



EUROPEAN CENTRAL BANK

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## ABBREVIATIONS

### COUNTRIES

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

### OTHERS

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

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



## EDITORIAL

At its meeting on 5 October 2006, the Governing Council decided to increase the minimum bid rate of the main refinancing operations of the Eurosystem by 25 basis points to 3.25%. The interest rates on the marginal lending facility and the deposit facility were also increased by 25 basis points to 4.25% and 2.25% respectively. The decision to raise the key ECB interest rates reflects the upside risks to price stability over the medium term that the Governing Council has identified on the basis of its regular economic and monetary analyses. The decision will contribute to ensuring that medium to longer-term inflation expectations in the euro area remain solidly anchored at levels consistent with price stability. Such anchoring is a prerequisite for monetary policy to make an ongoing contribution towards supporting sustainable economic growth and job creation in the euro area. Also after this increase, the key ECB interest rates remain at low levels, money and credit growth remain strong, and liquidity in the euro area is ample by all plausible measures. The ECB's monetary policy therefore continues to be accommodative. If the Governing Council's assumptions and baseline scenario are confirmed, it will remain warranted to further withdraw monetary accommodation. The Governing Council will therefore continue to monitor very closely all developments so as to ensure price stability over the medium and longer term.

Starting with the economic analysis, the quarter-on-quarter growth rate of real GDP in the euro area for the second quarter of 2006 was confirmed at 0.9%. Moreover, since the previous meeting of the Governing Council, on 31 August 2006, Eurostat has revised upwards the growth data for the two preceding quarters, thereby confirming that a significant acceleration in economic expansion has taken place over the past few quarters. On the basis of the revised data, economic activity has been growing at a quarterly rate of 0.7% on average over the last four quarters, the unemployment rate has been on a falling trend, employment growth has recovered and employment expectations overall have remained favourable. All in all, the

economic recovery now appears somewhat stronger than on the basis of earlier data. It has become more broadly based and is mainly supported by domestic demand. The available information on activity in the third quarter – coming from various confidence surveys and indicator-based estimates – continues to support the assessment that economic activity will grow robustly, while possibly moderating somewhat.

Looking ahead to the remainder of 2006 and 2007, the conditions remain in place for the euro area economy to grow at solid rates around potential, with some volatility in the quarterly growth rates likely to emerge around the turn of the year. Global economic activity has become more balanced across regions and is still robust, thereby providing ongoing support for euro area exports. Investment is expected to remain strong, benefiting from an extended period of very favourable financing conditions, balance sheet restructuring, accumulated and ongoing strong earnings, and gains in business efficiency. Consumption growth in the euro area should also strengthen further over time, in line with developments in real disposable income, as employment conditions continue to improve.

Risks to the outlook for economic growth are broadly balanced over the shorter term, although the recent fall in oil prices – if it were to prove lasting – has the potential to lead to somewhat stronger demand and output growth than embodied in the Governing Council's baseline scenario for activity in the coming quarters. Over the longer term, risks to growth lie on balance on the downside, and relate mainly to the possibility of a renewed increase in oil prices, fears of a rise in protectionist pressures, especially after the suspension of the Doha round of trade talks, and possible disorderly developments owing to global imbalances.

As regards price developments, according to Eurostat's flash estimate, annual HICP inflation fell to 1.8% in September 2006, from 2.3% in August. Although no detailed breakdown is available as yet, this relatively sharp decline seems to be the combined result of favourable

base effects, given in particular the strong rise in oil prices a year ago, and the recent significant fall in oil prices. While the outlook for energy prices is uncertain, on the basis of current energy prices and the higher quotations on futures markets, overall inflation rates are likely to increase again towards the end of the year and in early 2007. As a consequence, the Governing Council expects a considerable degree of short-term volatility in the annual HICP inflation rate, while the overall inflation rate will remain elevated at levels above 2% on average in 2006 and is likely to remain so in 2007.

In addition, risks to the outlook for price developments remain clearly on the upside. They continue to include a stronger pass-through of past oil price rises into consumer prices than currently anticipated and additional increases in administered prices and indirect taxes beyond those announced thus far. Furthermore, renewed increases in oil prices cannot be excluded. More fundamentally, given the favourable momentum of real GDP growth observed over the past few quarters and the positive signs from labour markets, stronger than currently expected wage developments pose substantial upward risks to price stability. Against this background, it is crucial that the social partners continue to meet their responsibilities, in particular in the context of a more favourable environment for economic activity and employment.

The monetary analysis continues to point to upside risks to price stability at medium to longer horizons. Annual M3 growth rose again to 8.2% in August and, more generally, the rate of monetary and credit expansion remains rapid, reflecting the still low level of interest rates in the euro area. In particular, loans to the private sector continue to grow at double-digit rates on an annual basis, remaining broadly based across the household and corporate sectors. Taking the appropriate medium-term perspective, these developments remain consistent with the persistent upward trend in the underlying rate of monetary expansion, identified by the ECB's

monetary analysis since mid-2004. Moreover, following several years of robust monetary growth, the liquidity situation in the euro area is ample by all plausible measures. Continued strong monetary and credit growth in an environment of still ample liquidity, as a result of the persistently high rate of monetary expansion over the past few years, point to upside risks to price stability over the medium to longer term. Monetary developments therefore require careful monitoring, particularly against the background of improved economic conditions and strong property market developments in many parts of the euro area.

To sum up, annual inflation rates are projected to remain elevated in 2006 and 2007, with risks to this outlook remaining clearly on the upside. Given the ongoing dynamism of monetary and credit growth in an environment of ample liquidity, a cross-check of the outcome of the economic analysis with that of the monetary analysis supports the assessment that upside risks to price stability prevail over the medium term. It is essential that inflation expectations remain firmly anchored at levels consistent with price stability. If the Governing Council's assumptions and baseline scenario are confirmed, it will remain warranted to further withdraw monetary accommodation. The Governing Council will therefore continue to monitor very closely all developments so as to ensure price stability over the medium and longer term.

As regards fiscal policy, euro area countries are now in the process of finalising their 2007 budgets and preparing their next stability programme updates. In the current favourable economic environment, it is essential that adequate headway be made towards sound public finances, implying that budget targets for 2007 should generally be more ambitious than in previous programmes. Countries in excessive deficit need to remain fully committed to bringing their deficits to below 3% within the agreed deadline via adequate and credible structural consolidation. Other countries need to make clear progress towards their medium-

term objectives in line with the requirements of the Stability and Growth Pact. In all cases, any revenue windfalls from stronger than expected growth should be used to speed up deficit reduction or to increase surpluses. Pro-cyclical policies should be avoided and expenditure restraint is of particular importance, also given the high spending ratios and taxes as compared with many other industrialised countries. Experience has shown that expenditure reform is key to successful consolidation, and consolidation is essential for reducing overall public debt and for making public finances less vulnerable to the impact of ageing populations.

Fiscal consolidation is likely to be most successful when coupled with comprehensive structural reforms. These are urgently needed to help to cushion the unfavourable economic effects of the projected demographic change in the euro area. The decline in the working age population will place further pressure on pension and health care systems, and may have wide-ranging economic consequences. In order to support the potential economic growth of the euro area, to foster macroeconomic flexibility and dynamism, and to safeguard the future standard of living of our citizens, labour and product market reforms are urgently needed. This will increase labour market participation and employment and strengthen innovation and the other forces driving productivity and economic growth. The ECB will play its part by continuing to maintain price stability over the medium term.

This issue of the Monthly Bulletin contains two articles. The first article discusses the possible economic consequences and monetary policy implications of projected demographic trends in the euro area, underlining the critical need for structural reforms to better cope with the adverse effects of ageing populations on the economy. The second article sets out the main features of the integrated financial and non-financial accounts for the institutional sectors

of the euro area, which were published for the first time in May 2006, with a special focus on some more recent results for households and non-financial corporations.





# ECONOMIC AND MONETARY DEVELOPMENTS

## I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

*The expansion of the global economy moderated in the second quarter of 2006, with real GDP growth slowing in both the United States and Japan compared with the first quarter. Although recent leading indicators suggest a further moderation, world growth is expected to remain fairly robust and above historical averages for the remainder of the year. Global consumer price inflation continued to broadly reflect developments in energy prices, suggesting a possible moderation in global inflationary pressures in the near term. Risks to the global economic outlook continue to be related to oil market developments, a disorderly unwinding of global economic imbalances and increased protectionist pressures.*

### I.1 DEVELOPMENTS IN THE WORLD ECONOMY

The expansion of the global economy moderated in the second quarter of 2006, with real GDP figures recording a slowdown in both the United States and Japan compared with the first quarter. Industrial production in the OECD countries (excluding the euro area) continued to grow at a rather robust pace in June (see Chart 1), suggesting that the external environment of the euro area remains favourable.

With regard to price developments, annual consumer price inflation continued to be influenced to a large extent by energy price changes. For the OECD countries, the annual rate of change of the CPI decreased slightly to 3.0% in August, while, excluding food and energy, it edged up by 0.1 percentage point, to 2.2%. The recent fall in oil prices, and survey evidence indicating some decreases in input prices, suggest a possible moderation in global inflationary pressures in the near term.

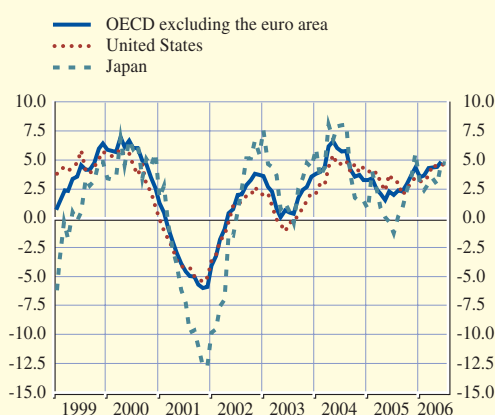
#### UNITED STATES

In the United States, real GDP growth moderated to 0.6% in the second quarter of 2006 on a quarter-on-quarter basis. A downturn in household spending on durable goods constituted the prime factor behind the weakening of real GDP growth, although this was partly offset by stronger household demand for services. The decline in growth in the second quarter also reflected a drop in fixed investment, especially residential investment, indicating a slowdown in the US housing market, while the contribution of net exports turned slightly positive.

The expansion of the US economy is expected to be less vigorous in the second half of the year also, given the moderation in household spending and residential investment as a result of the slowing of house price appreciation and falling activity in the housing market. Increasing wage income on account of tight labour market conditions, as well as resilient corporate investment spending, may partly offset the negative impact of the housing market slowdown on aggregate demand.

**Chart 1 Industrial production in the OECD countries**

(annual percentage changes; monthly data)



Sources: OECD and ECB calculations.  
Note: Last observation refers to July 2006 except for the OECD excluding the euro area (June 2006).

In the second quarter the US current account deficit remained unchanged at about 6.6% of GDP. Although the trade balance deficit continued to be the major factor behind this high deficit, it is notable that the investment income balance showed a deficit for the third consecutive quarter (amounting to USD 4.1 billion in the second quarter). This contrasts with the situation prevailing in previous years when the United States recorded a positive net investment income balance due to the higher rate of return on US assets abroad than on foreign assets in the United States, in spite of the rapid accumulation of foreign debt.

As for price developments, inflationary pressures seem to have eased somewhat in recent months on account of both smaller increases in energy prices and a more broad-based moderation in non-energy prices. Price pressures, which are being driven by high levels of resource utilisation, should moderate further given the outlook of slower economic growth, contained inflation expectations and the recent fall in commodity prices. However, recent labour cost data suggest an increased risk of inflationary pressures stemming from the labour market.

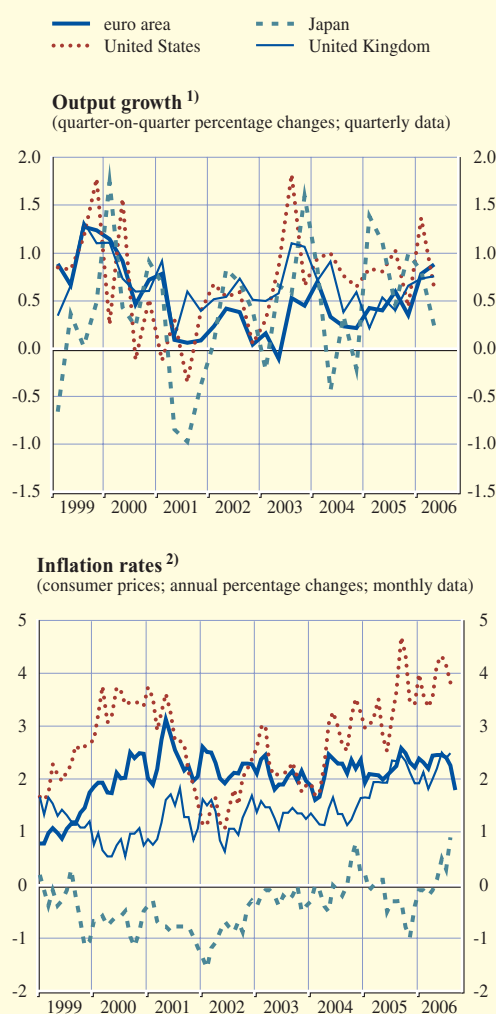
On 20 September 2006 the Federal Open Market Committee decided to keep its target for the federal funds rate unchanged at 5.25%.

## JAPAN

In Japan, according to the second preliminary data estimate by the Cabinet Office, quarterly real GDP grew by 0.2% in the second quarter. Despite the moderation in GDP growth compared with the first quarter, economic activity is expected to accelerate in the second half of the year, sustained by strong private investment and a pick-up in private consumption.

As regards price developments, consumer prices continued to rise at a moderate pace. In August the CPI excluding fresh food posted its third consecutive monthly increase, rising by 0.3% on an annual basis after a 0.2% rise in the previous month. Producer prices increased much more rapidly, rising by 3.4% on an annual basis in both July and August – the fastest rate of increase since 1981. Finally, in the second quarter the GDP deflator fell by 0.8% year on year, after recording a 1.2% fall in the first quarter. At its meeting on 7-8 September 2006 the Bank of Japan decided, by a unanimous vote, to leave the target for the uncollateralised overnight call rate unchanged at 0.25%.

**Chart 2 Main developments in major industrialised economies**



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

## UNITED KINGDOM

In the United Kingdom, economic activity continued to grow at a steady pace, as indicated by a quarterly rate of GDP growth of 0.7% in both the first and second quarters. Although retail sales data for July and August may point to some moderation in household consumption growth in the third quarter of 2006, output in the manufacturing sector continued to expand at a robust pace over the same period, partly due to strong foreign demand. Business survey data also suggest some firming of export growth for the remainder of the year. Although in recent months unemployment has continued to rise and growth in average earnings has remained contained, growth momentum is expected to be sustained in the second half of the year also.

Annual HICP inflation hovered around 2.5% between June and August, reflecting strong growth in energy and food prices. The pace of house price increases continued to be strong in historical terms. At its meeting on 4-5 October, the Bank of England's Monetary Policy Committee decided to leave the repo rate unchanged at 4.75%.

## OTHER EUROPEAN COUNTRIES

In most other EU countries outside the euro area, second quarter figures for 2006 confirm that output growth continued to be strong, with domestic demand being the main driver. In many new EU Member States, economic activity has also been supported by strong export growth, which was in turn largely related to past foreign direct investment inflows. Annual HICP inflation rose in most countries, mainly on account of an increase in the non-energy component of the HICP. In September several national central banks decided to increase their key policy rates, owing mainly to concerns over rising inflationary pressures.

In Denmark, the quarterly rate of real GDP growth picked up strongly, to 1.9%, in the second quarter, while in Sweden it remained high, at 1.4% – unchanged from the previous quarter. In both countries, economic activity appeared to be sustained by rather robust domestic demand and, in the case of Denmark, also by net exports. Overall, the outlook for growth remains steady in both countries. Annual HICP inflation eased further in August in both countries, declining to 1.9% in Denmark and 1.6% in Sweden. On 5 October, Denmark's Nationalbank raised its benchmark rate by 25 basis points.

In the Czech Republic, Hungary and Poland, output growth continued to be robust, although some degree of moderation was observed in the second quarter compared with the first. Quarterly GDP growth declined to 1.2% in the Czech Republic, to 0.9% in Hungary and to 1.1% in Poland. GDP growth in the Czech Republic and Poland was mainly driven by domestic demand, while in Hungary it was driven by net exports. Indicators suggest that economic growth is likely to remain strong in the Czech Republic and Poland, while it is expected to decelerate in Hungary as a result of fiscal stabilisation measures. Annual HICP inflation increased in August in all three countries, most notably in Hungary where energy price inflation also picked up strongly due to a gas price increase. HICP inflation was 2.6% in the Czech Republic, 4.7% in Hungary and 1.7% in Poland in August. In all three countries, annual HICP inflation excluding energy has risen gradually this year. Česká národní banka and Magyar Nemzeti Bank increased their key reference rates by 25 and 50 basis points respectively in September.

Economic activity remained robust in the other EU Member States, particularly the Baltic States and Slovakia. On 26 September Národná banka Slovenska raised its main policy rate by 25 basis points.

## EMERGING ASIA

In emerging Asia, while economic activity grew at a robust pace in the first half of the year, some degree of moderation might be expected in the future. In particular, recent indicators suggest that business activity softened somewhat in July and August. Domestic activity appears to have slowed in most major economies in the region, whereas exports maintained the strong momentum of the first half of the year – and even accelerated in some countries. Inflation was little changed in August, compared with July.

In China, following a strong performance in the first half of 2006, there are signs that the economy may be beginning to react to the interest rate hikes and the other tightening measures introduced in the first half of the year. In particular, industrial production slowed to about 16% year on year in August, from 19.5% in July. However, retail sales growth remained broadly stable in August and the trade surplus rose to a new monthly record on the back of strong exports, with the cumulated surplus for the first eight months of the year reaching almost the same level as for the whole of 2005. Official reserves rose to USD 954 billion in July. As regards price developments, inflationary pressures increased slightly in August, with annual CPI inflation rising to 1.3%, from 1% in July, mainly owing to increases in food and housing prices.

Overall, economic prospects remain favourable for emerging Asia, underpinned by steady growth in domestic demand and robust momentum of foreign trade. Steady, albeit moderating, growth in China is likely to support exports and activity in the region. But excess capacity in some sectors of China's economy remains the main downside risk to this outlook.

## LATIN AMERICA

Economic growth continued to be robust in the region. In Mexico, the vigorous economic growth achieved in the second quarter persisted, as industrial production grew at an annual rate of 6% in July. At the same time, annual inflation picked up in the course of the summer, reaching 3.5% in August, mainly because of higher administrative prices. In Argentina, GDP expanded by an annual rate of close to 8% in the second quarter, driven primarily by export demand and the construction sector. However, annual inflation remained high at almost 11% in August. By contrast, Brazil's GDP figures pointed to a slowdown in economic activity, with annual GDP expanding by 1.2% in the second quarter of 2006 and inflation falling to less than 4% in August. Looking ahead, economic prospects for the region are positive, supported by strong domestic demand and exports.

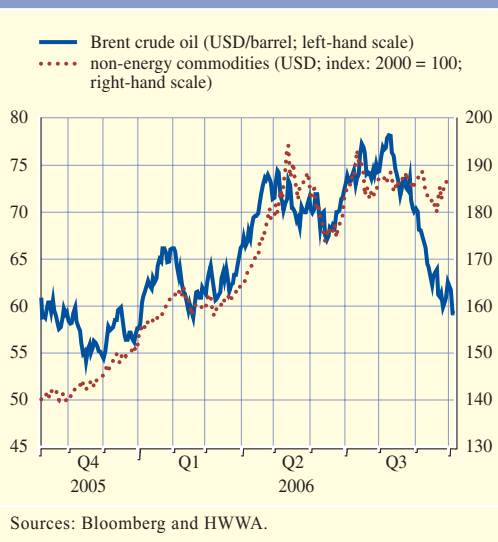
## 1.2 COMMODITY MARKETS

Oil prices declined substantially after reaching a new historical high at the beginning of August. On 4 October Brent crude oil prices stood at USD 59.3 per barrel, which is approximately 24% below the peak in early August and only around 3% above the level recorded at the beginning of the year. The recent oil price slide has been mainly prompted by the comfortable level of US petrol inventories, a relatively mild tropical storm season in the Gulf of Mexico and an improvement in the geopolitical climate, with growing expectations among market participants that the United Nations Security Council will not impose sanctions on Iran over its nuclear programme. The downward revision of expected oil demand growth for 2006 and 2007 by the International Energy Agency, which was mainly due to revisions of US and Mexican demand, also exerted some downward pressure on prices. Meanwhile, OPEC decided at its latest meeting in September to maintain current production levels, while signalling that stockpiling and an uncertain global

economic picture may lead to a decision to cut production in coming months. Market participants continue to expect prices to remain at elevated levels by historical standards, with the December 2008 Brent crude oil futures contract currently trading at USD 66.4. Moreover, given the limited spare capacity throughout the supply chain, oil prices are likely to remain highly sensitive to unanticipated changes in the balance of supply and demand and in the geopolitical environment.

Prices of non-energy commodities also declined at the beginning of September, but started to pick up again towards the end of the month. Expressed in US dollar terms, total non-energy commodity prices were approximately 31% higher in September compared with a year earlier, supported by an increase in both industrial raw materials and food prices.

Chart 3 Main developments in commodity markets



### 1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Overall, the outlook for the external environment, and thus for foreign demand for euro area goods and services, remains favourable. The latest composite leading indicators suggest, however, that in most developed OECD countries the rate of economic expansion may be subject to some degree of moderation. The latest data for major non-OECD economies suggest a slight weakening of the outlook for China while the expansion in India, Russia and Brazil is likely to remain strong. Despite this anticipated moderation, world growth is expected to remain fairly robust and above historical averages for the remainder of the year.

The risks to the outlook remain tilted somewhat to the downside, although the recent decreases in oil prices may – at least temporarily – help to reduce one of the main sources of concern for the global economy. Risks related to a disorderly unwinding of global economic imbalances and to increased protectionist pressures also persist.

## 2 MONETARY AND FINANCIAL DEVELOPMENTS

### 2.1 MONEY AND MFI CREDIT

*In August 2006 the annual growth rate of M3 remained strong, reflecting the continued low level of interest rates and the strengthening of economic activity in the euro area. On the counterparts side, the impact of these factors is particularly visible in the continued vigorous growth of loans to the private sector. At the same time, the latest data provide further evidence that recent rises in key ECB interest rates have influenced monetary developments by stimulating substitution within M3 into more highly remunerated components and by increasing the attractiveness of monetary assets relative to that of longer-term financial assets. Overall, money and credit developments continue to point to upside risks to price stability at medium to longer-term horizons, particularly in an environment of improved economic sentiment and activity.*

#### THE BROAD MONETARY AGGREGATE M3

In August 2006 the annual growth rate of the broad monetary aggregate M3 increased to 8.2%, having previously declined from 8.8% in May 2006 to 7.8% in July 2006. The annualised six-month rate of growth rose to 9.6% in August, from 8.5% in the previous month (see Chart 4). This renewed strengthening in monetary dynamics reflects a very strong seasonally adjusted month-on-month growth rate in August, following a series of declining month-on-month growth rates observed since March 2006.

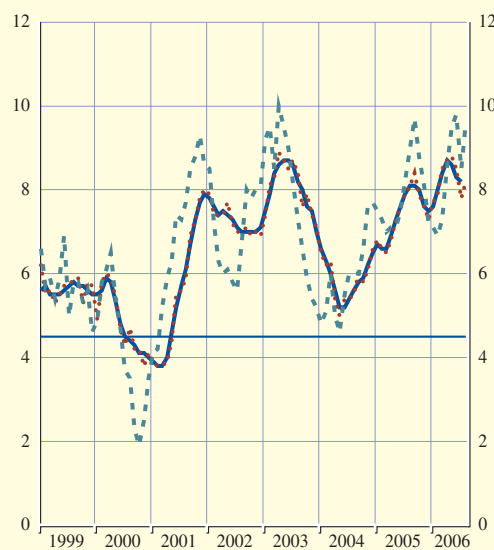
The latest monetary data support the view that the ongoing high rate of M3 growth results largely from the low level of interest rates and the strengthening of economic activity in the euro area. This interpretation is in particular supported by the ongoing strength of the annual growth of loans to the private sector. The latest data also provide further evidence that the recent rise in key ECB interest rates has begun to affect monetary developments via shifts within the broad monetary aggregate M3, such as shifts from overnight deposits to more highly remunerated short-term deposits. Furthermore, in an environment characterised by expectations of increases in short-term interest rates, the strong demand for certain monetary assets may also reflect the increasing attractiveness of these assets relative to the yields on longer-term financial assets (i.e. speculative demand for money).

Overall, money and credit growth remain at a high level, having followed a sustained upward trend since mid-2004. Continued strong money and credit growth in the context of ample liquidity points to upside risks to price stability over the medium to longer term, particularly in an environment of improved economic sentiment and activity.

Chart 4 M3 growth and the reference value

(percentage changes; adjusted for seasonal and calendar effects)

- M3 (three-month centred moving average of the annual growth rate)
- M3 (annual growth rate)
- - - M3 (annualised six-month growth rate)
- reference value (4½%)



Source: ECB.

**MAIN COMPONENTS OF M3**

The August increase in annual M3 growth reflects the substantially higher annual growth rates both of short-term deposits other than overnight deposits (M2 - M1) and of marketable instruments (see Table 1). At the same time, on account of the lower growth rates of both of its components – currency in circulation and overnight deposits – the annual growth rate of M1 declined from 7.4% in July to 7.2% in August.

The annual rate of growth of short-term deposits other than overnight deposits increased to 9.8% in August, from 9.2% in the previous month, as a result of a strengthening in the annual growth rate of deposits with an agreed maturity of up to two years (i.e. time deposits), which more than offset the decline in the annual growth rate of deposits redeemable at notice of up to three months (i.e. savings deposits). The strong demand for short-term time deposits is likely to be related to the increasing divergence between the interest rate offered on these deposits and that available on other short-term instruments in the context of recent interest rate increases.

In August the annual growth rate of marketable instruments included in M3 increased to 7.3%, from 5.3% in July. This strengthening was predominantly accounted for by a strong rise in the annual growth rate of debt securities with a maturity of up to two years. A similarly strong demand for short-term debt securities was observed during the period of interest rate increases in 2000. Some short-term debt securities have the attractive feature of allowing investors to benefit from an unexpected rise in interest rates before maturity. In the context of the recent increases in short-term interest rates and expectations of further increases, the continued strong demand for short-term debt securities may thus reflect some speculative demand for money.

The annual growth rate of short-term deposits and repurchase agreements held with MFIs – which represent the broadest aggregation of M3 components for which information is available by holding sector – increased in August. This increase mainly reflects a rise in the contributions of

**Table 1 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					
		2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 July	2006 Aug.
<b>M1</b>	<b>47.8</b>	<b>11.2</b>	<b>10.9</b>	<b>10.3</b>	<b>9.9</b>	<b>7.4</b>	<b>7.2</b>
Currency in circulation	7.5	16.0	14.8	13.4	11.9	11.5	11.4
Overnight deposits	40.3	10.4	10.2	9.8	9.5	6.7	6.5
<b>M2 - M1 (= other short-term deposits)</b>	<b>38.0</b>	<b>5.5</b>	<b>5.9</b>	<b>6.8</b>	<b>8.4</b>	<b>9.2</b>	<b>9.8</b>
Deposits with an agreed maturity of up to two years	17.0	4.5	6.5	9.7	15.2	19.0	21.0
Deposits redeemable at notice of up to three months	21.0	6.0	5.3	4.6	3.7	2.5	2.2
<b>M2</b>	<b>85.8</b>	<b>8.4</b>	<b>8.5</b>	<b>8.6</b>	<b>9.2</b>	<b>8.2</b>	<b>8.4</b>
<b>M3 - M2 (= marketable instruments)</b>	<b>14.2</b>	<b>5.5</b>	<b>3.7</b>	<b>3.3</b>	<b>5.7</b>	<b>5.3</b>	<b>7.3</b>
<b>M3</b>	<b>100.0</b>	<b>8.0</b>	<b>7.8</b>	<b>7.8</b>	<b>8.7</b>	<b>7.8</b>	<b>8.2</b>
<b>Credit to euro area residents</b>		<b>7.0</b>	<b>7.9</b>	<b>8.7</b>	<b>9.4</b>	<b>9.2</b>	<b>9.1</b>
Credit to general government		1.1	2.5	2.3	0.8	-0.9	-1.7
Loans to general government		-1.2	0.0	0.8	0.3	-0.6	-0.9
Credit to the private sector		8.6	9.4	10.4	11.7	11.8	11.9
Loans to the private sector		8.4	9.0	10.1	11.2	11.1	11.3
<b>Longer-term financial liabilities (excluding capital and reserves)</b>		<b>10.1</b>	<b>9.5</b>	<b>8.8</b>	<b>8.8</b>	<b>8.7</b>	<b>8.6</b>

Source: ECB.

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



households and, to a lesser extent, non-financial corporations. The contribution of non-monetary financial intermediaries (except insurance corporations and pension funds), which in past months had accounted for a large part of the changes in the growth of overall short-term deposits and repurchase agreements, remained broadly unchanged in August.

### MAIN COUNTERPARTS OF M3

On the counterparts side, the annual growth rate of MFI loans to the private sector increased to 11.3% in August, from 11.1% in July. The ongoing strong demand for loans reflects improved economic conditions and the continued low level of interest rates. At the same time, the strengthening in aggregate loan dynamics in August concealed different developments for households and non-financial corporations.

The annual rate of growth of loans to households declined slightly further in August, to 9.2%, from 9.4% in July. Despite the moderation seen in recent months, growth in loans to households remained strong. The overwhelming majority of the ongoing strong lending activity to households continued to be explained by borrowing for house purchases, which grew at an annual rate of 11.1% in August, after standing at 11.4% in the previous month (see Table 2). Strong borrowing for house purchases reflects the continued low level of mortgage lending rates prevailing in the euro area as a whole and the robust housing market dynamics observed in many regions. The annual growth rate of consumer credit declined to 8.3% in August – from 8.6% in July, which had been the highest level observed since late 1999.

By contrast with loans to households, the annual growth rate of MFI loans to non-financial corporations rose further in August, reaching 12.0% and thus continuing the upward trend observed since early 2004. This further strengthening in the annual growth rate was mainly attributable to loans with maturities of over one year. In addition to the improved economic conditions and the continued low level of interest rates, the difference between the cost of market-based finance and MFI lending rates increased, and may therefore have supported demand for loans from the

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

(quarterly figures are averages; not adjusted for seasonal and calendar effects)

	Outstanding amount as a percentage of the total <sup>1)</sup>	Annual growth rates					
		2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 July	2006 Aug.
<b>Non-financial corporations</b>	<b>41.5</b>	<b>7.0</b>	<b>7.7</b>	<b>9.2</b>	<b>11.0</b>	<b>11.8</b>	<b>12.0</b>
Up to one year	29.5	5.6	5.2	6.7	8.5	9.3	9.1
Over one and up to five years	18.3	6.6	8.5	11.5	15.9	18.8	19.9
Over five years	52.2	7.9	8.9	10.0	11.0	11.0	11.2
<b>Households <sup>2)</sup></b>	<b>49.9</b>	<b>8.5</b>	<b>9.0</b>	<b>9.6</b>	<b>9.8</b>	<b>9.4</b>	<b>9.2</b>
Consumer credit <sup>3)</sup>	13.1	6.9	7.8	8.2	8.2	8.6	8.3
Lending for house purchase <sup>3)</sup>	70.5	10.7	11.1	11.8	12.1	11.4	11.1
Other lending	16.4	2.2	2.3	2.1	2.1	2.3	2.2
<b>Insurance corporations and pension funds</b>	<b>1.0</b>	<b>16.5</b>	<b>29.3</b>	<b>32.9</b>	<b>41.1</b>	<b>40.7</b>	<b>33.8</b>
<b>Other non-monetary financial intermediaries</b>	<b>7.6</b>	<b>15.5</b>	<b>14.1</b>	<b>16.2</b>	<b>19.0</b>	<b>15.6</b>	<b>19.3</b>

Source: ECB.

Notes: MFI sector including the Eurosystem; sectoral classification based on the ESA 95. For further details, see the relevant technical notes.

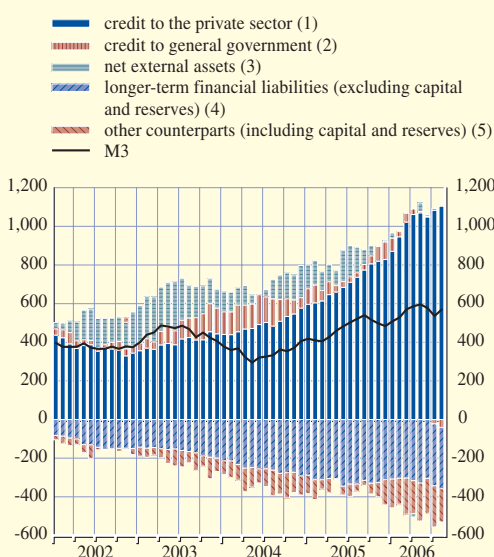
1) As at the end of the last month available. Sector loans as a percentage of total MFI loans to the private sector; maturity breakdown and breakdown by purpose as a percentage of MFI loans to the respective sector. Figures may not add up due to rounding.

2) As defined in the ESA 95.

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

Chart 5 Counterparts of M3

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



Source: ECB.

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

corporate sector at the expense of other forms of finance such as debt securities issuance. In addition, non-financial corporations may have expanded their borrowing to fund financial investment.

Looking at developments in overall MFI credit granted to euro area residents, the annual growth rate remained broadly unchanged in August compared with the previous month. This overall stability conceals a further moderation in the annual growth rate of credit granted to government and a strengthening in the growth of credit granted to the private sector. As the latter reflects not only stronger lending to the private sector, but also MFIs' stronger acquisition of securities issued by the private sector, this implies an increase in the exposure of MFIs to the private sector.

Among the other counterparts of M3, the annual growth rate of MFI longer-term financial liabilities (excluding capital and reserves) was 8.6% in August, having stood at 8.7% in July, with short-term dynamics as measured by the annualised six-month rate of growth remaining

strong. Looking at the components of these liabilities indicates that developments were broadly based across longer-term debt securities and deposits. Overall, this suggests a continued inclination on the part of euro area residents to invest in longer-term assets denominated in euro.

In the 12 months to August, the net external asset position of MFIs decreased by €5 billion, after increasing by €10 billion in the year to end-July (see Chart 5). On a monthly basis, an outflow of €20 billion was recorded in August – after an inflow of €5 billion in the previous month. This latest development in the external contribution to euro area monetary developments had a dampening impact on M3 growth.

Summing up the information from the counterparts, the low level of interest rates and the improved economic conditions continued to be the main driving force behind the strength of MFI loans to the private sector. At the same time, the external contribution to the annual growth rate of M3 was marginal in August, as reflected in the broadly balanced net external asset position of the MFI sector. This confirms the assessment that the strength of the monetary expansion is currently being underpinned mainly by domestic forces. With regard to the data for August, it should be noted that a considerable part of the strengthening of M3 growth reflects changes in “other counterparts”, which include residual items and can, at times, be volatile. Caution is therefore warranted when interpreting the latest monthly figures.

## 2.2 SECURITIES ISSUANCE

*In July 2006 the annual growth rate of debt securities issued by euro area residents continued to be robust. Underlying this development was the relatively strong annual growth of debt securities issued by non-monetary financial corporations and, to a lesser extent, MFIs. At the same time, the annual growth rate of debt securities issued by non-financial corporations remained at the relatively low levels observed in previous months. The annual rate of growth of quoted shares issued by euro area residents rose slightly, but remained at a subdued level.*

### DEBT SECURITIES

The annual growth rate of debt securities issued by euro area residents increased to 7.0% in July 2006, from 6.6% in June (see Table 3). The annual growth rate of variable-rate long-term debt securities, standing at 15.4% in July, continued to strongly outpace the annual growth rate of fixed-rate debt securities (4.3%). Looking back over a somewhat longer period, the annual growth rate of variable-rate long-term debt securities has, however, fallen from its last peak of 22.1% in June 2005. Over the same period, the annual growth rate of short-term debt securities has tended to increase from a very low level, and stood at 5.2% in July 2006. Overall, these developments indicate that short-term issues and long-term issues at variable rates, taken together, have somewhat increased their share in net issuance of debt securities, and stood at 16% and 37% respectively between January and July 2006, with the share of long-term issues at fixed rates standing at 41% over the same period.

Looking at issuance activity by sector, the annual growth rate of debt securities issued by non-financial corporations decreased slightly to 4.3% in July (see Chart 6). The relatively modest growth observed over recent periods – in particular compared with the robust growth in MFI loans to non-financial corporations – may in part be related to an increased supply of bank loans inducing, for example, a shift in the financing of mergers and acquisition activity towards syndicated bank loans rather than through the issuance of corporate bonds. In July the annual rate

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

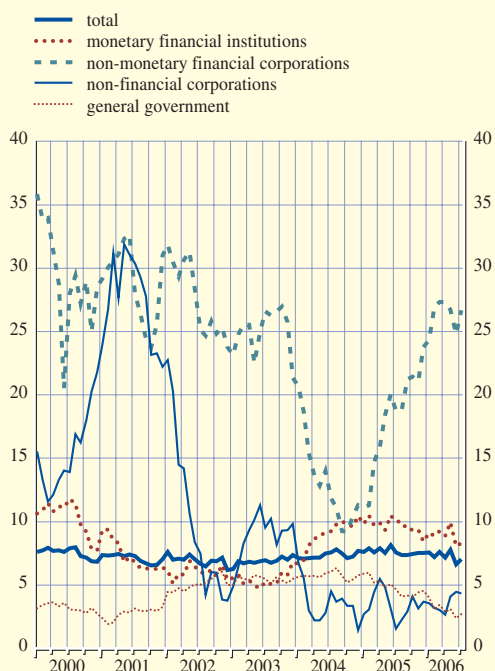
Issuing sector	Amount outstanding (EUR billions) 2006 July	Annual growth rates <sup>1)</sup>					
		2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 June	2006 July
<b>Debt securities:</b>	<b>10,781</b>	<b>7.6</b>	<b>7.5</b>	<b>7.5</b>	<b>7.3</b>	<b>6.6</b>	<b>7.0</b>
MFIs	4,371	10.0	9.2	8.9	9.2	8.1	8.3
Non-monetary financial corporations	1,050	19.4	21.7	25.6	26.7	24.8	26.7
Non-financial corporations	631	2.3	3.5	3.4	3.5	4.5	4.3
General government	4,729	4.5	4.3	3.7	3.0	2.4	2.7
<i>of which:</i>							
Central government	4,430	4.0	3.8	3.2	2.4	1.8	2.2
Other general government	299	12.2	12.3	11.8	11.4	12.3	11.6
<b>Quoted shares:</b>	<b>5,376</b>	<b>1.1</b>	<b>1.2</b>	<b>1.2</b>	<b>1.1</b>	<b>1.1</b>	<b>1.3</b>
MFIs	918	2.7	2.2	1.2	1.5	1.5	1.9
Non-monetary financial corporations	544	2.5	3.1	3.4	2.2	1.3	1.4
Non-financial corporations	3,913	0.6	0.7	0.9	0.9	1.0	1.1

Source: ECB.

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

**Chart 6 Sectoral breakdown of debt securities issued by euro area residents**

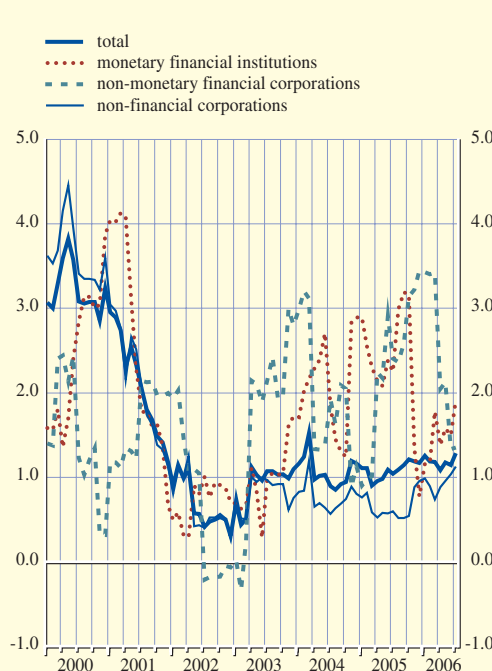
(annual growth rates)



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

**Chart 7 Sectoral breakdown of quoted shares issued by euro area residents**

(annual growth rates)



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

of growth of short-term debt securities issuance by non-financial corporations was -3.1%, while for long-term debt securities it decreased to 5.8%.

In July 2006 the annual growth rate of debt securities issued by MFIs increased slightly to 8.3%, from 8.1% in June. This development was mainly the result of an increase in the annual growth rate of long-term debt securities to 7.7% in July (from 7.2% in June). Looking back over a longer period, growth in fixed-rate issues has tended to strengthen somewhat since around mid-2005, while the dynamics of floating-rate issuance have weakened. However, the annual growth rate of fixed-rate issues remains below that of floating-rate issues. The annual growth rate of short-term debt securities, while continuing to decrease, remained at a relatively high level of 13.0% in July 2006. Overall, the strong growth of debt issuance by the MFI sector is likely to reflect strong demand for funds as a result of the robust growth in MFI loans to households and non-financial corporations.

In July 2006 the annual growth rate of debt securities issued by non-monetary financial corporations remained very strong at 26.7%. This high level of growth is to a large extent related to non-financial corporations, MFIs and other intermediaries securing external debt financing indirectly through financial subsidiaries and special purpose vehicles. In this respect, the high level of issuance activity by non-monetary financial corporations partly reflects issuance activity by the MFI sector, which is increasingly using those corporations to securitise part of its loan portfolio by passing on certain loans to the financial markets in the form of marketable debt securities.

The annual growth rate of debt securities issued by the general government sector, while increasing slightly to 2.7% in July 2006 (from 2.4% in June), appears to be continuing its downward trend and remains relatively close to the historically low levels observed at the beginning of 2001. These movements essentially reflect developments in the annual growth rate of debt securities issued by the central government sector (2.2% in July). The issuance activity of the other general government sector, although decreasing somewhat in July, continues to grow significantly faster, at an annual rate of 11.6% in July 2006.

### QUOTED SHARES

The annual growth rate of quoted shares issued by euro area residents increased slightly to 1.3% in July, from 1.1% in June. In terms of sectoral issuance, the annual growth rate of quoted shares issued by non-financial corporations, which account for around three-quarters of outstanding quoted shares, remained broadly unchanged from the previous month, at 1.1% in July (see Chart 7). The annual growth rate of quoted shares issued by MFIs increased somewhat to 1.9% in July, from 1.5% in June.

## 2.3 MONEY MARKET INTEREST RATES

*In September 2006 money market interest rates increased across the whole maturity spectrum, with the largest increases being observed for shorter-term rates. As a result, the slope of the money market yield curve flattened over the month.*

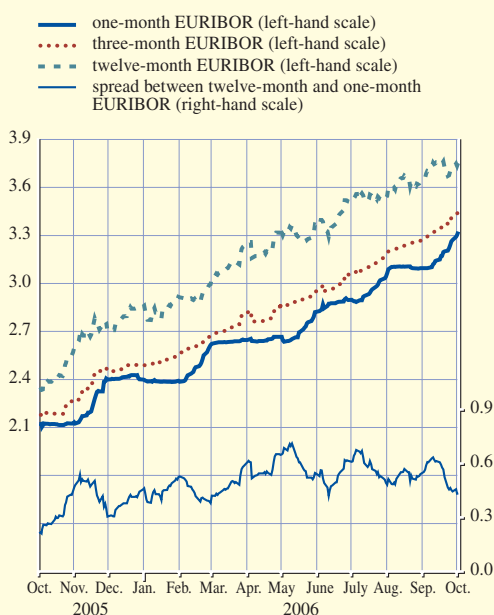
Over the period from the end of August to 4 October 2006, money market interest rates rose at all maturities, with the largest increase observed at the short end of the maturity spectrum. Compared with end-August, one, three, six and twelve-month interest rates increased by 18, 15, 11 and 8 basis points respectively to stand at 3.32%, 3.45%, 3.60% and 3.76% on 4 October. As a result, the slope of the money market yield curve flattened over the review period. The spread between the twelve-month and the one-month EURIBOR declined from 53 basis points at the end of August to 43 basis points on 4 October.

The interest rates implied by the prices of three-month EURIBOR futures contracts maturing in December 2006, March 2007 and June 2007 stood at 3.68%, 3.78% and 3.79% respectively on 4 October. Compared with the levels observed at the end of August, these rates increased by 4, 6 and 6 basis points respectively.

After remaining at 3.07% during the first two weeks of the reserve maintenance period starting on 9 August, the EONIA declined thereafter. During the last week of that maintenance period, amid loose liquidity conditions, the EONIA stood at levels very close to the minimum bid rate, even falling below it on the penultimate day. On the last day of the maintenance period the EONIA rose to 3.04% following the absorption by the ECB of an estimated €11.5 billion of excess liquidity via a fine-tuning operation, which restored broadly neutral liquidity conditions. The EONIA rose to 3.06% at the beginning of the maintenance period starting on 6 September, but started to decline at the beginning of the second week of that period and reached a level only 1 basis point above the minimum bid rate on 22 September. Given the results achieved in reducing the spread between the EONIA and the minimum bid rate over the past few months, and in order to reduce the risk of underbidding, which could occur if interest rates at the shortest end of the money market yield curve reach very low levels, the ECB decided to end its policy of allotting €1 billion more than the benchmark amount in the Eurosystem's main refinancing operations and allotted the benchmark

**Chart 8 Short-term money market interest rates**

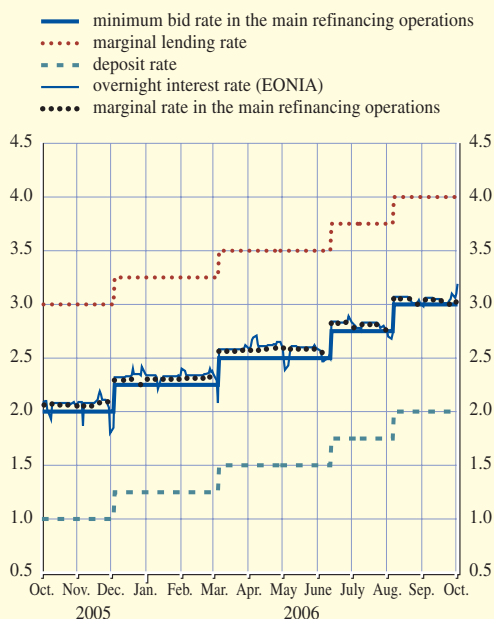
(percentages per annum; daily data)



Sources: ECB and Reuters.

**Chart 9 ECB interest rates and the overnight interest rate**

(percentages per annum; daily data)



Sources: ECB and Reuters.

amount in the weekly operation conducted on 26 September. In response, the EONIA rose in the following days to reach 3.18% on 4 October, owing to expectations that the maintenance period would end with tight liquidity conditions.

The marginal and weighted average rates in the Eurosystem's main refinancing operations declined over the course of the maintenance period starting on 6 September, falling from 3.04% and 3.05% respectively in the first main refinancing operation to 3.00% and 3.03% in the operation conducted on 26 September. In the main refinancing operation conducted on 2 October, i.e. the last of the maintenance period, the two tender rates rose to 3.02% and 3.04% respectively.

In the Eurosystem's longer-term refinancing operation conducted on 27 September, the marginal and weighted average rates stood at 3.30% and 3.32% respectively. Those tender rates were, respectively, 8 and 6 basis points lower than the three-month EURIBOR prevailing on that date.

## 2.4 BOND MARKETS

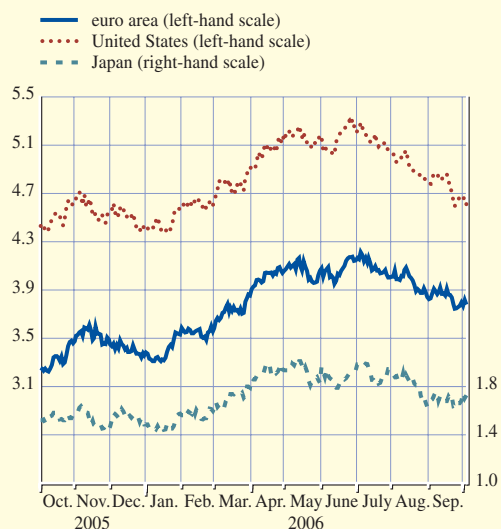
*Long-term government bond yields declined somewhat further in the euro area and the United States between the end of August and early October. These lower bond yields appear to be mainly driven by lower inflation expectations and related risk premia, as reflected in developments in long-term break-even inflation rates on both sides of the Atlantic.*

Long-term government bond yields continued to decline, although to a moderate extent, in the euro area and the United States over the course of September (see Chart 10). Investors' inflation

concerns seem to have eased in the last few weeks, possibly as a response to the sharp fall in oil prices, thereby contributing to the decline in nominal bond yields. Overall, ten-year government bond yields in the euro area fell by around 10 basis points between end-August and 4 October 2006, to stand at 3.8% on the latter date. In the United States, the decline was somewhat higher, at around 15 basis points, with ten-year government bond yields falling to around 4.6% on 4 October. As a result, the differential between US and euro area ten-year government bond yields narrowed further and stood at around 85 basis points on 4 October. By contrast, in Japan ten-year government bond yields rose slightly with respect to their levels at end-August, standing at around 1.7% at the end of the period under review. Developments in implied bond market volatility suggest that market participants' uncertainty regarding short-term bond market developments decreased slightly in both the euro area and the United States over the course of September.

**Chart 10 Long-term government bond yields**

(percentages per annum; daily data)



Sources: Bloomberg and Reuters.

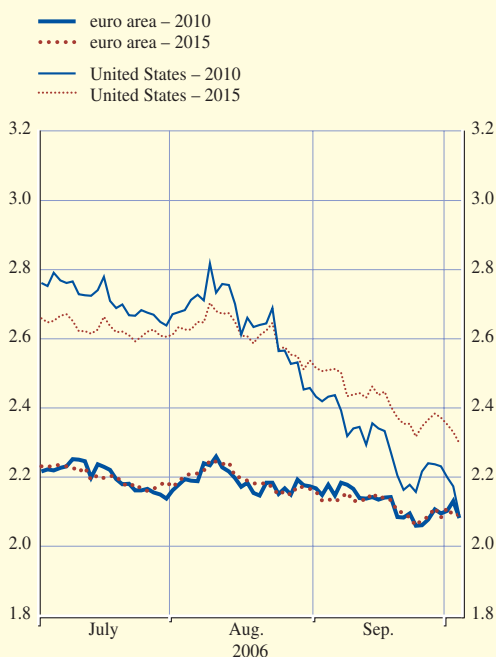
Note: Long-term government bond yields refer to ten-year bonds or to the closest available bond maturity.

In the United States long-term government bond yields in September continued the downward trend that began in early July and was subsequently supported by the widespread perception that the Federal Reserve's monetary policy tightening could have come to a halt after the decision of the Federal Open Market Committee on 8 August to keep its federal funds rate unchanged for the first time in the last two years (see Box 1). The fall in US long-term nominal yields almost entirely reflects a decline in long-term inflation expectations and related risk premia as captured by break-even inflation rates (see Chart 11). Indeed, break-even inflation rates continued to decline at all maturities in September, most probably reflecting a significant easing of market participants' inflation expectations in the light of the sharp drop in oil prices and further evidence of an expected moderation in economic growth in the world's largest economy. The latter fact notwithstanding, real yields offered on long-term index-linked bonds remained broadly unchanged in September, lending some support to the interpretation that market participants' views regarding the extent of the anticipated slowdown in economic activity have not changed significantly over the last few weeks.

In the euro area, long-term bond yields also declined in September, albeit to a lesser extent than in the US market. Although some business confidence indicators about the outlook for economic activity released over the review period turned out to be lower than expected, the decline in long-term nominal bond yields mainly mirrored a moderation in inflation expectations and related inflation risk premia, as measured by break-even inflation rates. In all likelihood influenced by lower oil prices, euro area break-even inflation rates declined at all maturities (see Chart 11). The long-term break-even inflation rate derived from the difference between the yields on French nominal and index-linked government bonds maturing in 2015, an indicator of market participants' long-term inflation expectations, has fallen by about 10 basis points since end-August, and stood

Chart 11 Break-even inflation rates

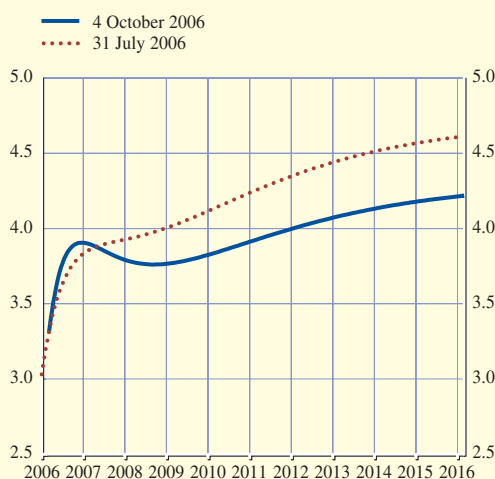
(percentages per annum; daily data)



Sources: Reuters and ECB calculations.

Chart 12 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



Sources: ECB estimates and Reuters.

Notes: The implied forward yield curve, which is derived from the term structure of interest rates observed in the market, reflects, among other things, 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 zero coupon swap rates.

at 2.1% on 4 October. Long-term index-linked bond yields remained broadly unchanged at all maturities over the review period.

The implied forward overnight interest rate curve remained broadly unchanged at shorter horizons over the period under review (see Chart 12). Over medium to long-term horizons, however, the implied forward interest rate curve shifted downward somewhat.

Box 1

DEVELOPMENTS IN US BOND YIELDS AND STOCK PRICES AFTER PEAKS IN THE FEDERAL FUNDS TARGET RATE

On 29 June 2006 the Federal Open Market Committee (FOMC) raised the federal funds target rate by 25 basis points for the 17th consecutive time, to 5.25%. Subsequently, monetary policy expectations were reassessed: market participants anticipated that the likelihood of any further increase in short-term interest rates had decreased and that the federal funds target rate would begin to decline in early 2007. Reflecting this, following the FOMC meeting in June, US long-term bond yields declined and stock prices increased. To put these developments into a historical perspective, this box compares the recent reactions of US long-term interest rates and stock



prices with market patterns that unfolded after previous peaks in monetary policy tightening cycles in the period from the late 1980s onwards.

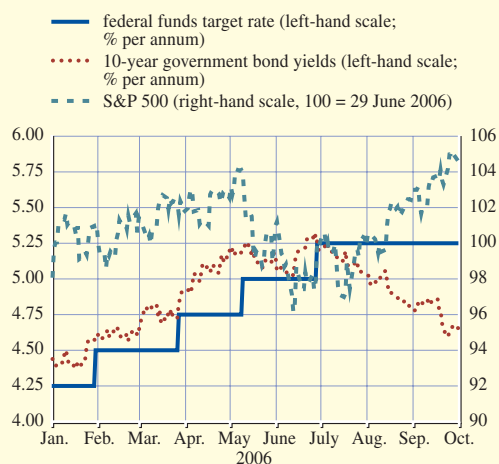
Changes in monetary policy expectations can feed into long-term bond yields and stock prices through their impact on the discount factor in the respective theoretical pricing formulas. In this regard, the expectations hypothesis states that the yield offered on a long-term bond is made up of the average of current and expected future short-term rates. Similarly, the dividend discount model suggests that the price of a stock is equal to the sum of the expected future dividends, discounted by a risk-free interest rate and the risk premium investors require for holding the share. Consequently, and all other things being equal (in particular earnings expectations), downward revisions in future expected short-term interest rates would exert downward pressure on long-term bond yields and have a positive impact on stock prices.

Chart A shows the developments in the federal funds target rate, the US ten-year government bond yield and the Standard & Poor's 500 index in 2006. It shows that, since the last decision to raise the federal funds target rate at end-June to its perceived peak level, long-term interest rates declined by 60 basis points and stock prices increased by around 5%. According to the theoretical arguments presented above, it may well be the case that these developments are closely linked to changing monetary policy expectations. In this context, it is interesting to compare the current asset price reactions with those occurring around previous peaks in tightening cycles by the Federal Reserve. During the last two and a half decades, three peaks in the federal funds target rate can be observed – in February 1989, in February 1995 and in May 2000. Charts B and C show the performance of US bond yields and stock prices in the four quarters following these peaks.

Two interesting features can be noted from the charts. First, US long-term bond yields have generally followed a downward trend after the federal fund target rate peaks. In particular, a marked decline in long-term bond yields was noticeable in the first two quarters following the peak in the federal funds target rate in all three episodes. Second, on two out of three occasions, the Standard & Poor's 500 index rose after the peak in short-term interest rates. However, on the third occasion, i.e. in the period following the May 2000 peak in policy rates, stock prices declined. The main factors behind this decline were probably, on the one hand, heavy downward revisions to earnings expectations, particularly for firms belonging to the “new economy”, as best epitomised by internet firms, and, on the other, a much reduced risk appetite on the part of investors. Thus, the asset price reactions between end-June and early October this year have so far to a large extent mirrored those occurring after previous peaks in the federal funds target rate.

**Chart A Federal funds target rate, US bond yields and stock prices**

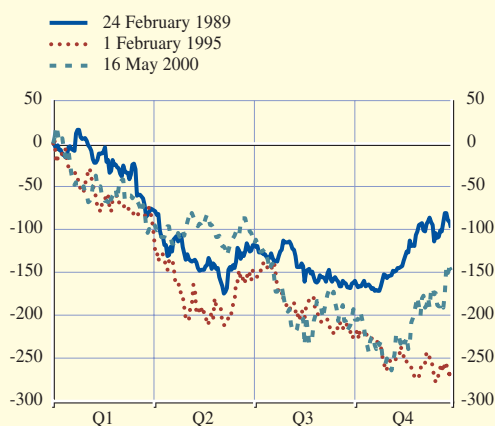
(daily data)



Source: Reuters.

**Chart B Changes in US ten-year bond yields after a peak in the US tightening cycle**

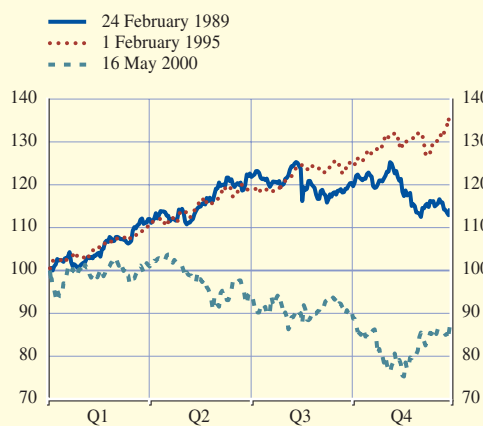
(basis points; daily data)



Source: Reuters.  
 Note: The peaks refer to 24 February 1989, 1 February 1995 and 16 May 2000.

**Chart C Changes in the S&P 500 index after a peak in the US tightening cycle**

(index points; daily data)



Source: Reuters.  
 Note: The peaks refer to 24 February 1989, 1 February 1995 and 16 May 2000. Index rebased to 100 on each peak day.

This notwithstanding, any comparison between asset price reactions over time should be treated with caution and not be interpreted in a mechanical way. Importantly, such a comparison implicitly assumes that all other potential factors driving bond yields and stock prices do not dominate the impact of changing monetary policy expectations over the periods concerned. In this respect, it should be borne in mind that long-term nominal and real interest rates in most major markets are still at relatively low levels, both in absolute terms and relative to macroeconomic fundamentals. Unusually low risk premia have in all likelihood had a dampening effect on bond yields, partly reflecting still ample liquidity conditions and a stronger general demand for long-term fixed-income instruments from institutional investors, oil-exporting countries and other foreign investors.<sup>1</sup> Looking ahead, it cannot be excluded that future bond yield developments may be influenced by a normalisation of bond market risk premia, which would work against the typical reaction pattern described above.

<sup>1</sup> See the box entitled “Recent developments in long-term real interest rates” in the April 2005 issue of the Monthly Bulletin.

## 2.5 INTEREST RATES ON LOANS AND DEPOSITS

*In July 2006 MFI interest rates continued their upward trend, while remaining at a relatively low level.*

In July 2006 short-term MFI interest rates generally increased as compared with the previous month. In most cases these increases were of broadly the same order of magnitude as those observed for comparable money market rates (see Table 4 and Chart 13). At the same time, changes in MFI interest rates on bank overdrafts, overnight deposits and deposits redeemable at notice of up to three months have, as is normally the case, been less pronounced.

Looking back over a somewhat longer period, most short-term MFI interest rates over the past few months have risen closely in line with movements in money market rates, which have been

**Table 4 MFI interest rates on new business**

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

							Change in basis points up to July 2006 <sup>2)</sup>		
	2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 June	2006 July	2005 Dec.	2006 Mar.	2006 June
<b>MFI interest rates on deposits</b>									
Deposits from households									
with an agreed maturity of up to one year	1.94	1.96	2.14	2.36	2.56	2.69	55	33	13
with an agreed maturity of over two years	2.19	2.02	2.18	2.43	2.57	2.77	59	34	20
redeemable at notice of up to three months	2.11	1.98	1.97	1.98	2.03	2.08	11	10	5
redeemable at notice of over three months	2.38	2.29	2.30	2.37	2.52	2.57	27	20	5
Overnight deposits from non-financial corporations									
	0.95	0.97	1.03	1.15	1.23	1.25	22	10	2
Deposits from non-financial corporations									
with an agreed maturity of up to one year	2.01	2.04	2.26	2.48	2.70	2.79	53	31	9
with an agreed maturity of over two years	3.63	2.98	3.55	3.34	3.23	3.85	30	51	62
<b>MFI interest rates on loans</b>									
Loans to households for consumption									
with a floating rate and an initial rate fixation of up to one year	6.62	6.97	6.73	6.77	7.15	7.33	60	56	18
Loans to households for house purchase									
with a floating rate and an initial rate fixation of up to one year	3.35	3.32	3.48	3.74	4.02	4.11	63	37	9
with an initial rate fixation of over five and up to ten years	4.15	4.00	4.03	4.23	4.51	4.55	52	32	4
Bank overdrafts to non-financial corporations									
	5.11	5.13	5.14	5.30	5.46	5.52	38	22	6
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	3.88	3.81	3.99	4.23	4.47	4.58	59	35	11
with an initial rate fixation of over five years	4.22	4.06	4.10	4.19	4.40	4.44	34	25	4
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	2.94	2.97	3.24	3.50	3.74	3.84	60	34	10
with an initial rate fixation of over five years	3.87	3.88	3.98	4.22	4.26	4.48	50	26	22
<b>Memo items</b>									
Three-month money market interest rate	2.11	2.14	2.47	2.72	2.99	3.10	63	38	11
Two-year government bond yield	2.07	2.21	2.80	3.22	3.47	3.58	78	36	11
Five-year government bond yield	2.58	2.60	3.07	3.47	3.78	3.84	77	37	6

Source: ECB.

1) The weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. 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. Quarterly data refer to the end of the quarter.

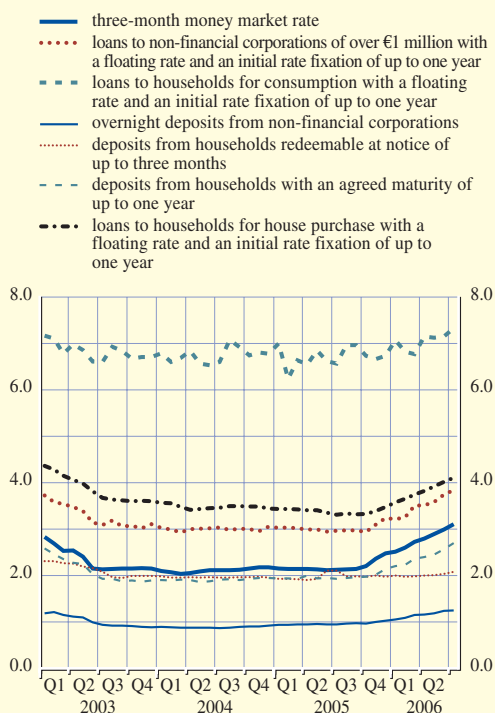
2) Figures may not add up due to rounding.

increasing since September 2005. The three-month market rate, for instance, rose by more than 95 basis points in the period between September 2005 and July 2006. By comparison, MFI interest rates on deposits with an agreed maturity of up to one year shifted upwards by around 75 basis points. The increases in MFI interest rates on loans at floating rates and an initial rate fixation of up to one year were somewhat higher, ranging between around 80 to 90 basis points, with the exception of MFI interest rates for loans to households for consumption, which rose by around 35 basis points.

In July 2006 long-term MFI interest rates generally increased (see Table 4 and Chart 14). These increases were in some cases larger than those in market interest rates of comparable maturity in the period up to July 2006. This is likely to reflect the fact that there are typically some lags in the adjustment of retail banking rates to changes in market interest rates. At the same time, it should also be noted that the sharp increase (of more than 60 basis points) in MFI interest rates on deposits from non-financial corporations with an agreed maturity of over two years largely reverses the large decreases observed over the preceding two months.

**Chart 13 Short-term MFI interest rates and a short-term market rate**

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

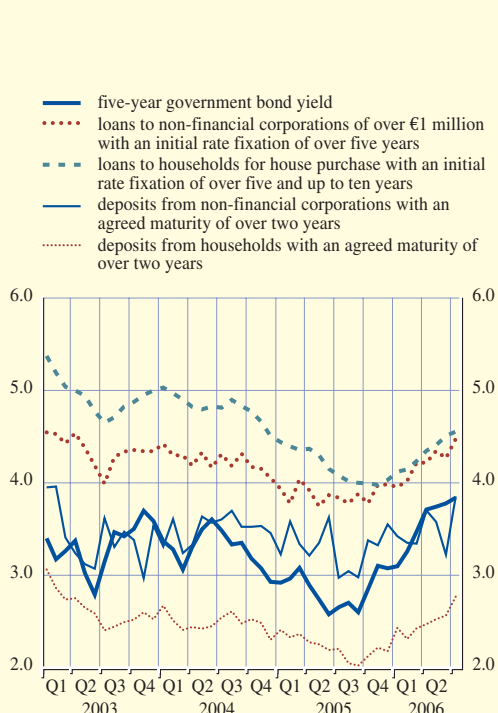


Source: ECB.

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

**Chart 14 Long-term MFI interest rates and a long-term market rate**

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



Source: ECB.

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

Looking back over a somewhat longer period, the majority of long-term MFI interest rates have followed the upward movements in equivalent market interest rates that have been observed since September 2005. The size of these increases – in the range of around 40 to 85 basis points – has, however, remained considerably below that recorded in long-term market interest rates, thereby reducing bank spreads. The five-year euro area government bond yield, for instance, rose by more than 120 basis points between September 2005 and July 2006. By comparison, MFI interest rates on loans to households for house purchase with an initial rate fixation of over five and up to ten years increased by only around 55 basis points. In the case of loans to non-financial corporations with an initial rate fixation of over five years, MFI interest rates on loans of over €1 million increased by more than those on loans of up to €1 million between September 2005 and July 2006 (by around 60 and 40 basis points respectively). This implies that there is currently no longer a significant interest rate differential according to the size of the loan. The increases in long-term deposit rates between September 2005 and July 2006 were somewhat higher. MFI interest rates on deposits with an agreed maturity of over two years for households and non-financial corporations increased by around 75 and 85 basis points respectively.

## 2.6 EQUITY MARKETS

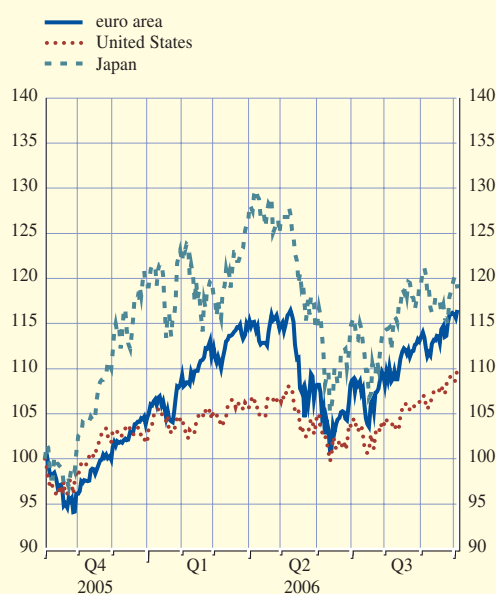
Stock prices in major markets continued to rise in September. There appears to have been a significant improvement in market sentiment since the substantial re-pricing of risk witnessed early in the summer, which has supported stock prices and a further decline in market participants' uncertainty as measured by implied stock market volatility. Lower long-term bond yields as well as solid actual and expected corporate earnings probably also contributed to the increases in stock prices.

Broad-based stock price indices in major markets continued to rise in September (see Chart 15). Improvements in risk appetite and risk perceptions, a further decline in long-term bond yields and solid actual and expected corporate earnings contributed to those developments. Euro area and US stock prices, as measured by the Dow Jones EURO STOXX index and the Standard and Poor's 500 index, increased by 3% and 4% respectively between the end of August and 4 October. Stock prices in Japan, as measured by the Nikkei 225 index, instead remained broadly unchanged over the same period. At the same time, stock market uncertainty, as measured by the implied volatility extracted from stock options, continued to decline from the peaks witnessed in mid-June, and currently stands at relatively low levels (see Chart 16).

US stock prices continued to rise during September and early October. The lower oil prices observed in recent weeks, and an increasing perception among market participants that monetary policy rates may have peaked following the decision of the Federal Reserve to keep rates unchanged

**Chart 15 Stock price indices**

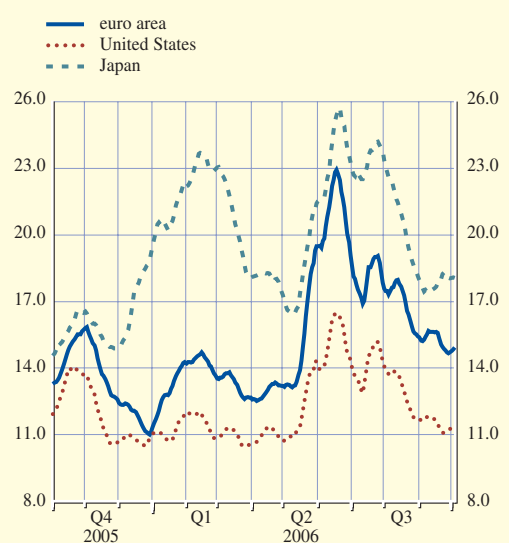
(index: 1 October 2005 = 100; daily data)



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

**Chart 16 Implied stock market volatility**

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



Source: Bloomberg.  
Note: Implied volatility calculated from options with time to expiry closest to but not less than 20 business days. 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.

at the last two meetings of the Federal Open Market Committee, seem to have contributed to improving investors' appetite for risk and, consequently, to the rise in stock prices (see Box 1). Further support for stock prices stemmed from the decline observed in long-term bond yields, as these act as a discount factor on future corporate earnings. At the same time, both actual and expected earnings remained relatively sound, despite widespread expectations of a moderate slowdown in the US economy. Available information suggests that fund managers generally revised downwards somewhat their earnings growth expectations for the coming year, albeit – in line with the overall growth outlook – only to a moderate extent. In any case, it should be borne in mind that actual and expected earnings per share for listed companies in the Standard & Poor's 500 index have remained in double-digit territory over the last few months.

Euro area stock prices also increased further over the review period and, by early October, fully recovered the losses experienced during the turbulent period witnessed at the beginning of the summer months. As in the case of the US stock market, the decline in oil prices and an overall improvement in risk appetite among investors appear to have made a decisive contribution to the increase in stock prices. Euro area stock prices also seemed to be supported by the ongoing decline in long-term bond yields and the aforementioned decrease in implied volatility, which, by reflecting lower uncertainty about future stock price moves, may well have translated into lower premia requested by investors. In addition, both expected and actual profits remained strong in the euro area. With regard to the latter, stock market analysts expected the annual growth of earnings per share for companies included in the Dow Jones EURO STOXX index to remain robust at a rate of around 9% over the next 12 months.

## 3 PRICES AND COSTS

Until recently, euro area consumer price inflation was above 2%, largely as a result of sustained upward pressure on energy prices. Since early August 2006, oil prices have dropped significantly and this, together with a significant downward base effect, probably explains most of the estimated decline in HICP inflation in September to 1.8%. However, in the coming months, some upward base effects and the hike in the German value added tax rate in early 2007 are expected to have a significant impact on annual inflation rates. As a consequence, on the basis of current oil prices, inflation rates can be expected to pick up again later in 2006 and early 2007 to rates above 2%. In addition, there are several upside risks to inflation developments.

### 3.1 CONSUMER PRICES

#### FLASH ESTIMATE FOR SEPTEMBER 2006

According to Eurostat's flash estimate, overall HICP inflation was 1.8% in September, down from 2.3% in August (see Table 5). A detailed breakdown of the HICP components will be released in mid-October. The information available at the moment suggests that this slowdown might be related to the decrease in oil prices since early August and to a base effect stemming from oil price developments in September 2005.

#### HICP INFLATION UP TO AUGUST 2006

While HICP inflation has been stabilising at elevated levels or has even increased in the course of the first half of 2006 on account of energy and non-energy price developments, a slight decline has been observed in July and August. Headline HICP inflation eased in August to 2.3%, down from 2.4% in July, largely as a result of a drop in the price of crude oil in early August. The direct contribution of energy prices to annual HICP inflation, while easing somewhat in August 2006, remained however relatively high (around 0.8 percentage point).

Most likely because of adverse weather conditions, the monthly increase in the price of unprocessed food was also significant in August, as it had been in July (see Chart 17). The annual rate of growth of unprocessed food prices reached 3.9%, the highest rate of increase since September 2003 (4.3%), when extreme weather conditions had pushed unprocessed food prices up during the summer.

**Table 5 Price developments**

(annual percentage changes, unless otherwise indicated)

	2004	2005	2006 Apr.	2006 May	2006 June	2006 July	2006 Aug.	2006 Sep.
<b>HICP and its components</b>								
Overall index <sup>1)</sup>	2.1	2.2	2.4	2.5	2.5	2.4	2.3	1.8
Energy	4.5	10.1	11.0	12.9	11.0	9.5	8.1	.
Unprocessed food	0.6	0.8	1.2	1.5	2.1	3.2	3.9	.
Processed food	3.4	2.0	2.2	2.2	2.2	2.3	2.2	.
Non-energy industrial goods	0.8	0.3	0.6	0.6	0.7	0.5	0.5	.
Services	2.6	2.3	2.2	1.8	2.0	2.1	1.9	.
<b>Other price indicators</b>								
Industrial producer prices	2.3	4.1	5.5	6.1	5.8	6.0	5.7	.
Oil prices (EUR per barrel)	30.5	44.6	57.6	55.7	55.4	58.8	57.8	50.3
Non-energy commodity prices	10.8	9.4	25.4	31.5	22.0	26.7	26.8	26.4

Sources: Eurostat, HWWA and ECB calculations based on Thomson Financial Datastream.

1) HICP inflation in September 2006 refers to Eurostat's flash estimate.

Developments in less volatile consumer goods and services prices have been more subdued recently. So far, the price of processed food does not appear to have been affected significantly by the upsurge in unprocessed food prices, since its annual rate of change has remained largely stable since March 2006. As regards prices of non-energy industrial goods, its year-on-year rate of change remained at 0.5% in August, the same rate as in July and down from 0.7% in June. Overall, the recent evolution of this component suggests that, although the oil price hike may have started to be passed on to some prices, its overall effect has so far remained quite moderate. A similar observation can be made for the price of services at the consumer level. Its annual growth rate eased between July and August. The favourable developments regarding non-energy goods and services in August should be considered with some caution: to some extent, they could be related to seasonal, i.e. temporary, factors, such as exceptional sales prices for durable goods or volatile fluctuations in package holiday prices.

### 3.2 INDUSTRIAL PRODUCER PRICES

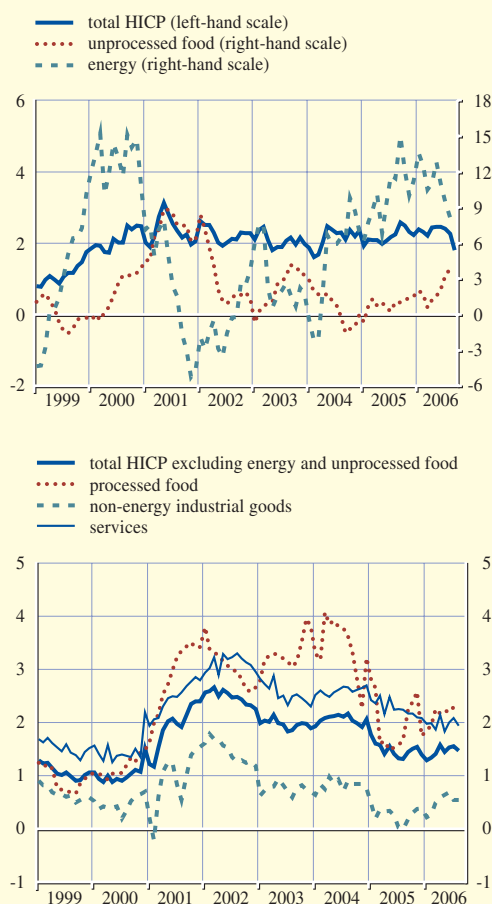
In August, the annual rate of change in industrial producer prices (excluding construction) declined somewhat to 5.7% (from 6.0% in July). This decline stemmed primarily from energy price developments, while the momentum for producer prices in the non-energy producing sectors was still that of ongoing increases, with elevated and increasing rates for intermediate goods prices (in year-on-year terms) and rather moderate developments for the price of consumer goods.

Looking in more detail at the various sectors, prices in the energy producing sector decreased on a month-on-month basis in August, in response to the fall in crude oil prices. In year-on-year terms, the rate is the lowest since May 2005 (see Chart 18). As regards intermediate goods prices, the annual rate of change remained particularly elevated, increasing from 6.2% in July to 6.5% in August. This rate is higher than those experienced during the earlier episodes of strong commodity price pressures in 1999/2000 and 2004.

Price developments in the consumer goods sector as a whole levelled off at 2.0%. Regarding the less volatile prices of the category, the annual rate of change of consumer goods excluding tobacco and food decreased slightly (from 1.2% in July to 1.0% in August). On the side of capital goods, the gradual increase in the annual rate of change has continued. Overall, the significant ongoing

**Chart 17 Breakdown of HICP inflation: main components**

(annual percentage changes; monthly data)

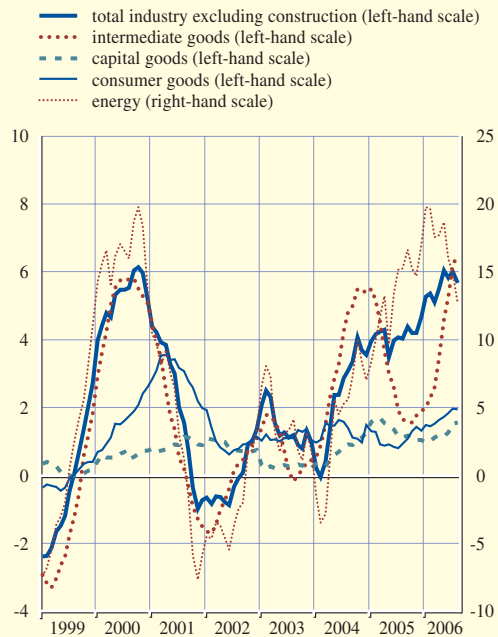


Source: Eurostat.



**Chart 18 Breakdown of industrial producer prices**

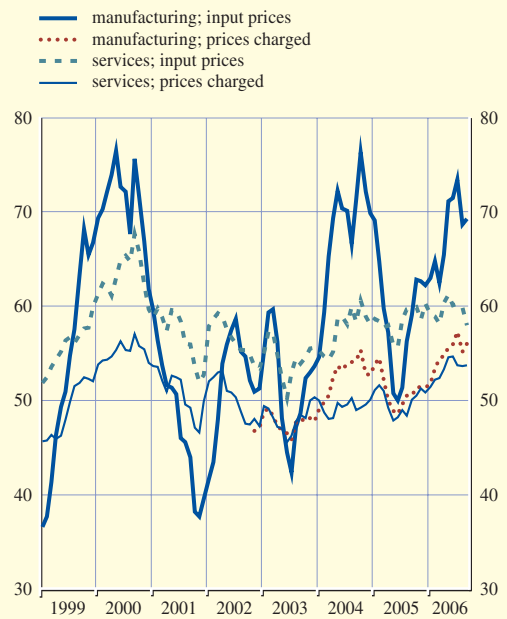
(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

**Chart 19 Producer input and output price surveys**

(diffusion indices; monthly data)



Source: NTC Economics.

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

pressure from intermediate goods prices tends to suggest that the underlying momentum is still that of a gradual pass-through of higher costs to later stages of the production stages.

Price-related survey indicators for September point to an increase in input price pressure in the manufacturing sector and some easing in the services sector. However, input price indices in both sectors, as reported by NTC Economics, remained high by historical standards, thereby continuing to signal strong upward pressure on prices at the firm level (see Chart 19). The indicator of prices charged increased in the manufacturing sector and, to a lesser extent, in the services sector. Both indices have also remained at high levels, suggesting that firms had been able to partly pass on higher input costs to customers.

### 3.3 LABOUR COST INDICATORS

In the second quarter of 2006, the annual rate of growth of negotiated wages in the euro area increased to 2.4%, from 2.1% in the first quarter (see Table 6 and Chart 20), which is slightly above the levels observed in 2004 and 2005 (2.1% on average). The annual growth of overall hourly labour costs also increased in the second quarter, to 2.4%, from 2.2% in the first quarter. These indicators suggest that compensation per employee growth could have increased slightly in the second quarter of 2006, after a moderate increase during the first quarter, which was driven by a significant rise in the industrial sector (see Chart 21).

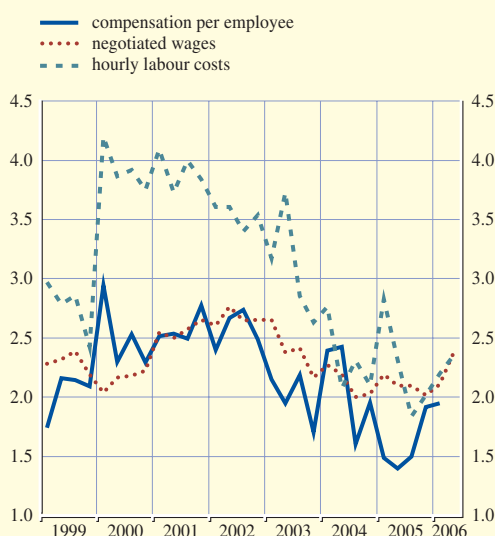
However, despite this pick-up in labour costs, the figures available for the second quarter may reflect some short-term volatility. In particular, labour costs have been influenced by the impact of a one-off payment in the German industrial sector. In addition, the rise in the annual rate of growth of overall hourly labour costs stemmed mainly from an increase in non-wage costs (a category which covers, for instance, employers' social security contributions as well as employment taxes); whereas the growth of wage costs was almost stable.

Lastly, labour productivity growth – which picked up in year-on-year terms from 1.1% in the first quarter to 1.4% in the second – should help to contain unit labour cost growth in the second quarter. Overall, inflationary pressures from the labour market have remained subdued, but developments in the third quarter will have to be monitored closely with a view to assessing whether the second quarter pick-up was of a transitory nature.

It should also be noted that, owing to a different coverage and the potential for wage drift, the indicator of negotiated wages can only be seen as a rough indicator of actual wage developments. As detailed in Box 2, wage drift developments are crucial for assessing the inflationary pressures stemming from the labour market.

Chart 20 Selected labour cost indicators

(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.

Table 6 Labour cost indicators

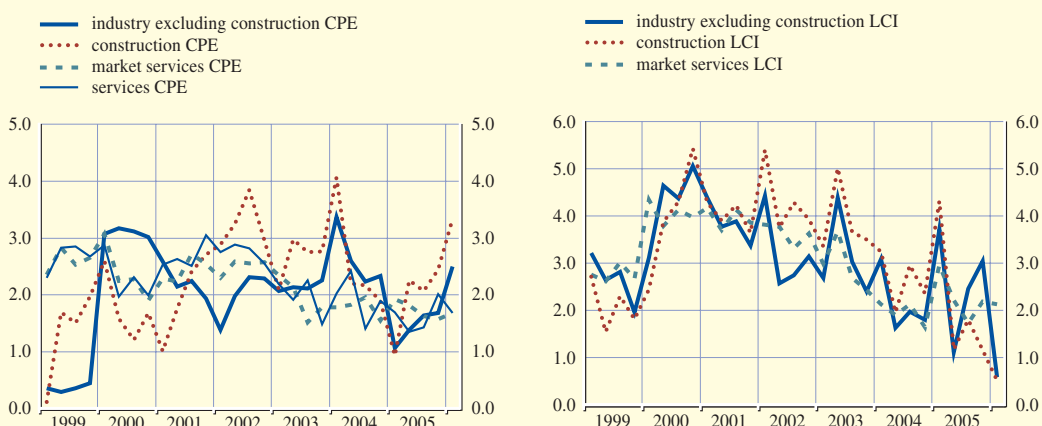
(annual percentage changes)

	2004	2005	2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Q2
Negotiated wages	2.1	2.1	2.1	2.1	2.0	2.1	2.4
Total hourly labour costs	2.3	2.2	2.3	1.8	2.0	2.2	2.4
Compensation per employee	2.1	1.6	1.4	1.5	1.9	1.9	.
<i>Memo items:</i>							
Labour productivity	1.0	0.7	0.5	0.9	1.0	1.1	1.4
Unit labour costs	1.1	0.9	0.9	0.6	0.9	0.8	.

Sources: Eurostat, national data and ECB calculations.

## Chart 21 Sectoral labour cost developments

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

Note: CPE refers to compensation per employee and LCI to hourly labour cost index.

## Box 2

### RECENT DEVELOPMENTS IN EURO AREA WAGE DRIFT

There are several indicators of nominal labour costs in the euro area.<sup>1</sup> In this context, wage drift refers to the part of compensation per employee growth which is not explained by growth in negotiated wages and salaries, and/or social security contributions. Wage drift is therefore an important additional measure of inflationary pressures stemming from the labour market. This box presents an estimate of euro area wage drift and discusses its determinants over the business cycle.

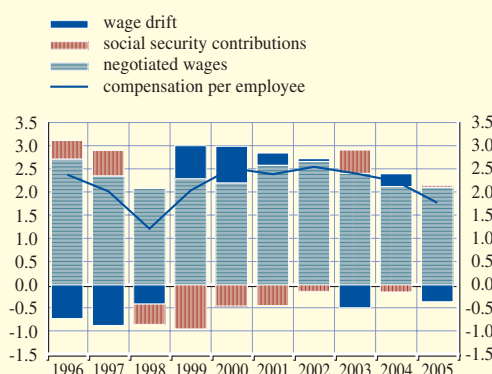
From a conceptual point of view, negotiated wages and salaries can be considered as the basic component of labour costs. During the bargaining process, employees and employers agree on contractual increases in basic pay for a given period of time. This is done on the basis of recent and expected economic developments, such as productivity growth and labour market conditions. However, economic conditions at both the firm and aggregate levels can evolve during the duration of the wage contract. As re-negotiating wage contracts is costly, they therefore often allow for additional elements, such as performance-based bonuses or compensation for overtime. The growth in wages and salaries actually paid thus differs from that of negotiated wages, and the gap between the two is defined as wage drift. The wage drift component is thus more likely to capture the effect of changes in economic conditions, such as improving labour market conditions, in the short term. As a result, measuring and understanding developments in the wage drift becomes particularly important for assessing the short-term wage outlook.

<sup>1</sup> For a discussion of the conceptual and statistical differences between these indicators, see Box 4 entitled "A comparison of the available labour cost indicators in the euro area: conceptual differences and their behaviour in the period 1999-2002", in the June 2003 issue of the Monthly Bulletin.

Actual data on the wage drift component of compensation are not available and need to be estimated. For the purpose of estimating euro area wage drift, the euro area indicator of negotiated wages as compiled by the ECB is assumed to provide a useful statistical representation of contractual basic pay. However, two caveats of this indicator need to be considered in this context. First, the negotiated wages series is based on an aggregation of non-harmonised national data. Second, in some euro area countries, backward-looking wage indexation clauses that adjust wage growth based on ex post realisations of inflation still exist. These clauses are generally not reflected in the indicator of negotiated wages. As a consequence, in case these clauses are activated, the measured wage drift may also reflect the effects of previously negotiated wage indexation. As regards wages and salaries actually paid, growth in compensation per employee provides the most reliable data source.

### Compensation per employee and wage drift in the euro area

(annual percentage changes; annual data)



Sources: Eurostat, ECB and ECB calculations.

Taking these caveats into account, an estimate of the annual growth in the euro area wage drift is constructed as a residual component of annual growth in compensation per employee, after subtracting both growth in employees' and employers' social security contributions, and the growth in negotiated wages. The chart shows the annual growth rate of compensation per employee in the euro area decomposed into these three components, including an estimate of the euro area wage drift from 1996 to 2005. Given the data caveats mentioned above and the fact that the wage drift is measured as a residual item, these estimates should be assessed with caution.

The results of the decomposition show that, compared to negotiated wages, wage drift contributes much less to overall compensation per employee developments. Despite this, the wage drift component provides some information about the cyclical profile of compensation per employee growth. During the recent period of low real GDP growth, the wage drift has been small or negative with a trough at -0.5 percentage point in 2003. Beyond somewhat lower growth in negotiated wages, wage drift has been slightly negative on average in the last four years and is thus estimated to have contributed to moderate nominal wage developments. This negative contribution of wage drift follows three years of positive wage drift between 1999 and 2001 – a period of relatively strong economic activity in the euro area. These developments seem to confirm the nature of wage drift as the wage component that reacts to short-term changes in economic activity and labour market conditions. Beyond the contribution of wage drift, it is worth noting that growth in social security contributions also varies significantly over time. This contribution to overall wage growth was particularly large and negative in the period between 1998 and 2002, to some extent dampening the upward impact of positive wage drift on wage growth.

The short time period available for evaluating the determinants of wage drift makes it difficult to quantitatively pin down what is driving developments in wage drift. As also suggested by the

evidence in the above chart, wage drift is likely to be related to cyclical factors. During economic expansions, as demand and output rise and labour markets tighten, components of the wage drift, such as overtime or bonus payments, are likely to increase faster than basic pay in certain industries, regions or occupations. Furthermore, unexpected developments in factors that determine collectively agreed wages (e.g. deviations from expected productivity growth) and labour market conditions are likely to play an important role. However, owing to the measurement problems mentioned above, the effects of wage indexation clauses are also captured in estimated wage drift. As inflation has in recent years often surprised on the upside, the backward-looking nature of some wage contracts may have caused upward deviations of compensation per employee growth from negotiated wage growth. Lastly, wage drift is also influenced by factors of a more structural nature. For instance, shifts in the composition of the labour force and changes in the coverage of collective bargaining can influence the wage drift.

At the current juncture, little information is available about the extent of wage drift in the first half of 2006. Recent data on labour costs point to a gradual and moderate increase in nominal wage costs. In view of the prevailing economic conditions, close monitoring of the wage outlook is called for, in particular to avoid the emergence of second-round effects from past inflation increases in wage determination.

### 3.4 THE OUTLOOK FOR INFLATION

Recent oil price volatility implies that there is considerable uncertainty surrounding HICP inflation developments in the short term. The decline of HICP inflation to below 2% in September has to be taken with some caution as, on the basis of current energy prices, HICP inflation is likely to increase again above this level before the end of the year. In particular, base effects due to past oil price fluctuations are likely to exert upward pressure on overall inflation towards the end of 2006. Thereafter, the increase in the VAT rate in Germany is expected to have a strong upward impact on overall HICP inflation in early 2007. However, underlying domestic inflationary pressures are expected to rise only slowly, owing to continued wage moderation and the effects of heightened global competition.

Overall, risks to the outlook for price developments remain clearly on the upside. HICP inflation could be affected by stronger-than-expected developments in energy and non-energy commodity prices. In addition, there is a risk of higher-than-expected increases in administered prices and indirect taxes. In the short run, some potential upside risk is also posed by the recent volatility in unprocessed food prices. Furthermore, against a background of an improving labour market and economic growth outlook, there is a risk of stronger wage pressures than indicated in the September 2006 ECB staff projections.

## 4 OUTPUT, DEMAND AND THE LABOUR MARKET

Eurostat's first estimate of euro area real GDP growth in the second quarter of 2006 confirmed that the euro area economy expanded at a strong pace in the first half of the year. The expansion was mainly driven by domestic demand – in particular, investment – and supported by improving labour market conditions. The latest information available, including industrial production and survey data, suggests that growth will remain robust in the third quarter of the year, although most likely slightly below the growth rates observed in the first half of the year. Looking ahead, both external and domestic factors are expected to sustain the economic expansion. However, downside risks to this outlook remain in the long term, related to a renewed rise in oil prices, the disorderly unwinding of global imbalances and protectionist pressures.

### 4.1 OUTPUT AND DEMAND DEVELOPMENTS

#### REAL GDP AND EXPENDITURE COMPONENTS

Eurostat's first estimate of euro area real GDP growth in the second quarter of 2006 confirmed that economic activity expanded by 0.9%, quarter on quarter, following quarterly growth of 0.8% in the first quarter, which was revised upwards by 0.2 percentage point (see Chart 22).

The main driving force of economic activity in the second quarter was domestic demand (excluding inventories), which contributed by 0.7 percentage point to GDP growth, as in the first quarter. Investment showed significant dynamism, reaching a quarter-on-quarter growth rate of 2.1%, while consumption slowed to quarter-on-quarter growth of 0.3%. By contrast, the contribution from net exports decelerated markedly to 0.1 percentage point in the second quarter from 0.4 percentage point in the previous quarter, owing to a stronger decline in export growth than in import growth. Finally, the contribution of inventories was slightly positive in the second quarter, following a negative contribution in the previous quarter.

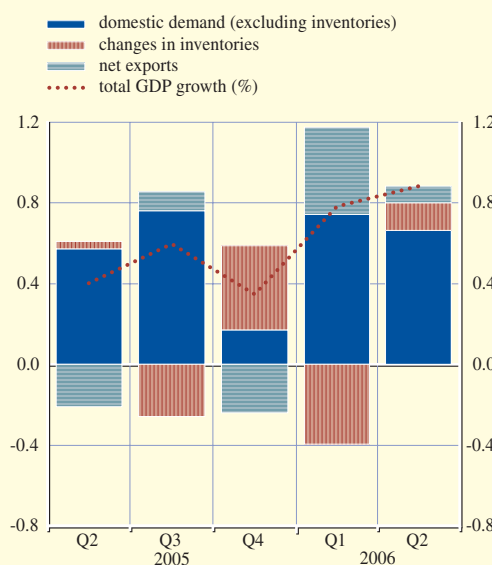
#### SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

The sectoral composition of economic activity reveals that growth in the first half of this year was broadly based across sectors. Value added growth in the services sector increased further in the second quarter, mainly on account of the strong performance recorded in market services. Moreover, value added growth in industry excluding construction remained strong, showing growth rates that have not been recorded in this sector since mid-2000. Finally, value added in construction rebounded strongly in the second quarter, partly on account of the unusually cold weather conditions in the first quarter.

Available data indicate that industrial activity in the euro area slowed down at the start of the third quarter, pointing to a slight deceleration

Chart 22 Real GDP growth and contributions

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

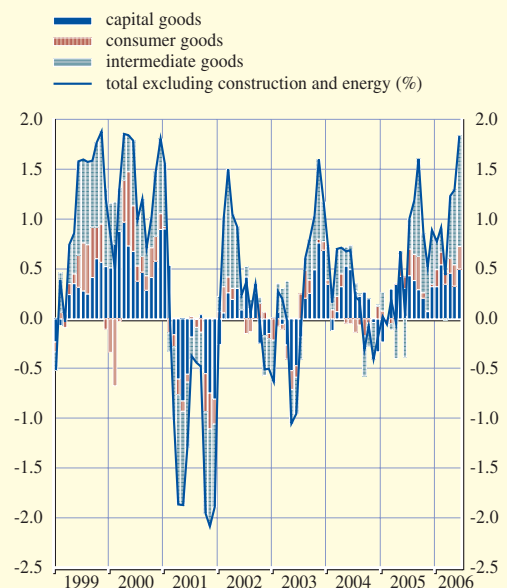


Sources: Eurostat and ECB calculations.

in economic activity. Industrial production (excluding construction) fell by 0.4%, month on month, in July, after remaining stable in June (revised upwards by 0.1 percentage point). The decline can be partly explained by technical factors related to seasonal adjustment, as the drop of the seasonally adjusted series at the euro area level is stronger than that resulting from the aggregation of seasonally adjusted country data. The decline in production between June and July was broadly based across sectors, with the exception of the energy sector, where production rose, following large declines in previous months. The largest declines were recorded in the production of consumer goods, reflecting falls in production for both durables and non-durables, and in the production of intermediate goods, while that of capital goods remained broadly unchanged. On a three-month moving average basis, industrial production for the manufacturing sector accelerated further in the period between May and July, rising by 1.7% compared to the previous period (see Chart 23). This is still reflecting the strong growth recorded in May.

**Chart 23 Industrial production growth and contributions**

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



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

Finally, new orders in manufacturing increased by 1.8%, month on month, in July, following a relatively strong decline in June (2.2%). This improvement is confirmed by developments in the less volatile three-month moving average.

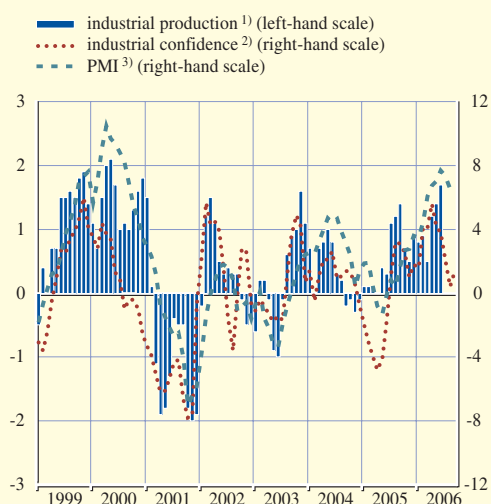
#### **SURVEY DATA FOR THE INDUSTRIAL AND SERVICES SECTORS**

The European Commission's industrial confidence indicator recorded an increase in September, while the Purchasing Managers' Index (PMI) for the manufacturing sector remained unchanged (see Chart 24). Both indicators remained broadly unchanged on average in the third quarter compared with the previous quarter, when they reached historically high levels. The movements in the components of the PMI were mixed in the third quarter. The assessment of changes in output and new orders recorded the strongest declines and were broadly counterbalanced by the increase in the assessment relating to stocks of purchased goods and the decline in suppliers' delivery times. Regarding the European Commission's industrial confidence indicator, an improvement in the assessment of order books in the third quarter was almost fully compensated by a decline in the assessment of stocks and, to a lesser extent, in the assessment of production expectations.

Turning to the services sector, the European Commission's confidence indicator declined in September, but it increased overall in the third quarter. This increase was due to the improvement in the assessment of both recent and expected demand, while the assessment of the business climate deteriorated slightly. By contrast, the activity index of the PMI for the services sector declined further in September and also for the third quarter as a whole, albeit from a very high level. Recent developments in the index still support the view of ongoing robust growth in the euro area services sector.

**Chart 24 Industrial production, industrial confidence and the PMI**

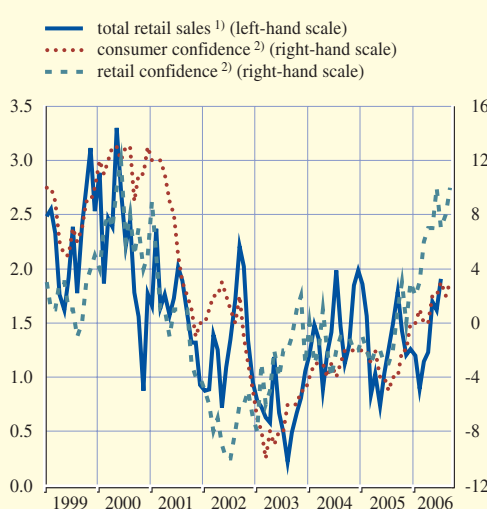
(monthly data; seasonally adjusted)



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

**Chart 25 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.

### INDICATORS OF HOUSEHOLD SPENDING

Recent developments in retail sales give a positive indication for private consumption growth at the start of the third quarter. Retail sales volumes rose in August by 0.7%, month on month, following a rise of 0.4% in July (revised downwards by 0.2 percentage point). Moreover, in terms of three-month moving averages, there was an increase in August to 1.9% compared with 1.7% in July (see Chart 25). New passenger car registrations increased in August, following a marked decline in July. On a three-month moving average basis, current available data point to a decline in new car registrations at the start of the third quarter, following an increase of 1.7% in the previous quarter.

The European Commission's consumer confidence indicator increased in September, following a slight decline in August. Overall, consumer confidence increased in the third quarter, confirming the positive trend observed in the first half of this year. This increase resulted mainly from an improvement in unemployment expectations, while the assessment of the expected financial and economic situation and savings expectations remained broadly unchanged.

Overall, the latest household spending indicators and survey data provide a positive signal for private consumption growth at the start of the third quarter.



## 4.2 LABOUR MARKET

The latest information available confirms an improvement in euro area labour markets during 2006. Employment growth strengthened in the second quarter and the unemployment rate is expected to continue on a downward trend in the third quarter. Employment expectations, although showing mixed signals recently, also support the picture of ongoing employment growth in the short term.

### UNEMPLOYMENT

The euro area standardised unemployment rate increased slightly between July and August 2006, to 7.9% (see Chart 26). However, this increase mainly reflects a rounding effect. The number of unemployed persons in the euro area increased in August by about 7,000, compared with a decline of about 15,000 in the previous month. Although developments in August are partly due to the high volatility that this series has shown in some countries, the decline in the number of unemployed persons seems to have levelled off in recent months. This is assumed to be partly associated with an increase in the participation rate, in line with better labour market prospects.

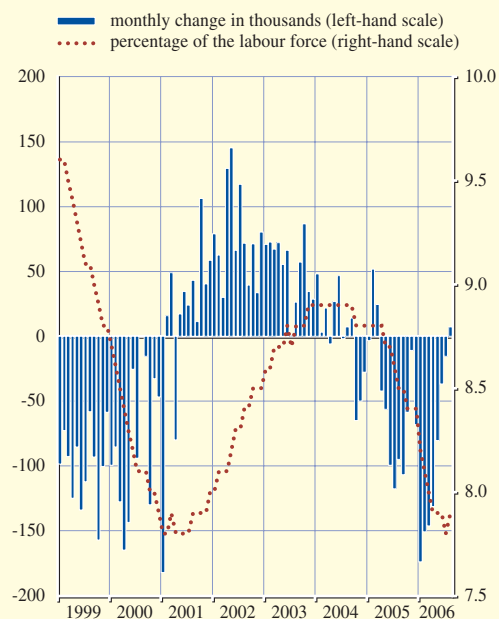
### EMPLOYMENT

The latest data available confirm the gradual strengthening of employment developments since the start of 2005, from 0.1% quarter-on-quarter growth in the first quarter of 2005 to 0.4% in the second quarter of this year (see Table 7). Available information at the national level suggests that recent developments are the result of sustained employment growth in the services sector, particularly market-related services, and of an acceleration in employment in construction. In addition, employment in industry excluding construction is expected to have contributed less negatively to overall employment growth.

Employment expectations derived from the European Commission's business surveys and the PMI employment indices showed an improvement between August and September for the industrial sector. By contrast, both indicators were less positive for the services sector, indicating either a slight decline or broadly unchanged levels. Overall, employment expectations remain at high levels over the third quarter and are consistent with the assessment that euro area labour market conditions are gradually improving alongside stronger economic activity.

Chart 26 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

**Table 7 Employment growth**

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

	Annual rates		Quarterly rates				
	2004	2005	2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Q2
Whole economy	0.7	0.8	0.1	0.2	0.3	0.3	0.4
<i>of which:</i>							
Agriculture and fishing	-1.7	-1.6	0.2	0.1	0.2	-0.5	.
Industry	-0.6	-0.1	-0.1	-0.1	0.2	0.0	.
Excluding construction	-1.4	-1.1	-0.4	-0.1	-0.2	-0.2	.
Construction	1.4	2.2	0.5	0.0	1.0	0.6	.
Services	1.4	1.3	0.2	0.3	0.4	0.5	.
Trade and transport	0.9	0.7	-0.1	0.0	0.4	0.4	.
Finance and business	1.9	2.1	0.4	0.7	1.1	0.6	.
Public administration	1.5	1.3	0.4	0.4	0.0	0.5	.

Sources: Eurostat and ECB calculations.

### 4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Available information suggests that economic growth should remain robust in the short term, although slightly below the growth rates observed in the first half of the year. Both external and domestic factors support this assessment. On the external side, global economic activity remains fairly robust and provides continued support for euro area exports. On the domestic side, a continued improvement in business confidence indicates that short-term prospects for investment remain strong. In addition, consumption is foreseen to become more dynamic in the coming quarters in line with improvements in real disposable income, as the labour market situation improves further. The risks to this outlook are considered to be balanced over the short term and on the downside over the long term, mainly related to the possibility of a renewed increase in oil prices, the disorderly unwinding of global imbalances and protectionist pressures.

## 5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

### 5.1 EXCHANGE RATES

*In nominal effective terms, the euro continued to trade within a relatively narrow range in September, depreciating overall by half a percentage point in the course of the month. The weakening of the euro primarily reflected its depreciation against the US dollar and, to a lesser extent, the Chinese renminbi.*

#### US DOLLAR/EURO

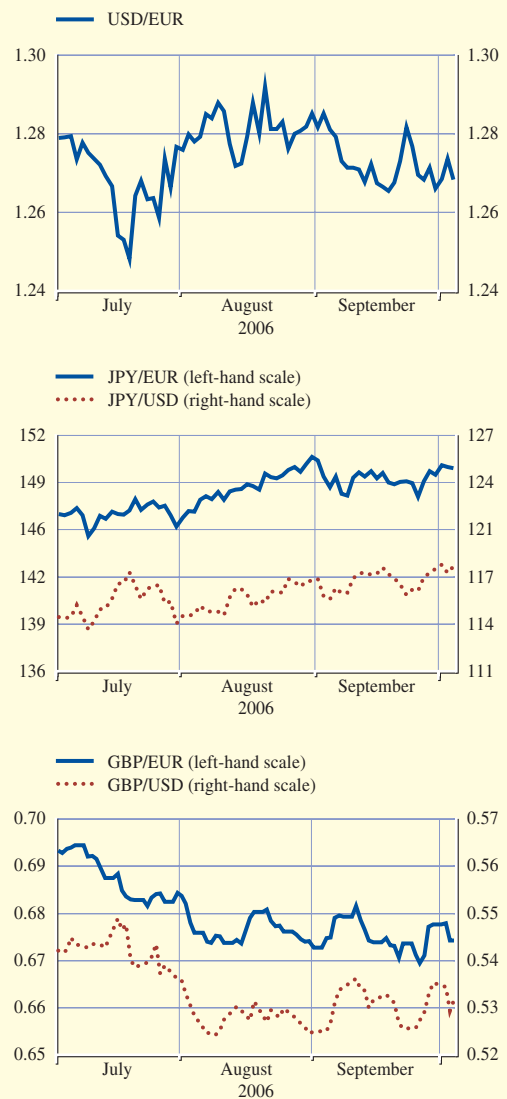
By contrast with developments in August, the euro tended to depreciate against the US dollar in September (see Chart 27). Much of the decline in the euro exchange rate took place in the first three weeks of the month, despite near-term market expectations of a further narrowing of interest rate differentials between the United States and the euro area. The US dollar seems to have been supported, during this period, primarily by the sizeable drop in oil prices and its potential impact on the outlook in the United States. Towards the end of September and in early October, the euro regained some strength against the US currency and tended to stabilise at around USD 1.27 thereafter. This development was reportedly associated with additional signals that the US economic growth is moderating, as evidenced by a further deceleration of housing market activity and an unexpected decline in business sentiment. On 4 October, the euro stood at USD 1.27, i.e. 1.3% below its end-August level and 2.0% above its 2005 average.

#### JAPANESE YEN/EURO

After reaching a historical high of JPY 150.6 on 1 September, the euro began to depreciate against the yen in the first three weeks of the month (see Chart 27). This reversal may have been triggered by data showing strong capital expenditure in Japan. At the same time, market sentiment seemed also to have shifted more in favour of the yen, as evidenced by data on currency derivatives. Towards the end of September and early October, however, the single currency rebounded close to levels prevailing at the end of August. On 4 October, the euro was trading at JPY 149.8, i.e. almost unchanged compared with its end-August level and 9.5% above its 2005 average.

Chart 27 Patterns in exchange rates

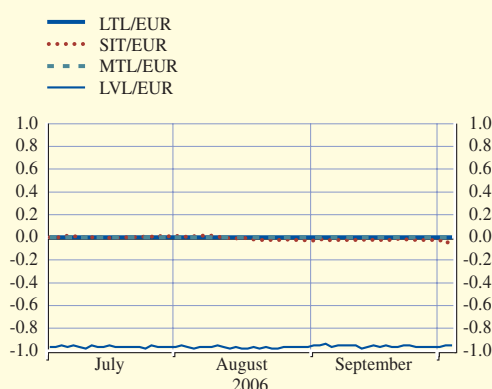
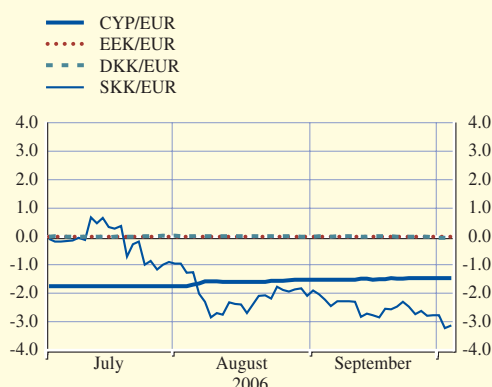
(daily data)



Source: ECB.

**Chart 28 Patterns in exchange rates in ERM II**

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



Source: ECB.

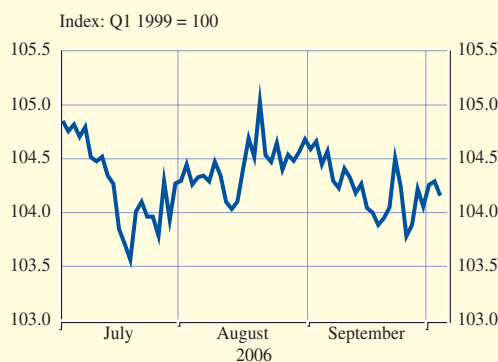
Note: A positive (negative) deviation from the central parity against the euro implies that the currency is on the weak (strong) side of the band. For the Danish krone, the fluctuation band is  $\pm 2.25\%$ ; for all other currencies, the standard fluctuation band of  $\pm 15\%$  applies.

## EU MEMBER STATES' CURRENCIES

In September, most currencies participating in ERM II remained stable and continued to trade at or close to their respective central rates (see Chart 28). The Slovak koruna continued to strengthen and traded 3.1% stronger than its ERM II central rate on 4 October. On 26 September, Národná banka Slovenska raised its main policy interest rate by 25 basis points to 4.75%. With regard to the currencies of other EU Member States, the euro remained stable against the pound sterling – being quoted at GBP 0.67 on 4 October, i.e. at the same level as at the end of August and 1.4% below its 2005 average – while it appreciated marginally (0.6%) against the Swedish krona. As for the currencies of the largest new EU Member States, the euro also remained virtually unchanged, during the reference period, against the Czech koruna, the Polish zloty and the Hungarian forint. The relative stability of the forint in September and early October took place in spite of the recent political tensions in Hungary. The decision taken by Magyar Nemzeti Bank to raise its policy interest rate by 50 basis

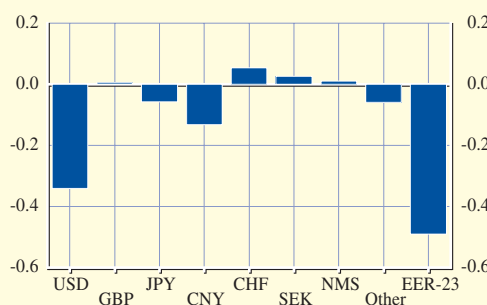
**Chart 29 Euro effective exchange rate and its decomposition<sup>1)</sup>**

(daily data)



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

From 31 August to 4 October 2006  
(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 that 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.

points (to 7.75%) on 25 September might have been a contributing factor to explaining the evolution of the Hungarian currency during this period.

### OTHER CURRENCIES

Between end-August and 4 October, the euro rose by 4.0% vis-à-vis the Norwegian krone, mostly reflecting the potential implications of the sharp decrease in oil prices for the Norwegian economy. The euro appreciated against the Australian dollar (1.4%), the Swiss franc (0.9%) and the Canadian dollar (0.5%), while it depreciated vis-à-vis the Chinese renminbi (1.9%) and most Asian currencies linked to the US dollar.

### EFFECTIVE EXCHANGE RATE OF THE EURO

In view of these developments in the bilateral exchange rates of the euro, the nominal effective exchange rate – as measured against the currencies of 23 of the euro area's important trading partners – on 4 October was 0.5% below its level at the end of August and 1.2% above its average level in 2005 (see Chart 29).

## 5.2 BALANCE OF PAYMENTS

*The latest balance of payments data, up to July 2006, show a slowdown in the growth of both exports and imports of goods and services from the exceptionally robust growth rates recorded earlier in the year. The twelve-month cumulated current account registered a deficit of 0.6% of GDP in July, compared with a surplus in the previous year, mostly due to a fall in the trade surplus, reflecting higher oil and non-oil commodity import prices. In the financial account, combined direct and portfolio investment registered net inflows of €41.3 billion in the twelve-month period to July, mostly as a result of net purchases of euro area equity securities by non-residents.*

### TRADE AND THE CURRENT ACCOUNT

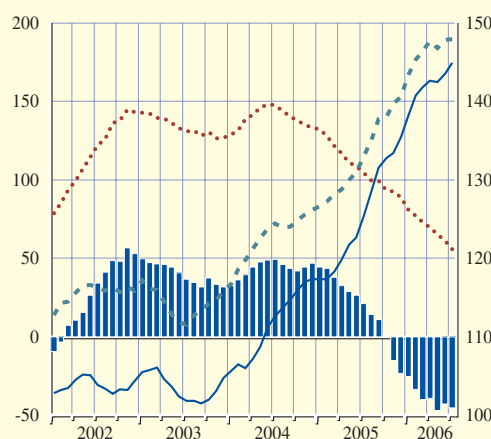
The growth in extra-euro area export and import values of goods and services declined in recent months after the exceptionally robust growth rates recorded earlier in the year. In July 2006, the three-month moving average of the value of exports and imports rose by 0.1% and 1.6% respectively, compared with growth rates in excess of 3% in the three-month period to April 2006 (see Table 8 and Chart 30). The slowdown in exports was largely due to weaker exports of goods.

Looking at the breakdown of trade in goods by volume and price (available up to the second quarter of 2006), the downturn in export values in that quarter is mainly explained by weaker growth in export prices (0.1%, quarter on quarter), while export volume growth also

**Chart 30 The euro area current account and trade balances**

(EUR billions; monthly data; seasonally adjusted)

- current account balance (12-month cumulated data; left-hand scale)
- ..... trade balance (12-month cumulated data; left-hand scale)
- - - exports of goods and services (3-month moving average; right-hand scale)
- imports of goods and services (3-month moving average; right-hand scale)



Source: ECB.

**Table 8 Main items of the euro area balance of payments**

(seasonally adjusted, unless otherwise indicated)

			Three-month moving average figures ending				12-month cumulated figures ending	
	2006 June	2006 July	2005 Oct.	2006 Jan.	2006 April	2006 July	2005 July	2006 July
<i>EUR billions</i>								
<b>Current account</b>	5.2	-4.8	-4.8	-5.1	-2.9	-2.4	21.0	-45.7
Goods balance	2.7	-2.1	2.5	1.3	1.7	0.2	73.4	17.2
Exports	114.0	113.3	104.2	108.0	112.8	112.7	1,162.2	1,313.1
Imports	111.3	115.4	101.7	106.7	111.1	112.4	1,088.7	1,295.9
Services balance	2.8	3.0	2.8	3.9	3.4	2.8	31.1	38.6
Exports	35.3	35.4	33.8	35.3	35.0	35.3	377.6	417.9
Imports	32.5	32.4	31.0	31.4	31.5	32.5	346.4	379.4
Income balance	2.7	0.6	-4.1	-4.7	-1.8	-0.6	-24.7	-33.9
Current transfers balance	-3.0	-6.2	-5.9	-5.6	-6.3	-4.8	-58.9	-67.6
<b>Financial account<sup>1)</sup></b>	11.0	13.5	6.9	-2.3	28.5	20.5	76.3	160.8
Combined net direct and portfolio investment	58.8	-6.7	-3.2	-31.0	14.3	33.7	124.0	41.3
Net direct investment	-7.7	-8.9	-6.8	-3.8	-5.8	-5.6	-135.1	-66.2
Net portfolio investment	66.5	2.1	3.6	-27.2	20.1	39.3	259.1	107.5
Equities	62.1	39.7	5.0	1.8	6.7	35.8	192.3	148.0
Debt instruments	4.3	-37.5	-1.4	-29.0	13.4	3.5	66.9	-40.5
Bonds and notes	15.3	-13.1	-11.0	-20.8	11.9	15.2	42.6	-14.3
Money market instruments	-10.9	-24.4	9.6	-8.2	1.5	-11.7	24.3	-26.2
<i>Percentage changes over previous period</i>								
<b>Goods and services</b>								
Exports	2.4	-0.5	3.8	3.8	3.1	0.1	7.7	12.4
Imports	0.5	2.8	5.9	4.0	3.3	1.6	11.9	16.7
<b>Goods</b>								
Exports	3.0	-0.7	3.8	3.6	4.4	-0.1	7.3	13.0
Imports	0.6	3.7	6.8	4.9	4.1	1.2	13.4	19.0
<b>Services</b>								
Exports	0.6	0.2	3.7	4.3	-0.8	0.9	8.8	10.7
Imports	0.1	-0.3	2.9	1.2	0.4	3.1	7.6	9.5

Source: ECB.

Note: Figures may not add up due to rounding.

1) Figures refer to balances (net flows). A positive (negative) sign indicates a net inflow (outflow). Not seasonally adjusted.

decelerated somewhat (to 1.4%). The profile for export volumes is partly explained by the growth in foreign demand, which seems to have moderated in the second quarter. In addition, exports to the United States and Asia declined in that period and may have been affected by losses in price competitiveness due to the appreciation of the euro against the US dollar since the beginning of 2006.

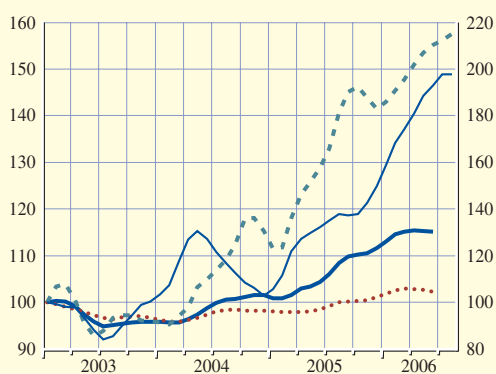
The decline in the growth rate of imports of goods in value terms in the second quarter seems mainly due to import price developments, while import volumes grew at a moderate pace. Although robust euro area domestic activity, as well as the euro appreciation in the first half of 2006, should stimulate import demand, weaker exports in recent months may act as a drag on imports due to the high import intensity of exports. Meanwhile, imports from low-cost countries remain robust – especially imports from China and the new EU Member States – indicating increasing import penetration from low-cost suppliers.<sup>1</sup> In the first half of the year, the value of imported goods from China and the new EU Member States increased by around 26% and 19% respectively,

<sup>1</sup> See Box 6 of the August 2006 issue of the Monthly Bulletin for further details of rising imports from low-cost countries and their impact.

**Chart 31 Extra-euro area import prices**

(indices: January 2003 = 100, seasonally adjusted; 3-month moving average)

- total import price of goods (left-hand scale)
- ..... manufacturing import prices (left-hand scale)
- - - Brent crude oil in EUR (right-hand scale)
- non-energy commodities (left-hand scale)

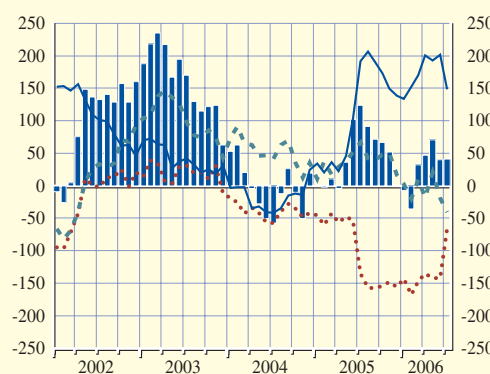


Sources: Eurostat and ECB calculations.  
Note: The latest observations are for June 2006 except for Brent crude oil and non-energy commodities (August 2006).

**Chart 32 The euro area combined direct and portfolio investment**

(EUR billions; monthly data; 12-month cumulated flows)

- net direct and portfolio investment
- ..... net foreign direct investment
- - - net debt instruments
- net equity flows



Source: ECB.

compared with the same period last year. As a result, imports from each of these two low-cost suppliers now account for around 10% of extra-euro area imports, thereby exceeding the share of imports from the United States.

The growth in import prices declined significantly in the second quarter, slowing down to 0.1% quarter on quarter (Chart 31). Although imported energy and non-energy commodity prices continued to increase, their growth rate – in euro terms – was more subdued compared with developments in the preceding quarters. Meanwhile, import prices of manufacturing products declined slightly in the second quarter, particularly for capital and consumer products. The apparent easing of the upward pressure on import prices can partly be attributed to the appreciation of the euro vis-à-vis the US dollar, which helped to dampen commodity prices as these are mainly denominated in US dollars.

Taking a longer-term view, the 12-month cumulated current account of the euro area in July 2006 registered a deficit of €45.7 billion (around 0.6% of euro area GDP). The shift from a surplus of €21.0 billion in the previous year is largely explained by the decline in the trade surplus due to rising oil and non-oil commodity import prices.

### FINANCIAL ACCOUNT

In the three-month period to July 2006, euro area combined direct and portfolio investment registered monthly average net inflows of €33.7 billion (Table 8). This was mainly the result of net inflows in portfolio investment, while direct investment recorded small net outflows. Net inflows of portfolio investment over this period were dominated by net inflows in equity securities (€35.8 billion), which have been rising since May this year, while net inflows in debt instruments declined somewhat.

As regards 12-month trends, developments in both direct and portfolio equity investment were affected by a base effect in July 2006. From July 2005 to June 2006, 12-month cumulated figures included the effects of an exceptionally large transaction which occurred in July 2005 and resulted in net inflows in equity and net outflows in direct investment of the same size, thereby leaving combined direct and portfolio investment figures unaffected (see the October 2005 issue of the Monthly Bulletin). As this transaction is no longer reflected in the 12-month cumulated figures, it accounts for most of the decline in the 12-month cumulated net outflows of direct investment and net inflows of portfolio equity investment in July 2006 (see Chart 32).

Against this background, net inflows in combined direct and portfolio investment amounted to €41.3 billion in the 12 months up to July 2006, resulting from net inflows in portfolio investment (€107.5 billion) that were only partly offset by net outflows in direct investment (€66.2 billion). Strong net inflows of €148.0 billion in portfolio equity securities, due to increased net purchases of these securities by non-residents, were the main reason for the net inflows in portfolio investment. Meanwhile, debt instruments recorded net outflows of €40.5 billion in the 12-month period to July 2006, particularly due to net outflows in money market instruments.

Large net purchases of euro area portfolio equity by non-residents may have been influenced by the rise both in euro area equity returns and in corporate earnings growth rates relative to those in the United States in the first half of 2006. Although the aforementioned developments seem most recently to have come to a halt, the improving economic outlook for the euro area and a general reallocation of cross-border equity flows from some developing economies towards developed countries may also have contributed to the increasing net inflows in euro area equity securities.





## ARTICLES

# DEMOGRAPHIC CHANGE IN THE EURO AREA: PROJECTIONS AND CONSEQUENCES



*Projected demographic dynamics for the euro area, as for many other industrialised economies, are characterised by decreasing total and working age population growth and a gradual, but dramatic, ageing of the population. These projected developments are generally the result of low fertility rates combined with increasing life expectancy and will have a deep and wide-ranging impact on the euro area economy. This article first presents the key characteristics of the most recent demographic projections prepared by Eurostat. It then provides an assessment of the possible consequences of the projected demographic developments for economic growth, labour markets, public finances and financial markets in the euro area over the medium to long term. Finally, the article describes the possible implications for monetary policy and underlines the critical need for structural reform to help offset the negative effects of demographic change in the euro area.*

### I INTRODUCTION

In the euro area, low fertility rates imply that population growth is slowing down. Indeed, in around 20 years, the total population of the euro area is expected to start to shrink in absolute terms. Furthermore, the proportion of older people in the population is projected to keep increasing, and after 2020 there will be one person older than 64 for every three people in the working age population. Taken together, these developments will have important consequences. For example, the composition of labour supply will change as the proportion of older workers increases and total labour supply may even fall as the working age population shrinks. This may exert downward pressure on average real GDP growth and real GDP-per-capita growth, with significant consequences for pay-as-you-go (PAYG) pension and health care systems. Population ageing may also prompt changes in the savings/investment balance of households, with possible implications, for example, for asset prices and capital flows.

The aim of this article is to outline the key characteristics of the projected demographic changes in the euro area and to provide an assessment of their possible economic impact. The article includes a preliminary assessment of the possible implications for monetary policy and underlines the important role of structural reform in helping to counteract the adverse effects of ageing populations. The main analysis undertaken considers the current 12 Member State composition of the euro area. Although the euro area is likely to enlarge before the end of 2050 (the time horizon considered), it is uncertain to what extent.

Moreover, the analysis below discusses a number of policy scenarios, although it is likely that some important policy changes will be introduced before 2050 which cannot be fully anticipated. The analysis presented in this article therefore aims to present an illustration of the possible future macroeconomic developments for the current euro area in the face of demographic change.

The remainder of this article is organised as follows. Section 2 reviews Eurostat's most recent demographic projections and their underlying assumptions for the euro area. These are compared with the demographic projections published by the United Nations (UN) for the United States. Section 3 uses a growth accounting framework to discuss the implications of the projected future population trends for economic growth in the euro area. The impact that an ageing population could have on public expenditures, particularly on pension and health care systems, is examined in Section 4. Section 5 discusses the linkages between population dynamics and financial market developments. A box provides a preliminary assessment of the possible implications for monetary policy. Section 6 outlines the role of structural reform in helping to compensate for some of the negative effects of the projected demographic changes in the euro area. Finally, Section 7 concludes.

### 2 DEMOGRAPHIC PROJECTIONS

Demographic projections from Eurostat point to a gradual decline in total population growth

in the euro area (similar to that in the EU) over the period up until 2050.<sup>1</sup> This decline is not balanced across age groups, but mainly reflects lower growth in the working age population (for simplicity defined here as persons aged 15 to 64, although in a number of countries policy initiatives are under way to increase the retirement age), the size of which is projected to start to decline after 2012 (see Chart 1). At the same time, the number of persons not of working age is expected to continue to increase. These two developments imply, *ceteris paribus*, a gradual rise in the overall dependency ratio (defined as the ratio of those people below 15 and above 64 to those of working age) in the euro area, which is projected to increase from the current levels of about 50% to levels close to 80% by 2050.

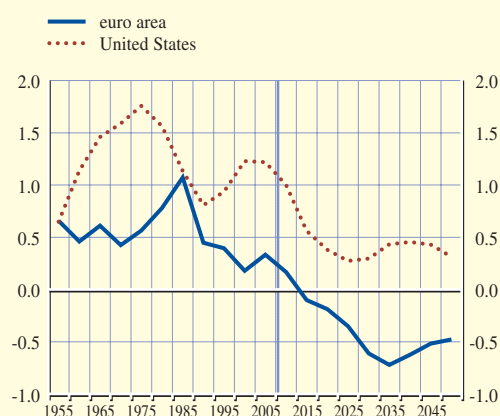
The rise in the overall dependency ratio is mainly due to a rise in the old age dependency ratio (defined as the ratio of those people older than 64 to those of working age), which is projected to continue to increase from the current level of about 26% to a level close to 55% by 2050 (see Chart 2). By contrast, after

having declined gradually from almost 40% in 1970, the young age dependency ratio (defined as the ratio of those people below 15 to those of working age) is expected to stabilise at current levels close to 24%.

Within this aggregate picture for the euro area, there are some significant differences in the magnitude and pace of demographic change for individual euro area countries. The key demographic developments over the period up until 2050 are summarised for individual euro area countries in Table 1. This shows that for some countries, such as Germany and Italy, sharp decreases in the total, youth and working age populations are projected, while some smaller countries, such as Ireland and Luxembourg, are expected to experience

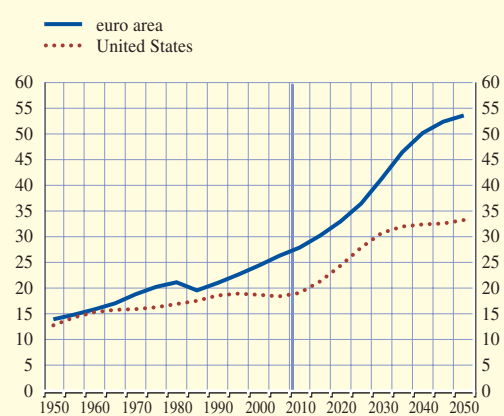
1 For the euro area, the main reference projections adopted are those prepared by Eurostat for the Ageing Working Group (AWG) of the Economic Policy Committee (EPC) of the EU and released in February 2006. For details of methodological aspects and underlying assumptions, see European Commission and Economic Policy Committee, "The 2005 EPC projections of age-related expenditure (2004-2050) for the EU25 Member States: underlying assumptions and projection methodologies" in European Economy Special Report 4/2005.

**Chart 1 Working age population growth in the euro area and the United States – historical developments and projections**  
(average annual changes; percentages)



Sources: ECB calculations based on Eurostat and UN data.  
Notes: The working age population is defined as the population aged between 15 and 64. The growth rate is the average annual rate of change calculated over five-year periods ending in the year indicated.

**Chart 2 Old age dependency ratio in the euro area and the United States – historical developments and projections**  
(percentages)



Sources: ECB calculations based on Eurostat and UN data.  
Note: The old age dependency ratio is defined as the number of persons aged 65 and above as a percentage of the working age population.

Table 1 Summary of aggregate population changes for euro area countries

(percentage change in levels; percentage point change in ratios)

	Total population	Young population (aged 0-14)	Working age population (aged 15-64)	Older population (aged 65 and over)	Old age dependency ratio	Young age dependency ratio
	% change from 2004 to 2050				Change in percentage points from 2004 to 2050	
Belgium	4	-11	-8	67	21	-1
Germany	-6	-22	-19	57	25	-1
Greece	-3	-18	-21	80	34	1
Spain	2	-19	-21	111	41	1
France	9	-7	-4	77	21	-1
Ireland	36	4	16	219	29	-2
Italy	-7	-25	-24	64	33	0
Luxembourg	42	26	30	124	15	-1
Netherlands	8	-9	-4	91	20	-1
Austria	1	-24	-15	95	30	-2
Portugal	-4	-21	-22	83	34	1
Finland	0	-14	-14	73	23	1
Euro area	0	-17	-16	75	28	0
United States	34	10	24	124	15	-4

Sources: ECB calculations based on Eurostat and UN data.

population gains. Generally speaking, relatively high (Ireland) or increasing (Luxembourg) fertility rates are the reason for these latter trends. However, one trend is common to all euro area countries, namely the expected significant rise in the population aged 65 and over and therefore a significant rise in the old age dependency ratio.

Projected demographic developments for the United States are different to those for the euro area in several respects (see Charts 1 and 2).<sup>2</sup> First, working age population growth is projected to decline gradually, but not to turn negative in the United States, falling from the current levels of about 1% per annum to about 0.5% per annum after 2020. Second, the dependency ratio is expected to increase in the United States overall, as in the euro area, but from around 50% to levels close to 60% after 2030. Similar to the euro area, developments for the United States result from divergent patterns in age-specific dependency ratios: the young age dependency ratio is anticipated to marginally decline, while the old age dependency ratio is expected to increase. However, the increase in the old age dependency ratio in the United States is projected to be significantly smaller than that in the euro area. Thus, the

main difference between the euro area and the United States is that, while both areas face a process of gradual ageing, in the euro area it is more dramatic.

The different projected demographic patterns between the euro area and the United States result from clear differences in all of the main underlying assumptions which govern the expected future developments in fertility, life expectancy and migration. Specifically, the fertility rate (defined as the average number of births per woman) is assumed to remain broadly unchanged at the current low level of about 1.5 children per woman (below the replacement rate of 2.1 children per woman) in the euro area. In the United States, fertility (currently at about 2.0 children per woman) is projected to remain significantly higher than in the euro area, although with a slight decrease over the coming decade (to 1.9 children per woman). Life expectancy at birth (defined as the average number of years a person can expect to live at birth, given the prevailing mortality rates in that area and period) is assumed to

<sup>2</sup> For the United States, the main reference demographic projections are the medium variant projections published by the UN (the UN's World Population Database, 2004 revision, published in February 2005).

increase over the projection period in both the euro area and the United States (by about six years for men and five years for women in the euro area). At the same time, life expectancy in the euro area is expected to remain above that of the United States. Net inward migration rates (defined as the number of immigrants minus the number of emigrants, for every 1,000 people of the total population) are assumed to slow down, but to remain positive, in both areas. However, in the United States, the net migration rate (projected to decline from 4.0 on average in the period 2000-2005 to about 2.8 in the period 2045-2050) is assumed to remain well above levels in the euro area (where a decline in the net migration rate is projected from a historically high level of almost 4.0 on average in the period 2000-2005 – due mainly to recent migration policy developments in Spain – to about 1.9 in the period 2045-2050). The different net migration rates across economic areas may also contribute to the difference in projected fertility rates and dependency ratios, since migrants tend to be young with higher average fertility.

Needless to say, demographic projections are uncertain. They are based on assumptions which may imprecisely capture future changes. Moreover, the policy stance of several countries, for example regarding migration, may change over time, making past projections obsolete. In the past, projection errors for demographic factors have been substantial, especially over long horizons.<sup>3</sup> Nevertheless, these errors tend to affect mainly the magnitude of the projected changes, rather than the anticipated general patterns themselves, which are consistent across different projection sources.

### 3 IMPACT ON REAL GDP GROWTH AND LABOUR MARKETS

It is difficult to quantify the potential impact of demographic change on labour markets and economic growth. Estimations of this impact are based on a number of assumptions which cannot fully capture the likely interactions

among individual components of growth. Therefore, the simulations presented within this section should be interpreted with some degree of caution. Nevertheless, they represent a useful reference point for policy discussions on the impact of demographic change.

From an accounting perspective, real GDP-per-capita growth can be seen as resulting from increases in labour productivity (defined here as output per person employed), labour utilisation (defined here as the ratio of the number of persons employed to the working age population) and demographic factors, which are captured by the evolution of the various age groups of the population. Table 2 reports four simulations of the impact of alternative labour market developments and the demographic projections on real GDP growth and real GDP-per-capita growth in the euro area.

Among the alternative scenarios considered, Scenario 1 presents a baseline for the growth impact of the demographic projections, based on the assumptions of unchanged labour productivity growth, unchanged labour utilisation growth (which are both assumed to grow in line with the recent averages presented in row 1 of Table 2) and an unchanged retirement age. Even in the event that no substantial reforms are undertaken in labour markets or pension and health care systems, these assumptions appear optimistic in the medium run, since labour utilisation components could reach their natural limits (corresponding for example to the frictional level of the unemployment rate and the upper ceiling of 100% for the participation rate) towards the end of the time horizon considered.

Given the uncertainty that surrounds projections for labour productivity and labour utilisation growth, an alternative Scenario 2 calculates the growth impact of Eurostat's demographic projections, this time incorporating the assumptions for labour productivity and labour

<sup>3</sup> See the evidence reported in A. Maddaloni et al., "Macroeconomic implications of demographic developments in the euro area", ECB Occasional Paper No 51, August 2006.

**Table 2 Alternative scenarios for the impact of projected demographic developments on euro area economic growth**

(average annual changes; percentages)

	Labour productivity	Labour utilisation	Working age population	Real GDP	Total population	Real GDP per capita
Past developments (1995-2005 average)						
1995-2005	1.0	0.8	0.3	2.1	0.4	1.7
Scenario 1: labour productivity and labour utilisation grow in line with 1995-2005 average						
2005-2010	1.0	0.8	0.2	2.0	0.4	1.6
2011-2030	1.0	0.8	-0.3	1.5	0.1	1.4
2031-2050	1.0	0.8	-0.6	1.2	-0.2	1.4
Scenario 2: projections by the European Commission <sup>1)</sup>						
2005-2010	1.1	0.8	0.2	2.1	0.4	1.7
2011-2030	1.8	0.2	-0.3	1.7	0.1	1.6
2031-2050	1.7	0.1	-0.6	1.2	-0.2	1.4
Scenario 3: requirements for labour productivity growth to keep real GDP-per-capita growth at 1995-2005 average						
2005-2010	1.0	0.8	0.2	2.1	0.4	1.7
2011-2030	1.3	0.8	-0.3	1.8	0.1	1.7
2031-2050	1.3	0.8	-0.6	1.5	-0.2	1.7
Scenario 4: requirements for labour utilisation growth to keep real GDP-per-capita growth at 1995-2005 average						
2005-2010	1.0	0.9	0.2	2.1	0.4	1.7
2011-2030	1.0	1.1	-0.3	1.8	0.1	1.7
2031-2050	1.0	1.1	-0.6	1.5	-0.2	1.7

Sources: ECB calculations based on Eurostat and European Commission data.

Notes: Labour productivity is measured in terms of output per person employed. Labour utilisation is measured in terms of the number of persons employed per head of the working age population (which is defined as the population aged 15 to 64).

1) See the main text on Scenario 2 below.

utilisation growth developed recently by the European Commission.<sup>4</sup> These assumptions imply that labour productivity growth in the euro area will increase from its current level of 1.0% to 1.7% over the forecast horizon (see column 1 in Scenario 2) and that growth in labour utilisation will decrease from 0.8% to 0.1% due to changes in the size and composition of labour supply over the same period (see column 2 in Scenario 2). These assumptions therefore present a more optimistic projection for labour productivity growth (particularly given that the last three decades have seen a gradual decline in euro area labour productivity) and a more pessimistic projection for labour utilisation growth than Scenario 1.

The result of Scenario 1 predicts that annual average real GDP growth will decline from 2.0% in the period 2005-2010 to 1.5% in the period 2011-2030, and to 1.2% in the period 2031-2050. The outcome of Scenario 2 shows slightly higher economic growth in the medium term, but identical long-term developments. In both scenarios, real GDP-per-capita growth

would also gradually decline, from the recent average levels of about 1.7% to about 1.4% by 2050.

Scenarios 3 and 4 show developments that would avoid significant declines in the average pace of economic activity through the implementation of far-reaching measures to increase labour productivity and/or labour utilisation components. Table 2 reports the average changes in each of these components that would be needed to keep real GDP-per-capita growth at the average observed during the 1995-2005 period (assuming that other output growth components remain unchanged at their 1995-2005 average). It shows for example that if labour utilisation continues to grow at its current rate of 0.8% per year (Scenario 3), average annual labour productivity growth would have to increase to about 1.3% over the whole projection horizon. This would imply the need for a significant increase in the

4 See G. Carone et al., "The economic impact of ageing populations in the EU25 Member States", European Commission Economic Papers No 236, December 2005.

implementation of structural reforms to support labour productivity and improvements in the macroeconomic environment. Alternatively, if labour productivity growth were to remain at its current level of 1% (Scenario 4), labour utilisation growth would have to increase gradually from its current level of 0.8% to about 1.1% by the end of the projection horizon. Although further improvements in labour utilisation are possible, its natural limits (namely when all of the working age population is actively working) could be reached well before 2050. This would imply the necessity to extend working lives, e.g. through increases in the retirement age and/or average annual hours of work, in the medium to long run. Moreover, even if real GDP-per-capita growth rates are maintained, real GDP growth could decrease significantly over time.

All in all, the qualitative conclusions of the simulations are very similar. Namely, unless structural policy changes which increase both labour utilisation and labour productivity are stepped up significantly, projected demographic developments are likely to imply a significantly lower trend potential output growth (and also a lower trend potential output growth per capita) for the euro area over the medium to long term.

#### 4 EFFECTS ON PUBLIC FINANCES

Population ageing will put pressure on public finances by driving up ageing-related expenditure as the ratio of the number of recipients to the number of contributors rises. The most important expenditure effects are projected for public pension systems and for spending on health and long-term care. A report by the EPC's Ageing Working Group and the European Commission<sup>5</sup> provides projections by national institutions on the effect of demographic change on a number of areas of public expenditure, including pensions, health care, long-term care, education and unemployment benefits. These projections are based on commonly agreed assumptions regarding the future behaviour of demographic and key

macroeconomic variables and the application of national models for the projection of pension system developments. They reflect only enacted legislation, which may take account of any provisions to come into force over time, but not possible future policy changes. The projections are summarised in Table 3 and discussed in turn below.

Regarding the effects of demographic change on pension systems, most public pension systems in Europe are based on the PAYG principle whereby current contributions finance current expenditure. The rising number of pensioners will put these systems under considerable strain as a diminishing number of workers has to provide the pension benefits for a growing number of retirees. The Commission study calculates that demographic change will cause a cumulative increase of more than 3 percentage points in pensions expenditure as a percentage of GDP for most euro area countries, with particularly large increases for Spain, Luxembourg and Portugal over the projection period (see Table 3). Furthermore, this report shows that pensions expenditure will rise rapidly in the two decades after 2010.

While these projections give a useful quantitative indication of upcoming pressures on pension systems, uncertainty remains regarding the actual effects, which could be even larger. In particular, the projections are based on favourable assumptions regarding the development of future labour productivity (the same as in Scenario 2 in Section 3) which may not materialise, especially if necessary structural reforms are not undertaken. In addition, there is a risk that once the concrete effects of already approved pension reforms start to be felt, political pressure to reverse these sustainability-improving reforms may increase. Moreover, the underlying scenarios may not adequately reflect the negative impact

5 Economic Policy Committee and European Commission, "The impact of ageing on public expenditure: projections for the EU25 Member States on pensions, health care, long-term care, education and unemployment transfers (2004-2050)", European Economy Special Report 1/2006.

**Table 3 Projected impact of ageing populations on public expenditures**

(percentage points; changes from 2004 to 2030 and 2050 in expenditure as a percentage of GDP)

	Pensions		Health care		Long-term care		Unemployment benefits		Education		Total of all available items	
	2030	2050	2030	2050	2030	2050	2030	2050	2030	2050	2030	2050
Belgium	4.3	5.1	0.9	1.4	0.4	1.0	-0.5	-0.5	-0.6	-0.7	4.5	6.3
Germany	0.9	1.7	0.9	1.2	0.4	1.0	-0.4	-0.4	-0.8	-0.9	1.0	2.7
Greece <sup>1)</sup>			0.8	1.7			-0.1	-0.1	-0.5	-0.4		
Spain	3.3	7.1	1.2	2.2	0.0	0.2	-0.4	-0.4	-0.7	-0.6	3.3	8.5
France <sup>2)</sup>	1.5	2.0	1.2	1.8			-0.3	-0.3	-0.5	-0.5	1.9	2.9
Ireland	3.1	6.4	1.2	2.0	0.1	0.6	-0.2	-0.2	-0.9	-1.0	3.3	7.8
Italy	0.8	0.4	0.9	1.3	0.2	0.7	0.1	-0.1	-0.8	-0.6	1.0	1.7
Luxembourg	5.0	7.4	0.8	1.2	0.2	0.6	-0.0	-0.1	-0.5	-0.9	5.4	8.2
Netherlands	2.9	3.5	1.0	1.3	0.3	0.6	-0.2	-0.2	-0.2	-0.2	3.8	5.0
Austria	0.6	-1.2	1.0	1.6	0.3	0.9	-0.1	-0.1	-0.9	-1.0	0.9	0.2
Portugal <sup>2)</sup>	4.9	9.7	-0.1	0.5			-0.1	-0.1	-0.6	-0.4	4.1	9.7
Finland	3.3	3.1	1.1	1.4	1.2	1.8	-0.4	-0.4	-0.6	-0.7	4.7	5.2
Euro area	1.6	2.6	1.0	1.5	0.2	0.5	-0.3	-0.3	-0.7	-0.6	1.9	3.7

Source: Economic Policy Committee and European Commission (2006).

Notes: These figures refer to the baseline projections for social security spending on pensions, education and unemployment transfers.

For health care and long-term care, the projections refer to "Ageing Working Group reference scenarios".

1) Total expenditure is not reported due to missing data.

2) Total expenditure does not include long-term care.

on labour supply and capital formation resulting from the need to finance higher pension expenditure.

Public health care expenditure is also set to rise with population ageing since the demand for health services tends to increase with age. However, while developments in the area of pension systems can be predicted with some degree of accuracy by modelling the mechanics of pension systems, forecasts for health expenditure are more problematic. This is because the development of health expenditures reflects the interaction of demand for and supply of health-related goods and services, which themselves depend on multiple factors, including specific incentive effects resulting from market structures, insurance arrangements and government regulation/intervention. Furthermore, as the entitlement to publicly financed health services is less precisely defined than in the area of pensions, discretionary policy changes can have a larger short-term impact on expenditure, adding to the difficulties of making accurate long-term forecasts.

Against this background, projections of health care developments are generally based on a mechanistic approach. In a first step, health and long-term care expenditure profiles are defined by age and sex on the basis of current observations. In a second step, the derived age and gender-specific expenditure levels are matched to demographic projections to generate total future expenditures. In addition, assumptions are made regarding the health status of older people in the future, which have an important impact on the projected expenditure pressures. On the one hand, projections of people's health status suggest that people will not only live longer, but they will also do so in better overall health. On the other hand, some costly chronic diseases, such as dementia, appear to be related to biological age and thus their prevalence could increase strongly with rising longevity. The report by the EPC and the European Commission adopts an intermediate baseline assumption which predicts that increased longevity is split equally between good and bad health.

With these assumptions, the projected increases in public expenditure for health and long-term



care as a percentage of GDP amount to between 1 and 3 percentage points by 2050 for most countries (see Table 3). However, this approach leaves out other effects that may be important. For example, the income elasticity of demand for health care is assumed to converge to unity, while estimates point to higher values than in the past, i.e. health care expenditure has tended to rise faster than income. In this regard, it has also been shown that it is the demand for quality, i.e. relatively expensive new medical technologies, which is driving expenditure, rather than an increase in the volume of existing medical procedures. Empirical studies suggest that technological progress has significantly contributed to past expenditure increases.

Some effects could in part offset the expenditure-increasing impact of demographic ageing. For example, with a declining number of children, expenditure on public education and on family allowances could decline as a percentage of GDP. Such offsetting effects, if any, are likely to be small, amounting to less than 1 percentage point in most countries (see Table 3). However, it should be noted that, with increasingly scarce labour due to low fertility rates, there may be higher pressure on governments to invest in all forms of education, including in particular lifelong learning, so that any decline in education expenditures may be smaller than expected.

Finally, the EPC and European Commission study presents estimates for the impact of ageing on unemployment expenditures, again using a mechanistic approach (see Table 3). The numbers are based on the same labour market assumptions as discussed above and thus should be considered with caution, but suggest that expenditure on unemployment benefits in the euro area as a percentage of GDP would decrease by 0.3 percentage point by 2030 and 2050.

Overall, current projections of the ageing-induced fiscal burden signal a clear and imminent need for policy action. Pension, health care and long-term care arrangements need to be adjusted to ensure their viability in

the face of demographic ageing. Public finances need to be put on a sound financial footing and budgetary flexibility needs to be ensured to reduce the vulnerability of public finances. Time is running short as the fiscal effects of demographic ageing will start to be felt within the next decade. Moreover, the above projections may even underestimate the upcoming pressures, calling for additional prudence in fiscal policies. In this regard, a further refinement of the methods to assess the fiscal effects of demographic ageing is warranted.

## 5 THE IMPACT ON FINANCIAL MARKETS

Population ageing affects financial markets through developments related to three main channels. First, population ageing affects the savings/investment balance of households, with possible implications for countries' external balances. Second, population ageing has an impact on how savings are actually invested, since it is likely that people belonging to different generations make different choices concerning the assets included in their portfolio. Third, policy-makers of economies where population ageing is already under way, such as the euro area, will carry out pension reforms which might implicitly affect financial markets.

With regard to the first channel, people belonging to different generations tend to make different choices concerning the balance between consumption and investment; thus, changes in the relative share of older versus younger people in the population can result in different GDP shares of consumption and investment. The impact of demographic changes on the savings/investment balance has been extensively researched using dynamic models based on the assumption that households smooth consumption over their lifetime and that the life cycle savings pattern is hump-shaped. Households are assumed to have higher saving rates during their working lives in order to fund their consumption while in retirement. Young people fund high levels of current consumption, possibly borrowing against their

human capital. Based on these assumptions, dynamic models, calibrated to fit the current ageing distribution in most developed countries, suggest that there could be a minor reduction in the *equilibrium real* interest rate (the long-term rate which balances savings and investment) over the next few decades, assuming that the retirement age remains constant at the current level (see box).

The impact of population ageing on the consumption/savings ratio also has implications for external balances. Countries in which the population is characterised by a high old age dependency ratio tend to support current account deficits and net capital inflows,<sup>6</sup> because a relatively large population of dependent old people tends to have relatively lower aggregate saving rates.<sup>7</sup>

Turning to the second channel, demographic changes can affect the asset allocation chosen by investors, and thus asset prices, as individuals belonging to different generations are likely to choose a different mixture of assets in terms of risk, since the time horizon of their investment differs. Pensioners tend to be more risk-averse, as they cannot hedge financial risks through their salaries.

A large part of savings is invested in financial assets. As a result, an extensive discussion in the financial economics literature is taking place concerning the argument that developed countries with a shrinking workforce could in theory face a fall in securities prices (the “asset meltdown” hypothesis) when the currently active workforce (the baby boom generation) retires. Downward pressure on securities prices could materialise because a large elderly generation will sell financial assets to a smaller-sized middle-aged generation.<sup>8</sup> At the same time, a possible reallocation of financial portfolios towards less risky assets could result in upward pressure on the prices of these assets, e.g. government bonds, making the overall impact on prices uncertain.

In general, the available empirical evidence based on historical data provides some supportive evidence of a link between demographics and financial asset prices.<sup>9</sup> In quantitative terms, however, these estimated relationships suggest relatively limited scope for any sizeable effect of demographic changes on financial asset prices.

In addition, shocks to the supply of and demand for domestic financial assets could be absorbed by foreign demand and thus the “meltdown” in asset prices may be cushioned by capital inflows in search of higher expected returns. Recent work has shed some light on the empirical relationship between population ageing and international capital flows.<sup>10</sup> Net equity inflows tend to increase with an ageing population as foreign investors are attracted by higher expected returns due to lower domestic savings. Conversely, net inflows in debt instruments (short and long-term debt securities) are negatively associated with the old age dependency ratio. This may stem from an increased demand for fixed income instruments, such as global government bonds, as older households shift their portfolio allocation towards less risky assets. Overall, these results suggest that the likelihood of a significant

6 From the balance of payments identity, net aggregate capital flows (= net inflows in FDI + net equity inflows + net debt instrument inflows + other net capital inflows) are equal to the current account deficit.

7 M. Higgins, “Demography, national savings and international capital flows”, *International Economic Review*, 39, pp. 343-69, 1998.

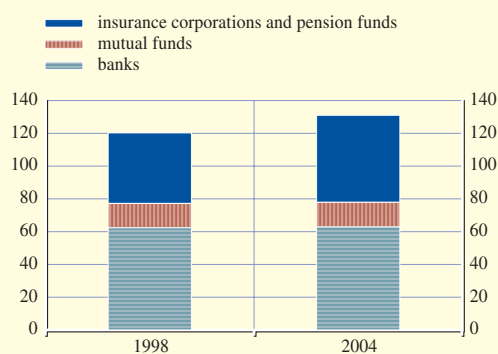
8 For a comprehensive analysis, see A. B. Abel, “Will bequests attenuate the predicted meltdown in stock prices when baby boomers retire?”, *Review of Economics and Statistics*, 83, pp. 589-95, 2001; A. B. Abel, “The effects of a baby boom on stock prices and capital accumulation in the presence of social security”, *Econometrica*, 71, pp. 551-78, 2003; and R. Brooks, “What will happen to financial markets when the baby boomers retire?”, IMF Working Paper No 00/18, 2000.

9 A. Ang and A. Maddaloni, “Do demographic changes affect risk premiums? Evidence from international data”, *Journal of Business*, 78, pp. 341-79, 2005, find that the change in the proportion of retired adults is a significant predictor of risk premia (see also E. P. Davis and C. Li, “Demographics and financial asset prices in the major industrial economies”, Brunel University Department of Economics and Finance Discussion Paper No 03-07, 2003).

10 R. A. De Santis and M. Lührmann, “On the determinants of external imbalances and net international portfolio flows: a global perspective”, ECB Working Paper No 651, 2006.

**Chart 3 Allocation of financial assets to financial intermediaries by euro area households**

(holdings as a percentage of GDP)



Source: ECB.

decline in equity prices when the current workforce generation retires is very low.

Third, savings are mostly channelled to the financial markets via financial intermediaries and in particular through pension funds. The rising percentage of households' savings invested in the capital markets by the baby boom generation has contributed to increasing market capitalisation in most developed countries. The value of financial assets held through financial intermediaries by euro area households was around 130% of GDP at the end of 2004, compared with 110% of GDP at the end of 1995.

The pension fund industry is largely underdeveloped in most euro area countries, notwithstanding a significant increase in the value of assets held by private pension schemes over the last few years. Euro area households have channelled more funds towards insurance corporations and pension funds than towards banks (i.e. monetary financial institutions) or mutual funds (i.e. other financial intermediaries) over the last few years (see Chart 3). However, there seems to be scope for additional growth, especially if ongoing pension reforms support a move towards fully or partially funded pension systems.

Looking ahead, the increase in the importance of institutional investors, particularly pension funds, raises financial stability concerns related to their ability to meet future pension obligations. These concerns have partly been addressed by stricter solvency requirements and by promoting the use of defined contribution plans.

Demographic developments are also having an impact on the financial instruments required by market participants. Pension fund managers already highlight the need for an increased supply of financial instruments aimed at managing market, inflation and longevity risks, such as long-term debt (of high quality and high liquidity) and inflation-indexed instruments.

### Box

#### IMPLICATIONS OF DEMOGRAPHIC CHANGES FOR MONETARY POLICY

The general consequences of demographic changes on financial markets described in Section 5 entail some specific implications for central banks. This box develops the analysis of the main channels described in Section 5, including references to the relevant literature, to explore how monetary policy may be affected by demographic change.

The "slow burn" nature of demographic developments indicates that their effects on monetary policy are likely to be moderate.<sup>1</sup> Population ageing, per se, is not expected to create an economic environment where pronounced inflationary or deflationary pressures might suddenly appear. Therefore, substantial responses from central banks to cope with foreseeable changes

<sup>1</sup> C. Bean, "Global demographic change: some implications for central banks", Overview Panel, Federal Reserve Bank of Kansas City Annual Symposium, Jackson Hole, Wyoming, 2004.

in the demographic structure over the next decades are not to be foreseen. However, without reforms, productivity and labour supply growth might be undermined, while spending pressures related to public expenditure and social security systems would increase and higher taxes may exert additional pressures on prices and wages. Therefore, in the event that the necessary structural reforms are not undertaken, monetary policy may in certain episodes have to respond to higher inflationary pressures.

In general, central bankers should pay due attention to the impact of demographic factors, as the considerable persistence that characterises population developments could contribute to protracted changes in the way monetary policy decisions affect the economy. Moreover, financial markets may already be anticipating some of the effects of population ageing on asset prices, such as potential changes in the equilibrium real interest rate, which are of indisputable relevance for monetary policy-makers. Finally, an ageing society may not undertake sufficient structural reforms as the median voter becomes older, which implies that the central bank may have to operate within a relatively less flexible economic environment.

The following paragraphs briefly summarise some findings from the literature on the way demographic changes may affect a number of important central banking issues: (1) the equilibrium real interest rate; (2) the yield curve; (3) the monetary policy transmission mechanism; and (4) the demands on monetary policy in an ageing society.

### 1 The equilibrium real interest rate

Population ageing is expected to contribute to declines in both investment and saving rates over the next decades. This development leads to an ambiguous impact of ageing on the real interest rate: in models that assume a closed economy, if domestic investment falls below domestic savings (because ageing has made the production process more capital-intensive and the capital-to-labour ratio has risen, lowering the returns on investment), the real rate is predicted to fall, as it becomes difficult for savers to find profitable investment opportunities. Conversely, if domestic investment remains above domestic savings, the real rate would move upwards so as to reflect the relative scarcity of financial funds to undertake the available investment projects.

Researchers have used overlapping generation models, in which individuals are grouped into different age cohorts, in order to ascertain the consequences of ageing for the equilibrium real interest rate. In general, the evidence suggests that, in the absence of further reforms to the pension system, population ageing could contribute to a relatively minor reduction in the equilibrium real interest rate of 50-100 basis points over 25-50 years. For example, Miles (1999) simulates the effects of ageing in the EU, finding that demographic factors could lead to a fall in the real interest rate of around 50 basis points up to 2030, followed by a partial recovery after the passing of the baby boom generation. Batini, Callen and McKibbin (2006) estimated that ageing may contribute to a decline in the real interest rate in Europe of up to 100 basis points by 2050.<sup>2</sup>

2 D. Miles, "Modelling the impact of demographic change upon the economy", *Economic Journal*, 109, pp. 1-36, 1999, and N. Batini, T. Callen and W. McKibbin, "The global impact of demographic change", IMF Working Paper No 06/9, 2006. See also, among many others, P. Antolin, F. Gonand, C. de la Maisonneuve, J. Oliveira and K. Y. Yoo, "The impact of ageing on demand, factor markets and growth", OECD Economics Department Working Paper No 420, 2005; A. Börsch-Supan, A. Ludwig and J. K. Winter, "Ageing, pension reform, and capital flows: a multi-country simulation model", University of Mannheim Discussion Paper No 04-65, 2004; E. Canton, C. van Ewijk and P. J. G. Tang, "Population ageing and international capital flows", European Network of Economic Policy Research Institutes, Occasional Paper No 4, 2003; and A. De Serres, C. Giorno, P. Richardson, D. Turner and A. Vourc'h, "The macroeconomic implications of ageing in a global context", OECD Economics Department Working Paper No 193, 1998.

## 2 The yield curve

According to the expectations hypothesis of the term structure of interest rates, the equilibrium real interest rate that market participants anticipate to prevail in the long run is one of the key factors determining the level of rates at the long end of the yield curve. When the equilibrium real interest rate is expected to fall moderately due to population ageing, the long end of the yield curve could also experience a decline from the moment such expectations are priced into bonds.

The magnitude of such an effect on the yield curve depends on two factors. The first is the size of the reduction in the equilibrium rate, which is influenced by the speed of demographic change: larger changes in the equilibrium rate are likely to be accompanied by more pronounced variations in long-term rates. The second factor is the degree of forward-lookingness of financial markets: if markets are sufficiently forward-looking, they would be able to anticipate the expected decline in future real interest rates as populations age and the long end of the yield curve would fall, while the short end would presumably remain largely unaffected. In other words, ageing could contribute to a modest flattening of the yield curve, but the large degree of uncertainty over both the decline in the equilibrium rate and the degree of forward-lookingness of financial markets<sup>3</sup> suggests that the magnitude of this impact is very difficult to predict and presumably rather small.

As outlined in Section 5, the role of some financial intermediaries is set to rise in the euro area over the next decades. This could have an effect on the prices observed in certain markets, including a possible increase in prices in the fixed income market, which could be temporarily affected by large portfolio reallocations of these financial intermediaries.

## 3 The monetary policy transmission mechanism

According to the life cycle theory, individuals accumulate wealth during their working lives to finance consumption during retirement.<sup>4</sup> Therefore, populations whose average age is closer to retirement are expected to exhibit higher wealth-to-income ratios. At the same time, expected imbalances in publicly financed pension schemes might make it plausible to consider that, after pension reform, an increasing number of retirees will fundamentally rely on their own accumulated wealth, as opposed to public pension provision, to sustain their consumption levels. Furthermore, as Bean (2004) suggests, longer life expectancy after retirement will presumably reinforce this effect.

Consequently, Miles (2002) argues that monetary policy, which is partly transmitted via asset prices, may increase its power to stabilise macroeconomic fluctuations through an increasingly important wealth channel.<sup>5</sup>

## 4 The demands on monetary policy in an ageing society

As population ageing contributes to higher wealth-to-income ratios, depending on the reforms of existing PAYG systems, public demand for leaning against “boom-bust” cycles in asset prices

3 For some evidence supporting a limited degree of forward-lookingness of financial markets see, for example, S. Della Vigna and J. M. Pollet, “Attention, demographics, and the stock market”, NBER Working Paper No 11211, 2005.

4 R. Brumberg and F. Modigliani, “Utility analysis and the consumption function: an interpretation of cross-section data”, in K. K. Kurihara (ed.), *Post-Keynesian Economics*, pp. 388-436, Rutgers University Press, 1954.

5 D. Miles, “Should monetary policy be different in a greayer world?”, in A. Auerbach and H. Herrmann (eds.), *Financial Markets and Monetary Policy*, pp. 243-76, Springer, 2002.

might rise in parallel with old age dependency ratios: in an older society, a significant proportion of households' wealth could be accumulated in real estate and financial assets, increasing the exposure of their income to asset price fluctuations. For instance, Poterba (2004) suggests that households headed by someone over 65 years old will hold almost half of all corporate stocks and 64% of all annuity contracts in 2040 in the United States, up from 33% and 50% respectively in 2001.<sup>6</sup> This increased exposure of the population to asset price fluctuations is likely to occur at a time when a relatively large proportion of the population (the "old") would presumably seek to sell their assets in order to finance consumption during retirement.<sup>7</sup>

Hence, increasing old age dependency and wealth-to-income ratios could strengthen the case for leaning against asset price misalignments or "bubbles" (i.e. deviations of asset prices from their fundamental values), as the welfare losses stemming from "boom-bust" cycles in asset prices would presumably be larger in an older society.

Additionally, to the extent that a growing proportion of wealth is invested in nominal assets (i.e. assets whose return is not indexed to inflation), the central bank's mandate to maintain price stability might become even more important so as to avoid individual old age financial provisioning being eroded over time by relatively high inflation rates. In this regard, Bean (2004) suggests that public support for consumer price stability will also tend to increase over the next decades.

6 J. M. Poterba, "The impact of population ageing on financial markets", NBER Working Paper No 10851, 2004.

7 See, among others, A. B. Abel, "The effects of a baby boom on stock prices and capital accumulation in the presence of social security", *Econometrica*, 71, pp. 551-78, 2003; and A. Börsch-Supan and J. K. Winter, "Population ageing, savings behavior and capital markets", NBER Working Paper No 8561, 2001.

## 6 POLICY MEASURES

To cope with the possible effects of demographic change, governments need to undertake further comprehensive reforms. Such reforms should aim to address specific problems in public pension and health care systems, reduce overall public debts, increase labour utilisation and strengthen the forces driving productivity and economic growth.

Projected demographic changes in the euro area make parametric reforms of existing public pension systems necessary, including increases in statutory retirement ages and reductions in replacement rates. It has been estimated that without further reforms pension contribution rates would need to more than double in some countries to above 40% of wages to keep these systems in balance; therefore, benefits from public pension systems would need to fall. However, the parametric reforms necessary to fully balance PAYG pension systems without the need for further increases in contribution

rates would probably be politically or economically unfeasible. They will therefore need to be complemented by systemic reforms to the financing of pension systems, for example, a move towards increased funding. This diversification may reduce the overall vulnerability of the pension arrangements ahead of the upcoming demographic changes. Furthermore, as the contribution of funded pension arrangements to overall pensions rises, the size of PAYG systems could be reduced to alleviate the fiscal burden over the long term.

The financing of such a transition may involve some burden-sharing between pensioners and contributors. One possible reform approach is to combine the introduction of partially funded pension arrangements with a transformation of PAYG systems into "notional defined contribution" (NDC) arrangements, which have been implemented in several EU countries outside the euro area. In essence, while maintaining the PAYG financing of pensions, such NDC schemes mimic the characteristics of

individually funded arrangements. Thus, the future individual pension depends exclusively on own-paid contributions into a “notional” pension account and a commonly applied accrual rate. As there is no intra-generational redistribution through the pension system, the perceived tax burden on labour should fall. This improves the incentives to work and can contribute to achieving higher employment rates. At the macro level, balance of the NDC scheme is ensured by limiting the interest rate received on the notional pension account to the rate of growth of the contribution base (e.g. the wage sum of the economy). As balancing these pension schemes generally requires considerable cuts in generosity compared with previous arrangements, current workers are required to build up pension claims by contributing to funded pension arrangements simultaneously. Regulations may need to be implemented to ensure the non-speculative character of retirement savings. Such regulation is also important from a public finance point of view as abrupt adverse asset price changes could force the government eventually to take over additional pension obligations.

In the area of health and long-term care, rising public expenditure pressures impose equally hard choices on many public health systems. To face the future burden, governments may have to raise contribution rates, streamline services and secure private financing and funding. In general, governments have found it difficult to curtail expenditure permanently by limiting access to some forms of (expensive) treatment. Thus, discussions in the relevant literature point to the importance of setting appropriate incentives for all participants. This may entail the introduction of patient co-payments, as already implemented in a number of countries. Strengthening market mechanisms in the relationship between patients, medical service providers and insurers can improve overall performance. Contracting and payment structures should reflect true resource costs and hard budget constraints to set the right economic incentives. Benchmarking of the performance of medical service providers can help to raise

transparency. Further integration of product and services markets in the EU could contribute to improving efficiency also in the health care sector.

Ageing populations in the euro area also make the implementation of labour market policies to increase labour market participation and employment all the more urgent. Participation and employment rates are particularly low for young people, women and older individuals, compared with the overall working age population, in many euro area countries. Furthermore, the overall level of average annual hours of work per worker in the euro area is low.<sup>11</sup> There is therefore a significant potential to increase the utilisation of the working age population through a rise in the number of people entering and working in euro area labour markets and longer working hours and/or lives.

To achieve this, a first important step is to further reduce the disincentives to work currently persisting within a number of euro area labour markets due to the interplay of taxes and benefits and the provision of early retirement schemes. Such systems create disincentives to work, particularly for second earners (which are often women) with a family, low-paid workers and the youngest and oldest workers. Policies to increase female labour market participation must aim to make it easier for women to combine family and work by increasing the flexibility of working hours and improving services for childcare and care of the elderly. Furthermore, it would be beneficial to improve incentives to continue working later in life, for example through gradual exit-from-work policies and increased provision of part-time or temporary positions for older workers, along with the necessary increases in the statutory retirement age. However, there must also be sufficient labour demand from employers

11 For more information on working hours in the euro area relative to the United States, see N. Leiner-Killinger, C. Madaschi and M. Ward-Warmedinger, “Trends and patterns in working time across euro area countries 1970-2004: Causes and consequences”, ECB Occasional Paper No 41, 2005.

to hire and/or retain older workers. Increased labour migration to the euro area offers a further potential avenue through which labour market participation and employment may be increased across all age groups. Policies to increase immigration should be supportive as outlined in the Integrated Guidelines for Growth and Jobs 2005-2008,<sup>12</sup> but most likely do not offer a solution to the demographic challenges due to the large number of working migrants that would be required.

The potential to increase labour productivity and economic growth will depend both on labour market policies to increase the overall skill levels of the workforce and on the rate at which technology advances in the euro area. The extension and deepening of the EU internal market and increased competition in EU services markets are among the policies needed to further improve the functioning of product markets to support labour productivity and job creation.<sup>13</sup> Many countries will also need to embark on a sustained process of investment in human capital and research and development in order to offset the possible negative effects of population ageing on labour and total factor productivity. EU leaders adopted the European Youth Pact at the beginning of 2005, which endeavours to “improve the education, training, mobility, vocational integration and social inclusion of young Europeans” by, for example, monitoring policies for the integration of young people into the labour market and encouraging young people to develop entrepreneurship.<sup>14</sup> It emphasises both the importance of raising the quality of education, which may help to offset the possible negative effects of population ageing on total factor productivity, and the importance of increasing the activity and employment rates of young people to help to offset the effects of demographic change on labour supply.

## 7 CONCLUSION

Projected demographic changes in the euro area are characterised by low fertility rates and

increasing life expectancy, which will lead to declining total and working age population growth and a gradual increase in the old age dependency ratio. The projections available from Eurostat suggest that the total euro area population will start to shrink in absolute terms in about 20 years, and by 2050 the old age dependency ratio will have reached almost 55% compared with 26% in 2006. Taken together, these developments will have important economic consequences. These include changes in the size and composition of labour supply in the euro area, as the proportion of older workers increases and fewer new workers enter the labour market to replace those leaving it. Under the assumption of unchanged labour utilisation and labour productivity growth, demographic trends imply a decline in average real GDP growth from its average 1995-2005 level of 2.1% to around 1% by 2050. Real GDP-per-capita growth will also decline. Implications for public expenditure include increases of above 3 percentage points in public spending on pensions and health care as a percentage of GDP for most euro area countries.

The projected ageing of the population may also have an impact on financial markets, enhancing the role played by institutional investors. This is likely to raise financial stability concerns, which are already being addressed by changes in the structure of pension plans and by stricter solvency requirements for institutional investors. In addition, these developments are likely to boost the role of governments in improving financial education and literacy in order to preserve households' savings.

The timely implementation of comprehensive and incentive-compatible reforms is needed to prepare for such possible consequences of

12 For more details on these Guidelines, see the box entitled “The Integrated Guidelines for Growth and Jobs 2005-2008” in the August 2005 issue of the Monthly Bulletin.

13 For further details, see “Competition, productivity and prices in the euro area services sector”, ECB Occasional Paper No 44, 2006.

14 For further details, see Annex 1 of the Presidency Conclusions of the Brussels European Council, 22 and 23 March 2005.



demographic change. Reducing public debt would contribute to improving fiscal sustainability and make public finances less vulnerable to the impact of ageing populations. Further adjustments to the structure of pension contributions and benefits are also needed. Regarding labour markets, increasing labour utilisation through policies to support higher labour market participation and employment rates, and increasing labour productivity growth through investment in human capital and completion of the internal market would help to counteract the dampening effects on output growth in the medium run in the euro area. Over a longer time horizon, increases in the statutory retirement age and/or average annual hours of work will also be necessary. Individual euro area countries are responsible for the design of their policies on employment and productivity within the framework of the Lisbon strategy<sup>15</sup> and the Integrated Guidelines for Growth and Jobs 2005-2008. These Guidelines offer a broad range of suggested policies, which in the face of demographic change will need to be appropriately tailored to the relevant target groups.

The “slow burn” nature of demographic developments implies that their immediate effects on monetary policy are likely to be moderate. However, in the absence of sufficient implementation of the needed structural reforms detailed above, monetary policy could be indirectly affected. First, inflationary pressures could be influenced as labour becomes scarcer and there is pressure to raise taxes to finance ageing-induced increases in government spending. Second, to the extent that a growing proportion of wealth is invested in nominal (non-inflation-indexed) assets, the central bank’s mandate to maintain price stability might become even more important so as to avoid individuals’ retirement provisions being eroded over time by relatively high inflation rates.

In summary, the adverse demographic developments discussed in this article underline the urgent need for policy-makers to implement structural reforms which have the ability to promote the macroeconomic flexibility and dynamism of the euro area.

15 See the article entitled “The Lisbon strategy – five years on” in the July 2005 issue of the Monthly Bulletin.



# INTEGRATED FINANCIAL AND NON-FINANCIAL ACCOUNTS FOR THE INSTITUTIONAL SECTORS IN THE EURO AREA

*In May 2006 the ECB published for the first time a set of annual integrated non-financial and financial accounts, including financial balance sheets, for the institutional sectors of the euro area.<sup>1</sup> Such comprehensive data on the different non-financial and financial activities of euro area households, non-financial corporations, financial corporations and government are important for a number of analyses, for instance with regard to the monetary transmission mechanism. This article explains the concept and methodologies underlying the new data set and highlights a few results for households and non-financial corporations.*

## I INTRODUCTION

Detailed and consistent statistics relating to the activities and balance sheet positions of the different institutional sectors of the economy are important for the economic and monetary analyses of the European Central Bank (ECB). One prominent example is the analysis of the complex chain of causes and effects along what is known as the monetary transmission mechanism, which tends to be more comprehensible when referring to activities of entities such as households or corporations.

Compared to previous official statistics for the euro area, the newly compiled, comprehensive and consistent set of non-financial and financial accounts by institutional sector, henceforth referred to as the “euro area accounts”, increases the number of breakdowns of non-financial and financial activities by institutional sector, and provides a level of detail similar to the official statistics of other major economic areas.<sup>2</sup> In addition, the statistical methodology adopted in the compilation of the new set of accounts guarantees consistency between the accounts of the various sectors. These enhancements thus contribute to closing a gap in the economic and financial statistics for the euro area which underpin the ECB’s monetary policy. The compilation of the euro area accounts is a joint project of the ECB and the European Commission (Eurostat), in close cooperation with the national central banks and the national statistical institutes of the European Union. For the time being, the euro area accounts are available on an annual basis for 1999-2004, but, from spring 2007 onwards, they will be followed by the regular publication of quarterly data.

This article sets out the main features of the euro area accounts. It starts by explaining the components of the integrated euro area accounts and the underlying concepts. It then presents the characteristics of the euro area as a whole, as well as specific features of the household and non-financial corporation sectors as the main institutional sectors. Subsequently, an analysis is made of some of the more important developments in recent years, with a particular focus on households and non-financial corporations.

## 2 MAIN FEATURES AND CONCEPTS OF THE EURO AREA ACCOUNTS

The euro area accounts enable the analysis of economic developments in the different institutional sectors (households, corporations and government) of the euro area, their interrelationships, and their relationships with the rest of the world. Macroeconomic developments, such as economic growth and inflation, are driven by the actions of the individual agents in an economy, while the economic behaviour of these agents varies quite substantially, depending on the institutional sector to which they belong. The newly compiled

- 1 See the press release of 31 May 2006 – First release of euro area accounts for institutional sectors (1999-2004) – and the joint ECB and Eurostat background note entitled “Euro area and European Union accounts for institutional sectors”, which includes a comprehensive set of tables using both a cross-sectoral and a time-series presentation (<http://www.ecb.int>).
- 2 The usefulness of a sectoral perspective in economic and monetary analyses has been highlighted in a number of articles in the ECB’s Monthly Bulletin. See, for instance, the article in the August 2002 Bulletin entitled “Saving, financing and investment in the euro area” and the article in the August 2006 Bulletin entitled “Sectoral money holdings: Determinants and recent developments”.

euro area accounts present a complete, consistent set of economic indicators for all of these sectors. They also establish, for the first time, consistency between financial and non-financial statistics, thereby allowing an integrated analysis of non-financial economic activities (such as consumption and gross fixed capital formation) and financial transactions (such as the issuance of debt securities and investment abroad). Finally, the accounts also contain consistent financial balance sheets, with the result that annual changes in the financial wealth of each euro area sector can now be investigated in depth.

The euro area accounts are generally presented on a non-consolidated basis. This means, for example, that a government unit's holdings of debt securities issued by another government unit of the same Member State are not netted out when compiling the financial balance sheet for the government sector. Transfers between government units are not removed in the non-financial accounts either.<sup>3</sup> The sequence of interlinked euro area accounts has been compiled in accordance with the methodology of the European System of Accounts 1995.

## 2.1 INSTITUTIONAL SECTORS

Each institutional sector brings together institutional units with a broadly similar behaviour: financial corporations, non-financial corporations, general government, households and non-profit institutions serving households (NPISHs). Transactions with non-residents and the financial claims of residents on non-residents, or vice versa, are recorded in the "rest of the world" account. The sector accounts thus show the interactions among the different sectors of the euro area economy and between the euro area economy and the rest of the world.<sup>4</sup>

The household sector comprises all households, as consumers of goods and services, as well as resident unincorporated enterprises, with the latter category covering sole proprietorships and most partnerships that do not have an

independent legal status. The household sector therefore also generates output and entrepreneurial income. In the euro area accounts, NPISHs (charitable organisations, trade unions, etc.) are grouped together with households, and their economic weight is relatively limited. The non-financial corporation sector comprises all private and public corporate enterprises that produce goods for and provide non-financial services to the market. Accordingly, the general government sector excludes such public enterprises and comprises central, state (regional) and local government and social security funds. Thus the general government sector differs from what is generally referred to as the public sector.

For the first time, a complete and consistent rest of the world account for the euro area has been compiled. This means that cross-border transactions and financial claims between euro area Member States have been removed from the euro area rest of the world account and that, in this process, the asymmetries in the bilateral trade statistics have been eliminated.<sup>5</sup> Consequently, imports and exports are much smaller than they would have been if simple aggregation of the national data had been used, given that about one-half of the external trade of the individual Member States is within the euro area.

## 2.2 FROM PRODUCTION TO BORROWING AND LENDING

Euro area accounts record, in principle, every transaction between economic agents during a certain period and show the opening and closing stocks of financial assets and liabilities in financial balance sheets. These transactions are grouped into a sequence of accounts, each of which covers a specific economic process,

3 This treatment differs from the government finance statistics shown in Tables 6.1, 6.2 and 6.3 of the "Euro area statistics" section of the Monthly Bulletin, since these data are presented on a consolidated basis.

4 This means that the euro area accounts incorporate (a slight transformation of) the euro area balance of payments and international investment position statistics.

5 As a result, there has been a very small downward adjustment (by less than 1%) of nominal euro area GDP.

ranging from production, income generation and income (re)distribution, through the use of income for consumption and investment, to financial transactions such as borrowing and lending. Each transaction is recorded as an increase in the “resources” of a certain sector and an increase in the “uses” of another sector. For instance, the resources side of the “interest” transaction category records the amounts of interest receivable by the different sectors of the economy, whereas the uses side shows interest payable. For each type of transaction, total resources of all sectors and the rest of the world equals total uses.<sup>6</sup> Each account leads to a meaningful balancing item, the value of which equals total resources minus total uses or total changes in financial assets minus total changes in liabilities. Typically, such balancing items, such as GDP or saving, are important economic indicators. They are carried over to the next account. Table 3 at the end of this article shows an abbreviated presentation of the euro area accounts.

The production account, for example, records the output of goods and services as its main resource, to which taxes less subsidies on products are added to obtain total resources. The main use in the production account is “intermediate consumption” – i.e. the consumption of goods and services within another production process. The difference between resources and uses is the balancing item “gross value added”. This gross value added is then carried over as a resource into the next account, the distribution of income account, which yields “gross disposable income” as a balancing item. This conceptual and numerical interlinkage of the accounts ensures the consistent derivation of key economic indicators. The link between the non-financial accounts and the financial accounts is established by the balancing item “net lending/net borrowing”, which can be derived both from the last of the non-financial accounts (capital account) and from the financial transactions account. “Net lending/net borrowing” is derived from the capital account by comparing “gross capital formation” (mainly investment in capital

goods) plus the net acquisition of “non-produced, non-financial assets” (such as land or licences) with “gross saving” plus net “capital transfers”. If saving plus net capital transfers received exceed non-financial investments, a sector has a surplus of funds and becomes a net lender to other sectors. In the financial transactions account, this means that the sector acquires more financial assets than liabilities.<sup>7</sup>

### 2.3 NET FINANCIAL WEALTH AND REVALUATIONS

The financial balance sheets show the financial position of the sectors, broken down into categories of financial assets and liabilities (such as deposits, loans and shares), and how that financial position has changed during the reference period. The financial assets and liabilities are valued at market prices. The financial balance sheets change as a result not only of the accumulated financial transactions but also of other changes in assets. Although the latter category mainly reflects revaluations due to changes in the market prices of financial instruments, it also covers other concepts, such as debt cancellations. The consistent derivation of holding gains and losses by holding sector and by financial instrument allows comprehensive analyses to be made, e.g. of the effects of these changes on the economic behaviour of households and non-financial corporations.

The external financial assets and liabilities account shows the financial position of the euro area vis-à-vis the rest of the world. Naturally,

6 For transactions in assets, such as the incurrence of loans or the purchase of shares, a distinction is made between “changes in liabilities” and “changes in assets”, rather than between resources and uses. The rest-of-the-world account views cross-border transactions and positions from the perspective of the rest of the world. It therefore follows that euro area imports are recorded as resources and exports as uses.

7 The euro area financial and non-financial accounts and balance sheets have been compiled in a single process. Concomitantly, full consistency between the financial and non-financial accounts has been achieved for the government and financial corporation sectors and for the rest of the world (so there is no category “errors and omissions”). There are still discrepancies, equal in amount but opposite in sign, for the household and non-financial corporation sectors, but these are relatively small compared to a simple aggregation of the non-integrated national non-financial and financial accounts data.

price changes resulting from exchange rate developments largely determine the other changes in the rest of the world account.

### 3 CONTRIBUTIONS OF SECTORS TO MACROECONOMIC AGGREGATES

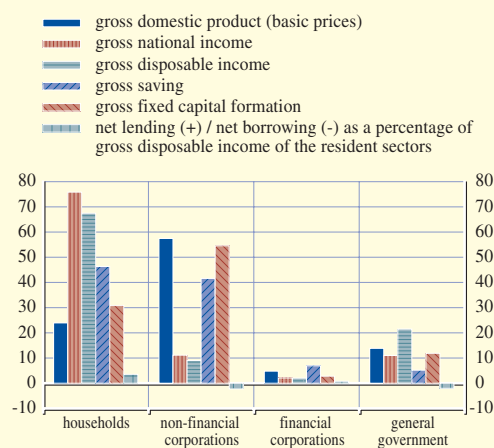
The euro area accounts comprise key economic indicators, both for the various sectors and for the euro area economy as a whole. This section presents some of the salient economic characteristics of the individual sectors in the euro area and their contribution to the development of important macroeconomic aggregates.

Most value added in the euro area (on average 58% in the period 1999-2004) is created in non-financial corporations, while slightly less than one-quarter is generated by household production activities in unincorporated enterprises and from owner-occupied dwellings (see Chart 1). General government accounts for slightly more than 10%. Most value added created in the corporate and government sectors is passed on to households in the form of wages or salaries and employers' social contributions. The vast majority of gross national income thus accrues to the household sector. Subsequently, it is somewhat reduced through the redistribution of income by means of taxes, net social insurance payments and other transfers, which are largely paid to the government (cf. the distribution of gross national income and gross disposable income in Chart 1).

Disposable income is available for consumption or saving. Over the period under review, non-financial investment by non-financial corporations exceeded saving (plus net capital transfers received), meaning that this sector was a net borrower. The general government sector also had a deficit, by contrast with households, whose saving largely exceeded their non-financial investments (e.g. in new housing and in unincorporated enterprises), although their fixed capital formation still

**Chart 1 Share of resident sectors in key economic aggregates in the euro area 1999-2004**

(period average; as a percentage of the total, unless specified otherwise)



Sources: ECB and Eurostat.

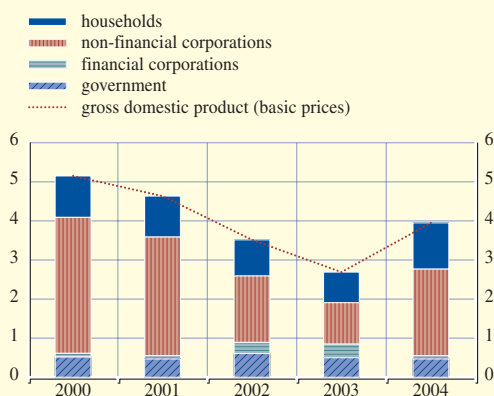
comprised more than 30% of the euro area total. Households thus provided financing to the other resident sectors and to the rest of the world, mostly through financial corporations. These institutions mainly act as financial intermediaries and typically also have a (relatively small) financial surplus.

The net lending and net borrowing of the resident sectors largely offset each other, which means that the euro area economy finances most of its (non-financial) investments through domestic savings. On balance, the euro area was a modest net borrower from 1999 to 2001 and a net lender from 2002 to 2004. The financial transactions account of the rest of the world shows these developments broken down by financial instrument.

Turning to the contribution of the sectors to the development of key macroeconomic aggregates, Charts 2 and 3 show the contribution of each sector to the annual nominal growth rates of euro area GDP and gross capital formation from 2000 to 2004 respectively. From Chart 2 it is clear that the fluctuations in the GDP growth rates predominantly stem from changes in the contribution of non-financial corporations. The

**Chart 2 Contributions of sectors to the nominal growth rate of euro area GDP**

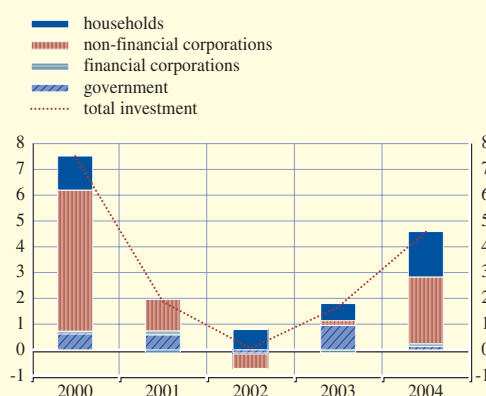
(annual growth rate and percentage point contributions)



Sources: ECB and Eurostat.

**Chart 3 Contributions of sectors to the nominal growth rate of gross fixed capital formation in the euro area**

(annual growth rate and percentage point contributions)



Sources: ECB and Eurostat.

contribution to growth of value added generated in the household sector is more stable.

As expected, the growth of capital formation (in current prices) is fairly volatile. In the period 2000-02 it fell to zero, before subsequently increasing again (see Chart 3). The fluctuations in investment by non-financial corporations were even larger. The contribution by the household sector was relatively large in 2004.

#### 4 ANALYSIS OF SECTOR ACCOUNTS FOR HOUSEHOLDS AND NON-FINANCIAL CORPORATIONS BETWEEN 1999 AND 2004

This section discusses the main features of the non-financial and financial accounts of households and non-financial corporations. To a large degree, interactions between these two sectors determine overall economic developments.

##### 4.1 HOUSEHOLDS

As shown in Table 1, compensation of employees is the most important component of households' gross disposable income, with an average share of 74% in the period 1999-2004. Mixed income accruing to self-employed households and gross

operating surplus from owner-occupied dwellings accounted for 24%, while net property income represented 16%. A large component of property income receivable is interest income on deposits and debt securities held by households, which clearly exceeds the interest payable by households on loans; net interest receipts amounted, on average, to 2% of gross disposable income in the period 1999-2004. Since direct taxes and social contributions collected by the government exceeded the various transfers to households over this period, the net effect of these redistribution transactions on household disposable income has been negative, amounting on average to -13% of gross disposable income.

The annual growth rate of nominal gross disposable income increased in 2004, after declining substantially over the previous three years (see Chart 4). The increase in 2004 was largely related to a higher contribution of mixed income and operating surplus, while the preceding decline in income growth had largely been due to lower growth in the compensation of employees. The redistribution transactions had only a limited impact on the pattern of income growth in the years under review.

**Table 1 Households: from primary income to financial transactions**

(EUR billions, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	1999-2004 % of GDI <sup>(1,2)</sup>
Compensation of employees	3,128	3,294	3,443	3,559	3,648	3,747	74
+ Gross mixed income + gross operating surplus	1,012	1,056	1,111	1,155	1,191	1,254	24
+ Property income (receivable – payable)	687	732	760	737	744	762	16
of which: Interest (receivable – payable)	126	129	128	108	106	99	2
<b>Primary income</b>	<b>4,828</b>	<b>5,082</b>	<b>5,314</b>	<b>5,450</b>	<b>5,583</b>	<b>5,762</b>	<b>113</b>
- Current taxes on income, wealth, etc.	634	672	687	697	700	708	15
- Social contributions (payable – receivable)	1,194	1,247	1,289	1,334	1,386	1,428	28
+ Social benefits other than social transfers in kind (receivable – payable)	1,181	1,217	1,271	1,342	1,395	1,438	28
+ Other current transfers (receivable – payable)	49	54	58	64	67	64	1
<b>Gross disposable income</b>	<b>4,230</b>	<b>4,436</b>	<b>4,668</b>	<b>4,824</b>	<b>4,959</b>	<b>5,129</b>	<b>100</b>
+ Adjustment for the change in net equity of households in pension funds reserves	45	46	49	51	56	61	1
- Final consumption expenditure	3,666	3,870	4,040	4,156	4,279	4,428	87
<b>Gross saving</b>	<b>609</b>	<b>612</b>	<b>676</b>	<b>719</b>	<b>736</b>	<b>762</b>	<b>15</b>
+ Capital transfers (receivable – payable)	25	26	18	7	13	16	0
- Gross capital formation	434	451	446	457	469	496	10
- Acquisition less disposal of non-financial non-produced assets	-2	-4	-3	-4	0	-2	0
<b>Net lending (+) / net borrowing (-)</b>	<b>202</b>	<b>191</b>	<b>251</b>	<b>272</b>	<b>281</b>	<b>283</b>	<b>5</b>
= Transactions in financial assets	511	462	485	491	517	578	11
- Transactions in liabilities	305	273	221	203	218	308	5
+ Statistical discrepancy	-4	2	-13	-17	-19	14	0

Sources: Eurostat and ECB.

1) Share of gross disposable income of households and NPISHs; average for 1999-2004.

2) Components may not add up due to rounding.

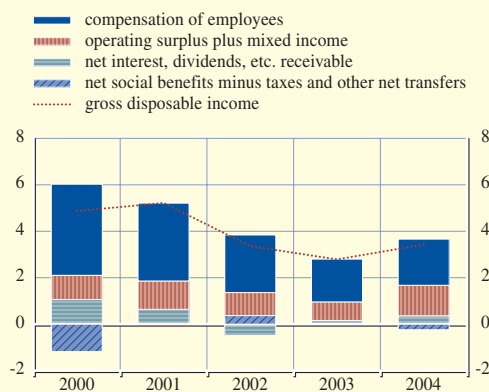
Gross disposable income may be either consumed or saved. Saving includes the change in households' net equity in pension fund reserves, which mainly reflects payments made by employers into pension schemes. This relatively small component (see Table 1) is obviously not available for immediate consumption. Euro area households' gross saving (as a ratio to household gross disposable income) declined in 2000, but subsequently increased and remained broadly stable at levels close to 15% during 2004 (see Chart 5). This pattern was influenced by a number of factors. For instance, as a result of the strong growth in labour income and the positive income expectations prevailing at the end of the 1990s, households may have absorbed the concomitant rise in tax and social contribution liabilities by lowering their saving ratio. Moreover, the increase in financial and non-financial wealth at the end of the 1990s, in a context of rising equity and house prices, may have increased households' propensity to consume, thus

leading to a reduction in the saving rate. The return to a somewhat higher saving ratio in the period 2002-04 is likely to reflect both the protracted period of economic and financial uncertainty following the end of the "new economy" boom and concerns in a number of euro area countries related to the sustainability of social security systems.

Households invest their savings in either financial or non-financial assets; the latter type of investment mainly reflects the purchase of new housing and fixed investment by unincorporated enterprises. Households typically finance part of these investments by incurring debt in the form of loans. Through their decisions on saving, investment in assets and financing, households are able to transfer part of their income over time and thus to spread their spending over their life cycle. Households' net incurrence of debt as a proportion of their gross disposable income declined between 1999 and 2002, but rose again subsequently, to

**Chart 4 Gross disposable income of households**

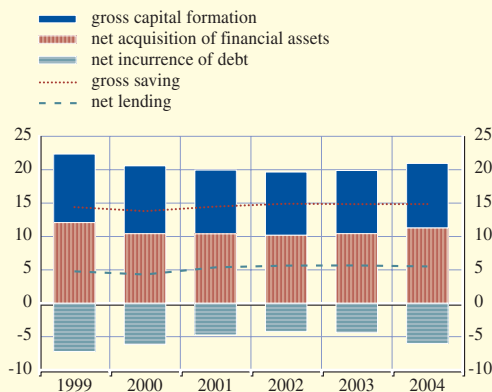
(annual growth rate and percentage point contributions)



Sources: ECB and Eurostat.

**Chart 5 Saving, investment and lending of households**

(as a percentage of gross disposable income)



Sources: ECB and Eurostat.

somewhat more than 5% in 2004. At the same time, households' gross capital formation remained robust over the whole period (accounting, on average, for 10% of gross disposable income), owing mainly to low mortgage interest rates and anticipated further rises in house prices. Through the incurrence of debt and the accumulation of financial and non-financial assets, households can accommodate changes in their incomes, whether expected (e.g. on retirement) or unexpected (e.g. on becoming unemployed). Between 1999 and 2004, euro area households' investment in assets amounted, on average, to somewhat more than 20% of their gross disposable income, with a slightly lower share in the case of non-financial assets than in the case of financial assets (see Chart 5).

The net lending position of households was relatively stable over the period 1999-2004, at an average of 5% of their gross disposable income. This position of the household sector as a net lender has, in recent years, been compatible with an increase in the net incurrence of debt, because higher borrowing has been accompanied by a broadly similar increase in net financial investment. Of course, these general trends conceal varying developments within the household sector.

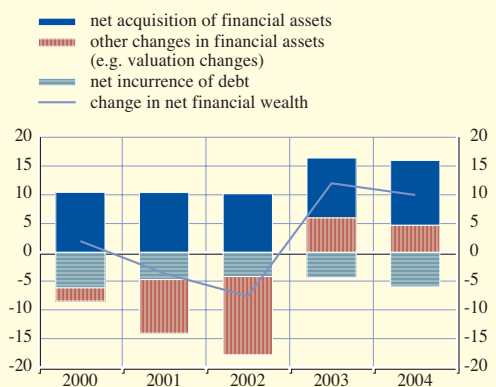
Looking at the information provided by the financial accounts, changes in the net financial wealth of households reflect the net acquisition of financial assets, changes in the prices of financial assets and borrowing net of repayments of outstanding debt. Chart 6 shows that the changes in net financial wealth of euro area households over the period 2000-04 are largely attributable to changes in the market prices of financial instruments (mainly shares and other equity), while the net acquisition of financial assets as a percentage of gross disposable income remained fairly stable. It is interesting to note that the incurrence of new debts decreased at the time of high economic and financial uncertainty (particularly in 2001 and 2002) and has subsequently increased again in an environment of low levels of interest rates.

Over the period under analysis, developments in households' financial investment can be divided in two episodes. In 1999 and 2000 households invested heavily in shares and mutual fund shares, in an environment of strong rises in equity prices. From 2001 onwards, households increased the proportion of their investment in currency and deposits, reflecting a general preference for safe and liquid assets. Investment in life insurance and pension funds is by nature more stable and represented almost



**Chart 6 Changes in financial assets, debt and net financial wealth of households**

(as a percentage of gross disposable income)



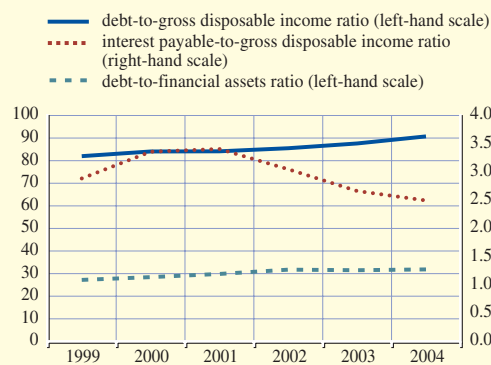
Sources: ECB and Eurostat.

40% of the total financial investment of households.

One development in the balance sheet position of the household sector that has received much attention in the period since the end of the 1990s, owing to its potential implications for the monetary policy transmission process, is the increase in household indebtedness. The expansionary financing behaviour of households, along with partly subdued income growth, has led to further rises in the sector's aggregate ratio of debt to gross disposable income. At the end of 2004, this ratio stood at a little over 90% (up from 82% in the late 1990s) (see Chart 7). At the same time, the debt-to-financial assets ratio also increased, from 27% in 1999 to 32% in 2004. The ratio of debt to total assets may have increased less strongly, as, in an environment of strong house price rises, households' non-financial wealth may have increased faster than their financial wealth. Another important factor in the assessment of this rising debt-to-income ratio is the development of interest payable by households. As interest rates have generally been declining since 2000, interest payable as a percentage of gross disposable income decreased over this period, despite the higher levels of outstanding debt.

**Chart 7 Debt of households**

(percentages)



Sources: ECB and Eurostat.

#### 4.2 NON-FINANCIAL CORPORATIONS

Entrepreneurial income is a core indicator for corporations.<sup>8</sup> It is an income concept that is comparable to current profits in business accounting (after net interest payments but before the payment of dividends and taxes). Table 2 shows that gross entrepreneurial income is derived as gross value added minus compensation of employees and taxes on production and imports, plus subsidies minus interest and rents payable, plus property income receivable from financial assets owned by non-financial corporations (including dividends and retained earnings from foreign direct investment).

The growth of the gross entrepreneurial income of euro area non-financial corporations increased in 2004, following decreases in the preceding years (see Chart 8). This pattern was due not only to developments in gross value added and the compensation of employees, but also to developments in non-financial corporations' property income receivable from financial assets – mainly dividends on their investments in other

<sup>8</sup> Entrepreneurial income can be measured in net or gross terms. The latter includes consumption of fixed capital (depreciation).

Table 2 Non-financial corporations: from value added to entrepreneurial income

(EUR billions)

	1999	2000	2001	2002	2003	2004
<b>Gross value added</b>	3,247	3,449	3,642	3,751	3,817	3,962
- Compensation of employees	1,958	2,074	2,178	2,243	2,289	2,348
- Taxes on production and imports	100	103	105	107	108	115
+ Subsidies	51	49	50	50	50	51
<b>Gross operating surplus</b>	1,239	1,320	1,410	1,452	1,471	1,549
+ Property income receivable	211	300	331	308	295	315
- Interest payable	175	235	266	239	222	221
- Rent payable <sup>1)</sup>	6	7	8	8	9	9
<b>Gross entrepreneurial income</b>	1,270	1,378	1,466	1,513	1,535	1,635
- Consumption of fixed capital	489	524	555	577	592	614
<b>Net entrepreneurial income</b>	780	854	912	936	943	1,021

Sources: Eurostat and ECB.

1) On land, licences and other non-produced assets.

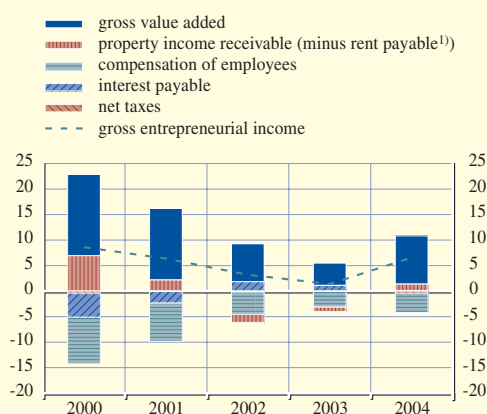
corporations. The fall in profit growth in 2002 and 2003 was to some extent mitigated by declining interest payments, in an environment of falling interest rates. The decrease in profitability between 2000 and 2003 is broadly in line with profitability developments based on aggregated firm-level data from annual financial statements for listed non-financial corporations.<sup>9</sup> In an environment of favourable financing conditions, corporate balance sheet restructuring

and continued wage moderation, profit growth picked up strongly in 2004 and almost returned to the level prevailing in 2000. Moreover, despite the high debt ratio of the non-financial corporate sector, net interest expenditures did not act as a drag on profit growth in 2004.

<sup>9</sup> See Box 5 entitled "Profitability and leverage developments of listed non-financial corporations in the euro area" in the June 2006 issue of the Monthly Bulletin.

Chart 8 Gross entrepreneurial income of non-financial corporations

(annual growth rate and percentage point contributions)

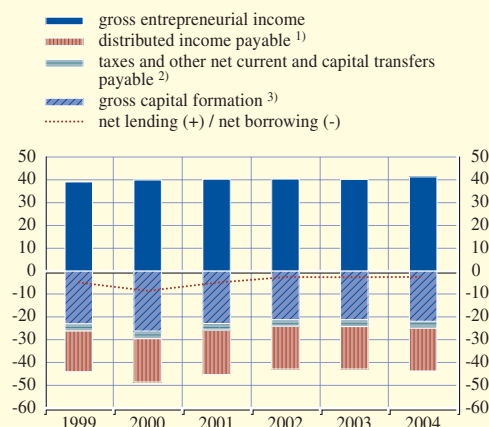


Sources: ECB and Eurostat.

1) On land, licences and other non-produced assets.

Chart 9 Distributed income and investment of non-financial corporations

(as a percentage of gross value added)



Sources: ECB and Eurostat.

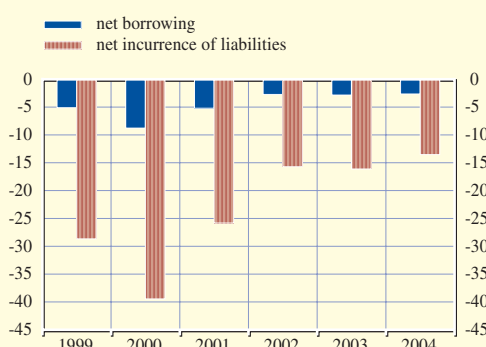
1) Plus reinvested earnings on direct foreign investment.

2) Plus adjustment for the change in net equity of households in pension fund reserves.

3) Plus acquisitions less disposals of non-produced, non-financial assets.

**Chart 10 Borrowing by non-financial corporations**

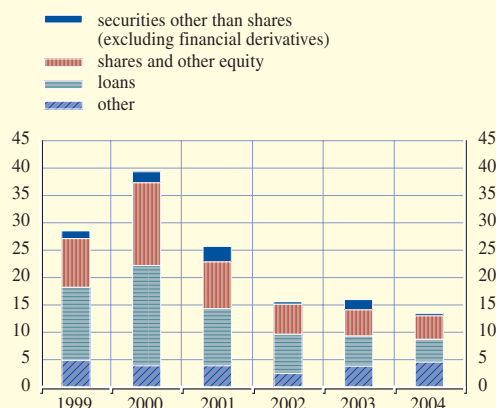
(as a percentage of gross value added)



Sources: ECB and Eurostat.

**Chart 11 External financing of non-financial corporations**

(as a percentage of gross value added)



Sources: ECB and Eurostat.

Note: "Other" includes net equity of households in life insurance reserves and in pension fund reserves, other accounts payable and financial derivatives.

Non-financial corporations have to pay taxes and other current transfers and can distribute the remaining entrepreneurial income plus net capital transfers received to their owners, or retain it for investment in fixed capital and in financial assets.<sup>10</sup> Chart 9 illustrates that the sum of taxes and net transfers payable, dividends payable and gross capital formation typically exceeds entrepreneurial income, so that non-financial corporations are net borrowers. This was particularly the case in 1999-2000. At the same time, this period was characterised by a substantial net acquisition of financial assets, predominantly in the form of shares and other equity, reflecting corporate mergers and acquisitions.<sup>11</sup> Consequently, the net incurrence of liabilities was also quite high in 1999 and 2000 (Chart 10). The subsequent subdued economic growth has contributed to a substantial relative decrease in the borrowing of non-financial corporations. In 2004 the growth of gross entrepreneurial income picked up again (see Chart 8), but so did growth of fixed capital formation (see Chart 3), which led to a broadly unchanged net borrowing position as compared with 2003.<sup>12</sup>

The net incurrence of liabilities by non-financial corporations is broken down by type of liability

in Chart 11. This chart shows that the dampening of borrowing needs after the investment boom of 1999 and 2000 resulted in a decline in the external funds raised through debt financing (loans and debt securities issued) and equity financing.

## 5 CONCLUSION

Euro area accounts, comprising integrated non-financial and financial accounts and financial balance sheets for the institutional sectors in the euro area, were released for the first time in May 2006. Euro area accounts provide a consistent framework for the analysis of economic and financial developments by

10 For a recent review of corporate finance in the euro area, see the article entitled "Developments in corporate finance in the euro area" in the November 2005 issue of the Monthly Bulletin, and the references therein.

11 See Box 4 entitled "Merger and acquisition activity and the composition of the financial account of the euro area balance of payments" in the August 2002 issue of the Monthly Bulletin and Box 4 entitled "Recent trends in merger and acquisition activity in the euro area" in the July 2006 issue of the Monthly Bulletin.

12 For a recent review of investment growth in the euro area in 2004, see Box 7 entitled "Latest developments in investment by type of product" in the May 2005 issue of the Monthly Bulletin.

institutional sector. They provide comprehensive information not only on the economic activities of euro area households, non-financial corporations, financial corporations and government, but also on the economic interaction between the euro area economy and the outside world by means of a complete rest-of-the-world account for the euro area. The consistency of these new statistics represents a major improvement, which, in the context of monetary and economic analysis at the ECB, enables a more accurate understanding of the production, income distribution, saving, investment and financing behaviour of economic agents in general and of the household and non-financial corporation sectors in particular.

The annual euro area accounts will be followed, from spring 2007 onwards, by the regular publication of quarterly sector accounts. Such a timely availability of a consistent set of non-financial and financial statistics will allow a more detailed assessment of the monetary transmission mechanism, for example by providing consistent data on income and wealth effects on household consumption and gross capital formation.

**Table 3 Euro area accounts for 2004: abbreviated presentation**

(EUR billions; current prices)

Uses							Non-financial accounts	Resources						
Households and NPISHs	General government	Financial corporations	Non-financial corporations	Total economy	Rest of the world	Sum of the sectors		Sum of the sectors	Rest of the world	Total economy	Non-financial corporations	Financial government	General government	Households and NPISHs
<b>EXTERNAL ACCOUNT</b>														
						1,490	Exports of goods and services							
							Imports of goods and services		1,362					
<b>PRODUCTION ACCOUNT</b>														
							Output	14,229		14,229	9,539	676	1,342	2,672
992	384	341	5,577	7,294		7,294	Intermediate consumption							
							Taxes less subsidies on products <sup>1)</sup>	793		793				
1,680	958	335	3,962	7,728		7,728	Gross value added/ GDP <sup>2)</sup>							
<b>DISTRIBUTION OF INCOME ACCOUNT</b>														
							Gross value added/ GDP <sup>2)</sup>	7,728		7,728	3,962	335	958	1,680
394	807	189	2,348	3,739	15	3,754	Compensation of employees	3,754	7	3,747				3,747
45	18	13	115	1,052		1,052	Taxes on production and imports <sup>1)</sup>	1,052	24	1,028			1,028	
	100			100	37	137	Subsidies <sup>1)</sup>	137		137	51	1	4	12
136	243	1,030	977	2,385	245	2,631	Property income	2,631	303	2,327	315	1,054	60	898
708	1	44	126	880	4	884	Current taxes on income, wealth, etc.	884	1	882			882	
1,432				1,432	2	1,435	Social contributions	1,435	4	1,431	73	144	1,210	4
5	1,287	98	62	1,451	3	1,454	Social benefits other than social transfers in kind	1,454	11	1,443				1,443
254	154	184	86	677	33	710	Other current transfers	710	105	606	39	184	65	318
5,129	1,598	160	727	7,613		7,613	Gross disposable income							
<b>USE OF DISPOSABLE INCOME ACCOUNT</b>														
							Gross disposable income	7,613		7,613	727	160	1,598	5,129
4,428	1,576			6,004		6,004	Final consumption expenditure							
1	0	49	12	62	0	62	Adjustment for the change in net equity of households in pension funds reserves	62	1	61				61
762	21	111	715	1,608		1,608	Gross saving							
<b>CAPITAL ACCOUNT</b>														
							Gross saving/ current external balance	1,596	-13	1,608	715	111	21	762
38	101	11	10	160	24	184	Capital transfers	184	8	177	65	4	54	54
496	189	42	868	1,596		1,596	Gross capital formation							
-2	0	0	1	0	0	0	Acquisitions less disposals of non-produced non-financial assets							
283	-216	61	-99	29	-29	0	Net lending (+)/ net borrowing (-)							

Sources: ECB and Eurostat.

1) Data relating to taxes on products (e.g. VAT) and subsidies on products are not available by sector. The sum of the resident sectors therefore differs from that of the total economy.

2) Gross domestic product is equal to gross value added of all domestic sectors plus taxes less subsidies on products. The sum of the resident sectors therefore differs from that of the total economy.

Table 3 Euro area accounts for 2004: abbreviated presentation (continued)

(EUR billions; current prices)

(Changes in) financial assets							Financial accounts <sup>3)</sup>	(Changes in) liabilities and net financial assets						
Households and NPISHs	General government	Financial corporations	Non-financial corporations	Total economy	Rest of the world	Sum of the sectors		Sum of the sectors	Rest of the world	Total economy	Non-financial corporations	Financial corporations	General government	Households and NPISHs
<b>FINANCIAL TRANSACTIONS ACCOUNT</b>														
							Net lending (+)/net borrowing (-) (from capital accounts)	0	-29	29	-99	61	-216	283
							Statistical discrepancy	0	0	0	-14	0	0	14
							Net lending (+)/net borrowing (-) from financial accounts	0	-29	29	-85	61	-216	269
578	43	3,205	446	4,271	808	5,079	Total changes in financial assets/liabilities	5,079	837	4,242	530	3,144	259	308
		-2		-2	2	0	Monetary gold and special drawing rights (SDRs)							
237	17	669	83	1,007	257	1,265	Currency and deposits	1,265	144	1,121	0	1,100	21	
63	19	614	-49	647	262	909	Debt securities, excluding financial derivatives	909	224	685	17	435	233	
-3	12	617	85	711	16	726	Loans	726	178	548	166	52	15	316
19	-4	340	165	520	255	776	Shares and other equity	776	269	507	171	336		0
246	0	4	7	258	3	261	Insurance technical reserves	261	1	259	13	244		2
15	-1	962	153	1,130	14	1,143	Other accounts (receivable/payable) and financial derivatives	1,143	21	1,122	164	977	-9	-10
<b>OTHER CHANGES IN FINANCIAL ASSETS AND LIABILITIES ACCOUNT</b>														
							Other changes in net worth		142	-146	-324	-36	-26	240
241	51	-525	194	-39	75	36	Total changes in financial assets/liabilities <sup>4)</sup>	40	-66	106	518	-490	77	0
<b>CLOSING FINANCIAL BALANCE SHEET</b>														
							Net financial assets (+)/liabilities (-) <sup>4)</sup>		1,182	-1,053	-6,701	-49	-4,268	9,965
14,620	2,112	32,121	10,906	59,759	9,691	69,449	Total financial assets/total liabilities <sup>4)</sup>	69,321	8,509	60,812	17,607	32,170	6,381	4,655
		129		129		129	Monetary gold and special drawing rights (SDRs) <sup>4)</sup>							
4,863	440	6,969	1,254	13,527	2,501	16,027	Currency and deposits	16,027	1,691	14,336	0	14,033	304	
1,482	190	7,310	327	9,308	2,251	11,559	Debt securities, excluding financial derivatives	11,559	1,839	9,719	629	4,360	4,730	
25	347	10,361	1,535	12,268	1,021	13,290	Loans	13,290	1,382	11,908	5,357	1,217	1,017	4,317
3,905	698	5,936	5,337	15,876	3,425	19,301	Shares and other equity	19,301	3,065	16,236	9,011	7,220		5
4,040	3	115	118	4,275	112	4,387	Insurance technical reserves	4,387	5	4,382	301	4,051		30
304	434	1,302	2,335	4,376	381	4,757	Other accounts (receivable/payable) and financial derivatives	4,757	526	4,231	2,309	1,289	330	303

3) Non-consolidated data.

4) Monetary gold and SDRs are financial assets without compensating liabilities.



# 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 Statistical Data Warehouse on the Statistics section of the ECB website (<http://sdw.ecb.int>) for longer runs and more detailed data.

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**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
2004	10.0	6.3	5.9	-	6.1	10.0	2.11	4.14
2005	10.4	7.9	7.4	-	8.1	12.7	2.18	3.44
2005 Q4	10.9	8.5	7.8	-	9.0	14.8	2.34	3.42
2006 Q1	10.3	8.6	7.8	-	10.1	16.3	2.61	3.56
Q2	9.9	9.2	8.7	-	11.2	16.1	2.90	4.05
Q3	.	.	.	-	.	.	3.22	3.97
2006 Apr.	9.8	9.3	8.7	8.7	11.4	16.2	2.79	4.01
May	10.2	9.1	8.8	8.6	11.4	16.4	2.89	4.06
June	9.3	9.1	8.5	8.3	11.0	15.0	2.99	4.07
July	7.4	8.2	7.8	8.2	11.1	15.7	3.10	4.10
Aug.	7.2	8.4	8.2	.	11.3	.	3.23	3.97
Sep.	.	.	.	.	.	.	3.34	3.84

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

	HICP	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2004	2.1	2.3	2.3	1.9	2.0	81.5	0.7	8.9
2005	2.2	4.1	2.2	1.4	1.2	81.2	0.8	8.6
2005 Q4	2.3	4.4	2.0	1.8	2.0	81.5	0.7	8.4
2006 Q1	2.3	5.2	2.2	2.1	3.4	82.2	1.0	8.1
Q2	2.5	5.8	2.4	2.6	3.8	83.0	1.2	7.9
Q3	.	.	.	.	.	.	.	.
2006 Apr.	2.4	5.5	-	-	1.7	82.4	-	7.9
May	2.5	6.1	-	-	5.2	-	-	7.9
June	2.5	5.8	-	-	4.4	-	-	7.9
July	2.4	6.0	-	-	3.2	83.5	-	7.8
Aug.	2.3	5.7	-	-	.	-	-	7.9
Sep.	1.8	.	-	-	.	-	-	.

### 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)	
2004	67.3	105.3	-41.2	60.3	280.7	103.8	105.9	1.2439
2005	-10.6	54.1	-156.3	155.4	320.3	103.0	105.2	1.2441
2005 Q4	-8.1	4.9	-20.2	-49.1	320.3	100.9	103.1	1.1884
2006 Q1	-12.9	-4.6	-14.6	31.2	327.1	101.2	103.5	1.2023
Q2	-10.0	5.9	-10.0	110.6	323.8	103.5	105.7	1.2582
Q3	.	.	.	.	.	104.3	106.5	1.2743
2006 Apr.	-6.8	0.4	-1.9	-5.2	336.8	102.7	105.1	1.2271
May	-10.8	0.9	-0.4	49.3	333.2	103.8	106.1	1.2770
June	7.6	4.6	-7.7	66.5	323.8	103.9	106.1	1.2650
July	2.1	5.1	-8.9	2.1	350.1	104.3	106.6	1.2684
Aug.	.	.	.	.	326.4	104.4	106.6	1.2811
Sep.	.	.	.	.	.	104.2	106.4	1.2727

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

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

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

	2006 8 September	2006 15 September	2006 22 September	2006 29 September
<b>Gold and gold receivables</b>	174,917	174,418	174,246	175,373
<b>Claims on non-euro area residents in foreign currency</b>	142,404	143,415	142,209	144,627
<b>Claims on euro area residents in foreign currency</b>	26,266	26,789	27,038	25,615
<b>Claims on non-euro area residents in euro</b>	11,875	10,711	10,916	10,740
<b>Lending to euro area credit institutions in euro</b>	427,001	420,603	431,000	433,514
Main refinancing operations	306,999	300,499	310,997	313,001
Longer-term refinancing operations	120,002	120,002	120,002	120,001
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	0	102	1	511
Credits related to margin calls	0	0	0	1
<b>Other claims on euro area credit institutions in euro</b>	8,377	9,306	9,108	9,195
<b>Securities of euro area residents in euro</b>	83,885	83,861	83,067	81,559
<b>General government debt in euro</b>	40,049	40,049	40,049	40,021
<b>Other assets</b>	190,624	193,001	194,897	197,671
<b>Total assets</b>	1,105,398	1,102,153	1,112,530	1,118,315

### 2. Liabilities

	2006 8 September	2006 15 September	2006 22 September	2006 29 September
<b>Banknotes in circulation</b>	589,247	587,883	585,919	589,235
<b>Liabilities to euro area credit institutions in euro</b>	165,145	168,026	167,068	163,211
Current accounts (covering the minimum reserve system)	165,127	167,498	167,024	161,959
Deposit facility	14	527	32	1,251
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	4	1	12	1
<b>Other liabilities to euro area credit institutions in euro</b>	121	121	121	121
<b>Debt certificates issued</b>	0	0	0	0
<b>Liabilities to other euro area residents in euro</b>	65,809	58,636	71,011	74,471
<b>Liabilities to non-euro area residents in euro</b>	16,057	15,671	16,865	15,704
<b>Liabilities to euro area residents in foreign currency</b>	128	143	121	105
<b>Liabilities to non-euro area residents in foreign currency</b>	10,681	12,417	12,152	11,570
<b>Counterpart of special drawing rights allocated by the IMF</b>	5,692	5,692	5,692	5,701
<b>Other liabilities</b>	66,126	67,007	67,023	69,903
<b>Revaluation accounts</b>	121,984	121,984	121,984	123,721
<b>Capital and reserves</b>	64,408	64,573	64,574	64,573
<b>Total liabilities</b>	1,105,398	1,102,153	1,112,530	1,118,315

Source: ECB.

## 1.2 Key ECB interest rates

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

With effect from <sup>1)</sup>	Deposit facility		Main refinancing operations			Marginal lending facility	
			Fixed rate tenders	Variable rate tenders			
	Level	Change	Fixed rate	Minimum bid rate	Change	Level	Change
			Level	Level			
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
2005 6 Dec.	1.25	0.25	-	2.25	0.25	3.25	0.25
2006 8 Mar.	1.50	0.25	-	2.50	0.25	3.50	0.25
15 June	1.75	0.25	-	2.75	0.25	3.75	0.25
9 Aug.	2.00	0.25	-	3.00	0.25	4.00	0.25
11 Oct.	2.25	0.25	-	3.25	0.25	4.25	0.25

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	
Main refinancing operations							
2006 7 June	339,282	357	286,000	2.50	2.55	2.57	8
15	350,472	374	292,000	2.75	2.82	2.83	6
21	391,122	395	316,000	2.75	2.82	2.83	7
28	371,979	394	328,500	2.75	2.83	2.84	7
5 July	376,624	381	326,000	2.75	2.78	2.81	7
12	367,223	377	321,500	2.75	2.81	2.82	7
19	388,712	399	335,000	2.75	2.81	2.82	6
25	359,208	335	338,000	2.75	2.81	2.82	8
2 Aug.	357,627	364	324,000	2.75	2.76	2.79	7
9	359,131	353	318,000	3.00	3.05	3.06	6
15	367,386	349	311,000	3.00	3.05	3.06	8
23	376,014	388	317,500	3.00	3.05	3.06	7
30	323,482	343	310,500	3.00	3.00	3.02	7
6 Sep.	350,124	346	307,000	3.00	3.04	3.05	7
13	356,118	369	300,500	3.00	3.04	3.04	7
20	346,764	394	311,000	3.00	3.03	3.04	7
27	313,570	354	313,000	3.00	3.00	3.03	6
3 Oct.	342,164	342	312,000	3.00	3.02	3.04	8
Longer-term refinancing operations							
2005 28 Oct.	51,313	168	30,000	-	2.17	2.19	90
1 Dec.	52,369	152	30,000	-	2.40	2.41	84
22 <sup>5)</sup>	89,877	165	12,500	-	2.45	2.46	98
23 <sup>5)</sup>	45,003	127	17,500	-	2.44	2.45	97
2006 26 Jan.	69,438	168	40,000	-	2.47	2.48	91
23 Feb.	63,980	164	40,000	-	2.57	2.57	98
30 Mar.	56,708	170	40,000	-	2.73	2.75	91
27 Apr.	63,596	188	40,000	-	2.76	2.78	91
1 June	59,771	161	40,000	-	2.87	2.88	91
29	57,185	167	40,000	-	3.00	3.01	91
27 July	54,824	158	40,000	-	3.08	3.09	91
31 Aug.	51,079	148	40,000	-	3.20	3.21	91
28 Sep.	49,801	136	40,000	-	3.30	3.32	84

#### 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	
2005 7 June	Collection of fixed-term deposits	3,708	6	3,708	2.00	-	-	-	1
12 July	Collection of fixed-term deposits	9,605	11	9,605	2.00	-	-	-	1
9 Aug.	Collection of fixed-term deposits	500	1	500	2.00	-	-	-	1
6 Sep.	Reverse transaction	51,060	41	9,500	-	2.00	2.09	2.10	1
11 Oct.	Collection of fixed-term deposits	23,995	22	8,500	2.00	-	-	-	1
5 Dec.	Collection of fixed-term deposits	21,240	18	7,500	2.00	-	-	-	1
2006 17 Jan.	Reverse transaction	24,900	28	7,000	-	2.25	2.27	2.28	1
7 Feb.	Reverse transaction	28,260	28	6,500	-	2.25	2.31	2.32	1
7 Mar.	Collection of fixed-term deposits	2,600	3	2,600	2.25	-	-	-	1
11 Apr.	Reverse transaction	47,545	29	26,000	-	2.50	2.55	2.58	1
9 May	Collection of fixed-term deposits	15,810	16	11,500	2.50	-	-	-	1
14 June	Collection of fixed-term deposits	4,910	8	4,910	2.50	-	-	-	1
11 July	Collection of fixed-term deposits	9,000	9	8,500	2.75	-	-	-	1
8 Aug.	Collection of fixed-term deposits	19,860	21	18,000	2.75	-	-	-	1
5 Sep.	Collection of fixed-term deposits	13,635	17	11,500	3.00	-	-	-	1

Source: ECB.

- The amounts shown may differ slightly from those in Section 1.1 due to operations allotted but not settled.
- 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.
- 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.
- In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
- An exceptional operation based on longer-term refinancing operation (LTRO) procedures was carried out because an erroneous bid had prevented the ECB from executing its LTRO in the full amount on the previous day.

## 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
2004	12,415.9	6,593.7	458.1	1,565.2	913.7	2,885.3
2005	14,040.7	7,409.5	499.2	1,753.5	1,174.9	3,203.6
2006 Q1	14,500.2	7,604.7	550.2	1,825.1	1,241.5	3,278.8
2006 Apr.	14,649.5	7,740.4	563.8	1,833.0	1,231.5	3,280.7
May	14,769.0	7,765.7	583.5	1,843.6	1,264.4	3,311.7
June	14,712.2	7,764.5	550.9	1,877.1	1,174.4	3,345.3
July	14,797.1	7,787.3	553.4	1,891.9	1,192.2	3,372.4

## 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
2004	137.9	138.5	0.6	0.0	2.05
2005	152.0	153.0	1.0	0.0	2.07
2006 Q1	157.7	158.3	0.6	0.0	2.31
Q2	162.6	163.3	0.7	0.0	2.57
2006 11 July	165.6	166.3	0.8	0.0	2.81
8 Aug.	166.5	167.1	0.6	0.0	2.80
5 Sep.	165.8	166.4	0.6	0.0	3.04
10 Oct.	166.3	.	.	.	.

## 3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money
	Monetary policy operations of the Eurosystem					Deposit facility	Other liquidity-absorbing operations	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations							
	1	2	3	4	5	6	7	8	9	10	11	12
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	313.2	301.3	90.0	0.0	0.0	0.1	0.3	539.8	51.0	-39.6	153.0	692.9
2006 Q1	324.7	299.3	104.7	0.1	0.0	0.2	0.1	550.8	53.3	-34.0	158.3	709.2
2006 11 Apr.	327.9	290.1	113.7	0.1	0.7	0.3	0.0	556.4	51.6	-35.2	159.5	716.2
9 May	337.0	291.3	120.0	0.2	0.0	0.2	0.4	569.1	51.1	-33.5	161.2	730.5
14 June	336.9	287.0	120.0	0.1	0.0	0.1	0.1	572.0	45.5	-37.0	163.3	735.4
11 July	334.3	316.5	120.0	0.2	0.0	0.6	0.3	578.8	67.0	-42.1	166.3	745.7
8 Aug.	327.6	329.7	120.0	0.2	0.0	0.1	0.6	588.2	73.0	-51.5	167.1	755.4
5 Sep.	327.3	314.0	120.0	0.1	0.0	0.1	0.4	588.7	61.4	-55.6	166.4	755.2

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														
2004	1,197.3	546.5	21.5	0.6	524.3	154.8	140.0	1.7	13.1	-	14.2	294.1	14.0	173.8
2005	1,404.9	635.5	20.7	0.6	614.2	185.7	165.6	2.1	18.1	-	14.8	337.0	14.7	217.2
2006 Q1	1,431.3	636.9	20.7	0.6	615.6	188.2	168.0	2.3	18.0	-	15.8	348.9	14.7	226.7
2006 Apr.	1,468.7	661.0	20.7	0.6	639.7	189.9	168.6	2.3	19.0	-	16.8	358.9	14.7	227.4
May	1,472.2	662.3	20.7	0.6	641.0	194.0	171.4	2.3	20.3	-	16.4	357.2	14.6	227.6
June	1,532.1	731.1	20.3	0.6	710.1	192.8	170.3	2.3	20.2	-	16.4	343.7	14.6	233.5
July	1,555.1	741.4	20.3	0.6	720.4	197.9	173.6	2.1	22.1	-	16.4	352.6	14.8	232.0
Aug. <sup>(p)</sup>	1,529.5	709.0	20.3	0.6	688.0	204.4	179.0	2.2	23.3	-	16.4	348.9	14.8	236.0
MFIs excluding the Eurosysteem														
2004	21,355.4	12,825.3	811.9	7,555.6	4,457.8	3,188.1	1,299.9	465.5	1,422.7	72.6	945.5	2,943.4	159.6	1,220.9
2005	23,653.0	13,684.2	826.9	8,287.4	4,569.9	3,498.6	1,429.4	551.5	1,517.7	83.1	1,007.0	3,671.9	165.7	1,542.6
2006 Q1	24,358.8	14,024.2	816.3	8,551.5	4,656.4	3,584.9	1,440.5	573.5	1,570.9	83.6	1,092.3	3,850.0	166.3	1,557.5
2006 Apr.	24,698.7	14,222.9	816.8	8,644.1	4,762.1	3,596.4	1,434.6	584.7	1,577.0	82.9	1,151.2	3,889.2	166.5	1,589.7
May	24,907.2	14,363.8	806.2	8,707.9	4,849.7	3,603.9	1,407.5	593.0	1,603.4	85.4	1,157.1	3,921.8	166.8	1,608.3
June	24,745.6	14,340.8	809.0	8,786.3	4,745.5	3,593.4	1,407.3	600.7	1,585.4	87.5	1,103.7	3,882.7	167.6	1,569.8
July	24,883.6	14,440.5	806.1	8,859.3	4,775.1	3,596.5	1,380.5	612.5	1,603.6	86.5	1,106.7	3,955.7	168.2	1,529.5
Aug. <sup>(p)</sup>	24,897.9	14,449.5	800.4	8,874.8	4,774.2	3,580.8	1,357.6	609.5	1,613.7	89.6	1,110.5	3,961.1	168.3	1,538.1

#### 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											
2004	1,197.3	517.3	346.6	24.7	15.0	306.8	-	0.5	138.4	27.2	167.4
2005	1,404.9	582.7	385.4	24.4	14.5	346.5	-	0.1	202.9	27.6	206.2
2006 Q1	1,431.3	574.7	405.0	45.0	15.0	345.0	-	0.1	214.5	30.3	206.6
2006 Apr.	1,468.7	586.6	425.9	45.8	17.4	362.6	-	0.1	218.3	28.4	209.4
May	1,472.2	588.8	427.8	34.8	19.4	373.6	-	0.1	217.2	31.2	207.1
June	1,532.1	598.2	487.4	69.3	21.5	396.5	-	0.1	206.2	30.6	209.5
July	1,555.1	607.7	490.1	64.7	19.3	406.1	-	0.1	214.0	31.0	212.2
Aug. <sup>(p)</sup>	1,529.5	603.9	467.6	63.7	15.0	388.9	-	0.1	211.4	31.7	214.8
MFIs excluding the Eurosysteem											
2004	21,355.4	-	11,487.5	137.7	6,640.9	4,709.0	677.4	3,496.9	1,203.1	2,815.0	1,675.6
2005	23,653.0	-	12,214.6	149.2	7,214.2	4,851.2	698.9	3,858.3	1,310.6	3,518.0	2,052.7
2006 Q1	24,358.8	-	12,419.7	148.1	7,322.1	4,949.5	686.7	3,991.5	1,368.6	3,733.6	2,158.7
2006 Apr.	24,698.7	-	12,615.3	136.8	7,430.5	5,048.0	696.0	4,007.5	1,368.6	3,790.1	2,221.2
May	24,907.2	-	12,708.7	132.4	7,455.3	5,120.9	707.0	4,060.7	1,373.8	3,812.8	2,244.2
June	24,745.6	-	12,737.5	138.6	7,515.9	5,083.0	703.3	4,063.0	1,380.2	3,704.0	2,157.6
July	24,883.6	-	12,752.2	129.6	7,518.3	5,104.3	713.7	4,097.3	1,399.7	3,777.5	2,143.2
Aug. <sup>(p)</sup>	24,897.9	-	12,725.0	121.2	7,521.6	5,082.2	723.6	4,127.0	1,405.6	3,793.6	2,123.1

Source: ECB.

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

## 2.2 Consolidated balance sheet of euro area MFIs

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

## 1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/other equity issued by other euro area residents	External assets	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											
2004	15,723.6	8,389.6	833.4	7,556.3	1,907.1	1,439.9	467.2	669.9	3,237.4	173.6	1,345.9
2005	17,892.2	9,135.6	847.5	8,288.1	2,148.5	1,595.0	553.6	708.8	4,008.8	180.4	1,709.9
2006 Q1	18,475.2	9,389.1	837.0	8,552.1	2,184.2	1,608.4	575.8	780.1	4,199.0	181.0	1,741.7
2006 Apr.	18,704.2	9,482.2	837.5	8,644.7	2,190.2	1,603.2	587.0	831.7	4,248.1	181.2	1,770.9
May	18,782.4	9,535.4	826.9	8,708.5	2,174.2	1,578.8	595.4	821.6	4,279.0	181.4	1,790.8
June	18,746.1	9,616.3	829.3	8,787.0	2,180.7	1,577.6	603.0	781.7	4,226.4	182.2	1,758.8
July	18,850.6	9,686.4	826.5	8,859.9	2,168.7	1,554.1	614.6	787.9	4,308.3	182.9	1,716.5
Aug. <sup>(p)</sup>	18,853.7	9,696.2	820.8	8,875.4	2,148.2	1,536.6	611.6	787.0	4,310.0	183.1	1,729.3
Transactions											
2004	1,269.9	499.7	-6.7	506.4	92.1	58.1	33.9	36.5	437.7	2.7	201.3
2005	1,606.2	711.2	12.8	698.4	152.4	72.8	79.6	48.5	450.6	1.4	242.1
2006 Q1	597.8	240.5	-10.4	250.8	54.4	28.6	25.8	65.0	206.4	-0.2	31.7
2006 Apr.	280.9	98.1	0.7	97.4	12.4	0.2	12.2	52.2	89.3	0.2	28.8
May	90.1	57.0	-10.5	67.4	-8.8	-17.6	8.9	-4.8	49.7	0.3	-3.2
June	-32.6	81.9	2.4	79.5	10.2	1.7	8.6	-38.9	-52.4	0.8	-34.2
July	98.9	71.3	-3.6	74.9	-10.4	-21.3	10.9	2.8	76.5	0.6	-41.8
Aug. <sup>(p)</sup>	9.1	12.4	-5.6	18.1	-22.9	-22.2	-0.7	-3.7	9.8	0.1	13.3

## 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										
2004	15,723.6	468.4	162.4	6,655.9	604.9	2,061.7	1,051.6	2,842.2	1,842.9	33.6
2005	17,892.2	532.8	173.6	7,228.8	615.8	2,322.6	1,200.6	3,545.6	2,258.9	13.6
2006 Q1	18,475.2	532.3	193.1	7,337.1	603.1	2,402.7	1,255.1	3,763.9	2,365.3	22.5
2006 Apr.	18,704.2	540.3	182.6	7,447.9	613.1	2,411.5	1,250.6	3,818.5	2,430.7	8.9
May	18,782.4	543.6	167.2	7,474.8	621.6	2,437.1	1,239.1	3,844.0	2,451.3	3.8
June	18,746.1	553.7	207.9	7,537.4	615.8	2,457.6	1,248.0	3,734.6	2,367.2	23.9
July	18,850.6	562.7	194.3	7,537.6	627.2	2,471.6	1,278.5	3,808.5	2,355.4	14.9
Aug. <sup>(p)</sup>	18,853.7	559.0	184.9	7,536.6	634.0	2,490.2	1,277.1	3,825.3	2,337.9	8.8
Transactions										
2004	1,269.9	70.5	6.1	377.4	22.3	197.2	49.6	276.9	232.1	37.8
2005	1,606.2	64.4	10.8	501.1	-3.0	213.6	88.2	445.0	337.1	-51.0
2006 Q1	597.8	-0.5	19.6	103.0	9.0	77.1	27.0	241.4	87.7	33.6
2006 Apr.	280.9	8.1	-10.5	116.0	10.1	18.3	-5.1	95.9	51.9	-3.8
May	90.1	3.3	-15.4	29.2	9.9	34.6	-2.7	31.0	-1.2	1.4
June	-32.6	10.1	40.7	61.2	-5.9	10.9	15.7	-120.1	-62.9	17.6
July	98.9	9.0	-12.7	1.8	13.2	17.6	21.1	77.3	-19.5	-8.9
Aug. <sup>(p)</sup>	9.1	-3.7	-9.4	-0.4	6.7	23.1	-4.6	22.6	-21.2	-4.0

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

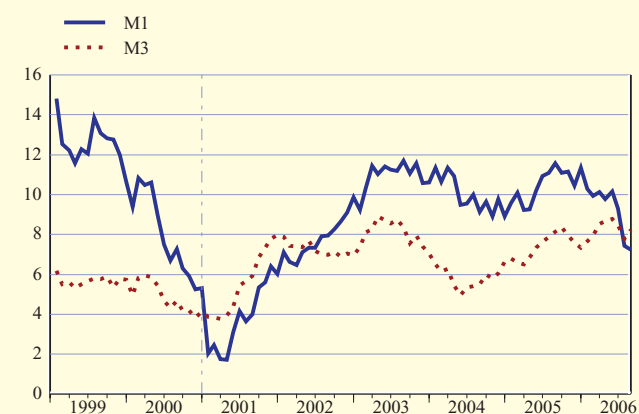
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

### 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											
2004	2,908.7	2,660.5	5,569.2	964.6	6,533.8	-	4,465.3	2,294.6	8,690.1	7,548.8	385.9
2005	3,423.4	2,651.0	6,074.4	993.7	7,068.1	-	5,005.4	2,468.0	9,548.5	8,281.4	455.7
2006 Q1	3,496.6	2,723.0	6,219.6	1,007.7	7,227.3	-	5,141.3	2,439.1	9,905.0	8,561.6	442.0
2006 Apr.	3,507.6	2,763.2	6,270.8	1,013.6	7,284.5	-	5,168.9	2,430.1	10,030.3	8,643.3	446.4
May	3,549.0	2,744.2	6,293.2	1,035.2	7,328.4	-	5,185.8	2,388.4	10,088.8	8,703.8	460.4
June	3,565.4	2,779.8	6,345.1	1,032.3	7,377.4	-	5,226.7	2,395.6	10,137.7	8,757.5	488.4
July	3,546.1	2,806.3	6,352.4	1,037.9	7,390.3	-	5,285.7	2,374.1	10,249.3	8,836.3	501.7
Aug. <sup>(p)</sup>	3,571.3	2,837.2	6,408.4	1,060.7	7,469.2	-	5,300.7	2,364.8	10,329.2	8,908.6	479.4
Transactions											
2004	238.6	110.7	349.3	57.7	407.0	-	341.7	54.5	576.4	506.1	166.0
2005	338.6	138.8	477.5	6.5	484.0	-	399.8	90.1	828.4	699.4	7.4
2006 Q1	74.9	74.5	149.4	29.1	178.5	-	102.5	-13.6	340.5	267.0	-20.6
2006 Apr.	12.8	42.6	55.4	5.7	61.1	-	37.9	-3.4	131.7	86.5	3.3
May	42.5	-17.3	25.1	25.4	50.5	-	32.0	-35.0	67.8	64.2	27.2
June	16.0	35.0	51.0	-4.3	46.7	-	38.9	10.0	51.7	54.7	38.9
July	-19.2	26.6	7.4	12.2	19.6	-	49.8	-20.1	109.4	80.8	4.5
Aug. <sup>(p)</sup>	25.0	31.4	56.4	23.1	79.5	-	16.2	-14.0	81.9	74.9	-20.0
Growth rates											
2004 Dec.	8.9	4.3	6.7	6.4	6.6	6.5	8.2	2.4	7.1	7.2	166.0
2005 Dec.	11.4	5.4	8.5	0.7	7.3	7.5	8.8	3.9	9.5	9.2	7.4
2006 Mar.	10.1	7.8	9.0	5.6	8.5	8.4	8.7	1.9	11.5	10.9	-7.0
2006 Apr.	9.8	8.9	9.3	5.1	8.7	8.7	8.8	1.2	11.8	11.4	-17.4
May	10.2	8.0	9.1	6.7	8.8	8.6	8.9	0.3	11.8	11.4	44.2
June	9.3	8.8	9.1	4.9	8.5	8.3	8.1	0.1	11.5	11.0	10.1
July	7.4	9.2	8.2	5.3	7.8	8.2	8.8	-0.9	11.8	11.1	9.6
Aug. <sup>(p)</sup>	7.2	9.8	8.4	7.3	8.2	.	8.4	-1.7	11.9	11.3	-5.2

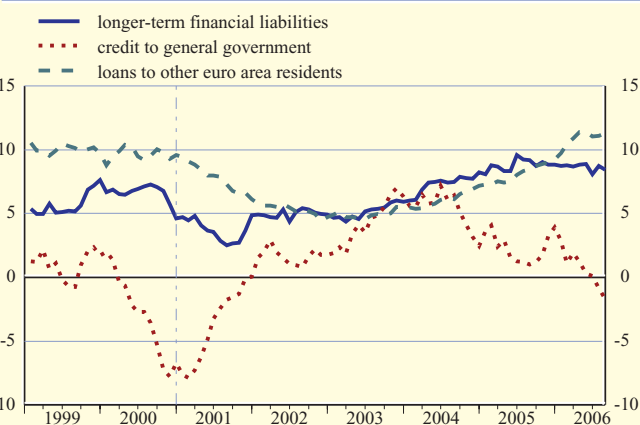
### C1 Monetary aggregates

(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 the section "growth rates" are sums of the transactions during the 12 months ending in the period indicated.

## 2.3 Monetary statistics

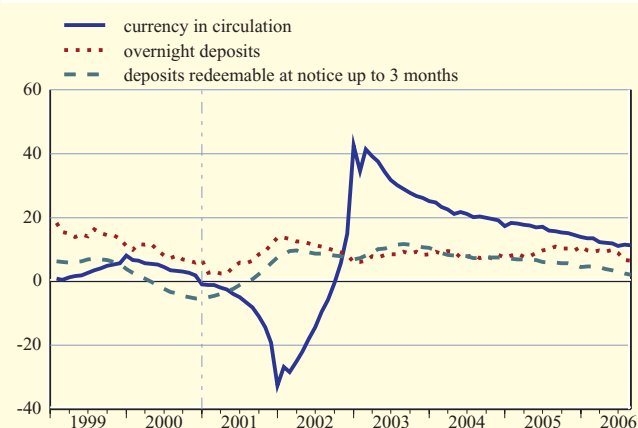
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

### 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											
2004	456.4	2,452.3	1,024.5	1,636.0	242.3	620.0	102.3	1,964.8	90.2	1,359.5	1,050.8
2005	520.4	2,903.0	1,107.9	1,543.1	236.6	630.8	126.2	2,203.9	87.0	1,514.9	1,199.6
2006 Q1	535.5	2,961.1	1,159.3	1,563.7	240.9	603.5	163.3	2,239.7	88.4	1,559.3	1,253.8
2006 Apr.	540.6	2,967.1	1,199.2	1,564.0	243.8	605.6	164.2	2,248.2	89.2	1,575.7	1,255.7
May	544.6	3,004.3	1,174.6	1,569.6	248.0	613.3	174.0	2,258.7	90.7	1,590.4	1,245.9
June	547.8	3,017.6	1,216.0	1,563.8	249.1	618.3	164.9	2,289.6	92.1	1,600.6	1,244.4
July	552.3	2,993.8	1,243.1	1,563.2	252.5	623.2	162.2	2,304.3	93.7	1,610.8	1,276.9
Aug. <sup>(p)</sup>	558.7	3,012.6	1,270.5	1,566.7	255.3	625.5	179.9	2,313.1	95.7	1,616.4	1,275.5
Transactions											
2004	67.7	170.9	-2.2	112.9	24.5	21.9	11.3	185.9	-0.9	107.1	49.6
2005	64.0	274.7	69.3	69.5	-6.7	-3.2	16.4	199.2	-4.3	116.9	88.0
2006 Q1	15.2	59.8	53.8	20.7	4.3	-5.6	30.3	39.7	1.4	34.9	26.6
2006 Apr.	5.0	7.8	42.1	0.5	3.0	2.2	0.5	18.4	0.8	17.4	1.3
May	4.1	38.4	-23.0	5.7	3.4	9.1	12.8	16.5	1.5	14.9	-1.0
June	3.1	12.9	40.9	-5.9	1.1	4.9	-10.3	22.5	1.4	9.7	5.3
July	4.5	-23.8	27.2	-0.6	4.8	6.7	0.7	14.9	1.6	10.3	23.1
Aug. <sup>(p)</sup>	6.4	18.7	27.9	3.5	2.8	2.2	18.0	13.0	2.0	5.7	-4.5
Growth rates											
2004 Dec.	17.4	7.5	-0.2	7.4	11.3	3.7	12.3	10.3	-1.0	8.6	4.9
2005 Dec.	14.0	10.9	6.6	4.4	-2.8	-0.5	15.7	10.0	-4.7	8.5	8.1
2006 Mar.	12.4	9.8	12.7	4.4	3.8	-0.5	43.8	8.7	-3.2	9.1	9.1
2006 Apr.	12.2	9.4	16.0	3.9	10.4	-1.1	26.6	8.7	-2.4	9.7	8.9
May	11.9	9.9	14.6	3.6	6.8	-0.7	45.6	8.6	-0.5	10.5	8.2
June	11.1	9.0	17.3	3.0	2.8	0.6	30.3	8.1	1.6	9.0	7.5
July	11.5	6.7	19.0	2.5	4.7	0.7	30.1	8.5	4.0	9.2	9.0
Aug. <sup>(p)</sup>	11.4	6.5	21.0	2.2	5.2	1.1	42.3	8.1	7.1	9.3	8.1

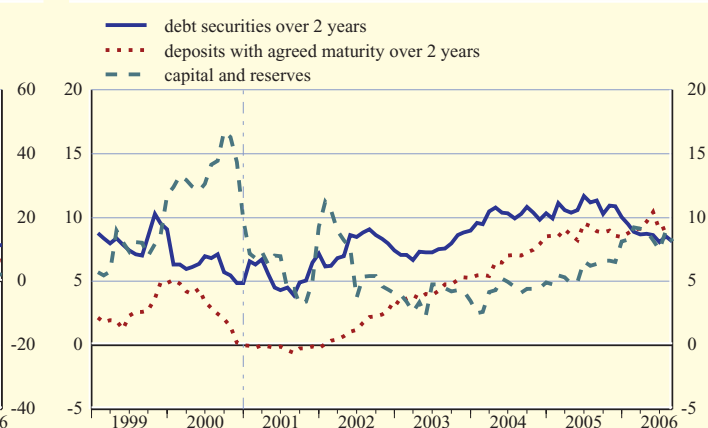
### C3 Components of monetary aggregates

(annual growth rates; seasonally adjusted)



### C4 Components of longer-term financial liabilities

(annual growth rates; seasonally adjusted)



Source: ECB.

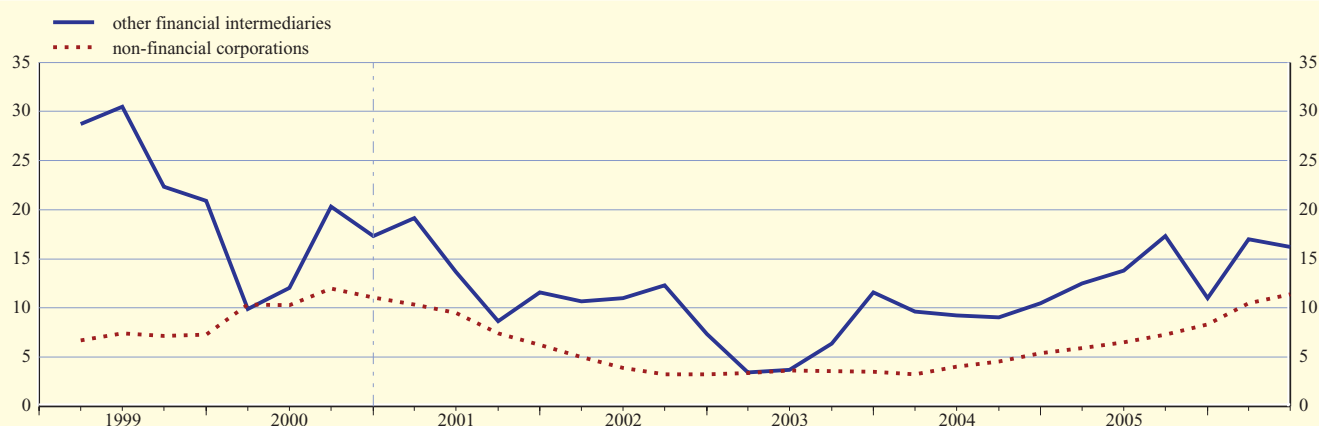
## 2.4 MFI loans, breakdown <sup>1)</sup>

(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 <sup>2)</sup>

	Insurance corporations and pension funds		Other financial intermediaries <sup>3)</sup>		Non-financial corporations			
	Total	Up to 1 year	Total	Up to 1 year	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8
Outstanding amounts								
2004	48.6	31.4	546.3	334.4	3,152.2	973.8	547.3	1,631.2
2005	64.6	41.6	620.4	370.2	3,409.1	1,037.8	594.0	1,777.2
2006 Q1	81.9	57.1	661.9	412.0	3,525.1	1,060.9	626.7	1,837.5
2006 Apr.	88.1	62.9	677.2	428.5	3,567.8	1,080.6	634.3	1,852.9
May	86.9	61.7	682.5	433.9	3,595.4	1,078.1	644.4	1,873.0
June	84.6	59.3	673.7	420.0	3,642.5	1,099.2	653.3	1,890.0
July	89.8	64.0	667.0	407.9	3,686.4	1,110.9	670.2	1,905.3
Aug. <sup>(p)</sup>	86.4	60.8	678.9	416.0	3,680.2	1,085.1	672.8	1,922.3
Transactions								
2004	13.1	9.1	52.1	27.7	163.9	24.5	31.1	108.2
2005	15.0	9.8	60.8	29.2	262.7	57.0	54.3	151.5
2006 Q1	17.1	15.6	46.6	45.2	108.9	26.9	35.8	46.1
2006 Apr.	6.2	5.9	17.0	17.7	45.4	20.5	8.6	16.2
May	-1.1	-1.2	5.8	5.5	30.2	-1.6	10.9	20.9
June	-2.3	-2.4	-9.1	-14.1	47.7	21.1	9.2	17.4
July	5.2	4.7	-4.8	-9.5	42.5	12.0	16.0	14.5
Aug. <sup>(p)</sup>	-3.4	-3.1	12.0	8.2	-4.7	-25.6	3.4	17.5
Growth rates								
2004 Dec.	36.9	41.5	10.5	9.1	5.4	2.6	6.0	7.0
2005 Dec.	30.6	31.2	11.0	8.7	8.3	5.8	9.9	9.3
2006 Mar.	40.3	44.1	17.0	16.8	10.5	7.7	14.9	10.6
2006 Apr.	47.6	54.5	20.7	24.0	10.9	8.8	15.1	10.8
May	39.8	44.2	19.8	23.1	11.3	8.6	16.2	11.2
June	32.4	35.6	16.2	16.7	11.4	8.1	17.8	11.3
July	40.7	48.4	15.6	16.6	11.8	9.3	18.8	11.0
Aug. <sup>(p)</sup>	33.8	42.9	19.3	22.0	12.0	9.1	19.9	11.2

### 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) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.

3) This category includes investment funds.

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

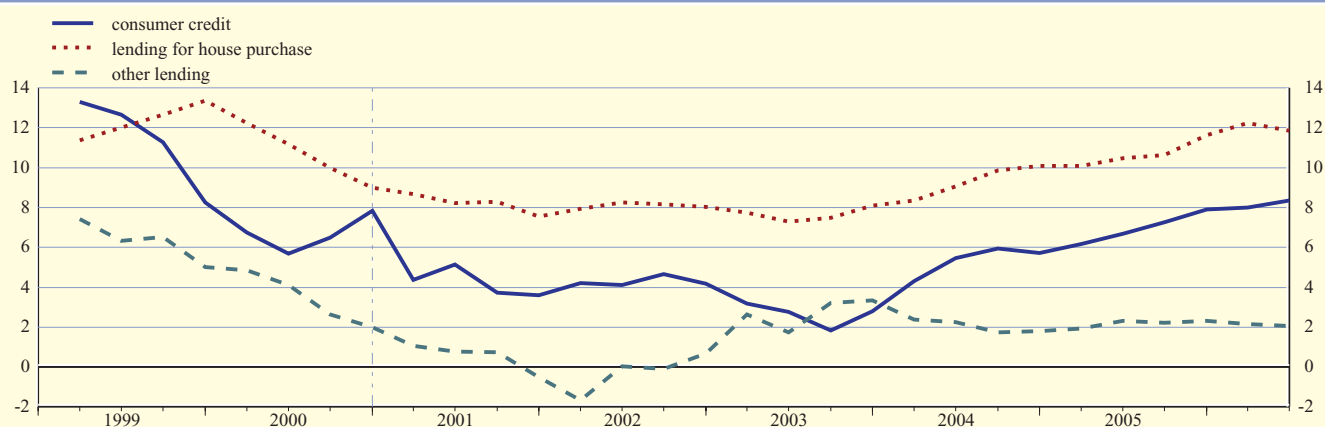
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

**2. Loans to households <sup>2), 3)</sup>**

	2. Loans to households <sup>2), 3)</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														
2004	3,808.4	515.4	120.3	189.6	205.6	2,591.5	14.6	65.8	2,511.1	701.5	144.1	99.2	458.2	
2005	4,193.3	554.1	129.2	200.7	224.2	2,917.6	15.2	67.5	2,834.9	721.6	147.3	99.9	474.4	
2006 Q1	4,282.5	557.1	126.2	200.9	230.0	3,006.3	15.1	67.9	2,923.3	719.1	146.4	98.1	474.5	
2006 Apr.	4,311.0	561.5	127.0	202.5	232.0	3,029.5	15.0	67.7	2,946.8	720.0	146.0	97.7	476.3	
May	4,343.0	568.9	129.1	204.8	235.0	3,053.2	15.1	68.5	2,969.7	720.9	144.6	97.6	478.7	
June	4,385.6	575.7	129.8	207.1	238.7	3,081.6	15.5	69.1	2,997.0	728.3	150.7	97.6	480.0	
July	4,416.1	579.3	130.5	207.7	241.1	3,110.6	15.5	69.5	3,025.6	726.2	146.9	97.7	481.6	
Aug. <sup>(p)</sup>	4,429.3	579.8	129.4	207.2	243.1	3,124.8	15.5	69.5	3,039.8	724.7	145.5	97.8	481.5	
Transactions														
2004	277.4	27.7	6.4	8.4	12.9	237.4	0.8	2.7	233.9	12.3	-0.9	2.0	11.1	
2005	359.8	40.7	9.1	11.6	20.0	302.9	0.8	4.8	297.3	16.2	3.9	1.3	11.1	
2006 Q1	78.3	5.2	-2.2	1.2	6.2	71.8	0.0	0.4	71.4	1.2	-0.2	0.4	1.1	
2006 Apr.	29.0	4.6	0.8	1.3	2.4	23.4	-0.2	0.0	23.6	1.0	-0.3	-0.5	1.8	
May	32.6	7.5	2.1	2.3	3.0	23.6	0.0	0.4	23.1	1.5	-1.4	0.4	2.5	
June	43.2	6.8	0.8	2.2	3.7	28.5	0.4	0.6	27.5	7.9	6.1	0.1	1.6	
July	32.0	4.1	0.8	0.7	2.7	29.4	0.0	0.4	29.0	-1.5	-3.8	0.2	2.1	
Aug. <sup>(p)</sup>	14.1	0.4	-0.8	-0.5	1.7	14.3	0.0	0.0	14.3	-0.6	-1.4	0.2	0.7	
Growth rates														
2004 Dec.	7.9	5.7	5.8	4.6	6.7	10.1	5.3	4.4	10.3	1.8	-0.6	2.1	2.5	
2005 Dec.	9.4	7.9	7.6	6.1	9.7	11.6	5.6	7.5	11.8	2.3	2.7	1.3	2.4	
2006 Mar.	9.8	8.0	6.0	5.8	11.1	12.2	7.3	6.0	12.4	2.2	1.6	2.1	2.4	
2006 Apr.	9.8	8.0	6.9	5.6	10.8	12.2	6.0	7.2	12.3	2.2	2.7	1.4	2.3	
May	9.8	8.4	7.4	5.7	11.5	12.1	6.5	7.5	12.2	2.0	1.7	1.0	2.3	
June	9.6	8.3	5.6	5.6	12.5	11.8	5.6	6.7	12.0	2.1	0.8	1.7	2.5	
July	9.4	8.6	7.8	4.9	12.5	11.4	5.3	6.5	11.6	2.3	1.4	1.6	2.7	
Aug. <sup>(p)</sup>	9.2	8.3	6.2	4.8	12.6	11.1	6.8	6.0	11.2	2.2	1.4	1.7	2.6	

**C6 Loans to households**

(annual growth rates)



Source: ECB.

- 1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
- 2) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.
- 3) Including non-profit institutions serving households.

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

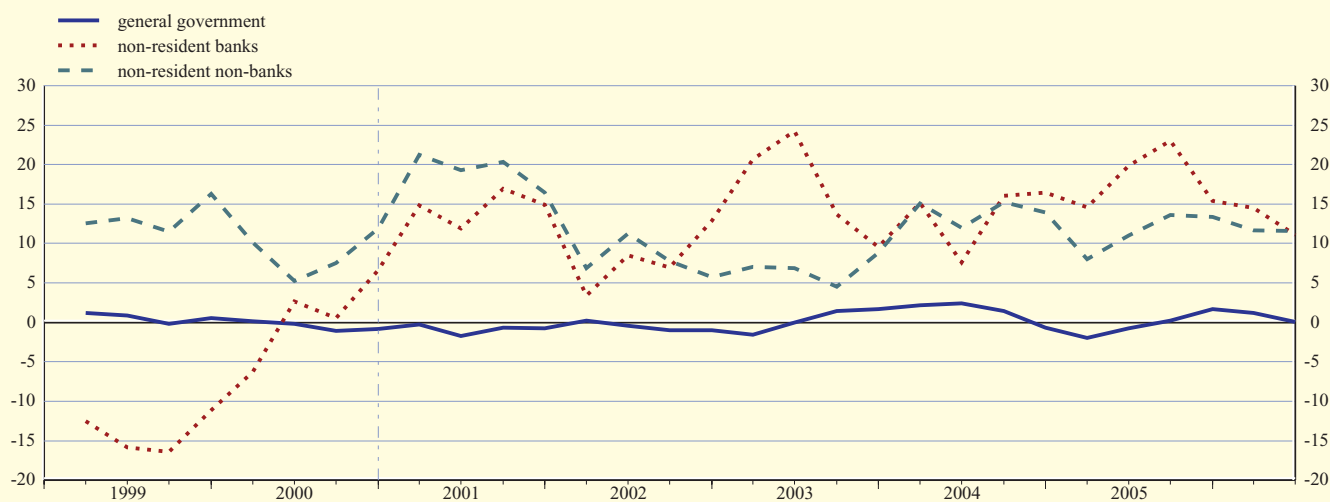
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 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										
2004	811.9	130.1	252.3	405.7	23.8	1,974.7	1,342.2	632.5	61.3	571.1
2005	826.9	125.1	246.8	425.8	29.2	2,483.6	1,722.0	761.6	66.0	695.6
2006 Q1	816.3	118.5	240.9	427.7	29.2	2,593.1	1,821.5	771.7	62.9	708.8
Q2 <sup>(p)</sup>	809.0	107.1	234.5	438.2	29.2	2,619.8	1,849.3	770.5	62.9	707.7
Transactions										
2004	-5.6	2.2	-13.9	17.3	-11.2	275.6	194.9	80.4	1.8	78.6
2005	13.7	-5.6	-8.1	21.9	5.5	296.7	209.3	87.6	4.7	82.9
2006 Q1	-10.4	-6.3	-5.9	1.9	-0.1	131.2	111.6	19.6	-3.0	22.6
Q2 <sup>(p)</sup>	-7.1	-11.2	-6.4	10.5	0.1	57.4	43.4	14.0	0.0	14.0
Growth rates										
2004 Dec.	-0.7	1.7	-5.2	4.4	-32.1	15.6	16.4	13.9	3.1	15.2
2005 Dec.	1.7	-4.3	-3.2	5.4	22.9	14.8	15.4	13.4	7.7	14.0
2006 Mar.	1.2	-8.0	-3.9	5.8	29.5	13.6	14.5	11.7	1.7	12.7
June <sup>(p)</sup>	0.0	-13.5	-6.3	7.9	2.4	11.3	11.1	11.6	1.5	12.5

### 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>

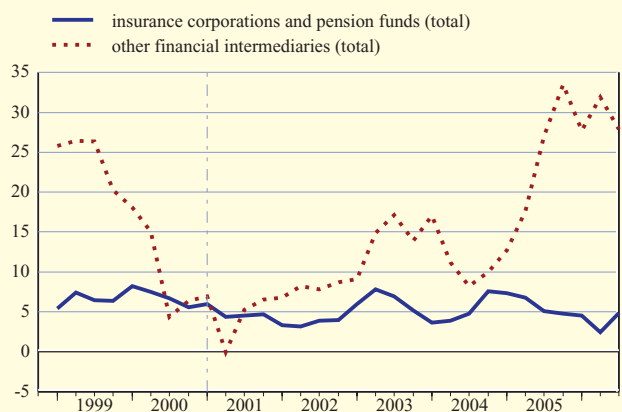
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 1. Deposits by financial intermediaries <sup>2)</sup>

	Insurance corporations and pension funds							Other financial intermediaries <sup>3)</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														
2004	583.2	59.2	51.4	449.4	1.2	1.3	20.8	636.6	180.3	139.0	187.3	10.1	0.1	119.8
2005	612.6	67.8	51.9	469.7	1.2	1.4	20.6	882.8	233.9	185.0	332.2	10.5	0.1	121.1
2006 Q1	613.0	65.6	50.4	474.8	1.1	1.4	19.7	989.2	271.5	195.1	376.3	11.0	0.1	135.2
2006 Apr.	628.3	67.9	50.4	479.5	1.1	1.4	28.0	1,036.9	275.4	221.3	387.2	10.5	0.1	142.5
May	621.1	66.2	45.9	481.1	1.1	1.4	25.6	1,036.8	273.6	206.7	397.4	11.7	0.2	147.2
June	625.4	68.3	47.9	484.7	1.0	1.4	22.1	1,051.1	279.6	213.3	407.0	10.8	0.2	140.2
July	633.1	65.4	51.9	488.6	1.0	1.4	24.9	1,037.5	263.5	213.0	415.4	9.9	0.2	135.4
Aug. <sup>(p)</sup>	636.6	61.6	52.0	491.9	1.0	1.4	28.7	1,037.8	257.6	215.1	416.1	9.4	0.2	139.4
Transactions														
2004	39.9	0.7	10.3	27.7	-0.1	-0.1	1.5	72.1	0.9	5.8	43.6	4.1	0.0	17.7
2005	26.3	7.4	-0.6	19.2	0.4	0.0	-0.2	181.4	40.1	37.3	102.2	1.5	0.0	0.4
2006 Q1	0.6	-2.0	-1.4	5.0	-0.1	0.0	-0.8	98.2	38.3	10.7	34.4	0.5	0.0	14.2
2006 Apr.	15.5	2.3	0.1	4.8	0.0	0.0	8.3	50.0	4.6	26.9	11.6	-0.5	0.0	7.3
May	-7.0	-1.6	-4.5	1.5	0.0	0.0	-2.5	-0.7	-1.4	-14.9	10.3	1.2	0.1	4.0
June	4.2	2.1	2.0	3.6	0.0	0.0	-3.4	13.9	5.8	6.5	9.3	-0.8	0.0	-7.0
July	7.7	-3.0	4.0	3.9	0.0	0.0	2.8	-12.2	-16.0	-0.3	8.5	-1.0	0.0	-3.4
Aug. <sup>(p)</sup>	3.5	-3.7	0.1	3.3	0.0	0.0	3.8	0.1	-6.4	2.1	0.8	-0.4	0.0	4.1
Growth rates														
2004 Dec.	7.4	1.2	24.6	6.6	-8.0	-43.1	7.9	12.7	0.5	4.3	30.3	67.6	-	17.1
2005 Dec.	4.5	12.4	-1.2	4.3	36.0	2.9	-0.8	27.8	22.2	25.0	50.6	14.3	-	0.4
2006 Mar.	2.4	-1.7	2.2	3.1	11.3	0.9	-0.3	31.9	20.7	41.8	53.2	6.1	-	4.7
2006 Apr.	4.0	1.8	-1.9	3.6	12.5	0.7	32.8	36.3	25.0	50.6	53.8	-10.8	-	11.6
May	3.0	0.3	-9.7	4.1	-9.7	1.1	17.4	31.9	20.3	40.1	55.0	4.3	-	4.5
June	4.9	11.4	-1.7	4.6	-8.9	0.8	7.5	27.9	18.8	43.5	43.4	-1.8	-	-1.8
July	4.7	1.3	-0.9	5.1	-7.1	-0.7	24.0	25.0	13.5	37.1	43.2	-14.4	-	-3.5
Aug. <sup>(p)</sup>	5.2	4.0	1.3	5.5	-8.2	-3.5	13.2	25.2	14.0	36.7	43.3	-16.1	-	-2.5

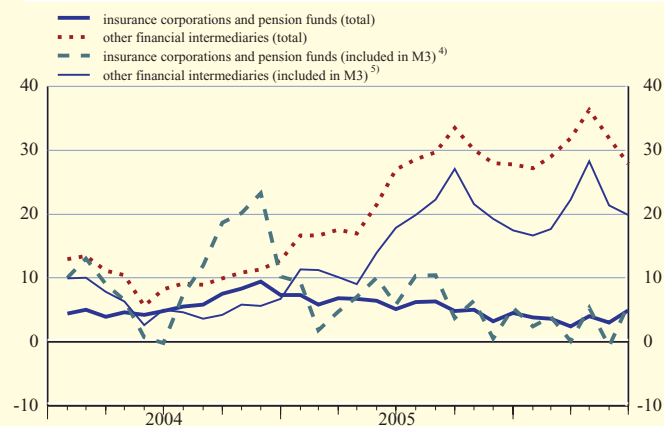
### C8 Total deposits by sector

(annual growth rates)



### C9 Total deposits and deposits included in M3 by sector

(annual growth rates)



Source: ECB.

- 1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
- 2) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.
- 3) This category includes investment funds.
- 4) Covers deposits in columns 2, 3, 5 and 7.
- 5) Covers deposits in columns 9, 10, 12 and 14.



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

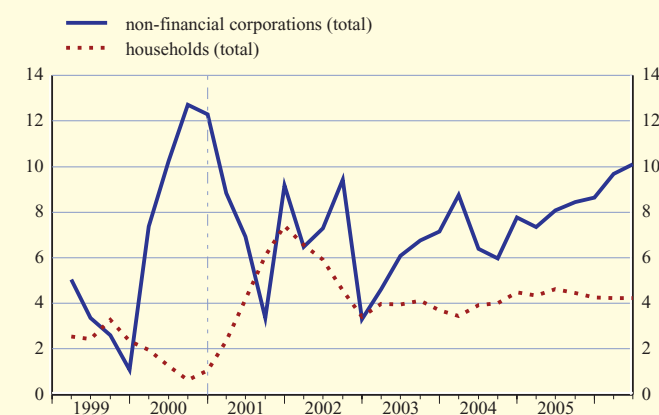
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 2. Deposits by non-financial corporations and households <sup>2)</sup>

	Non-financial corporations							Households <sup>3)</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														
2004	1,114.6	674.7	291.1	73.8	44.2	1.1	29.7	4,162.0	1,403.1	515.0	634.3	1,466.1	88.0	55.6
2005	1,211.8	769.2	305.1	67.2	44.5	1.2	24.6	4,343.1	1,685.9	534.0	631.3	1,354.6	84.5	52.8
2006 Q1	1,199.7	745.5	313.0	71.9	46.4	1.2	21.6	4,356.2	1,673.8	549.3	623.2	1,368.4	86.3	55.1
2006 Apr.	1,212.0	751.3	319.8	72.5	45.6	1.3	21.4	4,385.2	1,703.9	552.7	620.7	1,367.2	86.5	54.1
May	1,230.2	772.4	314.2	72.7	45.3	1.4	24.3	4,390.6	1,702.1	560.5	618.6	1,365.1	87.7	56.6
June	1,237.0	783.4	313.5	73.0	43.5	1.2	22.4	4,423.2	1,725.6	569.3	616.3	1,364.5	89.0	58.5
July	1,231.1	775.2	316.2	72.3	42.7	1.3	23.5	4,435.2	1,718.5	587.3	613.7	1,362.6	90.1	63.0
Aug. <sup>6)</sup>	1,242.1	770.0	330.8	71.4	42.9	1.3	25.7	4,422.1	1,686.9	602.8	612.9	1,360.9	91.7	66.9
Transactions														
2004	80.8	48.5	17.1	6.6	8.0	0.7	-0.2	178.1	90.5	-29.6	31.1	85.2	-1.9	2.7
2005	96.6	88.9	11.4	-1.6	3.7	-0.4	-5.4	177.7	125.1	16.3	-2.8	45.9	-4.0	-2.9
2006 Q1	-10.4	-23.0	8.9	4.8	2.0	0.0	-3.1	14.0	-11.9	16.0	-8.0	13.8	1.8	2.3
2006 Apr.	14.2	6.6	7.7	0.8	-0.8	0.1	-0.2	30.0	30.3	4.0	-2.5	-1.1	0.2	-1.0
May	20.2	21.6	-4.3	0.3	-0.3	0.0	2.9	6.1	-1.6	8.2	-2.1	-2.1	1.2	2.5
June	6.1	10.9	-0.9	0.0	-1.9	-0.1	-1.9	32.5	23.4	8.7	-2.3	-0.6	1.3	1.9
July	-5.8	-8.2	2.8	-0.7	-0.8	0.0	1.1	12.1	-7.0	18.0	-2.6	-1.9	1.1	4.5
Aug. <sup>6)</sup>	11.4	-5.0	14.8	-0.8	0.3	0.0	2.2	-12.8	-31.6	15.8	-0.8	-1.6	1.6	3.9
Growth rates														
2004 Dec.	7.8	7.7	6.2	9.9	21.2	72.2	-0.8	4.5	6.9	-5.4	5.2	6.2	-2.1	5.2
2005 Dec.	8.6	13.1	3.8	-2.0	9.0	-29.0	-18.2	4.3	8.5	3.2	-0.4	3.3	-4.5	-5.1
2006 Mar.	9.7	9.8	11.5	6.6	14.2	-27.6	-9.8	4.2	7.4	6.6	-1.7	3.2	-2.7	7.6
2006 Apr.	10.4	10.2	12.4	12.4	10.4	-20.0	-9.9	4.2	7.4	7.1	-2.2	2.9	-1.9	6.6
May	11.5	11.4	12.1	13.1	8.0	-20.7	10.9	4.2	6.9	9.0	-2.0	2.4	-0.1	8.7
June	10.1	8.9	15.5	8.1	4.4	-19.5	2.8	4.2	6.0	11.5	-2.4	2.2	2.0	14.9
July	9.4	8.1	14.5	8.6	1.1	-5.6	10.1	4.0	4.6	14.5	-2.7	1.8	4.3	17.5
Aug. <sup>6)</sup>	9.9	7.9	16.3	7.5	2.7	1.9	13.6	4.4	4.8	17.0	-2.9	1.4	7.3	22.9

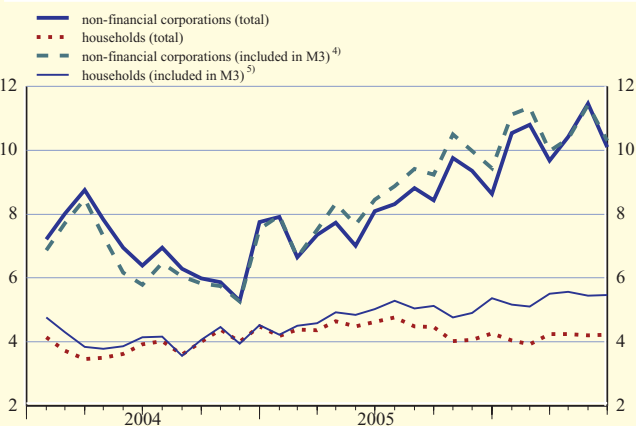
### C10 Total deposits by sector

(annual growth rates)



### C11 Total deposits and deposits included in M3

by sector (annual growth rates)



Source: ECB.

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

2) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.

3) Including non-profit institutions serving households.

4) Covers deposits in columns 2, 3, 5 and 7.

5) Covers deposits in columns 9, 10, 12 and 14.

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

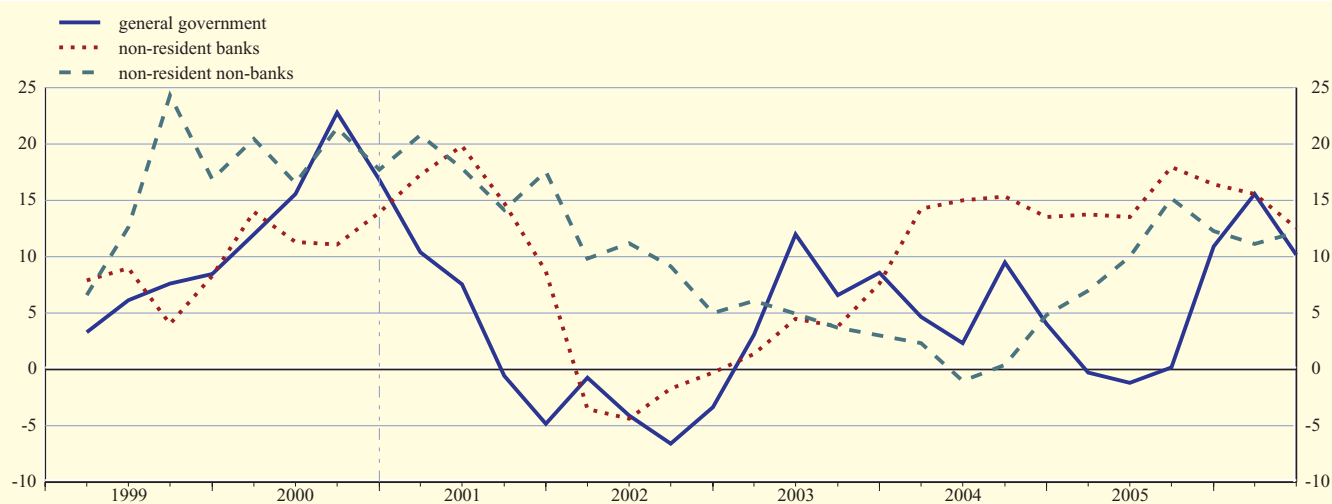
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

## 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										
2004	282.2	137.7	30.5	69.6	44.3	2,428.9	1,748.0	680.9	103.4	577.5
2005	313.1	149.2	38.3	80.9	44.7	3,050.5	2,250.5	800.0	125.8	674.2
2006 Q1	312.1	148.1	38.1	77.0	48.9	3,241.8	2,410.3	831.5	128.2	703.3
Q2 <sup>(p)</sup>	317.8	138.6	39.6	82.5	57.0	3,205.4	2,379.8	825.6	127.7	698.0
Transactions										
2004	11.0	2.7	1.8	2.8	3.8	247.1	214.9	32.0	6.9	25.0
2005	30.8	11.2	7.8	11.5	0.3	378.1	292.8	85.3	22.4	63.0
2006 Q1	-1.0	-1.1	-0.2	-3.9	4.3	211.3	171.8	39.5	2.4	37.1
Q2 <sup>(p)</sup>	5.7	-9.5	1.6	5.5	8.1	-4.7	-11.3	6.7	-0.5	7.2
Growth rates										
2004 Dec.	4.0	2.0	5.6	4.1	9.2	11.0	13.5	4.8	7.2	4.4
2005 Dec.	10.9	8.1	25.4	16.6	0.7	15.3	16.4	12.3	21.6	10.6
2006 Mar.	15.6	17.0	14.1	14.3	14.6	14.4	15.6	11.1	21.6	9.3
June <sup>(p)</sup>	10.2	2.4	13.1	18.6	17.8	12.5	12.6	12.2	7.7	13.0

## C12 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.

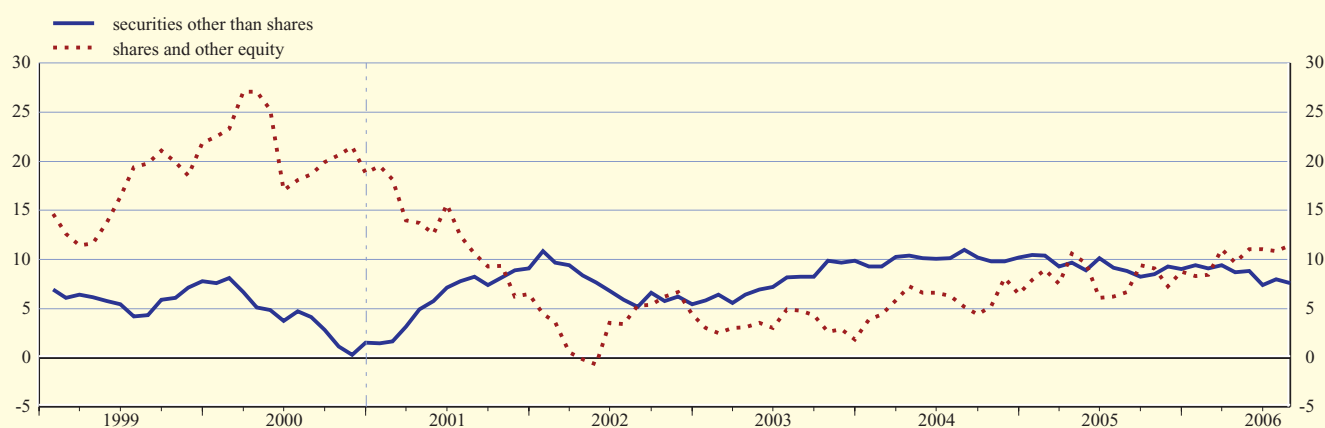
## 2.6 MFI holdings of securities, breakdown <sup>1)</sup>

(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												
2004	3,939.9	1,362.7	59.9	1,284.1	15.8	449.2	16.3	751.8	1,161.2	285.4	660.1	215.7
2005	4,436.2	1,450.4	67.3	1,412.5	17.0	525.7	25.8	937.7	1,256.4	308.5	698.4	249.4
2006 Q1	4,568.5	1,501.6	69.3	1,423.8	16.6	544.9	28.6	983.6	1,364.4	323.6	768.7	272.1
2006 Apr.	4,583.1	1,506.1	70.9	1,418.0	16.6	555.1	29.6	986.7	1,421.5	331.9	819.3	270.3
May	4,598.8	1,535.0	68.4	1,391.1	16.4	564.4	28.7	994.9	1,425.6	347.5	809.6	268.5
June	4,591.0	1,519.7	65.7	1,390.1	17.2	573.3	27.4	997.6	1,367.6	334.0	769.8	263.9
July	4,623.8	1,534.0	69.6	1,363.3	17.1	584.2	28.3	1,027.3	1,371.7	330.8	775.9	265.0
Aug. <sup>(p)</sup>	4,618.6	1,545.5	68.2	1,340.3	17.3	580.6	28.9	1,037.8	1,381.7	335.5	775.0	271.2
Transactions												
2004	368.4	148.0	4.9	40.3	1.3	34.9	-1.3	140.3	69.7	2.3	36.4	30.9
2005	358.1	85.7	2.0	48.9	-0.9	71.6	7.6	143.2	101.3	26.9	48.7	25.8
2006 Q1	171.9	59.1	3.6	23.5	0.2	22.2	3.4	59.9	91.1	10.7	64.3	16.1
2006 Apr.	35.7	5.1	2.7	-1.7	0.3	10.5	1.6	17.1	57.8	8.2	51.2	-1.6
May	25.1	25.9	-1.9	-20.2	0.0	9.4	-0.5	12.4	12.2	16.6	-4.8	0.4
June	-7.1	-15.7	-3.0	1.3	0.7	9.9	-1.3	1.1	-56.2	-11.9	-38.9	-5.4
July	34.4	13.3	3.8	-24.0	-0.1	10.3	0.8	30.2	-1.7	-3.8	2.8	-0.8
Aug. <sup>(p)</sup>	-8.1	10.6	-1.3	-27.1	0.2	-1.4	0.7	10.2	5.5	4.3	-3.6	4.8
Growth rates												
2004 Dec.	10.2	12.2	8.4	3.3	7.7	8.5	-7.2	22.0	6.5	0.9	5.9	17.3
2005 Dec.	9.0	6.3	3.6	3.9	-4.5	15.9	43.3	18.5	8.7	9.5	7.3	11.9
2006 Mar.	9.4	8.3	1.2	1.3	-0.4	16.4	67.6	20.9	11.1	10.0	14.2	3.7
2006 Apr.	8.7	6.9	8.7	0.5	-9.8	16.6	64.6	20.2	9.7	6.9	12.1	6.0
May	8.9	8.9	5.1	-0.4	-7.8	17.3	52.9	18.8	11.0	11.1	12.0	8.2
June	7.4	5.9	0.8	-1.0	12.3	17.5	51.3	17.3	11.0	12.4	11.3	8.5
July	8.0	6.2	6.6	-2.6	8.8	20.1	47.9	20.4	10.8	10.1	12.7	6.3
Aug. <sup>(p)</sup>	7.6	7.1	4.4	-3.9	9.3	20.4	46.1	18.9	11.5	12.2	12.2	8.3

## C13 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
2004	-3.2	-1.3	-0.7	-1.3	-3.4	-0.3	-0.1	-3.0	-6.7	-2.3	-0.3	-4.1
2005	-4.1	-1.7	-0.9	-1.5	-4.4	-0.3	-1.1	-3.0	-9.8	-2.7	-3.2	-3.9
2006 Q1	-1.1	-0.4	-0.2	-0.5	-1.3	-0.1	0.0	-1.2	-2.0	-0.5	-0.3	-1.2
2006 Apr.	-0.2	-0.1	-0.1	-0.1	0.1	0.1	0.0	0.1	-0.3	-0.1	-0.1	-0.2
May	-0.2	-0.1	0.0	-0.1	-0.1	0.0	0.0	-0.1	-0.6	0.0	-0.4	-0.2
June	-0.3	-0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.1	-0.5	0.0	-0.2	-0.3
July	-0.3	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.4	-0.1	-0.1	-0.2
Aug. <sup>(p)</sup>	-0.2	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.2	0.0	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
2004	-16.1	-8.8	-0.8	-6.5	-1.6	-0.5	-1.1
2005	-19.3	-7.4	-5.6	-6.2	-1.2	-0.3	-0.9
2006 Q1	-3.5	-1.2	-0.7	-1.6	-0.2	0.0	-0.2
2006 Apr.	-0.4	-0.1	-0.1	-0.2	-0.1	0.0	0.0
May	-1.1	-0.3	-0.6	-0.3	0.0	0.0	0.0
June	-1.1	-0.2	-0.4	-0.5	0.0	0.0	0.0
July	-0.6	-0.1	-0.2	-0.3	0.0	0.0	0.0
Aug. <sup>(p)</sup>	-1.0	0.0	-0.8	-0.2	-0.1	0.0	-0.1

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
2004	13.5	1.5	-0.1	10.8	-0.2	0.9	-0.1	0.6	5.4	1.3	0.8	3.3
2005	24.8	3.4	0.5	7.5	0.7	1.6	0.3	10.7	37.4	4.6	17.4	15.4
2006 Q1	-5.1	-1.1	-0.1	-4.1	-0.1	-0.8	0.0	1.2	17.1	3.9	6.8	6.3
2006 Apr.	-8.3	-0.4	-0.1	-4.1	-0.1	-0.3	-0.1	-3.2	-0.7	0.0	-0.6	-0.2
May	-1.3	0.3	-0.1	1.9	0.0	0.0	-0.1	-3.4	-10.2	-1.0	-5.0	-4.2
June	-3.2	0.3	0.1	-2.2	0.1	-1.0	0.0	-0.5	-1.4	-1.3	-0.9	0.8
July	5.1	0.1	0.0	2.7	0.0	1.3	0.0	0.9	5.1	0.6	2.6	1.9
Aug. <sup>(p)</sup>	4.0	0.8	0.0	1.8	0.0	0.1	0.0	1.4	4.5	0.7	2.4	1.5

Source: ECB.

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

2) Including non-profit institutions serving households.

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

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

### 1. Deposits

	MFIs <sup>2)</sup>							Non-MFIs						
	All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies					All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies				
			Total							Total				
			USD	JPY	CHF	GBP				USD	JPY	CHF	GBP	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	By euro area residents													
2004	4,709.0	91.4	8.6	5.0	0.5	1.5	1.1	6,778.5	97.2	2.8	1.7	0.3	0.1	0.4
2005	4,851.2	90.9	9.1	5.6	0.4	1.5	1.0	7,363.4	96.8	3.2	1.9	0.3	0.1	0.5
2006 Q1	4,949.5	89.8	10.2	6.2	0.4	1.5	1.4	7,470.2	96.6	3.4	2.0	0.3	0.1	0.6
Q2 <sup>(p)</sup>	5,083.0	90.2	9.8	5.7	0.4	1.5	1.5	7,654.5	96.6	3.4	2.0	0.3	0.1	0.6
	By non-euro area residents													
2004	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	2,250.5	46.2	53.8	35.4	2.7	2.8	10.0	800.0	51.8	48.2	32.1	1.7	2.2	9.2
2006 Q1	2,410.3	47.4	52.6	34.3	2.9	2.6	9.7	831.5	51.9	48.1	32.6	1.4	2.0	9.1
Q2 <sup>(p)</sup>	2,379.8	47.6	52.4	33.8	2.8	2.6	10.0	825.6	53.0	47.0	30.8	1.5	2.2	9.1

### 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	
2004	3,653.9	84.6	15.4	7.6	1.7	1.9	2.7
2005	4,051.7	81.2	18.8	9.6	1.8	1.9	3.2
2006 Q1	4,204.3	81.2	18.8	9.5	1.8	1.9	3.2
Q2 <sup>(p)</sup>	4,276.1	81.3	18.7	9.3	1.8	2.0	3.3

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														
2004	4,457.8	-	-	-	-	-	8,367.5	96.6	3.4	1.4	0.2	1.3	0.4	
2005	4,569.9	-	-	-	-	-	9,114.3	96.3	3.7	1.6	0.2	1.3	0.5	
2006 Q1	4,656.4	-	-	-	-	-	9,367.8	96.3	3.7	1.7	0.2	1.2	0.5	
2006 Q2 <sup>(p)</sup>	4,745.5	-	-	-	-	-	9,595.3	96.4	3.6	1.6	0.2	1.2	0.5	
To non-euro area residents														
2004	1,342.2	51.4	48.6	29.9	3.7	2.2	8.7	632.5	42.2	57.8	40.1	2.6	4.5	7.2
2005	1,722.0	48.5	51.5	30.5	4.3	2.0	10.1	761.6	38.2	61.8	43.6	1.8	4.2	8.6
2006 Q1	1,821.5	49.6	50.4	30.3	3.8	2.4	9.2	771.7	39.0	61.0	44.0	1.7	3.9	7.8
2006 Q2 <sup>(p)</sup>	1,849.3	49.7	50.3	29.3	3.7	2.4	10.0	770.5	40.4	59.6	42.9	1.1	4.1	7.6

## 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														
2004	1,422.7	95.8	4.2	1.8	0.3	0.5	1.3	1,765.4	98.2	1.8	0.9	0.5	0.1	0.3
2005	1,517.7	95.6	4.4	2.0	0.3	0.4	1.4	1,980.9	97.8	2.2	1.1	0.3	0.1	0.5
2006 Q1	1,570.9	95.6	4.4	2.0	0.2	0.4	1.5	2,014.0	97.8	2.2	1.1	0.3	0.1	0.6
2006 Q2 <sup>(p)</sup>	1,585.4	95.9	4.1	1.9	0.3	0.4	1.3	2,008.0	97.8	2.2	1.2	0.3	0.1	0.6
Issued by non-euro area residents														
2004	341.4	50.3	49.7	28.6	1.0	0.5	17.0	410.5	44.8	55.2	30.5	8.6	0.7	9.2
2005	397.0	49.3	50.7	29.9	0.8	0.6	15.8	540.7	36.2	63.8	36.3	8.6	0.8	12.6
2006 Q1	423.9	50.8	49.2	28.5	0.8	0.6	16.0	559.7	37.2	62.8	35.2	6.1	0.8	15.1
2006 Q2 <sup>(p)</sup>	441.3	52.0	48.0	28.0	0.9	0.5	15.3	556.3	37.9	62.1	34.3	6.4	0.7	15.2

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				
2004 Q4	3,830.1	260.8	1,622.8	78.5	1,544.2	1,246.3	346.2	158.5	195.5
2005 Q1	4,058.5	288.2	1,692.1	79.3	1,612.8	1,320.2	376.0	163.1	218.8
Q2	4,313.6	296.4	1,783.0	91.5	1,691.5	1,399.9	417.5	167.6	249.2
Q3	4,631.3	303.5	1,860.6	101.2	1,759.4	1,553.4	460.0	171.6	282.2
Q4	4,788.9	291.0	1,848.1	109.6	1,738.5	1,683.1	505.2	176.1	285.5
2006 Q1 <sup>(p)</sup>	5,190.4	315.0	1,904.6	139.2	1,765.4	1,894.1	567.7	177.4	331.7

### 2. Liabilities

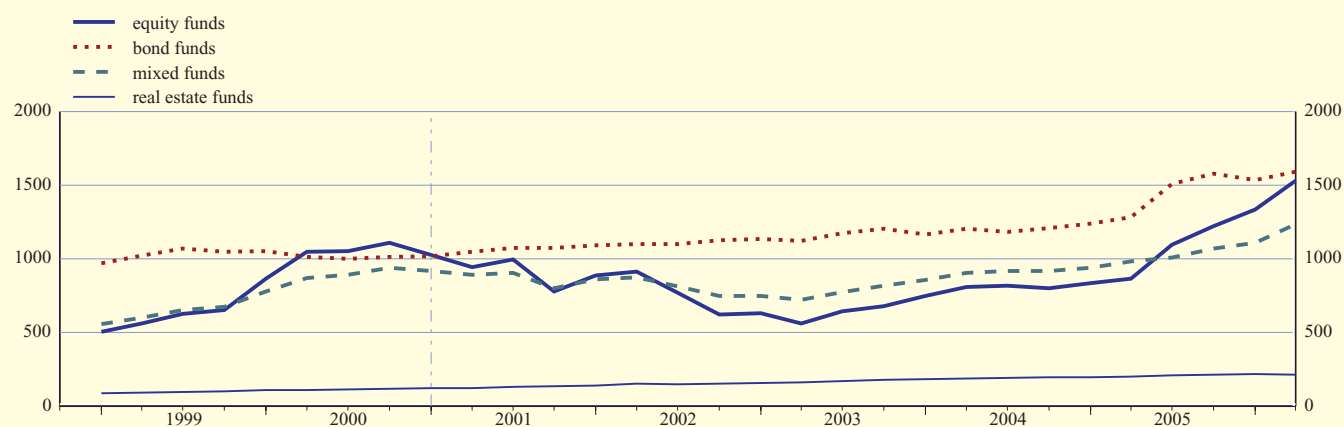
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
2004 Q4	3,830.1	53.1	3,618.9	158.1
2005 Q1	4,058.5	61.7	3,798.0	198.8
Q2	4,313.6	58.7	4,034.4	220.4
Q3	4,631.3	60.5	4,351.7	219.1
Q4	4,788.9	61.6	4,516.9	210.5
2006 Q1 <sup>(p)</sup>	5,190.4	73.1	4,863.7	253.7

### 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
2004 Q4	3,830.1	836.8	1,238.7	941.4	196.8	616.5	2,851.0	979.1
2005 Q1	4,058.5	864.6	1,285.8	984.4	201.1	722.6	3,041.4	1,017.0
Q2	4,313.6	1,097.2	1,510.2	1,011.1	207.1	488.0	3,245.7	1,067.9
Q3	4,631.3	1,224.8	1,581.9	1,071.1	213.2	540.3	3,507.6	1,123.8
Q4	4,788.9	1,335.8	1,538.0	1,109.2	215.8	590.1	3,658.8	1,130.1
2006 Q1 <sup>(p)</sup>	5,190.4	1,530.2	1,592.5	1,237.5	213.4	616.8	3,995.4	1,195.0

### C14 Total assets of investment funds

(EUR billions)



Source: ECB.

1) Other than money market funds. 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									
2004 Q4	836.8	30.9	37.0	4.1	32.9	705.8	32.2	-	30.9
2005 Q1	864.6	33.8	37.0	4.0	33.0	729.9	33.3	-	30.6
Q2	1,097.2	45.0	41.6	4.5	37.1	936.5	40.0	-	34.1
Q3	1,224.8	48.3	43.4	4.9	38.5	1,044.8	52.4	-	35.9
Q4	1,335.8	50.8	45.8	5.7	40.2	1,145.4	60.3	-	33.5
2006 Q1 <sup>(p)</sup>	1,530.2	55.0	51.4	6.3	45.1	1,308.2	71.0	-	44.6
Bond funds									
2004 Q4	1,238.7	84.1	1,020.9	43.6	977.3	39.9	29.4	-	64.3
2005 Q1	1,285.8	97.8	1,046.0	44.8	1,001.2	39.4	34.5	-	68.0
Q2	1,510.2	110.5	1,229.5	58.4	1,171.1	38.4	40.1	-	91.7
Q3	1,581.9	110.3	1,289.1	67.0	1,222.1	38.4	43.8	-	100.2
Q4	1,538.0	100.0	1,251.7	67.6	1,184.2	38.6	46.3	-	101.3
2006 Q1 <sup>(p)</sup>	1,592.5	108.9	1,286.2	82.6	1,203.6	41.1	49.3	-	107.0
Mixed funds									
2004 Q4	941.4	55.2	375.4	21.8	353.6	304.9	149.7	0.3	55.9
2005 Q1	984.4	61.1	388.4	22.5	365.9	315.0	155.3	0.2	64.5
Q2	1,011.1	65.5	418.3	21.2	397.0	277.6	170.2	0.2	79.4
Q3	1,071.1	67.0	426.0	21.7	404.3	301.2	185.5	0.2	91.3
Q4	1,109.2	60.9	440.9	26.9	413.9	315.5	202.0	0.1	89.9
2006 Q1 <sup>(p)</sup>	1,237.5	68.0	464.8	38.1	426.7	349.2	238.4	0.1	117.0
Real estate funds									
2004 Q4	196.8	15.7	7.6	0.7	6.9	1.0	7.5	156.3	8.7
2005 Q1	201.1	14.3	8.4	0.7	7.7	1.1	7.5	160.8	9.0
Q2	207.1	14.0	8.2	0.8	7.5	1.1	7.6	167.1	9.0
Q3	213.2	15.2	8.8	1.2	7.6	1.3	8.1	171.0	8.7
Q4	215.8	14.2	7.8	1.5	6.3	1.4	6.9	175.1	10.4
2006 Q1 <sup>(p)</sup>	213.4	14.4	6.1	1.7	4.4	1.8	4.4	176.6	10.1

## 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
2004 Q4	2,851.0	217.9	1,077.4	999.7	261.0	137.5	157.6
2005 Q1	3,041.4	241.7	1,134.4	1,058.3	285.7	141.1	180.2
Q2	3,245.7	247.7	1,207.1	1,125.1	313.7	144.8	207.3
Q3	3,507.6	251.6	1,261.0	1,257.9	353.3	146.5	237.4
Q4	3,658.8	242.4	1,277.5	1,371.0	381.0	150.1	236.8
2006 Q1 <sup>(p)</sup>	3,995.4	262.6	1,334.8	1,549.5	427.5	150.3	270.7
Special investors' funds							
2004 Q4	979.1	42.9	545.4	246.7	85.3	21.0	37.9
2005 Q1	1,017.0	46.6	557.7	261.9	90.3	22.0	38.6
Q2	1,067.9	48.7	575.9	274.8	103.9	22.8	41.9
Q3	1,123.8	51.9	599.6	295.5	106.7	25.2	44.8
Q4	1,130.1	48.6	570.6	312.0	124.3	25.9	48.7
2006 Q1 <sup>(p)</sup>	1,195.0	52.4	569.8	344.6	140.2	27.1	61.0

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-MFIs 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		
				Total	Overnight	With agreed maturity	Redeemable at notice	Repos				
	1	2	3	4	5	6	7	8	9	10	11	
Outstanding amounts												
2004 Q4	16,671.1	6,346.6	412.2	5,435.0	2,165.2	1,577.9	1,603.7	88.2	162.4	337.0	336.1	
2005 Q1	16,942.1	6,358.0	409.6	5,432.8	2,174.3	1,560.0	1,620.0	78.5	187.4	328.2	371.9	
Q2	17,391.6	6,528.6	431.8	5,549.2	2,448.4	1,552.8	1,471.1	76.8	211.5	336.1	369.0	
Q3	17,731.1	6,528.9	439.9	5,565.0	2,440.3	1,571.7	1,475.5	77.6	182.4	341.5	396.6	
Q4	18,163.8	6,730.1	465.5	5,732.3	2,559.1	1,604.0	1,489.0	80.3	173.6	358.8	369.2	
2006 Q1	18,648.2	6,751.9	459.7	5,733.8	2,517.7	1,628.9	1,506.3	80.9	193.1	365.3	377.7	
Transactions												
2004 Q4	162.6	160.1	28.0	159.4	65.2	49.9	38.9	5.4	-41.7	14.4	-16.3	
2005 Q1	148.8	16.3	-2.6	-4.0	7.4	-17.4	15.7	-9.7	25.0	-2.1	26.7	
Q2	303.0	166.7	22.2	110.0	110.9	-10.1	10.9	-1.7	24.1	10.4	-9.5	
Q3	95.1	3.5	8.1	16.7	-7.3	18.8	4.4	0.7	-29.4	8.1	14.2	
Q4	296.2	207.0	25.6	170.7	119.2	34.9	14.2	2.4	-8.9	19.6	-6.7	
2006 Q1	149.6	27.2	-5.8	4.2	-40.5	26.7	17.4	0.6	19.6	9.3	9.0	
Growth rates												
2004 Q4	4.8	6.1	17.2	5.1	7.1	1.6	6.2	3.6	3.9	11.6	3.8	
2005 Q1	4.7	5.9	16.5	5.1	7.9	1.5	5.6	-3.3	1.7	9.5	5.1	
Q2	4.5	6.0	15.8	5.5	9.0	1.8	4.9	-3.2	-5.5	11.3	3.5	
Q3	4.3	5.6	14.5	5.3	8.4	2.7	4.5	-6.3	-10.8	9.6	4.3	
Q4	5.1	6.2	12.9	5.4	10.6	1.7	2.8	-9.3	6.7	10.7	7.4	
2006 Q1	5.0	6.4	12.2	5.6	8.4	4.5	2.9	2.7	2.9	14.4	1.9	
Securities other than shares												
			Shares <sup>1)</sup>					Insurance technical reserves				
	Total	Short-term	Long-term	Total	Quoted shares	Mutual fund shares	Money market fund shares/units	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												
2004 Q4	1,967.2	230.1	1,737.1	4,161.0	2,182.6	1,978.4	405.0	4,196.3	3,814.4	381.9		
2005 Q1	1,952.8	226.7	1,726.1	4,322.0	2,290.0	2,032.0	411.1	4,309.3	3,918.8	390.5		
Q2	1,994.7	234.3	1,760.4	4,452.0	2,363.3	2,088.6	408.3	4,416.3	4,022.8	393.6		
Q3	1,980.7	229.0	1,751.6	4,709.7	2,540.4	2,169.3	409.2	4,511.9	4,114.1	397.8		
Q4	1,971.2	212.7	1,758.5	4,840.0	2,662.7	2,177.3	399.2	4,622.4	4,222.2	400.3		
2006 Q1	2,032.7	250.1	1,782.7	5,123.8	2,908.4	2,215.4	381.0	4,739.8	4,333.1	406.7		
Transactions												
2004 Q4	-0.3	3.6	-3.9	-60.2	-49.0	-11.2	-16.4	63.0	59.9	3.1		
2005 Q1	21.1	-3.0	24.1	36.4	1.8	34.6	6.3	75.1	66.5	8.6		
Q2	27.5	8.7	18.8	36.3	19.9	16.4	-1.1	72.5	69.3	3.2		
Q3	-7.8	0.7	-8.5	25.9	-7.7	33.6	3.0	73.5	69.4	4.1		
Q4	8.3	-17.1	25.4	5.5	6.9	-1.3	-8.7	75.3	72.9	2.4		
2006 Q1	64.5	36.9	27.7	-36.4	-50.3	13.9	4.8	94.2	87.3	6.9		
Growth rates												
2004 Q4	3.9	36.4	0.8	1.5	1.3	1.7	-1.6	6.7	6.8	5.8		
2005 Q1	4.0	17.8	2.6	1.5	1.1	1.9	-3.3	6.5	6.6	5.4		
Q2	3.2	8.6	2.6	0.7	-0.9	2.4	-3.4	6.7	6.9	5.0		
Q3	2.0	4.7	1.7	1.0	-1.7	3.7	-2.0	6.9	7.1	5.0		
Q4	2.5	-4.6	3.4	2.5	1.0	4.2	-0.1	7.1	7.3	4.8		
2006 Q1	4.7	12.9	3.7	0.7	-1.4	3.1	-0.5	7.3	7.6	4.3		

Source: ECB.

1) 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 outside the euro area by non-MFIs
	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													
2004 Q4	17,876.7	8,935.5	7,794.7	929.7	80.8	848.9	3,780.5	1,191.4	2,589.1	4,225.3	292.4	3,932.9	435.0
2005 Q1	18,241.5	9,023.3	7,877.9	924.3	77.4	846.9	3,811.0	1,190.4	2,620.6	4,287.9	292.1	3,995.8	451.3
Q2	18,792.7	9,240.4	8,110.3	925.7	82.2	843.5	3,907.2	1,239.2	2,668.0	4,407.4	302.7	4,104.7	518.3
Q3	19,255.7	9,365.9	8,240.1	929.9	87.5	842.4	3,938.2	1,221.8	2,716.4	4,497.7	300.2	4,197.5	527.8
Q4	19,520.9	9,590.3	8,450.6	936.8	79.8	857.1	4,039.9	1,262.2	2,777.8	4,613.5	306.6	4,306.9	586.0
2006 Q1	20,163.4	9,829.6	8,645.3	932.5	86.7	845.8	4,180.9	1,286.5	2,894.4	4,716.2	302.7	4,413.5	654.2
Transactions													
2004 Q4	107.7	145.0	139.7	1.9	-9.2	11.1	55.6	23.1	32.4	87.5	5.8	81.7	1.7
2005 Q1	237.8	102.2	87.2	-6.2	-3.4	-2.8	43.4	5.8	37.6	65.0	0.7	64.3	7.6
Q2	337.4	200.7	187.8	0.8	4.8	-4.0	84.8	39.3	45.5	115.1	10.4	104.6	60.9
Q3	212.6	130.5	133.4	4.4	5.3	-0.9	33.6	-16.6	50.2	92.4	-2.5	94.9	23.4
Q4	285.7	269.0	227.0	14.4	-7.5	21.9	132.0	46.1	85.9	122.7	6.6	116.0	53.9
2006 Q1	299.9	203.5	176.8	-5.1	6.9	-12.0	119.8	21.7	98.1	88.8	-2.3	91.1	50.6
Growth rates													
2004 Q4	4.3	5.0	5.9	-0.9	-1.7	-0.8	3.3	2.0	4.0	8.1	1.9	8.6	2.3
2005 Q1	4.5	5.6	6.0	-2.0	-10.1	-1.1	4.8	3.1	5.5	8.2	3.9	8.5	1.7
Q2	4.8	6.1	6.6	-0.9	-10.1	0.1	5.1	4.8	5.3	8.6	4.9	8.9	16.7
Q3	5.1	6.6	7.1	0.1	-2.8	0.4	5.8	4.4	6.5	8.7	5.0	9.0	21.9
Q4	6.0	7.9	8.2	1.4	-0.9	1.7	7.8	6.3	8.5	9.4	5.2	9.7	33.5
2006 Q1	6.2	8.9	9.2	1.6	12.4	0.6	9.7	7.6	10.7	9.8	4.2	10.2	41.8
Securities other than shares issued by													
	Total			General government			Non-financial corporations			Quoted shares issued by non-financial corporations	Deposit liabilities of general 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													
2004 Q4	5,371.4	4,718.9	590.8	4,128.0	652.5	221.3	431.1	2,980.4	288.5	300.9			
2005 Q1	5,496.8	4,835.2	601.3	4,233.8	661.7	235.5	426.2	3,138.6	279.1	303.7			
Q2	5,708.2	5,031.5	622.8	4,408.7	676.7	240.7	436.0	3,243.6	293.6	307.0			
Q3	5,703.1	5,025.5	610.6	4,414.9	677.6	237.2	440.4	3,580.2	296.1	310.5			
Q4	5,629.7	4,960.4	586.5	4,373.9	669.3	235.6	433.7	3,675.5	311.7	313.7			
2006 Q1	5,614.3	4,941.1	595.9	4,345.1	673.3	246.9	426.4	4,082.8	319.6	317.1			
Transactions													
2004 Q4	-50.9	-41.6	-25.1	-16.5	-9.3	-7.3	-1.9	2.7	7.0	4.0			
2005 Q1	137.4	123.6	9.1	114.5	13.8	15.4	-1.6	4.7	-9.3	2.8			
Q2	117.4	111.1	22.7	88.4	6.3	5.0	1.3	1.4	14.5	3.3			
Q3	-3.2	-3.1	-12.1	9.0	-0.1	-3.6	3.4	79.3	2.6	3.4			
Q4	-21.4	-18.5	-24.0	5.5	-2.9	-4.4	1.5	20.5	14.4	3.2			
2006 Q1	87.7	79.3	9.7	69.6	8.4	11.3	-2.9	-2.5	7.9	3.4			
Growth rates													
2004 Q4	4.9	5.2	6.2	5.1	2.3	8.4	-0.6	0.5	8.4	4.6			
2005 Q1	4.8	4.8	1.0	5.3	5.5	8.4	4.0	0.5	4.6	4.5			
Q2	4.8	5.0	1.2	5.6	3.0	4.3	2.3	0.5	7.1	4.5			
Q3	3.7	4.0	-0.9	4.8	1.6	4.2	0.3	3.2	5.3	4.5			
Q4	4.3	4.5	-0.7	5.3	2.6	5.6	1.1	3.6	7.7	4.2			
2006 Q1	3.3	3.5	-0.6	4.1	1.8	3.5	0.8	3.1	14.1	4.4			

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											
2004 Q4	4,239.1	583.2	59.2	500.8	2.5	20.8	357.0	62.6	294.4	1,731.1	84.0	1,647.1
2005 Q1	4,361.1	597.0	65.7	508.8	2.7	19.8	356.6	63.1	293.5	1,774.7	83.4	1,691.3
Q2	4,497.5	595.8	61.2	511.3	2.7	20.6	352.6	64.7	287.9	1,840.3	83.8	1,756.5
Q3	4,673.2	602.9	60.0	517.7	2.7	22.4	359.6	70.6	289.1	1,889.0	81.9	1,807.2
Q4	4,765.8	612.6	67.8	521.6	2.6	20.6	363.3	76.6	286.7	1,918.9	85.7	1,833.2
2006 Q1	4,935.2	613.0	65.6	525.2	2.5	19.7	377.1	81.0	296.0	1,941.2	89.5	1,851.7
	Transactions											
2004 Q4	59.3	9.9	-1.7	10.6	0.2	0.7	-8.3	-0.6	-7.8	49.6	4.1	45.5
2005 Q1	89.0	12.5	6.4	6.9	0.2	-1.0	-2.3	0.9	-3.2	50.1	-0.5	50.6
Q2	60.7	-2.0	-5.3	2.2	0.2	0.8	-4.2	1.6	-5.8	36.2	-0.6	36.8
Q3	85.5	7.1	-1.2	6.4	0.1	1.8	2.4	1.3	1.1	38.8	-2.0	40.8
Q4	77.0	8.7	7.4	3.1	0.0	-1.9	1.7	5.5	-3.8	46.3	3.0	43.4
2006 Q1	88.4	0.6	-2.0	3.6	-0.1	-0.8	5.7	4.4	1.3	43.3	3.9	39.4
	Growth rates											
2004 Q4	6.2	7.4	1.2	8.2	-12.0	7.8	-0.7	2.4	-1.4	10.2	13.8	10.1
2005 Q1	5.9	6.8	2.2	8.3	-11.6	-10.5	-3.5	1.4	-4.5	9.9	8.4	9.9
Q2	6.4	5.1	1.8	5.7	23.8	-2.8	-4.2	2.6	-5.7	10.2	4.9	10.5
Q3	7.1	4.8	-2.8	5.3	30.1	12.0	-3.4	5.1	-5.2	10.5	1.5	10.9
Q4	7.4	4.5	12.5	3.7	18.4	-0.8	-0.7	14.9	-4.0	9.9	-0.1	10.4
2006 Q1	7.1	2.4	-1.7	3.0	7.2	-0.3	1.6	20.4	-2.5	9.3	5.1	9.5

	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/units			Total	Taken from euro area MFIs			Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims
	Outstanding amounts												
2004 Q4	1,439.1	683.9	755.3	67.4	128.7	4,371.6	79.5	48.6	21.1	207.9	4,063.0	3,469.7	593.3
2005 Q1	1,500.6	713.1	787.5	67.1	132.3	4,511.7	90.1	58.2	21.4	220.3	4,179.9	3,574.6	605.4
Q2	1,574.3	745.1	829.3	87.1	134.4	4,635.8	92.8	63.8	21.5	223.3	4,298.1	3,688.8	609.3
Q3	1,684.7	815.7	869.1	88.0	136.9	4,724.8	92.4	65.2	22.1	251.2	4,359.1	3,778.8	580.3
Q4	1,732.0	837.5	894.5	81.0	139.0	4,874.8	65.0	64.6	22.1	285.9	4,501.8	3,881.4	620.3
2006 Q1	1,865.0	911.3	953.7	80.2	139.0	5,027.2	82.4	81.9	22.2	298.7	4,623.9	3,993.0	631.0
	Transactions												
2004 Q4	7.0	-0.2	7.2	5.1	1.1	43.2	-11.0	-3.6	-0.1	0.1	54.2	50.5	3.7
2005 Q1	25.2	7.0	18.2	-0.3	3.5	84.0	9.7	8.6	0.6	0.0	73.6	61.6	12.0
Q2	28.7	4.5	24.2	6.7	2.0	74.9	2.8	5.5	0.0	0.5	71.6	67.4	4.2
Q3	34.6	17.1	17.6	1.0	2.5	75.5	-0.4	1.4	0.5	1.1	74.3	67.6	6.7
Q4	18.8	-4.7	23.5	-8.0	1.5	79.6	-0.5	-0.6	0.1	4.0	76.0	70.8	5.2
2006 Q1	35.0	2.4	32.6	-0.9	3.8	112.5	17.3	17.1	0.0	0.1	95.2	84.6	10.6
	Growth rates												
2004 Q4	2.8	0.8	4.7	4.8	6.1	6.2	5.5	36.9	-9.1	1.6	6.5	6.8	4.7
2005 Q1	3.4	1.9	4.8	6.3	6.3	6.0	5.4	23.7	-6.7	1.2	6.3	6.6	4.6
Q2	5.3	3.1	7.4	17.3	7.0	6.2	3.5	17.6	-6.0	1.4	6.6	7.0	4.3
Q3	6.8	4.3	9.1	20.2	7.1	6.5	1.2	22.8	5.0	0.9	6.9	7.3	4.5
Q4	7.5	3.5	11.0	-0.9	7.4	7.2	14.5	30.8	6.2	2.7	7.3	7.7	4.7
2006 Q1	7.8	2.7	12.4	-1.8	7.4	7.6	21.2	40.4	3.2	2.6	7.6	8.1	4.4

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
1999	508.0	1,353.7	-871.5	25.7	0.1	3,313.5	-1.3	566.5	499.5	879.5	1,090.1	264.7	14.4
2000	565.4	1,456.0	-927.2	36.3	0.3	3,282.1	-1.3	369.1	334.9	797.9	1,506.6	251.4	23.5
2001	517.6	1,483.0	-976.7	10.6	0.6	2,797.7	0.5	583.2	578.4	693.8	727.1	254.4	-39.6
2002	453.0	1,481.8	-1,013.9	-15.3	0.5	2,545.7	-0.9	802.0	376.5	520.7	599.7	226.2	21.5
2003	464.0	1,507.3	-1,043.4	-0.3	0.4	2,756.8	-1.7	737.8	576.0	613.6	577.0	240.9	13.2
2004	509.7	1,573.2	-1,086.0	22.6	-0.2	3,148.8	-1.6	1,007.4	647.0	710.5	520.3	257.7	7.6

	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	
1999	488.6	1,347.3	-871.5	12.8	3,333.0	842.5	554.4	773.5	894.5	268.0	
2000	505.3	1,419.7	-927.2	12.8	3,342.1	507.7	474.0	903.2	1,200.7	256.6	
2001	481.8	1,451.1	-976.7	7.4	2,833.4	614.0	512.4	673.2	773.1	260.7	
2002	517.9	1,521.3	-1,013.9	10.6	2,480.7	637.8	437.7	565.4	610.0	229.8	
2003	500.3	1,528.8	-1,043.4	14.9	2,720.5	672.9	587.1	581.0	629.1	250.4	
2004	538.9	1,608.4	-1,086.0	16.5	3,119.5	1,120.9	684.5	548.1	506.5	259.5	

## 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
1999	257.5	728.5	-489.2	619.9	29.9	79.6	187.4	319.4	96.6	529.8	780.8	46.8	433.4	289.7
2000	380.8	803.4	-524.2	938.4	68.2	68.5	244.2	543.7	83.4	557.3	1,235.8	70.3	632.6	521.1
2001	279.6	821.3	-554.9	623.3	106.5	45.6	183.2	234.3	95.6	587.9	807.3	104.1	381.0	310.8
2002	219.8	810.8	-576.9	408.8	24.9	22.1	65.5	256.7	123.2	639.8	505.3	17.8	268.5	206.5
2003	218.6	814.5	-592.0	378.0	91.2	-26.0	150.5	202.1	116.3	663.2	480.2	72.5	210.4	183.5
2004	254.8	850.6	-614.2	267.5	83.5	-48.6	85.2	164.9	156.0	714.6	366.3	16.8	165.9	170.5

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	Gross disposable income	Gross saving ratio <sup>6)</sup>	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1999	199.1	427.4	-232.9	472.0	116.6	-60.7	190.4	250.0	400.9	608.5	270.3	268.8	4,230.0	14.2	
2000	201.4	445.2	-245.1	422.5	78.7	28.8	119.8	245.5	392.7	612.0	231.3	229.3	4,436.0	13.7	
2001	184.8	443.9	-257.6	433.2	168.1	59.4	35.7	234.2	435.9	675.6	182.1	180.4	4,667.4	14.3	
2002	185.9	455.4	-267.9	493.2	219.6	16.2	0.1	216.3	458.1	719.0	221.0	218.9	4,824.2	14.7	
2003	190.1	465.1	-278.6	531.0	217.5	-45.6	92.3	240.0	470.7	735.9	250.4	248.3	4,958.7	14.7	
2004	202.5	491.4	-291.9	601.6	237.3	62.8	18.9	246.4	485.9	761.9	318.1	315.8	5,128.9	14.7	

Source: ECB.

- 1) Including net acquisition of valuables.
- 2) Excluding financial derivatives.
- 3) Financial derivatives and other accounts receivable/payable.
- 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 divided by gross disposable income and net increase in claims on pension funds reserves.



## FINANCIAL MARKETS

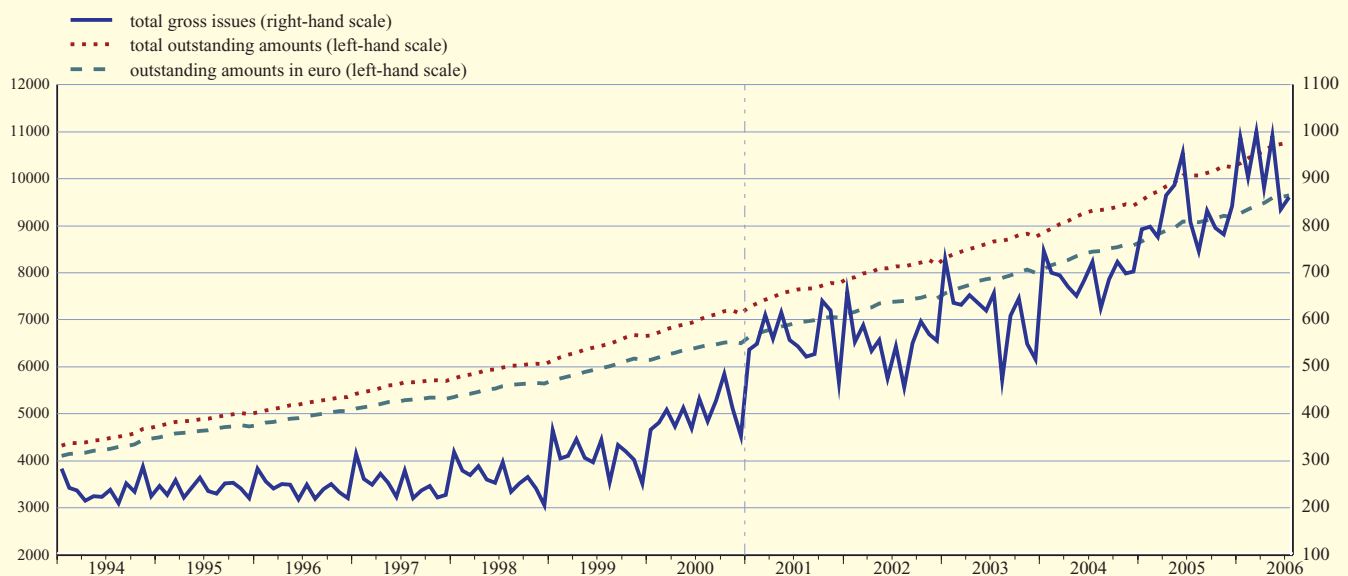
### 4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

(EUR billions and period growth rates; seasonally adjusted; transactions during the month and end-of-period outstanding amounts; nominal values)

	Total in euro <sup>1)</sup>			By euro area residents								
	Outstanding amounts	Gross issues	Net issues	In euro			In all currencies					
				Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted <sup>2)</sup>	
											Net issues	6-month growth rates
1	2	3	4	5	6	7	8	9	10	11	12	
Total												
2005 July	10,622.7	818.9	-23.3	9,084.8	763.2	2.6	10,067.9	806.9	4.5	7.6	12.9	8.0
Aug.	10,630.3	758.2	3.9	9,077.7	705.6	-10.8	10,068.8	746.2	-3.5	7.3	38.7	6.8
Sep.	10,729.4	894.4	100.5	9,113.9	787.6	37.4	10,125.5	832.4	48.6	7.4	48.3	7.3
Oct.	10,744.3	798.3	15.3	9,150.5	745.0	36.7	10,180.2	794.9	53.8	7.5	54.3	6.4
Nov.	10,821.8	801.7	79.1	9,210.5	734.6	61.6	10,267.2	781.5	74.2	7.5	71.1	7.3
Dec.	10,835.6	870.9	12.5	9,187.3	794.7	-24.4	10,249.2	841.5	-25.0	7.5	75.7	6.1
2006 Jan.	10,884.8	972.1	55.2	9,266.1	927.6	84.7	10,332.3	987.8	103.2	7.6	61.6	7.1
Feb.	10,993.2	918.4	105.8	9,345.7	846.6	76.9	10,439.6	903.4	89.5	7.2	61.8	7.5
Mar.	11,147.1	1,052.6	153.6	9,427.0	937.8	81.1	10,524.2	999.3	97.5	7.6	70.6	7.9
Apr.	11,168.4	873.1	18.2	9,478.4	821.4	48.5	10,581.2	881.5	66.8	7.2	54.9	7.9
May	11,295.0	1,008.1	126.6	9,592.7	939.6	114.3	10,704.4	991.8	128.2	7.8	91.0	8.3
June	11,349.2	882.8	59.4	9,610.1	784.4	22.6	10,730.0	834.2	28.6	6.6	21.1	7.1
July	.	.	.	9,644.5	811.8	33.9	10,781.2	861.1	46.5	7.0	55.5	6.9
Long-term												
2005 July	9,678.8	160.1	-0.9	8,235.7	131.4	-7.0	9,088.8	146.1	-2.4	8.4	8.1	8.8
Aug.	9,677.5	86.9	-4.9	8,222.6	63.8	-16.8	9,086.3	77.3	-9.3	8.1	28.3	7.4
Sep.	9,745.2	188.6	68.6	8,265.5	143.8	43.5	9,146.1	163.3	54.9	8.0	47.5	7.5
Oct.	9,776.7	166.5	32.5	8,283.1	137.4	18.4	9,180.6	159.3	31.6	8.0	44.8	6.8
Nov.	9,859.1	168.3	83.3	8,348.0	131.9	65.8	9,270.1	152.6	80.5	8.2	76.7	7.7
Dec.	9,902.7	178.3	41.7	8,374.9	147.2	25.1	9,302.6	166.0	27.3	8.3	72.0	6.2
2006 Jan.	9,945.6	195.9	48.2	8,414.1	173.5	44.5	9,342.7	195.4	56.9	8.1	57.3	7.3
Feb.	10,035.5	215.0	88.5	8,475.7	170.7	60.1	9,428.5	196.3	72.3	7.6	49.9	7.8
Mar.	10,134.1	245.3	98.9	8,547.2	194.3	71.8	9,497.8	220.1	80.1	7.8	60.7	8.1
Apr.	10,168.9	172.9	33.2	8,576.3	141.2	27.8	9,534.3	169.1	46.6	7.5	48.0	8.1
Apr.	10,267.2	202.9	98.2	8,662.3	166.9	85.9	9,627.8	186.5	95.5	7.7	63.5	7.7
May	10,323.8	195.4	57.9	8,727.5	167.7	66.4	9,710.8	189.9	80.0	6.7	52.0	7.2
June	.	.	.	8,753.2	157.9	25.9	9,755.1	179.2	40.3	7.2	52.2	7.1

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

(EUR billions)



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

- 1) Total euro-denominated securities, other than shares, issued by euro area residents and non-euro area residents.
- 2) For the calculation of the growth rates, see the Technical notes. The 6-month growth rates have been annualised.

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

(EUR billions ; transactions during the month and end-of-period outstanding amounts; nominal values)

### 1. Outstanding amounts and gross issues

	Outstanding amounts						Gross issues					
	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											
2004	9,429	3,713	737	591	4,138	250	8,306	5,480	223	1,028	1,492	83
2005	10,249	4,109	927	610	4,321	283	9,876	6,983	325	1,032	1,442	95
2005 Q3	10,126	4,046	842	613	4,354	271	2,385	1,732	49	251	332	21
Q4	10,249	4,109	927	610	4,321	283	2,418	1,747	116	250	279	26
2006 Q1	10,524	4,260	970	619	4,387	289	2,890	2,107	83	257	421	22
Q2	10,730	4,335	1,034	632	4,431	298	2,708	1,973	108	250	354	22
2006 Apr.	10,581	4,294	987	624	4,387	289	881	639	32	81	124	5
May	10,704	4,352	1,003	638	4,418	293	992	740	30	93	121	8
June	10,730	4,335	1,034	632	4,431	298	834	595	46	75	109	9
July	10,781	4,371	1,050	631	4,430	299	861	615	29	76	134	6
	Short-term											
2004	926	447	7	90	376	5	6,366	4,574	44	931	784	33
2005	947	482	7	90	363	5	7,807	6,046	45	942	740	33
2005 Q3	979	475	7	99	393	5	1,999	1,560	12	235	184	9
Q4	947	482	7	90	363	5	1,940	1,531	10	221	170	8
2006 Q1	1,026	539	7	98	377	5	2,279	1,817	13	242	199	8
Q2	1,019	531	10	98	375	5	2,162	1,739	16	219	180	8
2006 Apr.	1,047	557	8	101	376	5	712	568	5	74	63	3
May	1,077	579	9	106	378	5	805	662	6	78	57	3
June	1,019	531	10	98	375	5	644	509	5	67	60	3
July	1,026	536	10	98	377	5	682	543	5	68	63	3
	Long-term <sup>1)</sup>											
2004	8,503	3,266	729	501	3,762	245	1,940	905	179	97	708	49
2005	9,303	3,627	920	519	3,959	278	2,069	937	279	89	702	61
2005 Q3	9,146	3,571	835	514	3,961	265	387	172	38	17	148	12
Q4	9,303	3,627	920	519	3,959	278	478	216	106	29	109	18
2006 Q1	9,498	3,720	963	521	4,009	285	612	290	70	15	222	15
Q2	9,711	3,804	1,025	534	4,056	293	545	234	92	31	175	14
2006 Apr.	9,534	3,736	979	524	4,012	284	169	71	27	8	62	2
May	9,628	3,774	994	532	4,040	288	186	77	24	15	64	5
June	9,711	3,804	1,025	534	4,056	293	190	86	41	8	49	6
July	9,755	3,835	1,040	533	4,053	294	179	72	24	8	72	3
	Of which long-term fixed rate											
2004	6,380	1,929	416	410	3,439	186	1,193	408	70	61	620	36
2005	6,711	2,016	458	409	3,610	217	1,227	413	91	54	620	48
2005 Q3	6,671	2,014	435	412	3,603	207	235	80	8	8	133	8
Q4	6,711	2,016	458	409	3,610	217	264	95	35	16	103	14
2006 Q1	6,812	2,060	475	404	3,648	225	400	155	31	8	195	12
Q2	6,907	2,080	500	410	3,686	232	331	109	42	19	150	10
2006 Apr.	6,825	2,059	482	404	3,656	224	101	31	14	4	52	1
May	6,870	2,073	482	409	3,678	227	115	38	7	10	57	3
June	6,907	2,080	500	410	3,686	232	114	41	21	5	41	6
July	6,917	2,086	501	408	3,689	233	109	29	5	6	66	2
	Of which long-term variable rate											
2004	1,870	1,148	310	77	276	59	620	404	110	32	60	14
2005	2,258	1,343	457	94	304	60	715	429	188	28	58	12
2005 Q3	2,165	1,310	396	86	315	58	124	76	30	6	8	5
Q4	2,258	1,343	457	94	304	60	185	95	70	12	4	4
2006 Q1	2,331	1,383	484	97	307	60	172	108	39	4	18	3
Q2	2,428	1,421	520	107	319	61	173	92	49	12	15	4
2006 Apr.	2,355	1,393	492	100	310	60	52	28	13	4	6	1
May	2,395	1,409	507	104	313	61	61	33	17	5	4	2
June	2,428	1,421	520	107	319	61	59	31	19	3	6	1
July	2,462	1,435	535	109	323	61	58	33	19	2	4	1

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

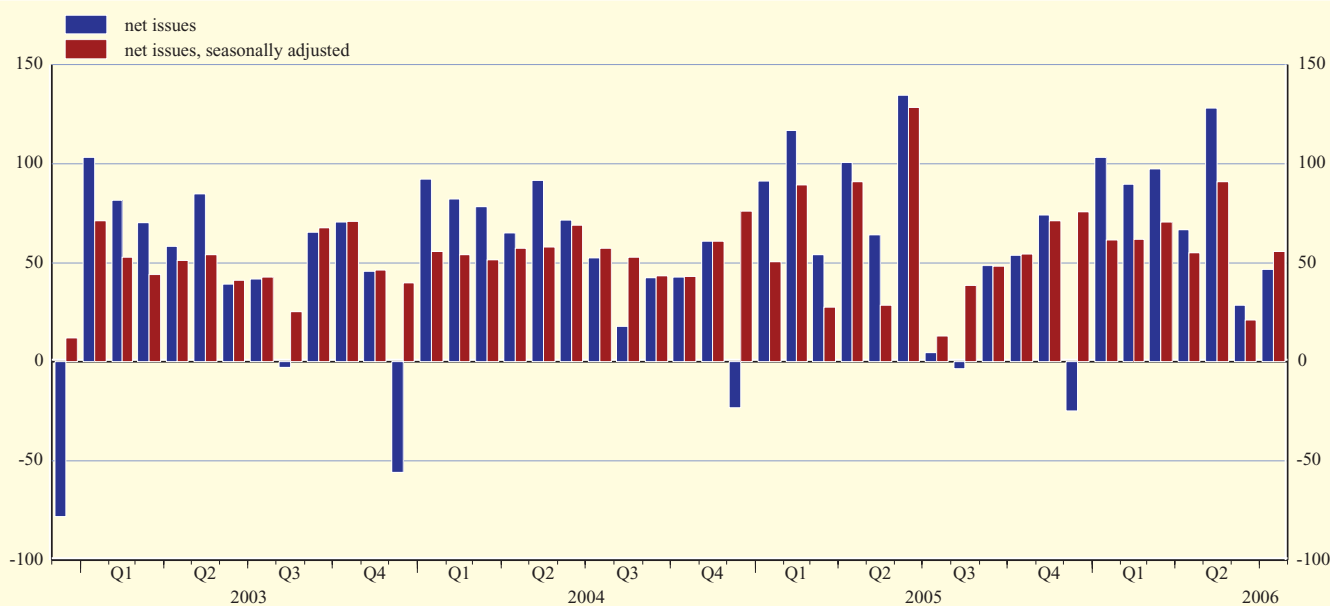
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

### 2. Net issues

	Non-seasonally adjusted						Seasonally adjusted					
	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											
2004	673.6	350.4	75.2	8.4	208.1	31.5	678.1	354.0	73.1	8.2	211.1	31.7
2005	714.2	315.6	177.2	21.8	167.3	32.2	715.8	319.0	173.0	22.0	169.5	32.4
2005 Q3	49.7	38.3	12.3	-0.8	-4.6	4.5	99.9	51.9	24.6	2.9	13.7	6.8
Q4	103.0	44.8	81.3	-0.2	-35.1	12.3	201.1	78.1	59.2	5.8	46.9	11.0
2006 Q1	290.1	158.8	45.3	10.6	68.5	6.9	193.9	107.0	65.4	7.3	8.1	6.1
Q2	223.5	81.7	66.8	17.7	48.4	8.9	166.9	86.1	54.3	11.0	7.1	8.4
2006 Apr.	66.8	38.9	18.6	6.2	3.5	-0.4	54.9	30.7	19.0	4.0	1.3	-0.1
May	128.2	59.4	17.1	14.5	32.8	4.3	91.0	51.0	18.5	9.0	8.1	4.3
June	28.6	-16.6	31.1	-3.0	12.1	5.0	21.1	4.4	16.8	-2.0	-2.3	4.2
July	46.5	31.8	15.6	-0.9	-1.1	1.1	55.5	24.1	13.9	-3.3	18.9	2.0
	Long-term											
2004	615.1	297.8	73.8	12.0	201.7	29.8	617.8	299.1	71.7	12.0	205.1	30.0
2005	708.5	292.9	177.6	22.2	183.3	32.5	710.1	294.8	173.4	22.1	187.2	32.6
2005 Q3	43.3	28.1	12.7	5.8	-7.7	4.5	83.9	32.1	25.0	7.7	12.3	6.7
Q4	139.4	40.6	81.4	8.6	-3.9	12.7	193.6	68.7	59.4	7.8	45.9	11.6
2006 Q1	209.3	100.8	45.3	2.8	53.4	7.0	168.0	70.3	65.4	8.0	18.3	6.0
Q2	222.2	85.4	63.9	14.5	49.6	8.9	163.5	83.1	51.3	7.9	12.8	8.5
2006 Apr.	46.6	21.8	17.2	3.6	4.7	-0.6	48.0	21.5	18.1	3.8	4.7	-0.2
May	95.5	35.3	16.7	9.2	29.9	4.5	63.5	25.6	18.0	5.7	9.7	4.6
June	80.0	28.3	30.0	1.7	15.0	5.0	52.0	36.0	15.2	-1.7	-1.6	4.1
July	40.3	27.3	15.3	-0.2	-2.8	0.7	52.2	22.2	13.8	-2.2	16.5	1.9

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

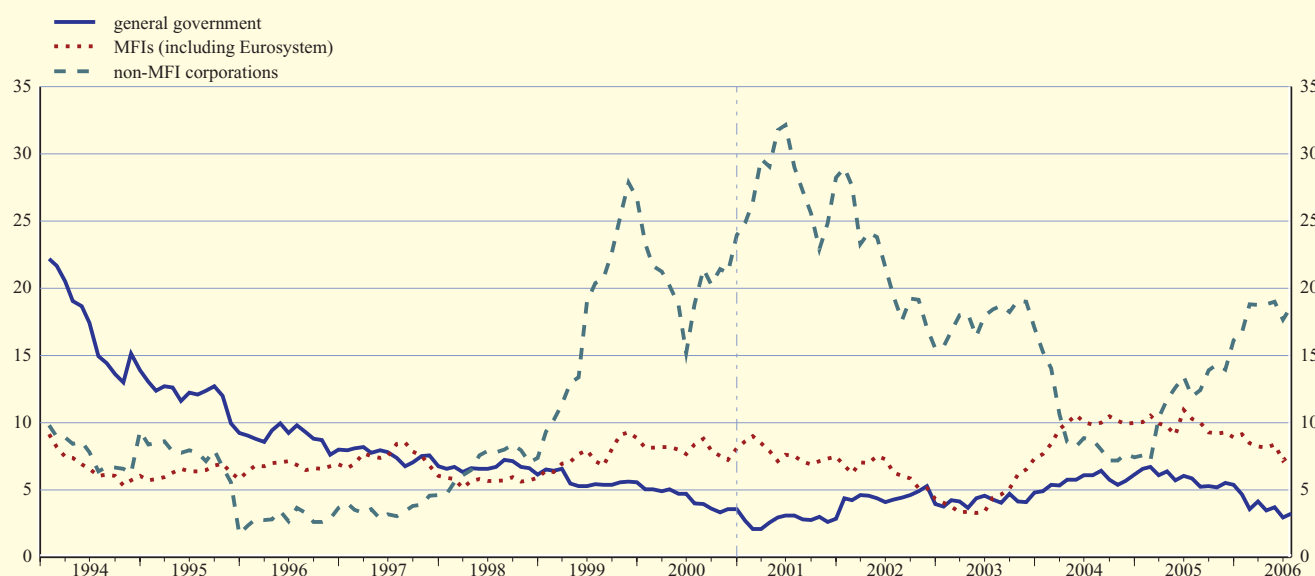
(EUR billions; transactions during the month; nominal values)



Source: ECB.

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

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			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											
2005 July	7.6	10.0	18.7	1.5	4.2	12.9	8.0	10.6	22.4	2.5	4.0	9.9
Aug.	7.3	10.0	18.8	2.3	3.6	12.1	6.8	9.6	22.9	1.9	2.2	9.4
Sep.	7.4	9.4	21.2	2.9	3.7	11.8	7.3	9.2	23.3	1.9	3.4	10.2
Oct.	7.5	9.4	21.4	4.1	3.6	12.2	6.4	8.4	23.5	2.0	2.2	9.0
Nov.	7.5	9.4	21.1	3.1	3.9	12.3	7.3	9.2	22.3	1.5	3.3	13.8
Dec.	7.5	8.4	23.8	3.7	4.0	12.9	6.1	6.6	21.4	2.9	2.8	13.9
2006 Jan.	7.6	9.1	24.3	3.5	3.6	11.3	7.1	7.7	26.2	4.6	3.1	12.7
Feb.	7.2	8.9	26.9	3.2	2.5	11.9	7.5	8.1	31.0	4.6	2.8	14.2
Mar.	7.6	9.3	27.3	3.0	3.0	11.6	7.9	9.3	31.5	4.3	2.6	13.0
Apr.	7.2	8.9	27.3	2.7	2.4	10.2	7.9	9.3	31.3	3.4	2.7	11.4
May	7.8	9.9	26.7	4.1	2.6	12.1	8.3	10.5	31.3	6.9	1.8	10.5
June	6.6	8.1	24.8	4.5	1.8	12.3	7.1	9.5	28.1	6.0	0.7	10.5
July	7.0	8.3	26.7	4.3	2.2	11.6	6.9	9.0	27.2	4.1	1.2	10.5
	Long-term											
2005 July	8.4	10.3	18.6	2.7	5.4	13.2	8.8	11.0	22.6	2.7	5.1	10.5
Aug.	8.1	10.0	18.8	3.5	4.8	12.4	7.4	9.3	23.5	4.5	3.0	9.9
Sep.	8.0	9.3	21.3	3.7	4.8	12.2	7.5	8.5	23.7	4.1	3.9	10.5
Oct.	8.0	9.2	21.5	4.3	4.7	12.5	6.8	8.4	24.0	5.0	2.3	9.1
Nov.	8.2	9.3	21.2	3.7	5.0	13.0	7.7	9.0	22.7	5.5	3.6	14.2
Dec.	8.3	8.9	24.1	4.4	4.9	13.2	6.2	5.8	21.8	6.3	3.0	14.6
2006 Jan.	8.1	9.1	24.6	5.1	4.2	11.8	7.3	7.3	26.5	7.4	3.2	13.1
Feb.	7.6	8.5	27.3	6.1	3.0	12.6	7.8	7.7	31.1	7.6	2.9	15.0
Mar.	7.8	8.2	27.7	5.2	3.6	12.1	8.1	7.9	31.9	6.3	3.3	13.6
Apr.	7.5	8.1	27.6	5.4	3.0	10.5	8.1	7.8	31.3	5.8	3.6	12.0
May	7.7	8.4	26.8	6.8	3.1	12.5	7.7	7.7	31.2	8.1	2.6	11.0
June	6.7	7.2	24.7	6.3	2.3	12.7	7.2	8.6	27.6	6.2	1.6	10.7
July	7.2	7.7	26.6	5.8	2.6	11.8	7.1	8.0	26.7	4.3	2.1	10.5

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


Source: ECB.

1) For the calculation of the growth rates, see the Technical notes. The 6-month growth rates have been annualised.



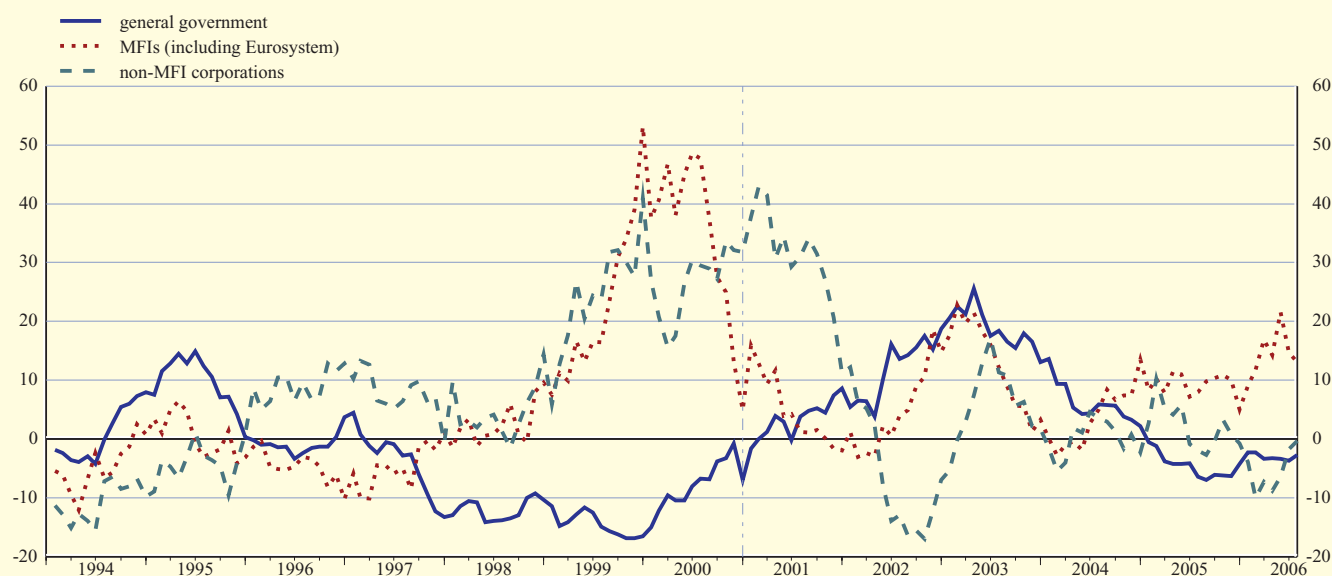
#### 4.3 Growth rates of securities, other than shares, issued by euro area residents <sup>1)</sup> (cont'd)

(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											
2004	5.1	3.1	6.5	3.4	5.8	14.7	16.2	18.5	27.1	8.8	0.3	26.5
2005	4.7	3.1	5.7	0.3	5.4	15.0	19.4	18.3	35.9	22.6	9.8	4.7
2005 Q3	4.5	3.0	6.4	0.6	5.0	15.6	20.7	19.7	38.9	17.7	11.5	1.7
Q4	4.7	3.9	6.4	0.5	4.8	15.9	19.1	15.3	43.9	19.6	11.7	1.9
2006 Q1	4.3	4.3	8.9	0.7	3.5	15.6	19.0	14.3	48.9	24.5	7.8	1.1
Q2	4.2	4.4	11.7	0.8	3.0	13.5	16.9	11.9	46.2	28.0	3.6	5.1
2006 Feb.	3.9	4.1	9.6	1.3	2.6	16.2	19.1	14.0	51.1	25.1	7.6	0.0
Mar.	4.4	4.4	10.3	0.3	3.6	14.5	18.0	12.7	51.3	24.9	4.9	3.2
Apr.	4.1	4.3	11.5	0.3	3.1	12.3	17.0	12.3	48.9	26.4	2.0	3.4
May	4.3	4.7	11.9	1.6	3.0	14.0	17.4	12.2	45.4	29.9	5.1	6.5
June	3.8	4.1	13.2	1.0	2.2	14.2	14.6	9.8	38.5	30.2	2.7	7.5
July	4.3	4.5	14.4	0.5	2.8	13.7	15.4	10.2	40.8	30.7	4.3	5.4
	In euro											
2004	4.8	1.3	10.5	2.0	5.9	14.7	15.6	17.8	27.2	9.1	0.2	25.3
2005	4.3	0.9	9.1	-0.1	5.3	15.3	18.8	17.2	35.2	22.6	10.2	5.3
2005 Q3	4.1	1.0	9.9	0.4	4.9	16.0	20.5	18.9	38.4	18.5	12.1	2.6
Q4	4.2	1.9	8.5	0.6	4.6	16.2	18.3	13.9	41.6	21.2	12.2	2.2
2006 Q1	3.7	2.4	9.1	0.5	3.5	16.1	18.2	12.9	46.2	26.4	8.2	1.0
Q2	3.6	2.7	10.0	0.8	3.1	13.9	15.6	10.2	42.1	31.5	3.7	4.0
2006 Feb.	3.3	2.3	9.6	1.3	2.6	16.7	18.3	12.6	48.0	27.2	8.0	-0.4
Mar.	3.8	2.7	9.2	0.2	3.5	15.1	17.3	11.5	48.2	26.9	5.0	2.8
Apr.	3.5	2.5	10.3	0.3	3.1	12.7	15.8	10.6	44.6	29.8	2.1	2.8
May	3.8	3.0	10.3	1.5	3.1	14.4	16.1	10.4	41.3	34.0	5.2	4.9
June	3.2	2.6	9.9	0.8	2.4	14.1	13.0	7.6	34.3	34.4	2.7	5.9
July	3.6	3.0	11.0	-0.5	2.9	13.6	13.9	8.1	35.9	35.2	4.4	3.9

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

(annual 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)

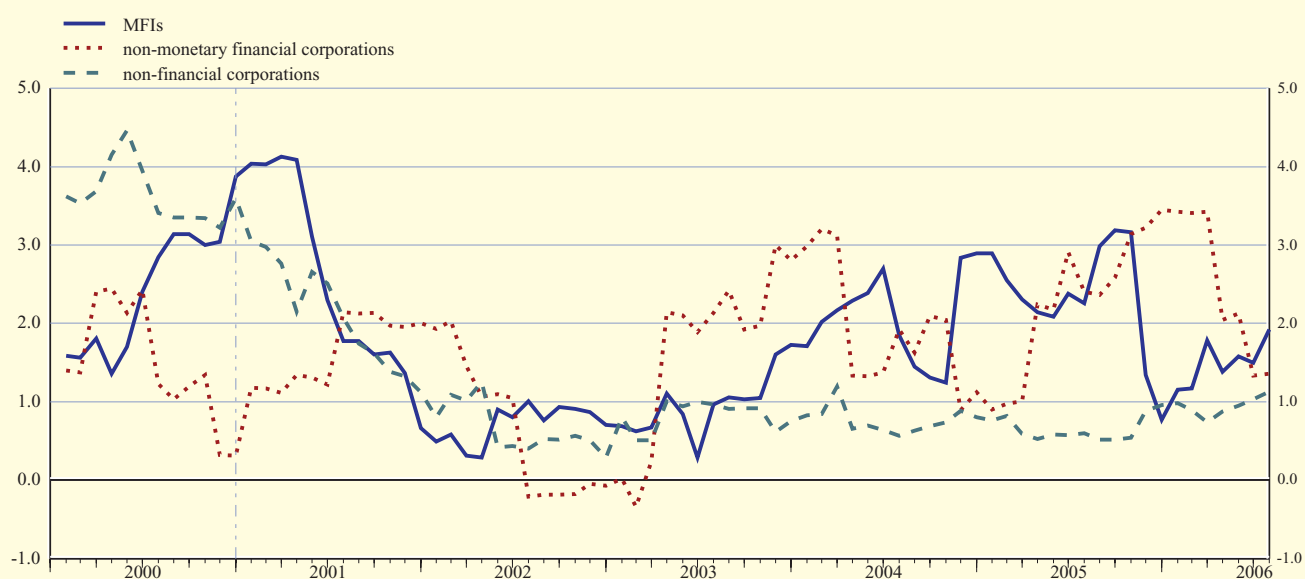
## 1. Outstanding amounts and annual growth rates

(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
2004 July	3,679.8	102.1	0.9	562.3	1.8	356.2	1.9	2,761.3	0.6
Aug.	3,621.2	102.0	0.9	562.5	1.4	355.3	1.6	2,703.4	0.6
Sep.	3,707.9	102.1	0.9	579.6	1.3	364.2	2.1	2,764.1	0.7
Oct.	3,787.6	102.2	0.9	598.0	1.2	374.6	2.0	2,815.0	0.7
Nov.	3,906.5	102.5	1.2	623.9	2.8	388.6	0.9	2,894.1	0.9
Dec.	4,033.8	102.6	1.2	643.7	2.9	407.7	1.1	2,982.4	0.8
2005 Jan.	4,138.0	102.6	1.1	662.6	2.9	414.2	0.9	3,061.3	0.8
Feb.	4,254.5	102.6	1.1	681.1	2.6	434.1	1.0	3,139.2	0.8
Mar.	4,242.4	102.7	0.9	677.7	2.3	424.0	1.0	3,140.7	0.6
Apr.	4,094.7	102.9	1.0	656.0	2.1	409.4	2.2	3,029.3	0.5
May	4,272.7	102.9	1.0	678.1	2.1	424.0	2.2	3,170.5	0.6
June	4,381.2	103.1	1.1	698.0	2.4	441.5	2.9	3,241.6	0.6
July	4,631.2	103.1	1.0	727.9	2.3	466.7	2.4	3,436.6	0.6
Aug.	4,605.9	103.1	1.1	723.4	3.0	457.1	2.4	3,425.4	0.5
Sep.	4,827.2	103.3	1.1	764.1	3.2	483.7	2.6	3,579.3	0.5
Oct.	4,659.4	103.4	1.2	752.4	3.2	480.5	3.1	3,426.6	0.5
Nov.	4,882.0	103.7	1.2	809.2	1.3	513.6	3.2	3,559.2	0.9
Dec.	5,056.2	103.8	1.2	836.4	0.8	540.8	3.4	3,679.1	1.0
2006 Jan.	5,289.1	103.9	1.3	884.8	1.2	535.8	3.4	3,868.5	1.0
Feb.	5,429.2	103.9	1.2	938.8	1.2	561.8	3.4	3,928.7	0.9
Mar.	5,629.8	103.9	1.2	962.3	1.8	579.1	3.4	4,088.4	0.7
Apr.	5,653.2	104.0	1.1	948.8	1.4	572.9	2.0	4,131.5	0.9
May	5,364.6	104.2	1.2	896.7	1.6	533.5	2.1	3,934.4	1.0
June	5,375.5	104.3	1.1	905.0	1.5	528.6	1.3	3,941.9	1.0
July	5,376.0	104.4	1.3	918.5	1.9	544.3	1.4	3,913.2	1.1

## C19 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>

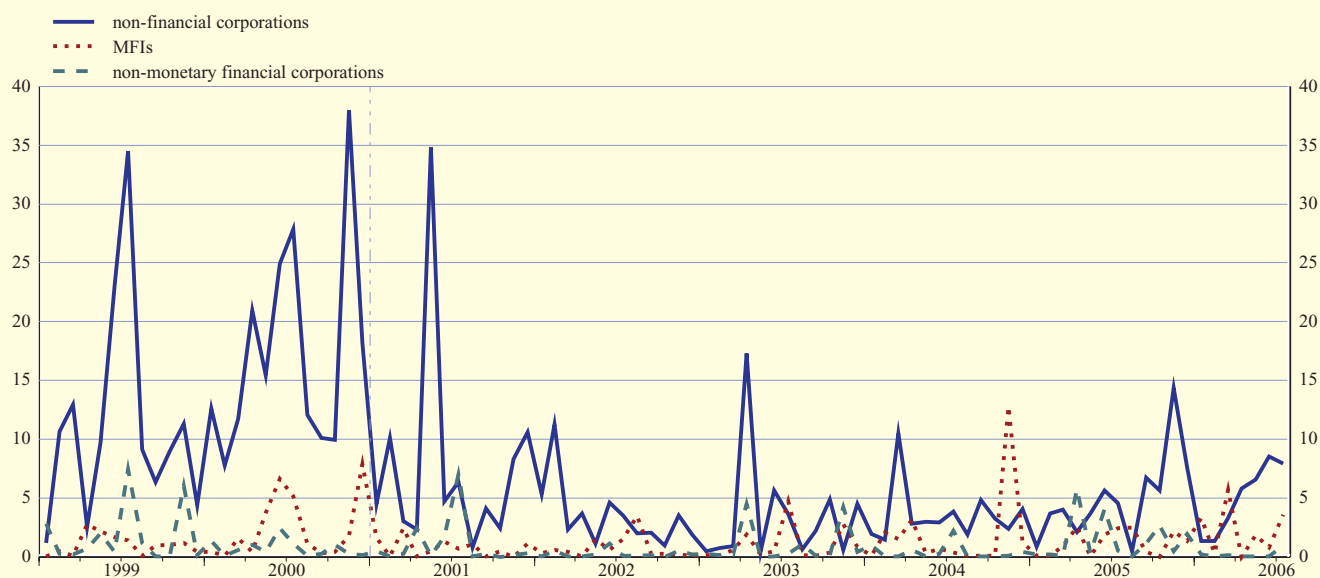
(EUR billions; market values)

##### 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
2004 July	6.4	3.8	2.6	0.4	0.0	0.4	2.2	0.0	2.2	3.9	3.8	0.1
Aug.	2.0	3.1	-1.1	0.1	2.2	-2.1	0.0	0.0	0.0	1.9	1.0	0.9
Sep.	4.9	2.2	2.8	0.1	0.9	-0.8	0.0	0.0	0.0	4.8	1.3	3.5
Oct.	3.3	0.7	2.6	0.1	0.0	0.1	0.0	0.0	0.0	3.2	0.7	2.5
Nov.	15.3	3.6	11.7	12.8	0.3	12.5	0.1	0.0	0.1	2.4	3.3	-0.9
Dec.	5.7	2.2	3.5	1.2	0.0	1.2	0.4	0.1	0.3	4.1	2.1	2.0
2005 Jan.	1.1	1.2	0.0	0.1	0.0	0.1	0.2	0.0	0.2	0.9	1.2	-0.3
Feb.	4.0	1.3	2.7	0.1	0.0	0.1	0.2	0.1	0.1	3.7	1.2	2.5
Mar.	5.0	1.8	3.2	0.9	0.8	0.1	0.1	0.1	0.0	4.0	0.8	3.2
Apr.	10.4	2.3	8.1	2.5	0.0	2.5	5.8	0.0	5.7	2.1	2.3	-0.2
May	4.0	3.2	0.7	0.0	0.0	0.0	0.3	0.6	-0.3	3.7	2.7	1.0
June	11.6	4.9	6.7	1.9	1.0	0.9	4.1	0.7	3.3	5.6	3.2	2.5
July	7.5	6.6	0.9	2.4	2.9	-0.4	0.5	0.0	0.5	4.5	3.7	0.8
Aug.	2.9	2.2	0.8	2.5	0.0	2.5	0.0	0.2	-0.1	0.4	2.0	-1.6
Sep.	8.2	2.3	5.9	0.4	0.0	0.4	1.1	0.1	1.0	6.7	2.2	4.5
Oct.	8.3	1.6	6.7	0.0	0.1	-0.1	2.6	0.0	2.6	5.6	1.4	4.2
Nov.	17.0	3.8	13.2	2.1	0.0	2.1	0.5	0.0	0.5	14.4	3.8	10.6
Dec.	10.9	7.3	3.5	1.3	4.3	-3.0	1.9	0.4	1.5	7.6	2.6	5.0
2006 Jan.	4.8	0.8	4.1	3.3	0.0	3.3	0.2	0.0	0.2	1.3	0.7	0.6
Feb.	1.7	1.7	0.0	0.3	0.1	0.2	0.0	0.0	0.0	1.3	1.6	-0.3
Mar.	9.1	5.4	3.7	5.7	0.0	5.7	0.1	0.0	0.1	3.3	5.4	-2.1
Apr.	5.8	0.4	5.4	0.0	0.2	-0.1	0.0	0.0	0.0	5.8	0.3	5.5
May	8.4	2.2	6.2	1.9	0.0	1.8	0.0	0.0	0.0	6.5	2.2	4.4
June	9.3	2.6	6.7	0.8	0.3	0.5	0.0	0.0	0.0	8.5	2.4	6.2
July	12.5	3.9	8.6	3.6	0.4	3.2	1.0	0.2	0.7	7.9	3.2	4.7

#### C20 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	9	10	11
2005 Aug.	0.68	1.95	2.07	2.09	1.98	2.31	0.97	2.02	2.23	2.91	2.01
Sep.	0.69	1.97	2.05	2.04	1.98	2.29	0.97	2.04	2.23	2.97	2.03
Oct.	0.69	1.99	2.28	2.16	1.97	2.27	0.97	2.04	2.58	3.54	2.01
Nov.	0.70	2.02	2.34	2.18	2.00	2.27	1.00	2.08	2.18	3.52	2.02
Dec.	0.71	2.15	2.25	2.21	1.97	2.30	1.02	2.25	2.48	3.55	2.22
2006 Jan.	0.73	2.21	2.47	2.56	2.00	2.32	1.05	2.27	2.40	3.52	2.25
Feb.	0.74	2.24	2.52	2.36	1.97	2.34	1.08	2.31	2.69	3.37	2.26
Mar.	0.76	2.37	2.60	2.45	1.98	2.37	1.14	2.48	2.93	3.28	2.44
Apr.	0.79	2.40	2.81	2.49	2.00	2.42	1.16	2.51	2.93	3.71	2.49
May	0.79	2.45	2.86	2.48	2.00	2.48	1.18	2.58	3.18	3.38	2.48
June	0.81	2.57	2.88	2.57	2.03	2.52	1.22	2.70	3.22	3.27	2.65
July	0.81	2.70	3.04	2.79	2.08	2.57	1.24	2.78	3.31	3.89	2.76

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

	Bank overdrafts <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	8	9	10	11	12	13
2005 Aug.	9.58	7.00	6.66	8.13	7.98	3.32	3.72	4.01	4.01	3.87	3.83	4.59	4.44
Sep.	9.61	7.03	6.43	7.94	7.83	3.31	3.69	3.99	3.97	3.82	3.85	4.51	4.29
Oct.	9.65	6.82	6.43	8.01	7.74	3.33	3.68	3.99	3.96	3.81	3.88	4.50	4.33
Nov.	9.70	6.75	6.40	7.85	7.61	3.38	3.71	3.98	3.98	3.84	4.00	4.28	4.37
Dec.	9.67	6.76	6.36	7.43	7.45	3.49	3.85	4.03	4.01	3.98	4.06	4.57	4.40
2006 Jan.	9.80	6.94	6.48	8.13	7.87	3.61	3.91	4.14	4.06	4.09	4.15	4.59	4.34
Feb.	9.61	6.88	6.34	7.95	7.76	3.66	3.97	4.14	4.06	4.08	4.24	4.66	4.35
Mar.	9.90	6.79	6.28	7.88	7.65	3.73	3.99	4.22	4.10	4.15	4.33	4.72	4.49
Apr.	9.76	7.06	6.31	7.92	7.76	3.84	4.07	4.33	4.17	4.29	4.30	4.85	4.62
May	9.78	7.23	6.23	7.89	7.77	3.90	4.15	4.40	4.19	4.34	4.43	5.05	4.76
June	9.84	7.11	6.31	7.82	7.71	4.00	4.19	4.48	4.25	4.42	4.52	5.09	4.71
July	9.86	7.34	6.31	8.02	7.87	4.11	4.23	4.52	4.34	4.52	4.55	5.24	4.74

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

	Bank overdrafts <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
2005 Aug.		5.10	3.91	4.45	4.16	3.00	3.53	3.80
Sep.		5.13	3.81	4.36	4.05	2.97	3.40	3.88
Oct.		5.11	3.88	4.43	4.04	2.94	3.58	3.80
Nov.		5.09	3.91	4.44	4.03	3.10	3.60	3.98
Dec.		5.12	3.99	4.50	4.12	3.25	3.58	3.96
2006 Jan.		5.23	4.07	4.59	4.13	3.18	3.72	3.96
Feb.		5.29	4.13	4.69	4.16	3.26	4.36	4.02
Mar.		5.30	4.23	4.59	4.16	3.50	3.83	4.18
Apr.		5.40	4.34	4.73	4.15	3.51	3.94	4.22
May		5.36	4.38	4.83	4.26	3.57	4.13	4.32
June		5.45	4.47	4.84	4.33	3.74	4.12	4.23
July		5.52	4.57	4.99	4.38	3.84	4.21	4.36

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)

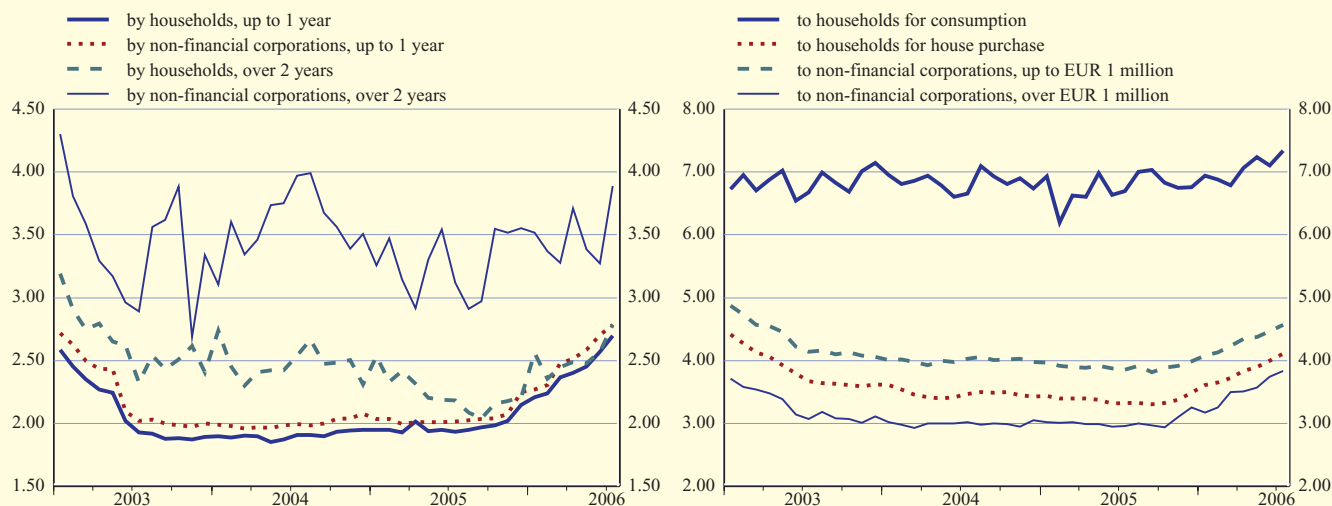
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight <sup>1)</sup>	With agreed maturity		Redeemable at notice <sup>1)2)</sup>		Overnight <sup>1)</sup>	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2005 Aug.	0.68	1.92	3.18	1.98	2.31	0.97	2.10	3.46	2.00
Sep.	0.69	1.92	3.19	1.98	2.29	0.97	2.12	3.56	2.01
Oct.	0.69	1.93	3.17	1.97	2.27	0.97	2.12	3.40	2.03
Nov.	0.70	1.96	3.15	2.00	2.27	1.00	2.16	3.43	2.06
Dec.	0.71	2.01	3.15	1.97	2.30	1.02	2.30	3.41	2.16
2006 Jan.	0.73	2.05	3.10	2.00	2.32	1.05	2.32	3.47	2.21
Feb.	0.74	2.09	3.12	1.97	2.34	1.08	2.38	3.47	2.27
Mar.	0.76	2.16	3.00	1.98	2.37	1.14	2.48	3.46	2.38
Apr.	0.79	2.21	3.01	2.00	2.42	1.16	2.53	3.51	2.42
May	0.79	2.27	3.04	2.00	2.48	1.18	2.59	3.52	2.49
June	0.81	2.34	3.07	2.03	2.52	1.22	2.72	3.53	2.63
July	0.81	2.43	3.02	2.08	2.57	1.24	2.80	3.57	2.71

#### 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
2005 Aug.	4.52	4.24	4.59	7.92	6.86	5.60	4.25	3.80	4.28
Sep.	4.49	4.23	4.59	7.91	6.85	5.67	4.25	3.78	4.26
Oct.	4.49	4.19	4.57	7.92	6.80	5.64	4.24	3.77	4.24
Nov.	4.48	4.17	4.53	7.86	6.77	5.66	4.29	3.79	4.25
Dec.	4.54	4.14	4.52	7.89	6.77	5.62	4.35	3.84	4.24
2006 Jan.	4.62	4.14	4.50	7.99	6.78	5.60	4.42	3.88	4.26
Feb.	4.59	4.17	4.54	7.97	6.78	5.68	4.49	3.95	4.31
Mar.	4.60	4.15	4.52	8.06	6.80	5.73	4.53	3.98	4.31
Apr.	4.63	4.16	4.52	8.10	6.73	5.75	4.59	4.05	4.34
May	4.63	4.16	4.52	8.10	6.70	5.71	4.64	4.10	4.36
June	4.69	4.21	4.55	8.10	6.75	5.73	4.72	4.19	4.40
July	4.70	4.21	4.57	8.15	6.82	5.82	4.81	4.27	4.45

**C21 New deposits with agreed maturity**  
(percentages per annum excluding charges; period averages)

**C22 New loans at floating rate and up to 1 year initial rate fixation**  
(percentages per annum excluding charges; period averages)



Source: ECB.

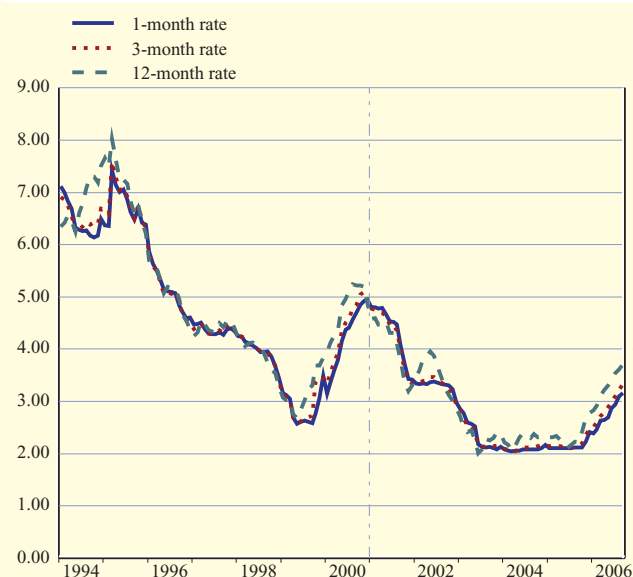
#### 4.6 Money market interest rates

(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
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
2005	2.09	2.14	2.18	2.23	2.33	3.56	0.06
2005 Q3	2.08	2.11	2.13	2.15	2.20	3.77	0.06
Q4	2.14	2.25	2.34	2.46	2.63	4.34	0.06
2006 Q1	2.40	2.50	2.61	2.75	2.95	4.76	0.08
Q2	2.63	2.74	2.90	3.06	3.32	5.21	0.21
Q3	2.94	3.06	3.22	3.41	3.62	5.43	0.41
2005 Sep.	2.09	2.12	2.14	2.17	2.22	3.91	0.06
Oct.	2.07	2.12	2.20	2.27	2.41	4.17	0.06
Nov.	2.09	2.22	2.36	2.50	2.68	4.35	0.06
Dec.	2.28	2.41	2.47	2.60	2.78	4.49	0.07
2006 Jan.	2.33	2.39	2.51	2.65	2.83	4.60	0.07
Feb.	2.35	2.46	2.60	2.72	2.91	4.76	0.07
Mar.	2.52	2.63	2.72	2.87	3.11	4.92	0.10
Apr.	2.63	2.65	2.79	2.96	3.22	5.07	0.11
May	2.58	2.69	2.89	3.06	3.31	5.18	0.19
June	2.70	2.87	2.99	3.16	3.40	5.38	0.32
July	2.81	2.94	3.10	3.29	3.54	5.50	0.40
Aug.	2.97	3.09	3.23	3.41	3.62	5.42	0.41
Sep.	3.04	3.16	3.34	3.53	3.72	5.38	0.42

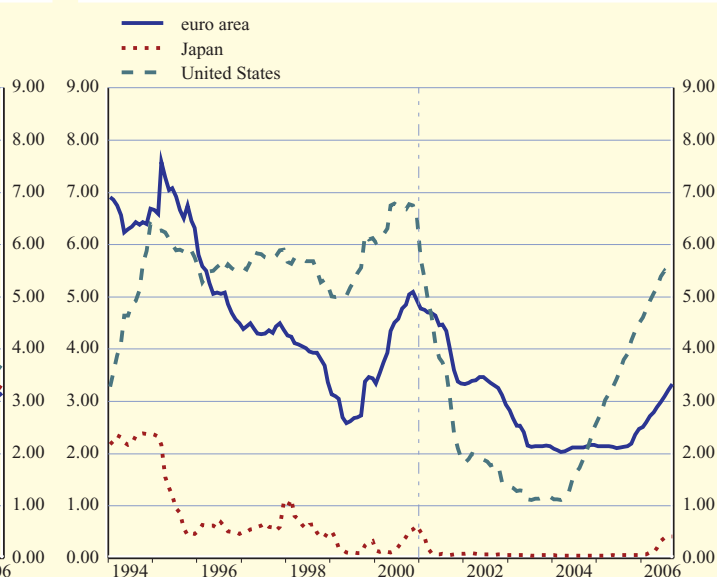
#### C23 Euro area money market rates

(monthly; percentages per annum)



#### C24 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)

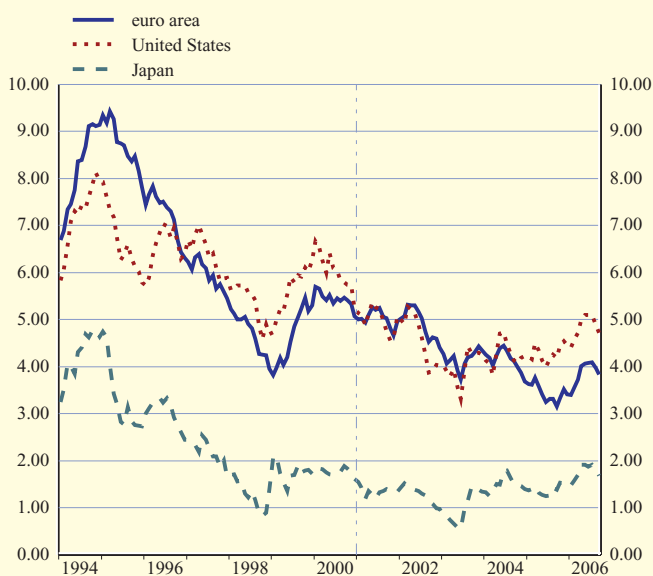
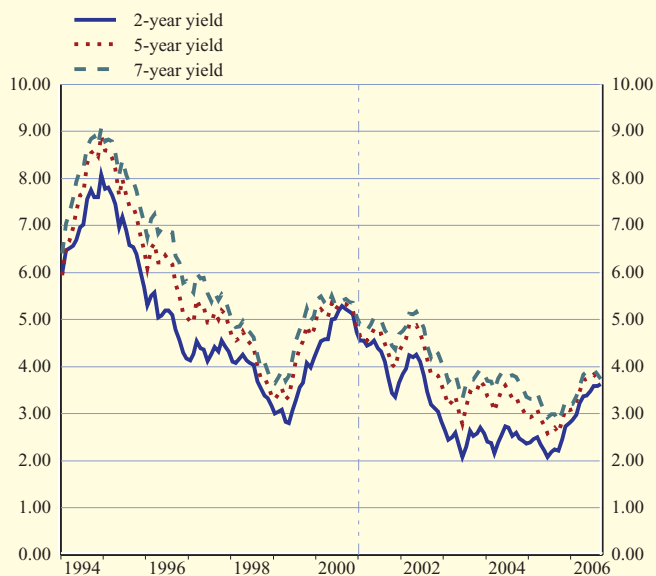
	Euro area <sup>1)</sup>					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
2003	2.49	2.74	3.32	3.74	4.16	4.00	0.99
2004	2.47	2.77	3.29	3.70	4.14	4.26	1.50
2005	2.38	2.55	2.85	3.14	3.44	4.28	1.39
2005 Q3	2.21	2.36	2.65	2.94	3.26	4.21	1.36
Q4	2.66	2.79	3.01	3.18	3.42	4.48	1.53
2006 Q1	3.02	3.11	3.28	3.39	3.56	4.57	1.58
Q2	3.41	3.53	3.75	3.88	4.05	5.07	1.90
Q3	3.60	3.66	3.76	3.84	3.97	4.90	1.80
2005 Sep.	2.21	2.34	2.60	2.84	3.16	4.19	1.38
Oct.	2.45	2.61	2.85	3.05	3.32	4.45	1.54
Nov.	2.73	2.86	3.10	3.28	3.53	4.53	1.52
Dec.	2.80	2.88	3.07	3.21	3.41	4.46	1.54
2006 Jan.	2.86	2.94	3.10	3.21	3.39	4.41	1.47
Feb.	2.97	3.07	3.26	3.37	3.55	4.56	1.57
Mar.	3.22	3.30	3.47	3.57	3.73	4.72	1.70
Apr.	3.37	3.49	3.71	3.83	4.01	4.99	1.91
May	3.38	3.52	3.74	3.89	4.06	5.10	1.91
June	3.47	3.59	3.78	3.91	4.07	5.10	1.87
July	3.58	3.69	3.84	3.94	4.10	5.10	1.91
Aug.	3.59	3.65	3.75	3.83	3.97	4.88	1.81
Sep.	3.62	3.64	3.70	3.74	3.84	4.72	1.68

### C25 Euro area government bond yields

(monthly; percentages per annum)

### C26 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.

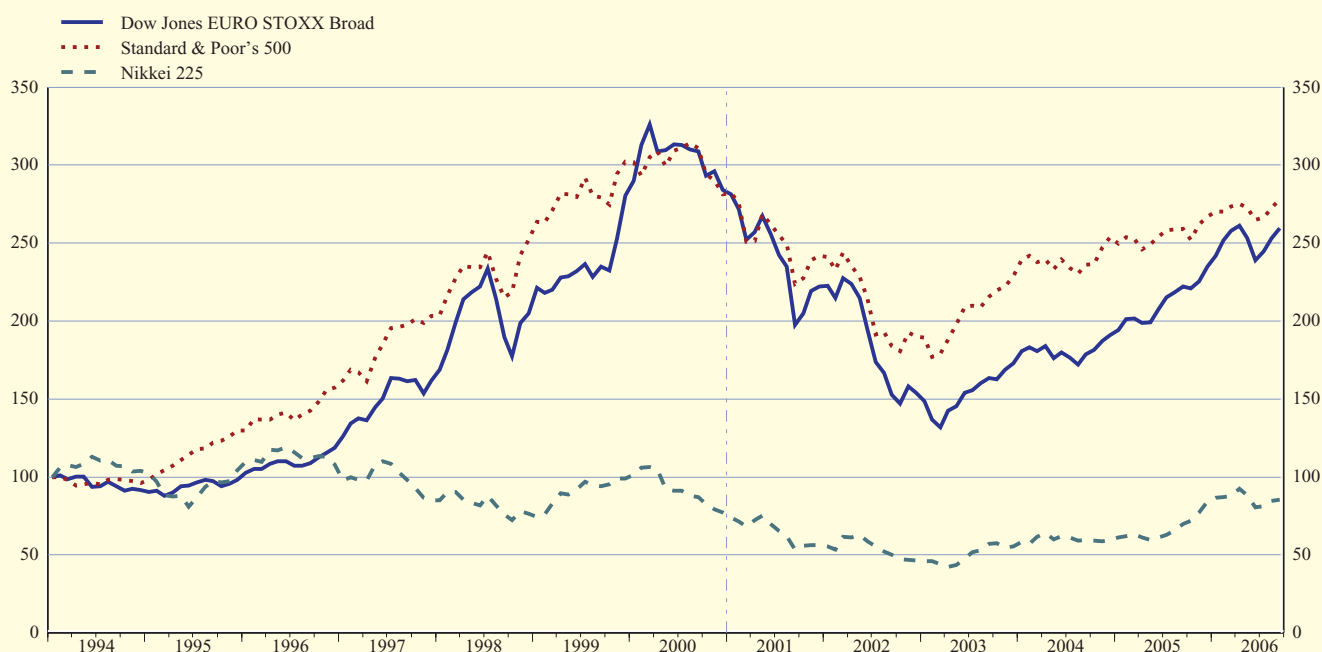
### 4.8 Stock market indices

(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	
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
2005	293.8	3,208.6	307.0	181.3	245.1	378.6	287.7	307.3	297.2	334.1	433.1	457.0	1,207.4	12,421.3
2005 Q3	303.4	3,308.0	311.9	185.0	256.7	411.3	293.4	318.6	303.8	346.0	439.7	466.5	1,223.6	12,310.9
Q4	315.2	3,433.1	334.0	185.5	262.8	411.8	316.8	327.6	325.0	358.6	423.4	478.3	1,231.6	14,487.0
2006 Q1	347.6	3,729.4	373.1	199.2	286.5	423.6	358.4	379.7	354.5	413.3	415.8	522.4	1,283.2	16,207.8
Q2	348.2	3,692.9	386.0	199.6	285.5	412.8	357.5	387.5	358.0	417.7	403.5	539.1	1,280.9	16,190.0
Q3	350.2	3,726.8	399.7	202.0	287.9	410.1	364.7	378.4	325.8	438.1	397.8	532.9	1,288.6	15,622.2
2005 Sep.	308.4	3,351.8	321.7	184.4	263.0	429.3	298.5	322.9	305.7	357.0	436.5	462.5	1,225.6	12,986.6
Oct.	306.8	3,340.1	322.4	182.4	260.6	405.3	302.6	317.3	312.4	347.7	434.0	466.8	1,192.0	13,384.9
Nov.	312.7	3,404.9	330.8	183.2	259.3	411.2	316.4	322.3	322.9	354.0	418.2	471.6	1,238.7	14,362.0
Dec.	325.7	3,550.1	348.4	190.8	268.4	418.5	330.8	342.7	339.2	373.5	418.5	496.1	1,262.4	15,664.0
2006 Jan.	335.5	3,626.9	356.5	196.1	276.1	429.6	340.6	361.4	344.6	391.3	414.6	519.2	1,277.7	16,103.4
Feb.	349.0	3,743.8	375.9	198.0	288.5	424.3	361.7	383.9	351.7	417.8	409.1	513.8	1,277.2	16,187.6
Mar.	358.0	3,814.9	386.5	203.1	294.9	417.4	372.5	393.6	366.3	430.4	422.7	532.9	1,293.7	16,325.2
Apr.	362.3	3,834.6	399.0	204.8	299.9	433.6	372.9	404.0	381.1	429.3	415.8	545.4	1,301.5	17,233.0
May	351.7	3,726.8	392.2	200.9	287.9	415.8	362.7	394.5	358.9	420.4	401.0	542.2	1,289.6	16,430.7
June	331.8	3,528.7	367.8	193.6	269.8	390.7	338.2	365.2	336.0	404.4	394.8	530.2	1,253.1	14,990.3
July	339.6	3,617.3	389.0	196.6	277.0	409.5	348.2	369.8	321.7	415.7	393.3	548.6	1,261.2	15,133.2
Aug.	351.1	3,743.9	399.7	200.9	289.3	418.2	366.5	375.9	324.4	442.3	394.9	525.3	1,287.2	15,786.8
Sep.	359.9	3,817.6	410.4	208.4	297.2	401.9	379.1	389.6	331.3	456.0	405.6	525.4	1,317.5	15,930.9

### C27 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 2005 = 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	83.4	59.2	40.8	100.0	11.8	7.4	30.7	9.2	40.8
	1	2	3	4	5	6	7	8	9	10	11
2002	93.9	2.2	2.5	1.7	3.1	-	-	-	-	-	-
2003	95.8	2.1	2.0	1.8	2.5	-	-	-	-	-	-
2004	97.9	2.1	2.1	1.8	2.6	-	-	-	-	-	-
2005	100.0	2.2	1.5	2.1	2.3	-	-	-	-	-	-
2005 Q2	99.9	2.0	1.5	1.8	2.3	0.7	0.3	0.4	0.1	4.5	0.5
Q3	100.3	2.3	1.4	2.4	2.2	0.8	0.6	-0.3	0.0	5.6	0.6
Q4	101.0	2.3	1.5	2.4	2.1	0.4	0.7	0.6	0.2	0.4	0.5
2006 Q1	101.0	2.3	1.4	2.6	1.9	0.4	0.5	0.7	0.1	1.3	0.4
Q2	102.4	2.5	1.5	2.7	2.0	0.8	0.4	0.6	0.3	3.9	0.5
2006 Apr.	102.2	2.4	1.6	2.6	2.2	0.4	0.0	0.3	0.1	2.8	0.2
May	102.5	2.5	1.4	2.9	1.8	0.2	0.1	0.4	0.1	1.0	0.2
June	102.5	2.5	1.5	2.7	2.0	0.2	0.1	0.4	0.1	-0.1	0.2
July	102.4	2.4	1.6	2.6	2.1	0.3	0.2	0.7	-0.1	1.4	0.2
Aug.	102.5	2.3	1.5	2.5	1.9	0.1	0.1	0.8	0.0	0.1	0.1
Sep. <sup>2)</sup>	.	1.8	.	.	.	.	.	.	.	.	.

	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>	19.3	11.8	7.4	39.9	30.7	9.2	10.3	6.3	6.4	2.9	14.5	6.6
	12	13	14	15	16	17	18	19	20	21	22	23
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	2.4	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
2005	1.6	2.0	0.8	2.4	0.3	10.1	2.6	2.0	2.7	-2.2	2.3	3.1
2005 Q2	1.2	1.6	0.8	2.1	0.3	8.8	2.7	2.1	2.4	-2.0	2.3	3.4
Q3	1.4	1.8	0.8	2.8	0.1	12.7	2.5	2.1	2.6	-2.2	2.3	3.0
Q4	1.9	2.2	1.4	2.7	0.4	11.1	2.5	1.9	2.7	-2.7	2.3	2.7
2006 Q1	1.8	2.0	1.4	3.0	0.3	12.2	2.5	2.0	2.4	-3.3	2.2	2.3
Q2	2.0	2.2	1.6	3.1	0.6	11.6	2.5	2.1	2.8	-3.6	2.3	2.2
2006 Mar.	1.6	2.3	0.6	2.7	0.5	10.5	2.6	2.1	2.3	-3.5	2.1	2.3
Apr.	1.8	2.2	1.2	2.9	0.6	11.0	2.6	2.1	3.1	-3.7	2.7	2.1
May	2.0	2.2	1.5	3.4	0.6	12.9	2.5	2.1	2.6	-3.5	1.9	2.2
June	2.2	2.2	2.1	3.0	0.7	11.0	2.5	2.1	2.8	-3.6	2.2	2.3
July	2.7	2.3	3.2	2.6	0.5	9.5	2.5	2.1	2.8	-3.5	2.5	2.3
Aug.	2.9	2.2	3.9	2.3	0.5	8.1	2.5	2.1	2.6	-3.9	2.3	2.3

Sources: Eurostat and ECB calculations.

1) Referring to the index period 2006.

2) Estimate based on provisional national releases covering around 95% of the euro area, as well as on early information on energy prices.

**5.1 HICP, other prices and costs**

(annual percentage changes, unless otherwise indicated)

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

	Industrial producer prices excluding construction										Construct- ion <sup>1)</sup>	Residential property prices <sup>3)</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	
2002	101.9	-0.1	0.3	0.5	-0.3	0.9	1.0	1.3	1.0	-2.3	2.7	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	2.1	6.8	-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	2.6	7.2	18.4	10.8	30.5	
2005	110.1	4.1	3.2	1.8	2.9	1.3	1.1	1.3	1.0	13.4	3.1	7.7	28.5	9.4	44.6	
2005 Q3	110.8	4.2	3.0	1.3	1.7	1.2	0.9	1.2	0.9	15.7	3.0	-	33.5	11.6	50.9	
Q4	111.9	4.4	2.8	1.4	1.7	1.1	1.4	1.2	1.4	15.6	3.0	7.3 <sup>6)</sup>	34.2	23.2	48.6	
2006 Q1	113.9	5.2	3.2	1.7	2.3	1.0	1.5	1.4	1.5	19.0	2.6	-	36.4	23.6	52.3	
Q2	115.8	5.8	3.9	2.7	4.4	1.2	1.7	1.6	1.8	17.4	3.5	-	30.0	26.2	56.2	
Q3	.	.	.	.	.	.	.	.	.	.	.	-	13.4	26.6	55.7	
2006 Apr.	115.4	5.5	3.5	2.2	3.4	1.2	1.6	1.5	1.6	17.7	-	-	35.0	25.4	57.6	
May	115.8	6.1	4.3	2.7	4.6	1.1	1.7	1.7	1.7	18.7	-	-	36.2	31.5	55.7	
June	116.1	5.8	4.0	3.0	5.3	1.3	1.8	1.6	1.9	16.0	-	-	20.0	22.0	55.4	
July	116.9	6.0	4.3	3.5	6.2	1.5	2.0	1.8	2.0	14.9	-	-	21.6	26.7	58.8	
Aug.	117.1	5.7	4.0	3.6	6.5	1.6	2.0	1.8	2.0	12.7	-	-	14.8	26.8	57.8	
Sep.	.	.	.	.	.	.	.	.	.	.	-	-	4.0	26.4	50.3	

**3. Hourly labour costs<sup>7)</sup>**

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total <sup>5)</sup>	100.0	100.0	73.1	26.9	34.6	9.1	56.3	
	1	2	3	4	5	6	7	8
2002	107.6	3.5	3.3	4.4	3.2	4.4	3.6	2.7
2003	110.9	3.1	2.9	3.9	3.1	3.9	2.9	2.4
2004	113.4	2.3	2.1	2.6	2.7	2.9	1.9	2.1
2005	116.0	2.2	2.3	1.9	2.3	2.1	2.2	2.1
2005 Q2	115.8	2.3	2.2	2.4	2.2	2.3	2.4	2.1
Q3	116.3	1.8	2.2	0.6	2.2	1.6	1.7	2.1
Q4	117.0	2.0	2.1	1.8	2.1	1.5	2.0	2.0
2006 Q1	117.6	2.2	2.5	1.1	2.3	2.1	2.1	2.1
Q2	118.2	2.4	2.4	1.9	3.0	0.7	2.2	2.4

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

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

(seasonally adjusted)

	Total (index 2000 = 100)	Total	By economic activity						
			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>									
2002	104.6	2.4	0.9	1.0	3.0	1.6	3.3	3.5	
2003	106.4	1.7	6.1	0.4	3.1	2.6	1.0	2.4	
2004	107.5	1.1	-9.8	-1.1	2.9	0.0	2.9	2.7	
2005	108.5	0.9	6.9	-0.9	3.1	0.1	1.8	1.6	
2005 Q1	108.2	1.1	5.1	-0.8	4.3	1.1	1.4	1.4	
Q2	108.4	0.9	8.6	-0.6	3.6	0.3	1.8	1.2	
Q3	108.2	0.6	6.5	-0.6	1.8	-0.6	1.8	1.5	
Q4	109.0	0.9	7.2	-1.6	2.9	-0.3	2.1	2.4	
2006 Q1	109.1	0.8	2.3	-1.7	3.6	-0.9	2.7	2.5	
Compensation per employee									
2002	105.2	2.6	2.2	2.0	3.2	2.2	2.8	3.1	
2003	107.3	2.0	2.6	2.1	2.6	1.9	2.1	1.9	
2004	109.6	2.1	2.1	2.6	2.6	1.4	2.1	2.2	
2005	111.3	1.6	2.6	1.4	1.9	1.5	1.9	1.6	
2005 Q1	110.6	1.5	3.9	1.1	0.9	1.9	2.0	1.4	
Q2	111.0	1.4	2.7	1.4	2.3	1.4	2.2	0.9	
Q3	111.3	1.5	1.9	1.6	2.1	1.4	1.7	1.3	
Q4	112.2	1.9	1.8	1.7	2.4	1.3	1.6	2.7	
2006 Q1	112.8	1.9	0.4	2.5	3.3	1.3	1.9	1.9	
Labour productivity <sup>2)</sup>									
2002	100.6	0.2	1.3	1.0	0.3	0.6	-0.5	-0.3	
2003	100.9	0.3	-3.2	1.7	-0.4	-0.7	1.1	-0.4	
2004	101.9	1.0	13.2	3.7	-0.4	1.4	-0.8	-0.5	
2005	102.6	0.7	-4.0	2.4	-1.2	1.3	0.1	0.0	
2005 Q2	102.5	0.5	-5.4	2.0	-1.3	1.1	0.4	-0.3	
Q3	102.9	0.9	-4.3	2.2	0.3	1.9	0.0	-0.2	
Q4	102.9	1.0	-5.1	3.3	-0.5	1.6	-0.5	0.3	
2006 Q1	103.4	1.1	-1.8	4.3	-0.2	2.2	-0.8	-0.6	
Q2	103.9	1.4	.	.	.	.	.	.	

### 5. Gross domestic product deflators

	Total (s.a. 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
2002	105.1	2.6	2.0	1.9	3.1	1.4	-0.2	-2.0
2003	107.3	2.1	2.0	2.1	2.3	1.2	-1.3	-1.8
2004	109.3	1.9	2.1	2.1	2.3	2.4	1.1	1.5
2005	111.4	1.8	2.2	2.1	2.2	2.3	2.7	3.7
2005 Q2	111.0	1.6	1.9	1.9	1.6	2.1	2.4	3.1
Q3	111.6	1.8	2.3	2.1	2.1	2.0	2.6	3.9
Q4	112.3	2.0	2.4	2.2	2.7	2.2	3.1	4.1
2006 Q1	112.5	1.8	2.5	2.3	2.1	2.7	3.2	5.4
Q2	112.9	1.7	2.4	2.3	1.8	2.9	3.4	5.3

Sources: ECB calculations based on Eurostat data.

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

2) Value added (volumes) 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)								
2002	7,251.3	7,059.2	4,142.2	1,465.0	1,464.1	-12.1	192.0	2,628.9	2,436.9
2003	7,460.5	7,303.6	4,278.5	1,526.2	1,496.8	2.1	156.9	2,625.0	2,468.0
2004	7,734.6	7,574.8	4,425.8	1,579.5	1,559.7	9.9	159.7	2,821.7	2,661.9
2005	7,994.0	7,878.0	4,579.0	1,636.5	1,639.7	22.8	116.0	3,028.4	2,912.5
2005 Q2	1,986.0	1,955.9	1,138.0	406.6	407.1	4.1	30.1	744.7	714.6
Q3	2,008.2	1,982.3	1,153.2	410.2	413.9	4.9	25.9	770.8	744.9
Q4	2,029.4	2,005.6	1,160.1	417.8	418.3	9.4	23.7	785.6	761.9
2006 Q1	2,048.0	2,025.3	1,174.9	419.7	426.2	4.5	22.7	822.8	800.1
Q2	2,073.7	2,050.4	1,183.7	422.4	438.4	5.9	23.3	838.9	815.6
	<i>percentage of GDP</i>								
2005	100.0	98.5	57.3	20.5	20.5	0.3	1.5	-	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted <sup>3)</sup> )								
	<i>quarter-on-quarter percentage changes</i>								
2005 Q2	0.4	0.6	0.4	0.6	1.2	-	-	1.9	2.6
Q3	0.6	0.5	0.7	0.7	1.2	-	-	2.6	2.5
Q4	0.3	0.6	0.1	0.2	0.4	-	-	0.9	1.6
2006 Q1	0.8	0.4	0.7	0.8	0.9	-	-	3.9	2.9
Q2	0.9	0.8	0.3	0.4	2.1	-	-	1.3	1.2
	<i>annual percentage changes</i>								
2002	0.9	0.4	0.8	2.4	-1.5	-	-	1.7	0.3
2003	0.8	1.5	1.2	1.8	1.0	-	-	1.1	3.1
2004	1.9	1.8	1.5	1.2	2.1	-	-	6.8	6.7
2005	1.4	1.7	1.3	1.4	2.7	-	-	4.2	5.3
2005 Q2	1.3	1.9	1.4	1.4	2.7	-	-	3.4	5.4
Q3	1.7	1.7	1.8	1.5	3.4	-	-	5.4	5.8
Q4	1.8	2.0	1.1	1.7	3.3	-	-	5.0	5.6
2006 Q1	2.1	2.1	1.8	2.3	3.7	-	-	9.6	9.9
Q2	2.6	2.3	1.7	2.0	4.6	-	-	9.0	8.3
	<i>contributions to quarter-on-quarter percentage changes of GDP in percentage points</i>								
2005 Q2	0.4	0.6	0.2	0.1	0.2	0.0	-0.2	-	-
Q3	0.6	0.5	0.4	0.1	0.2	-0.3	0.1	-	-
Q4	0.3	0.6	0.0	0.0	0.1	0.4	-0.2	-	-
2006 Q1	0.8	0.4	0.4	0.2	0.2	-0.4	0.4	-	-
Q2	0.9	0.8	0.2	0.1	0.4	0.1	0.1	-	-
	<i>contributions to annual percentage changes of GDP in percentage points</i>								
2002	0.9	0.3	0.5	0.5	-0.3	-0.3	0.5	-	-
2003	0.8	1.4	0.7	0.4	0.2	0.2	-0.7	-	-
2004	1.9	1.7	0.9	0.2	0.4	0.2	0.2	-	-
2005	1.4	1.6	0.8	0.3	0.5	0.1	-0.3	-	-
2005 Q2	1.3	1.9	0.8	0.3	0.5	0.3	-0.6	-	-
Q3	1.7	1.7	1.0	0.3	0.7	-0.4	0.0	-	-
Q4	1.8	1.9	0.6	0.3	0.7	0.3	-0.1	-	-
2006 Q1	2.1	2.1	1.0	0.5	0.7	-0.2	0.1	-	-
Q2	2.6	2.3	1.0	0.4	1.0	-0.1	0.4	-	-

Sources: Eurostat and ECB calculations.

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

2) Including acquisitions less disposals of valuables.

3) Annual data are not adjusted for the variations in the number of working days.

## 5.2 Output and demand

### 2. Value added by economic activity

	Gross value added (basic prices)							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
<i>Current prices (EUR billions, seasonally adjusted)</i>								
2002	6,517.1	153.1	1,381.0	373.9	1,389.1	1,747.8	1,472.3	734.2
2003	6,703.2	152.4	1,381.9	390.1	1,423.2	1,825.8	1,529.9	757.3
2004	6,940.9	156.5	1,428.2	413.6	1,472.8	1,893.0	1,576.8	793.7
2005	7,160.4	144.2	1,461.7	434.8	1,519.1	1,972.0	1,628.7	833.5
2005 Q2	1,780.9	35.7	364.7	107.4	378.5	489.3	405.3	205.1
Q3	1,797.5	35.8	366.5	109.8	382.3	496.0	407.2	210.7
Q4	1,815.0	36.3	368.9	112.3	383.2	500.3	414.0	214.4
2006 Q1	1,830.9	36.1	373.0	113.7	385.1	510.0	413.1	217.0
Q2	1,853.7	36.3	378.3	117.1	389.8	517.0	415.3	220.1
<i>percentage of value added</i>								
2005	100.0	2.0	20.4	6.1	21.2	27.5	22.7	-
<i>Chain-linked volumes (prices of the previous year, seasonally adjusted<sup>1)</sup>)</i>								
<i>quarter-on-quarter percentage changes</i>								
2005 Q2	0.5	-1.6	0.7	1.3	0.8	0.3	0.1	-0.1
Q3	0.5	0.4	0.7	0.2	0.7	0.5	0.2	1.5
Q4	0.4	0.9	0.5	0.8	0.6	0.1	0.1	0.3
2006 Q1	0.8	-1.6	1.4	-0.5	0.8	1.1	0.2	1.0
Q2	1.0	1.4	1.3	2.4	1.4	0.8	0.4	-0.5
<i>annual percentage changes</i>								
2002	0.9	-0.6	-0.3	0.0	1.2	1.5	1.6	0.2
2003	0.7	-5.9	0.3	0.4	0.0	1.7	1.3	1.5
2004	2.1	11.7	2.2	1.3	2.5	1.5	1.5	0.8
2005	1.4	-5.5	1.3	0.9	2.0	2.0	1.1	1.2
2005 Q2	1.3	-6.6	0.7	1.0	1.8	2.3	1.1	1.1
Q3	1.6	-6.4	1.3	1.7	2.4	2.0	1.3	2.2
Q4	1.8	-6.0	2.1	1.6	2.4	2.2	1.3	1.9
2006 Q1	2.1	-1.9	3.3	1.8	2.9	2.0	0.7	2.7
Q2	2.7	1.1	4.0	2.9	3.6	2.5	1.0	2.3
<i>contributions to quarter-on-quarter percentage changes of value added in percentage points</i>								
2005 Q2	0.5	0.0	0.1	0.1	0.2	0.1	0.0	-
Q3	0.5	0.0	0.1	0.0	0.1	0.1	0.1	-
Q4	0.4	0.0	0.1	0.0	0.1	0.0	0.0	-
2006 Q1	0.8	0.0	0.3	0.0	0.2	0.3	0.1	-
Q2	1.0	0.0	0.3	0.1	0.3	0.2	0.1	-
<i>contributions to annual percentage changes of value added in percentage points</i>								
2002	0.9	0.0	-0.1	0.0	0.2	0.4	0.4	-
2003	0.7	-0.1	0.1	0.0	0.0	0.5	0.3	-
2004	2.1	0.3	0.4	0.1	0.5	0.4	0.3	-
2005	1.4	-0.1	0.3	0.1	0.4	0.6	0.2	-
2005 Q2	1.3	-0.2	0.1	0.1	0.4	0.6	0.3	-
Q3	1.6	-0.1	0.3	0.1	0.5	0.6	0.3	-
Q4	1.8	-0.1	0.4	0.1	0.5	0.6	0.3	-
2006 Q1	2.1	0.0	0.7	0.1	0.6	0.6	0.2	-
Q2	2.7	0.0	0.8	0.2	0.8	0.7	0.2	-

Sources: Eurostat and ECB calculations.

1) Annual data are not adjusted for the variations in the number of working days.

## 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		
				Manu- facturing	Total	Intermediate goods	Capital goods	Consumer goods				
								Total	Durable			Non-durable
1	2	3	4	5	6	7	8	9	10	11	12	
2003	0.4	100.3	0.3	0.1	0.1	0.3	-0.1	-0.4	-4.4	0.4	2.8	0.6
2004	2.1	102.3	2.0	2.1	1.9	2.2	3.3	0.5	0.1	0.6	2.0	-0.1
2005	0.9	103.6	1.2	1.2	1.0	0.7	2.6	0.6	-1.0	0.9	1.2	-0.6
2005 Q3	1.2	104.1	1.4	1.4	1.4	0.8	2.8	1.5	-0.4	1.8	0.4	0.9
Q4	1.7	104.7	2.0	2.2	2.2	2.3	2.9	1.3	1.7	1.2	1.8	0.2
2006 Q1	3.7	105.8	3.4	3.5	3.4	2.9	5.1	2.1	2.5	2.0	3.8	1.6
Q2	2.7	106.8	3.8	3.8	4.1	5.2	4.8	2.2	3.4	2.0	0.7	3.5
2006 Feb.	2.9	105.5	2.9	3.1	2.8	1.8	5.6	2.4	2.0	2.5	2.2	2.1
Mar.	5.7	106.3	4.2	5.1	5.0	4.8	5.6	2.8	3.1	2.8	3.1	4.4
Apr.	0.2	105.6	1.7	0.7	0.7	2.4	2.2	0.1	-1.0	0.3	1.3	2.0
May	3.9	107.5	5.2	5.9	6.2	6.4	7.6	4.0	7.7	3.4	-0.8	5.1
June	3.9	107.5	4.4	4.7	5.4	6.7	4.7	2.5	3.7	2.3	1.6	3.4
July	.	107.0	3.2	3.4	3.5	4.9	3.9	0.8	3.4	0.4	2.4	.
<i>month-on-month percentage changes (s.a.)</i>												
2006 Feb.	-0.3	-	-0.1	0.1	0.0	-0.6	0.5	0.5	-0.3	0.7	-0.5	1.3
Mar.	1.2	-	0.8	0.7	1.1	1.3	0.6	0.2	0.5	0.1	0.5	-0.3
Apr.	-1.4	-	-0.7	-0.4	-1.0	-0.2	-1.0	-0.5	-0.9	-0.4	-2.5	1.6
May	1.9	-	1.7	2.0	2.4	2.2	2.8	1.7	4.3	1.2	-1.6	2.2
June	0.1	-	0.0	-0.2	0.0	0.2	-0.8	-0.5	-1.4	-0.4	3.1	-0.6
July	.	-	-0.4	-0.5	-0.7	-0.5	0.0	-0.8	-0.3	-0.9	1.1	.

## 4. Industrial new orders and turnover, retail sales and new 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	
% of total <sup>1)</sup>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8		
2003	98.4	0.2	101.3	-0.2	2.2	103.7	0.7	1.3	0.2	-1.8	0.6	911	-1.5
2004	105.3	7.3	106.2	5.1	2.3	105.2	1.5	1.2	1.7	1.8	3.3	922	1.1
2005	110.7	4.6	110.7	3.7	2.2	106.6	1.2	0.7	1.6	2.1	1.2	936	1.5
2005 Q3	110.3	4.5	111.3	3.9	2.5	106.7	1.5	0.5	2.1	2.5	1.9	949	4.9
Q4	117.4	7.4	113.3	4.1	2.3	107.2	1.2	0.6	1.7	2.7	1.6	934	-1.2
2006 Q1	117.7	12.4	115.4	9.0	2.3	107.4	0.9	0.3	1.3	1.5	2.3	946	2.0
Q2	118.4	8.0	118.3	6.4	3.1	108.0	1.7	0.7	2.4	2.6	3.5	957	2.4
2006 Mar.	118.1	13.7	115.8	11.4	1.3	107.0	0.0	-0.9	0.8	-2.2	2.5	951	1.5
Apr.	117.2	3.9	116.4	-0.4	3.2	108.0	2.1	1.5	2.4	1.8	3.2	955	1.8
May	120.3	14.8	120.1	13.3	3.1	107.9	1.5	-0.1	3.1	4.3	4.7	967	8.9
June	117.7	5.7	118.2	6.5	2.9	108.2	1.4	0.9	1.8	1.8	2.5	948	-2.5
July	119.8	9.6	118.9	7.4	3.6	108.5	1.9	1.7	2.1	2.6	3.1	915	-4.7
Aug.	.	.	.	.	3.8	109.3	2.4	0.7	3.8	.	.	934	-1.2
<i>month-on-month percentage changes (s.a.)</i>													
2006 Mar.	-	-1.3	-	0.4	-0.3	-	-0.6	-1.1	0.0	-1.6	0.1	-	1.1
Apr.	-	-0.8	-	0.6	0.7	-	0.9	0.9	0.8	2.6	0.6	-	0.5
May	-	2.6	-	3.1	0.3	-	0.0	-0.5	0.4	0.9	1.2	-	1.3
June	-	-2.1	-	-1.5	0.3	-	0.2	0.6	-0.2	-0.5	-0.7	-	-2.0
July	-	1.7	-	0.6	0.6	-	0.4	0.5	0.3	0.6	0.3	-	-3.5
Aug.	-	.	-	.	0.7	-	0.7	-0.4	1.6	.	.	-	2.0

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
2002	94.9	-11	-25	11	3	81.0	-11	-1	-11	26	-4
2003	93.7	-10	-25	10	4	80.8	-18	-5	-20	37	-10
2004	99.7	-5	-16	8	10	81.5	-14	-4	-14	30	-9
2005	98.4	-7	-17	11	6	81.2	-14	-4	-15	28	-9
2005 Q3	97.9	-7	-17	11	6	80.9	-15	-4	-17	29	-9
Q4	100.6	-6	-15	10	7	81.5	-13	-4	-15	22	-9
2006 Q1	103.1	-2	-9	9	11	82.2	-11	-3	-11	20	-9
Q2	107.2	2	0	6	13	83.0	-10	-3	-10	16	-9
Q3	108.7	4	3	4	12	.	-8	-3	-10	12	-8
2006 Apr.	106.3	2	-1	7	13	82.4	-11	-3	-8	22	-9
May	107.4	2	-2	6	14	-	-9	-3	-10	14	-8
June	107.9	3	2	5	13	-	-9	-4	-11	13	-10
July	108.6	4	3	5	13	83.5	-8	-4	-10	13	-7
Aug.	108.3	2	3	5	9	-	-9	-4	-10	11	-10
Sep.	109.3	4	4	4	13	-	-8	-3	-9	12	-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
2002	-15	-22	-8	-14	-17	16	-10	3	-2	-4	15
2003	-16	-23	-9	-10	-12	16	0	4	-5	3	14
2004	-12	-20	-4	-8	-13	14	1	11	7	8	18
2005	-7	-12	-2	-8	-13	13	3	11	5	10	18
2005 Q3	-7	-13	-1	-8	-14	14	3	11	5	10	17
Q4	-3	-8	2	-5	-9	15	11	14	10	13	19
2006 Q1	-2	-8	3	-3	-4	15	9	15	10	14	20
Q2	-1	-6	4	1	1	14	16	19	14	18	24
Q3	3	-2	7	1	4	14	13	20	14	19	26
2006 Apr.	-2	-7	4	0	0	15	16	18	14	17	24
May	-2	-6	3	0	-1	15	14	20	16	19	23
June	-1	-5	4	3	3	12	18	19	14	19	24
July	2	-2	5	0	2	15	12	20	16	18	26
Aug.	2	-4	8	1	2	14	14	21	14	21	28
Sep.	4	0	8	3	8	12	13	18	12	19	24

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 assessments of stocks (columns 4 and 17) and unemployment (column 10) are used with inverted signs for the calculation of confidence indicators.

5.3 Labour markets <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	84.6	15.4	4.3	17.8	7.5	24.9	15.0	30.5
	1	2	3	4	5	6	7	8	9	10
2002	134.863	0.7	0.8	0.3	-1.8	-1.2	-0.1	0.6	2.0	2.0
2003	135.461	0.4	0.5	0.0	-2.7	-1.4	0.8	0.7	0.7	1.7
2004	136.420	0.7	0.7	0.8	-1.7	-1.4	1.4	0.9	1.9	1.5
2005	137.474	0.8	0.9	-0.1	-1.6	-1.1	2.2	0.7	2.1	1.3
2005 Q2	137.275	0.7	0.8	0.3	-1.3	-1.5	2.3	0.7	1.8	1.5
Q3	137.547	0.7	0.9	-0.7	-2.0	-0.8	1.3	0.3	2.1	1.4
Q4	137.995	0.7	1.0	-0.8	-0.8	-1.1	1.9	0.6	2.6	0.9
2006 Q1	138.439	1.0	1.1	0.4	-0.2	-0.9	2.0	0.7	2.9	1.3
Q2	138.996	1.2	.	.	.	.	.	.	.	.
	<i>quarter-on-quarter percentage changes (s.a.)</i>									
2005 Q2	0.196	0.1	0.2	0.0	0.2	-0.4	0.5	-0.1	0.4	0.4
Q3	0.272	0.2	0.3	-0.2	0.1	-0.1	0.0	0.0	0.7	0.4
Q4	0.448	0.3	0.4	0.1	0.2	-0.2	1.0	0.4	1.1	0.0
2006 Q1	0.443	0.3	0.3	0.7	-0.5	-0.2	0.6	0.4	0.6	0.5
Q2	0.557	0.4	.	.	.	.	.	.	.	.

## 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		48.4		51.6	
	1	2	3	4	5	6	7	8	9	10
2002	11.760	8.3	8.740	7.0	3.020	16.8	5.515	6.9	6.245	10.1
2003	12.548	8.7	9.420	7.5	3.128	17.6	5.975	7.4	6.573	10.5
2004	12.900	8.9	9.751	7.6	3.149	18.0	6.186	7.6	6.714	10.5
2005	12.628	8.6	9.545	7.4	3.083	17.8	6.116	7.4	6.511	10.1
2005 Q2	12.790	8.7	9.673	7.5	3.117	17.9	6.211	7.6	6.579	10.2
Q3	12.489	8.5	9.472	7.3	3.016	17.5	6.070	7.4	6.419	9.9
Q4	12.298	8.4	9.268	7.2	3.030	17.7	5.910	7.2	6.388	9.9
2006 Q1	11.926	8.1	8.942	6.9	2.984	17.3	5.740	7.0	6.185	9.6
Q2	11.581	7.9	8.704	6.7	2.877	16.7	5.619	6.8	5.962	9.2
2006 Mar.	11.778	8.0	8.824	6.8	2.954	17.2	5.693	6.9	6.084	9.4
Apr.	11.647	7.9	8.748	6.8	2.899	16.9	5.650	6.9	5.997	9.3
May	11.566	7.9	8.702	6.7	2.865	16.7	5.618	6.8	5.949	9.2
June	11.530	7.9	8.662	6.7	2.867	16.6	5.590	6.8	5.939	9.2
July	11.514	7.8	8.614	6.7	2.900	16.8	5.570	6.8	5.944	9.2
Aug.	11.521	7.9	8.590	6.6	2.931	17.0	5.569	6.8	5.953	9.2

Source: Eurostat.

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 2005.

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>3)</sup>	
	1	2	Direct taxes		Indirect taxes	Social contributions		Sales	Capital taxes	13				
			Households	Corporations		Received by EU institutions	Employers				Employees			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	47.1	46.6	11.9	9.0	2.6	13.3	0.7	17.2	8.6	5.4	2.3	0.5	0.3	42.7
1998	46.6	46.3	12.2	9.5	2.3	13.9	0.6	16.2	8.3	4.9	2.3	0.3	0.3	42.6
1999	47.1	46.8	12.6	9.7	2.5	14.2	0.6	16.1	8.3	4.9	2.3	0.3	0.3	43.1
2000	46.7	46.4	12.7	9.8	2.7	13.9	0.6	15.9	8.2	4.8	2.2	0.3	0.3	42.8
2001	45.8	45.6	12.3	9.6	2.4	13.6	0.6	15.7	8.2	4.7	2.2	0.2	0.3	41.8
2002	45.3	45.0	11.9	9.4	2.2	13.5	0.4	15.7	8.2	4.6	2.1	0.3	0.3	41.3
2003	45.2	44.6	11.5	9.1	2.1	13.5	0.4	15.8	8.3	4.7	2.1	0.6	0.5	41.3
2004	44.8	44.3	11.4	8.8	2.3	13.6	0.3	15.6	8.2	4.6	2.1	0.5	0.4	41.0
2005	45.2	44.7	11.7	8.9	2.5	13.7	0.3	15.6	8.2	4.5	2.2	0.5	0.3	41.3

### 2. Euro area – expenditure

	Total		Current expenditure						Capital expenditure				Memo: primary expenditure <sup>3)</sup>	
	1	2	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments		Subsidies	Paid by EU institutions	Investment	Capital transfers		Paid by EU institutions
							7	8						
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	49.7	46.1	10.9	4.8	5.0	25.4	22.6	2.1	0.6	3.6	2.4	1.2	0.1	44.7
1998	48.9	45.1	10.6	4.6	4.6	25.2	22.2	2.1	0.5	3.8	2.4	1.3	0.1	44.2
1999	48.4	44.6	10.6	4.8	4.1	25.2	22.2	2.1	0.5	3.9	2.5	1.4	0.1	44.4
2000	47.7	43.9	10.4	4.8	3.9	24.8	21.8	2.0	0.5	3.8	2.5	1.3	0.0	43.8
2001	47.7	43.8	10.3	4.8	3.8	24.9	21.8	1.9	0.5	3.9	2.5	1.4	0.0	43.9
2002	47.8	44.0	10.4	4.9	3.5	25.2	22.3	1.9	0.5	3.8	2.4	1.4	0.0	44.3
2003	48.3	44.3	10.5	4.9	3.3	25.5	22.7	1.8	0.5	4.0	2.5	1.4	0.1	44.9
2004	47.6	43.8	10.4	5.0	3.1	25.3	22.5	1.8	0.5	3.8	2.5	1.3	0.0	44.5
2005	47.6	43.8	10.4	5.0	3.0	25.3	22.5	1.7	0.5	3.8	2.5	1.3	0.0	44.5

### 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
1997	-2.6	-2.4	-0.4	0.1	0.1	2.4	20.1	10.9	4.8	4.9	1.9	2.3	8.2	11.9
1998	-2.3	-2.2	-0.2	0.1	0.1	2.3	19.8	10.6	4.6	4.8	1.9	2.3	8.0	11.7
1999	-1.4	-1.7	-0.1	0.1	0.4	2.7	19.9	10.6	4.8	4.9	1.9	2.3	8.1	11.8
2000	-1.0	-1.4	-0.1	0.1	0.5	2.9	19.8	10.4	4.8	4.9	1.8	2.2	8.0	11.8
2001	-1.9	-1.7	-0.4	0.1	0.4	2.0	19.8	10.3	4.8	5.0	1.8	2.2	7.9	11.9
2002	-2.6	-2.1	-0.5	-0.2	0.2	0.9	20.2	10.4	4.9	5.1	1.8	2.1	8.0	12.2
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.3	20.5	10.5	4.9	5.2	1.8	2.1	8.0	12.5
2004	-2.8	-2.4	-0.3	-0.2	0.1	0.3	20.4	10.4	5.0	5.2	1.8	2.1	8.0	12.4
2005	-2.4	-2.1	-0.3	-0.2	0.2	0.6	20.4	10.4	5.0	5.2	1.8	2.2	8.0	12.5

### 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
2002	0.0	-3.7	-4.9	-0.3	-3.2	-0.4	-2.9	2.0	-2.0	-0.5	-2.9	4.1
2003	0.1	-4.0	-5.8	0.0	-4.2	0.2	-3.4	0.2	-3.1	-1.5	-2.9	2.5
2004	0.0	-3.7	-6.9	-0.1	-3.7	1.5	-3.4	-1.1	-1.9	-1.1	-3.2	2.3
2005	0.1	-3.3	-4.5	1.1	-2.9	1.0	-4.1	-1.9	-0.3	-1.5	-6.0	2.6

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 0.0% 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>
		Currency 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	
1996	75.1	2.8	17.0	7.9	47.4	58.7	32.5	10.0	16.1	16.4
1997	74.2	2.8	16.0	6.5	48.9	56.2	31.1	11.8	13.3	18.0
1998	72.8	2.7	15.0	5.6	49.4	53.0	29.3	12.8	10.9	19.8
1999	72.1	2.9	14.2	4.3	50.7	48.4	27.4	9.8	11.3	23.7
2000	69.6	2.7	13.1	3.7	50.1	43.9	24.0	8.9	11.0	25.6
2001	68.3	2.8	12.3	4.0	49.2	42.0	22.9	8.0	11.1	26.3
2002	68.1	2.7	11.7	4.6	49.2	40.0	21.6	7.6	10.8	28.2
2003	69.3	2.1	12.3	5.1	49.9	39.1	21.6	8.3	9.2	30.3
2004	69.9	2.2	11.9	5.1	50.7	37.9	20.8	8.3	8.9	31.9
2005	70.7	2.4	11.7	4.9	51.7	36.9	20.3	8.2	8.4	33.8

## 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
1996	75.1	63.0	5.9	5.7	0.5	11.6	63.5	7.1	19.1	26.3	29.8	72.5	2.6
1997	74.2	62.2	6.1	5.4	0.6	9.9	64.3	6.8	18.1	26.0	30.1	71.4	2.8
1998	72.8	61.2	6.1	5.2	0.4	8.9	64.0	6.3	15.6	27.0	30.3	70.1	2.7
1999	72.1	60.6	6.0	5.1	0.4	7.7	64.4	5.6	13.4	28.3	30.5	70.1	2.0
2000	69.6	58.3	5.9	4.9	0.4	6.8	62.8	4.9	13.2	28.9	27.4	67.8	1.8
2001	68.3	57.1	6.1	4.8	0.4	7.2	61.2	3.7	13.6	27.5	27.2	66.8	1.5
2002	68.1	56.7	6.3	4.8	0.4	8.2	59.9	3.9	15.2	25.8	27.2	66.8	1.3
2003	69.3	57.0	6.6	5.1	0.6	8.6	60.8	4.0	14.4	26.6	28.3	68.3	1.0
2004	69.9	57.5	6.7	5.2	0.4	8.5	61.4	3.9	14.4	27.4	28.0	68.8	1.0
2005	70.7	58.1	6.8	5.3	0.5	8.7	62.0	3.8	14.4	28.0	28.4	69.7	1.1

## 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
2002	103.2	60.3	110.7	52.5	58.2	32.1	105.5	6.5	50.5	66.0	55.5	41.3
2003	98.5	63.8	107.8	48.9	62.4	31.1	104.2	6.3	51.9	64.4	57.0	44.3
2004	94.7	65.5	108.5	46.4	64.4	29.4	103.8	6.6	52.6	63.6	58.7	44.3
2005	93.3	67.7	107.5	43.2	66.8	27.6	106.4	6.2	52.9	62.9	63.9	41.1

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>	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>6)</sup>	MFIs	Other financial corporations	
1997	1.9	2.3	0.0	-0.2	-0.2	0.0	-0.3	-1.1	3.3	-0.3	-0.2	2.1	2.2
1998	1.8	2.3	-0.3	-0.1	-0.1	0.1	-0.3	-0.6	2.6	-0.8	-0.4	1.5	2.5
1999	2.0	1.6	0.4	0.1	-0.1	0.2	-0.2	-1.2	3.1	-2.6	-0.9	-2.5	4.6
2000	1.0	1.1	0.0	0.0	-0.1	0.0	-0.5	-0.4	1.9	-2.1	-2.0	-0.4	3.1
2001	1.9	1.9	-0.1	0.1	0.0	0.2	-0.2	0.5	1.3	0.0	-0.1	-0.5	1.8
2002	2.1	2.7	-0.5	0.0	0.0	0.0	-0.2	0.7	1.6	-0.6	-0.5	-0.2	2.7
2003	3.1	3.3	-0.2	0.0	0.0	-0.6	0.9	0.6	2.1	0.2	0.6	0.9	2.9
2004	3.1	3.2	-0.1	0.0	0.0	0.2	0.1	0.2	2.6	0.3	0.0	0.3	2.8
2005	3.1	3.0	0.0	0.1	0.0	0.3	0.2	0.0	2.6	0.2	0.2	0.2	2.9

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

	Change in debt	Deficit (-) / surplus (+) <sup>8)</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	Loans	Securities <sup>11)</sup>	Shares and other equity	Privatisations	Equity injections				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	1.9	-2.6	-0.7	-0.6	0.1	-0.2	0.0	-0.5	-0.7	0.1	0.0	0.2	-0.2	0.1
1998	1.8	-2.3	-0.5	-0.3	0.2	0.0	0.0	-0.4	-0.7	0.2	-0.3	0.0	-0.1	0.1
1999	2.0	-1.4	0.6	0.0	0.4	0.1	0.0	-0.5	-0.8	0.1	0.4	0.2	0.1	0.2
2000	1.0	0.0	1.0	1.1	0.7	0.2	0.2	0.0	-0.4	0.2	0.0	0.1	0.0	0.0
2001	1.9	-1.8	0.0	-0.4	-0.6	0.1	0.1	-0.1	-0.3	0.2	-0.1	0.0	0.1	0.5
2002	2.1	-2.5	-0.4	0.1	0.0	0.0	0.0	0.0	-0.3	0.1	-0.5	-0.1	0.0	0.0
2003	3.1	-3.1	0.0	0.1	0.1	0.0	0.0	0.1	-0.4	0.1	-0.2	-0.1	0.0	0.1
2004	3.1	-2.8	0.3	0.4	0.2	0.1	0.1	0.0	-0.4	0.2	-0.1	0.0	0.0	0.0
2005	3.1	-2.4	0.7	0.7	0.3	0.1	0.2	0.1	-0.3	0.2	0.0	0.0	0.1	-0.1

Source: ECB.

- 1) Data are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e.  $[\text{debt}(t) - \text{debt}(t-1)] \div \text{GDP}(t)$ .
- 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 2001.
- 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	Capital taxes	8	
2000 Q1	43.6	43.1	11.1	13.1	15.5	1.9	0.7	0.6	0.3	39.9
Q2	47.8	47.3	13.9	13.4	15.8	2.1	1.2	0.5	0.3	43.4
Q3	44.2	43.8	11.9	12.6	15.7	2.0	0.8	0.5	0.2	40.4
Q4	50.0	49.5	14.0	14.2	16.6	2.9	1.0	0.5	0.3	45.0
2001 Q1	42.4	41.9	10.5	12.7	15.3	1.8	0.9	0.4	0.2	38.7
Q2	46.9	46.5	13.5	13.0	15.6	2.0	1.6	0.4	0.2	42.3
Q3	43.5	43.1	11.6	12.3	15.5	1.9	0.9	0.4	0.3	39.7
Q4	49.2	48.7	13.5	13.9	16.3	2.9	1.1	0.5	0.3	44.0
2002 Q1	42.1	41.6	10.1	12.7	15.5	1.7	0.8	0.5	0.2	38.6
Q2	45.7	45.1	12.6	12.7	15.5	2.0	1.5	0.6	0.3	41.1
Q3	43.6	43.0	11.2	12.7	15.4	2.0	0.8	0.5	0.3	39.6
Q4	49.2	48.5	13.4	14.1	16.2	2.9	0.9	0.7	0.3	44.0
2003 Q1	42.1	41.5	9.8	12.8	15.6	1.7	0.7	0.5	0.2	38.5
Q2	46.0	44.5	12.1	12.7	15.8	1.9	1.3	1.5	1.2	41.7
Q3	43.0	42.4	10.8	12.7	15.5	1.9	0.7	0.6	0.2	39.2
Q4	49.4	48.3	13.1	14.3	16.2	2.9	0.8	1.1	0.3	43.9
2004 Q1	41.6	41.0	9.6	12.8	15.4	1.7	0.7	0.6	0.3	38.1
Q2	45.2	44.4	12.2	13.1	15.4	2.0	0.9	0.8	0.6	41.2
Q3	42.8	42.2	10.7	12.6	15.4	1.9	0.7	0.6	0.3	39.0
Q4	49.6	48.4	13.0	14.5	16.2	2.9	0.8	1.1	0.4	44.2
2005 Q1	42.5	41.8	10.0	13.0	15.4	1.7	0.6	0.7	0.3	38.7
Q2	45.1	44.3	11.9	13.3	15.3	2.0	0.9	0.8	0.3	40.9
Q3	43.7	42.9	11.1	12.9	15.4	1.9	0.8	0.8	0.3	39.7
Q4	49.6	48.6	13.4	14.5	16.1	2.9	0.9	0.9	0.3	44.3
2006 Q1	42.9	42.3	10.4	13.2	15.3	1.6	0.9	0.6	0.3	39.2

## 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 benefits	Subsidies	Investment			Capital transfers
2000 Q1	46.3	43.0	10.2	4.6	4.1	24.1	20.8	1.3	3.4	2.0	1.4	-2.7	1.4
Q2	46.3	42.9	10.3	4.6	3.9	24.1	20.8	1.4	3.4	2.3	1.1	1.5	5.4
Q3	43.2	42.8	10.1	4.6	4.0	24.2	20.9	1.5	0.4	2.5	1.1	1.0	5.0
Q4	49.9	46.0	11.1	5.3	3.8	25.9	22.1	1.6	3.8	3.1	1.5	0.2	3.9
2001 Q1	45.8	42.4	10.1	4.2	4.0	24.1	20.9	1.3	3.4	1.9	1.5	-3.4	0.6
Q2	46.3	42.8	10.3	4.6	3.9	24.1	20.8	1.3	3.5	2.3	1.2	0.6	4.5
Q3	46.1	42.4	10.0	4.6	3.8	24.1	20.8	1.4	3.7	2.5	1.3	-2.7	1.2
Q4	51.1	46.2	11.0	5.7	3.6	25.9	22.1	1.7	5.0	3.2	1.8	-1.9	1.7
2002 Q1	46.3	42.8	10.3	4.3	3.7	24.5	21.2	1.3	3.5	1.9	1.6	-4.2	-0.5
Q2	46.8	43.3	10.3	5.0	3.6	24.4	21.2	1.3	3.5	2.3	1.2	-1.1	2.4
Q3	46.9	43.2	10.0	4.7	3.5	24.9	21.4	1.4	3.8	2.5	1.3	-3.3	0.2
Q4	50.9	46.4	11.0	5.7	3.3	26.4	22.6	1.6	4.5	2.8	1.7	-1.7	1.6
2003 Q1	47.1	43.5	10.4	4.5	3.5	25.1	21.6	1.3	3.6	1.9	1.7	-5.0	-1.5
Q2	47.5	43.9	10.4	4.7	3.4	25.3	21.8	1.3	3.6	2.3	1.3	-1.5	1.9
Q3	47.1	43.4	10.2	4.8	3.3	25.1	21.6	1.3	3.7	2.5	1.2	-4.1	-0.8
Q4	51.2	46.3	11.0	5.7	3.1	26.5	22.8	1.5	4.9	3.2	1.7	-1.8	1.3
2004 Q1	46.6	43.1	10.3	4.6	3.2	25.0	21.5	1.2	3.4	1.9	1.5	-5.0	-1.8
Q2	46.8	43.4	10.4	4.9	3.1	24.9	21.5	1.2	3.4	2.3	1.1	-1.6	1.5
Q3	46.2	42.8	10.0	4.6	3.2	25.0	21.5	1.3	3.4	2.4	1.0	-3.4	-0.2
Q4	50.9	45.9	10.9	5.7	3.0	26.2	22.6	1.4	5.0	3.1	1.9	-1.3	1.7
2005 Q1	47.0	43.5	10.3	4.6	3.2	25.4	21.6	1.2	3.5	1.9	1.6	-4.5	-1.3
Q2	46.6	43.1	10.3	4.9	3.1	24.8	21.6	1.1	3.5	2.3	1.2	-1.5	1.6
Q3	46.0	42.5	9.9	4.7	3.0	24.8	21.5	1.2	3.5	2.4	1.1	-2.4	0.7
Q4	51.0	46.0	11.1	5.7	2.9	26.3	22.6	1.3	5.0	3.1	1.8	-1.4	1.5
2006 Q1	45.8	42.5	10.1	4.4	3.0	25.0	21.4	1.1	3.3	1.9	1.4	-2.9	0.1

Source: ECB calculations based on Eurostat and national data.

1) Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions between the EU budget and entities outside the government sector are not included. Otherwise, and except for different data transmission deadlines, the quarterly data are consistent with the annual data. The data are not seasonally adjusted.

2) The fiscal burden comprises taxes and social contributions.

## 6.5 Quarterly debt and change in debt

(as a percentage of GDP)

### 1. Euro area – Maastricht debt by financial instrument<sup>1)</sup>

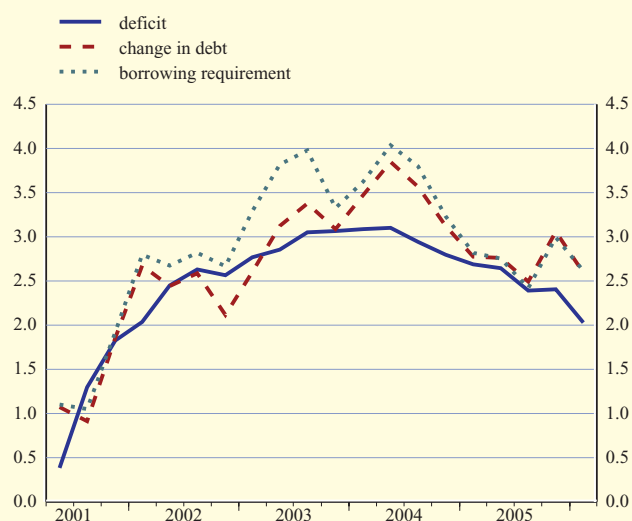
	Total 1	Financial instruments			
		Currency and deposits 2	Loans 3	Short-term securities 4	Long-term securities 5
2003 Q3	70.4	2.7	11.6	5.5	50.5
2003 Q4	69.3	2.1	12.3	5.1	49.9
2004 Q1	70.8	2.1	12.4	5.5	50.9
2004 Q2	71.6	2.2	12.3	5.5	51.6
2004 Q3	71.4	2.3	12.1	5.6	51.5
2004 Q4	69.9	2.2	11.9	5.1	50.7
2005 Q1	71.2	2.2	11.9	5.3	51.8
2005 Q2	72.1	2.4	11.7	5.3	52.7
2005 Q3	71.7	2.4	11.8	5.3	52.2
2005 Q4	70.7	2.4	11.7	4.9	51.7
2006 Q1	71.3	2.5	11.7	5.1	52.0

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

	Change in debt 1	Deficit (-)/ surplus (+) 2	Deficit-debt adjustment							Memo: Borrowing requirement 11	
			Total 3	Transactions in main financial assets held by general government				Valuation effects and other changes in volume 9	Other 10		
				Total 4	Currency and deposits 5	Loans 6	Securities 7				Shares and other equity 8
2003 Q2	4.5	-1.5	3.0	3.3	2.0	0.1	0.0	1.2	0.1	-0.4	4.4
2003 Q3	2.7	-4.1	-1.4	-1.2	-1.3	0.0	-0.1	0.2	-0.1	-0.1	2.8
2003 Q4	-1.9	-1.8	-3.8	-3.9	-2.1	-0.3	-0.1	-1.3	-0.5	0.7	-1.4
2004 Q1	8.8	-5.0	3.8	2.1	1.4	0.0	0.2	0.5	-0.1	1.9	8.9
2004 Q2	6.0	-1.6	4.4	4.0	3.4	0.1	0.3	0.3	0.0	0.3	6.0
2004 Q3	1.6	-3.4	-1.8	-1.0	-1.4	0.0	0.2	0.1	-0.3	-0.5	1.9
2004 Q4	-3.4	-1.3	-4.7	-3.4	-2.6	0.1	-0.1	-0.7	0.0	-1.3	-3.4
2005 Q1	7.3	-4.5	2.8	2.5	1.4	0.3	0.4	0.4	0.2	0.1	7.1
2005 Q2	5.8	-1.5	4.3	3.7	2.7	0.3	0.3	0.4	0.2	0.5	5.6
2005 Q3	0.6	-2.4	-1.8	-2.5	-2.5	-0.1	0.3	-0.3	0.0	0.7	0.5
2005 Q4	-1.1	-1.4	-2.5	-0.8	-0.3	-0.2	-0.4	0.0	-0.1	-1.6	-1.0
2006 Q1	5.2	-2.9	2.3	1.6	1.1	0.1	0.7	-0.3	-0.2	0.9	5.4

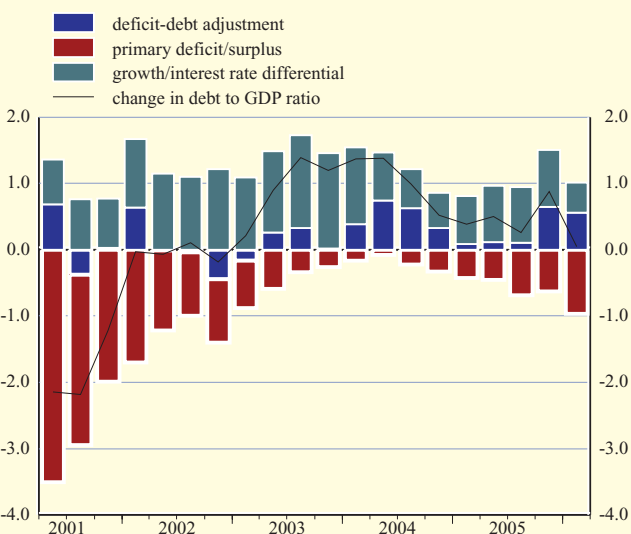
### C28 Deficit, borrowing requirement and change in debt

(four-quarter moving sum as a percentage of GDP)



### C29 Maastricht debt

(annual change in the debt to GDP ratio and underlying factors)



Source: ECB calculations based on Eurostat and national data.

1) The stock data in quarter t are expressed as a percentage of the sum of GDP in t and the previous three quarters.



# EXTERNAL TRANSACTIONS AND POSITIONS

## 7.1 Balance of payments

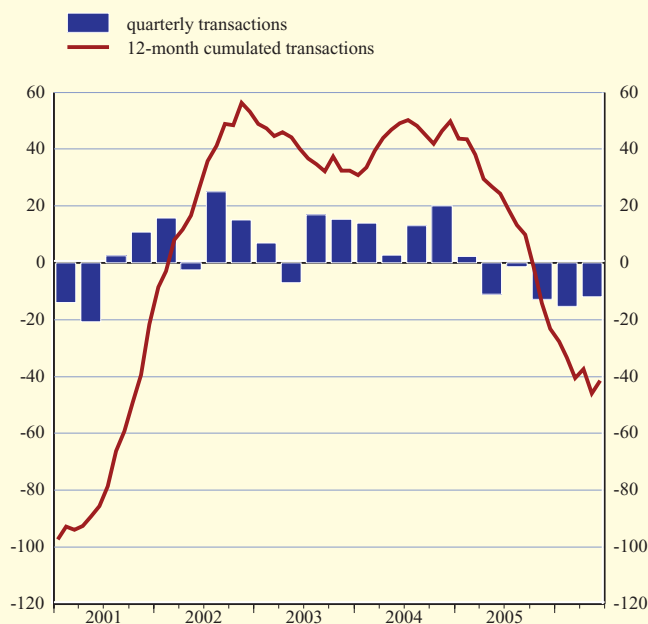
(EUR billions; net transactions)

### 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
2003	32.4	106.1	19.5	-37.2	-56.0	12.9	45.4	-1.3	-12.3	74.9	-13.0	-79.1	28.2	-44.1
2004	49.9	105.3	29.0	-28.0	-56.4	17.5	67.3	-10.9	-41.2	60.3	-5.0	-37.5	12.5	-56.4
2005	-23.1	54.1	34.8	-43.8	-68.2	12.5	-10.6	79.1	-156.3	155.4	-15.2	76.5	18.8	-68.5
2005 Q2	-11.2	18.1	10.3	-23.6	-16.0	4.0	-7.2	49.5	-14.7	107.8	1.3	-48.0	3.1	-42.3
Q3	-1.4	16.0	9.6	-7.1	-19.8	2.8	1.5	34.6	-97.6	89.8	-0.4	40.8	2.0	-36.0
Q4	-12.8	4.9	10.8	-12.3	-16.2	4.7	-8.1	-23.7	-20.2	-49.1	-8.8	45.6	8.8	31.9
2006 Q1	-15.2	-4.6	5.1	-0.7	-15.1	2.3	-12.9	84.6	-14.6	31.2	-8.5	69.9	6.6	-71.7
Q2	-12.0	5.9	12.4	-14.7	-15.6	2.0	-10.0	52.9	-10.0	110.6	-0.9	-45.4	-1.4	-42.9
2005 July	3.0	9.5	4.5	-5.5	-5.5	0.8	3.8	1.0	-85.1	77.1	1.4	5.0	2.6	-4.8
Aug.	-2.7	1.0	1.5	1.0	-6.2	0.8	-2.0	0.4	-12.0	-13.3	-0.7	26.5	-0.1	1.6
Sep.	-1.6	5.5	3.6	-2.6	-8.1	1.2	-0.4	33.2	-0.5	26.0	-1.2	9.3	-0.5	-32.8
Oct.	-7.5	1.7	4.7	-8.5	-5.5	0.6	-6.9	-12.8	-7.9	-1.9	-4.3	1.0	0.2	19.7
Nov.	-5.6	1.5	2.9	-4.9	-5.0	0.9	-4.6	2.2	-3.9	-43.7	-0.3	48.9	1.2	2.4
Dec.	0.3	1.7	3.2	1.1	-5.7	3.2	3.4	-13.2	-8.5	-3.6	-4.2	-4.3	7.4	9.7
2006 Jan.	-11.4	-7.2	1.1	-0.9	-4.3	0.8	-10.6	4.0	0.9	-34.2	-2.8	42.3	-2.1	6.6
Feb.	-0.9	0.4	2.3	0.2	-3.8	1.0	0.1	14.0	-26.9	19.1	-3.3	23.0	2.1	-14.2
Mar.	-3.0	2.2	1.7	0.1	-6.9	0.5	-2.5	66.5	11.4	46.4	-2.4	4.6	6.6	-64.1
Apr.	-7.3	0.4	3.2	-5.1	-5.9	0.5	-6.8	4.9	-1.9	-5.2	-5.6	18.8	-1.2	1.9
May	-11.5	0.9	4.1	-11.3	-5.2	0.7	-10.8	37.1	-0.4	49.3	2.3	-12.6	-1.7	-26.2
June	6.8	4.6	5.0	1.7	-4.6	0.8	7.6	11.0	-7.7	66.5	2.4	-51.7	1.5	-18.6
July	1.4	5.1	4.8	-1.5	-7.0	0.7	2.1	13.5	-8.9	2.1	2.1	18.9	-0.8	-15.7
	<i>12-month cumulated transactions</i>													
2006 July	-43.0	17.9	38.1	-30.8	-68.2	11.8	-31.3	160.8	-66.2	107.5	-17.9	124.8	12.6	-129.6

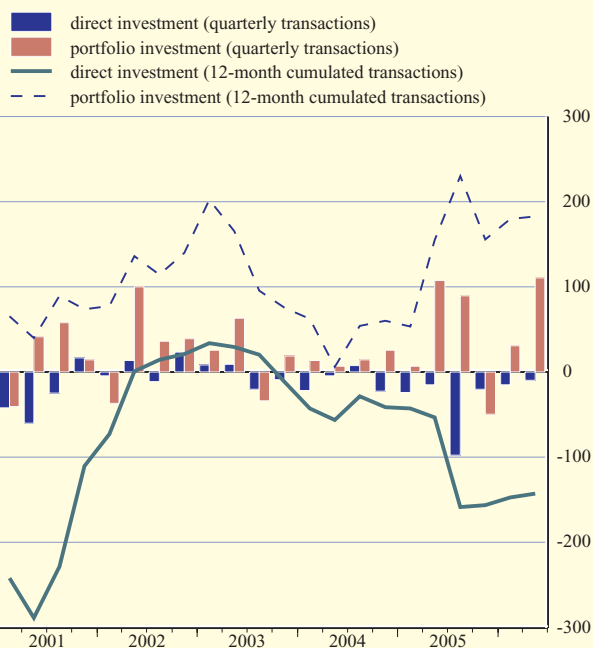
### C30 B.o.p. current account balance

(EUR billions)



### C31 B.o.p. net direct and portfolio investment

(EUR billions)



Source: ECB.

## 7.1 Balance of payments

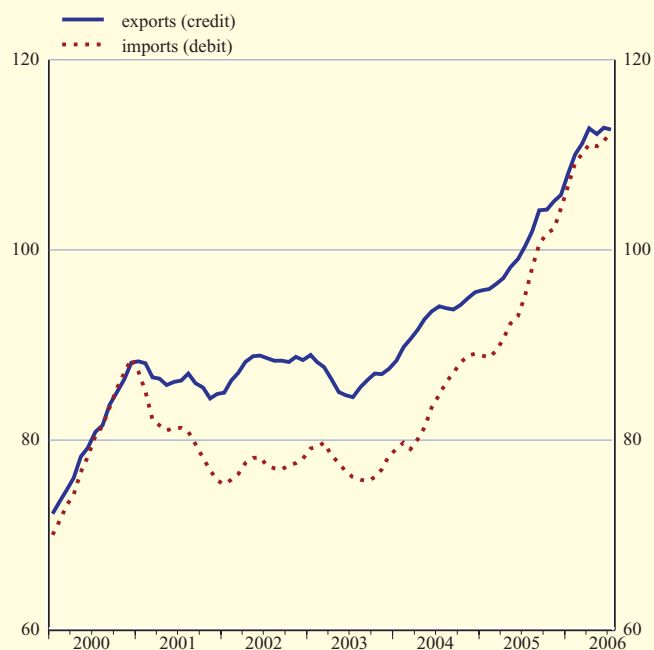
(EUR billions; transactions)

### 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	
2003	1,693.2	1,660.8	32.4	1,036.0	929.9	331.8	312.3	243.3	280.5	82.1	138.1	23.7	10.8
2004	1,843.0	1,793.2	49.9	1,128.2	1,022.9	362.1	333.1	270.9	298.9	81.9	138.3	24.1	6.6
2005	2,022.6	2,045.7	-23.1	1,220.0	1,166.0	397.3	362.5	321.6	365.4	83.6	151.8	23.4	10.9
2005 Q2	503.4	514.5	-11.2	305.2	287.1	97.3	87.0	83.8	107.3	17.1	33.1	5.8	1.8
Q3	509.7	511.1	-1.4	309.0	293.0	108.9	99.3	76.5	83.6	15.3	35.1	4.6	1.8
Q4	548.7	561.5	-12.8	327.4	322.4	105.8	95.0	93.3	105.7	22.2	38.4	8.1	3.5
2006 Q1	536.9	552.1	-15.2	328.1	332.7	96.0	90.9	83.6	84.3	29.2	44.3	5.3	3.0
Q2	572.7	584.8	-12.0	341.6	335.7	105.5	93.2	109.0	123.7	16.6	32.2	4.3	2.2
2006 May	196.6	208.1	-11.5	116.1	115.2	35.8	31.7	39.0	50.3	5.7	10.9	1.4	0.7
June	202.2	195.4	6.8	118.1	113.5	37.4	32.4	40.7	39.0	6.0	10.6	1.8	1.0
July	190.4	189.0	1.4	115.1	109.9	39.5	34.8	31.2	32.7	4.6	11.6	1.9	1.2
	Seasonally adjusted												
2005 Q2	491.6	490.6	1.0	297.1	279.2	95.9	88.7	77.0	87.3	21.5	35.4	.	.
Q3	513.5	522.6	-9.1	312.5	301.8	100.7	92.8	80.2	91.0	20.0	37.0	.	.
Q4	531.8	553.4	-21.5	317.4	313.1	104.5	93.4	88.1	107.9	21.9	39.1	.	.
2006 Q1	554.3	564.9	-10.6	333.5	330.2	105.8	95.3	89.3	96.6	25.7	42.9	.	.
Q2	566.3	567.8	-1.5	338.6	334.3	105.1	96.4	101.8	102.2	20.8	34.9	.	.
2005 Nov.	179.6	191.0	-11.4	106.5	103.9	35.8	31.6	30.2	42.5	7.1	13.0	.	.
Dec.	181.0	184.0	-3.0	108.5	106.9	34.3	30.7	30.1	32.2	7.9	14.2	.	.
2006 Jan.	177.2	178.2	-1.0	109.0	109.3	35.6	32.0	29.4	29.2	3.2	7.7	.	.
Feb.	193.7	198.4	-4.7	112.5	111.2	36.2	32.3	28.1	31.9	16.9	23.0	.	.
Mar.	183.5	188.4	-4.9	112.1	109.7	34.0	31.0	31.8	35.4	5.6	12.3	.	.
Apr.	183.0	182.2	0.9	113.8	112.4	34.7	31.3	28.1	26.1	6.4	12.4	.	.
May	190.4	198.1	-7.6	110.7	110.6	35.1	32.5	37.6	42.8	7.0	12.2	.	.
June	192.8	187.5	5.2	114.0	111.3	35.3	32.5	36.0	33.3	7.4	10.4	.	.
July	187.6	192.3	-4.8	113.3	115.4	35.4	32.4	32.8	32.2	6.1	12.3	.	.

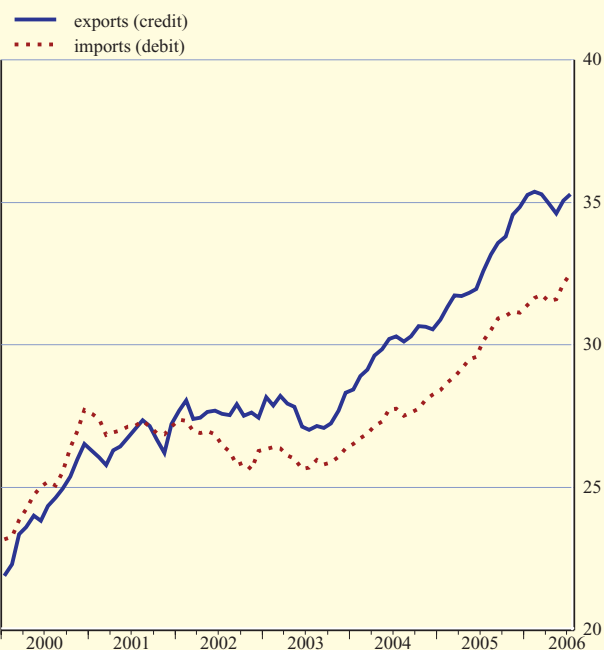
### C32 B.o.p. goods

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



### C33 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	
2003	14.8	7.2	228.5	273.3	66.3	56.3	10.0	10.2	18.6	53.5	65.5	80.7	68.1	72.6
2004	15.3	7.7	255.6	291.1	87.0	72.0	12.1	11.8	23.8	56.9	67.5	79.0	65.2	71.5
2005	15.4	9.3	306.2	356.1	97.4	97.6	13.0	13.2	30.8	71.1	79.8	79.3	85.2	94.9
2005 Q1	3.7	1.6	64.3	67.1	18.7	14.8	2.9	2.8	6.1	11.3	17.5	17.3	19.1	20.9
Q2	3.8	2.3	80.0	105.0	27.4	26.1	3.3	3.5	9.9	30.2	19.5	22.0	19.9	23.1
Q3	3.8	2.8	72.6	80.7	19.9	22.3	2.9	2.9	7.6	15.8	21.5	17.0	20.7	22.7
Q4	4.0	2.5	89.3	103.2	31.3	34.4	3.9	3.9	7.3	13.8	21.3	23.0	25.4	28.1
2006 Q1	4.0	1.7	79.6	82.5	18.5	13.7	4.3	3.3	7.9	15.9	22.6	20.2	26.3	29.5

## 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
2003	-147.2	-130.0	-1.9	-128.2	-17.1	0.0	-17.1	134.9	124.4	3.1	121.3	10.5	0.1	10.5
2004	-141.7	-152.0	-17.3	-134.7	10.3	0.1	10.2	100.5	86.5	1.2	85.3	14.0	0.6	13.4
2005	-232.7	-171.9	-9.2	-162.7	-60.7	0.4	-61.1	76.4	45.7	-0.1	45.8	30.7	1.1	29.7
2005 Q2	-28.4	-23.6	-1.9	-21.8	-4.7	0.0	-4.8	13.7	4.2	0.4	3.8	9.5	-0.1	9.6
Q3	-115.9	-92.0	-4.9	-87.1	-23.9	0.1	-24.0	18.3	5.5	0.9	4.7	12.8	0.4	12.3
Q4	-47.2	-33.0	-0.1	-32.9	-14.2	0.2	-14.4	27.0	18.0	-1.7	19.7	9.0	0.4	8.6
2006 Q1	-42.0	-34.6	-1.4	-33.2	-7.4	0.6	-8.0	27.4	23.3	0.6	22.7	4.1	-0.3	4.5
Q2	-37.2	-23.6	-5.0	-18.6	-13.6	-0.9	-12.7	27.2	16.1	0.7	15.4	11.1	0.5	10.6
2005 July	-93.1	-85.9	-3.3	-82.6	-7.1	0.1	-7.2	8.0	10.4	0.2	10.1	-2.4	0.0	-2.4
Aug.	-11.7	-4.7	-0.5	-4.1	-7.0	0.0	-7.0	-0.4	-0.8	0.2	-1.0	0.4	0.1	0.3
Sep.	-11.2	-1.4	-1.0	-0.3	-9.8	0.0	-9.9	10.7	-4.1	0.4	-4.5	14.7	0.3	14.4
Oct.	-11.5	-0.7	0.3	-1.1	-10.8	0.0	-10.8	3.7	5.9	0.2	5.7	-2.2	0.3	-2.5
Nov.	-8.6	-5.9	0.2	-6.1	-2.7	0.0	-2.7	4.8	3.6	-1.7	5.2	1.2	0.2	1.0
Dec.	-27.0	-26.4	-0.7	-25.7	-0.7	0.2	-0.9	18.6	8.5	-0.2	8.7	10.0	0.0	10.1
2006 Jan.	-4.1	5.9	-0.5	6.4	-10.0	0.1	-10.1	5.0	6.3	0.2	6.2	-1.4	0.3	-1.7
Feb.	-36.0	-31.0	-1.3	-29.7	-5.0	0.3	-5.3	9.1	11.2	0.3	10.9	-2.1	0.2	-2.3
Mar.	-2.0	-9.6	0.3	-9.9	7.6	0.3	7.4	13.4	5.8	0.1	5.6	7.6	-0.9	8.4
Apr.	-12.8	-2.6	-1.6	-1.0	-10.2	-0.3	-9.9	10.8	3.9	0.2	3.8	6.9	0.1	6.8
May	-15.4	-13.7	-3.1	-10.7	-1.7	-0.3	-1.4	15.0	9.8	0.4	9.4	5.3	0.2	5.0
June	-9.0	-7.3	-0.4	-6.9	-1.7	-0.3	-1.5	1.4	2.4	0.1	2.3	-1.1	0.2	-1.3
July	-12.3	-11.0	-1.1	-9.9	-1.3	0.0	-1.2	3.5	3.3	0.2	3.1	0.2	-0.2	0.3

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						
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		Liabilities	Assets				Liabilities	
			General gov.	Eurosystem	MFIs excluding Eurosystem			General gov.	Eurosystem		MFIs excluding Eurosystem	Non-MFIs	General gov.			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
2003	-0.3	-13.9	-64.4	-2.6	110.3	-2.4	-45.0	-128.3	-0.2	198.9	0.2	-45.9	23.7	0.6	42.2	
2004	0.0	-22.4	-81.0	-3.4	128.1	1.2	-81.8	-97.1	-2.1	254.9	-0.1	-43.2	-13.7	0.1	15.4	
2005	-0.1	-15.6	-124.9	-3.9	279.5	-0.7	-124.6	-161.4	-0.5	255.8	0.1	-11.6	-3.8	0.1	62.9	
2005 Q2	0.0	21.7	-22.8	-0.8	25.0	-0.7	-39.5	-34.3	-0.1	158.1	-0.4	-9.1	-5.2	-2.4	14.9	
Q3	-0.1	-4.9	-26.9	-1.1	150.7	-0.4	-21.3	-49.7	0.1	24.5	0.1	-7.1	1.6	0.2	23.4	
Q4	0.0	-4.8	-53.9	-0.9	62.5	0.6	-28.1	-36.4	-0.1	26.4	0.1	-1.4	5.8	5.9	-19.8	
2006 Q1	0.0	-17.8	-80.1	-0.6	121.3	-0.1	-52.4	-34.8	-0.2	85.6	0.7	2.0	-9.7	-3.8	16.6	
Q2	0.0	11.5	1.9	.	42.0	-0.1	-19.8	-26.2	.	110.4	-2.2	-8.8	-1.2	.	3.2	
2005 July	-0.1	-3.5	-14.8	-	111.4	0.2	-4.1	-14.5	-	-2.4	-0.6	0.0	-1.6	-	7.0	
Aug.	0.0	2.0	-8.8	-	23.4	-0.5	-5.7	-13.8	-	-6.9	0.3	-11.5	-0.1	-	8.2	
Sep.	0.0	-3.4	-3.4	-	15.9	-0.2	-11.5	-21.4	-	33.7	0.4	4.4	3.3	-	8.2	
Oct.	0.0	4.6	-10.8	-	-4.5	0.6	-17.4	-14.8	-	24.7	0.0	6.4	4.0	-	5.3	
Nov.	0.0	-6.7	-21.4	-	10.6	0.1	-3.6	-15.7	-	5.5	0.1	-5.1	0.0	-	-7.4	
Dec.	0.0	-2.7	-21.7	-	56.4	-0.2	-7.1	-5.9	-	-3.7	0.0	-2.7	1.8	-	-17.7	
2006 Jan.	0.0	-5.4	-38.6	-	35.0	0.2	-31.3	-1.9	-	1.3	0.4	2.7	-7.2	-	10.7	
Feb.	0.0	-3.7	-23.8	-	35.9	-0.2	-7.2	-17.2	-	23.1	0.3	1.5	-2.3	-	12.7	
Mar.	0.0	-8.7	-17.7	-	50.3	-0.1	-13.9	-15.7	-	61.3	0.0	-2.2	-0.2	-	-6.7	
Apr.	0.0	2.6	-6.0	-	-8.8	0.2	-4.8	-14.5	-	24.6	-0.8	-7.3	-0.8	-	10.4	
May	0.0	3.4	9.5	-	-7.3	0.1	-10.0	-10.0	-	63.4	-1.3	-2.8	-1.7	-	6.0	
June	0.0	5.5	-1.5	-	58.1	-0.4	-5.0	-1.7	-	22.3	-0.1	1.3	1.2	-	-13.3	
July	0.0	2.3	-8.1	-	45.5	0.2	-10.5	-4.0	-	1.2	0.4	-18.3	-1.9	-	-4.6	

### 6. Other investment by sector

	Total		Eurosystem		General government		MFIs (excluding Eurosystem)						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
2003	-253.1	174.1	-0.8	10.0	-0.4	-	-3.4	-152.6	134.8	-50.7	52.3	-101.9	82.5	-99.3	-	32.7
2004	-312.5	275.0	-0.2	6.9	-2.3	-2.0	-3.6	-259.4	246.9	-20.1	-3.6	-239.3	250.5	-50.6	-10.5	24.7
2005	-564.8	641.3	-1.2	6.1	5.1	-2.3	-2.4	-385.3	477.0	-99.6	50.6	-285.6	426.4	-183.4	-22.4	160.6
2005 Q2	-156.6	108.5	-1.3	0.3	-7.6	-8.6	-1.9	-97.1	45.0	-18.5	22.5	-78.6	22.5	-50.5	18.0	65.2
Q3	-108.4	149.2	0.4	4.3	7.7	4.7	1.2	-87.8	122.9	-21.9	14.6	-65.8	108.3	-28.9	-18.9	20.8
Q4	-121.5	167.2	-0.8	-3.4	-2.3	-1.1	-2.0	-73.7	113.3	-37.7	3.2	-36.0	110.1	-44.7	7.9	59.3
2006 Q1	-222.2	292.0	-3.4	9.7	7.5	3.8	-3.6	-136.2	222.0	-13.3	12.5	-122.9	209.5	-90.1	-12.9	63.9
Q2	-125.3	79.9	0.5	1.4	-13.7	-13.9	-0.4	-63.3	13.5	-32.7	24.7	-30.5	-11.2	-48.8	2.8	65.4
2005 July	-43.6	48.6	0.3	-1.1	-0.7	-4.6	0.9	-38.6	48.2	-6.3	5.5	-32.3	42.7	-4.5	-3.3	0.6
Aug.	19.6	6.9	0.2	0.8	6.3	8.4	0.5	20.1	-2.0	-1.4	3.1	21.4	-5.1	-7.0	-6.5	7.6
Sep.	-84.4	93.7	-0.1	4.6	2.1	0.9	-0.2	-69.2	76.6	-14.3	6.0	-54.9	70.7	-17.3	-9.0	12.6
Oct.	-53.9	54.9	0.0	-1.0	0.7	-0.3	1.8	-46.4	50.7	-3.8	1.2	-42.7	49.5	-8.2	3.5	3.4
Nov.	-149.6	198.5	-0.9	1.7	-1.2	1.3	0.2	-113.3	170.9	-0.9	-3.2	-112.4	174.1	-34.2	-6.0	25.7
Dec.	82.0	-86.3	0.1	-4.1	-1.8	-2.1	-4.1	86.0	-108.3	-33.1	5.2	119.1	-113.5	-2.3	10.3	30.2
2006 Jan.	-103.6	145.9	0.1	8.1	3.8	2.3	-2.4	-71.1	117.7	6.6	-1.0	-77.7	118.8	-36.4	-16.3	22.5
Feb.	-46.8	69.8	-4.4	0.2	1.3	1.0	-1.2	-4.0	36.3	-7.4	9.9	3.4	26.4	-39.7	-5.7	34.4
Mar.	-71.8	76.3	1.0	1.3	2.4	0.5	0.0	-61.1	68.0	-12.5	3.7	-48.6	64.3	-14.0	9.2	7.0
Apr.	-92.5	111.3	0.2	-2.3	-5.4	-5.1	4.3	-65.7	83.1	-6.2	10.2	-59.5	72.8	-21.5	2.0	26.2
May	-78.5	66.0	0.0	5.5	-4.7	-5.1	-1.8	-46.4	42.0	-9.1	3.6	-37.3	38.4	-27.5	-6.9	23.3
June	45.7	-97.4	0.3	-1.9	-3.5	-3.7	0.1	48.8	-111.6	-17.5	10.8	66.3	-122.4	0.2	7.7	15.9
July	-53.6	72.6	0.8	0.1	7.0	6.9	1.8	-42.9	64.5	-13.1	7.6	-29.8	56.9	-18.6	-2.7	6.3

Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

## 7. Other investment by sector and 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		
2003	-0.8	0.0	10.0	0.0	-0.1	0.7	-0.3	0.9	-1.0	0.0	-3.7	0.3	
2004	0.1	-0.3	6.9	0.1	0.0	-0.6	1.4	-2.0	-1.7	0.0	-3.5	0.0	
2005	-1.0	-0.1	6.1	0.0	0.0	6.6	8.9	-2.3	-1.5	0.0	-2.2	-0.3	
2005 Q1	0.5	0.0	4.9	0.0	0.0	7.8	5.0	2.7	-0.5	0.0	0.6	-0.3	
Q2	-1.2	-0.1	0.3	0.0	0.0	-7.1	1.5	-8.6	-0.5	0.0	-2.0	0.0	
Q3	0.4	0.0	4.3	0.0	0.0	8.0	3.3	4.7	-0.3	0.0	1.3	-0.1	
Q4	-0.8	0.0	-3.4	0.0	0.0	-2.1	-1.0	-1.1	-0.2	0.0	-2.1	0.0	
2006 Q1	-3.4	0.0	9.6	0.1	0.0	7.8	4.0	3.8	-0.3	0.0	-3.2	-0.4	

	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		
2003	-152.1	-0.5	134.8	-0.1	-1.2	-95.8	-9.6	-86.3	-2.3	4.2	28.4	0.2	
2004	-256.3	-3.1	244.0	2.9	-6.0	-39.5	-29.0	-10.5	-5.1	8.6	13.4	2.7	
2005	-381.2	-4.0	475.0	2.0	-7.8	-163.3	-140.9	-22.4	-12.3	9.0	147.9	3.7	
2005 Q1	-124.8	-1.9	193.0	2.8	-2.7	-53.9	-24.5	-29.4	-2.7	3.0	7.0	5.2	
Q2	-97.0	-0.1	43.8	1.2	-5.4	-43.1	-61.1	18.0	-2.1	1.1	62.8	1.3	
Q3	-82.5	-5.2	120.2	2.7	2.0	-24.3	-5.4	-18.9	-6.6	0.5	22.1	-1.7	
Q4	-77.0	3.3	118.0	-4.7	-1.7	-42.1	-49.9	7.9	-0.9	4.4	56.0	-1.1	
2006 Q1	-132.3	-3.9	216.1	5.9	-3.4	-78.5	-65.7	-12.9	-8.1	4.9	53.8	5.2	

## 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	
2003	28.2	1.7	0.0	-1.6	28.1	-2.5	1.9	-0.1	22.1	6.7	0.1	0.0
2004	12.5	1.2	0.5	4.0	6.9	-3.8	4.0	0.4	18.3	-11.9	-0.1	0.0
2005	18.8	3.9	-0.2	8.6	6.5	0.1	7.8	0.0	-4.8	3.5	0.0	0.0
2005 Q1	4.8	0.8	0.0	1.6	2.4	5.2	-1.1	0.0	1.3	-2.9	0.0	0.0
Q2	3.1	1.3	0.0	1.3	0.5	-4.4	1.1	0.0	0.9	2.9	0.0	0.0
Q3	2.0	0.5	0.0	2.6	-1.1	1.6	0.9	0.0	-4.9	1.4	-0.1	0.0
Q4	8.8	1.2	-0.1	3.0	4.6	-2.3	6.9	0.0	-2.0	2.1	0.0	0.0
2006 Q1	6.6	0.8	0.0	3.4	2.4	6.2	-4.8	0.0	-3.7	4.6	0.0	0.0

Source: ECB.

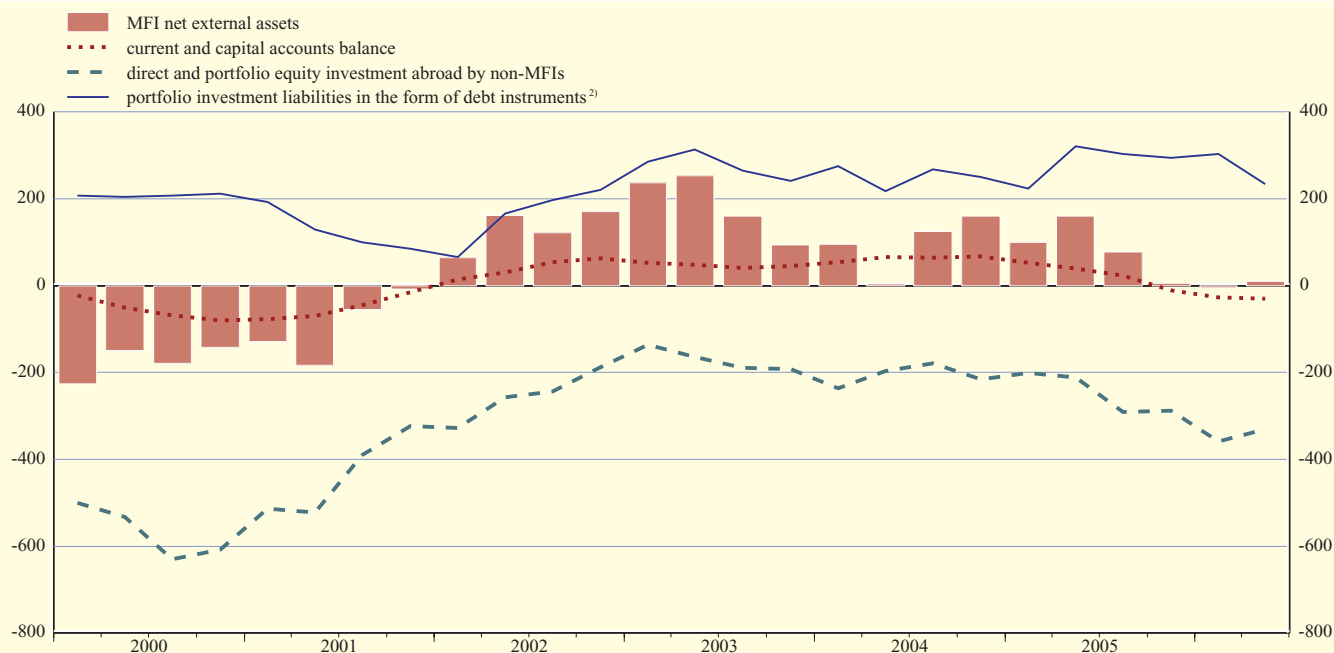
## 7.2 Monetary presentation of the balance of payments

(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non- resident units in the euro area	Assets Non-MFIs	Liabilities		Assets Non-MFIs	Liabilities Non-MFIs				
					Equity <sup>1)</sup>	Debt instruments <sup>2)</sup>						
1	2	3	4	5	6	7	8	9	10	11	12	
2003	45.4	-145.3	134.8	-169.0	114.5	241.3	-99.7	29.3	-13.0	-44.1	94.2	93.7
2004	67.3	-124.5	99.9	-191.9	118.0	250.4	-52.9	21.2	-5.0	-56.4	126.2	160.8
2005	-10.6	-223.8	75.3	-290.1	236.3	294.6	-178.4	158.2	-15.2	-68.5	-22.3	5.6
2005 Q2	-7.2	-26.5	13.8	-62.2	-0.8	178.6	-58.1	63.3	1.3	-42.3	59.9	64.4
Q3	1.5	-111.1	17.9	-75.0	155.3	41.1	-21.1	22.0	-0.4	-36.0	-6.0	-19.2
Q4	-8.1	-47.2	26.6	-84.5	47.8	2.8	-47.0	57.3	-8.8	31.9	-29.4	-15.1
2006 Q1	-12.9	-41.2	27.7	-124.6	116.1	80.2	-82.6	60.3	-8.5	-71.7	-57.2	-35.0
Q2	-10.0	-31.3	26.7	-25.6	35.4	109.3	-62.5	65.0	-0.9	-42.9	63.3	79.7
2005 July	3.8	-89.8	8.0	-31.0	118.4	2.8	-5.3	1.5	1.4	-4.8	5.1	0.0
Aug.	-2.0	-11.1	-0.4	-22.6	25.0	0.2	-0.7	8.1	-0.7	1.6	-2.6	1.9
Sep.	-0.4	-10.2	10.3	-21.5	11.9	38.0	-15.2	12.4	-1.2	-32.8	-8.5	-21.1
Oct.	-6.9	-11.9	3.4	-21.5	-5.3	24.0	-7.5	5.3	-4.3	19.7	-5.0	-5.2
Nov.	-4.6	-8.8	4.6	-37.2	10.6	-1.4	-35.4	25.9	-0.3	2.4	-44.4	-44.9
Dec.	3.4	-26.5	18.6	-25.8	42.5	-19.8	-4.1	26.1	-4.2	9.7	19.9	35.0
2006 Jan.	-10.6	-3.7	4.7	-47.7	31.3	4.4	-32.6	20.0	-2.8	6.6	-30.4	5.7
Feb.	0.1	-35.0	8.9	-43.2	31.1	29.8	-38.4	33.3	-3.3	-14.2	-31.0	-19.2
Mar.	-2.5	-2.6	14.2	-33.7	53.8	46.0	-11.6	7.0	-2.4	-64.1	4.2	-21.5
Apr.	-6.8	-10.9	10.8	-21.3	-13.0	25.4	-27.0	30.5	-5.6	1.9	-15.8	-6.6
May	-10.8	-12.0	14.8	-2.2	-7.7	65.3	-32.2	18.5	2.3	-26.2	9.6	18.7
June	7.6	-8.4	1.1	-2.0	56.1	18.5	-3.3	16.0	2.4	-18.6	69.5	67.6
July	2.1	-11.1	3.6	-14.1	27.2	2.5	-11.5	8.1	2.1	-15.7	-6.8	-0.8
	<i>12-month cumulated transactions</i>											
2006 July	-31.3	-152.2	94.5	-292.9	263.4	233.0	-219.5	211.2	-17.9	-129.6	-41.2	9.5

## C34 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					
2005 Q2 to 2006 Q1	1	2	3	4	5	6	7	8	9	10	11	12
Credits												
<b>Current account</b>	2,098.7	766.6	44.1	66.7	407.6	189.0	59.3	27.0	52.6	139.2	357.9	755.3
Goods	1,269.6	438.6	29.8	45.5	212.1	151.1	0.1	16.5	34.2	70.7	190.5	519.0
Services	408.0	144.9	8.0	10.9	100.6	20.4	4.9	5.6	11.5	39.7	77.0	129.3
Income	337.2	121.4	5.8	9.7	85.0	15.3	5.5	4.5	6.1	22.4	83.7	99.2
of which: investment income	321.6	116.0	5.7	9.6	83.2	15.1	2.3	4.4	6.0	16.3	82.1	96.7
Current transfers	83.8	61.8	0.4	0.6	9.9	2.1	48.8	0.4	0.8	6.3	6.7	7.8
<b>Capital account</b>	23.9	20.8	0.0	0.0	0.9	0.1	19.7	0.0	0.1	0.5	0.6	1.9
Debits												
<b>Current account</b>	2,139.2	682.0	36.6	63.9	333.4	155.7	92.3	20.5	80.9	132.3	332.7	890.8
Goods	1,235.2	352.4	26.2	42.5	160.0	123.7	0.0	9.8	52.0	62.8	120.9	637.4
Services	372.2	117.4	6.6	8.8	77.9	23.8	0.2	5.5	7.4	30.3	83.2	128.3
Income	380.9	114.1	3.4	11.8	86.8	6.7	5.3	3.8	21.2	33.8	120.1	87.9
of which: investment income	371.5	108.9	3.4	11.7	85.6	2.9	5.3	3.7	21.1	33.2	119.1	85.5
Current transfers	150.9	98.2	0.4	0.8	8.6	1.4	86.8	1.5	0.3	5.4	8.5	37.2
<b>Capital account</b>	10.1	1.3	0.0	0.1	0.9	0.2	0.1	0.1	0.1	0.5	1.2	6.9
Net												
<b>Current account</b>	-40.6	84.6	7.4	2.8	74.2	33.3	-33.0	6.5	-28.3	6.9	25.2	-135.5
Goods	34.4	86.2	3.6	3.0	52.0	27.4	0.1	6.7	-17.8	8.0	69.6	-118.4
Services	35.9	27.5	1.4	2.1	22.7	-3.4	4.7	0.1	4.1	9.4	-6.2	1.0
Income	-43.7	7.3	2.4	-2.1	-1.8	8.6	0.2	0.7	-15.1	-11.4	-36.4	11.3
of which: investment income	-49.9	7.1	2.4	-2.1	-2.4	12.2	-3.0	0.7	-15.1	-16.9	-37.0	11.2
Current transfers	-67.1	-36.4	0.0	-0.2	1.2	0.7	-38.1	-1.0	0.5	1.0	-1.8	-29.4
<b>Capital account</b>	13.8	19.5	0.0	0.0	0.1	-0.1	19.5	-0.1	0.0	0.0	-0.7	-5.0

## 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						
2005 Q2 to 2006 Q1	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>Direct investment</b>	-147.2	-99.0	-2.4	8.7	-93.8	-11.6	0.1	1.3	2.1	4.5	4.3	-18.0	-42.4
Abroad	-233.5	-152.2	-2.3	-0.3	-124.6	-24.9	0.0	-4.6	-0.7	-0.8	-13.0	-16.3	-46.0
Equity/reinvested earnings	-183.2	-140.0	-4.6	-6.6	-104.1	-24.8	0.0	-3.9	-0.6	-4.6	10.0	-6.8	-37.4
Other capital	-50.3	-12.2	2.3	6.3	-20.6	-0.1	0.0	-0.7	0.0	3.8	-23.1	-9.5	-8.6
In the euro area	86.4	53.1	-0.1	9.1	30.8	13.2	0.1	5.9	2.7	5.3	17.4	-1.7	3.6
Equity/reinvested earnings	51.0	39.2	-0.5	7.8	29.9	1.9	0.0	4.8	2.3	-0.4	-3.7	5.2	3.7
Other capital	35.4	14.0	0.4	1.2	0.9	11.3	0.1	1.1	0.4	5.8	21.0	-6.9	0.0

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						
2005 Q2 to 2006 Q1	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>Portfolio investment assets</b>	-509.5	-182.2	-7.8	-12.0	-136.3	-16.4	-9.7	-9.7	-28.8	-0.3	-98.6	-73.1	-116.9
Equity	-189.7	-35.3	0.3	-5.2	-29.8	-0.6	0.0	-4.3	-26.1	0.8	-43.7	-18.0	-63.2
Debt instruments	-319.8	-146.9	-8.1	-6.8	-106.6	-15.7	-9.7	-5.3	-2.7	-1.1	-54.9	-55.1	-53.7
Bonds and notes	-297.2	-112.2	-6.5	-6.4	-69.9	-18.8	-10.5	-5.4	-13.0	-0.8	-65.4	-49.0	-51.4
Money market instruments	-22.6	-34.7	-1.6	-0.4	-36.7	3.1	0.8	0.1	10.3	-0.3	10.5	-6.2	-2.3

### 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							
2005 Q2 to 2006 Q1	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Other investment</b>	108.3	3.9	-5.2	14.6	-11.2	-12.3	18.0	-6.8	24.7	-21.7	37.8	29.0	12.2	29.2
Assets	-608.7	-393.7	-11.2	7.5	-360.7	-27.7	-1.7	-8.2	3.3	-34.1	-24.5	-68.2	-2.3	-81.1
General government	5.3	-0.5	0.6	-0.2	-1.8	1.3	-0.4	0.0	0.0	-0.1	0.6	0.3	-1.4	6.3
MFIs	-399.8	-221.8	-9.5	6.4	-191.0	-26.3	-1.4	-6.7	4.2	-27.4	-32.9	-51.1	-0.5	-63.5
Other sectors	-214.2	-171.4	-2.3	1.3	-167.9	-2.6	0.1	-1.4	-0.8	-6.7	7.8	-17.3	-0.4	-23.9
Liabilities	717.0	397.6	6.0	7.0	349.5	15.4	19.7	1.4	21.4	12.4	62.3	97.2	14.5	110.3
General government	-6.4	-2.3	0.0	0.0	-2.6	0.0	0.4	0.0	-0.1	-3.0	-0.2	-0.1	-0.3	-0.4
MFIs	514.1	220.7	5.4	6.0	188.4	13.4	7.6	1.9	20.7	7.4	38.0	95.2	14.8	115.4
Other sectors	209.3	179.2	0.7	1.1	163.7	2.0	11.8	-0.5	0.8	8.0	24.5	2.0	0.0	-4.7

### 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							
2004	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Direct investment</b>	33.1	-273.1	-10.4	-11.8	-361.5	110.8	-0.2	22.7	-4.0	35.3	-63.5	-30.9	0.0	346.7
Abroad	2,265.1	759.8	26.1	71.1	537.6	125.1	0.0	66.8	55.9	220.3	486.6	272.2	0.0	403.5
Equity/reinvested earnings	1,825.7	608.4	22.9	43.8	432.7	108.9	0.0	58.3	50.5	171.0	377.2	255.7	0.0	304.8
Other capital	439.3	151.4	3.1	27.2	104.9	16.2	0.0	8.5	5.4	49.4	109.4	16.5	0.0	98.7
In the euro area	2,231.9	1,032.9	36.5	82.8	899.1	14.3	0.2	44.1	59.8	185.1	550.2	303.0	0.1	56.8
Equity/reinvested earnings	1,642.1	814.3	23.0	67.4	719.4	4.4	0.1	40.4	48.8	129.6	387.7	177.0	0.0	44.2
Other capital	589.9	218.6	13.4	15.4	179.8	9.9	0.1	3.7	11.1	55.4	162.4	126.1	0.0	12.6
<b>Portfolio investment assets</b>	2,984.0	941.1	45.1	100.8	680.8	56.8	57.6	63.4	174.3	91.9	1,050.2	310.3	28.4	324.4
Equity	1,238.7	315.3	6.6	32.9	261.4	14.4	0.0	12.6	109.5	82.3	483.3	106.8	0.9	128.0
Debt instruments	1,745.3	625.8	38.5	67.9	419.4	42.4	57.6	50.8	64.8	9.7	566.9	203.5	27.5	196.3
Bonds and notes	1,458.6	513.8	34.4	58.7	322.5	41.1	57.1	48.7	39.9	8.5	463.5	185.9	27.1	171.2
Money market instruments	286.7	112.1	4.1	9.2	96.9	1.3	0.5	2.1	25.0	1.2	103.4	17.6	0.3	25.1
<b>Other investment</b>	-195.9	34.7	26.1	30.2	90.7	20.8	-133.0	3.6	20.0	-68.9	-42.6	-232.8	-13.4	103.4
Assets	2,940.3	1,472.4	53.8	67.1	1,261.0	85.5	5.0	14.5	85.0	174.1	415.3	258.2	39.8	481.0
General government	98.6	10.4	1.1	0.0	4.1	2.2	3.1	0.0	0.2	0.1	2.8	1.2	34.3	49.6
MFIs	2,004.7	1,136.1	45.0	54.2	971.8	64.0	1.1	7.4	67.1	106.8	244.4	171.5	4.8	266.7
Other sectors	837.0	325.9	7.8	12.9	285.2	19.3	0.8	7.1	17.7	67.2	168.1	85.6	0.7	164.6
Liabilities	3,136.2	1,437.6	27.7	36.9	1,170.3	64.8	138.0	10.9	65.0	243.0	457.9	491.1	53.2	377.5
General government	43.6	24.0	0.0	0.2	5.3	0.0	18.5	0.0	0.9	0.1	4.1	0.3	2.9	11.3
MFIs	2,539.5	1,143.3	23.9	20.5	955.2	52.2	91.6	6.9	44.5	207.0	355.4	449.5	48.7	284.2
Other sectors	553.2	270.2	3.8	16.2	209.8	12.5	27.9	4.0	19.6	35.9	98.4	41.3	1.6	82.1

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	-389.0	-5.6	422.9	-834.8	2.5	-372.3	392.7
2002	-703.6	-9.7	184.5	-937.6	-12.0	-304.6	366.1
2003	-809.3	-10.9	43.1	-914.0	-8.3	-236.8	306.6
2004	-946.2	-12.2	33.1	-1,049.4	-14.8	-195.9	280.8
2005 Q4	-1,061.1	-13.3	259.1	-1,306.9	-16.8	-316.6	320.1
2006 Q1	-1,215.1	-14.6	282.4	-1,425.4	-3.9	-395.3	327.1
Outstanding assets							
2001	7,758.3	110.8	2,086.0	2,513.0	129.9	2,636.7	392.7
2002	7,429.3	102.5	2,008.7	2,292.7	136.0	2,625.9	366.1
2003	7,934.3	106.4	2,152.0	2,634.6	158.0	2,683.1	306.6
2004	8,632.6	111.4	2,265.1	2,984.0	162.3	2,940.3	280.8
2005 Q4	10,511.3	131.4	2,564.9	3,758.2	232.0	3,636.1	320.1
2006 Q1	11,044.9	133.0	2,608.6	3,978.7	280.4	3,850.1	327.1
Outstanding liabilities							
2001	8,147.3	116.3	1,663.1	3,347.8	127.4	3,009.0	-
2002	8,132.9	112.2	1,824.3	3,230.2	147.9	2,930.5	-
2003	8,743.6	117.3	2,108.9	3,548.6	166.3	2,919.8	-
2004	9,578.8	123.6	2,231.9	4,033.4	177.2	3,136.2	-
2005 Q4	11,572.4	144.7	2,305.8	5,065.1	248.8	3,952.7	-
2006 Q1	12,260.0	147.7	2,326.2	5,404.0	284.3	4,245.4	-

**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	1,557.6	124.1	1,433.5	528.4	2.1	526.3	1,165.5	43.9	1,121.6	497.6	2.8	494.8
2002	1,547.4	133.3	1,414.1	461.4	1.6	459.7	1,293.1	42.1	1,251.0	531.2	2.9	528.3
2003	1,702.8	125.9	1,577.0	449.2	1.4	447.8	1,526.9	46.6	1,480.3	582.0	2.9	579.1
2004	1,825.7	139.9	1,685.9	439.3	1.2	438.1	1,642.1	46.1	1,596.0	589.9	3.4	586.5
2005 Q4	2,038.6	156.7	1,881.9	526.2	4.8	521.4	1,683.4	49.9	1,633.5	622.4	4.7	617.7
2006 Q1	2,085.0	155.8	1,929.2	523.6	4.7	518.9	1,718.2	48.2	1,670.1	608.0	4.3	603.7

**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		Liabilities	
	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	General gov.	Other sectors	5	6	7	General gov.	Other sectors	10	11	12	General gov.	Other sectors	15	
2001	0.6	38.5	6.7	1,068.8	1,643.9	2.0	424.8	8.2	783.5	1,517.4	2.8	135.1	0.2	41.8	186.5
2002	0.7	43.6	8.3	799.2	1,364.3	6.4	402.9	8.0	784.6	1,654.4	1.2	189.4	1.3	47.1	211.5
2003	1.7	53.6	11.5	1,008.2	1,555.0	8.3	459.2	8.0	842.5	1,744.1	1.1	191.5	0.6	48.4	249.5
2004	2.1	74.1	15.8	1,146.7	1,782.6	6.2	538.4	9.7	904.3	2,011.2	1.0	231.6	0.5	53.7	239.6
2005 Q4	2.9	105.4	23.3	1,521.3	2,438.0	6.7	698.4	9.9	1,076.8	2,319.2	0.8	251.7	0.3	60.7	307.9
2006 Q1	2.9	125.0	24.3	1,645.2	2,684.3	6.7	736.9	9.8	1,110.2	2,378.6	0.2	246.3	4.1	67.0	341.1

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

	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	3.6	0.1	57.2	0.2	1.3	59.4	54.7	4.7	54.5	0.1	42.2	13.8	
2003	4.4	0.6	65.3	0.2	1.4	54.2	50.1	4.1	39.1	0.0	40.2	3.8	
2004	4.5	0.1	73.0	0.2	1.4	57.6	51.0	6.7	39.6	0.0	40.1	3.5	
2005 Q4	5.4	0.2	80.1	0.2	1.3	56.1	46.0	10.0	41.8	0.0	41.1	3.6	
2006 Q1	8.2	0.2	89.5	0.3	1.3	48.2	41.9	6.3	41.7	0.0	39.6	3.3	

	MFIs (excluding Eurosystem)				Other sectors								
	Assets		Liabilities		Assets					Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
13	14	15	16	17	18	19	20	21	22	23	24		
2002	1,686.3	60.8	2,251.1	48.5	174.5	492.6	204.4	288.1	92.7	104.4	365.2	47.8	
2003	1,739.6	38.4	2,242.9	30.9	170.3	538.4	208.7	329.8	96.7	106.6	383.5	46.3	
2004	1,955.8	44.3	2,424.3	42.0	172.3	558.6	227.5	331.1	106.2	109.5	394.7	48.9	
2005 Q4	2,447.4	56.2	3,039.5	54.0	176.9	723.1	363.9	359.2	127.8	124.6	544.9	64.7	
2006 Q1	2,574.9	55.5	3,234.7	54.6	183.0	803.0	431.5	371.5	134.1	130.5	614.6	78.4	

### 5. International reserves

	Reserve assets													Memo		
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	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)			Total	Currency and deposits		Securities			Financial derivatives				
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes					Money market instruments
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
<b>Eurosystem</b>																
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	306.6	130.0	393.543	4.4	23.3	148.9	10.0	30.4	107.7	1.0	80.2	26.5	0.9	0.0	20.3	-16.3
2004	280.8	125.4	389.998	3.9	18.6	132.9	12.5	25.5	94.7	0.5	58.5	35.6	0.2	0.0	19.1	-12.8
2005 Q4	320.1	163.4	375.861	4.3	10.6	141.7	12.7	21.4	107.9	0.6	69.6	37.7	-0.2	0.0	25.6	-17.9
2006 Q1	327.1	179.7	373.695	4.3	6.9	136.3	6.5	26.0	103.7	0.5	71.2	31.9	0.1	0.0	27.7	-19.4
2006 May	333.2	188.3	370.982	4.2	6.2	134.5	4.9	25.0	104.0	-	-	-	0.6	0.0	25.9	-20.4
June	323.8	178.9	370.694	4.2	7.8	133.0	5.4	22.0	105.3	-	-	-	0.2	0.0	26.9	-19.0
July	330.1	183.3	369.890	4.2	7.6	135.0	4.4	25.6	104.9	-	-	-	0.1	0.0	26.3	-19.7
Aug.	326.4	179.4	369.671	4.4	7.3	135.3	3.9	23.2	108.1	-	-	-	0.2	0.0	26.2	-19.7
<b>of which held by the European Central Bank</b>																
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	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 Q4	41.5	10.1	23.145	0.2	0.0	31.2	5.1	2.5	23.6	0.0	10.6	12.9	0.0	0.0	2.9	-0.9
2006 Q1	40.6	11.2	23.145	0.2	0.0	29.3	2.6	3.6	23.1	0.0	15.3	7.8	0.0	0.0	3.9	-0.5
2006 May	41.2	10.8	21.312	0.2	0.0	30.2	1.2	6.2	22.8	-	-	-	0.0	0.0	2.7	-1.0
June	39.2	10.3	21.312	0.2	0.0	28.7	1.3	2.4	25.1	-	-	-	0.0	0.0	3.5	0.0
July	41.0	10.6	21.312	0.2	0.0	30.3	1.1	4.5	24.7	-	-	-	0.0	0.0	2.6	-0.7
Aug.	40.4	10.3	21.312	0.2	0.0	29.8	0.7	4.4	24.7	-	-	-	0.0	0.0	2.8	-0.4

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)													
2002	2.0	-3.0	1,083.5	512.5	227.8	309.6	949.2	984.7	559.5	163.2	234.5	717.9	105.2
2003	-2.3	0.5	1,060.1	501.2	222.8	300.5	925.1	990.6	554.2	164.1	240.9	716.3	109.0
2004	8.9	9.4	1,147.3	547.7	247.0	313.4	997.3	1,075.3	604.7	183.5	256.1	770.0	129.5
2005	7.4	12.7	1,237.5	588.3	266.7	331.0	1,068.9	1,217.1	697.7	202.7	273.5	842.7	184.4
2005 Q1	3.3	8.9	291.7	138.5	62.9	78.4	255.3	278.8	158.9	44.7	64.4	198.3	37.1
Q2	6.2	11.2	302.6	144.5	64.2	81.2	257.9	293.0	167.5	49.9	66.4	201.0	41.6
Q3	10.0	15.1	319.1	150.6	70.3	85.2	276.0	318.5	184.2	53.1	70.3	218.1	52.7
Q4	9.8	15.1	324.2	154.7	69.4	86.3	279.8	326.7	187.2	55.0	72.4	225.3	53.0
2006 Q1	16.5	23.0	333.1	159.2	70.8	89.0	285.0	336.4	196.7	51.6	73.6	224.4	55.8
Q2	9.5	14.5	338.1	160.3	71.1	88.6	290.2	342.6	201.5	51.1	74.3	232.1	55.4
2006 Feb.	15.4	23.1	110.2	52.8	23.5	29.6	95.0	113.0	65.8	17.3	24.3	75.5	17.7
Mar.	18.7	22.5	112.3	53.9	23.4	29.9	94.9	112.4	66.4	17.0	24.7	74.3	19.8
Apr.	5.7	9.3	112.4	53.3	23.5	29.1	96.5	113.6	65.4	17.0	24.4	76.8	17.6
May	14.3	19.9	112.5	53.4	23.8	29.8	96.4	114.0	67.8	17.2	25.0	77.2	19.4
June	8.6	14.4	113.2	53.6	23.8	29.7	97.3	115.0	68.3	16.9	25.0	78.1	18.4
July	7.3	14.0	110.7	52.2	23.4	29.5	93.4	117.1	67.7	17.1	24.9	77.2	.
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2002	2.9	-0.7	107.9	105.0	106.2	115.0	108.3	98.2	98.9	89.6	104.2	96.3	101.4
2003	1.0	3.7	109.0	105.9	108.0	114.8	109.3	101.9	100.6	95.2	110.3	100.0	104.9
2004	9.1	6.7	118.3	115.4	121.2	119.8	118.3	108.0	104.3	107.8	118.5	107.5	105.7
2005	4.4	4.5	124.0	119.2	129.3	123.8	124.2	113.4	106.9	119.9	123.3	115.2	109.6
2005 Q1	1.0	2.5	118.8	114.4	123.2	119.2	120.0	109.3	105.1	107.4	119.1	110.1	108.2
Q2	4.2	5.3	122.3	118.3	124.9	122.3	120.6	111.9	106.0	119.2	121.7	111.1	106.1
Q3	6.7	5.4	127.1	121.2	135.7	126.6	127.6	115.6	108.3	124.2	125.4	118.4	113.3
Q4	5.6	4.8	128.0	122.9	133.4	127.1	128.6	116.7	108.1	128.6	127.2	121.3	110.7
2006 Q1	11.3	8.7	129.5	124.8	134.7	129.7	129.8	116.5	109.5	118.1	128.0	118.7	108.9
Q2	5.3	3.8	131.4	125.5	135.8	128.4	132.2	118.5	110.4	120.1	130.9	123.5	102.7
2006 Feb.	10.5	8.4	128.8	124.2	134.2	129.7	129.9	116.7	109.4	119.5	126.7	119.8	101.2
Mar.	13.6	10.1	130.8	126.5	133.5	130.2	129.3	117.0	110.5	117.0	129.0	117.9	116.0
Apr.	1.6	-1.7	131.2	125.3	135.1	126.5	132.0	117.3	107.4	118.3	127.6	122.0	99.5
May	9.1	7.1	131.1	125.3	135.5	129.8	131.5	118.3	111.6	121.3	131.6	123.0	108.0
June	5.2	5.9	131.9	125.9	137.0	128.8	133.0	119.9	112.3	120.8	133.4	125.5	100.5
July	.	.	.	.	.	.	.	.	.	.	.	.	.
Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2002	-0.9	-2.3	100.1	99.1	99.2	102.4	100.1	97.8	95.7	99.6	101.9	100.0	84.5
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	-0.2	2.4	96.7	96.3	94.2	99.5	96.2	97.1	98.1	93.0	97.8	96.1	99.5
2005	2.8	7.7	99.4	100.2	95.3	101.7	98.2	104.6	110.4	92.4	100.3	98.1	136.8
2005 Q1	2.3	6.2	97.9	98.4	94.4	100.1	97.1	99.5	102.4	91.1	97.9	96.7	111.7
Q2	2.0	5.5	98.6	99.2	95.1	101.0	97.6	102.2	107.0	91.5	98.8	97.1	128.0
Q3	3.0	9.2	100.1	100.9	95.8	102.4	98.7	107.5	115.2	93.5	101.5	98.9	151.6
Q4	4.0	9.8	101.0	102.2	96.2	103.3	99.3	109.3	117.2	93.5	103.0	99.7	156.0
2006 Q1	4.7	13.2	102.5	103.6	97.1	104.5	100.3	112.7	121.6	95.5	104.1	101.5	167.0
Q2	4.0	10.4	102.6	103.7	96.8	105.0	100.2	112.8	123.6	93.0	102.8	100.9	175.8
2006 Feb.	4.5	13.6	102.4	103.5	97.0	104.4	100.1	113.3	122.2	95.1	104.2	101.4	171.1
Mar.	4.5	11.3	102.7	103.9	97.0	104.8	100.4	112.4	122.0	95.4	103.8	101.6	167.0
Apr.	4.1	11.2	102.5	103.5	96.6	104.9	100.1	113.4	123.7	94.2	103.6	101.4	172.7
May	4.8	11.9	102.7	103.9	97.3	104.8	100.3	112.8	123.5	93.0	103.0	101.1	175.8
June	3.2	8.0	102.6	103.7	96.5	105.2	100.2	112.2	123.5	91.9	101.8	100.2	179.0
July	.	.	.	.	.	.	.	.	.	.	.	.	.

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	Switzerland	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>															
2002	1,083.5	25.3	37.1	205.7	112.1	27.1	64.0	21.4	184.0	29.9	33.1	140.5	59.5	43.4	100.3
2003	1,060.1	24.9	38.7	194.8	117.6	29.2	63.4	24.9	166.3	35.2	31.3	135.4	59.5	37.9	101.0
2004	1,147.3	25.7	41.8	203.9	128.0	35.6	66.1	31.8	173.7	40.3	33.1	149.9	63.8	40.3	113.3
2005	1,237.5	28.6	44.9	202.9	142.3	43.1	70.2	34.6	184.8	43.6	34.0	165.9	72.9	46.8	123.0
2005 Q1	291.7	6.7	11.0	49.9	33.3	9.8	17.4	8.0	43.3	10.2	8.5	39.0	17.1	11.0	26.6
Q2	302.6	7.0	11.1	49.8	33.8	10.7	16.9	8.2	45.5	10.1	8.4	40.5	17.2	11.2	32.4
Q3	319.1	7.3	11.4	51.5	36.2	11.4	17.9	9.1	47.3	11.5	8.5	44.1	19.3	12.3	31.3
Q4	324.2	7.6	11.4	51.7	39.0	11.2	18.0	9.4	48.8	11.8	8.6	42.3	19.2	12.3	32.7
2006 Q1	333.1	7.5	11.6	52.8	40.9	12.1	18.0	9.7	50.4	12.5	8.8	43.9	19.0	13.3	32.5
Q2	338.1	7.7	12.2	54.1	42.8	12.7	18.3	9.8	48.9	12.6	8.4	44.7	19.0	13.4	33.5
2006 Feb.	110.2	2.5	3.8	17.3	13.7	4.0	5.9	3.3	16.7	4.2	3.0	14.8	6.5	4.4	10.0
Mar.	112.3	2.5	3.9	17.7	13.7	4.1	5.9	3.3	16.9	4.2	2.8	14.5	6.2	4.3	12.2
Apr.	112.4	2.4	4.0	17.9	14.5	4.0	6.1	3.3	16.5	4.2	2.8	15.3	6.3	4.5	10.8
May	112.5	2.6	4.1	17.9	14.1	4.3	6.1	3.3	16.4	4.2	2.8	14.3	6.3	4.1	11.9
June	113.2	2.7	4.1	18.3	14.2	4.3	6.1	3.3	15.9	4.3	2.8	15.1	6.4	4.8	10.8
July	110.7	.	.	.	.	4.2	6.3	3.0	15.7	4.1	2.7	14.1	6.3	4.0	.
<b>% share of total exports</b>															
2005	100.0	2.3	3.6	16.4	11.5	3.5	5.7	2.8	14.9	3.5	2.8	13.4	5.9	3.8	9.9
<b>Imports (c.i.f.)</b>															
2002	984.7	23.0	35.6	149.7	93.5	42.1	52.1	17.7	125.6	61.7	52.7	142.9	67.8	39.4	80.9
2003	990.6	23.7	36.9	138.9	102.0	47.4	50.4	19.3	110.3	74.5	52.2	140.7	68.9	39.8	85.6
2004	1,075.3	25.3	39.6	144.0	107.1	56.4	53.4	22.8	113.8	92.1	53.9	162.9	72.8	45.1	86.0
2005	1,217.1	25.4	41.9	151.4	116.7	75.4	58.1	24.8	120.4	117.6	52.9	188.6	95.2	53.1	95.6
2005 Q1	278.8	6.1	10.0	36.2	27.2	17.1	13.5	6.3	28.7	26.2	12.9	41.4	20.3	12.1	20.8
Q2	293.0	6.4	10.3	36.8	28.6	18.1	14.4	5.8	30.0	27.8	12.5	46.6	21.9	12.2	21.6
Q3	318.5	6.3	10.6	39.0	29.9	19.9	15.0	6.1	30.8	31.2	13.7	49.5	26.8	13.9	25.8
Q4	326.7	6.5	11.0	39.4	31.0	20.3	15.1	6.6	30.9	32.4	13.8	51.1	26.2	14.9	27.4
2006 Q1	336.4	6.7	11.3	40.9	32.3	23.6	15.1	6.7	31.9	33.5	13.9	52.8	26.7	15.6	25.2
Q2	342.6	6.6	11.5	43.1	34.1	24.6	15.4	7.5	31.7	34.4	13.7	52.0	26.6	15.7	25.9
2006 Feb.	113.0	2.1	3.8	13.7	11.0	7.7	5.0	2.3	10.7	11.1	4.8	17.4	9.2	5.3	8.9
Mar.	112.4	2.3	3.7	13.9	10.7	8.2	5.0	2.3	10.5	11.2	4.5	17.2	8.9	5.2	8.6
Apr.	113.6	2.2	3.8	14.6	11.3	7.8	5.0	2.6	10.5	11.2	4.4	17.3	8.6	5.1	9.3
May	114.0	2.2	3.8	14.6	11.4	8.5	5.1	2.5	10.5	11.3	4.5	17.8	9.1	5.2	7.5
June	115.0	2.2	3.8	13.8	11.5	8.4	5.2	2.5	10.7	11.9	4.8	16.9	8.9	5.4	9.0
July	117.1	.	.	.	.	7.5	5.2	2.3	10.6	11.6	4.6	17.5	9.1	5.5	.
<b>% share of total imports</b>															
2005	100.0	2.1	3.5	12.5	9.6	6.2	4.8	2.0	9.9	9.6	4.4	15.5	7.8	4.4	7.8
<b>Balance</b>															
2002	98.7	2.3	1.5	56.0	18.6	-15.0	12.0	3.7	58.4	-31.8	-19.7	-2.4	-8.3	4.0	19.5
2003	69.5	1.1	1.7	56.0	15.6	-18.2	12.9	5.6	56.0	-39.3	-20.9	-5.2	-9.4	-1.9	15.4
2004	72.0	0.5	2.2	59.9	20.9	-20.8	12.6	8.9	60.0	-51.8	-20.8	-13.0	-9.0	-4.8	27.3
2005	20.4	3.2	2.9	51.5	25.6	-32.3	12.1	9.8	64.4	-74.0	-18.9	-22.7	-22.4	-6.4	27.4
2005 Q1	12.9	0.6	1.0	13.8	6.1	-7.3	3.9	1.7	14.6	-16.0	-4.5	-2.4	-3.2	-1.2	5.8
Q2	9.5	0.6	0.9	13.0	5.2	-7.4	2.5	2.3	15.4	-17.7	-4.1	-6.2	-4.7	-1.0	10.7
Q3	0.5	1.0	0.7	12.4	6.3	-8.5	2.9	2.9	16.5	-19.7	-5.1	-5.4	-7.5	-1.6	5.5
Q4	-2.6	1.0	0.4	12.3	8.1	-9.1	2.9	2.8	17.9	-20.6	-5.2	-8.7	-7.0	-2.6	5.3
2006 Q1	-3.3	0.8	0.3	11.9	8.5	-11.5	2.9	3.0	18.5	-21.1	-5.1	-8.9	-7.7	-2.3	7.4
Q2	-4.5	1.2	0.7	11.0	8.7	-11.9	2.9	2.3	17.2	-21.8	-5.3	-7.3	-7.6	-2.3	7.6
2006 Feb.	-2.7	0.4	0.1	3.7	2.7	-3.7	0.9	1.0	5.9	-6.9	-1.8	-2.5	-2.7	-0.9	1.0
Mar.	-0.1	0.2	0.2	3.8	3.0	-4.1	0.9	1.0	6.4	-7.0	-1.7	-2.7	-2.7	-0.9	3.6
Apr.	-1.2	0.2	0.2	3.2	3.3	-3.7	1.0	0.7	6.0	-7.0	-1.6	-2.0	-2.3	-0.6	1.4
May	-1.5	0.4	0.2	3.3	2.7	-4.1	1.0	0.8	5.9	-7.2	-1.7	-3.4	-2.8	-1.0	4.4
June	-1.8	0.5	0.3	4.4	2.7	-4.1	0.9	0.8	5.3	-7.6	-2.1	-1.8	-2.5	-0.6	1.8
July	-6.4	.	.	.	.	-3.2	1.1	0.7	5.2	-7.4	-1.9	-3.4	-2.8	-1.5	.

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

## EXCHANGE RATES

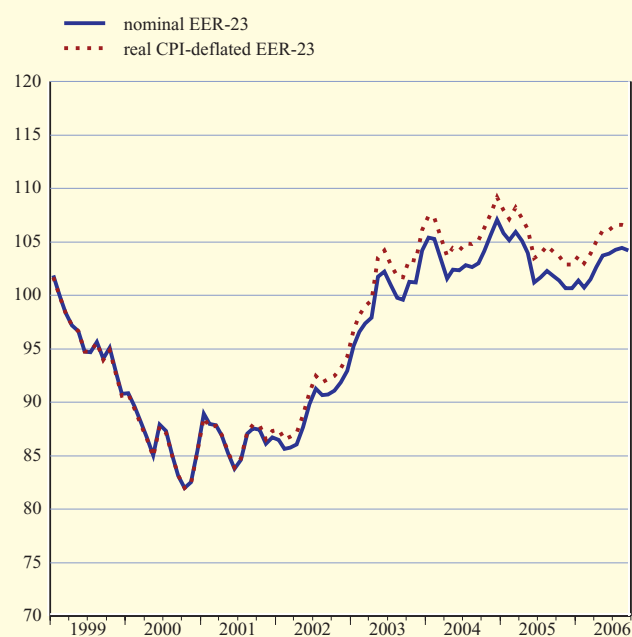
### 8.1 Effective exchange rates <sup>1)</sup>

(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	
2003	99.9	101.7	102.2	100.8	96.2	99.2	106.6	101.6	
2004	103.8	105.9	105.2	104.4	100.3	103.6	111.0	105.4	
2005	102.9	105.2	103.6	103.2	98.3	101.5	109.5	103.5	
2005 Q3	101.9	104.2	102.4	101.3	97.0	100.2	108.3	102.5	
Q4	100.9	103.1	101.1	103.0	95.7	99.0	107.2	101.1	
2006 Q1	101.2	103.5	102.1	103.0	95.0	98.8	107.2	101.0	
Q2	103.5	105.7	104.4	105.1	96.7	100.4	109.9	103.5	
Q3	104.3	106.5	105.2	.	.	.	111.0	104.3	
2005 Sep.	101.8	104.1	101.9	-	-	-	108.2	102.4	
Oct.	101.4	103.7	101.5	-	-	-	107.8	101.8	
Nov.	100.7	102.9	100.9	-	-	-	106.9	100.8	
Dec.	100.7	102.9	101.0	-	-	-	106.9	100.8	
2006 Jan.	101.4	103.7	101.9	-	-	-	107.5	101.4	
Feb.	100.7	103.0	101.7	-	-	-	106.6	100.5	
Mar.	101.5	103.9	102.5	-	-	-	107.4	101.3	
Apr.	102.7	105.1	103.7	-	-	-	108.6	102.4	
May	103.8	106.1	104.7	-	-	-	110.3	103.8	
June	103.9	106.1	104.7	-	-	-	110.9	104.2	
July	104.3	106.6	105.3	-	-	-	111.0	104.5	
Aug.	104.4	106.6	105.3	-	-	-	111.1	104.3	
Sep.	104.2	106.4	105.1	-	-	-	110.9	104.1	
	<i>% change versus previous month</i>								
2006 Sep.	-0.2	-0.2	-0.3	-	-	-	-0.2	-0.2	
	<i>% change versus previous year</i>								
2006 Sep.	2.4	2.2	3.1	-	-	-	2.4	1.6	

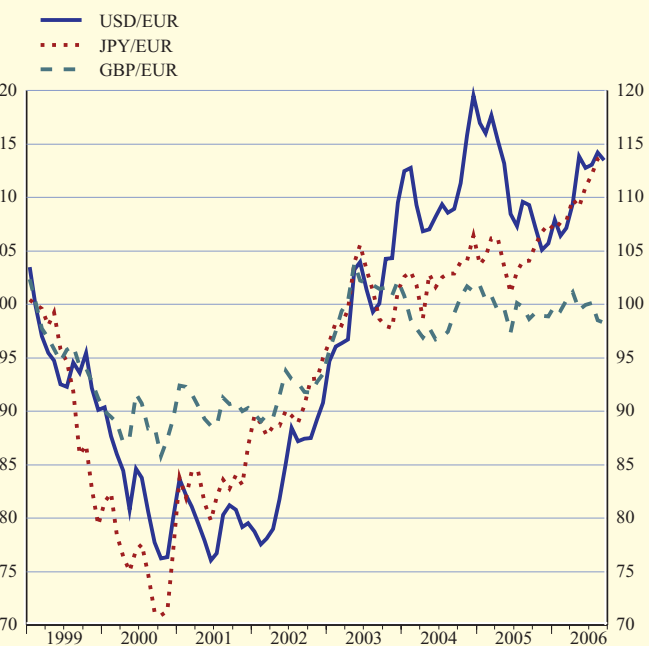
### C35 Effective exchange rates

(monthly averages; index 1999 Q1=100)



### C36 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 kroner 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 kroner 11	Australian dollar 12
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
2005	7.4518	9.2822	0.68380	1.2441	136.85	1.5483	1,273.61	9.6768	2.0702	1.5087	8.0092	1.6320
2006 Q1	7.4621	9.3525	0.68625	1.2023	140.51	1.5590	1,173.72	9.3273	1.9567	1.3894	8.0227	1.6274
Q2	7.4581	9.2979	0.68778	1.2582	143.81	1.5631	1,194.34	9.7618	1.9989	1.4108	7.8314	1.6838
Q3	7.4604	9.2304	0.67977	1.2743	148.09	1.5768	1,217.10	9.9109	2.0125	1.4283	8.0604	1.6831
2006 Mar.	7.4612	9.4017	0.68935	1.2020	140.96	1.5691	1,171.84	9.3270	1.9486	1.3919	7.9775	1.6540
Apr.	7.4618	9.3346	0.69463	1.2271	143.59	1.5748	1,168.67	9.5182	1.9643	1.4052	7.8413	1.6662
May	7.4565	9.3310	0.68330	1.2770	142.70	1.5564	1,202.04	9.9019	2.0133	1.4173	7.7988	1.6715
June	7.4566	9.2349	0.68666	1.2650	145.11	1.5601	1,207.64	9.8210	2.0129	1.4089	7.8559	1.7104
July	7.4602	9.2170	0.68782	1.2684	146.70	1.5687	1,205.89	9.8600	2.0083	1.4303	7.9386	1.6869
Aug.	7.4609	9.2098	0.67669	1.2811	148.53	1.5775	1,231.42	9.9627	2.0185	1.4338	7.9920	1.6788
Sep.	7.4601	9.2665	0.67511	1.2727	148.99	1.5841	1,212.64	9.9051	2.0101	1.4203	8.2572	1.6839
	<i>% change versus previous month</i>											
2006 Sep.	0.0	0.6	-0.2	-0.7	0.3	0.4	-1.5	-0.6	-0.4	-0.9	3.3	0.3
	<i>% change versus previous year</i>											
2006 Sep.	0.0	-0.7	-0.4	3.8	9.5	2.2	-3.9	4.1	-2.4	-1.7	5.7	5.2
	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	New Romanian leu <sup>1)</sup> 24
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
2005	29.782	15.6466	0.57683	0.6962	3.4528	248.05	0.4299	4.0230	239.57	38.599	1.9558	3,6209
2006 Q1	28.599	15.6466	0.57449	0.6961	3.4528	254.56	0.4293	3.8346	239.51	37.456	1.9558	3,5638
Q2	28.378	15.6466	0.57538	0.6960	3.4528	266.83	0.4293	3.9482	239.63	37.690	1.9558	3,5172
Q3	28.337	15.6466	0.57579	0.6960	3.4528	275.41	0.4293	3.9537	239.62	37.842	1.9558	3,5415
2006 Mar.	28.650	15.6466	0.57530	0.6961	3.4528	260.85	0.4293	3.8837	239.55	37.478	1.9558	3,5074
Apr.	28.501	15.6466	0.57613	0.6960	3.4528	265.47	0.4293	3.9177	239.60	37.374	1.9558	3,4892
May	28.271	15.6466	0.57510	0.6960	3.4528	262.37	0.4293	3.8954	239.63	37.578	1.9558	3,5072
June	28.386	15.6466	0.57504	0.6960	3.4528	272.39	0.4293	4.0261	239.65	38.062	1.9558	3,5501
July	28.448	15.6466	0.57500	0.6960	3.4528	277.49	0.4293	3.9962	239.65	38.377	1.9558	3,5715
Aug.	28.194	15.6466	0.57585	0.6960	3.4528	274.41	0.4293	3.9046	239.62	37.669	1.9558	3,5271
Sep.	28.383	15.6466	0.57650	0.6961	3.4528	274.42	0.4293	3.9649	239.59	37.497	1.9558	3,5274
	<i>% change versus previous month</i>											
2006 Sep.	0.7	0.0	0.1	0.0	0.0	0.0	0.0	1.5	0.0	-0.5	0.0	0.0
	<i>% change versus previous year</i>											
2006 Sep.	-3.2	0.0	0.6	0.0	0.0	11.6	0.0	1.2	0.0	-2.5	0.0	-
	Chinese yuan renminbi <sup>2)</sup> 25	Croatian kuna <sup>2)</sup> 26	Icelandic krona 27	Indonesian rupiah <sup>2)</sup> 28	Malaysian ringgit <sup>2)</sup> 29	New Zealand dollar 30	Philippine peso <sup>2)</sup> 31	Russian rouble <sup>2)</sup> 32	South African rand 33	Thai baht <sup>2)</sup> 34	New Turkish lira <sup>3)</sup> 35	
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	
2005	10.1955	7.4008	78.23	12,072.83	4.7119	1.7660	68.494	35.1884	7.9183	50.068	1,6771	
2006 Q1	9.6793	7.3426	78.43	11,178.36	4.4814	1.8128	62.292	33.8349	7.4067	47.273	1,6026	
Q2	10.0815	7.2786	92.72	11,479.67	4.5853	2.0172	65.819	34.1890	8.1745	47.981	1,8473	
Q3	10.1506	7.3109	91.21	11,626.90	4.6786	2.0079	65.356	34.1602	9.1094	48.015	1,9118	
2006 Mar.	9.6581	7.3300	83.74	11,009.15	4.4514	1.8956	61.499	33.4973	7.5171	46.836	1,6071	
Apr.	9.8361	7.3111	91.94	10,956.51	4.4918	1.9733	63.077	33.7987	7.4656	46.619	1,6381	
May	10.2353	7.2731	91.69	11,536.41	4.6107	2.0240	66.622	34.5386	8.0859	48.534	1,8400	
June	10.1285	7.2575	94.38	11,850.97	4.6364	2.0462	67.259	34.1587	8.8431	48.541	2,0258	
July	10.1347	7.2509	94.33	11,582.39	4.6527	2.0551	66.291	34.1393	8.9892	48.197	1,9712	
Aug.	10.2141	7.2893	90.08	11,649.96	4.7078	2.0220	65.712	34.2755	8.9034	48.192	1,8802	
Sep.	10.0971	7.3945	89.31	11,646.15	4.6724	1.9453	64.029	34.0549	9.4553	47.640	1,8870	
	<i>% change versus previous month</i>											
2006 Sep.	-1.1	1.4	-0.9	0.0	-0.8	-3.8	-2.6	-0.6	6.2	-1.1	0.4	
	<i>% change versus previous year</i>											
2006 Sep.	1.8	-0.6	17.3	-7.1	1.2	11.1	-6.9	-2.1	21.3	-5.3	14.9	

Source: ECB.

1) Data prior to July 2005 refer to the Romanian leu; 1 new Romanian leu is equivalent to 10,000 old Romanian lei.

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

3) Data prior to January 2005 refer to the Turkish lira; 1 new Turkish lira is equivalent to 1,000,000 old Turkish liras.



## DEVELOPMENTS OUTSIDE THE EURO AREA

### 9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

#### 1. Economic and financial developments

	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Slovenia	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>HICP</b>													
2004	2.6	0.9	3.0	1.9	6.2	1.2	6.8	2.7	3.6	3.7	7.5	1.0	1.3
2005	1.6	1.7	4.1	2.0	6.9	2.7	3.5	2.5	2.2	2.5	2.8	0.8	2.1
2005 Q4	2.2	2.0	4.0	1.9	7.5	3.0	3.2	3.5	1.2	2.6	3.7	1.1	2.1
2006 Q1	2.4	2.0	4.4	2.3	7.0	3.3	2.4	2.5	0.9	2.3	4.2	1.2	2.0
2006 Q2	2.5	2.0	4.5	2.6	6.5	3.6	2.7	3.4	1.4	3.1	4.6	1.9	2.2
2006 Apr.	2.3	1.8	4.3	2.5	6.1	3.4	2.4	3.5	1.2	2.8	4.4	1.8	2.0
2006 May	2.8	2.1	4.6	2.5	7.1	3.6	2.9	3.5	1.5	3.4	4.8	1.9	2.2
2006 June	2.3	2.1	4.4	2.6	6.3	3.7	2.9	3.3	1.5	3.0	4.5	1.9	2.5
2006 July	2.4	2.0	4.5	2.8	6.9	4.4	3.2	3.6	1.4	1.9	5.0	1.8	2.4
2006 Aug.	2.6	1.9	5.0	2.7	6.8	4.3	4.7	3.0	1.7	3.1	5.0	1.6	2.5
<b>General government deficit (-)/surplus (+) as a % of GDP</b>													
2003	-6.6	1.0	2.4	-6.3	-1.2	-1.2	-6.4	-10.2	-4.7	-2.8	-3.7	0.1	-3.3
2004	-2.9	2.7	1.5	-4.1	-0.9	-1.5	-5.4	-5.1	-3.9	-2.3	-3.0	1.8	-3.3
2005	-2.6	4.9	1.6	-2.4	0.2	-0.5	-6.1	-3.3	-2.5	-1.8	-2.9	2.9	-3.5
<b>General government gross debt as a % of GDP</b>													
2003	30.0	44.4	6.0	69.7	14.4	21.2	56.7	71.3	43.9	29.1	42.7	51.8	39.0
2004	30.6	42.6	5.4	71.7	14.6	19.5	57.1	76.2	41.9	29.5	41.6	50.5	40.8
2005	30.5	35.8	4.8	70.3	11.9	18.7	58.4	74.7	42.5	29.1	34.5	50.3	42.8
<b>Long-term government bond yield as a % per annum, period average</b>													
2006 Mar.	3.58	3.70	-	3.97	3.60	3.75	7.00	4.35	4.79	3.80	4.01	3.55	4.19
2006 Apr.	3.85	3.98	-	4.07	3.60	3.92	7.00	4.19	5.03	3.73	4.27	3.84	4.37
2006 May	3.93	4.02	-	4.07	3.60	4.13	6.85	4.24	5.27	3.73	4.50	3.89	4.49
2006 June	4.05	4.03	-	4.03	4.14	4.34	7.26	4.27	5.55	3.87	4.66	3.93	4.50
2006 July	4.04	4.06	-	4.21	4.32	4.28	7.55	4.31	5.56	3.86	5.42	3.96	4.49
2006 Aug.	3.85	3.93	-	4.28	4.36	4.28	7.49	4.34	5.62	3.92	5.13	3.84	4.49
<b>3-month interest rate as a % per annum, period average</b>													
2006 Mar.	2.08	2.85	2.87	3.19	3.97	2.75	-	3.20	4.12	3.53	3.75	2.23	4.59
2006 Apr.	2.11	2.92	2.91	3.22	3.91	2.84	6.26	3.24	4.14	3.50	3.86	2.27	4.63
2006 May	2.12	2.98	2.92	3.22	4.48	2.90	-	3.24	4.15	3.50	3.96	2.31	4.70
2006 June	2.16	3.08	3.06	3.19	4.16	3.00	-	3.45	4.17	3.38	4.20	2.47	4.73
2006 July	2.29	3.20	3.18	3.20	4.43	3.13	6.90	3.63	4.19	3.34	4.92	2.56	4.73
2006 Aug.	2.36	3.33	3.32	3.21	5.07	3.27	7.11	3.69	4.19	3.52	4.93	2.70	4.94
<b>Real GDP</b>													
2004	4.2	1.9	8.1	3.9	8.6	7.0	5.2	0.0	5.3	4.2	5.4	3.7	3.1
2005	6.1	3.2	10.5	3.7	10.2	7.5	4.1	2.2	3.3	3.9	6.1	2.7	1.8
2005 Q4	6.9	3.3	11.6	3.6	10.6	8.3	4.2	2.1	4.7	4.8	7.4	3.2	1.8
2006 Q1	7.1	2.8	11.6	3.4	13.1	8.5	4.3	-1.8	4.6	4.8	6.3	4.2	2.3
2006 Q2	6.2	3.2	11.8	3.8	11.1	9.2	4.0	5.5	5.6	5.6	6.7	4.8	2.6
<b>Current and capital accounts balance as a % of GDP</b>													
2004	-6.5	2.4	-12.2	-4.9	-11.9	-6.4	-8.3	-6.0	-3.9	-3.1	-3.3	6.9	-1.5
2005	-1.9	2.7	-9.9	-5.3	-11.2	-5.6	-6.6	-7.8	-1.1	-2.4	-8.6	6.2	-2.0
2005 Q4	-2.4	1.6	-7.9	-19.8	-13.8	-5.2	-5.4	-20.6	-1.2	-6.5	-14.9	5.5	-1.9
2006 Q1	0.4	-0.6	-12.6	-13.1	-12.8	-9.3	-6.1	-12.4	-1.6	-2.0	-7.6	8.2	-2.6
2006 Q2	.	2.8	.	.	.	.	.	.	.	0.7	.	.	.
<b>Unit labour costs</b>													
2004	1.8	0.3	4.4	0.8	6.6	0.7	5.2	1.1	-1.5	3.6	3.2	-0.6	2.1
2005	-0.6	1.0	2.7	1.5	5.8	3.8	.	-0.1	0.4	.	1.1	1.4	.
2005 Q4	-1.3	1.4	4.3	-	-	6.8	-	-1.8	-	-	1.2	2.6	.
2006 Q1	-0.2	2.1	3.7	-	-	7.0	-	.	-	-	3.7	-1.5	.
2006 Q2	.	1.9	5.1	-	-	.	-	.	-	-	1.8	0.1	.
<b>Standardised unemployment rate as a % of labour force (s.a.)</b>													
2004	8.3	5.5	9.7	4.6	10.4	11.4	6.1	7.4	19.0	6.3	18.2	7.7	4.7
2005	7.9	4.8	7.9	5.3	8.9	8.2	7.2	7.3	17.7	6.5	16.3	7.8	4.7
2005 Q4	7.8	4.1	7.1	5.3	7.9	6.9	7.5	7.3	17.2	6.8	15.7	7.7	5.0
2006 Q1	7.6	4.2	5.8	5.4	7.8	5.9	7.4	7.5	15.4	6.4	14.2	7.8	5.1
2006 Q2	7.3	4.1	5.2	5.5	7.4	5.6	7.3	7.5	15.5	6.3	13.6	.	5.4
2006 Apr.	7.4	4.2	5.4	5.3	7.5	5.8	7.4	7.5	15.7	6.4	13.7	.	5.3
2006 May	7.3	4.1	5.1	5.6	7.4	5.5	7.2	7.4	15.6	6.3	13.6	.	5.4
2006 June	7.1	4.0	5.1	5.6	7.3	5.4	7.2	7.5	15.3	6.2	13.5	.	5.4
2006 July	7.2	3.7	4.2	5.5	7.4	5.6	7.5	7.3	15.1	6.1	13.2	.	.
2006 Aug.	7.1	3.7	4.2	5.5	7.2	5.7	7.6	7.4	15.0	6.0	13.1	.	.

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

## 9.2 In the United States and Japan

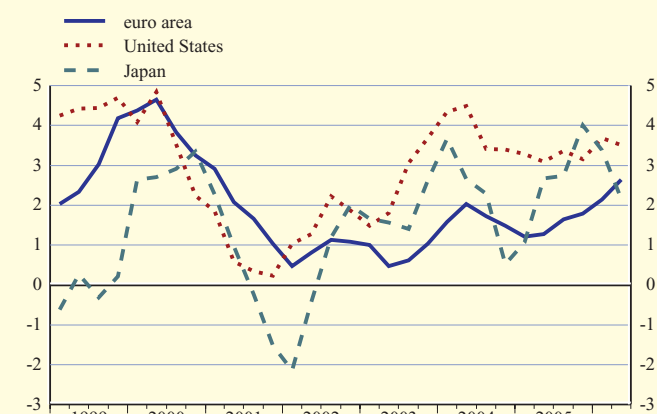
(annual percentage changes, unless otherwise indicated)

### 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>4)</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											
2002	1.6	0.3	1.6	0.3	5.8	8.0	1.80	4.60	0.9456	-3.8	45.2
2003	2.3	0.8	2.5	0.7	6.0	6.4	1.22	4.00	1.1312	-5.0	47.9
2004	2.7	0.1	3.9	5.0	5.5	5.0	1.62	4.26	1.2439	-4.7	48.6
2005	3.4	0.5	3.2	3.9	5.1	6.1	3.56	4.28	1.2441	-3.8	49.0
2005 Q3	3.8	0.3	3.4	3.1	5.0	5.9	3.77	4.21	1.2199	-4.4	48.6
Q4	3.7	-0.9	3.1	4.3	4.9	7.4	4.34	4.48	1.1884	-3.7	49.0
2006 Q1	3.6	2.1	3.7	4.8	4.7	8.2	4.76	4.57	1.2023	-2.9	49.6
Q2	4.0	2.3	3.5	5.7	4.6	9.1	5.21	5.07	1.2582	.	.
Q3	.	.	.	.	.	.	5.43	4.90	1.2743	.	.
2006 May	4.2	.	.	5.3	4.6	9.2	5.18	5.10	1.2770	.	.
June	4.3	.	.	5.9	4.6	9.4	5.38	5.10	1.2650	.	.
July	4.1	.	.	6.1	4.8	9.5	5.50	5.10	1.2684	.	.
Aug.	3.8	.	.	5.6	4.7	9.2	5.42	4.88	1.2811	.	.
Sep.	.	.	.	.	.	.	5.38	4.72	1.2727	.	.
Japan											
2002	-0.9	-3.2	0.1	-1.2	5.4	3.3	0.08	1.27	118.06	-8.4	143.9
2003	-0.2	-3.8	1.8	3.2	5.2	1.7	0.06	0.99	130.97	-7.8	151.3
2004	0.0	-5.2	2.3	5.5	4.7	1.9	0.05	1.50	134.44	-5.6	157.9
2005	-0.3	-0.5	2.6	1.1	4.4	1.8	0.06	1.39	136.85	.	.
2005 Q3	-0.3	0.3	2.8	-0.2	4.3	1.7	0.06	1.36	135.62	.	.
Q4	-0.7	-2.1	4.0	3.0	4.5	1.9	0.06	1.53	139.41	.	.
2006 Q1	-0.1	-1.6	3.4	3.2	4.2	1.7	0.08	1.58	140.51	.	.
Q2	0.2	-2.4	2.5	4.2	4.1	1.4	0.21	1.90	143.81	.	.
Q3	.	.	.	.	.	.	0.41	1.80	148.09	.	.
2006 May	0.1	-3.3	.	4.0	4.0	1.3	0.19	1.91	142.70	.	.
June	0.5	-2.5	.	5.0	4.2	1.2	0.32	1.87	145.11	.	.
July	0.3	.	.	5.1	4.1	0.6	0.40	1.91	146.70	.	.
Aug.	0.9	.	.	6.0	4.2	0.5	0.41	1.81	148.53	.	.
Sep.	.	.	.	.	.	.	0.42	1.68	148.99	.	.

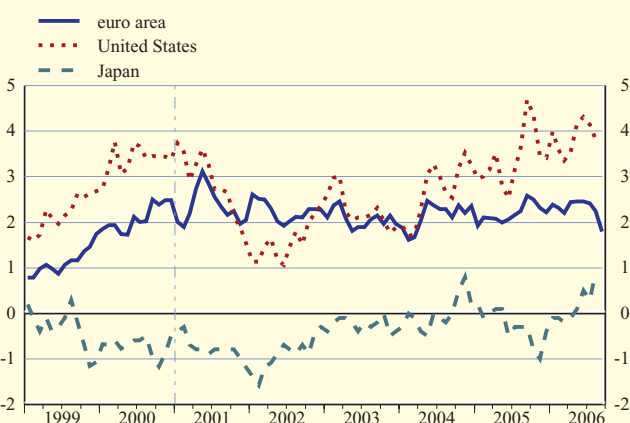
#### C37 Real gross domestic product

(annual percentage changes; quarterly)



#### C38 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

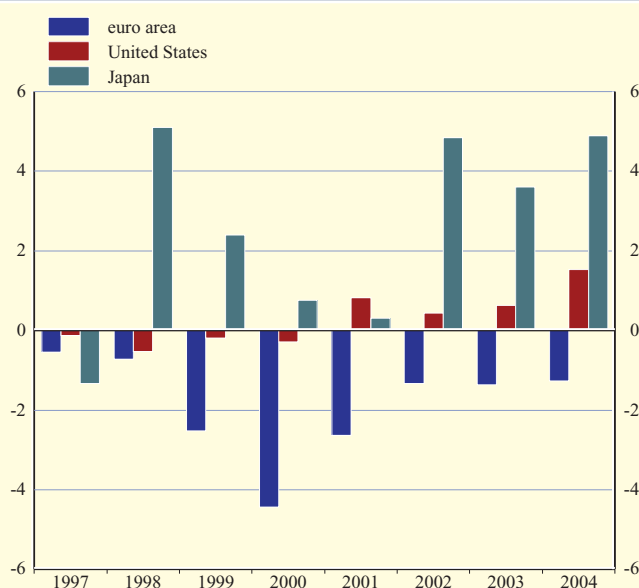
(as a percentage of GDP)

## 2. Saving, investment and financing

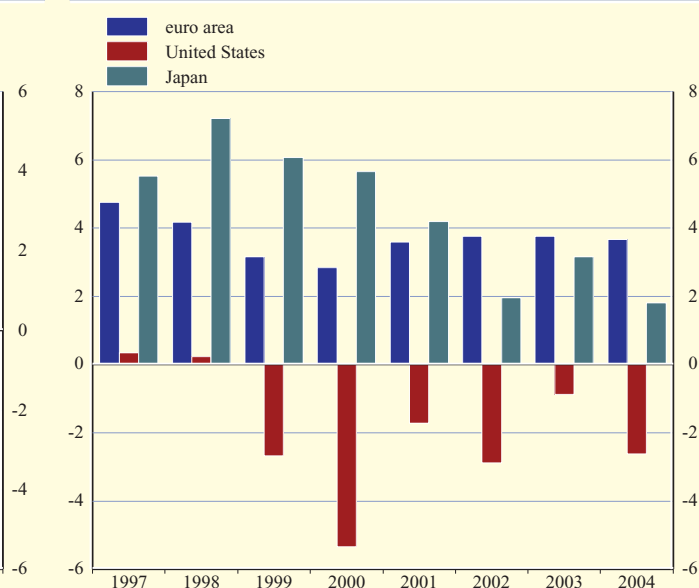
	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households <sup>1)</sup>			
	Gross saving	Gross capital formation	Net lending to the rest of the world	Gross capital formation	Gross fixed capital formation	Net acquisition of financial assets	Gross saving	Net incurrence of liabilities	Securities and shares	Capital expenditures <sup>2)</sup>	Net acquisition of financial assets	Gross saving <sup>3)</sup>	Net incurrence of liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13
United States													
2002	14.2	18.4	-4.4	7.0	7.0	1.2	7.7	0.8	-0.2	13.0	4.4	11.4	7.3
2003	13.3	18.5	-4.7	6.8	6.8	0.8	7.6	0.1	0.4	13.3	8.5	11.3	9.3
2004	13.2	19.3	-5.6	7.0	6.7	6.7	7.6	5.2	0.4	13.5	7.4	11.2	10.1
2005	12.9	19.7	-6.2	7.1	7.0	3.2	7.9	2.6	-0.7	13.8	4.7	9.6	9.7
2004 Q3	13.4	19.5	-5.6	7.0	6.7	6.0	8.1	4.3	0.2	13.6	6.8	11.1	8.7
2004 Q4	12.9	19.6	-6.1	7.2	6.8	7.5	6.7	6.4	0.7	13.6	7.4	11.3	11.8
2005 Q1	13.2	19.8	-6.3	7.3	6.9	3.4	7.4	3.6	0.2	13.6	5.5	10.0	8.5
2005 Q2	12.7	19.5	-6.1	6.9	7.0	3.4	7.9	3.1	-0.4	14.0	4.7	9.4	10.4
2005 Q3	13.2	19.5	-5.7	6.8	7.0	3.3	8.5	1.8	-1.3	13.9	5.2	10.0	10.4
2005 Q4	12.7	20.2	-6.8	7.3	7.1	2.7	7.9	2.0	-1.3	13.6	3.6	9.1	9.7
2006 Q1	14.5	20.3	-6.3	7.5	7.2	3.1	8.4	1.9	-0.7	13.6	5.0	9.1	9.3
2006 Q2	14.5	20.3	-6.4	7.6	7.3	3.2	8.2	2.4	-1.4	13.3	2.4	8.8	8.1
Japan													
2002	25.3	23.3	2.8	12.8	13.2	-1.7	16.0	-7.5	-0.9	4.9	-0.3	7.7	-2.2
2003	25.6	22.9	3.1	13.3	13.4	2.4	17.0	-5.4	0.2	4.7	0.3	7.1	-0.7
2004	25.5	22.9	3.7	13.3	13.6	4.2	17.7	-0.5	1.0	4.7	3.1	6.6	-1.0
2005	.	23.2	.	.	.	4.4	.	-7.4	-4.9	.	2.9	.	0.8
2004 Q3	23.9	23.0	3.9	.	.	10.2	.	0.0	0.1	.	-1.3	.	1.9
2004 Q4	26.1	21.4	3.0	.	.	11.7	.	14.0	2.6	.	9.7	.	-0.6
2005 Q1	31.5	25.4	3.7	.	.	10.3	.	-3.4	-1.7	.	-12.1	.	2.9
2005 Q2	.	23.7	.	.	.	-15.4	.	-13.8	2.2	.	8.9	.	-6.3
2005 Q3	.	23.5	.	.	.	6.3	.	6.2	0.8	.	-2.4	.	2.8
2005 Q4	.	23.9	.	.	.	16.0	.	-17.2	-19.9	.	15.7	.	3.6
2006 Q1	.	23.7	.	.	.	12.1	.	-2.6	-2.4	.	-5.6	.	5.6
2006 Q2	.	23.4	.	.	.	-19.5	.	-16.2	1.3	.	9.5	.	-9.3

## C39 Net lending of non-financial corporations

(as a percentage of GDP)


 C40 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:

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

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

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 notional stocks. If  $N_t^M$  represents the transactions (net

<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.

issues) in month  $t$  and  $L_t$  the level outstanding at the end of the month  $t$ , the index  $I_t$  of notional stocks 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 and the equivalent “transactions” calculated used for the monetary aggregates.

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

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

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

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

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.

#### SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS<sup>4</sup>

The approach used relies on a multiplicative decomposition through X-12-ARIMA. The seasonal adjustment for the securities issues total is carried out indirectly by means of a linear combination of sector and maturity component breakdowns.

The seasonal adjustment procedures are applied to the index of notional stocks. The resulting estimates of the seasonal factors are then applied to the outstanding amounts, from which seasonally adjusted net issues are derived. Seasonal factors are revised at annual intervals or as required.

Similar as depicted in formula l) and m), the growth rate  $a_t$  for month  $t$  corresponding to the change in the 6 months ending in month  $t$ , may be calculated using either of the following two formulae:

$$p) \quad a_t = \left[ \prod_{i=0}^5 \left( 1 + \frac{N_{t-i}^M}{L_{t-1-i}} \right) - 1 \right] \times 100$$

$$q) \quad a_t = \left( \frac{I_t}{I_{t-6}} - 1 \right) \times 100$$

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

## **RELATING TO TABLE 1 IN SECTION 5.1**

### **SEASONAL ADJUSTMENT OF THE HICP<sup>4</sup>**

The approach used relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The seasonal adjustment of the overall HICP for the euro area is carried out indirectly by aggregating the seasonally adjusted euro area series for processed food, unprocessed food, industrial goods excluding energy, and services. Energy is added without adjustment since there is no statistical evidence of seasonality. Seasonal factors are revised at annual intervals or as required.

## **RELATING TO TABLE 2 IN SECTION 7.1**

### **SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT**

The approach relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The raw data for goods, services, income and current transfers are pre-adjusted to take a working-day effect into account. For goods, services and income, the working-day adjustment is corrected for national public holidays. Data on goods credits are also pre-adjusted for Easter. The seasonal adjustment for these items is carried out using these pre-adjusted series. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal (and trading day) factors are revised at 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 4 October 2006.

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, and include positions of non-MFIs resident in the euro area held with MFIs resident in the euro area; they also take account of some monetary assets/liabilities of central government. Statistics on monetary aggregates and counterparts are adjusted for seasonal and trading-day effects. The external liabilities item 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

1 OJL 356, 30.12.1998, p. 7.

2 OJL 250, 2.10.2003, p. 19.

corporations (S.11 in the ESA 95), and households (S.14 in the ESA 95) including non-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.

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 other than shares, by original maturity, residency of the issuer and currency. The section presents outstanding amounts, gross issues and net issues of

securities other than shares denominated in euro and securities other than shares issued by euro area residents in euro and in all currencies for total and long-term debt securities. Net issues differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments. This section also presents seasonally adjusted statistics including annualised six-month seasonally adjusted growth rates for total and long-term debt securities. The latter are calculated from the seasonally adjusted index of notional stocks from which the seasonal effects have been removed. See the Technical notes for details.

Section 4.2 contains a sectoral breakdown of outstanding amounts, gross issues and net issues for issuers resident in the euro area in line with the ESA 95. The ECB is included in the Eurosystem.

The total outstanding amounts for total and long-term debt securities in column 1 of table 1 in Section 4.2, corresponds to the data on outstanding amounts for total and long-term debt securities issued by euro area residents in column 7 of Section 4.1. The outstanding amounts for total and long-term debt securities issued by MFIs in column 2 of table 1, Section 4.2 are broadly comparable with data for debt securities issued as shown on the liabilities side of the aggregated MFI balance sheet in column 8 of table 2, Section 2.1. The total net issues for total debt securities in column 1 of table 2 in Section 4.2 correspond to the data on total net issues by euro area residents in column 9 of Section 4.1. The residual difference between long-term debt securities and total fixed and variable rate long-term debt securities in table 1, Section 4.2 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows non-seasonally and seasonally adjusted growth rates for debt securities issued by euro area residents (broken down by maturity, type of instrument, sector of the issuer and currency), which are based on financial transactions that occur when an

institutional unit incurs or redeems liabilities. The growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. The seasonally adjusted growth rates have been annualised for presentational purposes. 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 issuer's own shares. Transactions include the quotation of an issuer on a stock exchange for the first time and the creation or deletion of new instruments. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes which do not arise from transactions.

Section 4.5 presents statistics on all the interest rates that MFIs resident in the euro area apply to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area. Euro area MFI interest rates are calculated as a weighted average (by corresponding business volume) of the euro area countries' interest rates for each category.

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



Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. 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 hourly labour costs, 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>3</sup>. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001<sup>4</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.

3 OJ L 162, 5.6.1998, p. 1.

4 OJ L 86, 27.3.2001, p. 11.

The labour cost indices (Table 3 in Section 5.1) measure the changes in labour costs per hour worked in industry (including construction) and market services. Their methodology is laid down in Regulation (EC) No 450/2003 of the European Parliament and of the Council of 27 February 2003 concerning the labour cost index<sup>5</sup> and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003<sup>6</sup>. A breakdown of hourly labour costs for the euro area is available by labour cost component (wages and salaries, and employers' social contributions plus employment-related taxes paid by the employer less subsidies received by the employer) and by economic activity. The ECB calculates the indicator of negotiated wages (memo item in Table 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 6.5 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The annual euro area aggregates in Sections 6.1 to 6.3 are compiled by the ECB 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 Sections 6.4 and 6.5 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000<sup>7</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 individual euro area countries correspond to EDP B.9 as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002

5 OJ L 69, 13.3.2003, p. 1.

6 OJ L 169, 8.7.2003, p. 37.

7 OJ L 172, 12.7.2000, p. 3.

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>8</sup> on quarterly non-financial accounts for general government. Section 6.5 presents quarterly figures on gross consolidated government debt, the deficit-debt adjustment and the government borrowing requirement. These figures are compiled using data provided by the Member States under Regulations (EC) No 501/2004 and 1222/2004 and data provided by the National Central Banks.

## 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>9</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 2005), 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 annual quality report on the euro area b.o.p./i.i.p., 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.

<sup>8</sup> OJ L 179, 9.7.2002, p. 1.

<sup>9</sup> OJ L 354, 30.11.2004, p. 34.

Section 7.2 contains a monetary presentation of the b.o.p.: the b.o.p. transactions mirroring the transactions in the external counterpart of M3. The data follow the sign conventions of the b.o.p., except for the transactions in the external counterpart of M3 taken from money and banking statistics (column 12), where a positive sign denotes an increase of assets or a decrease of liabilities. In 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.

## ANNEXES

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



### 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, 2 JUNE, 7 JULY, 4 AUGUST, 1 SEPTEMBER, 6 OCTOBER AND 3 NOVEMBER 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

<sup>1</sup> The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2003 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, on pages 234 to 235 of the ECB's Annual Report 2002 and on pages 217 to 218 of the ECB's Annual Report 2003 respectively.

remain unchanged at 2.0%, 3.0% and 1.0% respectively.

#### **1 DECEMBER 2005**

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 0.25 percentage point to 2.25%, starting from the operation to be settled on 6 December 2005. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 0.25 percentage point, to 3.25% and 1.25% respectively, both with effect from 6 December 2005.

#### **16 DECEMBER 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 2006 from €30 billion to €40 billion. This increased amount takes two aspects into consideration. First, the liquidity needs of the euro area banking system are expected to increase further in the year 2006. Second, the Eurosystem has decided to increase slightly the share of the liquidity needs satisfied by the longer-term refinancing operations. 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 2007.

#### **12 JANUARY AND 2 FEBRUARY 2006**

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 2.25%, 3.25% and 1.25% respectively.

#### **2 MARCH 2006**

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 2.50%, starting from the operation to be settled on 8 March 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 3.50% and 1.50% respectively, both with effect from 8 March 2006.

#### **6 APRIL AND 4 MAY 2006**

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 JUNE 2006**

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 2.75%, starting from the operation to be settled on 15 June 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 3.75% and 1.75% respectively, both with effect from 15 June 2006.

#### **6 JULY 2006**

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.

### **3 AUGUST 2006**

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.0%, starting from the operation to be settled on 9 August 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.0% and 2.0%, both with effect from 9 August 2006.

### **31 AUGUST 2006**

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.0%, 4.0% and 2.0% respectively.

### **5 OCTOBER 2006**

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.25%, starting from the operation to be settled on 11 October 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.25% and 2.25%, both with effect from 11 October 2006.









## DOCUMENTS PUBLISHED BY THE EUROPEAN CENTRAL BANK SINCE 2005

This list is designed to inform readers about selected documents published by the European Central Bank since January 2005. For Working Papers, the list only refers to publications released between July and September 2006. Unless otherwise indicated, hard copies can be obtained or subscribed to free of charge, stock permitting, by contacting [info@ecb.int](mailto:info@ecb.int).

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

### ANNUAL REPORT

“Annual Report 2004”, April 2005.

“Annual Report 2005”, April 2006.

### CONVERGENCE REPORT

“Convergence Report May 2006”.

### MONTHLY BULLETIN ARTICLES

“The new Basel Capital Accord: main features and implications”, January 2005.

“Financial flows to emerging market economies: changing patterns and recent developments”, January 2005.

“Bank market discipline”, February 2005.

“Initial experience with the changes to the Eurosystem's operational framework for monetary policy implementation”, February 2005.

“Euro area balance of payments and international investment position vis-à-vis main counterparts”, February 2005.

“Asset price bubbles and monetary policy”, April 2005.

“Comparability of statistics for the euro area, the United States and Japan”, April 2005.

“The ESCB-CESR standards for securities clearing and settlement in the European Union”, April 2005.

“Monetary policy and inflation differentials in a heterogeneous currency area”, May 2005.

“Consolidation and diversification in the euro area banking sector”, May 2005.

“The evolving framework for corporate governance”, May 2005.

“The Harmonised Index of Consumer Prices: concept, properties and experience to date”, July 2005.

“The Lisbon strategy – five years on”, July 2005.

“The use of harmonised MFI interest rate statistics”, July 2005.

“The reform of the Stability and Growth Pact”, August 2005.

“The role of ‘Emerging Asia’ in the global economy”, August 2005.

“The euro banknotes: developments and future challenges”, August 2005.

“Money demand and uncertainty”, October 2005.

“Assessing the performance of financial systems”, October 2005.

“Price-setting behaviour in the euro area”, November 2005.

“Developments in corporate finance in the euro area”, November 2005.

“Economic and financial relations between the euro area and Russia”, November 2005.

“The predictability of the ECB's monetary policy”, January 2006.

“Hedge funds: developments and policy implications”, January 2006.

“Assessing house price developments in the euro area”, February 2006.

“Fiscal policies and financial markets”, February 2006.

“The importance of public expenditure reform for economic growth and stability”, April 2006.  
“Portfolio management at the ECB”, April 2006.  
“Monetary and exchange rate arrangements of the euro area with selected third countries and territories”, April 2006.  
“The contribution of the ECB and the Eurosystem to European financial integration”, May 2006.  
“The single list in the collateral framework of the Eurosystem”, May 2006.  
“Equity issuance in the euro area”, May 2006.  
“Measures of inflation expectations in the euro area”, July 2006.  
“Competitiveness and the export performance of the euro area”, July 2006.  
“Sectoral money holding: determinants and recent developments”, August 2006.  
“The evolution of large-value payment systems in the euro area”, August 2006.  
“Demographic change in the euro area: projections and consequences”, October 2006.  
“Integrated financial and non-financial accounts for the institutional sectors in the euro area”, October 2006.

#### **STATISTICS POCKET BOOK**

Available monthly since August 2003.

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- 2 “The application of multilingualism in the European Union context” by P. Athanassiou, March 2006.

#### **OCCASIONAL PAPER SERIES**

- 22 “Assessing potential output growth in the euro area – a growth accounting perspective” by A. Musso and T. Westermann, January 2005.
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- 24 “Wage diversity in the euro area – an overview of labour cost differentials across industries” by V. Genre, D. Momferatou and G. Mourre, February 2005.
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- 43 “The accumulation of foreign reserves” by an International Relations Committee Task Force, February 2006.
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- “Banking structures in the new EU Member States”, January 2005.
- “Progress Report on TARGET2”, February 2005 (online only).
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- “Review of the application of the Lamfalussy framework to EU securities markets legislation”, February 2005 (online only).
- “Payment and securities settlement systems in the accession countries – Addendum incorporating 2003 figures”, February 2005.
- “Statistics and their use for monetary and economic policy-making”, March 2005.
- “Letter from the ECB President to the Chairman of the International Accounting Standards Board of 13 April 2005: in support of the current proposal to amendments to IAS 39 – The fair value option”, April 2005 (online only).
- “Euro money market study 2004”, May 2005.
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- “Financial stability review”, June 2005.
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- “Guide to consultation of the European Central Bank by national authorities regarding draft legislative provisions”, June 2005.
- “Assessment of SORBNET-EURO and BIREL against the Core Principles: connection of SORBNET-EURO to TARGET via the Banca d’Italia and its national RTGS system BIREL”, June 2005 (online only).
- “Information guide for credit institutions using TARGET”, June 2005 (online only).
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- “Reply of the ECB to the public consultation by the CEBS on the consolidated financial reporting framework for credit institutions”, July 2005 (online only).
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“The current TARGET system”, August 2005.  
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 “ECB statistics: a brief overview”, August 2005.  
 “The European Central Bank, the Eurosystem, the European System of Central Banks”, May 2006.  
 “TARGET2-Securities brochure”, September 2006.



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

**Borrowing requirement (general government):** net incurrence of debt by general government.

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

**Compensation per employee:** 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 gross debt (deposits, loans and debt securities excluding financial derivatives) 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-debt adjustment (general government):** the difference between the general government deficit and the change in general government debt.

**Deficit ratio (general government):** the ratio of the general government deficit to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 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.

**Deflation:** a decline in the general price level, e.g. in the consumer price index.

**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.

**Euro area:** the area formed by those EU Member States in which the euro has been adopted as the single currency in accordance with the Treaty.

**European Commission surveys:** harmonised surveys of business and/or consumer sentiment conducted on behalf of the European Commission in each of the EU Member States. Such questionnaire-based surveys are addressed to managers in the manufacturing, construction, retail and services industries, as well as to consumers. From each monthly survey, composite indicators are calculated that summarise the replies to a number of different questions in a single indicator (confidence indicators).

**Eurosystem:** the central banking system made up of the European Central Bank and the national central banks of those EU Member States that have already adopted the euro.

**Eurozone Purchasing Managers' Surveys:** surveys of business conditions in manufacturing and in services industries conducted for a number of countries in the euro area and used to compile indices. The Eurozone Manufacturing Purchasing Managers' Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers' delivery times and stocks of purchases. The services sector survey asks questions on business activity, expectations of future business activity, the amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated by combining the results from the manufacturing and services sector surveys.

**External trade in goods:** exports and imports of goods with countries outside the euro area, measured in terms of value and as indices of volume and unit value. External trade statistics are not comparable with the exports and imports recorded in the national accounts, as the latter include both intra-euro area and extra-euro area transactions, and also combine goods and services. Nor are they fully comparable with the goods item in b.o.p. statistics. Besides methodological adjustments, the main difference is 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).

**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 (in cash and in kind, including bonuses) and other labour costs (employers' social contributions plus employment-related taxes paid by the employer minus subsidies received by the employer), per hour actually worked (including overtime).

**Implied volatility:** the expected volatility (i.e. standard deviation) in the rates of change of the price of an asset (e.g. a share or a bond). It can be derived from the asset's price, maturity date and exercise price of its options, as well as from a riskless rate of return, using an option pricing model such as the Black-Scholes model.

**Index of negotiated wages:** a measure of the direct outcome of collective bargaining in terms of basic pay (i.e. excluding bonuses) at the euro area level. It refers to the implied average change in monthly wages and salaries.

**Industrial producer prices:** factory-gate prices (transportation costs are not included) of all products sold by industry excluding construction on the domestic markets of the euro area countries, excluding imports.

**Industrial production:** the gross value added created by industry at constant prices.

**Inflation:** an increase in the general price level, e.g. in the consumer price index.

**Inflation-indexed government bonds:** debt securities issued by the general government, the coupon payments and principal of which are linked to a specific consumer price index.

**International reserves:** external assets readily available to and controlled by monetary authorities for directly financing or regulating the magnitude of payments imbalances through intervention in exchange markets. The international reserves of the euro area comprise non-euro denominated claims on non-euro area residents, gold, special drawing rights (SDRs) and the reserve positions in the IMF which are held by the Eurosystem.

**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 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 labour productivity (defined as 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 graphical representation of 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.

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