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JUNE

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## ABBREVIATIONS

### COUNTRIES

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

### 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
HWWI	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
OECD	Organisation for Economic Co-operation and Development
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 6 June 2007, the Governing Council decided to raise the minimum bid rate on the main refinancing operations of the Eurosystem by 25 basis points, to 4.00%, with effect from the start of the new reserve maintenance period on 13 June 2007. It was also decided to increase the interest rates on the marginal lending facility and the deposit facility by 25 basis points, to 5.00% and 3.00% respectively. These decisions also became effective at the start of the new reserve maintenance period on 13 June 2007.

The Governing Council's decision was taken in view of the prevailing upside risks to price stability over the medium term that the Governing Council has identified through both its economic and monetary analyses. This decision will continue to help ensure 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 fostering sustainable economic growth and job creation in the euro area. After this interest rate increase, given the positive economic environment in the euro area, monetary policy is still on the accommodative side, with overall financing conditions favourable, money and credit growth vigorous, and liquidity in the euro area ample. Looking ahead, acting in a firm and timely manner to ensure price stability in the medium term is warranted. The Governing Council will monitor closely all developments to ensure that risks to price stability over the medium term do not materialise.

Considering the Governing Council's assessment in greater detail, starting with the economic analysis, incoming information clearly confirms that the euro area economy continues to expand at a pace which is significantly stronger than generally expected a year ago. With a quarter-on-quarter rate of 0.6%, real GDP growth in the first quarter of 2007 was again somewhat above previous expectations. Other available information on economic activity, notably various surveys of

business and consumer confidence, suggests that solid growth has continued into the second quarter.

Looking ahead, the medium-term outlook for economic activity remains favourable. The conditions are in place for the euro area economy to continue to grow at a sustained rate. As regards the external environment, global economic growth has become more balanced across regions and, while moderating somewhat, remains robust. External conditions thus continue to provide support for euro area exports. Domestic demand in the euro area is also expected to maintain its relatively strong momentum. Investment should remain dynamic, benefiting from financing conditions which remain favourable, accumulated and ongoing strong corporate earnings, balance sheet restructuring as well as business efficiency gains achieved over an extended period. Meanwhile, consumption should be supported by developments in real disposable income, as labour market conditions continue to improve.

This outlook is also reflected in the new Eurosystem staff macroeconomic projections. The projections foresee average annual real GDP growth in a range between 2.3% and 2.9% in 2007 and between 1.8% and 2.8% in 2008. In comparison with the previous ECB staff projections, the ranges projected for real GDP growth in 2007 are within the upper part of the ranges from March. For 2008, the ranges have been revised marginally downwards, following the increase in oil prices over recent months.

In the Governing Council's view, the risks surrounding this favourable outlook for economic growth are broadly balanced over the shorter term. At medium to longer horizons, the balance of risks remains on the downside, owing mainly to external factors. These relate in particular to fears of a rise in protectionist pressures, the possibility of further increases in oil prices, concerns about possible disorderly developments owing to global imbalances and potential shifts in financial market sentiment.

As regards price developments, oil prices have risen again over recent months. Accordingly, as reflected in Eurostat's flash estimate, annual HICP inflation was 1.9% in May 2007, unchanged from April but somewhat higher than expected a few months ago. Looking ahead, the short-term profile of annual inflation rates continues to be determined largely by current and past energy price developments, as last year's volatility in energy prices leads to significant base effects. On the basis of the current level of oil prices and oil price futures, which show an upward slope, annual inflation rates are likely to fall slightly in the months ahead before rising again significantly towards the end of the year.

Consistent with this view, Eurosystem staff project average annual HICP inflation of between 1.8% and 2.2% in 2007 and between 1.4% and 2.6% in 2008. Compared with the March 2007 ECB staff projections, the range projected for inflation in 2007 is somewhat higher, largely reflecting higher oil prices. The projected range for inflation in 2008 is unchanged. In this context, the conditional nature of these projections should be recalled. They are based on a series of technical assumptions, including assumptions for future short and long-term interest rates that are based on market expectations derived from the yield curve, as well as assumptions for oil and non-energy commodity prices.

At the policy-relevant medium-term horizon, risks to the outlook for price stability remain on the upside in the Governing Council's view. These risks relate notably to the domestic side. In particular, capacity utilisation in the euro area economy is increasing and labour markets are gradually improving. Accordingly, there is a risk that wage developments will be stronger than expected, which would pose significant upward risks to price stability. In addition, pricing power in market segments with low competition may increase in such an environment. It is therefore crucial that all parties concerned meet their responsibilities. Wage agreements in particular should be

sufficiently differentiated to take into account price competitiveness positions, the still high level of unemployment in many economies and sector-specific productivity developments. The Governing Council stresses that wage developments should be avoided which would eventually lead to inflationary pressures and harm the purchasing power of all euro area citizens. In addition, upside risks to price stability arise from increases in administered prices beyond those anticipated thus far. Finally, on the external side, upside risks stem from the possibility of further unexpected oil price rises.

The monetary analysis confirms the prevailing upside risks to price stability at medium to longer horizons. The underlying rate of monetary expansion remains strong, in a context of already ample liquidity. The ongoing strength of monetary expansion is reflected in the continued rapid growth of M3, which reached an annual rate of 10.4% in April, as well as the still high level of credit growth. The strong rate of monetary and credit expansion reflects, in part, favourable financing conditions and solid economic growth.

In the short term, monetary and credit developments can be affected, *inter alia*, by the shape of the yield curve and external factors, and be subject to some degree of volatility. In assessing the policy-relevant underlying trends in monetary and credit growth, it is important to look through such transitory aspects. Taking this perspective, there are several indications that higher short-term interest rates are now influencing monetary dynamics, although they have not, as yet, significantly dampened the overall strength of the underlying rate of monetary and credit expansion. For example, increases in short-term rates have contributed to a more moderate expansion of the narrow aggregate, M1, in recent quarters. Equally, the annual growth rate of loans to the private sector has shown some signs of stabilising since mid-2006, albeit at double-digit levels. The stabilisation of loan growth is now becoming more broad-based, as evidenced in recent

months by developments in borrowing by non-financial corporations and by households. At the same time, house price growth has come down somewhat, although remaining at high levels on average in the euro area.

Taking into account both short-term factors and the underlying trend of the continued vigorous expansion of money and credit, there are clear indications of upside risks to price stability at medium to longer-term horizons. Following several years of robust monetary growth, the liquidity situation in the euro area remains ample. In this environment, monetary developments continue to require very careful monitoring, particularly against the background of the expansion in economic activity and still strong property market developments.

To sum up, in assessing price trends it is important to look beyond any short-term volatility in inflation rates. The relevant horizon for monetary policy is the medium term. Risks to the medium-term outlook for price stability remain on the upside, relating in particular to the domestic side. As capacity utilisation increases and labour markets gradually improve, constraints are emerging which could lead in particular to stronger than expected wage developments. Given the vigorous monetary and credit growth in an environment of already 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 to longer term. Accordingly, the Governing Council will monitor closely all developments in order to ensure that risks to price stability over the medium term do not materialise. This will support the solid anchoring of medium to longer-term inflation expectations in the euro area at levels consistent with price stability. Looking ahead, acting in a firm and timely manner to ensure price stability in the medium term is warranted.

As regards fiscal policy, all countries should be in line with the rules and provisions of the

Stability and Growth Pact. This will be crucial for the smooth functioning of Monetary Union, given that the Stability and Growth Pact is an indispensable part of its institutional setting. Following the significant budgetary improvement recorded in 2006, the latest available forecasts suggest a further reduction in the government deficit-to-GDP ratio of the euro area over the period 2007-08. This reflects in particular projected ongoing strong revenue collection in the context of a favourable macroeconomic outlook. However, the structural improvement is more muted. The current economic “good times” should be used to rapidly redress the remaining budgetary imbalances in euro area countries as well as to accelerate the adjustment towards their medium-term objectives of sound budget positions with a focus on expenditure restraint. As agreed by the euro area finance ministers at the Eurogroup meeting in Berlin on 20 April 2007, taking advantage of the favourable cyclical conditions would enable most euro area members to achieve their medium-term objectives in 2008 or 2009, and all of them should aim for 2010 at the latest. This is particularly important with a view to reducing the still high government debt ratios and preparing for the fiscal challenges arising from population ageing. In order to ensure that fiscal developments are monitored effectively, the Governing Council supports all efforts by Eurostat to improve the fiscal data situation. It also welcomes the increased emphasis placed by the ECOFIN Council on measures to improve the quality of public finances and increase the efficiency of public administration.

As regards structural reforms, the Governing Council fully supports any efforts that enhance competition, increase productivity and foster economic flexibility, thus promoting higher sustainable real GDP growth and employment. In this respect, the Governing Council strongly backs reforms focusing on reducing labour market rigidities, product market barriers and administrative burdens, and on stimulating technological innovation. Exploiting the



complementary nature of reforms would increase their benefits in terms of long-term economic dynamism and price stability. Furthermore, the importance of a successful conclusion of the Doha round of trade talks for productivity and growth in Europe should not be underestimated. In the end, higher productivity growth will allow increases in real wages without negatively affecting employment, thereby supporting the income growth of the euro area workforce.

# ECONOMIC AND MONETARY DEVELOPMENTS

## I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

*Global economic activity continues to be buoyant, fuelled by steady or even accelerating economic growth in major emerging markets. So far, the impact of the economic slowdown in the United States on the world economy has been relatively subdued. Global price developments continue to be affected by changes in energy prices. Risks to the global outlook mainly emanate from rising protectionist pressures, a further rise in oil prices, the persisting global imbalances and the associated risk of a disorderly adjustment, and potential shifts in financial market sentiment.*

### I.1 DEVELOPMENTS IN THE WORLD ECONOMY

Overall, global economic activity continues to be buoyant, fuelled by steady or even accelerating economic growth in major emerging markets. In particular, the Asian emerging markets continue to record vigorous economic growth rates and remain a main engine of world economic activity. In the OECD countries (excluding the euro area), following some deceleration from rather high levels towards the end of 2006, growth in industrial production stabilised in early 2007. It continues to support the robust momentum of euro area foreign demand. The picture of a rather favourable external environment of the euro area is further supported by survey evidence, which points to signs of renewed strength in the global economy in the second quarter, both in manufacturing and in services sector output.

Global price developments continue to be affected by changes in energy prices. After increasing somewhat in March, headline consumer price inflation in the OECD countries declined again, while inflation measures excluding food and energy remained unchanged. The continued gradual increase in oil prices in April and May signals rising global inflationary risks. This is further supported by survey evidence, which signalled a further increase in global inflationary pressures as the Global PMI Input Price Index recorded in May its highest reading in nine months.

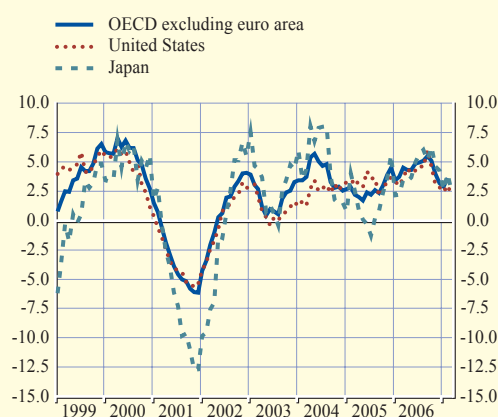
#### UNITED STATES

In the United States, real GDP growth declined sharply in the first quarter of 2007. According to the preliminary release, quarter-on-quarter annualised real GDP growth was 0.6% in the first quarter of 2007 after 2.5% in the last quarter of 2006. This moderation in real GDP growth reflected strong negative contributions from net exports and inventories, while residential investment remained a substantial drag on economic growth. At the same time, consumption continued to hold up well.

As regards price developments, annual CPI inflation has remained at somewhat elevated levels. In the six months from November to April, it averaged 2.4%, while fluctuating rather strongly due to energy price developments. In April annual consumer price inflation was 2.6%. However, there are some signs of a moderation in inflationary pressures, as inflation related to housing

**Chart I Industrial production in OECD countries**

(annual percentage changes; monthly data)



Sources: OECD and ECB calculations.  
Note: Last observation refers to March 2007 except for the OECD excluding euro area (February 2007).

prices has slightly eased during the last few months. Annual core CPI inflation (i.e. excluding food and energy) stood at 2.3% in April, down from its six-month average of 2.6%.

Looking ahead, in the near term the US economy is expected to continue expanding below trend given the negative effects of the housing market on household spending (consumption and residential investment), though favourable employment and income conditions should partly mitigate the drag on consumption. Price pressures, partly driven by high levels of resource utilisation, should continue to ease as a result of the expected moderation of economic growth and contained inflation expectations.

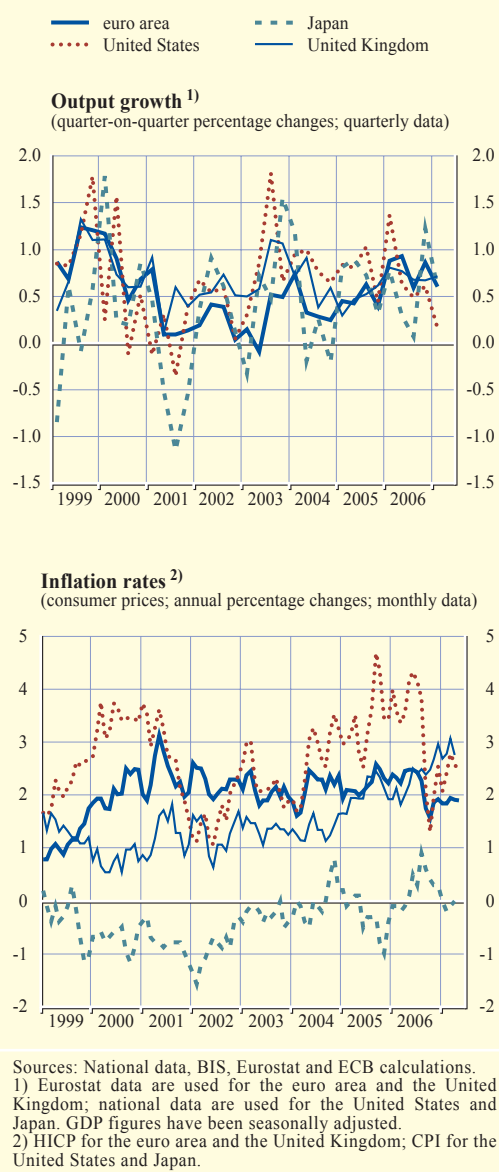
On 9 May the US Federal Open Market Committee decided to keep its target for the federal funds rate unchanged at 5.25%.

## JAPAN

In Japan, economic activity has continued to recover steadily, while inflation has remained subdued. Output is being driven by robust exports and steady domestic demand. In the first quarter of 2007, according to preliminary data released by the Cabinet Office, real GDP expanded by 0.6% on a quarterly basis. GDP growth benefited from the acceleration of exports as well as from the renewed strength of consumer spending, whereas business investment, which is one of the main drivers of the current expansion, contracted over the quarter for the first time since the fourth quarter of 2005.

With regard to price developments, inflation has remained subdued. In recent months, CPI inflation declined, reflecting in part the negative contribution from oil-related prices. As a result, annual changes in the CPI returned to negative territory in February and March 2007 for the first time since April 2006. However, more recently, the deceleration seems to have been halting owing to renewed increases in energy prices. In April 2007 the annual change in the overall CPI was 0.0% after -0.1% in the previous month, whereas the CPI excluding fresh food continued to decline on an annual basis (-0.1%) but by less than in the previous month (-0.3%).

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



Looking ahead, the outlook for the Japanese economy remains favourable. Economic activity is expected to continue to expand, driven by steady domestic demand and the continuous strength of exports against a backdrop of favourable competitiveness conditions.

#### UNITED KINGDOM

In the United Kingdom, economic growth has been robust and relatively stable in recent quarters. In the first quarter of 2007 the annual rate of real GDP growth was 2.9%, driven largely by private consumption and gross fixed capital formation. The contribution of net exports to GDP growth was neutral. In the near term, the pace of economic growth is expected to be broadly sustained at the current levels.

In recent months, inflation has been at an elevated level, though in April the annual rate of HICP growth declined to 2.8% from 3.1% in March. The largest downward effect came from utility bills and financial services. Annual growth in average earnings excluding bonuses was subdued in the three months to March (averaging 3.7%), but including bonuses it was somewhat stronger (4.5%).

On 7 June the Bank of England's Monetary Policy Committee decided to maintain the official Bank Rate paid on commercial bank reserves at 5.5%.

#### OTHER EUROPEAN COUNTRIES

In most other EU countries outside the euro area, output growth has remained robust in recent quarters. Growth was mainly driven by domestic demand. Inflationary developments have been heterogeneous across countries in recent months.

In Denmark and Sweden the year-on-year rate of real GDP growth has remained robust in recent quarters, standing at 3.1% and 4.9% respectively in the fourth quarter of 2006. In both countries, economic activity was mainly driven by domestic demand. Activity indicators point to robust growth in the quarters ahead in both countries. HICP inflation has been stable in recent months, standing at 1.7% in Denmark and 1.6% in Sweden in April 2007, and is expected to remain stable in the months ahead.

In the four largest central and eastern European economies, overall output growth has remained robust in recent quarters. In the fourth quarter of 2006, year-on-year real GDP growth stood at 5.8%, 3.3%, 6.6% and 7.6% in the Czech Republic, Hungary, Poland and Romania respectively. In the Czech Republic, Poland and Romania real GDP growth was driven by domestic demand, while in Hungary it was mainly driven by net exports. Activity indicators suggest that growth is likely to remain stable in the quarters ahead in the Czech Republic, Poland and Romania, while it is expected to decelerate in Hungary. Annual HICP inflation has been broadly stable in recent months in the four countries. In the Czech Republic and Poland inflation has been in the 2-3% range. In Romania it has been close to 4%, while in Hungary it was around 9%, reflecting mainly the short-term impact of the fiscal consolidation package.

In most of the smaller non-euro area EU countries, quarterly real GDP growth has been strong in recent quarters, mostly supported by robust domestic demand, which was underpinned by fast credit and disposable income growth. Activity indicators suggest continued strong growth dynamics in most of these countries. Annual HICP inflation has been fairly low at or below 2% in Cyprus, Malta and Slovakia in recent months. At the same time, inflation has stayed above 4% in Bulgaria, Estonia, Latvia and Lithuania. Moreover, inflation has been on an upward trend in





all of the Baltic States in recent months. Box 1 discusses actual and perceived inflation developments in countries that joined the EU in May 2004.

In Russia, preliminary indicators of economic activity suggest that GDP growth increased in the first quarter of 2007 to more than 7% year on year (from 6.7% in 2006). CPI inflation increased slightly in April to 7.8% year on year, mainly due to food price increases.

#### Box 1

### ACTUAL VERSUS PERCEIVED INFLATION DEVELOPMENTS IN THE COUNTRIES THAT JOINED THE EU IN MAY 2004

This box briefly examines actual and perceived inflation developments in nine of the countries that joined the EU in May 2004 (EU9).<sup>1</sup> At the time of EU accession consumers' inflation perceptions increased, albeit to varying extents, in most of these countries. In a few countries inflation perceptions had already started to rise in 2003, after the date for EU accession was set (see Chart A).

With regard to actual inflation, most of these nine countries experienced a hike in inflation related to EU accession resulting mainly from an increase in indirect taxes and administered prices. Food prices also increased noticeably due to the countries' integration into the EU Common Agricultural Policy and the removal of the remaining intra-EU trade barriers for agricultural products, which further stimulated exports and related price arbitrage. The prospect of additional tax-induced price increases following EU accession fuelled higher demand in early 2004, giving further impetus to inflationary pressures. Additionally, inflation was pushed up by high global oil prices in 2004. Price developments after EU entry suggest that accession-related price adjustments faded out broadly after one year in the EU9, although inflation remained high in the Baltic States.

Consumers' inflation perceptions are surveyed every month by the European Commission, which subsequently aggregates the survey results into a "balance statistic". This indicator is calculated as the difference between a weighted average of the percentage of respondents stating that consumer prices have either "risen a lot" or "risen moderately" over the previous 12 months and a weighted average of the percentage of respondents stating that prices have either "fallen" or "stayed about the same" over the same period. The more moderate answers are attributed half the weight of the more extreme answers. Hence, the balance statistic only gives information on the perceptions of the directional change in prices over the previous 12 months. In particular, such a qualitative indicator does not provide any indication of the magnitude of the inflation rate perceived by consumers. Accordingly, this caveat has to be kept in mind when interpreting data presented in Chart A.<sup>2</sup>

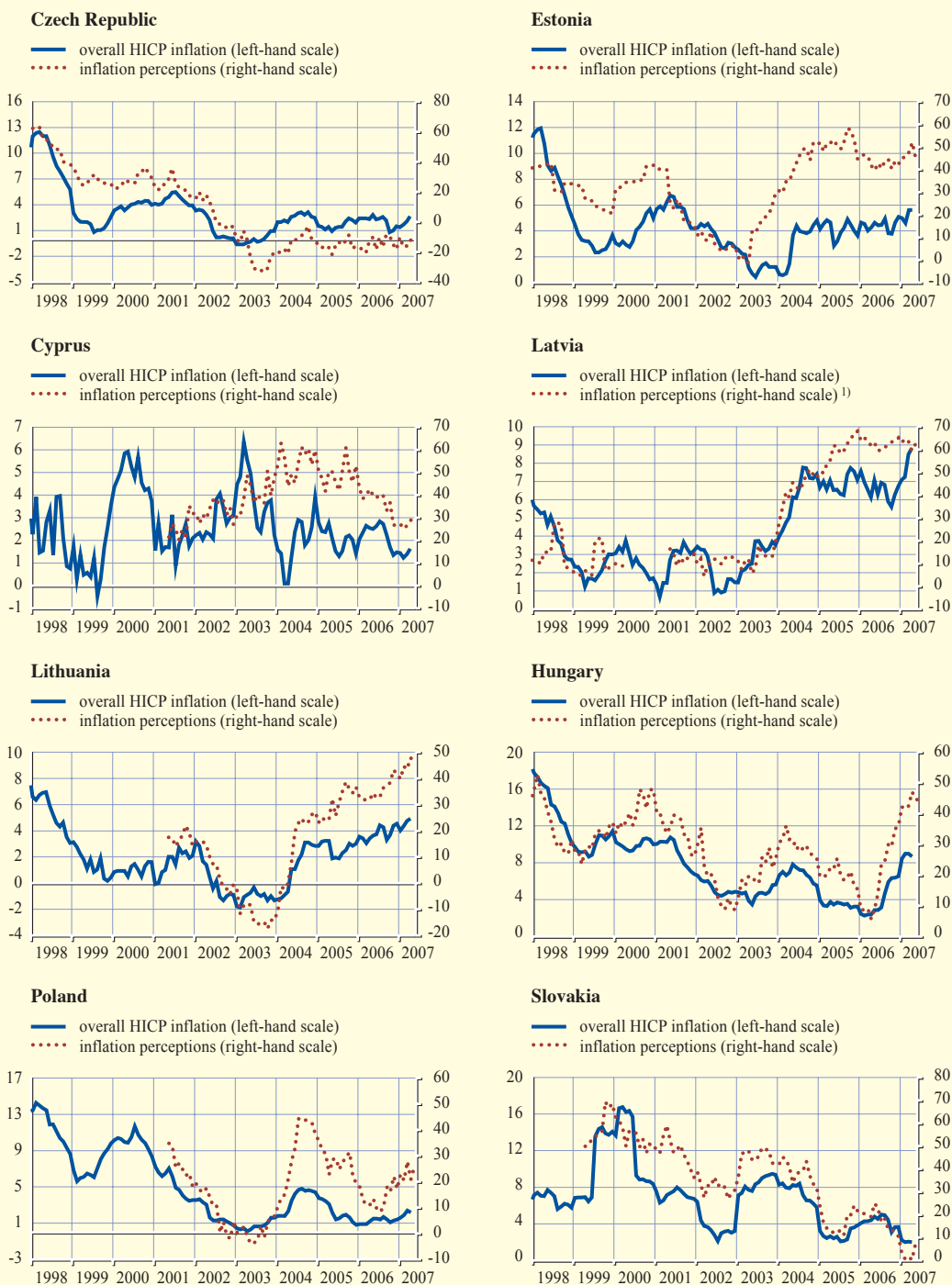
As Chart A indicates, prior to EU accession in May 2004 there had been quite similar consumers' inflation perceptions and actual inflation developments in some of the EU9. EU accession was associated with a discrepancy between consumers' inflation perceptions and actual inflation

<sup>1</sup> Malta is excluded from the analysis due to a lack of data.

<sup>2</sup> For more details on the European Commission's survey and the derivation of the balance statistic, see Box 1 in the article entitled "Measured inflation and inflation perceptions in the euro area" in the May 2007 issue of the Monthly Bulletin.

Chart A Inflation perceptions and the HICP in various countries that joined the EU in May 2004

(annual percentage changes; percentage balances, seasonally adjusted)



Source: European Commission Consumer Survey.

1) Inflation perceptions data for Latvia are missing for the period from April 2000 to April 2001.

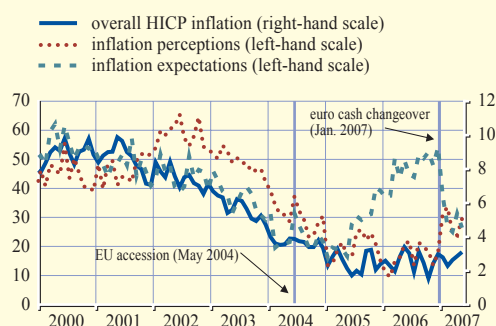
developments in most of these nine countries and in particular in Estonia, Cyprus, Latvia, Lithuania and Poland. In 2006 inflation perceptions reversed or stabilised in Cyprus, Latvia and Poland but divergent developments in the indicator of perceived inflation and actual inflation remained high in Estonia and Lithuania. By contrast, in the Czech Republic, Hungary, Slovenia and Slovakia the link between actual inflation and inflation perceptions remained broadly stable before and after accession. In Hungary, however, inflation perceptions increased considerably in 2006. This may partly reflect recent fiscal consolidation efforts, which included significant increases in indirect taxes and administered prices.

A number of arguments can be put forward to explain the divergent developments in the indicator of perceived inflation and actual inflation that occurred after EU accession in most of the EU9. Some frequently purchased items (in particular food), which can be expected to have a disproportionate impact on inflation expectations relative to actual inflation, were affected by price adjustments related to EU accession. At the same time, the rise in energy prices that was caused by factors unrelated to EU accession may have also contributed to the sharp increase in inflation perceptions. Furthermore, owing to the large media coverage of EU enlargement, consumers may have become more sensitive to price movements and changes in their purchasing power. Given that price levels in most EU9 countries are still significantly lower than in the euro area, high expectations concerning the price equalisation effects of EU accession could have also had a reinforcing impact on the discrepancy between consumers' inflation perceptions and actual inflation developments. Furthermore, considering that owner-occupied housing costs are currently excluded from the HICP basket, high house price increases in some EU9 countries may partly explain the discrepancy between consumers' inflation perceptions and actual inflation developments. A number of empirical studies have also highlighted the role of psychological factors in explaining the discrepancy between consumers' inflation perceptions and actual inflation developments. These factors include, above all, the role of a priori expectations.<sup>3</sup>

In this context recent developments in Slovenia, which introduced the euro in January 2007, are of particular interest. Before 2005 there was a close link between consumers' inflation expectations and actual inflation developments in Slovenia. However, in the second half of 2005, the European Commission's survey indicator of consumers' inflation expectations started to deviate increasingly from actual HICP inflation developments. Subsequently, inflation expectations increased consistently until the end of 2006 despite relatively flat inflation rates in the same period (see Chart B). In early 2007, following the cash changeover inflation perceptions rose, whilst inflation expectations declined notably. The euro area witnessed

**Chart B Actual, perceived and expected inflation in Slovenia**

(annual percentage changes; percentage balances, seasonally adjusted)



Source: Eurostat.

3 E. Traut-Mattausch, S. Schulz-Hardt, T. Greitemeyer and D. Frey (2004), "Expectancy confirmation in spite of disconfirming evidence: the case of price increases due to the introduction of the euro", *European Journal of Social Psychology*, Vol. 34, No. 6, pp. 739-60.

similar divergent developments in the indicator of perceived inflation and actual inflation after the adoption of the euro.<sup>4</sup>

Aware of the risk of price increases related to the cash changeover, the Slovenian authorities undertook several measures to minimise the impact of the cash changeover. These included a long and early dual pricing period, an extensive information campaign, the introduction of price monitoring teams and a dual currency circulation period of only two weeks. These measures appear to have been successful in containing cash changeover effects on inflation. It is estimated that the cash changeover added only 0.2-0.3% to the level of the HICP. Against this background, the increase in inflation perceptions in Slovenia at the beginning of 2007 appears to have already reversed somewhat.

<sup>4</sup> See the article entitled “Measured inflation and inflation perceptions in the euro area” in the May 2007 issue of the Monthly Bulletin.

## EMERGING ASIA

In emerging Asia, economic activity has remained robust recently, following the pick-up in GDP growth registered in several large economies in the first quarter. Net exports and domestic demand maintained a strong momentum in major economies of the region. Inflation rose somewhat in April, compared with end-2006.

In China, the economy continued to expand briskly, following the pick-up in GDP growth in the first quarter of 2007. Retail sales growth accelerated further in April, while fixed asset investment and industrial production remained robust. An increase in export growth, combined with steady import growth over recent months, resulted in a widening of the trade surplus, which rose to a cumulative USD 63.3 billion in the first four months of 2007, compared with USD 33.6 billion in the same period of 2006. According to recent official figures, China’s current account surplus rose to 9.3% of GDP in 2006 from 7.2% of GDP in 2005. On 18 May, the People’s Bank of China announced a package of tightening measures, including an increase in interest rates, a further hike of the reserve requirement ratio on bank deposits, and a widening of the daily trading band of the renminbi exchange rate against the US dollar from +/-0.3% of the reference rate to +/-0.5%. CPI inflation decreased somewhat to 3.0% in April, from 3.3% in March.

In Korea, economic activity remained sustained, with real GDP growing by 4% year on year in the first quarter of 2007, unchanged from the previous quarter. CPI inflation was 2.5% in April. Activity also remained solid in India, with real GDP growing by 9.1% year on year in the first quarter of 2007. Wholesale price inflation – the Reserve Bank of India’s main measure of inflation – reached 5.4% year on year in early May, down from 6.1% in early April.

Overall, near-term prospects remain favourable for emerging Asia, underpinned by steady growth in domestic demand. Robust growth in China is also likely to support external trade and activity in the region.

## LATIN AMERICA

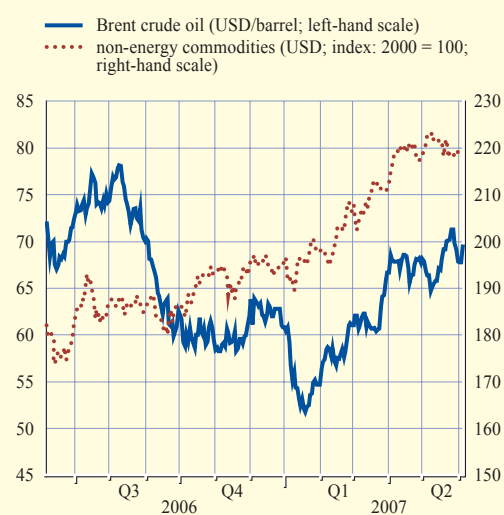
In Latin America, economic activity has remained sustained, although growth performance across major economies has continued to exhibit some degree of heterogeneity and signs of moderation became apparent in some economies. In Mexico, real GDP growth slowed to 2.6% year on year in the first quarter of 2007, from 4.3% in the last quarter of 2006. CPI inflation was stable in April,



at 4.0% year on year. Preliminary indicators also pointed to some deceleration in economic activity in Argentina, with industrial production growing at below 7% year on year between January and April 2007, against 9% year on year in the last three months of 2006. CPI inflation continued to be elevated, albeit edging down to 8.9% year on year in April 2007. In Brazil activity continues to be solid, with industrial production expanding by 3.9% on a year earlier in March, up from 3% in February. CPI inflation was stable at 3% year on year in April.

The outlook for Latin America as a whole continues to be favourable. While domestic demand is expected to remain the main driver of growth, the favourable outlook should also be underpinned by benign external financing conditions and continued historically high commodity prices.

**Chart 3 Main developments in commodity markets**



Sources: Bloomberg and HWWI.

## 1.2 COMMODITY MARKETS

Oil prices increased significantly in most of May to reach a new peak for 2007, before easing somewhat towards the end of the period under review. The continuation of unexpected refinery outages added to existing refinery problems and heightened fears of a petrol supply crunch in the United States ahead of the peak summer season, providing support to oil and petrol prices. Heightened geopolitical concerns, with an upsurge of violence in Nigeria and increasing tensions over Iran, also contributed to the rise. The price of Brent crude oil stood at USD 69.7 per barrel on 5 June. Looking ahead, the International Energy Agency's latest assessment of oil market conditions indicates a further tightening of the supply-demand balance, as it expects demand for oil to remain relatively robust, while non-OPEC supply growth forecasts remain short of earlier expectations. Consequently, demand for OPEC's oil and, in turn, the degree of dependency on some of the world's most volatile producers, is expected to increase. Against this background, oil prices are likely to remain at elevated levels by historical standards in the near term and fairly volatile in response to any unexpected changes in the supply-demand balance and the geopolitical environment.

After the relatively strong increase in April, the prices of non-energy commodities eased slightly in May. They remain nevertheless at very high levels by historical standards. The rebound in food prices, particularly in the prices of oilseeds and oils, was somewhat offset by a decrease in the prices of metals. In aggregate terms, the price index for non-energy commodities (denominated in US dollars) was approximately 18% higher in May than a year earlier.

### **I.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT**

The favourable outlook for the external environment bodes well for foreign demand for euro area goods and services, which should remain firm. Consistent with the expectation of some moderation in global growth from the very high rates recorded over the past three years, the six-month rate of change in the OECD composite leading indicator shows a downward trend for many major advanced economies over the past twelve months. At the same time, these indicators signal a robust expansion in major non-OECD economies such as China, India and Brazil.

Risks to the global outlook mainly emanate from a further rise in oil prices in view of rising protectionist pressures, the tightness in the petrol market and continuing geopolitical tensions, the persisting global imbalances and the associated risk of their disorderly unwinding, and potential shifts in financial market sentiment.

## 2 MONETARY AND FINANCIAL DEVELOPMENTS

### 2.1 MONEY AND MFI CREDIT

The rapid underlying rate of monetary expansion in the euro area – reflected in the continuing robust annual growth of M3 – has been largely driven by strong credit growth. Annual M3 growth itself strengthened further over the course of the first quarter of 2007, before moderating slightly in April. This profile of annual growth rates primarily reflects developments in the MFI net external asset position, related to international capital flows. Recent data confirm that key ECB interest rate increases are influencing monetary dynamics. This is visible in the gradual moderation both of lending and of M1 growth. However, as a result of the flat yield curve in the euro area, the overall demand for monetary assets included in M3 has remained strong. Against the background of current global financial market developments and the flat yield curve, M3 growth needs to be assessed with caution. Overall, robust monetary and credit growth in a context of ample liquidity 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.

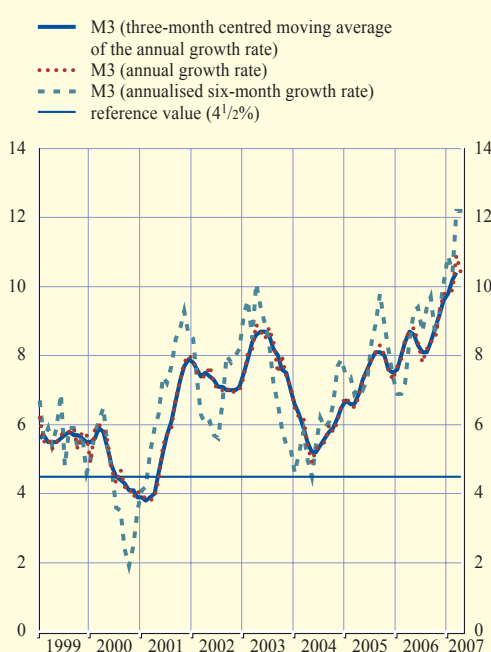
#### THE BROAD MONETARY AGGREGATE M3

In the first quarter of 2007 annual M3 growth increased to 10.0%, from 9.0% in the fourth quarter of 2006. On the basis of synthetic euro area data, the annual growth rate seen in the first quarter was the highest observed since the first quarter of 1990. Annual M3 growth also strengthened over the course of the first quarter of 2007, to 10.9% in March, from 9.9% in February. In April the annual growth rate moderated slightly, to 10.4%. The strength of monetary expansion over the past few months is also illustrated by the shorter-term dynamics measured, for example, by the six-month annualised growth rate of M3, which remained well above the annual growth rate, at 12.2% in April (see Chart 4).

The recent data on money and credit developments confirm the strong underlying monetary dynamics, as reflected in the robust annual growth rates of both M3 and credit to the private sector. The data also support the assessment that the withdrawal of monetary policy accommodation has had an impact on monetary developments. On the components side, the impact of higher key ECB interest rates is visible in the gradual moderation of the annual growth of M1. At the same time, higher short-term interest rates appear to have stimulated the overall rate of M3 growth, as the associated flat yield curve in the euro area has generally increased the attractiveness of short-term liquid deposits and marketable instruments relative to longer-term financial assets outside M3. On the counterparts side, the impact of higher interest rates is visible in the ongoing moderation of the annual growth rate of loans

Chart 4 M3 growth and the reference value

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

to the euro area private sector since the second half of 2006, although growth remains vigorous and continues to account for most of the high level of annual M3 growth. At the same time, the strong rise in annual M3 growth in late 2006 and early 2007 mainly reflected capital inflows, as captured in MFIs' net external asset position. Against the background of a flat yield curve and global financial market developments, the growth of M3 needs to be assessed with caution.

The latest indication of an unwinding of the portfolio shifts into money observed between 2001 and 2003, a period of geopolitical, economic and financial market uncertainty, dates back to the second half of 2005. Hence, the official M3 series and the M3 series corrected for the estimated impact of portfolio shifts have followed a similar pattern over the past few months (see Chart 5). These portfolio shifts from equity holdings into money reflected euro area residents' exceptionally strong preference for safe and liquid assets between 2001 and 2003, and could not easily be explained on the basis of developments in the conventional determinants of money demand, such as prices, income and interest rates. In this respect, the robust growth of M3 in recent quarters cannot be explained by reference to such exceptional uncertainty-related liquidity preference; rather, the strong flows in M3 may have been motivated by speculative demand for money as part of general portfolio considerations.

### MAIN COMPONENTS OF M3

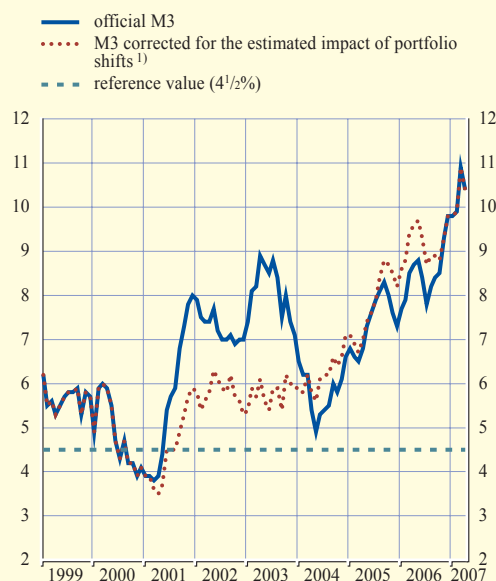
From a quarterly average perspective, the moderation in annual M1 growth observed since the spring of 2006 stalled in the first quarter of 2007, at 6.8%, after 6.7% in the fourth quarter of 2006 (quarterly average growth rates calculated on the basis of the average level in the quarter). However, in April 2007 the annual growth rate fell again, to 6.2% (see Table 1).

With regard to developments in the components of M1, the annual growth rate of currency in circulation was 10.5% in April 2007, unchanged from the growth rate in the first quarter of 2007 and slightly below the rate of 11.1% observed in the fourth quarter of 2006. Annual growth in overnight deposits decreased to 5.4% in April 2007, resuming the moderation which had started in late 2005 and temporarily stalled in the first quarter of 2007 (at a rate of 6.1%, after 5.9% in the fourth quarter of 2006).

Annual growth in short-term deposits other than overnight deposits has strengthened over recent months, reaching 12.4% in April 2007, after standing at 11.9% in the first quarter of 2007 and 11.1% in the fourth quarter of 2006 (see Chart 6). This development reflects continued strong increases in short-term time deposits (i.e. deposits with an agreed maturity of up to two years),

**Chart 5 M3 and M3 corrected for the estimated impact of portfolio shifts**

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



Source: ECB.

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



**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					
		2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Mar.	2007 April
<b>M1</b>	<b>46.5</b>	<b>9.8</b>	<b>7.6</b>	<b>6.7</b>	<b>6.8</b>	<b>7.0</b>	<b>6.2</b>
Currency in circulation	7.4	11.9	11.4	11.1	10.5	10.5	10.5
Overnight deposits	39.1	9.5	7.0	5.9	6.1	6.3	5.4
M2 - M1 (= other short-term deposits)	38.7	8.5	9.5	11.1	11.9	12.7	12.4
Deposits with an agreed maturity of up to two years	19.6	15.3	19.7	25.2	29.5	32.2	31.2
Deposits redeemable at notice of up to three months	19.1	3.8	2.4	1.1	-0.8	-1.7	-2.0
<b>M2</b>	<b>85.2</b>	<b>9.2</b>	<b>8.4</b>	<b>8.6</b>	<b>9.0</b>	<b>9.5</b>	<b>8.9</b>
M3 - M2 (= marketable instruments)	14.8	5.6	6.4	11.2	16.3	19.9	19.4
<b>M3</b>	<b>100.0</b>	<b>8.6</b>	<b>8.1</b>	<b>9.0</b>	<b>10.0</b>	<b>10.9</b>	<b>10.4</b>
<b>Credit to euro area residents</b>		<b>9.5</b>	<b>9.2</b>	<b>8.8</b>	<b>7.9</b>	<b>7.7</b>	<b>7.5</b>
Credit to general government		1.0	-0.9	-3.1	-4.5	-4.9	-5.6
Loans to general government		0.2	-0.6	-0.4	-1.3	-1.4	-1.5
Credit to the private sector		11.8	11.9	11.9	11.0	10.7	10.7
Loans to the private sector		11.2	11.2	11.2	10.5	10.5	10.3
<b>Longer-term financial liabilities (excluding capital and reserves)</b>		<b>8.7</b>	<b>8.5</b>	<b>9.0</b>	<b>9.9</b>	<b>10.1</b>	<b>9.9</b>

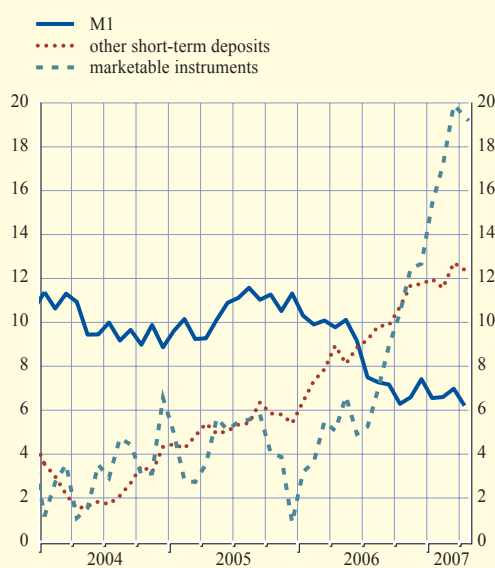
Source: ECB.

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

which grew by 31.2% in April on an annual basis. By contrast, the annual growth rate of savings deposits (i.e. deposits redeemable at notice of up to three months) has continued to moderate over recent months.

**Chart 6 Main components of M3**

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



Source: ECB.

The more moderate demand for overnight deposits and short-term savings deposits on the one hand and the stronger demand for short-term time deposits on the other reflect the increasing gap between the remuneration of these different types of deposit. While the interest rates paid on short-term time deposits have broadly followed the rise in money market rates, the rates paid on the other types of short-term deposit have responded less quickly to the increase in money market rates over the past year.

At the same time, in the context of the flat yield curve, the increase in short-term interest rates has a general upward impact on M3 by fostering a speculative demand for monetary assets. This impact is particularly visible in the strong growth of marketable instruments, which are mostly remunerated at money market rates. In April the annual rate of growth of marketable instruments increased to 19.4%, from 16.3% in the first quarter of 2007 and 11.2% in the fourth

quarter of 2006. This development is largely attributable to a strengthening in the annual growth rates of money market funds shares/units and of short-term debt securities (i.e. debt securities with a maturity of up to two years). Money market funds shares/units may be an attractive investment in the context of a flat yield curve, as the funds with highest returns outperform their money market rate benchmark, in part by using derivative products and investing in instruments with credit risk (such as asset-backed securities). Similarly, the attractiveness of short-term debt securities rests on the fact that they are often remunerated at variable rates and allow investors to benefit from rises in interest rates materialising before the maturity of the security.

An analysis of the sectoral breakdown of monetary growth relies on data for short-term deposits and repurchase agreements (hereafter referred to as M3 deposits), the M3 components for which sectoral information is available. The annual growth of aggregate M3 deposits moderated in April, after increasing in the previous two quarters. The strengthening in the first quarter of 2007 and the fourth quarter of 2006 resulted from a broad-based increase in the annual growth rate of the sectoral M3 deposit holdings, while the moderation in April is seen most clearly in financial intermediaries' holdings. More specifically, M3 deposits held by non-monetary financial institutions other than insurance corporations and pension funds (OFIs) grew at 14.5% in April, after 19.7% in the first quarter. Non-financial corporations continued to invest strongly in M3 deposits, as their holdings increased at an annual rate of 12.7% in April, up from 11.7% in the first quarter. The annual growth rate of household M3 deposits was 6.5% in April, after 6.2% in first quarter. Overall, while the OFI sector remained the most dynamic and volatile within the private sector in terms of the growth rate of M3 deposits, the household sector continued to contribute by far the largest share to the strong overall rate of growth.

#### MAIN COUNTERPARTS OF M3

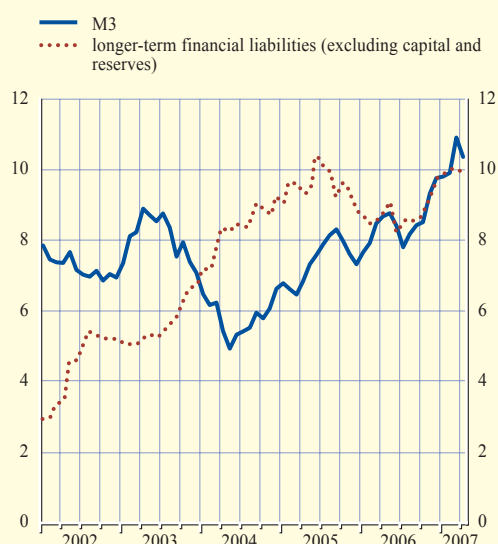
On the counterparts side, the high rate of money growth continues to be attributable to the robust, albeit moderating, credit growth. The pattern of monetary dynamics in the first four months of 2007 can instead largely be explained by developments in the MFI net external asset position.

The annual growth rate of total MFI credit to euro area residents remained strong despite the recent moderation. It was 7.5% in April, after 7.9% and 8.8% in the first quarter of 2007 and the fourth quarter of 2006 respectively (see Table 1). Within total credit, credit to the general government declined by 5.6% on an annual basis in April 2007, stronger than the rates of decline of 4.5% in the first quarter of 2007 and 3.1% in the fourth quarter of 2006, reflecting, in particular, larger net sales of government-issued securities. The annual growth rate of credit to the private sector declined to 10.7% in April, from 11.0% and 11.9% in the first quarter of 2007 and the fourth quarter of 2006 respectively. While the annual growth rate of MFI holdings of private sector securities other than shares increased, the growth of loans and MFI holdings of shares and other equity declined. MFI loans remained the main contributor to the strong growth of credit to the private sector, with annual growth of 10.3% in April 2007, down from 10.5% in the first quarter of 2007 and 11.2% in the fourth quarter of 2006. This decline largely reflects a slowdown in the annual growth rate of MFI lending to households, but also, more recently, to non-financial corporations (see sub-sections 2.6 and 2.7 for sectoral developments in loans to the private sector).

Among the other counterparts of M3, the dynamics of MFI longer-term financial liabilities (excluding capital and reserves) held by the money-holding sector have remained robust over the past few months, with the annual growth rate of MFI longer-term financial liabilities (excluding capital and reserves) standing at 9.9% in April, having stood at 9.9% and 9.0% in the first quarter

**Chart 7 M3 and MFI longer-term financial liabilities (excluding capital and reserves)**

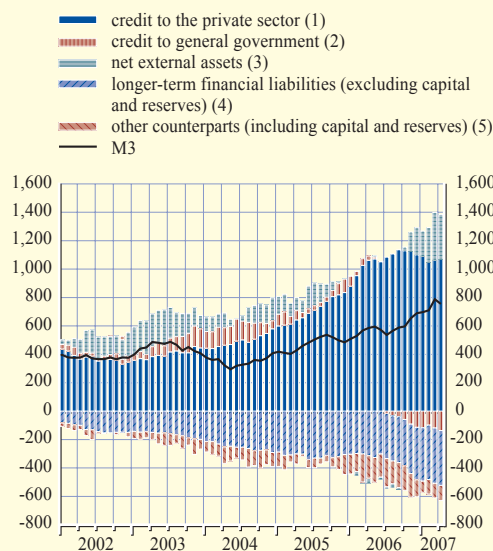
(annual percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

**Chart 8 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.

of 2007 and the fourth quarter of 2006 respectively. Looking at the components of these liabilities, the annual growth rate of longer-term deposits continued to moderate, reflecting an increasingly dampening contribution from the non-financial private sector. At the same time, the annual growth rate of MFI debt securities issued with a maturity of over two years strengthened substantially between October and March and remained at a high level in April. Overall, MFI longer-term financial liabilities and M3 have grown at broadly similar annual rates in recent quarters (see Chart 7).

In the last quarter of 2006 and the first quarter of 2007, strengthening annual inflows into the MFI net external asset position implied a considerable external influence on monetary dynamics. In April 2007 the annual flow in the net external asset position of MFIs moderated to €315 billion, having reached €336 billion in March, and contributed to the moderation of the annual growth rate of M3 in April (see Chart 8). The moderation reflects a negative monthly flow in the MFI net external asset position in April, following the record positive inflow in March. This pattern suggests some rebalancing developments in the monthly flows in March and April, thereby overstating the underlying developments. Available evidence from the monetary presentation of the balance of payments suggests that the strong inflows since end-2006 have generally resulted from stronger investment in euro area assets by non-residents rather than from a repatriation of funds by euro area residents. These capital inflows are the result of the positive sentiment towards financial investment in the euro area, linked to the favourable economic outlook. In this respect, the outflow of capital observed in April should not necessarily be viewed as heralding outflows in the coming months.

In conclusion, money and credit growth have remained strong. The robust annual growth rates of both M3 and credit to the private sector reflect the current strength of economic activity and the still moderate level of short-term interest rates in the euro area. Indeed, credit continued to be the main contributor to strong M3 growth, more than offsetting the dampening impact associated with the robust demand for longer-term financial liabilities. While strong credit growth explains the high rate of money growth, the pattern of the monetary dynamics in early 2007 is largely explained by the developments in the MFI net external asset position, which imply a considerable external contribution to annual M3 growth. Overall, M3 growth has been pushed up in recent quarters by speculative demand for money, which counterbalanced the moderating impact of higher interest rates on the most liquid components of M3.

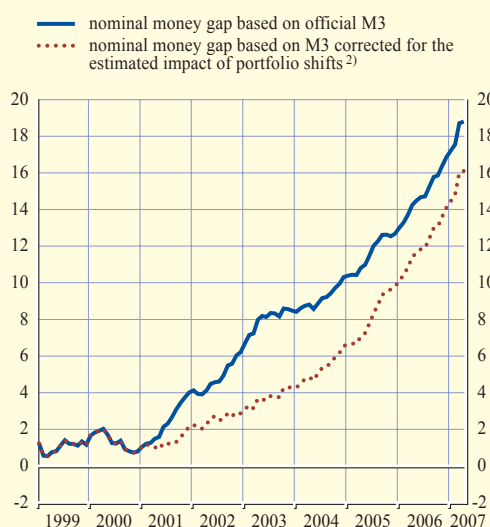
### GENERAL ASSESSMENT OF LIQUIDITY CONDITIONS IN THE EURO AREA

The strong dynamics of M3 in the first four months of 2007 have led to a further accumulation of liquidity. As there was no sign of a further unwinding of past portfolio shifts following the temporary resumption in the fourth quarter of 2005, the two money gap measures continued to move in parallel in the first quarter of 2007. The two gaps remained at very different levels, with the money gap constructed on the basis of the corrected M3 series being substantially lower (see Chart 9).

The real money gaps take into account the fact that part of the accumulated liquidity has been absorbed by higher prices, reflecting upward deviations of inflation from the ECB's definition of price stability. The real money gaps constructed on the basis of the official M3 series and of the

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

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



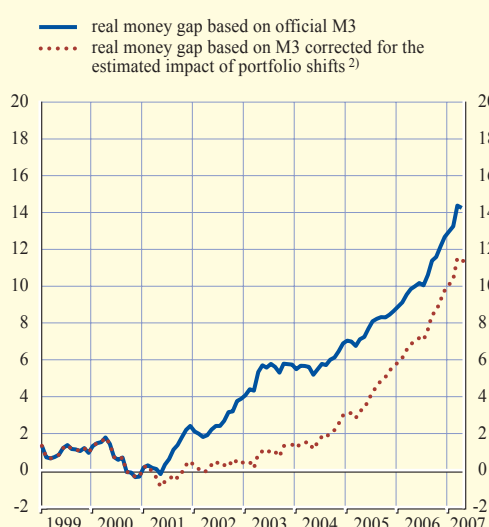
Source: ECB.

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

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

**Chart 10 Estimates of the real money gap<sup>1)</sup>**

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



Source: ECB.

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

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



measure of M3 corrected for the estimated impact of portfolio shifts are both lower than the respective nominal money gap measures (see Charts 9 and 10).

These mechanical measures are only imperfect estimates of the liquidity situation and should thus be treated with caution. This uncertainty is illustrated, to some extent at least, by the broad range of estimates derived from the four measures presented above. Nonetheless, the overall picture painted by these measures and, in particular, that derived from a broad monetary analysis geared towards identifying the underlying growth of M3 indicates that liquidity conditions in the euro area are ample. Strong monetary and credit growth in a context of ample liquidity imply upside risks to price stability over the medium to longer term, particularly in an environment of improved economic activity.

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

*In the fourth quarter of 2006 the annual growth rate of financial investment by the non-financial sectors remained broadly unchanged, masking divergent developments across instruments and sectors. The recent data on institutional investors point to broadly unchanged investment fund asset growth dynamics and somewhat weaker growth in investment by insurance corporations and pension funds in the fourth quarter of 2006.*

### NON-FINANCIAL SECTORS

In the fourth quarter of 2006 (the most recent quarter for which data are available from the new integrated quarterly euro area sector accounts, which supersede the previously available statistics on financing and financial investment in the euro area), the annual growth rate of total financial

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

	Outstanding amount as a percentage of financial assets <sup>1)</sup>	Annual growth rates									
		2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Q4
<b>Financial investment</b>	<b>100</b>	<b>4.2</b>	<b>3.9</b>	<b>4.0</b>	<b>3.8</b>	<b>4.0</b>	<b>4.5</b>	<b>4.6</b>	<b>4.7</b>	<b>4.8</b>	<b>4.7</b>
Currency and deposits	22	5.6	5.6	5.6	5.7	5.5	6.4	6.4	6.4	7.1	6.8
Debt securities, excluding financial derivatives	6	0.7	2.0	2.9	2.0	1.4	1.0	3.5	4.2	6.4	8.5
<i>of which: short-term</i>	0	3.8	3.2	-6.7	-10.2	-3.8	-11.7	13.5	13.8	22.4	40.1
<i>of which: long-term</i>	6	0.4	1.9	3.9	3.4	1.9	2.1	2.7	3.4	5.1	6.3
Shares and other equity, excluding mutual fund shares	33	2.4	1.8	2.1	2.0	2.9	2.5	2.2	2.5	1.7	1.9
<i>of which: quoted shares</i>	10	2.7	0.9	0.9	-0.6	-1.3	1.2	-0.6	0.8	1.4	0.2
<i>of which: unquoted shares and other equity</i>	23	2.3	2.2	2.5	3.1	4.5	3.1	3.3	3.1	1.8	2.6
Mutual funds shares	7	2.3	1.6	1.7	2.2	3.8	4.6	3.3	2.1	-0.2	-1.1
Insurance technical reserves	15	6.8	7.0	7.0	7.1	7.3	7.6	7.5	7.0	6.6	6.0
Other <sup>2)</sup>	16	4.8	4.1	3.9	2.8	2.2	3.8	4.9	5.9	7.4	7.1
M3 <sup>3)</sup>		6.0	6.6	6.5	7.6	8.3	7.3	8.5	8.4	8.4	9.8

Source: ECB.

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

2) Other financial assets comprise loans, financial derivatives and other accounts receivable, which in turn include, inter alia, trade credit granted by non-financial corporations.

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

investment by the non-financial sectors in the euro area remained broadly stable at 4.7%, after 4.8% in the third quarter (see Table 2). This masks divergent developments across instruments. In the fourth quarter of 2006 investment in debt securities grew more strongly across the maturity spectrum, particularly in the case of short-term securities. However, the latter continued to account for a very small share of the non-financial sectors' total financial assets. Investment in shares also accelerated in the fourth quarter of 2006, reflecting stronger growth of investment in unquoted shares and concealing a deceleration recorded in the case of quoted shares. The stronger growth in these asset classes was offset, however, by smaller contributions from investment in other instruments – most notably insurance and pension products – and a larger negative contribution from investment in mutual fund shares than in the previous quarter. Overall, currency and deposits, and insurance and pension products – two asset classes that are typically on opposite sides of the investment horizon – continue to be the main contributors to the non-financial sectors' financial investment dynamics, jointly accounting for 2.5 percentage points of the annual 4.7% increase in the fourth quarter of 2006.

The breakdown of total financial investment by institutional sector, which is now available in the new integrated quarterly euro area sector accounts, indicates that non-financial corporations and households are by far the most important contributors to the overall growth of financial investment by the non-financial sectors. In the fourth quarter of 2006, the broadly unchanged annual growth rate of total financial investment by the non-financial sectors reflects a moderation in the contribution to overall investment growth dynamics by government, which was offset by slightly higher contributions from both non-financial corporations and households. More specifically, the growth rate of the financial investment of non-financial corporations increased to 6.2% in the fourth quarter of 2006, while that of households reached 4.1%.

### INSTITUTIONAL INVESTORS

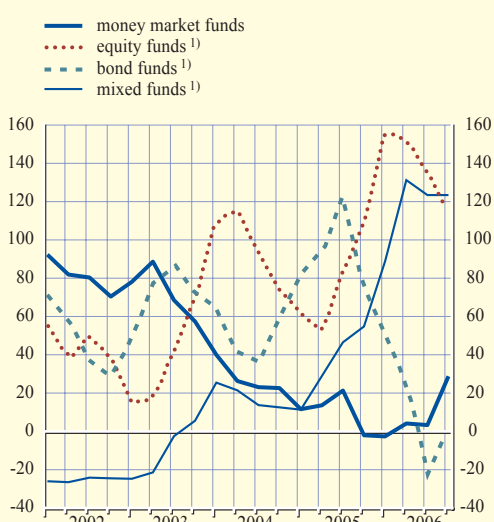
The annual rate of growth in the value of the total assets of investment funds (excluding money market funds) in the euro area remained broadly unchanged in the fourth quarter of 2006, at 15.8%, after 15.7% in the third quarter. This masks higher contributions by funds across most types of investment policy, which, however, were partly offset by a drop in the growth rate of total assets held by funds in the other funds category. Looking at developments in the portfolio composition of investment funds, most of the annual growth in the value of total assets continued to be driven by securities other than shares, shares and other equity, and holdings of investment fund shares, all of which further increased their contributions to overall growth. However, changes in the value of the stock of assets also incorporate the impact of valuation effects caused by developments in asset prices and thus may not give a full account of actual investment behaviour. Data provided by EFAMA<sup>1</sup> show that overall net annual flows into investment funds (excluding money market funds) in the fourth quarter of 2006 were broadly unchanged from the previous quarter. This conceals the return to positive levels of flows into bond funds, albeit marginally so, while flows into equity funds continued to fall, despite remaining at a high level (see Chart 11). While the net annual flows into mixed funds<sup>2</sup> did not change substantially in the fourth quarter of 2006, they were higher than the net flows into any other investment fund category. Some insights into the possible factors behind this development are provided in Box 2, entitled “Investment in mixed funds: nature and motivations”.

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

2 The actual terminology used in the statistics provided by EFAMA for funds that invest in both equity and bonds (which in the ECB investment fund statistics are classified as “mixed”) is “balanced” funds.

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

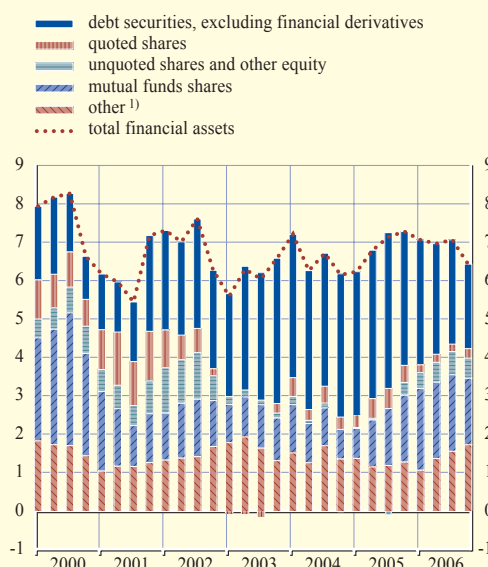
(EUR billions)



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

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

(annual percentage changes; contributions in percentage points)



Source: ECB.  
1) Includes loans, currency and deposits, insurance technical reserves, other accounts receivable and financial derivatives.

The annual growth rate of total financial investment of insurance corporations and pension funds in the euro area declined to 6.4% in the fourth quarter of 2006, from 7.1% in the previous quarter (see Chart 12). This development reflects lower contributions from the two most important components, namely debt securities and mutual fund shares, which more than offset the increased contribution from holdings of currency and deposits. Investment in quoted and unquoted shares had a relatively small and broadly unchanged impact on overall financial investment dynamics, with the former, in particular, remaining subdued.

## Box 2

### INVESTMENTS IN MIXED FUNDS: NATURE AND MOTIVATIONS

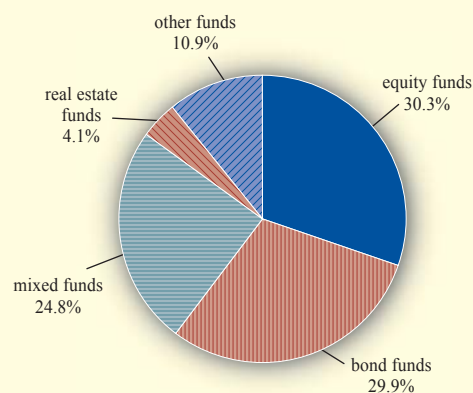
Investment funds are commonly classified according to their investment policy, i.e. the asset classes in which they mainly invest.<sup>1</sup> Some funds follow a “pure” investment strategy, in that they predominantly hold positions in one asset class, such as equity, bonds or real estate.<sup>2</sup> The universe of investment funds also includes funds that diversify their portfolios across multiple asset classes. These are known as mixed, balanced or asset allocation funds. Classification by

1 Other classification schemes distinguish investment funds according to, for example: their legal form; whether they are open or closed-ended; or whether they accumulate or distribute their earnings.

2 Money market funds – another major type of fund – invest mainly in money market instruments and short-term bonds. Moreover, financial innovation, globalisation and increased financial market sophistication, as well as the search for higher returns in a context of low levels of interest rates, have prompted the emergence of alternative types of fund, which specialise in investing in, for instance, commodities or in shares/units of other funds (including hedge funds and private equity funds).

**Chart A Investment fund total assets broken down by investment policy**

(percentage points)

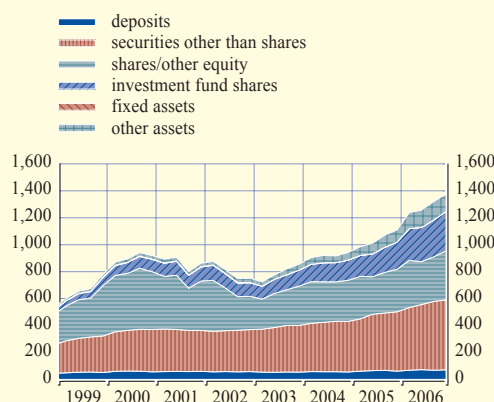


Source: ECB.

Note: The data refer to the fourth quarter of 2006 and exclude money market funds, which are part of the MFI sector.

**Chart B Assets of mixed funds**

(EUR billions)



Source: ECB.

investment policy allows analysts to identify the effect that developments in the realised and expected relative returns of different assets have on investors' portfolio allocation decisions across various investment fund types. As shown in the main text, mixed funds have recently attracted larger amounts of investment capital than bond or equity funds. Against this background, this box looks into the factors that may explain the increased importance of investments in mixed funds over recent quarters. It should be noted that the analysis is based on data that are not completely harmonised across the euro area. In particular, the classification by investment policy follows national rules, in the absence of euro area-wide definitions.

In terms of total assets, the euro area investment fund landscape is dominated by equity and bond funds, which jointly commanded a 60% market share in the fourth quarter of 2006, split evenly between the two types of fund (see Chart A). Mixed funds follow equity and bond funds as the next most important fund type, holding assets that amounted to approximately 25% of the total. It should be borne in mind, however, that the size of funds' portfolios is not only affected by the net investment flows which they attract but also by valuation effects reflecting developments in asset prices. This is more evident in the case of equity and bond funds, the relative size of which is strongly affected by developments in equity prices and bond yields. In the case of mixed funds, however, valuation effects are more muted, reflecting the diversified composition of their portfolios. As a result, the impact – in terms of relative size – of the large net flows into mixed funds over recent quarters has been dampened by the lower valuation effect as compared with equity funds. Consequently, the share of mixed funds' assets in total investment fund assets has remained broadly stable.

Flows into equity and bond funds are normally easier to explain, since demand for the former tends to move in line with stock prices, while flows into the latter are typically related to developments in bond yields. This notwithstanding, the build-up of uncertainty, which on occasion culminates in episodes of market turbulence, can blur these relationships, for example by increasing flows into bond funds as investors "fly to safety". In any case, flows into these types of fund tend to

move in opposite directions.<sup>3</sup> As mixed funds can encompass quite diverse investment strategies, net flows into this category of fund may be driven by a host of heterogeneous considerations. In principle, mixed funds, through their diversified portfolio allocation across asset classes, allow investors to take positions in the equity markets, albeit with more modest overall risk/return features than those typically associated with equity funds. In the current environment, in which equity market valuations are testing their historical highs, while bond markets are affected by uncertainty regarding interest rate developments, the investment strategies proposed by mixed funds have thus become increasingly attractive to investors. Although investors themselves – institutional investors in particular – could arguably replicate the risk/return profiles of mixed funds by taking outright positions, for instance, in equity and bond funds, this would require constant active reallocation of their portfolios to maintain the required profile, which entails increased transaction as well as information costs.

In order to reach definite conclusions regarding the factors that have driven the surge in net flows into mixed funds over recent quarters, it would be necessary to isolate the valuation effects in order to obtain information on net investment flows and, ideally, to have access to information on the sources of these flows. However, official data on these are currently very limited, although efforts are being made to improve this shortcoming. Nevertheless, some relevant insights may be obtained by examining the composition of mixed funds' portfolios and how this has developed over time. A notable feature of mixed funds' portfolios over recent years is the increased tendency to take positions in shares/units of other funds (see Chart B). The size of mixed funds' positions in other funds has grown continuously, from 6% of total assets in the fourth quarter of 1998 to 21% in the fourth quarter of 2006. While the rising importance of investment fund shares in fund portfolios is a development also observed in other fund categories, it is far more prominent in the case of mixed funds. At the same time, although positions in shares and other equity in mixed funds' portfolios have recovered somewhat from the very low levels reached in the aftermath of the bursting of the technology stock bubble, they are still well below their pre-bust peak. This to some extent reflects active investment decisions and not merely valuation effects, since equity prices had recovered most of the lost ground by the end of 2006.

Taken together, these developments point to a possible substitution of outright equity positions in mixed funds' portfolios by shares in other funds, some of which may in turn invest in equity markets. This partial outsourcing of asset management by mixed funds is likely to reflect the increasing sophistication of the investment strategies followed and the financial instruments employed, as well as the broader investment orientation of some of these funds in an effort to diversify their portfolios and enhance their returns. Moreover, the rising importance of investment fund shares in mixed fund portfolios may also reflect increasing positions in funds that are not directly available to retail investors, such as hedge funds and private equity funds, as well as the emergence of specialised funds that mainly invest in such schemes ("funds of hedge funds"), which in some cases are classified as mixed funds.

Overall, the stronger flows into mixed funds in the course of 2006 as compared with any other investment fund type may be a reflection of the specific asset allocation structure of these funds, which offers investors the opportunity to take equity positions with a moderate risk/return profile and also to invest in a diverse range of investment funds, including some types – such as hedge funds – that are not otherwise available to retail investors.

<sup>3</sup> See the box entitled "Recent developments in the net flows into euro area equity and bond funds" in the June 2004 issue of the Monthly Bulletin.

### 2.3 MONEY MARKET INTEREST RATES

From the beginning of March 2007 to the beginning of June 2007 money market interest rates increased across the entire maturity spectrum. Since the increases at longer maturities exceeded those at shorter maturities, the slope of the money market yield curve steepened over the period as a whole.

Money market interest rates rose from the beginning of March 2007 to the beginning of June 2007. During March 2007 the most marked increases were observed at the longer end of the money market maturity spectrum, reflecting intensifying market expectations of further rises in key ECB interest rates during 2007. Until 11 May the one-month rate remained broadly constant, but thereafter began to increase owing to strengthening market expectations of an increase in key ECB rates on 6 June. On 5 June the one-month, three-month, six-month and twelve-month rates stood at 4.05%, 4.13%, 4.26% and 4.49% respectively, i.e. 28, 27, 30 and 41 basis points higher than the levels observed at the beginning of March 2007.

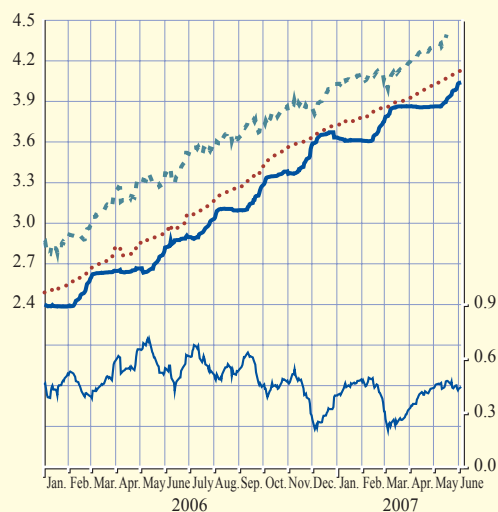
Reflecting these developments, the slope of the money market yield curve steepened at a regular pace between March and May 2007. The spread between the twelve-month and the one-month EURIBOR reached 44 basis points on 5 June 2007, compared with 31 basis points on 1 March (see Chart 13).

The upward adjustment of market participants' expectations of short-term interest rates over the course of 2007 and 2008 was also reflected in the interest rates implied by the three-month EURIBOR futures contracts maturing in June 2007, September 2007, December 2007 and March

Chart 13 Money market interest rates

(percentages per annum; daily data)

- one-month EURIBOR (left-hand scale)
- ..... three-month EURIBOR (left-hand scale)
- - - twelve-month EURIBOR (left-hand scale)
- spread between twelve-month and one-month EURIBOR (right-hand scale)

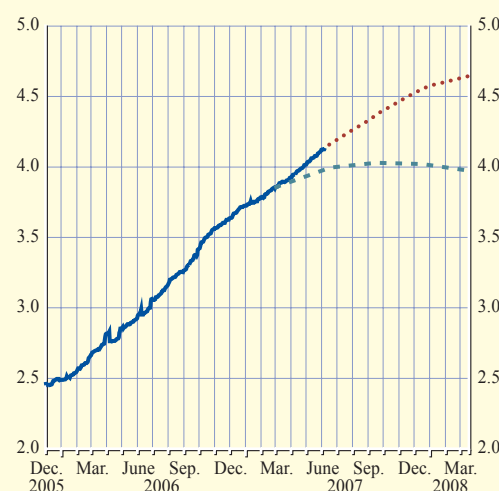


Sources: ECB and Reuters.

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

(percentages per annum; daily data)

- three-month EURIBOR
- ..... futures rates on 5 June 2007
- - - futures rates on 7 March 2007



Source: Reuters.

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



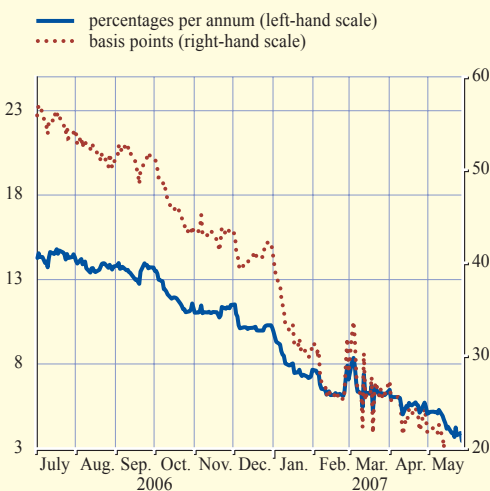
2008, which stood at 4.16%, 4.37%, 4.56% and 4.64% respectively on 5 June 2007, i.e. 16, 34, 54 and 66 basis points higher than their respective levels at the beginning of March 2007 (see Chart 14).

As regards indicators of uncertainty about money market developments, the implied volatility derived from options on three-month EURIBOR futures decreased further between March and June. The levels of implied volatility observed at the beginning of June 2007 were low by historical standards, and somewhat lower than the levels observed at the beginning of March (see Chart 15).

In March 2007 interest rates at the very short end of the money market curve rose following the decision on 8 March to increase key ECB interest rates by 25 basis points (see Chart 16). For most of the period from the beginning of March 2007 to the beginning of June 2007, interest rate conditions in the money market were relatively stable, with the spread between the EONIA and the minimum bid rate in the Eurosystem's main refinancing operations (MROs) at levels of 6-9 basis points, with the most frequent value having been 8 basis points. Exceptions were observed mainly at the end of reserve maintenance periods. For example, at the end of the April reserve maintenance period underbidding in a fine-tuning operation (FTO) on the last day of the period resulted in a substantial recourse to the deposit facility, and the EONIA rate fell to 3.39%. To continue fostering smooth liquidity conditions in the money market, over the past three months the ECB has maintained the policy of allotting slightly more than the benchmark amount in the Eurosystem's MROs. Since 14 March 2007 the marginal and weighted average rates in the MROs have fluctuated in narrow ranges (see Box 3 for further information on short-term interest rates and liquidity conditions for the three most recent maintenance periods).

**Chart 15 Implied volatility derived from options on three-month EURIBOR futures maturing in September 2007**

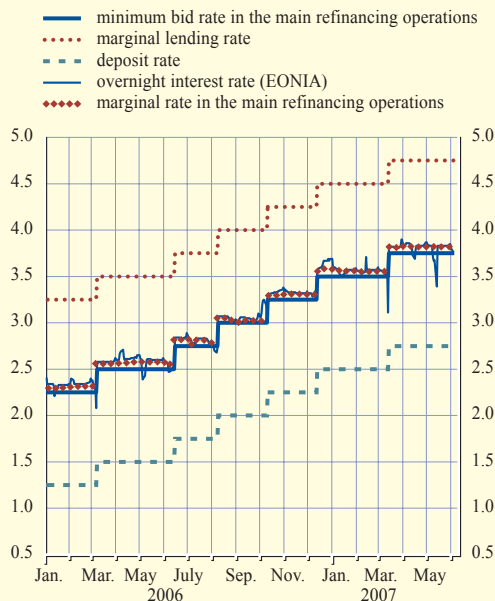
(percentages per annum; basis points; daily data)



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

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

(percentages per annum; daily data)



Sources: ECB and Reuters.

In the Eurosystem's longer-term refinancing operation that was conducted on 28 March 2007, both the marginal and weighted average rates stood at 3.87%. In the operation conducted on 26 April 2007 the marginal and weighted average rates stood at 3.96% and 3.97% respectively. In the operation conducted on 30 May the marginal and weighted average rates stood at 4.06% and 4.07% respectively. The marginal rates in the three operations were 4, 5 and 5 basis points lower respectively than the three-month EURIBOR prevailing on those dates.

Box 3

**LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS FROM 14 FEBRUARY 2007 TO 14 MAY 2007**

This box reviews the ECB's liquidity management during the three reserve maintenance periods ending on 13 March 2007, 17 April 2007 and 14 May 2007.

**Liquidity needs of the banking system**

During the period under review, banks' liquidity needs declined slightly (by €6.8 billion), mainly owing to a decline of €14.4 billion in the level of autonomous factors. The decline was offset, in part, by a €7.2 billion increase in reserve requirements, which amounted to €181.3 billion on average. Overall, autonomous factors contributed an average of €244.8 billion to the liquidity deficit of the Eurosystem in the period under review.

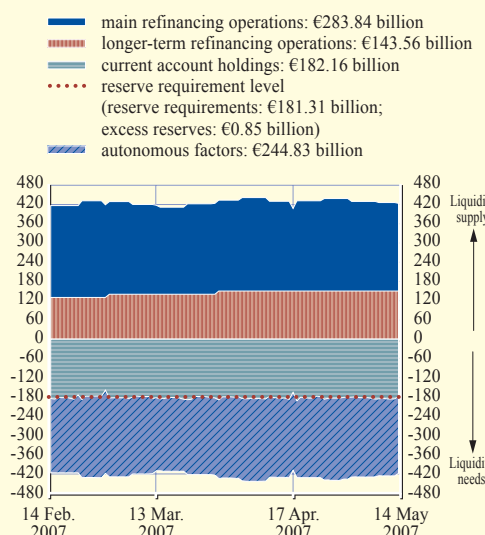
Over the review period daily average excess reserves (i.e. the daily average of current account holdings in excess of reserve requirements) were relatively high. They contributed €0.80 billion to the liquidity deficit of the Eurosystem in the reserve maintenance period ending on 13 March and €0.79 billion in the reserve maintenance period ending on 17 April. A somewhat higher average level of €0.99 billion was observed in the reserve maintenance period ending on 14 May. This was the second highest level of excess reserves since March 2004 (see Chart B).

**Liquidity supply and interest rates**

Reflecting the moderate decrease in liquidity needs, the volume of open market operations

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

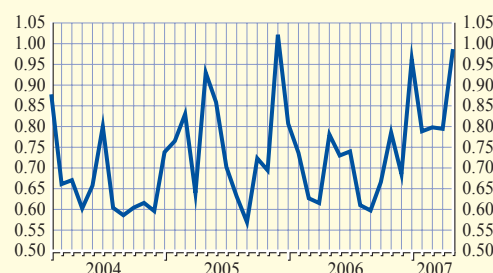
(EUR billions; daily averages for the whole period are shown next to each item)



Source: ECB.

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

(EUR billions; average level in each maintenance period)



Source: ECB.

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

decreased during the period under review (see Chart A). On average, the liquidity provided via the main refinancing operations (MROs) amounted to €283.8 billion. The ratio between bids submitted by counterparties and satisfied bids (the bid-cover ratio) was in a range between 1.28 and 1.41, with an average of 1.34 for the period.

The liquidity provided through longer-term refinancing operations (LTROs) continued to increase in the period under review, from €130 billion to €150 billion, following the decision of the Governing Council to increase the allotment amount of each LTRO from €40 billion to €50 billion.

#### Maintenance period ending on 13 March

The ECB allotted €1 billion above benchmark in all four MROs of the reserve maintenance period. The average spread between the EONIA (euro overnight index average) and the MRO minimum bid rate was 4 basis points, thus slightly lower than its historical average. The first two weeks of the period saw the marginal and weighted average MRO rates at 3.55% and 3.56% respectively, with the EONIA stable at 3.57%. In the third tender, the marginal and weighted average MRO rates were both at 3.56%. The EONIA declined slightly, to 3.56%, on 27 February, before rising to 3.60% the next day on account of the usual end-of-month effect. On 1 March it returned to 3.57% and declined further to 3.56% on 5 March. After the allotment of the last MRO of the reserve maintenance period, the EONIA fell further to reach 3.52% on the penultimate day of the period. On the last day, the ECB intended to absorb an expected liquidity surplus of €10.5 billion via a fine-tuning operation. However, the operation attracted bids for only €2.3 billion, and the excess of liquidity on the final day of the reserve maintenance period put downward pressure on the overnight rate. The reserve maintenance period ended with a net recourse to the deposit facility of €7.3 billion and the EONIA at 3.11%. The negative EONIA spread to the MRO minimum bid rate on the last day was 39 basis points.

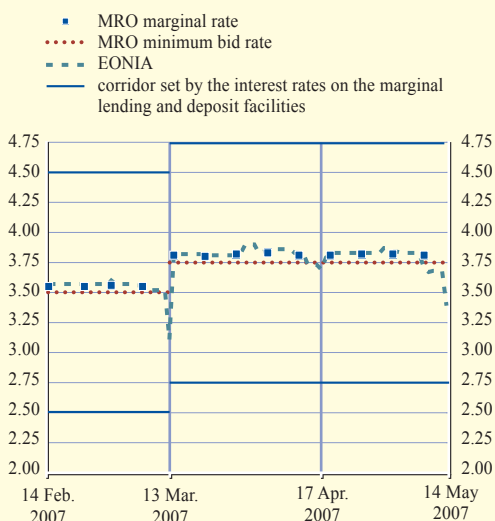
#### Maintenance period ending on 17 April

On 8 March the Governing Council decided to increase the key ECB interest rates (the minimum bid rate and the rates of the deposit and marginal lending facilities) by 25 basis points to 3.75%, 2.75% and 4.75% respectively. The change became effective as of 14 March, the first day of the subsequent reserve maintenance period.

The policy of allotting €1 billion more than the benchmark amount was applied in all five MROs of this reserve maintenance period. The average spread between the EONIA and the MRO minimum bid rate over the reserve maintenance period as a whole was 7 basis points. The first two weeks of the period saw the weighted average rate in the MROs at 3.81%, whereas

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

(daily interest rates in percentages)



Source: ECB.

the marginal rate declined from 3.81% in the first operation to 3.80% in the second. The EONIA was stable at 3.82% during the first week and declined by 1 basis point in the second week. In the following two MROs, the weighted average rate increased to 3.83%, with the marginal rate increasing to this level for the MRO covering the Easter holiday period. The final MRO of the reserve maintenance period saw the marginal and the weighted average rates lower, at 3.82% and 3.83% respectively. The EONIA peaked at 3.90% on 30 March, the last business day of the quarter. On 2 April it returned to 3.83%, but increased temporarily to 3.86% on 5 April, ahead of the Easter weekend. In the days after the allotment of the last MRO of the reserve maintenance period, liquidity conditions were loose. The EONIA declined to 3.69% on the penultimate day of the period. The ECB conducted a fine-tuning operation to withdraw €22.5 billion of liquidity on the last day of the reserve maintenance period, which met high bidding from banks (bids totalling €42.2 billion from 35 counterparties). The reserve maintenance period ended with a net recourse to the marginal lending facility of €1.1 billion. The positive spread between the MRO minimum bid rate and the EONIA on the last day was 4 basis points.

#### Maintenance period ending on 14 May

In all four MROs of the reserve maintenance period, the ECB continued to allot €1 billion above benchmark. The average spread between the MRO minimum bid rate and the EONIA over the maintenance period as a whole was 4 basis points, thus slightly lower than its historical average; this masks some variability in the spread within the maintenance period. The first week of the period saw marginal and weighted average MRO rates of 3.81% and 3.82% respectively, and the EONIA stable at 3.83%, i.e. 8 basis points above the minimum bid rate. In the second and third weeks of the period, the marginal MRO rate was 3.82% and the weighted average rate 3.83%, while the EONIA rose to 3.87% on 30 April, on account of the usual end-of-month effect. The marginal and weighted average rates of the last MRO of the reserve maintenance period were 3.81% and 3.82% respectively, while the EONIA declined from 3.81% on 8 May to 3.68% on the penultimate day of the maintenance period, amid loose liquidity conditions. In order to absorb the excess liquidity in the market, the ECB announced a fine-tuning operation for the amount of €7.5 billion on 14 May, the last day of the reserve maintenance period. Seven counterparties participated in the tender, submitting bids for a total amount of €2.5 billion. The reserve maintenance period ended with a net recourse to the deposit facility of €5.5 billion, which can be attributed almost entirely to the underbidding (by €5.0 billion) observed in the fine-tuning operation. The negative spread between the EONIA and the MRO minimum bid rate on the last day was 36 basis points.

## 2.4 BOND MARKETS

*Long-term government bond yields have risen markedly over the past three months in the euro area and US markets. The increases observed in the euro area have been driven mainly by increases in long-term real bond yields, which have probably reflected a combination of market participants' perceptions of an improved economic outlook and rising risk premia. At the same time, longer-term break-even inflation rates changed little in the euro area in the period under review.*

Since the end of February long-term government bond yields have risen significantly in the euro area and the United States. These yield increases have been supported both by a more favourable economic outlook as perceived by market participants and by a partial rebound in the still relatively

low risk premia embedded in long-term yields following the global stock market turmoil of end-February and early March. Overall, euro area ten-year government bond yields rose by around 55 basis points between end-February and 5 June 2007 to stand at 4.6% on the latter date (see Chart 17). At the same time, ten-year government bond yields in the United States increased by around 45 basis points and ended the period under review at 5.1%. Although day-to-day movements in the long-term interest rates of the two economies tended, as usual, to mirror each other fairly closely during this period, the transatlantic differential between ten-year government bond yields narrowed by around 10 basis points over this period, standing at around 50 basis points in early June. In Japan, ten-year government bond yields increased by around 20 basis points to stand at 1.9% at the end of the review period.

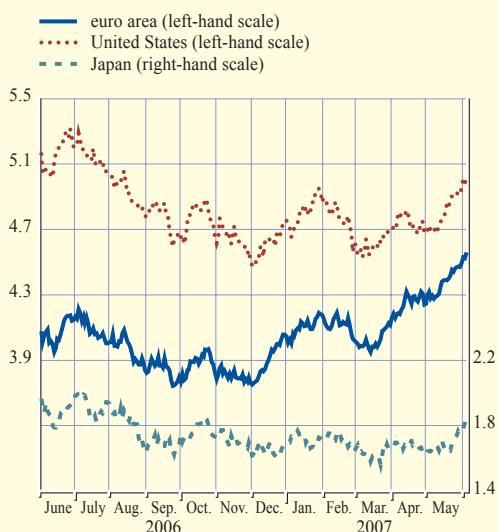
Market participants' uncertainty regarding the short-term outlook for long-term bond yields remained broadly unchanged in the euro area, as indicated by the fact that euro area implied bond market volatility remained broadly unchanged between the end of February and early June. Implied bond market volatility in the United States and Japan ended the review period at levels somewhat below the levels prevailing at the end of February.

In the United States, long-term government bond yields rose markedly between end-February and early June 2007, mainly on account of higher real rates, as evidenced by developments in index-linked bond yields. Bond markets were initially affected by the turmoil in global equity markets at the end of February and in early March, which spilled over into fixed income markets owing to flight-to-safety demand for government bonds, thereby dampening bond yields. With perceptions of risk gradually retreating in the course of March, bond yields started to increase again on the expectation that the stock market turmoil would be short-lived. In addition, investors' expectations regarding the state of the US economy have been revised upwards on average, with stronger than expected incoming macroeconomic data, especially at the end of the review period. Overall, the new data on economic activity exerted upward pressure on bond yields. The marked rise in nominal bond yields was accompanied by similar increases in real yields (see Chart 18). The rise in real bond yields reflected not only a more favourable economic outlook, as perceived by market participants, but probably also the fact that risk premia were rebounding somewhat, partly related to the fact that government bonds acted as a "safe haven" during the global stock market downturn at the end of February and in early March, while remaining at fairly low levels. Longer-term bond yields were also supported by market expectations regarding the possibility that monetary policy would be tighter than had previously been expected in the context of perceptions of stronger economic growth and inflationary risks.

In the euro area, long-term government bond yields likewise increased steadily following the global stock market turmoil of end-February and early March. This increase in bond yields was

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

(percentages per annum; daily data)

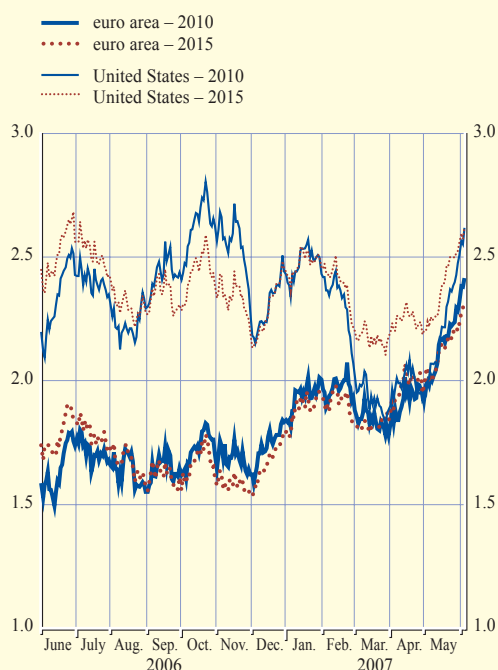


Sources: Bloomberg and Reuters.

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

Chart 18 Real bond yields

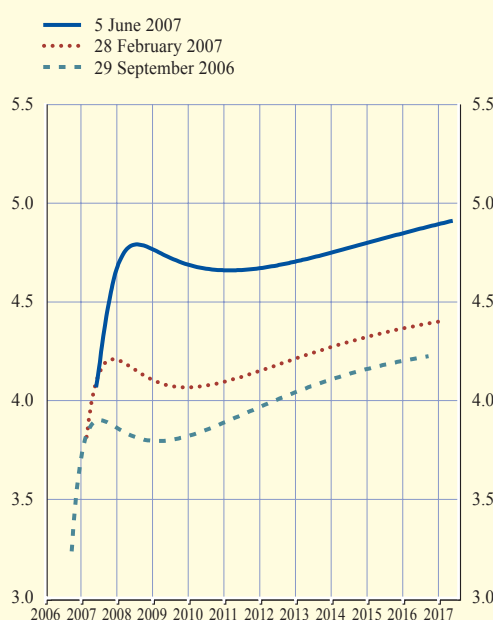
(percentages per annum; daily data)



Sources: Reuters and ECB calculations.

Chart 19 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



Sources: Reuters and ECB estimates.

supported not only by a renewed moderation in risk aversion among investors, but also by confirmation of robust real GDP growth in the euro area in the first quarter of 2007, as well as favourable survey data. The increase of around 50 basis points observed in the yield on index-linked bonds across all longer-term maturities over the last three months is consistent with the perception that investors are anticipating stronger economic growth in the euro area (see Chart 18). In line with this expected strong momentum in euro area growth dynamics, developments in the corporate bond market have also been fairly optimistic. Since end-February 2007 corporate bond spreads for speculative-grade borrowers have tightened further, by around 45 basis points, reflecting the favourable economic outlook for corporations in the euro area and increased risk appetite on the part of investors in an environment of ample liquidity.

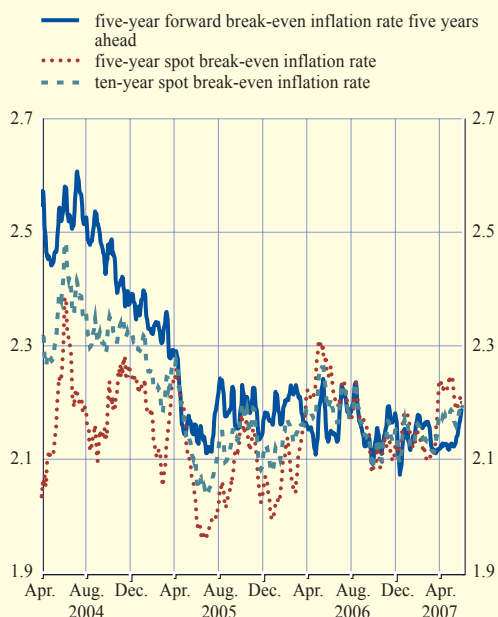
As the yields on short and medium-term bonds have risen by less than those on long-term bonds over the past three months, the slope of the euro area yield curve – as measured by the difference between the ten-year government bond yield and the three-month interest rate – has steepened, with that differential increasing from around 15 basis points at the beginning of the review period to around 45 basis points on 5 June.

Over the review period as a whole, the implied forward overnight interest rate curve for the euro area shifted upwards by a similar amount across all horizons (see Chart 19). While this seemed to reflect slight changes to investors' expectations as regards the path of key ECB interest rates over short to medium-term horizons, the upward shift at the longer end of the forward curve probably also reflects a more pronounced increase in risk premia.



**Chart 20 Zero-coupon spot and forward break-even inflation rates**

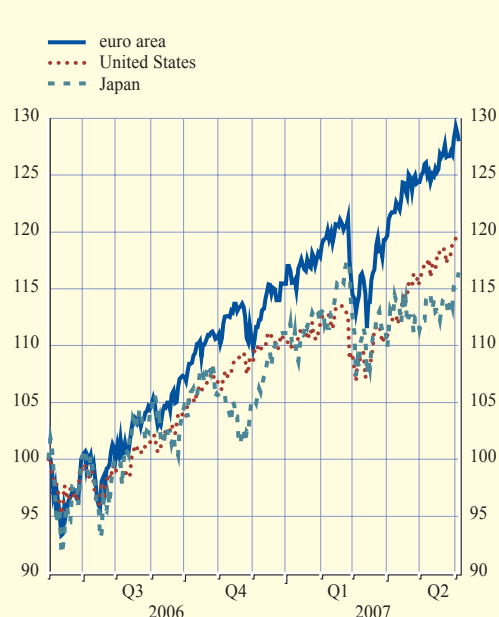
(percentages per annum; five-day moving averages of daily data)



Sources: Reuters and ECB calculations.

**Chart 21 Stock price indices**

(index: 1 June 2006 = 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.

The five-year forward break-even inflation rate five years ahead – a measure of market participants' long-term inflation expectations and related risk premia – remained broadly unchanged in the period under review and stood at 2.2% in early June (see Chart 20). The concomitant moderate increase of around 10 basis points in the five-year spot break-even inflation rate might reflect signs of increasing wage pressures and developments in oil and other commodity prices.

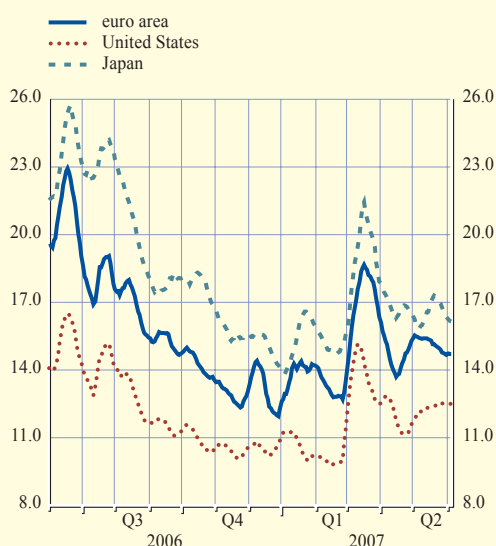
## 2.5 EQUITY MARKETS

*Between March and early June stock prices have risen markedly in the euro area and the United States, despite a significant rise in long-term bond yields. These recent stock price increases have taken place in an environment of better than expected earnings growth, strong merger and acquisition activity and increased risk appetite among investors following the market turmoil at the end of February. After a sharp rise in global stock market uncertainty at the beginning of the review period, implied stock market volatility in the major markets dropped to levels somewhat above the very subdued levels prevailing prior to that turmoil.*

Over the past three months stock prices have risen strongly in the euro area and the United States (see Chart 21). Stock prices in the euro area, as measured by the Dow Jones EURO STOXX index, increased by 10% between the end of February and 5 June 2007. In the United States, stock prices, as measured by the Standard & Poor's 500 index, increased by 9% over the same period. As a result, euro area and US stock prices climbed in early June to levels fairly close or equal to their

**Chart 22 Implied stock market volatility**

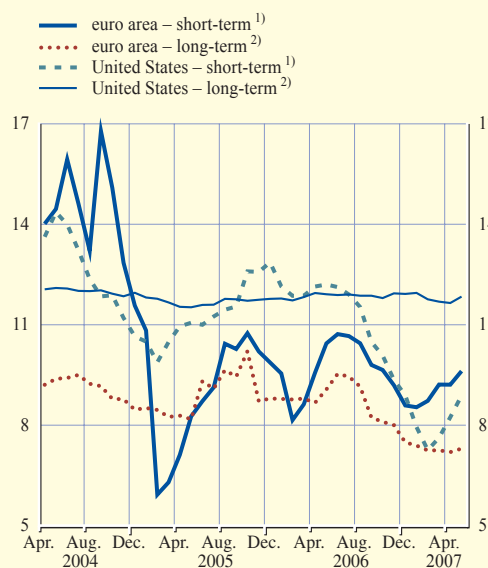
(percentages per annum; ten-day moving average of daily data)



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

**Chart 23 Expected growth in corporate earnings per share in the United States and the euro area**

(percentages per annum; monthly data)



Sources: Thomson Financial Datastream and ECB calculations.  
Notes: Expected earnings growth of the Dow Jones EURO STOXX index for the euro area and the Standard & Poor's 500 index for the United States.  
1) Short-term refers to analysts' earnings expectations 12 months ahead (annual growth rates).  
2) Long-term refers to analysts' earnings expectations three to five years ahead (annual growth rates).

all-time highs of early 2000. In Japan, stock prices, as measured by the Nikkei 225 index, increased by 3% over the review period.

Short-term stock market uncertainty, as measured by the implied volatility extracted from stock options, rose sharply in the major markets during the stock market turmoil at the end of February and in early March, but declined subsequently, ending the review period at levels somewhat above the very subdued levels prevailing prior to that turmoil (see Chart 22). When combined with the fact that spreads for high-yield and BBB-rated corporate bonds were lower in early June than at end-February, this would also seem to indicate that investors' appetite for risk has recovered from the episode of market turbulence in late February. That renewed increase in risk appetite is also reflected in several risk appetite indicators regularly reported by the private sector. Against this background, it is likely that US and euro area equity risk premia have declined in recent months, thereby contributing to the observed stock price increases.

In the United States, stock prices have risen over the past three months, following the global sell-off in shares observed at the end of February and in early March. Stock prices have been supported by the fact that, overall, US companies have tended to revise their earnings per share estimates for the next 12 months up rather than down, as well as by investors' more favourable risk perceptions and attitudes. The earnings per share of corporations included in the Standard & Poor's 500 index increased by 13% in the 12 months to May. Analysts' expectations regarding the growth rate of earnings per share in the short and long term were – at 9% and 12% respectively – also robust in May (see Chart 23). All in all, the US stock market has performed well over the

past three months, despite higher long-term real bond yields, which act as a discount factor for the valuation of stocks. The Standard & Poor's 500 index stood at an all-time high in early June.

In the euro area, too, stock prices have increased markedly over the past three months, despite a significant rise in long-term bond yields. Stock valuations in the euro area have benefited from very robust growth in corporate earnings, both actual and expected, from continued strong merger and acquisition and private equity activity (see Box 5), and from the aforementioned rebound in global risk appetite. The actual earnings per share of companies included in the Dow Jones EURO STOXX index continued to rise at the relatively strong annual rate of 18% in May, which was somewhat higher than in February. This ongoing robust earnings growth probably exceeded investors' expectations and thereby contributed to the overall increase in stock prices in the period under review. At the same time, analysts increased slightly their expectations for growth in earnings per share over the next 12 months, raising them from 9% in February to 10% in May. This rise in analysts' anticipated short-term earnings growth appears to be in line with market participants' more optimistic outlook for economic activity in the euro area. Analysts' latest expectations for earnings growth over a longer-term horizon (three to five years ahead) have remained broadly unchanged over the past three months at around 7%. ZEW's Financial Market Report for June, which is based on a survey, conducted between end-April and mid-May, of 350 financial experts from banks, insurance companies and large industrial corporations, suggests a continued preference for euro area stocks vis-à-vis US stocks on the part of investors.

As regards developments in sectoral stock price indices in the euro area, all economic sectors recorded stock price increases in the period under review (see Table 3). Among the sectors underperforming the broad-based Dow Jones EURO STOXX index over the past three months have been telecommunications and financial companies. The former are witnessing strong price competition, eroding in part the steady cash flows typically seen in that sector. The underperformance of the latter can, to some extent, be attributed to the fact that the euro area yield curve has been relatively flat in recent months. A flat yield curve typically places some pressure on banks' interest rate margins, as banks traditionally fund long-term assets (e.g. loans) using short-term liabilities (e.g. deposits). The above average performance of the basic materials sector and the industrial

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

(price changes as percentages of end-of-period prices)

	Basic materials	Consumer services	Consumer goods	Oil and gas	Financial	Health-care	Industrial	Tech-nology	Tele-communications	Util-ities	EURO STOXX
<b>Share of sector in market capitalisation</b> (end-of-period data)	6.6	6.3	11.6	6.3	33.8	3.0	12.0	4.9	6.0	9.4	100.0
<b>Price changes</b> (end-of-period data)											
2006 Q1	11.5	5.6	11.3	2.7	12.5	11.3	14.8	11.2	-0.1	12.9	10.3
2006 Q2	-1.2	-3.0	-7.5	-3.9	-7.1	-2.1	-5.4	-9.7	-5.8	-2.4	-5.6
2006 Q3	8.7	7.8	8.8	0.6	10.5	-2.2	4.4	-0.4	6.0	11.9	7.4
2006 Q4	12.4	4.7	7.3	7.8	6.1	-0.2	11.7	3.3	11.8	9.4	7.5
2007 Q1	10.1	7.5	9.5	-2.5	1.9	-3.1	7.7	-0.3	-2.4	2.1	3.4
April	2.7	2.6	4.0	1.9	5.0	3.3	4.9	6.0	4.4	3.9	4.2
May	5.4	1.2	3.9	5.1	0.1	5.3	6.0	4.6	2.1	6.8	3.0
28 Feb. - 5 June	18.0	7.9	14.8	11.8	5.8	8.8	15.8	13.1	4.1	15.2	10.4

Sources: Thomson Financial Datastream and ECB calculations.

sector may partly reflect the high – and rising – levels of commodity prices observed over the review period.

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

*The financing conditions of the non-financial corporate sector in the euro area remained favourable in the first quarter of 2007. Non-financial corporations continued to rely on debt financing, despite a slight increase in the real cost of external financing, primarily in the form of MFI loans. As a result, the sector's debt-to-GDP ratio increased further over the review period.*

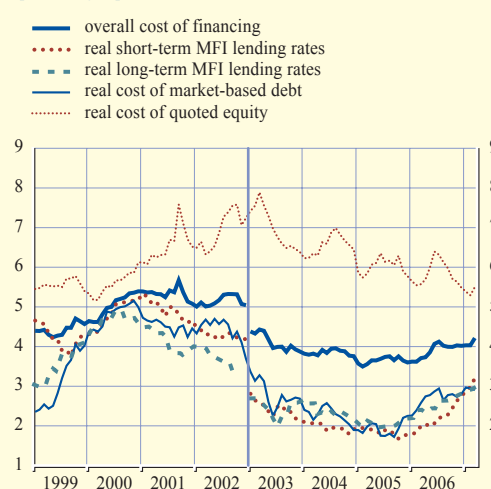
### FINANCING COSTS

The real cost of non-financial corporations' external financing in the euro area – as calculated by weighting the cost of different sources of financing on the basis of the respective amounts outstanding (corrected for valuation effects) – generally remained stable at low levels in the first quarter of 2007 (see Chart 24), although it rose slightly at the end of the review period. (For a detailed description of how the real cost of the external financing of euro area non-financial corporations is measured, see Box 4 in the March 2005 issue of the Monthly Bulletin.) While the real cost of bank lending and market debt continued to rise, the real cost of quoted equity declined.

Continuing the trend observed in previous quarters, the real cost of bank lending rose further in the first quarter of 2007. The increases observed in bank interest rates were broadly in line with the movements seen in market rates for corresponding periods of rate fixation, thus reflecting recent developments in the slope of the yield curve (see also sub-section 2.4). As a result, short-term MFI interest rates on loans to non-financial corporations with a floating rate and an initial rate fixation of up to one year rose by around 20 basis points between December 2006 and March 2007, which was almost identical to the increase observed in money market rates over the same period (see Table 4). Since September 2005, when money market rates first started to rise, short-term lending rates to non-financial corporations have increased by around 150 to 170 basis points, thus mirroring the increase of 175 basis points seen in the corresponding three-month money market rate. In the first quarter of 2007 long-term lending rates to non-financial corporations rose by around 14 to 22 basis points, while five-year government bond yields rose by 12 basis points. Between September 2005 and March 2007 MFI interest rates on loans to non-financial corporations with an initial rate fixation of over five years rose by some 75 to 97 basis points, compared with an increase of 135 basis points

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

(percentages per annum)



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

Notes: The real cost of the external financing of non-financial corporations is calculated as a weighted average of the cost of bank lending, the cost of debt securities and the cost of equity, based on their respective amounts outstanding and deflated by inflation expectations (see Box 4 in the March 2005 issue of the Monthly Bulletin). The introduction of the harmonised MFI lending rates at the beginning of 2003 led to a break in the statistical series.

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

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

	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Feb.	2007 Mar.	Change in basis points up to Mar. 2007 <sup>2)</sup>		
							2006 Sep.	2006 Dec.	2007 Feb.
<b>MFI interest rates on loans</b>									
Bank overdrafts to non-financial corporations	5.30	5.46	5.69	5.80	6.01	6.07	38	27	5
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	4.23	4.47	4.74	5.08	5.22	5.29	55	21	7
with an initial rate fixation of over five years	4.19	4.40	4.59	4.67	4.79	4.81	22	14	2
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	3.50	3.74	4.02	4.49	4.51	4.67	65	18	16
with an initial rate fixation of over five years	4.22	4.26	4.48	4.63	4.72	4.85	37	22	13
<b>Memo items</b>									
Three-month money market interest rate	2.72	2.99	3.34	3.68	3.82	3.89	56	21	7
Two-year government bond yield	3.22	3.47	3.62	3.79	3.96	3.94	32	15	-1
Five-year government bond yield	3.47	3.78	3.70	3.83	4.02	3.95	25	12	-8

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.

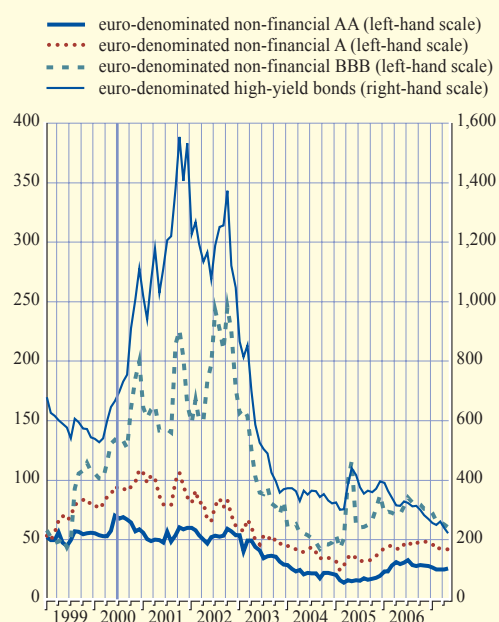
2) Figures may not add up due to rounding.

for the five-year government bond yield. Spreads on loans to non-financial corporations first contracted and then widened somewhat in the first quarter of 2007, ending the review period at approximately the same level as at end-December 2006. Although there are signs of a lagged and possibly incomplete pass-through from market rates to lending rates for longer maturities, the pass-through of bank interest rates in the current period of progressive withdrawal of monetary accommodation appears to be broadly similar to that observed in past episodes. The view that the credit outlook has changed little in recent months is confirmed by the results of the April 2007 bank lending survey, which reported that banks eased slightly the credit standards applied to loans and credit lines to enterprises in the first quarter of 2007, compared with unchanged standards in the previous quarter.

A similar broadly favourable credit outlook emerges from developments in the cost of market debt financing. Overall, as a result of slight increases in long-term risk-free interest rates, the real cost of non-financial corporations' market-based debt financing increased somewhat in the first quarter of 2007 by comparison with the last quarter of 2006.

**Chart 25 Corporate bond spreads of non-financial corporations**

(basis points; monthly averages)



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

However, short-term dynamics indicate a declining trend in the course of the first quarter. At the same time, corporate bond spreads decreased further over most of that period (see Chart 25). In particular, spreads on euro area BBB-rated and high-yield bonds continued to narrow against the backdrop of ample liquidity and low levels of expected and actual defaults, despite the financial market turbulence witnessed at the end of February. More recently, the spread on high-yield corporate bonds stood in April at its lowest level since 1999.

The real cost of equity for non-financial corporations declined at the beginning of the first quarter of 2007, but rose slightly in March to stand at a level corresponding to that seen at the end of the fourth quarter of 2006. These movements largely reflect changes in stock prices over that period. Consequently, although the real cost of equity remained significantly higher than the real cost of debt financing, the gap between the two narrowed slightly over the review period.

## FINANCING FLOWS

Firms continued to enjoy ample internal funds. The profitability of non-financial corporations in the euro area – measured in terms of their ratio of net income to net sales – increased in the first quarter of 2007, following the positive developments seen in 2006 (see also Box 4 on financial statement information on listed non-financial corporations), according to aggregated financial statement data for listed non-financial corporations in the euro area. This overall increase reflects strong profitability in the manufacturing sector, as well as sharp increases in the transportation and communication sectors, while the profit ratio in the construction sector fell back somewhat from the high levels observed at the end of 2006. Profit ratios in the wholesale and retail trade sectors remained below the average for the non-financial corporate sector as a whole (see Chart 26).

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

	Annual growth rates (percentage changes; end of quarter)					
	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Q1	April 2007
<b>MFI loans</b>	10.5	11.3	12.7	13.0	12.4	12.2
Up to one year	7.7	8.0	10.3	9.5	9.3	8.8
Over one and up to five years	14.9	17.4	20.4	20.8	18.7	18.9
Over five years	10.7	11.4	11.6	12.5	12.0	11.9
<b>Debt securities issued</b>	2.8	4.6	4.4	6.0	6.5	-
Short-term	-7.2	-4.3	-3.1	3.9	7.9	-
Long-term, of which: <sup>1)</sup>	4.9	6.5	5.8	6.4	6.2	-
Fixed rate	0.3	1.5	1.6	3.2	4.3	-
Variable rate	24.5	30.9	28.0	25.4	20.3	-
<b>Quoted shares issued</b>	0.7	1.0	1.0	0.8	0.9	-
<b>Memo items<sup>2)</sup></b>						
Total financing	5.5	6.4	6.1	6.4	6	-
Loans to non-financial corporations	8.6	10.2	10.7	10.9	11½	-
Insurance technical reserves <sup>3)</sup>	4.2	4.0	3.9	3.9	3%	-

Sources: ECB, Eurostat and ECB calculations.

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

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

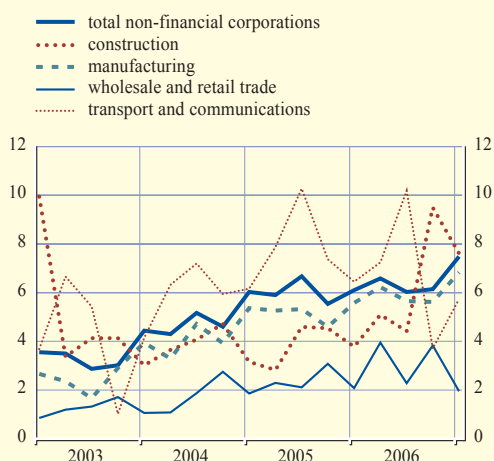
2) Data are reported from quarterly European sector accounts. Total financing of non-financial corporations includes loans, debt securities issued, shares and other equity issued, insurance and technical reserves, other accounts payable and financial derivatives. Loans to non-financial corporations comprise loans granted by MFIs and other financial corporations. The latest quarter is estimated using data from money and banking statistics and securities issues statistics.

3) Includes pension fund reserves.



**Chart 26 Profit ratios of listed euro area non-financial corporations**

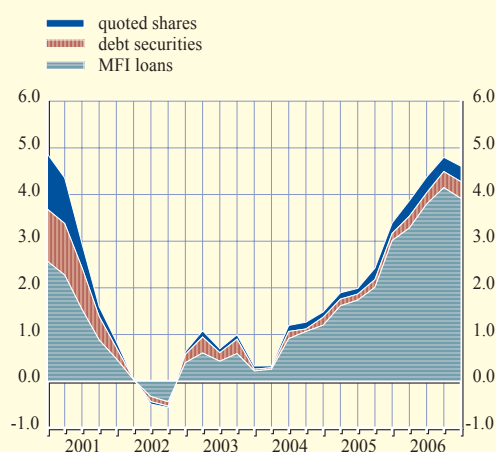
(ratio of net income to net sales; quarterly data)



Sources: Thomson Datastream and ECB calculations.  
Note: The latest data refer to the first quarter of 2007.

**Chart 27 Breakdown of the real annual rate of growth of financing of non-financial corporations**

(annual percentage changes)



Source: ECB.  
Note: The real annual growth rate is defined as the difference between the actual annual growth rate and the GDP deflator.

Stock market-based profitability measures, such as actual and expected growth in corporate earnings per share, indicate that growth in the profitability of large listed corporations is expected to remain robust over the next 12 months (see Chart 23). Although actual earnings per share weakened somewhat in the first quarter of 2007 by comparison with the previous quarter, it remained at a high level and picked up in May. Over the longer term, earnings growth is expected to decline slightly, which may indicate a certain degree of normalisation following the particularly strong performance recorded in recent years.

In addition to drawing on abundant internal funds, non-financial corporations remained substantially reliant on external financing in the first quarter of 2007 (see Chart 27). However, the real annual growth rate of the external financing of non-financial corporations moderated somewhat to 4.6%, down from 4.8% in the fourth quarter of 2006. This development was driven primarily by a moderation in the growth rate of MFI loans, while the contributions of debt securities and quoted shares issued by non-financial corporations remained modest but stable.

The annual growth rate of MFI loans to non-financial corporations moderated somewhat to stand at 12.4% at the end of the first quarter of 2007 and 12.2% in April (see Table 5 and Box 6). This reflected a slight moderation in the annual growth of lending to non-financial corporations at all maturities. Hence, the annual growth rate of long-term MFI loans (i.e. those with a maturity of over five years) declined to 11.9% in April 2007, while that of loans with a maturity of between one and five years remained strong, standing at 18.9% in April. At the same time, the annual growth rate of short-term loans moderated slightly in the first four months of 2007 to stand at 8.8% in April.

Box 4

**FINANCIAL STATEMENT INFORMATION ON LISTED NON-FINANCIAL CORPORATIONS**

This box analyses information derived from the annual financial statements (profit and loss accounts and balance sheets) of listed non-financial corporations.<sup>1</sup> It focuses on profitability and leverage in 2006 and, where appropriate, considers developments in 2006 from a longer-term perspective. The box complements the analysis of an aggregated measure of profits presented in Box 7, entitled “Developments in euro area profits”.

The profitability of listed non-financial corporations in the euro area, measured as a ratio of net income to sales, increased further in 2006, reaching its highest level since 1985. Despite this strong profit performance, the ratio of debt to cash flow increased slightly in 2006, mainly owing to a sharp increase in the indebtedness of the construction sector.

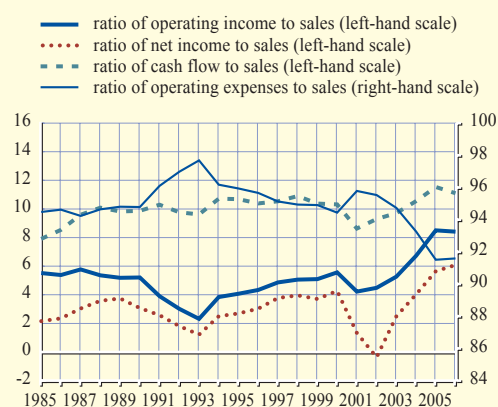
**Profitability developments**

Various indicators can be used to measure corporate profitability developments, concentrating either on the operating income, on the net income or on the cash flow of a firm.<sup>2</sup> By contrast with operating income, which is defined as sales minus operating expenses, net income refers

- 1 The Thomson Financial Datastream database, which at the time of the analysis contained a total of approximately 1,600 firms for 2006 (mainly large enterprises, which accounted for around 75% of the sample), was used to construct the annual sample of listed non-financial corporations in the euro area. For a description of data and developments for 2005, 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.
- 2 Another profitability indicator is the ratio of earnings before interest, taxation and depreciation (EBITDA) to sales. Compared with net income, EBITDA can be more meaningful in the case of cross-country comparisons, as the effects of national taxation and depreciation rules are excluded. However, the ratio of EBITDA to sales is less meaningful as regards the amount of internally generated funds available to an enterprise for investment.

**Chart A Profit and cost developments for listed euro area non-financial corporations**

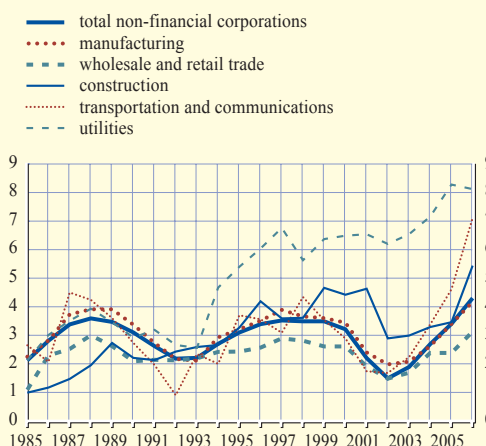
(percentages)



Sources: Thomson Financial Datastream and ECB calculations.  
Notes: Calculations are based on aggregated annual financial statements of listed non-financial corporations in the euro area. Data for 2006 are preliminary.

**Chart B Ratio of net income to sales for listed euro area non-financial corporations by sector**

(percentages)



Sources: Thomson Financial Datastream and ECB calculations.  
Notes: Calculations are based on aggregated annual financial statements of listed non-financial corporations in the euro area. Figures show the median value. Data for 2006 are preliminary.

to operating and non-operating (interest) income after income taxation and a deduction for extraordinary items. Cash flow is defined as net income before depreciation.

The profitability of listed non-financial corporations in the euro area, measured by net income as a percentage of sales, continued to increase in 2006, reaching its highest level since 1985. This result is in line with the findings presented in Box 7. The increase in this profitability indicator was less pronounced than in previous years. A comparable development is observed in an alternative indicator of profitability – the ratio of operating income to sales (see Chart A).

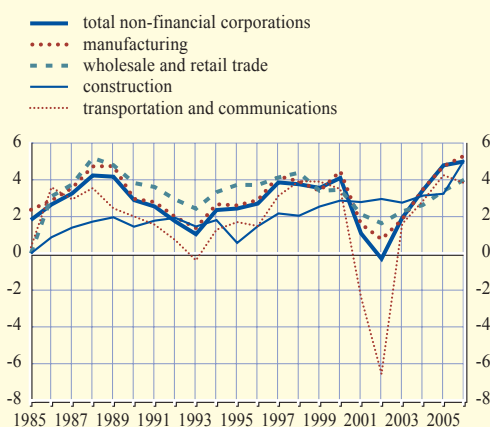
In 2006 the operating expenses of listed non-financial corporations stabilised as a percentage of sales at around the same level as in 2005, staying close to their historical low. Regarding cost developments, the depreciation-to-net sales ratio of listed non-financial corporations remained at a low level in 2006, after declining considerably from its peak in 2001. This might be related to the fact that the growth rate of investment by listed companies was lower than that of those companies' sales. The continued low level of interest payments as a percentage of debt was another factor which contributed to the positive developments in cost ratios.

By contrast with the ratio of net income to sales, the ratio of cash flow to sales of listed non-financial corporations declined slightly in 2006 from the peak reached in 2005, but remained at high levels.

From a cross-sector perspective, the profitability – measured by the ratio of net income to sales – of listed non-financial corporations increased in 2006 in all main sectors of the euro area economy, with the exception of the utilities sector, for which profitability declined slightly from the extraordinarily high levels seen in previous years (see Chart B). In addition, the recovery from the trough seen in 2002 has been particularly pronounced in the transportation, communications and construction sectors. While the profitability of listed non-financial

**Chart C Return on assets of listed euro area non-financial corporations by sector**

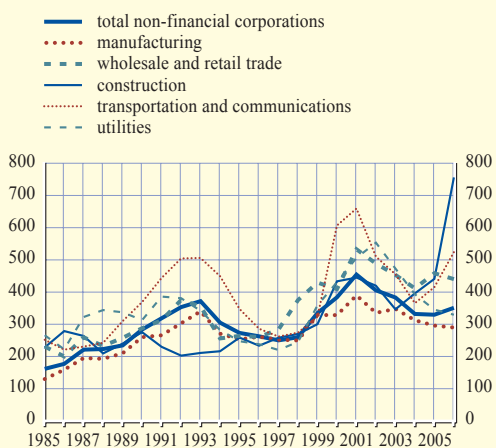
(percentages)



Sources: Thomson Financial Datastream and ECB calculations. Notes: Calculations are based on aggregated annual financial statements of listed non-financial corporations in the euro area. Data for 2006 are preliminary.

**Chart D Ratio of debt to cash flow for listed euro area non-financial corporations by sector**

(percentages)



Sources: Thomson Financial Datastream and ECB calculations. Notes: Calculations are based on aggregated annual financial statements of listed non-financial corporations in the euro area. Data for 2006 are preliminary.

corporations in the manufacturing sector continued to develop broadly in line with the euro area average in 2006, that of the wholesale and retail trade sector remained at a lower level, although it has increased significantly since 2001.

The measure of profitability based on sales may be affected by industry-specific characteristics. An investigation of the return on assets or equity can help to overcome the resulting differences. The return on assets, measured as net income in relation to total assets in the previous period, reached its highest level since 1985 (see Chart C) in the construction and manufacturing sectors in 2006. By contrast, the return on assets declined slightly in the transportation and communications sectors, but remained at a fairly high level in historical terms.

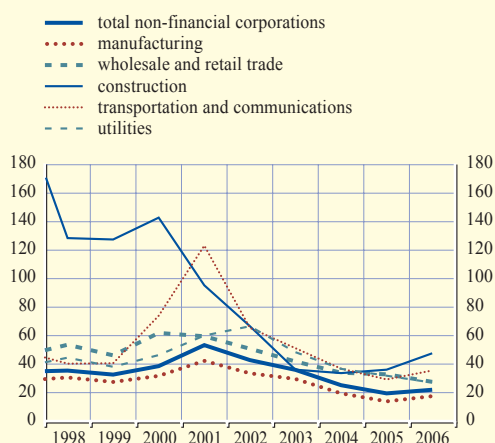
### Leverage developments

Overall, listed non-financial corporations marginally increased their debt in relation to cash flow in 2006, following a reduction in the ratio of debt to cash flow from 2002 to 2005 (see Chart D). This rise in debt was driven by sharp increases in the construction, transportation and communications sectors. Debt developments in the construction sector in 2006 need to be interpreted with some caution, as the indicator is influenced by a relatively small group of companies in the sample which conducted large M&A operations.

An indicator which is used to evaluate the financial situation of non-financial corporations is the interest payment burden, as measured, for example, by the ratio of interest payments on debt to operating income. This reflects the share of operating income that firms need to use for interest payments. Another measure is the ratio of interest payments on debt to the total amount of debt outstanding, reflecting the average interest rate on debt which listed non-financial corporations have to pay.

**Chart E Ratio of interest payments on debt to operating income for listed euro area non-financial corporations by sector**

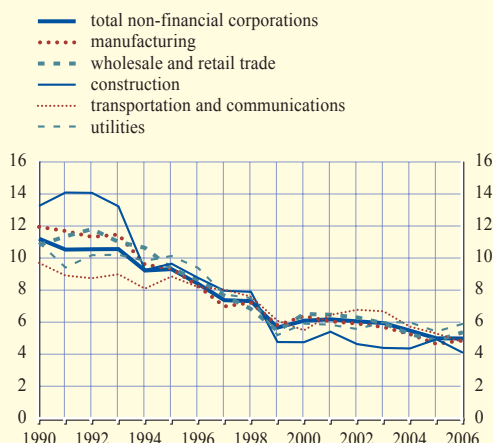
(percentages)



Sources: Thomson Financial Datastream and ECB calculations.  
Notes: Calculations are based on aggregated annual financial statements of listed non-financial corporations in the euro area. Data for 2006 are preliminary.

**Chart F Average interest rate on the debt of listed euro area non-financial corporations by sector**

(percentages)



Sources: Thomson Financial Datastream and ECB calculations.  
Notes: Figures represent the ratio of interest payments on debt to the amount of debt outstanding. Calculations are based on aggregated annual financial statements of listed non-financial corporations in the euro area. Data for 2006 are preliminary.

The ratio of interest payments on debt to operating income of listed non-financial corporations rose slightly in 2006, following the increase in interest rates (see Chart E). However, it remained at low levels when compared with the peak in 2001.

The average interest rate on the debt of listed non-financial corporations remained largely unchanged in 2006 (see Chart F). Taking a longer-term perspective, the average interest rate on the debt of listed non-financial corporations declined significantly from the start of the 1990s until 1999. After an increase in 2000 and 2001, it resumed its downward trend to reach historically low levels in 2006.

The annual growth rate of debt securities issued by non-financial corporations, which remained more moderate than that of loans, rose in the first quarter to stand at 6.5% in March 2007, compared with 6.0% in December 2006. This increase was mainly a reflection of the issuance of short-term debt securities, combined with long-term debt securities issuance which remained robust, despite declining slightly, in particular at variable rates. In terms of gross flows, issuance activity by euro area non-financial corporations increased in March 2007 to €132 billion. This represented a significant increase by comparison not only with the first two months of that quarter, but also with December 2006, when it totalled €106 billion.

According to data from Thomson ONE Banker, issuance activity on the part of lower-rated issuers, such as that of BBB-rated issuers, continued to be strong during the first quarter of 2007, while issuance of investment-grade bonds and high-yield bonds decreased slightly compared with the previous quarter. In addition, from a longer-term perspective, the share of issuers of BBB-rated and high-yield bonds in total gross issuance of corporate bonds has increased significantly, rising from around 17% in 2001 to around 51% in 2007. The growth observed in the euro area high-yield bond market in recent years seems to have been driven primarily by merger and acquisition activity, particularly that financed by leveraged buyouts (see Box 5 on private equity). It cannot be ruled out that part of this increase also relates to the fact that the compressed spreads on high-yield corporate bonds have facilitated issuance by lower-rated companies.

At the same time, the growth rate of debt securities issued by non-monetary financial corporations, including special-purpose vehicles, has continued to increase strongly, reaching around 29% in March, up from 26.5% in December. Some of this issuance activity could be related to financing vehicles set up directly by larger non-financial corporations. Most, however, is probably related to the securitisation activities of banks and private equity funds. The sharp expansion of securitisation operations, which, in the case of true-sale securitisation, removes loans from the balance sheets of MFIs, should, in itself, have a moderating effect on MFI loan growth data, but this could also contribute to the expansion of credit to the private sector (see the box entitled “The impact of MFI loan securitisation on monetary analysis in the euro area” in the September 2005 issue of the Monthly Bulletin).

The annual growth rate of quoted shares issued by non-financial corporations remained stable at less than 1% at the end of the first quarter of 2007. This subdued net issuance by non-financial corporations may be related to the ongoing high levels of share buyback activity, to the fact that profitability remains robust, and to private equity activities where companies are being taken private through buyouts. In addition, there was a slight increase in redemptions in the first quarter of 2007 by comparison with the last quarter of 2006. At the same time, the 12-month moving average of gross issuance has been increasing since November 2006, which may have been

supported by developments in both initial and secondary public offerings, and may, in part, be related to M&A activity.

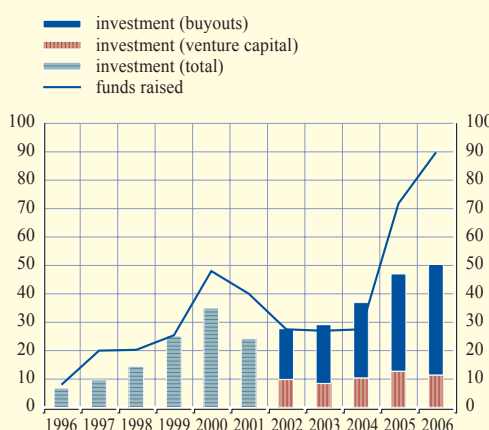
Box 5

WHAT IS BEHIND THE SURGE IN PRIVATE EQUITY ACTIVITY?

The private equity industry in Europe has changed substantially over the past few years. Preliminary figures suggest that the amount of funds raised reached a total of €90 billion in 2006, a 25% increase by comparison with 2005 and more than three times the 2004 value (see the chart).<sup>1</sup> At the same time, total investment (excluding bank debt) amounted to only around €50 billion in 2006. This might signal further large buyout deals in the period ahead, as nearly 80% of the total funds raised were expected to be allocated to the buyout segment, compared with approximately 40% in 2000. This should be seen against the background of a buoyant market for buyout deals, especially leveraged buyouts: the total market value of buyout transactions in Europe increased to €160.3 billion in 2006, up from around €130 billion in the previous year.<sup>2</sup> While the role of private equity in providing finance and management services has increased in the last few years, the absolute aggregate values involved annually are still relatively small, representing less than 1% of nominal GDP in the EU. Regarding investors, pension funds took the lead as the main source of capital raised, representing 22% of the total funds raised, followed by “funds of funds”<sup>3</sup> and banks. This indicates that private equity has established itself as an investment vehicle for institutional investors. Against this background, this box elaborates on the factors driving recent developments in the private equity sector, in particular the surge in buyout activity.

Activity in the European private equity market

(EUR billions; gross flows)



Source: EVCA.  
Note: Data for 2006 are preliminary.

Purpose of private equity activity

Private equity is equity financing of unquoted companies or the financing of the equity tranche of buyouts of public companies. Targets are often mature companies with a stable cash flow and assets to be used as collateral. The incentives to undertake buyouts are mainly related to corporate governance. The aim of a buyout deal is to increase the valuation of a company and enhance efficiency by, for example, reducing costs, restructuring management and organisation, streamlining operations or divesting non-core businesses. For publicly traded companies, there is a distinction between executive management and ownership, while the two are intertwined in a company run by a private equity firm. As a consequence, risk diversification decreases

1 According to the European Private Equity and Venture Capital Association (EVCA).  
2 According to the Centre for Management Buyout Research (CMBOR).  
3 For example, mutual funds which invest in other mutual funds.



drastically when a company is taken private through a buyout deal. Nevertheless, taking a public company private via a buyout transaction could reduce agency costs related to the public capital market, by aligning more closely the interests of the management and owners of the company. Furthermore, in some cases, public firms have been taken private to avoid costs (both perceived and actual) associated with regulatory compliance and shareholder scrutiny.<sup>4</sup>

### Reasons for the increase in private equity activity

There are several reasons, on both the demand and supply sides, why private equity activity is surging at present. For example, financial innovation has been important in facilitating complex funding structures that have allowed buyout partnerships to pursue larger deals with higher leverage multiples. Thus, the buyout market has witnessed increasing flexibility in debt structures in order to meet various investors' preferences, strategies and desired levels of risk exposure. Innovation has increased the ability of the market to repackage, trade and sell down credit risk, which has enabled debt providers to spread risk more widely. The wider distribution of syndicated loans has contributed to enhanced risk-sharing by banks by allowing them to sell down their potentially very large deal-specific debt exposures.<sup>5</sup> Moreover, the expansion of the credit derivatives market has further enhanced the risk management of debt exposure by allowing banks to distribute default risk to third parties that are more willing to bear it. Finally, the wider distribution of syndicated loans involving several partnerships ("club deals") has entailed the arrangement of record-breaking deals in terms of amounts. Large leveraged deals have also been facilitated by the current easy access to debt financing, fuelled by favourable general financing conditions and low interest rates. At the same time, more relaxed attitudes towards risk and leverage have encouraged new types of player to allocate a share of their funds to "alternative asset classes" – such as private equity – either as equity or debt investors. The previously relatively untapped potential of the M&A and corporate debt markets in the European Union has provided an additional boost to this activity. Overall, highly leveraged private equity deals can involve a shift in the balance sheet as extreme as moving from a publicly quoted company with 70-80% equity and 20-30% debt to a private structure with 20-30% equity and 70-80% debt.

Other important driving forces behind the recent surge in private equity activity are the steady rise in corporate profitability and a wider range of exit strategies. The steady rise in corporate profitability, underpinned by the current benign macroeconomic and financial conditions, has increased companies' free cash flows and therefore their attractiveness as targets. An excess of cash or strong cash flows can be used to repay the debt raised in the buyout transaction. At the same time, the development of exit markets for buyout deals has improved the liquidity structure of buyout investments. The increasing specialisation of buyout partnerships in particular phases of the corporate restructuring/turnaround processes has enhanced the role of secondary sales as an exit strategy and shortened the investment periods of individual partnerships. There are several exit options open to a private equity investment company: to sell to an investor; to sell the company through an initial public offering (which highlights the importance of a functioning market segment for IPOs and of smooth access to stock exchanges); or to sell to another private equity fund.

4 In the United States, managers of some publicly traded companies subject to more stringent regulation following the implementation of the Sarbanes-Oxley Act have reportedly opted to pursue management buyouts as a means of reducing the regulatory burden.

5 See also ECB (2007), "Large banks and private equity-sponsored leveraged buyouts in the EU".

### What are the possible effects of private equity activity?

The increased importance of private equity has affected corporate governance in the euro area, as private equity could be used to carry out significant restructuring in more mature industries. Recent research found that management buyout plants in the United Kingdom were significantly less productive than comparable plants before the transfer of ownership, but experienced a substantial increase in total factor productivity after a buyout.<sup>6</sup> Moreover, evidence from the United States, the United Kingdom and the Netherlands shows that buyouts are followed by significant increases in new product development and other aspects of corporate entrepreneurship.<sup>7</sup> At the same time, concerns have been expressed about possible negative implications for the longer-term health of target companies, which are often left with additional debt after the private equity firms have cashed in on their investment. In addition, while, according to the EVCA, net employment growth in buyout-financed companies in the EU rose by an annual average of 2.4% between 1997 and 2004, compared with average annual growth in employment in the EU15 of 1.2%,<sup>8</sup> the short-term dynamics of employment show that jobs are usually cut during the first year after a takeover deal, implying short-term employment costs.<sup>9</sup> The delisting of individual companies, which often follows the buyout deal, may also increase the opaqueness of the corporate sector and thus worsen problems of asymmetrical information, for example for remaining minority shareholders.

Overall, the activity of private equity funds may often increase the efficiency and the long-run growth of the companies which are involved in the deals, even though employment costs may be observed in the short-term. In addition, since buyout deals have become highly leveraged, they can affect the overall indebtedness of the non-financial corporate sector and increase its vulnerability to negative shocks. The performance of the new risk transfer markets which have accompanied the surge in private equity activity also remains to be tested in less favourable circumstances.

6 R. Harris, D. Siegel and M. Wright (2005), "Assessing the impact of management buyouts on economic efficiency: plant-level evidence from the United Kingdom", *Review of Economics and Statistics*, Vol. 87 (1).

7 CMBOR (2007), "The impact of private equity: setting the record straight".

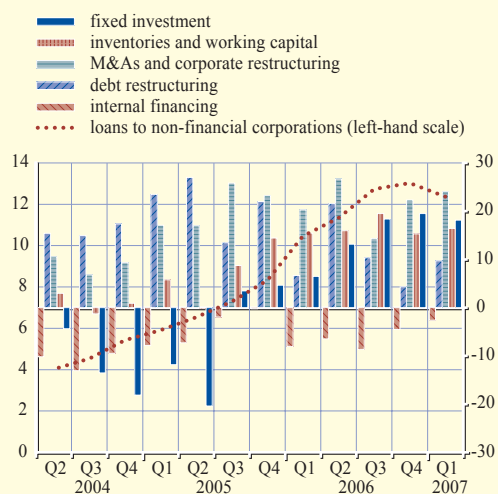
8 EVCA (2005), "Employment contribution of private equity and venture capital in Europe".

9 Work Foundation (2007), "Inside the dark box: shedding light on private equity".

The robust profit developments and strong loan growth observed in recent years have provided euro area non-financial companies with plenty of funds to use. Overall, there is evidence that, in recent quarters, euro area non-financial corporations have channelled their funds into both financial and non-financial activities (see also Box 2, entitled "Factors underlying the strong acceleration of loans to euro area non-financial corporations", in the January 2007 issue of the Monthly Bulletin). This was confirmed by the results of the April 2007 bank lending survey, in which banks reported that the perceived demand for loans to enterprises was increasingly being driven by M&As and corporate restructuring and the need to finance fixed investment, inventories and working capital (see Chart 28). In addition, there is some evidence that the dynamics of MFI loans to non-financial corporations have, in several euro area countries, been strongly influenced by demand on the part of companies in the real estate and construction sectors. Moreover, according to the new integrated quarterly euro area sector accounts, the annual growth rate of total financial investment by non-financial corporations in the euro area increased to 6.2% in the last quarter of 2006, up from 5.9% in the previous quarter (see also sub-section 2.2). In the last quarter

**Chart 28 Factors contributing to non-financial corporations' demand for loans**

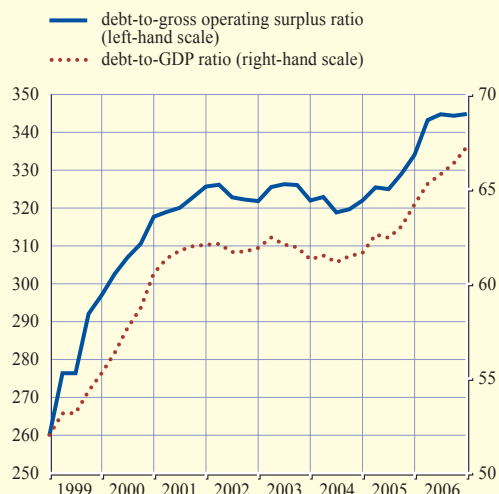
(annual percentage changes; percentages)



Source: ECB.  
Note: The net percentages refer to the difference between the percentage of banks reporting that the factor in question contributed to an increase in demand and the percentage reporting that it contributed to a decrease. See also the April 2007 bank lending survey.

**Chart 29 Debt ratios of non-financial corporations**

(percentages)



Sources: ECB, Eurostat and ECB calculations.  
Notes: Debt is reported from quarterly European sector accounts. It includes loans, debt securities issued and pension fund reserves. The latest quarter is estimated.

of 2006 the two main drivers of overall financial investment growth by non-financial corporations remained (i) investment in shares and other equity, and (ii) other accounts receivable, with a slight shift in favour of the former (70% of the stock of which was accounted for by unquoted shares and other equity).

### FINANCIAL POSITION

The considerable recourse to debt financing on the part of non-financial corporations in the euro area has led to a further increase in the sector's overall debt-to-GDP ratio, which rose to 67% in the first quarter of 2007 (see Chart 29), having stood at 66% in the last quarter of 2006, based on available quarterly euro area sector accounts. Following a period of consolidation, the debt ratios of non-financial corporations have, since mid-2005, been higher than those recorded at the time of the previous peak in mid-2003, which followed a sharp increase in debt in the second half of the 1990s. Debt also increased slightly as a percentage of gross operating surpluses in the first quarter of 2007. These rising debt ratios resulted in significant increases in the interest burdens of non-financial corporations in 2006 and early 2007, as reflected both in increases in interest rates and in strong loan growth.

Overall, the high rate of growth of debt financing by non-financial corporations, particularly by means of MFI loans, indicates that euro area firms continue to have easy access to finance. Despite the recent pick-up in debt ratios and net interest payments, the financial situation of non-financial corporations remains favourable on account of their strong profitability and the fact that the cost of financing remains low.

## 2.7 FINANCING AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

Household borrowing remained robust in the fourth quarter of 2006 and the first quarter of 2007, underpinned by still favourable financing conditions and high levels of consumer confidence. The annual growth rate of MFI loans for house purchase moderated further, but nonetheless remains strong and continues to drive overall household borrowing. Reflecting continued vigorous borrowing growth, the household debt-to-GDP ratio increased further.

### FINANCING CONDITIONS

MFI interest rate statistics and the results of the April 2007 bank lending survey<sup>3</sup> indicate that financing conditions for the euro area household sector remained favourable by historical standards in the first quarter of 2007, despite a further rise in the cost of borrowing in the context of increases in the key ECB interest rates.

MFI lending rates on loans for house purchase increased in the first quarter of 2007 for all lengths of initial rate fixation period (see Chart 30). The increase was more pronounced in the case of the rates on loans with a shorter fixation period (up to five years), which were between 15 and 22 basis points higher than in the previous quarter on a quarterly average basis. By contrast, the increase in the rates on loans with fixation periods of more than five years was rather muted (approximately 7 basis points). As a result, the slightly inverted term structure of lending rates on loans for house purchase observed since the end of 2006 was preserved.

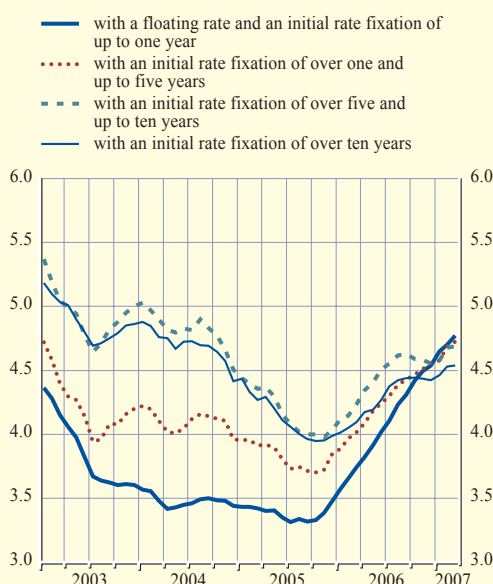
MFI lending rates for consumer credit also increased in the first quarter of 2007. While lending rates were higher compared with the previous quarter for all lengths of initial rate fixation period (by 11 to 51 basis points on a quarterly average basis), the increase was more marked in the case of loans with fixed rates for periods of more than one and up to five years. Nevertheless, loans of this form continued to carry the lowest rate.

Comparing MFI lending rates with market interest rates of comparable maturities, it is apparent that the implied spread remained broadly unchanged between the fourth quarter of 2006 and the first quarter of 2007 in the case of loans for house purchase, while it increased somewhat in the case of consumer credit, bringing an end to a long period during which this spread had been narrowing.

<sup>3</sup> See Box 1 entitled “The results of the April 2007 bank lending survey for the euro area” in the May 2007 issue of the Monthly Bulletin.

**Chart 30 MFI interest rates on loans to households for house purchase**

(percentages per annum; excluding charges; 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.

In the April 2007 bank lending survey banks reported a further slight easing of credit standards applied for the approval of loans to households during the first quarter of 2007, both for loans for house purchase and for consumer credit and other lending. Competition from other banks was again cited as the main factor behind this slight easing. In the case of consumer credit and other lending to households expectations regarding general economic activity also supported this development. At the same time, housing market prospects were reported to have exerted a tightening influence on credit standards for loans for house purchase, more so than in the previous round of the survey.

#### FINANCING FLOWS

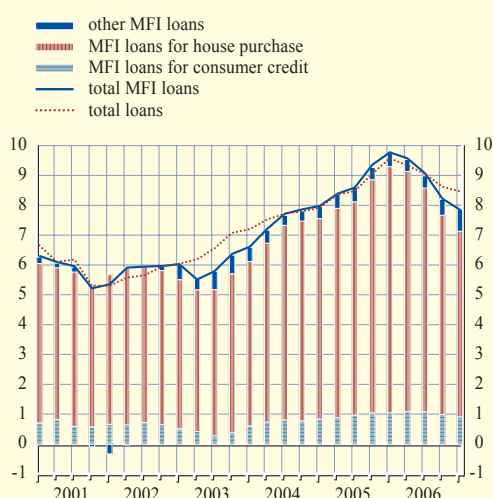
In the fourth quarter of 2006 (the most recent period for which data are available from the new integrated quarterly euro area sector accounts), the annual growth rate of total loans granted to the euro area household sector by all institutional sectors declined further, to 8.6%, from 9.1% in the third quarter (see Chart 31). Nonetheless, household borrowing remained vigorous by historical standards.

The observed moderation in the annual growth rate reflects a lower contribution from loans granted by euro area MFIs, which continue to account for most of the overall household loan growth. By contrast, the contribution of loans granted to households by all other institutional sectors increased, driving the growth rate of total loans to households above that of loans from MFIs for the first time since the second quarter of 2004. Estimates for the first quarter of 2007 indicate that the annual growth of total loans to households declined further, albeit to a lesser extent than in the preceding quarters.

On the basis of the MFI data (available up to April 2007), the downward trend in the annual growth of loans to households observed since the spring of 2006 has continued into the second quarter of 2007. This ongoing moderation is mainly due to the slowdown in the growth of loans for house purchase, which, however, remains vigorous and continues to be the main driver of overall household borrowing dynamics (see Box 6 for an analysis of the cyclical pattern of loans to households and non-financial corporations).

**Chart 31 Total loans granted to households**

(annual percentage changes; contributions in percentage points; end of quarter)



Source: ECB.

Note: Total loans comprise loans to households from all institutional sectors, including the rest of the world. For the first quarter of 2007 total loans to households have been estimated on the basis of transactions reported in the money and banking statistics. For information on differences in the calculation of growth rates between MFI loans and total loans, see the relevant technical notes.

Box 6

**THE CYCLICAL PATTERN OF LOANS TO HOUSEHOLDS AND NON-FINANCIAL CORPORATIONS IN THE EURO AREA**

Since end-2005, following the progressive withdrawal of monetary policy accommodation, bank lending rates have increased almost continuously. In this environment, the annual growth rate of MFI loans to households has, since the spring of 2006, moderated from the very high levels seen in previous years. At the same time, the annual growth in MFI loans to non-financial corporations continued to strengthen for somewhat longer and has only very recently shown some signs of moderation. With a view to ascertaining whether such different developments are a regular feature of the credit cycle, this box reviews the cyclical pattern of MFI loans to households and non-financial corporations in the euro area since the early 1980s.

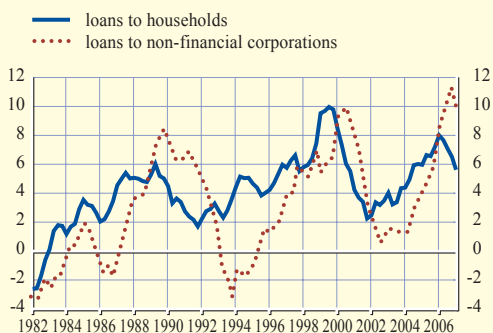
Chart A indicates that the annual growth rate in real terms of loans to households and that of loans to non-financial corporations have followed a broadly similar cyclical pattern over the past 25 years. However, the peaks and troughs have typically been higher and deeper for the latter, i.e. in the case of corporate loans. Visual inspection suggests that, in general, growth in household loans has tended to turn earlier in the credit cycle than growth in corporate loans. This is confirmed by Chart B, which shows that the maximum correlation over the period between the first quarter of 1982 and the first quarter of 2007 is established at an average lead of growth in household loans over growth in corporate loans of around four quarters.

Chart B also shows the correlation structure for two sub-periods. The breakdown has been made simply by dividing the whole time period into two equally long sub-periods. The first period extends from 1982 to 1994, while the second extends from 1994 to 2007.<sup>1</sup> It appears from the chart that the lead/lag relationship has remained broadly the same over time, although the average maximum correlation between household and corporate loan growth is somewhat higher in the latter period. Differences in the lead/lag structure are typically most apparent at the turning points

1 The sub-periods do not fully coincide with the broad economic cycle of the euro area.

**Chart A Real MFI loans to households and non-financial corporations**

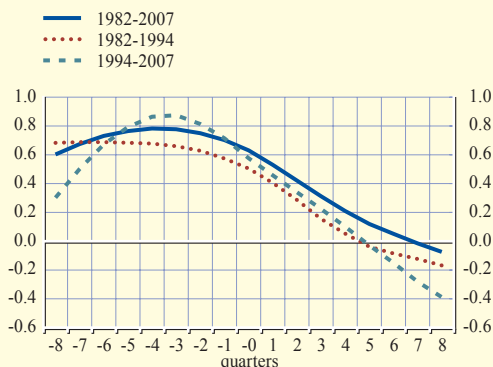
(annual percentage changes; not adjusted for seasonal and calendar effects)



Source: ECB.  
Note: Real series have been derived by deflating nominal series with the GDP deflator.

**Chart B Correlation between real MFI loan growth to households and non-financial corporations for different leads/lags and time periods**

(coefficient of correlation between annual growth rates)



Source: ECB calculations.  
Note: Real series have been derived by deflating nominal series with the GDP deflator.



of the series. Chart A suggests that the lead of household over corporate loan growth has been two to four quarters for most of the peaks and troughs during the past 25 years (see also table). Only in the case of the trough of the early 1990s, did the lead differ to any significant extent from the historical average, which is perhaps largely attributable to the effects of German unification.<sup>2</sup>

Differences, in terms of leads and lags, between the dynamics of loans to households and those to non-financial corporations could reflect several factors.<sup>3</sup> First, the demand for household and corporate loans reflects different driving forces. Loans to households are mainly driven by housing market developments, while corporate loans are largely driven by the need to finance business investment. In fact, there is evidence suggesting that housing market and business investment dynamics do not have the same time profiles over the business cycle. In addition, as the cash flows of non-financial corporations usually improve early in an economic upturn, corporations may tend to finance working capital and fixed investment with internal funds first, and only later with external financing. Furthermore, household borrowing may simply react earlier to changes in growth and income prospects than non-financial corporate borrowing, since bank financing and future income and savings represent the only source of financing to households, whereas corporations typically have more alternative financing sources. Finally, more recently, corporate loan developments may also have been related to various special factors, such as M&A activity and leveraged buyouts (LBOs), that may have amplified the recent strength of corporate loan demand.<sup>4</sup>

Second, the differences between household and corporate loan profiles may also reflect supply-side considerations, as banks may, in the initial phases of the economic cycle, increase their lending to non-financial corporations only after the economic recovery has already materialised and corporate balance sheets have improved. By contrast, as household loans are generally better collateralised, banks may be willing to increase lending to households earlier in the economic cycle than lending to non-financial corporations in the light of the improved employment and income outlook and the perceived decline in households' credit risk.<sup>5</sup>

To conclude, this box has illustrated that, historically, growth in household loans has tended to turn earlier in the credit cycle than growth in corporate loans. It has also shown that household loan growth has led corporate loan growth by an average of around four quarters in the past 25 years, but also that the lead can deviate somewhat from this average across turning points. In this respect, the moderation in corporate loan growth observed in the first few months of 2007 would be in line with historical patterns.

#### Growth in real MFI loans to households and non-financial corporations: differences in main turning points

	Peaks	Troughs
late 1980s	-2 quarters	
early 1990s		-8 quarters
late 1990s	-4 quarters	
early 2000		-3 quarters
mid-2006	-3 quarters	

Source: ECB and ECB calculations.

Notes: The main turning points are defined on the basis of the maximum and minimum in the annual growth rate of real MFI loans to households in the credit cycle. The minus sign indicates by how many quarters real annual MFI loans to households have led real annual MFI loans to non-financial corporations at each turning point. The computations are based on three-quarter centred average annual growth rates. Real loan series have been derived by deflating nominal series with the GDP deflator.

2 See the article entitled "The development of bank lending to the private sector" in the October 2002 issue of the Deutsche Bundesbank Monthly Report.

3 See also the article entitled "Developments in the debt financing of the euro area private sector" in the November 2003 issue of the Monthly Bulletin.

4 See, for example, the box entitled "Factors underlying the strong acceleration of loans to euro area non-financial corporations" in the January 2007 issue of the Monthly Bulletin.

5 Indeed, recent results of the bank lending survey for the euro area provide supportive evidence of this kind of behaviour on the part of banks.

In April 2007 the annual growth rate of MFI loans for house purchase was 8.6%, after 8.9% in the previous month and averages of 9.4% and 10.2% in the first quarter of 2007 and the fourth quarter of 2006 respectively. The moderation in the demand for loans for house purchase is in line with the deceleration in residential property price growth, at least in some countries of the euro area. This is also reflected in the results of the April 2007 bank lending survey, which indicate that housing market prospects had a severely dampening impact on households' demand for loans for house purchase in the first quarter of 2007. In addition, the slowdown in the growth rate of loans for house purchase is, to some extent, the result of higher lending rates, in the context of increased key ECB interest rates.

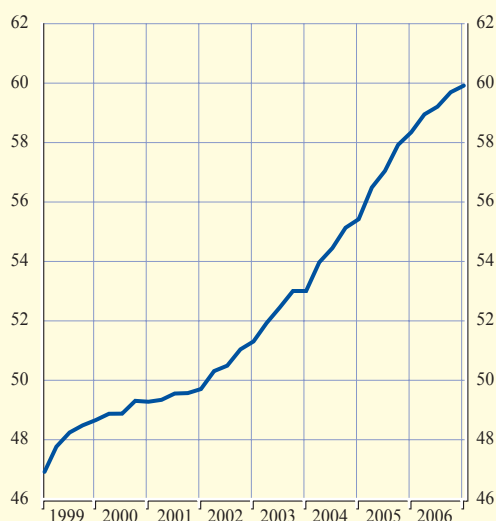
The annual growth rate of consumer credit resumed its downward trend in April 2007, decelerating somewhat to 6.9%; this followed averages of 7.1% and 8.0% in the first quarter of 2007 and the fourth quarter of 2006 respectively. The annual growth rate of other lending to households, after picking up in the first quarter of 2007 as compared with the fourth quarter of 2006, declined somewhat to 3.8% in April, from 4.0% in the previous month. According to the April 2007 bank lending survey, banks continued to report positive net demand for consumer credit and other lending to households, which is still supported by spending on durable consumer goods and robust consumer confidence, albeit less so than during previous quarters.

## FINANCIAL POSITION

The continued vigorous borrowing dynamics of the household sector are also reflected in the ratio of total household debt (comprising loans granted to households by all institutional sectors, including the rest of the world) to GDP, which is estimated to have increased further in the first quarter of 2007, reaching 59.9%, after 59.7% in the fourth quarter of 2006 (see Chart 32).<sup>4</sup> Nevertheless, it continued to remain at a moderate level by international standards, particularly as compared with Anglo-Saxon countries such as the United States and the United Kingdom. Following a modest rise in 2005, households' debt servicing burden (i.e. gross interest payments plus principal repayments as a percentage of disposable income) is estimated to have increased more markedly in 2006, reflecting the fact that the effect of continuous increases in principal repayments was amplified by a higher interest payment burden.

Chart 32 Ratio of household debt to GDP

(in percentages)



Sources: ECB and Eurostat.

Notes: Household debt comprises total loans to households from all institutional sectors, including the rest of the world. Data for the last quarter shown have been partly estimated.

<sup>4</sup> This debt ratio is based on the total loans series contained in the new quarterly euro area sector accounts, which provide comprehensive coverage of the institutional sectors granting loans; as such it is not comparable with debt ratios based on total loans obtained from the previously available statistics on financing and financial investment in the euro area, which only covered loans granted by MFIs, OFIs and ICPFs. Total loans for the first quarter of 2007, which are not yet available from the quarterly euro area sector accounts, have been estimated on the basis of MFI data.

## 3 PRICES AND COSTS

HICP inflation is estimated to have remained at 1.9% in May 2007, for the third consecutive month. HICP data up to April 2007 suggest some upward price pressures after taking into account considerable energy price volatility. In particular, the annual rates of change in both the services and non-energy industrial goods components have been exhibiting some upward movement over recent months, related partly to the German VAT increase of January 2007 but also suggesting some domestic price pressures in the context of solid economic activity. Information currently available from producer prices and business survey data also suggests domestic price pressures arising from high input costs and the strengthening pricing power of firms. Although wage growth was contained at the end of last year, it remains subject to upside risks going forward in view of the favourable momentum of growth in real economic activity and the tightening of labour market conditions observed over the past few quarters. According to the latest Eurosystem staff macroeconomic projections, annual average HICP inflation is expected to be between 1.8% and 2.2% in 2007 and between 1.4% and 2.6% in 2008. The balance of risks to the inflation outlook remains on the upside.

### 3.1 CONSUMER PRICES

#### FLASH ESTIMATE FOR MAY 2007

According to Eurostat's flash estimate, HICP inflation was 1.9% in May 2007 (see Table 6), unchanged for the third consecutive month. Although a detailed breakdown of the HICP components in May is not available at this stage, it is known that past energy price developments have had a slight downward impact on the annual rate of change in the HICP, likely offset to some extent by an increase in energy prices in that month.

#### HICP INFLATION UP TO APRIL 2007

Euro area HICP annual inflation stood at 1.9% in April 2007, unchanged from a month earlier. Nevertheless, a gradual increase in the annual growth rates of the less volatile HICP components is evident, particularly since the beginning of the year (see Chart 33). Despite the fact that part of this increase relates to the adjustment of prices in relation to the German VAT increase of January 2007, it also suggests domestic price pressures in the context of the sustained economic activity in the euro area.

**Table 6 Price developments**

(annual percentage changes, unless otherwise indicated)

	2005	2006	2006 Dec.	2007 Jan.	2007 Feb.	2007 Mar.	2007 Apr.	2007 May
<b>HICP and its components</b>								
Overall index <sup>1)</sup>	2.2	2.2	1.9	1.8	1.8	1.9	1.9	1.9
Energy	10.1	7.7	2.9	0.9	0.8	1.8	0.4	.
Unprocessed food	0.8	2.8	3.7	3.7	2.8	2.9	3.9	.
Processed food	2.0	2.1	2.1	2.2	2.1	1.9	1.9	.
Non-energy industrial goods	0.3	0.6	0.9	0.9	1.1	1.2	1.1	.
Services	2.3	2.0	2.0	2.3	2.4	2.4	2.5	.
<b>Other price indicators</b>								
Industrial producer prices	4.1	5.1	4.1	3.1	2.9	2.8	2.4	.
Oil prices (EUR per barrel)	44.6	52.9	47.4	42.2	44.9	47.3	50.2	50.3
Non-energy commodity prices	9.4	24.8	17.7	15.6	13.9	17.6	15.3	11.9

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

1) HICP inflation in May 2007 refers to Eurostat's flash estimate.

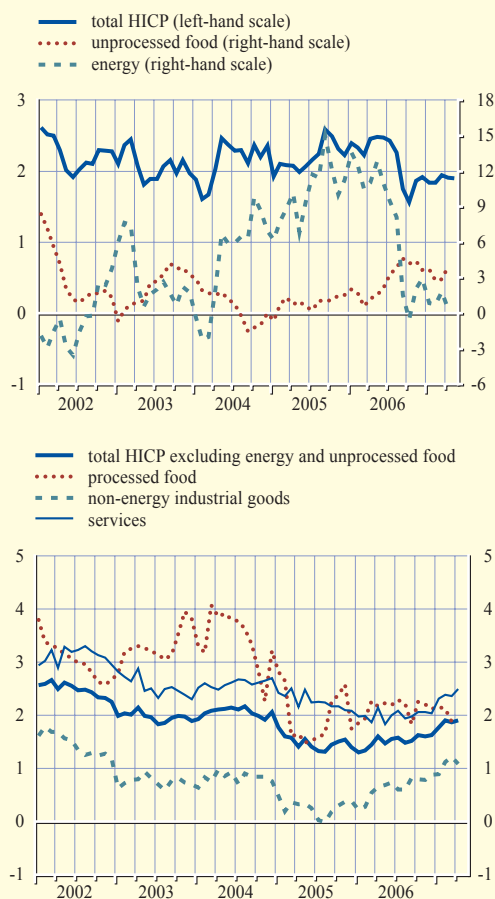
Fluctuations in energy prices have continued to exert a significant influence on HICP inflation over recent months. In April 2007, the annual rate of change in energy prices fell to 0.4%, from 1.8% a month earlier, on account of a base effect. By contrast, the annual growth rate in unprocessed food prices rose to 3.9% in April, from 2.9% a month earlier. In recent months, energy prices have continued to fluctuate considerably, while some of the volatility in unprocessed food prices appears to have derived from unusual winter and spring weather conditions across Europe.

With regard to the less volatile components of the HICP, beyond the minor contrasting movements in the annual rates of change in non-energy industrial goods prices (down by 0.1 percentage point) and services prices (up by 0.1 percentage point) in April, some upward drift in the annual rate of change in the prices of both components is apparent when viewed over the last few months.

While a strong positive administered price contribution via the education component helped drive the annual growth rate in services prices up to 2.5% in April, the services price component has more generally been showing signs of acceleration since the beginning of 2007. Much of this can be attributed to the impact of the VAT increase in Germany in January 2007, although the cyclical upswing may also be playing a role in placing upward pressure on costs and enhancing the ability of services firms to pass increased input cost pressures on to customers, as reported by the Purchasing Managers' Survey. As regards the annual rate of change in the prices of non-energy industrial goods, in spite of a slight decrease to 1.1% in April, a pattern of acceleration has been evident in this component since mid-2005. This general increase may reflect both past and ongoing rises in commodity prices, along with the influence of strengthening domestic economic activity. As in the case of services prices, the most recent increase can also be attributed to the January 2007 increase in German VAT.

**Chart 33 Breakdown of HICP inflation: main components**

(annual percentage changes; monthly data)



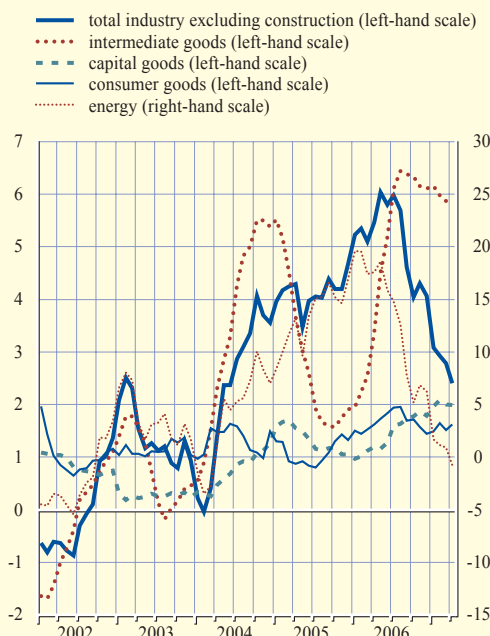
Source: Eurostat.

### 3.2 INDUSTRIAL PRODUCER PRICES

In April 2007 energy price developments resulted in a continued decline in the annual rate of change in overall industrial producer prices (excluding construction) to 2.4%, from 2.8% in March (see Chart 34). This decline was entirely driven by a base effect affecting the energy component,

**Chart 34 Breakdown of industrial producer prices**

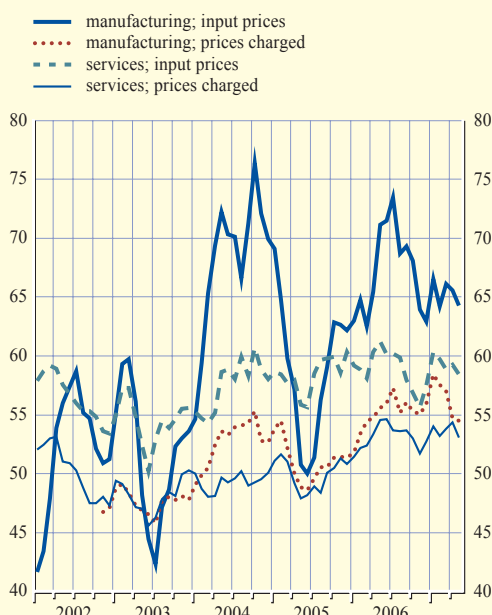
(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

**Chart 35 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.

while annual producer price inflation excluding energy and construction remained unchanged at the relatively elevated level of 3.4%

A downward movement, since mid-2006, in the annual rate of change in overall industrial producer prices excluding construction, resulting mainly from volatility in energy prices, has contrasted with broad stability in the annual rate of change in industrial producer prices excluding construction and energy over the same period. This likely relates to the continuation of some upward pressures further down the production chain, resulting notably from both past and ongoing rises in commodity prices. Among the non-energy producing sectors, the annual rate of change in the producer prices of intermediate goods continued to remain at an elevated level despite a moderate fall to 5.8% in April 2007, largely reflecting the pass-through of high raw material prices. Within the consumer goods sector, the annual rate of increase was 1.6% in April, thereby remaining in the vicinity of outcomes in recent months. The annual rate of change in the producer prices of consumer goods excluding volatile food and tobacco prices declined slightly in April to 1.2%, which nonetheless remains relatively high compared with the average growth rate over the last five years. The annual rate of change in the producer prices of capital goods, which has remained broadly on a gradual, upward trajectory since early 2006, was 2.0% in April.

The latest business survey information on price-setting also suggests that price pressures have remained elevated, despite some easing in recent months, for both the manufacturing and services sectors (see Chart 35). According to NTC Economics, a strong reading in the indicator for input prices in the manufacturing sector reflects the high prices of a wide range of commodities, in

particular metals, while the indicator for output prices has fallen recently against a background of reported strong competition among firms. In the services sector, survey data point to continued strong input price pressure and the ability of services firms to pass higher input prices on to customers by increasing selling prices.

Euro area profits were buoyant in 2006, despite ongoing external price pressures due, predominantly, to solid growth in economic activity (see Box 7). Such levels of profitability have contributed towards strong investment and employment growth in the euro area.

**Box 7****DEVELOPMENTS IN EURO AREA PROFITS**

This box presents information on overall profit developments in the euro area, based on national accounts data, up to the end of 2006. In addition to developments in the economy as a whole, those in different branches of activity are also described.<sup>1</sup> The focus is on profit measures calculated using overall gross operating surplus and mixed income in the economy, rather than on the gross operating surplus of non-financial corporations. The former measure captures both operating surplus – the surplus (or deficit) on production activities before account has been taken of the interest, rents or charges paid or received for the use of assets – and mixed income – the remuneration for the work carried out by the owner (or by family members) of an unincorporated enterprise, which is referred to as “mixed income” as it includes the entrepreneurial profit of the owner. Although this measure includes some income that is probably labour income (of the self-employed), it is used in this box since the data are available over a longer time span and are also available by branch of activity.<sup>2</sup> As shown in Chart A, the profit measure for the whole economy and the measure for non-financial corporations suggest broadly similar developments in aggregate profits since 2002 and capture the pick-up in profits observed since mid-2005.

To better understand developments in overall profits, Chart B decomposes the change in profits into two parts: changes in real output (“volume”) and changes in profit per unit of output (“margin”). This decomposition suggests that much of the increase in profit growth observed since mid-2005 is due to the expansion in economic activity, although the rate of growth in profit per unit of output also increased sharply in the second half of 2006. The observed increase in the latter may reflect the combined effects of the decline in oil prices, the gradual passing through of past increases in commodity prices observed at the later stages of the production chain and the reported increased pricing power of firms generally. However, it should be noted that changes in economic activity may also have an impact on developments in profit per unit of output to the extent that unit input costs tend to be counter-cyclical. It should also be borne in mind that, while the decomposition presented in Chart B is a static one and assumes pricing and output are independent, in reality pricing and output outcomes are jointly determined.

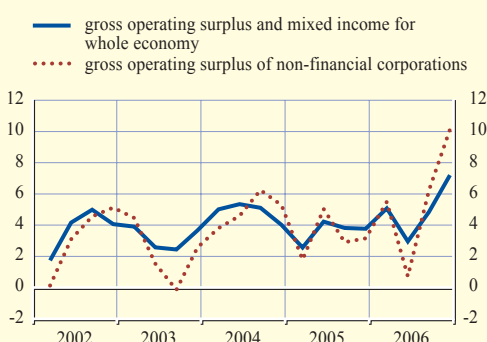
1 “Branches of activity” refers to construction, industry, services, etc. “Institutional sectors” refers to households, non-financial corporations, etc.

2 For an overview of macroeconomic profit measures in the euro area, see the article entitled “Measuring and analysing profit developments in the euro area” in the January 2004 issue of the Monthly Bulletin. Since then, data by institutional sector have been released (see the article entitled “Integrated financial and non-financial accounts for the institutional sectors in the euro area” in the October 2006 issue of the Monthly Bulletin and Box 9 in this Monthly Bulletin).



**Chart A Gross operating surplus – whole economy and non-financial corporations**

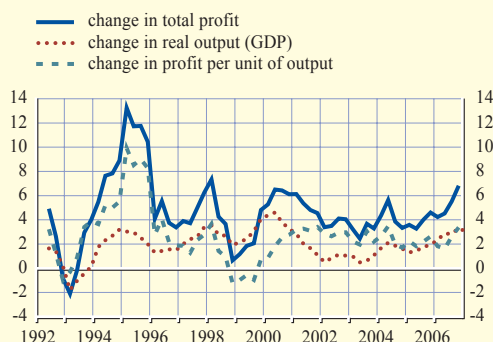
(annual percentage changes; non-seasonally and non-working day-adjusted data)



Sources: Eurostat and ECB.

**Chart B Decomposition of change in profits into change in output and change in profit per unit of output**

(annual percentage changes; percentage points; seasonally and working day-adjusted data)



Sources: Eurostat and ECB calculations.

The pick-up in profit growth since mid-2005 has occurred notwithstanding the significant rises in oil and non-oil commodity prices over that time period. This resilience in profit developments is primarily due to the upswing in activity, since the rate of change in prices (as measured by the value added deflator) has been easing since 2002 (see the table below). However, it appears that much of the current strength in aggregate profit mark-ups comes from industry, owing mainly to the strong cyclical increase in labour productivity in that branch of activity. In industry, the rate of increase in the value added deflator was moderate on average in 2005 and 2006, reflecting the squeeze on value added from external price pressures. Nonetheless, profit mark-ups in industry expanded, on average, robustly – by over 2 percentage points in both years – on account of the decline in unit labour cost growth. It should, however, be noted that variations in profit developments along the production chain due to differences in the speed of

### Profit mark-up developments by branch of activity

(annual percentage changes; percentage points; seasonally and working day-adjusted data)

		1996-2001 <sup>1)</sup>	2002	2003	2004	2005	2006
<b>Whole economy</b>	Value added deflator	1.6	2.6	2.2	1.8	1.7	1.5
	Unit labour cost	1.1	2.4	1.8	1.1	0.9	0.8
	Compensation per employee	2.2	2.6	2.1	2.2	1.7	2.2
	Labour productivity	1.1	0.2	0.3	1.1	0.8	1.4
	Profit mark-up indicator	0.5	0.2	0.4	0.7	0.7	0.8
<b>Industry</b>	Value added deflator	0.6	1.3	-0.2	0.9	1.2	0.6
	Unit labour cost	-0.5	0.9	0.2	0.2	-1.2	-1.7
	Compensation per employee	2.0	2.2	2.1	2.7	1.5	2.5
	Labour productivity	2.5	1.3	1.9	2.5	2.7	4.3
	Profit mark-up indicator	1.0	0.4	-0.5	0.7	2.4	2.3
<b>“Mainly services”</b>	Value added deflator	1.6	2.9	2.5	1.9	1.4	1.3
	Unit labour cost	2.1	2.5	1.6	1.0	1.2	1.6
	Compensation per employee	2.1	2.5	2.2	1.7	1.8	2.1
	Labour productivity	0.6	0.2	0.4	0.7	0.9	0.7
	Profit mark-up indicator	-0.4	0.3	0.9	1.0	0.2	-0.2

Sources: Eurostat and ECB calculations.

Notes: The profit mark-up indicator is defined as the difference between the rates of change in the value added deflator and in unit labour cost. In turn, changes in unit labour cost can be decomposed into changes in compensation per employee and labour productivity.

1) Average over the period.

the pass-through of commodity price increases and the rate of growth in activity may be concealed by these aggregate data. Somewhat in contrast, developments in profit mark-ups in the “mainly market” services branches were relatively subdued, being broadly unchanged in 2006, notwithstanding the higher increase in the value added deflator because of the more moderate labour productivity and higher unit labour cost growth in these branches.<sup>3</sup> It should be noted, however, that both in the industry and in the “mainly market” services branches the generalised increase in activity (“volume”) has also supported overall profit growth.

All in all, despite ongoing external price pressures, growth in euro area profits has picked up since mid-2005, mainly as a result of a solid expansion in economic activity. This increase in profitability has facilitated investment, which grew by approximately 5% in 2006, and employment creation – euro area employment increased by approximately 2 million persons in 2006. Looking forward, although some moderation in profit growth may occur, these broadly favourable developments may be expected to continue, provided wage developments remain moderate in the context of an ongoing expansion in economic activity.

3 The “mainly market” services branch refers to the NACE branches G-K, i.e. wholesale and retail trade; hotels and restaurants; transport, storage and communications; financial intermediation; and real estate, renting and business activities.

### 3.3 LABOUR COST INDICATORS

Available measures of labour costs – such as hourly labour costs, compensation per employee and negotiated wages – suggest that wage growth was moderate in 2006, after correcting for the volatility induced by some one-off factors (see Table 7 and Chart 36). Early and incomplete information on wages for the beginning of 2007 suggests a continuation of moderate wage developments. That said, wage developments remain subject to upside risks going forward in view of the favourable momentum of growth in real economic activity and the tightening of labour market conditions.

Hourly labour costs remained broadly unchanged in the fourth quarter of 2006, at an annual rate of change of 2.5%, following upward revisions to the figures for the first three quarters of the year. Overall, for 2006 as a whole, hourly labour costs rose by 2.5%, marginally above the average growth observed in 2005.

**Table 7 Labour cost indicators**

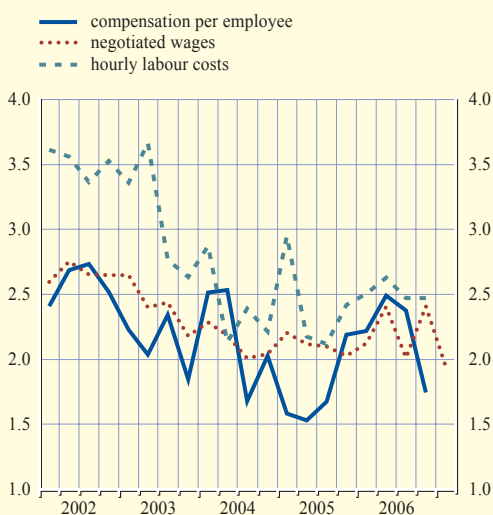
(annual percentage changes, unless otherwise indicated)

	2005	2006	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Q1
Negotiated wages	2.1	2.2	2.1	2.4	2.0	2.4	1.9
Total hourly labour costs	2.4	2.5	2.5	2.6	2.5	2.5	.
Compensation per employee	1.7	2.2	2.2	2.5	2.4	1.7	.
<i>Memo items:</i>							
Labour productivity	0.8	1.4	1.3	1.4	1.3	1.7	.
Unit labour costs	0.9	0.8	0.9	1.1	1.1	0.0	.

Sources: Eurostat, national data and ECB calculations.  
Note: Data on negotiated wages do not include Slovenia.

**Chart 36 Selected labour cost indicators**

(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.  
Note: Data on negotiated wages do not include Slovenia.

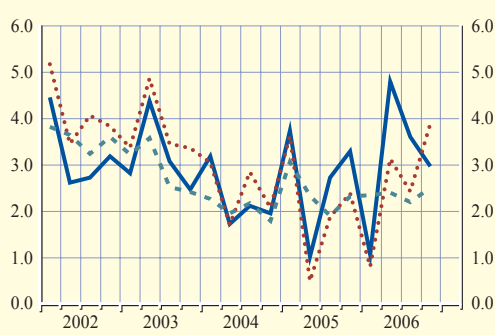
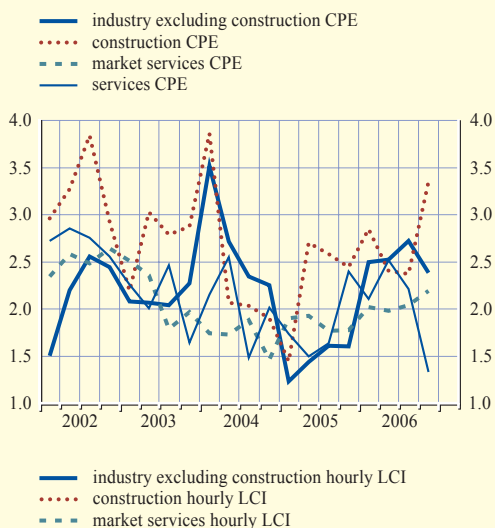
A fall in the annual growth rate of compensation per employee to 1.8% in the fourth quarter of 2006, from an upwardly revised 2.4% in the third quarter, stemmed primarily from temporary developments in the Italian public sector. Owing to a surge in productivity in the same quarter, this fall resulted in unchanged unit labour costs from the previous quarter. Unit labour cost growth for 2006 as a whole was 0.8%, after 0.9% in 2005. While subdued growth in labour costs may have derived, to some extent, from structural factors – such as the impact of globalisation and associated strong competition, as well as changes in the composition of employment towards integrating more low-wage earners as a result of past reforms – a buoyant cyclical situation may lead to increasing upward pressure on wages.

Growth in negotiated wages appears to have remained moderate in early 2007. A fall in the annual growth rate of negotiated wages to 1.9% in the first quarter of 2007, from 2.4% in the previous quarter, reflected, to a large extent, base effects related to one-off payments resulting from the timing of wage agreements in some sectors. This information should be interpreted with caution in the absence of complementary indicators on labour cost developments in early 2007. Indeed, there are considerable uncertainties regarding the impact of current rounds of wage negotiations, some of which will be concluded only later in the year.

At the sectoral level, unchanged hourly labour costs in the fourth quarter of 2006 masked some sectoral divergences, notably the offsetting influence of increases in construction and market-related services labour costs and a deceleration in industry labour costs (see Chart 37). Nevertheless,

**Chart 37 Sectoral labour cost developments**

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.  
Note: CPE stands for “compensation per employee” and LCI stands for “labour cost index”.

wages in industry continued to grow more strongly than in market services in annual average terms, probably related to the productivity growth differential between the two sectors. Sectoral-level data on compensation per employee also indicate sharp increases in construction and market services in the last quarter of 2006, offset by declines in industry excluding construction and other services.

### 3.4 THE OUTLOOK FOR INFLATION

The volatility in energy prices witnessed last year will influence the pattern of HICP inflation in the coming months, with base effects attenuating HICP inflation in the immediate months ahead prior to accentuating it towards the end of 2007. In the latest Eurosystem staff macroeconomic projections for the euro area, annual average HICP inflation is expected to lie between 1.8% and 2.2% in 2007 and between 1.4% and 2.6% in 2008 (see the section entitled “Eurosystem staff macroeconomic projections for the euro area”). This outlook remains subject to several upside risks relating, most notably, to the domestic side. In particular, capacity utilisation in the euro area economy is increasing and labour markets are gradually improving. Accordingly, there is a risk that wage developments will be stronger than expected, which would pose significant upward risks to price stability. In addition, pricing power in market segments with low competition may increase in such an environment. Moreover, upside risks arise from increases in administered prices beyond those anticipated thus far. Finally, on the external side, upside risks stem from the possibility of further unexpected oil price rises.

## 4 OUTPUT, DEMAND AND THE LABOUR MARKET

Following euro area real GDP growth of 0.6% in the first quarter of 2007, the latest information from short-term economic indicators points to robust growth in the second quarter, supported by favourable conditions for both domestic and foreign demand. Survey indicators continue to provide reassuring signals for the industrial and services sectors, while the euro area labour markets are improving. Looking ahead, conditions remain in place for an ongoing expansion in the euro area. Risks to this outlook remain broadly balanced over the short term and on the downside over the longer term, stemming mainly from the external side.

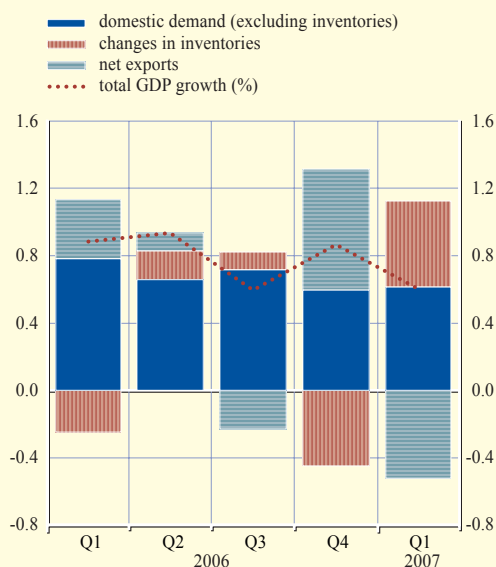
### 4.1 OUTPUT AND DEMAND DEVELOPMENTS

#### REAL GDP AND EXPENDITURE COMPONENTS

Eurostat's first estimate of euro area real GDP growth for the first quarter of 2007 confirmed the flash estimate of 0.6% quarter-on-quarter growth, following growth of 0.9% in the previous quarter. Investment accelerated further to 2.5%, while inventories contributed strongly following the sharp decline in the fourth quarter of 2006 (see Chart 38). By contrast, private consumption fell by 0.1%, reflecting the impact of the German VAT increase in January 2007. As regards the external side, exports decelerated markedly in the first quarter (0.3% quarter on quarter), following surprisingly high growth in the previous quarter, while growth in imports remained broadly unchanged. Finally, it is worth recalling that the composition of GDP growth in the first quarter of 2007 was affected by the sizeable downward "technical" correction to inventory growth data for the fourth quarter of 2006 in Germany to accommodate a statistical distortion in export figures in the same quarter, as well as by short-run movements associated with the impact of the VAT increase in Germany in January 2007. A more detailed assessment of the main factors driving recent developments in euro area inventories is provided in Box 8.

Chart 38 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

#### Box 8

##### ASSESSING RECENT DEVELOPMENTS IN INVENTORIES

Changes in inventories contributed positively, by 0.5 percentage point, to euro area quarter-on-quarter real GDP growth in the first quarter of 2007, more than offsetting their negative contribution of 0.4 percentage point in the fourth quarter of 2006 (see Chart A). Both contributions to growth were exceptional. For example, the strong contribution in the first quarter of 2007 was, in absolute terms, more than two times as large as the historical average.

Owing to the residual character of inventories in national accounts, any economically meaningful interpretation of the recent volatile behaviour is surrounded by a large degree of uncertainty. In view of these developments, this box starts by briefly describing the role of inventories in the cyclical real output fluctuations of the euro area. It continues by reviewing the role of special factors, particularly for Germany, in explaining the strong contributions of changes in inventories to real GDP growth in the fourth quarter of 2006 and the first quarter of 2007.

### The role of inventories in the euro area business cycle

The contribution of changes in inventories to real GDP growth is typically very volatile. For the euro area, the variance of changes in inventories since 1996 (relative to their average contribution to quarter-on-quarter real GDP growth) is fifteen times larger than the corresponding variance of the joint contributions to growth of the other expenditure components. However, the volatility of euro area real GDP growth has declined over recent decades, which in part is due to a decline in the volatility of changes in inventories.<sup>1</sup> Moreover, inventory movements seem to have become more coincident with the business cycle. While they clearly lagged cyclical GDP movements up to 1990, the lag now seems to have almost disappeared.

The literature on inventories offers one main explanation for the decrease in volatility and the more coincident movements of changes in inventories and real GDP, known as the production smoothing hypothesis. The motive for holding inventories, according to this hypothesis, is to avoid the risks associated with production delays at a time of unanticipated increases in demand. However, such risks have decreased over time as a result of improvements in production processes (through the implementation of just-in-time production techniques) and better inventory management technologies (e.g. information technology improvements and enhanced transport management due to better logistics).<sup>2</sup>

### Recent developments in inventories: the role of special factors

The exceptional inventory developments in the fourth quarter of 2006 and the first quarter of 2007 in the euro area appear to be related mainly to special developments in Germany. First, inventories may have been depleted in Germany in the fourth quarter of 2006 due to extra demand ahead of the VAT increase in January 2007, and some restocking may have taken place in early 2007 in order to increase inventory levels. Second, inventory data for Germany were affected by a statistical distortion. The time series for German extra-EU real exports of goods was affected by some late reporting of such activities, which upwardly distorted the data for September, October and November 2006. As real imports of goods and services were not affected by late reporting, and as the German statistical office decided that the associated strong contribution of net exports should not impact on the quarterly growth rate of real GDP in the fourth quarter of 2006, this distortion of trade data was compensated by a corresponding downward adjustment in the contribution of inventory accumulation to real GDP growth.<sup>3</sup> In the absence of such a distortion in the first quarter of 2007, the contribution of inventory accumulation turned substantially positive.

1 See, for instance, "Quarterly report on the euro area", Vol. 6, No 1, European Commission Directorate General for Economic and Financial Affairs, 2007, p. 37. A similar conclusion is reached for the United States in M. McConnell and G. Pérez-Quirós, "Output fluctuations in the United States: what has changed since the early 1980s?", *American Economic Review*, Vol. 90, No 5, 2000, pp. 1464-1475.

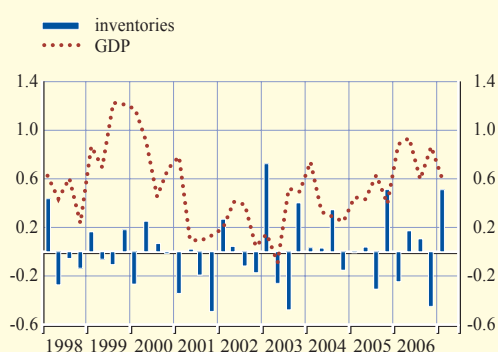
2 See the box entitled "The contribution of inventory changes to business cycle fluctuations" in the June 2003 issue of the Monthly Bulletin.

3 See German Statistical Office (February 2007), "Detailed results on the economic performance in the 4th quarter of 2006".



**Chart A Contribution of inventories to GDP growth**

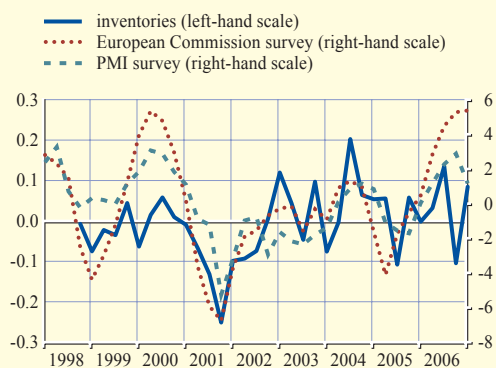
(quarter-on-quarter growth rates; quarterly percentage point contributions)



Source: Eurostat.

**Chart B Inventories and survey data**

(percentage point contributions; indices)



Sources: Eurostat, NTC Economics, European Commission and ECB calculations.

Note: European Commission survey data have been inverted and both survey series have been mean-adjusted. The series on inventories is expressed as a four-quarter moving average of the contributions to quarter-on-quarter real GDP growth.

Recent developments in changes in inventories at the euro area-wide level have not been in line with firms' expectations as captured in survey data. Two institutions publish results on inventory developments in the context of their business surveys, namely NTC Economics (the Purchasing Managers' Index (PMI) survey) and the European Commission.<sup>4</sup> Chart B displays both surveys alongside a four-quarter moving average of the contribution from inventories to quarter-on-quarter real GDP growth. Overall, in the last few years both survey indicators have broadly co-moved with the actual series on inventories. However, the sharp decline in the contribution of inventories in the last quarter of 2006 and the subsequent strong rise in the first quarter of 2007 contrast with movements in survey data. This misalignment, particularly in the last quarter of 2006, is consistent with recent developments in inventories being heavily influenced by statistical factors.

<sup>4</sup> The PMI survey on stocks of purchased goods started in August 1997 and the European Commission survey on stocks of finished products started in January 1980. The difference between purchased goods and finished goods is that the former are raw materials used in the manufacture of a product, whereas the latter are goods that have been completed but not yet sold or distributed to the end-user. The PMI survey also provides results on stocks of finished goods, which are not considered in this box.

The recent release of quarterly euro area accounts for institutional sectors by the ECB and the European Commission (Eurostat) allows a more thorough analysis of macroeconomic developments in the euro area. For example, in explaining the moderate growth in private consumption in recent years, these accounts show how increases in wages and self-employment income have been dampened by rising income tax payments (see the Box entitled "Recent developments in the household and corporate sectors: information from new quarterly euro area sector accounts").

## Box 9

**RECENT DEVELOPMENTS IN THE HOUSEHOLD AND CORPORATE SECTORS: INFORMATION FROM NEW QUARTERLY EURO AREA SECTOR ACCOUNTS**

On 1 June 2007, the ECB and the European Commission (Eurostat) for the first time published quarterly euro area accounts for institutional sectors, including the rest of the world accounts.<sup>1</sup> The new accounts are a milestone in the development of the euro area economic and financial statistics. From now on, almost complete “national accounts” for the euro area will become available every quarter. This includes both general economic (non-financial) and financial accounts and financial balance sheets. These accounts supersede the Table of Financing and Investment previously published by the ECB. This box introduces some of the data and then describes recent non-financial activities of the household and corporate sectors. A discussion of the financial developments on the basis of these data is included in Section 2 of the Monthly Bulletin.

**The quarterly euro area sector accounts**

Macroeconomic and financial developments are driven by the actions of individual agents in an economy. Grouping agents with similar behaviour into institutional sectors (households, financial and non-financial corporations and government) greatly facilitates the understanding of those developments. The new data provide, on a quarterly basis, a much richer breakdown of non-financial activities – for example, income generation, income distribution, consumption, saving, investment – for each sector.<sup>2</sup> They also increase the consistency between economic and financial statistics in the euro area, allowing a more integrated analysis of financial and non-financial developments.

The compilation of these comprehensive and consistent quarterly euro area sector accounts is the outcome of a continued collaboration between the ECB and the Commission (Eurostat), in cooperation with national central banks and national statistical institutes. The first part of that process was the production of annual sector accounts, released in May 2006, providing data from 1999 to 2004. The new quarterly accounts include data from the first quarter of 1999 up to the fourth quarter of 2006. For the moment, euro area sector accounts will become available roughly 120 days after the end of the quarter. Because the euro area sector accounts data are not seasonally adjusted, this box presents year-on-year comparisons. All data are in current prices. Since the quarterly accounts for the households and non-financial corporations sector contain more new information than those of the government and financial corporations sectors and those of the rest of the world, the description below focuses on the former two sectors.

**Recent developments in the household sector**

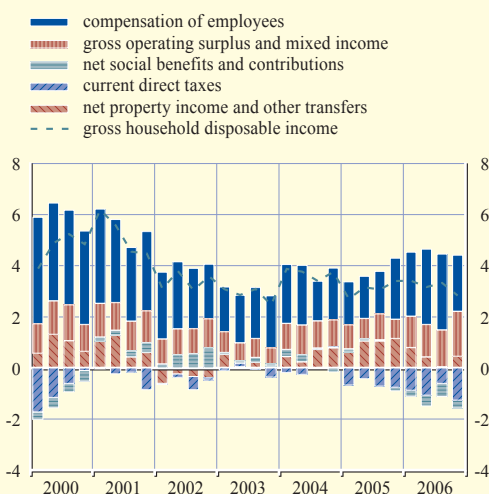
During 2006 nominal household disposable income continued to show moderate growth, increasing by 3.2% overall, slightly above the rate of change in 2005 and broadly in line with the average pace of growth since 2002 (see Chart A). Compensation of employees (i.e. wages

1 The complete euro area accounts are available at <http://www.ecb.int> (ECB). In addition, non-financial accounts for the European Union are available at <http://ec.europa.eu/eurostat> (Eurostat).

2 For a comprehensive summary of the features and concepts of the euro area sector accounts, see the document entitled “Quarterly euro area and European Union accounts for institutional sectors (European Sector Accounts)”, which can be found at <http://www.ecb.int/stats/acc/html/index.en.html> and the article “Integrated financial and non-financial accounts for the institutional sectors in the euro area”, in the October 2006 issue of the Monthly Bulletin.

**Chart A Contributions to changes in household gross disposable income**

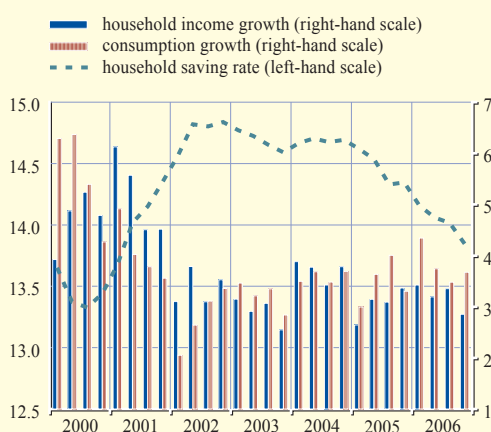
(annual percentage changes; percentage points)



Sources: Eurostat and ECB.

**Chart B Household disposable income, consumption and saving rate**

(annual percentage changes; percentages)



Sources: Eurostat and ECB.

Note: The household saving rate is expressed as a percentage of household gross disposable income (four-quarter moving average).

and salaries received by households plus the social contributions paid by employers), which accounts for about three-quarters of nominal household gross disposable income, rose steadily during 2005 and 2006, as employment and wage rates increased. ‘Gross operating surplus’ and ‘mixed income’ earned by the self-employed, a further quarter of household income, also grew quite strongly in the same period. However, this was partly offset by an increase in the household payments of direct taxes – mainly income taxes – and net social contributions (for example, payments for pensions, unemployment and health insurance).

Household nominal consumption growth strengthened in 2006, rising by 3.8% – the fastest rate of increase since 2001 – although it moderated somewhat during the year (see Chart B). Consumption increased faster than gross disposable income in all quarters and so the saving ratio declined. Since the end of 2004 this ratio has fallen by 0.8 percentage points to 13.8%.<sup>3</sup> Households’ investment in non-financial assets (mainly the purchase of new housing and fixed investment by unincorporated enterprises) rose steadily in 2005 and 2006. Combined with the fall in saving in the same period, this meant that the net lending position of households declined. As a consequence, households reduced their investment in financial assets (e.g. equity) during this period. At the same time, their net financial wealth still increased substantially, mainly because of holding gains on their financial assets.

### Recent developments in the non-financial corporate sector

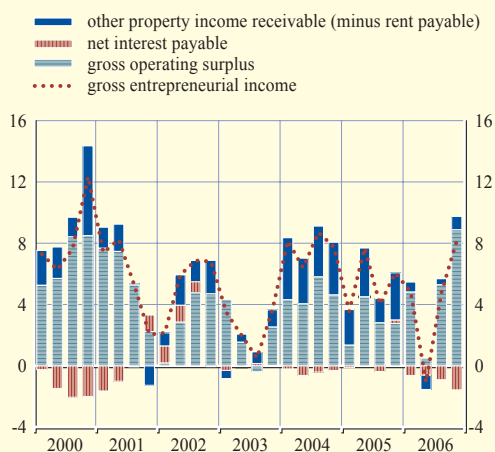
The growth of non-financial corporations’ gross entrepreneurial income moderated to 4.0% in 2006 as a whole, from 5.3% in the previous year and 7.7% in 2004 (see Chart C).<sup>4</sup> The quarterly

<sup>3</sup> The saving rate is shown as a percentage of gross disposable income and includes an adjustment for households’ net equity in pension fund and life insurance reserves.

<sup>4</sup> Entrepreneurial income is akin to profits in business accounting in which earnings are recorded after net interest payments but before payments of dividends and taxes. It includes gross operating surplus generated in production and property income received from financial assets owned by corporations, both domestically and abroad.

**Chart C Contributions to non-financial corporations' gross entrepreneurial income**

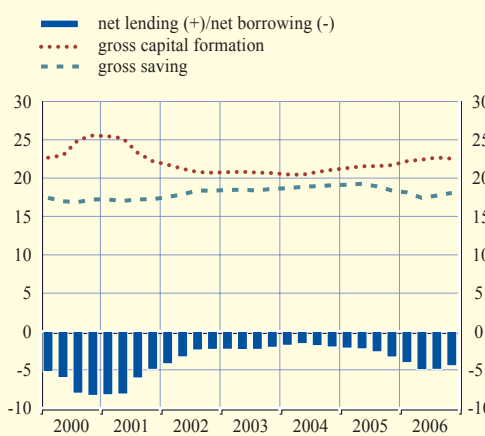
(annual percentage changes; percentage points)



Sources: Eurostat and ECB.

**Chart D Non-financial corporations' income, gross capital formation and saving**

(percentages)



Sources: Eurostat and ECB.  
Note: The ratios are expressed as a percentage of gross value added (four-quarter moving average).

profile was more volatile, with income growth falling sharply in the second quarter of 2006 before recovering strongly in the third and fourth quarters. The changes in the growth rate were largely driven by movements in gross operating surplus. Other property income (mainly dividend receipts and profits from foreign direct investment) contributed positively to income growth in 2006, although significantly less than in 2004 and 2005.

The continued growth of entrepreneurial income helped support investment by non-financial corporations. Gross capital formation has picked up since mid-2004, increasing at its fastest rate since 2001 and rising to close to 23% of gross value added by the end of 2006 (see Chart D). With increases in non-financial investment exceeding growth of internally generated funds (or retained earnings) over this period, non-financial corporations maintained their position as net borrowers, i.e. financing investment through the accumulation of debt and the issuance of shares and other equity.

By providing an insight into the non-financial and financial developments of the main institutional sectors, their relationships with the rest of the world and their interrelationships, the new quarterly euro area sector accounts are a welcome enhancement to the data available for economic and financial analysis. Overall, they show that over the past year households have benefited from increases in wages and self-employment income but that this has been partly offset by rising income tax payments. Consequently, growth in nominal disposable income has been relatively modest and, although the saving ratio has fallen slightly, the pick-up in nominal consumption has remained moderate. During the same period, the profitability of non-financial corporations has been robust, helping support strong growth in investment.

## SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

Value added growth in the first quarter of 2007 was broadly shared across the main economic sectors. In particular, it accelerated further in industry and construction. Services value added also grew strongly albeit at a slower pace than in the other two sectors. This conceals, however, an acceleration in financial services and business activities. The acceleration in value added growth in the first quarter of 2007 is in contrast with the slowdown in growth in real GDP. This is explained by the negative contribution of “taxes less subsidies on products”, which is the concept that links value added with GDP. This negative contribution may be related to the impact of the anticipation of the VAT increase in Germany in January 2007, which pushed up the volume of taxes on products in the last quarter of 2006.

In the first quarter of 2007 industrial production (excluding construction) recovered from its sharp deceleration in the second half of 2006, which had been mainly due to negative contributions from energy production. It grew by 0.8%, following growth of 0.6% in the fourth quarter of 2006. This fresh surge in industrial production growth was driven primarily by growth in intermediate and capital goods production. Increases in the production of consumer goods have been more modest (see Chart 39). Industrial new orders rose by 1.8% in the first quarter of 2007, following similar growth in the fourth quarter of 2006. When the very volatile component “other transport equipment” is excluded, new orders increased by 2.3%. Furthermore, construction production has picked up rapidly since the beginning of 2006 to its highest rates of growth since 1994, expanding for a second consecutive quarter by 2.5% in the first quarter of 2007.

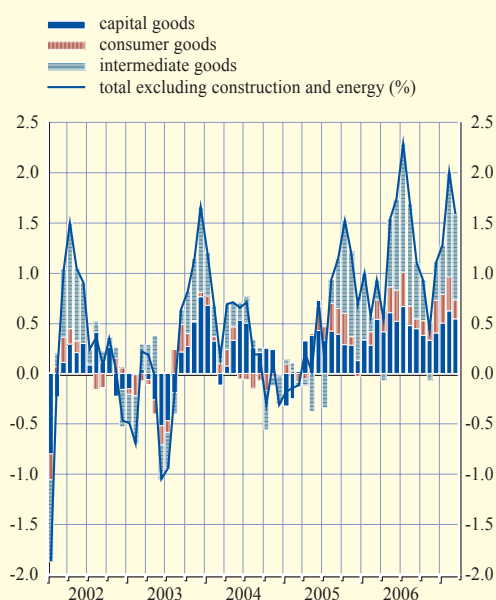
### SURVEY DATA FOR THE INDUSTRIAL AND SERVICES SECTORS

Sectoral survey data available up to May 2007 remain at a very high level, signalling a continuation of broad-based robust growth in the second quarter of the year.

According to the European Commission Business and Consumer Surveys, industrial confidence declined slightly in May, although it remains close to its highest recorded value reached in April. The decline in confidence was recorded in the intermediate good industries, while confidence in the consumer and capital goods industries remained almost unchanged. The Purchasing Managers' Index (PMI) for the manufacturing sector also declined slightly in May and suggests a possible deceleration, while still signalling positive growth (see Chart 40). As regards services, both the Commission's confidence indicator and the PMI business activity index continue to point to robust growth in the second quarter of 2007. Prospects beyond the second quarter are also very positive, as expected demand for the next 12 months remains above the long-term average for both of these indicators.

Chart 39 Industrial production growth and contributions

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

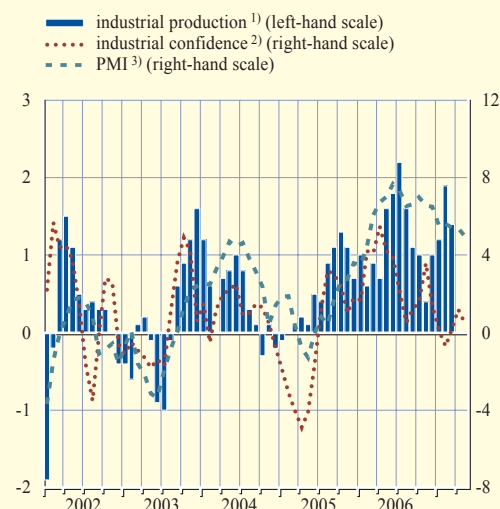


Sources: Eurostat and ECB calculations.

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

**Chart 40 Industrial production, industrial confidence and the PMI**

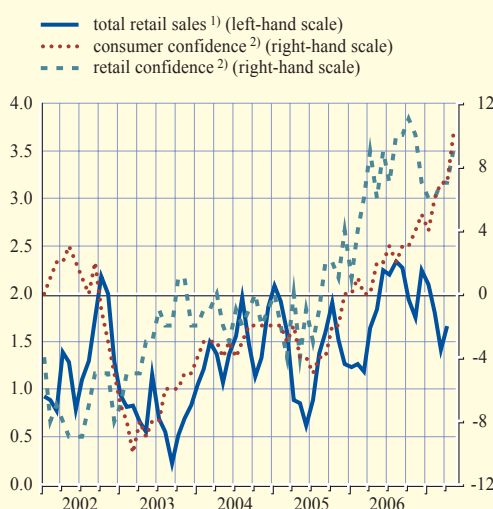
(monthly data; seasonally adjusted)



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 41 Retail sales and confidence in the retail trade and household sectors**

(monthly data)



Sources: Eurostat and European Commission Business and Consumer Surveys.  
1) Annual percentage changes; three-month 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

The acceleration of growth in private consumption has remained relatively subdued since the beginning of the recovery in early 2002. The current level of growth in private consumption is below the levels recorded in the late 1990s. The latest available economic information on household spending continues to provide mixed signals for euro area private consumption in the second quarter. On the one hand, hard data remain subdued, while, on the other hand, survey indicators continue to point to a strengthening in consumption.

Reflecting the impact of the VAT increase in Germany, euro area private consumption declined by 0.1% quarter on quarter in the first quarter of 2007, following growth of 0.4% in the fourth quarter of 2006. New car registrations fell strongly by 5.3% month on month in April, following a decline in the first quarter. The latest data releases from Eurostat on the volume of retail sales are also subdued. However, euro area consumer confidence rose strongly in May and currently stands close to its record peak reached in 2000 (see Chart 41). Looking forward, private consumption should be supported by developments in real disposable income, as labour market conditions continue to improve.

## 4.2 LABOUR MARKET

The latest available data confirm the ongoing improvements in euro area labour markets. Employment expectations are running at high levels and reinforce the assessment that labour



market prospects are favourable. Survey indicators are starting to detect some tightness in labour market conditions.

### UNEMPLOYMENT

The euro area unemployment rate has been on a declining trend since the beginning of 2005. In April 2007 it fell further to 7.1%, down by 0.1 percentage point from March (see Chart 42). The number of unemployed people fell in April by about 95,000, somewhat below the monthly average of 150,000 for the first three months of the year.

Survey data on production constraints in the industrial sector suggest that shortages in labour are on the rise, without reaching the high levels reported at the end of 2000. There is some tentative evidence of slight labour market tightness in a majority of euro area countries. However, the potential role of globalisation and immigration in softening labour constraints should not be ignored.

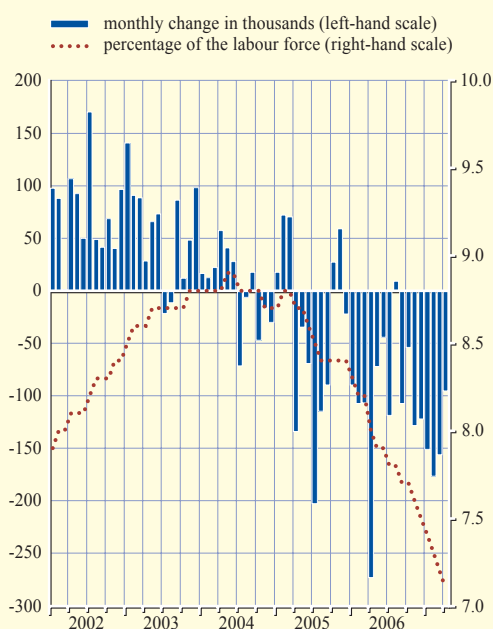
### EMPLOYMENT

Euro area employment growth remained robust in the fourth quarter of 2006 on account of developments in the services and construction sectors (see Table 8), where the respective levels of employment increased by 352,000 and 170,000. Declines in employment in agriculture (by 26,000) and industry excluding construction (by 51,000) put the total quarterly increase in euro area employment at 445,000.

Annual labour productivity growth was 1.7% in the fourth quarter of 2006, its highest value since the second quarter of 2000 (see Chart 43). Recent trend estimates of euro area labour productivity

**Chart 42 Unemployment**

(monthly data; seasonally adjusted)



Source: Eurostat.

**Table 8 Employment growth**

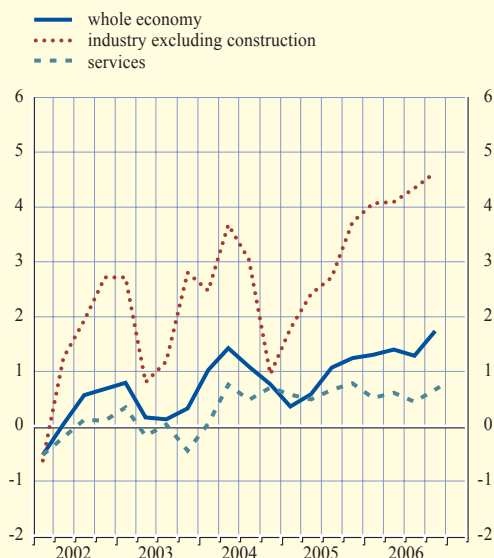
(percentage changes compared with the previous period; seasonally adjusted)

	Annual rates		Quarterly rates				
	2005	2006	2005 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Q4
Whole economy	0.8	1.4	0.3	0.5	0.5	0.3	0.3
<i>of which:</i>							
Agriculture and fishing	-1.4	-0.1	0.1	0.2	0.7	-1.8	-0.4
Industry	-0.1	0.7	0.3	0.1	0.3	0.2	0.3
Excluding construction	-1.2	-0.2	0.0	-0.1	0.2	0.0	-0.2
Construction	2.7	2.7	0.9	0.6	0.7	0.9	1.6
Services	1.3	1.8	0.3	0.6	0.5	0.4	0.4
Trade and transport	0.7	1.2	0.3	0.5	0.5	0.1	0.4
Finance and business	2.1	3.5	1.1	0.9	0.9	1.0	0.7
Public administration	1.3	1.4	-0.1	0.6	0.4	0.4	0.2

Sources: Eurostat and ECB calculations.

Chart 43 Labour productivity

(annual percentage changes)



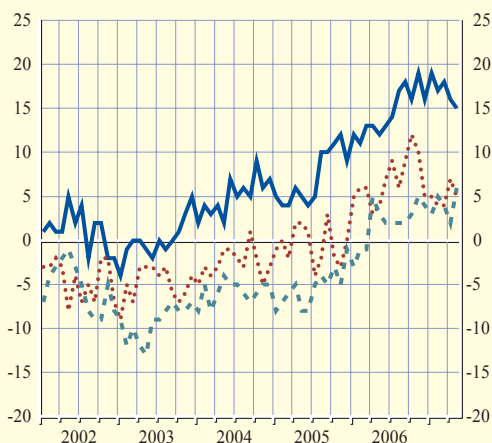
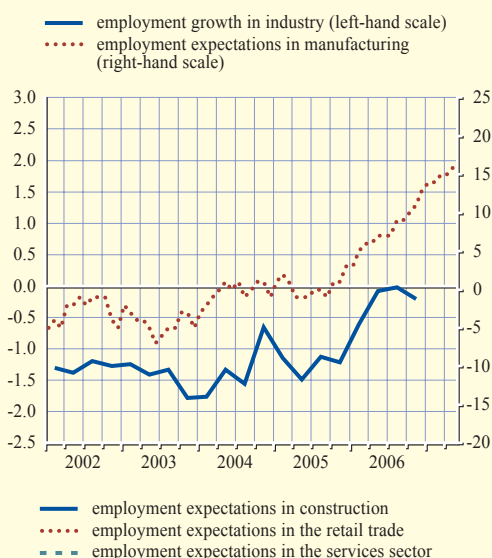
Sources: Eurostat and ECB calculations.

growth suggest that the downward trend observed in the last ten years may indeed have come to a halt. However, caution is suggested by the fact that the PMI composite productivity index declined further in April 2007 to its lowest value in 20 months, although it remains above the 50 mark and hence continues to point to positive productivity growth.

Employment expectations continue to be favourable in May and point to improvements in euro area employment in the first half of 2007 (see Chart 44). Employment expectations from the European Commission's surveys increased strongly in the services sector, reaching its highest level since mid 2001. In industry, employment expectations also increased, although at a much slower pace. Employment expectations from the PMI in the same month remained unchanged.

Chart 44 Employment growth and employment expectations

(annual percentage changes; percentage balances; seasonally adjusted)



Sources: Eurostat and European Commission Business and Consumer Surveys.

Note: Percentage balances are mean-adjusted.

### 4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

The latest economic data confirm the outlook for strong and broadly based growth in the euro area, reflecting favourable domestic and foreign demand conditions. Labour market conditions continue to improve and should support stronger private consumption growth. Prospects for investment are also positive, in view of accumulated and ongoing strong corporate earnings,

favourable financing conditions and the need to renew old capital stock in an environment of high capacity utilisation in the manufacturing sector, which currently stands at its highest level in more than 15 years. Although the short-term figures have been distorted by the statistical effects swelling export growth in Germany in the fourth quarter of 2006, exports should continue to benefit from robust global economic growth.

In line with this assessment, the latest Eurosystem staff macroeconomic projections for the euro area foresee real GDP growth in a range between 2.3% and 2.9% in 2007 and between 1.8% and 2.8% in 2008 (see the section entitled “Eurosystem staff macroeconomic projections for the euro area”).

Risks to this outlook are broadly balanced over the short term. At medium to longer horizons, the balance of risks remains on the downside owing mainly to external factors. These relate, in particular, to fears of a rise in protectionist pressures, the possibility of further increases in oil prices, concerns about possible disorderly developments due to global imbalances and potential shifts in financial market sentiment.

## 5 FISCAL DEVELOPMENTS

Following the significant budgetary improvement recorded in 2006, latest available forecasts suggest a further reduction of the deficit-to-GDP ratio in the euro area over the period 2007–08, owing to ongoing strong revenue collection and moderate spending growth in the context of a favourable macroeconomic outlook. However, after accounting for temporary measures and cyclical factors, the structural improvement is more muted than nominal budget balances indicate. Against this background, the current economic “good times” offer a new window of opportunity to rapidly redress remaining budgetary imbalances and accelerate the adjustment towards the medium-term objectives (MTOs) and to achieve these as soon as possible, and by 2010 at the latest.

### FISCAL DEVELOPMENTS IN 2006 AND OUTLOOK FOR 2007 AND 2008

In 2006 fiscal developments in the euro area turned out to be more favourable than previously anticipated, including in the stability programmes which were submitted by euro area member countries at the end of 2006 and the beginning of 2007. The general government budget deficit of the euro area declined from 2.5% of GDP in 2005 to 1.6% in 2006 (see Table 9). This reflected a steady increase in the government revenue ratio over the four quarters of the year and a moderate decline in the expenditure ratio (see Chart 45). The latter was augmented by two sizeable one-off capital transfer increases in Italy due to a VAT ruling by the European Court of Justice and a takeover of railway debt in the second half of the year.

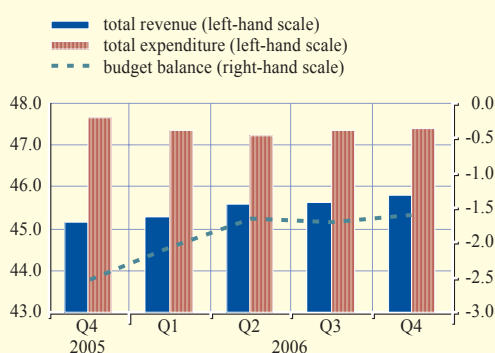
Following the significant budgetary improvement recorded in 2006, the public finance situation in the euro area is set to continue to improve in 2007 and 2008. According to the spring 2007 forecasts published by the European Commission, assuming unchanged fiscal policies, the general government deficit-to-GDP ratio for the euro area is projected to decline to 1.0% in 2007 and 0.8% in 2008 (see Table 9). The picture from the May 2007 OECD Economic Outlook is broadly similar. Regarding the countries currently subject to an excessive deficit procedure (Italy and Portugal, after the recent abrogation of the excessive deficit procedure for Germany and Greece), only Portugal is expected to still record deficits above the 3% of GDP reference value in both 2007 and 2008, while the Commission projects Italy’s deficit to decline below 3% of GDP in 2007.

For countries without an excessive deficit but not yet having reached their MTOs (Belgium, Germany, Greece, France, Austria, Slovenia), only minor improvements in fiscal balances or even deteriorations are projected for most of them in 2007 and 2008. Of the countries which have already achieved their MTOs (Ireland, Spain, Luxembourg, the Netherlands, Finland), Ireland and the Netherlands are expected to reduce significantly their budget balances, with the Netherlands temporarily recording a deficit in 2007 before moving back to a balanced budget in 2008. A lower budget surplus is also projected for Spain.

Compared with the targets set out in the latest round of updated stability programmes, the European Commission forecasts point to generally more favourable budgetary

Chart 45 Quarterly government finance statistics, euro area

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



Source: ECB calculations based on Eurostat and national data.

**Table 9 Fiscal developments in the euro area**

(as a percentage of GDP)

	2003	2004	2005	2006	2007	2008
<b>European Commission economic forecasts, spring 2007</b>						
a. Total revenue	45.1	44.8	45.1	45.7	45.5	45.4
b. Total expenditure	48.2	47.6	47.6	47.3	46.5	46.2
<i>of which:</i>						
c. Interest expenditure	3.3	3.1	2.9	2.9	2.9	2.8
d. Primary expenditure (b - c)	44.9	44.5	44.6	44.5	43.6	43.3
Budget balance (a - b)	-3.0	-2.8	-2.5	-1.6	-1.0	-0.8
Primary budget balance (a - d)	0.2	0.3	0.5	1.3	1.9	2.0
Cyclically adjusted budget balance	-2.7	-2.4	-1.8	-1.2	-0.8	-0.7
Gross debt	69.2	69.7	70.5	69.0	66.9	65.0
Memo item: real GDP (annual percentage change)	0.8	2.0	1.4	2.7	2.6	2.5
<b>Euro area averages based on 2006-07 updated stability programmes<sup>1)</sup></b>						
Budget balance			-2.4	-2.1	-1.4	-1.1
Primary budget balance			0.6	1.0	1.5	1.8
Cyclically adjusted budget balance			-1.8	-1.7	-1.1	-0.8
Gross debt			70.6	69.4	67.8	66.4
Memo item: real GDP (annual percentage change)			1.4	2.6	2.2	2.2

Sources: European Commission, updated stability programmes 2006-07 and ECB calculations.

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

1) Data available as at May 2007. The euro area average in 2005 includes French data from the stability programme 2005-06.

developments. Hence, the projected 2007 and 2008 deficit ratios in the euro area are, respectively, 0.4 and 0.3 percentage point of GDP lower than the average of the national targets in the latest stability programmes. This reflects the expected carry-over effects of the largely unplanned increase in tax revenues in 2006 as well as a generally improved macroeconomic environment, while consolidation efforts are projected to be limited in 2007 and still to be made concrete in 2008 budgets.

Following the reduction recorded in 2006, the government debt ratio for the euro area as a whole is forecast to continue on its declining path and reach 65.0% of GDP in 2008. This is, in turn, a reflection of a decline in the debt ratio expected in all countries but Portugal, where the debt-to-GDP ratio will continue to increase. Nevertheless, seven euro area member countries (Belgium, Germany, Greece, France, Italy, Austria and Portugal) are expected to still record government debt ratios above or very close to 60% of GDP in 2008.

#### FACTORS UNDERLYING BUDGETARY DEVELOPMENTS

The budgetary improvement at the euro area level over the forecast horizon coincides with projected favourable economic conditions, in particular real GDP growth above potential in 2007 and, to a lesser extent, in 2008 (see Chart 46a). This induces a positive cyclical contribution to fiscal balances. To this is added a quite moderate consolidation effort, as reflected in an increase in the cyclically adjusted primary balance, by 0.4% of GDP in 2007 and 0.1% of GDP in 2008. Furthermore, this adjustment benefits from some temporary effects, while the reduction in the interest expenditure ratio is negligible (see Charts 46b and c). At the country level, the moderate improvement in the cyclically adjusted primary balance for the euro area to a large extent reflects expected adjustments in Germany, France and Italy, which more than compensate for deteriorations foreseen, particularly in Ireland and the Netherlands.

The moderate fiscal tightening expected at the euro area level in 2007 would result from a projected decline in the cyclically adjusted total expenditure ratio, which will more than offset a reduction in cyclically adjusted revenues (see Chart 46d). Assuming unchanged policies in 2008, cyclically adjusted revenue and expenditure ratios would both still decline, but at a smaller rate. According to Commission estimates, the decline in the revenue ratio mainly reflects a less rapid growth of tax bases relative to GDP growth, while expenditure developments are largely the result of unchanged trends in expenditure growth against higher than previously assumed GDP growth. In addition, the expiry of the one-off capital transfers in Italy explains a significant part (almost 0.4 percentage point of GDP) of the reduction in the euro area expenditure ratio in 2007.

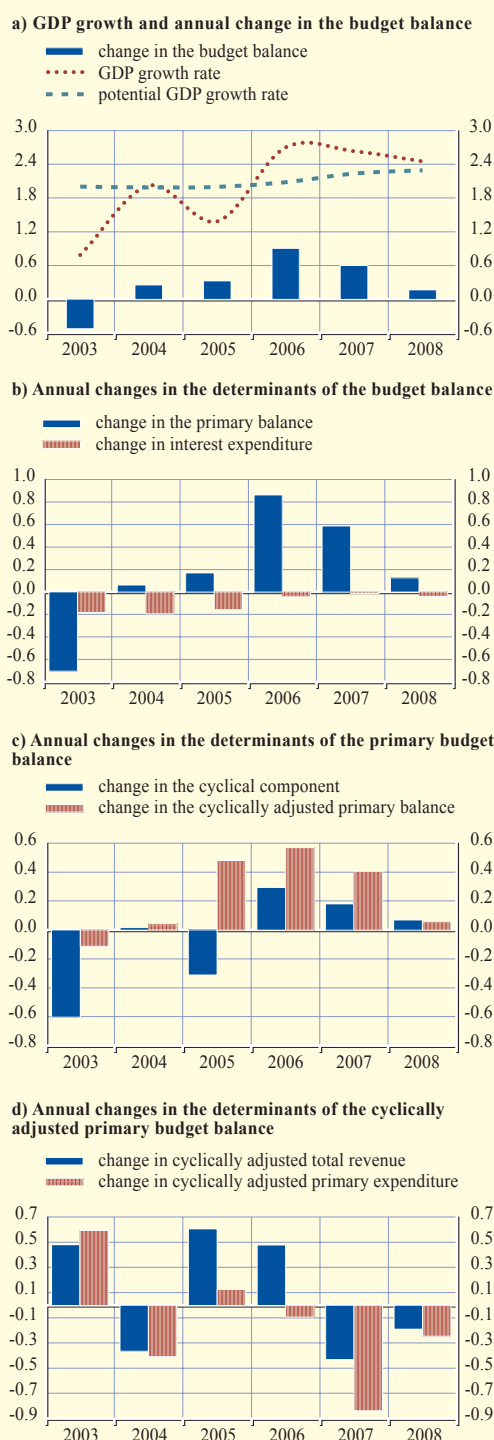
### ASSESSMENT

The better than expected fiscal developments in 2006 and the favourable economic outlook provide a new window of opportunity to redress remaining budgetary imbalances. Countries should make full use of the current economic growth momentum and better than expected tax revenues to pursue more ambitious fiscal consolidation where required and avoid procyclical policies. This would be in line with the provisions of the Stability and Growth Pact and also with the 20 April 2007 Eurogroup commitment. According to this, the Ministers of Finance of the euro area countries confirmed their support for the Stability and Growth Pact, agreed that the euro area is currently experiencing good times and committed themselves to achieving specific fiscal policy targets for the coming years.

In particular, the much better than expected fiscal outcomes in 2006 need to be translated into more ambitious budgetary targets for 2007 and beyond. Countries with budgetary imbalances should allocate recent revenue windfalls fully to deficit reduction and resist pressure to loosen fiscal policy. Such policies will contribute to setting government debt

**Chart 46 Determinants of budgetary developments in the euro area**

(in percentage points of GDP; percentage changes)



Sources: European Commission (spring 2007 economic forecasts) and ECB calculations.



ratios, which are still around the same levels or even above those at the beginning of Stage Three of EMU, on a sustainable downward path.

Countries with an excessive deficit need to ensure that they correct it as soon as possible and at the latest by the deadlines set by the ECOFIN Council. Consolidation requirements set out in Council recommendations and notices should at least be complied with and surpassed if underlying economic conditions prove to be more favourable than anticipated. In this regard, it is essential that these countries persist with structural consolidation efforts also after the correction of their excessive deficits.

For the countries without an excessive deficit but which have not yet reached their MTOs, the Stability and Growth Pact calls for annual improvements in the structural budget balance of 0.5% of GDP as a benchmark, with the expectation that greater consolidation efforts will be undertaken in good times. For 2007 and 2008, the projections by the European Commission suggest that the 0.5% benchmark will be met by the respective countries in only very few cases. Rather, structural consolidation efforts are projected to remain below the benchmark in almost all instances, whereas there is ample scope to actually exceed this benchmark in the current good times. Many countries should therefore implement much more ambitious consolidation strategies in 2007 and will need to adopt additional tightening measures in their 2008 budgets so as to achieve appropriate consolidation targets. In the context of overall favourable macroeconomic conditions, most euro area countries should achieve their MTOs by 2008 and 2009, and all of them aim to attain them by 2010 at the latest. This is also consistent with the Eurogroup commitment.

The countries which have already achieved their MTOs should avoid a pro-cyclical loosening of fiscal policy and allow, as a rule, the automatic fiscal stabilisers to operate. However, the Commission forecasts for 2007 point to, in some instances, substantial fiscal loosening in some countries in this group. The call for prudence applies in particular to countries where rapid economic growth is accompanied by macroeconomic imbalances (e.g. relating to excessive credit growth or large current account deficits). In such countries, allowing the operation of the automatic stabilisers may imply maintaining sizeable budget surpluses in nominal terms, which would provide an additional safety margin in case of any sudden negative change in the economic climate.

As discussed in greater detail in the box below, government wage policies have the potential to aggravate rather than smooth out macroeconomic fluctuations. In view of this, public wage policies of euro area countries have an important signalling role in the current economic situation.

Improving the quality of government finance data remains key to the effective monitoring of fiscal policies. In this regard, all efforts to enhance the fiscal data situation and strengthen data reliability are to be supported.

#### **STRATEGIES TOWARDS LONG-TERM FISCAL SUSTAINABILITY**

In most euro area countries, the long-term sustainability of public finances is still far from being assured. Population ageing will lead to increasing spending pressures in the areas of public pensions, health care and long-term care<sup>1</sup>. The achievement and maintenance of balanced budgets or budget surpluses in order to reduce government debt ratios rapidly and/or build up contingency

<sup>1</sup> For a recent assessment, see OECD Economic Outlook No 81, May 2007.

funds would make an important contribution to improving fiscal sustainability. In most euro area countries, however, further systemic and/or parametric reforms of public pension systems and adjustments to health care and long-term care policies still appear necessary. In addition, reforms to tax-benefit systems will contribute to fiscal sustainability if they trigger higher employment rates and stronger productivity growth. Measures to improve the quality of public spending, in particular by improving efficiency in the provision of public services, would also make a positive contribution. In this regard, the currently favourable economic conditions present an ideal environment for accelerating fiscal structural reforms and introducing appropriate national budgetary rules and procedures to better manage public spending.

**Box 10****GOVERNMENT WAGE DEVELOPMENTS IN THE EURO AREA**

The development of government sector wages in euro area countries is an important factor behind the evolution of total economy wages, unit labour costs and inflation. This is evident from the fact that the government sector wage bill, in terms of compensation of general government employees in the euro area, averaged more than 20% of total economy compensation of employees in the period 1999-2006 (see last column in the table below), with some variation across euro area countries.<sup>1</sup> Thus, wage negotiations and employment developments in the government sector and their potential spillover effects on other sectors of the economy may have a marked impact on unit labour costs and inflationary pressures (incl. via changes in administered prices)<sup>2</sup> in the euro area as a whole, as well as on the cost and price competitiveness of individual euro area countries. Against this background, this box examines the dynamic behaviour of government wages in the euro area and their evolution vis-à-vis private sector wages.

Since the inception of EMU, total compensation of government and private employees in the euro area has risen at broadly similar rates.<sup>3</sup> Although the situation differs notably across euro area countries, for the euro area as a whole the increase in total compensation of government employees has remained below that of nominal GDP. This implies that the share of government wage expenditure relative to GDP has fallen over time, in line with the decline in the income share of total economy and private sector wages in the euro area.

By contrast, compensation per individual employee rose significantly faster in the government sector than in the private sector over the period 1999-2006, reflecting the different evolution of employment in both sectors. While these developments have varied considerably across euro area countries, in several of them government wages per employee rose faster than private sector wages per employee. This phenomenon is related to a number of factors, including

1 Attention should be drawn to some methodological caveats surrounding the measurement and cross-country comparability of government compensation of employees and government employment. Some of the observed differences in the behaviour of these two fiscal variables among euro area countries are related to institutional issues, such as differences in the organisation of the public sector. For example, in countries where hospitals are owned and managed directly by the government (either general, regional or local) the related healthcare costs appear in the government accounts as salaries paid directly to employees, as well as purchases of medicines and other inputs. By contrast, in countries where hospitals are managed by the private sector or a public corporation classified as being outside the general government, the costs borne by the government will show up under other public expenditure categories. This difference in the organisation of the provision of services may thus lead to different assessments of government wage developments, although the underlying economic transactions may indeed be very similar.

2 See May 2007 ECB Monthly Bulletin Box "Measuring and assessing the impact of administered prices on HICP inflation", pages 38-41.

3 Private sector compensation of employees is calculated as total economy compensation of employees minus government sector compensation of employees. Private sector compensation per employee is calculated as private sector compensation of employees divided by the number of private employees (total economy employees minus government employees minus self-employees).

## Compensation per employee in the government sector and private sector in the euro area

	% growth in nominal terms, 1999-2006						Share of compensation of government employees in total comp. of employees, average 1999-2006 (%)
	Compensation of government employees	Compensation per government employee	Compensation of private employees	Compensation per private employee	Memorandum items		
					GDP	HICP inflation	
<b>Euro area</b>	<b>27.5</b>	<b>21.6</b>	<b>27.0</b>	<b>14.7</b>	<b>31.0</b>	<b>16.3</b>	<b>21.4</b>
Belgium	33.6	25.3	27.4	18.8	32.0	15.9	23.3
Germany	0.5	8.3	9.0	7.5	15.2	11.7	14.9
Ireland	131.7	67.0	84.7	42.2	92.1	28.0	22.5
Greece	74.0	64.9	66.3	44.7	68.8	26.3	35.5
Spain	56.0	22.1	57.8	12.2	67.8	25.4	20.8
France	27.1	20.4	31.8	23.0	29.9	14.7	25.6
Italy	36.7	33.8	36.0	14.8	30.8	18.3	26.8
Luxembourg	59.8	34.6	64.3	43.7	66.6	22.7	16.7
Netherlands	37.6	24.8	27.8	26.2	35.3	19.5	19.4
Austria	3.7	16.0	23.8	15.8	28.1	13.7	19.6
Portugal	39.3	25.3	44.5	31.9	33.4	24.0	28.2
Finland	36.2	28.2	36.5	28.0	35.8	11.6	27.7

Source: OECD Economic Outlook database, December 2006 issue. Missing government employment data for Germany, Greece and Austria has been taken from the June 2006 issue.

Notes: The euro area aggregate excludes Slovenia, as it was not part of the euro area in the period covered. The concept of total compensation of employees in the government sector is in line with ESA 95. For statistical issues regarding the definition of government employment, see the OECD publication "Measuring public employment in OECD countries: sources, methods and results", OECD, 1997. In view of differences with alternative data sources, OECD government employment figures for a number of countries (in particular Spain, Greece and Portugal) have to be taken with caution.

differences in the prevailing types of wage contract in the public and private sectors, the skill composition of employees in both sectors, the relative scarcity of workers, the prevalence of part-time and temporary work arrangements and, last but not least, the strength of constraints on government budgets versus the pressure from market competition in the private sector.

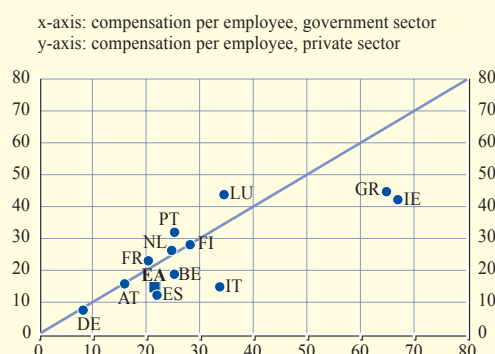
The dynamic behaviour of government wages is of particular interest when analysing aggregate economic fluctuations. Recent evidence supports the conclusion that government wage spending, compensation per employee and employment have typically moved in a pro-cyclical manner (with one/two-year lags) in the euro area and in euro area countries over the last 30 years.<sup>4</sup> This is consistent with a political economy view of the behaviour of public wages, whereby governments find it harder in favourable economic conditions to resist pressures to raise employment, wages and thus wage expenditure. Similarly, in an economic downturn, government wage expenditure appears to be one of the tools for discretionary tightening, in order to limit deficit increases.

In order to assess the impact of government wage developments on the economy, it is also important to consider the potential spillover effects between public and private sector wages. Over the period 1999-2006 a positive correlation was evident between government sector and private sector wages per employee in euro area countries (Chart A). Also over the long term, euro area compensation per employee in the government and private sectors followed similar trends, with government wages rising more slowly in the 1980s and faster since the mid-1990s (Chart B).

<sup>4</sup> See A. Lamo, J. J. Pérez and L. Schuknecht, "The cyclicity of consumption, wages and employment of the public sector in the euro area", ECB Working Paper No 757, May 2007.

**Chart A Compensation per employee in the government sector and private sector in the euro area**

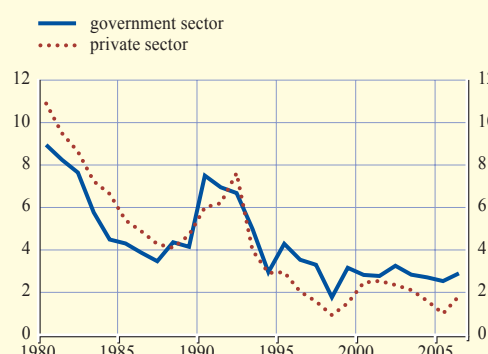
(Nominal percentage growth rates, 1999-2006)



Source: See table in this box.  
Note: The euro area aggregate excludes Slovenia, as it was not part of the euro area in the period covered.

**Chart B Euro area compensation per employee, 1980-2006**

(Annual average nominal percentage growth rates)



Source: See table in this box.  
Note: The euro area aggregate excludes Slovenia.

However, this correlation pattern does not indicate the direction of causality and it is therefore not possible to conclude whether public sector wages lead or follow private sector wage developments. From a theoretical standpoint, both a leader and a follower role for public wages are possible, and the empirical relationship is likely to depend on country-specific circumstances. In this regard, the size of the government and thus the weight of government employment in the national labour market may play an important role. The larger the public sector wage bill, the higher the potential impact of government wage agreements on wage changes in the private sector and on the aggregate wage level of the economy. This would tend to raise the likelihood of a leader role for public wages. The limited empirical evidence provided by the academic literature in this regard seems to suggest a (weak) leader role for private sector wages in some industrial countries. However, in the case of the euro area, the fact that government wages rose faster than private sector wages in the period 1999-2006 might provide some anecdotal evidence that public sector wages at least did not have a follower role in this period. By contrast, in the 1980s, when many euro area countries were faced with the need to curb large government deficits, wage and employment restraint in the public sector may have set the stage for wage moderation in the private sector.

The findings reported above on the pro-cyclicality of public wages and employment, and the contribution of government wages to total economy wage developments in the euro area call for particular prudence on the part of governments in the current cyclical upturn. Any departure from earlier plans to maintain public wage and employment restraint risks fuelling aggregate demand pressures, burdening government budgets with additional spending commitments that will carry over into the next downswing, and could even trigger additional wage pressures in the private sector. Public wage policies in the euro area countries thus have an important signalling role in the current economic situation and play an important part in supporting the single monetary policy in maintaining price stability as well as in dealing with unwarranted wage and inflation differentials in EMU.

## 6 EUROSISTEM STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

*On the basis of the information available up to 24 May 2007, Eurosystem staff have prepared projections for macroeconomic developments in the euro area.<sup>1</sup> Average annual real GDP growth is projected to be between 2.3% and 2.9% in 2007, and between 1.8% and 2.8% in 2008. The average rate of increase in the overall Harmonised Index of Consumer Prices (HICP) is projected to be between 1.8% and 2.2% in 2007, and between 1.4% and 2.6% in 2008.*

### Box 11

#### TECHNICAL ASSUMPTIONS

The Eurosystem staff projections are based on a series of assumptions about interest rates, exchange rates, oil prices and fiscal policies.

The technical assumptions about interest rates and both oil and non-energy commodity prices are based on market expectations, with a cut-off date of 11 May 2007. With regard to short-term interest rates as measured by the three-month EURIBOR, market expectations are measured by forward rates, reflecting a snapshot of the yield curve at the cut-off date. This implies an increase from the mid-May level of 4.0% to an average of 4.2% in 2007, and a further increase to an average of 4.5% in 2008. The market expectations for euro area ten-year nominal government bond yields imply a flat profile around the mid-May level of 4.2%, with an average of 4.2% in 2007 and 4.3% in 2008. On the basis of the path implied by futures markets in the two-week period ending on the cut-off date, annual average oil prices are assumed to be USD 65.0 per barrel in 2007 and USD 69.9 per barrel in 2008. The average annual increase in non-energy commodity prices in US dollars is assumed to be 22.0% in 2007 and 4.9% in 2008.

The technical assumption is made that bilateral exchange rates remain unchanged over the projection horizon at the average levels prevailing in the two-week period ending on the cut-off date. This implies a EUR/USD exchange rate of 1.36 and an effective exchange rate of the euro that is 3.7% higher than the average for 2006.

Fiscal policy assumptions are based on national budget plans in the individual euro area countries. They include all policy measures that have already been approved by national parliaments or that have been specified in detail by governments and are likely to pass the legislative process.

#### THE INTERNATIONAL ENVIRONMENT

The external environment of the euro area is expected to remain favourable over the projection horizon. While real GDP growth in the United States and Japan is expected to be somewhat lower than in recent years, growth in emerging Asia is expected to remain well above the global average. Growth in most other large economies is also projected to remain dynamic. In addition, the

<sup>1</sup> The Eurosystem staff macroeconomic projections are produced jointly by experts from the ECB and the euro area NCBs. They are a biannual input into the Governing Council's assessment of economic developments and the risks to price stability. More information on the procedures and techniques used is given in "A guide to Eurosystem staff macroeconomic projection exercises", ECB, June 2001. To reflect the uncertainty surrounding the projections, ranges are used to present the results for each variable. The ranges are based on the differences between actual outcomes and previous projections carried out over a number of years. The width of the ranges is twice the average absolute value of these differences.

**Table 10 Macroeconomic projections for the euro area**

(average annual percentage changes<sup>1),2)</sup>)

	2006	2007	2008
HICP	2.2	1.8-2.2	1.4-2.6
Real GDP	2.9	2.3-2.9	1.8-2.8
Private consumption	1.8	1.7-2.1	1.6-2.8
Government consumption	2.0	1.0-2.0	1.0-2.0
Gross fixed capital formation	5.1	3.8-6.0	1.9-5.1
Exports (goods and services)	8.5	4.8-7.6	4.0-7.2
Imports (goods and services)	8.0	4.6-8.0	3.9-7.3

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

2) The reported numbers include Slovenia already in 2006, except with regard to the HICP, where they include Slovenia only from 2007. The weight of Slovenia in euro area GDP is approximately 0.3%.

countries that joined the European Union on 1 May 2004 are expected to continue to record robust growth rates.

Overall, following an annual growth rate of 6.0% in 2006, world real GDP growth outside the euro area is projected to average about 5.1% in 2007 and 5.0% in 2008. Growth in the euro area's external export markets is projected to be about 5.6% in 2007 and 6.9% in 2008.

### REAL GDP GROWTH PROJECTIONS

Following a real GDP growth rate of 0.9% quarter on quarter in the fourth quarter of last year, Eurostat's first estimate for euro area GDP in the first quarter of this year indicates quarter-on-quarter growth of 0.6%. Over the projection horizon, growth in real GDP is expected to continue to expand at quarterly rates of about 0.6%. Against this background, average annual real GDP growth is projected to be between 2.3% and 2.9% in 2007, and between 1.8% and 2.8% in 2008.

Among the domestic expenditure components of GDP, private consumption is expected to well absorb the increase in indirect taxes at the beginning of 2007, reflecting ongoing increases in disposable income. The latter, in turn, is projected to be supported by improvements in the labour market, and to some extent also by increases in non-labour income growth in the context of high corporate profit rates. The saving ratio is expected to remain broadly stable over the horizon, and average annual growth in private consumption is projected to be between 1.7% and 2.1% in 2007, and between 1.6% and 2.8% in 2008. Government consumption is expected to grow moderately at a pace between 1.0% and 2.0% in both 2007 and 2008.

Business investment should continue to benefit from favourable demand prospects, high corporate profit rates and continued favourable financing conditions. Government investment growth is also expected to remain above GDP growth. By contrast, residential private investment is expected to slow down over the projection horizon, reflecting the ongoing moderation in housing markets. Overall, the average annual rate of growth in total fixed investment is projected to be between 3.8% and 6.0% in 2007, and between 1.9% and 5.1% in 2008.

Export growth is expected to continue to support economic activity, as foreign demand is projected to continue growing at a robust pace. Extra-euro area export market shares are, however, expected



to decline slightly over the projection horizon, owing to increased global competition and to lagged effects from past losses in price competitiveness. Overall, the average annual rate of change in total exports, which includes intra-euro area trade, is projected to be between 4.8% and 7.6% in 2007, and between 4.0% and 7.2% in 2008. The average annual rate of growth in total imports is projected to be between 4.6% and 8.0% in 2007, and between 3.9% and 7.3% in 2008. The contribution from net trade is projected to be roughly neutral over the projection period.

The recent favourable labour market trend is projected to continue. Total employment is projected to continue to grow steadily over the projection period, benefiting from aggregate demand growth and from the assumption of still contained labour cost growth. At the same time, labour supply is expected to increase as a result of improved job prospects and structural labour market reforms in a number of euro area countries. In parallel, the unemployment rate is projected to decline further over the projection horizon.

### PRICE AND COST PROJECTIONS

Since September 2006 annual inflation has been hovering around rates slightly below 2%, benefiting from favourable trends in energy prices. Looking ahead, the projections for inflation are very much shaped by varying contributions from indirect taxes and unit labour costs. While in 2007 higher indirect taxes are expected to have a major impact on HICP inflation (with an aggregate euro area contribution of 0.5 percentage point), for 2008, the indirect tax measures known about so far are, on balance, expected to have a neutral impact on HICP inflation. At the same time, the projections are based on the expectation that total economy wage growth will increase slightly over the projection period. As labour productivity growth is projected to remain roughly stable, this implies a projection of moderately increasing unit labour cost growth over the horizon. Finally, the HICP projections are also based on expectations of steady, albeit slightly declining, growth in profit margins and only limited price pressures from non-commodity imports, as well as a continued positive contribution from administered prices to inflation. As a result of these various elements, the average rate of increase in the overall HICP is projected to be between 1.8% and 2.2% in 2007, and between 1.4% and 2.6% in 2008.

### COMPARISON WITH THE MARCH 2007 PROJECTIONS

With regard to real GDP growth, the current range projected for 2007 is within the upper part of the range contained in the ECB staff macroeconomic projections published in the March 2007 issue of the Monthly Bulletin. The range for 2008 has been adjusted slightly downwards, in line with the anticipated effects of slightly higher energy prices and a stronger exchange rate of the

**Table II Comparison with the March 2007 projections**

(average annual percentage changes)			
	2006	2007	2008
Real GDP – March 2007	2.8	2.1-2.9	1.9-2.9
Real GDP – June 2007	2.9	2.3-2.9	1.8-2.8
HICP – March 2007	2.2	1.5-2.1	1.4-2.6
HICP – June 2007	2.2	1.8-2.2	1.4-2.6

euro than previously assumed. With regard to HICP inflation, the range projected for 2007 has been shifted upwards, mainly reflecting the assumption of slightly higher energy prices than in the last exercise, while the range projected for 2008 has remained unchanged.

**Box 12**

**FORECASTS BY OTHER INSTITUTIONS**

A number of forecasts for the euro area are available from both international organisations and private sector institutions. However, these forecasts are not strictly comparable with one another or with the Eurosystem staff macroeconomic projections, as they were finalised at different points in time and are therefore partly outdated. Additionally, they use different (partly unspecified) methods to derive assumptions for fiscal, financial and external variables, including oil prices. Finally, there are differences in working-day adjustment methods across different forecasts (see the table below).

In the forecasts currently available from other institutions, euro area real GDP growth is seen to be between 2.3% and 2.7% in 2007, and between 2.2% and 2.5% in 2008. The forecasts anticipate annual average HICP inflation to be between 1.8% and 2.0% in 2007, and between 1.9% and 2.0% in 2008. All forecasts fall within the ranges of the Eurosystem projections.

**Comparison of forecasts for euro area real GDP growth and HICP inflation**

(average annual percentage changes)

	Date of release	GDP growth			HICP inflation		
		2006	2007	2008	2006	2007	2008
IMF	Apr. 2007	2.6	2.3	2.3	2.2	2.0	2.0
European Commission	May 2007	2.7	2.6	2.5	2.2	1.9	1.9
OECD	May 2007	2.8	2.7	2.3	2.2	1.8	2.0
Consensus Economics Forecasts	May 2007	2.8	2.5	2.2	2.2	1.9	1.9
Survey of Professional Forecasters	May 2007	2.8	2.5	2.3	2.2	1.9	1.9
Eurosystem staff projections	June 2007	2.9	2.3-2.9	1.8-2.8	2.2	1.8-2.2	1.4-2.6

Sources: European Commission Economic Forecasts, Spring 2007; IMF World Economic Outlook, April 2007; OECD Economic Outlook No 81 – May 2007, Preliminary Edition; Consensus Economics Forecasts; and the ECB's Survey of Professional Forecasters. Note: The Eurosystem staff macroeconomic projections and the OECD forecasts both report working-day-adjusted annual growth rates, whereas the European Commission and the IMF report annual growth rates that are not adjusted for the number of working days per annum. Other forecasts do not specify whether they report working-day-adjusted or non-working-day-adjusted data.

## 7 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

### 7.1 EXCHANGE RATES

After a period of relative stability in the middle of 2006, the euro started to appreciate towards the end of the year. Some volatility notwithstanding, the appreciation continued in 2007, with the euro reaching a level on 5 June that was 3.6% higher than its 2006 average.

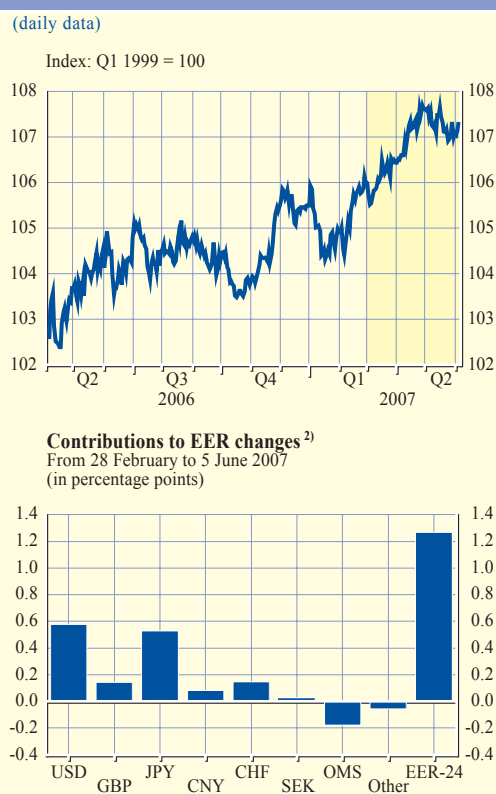
#### EFFECTIVE EXCHANGE RATE OF THE EURO

Over recent months, the effective exchange rate of the euro has appreciated. Following a period of broad stability between May and October 2006, the nominal effective exchange rate of the euro – as measured against the currencies of 24 of the euro area’s important trading partners – first appreciated sharply in the course of November 2006. Although the euro gave up some of these gains in early January 2007, a relatively broad-based appreciation emerged subsequently, extending towards the end of April 2007. The nominal effective exchange rate of the euro had receded somewhat from the end-April peak by 5 June, but was still 1.2% above its level at the end of February 2007 and 3.6% higher than its average level in 2006 (see Chart 47). In terms of the indicators of the international price and cost competitiveness of the euro area, based on developments in consumer and producer prices, the real effective exchange rate of the euro was around 3% above its average 2006 level in April 2007 (see Chart 48).

#### US DOLLAR/EURO

The appreciation of the effective exchange rate of the euro is to a significant extent a consequence of movements against the US dollar. After a period of broad stability in the middle of 2006, the euro started to strengthen vis-à-vis the US dollar in the last quarter of 2006. Following a sharp appreciation in November, which was partly reversed in early 2007, the euro strengthened at a relatively steady, but more moderate, pace until the end of April 2007. On 25 April, the euro reached an all-time high of USD 1.365, slightly above the previous high of December 2004. The appreciation of the euro vis-à-vis the US currency since late 2006 appears to have been related to a shift in market participants’ assessment of the relative cyclical outlook for the two economic areas. While concerns about the prospects for the US economy, especially with respect to the housing sector and the sub-prime mortgage market, became more wide-

**Chart 47 Euro effective exchange rate and its decomposition<sup>1)</sup>**



Source: ECB.

Note: The shaded area refers to the period from 28 February 2007 to 5 June 2007.

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-24 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category “Other Member States (OMS)” refers to the aggregate contribution of the currencies of the non-euro area Member States (except the GBP and SEK). The category “Other” refers to the aggregate contribution of the remaining six trading partners of the euro area in the EER-24 index. Changes are calculated using the corresponding overall trade weights in the EER-24 index.

spread among market participants, economic data releases in the euro area were perceived to provide further evidence of the robustness and strength of the expansion in the common currency area. In the course of May, the euro gave up some of its previous gains, as indicators for the US economy seem to have been more favourable than expected by market participants and were followed by an upward shift in futures rates for Fed funds. At the same time, the prices of currency derivatives indicated that expectations of a further strengthening of the euro had given way to expectations of short-term stability vis-à-vis the US dollar. On 5 June 2007, the euro traded at USD 1.35, i.e. 2.4% above its end-February level and 7.8% stronger than its 2006 average (see Chart 49).

### JAPANESE YEN/EURO

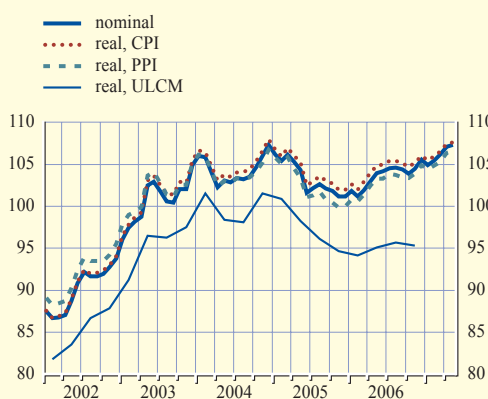
The Japanese yen has also depreciated significantly against the euro over recent months, thereby contributing significantly to the appreciation of the effective exchange rate of the euro. The euro has continued the general appreciation trend that has been in place since mid-2005, interrupted only temporarily in the context of the more general market turbulences in early March 2007. By early April, the euro had recovered the losses incurred during the turbulences, reaching an all-time high of JPY 164.42 on 5 June. The strengthening of the euro vis-à-vis the Japanese yen appears to be related, in part, to market perceptions of the relative cyclical positions of the two areas, as data releases for the euro area were perceived to be more robust than those for the Japanese economy. These developments were reflected, at least partly, in a further widening of interest rate differentials between euro area and Japanese assets. In combination with low expected volatilities and the high risk appetite of the international investor community, this has reportedly resulted in significant carry-trade activity, with the low-yielding Japanese yen frequently serving as a funding currency. This speculative activity, which is to some extent also reflected in large non-commercial net short positions with respect to the Japanese yen, may have exacerbated the business cycle-related strengthening of the euro vis-à-vis the Japanese currency. On 5 June, the euro was traded 5.1% above its end-February level and 12.6% above the 2006 average (see Chart 49).

### EU MEMBER STATES' CURRENCIES

As was the case in 2006, most currencies participating in ERM II remained stable and continued to trade at, or close to, their respective central rates in the first five months of 2007 (see Chart 50). Over the past three months, the euro recorded larger movements only against the Latvian lats (depreciating by 1.4% between end-February and 5 June) and against the Slovak koruna (weakening by 1.2%). After having depreciated towards the lower end of the intervention band of  $\pm 1\%$  that was set unilaterally by Latvijas Banka, the Latvian lats appreciated in April, trading close to the stronger end of that intervention band in May. On 5 June, the Latvian lats traded at LVL 0.697 against the euro, i.e. 0.9% stronger than its central rate.

**Chart 48 Euro nominal and real effective exchange rates <sup>1)</sup>**

(monthly/quarterly data; index: Q1 1999 = 100)

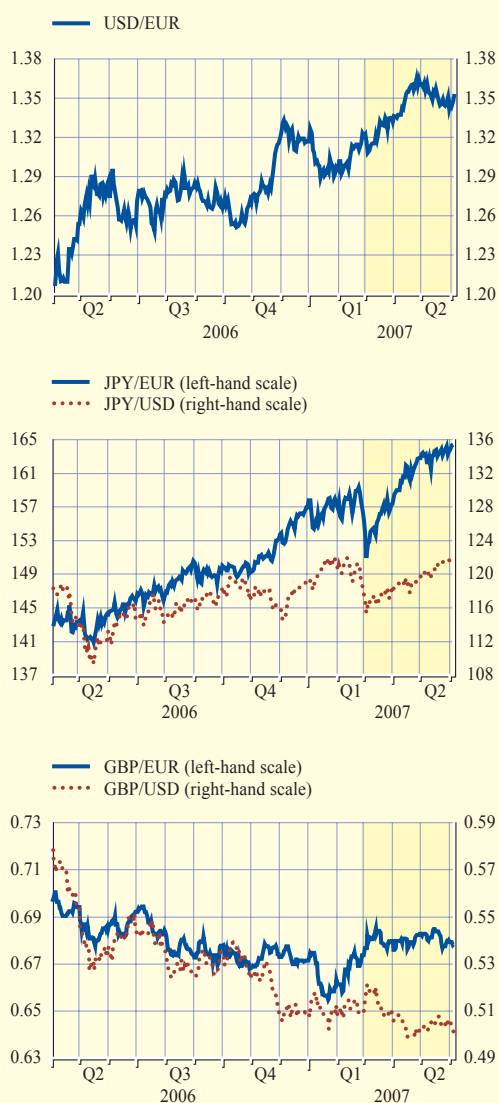


Source: ECB.

1) An upward movement of the EER-24 indices represents an appreciation of the euro. The latest observations for monthly data are for May 2007. In the case of the ULCM-based real EER-24, the latest observation is for the fourth quarter of 2006 and is partly based on estimates.

**Chart 49 Patterns in exchange rates**

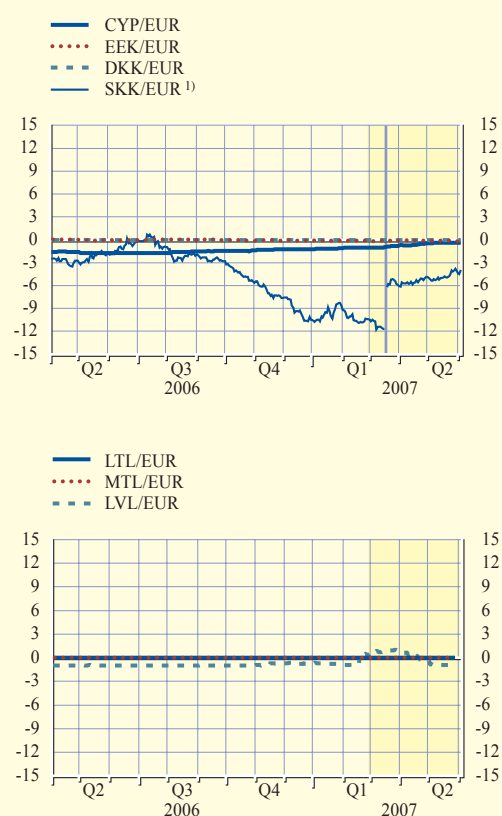
(daily data)



Source: ECB.  
 Note: The shaded area refers to the period from 28 February 2007 to 5 June 2007.

**Chart 50 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 rate 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.  
 1) The vertical line indicates the date of 19 March 2007 when the central rate of the Slovak koruna vis-à-vis the euro was revalued from SKK 38.4550 to SKK 35.4424.

With regard to the currencies of other EU Member States, following a period of broad stability, the euro experienced some more pronounced swings vis-à-vis the pound sterling in early 2007. Since end-February, the euro exchange rate against the pound sterling has stabilised again, trading within a relatively narrow range around GBP 0.68. The pound sterling appears to have been supported by market expectations of a further tightening of monetary policy by the Bank of England. On 5 June, the euro traded at GBP 0.68, i.e. 0.7% above the level at the end of February and 0.5% below its 2006 average. As for the currencies of the other larger Member States, the

euro depreciated vis-à-vis the Polish zloty and the Hungarian forint between end-February and 5 June (by 2.7% and 1.6% respectively). In addition, the euro depreciated by 4.1% against the Romanian leu. Finally, between end-February and 5 June, the euro remained broadly unchanged against the Czech koruna.

#### OTHER CURRENCIES

Between end-February and 5 June 2007, the euro rose by about 2.2% against the Swiss franc, continuing an appreciation trend that has been in place since the middle of 2006. This strengthening was reportedly related, at least in part, to carry-trade activity, in which the Swiss franc serves as a funding currency. On 21 May, the euro exchange rate reached an all-time high of CHF 1.656. Over the same period, the euro also strengthened vis-à-vis the currencies of the euro area's main Asian trading partners, with particularly pronounced increases being recorded vis-à-vis the Singapore dollar (2.5%) and the Hong Kong dollar (2.4%). At the same time, the euro weakened noticeably against the Canadian dollar (by 7.2%), as the latter benefited from continued high commodity prices and robust economic activity in Canada.

## 7.2 BALANCE OF PAYMENTS

*In the first quarter of 2007, balance of payments data pointed to a deceleration in the growth of euro area exports and imports of goods in comparison with the fourth quarter of last year. This slowdown notwithstanding, the goods surplus continued to rise in the 12-month period up to March 2007, also translating into a surplus in the euro area current account for the same period. In the financial account, combined direct and portfolio investment recorded net inflows of €229.3 billion in this period, compared with net outflows of €46.2 billion in the corresponding period 12 months earlier. The shift in the direction of capital flows in this period mainly reflected larger net inflows in portfolio investment.*

#### TRADE AND THE CURRENT ACCOUNT

Unlike developments in the fourth quarter of 2006, the growth of extra-euro area exports and imports decelerated in the first quarter of 2007. The value of exports of goods and services grew by 0.9% (quarter-on-quarter in seasonally adjusted terms), following strong growth of 4.1% in the fourth quarter of 2006. At the same time, imports of goods and services increased by 0.8%, the growth rate declining further from 1.2% in the fourth quarter 2006 (see Table 12). While the slowdown in import growth related to both goods and services, the downturn of exports reflected solely developments in goods trade. Exports of services, by contrast, grew robustly, increasing by 3.1% in the first quarter of 2007.

The breakdown of trade in goods into volumes and prices, available up to February 2007, shows that export volumes seem to be the main driver behind the decrease in the value of goods exports. After having grown strongly since the third quarter of 2006, export volumes showed signs of weakening towards the end of 2006 before declining markedly in January and February 2007. While this might be partly interpreted as a normalisation after the exceptionally strong export growth of preceding months that was also favourably influenced by statistical effects (i.e. belated declarations of exports in Germany), somewhat weaker – albeit still robust – foreign demand may also partly explain the recent developments in euro area exports of goods. Export prices increased only moderately.



**Table 12 Main items of the euro area balance of payments**

(seasonally adjusted, unless otherwise indicated)

	2007		3-month moving average figures ending			12-month cumulated figures ending		
	2007 Feb.	2007 Mar.	2006 June	2006 Sep.	2006 Dec.	2007 Mar.	2007 Mar.	
<i>EUR billions</i>								
<b>Current account</b>	-3.7	5.4	-1.5	-1.5	3.6	1.7	-18.5	7.0
Goods balance	3.7	7.2	1.5	1.4	5.8	5.3	30.5	41.9
Exports	123.5	123.9	113.5	116.8	122.2	122.5	1,265.9	1,425.1
Imports	119.8	116.7	112.0	115.4	116.4	117.3	1,235.4	1,383.2
Services balance	4.2	4.2	3.1	2.9	3.0	3.8	36.1	38.1
Exports	37.3	38.7	35.8	35.7	36.5	37.6	411.1	436.5
Imports	33.2	34.5	32.7	32.8	33.5	33.8	375.0	398.5
Income balance	-4.9	-0.9	-0.6	0.7	1.1	-2.0	-17.0	-2.5
Current transfers balance	-6.7	-5.1	-5.5	-6.4	-6.2	-5.4	-68.0	-70.5
<b>Financial account<sup>1)</sup></b>	-9.2	-37.9	13.0	17.0	-9.6	-1.7	89.7	56.2
Combined net direct and portfolio investment	13.8	63.6	25.9	-7.2	24.2	33.5	-46.2	229.3
Net direct investment	-12.4	-8.1	-6.7	-14.6	-19.1	-10.9	-214.3	-154.1
Net portfolio investment	26.2	71.7	32.5	7.4	43.3	44.5	168.1	383.3
Equities	18.2	41.7	17.0	8.4	20.4	31.4	162.6	231.7
Debt instruments	8.0	30.1	15.5	-0.9	22.9	13.1	5.5	151.7
Bonds and notes	6.1	43.6	22.8	4.3	33.3	14.0	7.2	223.4
Money market instruments	1.9	-13.5	-7.3	-5.2	-10.4	-0.9	-1.7	-71.7
<i>Percentage changes over previous period</i>								
<b>Goods and services</b>								
Exports	2.5	1.1	1.6	2.2	4.1	0.9	10.8	11.0
Imports	2.7	-1.1	1.7	2.4	1.2	0.8	15.5	10.6
<b>Goods</b>								
Exports	2.8	0.3	1.9	3.0	4.6	0.2	11.1	12.6
Imports	4.0	-2.6	1.8	3.1	0.9	0.7	17.1	12.0
<b>Services</b>								
Exports	1.4	3.7	0.8	-0.3	2.3	3.1	10.1	6.2
Imports	-1.8	4.1	1.5	0.2	2.3	0.9	10.4	6.3

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.

Turning to the import side, developments in import prices remained a major factor behind subdued growth in import values in the first quarter. The appreciation of the euro seems, thus far, to have largely offset the effects of the rebound in oil prices. In addition, the ongoing increase in import volumes from low-cost countries, such as China, also continued to have a dampening effect on import prices (for a more detailed account, see Box 13).

### Box 13

#### IS THE DOWNWARD IMPACT OF GLOBALISATION ON IMPORT PRICES WANING?

After having declined significantly between 2001 and 2004, prices of euro area manufacturing imports, expressed in euro terms, are again on an upward trend. An earlier analysis, described in Box 6 of the August 2006 issue of the Monthly Bulletin, showed that the rise in trade integration with emerging markets and developing economies had contributed significantly to

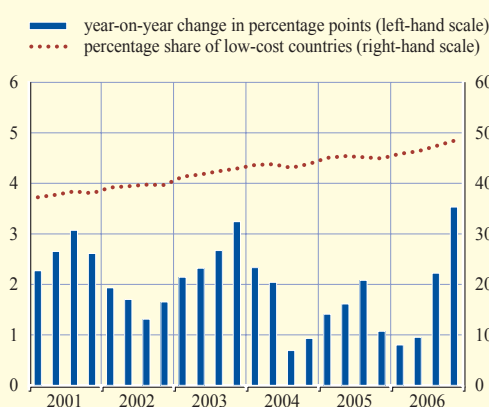
import price moderation in the euro area. The recent price increases have triggered a debate on whether the downward impact of low-cost countries<sup>1</sup> on euro area import prices is fading, especially since these increases were recorded in a period marked by an appreciation of the euro, which is likely, a priori, to have had an offsetting effect. Against this background, this box briefly reviews the effect of globalisation on import prices by reconsidering the two main dimensions of the impact of rising imports from low-cost countries.

First, with price levels of imports from low-cost countries remaining substantially lower than those of imports from high-cost countries, the size and persistence of the downward effect on euro area import prices depends predominantly on the so-called “share effect”, i.e. the extent to which the share of imports from low-cost countries into the euro area will keep increasing. Between 2001 and 2006, the import penetration in the euro area of goods originating in low-cost countries rose from 37% to almost 50%. The share of imports from these countries even saw a renewed surge in the fourth quarter of 2006, with an increase by 3.5 percentage points, the highest year-on-year change of this indicator since 2001 (see Chart A). There is, therefore, no substantive evidence to suggest that the import substitution away from high-cost partners towards low-cost exporters has recently come to a halt.

Second, the downward impact on euro area import price inflation also depends on import price inflation differentials between high-cost and low-cost countries (the “price effect”). In contrast to the significant decline recorded over the period from 2001 to 2004, import price inflation from China and the ASEAN countries picked up in late 2005. Import price inflation from Member States that have joined the EU since 2004, already started to increase in 2004. However, while the rising import prices from low-cost countries could be a sign, in principle, that the downward impact of globalisation is waning, this does not seem to be the case. Price dynamics of imports from the remaining euro area suppliers, high-cost and low-cost countries alike, have followed the same upward trend (see Chart B). The broad basis of the observed increases in euro area import prices indicates that they are likely to be associated with cost-driving factors that are common to all euro area trading partners. The generally high and positive correlation between changes in global energy prices and changes in the prices of exports by most euro area suppliers, which ranges from 0.5 to 0.8, suggests that higher input costs, in the form of higher energy and raw material prices, have

Chart A Share of euro area imports from low-cost countries

(values in euro; quarterly data)



Sources: Eurostat and ECB calculations.  
Notes: The last observation refers to the fourth quarter of 2006. The country decomposition is explained in footnote 1.

<sup>1</sup> The country decomposition considers 29 countries (and regions) of origin that cover the main trading partners of the euro area. These were divided into two groups (“high-cost countries” and “low-cost countries”) on the basis of their GDP per capita. The group of “high-cost countries” includes Canada, Denmark, Hong Kong, Israel, Japan, the Republic of Korea, Norway, the OPEC countries, Singapore, Sweden, Switzerland, Taiwan, the United Kingdom and the United States. The group of “low-cost countries” is made up of 15 countries and regions: Algeria, Argentina, the ASEAN, Brazil, Chile, Central America and the Caribbean, the CIS, China, India, eastern European countries that have joined the EU since 1 May 2004, rest of North Africa, rest of Africa, rest of Asia, rest of South America, and Turkey.

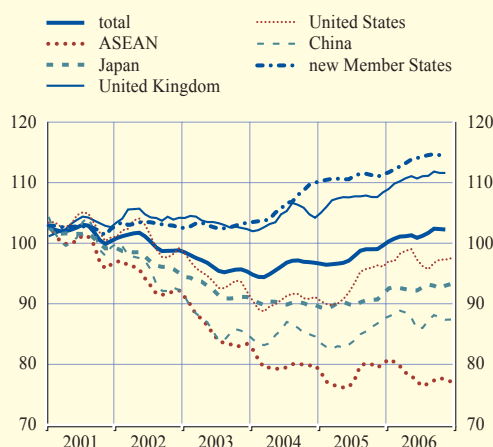
been an important factor behind the recent increase in manufacturing prices.

It should also be noted that, in the second half of 2006, the prices of manufacturing imports from ASEAN countries reverted to a falling trend, while price changes for imports from China moderated as well. With price inflation of manufacturing imports from China and the ASEAN countries remaining persistently lower than the average import price inflation from all other euro area trade partners, the “price effect” continued to make a negative contribution.

Looking forward, the downward impact of globalisation on euro area import prices depends primarily on the ability of low-cost suppliers to continue to export large quantities of goods at prices well below the international average. Economic development, wage increases and a deterioration of the terms of trade in many low-cost countries may ultimately cause their export prices to converge to higher levels. However, the substantial differences between the price levels of imports from low-cost countries and those from high-cost countries, associated with the unbroken trend of gains in export market shares by the former, and the strong specialisation of these countries in producing and exporting products and varieties characterised by lower prices, seem to indicate that the downward pressures of globalisation on euro area import prices are not yet petering out.

**Chart B Prices of euro area manufacturing imports from selected countries and regions**

(unit value indices in euro; 2001 Q1=100)



Sources: Eurostat and ECB calculations.  
Notes: The latest observation refers to December 2006, except in the case of the euro area and the United Kingdom (November) and the new EU Member States (October). The chart shows the total import prices for the new Member States, due to the non-availability of manufacturing import prices. The new Member States refer to the eastern European countries that joined the EU on 1 May 2004.

Taking a longer-term perspective, the 12-month cumulated current account up to March 2007 registered a surplus of €7.0 billion (about 0.1% of GDP), compared with a deficit of €18.5 billion a year earlier (see Chart 51). This was partly due to a further rise of around €11.4 billion in the goods surplus. In addition, the income deficit decreased by around €14.5 billion, reflecting higher income receipts that were only partly offset by an increase in income payments. By contrast, the balances for services and current transfers remained broadly unchanged.

### FINANCIAL ACCOUNT

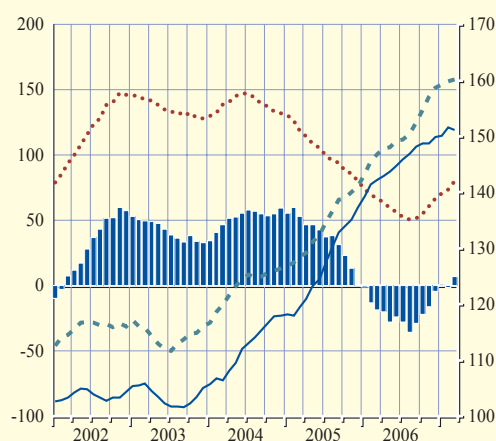
In the first quarter of 2007, combined direct and portfolio investment of the euro area recorded monthly average net inflows of €33.5 billion. This was due primarily to net inflows in portfolio investment (€44.5 billion), which more than offset net outflows in direct investment (€10.9 billion). Portfolio investment showed large net inflows in equity and in bonds and notes, while net outflows were recorded in money market instruments (see Table 12).

In the 12-month period up to March 2007, cumulative net inflows in combined direct and portfolio investment amounted to €229.3 billion, compared with net outflows of €46.2 billion a year earlier.

**Chart 51 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)

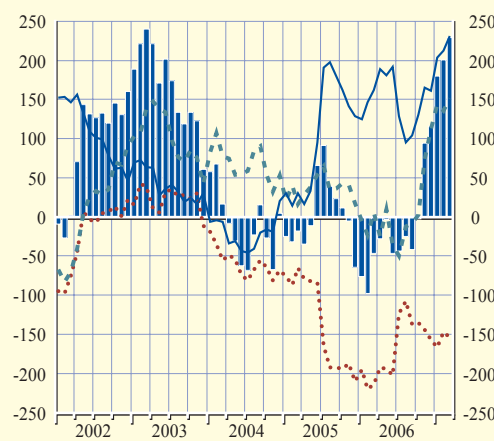


Source: ECB.

**Chart 52 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.

The shift in the direction of net capital flows resulted mainly from higher net inflows in portfolio investment, as well as from lower net outflows in direct investment (see Chart 52).

The developments in portfolio investment largely reflected an increase in net inflows in bonds and notes that was accounted for almost entirely by higher net purchases of euro area bonds and notes by non-residents. By contrast, higher net inflows in equity securities were due mainly to lower net purchases of foreign equity by euro area residents. Positive differentials between bond and equity returns in the euro area and, for example, those in the United States, as well as the favourable expected relative earnings growth performance of euro area enterprises, may have supported these developments. Furthermore, the favourable economic outlook in the euro area also seems to be a key factor behind the decline in net outflows in direct investment, mainly reflecting higher direct investment in the euro area.



# 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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#### ENLARGEMENT OF THE EURO AREA ON 1 JANUARY 2007 TO INCLUDE SLOVENIA

Unless otherwise indicated, all data series covering observations for 2007 relate to the Euro 13 (the euro area including Slovenia) for the whole time series. For interest rates, monetary statistics and the HICP (and, for consistency reasons, the components and counterparts of M3 and the components of the HICP), 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 indicated in the tables by means of a footnote. In such cases, where underlying data are available, absolute and percentage changes for 2001 and 2007, calculated from a base in 2000 and in 2006, use a series which takes into account the impact of the entry of Greece and Slovenia, respectively, into the euro area. Historical data referring to the euro area before the entry of Slovenia are available on the ECB web site at <http://www.ecb.int/stats/services/downloads/html/index.en.html>

#### 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-MFI 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
2005	10.4	7.9	7.4	-	8.1	12.6	2.18	3.44
2006	8.6	8.7	8.4	-	10.9	16.2	3.08	3.86
2006 Q2	9.8	9.2	8.6	-	11.2	15.9	2.90	4.05
Q3	7.6	8.4	8.1	-	11.2	15.5	3.22	3.97
Q4	6.7	8.6	9.0	-	11.2	17.1	3.59	3.86
2007 Q1	6.8	9.0	10.0	-	10.5	16.5	3.82	4.08
2006 Dec.	7.4	9.3	9.8	9.6	10.8	16.4	3.68	3.90
2007 Jan.	6.6	8.9	9.8	9.8	10.6	16.2	3.75	4.10
Feb.	6.6	8.8	9.9	10.2	10.3	16.1	3.82	4.12
Mar.	7.0	9.5	10.9	10.4	10.5	18.0	3.89	4.02
Apr.	6.2	8.9	10.4	.	10.3	.	3.98	4.25
May	.	.	.	.	.	.	4.07	4.37

### 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
2005	2.2	4.1	2.4	1.5	1.3	81.2	0.8	8.6
2006	2.2	5.1	2.5	2.7	4.0	83.3	1.4	7.9
2006 Q2	2.5	5.8	2.6	2.9	4.3	83.0	1.5	7.9
Q3	2.1	5.4	2.5	2.8	4.2	83.8	1.5	7.8
Q4	1.8	4.1	2.4	3.3	4.0	84.2	1.6	7.6
2007 Q1	1.9	2.9	.	3.0	3.6	84.6	.	7.3
2006 Dec.	1.9	4.1	-	-	4.8	-	-	7.5
2007 Jan.	1.8	3.1	-	-	3.3	84.4	-	7.4
Feb.	1.8	2.9	-	-	3.9	-	-	7.3
Mar.	1.9	2.8	-	-	3.7	-	-	7.2
Apr.	1.9	2.4	-	-	.	84.8	-	7.1
May	1.9	.	-	-	.	-	-	.

### 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-24 <sup>3)</sup> (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
2005	10.3	45.4	-210.0	146.1	320.1	103.3	104.1	1.2441
2006	5.3	30.5	-156.7	273.1	325.8	103.6	104.4	1.2556
2006 Q2	-5.8	6.8	-20.0	97.6	323.8	103.8	104.6	1.2582
Q3	-3.6	7.5	-43.9	22.3	325.0	104.5	105.3	1.2743
Q4	27.3	19.7	-57.3	130.0	325.8	104.6	105.3	1.2887
2007 Q1	4.1	7.9	-32.8	133.4	331.6	105.5	106.0	1.3106
2006 Dec.	17.9	5.9	-28.8	32.8	325.8	105.5	106.0	1.3213
2007 Jan.	-2.0	-3.0	-12.3	35.4	338.6	104.9	105.5	1.2999
Feb.	-4.3	2.5	-12.4	26.2	337.5	105.4	105.9	1.3074
Mar.	10.4	8.5	-8.1	71.7	331.6	106.1	106.5	1.3242
Apr.	.	.	.	.	330.0	107.1	107.5	1.3516
May	.	.	.	.	.	107.3	107.6	1.3511

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

	2007 11 May	2007 18 May	2007 25 May	2007 1 June
<b>Gold and gold receivables</b>	180,495	180,215	180,024	179,995
<b>Claims on non-euro area residents in foreign currency</b>	142,421	142,286	142,506	143,270
<b>Claims on euro area residents in foreign currency</b>	25,002	24,569	25,006	25,379
<b>Claims on non-euro area residents in euro</b>	14,996	15,098	14,941	15,353
<b>Lending to euro area credit institutions in euro</b>	426,145	431,243	445,739	434,509
Main refinancing operations	276,001	281,000	295,503	284,501
Longer-term refinancing operations	149,999	149,999	150,000	150,002
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	145	244	235	6
Credits related to margin calls	0	0	1	0
<b>Other claims on euro area credit institutions in euro</b>	14,120	13,782	14,135	14,415
<b>Securities of euro area residents in euro</b>	93,454	93,424	94,505	94,861
<b>General government debt in euro</b>	37,656	37,657	37,657	37,643
<b>Other assets</b>	229,956	230,719	232,539	233,014
<b>Total assets</b>	1,164,245	1,168,993	1,187,052	1,178,439

#### 2. Liabilities

	2007 11 May	2007 18 May	2007 25 May	2007 1 June
<b>Banknotes in circulation</b>	623,066	624,065	623,383	626,775
<b>Liabilities to euro area credit institutions in euro</b>	186,085	189,855	187,400	188,221
Current accounts (covering the minimum reserve system)	185,937	189,612	187,221	188,025
Deposit facility	148	238	178	196
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	0	5	1	0
<b>Other liabilities to euro area credit institutions in euro</b>	130	139	201	196
<b>Debt certificates issued</b>	0	0	0	0
<b>Liabilities to other euro area residents in euro</b>	49,302	49,854	68,777	54,555
<b>Liabilities to non-euro area residents in euro</b>	19,484	20,106	20,135	20,254
<b>Liabilities to euro area residents in foreign currency</b>	160	159	155	156
<b>Liabilities to non-euro area residents in foreign currency</b>	16,151	14,789	15,474	16,418
<b>Counterpart of special drawing rights allocated by the IMF</b>	5,578	5,578	5,578	5,578
<b>Other liabilities</b>	70,439	70,598	72,098	72,435
<b>Revaluation accounts</b>	125,521	125,521	125,521	125,521
<b>Capital and reserves</b>	68,329	68,329	68,330	68,330
<b>Total liabilities</b>	1,164,245	1,168,993	1,187,052	1,178,439

Source: ECB.

## 1.2 Key ECB interest rates

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

	With effect from <sup>b)</sup>	Deposit facility		Main refinancing operations			Marginal lending facility	
				Fixed rate tenders	Variable rate tenders	Change		
		Level	Change	Fixed rate	Minimum bid rate		Level	Change
		1	2	3	4	5	6	7
1999	1 Jan.	2.00	-	3.00	-	-	4.50	-
	4 <sup>2)</sup>	2.75	0.75	3.00	-	...	3.25	-1.25
	22	2.00	-0.75	3.00	-	...	4.50	1.25
	9 Apr.	1.50	-0.50	2.50	-	-0.50	3.50	-1.00
	5 Nov.	2.00	0.50	3.00	-	0.50	4.00	0.50
2000	4 Feb.	2.25	0.25	3.25	-	0.25	4.25	0.25
	17 Mar.	2.50	0.25	3.50	-	0.25	4.50	0.25
	28 Apr.	2.75	0.25	3.75	-	0.25	4.75	0.25
	9 June	3.25	0.50	4.25	-	0.50	5.25	0.50
	28 <sup>3)</sup>	3.25	...	-	4.25	...	5.25	...
	1 Sep.	3.50	0.25	-	4.50	0.25	5.50	0.25
	6 Oct.	3.75	0.25	-	4.75	0.25	5.75	0.25
2001	11 May	3.50	-0.25	-	4.50	-0.25	5.50	-0.25
	31 Aug.	3.25	-0.25	-	4.25	-0.25	5.25	-0.25
	18 Sep.	2.75	-0.50	-	3.75	-0.50	4.75	-0.50
	9 Nov.	2.25	-0.50	-	3.25	-0.50	4.25	-0.50
2002	6 Dec.	1.75	-0.50	-	2.75	-0.50	3.75	-0.50
2003	7 Mar.	1.50	-0.25	-	2.50	-0.25	3.50	-0.25
	6 June	1.00	-0.50	-	2.00	-0.50	3.00	-0.50
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
	13 Dec.	2.50	0.25	-	3.50	0.25	4.50	0.25
2007	14 Mar.	2.75	0.25	-	3.75	0.25	4.75	0.25
	13 June	3.00	0.25	-	4.00	0.25	5.00	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							
2007 7 Feb.	381,952	346	279,500	3.50	3.54	3.55	7
14	402,912	363	286,500	3.50	3.55	3.56	8
22	425,650	361	301,500	3.50	3.55	3.56	6
28	380,816	343	289,000	3.50	3.56	3.56	7
7 Mar.	364,245	333	280,000	3.50	3.55	3.56	7
14	375,459	352	271,500	3.75	3.81	3.81	7
21	372,414	370	282,000	3.75	3.80	3.81	7
28	365,416	357	283,500	3.75	3.82	3.83	7
4 Apr.	382,753	356	291,500	3.75	3.83	3.83	7
11	364,037	346	280,000	3.75	3.81	3.82	7
18	397,484	366	281,500	3.75	3.81	3.82	7
25	392,541	350	288,500	3.75	3.82	3.83	7
2 May	371,510	306	279,500	3.75	3.82	3.83	7
9	353,181	325	276,000	3.75	3.81	3.82	6
15	360,720	307	281,000	3.75	3.82	3.82	8
23	364,192	359	295,500	3.75	3.82	3.82	7
30	360,182	331	284,500	3.75	3.82	3.83	7
6 June	331,056	322	279,000	3.75	3.75	3.77	7
Longer-term refinancing operations							
2006 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
26 Oct.	62,854	159	40,000	-	3.48	3.50	98
30 Nov.	72,782	168	40,000	-	3.58	3.58	91
21 Dec.	74,150	161	40,000	-	3.66	3.67	98
2007 1 Feb.	79,099	164	50,000	-	3.72	3.74	85
1 Mar.	80,110	143	50,000	-	3.80	3.81	91
29	76,498	148	50,000	-	3.87	3.87	91
27 Apr.	71,294	148	50,000	-	3.96	3.97	90
31 May	72,697	147	50,000	-	4.06	4.07	91

#### 2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders	Variable rate tenders			Running for (...) days
					Fixed rate	Minimum bid rate	Marginal rate <sup>4)</sup>	Weighted average rate	
1	2	3	4	5	6	7	8	9	
2005 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
10 Oct.	Reverse transaction	36,120	26	9,500	-	3.00	3.05	3.06	1
12 Dec.	Reverse transaction	21,565	25	2,500	-	3.25	3.32	3.33	1
2007 13 Mar.	Collection of fixed-term deposits	2,300	2	2,300	3.50	-	-	-	1
17 Apr.	Collection of fixed-term deposits	42,245	35	22,500	3.75	-	-	-	1
14 May	Collection of fixed-term deposits	2,460	7	2,460	3.75	-	-	-	1

Source: ECB.

1) The amounts shown may differ slightly from those in Section 1.1 due to operations allotted but not settled.

2) With effect from April 2002, split tender operations, i.e. operations with one-week maturity conducted as standard tenders in parallel with a main refinancing operation, are classified as main refinancing operations. For split tender operations conducted before this month, see Table 2 in Section 1.3.

3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.

4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.



## 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	
Q2	14,712.2	7,764.5	550.9	1,877.1	1,174.4	3,345.3	
Q3	15,261.0	8,064.9	584.0	1,931.6	1,269.7	3,410.8	
Q4 <sup>2)</sup>	15,648.3	8,411.7	601.9	1,968.4	1,180.3	3,486.1	
2007 Jan.	15,889.0	8,478.5	638.8	1,984.4	1,278.8	3,508.5	
Feb.	16,033.9	8,490.3	645.9	1,990.6	1,350.2	3,556.9	
Mar.	16,253.0	8,634.2	657.4	2,009.8	1,358.8	3,592.8	

## 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
2005	152.0	153.0	1.0	0.0	2.07
2006	172.5	173.2	0.7	0.0	3.30
2007 16 Jan. <sup>3)</sup>	174.3	175.3	1.0	0.0	3.57
13 Feb.	175.8	176.5	0.8	0.0	3.55
13 Mar.	179.8	180.6	0.8	0.0	3.55
17 Apr.	181.8	182.6	0.8	0.0	3.81
14 May	182.2	183.2	1.0	0.0	3.82
12 June	185.3	.	.	.	.

## 3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money
	Monetary policy operations of the Eurosystem					Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)				
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations				Deposit facility	Other liquidity-absorbing operations <sup>4)</sup>		
	1	2	3	4	5	6	7	8	9	10	11	12
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	327.0	313.1	120.0	0.1	0.1	0.1	0.0	598.6	54.9	-66.4	173.2	771.8
2007 16 Jan.	325.8	322.3	120.0	0.1	0.0	0.2	1.0	619.5	45.0	-72.7	175.3	794.9
13 Feb.	322.1	300.5	124.6	0.1	0.1	0.1	1.5	604.6	47.9	-83.1	176.5	781.2
13 Mar.	321.6	288.7	134.6	0.0	0.0	0.5	0.8	606.2	47.1	-90.0	180.6	787.2
17 Apr.	323.6	281.7	145.7	0.5	0.0	0.3	0.9	614.8	48.2	-95.2	182.6	797.7
14 May	326.1	281.6	150.0	0.3	0.0	0.5	0.1	620.0	51.3	-97.2	183.2	803.8

Source: ECB.

1) End of period.

2) Includes the reserve bases of credit institutions in Slovenia. On a transitional basis, credit institutions located in euro area countries may have decided to deduct from their own reserve bases any liabilities owed to credit institutions located in Slovenia. Starting from the reserve base as at end-January 2007, the standard treatment applies (see Regulation (EC) No 1637/2006 of the ECB of 2 November 2006 concerning transitional provisions for the application of minimum reserves by the ECB following the introduction of the euro in Slovenia (ECB/2006/15)).

3) Owing to the adoption of the euro by Slovenia on 1 January 2007, the reserve requirement is an average - weighted by the number of calendar days - of the reserve requirements for the then 12 countries of the euro area for the period 13-31 December 2006 and the reserve requirements for the 13 countries now in the euro area for the period 1-16 January 2007.

4) Starting from 1 January 2007, includes monetary policy operations in the form of collection of fixed-term deposits which were conducted by Banka Slovenije before 1 January 2007 and were still outstanding after this date.



## MONEY, BANKING AND INVESTMENT FUNDS

### 2.1 Aggregated balance sheet of euro area MFIs <sup>1)</sup>

(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>2)</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
Eurosystem														
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	1,558.2	695.7	19.7	0.6	675.3	217.0	187.5	2.5	27.0	-	17.2	351.4	14.7	262.4
2007 Jan.	1,540.4	663.7	19.7	0.6	643.3	224.7	194.4	2.4	27.9	-	17.2	361.4	14.8	258.6
Feb.	1,582.1	682.5	19.7	0.6	662.1	234.6	202.8	2.4	29.5	-	17.2	365.7	14.8	267.4
Mar.	1,576.6	693.3	19.7	0.6	673.0	238.0	205.5	2.1	30.4	-	17.4	359.6	14.8	253.5
Apr. <sup>(p)</sup>	1,588.8	700.1	19.1	0.6	680.4	243.5	210.2	2.2	31.1	-	17.7	355.8	15.3	256.4
MFIs excluding the Eurosystem														
2005	23,631.5	13,681.7	826.9	8,285.1	4,569.7	3,498.6	1,429.4	551.5	1,517.7	83.1	1,008.7	3,652.8	165.7	1,540.9
2006	25,973.9	14,904.2	810.5	9,160.3	4,933.4	3,555.2	1,276.5	645.8	1,632.8	83.5	1,194.5	4,330.1	172.6	1,733.9
2007 Jan.	26,402.3	15,074.2	806.2	9,275.8	4,992.2	3,602.0	1,296.1	644.4	1,661.5	84.6	1,219.5	4,489.5	171.8	1,760.7
Feb.	26,619.9	15,159.1	803.2	9,337.0	5,018.9	3,626.6	1,293.2	658.2	1,675.1	87.4	1,219.6	4,575.7	171.8	1,779.7
Mar.	27,084.2	15,332.7	801.4	9,439.2	5,092.1	3,661.0	1,281.6	686.6	1,692.9	92.2	1,238.0	4,683.3	195.0	1,881.9
Apr. <sup>(p)</sup>	27,474.3	15,503.6	802.3	9,524.5	5,176.8	3,670.1	1,258.0	706.8	1,705.2	96.9	1,308.4	4,799.6	199.4	1,896.3

#### 2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents			Money market fund shares/ units <sup>3)</sup>	Debt securities issued <sup>4)</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
Eurosystem											
2005	1,404.9	582.7	385.4	24.4	14.5	346.5	-	0.1	202.9	27.6	206.2
2006	1,558.2	647.0	431.6	33.7	15.9	382.0	-	0.1	208.6	35.3	235.6
2007 Jan.	1,540.4	621.2	433.3	48.1	18.8	366.4	-	0.8	214.9	36.9	233.2
Feb.	1,582.1	623.2	466.5	51.4	19.8	395.3	-	0.4	218.2	39.1	234.7
Mar.	1,576.6	632.5	455.6	44.8	17.5	393.4	-	0.3	216.3	39.5	232.4
Apr. <sup>(p)</sup>	1,588.8	641.6	455.5	42.0	19.8	393.7	-	0.1	213.6	43.1	234.9
MFIs excluding the Eurosystem											
2005	23,631.5	-	12,212.2	149.2	7,211.9	4,851.2	698.9	3,858.3	1,310.6	3,518.0	2,033.5
2006	25,973.9	-	13,257.2	123.2	7,891.6	5,242.4	697.7	4,242.4	1,449.7	3,996.4	2,330.5
2007 Jan.	26,402.3	-	13,297.9	122.3	7,888.2	5,287.4	726.1	4,306.6	1,459.3	4,188.8	2,423.6
Feb.	26,619.9	-	13,358.7	138.0	7,899.4	5,321.2	739.9	4,364.4	1,478.3	4,239.1	2,439.5
Mar.	27,084.2	-	13,591.9	138.8	8,046.9	5,406.2	758.6	4,423.0	1,520.0	4,253.5	2,537.3
Apr. <sup>(p)</sup>	27,474.3	-	13,700.7	131.6	8,097.3	5,471.8	778.9	4,447.8	1,537.3	4,402.3	2,607.4

Source: ECB.

- 1) Data refer to the changing composition of the euro area. For further information, see the General notes.
- 2) Amounts issued by euro area residents. Amounts issued by non-euro area residents are included in external assets.
- 3) Amounts held by euro area residents.
- 4) 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 <sup>1)</sup>

(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											
2005	17,870.7	9,133.3	847.5	8,285.7	2,148.5	1,595.0	553.6	710.5	3,989.7	180.4	1,708.2
2006	19,743.5	9,991.1	830.2	9,161.0	2,112.3	1,464.0	648.3	829.9	4,681.5	187.3	1,941.4
2007 Jan.	20,097.2	10,102.4	826.0	9,276.4	2,137.3	1,490.5	646.8	846.3	4,850.9	186.6	1,973.7
Feb.	20,284.1	10,160.6	822.9	9,337.6	2,156.7	1,496.0	660.6	836.4	4,941.3	186.6	2,002.6
Mar.	20,630.4	10,261.0	821.1	9,439.9	2,175.8	1,487.0	688.7	849.9	5,042.9	209.8	2,091.2
Apr. <sup>(p)</sup>	20,909.2	10,346.6	821.4	9,525.2	2,177.2	1,468.2	709.0	909.5	5,155.4	214.7	2,105.8
Transactions											
2005	1,608.6	708.9	12.8	696.0	156.2	76.2	79.9	53.2	448.5	1.4	240.4
2006	2,003.1	873.0	-14.4	887.3	10.6	-96.8	107.4	98.5	795.7	6.4	218.9
2007 Jan.	292.3	84.4	-4.0	88.4	22.9	21.2	1.7	12.9	143.6	-0.9	29.3
Feb.	221.7	63.2	-3.0	66.1	17.8	4.2	13.6	-10.6	123.8	0.0	27.6
Mar.	348.1	104.5	-1.2	105.7	22.4	-7.3	29.6	10.0	123.5	1.2	86.5
Apr. <sup>(p)</sup>	319.8	92.7	0.4	92.3	2.8	-17.3	20.2	58.9	152.7	0.9	11.8

## 2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/other euro area residents	Money market fund shares/units <sup>2)</sup>	Debt securities issued <sup>3)</sup>	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2005	17,870.7	532.8	173.6	7,226.4	615.8	2,322.6	1,200.6	3,545.6	2,239.7	13.7
2006	19,743.5	592.2	156.9	7,907.5	614.1	2,582.7	1,276.5	4,031.7	2,566.1	15.7
2007 Jan.	20,097.2	575.6	170.4	7,907.0	641.5	2,618.1	1,283.7	4,225.7	2,656.8	18.4
Feb.	20,284.1	578.7	189.4	7,919.2	652.5	2,660.3	1,296.2	4,278.2	2,674.2	35.4
Mar.	20,630.4	588.3	183.5	8,064.4	666.4	2,700.0	1,330.7	4,293.0	2,769.6	34.5
Apr. <sup>(p)</sup>	20,909.2	594.7	173.6	8,117.0	681.9	2,711.6	1,334.2	4,445.4	2,842.3	8.4
Transactions										
2005	1,608.6	64.4	10.9	495.7	-3.0	213.5	96.2	448.0	333.8	-50.8
2006	2,003.1	59.4	-16.2	684.3	27.0	280.4	56.7	604.6	263.8	43.1
2007 Jan.	292.3	-17.0	12.2	-21.6	28.9	28.0	0.2	168.8	95.8	-3.1
Feb.	221.7	3.1	19.0	16.3	11.5	49.7	6.9	85.1	6.6	23.6
Mar.	348.1	9.6	-5.7	147.3	14.2	43.2	17.5	31.1	88.2	2.7
Apr. <sup>(p)</sup>	319.8	6.4	-9.9	57.4	17.4	21.8	0.2	187.9	55.3	-16.7

Source: ECB.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.

2) Amounts held by euro area residents.

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

## 2.3 Monetary statistics <sup>1)</sup>

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

### 1. Monetary aggregates <sup>2)</sup> and counterparts

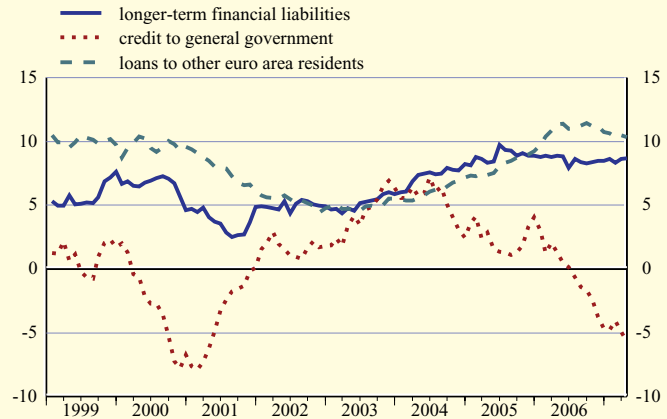
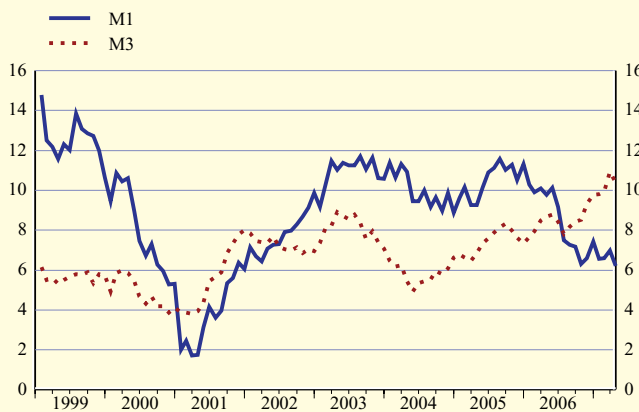
	M1		M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets <sup>3)</sup>
	1	2	3	4	5	6	7	8	Loans		11
	Outstanding amounts										
2005	3,419.4	2,653.2	6,072.6	999.4	7,072.0	-	5,000.2	2,472.5	9,561.0	8,287.3	422.2
2006	3,674.8	2,954.3	6,629.1	1,096.7	7,725.8	-	5,428.7	2,321.2	10,658.5	9,167.4	627.7
2007 Jan.	3,686.5	2,989.2	6,675.6	1,127.6	7,803.3	-	5,478.5	2,321.7	10,770.8	9,273.9	622.1
Feb.	3,709.2	3,006.3	6,715.5	1,145.2	7,860.8	-	5,514.3	2,321.8	10,843.2	9,342.4	672.0
Mar.	3,746.6	3,064.7	6,811.3	1,188.9	8,000.2	-	5,579.7	2,300.8	10,969.4	9,442.9	767.2
Apr. <sup>(p)</sup>	3,736.0	3,106.5	6,842.5	1,190.7	8,033.2	-	5,609.8	2,276.3	11,087.9	9,515.4	734.3
Transactions											
2005	337.0	138.9	475.9	8.5	484.4	-	401.5	94.5	835.5	700.4	0.1
2006	253.4	311.1	564.5	124.8	689.3	-	426.4	-114.1	1,100.7	892.1	190.9
2007 Jan.	3.1	25.5	28.6	32.6	61.2	-	31.8	-4.6	85.0	79.4	-6.1
Feb.	24.1	19.0	43.1	17.8	60.9	-	38.9	-1.2	76.2	73.5	50.6
Mar.	38.1	59.4	97.5	43.6	141.1	-	52.7	-18.7	127.8	104.0	101.0
Apr. <sup>(p)</sup>	-9.4	44.3	34.9	3.0	37.9	-	38.7	-22.9	124.7	79.4	-28.3
Growth rates											
2005 Dec.	11.3	5.4	8.5	0.9	7.3	7.5	8.9	4.1	9.6	9.2	0.1
2006 Dec.	7.4	11.7	9.3	12.7	9.8	9.6	8.5	-4.7	11.5	10.8	190.9
2007 Jan.	6.6	12.0	8.9	15.4	9.8	9.8	8.6	-4.8	11.3	10.6	177.8
Feb.	6.6	11.6	8.8	17.2	9.9	10.2	8.3	-4.1	10.7	10.3	243.0
Mar.	7.0	12.7	9.5	19.9	10.9	10.4	8.6	-4.9	10.7	10.5	336.0
Apr. <sup>(p)</sup>	6.2	12.4	8.9	19.4	10.4	.	8.7	-5.6	10.7	10.3	315.2

### C1 Monetary aggregates <sup>1)</sup>

(annual growth rates; seasonally adjusted)

### C2 Counterparts <sup>1)</sup>

(annual growth rates; seasonally adjusted)



Source: ECB.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.

2) 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).

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

## 2.3 Monetary statistics <sup>1)</sup>

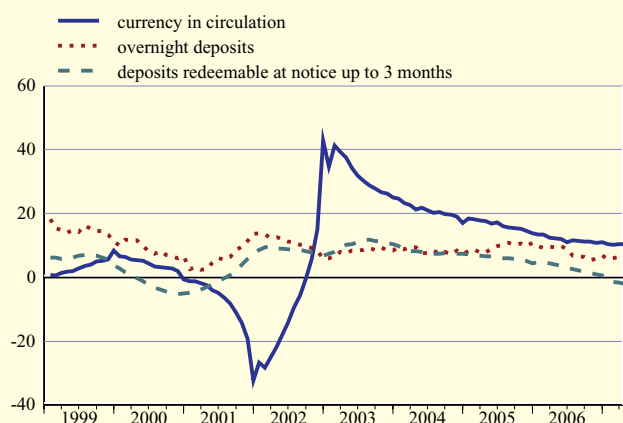
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

### 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											
2005	521.5	2,897.9	1,109.9	1,543.2	241.6	631.6	126.2	2,202.6	86.9	1,511.2	1,199.6
2006	579.0	3,095.8	1,402.7	1,551.6	271.8	631.4	193.5	2,396.2	102.4	1,654.6	1,275.6
2007 Jan.	583.2	3,103.3	1,442.5	1,546.7	268.2	645.5	214.0	2,422.5	105.2	1,666.4	1,284.4
Feb.	588.3	3,121.0	1,468.5	1,537.8	265.1	655.7	224.4	2,441.8	106.9	1,670.0	1,295.6
Mar.	592.0	3,154.6	1,527.6	1,537.1	280.3	670.1	238.5	2,461.2	107.8	1,683.3	1,327.5
Apr. <sup>(p)</sup>	597.4	3,138.6	1,573.1	1,533.5	271.6	676.0	243.2	2,467.6	108.7	1,693.5	1,340.0
Transactions											
2005	63.2	273.8	69.1	69.8	-5.9	-2.0	16.4	198.4	-4.3	111.2	96.1
2006	57.5	195.8	301.8	9.4	31.0	28.8	65.0	216.3	15.5	137.8	56.8
2007 Jan.	3.7	-0.7	31.4	-5.8	-3.7	15.6	20.7	18.7	2.1	9.2	1.9
Feb.	5.1	19.0	27.9	-8.9	-3.0	10.8	10.0	27.2	1.6	4.4	5.6
Mar.	3.7	34.4	60.1	-0.6	15.2	14.6	13.8	23.2	0.9	13.7	14.9
Apr. <sup>(p)</sup>	5.4	-14.8	47.8	-3.5	-8.6	7.7	4.0	17.3	1.0	11.1	9.3
Growth rates											
2005 Dec.	13.8	10.9	6.5	4.4	-2.4	-0.3	15.7	10.0	-4.7	8.1	8.9
2006 Dec.	11.0	6.8	27.3	0.6	13.0	4.7	50.5	9.9	17.8	9.1	4.7
2007 Jan.	10.4	5.9	29.3	-0.5	11.6	8.2	53.3	10.2	18.9	8.9	4.7
Feb.	10.2	5.9	29.4	-1.4	15.2	9.6	51.2	10.7	20.7	8.2	3.4
Mar.	10.5	6.3	32.2	-1.7	19.3	12.2	50.3	11.0	20.6	8.1	4.1
Apr. <sup>(p)</sup>	10.5	5.4	31.2	-2.0	13.5	13.1	52.4	10.9	20.4	7.9	4.8

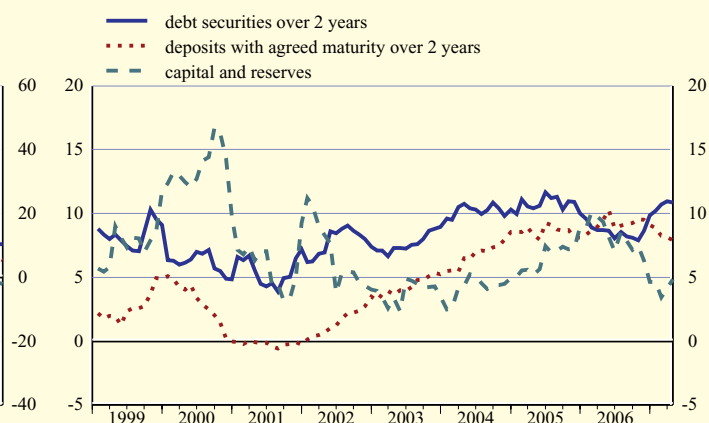
### C3 Components of monetary aggregates <sup>1)</sup>

(annual growth rates; seasonally adjusted)



### C4 Components of longer-term financial liabilities <sup>1)</sup>

(annual growth rates; seasonally adjusted)



Source: ECB.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.

## 2.4 MFI loans, breakdown <sup>1), 2)</sup>

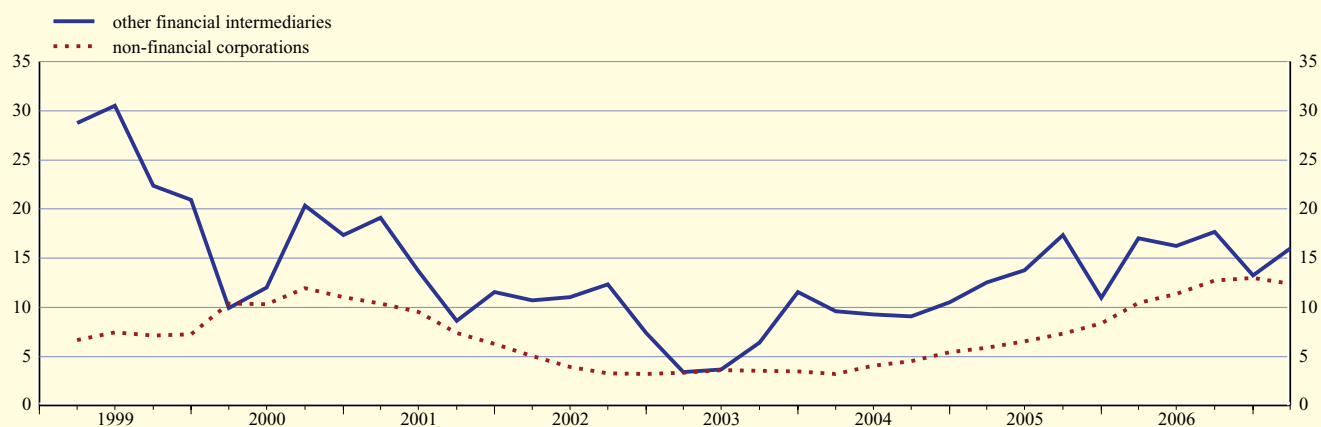
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 1. Loans to financial intermediaries and non-financial corporations <sup>3)</sup>

	Insurance corporations and pension funds		Other financial intermediaries <sup>4)</sup>		Non-financial corporations			
	Total		Total		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	Up to 1 year 2	3	Up to 1 year 4	5	6	7	8
Outstanding amounts								
2005	64.6	41.6	620.4	370.2	3,409.1	1,037.7	594.0	1,777.3
2006	82.9	55.2	695.9	420.6	3,844.5	1,137.9	707.1	1,999.5
2007 Jan.	99.9	72.2	721.8	440.9	3,898.3	1,157.5	717.4	2,023.3
Feb.	97.0	70.2	741.8	460.8	3,920.6	1,160.6	726.1	2,033.9
Mar.	98.5	71.6	774.7	488.6	3,955.8	1,170.5	738.7	2,046.6
Apr. <sup>(p)</sup>	105.6	79.3	794.6	502.6	3,997.0	1,187.2	749.2	2,060.6
Transactions								
2005	15.0	9.8	60.8	29.2	262.7	56.8	54.3	151.6
2006	18.2	13.9	81.8	57.7	442.0	96.3	123.1	222.6
2007 Jan.	17.0	17.0	16.8	19.1	39.1	14.9	7.1	17.1
Feb.	-2.8	-2.0	21.1	20.7	24.9	3.9	9.3	11.7
Mar.	1.6	1.5	33.0	28.1	40.5	10.8	13.3	16.3
Apr. <sup>(p)</sup>	7.1	7.8	21.9	15.1	44.3	17.6	11.2	15.5
Growth rates								
2005 Dec.	30.6	31.2	11.0	8.7	8.3	5.8	9.9	9.3
2006 Dec.	28.2	33.3	13.3	15.6	13.0	9.3	20.8	12.4
2007 Jan.	30.5	37.1	11.4	13.2	13.2	9.8	20.4	12.7
Feb.	28.7	37.0	10.7	12.3	12.6	9.1	19.6	12.3
Mar.	20.5	25.9	16.0	19.6	12.4	9.3	18.8	12.1
Apr. <sup>(p)</sup>	20.2	26.5	16.3	18.2	12.2	8.8	18.9	11.9

### C5 Loans to financial intermediaries and non-financial corporations <sup>2)</sup>

(annual growth rates)



Source: ECB.

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

2) Data refer to the changing composition of the euro area. For further information, see the General notes.

3) 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.

4) This category includes investment funds.

**2.4 MFI loans, breakdown<sup>1), 2)</sup>**

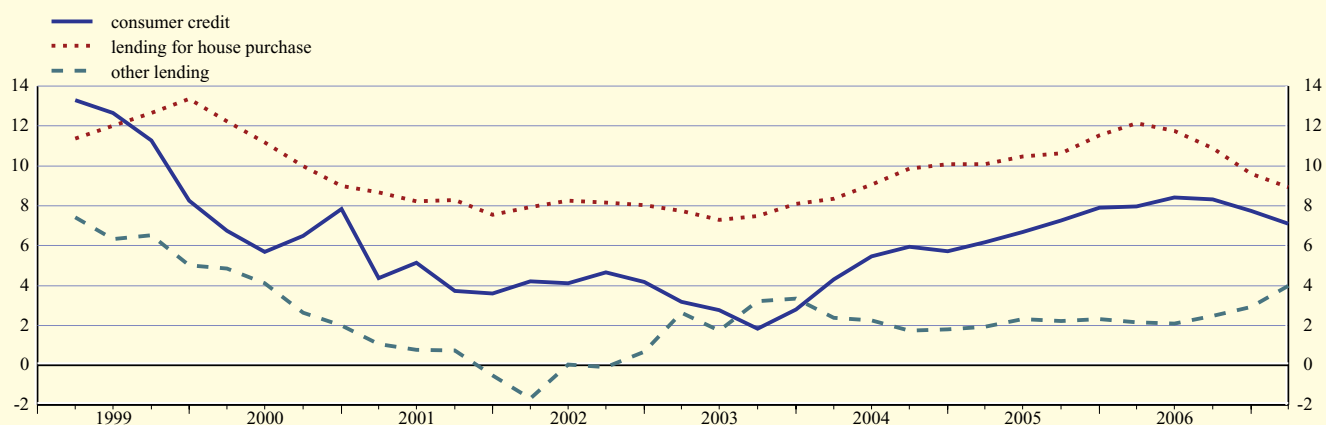
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

**2. Loans to households<sup>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													
2005	4,191.0	554.1	129.1	200.7	224.3	2,915.3	15.2	67.5	2,832.6	721.6	147.3	99.9	474.4
2006	4,537.0	586.6	135.3	202.7	248.5	3,212.0	15.6	72.1	3,124.4	738.4	146.2	101.5	490.7
2007 Jan.	4,555.8	587.0	134.7	202.2	250.0	3,230.5	15.3	72.4	3,142.8	738.3	145.3	100.9	492.1
Feb.	4,577.6	585.2	132.5	201.5	251.2	3,252.1	15.5	72.5	3,164.0	740.2	145.6	100.8	493.9
Mar.	4,610.2	590.1	133.3	202.9	253.8	3,271.3	16.1	71.8	3,183.4	748.8	147.7	102.2	499.0
Apr. <sup>(p)</sup>	4,627.3	593.5	134.6	202.9	256.0	3,286.0	15.8	71.8	3,198.4	747.8	146.6	102.5	498.7
Transactions													
2005	357.5	40.7	9.0	11.6	20.0	300.6	0.7	4.8	295.0	16.2	3.8	1.3	11.1
2006	345.2	42.7	8.2	4.8	29.6	281.6	1.5	4.6	275.6	20.9	1.4	3.8	15.7
2007 Jan.	15.5	-1.3	-0.6	-1.1	0.4	17.0	-0.3	0.4	17.0	-0.3	-1.2	-0.7	1.6
Feb.	22.9	-1.3	-2.2	-0.6	1.5	21.9	0.3	0.1	21.5	2.4	0.4	-0.1	2.0
Mar.	30.6	4.5	1.0	1.5	2.1	19.2	0.6	-0.4	19.0	6.9	1.7	1.2	4.1
Apr. <sup>(p)</sup>	18.9	4.0	1.3	0.1	2.6	15.5	-0.4	0.0	15.8	-0.6	-1.0	0.4	0.0
Growth rates													
2005 Dec.	9.4	7.9	7.5	6.1	9.8	11.5	5.2	7.5	11.7	2.3	2.6	1.3	2.4
2006 Dec.	8.2	7.7	6.5	2.4	13.3	9.6	9.7	6.8	9.7	2.9	1.0	3.9	3.3
2007 Jan.	8.0	7.3	6.2	2.0	12.6	9.4	8.9	7.8	9.5	2.9	0.5	3.8	3.4
Feb.	8.1	6.7	5.2	1.2	12.5	9.4	10.6	7.6	9.5	3.4	1.1	3.0	4.1
Mar.	7.9	7.1	6.8	1.7	12.0	8.9	13.8	6.3	9.0	4.0	1.7	3.9	4.7
Apr. <sup>(p)</sup>	7.6	6.9	7.2	1.1	11.9	8.6	12.5	6.4	8.6	3.8	1.2	4.9	4.3

**C6 Loans to households<sup>2)</sup>**

(annual growth rates)



Source: ECB.

- 1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
- 2) Data refer to the changing composition of the euro area. For further information, see the General notes.
- 3) Including non-profit institutions serving households.



## 2.4 MFI loans, breakdown <sup>1), 2)</sup>

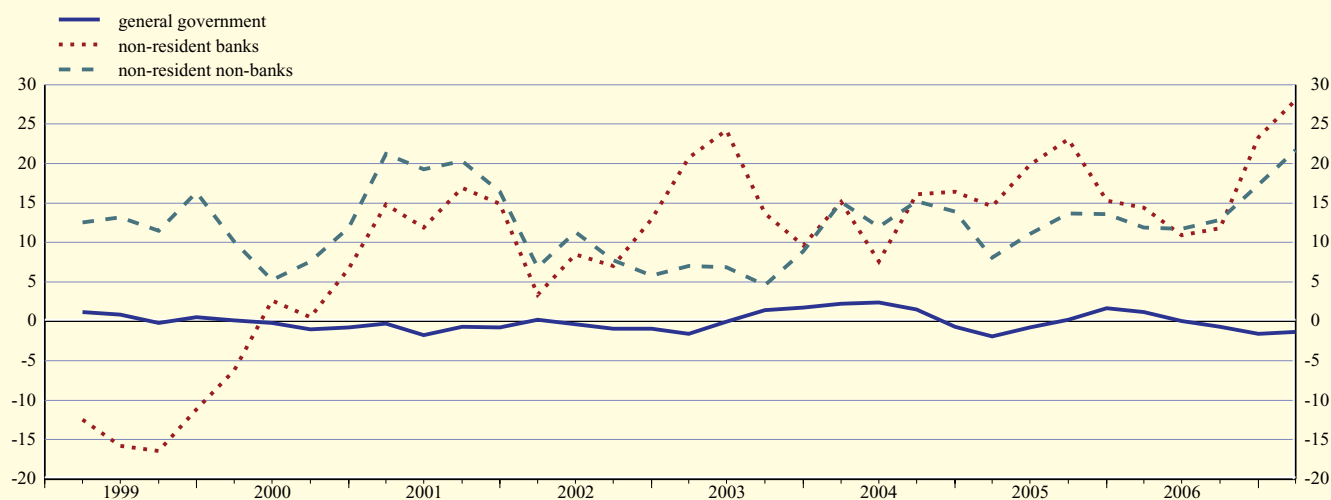
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>3)</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	2,485.2	1,722.1	763.1	66.0	697.1
2006 Q1	816.0	118.3	240.9	427.7	29.2	2,594.7	1,821.6	773.1	62.9	710.2
Q2	809.0	106.5	234.5	436.0	32.0	2,611.3	1,839.9	771.5	66.5	705.0
Q3	803.6	101.2	230.1	436.6	35.7	2,735.9	1,919.9	816.1	66.5	749.6
Q4	810.5	104.1	232.5	448.1	25.8	2,924.3	2,061.0	863.4	63.2	800.2
2007 Q1 <sup>(p)</sup>	801.4	96.6	225.2	453.6	26.0	3,169.0	2,260.3	908.7	63.2	845.5
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	296.8	207.9	89.0	4.7	84.3
2006 Q1	-10.7	-6.6	-5.9	1.9	-0.1	131.2	111.6	19.6	-3.0	22.6
Q2	-6.8	-11.6	-6.4	8.3	2.9	56.3	42.8	13.5	3.6	9.9
Q3	-3.3	-3.1	-4.3	0.4	3.6	120.2	75.8	44.3	-0.7	45.0
Q4	7.4	3.7	2.4	11.2	-9.8	218.6	166.9	51.7	-2.7	54.4
2007 Q1 <sup>(p)</sup>	-8.2	-7.4	-6.3	5.5	0.1	271.9	217.2	54.8	0.2	54.6
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	15.3	13.6	7.7	14.2
2006 Mar.	1.2	-8.2	-3.9	5.8	29.5	13.7	14.4	11.9	1.7	12.9
June	0.0	-14.1	-6.3	7.4	12.2	11.2	10.9	11.7	7.3	12.1
Sep.	-0.7	-13.3	-7.9	6.5	9.1	12.1	11.8	12.8	2.9	13.8
Dec.	-1.6	-14.0	-5.8	5.1	-11.6	21.5	23.3	17.4	-4.2	19.4
2007 Mar. <sup>(p)</sup>	-1.3	-15.7	-6.1	5.9	-11.0	26.1	28.0	21.7	0.7	23.6

### C7 Loans to government and non-euro area residents <sup>2)</sup>

(annual growth rates)



Source: ECB.

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

2) Data refer to the changing composition of the euro area. For further information, see the General notes.

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

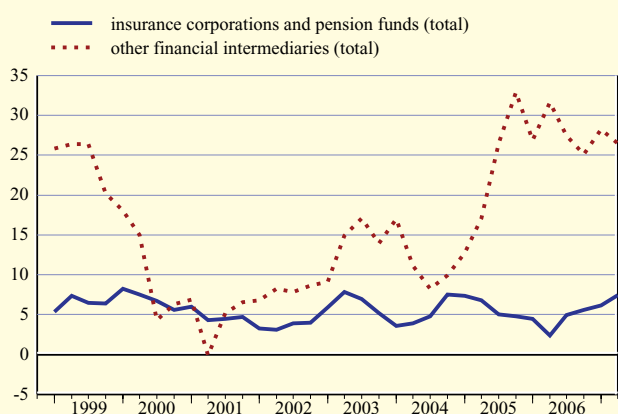
## 2.5 Deposits held with MFIs, breakdown <sup>1), 2)</sup>

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

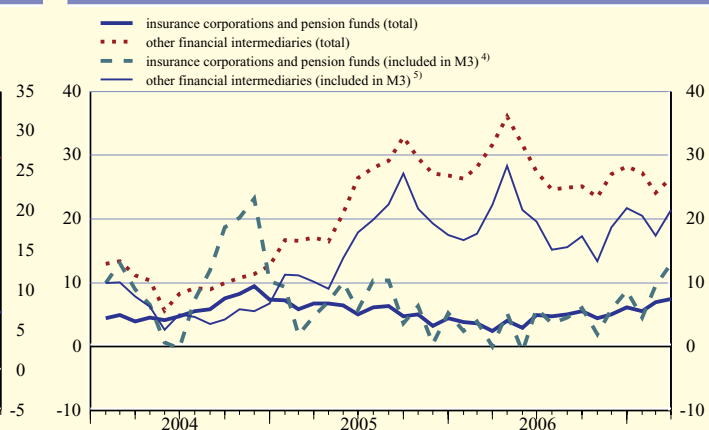
### 1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries <sup>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														
2005	612.6	67.8	51.9	469.7	1.2	1.4	20.6	880.4	233.9	185.0	329.8	10.5	0.1	121.1
2006	650.0	70.2	57.1	495.4	1.0	1.4	24.9	1,141.3	283.1	252.8	469.4	10.6	0.2	125.1
2007 Jan.	655.7	71.9	57.7	499.5	1.0	1.4	24.3	1,177.5	307.3	247.1	475.8	10.5	0.2	136.6
Feb.	657.0	69.4	58.3	502.8	1.1	1.2	24.2	1,176.5	299.9	247.2	480.3	10.3	0.2	138.6
Mar.	658.6	72.2	58.2	503.0	1.1	1.2	22.9	1,250.5	318.3	266.7	502.9	11.4	0.3	151.0
Apr.	666.4	70.3	63.2	506.3	1.0	1.2	24.4	1,264.2	306.6	277.2	517.0	11.3	0.3	151.7
Transactions														
2005	26.3	7.4	-0.6	19.2	0.4	0.0	-0.2	176.1	40.1	37.3	96.8	1.5	0.0	0.4
2006	37.9	2.7	5.5	25.6	-0.2	0.0	4.4	249.8	45.1	68.8	130.5	0.3	0.1	4.9
2007 Jan.	5.2	1.5	0.3	4.0	0.0	0.0	-0.7	33.3	23.6	-6.6	5.1	-0.3	0.0	11.5
Feb.	1.6	-2.4	0.7	3.4	0.1	-0.1	0.0	1.2	-6.8	0.8	-5.3	-0.1	0.0	2.0
Mar.	1.6	2.8	0.0	0.2	0.0	0.0	-1.3	75.1	18.6	19.9	22.9	1.1	0.1	12.5
Apr.	7.5	-2.3	5.1	3.3	-0.1	0.0	1.5	16.2	-11.0	11.4	15.0	0.0	0.0	0.8
Growth rates														
2005 Dec.	4.5	12.4	-1.2	4.3	36.0	2.9	-0.8	26.9	22.2	25.0	47.3	14.3	-	0.4
2006 Dec.	6.2	4.0	10.7	5.4	-16.3	-3.4	21.2	28.3	19.3	37.4	38.9	2.9	-	4.0
2007 Jan.	5.6	-0.8	15.7	5.9	-13.5	-3.5	-1.4	27.3	16.2	38.5	38.7	4.7	-	5.4
Feb.	6.9	1.2	23.4	6.2	-6.7	-13.8	7.1	24.1	15.1	30.2	35.0	1.2	-	4.9
Mar.	7.5	10.2	15.7	5.9	-2.9	-14.3	16.0	26.5	15.3	37.1	34.6	4.1	-	12.4
Apr.	6.0	3.1	25.6	5.6	-11.0	-13.9	-13.0	21.9	9.5	25.6	34.5	8.5	-	7.2

C8 Total deposits by sector <sup>2)</sup>  
(annual growth rates)



C9 Total deposits and deposits included in M3 by sector <sup>2)</sup>  
(annual growth rates)



Source: ECB.

- 1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
- 2) Data refer to the changing composition of the euro area. For further information, see the General notes.
- 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), 2)</sup>

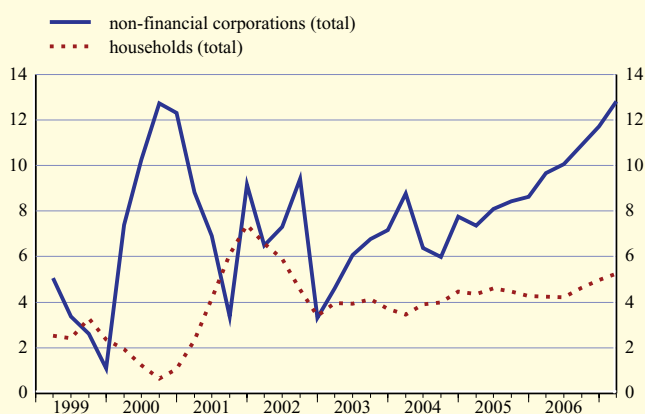
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	Non-financial corporations							Households <sup>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														
2005	1,211.9	769.2	305.1	67.2	44.5	1.2	24.6	4,343.1	1,685.9	534.0	631.7	1,354.2	84.5	52.8
2006	1,343.1	851.8	355.3	69.4	40.5	1.3	24.8	4,552.6	1,751.2	669.0	606.8	1,355.7	99.8	70.0
2007 Jan.	1,302.5	807.3	359.2	69.7	39.4	2.1	24.9	4,553.2	1,717.7	701.3	602.5	1,357.1	101.7	72.9
Feb.	1,304.4	808.6	360.4	69.1	38.0	2.1	26.3	4,562.1	1,717.3	721.7	597.2	1,347.0	103.8	75.0
Mar.	1,347.3	832.9	378.0	68.6	39.4	1.3	27.0	4,591.4	1,727.8	746.6	593.1	1,342.1	105.4	76.4
Apr. <sup>(p)</sup>	1,348.0	833.4	382.4	68.5	37.9	1.3	24.5	4,616.7	1,746.8	764.9	587.0	1,336.4	105.7	76.0
Transactions														
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	141.2	85.7	55.7	3.9	-4.2	0.1	0.2	215.2	65.7	137.5	-23.1	2.5	15.4	17.2
2007 Jan.	-45.0	-46.3	2.5	0.1	-1.3	0.0	0.1	-12.2	-39.1	26.7	-5.4	1.0	1.8	2.9
Feb.	3.1	1.8	1.8	-0.5	-1.4	0.0	1.4	9.6	-0.2	20.8	-5.3	-10.0	2.1	2.1
Mar.	43.5	24.6	18.0	-0.5	1.4	-0.7	0.7	29.6	10.5	25.1	-4.1	-4.9	1.6	1.4
Apr. <sup>(p)</sup>	2.2	1.2	5.1	0.0	-1.5	0.0	-2.6	26.3	19.2	19.0	-6.1	-5.7	0.3	-0.4
Growth rates														
2005 Dec.	8.6	13.1	3.8	-2.0	9.0	-29.0	-18.2	4.3	8.5	3.1	-0.4	3.3	-4.5	-5.1
2006 Dec.	11.7	11.2	18.4	5.7	-9.4	5.9	0.6	5.0	3.9	25.8	-3.7	0.2	18.2	32.6
2007 Jan.	10.2	9.1	20.1	2.0	-17.5	8.7	-2.4	4.8	2.6	30.3	-4.2	-0.6	19.4	37.1
Feb.	10.9	9.9	19.9	0.3	-19.8	8.4	19.3	4.9	2.7	32.6	-4.6	-1.4	21.4	39.7
Mar.	12.8	11.9	22.2	-2.6	-16.2	-29.8	25.4	5.2	2.9	35.3	-4.8	-1.9	22.1	38.7
Apr. <sup>(p)</sup>	11.7	11.1	20.9	-3.7	-17.9	-36.0	14.3	5.1	2.2	37.8	-5.4	-2.2	22.1	40.4

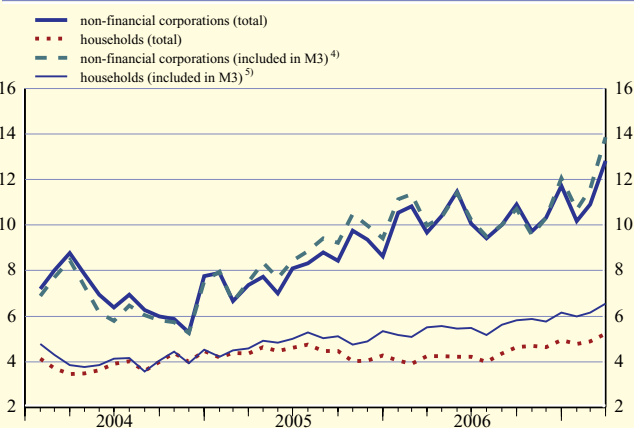
### C10 Total deposits by sector <sup>2)</sup>

(annual growth rates)



### C11 Total deposits and deposits included in M3 by sector <sup>2)</sup>

(annual growth rates)



Source: ECB.

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

2) Data refer to the changing composition of the euro area. For further information, see the General notes.

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), 2)</sup>**

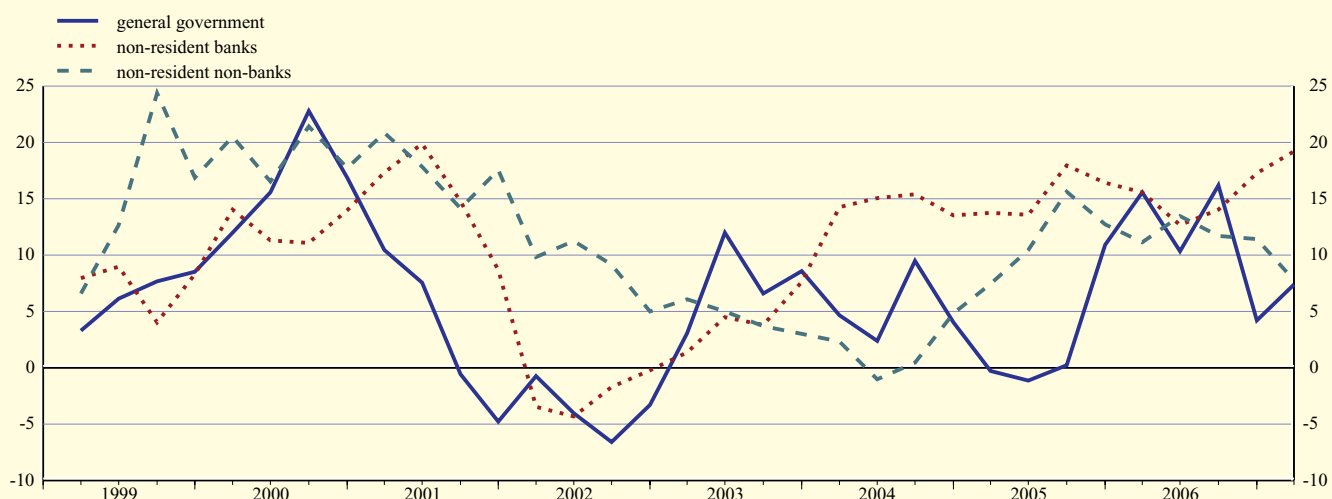
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>3)</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	312.2	148.1	38.1	77.0	48.9	3,241.9	2,410.4	831.5	128.2	703.3
Q2	317.2	138.1	39.6	82.6	56.9	3,202.9	2,368.0	834.9	128.3	706.6
Q3	333.0	147.7	41.6	83.5	60.2	3,369.2	2,492.1	877.1	133.3	743.7
Q4	328.0	123.2	45.4	91.8	67.6	3,429.0	2,557.1	871.9	128.6	743.3
2007 Q1 <sup>(p)</sup>	337.9	138.8	42.1	88.9	68.2	3,661.8	2,781.3	880.4	133.6	746.9
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	381.1	292.8	88.3	22.4	66.0
2006 Q1	-1.0	-1.1	-0.2	-3.9	4.3	210.4	170.9	39.5	2.4	37.1
Q2	6.0	-9.1	1.5	5.6	8.0	7.9	-8.3	16.2	0.1	16.2
Q3	15.8	9.6	2.0	0.9	3.3	157.5	117.5	40.0	5.1	34.9
Q4	-7.7	-25.0	3.8	6.1	7.4	98.5	104.0	-5.5	-4.8	-0.7
2007 Q1 <sup>(p)</sup>	8.8	14.9	-3.4	-3.3	0.5	254.4	240.3	13.1	4.8	8.3
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	15.4	16.4	12.7	21.6	11.2
2006 Mar.	15.6	17.0	14.1	14.3	14.6	14.3	15.5	11.1	21.6	9.3
June	10.3	2.7	13.0	18.7	17.6	12.9	12.7	13.4	8.2	14.4
Sep.	16.2	10.1	15.8	17.2	33.3	13.4	14.0	11.7	6.5	12.7
Dec.	4.2	-17.2	18.4	10.8	51.4	15.7	17.2	11.4	2.2	13.2
2007 Mar. <sup>(p)</sup>	7.4	-6.5	10.3	12.3	39.2	16.3	19.2	7.8	4.1	8.4

**C12 Deposits by government and non-euro area residents<sup>2)</sup>**

(annual growth rates)



Source: ECB.

- 1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
- 2) Data refer to the changing composition of the euro area. For further information, see the General notes.
- 3) The term "banks" is used in this table to indicate institutions of a similar type to MFIs resident outside the euro area.

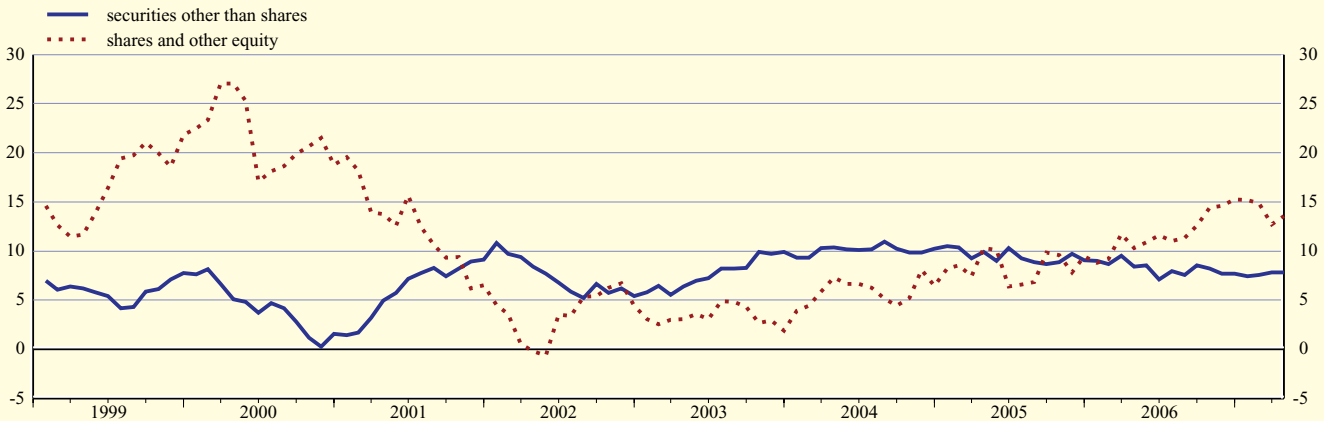
## 2.6 MFI holdings of securities, breakdown <sup>1), 2)</sup>

(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												
2005	4,418.9	1,450.4	67.3	1,412.5	17.0	525.7	25.8	920.3	1,254.7	308.5	700.1	246.1
2006	4,663.8	1,560.5	72.3	1,260.4	16.2	615.7	30.1	1,108.6	1,490.3	377.3	817.2	295.8
2007 Jan.	4,756.2	1,586.4	75.1	1,279.9	16.2	613.8	30.6	1,154.2	1,528.4	386.0	833.5	308.9
Feb.	4,791.0	1,596.5	78.6	1,277.2	16.0	625.7	32.5	1,164.4	1,541.8	395.9	823.7	322.3
Mar.	4,842.4	1,616.4	76.5	1,266.0	15.6	652.5	34.1	1,181.4	1,569.7	401.0	837.0	331.6
Apr. <sup>(p)</sup>	4,861.2	1,628.5	76.6	1,242.7	15.3	672.5	34.3	1,191.2	1,647.6	412.1	896.3	339.2
Transactions												
2005	356.3	85.7	2.0	52.3	-0.9	71.9	7.7	137.6	109.1	26.5	53.4	29.2
2006	336.8	122.7	10.6	-122.7	0.5	100.4	6.5	218.7	194.4	58.8	97.0	38.6
2007 Jan.	82.0	25.0	1.9	15.8	-0.6	-1.4	3.3	38.0	34.0	7.2	12.9	13.9
Feb.	45.0	10.0	4.7	-3.5	0.0	11.2	2.3	20.2	12.7	9.9	-10.7	13.5
Mar.	61.3	20.5	-1.4	-10.3	-0.2	28.0	1.9	22.9	23.5	4.8	9.9	8.8
Apr. <sup>(p)</sup>	32.4	12.3	1.4	-22.9	0.0	19.2	0.9	21.4	75.3	9.2	58.9	7.2
Growth rates												
2005 Dec.	9.0	6.3	3.6	4.2	-4.5	16.0	43.8	18.2	9.4	9.4	8.0	13.6
2006 Dec.	7.7	8.5	16.5	-8.9	3.0	19.3	25.7	24.2	15.2	18.7	13.7	15.2
2007 Jan.	7.4	8.2	24.9	-9.3	-2.5	17.9	31.4	23.9	15.2	17.2	13.2	18.3
Feb.	7.5	7.6	26.1	-9.0	-4.8	17.5	41.6	24.4	14.9	22.2	9.2	22.0
Mar.	7.8	7.9	18.4	-10.2	-3.4	21.4	40.2	25.0	12.7	21.4	5.4	23.7
Apr. <sup>(p)</sup>	7.8	8.4	15.8	-11.7	-4.9	22.6	36.5	25.9	13.5	21.1	5.8	28.5

## C13 MFI holdings of securities <sup>2)</sup>

(annual growth rates)



Source: ECB.

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

2) Data refer to the changing composition of the euro area. For further information, see the General notes.

2.7 Revaluation of selected MFI balance sheet items <sup>1), 2)</sup>

(EUR billions)

1. Write-offs/write-downs of loans to households <sup>3)</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
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	-3.9	-1.5	-0.9	-1.6	-2.6	-0.1	-0.1	-2.3	-6.7	-1.1	-2.0	-3.6
2007 Jan.	-0.5	-0.2	-0.1	-0.2	-0.5	0.0	0.0	-0.4	-0.9	-0.3	-0.1	-0.5
Feb.	-0.2	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.5	-0.1	-0.1	-0.3
Mar.	-0.3	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	-0.4	0.0	-0.1	-0.3
Apr. <sup>(p)</sup>	-0.3	0.0	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.3	0.0	-0.1	-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
2005	-19.3	-7.4	-5.6	-6.2	-1.2	-0.3	-0.9
2006	-12.7	-3.0	-4.6	-5.1	-0.8	-0.1	-0.7
2007 Jan.	-1.4	-0.4	-0.4	-0.6	0.0	0.0	0.0
Feb.	-0.7	-0.2	-0.1	-0.4	0.0	0.0	0.0
Mar.	-0.6	0.3	-0.2	-0.7	-0.1	0.0	-0.1
Apr. <sup>(p)</sup>	-0.3	0.0	-0.2	-0.2	0.0	0.0	0.0

## 3. Revaluation of securities held by MFIs

	Securities other than shares							Shares and other equity				
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2005	21.5	3.4	0.5	6.7	0.7	1.3	0.2	8.6	25.7	5.0	14.4	6.3
2006	-8.6	1.2	-0.4	-7.9	-0.2	-0.4	-0.3	-0.7	31.5	7.1	16.3	8.0
2007 Jan.	-0.5	-1.4	0.0	0.6	0.0	-0.1	0.0	0.4	3.0	0.4	2.4	0.1
Feb.	1.6	0.3	-0.1	0.8	0.0	0.7	0.0	0.0	1.4	0.0	1.5	-0.1
Mar.	-3.7	-0.4	0.0	-1.1	0.0	-1.1	0.0	-1.0	4.3	0.3	3.4	0.6
Apr. <sup>(p)</sup>	-0.5	0.6	-0.1	-0.3	-0.1	0.8	-0.2	-1.2	3.7	1.9	1.4	0.4

Source: ECB.

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

2) Data refer to the changing composition of the euro area. For further information, see the General notes.

3) Including non-profit institutions serving households.

## 2.8 Currency breakdown of selected MFI balance sheet items <sup>1),2)</sup>

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

### 1. Deposits

	MFIs <sup>3)</sup>							Non-MFIs						
	All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies				All currencies (outstanding amount)	Euro <sup>4)</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	7,361.0	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	7,467.7	96.6	3.4	2.0	0.3	0.1	0.6
Q2	5,057.9	90.3	9.7	5.6	0.4	1.5	1.5	7,648.5	96.6	3.4	2.0	0.3	0.1	0.6
Q3	5,091.2	90.4	9.6	5.7	0.4	1.5	1.2	7,760.9	96.4	3.6	2.2	0.3	0.1	0.6
Q4	5,242.4	90.7	9.3	5.6	0.4	1.5	1.2	8,014.8	96.4	3.6	2.2	0.3	0.1	0.6
2007 Q1 <sup>4)</sup>	5,406.2	90.6	9.4	5.6	0.5	1.5	1.1	8,185.7	96.3	3.7	2.3	0.3	0.2	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	2,410.4	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	2,368.0	47.7	52.3	34.1	2.1	2.7	10.5	834.9	52.5	47.5	31.1	1.5	2.3	9.2
Q3	2,492.1	47.3	52.7	34.4	2.2	2.6	10.3	877.1	51.7	48.3	31.2	1.6	2.1	10.1
Q4	2,557.1	45.3	54.7	35.1	2.3	2.7	11.5	871.9	50.7	49.3	32.0	1.3	2.0	10.4
2007 Q1 <sup>4)</sup>	2,781.3	46.3	53.7	34.7	2.2	2.5	11.3	880.4	51.6	48.4	31.3	1.6	2.2	9.5

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

	All currencies (outstanding amount)	Euro <sup>4)</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	4,273.7	81.2	18.8	9.5	1.7	1.9	3.2
Q3	4,383.1	80.9	19.1	9.8	1.6	1.9	3.3
Q4	4,485.5	80.5	19.5	10.0	1.6	1.9	3.5
2007 Q1 <sup>4)</sup>	4,671.8	80.7	19.3	9.8	1.6	1.9	3.6

Source: ECB.

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



2.8 Currency breakdown of selected MFI balance sheet items <sup>1),2)</sup>

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

## 3. Loans

	MFIs <sup>3)</sup>							Non-MFIs						
	All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies				All currencies (outstanding amount)	Euro <sup>4)</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	4,569.7	-	-	-	-	-	9,112.0	96.3	3.7	1.6	0.2	1.3	0.5	
2006 Q1	4,656.2	-	-	-	-	-	9,365.4	96.3	3.7	1.7	0.2	1.2	0.5	
Q2	4,730.2	-	-	-	-	-	9,591.3	96.4	3.6	1.7	0.1	1.2	0.5	
Q3	4,790.9	-	-	-	-	-	9,786.9	96.3	3.7	1.7	0.1	1.2	0.6	
Q4	4,933.4	-	-	-	-	-	9,970.8	96.4	3.6	1.6	0.2	1.1	0.5	
2007 Q1 <sup>(p)</sup>	5,092.1	-	-	-	-	-	10,240.6	96.4	3.6	1.6	0.2	1.1	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	1,722.1	48.5	51.5	30.5	4.3	2.0	10.1	763.1	38.2	61.8	43.7	1.8	4.1	8.6
2006 Q1	1,821.6	49.6	50.4	30.3	3.8	2.4	9.2	773.1	38.9	61.1	44.1	1.7	3.9	7.8
Q2	1,839.9	49.6	50.4	29.4	2.8	2.4	10.6	771.5	40.3	59.7	42.2	1.1	4.1	8.3
Q3	1,919.9	50.2	49.8	29.1	2.3	2.4	10.8	816.1	41.2	58.8	41.1	1.8	3.8	8.5
Q4	2,061.0	50.7	49.3	28.9	2.0	2.3	11.0	863.4	39.3	60.7	43.2	1.1	4.0	8.6
2007 Q1 <sup>(p)</sup>	2,260.3	51.6	48.4	28.1	1.9	2.5	10.7	908.7	41.4	58.6	41.3	0.9	4.0	8.5

## 4. Holdings of securities other than shares

	Issued by MFIs <sup>3)</sup>							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies				All currencies (outstanding amount)	Euro <sup>4)</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
Q2	1,585.3	95.8	4.2	1.9	0.3	0.4	1.3	2,002.8	97.8	2.2	1.2	0.3	0.1	0.6
Q3	1,626.6	95.8	4.2	2.2	0.2	0.3	1.2	1,969.4	97.7	2.3	1.3	0.3	0.1	0.6
Q4	1,632.8	95.6	4.4	2.3	0.2	0.3	1.3	1,922.3	97.6	2.4	1.3	0.3	0.1	0.7
2007 Q1 <sup>(p)</sup>	1,692.9	95.5	4.5	2.3	0.3	0.3	1.4	1,968.1	97.5	2.5	1.3	0.3	0.1	0.8
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	397.5	51.0	49.0	28.5	0.8	0.5	15.7	522.8	38.3	61.7	35.0	7.8	0.8	12.6
2006 Q1	426.5	52.8	47.2	26.8	0.8	0.5	15.7	539.8	39.6	60.4	33.8	5.3	0.8	14.8
Q2	439.9	53.5	46.5	26.8	0.9	0.5	15.0	537.7	40.1	59.9	33.5	5.6	0.8	14.6
Q3	475.2	52.4	47.6	28.4	0.7	0.6	14.5	581.5	38.2	61.8	35.6	4.7	0.8	15.4
Q4	514.4	52.2	47.8	28.8	0.7	0.4	14.5	594.2	38.9	61.1	36.5	4.9	0.8	14.2
2007 Q1 <sup>(p)</sup>	549.8	52.1	47.9	29.4	0.6	0.5	14.3	631.6	38.6	61.4	37.3	4.9	0.7	13.5

Source: ECB.

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

2) Data refer to the changing composition of the euro area. For further information, see the General notes.

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

4) 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				
2005 Q3	4,631.2	303.5	1,860.6	101.2	1,759.4	1,553.4	460.0	171.6	282.1
Q4	4,789.2	291.4	1,848.1	109.6	1,738.5	1,683.1	505.2	176.1	285.4
2006 Q1	5,197.1	315.9	1,905.2	139.8	1,765.3	1,896.3	569.2	177.3	333.3
Q2	5,135.6	316.7	1,908.3	145.2	1,763.1	1,776.1	600.9	180.3	353.2
Q3	5,356.3	317.2	1,984.7	178.4	1,806.3	1,872.5	631.2	181.5	369.2
Q4 <sup>(p)</sup>	5,545.3	320.4	2,005.0	170.5	1,834.5	2,019.2	670.5	186.0	344.1

### 2. Liabilities

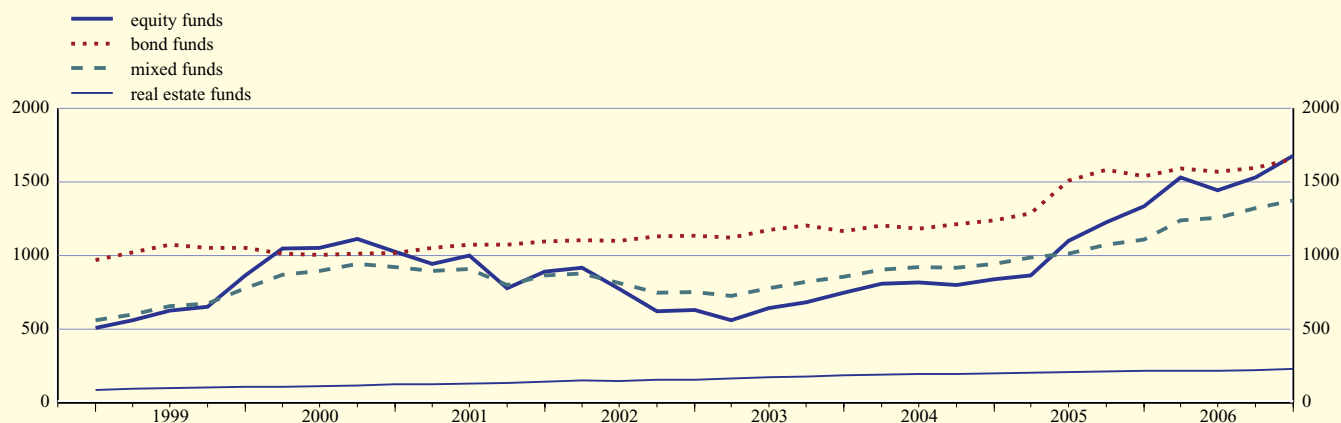
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
2005 Q3	4,631.2	60.4	4,351.7	219.1
Q4	4,789.2	61.8	4,516.8	210.5
2006 Q1	5,197.1	73.6	4,868.9	254.6
Q2	5,135.6	76.4	4,787.2	271.9
Q3	5,356.3	75.9	4,996.9	283.6
Q4 <sup>(p)</sup>	5,545.3	77.6	5,211.7	256.0

### 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
2005 Q3	4,631.2	1,224.8	1,581.9	1,071.1	213.2	540.2	3,507.5	1,123.8
Q4	4,789.2	1,335.8	1,538.0	1,109.2	216.2	590.0	3,659.1	1,130.1
2006 Q1	5,197.1	1,530.3	1,592.6	1,238.8	214.0	621.5	3,996.6	1,200.5
Q2	5,135.6	1,441.6	1,569.3	1,256.4	217.4	650.9	3,910.9	1,224.7
Q3	5,356.3	1,531.5	1,594.1	1,320.7	221.2	688.9	4,082.9	1,273.5
Q4 <sup>(p)</sup>	5,545.3	1,678.5	1,657.1	1,374.3	229.8	605.6	4,246.7	1,298.6

## C14 Total assets of investment funds <sup>2)</sup>

(EUR billions)



Source: ECB.

1) Other than money market funds. For further details, see the General notes.

2) Data refer to the changing composition of the euro area. For further information, 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									
2005 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	1,530.3	55.0	51.4	6.3	45.1	1,308.2	71.0	-	44.6
Q2	1,441.6	52.2	51.3	6.4	44.9	1,220.3	69.2	-	48.6
Q3	1,531.5	53.6	76.0	33.2	42.8	1,282.8	66.8	-	52.3
Q4 <sup>(p)</sup>	1,678.5	55.9	65.9	22.8	43.2	1,427.6	74.2	-	54.8
Bond funds									
2005 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	1,592.6	108.9	1,285.4	82.6	1,202.8	41.1	49.3	-	107.9
Q2	1,569.3	106.5	1,264.7	87.3	1,177.4	38.5	47.5	-	112.1
Q3	1,594.1	105.5	1,288.5	86.8	1,201.7	41.6	48.2	-	110.3
Q4 <sup>(p)</sup>	1,657.1	108.3	1,343.6	91.1	1,252.5	45.4	49.9	-	110.0
Mixed funds									
2005 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	1,238.8	67.9	465.2	38.6	426.6	349.2	238.5	0.1	117.9
Q2	1,256.4	71.9	483.9	40.3	443.6	318.3	253.6	0.2	128.5
Q3	1,320.7	68.4	510.4	45.2	465.2	331.9	272.3	0.3	137.4
Q4 <sup>(p)</sup>	1,374.3	70.9	519.0	43.4	475.6	363.5	292.8	0.4	127.8
Real estate funds									
2005 Q3	213.2	15.2	8.8	1.2	7.6	1.3	8.1	171.0	8.7
Q4	216.2	14.5	7.8	1.5	6.3	1.4	6.9	175.1	10.4
2006 Q1	214.0	15.1	6.1	1.7	4.4	1.8	4.4	176.5	10.1
Q2	217.4	15.5	5.6	1.5	4.1	1.6	5.4	179.4	9.9
Q3	221.2	16.4	6.0	1.6	4.4	1.9	6.3	180.3	10.4
Q4 <sup>(p)</sup>	229.8	17.6	6.0	1.6	4.4	2.2	6.9	185.2	12.0

## 2. Funds by type of investor

	Total 1	Deposits 2	Holdings of securities other than shares 3	Holdings of shares/ other equity 4	Holdings of investment fund shares 5	Fixed assets 6	Other assets 7
2005 Q3	3,507.5	251.6	1,261.0	1,257.9	353.3	146.5	237.3
Q4	3,659.1	242.8	1,277.5	1,371.0	381.0	150.1	236.7
2006 Q1	3,996.6	263.2	1,334.2	1,549.4	427.4	150.2	272.2
Q2	3,910.9	256.9	1,321.1	1,448.1	452.1	151.2	281.5
Q3	4,082.9	260.4	1,373.8	1,529.4	470.8	151.2	297.3
Q4 <sup>(p)</sup>	4,246.7	265.2	1,401.8	1,647.8	498.2	153.3	280.4
Special investors' funds							
2005 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	1,200.5	52.7	571.0	346.9	141.7	27.1	61.1
Q2	1,224.7	59.9	587.2	328.1	148.8	29.1	71.7
Q3	1,273.5	56.9	610.9	343.1	160.5	30.2	71.9
Q4 <sup>(p)</sup>	1,298.6	55.2	603.3	371.4	172.3	32.7	63.7

Source: ECB.



## EURO AREA ACCOUNTS

### 3.1 Integrated economic and financial accounts by institutional sector

(EUR billions)

Uses	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
2006 Q4						
<b>External account</b>						
Exports of goods and services						485.9
<i>Trade balance</i> <sup>1)</sup>						-29.7
<b>Generation of income account</b>						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,090.4	113.7	684.9	55.0	236.8	
Other taxes less subsidies on production	43.4	9.4	24.7	4.3	5.0	
Consumption of fixed capital	308.6	81.6	175.9	10.9	40.2	
<i>Net operating surplus and mixed income</i> <sup>1)</sup>	516.9	277.7	217.7	21.5	0.0	
<b>Allocation of primary income account</b>						
Net operating surplus and mixed income						
Compensation of employees						4.1
Taxes less subsidies on production						
Property income	720.0	44.4	287.9	327.9	59.7	117.5
Interest	407.9	41.7	69.5	237.0	59.7	72.7
Other property income	312.1	2.7	218.4	90.9	0.0	44.8
<i>Net national income</i> <sup>1)</sup>	1,901.3	1,562.6	44.0	47.2	247.4	
<b>Secondary distribution of income account</b>						
Net national income						
Current taxes on income, wealth, etc.	314.1	233.4	63.5	16.9	0.3	1.2
Social contributions	412.4	412.4				0.8
Social benefits other than social transfers in kind	403.2	1.5	16.2	23.3	362.1	0.7
Other current transfers	185.1	67.6	24.6	48.5	44.4	9.1
Net non-life insurance premiums	45.7	33.4	10.6	0.9	0.7	1.3
Non-life insurance claims	45.7			45.7		0.6
Other	93.7	34.2	13.9	1.8	43.8	7.2
<i>Net disposable income</i> <sup>1)</sup>	1,879.0	1,337.2	-27.3	42.3	526.8	
<b>Use of income account</b>						
Net disposable income						
Final consumption expenditure	1,713.5	1,233.6			479.9	
Individual consumption expenditure	1,518.7	1,233.6			285.2	
Collective consumption expenditure	194.7				194.7	
Adjustment for the change in net equity of households in pension fund reserves	15.8	0.1	3.1	12.6	0.0	0.0
<i>Net saving/current external account</i> <sup>1)</sup>	165.5	119.3	-30.4	29.7	46.9	-20.8
<b>Capital account</b>						
Net saving / current external account						
Gross capital formation	453.4	149.7	218.4	13.3	72.0	
Gross fixed capital formation	477.6	151.3	241.3	13.1	71.9	
Changes in inventories and acquisitions less disposals of valuables	-24.2	-1.6	-22.9	0.1	0.1	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	0.0	-0.7	0.8	0.1	-0.3	0.0
Capital transfers	65.7	9.9	3.0	4.3	48.6	8.2
Capital taxes	6.3	6.0	0.3	0.0	0.0	0.0
Other capital transfers	59.5	3.9	2.7	4.3	48.6	8.2
<i>Net lending (+)/net borrowing (-) (from capital account)</i> <sup>1)</sup>	26.2	59.2	-38.5	24.4	-18.9	-26.2
Statistical discrepancy	0.0	52.0	-52.0	0.0	0.0	0.0

Sources: ECB and Eurostat.

1) For the calculation of the balancing items, see the Technical notes.

## 3.1 Integrated economic and financial accounts by institutional sector (cont'd)

(EUR billions)

Resources	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
2006 Q4						
<b>External account</b>						
Imports of goods and services						456.2
<i>Trade balance</i>						
<b>Generation of income account</b>						
Gross value added (basic prices)	1,959.3	482.5	1,103.1	91.7	282.0	
Taxes less subsidies on products	237.2					
Gross domestic product (market prices) <sup>2)</sup>	2,196.6					
Compensation of employees						
Other taxes less subsidies on production						
Consumption of fixed capital						
<i>Net operating surplus and mixed income</i>						
<b>Allocation of primary income account</b>						
Net operating surplus and mixed income	516.9	277.7	217.7	21.5	0.0	
Compensation of employees	1,092.0	1,092.0				2.5
Taxes less subsidies on production	288.2				288.2	-7.6
Property income	724.1	237.3	114.3	353.7	18.9	113.3
Interest	403.3	64.0	38.4	294.1	6.7	77.3
Other property income	320.9	173.3	75.9	59.5	12.2	36.0
<i>Net national income</i>						
<b>Secondary distribution of income account</b>						
Net national income	1,901.3	1,562.6	44.0	47.2	247.4	
Current taxes on income, wealth, etc.	314.8				314.8	0.5
Social contributions	412.3	1.2	20.4	36.9	353.8	1.0
Social benefits other than social transfers in kind	401.1	401.1				2.8
Other current transfers	164.2	87.2	12.6	46.9	17.6	29.9
Net non-life insurance premiums	45.7			45.7		1.2
Non-life insurance claims	45.1	34.4	9.5	0.9	0.3	1.2
Other	73.4	52.7	3.2	0.3	17.3	27.5
<i>Net disposable income</i>						
<b>Use of income account</b>						
Net disposable income	1,879.0	1,337.2	-27.3	42.3	526.8	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in net equity of households in pension fund reserves	15.9	15.9				0.0
<i>Net saving/current external account</i>						
<b>Capital account</b>						
Net saving / current external account	165.5	119.3	-30.4	29.7	46.9	-20.8
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	308.6	81.6	175.9	10.9	40.2	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	71.1	17.2	38.2	1.4	14.3	2.8
Capital taxes	6.3				6.3	0.0
Other capital transfers	64.9	17.2	38.2	1.4	8.1	2.8
<i>Net lending (+)/net borrowing (-) (from capital account)</i>						
Statistical discrepancy						

Sources: ECB and Eurostat.

2) Gross domestic product is equal to gross value added of all domestic sectors plus net taxes (taxes less subsidies) on products.

### 3.1 Integrated economic and financial accounts by institutional sector (cont'd)

(EUR billions)

Assets	Euro area	Households	Non-financial corporations	MFIs	Other financial intermediaries	Insurance corporations and pension funds	General government	Rest of the world
<b>2006 Q4</b>								
<b>Opening balance sheet, financial assets</b>								
Total financial assets		16,518.6	12,879.8	19,153.0	9,009.6	5,828.9	2,669.5	12,663.2
Monetary gold and special drawing rights (SDRs)				178.6				
Currency and deposits		5,181.6	1,505.6	2,005.2	1,180.7	697.8	526.2	3,459.7
Short-term debt securities		38.2	112.2	98.5	208.4	217.8	21.8	705.1
Long-term debt securities		1,434.8	194.2	3,224.6	1,917.1	1,912.5	196.1	1,860.4
Loans		23.8	1,619.4	10,627.7	1,194.0	371.0	366.4	1,324.1
<i>of which long-term</i>		20.2	875.6	8,062.9	887.8	303.9	327.7	.
Shares and other equity		4,770.7	6,920.9	1,638.4	4,264.5	2,211.9	992.3	4,638.2
Quoted shares		1,134.1	1,659.8	617.1	2,198.3	754.7	341.9	.
Unquoted shares and other equity		2,015.2	4,846.1	762.5	1,480.3	438.6	523.4	.
Mutual fund shares		1,621.3	415.0	258.8	585.9	1,018.6	127.0	.
Insurance technical reserves		4,834.7	129.1	1.8	0.0	141.9	3.0	170.0
Other accounts receivable and financial derivatives		234.7	2,398.3	1,378.1	244.8	276.0	563.6	506.5
<i>Net financial worth</i>								
<b>Financial account, transactions in financial assets</b>								
Total transactions in financial assets		210.1	215.4	596.1	265.6	68.7	-39.0	455.9
Monetary gold and special drawing rights (SDRs)				-0.8				0.8
Currency and deposits		137.4	73.5	168.6	49.3	22.9	-18.3	101.0
Short-term debt securities		-5.4	-1.5	-4.7	43.9	-0.6	0.6	-11.0
Long-term debt securities		11.9	10.7	54.0	-38.0	23.0	9.2	178.8
Loans		-0.5	66.4	253.2	72.8	-8.4	-6.1	88.0
<i>of which long-term</i>		-0.7	17.0	210.0	58.0	-4.7	-11.7	.
Shares and other equity		-23.6	20.0	62.1	137.6	24.1	-4.4	92.2
Quoted shares		-4.8	-20.3	29.0	105.4	0.9	-3.9	.
Unquoted shares and other equity		-6.5	46.0	31.1	2.2	12.1	-2.7	.
Mutual fund shares		-12.4	-5.7	1.9	30.1	11.1	2.1	.
Insurance technical reserves		70.8	0.7	0.0	0.0	2.5	0.0	9.5
Other accounts receivable and financial derivatives		19.5	45.6	63.6	0.0	5.3	-20.0	-3.4
<i>Changes in net financial worth due to transactions</i>								
<b>Other changes account, financial assets</b>								
Total other changes in financial assets		191.9	307.4	-11.6	91.8	49.7	44.9	27.6
Monetary gold and special drawing rights (SDRs)				3.1				
Currency and deposits		-5.0	-9.7	-27.0	4.9	0.7	-0.3	-41.4
Short-term debt securities		-1.0	-1.1	-2.0	5.1	-4.7	0.1	-5.6
Long-term debt securities		9.7	-1.8	-29.8	8.2	-34.7	-1.3	-39.6
Loans		0.0	-2.3	-14.5	-16.2	-1.2	0.6	-7.5
<i>of which long-term</i>		0.0	1.5	-16.8	-13.4	-1.1	0.6	.
Shares and other equity		169.7	312.3	42.6	89.2	92.2	46.9	141.1
Quoted shares		83.7	129.6	23.3	56.7	69.8	38.1	.
Unquoted shares and other equity		58.0	179.6	16.1	24.9	11.5	5.4	.
Mutual fund shares		28.1	3.1	3.3	7.6	10.9	3.3	.
Insurance technical reserves		14.4	0.4	0.0	0.0	-0.8	0.0	-19.7
Other accounts receivable and financial derivatives		4.0	9.6	15.9	0.6	-1.8	-0.9	0.3
<i>Other changes in net financial worth</i>								
<b>Closing balance sheet, financial assets</b>								
Total financial assets		16,920.6	13,402.6	19,737.4	9,366.9	5,947.3	2,675.4	13,146.7
Monetary gold and special drawing rights (SDRs)				180.9				
Currency and deposits		5,314.0	1,569.5	2,146.9	1,235.0	721.4	507.6	3,519.2
Short-term debt securities		31.9	109.5	91.8	257.4	212.5	22.5	688.5
Long-term debt securities		1,456.4	203.1	3,248.8	1,887.3	1,900.8	204.0	1,999.6
Loans		23.3	1,683.5	10,866.4	1,250.5	361.4	360.9	1,404.6
<i>of which long-term</i>		19.5	894.2	8,256.1	932.4	298.0	316.5	.
Shares and other equity		4,916.8	7,253.2	1,743.1	4,491.3	2,328.1	1,034.7	4,871.6
Quoted shares		1,213.0	1,769.1	669.4	2,360.4	825.3	376.2	.
Unquoted shares and other equity		2,066.8	5,071.7	809.7	1,507.3	462.2	526.1	.
Mutual fund shares		1,637.0	412.4	264.0	623.6	1,040.6	132.4	.
Insurance technical reserves		4,920.0	130.2	1.9	0.0	143.6	3.1	159.8
Other accounts receivable and financial derivatives		258.2	2,453.5	1,457.6	245.5	279.5	542.8	503.4
<i>Net financial worth</i>								

Source: ECB.

## 3.1 Integrated economic and financial accounts by institutional sector (cont'd)

(EUR billions)

Liabilities	Euro area	Households	Non-financial corporations	MFIs	Other financial intermediaries	Insurance corporations and pension funds	General government	Rest of the world
2006 Q4								
<b>Opening balance sheet, liabilities</b>								
Total liabilities		5,318.3	20,571.8	19,459.3	8,980.5	5,945.4	6,814.9	11,454.5
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.0	11,819.0	201.1	3.9	336.5	2,196.5
Short-term debt securities			261.1	305.5	66.5	0.1	590.4	178.6
Long-term debt securities			428.3	2,426.8	1,169.6	23.1	4,421.9	2,270.1
Loans		4,920.2	6,093.7		1,210.0	161.5	1,077.6	2,063.4
<i>of which long-term</i>		4,611.7	4,097.2		581.9	77.8	916.4	.
Shares and other equity			11,292.0	3,133.5	6,084.9	635.3	4.5	4,286.7
Quoted shares			4,093.3	985.4	285.1	310.0	0.0	.
Unquoted shares and other equity			7,198.7	1,194.2	861.0	325.3	4.5	.
Mutual fund shares				953.8	4,938.8			.
Insurance technical reserves		34.4	322.8	51.4	0.5	4,871.0	0.5	
Other accounts receivable and financial derivatives		363.7	2,174.0	1,723.2	247.8	250.7	383.3	459.3
<i>Net financial worth</i> <sup>1)</sup>	-1,030.8	11,200.3	-7,692.0	-306.3	29.1	-116.6	-4,145.3	
<b>Financial account, transactions in liabilities</b>								
Total transactions in liabilities		99.0	305.9	582.5	243.0	80.5	-20.1	482.1
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.0	367.6	-0.2	0.0	9.0	158.0
Short-term debt securities			7.7	19.4	4.7	0.1	-32.6	21.9
Long-term debt securities			-3.9	86.9	88.1	3.1	-8.9	84.3
Loans		111.9	178.5		41.8	-5.3	-2.4	141.0
<i>of which long-term</i>		104.1	124.5		20.3	2.6	27.6	.
Shares and other equity			59.3	41.9	126.8	0.7	0.0	79.2
Quoted shares			12.9	2.4	0.5	0.2	0.0	.
Unquoted shares and other equity			46.4	30.2	-2.9	0.5	0.0	.
Mutual fund shares				9.4	129.2			.
Insurance technical reserves		0.7	3.3	1.8	0.0	77.8	0.0	
Other accounts receivable and financial derivatives		-13.6	61.0	64.8	-18.1	4.2	14.7	-2.4
<i>Changes in net financial worth due to transactions</i> <sup>1)</sup>	26.2	111.2	-90.5	13.6	22.6	-11.8	-18.9	-26.2
<b>Other changes account, liabilities</b>								
Total other changes in liabilities		-8.0	628.6	12.3	120.4	14.9	-63.2	-6.5
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.0	-38.9	0.0	0.0	0.0	-38.9
Short-term debt securities			-6.8	0.4	0.0	0.0	2.5	-5.5
Long-term debt securities			2.3	-13.2	0.3	0.0	-45.7	-33.1
Loans		-10.4	-25.7		4.4	-0.4	0.2	-9.3
<i>of which long-term</i>		-6.5	-23.0		3.5	-0.8	0.2	.
Shares and other equity			643.3	40.6	109.8	18.9	0.3	81.1
Quoted shares			352.9	68.2	13.6	10.6	0.0	.
Unquoted shares and other equity			290.4	-2.7	6.4	8.3	0.3	.
Mutual fund shares				-24.9	89.8			.
Insurance technical reserves		0.0	0.0	0.0	0.0	-5.6	0.0	
Other accounts receivable and financial derivatives		2.4	15.4	23.4	5.9	2.0	-20.6	-0.7
<i>Other changes in net financial worth</i> <sup>1)</sup>	-31.0	199.8	-321.2	-24.0	-28.6	34.8	108.2	34.1
<b>Closing balance sheet, liabilities</b>								
Total liabilities		5,409.3	21,506.2	20,054.1	9,343.8	6,040.9	6,731.5	11,930.1
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.0	12,147.7	200.8	3.8	345.6	2,315.6
Short-term debt securities			262.1	325.2	71.2	0.1	560.4	194.9
Long-term debt securities			426.6	2,500.6	1,258.1	26.1	4,367.3	2,321.2
Loans		5,021.7	6,246.4		1,256.2	155.8	1,075.4	2,195.1
<i>of which long-term</i>		4,709.3	4,198.7		605.7	79.7	944.1	.
Shares and other equity			11,994.6	3,216.0	6,321.4	654.8	4.9	4,447.1
Quoted shares			4,459.1	1,056.0	299.2	320.8	0.0	.
Unquoted shares and other equity			7,535.5	1,221.6	864.5	334.0	4.9	.
Mutual fund shares				938.3	5,157.8			.
Insurance technical reserves		35.0	326.1	53.2	0.5	4,943.2	0.6	
Other accounts receivable and financial derivatives		352.5	2,250.4	1,811.3	235.6	256.9	377.4	456.3
<i>Net financial worth</i> <sup>1)</sup>	-1,035.6	11,511.3	-8,103.7	-316.7	23.1	-93.5	-4,056.1	

Source: ECB.



## 3.2 Euro area non-financial accounts

(EUR billions; four-quarter cumulated flows)

Uses	2002	2003	2004	2005 Q1- 2005 Q4	2005 Q2- 2006 Q1	2005 Q3- 2006 Q2	2005 Q4- 2006 Q3	2006 Q1- 2006 Q4
<b>Generation of income account</b>								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	3,563.4	3,657.3	3,760.8	3,858.6	3,891.3	3,931.6	3,970.3	4,000.7
Other taxes less subsidies on production	106.9	110.6	123.3	130.3	132.0	135.3	137.7	135.3
Consumption of fixed capital	1,028.4	1,062.9	1,109.3	1,157.8	1,172.1	1,187.9	1,204.0	1,219.3
<i>Net operating surplus and mixed income</i> <sup>1)</sup>	1,804.1	1,858.2	1,953.0	2,006.0	2,028.0	2,033.0	2,059.8	2,105.3
<b>Allocation of primary income account</b>								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	2,389.4	2,275.7	2,329.2	2,532.2	2,596.3	2,675.4	2,745.7	2,825.7
Interest	1,382.4	1,265.4	1,241.9	1,317.2	1,359.5	1,413.8	1,481.4	1,548.1
Other property income	1,007.0	1,010.3	1,087.4	1,215.0	1,236.7	1,261.6	1,264.2	1,277.6
<i>Net national income</i> <sup>1)</sup>	6,182.1	6,367.7	6,636.3	6,840.0	6,910.8	6,979.8	7,060.9	7,157.2
<b>Secondary distribution of income account</b>								
Net national income								
Current taxes on income, wealth, etc.	859.1	856.8	882.6	932.4	948.4	973.1	992.1	1,023.4
Social contributions	1,337.9	1,388.0	1,427.8	1,468.5	1,482.9	1,498.9	1,515.7	1,531.0
Social benefits other than social transfers in kind	1,351.4	1,407.2	1,453.2	1,495.5	1,506.8	1,517.2	1,527.2	1,538.3
Other current transfers	642.4	658.7	685.4	711.3	706.4	705.6	705.9	706.9
Net non-life insurance premiums	170.8	173.9	176.8	180.3	179.4	178.0	177.5	176.3
Non-life insurance claims	174.4	174.6	177.4	181.3	180.0	178.4	177.3	175.7
Other	297.2	310.2	331.3	349.7	347.0	349.2	351.1	354.8
<i>Net disposable income</i> <sup>1)</sup>	6,122.0	6,297.0	6,558.2	6,754.2	6,826.6	6,896.0	6,975.9	7,070.1
<b>Use of income account</b>								
Net disposable income								
Final consumption expenditure	5,647.9	5,845.3	6,054.7	6,272.3	6,336.3	6,396.9	6,453.5	6,514.3
Individual consumption expenditure	5,047.7	5,224.0	5,411.3	5,612.2	5,672.3	5,727.2	5,779.3	5,833.9
Collective consumption expenditure	600.2	621.2	643.4	660.1	663.9	669.7	674.2	680.4
Adjustment for the change in net equity of households in pension funds reserves	51.2	54.7	57.6	58.2	58.8	59.7	60.6	61.3
<i>Net saving</i> <sup>1)</sup>	474.3	451.9	503.7	482.1	490.5	499.3	522.6	556.0
<b>Capital account</b>								
Net saving								
Gross capital formation	1,441.1	1,485.4	1,565.4	1,645.8	1,687.9	1,715.6	1,756.6	1,783.9
Gross fixed capital formation	1,452.0	1,482.7	1,553.4	1,623.9	1,651.4	1,679.7	1,711.0	1,752.3
Changes in inventories and acquisitions less disposals of valuables	-10.9	2.7	12.0	22.0	36.5	35.9	45.6	31.6
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	0.5	0.6	-1.1	0.1	0.8	1.4	1.5	1.3
Capital transfers	137.0	181.3	164.6	172.9	160.7	157.0	170.3	185.7
Capital taxes	20.2	35.9	29.8	24.0	24.3	23.6	22.3	22.2
Other capital transfers	116.8	145.5	134.8	148.9	136.4	133.3	148.0	163.5
<i>Net lending (+)/net borrowing (-) (from capital account)</i> <sup>1)</sup>	72.7	41.0	65.6	8.6	-11.5	-16.9	-18.5	3.7

Sources: ECB and Eurostat.

1) For the calculation of the balancing items, see the Technical notes.

## 3.2 Euro area non-financial accounts (cont'd)

(EUR billions; four-quarter cumulated flows)

Resources	2002	2003	2004	2005 Q1- 2005 Q4	2005 Q2- 2006 Q1	2005 Q3- 2006 Q2	2005 Q4- 2006 Q3	2006 Q1- 2006 Q4
<b>Generation of income account</b>								
Gross value added (basic prices)	6,502.8	6,689.0	6,946.3	7,152.8	7,223.5	7,287.8	7,371.8	7,460.5
Taxes less subsidies on products	737.5	761.0	796.5	838.8	857.4	872.4	881.2	898.1
Gross domestic product (market prices) <sup>2)</sup>	7,240.3	7,449.9	7,742.8	7,991.5	8,080.9	8,160.2	8,253.0	8,358.6
Compensation of employees								
Other taxes less subsidies on production								
Consumption of fixed capital								
<i>Net operating surplus and mixed income</i>								
<b>Allocation of primary income account</b>								
Net operating surplus and mixed income	1,804.1	1,858.2	1,953.0	2,006.0	2,028.0	2,033.0	2,059.8	2,105.3
Compensation of employees	3,570.9	3,664.4	3,767.9	3,864.5	3,896.9	3,937.2	3,976.1	4,006.6
Taxes less subsidies on production	850.2	880.6	933.3	980.7	999.7	1,018.1	1,029.2	1,043.9
Property income	2,346.3	2,240.1	2,311.4	2,520.9	2,582.3	2,666.8	2,741.4	2,827.2
Interest	1,347.4	1,234.1	1,207.6	1,289.7	1,333.0	1,387.9	1,458.1	1,525.8
Other property income	998.9	1,006.0	1,103.7	1,231.2	1,249.3	1,278.9	1,283.3	1,301.3
<i>Net national income</i>								
<b>Secondary distribution of income account</b>								
Net national income	6,182.1	6,367.7	6,636.3	6,840.0	6,910.8	6,979.8	7,060.9	7,157.2
Current taxes on income, wealth, etc.	861.4	858.7	885.4	935.9	952.2	977.5	996.7	1,028.2
Social contributions	1,336.8	1,387.0	1,426.8	1,468.0	1,482.5	1,498.6	1,515.3	1,530.5
Social benefits other than social transfers in kind	1,344.9	1,400.8	1,445.7	1,488.1	1,499.5	1,509.8	1,519.8	1,530.8
Other current transfers	587.5	593.5	613.0	629.9	626.2	625.1	624.2	623.0
Net non-life insurance premiums	174.4	174.6	177.4	181.3	180.0	178.4	177.3	175.7
Non-life insurance claims	168.0	171.2	174.5	178.9	177.6	175.8	175.0	173.7
Other	245.1	247.7	261.1	269.7	268.7	270.9	271.9	273.6
<i>Net disposable income</i>								
<b>Use of income account</b>								
Net disposable income	6,122.0	6,297.0	6,558.2	6,754.2	6,826.6	6,896.0	6,975.9	7,070.1
Final consumption expenditure								
Individual consumption expenditure								
Collective consumption expenditure								
Adjustment for the change in net equity of households in pension funds reserves	51.3	54.9	57.8	58.4	59.0	59.9	60.8	61.5
<i>Net saving</i>								
<b>Capital account</b>								
Net saving	474.3	451.9	503.7	482.1	490.5	499.3	522.6	556.0
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,028.4	1,062.9	1,109.3	1,157.8	1,172.1	1,187.9	1,204.0	1,219.3
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	148.6	193.5	181.4	187.6	175.1	169.9	183.3	199.3
Capital taxes	20.2	35.9	29.8	24.0	24.3	23.6	22.3	22.2
Other capital transfers	128.4	157.6	151.6	163.6	150.8	146.2	161.0	177.1
<i>Net lending (+)/net borrowing (-) (from capital account)</i>								

Sources: ECB and Eurostat.

2) Gross domestic product is equal to gross value added of all domestic sectors plus net taxes (taxes less subsidies) on products.

### 3.3 Households

(EUR billions; four-quarter cumulated flows; outstanding amounts at end-of-period)

	2002	2003	2004	2005 Q1- 2005 Q4	2005 Q2- 2006 Q1	2005 Q3- 2006 Q2	2005 Q4- 2006 Q3	2006 Q1- 2006 Q4
<b>Income, saving and changes in net worth</b>								
Compensation of employees (+)	3,570.9	3,664.4	3,767.9	3,864.5	3,896.9	3,937.2	3,976.1	4,006.6
Gross operating surplus and mixed income (+)	1,196.3	1,231.0	1,284.5	1,329.6	1,345.2	1,362.6	1,381.5	1,405.9
Interest receivable (+)	252.9	237.1	228.9	226.7	228.1	232.3	238.1	244.2
Interest payable (-)	139.8	123.2	121.3	125.5	129.5	135.7	144.6	152.8
Other property income receivable (+)	602.3	611.2	645.1	696.8	709.2	717.6	721.4	726.8
Other property income payable (-)	8.4	8.7	9.2	9.2	9.2	9.2	9.3	9.3
Current taxes on income and wealth (-)	697.8	702.5	706.8	740.3	751.7	766.4	774.4	791.9
Net social contributions (-)	1,334.2	1,384.2	1,423.8	1,464.1	1,478.5	1,494.5	1,511.3	1,526.6
Net social benefits (+)	1,340.4	1,396.0	1,440.6	1,482.6	1,493.9	1,504.2	1,514.2	1,525.1
Net current transfers receivable (+)	64.4	64.8	64.7	69.3	69.7	69.2	68.9	71.8
<b>= Gross disposable income</b>	<b>4,847.0</b>	<b>4,986.0</b>	<b>5,170.5</b>	<b>5,330.3</b>	<b>5,374.1</b>	<b>5,417.1</b>	<b>5,460.6</b>	<b>5,499.7</b>
Final consumption expenditure (-)	4,173.1	4,307.1	4,461.8	4,617.3	4,665.7	4,708.7	4,749.2	4,792.9
Changes in net worth in pension funds (+)	50.9	54.6	57.4	58.0	58.6	59.5	60.4	61.1
<b>= Gross saving</b>	<b>724.9</b>	<b>733.5</b>	<b>766.1</b>	<b>771.0</b>	<b>767.0</b>	<b>768.0</b>	<b>771.7</b>	<b>767.8</b>
Consumption of fixed capital (-)	270.5	281.6	296.4	310.1	312.9	316.0	319.1	322.1
Net capital transfers receivable (+)	8.6	12.6	18.9	21.7	18.9	17.7	23.8	25.6
Other changes in net worth <sup>1)</sup> (+)	-653.1	236.9	323.0	618.8	704.9	469.9	330.8	449.4
<b>= Changes in net worth <sup>1)</sup></b>	<b>-190.2</b>	<b>701.5</b>	<b>811.7</b>	<b>1,101.4</b>	<b>1,178.0</b>	<b>939.6</b>	<b>807.3</b>	<b>920.7</b>
<b>Investment, financing and changes in net worth</b>								
Net acquisition of non-financial assets (+)	458.3	477.2	505.0	530.2	541.4	551.8	565.2	576.3
Consumption of fixed capital (-)	270.5	281.6	296.4	310.1	312.9	316.0	319.1	322.1
Financial investment (+)								
Currency and deposits	226.7	219.9	246.1	238.5	245.6	245.8	262.9	275.6
Short-term debt securities	1.1	-33.9	6.5	-18.6	-2.7	2.7	12.1	15.9
Long-term debt securities	79.4	21.2	71.6	41.9	46.9	49.7	97.8	99.9
Shares and other equity	-39.9	95.0	-14.6	126.9	81.8	30.8	-33.2	-47.6
Quoted shares	-12.2	32.9	-49.6	8.7	-24.8	-25.6	-38.5	-17.3
Unquoted shares and other equity	-73.0	-19.0	38.1	58.1	63.0	32.5	22.0	1.6
Mutual fund shares	45.3	81.1	-3.1	60.2	43.7	23.9	-16.8	-31.9
<i>of which money market fund shares</i>	16.1	13.5	-21.7	-13.8	-16.1	-13.3	-13.4	-7.7
Insurance technical reserves	213.1	244.3	269.5	315.3	324.1	309.8	299.7	278.3
Financing (-)								
Loans	207.4	262.8	309.3	387.9	415.2	416.0	411.3	401.4
<i>of which from euro area MFIs</i>	187.3	211.6	277.4	357.5	379.6	382.6	371.0	342.9
Other changes in financial assets (+)								
Shares and other equity	-526.6	265.2	268.9	488.6	588.6	400.0	302.6	406.1
Insurance technical reserves	-69.9	28.6	76.8	136.3	113.8	62.3	46.3	37.4
Remaining net flows (+)	-54.6	-71.7	-12.5	-59.7	-33.3	18.8	-15.7	2.3
<b>= Changes in net worth <sup>1)</sup></b>	<b>-190.2</b>	<b>701.5</b>	<b>811.7</b>	<b>1,101.4</b>	<b>1,178.0</b>	<b>939.6</b>	<b>807.3</b>	<b>920.7</b>
<b>Financial balance sheet</b>								
Financial assets (+)								
Currency and deposits	4,377.1	4,569.3	4,807.0	5,053.6	5,072.2	5,162.0	5,181.6	5,314.0
Short-term debt securities	59.6	27.1	34.5	16.6	27.1	35.2	38.2	31.9
Long-term debt securities	1,264.9	1,257.1	1,327.8	1,366.0	1,403.6	1,400.7	1,434.8	1,456.4
Shares and other equity	3,328.3	3,688.5	3,942.8	4,558.3	4,799.5	4,660.9	4,770.7	4,916.8
Quoted shares	645.4	793.5	843.6	1,031.7	1,126.6	1,056.5	1,134.1	1,213.0
Unquoted shares and other equity	1,314.6	1,401.9	1,596.8	1,876.8	1,993.8	1,979.3	2,015.2	2,066.8
Mutual fund shares	1,368.3	1,493.1	1,502.4	1,649.7	1,679.1	1,625.1	1,621.3	1,637.0
<i>of which money market fund shares</i>	187.4	255.0	237.7	219.0	195.8	198.3	192.4	166.5
Insurance technical reserves	3,533.4	3,806.3	4,152.6	4,604.2	4,706.2	4,747.6	4,834.7	4,920.0
Remaining net assets	-49.7	-77.3	-92.4	-144.5	-156.5	-133.8	-139.5	-106.0
Liabilities (-)								
Loans	3,712.9	3,968.2	4,281.7	4,655.6	4,737.1	4,841.8	4,920.2	5,021.7
<i>of which from euro area MFIs</i>	3,327.7	3,521.2	3,809.0	4,191.6	4,280.8	4,384.5	4,459.3	4,535.4
<b>= Net financial wealth</b>	<b>8,800.7</b>	<b>9,302.8</b>	<b>9,890.5</b>	<b>10,798.6</b>	<b>11,115.2</b>	<b>11,030.8</b>	<b>11,200.3</b>	<b>11,511.3</b>

Sources: ECB and Eurostat.

1) Excluding changes in net worth due to other changes in non-financial assets such as revaluations of residential property.

## 3.4 Non-financial corporations

(EUR billions; four-quarter cumulated flows; outstanding amounts at end-of-period)

	2002	2003	2004	2005 Q1- 2005 Q4	2005 Q2- 2006 Q1	2005 Q3- 2006 Q2	2005 Q4- 2006 Q3	2006 Q1- 2006 Q4
<b>Income and saving</b>								
Gross value added (basic prices) (+)	3,697.1	3,780.6	3,922.8	4,028.8	4,071.7	4,103.8	4,154.2	4,213.9
Compensation of employees (-)	2,249.8	2,304.4	2,368.4	2,422.8	2,444.1	2,470.6	2,495.7	2,519.1
Other taxes less subsidies on production (-)	58.8	58.9	66.5	71.6	72.9	76.4	78.6	79.1
= <b>Gross operating surplus (+)</b>	1,388.6	1,417.2	1,488.0	1,534.4	1,554.6	1,556.8	1,579.9	1,615.7
Consumption of fixed capital (-)	584.6	602.0	626.2	653.2	662.6	673.1	684.2	694.7
= <b>Net operating surplus (+)</b>	804.0	815.3	861.8	881.1	892.0	883.6	895.7	921.0
Property income receivable (+)	328.5	318.9	365.7	415.2	421.6	422.3	430.7	438.8
Interest receivable	142.0	125.0	119.6	127.8	130.9	135.1	140.5	145.4
Other property income receivable	186.4	194.0	246.1	287.4	290.6	287.2	290.2	293.4
Interest and rents payable (-)	243.3	227.9	228.6	238.1	244.4	252.1	262.7	273.7
= <b>Net entrepreneurial income (+)</b>	889.1	906.3	998.8	1,058.3	1,069.2	1,053.8	1,063.7	1,086.1
Distributed income (-)	688.0	690.7	752.2	834.6	847.4	860.4	863.6	874.9
Taxes on income and wealth payable (-)	125.4	116.7	131.4	147.1	149.8	156.4	165.8	177.8
Social contributions receivable (+)	73.4	73.3	73.7	74.1	74.3	74.8	75.5	76.1
Social benefits payable (-)	57.4	59.6	61.2	62.8	62.6	62.6	62.6	62.4
Net other current transfers payable (-)	43.7	43.3	48.5	48.4	46.3	47.0	47.4	47.5
Changes in net worth of households in pension funds (-)	14.7	13.1	12.0	10.9	11.3	11.8	12.3	12.7
= <b>Net saving</b>	33.4	56.3	67.2	28.6	26.0	-9.5	-12.5	-13.0
<b>Investment, financing and saving</b>								
Net acquisition of non-financial assets (+)	180.9	179.3	201.0	221.2	241.5	246.6	258.3	255.4
Gross fixed capital formation (+)	776.4	780.4	819.9	855.6	871.5	887.2	902.5	922.0
Consumption of fixed capital (-)	584.6	602.0	626.2	653.2	662.6	673.1	684.2	694.7
Net acquisition of other non-financial assets (+)	-10.9	0.9	7.4	18.8	32.6	32.6	40.0	28.0
Financial investment (+)								
Currency and deposits	29.9	112.7	80.7	148.7	147.3	154.0	156.1	163.2
Debt securities	-3.3	-29.9	-57.1	-23.5	-3.7	8.7	-0.6	17.4
Loans	78.9	141.5	58.0	131.4	98.6	120.7	128.2	153.8
Shares and other equity	237.8	181.6	178.7	160.6	180.7	241.9	195.6	217.2
Insurance technical reserves	5.6	4.8	5.9	8.6	5.8	5.1	4.6	4.8
Remaining net assets (+)	40.7	-8.4	53.2	15.6	77.4	82.0	104.8	122.0
Financing (-)								
Debt	262.7	295.0	208.7	392.8	466.8	575.2	626.2	665.9
Loans	233.4	217.2	188.5	384.4	460.5	555.6	589.7	614.1
<i>of which from euro area MFIs</i>	93.5	102.8	163.9	262.7	333.9	371.6	421.9	444.3
Debt securities	17.6	62.7	6.8	-4.3	-6.5	7.3	24.4	39.5
Pension fund reserves	11.7	15.0	13.5	12.6	12.8	12.3	12.2	12.3
Shares and other equity	213.6	185.4	190.2	182.6	205.0	242.1	168.3	200.6
Quoted shares	17.5	19.2	11.8	101.3	95.8	112.8	39.0	31.8
Unquoted shares and other equity	196.1	166.2	178.3	81.3	109.1	129.3	129.3	168.9
Net capital transfers receivable (-)	60.8	45.1	54.4	58.7	49.8	51.3	65.0	80.4
= <b>Net saving</b>	33.4	56.3	67.2	28.6	26.0	-9.5	-12.5	-13.0
<b>Financial balance sheet</b>								
Financial assets								
Currency and deposits	1,113.8	1,202.6	1,267.8	1,418.8	1,421.9	1,463.8	1,505.6	1,569.5
Debt securities	441.1	405.4	320.0	292.7	308.3	315.0	306.4	312.6
Loans	1,223.9	1,344.9	1,393.5	1,519.6	1,537.8	1,587.9	1,619.4	1,683.5
Shares and other equity	4,285.0	4,866.6	5,375.0	6,259.4	6,716.6	6,642.3	6,920.9	7,253.2
Insurance technical reserves	106.1	110.8	118.2	124.3	126.6	128.0	129.1	130.2
Remaining net assets (+)	158.0	138.4	184.3	173.5	191.5	239.3	224.4	203.1
Liabilities								
Debt	5,827.7	6,076.7	6,238.2	6,638.0	6,791.5	6,988.4	7,105.9	7,261.2
Loans	4,981.5	5,159.1	5,268.6	5,658.4	5,803.5	5,982.1	6,093.7	6,246.4
<i>of which from euro area MFIs</i>	2,965.1	3,034.4	3,152.2	3,409.1	3,525.1	3,640.0	3,731.0	3,846.8
Debt securities	568.1	629.2	668.4	665.8	671.2	686.7	689.4	688.7
Pension fund reserves	278.1	288.5	301.2	313.8	316.8	319.6	322.8	326.1
Shares and other equity	7,137.7	7,998.2	8,940.6	10,380.0	11,117.5	10,946.3	11,292.0	11,994.6
Quoted shares	2,392.0	2,732.5	2,987.6	3,681.6	4,088.2	3,948.9	4,093.3	4,459.1
Unquoted shares and other equity	4,745.7	5,265.7	5,952.9	6,698.5	7,029.3	6,997.3	7,198.7	7,535.5

Sources: ECB and Eurostat.

### 3.5 Insurance corporations and pension funds

(EUR billions; four-quarter cumulated flows; outstanding amounts at end-of-period)

	2002	2003	2004	2005 Q1- 2005 Q4	2005 Q2- 2006 Q1	2005 Q3- 2006 Q2	2005 Q4- 2006 Q3	2006 Q1- 2006 Q4
<b>Financial account, financial transactions</b>								
Financial investment (+)								
Currency and deposits	34.9	29.7	49.5	27.5	14.7	30.8	42.2	59.5
Short-term debt securities	7.7	10.8	29.6	21.4	23.1	14.7	11.7	2.2
Long-term debt securities	94.2	140.7	132.7	149.3	141.2	135.1	134.1	118.3
Loans	2.2	11.6	6.5	-7.8	8.0	15.2	18.0	13.6
Shares and other equity	80.2	59.5	46.4	123.4	138.6	141.2	150.0	137.0
Quoted shares	7.3	10.0	14.0	21.7	10.2	10.8	10.3	13.4
Unquoted shares and other equity	25.6	5.1	-1.2	16.3	20.8	26.9	32.5	28.8
Mutual fund shares	47.3	44.4	33.6	85.3	107.6	103.5	107.2	94.8
<i>of which money market fund shares</i>	9.1	6.5	3.0	-1.2	-1.0	-4.3	-5.4	2.7
Remaining net assets (+)	-7.7	-1.9	3.5	20.3	21.4	9.9	4.8	1.7
Financing (-)								
Debt securities	-0.3	5.0	-1.8	0.1	-0.4	-0.3	-0.3	4.1
Loans	-1.1	12.4	4.8	9.6	22.3	23.7	32.4	27.7
Shares and other equity	1.3	11.4	12.7	10.4	11.1	10.2	13.5	8.5
Insurance technical reserves	216.6	237.0	261.1	330.8	339.3	328.4	325.4	305.1
Net equity of households in life insurance and pension fund reserves	188.8	210.3	229.5	289.8	303.7	294.1	288.3	264.8
Prepayments of insurance premiums and reserves for outstanding claims	27.8	26.8	31.6	41.0	35.7	34.2	37.1	40.3
= <b>Changes in net financial worth due to transactions</b>	-5.0	-15.5	-8.7	-16.8	-25.4	-15.2	-10.3	-13.0
<b>Other changes account</b>								
Other changes in financial assets (+)								
Shares and other equity	-248.6	106.6	109.0	200.3	235.9	124.9	117.3	181.0
Other net assets	51.6	-9.1	162.9	43.3	11.7	-26.9	-13.2	-58.9
Other changes in liabilities (-)								
Shares and other equity	-244.7	98.2	20.5	118.0	128.2	87.6	90.6	55.4
Insurance technical reserves	-70.9	33.7	85.2	145.7	118.6	69.3	54.5	25.9
Net equity of households in life insurance and pension fund reserves	-69.3	34.2	65.4	151.6	126.1	69.4	53.8	47.7
Prepayments of insurance premiums and reserves for outstanding claims	-1.6	-0.5	19.8	-5.9	-7.5	-0.2	0.8	-21.7
= <b>Other changes in net financial worth</b>	118.6	-34.4	166.3	-20.0	0.8	-58.9	-41.1	40.8
<b>Financial balance sheet</b>								
Financial assets (+)								
Currency and deposits	554.7	580.3	630.7	661.1	669.3	678.4	697.8	721.4
Short-term debt securities	59.8	69.2	205.8	212.9	220.6	218.7	217.8	212.5
Long-term debt securities	1,357.6	1,488.1	1,659.6	1,828.1	1,840.4	1,853.0	1,912.5	1,900.8
Loans	357.8	364.3	359.5	356.9	369.1	371.0	371.0	361.4
Shares and other equity	1,364.9	1,531.0	1,686.4	2,010.1	2,129.9	2,104.3	2,211.9	2,328.1
Quoted shares	462.6	525.6	574.2	697.5	733.9	706.0	754.7	825.3
Unquoted shares and other equity	275.3	307.0	337.4	399.6	425.2	425.1	438.6	462.2
Mutual fund shares	627.0	698.3	774.8	913.0	970.9	973.3	1,018.6	1,040.6
<i>of which money market fund shares</i>	57.8	64.8	67.8	81.9	81.6	85.5	85.9	85.9
Remaining net assets (+)	80.9	92.7	112.8	162.3	163.8	164.7	163.3	162.4
Liabilities (-)								
Debt securities	18.1	23.4	21.9	22.0	22.2	22.4	23.1	26.3
Loans	111.5	125.6	119.2	127.8	147.1	151.7	161.5	155.8
Shares and other equity	319.7	429.3	462.5	590.9	619.5	584.5	635.3	654.8
Insurance technical reserves	3,518.7	3,789.4	4,135.7	4,612.1	4,718.3	4,771.3	4,871.0	4,943.2
Net equity of households in life insurance and pension fund reserves	2,964.0	3,208.5	3,503.4	3,944.8	4,042.7	4,090.0	4,175.8	4,257.3
Prepayments of insurance premiums and reserves for outstanding claims	554.6	580.9	632.3	667.3	675.6	681.3	695.2	685.9
= <b>Net financial wealth</b>	-192.2	-242.1	-84.5	-121.3	-113.9	-139.8	-116.6	-93.5

Source: ECB.



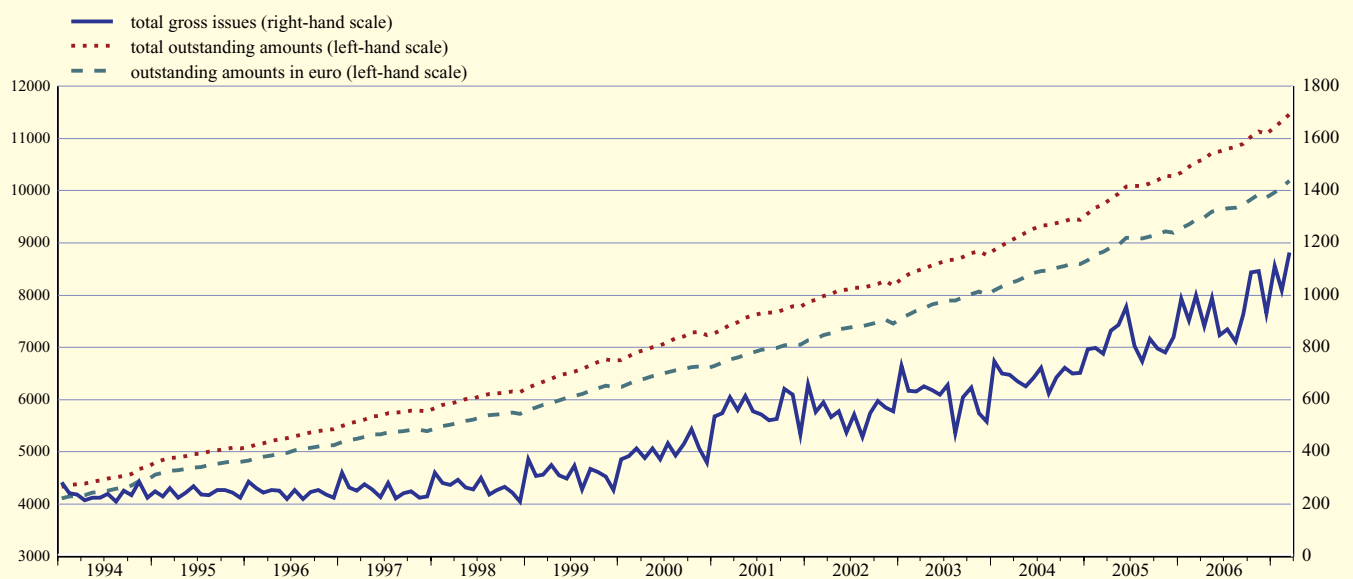
## FINANCIAL MARKETS

### 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			Annual growth rates	Seasonally adjusted <sup>2)</sup>	
				Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues		Net issues	6-month growth rates
	1	2	3	4	5	6	7	8	9	10	11	12
Total												
2006 Mar.	11,146.0	1,050.6	152.0	9,437.5	937.2	81.0	10,543.8	999.0	97.7	7.6	70.7	8.0
Apr.	11,168.7	873.9	19.4	9,489.2	820.8	48.6	10,600.9	881.1	66.9	7.2	55.0	7.9
May	11,295.6	1,007.8	127.0	9,601.3	936.9	112.2	10,721.8	989.4	126.3	7.8	89.1	8.2
June	11,358.2	896.0	64.6	9,623.0	793.3	23.5	10,755.1	846.7	32.5	6.6	24.8	7.1
July	11,377.4	883.7	18.6	9,658.3	820.0	34.8	10,804.6	868.0	44.9	7.0	53.9	6.9
Aug.	11,409.7	837.9	31.8	9,679.8	779.9	21.0	10,834.5	822.8	24.6	7.3	74.7	7.2
Sep.	11,530.4	1,004.1	120.2	9,730.4	882.0	50.2	10,903.3	927.9	57.0	7.4	57.1	6.9
Oct.	11,625.9	1,106.2	93.3	9,833.9	1,023.0	101.6	11,038.6	1,086.0	122.2	8.0	123.0	8.1
Nov.	11,764.4	1,134.5	137.6	9,925.2	1,036.5	90.7	11,129.9	1,092.6	107.3	8.2	99.9	8.3
Dec.	11,741.9	976.6	-23.1	9,872.1	884.8	-54.1	11,086.8	929.5	-58.2	7.9	41.1	8.6
2007 Jan.	11,839.8	1,144.0	97.9	9,969.5	1,051.9	97.5	11,214.0	1,111.2	115.9	8.0	76.4	9.0
Feb.	11,946.0	1,041.0	106.3	10,060.0	952.2	90.6	11,323.7	1,017.9	117.0	8.2	88.3	9.2
Mar.	12,174.8	1,253.4	227.6	10,190.9	1,111.3	129.6	11,459.7	1,163.3	135.2	8.4	107.3	10.1
Long-term												
2006 Mar.	10,134.8	244.0	97.0	8,559.4	194.4	71.4	9,518.8	220.6	79.9	7.8	60.5	8.1
Apr.	10,171.0	175.0	34.7	8,588.9	141.8	28.1	9,555.8	170.3	47.3	7.5	48.7	8.1
May	10,271.7	206.0	101.0	8,674.8	167.5	86.2	9,649.2	187.4	95.9	7.7	63.9	7.7
June	10,331.2	200.2	60.3	8,738.7	168.2	64.5	9,733.8	193.5	80.9	6.8	52.9	7.3
July	10,371.1	192.8	40.0	8,764.5	158.6	25.9	9,775.0	177.5	37.2	7.2	49.2	7.0
Aug.	10,387.4	90.5	16.5	8,775.7	71.6	11.4	9,793.1	88.2	21.1	7.5	66.1	7.3
Sep.	10,481.2	218.5	94.2	8,830.7	156.7	55.3	9,862.7	175.7	63.0	7.6	53.5	7.1
Oct.	10,582.4	224.8	98.8	8,901.1	173.9	68.4	9,955.3	206.5	86.1	8.1	102.0	8.3
Nov.	10,717.4	225.9	134.1	8,995.6	167.1	93.9	10,048.8	193.4	108.5	8.4	101.5	9.0
Dec.	10,740.3	170.9	20.2	9,016.1	132.5	17.5	10,077.0	152.6	14.7	8.2	57.6	9.1
2007 Jan.	10,815.7	229.7	75.3	9,066.7	176.3	50.5	10,148.6	199.9	61.3	8.2	64.6	9.4
Feb.	10,910.7	234.4	95.1	9,143.1	184.3	76.5	10,238.3	217.4	97.6	8.4	74.3	9.5
Mar.	11,046.1	275.1	135.4	9,234.2	207.0	91.0	10,332.2	227.5	95.7	8.5	75.0	9.9

### 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	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
<b>Total</b>												
2005	10,269	4,122	926	612	4,326	283	9,874	6,988	325	1,032	1,434	95
2006	11,087	4,567	1,164	645	4,407	305	11,333	8,377	414	1,118	1,339	85
2006 Q2	10,755	4,350	1,032	638	4,437	298	2,717	1,977	107	261	351	22
Q3	10,903	4,449	1,069	637	4,451	298	2,619	1,928	78	265	329	18
Q4	11,087	4,567	1,164	645	4,407	305	3,108	2,365	144	336	241	23
2007 Q1	11,460	4,761	1,245	657	4,488	308	3,292	2,447	124	284	415	23
2006 Dec.	11,087	4,567	1,164	645	4,407	305	930	728	44	106	46	5
2007 Jan.	11,214	4,645	1,172	645	4,446	306	1,111	851	24	76	153	7
Feb.	11,324	4,710	1,204	649	4,456	305	1,018	772	45	75	118	8
Mar.	11,460	4,761	1,245	657	4,488	308	1,163	824	56	132	143	8
<b>Short-term</b>												
2005	945	482	7	90	361	5	7,797	6,046	45	943	729	33
2006	1,010	570	12	94	329	4	9,175	7,375	59	1,023	686	31
2006 Q2	1,021	531	10	101	374	5	2,166	1,739	16	227	175	8
Q3	1,041	561	12	96	367	4	2,177	1,733	16	249	171	8
Q4	1,010	570	12	94	329	4	2,556	2,086	14	305	144	7
2007 Q1	1,128	621	12	106	385	4	2,647	2,132	14	271	222	8
2006 Dec.	1,010	570	12	94	329	4	777	646	4	95	30	2
2007 Jan.	1,065	607	12	96	346	4	911	753	6	73	77	3
Feb.	1,085	612	12	100	357	4	800	655	5	71	68	3
Mar.	1,128	621	12	106	385	4	936	724	3	128	78	3
<b>Long-term<sup>1)</sup></b>												
2005	9,324	3,639	919	522	3,965	278	2,078	942	280	89	705	61
2006	10,077	3,996	1,152	551	4,078	301	2,158	1,002	354	95	653	54
2006 Q2	9,734	3,819	1,022	537	4,062	294	551	237	91	34	175	14
Q3	9,863	3,888	1,057	540	4,084	294	441	196	62	16	158	9
Q4	10,077	3,996	1,152	551	4,078	301	552	279	130	31	97	16
2007 Q1	10,332	4,140	1,233	551	4,104	304	645	315	110	13	192	14
2006 Dec.	10,077	3,996	1,152	551	4,078	301	153	82	40	12	15	3
2007 Jan.	10,149	4,038	1,160	549	4,100	301	200	98	18	4	76	4
Feb.	10,238	4,098	1,192	548	4,099	301	217	117	40	5	51	5
Mar.	10,332	4,140	1,233	551	4,104	304	228	100	52	4	66	5
<b>Of which long-term fixed rate</b>												
2005	6,724	2,020	459	413	3,615	217	1,230	414	91	54	622	48
2006	7,048	2,136	535	420	3,719	237	1,289	476	137	61	576	39
2006 Q2	6,921	2,084	499	415	3,691	232	332	109	41	21	151	10
Q3	6,974	2,112	508	415	3,707	233	275	94	22	11	140	8
Q4	7,048	2,136	535	420	3,719	237	280	117	44	20	90	10
2007 Q1	7,161	2,210	561	420	3,727	243	404	174	39	9	169	13
2006 Dec.	7,048	2,136	535	420	3,719	237	65	32	10	6	15	2
2007 Jan.	7,097	2,162	539	420	3,737	238	139	59	7	2	67	4
Feb.	7,130	2,189	554	419	3,729	239	134	62	21	4	43	4
Mar.	7,161	2,210	561	420	3,727	243	130	53	11	3	58	5
<b>Of which long-term variable rate</b>												
2005	2,266	1,350	456	93	305	60	718	432	188	27	58	12
2006	2,611	1,508	609	117	313	64	715	405	214	31	51	15
2006 Q2	2,437	1,431	517	107	320	62	177	96	50	12	15	4
Q3	2,496	1,451	543	109	333	60	134	77	40	4	13	2
Q4	2,611	1,508	609	117	313	64	231	124	86	11	5	6
2007 Q1	2,723	1,562	664	117	320	61	200	114	69	4	13	1
2006 Dec.	2,611	1,508	609	117	313	64	75	39	30	6	0	1
2007 Jan.	2,623	1,521	613	116	311	63	46	32	9	1	3	0
Feb.	2,670	1,548	629	116	315	62	70	45	19	1	4	1
Mar.	2,723	1,562	664	117	320	61	84	36	41	1	5	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

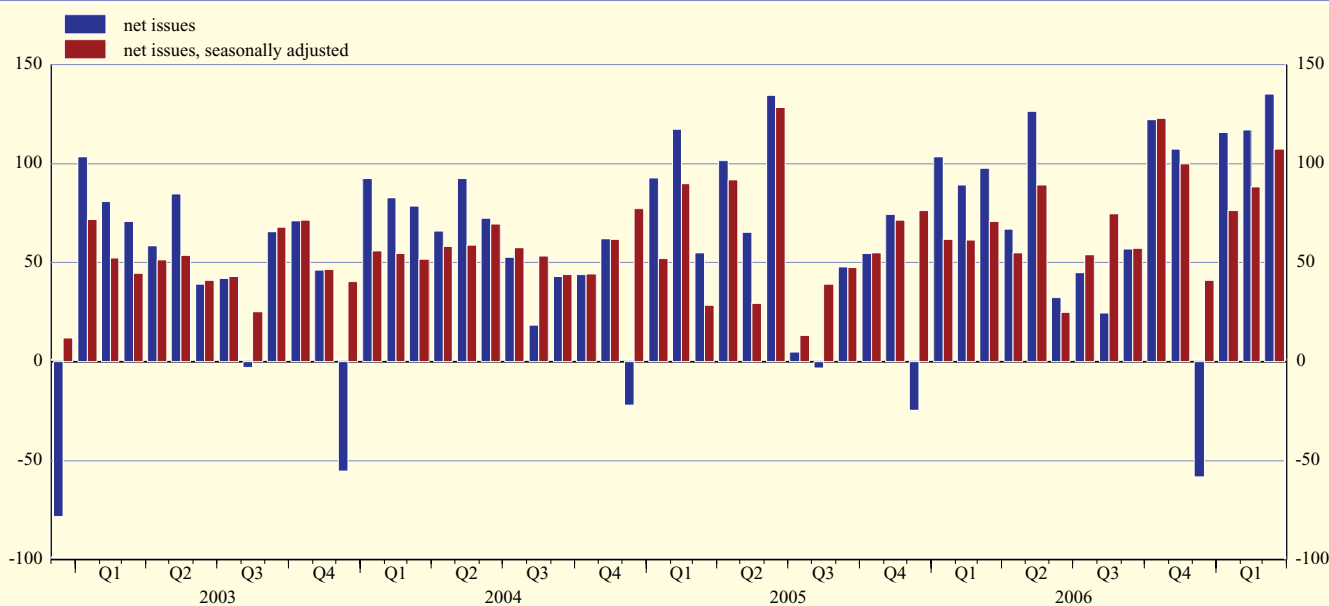
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

### 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	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2005	720.8	319.9	176.0	21.8	170.7	32.4	722.7	323.4	171.8	22.0	173.0	32.5
2006	813.6	419.9	244.5	36.9	90.2	22.2	812.8	424.2	239.8	37.3	89.2	22.2
2006 Q2	225.6	83.4	64.5	20.0	48.6	9.1	169.0	87.8	52.0	13.3	7.3	8.6
Q3	126.5	78.7	36.2	-2.4	14.4	-0.5	185.8	95.2	52.9	1.7	33.7	2.3
Q4	171.3	98.4	97.8	9.9	-41.4	6.6	264.1	133.7	68.9	16.2	40.0	5.3
2007 Q1	368.1	186.5	82.8	12.5	82.3	3.9	272.0	128.4	108.4	9.0	23.4	2.8
2006 Dec.	-58.2	-14.0	27.0	-3.0	-68.5	0.3	41.1	32.8	0.2	5.5	0.7	1.9
2007 Jan.	115.9	70.0	6.4	-0.1	38.3	1.2	76.4	52.5	25.2	-3.0	1.2	0.5
Feb.	117.0	68.5	33.5	4.2	11.0	-0.2	88.3	49.0	35.1	3.8	1.8	-1.3
Mar.	135.2	48.0	42.8	8.4	33.0	2.9	107.3	26.9	48.1	8.2	20.5	3.6
	Long-term											
2005	713.2	296.5	176.4	22.1	185.5	32.6	714.8	298.4	172.3	22.1	189.3	32.7
2006	764.0	347.0	239.1	33.4	121.3	23.2	763.2	349.3	234.5	33.3	123.0	23.2
2006 Q2	224.2	87.1	61.4	16.9	49.7	9.1	165.4	84.9	48.8	10.2	12.9	8.6
Q3	121.3	62.4	34.9	2.6	21.5	-0.1	168.8	67.2	51.5	4.8	42.7	2.6
Q4	209.3	96.3	97.1	12.2	-3.3	7.1	261.2	126.5	68.3	11.3	49.2	5.9
2007 Q1	254.6	140.9	83.2	0.6	26.7	3.3	213.9	107.0	108.7	6.1	-10.1	2.1
2006 Dec.	14.7	12.9	26.2	5.5	-30.3	0.4	57.6	38.5	-0.5	6.3	11.3	2.0
2007 Jan.	61.3	34.8	6.9	-2.1	21.0	0.7	64.6	38.1	25.5	1.2	-0.2	0.0
Feb.	97.6	64.3	33.5	0.1	0.1	-0.4	74.3	46.1	35.5	1.6	-7.6	-1.3
Mar.	95.7	41.8	42.7	2.6	5.6	3.0	75.0	22.8	47.7	3.3	-2.3	3.4

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

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



Source: ECB.

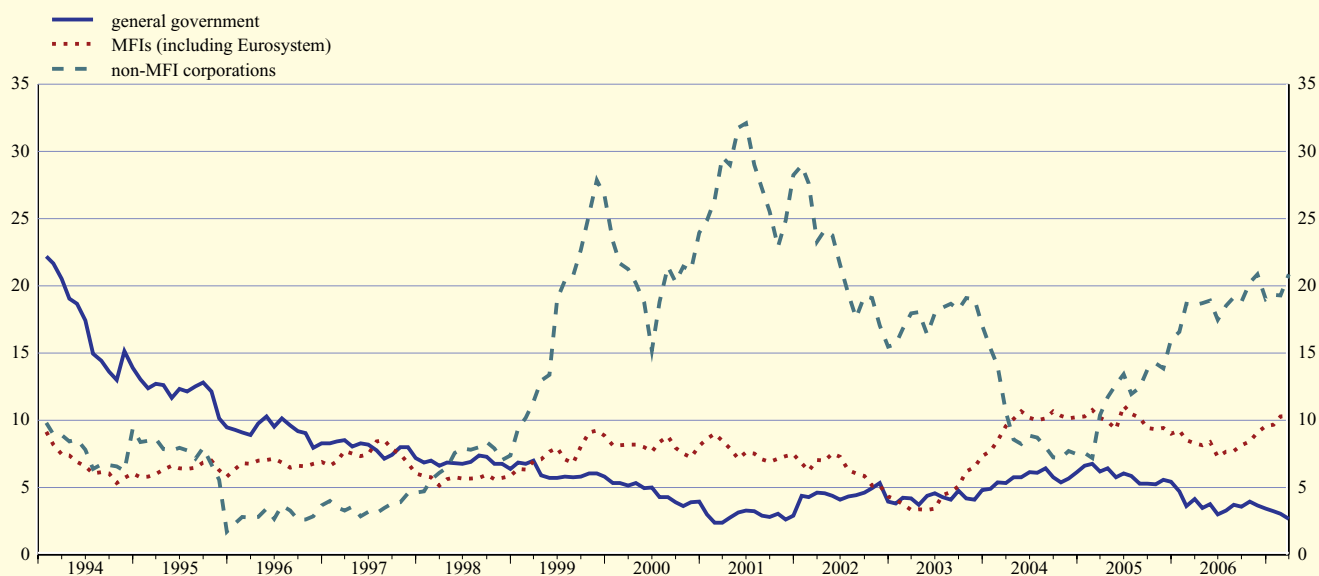
### 4.3 Growth rates of securities, other than shares, issued by euro area residents <sup>1)</sup>

(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	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
Total												
2006 Mar.	7.6	9.3	27.3	2.8	3.0	11.7	8.0	9.3	31.7	3.9	2.6	13.1
Apr.	7.2	8.9	27.2	2.6	2.5	10.2	7.9	9.2	31.4	3.3	2.7	11.5
May	7.8	10.0	26.6	3.7	2.6	12.2	8.2	10.5	31.4	6.2	1.8	10.5
June	6.6	8.1	24.4	4.7	1.8	12.4	7.1	9.6	27.7	6.4	0.7	10.6
July	7.0	8.3	26.3	4.8	2.2	11.8	6.9	8.9	26.6	5.4	1.2	10.7
Aug.	7.3	8.4	27.9	3.5	2.5	12.2	7.2	8.8	25.2	2.8	2.3	10.2
Sep.	7.4	9.0	27.1	4.4	2.2	10.3	6.9	8.8	22.7	4.9	1.9	7.7
Oct.	8.0	9.7	29.7	4.1	2.6	9.5	8.1	10.1	28.1	4.9	2.5	7.6
Nov.	8.2	10.0	30.1	5.3	2.5	8.7	8.3	9.5	28.8	4.4	3.3	6.9
Dec.	7.9	10.2	26.5	6.0	2.1	7.8	8.6	10.8	25.2	5.7	3.4	5.2
2007 Jan.	8.0	10.5	27.0	5.4	1.9	7.3	9.0	12.3	27.2	5.3	2.5	4.0
Feb.	8.2	10.7	27.0	5.5	2.1	5.7	9.2	12.7	28.8	8.3	1.9	1.3
Mar.	8.4	10.4	29.1	6.5	2.4	6.6	10.1	12.1	35.7	8.1	2.9	5.5
Long-term												
2006 Mar.	7.8	8.3	27.6	4.9	3.6	12.2	8.1	8.0	32.0	5.9	3.3	13.8
Apr.	7.5	8.1	27.5	5.3	3.0	10.6	8.1	7.8	31.4	5.9	3.7	12.0
May	7.7	8.4	26.7	6.8	3.2	12.6	7.7	7.7	31.2	8.1	2.7	11.1
June	6.8	7.3	24.3	6.5	2.3	12.8	7.3	8.7	27.1	6.7	1.6	10.8
July	7.2	7.6	26.2	6.1	2.7	12.0	7.0	7.9	26.0	5.3	2.1	10.8
Aug.	7.5	7.7	27.6	5.6	3.1	12.5	7.3	7.8	24.5	4.1	3.3	10.0
Sep.	7.6	8.1	26.8	5.8	3.1	10.9	7.1	8.3	21.9	5.8	2.8	8.1
Oct.	8.1	8.4	29.4	5.3	3.6	10.0	8.3	9.1	27.5	4.8	3.5	8.2
Nov.	8.4	9.1	29.8	5.8	3.3	9.3	9.0	10.5	28.4	3.4	3.9	7.6
Dec.	8.2	9.6	26.1	6.4	3.1	8.3	9.1	10.4	25.0	6.1	4.6	5.9
2007 Jan.	8.2	9.7	26.6	6.3	2.9	7.6	9.4	11.4	27.2	7.4	3.7	4.5
Feb.	8.4	10.3	26.7	5.7	2.8	5.9	9.5	12.8	28.9	7.4	2.4	1.7
Mar.	8.5	10.3	28.8	6.2	2.4	6.8	9.9	12.4	36.1	6.6	1.9	5.5

### 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.

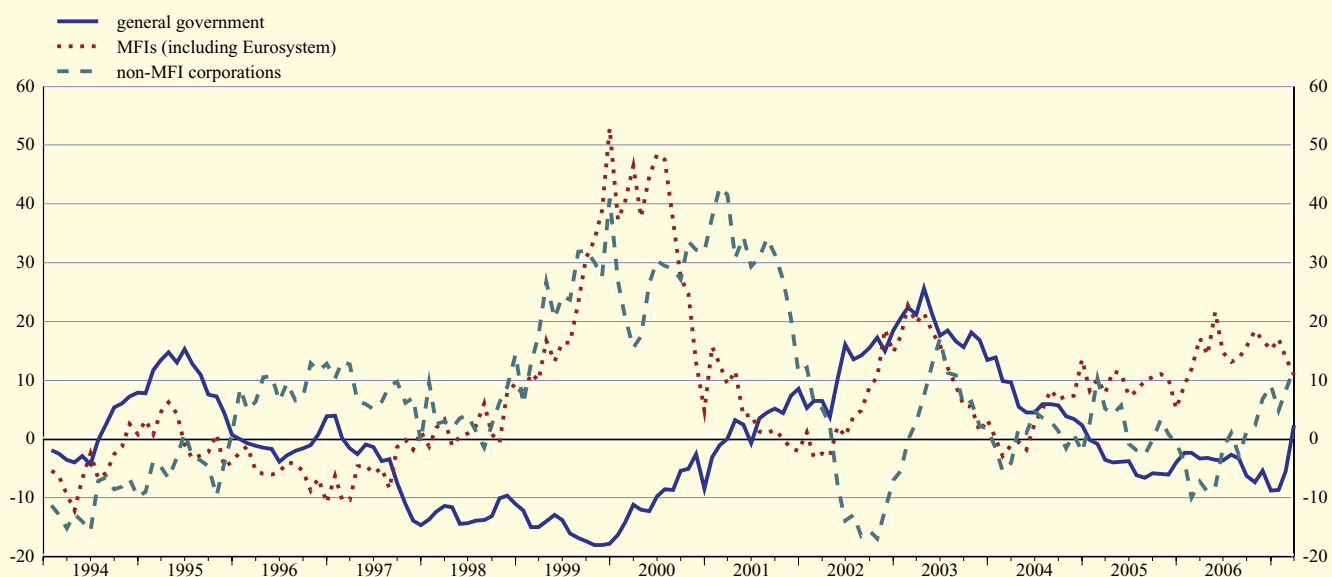
4.3 Growth rates of securities, other than shares, issued by euro area residents <sup>1)</sup> (cont'd)

(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	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
13	14	15	16	17	18	19	20	21	22	23	24	
In all currencies combined												
2005	4.7	3.1	5.7	0.3	5.5	15.0	19.5	18.6	35.8	22.2	9.9	4.7
2006	4.5	4.7	13.8	1.2	3.1	13.4	16.6	11.8	42.3	27.5	5.2	4.4
2006 Q2	4.2	4.5	11.7	1.1	3.0	13.6	16.8	12.0	45.5	28.3	3.6	5.4
Q3	4.4	4.6	14.9	1.1	2.8	13.8	15.1	10.1	39.5	30.4	4.1	6.3
Q4	5.1	5.4	19.5	1.9	3.1	11.0	15.8	11.0	37.8	27.0	5.5	4.6
2007 Q1	5.3	6.3	19.5	3.9	2.9	7.8	15.3	12.2	34.0	21.6	1.4	4.0
2006 Oct.	5.1	5.1	20.0	0.8	3.3	12.0	15.9	10.7	39.2	29.9	6.2	2.8
Nov.	5.2	5.6	20.9	2.6	3.0	10.1	16.3	11.4	38.8	24.6	6.5	6.5
Dec.	5.2	6.0	18.2	3.1	3.1	9.2	15.3	11.7	33.6	25.4	2.7	5.3
2007 Jan.	5.2	5.7	19.0	4.2	3.1	8.3	15.1	12.2	34.0	21.3	0.2	4.8
Feb.	5.5	6.6	20.8	3.7	3.0	6.5	15.0	12.3	32.2	20.8	1.0	3.4
Mar.	5.1	6.9	19.2	4.3	2.2	8.1	16.4	12.1	37.9	20.3	3.6	2.2
In euro												
2005	4.3	0.9	9.2	-0.2	5.4	15.3	18.9	17.3	35.2	22.2	10.3	5.3
2006	3.8	3.1	11.3	0.4	3.2	13.6	15.5	10.1	38.8	30.5	5.4	3.5
2006 Q2	3.6	2.8	10.0	0.8	3.1	13.9	15.5	10.2	41.4	31.6	3.6	4.3
Q3	3.7	3.1	11.2	-0.1	2.9	13.7	13.6	8.1	35.0	34.3	4.1	4.9
Q4	4.3	4.1	14.8	0.2	3.3	11.1	14.9	9.6	34.9	29.9	5.6	3.7
2007 Q1	4.7	5.5	15.3	1.7	3.2	7.8	14.1	10.9	30.5	22.9	1.5	3.4
2006 Oct.	4.2	3.5	14.7	-1.0	3.6	12.1	15.1	9.2	36.8	33.3	6.3	2.0
Nov.	4.4	4.4	15.8	0.7	3.2	10.2	15.5	10.1	36.1	27.2	6.6	5.5
Dec.	4.6	5.0	14.6	1.2	3.4	9.4	14.1	10.3	30.2	27.3	2.8	4.3
2007 Jan.	4.7	5.0	15.0	2.2	3.5	8.2	13.7	10.6	30.6	22.5	0.2	4.1
Feb.	4.8	5.8	15.8	1.6	3.3	6.5	13.9	11.3	28.9	21.9	1.1	3.2
Mar.	4.5	6.2	15.5	1.6	2.5	8.0	15.5	11.4	34.1	21.3	3.8	1.8

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)

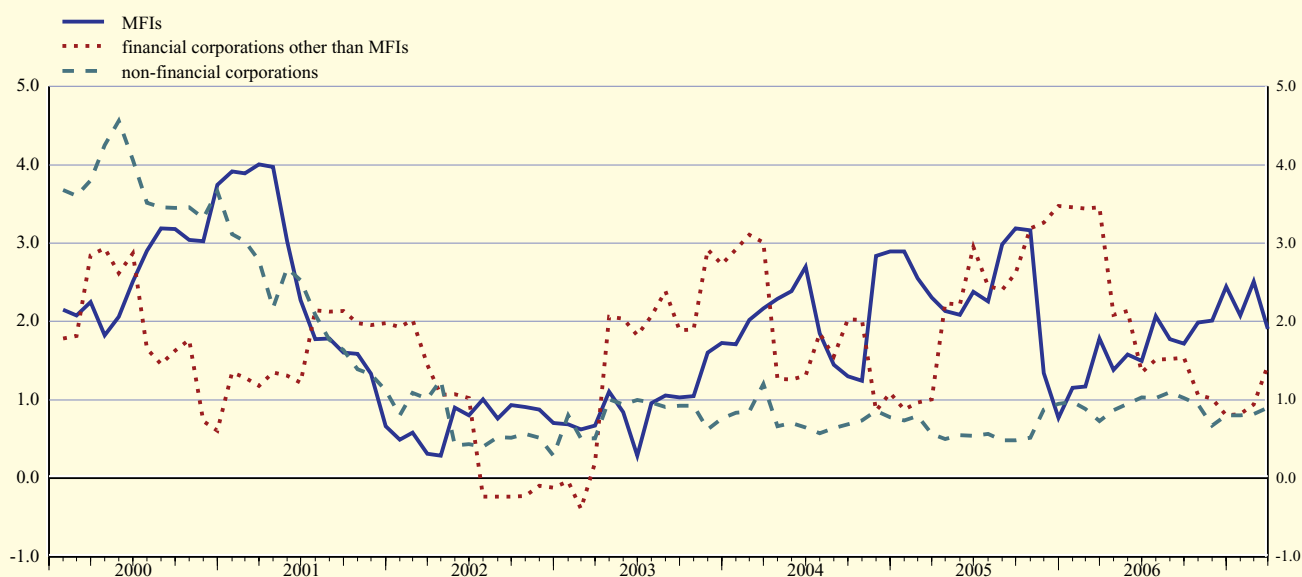
##### 1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Financial corporations other than MFIs		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
2005 Mar.	4,250.5	102.7	0.9	677.8	2.3	425.4	1.0	3,147.3	0.6
Apr.	4,102.5	102.9	0.9	656.0	2.1	410.8	2.2	3,035.6	0.5
May	4,280.1	102.9	1.0	678.1	2.1	425.4	2.2	3,176.5	0.6
June	4,388.2	103.1	1.1	698.1	2.4	442.6	2.9	3,247.5	0.5
July	4,638.2	103.1	1.0	727.9	2.3	467.7	2.5	3,442.6	0.6
Aug.	4,613.0	103.1	1.1	723.5	3.0	458.2	2.4	3,431.4	0.5
Sep.	4,834.1	103.2	1.1	764.1	3.2	484.8	2.6	3,585.2	0.5
Oct.	4,666.6	103.4	1.2	752.4	3.2	481.5	3.2	3,432.7	0.5
Nov.	4,889.2	103.7	1.2	809.2	1.3	514.6	3.3	3,565.4	0.9
Dec.	5,063.5	103.8	1.2	836.4	0.8	541.8	3.5	3,685.3	0.9
2006 Jan.	5,296.6	103.8	1.2	884.8	1.2	536.8	3.5	3,875.0	1.0
Feb.	5,436.6	103.8	1.2	938.8	1.2	562.7	3.4	3,935.1	0.9
Mar.	5,637.3	103.9	1.2	962.3	1.8	580.0	3.5	4,094.9	0.7
Apr.	5,662.8	104.0	1.1	948.8	1.4	573.9	2.1	4,140.1	0.9
May	5,373.0	104.1	1.2	896.7	1.6	534.5	2.1	3,941.8	0.9
June	5,384.8	104.3	1.1	905.0	1.5	530.6	1.3	3,949.1	1.0
July	5,381.0	104.4	1.3	918.4	2.1	544.4	1.5	3,918.2	1.0
Aug.	5,545.2	104.4	1.3	958.6	1.8	595.7	1.5	3,990.8	1.1
Sep.	5,689.4	104.5	1.2	986.1	1.7	607.7	1.5	4,095.6	1.0
Oct.	5,869.1	104.6	1.1	1,015.6	2.0	614.5	1.1	4,239.0	0.9
Nov.	5,922.6	104.7	0.9	1,024.3	2.0	603.8	1.0	4,294.4	0.7
Dec.	6,139.4	104.9	1.1	1,056.3	2.4	623.2	0.8	4,459.9	0.8
2007 Jan.	6,310.4	104.9	1.0	1,111.3	2.1	641.7	0.8	4,557.4	0.8
Feb.	6,228.0	105.0	1.1	1,081.2	2.5	633.4	0.9	4,513.5	0.8
Mar.	6,423.6	105.1	1.1	1,099.9	1.9	646.2	1.4	4,677.5	0.9

#### 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>

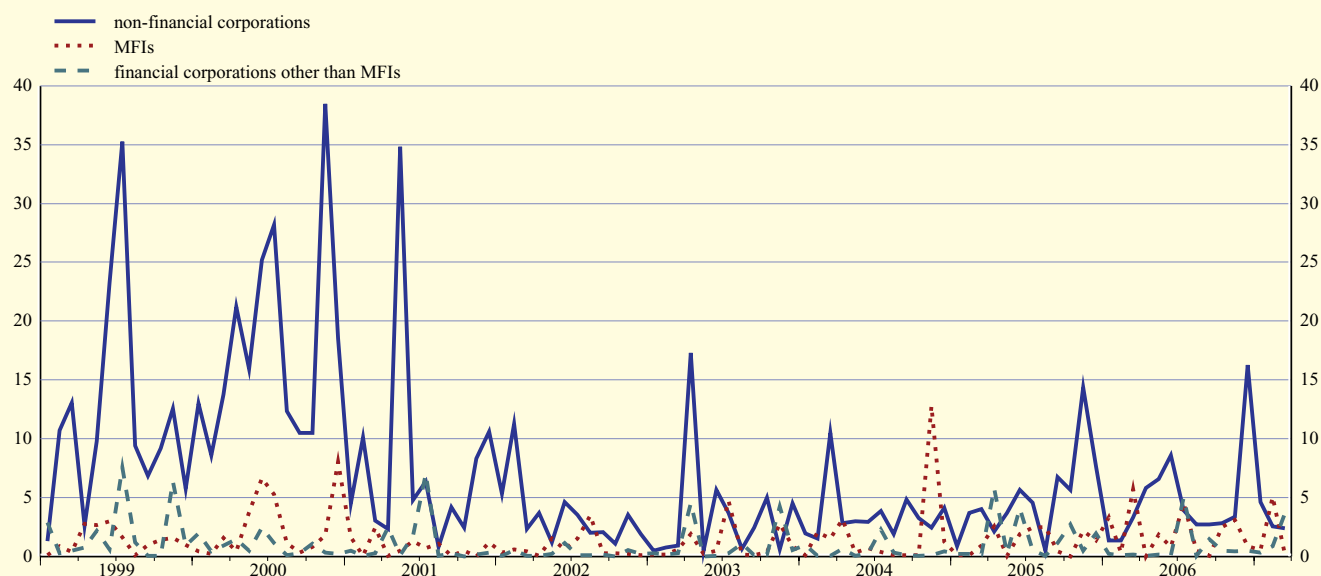
(EUR billions; market values)

### 2. Transactions during the month

	Total			MFIs			Financial corporations other than MFIs			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
2005 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	3.9	3.1	0.8	0.0	0.0	0.0	0.2	0.3	-0.1	3.7	2.8	0.8
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	6.8	0.0	0.1	-0.1	2.7	0.0	2.7	5.6	1.4	4.2
Nov.	17.0	3.9	13.0	2.1	0.0	2.1	0.5	0.1	0.4	14.4	3.9	10.5
Dec.	10.9	7.4	3.5	1.3	4.3	-3.0	1.9	0.4	1.5	7.7	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	0.1	0.0	0.1	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	0.5	5.4	0.0	0.2	-0.1	0.0	0.0	0.0	5.8	0.3	5.5
May	8.6	2.2	6.4	1.9	0.0	1.8	0.2	0.0	0.2	6.5	2.2	4.4
June	9.4	2.7	6.8	0.8	0.3	0.5	0.1	0.1	0.0	8.6	2.4	6.2
July	13.4	6.6	6.8	4.5	0.0	4.5	5.0	3.5	1.5	3.9	3.1	0.8
Aug.	3.2	1.8	1.4	0.4	0.0	0.4	0.0	0.1	-0.1	2.7	1.6	1.0
Sep.	4.2	0.5	3.7	0.0	0.0	0.0	1.5	0.0	1.4	2.7	0.5	2.2
Oct.	5.8	1.2	4.6	2.5	0.0	2.5	0.5	0.0	0.5	2.8	1.2	1.6
Nov.	6.9	2.1	4.8	3.1	0.0	3.1	0.4	0.2	0.3	3.3	1.9	1.5
Dec.	17.6	5.1	12.5	0.9	0.3	0.5	0.5	0.0	0.5	16.3	4.7	11.5
2007 Jan.	5.4	3.9	1.5	0.5	0.1	0.4	0.3	0.0	0.3	4.6	3.8	0.8
Feb.	8.4	2.0	6.4	5.0	0.0	5.0	0.9	0.0	0.9	2.5	2.0	0.5
Mar.	6.2	1.7	4.5	0.2	0.0	0.2	3.6	0.4	3.3	2.4	1.4	1.0

#### 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 <sup>1)</sup>

(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>2)</sup>	With agreed maturity			Redeemable at notice <sup>2),3)</sup>		Overnight <sup>2)</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
2006 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	2.04	2.53	1.22	2.70	3.22	3.27	2.65
July	0.81	2.70	3.04	2.80	2.08	2.58	1.24	2.78	3.31	3.99	2.76
Aug.	0.85	2.79	2.97	2.82	2.23	2.63	1.32	2.92	3.25	3.78	2.86
Sep.	0.86	2.87	3.15	2.66	2.26	2.68	1.36	2.99	3.45	3.82	2.96
Oct.	0.90	3.04	3.30	2.87	2.30	2.75	1.45	3.19	3.58	4.24	3.14
Nov.	0.91	3.10	3.34	2.80	2.30	2.81	1.49	3.26	3.47	3.66	3.23
Dec.	0.92	3.27	3.31	2.79	2.38	2.87	1.51	3.47	4.99	3.88	3.41
2007 Jan.	0.98	3.33	3.48	2.92	2.35	2.98	1.61	3.49	3.91	4.07	3.46
Feb.	1.00	3.37	3.64	2.73	2.35	3.07	1.64	3.48	3.80	4.15	3.47
Mar.	1.02	3.52	3.65	2.72	2.39	3.14	1.70	3.66	3.84	3.69	3.64

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

	Bank overdrafts <sup>2)</sup>	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge <sup>4)</sup>	By initial rate fixation				Annual percentage rate of charge <sup>4)</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
2006 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	7.24	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	7.33	6.33	8.02	7.87	4.11	4.23	4.52	4.34	4.52	4.55	5.24	4.74
Aug.	9.95	7.86	6.39	8.15	8.12	4.21	4.36	4.60	4.39	4.59	4.65	5.26	4.94
Sep.	10.06	7.86	6.26	8.09	7.98	4.30	4.36	4.61	4.44	4.65	4.76	5.30	4.98
Oct.	10.04	7.50	6.02	8.17	7.77	4.42	4.45	4.58	4.46	4.72	4.93	5.18	4.80
Nov.	10.08	7.66	6.16	8.15	7.83	4.49	4.50	4.58	4.47	4.76	4.97	5.25	4.90
Dec.	10.03	7.56	6.08	7.97	7.72	4.55	4.58	4.56	4.49	4.80	4.93	5.23	4.82
2007 Jan.	10.15	7.63	6.71	8.39	8.26	4.67	4.60	4.60	4.50	4.83	5.13	5.43	4.92
Feb.	10.33	7.69	6.86	8.27	8.30	4.71	4.71	4.70	4.61	4.90	5.27	5.38	5.14
Mar.	10.37	7.50	6.71	8.33	8.18	4.78	4.78	4.70	4.60	4.95	5.25	5.58	5.17

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

	Bank overdrafts <sup>2)</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
2006 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
Aug.		5.56	4.70	5.09	4.60	3.97	4.33	4.49
Sep.		5.69	4.75	5.02	4.54	4.02	4.41	4.47
Oct.		5.76	4.91	5.16	4.57	4.24	4.37	4.45
Nov.		5.82	5.00	5.24	4.68	4.31	4.62	4.58
Dec.		5.80	5.08	5.23	4.71	4.50	4.77	4.63
2007 Jan.		5.94	5.16	5.31	4.69	4.44	4.67	4.71
Feb.		6.03	5.21	5.44	4.86	4.50	4.69	4.71
Mar.		6.07	5.30	5.43	4.83	4.69	4.81	4.84

Source: ECB.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.

2) For this instrument category, new business and outstanding amounts coincide. End-of-period.

3) 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.

4) 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**

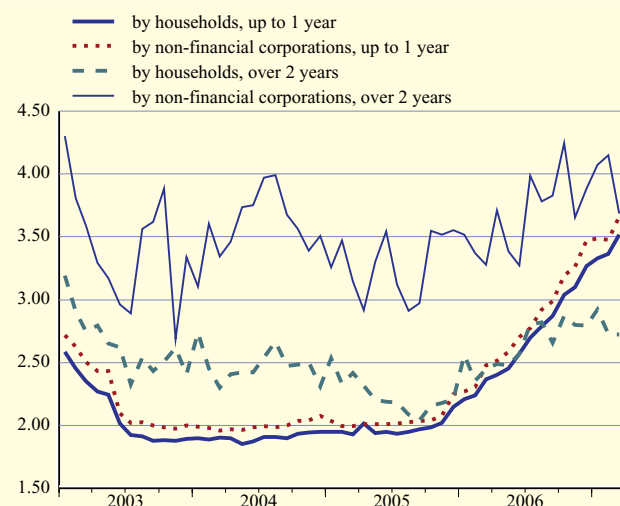
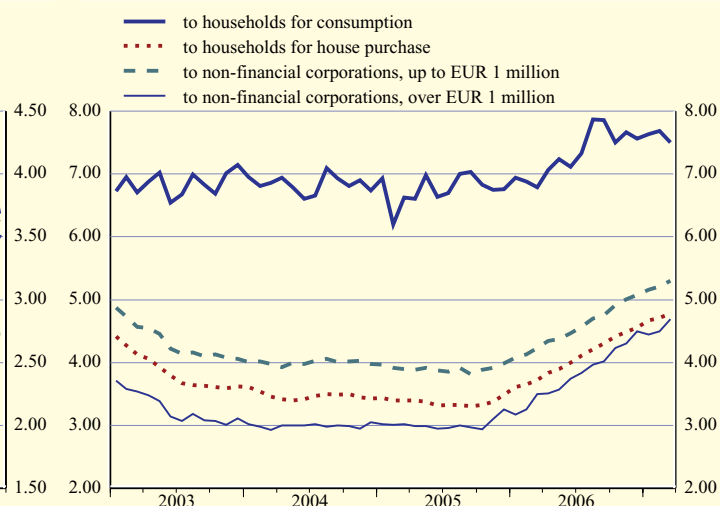
(percentages per annum; outstanding amounts as end-of-period, new business as period average, unless otherwise indicated)

**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
2006 Apr.	0.79	2.21	3.01	2.00	2.42	1.16	2.53	3.51	2.42
May	0.79	2.27	3.05	2.00	2.48	1.18	2.59	3.52	2.49
June	0.81	2.34	3.08	2.04	2.53	1.22	2.72	3.53	2.63
July	0.81	2.43	3.03	2.08	2.58	1.24	2.80	3.57	2.71
Aug.	0.85	2.52	3.05	2.23	2.63	1.32	2.93	3.64	2.81
Sep.	0.86	2.59	3.08	2.26	2.68	1.36	3.00	3.69	2.90
Oct.	0.90	2.69	3.10	2.30	2.75	1.45	3.15	3.80	3.05
Nov.	0.91	2.78	3.05	2.30	2.81	1.49	3.24	3.80	3.14
Dec.	0.92	2.89	3.05	2.38	2.87	1.51	3.42	3.88	3.29
2007 Jan.	0.98	2.99	3.06	2.35	2.98	1.61	3.45	3.91	3.36
Feb.	1.00	3.07	3.12	2.35	3.07	1.64	3.49	3.92	3.41
Mar.	1.02	3.16	3.04	2.39	3.14	1.70	3.61	3.93	3.54

**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
2006 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	4.67	4.20	4.55	8.10	6.75	5.73	4.72	4.19	4.40
July	4.68	4.21	4.57	8.15	6.71	5.82	4.81	4.27	4.45
Aug.	4.72	4.23	4.60	8.21	6.72	5.82	4.85	4.33	4.48
Sep.	4.82	4.27	4.62	8.31	6.81	5.87	4.93	4.40	4.53
Oct.	4.90	4.29	4.65	8.36	6.81	5.88	5.07	4.51	4.57
Nov.	4.98	4.33	4.68	8.34	6.81	5.91	5.14	4.59	4.63
Dec.	5.01	4.34	4.70	8.43	6.81	5.93	5.23	4.66	4.68
2007 Jan.	5.05	4.38	4.72	8.55	6.84	5.95	5.30	4.76	4.77
Feb.	5.11	4.46	4.79	8.67	6.95	5.96	5.37	4.83	4.83
Mar.	5.18	4.49	4.80	8.69	6.87	5.99	5.43	4.89	4.84

**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)

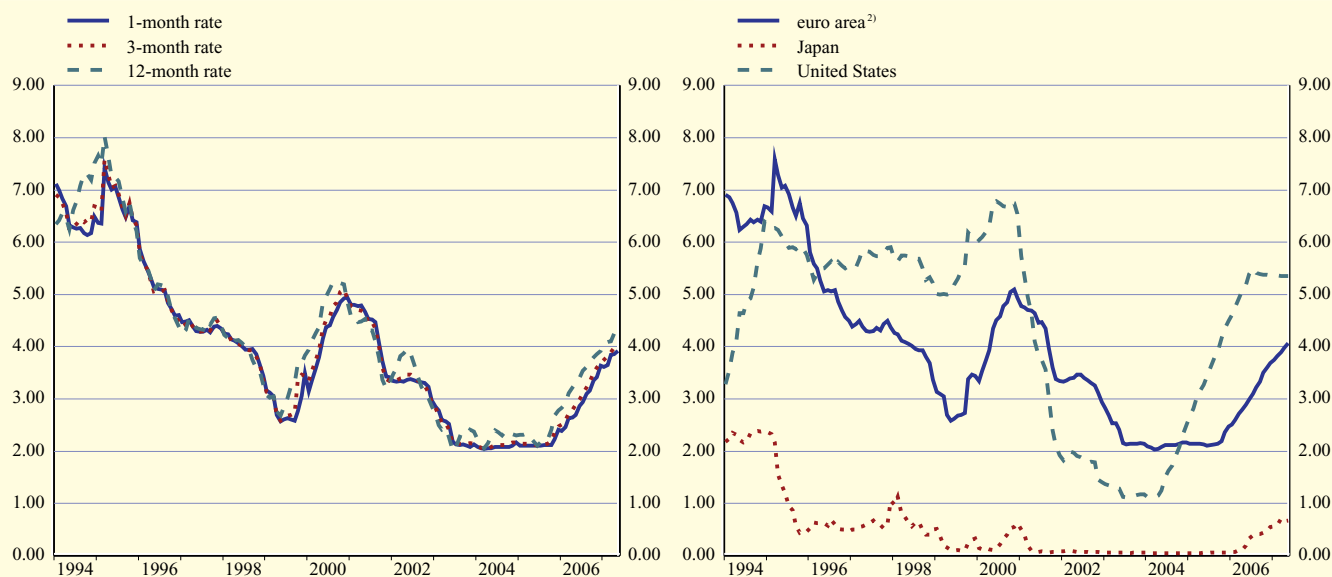
	Euro area <sup>1,2)</sup>					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2004	2.05	2.08	2.11	2.15	2.27	1.62	0.05
2005	2.09	2.14	2.18	2.23	2.33	3.56	0.06
2006	2.83	2.94	3.08	3.23	3.44	5.19	0.30
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
Q4	3.36	3.46	3.59	3.72	3.86	5.37	0.49
2007 Q1	3.61	3.71	3.82	3.94	4.09	5.36	0.62
2006 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
Oct.	3.28	3.35	3.50	3.64	3.80	5.37	0.44
Nov.	3.33	3.42	3.60	3.73	3.86	5.37	0.48
Dec.	3.50	3.64	3.68	3.79	3.92	5.36	0.56
2007 Jan.	3.56	3.62	3.75	3.89	4.06	5.36	0.56
Feb.	3.57	3.65	3.82	3.94	4.09	5.36	0.59
Mar.	3.69	3.84	3.89	4.00	4.11	5.35	0.71
Apr.	3.82	3.86	3.98	4.10	4.25	5.35	0.66
May	3.79	3.92	4.07	4.20	4.37	5.36	0.67

### C23 Euro area money market rates <sup>2)</sup>

(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.
- 2) Data refer to the changing composition of the euro area. For further information, see the General notes.

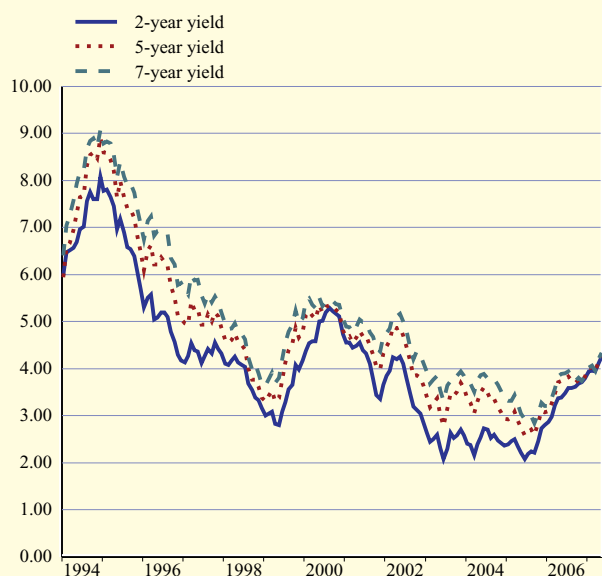
### 4.7 Government bond yields

(percentages per annum; period averages)

	Euro area <sup>1,2)</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
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
2006	3.44	3.51	3.64	3.72	3.86	4.79	1.74
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
Q4	3.73	3.73	3.77	3.79	3.86	4.63	1.70
2007 Q1	3.95	3.96	3.99	4.02	4.08	4.68	1.68
2006 May	3.38	3.52	3.74	3.89	4.06	5.10	1.91
June	3.47	3.59	3.78	3.91	4.08	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
Oct.	3.69	3.70	3.77	3.80	3.88	4.73	1.76
Nov.	3.71	3.70	3.73	3.74	3.80	4.60	1.70
Dec.	3.79	3.79	3.83	3.84	3.90	4.57	1.64
2007 Jan.	3.94	3.96	4.02	4.02	4.10	4.76	1.71
Feb.	3.96	3.98	4.02	4.07	4.12	4.73	1.71
Mar.	3.94	3.94	3.95	3.96	4.02	4.56	1.62
Apr.	4.11	4.12	4.15	4.20	4.25	4.69	1.67
May	4.26	4.28	4.31	4.34	4.37	4.75	1.67

#### C25 Euro area government bond yields <sup>2)</sup>

(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.
- 2) Data refer to the changing composition of the euro area. For further information, see the General notes.

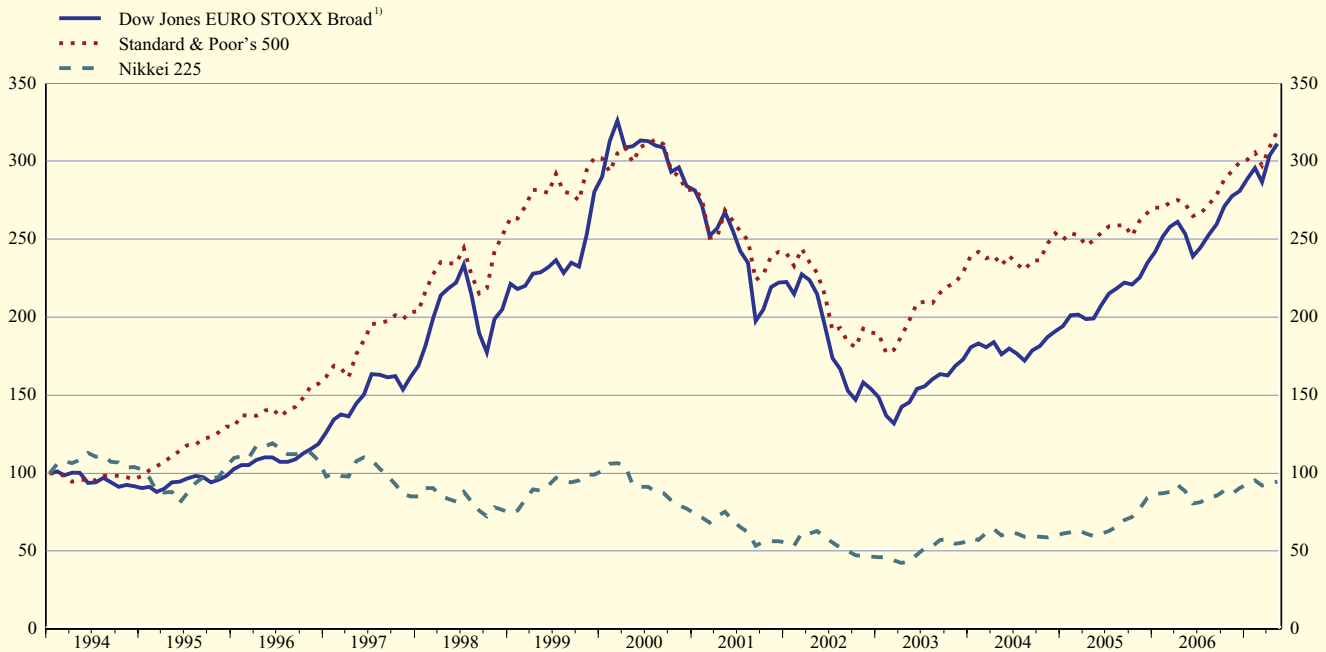
## 4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices <sup>1)</sup>												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	
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
2006	357.3	3,795.4	402.3	205.0	293.7	419.8	370.3	391.3	345.3	440.0	416.8	530.2	1,310.5	16,121.2
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
Q4	383.3	4,032.4	450.4	219.3	315.1	432.7	400.7	419.5	343.1	490.8	450.1	526.3	1,389.2	16,465.0
2007 Q1	402.5	4,150.5	489.9	233.3	335.7	422.8	418.6	462.7	349.4	512.3	472.8	527.2	1,424.8	17,363.9
2006 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
Oct.	375.8	3,975.8	435.6	216.9	306.8	419.4	397.5	405.6	341.1	475.6	431.1	532.2	1,363.4	16,515.7
Nov.	384.8	4,052.8	451.8	220.1	319.2	438.6	401.3	420.2	343.6	490.5	456.8	517.4	1,389.4	16,103.9
Dec.	389.5	4,070.4	464.4	221.0	319.3	440.4	403.4	433.3	344.6	507.0	463.1	529.4	1,416.2	16,790.2
2007 Jan.	400.4	4,157.8	476.4	229.1	328.2	426.5	419.8	452.2	350.4	505.0	485.0	538.1	1,423.9	17,270.0
Feb.	410.3	4,230.2	496.6	235.9	339.4	428.2	428.3	476.2	355.3	524.7	481.0	530.4	1,445.3	17,729.4
Mar.	397.5	4,070.5	497.9	235.1	340.2	413.9	408.6	461.2	343.0	508.5	452.6	512.9	1,407.0	17,130.0
Apr.	421.7	4,330.7	531.7	247.6	363.9	437.2	432.7	493.8	362.4	540.4	477.4	531.5	1,462.7	17,466.5
May	431.7	4,444.8	545.5	248.5	374.4	454.1	439.8	514.4	374.5	559.2	476.2	547.7	1,511.3	17,577.7

## C27 Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225

(January 1994 = 100; monthly averages)



Source: ECB.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.



# PRICES OUTPUT, DEMAND AND LABOUR MARKETS

## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

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

	Total					Total (s.a., percentage change on previous period)						Memo item: Administered prices <sup>2)</sup>		
	Index 2005 = 100	Total			Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services	Total HICP excluding administered prices	Administered prices
		Total excl. unprocessed food and energy												
% of total <sup>3)</sup>	100.0	100.0	82.8	59.2	40.8	100.0	11.9	7.6	30.0	9.6	40.8	86.1	13.9	
	1	2	3	4	5	6	7	8	9	10	11	12	13	
2003	95.8	2.1	2.0	1.8	2.5	-	-	-	-	-	-	2.0	2.4	
2004	97.9	2.1	2.1	1.8	2.6	-	-	-	-	-	-	2.0	3.1	
2005	100.0	2.2	1.5	2.1	2.3	-	-	-	-	-	-	2.1	2.7	
2006	102.2	2.2	1.5	2.3	2.0	-	-	-	-	-	-	2.0	3.1	
2006 Q1	101.0	2.3	1.4	2.6	1.9	0.4	0.5	0.7	0.1	1.3	0.4	2.2	2.9	
Q2	102.4	2.5	1.5	2.8	2.0	0.8	0.4	0.6	0.3	3.9	0.5	2.4	3.2	
Q3	102.5	2.1	1.5	2.3	2.0	0.5	0.4	1.9	0.2	0.6	0.6	2.0	3.3	
Q4	102.8	1.8	1.6	1.6	2.1	0.0	0.8	0.8	0.3	-4.2	0.6	1.6	3.0	
2007 Q1	102.9	1.9	1.9	1.6	2.4	0.5	0.4	-0.2	0.4	1.0	0.7	1.7	2.9	
2006 Dec.	103.0	1.9	1.6	1.8	2.0	0.1	0.1	-0.1	0.1	0.1	0.2	1.7	2.9	
2007 Jan.	102.5	1.8	1.8	1.5	2.3	0.2	0.1	0.1	0.1	0.4	0.3	1.6	3.0	
Feb.	102.8	1.8	1.9	1.5	2.4	0.2	0.1	-0.5	0.3	0.3	0.3	1.7	3.1	
Mar.	103.5	1.9	1.9	1.7	2.4	0.2	0.1	-0.2	0.2	1.5	0.1	1.8	2.7	
Apr.	104.2	1.9	1.9	1.5	2.5	0.4	0.1	1.3	0.0	1.4	0.3	1.8	2.6	
May <sup>4)</sup>	.	1.9	.	.	.	.	.	.	.	.	.	.	.	

	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						
% of total <sup>3)</sup>	19.6	11.9	7.6	39.6	30.0	9.6	10.2	6.2	6.4	3.1	14.4	6.7
	14	15	16	17	18	19	20	21	22	23	24	25
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
2006	2.4	2.1	2.8	2.3	0.6	7.7	2.5	2.1	2.5	-3.3	2.3	2.3
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	0.7	11.6	2.5	2.1	2.8	-3.6	2.3	2.2
Q3	2.8	2.1	3.9	2.0	0.7	6.3	2.5	2.1	2.6	-3.6	2.4	2.3
Q4	2.9	2.2	4.1	1.0	0.8	1.5	2.5	2.1	2.3	-2.5	2.4	2.4
2007 Q1	2.5	2.1	3.1	1.1	1.1	1.1	2.6	2.0	2.9	-2.1	2.8	2.5
2006 Nov.	3.0	2.2	4.4	1.1	0.8	2.1	2.5	2.1	2.3	-2.7	2.5	2.4
Dec.	2.7	2.1	3.7	1.4	0.9	2.9	2.5	2.1	2.2	-2.3	2.4	2.4
2007 Jan.	2.8	2.2	3.7	0.9	0.9	0.9	2.6	2.0	2.9	-1.7	2.7	2.4
Feb.	2.4	2.1	2.8	1.1	1.1	0.8	2.6	2.0	2.8	-1.8	2.8	2.6
Mar.	2.3	1.9	2.9	1.4	1.2	1.8	2.6	2.0	2.9	-2.8	2.9	2.6
Apr.	2.7	1.9	3.9	1.0	1.1	0.4	2.7	2.1	2.6	-2.2	2.7	3.7

Sources: Eurostat and ECB calculations.

- 1) Data refer to the changing composition of the euro area. For further information, see the General notes.
- 2) ECB estimates based on Eurostat data; these experimental statistics can only provide an approximate measure of price administration since changes in administered prices cannot be fully isolated from other influences. Please refer to <http://www.ecb.int/stats/prices/hicp/html/index.en.html> for a note explaining the methodology used in the compilation of this indicator.
- 3) Referring to the index period 2007.
- 4) Estimate based on provisional national releases usually 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>2)</sup>	World market prices of raw materials <sup>3)</sup>	Oil prices <sup>4)</sup> (EUR per barrel)		
	Total (index 2000 = 100)	Total	Industry excluding construction and energy							Energy					Total	Total excluding energy
			Manu- facturing	Total	Interme- diate goods	Capital goods	Consumer goods									
							Total	Durable	Non-durable							
% of total <sup>5)</sup>	100.0	100.0	89.5	82.4	31.6	21.2	29.6	4.0	25.6	17.6	100.0	32.8				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2003	103.4	1.4	0.9	0.8	0.8	0.3	1.1	0.6	1.2	3.7	2.1	7.0	-4.0	-4.5	25.1	
2004	105.8	2.3	2.5	2.0	3.5	0.7	1.3	0.7	1.4	3.9	2.6	7.4	18.4	10.8	30.5	
2005	110.1	4.1	3.2	1.9	2.9	1.3	1.1	1.3	1.1	13.4	3.1	7.9	28.5	9.4	44.6	
2006	115.8	5.1	3.4	2.8	4.8	1.4	1.7	1.6	1.7	13.2	.	6.4	19.7	24.8	52.9	
2006 Q1	113.9	5.2	3.2	1.7	2.2	1.0	1.5	1.4	1.5	18.8	2.6	-	36.4	23.6	52.3	
Q2	115.8	5.8	3.9	2.6	4.4	1.2	1.7	1.6	1.8	17.3	3.4	6.9 <sup>6)</sup>	30.0	26.2	56.2	
Q3	116.9	5.4	3.7	3.6	6.3	1.7	1.9	1.8	1.9	11.7	3.5	-	13.4	26.6	55.7	
Q4	116.6	4.1	2.8	3.5	6.2	1.8	1.6	1.7	1.6	6.1	.	6.0 <sup>6)</sup>	3.9	23.0	47.3	
2007 Q1	117.3	2.9	2.5	3.4	6.0	2.0	1.5	2.0	1.5	1.3	.	-	-5.5	15.7	44.8	
2006 Dec.	116.6	4.1	2.9	3.4	6.1	1.8	1.4	1.7	1.4	6.2	-	-	3.2	17.7	47.4	
2007 Jan.	116.9	3.1	2.4	3.5	6.2	2.0	1.5	1.9	1.4	1.7	-	-	-9.6	15.6	42.2	
Feb.	117.3	2.9	2.5	3.5	6.0	2.1	1.6	2.0	1.6	1.2	-	-	-4.6	13.9	44.9	
Mar.	117.6	2.8	2.6	3.4	5.9	2.0	1.5	1.9	1.4	0.9	-	-	-2.3	17.6	47.3	
Apr.	118.2	2.4	2.6	3.4	5.8	2.0	1.6	1.8	1.6	-0.7	-	-	-5.6	15.3	50.2	
May	.	.	.	.	.	.	.	.	.	.	-	-	-3.9	11.9	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
2003	110.8	3.1	2.9	3.8	3.1	3.8	2.9	2.4
2004	113.5	2.4	2.3	2.3	2.8	2.7	2.0	2.1
2005	116.2	2.4	2.6	1.9	2.5	2.2	2.4	2.1
2006	119.1	2.5	2.8	1.9	2.8	2.2	2.4	2.2
2006 Q1	118.0	2.5	2.9	1.2	2.7	2.4	2.4	2.1
Q2	118.7	2.6	2.9	2.0	3.2	1.7	2.4	2.4
Q3	119.5	2.5	2.7	2.2	3.1	1.9	2.2	2.0
Q4	120.2	2.4	2.5	2.2	2.2	2.6	2.5	2.4
2007 Q1	.	.	.	.	.	.	.	1.9

Sources: Eurostat, HWWI (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	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
Unit labour costs <sup>1)</sup>								
2003	106.5	1.8	5.9	0.2	3.2	2.1	1.5	2.8
2004	107.7	1.1	-9.3	0.2	3.4	-0.1	2.3	2.5
2005	108.7	0.9	7.2	-1.2	3.4	0.3	1.8	1.9
2006	109.5	0.8	5.1	-1.7	0.9	0.5	2.4	2.2
2005 Q4	109.3	0.9	9.2	-2.0	2.1	0.1	2.1	2.7
2006 Q1	109.4	0.9	6.5	-1.5	1.3	0.4	2.6	2.2
Q2	109.8	1.1	6.0	-1.5	-0.2	0.8	1.8	3.1
Q3	109.6	1.1	5.9	-1.6	0.6	0.4	3.0	2.5
Q4	109.3	0.0	2.0	-2.1	1.8	0.3	2.3	0.8
Compensation per employee								
2003	107.5	2.1	2.3	2.1	2.7	1.9	2.5	2.0
2004	109.8	2.2	2.4	2.7	2.5	1.5	1.9	2.5
2005	111.8	1.7	3.2	1.5	2.3	1.6	2.0	1.9
2006	114.2	2.2	3.1	2.5	2.7	2.1	1.6	2.2
2005 Q4	112.8	2.2	3.2	1.6	2.4	1.6	1.8	3.3
2006 Q1	113.4	2.2	2.6	2.5	2.8	2.1	1.6	2.3
Q2	114.2	2.5	2.9	2.5	2.4	2.4	1.1	3.2
Q3	114.5	2.4	4.0	2.7	2.4	1.9	1.8	2.6
Q4	114.8	1.7	3.0	2.4	3.4	2.1	2.0	0.5
Labour productivity <sup>2)</sup>								
2003	100.9	0.3	-3.3	1.9	-0.5	-0.2	1.0	-0.8
2004	102.0	1.1	12.9	2.5	-0.9	1.6	-0.4	0.1
2005	102.8	0.8	-3.8	2.7	-1.1	1.3	0.2	0.0
2006	104.3	1.4	-1.8	4.3	1.9	1.7	-0.8	0.0
2005 Q4	103.2	1.2	-5.5	3.7	0.3	1.4	-0.3	0.6
2006 Q1	103.6	1.3	-3.7	4.1	1.5	1.8	-0.9	0.1
Q2	104.1	1.4	-2.9	4.1	2.6	1.6	-0.7	0.1
Q3	104.4	1.3	-1.8	4.3	1.8	1.6	-1.2	0.0
Q4	105.0	1.7	1.0	4.6	1.5	1.8	-0.3	-0.2

## 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
2003	107.3	2.1	2.0	2.1	2.4	1.2	-1.2	-1.8
2004	109.4	1.9	2.1	2.1	2.2	2.5	1.1	1.5
2005	111.4	1.9	2.2	2.0	2.4	2.3	2.7	3.7
2006	113.3	1.8	2.3	2.2	1.9	2.7	2.6	4.0
2006 Q1	112.5	1.7	2.7	2.4	2.3	2.3	2.8	5.4
Q2	113.1	1.8	2.6	2.4	2.8	2.8	3.0	5.1
Q3	113.7	1.9	2.2	2.1	1.9	2.9	2.7	3.5
Q4	114.2	1.7	1.7	1.8	0.5	2.9	1.8	2.0
2007 Q1	115.3	2.5	1.7	1.7	1.3	3.1	2.3	0.4

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	
<i>Current prices (EUR billions, seasonally adjusted)</i>									
2003	7,486.4	7,329.9	4,291.7	1,531.5	1,504.7	1.9	156.6	2,638.4	2,481.9
2004	7,766.0	7,607.3	4,442.2	1,586.1	1,571.1	7.9	158.7	2,838.8	2,680.1
2005	8,037.7	7,919.1	4,602.0	1,648.0	1,651.8	17.3	118.6	3,044.6	2,926.0
2006	8,412.3	8,309.4	4,784.9	1,712.7	1,783.9	27.9	102.9	3,387.8	3,284.9
2006 Q1	2,061.3	2,043.6	1,180.1	422.8	430.1	10.5	17.6	819.5	801.9
Q2	2,091.5	2,069.5	1,190.5	428.3	443.3	7.4	22.1	834.2	812.1
Q3	2,116.0	2,095.2	1,203.6	429.4	450.6	11.6	20.8	852.0	831.2
Q4	2,143.5	2,101.1	1,210.6	432.2	459.9	-1.7	42.4	882.0	839.6
2007 Q1	2,176.8	2,141.7	1,215.5	436.7	475.4	14.1	35.1	891.0	855.9
<i>percentage of GDP</i>									
2006	100.0	98.8	56.9	20.4	21.2	0.3	1.2	-	-
<i>Chain-linked volumes (prices of the previous year, seasonally adjusted <sup>3)</sup>)</i>									
<i>quarter-on-quarter percentage changes</i>									
2006 Q1	0.9	0.5	0.5	1.1	1.2	-	-	3.6	2.7
Q2	0.9	0.8	0.3	0.1	2.1	-	-	1.0	0.8
Q3	0.6	0.8	0.7	0.6	1.0	-	-	1.4	2.1
Q4	0.9	0.1	0.4	0.4	1.5	-	-	3.5	1.7
2007 Q1	0.6	1.1	-0.1	0.8	2.5	-	-	0.3	1.6
<i>annual percentage changes</i>									
2003	0.8	1.5	1.2	1.8	1.1	-	-	1.1	3.1
2004	2.0	1.9	1.5	1.4	2.3	-	-	6.9	6.8
2005	1.5	1.7	1.5	1.4	2.6	-	-	4.2	5.0
2006	2.7	2.5	1.7	2.0	4.9	-	-	8.3	7.9
2006 Q1	2.4	2.4	1.7	2.2	4.3	-	-	9.1	9.4
Q2	2.9	2.6	1.7	1.7	5.5	-	-	8.1	7.7
Q3	2.8	3.0	1.7	1.9	4.9	-	-	6.9	7.5
Q4	3.3	2.4	1.9	2.2	5.9	-	-	9.8	7.5
2007 Q1	3.0	3.0	1.3	1.9	7.2	-	-	6.3	6.3
<i>contributions to quarter-on-quarter percentage changes of GDP in percentage points</i>									
2006 Q1	0.9	0.5	0.3	0.2	0.2	-0.2	0.4	-	-
Q2	0.9	0.8	0.2	0.0	0.4	0.2	0.1	-	-
Q3	0.6	0.8	0.4	0.1	0.2	0.1	-0.2	-	-
Q4	0.9	0.1	0.2	0.1	0.3	-0.4	0.7	-	-
2007 Q1	0.6	1.1	-0.1	0.2	0.5	0.5	-0.5	-	-
<i>contributions to annual percentage changes of GDP in percentage points</i>									
2003	0.8	1.4	0.7	0.4	0.2	0.2	-0.7	-	-
2004	2.0	1.9	0.9	0.3	0.5	0.2	0.2	-	-
2005	1.5	1.7	0.9	0.3	0.5	0.0	-0.2	-	-
2006	2.7	2.5	1.0	0.4	1.0	0.1	0.3	-	-
2006 Q1	2.4	2.3	1.0	0.4	0.9	0.0	0.0	-	-
Q2	2.9	2.6	1.0	0.4	1.1	0.1	0.3	-	-
Q3	2.8	2.9	1.0	0.4	1.0	0.6	-0.1	-	-
Q4	3.3	2.4	1.1	0.5	1.2	-0.4	1.0	-	-
2007 Q1	3.0	3.0	0.7	0.4	1.5	0.4	0.1	-	-

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>								
2003	6,725.3	152.6	1,392.3	391.6	1,426.9	1,830.3	1,531.6	761.2
2004	6,969.8	157.8	1,421.1	412.8	1,482.9	1,906.1	1,589.0	796.3
2005	7,199.3	145.6	1,458.4	438.2	1,525.8	1,985.8	1,645.6	838.4
2006	7,508.8	143.7	1,527.0	481.3	1,575.7	2,081.7	1,699.4	903.5
2006 Q1	1,840.7	35.2	374.3	115.2	386.9	510.0	419.1	220.6
Q2	1,867.5	35.6	379.0	118.6	391.8	517.1	425.4	224.0
Q3	1,891.3	36.1	385.3	122.2	397.1	524.4	426.3	224.8
Q4	1,909.3	36.8	388.5	125.3	400.0	530.2	428.5	234.2
2007 Q1	1,936.4	36.3	397.0	128.9	402.2	538.9	433.0	240.4
<i>percentage of value added</i>								
2006	100.0	1.9	20.3	6.4	21.0	27.7	22.6	-
<i>Chain-linked volumes (prices of the previous year, seasonally adjusted<sup>1)</sup>)</i>								
<i>quarter-on-quarter percentage changes</i>								
2006 Q1	0.8	-2.5	1.5	0.0	0.7	1.0	0.5	1.7
Q2	1.0	0.3	1.3	2.6	1.2	1.1	0.3	0.0
Q3	0.6	-0.2	1.0	1.2	0.6	0.4	0.2	0.8
Q4	0.7	2.3	0.6	1.5	0.7	0.7	0.3	2.7
2007 Q1	0.8	-1.7	1.1	1.9	0.4	0.9	0.5	-0.6
<i>annual percentage changes</i>								
2003	0.7	-5.9	0.4	0.3	0.4	1.6	1.0	1.4
2004	2.1	11.4	1.8	0.8	2.9	1.8	1.3	1.7
2005	1.5	-5.0	1.1	1.5	1.8	2.2	1.3	1.6
2006	2.6	-1.9	3.8	4.4	2.7	2.6	1.3	3.9
2006 Q1	2.2	-3.2	3.4	3.7	2.4	2.0	1.3	3.6
Q2	2.8	-1.8	4.0	4.6	3.0	2.9	1.4	3.6
Q3	2.8	-2.5	4.3	4.9	2.9	2.7	1.4	3.1
Q4	3.1	-0.2	4.4	5.3	3.3	3.2	1.3	5.3
2007 Q1	3.1	0.6	4.0	7.4	2.9	3.1	1.3	2.8
<i>contributions to quarter-on-quarter percentage changes of value added in percentage points</i>								
2006 Q1	0.8	0.0	0.3	0.0	0.2	0.3	0.1	-
Q2	1.0	0.0	0.3	0.2	0.2	0.3	0.1	-
Q3	0.6	0.0	0.2	0.1	0.1	0.1	0.1	-
Q4	0.7	0.0	0.1	0.1	0.2	0.2	0.1	-
2007 Q1	0.8	0.0	0.2	0.1	0.1	0.2	0.1	-
<i>contributions to annual percentage changes of value added in percentage points</i>								
2003	0.7	-0.1	0.1	0.0	0.1	0.4	0.2	-
2004	2.1	0.3	0.4	0.0	0.6	0.5	0.3	-
2005	1.5	-0.1	0.2	0.1	0.4	0.6	0.3	-
2006	2.6	0.0	0.8	0.3	0.6	0.7	0.3	-
2006 Q1	2.2	-0.1	0.7	0.2	0.5	0.5	0.3	-
Q2	2.8	0.0	0.8	0.3	0.6	0.8	0.3	-
Q3	2.8	-0.1	0.9	0.3	0.6	0.7	0.3	-
Q4	3.1	0.0	0.9	0.3	0.7	0.9	0.3	-
2007 Q1	3.1	0.0	0.8	0.5	0.6	0.9	0.3	-

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	
	100.0	82.9	82.9	75.0	74.0	30.0	22.4	21.5	3.6	17.9	8.9	17.1
2004	2.1	102.4	2.1	2.1	2.0	2.3	3.3	0.5	0.1	0.6	2.0	-0.5
2005	1.1	103.8	1.3	1.3	1.1	0.9	2.8	0.5	-0.9	0.7	1.3	-0.4
2006	3.8	108.0	4.0	4.4	4.4	5.0	5.9	2.4	4.2	2.1	0.7	4.2
2006 Q1	3.9	106.3	3.5	3.7	3.6	3.0	5.4	2.2	2.4	2.2	4.0	1.7
Q2	3.2	107.6	4.3	4.4	4.7	5.7	5.7	2.6	3.7	2.4	0.9	3.7
Q3	4.2	108.6	4.2	4.5	4.4	5.8	5.7	1.7	5.1	1.1	1.5	4.4
Q4	4.1	109.3	4.0	4.9	4.9	5.3	6.7	3.1	5.5	2.7	-3.3	6.7
2006 Oct.	4.2	108.7	4.1	4.7	4.9	5.4	6.0	3.0	5.0	2.6	-1.6	5.2
Nov.	3.8	108.9	3.0	4.0	3.8	3.5	6.5	2.4	5.3	1.9	-3.9	6.6
Dec.	4.4	110.3	4.8	6.0	6.0	7.3	7.7	3.9	6.5	3.5	-4.2	8.6
2007 Jan.	3.4	109.7	3.3	5.4	5.6	5.5	7.0	3.6	3.8	3.5	-7.5	8.6
Feb.	4.8	110.2	3.9	5.8	6.0	7.2	7.4	2.5	5.0	2.1	-7.3	11.5
Mar.	4.8	110.7	3.7	5.3	5.5	6.4	6.4	3.2	3.9	3.1	-7.4	11.1
<i>month-on-month percentage changes (s.a.)</i>												
2006 Oct.	0.0	-	0.1	0.3	0.3	0.6	-0.1	0.5	0.2	0.5	-2.1	0.9
Nov.	0.6	-	0.3	0.5	0.4	0.1	1.4	0.1	1.3	-0.1	0.5	0.9
Dec.	1.0	-	1.3	1.3	1.5	2.1	0.8	1.2	0.9	1.2	1.8	0.8
2007 Jan.	-0.4	-	-0.6	-0.1	-0.1	-0.6	0.3	-0.4	-1.5	-0.2	-3.5	0.4
Feb.	0.7	-	0.5	0.5	0.5	0.7	0.9	0.0	0.7	-0.1	-0.2	1.3
Mar.	0.9	-	0.4	0.3	0.6	0.5	0.0	0.5	-0.2	0.7	0.3	0.9

### 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		
2004	105.0	7.4	106.2	5.1	2.3	105.3	1.6	1.2	1.7	1.9	3.3	926	1.0
2005	110.9	4.6	110.7	3.6	2.2	106.7	1.3	0.6	1.7	2.3	1.2	941	1.6
2006	121.5	9.5	118.9	7.3	3.4	108.8	2.0	0.7	2.6	2.9	4.7	964	2.4
2006 Q2	119.7	8.4	118.2	6.4	3.7	108.5	2.2	1.3	2.5	2.9	4.0	972	2.9
Q3	123.3	10.6	119.8	6.5	3.8	109.2	2.3	1.3	2.7	3.5	5.0	937	-1.8
Q4	125.4	7.0	121.9	7.6	3.4	109.6	2.2	-0.2	3.5	3.3	6.8	982	5.1
2007 Q1	127.9	8.5	124.5	7.7	2.5	109.6	1.4	0.0	2.4	4.1	4.5	947	-1.7
2006 Nov.	125.0	6.3	122.3	8.0	3.3	109.6	2.1	-0.1	3.3	3.4	7.0	972	4.4
Dec.	127.2	2.0	123.5	4.0	4.1	110.2	3.0	0.2	4.4	4.5	7.9	1,026	13.2
2007 Jan.	127.2	12.4	123.4	10.1	2.0	109.1	0.9	-0.5	1.6	2.3	3.9	938	-2.9
Feb.	126.4	5.1	124.0	7.4	2.0	109.6	1.1	-0.8	2.6	4.8	4.2	933	-3.7
Mar.	130.2	8.1	126.1	5.9	3.3	110.0	2.2	1.2	2.9	5.6	5.3	971	0.8
Apr.	.	.	.	.	2.9	110.2	1.6	0.7	2.3	.	.	920	-5.8
<i>month-on-month percentage changes (s.a.)</i>													
2006 Nov.	-	0.8	-	2.1	0.7	-	0.5	0.1	0.7	1.3	1.0	-	2.5
Dec.	-	1.8	-	1.0	0.5	-	0.5	0.2	0.6	0.5	1.2	-	5.5
2007 Jan.	-	0.0	-	-0.1	-0.8	-	-0.9	-0.4	-1.2	0.9	-2.1	-	-8.6
Feb.	-	-0.6	-	0.4	0.4	-	0.4	0.3	0.7	-1.2	0.4	-	-0.5
Mar.	-	2.9	-	1.7	0.6	-	0.4	0.3	0.3	-1.8	0.9	-	4.1
Apr.	-	.	-	.	0.3	-	0.2	0.5	0.1	.	.	-	-5.3

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> (percentages)	Total <sup>5)</sup>	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total <sup>5)</sup>	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2003	93.1	-10	-25	10	4	80.8	-18	-5	-20	37	-10
2004	99.2	-5	-15	8	10	81.5	-14	-4	-14	30	-9
2005	97.9	-7	-17	11	6	81.2	-14	-4	-15	28	-9
2006	106.9	2	0	6	13	83.3	-9	-3	-9	15	-9
2006 Q1	102.6	-2	-9	9	11	82.2	-11	-3	-11	20	-9
Q2	106.8	2	0	6	13	83.0	-10	-3	-10	16	-9
Q3	108.2	4	3	5	12	83.8	-8	-3	-10	12	-8
Q4	109.9	6	6	4	15	84.2	-7	-3	-7	10	-9
2007 Q1	110.0	6	7	4	14	84.6	-5	-2	-5	6	-8
2006 Dec.	109.8	6	8	3	14	-	-6	-3	-5	9	-9
2007 Jan.	109.2	5	6	4	15	84.4	-7	-2	-7	8	-9
Feb.	109.7	5	7	3	12	-	-5	-3	-4	5	-8
Mar.	111.1	6	8	4	14	-	-4	-1	-3	5	-8
Apr.	111.0	7	9	4	15	84.8	-4	-2	-3	3	-9
May	111.9	6	8	5	14	-	-1	-1	2	1	-6

	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
2003	-16	-23	-9	-10	-12	16	0	4	-4	3	14
2004	-12	-20	-4	-8	-12	14	1	11	6	8	18
2005	-7	-12	-2	-7	-12	13	4	11	5	10	18
2006	0	-5	5	0	3	14	13	18	13	18	23
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	2	5	13	14	19	14	19	25
Q4	3	-3	8	2	8	13	11	20	13	21	26
2007 Q1	0	-8	9	-1	1	16	12	21	16	21	25
2006 Dec.	2	-2	7	0	5	13	8	19	12	20	25
2007 Jan.	1	-8	10	-1	2	16	11	20	16	19	23
Feb.	0	-8	8	-1	0	16	12	20	15	21	24
Mar.	0	-9	9	0	2	15	13	22	18	22	28
Apr.	1	-6	7	0	3	17	15	23	19	24	25
May	0	-7	6	2	5	11	13	22	19	22	25

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 1990 to 2006.
- 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	17.5	7.6	24.8	15.3	30.4
	1	2	3	4	5	6	7	8	9	10
2003	136.374	0.4	0.5	0.0	-2.7	-1.4	0.8	0.7	0.7	1.8
2004	137.365	0.7	0.7	0.9	-1.2	-1.3	1.5	1.0	2.1	1.2
2005	138.448	0.8	1.0	-0.1	-1.4	-1.2	2.7	0.7	2.1	1.3
2006	140.383	1.4	1.5	1.0	-0.1	-0.2	2.7	1.2	3.5	1.4
2005 Q4	138.911	0.7	1.0	-1.0	-1.1	-1.1	2.4	0.5	2.5	0.8
2006 Q1	139.577	1.0	1.1	0.6	0.2	-0.6	2.0	0.8	2.8	1.2
Q2	140.255	1.5	1.5	1.3	1.2	-0.1	1.9	1.5	3.4	1.3
Q3	140.627	1.5	1.6	0.8	-0.7	0.1	2.9	1.2	3.8	1.3
Q4	141.072	1.6	1.7	1.1	-1.1	-0.3	4.1	1.4	3.9	1.6
	<i>quarter-on-quarter percentage changes (s.a.)</i>									
2005 Q4	0.406	0.3	0.3	0.0	0.1	0.0	0.9	0.3	1.1	-0.1
2006 Q1	0.666	0.5	0.4	0.9	0.2	-0.1	0.6	0.5	0.9	0.6
Q2	0.677	0.5	0.5	0.6	0.7	0.2	0.7	0.5	0.9	0.4
Q3	0.373	0.3	0.4	-0.4	-1.8	0.0	0.9	0.1	1.0	0.4
Q4	0.445	0.3	0.3	0.1	-0.4	-0.2	1.6	0.4	0.7	0.2

### 2. Unemployment

(seasonally adjusted)

	Total		By age <sup>3)</sup>				By gender <sup>4)</sup>			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total <sup>2)</sup>	100.0		75.4		24.6		47.9		52.1	
	1	2	3	4	5	6	7	8	9	10
2003	12.539	8.7	9.344	7.4	3.195	17.9	5.983	7.3	6.556	10.4
2004	12.882	8.8	9.661	7.5	3.221	18.2	6.193	7.5	6.690	10.4
2005	12.660	8.6	9.570	7.4	3.090	17.7	6.140	7.4	6.520	10.0
2006	11.717	7.9	8.832	6.7	2.886	16.7	5.612	6.7	6.105	9.3
2006 Q1	12.208	8.2	9.189	7.0	3.019	17.4	5.832	7.0	6.376	9.7
Q2	11.765	7.9	8.904	6.8	2.861	16.6	5.682	6.8	6.083	9.3
Q3	11.563	7.8	8.701	6.6	2.862	16.6	5.526	6.6	6.038	9.2
Q4	11.314	7.6	8.483	6.4	2.832	16.5	5.352	6.4	5.963	9.0
2007 Q1	10.869	7.3	8.103	6.1	2.767	16.1	5.105	6.1	5.764	8.7
2006 Nov.	11.312	7.6	8.491	6.4	2.822	16.4	5.350	6.4	5.962	9.0
Dec.	11.190	7.5	8.378	6.3	2.812	16.4	5.303	6.4	5.887	8.9
2007 Jan.	11.039	7.4	8.233	6.2	2.806	16.4	5.212	6.2	5.827	8.8
Feb.	10.863	7.3	8.090	6.1	2.773	16.2	5.098	6.1	5.764	8.7
Mar.	10.707	7.2	7.985	6.0	2.721	15.9	5.005	6.0	5.701	8.6
Apr.	10.611	7.1	7.924	6.0	2.688	15.7	4.954	5.9	5.657	8.6

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 2006.

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

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

# GOVERNMENT FINANCE

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

### 1. Euro area – revenue

	Total		Current revenue								Capital revenue		Memo: fiscal burden <sup>2)</sup>	
	1	2	Direct taxes		Indirect taxes	Received by EU institutions	Social contributions		Sales	Capital taxes	13			
			Households	Corporations			Employers	Employees						
	3	4	5	6	7	8	9	10	11	12	13	14		
1998	46.6	46.3	12.2	9.1	2.8	13.9	0.6	16.1	8.3	4.9	2.3	0.3	0.3	42.5
1999	47.0	46.7	12.5	9.3	2.9	14.1	0.6	16.1	8.3	4.9	2.3	0.3	0.3	43.0
2000	46.6	46.4	12.7	9.4	3.0	13.9	0.6	15.9	8.2	4.8	2.2	0.3	0.3	42.7
2001	45.8	45.6	12.3	9.2	2.8	13.6	0.6	15.7	8.2	4.7	2.2	0.2	0.3	41.8
2002	45.3	45.0	11.8	9.1	2.5	13.5	0.4	15.7	8.2	4.6	2.1	0.3	0.3	41.3
2003	45.2	44.5	11.5	8.9	2.3	13.5	0.4	15.8	8.3	4.7	2.1	0.6	0.5	41.3
2004	44.7	44.3	11.4	8.6	2.5	13.6	0.3	15.6	8.2	4.6	2.1	0.5	0.4	41.0
2005	45.1	44.7	11.6	8.7	2.7	13.7	0.3	15.5	8.1	4.5	2.2	0.5	0.3	41.2
2006	45.8	45.5	12.2	8.8	3.1	13.9	0.3	15.6	8.1	4.5	2.1	0.3	0.3	42.0

### 2. Euro area – expenditure

	Total		Current expenditure							Capital expenditure			Memo: primary expenditure <sup>3)</sup>	
	1	2	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments		Subsidies	Investment	Capital transfers	Paid by EU institutions		
							7	8						9
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	48.9	45.1	10.6	4.7	4.6	25.2	22.2	2.1	0.5	3.8	2.4	1.4	0.1	44.2
1999	48.4	44.5	10.6	4.8	4.0	25.1	22.1	2.1	0.5	3.9	2.5	1.4	0.1	44.3
2000	47.6	43.9	10.4	4.8	3.9	24.8	21.7	2.0	0.5	3.8	2.5	1.3	0.0	43.7
2001	47.7	43.8	10.3	4.8	3.8	24.8	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	48.2	44.3	10.5	5.0	3.3	25.5	22.7	1.9	0.5	4.0	2.5	1.4	0.1	44.9
2004	47.6	43.7	10.4	5.0	3.1	25.2	22.5	1.7	0.5	3.8	2.5	1.4	0.0	44.4
2005	47.6	43.7	10.4	5.1	3.0	25.2	22.5	1.7	0.5	3.9	2.5	1.4	0.0	44.6
2006	47.4	43.3	10.3	5.0	2.9	25.1	22.3	1.7	0.5	4.1	2.5	1.6	0.0	44.4

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

	Deficit (-)/surplus (+)					Primary deficit (-)/surplus (+)	Government consumption <sup>4)</sup>						Collective consumption	Individual consumption
	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)		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	-2.3	-2.2	-0.2	0.1	0.1	2.3	19.8	10.6	4.7	4.8	1.9	2.3	8.2	11.6
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	8.3	11.6
2000	-1.0	-1.4	-0.1	0.1	0.5	2.9	19.8	10.4	4.8	4.9	1.9	2.2	8.2	11.6
2001	-1.9	-1.7	-0.4	-0.1	0.3	1.9	19.9	10.3	4.8	5.0	1.9	2.2	8.1	11.7
2002	-2.6	-2.1	-0.5	-0.2	0.2	0.9	20.3	10.4	4.9	5.1	1.9	2.1	8.2	12.0
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.2	20.5	10.5	5.0	5.2	1.9	2.1	8.3	12.2
2004	-2.8	-2.4	-0.3	-0.2	0.1	0.3	20.4	10.4	5.0	5.2	1.9	2.1	8.3	12.2
2005	-2.5	-2.2	-0.3	-0.3	0.2	0.5	20.5	10.4	5.1	5.2	1.9	2.2	8.2	12.3
2006	-1.6	-1.6	-0.1	-0.2	0.3	1.4	20.4	10.3	5.0	5.2	1.9	2.1	8.1	12.3

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

	BE	DE	IE	GR	ES	FR	IT	LU	NL	AT	PT	SI	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13
2003	0.1	-4.0	0.4	-6.2	0.0	-4.1	-3.5	0.4	-3.1	-1.6	-2.9	-2.8	2.5
2004	0.0	-3.7	1.4	-7.9	-0.2	-3.6	-3.5	-1.2	-1.8	-1.2	-3.3	-2.3	2.3
2005	-2.3	-3.2	1.0	-5.5	1.1	-3.0	-4.2	-0.3	-0.3	-1.6	-6.1	-1.5	2.7
2006	0.2	-1.7	2.9	-2.6	1.8	-2.5	-4.4	0.1	0.6	-1.1	-3.9	-1.4	3.9

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

- 1) The data refer to the Euro 13. 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.
- 2) The fiscal burden comprises taxes and social contributions.
- 3) Comprises total expenditure minus interest expenditure.
- 4) Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
- 5) 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				
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>2)</sup>				Other creditors <sup>3)</sup>
						Total	MFIs	Other financial corporations	Other sectors	
1	2	3	4	5	6	7	8	9	10	
1997	73.9	2.8	16.0	6.4	48.8	55.5	28.4	13.6	13.5	18.4
1998	72.6	2.7	15.0	5.3	49.6	52.2	26.5	14.5	11.2	20.4
1999	71.8	2.9	14.2	4.2	50.5	48.5	25.3	11.9	11.2	23.3
2000	69.3	2.7	13.0	3.7	49.8	44.0	22.0	11.0	11.0	25.3
2001	68.2	2.8	12.3	4.0	49.2	41.9	20.5	10.3	11.0	26.3
2002	68.0	2.7	11.7	4.5	49.1	40.0	19.3	9.7	11.0	28.0
2003	69.2	2.1	12.3	5.0	49.9	39.3	19.4	10.2	9.8	29.9
2004	69.7	2.2	11.9	5.0	50.6	37.5	18.4	9.9	9.2	32.2
2005	70.5	2.4	11.7	4.7	51.6	35.5	17.3	10.4	7.8	35.0
2006	68.9	2.5	11.4	4.1	51.0	32.8	17.6	7.6	7.5	36.2

### 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
1997	73.9	61.9	6.0	5.4	0.6	9.4	64.5	8.4	18.1	25.3	30.6	71.9	2.0
1998	72.6	60.9	6.1	5.3	0.4	8.1	64.5	7.5	15.4	26.4	30.8	70.8	1.8
1999	71.8	60.3	6.0	5.1	0.4	7.3	64.5	6.6	13.6	27.9	30.4	69.7	2.1
2000	69.3	58.1	5.9	4.9	0.4	6.5	62.8	5.8	13.4	27.9	28.0	67.3	1.9
2001	68.2	57.0	6.1	4.8	0.4	7.0	61.3	5.0	13.7	26.8	27.8	66.5	1.7
2002	68.0	56.6	6.3	4.8	0.4	7.6	60.4	5.0	15.3	25.2	27.5	66.6	1.5
2003	69.2	57.0	6.6	5.1	0.6	7.8	61.4	4.9	14.3	26.1	28.8	68.1	1.1
2004	69.7	57.4	6.7	5.1	0.4	7.8	61.8	4.6	14.3	26.5	28.9	68.6	1.1
2005	70.5	57.9	6.8	5.3	0.5	7.9	62.6	4.9	14.4	26.1	30.0	69.3	1.2
2006	68.9	56.3	6.6	5.4	0.6	7.5	61.4	4.6	13.7	25.2	30.0	68.0	0.9

### 3. Euro area countries

	BE	DE	IE	GR	ES	FR	IT	LU	NL	AT	PT	SI	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13
2003	98.6	63.9	31.2	107.8	48.8	62.4	104.3	6.3	52.0	64.6	56.8	28.6	44.3
2004	94.3	65.7	29.7	108.5	46.2	64.3	103.8	6.6	52.6	63.9	58.2	28.9	44.1
2005	93.2	67.9	27.4	107.5	43.2	66.2	106.2	6.1	52.7	63.5	63.6	28.4	41.4
2006	89.1	67.9	24.9	104.6	39.9	63.9	106.8	6.8	48.7	62.2	64.7	27.8	39.1

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

- 1) The data refer to the Euro 13. 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			
		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	Other creditors <sup>7)</sup>
1998	1.8	2.2	-0.3	0.0	-0.1	0.1	-0.3	-0.8	2.8	-0.9	-0.7	1.5	2.7
1999	2.0	1.6	0.4	0.0	0.0	0.2	-0.2	-0.9	2.8	-1.8	-0.2	-2.0	3.8
2000	1.0	1.1	0.0	0.0	-0.1	0.0	-0.5	-0.3	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	0.4	1.4	-0.2	-0.6	-0.2	2.1
2002	2.1	2.7	-0.5	0.0	0.0	0.0	-0.2	0.7	1.6	-0.4	-0.5	-0.3	2.6
2003	3.1	3.3	-0.2	0.0	0.0	-0.6	0.9	0.6	2.1	0.4	0.6	0.7	2.7
2004	3.1	3.2	-0.1	0.0	0.0	0.2	0.1	0.1	2.7	-0.3	-0.3	0.1	3.4
2005	3.1	3.1	0.1	-0.1	0.0	0.3	0.3	-0.1	2.6	-0.7	-0.4	0.8	3.8
2006	1.5	1.4	0.1	0.0	0.0	0.2	0.1	-0.4	1.6	-1.2	1.0	-2.3	2.7

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

	Change in debt	Deficit (-)/ surplus (+) <sup>8)</sup>	Deficit-debt adjustment <sup>9)</sup>											
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	Other <sup>10)</sup>
				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	
1998	1.8	-2.3	-0.5	-0.2	0.2	0.0	0.1	-0.4	-0.7	0.2	-0.3	0.0	0.0	0.0
1999	2.0	-1.4	0.6	0.0	0.5	0.1	0.0	-0.5	-0.7	0.1	0.4	0.2	0.0	0.2
2000	1.0	0.0	1.0	1.0	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	-0.5	-0.6	0.1	0.1	-0.1	-0.3	0.1	-0.1	0.0	0.1	0.6
2002	2.1	-2.6	-0.4	0.1	0.1	0.0	0.0	0.0	-0.3	0.2	-0.5	-0.1	0.0	0.0
2003	3.1	-3.1	0.0	0.1	0.0	0.0	0.0	0.1	-0.2	0.2	-0.2	-0.1	0.0	0.1
2004	3.1	-2.8	0.3	0.3	0.2	0.0	0.1	0.0	-0.4	0.2	-0.1	-0.1	0.0	0.1
2005	3.1	-2.5	0.6	0.7	0.3	0.1	0.2	0.1	-0.2	0.2	0.1	0.1	-0.1	-0.1
2006	1.5	-1.6	-0.1	0.3	0.4	-0.1	0.2	-0.1	-0.4	0.1	0.1	0.0	0.0	-0.5

Source: ECB.

- The data refer to the Euro 13 and are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e.  $[\text{debt}(t) - \text{debt}(t-1)] \div \text{GDP}(t)$ .
- The borrowing requirement is by definition equal to transactions in debt.
- 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).
- Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.
- 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.
- Holders resident in the country whose government has issued the debt.
- Includes residents of euro area countries other than the country whose government has issued the debt.
- Including proceeds from sales of UMTS licences.
- The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
- Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
- Excluding financial derivatives.



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

(as a percentage of GDP)

### 1. Euro area – quarterly revenue

	Total		Current revenue					Capital revenue		Memo: fiscal burden <sup>2)</sup>
	1	2	Direct taxes	Indirect taxes	Social contributions	Sales	Property income	8	Capital taxes	
2000 Q4	49.7	49.2	13.9	14.0	16.6	2.9	1.0	0.5	0.3	44.8
2001 Q1	42.3	41.9	10.5	12.8	15.2	1.8	0.8	0.4	0.2	38.7
Q2	47.0	46.6	13.5	13.0	15.6	2.0	1.6	0.4	0.2	42.3
Q3	43.4	43.1	11.6	12.4	15.5	1.9	0.9	0.4	0.3	39.7
Q4	49.0	48.5	13.5	13.9	16.3	2.9	1.1	0.5	0.3	43.9
2002 Q1	42.0	41.6	10.1	12.8	15.5	1.7	0.8	0.4	0.2	38.6
Q2	45.7	45.2	12.6	12.7	15.5	2.0	1.6	0.5	0.3	41.1
Q3	43.5	43.0	11.2	12.7	15.5	1.9	0.8	0.4	0.3	39.6
Q4	49.1	48.5	13.4	14.1	16.2	2.9	0.9	0.6	0.3	44.0
2003 Q1	42.1	41.6	9.8	12.9	15.6	1.7	0.7	0.5	0.2	38.5
Q2	46.0	44.6	12.1	12.7	15.8	2.0	1.3	1.5	1.2	41.7
Q3	42.9	42.4	10.8	12.7	15.5	1.9	0.7	0.5	0.2	39.3
Q4	49.3	48.2	13.1	14.2	16.2	2.9	0.8	1.0	0.3	43.8
2004 Q1	41.5	41.1	9.6	12.9	15.4	1.7	0.7	0.5	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	42.7	42.2	10.6	12.7	15.4	1.9	0.7	0.5	0.3	39.0
Q4	49.3	48.3	13.0	14.4	16.2	2.9	0.8	1.0	0.4	44.0
2005 Q1	42.2	41.6	10.0	13.0	15.4	1.7	0.6	0.5	0.2	38.6
Q2	45.0	44.3	11.9	13.3	15.3	2.0	1.0	0.6	0.3	40.9
Q3	43.4	42.7	11.0	12.9	15.3	1.9	0.7	0.7	0.3	39.6
Q4	49.5	48.8	13.5	14.4	16.2	2.9	0.9	0.8	0.3	44.3
2006 Q1	42.8	42.4	10.3	13.4	15.4	1.7	0.8	0.5	0.3	39.3
Q2	46.2	45.8	12.7	13.7	15.4	2.0	1.2	0.5	0.3	42.1
Q3	43.7	43.3	11.5	13.0	15.4	1.9	0.8	0.5	0.3	40.1
Q4	49.9	49.3	14.3	14.4	16.0	2.9	0.9	0.6	0.3	45.0

### 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 Q4	49.7	45.9	11.0	5.3	3.7	25.8	22.0	1.6	3.8	3.1	1.5	0.1	3.8
2001 Q1	45.7	42.3	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	10.2	4.6	3.9	24.1	20.8	1.3	3.5	2.4	1.1	0.7	4.5
Q3	46.1	42.4	10.0	4.6	3.8	24.1	20.8	1.4	3.7	2.5	1.2	-2.6	1.2
Q4	51.1	46.1	11.0	5.7	3.6	25.9	22.1	1.7	4.9	3.2	1.7	-2.0	1.5
2002 Q1	46.3	42.9	10.3	4.3	3.7	24.6	21.2	1.4	3.5	2.0	1.5	-4.3	-0.6
Q2	46.7	43.2	10.3	4.9	3.5	24.4	21.2	1.3	3.4	2.3	1.1	-1.0	2.5
Q3	46.8	43.1	10.0	4.7	3.5	24.9	21.4	1.4	3.7	2.5	1.2	-3.3	0.2
Q4	50.8	46.4	11.0	5.7	3.3	26.3	22.7	1.6	4.4	2.8	1.6	-1.7	1.6
2003 Q1	47.0	43.5	10.4	4.5	3.5	25.1	21.6	1.3	3.5	1.9	1.6	-5.0	-1.5
Q2	47.4	43.9	10.4	4.8	3.4	25.3	21.8	1.3	3.6	2.4	1.2	-1.4	2.0
Q3	47.0	43.4	10.2	4.8	3.3	25.1	21.6	1.3	3.7	2.5	1.2	-4.2	-0.9
Q4	51.2	46.3	11.0	5.7	3.1	26.5	22.9	1.5	4.8	3.3	1.6	-1.9	1.2
2004 Q1	46.6	43.2	10.4	4.6	3.2	25.1	21.5	1.2	3.4	1.9	1.4	-5.1	-1.8
Q2	46.7	43.4	10.4	4.9	3.1	25.0	21.6	1.2	3.3	2.3	1.0	-1.5	1.6
Q3	46.2	42.7	10.0	4.7	3.2	25.0	21.6	1.3	3.4	2.5	1.0	-3.4	-0.3
Q4	50.7	45.9	11.0	5.7	3.0	26.2	22.7	1.4	4.9	3.1	1.8	-1.4	1.6
2005 Q1	47.1	43.4	10.3	4.7	3.1	25.3	21.5	1.2	3.8	1.9	1.9	-5.0	-1.9
Q2	46.6	43.2	10.3	5.0	3.2	24.7	21.5	1.1	3.4	2.4	1.0	-1.6	1.6
Q3	45.9	42.4	9.9	4.8	2.9	24.8	21.4	1.2	3.4	2.5	0.9	-2.5	0.5
Q4	50.7	45.9	11.1	5.8	2.8	26.2	22.7	1.4	4.8	3.1	1.6	-1.2	1.6
2006 Q1	45.9	42.7	10.1	4.6	3.0	25.1	21.4	1.2	3.2	1.9	1.2	-3.0	-0.1
Q2	46.3	42.9	10.3	4.9	3.1	24.5	21.4	1.1	3.4	2.4	1.0	0.0	3.1
Q3	46.3	42.1	9.8	4.7	2.9	24.6	21.2	1.2	4.3	2.5	1.7	-2.6	0.3
Q4	50.8	45.3	10.7	5.8	2.7	26.1	22.4	1.4	5.4	3.3	2.2	-0.9	1.8

Source: ECB calculations based on Eurostat and national data.

- 1) The data refer to the Euro 13. 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 <sup>1)</sup>

(as a percentage of GDP)

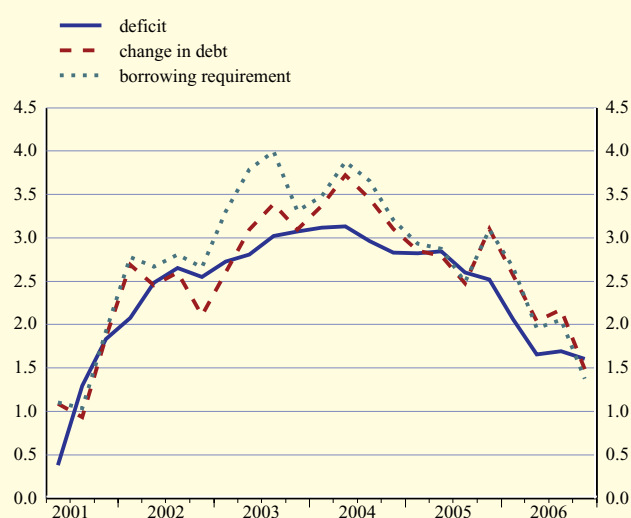
### 1. Euro area – Maastricht debt by financial instrument <sup>2)</sup>

	Total 1	Financial instruments			
		Currency and deposits 2	Loans 3	Short-term securities 4	Long-term securities 5
2004 Q1	70.6	2.1	12.3	5.5	50.8
Q2	71.3	2.2	12.1	5.5	51.5
Q3	71.1	2.3	12.0	5.5	51.4
Q4	69.7	2.2	11.9	5.0	50.6
2005 Q1	71.0	2.2	11.9	5.2	51.7
Q2	71.7	2.3	11.6	5.2	52.6
Q3	71.3	2.4	11.7	5.2	52.0
Q4	70.5	2.4	11.7	4.7	51.6
2006 Q1	70.9	2.5	11.7	4.9	51.8
Q2	71.1	2.5	11.6	4.9	52.0
Q3	70.6	2.5	11.6	4.7	51.7
Q4	68.9	2.5	11.4	4.1	51.0

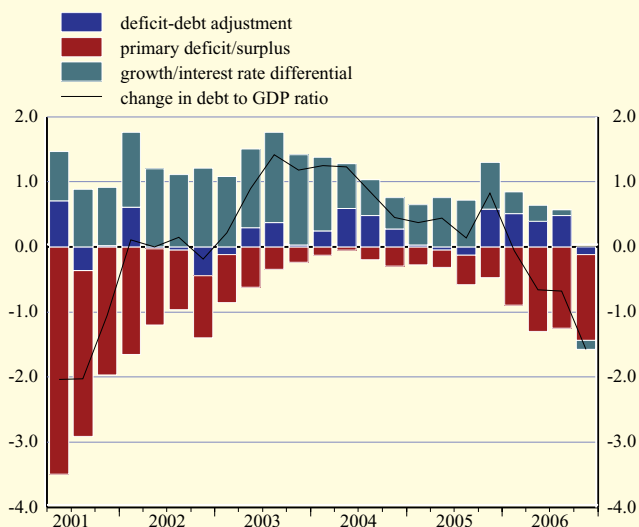
### 2. Euro area – deficit-debt adjustment

	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			
2004 Q1	8.5	-5.1	3.4	1.9	1.4	-0.1	0.2	0.5	0.0	1.4	8.4
Q2	5.8	-1.5	4.3	4.0	3.4	0.1	0.2	0.2	0.0	0.3	5.8
Q3	1.8	-3.4	-1.6	-1.2	-1.4	0.0	0.2	0.1	-0.3	-0.2	2.1
Q4	-3.2	-1.4	-4.6	-3.3	-2.5	0.1	-0.2	-0.6	-0.2	-1.2	-3.0
2005 Q1	7.3	-5.0	2.3	2.2	1.3	0.1	0.3	0.5	0.1	0.0	7.2
Q2	5.5	-1.6	3.8	3.5	2.5	0.1	0.4	0.5	0.0	0.4	5.5
Q3	0.6	-2.5	-1.9	-2.5	-2.4	0.0	0.3	-0.3	0.0	0.5	0.6
Q4	-0.6	-1.2	-1.7	-0.5	-0.1	0.0	-0.3	-0.1	-0.1	-1.2	-0.5
2006 Q1	5.0	-3.0	1.9	1.3	1.1	0.1	0.6	-0.5	-0.3	0.9	5.2
Q2	3.3	0.0	3.2	3.2	2.5	0.1	0.4	0.3	0.7	-0.7	2.6
Q3	1.1	-2.6	-1.4	-0.8	-0.7	-0.1	0.0	0.0	0.1	-0.8	1.0
Q4	-3.1	-0.9	-3.9	-2.3	-1.4	-0.6	-0.1	-0.2	-0.1	-1.6	-3.0

**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 data refer to the Euro 13.

2) 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

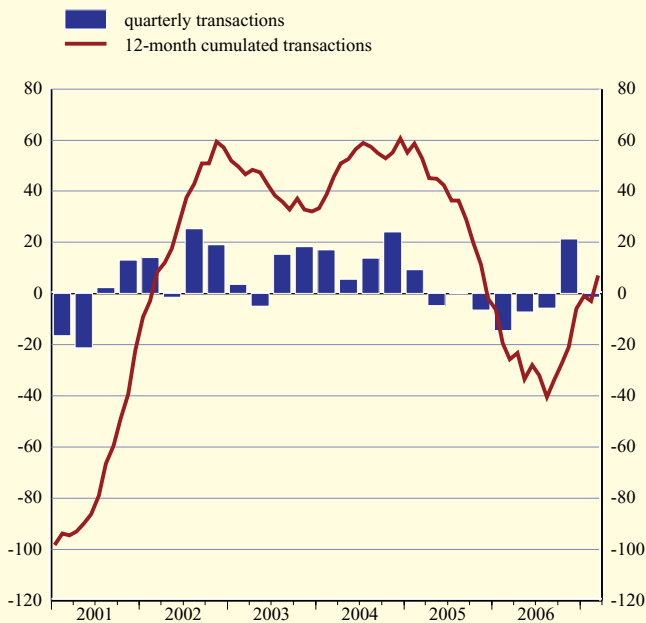
(EUR billions; net transactions)

### 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
2004	60.7	100.5	32.6	-13.7	-58.6	16.6	77.3	-18.7	-68.6	72.9	-8.3	-27.1	12.5	-58.6
2005	-1.9	45.4	34.8	-11.6	-70.5	12.1	10.3	25.5	-210.0	146.1	-13.9	85.3	18.0	-35.8
2006	-6.1	30.5	36.6	1.8	-75.0	11.3	5.3	134.0	-156.7	273.1	-2.6	21.7	-1.5	-139.3
2006 Q1	-14.5	-3.5	5.0	4.4	-20.4	1.9	-12.6	72.8	-35.4	23.1	-7.6	86.8	5.9	-60.2
Q2	-7.2	6.8	12.5	-10.6	-15.8	1.3	-5.8	39.1	-20.0	97.6	-2.1	-34.9	-1.5	-33.3
Q3	-5.7	7.5	9.8	0.9	-23.9	2.1	-3.6	51.0	-43.9	22.3	7.9	67.8	-3.2	-47.4
Q4	21.3	19.7	9.3	7.1	-14.9	6.0	27.3	-28.8	-57.3	130.0	-0.8	-98.1	-2.7	1.5
2007 Q1	-1.4	7.9	6.2	2.3	-17.8	5.5	4.1	-5.1	-32.8	133.4	-14.6	-89.6	-1.5	1.0
2006 Mar.	-1.1	2.6	1.5	2.2	-7.5	0.1	-1.0	46.8	-1.5	36.3	-2.3	8.0	6.4	-45.7
Apr.	-5.7	1.1	3.3	-4.0	-6.2	0.3	-5.4	12.1	2.0	-9.0	-6.3	26.6	-1.2	-6.7
May	-10.6	0.4	4.1	-9.5	-5.5	0.3	-10.3	25.6	-6.2	37.9	2.5	-6.9	-1.7	-15.3
June	9.1	5.3	5.0	2.9	-4.1	0.7	9.9	1.4	-15.8	68.7	1.8	-54.7	1.4	-11.2
July	-1.2	4.1	4.2	-1.1	-8.4	0.8	-0.4	8.2	-10.8	4.6	3.4	12.3	-1.3	-7.8
Aug.	-5.9	-2.2	1.8	1.5	-7.0	1.0	-4.8	3.7	-5.5	-22.5	-2.5	35.0	-0.8	1.2
Sep.	1.4	5.6	3.8	0.5	-8.5	0.2	1.7	39.1	-27.7	40.2	7.1	20.5	-1.1	-40.7
Oct.	1.8	6.0	3.3	0.4	-7.9	0.7	2.5	8.8	-12.8	35.3	5.8	-19.5	0.1	-11.3
Nov.	5.7	7.8	2.3	2.7	-7.1	1.2	7.0	-8.4	-15.7	61.9	-2.1	-51.7	-0.8	1.5
Dec.	13.8	5.9	3.6	4.1	0.2	4.1	17.9	-29.2	-28.8	32.8	-4.5	-26.8	-1.9	11.3
2007 Jan.	-4.5	-3.0	0.6	-1.1	-1.0	2.5	-2.0	42.1	-12.3	35.4	-4.9	26.9	-3.1	-40.1
Feb.	-5.7	2.5	2.9	0.4	-11.5	1.4	-4.3	-9.2	-12.4	26.2	-7.8	-14.7	-0.6	13.6
Mar.	8.8	8.5	2.7	2.9	-5.3	1.6	10.4	-37.9	-8.1	71.7	-1.8	-101.8	2.1	27.6
	<i>12-month cumulated transactions</i>													
2007 Mar.	7.0	42.0	37.8	-0.3	-72.4	14.9	21.9	56.2	-154.1	383.3	-9.6	-154.7	-8.9	-78.1

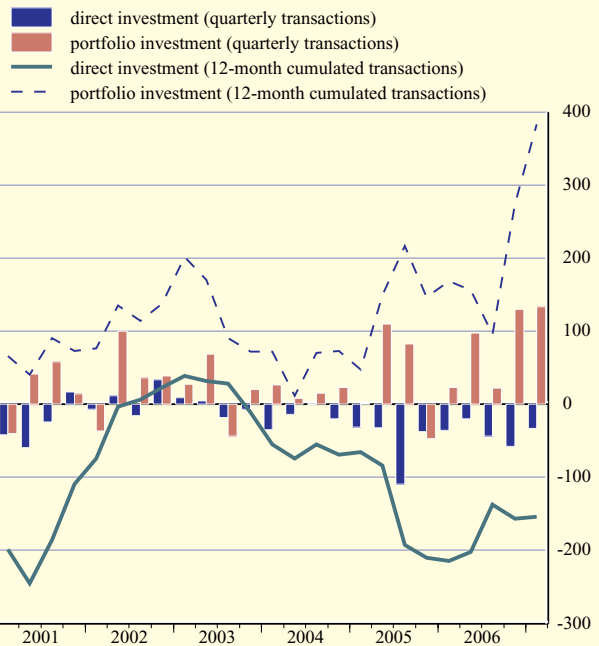
### C30 B.o.p. current account balance

(EUR billions)



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

(EUR billions)



Source: ECB.

**7.1 Balance of payments**

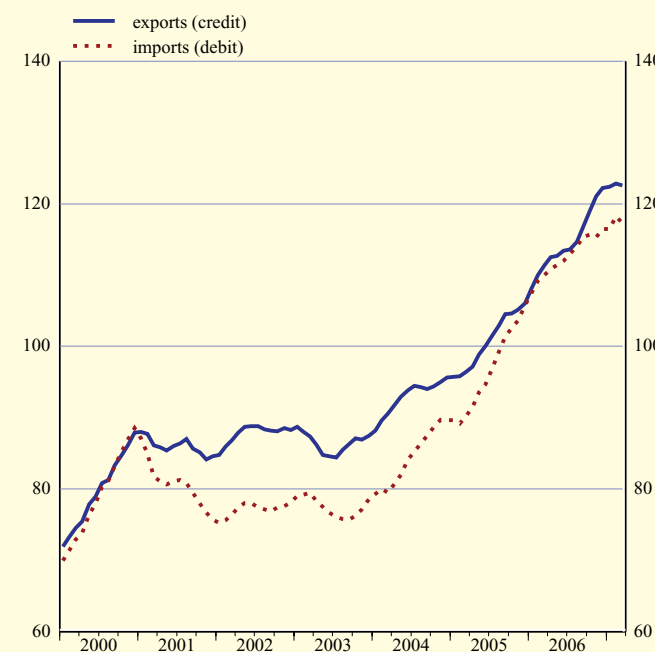
(EUR billions; transactions)

**2. Current and capital accounts**

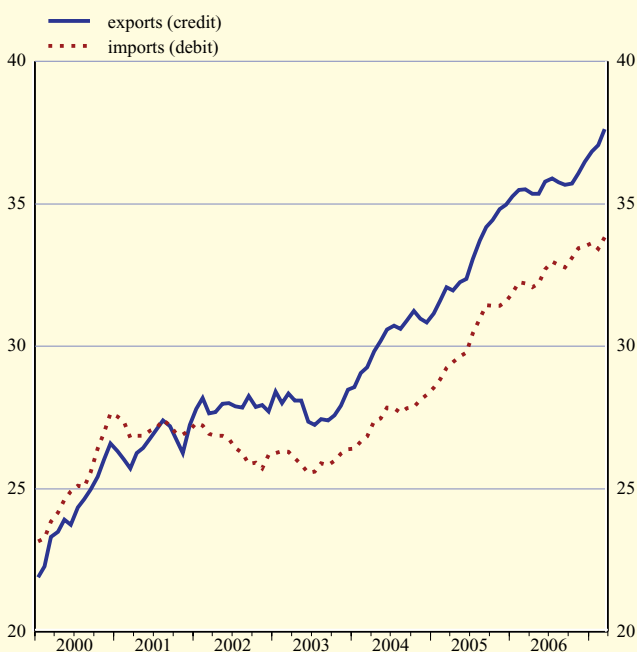
	Current account										Capital account		
	Total			Goods		Services		Income		Current transfers		Credit	Debit
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	
2004	1,866.8	1,806.0	60.7	1,129.3	1,028.9	366.4	333.8	288.9	302.7	82.1	140.7	24.6	8.1
2005	2,066.1	2,067.9	-1.9	1,224.2	1,178.9	401.8	367.0	354.7	366.2	85.4	155.9	24.1	12.0
2006	2,338.7	2,344.8	-6.1	1,390.0	1,359.5	429.8	393.2	432.6	430.8	86.3	161.3	23.7	12.4
2006 Q1	545.2	559.7	-14.5	330.3	333.8	97.5	92.5	91.6	87.3	25.8	46.2	5.9	4.0
Q2	584.9	592.1	-7.2	343.5	336.6	107.5	95.1	116.4	127.0	17.5	33.4	4.5	3.2
Q3	575.8	581.4	-5.7	342.1	334.6	114.1	104.3	104.0	103.1	15.5	39.4	4.4	2.4
Q4	632.9	611.6	21.3	374.1	354.4	110.6	101.3	120.6	113.5	27.5	42.4	8.8	2.8
2007 Q1	606.7	608.1	-1.4	361.3	353.4	103.1	96.9	114.0	111.7	28.3	46.2	7.5	2.1
2007 Jan.	192.2	196.7	-4.5	113.4	116.4	33.4	32.7	36.1	37.1	9.3	10.4	3.5	1.0
Feb.	196.2	201.9	-5.7	116.7	114.2	33.0	30.1	34.1	33.7	12.4	23.9	1.9	0.5
Mar.	218.4	209.6	8.8	131.2	122.7	36.8	34.1	43.8	40.9	6.6	11.9	2.1	0.6
	Seasonally adjusted												
2006 Q1	560.4	566.6	-6.2	333.9	330.0	106.5	96.6	98.0	99.8	22.0	40.2	.	.
Q2	576.3	580.8	-4.5	340.4	335.9	107.3	98.1	107.6	109.3	21.0	37.4	.	.
Q3	590.0	594.5	-4.4	350.5	346.2	107.0	98.3	111.1	109.1	21.5	40.8	.	.
Q4	614.6	603.7	10.8	366.7	349.3	109.4	100.5	114.6	111.5	23.8	42.5	.	.
2007 Q1	625.9	620.8	5.1	367.6	351.8	112.8	101.5	122.2	128.1	23.3	39.4	.	.
2006 July	191.7	195.6	-3.9	113.3	114.4	35.5	32.5	36.0	35.2	6.8	13.5	.	.
Aug.	195.8	199.4	-3.6	116.0	115.7	35.6	32.7	36.9	37.3	7.3	13.7	.	.
Sep.	202.5	199.4	3.1	121.1	116.1	35.9	33.1	38.2	36.6	7.4	13.6	.	.
Oct.	200.3	196.9	3.4	119.7	115.0	35.7	33.5	36.8	33.6	8.1	14.8	.	.
Nov.	199.8	199.1	0.7	122.2	114.7	36.7	33.8	35.1	36.8	5.8	14.0	.	.
Dec.	214.4	207.7	6.8	124.8	119.6	37.0	33.3	42.8	41.1	9.8	13.7	.	.
2007 Jan.	202.0	198.5	3.5	120.2	115.2	36.8	33.8	40.2	40.3	4.8	9.2	.	.
Feb.	211.8	215.5	-3.7	123.5	119.8	37.3	33.2	38.5	43.4	12.4	19.1	.	.
Mar.	212.2	206.8	5.4	123.9	116.7	38.7	34.5	43.5	44.4	6.1	11.2	.	.

**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	
2004	15.5	7.9	273.4	294.7	100.6	76.2	13.4	12.8	24.5	56.2	67.7	77.0	67.2	72.4
2005	15.7	9.3	339.0	357.0	121.5	89.1	14.0	13.5	31.3	71.2	78.1	82.4	94.1	100.7
2006	16.1	10.0	416.5	420.8	124.4	66.7	18.4	16.3	38.0	99.4	100.0	89.6	135.7	148.8
2005 Q4	4.1	2.4	99.7	104.1	38.7	33.1	4.2	4.1	7.3	14.0	20.9	23.3	28.6	29.7
2006 Q1	4.0	2.2	87.6	85.1	22.9	12.9	4.2	3.4	8.2	16.0	22.7	21.8	29.6	31.0
Q2	4.0	2.4	112.4	124.6	38.1	18.6	4.5	4.0	13.2	43.0	24.0	23.1	32.5	36.0
Q3	4.0	2.9	100.0	100.1	26.8	15.4	4.5	4.1	8.5	21.4	25.8	21.2	34.4	38.1
Q4	4.2	2.5	116.5	111.0	36.6	19.8	5.2	4.9	8.0	19.0	27.5	23.6	39.3	43.7

### 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
2004	-161.0	-171.1	-21.4	-149.8	10.1	0.1	10.0	92.4	95.7	0.7	95.0	-3.3	0.5	-3.8
2005	-301.6	-242.0	-11.0	-230.9	-59.7	-0.2	-59.5	91.6	64.0	0.7	63.2	27.7	-0.3	28.0
2006	-314.8	-264.2	-34.7	-229.5	-50.6	-1.0	-49.6	158.1	128.8	4.3	124.6	29.3	0.3	29.0
2006 Q1	-56.3	-49.6	-1.7	-47.9	-6.8	0.2	-7.0	20.9	17.8	1.6	16.2	3.1	-0.3	3.5
Q2	-112.5	-92.0	-6.5	-85.5	-20.5	-0.6	-19.9	92.5	79.6	0.5	79.1	12.8	1.0	11.9
Q3	-73.5	-65.1	-10.4	-54.6	-8.4	0.2	-8.6	29.6	25.6	1.2	24.4	4.0	-0.3	4.3
Q4	-72.5	-57.5	-16.1	-41.4	-14.9	-0.7	-14.2	15.2	5.8	0.9	4.9	9.4	0.0	9.4
2007 Q1	-75.4	-55.4	-10.5	-44.9	-20.0	2.2	-22.1	42.6	8.7	0.7	8.1	33.9	-1.1	35.0
2006 Mar.	-5.7	-15.2	0.3	-15.5	9.5	0.3	9.2	4.2	-1.6	0.2	-1.8	5.8	-0.5	6.3
Apr.	-83.0	-60.2	-1.7	-58.4	-22.8	-0.3	-22.5	85.0	71.4	0.0	71.3	13.6	0.2	13.4
May	-16.2	-20.4	-3.5	-16.9	4.2	-0.2	4.4	10.0	8.3	0.4	7.9	1.7	0.4	1.3
June	-13.3	-11.4	-1.2	-10.2	-1.9	-0.1	-1.8	-2.5	0.0	0.1	-0.1	-2.4	0.4	-2.8
July	-21.1	-18.1	-1.5	-16.5	-3.1	0.1	-3.1	10.3	7.1	0.4	6.7	3.3	-0.1	3.4
Aug.	-4.3	-7.4	-3.6	-3.8	3.1	0.0	3.1	-1.2	4.6	0.4	4.1	-5.7	-0.1	-5.6
Sep.	-48.0	-39.6	-5.3	-34.3	-8.5	0.1	-8.5	20.4	14.0	0.4	13.6	6.4	-0.1	6.5
Oct.	-22.2	-13.2	-5.8	-7.5	-9.0	0.1	-9.1	9.4	3.4	1.1	2.3	6.0	1.5	4.4
Nov.	-12.3	-16.2	-1.9	-14.3	3.8	-0.2	4.0	-3.3	-3.8	-0.2	-3.6	0.5	-1.7	2.1
Dec.	-37.9	-28.1	-8.5	-19.6	-9.8	-0.7	-9.1	9.1	6.2	0.0	6.2	3.0	0.1	2.9
2007 Jan.	-24.3	-25.8	-2.6	-23.2	1.5	2.3	-0.8	12.0	2.0	0.2	1.8	10.1	-1.1	11.2
Feb.	-29.6	-10.8	-0.1	-10.7	-18.8	-0.3	-18.5	17.2	7.7	4.2	3.5	9.4	0.2	9.2
Mar.	-21.5	-18.8	-7.8	-11.1	-2.7	0.2	-2.8	13.4	-1.0	-3.8	2.8	14.3	-0.2	14.5

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					
	Eurosysteem	MFIs excluding Eurosysteem	Non-MFIs		Eurosysteem	MFIs excluding Eurosysteem	Non-MFIs	Liabilities	Eurosysteem	MFIs excluding Eurosysteem	Non-MFIs	Liabilities			
				General gov.									General gov.	General gov.	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2004	0.0	-22.4	-84.1	-3.7	126.8	0.6	-81.9	-98.1	-2.1	273.5	0.0	-43.1	-14.9	0.1	16.5
2005	-0.1	-14.4	-119.8	-3.5	263.2	-0.7	-119.6	-142.2	-0.8	248.6	0.1	-14.5	-0.1	0.1	45.6
2006	0.0	-27.9	-101.5	-6.1	290.3	-2.4	-166.4	-117.6	-1.1	459.3	-0.1	-48.7	-12.5	0.1	0.6
2006 Q1	0.0	-19.5	-77.6	-0.8	120.4	-0.2	-53.9	-36.1	-0.2	81.7	0.7	2.5	-10.0	-3.8	15.2
Q2	0.0	11.1	7.2	-2.6	32.8	1.0	-23.4	-25.6	0.1	116.5	-3.2	-7.6	-0.7	-3.2	-10.4
Q3	0.0	-4.7	-23.7	-0.9	53.5	-0.4	-51.9	-15.7	-0.2	80.9	1.9	-25.0	0.7	3.1	6.8
Q4	0.0	-14.8	-7.4	-1.8	83.6	-2.8	-37.2	-40.2	-0.8	180.2	0.6	-18.5	-2.4	4.0	-10.9
2007 Q1	0.0	-16.4	0.8	-	109.3	-0.6	-50.1	-41.8	-	134.5	0.7	-25.5	-2.9	-	24.8
2006 Mar.	0.0	-8.7	-17.7	-	49.2	-0.1	-13.8	-16.5	-	53.8	0.0	-2.0	-0.5	-	-7.2
Apr.	0.0	3.3	-6.0	-	-11.5	0.2	-6.1	-10.7	-	25.3	-1.1	-7.1	0.6	-	4.2
May	0.0	3.2	12.3	-	-16.4	0.1	-10.8	-12.2	-	65.3	-1.6	-2.2	-2.0	-	2.3
June	0.0	4.5	1.0	-	60.7	0.6	-6.4	-2.7	-	25.9	-0.4	1.7	0.7	-	-16.8
July	0.0	3.2	-11.7	-	42.8	0.2	-13.2	-2.0	-	6.2	0.4	-18.1	-1.1	-	-2.0
Aug.	0.0	-4.7	-7.2	-	-13.6	0.0	-8.9	-9.1	-	15.1	1.0	0.2	1.2	-	3.3
Sep.	0.0	-3.2	-4.8	-	24.2	-0.6	-29.8	-4.6	-	59.6	0.5	-7.1	0.5	-	5.5
Oct.	0.0	-5.8	-2.1	-	23.9	-1.8	-14.6	-19.4	-	52.7	0.4	-5.8	-5.3	-	13.1
Nov.	0.0	-0.8	-7.4	-	27.2	-0.5	-24.7	-9.7	-	69.6	0.3	-9.6	5.0	-	12.5
Dec.	0.0	-8.2	2.1	-	32.4	-0.6	2.1	-11.1	-	57.9	-0.1	-3.1	-2.1	-	-36.6
2007 Jan.	0.0	-6.0	-3.4	-	43.6	-0.1	-32.2	-11.1	-	35.7	0.5	-8.4	-2.2	-	18.9
Feb.	0.0	-14.7	-7.5	-	40.4	0.0	-15.5	-14.0	-	35.6	0.1	-4.3	1.5	-	4.6
Mar.	0.0	4.2	11.8	-	25.7	-0.5	-2.4	-16.8	-	63.3	0.2	-12.8	-2.2	-	1.3

## 6. Other investment by sector

	Total		Eurosysteem		General government		MFIs (excluding Eurosysteem)						Other sectors			
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Total		Long-term		Short-term		Assets	Liabilities		
							Assets	Liabilities	Assets	Liabilities	Assets	Liabilities				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2004	-310.7	283.6	0.4	7.8	-1.6	-2.0	-3.8	-260.1	245.7	6.2	-17.0	-266.3	262.7	-49.3	-9.1	33.8
2005	-569.1	654.3	-0.9	6.7	5.1	-2.4	-2.2	-395.5	483.5	-96.9	55.3	-298.6	428.2	-177.7	-6.0	166.4
2006	-751.0	772.6	-2.9	18.6	3.4	-3.0	1.2	-522.1	489.1	-133.3	82.5	-388.8	406.6	-229.3	25.6	263.7
2006 Q1	-219.2	305.9	-3.2	7.0	7.6	3.8	-2.2	-135.7	222.9	-12.9	13.1	-122.8	209.8	-87.8	-10.5	78.3
Q2	-113.7	78.8	0.9	2.1	-11.0	-12.1	0.3	-57.5	9.0	-15.1	21.6	-42.4	-12.5	-46.0	6.7	67.4
Q3	-144.5	212.3	0.5	4.9	12.3	8.5	6.3	-119.9	161.7	-32.6	21.3	-87.3	140.5	-37.4	10.7	39.4
Q4	-273.6	175.6	-1.1	4.7	-5.5	-3.2	-3.2	-209.1	95.4	-72.8	26.6	-136.3	68.8	-58.0	18.7	78.7
2007 Q1	-388.5	298.9	-5.4	9.4	3.9	5.5	1.1	-280.1	249.9	-60.9	22.8	-219.2	227.2	-106.8	-37.0	38.5
2006 Mar.	-71.0	79.0	1.2	1.6	2.6	0.5	0.1	-61.5	68.2	-12.4	4.0	-49.0	64.1	-13.4	10.3	9.1
Apr.	-86.2	112.8	0.0	-1.4	-4.5	-4.9	4.3	-64.6	81.7	-0.1	10.1	-64.5	71.6	-17.1	2.9	28.3
May	-75.7	68.8	0.1	4.4	-4.3	-4.7	-4.7	-45.0	40.4	-3.0	2.5	-42.0	38.0	-26.4	-7.0	28.7
June	48.2	-102.9	0.8	-0.9	-2.2	-2.6	0.7	52.1	-113.0	-11.9	9.0	64.1	-122.0	-2.5	10.8	10.3
July	-58.8	71.1	1.6	1.0	7.2	7.1	2.1	-48.5	64.9	-10.4	8.6	-38.1	56.3	-19.1	8.0	3.1
Aug.	11.1	23.9	-1.5	1.3	0.6	0.0	-0.6	7.3	18.7	-7.1	6.7	14.4	12.0	4.8	0.2	4.5
Sep.	-96.8	117.3	0.5	2.5	4.6	1.5	4.8	-78.6	78.1	-15.1	6.0	-63.5	72.1	-23.2	2.5	31.8
Oct.	-104.7	85.2	-0.5	-1.1	-2.4	-4.1	-2.1	-78.0	63.2	-41.8	5.0	-36.2	58.3	-23.8	3.3	25.2
Nov.	-148.4	96.7	0.5	3.2	-3.8	-4.3	1.6	-105.9	70.3	-10.5	27.3	-95.4	42.9	-39.2	-8.4	21.6
Dec.	-20.5	-6.3	-1.1	2.5	0.7	5.2	-2.7	-25.2	-38.1	-20.5	-5.7	-4.7	-32.4	5.0	23.9	31.9
2007 Jan.	-141.9	168.8	-1.5	5.7	1.0	1.3	-5.3	-91.7	144.7	-27.1	9.4	-64.6	135.3	-49.6	-30.7	23.6
Feb.	-126.2	111.6	-3.5	0.4	0.1	1.6	4.6	-89.8	78.2	-4.7	7.8	-85.1	70.3	-33.1	-10.3	28.4
Mar.	-120.3	18.5	-0.4	3.2	2.8	2.6	1.8	-98.6	27.0	-29.2	5.5	-69.5	21.5	-24.1	4.0	-13.5

Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

### 7. Other investment by sector and instrument

	Eurosystem					General government							
	Assets		Liabilities			Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
1	2	3	4	5	6	7	8	9	10	11	12		
2004	0.6	-0.3	7.8	0.0	0.0	-0.4	1.7	-2.0	-1.3	0.0	-3.7	-0.2	
2005	-0.9	0.0	6.6	0.0	0.0	6.3	8.8	-2.4	-1.1	0.0	-1.9	-0.3	
2006	-2.9	0.0	18.6	0.0	0.0	4.2	7.2	-3.0	-0.8	0.0	1.3	-0.1	
2005 Q4	-1.2	0.0	-0.9	0.0	0.0	-2.1	-1.0	-1.1	0.1	0.0	-2.1	0.0	
2006 Q1	-3.2	0.0	6.9	0.1	0.0	7.7	4.0	3.8	-0.2	0.0	-1.8	-0.4	
Q2	0.9	0.0	2.1	0.0	0.0	-10.8	1.4	-12.1	-0.3	0.0	0.2	0.1	
Q3	0.5	0.0	4.8	0.0	0.0	12.3	3.7	8.5	0.1	0.0	6.2	0.1	
Q4	-1.1	0.0	4.7	0.0	0.0	-5.0	-1.9	-3.2	-0.4	0.0	-3.3	0.0	

	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		
2004	-256.2	-4.0	242.8	2.9	-6.2	-39.0	-30.0	-9.1	-4.1	9.5	22.8	1.6	
2005	-392.3	-3.2	481.9	1.6	-8.9	-152.2	-146.2	-6.0	-16.7	11.8	148.8	5.8	
2006	-517.9	-4.2	486.1	3.0	-6.9	-215.8	-241.5	25.6	-6.5	8.6	252.8	2.3	
2005 Q4	-90.7	3.4	125.0	-4.8	-1.9	-36.2	-50.1	13.9	1.0	5.0	50.3	0.8	
2006 Q1	-131.8	-3.9	217.0	5.9	-3.8	-75.7	-65.2	-10.5	-8.4	4.4	68.2	5.6	
Q2	-58.0	0.5	14.6	-5.6	-3.7	-44.2	-50.9	6.7	1.9	4.1	67.9	-4.7	
Q3	-118.8	-1.0	159.5	2.3	2.4	-36.0	-46.8	10.7	-3.8	3.2	33.2	3.0	
Q4	-209.3	0.3	95.0	0.4	-1.8	-59.9	-78.6	18.7	3.7	-3.2	83.4	-1.6	

### 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	
2004	12.5	1.2	0.5	4.0	6.8	-2.9	3.3	0.5	18.3	-12.2	-0.1	0.0
2005	18.0	3.9	-0.2	8.6	5.8	0.2	7.2	0.0	-4.9	3.3	0.0	0.0
2006	-1.5	4.2	-0.5	5.2	-10.6	6.1	-2.8	0.0	-19.4	5.5	0.0	0.2
2005 Q4	8.3	1.2	-0.1	3.0	4.2	-2.1	6.1	0.0	-1.9	2.0	0.0	0.0
2006 Q1	5.9	0.8	0.0	3.4	2.2	6.2	-4.8	0.0	-4.1	4.9	0.0	-0.5
Q2	-1.5	1.4	0.0	-0.5	-3.1	0.9	2.4	0.0	-7.2	0.7	0.0	0.7
Q3	-3.2	0.9	-0.3	0.8	-4.6	1.0	-2.9	0.0	-4.1	1.4	0.0	0.0
Q4	-2.7	1.1	-0.2	1.6	-5.1	-2.0	2.5	0.0	-4.0	-1.5	0.0	0.0

Source: ECB.



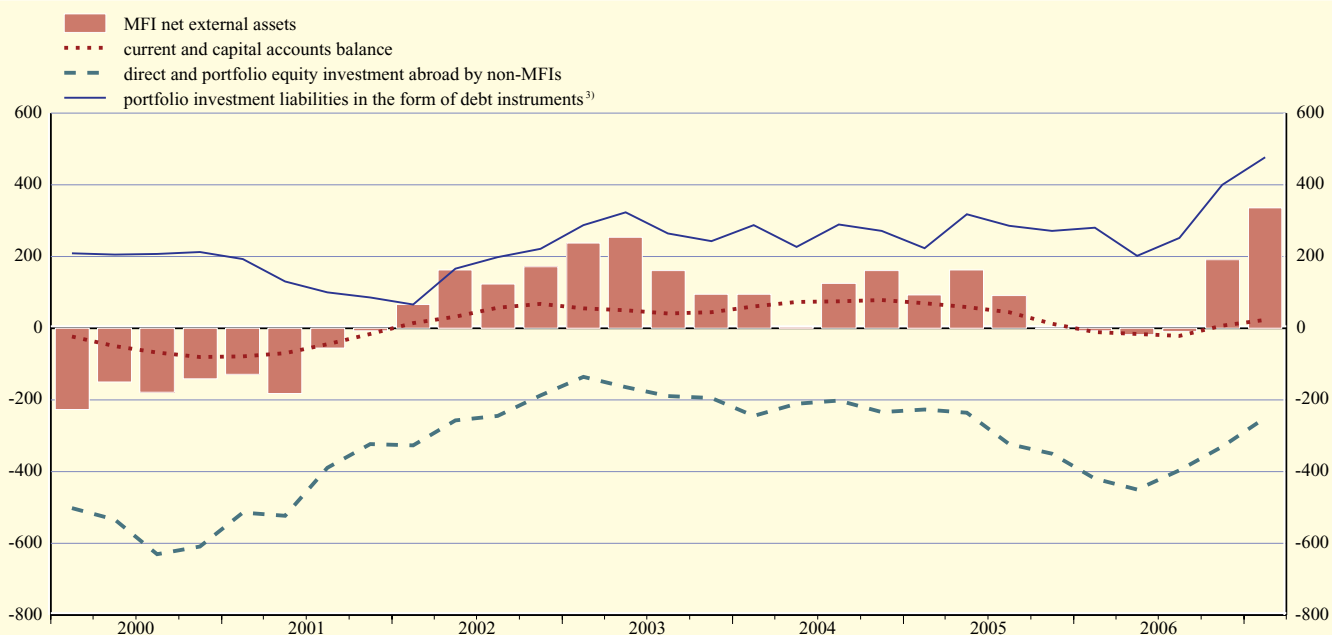
7.2 Monetary presentation of the balance of payments <sup>1)</sup>

(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>2)</sup>	Debt instruments <sup>3)</sup>						
1	2	3	4	5	6	7	8	9	10	11	12	
2004	79.1	-139.7	91.7	-196.8	116.9	270.5	-51.0	29.7	-8.3	-58.0	134.0	160.8
2005	12.0	-290.5	92.0	-261.6	220.2	270.4	-172.6	164.2	-13.9	-35.8	-15.5	0.5
2006	7.6	-279.1	157.8	-231.1	229.3	399.3	-225.7	264.7	-2.6	-140.4	179.8	191.1
2006 Q1	-11.9	-54.8	21.3	-123.6	115.4	74.7	-80.1	76.1	-7.6	-60.0	-50.7	-38.1
Q2	-5.5	-105.4	91.5	-19.0	26.3	101.5	-56.9	67.7	-2.1	-34.2	63.8	60.2
Q3	-2.9	-63.3	29.8	-38.7	20.2	78.1	-25.1	45.6	7.9	-47.4	4.3	2.1
Q4	27.9	-55.5	15.3	-49.8	67.5	145.0	-63.5	75.3	-0.8	1.2	162.4	166.8
2007 Q1	4.1	-67.1	43.7	-43.9	90.6	151.8	-102.9	39.6	-14.6	1.5	102.7	106.0
2006 Mar.	-0.8	-6.4	4.7	-34.8	52.7	38.0	-10.7	9.3	-2.3	-45.8	3.8	0.4
Apr.	-5.3	-80.9	84.7	-16.2	-15.6	19.8	-21.5	32.6	-6.3	-7.6	-16.4	-16.4
May	-10.1	-12.5	9.6	-1.9	-16.7	63.3	-30.7	24.0	2.5	-15.4	12.0	6.4
June	9.9	-12.0	-2.8	-0.9	58.7	18.4	-4.8	11.1	1.8	-11.1	68.2	70.3
July	-0.2	-19.7	10.4	-14.8	24.6	7.6	-11.9	5.2	3.4	-8.0	-3.2	3.9
Aug.	-4.6	-0.7	-1.1	-15.1	-8.4	11.1	5.4	3.8	-2.5	1.2	-11.0	-19.0
Sep.	2.0	-42.9	20.4	-8.9	4.0	59.4	-18.5	36.6	7.1	-40.6	18.6	17.2
Oct.	2.6	-16.5	7.9	-26.8	13.4	49.5	-26.2	23.0	5.8	-11.9	20.8	25.8
Nov.	7.1	-10.2	-1.6	-12.0	31.7	77.1	-43.0	23.1	-2.1	1.3	71.4	65.2
Dec.	18.1	-28.8	9.0	-11.0	22.3	18.4	5.6	29.2	-4.5	11.8	70.2	75.8
2007 Jan.	-2.0	-24.0	13.1	-16.7	33.6	46.2	-48.6	18.3	-4.9	-40.1	-25.0	-25.2
Feb.	-4.3	-29.2	17.0	-20.0	45.0	35.0	-33.0	33.0	-7.8	13.6	49.3	38.7
Mar.	10.4	-13.9	13.6	-7.1	12.3	70.6	-21.3	-11.8	-1.8	27.6	78.4	92.4
	<i>12-month cumulated transactions</i>											
2007 Mar.	23.6	-291.4	180.2	-151.4	205.0	476.4	-248.5	228.1	-9.5	-79.4	333.2	335.1

C34 Main b.o.p. transactions underlying the developments in MFI net external assets <sup>1)</sup>

(EUR billions; 12-month cumulated transactions)



Source: ECB.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.

2) Excluding money market fund shares/units.

3) 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 27 (outside the euro area)						Canada	Japan	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions					
2006 Q1 to 2006 Q4	1	2	3	4	5	6	7	8	9	10	11	12
<b>Credits</b>												
<b>Current account</b>	2,338.7	880.1	47.9	73.5	453.6	244.4	60.7	31.0	54.6	153.1	384.9	835.1
Goods	1,390.0	500.1	31.5	49.7	224.3	194.5	0.1	17.8	34.1	77.8	200.9	559.3
Services	429.8	154.3	8.7	11.7	104.3	24.5	5.2	6.1	11.3	41.9	79.6	136.6
Income	432.6	162.4	7.2	11.5	114.5	22.9	6.3	6.8	8.9	27.3	97.9	129.3
of which: investment income	416.5	157.0	7.1	11.4	112.8	22.7	3.0	6.7	8.9	21.0	96.5	126.5
Current transfers	86.3	63.3	0.5	0.7	10.4	2.5	49.2	0.4	0.2	6.1	6.5	9.8
<b>Capital account</b>	23.7	18.8	0.0	0.0	0.8	0.2	17.7	0.0	0.4	0.4	0.9	3.2
<b>Debits</b>												
<b>Current account</b>	2,344.8	778.3	39.6	71.9	380.2	190.0	96.6	22.5	87.7	144.4	326.4	985.6
Goods	1,359.5	397.5	27.2	45.9	172.5	152.0	0.0	10.6	53.6	68.1	131.8	697.8
Services	393.2	126.8	7.2	9.3	82.8	27.4	0.1	5.6	7.7	30.8	86.5	135.8
Income	430.8	151.2	4.8	15.8	115.7	7.6	7.4	4.9	26.0	40.1	101.0	107.7
of which: investment income	420.8	145.7	4.7	15.7	114.5	3.4	7.4	4.8	25.9	39.6	100.1	104.7
Current transfers	161.3	102.7	0.5	0.8	9.2	3.1	89.2	1.4	0.4	5.4	7.1	44.3
<b>Capital account</b>	12.4	2.0	0.0	0.2	1.2	0.3	0.2	0.1	0.0	0.5	1.2	8.5
<b>Net</b>												
<b>Current account</b>	-6.1	101.8	8.3	1.6	73.4	54.4	-35.9	8.5	-33.1	8.7	58.5	-150.5
Goods	30.5	102.6	4.3	3.8	51.9	42.6	0.1	7.2	-19.4	9.7	69.1	-138.5
Services	36.6	27.5	1.5	2.3	21.5	-3.0	5.1	0.5	3.6	11.1	-6.9	0.8
Income	1.8	11.2	2.5	-4.3	-1.2	15.3	-1.1	1.9	-17.0	-12.8	-3.1	21.6
of which: investment income	-4.4	11.3	2.4	-4.3	-1.8	19.4	-4.4	1.9	-17.0	-18.6	-3.6	21.7
Current transfers	-75.0	-39.4	0.0	-0.2	1.2	-0.5	-40.0	-1.0	-0.3	0.7	-0.6	-34.4
<b>Capital account</b>	11.3	16.8	0.0	-0.1	-0.5	-0.1	17.5	-0.1	0.4	-0.1	-0.3	-5.3

### 2. Balance of payments: direct investment

(cumulated transactions)

	Total	European Union 27 (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2006 Q1 to 2006 Q4	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>Direct investment</b>	-156.7	-70.6	2.6	11.0	-52.7	-31.6	0.1	-6.9	11.7	-3.7	-47.3	9.4	-49.4
Abroad	-314.8	-159.2	-0.5	3.8	-131.0	-31.5	0.0	-9.9	4.0	-8.4	-66.1	-25.2	-50.0
Equity/reinvested earnings	-264.2	-148.1	-0.8	4.1	-123.6	-27.8	0.0	-8.0	6.8	-1.0	-47.4	-17.7	-48.8
Other capital	-50.6	-11.0	0.3	-0.3	-7.4	-3.7	0.0	-1.8	-2.9	-7.4	-18.8	-7.5	-1.2
In the euro area	158.1	88.6	3.1	7.2	78.3	-0.1	0.1	3.0	7.8	4.7	18.8	34.6	0.6
Equity/reinvested earnings	128.8	66.6	2.7	4.0	60.6	-0.9	0.1	0.3	4.8	10.2	1.1	42.3	3.6
Other capital	29.3	22.0	0.4	3.2	17.6	0.8	0.0	2.7	3.0	-5.5	17.8	-7.7	-3.0

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 27 (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2006 Q1 to 2006 Q4	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>Portfolio investment assets</b>	-477.1	-125.3	-2.5	-12.9	-100.4	-8.3	-1.2	-7.7	-6.8	-5.2	-161.0	-96.3	-74.7
Equity	-129.5	-5.5	0.7	-3.3	-2.4	-0.4	-0.1	-2.2	-14.4	-1.5	-43.5	-30.5	-31.9
Debt instruments	-347.6	-119.8	-3.2	-9.6	-98.0	-8.0	-1.0	-5.5	7.5	-3.7	-117.5	-65.8	-42.8
Bonds and notes	-286.4	-89.6	-2.3	-9.2	-69.9	-7.2	-1.0	-4.8	-3.1	-1.5	-93.9	-47.7	-45.8
Money market instruments	-61.3	-30.2	-0.9	-0.4	-28.1	-0.7	-0.1	-0.7	10.6	-2.3	-23.6	-18.1	3.0

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

(cumulated transactions)

	Total	European Union 27 (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							
2006 Q1 to 2006 Q4	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Other investment</b>	21.7	-80.8	-16.8	7.4	-71.6	-15.6	15.7	2.0	41.7	-28.0	21.0	27.3	15.7	22.8
Assets	-751.0	-548.6	-36.2	-3.4	-473.1	-36.2	0.3	-0.3	26.0	-57.4	-49.0	-71.5	-2.0	-48.0
General government	3.4	-6.3	-1.9	0.2	-5.0	0.1	0.2	0.1	-0.4	0.0	0.2	0.1	-1.2	10.9
MFIs	-525.0	-356.2	-33.6	0.1	-290.9	-32.0	0.2	-1.4	24.5	-50.7	-53.1	-42.8	-0.9	-44.4
Other sectors	-229.3	-186.1	-0.7	-3.7	-177.2	-4.3	-0.1	1.0	1.8	-6.7	3.8	-28.7	0.1	-14.5
Liabilities	772.6	467.8	19.5	10.8	401.5	20.6	15.4	2.3	15.8	29.4	70.0	98.8	17.7	70.8
General government	1.2	2.0	0.0	0.0	0.1	0.0	1.8	0.0	-0.2	-0.6	-0.7	0.1	2.8	-2.1
MFIs	507.7	256.2	19.5	9.4	208.0	17.4	1.9	1.1	12.6	26.3	37.7	94.1	15.0	64.6
Other sectors	263.7	209.6	0.0	1.4	193.3	3.2	11.7	1.2	3.4	3.6	33.0	4.6	-0.1	8.4

## 5. International investment position

(end-of-period outstanding amounts)

	Total	European Union 27 (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	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Direct investment</b>	324.1	-142.8	0.8	-17.3	-292.9	166.8	-0.2	25.2	4.7	35.3	-1.6	-13.9	-0.3	417.5
Abroad	2,710.3	957.2	33.8	81.0	651.8	190.6	0.0	76.1	68.8	241.8	558.1	316.1	0.0	492.2
Equity/reinvested earnings	2,184.8	753.5	29.7	56.8	502.1	164.9	0.0	64.9	63.6	193.8	419.2	297.1	0.0	392.8
Other capital	525.4	203.7	4.1	24.2	149.6	25.7	0.0	11.2	5.2	48.1	138.9	19.0	0.0	99.4
In the euro area	2,386.2	1,100.0	33.0	98.3	944.7	23.8	0.2	50.9	64.1	206.6	559.6	330.0	0.3	74.6
Equity/reinvested earnings	1,777.9	874.0	26.9	81.9	757.1	8.0	0.1	45.9	53.5	142.2	396.0	199.7	0.0	66.7
Other capital	608.2	226.0	6.1	16.4	187.6	15.8	0.1	5.1	10.7	64.4	163.6	130.2	0.3	8.0
<b>Portfolio investment assets</b>	3,874.9	1,202.7	61.2	119.3	861.3	90.8	70.0	83.4	270.4	122.3	1,308.8	411.5	30.8	445.0
Equity	1,733.6	422.4	10.9	46.5	342.4	22.6	0.0	21.7	182.4	112.1	617.1	155.6	1.4	220.9
Debt instruments	2,141.3	780.3	50.3	72.8	519.0	68.2	70.0	61.7	88.0	10.2	691.7	255.9	29.4	224.1
Bonds and notes	1,826.7	652.8	45.9	61.6	408.2	67.2	69.9	60.2	62.4	7.8	592.5	228.7	28.7	193.7
Money market instruments	314.6	127.5	4.3	11.2	110.8	1.0	0.1	1.5	25.6	2.4	99.2	27.2	0.7	30.5
<b>Other investment</b>	-304.2	-50.7	51.8	15.4	17.8	9.3	-145.0	4.5	9.4	-81.5	-13.0	-216.6	-22.8	66.4
Assets	3,664.7	1,872.1	77.0	62.0	1,618.3	105.1	9.8	21.7	92.6	209.2	510.6	354.2	41.8	562.6
General government	102.2	17.4	0.2	0.3	8.9	0.5	7.5	0.1	0.1	0.1	3.3	1.2	35.8	44.2
MFIs	2,515.2	1,432.7	65.7	44.5	1,243.0	78.5	0.9	11.6	67.1	122.0	316.3	245.0	5.4	315.2
Other sectors	1,047.4	422.0	11.0	17.2	366.4	26.0	1.4	10.0	25.4	87.2	191.0	107.9	0.6	203.2
Liabilities	3,969.0	1,922.8	25.2	46.6	1,600.5	95.8	154.8	17.2	83.1	290.7	523.6	570.7	64.6	496.2
General government	46.5	23.7	0.0	0.3	3.3	0.0	20.1	0.0	0.8	0.1	7.4	0.2	3.3	11.1
MFIs	3,180.6	1,491.7	20.0	26.3	1,270.8	74.0	100.6	12.2	55.5	243.9	400.6	518.2	60.0	398.5
Other sectors	741.9	407.4	5.2	20.0	326.4	21.8	34.0	5.0	26.8	46.7	115.6	52.3	1.4	86.6

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							
2002	-714.9	-9.8	179.5	-940.9	-12.6	-307.1	366.1
2003	-784.9	-10.5	87.4	-916.1	-7.5	-255.4	306.7
2004	-829.9	-10.7	106.7	-996.6	-14.9	-206.2	281.0
2005	-817.1	-10.2	324.1	-1,142.6	-14.4	-304.2	320.1
2006 Q3	-957.1	-11.5	433.4	-1,294.7	-15.4	-405.4	325.1
Q4	-969.7	-11.5	473.3	-1,473.6	-15.3	-279.9	325.8
Outstanding assets							
2002	7,419.6	102.1	2,005.9	2,291.9	133.1	2,622.6	366.1
2003	7,964.9	106.5	2,169.3	2,658.1	160.8	2,670.0	306.7
2004	8,768.7	112.7	2,337.1	3,035.8	174.1	2,940.8	281.0
2005	10,806.1	134.4	2,710.3	3,874.9	236.1	3,664.7	320.1
2006 Q3	11,857.5	142.8	2,944.9	4,213.6	300.0	4,073.9	325.1
Q4	12,325.0	146.6	3,006.2	4,393.5	289.0	4,310.5	325.8
Outstanding liabilities							
2002	8,134.5	111.9	1,826.4	3,232.7	145.7	2,929.7	-
2003	8,749.8	117.0	2,081.9	3,574.2	168.3	2,925.4	-
2004	9,598.6	123.4	2,230.4	4,032.3	189.0	3,147.0	-
2005	11,623.2	144.5	2,386.2	5,017.6	250.5	3,969.0	-
2006 Q3	12,814.5	154.3	2,511.5	5,508.4	315.4	4,479.2	-
Q4	13,294.7	158.1	2,532.9	5,867.1	304.3	4,590.4	-

### 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	
2002	1,544.6	132.3	1,412.3	461.3	1.6	459.7	1,295.6	42.1	1,253.5	530.8	2.7	528.1
2003	1,726.8	124.4	1,602.4	442.5	2.1	440.4	1,510.1	46.2	1,464.0	571.8	3.2	568.6
2004	1,897.4	144.6	1,752.8	439.7	3.1	436.5	1,661.2	43.9	1,617.4	569.1	8.2	560.9
2005	2,184.8	166.5	2,018.3	525.4	6.6	518.8	1,777.9	45.9	1,732.1	608.2	10.1	598.1
2006 Q3	2,394.6	176.9	2,217.7	550.3	2.7	547.6	1,907.8	46.5	1,861.3	603.7	10.0	593.7
Q4	2,445.6	191.9	2,253.7	560.6	2.8	557.8	1,905.3	46.9	1,858.4	627.6	10.1	617.5

### 3. Portfolio investment assets 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		Eurosystem		MFIs excluding Eurosystem		Non-MFIs
			General gov.	Other sectors				General gov.	Other sectors			General gov.	Other sectors			General gov.	Other sectors	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15			
2002	0.7	43.6	8.3	799.2	1,364.4	7.2	403.1	6.3	784.7	1,660.1	1.3	189.4	1.1	47.1	208.2			
2003	1.7	53.5	11.5	1,026.2	1,570.4	9.3	460.2	8.0	846.0	1,755.7	1.1	191.5	0.6	48.5	248.0			
2004	2.1	73.9	16.1	1,160.6	1,755.9	7.9	540.7	9.7	938.0	2,041.3	0.9	231.4	0.4	54.2	235.1			
2005	3.0	100.8	26.6	1,603.3	2,428.0	8.3	693.0	11.6	1,113.9	2,271.9	0.8	260.5	0.4	52.9	317.6			
2006 Q3	2.9	114.0	33.0	1,729.4	2,748.1	7.8	789.9	10.8	1,177.5	2,442.4	1.4	283.1	4.2	59.8	317.8			
Q4	2.8	131.4	36.2	1,817.1	2,990.4	10.4	809.7	11.4	1,210.2	2,576.1	0.9	301.0	0.2	62.1	300.6			

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	4.9	0.3	57.2	0.1	1.4	62.1	57.4	4.7	55.4	0.1	42.6	13.8
2003	5.2	0.7	66.0	0.2	0.2	59.0	53.2	5.8	42.4	0.0	42.3	3.8
2004	4.7	0.3	74.5	0.2	0.2	62.3	54.1	8.3	42.6	0.0	42.4	3.4
2005	5.4	0.4	82.2	0.2	0.1	57.5	45.7	11.8	44.6	0.0	42.8	3.6
2006 Q3	7.4	0.4	95.6	0.3	0.1	50.1	38.5	11.6	45.0	0.0	46.8	3.4
Q4	8.4	0.4	100.0	0.2	0.1	55.0	40.2	14.8	44.7	0.0	45.1	3.4

	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	1,685.1	61.0	2,250.8	48.4	174.4	487.4	199.3	288.1	90.7	104.5	364.3	47.8
2003	1,734.6	38.5	2,241.9	31.0	169.2	535.9	206.7	329.2	84.3	107.2	387.3	45.7
2004	1,950.5	45.4	2,423.0	42.2	172.4	568.8	236.8	332.0	93.5	110.2	401.4	49.7
2005	2,453.1	56.3	3,045.8	52.4	185.1	730.4	374.9	355.5	131.9	125.3	547.5	69.1
2006 Q3	2,705.7	56.8	3,360.7	52.3	181.8	886.5	535.7	350.8	140.1	131.0	701.0	88.1
Q4	2,879.2	58.6	3,414.0	55.8	185.0	943.0	610.3	332.8	136.1	128.3	759.0	84.6

## 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	
Eurosystem																
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	306.7	130.0	393.543	4.4	23.3	149.0	10.0	30.4	107.9	1.0	80.5	26.5	0.7	0.0	20.3	-16.3
2004	281.0	125.4	389.998	3.9	18.6	133.0	12.5	25.5	94.7	0.5	58.5	35.6	0.4	0.0	19.1	-12.8
2005	320.1	163.4	375.861	4.3	10.6	141.7	12.6	21.4	107.9	0.6	69.6	37.7	-0.2	0.0	25.6	-17.9
2006 Q2	323.8	178.9	370.694	4.2	7.8	133.0	5.4	22.0	105.3	0.5	74.6	30.2	0.2	0.0	26.9	-19.1
Q3	325.1	174.2	367.958	4.5	7.0	139.4	4.5	25.3	109.7	0.5	79.1	30.1	-0.1	0.0	26.8	-21.9
Q4	325.8	176.3	365.213	4.6	5.2	139.7	6.3	22.5	110.7	0.5	79.4	30.8	0.3	0.0	24.6	-21.5
2007 Feb.	337.5	183.3	364.604	4.6	4.5	145.1	4.1	26.6	114.1	-	-	-	0.2	0.0	23.6	-23.8
Mar.	331.6	180.4	363.108	4.6	4.3	142.2	4.9	27.6	109.5	-	-	-	0.3	0.0	25.1	-22.6
Apr.	330.0	179.9	361.562	4.6	4.1	141.4	4.2	25.7	111.1	-	-	-	0.4	0.0	27.3	-25.0
of which held by the European Central Bank																
2002	45.5	8.1	24.656	0.2	0.0	37.3	1.2	9.9	26.1	0.0	19.5	6.7	0.0	0.0	3.0	-5.2
2003	36.9	8.1	24.656	0.2	0.0	28.6	1.4	5.0	22.2	0.0	14.9	7.3	0.0	0.0	2.8	-1.5
2004	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	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 Q2	39.2	10.3	21.312	0.2	0.0	28.7	1.3	2.4	25.1	0.0	18.6	6.5	0.0	0.0	3.5	0.0
Q3	40.8	10.1	21.312	0.2	0.0	30.5	1.4	3.8	25.3	0.0	18.4	6.9	0.0	0.0	2.9	-0.7
Q4	39.9	9.9	20.572	0.4	0.0	29.6	1.6	1.5	26.5	0.0	19.1	7.4	0.0	0.0	2.8	-0.3
2007 Feb.	42.8	10.4	20.632	0.4	0.0	32.0	0.7	4.4	27.0	-	-	-	0.0	0.0	2.4	-1.9
Mar.	40.5	10.3	20.632	0.4	0.0	29.9	1.4	3.3	25.2	-	-	-	0.0	0.0	3.0	-0.6
Apr.	40.5	10.3	20.632	0.4	0.0	29.8	0.8	3.9	25.1	-	-	-	0.0	0.0	3.4	-1.2

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:			
			Intermediate	Capital	Consumption		Intermediate	Capital	Consumption	Manufactures	Oil		
	1	2	3	4	5	6	7	8	9	10	11	12	13
Values (EUR billions; annual percentage changes for columns 1 and 2)													
2003	-2.3	0.5	1,056.9	499.3	221.3	299.8	916.4	987.7	553.0	164.1	240.1	708.6	109.1
2004	8.9	9.4	1,142.8	545.6	246.7	314.6	994.2	1,073.3	604.3	183.2	255.5	767.3	129.2
2005	7.8	13.5	1,237.0	590.2	269.6	334.6	1,068.6	1,223.2	704.8	206.3	275.8	842.7	186.3
2006	11.1	13.3	1,379.5	662.4	289.3	366.0	1,183.8	1,390.7	824.7	207.3	302.1	939.2	224.8
2005 Q4	9.8	15.9	321.6	154.4	69.0	86.4	276.5	328.3	188.7	55.5	72.5	222.3	53.8
2006 Q1	16.0	22.4	332.2	159.1	71.7	90.0	282.6	337.5	199.3	53.9	74.1	224.4	55.1
Q2	9.4	14.4	340.6	162.6	71.5	89.9	290.6	344.6	205.1	52.2	75.0	231.6	57.3
Q3	8.0	10.4	346.3	167.3	71.5	90.9	298.0	353.9	211.6	50.9	75.3	238.4	60.0
Q4	11.6	7.4	360.3	173.4	74.7	95.2	312.6	354.7	208.8	50.3	77.7	244.8	52.3
2007 Q1	9.3	5.5	365.5	.	.	.	311.2	358.0	.	.	.	248.2	.
2006 Oct.	16.1	13.7	118.2	57.1	24.5	31.3	101.9	117.7	69.6	17.0	25.7	80.6	18.0
Nov.	12.6	6.2	120.0	58.3	25.7	31.2	105.0	116.2	68.6	16.7	25.8	80.7	17.0
Dec.	6.2	2.4	122.2	58.0	24.5	32.7	105.7	120.8	70.5	16.6	26.1	83.5	17.4
2007 Jan.	12.0	8.2	121.4	49.1	22.1	30.9	104.2	119.5	63.3	14.0	23.4	83.1	16.1
Feb.	9.7	7.5	121.4	48.9	22.1	30.1	103.9	120.9	63.6	13.9	24.0	84.0	15.4
Mar.	6.8	1.2	122.8	.	.	.	103.2	117.7	.	.	.	81.1	.
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2003	1.0	3.6	108.5	105.9	106.8	113.1	108.4	101.9	100.2	97.1	109.7	100.2	103.2
2004	9.0	6.5	117.4	115.5	119.9	118.4	118.0	107.8	104.1	109.1	117.4	108.2	105.2
2005	4.9	5.1	123.6	120.1	129.5	123.5	124.2	113.8	107.5	123.5	123.5	116.3	109.8
2006	7.4	5.6	133.2	129.3	136.3	131.0	134.0	120.6	113.6	123.9	130.6	125.3	109.7
2005 Q4	5.6	5.4	126.5	122.9	131.6	125.6	127.2	116.9	108.0	131.4	126.5	120.8	110.7
2006 Q1	10.5	8.5	128.7	125.2	134.7	129.1	128.2	117.0	110.4	126.1	127.7	120.1	105.6
Q2	5.2	3.8	132.0	127.9	135.0	128.5	132.3	119.1	112.2	124.9	130.7	124.5	106.2
Q3	5.0	4.5	133.7	130.2	135.3	130.4	135.0	121.9	115.3	122.7	129.7	126.6	115.9
Q4	9.0	5.7	138.4	134.1	140.1	136.1	140.4	124.3	116.5	121.7	134.1	129.9	111.0
2007 Q1	.	.	.	.	.	.	.	.	.	.	.	.	.
2006 Oct.	13.4	11.5	136.3	132.8	138.0	134.3	137.3	124.3	117.2	123.6	133.0	128.5	115.9
Nov.	9.5	4.2	138.2	134.8	144.8	134.2	141.5	122.0	115.0	120.6	134.1	128.0	111.6
Dec.	4.1	1.5	140.6	134.5	137.5	139.9	142.5	126.4	117.2	121.0	135.3	133.1	105.4
2007 Jan.	11.0	9.3	139.5	112.9	124.9	131.9	140.1	125.5	105.5	102.8	120.7	131.5	104.4
Feb.	7.5	8.0	138.7	111.9	124.3	127.5	138.8	126.3	106.0	100.3	123.2	132.1	100.7
Mar.	.	.	.	.	.	.	.	.	.	.	.	.	.
Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2003	-3.2	-3.0	97.6	96.2	96.3	101.1	97.4	94.8	93.6	92.3	99.5	96.0	86.4
2004	-0.1	2.6	97.5	96.4	95.7	101.4	97.1	97.3	98.4	91.8	98.9	96.3	99.5
2005	2.8	7.9	100.2	100.2	96.8	103.4	99.1	105.0	111.2	91.2	101.5	98.3	137.5
2006	3.6	7.4	103.8	104.5	98.7	106.5	101.8	112.8	123.1	91.4	105.2	101.8	166.8
2005 Q4	4.0	9.9	101.9	102.5	97.6	105.0	100.2	109.8	118.5	92.3	104.2	99.9	158.1
2006 Q1	5.0	12.8	103.4	103.7	99.0	106.3	101.6	112.9	122.4	93.4	105.5	101.5	170.0
Q2	4.0	10.2	103.4	103.8	98.5	106.8	101.3	113.2	124.0	91.4	104.4	101.1	175.5
Q3	2.8	5.7	103.8	104.9	98.3	106.3	101.8	113.6	124.5	90.6	105.6	102.3	168.2
Q4	2.4	1.6	104.4	105.6	99.1	106.7	102.6	111.6	121.6	90.4	105.3	102.4	153.6
2007 Q1	.	.	.	.	.	.	.	.	.	.	.	.	.
2006 Oct.	2.4	1.9	104.2	105.2	99.1	106.8	102.6	111.1	121.0	90.2	105.5	102.2	151.2
Nov.	2.9	1.9	104.3	105.9	99.0	106.4	102.7	111.8	121.3	91.0	105.1	102.7	148.5
Dec.	2.1	0.9	104.5	105.7	99.2	106.9	102.6	112.1	122.4	89.8	105.4	102.1	161.1
2007 Jan.	0.9	-1.0	104.6	106.5	98.8	107.2	102.8	111.7	122.1	89.4	105.5	103.0	150.5
Feb.	2.0	-0.5	105.2	107.0	99.3	108.0	103.5	112.3	122.1	90.8	106.1	103.6	149.6
Mar.	.	.	.	.	.	.	.	.	.	.	.	.	.

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

## 7.5 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

## 2. Geographical breakdown

	Total	European Union 27 (outside the euro area)				Russia	Switzer- land	Turkey	United States	Asia			Africa	Latin America	Other countries
	1	Denmark	Sweden	United Kingdom	Other EU countries	6	7	8	9	China	Japan	Other Asian countries	13	14	15
<b>Exports (f.o.b.)</b>															
2003	1,056.9	24.9	38.6	194.5	125.0	29.1	63.3	24.8	167.0	35.1	31.3	135.3	59.2	37.9	91.0
2004	1,142.8	25.7	42.2	205.4	138.3	35.9	66.2	32.1	172.5	40.3	33.3	150.3	64.2	40.4	96.0
2005	1,237.0	29.0	45.1	203.2	157.9	43.6	70.7	34.8	185.0	43.3	34.0	165.9	72.9	46.9	104.8
2006	1,379.5	31.1	49.7	214.7	193.8	55.3	76.5	38.5	199.7	53.5	34.5	183.1	76.9	54.3	117.7
2005 Q4	321.6	7.5	11.3	51.2	42.5	11.5	17.7	9.5	48.3	11.5	8.5	42.2	19.3	12.4	28.1
2006 Q1	332.2	7.5	11.6	53.2	44.5	12.5	18.1	9.7	49.6	12.7	8.7	43.6	19.3	13.1	28.1
Q2	340.6	7.7	12.3	53.3	47.6	13.0	18.4	9.8	49.8	12.7	8.5	45.1	18.9	13.4	30.3
Q3	346.3	7.8	12.7	54.3	49.5	14.2	19.3	9.6	49.7	13.5	8.6	45.8	19.0	13.7	28.7
Q4	360.3	8.1	13.1	54.0	52.2	15.6	20.7	9.5	50.7	14.6	8.6	48.6	19.7	14.1	30.7
2007 Q1	365.5	.	.	.	.	15.6	20.5	10.0	48.5	14.1	8.5	49.0	21.2	14.7	.
2006 Oct.	118.2	2.7	4.4	18.0	17.1	5.2	7.0	3.1	16.0	4.7	3.0	15.7	6.4	4.7	10.3
Nov.	120.0	2.7	4.3	18.1	17.3	5.3	6.8	3.4	17.1	5.0	2.9	16.5	6.7	4.6	9.4
Dec.	122.2	2.7	4.4	18.0	17.9	5.1	6.9	3.1	17.6	4.9	2.8	16.4	6.7	4.7	11.0
2007 Jan.	121.4	2.8	4.5	18.9	17.7	5.1	7.0	3.5	16.6	4.6	2.8	16.5	7.0	4.9	9.4
Feb.	121.4	2.8	4.4	18.7	17.8	5.2	6.8	3.2	16.2	4.8	2.8	16.2	7.0	4.9	10.6
Mar.	122.8	.	.	.	.	5.3	6.6	3.3	15.8	4.7	2.8	16.3	7.1	4.9	.
<b>% share of total exports</b>															
2006	100.0	2.3	3.6	15.6	14.0	4.0	5.5	2.8	14.5	3.9	2.5	13.3	5.6	3.9	8.5
<b>Imports (c.i.f.)</b>															
2003	987.7	23.7	36.9	138.6	108.9	47.2	50.4	19.2	110.5	74.4	52.0	141.8	68.8	39.7	75.5
2004	1,073.3	25.4	39.8	145.0	116.6	56.4	53.5	23.2	113.1	92.1	54.4	161.0	72.8	45.2	74.8
2005	1,223.2	26.3	42.2	152.5	129.2	76.7	58.0	25.2	119.9	117.9	53.1	189.8	95.9	53.5	82.8
2006	1,390.7	27.4	47.4	165.6	153.7	94.4	62.1	29.1	128.2	143.6	56.0	212.5	109.5	65.9	95.3
2005 Q4	328.3	6.6	11.0	39.3	34.0	21.1	15.2	6.7	31.1	32.1	13.7	52.8	26.3	14.8	23.6
2006 Q1	337.5	6.7	11.3	41.1	35.3	23.3	15.0	7.1	31.7	33.4	14.2	51.7	26.7	15.6	24.5
Q2	344.6	6.7	11.5	42.9	37.3	24.5	15.4	7.5	31.6	34.4	13.9	53.7	27.0	15.9	22.5
Q3	353.9	7.0	12.1	41.4	39.4	23.8	15.9	7.3	32.2	36.0	14.3	54.7	27.9	16.7	25.3
Q4	354.7	6.9	12.6	40.3	41.7	22.9	15.8	7.3	32.6	39.8	13.6	52.4	27.9	17.8	23.1
2007 Q1	358.0	.	.	.	.	22.7	16.7	7.9	33.0	42.0	14.5	51.2	25.7	18.1	.
2006 Oct.	117.7	2.2	4.1	13.4	13.8	7.6	5.2	2.4	10.9	12.5	4.6	17.9	9.2	5.7	8.3
Nov.	116.2	2.3	4.1	13.5	13.6	7.6	5.2	2.4	10.4	13.4	4.5	17.4	9.3	5.9	6.5
Dec.	120.8	2.4	4.5	13.4	14.2	7.7	5.3	2.5	11.4	13.8	4.5	17.1	9.4	6.2	8.3
2007 Jan.	119.5	2.4	4.3	13.4	14.1	7.5	5.5	2.6	11.1	13.8	5.0	17.3	8.8	6.2	7.4
Feb.	120.9	2.2	4.2	13.5	13.8	7.6	5.6	2.7	11.2	14.0	4.8	17.7	8.8	6.1	8.7
Mar.	117.7	.	.	.	.	7.5	5.6	2.7	10.6	14.3	4.7	16.2	8.1	5.8	.
<b>% share of total imports</b>															
2006	100.0	2.0	3.4	11.9	11.0	6.8	4.5	2.1	9.2	10.3	4.0	15.3	7.9	4.7	6.9
<b>Balance</b>															
2003	69.2	1.2	1.7	55.9	16.1	-18.1	12.9	5.6	56.5	-39.3	-20.7	-6.4	-9.6	-1.8	15.4
2004	69.5	0.4	2.4	60.3	21.7	-20.5	12.7	8.9	59.5	-51.8	-21.1	-10.7	-8.6	-4.9	21.2
2005	13.8	2.7	2.9	50.6	28.7	-33.1	12.7	9.6	65.1	-74.6	-19.1	-23.9	-23.0	-6.7	21.9
2006	-11.3	3.8	2.2	49.1	40.2	-39.1	14.4	9.5	71.5	-90.2	-21.6	-29.4	-32.6	-11.6	22.4
2005 Q4	-6.7	0.9	0.4	11.9	8.5	-9.6	2.5	2.8	17.2	-20.6	-5.2	-10.5	-7.0	-2.4	4.4
2006 Q1	-5.4	0.8	0.3	12.1	9.2	-10.8	3.0	2.6	17.9	-20.8	-5.4	-8.0	-7.4	-2.4	3.6
Q2	-4.0	1.0	0.8	10.4	10.2	-11.5	3.0	2.3	18.1	-21.6	-5.4	-8.6	-8.1	-2.5	7.8
Q3	-7.6	0.8	0.7	12.9	10.1	-9.6	3.4	2.3	17.5	-22.5	-5.7	-8.9	-8.9	-3.0	3.4
Q4	5.7	1.2	0.5	13.7	10.5	-7.3	5.0	2.2	18.1	-25.2	-5.0	-3.8	-8.2	-3.6	7.6
2007 Q1	7.5	.	.	.	.	-7.0	3.8	2.2	15.5	-27.9	-6.0	-2.2	-4.5	-3.4	.
2006 Oct.	0.5	0.5	0.3	4.6	3.2	-2.4	1.8	0.7	5.1	-7.8	-1.7	-2.1	-2.8	-0.9	2.0
Nov.	3.8	0.4	0.2	4.6	3.7	-2.3	1.6	0.9	6.7	-8.5	-1.6	-1.0	-2.7	-1.3	2.9
Dec.	1.5	0.3	-0.1	4.5	3.6	-2.6	1.6	0.6	6.2	-9.0	-1.7	-0.7	-2.7	-1.5	2.8
2007 Jan.	1.9	0.4	0.2	5.5	3.7	-2.4	1.5	1.0	5.5	-9.2	-2.1	-0.9	-1.8	-1.4	2.0
Feb.	0.5	0.6	0.2	5.2	4.0	-2.4	1.3	0.5	4.9	-9.2	-2.0	-1.5	-1.7	-1.1	1.8
Mar.	5.1	.	.	.	.	-2.2	1.0	0.7	5.1	-9.6	-1.9	0.2	-1.0	-0.9	.

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



## EXCHANGE RATES

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

(period averages; index 1999 Q1=100)

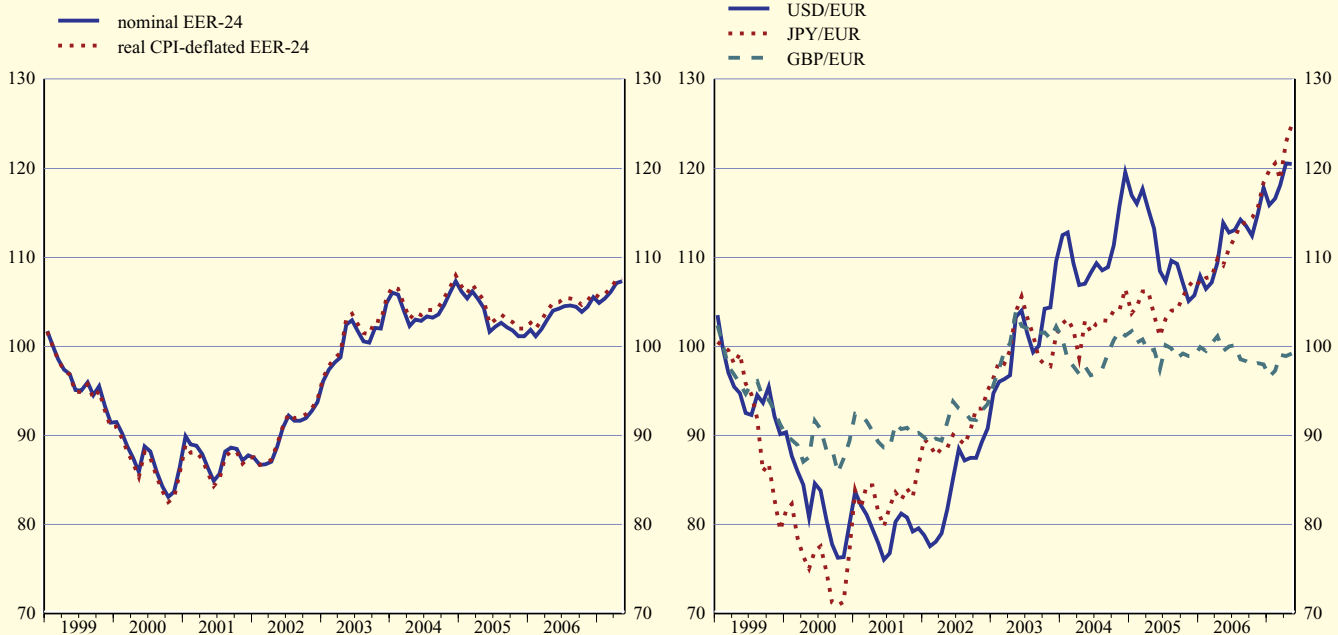
	EER-24						EER-44		
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI	
	1	2	3	4	5	6	7	8	
2004	104.3	105.1	104.2	103.2	99.9	101.8	111.2	105.6	
2005	103.3	104.1	102.5	100.9	97.4	99.3	109.7	103.7	
2006	103.6	104.4	102.9	100.7	95.1	97.7	110.0	103.4	
2006 Q1	101.7	102.5	100.9	99.0	94.1	96.6	107.4	101.2	
Q2	103.8	104.6	103.0	100.9	95.1	98.2	110.1	103.6	
Q3	104.5	105.3	103.7	101.4	95.7	98.3	111.2	104.5	
Q4	104.6	105.3	104.1	101.5	95.3	97.8	111.3	104.3	
2007 Q1	105.5	106.0	104.8	.	.	.	112.0	104.7	
2006 May	104.0	104.9	103.3	-	-	-	110.5	104.0	
June	104.2	104.9	103.3	-	-	-	111.1	104.4	
July	104.5	105.4	103.8	-	-	-	111.3	104.7	
Aug.	104.6	105.4	103.7	-	-	-	111.3	104.6	
Sep.	104.4	105.2	103.4	-	-	-	111.1	104.3	
Oct.	103.9	104.6	103.4	-	-	-	110.4	103.6	
Nov.	104.5	105.2	103.9	-	-	-	111.1	104.2	
Dec.	105.5	106.0	104.9	-	-	-	112.3	105.0	
2007 Jan.	104.9	105.5	104.4	-	-	-	111.5	104.3	
Feb.	105.4	105.9	104.8	-	-	-	111.9	104.6	
Mar.	106.1	106.5	105.3	-	-	-	112.7	105.2	
Apr.	107.1	107.5	106.4	-	-	-	113.7	106.0	
May	107.3	107.6	106.6	-	-	-	113.6	105.9	
	<i>% change versus previous month</i>								
2007 May	0.1	0.2	0.2	-	-	-	-0.1	-0.1	
	<i>% change versus previous year</i>								
2007 May	3.2	2.6	3.2	-	-	-	2.8	1.8	

### 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
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	7.4591	9.2544	0.68173	1.2556	146.02	1.5729	1,198.58	9.7545	1.9941	1.4237	8.0472	1.6668
2006 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
Q4	7.4557	9.1350	0.67314	1.2887	151.72	1.5928	1,209.29	10.0269	2.0091	1.4669	8.2712	1.6740
2007 Q1	7.4524	9.1894	0.67062	1.3106	156.43	1.6162	1,230.80	10.2334	2.0073	1.5357	8.1690	1.6670
2006 Nov.	7.4564	9.1008	0.67397	1.2881	151.11	1.5922	1,205.01	10.0246	2.0049	1.4635	8.2446	1.6684
Dec.	7.4549	9.0377	0.67286	1.3213	154.82	1.5969	1,222.34	10.2704	2.0354	1.5212	8.1575	1.6814
2007 Jan.	7.4539	9.0795	0.66341	1.2999	156.56	1.6155	1,217.83	10.1390	1.9983	1.5285	8.2780	1.6602
Feb.	7.4541	9.1896	0.66800	1.3074	157.60	1.6212	1,225.25	10.2130	2.0049	1.5309	8.0876	1.6708
Mar.	7.4494	9.2992	0.68021	1.3242	155.24	1.6124	1,248.82	10.3464	2.0186	1.5472	8.1340	1.6704
Apr.	7.4530	9.2372	0.67934	1.3516	160.68	1.6375	1,257.99	10.5634	2.0476	1.5334	8.1194	1.6336
May	7.4519	9.2061	0.68136	1.3511	163.22	1.6506	1,253.27	10.5642	2.0581	1.4796	8.1394	1.6378
	% change versus previous month											
2007 May	0.0	-0.3	0.3	0.0	1.6	0.8	-0.4	0.0	0.5	-3.5	0.2	0.3
	% change versus previous year											
2007 May	-0.1	-1.3	-0.3	5.8	14.4	6.1	4.3	6.7	2.2	4.4	4.4	-2.0
	Czech koruna 13	Estonian kroon 14	Cyprus pound 15	Latvian lats 16	Lithuanian litai 17	Hungarian forint 18	Maltese lira 19	Polish zloty 20	Slovak koruna 21	Bulgarian lev 22	New Roman- ian leu <sup>1)</sup> 23	
2004	31.891	15.6466	0.58185	0.6652	3.4529	251.66	0.4280	4.5268	40.022	1.9533	40.510	
2005	29.782	15.6466	0.57683	0.6962	3.4528	248.05	0.4299	4.0230	38.599	1.9558	3.6209	
2006	28.342	15.6466	0.57578	0.6962	3.4528	264.26	0.4293	3.8959	37.234	1.9558	3.5258	
2006 Q3	28.337	15.6466	0.57579	0.6960	3.4528	275.41	0.4293	3.9537	37.842	1.9558	3.5415	
Q4	28.044	15.6466	0.57748	0.6969	3.4528	260.25	0.4293	3.8478	35.929	1.9558	3.4791	
2007 Q1	28.037	15.6466	0.57915	0.7023	3.4528	252.32	0.4293	3.8863	34.347	1.9558	3.3812	
2006 Nov.	28.029	15.6466	0.57770	0.6970	3.4528	258.84	0.4293	3.8248	35.884	1.9558	3.4955	
Dec.	27.778	15.6466	0.57811	0.6976	3.4528	253.97	0.4293	3.8125	34.967	1.9558	3.4137	
2007 Jan.	27.840	15.6466	0.57842	0.6975	3.4528	253.88	0.4293	3.8795	34.751	1.9558	3.3922	
Feb.	28.233	15.6466	0.57918	0.7003	3.4528	253.30	0.4293	3.8943	34.490	1.9558	3.3823	
Mar.	28.057	15.6466	0.57985	0.7088	3.4528	249.86	0.4293	3.8859	33.813	1.9558	3.3692	
Apr.	28.015	15.6466	0.58148	0.7036	3.4528	246.00	0.4293	3.8144	33.491	1.9558	3.3338	
May	28.231	15.6466	0.58303	0.6965	3.4528	248.42	0.4293	3.7819	33.736	1.9558	3.2836	
	% change versus previous month											
2007 May	0.8	0.0	0.3	-1.0	0.0	1.0	0.0	-0.9	0.7	0.0	-1.5	
	% change versus previous year											
2007 May	-0.1	0.0	1.4	0.1	0.0	-5.3	0.0	-2.9	-10.2	0.0	-6.4	
	Chinese yuan renminbi <sup>2)</sup> 24	Croatian kuna <sup>2)</sup> 25	Icelandic krona 26	Indonesian rupiah <sup>2)</sup> 27	Malaysian ringgit <sup>2)</sup> 28	New Zealand dollar 29	Philippine peso <sup>2)</sup> 30	Russian rouble <sup>2)</sup> 31	South African rand 32	Thai baht <sup>2)</sup> 33	New Turkish lira <sup>3)</sup> 34	
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	10.0096	7.3247	87.76	11,512.37	4.6044	1.9373	64.379	34.1117	8.5312	47.594	1.8090	
2006 Q3	10.1506	7.3109	91.21	11,626.90	4.6786	2.0079	65.356	34.1602	9.1094	48.015	1.9118	
Q4	10.1339	7.3657	88.94	11,771.01	4.6734	1.9143	64.108	34.2713	9.4458	47.109	1.8781	
2007 Q1	10.1688	7.3656	89.28	11,934.33	4.5842	1.8836	63.609	34.4795	9.4919	44.538	1.8492	
2006 Nov.	10.1286	7.3482	89.29	11,772.03	4.6927	1.9263	64.186	34.2602	9.3616	47.049	1.8786	
Dec.	10.3356	7.3564	91.59	12,003.18	4.6909	1.9094	65.274	34.7316	9.3092	47.224	1.8920	
2007 Jan.	10.1238	7.3711	91.02	11,796.04	4.5596	1.8699	63.552	34.4578	9.3440	45.850	1.8536	
Feb.	10.1326	7.3612	88.00	11,855.46	4.5706	1.8859	63.167	34.4060	9.3797	44.434	1.8260	
Mar.	10.2467	7.3641	88.69	12,144.32	4.6212	1.8952	64.069	34.5680	9.7417	43.320	1.8659	
Apr.	10.4400	7.3967	88.36	12,290.98	4.6449	1.8394	64.421	34.9054	9.6089	44.010	1.8362	
May	10.3689	7.3258	85.12	11,927.80	4.5962	1.8441	63.136	34.8999	9.4855	44.507	1.8029	
	% change versus previous month											
2007 May	-0.7	-1.0	-3.7	-3.0	-1.0	0.3	-2.0	0.0	-1.3	1.1	-1.8	
	% change versus previous year											
2007 May	1.3	0.7	-7.2	3.4	-0.3	-8.9	-5.2	1.0	17.3	-8.3	-2.0	

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

	Bulgaria	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Romania	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>HICP</b>														
2005	6.0	1.6	1.7	4.1	2.0	6.9	2.7	3.5	2.5	2.2	9.1	2.8	0.8	2.1
2006	7.4	2.1	1.9	4.4	2.2	6.6	3.8	4.0	2.6	1.3	6.6	4.3	1.5	2.3
2006 Q3	6.7	2.4	1.8	4.4	2.6	6.6	4.0	4.6	3.2	1.5	5.9	4.8	1.5	2.4
Q4	5.7	1.1	1.6	4.5	1.5	6.2	4.2	6.4	1.1	1.3	4.8	3.5	1.4	2.7
2007 Q1	5.3	1.7	1.9	5.1	1.4	7.6	4.4	8.8	0.8	2.0	3.9	2.1	1.7	2.8
2006 Dec.	6.1	1.5	1.7	5.1	1.5	6.8	4.5	6.6	0.8	1.4	4.9	3.7	1.4	3.0
2007 Jan.	6.8	1.4	1.8	5.0	1.4	7.1	4.0	8.4	1.2	1.6	4.1	2.2	1.6	2.7
Feb.	4.6	1.7	1.9	4.6	1.2	7.2	4.4	9.0	0.8	1.9	3.9	2.0	1.7	2.8
Mar.	4.4	2.1	1.9	5.6	1.4	8.5	4.8	9.0	0.5	2.4	3.7	2.1	1.6	3.1
Apr.	4.4	2.7	1.7	5.6	1.6	8.8	4.9	8.7	-1.1	2.2	3.8	2.0	1.6	2.8
<b>General government deficit (-)/surplus (+) as a % of GDP</b>														
2004	2.2	-2.9	2.0	2.3	-4.1	-1.0	-1.5	-6.5	-4.9	-5.7	-1.5	-2.4	0.8	-3.1
2005	1.9	-3.5	4.7	2.3	-2.3	-0.2	-0.5	-7.8	-3.1	-4.3	-1.4	-2.8	2.1	-3.1
2006	3.3	-2.9	4.2	3.8	-1.5	0.4	-0.3	-9.2	-2.6	-3.9	-1.9	-3.4	2.2	-2.8
<b>General government gross debt as a % of GDP</b>														
2004	37.9	30.7	44.0	5.2	70.3	14.5	19.4	59.4	73.9	45.7	18.8	41.5	52.4	40.3
2005	29.2	30.4	36.3	4.4	69.2	12.0	18.6	61.7	72.4	47.1	15.8	34.5	52.2	42.2
2006	22.8	30.4	30.2	4.1	65.3	10.0	18.2	66.0	66.5	47.8	12.4	30.7	46.9	43.5
<b>Long-term government bond yield as a % per annum, period average</b>														
2006 Nov.	4.38	3.78	3.78	-	4.26	4.95	4.28	7.01	4.34	5.20	7.56	4.25	3.62	4.45
Dec.	4.18	3.68	3.78	-	4.26	4.90	4.28	6.81	4.33	5.14	7.42	4.15	3.65	4.54
2007 Jan.	4.27	3.84	4.00	-	4.36	4.92	4.28	6.96	4.34	5.17	7.39	4.25	3.90	4.94
Feb.	4.24	3.78	4.05	-	4.42	5.07	4.28	6.96	4.38	5.19	7.52	4.28	3.93	4.97
Mar.	4.22	3.76	3.96	-	4.47	5.14	4.24	6.79	4.38	5.19	7.53	4.24	3.79	4.88
Apr.	4.28	3.92	4.18	-	4.44	5.52	4.18	6.65	4.44	5.28	7.39	4.26	4.04	5.10
<b>3-month interest rate as a % per annum, period average</b>														
2006 Nov.	3.84	2.64	3.72	3.66	3.80	4.36	3.61	-	3.90	4.20	8.71	4.94	3.08	5.23
Dec.	4.01	2.56	3.84	3.81	3.76	4.21	3.72	8.20	3.90	4.20	8.19	4.82	3.21	5.29
2007 Jan.	4.06	2.58	3.92	3.90	3.82	3.82	3.79	8.15	3.85	4.20	6.69	4.50	3.35	5.49
Feb.	4.09	2.59	3.99	3.94	3.87	5.61	3.87	-	4.10	4.20	7.13	4.60	3.43	5.57
Mar.	4.19	2.56	4.07	4.06	3.97	6.30	4.05	8.10	4.18	4.22	7.49	4.48	3.43	5.55
Apr.	4.30	2.60	4.16	4.42	3.99	9.32	4.41	8.20	4.19	4.31	7.33	4.05	3.51	5.65
<b>Real GDP</b>														
2005	6.2	6.1	3.1	10.5	3.9	10.6	7.6	4.2	3.0	3.6	4.1	6.0	2.9	1.9
2006	6.0	6.1	3.2	11.4	3.8	11.9	7.5	3.9	2.9	6.1	7.6	8.3	4.2	2.8
2006 Q3	6.7	6.0	2.7	11.3	3.8	11.9	6.9	3.9	2.3	5.9	8.2	9.8	4.2	2.9
Q4	5.7	5.8	3.1	10.9	3.6	11.7	7.0	3.3	3.6	6.6	7.6	9.6	4.3	3.0
2007 Q1	.	.	.	.	.	10.7	8.0	3.1	.	.	5.8	9.0	3.3	2.9
<b>Current and capital accounts balance as a % of GDP</b>														
2005	-11.1	-2.4	3.9	-9.5	-5.1	-11.2	-5.9	-6.0	-4.9	-1.4	-7.9	-8.6	7.1	-2.3
2006	-15.4	-4.0	2.4	-12.3	-5.9	-19.9	-9.7	-4.9	-3.3	-1.7	-10.4	-8.4	6.7	-3.3
2006 Q2	-12.1	-5.9	2.8	-10.6	-2.3	-16.3	-8.3	-5.4	-6.0	-1.6	-13.6	-9.3	6.0	-3.0
Q3	-4.3	-5.1	4.4	-12.6	8.6	-22.7	-11.1	-4.2	5.2	-0.7	-9.5	-10.1	7.3	-3.5
Q4	-24.5	-5.3	1.2	-14.5	-19.5	-25.3	-10.0	-2.9	-3.0	-2.6	-10.7	-7.3	7.4	-3.3
<b>Unit labour costs</b>														
2005	2.4	-0.5	0.9	2.7	1.3	15.5	3.4	3.1	0.0	0.9	.	0.5	0.6	.
2006	4.5	.	2.5	5.7	0.1	13.8	7.0	.	-0.7	.	.	1.2	-0.4	.
2006 Q2	-	.	2.0	5.1	-	-	3.5	-	-0.6	-	-	3.0	-0.3	.
Q3	-	.	2.9	5.6	-	-	11.1	-	-0.9	-	-	0.3	0.6	.
Q4	-	.	4.0	8.3	-	-	10.0	-	-1.2	-	-	0.6	0.1	.
<b>Standardised unemployment rate as a % of labour force (s.a.)</b>														
2005	10.1	7.9	4.8	7.9	5.2	8.9	8.3	7.2	7.3	17.7	7.1	16.3	7.4	4.8
2006	9.0	7.2	3.9	5.9	4.7	6.8	5.6	7.5	7.3	13.8	7.3	13.4	7.0	5.3
2006 Q3	9.2	7.1	3.7	5.8	4.6	6.6	5.9	7.6	7.2	13.4	7.7	13.1	6.9	5.4
Q4	8.2	6.6	3.6	5.5	4.5	6.1	5.0	7.7	7.0	12.6	7.3	12.3	6.5	5.3
2007 Q1	8.1	6.3	3.4	4.8	4.4	5.9	5.7	8.0	6.6	11.8	7.7	11.1	6.5	.
2007 Jan.	8.3	6.5	3.3	4.8	4.4	6.0	5.9	7.9	6.7	12.1	7.7	11.3	6.5	5.4
Feb.	8.2	6.3	3.4	4.8	4.4	5.9	5.7	8.0	6.6	11.8	7.6	11.1	6.5	5.4
Mar.	7.9	6.2	3.4	4.8	4.3	5.7	5.6	8.2	6.6	11.5	7.7	10.8	6.4	.
Apr.	7.5	6.1	3.2	4.7	4.4	5.8	5.4	8.2	6.4	11.2	7.2	10.5	6.2	.
May	.	.	.	.	.	.	.	8.3	.	.	.	.	.	.

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

## 9.2 In the United States and Japan

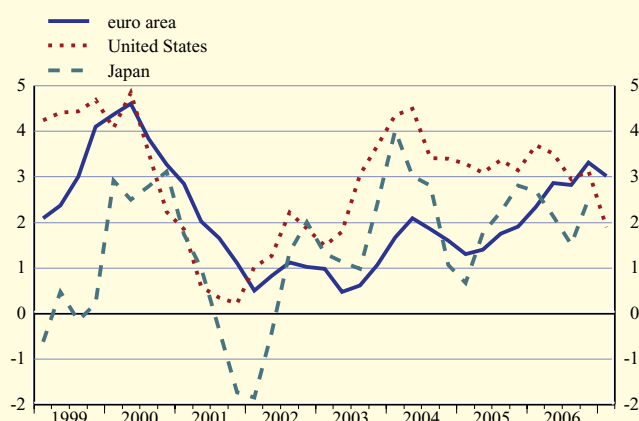
(annual percentage changes, unless otherwise indicated)

## 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											
2003	2.3	0.8	2.5	1.3	6.0	6.9	1.22	4.00	1.1312	-4.8	48.0
2004	2.7	0.1	3.9	3.0	5.5	4.6	1.62	4.26	1.2439	-4.6	48.8
2005	3.4	-0.1	3.2	4.0	5.1	4.3	3.56	4.28	1.2441	-3.7	49.2
2006	3.2	-0.2	3.3	5.0	4.6	4.7	5.19	4.79	1.2556	.	.
2006 Q1	3.6	1.9	3.7	4.9	4.7	4.7	4.76	4.57	1.2023	-2.3	49.8
Q2	4.0	0.1	3.5	5.5	4.6	4.7	5.21	5.07	1.2582	-2.3	48.6
Q3	3.3	-2.2	3.0	6.1	4.7	4.5	5.43	4.90	1.2743	-2.6	48.5
Q4	1.9	-0.4	3.1	3.6	4.5	5.0	5.37	4.63	1.2887	.	.
2007 Q1	2.4	-2.0	1.9	2.3	4.5	5.7	5.36	4.68	1.3106	.	.
2007 Jan.	2.1	-	-	2.1	4.6	5.5	5.36	4.76	1.2999	-	-
Feb.	2.4	-	-	2.4	4.5	5.5	5.36	4.73	1.3074	-	-
Mar.	2.8	-	-	2.5	4.4	6.1	5.35	4.56	1.3242	-	-
Apr.	2.6	-	-	2.0	4.5	6.5	5.35	4.69	1.3516	-	-
May	.	-	-	.	4.5	.	5.36	4.75	1.3511	-	-
Japan											
2003	-0.2	-3.9	1.5	3.2	5.2	1.7	0.06	0.99	130.97	-7.7	151.4
2004	0.0	-4.9	2.7	5.5	4.7	1.9	0.05	1.50	134.44	-5.5	157.6
2005	-0.3	-0.6	1.9	1.1	4.4	1.8	0.06	1.39	136.85	-5.9	164.2
2006	0.2	-2.6	2.2	4.8	4.1	1.1	0.30	1.74	146.02	.	.
2006 Q1	-0.1	-1.7	2.7	3.0	4.2	1.7	0.08	1.58	140.51	.	.
Q2	0.2	-2.4	2.1	4.7	4.1	1.4	0.21	1.90	143.81	.	.
Q3	0.6	-2.8	1.5	5.6	4.1	0.6	0.41	1.80	148.09	.	.
Q4	0.3	-3.5	2.4	5.9	4.1	0.7	0.49	1.70	151.72	.	.
2007 Q1	-0.1	.	2.2	3.0	4.0	1.0	0.62	1.68	156.43	.	.
2007 Jan.	0.0	-3.1	-	4.4	4.0	0.9	0.56	1.71	156.56	-	-
Feb.	-0.2	-1.9	-	3.1	4.0	1.0	0.59	1.71	157.60	-	-
Mar.	-0.1	.	-	1.9	4.0	1.1	0.71	1.62	155.24	-	-
Apr.	0.0	.	-	2.3	3.8	1.1	0.66	1.67	160.68	-	-
May	.	.	-	.	.	.	0.67	1.67	163.22	-	-

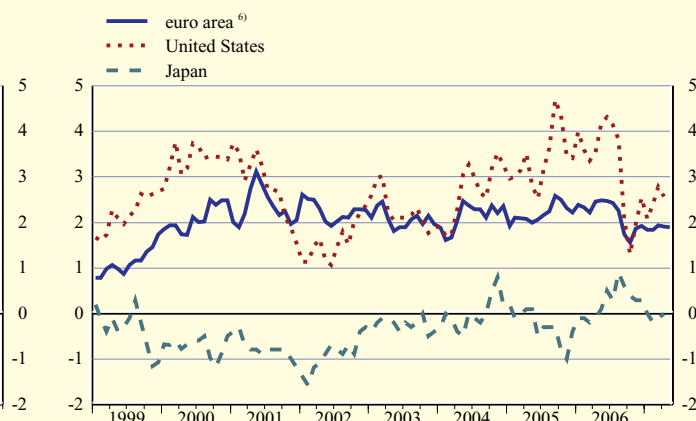
## C37 Real gross domestic product

(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; M2 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).

6) Data refer to the changing composition of the euro area. For further information, see the General notes.



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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 2006 = 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:

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

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

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 3.5

#### EQUALITY OF USES AND RESOURCES

In Table 3.1 the data conform to a basic accounting identity. As regards non-financial transactions, total uses equal total resources for each transaction category. Likewise in the financial account, this accounting identity is also reflected, i.e. for each financial instrument category, total transactions in financial assets equal total transactions in liabilities. In the other changes in assets account and the financial balance sheets, total financial assets equal total liabilities for each financial instrument category, with the exception of monetary gold and special drawing rights, which are by definition not a liability of any sector.

#### CALCULATION OF BALANCING ITEMS

The balancing items at the end of each account in Tables 3.1 and 3.2 are computed as follows:

The trade balance equals imports minus exports of goods and services vis-à-vis the euro area rest of the world.

1 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.

2 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.

3 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.

Net operating surplus and mixed income is defined for resident sectors only and is calculated as gross value added (gross domestic product at market prices for the euro area) minus compensation of employees (uses) minus other taxes less subsidies on production (uses) minus consumption of fixed capital (uses).

Net national income is defined for resident sectors only and is computed as net operating surplus and mixed income plus compensation of employees (resources) plus taxes less subsidies on production (resources) plus net property income (resources minus uses).

Net disposable income is also only defined for resident sectors and equals net national income plus net current taxes on income and wealth (resources minus uses) plus net social contributions (resources minus uses) plus net social benefits other than social transfers in kind (resources minus uses) plus net other current transfers (resources minus uses).

Net saving is defined for resident sectors and is calculated as net disposable income plus the net adjustment for the change in net equity of households in pension funds reserves (resources minus uses) minus final consumption expenditure (uses). For the rest of the world, current external account is compiled as the trade balance plus all net income (resources minus uses).

Net lending/net borrowing is computed from the capital account as net saving plus net capital transfers (resources minus uses) minus gross capital formation (uses) minus acquisitions less disposals of non-produced non-financial assets (uses) plus consumption of fixed capital (resources). It can also be calculated in the financial account as total transactions in financial assets minus total transactions in liabilities (also known as changes in net financial worth (wealth) due to transactions). For the household and non-financial corporation sectors, there is a statistical discrepancy between these balancing items computed from

the capital account and the financial account, respectively.

Changes in net worth (wealth) are calculated as changes in net worth (wealth) due to savings and capital transfers plus other changes in net financial worth (wealth). It currently excludes other changes in non-financial assets due to unavailability of data.

Net financial worth (wealth) is calculated as total financial assets minus total liabilities, whereas changes in net financial worth (wealth) are equal to the sum of changes in net financial worth (wealth) due to transactions (lending/ net borrowing from the financial account) and other changes in net financial worth (wealth).

Finally, changes in net financial worth (wealth) due to transactions are computed as total transactions in financial assets minus total transactions in liabilities and other changes in net financial worth (wealth) are calculated as total other changes in financial assets minus total other changes in liabilities.

#### 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 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:

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

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



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

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

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:

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

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

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

The calculation formula used for Section 4.3 is also used for Section 4.4 and is likewise based on that used for the monetary aggregates. Section 4.4 is based on market values and the basis for the calculation are financial transactions, which exclude reclassifications, revaluations or any other changes that do not arise from transactions. Exchange rate variations are not included as all quoted shares covered are denominated in euro.

## 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:

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

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

## RELATING TO TABLE I IN SECTION 5.1

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

The approach used relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S78). 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

<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.



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 S78). The raw data for goods, services and income are pre-adjusted to take a working-day effect into account. 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)). This allows user-friendly access to data via the ECB Statistical Data Warehouse (<http://sdw.ecb.int/>), which includes search and download facilities. Further services available under the “Data services” sub-section include the subscription to different datasets and a repository of 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 ECB’s Governing Council. For this issue, the cut-off date was 5 June 2007.

Unless otherwise indicated, all data series covering observations for 2007 relate to the Euro 13 (i.e. the euro area including Slovenia) for the whole time series. For interest rates, monetary statistics and the HICP (and, for consistency reasons, the components and counterparts of M3 and the components of the HICP), the statistical series refer to the changing composition of the euro area. Where applicable, this is indicated in the tables by means of a footnote. In such cases, where underlying data are available, absolute and percentage changes for 2001 and 2007, calculated from bases in 2000 and 2006, use a series which takes into account the impact of the entry of Greece and Slovenia, respectively, into the euro area. Historical data referring to the euro area before the entry of Slovenia are available on the ECB’s website at <http://www.ecb.int/stats/services/downloads/html/index.en.html>.

The statistical series referring to the changing composition of the euro area are based on the euro area composition at the time to which the statistics relate. Thus, data prior to 2001 refer to the Euro 11, i.e. the following 11 EU Member States: Belgium, Germany, Ireland, Spain,

France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. Data from 2001 to 2006 refer to the Euro 12, i.e. the Euro 11 plus Greece. Data after 2007 refer to the Euro 13, i.e. the Euro 12 plus Slovenia.

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 Bulgaria, the Czech Republic, Denmark, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Romania, Slovakia, Sweden and the 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 "Monetary Financial Institutions and Markets Statistics Sector Manual – Guidance for the statistical classification of customers. Third Edition" (ECB, March 2007). 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,

1 OJ L 356, 30.12.1998, p. 7.

2 OJ L 250, 2.10.2003, p. 19.

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.

### EURO AREA ACCOUNTS

Section 3.1 shows quarterly integrated euro area accounts data, which provide comprehensive information on the economic activities of households (including non-profit institutions serving households), non-financial corporations, financial corporations and general government, as well as on the interactions between these sectors and the euro area rest of the world. The non-seasonally adjusted current prices data are displayed for the last available quarter following a simplified sequence of accounts in accordance with the methodological framework of the European System of Accounts 1995 (ESA 95).

In short, the sequence of accounts (transactions) comprises: 1) the generation of income account, which shows how the production activity translates into various categories of income; 2) the allocation of primary income account, which records receipts and expenses relating to various forms of property income (for the economy as a whole, the balancing item of the primary income account is national income); 3) the secondary distribution of income account, which shows how the national income of an institutional sector changes because of current transfers; 4) the use of income account, which shows how disposable income is spent on consumption or saved; 5) the capital account, which shows how savings and net capital transfers are spent in the acquisition of non-financial assets (the balancing item of the capital account is net lending/net borrowing); and 6) the financial account, which records the net acquisitions of financial assets and the net incurrence of liabilities. As each non-financial transaction is mirrored by a financial transaction, the balancing item of the financial account conceptually also equals net lending/net

borrowing as calculated from the capital account.

In addition, opening and closing financial balance sheets are presented which give a picture of the financial wealth of each individual sector at a given point in time. Finally, other changes in financial assets and liabilities (e.g. resulting from the impact of asset price changes) are also shown.

The sector coverage of the financial account and of the financial balance sheets is more detailed for the financial corporations sector, showing a breakdown into MFIs, other financial intermediaries (including financial auxiliaries), and insurance corporations and pension funds.

Section 3.2 shows four-quarter cumulated flows (transactions) for the so-called non-financial accounts of the euro area (i.e. accounts 1 to 5 presented above) also following the simplified sequence of accounts.

Section 3.3 shows four-quarter cumulated flows (transactions and other changes) for households' income, expenditure and accumulation accounts, and outstanding amounts for the financial balance sheet accounts, following a more analytical presentation. Sector-specific transactions and balancing items are arranged in such a way as to more easily depict financing and investment decisions of households, whilst respecting the account identities as presented in Sections 3.1 and 3.2.

Section 3.4 displays four-quarter cumulated flows (transactions) for non-financial corporations' income and accumulation accounts, and outstanding amounts for the financial balance sheet accounts, following a more analytical presentation.

Section 3.5 shows four-quarter cumulated financial flows (transactions and other changes) and outstanding amounts for the financial balance sheets of insurance corporations and pension funds.

## 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 (changing composition), with the exception of statistics on securities issues (Tables 4.1 to 4.4), which relate to the Euro 13 (i.e. the Euro 12 plus Slovenia) for the whole time series (fixed composition).

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 in 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 in 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 in 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 issuers' own shares. Transactions include the quotation of an issuer on a stock exchange for the first time and the creation or deletion of new instruments. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes which do not arise from transactions.

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

MFI interest rate statistics are broken down by type of business coverage, sector, instrument category and maturity, period of notice or initial period of interest rate fixation. The new MFI interest rate statistics replace the ten transitional

statistical series on euro area retail interest rates that have been published in the ECB's Monthly Bulletin since January 1999.

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. 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 (Table 1 in 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 and experimental HICP-based estimates of administered prices 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.

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

3 OJ L 162, 5.6.1998, p. 1.

4 OJ L 86, 27.3.2001, p. 11.

5 OJ L 69, 13.3.2003, p. 1.

6 OJ L 169, 8.7.2003, p. 37.

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 Organization (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 excessive deficit procedure B.9, as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002 amending Council Regulation (EC) No 3605/93 as regards references to the ESA 95. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in 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” (May 2007), and in the

<sup>7</sup> OJ L 172, 12.7.2000, p. 3.

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

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

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 by the ECB/European 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.cmf.org](http://www.cmf.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.

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 available four quarters; Table 5 shows a geographical breakdown of the i.i.p. for the latest available 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, which was 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-24 group of trading partners is composed of the 14 non-euro area EU Member States, Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-44 group includes, in addition to the EER-24, the following countries: Algeria, Argentina, Brazil, Chile, Croatia, Iceland, India, Indonesia, Israel, Malaysia, Mexico,

Morocco, New Zealand, the Philippines, Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela. 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 8 entitled “The effective exchange rates of the euro following the recent euro area and EU enlargements” in the March 2007 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 EUROSISTEM<sup>1</sup>



### 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 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

<sup>1</sup> The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2004 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, on pages 217 to 218 of the ECB's Annual Report 2003 and on page 217 of the ECB's Annual Report 2004 respectively.



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.

#### **2 NOVEMBER 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 3.25%, 4.25% and 2.25% respectively.

#### **7 DECEMBER 2006**

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.50%, starting from the operation to be settled on 13 December 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 4.50% and 2.50%, both with effect from 13 December 2006.



**21 DECEMBER 2006**

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 2007 from €40 billion to €50 billion. This increased amount takes the following aspects into consideration: the liquidity needs of the euro area banking system have grown strongly in recent years and are expected to increase further in the year 2007. Therefore 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 2008.

**11 JANUARY AND 8 FEBRUARY 2007**

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 3.50%, 4.50% and 2.50% respectively.

**8 MARCH 2007**

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.75%, starting from the operation to be settled on 14 March 2007. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.75% and 2.75%, both with effect from 14 March 2007.

**12 APRIL AND 10 MAY 2007**

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 3.75%, 4.75% and 2.75% respectively.

**6 JUNE 2007**

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 4%, starting from the operation to be settled on 13 June 2007. In addition, it decides to increase the interest rates by 25 basis points on both the marginal lending facility and the deposit facility, to 5% and 3% respectively, with effect from 13 June 2007.





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



## PAYMENT FLOWS IN TARGET

In the first quarter of 2007 TARGET processed a daily average of 344,830 payments, with a total daily average value of €2,244 billion. Compared with the previous quarter, this represented a decrease of 2% in terms of volume, but an increase of 2% in terms of value. The decrease in volume is seasonal and has been observed in previous years. When compared with the same period last year, an increase of 12% in both volume and value is observed. TARGET's overall market share in terms of value remained at the same high level of 89%, and its market share in terms of volume reached 61%. The highest level of TARGET traffic during this quarter was recorded on 30 March, the last day of the quarter, when a total of 490,334 payments were processed.

## INTRA-MEMBER STATE PAYMENTS

TARGET processed a daily average of 266,749 intra-Member State payments with a total average value of €1,465 billion per business day in the first quarter of 2007. This represented a decrease of 2% in volume, whereas the value increased by 2% as compared with the previous quarter. In comparison with the corresponding period in 2006, the volume increased by 13% and the value increased by 11%. Intra-Member State traffic accounted for 77.4% of the total volume and 65.3% of the total value of TARGET payments. The average value of an intra-Member State payment increased by €0.1 million to €5.4 million. At the intra-Member State level, 63% of payments were below €50,000, while 10% were above €1 million. On average, there were 173 intra-Member State payments with a value above €1 billion per day. The highest level of intra-Member State traffic during this quarter was recorded on 30 March, when a total of 367,582 payments were processed.

## INTER-MEMBER STATE PAYMENTS

At the inter-Member State level, TARGET processed a daily average of 78,080 payments with a total daily average value of €778 billion in the first quarter of 2007. Compared with the previous quarter, this represented only a marginal increase (0.2%) in terms of volume and an increase of 2% in terms of value. The number of interbank payments processed increased by 1% and the value increased by 2% as compared with the previous quarter. For customer payments, a marginal decrease (0.3%) was observed in terms of volume and an increase of 17% was recorded in terms of value as compared with the previous quarter. The proportion of interbank payments in average daily inter-Member State traffic was 47% in terms of volume and 94% in terms of value. The average value of interbank payments increased from €19.6 million to €19.9 million and that of customer payments increased from €940,520 to €1,103,224 as compared with the previous quarter. 64% of the inter-Member State payments had a value below €50,000, while 14% had a value above €1 million. On average, there were 72 inter-Member State payments with a value above €1 billion per day. The highest level of inter-Member State traffic during this quarter was recorded on 30 March, when a total of 122,752 payments were processed.

## TARGET AVAILABILITY AND BUSINESS PERFORMANCE

In the first quarter of 2007 TARGET achieved an overall availability of 99.87%, compared with 99.81% in the previous quarter. The number of incidents with an effect on TARGET's availability was 12, which is 4 less than in the previous quarter. Incidents considered in the calculation of TARGET's availability are those that prevent the processing of payments for 10 minutes or more. During the first quarter of 2007 there was one incident that lasted more than two hours. Table 3 shows the availability figures for each national TARGET component

**Table 1 Payment instructions processed by TARGET and other selected interbank funds transfer systems: volume of transactions**

(number of payments)

	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Q1
<b>TARGET</b>					
<b>All TARGET payments</b>					
Total volume	19,949,738	20,854,425	20,313,134	22,062,699	22,069,092
Daily average	306,721	336,362	313,247	350,202	344,830
<b>Intra-Member State TARGET payments</b>					
Total volume	15,303,728	16,019,310	15,686,100	17,153,073	17,071,952
Daily average	235,303	258,376	241,873	272,271	266,749
<b>Inter-Member State TARGET payments</b>					
Total volume	4,646,007	4,835,115	4,627,034	4,909,629	4,997,140
Daily average	71,418	77,986	71,374	77,931	78,080
<b>Other systems</b>					
<b>EURO1 (EBA)</b>					
Total volume	11,600,246	12,024,168	11,712,173	12,390,099	12,540,775
Daily average	178,399	194,328	180,593	196,668	195,876
<b>Paris Net Settlement (PNS)</b>					
Total volume	1,672,785	1,664,581	1,587,129	1,700,859	1,678,885
Daily average	25,738	24,880	24,512	26,998	26,235
<b>Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)</b>					
Total volume	133,846	172,023	144,456	136,200	136,111
Daily average	2,058	2,579	2,224	2,162	2,126

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

(EUR billions)

	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Q1
<b>TARGET</b>					
<b>All TARGET payments</b>					
Total value	130,350	133,405	131,843	137,943	143,598
Daily average	2,005	2,152	2,031	2,190	2,244
<b>Intra-Member State TARGET payments</b>					
Total value	85,621	86,989	85,847	90,307	93,776
Daily average	1,317	1,403	1,322	1,434	1,465
<b>Inter-Member State TARGET payments</b>					
Total value	44,730	46,416	45,995	47,637	49,822
Daily average	688	749	709	756	778
<b>Other systems</b>					
<b>EURO1 (EBA)</b>					
Total value	11,142	11,936	12,399	12,766	13,480
Daily average	171	193	191	203	210
<b>Paris Net Settlement (PNS)</b>					
Total value	3,629	3,891	3,572	3,795	3,883
Daily average	56	62	55	60	61
<b>Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)</b>					
Total value	122	112	111	114	128
Daily average	2	2	2	2	2

**Table 3 TARGET availability for each national component and the ECB payment mechanism**

National TARGET component	Availability Q1 2007
Belgium	99.94%
Denmark	99.92%
Germany	100.00%
Estonia	100.00%
Ireland	100.00%
Greece	100.00%
Spain	99.78%
France	99.46%
Italy	100.00%
Luxembourg	99.97%
Netherlands	100.00%
Austria	99.70%
Poland	100.00%
Portugal	100.00%
Finland	100.00%
United Kingdom	99.03%
ECB payment mechanism	99.91%
Overall TARGET availability	99.87%

and the ECB payment mechanism. In the quarter under review 97.53% of inter-Member State payments were processed in less than 5 minutes, 2.07% needed between 5 minutes and 15 minutes, and 0.47% required between 15 minutes and 30 minutes. On average, the processing time exceeded 30 minutes for 133 payments per day, which should be seen in the context of the 78,080 inter-Member State payments processed on average every day.





## DOCUMENTS PUBLISHED BY THE EUROPEAN CENTRAL BANK SINCE 2006

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### ANNUAL REPORT

- “Annual Report 2005”, April 2006.
- “Annual Report 2006”, April 2007.

### CONVERGENCE REPORT

- “Convergence Report May 2006”.
- “Convergence Report December 2006”.
- “Convergence Report May 2007”.

### MONTHLY BULLETIN ARTICLES

- “The predictability of the ECB's monetary policy”, January 2006.
- “Hedge funds: developments and policy implications”, January 2006.
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## GLOSSARY

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

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

**Balance of payments (b.o.p.):** a statistical statement that summarises, for a specific period of time, the economic transactions of an economy with the rest of the world.

**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.

**Capital account:** a b.o.p. account that covers all capital transfers and acquisitions/disposals of non-produced, non-financial assets between residents and non-residents.

**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.

**Current account:** a b.o.p. account that covers all transactions in goods and services, income and current transfers between residents and non-residents.

**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) on 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 an NCB.

**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-24 (comprising the 14 non-euro area EU Member States and the 10 main trading partners outside the EU) and the EER-44 (composed of the EER-24 and 20 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 establishing the European Community.

**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 ECB and the NCBs 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 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.

**Financial account:** a b.o.p. account that covers all transactions in direct investment, portfolio investment, other investment, financial derivatives and reserve assets, between residents and non-residents.



**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 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.



**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.

**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 an NCB 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.

**Minimum bid rate:** the lower limit to the interest rates at which counterparties may submit bids in the variable tenders.

**Other investment:** an item in the b.o.p. and the i.i.p. that covers the financial transactions/positions with non-residents in trade credits, deposits and loans, and other accounts receivable and payable.

**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 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.

**Purchasing power parity (PPP):** the rate at which one currency is converted into another so as to equalise the purchasing power of the two currencies by eliminating the differences in the price levels prevailing in the countries concerned. In their simplest form, PPPs show the ratio of the prices in national currency of the same good or service in different countries.

**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.

**Write-down:** a downward adjustment to the value of loans recorded in the balance sheets of MFIs when it is recognised that the loans have become partly unrecoverable.

**Write-off:** the removal of the value of loans from the balance sheets of MFIs when the loans are considered to be totally unrecoverable.

**Yield curve:** a graphical representation of the relationship between the interest rate or yield and the residual 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 or yield at two selected maturities.



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