.3
2002	100.6	0.2	1.5	1.5	-0.3	0.6	-1.2	0.3
2003	101.0	0.4	-1.8	1.4	0.3	0.2	0.3	0.0
2004	102.2	1.2	6.7	3.2	0.1	0.9	0.0	0.2
2003 Q4	101.5	0.7	0.4	2.1	0.6	-0.7	0.2	0.9
2004 Q1	102.0	1.2	4.5	2.9	1.6	0.4	-0.1	0.3
Q2	102.2	1.6	8.8	4.7	1.1	1.3	0.4	0.5
Q3	102.3	1.2	8.2	3.7	-1.5	0.8	-0.2	0.1
Q4	102.2	0.7	5.6	1.6	-0.9	1.2	-0.2	-0.1

### 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
2001	102.4	2.4	2.3	2.4	2.6	1.8	1.1	0.6
2002	105.0	2.5	2.2	2.1	2.6	1.8	-0.6	-1.8
2003	107.1	2.0	1.7	1.8	2.6	1.3	-0.8	-1.6
2004	109.1	1.8	2.0	2.1	0.7	2.7	1.3	1.5
2004 Q1	108.3	1.9	1.4	1.7	1.1	1.9	-0.6	-2.5
Q2	109.0	2.1	2.1	2.3	1.1	2.6	1.4	1.4
Q3	109.3	1.6	2.0	2.2	-0.5	3.1	2.1	3.3
Q4	109.7	1.8	2.3	2.2	1.0	3.2	2.3	4.0
2005 Q1	110.4	1.9	2.4	1.9	1.5	3.2	2.0	3.3

Sources: ECB calculations based on Eurostat data.

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

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

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

## 5.2 Output and demand

## 1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance <sup>1)</sup>		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories <sup>2)</sup>	Total	Exports <sup>1)</sup>	Imports <sup>1)</sup>
1	2	3	4	5	6	7	8	9	
	Current prices (EUR billions, seasonally adjusted)								
2001	6,898.4	6,795.9	3,970.4	1,373.8	1,450.3	1.5	102.5	2,560.0	2,457.5
2002	7,139.2	6,965.6	4,088.3	1,445.8	1,442.3	-10.8	173.6	2,597.3	2,423.7
2003	7,334.0	7,187.9	4,207.5	1,501.8	1,466.6	12.0	146.2	2,591.5	2,445.3
2004	7,598.1	7,450.5	4,347.8	1,551.2	1,527.8	23.6	147.6	2,774.6	2,627.0
2004 Q1	1,876.3	1,830.0	1,073.3	382.8	372.9	1.0	46.3	667.5	621.2
Q2	1,897.1	1,853.6	1,081.6	388.6	380.2	3.2	43.5	693.0	649.5
Q3	1,907.7	1,875.7	1,090.9	389.2	385.0	10.6	32.0	704.9	673.0
Q4	1,916.9	1,891.1	1,102.0	390.6	389.7	8.8	25.8	709.1	683.2
2005 Q1	1,938.2	1,901.9	1,108.0	394.7	388.4	10.8	36.3	709.3	672.9
	<i>percentage of GDP</i>								
2004	100.0	98.1	57.2	20.4	20.1	0.3	1.9	-	-
	Constant prices (ECU billions at 1995 prices, seasonally adjusted)								
	<i>quarter-on-quarter percentage changes</i>								
2004 Q1	0.7	0.2	0.5	0.3	-0.5	-	-	1.5	0.3
Q2	0.4	0.3	0.1	0.7	0.4	-	-	2.7	2.7
Q3	0.3	0.8	0.3	0.9	0.5	-	-	1.0	2.4
Q4	0.2	0.4	0.6	0.2	0.8	-	-	0.3	0.9
2005 Q1	0.5	0.0	0.3	-0.2	-0.7	-	-	0.2	-1.1
	<i>annual percentage changes</i>								
2001	1.7	1.0	1.9	2.2	0.1	-	-	3.6	1.9
2002	0.9	0.3	0.9	2.6	-2.4	-	-	2.1	0.5
2003	0.7	1.4	1.1	1.3	0.4	-	-	0.6	2.5
2004	2.0	2.0	1.3	1.4	1.9	-	-	6.1	6.3
2004 Q1	1.5	1.3	1.2	2.7	1.0	-	-	3.3	2.7
Q2	2.1	1.4	1.1	2.7	1.6	-	-	7.8	6.3
Q3	1.8	2.3	1.0	2.9	1.8	-	-	6.2	7.8
Q4	1.5	1.7	1.6	2.1	1.2	-	-	5.5	6.4
2005 Q1	1.3	1.5	1.3	1.6	1.0	-	-	4.2	4.8
	<i>contributions to annual percentage changes of GDP in percentage points</i>								
2001	1.7	1.0	1.1	0.4	0.0	-0.5	0.7	-	-
2002	0.9	0.3	0.5	0.5	-0.5	-0.2	0.6	-	-
2003	0.7	1.3	0.6	0.3	0.1	0.4	-0.7	-	-
2004	2.0	1.9	0.8	0.3	0.4	0.5	0.1	-	-
2004 Q1	1.5	1.2	0.7	0.5	0.2	-0.2	0.3	-	-
Q2	2.1	1.4	0.6	0.5	0.3	-0.2	0.7	-	-
Q3	1.8	2.2	0.6	0.6	0.4	0.7	-0.4	-	-
Q4	1.5	1.7	0.9	0.4	0.3	0.1	-0.2	-	-
2005 Q1	1.3	1.5	0.7	0.3	0.2	0.2	-0.1	-	-

Source: Eurostat.

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

2) Including acquisitions less disposals of valuables.

## 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>									
2001	6,366.1	159.7	1,383.4	360.5	1,341.7	1,718.9	1,401.8	184.8	717.1
2002	6,595.5	155.0	1,398.5	373.9	1,392.3	1,803.4	1,472.4	197.0	740.8
2003	6,776.8	155.1	1,411.0	389.2	1,423.8	1,867.9	1,529.7	208.6	765.8
2004	7,009.7	157.1	1,453.0	411.6	1,465.2	1,951.4	1,571.4	213.4	801.8
2004 Q1	1,731.1	39.2	358.7	100.4	361.6	480.4	390.7	53.6	198.8
Q2	1,754.1	39.5	364.6	102.5	366.3	486.9	394.3	54.8	197.8
Q3	1,758.3	38.8	365.2	103.2	368.5	490.8	391.7	52.1	201.6
Q4	1,766.2	39.5	364.4	105.5	368.8	493.3	394.7	52.9	203.6
2005 Q1	1,783.8	39.6	369.4	105.6	374.4	496.0	398.9	53.3	207.7
<i>percentage of value added</i>									
2004	100.0	2.2	20.7	5.9	20.9	27.8	22.4	-	-
<i>Constant prices (ECU billions at 1995 prices, seasonally adjusted)</i>									
<i>quarter-on-quarter percentage changes</i>									
2004 Q1	0.7	2.9	0.5	0.5	1.0	1.0	-0.2	2.8	1.4
Q2	0.8	2.4	1.0	0.6	0.9	0.9	0.3	2.3	-2.8
Q3	-0.1	-0.9	-0.2	-1.1	0.1	0.1	0.1	-6.2	1.2
Q4	0.1	1.2	-0.5	0.4	0.0	0.2	0.6	2.2	1.1
2005 Q1	0.4	-1.9	0.7	-2.2	1.4	0.5	-0.1	0.2	1.1
<i>annual percentage changes</i>									
2001	2.0	-1.3	1.3	0.9	2.5	2.8	1.8	5.5	0.9
2002	1.0	-0.2	-0.2	-0.4	1.2	1.4	2.2	2.6	0.5
2003	0.7	-3.9	-0.1	0.5	0.5	1.7	1.3	3.3	1.0
2004	2.1	6.1	2.4	1.4	2.0	2.1	1.6	2.9	1.3
2004 Q1	1.4	3.0	0.8	1.7	1.2	2.1	1.2	4.6	3.7
Q2	2.5	7.6	3.0	1.7	2.2	2.9	1.2	7.4	0.1
Q3	1.8	7.8	2.1	0.4	1.6	2.2	0.9	-0.7	1.2
Q4	1.6	5.7	0.8	0.4	2.1	2.2	0.8	0.7	0.8
2005 Q1	1.3	0.7	1.0	-2.3	2.5	1.7	0.9	-1.8	0.5
<i>contributions to annual percentage changes of value added in percentage points</i>									
2001	2.0	0.0	0.3	0.1	0.5	0.7	0.4	-	-
2002	1.0	0.0	0.0	0.0	0.3	0.4	0.5	-	-
2003	0.7	-0.1	0.0	0.0	0.1	0.4	0.3	-	-
2004	2.1	0.1	0.5	0.1	0.4	0.6	0.3	-	-
2004 Q1	1.4	0.1	0.2	0.1	0.3	0.6	0.3	-	-
Q2	2.5	0.2	0.7	0.1	0.5	0.8	0.3	-	-
Q3	1.8	0.2	0.5	0.0	0.3	0.6	0.2	-	-
Q4	1.6	0.1	0.2	0.0	0.4	0.6	0.2	-	-
2005 Q1	1.3	0.0	0.2	-0.1	0.5	0.5	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	
	% of total <sup>1)</sup>	Total (s.a. index 2000 = 100)	Total		Industry excluding construction and energy					Energy		
			Manufacturing	Total	Intermediate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
1	2	3	4	5	6	7	8	9	10	11	12	
2002	-0.3	99.9	-0.5	-0.8	-0.7	-0.1	-1.7	-0.3	-5.5	0.7	1.1	0.8
2003	0.2	100.2	0.3	0.0	0.0	0.4	-0.2	-0.5	-4.6	0.3	3.0	0.0
2004	2.1	102.2	1.9	2.0	1.9	1.8	2.9	0.5	-0.1	0.7	2.5	0.2
2004 Q2	3.2	102.4	3.0	3.2	3.1	2.6	4.7	1.5	2.9	1.2	2.7	-0.2
Q3	2.9	102.6	2.8	3.0	2.8	2.8	5.0	0.4	-0.6	0.5	2.5	-0.2
Q4	1.2	102.3	1.1	0.8	0.5	1.1	1.7	-0.2	-3.5	0.4	2.7	-0.1
2005 Q1	.	102.2	0.8	0.5	0.4	0.9	1.8	-0.3	-3.6	0.3	1.4	.
2004 Oct.	1.4	102.4	1.3	1.3	1.1	1.4	4.8	-0.8	-2.5	-0.5	-0.7	-1.1
Nov.	-0.4	102.1	0.8	0.2	0.0	0.8	0.7	-0.6	-4.3	0.0	3.9	0.0
Dec.	2.8	102.4	1.2	0.8	0.5	1.1	-0.5	1.0	-3.9	1.9	4.7	1.0
2005 Jan.	.	102.7	2.1	2.6	2.5	3.3	2.8	1.3	-2.7	2.0	0.1	.
Feb.	.	102.1	0.4	0.1	-0.2	0.1	1.3	-0.6	-4.0	0.0	2.1	.
Mar.	.	101.9	0.0	-0.9	-1.0	-0.4	1.4	-1.5	-3.9	-1.1	2.0	.
<i>month-on-month percentage changes (s.a.)</i>												
2004 Oct.	-0.4	-	-0.5	-0.6	-0.6	-0.4	0.2	-0.5	-0.4	-0.5	-1.0	-0.6
Nov.	-0.8	-	-0.3	-0.6	-0.6	-0.1	-1.8	-0.3	-1.3	-0.1	0.6	0.7
Dec.	1.5	-	0.3	0.5	0.4	0.4	-0.4	1.0	0.1	1.2	1.4	1.9
2005 Jan.	.	-	0.3	0.6	0.8	0.8	1.2	0.1	0.6	0.0	-2.5	.
Feb.	.	-	-0.6	-1.2	-1.2	-1.5	-0.6	-1.0	-0.4	-1.1	3.9	.
Mar.	.	-	-0.1	-0.5	-0.5	-0.8	1.0	-0.3	-0.5	-0.3	1.4	.

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

	Industrial new orders		Industrial turnover		Retail sales							New passenger car registrations	
	Manufacturing <sup>2)</sup> (current prices)		Manufacturing (current prices)		Current prices	Constant prices					Total (s.a.) thousands <sup>3)</sup>	Total	
	Total (s.a. index 2000 = 100)	Total	Total (s.a. index 2000 = 100)	Total	Total	Total (s.a. index 2000 = 100)	Total	Food, beverages, tobacco	Non-food				
									Textiles, clothing, footwear	Household equipment			
1	2	3	4	5	6	7	8	9	10	11	12	13	
2002	98.0	-0.5	101.4	-0.6	1.9	101.7	0.1	0.9	-0.5	-1.7	-1.9	925	-4.4
2003	98.2	0.3	101.0	-0.3	1.8	102.1	0.3	1.1	-0.3	-2.8	0.2	911	-1.5
2004	106.1	8.4	105.9	4.9	1.0	102.2	0.1	-0.2	0.2	-0.3	1.7	922	1.1
2004 Q2	107.5	12.0	106.0	6.3	1.1	102.2	0.0	-0.4	0.2	-0.3	2.3	928	3.1
Q3	105.4	7.5	106.5	5.7	0.9	102.1	0.0	-0.8	0.6	0.7	1.8	904	-3.4
Q4	110.1	10.0	107.1	5.2	0.9	102.2	0.1	0.1	-0.1	0.2	0.7	942	3.6
2005 Q1	106.3	2.8	106.7	2.6	1.4	102.8	0.5	0.4	0.8	0.3	0.2	920	0.4
2004 Nov.	107.8	13.3	108.3	8.4	1.3	102.2	0.6	0.3	0.5	2.5	0.9	953	4.8
Dec.	116.3	17.0	108.6	5.7	1.1	102.2	0.5	0.8	0.0	0.3	1.1	926	1.9
2005 Jan.	108.2	6.7	106.3	5.5	0.7	102.6	-0.6	-1.0	0.2	-1.8	-1.0	921	1.5
Feb.	105.7	3.2	107.0	3.5	2.0	102.8	0.8	1.5	0.6	-0.6	0.6	908	-2.3
Mar.	105.1	-0.8	106.9	-0.6	1.8	103.0	1.3	0.4	0.8	3.4	0.7	930	1.7
Apr.	.	.	.	.	.	.	.	.	.	.	.	939	1.0
<i>month-on-month percentage changes (s.a.)</i>													
2004 Nov.	-	1.6	-	3.6	0.5	-	0.0	0.5	-0.2	-0.2	-0.6	-	0.5
Dec.	-	7.8	-	0.2	-0.2	-	0.0	0.0	0.1	-0.4	0.5	-	-2.8
2005 Jan.	-	-6.9	-	-2.1	0.5	-	0.4	-0.1	0.9	1.0	0.0	-	-0.5
Feb.	-	-2.4	-	0.6	0.2	-	0.2	0.5	-0.4	-0.5	0.5	-	-1.4
Mar.	-	-0.6	-	0.0	0.0	-	0.2	-0.7	0.2	1.2	0.2	-	2.4
Apr.	-	.	-	.	.	-	.	.	.	.	.	-	0.9

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

1) In 2000.

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

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

## 5.2 Output and demand

(percentage balances,<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>4)</sup>	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
2001	100.9	-9	-15	13	1	82.8	-5	2	-9	14	2
2002	94.4	-11	-25	11	3	81.3	-11	-1	-12	26	-3
2003	93.5	-10	-25	10	3	81.1	-18	-5	-21	38	-9
2004	100.0	-5	-15	8	10	81.7	-14	-4	-14	30	-8
2004 Q1	98.6	-7	-21	10	10	81.1	-14	-4	-13	30	-9
Q2	99.9	-5	-17	8	10	81.6	-14	-3	-15	32	-8
Q3	100.6	-4	-12	7	9	82.1	-14	-4	-14	29	-8
Q4	100.9	-3	-12	8	10	82.0	-13	-3	-13	29	-6
2005 Q1	99.0	-6	-15	11	6	81.4	-13	-3	-13	29	-8
2004 Dec.	100.2	-4	-12	9	9	-	-13	-3	-13	29	-6
2005 Jan.	100.8	-5	-11	9	7	81.9	-13	-3	-13	28	-7
Feb.	98.8	-6	-15	10	6	-	-13	-2	-13	30	-8
Mar.	97.5	-8	-17	12	6	-	-14	-3	-13	31	-9
Apr.	96.5	-9	-19	13	4	80.9	-13	-3	-14	29	-8
May	96.1	-11	-21	14	2	-	-15	-4	-17	31	-7

	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
2001	-10	-16	-4	-8	-5	17	-1	15	16	8	20
2002	-19	-26	-11	-16	-20	18	-12	1	-4	-6	13
2003	-20	-27	-13	-11	-15	17	-2	2	-6	1	12
2004	-16	-24	-8	-8	-12	14	2	12	7	10	18
2004 Q1	-19	-28	-9	-8	-12	15	1	11	8	6	20
Q2	-16	-23	-9	-8	-10	15	2	11	6	12	17
Q3	-15	-24	-7	-8	-10	14	0	12	8	11	17
Q4	-14	-21	-6	-8	-14	13	3	11	8	9	16
2005 Q1	-13	-18	-9	-8	-12	12	1	11	6	7	18
2004 Dec.	-13	-21	-6	-7	-12	12	2	10	8	8	14
2005 Jan.	-13	-19	-7	-6	-8	11	1	13	12	9	18
Feb.	-14	-18	-10	-8	-14	13	2	10	6	5	18
Mar.	-13	-17	-9	-10	-15	13	-1	9	1	7	19
Apr.	-14	-21	-7	-8	-12	14	1	8	1	6	18
May	-13	-19	-8	-8	-13	11	1	10	1	11	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 a weight of 30%, the consumer confidence indicator a weight of 20% and the two other indicators a weight of 5% each. Values of the economic sentiment indicator above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period from January 1985.
- 3) Owing to changes in the questionnaire used for the French survey, euro area results from January 2004 onwards are not fully comparable with previous results.
- 4) Data are collected in January, April, July and October each year. The quarterly figures shown are averages of two successive surveys. Annual data are derived from quarterly averages.
- 5) The confidence indicators are calculated as simple averages of the components shown; the 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	84.4	15.6	4.5	18.2	7.3	24.9	15.1	29.9
	1	2	3	4	5	6	7	8	9	10
2001	134.506	1.5	1.7	0.4	-0.7	0.3	0.9	1.6	3.8	1.5
2002	135.460	0.7	0.8	0.1	-1.5	-1.5	0.1	0.5	2.7	1.9
2003	135.832	0.3	0.3	0.3	-1.9	-1.5	0.2	0.3	1.3	1.2
2004	136.654	0.6	0.5	1.4	-0.4	-1.6	1.7	0.7	2.5	0.8
2003 Q4	135.827	0.2	0.2	0.5	-1.4	-1.6	0.0	0.7	1.1	0.9
2004 Q1	136.010	0.3	0.2	0.7	-1.4	-2.2	0.0	0.7	2.4	0.8
Q2	136.346	0.5	0.4	1.3	-0.9	-1.6	0.7	0.9	2.6	0.7
Q3	136.640	0.6	0.4	1.8	0.1	-1.7	2.8	0.6	2.4	0.8
Q4	136.916	0.9	0.8	1.6	0.7	-0.8	3.2	0.8	2.4	0.9
	<i>quarter-on-quarter changes (s.a.)</i>									
2003 Q4	0.031	0.0	0.0	0.1	-0.3	-0.6	0.1	0.1	0.4	0.2
2004 Q1	0.183	0.1	0.3	-0.5	-0.4	-0.7	0.0	0.1	1.0	0.3
Q2	0.336	0.2	0.2	0.8	0.0	0.1	0.7	0.3	0.3	0.2
Q3	0.294	0.2	0.0	1.4	0.5	-0.5	1.0	0.3	0.6	0.1
Q4	0.276	0.2	0.2	0.2	0.1	0.2	-0.5	0.1	0.5	0.3

## 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		75.6		24.4		47.9		52.1	
	1	2	3	4	5	6	7	8	9	10
2001	11.011	7.8	8.087	6.6	2.924	16.1	5.034	6.3	5.977	9.9
2002	11.737	8.3	8.720	7.0	3.017	16.8	5.509	6.9	6.228	10.1
2003	12.515	8.7	9.397	7.5	3.117	17.6	5.963	7.4	6.552	10.5
2004	12.849	8.9	9.714	7.6	3.135	18.0	6.153	7.6	6.696	10.5
2004 Q1	12.821	8.9	9.638	7.6	3.182	18.1	6.125	7.5	6.696	10.6
Q2	12.865	8.9	9.682	7.6	3.183	18.2	6.134	7.5	6.730	10.6
Q3	12.862	8.9	9.752	7.6	3.110	17.9	6.124	7.5	6.737	10.6
Q4	12.841	8.8	9.758	7.6	3.082	17.8	6.242	7.6	6.598	10.4
2005 Q1	12.916	8.9	9.592	7.5	3.323	18.9	6.209	7.6	6.706	10.5
2004 Nov.	12.762	8.8	9.767	7.6	2.995	17.4	6.277	7.7	6.485	10.2
Dec.	12.791	8.8	9.649	7.5	3.143	18.1	6.125	7.5	6.666	10.4
2005 Jan.	12.863	8.8	9.565	7.5	3.298	18.8	6.233	7.6	6.630	10.4
Feb.	12.923	8.9	9.639	7.5	3.284	18.7	6.147	7.5	6.777	10.6
Mar.	12.961	8.9	9.573	7.5	3.388	19.2	6.249	7.6	6.711	10.5
Apr.	13.009	8.9	9.675	7.5	3.334	18.9	6.269	7.7	6.740	10.5

Sources: ECB calculations based on Eurostat data (in Table 1 in Section 5.3) and Eurostat (Table 2 in Section 5.3).

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

2) In 2004.

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

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



## GOVERNMENT FINANCE

### 6.1 Revenue, expenditure and deficit/surplus <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	13	14			
1996	47.3	46.9	11.8	9.1	2.3	13.3	0.8	17.4	8.6	5.5	2.4	0.4	0.3	42.8	
1997	47.6	47.1	12.0	9.1	2.6	13.5	0.7	17.4	8.6	5.5	2.4	0.5	0.4	43.2	
1998	47.1	46.8	12.3	9.6	2.3	14.1	0.7	16.3	8.4	4.9	2.3	0.3	0.3	43.0	
1999	47.6	47.3	12.7	9.8	2.6	14.3	0.6	16.3	8.4	4.9	2.3	0.3	0.3	43.6	
2000	47.2	46.9	12.9	9.9	2.7	14.1	0.6	16.0	8.3	4.9	2.3	0.3	0.3	43.3	
2001	46.4	46.2	12.5	9.7	2.5	13.7	0.6	15.9	8.3	4.7	2.2	0.3	0.3	42.4	
2002	45.8	45.5	12.0	9.5	2.2	13.7	0.4	15.8	8.3	4.7	2.2	0.3	0.3	41.9	
2003	45.9	45.2	11.7	9.3	2.1	13.7	0.4	16.0	8.4	4.7	2.3	0.7	0.6	41.9	
2004	45.4	44.9	11.6	9.0	2.3	13.8	0.4	15.9	8.3	4.7	2.2	0.5	0.4	41.6	

#### 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	Investment	Capital transfers	Paid by EU institutions		
							Social payments	Paid by EU institutions						
	3	4	5	6	7	8	9	10	11	12	13	14		
1996	51.6	47.8	11.1	4.8	5.7	26.1	23.0	2.2	0.6	3.8	2.6	1.3	0.0	45.9
1997	50.2	46.6	11.0	4.8	5.1	25.8	22.9	2.1	0.6	3.6	2.4	1.2	0.1	45.1
1998	49.3	45.6	10.7	4.7	4.7	25.5	22.5	2.1	0.5	3.8	2.4	1.3	0.1	44.6
1999	48.9	45.0	10.6	4.8	4.1	25.4	22.4	2.0	0.5	3.9	2.5	1.4	0.1	44.7
2000	48.1	44.3	10.5	4.8	4.0	25.0	22.0	1.9	0.5	3.8	2.5	1.3	0.1	44.1
2001	48.2	44.2	10.4	4.8	3.9	25.1	22.1	1.9	0.5	4.0	2.6	1.4	0.0	44.3
2002	48.3	44.4	10.6	4.9	3.6	25.4	22.5	1.9	0.5	3.9	2.5	1.4	0.0	44.7
2003	48.8	44.8	10.6	4.9	3.4	25.8	22.9	1.8	0.5	4.0	2.6	1.4	0.1	45.3
2004	48.2	44.2	10.5	4.9	3.3	25.5	22.8	1.8	0.5	3.9	2.5	1.4	0.0	44.9

#### 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
1996	-4.3	-3.7	-0.4	0.0	-0.1	1.4	20.4	11.1	4.8	5.0	1.9	2.4	8.6	11.8
1997	-2.6	-2.4	-0.4	0.1	0.1	2.4	20.2	11.0	4.8	5.0	1.8	2.4	8.5	11.7
1998	-2.3	-2.2	-0.2	0.1	0.1	2.4	19.9	10.7	4.7	5.0	1.8	2.3	8.3	11.6
1999	-1.3	-1.7	-0.1	0.1	0.4	2.8	19.9	10.6	4.8	5.0	1.8	2.3	8.3	11.6
2000	-0.9	-1.4	-0.1	0.1	0.5	3.0	19.8	10.5	4.8	5.0	1.8	2.3	8.2	11.6
2001	-1.8	-1.6	-0.4	0.0	0.3	2.1	20.0	10.4	4.8	5.1	1.8	2.2	8.2	11.7
2002	-2.5	-2.0	-0.5	-0.2	0.2	1.1	20.3	10.6	4.9	5.2	1.8	2.2	8.3	12.0
2003	-2.8	-2.3	-0.4	-0.1	0.0	0.6	20.6	10.6	4.9	5.3	1.8	2.3	8.4	12.2
2004	-2.7	-2.4	-0.4	-0.2	0.2	0.5	20.4	10.5	4.9	5.3	1.8	2.2	8.3	12.2

#### 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
2001	0.6	-2.8	-3.6	-0.5	-1.5	0.9	-3.2	6.2	-0.1	0.3	-4.4	5.2
2002	0.1	-3.6	-4.1	-0.3	-3.1	-0.4	-2.7	2.3	-1.9	-0.2	-2.7	4.3
2003	0.4	-3.8	-5.2	0.3	-4.2	0.2	-3.2	0.5	-3.2	-1.1	-2.9	2.5
2004	0.1	-3.6	-6.1	-0.3	-3.6	1.3	-3.2	-1.1	-2.5	-1.3	-2.9	2.1

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.
- Includes proceeds from the sale of UMTS licences and settlements under swaps and forward rate agreements.

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	
1995	74.5	2.8	17.7	8.0	46.0	58.9	30.9	10.8	17.2	15.5
1996	75.8	2.8	17.2	8.0	47.8	59.4	30.6	12.6	16.2	16.4
1997	74.9	2.8	16.2	6.6	49.4	57.1	28.9	14.1	14.1	17.9
1998	73.4	2.7	15.0	5.7	49.9	53.5	26.9	15.0	11.5	19.9
1999	72.5	2.9	14.2	4.3	51.2	49.5	26.4	11.4	11.7	23.1
2000	70.0	2.7	13.1	3.7	50.5	44.8	23.3	10.3	11.2	25.2
2001	68.9	2.7	12.4	3.9	49.9	42.8	21.9	9.7	11.2	26.2
2002	68.8	2.7	11.8	4.6	49.8	40.2	20.4	8.6	11.2	28.6
2003	70.1	2.0	12.4	4.9	50.9	39.7	20.9	9.3	9.6	30.4
2004	70.6	2.1	11.9	4.8	51.7	39.2	20.1	9.6	9.5	31.4

## 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
1995	74.5	62.2	5.6	5.9	0.8	13.0	61.5	6.2	18.7	26.8	28.9	72.2	2.2
1996	75.8	63.5	5.9	5.8	0.5	12.4	63.4	5.9	20.2	26.2	29.4	73.6	2.2
1997	74.9	62.8	6.1	5.4	0.6	11.1	63.9	5.5	19.5	26.0	29.4	72.7	2.2
1998	73.4	61.6	6.1	5.3	0.4	9.3	64.1	5.8	16.8	27.1	29.5	71.3	2.1
1999	72.5	61.0	6.1	5.2	0.3	9.1	63.4	4.0	15.2	28.0	29.4	70.6	2.0
2000	70.0	58.8	6.0	5.0	0.3	8.1	61.9	3.4	15.0	28.5	26.5	68.3	1.8
2001	68.9	57.6	6.2	4.8	0.3	8.6	60.3	2.1	15.6	26.6	26.7	67.4	1.5
2002	68.8	57.3	6.4	4.8	0.3	8.9	60.0	1.9	16.5	25.4	27.0	67.5	1.3
2003	70.1	57.7	6.7	5.2	0.6	8.9	61.2	1.8	15.3	26.5	28.3	69.1	1.0
2004	70.6	58.1	6.8	5.2	0.4	9.8	60.8	0.8	15.5	27.1	28.0	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
2001	108.0	58.3	114.8	55.6	56.2	35.8	110.9	7.2	52.9	67.1	55.9	43.8
2002	105.4	59.7	112.2	52.7	58.2	32.6	108.3	7.5	52.6	66.7	58.5	42.5
2003	100.0	63.1	109.3	49.0	62.8	32.0	106.8	7.1	54.3	65.4	60.1	45.3
2004	95.6	65.1	110.5	46.6	64.6	29.9	106.6	7.5	55.7	65.2	61.9	45.1

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

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



## 6.3 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
1996	3.9	4.4	-0.2	0.0	-0.4	0.1	0.1	0.2	3.4	2.5	0.7	2.1	1.4
1997	2.0	2.4	0.2	-0.4	-0.2	0.0	-0.3	-1.1	3.4	-0.1	-0.6	1.9	2.1
1998	1.7	2.0	-0.2	0.0	-0.1	0.1	-0.5	-0.6	2.7	-1.1	-0.7	1.6	2.8
1999	1.9	1.5	0.4	0.0	-0.1	0.2	-0.3	-1.2	3.2	-2.0	0.5	-3.1	3.9
2000	1.1	1.0	0.1	0.0	0.0	0.0	-0.3	-0.4	1.9	-2.2	-1.8	-0.5	3.3
2001	1.8	1.7	0.0	0.1	0.0	0.1	-0.1	0.4	1.4	-0.2	-0.5	-0.2	2.0
2002	2.2	2.5	-0.4	0.1	0.0	0.1	-0.2	0.8	1.6	-1.1	-0.8	-0.7	3.3
2003	3.0	3.2	-0.1	0.0	0.0	-0.6	0.9	0.5	-2.3	0.5	1.0	0.9	2.5
2004	3.1	3.3	0.0	-0.1	0.0	0.3	0.0	0.1	2.8	0.9	0.0	0.7	2.2

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

	Change in debt	Deficit (-) / surplus (+) <sup>9)</sup>	Deficit-debt adjustment <sup>9)</sup>											Other <sup>10)</sup>
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	
				Total	Currency and deposits	Securities <sup>11)</sup>	Loans	Shares and other equity	Privatisations	Equity injections				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1996	3.9	-4.3	-0.4	-0.1	0.0	0.0	-0.1	-0.1	-0.2	0.2	-0.2	-0.2	0.0	-0.2
1997	2.0	-2.6	-0.6	-0.5	0.1	-0.1	0.0	-0.5	-0.7	0.2	0.2	0.2	-0.4	0.0
1998	1.7	-2.3	-0.6	-0.5	0.1	0.0	-0.1	-0.6	-0.8	0.3	-0.2	0.0	0.0	0.0
1999	1.9	-1.3	0.6	-0.1	0.5	0.0	0.1	-0.7	-0.8	0.1	0.4	0.3	0.0	0.3
2000	1.1	0.1	1.2	1.0	0.7	0.1	0.2	0.0	-0.4	0.2	0.1	0.1	0.0	0.0
2001	1.8	-1.7	0.0	-0.5	-0.6	0.1	0.1	-0.1	-0.3	0.2	0.0	0.0	0.1	0.4
2002	2.2	-2.5	-0.3	0.0	0.0	0.0	0.0	0.0	-0.4	0.2	-0.4	0.0	0.1	0.0
2003	3.0	-2.8	0.2	0.1	0.1	0.0	0.0	0.1	-0.4	0.1	-0.1	-0.1	0.0	0.2
2004	3.1	-2.7	0.4	0.2	0.2	0.1	0.0	-0.1	-0.2	0.1	0.0	0.0	-0.1	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) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
- 11) Excluding financial derivatives.

## 6.4 Quarterly revenue, expenditure and deficit/surplus <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	44.1	43.6	10.8	13.3	16.0	2.0	0.7	0.5	0.3	40.3
1999 Q2	48.2	47.7	13.6	13.6	16.2	2.2	1.3	0.5	0.3	43.7
1999 Q3	45.3	44.8	11.9	13.1	16.1	2.1	0.7	0.5	0.3	41.4
1999 Q4	51.5	50.9	14.4	14.7	16.9	3.0	0.8	0.7	0.3	46.4
2000 Q1	43.9	43.4	11.2	13.2	15.6	1.9	0.7	0.5	0.3	40.3
2000 Q2	48.1	47.5	14.0	13.5	15.9	2.1	1.1	0.6	0.3	43.8
2000 Q3	44.8	44.3	12.1	12.7	15.9	2.0	0.7	0.4	0.3	41.0
2000 Q4	50.6	50.1	14.1	14.3	16.8	3.1	0.9	0.5	0.3	45.5
2001 Q1	42.8	42.4	10.6	12.9	15.4	1.8	0.8	0.4	0.2	39.2
2001 Q2	47.4	47.0	13.7	13.1	15.8	2.0	1.5	0.4	0.2	42.8
2001 Q3	44.2	43.8	11.9	12.5	15.8	1.9	0.8	0.4	0.3	40.4
2001 Q4	50.0	49.5	13.8	14.1	16.5	3.1	0.9	0.5	0.3	44.7
2002 Q1	42.4	42.0	10.3	12.9	15.6	1.7	0.7	0.4	0.2	39.1
2002 Q2	46.2	45.6	12.8	12.8	15.7	2.0	1.4	0.6	0.4	41.7
2002 Q3	44.3	43.8	11.4	12.9	15.7	2.0	0.7	0.4	0.3	40.4
2002 Q4	50.0	49.4	13.6	14.4	16.5	3.1	0.8	0.6	0.3	44.8
2003 Q1	42.4	42.0	10.0	13.0	15.8	1.7	0.7	0.4	0.2	39.0
2003 Q2	46.7	45.1	12.3	12.8	16.0	2.1	1.2	1.6	1.3	42.4
2003 Q3	43.6	43.1	11.1	12.9	15.8	2.0	0.6	0.5	0.3	40.0
2003 Q4	50.5	49.3	13.3	14.6	16.5	3.1	0.7	1.2	0.4	44.8
2004 Q1	42.4	41.9	9.8	13.1	15.6	1.7	0.6	0.5	0.3	38.8
2004 Q2	45.9	45.0	12.3	13.1	15.6	2.1	0.8	0.9	0.7	41.7
2004 Q3	43.7	43.2	10.9	12.9	15.7	2.0	0.6	0.5	0.3	39.7
2004 Q4	50.8	49.7	13.3	14.8	16.5	3.1	0.7	1.1	0.5	45.2

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

	Total		Current expenditure						Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
	1	2	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social		Investment	Capital transfers		
								benefits	Subsidies				
1999 Q1	47.7	44.5	10.5	4.3	4.7	24.9	21.8	1.3	3.3	1.9	1.3	-3.6	1.0
1999 Q2	47.8	44.2	10.6	4.5	4.3	24.7	21.6	1.5	3.6	2.4	1.2	0.4	4.7
1999 Q3	47.8	44.1	10.3	4.5	4.2	25.1	21.6	1.6	3.7	2.5	1.1	-2.6	1.6
1999 Q4	51.2	46.4	11.1	5.2	3.8	26.2	22.7	1.6	4.8	3.1	1.6	0.3	4.2
2000 Q1	46.5	43.1	10.3	4.4	4.3	24.2	21.2	1.2	3.3	2.0	1.3	-2.6	1.7
2000 Q2	46.9	43.4	10.4	4.6	4.0	24.4	21.2	1.4	3.4	2.4	1.1	1.2	5.2
2000 Q3	43.6	43.3	10.2	4.5	4.1	24.5	21.3	1.5	0.3	2.5	1.1	1.2	5.3
2000 Q4	50.2	46.3	11.1	5.3	3.8	26.1	22.4	1.6	3.8	3.1	1.5	0.4	4.3
2001 Q1	45.8	42.4	10.2	4.1	4.1	24.0	21.1	1.2	3.4	2.0	1.5	-2.9	1.2
2001 Q2	46.9	43.4	10.4	4.6	4.0	24.4	21.2	1.4	3.5	2.4	1.1	0.5	4.5
2001 Q3	46.9	43.1	10.1	4.6	4.0	24.5	21.4	1.4	3.8	2.5	1.2	-2.7	1.3
2001 Q4	51.8	46.8	11.1	5.6	3.7	26.4	22.7	1.6	5.0	3.2	1.8	-1.8	1.9
2002 Q1	46.3	42.8	10.4	4.1	3.8	24.4	21.4	1.2	3.5	2.0	1.5	-3.9	0.0
2002 Q2	47.3	43.8	10.4	4.9	3.7	24.8	21.6	1.3	3.5	2.4	1.1	-1.1	2.6
2002 Q3	47.5	43.8	10.2	4.7	3.7	25.3	21.9	1.4	3.7	2.5	1.2	-3.3	0.4
2002 Q4	51.6	47.2	11.2	5.6	3.5	26.8	23.2	1.5	4.5	2.8	1.6	-1.7	1.8
2003 Q1	46.8	43.3	10.4	4.3	3.6	25.0	21.9	1.1	3.5	2.0	1.5	-4.4	-0.8
2003 Q2	48.0	44.5	10.6	4.7	3.5	25.6	22.2	1.4	3.5	2.4	1.1	-1.3	2.3
2003 Q3	47.7	44.0	10.3	4.7	3.4	25.5	22.1	1.4	3.7	2.6	1.1	-4.1	-0.7
2003 Q4	52.2	47.3	11.2	5.7	3.2	27.2	23.5	1.5	4.9	3.2	1.6	-1.7	1.6
2004 Q1	47.0	43.6	10.5	4.4	3.4	25.4	21.9	1.0	3.4	2.0	1.4	-4.6	-1.2
2004 Q2	47.6	44.2	10.6	4.8	3.3	25.5	22.0	1.3	3.4	2.4	1.0	-1.7	1.6
2004 Q3	47.2	43.7	10.1	4.5	3.3	25.7	22.1	1.3	3.5	2.5	0.9	-3.5	-0.2
2004 Q4	52.1	47.0	11.0	5.7	3.2	27.1	23.3	1.4	5.1	3.2	1.9	-1.3	1.9

Source: ECB calculations based on Eurostat and national data.

- 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.
- The fiscal burden comprises taxes and social contributions.



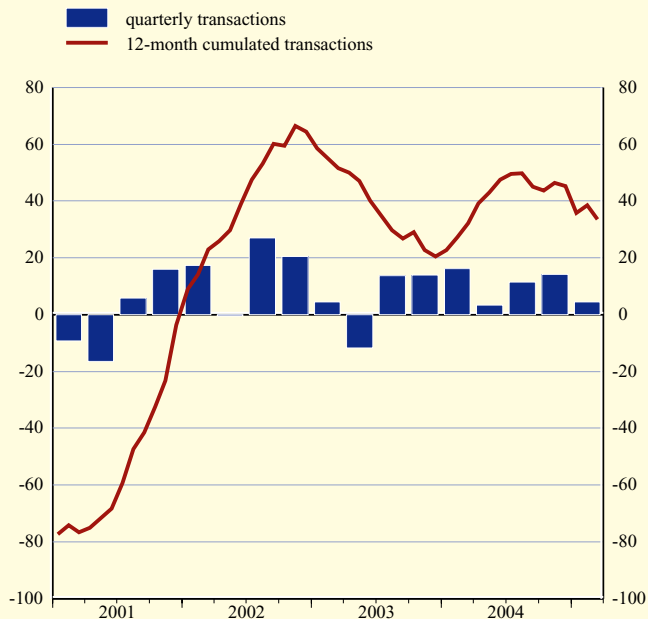
# EXTERNAL TRANSACTIONS AND POSITIONS

## 7.1 Balance of payments (EUR billions; net transactions)

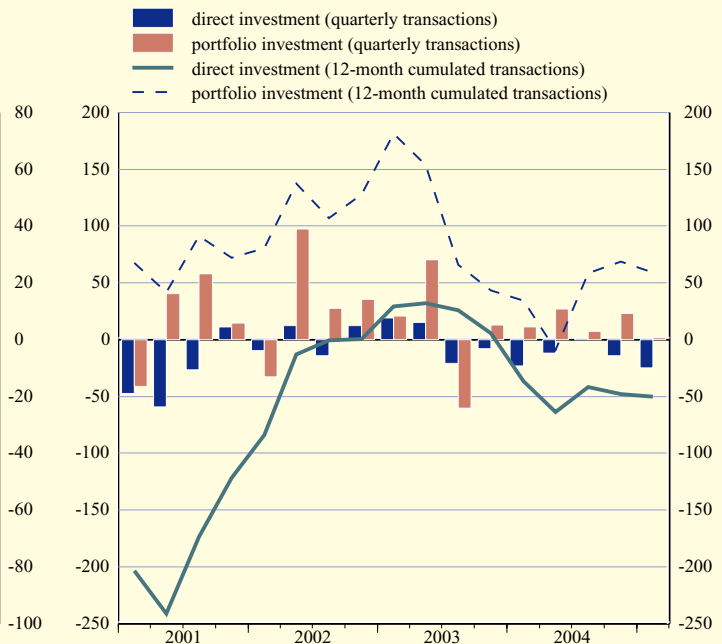
### 1. Summary balance of payments

	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
2002	64.5	128.5	16.4	-31.9	-48.6	10.2	74.6	-43.9	0.6	127.8	-11.0	-159.1	-2.3	-30.7
2003	20.4	102.7	19.7	-45.8	-56.1	13.1	33.5	-5.9	5.4	43.4	-12.2	-72.5	30.0	-27.6
2004	45.2	103.4	27.2	-29.8	-55.6	17.2	62.5	24.5	-47.9	68.6	-2.0	-6.6	12.4	-86.9
2004 Q1	16.2	27.7	1.8	-6.4	-7.0	3.4	19.6	5.5	-23.0	11.3	5.3	2.6	9.3	-25.1
Q2	3.4	31.4	10.4	-21.7	-16.7	4.0	7.4	11.3	-12.1	27.0	-1.2	0.4	-2.8	-18.6
Q3	11.4	23.5	8.8	-3.0	-18.0	4.1	15.5	3.1	1.1	7.2	-1.0	-7.7	3.5	-18.6
Q4	14.3	20.8	6.2	1.2	-13.9	5.7	20.0	4.6	-14.0	23.1	-5.1	-2.0	2.5	-24.6
2005 Q1	4.5	14.8	1.7	-2.6	-9.4	1.0	5.5	37.8	-25.0	1.9	-9.6	65.6	4.9	-43.3
2004 Mar.	7.9	13.4	1.4	-2.9	-4.0	1.1	9.1	-3.5	-22.4	-1.0	2.3	13.9	3.7	-5.6
Apr.	-1.8	9.7	2.2	-9.6	-4.1	0.8	-1.0	-15.6	-2.0	-5.8	-2.7	-2.4	-2.6	16.6
May	0.5	10.2	4.2	-7.9	-6.0	2.3	2.9	15.7	0.0	1.2	-0.3	14.2	0.7	-18.6
June	4.7	11.5	3.9	-4.2	-6.6	0.9	5.5	11.1	-10.1	31.6	1.8	-11.3	-0.8	-16.7
July	8.3	13.5	3.7	-2.5	-6.4	1.3	9.6	-17.6	-7.2	-40.6	0.6	29.4	0.2	8.0
Aug.	3.3	5.2	2.6	0.8	-5.3	1.6	4.9	6.3	5.1	2.5	-4.2	-0.9	3.8	-11.2
Sep.	-0.1	4.9	2.5	-1.2	-6.3	1.1	1.0	14.4	3.3	45.3	2.5	-36.2	-0.5	-15.4
Oct.	3.5	8.9	3.8	-3.6	-5.6	0.6	4.2	-30.1	-12.6	-2.2	-4.1	-12.1	0.9	25.9
Nov.	5.3	4.6	1.6	3.5	-4.4	1.0	6.3	25.2	-6.4	-13.0	1.4	43.2	-0.1	-31.5
Dec.	5.5	7.3	0.8	1.4	-4.0	4.1	9.6	9.4	5.1	38.3	-2.4	-33.1	1.6	-19.0
2005 Jan.	-7.2	0.2	0.5	-4.7	-3.2	-0.8	-8.0	25.9	-11.4	-17.1	-3.8	59.7	-1.6	-17.8
Feb.	8.8	6.1	1.2	3.7	-2.2	1.1	9.9	21.9	-4.9	21.7	-0.3	0.3	5.0	-31.8
Mar.	3.0	8.5	0.1	-1.6	-4.0	0.7	3.6	-10.0	-8.8	-2.8	-5.5	5.6	1.5	6.3
	<i>12-month cumulated transactions</i>													
2005 Mar.	33.6	90.5	27.1	-26.0	-58.0	14.8	48.4	56.7	-50.0	59.2	-16.9	56.4	8.0	-105.1

### C26 B.o.p. current account balance (EUR billions)



### C27 B.o.p. net direct and portfolio investment (EUR billions)



Source: ECB.

## 7.1 Balance of payments

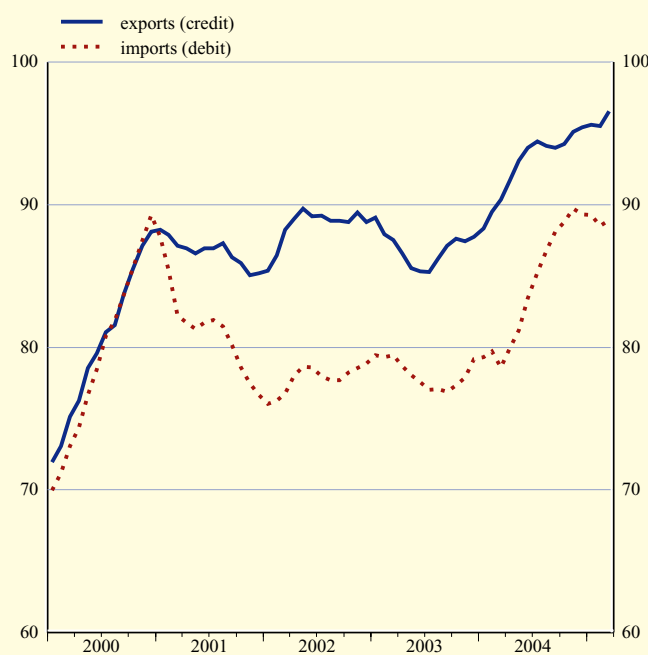
(EUR billions; transactions)

### 2. Current and capital accounts

	Current account										Capital account		
	Total			Goods		Services		Income		Current transfers		Credit	Debit
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	
2002	1,726.9	1,662.4	64.5	1,062.1	933.6	332.1	315.7	247.3	279.2	85.4	133.9	19.2	9.0
2003	1,675.4	1,655.0	20.4	1,039.7	937.0	329.3	309.6	225.6	271.5	80.8	137.0	23.3	10.1
2004	1,818.1	1,772.8	45.2	1,130.0	1,026.6	355.1	327.9	252.8	282.6	80.2	135.8	23.3	6.1
2004 Q1	431.0	414.8	16.2	266.1	238.4	77.2	75.4	56.1	62.5	31.5	38.5	5.0	1.6
Q2	455.9	452.5	3.4	285.0	253.6	89.8	79.4	66.0	87.7	15.0	31.7	5.3	1.3
Q3	451.7	440.3	11.4	279.6	256.1	96.4	87.5	60.3	63.3	15.4	33.4	5.6	1.6
Q4	479.5	465.2	14.3	299.2	278.4	91.7	85.6	70.3	69.1	18.2	32.2	7.3	1.6
2005 Q1	457.9	453.4	4.5	279.7	264.9	80.0	78.3	66.1	68.7	32.1	41.5	4.3	3.3
2005 Jan.	150.2	157.5	-7.2	87.3	87.0	26.5	26.0	18.9	23.6	17.6	20.8	1.6	2.4
Feb.	147.2	138.4	8.8	90.8	84.7	25.8	24.6	23.0	19.3	7.7	9.8	1.5	0.4
Mar.	160.4	157.5	3.0	101.7	93.2	27.8	27.7	24.2	25.7	6.9	10.9	1.3	0.6
	Seasonally adjusted												
2004 Q1	435.5	421.1	14.4	271.1	235.8	85.4	79.6	59.4	69.9	19.7	35.8	.	.
Q2	452.4	435.7	16.7	281.9	250.3	89.1	81.8	61.4	71.2	20.0	32.4	.	.
Q3	454.6	450.7	3.9	282.0	264.4	89.7	82.0	63.3	69.5	19.6	34.9	.	.
Q4	463.4	456.2	7.2	286.3	267.9	89.2	82.9	68.0	71.7	19.9	33.7	.	.
2005 Q1	469.9	463.4	6.5	289.6	266.7	90.0	83.4	69.9	76.7	20.4	36.6	.	.
2004 July	151.0	148.5	2.5	94.8	87.5	29.4	27.2	20.7	22.5	6.0	11.3	.	.
Aug.	151.0	149.8	1.2	93.4	88.2	29.8	26.6	20.9	22.9	6.9	12.1	.	.
Sep.	152.6	152.3	0.3	93.7	88.6	30.6	28.2	21.7	24.0	6.6	11.5	.	.
Oct.	154.8	151.0	3.8	95.6	89.5	30.5	27.4	22.1	23.6	6.5	10.6	.	.
Nov.	156.6	154.1	2.5	95.9	91.1	29.9	27.7	24.1	24.3	6.6	11.0	.	.
Dec.	152.0	151.0	0.9	94.7	87.3	28.8	27.8	21.7	23.8	6.8	12.1	.	.
2005 Jan.	155.6	157.3	-1.8	96.2	89.4	30.3	27.5	22.2	26.0	6.9	14.4	.	.
Feb.	156.7	150.7	6.0	95.7	88.8	30.2	27.4	23.9	23.7	6.9	10.8	.	.
Mar.	157.7	155.4	2.3	97.7	88.5	29.5	28.5	23.8	27.0	6.6	11.3	.	.

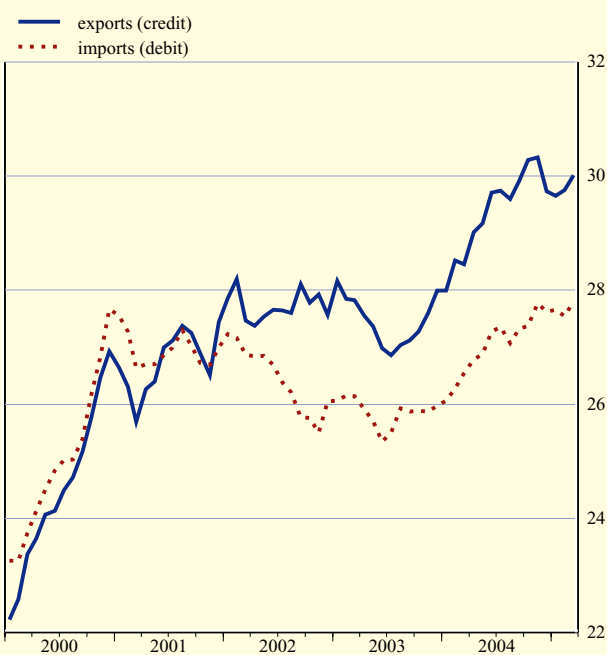
### C28 B.o.p. goods

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



### C29 B.o.p. services

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



Source: ECB.

## 7.1 Balance of payments

(EUR billions)

### 3. Income account

(transactions)

	Compensation of employees		Investment income											
	Credit	Debit	Total		Direct investment				Portfolio investment				Other investment	
			Credit	Debit	Equity		Debt		Equity		Debt		Credit	Debit
					Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2002	14.9	6.2	232.4	273.0	56.4	51.8	7.6	7.1	19.8	52.3	65.6	71.0	83.0	90.8
2003	14.5	6.3	211.1	265.2	47.9	53.7	10.3	9.6	19.0	50.0	64.6	76.7	69.3	75.2
2004	15.1	6.3	237.8	276.3	65.7	57.4	11.8	11.4	23.8	56.6	73.9	79.3	62.6	71.6
2003 Q4	3.8	1.6	54.9	65.2	14.8	13.3	3.0	2.6	4.7	9.7	16.5	20.8	15.9	18.8
2004 Q1	3.7	1.3	52.5	61.2	11.7	13.3	3.2	2.5	4.6	9.3	17.8	18.7	15.1	17.3
Q2	3.7	1.6	62.4	86.1	18.2	17.0	3.0	2.7	8.1	26.0	17.6	22.8	15.4	17.6
Q3	3.8	1.8	56.6	61.5	14.0	13.8	2.4	2.6	5.7	11.1	19.0	16.5	15.4	17.6
Q4	4.0	1.6	66.4	67.5	21.8	13.3	3.1	3.5	5.4	10.2	19.4	21.3	16.7	19.2

### 4. Direct investment

(net transactions)

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
2002	-179.9	-179.3	-22.3	-157.0	-0.6	0.0	-0.7	180.6	124.9	1.9	123.0	55.6	0.5	55.2
2003	-136.0	-112.7	-1.7	-111.0	-23.3	-0.1	-23.3	141.4	124.2	3.0	121.2	17.2	0.1	17.1
2004	-116.9	-124.1	-18.2	-105.9	7.2	0.1	7.1	69.0	69.7	2.4	67.3	-0.7	0.8	-1.5
2004 Q1	-28.4	-22.5	-4.9	-17.6	-5.9	-0.1	-5.8	5.4	13.5	-0.7	14.2	-8.1	-0.3	-7.8
Q2	-27.9	-24.8	-3.6	-21.2	-3.1	0.0	-3.1	15.8	10.6	0.6	10.0	5.2	0.8	4.5
Q3	-16.4	-27.5	-1.1	-26.4	11.1	0.0	11.1	17.6	17.7	1.5	16.3	-0.1	0.4	-0.6
Q4	-44.2	-49.2	-8.5	-40.7	5.0	0.1	5.0	30.2	27.9	1.0	26.8	2.3	-0.1	2.4
2005 Q1	-31.7	-16.2	-3.2	-13.0	-15.5	0.0	-15.5	6.7	9.9	0.5	9.4	-3.2	0.0	-3.3
2004 Mar.	-11.3	-13.0	-4.1	-8.9	1.8	0.0	1.8	-11.1	1.5	-1.2	2.7	-12.6	-0.1	-12.5
Apr.	-15.4	-7.6	-0.4	-7.2	-7.8	0.1	-7.9	13.4	8.6	0.2	8.4	4.8	0.0	4.8
May	-2.8	-5.6	0.0	-5.6	2.8	0.0	2.8	2.9	3.1	0.3	2.8	-0.3	0.3	-0.6
June	-9.7	-11.6	-3.2	-8.5	2.0	0.0	2.0	-0.5	-1.1	0.0	-1.2	0.7	0.4	0.3
July	-18.7	-16.4	0.1	-16.4	-2.3	0.0	-2.3	11.4	11.4	0.2	11.2	0.0	-0.1	0.1
Aug.	9.1	-7.3	0.2	-7.5	16.4	0.0	16.4	-4.0	-1.9	0.3	-2.3	-2.1	0.0	-2.0
Sep.	-6.8	-3.9	-1.3	-2.5	-3.0	0.0	-3.0	10.2	8.3	0.9	7.3	1.9	0.5	1.4
Oct.	-29.6	-22.6	0.0	-22.5	-7.0	0.0	-7.0	16.9	9.3	0.2	9.0	7.7	0.0	7.7
Nov.	-21.5	-20.3	-13.3	-7.0	-1.3	0.1	-1.4	15.1	8.0	0.3	7.7	7.1	0.0	7.1
Dec.	6.9	-6.4	4.8	-11.2	13.4	0.0	13.3	-1.8	10.6	0.5	10.1	-12.4	0.0	-12.4
2005 Jan.	-11.2	-7.0	-0.9	-6.1	-4.2	0.0	-4.2	-0.2	3.4	0.2	3.2	-3.6	0.0	-3.6
Feb.	-6.5	-3.8	-1.5	-2.3	-2.7	0.0	-2.7	1.7	3.0	0.2	2.9	-1.4	-0.1	-1.3
Mar.	-14.0	-5.4	-0.8	-4.6	-8.6	0.0	-8.6	5.2	3.5	0.2	3.4	1.7	0.0	1.6

Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

## 5. Portfolio investment by instrument and sector of holder

	Equity					Debt instruments									
	Assets				Liabilities	Bonds and notes					Money market instruments				
	Eurosystème	MFIs excluding Eurosystème	Non-MFIs			Eurosystème	MFIs excluding Eurosystème	Non-MFIs		Eurosystème	MFIs excluding Eurosystème	Non-MFIs		Liabilities	
			General gov.		General gov.			General gov.							
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2002	-0.4	-7.4	-31.0	-4.4	86.2	-0.7	-17.4	-70.6	-0.9	157.9	2.0	-31.9	-18.8	-1.1	59.8
2003	-0.3	-12.8	-53.8	-2.6	117.2	-2.4	-45.1	-134.8	-0.2	170.4	0.2	-41.3	13.7	0.6	32.4
2004	0.0	-21.8	-51.8	-2.1	121.6	1.2	-80.7	-70.1	-1.1	211.3	-0.1	-43.1	-15.8	0.2	18.0
2004 Q1	0.0	-6.0	-24.6	-0.9	20.6	-0.4	-26.3	-17.5	-0.5	54.1	-0.1	-10.6	-10.1	-1.0	32.3
Q2	0.0	-12.4	-3.8	-0.7	-4.1	0.3	-10.7	-17.6	-0.1	85.4	0.1	-5.0	-3.5	-2.4	-1.7
Q3	0.0	-2.5	-3.9	-0.6	38.5	0.7	-23.0	-15.0	-0.1	39.9	0.0	-14.7	-5.8	-0.7	-6.9
Q4	0.0	-0.9	-19.4	0.1	66.6	0.6	-20.6	-20.0	-0.3	31.9	-0.1	-12.8	3.5	4.3	-5.6
2005 Q1	0.0	-25.1	-20.3	.	37.6	-0.6	-34.7	-37.6	.	45.3	0.4	6.2	-6.1	.	36.7
2004 Mar.	0.0	0.5	-11.0	-	1.9	-0.4	-11.6	-11.0	-	9.8	0.0	10.4	-3.6	-	14.1
Apr.	0.0	-1.0	2.6	-	-19.8	0.2	-2.8	-5.3	-	38.8	0.0	-15.3	-3.7	-	0.6
May	0.0	-1.8	0.4	-	1.2	0.1	-7.3	-7.3	-	17.6	-0.2	2.6	0.6	-	-4.7
June	0.0	-9.7	-6.8	-	14.5	0.0	-0.5	-5.0	-	29.1	0.3	7.6	-0.3	-	2.4
July	0.0	-8.9	-0.5	-	10.2	-0.3	-12.9	0.7	-	-9.1	0.3	-19.1	1.4	-	-2.4
Aug.	0.0	-4.2	-7.5	-	15.8	0.4	-12.0	-0.7	-	9.8	-0.1	-3.5	-2.2	-	6.8
Sep.	0.0	10.6	4.0	-	12.6	0.6	1.9	-15.0	-	39.2	-0.1	7.9	-5.0	-	-11.3
Oct.	0.0	-3.7	-10.5	-	14.8	0.3	-13.7	-4.4	-	11.9	-0.1	0.6	-0.5	-	3.2
Nov.	0.0	-9.1	-5.5	-	23.0	0.4	-6.0	-9.6	-	5.9	0.2	-14.7	4.9	-	-2.5
Dec.	0.0	11.9	-3.5	-	28.8	-0.1	-1.0	-6.0	-	14.2	-0.1	1.3	-0.8	-	-6.3
2005 Jan.	0.0	-7.1	-8.8	-	10.0	-0.4	-26.0	-2.8	-	5.5	0.2	-3.1	-5.0	-	20.5
Feb.	0.0	-16.3	-3.1	-	7.9	-0.2	-3.5	-16.4	-	36.7	0.1	17.1	-2.1	-	1.5
Mar.	0.0	-1.7	-8.3	-	19.7	0.0	-5.2	-18.3	-	3.1	0.1	-7.8	1.0	-	14.7

## 6. Other investment by sector

	Total		Eurosystème		General government		MFIs (excluding Eurosystème)						Other sectors			
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Total		Long-term		Short-term		Assets	Liabilities		
							Assets	Liabilities	Assets	Liabilities	Assets	Liabilities				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
2002	-225.1	66.0	-0.9	19.3	0.1	-	-8.3	-168.0	25.8	-35.0	52.1	-133.0	-26.3	-56.3	-	29.2
2003	-240.1	167.6	-0.8	10.0	-0.6	-	-3.9	-154.7	136.2	-59.9	64.4	-94.9	71.8	-84.0	-	25.3
2004	-289.6	283.0	0.4	7.3	-1.8	-1.9	-2.8	-259.9	246.5	-19.8	0.6	-240.0	245.9	-28.3	-5.8	31.9
2004 Q1	-178.9	181.5	-0.6	-1.3	-0.6	-0.5	-6.3	-156.0	158.4	-10.4	0.3	-145.6	158.1	-21.7	-16.0	30.7
Q2	-18.6	19.0	0.9	1.7	-4.9	-4.9	3.1	-5.3	22.2	-2.3	6.7	-3.0	15.5	-9.3	10.1	-7.9
Q3	-17.9	10.2	-1.5	3.2	0.2	-0.2	2.2	-24.2	6.5	-7.8	-5.7	-16.5	12.2	7.6	-7.4	-1.7
Q4	-74.1	72.2	1.7	3.7	3.4	3.7	-1.7	-74.3	59.3	0.7	-0.8	-75.0	60.0	-5.0	7.4	10.9
2005 Q1	-163.4	229.0	0.8	4.7	3.0	3.5	0.6	-126.1	199.3	-30.1	11.4	-96.0	187.9	-41.1	-14.1	24.5
2004 Mar.	-83.5	97.4	0.2	0.4	-0.7	-0.5	-1.5	-69.7	65.5	-3.7	-3.2	-65.9	68.8	-13.3	-9.5	33.0
Apr.	-51.1	48.7	0.6	0.6	-1.5	-1.2	-0.3	-50.4	54.3	-6.3	0.5	-44.1	53.8	0.2	5.0	-6.0
May	12.2	2.0	-0.1	-0.2	-0.2	-0.1	0.5	17.6	10.3	3.6	3.5	14.0	6.8	-5.1	6.3	-8.6
June	20.3	-31.6	0.5	1.3	-3.3	-3.6	2.9	27.4	-42.4	0.4	2.7	27.1	-45.2	-4.4	-1.2	6.7
July	57.3	-27.8	-0.3	1.5	-0.3	-0.5	-0.4	46.1	-12.7	3.1	-7.8	43.0	-4.9	11.8	2.7	-16.2
Aug.	-31.8	30.9	-0.2	0.2	-0.2	-0.3	0.1	-31.3	18.8	-5.7	2.3	-25.5	16.5	-0.1	-1.2	11.8
Sep.	-43.4	7.2	-1.0	1.5	0.7	0.7	2.6	-39.0	0.4	-5.2	-0.2	-33.9	0.6	-4.0	-8.9	2.7
Oct.	-15.7	3.6	0.1	1.3	2.0	2.2	0.2	-9.8	-0.2	8.3	5.3	-18.1	-5.5	-8.1	-0.7	2.4
Nov.	-67.1	110.3	0.5	2.0	-0.4	-0.8	1.0	-60.1	97.2	-0.3	3.3	-59.7	93.9	-7.1	-1.8	10.0
Dec.	8.7	-41.7	1.1	0.4	1.8	2.2	-2.9	-4.4	-37.7	-7.3	-9.4	2.9	-28.3	10.2	9.9	-1.6
2005 Jan.	-50.9	110.5	0.7	3.9	-1.3	-1.0	2.6	-33.9	97.7	-15.1	16.6	-18.8	81.1	-16.4	-13.4	6.3
Feb.	-60.6	61.0	0.2	-3.5	-1.5	0.6	-4.2	-58.4	59.9	-10.6	2.7	-47.8	57.2	-1.0	5.0	8.7
Mar.	-51.9	57.4	0.0	4.2	5.8	3.9	2.2	-33.8	41.6	-4.4	-7.9	-29.4	49.5	-23.8	-5.7	9.4

Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

### 7. Other investment by sector and instrument

	Eurosystem				General government								
	Assets		Liabilities		Assets					Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
1	2	3	4	5	6	7	8	9	10	11	12		
2002	-0.9	0.0	19.3	0.0	1.5	-0.4	-	-	-1.0	0.0	-8.0	-0.3	
2003	-0.8	0.0	10.0	0.0	-0.1	0.4	-	-	-0.9	0.0	-4.2	0.3	
2004	0.4	0.0	7.1	0.2	0.0	0.1	2.0	-1.9	-1.9	0.0	-2.7	0.0	
2003 Q4	-0.7	0.0	-0.9	0.0	0.0	3.1	-	-	0.1	0.0	-4.2	-0.4	
2004 Q1	-0.6	0.0	-1.3	0.0	0.0	0.2	0.7	-0.5	-0.8	0.0	-6.0	-0.3	
Q2	0.9	0.0	1.5	0.2	0.0	-4.5	0.4	-4.9	-0.4	0.0	2.8	0.2	
Q3	-1.5	0.0	3.3	-0.1	0.0	0.5	0.7	-0.2	-0.3	0.0	2.1	0.1	
Q4	1.7	0.0	3.5	0.2	0.0	3.9	0.2	3.7	-0.4	0.0	-1.6	-0.1	

	MFIs (excluding Eurosystem)				Other sectors								
	Assets		Liabilities		Assets					Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
13	14	15	16	17	18	19	20	21	22	23	24		
2002	-163.0	-5.0	27.9	-2.1	-1.9	-50.7	-	-	-3.7	-3.7	26.2	6.6	
2003	-154.2	-0.5	136.3	-0.1	0.2	-81.2	-	-	-3.0	3.4	22.7	-0.7	
2004	-256.8	-3.1	243.6	2.9	-4.8	-18.3	-12.5	-5.8	-5.2	8.8	22.7	0.4	
2003 Q4	-70.7	-0.6	52.1	0.2	-1.0	-8.3	-	-	-0.7	2.4	11.7	-1.1	
2004 Q1	-153.5	-2.6	156.8	1.6	-2.8	-17.2	-1.2	-16.0	-1.6	4.8	25.3	0.5	
Q2	-4.7	-0.6	22.2	0.0	-3.2	-5.1	-15.3	10.1	-1.0	1.6	-7.4	-2.1	
Q3	-22.5	-1.7	5.0	1.5	1.9	6.6	14.0	-7.4	-0.9	-0.2	-4.1	2.7	
Q4	-76.1	1.8	59.6	-0.3	-0.7	-2.6	-10.0	7.4	-1.7	2.7	8.9	-0.7	

### 8. Reserve assets

	Total	Monetary gold	Special drawing rights	Reserve position in the IMF	Foreign exchange						Other claims	
					Total	Currency and deposits		Securities				Financial derivatives
						With monetary authorities and the BIS	With banks	Equity	Bonds and notes	Money market instruments		
1	2	3	4	5	6	7	8	9	10	11	12	
2002	-2.3	0.7	0.2	-2.0	-1.2	-2.3	-15.3	0.0	8.1	8.5	-0.2	0.0
2003	30.0	1.7	0.0	-1.6	29.9	-1.8	1.6	0.0	23.2	6.9	0.1	0.0
2004	12.4	1.2	0.5	4.0	6.8	-3.8	3.7	0.5	17.8	-11.4	0.0	0.0
2003 Q4	13.6	0.6	0.0	1.8	11.2	-1.0	-1.9	0.0	13.0	1.1	0.0	0.0
2004 Q1	9.3	-0.1	-0.1	0.7	8.7	0.8	1.8	0.5	8.1	-2.4	-0.1	0.0
Q2	-2.8	0.5	0.1	0.6	-4.0	-3.3	2.2	0.0	5.4	-8.4	0.1	0.0
Q3	3.5	0.0	-0.1	1.5	2.1	2.6	-3.6	0.0	1.0	2.1	0.0	0.0
Q4	2.5	0.8	0.5	1.1	0.0	-3.9	3.4	0.0	3.3	-2.8	0.0	0.0

Source: ECB.

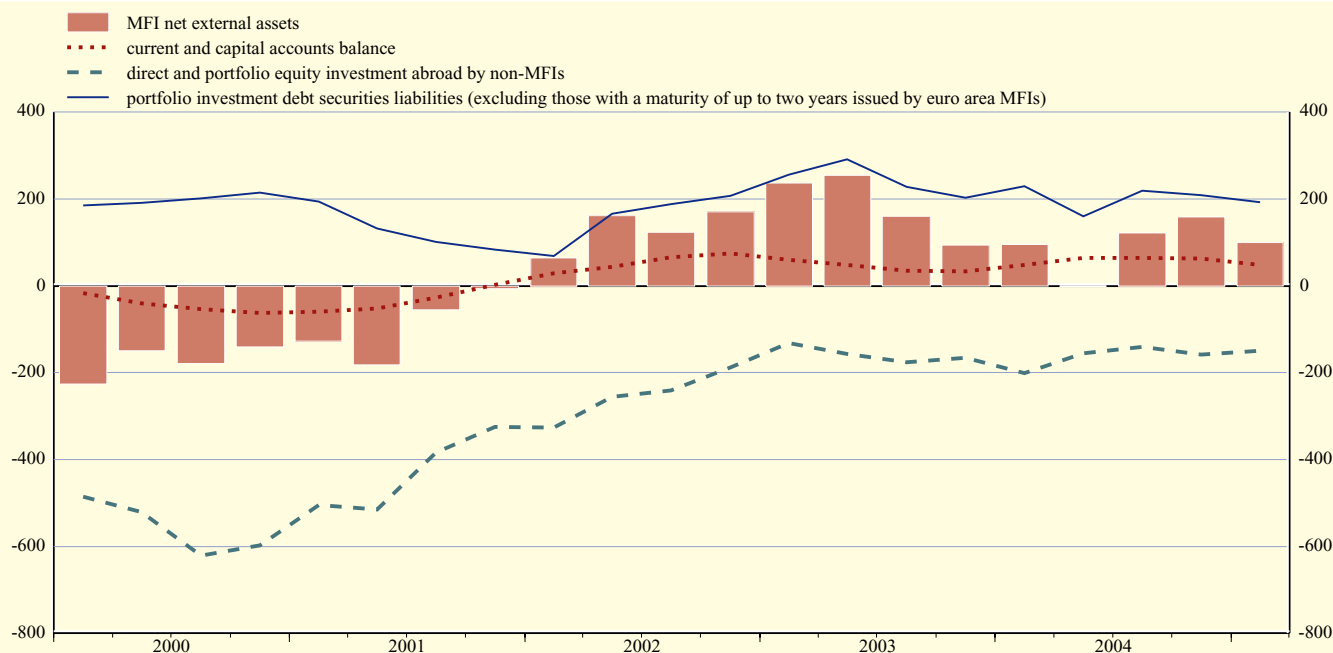
## 7.2 Monetary presentation of the balance of payments

(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	Liabilities		Assets	Liabilities				
					Non-MFIs	Equity <sup>1)</sup>						
1	2	3	4	5	6	7	8	9	10	11	12	
2002	74.6	-157.7	180.1	-120.5	49.9	208.0	-56.2	20.9	-11.0	-30.7	157.5	170.7
2003	33.5	-134.2	141.3	-174.9	121.5	203.1	-84.6	21.5	-12.2	-27.6	87.4	94.0
2004	62.5	-98.8	68.2	-137.7	111.5	209.4	-30.1	29.2	-2.0	-86.9	125.1	158.5
2004 Q1	19.6	-23.4	5.7	-52.1	4.3	79.1	-22.2	24.3	5.3	-25.1	15.4	36.4
Q2	7.4	-24.3	15.0	-24.9	-4.3	72.7	-14.2	-4.9	-1.2	-18.6	2.8	0.0
Q3	15.5	-15.4	17.2	-24.8	37.6	44.6	7.9	0.5	-1.0	-18.6	63.4	64.8
Q4	20.0	-35.7	30.3	-35.9	74.0	12.9	-1.5	9.2	-5.1	-24.6	43.5	57.2
2005 Q1	5.5	-28.5	6.7	-63.9	30.5	62.6	-38.1	25.0	-9.6	-43.3	-53.0	-22.4
2004 Mar.	9.1	-7.1	-11.0	-25.5	-6.4	23.8	-14.0	31.5	2.3	-5.6	-3.1	6.8
Apr.	-1.0	-15.1	13.3	-6.4	-22.7	32.2	-1.3	-6.3	-2.7	16.6	6.8	7.1
May	2.9	-2.7	2.5	-6.4	4.5	10.1	-5.3	-8.2	-0.3	-18.6	-21.5	-21.2
June	5.5	-6.5	-0.8	-12.1	13.9	30.4	-7.7	9.6	1.8	-16.7	17.5	14.2
July	9.6	-18.8	11.5	1.6	5.9	-10.3	11.4	-16.6	0.6	8.0	3.0	-0.5
Aug.	4.9	8.9	-4.0	-10.3	15.5	17.9	-0.3	11.9	-4.2	-11.2	29.1	30.3
Sep.	1.0	-5.5	9.7	-16.0	16.1	37.0	-3.3	5.3	2.5	-15.4	31.3	35.0
Oct.	4.2	-29.5	17.0	-15.4	13.4	12.3	-6.1	2.6	-4.1	25.9	20.2	20.3
Nov.	6.3	-8.3	15.2	-10.2	26.9	0.7	-7.4	11.0	1.4	-31.5	4.0	10.1
Dec.	9.6	2.2	-1.8	-10.3	33.7	0.0	12.0	-4.4	-2.4	-19.0	19.3	26.8
2005 Jan.	-8.0	-10.3	-0.2	-16.7	7.0	20.7	-17.6	8.9	-3.8	-17.8	-37.8	-22.5
Feb.	9.9	-5.0	1.7	-21.6	15.0	34.8	-2.5	4.5	-0.3	-31.8	4.8	14.0
Mar.	3.6	-13.2	5.2	-25.6	8.6	7.0	-18.0	11.6	-5.5	6.3	-20.0	-13.9
	<i>12-month cumulated transactions</i>											
2005 Mar.	48.4	-103.9	69.1	-149.5	137.8	192.9	-46.0	29.9	-16.9	-105.1	56.6	99.7

## C30 Main b.o.p. transactions underlying the developments in MFI net external assets

(EUR billions; 12-month cumulated transactions)



Source: ECB.

1) Excluding money market fund shares/units.

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



## 7.3 Geographical breakdown of the balance of payments and international investment position

(EUR billions)

### 1. Balance of payments: current and capital accounts

(Cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions					
2004 Q1 to 2004 Q4	1	2	3	4	5	6	7	8	9	10	11	12
<b>Credits</b>												
<b>Current account</b>	1,818.1	673.0	35.9	59.1	366.6	154.1	57.3	24.0	48.2	125.5	311.8	635.7
Goods	1,130.0	395.5	25.1	41.3	202.5	126.2	0.3	14.6	33.0	64.6	171.9	450.4
Services	355.1	130.5	7.3	10.0	92.6	16.5	4.1	4.6	10.2	35.8	73.3	100.7
Income	252.8	88.0	3.1	7.3	62.3	10.1	5.3	4.2	4.7	18.9	59.6	77.4
of which: investment income	237.8	83.2	3.0	7.1	60.8	9.9	2.4	4.2	4.6	12.7	57.9	75.2
Current transfers	80.2	59.0	0.4	0.5	9.2	1.3	47.6	0.6	0.3	6.3	7.0	7.1
<b>Capital account</b>	23.3	20.9	0.0	0.0	0.6	0.1	20.2	0.0	0.0	0.3	1.2	0.9
<b>Debits</b>												
<b>Current account</b>	1,772.8	597.3	34.3	57.0	293.4	130.4	82.2	18.3	84.3	119.8	265.2	688.0
Goods	1,026.6	309.9	24.3	38.5	141.9	105.3	0.0	8.6	52.2	52.3	111.4	492.1
Services	327.9	101.6	6.1	7.7	68.5	19.1	0.2	4.8	6.8	30.2	74.4	110.0
Income	282.6	96.8	3.5	10.0	75.1	4.3	3.8	3.3	24.9	32.0	69.2	56.5
of which: investment income	276.3	93.6	3.5	9.9	74.1	2.3	3.8	3.2	24.7	31.5	68.4	55.0
Current transfers	135.8	89.0	0.3	0.8	7.9	1.6	78.3	1.7	0.4	5.3	10.1	29.5
<b>Capital account</b>	6.1	0.9	0.0	0.0	0.3	0.2	0.4	0.1	0.0	0.2	0.4	4.5
<b>Net</b>												
<b>Current account</b>	45.2	75.7	1.6	2.1	73.2	23.7	-24.9	5.7	-36.1	5.7	46.6	-52.3
Goods	103.4	85.5	0.8	2.8	60.7	20.9	0.3	6.0	-19.2	12.3	60.5	-41.6
Services	27.2	28.9	1.2	2.3	24.1	-2.6	4.0	-0.2	3.3	5.5	-1.2	-9.2
Income	-29.8	-8.8	-0.5	-2.8	-12.8	5.7	1.5	1.0	-20.2	-13.1	-9.6	20.9
of which: investment income	-38.6	-10.3	-0.5	-2.8	-13.3	7.7	-1.4	1.0	-20.1	-18.8	-10.6	20.3
Current transfers	-55.6	-30.0	0.1	-0.3	1.3	-0.4	-30.7	-1.1	-0.1	1.0	-3.1	-22.3
<b>Capital account</b>	17.2	20.0	0.0	0.0	0.3	-0.1	19.8	0.0	0.0	0.1	0.8	-3.6

### 2. Balance of payments: direct investment

(Cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2004 Q1 to 2004 Q4	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>Direct investment</b>	-47.9	-20.4	2.9	-3.1	-18.3	-2.0	0.1	-0.2	-10.0	10.6	20.3	-23.2	-24.9
Abroad	-116.9	-56.3	1.4	-6.2	-43.7	-7.8	0.0	1.8	-14.0	3.6	6.3	-28.1	-30.2
Equity/reinvested earnings	-124.1	-54.3	-0.9	-6.2	-33.4	-13.7	0.0	1.9	-11.4	1.0	-18.1	-21.8	-21.5
Other capital	7.2	-2.0	2.4	0.0	-10.3	5.9	0.0	-0.2	-2.7	2.6	24.4	-6.3	-8.7
In the euro area	69.0	35.8	1.4	3.1	25.4	5.8	0.1	-1.9	4.0	7.0	14.0	4.9	5.2
Equity/reinvested earnings	69.7	40.7	1.1	2.5	36.0	1.0	0.1	-2.4	1.8	3.9	15.9	8.5	1.2
Other capital	-0.7	-4.8	0.3	0.6	-10.5	4.8	0.0	0.5	2.2	3.0	-1.9	-3.6	4.0

Source: ECB.

## 7.3 Geographical breakdown of the balance of payments and international investment position

(EUR billions)

## 3. Balance of payments: portfolio investment assets by instrument

(Cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2004 Q1 to 2004 Q4	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>Portfolio investment assets</b>	-282.2	-108.8	0.9	-8.2	-81.6	-14.6	-5.2	-4.6	-42.9	1.5	-55.0	-34.5	-37.8
Equity	-73.6	-8.6	3.1	-0.5	-9.9	-1.2	-0.1	-2.4	-17.4	2.0	-20.4	-13.7	-13.1
Debt securities	-208.6	-100.2	-2.3	-7.7	-71.8	-13.4	-5.1	-2.2	-25.6	-0.5	-34.6	-20.8	-24.7
Bonds and notes	-149.5	-76.1	-0.3	-6.6	-52.2	-11.4	-5.6	-2.5	-8.9	-0.9	-34.2	0.5	-27.3
Money market instruments	-59.1	-24.1	-1.9	-1.1	-19.6	-2.1	0.6	0.3	-16.7	0.4	-0.4	-21.3	2.7

## 4. Balance of payments: other investment by sector

(Cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisations	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2004 Q1 to 2004 Q4	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Other investment</b>	-6.6	-101.7	6.9	-18.3	-90.1	-5.2	5.0	-0.1	10.0	19.7	61.1	-26.7	5.1	26.0
Assets	-289.6	-247.4	3.5	-26.0	-206.3	-18.5	-0.2	-1.8	6.0	-5.1	-3.4	-25.7	-3.3	-8.8
General government	-1.8	-1.7	-1.0	0.0	-0.3	0.2	-0.6	0.0	0.0	0.0	0.0	0.0	-1.9	1.8
MFIs	-259.5	-224.8	5.1	-23.6	-189.2	-17.6	0.5	-0.8	5.4	-4.8	-5.5	-13.5	-1.2	-14.2
Other sectors	-28.3	-20.9	-0.5	-2.4	-16.9	-1.0	-0.1	-1.0	0.6	-0.3	2.0	-12.1	-0.2	3.7
Liabilities	283.0	145.7	3.4	7.7	116.2	13.3	5.2	1.7	4.0	24.8	64.6	-1.0	8.4	34.8
General government	-2.8	-1.7	0.0	0.1	1.0	0.0	-2.8	0.0	-0.6	-0.5	0.0	0.0	0.2	0.5
MFIs	253.8	137.2	3.1	6.5	110.0	11.7	5.9	1.1	2.1	20.4	53.9	-3.5	8.5	33.9
Other sectors	31.9	10.2	0.2	1.1	5.2	1.6	2.0	0.5	2.5	4.9	11.2	2.5	-0.2	0.4

## 5. International investment position

(End-of-period outstanding amounts)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisations	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2003	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Direct investment</b>	79.7	-250.1	1.8	-11.1	-346.3	105.6	-0.1	33.0	5.0	71.2	-3.3	-40.2	-0.1	264.2
Abroad	2,110.4	683.3	25.9	63.5	485.0	108.8	0.0	73.0	53.6	231.6	492.8	218.5	0.0	357.6
Equity/reinvested earnings	1,647.3	524.9	22.6	40.3	377.0	85.0	0.0	59.5	45.4	171.4	350.5	206.0	0.0	289.5
Other capital	463.1	158.3	3.4	23.2	107.9	23.8	0.0	13.5	8.2	60.1	142.3	12.5	0.0	68.0
In the euro area	2,030.7	933.4	24.2	74.6	831.2	3.2	0.1	39.9	48.7	160.4	496.2	258.7	0.1	93.4
Equity/reinvested earnings	1,474.4	732.2	18.9	60.2	650.8	2.3	0.0	37.5	38.4	109.7	347.0	135.1	0.1	74.2
Other capital	556.4	201.1	5.2	14.4	180.5	1.0	0.1	2.4	10.2	50.7	149.1	123.6	0.0	19.1
<b>Portfolio investment assets</b>	2,607.4	799.4	48.3	91.7	568.3	45.0	46.1	57.0	117.5	84.7	960.3	284.5	27.8	276.2
Equity	1,054.6	267.4	8.3	26.0	223.5	9.6	0.0	6.8	80.7	75.7	441.6	74.9	0.5	107.0
Debt securities	1,552.8	532.0	40.0	65.7	344.8	35.5	46.1	50.2	36.8	9.0	518.7	209.6	27.3	169.2
Bonds and notes	1,317.0	433.8	37.5	53.6	262.3	34.9	45.5	49.0	35.2	7.9	423.6	197.0	26.2	144.2
Money market instruments	235.8	98.2	2.5	12.0	82.4	0.6	0.6	1.2	1.6	1.2	95.0	12.5	1.1	25.0
<b>Other investment</b>	-314.8	-76.5	33.5	18.1	23.4	12.2	-163.8	2.1	14.1	-52.5	-71.8	-239.6	-6.8	116.1
Assets	2,587.3	1,240.7	49.9	49.1	1,064.8	72.5	4.5	14.2	86.4	170.6	368.4	229.7	38.9	438.4
General government	92.7	9.4	0.0	0.0	4.2	2.4	2.8	0.0	0.3	0.1	2.8	1.1	33.2	45.8
MFIs	1,768.1	961.8	42.2	33.1	834.2	51.7	0.7	6.8	70.3	109.0	233.9	153.0	5.1	228.1
Other sectors	726.4	269.5	7.7	16.0	226.4	18.4	1.0	7.3	15.8	61.5	131.7	75.6	0.5	164.5
Liabilities	2,902.1	1,317.2	16.3	31.0	1,041.4	60.3	168.2	12.1	72.3	223.1	440.1	469.3	45.6	322.3
General government	43.5	25.6	0.0	0.1	4.1	0.2	21.1	0.0	1.6	0.3	5.2	0.3	3.0	7.6
MFIs	2,333.1	1,012.1	13.2	15.5	816.6	48.3	118.5	6.7	50.6	192.0	350.7	436.2	41.3	243.5
Other sectors	525.5	279.5	3.2	15.3	220.7	11.8	28.6	5.4	20.1	30.8	84.3	32.8	1.4	71.2

Source: ECB.

## 7.4 International investment position (including international reserves)

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

### 1. Summary international investment position

	Total	Total as a % of GDP	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets
	1	2	3	4	5	6	7
Net international investment position							
2001	-398.8	-5.8	410.2	-820.8	2.5	-383.4	392.7
2002	-618.0	-8.7	204.2	-879.0	-12.0	-297.2	366.1
2003	-759.6	-10.4	79.7	-823.5	-7.5	-314.8	306.5
2004 Q1	-693.6	-9.1	130.3	-858.1	-9.0	-265.2	308.4
Q2	-706.4	-9.3	134.4	-842.3	-10.2	-290.5	302.2
Q3	-714.1	-9.4	112.1	-865.8	-6.5	-252.4	298.5
Q4	-815.8	-10.7	74.2	-910.6	-13.6	-246.4	280.6
Outstanding assets							
2001	7,628.1	110.6	1,951.4	2,515.0	129.9	2,639.2	392.7
2002	7,260.6	101.8	1,877.4	2,302.6	135.9	2,578.6	366.1
2003	7,768.2	106.0	2,110.4	2,607.4	156.6	2,587.3	306.5
2004 Q1	8,285.6	108.9	2,158.1	2,796.4	170.0	2,852.7	308.4
Q2	8,317.6	109.3	2,188.7	2,821.9	150.6	2,854.2	302.2
Q3	8,429.8	110.8	2,202.0	2,869.5	167.7	2,892.0	298.5
Q4	8,461.1	111.2	2,199.5	2,931.5	165.7	2,883.8	280.6
Outstanding liabilities							
2001	8,026.9	116.4	1,541.2	3,335.8	127.4	3,022.6	-
2002	7,878.6	110.4	1,673.2	3,181.6	147.9	2,875.9	-
2003	8,527.8	116.4	2,030.7	3,430.9	164.1	2,902.1	-
2004 Q1	8,979.2	118.0	2,027.8	3,654.5	179.0	3,117.9	-
Q2	9,024.0	118.6	2,054.3	3,664.2	160.8	3,144.7	-
Q3	9,143.9	120.1	2,090.0	3,735.3	174.2	3,144.4	-
Q4	9,276.9	121.9	2,125.3	3,842.1	179.3	3,130.2	-

### 2. Direct investment

	By resident units abroad						By non-resident units in the euro area					
	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
	Total	MFIs excluding Eurosystem	Non- MFIs	Total	MFIs excluding Eurosystem	Non- MFIs	Total	MFIs excluding Eurosystem	Non- MFIs	Total	MFIs excluding Eurosystem	Non- MFIs
1	2	3	4	5	6	7	8	9	10	11	12	
2001	1,555.8	124.6	1,431.2	395.6	0.8	394.8	1,175.1	32.5	1,142.6	366.1	2.8	363.3
2002	1,544.1	127.7	1,416.4	333.3	0.3	333.0	1,264.6	37.1	1,227.5	408.6	2.9	405.7
2003	1,647.3	114.8	1,532.5	463.1	0.4	462.7	1,474.4	47.6	1,426.8	556.4	2.9	553.5
2004 Q1	1,683.3	123.6	1,559.8	474.7	1.7	473.0	1,479.0	37.6	1,441.4	548.8	2.8	546.0
Q2	1,709.1	124.9	1,584.1	479.6	1.5	478.1	1,494.5	38.3	1,456.3	559.8	3.6	556.2
Q3	1,757.4	124.3	1,633.1	444.6	1.5	443.1	1,515.4	42.1	1,473.2	574.6	4.0	570.7
Q4	1,764.3	128.5	1,635.8	435.2	1.7	433.5	1,550.0	41.3	1,508.7	575.3	3.8	571.5

### 3. Portfolio investment assets by instrument and sector of holder

	Equity				Debt instruments										
	Assets				Liabilities	Bonds and notes					Money market instruments				
						Assets		Liabilities	Assets			Liabilities	Assets		
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs	Eurosystem	MFIs excluding Eurosystem	Non-MFIs	Eurosystem		MFIs excluding Eurosystem	Non-MFIs	Eurosystem		MFIs excluding Eurosystem	Non-MFIs	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2001	0.6	38.5	6.7	1,070.9	1,640.5	2.0	424.8	8.2	783.6	1,514.8	2.8	135.1	0.2	41.6	180.5
2002	0.7	43.8	8.3	800.5	1,366.1	6.4	404.8	8.0	787.2	1,628.8	1.2	193.8	1.3	46.7	186.7
2003	1.8	52.6	11.5	988.8	1,516.2	8.3	463.7	8.0	837.1	1,701.3	1.1	184.8	0.6	49.2	213.4
2004 Q1	1.9	60.7	13.2	1,073.1	1,643.1	7.6	513.2	8.5	869.9	1,783.0	1.2	195.0	1.7	50.6	228.4
Q2	1.8	73.7	14.1	1,075.5	1,620.0	6.9	515.8	8.5	866.4	1,819.2	1.1	198.4	4.0	55.7	225.1
Q3	1.8	75.3	14.4	1,063.8	1,632.3	6.5	539.6	8.6	884.1	1,891.1	0.9	212.0	4.7	57.8	211.9
Q4	1.8	76.3	14.6	1,105.3	1,754.2	6.1	547.6	8.9	896.1	1,893.5	1.0	217.1	0.4	56.4	194.3

Source: ECB.

7.4 International investment position (including international reserves)

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

4. Other investment by instrument

	Eurosysteem					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	3.0	0.1	40.5	0.2	3.1	68.6	-	-	55.8	0.2	44.8	12.3	
2002	3.4	0.1	57.2	0.2	1.3	58.7	-	-	54.4	0.1	42.8	13.5	
2003	4.2	0.6	65.3	0.2	1.4	53.2	49.1	4.1	38.1	0.0	39.7	3.8	
2004 Q1	5.4	0.6	64.6	0.2	1.4	56.0	50.5	5.5	39.0	0.0	36.0	2.8	
Q2	4.3	0.6	66.0	0.2	1.4	60.6	50.2	10.5	39.5	0.0	39.0	3.5	
Q3	5.6	0.6	69.5	0.2	1.4	60.1	49.4	10.7	38.9	0.0	40.8	3.3	
Q4	4.5	0.6	71.3	0.2	1.4	61.1	53.7	7.4	38.9	0.0	41.0	3.5	

	MFIs (excluding Eurosysteem)				Other sectors							
	Assets		Liabilities		Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
13	14	15	16	17	18	19	20	21	22	23	24	
2001	1,666.6	48.8	2,364.6	49.3	176.3	515.8	-	-	101.2	109.6	360.2	40.9
2002	1,631.3	55.3	2,197.7	42.9	183.6	496.7	-	-	93.9	102.6	369.3	49.6
2003	1,731.1	32.3	2,238.8	28.8	176.4	470.4	148.7	321.6	79.6	103.0	377.6	44.9
2004 Q1	1,938.3	27.7	2,429.4	34.7	165.8	519.8	190.4	329.5	98.8	108.5	393.2	48.4
Q2	1,943.5	25.1	2,458.8	32.8	169.9	509.0	189.2	319.8	100.4	111.0	385.7	47.5
Q3	1,946.2	29.1	2,437.5	38.3	169.7	538.3	198.9	339.4	102.1	111.4	393.4	50.0
Q4	1,955.4	27.6	2,426.9	37.3	165.4	526.3	199.6	326.7	102.7	107.5	395.5	47.0

5. International reserves

	Reserve assets													Memo		
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Total	Foreign exchange						Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency	
		In EUR billions	In fine troy ounces (millions)				Currency and deposits	Securities			Financial derivatives					
								With monetary authorities and the BIS	With banks	Total		Equity				Bonds and notes
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Eurosysteem																
2002	366.1	130.4	399.022	4.8	25.0	205.8	10.3	35.3	159.8	1.0	120.2	38.5	0.4	0.0	22.4	-26.3
2003	306.5	130.0	393.543	4.4	23.3	148.9	10.0	30.4	107.8	0.9	80.5	26.5	0.7	0.0	20.3	-16.3
2004 Q3	298.5	131.4	392.200	4.6	20.5	142.1	8.4	31.2	102.5	0.4	66.2	35.9	0.1	0.0	19.1	-8.5
Q4	280.6	125.4	389.998	3.9	18.6	132.7	12.5	25.5	94.6	0.4	58.2	35.9	0.1	0.0	19.1	-12.8
2005 Feb.	283.2	127.6	388.411	4.0	18.3	133.4	9.2	26.7	97.4	-	-	-	0.0	0.0	20.5	-11.5
Mar.	284.9	127.7	387.359	4.0	17.4	135.7	7.6	27.8	100.3	-	-	-	-0.1	0.0	21.4	-15.1
Apr.	288.9	129.6	385.428	4.0	17.1	138.1	9.4	29.8	99.0	-	-	-	-0.1	0.0	22.6	-18.9
of which held by the European Central Bank																
2002	45.5	8.1	24.656	0.2	0.0	37.3	1.2	9.9	26.1	0.0	19.5	6.7	0.0	0.0	3.0	-5.2
2003	36.9	8.1	24.656	0.2	0.0	28.6	1.4	5.0	22.2	0.0	14.9	7.3	0.0	0.0	2.8	-1.5
2004 Q3	38.0	8.2	24.656	0.2	0.0	29.6	0.9	6.8	21.9	0.0	11.0	10.9	0.0	0.0	2.0	-1.0
Q4	35.1	7.9	24.656	0.2	0.0	27.0	2.7	3.3	21.1	0.0	9.7	11.3	0.0	0.0	2.6	-1.3
2005 Feb.	34.9	8.1	24.656	0.2	0.0	26.6	1.6	3.7	21.3	-	-	-	0.0	0.0	2.8	-0.4
Mar.	36.2	8.1	24.656	0.2	0.0	27.9	1.1	4.2	22.6	-	-	-	0.0	0.0	2.7	-0.9
Apr.	36.5	7.8	23.145	0.2	0.0	28.6	2.2	4.2	22.2	-	-	-	0.0	0.0	2.8	-1.1

Source: ECB.

## 7.5 Trade in goods

(seasonally adjusted, unless otherwise indicated)

### 1. Values, volumes and unit values by product group

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
	Exports	Imports	Total			Memo: Manufactures	Total			Memo: Manufactures	Oil		
			Intermediate	Capital	Consumption		Intermediate	Capital	Consumption				
	1	2	3	4	5	6	7	8	9	10	11	12	13
Values (EUR billions; annual percentage changes for columns 1 and 2)													
2001	6.1	-0.7	1,062.6	506.0	234.9	289.2	932.6	1,014.6	579.1	178.8	228.5	741.1	107.7
2002	2.0	-3.0	1,083.9	512.5	227.9	309.5	949.6	984.8	559.5	163.3	234.2	717.5	105.2
2003	-2.2	0.5	1,058.7	501.1	222.7	300.3	924.6	987.9	554.1	164.2	240.9	715.4	109.1
2004	8.6	8.8	1,146.1	540.2	242.4	310.1	988.9	1,073.1	596.4	178.3	252.6	760.3	128.4
2003 Q4	-0.4	1.5	269.2	125.7	57.4	76.2	233.1	249.5	138.8	42.0	61.5	180.5	27.0
2004 Q1	4.7	-0.1	278.2	130.7	59.0	76.0	241.7	252.0	137.9	42.2	62.4	182.7	26.3
Q2	11.9	9.0	287.0	134.9	59.7	78.8	246.0	263.6	145.9	44.7	62.3	186.4	29.4
Q3	8.8	14.5	289.1	136.9	61.1	78.4	249.7	277.4	156.4	45.0	64.0	194.0	36.3
Q4	8.8	12.2	291.9	137.6	62.6	76.9	251.5	280.2	156.2	46.4	63.9	197.1	36.5
2005 Q1	3.4	8.8	291.2	136.7	60.5	76.3	254.6	276.7	151.9	43.8	62.6	197.0	35.0
2004 Oct.	3.1	7.3	96.2	45.4	20.9	25.5	82.9	93.5	51.3	15.3	21.5	65.1	13.0
Nov.	14.6	18.4	98.3	46.2	20.7	26.1	84.3	94.3	53.0	15.8	21.5	66.8	12.1
Dec.	9.4	11.3	97.4	46.0	20.9	25.3	84.4	92.4	52.0	15.3	20.9	65.3	11.4
2005 Jan.	6.8	11.2	97.2	45.7	20.0	25.5	85.5	92.4	50.0	14.6	20.7	65.8	11.2
Feb.	4.3	8.8	97.0	45.6	20.1	25.1	83.5	91.7	49.4	14.2	20.7	65.3	10.4
Mar.	-0.1	6.7	97.0	45.4	20.5	25.7	85.6	92.6	52.4	15.0	21.1	65.9	13.3
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2001	5.1	-0.8	105.0	102.1	108.4	107.8	105.5	98.8	99.3	96.3	100.6	98.0	99.3
2002	2.9	-0.7	108.0	105.0	106.2	114.9	108.3	98.3	98.8	89.6	104.1	96.4	101.4
2003	1.0	3.7	109.0	105.9	107.9	114.7	109.2	101.7	100.5	95.2	110.4	100.1	104.9
2004	8.5	6.1	118.0	113.9	118.5	118.6	117.3	107.7	102.4	105.0	116.9	106.2	104.9
2003 Q4	3.0	5.4	111.8	107.2	111.8	117.1	111.2	103.8	101.7	97.8	113.4	101.8	106.7
2004 Q1	7.6	4.7	115.9	112.0	116.1	117.2	115.8	105.4	101.4	99.8	116.4	103.6	101.8
Q2	11.4	5.8	117.9	113.8	116.5	119.9	116.5	106.6	101.7	104.6	115.4	104.3	100.0
Q3	7.4	8.3	118.1	114.5	118.7	119.4	117.7	109.1	104.3	105.0	117.5	107.2	113.4
Q4	7.7	5.6	119.9	115.1	122.7	117.8	119.2	109.7	102.3	110.6	118.3	109.6	104.3
2005 Q1	.	.	.	.	.	.	.	.	.	.	.	.	.
2004 Oct.	2.2	0.0	118.4	114.1	122.3	117.4	117.8	109.1	99.7	109.2	119.7	108.5	106.7
Nov.	12.5	11.1	120.3	114.8	122.0	119.2	119.1	110.2	103.6	112.7	119.0	111.1	102.4
Dec.	8.9	6.1	121.0	116.5	123.7	116.9	120.6	109.8	103.7	109.8	116.2	109.3	103.8
2005 Jan.	5.1	6.5	119.4	114.3	117.6	117.0	121.1	111.1	102.7	105.5	114.7	109.9	110.2
Feb.	1.9	2.4	119.3	112.9	118.3	115.3	118.2	108.7	98.8	102.5	114.7	108.6	94.1
Mar.	.	.	.	.	.	.	.	.	.	.	.	.	.
Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2001	1.1	0.3	101.0	100.7	100.1	102.1	100.9	100.2	98.7	101.4	102.9	101.7	88.6
2002	-0.9	-2.3	100.1	99.1	99.2	102.4	100.1	97.8	95.8	99.6	101.9	100.0	84.6
2003	-3.2	-3.1	96.9	96.1	95.4	99.5	96.6	94.8	93.3	94.2	98.8	96.1	85.0
2004	0.0	2.5	96.9	96.3	94.5	99.5	96.2	97.2	98.5	92.8	97.9	96.2	99.4
2003 Q4	-3.2	-3.7	96.1	95.2	94.8	99.1	95.7	93.9	92.3	93.8	98.1	95.3	82.4
2004 Q1	-2.7	-4.6	95.7	94.8	93.9	98.6	95.3	93.3	92.1	92.3	97.1	94.8	84.1
Q2	0.4	3.0	97.1	96.3	94.8	100.0	96.4	96.5	97.1	93.3	97.8	96.1	95.6
Q3	1.3	5.8	97.7	97.1	95.1	99.9	96.9	99.3	101.4	93.6	98.7	97.3	104.2
Q4	1.1	6.3	97.1	97.2	94.3	99.3	96.4	99.7	103.3	91.7	97.8	96.7	113.9
2005 Q1	.	.	.	.	.	.	.	.	.	.	.	.	.
2004 Oct.	0.9	7.3	97.3	97.1	94.7	99.3	96.3	100.4	104.3	92.0	97.6	96.8	118.8
Nov.	1.9	6.6	97.8	98.2	94.3	99.8	96.9	100.3	103.8	92.1	98.1	96.9	116.0
Dec.	0.4	4.9	96.4	96.2	93.8	98.9	95.9	98.6	101.7	91.1	97.9	96.3	107.0
2005 Jan.	1.6	4.4	97.5	97.5	94.1	99.5	96.8	97.5	98.9	90.8	98.2	96.6	99.7
Feb.	2.4	6.3	97.4	98.4	94.0	99.5	96.7	98.8	101.5	90.5	98.2	97.0	108.4
Mar.	.	.	.	.	.	.	.	.	.	.	.	.	.

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

## 7.5 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

## 2. Geographical breakdown

	Total	European Union (outside the euro area)				Russia	Switzer- land	Turkey	United States	Asia			Africa	Latin America	Other countries
		Denmark	Sweden	United Kingdom	Other EU countries					China	Japan	Other Asian countries			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Exports (f.o.b.)</b>															
2001	1,062.6	24.4	37.0	202.5	105.9	24.7	66.4	17.9	180.2	25.2	34.5	140.3	60.5	49.9	93.2
2002	1,083.9	25.3	37.1	205.8	112.1	27.1	64.0	21.4	184.1	29.9	33.1	140.5	59.6	43.4	100.5
2003	1,058.7	24.9	38.7	194.8	117.7	29.2	63.4	24.9	166.4	35.3	31.3	135.4	59.6	37.9	99.2
2004	1,146.1	25.5	41.7	203.2	126.7	35.5	66.1	31.8	173.4	40.2	33.0	149.6	63.6	40.2	115.6
2003 Q4	269.2	6.1	9.8	49.5	29.7	7.4	15.9	6.7	41.4	9.0	8.1	34.2	15.0	9.0	27.4
2004 Q1	278.2	6.1	10.1	49.6	31.0	8.0	15.5	7.9	42.5	9.8	8.4	36.8	15.2	9.5	27.7
Q2	287.0	6.3	10.4	50.5	31.7	9.1	16.3	8.2	43.9	10.4	8.0	36.9	15.8	9.9	29.8
Q3	289.1	6.4	10.5	51.7	31.3	9.3	17.2	8.0	43.3	9.9	8.4	38.7	16.7	10.3	27.4
Q4	291.9	6.6	10.8	51.4	32.8	9.1	17.1	7.7	43.7	10.1	8.2	37.2	15.9	10.5	30.7
2005 Q1	291.2	6.5	10.7	50.7	33.0	9.6	17.4	7.9	43.3	10.4	8.5	38.5	17.0	10.9	26.7
2004 Oct.	96.2	2.2	3.6	17.3	11.1	2.9	5.5	2.6	14.3	3.4	2.6	12.3	5.4	3.3	9.7
Nov.	98.3	2.2	3.6	17.7	11.0	3.1	5.7	2.5	14.7	3.3	2.7	12.3	5.1	3.7	10.7
Dec.	97.4	2.2	3.6	16.4	10.8	3.2	5.8	2.6	14.8	3.4	2.8	12.6	5.4	3.5	10.3
2005 Jan.	97.2	2.2	3.5	16.6	11.5	3.2	5.9	2.7	14.6	3.4	2.8	13.6	5.6	3.7	7.7
Feb.	97.0	2.2	3.6	16.7	11.1	3.2	5.6	2.5	14.3	3.4	2.8	12.4	5.5	3.7	10.1
Mar.	97.0	2.2	3.6	17.4	10.4	3.3	5.9	2.7	14.3	3.6	2.9	12.5	5.9	3.6	8.9
<i>% share of total exports</i>															
2004	100.0	2.2	3.6	17.7	11.1	3.1	5.8	2.8	15.1	3.5	2.9	13.1	5.5	3.5	10.1
<b>Imports (c.i.f.)</b>															
2001	1,014.6	22.0	35.6	154.6	88.9	42.8	52.9	16.7	138.7	57.5	58.6	150.5	74.0	41.0	80.8
2002	984.8	23.0	35.6	149.7	93.5	42.0	52.1	17.7	125.6	61.8	52.7	142.7	67.9	39.4	81.0
2003	987.9	23.7	36.9	138.9	102.1	47.4	50.4	19.3	110.3	74.3	52.2	141.5	68.9	39.8	82.1
2004	1,073.1	24.3	39.4	141.8	107.8	56.2	53.4	22.8	113.4	91.8	53.5	163.1	72.2	44.9	88.7
2003 Q4	249.5	5.9	9.3	34.5	26.8	11.9	12.3	5.0	26.6	20.0	12.9	35.7	16.5	10.6	21.3
2004 Q1	252.0	6.0	9.4	33.8	26.8	12.4	12.8	5.1	26.1	20.7	13.5	35.6	16.5	10.7	22.6
Q2	263.6	5.8	9.8	34.5	26.5	13.4	13.2	5.5	29.8	22.2	12.9	41.2	17.1	10.9	20.8
Q3	277.4	6.2	10.1	37.4	26.9	14.5	13.7	6.0	28.9	23.7	13.7	43.2	18.9	11.6	22.4
Q4	280.2	6.2	10.1	36.0	27.6	15.9	13.7	6.1	28.6	25.2	13.5	43.1	19.6	11.7	22.8
2005 Q1	276.7	6.0	9.8	35.7	27.0	16.5	13.3	6.3	28.9	26.4	13.5	39.2	20.2	12.0	21.7
2004 Oct.	93.5	2.2	3.3	12.3	9.1	5.0	4.6	2.0	9.5	8.2	4.3	13.2	6.6	3.9	9.3
Nov.	94.3	2.2	3.4	12.3	9.2	5.4	4.6	2.0	9.5	8.6	4.7	14.7	6.8	3.9	7.0
Dec.	92.4	1.9	3.4	11.4	9.3	5.4	4.5	2.1	9.6	8.4	4.4	15.3	6.3	3.9	6.5
2005 Jan.	92.4	2.0	3.3	11.7	9.3	4.8	4.5	2.1	9.6	8.6	4.5	12.6	6.4	4.0	9.0
Feb.	91.7	1.9	3.2	11.6	9.2	5.8	4.4	2.0	9.6	8.7	4.3	13.5	6.5	4.0	6.8
Mar.	92.6	2.1	3.3	12.4	8.5	5.9	4.5	2.1	9.7	9.1	4.7	13.1	7.3	4.0	5.9
<i>% share of total imports</i>															
2004	100.0	2.3	3.7	13.2	10.1	5.2	5.0	2.1	10.6	8.5	5.0	15.2	6.7	4.2	8.3
<b>Balance</b>															
2001	48.0	2.3	1.4	47.9	17.0	-18.1	13.5	1.2	41.5	-32.3	-24.0	-10.2	-13.6	8.9	12.5
2002	99.1	2.3	1.5	56.1	18.6	-14.9	12.0	3.8	58.5	-31.9	-19.7	-2.3	-8.3	4.0	19.5
2003	70.8	1.1	1.8	56.0	15.6	-18.2	13.0	5.5	56.1	-39.1	-20.9	-6.0	-9.4	-1.8	17.1
2004	73.0	1.2	2.3	61.4	19.0	-20.7	12.7	9.0	60.0	-51.6	-20.5	-13.5	-8.6	-4.7	26.9
2003 Q4	19.7	0.2	0.5	15.0	2.8	-4.5	3.6	1.8	14.8	-11.0	-4.9	-1.6	-1.5	-1.6	6.1
2004 Q1	26.2	0.1	0.6	15.7	4.2	-4.4	2.8	2.8	16.4	-10.9	-5.0	1.2	-1.4	-1.1	5.1
Q2	23.5	0.5	0.6	15.9	5.2	-4.4	3.1	2.7	14.1	-11.8	-4.9	-4.2	-1.3	-1.0	9.0
Q3	11.7	0.2	0.4	14.3	4.4	-5.2	3.5	2.0	14.4	-13.8	-5.3	-4.6	-2.2	-1.3	4.9
Q4	11.7	0.4	0.7	15.5	5.2	-6.7	3.4	1.6	15.1	-15.1	-5.3	-5.9	-3.7	-1.2	7.9
2005 Q1	14.5	0.5	0.9	15.0	6.0	-6.9	4.1	1.6	14.3	-16.0	-5.0	-0.7	-3.3	-1.1	5.0
2004 Oct.	2.7	0.1	0.2	5.0	2.0	-2.1	1.0	0.6	4.8	-4.8	-1.7	-0.8	-1.2	-0.5	0.4
Nov.	4.0	0.0	0.2	5.4	1.8	-2.3	1.1	0.4	5.2	-5.3	-2.0	-2.4	-1.6	-0.2	3.7
Dec.	5.0	0.3	0.2	5.0	1.5	-2.2	1.3	0.5	5.2	-5.0	-1.6	-2.7	-0.8	-0.4	3.8
2005 Jan.	4.8	0.1	0.3	4.9	2.2	-1.6	1.4	0.6	5.0	-5.2	-1.6	1.1	-0.8	-0.3	-1.2
Feb.	5.3	0.3	0.3	5.1	1.9	-2.6	1.2	0.5	4.7	-5.3	-1.6	-1.1	-1.0	-0.3	3.3
Mar.	4.4	0.1	0.3	5.0	1.9	-2.6	1.4	0.5	4.6	-5.5	-1.8	-0.7	-1.4	-0.4	2.9

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



## EXCHANGE RATES

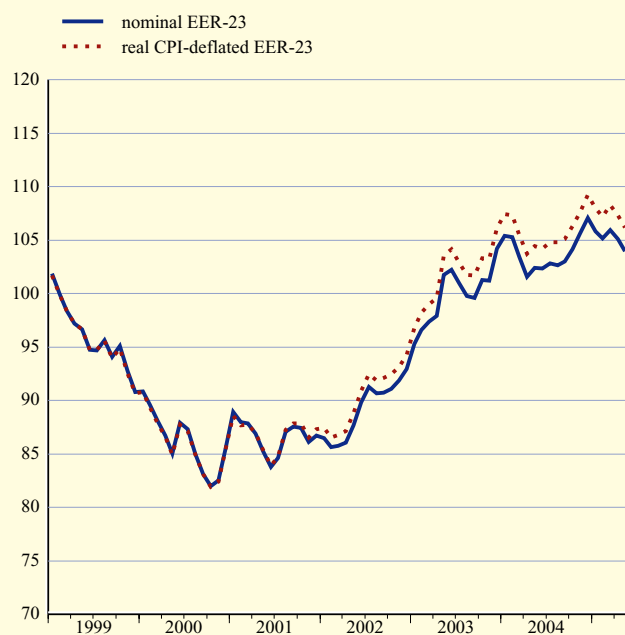
### 8.1 Effective exchange rates <sup>1)</sup>

(period averages; index 1999 Q1=100)

	EER-23						EER-42	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2002	89.2	90.4	91.9	90.3	87.9	88.4	94.8	90.9
2003	99.9	101.7	102.2	101.5	99.1	99.5	106.6	101.6
2004	103.8	105.9	105.3	105.9	102.8	102.9	111.0	105.4
2004 Q1	104.7	106.7	106.4	106.5	104.3	104.3	111.6	106.2
Q2	102.1	104.1	103.7	104.3	101.3	101.3	109.2	103.8
Q3	102.8	104.9	104.4	104.9	101.6	101.7	110.1	104.5
Q4	105.7	107.7	106.7	107.7	104.2	104.2	113.0	107.1
2005 Q1	105.7	107.9	107.1	.	.	.	112.6	106.6
2004 May	102.4	104.4	104.0	-	-	-	109.5	104.2
June	102.3	104.2	103.7	-	-	-	109.6	104.1
July	102.8	104.8	104.4	-	-	-	110.1	104.5
Aug.	102.7	104.8	104.3	-	-	-	109.9	104.4
Sep.	103.0	105.1	104.5	-	-	-	110.3	104.7
Oct.	104.2	106.3	105.3	-	-	-	111.5	105.8
Nov.	105.6	107.6	106.5	-	-	-	113.1	107.0
Dec.	107.1	109.2	108.3	-	-	-	114.4	108.4
2005 Jan.	105.8	108.0	107.2	-	-	-	112.9	106.9
Feb.	105.1	107.2	106.6	-	-	-	111.9	105.9
Mar.	106.0	108.3	107.6	-	-	-	112.9	106.9
Apr.	105.1	107.3	106.5	-	-	-	111.9	105.9
May	104.0	106.2	105.4	-	-	-	110.6	104.6
	<i>% change versus previous month</i>							
2005 May	-1.1	-1.0	-1.1	-	-	-	-1.2	-1.2
	<i>% change versus previous year</i>							
2005 May	1.5	1.7	1.4	-	-	-	1.0	0.4

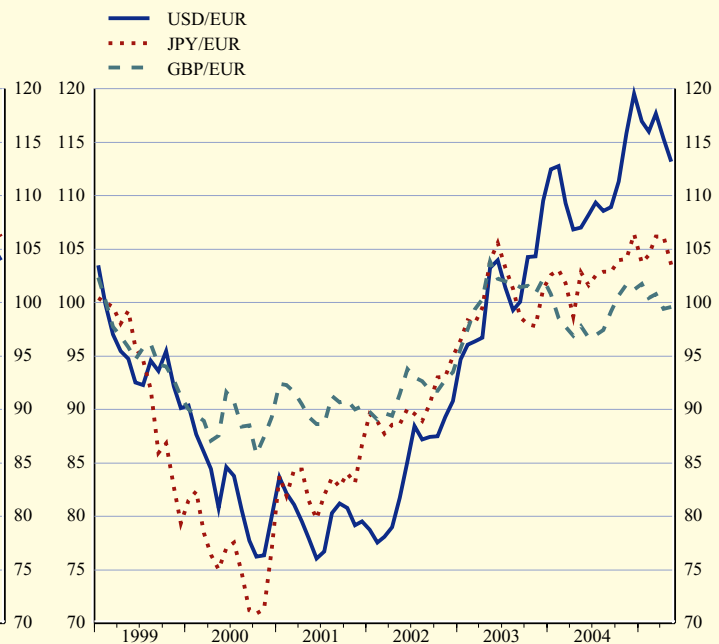
### C31 Effective exchange rates

(monthly averages; index 1999 Q1=100)



### C32 Bilateral exchange rates

(monthly averages; index 1999 Q1=100)



Source: ECB.

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

## 8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	Danish krone 1	Swedish krona 2	Pound sterling 3	US dollar 4	Japanese yen 5	Swiss franc 6	South Korean won 7	Hong Kong dollar 8	Singapore dollar 9	Canadian dollar 10	Norwegian krone 11	Australian dollar 12
2002	7.4305	9.1611	0.62883	0.9456	118.06	1.4670	1,175.50	7.3750	1.6912	1.4838	7.5086	1.7376
2003	7.4307	9.1242	0.69199	1.1312	130.97	1.5212	1,346.90	8.8079	1.9703	1.5817	8.0033	1.7379
2004	7.4399	9.1243	0.67866	1.2439	134.44	1.5438	1,422.62	9.6881	2.1016	1.6167	8.3697	1.6905
2004 Q3	7.4367	9.1581	0.67216	1.2220	134.38	1.5363	1,411.03	9.5310	2.0867	1.5998	8.3890	1.7226
2004 Q4	7.4343	9.0128	0.69507	1.2977	137.11	1.5335	1,415.11	10.0964	2.1481	1.5835	8.1987	1.7132
2005 Q1	7.4433	9.0736	0.69362	1.3113	137.01	1.5488	1,340.74	10.2257	2.1452	1.6083	8.2388	1.6878
2004 Nov. Dec.	7.4313 7.4338	8.9981 8.9819	0.69862 0.69500	1.2991 1.3408	136.09 139.14	1.5216 1.5364	1,411.15 1,408.77	10.1028 10.4264	2.1446 2.2002	1.5540 1.6333	8.1412 8.2207	1.6867 1.7462
2005 Jan.	7.4405	9.0476	0.69867	1.3119	135.63	1.5469	1,362.01	10.2269	2.1501	1.6060	8.2125	1.7147
Feb.	7.4427	9.0852	0.68968	1.3014	136.55	1.5501	1,330.26	10.1507	2.1327	1.6128	8.3199	1.6670
Mar.	7.4466	9.0884	0.69233	1.3201	138.83	1.5494	1,329.44	10.2960	2.1522	1.6064	8.1880	1.6806
Apr.	7.4499	9.1670	0.68293	1.2938	138.84	1.5475	1,306.82	10.0899	2.1375	1.5991	8.1763	1.6738
May	7.4443	9.1931	0.68399	1.2694	135.37	1.5449	1,272.34	9.8900	2.0962	1.5942	8.0814	1.6571
	% change versus previous month											
2005 May	-0.1	0.3	0.2	-1.9	-2.5	-0.2	-2.6	-2.0	-1.9	-0.3	-1.2	-1.0
	% change versus previous year											
2005 May	0.1	0.7	1.8	5.7	0.7	0.3	-9.9	5.6	2.0	-3.6	-1.5	-2.7
	Czech koruna 13	Estonian kroon 14	Cyprus pound 15	Latvian lats 16	Lithuanian litas 17	Hungarian forint 18	Maltese lira 19	Polish zloty 20	Slovenian tolar 21	Slovak koruna 22	Bulgarian lev 23	Romanian leu 24
2002	30.804	15.6466	0.57530	0.5810	3.4594	242.96	0.4089	3.8574	225.98	42.694	1.9492	31,270
2003	31.846	15.6466	0.58409	0.6407	3.4527	253.62	0.4261	4.3996	233.85	41.489	1.9490	37,551
2004	31.891	15.6466	0.58185	0.6652	3.4529	251.66	0.4280	4.5268	239.09	40.022	1.9533	40,510
2004 Q3	31.593	15.6466	0.57902	0.6597	3.4528	248.80	0.4266	4.4236	239.95	40.020	1.9559	40,994
2004 Q4	31.125	15.6466	0.57769	0.6801	3.4528	245.94	0.4314	4.2342	239.83	39.454	1.9559	39,839
2005 Q1	30.012	15.6466	0.58267	0.6962	3.4528	245.01	0.4316	4.0267	239.74	38.294	1.9559	37,069
2004 Nov. Dec.	31.286 30.636	15.6466 15.6466	0.57789 0.57909	0.6803 0.6900	3.4528 3.4528	245.36 245.80	0.4319 0.4325	4.2573 4.1354	239.79 239.80	39.546 38.872	1.9559 1.9559	39,848 38,696
2005 Jan.	30.304	15.6466	0.58170	0.6963	3.4528	246.48	0.4322	4.0794	239.77	38.573	1.9559	38,168
Feb.	29.957	15.6466	0.58315	0.6961	3.4528	243.69	0.4309	3.9867	239.74	38.044	1.9559	36,733
Mar.	29.771	15.6466	0.58319	0.6961	3.4528	244.81	0.4317	4.0123	239.70	38.253	1.9559	36,292
Apr.	30.134	15.6466	0.58282	0.6961	3.4528	248.19	0.4299	4.1559	239.65	39.232	1.9553	36,277
May	30.220	15.6466	0.57806	0.6960	3.4528	251.95	0.4293	4.1749	239.51	39.004	1.9561	36,175
	% change versus previous month											
2005 May	0.3	0.0	-0.8	0.0	0.0	1.5	-0.1	0.5	-0.1	-0.6	0.0	-0.3
	% change versus previous year											
2005 May	-5.5	0.0	-1.3	6.1	0.0	-0.4	0.8	-11.6	0.3	-2.9	0.5	-10.8
	Chinese yuan renminbi <sup>1)</sup> 25	Croatian kuna <sup>1)</sup> 26	Icelandic krona 27	Indonesian rupiah <sup>1)</sup> 28	Malaysian ringgit <sup>1)</sup> 29	New Zealand dollar 30	Philippine peso <sup>1)</sup> 31	Russian rouble <sup>1)</sup> 32	South African rand 33	Thai baht <sup>1)</sup> 34	New Turkish lira <sup>2)</sup> 35	
2002	7.8265	7.4130	86.18	8,785.12	3.5933	2.0366	48.837	29.7028	9.9072	40.637	1,439,680	
2003	9.3626	7.5688	86.65	9,685.54	4.2983	1.9438	61.336	34.6699	8.5317	46.923	1,694,851	
2004	10.2967	7.4967	87.14	11,127.34	4.7273	1.8731	69.727	35.8192	8.0092	50.077	1,777,052	
2004 Q3	10.1195	7.3950	87.48	11,190.20	4.6440	1.8701	68.442	35.6546	7.7869	50.478	1,807,510	
2004 Q4	10.7423	7.5528	86.19	11,840.69	4.9324	1.8526	73.035	36.9618	7.8379	52.191	1,871,592	
2005 Q1	10.8536	7.5081	80.67	12,165.35	4.9835	1.8299	72.084	36.5154	7.8793	50.622	1,7412	
2004 Nov. Dec.	10.7536 11.0967	7.5619 7.5589	87.15 83.99	11,723.41 12,382.27	4.9374 5.0960	1.8540 1.8737	73.138 75.336	37.1185 37.4162	7.8566 7.6847	52.357 52.576	1,883,365 1,870,690	
2005 Jan.	10.8588	7.5494	82.12	12,073.27	4.9861	1.8620	73.068	36.6704	7.8386	50.855	1,7784	
Feb.	10.7719	7.5176	80.74	12,039.68	4.9458	1.8192	71.305	36.3910	7.8337	50.078	1,7104	
Mar.	10.9262	7.4577	79.15	12,377.13	5.0167	1.8081	71.842	36.4789	7.9635	50.908	1,7333	
Apr.	10.7080	7.3908	80.71	12,362.94	4.9163	1.7967	70.435	35.9794	7.9649	51.165	1,7645	
May	10.5062	7.3272	82.36	12,033.61	4.8237	1.7665	68.966	35.4730	8.0500	50.562	1,7396	
	% change versus previous month											
2005 May	-1.9	-0.9	2.0	-2.7	-1.9	-1.7	-2.1	-1.4	1.1	-1.2	-1.4	
	% change versus previous year											
2005 May	5.8	-1.1	-6.4	11.3	5.8	-9.3	2.9	1.9	-1.1	3.9	-	

Source: ECB.

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

2) Data prior to January 2005 refer to the Turkish lira; 1,000,000 Turkish liras are equivalent to 1 new Turkish lira.





## DEVELOPMENTS OUTSIDE THE EURO AREA

### 9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

#### 1. Economic and financial developments

	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Slovenia	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13
HICP													
2003	-0.1	2.0	1.4	4.0	2.9	-1.1	4.7	1.9	0.7	5.7	8.5	2.3	1.4
2004	2.6	0.9	3.0	1.9	6.2	1.1	6.8	2.7	3.6	3.6	7.4	1.0	1.3
2004 Q3	3.0	1.0	3.9	2.5	7.4	2.3	7.0	3.0	4.7	3.6	7.2	1.2	1.2
Q4	2.7	1.2	4.4	2.8	7.2	3.0	5.9	2.2	4.5	3.5	6.0	1.1	1.4
2005 Q1	1.4	1.0	4.5	2.5	6.7	3.1	3.5	2.3	3.6	2.8	2.6	0.7	1.7
2004 Dec.	2.5	1.0	4.8	3.9	7.4	2.8	5.5	1.9	4.4	3.3	5.8	0.9	1.6
2005 Jan.	1.5	0.8	4.2	2.8	6.7	2.8	3.9	1.9	3.8	2.3	3.1	0.5	1.6
Feb.	1.4	1.0	4.6	2.4	7.0	3.2	3.4	2.5	3.7	2.8	2.6	1.2	1.6
Mar.	1.2	1.3	4.8	2.4	6.6	3.3	3.3	2.6	3.4	3.3	2.3	0.5	1.9
Apr.	1.4	1.7	4.7	2.8	7.1	3.2	3.8	2.0	3.1	2.7	2.5	0.4	1.9
General government deficit (-)/surplus (+) as a % of GDP													
2002	-6.8	1.7	1.4	-4.5	-2.7	-1.5	-8.5	-5.9	-3.6	-2.4	-5.7	-0.3	-1.7
2003	-11.7	1.2	3.1	-6.3	-1.5	-1.9	-6.2	-10.5	-4.5	-2.0	-3.7	0.2	-3.4
2004	-3.0	2.8	1.8	-4.2	-0.5	-2.5	-4.5	-5.2	-4.8	-1.9	-3.3	1.4	-3.2
General government gross debt as a % of GDP													
2002	30.7	47.2	5.3	65.2	14.1	22.4	55.5	62.7	41.2	29.5	43.3	52.4	38.3
2003	38.3	44.7	5.3	69.8	14.4	21.4	56.9	71.8	45.4	29.4	42.6	52.0	39.7
2004	37.4	42.7	4.9	71.9	14.3	19.7	57.6	75.0	43.6	29.4	43.6	51.2	41.6
Long-term government bond yield as a % per annum, period average													
2004 Nov.	4.55	4.09	-	6.45	4.58	4.25	7.64	4.70	6.45	4.31	4.92	4.13	4.74
Dec.	4.05	3.86	-	6.26	4.58	3.95	7.17	4.70	6.00	4.07	4.58	3.90	4.58
2005 Jan.	3.84	3.74	-	6.13	4.29	3.85	7.21	4.71	5.97	3.87	4.04	3.84	4.60
Feb.	3.55	3.64	-	6.06	4.03	3.80	6.84	4.72	5.73	3.92	3.80	3.76	4.66
Mar.	3.62	3.82	-	5.89	3.94	3.73	6.83	4.72	5.55	3.89	3.60	3.86	4.87
Apr.	3.55	3.58	-	5.87	3.87	3.82	6.91	4.71	5.49	3.95	3.76	3.58	4.67
3-month interest rate as a % per annum, period average													
2004 Nov.	2.61	2.21	2.41	5.13	4.49	2.70	9.57	2.95	6.81	4.06	4.22	2.20	4.88
Dec.	2.57	2.20	2.41	5.16	4.39	2.65	-	2.96	6.72	4.05	3.74	2.18	4.87
2005 Jan.	2.53	2.20	2.40	5.16	3.99	2.62	-	2.97	6.63	4.05	3.66	2.15	4.87
Feb.	2.25	2.19	2.40	5.13	3.97	2.59	8.45	2.97	6.54	4.05	2.90	2.12	4.89
Mar.	2.08	2.19	2.40	4.96	3.26	2.49	-	2.98	6.15	4.05	2.29	2.11	4.99
Apr.	2.03	2.18	2.40	4.89	2.92	2.44	7.43	3.24	5.78	4.05	2.56	2.11	4.94
Real GDP													
2003	3.7	0.7	5.1	2.0	7.5	9.7	3.0	-1.8	3.8	2.5	4.5	1.5	2.2
2004	4.0	2.4	6.2	3.7	8.5	6.7	4.0	1.5	5.3	4.6	5.5	3.5	3.1
2004 Q3	4.0	2.5	5.9	4.1	9.1	6.0	3.9	1.9	4.8	4.5	5.3	3.3	3.1
Q4	4.3	3.0	5.9	3.0	8.6	6.1	3.9	2.3	3.9	3.4	5.8	2.6	2.9
2005 Q1	.	1.9	.	.	.	5.6	.	.	.	.	.	.	2.7
Current and capital accounts balance as a % of GDP													
2003	-6.3	3.3	-12.7	-3.3	-7.6	-6.5	-8.8	-2.2	-2.2	-1.0	-0.5	7.0	-1.6
2004	-5.7	2.4	-11.8	-5.0	-11.3	-5.9	-8.5	-9.0	-1.1	-1.6	-3.4	8.1	-2.0
2004 Q2	-5.3	3.7	-17.9	-4.4	-18.3	-9.5	-10.9	-3.1	-3.2	-3.2	-7.5	8.7	-2.6
Q3	-7.5	2.5	-4.5	5.1	-11.6	-5.0	-8.2	-7.7	-0.7	-0.7	-3.4	8.5	-2.9
Q4	-7.8	0.5	-13.0	-12.7	-7.1	-2.5	-7.2	-19.0	0.5	-2.6	-3.6	7.0	-1.3
Unit labour costs													
2003	3.3	2.0	4.6	-	5.2	1.5	7.4	-	-	4.8	3.5	0.6	3.1
2004	.	0.9	4.9	-	8.7	.	.	-	-	.	2.1	.	.
2004 Q3	.	1.1	5.2	-	.	.	.	-	-	.	3.5	.	1.1
Q4	.	0.3	4.7	-	.	.	.	-	-	.	5.1	.	.
2005 Q1	.	1.9	.	-	.	.	.	-	-	.	.	.	.
Standardised unemployment rate as a % of labour force (s.a.)													
2003	7.8	5.6	10.2	4.5	10.4	12.7	5.7	8.0	19.2	6.5	17.5	5.6	5.0
2004	8.3	5.4	9.2	5.0	9.8	10.7	5.9	7.3	18.8	6.0	18.0	6.4	4.6
2004 Q3	8.3	5.3	9.0	5.0	9.7	10.6	5.8	7.1	18.7	5.9	17.8	6.4	4.5
Q4	8.3	5.2	8.4	5.3	9.7	9.6	6.1	7.0	18.4	5.8	17.1	6.4	4.6
2005 Q1	8.3	5.0	8.0	5.4	9.5	8.8	6.3	6.9	18.1	5.8	16.1	6.3	.
2004 Dec.	8.3	5.1	8.3	5.5	9.6	9.3	6.2	7.0	18.3	5.8	16.8	6.4	4.6
2005 Jan.	8.3	5.0	8.1	5.5	9.6	9.1	6.3	6.9	18.1	5.8	16.4	6.2	4.7
Feb.	8.3	5.0	8.0	5.6	9.5	8.8	6.3	6.8	18.0	5.8	16.1	6.5	4.5
Mar.	8.3	5.0	7.9	5.1	9.4	8.7	6.3	6.9	18.0	5.8	15.9	6.3	.
Apr.	8.2	4.9	7.9	4.8	9.2	8.5	6.3	6.9	17.9	5.8	15.6	.	.

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

## 9.2 In the United States and Japan

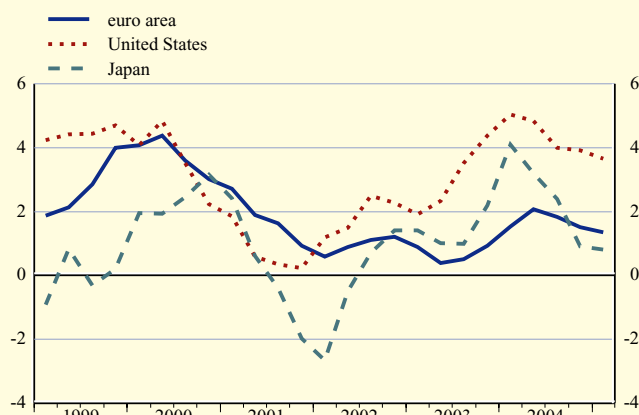
(annual percentage changes, unless otherwise indicated)

### 1. Economic and financial developments

	Consumer price index	Unit labour costs <sup>1)</sup> (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money <sup>2)</sup>	3-month interbank deposit rate <sup>3)</sup> as a % per annum	10-year government bond yield <sup>3)</sup> as a % per annum	Exchange rate <sup>5)</sup> as national currency per euro	Fiscal deficit (-)/surplus (+) as a % of GDP	Gross public debt <sup>5)</sup> as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
2001	2.8	0.2	0.8	-4.1	4.8	11.4	3.78	5.01	0.8956	-0.4	42.9
2002	1.6	-0.8	1.9	-0.1	5.8	8.0	1.80	4.60	0.9456	-3.8	45.2
2003	2.3	3.3	3.0	0.0	6.0	6.4	1.22	4.00	1.1312	-4.6	47.8
2004	2.7	-0.7	4.4	4.9	5.5	5.2	1.62	4.26	1.2439	-4.3	48.7
2004 Q1	1.8	-0.7	5.0	3.2	5.7	4.6	1.12	4.00	1.2497	-4.5	48.5
Q2	2.9	-1.7	4.8	5.6	5.6	5.7	1.30	4.58	1.2046	-4.4	48.2
Q3	2.7	-0.1	4.0	5.5	5.4	4.8	1.75	4.29	1.2220	-4.4	48.3
Q4	3.3	-0.4	3.9	5.1	5.4	5.8	2.30	4.17	1.2977	-3.9	48.7
2005 Q1	3.0	1.4	3.7	4.5	5.3	5.5	2.84	4.30	1.3113	.	.
2005 Jan.	3.0	-	-	5.0	5.2	6.1	2.66	4.21	1.3119	-	-
Feb.	3.0	-	-	4.6	5.4	5.5	2.82	4.16	1.3014	-	-
Mar.	3.1	-	-	4.0	5.2	4.8	3.03	4.49	1.3201	-	-
Apr.	3.5	-	-	3.5	5.2	4.5	3.15	4.34	1.2938	-	-
May	.	-	-	.	.	.	3.27	4.14	1.2694	-	-
Japan											
2001	-0.7	4.4	0.2	-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	141.5
2003	-0.3	-3.8	1.4	3.2	5.2	1.7	0.06	0.99	130.97	-7.7	149.2
2004	0.0	-5.3	2.7	5.5	4.7	1.9	0.05	1.50	134.44	.	.
2004 Q1	-0.1	-6.5	4.1	6.9	4.9	1.7	0.05	1.31	133.97	.	.
Q2	-0.3	-6.7	3.2	7.2	4.6	1.9	0.05	1.59	132.20	.	.
Q3	-0.1	-5.9	2.4	6.4	4.8	1.8	0.05	1.64	134.38	.	.
Q4	0.5	-1.9	0.9	1.8	4.6	2.0	0.05	1.45	137.11	.	.
2005 Q1	-0.2	.	0.8	1.4	4.6	2.0	0.05	1.41	137.01	.	.
2005 Jan.	-0.1	.	-	2.0	4.5	2.0	0.05	1.37	135.63	-	-
Feb.	-0.3	.	-	1.0	4.6	1.9	0.05	1.40	136.55	-	-
Mar.	-0.2	.	-	1.2	4.5	2.1	0.05	1.45	138.83	-	-
Apr.	0.0	.	-	0.6	4.4	1.9	0.05	1.32	138.84	-	-
May	.	.	-	.	.	.	0.05	1.27	135.37	-	-

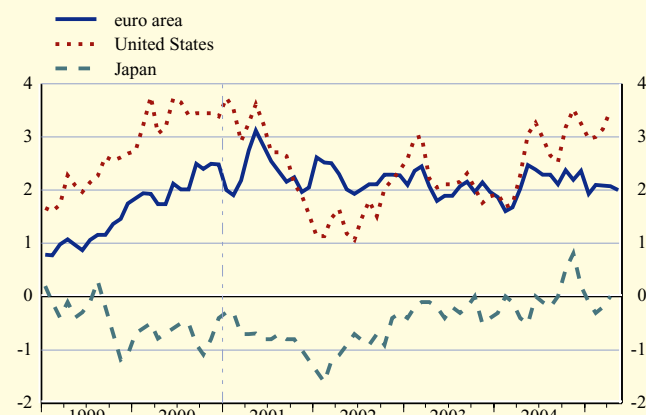
### C33 Real gross domestic product

(annual percentage changes; quarterly)



### C34 Consumer price indices

(annual percentage changes; monthly)



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

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

## 9.2 In the United States and Japan

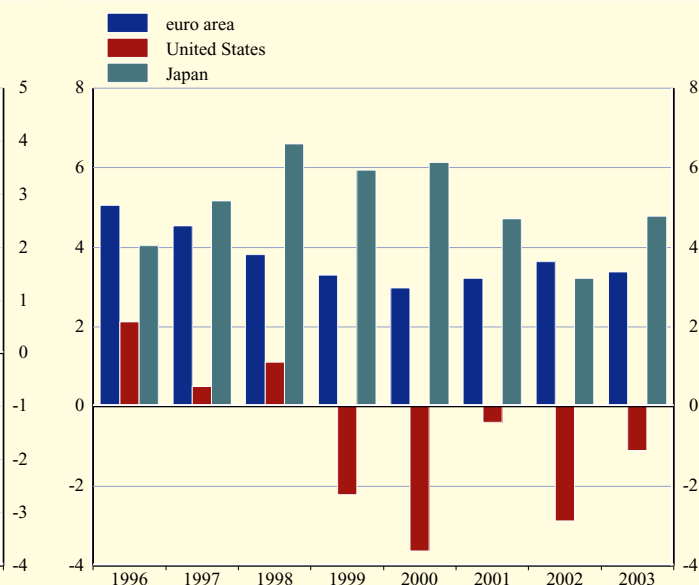
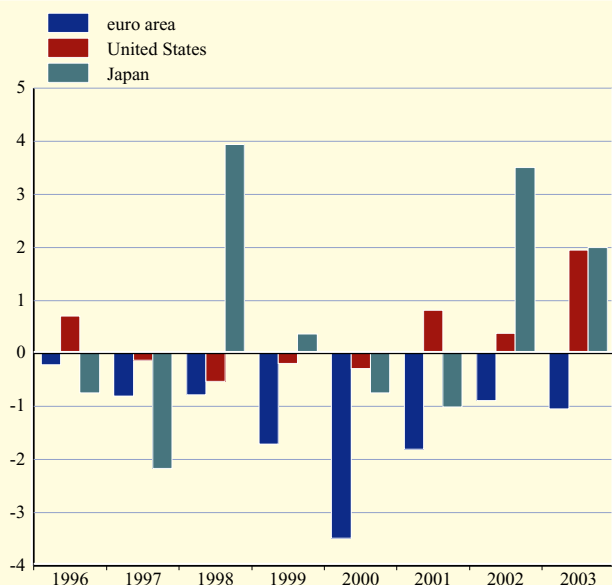
(as a percentage of GDP)

### 2. Saving, investment and financing

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households <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													
2001	16.4	19.1	-3.7	7.9	8.3	1.8	7.6	0.9	1.7	12.8	5.3	10.8	5.7
2002	14.2	18.4	-4.4	7.3	7.3	1.4	8.0	1.1	-0.1	12.9	3.7	11.1	6.6
2003	13.5	18.4	-4.7	7.0	7.1	4.4	8.5	2.5	0.8	13.2	6.9	10.6	8.0
2004	13.7	19.7	-5.5	7.7	7.4	4.5	8.7	3.0	0.3	13.4	6.6	10.4	9.5
2003 Q1	12.8	18.2	-5.0	7.0	7.0	3.6	7.8	2.4	0.8	12.9	6.1	10.2	8.8
Q2	13.2	18.1	-4.8	6.8	7.0	5.3	8.5	3.3	2.1	13.1	9.3	10.5	11.7
Q3	13.7	18.6	-4.6	7.0	7.1	3.6	8.7	1.4	0.3	13.4	9.3	11.2	7.4
Q4	14.4	18.8	-4.3	7.2	7.2	5.3	9.1	2.8	0.1	13.4	3.0	10.7	4.3
2004 Q1	13.7	19.1	-4.9	7.4	7.2	6.2	8.9	4.2	1.0	13.1	7.2	10.2	10.2
Q2	13.9	19.8	-5.4	7.7	7.3	4.3	8.8	2.5	-0.6	13.4	5.9	10.3	8.5
Q3	13.8	19.7	-5.4	7.6	7.4	4.2	9.1	2.6	0.3	13.5	6.9	10.4	9.3
Q4	13.4	20.1	-6.2	8.0	7.6	3.2	8.2	2.8	0.3	13.4	6.4	10.7	9.7
Japan													
2001	26.6	25.8	2.0	15.3	15.3	-2.8	14.4	-6.3	0.2	4.9	2.8	8.6	0.2
2002	25.7	24.2	2.8	13.8	14.1	-1.7	15.4	-7.4	-0.8	4.8	-0.2	9.1	-2.1
2003	26.4	23.9	3.1	14.3	14.4	2.3	16.1	-5.3	0.7	4.6	0.3	9.2	-0.6
2004	.	23.9	.	.	.	4.8	.	0.9	0.7	.	1.9	.	-0.7
2003 Q1	28.2	23.4	2.9	.	.	17.5	.	-1.8	1.7	.	-13.2	.	2.9
Q2	23.7	23.3	2.9	.	.	-26.1	.	-20.6	-0.9	.	4.2	.	-5.7
Q3	25.9	24.0	3.7	.	.	9.2	.	-5.6	-0.6	.	-3.7	.	1.4
Q4	27.9	24.8	2.9	.	.	10.5	.	5.5	1.2	.	9.5	.	-1.4
2004 Q1	31.0	24.0	3.9	.	.	12.5	.	-1.9	-0.5	.	-7.2	.	2.6
Q2	.	23.0	.	.	.	-13.7	.	-11.2	1.0	.	7.9	.	-6.2
Q3	.	23.8	.	.	.	7.1	.	0.7	-0.2	.	-2.1	.	1.5
Q4	.	24.6	.	.	.	13.0	.	15.2	2.2	.	8.3	.	-0.4

**C35 Net lending of non-financial corporations**  
(as a percentage of GDP)

**C36 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

#### CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

### RELATING TO SECTIONS 2.1 TO 2.6

#### CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

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

#### CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

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

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

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

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

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

#### CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

#### SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY 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 from transactions or from the index of adjusted outstanding amounts. If  $N_t^M$  represents the

<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 "Money, banking and financial markets" 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.

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:

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

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

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

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

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

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

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

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

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

The calculation formula used for Section 4.3 is also used for Section 4.4 and is likewise based on that used for the monetary aggregates. Section 4.4 is based on market values and the 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 I 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, income and current transfers are pre-adjusted to take a working-day effect into account. For goods, services and current transfers, the working-day adjustment is corrected for national public holidays. Data on

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



service credits are also pre-adjusted for Easter. The seasonal adjustment for these items is carried out using these pre-adjusted series. Current transfers debits 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 (and trading day) factors are revised at semi-annual intervals or as required.



## GENERAL NOTES

The “Euro area statistics” section of the Monthly Bulletin focuses on statistics for the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available in the “Statistics” section of the ECB’s website ([www.ecb.int](http://www.ecb.int)). Services available under the “Data services” sub-section include a browser interface with search facilities, subscription to different datasets and a facility for downloading data directly as compressed Comma Separated Value (CSV) files. For further information, please contact us at: [statistics@ecb.int](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 1 June 2005.

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”. Long-term debt securities issued by euro area residents are further broken down into fixed and variable rate issues. Fixed rate issues consist of issues where the coupon rate does not change during the life of the issues. Variable rate issues include all issues where the coupon is periodically refixed by reference to an independent interest rate or index. The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. Euro-denominated securities indicated in Sections 4.1, 4.2 and 4.3 also include items expressed in national denominations of the euro.

Section 4.1 shows securities issued, redemptions, net issues and outstanding amounts for all maturities, with an additional breakdown of long-term maturities. Net issues

differ from the changes 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 (i.e. debt securities) issued by euro area 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 issuers resident in the euro area which is in line with the ESA 95<sup>3</sup>. The ECB is included in the Eurosystem.

The total outstanding amounts for total and long-term debt securities in column 1 of Table 1 in Section 4.2 correspond to the data on outstanding amounts for total and long-term debt securities issued by euro area residents in Section 4.1, column 5. The outstanding amounts for total and long-term debt securities issued by MFIs in Table 4.2.1, column 2, are broadly comparable with data for debt securities issued as shown on the liabilities side of the aggregated MFI balance sheet in Table 2 of Section 2.1, column 8.

The total gross issues for total debt securities in column 1 of Table 2 in Section 4.2 correspond to the data on total gross issues by euro area residents in Section 4.1, column 6. The residual difference between long-term debt securities in Section 4.1, column 6, and total fixed and variable rate long-term debt securities in Table 2 of Section 4.2, column 7 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows annual growth rates for debt securities issued by euro area residents (broken down by maturity, type of instrument, sector of

the issuer and currency), which are based on financial transactions that occur when an institutional unit incurs or redeems liabilities. The annual growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. Annual percentage changes for monthly data refer to the end of the month, whereas for quarterly and yearly data, those percentage changes refer to the annual change in the period average. See the technical notes for details.

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

Section 4.4, columns 3, 5, 7 and 9, show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial transactions that occur when an issuer sells or redeems shares for cash excluding investments in the 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

<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).

rates are calculated as a weighted average (by corresponding business volume) of the euro area countries' interest rates for each category.

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

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

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

each maturity band. For the United States and Japan, ten-year yields are period averages.

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

## PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities. Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger car registrations are adjusted for the variations in the number of working days.

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

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term 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

4 OJL 162, 5.6.1998, p. 1.

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 in Section 5.2), GDP deflators (Table 5 in Section 5.1) and employment statistics (Table 1 in Section 5.3) are results of the ESA 95 quarterly national accounts.

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

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

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

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

## GOVERNMENT FINANCE

Sections 6.1 to 6.4 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. The deficits/surpluses presented for the

<sup>5</sup> OJ L 86, 27.3.2001, p. 11.

<sup>6</sup> OJ L 172, 12.7.2000, p. 3.



individual euro area countries correspond to EDP B.9 as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002 amending Council Regulation (EC) No 3605/93 as regards references to the ESA 95. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in the Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 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 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)<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 2004), and in the following task force reports: “Portfolio investment collection systems” (June 2002), “Portfolio investment income” (August 2003) and “Foreign direct investment” (March 2004), which can be downloaded from the ECB’s website. In addition, the report of the ECB/Commission (Eurostat) Task Force on Quality of balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics ([www.cmfb.org](http://www.cmfb.org)). The first annual quality report on the euro area b.o.p./i.i.p.

(January 2005), which is based on the Task Force’s recommendations, is available on the ECB’s website.

The presentation of net transactions in the financial account follows the sign convention of the IMF Balance of Payments Manual: an increase of assets appears with a minus sign, while an increase of liabilities appears with a plus sign. In the current account and capital account, both credit and debit transactions are presented with a plus sign.

The euro area b.o.p. is compiled by the ECB. The recent monthly figures should be regarded as provisional. Data are revised when figures for the following month and/or the detailed quarterly b.o.p. are published. Earlier data are revised periodically or as a result of methodological changes in the compilation of the source data.

In Section 7.1, Table 2 contains seasonally adjusted data for the current account. Where appropriate, the adjustment covers also working-day, leap year and/or Easter effects. Table 5 provides a sectoral breakdown of euro area purchasers of securities issued by non-residents of the euro area. It is not yet possible to show a sectoral breakdown of euro area issuers of securities acquired by non-residents. In Tables 6 and 7 the breakdown between “loans” and “currency and deposits” is based on the sector of the non-resident counterpart, i.e. assets vis-à-vis non-resident banks are classified as deposits, whereas assets vis-à-vis other non-resident sectors are classified as loans. This breakdown follows the distinction made in other statistics, such as the MFI consolidated balance sheet, and conforms to the IMF Balance of Payments Manual.

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.

<sup>7</sup> OJ L 179, 9.7.2002, p. 1.

<sup>8</sup> OJ L 354, 30.11.2004, p. 34.

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

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

The data on the euro area i.i.p. in Section 7.4 are based on positions vis-à-vis non-residents of the euro area, considering the euro area as a single economic entity (see also Box 9 in the December 2002 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where

book values are used to a large extent. The quarterly i.i.p. is compiled on the basis of the same methodological framework as the annual i.i.p. As some data sources are not available on a quarterly basis (or are available with a delay), the quarterly i.i.p. is partly estimated on the basis of financial transactions and asset prices and foreign exchange developments.

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

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

The breakdown by product group in columns 4 to 6 and 9 to 11 of Table 1 in Section 7.5 is in line with the classification by Broad Economic Categories. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 3 definition. The geographical breakdown (Table 2 in Section 7.5) shows main

trading partners individually or in regional groups. Mainland China excludes Hong Kong.

Owing to differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the balance of payments statistics (Sections 7.1 to 7.3). The difference for imports has been around 5% in recent years (ECB estimate), a significant part of which relates to the inclusion of insurance and freight services in the external trade data (c.i.f. basis).

#### EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate (EER) indices for the euro calculated by the ECB on the basis of weighted averages of bilateral exchange rates of the euro against the currencies of the euro area's trading partners. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with the trading partners in the periods 1995-1997 and 1999-2001, and are calculated to account for third-market effects. The EER indices result from the linking at the beginning of 1999 of the indices based on 1995-1997 weights to those based on 1999-2001 weights. The EER-23 group of trading partners is composed of the 13 non-euro area EU Member States, Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-42 group includes, in addition to the EER-23, the following countries: Algeria, Argentina, Brazil, Bulgaria, Croatia, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Romania, Russia, South Africa, Taiwan, Thailand and Turkey. Real EERs are calculated using consumer price indices, producer price indices, gross domestic product deflators, unit labour costs in manufacturing and unit labour costs in the total economy.

For more detailed information on the calculation of the EERs, see Box 10 entitled "Update of the

overall trade weights for the effective exchange rates of the euro and computation of a new set of euro indicators" in the September 2004 issue of the Monthly Bulletin and the ECB's Occasional Paper No 2 ("The effective exchange rates of the euro" by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies.

#### DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States (Section 9.1) follow the same principles as those for data relating to the euro area. Data for the United States and Japan contained in Section 9.2 are obtained from national sources.



## CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM<sup>1</sup>

### 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 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.

<sup>1</sup> The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2002 can be found on pages 176 to 180 of the ECB's Annual Report 1999, on pages 205 to 208 of the ECB's Annual Report 2000, on pages 219 to 220 of the ECB's Annual Report 2001 and on pages 234 to 235 of the ECB's Annual Report 2002 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, 2 SEPTEMBER, 7 OCTOBER,  
4 NOVEMBER, 2 DECEMBER 2004 AND  
13 JANUARY 2005**

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

**14 JANUARY 2005**

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2005 from €25 billion to €30 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated in 2005. The Eurosystem will however continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2006.

**3 FEBRUARY, 3 MARCH, 7 APRIL, 4 MAY AND  
2 JUNE 2005**

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.





# THE TARGET (TRANS-EUROPEAN AUTOMATED REAL-TIME GROSS SETTLEMENT EXPRESS TRANSFER) SYSTEM



## PAYMENT FLOWS IN TARGET

In the first quarter of 2005 TARGET processed a daily average of 277,742 payments with a value of €1,876 billion. Both averages are the highest recorded since the start of TARGET in January 1999. Compared with the previous quarter, this represented an increase of 2% in terms of volume and 6% in terms of value. All segments analysed saw an increase in both volume and value terms. This quarter-on-quarter increase is unusual as it breaks with the pattern of previous years where the first quarter always showed a decrease by comparison with the fourth quarter of the previous year. TARGET's overall market share increased by 1% both in value and in volume terms to 89% and 58% respectively.

## INTRA-MEMBER STATE PAYMENTS

TARGET processed on average 210,266 intra-Member State payments with a value of €1,245 billion per business day in the first quarter of 2005. This represented an increase of 1% in volume and 5% in value as compared with the previous quarter. Compared with the corresponding period in 2004, the volume increased by 4%, whereas the value increased by 10%. Intra-Member State traffic accounted for 75.7% of the total volume and 66.3% of the total value of TARGET. The average value of an intra-Member State payment increased to €5.9 million in the first quarter of 2005 from €5.7 million in the previous quarter. The highest intra-Member State volume on a single day was on 29 March 2005, the day after the Easter holidays, when 301,965 payments were processed. The peak value of €1,600 billion was recorded on 31 March. At the intra-Member State level 66% of payments were below €50,000, while 11% were above €1 million. On average there were 137 intra-Member State payments per day with a value above €1 billion.

## INTER-MEMBER STATE PAYMENTS

At the inter-Member State level, TARGET processed a daily average of 67,476 payments with a total value of €631 billion in the first quarter of 2005. Compared with the fourth quarter of 2004, this represented an increase of 3% in terms of volume and 9% in terms of value.

Interbank payments increased by 6% in volume and 9% in value as compared with the previous quarter. For customer payments, an increase of 1% in terms of volume and 7% in terms of value was observed. The proportion of interbank payments in the average daily inter-Member State traffic was 49.4% in volume and 95.1% in value. The average value of interbank payments increased from €17.4 million to €18 million and that of customer payments grew from €875,000 to €895,000 as compared with the fourth quarter of 2004. During the first quarter of 2005 the highest inter-Member State traffic was recorded on 29 March, when 98,822 inter-Member State payments were processed in TARGET. The peak value of €853 billion was recorded on 28 February. 62% of the inter-Member State

**Table 1 TARGET availability for each national component and the ECB payment mechanism (EPM)**

National TARGET component	Availability Q1 2005
Belgium	99.65%
Denmark	99.63%
Germany	98.57%
Greece	99.49%
Spain	99.84%
France	100.00%
Ireland	99.85%
Italy	99.87%
Luxembourg	100.00%
The Netherlands	100.00%
Austria	99.85%
Portugal	100.00%
Finland	99.92%
Sweden	100.00%
United Kingdom	100.00%
ECB payment mechanism	99.03%
Overall TARGET availability	99.73%



payments had a value below €50,000. 15% had a value above €1 million. On average there were 49 inter-Member State payments per day with a value above €1 billion.

### TARGET AVAILABILITY AND BUSINESS PERFORMANCE

In the first quarter of 2005 TARGET achieved an overall availability of 99.73%, compared with 99.77% in the fourth quarter of 2004. The number of incidents with an effect on TARGET's availability was 31, which was six more than in the previous quarter. Incidents considered for the calculation of TARGET's availability are those that prevent the processing of payments for ten minutes or more. During the first quarter of 2005 there were three incidents lasting more than two hours, one of which resulted in a delay of one

hour in the closing of TARGET. Table 1 shows the availability figures for each national TARGET component and the ECB payment mechanism (EPM).

In the first quarter 94.04% of inter-Member State payments were processed in less than 5 minutes, 4.42% needed between 5 minutes and 15 minutes and 0.60% required between 15 minutes and 30 minutes. On average the processing time exceeded 30 minutes for 614 payments per day, which should be seen in the context of the 67,476 inter-Member State payments processed on average every day.

**Table 2 Payment instructions processed by TARGET and other selected interbank funds transfer systems: volume of transactions**

(number of payments)

	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1
<b>TARGET</b>					
All TARGET payments					
Total volume	17,071,290	17,264,247	16,871,971	18,033,316	17,219,984
Daily average	266,739	274,036	255,636	273,232	277,741
Inter-Member State TARGET payments					
Total volume	4,184,179	4,286,846	4,068,531	4,305,815	4,183,482
Daily average	65,378	68,045	61,644	65,240	67,476
Intra-Member State TARGET payments					
Total volume	12,887,111	12,977,401	12,803,440	13,727,501	13,036,502
Daily average	201,361	205,990	193,992	207,992	210,266
<b>Other systems</b>					
EURO 1 (EBA)					
Total volume	9,669,240	9,840,955	10,831,383	11,382,418	10,883,591
Daily average	151,082	156,206	164,112	172,420	175,542
Paris Net Settlement (PNS)					
Total volume	1,772,742	1,767,244	1,700,070	1,766,831	1,681,581
Daily average	27,669	28,051	25,759	26,770	27,122
Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)					
Total volume	131,082	184,269	128,745	119,693	127,802
Daily average	2,048	2,925	1,951	1,813	2,061
Servicio Español de Pagos Interbancarios (SPI)					
Total volume	365,097	316,448	237,482	139,269	
Daily average	5,705	5,023	3,598	2,360	

**Table 3 Payment instructions processed by TARGET and other selected interbank funds transfer systems: value of transactions**

(EUR billions)

	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1
<b>TARGET</b>					
<b>All TARGET payments</b>					
Total value	109,062	111,025	107,592	116,389	116,318
Daily average	1,704	1,762	1,630	1,763	1,876
<b>Inter-Member State TARGET payments</b>					
Total value	36,487	36,046	35,378	38,226	39,152
Daily average	570	572	536	579	631
<b>Intra-Member State TARGET payments</b>					
Total value	72,575	74,979	72,214	78,163	77,166
Daily average	1,134	1,190	1,094	1,184	1,245
<b>Other systems</b>					
<b>EURO 1 (EBA)</b>					
Total value	11,647	10,987	10,487	11,005	10,483
Daily average	182	174	159	167	169
<b>Paris Net Settlement (PNS)</b>					
Total value	4,276	4,765	4,217	4,215	3,922
Daily average	67	76	64	64	63
<b>Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)</b>					
Total value	120	117	117	113	122
Daily average	2	2	2	2	2
<b>Servicio Español de Pagos Interbancarios (SPI)</b>					
Total value	60	60	110	37	
Daily average	1	1	2	1	



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### CONVERGENCE REPORT

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## GLOSSARY

This glossary contains selected items that are frequently used in the Monthly Bulletin. A more comprehensive and detailed glossary can be found on the ECB's website ([www.ecb.int/home/glossary/html/index.en.html](http://www.ecb.int/home/glossary/html/index.en.html)).

**Autonomous liquidity factors:** liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

**Bank lending survey:** a quarterly survey on lending policies that has been conducted by the Eurosystem since January 2003. It addresses qualitative questions on developments in credit standards, terms and conditions of loans and loan demand for both enterprises and households to a predefined sample group of banks in the euro area.

**Central parity:** the exchange rate of each ERM II member currency vis-à-vis the euro, around which the ERM II fluctuation margins are defined.

**Compensation per employee:** the total remuneration, in cash or in kind, that is payable by employers to employees, i.e. gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions, divided by the total number of employees.

**Consolidated balance sheet of the MFI sector:** a balance sheet obtained by netting out inter-MFI positions (e.g. inter-MFI loans and deposits) in the aggregated MFI balance sheet. It provides statistical information on the MFI sector's assets and liabilities vis-à-vis residents of the euro area not belonging to this sector (i.e. general government and other euro area residents) and vis-à-vis non-euro area residents. It is the main statistical source for the calculation of monetary aggregates, and it provides the basis for the regular analysis of the counterparts of M3.

**Debt (financial accounts):** loans, deposit liabilities, debt securities issued and pension fund reserves of non-financial corporations (resulting from employers' direct pension commitments on behalf of their employees), valued at market value at the end of the period. However, due to data limitations, the debt given in the quarterly financial accounts does not include loans granted by non-financial sectors (e.g. inter-company loans) or by banks outside the euro area, whereas these components are included in the annual financial accounts.

**Debt (general government):** the total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government.

**Debt security:** a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) at a specified future date or dates. Such securities usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

**Debt-to-GDP ratio (general government):** the ratio of general government debt to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104 (2) of the Treaty establishing the European Community to define the existence of an excessive deficit.

**Deficit (general government):** the general government's net borrowing, i.e. the difference between total government revenue and total government expenditure.

**Deficit ratio (general government):** the ratio of the general government deficit to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104 (2) of the Treaty establishing the European Community to define the existence of an excessive deficit. It is also referred to as the budget deficit ratio or the fiscal deficit ratio.

**Deposit facility:** a standing facility of the Eurosystem which counterparties may use to make overnight deposits, remunerated at a pre-specified interest rate, at a national central bank.

**Direct investment:** cross-border investment for the purpose of obtaining a lasting interest in an enterprise resident in another economy (assumed, in practice, for ownership of at least 10% of the ordinary shares or voting power). Included are equity capital, reinvested earnings and other capital associated with inter-company operations. The direct investment account records net transactions/positions in assets abroad by euro area residents (as "direct investment abroad") and net transactions/positions in euro area assets by non-residents (as "direct investment in the euro area").

**Effective exchange rates (EERs) of the euro (nominal/real):** weighted averages of bilateral euro exchange rates against the currencies of the euro area's main trading partners. The ECB publishes nominal EER indices for the euro against two groups of trading partners: the EER-23 (comprising the 13 non-euro area EU Member States and the 10 main trading partners outside the EU) and the EER-42 (composed of the EER-23 and 19 additional countries). The weights used reflect the share of each partner country in euro area trade and account for competition in third markets. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are thus measures of price and cost competitiveness.

**EONIA (euro overnight index average):** a measure of the effective interest rate prevailing in the euro interbank overnight market. It is calculated as a weighted average of the interest rates on unsecured overnight lending transactions denominated in euro, as reported by a panel of contributing banks.

**Equities:** securities representing ownership of a stake in a corporation. They comprise shares traded on stock exchanges (quoted shares), unquoted shares and other forms of equity. Equities usually produce income in the form of dividends.

**ERM II (exchange rate mechanism II):** the exchange rate arrangement that provides the framework for exchange rate policy cooperation between the euro area countries and the EU Member States not participating in Stage Three of EMU.

**EURIBOR (euro interbank offered rate):** the rate at which a prime bank is willing to lend funds in euro to another prime bank, computed daily for interbank deposits with different maturities of up to 12 months.

**European Commission surveys:** harmonised surveys of business and/or consumer sentiment conducted on behalf of the European Commission in each of the EU Member States. Such questionnaire-based surveys are addressed to managers in the manufacturing, construction,

retail and services sectors, as well as to consumers. From each monthly survey, composite indicators are calculated that summarise the replies to a number of different questions in a single indicator (confidence indicators).

**Eurozone Purchasing Managers' Surveys:** surveys of business conditions in manufacturing and in services industries conducted for a number of countries in the euro area and used to compile indices. The Eurozone Manufacturing Purchasing Managers' Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers' delivery times and stocks of purchases. The services sector survey asks questions on business activity, expectations of future business activity, the amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated by combining the results from the manufacturing and services sector surveys.

**External trade in goods:** exports and imports of goods with countries outside the euro area, measured in terms of value and as indices of volume and unit value. External trade statistics are not comparable with the exports and imports recorded in the national accounts, as the latter include both intra-euro area and extra-euro area transactions, and also combine goods and services. Nor are they fully comparable with the goods item in b.o.p. statistics. Besides methodological adjustments, the main difference is to be found in the fact that imports in external trade statistics are recorded including insurance and freight services, whereas they are recorded free on board in the goods item in the b.o.p. statistics.

**Fixed rate tender:** a tender procedure in which the interest rate is specified in advance by the central bank and in which participating counterparties bid the amount of money they wish to transact at the fixed interest rate.

**General government:** a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

**Gross domestic product (GDP):** the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

**Gross monthly earnings:** gross monthly wages and salaries of employees, including employees' social security contributions.

**Harmonised Index of Consumer Prices (HICP):** a measure of consumer prices that is compiled by Eurostat and harmonised for all EU Member States.

**Hourly labour cost index:** a measure of labour costs, including gross wages and salaries (as well as bonuses of all kinds), employers' social security contributions and other labour costs (such as vocational training costs, recruitment costs and employment-related taxes), net of subsidies, per hour actually worked. Hourly costs are obtained by dividing the sum total of these costs for all employees by the sum total of 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:** factory-gate prices (transportation costs are not included) of all products sold by industry excluding construction on the domestic markets of the euro area countries, excluding imports.

**Industrial production:** the gross value added created by industry at constant prices.

**Inflation-indexed government bonds:** debt securities issued by the general government, the coupon payments and principal of which are linked to a specific consumer price index.

**International investment position (i.i.p.):** the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world.

**Job vacancies:** a collective term covering newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has taken recent active steps to find a suitable candidate.

**Key ECB interest rates:** the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the minimum bid rate on the main refinancing operations, the interest rate on the marginal lending facility and the interest rate on the deposit facility.

**Labour force:** the sum total of persons in employment and the number of unemployed.

**Labour productivity:** the output that can be produced with a given input of labour. It can be measured in several ways, but is commonly measured as GDP at constant prices divided by either total employment or total hours worked.

**Longer-term refinancing operation:** a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months.

**M1:** a narrow monetary aggregate that comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

**M2:** an intermediate monetary aggregate that comprises M1 plus deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

**M3:** a broad monetary aggregate that comprises M2 plus marketable instruments, in particular repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

**Main refinancing operation:** a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

**Marginal lending facility:** a standing facility of the Eurosystem which counterparties may use to receive overnight credit from a national central bank at a pre-specified interest rate against eligible assets.

**MFI credit to euro area residents:** MFI loans granted to non-MFI euro area residents (including the general government and the private sector) and MFI holdings of securities (shares, other equity and debt securities) issued by non-MFI euro area residents.

**MFI interest rates:** the interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area.

**MFI longer-term financial liabilities:** deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued by euro area MFIs with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

**MFI net external assets:** the external assets of the euro area MFI sector (such as gold, foreign currency banknotes and coins, securities issued by non-euro area residents and loans granted to non-euro area residents) minus the external liabilities of the euro area MFI sector (such as non-euro area residents' deposits and repurchase agreements, as well as their holdings of money market fund shares/units and debt securities issued by MFIs with a maturity of up to and including two years).

**MFIs (monetary financial institutions):** financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds.

**Portfolio investment:** euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments). Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.

**Price stability:** the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

**Reference value for M3 growth:** the annual growth rate of M3 over the medium term that is consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

**Reserve requirement:** the minimum amount of reserves a credit institution is required to hold with the Eurosystem. Compliance is determined on the basis of the average of the daily balances over a maintenance period of around one month.

**Survey of Professional Forecasters (SPF):** a quarterly survey that has been conducted by the ECB since 1999 to collect macroeconomic forecasts on euro area inflation, real GDP growth and unemployment from a panel of experts affiliated to financial and non-financial organisations based in the EU.

**Unit labour costs:** a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation per employee to GDP at constant prices per person employed.

**Variable rate tender:** a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

**Yield curve:** a curve describing the relationship between the interest rate or yield and the maturity at a given point in time for debt securities with the same credit risk but different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates at two selected maturities.

