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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

On the basis of its regular economic and monetary analyses, the Governing Council of the ECB decided at its meeting on 6 March 2008 to leave the key ECB interest rates unchanged. The information that has become available since the previous meeting of the Governing Council on 7 February has confirmed the existence of strong short-term upward pressure on inflation. It has also confirmed the assessment that there are upside risks to price stability over the medium term, in a context of very vigorous money and credit growth. The economic fundamentals of the euro area are sound. Incoming macroeconomic data point to moderating but ongoing real GDP growth. Yet the level of uncertainty resulting from the turmoil in financial markets remains high. Against this background, the Governing Council emphasises that maintaining price stability in the medium term is its primary objective in accordance with its mandate. Indeed, the firm anchoring of medium to longer-term inflation expectations is of the highest priority. The Governing Council believes that the current monetary policy stance will contribute to achieving this objective, and remains strongly committed to preventing second-round effects and the materialisation of upside risks to price stability over the medium term. The Governing Council will continue to monitor very closely all developments over the coming weeks.

Considering first the economic analysis, the latest information on economic activity confirms the picture of moderating growth around the turn of the year. According to Eurostat's first estimate, the quarter-on-quarter growth rate of euro area real GDP in the fourth quarter of 2007 was 0.4%, following 0.8% in the previous quarter. Surveys of business and consumer confidence, which have followed a downward trend since the summer of 2007, overall remain consistent with ongoing growth.

Looking ahead, in 2008 both domestic and foreign demand are expected to support ongoing real GDP growth in the euro area, albeit at lower rates than during 2007. The fundamentals of the euro area economy remain sound and the euro area economy does not suffer from major

imbalances. While being dampened by the global slowdown, investment growth should provide ongoing support, as capacity utilisation is high and profitability has been sustained. At the same time, as a result of the improved economic conditions and wage moderation, employment and labour force participation have increased significantly and unemployment rates have fallen to levels not seen for 25 years. Despite the dampening effect of higher commodity prices, consumption growth should continue to contribute to economic expansion, in line with rising employment.

These factors are also reflected in the March 2008 ECB staff macroeconomic projections. Annual real GDP growth is projected to lie in the range of 1.3% to 2.1% in 2008, and to be between 1.3% and 2.3% in 2009. In comparison with the December 2007 Eurosystem staff macroeconomic projections, the ranges projected for real GDP growth in 2008 and 2009 have been revised downwards, reflecting weaker global demand, stronger pressure from commodity prices and less favourable financing conditions than were foreseen in December. Available forecasts from international organisations broadly confirm this outlook.

In the view of the Governing Council, uncertainty about the prospects for economic growth remains unusually high. Downside risks to the outlook for economic activity continue to exist. They relate mainly to a potentially broader than currently expected impact of financial market developments. Further downside risks stem from the scope for additional commodity price rises, protectionist pressures and the possibility of disorderly developments owing to global imbalances.

With regard to price developments, according to Eurostat's flash estimate, the annual HICP inflation rate was 3.2% in February 2008, unchanged from January. This confirms the strong upward pressure on inflation in the short term, stemming mainly from the increases in energy and food prices in recent months. Looking ahead, the Governing Council expects a more protracted

period of relatively high rates of inflation than it did a few months ago. The annual HICP inflation rate will most likely remain significantly above 2% in the coming months and moderate only gradually later in the year.

The March 2008 ECB staff macroeconomic projections foresee annual HICP inflation of between 2.6% and 3.2% in 2008, and between 1.5% and 2.7% in 2009. Compared with the December 2007 Eurosystem staff macroeconomic projections, the projected ranges for HICP inflation have shifted upwards, mainly reflecting significant additional increases in food and energy prices.

It is important to recall that these staff projections are based on a number of assumptions which are of a purely technical nature and unrelated to policy intentions. In particular, the technical assumptions for short-term interest rates are taken from market expectations as at mid-February.

Moreover, it should be noted that the projections are based on the assumptions that the recent dynamism in commodity prices will diminish over the projection horizon, in line with futures prices, and that pressure from labour costs and profit margins will be limited.

In the view of the Governing Council, the risks to the outlook for inflation over the medium term are on the upside. These risks include further rises in oil and agricultural prices, continuing the strong upward trend observed in recent months. Furthermore, they include the possibility that stronger than currently expected wage growth may emerge, taking into account high capacity utilisation and tight labour market conditions. Moreover, the pricing power of firms, notably in market segments with low competition, could be stronger than expected. Increases in administered prices and indirect taxes beyond those foreseen thus far also pose upside risks to the inflation outlook.

At this juncture, it is imperative that all parties concerned meet their responsibilities and that second-round effects on price-setting, on the

one hand, and on wages, on the other hand, stemming from current inflation rates be avoided. In the view of the Governing Council, this is of key importance in order to preserve price stability in the medium term and thereby the purchasing power of all euro area citizens. The Governing Council is monitoring wage negotiations in the euro area with particular attention. In this context, the Governing Council is concerned about the existence of schemes in which nominal wages are indexed to consumer prices. Such schemes involve the risk of upward shocks in inflation leading to a wage-price spiral, which would be detrimental to employment and competitiveness in the countries concerned. The Governing Council therefore calls for such schemes to be avoided.

The monetary analysis confirms the prevailing upside risks to price stability at medium to longer-term horizons. Annual M3 growth remained very vigorous at 11.5% in January, supported by the continued strong growth of MFI loans to the private sector. A number of temporary factors suggest that M3 growth currently overstates the pace of the underlying monetary expansion. The relatively flat yield curve in particular has made holding monetary assets more attractive. However, even after taking such effects into account, a broad-based assessment of the latest data confirms that the underlying rate of money and credit growth remains strong.

The growth of household borrowing has moderated over recent months, reflecting the impact of higher key ECB interest rates since December 2005 and cooling housing markets in several parts of the euro area. However, the growth of loans to non-financial corporations has remained very robust. Bank borrowing by euro area non-financial corporations grew at an annual rate of 14.6% in the year to January 2008. Overall, bank loans to the domestic private sector have grown at around 11% on an annual basis for the past two years.

For the time being, there is little evidence that the financial market turbulence since early

August 2007 strongly influenced the overall dynamics of broad money and credit aggregates up to January 2008. In addition, according to the available data, the turmoil has not led to substantial portfolio shifts into monetary assets, as were observed between 2001 and 2003. Notwithstanding the tightening of credit standards reported in the bank lending survey for the euro area, continued strong loan growth to non-financial corporations suggests that the supply of bank credit to firms in the euro area has not been significantly impaired by the financial turmoil thus far. Further data and analysis will be required in order to obtain a more complete picture of the impact of the financial market developments on banks' balance sheets, financing conditions and money and credit growth.

To sum up, a cross-check of the outcome of the economic analysis with that of the monetary analysis fully confirms the assessment that there are upside risks to price stability over the medium term, in a context of very vigorous money and credit growth. The economic fundamentals of the euro area are sound. Incoming macroeconomic data point to moderating but ongoing real GDP growth. Yet the level of uncertainty resulting from the turmoil in financial markets remains high. The Governing Council emphasises that the firm anchoring of medium to longer-term inflation expectations is of the highest priority. The Governing Council believes that the current monetary policy stance will contribute to achieving this objective, and remains strongly committed to preventing second-round effects and the materialisation of upside risks to price stability over the medium term. The Governing Council will continue to monitor very closely all developments over the coming weeks.

Regarding fiscal policies, the Governing Council welcomes the fact that the Berlin Eurogroup agreement of April 2007, including the consolidation targets, was confirmed in the ECOFIN Council's opinions on the latest stability programme updates. There is no justification for delaying structural fiscal consolidation in countries with remaining fiscal

imbalances. On the contrary, the challenges ahead call for particularly prudent and stability-oriented fiscal policies to support private sector confidence. Achieving and maintaining sound fiscal positions will also allow the free operation of automatic stabilisers and contribute to the smooth functioning of Economic and Monetary Union.

Structural reforms would not only be beneficial for employment and potential growth, but would also help to reduce inflationary pressures. Enhancing competition, especially in services and network industries, is essential at this juncture to support price stability and enhance productivity growth. Similarly, administered prices, indirect taxes, minimum wage legislation and public sector wage-setting should not add to inflationary pressures in the economy.

ECONOMIC AND MONETARY DEVELOPMENTS

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

Against the background of high financial market volatility and incoming data suggesting more pronounced weakness in US economic activity, the external environment of the euro area has weakened over the past quarter. While global economic activity still continues to be supported by robust economic conditions in emerging markets, country-specific factors, as well as repercussions of the US slowdown, are having more of a dampening effect on the pace of economic expansion in other advanced economies. At the same time, the protracted upward momentum of commodity prices continues to place upward pressure on headline consumer price inflation in OECD countries. On balance, the risks to the outlook for growth are judged to lie on the downside.

I.1 DEVELOPMENTS IN THE WORLD ECONOMY

Against the background of persistently high financial market volatility and incoming data suggesting more pronounced weakness in US economic activity than had been anticipated earlier, the external environment of the euro area has weakened over the past quarter. This is consistently reflected in survey evidence on global business conditions, which have been rather volatile in recent months. Following a marked contraction of the global all-industry output PMI to 47.7 in January, down from 53.8 in December, the index rebounded sharply in February to 51.7. While this level of the index is above the 50-point threshold between economic expansion and contraction, it is still below its long-run average and is consistent with a modest expansion of the global economy (see Chart 1).

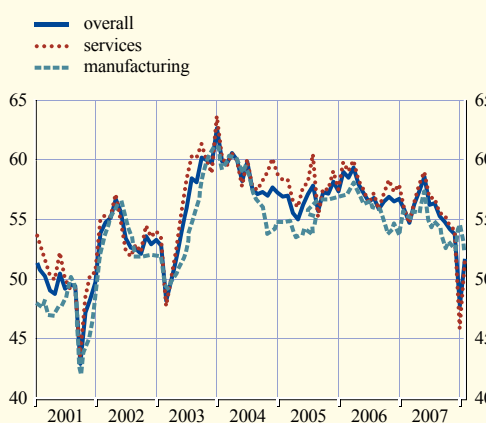
The volatility in this index is attributable mainly to the evolution of service sector activity at the beginning of the year, while the manufacturing sector showed more resilience overall. Taking a regional perspective, global economic activity still continues to be supported by robust economic conditions in emerging markets, particularly in Asia, while country-specific factors, as well as repercussions of the US slowdown, are having more of a dampening effect on the pace of economic expansion in other advanced economies.

Against the background of the recent revisions of purchasing power parity (PPP) exchange rates by the International Comparison Program, Box 1 below discusses the impact of the revised PPP rates on individual countries' contributions to world output.

In view of the protracted upward pressures on commodity prices, particularly for energy and food, headline consumer price inflation in OECD countries remained at elevated levels towards the end of 2007 and in early 2008. Consumer prices in OECD countries rose by 3.5% in the year to January 2008. Excluding food and energy, however, annual consumer price inflation stood at 2.0% in January, indicating that energy and food prices make a substantial contribution to global inflation. In many emerging markets, inflation has risen to even more elevated levels than in OECD countries because of the increased weight of food in their price indices. In China, for instance, annual consumer price inflation accelerated further to stand at 7.1% in January. Survey evidence on global input prices suggests that cost inflation remains at elevated levels, particularly in the manufacturing sector.

Chart 1 Global PMI Output

(diffusion index; seasonally adjusted)



Source: NTC Economics.

AGGREGATING WORLD GDP – THE ROLE OF EXCHANGE RATES

The ECB, in line with the approach adopted by the IMF and other institutions, uses purchasing power parity (PPP) exchange rates to calculate both the relative size of individual economies and aggregate world GDP. At the end of last year the International Comparison Program, a project which covers 146 countries and is coordinated by the World Bank, released a revised set of PPP exchange rates benchmarked to the year 2005. This box discusses the impact of the new PPP rates on individual countries' contributions to world output and looks at the role of aggregation weights more generally, comparing PPP exchange rates with market exchange rates.

Revisions to PPP exchange rate estimates

The new estimates for PPP exchange rates entailed substantial changes in the shares of individual countries' contributions to global output, particularly in the case of emerging market countries (see Chart A). Most notably, the shares of China and India were reduced by approximately five and two percentage points respectively. This was offset mainly by increases of around two percentage points in the estimated shares of advanced economies such as the United States and the euro area (which rose to around 22% and 17% respectively).

The revised PPP exchange rates also have implications for aggregate world growth, resulting in a lower rate of growth for the world economy in recent years (a reduction of around half a percentage point per year on average since 2002, a result which is broadly in line with similar findings by the IMF). Using the new PPP exchange rates, the world economy is estimated to have grown by 4.7% in 2007, compared with 5.2% using the previous exchange rates. This is easily explained by the downward revision of the shares of fast-growing emerging economies such as China and India, which remain, nevertheless, the main drivers of world growth.

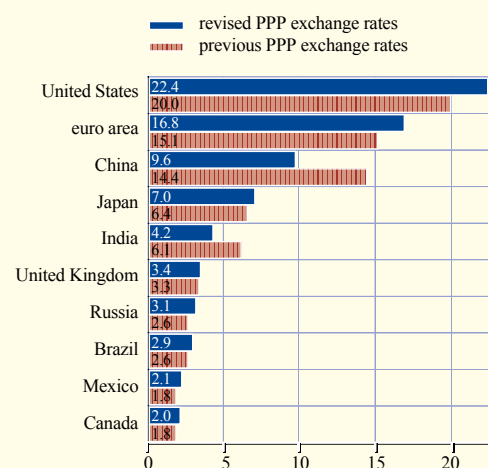
Comparison of world GDP under PPP and market exchange rates

The use of PPP exchange rates has the conceptual advantage of taking into account differences in national price levels when a region's share in world output is calculated. This is not the case for aggregation methods based on market exchange rates. Nevertheless, it is still useful to assess the sensitivity of aggregate world GDP to the type of exchange rate used in its calculation by comparing growth rates compiled using PPP and market exchange rates.

Chart B shows the ten largest economies in the world in 2005 under the new PPP exchange rates, compared with the shares of these economies using market exchange rates.

Chart A Shares in world GDP using PPP exchange rates

(percentages; 2005)

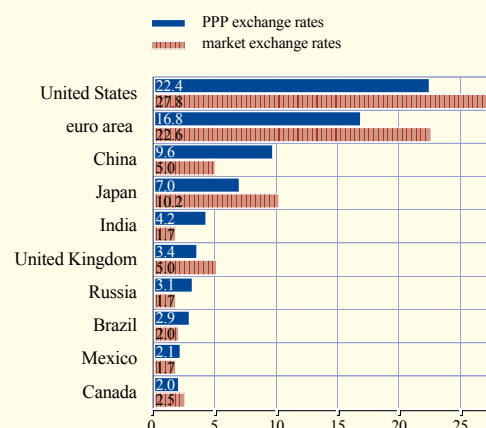


Sources: IMF and ECB staff calculations.

This confirms that the United States and the euro area are the largest economies, with a combined share of around 50% of world output under market exchange rates, compared with around 40% under PPP exchange rates. China is the third largest economy when measured using PPP exchange rates (having a share of almost 10% of world output), although it stands only in fifth position, after Japan and the United Kingdom, when measured using market exchange rates. More generally, it is apparent that the shares of advanced economies are typically larger under market exchange rates than under PPP rates, while the opposite is true for emerging economies.

Chart B Shares in world GDP using PPP and market exchange rates

(percentages; 2005)



Sources: IMF and ECB staff calculations.
Note: The chart shows the ten largest economies using PPP exchange rates.

This, together with substantial growth differentials across regions, implies that aggregate world growth is likely to vary significantly depending on the exchange rates employed in its calculation. Since 2000 world real GDP growth rates calculated using PPP exchange rates have consistently been above those obtained using market exchange rates, with an average difference of around 0.8 percentage point between the two. However, growth patterns using the two measures have been relatively similar, which confirms the findings published in Box 1 of the June 2006 Monthly Bulletin.

UNITED STATES

In the United States, following several years of strong growth in economic activity, real GDP growth slowed somewhat in 2007, standing at 2.2% in that year, down from 2.9% in 2006. This slowdown mainly reflects adverse developments in the housing market, which continued trends observed in 2006 and resulted in a sharp contraction in residential investment. In addition, financial market turbulence in the second half of 2007 led to a broader tightening of credit conditions and thus contributed to the dampening of growth towards the end of the year. Offsetting some of the drag from the housing sector, US economic growth in 2007 was supported by strength in global economic activity as reflected in a positive net trade contribution, as well as robust business capital and private consumer spending. However, most determinants of consumer spending, including employment and real income growth, deteriorated towards the end of the year.

As regards price developments, headline consumer price inflation stood at 2.8% in 2007, down from 3.2% in 2006. The year-on-year rate of change in the CPI increased in the course of 2007, with the exception of a brief decline in the summer. This pattern stems mainly from developments in energy prices and food prices, which rose throughout the year. The annual rate of inflation excluding energy and food moderated over most of 2007, although it has increased again in the past few months. In 2007 as a whole it stood at 2.3%, 0.2 percentage point lower than in 2006.

Looking ahead, the outlook for the US economy has deteriorated in recent months, suggesting that growth in economic activity will slow substantially further by comparison with the rates observed in 2007. This assessment is reflected in the range of projections by members of the US Federal

Open Market Committee, as published with the minutes of the meeting of 29-30 January 2008. According to the central tendency of these projections, real GDP growth is expected to lie in the range of 1.3-2.0% in 2008, 2.1-2.7% in 2009 and 2.5-3.0% in 2010 (measured as fourth quarter year-on-year growth rates). For 2008, this represents a considerable downward revision relative to the October projections (which forecast growth in the range of 1.8-2.5%). Annual “core” inflation (as measured by the annual rate of change in the deflator of personal consumption expenditure excluding food and energy) is projected to stand between 2.0% and 2.2% in 2008 (thus slightly above the October projections) and to lie in the range of 1.7-2.0% and 1.7-1.9% in 2009 and 2010 respectively.

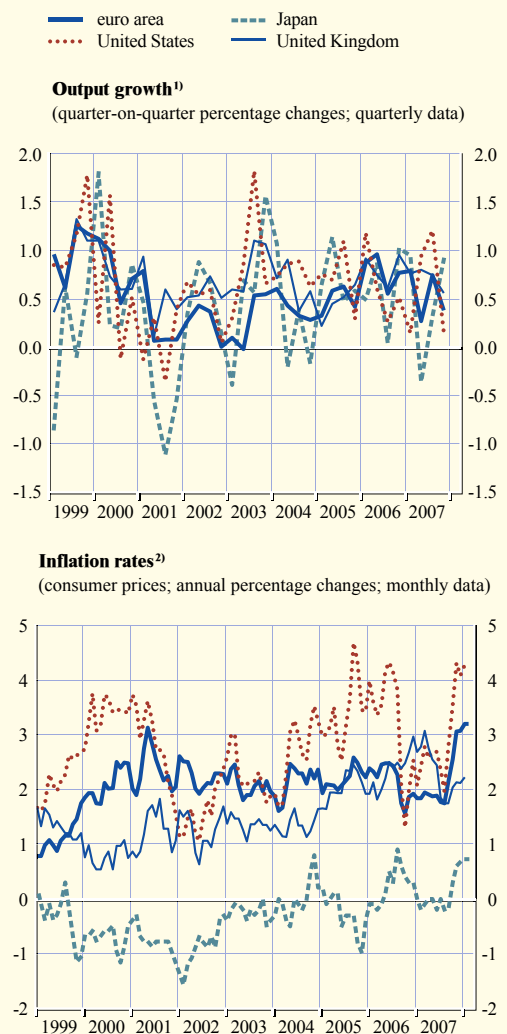
After having cut its target for the federal funds rate by 25 basis points on 11 December 2007, the US Federal Open Market Committee (FOMC) lowered the target again on two occasions in early 2008. First, at an unscheduled meeting on 22 January, it decided to cut its target by 75 basis points to 3.5%. Subsequently, at its regular meeting on 30 January, the target was lowered by an additional 50 basis points to 3%.

JAPAN

In Japan, economic activity has been slowing in recent months, following the revision of the Building Standard Law in June 2007, which resulted in a significant decline in housing and corporate construction starts in the second half of the year. However, economic activity has continued to expand and output has been supported by resilient business investment and solid export growth, while the contribution of private consumption to GDP growth has remained moderate. In the fourth quarter of 2007, according to the first preliminary data released by the Cabinet Office, real GDP grew by 0.9% quarter on quarter (following growth of 0.3% in the third quarter) on account of strong exports and non-residential investment. For the year as a whole, real GDP grew by 2.1%, down from 2.4% in 2006.

Consumer price inflation has remained subdued (see Chart 2), owing to persistent downward pressures, especially on wages. In recent months, however, as a result of the rise in the price of imported raw materials, general CPI inflation has returned to positive territory. In December 2007 the annual rate of change in the CPI was 0.7%, having stood at 0.6% in November, while

Chart 2 Main developments in major industrialised economies



Sources: National data, BIS, Eurostat and ECB calculations.

1) Eurostat data are used for the euro area and the United Kingdom; national data are used for the United States and Japan. GDP figures have been seasonally adjusted.

2) HICP for the euro area and the United Kingdom; CPI for the United States and Japan.

the annual rate of change in the CPI excluding fresh food was 0.8%, having stood at 0.4% in November. Excluding food and energy, the annual rate of change in the CPI was -0.1%, the same as in November.

At its meeting on 15 February 2008 the Bank of Japan decided to leave its target for the uncollateralised overnight call rate unchanged at 0.50%.

Looking ahead, the outlook for the Japanese economy has become more uncertain. Risks have increased on the downside, in the wake of the global financial turmoil and rising raw material prices, which could lead to less favourable developments in private consumption and exports in 2008 as compared with the previous years of expansion.

UNITED KINGDOM

In the United Kingdom, GDP growth has moderated and HICP inflation has remained relatively stable in recent months. The quarterly rate of output growth gradually moderated in 2007, and in the fourth quarter of 2007 it stood at 0.6% – just below the long-term average of 0.7% (see Chart 2).

HICP inflation remained more or less unchanged in the four months to January 2008, standing at 2.2% in that month. The falling contribution of utility bills, combined with lower clothing prices in January, offset higher fuel and food prices.

On 6 December 2007 and 7 February 2008 the Bank of England's Monetary Policy Committee decided to cut its main policy rate by 25 basis points, bringing the rate down to 5.25%. On 6 March 2008 the Bank of England's Monetary Policy Committee left its main policy rate unchanged.

Looking ahead, growth momentum is expected to decelerate further on the back of tighter credit conditions, negative wealth effects stemming from the weakness in house and equity prices, and weaker foreign demand. In the short run, inflation is expected to increase significantly owing to increases in the prices of gas, electricity, fuel and imports.

OTHER EUROPEAN COUNTRIES

In other EU countries outside the euro area, output growth has either been broadly sustained or has moderated somewhat over recent months. By contrast, inflation has increased substantially in all countries in recent months, largely owing to rising food and energy prices.

In Sweden, quarterly GDP growth has been fairly stable in recent quarters, standing slightly below the long-term average of 0.8%, whereas in Denmark quarterly growth has been very volatile, tending to exceed the long-term average of 0.5%. Economic growth has been driven by domestic demand, as the contribution of net exports has been negative in both countries. GDP growth is expected to be broadly sustained in the coming quarters. HICP inflation in the two countries has risen substantially in recent months, reaching 3% in Denmark and Sweden in January. Inflation is expected to remain at these elevated levels in the near future. On 13 February 2008 Sveriges Riksbank increased the repo interest rate by 25 basis points to 4.25%. This rate has increased by a total of 100 basis points since June 2007.

In the four largest central and eastern European economies – the Czech Republic, Hungary, Poland and Romania – recent output growth patterns have been mixed. GDP growth has moderated somewhat in the Czech Republic, but it has remained above its long-term average. Growth momentum has been underpinned by strong domestic demand and is expected to be broadly

sustained in the short run. In Hungary, real GDP growth remained close to 0% in the fourth quarter of 2007, owing primarily to the ongoing fiscal stabilisation, and is projected to accelerate in the coming quarters. In Poland and Romania, economic growth has been above longer-term averages and broadly sustained in recent quarters. This is expected to continue in the near future. Since the third quarter of 2007 HICP inflation has increased considerably in all four countries, reflecting higher food and energy prices. In January inflation was above 7% in the Czech Republic, Hungary and Romania, and stood at 4.4% in Poland. In the months ahead inflation is expected to remain broadly at these elevated levels.

In most of the smaller non-euro area EU countries, quarterly real GDP growth has been strong and above long-term averages in recent quarters. There are some first indications that economic momentum is likely to slow in the coming months in at least some of these countries, owing to tightening credit conditions, house price developments and weaker foreign demand. HICP inflation has risen rapidly in recent months, often reflecting higher food and energy prices. In January inflation was highest in Bulgaria and the Baltic states, ranging between 10% in Lithuania and 15.6% in Latvia. Box 2 below reviews the planned cohesion-related transfers to central and eastern European countries, with a focus on the short-term challenges for macroeconomic stability.

In Russia, GDP growth remained robust in the third quarter of 2007, standing at 7.6% year on year. Preliminary estimates suggest that GDP growth increased in the fourth quarter. Inflation has continued to follow an upward path, accelerating to 11.8% year on year in December (up from 11.5% in November).

Box 2

EU COHESION POLICY IN CENTRAL AND EASTERN EUROPEAN COUNTRIES

European regions with per capita income of less than 75% of the EU average can expect to receive considerable transfers from the EU in the context of the EU's cohesion policy.¹ Cohesion policy is financed by three funds, namely the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund. The main objective of EU cohesion policy is to reduce disparities between the levels of development of the various regions and Member States, in particular by improving the long-term growth and employment prospects of the supported regions, and thereby to support convergence towards higher levels of per capita income.² This is achieved mainly by co-financing investment in infrastructure and human capital and by providing financial support for other investment relevant for growth and convergence. This box reviews the planned cohesion-related transfers to central and eastern European countries, with a particular focus on the short-term challenges for macroeconomic stability.

During the "Financial Perspective 2007-13" the EU9 countries (i.e. Bulgaria, the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania and Slovakia) will be the biggest beneficiaries of EU cohesion policy. This group of countries will receive around half of the total

1 For an overview of EU cohesion policy, see European Commission (2007), "Growing Regions, growing Europe: Fourth report on economic and social cohesion".

2 In addition to the "convergence objective", cohesion policy also covers, albeit to a lesser extent, the "regional competitiveness and employment objective", as well as the "European territorial cooperation objective".

EU support for cohesion in EU9 recipient countries for the period 2007-13

(allocations as a percentage of GDP)

	2007	2008	2009	2010	2011	2012	2013	Average 2007-13
Bulgaria	1.8	2.3	2.7	2.6	2.6	2.5	2.4	2.4
Czech Republic	2.7	2.5	2.5	2.4	2.4	2.3	2.2	2.4
Estonia	2.4	2.3	2.2	2.2	2.2	2.2	2.3	2.3
Latvia	2.5	2.3	2.2	2.2	2.3	2.3	2.3	2.3
Lithuania	2.8	2.6	2.5	2.5	2.5	2.5	2.4	2.5
Hungary	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.9
Poland	2.7	2.6	2.5	2.4	2.4	2.3	2.3	2.4
Romania	1.1	1.5	1.8	1.9	1.9	1.8	1.8	1.7
Slovakia	2.4	2.4	2.3	2.4	2.4	2.4	2.3	2.4
EU9 total	2.4	2.4	2.4	2.4	2.4	2.3	2.3	2.4

Sources: ECB calculations, European Commission (for cohesion policy-related expenditure allocations), European Commission AMECO database (for nominal GDP for the period 2007-09) and IMF World Economic Outlook database (for nominal GDP growth rates for the period 2010-12).

Note: Owing to a lack of projections, the nominal GDP growth rate for 2013 was set equal to the growth rate for 2012.

cohesion policy-related allocations for the 27 Member States. The commitments allocated to the EU9 for the period as a whole correspond, on average, to around 2½% of GDP per year (see table). Cohesion policy-related transfers are expected to decline slightly (as a percentage of GDP) over the period 2007-13 for all countries except Bulgaria and Romania. In the case of Bulgaria and Romania, commitments will peak in 2009 and 2010 respectively as a percentage of GDP, reflecting a gradual phasing-in of cohesion policy-related allocations following EU accession in 2007.

In the course of 2007 the individual EU countries submitted their “National Strategic Reference Frameworks” to the European Commission for approval, providing detailed information on the planned use of the cohesion policy-related transfers over the period 2007-13. Between 2000 and 2006, in line with objectives, these funds were largely used for enhancing productivity, in particular through infrastructure projects, investment in human capital, and research and development. Such projects and investment are again likely to account for a large share of cohesion policy-related expenditure in the EU9 over the period 2007-13. Given that infrastructure and human capital investment needs tend to be greater in the EU9 than in the benefiting countries and regions of the EU15 (i.e. countries that joined the EU before 2004), it is possible that the leverage effects of EU cohesion policy may be somewhat larger than in the past. However, cohesion policy-related funds may create challenges for fast-growing countries, as their short-term demand effects may exacerbate macroeconomic imbalances.³

In order to assess the demand effects of EU cohesion policy, one must distinguish between commitments made within the cohesion policy framework and actual payments, as their respective time profiles can differ substantially. Between 2004 and September 2007 the EU9 were, on average, able to administer only 56% of the committed ERDF funds. As regards the Cohesion Fund, the ratio of actual payments to commitments was as low as 22% for the same group of countries. As a result, it is unlikely that a smooth profile of actual payments will materialise during the period 2007-13. Owing to “teething problems” at the start of the planning period, actual payments tend to be accumulated at the end of the period. Since most of the payments go to infrastructure projects, significant demand effects are likely to arise, in particular in the construction sector, which is already experiencing bottlenecks in several EU9 countries.

³ See IMF (2007), “World Economic Outlook – October 2007”, pp. 89-92, for an analysis of the macroeconomic imbalances that have emerged in Bulgaria, Estonia, Latvia, Lithuania and Romania over recent years.

In order to minimise the potential cyclical impact resulting from the demand effects of the EU transfers, national governments in EU9 countries and EU institutions would be well advised to consider the macroeconomic environment when deciding on the sequencing of cohesion policy measures over the programming period. For example, in countries with clear signs of overheating, postponing the implementation of EU-financed projects with considerable demand effects until the economy has cooled down may help to avoid further fuelling macroeconomic imbalances. The fact that in the recent past the EU9 have spent only around half of the funds allocated to them under the EU's cohesion policy would seem encouraging in this respect. However, the low implementation rate also reflects organisational issues related to administration and planning, which could undermine the cohesion policy in terms of promoting long-term economic growth and employment. In fact, better administration and planning is imperative in order to ensure the effective use of EU funds.

Ultimately, the guiding principle for economic policy-makers should be to ensure that the EU funds enhance long-term productivity, while avoiding, in times of overheating, an increased risk of unsustainable developments as a result of the additional demand stimulus from these funds.

EMERGING ASIA

In emerging Asia, in the fourth quarter of 2007 economic activity continued to expand at a robust pace, increasingly being driven by domestic demand, whereas export growth moderated, especially in small open economies, owing to weaker external demand. Consumer prices increased further in most countries in the region, driven by food and other commodity prices. Most recent data suggest that price pressures may remain strong in the coming months.

In China, growth remained robust at the end of 2007. Real GDP, increasingly being driven by domestic demand, grew by 11.2% year on year in the last quarter of 2007, down only slightly from the 11.5% observed in the previous quarter. Despite a pick-up in January 2008 owing to the frontloading of shipments before the Chinese lunar new year, export growth has been losing momentum since the second quarter of 2007. Nevertheless, the trade surplus has continued to widen and reached USD 262.2 billion in 2007, 48% higher than in the previous year. Consumer price inflation has continued to rise in recent months and reached 7.1% in January, mostly driven by rising food and commodity prices. Bad weather conditions, in particular, significantly affected food prices. At the same time, the upsurge in producer prices indicates that price pressures will probably remain strong in the coming months. In 2007 the People's Bank of China progressively raised banks' reserve requirements from 10% to 15%.

In South Korea, real GDP grew at an annual rate of 5.5% in the last quarter of 2007, up from 5.2% in the previous quarter. Annual CPI inflation edged up to 3.9% in January, from 3.6% in the previous month, owing mainly to an upsurge in prices of food and commodities. In India, economic activity remained sustained, with GDP growing at an average annual rate of 8.4% in the fourth quarter, after 8.9% in the previous quarter. Wholesale price inflation, the Reserve Bank of India's main inflation measure, increased to 4.9% in February 2008, up from 4.1% in January.

Overall, weaker external demand, the deterioration in financing conditions and the tightening of monetary policy in a number of countries are likely to dampen growth in the coming months. Nevertheless, the growth outlook remains relatively favourable in emerging Asia, owing mainly to strong domestic demand, especially in the largest economies in the region.

LATIN AMERICA

In Latin America, economic activity remained robust in the fourth quarter of 2007, with domestic demand still the main driver of growth. In Mexico, real GDP growth continued to be sustained, standing at an annual rate of 3.8% in the fourth quarter of 2007, after 3.7% in the third quarter. Annual consumer price inflation averaged 3.8% in the fourth quarter, down from 4.0% in the previous quarter. In Argentina, economic activity rebounded in the last quarter of 2007, with industrial production growing at a rate of 9.8% (year on year), up from 7.4% on average in the third quarter. Annual CPI remained elevated, averaging 8.5% in the last quarter. In Brazil, output growth continued to strengthen, with industrial production expanding by 7.8% (year-on-year) in the fourth quarter, up from 6.8% in the previous quarter. Annual consumer price inflation increased slightly to 4.2% in the fourth quarter, up from 4.0% in the previous quarter.

Overall, output growth is expected to moderate somewhat owing to tighter monetary conditions and weaker external demand. However, the outlook for Latin America continues to be favourable, with domestic demand remaining the main driver of growth.

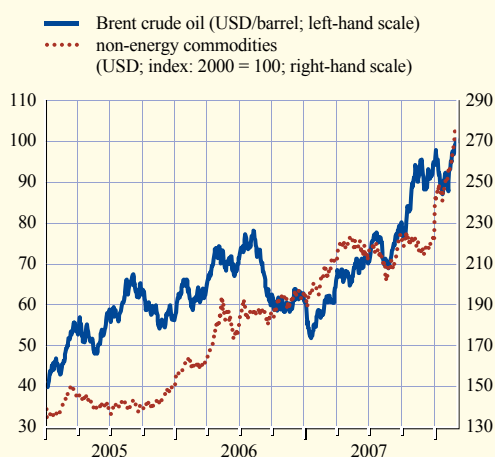
1.2 COMMODITY MARKETS

After surging throughout most of 2007, oil prices entered a period of very high volatility at the end of the year and have since remained volatile at historically high levels, standing at USD 99.6 on 5 March (see Chart 3). At the beginning of 2008 market concerns regarding a global economic downturn resulting in subdued global oil demand placed downward pressure on oil prices. In its February assessment the International Energy Agency revised downwards its 2008 forecast for global oil demand growth from 2.3% to 1.9%. This downward revision reflects weaker demand growth in OECD countries, mainly the United States, while non-OECD demand is expected to remain robust.

Relatively mild weather conditions during the northern hemisphere heating season and the recovery of inventories from very low levels have contributed to some easing in oil market tightness. In contrast, supply side restrictions have placed upward pressure on oil prices, as OPEC did not react to international calls for an increase in its level of production, instead deciding to keep production constant at its latest meeting on 5 March. Relatively large fluctuations in net positions of non-commercial traders at the New York Mercantile Exchange contributed to oil price volatility. Against this background of relatively tight market conditions and considerable market uncertainty, geopolitical tensions, a conflict between Venezuela and a private oil company, as well as an explosion at a refinery in Texas, have contributed to an oil price rally, with major oil benchmark prices closing above USD 100 for the first time in trading history towards the end of February and beginning of March.

Looking ahead, futures prices indicate that oil prices will remain at elevated levels in the medium run, with December 2009 futures

Chart 3 Main developments in commodity markets



Sources: Bloomberg and HWWI.

currently trading at USD 99. Throughout the recent period of high volatility in spot prices, medium-term oil prices have remained at elevated levels, with futures prices registering historically high levels. This reflects expectations of tight oil markets in the medium run owing to dynamic oil demand growth in emerging markets and restricted oil supply growth in non-OPEC countries, as well as limited spare capacity in OPEC production.

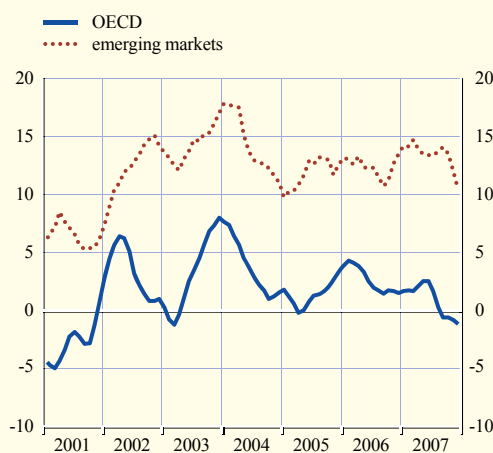
The prices of non-energy commodities have continued the steep upward trend which started at the beginning of December (see Chart 3). Prices of non-ferrous metals eased slightly on account of market concerns regarding economic growth in some OECD countries, but subsequently picked up again in response to production shortfalls owing to power shortages in China and South Africa. Industrial raw material prices were driven by a price surge of over 50% in iron ore prices at the beginning of 2008. Food and beverage prices have continued to increase sharply in an environment of robust demand (especially from non-OECD countries), soaring freight rates and low inventory levels owing to adverse weather conditions. Demand for biofuels has placed additional upward pressure on cereal prices, but has also led to historically high prices for other crops, such as soybeans, owing to increased competition for acreage. In aggregate terms, the price index for non-energy commodities (denominated in US dollars) was approximately 30% higher at the end of February than it had been a year earlier.

1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

The moderation in the global expansion is likely to translate into some weakening in external demand growth for euro area goods and services. The OECD composite leading indicator (CLI) for December suggests that a slowdown in economic activity lies ahead in OECD countries (see Chart 4). For major non-OECD countries, the CLI also points to some moderation in the growth outlook for China, albeit with growth remaining buoyant, while it signals relatively steady expansion in Brazil, India and Russia. This outlook is confirmed by evidence contained in the Ifo World Economic Climate survey, which suggests that the prospects for the global economy over the coming six months are less favourable than they were three months earlier.

Chart 4 OECD composite leading indicator

(six-month rate of change)



Source: OECD.
Note: The emerging market indicator is a weighted average of the CLI for Brazil, China and Russia.

In the March ECB staff projections, annual growth in world real GDP outside the euro area is projected to average about 4.6% in 2008, revised down from the December 2007 projections (see Box 10, entitled “ECB staff macroeconomic projections for the euro area”).

On balance, downside risks to the outlook for growth continue to exist. These relate mainly to a potentially broader than currently expected impact of financial market developments. Further downside risks stem from the scope for additional commodity price rises, protectionist pressures and the possibility of disorderly developments owing to global imbalances.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

The underlying rate of monetary expansion in the euro area remained strong in the fourth quarter of 2007 and the first month of 2008, as reflected in the continued strong growth of both M3 and credit. Thus far, broad monetary aggregates have been little affected by the ongoing financial turmoil that started in the summer of 2007, although some specific components and counterparts of M3 may have been influenced. Strong growth rates of loans to the non-financial private sector indicate that bank loan supply has not been severely disrupted by the financial turmoil. At present, it appears that taking into account the relevant accounting standards and available data, the aggregate loan data have not been seriously distorted by re-intermediation of previously securitised loans or credit products. Annual M3 growth currently overstates the underlying pace of monetary dynamics as a result of shifts from longer-maturity instruments into monetary assets given the relatively flat yield curve. Nonetheless, the strong rate of money and credit expansion in a context of already ample monetary liquidity points to upside risks to price stability over the medium to longer term.

THE BROAD MONETARY AGGREGATE M3

In the fourth quarter of 2007 the annual growth rate of M3 increased further to 12.0%, up from 11.5% in the third quarter and 10.6% in the second quarter (see Chart 5). This was the highest annual growth rate since the start of the quarterly M3 series in the early 1980s. In January 2008 the annual growth rate of M3 was 11.5%, somewhat lower than the growth rate recorded in the last quarter of 2007. From January 2008 onwards the monetary data for the euro area include Cyprus and Malta, but their inclusion has a negligible impact on euro area M3 growth.¹

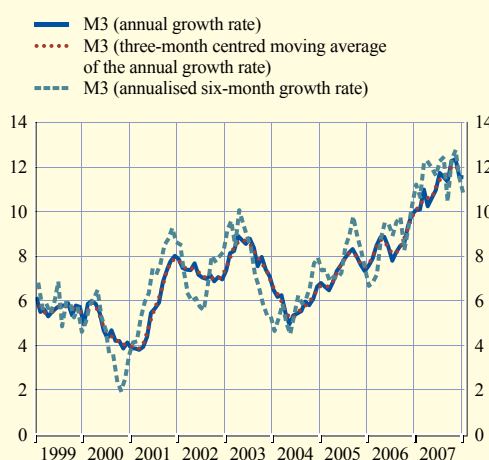
The strong growth of M3 currently overstates the underlying pace of monetary expansion. In particular, the relatively flat yield curve in the euro area renders the remuneration of shorter-term monetary assets attractive by comparison with riskier non-monetary assets outside M3.

The resulting shift into monetary instruments increases headline M3 growth, but this effect is only likely to last until the yield curve returns to its normal, steeper profile. This interpretation is supported by the downward trend in the annual growth rate of M1 observed over recent quarters, which demonstrates that the gradual increase in key ECB interest rates since late 2005 has led to a moderation of monetary dynamics (see Chart 6). Nonetheless, the continued strong growth of loans to the non-financial private sector – particularly to non-financial corporations – supports the view that underlying monetary dynamics remain strong.

Notwithstanding the ongoing financial turmoil, the flow of MFI loans to non-financial corporations and households has remained strong, indicating that the turmoil has, at least thus far, not significantly

Chart 5 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

¹ See the box entitled “Stylised facts about the MFI sectors of Cyprus and Malta and their impact on monetary data for the euro area” in the February 2008 issue of the Monthly Bulletin.

impaired the supply of bank loans to the private sector. More generally, the latest monetary data support the view that broad money and credit aggregates have been little affected by the turmoil. Nevertheless, specific components and counterparts of M3 that are closely related to the development of the turmoil – such as holdings of money market fund shares/units, MFIs' short-term debt securities and, to some extent, loans and deposits of other financial intermediaries (OFIs) – have been affected to some degree.²

MAIN COMPONENTS OF M3

The annual rate of growth of M1 continued to moderate in the fourth quarter of 2007, after a slight increase in the third quarter (see Chart 6). The annual growth rate of M1 was 4.4% in January 2008, after 5.9% and 6.6% in the fourth and third quarters of 2007 respectively (see Table 1). M1 growth continues to be influenced by two countervailing forces: first, the dampening impact from the rising opportunity cost associated with rises in key ECB interest rates since December 2005; and second, a supportive impact from higher transaction-related demand given the strength of economic activity in recent quarters.

With regard to developments in the components of M1, the annual growth rate of currency in circulation declined to 7.8% in January 2008, from 8.0% in the fourth quarter and 8.8% in the third quarter of 2007. Annual growth in overnight deposits also decreased, to 3.8% in January from 5.6% in the fourth quarter and 6.2% in the third quarter.

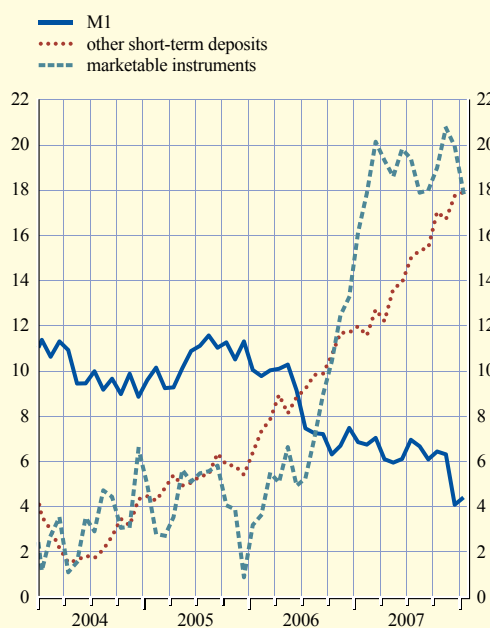
By contrast, annual growth in short-term deposits other than overnight deposits has strengthened over recent months, reaching 17.9% in January 2008, after 16.8% in the fourth quarter and 15.0% in the third quarter. This development was mainly attributable to strong increases in short-term time deposits (i.e. deposits with an agreed maturity of up to two years), which grew by 41.3% in January on an annual basis, one of the highest growth rates of this component historically. At the same time, the annual growth rate of savings deposits (i.e. deposits redeemable at notice of up to three months) declined further.

The continued strong growth of short-term time deposits partly reflects their relatively attractive remuneration, which has broadly followed the rise in short-term money market interest rates. Throughout December 2007, the spread against the remuneration of short-term savings deposits and overnight deposits has widened, supporting shifts from savings deposits and overnight deposits (M1) into time deposits. Moreover, a relatively flat yield curve has also made short-term deposits attractive relative to longer-maturity assets outside M3, as they offer greater liquidity and less risk at little cost in terms of return.

² See the box entitled “The impact of the financial market turmoil on money and credit developments” in the November 2007 issue of the Monthly Bulletin.

Chart 6 Main components of M3

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



Source: ECB.

Table I Summary table of monetary variables

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

	Outstanding amount as a percentage of M3 ¹⁾	Annual growth rates					
		2007 Q1	2007 Q2	2007 Q3	2007 Q4	2007 Dec.	2008 Jan.
M1	43.9	7.0	6.2	6.6	5.9	4.1	4.4
Currency in circulation	7.2	10.5	10.0	8.8	8.0	8.2	7.8
Overnight deposits	36.7	6.3	5.5	6.2	5.6	3.3	3.8
M2 - M1 (= other short-term deposits)	40.7	11.9	13.1	15.0	16.8	17.8	17.9
Deposits with an agreed maturity of up to two years	23.2	29.5	33.0	37.6	40.7	41.4	41.3
Deposits redeemable at notice of up to three months	17.5	-0.8	-2.1	-3.2	-4.0	-3.6	-3.7
M2	84.6	9.1	9.2	10.3	10.8	10.2	10.5
M3 - M2 (= marketable instruments)	15.4	16.9	19.3	18.7	19.6	19.9	17.9
M3	100.0	10.2	10.6	11.5	12.0	11.6	11.5
Credit to euro area residents		8.0	8.1	8.8	9.3	10.1	10.0
Credit to general government		-4.5	-4.4	-4.0	-3.8	-2.3	-2.2
Loans to general government		-1.3	-1.2	-0.9	-1.8	-1.4	-0.6
Credit to the private sector		11.1	11.0	11.7	12.3	12.8	12.7
Loans to the private sector		10.6	10.5	11.0	11.1	11.2	11.1
Longer-term financial liabilities (excluding capital and reserves)		10.0	10.3	10.3	8.5	7.8	7.9

Source: ECB.

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

The annual rate of growth of marketable instruments declined to 17.9% in January 2008, after 19.6% in the fourth quarter and 18.7% in the third quarter of 2007. This concealed heterogeneous developments across the sub-components. Holdings of money market fund shares/units recorded a strong inflow of €16 billion in January, more than reversing the outflow recorded in the previous month. This partly relates to the abatement of the end-of-year effect in December. The annual rate of growth of holdings of money market fund shares/units stood at 10.6% in January, after 10.7% and 13.0% in the fourth quarter and the third quarter respectively. The moderation in growth is related to a general reluctance to hold money market fund shares/units following the reassessment of money market risks and well-publicised concerns about the quality of the assets of a small number of money market funds.

At the same time, the demand for debt securities with a maturity of up to two years slowed down significantly, but nonetheless continued to grow at a very strong annual growth rate of 38.2% in January 2008, after 55.7% and 48.0% in the fourth quarter and the third quarter of 2007 respectively. The still strong demand may reflect investors' preference for liquid and short-dated assets, given the relatively flat yield curve. Moreover, issuing debt securities accommodates investors' demand for simpler, and arguably more transparent, investment options at a time when concerns about the transparency of complex instruments abound. Finally, the annual growth rate of repurchase agreements increased to 18.7% in January, after 14.0% in the fourth quarter and 13.2% in the third quarter of 2007, which partly reflects the shift of inter-MFI trading to the Eurex trading platform located in the OFI sector in response to the dislocation in the money markets.

As regards the sectoral breakdown of monetary growth, which relies on data for short-term deposits and repurchase agreements ("M3 deposits"), the annual rate of growth of M3 deposits increased in January 2008. This reflected the ongoing increase in the annual growth rate of short-term deposits and repurchase agreements for households (to 9.1%, from 7.9% in the fourth quarter and 7.3%

in the third quarter of 2007) and for OFIs (to 23.0% in January, from 27.1% and 23.7% in the fourth and third quarters of 2007 respectively), while the annual growth rate of non-financial corporations' deposits decreased slightly to 10.9% in January, from 12.3% and 13.3% in the preceding two quarters (see Chart 7). Overall, in the fourth quarter, while the OFI sector remained the most dynamic contributor to M3 deposit growth, the household sector continued to be by far the largest contributor to the strong growth of monetary aggregates.

MAIN COUNTERPARTS OF M3

As regards the counterparts of M3, annual growth in MFI total credit to euro area residents increased to 9.3% in the fourth quarter of 2007, up from 8.8% in the third quarter and 8.1% in the second quarter (see Table 1). Within total credit, MFIs continued to sell, on a net basis, general government debt securities from their portfolios, in line with the overall pattern observed since March 2006. The selling and buying of government securities forms part of MFIs' liquidity management and, in the context of the financial market turmoil, MFIs may have sold government securities in order to generate liquidity to cover funding needs. However, the amounts that were bought and sold in the second half of 2007 do not seem out of the ordinary and are in line with developments before the financial market turmoil.

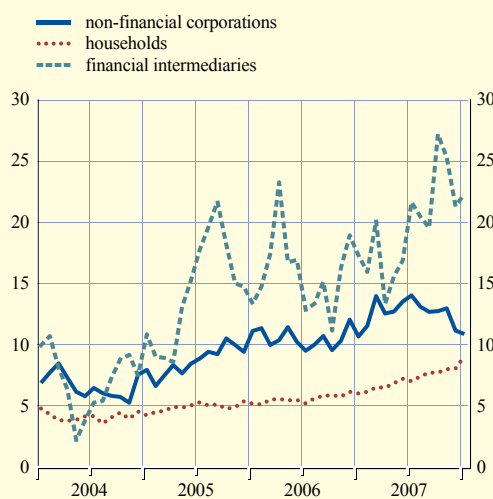
MFI credit to the private sector continued to expand strongly, growing at a rate of 12.7% in January, compared with 12.3% and 11.7% in the fourth and third quarters of 2007 respectively. This robust growth was driven by strong annual growth in holdings of private sector securities by euro area MFIs, which increased to 43.5% in January, from 36.4% in the fourth quarter, and by strong growth of loans to the private sector, which remained unchanged at 11.1% in January compared with the fourth quarter of 2007. The strong increase in holdings of private sector debt securities seems partly related to the financing of special purpose entities that have experienced difficulties in selling asset-backed securities (ABS) to non-bank investors in the current environment of financial turmoil, in which ABS markets have lost liquidity. To some extent, therefore, previously securitised loans have been returned to the MFI balance sheet in the form of debt securities.³

Such re-intermediation may also have contributed to the strong growth of MFI loans to OFIs. The annual growth rate of MFI loans to OFIs increased to 25.5% in January, up from 23.1% in the fourth quarter. The strong growth is predominantly being driven by loans with a maturity of up to one year, which might thus be seen as suggesting that conduits and structured investment vehicles have had substantial recourse to credit lines. The strength of the annual growth rate of short-term loans to OFIs also reflects, inter alia, loans related to the takeover of a large MFI, investment funds' demand for larger liquidity buffers and MFIs' increased preference for secured interbank lending through electronic trading platforms since the onset of the financial market turmoil.

³ For further background information on securitisation activity in the euro area, see the article entitled "Securitisation in the euro area" in the February 2008 issue of the Monthly Bulletin.

Chart 7 Short-term deposits and repurchase agreements

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



Source: ECB
Note: MFI sector excluding Eurosystem.

Concerning the annual growth of loans to the non-financial private sector (which includes households and non-financial corporations, but excludes other financial institutions, pension funds and insurance corporations), there is little evidence that re-intermediation has played an important role. Thus far, the available information suggests that banks have been able to continue their true-sale securitisation programmes, although the resulting securities are typically placed privately (often back on the balance sheet of the MFI that originated the underlying loans) rather than sold in the market. The three-month cumulative sum of loans derecognised from the MFI balance sheet was €29 billion in the period from November to January, only slightly below the three-month sum up to December of €34 billion. This implies that the annual growth rate of loans to the non-financial private sector has not been distorted by a sudden stop in – or even reversal of – the process by which loans are removed from bank balance sheets (i.e. derecognised) through securitisation. In addition, due to the application of International Financial Reporting Standards (IFRS) by MFIs in a number of euro area countries, the volume of derecognised MFI loans has remained relatively limited in the euro area. Importantly, the flow of derecognised MFI loans has remained positive in the period of financial turmoil and therefore cannot play a major role in explaining the currently strong growth of loans to the private sector (see also Box 3 entitled “The importance of accounting standards for interpreting MFI loan statistics”).

Box 3**THE IMPORTANCE OF ACCOUNTING STANDARDS FOR INTERPRETING MFI LOAN STATISTICS**

The continued strong growth of MFI loans to the non-financial private sector¹ during the recent period of financial turmoil has raised the question of whether such strong borrowing might partly reflect an inability on the part of banks to “derecognise” loans (i.e. to remove them from their balance sheets) in the context of true-sale securitisation programmes.² It has even been suggested that strong lending to the non-financial private sector may result from forced re-intermediation of previously securitised loans (i.e. banks having to take loans back onto their own balance sheets, as the financing of securitisation vehicles becomes unsustainable in the ongoing turmoil). This box discusses the implications of the International Financial Reporting Standards (IFRS), which have been applied to the accounting underlying the construction of MFI balance sheet statistics in a number of euro area countries since 2005, for these questions. An important regulation within the IFRS is International Accounting Standard No 39 (IAS39) on the recognition and measurement of financial instruments.

The importance of accounting standards for the re-intermediation of MFI loans

The accounting treatment of true-sale securitisations of MFI loans under IAS39 may differ from that under national accounting standards. National accounting standards often allow a full or at least partial removal of such loans from the MFI balance sheet. Applying such rules would hence imply that true-sale securitisation would lead to a reduction of the outstanding amount of loans on the MFI balance sheets.

1 The non-financial private sector comprises the household sector and non-financial corporation sector, but excludes the other financial institution sector and the insurance corporation and pension fund sectors.

2 For an explanation of true-sale securitisation, see the article entitled “Securitisation in the euro area” in the February 2008 issue of the Monthly Bulletin.

IAS39, by contrast, only allows full derecognition of true-sale securitised loans when the securitisation transaction meets certain strict criteria, such as a substantial transfer of risks and rewards, or the surrender of the MFI's control over the securitised assets. In most securitisation transactions in the euro area (due, in part, to requirements imposed by bank regulators), some of the risk remains on the balance sheet of MFIs. For example, MFIs may offer a credit enhancement facility or keep the first part of the loss on the securitised loans (e.g. by holding some of the so-called equity tranche). Thus, under IAS39, the true-sale securitisation of assets, even to a bankruptcy-remote vehicle, may not be sufficient to achieve a substantial transfer of economic risks and, thereby, the removal of the loans from the MFI's balance sheet. Furthermore, while IAS39 theoretically allows a partial derecognition of loans after their transfer to bankruptcy-remote special purpose entities, it seems that, in practice, only few existing securitisations have qualified for such an approach.³

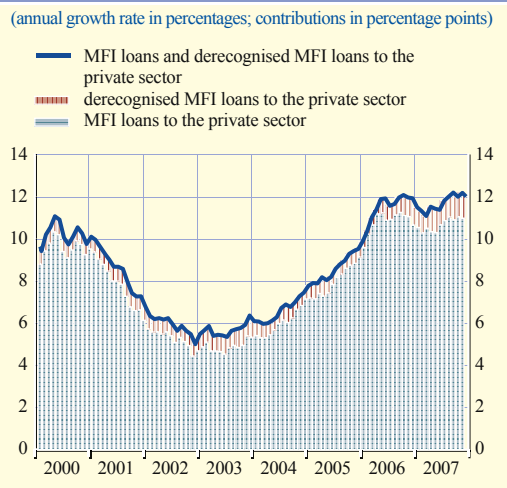
While following EU Regulation No 1606/2002 the IFRS have to be applied to consolidated bank accounts (across geographical areas and different entities of the group/conglomerate), their application to the unconsolidated national MFI accounts, which are the basis for the compilation of the Eurosystem monetary statistics (BSI statistics), differs across euro area countries.

Measuring the impact of derecognised loans on the MFI balance sheet total

In a number of Member States, in particular those where true-sale securitisation had become increasingly popular over recent years, the IFRS and IAS39 are also applied to the unconsolidated national MFI accounts. The impact of true-sale securitisations on the outstanding amount of MFI loans on the euro area aggregate has thus remained relatively limited. This can be seen from the

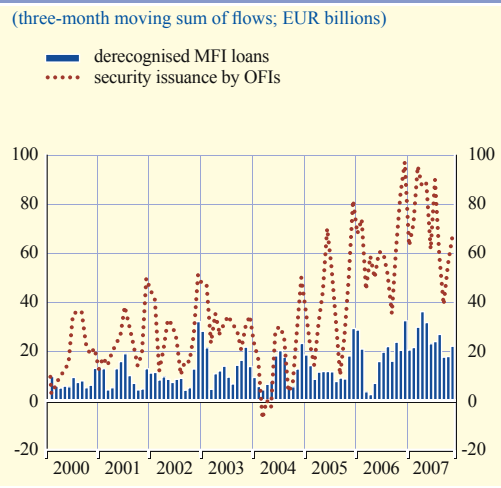
³ The derecognition of loans in countries that apply IFRS is sometimes restricted further by regulatory rules that require, for example, the first part of a loss on the securitised loan to be kept on the MFI balance sheet. See also Fitch, "Bank Securitisation: IFRS Versus Basel II – Risk Transfer Revealed", Special Report, 2006.

Chart A MFI loan growth and the impact of loan derecognition



Source: ECB, ECB estimates.

Chart B MFI loan derecognition and asset-backed security issuance by OFIs resident in the euro area



Source: ECB.
Notes: Security issuance may also include synthetic securitisations that do not contribute to a derecognition of MFI loans. The issuance data omit issuance by non-resident OFIs.

relatively small difference between the annual growth rate of MFI loans and the annual growth rate of MFI loans taking into account derecognised loans (see Chart A). It is also illustrated by the rather limited amount of derecognised MFI loans relative to the issuance volume of asset-backed securities by non-monetary financial intermediaries other than insurance corporations and pension funds in the euro area in recent years (see Chart B).

What is important to note is that the flow of derecognised MFI loans in the period of financial market turmoil has remained positive. On a net basis, re-intermediation cannot, therefore, play a major role in explaining the currently strong growth of loans to the non-financial private sector.

Conclusions

While the “originate and distribute” model of banking has gained considerable importance in recent years in some euro area countries, this has not led to a large-scale derecognition of loans as a result of the application of the IFRS and IAS39 in a number of euro area countries. At the same time, the continued positive flow of derecognised loans supports the argument that the development of MFI loan growth to households and non-financial corporations has remained relatively undistorted by re-intermediation effects.

The annual growth rate of MFI loans to non-financial corporations reached 14.6% in January 2008, having stood at 14.0% in the fourth quarter and 13.8% in the third quarter of 2007. This increase is to a large extent driven by higher growth rates of loans with a medium-term maturity. More specifically, the annual growth rate of loans with a maturity of over one year and less than five years increased to 22.6%, from 21.0% in the fourth quarter, while the annual growth rate of loans with a maturity of over five years was 12.8% in January, unchanged from the growth rate in the fourth quarter. The annual growth rate of loans with a maturity of up to one year increased to 12.6%, from 11.9% in the fourth quarter (see also Section 2.6 on the financial flows and financial position of the non-financial corporation sector).

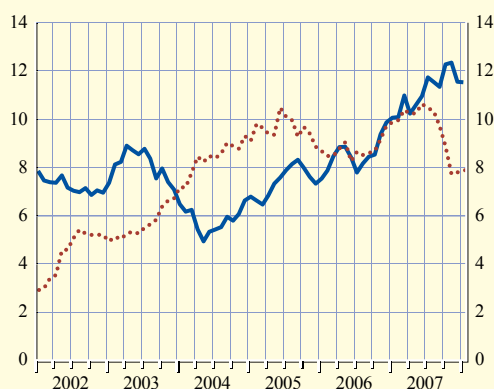
The annual growth rate of loans to households declined further to 6.1% in January, from 6.6% in the fourth quarter and 7.0% in the third quarter of 2007. This was mainly driven by a further moderation in the annual growth rate of loans for house purchase, which reached 6.9% in January, from 7.7% in the fourth quarter of 2007. The moderation of the growth of loans for house purchase is related to the slowdown in housing market dynamics in a number of euro area countries, as well as to the impact of higher mortgage lending rates in the euro area. At the same time, the annual growth rate of consumer credit picked up somewhat, rising to 5.8% in January from 5.3% in the fourth quarter of 2007 (see also Section 2.7 on the financial flows and financial position of the household 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 moderated somewhat, with the annual growth rate reaching 7.9% in January, from 8.5% in the fourth quarter of 2007 (see Chart 8). This moderation reflects, in part, the observed shift towards shorter-term maturities in the holdings of MFI debt securities by the money-holding sectors. As regards the external counterparts, the net external asset position of the MFI sector recorded a net annual inflow of €28 billion in January, against a net annual inflow of €17 billion in the previous month (see Chart 9). Fluctuations in the net external asset position of MFIs are not uncommon at times of heightened uncertainty. In addition, the fluctuations may have been accentuated somewhat by the end-of-year effect.

Chart 8 M3 and MFI longer-term financial liabilities

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

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

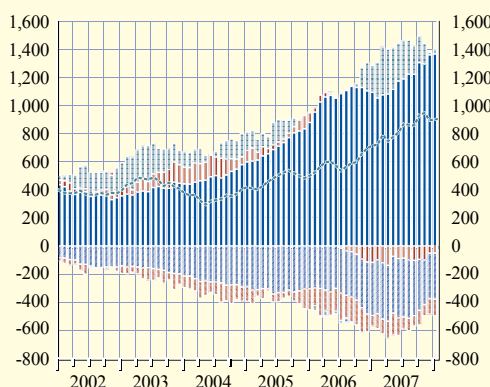


Source: ECB.

Chart 9 Counterparts of M3

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

- credit to the private sector (1)
- credit to general government (2)
- net external assets (3)
- longer-term financial liabilities (excluding capital and reserves) (4)
- other counterparts (including capital and reserves) (5)
- M3



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.

Overall, the latest data (i.e. up to January 2008) confirm that monetary dynamics in the euro area have remained strong. Taking into account the relatively flat yield curve and the possible influence of the financial market turmoil, the underlying rate of expansion of money and credit has also remained buoyant, in particular in the case of non-financial corporations. Thus far, the monetary analysis indicates that the financial market turmoil has not had a major impact on the annual rates of growth of loans to non-financial corporations and of loans to households.

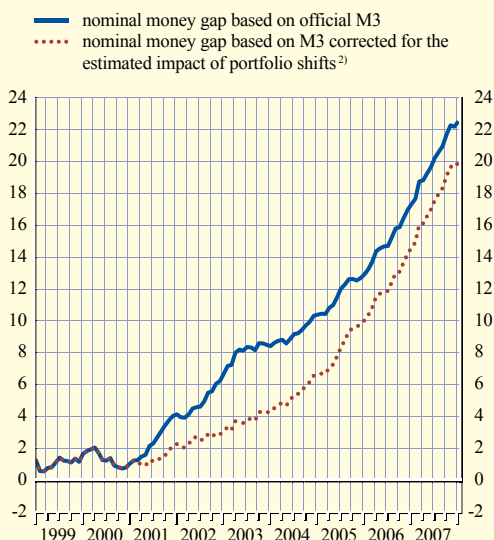
GENERAL ASSESSMENT OF MONETARY LIQUIDITY CONDITIONS IN THE EURO AREA

The rapid accumulation of monetary liquidity in the euro area continued in the fourth quarter of 2007 and the first month of 2008, as reflected in developments in the nominal and real money gaps (see Charts 10 and 11). With regard to the nominal money gap, the ongoing strong growth of nominal M3 has resulted in further increases in both the money gap based on official M3 data and that based on the M3 series corrected for the estimated impact of portfolio shifts. The real money gaps take into account that part of the accumulated liquidity has been absorbed by higher prices, reflecting positive deviations of inflation from the ECB's definition of price stability. Although the real money gap measures are both lower than the respective nominal money gap measures, their rates of increase have been comparable in recent quarters.

When interpreting the figures, some caution is warranted as these measures are derived mechanically and are only imperfect estimates of the liquidity situation. The broad range of estimates derived from the four measures mentioned above illustrates this point. Nonetheless, even after taking the relatively flat yield curve into account, the overall picture painted by these measures – and particularly that derived from the broad monetary analysis geared towards identifying the underlying growth

Chart 10 Estimates of the nominal money gap¹⁾

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



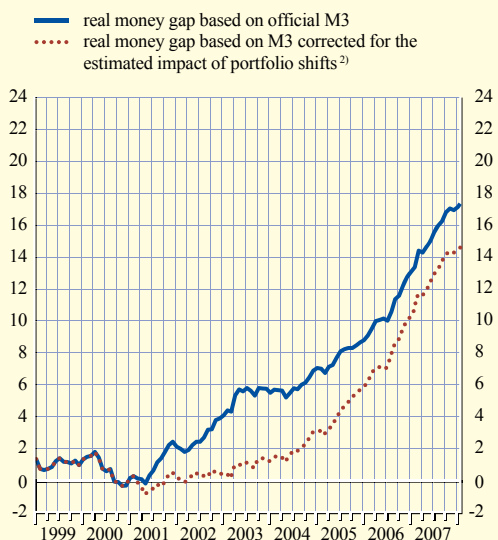
Source: ECB.

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 11 Estimates of the real money gap¹⁾

(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.

of M3 – indicates that liquidity conditions in the euro area remain ample. Strong monetary and credit growth in a context of already ample liquidity imply upside risks to price stability over the medium to longer term.

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

In the third quarter of 2007 the annual growth rate of total financial investment by the non-financial sectors declined somewhat. This mainly reflects a deceleration of the growth rate of financial investment by the household sector, while the contribution of the non-financial corporation sector and the general government sector remained broadly unchanged. Annual flows into investment funds decreased somewhat further in the third quarter, as did the annual growth rate of financial investment by insurance corporations and pension funds.

NON-FINANCIAL SECTORS

In the third quarter of 2007 (the most recent quarter for which data are available), the annual growth rate of total financial investment by the non-financial sectors decreased to 4.5%, from 4.8% in the second quarter (see Table 2). A breakdown by investment instrument shows that this decrease reflects, in particular, a decline in the growth rate of investment in currency and deposits, mutual

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

	Outstanding amount as a percentage of financial assets ¹⁾	Annual growth rates									
		2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3
Financial investment	100	4.0	4.2	4.7	4.6	4.6	4.6	4.5	4.6	4.8	4.5
Currency and deposits	22	5.8	5.5	6.4	6.4	6.4	7.0	6.9	7.3	7.8	7.2
Debt securities, excl. financial derivatives	6	1.5	0.4	-0.3	1.4	2.7	4.4	6.2	5.0	3.9	3.8
<i>of which: short-term</i>	1	-9.5	-4.3	-12.4	8.5	10.6	19.0	34.5	26.8	24.0	34.8
<i>of which: long-term</i>	5	2.8	1.0	0.7	0.8	2.0	3.2	4.0	3.0	2.0	0.6
Shares and other equity, excl. mutual fund shares	34	2.5	3.3	3.2	2.2	2.5	1.8	1.7	2.0	2.3	2.7
<i>of which: quoted shares</i>	10	-0.5	-1.4	0.7	-0.9	0.4	1.2	0.1	0.9	1.4	1.3
<i>of which: unquoted shares and other equity</i>	24	3.7	5.1	4.1	3.4	3.3	2.0	2.3	2.5	2.6	3.3
Mutual fund shares	6	2.2	3.7	4.5	3.1	1.8	-0.4	-1.3	-0.9	-0.5	-2.6
Insurance technical reserves	15	7.2	7.4	7.7	7.6	7.1	6.8	6.2	5.6	5.5	4.9
Other ²⁾	16	3.1	2.7	4.5	5.4	5.8	7.2	6.7	7.3	7.7	6.9
M3 ³⁾		7.6	8.3	7.3	8.5	8.4	8.5	9.9	11.0	11.0	11.3

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.

fund shares and insurance technical reserves. At the same time, the annual growth rate of investment in debt securities excluding financial derivatives remained broadly unchanged, while the growth rate of investment in shares and other equity increased somewhat.

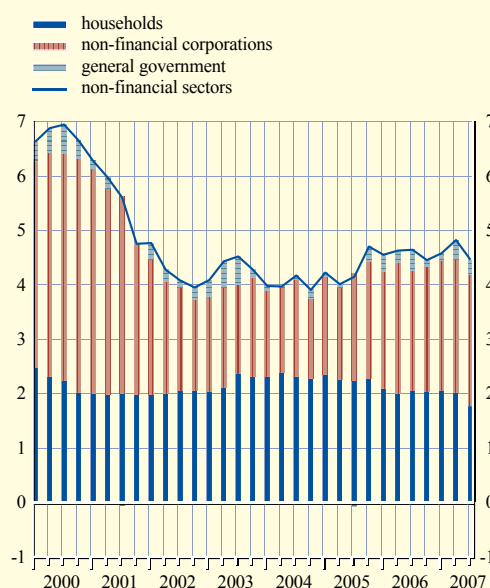
The breakdown by non-financial sector shows that the decrease in total financial investment was due mainly to a decline in the contribution by households (see Chart 12). The contribution of the non-financial corporation sector remained broadly unchanged (for more detailed information concerning developments in financial investment by the private sector, see Sections 2.6 and 2.7). Taking a longer-term perspective, growth of financial investment by the non-financial private sectors in the third quarter broadly corresponds to the average growth seen over the four years since the economic and financial uncertainties in the period 2001-03 abated.

INSTITUTIONAL INVESTORS

The annual growth rate of the total assets of euro area investment funds (excluding money market funds) declined to around 10% in the third quarter of 2007, from 17% in the second quarter. The moderation was mainly driven by lower growth in the values of shares and other equity and of debt

Chart 12 Financial investment of non-financial sectors

(annual percentage changes; contributions in percentage points)

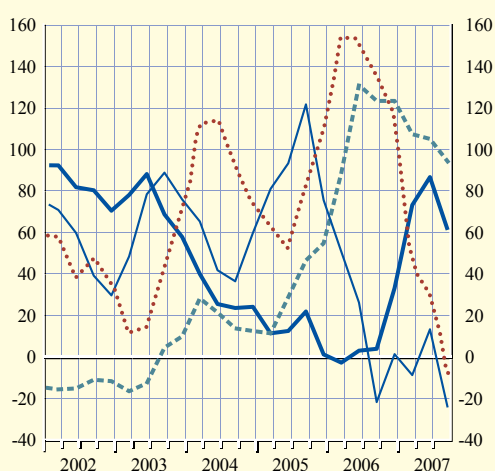


Source: ECB.

Chart 13 Net annual flows into investment funds (by category)

(EUR billions)

- money market funds
- equity funds¹⁾
- - - mixed funds¹⁾
- bond funds¹⁾



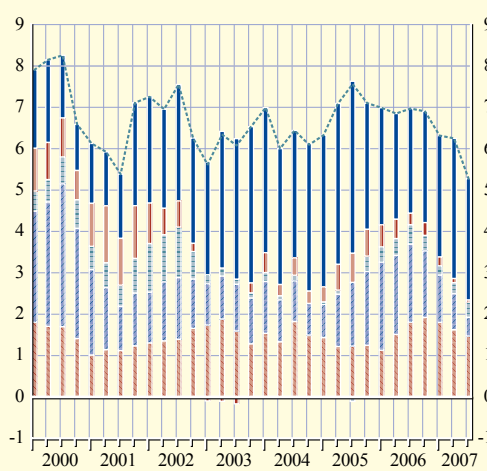
Sources: ECB and EFAMA.

1) ECB calculation based on national data provided by EFAMA.

Chart 14 Financial investment of insurance corporations and pension funds

(annual percentage changes; contributions in percentage points)

- debt securities, excluding financial derivatives
- quoted shares
- - - unquoted shares and other equity
- mutual fund shares
- other¹⁾
- - - total financial assets



Source: ECB.

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

securities. This is likely to reflect valuation effects, but possibly also some investment uncertainties due to the onset of the financial market turmoil. The latter would be consistent with the fact that at the same time investment funds recorded stronger annual growth in their holdings of deposits.

Data provided by EFAMA⁴ for the third quarter of 2007 show that, of the different types of investment fund, the strongest net annual inflow continued to be recorded by mixed funds. However, this was smaller than in previous quarters (see Chart 13). Both equity funds and bond funds recorded a net annual outflow in the third quarter of 2007 after still positive inflows in the previous quarter. Money market funds continued to record a net annual inflow in the third quarter, but this was lower than in the second quarter and is likely to reflect the initial impact of the financial market turmoil in the third quarter of 2007, when investors indiscriminately withdrew investments from money market funds (see Section 2.1).

The annual growth rate of total financial investment by insurance corporations and pension funds in the euro area declined to 5.3% in the third quarter of 2007, down from 6.2% in the second quarter (see Chart 14). This mirrored to some extent the lower growth rate of investment in insurance products by the non-financial sector. The lower growth rate of investment by insurance corporations and pension funds was accounted for by a fall in the contributions of both mutual fund shares and debt securities (excluding financial derivatives).

4 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.

2.3 MONEY MARKET INTEREST RATES

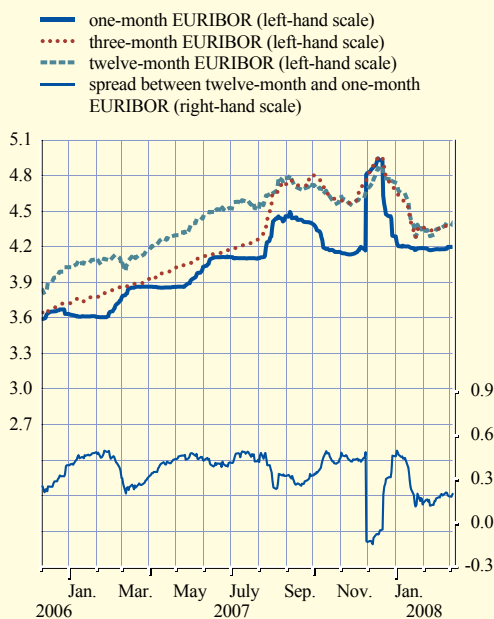
Unsecured money market interest rates decreased significantly in December 2007 and January 2008, before stabilising in February. As a result, the unusually high level of spreads between unsecured and secured money market rates fell over this period. Nonetheless, at the beginning of March, they remained well above pre-August 2007 levels. The money market yield curve steepened markedly in December and early January, with the spread between unsecured twelve-month and one-month money market interest rates rising to 49 basis points. Since then, this spread has fallen and stabilised around 20 basis points in early March.

Unsecured money market interest rates declined substantially in December 2007 and January 2008, before stabilising in February. On 5 March the one-month, three-month, six-month and twelve-month EURIBOR rates stood at 4.20%, 4.40%, 4.41% and 4.40% respectively, i.e. 66, 47, 39 and 32 basis points lower than the levels observed at the beginning of December 2007 (see Chart 15).

The spread between the twelve-month and one-month EURIBOR rates was 20 basis points on 5 March, compared with -13 basis points in early December 2007 (see Chart 15). The spread peaked at the start of January when it reached 49 basis points. This increase in the slope of the money market yield curve mainly reflected the dissipation of the year-end effect on shorter maturities. Furthermore, spreads between the unsecured EURIBOR and secured rates (such as those derived from the EONIA swap index or the EUREPO) remain elevated by historical standards in the context of continued tensions in the term money market. Nonetheless, these spreads declined substantially from the beginning of December to the middle of January and since then they have stabilised. At

Chart 15 Money market interest rates

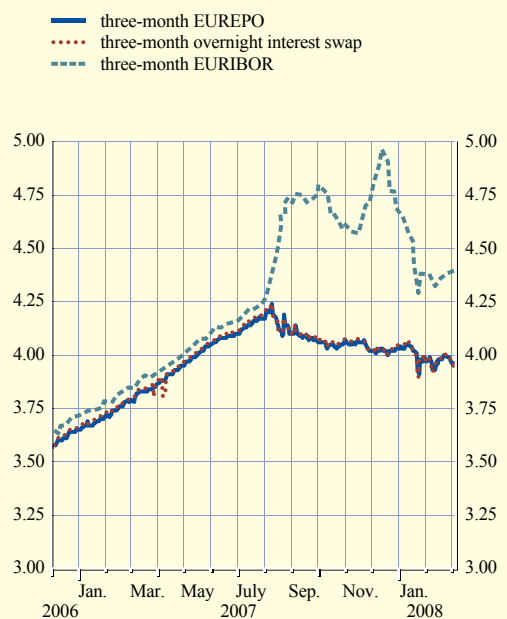
(percentages per annum; daily data)



Sources: ECB and Reuters.

Chart 16 Three-month EUREPO, EURIBOR and overnight interest swap

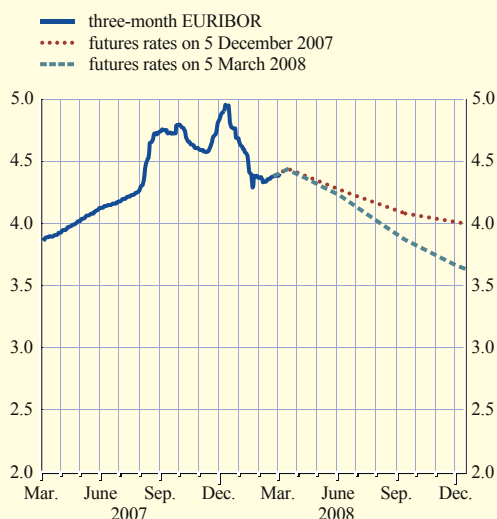
(percentages per annum; daily data)



Sources: ECB and Reuters.

Chart 17 Three-month interest rates and futures rates in the euro area

(percentages per annum; daily data)



Source: Reuters.

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

the three-month maturity the spread between the unsecured EURIBOR and secured rates declined from 86 basis points on 5 December 2007 to 43 basis points by 5 March (see Chart 16).

The interest rates implied by the prices of three-month EURIBOR futures maturing in March, June, September and December 2008 stood at 4.44%, 4.20%, 3.87% and 3.63% on 5 March, representing a decline of 5, 21 and 37 basis points for the June, September and December contracts by comparison with the levels observed on 5 December 2007, while the level was unchanged for the March contract (see Chart 17).

Market participants' expectations regarding interest rates at very short-term maturities in 2008 were adjusted slightly downwards between the beginning of December 2007 and the beginning of March 2008, as reflected in the evolution

Chart 18 Implied volatility derived from options on three-month EURIBOR futures maturing in June 2008

(percentages per annum; basis points; daily data)

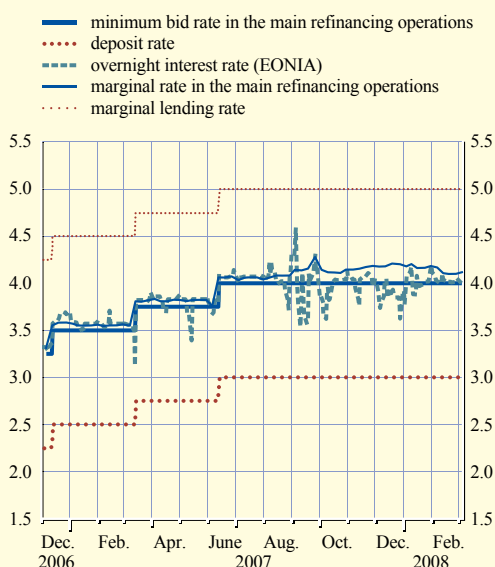


Sources: Bloomberg, Reuters and ECB calculations.

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 19 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

of the EONIA swap rates (see Chart 16). This is also reflected in the three-month EURIBOR futures contracts.

The implied volatility derived from options on three-month EURIBOR futures declined somewhat in the second half of December 2007 and the first half of January 2008, before it increased substantially in the middle of January. After that it fell back somewhat (see Chart 18).

In December 2007 very short-term interest rates were volatile on the back of continued tensions in the money market (see Chart 19) and shifted to levels below 4%. In its communication, the ECB continued emphasising the importance of keeping overnight interbank interest rates stable and close to the minimum bid rate. In order to accommodate counterparties' need to fulfil their reserve requirements early within the maintenance period, the ECB continued its policy of allocating liquidity in excess of the benchmark amount in its main refinancing operations while still aiming for balanced liquidity conditions at the end of the maintenance period. At the end of January the EONIA moved above 4% but then declined somewhat and stabilised around 4% at the beginning of March. These developments and the policy operations conducted by the ECB are described in more detail in Box 4.

Box 4

LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS IN THE PERIOD FROM 14 NOVEMBER 2007 TO 12 FEBRUARY 2008

This box describes the ECB's liquidity management during the three reserve maintenance periods ending on 11 December 2007, 15 January and 12 February 2008. The whole period was also affected by the tensions in the euro money market that started in August 2007. As in the preceding maintenance periods, the ECB addressed these tensions by taking various measures to adapt the timing and maturity of its liquidity operations in the course of the reserve maintenance periods. Prior to the start of the money market tensions, the ECB supplied liquidity in a way that allowed counterparties to hold more or less the same amount of aggregate liquidity on each day of a reserve maintenance period. However, since the start of the turmoil, the ECB has increased the supply of liquidity at the beginning of the maintenance period and reduced it towards the end. This "frontloading" of liquidity, which results from allotting more than the benchmark amount in main refinancing operations (MROs), has enabled counterparties to fulfil their reserve requirements somewhat earlier in the maintenance period, but has not changed the average supply of liquidity over the entire maintenance period. Several statements communicated via news wire services explained the actions of the ECB.¹

Liquidity needs of the banking system

In the three maintenance periods under review, banks' average liquidity needs rose by €1.2 billion by comparison with the preceding three periods. This effect can be explained mainly by a €5.8 billion increase in required reserves and a €0.1 billion increase in excess reserves, while autonomous factors were substantially lower, declining by €4.7 billion.

¹ The full list of statements communicated by the ECB can be found at <http://www.ecb.europa.eu/mopo/implement/omo/html/communication.en.html>

Total liquidity needs resulting from reserve requirements stood at €199.1 billion and those resulting from autonomous factors averaged €249.1 billion (see Chart A).

The level of excess reserves (i.e. the daily average of current account holdings in excess of reserve requirements) increased slightly in the three periods under review to an average of €0.93 billion (see Chart B), somewhat above the average (€0.75 billion) seen since the changes to the monetary policy implementation framework in March 2004. This increase was driven mainly by the excess reserve holdings in the maintenance period covering the end of the year.

Liquidity supply and interest rates

The total volume of outstanding open market operations (denominated in euro) increased only slightly as a result of the increase in reserve requirements. The two supplementary longer-term refinancing operations (LTROs) that were carried out in August and September, for amounts of €40 billion and €75 billion respectively, were rolled over when they matured in November and December, with a slight change to the amount, which was set at €60 billion in each of the new operations. The maturity structure of the outstanding open market operations therefore remained broadly unchanged during the period under review, with LTROs and MROs accounting for around 60% and 40% respectively of the total amount of liquidity supplied.

On 12 December 2007 the ECB announced that, in connection with the USD Term Auction Facility offered by the Federal Reserve System, it would launch two USD liquidity-providing operations with maturities of 28 and 35 days respectively on 17 and 20 December. These operations, which were repeated in January (and thereafter discontinued), did not affect the supply of euro liquidity.

During the maintenance periods ending in December and January, the EONIA displayed greater volatility than in recent years (see Chart C). In the following maintenance period, which ended on 12 February, the EONIA was remarkably stable, apart from a somewhat stronger end-of-month effect. Owing to counterparties' very competitive bidding in the MROs, the spread between the marginal rates in these operations (the lowest rates at which bidders receive liquidity) and the minimum bid rate was, at times, relatively large, but started to decline towards the end of the period under review.

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)

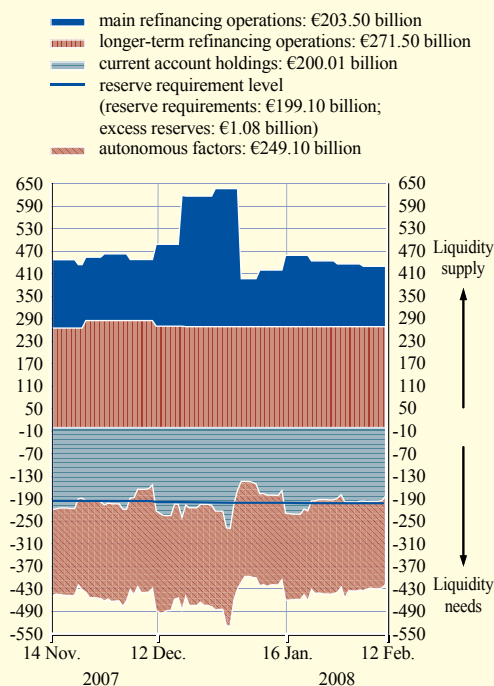
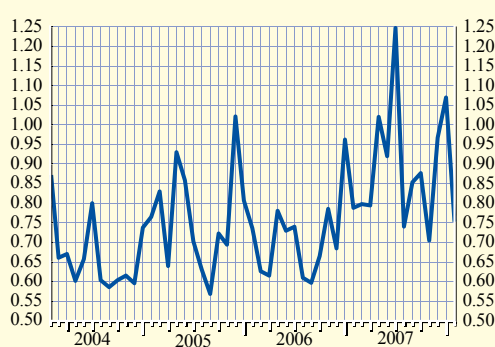


Chart B Excess reserves ¹⁾

(EUR billions, average level in each maintenance period)

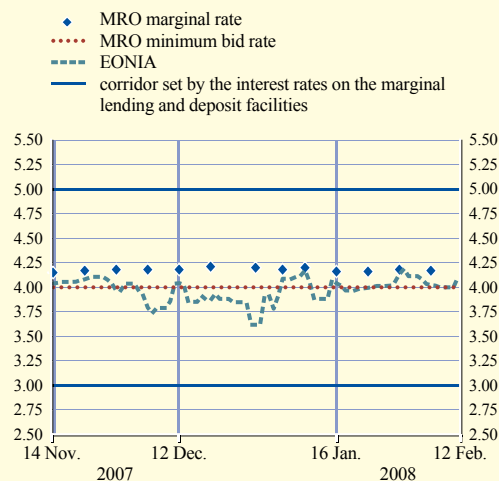


Source: ECB.

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

Chart C The EONIA and the ECB interest rates

(daily interest rates in percentages)



Source: ECB.

Reserve maintenance period ending on 11 December

In this maintenance period, the ECB continued its policy of frontloading the liquidity supply and allotted €20 billion and €18.5 billion above the benchmark amount in the first two MROs. During the first two weeks, the EONIA stayed above 4% but showed an upward trend, which was probably also linked to the approaching end of the year. Against this background, the ECB communicated on 23 November that it would reinforce its policy of frontloading at least until the end of the year. Accordingly, it allotted €30 billion above the benchmark amount in the next MRO and the EONIA declined to around 4% in the third week of the maintenance period.

Moreover, on 30 November, the Eurosystem announced its decision to extend the maturity of the penultimate MRO in 2007 up to two weeks in order for this operation to cover the year-end, thus making banks less reliant on the subsequent MRO on 28 December for satisfying their liquidity needs for the end of the year.

Following the allotment of €10 billion above the benchmark in the last MRO of the maintenance period, the EONIA declined to a level significantly below the minimum bid rate, and on 7 December the ECB launched a liquidity-absorbing fine-tuning operation for an amount of up to €8 billion with a maturity of five days. Subsequently, the EONIA stabilised at a level closer to the minimum bid rate and stood at 3.857% on the penultimate day of the maintenance period. On the last day of the maintenance period, the ECB restored balanced liquidity conditions by conducting a liquidity-draining fine-tuning operation for an amount of €21 billion with a rate of 4.00%. The maintenance period ended with a very small net recourse to the marginal lending facility of €23 million and the EONIA at 4.038%.

Reserve maintenance period ending on 15 January

On 11 December, in the first MRO of this maintenance period, the ECB allotted €35 billion above the benchmark amount. The EONIA declined to a level of around 3.80% during the week and on 17 December, €36 billion was absorbed through a fine-tuning operation with overnight maturity. On the same day, the EONIA stood at 3.912% and the ECB announced its decision to allot, in the next day's exceptional two-week MRO, all bids at rates equal to or above the weighted average rate of allotment of the previous MRO, i.e. 21 basis points above the minimum bid rate. The aim of this exceptional measure was to reduce the continued tensions in the money market ahead of the end of the year. The significance of these tensions was reflected in market rates and in the fact that counterparties bid for an amount of €348 billion in the two-week operation, which was €168 billion more than the benchmark amount. Over the next few days, the ECB absorbed around €150 billion on a daily basis through a series of liquidity-absorbing fine-tuning operations. The EONIA remained at a level of around 3.85% until Friday 28 December when it declined to 3.618% after €20 billion was allotted in the last MRO of the year. On 31 December the EONIA stood at 3.916% and hence, for the first time since 1999, was below the minimum bid rate on the last trading day of the year.

In the remaining two MROs of the maintenance period, the allotment amounts above the benchmark were reduced to €35 billion and €4 billion respectively, resulting in a further reduction in the liquidity surplus that had accumulated over the Christmas period. Consequently, the EONIA gradually increased to a level above the minimum bid rate and temporarily reached a high of 4.174% on 9 January, before falling back to 3.881% on 14 January. The following day, the last of the maintenance period, a liquidity surplus of €20 billion was absorbed through a fine-tuning operation. The maintenance period ended with a small net recourse to the marginal lending facility of €200 million and the EONIA was set at 4.078%.

Reserve maintenance period ending on 12 February

Shortly before the start of the maintenance period ending on 12 February, the ECB announced its intention to continue its policy of frontloading the supply of liquidity in the course of the maintenance period for as long as necessary. Accordingly, €25 billion more than the benchmark amount was allotted in the first MRO, and the allotment above the benchmark was gradually reduced to €4 billion in the last MRO of the maintenance period. Throughout the maintenance period, the EONIA remained within a range of a few basis points around the minimum bid rate, apart from the last few days of January when it peaked at 4.187%. On the last day of the maintenance period, the ECB absorbed €16 billion through a fine-tuning operation. The period ended with a small net recourse to the deposit facility of €1.0 billion and the EONIA at 4.103%.

2.4 BOND MARKETS

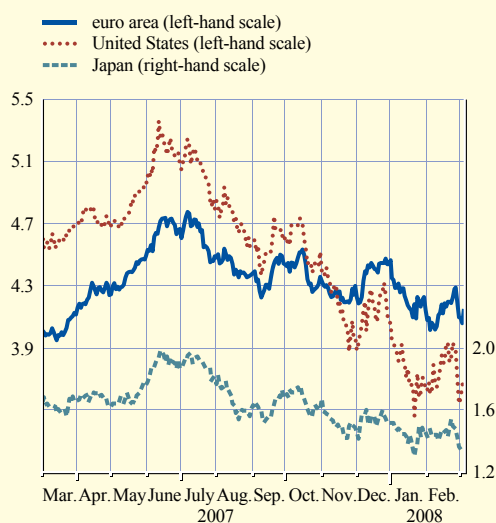
Pronounced fluctuations were observed in long-term government bond yields between end-November 2007 and early March 2008, mirroring the sharp movements seen in equity markets in the light of heightened concerns among market participants regarding the prospects for economic activity. Real interest rates declined over the review period, especially at shorter maturities. The pronounced fluctuations in long-term government bond yields were accompanied by a sharp increase in implied bond market volatility.

Developments in global bond markets between end-November 2007 and early March 2008 were dominated by increasing concerns regarding adverse spillover effects from the financial turmoil to the real economy. Market concerns that the downturn in economic activity would prove to be more significant than had initially been expected surfaced first in the United States and then elsewhere. Consequently, market participants started to price in a much lower likelihood of the world economy being able to maintain its strong dynamics of the last few years. The less optimistic outlook for global growth eventually also affected the euro area. Overall, euro area ten-year government bond yields stood at 4.2% on 5 March, around 15 basis points lower than at the end of November (see Chart 20). At the same time, ten-year government bond yields in the United States fell by around 30 basis points to end the review period at 3.7%. As a result, the long-term interest rate differential between US and euro area bonds widened somewhat in absolute terms over this period, standing at -45 basis points in early March. In Japan, ten-year government bond yields declined only slightly, standing at 1.4% at the end of the review period.

Pronounced fluctuations have been observed in US and euro area government bond yields over the last three months. After the strong increases in financial market volatility in November 2007, long-term government bond yields displayed relatively modest fluctuations in the course of December amid signs of stabilisation in equity and credit markets. US government bond yields changed relatively little in response to the decision taken by the Federal Open Market Committee (FOMC) on 11 December 2007 to lower the federal funds target rate by 25 basis points. Later in December and in the course of January long-term US government bond yields declined sharply amid weaker than expected incoming data on economic activity. Data on housing and labour markets, as well as industrial production (e.g. the ISM manufacturing index), were particularly disappointing for market participants and contributed to the strong decline in US long-term government bond yields during this period. In line with market participants' weakening expectations regarding growth, the considerable decline in nominal bond yields was driven by corresponding movements in real interest rates (see Chart 21). Following

Chart 20 Long-term government bond yields

(percentages per annum; daily data)

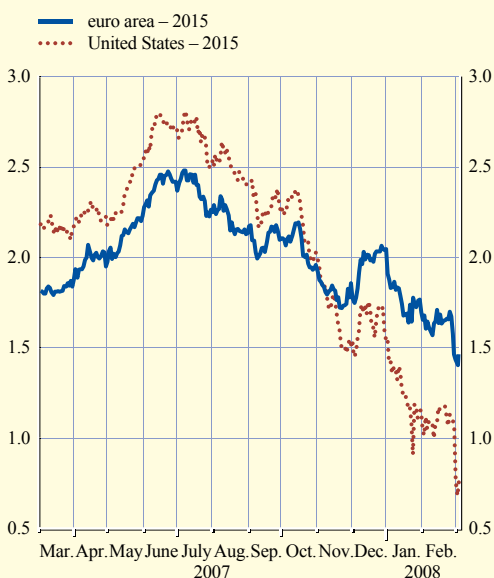


Sources: Bloomberg and Reuters.

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

Chart 21 Real bond yields

(percentages per annum; daily data)



Sources: Reuters and ECB calculations.

the FOMC's 75 basis point reduction in the federal funds target rate on 22 January and the further 50 basis point cut on 30 January, US government bond yields rebounded somewhat in the course of February. However, in late February and early March 2008 US bond yields declined again.

Euro area long-term government bond yields generally mirrored developments in the US bond market over the review period. However, euro area bond yields fluctuated less than US bond yields. For example, while long-term US government bond yields declined by around 90 basis points between their peak towards the end of December 2007 and the FOMC's announcement of its interest rate cut on 22 January 2008, corresponding euro area bond yields declined by only 40 basis points. As a result, the long-term interest rate differential between the United States and the euro area became strongly negative, reaching around -70 basis points on 22 January 2008, a level not seen since 2002.

The considerably lower levels of volatility

exhibited by euro area long-term government bond yields suggest that investors consider the euro area to be less exposed than the US economy to the economic consequences of the global financial turmoil. Developments in euro area real yields also support the view that market participants have not markedly revised downwards their expectations for economic growth in the euro area over longer horizons. In fact, while shorter-term euro area real rates declined somewhat over the review period, five-year forward real rates five years ahead remained remarkably stable at levels above 2%.

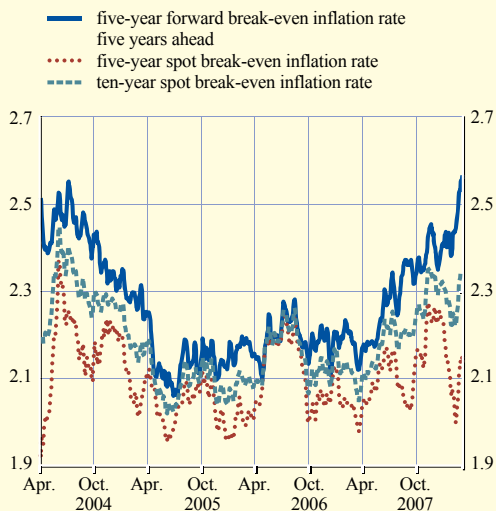
In February 2008, reflecting the fluctuations in bond yields over the review period, bond market uncertainty – as measured by implied volatilities derived from option prices – reached its highest level in five years in both the United States and the euro area. This may reflect bond market investors' considerable uncertainty regarding the economic outlook and the future course of monetary policy.

The term structure of break-even inflation rates in the euro area steepened somewhat in the period under review. In particular, five-year break-even inflation rates declined to less than 2.2% in early March 2008, down from around 2.3% at end-November 2007 (see Chart 22). Ten-year break-even inflation rates remained broadly unchanged over this period. As a result, the five-year forward break-even inflation rate five years ahead – a measure purely of long-term inflation expectations and related risk premia – increased slightly from the already elevated levels prevailing at end-November, reaching more than 2.5% at the end of the review period. Overall, developments in break-even inflation rates between end-November and early March suggest that recent events – in particular the negative indications regarding the economic outlook – have not significantly reduced market participants' long-term inflation concerns for the euro area economy.

Over the review period as a whole implied forward overnight interest rates for the euro area declined at short and medium-term horizons, reflecting a shift in investors' expectations regarding the future

Chart 22 Zero-coupon spot and forward break-even inflation rates in the euro area

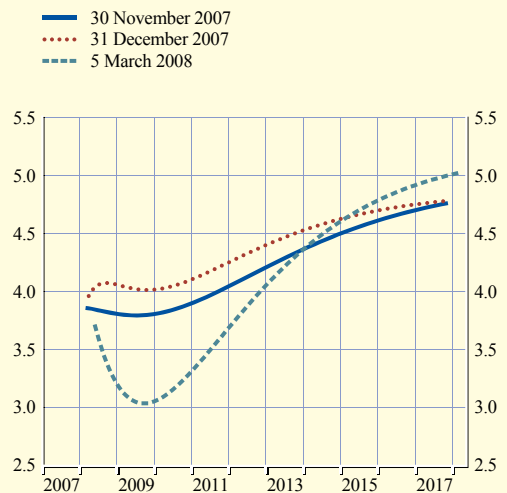
(percentages per annum; five-day moving averages of daily data; seasonally adjusted)



Sources: Reuters and ECB calculations.

Chart 23 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



Sources: ECB calculations, EuroMTS (underlying data) and Fitch Ratings (ratings).

Notes: The implied forward yield curve, which is derived from the term structure of interest rates observed in the market, reflects market expectations of future levels for short-term interest rates. The method used to calculate these implied forward yield curves is outlined in the “Euro area yield curve” section of the ECB’s website. The data used in the estimate are euro area AAA-rated government bond yields.

path of short-term interest rates (see Chart 23). Moreover, by contrast with the situation at the end of last year, the short end of the euro area implied forward curve became significantly inverted in the first two months of 2008. This also seems to reflect a worsening of market participants’ expectations regarding economic developments in the euro area in the short term. At the same time, longer-term forward rates increased slightly, suggesting that investors had not substantially revised their long-term growth expectations despite the recent financial market turmoil.

Corporate bond spreads increased further over the review period. By 5 March the spread for BBB-rated bonds – as measured by the yield differential vis-à-vis comparable government bonds – had increased by around 90 basis points by comparison with end-November 2007, reaching levels of around 270 basis points, considerably above its average since 1999. At the same time, significant increases were also observed for the credit spreads of corporate bonds rated “A” or better. These developments reflect investors’ ongoing concerns regarding the soundness of global credit markets. The recent downgrading of bond insurers (monoline insurers) might also have contributed to the further increases in credit spreads more generally. Moreover, market participants’ concerns regarding the outlook for global economic growth have probably also contributed to the increases observed in credit spreads in both financial and non-financial sectors in recent months.

2.5 EQUITY MARKETS

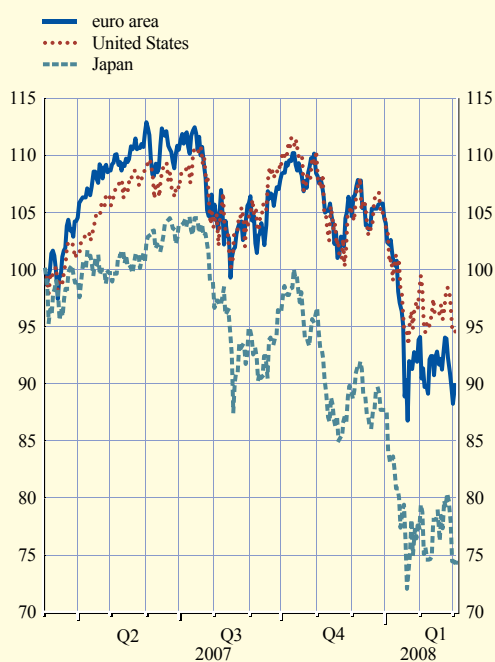
Between end-November 2007 and early March 2008 euro area equity prices experienced pronounced fluctuations and declined significantly overall, in line with developments in global markets, as concerns regarding the financial and economic implications of the US sub-prime mortgage crisis intensified. In addition to a weaker outlook for short-term economic activity, the strong overall declines in stock prices seemed also to reflect a moderation in reported earnings growth and a deterioration in investor sentiment.

In December of last year major stock markets stabilised somewhat following the more turbulent developments of previous months amid the global financial market turmoil. At the beginning of 2008 risk aversion increased again as market concerns regarding the financial and economic implications of the US sub-prime mortgage crisis strengthened. Consequently, equity prices dropped sharply in the first half of January 2008 (see Chart 24). Subsequently, with the FOMC deciding on 22 and 30 January to reduce its target for the federal funds rate, stock prices rebounded somewhat on both sides of the Atlantic. Overall, stock prices in the euro area, as measured by the Dow Jones EURO STOXX 50 index, and Japanese stock prices, as measured by the Nikkei 225 index, fell by around 15% and 17% respectively between end-November 2007 and 5 March 2008. Over the same period stock prices in the United States, as measured by the Standard & Poor's 500 index, declined somewhat less, falling by around 10%.

Developments in stock market volatility between end-November 2007 and early March 2008 mirrored the fluctuations seen in stock prices themselves. In December 2007, when global stock prices stabilised, implied volatility fell strongly in all major markets. Implied stock market volatility in the euro area thereby returned to the levels seen before the outbreak of the financial turmoil in the summer of 2007 (see Chart 25). At the beginning of 2008, amid increased market concerns regarding the outlook for economic growth and the possibility of effects spilling over from the financial market turmoil to the real economy, short-term stock market uncertainty, as measured by implied volatility extracted from stock options, increased strongly again. The strong overall increases observed in implied stock market volatility over the review period reflected increases in investors' risk aversion and perception of risk, which, in turn, seemed to drive up the equity risk premium. Increasing demand for compensation for bearing risk was also seen in credit markets, as reflected, for example, in further increases in credit spreads at the beginning of the year. By early March implied volatility in both the United States and the euro area stood at levels

Chart 24 Stock price indices

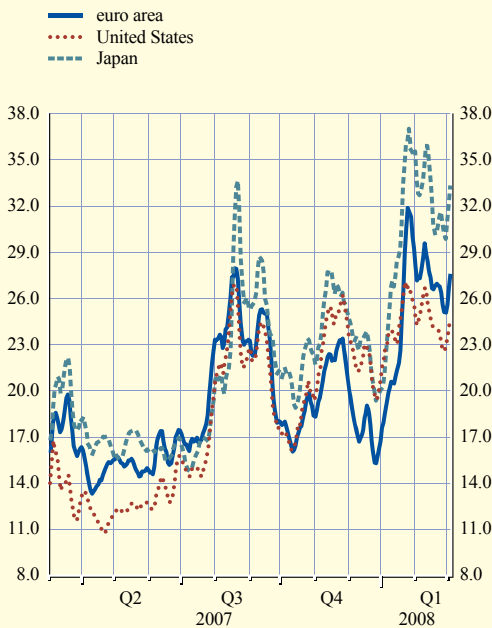
(index: 1 March 2007 = 100; daily data)



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

Chart 25 Implied stock market volatility

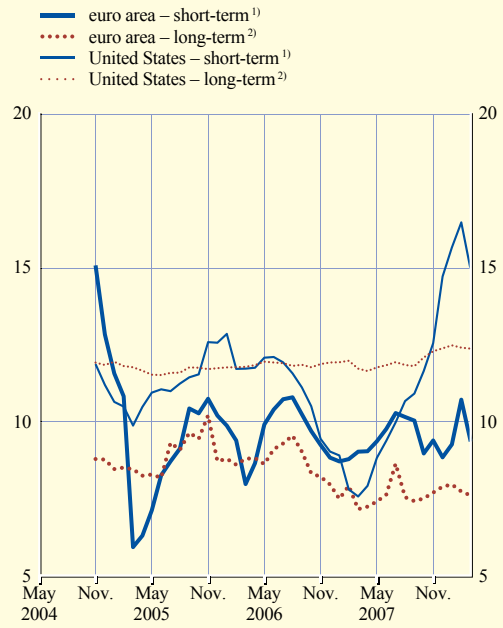
(percentages per annum; five-day moving average of daily data)



Source: Bloomberg.
Notes: 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 26 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).

which, from a long-term historical perspective, may signal a return to the sort of higher-volatility regime that prevailed for most of the period 1998-2003 (see Box 5).

The strong overall decline in US stock prices appeared to be driven in part by data releases on macroeconomic fundamentals, which were generally weaker than had been anticipated by market participants (see Section 2.4). In line with such signs of weaker macroeconomic fundamentals, annual growth in earnings per share for corporations in the Standard & Poor's 500 index weakened considerably over the review period and became negative in January 2008 for the first time since 2002. However, analysts seemed to expect this decline in reported earnings to be short-lived, as annual earnings growth forecasts for the same set of firms remained comfortably in the double-digit range both for the next 12 months and for the next three to five years (see Chart 26). As mentioned above, a strong increase in the compensation demanded for stock market risk placed further downward pressure on stock prices in the United States and elsewhere. Moreover, Merrill Lynch's Global Fund Manager Survey for January suggests that risk appetite receded further over the review period.

While euro area stock prices broadly followed global trends between end-November and early March, the overall percentage decline in the Dow Jones EURO STOXX 50 index was somewhat larger than that observed for the Standard & Poor's 500 index. The stronger fall in euro area stock

prices seemed to be related not to factors shaping the outlook for euro area corporate earnings, but rather to global risk factors. In particular, since the stock prices of companies in the Dow Jones EURO STOXX 50 index tend to be more strongly correlated than those of companies in the Standard & Poor's 500 index, the euro area index tends to react more strongly to market-wide factors such as changes in global risk aversion, as diversification effects across different parts of that index are less pronounced than in the US index.

In line with the slowdown observed in economic activity in the euro area, the dynamics of euro area earnings growth showed clear signs of moderation over the review period. This notwithstanding, the earnings per share of companies in the Dow Jones EURO STOXX 50 index still grew at an annual rate of 11% in February 2008, down from 15% in November 2007. In addition, the expected growth rate of future earnings per share remained strong. Over the period under review analysts' average forecasts for the annual earnings growth of firms in the Dow Jones EURO STOXX 50 index stood at around 9% for the next 12 months and around 8% for the next three to five years, both of which are almost unchanged from the values reported in November 2007.

As regards developments in sectoral stock price indices in the euro area, there was some variation in economic sectors' contributions to the overall decline observed in the broad-based Dow Jones EURO STOXX 50 index over the review period (see Table 3). Stock prices in the financial sector declined by around 19%, thus falling by somewhat more than the overall index. This appeared to be driven largely by uncertainties regarding the ultimate exposure of the financial sector to assets linked to sub-prime mortgages in the United States. The stock prices of all other sectors – with the exception of the traditionally less cyclical sectors (e.g. the basic materials and oil and gas sectors) – also declined considerably, at rates similar to that of the index as a whole. The fact that significant declines were observed for equity prices in the main cyclical sectors also points to increasing market concerns regarding the possibility of the effects of the financial turmoil spilling over into the real economy worldwide.

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	Technology	Tele-communications	Utility	EURO STOXX
Share of sector in market capitalisation (end-of-period data)	7.6	6.0	11.8	6.9	29.2	3.1	12.2	5.1	7.3	10.7	100.0
Price changes (end-of-period data)											
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
2007 Q2	12.6	0.9	8.8	13.4	1.6	-1.5	12.1	13.7	2.4	9.4	6.3
2007 Q3	0.1	-5.0	-0.8	-4.1	-7.5	-2.7	-10.4	7.7	9.1	2.1	-3.4
2007 Q4	-1.2	-3.3	-1.6	-1.8	-4.9	2.1	0.1	-7.8	7.1	8.5	-1.2
January	-12.2	-12.5	-14.0	-14.2	-14.8	-9.6	-15.1	-10.3	-7.9	-11.3	-13.1
February	2.1	-2.4	-0.6	5.1	-2.6	-5.5	1.8	-2.3	-5.2	-0.7	-1.1
30 Nov. - 5 Mar.	-7.0	-16.1	-15.3	-8.3	-18.8	-17.7	-14.0	-17.8	-16.5	-13.0	-15.3

Sources: Thomson Financial Datastream and ECB calculations.

Box 5

STOCK MARKET VOLATILITY IN THE LIGHT OF THE FINANCIAL MARKET TURMOIL

After an extended period of generally tranquil equity market conditions, stock price volatility levels increased again across the globe with the outbreak of the financial turmoil in the summer of 2007 and have remained relatively high since then. Pronounced spikes in realised and expected stock market volatility are typical of periods of market turmoil,¹ with investors generally becoming very uncertain about future stock price developments and, accordingly, requiring a higher risk premium for holding equities. This is why periods of increased stock market volatility tend to coincide with stock price falls and certain indicators of expected stock market volatility have become known as “investor fear gauges”.² This box looks at recent developments in stock market volatility from a longer-term perspective and uses an econometric model to explore the characteristics of the current period of high volatility.

The VSTOXX index is a measure of anticipated stock market volatility for the euro area (see Charts A and B, which use a long and a short data sample respectively). It is calculated on the basis of option prices and could, as a rough approximation, be interpreted as investors’ expectations for the volatility of daily returns on the Dow Jones EURO STOXX 50 index over the next 30 calendar days.³ The charts show that the VSTOXX index started to increase in late July and

1 In fact, comparable measures of realised and expected stock price volatility mirror each other closely. See the box entitled “Recent trends in implied stock market volatility” in the November 2004 issue of the Monthly Bulletin.

2 See R. E. Whaley (2000), “The investor fear gauge”, *Journal of Portfolio Management*, pp. 12-17.

3 Like the VIX index – which is based on the Standard & Poor’s 500 index in the United States – the VSTOXX index is calculated on the basis of a set of option prices rather than option-implied volatilities. The calculation can be interpreted as the approximate replication of a “variance swap rate”. The square of any volatility index calculated in such a way can thus be regarded – taking into account an approximation error and a variance risk premium – as an indication of investors’ expectations regarding the variance of daily stock returns over a given horizon. See P. Carr and L. Wu (2006), “A tale of two indices”, *Journal of Derivatives*, pp. 13-29.

Chart A Stock market volatility in the euro area

(percentages per annum; daily data)



Source: STOXX.
Notes: The VSTOXX index is based on option prices. It can be interpreted as an approximation of investors’ expectations for the volatility of daily returns on the Dow Jones EURO STOXX 50 index over the next 30 days.

Chart B Stock market volatility in the euro area for different horizons

(percentages per annum; daily data)



Source: STOXX.
Note: On the basis of option prices, the VSTOXX sub-indices measure the expected annualised volatility of the Dow Jones EURO STOXX 50 index over different horizons.

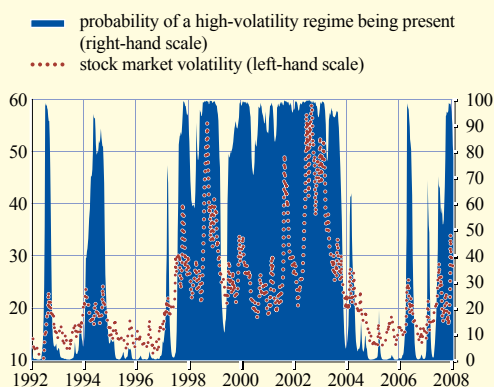
peaked in mid-August at a level not seen since May 2003, while remaining well below earlier peaks in 2001 and 2002. The increasing stock market turbulence observed as of August 2007 reflected initial heightened concerns among market participants regarding the wider impact that the tensions in the US sub-prime mortgage market would have on financial conditions in global markets. Following a temporary moderation, stock market volatility spiked again in late January 2008, when investors' fears were amplified by increasing concerns regarding the outlook for economic activity, particularly in the United States, in the context of the ongoing financial turmoil.

The dotted and dashed lines in Chart B denote expected volatility for the Dow Jones EURO STOXX 50 index over 12 and 24-month horizons respectively. Both series increased markedly in the course of the turmoil. Current levels indicate that investors expect stock market volatility to remain at elevated levels in the medium term.

Such expectations of a return to a higher-volatility environment of the sort that prevailed during most of the period between 1997 and 2003 appear to be consistent with the findings of an econometric model that identifies periods of high and low volatility in the euro area stock market on the basis of realised short-term stock returns.⁴ Chart C displays weekly data indicating the estimated probability of being in a high-volatility state, together with the VDAX index (which reflects investors' expectations regarding the volatility of the German DAX index).⁵ The model tends to distinguish clearly between the two regimes, as indicated by the fact that the probability of being in a high-volatility regime is generally either close to one or close to zero. For the full sample, starting in 1973, the model suggests that the stock market has been in a high-volatility state around 30% of the time. However, the last decade can be characterised as more turbulent, with a high-volatility regime present around two-thirds of the time. Against this background, after more than three and a half years of relatively low levels of volatility, the financial turmoil seems to have triggered a return to higher volatility in early August 2007. This notwithstanding, there was only fairly moderate empirical support for the presence of a high-volatility regime in the first few months of the turmoil, with the corresponding probability standing only slightly above 50% at that time. The likelihood of a high-volatility regime being present did not cross the 80% threshold until November 2007 and has largely remained well above that level since then. As the estimated probability of moving from a high-volatility regime to a low-volatility regime

Chart C Implied stock market volatility and the probability of a high-volatility regime being present in the euro area stock market

(percentages per annum; percentages)



Sources: Thomson Financial Datastream and ECB calculations.
Notes: The estimated probability of a high-volatility regime being present is based on a Markov-switching ARCH model using weekly euro area stock market data from February 1973 to February 2008. The volatility index used is the VDAX index, which reflects the expected volatility over a horizon of 30 days.

4 The model is based on weekly returns for the Datastream total market price index for the euro area for the period from February 1973 to February 2008. It is specified as a Markov-switching ARCH model which allows for two volatility regimes and for asymmetry effects (i.e. positive and negative return shocks affect the conditional variance processes in different ways). See D. Domanski and M. Kremer (2000), "The dynamics of international asset price linkages and their effects on German stock and bond markets", Bank for International Settlements, Conference Paper No 8, pp. 134-158.

5 The VDAX index (more precisely, the VDAX-NEW index) and the VSTOXX index are conceptually identical and in practice exhibit very close comovement. While the VDAX index has been calculated backwards until January 1992, the VSTOXX index is not available before January 1999.

is relatively low, a high-volatility regime is likely to prevail for a while once that state has been reached. However, as suggested by the results for the full sample starting in 1973, the actual length of a high-volatility phase varies between shorter episodes, such as the two-month period starting in late May 2006, and more lengthy phases, with the drawn-out period starting in mid-1999 representing an extreme example. Hence, while the model suggests that the current period of high volatility is likely to persist for some time, its ultimate duration is subject to considerable uncertainty.

Finally, all else being equal, an extended period of high stock market volatility implies tighter financing conditions in the economy on account of higher equity risk premia, by comparison with the unusually low premia observed in the years preceding the financial market turmoil.⁶

⁶ In addition, stock market volatility is often also associated with similar developments in corporate bond spreads. See the box entitled “The recent repricing of credit risk” in the October 2007 issue of the Monthly Bulletin.

2.6 FINANCIAL FLOWS AND FINANCIAL POSITION OF NON-FINANCIAL CORPORATIONS

Driven by the lagged effects of the increases in key ECB interest rates since end-2005, as well as the reassessment of risk observed in the financial markets since mid-2007, the real cost of the external financing of the euro area non-financial corporate sector increased further in the fourth quarter of 2007. At the same time, despite the rising cost of debt financing and continued solid profit developments, lending by MFIs to non-financial corporations also remained strong in the fourth quarter of 2007. Consequently, non-financial corporate debt ratios continued the upward trend observed in previous quarters.

FINANCING CONDITIONS

The real cost of the external financing of euro area non-financial corporations – as calculated by weighting the cost of different sources of financing on the basis of their amounts outstanding, corrected for valuation effects⁵ – increased further in the fourth quarter of 2007, although it remained below the previous peaks recorded during the period 2000-02 (see Chart 27).⁶ In the fourth quarter of 2007 non-financial corporations’ real external financing costs were driven mainly by the continued increase in the real cost of debt financing, which rose by around 10 basis points. Both the real cost of bank lending and the real cost of market-based debt financing contributed to this increase. Over the same period the real cost of quoted equity increased only slightly. The increase in the real overall cost of financing for euro area non-financial corporations reflects mainly the tightening of financing conditions observed since December 2005, thereby broadly following the pattern of lagged pass-through and interest rate smoothing observed in previous cycles. At the same time, the tensions observed in financial markets and the re-evaluation of risk have also contributed to the increases seen in financing costs in recent months.

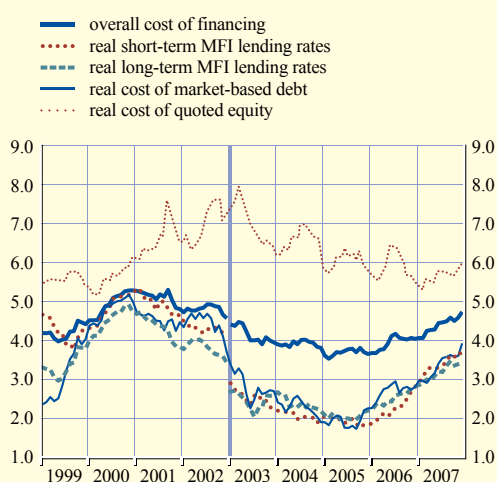
Turning to the components of the real cost of non-financial corporations’ external financing, the real cost of bank lending continued its upward trend in the fourth quarter of 2007, rising by around 10 basis points. Both short-term and long-term rates contributed to this increase. In nominal terms, short-term MFI interest rates on loans to non-financial corporations with floating rates and an initial

⁵ For a detailed description of the way 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.

⁶ This disregards the statistical break at the beginning of 2003.

Chart 27 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.

rate fixation period of up to one year increased by around 10 to 15 basis points between September and December 2007 (see Table 4). This was slightly in excess of the increase in the three-month EURIBOR, possibly reflecting some sluggishness in the adjustment of bank interest rates in line with changes in corresponding market rates following the strong increases seen in EURIBOR rates during the third quarter of 2007. Consequently, the spread between short-term bank lending rates and the three-month money market rate widened marginally in the fourth quarter of 2007, but remained well below its average since January 2003.⁷

Long-term MFI interest rates on loans to non-financial corporations with an initial rate fixation period of over five years rose only slightly over the same period, increasing by around 5 to 10 basis points depending on the size of the loan. At the same time, however, comparable government bond yields continued to decline, leading to a further widening of the spread between long-term bank lending rates and two-year and five-year government bond yields in

7 The new harmonised Eurosystem MFI interest rate statistics were introduced in January 2003.

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

(percentages per annum; basis points; weight-adjusted¹⁾)

							Change in basis points up to Dec. 2007 ²⁾		
	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Nov.	2007 Dec.	2007 Jun.	2007 Sep.	2007 Nov.
MFI interest rates on loans									
Bank overdrafts to non-financial corporations	5.80	6.06	6.18	6.50	6.51	6.60	42	10	9
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	5.08	5.29	5.53	5.92	5.95	6.08	54	16	12
with an initial rate fixation of over five years	4.67	4.83	5.00	5.24	5.29	5.32	32	8	2
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	4.50	4.68	4.90	5.21	5.08	5.36	46	15	28
with an initial rate fixation of over five years	4.63	4.86	5.17	5.43	5.38	5.47	30	4	8
Memo items									
Three-month money market interest rate	3.68	3.89	4.15	4.74	4.64	4.85	70	11	21
Two-year government bond yield	3.79	3.94	4.45	4.10	3.94	4.05	-40	-4	12
Five-year government bond yield	3.83	3.95	4.57	4.19	4.00	4.14	-43	-5	14

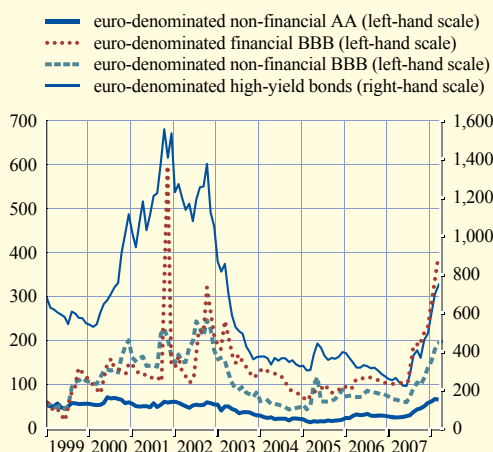
Source: ECB.

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.

Chart 28 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 AAA-rated government bond yields.

the fourth quarter of 2007. As a result, by end-December the long-term spread on loans to non-financial corporations stood at its highest level since early 2003.

All in all, these developments are consistent with the results of the January 2008 bank lending survey for the euro area, which suggest a broader reassessment of risks by banks following a prolonged period of loose credit conditions. The latest bank lending survey results show banks reporting that credit standards were tightened as a consequence of the impact of ongoing financial market tensions on their funding and balance sheets. Hence, factors such as costs related to banks' capital, liquidity positions and access to market financing, as well as expectations regarding general economic activity and the industry or firm-specific outlook, were mentioned as playing a role in the net tightening of credit standards. In particular, euro area banks' difficulties in accessing wholesale

funding, as reported in the survey, were reflected in both the rise in money market rates and the significant increase in financial corporate bond spreads observed in the second half of 2007 and early 2008 (see Chart 28).

With regard to the raising of funds through the issuance of debt securities, the real cost of market-based debt financing continued to rise in the fourth quarter of 2007, increasing by around 10 basis points between September and December 2007. This increase was caused by a significant widening of spreads for non-financial corporate bonds in the fourth quarter of 2007 and the first two months of 2008 (see Chart 28), which more than offset the decline observed in government bond yields. At the same time, the increase in those spreads was more limited than that observed for financial corporate bonds, reflecting the fact that the financial market tensions have had a particularly severe impact on the banking sector. More recently, in early March 2008 the real cost of market-based debt financing remained broadly unchanged from the level of 3.9% reached at end-December 2007.

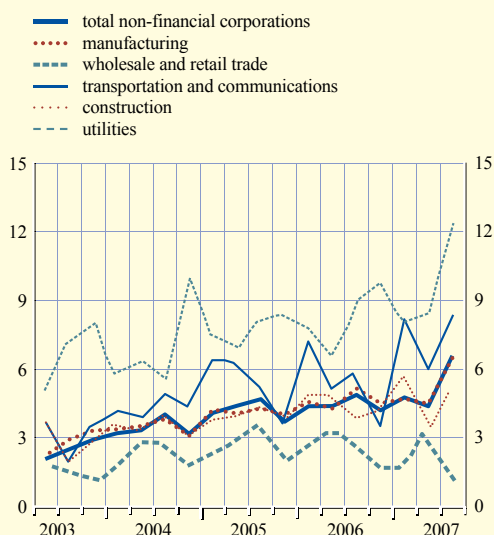
The real cost of quoted equity of non-financial corporations increased slightly in the fourth quarter of 2007, primarily reflecting the weak performance of the stock market. Consequently, while the gap between the real cost of quoted equity and the real cost of debt financing remained significant, it narrowed somewhat further and in October 2007 reached its lowest level since the first quarter of 2002. More recently, at end-February 2008, reflecting pronounced adverse developments in the stock market, the real cost of quoted equity reached a level 42 basis points above that seen at the end of 2007.

FINANCIAL FLOWS

According to aggregated firm-level data from corporate financial statements, the profitability of listed non-financial corporations in the euro area, measured in terms of the ratio of net income to sales, increased significantly in the fourth quarter of 2007, reaching its highest level since 1999 (see Chart 29). As in previous quarters, profit developments seemed to be driven by improved

Chart 29 Profit ratios of listed non-financial corporations

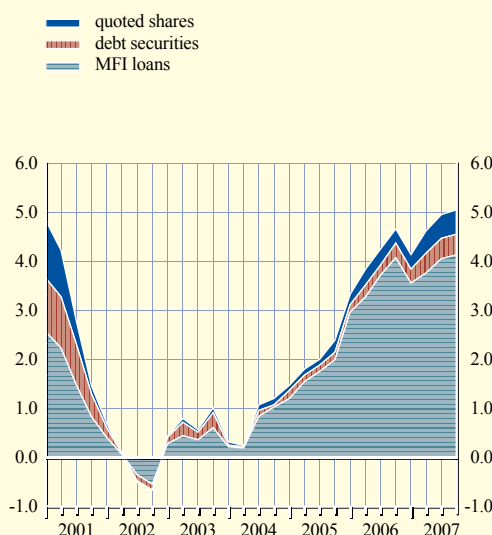
(ratios of net income to net sales; quarterly data)



Sources: Thomson Financial Datastream and ECB calculations.

Chart 30 Breakdown of the real annual rate of growth of the 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.

efficiency in the form of declining operating expenses as a percentage of sales and robust cash flow developments, partly offset by increases in the interest burden of non-financial corporations as a result of both an accumulation of debt and higher interest rates. With regard to cash flow developments, Box 6 provides some evidence that strong cash flows have played an important role in explaining the considerable increases seen in non-financial corporations' liquidity ratios in recent years. As regards sectoral profitability developments in the fourth quarter of 2007, the ratio of net income to sales of listed non-financial corporations increased in all economic sectors bar the wholesale and retail trade sector, which may have been adversely affected by the fact that consumption growth remained moderate.

Notwithstanding the favourable overall situation with regard to corporate profitability, non-financial corporations further increased their external financing in the fourth quarter of 2007. Thus, the real annual rate of growth of non-financial corporations' financing (including MFI loans, debt securities and quoted shares) rose to 5.0%, compared with 4.9% in the previous quarter (see Chart 30). In particular, the contribution of loan financing continued to increase, with the growth rate of such financing reaching 4.1% in the fourth quarter of 2007, whereas the contribution of financing through debt securities remained broadly unchanged. Finally, the issuance of quoted shares recovered somewhat further by comparison with the third quarter, while remaining subdued from a longer-term perspective. If a broader view is taken and unquoted equity, pension fund reserves and other accounts payable are also included, the annual growth rate of the financing of non-financial corporations remained stable at 6.5% in the third quarter of 2007, as shown by the available sectoral data from the euro area accounts.

The annual rate of growth of MFI loans to non-financial corporations reached an unprecedented high of 14.6% in January 2008, up from 14.5% in December 2007 (see Table 5 and Section 2.1).

Table 5 Financing of non-financial corporations

(percentage changes; end of quarter)

	Annual growth rates					
	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Jan.
MFI loans	13.1	12.6	13.3	14.0	14.5	14.6
Up to one year	9.7	9.9	11.1	12.6	12.8	12.6
Over one and up to five years	20.8	18.6	19.9	20.3	21.8	22.6
Over five years	12.5	12.1	12.2	12.5	12.8	12.8
Debt securities issued	5.4	5.7	8.2	8.5	9.0	-
Short-term	3.8	7.9	18.6	21.2	28.9	-
Long-term, of which: ¹⁾	5.7	5.3	6.3	6.2	5.5	-
Fixed rate	2.2	3.1	3.9	4.2	5.1	-
Variable rate	25.7	20.6	19.7	18.7	9.5	-
Quoted shares issued	0.8	0.9	1.2	1.3	1.3	-
Memo items ²⁾						
Total financing	6.1	6.2	6.6	6.5	-	-
Loans to non-financial corporations	10.1	10.2	10.3	11.4	-	-
Insurance technical reserves ³⁾	4.7	4.5	4.0	3.4	-	-

Sources: ECB, Eurostat and ECB calculations.

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

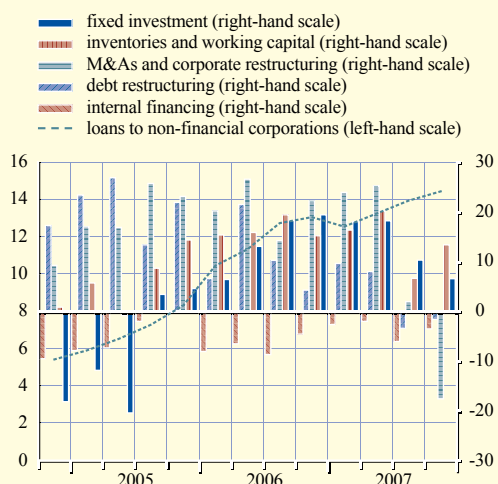
1) The sum of fixed rate and variable rate data may not add up to total long-term debt securities data because zero-coupon long-term debt securities, which include valuation effects, are not shown separately in this table.

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.

3) Includes pension fund reserves.

Chart 31 Loan growth and factors contributing to non-financial corporations' demand for loans

(annual percentage changes; net percentages)



Source: ECB.

Notes: The net percentages refer to the difference between the percentage of banks reporting that the given factor contributed to a tightening of credit standards and the percentage reporting that it contributed to an easing. See also the October 2007 bank lending survey.

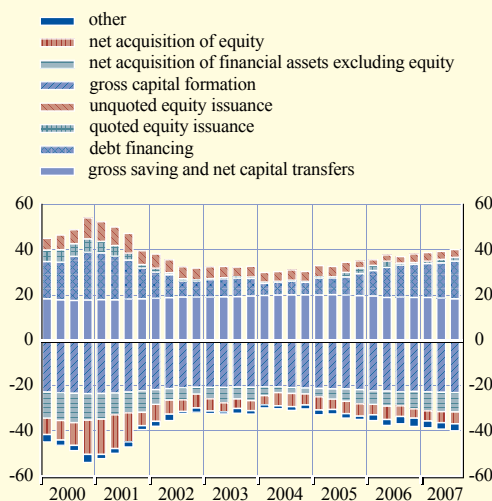
Thus, in recent months loan financing by the non-financial corporate sector has been well in excess of the peaks observed in previous cycles, such as the annual growth rates of 12% and 14% recorded in the third quarter of 2000 and the first quarter of 1990 respectively. Against this background, the credit market tensions observed since the summer of 2007 do not seem, thus far, to have dampened euro area firms' demand for loans or banks' willingness to provide funds. This appears to contrast with the indications from the January 2008 euro area bank lending survey, which pointed to net tightening of credit standards applied to loans and credit lines to enterprises and lower net demand for loans. It should be noted, however, that loan growth generally tends to react with a lag of several quarters to changes in credit standards.

Despite slowing (according to the results of the bank lending survey), loan demand remained positive over the review period, as companies continued to require financing for

fixed investment and working capital (see Chart 31). Moreover, while leveraged buyout transactions all but ceased in the second half of 2007 and early 2008, other M&A activity remained relatively strong over that period, thereby supporting loan demand. Furthermore, difficulties in selling loans on the secondary loan market, possibly combined with some decline in securitisation activity in the wake of the tensions in financial markets, may have led to existing loans being extended or credit lines being drawn on. In addition, non-financial corporate loan growth could also have been supported by some shifts away from market-based debt financing in the light of the more difficult conditions seen in the corporate debt market in recent months. Looking ahead, some moderation can be expected in the growth of loans to non-financial corporations, given the tightening of credit conditions related to the financial market turmoil and the lagged effects of the gradual increases in key ECB interest rates since the end of 2005.

Chart 32 Saving, financing and investment of non-financial corporations

(four-quarter moving totals; percentages of gross value added)



Source: Euro area accounts.

Notes: Debt includes loans, debt securities and pension fund reserves. "Other" includes financial derivatives, other accounts payable/receivable and adjustments.

The annual growth rate of the issuance of debt securities by non-financial corporations increased somewhat in the fourth quarter of 2007, standing at 9.0% in December. The annual growth rate of short-term debt securities issuance by non-financial corporations increased by almost 8 percentage points over the same period to stand at 28.9%, whereas the growth rate of the issuance of long-term debt securities fell to 5.5% (from 6.2% in the previous quarter), possibly reflecting increases in corporate bond yields over that period. Furthermore, these high annual growth rates largely reflect base effects, whereas issuance activity slowed significantly in late 2007 as measured by the three-month annualised seasonally adjusted growth rate.

The non-financial corporate sector may also obtain financing through debt securities issuance by financial subsidiaries (i.e. non-monetary financial corporations). Indeed, although the majority of such financing may be related to securitisation by MFIs, the annual rate of growth of debt securities issued by non-monetary financial corporations remained at a high level in the fourth quarter of 2007, standing at 28.2% in December, and may, therefore, also have provided the non-financial corporate sector with additional financing. Moreover, by contrast with the situation with regard to non-financial corporations, the three-month annualised seasonally adjusted growth rate for overall debt securities issuance by non-monetary financial corporations increased strongly to stand at 31.5% in December 2007. However, this mainly reflected strong issuance activity in a small number of euro area countries, where anecdotal evidence suggests that the bulk of the securities issued were placed privately, with MFIs potentially purchasing them straight from their special-purpose vehicles (see Section 2.1).

The annual rate of growth of quoted equity issued by non-financial corporations stood at 1.3% in the fourth quarter of 2007, unchanged from the previous quarter. In terms of flows, net issuance of quoted shares by non-financial corporations totalled €20 billion in the fourth quarter, which was

almost €5 billion more than the average for the preceding four quarters and was driven mainly by relatively strong gross issuance.

Finally, with regard to overall developments in non-financial corporations' saving, financing and investment behaviour, it appears, on the basis of national accounts data, that in the third quarter of 2007 (the most recent quarter for which data are available) the funds raised by euro area non-financial corporations as a result of their continued robust profitability and considerable recourse to external debt financing continued to be used primarily in order to finance gross capital formation and (albeit to a somewhat lesser extent than in preceding quarters) financial investment (see Chart 32). Moreover, the increasing recourse to external debt financing points to an increase in euro area non-financial corporations' financing gap (i.e. investment minus savings) in 2007.

Box 6

THE DETERMINANTS OF NON-FINANCIAL CORPORATIONS' CASH HOLDINGS: A MICROECONOMIC ANALYSIS

In the last few years non-financial corporations in the euro area have considerably increased their liquidity ratios (i.e. cash and cash equivalents¹ as a percentage of total assets). In order to properly assess this development, which has been relatively widespread across sectors, the underlying forces explaining this increase need to be examined. To this end, this box analyses the relationship between cash holdings and some of their potential determinants, using a large micro dataset for the period 1998-2005.²

Why do non-financial corporations hold liquid assets? The benefits and costs of holding cash

Cash holdings are affected by the costs and benefits of holding liquid assets. The costs are associated with the lower returns offered by funds invested in this type of asset by comparison with alternative ways of using such funds. Assuming that the question of whether to repay loans or hold money is the main financial investment decision facing non-financial corporations, the spread between bank lending rates and a corporation's own rate of return on M3 (which comprises a somewhat narrower range of assets than the cash and cash equivalents considered here) can be used as a rough proxy for this opportunity cost. The opportunity cost of holding cash is likely to be higher for more highly leveraged firms, and a negative relationship between firms' liquidity ratios and their indebtedness is therefore to be expected.

As for the benefits of holding cash, the literature on corporate cash holdings emphasises two main elements: the transaction cost motive (i.e. firms' ability to save on transaction costs by using cash to make payments without having to liquidate assets) and the precautionary motive (i.e. firms' desire to accumulate cash in order to hedge against the risk of being short of cash in the future). The first implies a positive relationship between cash holdings and firms' transactions (or their level of activity, proxied here by cash flow) and a negative relationship between cash holdings and non-cash short-term assets (such as trade credit), which are easier to convert into

1 Cash and cash equivalents include all liquid funds (and thus constitute a broader range of assets than the M3 monetary aggregate).

2 These data comprise more than 600,000 observations for around 100,000 non-financial (quoted and unquoted) corporations in the euro area. They are derived from the AMADEUS database of Bureau van Dijk.

cash than other assets. The precautionary motive would imply a positive relationship between liquidity ratios and cash flow volatility, as well as a negative relationship between liquidity ratios and (less volatile) tangible assets. Finally, the incentives to hold cash can vary across firms of different sizes, owing, for instance, to differences in the financing constraints they face. For example, if small firms have more limited access to external finance, they could decide to hold more cash in anticipation of a need for funds in the future in order to finance new projects. Differences in financing constraints can also result in differences in the extent to which cash holdings are sensitive to cash flows.

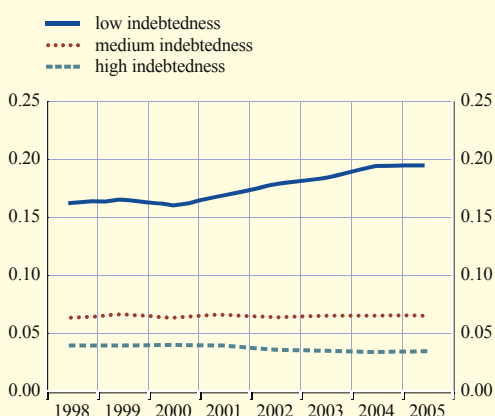
The relationship between cash holdings and their determinants: descriptive analysis

Charts A to F present the relationship between levels of cash holdings and a number of variables that, given the costs and benefits of holding cash, might affect firms' liquidity ratios. The charts present the median liquidity ratio (defined as cash and cash equivalents as a percentage of total assets) for firms exhibiting high (i.e. above the 90th percentile), medium (i.e. between the 45th and 55th percentiles) and low (i.e. below the 10th percentile) levels of a given variable.

As can be seen in Chart A, it seems that there is a clear relationship between firms' cash holdings (expressed as their liquidity ratios) and their indebtedness levels. Highly leveraged firms exhibit lower cash holdings in line with the higher opportunity cost of holding liquid assets. A clear pattern emerges also when comparing the cash holdings of firms with different cash flow-to-asset ratios, with firms with larger cash flows relative to their assets also exhibiting higher liquidity ratios (see Chart B). The difference is especially large for those firms with the highest levels of internally generated funds. This difference has, moreover, increased over time, since it is the firms with the largest cash flows that have been exhibiting the largest increases in cash holdings in recent years. Likewise, it is observed that firms with high levels of tangible assets on their balance sheets exhibit – in line with the more limited volatility of this type of asset – substantially lower levels of cash holdings than firms holding medium and low levels of such assets, which have similar liquidity ratios (see Chart C). In line with their substitutive role, a negative relationship is observed

Chart A Liquidity ratios for firms with different indebtedness levels

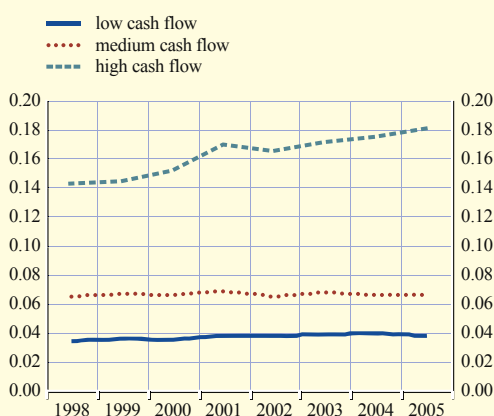
(ratio of cash and cash equivalents to total assets)



Sources: AMADEUS (Bureau van Dijk) and ECB calculations.
Note: Indebtedness is defined as the ratio of debt to total assets.

Chart B Liquidity ratios for firms with different cash flow levels

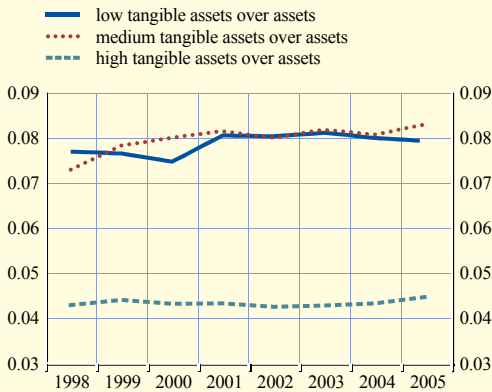
(ratio of cash and cash equivalents to total assets)



Sources: AMADEUS (Bureau van Dijk) and ECB calculations.
Note: Cash flow is defined as the ratio of cash flow to assets.

Chart C Liquidity ratios for firms with different levels of tangible assets

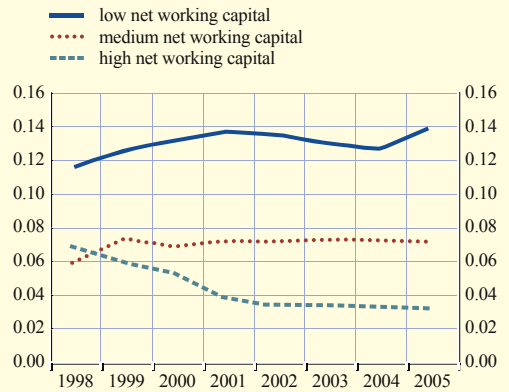
(ratio of cash and cash equivalents to total assets)



Sources: AMADEUS (Bureau van Dijk) and ECB calculations.

Chart D Liquidity ratios for firms with different levels of net working capital

(ratio of cash and cash equivalents to total assets)

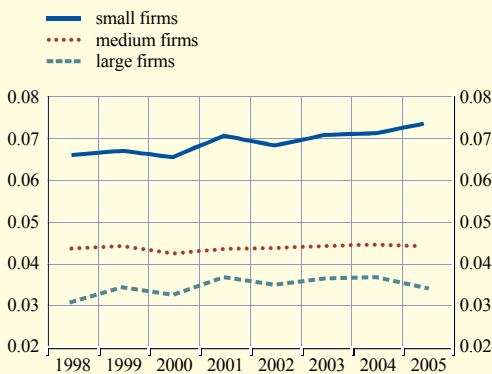


Sources: AMADEUS (Bureau van Dijk) and ECB calculations. Note: Net working capital is defined as short-term assets other than cash and cash equivalents.

between cash holdings and net working capital (see Chart D). Likewise, Chart E shows that firms of different sizes differ substantially in their liquidity ratios, with the smallest companies in particular holding significantly more cash than larger companies. Finally, contrary to what would be expected, the relationship between cash flow volatility and liquidity holdings does not appear to be positive according to this simple bivariate descriptive analysis, since firms with more volatile cash flows seem to hold less cash (see Chart F). However, when an equation is estimated relating cash holdings to all of the above-mentioned potential determinants, as well as to the opportunity cost of holding cash, a positive relationship between cash holdings and cash flow volatility emerges (see the table next to Chart G). In addition, as expected, a negative coefficient is estimated for the spread between bank lending rates and non-financial corporations' own rate of return on M3,

Chart E Liquidity ratios for firms of different sizes

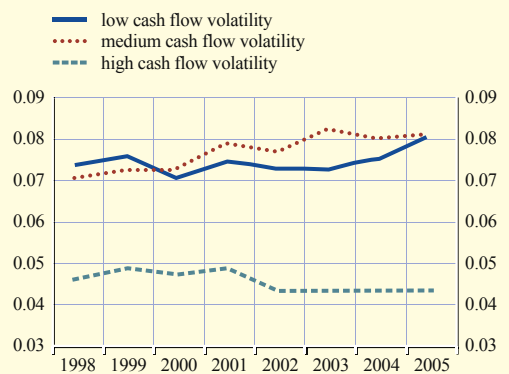
(ratio of cash and cash equivalents to total assets)



Sources: AMADEUS (Bureau van Dijk) and ECB calculations. Note: Firm size is defined as a function of assets, employees and turnover.

Chart F Liquidity ratios for firms with different degrees of cash flow volatility

(ratio of cash and cash equivalents to total assets)



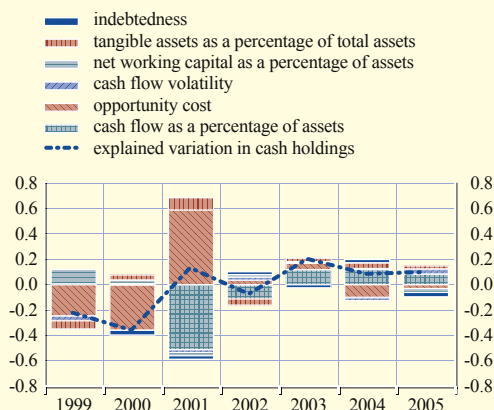
Sources: AMADEUS (Bureau van Dijk) and ECB calculations. Note: Cash flow volatility is measured as the coefficient of variation for this variable.

Relationship between liquidity ratios and selected variables

Variable	Coefficient in a liquidity ratio equation
Cash flow as a percentage of assets	0.17
Cash flow volatility	0.003
Tangible assets as a percentage of total assets	-0.04
Indebtedness as a percentage of assets	-0.02
Net working capital as a percentage of assets	-0.03
Spread between the bank lending rate and the rate of return on M3	-0.39
Relationship between cash holdings and size: dummy (size = medium)	-1.6
dummy (size = large)	-2.1

Chart G Contributions to developments in liquidity holdings

(percentage points)



Sources: AMADEUS (Bureau van Dijk) and ECB calculations.

Notes: a) The table reports the estimated coefficients when liquidity ratios are related to the variables presented in the table. All are significant at conventional (95%) confidence levels.

b) Chart G shows the contributions to developments in cash holdings of the variables presented in the charts above. All variables are significant at the 5% significance level.

with an increase of 100 basis points in this spread leading firms to reduce their cash holdings by 0.4 percentage point (6% of the median liquidity ratio).

Chart G illustrates the role played by each of the above-mentioned variables in explaining developments in liquidity holdings in recent years according to the estimated coefficients when these variables are included in a liquidity ratio equation.³ As can be seen, developments in cash holdings were driven largely by changes in opportunity costs (proxied by the spread between the bank lending rate and the rate of return on M3) in the late 1990s and early 2000s, while more recently (in the period 2002-05) interest rates have played a more limited role. Thus, in recent years increases in the cash flow-to-asset ratio have replaced variations in opportunity costs as the main factor contributing to the accumulation of cash holdings. Furthermore, for the period 2003-05 estimated time dummies are increasingly positive, suggesting that other macroeconomic factors might also have contributed to the accumulation of cash in recent years. For example, firms might have accumulated cash in order to carry out merger and acquisition activities, which have surged over the last few years.⁴

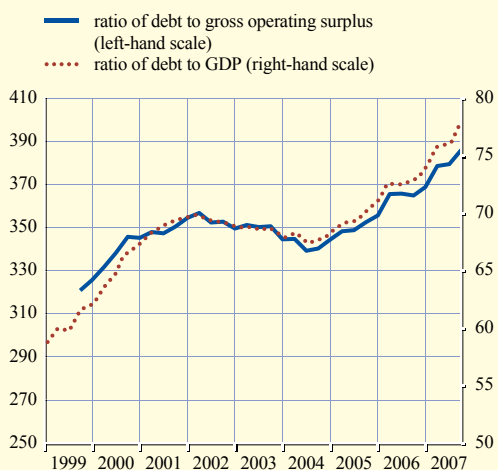
To sum up, the evidence presented in this box indicates that cash holdings are related to balance sheet variables such as indebtedness, net working capital and tangible assets, as well as other variables such as firm size and cash flow. Of those factors, cash flows seem to have played the most important role in explaining the increases observed over the last few years in non-financial corporations' liquidity ratios. The accumulation of corporate cash holdings is thus broadly consistent with a pick-up in real economic activity in recent years. Variations in the opportunity cost of holding money have also driven recent developments in cash holdings, although to a lesser extent than at the end of the 1990s, when increases in such costs contributed to reductions in liquidity ratios.

³ Chart G does not show the contribution associated with lagged levels of cash holdings, which would, given the high levels of persistence exhibited by this variable, appear as the main explanatory factor in this contribution analysis.

⁴ See also the box entitled "Recent trends in merger and acquisition activity in the euro area" in the July 2006 issue of the Monthly Bulletin.

Chart 33 Debt ratios of non-financial corporations

(percentages)



Sources: ECB, Eurostat and ECB calculations.
Notes: Debt is reported on the basis of the quarterly European sector accounts. It includes loans, debt securities issued and pension fund reserves. The most recent quarter is estimated.

Chart 34 Net bank interest rate burden of non-financial corporations

(basis points)



Source: ECB.
Note: The net bank interest rate burden is defined as the difference between weighted average lending rates and weighted average deposit rates for the non-financial corporate sector and is based on outstanding amounts.

FINANCIAL POSITION

Non-financial corporations' considerable demand for debt financing led to their debt increasing further as a percentage of GDP and gross operating surpluses in the fourth quarter of 2007, with those ratios rising to 78% and around 386% respectively (see Chart 33). Together with the increase in interest rates, this rising debt caused the bank interest burden of non-financial corporations to increase further in late 2007 (see Chart 34).⁸ Moreover, non-financial corporations' ratio of debt to financial assets increased slightly in the second and third quarters of 2007, having declined since the first quarter of 2003. This reversal possibly reflected the continued increases in external debt financing and the slowdown in financial investment by non-financial corporations over this period.

Overall, the continued high rate of growth of non-financial corporations' loan financing seems to indicate that non-financial corporations still have relatively easy access to external financing. At the same time, the indications of net tightening of credit standards for enterprises and the further increase in the cost of non-financial corporations' external financing in the fourth quarter of 2007 point to some deterioration in financing conditions for non-financial corporations in the euro area.

2.7 FINANCIAL FLOWS AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

In the fourth quarter of 2007 financing conditions for loans to households tightened somewhat further, as reflected in rising lending rates on loans for house purchase for example. So far however, the financial turmoil that started in the summer of 2007 seems to have had a limited impact on the cost of financing. Households' borrowing dynamics continued to moderate in January, in line with

⁸ Chart 34 refers to the average interest rate paid on MFI loans to non-financial corporations. Developments in this series broadly correspond to developments in the overall interest payment burden of the non-financial corporate sector, as reported in the integrated euro area economic and financial account statistics.

the trend observed since spring 2006. This resulted in a slowdown in the growth of household indebtedness in the final quarter of 2007. Nevertheless, the flows of loans granted by MFIs to households over the past few months do not point to any noticeable dampening impact of the turmoil either.

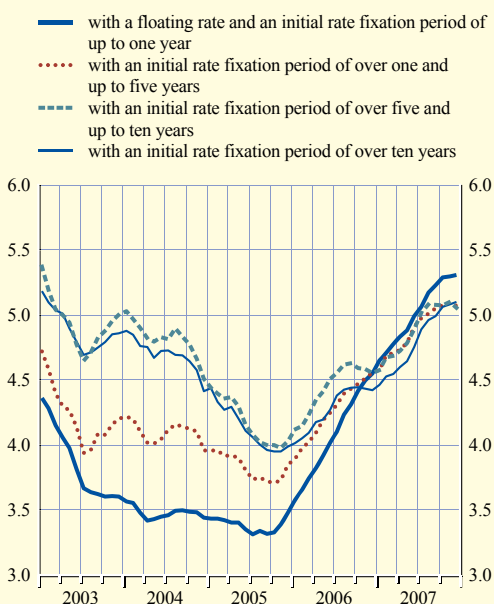
FINANCING CONDITIONS

MFI interest rate statistics and the January 2008 bank lending survey⁹ point to some further tightening in financing conditions in the fourth quarter of 2007.

MFI lending rates on loans for house purchase increased further in the fourth quarter, in particular for the shortest and the longest periods of initial rate fixation, but with little upward adjustment in lending rates with fixation periods of between one and ten years. Lending rates on loans with a period of initial rate fixation of less than one year increased by 15 basis points compared with the average lending rate in the third quarter (see Chart 35), and the comparable figure for loans with a period of initial rate fixation of over ten years was 12 basis points. In December the difference between the average rates of these two types of loans was 22 basis points, their inverted term structure remaining broadly unchanged compared with the third quarter.

Chart 35 MFI interest rates on loans to households for house purchase

(percentages per annum; excluding charges; rates on new business; weight-adjusted¹⁾)



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.

Developments in MFI lending rates for consumer credit showed a somewhat different pattern. First, they declined in the fourth quarter compared with the average in the third quarter. Second, the term structure of the lending rates for consumer credit, which was flat in the third quarter of 2007, was upward sloping again in the final quarter of the same year. This reflected a decrease of 13 basis points in the lending rate for consumer credit with an initial interest rate fixation period of less than one year compared with the average of the third quarter, and a smaller decrease of only 2 basis points in the lending rate on loans with an initial interest rate fixation period of more than five years.

The spread between the MFI lending rates on loans for house purchase and the two-year government bond yield continued to widen in the fourth quarter of 2007 by comparison with the third quarter, reflecting both the rising lending rates on loans for house purchase and the decline in the two-year government bond yield. In the case of consumer credit, the spread against the 12-month money market rate moderated slightly, reflecting mainly a decline in the lending rate.

9 See the box entitled "The results of the January 2008 bank lending survey for the euro area" in the February 2008 issue of the Monthly Bulletin.

In the January 2008 bank lending survey, banks reported, on balance, a tightening of the credit standards applied to the approval of loans to households for house purchase, as in the October 2007 survey. Banks indicated that the tightening was implemented through various channels, but mostly through a widening of the margins on average loans. This is consistent with the increase in MFI lending rates in the fourth quarter and the observed widening of spreads. As regards consumer credit, the net balance of banks reporting a tightening of credit standards rose somewhat in the fourth quarter of 2007 compared with the previous quarter.

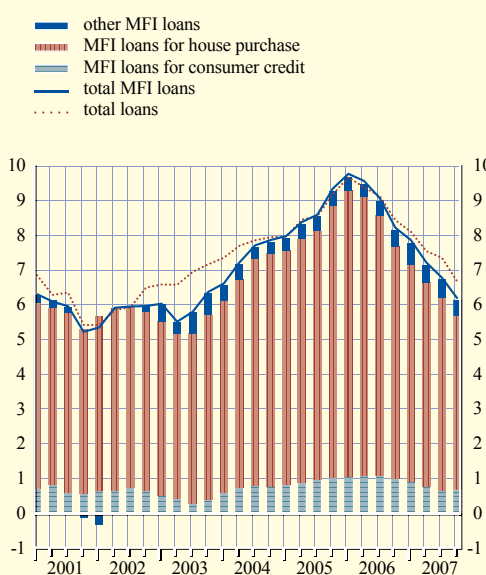
FINANCIAL FLOWS

The annual growth rate of total loans granted to households declined to 7.4% in the third quarter of 2007, from 7.5% in the second quarter (see Chart 36). This further moderation was mainly the result of a lower annual growth rate of loans granted by MFIs. The annual growth rate of non-MFI loans continued to exceed that of MFI loans to households. Available data on MFI loans suggest that the annual growth of total loans to households continued to decline in the fourth quarter.

The annual growth rate of MFI loans to households was 6.1% in January 2008, after 6.6% in the fourth quarter and 7.0% in the third quarter of 2007. This mirrored a reduction in the contribution of loans for house purchase, while the contribution of consumer credit more or less stabilised. Overall, the data on MFI loans to households over the past few months do not point to recent financial market developments having any noticeable dampening effect that would have reinforced the downward trend in growth of loans to households observed since early 2006.

Chart 36 Total loans granted to households

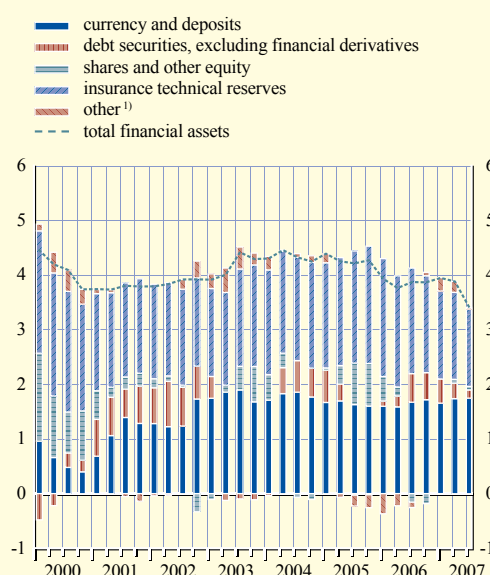
(annual percentage changes; contributions in percentage points; end of quarter)



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

Chart 37 Financial investment of households

(annual percentage changes; contributions in percentage points)



Sources: ECB and Eurostat.
1) Includes loans, other accounts receivable and financial derivatives.

The gradual decline observed in recent quarters in the growth rate of loans for house purchase (6.9% in January 2008, after 7.7% and 8.1% in the fourth and third quarters of 2007) is related to the slowdown seen in the housing market dynamics of a number of euro area countries, as well as to the impact of higher mortgage lending rates in the euro area. In the January 2008 bank lending survey, banks continued to identify both housing market prospects and deteriorating expectations regarding general economic activity as the main factors contributing to a dampening of households' demand for housing loans.

The annual growth rate of consumer credit was 5.8% in January, after 5.3% in the fourth quarter and 5.7% in the third quarter of 2007. Looking beyond monthly developments, which are sometimes volatile, growth in consumer credit moderated in the second half of 2007, which appears to be broadly consistent with the slower growth in retail sales of non-food items observed over recent quarters and the decline in consumer confidence in the fourth quarter. The January 2008 bank lending survey showed a slight reduction in the net balance of banks reporting an increase in the demand for consumer credit and other lending.

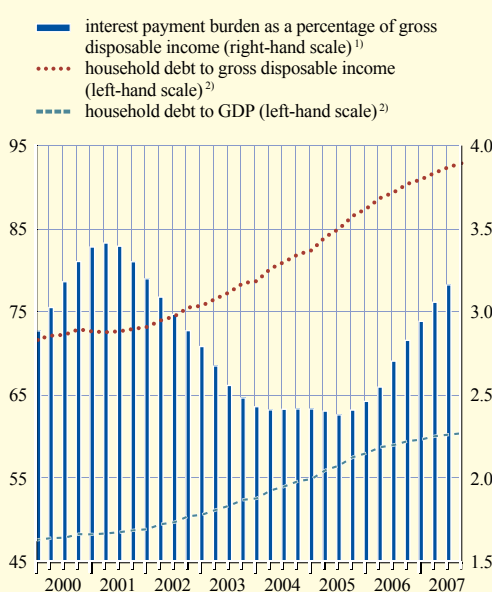
On the assets side of the euro area household sector's balance sheet, the annual growth rate of total financial investment decelerated to 3.4% in the third quarter of 2007 from 3.9% in the second quarter (see Chart 37). The contribution of currency and deposits, as well as of shares and other equity, were broadly unchanged, but that of debt securities continued to decline. Finally, insurance technical reserves and other financial assets also contributed less than in the previous quarter. Overall, investment in currency and deposits, as well as investment in insurance and pension products – two asset classes at opposite ends of the maturity spectrum but considered to be relatively safe investments – continued to be the main contributors to overall household investment growth.

FINANCIAL POSITION

The growth in household indebtedness as a ratio of gross income has continued to level off slightly due to the moderation in net household borrowing (see Chart 38). The debt-to-income ratio edged up to about 93% in the fourth quarter of 2007, while the debt-to-GDP ratio increased marginally to around 60.5%. The level of indebtedness of euro area households is still rather modest by international standards, particularly when compared with the United States or the United Kingdom. The interest payment burden (measured as a percentage of disposable income) increased further to 3.2% in the third quarter of 2007 (the most recent period for which data are available from the euro area integrated accounts), but is still below its peak of 2001.

Chart 38 Household debt and interest payments

(in percentages)



Sources: ECB and Eurostat.

Notes: Household debt comprises total loans to households from all institutional sectors, including the rest of the world. Interest payments do not include the full financing costs paid by households, as they exclude the fees for financial services.

1) Data for the fourth quarter of 2007 are not available.

2) Data for the last quarter shown have been partly estimated.

3 PRICES AND COSTS

In February 2008 euro area HICP inflation is estimated to have remained at 3.2%, unchanged from January. This confirms the continued strong upward pressure on inflation in the short term, stemming mainly from sharp increases in commodity prices, in particular oil and food prices, in recent months. Overall, the annual HICP inflation rate is likely to remain significantly above 2% in the coming months and to moderate only gradually later in the year. According to the latest ECB staff macroeconomic projections, annual HICP inflation is expected to be between 2.6% and 3.2% in 2008 and between 1.5% and 2.7% in 2009. These projections are based on the assumptions that the recent dynamism in commodity prices will diminish over the projection horizon, in line with futures prices, and that pressure from labour costs and profit margins will be limited. The risks to the outlook for inflation over the medium term are on the upside.

3.1 CONSUMER PRICES

Overall HICP inflation has sharply risen since the autumn of 2007. According to Eurostat's flash estimate, it is estimated to have stabilised in February after reaching a record level of 3.2% in January following five consecutive months of sharp increases (see Chart 39).¹

The strong increase in the annual growth rate of euro area overall HICP from 1.7% in September 2007 to the current high levels has been driven by substantial contributions from both the energy and the (mainly processed) food components, which, in turn, stem from the recent surge in oil and food commodity prices in global markets.

The annual rate of change in HICP energy prices increased to 10.6% in January, up from an average of 8.1% in the fourth quarter of 2007 and well above the average rate of 2.6% observed over 2007 as a whole. Oil prices reached very high levels at the beginning of the year. However,

¹ However, it must be borne in mind that the interpretation of price developments in the month of January is particularly challenging owing to the strong impact of seasonal factors (sales discounting and unprocessed food developments) and one-off factors with a lasting impact (such as changes in administered prices and indirect taxes), as well as price revisions normally implemented by a large number of firms at the beginning of the year. For more information, see the box entitled "A detailed look at HICP changes in January each year and a comparison with developments in the other months" in the March 2007 issue of the Monthly Bulletin.

Table 6 Price developments

(annual percentage changes, unless otherwise indicated)

	2006	2007	2007 Sep.	2007 Oct.	2007 Nov.	2007 Dec.	2008 Jan.	2008 Feb.
HICP and its components								
Overall index ¹⁾	2.2	2.1	2.1	2.6	3.1	3.1	3.2	3.2
Energy	7.7	2.6	3.0	5.5	9.7	9.2	10.6	.
Unprocessed food	2.8	3.0	2.1	3.1	3.0	3.1	3.3	.
Processed food	2.1	2.8	3.1	3.8	4.6	5.1	5.8	.
Non-energy industrial goods	0.6	1.0	1.0	1.1	1.1	1.0	0.7	.
Services	2.0	2.5	2.5	2.5	2.5	2.5	2.5	.
Other price indicators								
Industrial producer prices	5.1	2.8	2.7	3.3	4.2	4.3	4.9	.
Oil prices (EUR per barrel)	52.9	52.8	55.2	57.7	62.8	62.8	62.4	64.0
Non-energy commodity prices	24.8	9.2	6.9	3.5	-0.1	1.4	10.4	15.0

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

Note: Data on industrial producer prices refer to the euro area including Cyprus and Malta.

1) HICP inflation in February 2008 refers to Eurostat's flash estimate.

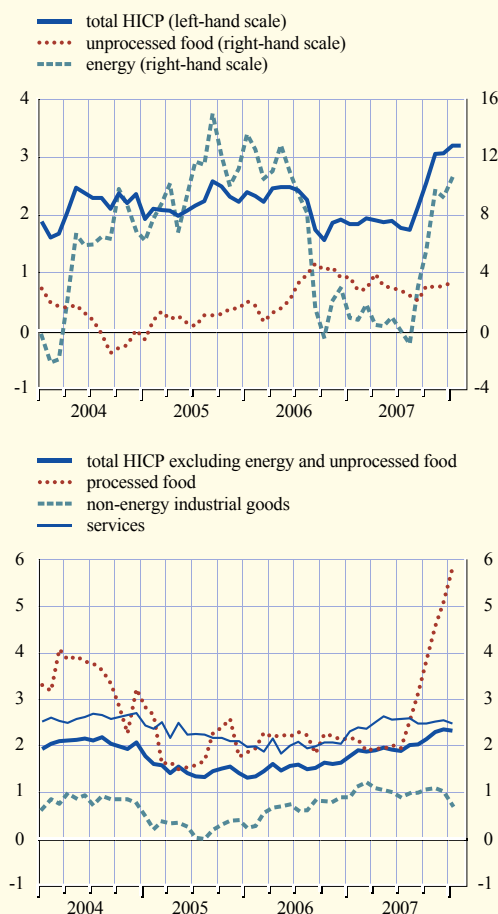
the increase in oil prices in euro terms has been somewhat mitigated by the appreciation of the exchange rate of the euro. Some recovery in the margin of the oil refining industry, which currently still stands at a relatively low level, may have also contributed to the recent increases in euro area energy prices for the final consumer.

In recent months, higher euro area consumer food prices have continued to be a major driver of overall HICP inflation dynamics. With a joint weight of 19.6% in the HICP basket, both processed and unprocessed food price developments contributed on average by around 0.75 percentage point to overall annual HICP inflation between September 2007 and January 2008. This was triggered by a surge in prices for some agricultural commodities in international markets seen since mid-2007, owing to a combination of both transitory and structural supply and demand factors.² However, unlike in past episodes of food price shocks, the recent developments in global food commodity prices mostly affected processed food prices. The annual growth rate of processed food prices rose to 5.8% in January, the highest rate recorded by the official index since 1999, up from an already elevated average annual growth rate of 4.5% in the last quarter of 2007. It was driven by sharp increases, in month-on-month terms, in dairy products, cereal and sugar prices. In contrast, the annual growth rate of unprocessed food prices has recorded smaller increases in recent months. It increased slightly to 3.3% in January, mostly due to the ongoing rise in meat prices, which were possibly affected by the rising cost of animal feed, and reinforced in January by some seasonal effects on other sub-components. The magnitude of consumer food price increases over recent months has varied significantly across euro area countries, due to differences in demand conditions, market structures and competitive pressures in the retail and distribution sectors.³

The annual rate of change in the HICP excluding food and energy has remained broadly stable over recent months, albeit at a relatively high level. This stability reflects the subdued short-term price dynamics of the two largest HICP components, namely services and non-energy industrial goods. However, their annual growth rates have remained higher than in previous years.

Chart 39 Breakdown of HICP inflation:
main components

(annual percentage changes; monthly data)



Source: Eurostat.

² For more information, see the box entitled "Euro area food prices: recent developments and outlook" in the December 2007 issue of the Monthly Bulletin.

³ See the box specified in footnote 2.

The annual rate of change in non-energy industrial goods prices was 0.7% in January, slightly down from the rate of around 1.0% observed throughout 2007. This decline was, however, most likely due to the pattern of seasonal discounting, and also to some base effects from the VAT increase in Germany in the same month last year. The fact that short-term dynamics remain subdued in spite of the input cost pressures signalled by domestic producer prices for consumer goods and capacity utilisation in the manufacturing sector being at historically high levels, could be attributable to the dampening effect of exchange rate developments on import price pressures, in an environment of strong international competition.

The annual rate of change in services prices remained unchanged in January for the fifth consecutive month, at the relatively elevated level of 2.5%. This, however, masks countervailing developments across sub-categories of services. In particular, inflation dynamics appear to be higher in the restaurants and cafés sector (3.7% in January), as well as in education (9.4% in January), which has been particularly affected by the marked rise in German university tuition fees in April 2007. By contrast, inflation in overall communication services continued to be negative (-2.9% in January).

Box 7 takes a look at recent trends in measures of so-called “underlying inflation”. The box shows that most measures of underlying inflation have been trending up over recent months.

Box 7

RECENT DEVELOPMENTS IN SELECTED MEASURES OF UNDERLYING INFLATION FOR THE EURO AREA

The ECB’s objective is defined in terms of headline HICP. Nevertheless, it can be useful to monitor other measures of price increases in order to identify and illustrate longer-term price trends, as well as the nature and sources of the forces driving overall price dynamics. To this end, a number of measures of “underlying”, or “core”, inflation have been proposed in the economic literature.¹ Exclusion-based measures of underlying inflation, a frequently cited set of such indicators, can be classified into two main types: permanent exclusion-based measures (which always exclude the same items, such as the HICP excluding unprocessed food and energy) and statistical exclusion-based measures (which exclude outliers at any given point in time, such as trimmed mean measures).² This box reviews and assesses recent developments in several of these specific measures of underlying inflation.

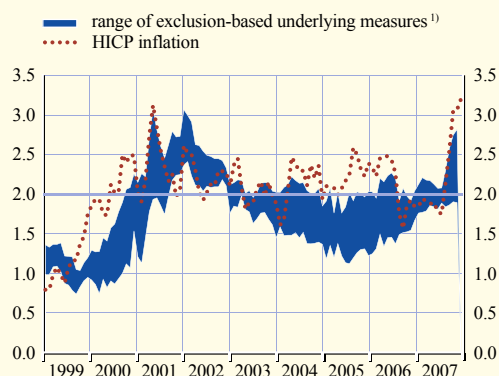
In January 2008 exclusion-based measures of underlying inflation stood at levels that were below the rate of increase in overall HICP inflation (see Chart A and the table). At the same time, after having increased over the course of 2007, most measures currently stand at elevated levels that are above 2.0%. The only exception is the measure of HICP inflation excluding food and energy, which stood at 1.7% in January 2008 and has remained below 2.0% throughout 2007, although it too has increased from its average rate in 2006. The more subdued rates of increase seen in this indicator compared with developments in other permanent exclusion-based measures

1 The concept of underlying inflation, while intuitively appealing as a way to identify and illustrate longer-term price trends and the nature and sources of the forces driving headline price dynamics, has proven to be an elusive concept in practical applications. For a detailed analysis, see the article entitled “Measures of underlying inflation in the euro area” in the July 2001 issue of the Monthly Bulletin.

2 Permanent exclusion-based measures involve the systematic exclusion of selected HICP components whereas statistical exclusion-based measures exclude the smallest and largest price changes at any given point in time.

Chart A Evolution of selected measures of euro area HICP inflation

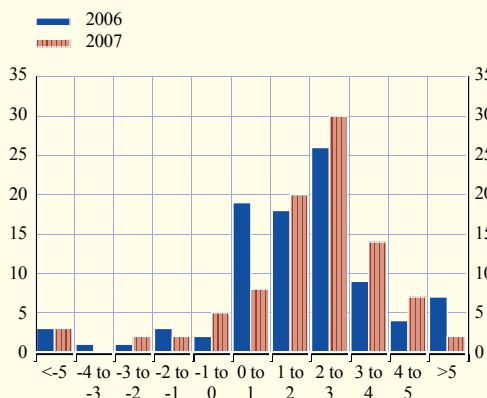
(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.
1) See the note to the table.

Chart B Frequency distribution of HICP items

(annual percentage changes)



Sources: Eurostat and ECB calculations.
Note: The chart shows the unweighted frequency distribution of the annual price changes in the 93 HICP items for both 2006 and 2007.

of underlying inflation, such as the HICP excluding unprocessed food and energy, highlight the strong contribution from processed food prices, particularly in the period since September 2007. The general rise in indicators of underlying inflation is also evident in all statistical exclusion-based measures. Indeed, reflecting the fact that such indicators exclude both positive and negative outliers, they currently lie in a range that is somewhat above the permanent exclusion-based measures which, at present, tend to exclude only items making an above average contribution to overall HICP inflation.

The breadth of this recent increase in indicators of underlying inflation can also be inferred from an examination of the frequency distribution of price increases over the past two years, which shows a general shift to the right in the distribution of price increases in HICP items in 2007 relative to 2006 (see Chart B). While some of this increase may be attributable to the January 2007 rise in VAT in Germany, which affected a large range of items in the HICP, it

Euro area HICP inflation and selected measures of underlying inflation

(annual percentage changes; monthly data)

	2006	2007	2007 Sep.	2007 Oct.	2007 Nov.	2007 Dec.	2008 Jan.	2008 Feb.
HICP inflation ¹⁾	2.2	2.1	2.1	2.6	3.1	3.1	3.2	3.2
Selected measures of underlying inflation								
Permanent exclusion-based measures								
HICP excluding energy	1.6	2.1	2.0	2.2	2.3	2.4	2.4	
HICP excluding unprocessed food and energy	1.5	2.0	2.0	2.1	2.3	2.3	2.3	
HICP excluding food and energy	1.4	1.9	1.8	1.9	1.9	1.9	1.7	
Statistical exclusion-based measures								
Trimmed mean (10%)	2.0	2.2	2.2	2.6	2.7	2.8	3.0	
Trimmed mean (32%)	1.9	2.2	2.3	2.4	2.5	2.5	2.5	
Weighted median	2.0	2.2	2.2	2.4	2.5	2.5	2.4	

Sources: Eurostat and ECB calculations.
Note: Statistical exclusion-based measures exclude a stipulated portion of percentage changes in prices that rank among the smallest or largest changes for the month (in numerical terms); for example, the 10% trimmed mean excludes the smallest 5% and largest 5% of price changes from the weighted distribution of HICP items.

1) HICP inflation in February 2008 refers to Eurostat's flash estimate.

may also be related to a broad-based increase in the largest HICP components, namely services and non-energy industrial goods. This general pattern may be linked to the indirect effects of past commodity price increases, while also signalling other forces related to the relatively strong economic upswing seen in 2007.

In interpreting these indicators, it should be borne in mind that measures of underlying inflation – whether taken individually or as a group – neither provide a structural view of inflationary pressures nor incorporate forward-looking information beyond that embedded in the 93 HICP items and, as such, need to be cross-checked with other available data. Nevertheless, the parallel rise in many of these indicators needs to be monitored carefully.

3.2 INDUSTRIAL PRODUCER PRICES

Developments in energy and food commodity prices also led to inflationary pipeline pressures in the initial stages of the production chain, as shown by the acceleration in industrial producer prices in recent months.

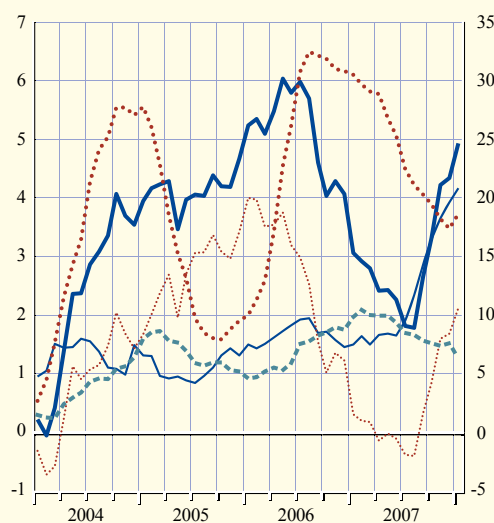
The annual rate of change in overall industrial producer prices (excluding construction) picked up further in January to 4.9%, from 4.3% in December 2007 (see Chart 40). This was the fifth consecutive increase, mainly on account of energy and food price developments, but this time also reflecting increases in almost all components. Excluding energy and construction, annual producer price inflation increased marginally, to 3.3%, from 3.2% in January. This was due to developments in both intermediate and consumer goods prices, while the annual rate of change in capital goods prices resumed its downward movement, declining to 1.3% in January, compared with 1.8% on average in 2007.

The annual rate of change in intermediate goods prices increased slightly in January, for the first time since October 2006. This was due to a rebound in industrial raw material prices and strong oil price increases, which were only somewhat mitigated by the appreciation of the euro. The annual rate of change in producer prices of consumer goods continued its upward movement largely driven by food prices, which rose by 9.3% in annual terms. Nevertheless, January data seem to confirm a stabilisation in the short-term dynamics of food prices (as measured by the month-on-month rate of change) over the past three months. This suggests that the pipeline pressures for food producer items accumulated since August 2007 may have reached their peak. However, even in the absence of additional food commodity price shocks, the past increases

Chart 40 Breakdown of industrial producer prices

(annual percentage changes; monthly data)

- total industry excluding construction (left-hand scale)
- ... intermediate goods (left-hand scale)
- ... capital goods (left-hand scale)
- consumer goods (left-hand scale)
- ... energy (right-hand scale)



Sources: Eurostat and ECB calculations.
Note: Data refer to the euro area including Cyprus and Malta.

in food producer prices are likely to be passed through to retail prices, with some further upward impact on HICP food price inflation in the near term. Excluding tobacco and food prices, the annual rate of change in consumer goods prices remained unchanged at 1.3% in January. It has been hovering around this level since the beginning of last year, suggesting less pipeline pressures on consumer prices for non-energy industrial goods.

Information on firms' price-setting behaviour from the NTC Economics Purchasing Managers' Index (PMI) for February 2008 confirms the existence of high input cost pressures in both the manufacturing and services sectors, as evidenced by the input cost indicators for both sectors, which are at historically high levels (see Chart 41). According to survey respondents in both sectors, high input costs were again due to higher prices for oil, energy and food. In the manufacturing sector, the indicator of input costs increased further in February, to a seven-month high.

The indicator of output prices also increased further, to its highest level since March 2007, suggesting some pass-through of those higher costs. In the services sector, the input price indicator for services edged down slightly, remaining, however, at an elevated level. In contrast, the indicator of output prices in services currently stands below the average of the past two years, having declined in February. This would support the view that the ability of services firms to pass cost increases through to their output prices is somewhat limited.

3.3 LABOUR COST INDICATORS

Available labour cost indicators point to a continuation of contained wage developments into the last quarter of 2007 (see Table 7 and Chart 42).

Table 7 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

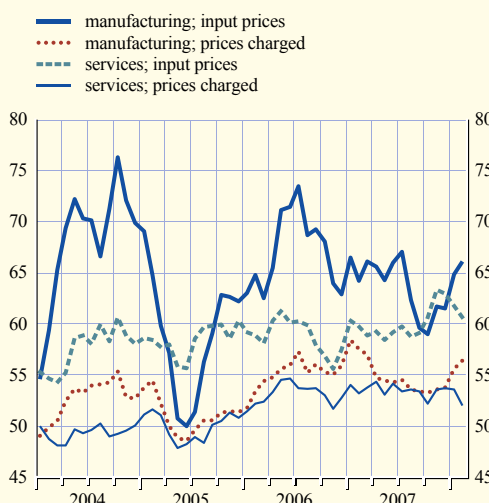
	2006	2007	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4
Negotiated wages	2.3	2.1	2.5	2.0	2.3	2.1	2.1
Total hourly labour costs	2.6	.	2.3	2.3	2.4	2.5	.
Compensation per employee	2.2	.	1.8	2.2	1.9	2.0	.
<i>Memo items:</i>							
Labour productivity	1.4	.	1.6	1.3	0.6	0.6	.
Unit labour costs	0.9	.	0.2	0.9	1.3	1.3	.

Sources: Eurostat, national data and ECB calculations.

Note: Data on negotiated wages and hourly labour costs do not include Cyprus and Malta.

Chart 41 Producer input and output price surveys

(diffusion indices; monthly data)



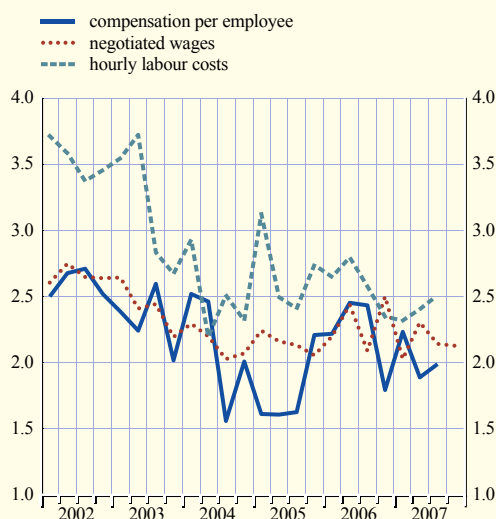
Source: NTC Economics.

Note: An index value above 50 indicates an increase in prices, whereas a value below 50 indicates a decrease. Data refer to the euro area including Cyprus and Malta.

The annual growth rate of negotiated wages was 2.1% in the fourth quarter of 2007, unchanged from the third quarter, although wage developments showed considerable diversity across euro area countries. Negotiated wage growth was 2.1% on average over 2007, slightly lower than the 2.3% growth observed in the previous year. Information from other labour cost indicators, which is only available up to the third quarter of 2007, confirms that developments in 2007 remained slightly below the average growth rates recorded in 2006. The moderation in annual growth rates of compensation per employee and total hourly labour costs was partially due to the dampening effects of cuts in social security contributions, which were implemented in some euro area economies in 2007. Despite the moderate rises in labour costs, weak productivity gains implied a higher growth in unit labour costs up to the third quarter of 2007, compared with the average in 2006.

Chart 42 Selected labour cost indicators

(annual percentage changes; quarterly data)

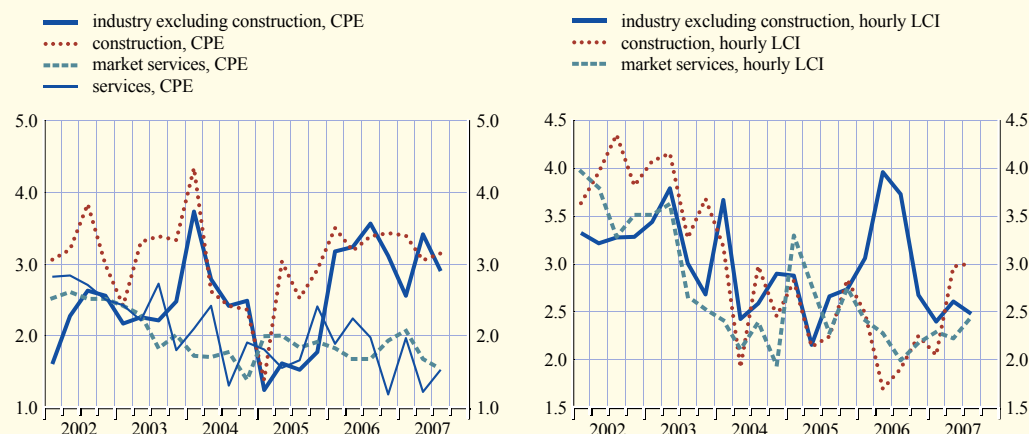


Sources: Eurostat, national data and ECB calculations.
Note: Data on compensation per employee refer to the euro area including Cyprus and Malta.

Sectoral data for 2007 indicate that, as in the previous year, growth rates in compensation per employee were higher in the industrial sector than in the services sector, which is in line with sectoral productivity developments (see Chart 43). In the construction sector, the increases in the annual rate of growth of compensation per employee, although higher than in the industrial sector, moderated in the course of the year amid the first signs of a slowdown in employment in this sector. Hourly labour cost growth in the construction sector stabilised at a high level in the third quarter of 2007, following a strong rise in the second quarter.

Chart 43 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".

Looking ahead, information from the latest wage negotiations points towards a likely acceleration in labour cost growth in 2008 in several euro area countries, against a background of tight labour markets. Concerns about rising wage pressures also emerge because of rising consumer inflation perceptions and growing public concern about purchasing power. In this respect, there is a risk that existing schemes of wage indexation could lead to some pass-through of higher food and energy prices into wages. In addition, in the current situation wage developments in the public sector need to be carefully monitored, not least as they may have some influence on wage claims in the private sector. When assessing wage pressure in 2008, it must be borne in mind that the downward impact on labour cost developments of measures lowering social security contributions is expected to decrease this year as these measures are phased out.

3.4 THE OUTLOOK FOR INFLATION

Overall, annual HICP inflation is likely to remain significantly above 2% in the coming months and to moderate only gradually later in 2008. According to the latest ECB staff macroeconomic projections, annual HICP inflation is expected to lie between 2.6% and 3.2% in 2008 and between 1.5% and 2.7% in 2009.

The risks to this outlook for inflation over the medium term are on the upside. These risks include further rises in oil and agricultural prices, continuing the strong upward trend observed in recent months. Furthermore, they include the possibility that stronger than currently expected wage growth may emerge, taking into account high capacity utilisation and tight labour market conditions. Moreover, the pricing power of firms, notably in market segments with low competition, could be stronger than expected. Increases in administered prices and indirect taxes beyond those foreseen thus far also pose upside risks to the inflation outlook.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

The latest information on economic activity confirms the moderation of economic growth around the end of 2007 and the beginning of 2008. According to Eurostat's first estimate, the quarter-on-quarter growth rate of euro area real GDP in the fourth quarter of last year was 0.4%, following a growth rate of 0.8% in the previous quarter. Surveys of business and consumer confidence, which have followed a downward trend since the summer of 2007, overall remain consistent with ongoing growth. The fundamentals of the euro area economy remain sound. The euro area economy does not suffer from major imbalances. Profitability has been sustained, employment growth has been robust and unemployment rates have fallen to levels not seen for 25 years. The March 2008 ECB staff macroeconomic projections anticipate average annual real GDP growth in the range of 1.3% to 2.1% in 2008, and between 1.3% and 2.3% in 2009. In comparison with the December Eurosystem staff projections, the ranges projected for real GDP growth in 2008 and 2009 have been revised downwards, reflecting projected weaker global demand, stronger pressure from commodity prices and less favourable financing conditions than were foreseen in December. Available forecasts from international organisations broadly confirm this outlook. Uncertainty about the prospects for economic growth remains unusually high, however, and downside risks surrounding the outlook for economic activity continue to exist.

4.1 OUTPUT AND DEMAND DEVELOPMENTS

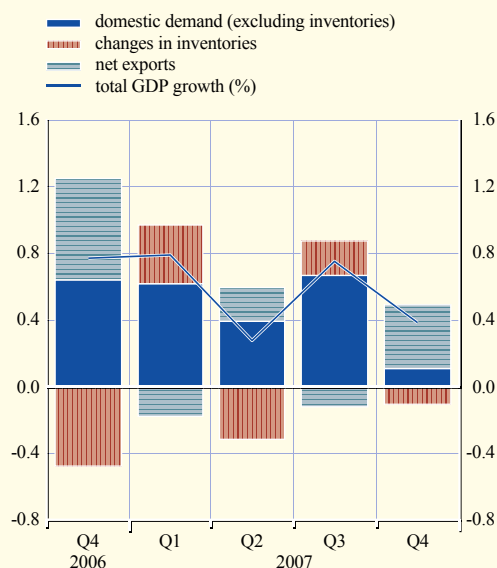
REAL GDP AND EXPENDITURE COMPONENTS

Economic activity expanded on average above potential growth in both 2006 and 2007, although it tended to moderate somewhat towards the end of 2007. While uncertainty remains high, the baseline scenario is one of ongoing growth, albeit with lower rates in the first half of 2008 than in 2007.

Eurostat's first estimate of national accounts data confirmed that quarter-on-quarter real GDP growth was 0.4% in the fourth quarter of 2007 compared with 0.8% in the previous quarter (see Chart 44). This moderation in economic activity is mainly explained by weaker domestic demand, which contributed only 0.1 percentage point to real GDP growth. Private consumption declined by 0.1% quarter on quarter, while investment slightly decelerated, to 0.8% quarter on quarter (this relative resilience of investment is also signalled in the results of the European Commission investment survey presented in Box 8). The moderation in domestic demand was partly offset by a strong net trade contribution, of 0.4 percentage point, mainly on account of a decline in imports. Inventories made a small negative contribution of -0.1 percentage point to real GDP growth.

Chart 44 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.
Note: Data refer to the euro area including Cyprus and Malta.

Box 8

EUROPEAN COMMISSION INVESTMENT SURVEY FOR THE MANUFACTURING SECTOR

The European Commission conducts a bi-annual survey among euro area companies in the manufacturing sector, collecting information on realised and planned investment.¹ Firms are requested to reveal their investment plans for the previous and current year (spring survey) or the current and subsequent year (autumn survey). The results for the euro area of the autumn survey conducted in October and November 2007 were published on 31 January 2008. This box presents recent investment developments based on these latest survey results, and provides a current assessment of investment expectations for 2008.

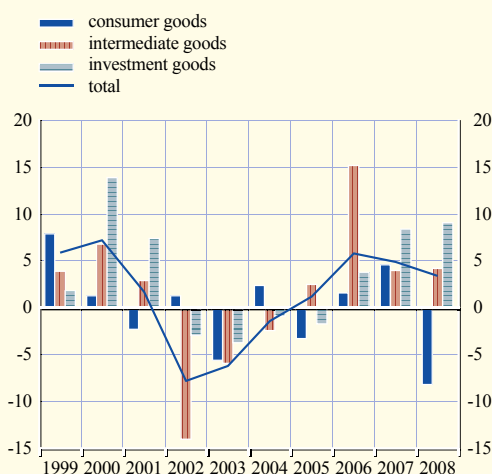
Positive investment developments in 2007

According to Eurostat, investment in 2007 grew by 4.8% in real terms. This was the second consecutive year with investment growth of over 4.0%. According to the survey, investment growth in 2007 was broad based: the investment goods sector reported the strongest investment growth (8.4%), followed by the consumer and intermediate goods sectors (4.6% and 4.0% respectively), (see Chart A). These results are consistent with the European Commission industry survey in which the investment goods sector reported the highest increase in capacity utilisation rate of the three sectors in 2007 (see Chart B).

The European Commission investment survey also provides information on the factors influencing investment, namely demand, financial conditions, technical (e.g. technological factors and the availability of labour) and other factors (e.g. taxation and the possibility of moving production abroad). In 2007, as in 2006, the main factor driving investment in the euro area was reported to be demand, followed closely by technical factors (see Chart C). The financial conditions factor

Chart A Investment expectations by sector

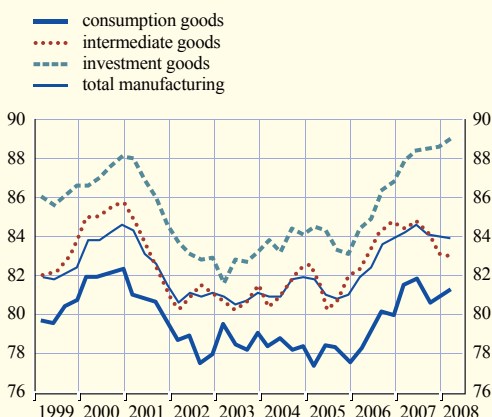
(annual percentage changes)



Source: European Commission investment survey.

Chart B Capacity utilisation in the manufacturing sector

(quarterly data; seasonally adjusted; percentages of total capacity)

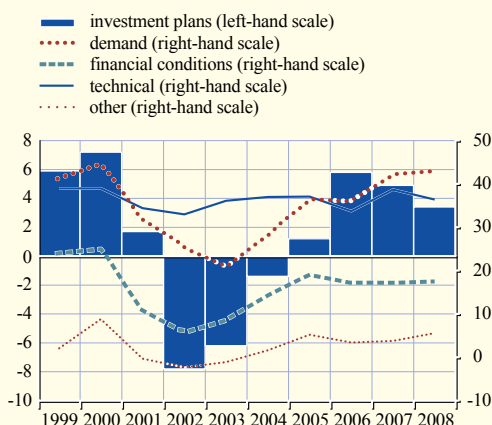


Source: European Commission Business and Consumer Surveys. Note: The latest observation refers to Q1 2008.

1 The European Commission investment survey is described in Box 5 of the March 2007 issue of the Monthly Bulletin.

Chart C Factors influencing investment

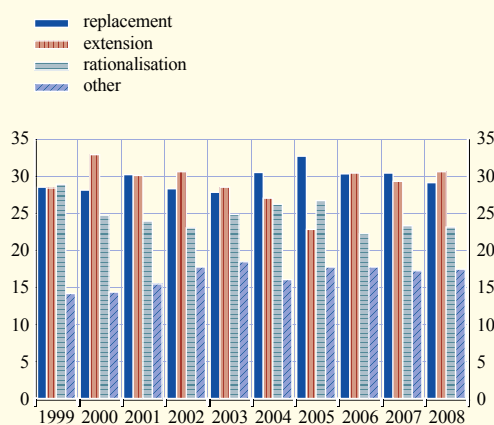
(annual percentage changes; percentage balances)



Source: European Commission investment survey.
 Note: The survey questions on factors are of a qualitative nature, indicating which of the factors influenced investment. Data are expressed as percentage balances and therefore do not add up to investment expectations, which are expressed as annual percentage changes.

Chart D Investment structure

(percentages of total investment)



Source: European Commission investment survey.

remained broadly stable in 2006 and 2007 following the recovery of investment in 2005 as a result of improving financial conditions.

Looking at the structure of investment, the European Commission investment survey suggests that in 2007, as in 2006, the largest share of investment was earmarked for the extension of production capacity and replacement of plant or equipment (see Chart D). The relatively large share of investment earmarked for the extension of production in 2006 and 2007, in particular, for the investment goods sector, reflected relatively high capacity utilisation rates.

Lower investment expected in 2008

With regard to 2008, last autumn's survey suggested a slowdown in investment growth to approximately 3.4% (see Chart A). The investment breakdown indicated that the expected slowdown would be largely driven by the consumer goods sector, which reported a decline of 8.2% in its investment plans for 2008. The sharpest reduction was expected in the durable goods sub-sector. For the investment and intermediate goods sectors, investment growth in 2008 was expected to remain broadly at the same level as in 2007 (see the table). None of the sectors, however, reported a worsening in the expected financial conditions for investment in 2008, indicating that, in the autumn of last year when the survey was conducted, the financial

Investment expectations by sector

(annual percentage changes in volumes)

	2007	2008
Total	4.9	3.4
<i>Breakdown by sector</i>		
Intermediate goods	4.0	4.2
Investment goods	8.4	9.1
Motor vehicles	10.5	9.9
Consumer goods	4.6	-8.2
Non-durables	2.8	-4.2
Food and beverages	1.8	-7.9
Durables	16.7	-12.8

Source: European Commission investment survey.

market turbulence which started in August 2007 was not seen to significantly affect firms' investment plans for 2008.

The survey also suggested that the share of investment earmarked for the extension of production was expected to be slightly higher in 2008 than in 2007. This planned continued extension investment has to be seen against survey evidence on high capacity utilisation in the euro area, notably in the investment goods sector. While the consumer and intermediate goods sectors have reported some easing of capacity pressures since last autumn, the capacity utilisation rate for the investment goods sector was still on an upward trend in January 2008 (see Chart B).

Investment survey results, together with the latest capacity utilisation data and strong export expectations for the investment goods sector in January 2008, suggest that the investment goods sector may have been least affected by the recent slowdown in the euro area economy. It should be noted that the future performance of the investment goods sector will also depend on sustained foreign demand and overall global economic growth since, in the euro area, this sector is characterised by the large share of its output that is made for export.

Overall, the results of the survey suggest that a slowdown in manufacturing investment is expected in 2008, albeit with significant differences across sectors. This expectation is also broadly supported by the March 2008 ECB staff macroeconomic projections (see Box 10).

SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

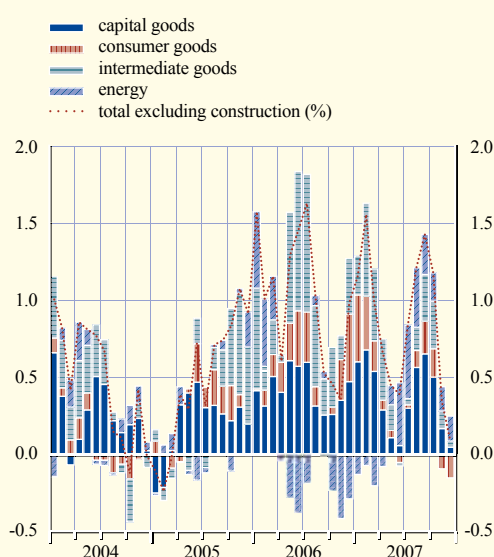
While higher growth in the industrial sector was the main driver of the acceleration in the GDP growth rate in 2006, the services sector gradually took over the role of sustaining the pace in early 2007. However, some moderation was observed in both sectors in the course of last year, with a sharper slowdown in services after the summer and a more resilient industrial sector.

From a shorter-term perspective, the contribution of the services sector to euro area total value added was 0.4 percentage point in the fourth quarter of 2007, according to Eurostat's first estimate of national accounts data, compared with 0.6 percentage point in the previous quarter. The industrial sector provided a weak contribution to value added growth in the fourth quarter, at 0.1 percentage point, following a substantial contribution of 1.4 percentage point in the third quarter.

This short-term picture is corroborated by the most recent data on industrial production (see Chart 45). Industrial production (excluding construction) increased by 0.1% in the fourth

Chart 45 Industrial production growth and contributions

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



Sources: Eurostat and ECB calculations.
Notes: Data shown are calculated as three-month moving averages against the corresponding average three months earlier. Data refer to the euro area including Cyprus and Malta.

quarter of 2007, following an increase of 1.4% in the third quarter. Among the main industrial groupings, only energy production recorded a noteworthy increase, rising by 1.5% in the fourth quarter of last year. The production of capital goods remained broadly stable while production of both consumer and intermediate goods contracted. In the fourth quarter of 2007, industrial new orders (excluding heavy transport equipment) rose by 0.6% quarter on quarter, compared with 1.1% in the previous quarter, confirming the view that growth may continue to moderate in this sector.

In the construction sector production declined by 0.5% in the fourth quarter of 2007, following the standstill observed in the third quarter. While production showed extraordinary dynamism in 2006, which was prolonged by the temporary effect of specific factors related to weather conditions in early 2007, it experienced a moderation in growth thereafter, in line with the cooling of housing markets. In December, the level of production in the construction sector stood around 2.3% below the peak seen in February 2007.

Overall, the most recent information confirms that growth moderated in both the industrial and services sectors in the course of 2007.

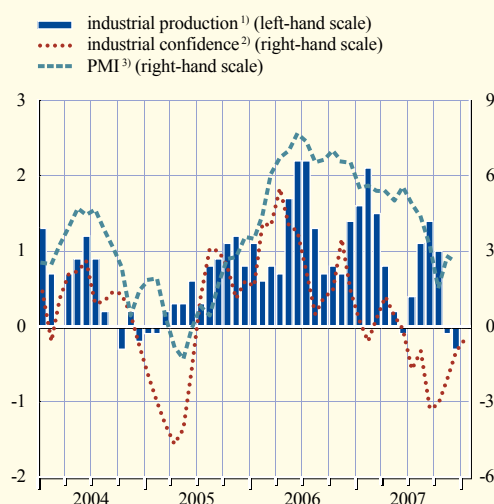
SURVEY DATA FOR THE INDUSTRIAL AND SERVICES SECTORS

Since the summer of 2006 survey indicators have pointed to a slowdown in euro area economic activity from the rates of above potential growth observed previously. Overall, the early signals conveyed by survey data have been confirmed by the “hard” data released subsequently.

Survey data indicate that the pace of growth remained relatively slow in the first two months of 2008. In the industrial sector, both the Purchasing Managers’ Index (PMI) and the European Commission’s industrial confidence indicator declined slightly in February (see Chart 46). The European Commission’s confidence indicator, which remains above its historical average, conveys a somewhat more positive assessment than the manufacturing PMI, which stands slightly below its historical average. However, both indicators consistently signalled the moderation in industrial activity observed in the course of last year. A similar picture of relatively slower growth can be seen in the services sector, with the rebound in the PMI for services in February being likely to signal some normalisation after the decline of the index observed in the previous month owing to the timing of the collection of responses to the survey. The European Commission’s confidence indicator for the services sector, which is less volatile, declined further in February. Overall, both indicators stood below their historical averages in the first two months of this year, although they remain consistent with ongoing growth in the services sector.

Chart 46 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)



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

Note: Data on industrial production refer to the euro area including Cyprus and Malta.

1) Three-month-on-three-month percentage changes.

2) Percentage balances; changes compared with three months earlier.

3) Purchasing Managers’ Index; deviations from an index value of 50.

The European Commission also provides details of its services survey at the sub-sectoral level, which may give some insights regarding the potential impact of the developments affecting the financial intermediation sub-sector since August 2007. The sharp decline in confidence that has been observed in the financial intermediation sub-sector between August 2007 and February 2008 has been concomitant with a decline in confidence in other sub-sectors which are closely linked to the financial intermediation sub-sector, such as the computer and related activities sub-sector or the other business services sub-sector. This may partly reflect value added or confidence spillovers arising from developments in the financial sector. However, the moderation in some services sub-sectors, such as transport, began before August 2007 and cannot be seen as being triggered by the financial turmoil. Furthermore, the number of respondents mentioning financing constraints in the services sector did not significantly increase between July 2007 and January 2008, compared with the increase observed between January 2007 and July 2007, according to the quarterly questionnaire of the European Commission survey. This, combined with the strong underlying pace of monetary and credit expansion, suggests that the moderation in services sector activity should not be regarded as reflecting only financial developments.

Overall, the survey results for both the industrial and services sectors suggest that GDP growth rates in the first quarter of 2008 might not be higher than in the fourth quarter of last year, although remaining positive.

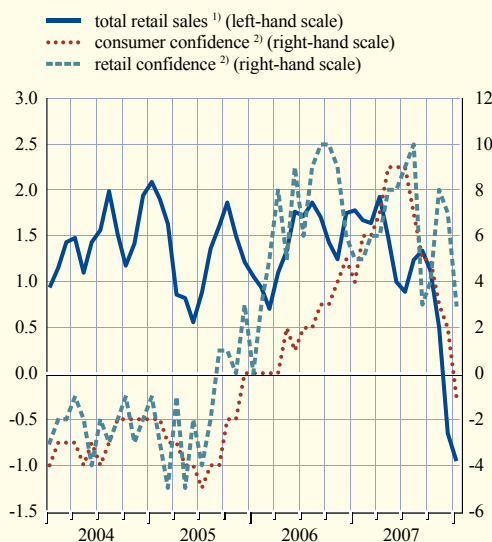
INDICATORS OF HOUSEHOLD SPENDING

Despite the dampening impact of a strong rise in VAT, private consumption growth in the euro area provided some support to GDP growth throughout most of 2007, in line with developments in real disposable income and favourable labour market conditions. However, private consumption showed signs of weakness at the end of the year. This may be related to the strong rise in food and energy prices at the retail level but must also be seen against the background of declining consumer confidence.

The latest information on household spending indicates a clear moderation in private consumption dynamism in late 2007. Euro area private consumption declined by 0.1% quarter on quarter in the fourth quarter, following a rise of 0.5% in the previous quarter. According to the available data, this was partly due to a decline in spending on retail goods, with retail sales declining by 1.0% quarter on quarter in the fourth quarter (see Chart 47). It also partly reflects developments in households' decisions on saving and spending in Germany, where private consumption declined substantially. However, a deceleration of private consumption growth was also seen in other euro area countries such as France and Spain.

Chart 47 Retail sales and confidence in the retail trade and household sectors

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.

Note: Data on total retail sales refer to the euro area including Cyprus and Malta.

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.

According to the limited data available for the first quarter of 2008, in January retail sales increased by 0.4% month on month but declined by 0.8% on a three-month moving average basis. Meanwhile, euro area new passenger car registrations decreased strongly, by 8.2% month on month in January, implying a complete reversal of the temporary special factor observed in France in December related to an emissions tax scheme. The European Commission's retail trade confidence indicator, which signals the perceptions of retailers, increased in February. This indicator, which has shown significant volatility in the recent past, remains at a historically high level but has declined in the course of 2007. Euro area consumer confidence remained stable in February, standing slightly below its historical average for the second consecutive month. On a three-month moving average basis, by contrast, consumer confidence declined, continuing the downward movement that started in mid-2007. Nevertheless, conditions are favourable in the labour market, implying that the outlook for private consumption in 2008 remains broadly positive.

4.2 LABOUR MARKET

The labour market in the euro area has shown a clear improvement in recent years, and, despite some moderation, this favourable trend has continued according to the latest available data. Employment expectations remain at a high level and reinforce the assessment that labour market prospects are broadly positive.

UNEMPLOYMENT

The euro area unemployment rate has trended downwards for three consecutive years, falling by close to 2 percentage points during this period. In January 2008 the euro area unemployment rate stood at 7.1%, unchanged from the figure for December which has been revised downwards by 0.1 percentage point (see Chart 48). This is the lowest rate seen since the early 1980s. The unemployment rate remained stable or declined in all the euro area countries with the exception of Spain and Ireland, where it has increased since June and November 2007 respectively, partly reflecting developments in the construction sectors of these two countries. In the fourth quarter of 2007, as in the third quarter, the number of unemployed persons in the euro area fell by a monthly average of about 60,000.

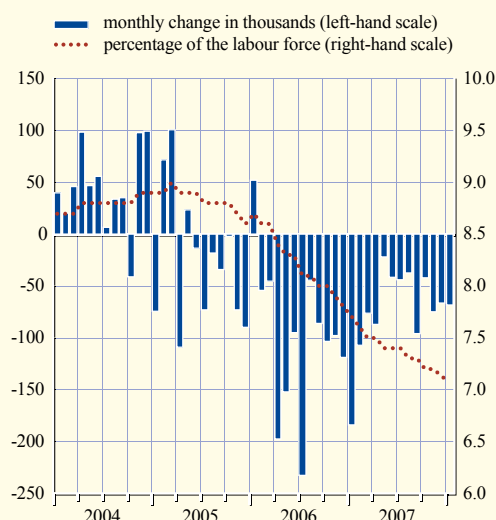
EMPLOYMENT

Following strong economic activity in the euro area, employment growth improved substantially in 2006 and 2007 compared with 2005 (see Table 8), and the available information points to continued expansion in 2008.

Euro area employment growth was 0.3% quarter on quarter in the third quarter of 2007, following increases of 0.6% in the previous two quarters, as presented in Eurostat's second estimate. The sectoral breakdown shows that the moderation in employment growth

Chart 48 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

Note: Data refer to the euro area including Cyprus and Malta.

Table 8 Employment growth

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

	Annual rates		Quarterly rates				
	2005	2006	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3
Whole economy	0.9	1.5	0.2	0.4	0.6	0.6	0.3
<i>of which:</i>							
Agriculture and fishing	-1.0	-1.2	-1.3	-0.8	0.8	-1.0	-1.3
Industry	-0.2	0.6	0.3	0.4	0.6	0.4	0.1
Excluding construction	-1.3	-0.3	0.0	0.0	0.1	0.1	0.1
Construction	2.5	2.7	0.9	1.5	1.8	1.2	0.1
Services	1.4	2.0	0.3	0.4	0.6	0.7	0.5
Trade and transport	0.7	1.5	0.0	0.2	0.7	0.9	0.7
Finance and business	2.4	3.6	1.0	1.0	1.4	1.0	0.7
Public administration ¹⁾	1.4	1.7	0.1	0.4	0.2	0.5	0.3

Sources: Eurostat and ECB calculations.

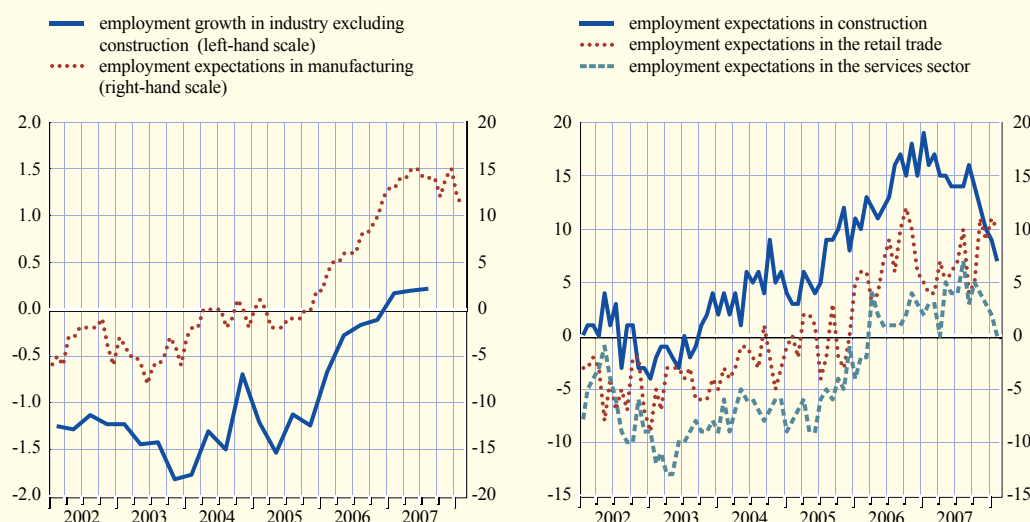
1) Also includes education, health and other services.

in the third quarter was due to developments in the construction sector and, to a lesser extent, in the services sector (for further details, see Box 9 entitled “Employment developments in the euro area construction sector”). Among services, the lower rate of employment growth was broadly based across the various sub-sectors (namely trade and transport, finance and business, and public administration). Compared with the previous quarter, employment growth in industry excluding construction remained unchanged at a low, but still positive, rate in the third quarter of 2007.

The favourable developments in the euro area labour market in recent years appear to have continued at the beginning of 2008, based on survey data available up to February (see Chart 49). According to the NTC Economics PMI survey, job creation continued in February in both the industrial and services sectors. The employment expectations reported in the European Commission’s Business

Chart 49 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.

and Consumer Survey convey a similar picture. Notwithstanding the slight decline observed in both employment surveys in recent months, labour market conditions have so far remained broadly resilient to the recent increase in uncertainty regarding economic growth prospects.

Box 9

EMPLOYMENT DEVELOPMENTS IN THE EURO AREA CONSTRUCTION SECTOR

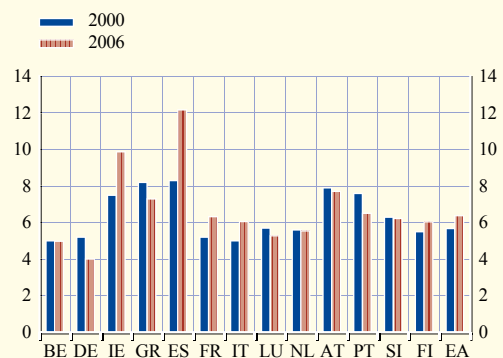
The construction sector is important for assessing cyclical developments in the euro area economy. On the supply side, construction activities constitute just over 6% of value added and close to 8% of total employment, while on the demand side investment in construction accounts for about 11% of GDP in nominal terms. The sector produces various types of output, namely residential buildings, non-residential buildings (including commercial buildings, hospitals, schools, etc.) and civil engineering (roads, harbours, bridges, etc.). The share of each type of output in total output is fairly evenly distributed, with non-residential buildings accounting for 31% of total output, new residential buildings for around 26% and civil engineering for 20%; while 23% of the total output consists of the renovation and maintenance of the above-mentioned buildings and civil engineering works.¹ This box briefly reviews the role played by construction activities in euro area employment growth in recent years.

One of the key features of the construction industry is the long production periods. The production of new residential buildings can take up to two years on average, and many civil engineering works can take even longer. These long production periods explain the significant financial requirements of this industry, which accounts for a large share of the stock of total loans to non-financial corporations (NFCs).

The weight of construction activities in national value added also differs significantly across countries (see Chart A). Ireland and Spain are the two countries where construction had the greatest weight in 2006 at respectively 10% and 12% of nominal value added; at the other extreme, the participation of the construction sector in the German economy has been declining, and by 2006 construction activity only amounted to 4% of value added in Germany. The dynamism of construction activities in Ireland and Spain is clearly shown in the fast growth of loans related to these activities. By the end of 2006 loans for construction and real estate amounted to 51% of the stock of total loans to NFCs in Spain and 74% in Ireland.

Chart A The construction industry across the euro area countries

(value added in construction as a percentage of national value added)

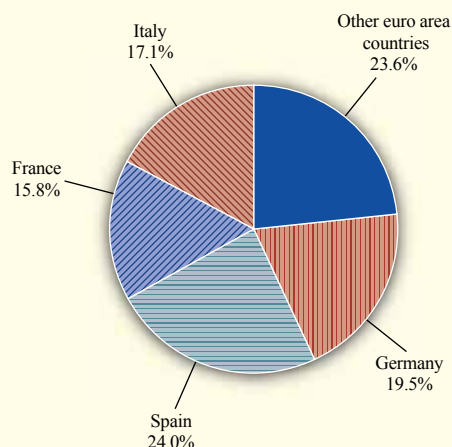


Source: Eurostat.

¹ Estimates published by the European Commission and originally produced by the European Construction Industry Federation, 2005.

Chart B Employment in construction

(percentages of euro area employment in construction)



Source: Eurostat.

As regards the share of employment in construction in total euro area employment, this stood at around 7.4% until 2004. Since then, it has risen to close to 8%, but with sizeable differences across countries. Construction accounts for the largest share of total employment in Spain and Ireland (around 12% and 13% respectively), while in Germany and Belgium it accounts for less than 6%.

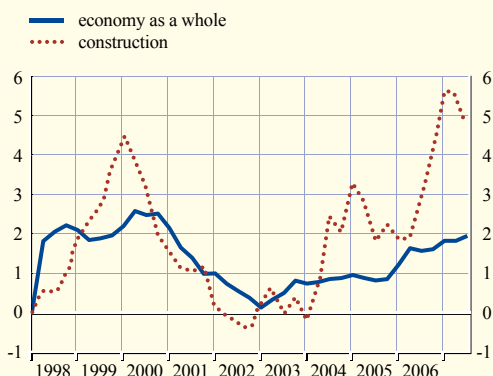
The contribution of the individual euro area countries to aggregate euro area construction sector employment figures differs considerably. Currently, Spain and Germany together account for almost half of employment in construction in the euro area (see Chart B). This reflects a size effect in the case of Germany, the largest economy in the euro area, and also, in the case of Spain, the weight of this activity in overall economic activity.

Since 2004 there has been strong growth in construction activity in the euro area. Chart C shows employment in construction increasing sharply from early 2004 and peaking in early 2007. This is consistent with the strong growth in value added in this sector over the past few years, particularly in countries such as Spain. Over the last four years, employment in construction has made a large contribution to employment growth in the euro area. Indeed, about 17% of net employment creation in the euro area since 2004 has taken place in the construction sector.

Recent data suggest that activity in the construction sector has slowed and that it is likely to make a smaller contribution to overall economic growth in coming quarters. This is most

Chart C Employment in construction and in the economy as a whole

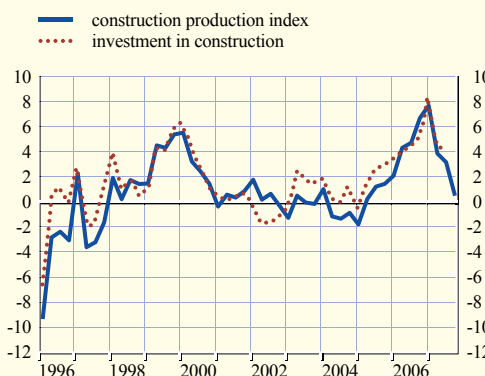
(quarterly data; annual percentage changes)



Source: Eurostat.

Chart D Investment in construction and the construction production index

(quarterly data; annual percentage changes)



Source: Eurostat.

apparent in the housing markets in countries such as Ireland and Spain, which have cooled recently after years of very rapid growth.² As shown in Chart D, the annual growth rate of construction production has been on a downward trend since early 2007. While quarterly data still show positive growth, monthly data for December 2007 suggest this to be the first time since May 2005 that a decline in construction has been recorded. Other indicators, such as building permits and loans for house purchase, also point to a moderation in housing market developments, which is consistent with the sharp decline in employment expectations in this sector in the last few months.

² See also Box 4 of the February 2008 issue of the Monthly Bulletin entitled “Recent developments in euro area residential property prices”.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

The latest information on economic activity confirms the view that economic growth moderated around the end of last year and the beginning of this year. The quarter-on-quarter real GDP growth rate was 0.4% in the fourth quarter of 2007 and surveys of business and consumer confidence, which have followed a downward trend since the summer of 2007, overall remain consistent with ongoing growth.

Looking ahead, in 2008 both domestic and foreign demand are expected to support ongoing real GDP growth in the euro area, albeit at lower rates than during 2007. The fundamentals of the euro area economy remain sound and the euro area economy does not suffer from major imbalances. While being dampened by the global slowdown, investment growth should provide ongoing support, as capacity utilisation is high and profitability has been sustained. At the same time, as a result of the improved economic conditions and wage moderation, employment and labour force participation have increased significantly and unemployment rates have fallen to levels not seen for 25 years. Despite the dampening effect of higher commodity prices, consumption growth should continue to contribute to economic expansion, in line with rising employment.

These factors are also reflected in the March 2008 ECB staff macroeconomic projections. Annual real GDP growth is projected to lie in the range of 1.3% to 2.1% in 2008, and to be between 1.3% and 2.3% in 2009. In comparison with the December Eurosystem staff projections, the range projected for real GDP growth in 2008 and 2009 has been revised downwards, reflecting projected weaker global demand, stronger pressure from commodity prices and less favourable financing conditions than were foreseen in December. Available forecasts from international organisations broadly confirm this outlook.

Uncertainty about the prospects for economic growth remains unusually high, however, and downside risks surrounding the outlook for economic activity continue to exist. Risks relate mainly to a potentially broader than currently expected impact of financial market developments on financing conditions. Further downside risks stem from the scope for additional oil and other commodity price rises, protectionist pressures and the possibility of disorderly developments owing to global imbalances.

Box 10

ECB STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

On the basis of the information available up to 14 February 2008, ECB staff have prepared projections for macroeconomic developments in the euro area.¹ Average annual real GDP growth is projected to be between 1.3% and 2.1% in 2008, and between 1.3% and 2.3% in 2009. The average rate of increase in the overall HICP is projected to be between 2.6% and 3.2% in 2008, and between 1.5% and 2.7% in 2009.

Technical 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 14 February 2008. 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 overall average level of 4.2% for 2008 and of 3.5% for 2009.² This assumption is of a purely technical nature. The market expectations for euro area ten-year nominal government bond yields imply an average level of 4.3% in 2008 and of 4.5% in 2009. The baseline projection also includes the assumption that, over the projection horizon, long-term bank lending spreads will reflect the recent episode of heightened risk consciousness in financial markets. 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 90.6 per barrel in 2008 and USD 89.1 per barrel in 2009. The average annual increase in non-energy commodity prices in US dollars is assumed to be 12.7% in 2008 and 6.1% in 2009.

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 1.47 in 2008 and 1.46 in 2009, and an effective exchange rate of the euro that is, on average, 3.6% higher in 2008 than the average for 2007 and 0.2% lower in 2009 than the average for 2008.

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 parliament or that have been specified in detail and are very likely to pass the legislative process.

Assumptions with regard to the international environment

The slowdown of economic growth in the United States as well as in a number of developed economies is expected to dampen global growth prospects, also reflecting the effects of the financial turmoil. However, the projected stronger domestic demand in emerging markets and

1 The ECB staff macroeconomic projections complement the Eurosystem staff macroeconomic projections that are produced jointly by experts from the ECB and the euro area NCBs on a biannual basis. The techniques used are consistent with those of the Eurosystem staff projections as described 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. At this juncture, however, owing to financial market developments, the uncertainty surrounding the projections is presumably larger than usual.

2 Market expectations as measured by forward rates may deviate slightly from EURIBOR futures rates. See the methodological note in the box entitled "ECB staff macroeconomic projections for the euro area" in the March 2007 issue of the Monthly Bulletin.

Table A Macroeconomic projections for the euro area(average annual percentage changes)^{1),2)}

	2007	2008	2009
HICP	2.1	2.6-3.2	1.5-2.7
Real GDP	2.6	1.3-2.1	1.3-2.3
Private consumption	1.6	1.1-1.7	1.0-2.4
Government consumption	1.9	1.1-2.1	1.0-2.0
Gross fixed capital formation	4.6	0.5-3.1	0.2-3.4
Exports (goods and services)	5.7	2.6-5.6	3.1-6.3
Imports (goods and services)	4.9	2.0-5.4	2.9-6.3

1) 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 projections include Cyprus and Malta as part of the euro area in the projection ranges for 2008 and 2009. The annual percentage changes for 2008 are based on a euro area composition that includes Cyprus and Malta already in 2007. The weights of Cyprus and Malta in euro area GDP are approximately 0.2% and 0.1% respectively.

improved terms of trade, stemming from high commodity prices, in commodity-exporting countries are expected to cushion the overall weakening in demand. Overall, after having reached 5.7% in 2007, annual growth in world real GDP outside the euro area is projected to slow to 4.6% in 2008 but to recover gradually in 2009. Growth in the euro area's external export markets is projected to slow down from 6.2% in 2007 to 5.5% in 2008, before recovering to 6.2% in 2009.

Real GDP growth projections

After two years of growth above estimates of potential, real GDP growth in the euro area is expected to moderate in 2008, affected by developments in external demand, the ongoing financial turmoil and the rise in commodity prices. As a consequence, after standing at 2.6% in 2007, growth in average annual real GDP is projected to be between 1.3% and 2.1% in 2008, and between 1.3% and 2.3% in 2009. The expected slowdown reflects the lower growth of both exports and domestic demand. The growth of euro area exports is dampened by the projected weakening of foreign demand and the past appreciation of the euro. Together with a moderation in profits and tighter financing conditions, this is expected to lead to a decline in investment growth. Private consumption is expected to be affected by the adverse commodity price developments, which weigh on real disposable income.

Price and cost projections

Following the recent rise in inflation, to 3.2% in January 2008, the average rate of increase in the overall HICP is projected to be between 2.6% and 3.2% in 2008. The high annual rate of inflation during 2008 mainly relates to increases in energy and food prices. On the basis of current futures prices for energy and food, pressures from global commodity prices are expected to weaken in the course of 2008. As regards domestic price pressures, the projections are based on the expectation that wage growth will increase slightly in 2008, reflecting higher collective wage agreements, notably in the public sector. This is expected to result in stronger unit labour cost growth, as growth in labour productivity is projected to remain roughly stable throughout 2008. The upward effects of stronger unit labour cost pressure are, however, projected to be compensated by lower gains in profit margins in 2008, in line with the weaker activity outlook. In 2009 inflation is expected to be between 1.5% and 2.7%. Underlying this projection is the assumption that wage growth will remain broadly stable in 2009.

Comparison with the December 2007 projections

Compared with the Eurosystem staff macroeconomic projections published in the December 2007 issue of the Monthly Bulletin, the ranges projected for real GDP growth in 2008 and 2009 have been adjusted downwards, reflecting the effects of lower projected euro area foreign demand, stronger pressure from commodity prices and the impact of financial market developments.

The ranges projected for the annual rate of increase in the overall HICP in 2008 and 2009 have been shifted upwards, mostly reflecting stronger energy and food price inflation and expectations of somewhat higher labour cost pressures than envisaged in the December 2007 projections.

Table B Comparison with the December 2007 projections

(average annual percentage changes)

	2007	2008	2009
Real GDP – December 2007	2.4-2.8	1.5-2.5	1.6-2.6
Real GDP – March 2008	2.6	1.3-2.1	1.3-2.3
HICP – December 2007	2.0-2.2	2.0-3.0	1.2-2.4
HICP – March 2008	2.1	2.6-3.2	1.5-2.7

5 FISCAL DEVELOPMENTS

Fiscal developments in the euro area were relatively favourable in 2007, mainly on the back of strong output growth, revenue windfalls and some consolidation efforts. According to the updated stability programmes that were submitted by the euro area countries at the end of 2007, the average general government deficit for the euro area is estimated to have declined in 2007. By contrast, in 2008, the general government deficit is projected to increase slightly as fiscal consolidation is stalling. Countries with remaining fiscal imbalances need to continue with fiscal consolidation in line with the requirements of the Stability and Growth Pact and attain their medium-term budgetary objectives rapidly. Less favourable macroeconomic developments than previously anticipated provide no justification for delaying structural fiscal consolidation.

FISCAL DEVELOPMENTS IN 2007

According to the updated stability programmes that were submitted by the euro area countries at the end of 2007, fiscal developments were relatively favourable in 2007 (Belgium has yet to submit its programme). Against the backdrop of strong output growth, revenue windfalls and some consolidation efforts, the average general government deficit for the euro area fell from 1.6% of GDP in 2006 to 0.8% of GDP in 2007 (Table 9).

Corrected for the positive contribution of the business cycle as well as for one-off and other temporary measures, the decline in the euro area government deficit was smaller; the euro area structural deficit (not shown in the table) fell by 0.5 percentage point, from 1.3% of GDP in 2006 to 0.8% of GDP in 2007. The structural improvement could have been more substantial in view of the persistent expenditure overruns in 2007, which were more than compensated by sizeable revenue windfalls.

With regard to individual countries, a significant improvement in the structural balance of 0.5% of GDP, or more, was reported by Germany, Greece, Italy, Cyprus, Portugal and Slovenia. By contrast, a considerable budgetary loosening of over 1% of GDP was reported in the stability programmes of Ireland and the Netherlands. When assessing these figures, due account needs to be given to uncertainties in the computation of cyclically adjusted budget balances and the significant contribution of revenue windfalls. Indeed, the 2007 estimates in the programmes may well overestimate the degree of structural fiscal improvement.

According to the stability programme updates, none of the euro area countries is projected to exceed the 3% of GDP deficit threshold in 2007 and beyond. The euro area countries still subject to the excessive deficit procedure (i.e. Italy and Portugal) made progress with consolidation in order to correct their deficits. The Italian stability programme estimates a significant decrease in the budget deficit from 4.4% of GDP in 2006 to 2.4% of GDP in 2007 (and the latest information suggests that the deficit might have been lower). This is in line with the ECOFIN Council recommendation to bring the Italian deficit to below 3% of GDP by 2007 at the latest. This result is mainly explained by the expiry of large deficit-increasing effects in 2006, a positive base effect and favourable revenue developments. The Portuguese deficit fell according to the stability programme, from 3.9% of GDP in 2006 to 3.0% of GDP in 2007, mostly owing to a reduction in primary spending, notably with regard to the compensation of employees. These positive developments suggest that Portugal is progressing in accordance with the ECOFIN Council recommendation to correct its excessive deficit by 2008 at the latest.

In light of the relatively favourable economic and fiscal developments, the euro area average general government debt ratio declined by 1.9 percentage points to 66.0% of GDP in 2007. This reflects

Table 9 The updated stability programmes of the euro area countries

	Real GDP growth (percentage change)					Budget balance (as a percentage of GDP)					Debt (as a percentage of GDP)				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Belgium															
Update of December 2006	2.7	2.2	2.1	2.2	2.2	0.0	0.3	0.5	0.7	0.9	89.4	85.6	82.1	78.3	74.3
Update of December 2007	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
Germany															
Update of December 2006	2.3	1½	1¼	1¼	1¼	-2.1	-1½	-1½	-1.0	-½	68.0	67.0	66½	65½	64½
Update of December 2007	2.9	2.4	2.0	1½	1½	-1.6	0.0	-½	0.0	½	67.5	65.0	63.0	61½	59½
Ireland															
Update of December 2006	5.4	5.3	4.6	4.1	-	2.3	1.2	0.9	0.6	-	25.1	23.0	22.4	21.9	-
Update of December 2007	5.7	4.8	3.0	3.5	4.1	2.9	0.5	-0.9	-1.1	-1.0	25.1	25.1	25.9	27.6	28.7
Greece															
Update of December 2006	4.0	3.9	4.0	4.1	-	-2.6	-2.4	-1.8	-1.2	-	104.1	100.1	95.9	91.3	-
Update of December 2007	4.2	4.1	4.0	4.0	4.0	-2.5	-2.7	-1.6	-0.8	0.0	95.3	93.4	91.0	87.3	82.9
Spain															
Update of December 2006	3.8	3.4	3.3	3.3	-	1.4	1.0	0.9	0.9	-	39.7	36.6	34.3	32.2	-
Update of December 2007	3.9	3.8	3.1	3.0	3.2	1.8	1.8	1.2	1.2	1.2	39.7	36.2	34.0	32.0	30.0
France															
Update of December 2006	2.3	2.3	2¼	2¼	2¼	-2.7	-2.5	-1.8	-0.9	0.0	64.6	63.6	62.6	60.7	58.0
Update of December 2007	2.0	2¼	2¼	2½	2½	-2.5	-2.4	-2.3	-1.7	-1.2	64.2	64.2	64.0	63.2	61.9
Italy															
Update of December 2006	1.6	1.3	1.5	1.6	1.7	-4.8	-2.8	-2.2	-1.5	-0.7	107.6	106.9	105.4	103.5	100.7
Update of November 2007	1.9	1.9	1.5	1.6	1.7	-4.4	-2.4	-2.2	-1.5	-0.7	106.8	105.0	103.5	101.5	98.5
Cyprus															
Update of December 2006	3.7	3.9	4.1	4.1	4.1	-1.9	-1.6	-0.7	-0.4	-0.1	64.7	60.5	52.5	49.0	46.1
Update of December 2007	3.8	4.2	4.1	4.0	4.0	-1.2	1.5	0.5	0.5	0.7	65.2	60.0	48.5	45.3	43.8
Luxembourg															
Update of November 2006	5.5	4.0	5.0	4.0	-	-1.5	-0.9	-0.4	0.1	-	7.5	8.2	8.5	8.5	-
Update of November 2007	6.1	6.0	4.5	5.0	4.0	0.7	1.0	0.8	1.0	1.2	6.6	6.9	7.1	7.2	7.0
Malta															
Update of December 2006	2.9	3.0	3.1	3.1	-	-2.6	-2.3	-0.9	0.1	-	68.3	66.7	63.2	59.4	-
Update of December 2007	3.2	3.5	3.1	3.2	3.4	-2.5	-1.6	-1.2	-0.1	0.9	64.7	62.9	60.0	57.2	53.3
The Netherlands															
Update of November 2006	3¼	3.0	1¼	1¼	.	0.1	0.2	0.3	0.9	-	50.2	47.9	46.3	44.2	-
Update of November 2007	3.0	2¼	2½	1¼	1¼	0.6	-0.4	0.5	0.6	0.7	47.9	46.8	45.0	43.0	41.2
Austria															
Update of March 2007	3.1	2.7	2.3	2.5	2.6	-1.1	-0.9	-0.7	-0.2	0.4	62.2	61.2	59.9	58.5	56.8
Update of November 2007	3.3	3.4	2.4	2.5	2.5	-1.4	-0.7	-0.6	-0.2	0.4	61.7	59.9	58.4	57.0	55.4
Portugal															
Update of December 2006	1.4	1.8	2.4	3.0	3.0	-4.6	-3.7	-2.6	-1.5	-0.4	67.4	68.0	67.3	65.2	62.2
Update of December 2007	1.3	1.8	2.2	2.8	3.0	-3.9	-3.0	-2.4	-1.5	-0.4	64.8	64.4	64.1	62.5	59.7
Slovenia															
Update of December 2006	4.7	4.3	4.2	4.1	-	-1.6	-1.5	-1.6	-1.0	-	28.5	28.2	28.3	27.7	-
Update of December 2007	5.7	5.8	4.6	4.1	4.5	-1.2	-0.6	-0.9	-0.6	0.0	27.1	25.6	24.7	23.8	22.5
Finland															
Update of November 2006	4.5	3.0	2.9	2.6	2.1	2.9	2.8	2.7	2.7	2.4	39.1	37.7	36.2	35.0	33.7
Update of November 2007	5.0	4.4	3.3	3.0	2.5	3.8	4.5	3.7	3.6	2.8	39.2	35.3	32.8	30.4	29.0
Euro area															
Update of 2006-2007	2.6	2.2	2.2	2.2	-	-1.9	-1.4	-1.1	-0.5	-	69.5	67.9	66.5	64.6	-
Update of 2007-2008	2.4	2.7	2.3	2.2	2.2	-1.6	-0.8	-0.9	-0.4	0.0	67.9	66.0	64.4	62.8	60.8

Sources: Stability programmes 2006-07 and 2007-08, and ECB calculations.

Note: The euro area aggregate is calculated as a weighted average of the data available for individual countries.

The weighted average for the 2007-08 update includes Malta and Cyprus, while it excludes Belgium, as the latest stability programme is not yet available. The 2006-07 data for Malta and Cyprus refer to the convergence programme 2006-07. The French data in the 2007-08 update for 2006 are from the European Commission autumn 2007 forecast.

declining debt ratios in most euro area countries, with the exception of Luxembourg and Ireland, countries which have a relatively low government debt ratio, and of France. Seven Member States reported government debt levels at or above 60% of GDP, of which one is above 100% of GDP.

FISCAL PLANS FOR 2008 AND BEYOND

On the basis of the budgetary targets as set out in the stability programme updates at the end of 2007, the aggregate euro area general government deficit is expected to increase slightly to 0.9% of GDP in 2008 (see Table 9). The deterioration in 2008 comes against the backdrop of a standstill in fiscal consolidation (which is partly the result of scheduled tax reductions), while output is projected in the programmes to grow around trend. For 2009 and 2010, the euro area budget deficit is projected to resume its decline, to 0.4% and 0.0% of GDP respectively. This improvement would be mainly the result of a decreasing expenditure ratio (which should fall by around 1 percentage point to 45.0% of GDP in 2010), while the revenue ratio is expected to remain broadly constant (at around 45% of GDP). The euro area structural deficit is expected to increase slightly to 0.9% of GDP in 2008, before steadily declining to 0.4% and 0.1% of GDP in 2009 and 2010 respectively. The general government debt ratio for the euro area is envisaged to fall to 64.4% of GDP in 2008 and further to 60.8% of GDP in 2010.

Looking at individual countries, the general government balance is projected to improve over the medium term in almost all cases. In this respect, a number of governments are planning to maintain or increase surpluses and others are planning to move from deficits to balanced or surplus positions. The two countries which are currently still subject to the excessive deficit procedure, Italy and Portugal, expected deficits for 2008 of 2.2% and 2.4% of GDP respectively, and further declining deficits in 2009 and 2010. However, as was the case with previous rounds of stability programmes, the final outcomes could differ substantially from the projections as concrete policy measures to meet fiscal objectives are frequently lacking.

Of the six countries which, at end-2007, had yet to reach their medium-term budgetary objective (MTO), none is projected to achieve this budget target by 2008 and in some instances structural adjustment efforts are minimal. In addition, Germany and Ireland, estimated to have reached their MTO in 2007, are expected to fall back below these targets in 2008. By the end of the projection horizon in 2010, Ireland, Greece, France and Italy are projected to fall short of their MTO.

ASSESSMENT OF THE MEDIUM-TERM PLANS

The fiscal plans need to be assessed against the provisions of the EU fiscal surveillance framework. The Stability and Growth Pact provides the appropriate framework to guide national fiscal policies. Euro area countries with budget imbalances are expected to achieve structural consolidation of 0.5% of GDP per annum as a benchmark. This should allow them to reach their MTO rapidly in order to ensure fiscal soundness. This is all the more urgent as the current MTOs generally do not sufficiently address the additional fiscal burden that will be imposed by demographic ageing. In April 2007 the euro area finance ministers (the Eurogroup) underlined their commitment to implementing the provisions of the Stability and Growth Pact (see the December 2007 Monthly Bulletin for a description of the Eurogroup agreement). In particular, they committed that by “taking advantage of the favourable cyclical conditions, most euro area members would achieve their MTO in 2008 or 2009 and all of them should aim for 2010 at the latest”. This commitment is also reflected in the ECOFIN Council opinions on the latest round of stability programmes.

In many cases, the updated stability programmes fall short of these requirements. For euro area countries that have not yet reached their MTO, the projected annual improvement in the underlying budgetary situation is often expected to be less than the 0.5% of GDP structural consolidation benchmark laid down in the Stability and Growth Pact. Those member countries that have already attained their MTO, in some cases, project a discretionary fiscal loosening or plan to fall back short of their MTO, which is not in line with the provisions of the Pact or the Eurogroup agreement. Moreover, some of the programmes are based on very favourable economic growth assumptions and consolidation measures that are not sufficiently specified, while previously unexpected and transitory revenue increases have induced permanent expenditure increases or tax cuts.

Looking in further detail, of the countries that still have an excessive deficit situation, Italy's stability programme envisages a deficit of below the 3% of GDP threshold throughout the programme period. However, the minimal consolidation effort foreseen for 2008 clearly falls short of the 0.5% of GDP structural consolidation benchmark set out in the Pact, while it is also inconsistent with the Eurogroup agreement. The MTO of a balanced budget is not projected to be achieved by 2010. Moreover, the envisaged return to a sound fiscal position is jeopardised by the risk that real GDP growth may turn out lower than projected in the programme. In addition, the lack of specified expenditure cuts imposes additional uncertainty on Italy's consolidation prospects.

With regard to Portugal, the stability programme envisages the correction of the excessive deficit situation in 2008, in line with the ECOFIN Council recommendation. Thereafter, the programme foresees further progress towards attaining the MTO (which is a structural balance of -0.5% of GDP) by 2010. While this adjustment path is in line with the Pact, risks relate to less favourable macroeconomic developments and the budgetary effect of expenditure-reducing measures may be overestimated.

With regard to the other euro area countries which have yet to attain their MTO, there are a number of concerns, notably regarding those countries with high deficits. In France, despite the high deficit in 2007, only minimal structural consolidation is projected for 2008 in contradiction to the rules of the Pact. The budgetary stance is not sufficiently tight to ensure that the MTO of a balanced budget is achieved by 2010 and is inconsistent with the Eurogroup agreement. Moreover, the adjustment plans for 2009 and 2010 are subject to considerable risks relating, in particular, to macroeconomic developments and a lack of clearly specified expenditure cuts.

Turning to Greece, the stability programme foresees a structural adjustment path of at least 0.5% of GDP per annum, but the MTO of a balanced budget is not projected to be achieved by 2010. Moreover, there is a risk that the macroeconomic environment could turn out less favourable than envisaged in the programme. This could affect Greece's consolidation plans, in particular because the fiscal correction is largely revenue based. Furthermore, persistent discrepancies between past deficit and debt developments point to the risk that fiscal deficit data need to be revised upwards.

Finally, for Ireland, the stability programme projects a departure from the MTO of a balanced budget from 2008 onwards, which is inconsistent with the Stability and Growth Pact and the Eurogroup agreement. In addition, besides experience with significant expenditure overruns, the fiscal outlook is subject to considerable macroeconomic risk, particularly stemming from the deteriorating housing market and strong economic dependence on the United States and the United Kingdom.

IMPLICATIONS FOR FISCAL POLICIES

Reflecting favourable macroeconomic conditions, revenue windfalls and some structural consolidation, fiscal positions improved in most countries in 2007 and the euro area deficit ratio declined to a level not seen for many years. At end-2007, the two remaining countries subject to an excessive deficit procedure estimate to have brought their deficit ratios just to or below the 3% of GDP reference value.

Looking ahead, it is imperative that those euro area countries that have attained sound fiscal positions in line with their MTO maintain them. As a rule, these countries can let automatic stabilisers operate fully to contribute to the smoothing of cyclical fluctuations, i.e. they can allow their budget balances to fluctuate with the business cycle while maintaining their structural position. The more euro area countries are in such a position, the more significant the economic impact of automatic stabilisers at the euro area level will be. This contributes to the smooth functioning of EMU. Countries that have yet to attain sound budgetary positions should undertake structural fiscal consolidation in line with the Stability and Growth Pact until they have achieved their MTO. This will underpin the credibility of the preventive arm of the Pact.

Less favourable macroeconomic developments than previously anticipated provide no justification for delaying structural fiscal consolidation. On the contrary, they call for particularly prudent and stability-oriented fiscal policies to support private sector confidence. Achieving and maintaining sound fiscal positions is a prerequisite for safeguarding the long-term sustainability of public finances and for solid and sustainable economic growth. This is all the more important in view of increased uncertainty regarding the global macroeconomic outlook. The potential fiscal implications of the financial market turmoil reinforce the need for prudent fiscal policies. Moreover, the risk of some euro area countries approaching the 3% of GDP reference value cannot be ruled out and these countries need to ensure that this value is not exceeded. The prompt application of the relevant provisions of the EU fiscal surveillance framework, should compliance with the 3% of GDP reference value be put at risk, will be crucial for the credibility of the framework. In this regard, tools available include an early warning in accordance with Article 99(4) of the Treaty. Moreover, the Stability and Growth Pact enables the European Commission to issue direct (i.e. without involvement of the ECOFIN Council) policy advice to member countries.

Yielding to calls for postponing consolidation could rapidly undermine fiscal sustainability. Moreover, such calls tend to overlook the fact that most countries already used at least part of the revenue windfalls of the past years to increase expenditure or reduce taxes, so that current fiscal positions are not as strong as they could have been with more prudent policies.

6 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

6.1 EXCHANGE RATES

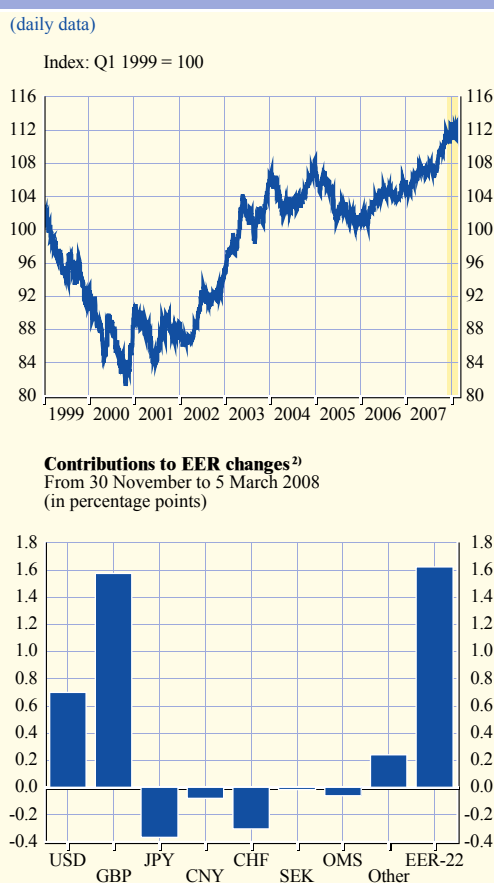
Following the euro's broad-based appreciation throughout most of 2007, its upward trend has been more moderate and less broad-based over the past three months in the context of an increased market perception of risk in world financial markets. Since mid-February, however, the euro has appreciated at a rapid pace and was, on 5 March, slightly over 5% higher than its 2007 average in effective terms.

EFFECTIVE EXCHANGE RATE OF THE EURO

The euro witnessed a significant appreciation during 2007. Over much of the second half of the year, the single currency's appreciation mirrored market expectations of a widening gap between interest rates across the two main economic areas, among other factors. From mid-November 2007 to mid-February 2008, the euro mostly fluctuated within a relatively narrow range amid high expected exchange rate volatility, but since then it has tended to appreciate steadily. On 5 March 2008 the nominal effective exchange rate of the euro – as measured against the currencies of 22 of the euro area's important trading partners – was 1.6% above its end-November level and 5.2% higher than its 2007 average (see Chart 50).

Contrary to what could be seen during much of 2007, the appreciation of the euro in effective terms has been less broad-based over the past three months. The euro has strengthened considerably against the pound sterling and the Korean won and more moderately against the US, Canadian and Hong Kong dollars. By contrast, it has weakened vis-à-vis the Japanese yen, the Swiss franc, the Australian dollar, the Norwegian krona and the currencies of some of the new Member States. With regard to the indicators of the international price and cost competitiveness of the euro area, in February 2008, based on developments in consumer and producer prices, the real effective exchange rate of the euro was, on average across the two price indicators, slightly over 3% above its average 2007 level (see Chart 51).

Chart 50 Euro effective exchange rate and its decomposition¹⁾



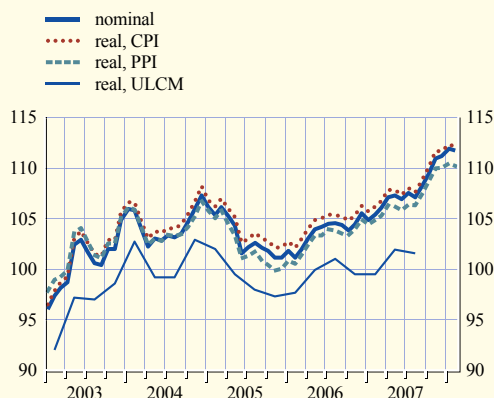
Source: ECB.

1) An upward movement of the index represents an appreciation of the euro against the currencies of the most important trading partners of the euro area and all non-euro area EU Member States.

2) Contributions to EER-22 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-22 index. Changes are calculated using the corresponding overall trade weights in the EER-22 index.

Chart 51 Euro nominal and real effective exchange rates ¹⁾

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



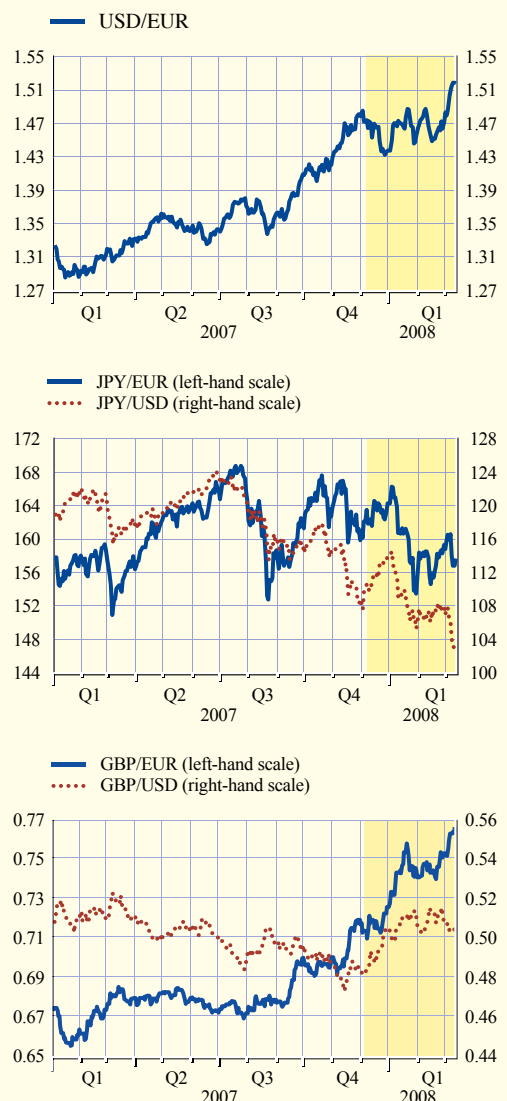
Source: ECB.
 1) An upward movement of the EER-22 indices represents an appreciation of the euro. The latest observations for monthly data are for February 2008. In the case of the ULCM-based real EER-22, the latest observation is for the third quarter of 2007 and is partly based on estimates.

US DOLLAR/EURO

The evolution of the euro against the US dollar had a considerable impact on the pattern of the nominal effective exchange rate of the euro. After a period of appreciation against the US currency that lasted until the end of April 2007, the euro tended to trade broadly sideways, despite some considerable short-term fluctuations. From the beginning of September the exchange rate of the euro vis-à-vis the US dollar was influenced by concerns about liquidity conditions in global money and credit markets, which led to a sharp increase in investors' risk aversion and to overall market volatility. As of mid-November, the euro tended to stabilise, oscillating around USD 1.47, against the backdrop of historically high expected exchange rate volatility. The relative stability of the exchange rate in this period occurred despite market expectations of wider interest rate differentials across the main economic areas, renewed concerns in global financial markets stemming from accumulating evidence of credit-related losses in some international banks, and weak data releases in the United States that gave rise to downward revisions to the US growth outlook by market participants. However, towards the end of February 2008, the dollar weakened sharply, possibly on account of survey data that were perceived as showing that activity may slow further in the United States. On 5 March the euro traded at USD 1.52, i.e. 2.9% above its level at the end of November and almost 11% stronger than its 2007 average (see Chart 52).

Chart 52 Patterns in exchange rates

(daily data)



Source: ECB.
 Note: The shaded area refers to the period from 30 November 2007 to 5 March 2008.

JAPANESE YEN/EURO

Throughout 2007 the euro recorded wide swings against the Japanese yen, although in the past three months it has registered a gradual weakening vis-à-vis the Japanese currency. In the first half of 2007, the euro continued its appreciation against the Japanese currency, ongoing since mid-2005, to reach a peak of JPY 168.68 on 13 July 2007. In subsequent months, the euro-yen exchange rate fluctuated widely, broadly reflecting swift changes in market expectations about asset price volatility, originating mainly from strains in the US sub-prime mortgage market and their spillover effects to other market segments. The strong link between the yen exchange rate and financial volatility was due to the fact that fluctuations in the perception of risk influenced the expected profitability of carry trades, i.e. trades that consist of borrowing in a low-yielding currency and investing the proceeds in a high-yielding currency. As these are trading strategies in which the Japanese yen has been actively used as a funding currency, the risk revaluation by market participants ultimately affected the demand for the Japanese currency. Overall the Japanese yen has appreciated significantly since the trough of July 2007, although, as expected volatility has remained above its long-term average, swings in the exchange rate level have been sizeable and frequent. On 5 March the euro stood at JPY 157.65, i.e. 3.5% weaker than its level at the end of November and 2.2% below its 2007 average (see Chart 52).

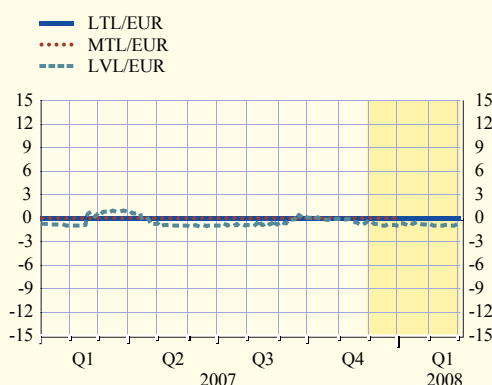
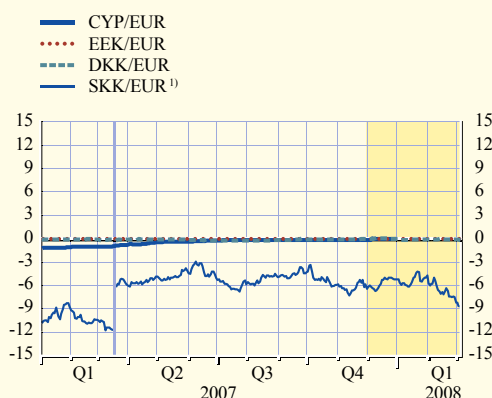
EU MEMBER STATES' CURRENCIES

Throughout 2007 and in the first two months of 2008 most currencies participating in ERM II remained stable against the euro and continued to trade at, or close to, their respective central rates (see Chart 53). The exception was the Slovak koruna, whose central rate was revalued in March 2007, and which thereafter traded on the strong side of its new central rate. Since mid-January 2008 the Slovak koruna has appreciated more noticeably and on 5 March it traded at SKK 32.37, i.e. 8.7% stronger than its central rate and about 2.5% stronger than its level at the end of November 2007.

The Latvian lats has also experienced some fluctuations in recent months. In an environment of increased volatility, the lats moved into the weaker side of the band between mid-September and mid-November, but thereafter tended to appreciate and moved back into the stronger side of the fluctuation band. On 5 March it traded about 1% higher than its ERM II central rate and was 0.5 percentage point stronger, vis-à-vis the euro, than its level at the end of November.

Chart 53 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 was revalued from 38.4550 to 35.4424 SKK/EUR.

With regard to the currencies of other EU Member States not participating in ERM II, between the end of November and 5 March 2008 the euro appreciated by 7.6% against the pound sterling and by 6.7% against the Romanian leu, while it depreciated by 4.6% and 2.3% against the Czech koruna and the Polish zloty, respectively. On 25 February, Magyar Nemzeti Bank announced that it was abandoning the flexible peg of the forint to the euro, which envisaged a 15% fluctuation band around a central parity fixed at HUF 282.36. Between the spring of 2007 and the end of February 2008 the Hungarian forint depreciated by about 7% vis-à-vis the euro.

OTHER CURRENCIES

Between the end of November 2007 and 5 March 2008, the euro weakened by 4.4% vis-à-vis the Swiss franc, to trade at CHF 1.58. Following a solid appreciation in the spring of 2007, the euro began a period of increased volatility in the summer, broadly mirroring developments in the JPY/EUR rate. As in the case of the Japanese yen, the weakening of the euro vis-à-vis the Swiss franc is reportedly related to a general unwinding of carry trades, financial operations in which the Swiss franc has also played the role of funding currency.

Between the end of November 2007 and 5 March 2008, the euro depreciated by 3.2% against the Norwegian krone, while the movements of the single currency vis-à-vis the currencies of the main Asian trading partners were rather mixed, as a weakening against the Singapore dollar and the Chinese renminbi (about 1% in both cases) was accompanied by a rise against the Korean won (6%) and the Hong Kong dollar (3%).

6.2 BALANCE OF PAYMENTS

In 2007 the euro area current account showed a surplus of 0.2% of GDP (€15.0 billion in seasonally adjusted terms) compared with a deficit a year earlier of 0.2% of GDP (€13.6 billion). This development resulted mainly from an increase in the goods surplus, as the deceleration in the rate of expansion of goods imports exceeded that of goods exports in this period. In the financial account, combined direct and portfolio investment continued to register large cumulated inflows in 2007, albeit at a moderately lower level than in 2006.

TRADE AND THE CURRENT ACCOUNT

In the fourth quarter of 2007 extra-euro area trade in goods and services moderated its rate of expansion, following strong growth in the previous quarter. More specifically, the value of exports of goods and services remained broadly unchanged in this quarter (in terms of seasonally adjusted quarter-on-quarter figures). This compares with a growth rate of 2.8% in the third quarter and an average quarterly growth rate of 1.2% in the first half of the year (see Table 10). Imports of goods and services grew by 1.8% in the last quarter; down from 2.6% in the third quarter but above their average growth of 1.0% in the first half of 2007.

The decline in the growth rate of exports and imports in the fourth quarter was mainly the result of developments in goods trade and appears to have been broadly consistent with the evolution of foreign demand growth and euro area GDP growth in this period. Export values of goods were virtually flat in the fourth quarter, while import values of goods rose by 1.2%. For both goods exports and imports, growth rates were considerably lower than in the third quarter, when trade in goods picked up following more moderate growth in the first half of 2007. The growth of export

Table 10 Main items of the euro area balance of payments

(seasonally adjusted, unless otherwise indicated)

	2007		Three-month moving average figures ending				12-month cumulated figures ending	
	2007 Nov.	2007 Dec.	2007 Mar.	2007 June	2007 Sep.	2007 Dec.	2006 Dec.	2007 Dec.
<i>EUR billions</i>								
Current account	2.3	-10.3	2.6	1.4	2.5	-1.6	-13.6	15.0
Goods balance	5.9	-3.2	5.1	5.7	5.4	3.7	22.3	59.6
Exports	128.8	125.3	122.2	124.0	127.8	127.8	1,393.2	1,505.6
Imports	122.9	128.5	117.2	118.3	122.5	124.0	1,370.9	1,446.0
Services balance	3.5	2.6	3.9	3.2	4.1	2.9	35.3	42.5
Exports	39.3	39.9	38.2	38.5	39.2	39.3	426.6	465.5
Imports	35.8	37.3	34.2	35.3	35.1	36.4	391.3	422.9
Income balance	0.2	-1.4	-0.5	-1.5	0.1	0.4	5.7	-4.6
Current transfers balance	-7.4	-8.2	-5.8	-5.9	-7.1	-8.7	-76.9	-82.6
Financial account¹⁾	-13.1	-23.6	1.6	7.9	30.2	-39.1	118.0	1.5
Combined net direct and portfolio investment	19.2	-19.5	38.4	1.9	12.8	-11.7	140.0	124.1
Net direct investment	10.6	-21.0	-4.9	-22.3	-12.6	3.6	-136.4	-108.4
Net portfolio investment	8.7	1.5	43.3	24.1	25.4	-15.3	276.4	232.5
Equities	-9.0	-0.5	32.0	19.7	12.0	-5.5	152.8	174.6
Debt instruments	17.6	2.0	11.3	4.4	13.4	-9.8	123.5	57.9
Bonds and notes	8.7	12.0	16.0	0.3	3.0	3.0	190.6	66.7
Money market instruments	8.9	-9.9	-4.7	4.1	10.5	-12.8	-67.1	-8.9
<i>Percentage changes over previous period</i>								
Goods and services								
Exports	0.1	-1.8	1.1	1.3	2.8	0.0	12.5	8.3
Imports	1.3	4.5	0.5	1.4	2.6	1.8	14.5	6.1
Goods								
Exports	-0.3	-2.7	-0.2	1.4	3.1	-0.1	14.3	8.1
Imports	1.8	4.5	-0.1	1.0	3.5	1.2	17.0	5.5
Services								
Exports	1.4	1.4	5.2	0.7	1.9	0.3	7.0	9.1
Imports	-0.7	4.2	2.6	3.1	-0.6	3.7	6.6	8.1

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.

values of services decreased to 0.3% in the fourth quarter while imports of services increased by 3.7%, rebounding from a marked decline in the previous quarter.

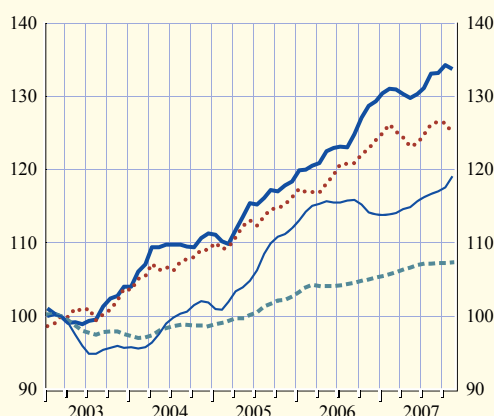
The breakdown of trade in goods into volumes and prices, available up to November 2007, shows that the deceleration in the growth rate of export values of goods reflects developments in export volumes (see Chart 54). After sluggish growth in the first half of 2007, export volumes rebounded in the third quarter and were followed by a deceleration in the fourth quarter, largely reflecting the evolution of foreign demand. Export prices in euro terms moderated in the second half of 2007 after having increased steadily in the first half of the year.

The geographical breakdown of euro area goods trade shows that export volumes to oil-producing countries and Asia, in particular China, continued to be dynamic in 2007. By contrast, export volumes to the United States declined (see Chart 55). Growth in export volumes to non-euro area EU Member States continued to be relatively robust, while growth in exports to the United Kingdom was sluggish. In terms of products, capital goods showed the strongest rate of growth in 2007.

Chart 54 Breakdown of trade in goods into volumes and prices

(index: 2003 Q1 = 100; seasonally adjusted; three-month moving average)

- export volumes
- ... import volumes
- - - export prices
- import prices

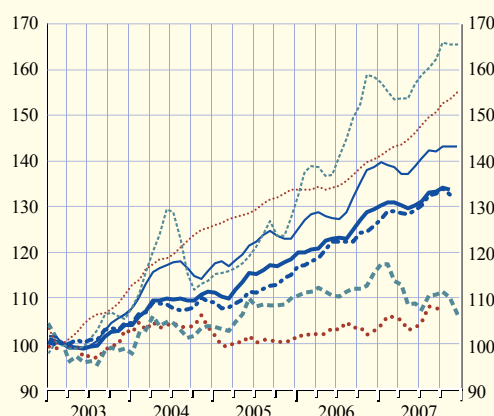


Sources: Eurostat and ECB calculations.
Note: Latest observations refer to November 2007.

Chart 55 Euro area export volumes to selected trading partners

(indices: 2003 Q1 = 100; seasonally adjusted; three-month moving averages)

- extra-euro area
- ... United Kingdom
- - - United States
- Asia
- ... OPEC
- - - China
- non-EA EU member states



Sources: Eurostat and ECB calculations.
Note: The latest observations refer to December 2007 except for the extra-euro area and non-EA EU member states (November 2007) and the United Kingdom (October 2007).

As regards goods imports, import volumes followed trends broadly similar to export volumes in 2007. Following subdued dynamics in the first half of the year, import volumes picked up in the third quarter in line with solid growth in domestic demand, while the decline in the last quarter of 2007 may be associated with the slowdown in euro area industrial production. Despite the dampening impact of the appreciation of the euro, import prices picked up in 2007 – especially in the second half of the year – mostly as a result of higher oil prices but also owing to large increases in non-oil commodity prices.

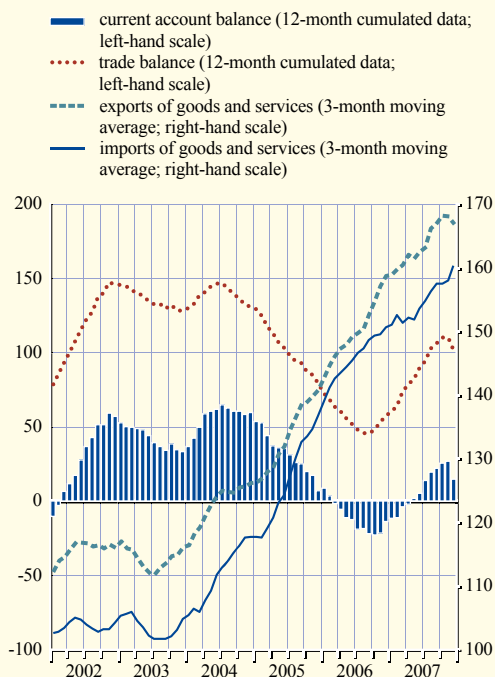
Taking a longer-term perspective, the 12-month cumulated current account recorded a surplus of €15.0 billion, compared with a deficit of €13.6 billion a year earlier (see Chart 56). This shift resulted mainly from developments in the goods balance, which – in 12-month cumulated terms – rose by €37.3 billion from the previous year, while the services balance improved more moderately, posting an increase of €7.2 billion. Partly counteracting the improvement in the current account was a shift in the income balance to a deficit of €4.6 billion in 2007 from a surplus of €5.7 billion a year earlier. In addition, current transfers posted a deficit of €82.6 billion in 2007, compared with a deficit of €76.9 billion in 2006.

FINANCIAL ACCOUNT

In the last quarter of 2007 euro area combined direct and portfolio investment recorded average monthly net outflows of €11.7 billion, as opposed to net inflows of €12.8 billion in the third quarter of the year (see Table 10). This switch in the direction of financial flows reflected a similar shift in both portfolio equities and money market instruments, which was partly offset by an opposite development (i.e. a shift from net outflows to net inflows) in direct investment.

Chart 56 The euro area current account and trade balances

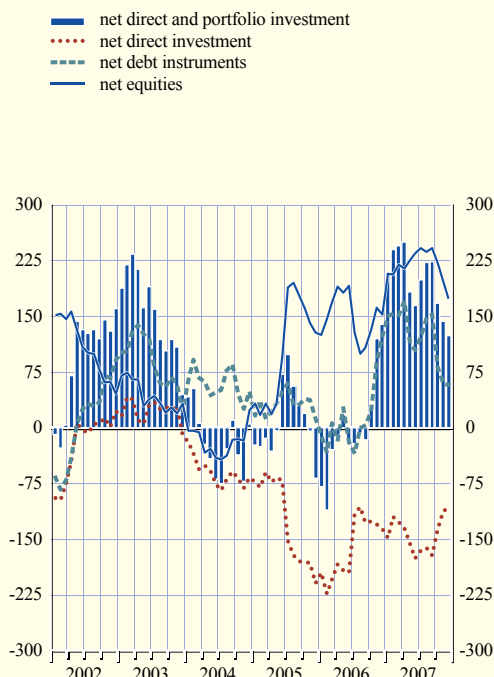
(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

Chart 57 Euro area combined direct and portfolio investment

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



Source: ECB.

The December data suggest that euro area cross-border investment decisions may continue to be affected by the credit market turmoil which began in August 2007. In this respect, the latest figures indicate that net investment flows by euro area residents in foreign bonds and net investment by non-residents in euro area equities and bonds remains below pre-turmoil levels.

From a longer-term perspective, cumulated net inflows of direct and portfolio investment amounted to €124.1 billion in 2007, compared with net inflows of €140.0 billion a year earlier. This moderation followed a €43.9 billion decline in net inflows of portfolio investment that was not fully offset by a contraction of €28.0 billion in net outflows of direct investment (see Chart 57).

Within portfolio investment, equities securities continued to witness – in 12-month cumulated terms – strong net inflows in 2007 (€174.6 billion compared with €152.8 billion in 2006). Sizeably lower net purchases of foreign equity by euro area residents over this period were the main reason for this development. By contrast, the euro area witnessed much lower net inflows of debt instruments in 2007 than in the previous year. This decline resulted from considerably lower net investment in euro area bonds and notes by foreigners, despite the narrowing of yield differentials between the euro area and the United States in the course of 2007.

The lower net outflows of direct investment in 2007 are associated primarily with higher net investment in the euro area by non-residents. Meanwhile, euro area net direct investment abroad also continued to increase in 2007.

EURO AREA STATISTICS



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¹ For further information, please contact us at: statistics@ecb.europa.eu. See the ECB Statistical Data Warehouse on the Statistics section of the ECB website (<http://sdw.ecb.europa.eu>) for longer runs and more detailed data.

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ENLARGEMENT OF THE EURO AREA ON 1 JANUARY 2008 TO INCLUDE CYPRUS AND MALTA

Unless otherwise indicated, all data series covering observations for 2008 relate to the Euro 15 (the euro area including Cyprus and Malta) 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, 2007 and 2008, calculated from a base in 2000, 2006 and 2007, use a series which takes into account the impact of the entry of Greece, Slovenia and Cyprus and Malta, respectively, into the euro area. Historical data referring to the euro area before the entry of Cyprus and Malta are available on the ECB web site at <http://www.ecb.europa.eu/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 ⁹
(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 ¹⁾	M2 ¹⁾	M3 ^{1),2)}	M3 ^{1),2)} 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government ¹⁾	Securities other than shares issued in euro by non-MFI corporations ¹⁾	3-month interest rate (EURIBOR, % per annum, period averages)	10-year spot rate (% per annum, end-of- period) ³⁾
	1	2	3	4	5	6	7	8
2006	8.6	8.7	8.4	-	10.9	15.8	3.08	3.91
2007	6.4	9.9	11.1	-	10.8	18.7	4.28	4.38
2007 Q1	7.0	9.1	10.2	-	10.6	16.5	3.82	4.02
Q2	6.2	9.2	10.6	-	10.5	18.7	4.07	4.51
Q3	6.6	10.3	11.5	-	11.0	20.2	4.49	4.38
Q4	5.9	10.8	12.0	-	11.1	19.4	4.72	4.38
2007 Sep.	6.1	10.2	11.3	11.7	11.0	19.1	4.74	4.38
Oct.	6.4	11.2	12.3	12.0	11.3	19.2	4.69	4.29
Nov.	6.3	11.0	12.4	12.1	11.1	18.6	4.64	4.21
Dec.	4.1	10.2	11.6	11.8	11.2	21.6	4.85	4.38
2008 Jan.	4.4	10.5	11.5	.	11.1	.	4.48	4.05
Feb.	.	.	.	.	.	.	4.36	4.06

2. Prices, output, demand and labour markets

	HICP ¹⁾	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
2006	2.2	5.1	2.6	2.8	4.0	83.2	1.5	8.2
2007	2.1	2.8	.	2.6	3.4	84.2	.	7.4
2007 Q2	1.9	2.4	2.4	2.4	2.8	84.3	1.8	7.4
Q3	1.9	2.1	2.5	2.6	4.0	84.0	1.9	7.3
Q4	2.9	4.0	.	2.2	3.0	84.0	.	7.2
2007 Sep.	2.1	2.7	-	-	3.4	-	-	7.3
Oct.	2.6	3.3	-	-	4.3	84.0	-	7.2
Nov.	3.1	4.2	-	-	3.1	-	-	7.2
Dec.	3.1	4.3	-	-	1.4	-	-	7.1
2008 Jan.	3.2	4.9	-	-	.	83.9	-	7.1
Feb.	3.2	.	-	-	.	-	-	.

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-22 ⁴⁾ (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
2006	-3.7	23.0	-136.4	276.4	325.8	103.6	104.5	1.2556
2007	27.8	60.7	-108.4	232.5	347.4	107.7	108.3	1.3705
2007 Q1	4.8	8.6	-14.6	129.8	331.5	105.5	106.3	1.3106
Q2	-2.4	20.1	-66.8	72.4	325.3	107.1	107.7	1.3481
Q3	11.0	18.5	-37.8	76.2	340.5	107.6	108.2	1.3738
Q4	14.4	13.6	10.8	-45.9	347.4	110.5	111.2	1.4486
2007 Sep.	4.9	6.5	-37.4	48.9	340.5	108.2	108.8	1.3896
Oct.	5.1	8.7	21.3	-56.1	346.6	109.4	110.1	1.4227
Nov.	3.8	6.3	10.6	8.7	339.2	111.0	111.7	1.4684
Dec.	5.6	-1.5	-21.0	1.5	347.4	111.2	111.7	1.4570
2008 Jan.	.	.	.	.	374.6	112.0	112.4	1.4718
Feb.	.	.	.	.	.	111.8	112.2	1.4748

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.
- Based on AAA-rated euro area central government bond yield curves. For further information, see table 4.7.
- 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

	2008 8 February	2008 15 February	2008 22 February	2008 29 February
Gold and gold receivables	201,414	201,385	201,338	201,299
Claims on non-euro area residents in foreign currency	140,789	140,672	139,291	137,914
Claims on euro area residents in foreign currency	36,977	30,318	30,747	24,685
Claims on non-euro area residents in euro	15,006	14,633	14,284	14,585
Lending to euro area credit institutions in euro	430,434	456,017	446,496	451,481
Main refinancing operations	161,501	187,500	178,001	183,001
Longer-term refinancing operations	268,491	268,511	268,485	268,479
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	432	0	8	0
Credits related to margin calls	10	6	2	1
Other claims on euro area credit institutions in euro	30,631	30,995	31,361	30,801
Securities of euro area residents in euro	100,664	101,959	104,774	106,069
General government debt in euro	38,634	38,634	38,635	38,635
Other assets	333,743	333,448	331,948	333,285
Total assets	1,328,292	1,348,061	1,338,874	1,338,754

2. Liabilities

	2008 8 February	2008 15 February	2008 22 February	2008 29 February
Banknotes in circulation	653,384	652,965	650,589	654,031
Liabilities to euro area credit institutions in euro	197,236	222,866	205,768	195,649
Current accounts (covering the minimum reserve system)	196,530	222,338	205,141	194,855
Deposit facility	356	159	222	227
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	350	369	405	567
Other liabilities to euro area credit institutions in euro	256	253	216	211
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	52,067	52,586	66,268	80,684
Liabilities to non-euro area residents in euro	48,656	41,997	41,413	34,399
Liabilities to euro area residents in foreign currency	1,026	1,167	1,142	762
Liabilities to non-euro area residents in foreign currency	19,747	19,588	18,572	18,591
Counterpart of special drawing rights allocated by the IMF	5,311	5,311	5,311	5,311
Other liabilities	133,294	133,414	131,479	130,854
Revaluation accounts	147,665	147,665	147,665	147,665
Capital and reserves	69,650	70,249	70,451	70,597
Total liabilities	1,328,292	1,348,061	1,338,874	1,338,754

Source: ECB.

1.2 Key ECB interest rates

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

With effect from ¹⁾	Deposit facility		Main refinancing operations			Marginal lending facility	
			Fixed rate tenders	Variable rate tenders			
	Level	Change	Fixed rate	Minimum bid rate	Change	Level	Change
			Level	Level			
	1	2	3	4	5	6	7
1999 1 Jan.	2.00	-	3.00	-	-	4.50	-
4 ²⁾	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 ³⁾	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 ^{1), 2)}

(EUR millions; interest rates in percentages per annum)

1. Main and longer-term refinancing operations ³⁾

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Variable rate tenders			Running for (...) days
				Minimum bid rate	Marginal rate ⁴⁾	Weighted average rate	
1	2	3	4	5	6	7	
Main refinancing operations							
2007 7 Nov.	275,580	300	160,000	4.00	4.14	4.15	7
14	280,458	298	182,000	4.00	4.15	4.16	7
21	277,051	299	169,000	4.00	4.17	4.19	7
28	257,966	283	178,000	4.00	4.18	4.20	7
5 Dec.	253,519	273	163,000	4.00	4.18	4.20	7
12	280,565	284	218,500	4.00	4.18	4.21	7
19	377,148	390	348,607	4.00	4.21	4.21	16
28	47,652	118	20,000	4.00	4.20	4.27	7
2008 4 Jan.	275,291	269	128,500	4.00	4.18	4.21	5
9	283,354	301	151,500	4.00	4.20	4.22	7
16	242,078	281	190,500	4.00	4.16	4.21	7
23	234,633	276	175,500	4.00	4.16	4.19	7
30	253,268	264	167,500	4.00	4.18	4.20	7
6 Feb.	223,805	226	161,500	4.00	4.17	4.20	7
13	223,706	229	187,500	4.00	4.10	4.18	7
20	226,655	262	178,000	4.00	4.10	4.15	7
27	233,242	260	183,000	4.00	4.10	4.15	7
5 Mar.	240,542	264	176,500	4.00	4.11	4.14	7
Longer-term refinancing operations							
2007 26 July	78,703	144	50,000	-	4.20	4.20	98
24 Aug.	125,787	146	40,000	-	4.49	4.61	91
30	119,755	168	50,000	-	4.56	4.62	91
13 Sep.	139,021	140	75,000	-	4.35	4.52	90
27	85,353	159	50,000	-	4.50	4.63	84
1 Nov.	87,587	157	50,000	-	4.45	4.53	91
23	147,977	130	60,000	-	4.55	4.61	90
29	132,386	175	50,000	-	4.65	4.70	91
12 Dec.	105,126	122	60,000	-	4.81	4.88	92
20	48,476	97	48,476	-	4.00	4.56	98
2008 31 Jan.	98,183	151	50,000	-	4.21	4.33	92
21 Feb.	110,490	105	60,000	-	4.15	4.26	91
28	109,612	165	50,000	-	4.16	4.23	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 ⁴⁾	Weighted average rate	
1	2	3	4	5	6	7	8	9	
2007 9 Oct.	Collection of fixed-term deposits	40,235	18	24,500	4.00	-	-	-	1
12	Collection of fixed-term deposits	40,080	22	30,000	4.00	-	-	-	5
13 Nov.	Collection of fixed-term deposits	27,750	10	27,750	4.00	-	-	-	1
7 Dec.	Collection of fixed-term deposits	37,615	30	8,000	4.00	-	-	-	5
11	Collection of fixed-term deposits	23,550	20	21,000	4.00	-	-	-	1
17	Collection of fixed-term deposits	36,610	25	36,610	4.00	-	-	-	2
19	Collection of fixed-term deposits	133,610	52	133,610	4.00	-	-	-	1
20	Collection of fixed-term deposits	165,815	58	150,000	4.00	-	-	-	1
21	Collection of fixed-term deposits	141,565	55	141,565	4.00	-	-	-	6
27	Collection of fixed-term deposits	145,640	49	145,640	4.00	-	-	-	1
28	Collection of fixed-term deposits	160,450	52	150,000	4.00	-	-	-	3
2008 2 Jan.	Collection of fixed-term deposits	168,640	54	168,640	4.00	-	-	-	1
3	Collection of fixed-term deposits	212,620	69	200,000	4.00	-	-	-	1
15	Collection of fixed-term deposits	45,712	28	20,000	4.00	-	-	-	1
12 Feb.	Collection of fixed-term deposits	29,155	22	16,000	4.00	-	-	-	1

Source: ECB.

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

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

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

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

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 ¹⁾	Total 1	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) 2	Debt securities up to 2 years' agreed maturity 3	Deposits (over 2 years' agreed maturity and notice period) 4	Repos 5	Debt securities over 2 years' agreed maturity 6
2005	14,040.7	7,409.5	499.2	1,753.5	1,174.9	3,203.6
2006	15,648.3	8,411.7	601.9	1,968.4	1,180.3	3,486.1
2007 Q1	16,253.0	8,634.2	657.4	2,009.8	1,358.8	3,592.8
Q2	16,753.3	8,940.5	677.6	2,066.6	1,383.5	3,685.1
2007 July	16,822.3	8,955.9	694.0	2,089.3	1,392.1	3,690.9
Aug.	16,890.0	8,994.1	713.9	2,086.8	1,407.8	3,687.5
Sep.	16,968.2	9,073.2	745.5	2,075.7	1,424.9	3,649.0
Oct. ²⁾	17,242.4	9,255.8	799.4	2,098.1	1,425.0	3,664.2
Nov. ²⁾	17,338.9	9,302.0	804.7	2,096.9	1,489.0	3,646.4
Dec. ²⁾	17,394.7	9,438.8	815.0	2,143.1	1,364.0	3,633.9

2. Reserve maintenance

Maintenance period ending on:	Required reserves 1	Credit institutions' current accounts 2	Excess reserves 3	Deficiencies 4	Interest rate on minimum reserves 5
2005	152.0	153.0	1.0	0.0	2.07
2006	172.5	173.2	0.7	0.0	3.30
2007 Q1	179.8	180.6	0.8	0.0	3.55
Q2	185.3	186.2	0.9	0.0	3.80
Q3	191.9	192.7	0.9	0.0	4.09
Q4	195.9	196.8	1.0	0.0	4.17
2008 15 Jan. ³⁾	199.8	200.9	1.1	0.0	4.20
12 Feb.	201.6	202.4	0.8	0.0	4.17
11 Mar.	204.6	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts 11	Base money 12
	Eurosystème's net assets in gold and foreign currency 1	Monetary policy operations of the Eurosystem				Deposit facility 6	Other liquidity-absorbing operations ⁴⁾ 7	Banknotes in circulation 8	Central government deposits with the Eurosystem 9	Other factors (net) 10		
Main refinancing operations 2		Longer-term refinancing operations 3	Marginal lending facility 4	Other liquidity-providing operations 5								
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 Q1	321.6	288.7	134.6	0.0	0.0	0.5	0.8	606.2	47.1	-90.0	180.6	787.2
Q2	326.4	284.9	150.0	0.3	0.0	0.2	0.2	625.2	49.1	-99.4	186.2	811.7
Q3	317.3	268.7	171.7	0.2	10.7	0.4	1.7	639.2	52.3	-117.8	192.7	832.4
2007 9 Oct.	321.9	194.3	262.3	0.3	0.0	1.6	0.9	637.3	63.7	-118.0	193.4	832.3
13 Nov.	327.6	180.2	265.0	0.1	0.0	0.6	5.1	640.1	55.9	-123.3	194.4	835.1
11 Dec.	327.5	173.0	278.6	0.3	0.0	0.4	2.2	644.6	61.9	-126.6	196.8	841.9
2008 15 Jan.	343.8	255.7	268.8	0.3	0.0	1.1	68.4	668.2	46.4	-116.4	200.9	870.2
12 Feb.	353.6	173.8	268.5	0.2	0.0	0.4	0.6	651.7	51.7	-110.7	202.4	854.5

Source: ECB.

- End of period.
- Includes the reserve bases of credit institutions in Malta and Cyprus. On a transitional basis, credit institutions located in the euro area may have decided to deduct from their own reserve bases any liabilities owed to credit institutions located in Malta and Cyprus. Starting from the reserve base as at end-January 2008, the standard treatment applies (see Regulation (EC) No 1348/2007 of the ECB of 9 November 2007 concerning transitional provisions for the application of minimum reserves by the ECB following the introduction of the euro in Cyprus and Malta (ECB/2007/11)).
- Owing to the adoption of the euro by Cyprus and Malta on 1 January 2008, the reserve requirement is an average - weighted by the number of calendar days - of the reserve requirements for the then 13 countries of the euro area for the period 12-31 December 2007 and the reserve requirements for the 15 countries now in the euro area for the period 1-15 January 2008.
- Starting from 1 January 2008, includes monetary policy operations in the form of collection of fixed-term deposits which were conducted by the Central Bank of Malta and the Central Bank of Cyprus before 1 January 2008 and were still outstanding after this date.



MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs¹⁾

(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 ²⁾	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 Q1	1,576.7	693.3	19.7	0.6	673.0	238.0	205.5	2.1	30.4	-	17.4	359.6	14.8	253.6
Q2	1,651.5	751.5	17.7	0.6	733.1	249.8	213.2	2.2	34.3	-	17.8	354.1	15.4	263.0
Q3	1,707.3	753.5	17.8	0.6	735.1	259.5	219.3	2.2	38.0	-	17.7	368.8	15.6	292.3
2007 Oct.	1,781.8	800.2	17.8	0.6	781.8	262.3	220.4	2.2	39.8	-	17.9	378.1	15.6	307.6
Nov.	1,805.1	814.3	17.8	0.6	795.9	266.9	223.3	2.1	41.6	-	17.6	367.9	15.6	322.8
Dec.	2,047.7	1,031.6	17.8	0.6	1,013.2	268.6	225.1	1.9	41.6	-	17.4	373.7	15.3	341.0
2008 Jan. ^(p)	1,935.8	886.8	19.4	0.7	866.7	273.5	230.2	2.0	41.3	-	16.3	401.3	15.6	342.5
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	25,974.6	14,904.3	810.5	9,160.3	4,933.5	3,555.4	1,276.5	645.9	1,632.9	83.5	1,194.5	4,330.4	172.6	1,733.9
2007 Q1	27,107.8	15,340.0	801.4	9,441.0	5,097.6	3,661.0	1,282.2	685.8	1,693.0	92.4	1,244.5	4,684.7	195.1	1,890.1
Q2	28,066.3	15,775.4	798.2	9,712.6	5,264.5	3,759.6	1,281.6	761.5	1,716.4	96.6	1,273.9	4,888.4	201.7	2,070.9
Q3	28,476.3	16,172.0	793.0	9,948.6	5,430.4	3,748.7	1,215.1	805.1	1,728.5	95.9	1,257.2	4,878.5	203.1	2,120.9
2007 Oct.	29,163.6	16,554.4	944.0	10,027.4	5,583.0	3,833.7	1,214.0	878.2	1,741.4	98.6	1,307.9	4,987.6	216.6	2,164.9
Nov.	29,442.5	16,723.6	944.9	10,110.1	5,668.6	3,850.8	1,212.2	892.6	1,746.0	99.2	1,296.4	5,023.4	215.4	2,233.6
Dec.	29,397.0	16,887.1	956.1	10,154.1	5,776.9	3,882.7	1,194.2	951.9	1,736.6	93.3	1,311.4	4,874.7	206.8	2,141.0
2008 Jan. ^(p)	30,103.5	17,110.7	960.7	10,296.9	5,853.1	3,973.0	1,217.8	963.2	1,792.0	98.3	1,315.1	5,093.4	206.3	2,306.7

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/units ³⁾	Debt securities issued ⁴⁾	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 Q1	1,576.7	632.7	455.6	44.8	17.5	393.3	-	0.3	216.3	39.5	232.4
Q2	1,651.5	652.6	495.2	51.2	23.3	420.7	-	0.1	207.0	51.0	245.6
Q3	1,707.3	657.2	510.7	51.7	19.1	439.9	-	0.1	222.6	48.3	268.4
2007 Oct.	1,781.8	661.9	561.6	54.9	22.9	483.8	-	0.1	228.7	51.8	277.7
Nov.	1,805.1	665.5	570.0	48.2	24.1	497.7	-	0.1	226.0	53.9	289.6
Dec.	2,047.7	697.0	714.7	23.9	19.1	671.8	-	0.1	238.5	66.0	331.4
2008 Jan. ^(p)	1,935.8	671.3	626.0	54.6	21.0	550.5	-	0.1	255.1	72.9	310.5
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	25,974.6	-	13,257.2	124.2	7,890.6	5,242.4	698.3	4,247.6	1,449.7	3,991.1	2,330.6
2007 Q1	27,107.8	-	13,595.8	139.0	8,060.9	5,395.9	758.7	4,424.8	1,529.7	4,255.7	2,543.1
Q2	28,066.3	-	14,021.0	169.8	8,278.3	5,572.9	795.6	4,523.4	1,551.2	4,451.8	2,723.2
Q3	28,476.3	-	14,250.3	144.3	8,408.9	5,697.1	778.4	4,577.2	1,589.5	4,525.8	2,755.1
2007 Oct.	29,163.6	-	14,624.8	129.4	8,631.1	5,864.2	782.9	4,648.2	1,643.3	4,630.9	2,833.6
Nov.	29,442.5	-	14,803.3	151.6	8,692.3	5,959.4	796.2	4,649.5	1,641.0	4,641.2	2,911.3
Dec.	29,397.0	-	15,091.4	128.4	8,874.6	6,088.4	754.1	4,643.4	1,678.2	4,529.3	2,700.6
2008 Jan. ^(p)	30,103.5	-	15,187.5	114.3	8,930.5	6,142.7	833.5	4,689.4	1,701.1	4,790.4	2,901.7

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 MFIs¹⁾

(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	19,743.9	9,991.1	830.2	9,161.0	2,112.4	1,464.0	648.4	829.9	4,681.8	187.3	1,941.4
2007 Q1	20,649.7	10,262.7	821.1	9,441.6	2,175.6	1,487.7	687.9	857.6	5,044.2	209.9	2,099.5
Q2	21,413.8	10,529.2	816.0	9,713.2	2,258.6	1,494.9	763.7	880.3	5,242.5	217.1	2,286.1
Q3	21,691.8	10,760.0	810.8	9,949.2	2,241.7	1,434.4	807.3	857.8	5,247.2	218.7	2,366.4
2007 Oct.	22,241.4	10,989.8	961.8	10,028.0	2,314.8	1,434.4	880.4	914.8	5,365.6	232.2	2,424.1
Nov.	22,440.7	11,073.4	962.7	10,110.7	2,330.2	1,435.4	894.7	905.5	5,391.3	231.0	2,509.5
Dec.	22,301.6	11,128.6	973.9	10,154.7	2,373.1	1,419.3	953.9	906.0	5,248.4	222.1	2,423.5
2008 Jan. ^(p)	22,907.9	11,277.7	980.1	10,297.6	2,413.1	1,447.9	965.2	899.5	5,494.7	221.9	2,601.1
Transactions											
2005	1,608.0	708.9	12.8	696.0	156.2	76.2	80.0	53.2	448.0	1.4	240.4
2006	1,998.4	877.3	-14.4	891.6	10.7	-96.8	107.5	98.5	802.0	6.4	203.5
2007 Q1	884.2	254.0	-8.2	262.2	63.0	19.0	44.1	20.8	394.1	0.5	151.8
Q2	787.7	282.0	-5.4	287.4	84.6	11.0	73.7	16.7	221.8	3.2	179.4
Q3	378.5	246.3	-5.1	251.4	-15.3	-61.5	46.2	-18.0	84.7	1.6	79.1
2007 Oct.	369.7	77.4	-3.2	80.6	46.5	6.7	39.9	48.4	150.0	4.8	42.6
Nov.	260.5	88.0	0.9	87.1	14.5	-0.8	15.3	-5.8	80.4	-1.3	84.7
Dec.	-134.0	62.7	11.2	51.5	45.4	-13.2	58.6	-3.1	-137.8	-8.8	-92.3
2008 Jan. ^(p)	535.1	98.0	3.2	94.8	21.6	13.8	7.9	10.5	241.3	-1.4	165.1

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/other euro area residents	Money market fund shares/units ²⁾	Debt securities issued ³⁾	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
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	19,743.9	592.2	158.0	7,906.5	614.7	2,587.8	1,276.5	4,026.5	2,566.2	15.6
2007 Q1	20,649.7	588.4	183.8	8,078.4	666.3	2,701.6	1,341.8	4,295.3	2,775.4	18.7
Q2	21,413.8	604.9	221.0	8,301.6	699.0	2,772.8	1,346.8	4,502.8	2,968.8	-4.0
Q3	21,691.8	610.4	196.0	8,428.0	682.5	2,810.8	1,395.1	4,574.1	3,023.4	-28.6
2007 Oct.	22,241.4	613.5	184.3	8,654.0	684.2	2,867.0	1,461.1	4,682.7	3,111.3	-16.7
Nov.	22,440.7	618.6	199.8	8,716.4	696.9	2,862.0	1,458.5	4,695.1	3,200.9	-7.5
Dec.	22,301.6	638.5	152.3	8,893.7	660.7	2,865.4	1,493.8	4,595.2	3,032.0	-30.0
2008 Jan. ^(p)	22,907.9	623.1	168.9	8,951.5	735.2	2,856.2	1,524.3	4,863.2	3,212.2	-26.7
Transactions										
2005	1,608.0	64.4	10.9	495.7	-3.0	213.5	95.5	448.0	333.9	-50.8
2006	1,998.4	59.4	-15.2	683.7	27.6	285.5	57.2	601.6	253.3	45.3
2007 Q1	884.2	-4.2	24.8	157.1	53.9	117.6	38.9	292.5	196.7	6.9
Q2	787.7	16.5	37.2	225.1	30.5	70.5	2.4	230.5	183.4	-8.4
Q3	378.5	5.5	-25.6	140.5	-17.0	59.0	44.8	152.5	29.9	-11.1
2007 Oct.	369.7	3.1	-16.5	76.3	12.1	14.1	43.3	138.4	76.7	22.1
Nov.	260.5	5.1	15.5	67.1	11.7	3.0	5.0	52.2	85.9	15.0
Dec.	-134.0	19.9	-47.5	177.7	-36.4	4.9	38.7	-91.2	-178.5	-21.5
2008 Jan. ^(p)	535.1	-16.6	14.4	10.8	41.4	6.1	15.2	254.8	195.7	13.3

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 ¹⁾

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

1. Monetary aggregates ²⁾ and counterparts

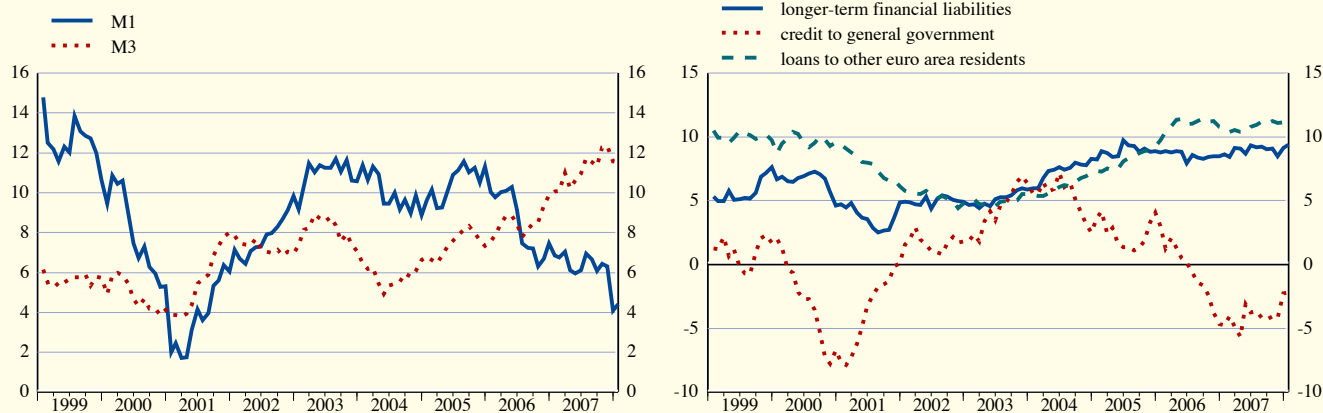
	M1		M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets ³⁾
	1	2	3	4	5	6	7	8	Loans		11
Outstanding amounts											
2005	3,419.4	2,653.2	6,072.6	999.4	7,072.0	-	5,000.2	2,472.5	9,561.0	8,287.3	425.8
2006	3,676.6	2,953.1	6,629.7	1,102.6	7,732.3	-	5,428.6	2,321.2	10,658.6	9,167.4	637.1
2007 Q1	3,746.8	3,064.9	6,811.8	1,190.3	8,002.0	-	5,604.1	2,301.4	10,978.1	9,444.7	755.9
Q2	3,785.4	3,170.7	6,956.1	1,227.9	8,184.0	-	5,728.2	2,297.8	11,325.2	9,684.5	727.8
Q3	3,821.2	3,316.7	7,138.0	1,261.5	8,399.5	-	5,799.1	2,253.7	11,648.1	9,958.2	668.2
2007 Oct.	3,836.2	3,421.1	7,257.3	1,272.1	8,529.4	-	5,916.4	2,400.9	11,856.8	10,045.4	667.1
Nov.	3,859.2	3,447.7	7,306.9	1,313.9	8,620.8	-	5,905.5	2,389.1	11,918.2	10,106.8	690.8
Dec.	3,828.6	3,506.2	7,334.8	1,310.4	8,645.2	-	5,980.5	2,417.6	12,038.5	10,164.2	634.1
2008 Jan. ^(p)	3,855.9	3,573.1	7,429.0	1,349.7	8,778.8	-	6,049.3	2,432.2	12,164.2	10,294.6	638.8
Transactions											
2005	337.0	138.9	475.9	8.5	484.4	-	400.8	94.5	835.5	700.4	0.1
2006	255.5	309.9	565.4	130.7	696.1	-	426.9	-114.1	1,105.2	896.5	200.5
2007 Q1	63.6	105.4	169.0	90.5	259.6	-	150.0	-23.7	298.6	258.8	126.7
Q2	38.0	108.0	146.0	31.6	177.6	-	123.9	-0.2	355.2	255.6	-27.6
Q3	39.1	151.3	190.3	40.1	230.4	-	87.1	-45.0	345.5	289.1	-60.8
2007 Oct.	16.3	73.5	89.8	19.6	109.3	-	50.0	-0.7	168.3	89.1	0.7
Nov.	24.1	28.8	52.9	41.2	94.1	-	5.6	-13.6	70.4	65.8	38.6
Dec.	-30.9	58.6	27.8	-3.7	24.0	-	80.5	31.6	123.6	65.0	-60.2
2008 Jan. ^(p)	14.7	37.2	51.8	17.1	68.9	-	52.2	-3.4	91.3	82.3	12.8
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.	7.5	11.7	9.3	13.3	9.9	9.8	8.5	-4.7	11.6	10.8	200.5
2007 Mar.	7.0	12.7	9.5	20.1	11.0	10.4	9.1	-4.9	10.9	10.6	339.6
June	6.1	13.9	9.5	19.8	11.0	11.1	9.3	-3.7	11.6	10.8	269.4
Sep.	6.1	15.4	10.2	18.0	11.3	11.7	9.0	-4.3	11.7	11.0	203.1
2007 Oct.	6.4	17.0	11.2	19.0	12.3	12.0	9.1	-4.0	12.4	11.3	187.0
Nov.	6.3	16.7	11.0	20.8	12.4	12.1	8.5	-4.2	12.2	11.1	147.6
Dec.	4.1	17.8	10.2	19.9	11.6	11.8	9.1	-2.3	12.8	11.2	17.4
2008 Jan. ^(p)	4.4	17.9	10.5	17.9	11.5	.	9.4	-2.2	12.7	11.1	28.0

C1 Monetary aggregates ¹⁾

(annual growth rates; seasonally adjusted)

C2 Counterparts ¹⁾

(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 ¹⁾

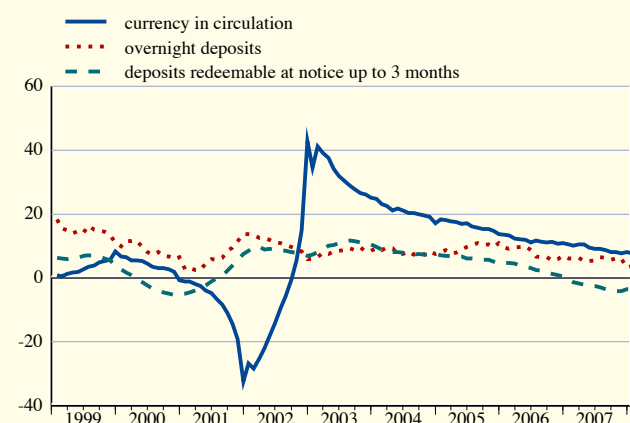
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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	236.4	636.8	126.2	2,202.6	86.9	1,511.2	1,199.6
2006	579.0	3,097.5	1,401.7	1,551.4	263.0	641.0	198.7	2,396.1	102.4	1,654.6	1,275.6
2007 Q1	592.1	3,154.7	1,528.2	1,536.8	281.2	669.1	239.9	2,461.4	107.8	1,696.4	1,338.5
Q2	599.2	3,186.3	1,645.2	1,525.5	290.6	694.9	242.4	2,522.4	109.4	1,748.6	1,347.7
Q3	610.6	3,210.6	1,808.2	1,508.5	295.6	683.7	282.2	2,528.7	113.0	1,769.6	1,387.9
2007 Oct.	617.8	3,218.4	1,883.7	1,537.4	286.5	687.1	298.6	2,558.8	120.6	1,780.6	1,456.5
Nov.	618.8	3,240.4	1,914.3	1,533.4	301.9	698.8	313.2	2,542.2	120.5	1,780.9	1,461.9
Dec.	626.9	3,201.7	1,971.6	1,534.6	299.4	693.3	317.7	2,554.9	119.9	1,812.4	1,493.3
2008 Jan. ^(p)	629.8	3,226.1	2,039.3	1,533.8	313.5	742.8	293.5	2,583.3	123.3	1,817.3	1,525.4
Transactions											
2005	63.2	273.8	69.1	69.8	-9.0	1.1	16.4	198.4	-4.3	111.2	95.5
2006	57.5	198.0	300.8	9.2	27.4	33.2	70.1	216.2	15.5	137.8	57.4
2007 Q1	12.6	51.0	120.9	-15.4	18.3	30.4	41.9	68.4	4.6	40.4	36.6
Q2	7.0	30.9	118.5	-10.5	8.0	23.6	0.0	62.9	1.7	52.9	6.5
Q3	11.5	27.6	168.1	-16.8	8.3	-11.6	43.4	23.6	3.6	23.2	36.7
2007 Oct.	7.2	9.1	83.9	-10.4	-9.2	13.7	15.0	-10.5	0.8	13.7	46.0
Nov.	1.0	23.1	32.7	-3.9	15.5	10.7	15.0	-9.1	-0.1	1.7	13.0
Dec.	8.1	-39.0	57.5	1.1	-2.5	-5.7	4.4	14.4	-0.7	32.0	34.8
2008 Jan. ^(p)	1.6	13.0	43.7	-6.6	14.0	16.1	-13.1	32.4	0.2	2.6	16.9
Growth rates											
2005 Dec.	13.8	10.9	6.5	4.4	-3.7	0.2	15.7	10.0	-4.7	8.1	8.9
2006 Dec.	11.0	6.8	27.2	0.6	11.7	5.4	54.5	9.9	17.8	9.1	4.7
2007 Mar.	10.5	6.4	32.3	-1.7	19.5	12.1	51.9	11.0	20.6	9.0	5.3
June	9.2	5.5	35.1	-2.5	15.1	14.1	48.9	11.0	17.6	9.6	5.4
Sep.	8.2	5.7	38.2	-3.6	11.6	9.8	55.6	10.0	15.1	9.0	6.8
2007 Oct.	8.1	6.1	41.8	-4.2	12.7	11.4	50.8	8.6	13.8	8.9	9.6
Nov.	7.7	6.1	40.4	-4.1	16.2	10.9	58.3	7.1	11.5	8.4	10.8
Dec.	8.2	3.3	41.4	-3.6	14.7	9.6	60.3	6.3	9.7	9.9	13.3
2008 Jan. ^(p)	7.8	3.8	41.3	-3.7	18.7	10.6	38.2	6.8	7.7	9.5	14.4

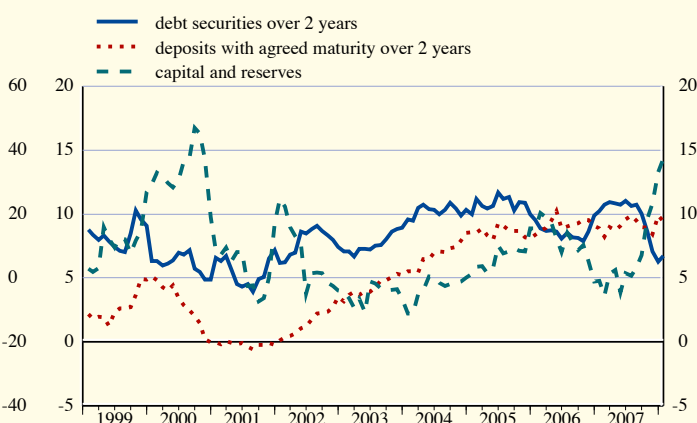
C3 Components of monetary aggregates ¹⁾

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities ¹⁾

(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 ^{1), 2)}

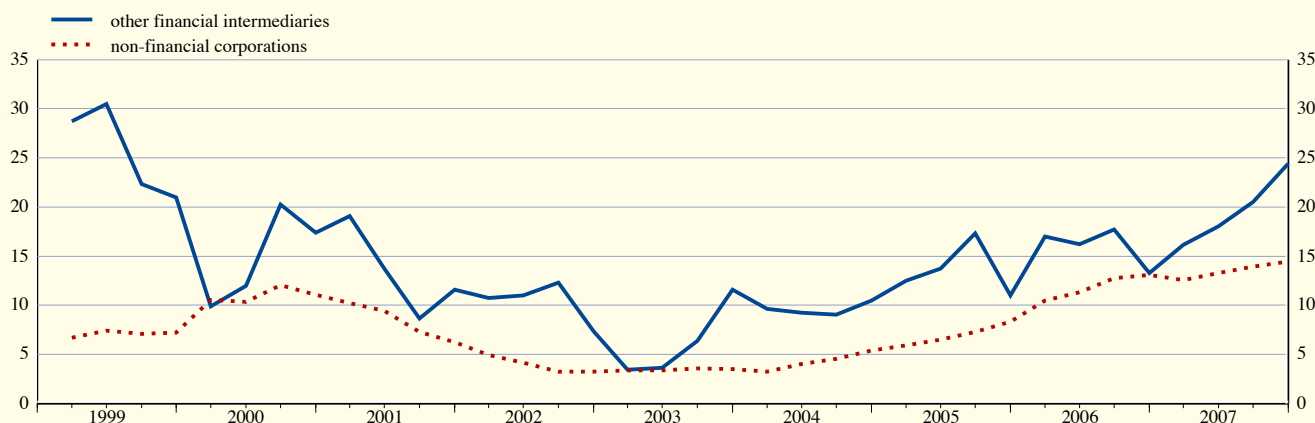
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Loans to financial intermediaries and non-financial corporations ³⁾

	Insurance corporations and pension funds		Other financial intermediaries ⁴⁾		Non-financial corporations			
	Total		Total		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8
Outstanding amounts								
2005	64.6	41.6	620.4	370.2	3,409.1	1,037.7	594.0	1,777.3
2006	82.8	55.2	696.0	420.6	3,844.5	1,137.9	707.1	1,999.5
2007 Q1	98.5	71.7	775.5	488.6	3,956.3	1,172.1	737.8	2,046.4
Q2	110.5	83.5	803.2	502.3	4,106.8	1,223.3	776.1	2,107.5
Q3	112.0	87.7	853.8	534.2	4,230.6	1,248.1	814.1	2,168.4
2007 Oct.	115.5	90.3	868.0	528.9	4,271.7	1,246.6	830.8	2,194.3
Nov.	108.8	83.3	875.3	531.0	4,326.6	1,267.0	842.2	2,217.4
Dec.	95.9	70.2	862.9	521.9	4,387.5	1,276.5	857.7	2,253.3
2008 Jan. ^(p)	101.6	75.9	895.3	551.5	4,462.5	1,298.5	876.6	2,287.5
Transactions								
2005	15.0	9.8	60.8	29.2	262.7	56.8	54.3	151.6
2006	18.1	13.9	81.9	57.7	446.2	100.5	123.1	222.6
2007 Q1	15.8	16.6	72.1	67.9	105.1	31.2	28.6	45.3
Q2	12.0	11.8	29.0	13.9	161.0	57.8	40.0	63.2
Q3	1.7	4.4	56.5	36.3	129.3	25.7	39.6	64.0
2007 Oct.	3.6	2.6	15.9	-4.2	39.5	-0.7	16.3	23.8
Nov.	-6.6	-6.9	9.6	3.9	57.1	20.7	12.5	24.0
Dec.	-12.9	-13.1	-11.3	-8.7	63.9	10.4	17.5	36.0
2008 Jan. ^(p)	5.7	5.6	28.6	27.1	48.3	15.1	13.9	19.3
Growth rates								
2005 Dec.	30.6	31.2	11.0	8.7	8.3	5.8	9.9	9.3
2006 Dec.	28.0	33.3	13.3	15.6	13.1	9.7	20.8	12.4
2007 Mar.	20.4	26.1	16.1	19.6	12.6	9.9	18.6	12.1
June	30.7	40.6	18.0	20.4	13.3	11.1	19.9	12.2
Sep.	25.6	40.0	20.5	23.0	14.0	12.6	20.3	12.5
2007 Oct.	30.2	46.4	23.2	22.7	13.9	11.5	20.9	12.8
Nov.	14.9	22.9	23.7	23.7	14.0	11.6	21.1	12.8
Dec.	16.3	27.8	24.4	25.9	14.5	12.7	21.8	12.8
2008 Jan. ^(p)	2.3	5.5	25.5	26.7	14.6	12.6	22.6	12.8

C5 Loans to financial intermediaries and non-financial corporations ²⁾

(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^{1), 2)}

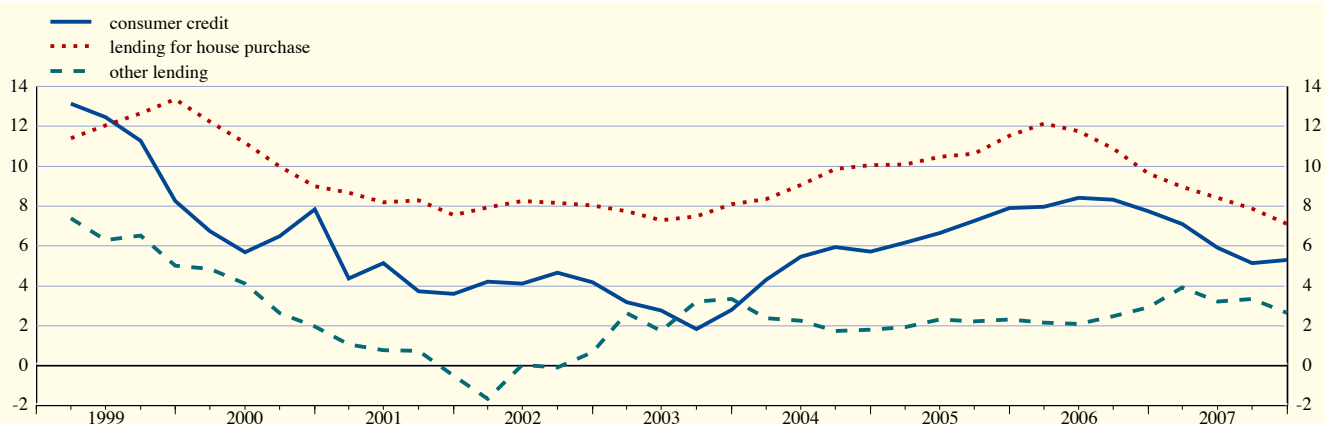
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households³⁾

	2. Loans to households ³⁾												
	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	586.5	135.3	202.7	248.5	3,212.1	15.6	72.1	3,124.5	738.4	146.2	101.5	490.7
2007 Q1	4,610.7	590.1	132.0	202.4	255.7	3,272.1	16.1	71.9	3,184.1	748.5	147.5	102.5	498.5
Q2	4,692.1	602.3	134.9	204.6	262.8	3,336.7	16.4	72.6	3,247.7	753.1	150.3	103.8	499.0
Q3	4,752.3	607.3	134.1	203.1	270.1	3,392.3	16.1	73.4	3,302.9	752.7	146.6	104.2	501.9
2007 Oct.	4,772.2	613.2	136.0	203.9	273.2	3,407.2	16.0	73.7	3,317.5	751.8	145.4	104.2	502.3
Nov.	4,799.4	613.7	132.9	205.1	275.7	3,427.7	15.9	73.6	3,338.2	757.9	150.1	104.6	503.2
Dec.	4,807.8	617.8	136.2	205.4	276.1	3,436.8	16.0	73.7	3,347.1	753.3	147.4	103.8	502.1
2008 Jan. ^(p)	4,837.4	621.1	137.0	206.4	277.6	3,457.2	18.0	73.6	3,365.6	759.2	147.8	104.4	506.9
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	345.4	42.6	8.2	4.8	29.5	281.8	1.5	4.6	275.8	20.9	1.4	3.8	15.7
2007 Q1	69.2	2.1	-3.2	-0.7	5.9	58.7	0.6	0.2	58.0	8.4	0.7	0.7	7.1
Q2	85.3	13.6	3.1	2.5	8.0	65.9	0.3	0.8	64.8	5.8	2.9	1.9	1.1
Q3	64.0	4.8	-0.5	-1.4	6.7	57.3	0.1	0.8	56.4	1.9	-3.4	0.9	4.5
2007 Oct.	21.7	5.7	2.0	0.9	2.8	15.8	-0.1	0.3	15.6	0.1	-1.1	0.3	0.9
Nov.	27.0	-0.2	-3.1	0.9	2.0	20.7	0.0	0.0	20.7	6.5	4.8	0.5	1.2
Dec.	11.8	5.1	3.7	0.8	0.7	10.0	0.2	0.1	9.7	-3.3	-2.7	0.0	-0.6
2008 Jan. ^(p)	12.3	1.7	0.1	0.7	0.9	11.2	1.9	-0.3	9.6	-0.6	-0.7	-0.3	0.4
Growth rates													
2005 Dec.	9.4	7.9	7.5	6.1	9.8	11.5	5.1	7.5	11.7	2.3	2.6	1.3	2.4
2006 Dec.	8.2	7.7	6.5	2.4	13.2	9.6	9.7	6.8	9.7	2.9	1.0	3.9	3.3
2007 Mar.	7.9	7.1	5.7	1.5	12.8	8.9	13.6	6.4	9.0	3.9	1.6	4.1	4.6
June	7.2	5.9	4.4	0.6	11.3	8.4	11.0	4.6	8.5	3.2	0.5	5.3	3.6
Sep.	6.8	5.1	3.9	-0.5	10.5	7.9	7.1	4.4	8.0	3.4	1.0	5.3	3.7
2007 Oct.	6.8	5.6	4.2	0.0	11.0	7.9	9.0	4.4	7.9	3.2	0.7	5.1	3.5
Nov.	6.5	5.1	1.6	0.0	11.2	7.6	6.8	4.6	7.7	3.1	1.3	4.7	3.3
Dec.	6.2	5.3	1.5	1.5	10.5	7.1	6.7	3.0	7.2	2.6	0.9	4.1	2.9
2008 Jan. ^(p)	6.1	5.8	2.0	2.4	10.7	6.9	21.4	2.1	6.9	2.6	1.2	4.5	2.6

C6 Loans to households²⁾

(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. 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.

2.4 MFI loans, breakdown ^{1), 2)}

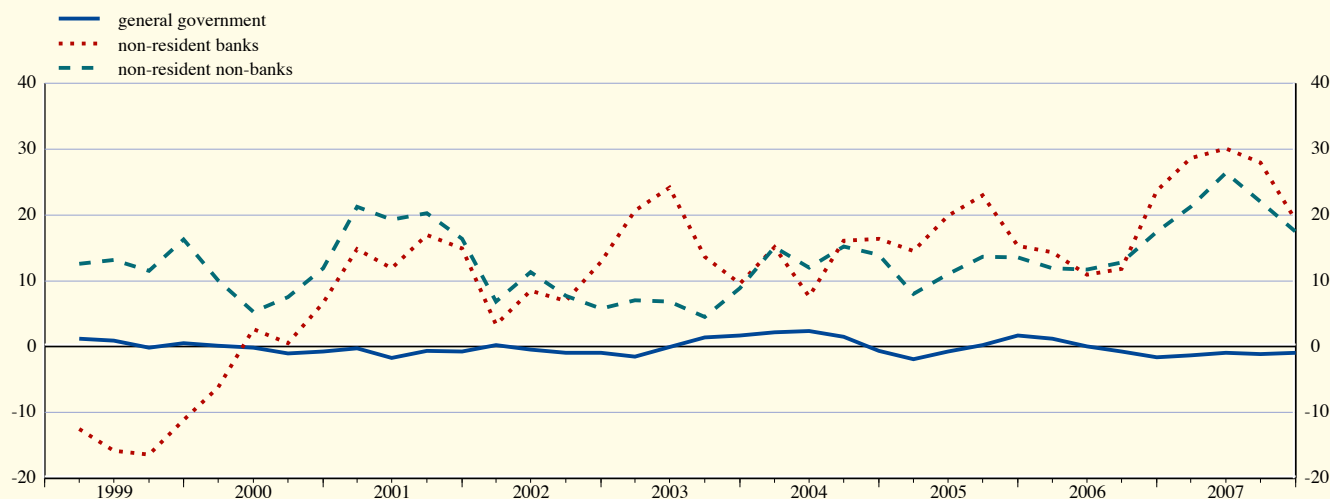
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks ³⁾	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										
2005	826.9	125.1	246.8	425.8	29.2	2,485.2	1,722.1	763.1	66.0	697.1
2006	810.5	104.1	232.5	448.1	25.8	2,924.3	2,061.0	863.4	63.2	800.2
2007 Q1	801.4	97.2	225.2	447.8	31.2	3,169.7	2,265.1	904.6	60.0	844.6
Q2	798.2	95.7	218.8	446.1	37.6	3,286.4	2,334.3	952.0	61.4	890.6
Q3	793.0	91.8	213.9	446.0	41.4	3,301.6	2,353.2	948.5	61.3	887.2
Q4 ^(p)	956.1	213.0	217.6	485.0	40.5	3,295.9	2,349.8	946.1	60.3	885.8
Transactions										
2005	13.7	-5.6	-8.1	21.9	5.5	296.8	207.9	89.0	1.3	87.7
2006	-13.4	-17.6	-14.3	21.9	-3.4	532.5	402.9	129.6	-0.1	129.6
2007 Q1	-8.2	-6.9	-6.3	-0.3	5.3	272.7	222.0	50.8	-2.7	53.4
Q2	-3.4	-1.8	-5.5	-2.5	6.4	135.3	79.6	55.7	1.8	53.9
Q3	-5.1	-3.8	-5.0	-0.2	3.8	76.1	56.5	19.6	1.2	18.3
Q4 ^(p)	9.0	7.6	3.8	-1.4	-0.9	58.6	36.3	22.4	0.3	22.0
Growth rates										
2005 Dec.	1.7	-4.3	-3.2	5.4	22.9	14.8	15.3	13.6	2.0	14.9
2006 Dec.	-1.6	-14.0	-5.8	5.1	-11.6	21.8	23.7	17.4	-0.1	19.1
2007 Mar.	-1.3	-15.2	-6.1	4.6	6.8	26.4	28.7	21.2	-0.9	23.2
June	-0.9	-7.7	-5.9	2.0	17.3	29.0	30.1	26.5	-5.2	29.4
Sep.	-1.2	-8.8	-6.3	1.9	16.0	26.2	28.0	22.0	-2.0	24.1
Dec. ^(p)	-1.0	-4.7	-5.6	-1.0	56.5	18.7	19.2	17.4	1.2	18.7

C7 Loans to government and non-euro area residents ²⁾

(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 ^{1), 2)}

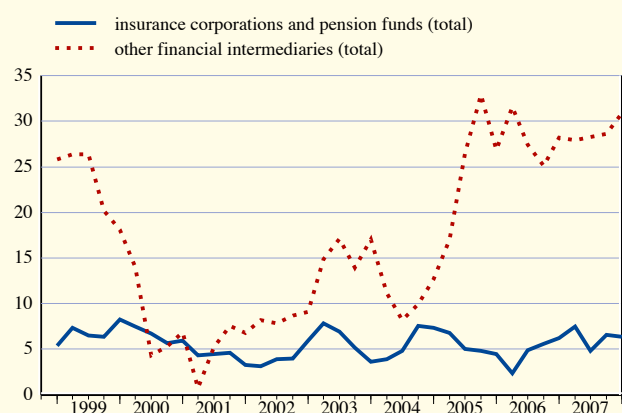
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries ³⁾						
	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	1,140.3	283.1	251.8	469.4	10.6	0.2	125.1
2007 Q1	658.8	72.3	58.4	503.0	1.1	1.2	22.9	1,264.7	318.6	267.7	515.7	11.4	0.3	151.0
Q2	656.4	65.0	58.0	512.2	0.8	1.2	19.2	1,347.3	321.1	288.2	571.7	11.5	0.2	154.6
Q3	676.6	67.9	62.9	522.9	0.8	1.1	21.0	1,391.8	331.7	305.9	580.9	13.0	0.8	159.5
2007 Oct.	695.9	73.7	73.9	524.6	0.8	1.1	21.8	1,430.8	323.4	339.6	599.9	12.4	0.8	154.6
Nov.	691.7	69.0	76.6	524.6	0.8	1.1	19.6	1,451.8	339.7	327.9	607.1	11.7	0.9	164.4
Dec.	688.0	71.1	68.9	525.3	0.8	1.1	20.9	1,482.9	323.6	348.4	653.1	12.2	0.3	145.4
2008 Jan. ^(p)	714.5	83.5	76.3	526.6	1.5	1.4	25.1	1,504.4	327.3	346.1	651.0	12.9	0.3	166.9
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	249.2	45.5	67.8	130.5	0.3	0.1	4.9
2007 Q1	8.6	2.1	1.0	7.6	0.1	-0.2	-2.0	124.8	35.8	16.2	46.2	0.7	0.0	26.0
Q2	-2.8	-7.7	-0.3	9.2	-0.2	0.0	-3.7	82.8	3.0	21.0	56.5	0.1	0.0	2.2
Q3	22.9	3.0	5.1	13.1	0.0	-0.1	1.8	50.0	12.0	19.8	7.9	1.6	0.6	8.2
2007 Oct.	19.4	5.9	11.1	1.6	0.0	0.0	0.8	41.4	-7.7	34.5	19.9	-0.5	0.0	-4.8
Nov.	-2.9	-4.6	2.5	1.4	0.0	0.0	-2.2	20.7	17.0	-12.8	7.2	-0.7	0.0	9.9
Dec.	-3.7	2.1	-7.7	0.7	0.0	0.0	1.3	31.6	-16.1	20.6	46.2	0.5	-0.5	-19.0
2008 Jan. ^(p)	23.6	12.1	5.9	1.2	0.1	0.0	4.3	18.8	3.5	-2.7	-1.9	0.5	-1.9	21.4
Growth rates														
2005 Dec.	4.5	12.4	-1.2	4.3	36.0	-	-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	-	21.2	28.2	19.5	36.8	38.9	2.9	-	4.0
2007 Mar.	7.5	10.4	15.9	5.9	-2.9	-	16.0	27.9	15.6	37.6	38.1	4.1	-	12.4
June	4.8	-5.6	21.1	5.7	-20.8	-	-13.3	28.3	13.5	35.6	41.4	5.9	-	10.5
Sep.	6.5	1.5	23.4	6.6	-18.2	-	-13.7	28.6	20.7	31.1	38.5	29.0	-	11.0
2007 Oct.	9.5	11.5	53.5	6.9	-19.8	-	-22.0	32.3	23.2	43.7	37.0	23.1	-	15.1
Nov.	9.3	8.2	51.7	7.3	-18.8	-	-28.0	30.2	23.8	35.2	34.5	9.0	-	21.2
Dec.	6.4	1.1	20.5	6.8	-22.5	-	-16.3	30.9	15.5	39.6	39.2	15.9	-	17.7
2008 Jan. ^(p)	9.2	15.8	30.1	6.2	-21.5	-	3.6	28.6	7.8	41.7	37.3	24.0	-	23.6

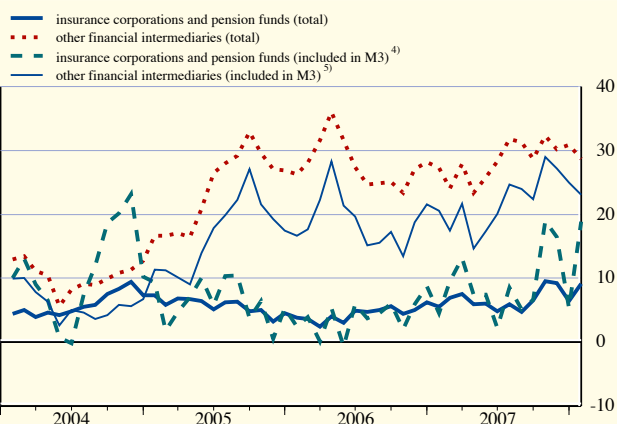
C8 Total deposits by sector ²⁾

(annual growth rates)



C9 Total deposits and deposits included in M3 by sector ²⁾

(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 ^{1), 2)}

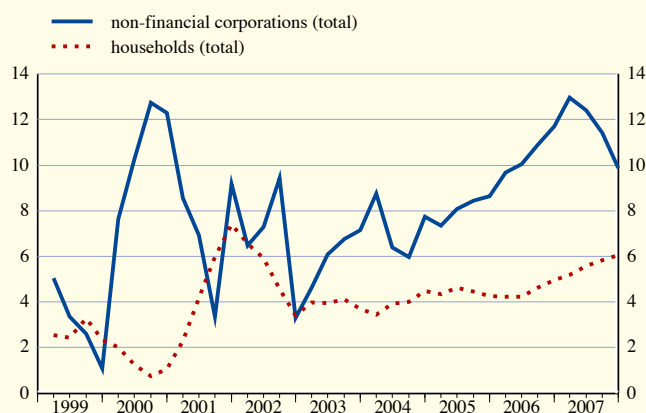
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations							Households ³⁾						
	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 Q1	1,349.0	833.0	379.3	68.9	39.4	1.3	27.0	4,589.5	1,727.5	745.0	593.1	1,342.2	105.4	76.4
Q2	1,386.0	861.6	392.5	68.2	36.1	1.3	26.4	4,678.1	1,785.8	802.3	577.1	1,329.0	106.2	77.7
Q3	1,405.0	844.6	438.8	64.1	31.6	1.4	24.3	4,706.3	1,754.3	886.5	565.7	1,308.0	107.9	84.0
2007 Oct.	1,415.3	836.7	460.1	63.8	29.0	1.4	24.2	4,855.0	1,730.3	927.5	559.5	1,442.3	109.0	86.3
Nov.	1,429.6	850.9	460.5	61.3	31.3	1.4	24.2	4,876.4	1,734.2	953.9	556.3	1,434.7	110.0	87.3
Dec.	1,468.8	880.9	474.4	59.2	29.1	1.4	23.7	4,988.9	1,777.7	994.6	560.7	1,457.7	111.1	87.1
2008 Jan. ^(p)	1,427.4	842.4	471.2	60.5	29.4	1.6	22.4	5,045.7	1,763.1	1,057.5	559.6	1,461.9	112.0	91.6
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 Q1	3.3	-19.8	23.5	-0.6	-1.4	-0.7	2.2	25.1	-29.1	70.9	-14.8	-13.9	5.5	6.4
Q2	38.1	29.2	13.6	-0.6	-3.4	0.0	-0.6	89.5	58.5	58.0	-15.9	-13.1	0.8	1.4
Q3	23.3	-15.6	48.0	-2.6	-4.4	0.1	-2.0	29.5	-31.1	85.3	-11.6	-21.0	1.7	6.3
2007 Oct.	10.9	-7.4	20.7	-0.3	-1.9	-0.1	-0.2	2.6	-23.9	40.4	-4.5	-12.9	1.1	2.4
Nov.	17.6	14.4	3.4	-2.4	2.3	0.0	0.0	21.7	4.0	26.7	-3.4	-7.5	1.0	1.0
Dec.	39.3	29.8	14.0	-1.8	2.2	0.0	-0.5	112.3	43.3	40.8	4.5	22.8	1.1	-0.2
2008 Jan. ^(p)	-52.6	-42.5	-8.2	0.8	-1.4	0.0	-1.3	27.1	-21.1	45.8	-3.0	0.9	0.0	4.6
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 Mar.	13.0	12.0	22.6	-2.2	-16.1	-29.8	25.4	5.2	2.9	35.0	-4.8	-1.9	22.1	38.7
June	12.4	10.1	26.2	-4.8	-18.0	-29.5	20.0	5.6	3.2	40.2	-6.3	-2.5	19.2	32.9
Sep.	11.4	7.1	32.5	-8.8	-28.4	-26.9	-2.9	5.8	2.7	43.9	-7.2	-3.5	16.0	29.6
2007 Oct.	11.5	7.4	31.2	-9.2	-30.7	-31.9	-3.0	5.8	1.8	46.6	-7.4	-4.1	14.6	29.1
Nov.	11.6	6.7	32.7	-11.7	-24.4	-31.8	1.8	6.0	1.8	47.1	-7.5	-4.0	12.5	27.5
Dec.	9.9	3.6	34.7	-12.2	-26.9	-31.6	4.5	6.1	1.2	47.8	-7.5	-3.5	11.2	24.4
2008 Jan. ^(p)	9.7	4.3	31.5	-11.2	-27.8	-34.7	-10.1	6.9	2.3	48.6	-7.2	-3.5	9.2	25.7

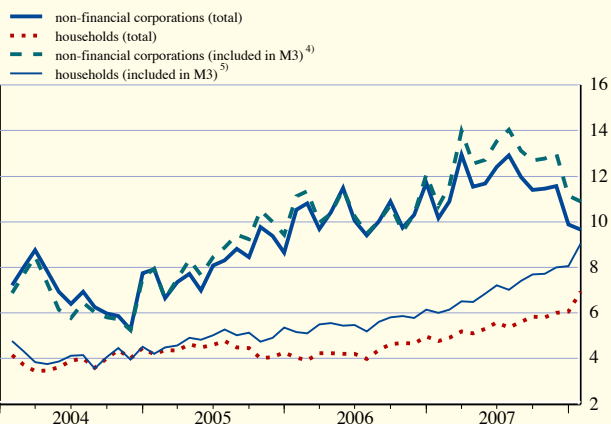
C10 Total deposits by sector ²⁾

(annual growth rates)



C11 Total deposits and deposits included in M3 by sector ²⁾

(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^{1), 2)}

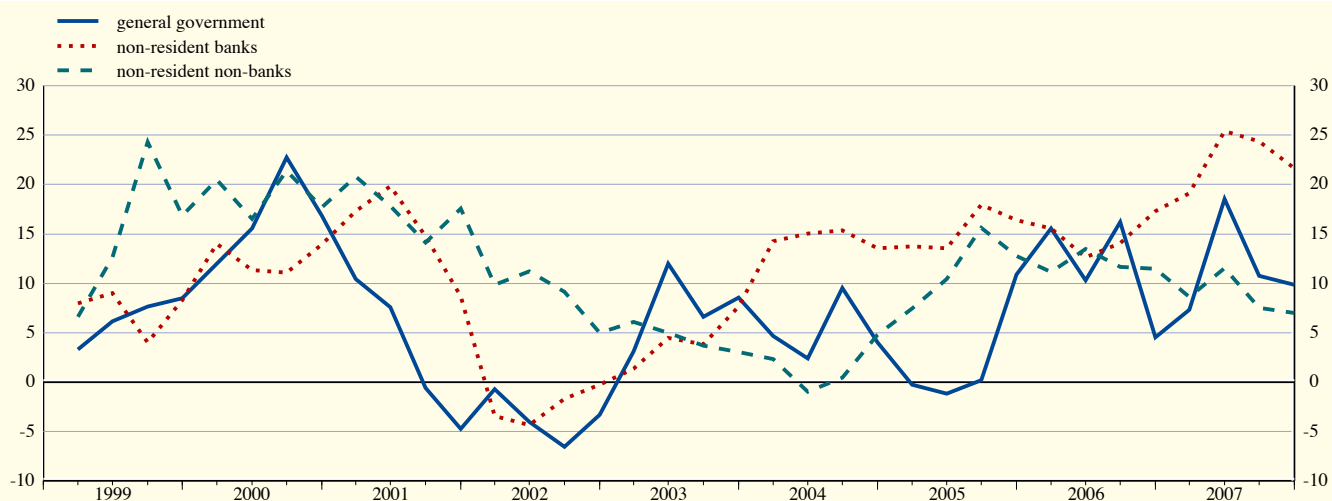
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks ³⁾	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										
2005	313.1	149.2	38.3	80.9	44.7	3,050.5	2,250.5	800.0	125.8	674.2
2006	329.0	124.2	45.4	90.8	68.6	3,429.0	2,557.1	871.9	128.6	743.3
2007 Q1	337.8	139.0	42.1	88.8	67.9	3,663.9	2,778.3	885.6	132.4	753.2
Q2	380.2	169.8	43.8	95.2	71.4	3,821.5	2,898.7	922.8	137.5	785.3
Q3	373.5	144.3	60.0	97.2	72.0	3,875.5	2,962.0	913.6	145.9	767.6
Q4 ^(p)	374.5	128.4	58.5	107.7	79.9	3,852.2	2,964.2	888.0	141.5	746.5
Transactions										
2005	30.8	11.2	7.8	11.5	0.3	381.1	292.8	88.3	17.8	70.5
2006	14.2	-24.5	7.0	7.8	23.9	476.6	385.8	90.8	6.6	84.2
2007 Q1	7.8	14.1	-3.3	-2.3	-0.7	256.6	237.2	19.4	4.2	15.2
Q2	42.4	30.8	1.7	6.4	3.5	177.7	136.1	41.6	5.7	35.9
Q3	-7.3	-26.1	16.1	2.0	0.6	128.5	119.2	9.4	10.8	-1.4
Q4 ^(p)	-10.4	-20.6	-1.4	3.7	7.9	47.9	57.1	-9.3	-2.5	-6.8
Growth rates										
2005 Dec.	10.9	8.1	25.4	16.6	0.6	15.4	16.4	12.7	16.8	12.0
2006 Dec.	4.5	-16.5	18.4	9.6	53.5	15.8	17.3	11.5	5.3	12.6
2007 Mar.	7.3	-6.3	10.4	12.2	38.6	16.4	19.2	8.6	5.8	9.1
June	18.5	21.9	10.5	12.2	25.3	21.8	25.4	11.5	8.9	12.0
Sep.	10.7	-3.5	44.0	13.3	19.4	20.0	24.4	7.5	13.2	6.5
Dec. ^(p)	9.9	-1.3	29.0	10.7	16.4	17.9	21.6	7.0	14.2	5.8

C12 Deposits by government and non-euro area residents²⁾

(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.

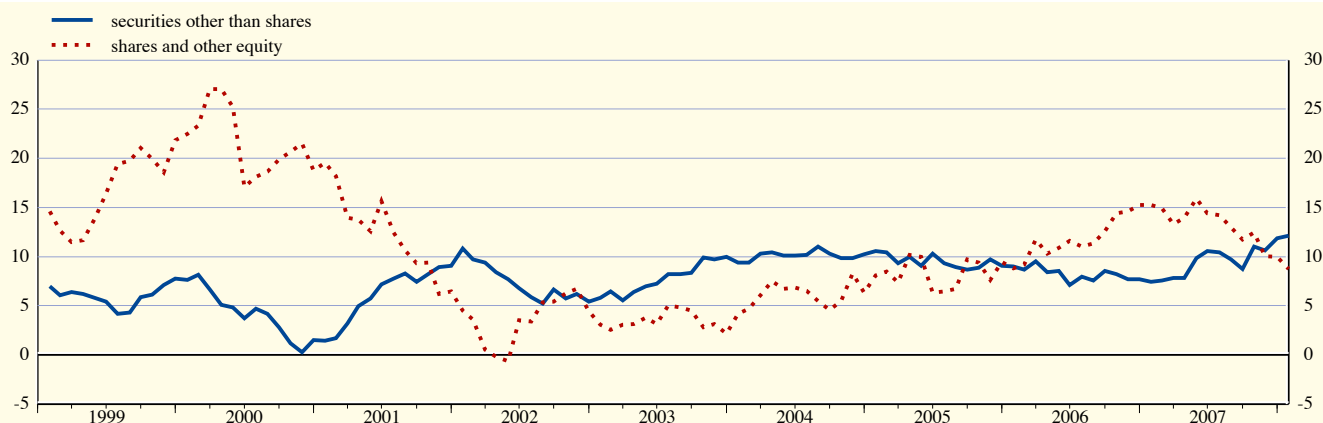
2.6 MFI holdings of securities, breakdown ^{1), 2)}

(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	4,664.3	1,560.6	72.3	1,260.4	16.2	615.8	30.1	1,108.9	1,490.3	377.3	817.2	295.8
2007 Q1	4,842.7	1,616.6	76.5	1,266.6	15.6	651.7	34.1	1,181.7	1,576.5	399.7	844.8	332.0
Q2	5,010.7	1,637.5	79.0	1,266.0	15.6	727.4	34.1	1,251.1	1,623.3	406.8	867.1	349.4
Q3	4,973.8	1,646.4	82.1	1,200.4	14.7	769.4	35.7	1,225.2	1,607.5	412.5	844.6	350.3
2007 Oct.	5,092.9	1,656.3	85.2	1,199.3	14.7	839.9	38.3	1,259.2	1,655.7	406.5	901.4	347.8
Nov.	5,126.7	1,664.3	81.7	1,197.7	14.5	858.8	33.8	1,276.0	1,644.0	404.0	892.4	347.6
Dec.	5,116.9	1,652.9	83.7	1,177.6	16.6	918.6	33.3	1,234.1	1,654.8	418.3	893.1	343.4
2008 Jan. ^(p)	5,251.7	1,698.6	93.4	1,200.2	17.6	926.9	36.4	1,278.7	1,645.8	427.4	887.7	330.7
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	337.4	122.8	10.6	-122.7	0.5	100.6	6.5	219.0	194.4	58.8	97.0	38.6
2007 Q1	189.6	55.5	5.2	2.7	-0.8	36.9	7.6	82.6	78.5	20.6	20.7	37.2
Q2	172.3	26.5	2.4	-0.1	0.3	73.4	0.2	69.6	35.2	5.5	16.6	13.2
Q3	-6.1	6.4	5.7	-66.0	-0.4	43.2	3.0	2.0	-8.6	7.6	-18.0	1.8
2007 Oct.	148.0	50.9	4.0	5.9	0.2	36.8	3.1	47.1	40.9	-5.4	48.4	-2.1
Nov.	49.2	7.6	-2.0	-3.2	0.0	19.2	-3.8	31.5	-4.1	-2.0	-5.8	3.7
Dec.	-1.1	-10.6	2.6	-18.2	2.3	59.3	-0.6	-35.9	6.4	13.0	-3.0	-3.5
2008 Jan. ^(p)	100.7	29.8	7.2	11.9	0.7	4.9	2.9	43.1	19.9	8.8	10.8	0.3
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 Mar.	7.8	7.9	18.4	-10.2	-3.3	21.3	40.6	25.2	13.3	21.0	6.4	24.1
June	10.6	8.6	26.0	-8.8	-7.0	28.1	43.4	29.4	14.4	17.7	7.5	31.0
Sep.	8.7	6.3	27.2	-9.8	-5.7	31.4	49.2	21.1	11.8	19.2	3.9	25.3
2007 Oct.	11.0	8.8	32.3	-8.7	-3.5	34.7	54.2	23.3	12.4	17.6	7.7	19.7
Nov.	10.6	8.3	25.3	-9.0	-5.8	36.1	41.5	22.2	10.0	7.8	6.4	23.6
Dec.	11.9	8.7	25.2	-6.2	10.7	43.1	33.1	17.9	9.9	10.4	7.2	17.0
2008 Jan. ^(p)	12.1	8.9	32.2	-6.5	20.0	44.2	30.5	17.9	8.7	10.6	6.8	11.8

C13 MFI holdings of securities ²⁾

(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^{1), 2)}

(EUR billions)

1. Write-offs/write-downs of loans to households³⁾

	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	-2.7	-0.1	-0.1	-2.4	-6.7	-1.1	-2.0	-3.6
2007 Q1	-1.0	-0.3	-0.3	-0.5	-0.7	-0.1	0.0	-0.6	-1.9	-0.4	-0.3	-1.2
Q2	-0.7	-0.2	-0.3	-0.3	-0.4	0.0	0.0	-0.4	-1.4	0.0	-0.5	-0.8
Q3	-0.8	-0.3	-0.2	-0.3	-0.4	0.0	0.0	-0.4	-1.3	-0.2	-0.5	-0.7
2007 Oct.	-0.3	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.5	-0.1	-0.2	-0.2
Nov.	-0.3	0.0	-0.1	-0.1	-0.2	0.0	-0.1	-0.1	-0.4	0.0	-0.1	-0.3
Dec.	-1.1	-0.3	-0.5	-0.4	-0.9	-0.1	0.0	-0.7	-1.3	-0.1	-0.8	-0.5
2008 Jan. ^(p)	-0.5	-0.2	-0.1	-0.2	-0.7	0.0	0.0	-0.6	-0.6	-0.3	0.0	-0.3

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2005	-19.3	-7.4	-5.6	-6.2	-1.2	-0.3	-0.9
2006	-13.2	-3.5	-4.6	-5.1	-0.8	-0.1	-0.7
2007 Q1	-2.8	-0.5	-0.7	-1.7	-0.1	0.0	-0.1
Q2	-3.0	-0.4	-1.4	-1.2	-1.2	0.0	-1.2
Q3	-1.8	-0.4	-0.7	-0.7	-0.2	-0.1	-0.1
2007 Oct.	-0.8	0.0	-0.5	-0.3	-0.9	-0.9	0.0
Nov.	-0.6	-0.1	-0.2	-0.3	-0.1	0.0	-0.1
Dec.	-3.4	-0.8	-1.9	-0.8	-2.7	-2.4	-0.3
2008 Jan. ^(p)	-1.5	-0.8	-0.3	-0.4	-0.3	-0.1	-0.3

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 Q1	-4.2	-1.5	-0.2	0.2	0.0	-0.5	-0.1	-2.1	7.4	0.7	6.7	0.0
Q2	-4.0	-0.7	0.0	-3.8	-0.1	0.0	-0.1	0.6	12.7	1.7	6.8	4.2
Q3	-1.6	1.0	0.1	1.0	-0.1	-1.0	-0.2	-2.6	-5.8	-1.7	-3.3	-0.8
2007 Oct.	-3.3	0.6	0.0	-4.3	0.0	-0.4	0.0	0.8	6.0	0.4	2.9	2.6
Nov.	-1.4	-0.6	0.0	1.5	0.0	-0.3	-0.1	-1.8	-7.6	-0.4	-3.2	-3.9
Dec.	-4.7	-1.1	0.0	-1.9	0.0	0.5	-0.1	-2.1	4.4	2.0	3.0	-0.6
2008 Jan. ^(p)	-7.5	-3.7	0.0	2.8	0.0	-3.1	-0.1	-3.5	-17.1	-1.6	-9.8	-5.7

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 ^{1),2)}

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

1. Deposits

	MFIs ³⁾							Non-MFIs						
	All currencies (outstanding amount)	Euro ⁴⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ⁴⁾	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													
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	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	5,395.9	90.5	9.5	5.6	0.5	1.4	1.2	8,199.9	96.3	3.7	2.3	0.3	0.1	0.6
Q2	5,572.9	90.5	9.5	5.8	0.4	1.3	1.1	8,448.1	96.3	3.7	2.3	0.3	0.1	0.6
Q3	5,697.1	91.2	8.8	5.3	0.4	1.3	1.0	8,553.2	96.1	3.9	2.4	0.3	0.1	0.6
Q4 ⁴⁾	6,088.4	92.1	7.9	4.7	0.4	1.2	1.0	9,003.1	96.4	3.6	2.2	0.4	0.1	0.5
	By non-euro area residents													
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	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	2,778.3	46.4	53.6	34.3	2.5	2.5	11.2	885.6	51.1	48.9	31.8	1.6	2.2	9.4
Q2	2,898.7	45.0	55.0	34.8	2.6	2.4	11.8	922.8	51.2	48.8	32.3	1.3	1.8	9.7
Q3	2,962.0	46.1	53.9	33.6	2.6	2.3	11.9	913.6	49.5	50.5	33.8	1.1	1.9	9.6
Q4 ⁴⁾	2,964.2	46.8	53.2	33.3	2.8	2.5	11.5	888.0	50.1	49.9	32.8	1.6	1.6	10.1

2. Debt securities issued by euro area MFIs

	All currencies (outstanding amount)	Euro ⁴⁾	Non-euro currencies			
			Total			
			USD	JPY	CHF	GBP
1	2	3	4	5	6	7
2005	4,051.7	81.2	18.8	9.6	1.8	3.2
2006	4,485.5	80.5	19.5	10.0	1.6	3.5
2007 Q1	4,673.7	80.7	19.3	9.8	1.7	3.5
Q2	4,797.0	80.2	19.8	10.1	1.6	3.7
Q3	4,862.4	80.8	19.2	9.7	1.7	3.6
Q4 ⁴⁾	4,946.2	81.4	18.6	9.3	1.6	3.4

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) 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 ^{1),2)}

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

3. Loans

	MFIs ³⁾							Non-MFIs						
	All currencies (outstanding amount)	Euro ⁴⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ⁴⁾	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														
2005	4,569.7	-	-	-	-	-	9,112.0	96.3	3.7	1.6	0.2	1.3	0.5	
2006	4,933.5	-	-	-	-	-	9,970.8	96.4	3.6	1.6	0.2	1.1	0.5	
2007 Q1	5,097.6	-	-	-	-	-	10,242.4	96.4	3.6	1.7	0.2	1.1	0.5	
Q2	5,264.5	-	-	-	-	-	10,510.8	96.2	3.8	1.8	0.2	1.0	0.6	
Q3	5,430.4	-	-	-	-	-	10,741.6	96.1	3.9	1.9	0.2	1.0	0.5	
Q4 ^(p)	5,776.9	-	-	-	-	-	11,110.2	96.2	3.8	1.8	0.2	1.0	0.5	
To non-euro area residents														
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	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	2,265.1	51.7	48.3	27.7	2.2	2.5	10.8	904.6	41.3	58.7	41.8	1.0	4.1	8.1
Q2	2,334.3	50.3	49.7	28.7	1.9	2.4	11.7	952.0	39.4	60.6	43.1	1.0	3.8	8.4
Q3	2,353.2	48.8	51.2	28.4	2.1	2.5	12.9	948.5	39.2	60.8	43.3	1.1	3.9	8.2
Q4 ^(p)	2,349.8	48.1	51.9	28.9	2.3	2.4	12.7	946.1	40.5	59.5	41.5	1.2	3.7	8.5

4. Holdings of securities other than shares

	Issued by MFIs ³⁾							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro ⁴⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ⁴⁾	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														
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	1,632.9	95.6	4.4	2.3	0.2	0.3	1.3	1,922.5	97.6	2.4	1.3	0.3	0.1	0.7
2007 Q1	1,693.0	95.5	4.5	2.3	0.3	0.3	1.4	1,968.0	97.5	2.5	1.3	0.3	0.1	0.8
Q2	1,716.4	95.4	4.6	2.2	0.3	0.3	1.6	2,043.1	97.6	2.4	1.3	0.3	0.1	0.7
Q3	1,728.5	95.3	4.7	2.4	0.3	0.2	1.5	2,020.2	97.5	2.5	1.4	0.3	0.1	0.7
Q4 ^(p)	1,736.6	95.2	4.8	2.4	0.3	0.3	1.5	2,146.1	97.7	2.3	1.4	0.2	0.1	0.5
Issued by non-euro area residents														
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	514.5	52.2	47.8	28.8	0.7	0.4	14.5	594.4	38.9	61.1	36.5	4.9	0.8	14.2
2007 Q1	545.5	52.7	47.3	28.5	0.6	0.5	14.4	636.2	38.1	61.9	36.9	4.4	0.6	14.8
Q2	584.0	51.9	48.1	28.5	0.7	0.5	14.6	667.1	37.4	62.6	36.9	4.3	0.7	15.7
Q3	574.3	53.9	46.1	26.7	0.7	0.4	15.0	650.9	35.4	64.6	38.9	4.1	0.7	14.5
Q4 ^(p)	578.2	55.3	44.7	27.5	0.7	0.4	13.0	655.9	36.1	63.9	39.3	4.0	0.8	13.2

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 ¹⁾

(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				
2006 Q2	5,137.9	316.9	1,908.6	145.2	1,763.3	1,777.9	601.0	180.3	353.2
Q3	5,359.0	317.5	1,985.0	178.4	1,806.6	1,874.4	631.3	181.5	369.2
Q4	5,551.3	320.6	2,005.8	170.6	1,835.2	2,022.0	670.6	187.9	344.3
2007 Q1	5,713.3	332.4	2,031.8	181.0	1,850.8	2,068.9	718.7	188.9	372.7
Q2	5,989.0	346.2	2,044.3	192.9	1,851.5	2,216.1	784.0	182.0	416.3
Q3 ^(p)	5,895.2	361.8	2,013.8	186.9	1,826.9	2,172.1	769.5	181.0	397.0

2. Liabilities

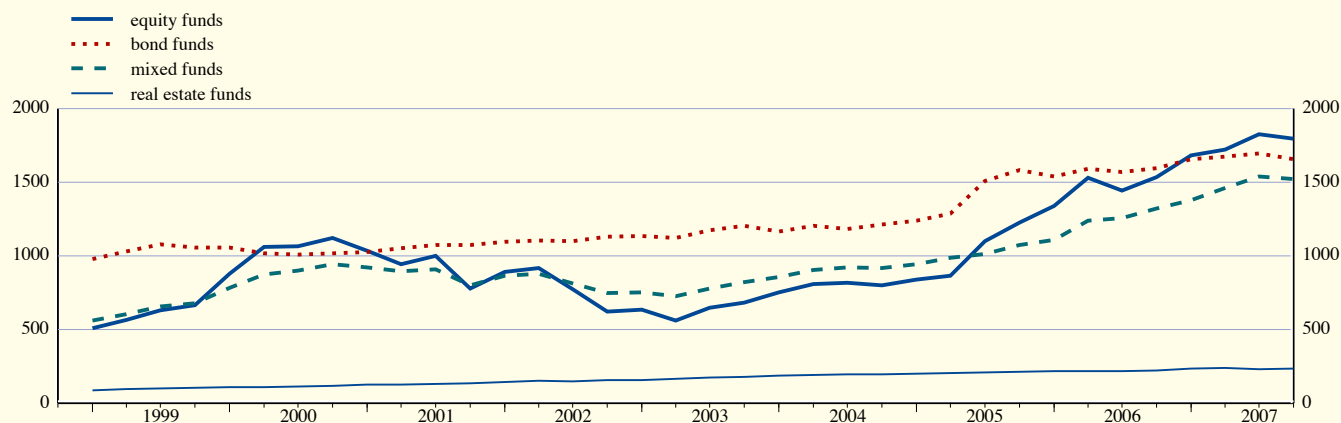
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
Q3	5,359.0	75.9	4,999.5	283.7
Q4	5,551.3	77.8	5,217.0	256.4
2007 Q1	5,713.3	82.2	5,349.7	281.8
Q2	5,989.0	85.9	5,586.9	316.6
Q3 ^(p)	5,895.2	81.8	5,497.6	316.2

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	
2006 Q2	5,137.9	1,443.3	1,569.3	1,257.0	217.4	650.9	3,913.2	1,224.7	
Q3	5,359.0	1,533.3	1,594.2	1,321.5	221.2	688.9	4,085.5	1,273.5	
Q4	5,551.3	1,680.5	1,657.0	1,376.0	231.8	606.0	4,252.1	1,299.2	
2007 Q1	5,713.3	1,723.2	1,674.9	1,459.3	238.4	617.5	4,372.7	1,340.5	
Q2	5,989.0	1,824.8	1,693.4	1,539.2	230.9	700.7	4,577.2	1,411.8	
Q3 ^(p)	5,895.2	1,797.2	1,655.7	1,522.5	234.4	685.3	4,466.5	1,428.7	

CI4 Total assets of investment funds

(EUR billions)



Source: ECB.

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

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

(EUR billions; outstanding amounts at end of period)

1. Funds by investment policy

	Total 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
Equity funds									
2006 Q2	1,443.3	52.3	51.4	6.5	44.9	1,221.7	69.3	-	48.6
Q3	1,533.3	53.8	76.1	33.2	42.9	1,284.3	66.8	-	52.3
Q4	1,680.5	56.1	66.0	22.7	43.3	1,429.3	74.3	-	54.8
2007 Q1	1,723.2	59.3	65.7	25.7	40.0	1,461.2	78.4	-	58.6
Q2	1,824.8	60.9	67.9	27.4	40.4	1,546.2	84.0	-	65.9
Q3 ^(p)	1,797.2	73.3	68.6	26.7	41.9	1,504.8	82.2	-	68.4
Bond funds									
2006 Q2	1,569.3	106.5	1,264.7	87.3	1,177.4	38.5	47.5	-	112.1
Q3	1,594.2	105.5	1,288.5	86.8	1,201.8	41.6	48.2	-	110.3
Q4	1,657.0	108.3	1,343.6	91.1	1,252.5	45.4	49.8	-	110.0
2007 Q1	1,674.9	112.3	1,356.5	95.1	1,261.4	44.5	52.5	-	109.0
Q2	1,693.4	114.9	1,346.7	99.5	1,247.2	62.9	55.7	-	113.2
Q3 ^(p)	1,655.7	109.9	1,319.4	96.9	1,222.5	62.7	53.2	-	110.5
Mixed funds									
2006 Q2	1,257.0	72.0	484.1	40.3	443.8	318.7	253.6	0.2	128.5
Q3	1,321.5	68.5	510.6	45.2	465.4	332.3	272.3	0.3	137.4
Q4	1,376.0	71.0	519.4	43.4	476.0	364.2	292.8	0.4	128.2
2007 Q1	1,459.3	73.8	530.5	45.5	485.0	380.8	322.3	0.3	151.5
Q2	1,539.2	84.0	529.2	50.2	479.0	398.9	346.4	0.9	179.8
Q3 ^(p)	1,522.5	86.0	523.0	46.3	476.7	405.2	343.9	0.5	163.9
Real estate funds									
2006 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	6.2	180.3	10.4
Q4	231.8	17.6	6.1	1.7	4.4	2.2	7.0	187.0	11.9
2007 Q1	238.4	18.9	6.7	1.9	4.8	2.3	9.6	188.4	12.6
Q2	230.9	18.8	6.6	1.9	4.7	2.0	10.0	180.4	12.9
Q3 ^(p)	234.4	20.7	6.3	1.5	4.8	2.0	13.1	179.5	12.8

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
2006 Q2	3,913.2	257.1	1,321.4	1,449.8	452.2	151.2	281.5
Q3	4,085.5	260.6	1,374.1	1,531.3	470.9	151.2	297.3
Q4	4,252.1	265.4	1,402.4	1,650.2	498.2	155.2	280.6
2007 Q1	4,372.7	274.3	1,420.9	1,693.5	529.0	155.6	299.5
Q2	4,577.2	280.9	1,432.0	1,816.8	576.5	147.3	323.7
Q3 ^(p)	4,466.5	289.0	1,376.8	1,788.2	563.2	143.3	306.0
Special investors' funds							
2006 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	1,299.2	55.2	603.4	371.8	172.4	32.7	63.7
2007 Q1	1,340.5	58.0	610.8	375.4	189.7	33.3	73.2
Q2	1,411.8	65.3	612.4	399.3	207.6	34.7	92.7
Q3 ^(p)	1,428.7	72.8	637.0	383.9	206.3	37.7	91.0

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
2007 Q3						
External account						
Exports of goods and services						496.8
<i>Trade balance</i> ¹⁾						-24.7
Generation of income account						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,015.7	106.6	646.7	50.7	211.7	
Other taxes less subsidies on production	27.0	6.4	13.9	3.4	3.3	
Consumption of fixed capital	318.6	86.9	179.2	11.2	41.4	
<i>Net operating surplus and mixed income</i> ¹⁾	609.5	292.0	289.4	28.6	-0.6	
Allocation of primary income account						
Net operating surplus and mixed income						4.1
Compensation of employees						
Taxes less subsidies on production						
Property income	776.9	50.9	284.2	378.1	63.7	127.8
Interest	471.5	48.5	78.2	281.2	63.6	80.3
Other property income	305.3	2.4	206.1	96.9	0.0	47.5
<i>Net national income</i> ¹⁾	1,880.9	1,499.6	117.6	55.2	208.5	
Secondary distribution of income account						
Net national income						
Current taxes on income, wealth, etc.	265.7	199.0	55.5	10.9	0.3	2.0
Social contributions	386.5	386.5				1.0
Social benefits other than social transfers in kind	390.7	1.3	15.3	23.4	350.6	0.7
Other current transfers	176.8	68.4	22.8	45.0	40.7	7.8
Net non-life insurance premiums	43.0	32.7	8.8	0.9	0.7	1.0
Non-life insurance claims	42.9			42.9		0.7
Other	90.9	35.7	14.0	1.2	40.0	6.0
<i>Net disposable income</i> ¹⁾	1,858.1	1,318.4	50.7	58.4	430.6	
Use of income account						
Net disposable income						
Final consumption expenditure	1,686.3	1,262.8			423.5	
Individual consumption expenditure	1,520.7	1,262.8			257.9	
Collective consumption expenditure	165.6				165.6	
Adjustment for the change in net equity of households in pension fund reserves	16.3	0.0	2.1	14.3	0.0	0.1
<i>Net saving/current external account</i> ¹⁾	171.8	71.9	48.6	44.1	7.1	-0.9
Capital account						
Net saving / current external account						
Gross capital formation	489.6	162.1	260.6	11.1	55.7	
Gross fixed capital formation	478.4	159.9	252.1	10.8	55.6	
Changes in inventories and acquisitions less disposals of valuables	11.1	2.2	8.6	0.3	0.2	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	0.5	0.1	0.4	0.1	0.0	-0.5
Capital transfers	33.2	8.9	1.5	1.9	20.8	4.6
Capital taxes	5.9	5.6	0.3	0.0		0.0
Other capital transfers	27.3	3.3	1.3	1.9	20.8	4.6
<i>Net lending (+)/net borrowing (-) (from capital account)</i> ¹⁾	2.6	-3.4	-19.4	43.1	-17.6	-2.6
Statistical discrepancy	0.0	10.2	-10.2	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
2007 Q3						
External account						
Imports of goods and services						472.1
<i>Trade balance</i>						
Generation of income account						
Gross value added (basic prices)	1,970.8	491.9	1,129.2	93.9	255.8	
Taxes less subsidies on products	229.7					
Gross domestic product (market prices) ²⁾	2,200.5					
Compensation of employees						
Other taxes less subsidies on production						
Consumption of fixed capital						
<i>Net operating surplus and mixed income</i>						
Allocation of primary income account						
Net operating surplus and mixed income	609.5	292.0	289.4	28.6	-0.6	
Compensation of employees	1,016.6	1,016.6				3.2
Taxes less subsidies on production	255.8				255.8	1.0
Property income	775.9	241.8	112.4	404.6	17.0	128.8
Interest	464.2	73.5	42.9	341.4	6.3	87.6
Other property income	311.7	168.3	69.5	63.2	10.7	41.1
<i>Net national income</i>						
Secondary distribution of income account						
Net national income	1,880.9	1,499.6	117.6	55.2	208.5	
Current taxes on income, wealth, etc.	267.0				267.0	0.7
Social contributions	386.5	1.0	16.6	38.5	330.4	1.0
Social benefits other than social transfers in kind	388.5	388.5				2.9
Other current transfers	155.0	84.6	10.2	44.1	16.2	29.6
Net non-life insurance premiums	42.9			42.9		1.2
Non-life insurance claims	42.4	34.0	7.3	0.9	0.3	1.2
Other	69.7	50.5	2.9	0.4	15.9	27.2
<i>Net disposable income</i>						
Use of income account						
Net disposable income	1,858.1	1,318.4	50.7	58.4	430.6	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in net equity of households in pension fund reserves	16.4	16.4				0.0
<i>Net saving/current external account</i>						
Capital account						
Net saving / current external account	171.8	71.9	48.6	44.1	7.1	-0.9
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	318.6	86.9	179.2	11.2	41.4	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	35.5	8.8	15.3	0.8	10.5	2.4
Capital taxes	5.9				5.9	0.0
Other capital transfers	29.6	8.8	15.3	0.8	4.6	2.4
<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 inter- mediaries	Insurance corporations and pension funds	General govern- ment	Rest of the world
2007 Q3								
Opening balance sheet, financial assets								
Total financial assets		17,772.4	14,345.0	21,322.7	10,123.0	6,175.6	2,918.9	14,719.8
Monetary gold and special drawing rights (SDRs)				177.5				
Currency and deposits		5,449.6	1,669.8	2,426.5	1,445.4	761.0	623.9	3,944.1
Short-term debt securities		44.8	136.5	111.2	319.4	238.2	32.4	782.0
Long-term debt securities		1,262.9	255.7	3,520.1	1,857.7	1,944.9	207.6	2,319.7
Loans		35.0	1,779.9	11,485.6	1,360.2	357.9	356.7	1,504.7
<i>of which long-term</i>		18.5	983.9	8,619.0	1,037.7	295.7	314.5	.
Shares and other equity		5,546.1	7,810.2	1,905.7	4,885.3	2,432.7	1,144.9	5,430.5
Quoted shares		1,301.1	1,993.0	749.3	2,545.1	860.0	441.1	.
Unquoted shares and other equity		2,541.5	5,406.5	872.6	1,615.6	482.1	555.3	.
Mutual fund shares		1,703.5	410.7	283.8	724.5	1,090.6	148.4	.
Insurance technical reserves		5,083.1	134.0	1.9	0.0	150.6	3.1	190.7
Other accounts receivable and financial derivatives		350.9	2,558.8	1,694.1	255.1	290.2	550.4	548.2
<i>Net financial worth</i>								
Financial account, transactions in financial assets								
Total transactions in financial assets		72.1	163.1	372.3	181.7	59.3	-29.6	455.6
Monetary gold and special drawing rights (SDRs)				-1.1				1.1
Currency and deposits		35.4	13.9	78.7	50.0	23.8	-44.6	126.9
Short-term debt securities		11.3	9.9	-3.2	-16.5	-3.9	8.8	15.7
Long-term debt securities		-7.1	-21.1	-8.6	40.2	25.8	5.3	52.4
Loans		0.2	50.0	267.1	137.8	-2.1	1.0	210.8
<i>of which long-term</i>		-0.1	30.1	190.5	151.4	5.1	1.1	.
Shares and other equity		-2.5	78.8	-7.6	-12.6	8.5	0.3	37.9
Quoted shares		-9.6	29.5	-20.9	34.3	2.3	-3.3	.
Unquoted shares and other equity		28.5	83.7	16.8	-27.3	8.7	-1.2	.
Mutual fund shares		-21.4	-34.4	-3.5	-19.6	-2.6	4.7	.
Insurance technical reserves		42.3	0.7	0.0	0.0	1.4	0.0	11.2
Other accounts receivable and financial derivatives		-7.5	30.8	46.9	-17.3	5.8	-0.4	-0.3
<i>Changes in net financial worth due to transactions</i>								
Other changes account, financial assets								
Total other changes in financial assets		-242.1	-207.3	-79.1	-90.6	-29.2	-7.8	-118.8
Monetary gold and special drawing rights (SDRs)				15.3				
Currency and deposits		-0.3	-2.4	-38.9	-6.7	0.2	0.0	-77.9
Short-term debt securities		-1.2	-4.9	-1.1	0.3	-1.8	-0.1	-0.5
Long-term debt securities		14.7	4.1	-31.9	20.4	-13.2	3.0	0.4
Loans		-0.1	-5.9	-38.9	-1.9	-1.7	0.1	-26.9
<i>of which long-term</i>		-0.1	-3.8	-16.2	-4.1	-0.4	-0.1	.
Shares and other equity		-243.6	-200.1	-13.8	-98.8	-28.8	-10.3	-25.8
Quoted shares		-80.0	-122.1	-15.2	-53.4	-9.5	-14.5	.
Unquoted shares and other equity		-147.3	-73.8	8.1	-38.4	-11.2	7.4	.
Mutual fund shares		-16.2	-4.2	-6.8	-7.0	-8.0	-3.1	.
Insurance technical reserves		-12.5	0.0	0.0	0.0	0.0	0.0	8.6
Other accounts receivable and financial derivatives		0.8	2.0	30.4	-3.9	16.1	-0.5	3.4
<i>Other changes in net financial worth</i>								
Closing balance sheet, financial assets								
Total financial assets		17,602.4	14,300.8	21,615.8	10,214.2	6,205.7	2,881.5	15,055.6
Monetary gold and special drawing rights (SDRs)				191.7				
Currency and deposits		5,484.8	1,681.3	2,466.3	1,488.8	785.0	579.3	3,993.0
Short-term debt securities		54.8	141.6	106.9	303.2	232.5	41.1	797.2
Long-term debt securities		1,270.5	238.7	3,479.6	1,918.4	1,957.5	215.9	2,372.5
Loans		35.1	1,823.9	11,713.7	1,496.1	354.2	357.8	1,688.6
<i>of which long-term</i>		18.4	1,010.2	8,793.4	1,185.0	300.4	315.5	.
Shares and other equity		5,300.1	7,688.9	1,884.3	4,773.9	2,412.4	1,134.9	5,442.6
Quoted shares		1,211.5	1,900.4	713.2	2,526.1	852.9	423.3	.
Unquoted shares and other equity		2,422.7	5,416.3	897.5	1,549.9	479.6	561.5	.
Mutual fund shares		1,665.9	372.2	273.6	697.9	1,079.9	150.0	.
Insurance technical reserves		5,112.9	134.8	2.0	0.0	152.0	3.1	210.4
Other accounts receivable and financial derivatives		344.2	2,591.7	1,771.4	233.8	312.1	549.4	551.2
<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
2007 Q3								
Opening balance sheet, liabilities								
Total liabilities		5,709.4	23,478.2	21,660.9	10,046.3	6,315.1	6,767.3	13,222.7
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			26.6	13,022.9	221.4	3.8	328.0	2,717.5
Short-term debt securities			304.9	372.0	78.9	0.2	655.7	253.0
Long-term debt securities			438.0	2,674.8	1,422.1	25.2	4,311.6	2,496.9
Loans		5,195.5	6,608.5		1,336.6	193.6	1,079.4	2,466.3
<i>of which long-term</i>		4,879.2	4,426.7		612.0	73.9	919.3	.
Shares and other equity			13,416.1	3,399.8	6,761.4	688.5	5.6	4,884.1
Quoted shares			5,061.3	1,121.1	363.2	338.1	0.0	.
Unquoted shares and other equity			8,354.8	1,222.9	935.0	349.8	5.6	.
Mutual fund shares				1,055.8	5,463.3			.
Insurance technical reserves		32.7	333.9	53.6	0.6	5,142.2	0.5	
Other accounts payable and financial derivatives		481.2	2,350.3	2,137.9	225.3	261.6	386.4	405.0
<i>Net financial worth¹⁾</i>	-1,319.6	12,063.0	-9,133.3	-338.2	76.7	-139.5	-3,848.4	
Financial account, transactions in liabilities								
Total transactions in liabilities		65.4	192.6	354.6	157.0	58.6	-12.0	458.2
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.0	245.5	-8.5	0.1	2.3	44.8
Short-term debt securities			-11.0	40.4	7.4	0.3	2.6	-17.6
Long-term debt securities			-2.3	35.9	12.3	0.1	-5.0	45.9
Loans		82.5	168.6		171.1	8.3	-1.4	235.5
<i>of which long-term</i>		85.5	130.9		135.0	0.3	-3.4	.
Shares and other equity			49.2	0.3	-43.2	3.7	0.0	92.8
Quoted shares			8.7	6.9	6.6	0.9	0.0	.
Unquoted shares and other equity			40.5	2.2	11.0	2.8	0.0	.
Mutual fund shares				-8.8	-60.8			.
Insurance technical reserves		0.0	1.9	-0.3	0.0	54.0	0.0	
Other accounts payable and financial derivatives		-17.1	-13.7	32.8	17.9	-8.0	-10.6	56.7
<i>Changes in net financial worth due to transactions¹⁾</i>	2.6	6.7	-29.6	17.6	24.7	0.7	-17.6	-2.6
Other changes account, liabilities								
Total other changes in liabilities		-0.8	-222.2	-323.9	-61.7	-32.2	49.7	-198.9
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.0	-88.4	0.2	0.0	0.0	-37.8
Short-term debt securities			0.4	-6.9	0.0	0.0	0.0	-3.0
Long-term debt securities			3.0	-20.2	1.0	-0.2	43.5	-29.6
Loans		-2.8	-2.0		-7.6	-2.5	0.3	-60.8
<i>of which long-term</i>		-1.9	-3.0		-2.3	-3.3	0.0	.
Shares and other equity			-263.9	-226.8	-61.0	-39.9	0.4	-30.0
Quoted shares			-135.4	-95.8	-74.0	-44.0	0.0	.
Unquoted shares and other equity			-128.4	-131.5	15.8	4.1	0.4	.
Mutual fund shares				0.4	-2.8			.
Insurance technical reserves		0.0	0.0	0.0	0.0	-3.9	0.0	
Other accounts payable and financial derivatives		2.0	40.3	18.3	5.7	14.2	5.4	-37.7
<i>Other changes in net financial worth¹⁾</i>	-64.9	-241.3	14.9	244.8	-28.9	3.0	-57.5	80.2
Closing balance sheet, liabilities								
Total liabilities		5,773.9	23,448.7	21,691.6	10,141.6	6,341.4	6,804.9	13,482.0
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			26.6	13,180.0	213.1	3.9	330.3	2,724.5
Short-term debt securities			294.3	405.5	86.3	0.5	658.3	232.3
Long-term debt securities			438.8	2,690.6	1,435.3	25.2	4,350.1	2,513.1
Loans		5,275.2	6,775.1		1,500.2	199.5	1,078.4	2,641.0
<i>of which long-term</i>		4,962.8	4,554.7		744.7	70.9	915.8	.
Shares and other equity			13,201.4	3,173.3	6,657.2	652.3	6.0	4,946.9
Quoted shares			4,934.6	1,032.2	295.8	295.1	0.0	.
Unquoted shares and other equity			8,266.8	1,093.7	961.7	356.6	6.0	.
Mutual fund shares				1,047.4	5,399.7			.
Insurance technical reserves		32.7	335.7	53.3	0.6	5,192.3	0.5	
Other accounts payable and financial derivatives		466.0	2,376.9	2,189.0	248.9	267.8	381.3	424.1
<i>Net financial worth¹⁾</i>	-1,381.9	11,828.5	-9,148.0	-75.8	72.6	-135.8	-3,923.4	

Source: ECB.

3.2 Euro area non-financial accounts

(EUR billions; four-quarter cumulated flows)

Uses	2003	2004	2005	2005 Q4- 2006 Q3	2006 Q1- 2006 Q4	2006 Q2- 2007 Q1	2006 Q3- 2007 Q2	2006 Q4- 2007 Q3
Generation of income account								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	3,666.5	3,772.0	3,878.7	3,994.4	4,031.2	4,075.3	4,117.7	4,157.4
Other taxes less subsidies on production	110.3	122.1	129.9	131.8	128.7	130.4	133.0	134.3
Consumption of fixed capital	1,073.7	1,121.3	1,173.1	1,212.4	1,225.0	1,236.7	1,247.5	1,258.9
<i>Net operating surplus and mixed income</i> ¹⁾	1,887.3	1,988.6	2,051.7	2,126.0	2,162.8	2,196.8	2,228.5	2,268.6
Allocation of primary income account								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	2,281.8	2,335.9	2,553.9	2,820.4	2,935.5	3,026.2	3,119.8	3,196.0
Interest	1,267.3	1,242.4	1,328.9	1,525.3	1,602.3	1,671.7	1,737.1	1,798.7
Other property income	1,014.5	1,093.6	1,225.0	1,295.0	1,333.2	1,354.6	1,382.7	1,397.3
<i>Net national income</i> ¹⁾	6,406.2	6,684.1	6,907.9	7,153.9	7,234.6	7,330.4	7,412.5	7,504.2
Secondary distribution of income account								
Net national income								
Current taxes on income, wealth, etc.	856.8	882.3	932.0	990.6	1,023.4	1,037.2	1,060.5	1,088.2
Social contributions	1,388.2	1,427.4	1,469.5	1,517.9	1,532.8	1,545.1	1,557.4	1,568.6
Social benefits other than social transfers in kind	1,407.9	1,453.1	1,497.1	1,531.5	1,542.2	1,549.6	1,557.7	1,567.6
Other current transfers	658.5	683.2	702.5	703.7	705.8	710.4	718.7	722.0
Net non-life insurance premiums	174.0	175.8	175.7	175.5	174.9	175.7	176.8	177.3
Non-life insurance claims	174.6	176.3	176.8	175.8	175.0	176.0	177.1	177.4
Other	309.9	331.1	350.0	352.3	355.9	358.8	364.8	367.3
<i>Net disposable income</i> ¹⁾	6,336.3	6,606.8	6,821.7	7,067.2	7,145.3	7,240.8	7,323.7	7,415.8
Use of income account								
Net disposable income								
Final consumption expenditure	5,854.7	6,076.3	6,308.3	6,502.7	6,564.7	6,619.5	6,669.3	6,724.0
Individual consumption expenditure	5,234.6	5,432.6	5,647.8	5,830.1	5,886.6	5,935.7	5,981.8	6,031.1
Collective consumption expenditure	620.1	643.7	660.5	672.6	678.2	683.8	687.5	692.9
Adjustment for the change in net equity of households in pension funds reserves	54.6	57.3	59.5	62.2	63.2	63.2	63.4	64.4
<i>Net saving</i> ¹⁾	481.9	530.7	513.7	564.8	581.0	621.6	654.7	692.1
Capital account								
Net saving								
Gross capital formation	1,526.1	1,607.4	1,698.5	1,816.5	1,841.5	1,881.8	1,914.4	1,945.0
Gross fixed capital formation	1,527.3	1,599.9	1,688.2	1,780.5	1,813.5	1,856.5	1,888.7	1,918.0
Changes in inventories and acquisitions less disposals of valuables	-1.2	7.5	10.3	35.9	28.0	25.3	25.7	26.9
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	0.6	-1.1	-0.1	1.1	1.2	1.0	1.1	1.3
Capital transfers	182.6	167.5	181.6	176.7	191.4	190.3	188.2	171.6
Capital taxes	35.9	29.8	24.2	22.5	22.3	22.9	23.3	23.8
Other capital transfers	146.8	137.7	157.4	154.2	169.1	167.4	164.9	147.8
<i>Net lending (+)/net borrowing (-) (from capital account)</i> ¹⁾	41.1	62.1	1.9	-26.7	-21.7	-6.9	3.6	20.6

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	2003	2004	2005	2005 Q4- 2006 Q3	2006 Q1- 2006 Q4	2006 Q2- 2007 Q1	2006 Q3- 2007 Q2	2006 Q4- 2007 Q3
Generation of income account								
Gross value added (basic prices)	6,737.8	7,004.0	7,233.3	7,464.7	7,547.7	7,639.2	7,726.7	7,819.1
Taxes less subsidies on products	761.2	797.2	839.7	885.9	904.5	921.7	934.6	945.2
Gross domestic product (market prices) ²⁾	7,499.0	7,801.2	8,073.0	8,350.6	8,452.2	8,560.8	8,661.3	8,764.3
Compensation of employees								
Other taxes less subsidies on production								
Consumption of fixed capital								
<i>Net operating surplus and mixed income</i>								
Allocation of primary income account								
Net operating surplus and mixed income	1,887.3	1,988.6	2,051.7	2,126.0	2,162.8	2,196.8	2,228.5	2,268.6
Compensation of employees	3,673.6	3,779.1	3,884.2	4,000.3	4,037.1	4,081.3	4,123.7	4,163.4
Taxes less subsidies on production	880.7	933.1	981.1	1,028.8	1,044.4	1,061.9	1,077.0	1,088.1
Property income	2,246.4	2,319.3	2,544.8	2,819.2	2,925.8	3,016.7	3,103.1	3,180.1
Interest	1,236.3	1,211.5	1,302.7	1,502.7	1,578.3	1,645.7	1,710.7	1,768.5
Other property income	1,010.1	1,107.8	1,242.1	1,316.6	1,347.5	1,370.9	1,392.4	1,411.5
<i>Net national income</i>								
Secondary distribution of income account								
Net national income	6,406.2	6,684.1	6,907.9	7,153.9	7,234.6	7,330.4	7,412.5	7,504.2
Current taxes on income, wealth, etc.	858.7	885.4	935.7	995.2	1,028.2	1,042.4	1,067.3	1,095.5
Social contributions	1,387.3	1,426.5	1,469.1	1,517.4	1,532.4	1,544.7	1,556.9	1,568.1
Social benefits other than social transfers in kind	1,401.4	1,445.6	1,489.4	1,524.0	1,534.7	1,541.7	1,549.5	1,559.2
Other current transfers	594.1	611.1	620.7	620.3	619.6	623.9	631.7	635.3
Net non-life insurance premiums	174.6	176.3	176.8	175.8	175.0	176.0	177.1	177.4
Non-life insurance claims	171.3	173.5	174.4	173.0	172.4	173.3	174.6	175.1
Other	248.2	261.3	269.5	271.5	272.2	274.7	280.0	282.8
<i>Net disposable income</i>								
Use of income account								
Net disposable income	6,336.3	6,606.8	6,821.7	7,067.2	7,145.3	7,240.8	7,323.7	7,415.8
Final consumption expenditure								
Individual consumption expenditure								
Collective consumption expenditure								
Adjustment for the change in net equity of households in pension funds reserves	54.8	57.5	59.8	62.5	63.5	63.5	63.7	64.6
<i>Net saving</i>								
Capital account								
Net saving	481.9	530.7	513.7	564.8	581.0	621.6	654.7	692.1
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,073.7	1,121.3	1,173.1	1,212.4	1,225.0	1,236.7	1,247.5	1,258.9
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	194.8	184.0	195.1	190.3	206.4	207.8	205.1	187.6
Capital taxes	35.9	29.8	24.2	22.5	22.3	22.9	23.3	23.8
Other capital transfers	158.9	154.2	170.9	167.9	184.1	185.0	181.8	163.8
<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)

	2003	2004	2005	2005 Q4- 2006 Q3	2006 Q1- 2006 Q4	2006 Q2- 2007 Q1	2006 Q3- 2007 Q2	2006 Q4- 2007 Q3
Income, saving and changes in net worth								
Compensation of employees (+)	3,673.6	3,779.1	3,884.2	4,000.3	4,037.1	4,081.3	4,123.7	4,163.4
Gross operating surplus and mixed income (+)	1,228.6	1,280.5	1,329.3	1,383.6	1,403.9	1,424.9	1,445.8	1,466.6
Interest receivable (+)	237.5	230.6	228.7	249.6	259.8	267.7	275.2	282.8
Interest payable (-)	124.1	125.2	128.9	148.7	156.9	165.0	173.2	180.5
Other property income receivable (+)	615.4	650.3	696.7	725.4	736.6	742.9	753.0	756.9
Other property income payable (-)	8.9	9.4	9.4	9.5	9.5	9.5	9.5	9.5
Current taxes on income and wealth (-)	702.0	705.5	738.4	770.8	788.8	797.1	810.5	829.5
Net social contributions (-)	1,384.4	1,423.7	1,465.5	1,513.7	1,528.6	1,540.8	1,553.2	1,564.3
Net social benefits (+)	1,396.7	1,440.7	1,484.2	1,518.6	1,529.3	1,536.3	1,544.0	1,553.7
Net current transfers receivable (+)	65.3	64.6	67.4	62.8	62.9	64.5	65.3	66.4
= Gross disposable income	4,997.7	5,182.1	5,348.4	5,497.5	5,545.8	5,605.1	5,660.8	5,705.9
Final consumption expenditure (-)	4,319.7	4,485.4	4,653.3	4,798.2	4,843.5	4,882.1	4,920.9	4,961.2
Changes in net worth in pension funds (+)	54.5	57.1	59.4	62.0	63.1	63.0	63.4	64.4
= Gross saving	732.5	753.8	754.4	761.4	765.4	786.1	803.4	809.1
Consumption of fixed capital (-)	288.1	303.3	318.4	331.0	335.2	338.8	342.1	344.8
Net capital transfers receivable (+)	12.6	18.9	25.0	28.9	32.3	30.3	27.6	20.5
Other changes in net worth ¹⁾ (+)	256.1	300.1	617.9	366.5	479.4	386.1	604.1	200.0
= Changes in net worth ¹⁾	713.2	769.5	1,078.9	825.8	941.9	863.7	1,092.9	684.8
Investment, financing and changes in net worth								
Net acquisition of non-financial assets (+)	495.8	526.7	559.7	600.4	612.0	627.1	638.1	644.8
Consumption of fixed capital (-)	288.1	303.3	318.4	331.0	335.2	338.8	342.1	344.8
Main items of financial investment (+)								
Short-term assets	211.3	214.6	207.7	262.2	301.6	345.8	378.5	398.9
Currency and deposits	226.5	213.0	247.9	265.6	283.8	293.2	316.9	328.2
Money market fund shares	25.1	-6.4	-20.2	-17.5	0.3	25.7	44.7	42.9
Debt securities ²⁾	-40.3	8.0	-20.1	14.0	17.6	26.9	16.8	27.7
Long-term assets	311.0	342.3	443.3	359.7	303.1	257.9	222.5	157.7
Deposits	-5.7	33.7	-10.1	-0.3	-6.7	-19.7	-29.3	-34.1
Debt securities	25.8	65.8	17.0	69.1	62.4	46.4	29.7	-2.0
Shares and other equity	59.9	-8.5	136.1	-7.3	-29.7	-26.3	-32.8	-32.5
Quoted, unquoted shares and other equity	7.6	-13.5	61.4	-8.7	-1.4	30.2	32.2	38.0
Mutual fund shares	52.2	5.0	74.7	1.5	-28.3	-56.5	-65.0	-70.6
Life insurance and pension fund reserves	231.0	251.3	300.4	298.2	277.1	257.4	254.8	226.3
Main items of financing (-)								
Loans	262.8	311.7	390.3	411.4	390.7	382.4	364.6	361.6
of which from euro area MFIs	211.6	280.8	358.3	372.1	346.5	337.2	316.8	302.3
Other changes in financial assets (+)								
Shares and other equity	272.5	256.5	521.4	353.8	460.0	371.4	587.4	196.1
Life insurance and pension fund reserves	29.0	56.9	129.4	55.0	48.5	33.4	66.1	29.8
Remaining net flows (+)	-55.5	-12.5	-73.8	-62.9	-57.4	-50.7	-92.9	-36.0
= Changes in net worth ¹⁾	713.2	769.5	1,078.9	825.8	941.9	863.7	1,092.9	684.8
Financial balance sheet								
Financial assets (+)								
Short-term assets	4,058.0	4,275.7	4,494.8	4,644.7	4,751.6	4,830.1	4,969.5	5,020.9
Currency and deposits	3,710.1	3,926.0	4,176.7	4,318.2	4,456.5	4,497.3	4,613.3	4,653.9
Money market fund shares	321.0	313.9	300.5	285.4	261.3	281.0	305.0	302.8
Debt securities ²⁾	27.0	35.7	17.6	41.2	33.8	51.8	51.2	64.3
Long-term assets	9,214.9	9,847.5	10,931.5	11,483.6	11,761.0	11,981.2	12,081.2	11,863.0
Deposits	841.9	876.6	883.9	870.9	871.0	847.8	836.3	830.9
Debt securities	1,202.1	1,243.3	1,239.6	1,286.8	1,286.5	1,301.8	1,256.5	1,261.1
Shares and other equity	3,629.8	3,878.4	4,529.1	4,808.2	4,999.0	5,160.4	5,241.1	4,997.3
Quoted, unquoted shares and other equity	2,480.8	2,712.8	3,207.9	3,462.0	3,613.6	3,775.6	3,842.6	3,634.2
Mutual fund shares	1,149.1	1,165.6	1,321.2	1,346.2	1,385.4	1,384.8	1,398.5	1,363.1
Life insurance and pension fund reserves	3,541.0	3,849.2	4,278.9	4,517.6	4,604.6	4,671.1	4,747.3	4,773.7
Remaining net assets (+)	190.2	228.0	184.0	203.9	202.6	215.0	207.8	219.8
Liabilities (-)								
Loans	3,922.2	4,245.6	4,630.0	4,915.9	5,015.6	5,099.1	5,195.5	5,275.2
of which from euro area MFIs	3,521.2	3,812.5	4,195.9	4,464.5	4,543.0	4,611.3	4,692.7	4,752.9
= Net financial wealth	9,540.8	10,105.6	10,980.3	11,416.3	11,699.7	11,927.2	12,063.0	11,828.5

Sources: ECB and Eurostat.

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

2) Securities issued by MFIs with a maturity of less than two years and by other sectors with a maturity of less than one year.

3.4 Non-financial corporations

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

	2003	2004	2005	2005 Q4- 2006 Q3	2006 Q1- 2006 Q4	2006 Q2- 2007 Q1	2006 Q3- 2007 Q2	2006 Q4- 2007 Q3
Income and saving								
Gross value added (basic prices) (+)	3,835.1	3,989.3	4,112.9	4,240.3	4,296.1	4,353.8	4,409.9	4,467.2
Compensation of employees (-)	2,313.0	2,382.6	2,445.6	2,518.8	2,544.8	2,574.4	2,606.7	2,634.9
Other taxes less subsidies on production (-)	58.7	65.2	71.1	72.9	72.7	74.7	77.1	78.1
= Gross operating surplus (+)	1,463.4	1,541.5	1,596.2	1,648.6	1,678.7	1,704.7	1,726.2	1,754.2
Consumption of fixed capital (-)	607.9	632.6	661.7	681.5	688.0	694.0	699.7	706.4
= Net operating surplus (+)	855.4	908.9	934.4	967.1	990.7	1,010.7	1,026.5	1,047.8
Property income receivable (+)	320.6	365.9	423.7	453.0	465.0	470.0	474.8	480.5
Interest receivable	126.6	121.9	132.5	149.3	154.7	159.1	163.7	166.9
Other property income receivable	194.1	244.1	291.2	303.7	310.3	311.0	311.1	313.6
Interest and rents payable (-)	228.6	226.4	235.1	265.0	278.2	290.3	301.5	311.1
= Net entrepreneurial income (+)	947.5	1,048.4	1,123.0	1,155.1	1,177.5	1,190.4	1,199.8	1,217.2
Distributed income (-)	692.6	753.6	839.4	878.9	906.1	913.8	921.4	929.0
Taxes on income and wealth payable (-)	117.1	135.7	148.1	169.5	184.3	189.1	197.7	206.2
Social contributions receivable (+)	73.3	73.5	74.1	76.3	76.7	77.3	74.7	72.5
Social benefits payable (-)	59.7	60.3	62.1	62.4	61.9	62.0	61.9	62.1
Other net transfers (-)	55.9	62.1	60.4	60.1	59.9	60.6	59.9	58.9
= Net saving	95.6	110.1	87.3	60.6	41.9	42.2	33.7	33.5
Investment, financing and saving								
Net acquisition of non-financial assets (+)	193.8	211.8	237.2	287.5	288.0	301.6	316.8	329.7
Gross fixed capital formation (+)	803.6	840.8	888.8	936.7	950.3	973.2	993.8	1,012.0
Consumption of fixed capital (-)	607.9	632.6	661.7	681.5	688.0	694.0	699.7	706.4
Net acquisition of other non-financial assets (+)	-1.8	3.6	10.1	32.3	25.8	22.5	22.7	24.1
Main items of financial investment (+)								
Short-term assets	106.0	102.9	125.9	156.3	179.2	210.0	221.1	185.7
Currency and deposits	64.3	84.1	113.2	124.8	145.1	163.9	164.5	158.4
Money market fund shares	22.5	16.5	8.6	8.0	3.6	19.7	23.5	-9.4
Debt securities ¹⁾	18.5	-2.5	4.4	24.1	31.0	27.1	34.2	37.5
Long-term assets	284.5	188.9	348.4	298.8	320.9	342.3	365.1	423.2
Deposits	43.4	0.6	30.7	20.2	21.4	29.4	29.1	16.8
Debt securities	-46.4	-53.2	-27.5	-36.2	-22.5	-30.1	-34.8	-31.5
Shares and other equity	147.3	175.8	214.3	191.5	174.6	176.1	192.1	240.2
Other, mainly intercompany loans	140.2	65.7	130.9	123.2	147.4	166.8	178.7	197.7
Remaining net assets (+)	59.5	75.8	68.0	143.0	159.8	136.3	130.1	145.5
Main items of financing (-)								
Debt	296.3	219.0	400.9	596.9	627.8	649.6	686.6	743.5
of which loans from euro area MFIs	102.8	172.5	264.6	425.1	448.7	444.9	484.6	521.6
of which debt securities	63.1	7.3	3.3	28.4	41.3	44.3	59.7	40.6
Shares and other equity	205.7	192.1	230.3	162.3	197.4	212.9	224.4	229.0
Quoted shares	19.0	11.9	100.5	37.8	34.3	46.5	66.2	74.1
Unquoted shares and other equity	186.7	180.1	129.8	124.5	163.1	166.4	158.2	154.9
Net capital transfers receivable (-)	46.3	58.3	61.1	65.9	80.8	85.5	86.2	75.8
= Net saving	95.6	110.1	87.3	60.6	41.9	42.2	33.7	33.5
Financial balance sheet								
Financial assets								
Short-term assets	1,307.5	1,368.0	1,499.8	1,603.2	1,672.7	1,711.8	1,766.3	1,780.9
Currency and deposits	1,028.9	1,102.6	1,220.7	1,276.9	1,356.8	1,364.8	1,405.0	1,428.9
Money market fund shares	143.8	163.7	176.3	194.4	185.8	204.2	205.2	185.6
Debt securities ¹⁾	134.8	101.7	102.9	131.9	130.1	142.8	156.1	166.3
Long-term assets	6,424.8	6,907.1	8,029.6	8,781.6	9,206.2	9,511.2	9,885.7	9,793.4
Deposits	137.6	136.8	175.4	214.3	206.3	260.5	264.8	252.3
Debt securities	377.6	324.4	285.2	255.5	260.7	234.1	236.1	213.9
Shares and other equity	4,563.9	5,047.2	6,049.0	6,697.8	7,059.1	7,283.6	7,605.0	7,503.3
Other, mainly intercompany loans	1,345.7	1,398.7	1,520.0	1,614.0	1,680.2	1,733.0	1,779.9	1,823.9
Remaining net assets	230.9	268.0	265.2	304.2	301.0	358.9	369.1	376.1
Liabilities								
Debt	6,037.5	6,221.0	6,632.8	7,103.9	7,244.9	7,431.3	7,685.3	7,843.8
of which loans from euro area MFIs	3,034.4	3,160.8	3,419.5	3,743.8	3,857.4	3,957.3	4,107.8	4,231.6
of which debt securities	628.2	667.8	671.3	696.9	698.8	710.4	742.9	733.0
Shares and other equity	8,241.7	9,172.2	10,715.8	11,634.5	12,349.5	12,770.6	13,416.1	13,201.4
Quoted shares	2,731.9	2,987.1	3,680.9	4,077.3	4,451.5	4,664.2	5,061.3	4,934.6
Unquoted shares and other equity	5,509.8	6,185.2	7,034.9	7,557.1	7,897.9	8,106.4	8,354.8	8,266.8

Sources: ECB and Eurostat.

1) Securities issued by MFIs with a maturity of less than two years and by other sectors with a maturity of less than one year.

3.5 Insurance corporations and pension funds

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

	2003	2004	2005	2005 Q4- 2006 Q3	2006 Q1- 2006 Q4	2006 Q2- 2007 Q1	2006 Q3- 2007 Q2	2006 Q4- 2007 Q3
Financial account, financial transactions								
Main items of financial investment (+)								
Short-term assets	21.7	40.1	28.6	-7.1	17.5	43.8	41.7	42.4
Currency and deposits	7.0	13.2	7.2	8.3	12.4	18.0	2.4	8.9
Money market fund shares	7.7	2.7	0.4	-4.2	3.6	7.1	3.6	0.3
Debt securities ¹⁾	7.1	24.2	21.0	-11.2	1.4	18.7	35.7	33.3
Long-term assets	230.2	217.0	281.3	344.2	323.1	282.8	284.8	243.5
Deposits	22.8	36.7	18.5	40.7	52.2	63.7	71.3	69.3
Debt securities	144.5	131.0	128.7	147.3	145.4	146.5	155.6	138.5
Loans	11.5	6.6	-2.7	10.5	4.0	-9.3	-8.4	-14.7
Quoted shares	9.5	13.0	31.6	14.7	16.7	12.1	5.7	2.9
Unquoted shares and other equity	5.1	-0.9	18.2	25.5	20.5	12.8	15.1	21.6
Mutual fund shares	36.7	30.6	87.0	105.5	84.2	57.1	45.5	26.0
Remaining net assets (+)	-3.7	9.9	9.3	15.5	11.5	25.4	25.7	34.9
Main items of financing (-)								
Debt securities	5.0	-1.8	0.1	-0.3	4.0	4.0	3.6	3.4
Loans	12.4	4.5	12.5	37.1	32.7	34.0	44.0	42.5
Shares and other equity	11.4	12.9	8.8	11.4	7.3	9.6	11.8	10.4
Insurance technical reserves	237.0	261.2	335.3	334.2	314.4	299.8	297.3	272.5
Net equity of households in life insurance and pension fund reserves	210.3	229.5	291.8	291.5	267.4	249.2	247.9	230.9
Prepayments of insurance premiums and reserves for outstanding claims	26.8	31.6	43.5	42.7	47.0	50.5	49.4	41.6
= Changes in net financial worth due to transactions	-17.5	-9.8	-37.4	-29.7	-6.3	4.7	-4.6	-7.9
Other changes account								
Other changes in financial assets (+)								
Shares and other equity	107.1	110.2	190.2	125.6	190.6	155.8	250.3	148.0
Other net assets	-10.1	159.2	43.7	-0.7	-51.3	-69.3	-81.9	-116.1
Other changes in liabilities (-)								
Shares and other equity	98.4	21.0	117.4	86.3	48.3	34.6	97.7	13.0
Insurance technical reserves	33.7	84.3	139.4	61.1	57.8	44.4	67.0	36.9
Net equity of households in life insurance and pension fund reserves	34.2	64.6	145.6	63.7	61.7	46.9	68.7	38.4
Prepayments of insurance premiums and reserves for outstanding claims	-0.5	19.8	-6.2	-2.6	-4.0	-2.4	-1.6	-1.5
= Other changes in net financial worth	-35.0	164.0	-22.9	-22.5	33.3	7.4	3.6	-18.1
Financial balance sheet								
Financial assets (+)								
Short-term assets	264.6	418.4	437.4	445.8	457.2	479.2	483.0	486.2
Currency and deposits	121.3	133.6	142.7	144.4	154.6	155.9	144.4	154.0
Money market fund shares	68.5	72.2	74.3	80.4	80.4	82.8	84.3	80.9
Debt securities ¹⁾	74.8	212.5	220.4	221.0	222.2	240.5	254.3	251.3
Long-term assets	3,770.2	4,126.0	4,622.1	4,972.8	5,076.9	5,162.4	5,251.8	5,255.4
Deposits	457.6	497.1	516.6	559.9	569.5	595.7	616.6	631.0
Debt securities	1,483.7	1,652.8	1,800.6	1,903.2	1,894.1	1,915.8	1,928.8	1,938.7
Loans	368.3	363.7	367.2	376.3	365.8	355.0	357.9	354.2
Quoted shares	526.1	574.9	702.1	761.6	831.0	855.0	860.0	852.9
Unquoted shares and other equity	306.7	337.1	396.9	435.2	457.1	460.4	482.1	479.6
Mutual fund shares	627.7	700.5	838.9	936.6	959.3	980.6	1,006.3	999.0
Remaining net assets (+)	105.6	121.5	159.0	175.9	176.5	180.5	175.4	192.4
Liabilities (-)								
Debt securities	23.4	21.9	22.0	23.7	26.2	26.0	25.4	25.6
Loans	126.5	119.8	131.8	168.9	164.9	183.8	193.6	199.5
Shares and other equity	429.3	463.3	589.5	628.9	645.0	661.0	688.5	652.3
Insurance technical reserves	3,789.4	4,134.9	4,609.6	4,882.9	4,981.7	5,062.9	5,142.2	5,192.3
Net equity of households in life insurance and pension fund reserves	3,208.5	3,502.6	3,940.0	4,183.6	4,269.1	4,336.1	4,409.5	4,452.9
Prepayments of insurance premiums and reserves for outstanding claims	580.9	632.3	669.6	699.3	712.6	726.7	732.7	739.4
= Net financial wealth	-228.3	-74.0	-134.3	-109.8	-107.2	-111.6	-139.5	-135.8

Source: ECB.

1) Securities issued by MFIs with a maturity of less than two years and by other sectors with a maturity of less than one year.



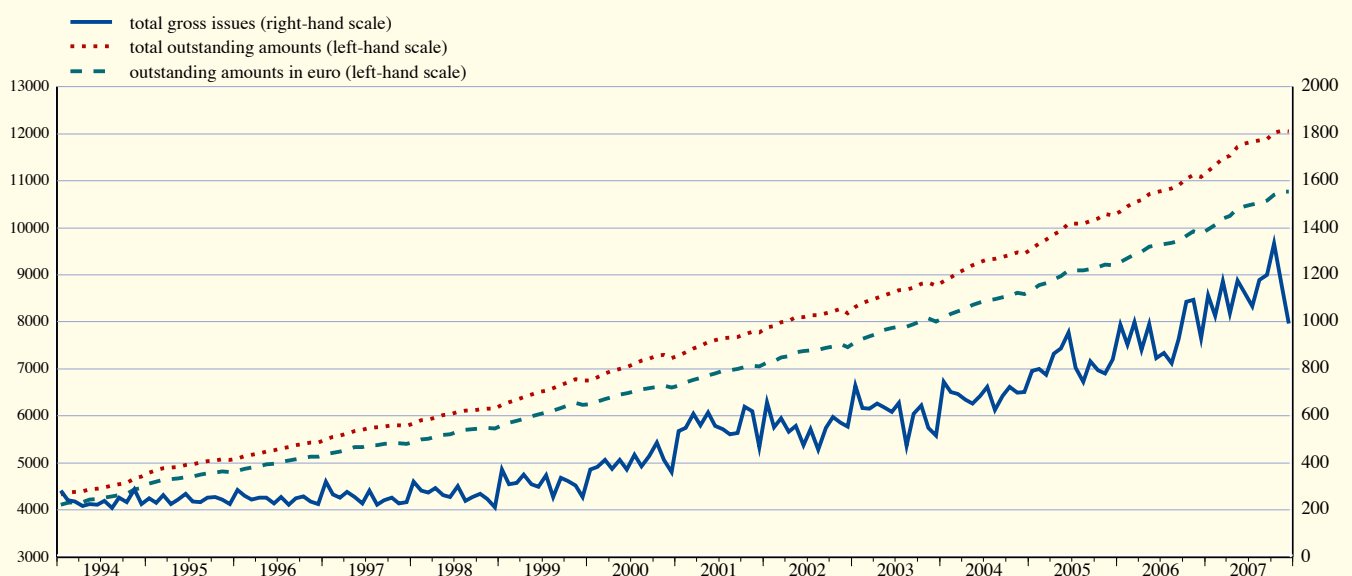
FINANCIAL MARKETS

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 ¹⁾			By euro area residents								
	Outstanding amounts	Gross issues	Net issues	In euro			In all currencies					
				Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted ²⁾	
1	2	3	4	5	6	7	8	9	10	Net issues	6-month growth rates	
											11	12
Total												
2006 Dec.	11,736.7	977.7	-24.4	9,868.1	885.8	-55.4	11,083.2	930.5	-59.4	7.9	52.0	8.7
2007 Jan.	11,836.2	1,146.3	99.4	9,966.1	1,052.7	98.1	11,211.1	1,112.3	116.6	7.9	75.3	9.0
Feb.	11,946.3	1,044.9	110.2	10,062.8	958.5	96.9	11,327.5	1,024.6	123.7	8.2	95.0	9.3
Mar.	12,178.1	1,258.2	230.6	10,200.2	1,119.6	136.1	11,470.5	1,172.2	142.3	8.5	108.0	10.1
Apr.	12,201.5	1,040.6	23.1	10,256.1	982.2	55.6	11,536.9	1,037.1	72.5	8.6	63.8	9.1
May	12,415.4	1,216.9	214.7	10,417.7	1,114.4	162.4	11,725.5	1,175.6	183.8	9.0	137.9	9.8
June	12,546.0	1,220.1	130.5	10,462.2	1,068.0	44.5	11,786.6	1,124.2	58.3	9.2	52.1	9.7
July	12,550.0	1,075.0	2.9	10,491.7	1,002.8	28.6	11,830.8	1,065.3	46.4	9.2	62.1	9.4
Aug.	12,577.9	1,183.3	28.2	10,517.8	1,130.7	26.3	11,852.2	1,179.2	27.2	9.2	84.4	9.2
Sep.	12,672.0	1,243.0	92.4	10,577.0	1,153.1	57.6	11,884.1	1,200.4	48.3	9.1	59.8	8.2
Oct.	12,769.3	1,338.3	96.2	10,695.0	1,266.0	117.0	12,017.8	1,333.9	134.2	9.1	118.1	9.1
Nov.	12,856.1	1,173.1	84.9	10,764.2	1,104.7	67.2	12,060.3	1,154.4	61.6	8.6	45.4	7.4
Dec.	12,885.5	1,031.8	32.4	10,762.9	950.0	1.7	12,043.3	992.0	-15.5	9.0	108.8	8.3
Long-term												
2006 Dec.	10,735.0	172.0	19.2	9,012.2	133.5	16.5	10,073.5	153.6	13.8	8.2	59.8	9.0
2007 Jan.	10,812.0	231.9	76.8	9,063.3	177.2	51.1	10,145.7	201.0	62.1	8.2	68.3	9.3
Feb.	10,911.5	237.6	99.6	9,146.4	189.8	83.3	10,242.6	223.4	104.8	8.4	82.6	9.6
Mar.	11,048.9	277.8	137.4	9,243.1	213.2	96.5	10,342.2	234.0	101.6	8.6	78.4	9.9
Apr.	11,091.1	182.4	41.8	9,275.1	156.0	31.7	10,380.0	177.7	45.2	8.6	53.4	9.0
May	11,278.1	266.9	188.6	9,410.7	199.2	137.2	10,536.1	225.5	152.1	9.1	108.4	9.2
June	11,378.6	259.1	99.1	9,475.9	190.6	63.9	10,617.0	217.1	77.2	9.0	46.8	8.9
July	11,405.3	197.9	26.3	9,487.7	161.6	11.6	10,640.8	187.6	25.7	8.8	46.8	8.3
Aug.	11,399.1	102.4	-6.8	9,480.5	86.6	-7.8	10,638.5	103.8	-2.8	8.6	50.3	7.6
Sep.	11,425.8	157.1	25.5	9,499.4	131.8	17.6	10,630.9	146.2	16.4	8.0	11.9	6.2
Oct.	11,491.3	225.2	66.5	9,551.7	189.0	53.6	10,681.4	213.0	60.2	7.7	68.6	6.5
Nov.	11,569.7	172.4	76.7	9,609.8	138.8	56.3	10,720.6	151.7	52.4	7.0	32.8	5.0
Dec.	11,629.6	190.4	60.7	9,659.0	156.5	50.0	10,756.4	167.3	38.6	7.3	82.7	5.6

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	
	Total											
2006	11,083	4,564	1,171	636	4,408	305	11,337	8,377	423	1,113	1,339	85
2007	12,043	5,043	1,479	687	4,520	315	13,571	10,058	525	1,458	1,450	80
2007 Q1	11,471	4,759	1,266	648	4,489	309	3,309	2,446	141	285	415	23
Q2	11,787	4,868	1,326	684	4,600	308	3,337	2,359	119	453	389	18
Q3	11,884	4,951	1,358	678	4,586	310	3,445	2,599	88	394	345	19
Q4	12,043	5,043	1,479	687	4,520	315	3,480	2,654	177	326	302	21
2007 Sep.	11,884	4,951	1,358	678	4,586	310	1,200	933	20	107	132	8
Oct.	12,018	5,050	1,390	688	4,575	315	1,334	1,001	58	126	140	10
Nov.	12,060	5,054	1,410	691	4,588	317	1,154	895	34	109	110	6
Dec.	12,043	5,043	1,479	687	4,520	315	992	759	85	91	52	5
	Short-term											
2006	1,010	570	12	94	329	4	9,175	7,375	59	1,023	686	31
2007	1,287	784	18	121	356	7	11,323	9,030	58	1,366	831	38
2007 Q1	1,128	621	12	106	385	4	2,651	2,132	16	271	222	8
Q2	1,170	627	11	120	407	5	2,717	2,072	12	413	209	9
Q3	1,253	711	9	117	409	7	3,007	2,401	10	378	207	11
Q4	1,287	784	18	121	356	7	2,948	2,424	20	303	192	10
2007 Sep.	1,253	711	9	117	409	7	1,054	870	3	102	75	5
Oct.	1,336	774	15	126	414	7	1,121	904	11	117	84	4
Nov.	1,340	783	15	127	407	8	1,003	827	3	101	69	2
Dec.	1,287	784	18	121	356	7	825	693	5	86	39	3
	Long-term ¹⁾											
2006	10,074	3,994	1,159	542	4,079	301	2,163	1,002	363	90	653	54
2007	10,756	4,258	1,461	566	4,164	308	2,248	1,028	467	92	619	42
2007 Q1	10,342	4,138	1,254	542	4,105	304	658	313	125	13	192	14
Q2	10,617	4,241	1,315	564	4,194	304	620	287	106	40	179	8
Q3	10,631	4,240	1,349	561	4,177	304	438	198	78	15	138	8
Q4	10,756	4,258	1,461	566	4,164	308	532	231	157	23	110	11
2007 Sep.	10,631	4,240	1,349	561	4,177	304	146	64	18	5	58	3
Oct.	10,681	4,276	1,375	562	4,161	308	213	97	46	9	55	5
Nov.	10,721	4,271	1,395	565	4,180	309	152	68	31	8	41	4
Dec.	10,756	4,258	1,461	566	4,164	308	167	66	80	6	14	2
	Of which long-term fixed rate											
2006	7,049	2,136	544	413	3,720	237	1,291	475	143	56	577	39
2007	7,318	2,271	590	429	3,777	250	1,278	530	117	57	538	36
2007 Q1	7,166	2,211	570	413	3,730	243	403	172	40	9	169	13
Q2	7,309	2,255	584	426	3,800	244	339	132	29	24	147	7
Q3	7,309	2,254	592	422	3,795	246	262	100	24	8	123	7
Q4	7,318	2,271	590	429	3,777	250	273	126	23	17	99	8
2007 Sep.	7,309	2,254	592	422	3,795	246	87	27	2	2	52	3
Oct.	7,316	2,280	589	426	3,771	250	122	54	11	6	47	4
Nov.	7,340	2,281	587	430	3,790	252	95	41	4	8	39	4
Dec.	7,318	2,271	590	429	3,777	250	56	31	8	3	13	1
	Of which long-term variable rate											
2006	2,604	1,508	605	115	312	64	717	406	216	31	49	15
2007	2,983	1,609	852	126	338	58	798	368	341	33	51	5
2007 Q1	2,726	1,560	671	115	318	61	213	114	83	4	12	1
Q2	2,846	1,603	716	126	341	60	228	111	76	16	23	1
Q3	2,867	1,605	741	127	336	57	137	71	51	7	8	1
Q4	2,983	1,609	852	126	338	58	220	72	131	7	8	3
2007 Sep.	2,867	1,605	741	127	336	57	46	28	14	1	4	0
Oct.	2,902	1,607	770	125	342	58	74	28	35	3	6	1
Nov.	2,920	1,607	790	124	343	57	47	19	26	1	2	0
Dec.	2,983	1,609	852	126	338	58	100	25	70	3	0	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

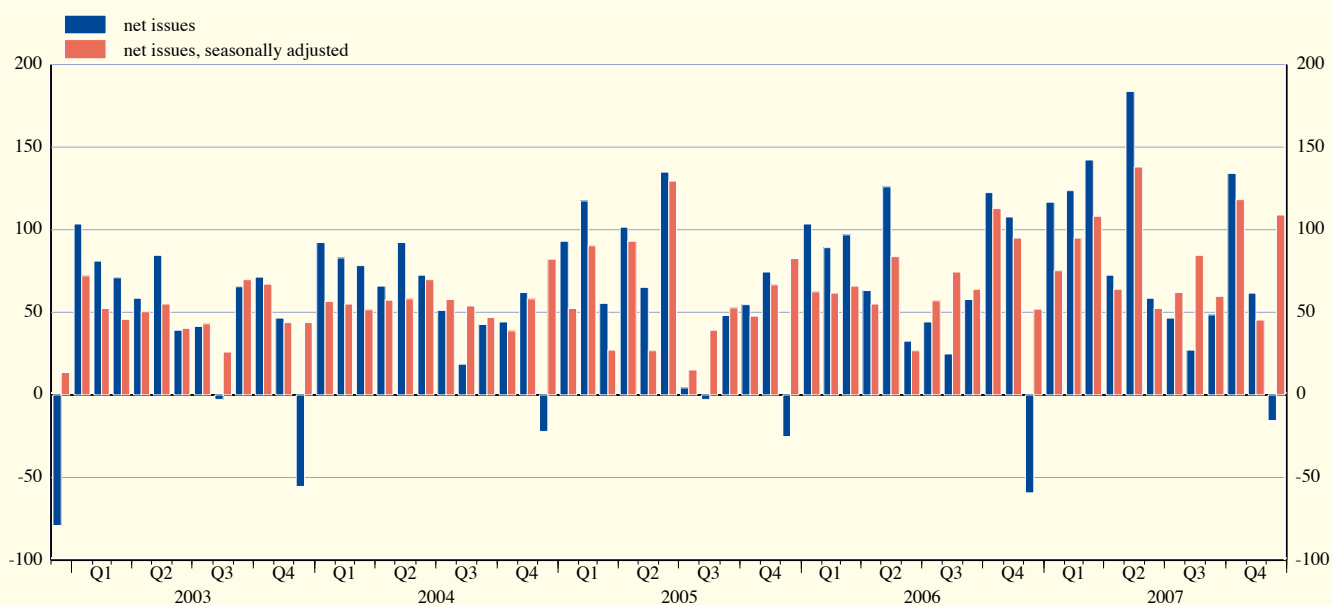
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

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											
2006	808.5	419.1	244.1	32.6	90.5	22.3	810.2	424.5	240.4	32.8	90.1	22.3
2007	999.4	482.3	328.8	56.8	120.7	10.8	1,010.6	492.6	324.2	59.5	123.5	10.8
2007 Q1	382.7	187.1	96.0	13.0	82.7	3.9	278.3	122.4	113.4	10.6	29.3	2.6
Q2	314.6	105.1	61.2	36.3	112.1	-0.1	253.8	113.4	47.7	28.1	65.4	-0.9
Q3	121.9	97.1	37.3	-3.7	-11.1	2.3	206.3	122.6	65.6	3.4	8.4	6.3
Q4	180.2	93.0	134.3	11.2	-63.1	4.8	272.2	134.2	97.4	17.4	20.4	2.8
2007 Sep.	48.3	30.1	0.9	-3.5	18.1	2.6	59.8	40.3	6.1	1.4	8.3	3.7
Oct.	134.2	85.8	42.9	10.6	-9.8	4.6	118.1	61.7	39.9	5.9	6.2	4.4
Nov.	61.6	18.3	22.3	4.4	14.5	2.1	45.4	19.9	13.2	5.0	8.4	-1.1
Dec.	-15.5	-11.1	69.1	-3.8	-67.8	-1.9	108.8	52.7	44.4	6.4	5.8	-0.5
	Long-term											
2006	759.2	346.5	238.7	29.2	121.5	23.3	759.2	348.4	235.2	29.0	123.3	23.3
2007	733.7	281.1	323.1	29.6	92.0	8.0	731.3	282.9	318.7	29.6	92.4	7.9
2007 Q1	268.5	141.1	96.3	1.0	26.7	3.3	229.4	107.2	113.5	7.5	-0.9	2.1
Q2	274.6	100.5	62.3	22.3	90.2	-0.6	208.7	96.3	48.7	15.8	49.2	-1.3
Q3	39.3	14.1	39.0	-0.3	-14.0	0.4	109.1	27.8	67.7	2.3	7.0	4.2
Q4	151.3	25.3	125.4	6.7	-11.0	4.8	184.2	51.5	88.8	4.0	37.0	2.8
2007 Sep.	16.4	-7.0	2.1	-1.1	21.6	0.9	11.9	-9.4	7.1	0.3	12.3	1.7
Oct.	60.2	33.0	36.7	1.2	-14.9	4.2	68.6	30.4	32.8	-0.6	2.2	3.9
Nov.	52.4	3.9	22.3	3.9	20.7	1.6	32.8	5.6	13.5	3.7	11.4	-1.5
Dec.	38.6	-11.6	66.5	1.5	-16.9	-0.9	82.7	15.5	42.5	0.9	23.4	0.4

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

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



Source: ECB.

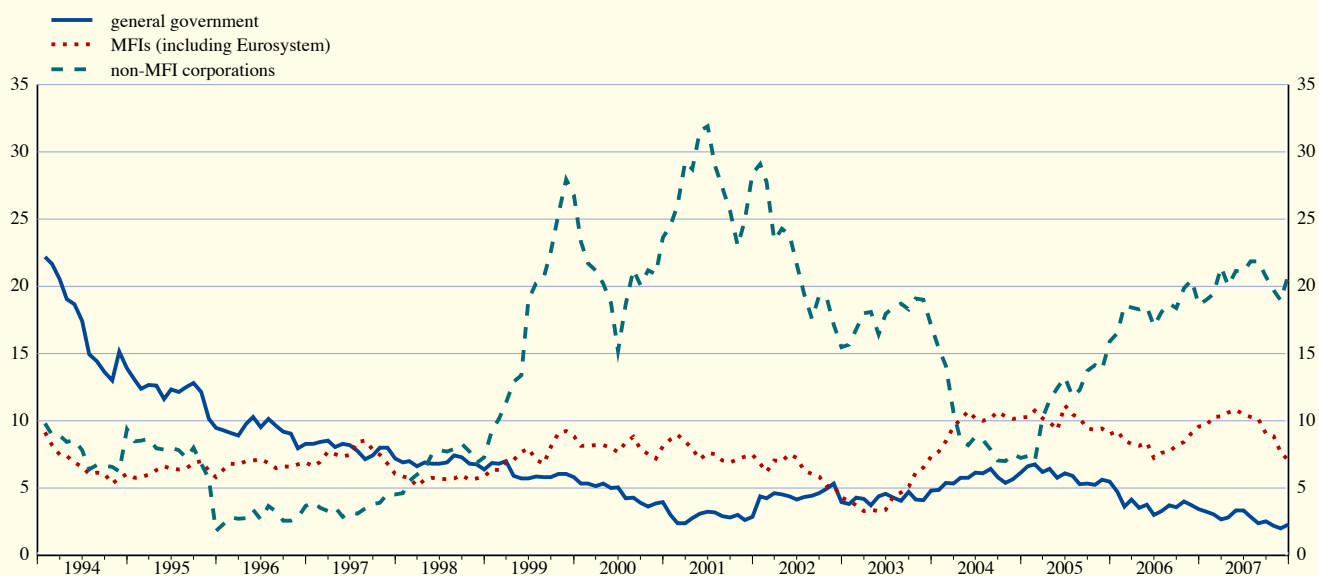
4.3 Growth rates of securities, other than shares, issued by euro area residents ¹⁾

(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 Dec.	7.9	10.2	26.2	5.4	2.1	7.9	8.7	11.0	27.1	4.1	3.2	5.5
2007 Jan.	7.9	10.5	26.9	4.5	1.9	7.4	9.0	12.0	28.2	4.8	2.7	4.3
Feb.	8.2	10.7	27.6	4.7	2.1	5.8	9.3	12.3	31.0	7.5	2.3	2.1
Mar.	8.5	10.4	30.3	5.7	2.4	6.6	10.1	11.7	37.1	7.3	3.1	5.1
Apr.	8.6	10.6	28.3	6.0	2.6	7.2	9.1	10.9	28.6	7.8	2.9	6.1
May	9.0	10.4	30.1	6.0	3.5	5.0	9.8	11.5	30.6	8.1	3.7	3.3
June	9.2	10.7	28.6	8.2	3.8	3.3	9.7	10.5	29.9	12.4	4.3	1.1
July	9.2	10.8	29.0	10.1	3.3	2.5	9.4	9.6	30.0	15.5	3.9	0.7
Aug.	9.2	11.0	28.9	9.7	3.1	2.6	9.2	9.8	27.1	12.0	3.9	3.1
Sep.	9.1	10.9	27.5	8.5	3.2	4.3	8.2	10.2	18.7	9.9	3.3	3.5
Oct.	9.1	11.0	26.6	8.9	3.0	5.5	9.1	11.1	24.6	10.0	3.0	5.3
Nov.	8.6	10.4	25.2	8.8	2.7	4.3	7.4	9.4	19.9	9.4	1.6	5.3
Dec.	9.0	10.6	28.2	9.0	2.7	3.6	8.3	10.9	26.5	6.2	1.3	6.0
	Long-term											
2006 Dec.	8.2	9.5	25.8	5.7	3.1	8.4	9.0	10.5	27.1	3.8	4.3	6.2
2007 Jan.	8.2	9.6	26.6	5.4	2.9	7.6	9.3	11.3	28.2	6.0	3.6	4.8
Feb.	8.4	10.3	27.4	4.8	2.9	5.9	9.6	12.4	31.2	6.2	2.6	2.6
Mar.	8.6	10.3	30.0	5.3	2.4	6.9	9.9	12.1	37.4	5.7	2.1	5.2
Apr.	8.6	10.6	28.2	4.8	2.5	7.4	9.0	11.9	29.0	5.8	1.7	5.8
May	9.1	10.8	30.1	4.2	3.2	5.1	9.2	11.2	31.0	6.0	2.5	2.8
June	9.0	10.4	28.8	6.3	3.3	3.4	8.9	10.4	30.5	8.8	2.4	0.6
July	8.8	10.3	29.4	7.2	2.9	2.7	8.3	9.2	30.7	8.3	2.1	0.6
Aug.	8.6	10.1	29.3	7.0	2.4	2.7	7.6	7.9	27.7	7.9	2.1	2.8
Sep.	8.0	9.0	28.0	6.2	2.4	3.5	6.2	6.1	19.5	6.7	2.8	2.0
Oct.	7.7	8.8	26.5	5.8	2.0	4.6	6.5	5.9	24.0	5.7	2.4	3.7
Nov.	7.0	7.7	25.1	6.0	1.9	3.1	5.0	4.3	19.4	6.0	1.3	3.4
Dec.	7.3	7.0	28.0	5.5	2.3	2.7	5.6	3.8	25.7	2.3	2.1	4.7

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.

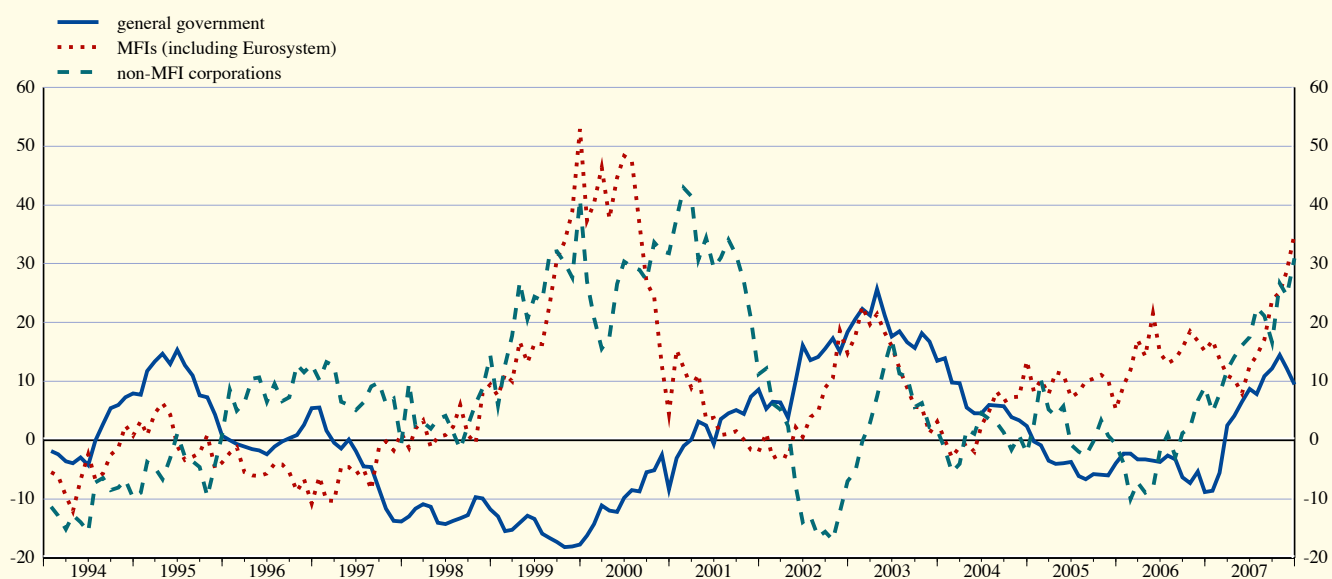
4.3 Growth rates of securities, other than shares, issued by euro area residents ¹⁾ (cont'd)

(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												
2006	4.5	4.7	13.9	0.8	3.2	13.4	16.4	11.8	41.1	28.0	5.0	4.5
2007	5.2	7.1	17.8	3.8	2.4	6.6	15.7	11.1	37.2	18.2	3.8	-1.8
2007 Q1	5.3	6.3	20.7	2.7	3.0	7.7	15.2	12.2	33.5	21.9	1.0	4.6
Q2	5.5	7.5	19.9	2.7	2.7	7.5	16.5	12.1	37.9	18.9	5.1	-0.3
Q3	5.4	8.0	17.7	4.7	2.3	5.0	16.2	11.1	39.3	19.5	4.4	-4.7
Q4	4.5	6.7	13.6	5.0	1.8	6.3	14.7	9.0	37.7	13.2	4.8	-6.5
2007 July	5.4	8.3	17.6	4.9	2.2	4.8	16.6	11.0	40.0	20.2	6.3	-5.5
Aug.	5.3	8.2	18.4	5.1	1.9	4.7	16.0	11.1	39.0	19.1	3.0	-5.0
Sep.	5.1	6.8	16.7	4.2	2.5	5.6	15.3	10.6	38.0	18.7	1.3	-4.3
Oct.	4.6	6.9	13.9	5.1	1.7	6.8	15.3	9.9	37.6	13.0	4.9	-3.4
Nov.	4.3	6.5	12.7	5.3	1.7	6.4	13.8	8.3	35.6	12.8	4.6	-9.3
Dec.	4.3	6.7	11.7	5.1	1.7	5.8	15.0	7.0	41.7	9.5	8.3	-8.9
In euro												
2006	3.8	3.1	11.3	0.1	3.2	13.6	15.2	10.1	37.6	30.9	5.2	3.7
2007	4.6	6.4	14.6	2.2	2.7	6.7	15.0	10.2	34.9	18.2	3.9	-2.4
2007 Q1	4.7	5.4	16.2	1.1	3.3	7.7	14.0	10.9	30.0	23.3	1.0	4.1
Q2	4.9	6.8	16.4	0.8	2.9	7.4	15.8	11.2	35.4	19.7	5.2	-0.8
Q3	4.7	7.1	14.7	3.3	2.5	5.2	15.6	10.3	37.5	18.7	4.5	-5.6
Q4	4.1	6.2	11.5	3.7	2.1	6.6	14.5	8.6	36.2	12.1	4.9	-7.2
2007 July	4.8	7.4	14.9	3.7	2.4	4.9	15.9	10.0	38.2	19.4	6.4	-6.4
Aug.	4.6	7.4	15.3	3.9	2.1	5.0	15.5	10.5	37.2	18.0	3.2	-6.0
Sep.	4.5	5.9	13.6	2.4	2.9	5.9	14.7	9.8	36.3	17.7	1.5	-5.2
Oct.	4.1	6.3	12.0	3.4	1.9	7.1	14.9	9.5	35.7	11.7	5.1	-4.2
Nov.	4.0	6.1	10.7	4.3	1.9	6.8	13.6	8.1	33.8	11.6	4.8	-10.0
Dec.	3.9	6.2	10.0	4.3	1.9	6.1	15.4	6.8	41.6	8.6	8.6	-9.0

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 ¹⁾

(EUR billions, unless otherwise indicated; market values)

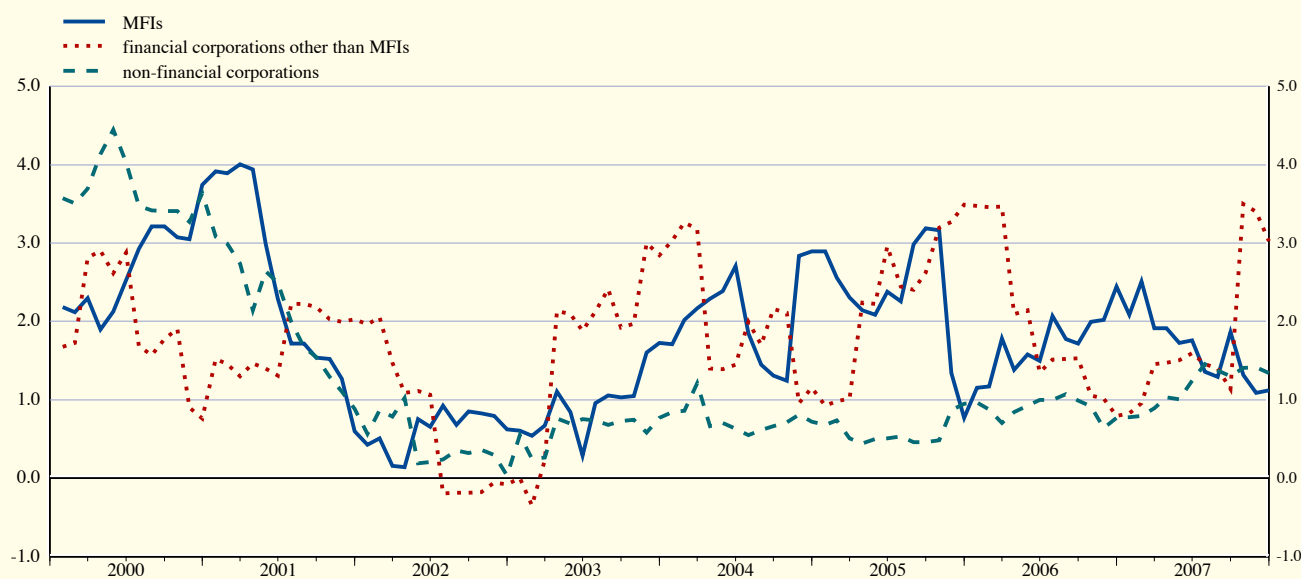
1. Outstanding amounts and annual growth rates

(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 Dec.	5,062.9	103.5	1.2	836.4	0.8	541.2	3.5	3,685.3	0.9
2006 Jan.	5,303.5	103.6	1.2	884.8	1.2	540.9	3.5	3,877.7	1.0
Feb.	5,443.2	103.6	1.2	938.8	1.2	566.9	3.5	3,937.4	0.9
Mar.	5,644.8	103.7	1.2	962.3	1.8	584.3	3.5	4,098.1	0.7
Apr.	5,669.6	103.8	1.1	948.8	1.4	578.2	2.1	4,142.6	0.8
May	5,378.9	103.9	1.2	892.8	1.6	542.8	2.1	3,943.3	0.9
June	5,390.3	104.0	1.1	901.0	1.5	538.9	1.4	3,950.4	1.0
July	5,387.2	104.1	1.2	914.3	2.1	553.0	1.5	3,919.9	1.0
Aug.	5,568.5	104.2	1.2	955.0	1.8	603.8	1.5	4,009.7	1.1
Sep.	5,709.5	104.2	1.2	982.6	1.7	615.8	1.5	4,111.1	1.0
Oct.	5,896.7	104.3	1.1	1,011.8	2.0	622.9	1.1	4,262.0	0.9
Nov.	5,951.0	104.4	0.9	1,020.6	2.0	612.6	1.0	4,317.8	0.6
Dec.	6,168.6	104.6	1.1	1,052.4	2.4	632.1	0.8	4,484.1	0.8
2007 Jan.	6,343.4	104.6	1.0	1,107.3	2.1	645.1	0.8	4,591.0	0.8
Feb.	6,258.8	104.7	1.1	1,077.3	2.5	636.7	1.0	4,544.9	0.8
Mar.	6,484.7	104.8	1.1	1,095.9	1.9	648.1	1.5	4,740.7	0.9
Apr.	6,733.1	105.0	1.2	1,152.2	1.9	674.2	1.5	4,906.7	1.0
May	7,011.4	105.1	1.2	1,157.2	1.7	687.5	1.5	5,166.7	1.0
June	6,932.5	105.4	1.4	1,111.2	1.8	675.7	1.6	5,145.6	1.2
July	6,700.6	105.6	1.4	1,081.1	1.4	607.3	1.5	5,012.1	1.5
Aug.	6,587.4	105.6	1.4	1,041.6	1.3	582.3	1.4	4,963.4	1.4
Sep.	6,651.0	105.7	1.4	1,030.5	1.9	595.8	1.1	5,024.7	1.3
Oct.	6,902.5	106.0	1.6	1,052.3	1.3	627.8	3.5	5,222.3	1.4
Nov.	6,590.2	106.0	1.5	1,013.9	1.1	577.9	3.4	4,998.4	1.4
Dec.	6,547.2	106.2	1.5	999.1	1.1	577.7	3.0	4,970.4	1.3

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 ¹⁾

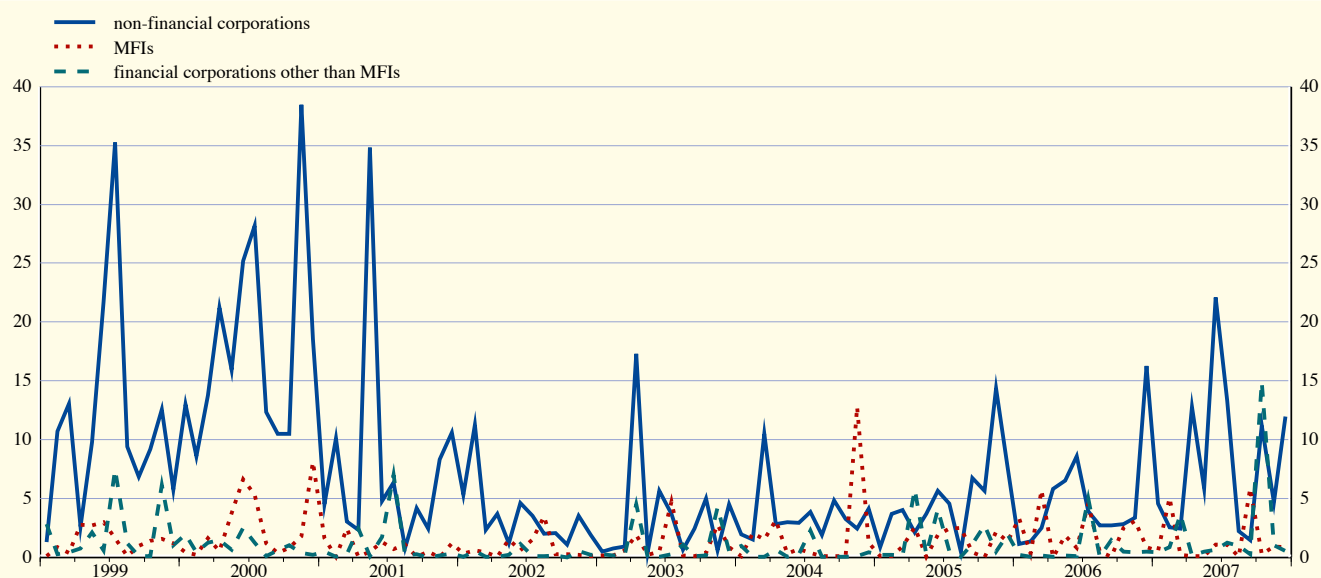
(EUR billions; market values)

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 Dec.	10.9	7.3	3.6	1.3	4.3	-3.0	1.9	0.4	1.5	7.7	2.6	5.0
2006 Jan.	4.6	0.8	3.9	3.3	0.0	3.3	0.2	0.0	0.2	1.1	0.7	0.4
Feb.	1.7	1.7	0.0	0.3	0.1	0.2	0.0	0.0	0.0	1.3	1.6	-0.3
Mar.	8.3	5.4	2.9	5.7	0.0	5.7	0.1	0.0	0.1	2.5	5.4	-3.0
Apr.	5.8	0.5	5.3	0.0	0.2	-0.1	0.0	0.0	0.0	5.8	0.3	5.5
May	8.5	2.2	6.3	1.9	0.0	1.8	0.2	0.0	0.2	6.5	2.2	4.3
June	9.4	2.7	6.7	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	1.1
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	2.0	4.9	3.1	0.0	3.1	0.4	0.2	0.3	3.3	1.8	1.5
Dec.	17.6	5.1	12.5	0.9	0.3	0.5	0.5	0.0	0.5	16.2	4.7	11.5
2007 Jan.	5.5	3.9	1.6	0.5	0.1	0.4	0.4	0.0	0.4	4.5	3.8	0.7
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.	6.3	1.7	4.6	0.2	0.0	0.2	3.6	0.4	3.3	2.4	1.4	1.1
Apr.	13.0	0.4	12.6	0.1	0.3	-0.2	0.1	0.0	0.1	12.8	0.2	12.6
May	6.4	1.8	4.5	0.1	0.0	0.1	0.4	0.0	0.4	5.8	1.8	4.0
June	23.8	1.6	22.2	1.0	0.0	1.0	0.6	0.0	0.6	22.1	1.6	20.5
July	15.7	1.8	13.8	1.1	0.0	1.1	1.2	0.3	0.9	13.3	1.5	11.8
Aug.	3.2	6.6	-3.4	0.0	0.1	-0.1	1.0	1.4	-0.5	2.2	5.1	-2.8
Sep.	7.5	2.5	5.1	5.9	0.0	5.9	0.2	0.3	-0.1	1.4	2.1	-0.7
Oct.	26.4	8.0	18.3	0.3	3.2	-3.0	14.9	0.5	14.4	11.2	4.3	6.9
Nov.	6.5	3.3	3.2	0.9	0.0	0.9	1.0	1.3	-0.3	4.7	2.0	2.7
Dec.	13.3	4.4	8.9	0.9	0.0	0.9	0.5	2.2	-1.6	12.0	2.3	9.7

C20 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

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

4.5 MFI interest rates on euro-denominated deposits and loans by euro area residents ¹⁾

(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 ²⁾	With agreed maturity			Redeemable at notice ^{2),3)}		Overnight ²⁾	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
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	2.72	2.35	3.07	1.64	3.48	3.80	4.15	3.47
Mar.	1.02	3.51	3.65	2.68	2.39	3.14	1.71	3.67	3.83	3.72	3.64
Apr.	1.04	3.59	3.68	2.78	2.42	3.20	1.75	3.74	4.01	3.87	3.70
May	1.06	3.62	3.51	2.72	2.43	3.25	1.78	3.74	3.80	3.72	3.73
June	1.08	3.78	3.79	2.64	2.42	3.32	1.77	3.94	4.09	4.16	3.90
July	1.10	3.86	3.90	2.97	2.45	3.40	1.81	4.01	4.16	4.51	3.95
Aug.	1.14	3.93	3.93	3.01	2.53	3.46	1.89	4.08	4.33	4.20	3.93
Sep.	1.16	4.07	3.98	2.92	2.58	3.50	1.91	4.14	4.34	4.41	3.97
Oct.	1.17	4.11	4.16	3.31	2.53	3.57	1.97	4.07	4.37	4.63	3.93
Nov.	1.18	4.08	4.22	3.20	2.54	3.64	2.01	4.10	4.41	4.04	3.98
Dec.	1.18	4.28	4.13	3.19	2.57	3.68	1.97	4.26	4.39	4.21	3.95

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

	Bank overdrafts ²⁾	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge ⁴⁾	By initial rate fixation				Annual percentage rate of charge ⁴⁾	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
2007 Jan.	10.14	7.63	6.68	8.39	8.25	4.68	4.60	4.60	4.50	4.83	5.13	5.43	4.92
Feb.	10.31	7.69	6.83	8.27	8.28	4.71	4.71	4.70	4.61	4.90	5.27	5.38	5.14
Mar.	10.22	7.51	6.68	8.34	8.14	4.79	4.76	4.71	4.62	4.94	5.26	5.60	5.20
Apr.	10.29	7.77	6.69	8.24	8.15	4.85	4.73	4.75	4.67	5.00	5.29	5.57	5.21
May	10.32	8.10	6.73	8.30	8.27	4.88	4.80	4.81	4.74	5.02	5.38	5.65	5.32
June	10.38	8.07	6.66	8.25	8.26	5.00	4.93	4.90	4.82	5.15	5.49	5.77	5.37
July	10.49	8.06	6.76	8.30	8.35	5.06	4.93	5.02	4.91	5.26	5.54	5.80	5.41
Aug.	10.55	8.43	6.85	8.31	8.48	5.15	4.98	5.08	4.90	5.24	5.36	5.93	5.47
Sep.	10.53	8.48	6.83	8.39	8.54	5.23	5.02	5.09	5.02	5.31	5.46	5.87	5.51
Oct.	10.64	8.10	6.88	8.40	8.38	5.29	5.05	5.08	5.11	5.38	5.63	6.05	5.59
Nov.	10.50	8.38	6.90	8.36	8.47	5.28	5.04	5.10	5.11	5.38	5.60	5.95	5.49
Dec.	10.48	8.04	6.92	8.14	8.28	5.31	4.99	5.06	5.15	5.43	5.67	5.82	5.41

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

	Bank overdrafts ²⁾	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	
								1	2	3	4	5	6	7
2007 Jan.		5.94	5.16	5.31	4.69	4.44	4.67	4.70
Feb.		6.03	5.21	5.44	4.86	4.51	4.69	4.71
Mar.		6.04	5.30	5.45	4.88	4.66	4.81	4.87
Apr.		6.12	5.37	5.47	4.88	4.70	4.99	4.90
May		6.12	5.43	5.57	4.95	4.72	5.10	5.12
June		6.17	5.53	5.70	5.03	4.89	5.28	5.17
July		6.30	5.58	5.77	5.09	4.90	4.95	5.17
Aug.		6.35	5.77	5.86	5.17	5.01	5.46	5.29
Sep.		6.49	5.93	5.90	5.23	5.20	5.60	5.41
Oct.		6.53	5.95	6.00	5.26	5.11	5.19	5.31
Nov.		6.50	5.96	5.90	5.29	5.08	5.28	5.36
Dec.		6.59	6.08	5.94	5.31	5.37	5.62	5.47

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)

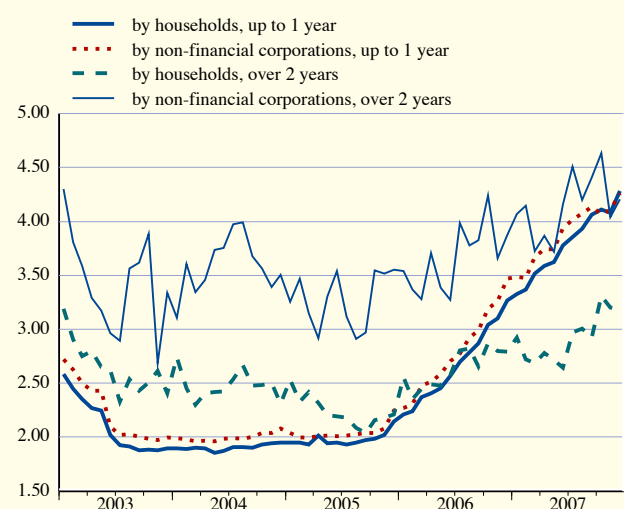
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight ¹⁾	With agreed maturity		Redeemable at notice ¹⁾²⁾		Overnight ¹⁾	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2007 Jan.	0.98	2.99	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	3.05	2.39	3.14	1.71	3.61	3.93	3.54
Apr.	1.04	3.23	3.06	2.42	3.20	1.75	3.67	3.93	3.59
May	1.06	3.30	3.03	2.43	3.25	1.78	3.72	3.96	3.66
June	1.08	3.39	3.04	2.42	3.32	1.77	3.87	3.99	3.79
July	1.10	3.49	3.02	2.45	3.40	1.81	3.92	4.00	3.85
Aug.	1.14	3.58	3.03	2.53	3.46	1.89	4.03	4.07	3.89
Sep.	1.16	3.68	3.06	2.58	3.50	1.91	4.13	4.09	3.93
Oct.	1.17	3.79	3.04	2.53	3.57	1.97	4.18	4.11	3.93
Nov.	1.18	3.85	3.06	2.54	3.64	2.01	4.21	4.18	3.97
Dec.	1.18	3.94	3.03	2.57	3.68	1.97	4.34	4.17	4.01

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
2007 Jan.	5.05	4.38	4.72	8.53	6.83	5.95	5.30	4.76	4.77
Feb.	5.11	4.46	4.79	8.66	6.95	5.96	5.37	4.83	4.83
Mar.	5.14	4.45	4.79	8.62	6.88	5.95	5.44	4.90	4.84
Apr.	5.14	4.48	4.80	8.67	6.96	5.97	5.50	4.94	4.87
May	5.16	4.48	4.82	8.71	6.95	5.97	5.50	4.98	4.90
June	5.20	4.53	4.86	8.68	6.94	6.01	5.62	5.09	4.96
July	5.28	4.57	4.89	8.80	6.95	6.06	5.70	5.15	5.00
Aug.	5.35	4.58	4.90	8.85	6.97	6.08	5.76	5.24	5.05
Sep.	5.44	4.64	4.94	8.99	7.00	6.13	5.91	5.34	5.14
Oct.	5.49	4.68	4.98	9.02	7.10	6.16	5.96	5.44	5.22
Nov.	5.48	4.72	4.99	8.86	7.12	6.21	5.96	5.49	5.22
Dec.	5.53	4.73	5.00	9.03	7.14	6.24	6.07	5.60	5.28

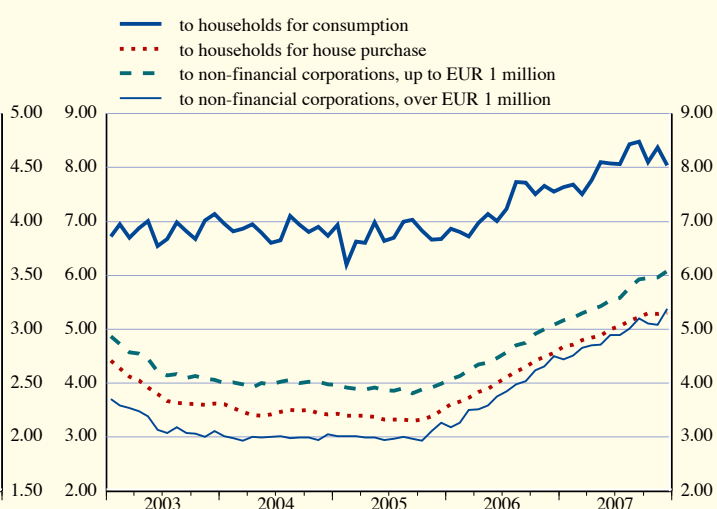
C21 New deposits with agreed maturity

(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.

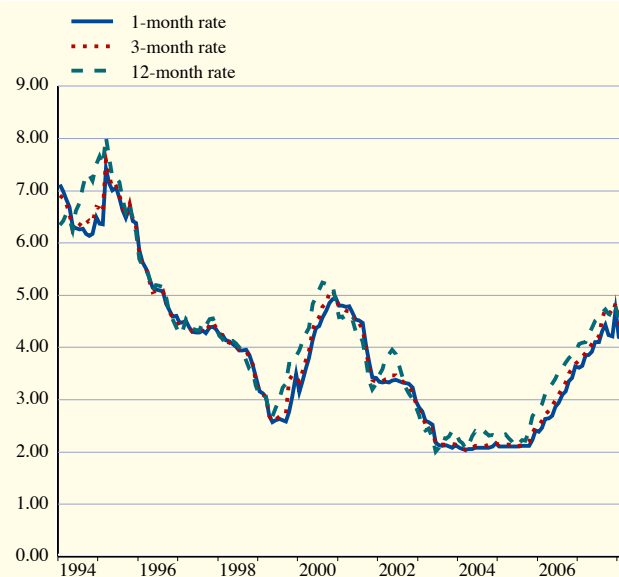
4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area ^{1,2)}					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
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
2007	3.87	4.08	4.28	4.35	4.45	5.30	0.79
2006 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
Q2	3.86	3.96	4.07	4.20	4.38	5.36	0.69
Q3	4.05	4.28	4.49	4.56	4.65	5.45	0.89
Q4	3.95	4.37	4.72	4.70	4.68	5.02	0.96
2007 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
June	3.96	4.10	4.15	4.28	4.51	5.36	0.73
July	4.06	4.11	4.22	4.36	4.56	5.36	0.77
Aug.	4.05	4.31	4.54	4.59	4.67	5.48	0.92
Sep.	4.03	4.43	4.74	4.75	4.72	5.49	0.99
Oct.	3.94	4.24	4.69	4.66	4.65	5.15	0.97
Nov.	4.02	4.22	4.64	4.63	4.61	4.96	0.91
Dec.	3.88	4.71	4.85	4.82	4.79	4.97	0.99
2008 Jan.	4.02	4.20	4.48	4.50	4.50	3.92	0.89
Feb.	4.03	4.18	4.36	4.36	4.35	3.09	0.90

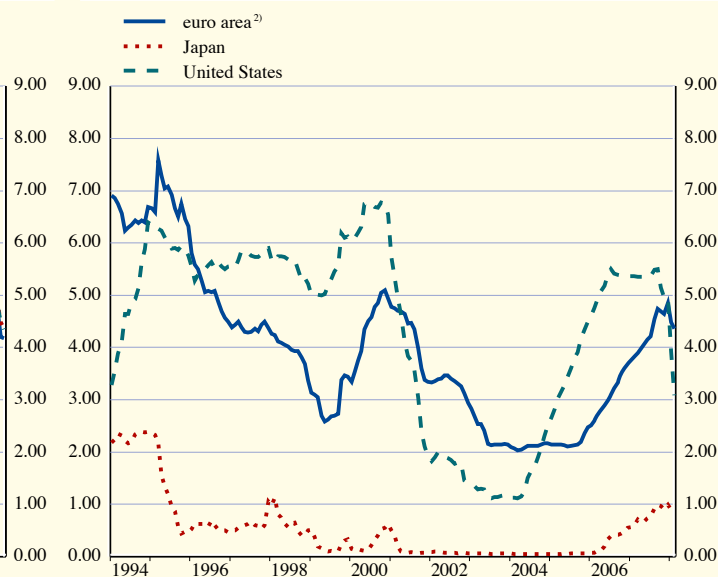
C23 Euro area money market rates ²⁾

(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.

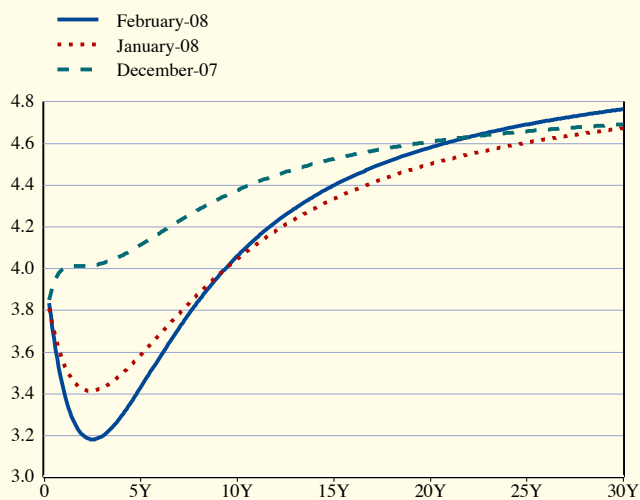
4.7 Euro area yield curves ¹⁾

(AAA-rated euro area central government bonds; end-of-period; rates in percentages per annum; spreads in percentage points)

	Spot rates								Instantaneous forward rates			
	3 months	1 year	2 years	5 years	7 years	10 years	10 years - 3 months (spread)	10 years - 2 years (spread)	1 year	2 years	5 years	10 years
	1	2	3	4	5	6	7	8	9	10	11	12
2006 Dec.	3.44	3.76	3.82	3.83	3.86	3.91	0.47	0.09	3.92	3.85	3.88	4.08
2007 Jan.	3.54	3.84	3.92	3.96	4.00	4.06	0.53	0.15	4.01	3.97	4.05	4.25
Feb.	3.63	3.79	3.80	3.81	3.85	3.92	0.29	0.12	3.85	3.77	3.90	4.13
Mar.	3.70	3.92	3.95	3.93	3.96	4.02	0.33	0.08	4.03	3.93	3.97	4.25
Apr.	3.81	4.01	4.06	4.06	4.08	4.13	0.32	0.07	4.14	4.08	4.08	4.33
May	3.86	4.21	4.31	4.32	4.33	4.37	0.51	0.06	4.44	4.37	4.33	4.51
June	3.90	4.26	4.38	4.43	4.46	4.51	0.61	0.13	4.51	4.48	4.49	4.68
July	3.98	4.23	4.28	4.28	4.30	4.36	0.38	0.08	4.36	4.28	4.32	4.53
Aug.	3.86	3.98	4.03	4.12	4.20	4.32	0.47	0.29	4.07	4.09	4.32	4.67
Sep.	3.80	3.96	4.03	4.15	4.25	4.38	0.57	0.35	4.08	4.13	4.39	4.75
Oct.	3.87	4.01	4.06	4.10	4.17	4.29	0.42	0.23	4.11	4.08	4.25	4.63
Nov.	3.86	3.84	3.82	3.91	4.03	4.21	0.35	0.39	3.81	3.80	4.19	4.76
Dec.	3.85	4.00	4.01	4.11	4.23	4.38	0.52	0.36	4.06	4.02	4.40	4.78
2008 Jan.	3.81	3.55	3.42	3.59	3.79	4.05	0.24	0.62	3.32	3.34	4.08	4.80
Feb.	3.83	3.42	3.20	3.43	3.72	4.06	0.23	0.86	3.04	3.03	4.16	4.99

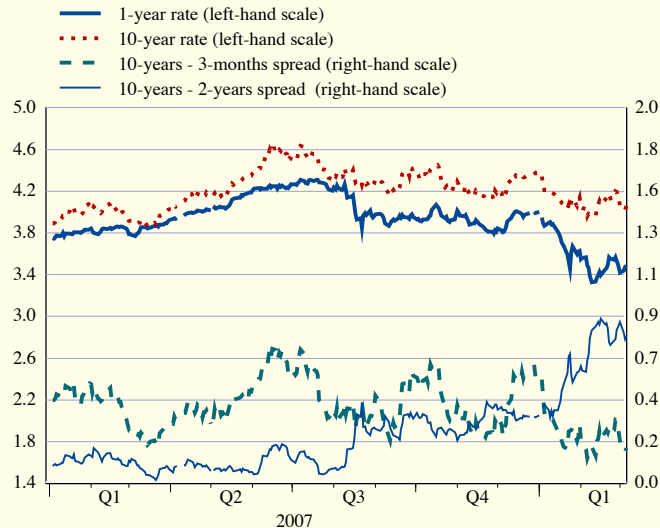
C25 Euro area spot yield curves

(percentages per annum; end-of-period)



C26 Euro area spot rates and spreads

(daily data; rates in percentages per annum; spreads in percentage points)



Source: ECB, underlying data provided by EuroMTS, ratings provided by Fitch Ratings.

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

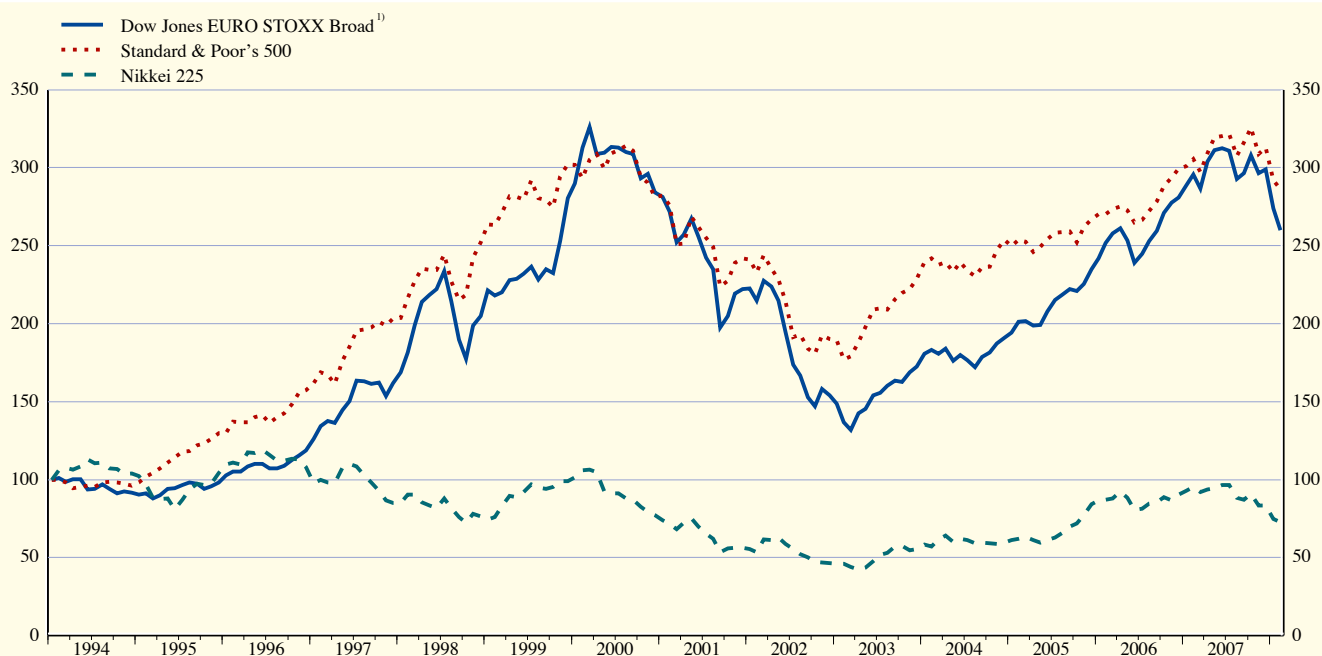
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices ¹⁾												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	
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	16,124.0
2007	416.4	4,315.8	543.8	235.4	366.5	449.6	408.3	488.4	383.4	561.4	492.7	519.2	1,476.5	16,984.4
2006 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
Q2	429.0	4,416.2	549.6	246.8	373.0	454.1	434.2	512.5	376.6	556.0	475.8	536.7	1,496.6	17,678.7
Q3	416.4	4,317.6	568.3	233.5	373.3	465.6	399.8	494.4	400.9	556.3	476.7	503.8	1,489.8	16,907.5
Q4	417.8	4,377.9	567.3	228.3	383.8	455.7	381.2	484.1	406.3	620.0	544.8	509.2	1,494.6	16,002.5
2007 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
June	433.4	4,470.2	571.9	244.2	380.4	471.1	429.4	529.0	393.1	568.2	473.8	529.9	1,514.5	18,001.4
July	431.3	4,449.0	585.9	242.6	384.7	491.4	418.7	529.3	399.8	563.1	467.1	513.1	1,520.9	17,986.8
Aug.	406.4	4,220.6	550.8	227.8	362.5	444.5	393.5	479.0	390.0	544.4	469.2	495.4	1,454.6	16,461.0
Sep.	411.3	4,284.4	569.1	230.1	373.2	461.5	386.3	473.8	414.7	562.7	495.9	503.2	1,496.0	16,233.9
Oct.	427.1	4,430.8	587.6	234.9	394.6	463.8	399.4	492.9	419.5	602.4	527.9	507.6	1,539.7	16,910.4
Nov.	411.4	4,314.9	549.1	225.3	380.2	450.3	369.1	477.1	400.8	624.1	555.0	501.9	1,461.3	15,514.0
Dec.	414.5	4,386.0	564.0	224.1	375.8	452.5	374.0	481.8	397.8	634.9	552.6	518.6	1,480.0	15,520.1
2008 Jan.	380.2	4,042.1	529.7	202.3	338.7	431.4	339.7	426.3	351.2	602.9	528.4	492.9	1,380.3	13,953.4
Feb.	360.6	3,776.6	520.7	194.0	323.8	407.6	311.9	417.7	356.2	573.9	493.2	452.6	1,354.6	13,522.6

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 Prices¹⁾

	Total					Total (s.a., percentage change on previous period)						Memo item: Administered prices ²⁾		
	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 ³⁾	100.0	100.0	82.6	59.1	40.9	100.0	11.9	7.6	29.8	9.8	40.9	87.8	12.2	
	1	2	3	4	5	6	7	8	9	10	11	12	13	
2004	97.9	2.1	2.1	1.8	2.6	-	-	-	-	-	-	1.9	3.6	
2005	100.0	2.2	1.5	2.1	2.3	-	-	-	-	-	-	2.1	2.5	
2006	102.2	2.2	1.5	2.3	2.0	-	-	-	-	-	-	2.1	2.6	
2007	104.4	2.1	2.0	1.9	2.5	-	-	-	-	-	-	2.2	2.0	
2006 Q4	102.8	1.8	1.6	1.6	2.1	0.0	0.7	0.6	0.3	-4.2	0.6	1.6	2.7	
2007 Q1	102.9	1.9	1.9	1.6	2.4	0.5	0.3	0.1	0.3	1.0	0.7	1.8	2.4	
Q2	104.4	1.9	1.9	1.5	2.6	0.8	0.5	0.9	0.2	3.3	0.7	1.8	2.1	
Q3	104.4	1.9	2.0	1.5	2.5	0.6	1.1	0.9	0.2	0.7	0.6	1.9	1.7	
Q4	105.7	2.9	2.3	3.2	2.5	1.0	2.5	1.2	0.3	2.9	0.6	3.1	1.8	
2007 Sep.	104.7	2.1	2.0	1.9	2.5	0.2	0.7	0.3	0.1	0.6	0.1	2.2	1.7	
Oct.	105.2	2.6	2.1	2.6	2.5	0.4	1.1	0.6	0.1	0.6	0.2	2.7	1.8	
Nov.	105.8	3.1	2.3	3.4	2.5	0.6	0.8	0.3	0.1	3.4	0.2	3.2	1.8	
Dec.	106.2	3.1	2.3	3.4	2.5	0.2	0.6	0.1	0.0	-0.3	0.3	3.3	1.8	
2008 Jan.	105.8	3.2	2.3	3.7	2.5	0.3	0.9	0.4	-0.2	1.6	0.2	3.4	2.1	
Feb. ⁴⁾	.	3.2	.	.	.	.	.	.	.	.	.	.	.

	Goods						Services						
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing	Transport	Communication	Recreation and personal	Miscellaneous		
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy						Rents	
% of total ³⁾	19.5	11.9	7.6	39.6	29.8	9.8	10.0	6.0	6.1	3.3	14.7	6.8	
	14	15	16	17	18	19	20	21	22	23	24	25	
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	
2007	2.8	2.8	3.0	1.4	1.0	2.6	2.7	2.0	2.6	-1.9	2.9	3.2	
2006 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	
Q2	2.5	2.0	3.3	1.0	1.0	0.5	2.7	2.0	2.6	-1.9	2.9	3.6	
Q3	2.5	2.5	2.4	0.9	1.0	0.7	2.7	2.0	2.4	-1.5	3.0	3.4	
Q4	3.9	4.5	3.1	2.8	1.0	8.1	2.7	2.0	2.6	-2.1	3.0	3.2	
2007 Aug.	2.5	2.5	2.4	0.6	1.0	-0.9	2.7	2.0	2.4	-1.1	3.0	3.4	
Sep.	2.7	3.1	2.1	1.5	1.0	3.0	2.7	2.0	2.4	-1.6	2.9	3.2	
Oct.	3.5	3.8	3.1	2.1	1.1	5.5	2.7	2.0	2.5	-2.1	2.9	3.2	
Nov.	4.0	4.6	3.0	3.2	1.1	9.7	2.7	2.0	2.6	-1.9	3.0	3.2	
Dec.	4.3	5.1	3.1	3.0	1.0	9.2	2.6	2.0	2.8	-2.3	3.0	3.2	
2008 Jan.	4.8	5.8	3.3	3.1	0.7	10.6	2.6	1.9	3.1	-2.9	3.0	3.2	

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.europa.eu/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 2008.
- 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 ¹⁾	Residential property prices ²⁾	World market prices of raw materials ³⁾	Oil prices ⁴⁾ (EUR per barrel)		
	Total (index 2000 = 100)	Total	Industry excluding construction and energy							Energy					Total	Total excluding energy
			Manu- facturing	Total	Intermed- iate goods	Capital goods	Consumer goods									
							Total	Durable	Non-durable							
% of total ⁵⁾	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	
2004	105.8	2.3	2.6	2.0	3.5	0.7	1.3	0.7	1.4	4.0	4.1	7.5	18.4	10.8	30.5	
2005	110.1	4.1	3.2	1.9	2.9	1.4	1.1	1.3	1.1	13.6	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	13.3	4.1	6.5	19.7	24.8	52.9	
2007	119.1	2.8	3.1	3.2	4.8	1.8	2.3	1.9	2.4	1.7	.	.	3.9	9.2	52.8	
2006 Q4	116.6	4.1	2.8	3.5	6.2	1.8	1.6	1.7	1.6	6.0	4.6	6.1 ⁶⁾	3.9	23.0	47.3	
2007 Q1	117.3	2.9	2.5	3.4	5.9	2.0	1.6	2.0	1.5	1.2	4.4	-	-5.5	15.7	44.8	
Q2	118.5	2.4	2.6	3.2	5.4	2.0	1.7	1.8	1.6	-0.4	4.4	5.0 ⁶⁾	-3.1	13.8	51.0	
Q3	119.3	2.1	2.7	3.0	4.3	1.6	2.4	1.8	2.5	-0.7	3.5	-	2.0	6.7	54.2	
Q4	121.2	4.0	4.5	3.2	3.7	1.5	3.6	1.9	3.9	6.9	.	.	23.5	1.6	61.0	
2007 Sep.	119.6	2.7	3.4	3.1	4.1	1.6	2.9	1.9	3.0	1.7	-	-	12.1	6.9	55.2	
Oct.	120.4	3.3	3.9	3.2	3.9	1.5	3.3	1.8	3.6	4.2	-	-	19.5	3.5	57.7	
Nov.	121.5	4.2	4.8	3.2	3.6	1.5	3.7	1.9	4.0	8.0	-	-	26.9	-0.1	62.8	
Dec.	121.7	4.3	4.8	3.2	3.5	1.5	3.9	1.9	4.3	8.5	-	-	24.1	1.4	62.8	
2008 Jan.	122.6	4.9	5.1	3.3	3.7	1.3	4.2	2.1	4.6	10.6	-	-	37.5	10.4	62.4	
Feb.	.	.	.	.	.	.	.	.	.	.	-	-	37.2	15.0	64.0

3. Hourly labour costs⁷⁾

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo: indicator of negotiated wages ⁸⁾
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total ⁵⁾	100.0	100.0	73.1	26.9	34.6	9.1	56.3	
	1	2	3	4	5	6	7	8
2004	113.7	2.5	2.3	3.0	2.9	2.6	2.2	2.1
2005	116.7	2.7	2.7	2.6	2.6	2.5	2.8	2.1
2006	119.7	2.6	2.7	2.3	3.4	2.1	2.2	2.3
2007	.	.	.	.	.	.	.	2.1
2006 Q4	120.8	2.3	2.4	2.0	2.7	2.2	2.2	2.5
2007 Q1	121.5	2.3	2.4	1.9	2.4	2.0	2.3	2.0
Q2	122.2	2.4	2.5	1.8	2.6	3.0	2.2	2.3
Q3	123.0	2.5	2.5	2.2	2.5	3.0	2.4	2.1
Q4	.	.	.	.	.	.	.	2.1

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) Input prices for residential buildings.

2) Experimental data based on non-harmonised national sources (see the ECB website for further details).

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.

8) Experimental data (see the ECB website for further details).

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 ¹⁾								
2003	106.7	1.9	6.5	0.5	3.4	2.0	1.8	3.2
2004	107.8	1.1	-9.5	-0.6	3.5	0.3	2.5	2.1
2005	108.9	1.0	7.0	-1.0	3.3	0.6	1.7	1.8
2006	109.8	0.9	1.0	-0.8	1.5	0.1	2.0	2.4
2006 Q3	109.8	1.2	3.0	-0.4	1.7	-0.3	2.5	2.6
Q4	109.8	0.2	-0.6	-1.1	2.4	-0.4	2.0	0.9
2007 Q1	110.7	0.9	-0.4	-1.0	2.0	-0.3	3.4	2.0
Q2	111.4	1.3	0.7	0.2	6.1	0.4	3.3	0.7
Q3	111.3	1.3	0.6	-0.9	6.0	0.9	2.7	1.8
Compensation per employee								
2003	107.7	2.3	2.5	2.3	3.1	1.9	2.5	2.5
2004	110.0	2.1	1.3	2.8	2.9	1.4	1.9	2.3
2005	112.0	1.8	1.5	1.5	2.5	1.7	2.0	1.9
2006	114.5	2.2	1.2	3.3	3.4	1.7	1.6	2.0
2006 Q3	114.7	2.4	2.4	3.6	3.4	1.3	1.8	2.6
Q4	115.1	1.8	2.8	3.1	3.4	1.8	1.6	0.5
2007 Q1	116.2	2.2	3.3	2.6	3.4	1.3	2.5	2.2
Q2	116.6	1.9	4.8	3.4	3.0	1.3	1.7	0.9
Q3	116.9	2.0	4.5	2.9	3.1	1.2	1.7	1.7
Labour productivity ²⁾								
2003	101.0	0.3	-3.7	1.8	-0.3	-0.1	0.7	-0.6
2004	102.0	1.0	11.9	3.4	-0.5	1.1	-0.6	0.2
2005	102.8	0.8	-5.2	2.5	-0.8	1.1	0.3	0.1
2006	104.2	1.4	0.2	4.1	1.8	1.6	-0.4	-0.3
2006 Q3	104.4	1.3	-0.5	4.0	1.7	1.6	-0.7	0.0
Q4	104.8	1.6	3.4	4.3	1.0	2.3	-0.4	-0.4
2007 Q1	105.0	1.3	3.7	3.6	1.4	1.7	-0.9	0.2
Q2	104.7	0.6	4.0	3.2	-2.9	0.9	-1.5	0.2
Q3	105.1	0.7	3.9	3.9	-2.6	0.3	-1.0	-0.1

5. Gross domestic product deflators

	Total (s.a. index 2000 = 100)	Total	Domestic demand			Exports ³⁾	Imports ³⁾	
			Total	Private consumption	Government consumption			Gross fixed capital formation
	1	2	3	4	5	6	7	8
2004	109.4	1.9	2.1	2.1	2.2	2.4	1.0	1.4
2005	111.5	1.9	2.3	2.1	2.5	2.4	2.5	3.6
2006	113.6	1.9	2.3	2.2	1.9	2.7	2.7	3.8
2007	116.1	2.2	2.1	1.9	1.2	2.9	1.7	1.4
2006 Q4	114.4	1.7	1.7	1.8	0.3	2.8	1.9	1.9
2007 Q1	115.1	2.1	1.7	1.7	1.1	3.2	1.6	0.6
Q2	115.9	2.2	1.9	1.7	0.4	3.1	1.9	1.0
Q3	116.4	2.2	1.9	1.6	1.2	2.8	1.5	0.9
Q4	117.0	2.3	2.8	2.5	1.9	2.6	1.8	3.0

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 ¹⁾		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories ²⁾	Total	Exports ¹⁾	Imports ¹⁾
	1	2	3	4	5	6	7	8	9
<i>Current prices (EUR billions, seasonally adjusted)</i>									
2004	7,775.8	7,616.7	4,450.1	1,587.1	1,573.3	6.2	159.1	2,844.5	2,685.5
2005	8,057.3	7,940.3	4,615.4	1,651.6	1,660.0	13.4	117.0	3,057.6	2,940.6
2006	8,445.0	8,344.0	4,802.3	1,717.6	1,795.4	28.7	101.0	3,392.5	3,291.5
2007	8,853.0	8,706.7	4,961.7	1,773.8	1,936.2	35.0	146.4	3,655.2	3,508.9
2006 Q4	2,149.3	2,110.3	1,215.1	432.3	463.4	-0.4	38.9	879.4	840.5
2007 Q1	2,179.7	2,145.0	1,220.3	438.7	476.1	9.9	34.7	890.5	855.8
Q2	2,200.5	2,160.9	1,235.2	440.7	479.6	5.4	39.6	904.8	865.3
Q3	2,226.2	2,190.1	1,246.6	445.9	487.2	10.3	36.1	925.6	889.5
Q4	2,246.6	2,210.6	1,259.6	448.5	493.2	9.3	36.0	934.3	898.3
<i>percentage of GDP</i>									
2007	100.0	98.3	56.0	20.0	21.9	0.4	1.7	-	-
<i>Chain-linked volumes (prices of the previous year, seasonally adjusted³⁾)</i>									
<i>quarter-on-quarter percentage changes</i>									
2006 Q4	0.8	0.2	0.4	0.3	1.6	-	-	3.1	1.7
2007 Q1	0.8	1.0	0.0	1.1	1.7	-	-	0.9	1.4
Q2	0.3	0.1	0.6	0.2	0.0	-	-	0.8	0.3
Q3	0.7	0.9	0.5	0.7	1.2	-	-	2.1	2.5
Q4	0.4	0.0	-0.1	-0.1	0.8	-	-	0.5	-0.4
<i>annual percentage changes</i>									
2004	2.1	1.9	1.6	1.4	2.3	-	-	7.2	6.9
2005	1.6	1.8	1.5	1.5	2.9	-	-	4.7	5.4
2006	2.8	2.6	1.7	2.0	5.0	-	-	7.9	7.7
2007	2.6	2.2	1.7	2.4	4.4	-	-	5.9	5.1
2006 Q4	3.2	2.4	2.1	2.2	5.7	-	-	9.0	7.1
2007 Q1	3.1	2.9	1.4	2.2	6.9	-	-	6.6	6.0
Q2	2.4	2.0	1.6	2.1	4.1	-	-	5.8	5.0
Q3	2.6	2.1	1.6	2.2	4.5	-	-	7.1	5.9
Q4	2.2	1.9	1.1	1.8	3.7	-	-	4.4	3.8
<i>contributions to quarter-on-quarter percentage changes of GDP in percentage points</i>									
2006 Q4	0.8	0.2	0.2	0.1	0.3	-0.5	0.6	-	-
2007 Q1	0.8	1.0	0.0	0.2	0.4	0.4	-0.2	-	-
Q2	0.3	0.1	0.4	0.0	0.0	-0.3	0.2	-	-
Q3	0.7	0.9	0.3	0.1	0.3	0.2	-0.1	-	-
Q4	0.4	0.0	0.0	0.0	0.2	-0.1	0.4	-	-
<i>contributions to annual percentage changes of GDP in percentage points</i>									
2004	2.1	1.9	0.9	0.3	0.5	0.2	0.2	-	-
2005	1.6	1.7	0.9	0.3	0.6	0.0	-0.2	-	-
2006	2.8	2.6	1.0	0.4	1.0	0.1	0.2	-	-
2007	2.6	2.2	1.0	0.5	0.9	-0.2	0.4	-	-
2006 Q4	3.2	2.4	1.2	0.5	1.2	-0.4	0.8	-	-
2007 Q1	3.1	2.8	0.8	0.4	1.4	0.1	0.3	-	-
Q2	2.4	2.0	0.9	0.4	0.9	-0.2	0.4	-	-
Q3	2.6	2.1	0.9	0.5	1.0	-0.2	0.5	-	-
Q4	2.2	1.9	0.6	0.4	0.8	0.1	0.3	-	-

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 Tables 7.1.2 and 7.3.1.

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>								
2004	6,979.9	153.7	1,430.5	412.6	1,479.3	1,909.2	1,594.5	795.9
2005	7,218.8	142.3	1,462.3	439.5	1,518.4	1,999.6	1,656.8	838.5
2006	7,540.0	138.9	1,525.4	481.9	1,570.8	2,104.9	1,718.1	905.0
2007	7,896.7	150.7	1,610.4	521.3	1,629.2	2,213.6	1,771.4	956.4
2006 Q4	1,916.6	35.4	388.6	124.9	399.7	535.0	433.0	232.7
2007 Q1	1,942.1	35.9	396.1	128.8	402.4	541.3	437.5	237.6
Q2	1,962.9	36.4	401.5	129.1	405.9	549.1	440.9	237.7
Q3	1,989.3	38.8	406.5	131.2	410.5	557.0	445.2	236.9
Q4	2,002.5	39.6	406.3	132.2	410.4	566.2	447.8	244.1
<i>percentage of value added</i>								
2007	100.0	1.9	20.4	6.6	20.6	28.0	22.4	-
<i>Chain-linked volumes (prices of the previous year, seasonally adjusted¹⁾)</i>								
<i>quarter-on-quarter percentage changes</i>								
2006 Q4	0.7	0.7	0.9	1.2	0.7	0.8	0.2	1.6
2007 Q1	0.9	2.1	1.2	1.8	0.6	0.9	0.5	0.0
Q2	0.4	-1.0	0.6	-1.4	0.6	0.7	0.3	-0.7
Q3	0.7	-0.3	1.4	0.4	0.9	0.7	0.2	0.9
Q4	0.4	1.2	0.4	0.2	0.0	0.8	0.3	0.2
<i>annual percentage changes</i>								
2004	2.2	10.5	2.7	0.9	2.6	1.7	1.5	1.0
2005	1.6	-6.1	0.9	1.6	1.7	2.7	1.5	1.6
2006	2.7	-1.3	3.5	4.4	2.9	3.0	1.3	3.1
2007	2.7	2.3	3.6	3.3	2.8	3.1	1.2	1.6
2006 Q4	3.2	0.8	4.2	5.2	3.7	3.4	1.2	3.3
2007 Q1	3.2	2.8	3.8	7.1	3.3	3.4	1.3	2.5
Q2	2.5	1.6	3.4	2.5	2.7	2.8	1.3	1.4
Q3	2.7	1.6	4.1	2.0	2.7	3.1	1.2	1.9
Q4	2.4	2.1	3.7	1.0	2.1	3.0	1.3	0.5
<i>contributions to quarter-on-quarter percentage changes of value added in percentage points</i>								
2006 Q4	0.7	0.0	0.2	0.1	0.1	0.2	0.0	-
2007 Q1	0.9	0.0	0.2	0.1	0.1	0.2	0.1	-
Q2	0.4	0.0	0.1	-0.1	0.1	0.2	0.1	-
Q3	0.7	0.0	0.3	0.0	0.2	0.2	0.1	-
Q4	0.4	0.0	0.1	0.0	0.0	0.2	0.1	-
<i>contributions to annual percentage changes of value added in percentage points</i>								
2004	2.2	0.2	0.6	0.1	0.5	0.5	0.3	-
2005	1.6	-0.1	0.2	0.1	0.4	0.7	0.3	-
2006	2.7	0.0	0.7	0.3	0.6	0.8	0.3	-
2007	2.7	0.0	0.7	0.2	0.6	0.9	0.3	-
2006 Q4	3.2	0.0	0.8	0.3	0.8	0.9	0.3	-
2007 Q1	3.2	0.1	0.8	0.4	0.7	0.9	0.3	-
Q2	2.5	0.0	0.7	0.2	0.6	0.8	0.3	-
Q3	2.7	0.0	0.8	0.1	0.6	0.9	0.3	-
Q4	2.4	0.0	0.7	0.1	0.4	0.8	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
	Total (s.a. index 2000 = 100)	Total	Industry excluding construction and energy							Energy		
			Manu- facturing	Total	Interme- diate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
% of total ¹⁾	100.0	82.9	82.9	75.0	74.0	30.0	22.4	21.5	3.6	17.9	8.9	17.1
	1	2	3	4	5	6	7	8	9	10	11	12
2005	1.3	103.9	1.3	1.3	1.1	0.8	2.8	0.4	-1.0	0.7	1.4	0.4
2006	4.1	108.1	4.0	4.4	4.4	4.9	6.0	2.5	4.2	2.2	0.9	4.1
2007	3.5	111.8	3.4	4.0	3.9	3.8	5.8	2.5	1.2	2.7	-0.4	3.6
2007 Q1	4.8	110.7	4.0	5.9	6.0	6.7	7.0	4.0	4.2	3.9	-7.5	11.0
Q2	3.0	111.1	2.8	3.3	3.2	3.2	4.8	2.1	1.3	2.2	-0.5	3.1
Q3	3.9	112.7	4.0	4.3	4.2	3.5	6.7	3.2	2.2	3.4	1.4	2.2
Q4	2.6	112.8	3.0	2.5	2.3	1.8	4.9	0.8	-2.4	1.4	5.7	-0.2
2007 July	4.1	112.1	4.1	4.8	4.8	4.2	7.3	2.9	1.7	3.2	-1.1	3.1
Aug.	4.5	113.5	4.6	4.9	4.9	3.5	7.6	5.1	4.6	5.2	1.7	2.9
Sep.	3.2	112.4	3.4	3.2	3.1	2.8	5.4	1.9	1.2	2.0	3.9	0.8
Oct.	4.3	113.1	4.3	4.0	3.8	3.2	7.1	2.0	0.5	2.2	6.7	3.1
Nov.	2.7	112.7	3.1	2.4	2.2	1.9	5.0	0.8	-3.6	1.5	6.2	-0.8
Dec.	0.8	112.5	1.4	1.0	0.6	0.2	2.6	-0.4	-4.4	0.2	4.5	-3.3
<i>month-on-month percentage changes (s.a.)</i>												
2007 July	0.7	-	0.6	0.7	0.7	0.4	1.3	0.3	-0.3	0.4	0.0	0.3
Aug.	1.0	-	1.2	1.2	1.2	1.2	1.4	1.8	3.7	1.4	0.8	-0.1
Sep.	-0.9	-	-0.9	-1.3	-1.4	-1.4	-1.3	-1.7	-3.8	-1.3	0.6	-0.3
Oct.	0.8	-	0.6	0.6	0.5	0.6	1.0	0.2	-0.1	0.2	0.5	0.6
Nov.	-0.6	-	-0.4	-0.5	-0.6	-0.7	-0.2	-0.4	-2.0	-0.2	0.3	-1.0
Dec.	-0.1	-	-0.2	0.0	0.0	0.3	-0.7	-0.1	0.0	-0.1	0.6	-0.6

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 ²⁾ (current prices)		Manufacturing (current prices)		Current prices	Constant prices						Total (s.a., thousands) ³⁾	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			
% of total ¹⁾	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8	12	13	
	1	2	3	4	5	6	7	8	9	10	11	12	13
2005	109.2	3.9	110.8	3.6	2.2	106.7	1.2	0.7	1.7	2.3	1.2	943	1.5
2006	119.3	9.3	118.9	7.3	2.8	108.3	1.5	0.2	2.4	2.6	4.1	975	3.3
2007	128.6	8.1	126.2	6.4	2.3	109.2	0.8	-0.4	1.6	2.9	1.6	964	-1.1
2007 Q1	125.2	7.8	124.5	7.6	2.7	109.2	1.6	0.4	2.7	4.2	4.3	956	-1.7
Q2	129.1	10.2	126.0	6.4	2.2	109.2	1.0	-0.2	1.7	3.1	2.5	953	-1.9
Q3	128.8	6.4	127.5	6.3	2.5	109.7	1.3	-0.6	2.6	5.4	2.3	962	0.7
Q4	131.3	8.0	127.0	5.2	1.7	108.8	-0.7	-1.2	-0.4	-0.2	-1.8	985	-1.0
2007 Aug.	129.1	5.3	128.3	6.4	2.2	109.6	1.1	0.2	1.4	0.9	2.0	962	0.7
Sep.	127.9	2.3	126.6	2.6	2.8	109.9	1.5	-0.1	2.6	9.4	0.7	972	0.3
Oct.	131.3	10.8	127.5	9.4	3.0	109.2	0.8	0.5	1.1	1.8	-0.3	964	-0.2
Nov.	133.9	11.4	128.1	4.7	1.7	108.7	-0.7	-1.1	-0.7	-1.0	-2.5	957	-3.8
Dec.	128.7	1.6	125.3	1.4	0.8	108.5	-1.8	-2.5	-1.3	-1.2	-2.3	1,035	0.9
2008 Jan.	.	.	.	.	3.0	108.9	-0.1	-1.0	0.4	.	.	950	-1.3
<i>month-on-month percentage changes (s.a.)</i>													
2007 Aug.	-	-0.3	-	0.6	0.1	-	-0.1	0.1	-0.3	-0.4	0.3	-	1.0
Sep.	-	-0.9	-	-1.3	0.5	-	0.2	0.3	0.1	2.0	-1.3	-	1.1
Oct.	-	2.7	-	0.7	-0.2	-	-0.6	-0.4	-0.6	-3.1	-0.5	-	-0.9
Nov.	-	1.9	-	0.5	-0.2	-	-0.5	-0.7	-0.4	-0.6	-0.8	-	-0.7
Dec.	-	-3.9	-	-2.1	0.2	-	-0.1	-0.5	0.0	0.3	0.6	-	8.1
2008 Jan.	-	.	-	.	0.8	-	0.4	0.6	0.4	.	.	-	-8.2

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,¹⁾ unless otherwise indicated; seasonally adjusted)

5. Business and Consumer Surveys

	Economic sentiment indicator ²⁾ (long-term average = 100)	Manufacturing industry					Consumer confidence indicator					
		Industrial confidence indicator				Capacity utilisation ³⁾ (percentages)	Total ⁴⁾	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months	
		Total ⁴⁾	Order books	Stocks of finished products	Production expectations							
	1	2	3	4	5	6	7	8	9	10	11	
2004	98.7	-5	-15	8	10	81.5	-14	-4	-14	30	-9	
2005	97.4	-7	-17	11	6	81.2	-14	-4	-15	28	-9	
2006	106.3	2	0	6	13	83.2	-9	-3	-9	15	-9	
2007	108.4	4	5	5	13	84.2	-5	-2	-4	5	-8	
2006 Q4	109.3	6	6	4	15	84.0	-7	-3	-7	10	-9	
2007 Q1	109.4	6	7	4	14	84.4	-5	-2	-5	6	-8	
Q2	111.0	6	8	4	15	84.3	-3	-1	0	2	-7	
Q3	108.7	4	5	6	13	84.0	-4	-2	-3	3	-7	
Q4	104.3	2	1	7	11	84.0	-8	-4	-10	7	-10	
2007 Sep.	106.3	3	3	7	11	-	-6	-3	-7	6	-7	
Oct.	105.4	2	1	7	11	84.0	-6	-4	-6	5	-10	
Nov.	104.1	3	2	6	12	-	-8	-4	-11	7	-11	
Dec.	103.4	2	0	7	11	-	-9	-5	-12	8	-10	
2008 Jan.	101.7	1	-1	7	12	83.9	-12	-7	-17	11	-11	
Feb.	100.1	0	-2	7	9	-	-12	-7	-18	12	-12	
		Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
		Total ⁴⁾	Order books	Employment expectations	Total ⁴⁾	Present business situation	Volume of stocks	Expected business situation	Total ⁴⁾	Business climate	Demand in recent months	Demand in the months ahead
		12	13	14	15	16	17	18	19	20	21	22
2004		-12	-19	-4	-8	-12	14	2	11	6	8	18
2005		-7	-11	-2	-7	-12	13	4	11	5	10	18
2006		1	-4	5	1	3	14	13	18	13	18	24
2007		-1	-8	7	1	4	15	12	19	16	19	23
2006 Q4		3	-2	8	2	8	13	11	20	13	21	26
2007 Q1		1	-8	9	-1	2	16	12	21	16	21	25
Q2		0	-6	6	2	4	13	14	22	19	22	25
Q3		0	-8	7	1	7	14	11	20	16	20	24
Q4		-3	-11	4	0	4	16	13	15	11	14	20
2007 Sep.		0	-8	8	-3	2	15	5	18	13	18	22
Oct.		-2	-9	6	-2	3	16	9	18	15	17	22
Nov.		-4	-12	4	2	7	16	15	13	10	12	18
Dec.		-5	-11	2	1	4	17	15	14	9	13	19
2008 Jan.		-6	-13	1	-3	-2	18	10	13	6	12	19
Feb.		-7	-13	-1	1	5	16	14	10	3	13	13

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 2007.
- 3) 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.
- 4) 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 ¹⁾

(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 ²⁾	100.0	100.0	84.8	15.2	4.2	17.5	7.6	25.2	15.5	30.0
	1	2	3	4	5	6	7	8	9	10
2003	136.298	0.4	0.4	0.8	-2.3	-1.5	0.3	0.8	0.9	1.6
2004	137.398	0.8	0.7	1.2	-1.4	-1.3	1.3	1.3	2.2	1.3
2005	138.596	0.9	1.0	0.1	-1.0	-1.3	2.5	0.7	2.4	1.4
2006	140.681	1.5	1.6	0.8	-1.2	-0.3	2.7	1.5	3.6	1.7
2006 Q3	140.890	1.5	1.7	0.6	-1.7	-0.1	3.0	1.6	3.9	1.4
Q4	141.440	1.5	1.7	0.8	-2.6	-0.4	4.2	1.3	3.8	1.6
2007 Q1	142.334	1.8	2.1	0.1	-0.9	0.3	5.9	1.4	4.2	1.1
Q2	143.161	1.8	2.1	0.0	-2.1	0.4	5.6	1.5	4.4	1.1
Q3	143.630	1.9	2.0	1.3	-2.3	0.2	4.7	2.4	4.0	1.3
	<i>quarter-on-quarter percentage changes (s.a.)</i>									
2006 Q3	0.288	0.2	0.3	-0.5	-1.3	0.0	0.9	0.0	1.0	0.1
Q4	0.550	0.4	0.4	0.1	-0.8	0.0	1.5	0.2	1.0	0.4
2007 Q1	0.894	0.6	0.7	0.4	0.8	0.1	1.8	0.7	1.4	0.2
Q2	0.827	0.6	0.6	0.5	-1.0	0.1	1.2	0.9	1.0	0.5
Q3	0.469	0.3	0.3	0.3	-1.3	0.1	0.1	0.7	0.7	0.3

2. Unemployment

(seasonally adjusted)

	Total		By age ³⁾				By gender ⁴⁾			
	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 ²⁾	100.0		78.1		21.9		49.7		50.3	
	1	2	3	4	5	6	7	8	9	10
2004	13.091	8.8	10.151	7.7	2.940	17.0	6.549	7.9	6.542	9.9
2005	13.316	8.8	10.363	7.8	2.953	17.2	6.711	8.0	6.605	9.9
2006	12.517	8.2	9.781	7.2	2.736	16.1	6.214	7.4	6.302	9.3
2007	11.352	7.4	8.880	6.5	2.472	14.8	5.599	6.6	5.753	8.4
2006 Q4	12.004	7.9	9.337	6.9	2.666	15.8	5.926	7.0	6.077	8.9
2007 Q1	11.610	7.6	9.098	6.7	2.512	15.0	5.683	6.7	5.927	8.7
Q2	11.408	7.4	8.950	6.6	2.459	14.7	5.593	6.6	5.816	8.5
Q3	11.273	7.3	8.822	6.4	2.451	14.6	5.587	6.6	5.686	8.3
Q4	11.082	7.2	8.680	6.3	2.402	14.4	5.531	6.5	5.551	8.1
2007 Aug.	11.292	7.3	8.835	6.5	2.457	14.6	5.597	6.6	5.695	8.3
Sep.	11.196	7.3	8.762	6.4	2.434	14.5	5.558	6.5	5.638	8.2
Oct.	11.154	7.2	8.737	6.4	2.417	14.5	5.555	6.5	5.599	8.1
Nov.	11.079	7.2	8.679	6.3	2.400	14.4	5.532	6.5	5.547	8.1
Dec.	11.012	7.1	8.625	6.3	2.387	14.3	5.505	6.5	5.507	8.0
2008 Jan.	10.944	7.1	8.576	6.2	2.368	14.2	5.467	6.4	5.477	7.9

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 ¹⁾ (as a percentage of GDP)

1. Euro area – revenue

	Total		Current revenue								Capital revenue		Memo: fiscal burden ²⁾	
	1	2	Direct taxes		Indirect taxes	Social contributions		Sales	Capital taxes	13				
			Households	Corporations		Employers	Employees							
	3	4	5	6	7	8	9	10	11	12	14			
1998	46.6	46.3	12.2	9.2	2.7	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	14.2	0.6	16.1	8.3	4.9	2.3	0.3	0.3	43.0
2000	46.6	46.4	12.7	9.5	2.9	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	9.3	2.7	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	45.0	44.4	11.4	8.9	2.3	13.5	0.4	15.8	8.2	4.7	2.1	0.6	0.5	41.2
2004	44.6	44.1	11.3	8.6	2.5	13.5	0.3	15.6	8.1	4.5	2.1	0.5	0.4	40.8
2005	45.0	44.5	11.6	8.6	2.6	13.7	0.3	15.5	8.1	4.5	2.2	0.5	0.3	41.1
2006	45.6	45.3	12.2	8.8	3.0	13.9	0.3	15.5	8.1	4.5	2.1	0.3	0.3	41.8

2. Euro area – expenditure

	Total		Current expenditure						Capital expenditure			Memo: primary expenditure ³⁾		
	1	2	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments		Subsidies	Paid by EU institutions	Investment		Capital transfers	Paid by EU institutions
							7	8							9	10	11	12	13
	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	44.3
1999	48.4	44.5	10.6	4.8	4.1	25.1	22.1	2.1	0.5	3.9	2.5	1.4	0.1	44.4
2000	47.7	43.9	10.4	4.8	3.9	24.8	21.7	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	47.9	44.0	10.4	4.9	3.5	25.2	22.3	1.9	0.5	3.8	2.4	1.4	0.0	44.4
2003	48.1	44.2	10.5	4.9	3.3	25.4	22.6	1.9	0.5	4.0	2.5	1.4	0.1	44.8
2004	47.4	43.6	10.4	5.0	3.1	25.1	22.4	1.7	0.5	3.8	2.4	1.4	0.0	44.3
2005	47.5	43.6	10.4	5.1	3.0	25.2	22.4	1.7	0.5	3.9	2.5	1.4	0.0	44.5
2006	47.2	43.1	10.2	5.0	2.9	25.0	22.2	1.7	0.5	4.1	2.5	1.6	0.0	44.3

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

	Deficit (-)/surplus (+)					Primary deficit (-)/surplus (+)	Government consumption ⁴⁾							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
1998	-2.3	-2.3	-0.2	0.1	0.1	2.3	19.8	10.6	4.7	4.8	1.8	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	4.8	1.8	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	1.8	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	1.8	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	1.8	2.1	8.2	12.0
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.2	20.5	10.5	4.9	5.2	1.9	2.1	8.3	12.2
2004	-2.8	-2.4	-0.4	-0.3	0.1	0.3	20.4	10.4	5.0	5.1	1.9	2.1	8.3	12.1
2005	-2.6	-2.2	-0.3	-0.2	0.2	0.4	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	1.3	20.4	10.2	5.0	5.2	1.9	2.1	8.0	12.3

4. Euro area countries – deficit (-)/surplus (+) ⁵⁾

	BE	DE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2003	0.0	-4.0	0.4	-5.6	-0.2	-4.1	-3.5	-6.5	0.5	-9.8	-3.1	-1.6	-2.9	-2.7	2.5
2004	0.0	-3.8	1.3	-7.3	-0.3	-3.6	-3.5	-4.1	-1.2	-4.9	-1.7	-1.2	-3.4	-2.3	2.3
2005	-2.3	-3.4	1.2	-5.1	1.0	-2.9	-4.2	-2.4	-0.1	-3.1	-0.3	-1.6	-6.1	-1.5	2.7
2006	0.4	-1.6	2.9	-2.5	1.8	-2.5	-4.4	-1.2	0.7	-2.5	0.6	-1.4	-3.9	-1.2	3.8

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 ¹⁾

(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 ²⁾				Other creditors ³⁾
						Total	MFIs	Other financial corporations	Other sectors	
1	2	3	4	5	6	7	8	9	10	
1997	74.1	2.8	16.2	6.4	48.8	55.6	28.4	13.6	13.7	18.4
1998	72.8	2.7	15.2	5.3	49.6	52.4	26.5	14.5	11.4	20.4
1999	72.0	2.9	14.4	4.2	50.5	48.8	25.3	13.8	9.6	23.2
2000	69.4	2.7	13.2	3.7	49.8	44.3	22.0	12.5	9.8	25.1
2001	68.3	2.8	12.4	4.0	49.2	42.1	20.6	11.2	10.3	26.3
2002	68.1	2.7	11.8	4.5	49.1	40.2	19.3	10.7	10.1	28.0
2003	69.1	2.0	12.3	5.0	49.7	39.4	19.4	11.2	8.8	29.8
2004	69.5	2.2	11.9	5.0	50.5	37.5	18.4	10.8	8.4	32.0
2005	70.3	2.4	11.8	4.7	51.4	35.5	17.3	10.9	7.2	34.8
2006	68.6	2.5	11.4	4.1	50.7	32.9	17.6	8.4	6.9	35.7

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

	Total	Issued by ⁴⁾				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 ⁵⁾	Other currencies
1997	74.1	62.1	6.0	5.4	0.6	9.4	64.7	8.4	18.1	25.3	30.7	72.1	2.0
1998	72.8	61.1	6.1	5.3	0.4	8.1	64.6	7.5	15.4	26.4	30.9	70.9	1.8
1999	72.0	60.4	6.0	5.1	0.4	7.3	64.7	6.6	13.6	27.9	30.5	69.8	2.1
2000	69.4	58.2	5.9	4.9	0.4	6.5	62.9	5.8	13.4	27.9	28.1	67.5	1.9
2001	68.3	57.1	6.1	4.8	0.4	7.0	61.4	4.9	13.7	26.6	28.0	66.7	1.7
2002	68.1	56.7	6.3	4.8	0.4	7.6	60.5	4.9	15.3	25.0	27.8	66.7	1.5
2003	69.1	56.9	6.5	5.1	0.6	7.8	61.4	4.8	14.7	25.8	28.6	68.0	1.1
2004	69.5	57.3	6.6	5.1	0.4	7.8	61.7	4.6	14.7	26.2	28.7	68.5	1.1
2005	70.3	57.8	6.7	5.3	0.5	7.9	62.4	4.6	14.9	25.7	29.7	69.1	1.2
2006	68.6	56.1	6.6	5.4	0.6	7.5	61.2	4.5	14.4	24.8	29.5	67.7	0.9

3. Euro area countries

	BE	DE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2003	98.6	63.8	31.1	97.9	48.7	62.9	104.3	68.9	6.3	69.3	52.0	64.6	56.9	27.9	44.3
2004	94.2	65.6	29.5	98.6	46.2	64.9	103.8	70.2	6.4	72.7	52.4	63.8	58.3	27.6	44.1
2005	92.2	67.8	27.4	98.0	43.0	66.7	106.2	69.1	6.2	70.8	52.3	63.4	63.7	27.4	41.4
2006	88.2	67.5	25.1	95.3	39.7	64.2	106.8	65.2	6.6	64.7	47.9	61.7	64.8	27.1	39.2

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 ¹⁾

(as a percentage of GDP)

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

	Total	Source of change				Financial instruments				Holders			Other creditors ⁷⁾
		Borrowing requirement ⁵⁾	Valuation effects ³⁾	Other changes in volume ⁴⁾	Aggregation effect ⁵⁾	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors ⁶⁾	MFIs	Other financial corporations	
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	-1.6	-0.2	-0.2	3.6
2000	1.0	1.1	0.0	0.0	-0.1	0.0	-0.5	-0.3	1.9	-2.1	-2.0	-0.6	3.1
2001	1.9	1.9	-0.1	0.1	0.0	0.2	-0.2	0.4	1.4	-0.3	-0.5	-0.8	2.2
2002	2.1	2.7	-0.5	0.0	0.0	0.0	-0.2	0.7	1.6	-0.5	-0.5	-0.1	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	0.8	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	0.2	-0.1	2.6	-0.7	-0.4	0.5	3.8
2006	1.5	1.4	0.1	0.0	0.0	0.2	0.1	-0.4	1.6	-1.0	1.0	-2.1	2.5

2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) ⁸⁾	Deficit-debt adjustment ⁹⁾											Other ¹⁰⁾
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	
				Total	Currency and deposits	Loans	Securities ¹¹⁾	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	-0.5	0.1	0.1	0.0	0.0	0.0	-0.3	0.1	-0.5	-0.1	0.0	0.0
2003	3.1	-3.1	0.0	0.1	0.0	0.0	0.0	0.1	-0.2	0.1	-0.2	-0.1	0.0	0.1
2004	3.1	-2.8	0.2	0.3	0.2	0.0	0.1	0.0	-0.5	0.2	-0.1	-0.1	0.0	0.1
2005	3.1	-2.6	0.5	0.7	0.4	0.1	0.2	0.1	-0.3	0.2	0.1	0.1	-0.1	-0.2
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 ¹⁾

(as a percentage of GDP)

1. Euro area – quarterly revenue

	Total		Current revenue					Capital revenue		Memo: fiscal burden ²⁾
	1	2	Direct taxes 3	Indirect taxes 4	Social contributions 5	Sales 6	Property income 7	8	Capital taxes 9	
2001 Q3	43.4	43.1	11.6	12.4	15.5	1.9	0.9	0.4	0.3	39.7
2001 Q4	49.2	48.7	13.5	13.9	16.3	2.9	1.1	0.5	0.3	44.0
2002 Q1	41.9	41.5	10.1	12.7	15.4	1.7	0.8	0.4	0.2	38.5
2002 Q2	45.6	45.1	12.6	12.7	15.5	2.0	1.6	0.5	0.3	41.1
2002 Q3	43.5	43.1	11.2	12.8	15.5	1.9	0.8	0.4	0.3	39.6
2002 Q4	49.2	48.6	13.4	14.1	16.3	3.0	0.9	0.6	0.3	44.1
2003 Q1	41.9	41.4	9.7	12.8	15.6	1.7	0.7	0.5	0.2	38.3
2003 Q2	45.9	44.4	12.0	12.7	15.7	2.0	1.3	1.5	1.2	41.6
2003 Q3	42.8	42.3	10.8	12.7	15.5	1.9	0.7	0.5	0.2	39.2
2003 Q4	49.2	48.2	13.1	14.2	16.2	2.9	0.8	1.0	0.3	43.8
2004 Q1	41.4	40.9	9.5	12.8	15.3	1.7	0.7	0.4	0.3	38.0
2004 Q2	45.0	44.2	12.1	13.0	15.3	2.0	0.9	0.8	0.6	41.0
2004 Q3	42.6	42.1	10.6	12.6	15.4	1.9	0.7	0.5	0.3	38.9
2004 Q4	49.2	48.3	13.0	14.4	16.2	2.9	0.8	1.0	0.4	43.9
2005 Q1	42.0	41.5	9.9	12.9	15.3	1.7	0.6	0.5	0.3	38.4
2005 Q2	44.7	44.1	11.9	13.3	15.2	2.0	1.0	0.6	0.3	40.7
2005 Q3	43.3	42.6	11.0	12.9	15.2	1.9	0.8	0.7	0.3	39.4
2005 Q4	49.4	48.6	13.4	14.3	16.1	3.0	0.9	0.8	0.3	44.2
2006 Q1	42.6	42.1	10.2	13.3	15.2	1.7	0.8	0.5	0.3	39.0
2006 Q2	45.9	45.4	12.6	13.6	15.3	2.0	1.2	0.5	0.3	41.8
2006 Q3	43.6	43.1	11.4	12.9	15.3	1.9	0.8	0.5	0.3	39.9
2006 Q4	49.9	49.3	14.2	14.4	16.0	2.9	0.9	0.7	0.3	44.9
2007 Q1	42.4	42.0	10.4	13.4	14.9	1.7	0.9	0.4	0.3	39.0
2007 Q2	46.3	45.9	13.1	13.7	15.2	1.9	1.2	0.5	0.3	42.2
2007 Q3	43.8	43.4	12.1	12.8	15.0	1.9	0.8	0.5	0.3	40.2

2. Euro area – quarterly expenditure and deficit/surplus

	Total		Current expenditure					Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)	
	1	2	Compensation of employees 3	Intermediate consumption 4	Interest 5	Current transfers 6	Social benefits 7	Subsidies 8	Investment 9	Capital transfers 11			
													10	12	13
2001 Q3	46.1	42.4	10.0	4.6	3.8	24.1	20.8	1.4	3.7	2.5	1.2	-2.7	1.2
2001 Q4	51.2	46.3	11.0	5.7	3.6	26.0	22.1	1.7	4.9	3.2	1.7	-2.1	1.5
2002 Q1	46.2	42.8	10.3	4.3	3.7	24.5	21.2	1.3	3.5	2.0	1.5	-4.3	-0.7
2002 Q2	46.7	43.2	10.3	4.9	3.6	24.4	21.2	1.3	3.4	2.3	1.1	-1.0	2.5
2002 Q3	46.8	43.2	10.0	4.7	3.5	24.9	21.5	1.4	3.7	2.5	1.2	-3.3	0.2
2002 Q4	50.9	46.5	11.1	5.7	3.3	26.4	22.7	1.6	4.4	2.8	1.6	-1.7	1.6
2003 Q1	46.8	43.3	10.3	4.5	3.5	25.0	21.5	1.3	3.5	1.9	1.6	-5.0	-1.5
2003 Q2	47.3	43.7	10.4	4.8	3.4	25.2	21.7	1.3	3.6	2.3	1.2	-1.4	2.0
2003 Q3	47.0	43.3	10.2	4.8	3.3	25.0	21.6	1.3	3.7	2.5	1.2	-4.2	-0.9
2003 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	46.4	43.1	10.3	4.6	3.2	25.0	21.4	1.2	3.4	1.9	1.5	-5.1	-1.9
2004 Q2	46.5	43.2	10.4	4.9	3.1	24.8	21.5	1.2	3.3	2.3	1.0	-1.5	1.6
2004 Q3	46.0	42.6	9.9	4.7	3.2	24.9	21.5	1.3	3.4	2.5	1.0	-3.4	-0.3
2004 Q4	50.7	45.8	11.0	5.7	3.0	26.1	22.7	1.4	4.9	3.1	1.8	-1.5	1.5
2005 Q1	46.9	43.2	10.3	4.7	3.1	25.2	21.4	1.2	3.7	1.9	1.9	-4.9	-1.8
2005 Q2	46.4	43.0	10.2	5.0	3.2	24.6	21.4	1.1	3.4	2.4	1.1	-1.7	1.5
2005 Q3	45.8	42.3	9.9	4.8	2.9	24.7	21.4	1.2	3.5	2.5	1.0	-2.5	0.4
2005 Q4	50.7	45.9	11.1	5.8	2.8	26.2	22.7	1.4	4.8	3.1	1.7	-1.3	1.5
2006 Q1	45.6	42.4	10.1	4.5	3.0	24.9	21.3	1.2	3.1	1.9	1.3	-3.0	0.0
2006 Q2	46.0	42.6	10.3	4.9	3.1	24.3	21.3	1.1	3.3	2.4	1.0	-0.1	3.0
2006 Q3	46.2	41.9	9.8	4.7	2.9	24.5	21.2	1.2	4.2	2.5	1.8	-2.6	0.3
2006 Q4	50.7	45.3	10.7	5.9	2.7	26.0	22.4	1.4	5.4	3.2	2.2	-0.8	1.9
2007 Q1	44.6	41.4	9.9	4.5	2.9	24.1	20.6	1.1	3.2	2.0	1.2	-2.1	0.8
2007 Q2	45.0	41.7	10.0	4.9	3.1	23.8	20.8	1.0	3.3	2.4	0.9	1.3	4.4
2007 Q3	44.6	41.2	9.6	4.6	2.9	24.0	20.8	1.2	3.5	2.5	0.9	-0.8	2.1

Source: ECB calculations based on Eurostat and national data.

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

2) The fiscal burden comprises taxes and social contributions.

6.5 Quarterly debt and change in debt

(as a percentage of GDP)

1. Euro area – Maastricht debt by financial instrument¹⁾

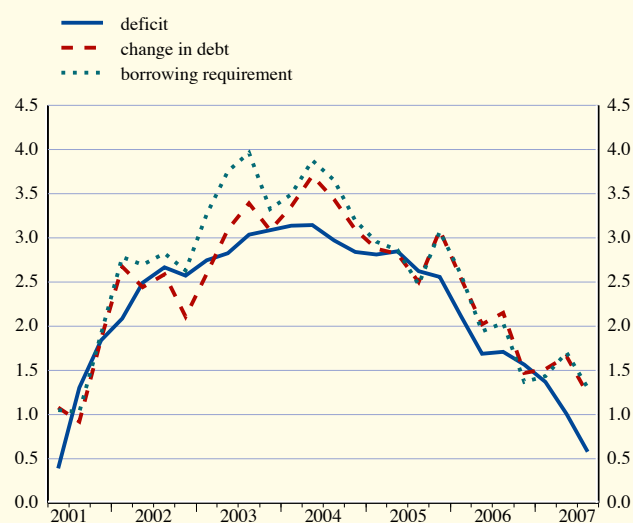
	Total 1	Financial instruments			
		Currency and deposits 2	Loans 3	Short-term securities 4	Long-term securities 5
2004 Q4	69.5	2.2	11.9	5.0	50.5
2005 Q1	70.9	2.2	11.9	5.2	51.5
Q2	71.6	2.3	11.7	5.2	52.4
Q3	71.1	2.4	11.8	5.2	51.8
Q4	70.3	2.4	11.8	4.7	51.4
2006 Q1	70.7	2.5	11.7	4.9	51.5
Q2	70.8	2.5	11.6	4.9	51.8
Q3	70.3	2.5	11.6	4.7	51.4
Q4	68.6	2.5	11.4	4.1	50.7
2007 Q1	68.9	2.4	11.4	4.8	50.3
Q2	69.1	2.2	11.1	5.1	50.7
Q3	68.1	2.1	11.0	5.2	49.8

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 Q4	-3.0	-1.5	-4.5	-3.3	-2.6	0.1	-0.2	-0.6	0.0	-1.2	-3.0
2005 Q1	7.3	-4.9	2.4	2.4	1.3	0.3	0.3	0.4	0.0	0.0	7.3
Q2	5.4	-1.7	3.7	3.3	2.5	0.0	0.3	0.5	0.1	0.3	5.3
Q3	0.6	-2.5	-2.0	-2.4	-2.3	0.0	0.3	-0.4	0.0	0.4	0.5
Q4	-0.6	-1.3	-1.9	-0.4	0.0	0.0	-0.3	-0.1	-0.1	-1.4	-0.5
2006 Q1	4.9	-3.0	1.9	1.3	1.0	0.1	0.6	-0.5	-0.3	0.9	5.1
Q2	3.3	-0.1	3.2	3.2	2.5	0.1	0.4	0.2	0.6	-0.6	2.7
Q3	1.2	-2.6	-1.4	-0.9	-0.7	-0.1	0.1	-0.1	0.2	-0.7	1.0
Q4	-3.1	-0.8	-3.8	-2.1	-1.2	-0.6	-0.1	-0.2	-0.1	-1.6	-2.9
2007 Q1	4.8	-2.1	2.7	1.8	1.0	0.2	0.6	0.0	-0.3	1.2	5.2
Q2	3.8	1.3	5.1	4.8	4.1	0.0	0.5	0.2	0.1	0.2	3.7
Q3	-0.5	-0.8	-1.3	-1.8	-2.2	0.1	0.3	0.0	0.0	0.5	-0.6

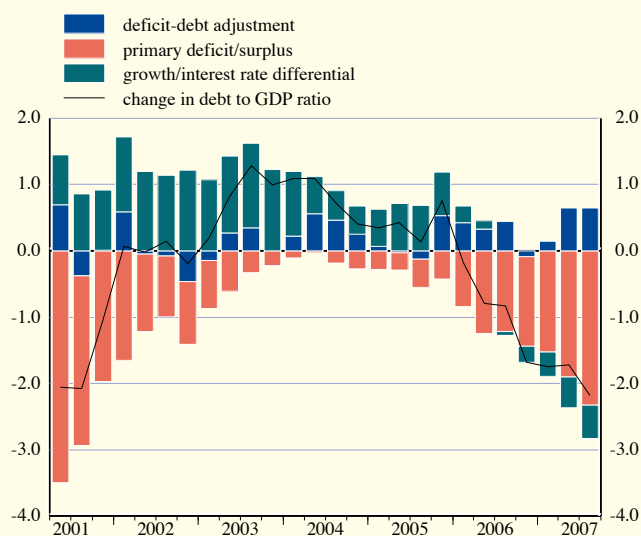
C28 Deficit, borrowing requirement and change in debt

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



C29 Maastricht debt

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



Source: ECB calculations based on Eurostat and national data.

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



EXTERNAL TRANSACTIONS AND POSITIONS

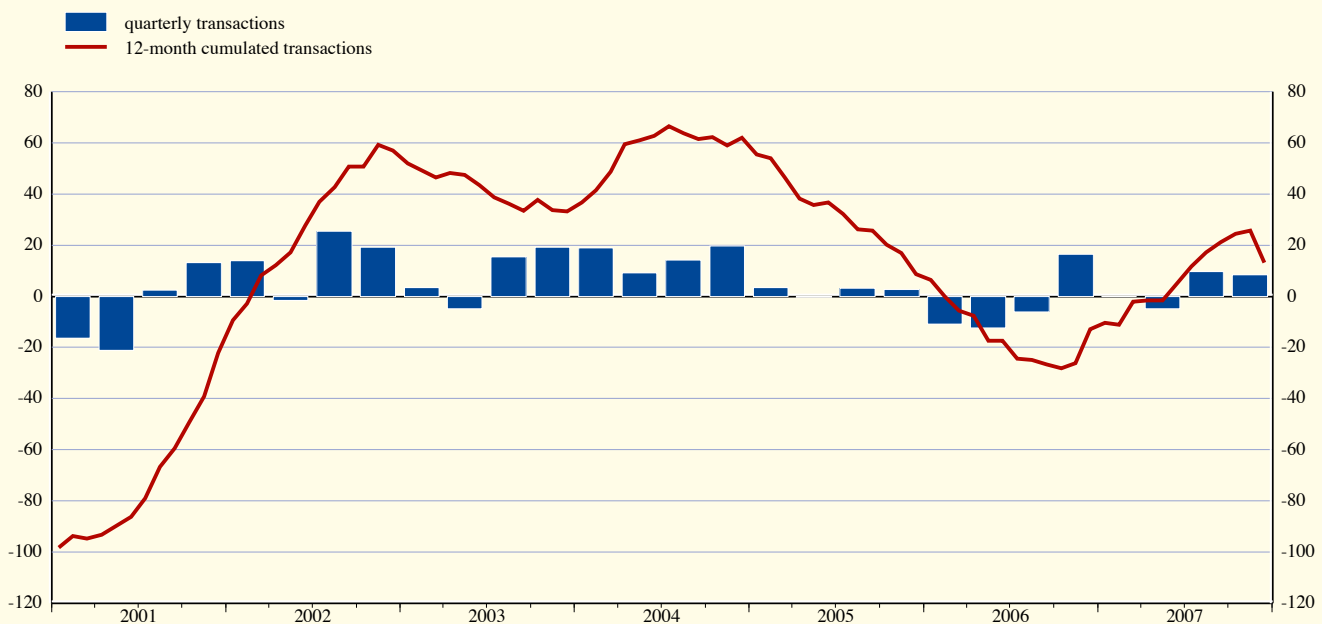
7.1 Summary balance of payments ¹⁾

(EUR billions; net transactions)

	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
2005	8.5	47.9	31.6	1.9	-72.9	11.3	19.9	24.2	-208.8	141.3	-16.4	90.1	18.0	-44.1
2006	-12.9	23.0	35.1	6.1	-77.1	9.1	-3.7	118.0	-136.4	276.4	2.5	-23.2	-1.3	-114.3
2007	13.1	60.7	42.4	-6.6	-83.4	14.7	27.8	1.5	-108.4	232.5	-123.2	5.5	-4.9	-29.3
2006 Q4	16.4	16.9	7.6	7.3	-15.4	4.6	21.0	-42.2	-52.5	116.9	-2.7	-101.4	-2.4	21.2
2007 Q1	-0.2	8.6	7.8	4.7	-21.2	5.0	4.8	4.7	-14.6	129.8	-16.4	-92.5	-1.6	-9.5
Q2	-4.9	20.1	12.6	-21.1	-16.5	2.4	-2.4	23.6	-66.8	72.4	-23.2	45.4	-4.2	-21.2
Q3	9.8	18.5	14.4	2.1	-25.2	1.2	11.0	90.6	-37.8	76.2	-32.5	88.2	-3.6	-101.6
Q4	8.4	13.6	7.6	7.8	-20.5	6.0	14.4	-117.4	10.8	-45.9	-51.1	-35.6	4.5	102.9
2006 Dec.	14.5	4.8	3.5	5.9	0.2	3.3	17.8	-32.9	-24.6	24.3	-5.5	-25.3	-1.9	15.1
2007 Jan.	-3.7	-4.2	1.1	1.1	-1.7	2.2	-1.4	42.7	-13.8	42.7	-4.2	20.9	-3.0	-41.2
Feb.	-3.6	2.6	2.9	3.0	-12.1	1.1	-2.4	2.0	-3.2	22.9	-7.9	-9.3	-0.5	0.5
Mar.	7.1	10.1	3.8	0.6	-7.4	1.6	8.7	-39.9	2.4	64.2	-4.3	-104.1	1.9	31.2
Apr.	-4.6	4.5	3.2	-4.6	-7.7	0.6	-4.0	41.2	-8.4	1.1	-9.9	59.9	-1.5	-37.2
May	-12.7	4.3	3.4	-15.4	-5.1	1.8	-10.9	-3.7	-26.3	3.2	-2.9	23.0	-0.7	14.6
June	12.4	11.3	6.0	-1.1	-3.8	0.0	12.4	-13.9	-32.1	68.1	-10.4	-37.6	-1.9	1.5
July	4.8	7.9	4.8	-0.2	-7.7	0.8	5.6	45.9	-0.7	25.4	-12.9	37.0	-2.9	-51.4
Aug.	0.4	4.0	3.6	1.1	-8.3	0.1	0.5	58.6	0.3	1.9	-8.4	63.9	1.0	-59.1
Sep.	4.6	6.5	6.1	1.2	-9.2	0.3	4.9	-13.9	-37.4	48.9	-11.1	-12.6	-1.6	9.0
Oct.	3.9	8.7	3.1	2.3	-10.3	1.2	5.1	-80.6	21.3	-56.1	-6.9	-38.3	-0.5	75.5
Nov.	2.7	6.3	2.3	1.0	-6.9	1.1	3.8	-13.1	10.6	8.7	-31.6	-1.0	0.2	9.3
Dec.	1.9	-1.5	2.2	4.5	-3.3	3.6	5.6	-23.6	-21.0	1.5	-12.6	3.7	4.8	18.1
	<i>12-month cumulated transactions</i>													
2007 Dec.	13.1	60.7	42.4	-6.6	-83.4	14.7	27.8	1.5	-108.4	232.5	-123.2	5.5	-4.9	-29.3

C30 B.o.p. current account balance

(EUR billions)



Source: ECB.

1) The sign convention is explained in the general notes

7.2 Current and capital accounts

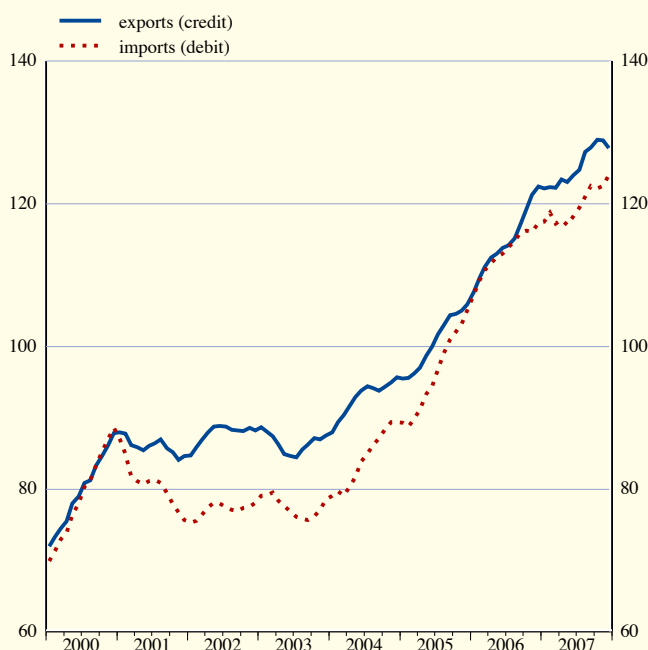
(EUR billions; transactions)

1. Summary current and capital accounts

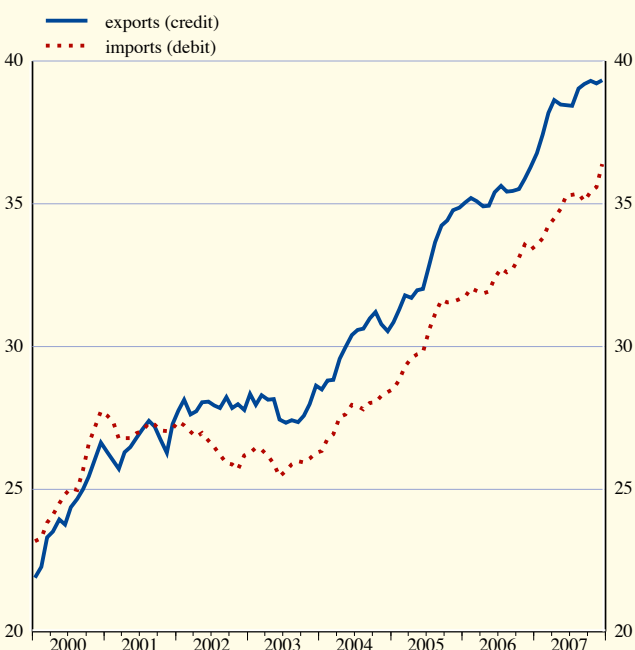
	Current account											Capital account			
	Total			Goods		Services		Income		Current transfers			Credit	Debit	
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit				
											Workers remittances	Workers remittances			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2005	2,071.2	2,062.6	8.5	1,222.2	1,174.2	399.7	368.2	364.2	362.3	85.1	5.3	158.0	13.1	24.1	12.8
2006	2,368.9	2,381.7	-12.9	1,392.0	1,369.0	426.1	391.0	463.9	457.8	86.9	5.3	164.0	15.5	23.7	14.5
2007	2,591.7	2,578.6	13.1	1,505.1	1,444.4	465.5	423.1	535.2	541.8	85.8	-	169.2	-	25.9	11.3
2006 Q4	639.7	623.3	16.4	374.8	357.9	109.3	101.6	127.6	120.3	28.1	1.4	43.5	4.4	8.8	4.2
2007 Q1	615.8	616.0	-0.2	361.3	352.8	105.3	97.5	122.4	117.7	26.7	1.4	48.0	4.6	7.8	2.8
Q2	646.6	651.5	-4.9	373.3	353.2	115.0	102.4	139.7	160.8	18.6	1.6	35.1	4.9	4.9	2.5
Q3	650.8	641.1	9.8	375.3	356.8	126.2	111.8	133.5	131.4	15.9	1.7	41.1	5.2	4.1	2.8
Q4	678.4	670.0	8.4	395.2	381.6	119.0	111.5	139.6	131.9	24.6	-	45.1	-	9.1	3.2
2007 Oct.	230.7	226.8	3.9	140.5	131.8	41.0	37.8	44.9	42.6	4.3	.	14.6	.	2.0	0.8
Nov.	223.7	221.1	2.7	136.4	130.1	37.5	35.2	44.7	43.7	5.2	.	12.1	.	2.2	1.1
Dec.	224.0	222.1	1.9	118.3	119.7	40.6	38.4	50.1	45.6	15.1	.	18.4	.	4.9	1.3
	Seasonally adjusted														
2006 Q4	621.9	619.6	2.3	367.3	351.8	108.8	100.1	123.5	123.9	22.2	.	43.8	.	.	.
2007 Q1	630.4	622.5	7.9	366.7	351.6	114.5	102.7	126.6	128.1	22.6	.	40.1	.	.	.
Q2	642.4	638.1	4.3	372.0	354.9	115.4	105.9	132.7	137.1	22.3	.	40.2	.	.	.
Q3	663.6	656.0	7.6	383.5	367.5	117.6	105.2	141.0	140.7	21.4	.	42.6	.	.	.
Q4	656.1	661.0	-4.9	383.3	372.0	118.0	109.1	136.1	135.1	18.8	.	44.8	.	.	.
2007 July	219.2	215.4	3.8	125.9	121.7	38.4	35.0	47.2	44.8	7.7	.	13.9	.	.	.
Aug.	222.0	218.9	3.2	129.1	121.9	39.6	35.4	46.3	47.1	7.0	.	14.5	.	.	.
Sep.	222.3	221.7	0.6	128.6	123.9	39.6	34.9	47.5	48.7	6.7	.	14.1	.	.	.
Oct.	221.6	218.4	3.1	129.2	120.7	38.8	36.0	47.7	45.5	5.9	.	16.3	.	.	.
Nov.	221.1	218.8	2.3	128.8	122.9	39.3	35.8	47.5	47.3	5.5	.	12.9	.	.	.
Dec.	213.5	223.7	-10.3	125.3	128.5	39.9	37.3	40.9	42.3	7.4	.	15.7	.	.	.

C31 B.o.p. goods

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


C32 B.o.p. services

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



Source: ECB.

7.2 Current and capital accounts

(EUR billions)

2. 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			Reinv. earnings	Debit	Reinv. earnings	Credit	Debit	Credit	Debit	Credit	Debit			
			1	2										3	4	5	6	7	8	9	10	11	12	13	14	15	16
2004	15.3	7.6	275.9	293.4	99.6	37.1	78.4	31.4	12.8	12.6	23.8	54.2	72.6	75.6	67.2	72.6
2005	15.4	9.2	348.8	353.1	127.0	32.1	89.1	-10.2	14.2	13.6	31.7	69.6	82.1	80.4	93.9	100.4
2006	16.0	9.9	447.8	447.9	151.4	27.0	94.2	40.3	18.5	16.7	39.0	99.0	101.5	87.2	137.4	150.9
2006 Q3	4.0	3.0	109.2	108.8	34.9	13.3	23.4	13.0	4.6	4.2	8.7	21.5	26.3	21.2	34.8	38.6
Q4	4.2	2.6	123.4	117.8	42.5	7.6	26.2	9.1	5.2	5.0	8.2	19.1	27.9	23.4	39.6	44.1
2007 Q1	4.0	1.9	118.5	115.8	34.4	15.6	22.5	6.5	5.1	4.9	9.6	18.2	27.8	25.4	41.6	44.8
Q2	4.0	2.5	135.6	158.3	38.8	4.1	23.0	2.1	5.7	4.8	16.0	52.9	28.7	28.3	46.4	49.4
Q3	4.2	3.1	129.3	128.3	36.2	14.7	22.1	12.0	5.5	5.1	11.0	23.9	30.8	26.8	45.8	50.4

3. Geographical breakdown

(cumulated transactions)

	Total	European Union 27 (outside the euro area)						Brazil	Canada	China	India	Japan	Russia	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions									
2006 Q4 to 2007 Q3	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Credits																
Current account	2,552.9	977.0	53.7	84.0	501.7	277.3	60.2	29.9	33.9	72.6	28.3	56.1	86.5	164.9	401.2	702.5
Goods	1,484.7	541.5	33.8	54.5	232.9	220.2	0.0	17.1	18.2	59.2	21.8	34.5	65.1	84.5	198.3	444.5
Services	455.7	165.0	9.5	12.3	109.2	28.2	5.9	4.5	6.7	10.1	4.9	10.6	9.4	44.9	79.8	119.9
Income	523.2	205.3	10.0	16.5	146.1	26.3	6.4	8.1	8.3	3.1	1.7	10.8	11.9	29.6	115.2	129.3
investment income	506.9	199.8	9.9	16.4	144.4	26.1	3.0	8.1	8.2	3.1	1.7	10.7	11.8	23.1	113.8	126.7
Current transfers	89.3	65.2	0.5	0.7	13.5	2.7	47.8	0.2	0.6	0.2	0.0	0.3	0.1	5.9	7.9	8.7
Capital account	25.6	21.0	0.0	0.0	0.9	0.1	19.9	0.0	0.0	0.0	0.0	0.4	0.1	0.4	0.9	2.7
Debits																
Current account	2,531.9	837.4	42.0	76.8	406.0	216.0	96.5	-	27.7	-	-	92.6	-	159.6	363.5	-
Goods	1,420.7	420.2	28.2	49.5	171.3	171.2	0.0	23.1	12.6	159.3	17.9	55.0	85.4	73.5	135.3	438.4
Services	413.3	134.3	7.9	10.0	86.2	30.1	0.1	4.0	6.4	9.2	3.4	7.8	7.5	32.9	87.5	120.3
Income	530.2	178.7	5.5	16.5	138.2	10.8	7.7	-	6.9	-	-	29.4	-	47.5	134.2	-
investment income	520.2	172.7	5.4	16.4	136.9	6.3	7.7	-	6.7	-	-	29.3	-	47.1	133.2	-
Current transfers	167.6	104.2	0.4	0.9	10.4	3.9	88.7	1.4	1.9	2.1	0.6	0.4	0.5	5.6	6.5	44.4
Capital account	12.3	1.8	0.0	0.1	0.9	0.3	0.4	0.1	0.1	0.1	0.2	0.1	0.0	0.7	1.7	7.5
Net																
Current account	21.0	139.6	11.7	7.2	95.7	61.3	-36.3	-	6.2	-	-	-36.5	-	5.3	37.7	-
Goods	64.0	121.3	5.6	5.0	61.6	49.0	0.0	-6.0	5.6	11.0	3.9	-20.5	-20.3	11.0	63.0	6.1
Services	42.4	30.7	1.5	2.3	23.0	-2.0	5.8	0.5	0.3	0.9	1.4	2.7	1.9	12.0	-7.7	-0.4
Income	-7.1	26.7	4.5	0.0	8.0	15.5	-1.3	-	1.5	-	-	-18.6	-	-18.0	-19.0	-
investment income	-13.3	27.0	4.5	0.0	7.5	19.8	-4.7	-	1.5	-	-	-18.6	-	-24.0	-19.5	-
Current transfers	-78.3	-39.1	0.1	-0.1	3.1	-1.2	-40.9	-1.2	-1.2	-1.9	-0.6	-0.1	-0.3	0.3	1.4	-35.6
Capital account	13.3	19.3	0.0	-0.1	0.0	-0.2	19.5	-0.1	-0.1	0.0	-0.2	0.4	0.0	-0.3	-0.9	-4.8

Source: ECB.

7.3 Financial account

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

1. Summary financial account

	Total ¹⁾			Total as a % of GDP			Direct investment		Portfolio investment		Net financial derivatives	Other investment		Reserve assets
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts (international investment position)														
2003	7,817.7	8,608.3	-790.7	104.4	115.0	-10.6	2,169.3	2,084.2	2,655.4	3,585.9	-19.8	2,706.1	2,938.3	306.7
2004	8,604.1	9,492.8	-888.7	110.5	121.9	-11.4	2,321.2	2,243.0	3,036.5	4,081.3	-37.3	3,002.7	3,168.5	281.0
2005	10,729.0	11,566.7	-837.7	133.1	143.5	-10.4	2,809.4	2,447.6	3,876.6	5,110.5	-46.1	3,769.1	4,008.6	320.1
2006	12,191.6	13,216.0	-1,024.4	144.4	156.6	-12.1	3,075.9	2,658.8	4,441.3	5,965.2	-43.5	4,392.0	4,592.0	325.8
2007 Q2	13,388.1	14,567.7	-1,179.6	154.8	168.5	-13.6	3,318.0	2,798.1	4,812.7	6,629.5	-11.4	4,943.5	5,140.1	325.3
Q3	13,624.6	14,923.5	-1,298.9	155.8	170.6	-14.9	3,374.0	2,876.9	4,820.4	6,684.7	-0.5	5,090.2	5,361.9	340.5
Changes to outstanding amounts														
2003	509.9	593.8	-83.9	6.8	7.9	-1.1	162.6	257.7	363.5	341.4	-7.2	50.4	-5.2	-59.4
2004	786.4	884.4	-98.0	10.1	11.4	-1.3	151.9	158.8	381.2	495.4	-17.5	296.6	230.2	-25.7
2005	2,124.9	2,073.9	51.0	26.4	25.7	0.6	488.2	204.6	840.0	1,029.2	-8.9	766.4	840.2	39.1
2006	1,462.6	1,649.3	-186.7	17.3	19.5	-2.2	266.5	211.2	564.7	854.8	2.7	623.0	583.4	5.7
2007 Q2	579.6	691.6	-112.0	26.3	31.4	-5.1	176.3	87.0	220.5	357.0	14.0	174.9	247.6	-6.2
Q3	236.5	355.9	-119.4	10.8	16.2	-5.4	56.0	78.8	7.8	55.2	10.9	146.7	221.8	15.2
Transactions														
2003	664.7	649.5	15.2	8.9	8.7	0.2	146.8	136.5	281.5	337.2	13.8	250.4	175.7	-27.8
2004	814.4	797.6	16.8	10.5	10.2	0.2	163.1	96.3	344.7	416.8	8.3	310.7	284.5	-12.5
2005	1,332.8	1,357.0	-24.2	16.5	16.8	-0.3	355.4	146.7	412.1	553.4	16.4	566.8	656.9	-18.0
2006	1,589.6	1,707.6	-118.0	18.8	20.2	-1.4	334.3	197.9	535.0	811.4	-2.5	721.5	698.3	1.3
2007 Q2	482.2	505.8	-23.6	21.9	23.0	-1.1	111.6	44.7	153.0	225.4	23.2	190.3	235.7	4.2
Q3	407.3	497.9	-90.6	18.6	22.7	-4.1	109.4	71.6	34.0	110.2	32.5	227.8	316.1	3.6
Q4	297.8	180.4	117.4	12.9	7.8	5.1	66.5	77.3	76.2	30.2	51.1	108.5	72.8	-4.5
2007 Aug.	55.2	113.8	-58.6	.	.	.	27.9	28.3	-5.8	-3.9	8.4	25.6	89.5	-1.0
Sep.	261.1	247.2	13.9	.	.	.	56.8	19.3	-7.1	41.8	11.1	198.7	186.1	1.6
Oct.	236.3	155.7	80.6	.	.	.	24.0	45.3	68.2	12.1	6.9	136.7	98.3	0.5
Nov.	163.0	149.9	13.1	.	.	.	20.8	31.3	35.2	43.9	31.6	75.7	74.7	-0.2
Dec.	-101.6	-125.2	23.6	.	.	.	21.7	0.7	-27.3	-25.7	12.6	-103.9	-100.2	-4.8
Other changes														
2003	-154.8	-55.6	-99.2	-2.1	-0.7	-1.3	15.7	121.2	82.0	4.1	-21.0	-200.0	-180.9	-31.6
2004	-27.9	86.8	-114.7	-0.4	1.1	-1.5	-11.2	62.5	36.4	78.6	-25.8	-14.1	-54.3	-13.3
2005	792.1	716.9	75.2	9.8	8.9	0.9	132.8	57.9	427.9	475.8	-25.3	199.6	183.2	57.1
2006	-127.0	-58.2	-68.7	-1.5	-0.7	-0.8	-67.8	13.3	29.7	43.4	5.1	-98.5	-114.9	4.4
2007 Q2	97.4	185.8	-88.4	4.4	8.4	-4.0	64.7	42.3	67.6	131.6	-9.2	-15.4	11.9	-10.4
Q3	-170.8	-142.0	-28.8	-7.8	-6.5	-1.3	-53.4	7.2	-26.3	-55.0	-21.6	-81.2	-94.2	11.6
Other changes due to exchange rate changes														
2003	-433.2	-179.8	-253.4	-5.8	-2.4	-3.4	-101.8	26.9	-103.8	-49.8	.	-195.5	-156.9	-32.1
2004	-182.4	-138.1	-44.3	-2.3	-1.8	-0.6	-34.7	8.2	-67.3	-92.1	.	-71.0	-54.2	-9.4
2005	371.6	221.3	150.3	4.6	2.7	1.9	83.2	-20.9	120.5	125.5	.	149.3	116.8	18.7
2006	-292.2	-140.3	-151.9	-3.5	-1.7	-1.8	-65.9	14.4	-84.8	-51.1	.	-126.3	-103.6	-15.2
Other changes due to price changes														
2003	218.9	158.4	60.5	2.9	2.1	0.8	74.1	32.5	165.4	125.8	-21.0	.	.	0.4
2004	119.2	243.1	-123.9	1.5	3.1	-1.6	37.8	28.2	110.3	214.9	-25.8	.	.	-3.1
2005	287.1	351.4	-64.3	3.6	4.4	-0.8	74.0	55.8	196.2	295.6	-25.3	.	.	42.2
2006	317.8	272.1	45.7	3.8	3.2	0.5	75.6	46.2	220.7	225.9	5.1	.	.	16.4
Other changes due to other adjustments														
2003	59.5	-34.3	93.8	0.8	-0.5	1.3	43.4	61.7	20.4	-72.0	.	-4.5	-24.0	0.2
2004	35.3	-18.2	53.5	0.5	-0.2	0.7	-14.3	26.2	-6.5	-44.2	.	56.9	-0.2	-0.7
2005	133.4	144.3	-10.9	1.7	1.8	-0.1	-24.4	23.1	111.2	54.8	.	50.3	66.4	-3.7
2006	-152.6	-190.0	37.4	-1.8	-2.3	0.4	-77.5	-47.3	-106.2	-131.4	.	27.8	-11.3	3.3
Growth rates of outstanding amounts														
2003	9.2	8.2	-	.	.	.	7.4	7.4	12.4	10.5	.	9.5	6.1	-7.9
2004	10.3	9.2	-	.	.	.	7.5	4.6	12.8	11.4	.	11.4	9.6	-4.1
2005	15.0	13.9	-	.	.	.	14.9	6.5	13.0	13.1	.	18.3	20.1	-5.9
2006	15.0	14.9	-	.	.	.	12.1	8.1	13.9	16.0	.	19.4	17.6	0.3
2007 Q2	17.2	16.0	-	.	.	.	12.2	6.9	14.0	16.7	.	24.4	20.6	3.5
Q3	17.2	16.3	-	.	.	.	12.9	8.2	11.2	15.4	.	25.7	22.5	3.6
Q4	14.9	13.7	-	.	.	.	12.3	10.2	9.2	10.7	.	20.5	19.7	1.5

Source: ECB.

1) Net financial derivatives are included in assets.

7.3 Financial account

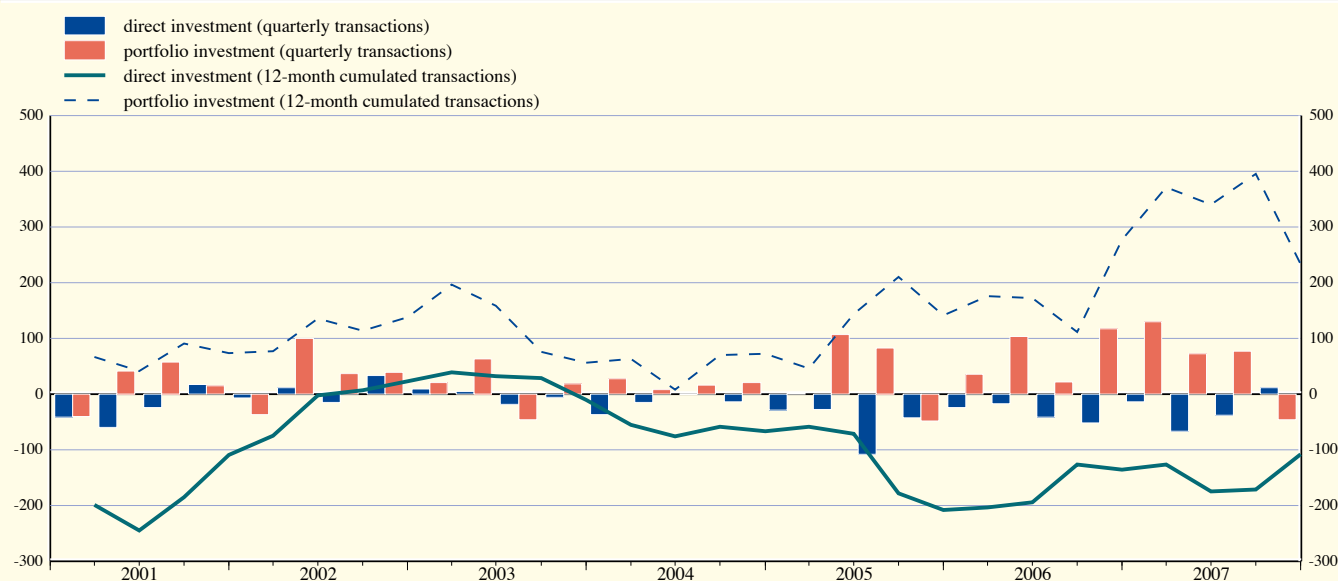
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Direct investment

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFI	Non-MFI	Total	MFI	Non-MFI		Total	into MFI	into Non-MFI	Total	to MFI	to Non-MFI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts (international investment position)														
2005	2,809.4	2,290.8	178.0	2,112.8	518.6	4.2	514.4	2,447.6	1,841.2	55.2	1,786.0	606.5	8.4	598.0
2006	3,075.9	2,510.5	211.2	2,299.3	565.4	3.6	561.7	2,658.8	2,039.8	59.8	1,980.1	619.0	7.8	611.1
2007 Q2	3,318.0	2,680.1	228.2	2,451.8	638.0	7.6	630.3	2,798.1	2,144.3	57.3	2,087.0	653.7	13.4	640.3
Q3	3,374.0	2,729.8	240.5	2,489.3	644.2	7.1	637.2	2,876.9	2,200.5	57.8	2,142.8	676.4	13.7	662.7
Transactions														
2005	355.4	296.6	12.1	284.5	58.8	0.2	58.6	146.7	116.8	1.0	115.9	29.9	-0.3	30.2
2006	334.3	265.2	35.4	229.8	69.1	0.0	69.0	197.9	172.3	4.9	167.5	25.6	0.1	25.5
2007 Q1	92.0	59.6	4.7	54.9	32.4	-2.1	34.5	77.4	48.3	0.9	47.4	29.1	-0.8	29.9
Q2	111.6	88.5	5.9	82.6	23.0	1.5	21.6	44.7	47.0	-1.0	47.9	-2.3	0.9	-3.2
Q3	109.4	75.5	15.5	60.1	33.9	-0.6	34.4	71.6	43.2	0.6	42.6	28.5	0.3	28.1
Q4	66.5	53.9	-9.7	63.7	12.6	0.3	12.3	77.3	42.1	1.6	40.5	35.3	1.5	33.8
2007 Aug.	27.9	18.6	3.2	15.4	9.3	-0.7	10.0	28.3	11.8	0.0	11.8	16.5	-0.3	16.8
Sep.	56.8	38.8	11.1	27.7	18.0	0.8	17.2	19.3	16.5	0.4	16.1	2.8	1.0	1.8
Oct.	24.0	24.2	-12.1	36.3	-0.2	-0.6	0.4	45.3	30.1	0.2	29.9	15.2	-0.2	15.4
Nov.	20.8	11.5	3.1	8.4	9.3	-0.8	10.1	31.3	7.0	0.4	6.6	24.3	1.6	22.8
Dec.	21.7	18.3	-0.7	19.0	3.4	1.7	1.7	0.7	5.0	1.0	3.9	-4.2	0.1	-4.4
Growth rates														
2005	14.9	15.3	8.0	15.9	13.4	-0.5	13.5	6.5	7.0	1.9	7.1	5.1	-4.5	5.2
2006	12.1	11.8	20.5	11.0	13.5	-2.2	13.6	8.1	9.4	8.9	9.4	4.3	-0.3	4.3
2007 Q2	12.2	11.2	20.5	10.5	16.4	-47.7	16.7	6.9	7.2	4.4	7.3	6.0	-11.7	6.2
Q3	12.9	11.2	21.4	10.3	20.6	-38.5	20.8	8.2	7.7	2.4	7.8	9.8	-1.4	9.9
Q4	12.3	11.1	7.5	11.4	17.9	-44.7	18.3	10.2	8.9	3.6	9.0	14.6	10.5	14.5

C33 B.o.p. net direct and portfolio investment

(EUR billions)



Source: ECB.

7.3 Financial account

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

3. Portfolio investment assets

	Total		Equity				Debt instruments											
	1	2	Total	MFIs	Non-MFIs		Bonds and notes			Money market instruments								
					3	4	5	6	7	8	9	10	11	12	13	14	15	16
Outstanding amounts (international investment position)																		
2005	3,876.6	1,725.0	102.5	3.0	1,622.5	27.2	1,835.6	701.1	8.6	1,134.5	11.6	316.0	262.8	0.8	53.2	0.4		
2006	4,441.3	2,012.0	122.2	2.8	1,889.8	37.0	2,051.5	829.5	10.8	1,222.0	13.4	377.8	310.6	8.7	67.2	0.3		
2007 Q2	4,812.7	2,176.9	152.1	3.0	2,024.8	41.4	2,207.1	921.4	11.2	1,285.7	14.7	428.6	339.6	8.1	89.0	10.4		
Q3	4,820.4	2,180.4	140.9	2.8	2,039.5	42.3	2,238.1	920.9	11.5	1,317.1	15.5	402.0	315.7	8.1	86.3	10.1		
Transactions																		
2005	412.1	134.3	14.4	0.1	119.9	3.5	260.4	117.2	0.7	143.2	0.8	17.4	14.4	-0.1	2.9	-0.1		
2006	535.0	156.3	18.1	0.0	138.2	6.2	309.5	171.7	2.6	137.8	1.1	69.2	56.6	8.0	12.6	-0.1		
2007 Q2	153.0	12.0	4.9	0.0	7.1	1.5	116.5	66.0	0.3	50.5	0.5	24.5	13.4	0.1	11.1	4.5		
Q3	34.0	7.8	-8.1	0.0	15.9	2.0	43.7	12.7	0.4	31.0	0.9	-17.4	-14.1	0.0	-3.4	-0.3		
Q4	76.2	11.9	12.8	0.0	-0.9	-	61.3	17.9	1.1	43.4	-	3.0	17.0	0.3	-14.1	-		
2007 Aug.	-5.8	1.2	-9.5	0.0	10.7	.	14.0	0.0	0.0	14.0	.	-21.0	-10.5	-0.1	-10.5	.		
Sep.	-7.1	-1.9	2.8	0.0	-4.7	.	4.6	-6.8	-0.1	11.4	.	-9.7	-13.3	0.1	3.5	.		
Oct.	68.2	9.6	9.3	0.0	0.3	.	32.5	12.9	0.3	19.6	.	26.1	27.6	0.0	-1.5	.		
Nov.	35.2	9.1	2.2	0.0	6.9	.	37.5	33.2	0.5	4.3	.	-11.3	-2.7	-0.4	-8.7	.		
Dec.	-27.3	-6.8	1.3	0.0	-8.1	.	-8.6	-28.2	0.3	19.6	.	-11.8	-7.9	0.7	-3.9	.		
Growth rates																		
2005	13.0	9.8	18.1	6.1	9.3	19.7	17.0	20.8	9.1	14.7	8.0	6.0	6.1	-6.6	4.3	-8.3		
2006	13.9	9.1	18.1	0.9	8.5	21.8	17.2	25.1	31.1	12.4	10.1	22.1	22.5	1,022.8	22.9	-20.5		
2007 Q2	14.0	5.1	35.7	0.2	3.3	15.2	19.6	28.7	56.9	13.8	23.6	33.6	30.7	12.3	46.7	56.2		
Q3	11.2	3.6	29.4	0.1	2.1	17.3	17.5	21.9	53.4	14.6	28.6	18.8	14.4	11.3	39.5	162.0		

4. Portfolio investment liabilities

	Total		Equity				Debt instruments							
	1	2	Total	MFIs	Non-MFIs		Bonds and notes			Money market instruments				
					3	4	5	6	7	8	9	10	11	12
Outstanding amounts (international investment position)														
2005	5,110.5	2,434.4	533.6	1,900.8	2,371.1	725.9	1,645.2	1,176.1	304.9	106.8	198.1	158.5		
2006	5,965.2	2,932.5	671.1	2,261.4	2,738.8	848.3	1,890.4	1,254.6	293.9	124.0	170.0	138.6		
2007 Q2	6,629.5	3,314.8	803.4	2,511.4	2,969.7	951.6	2,018.1	1,272.4	345.0	143.8	201.2	184.5		
Q3	6,684.7	3,319.9	808.6	2,511.2	3,004.0	979.6	2,024.4	1,273.0	360.8	142.6	218.2	193.3		
Transactions														
2005	553.4	263.0	-	-	237.1	-	-	-	53.3	-	-	-		
2006	811.4	309.2	97.4	212.1	500.1	215.1	286.4	151.2	2.1	28.3	-26.8	-19.3		
2007 Q2	225.4	71.2	16.6	54.6	117.4	44.7	72.7	48.4	36.8	15.0	21.8	19.9		
Q3	110.2	43.7	23.0	20.7	52.6	26.7	25.8	25.4	14.0	2.7	11.2	12.2		
Q4	30.2	-4.5	-19.9	15.4	70.2	17.0	53.2	-	-35.4	3.3	-38.7	-		
2007 Aug.	-3.9	-24.5	.	.	14.7	.	.	.	5.9	.	.	.		
Sep.	41.8	18.9	.	.	13.9	.	.	.	9.0	.	.	.		
Oct.	12.1	2.7	.	.	20.7	.	.	.	-11.3	.	.	.		
Nov.	43.9	0.1	.	.	46.2	.	.	.	-2.4	.	.	.		
Dec.	-25.7	-7.3	.	.	3.3	.	.	.	-21.8	.	.	.		
Growth rates														
2005	13.1	13.6	.	.	11.2	.	.	.	23.7	.	.	.		
2006	16.0	12.6	18.1	11.0	21.8	31.6	17.8	13.3	0.7	27.5	-13.2	-12.0		
2007 Q2	16.7	12.1	22.5	9.2	21.5	34.5	16.2	11.5	18.5	41.7	6.1	13.7		
Q3	15.4	11.0	18.1	8.9	19.5	28.2	15.7	12.9	21.7	35.5	13.8	21.1		
Q4	10.7	7.5	11.1	6.5	14.0	18.0	12.2	-	12.5	20.8	6.7	-		

Source: ECB.

7.3 Financial account

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

5. Other investment assets

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
	1	2	Loans/ currency and deposits 3	Other assets 4	Total 5	Loans/ currency and deposits 6	Other assets 7	Trade credits 8	Loans/currency and deposits 9	10	Currency and deposits 11	12	Trade credits 13	Loans/currency and deposits 14	Currency and deposits 15
Outstanding amounts (international investment position)															
2005	3,769.1	5.8	5.4	0.4	2,514.7	2,458.5	56.2	127.6	19.7	60.8	11.8	1,121.0	189.5	800.8	345.6
2006	4,392.0	8.8	8.4	0.4	2,938.3	2,879.1	59.2	117.1	14.1	57.8	15.4	1,327.9	187.7	988.7	375.2
2007 Q2	4,943.5	17.3	17.0	0.3	3,333.7	3,265.1	68.6	125.9	13.7	67.1	27.5	1,466.6	198.2	1,112.6	422.4
Q3	5,090.2	19.5	19.2	0.3	3,351.9	3,284.4	67.5	106.1	13.5	48.0	13.3	1,612.7	197.3	1,265.5	426.0
Transactions															
2005	566.8	0.9	0.9	0.0	395.2	392.1	3.1	-4.6	0.0	-5.8	2.4	175.3	9.0	149.4	3.9
2006	721.5	2.9	2.9	0.0	524.1	520.0	4.1	-1.8	0.0	-2.6	3.1	196.2	5.4	178.6	26.4
2007 Q2	190.3	3.5	3.5	0.0	130.6	126.4	4.2	17.6	0.0	17.1	17.4	38.7	2.4	30.2	-3.3
Q3	227.8	1.7	1.7	0.0	77.5	80.3	-2.8	-18.2	-0.1	-18.4	-14.1	166.8	2.6	163.9	6.5
Q4	108.5	0.2	-	-	60.5	-	-	2.0	-	-	0.1	45.8	-	-	-12.2
2007 Aug.	25.6	2.6	-	-	9.0	-	-	-0.5	-	-	-0.8	14.5	-	-	-1.5
Sep.	198.7	-0.5	-	-	32.1	-	-	0.5	-	-	0.9	166.6	-	-	20.7
Oct.	136.7	1.3	-	-	101.5	-	-	-4.3	-	-	-4.3	38.2	-	-	10.2
Nov.	75.7	-1.5	-	-	57.3	-	-	3.4	-	-	4.3	16.5	-	-	-8.5
Dec.	-103.9	0.4	-	-	-98.2	-	-	2.9	-	-	0.0	-8.9	-	-	-13.9
Growth rates															
2005	18.3	19.4	19.9	13.6	19.2	19.6	6.0	-3.5	0.2	-9.2	12.6	19.3	5.2	23.4	1.5
2006	19.4	50.5	53.4	9.8	21.2	21.5	7.4	-1.5	0.0	-4.3	26.1	17.7	2.9	22.6	7.5
2007 Q2	24.4	115.0	119.5	11.2	28.7	28.8	22.3	3.4	-0.1	4.4	32.9	16.8	1.9	20.6	5.7
Q3	25.7	150.5	156.9	10.2	25.9	26.2	15.1	-2.3	-0.9	-6.9	11.4	26.7	4.8	33.6	9.4
Q4	20.5	122.0	-	-	19.1	-	-	-5.1	-	-	-11.9	25.1	-	-	8.1

6. Other investment liabilities

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
	1	Total 2	Loans/ currency and deposits 3	Other liabilities 4	Total 5	Loans/ currency and deposits 6	Other liabilities 7	Total 8	Trade credits 9	Loans 10	Other liabilities 11	Total 12	Trade credits 13	Loans 14	Other liabilities 15
Outstanding amounts (international investment position)															
2005	4,008.6	82.4	82.1	0.2	3,098.0	3,045.8	52.3	44.3	0.0	40.5	3.8	783.9	133.1	580.8	70.1
2006	4,592.0	100.2	99.9	0.2	3,467.3	3,413.5	53.8	47.8	0.0	43.9	3.8	976.8	144.5	744.5	87.7
2007 Q2	5,140.1	116.1	115.8	0.3	3,877.0	3,814.8	50.9	0.0	45.7	5.2	62.2	1,096.1	148.6	844.9	102.6
Q3	5,361.9	114.1	113.8	0.3	3,934.0	3,869.0	54.7	0.0	48.7	6.1	65.0	1,259.1	154.2	1,003.6	101.3
Transactions															
2005	656.9	6.7	6.7	0.0	483.3	481.7	1.6	-2.2	0.0	-1.9	-0.3	169.2	13.5	149.2	6.5
2006	698.3	18.5	18.5	0.0	495.7	492.5	3.2	1.4	0.0	1.5	-0.1	182.6	11.9	159.7	11.0
2007 Q2	235.7	10.9	10.9	-0.1	180.5	178.3	2.1	0.0	0.0	-0.9	0.9	44.2	4.9	38.8	0.5
Q3	316.1	-1.3	-1.3	0.0	131.7	131.0	0.7	3.9	0.0	3.1	0.8	181.6	3.8	179.3	-1.4
Q4	72.8	24.5	-	-	46.0	-	-	-1.4	-	-	-	3.8	-	-	-
2007 Aug.	89.5	4.3	-	-	51.8	-	-	4.2	-	-	-	29.3	-	-	-
Sep.	186.1	1.2	-	-	32.0	-	-	1.4	-	-	-	151.4	-	-	-
Oct.	98.3	3.8	-	-	89.9	-	-	1.8	-	-	-	2.8	-	-	-
Nov.	74.7	5.0	-	-	60.0	-	-	2.8	-	-	-	6.9	-	-	-
Dec.	-100.2	15.7	-	-	-103.9	-	-	-6.0	-	-	-	-6.0	-	-	-
Growth rates															
2005	20.1	8.9	8.9	4.3	19.1	19.4	4.3	-4.9	26.4	-4.7	-7.2	27.9	11.4	34.4	13.1
2006	17.6	22.6	22.6	6.6	16.2	16.4	6.0	3.1	-41.1	3.7	-3.2	22.9	8.8	27.0	15.6
2007 Q2	20.6	28.6	28.6	14.4	22.0	22.1	14.2	10.9	26.1	9.5	27.5	15.3	6.4	16.8	17.2
Q3	22.5	20.7	20.7	8.4	20.1	20.3	10.2	4.3	80.3	1.1	43.7	31.4	6.9	39.0	8.9
Q4	19.7	39.7	-	-	18.1	-	-	8.4	-	-	-	22.8	-	-	-

Source: ECB.

7.3 Financial account

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

7. Reserve assets

	Reserve assets													Memo		
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims	Assets	Liabilities	
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities			Financial derivatives		Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency	
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes					Money market instruments
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Outstanding amounts (international investment position)																
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	56.6	37.6	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	69.4	38.0	-0.2	0.0	25.6	-17.9
2006	325.8	176.3	365.213	4.6	5.2	139.7	6.3	22.5	110.7	0.5	79.3	30.8	0.3	0.0	24.6	-21.5
2007 Q2	325.3	172.8	358.768	4.7	4.3	143.5	5.7	27.7	110.1	0.2	85.4	24.5	0.0	0.0	26.6	-24.6
Q3	340.5	187.0	356.925	4.7	3.8	144.9	7.5	27.5	109.6	0.3	85.8	23.5	0.4	0.0	26.2	-26.8
2007 Nov.	339.2	188.6	355.290	4.6	3.5	142.4	8.5	23.1	110.4	-	-	-	0.5	0.0	26.8	-25.5
Dec.	347.4	201.0	353.688	4.6	3.6	138.2	7.2	22.0	108.5	-	-	-	0.5	0.0	44.1	-38.5
2008 Jan.	374.6	219.4	353.340	4.7	3.6	146.9	12.1	26.7	107.8	-	-	-	0.3	0.0	38.5	-43.9
Transactions																
2005	-18.0	-3.9	-	0.2	-8.6	-5.7	-0.2	-7.2	1.6	0.0	4.8	-3.2	0.0	0.0	-	-
2006	1.3	-4.2	-	0.5	-5.2	10.2	-6.1	2.7	13.7	0.0	19.4	-5.7	0.0	0.0	-	-
2007	4.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2007 Q2	4.2	-0.7	-	0.1	0.5	4.2	0.8	0.3	3.1	0.1	2.3	0.7	0.0	0.0	-	-
Q3	3.6	-1.2	-	0.1	-0.3	4.9	2.0	0.9	2.1	0.1	2.3	-0.2	0.0	0.0	-	-
Q4	-4.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Growth rates																
2005	-5.9	-2.8	-	4.4	-44.6	-4.1	-2.0	-25.3	1.5	2.2	7.1	-7.9	20.5	-	-	-
2006	0.3	-2.4	-	11.6	-49.0	7.7	-48.4	12.7	13.4	0.0	29.2	-15.4	-73.2	-	-	-
2007 Q2	3.5	-1.7	-	15.6	-34.3	12.5	5.8	26.1	9.9	-52.6	22.1	-17.8	-69.2	-	-	-
Q3	3.6	-1.9	-	10.7	-32.6	12.5	74.6	15.1	9.2	-29.8	18.8	-14.6	-86.9	-	-	-
Q4	1.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: ECB.

7.3 Financial account

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

8. Geographical breakdown

	Total	European Union 27 (outside the euro area)						Canada	China	Japan	Switzer-land	United States	Offshore financial centres	Internat. organisa-tions	Other countries
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2006	Outstanding amounts (international investment position)														
Direct investment	417.1	-47.3	-7.2	-21.0	-218.6	199.8	-0.3	37.3	22.1	-6.2	78.1	-24.5	-5.6	-0.2	363.2
Abroad	3,075.9	1,147.6	35.1	83.4	803.8	225.2	0.0	90.2	24.9	68.2	300.0	608.0	329.1	0.0	508.0
Equity/reinvested earnings	2,510.5	934.2	32.0	58.1	644.5	199.5	0.0	71.0	20.1	63.5	250.1	453.1	306.8	0.0	411.7
Other capital	565.4	213.4	3.1	25.3	159.3	25.7	0.0	19.2	4.8	4.7	49.9	154.9	22.2	0.0	96.3
In the euro area	2,658.8	1,194.9	42.3	104.4	1,022.5	25.4	0.3	52.8	2.7	74.4	221.8	632.5	334.7	0.3	144.7
Equity/reinvested earnings	2,039.8	958.9	36.8	86.2	825.4	10.2	0.2	47.0	0.3	60.7	163.9	477.0	208.9	0.0	123.2
Other capital	619.0	236.0	5.5	18.2	197.1	15.2	0.1	5.8	2.5	13.7	57.9	155.5	125.8	0.3	21.5
Portfolio investment assets	4,441.3	1,375.2	65.5	140.8	1,002.5	97.9	68.6	84.5	37.5	262.7	141.1	1,452.6	527.7	32.1	527.7
Equity	2,012.0	487.1	12.3	58.0	393.0	23.6	0.1	22.6	35.2	181.0	128.6	670.9	216.5	1.4	268.7
Debt instruments	2,429.3	888.1	53.2	82.8	609.5	74.2	68.4	61.9	2.3	81.7	12.5	781.7	311.2	30.7	259.0
Bonds and notes	2,051.5	730.9	48.4	70.9	471.2	72.3	68.2	59.7	2.3	62.2	8.4	657.6	271.9	29.7	228.8
Money market instruments	377.8	157.2	4.8	11.9	138.3	2.0	0.2	2.2	0.0	19.6	4.0	124.1	39.4	1.0	30.3
Other investment	-200.0	103.9	86.3	13.3	121.7	31.3	-148.7	-1.4	3.9	-37.5	-49.3	-5.4	-212.8	-20.0	18.7
Assets	4,392.0	2,306.6	111.2	69.0	1,986.6	130.4	9.4	19.4	25.2	73.6	263.1	585.9	438.3	45.7	634.2
General government	117.1	25.2	2.1	0.1	14.2	1.5	7.4	0.0	1.9	0.2	0.1	3.1	1.4	38.5	46.7
MFIs	2,947.1	1,730.6	95.5	47.7	1,489.5	97.2	0.6	11.0	12.0	38.8	162.3	344.0	274.4	6.6	367.5
Other sectors	1,327.9	550.9	13.6	21.2	482.9	31.7	1.4	8.4	11.4	34.7	100.7	238.8	162.5	0.6	220.0
Liabilities	4,592.0	2,202.8	25.0	55.7	1,864.9	99.1	158.1	20.8	21.3	111.2	312.4	591.4	651.1	65.6	615.5
General government	47.8	24.1	0.0	0.3	2.4	0.0	21.4	0.0	0.0	0.7	0.0	6.2	0.2	2.7	13.8
MFIs	3,567.5	1,662.0	19.4	35.0	1,433.5	77.1	97.0	13.9	8.5	60.2	252.4	416.2	580.4	60.4	513.5
Other sectors	976.8	516.7	5.5	20.4	429.0	22.0	39.8	6.8	12.8	50.3	59.9	169.0	70.5	2.6	88.2
2006 Q4 to 2007 Q3	Cumulated transactions														
Direct investment	171.7	44.2	-5.5	4.4	16.1	29.3	-0.1	21.0	0.9	-8.5	21.9	-9.2	23.4	0.0	78.1
Abroad	387.0	123.5	2.0	6.5	81.0	34.1	0.0	28.7	3.4	3.3	32.5	77.0	42.0	0.0	83.2
Equity/reinvested earnings	274.6	70.6	1.8	2.7	35.4	30.8	0.0	18.4	2.2	3.0	19.0	68.2	29.7	0.0	63.6
Other capital	112.4	52.9	0.2	3.8	45.6	3.4	0.0	10.3	1.2	0.3	13.5	8.8	12.3	0.0	13.0
In the euro area	215.3	79.4	7.5	2.1	64.8	4.8	0.1	7.7	2.5	11.9	10.7	86.2	18.6	0.0	-1.6
Equity/reinvested earnings	155.1	58.5	7.5	0.8	47.5	2.5	0.1	0.4	0.4	8.3	6.4	69.2	6.5	0.0	5.5
Other capital	60.2	20.9	0.0	1.3	17.3	2.3	0.0	7.3	2.1	3.6	4.3	17.0	12.1	0.0	-7.1
Portfolio investment assets	480.0	136.9	10.7	17.0	95.2	6.9	7.1	5.7	-2.0	-6.6	-1.0	172.6	78.3	-2.0	98.2
Equity	69.8	1.5	2.4	2.0	-3.5	0.4	0.2	-1.0	-2.5	-2.0	-3.8	21.5	33.3	0.0	22.8
Debt instruments	410.2	135.4	8.3	15.0	98.7	6.5	6.9	6.7	0.5	-4.7	2.7	151.1	45.0	-2.0	75.3
Bonds and notes	343.1	105.6	8.2	14.8	71.7	4.5	6.4	5.5	0.5	1.8	2.4	126.9	27.1	-1.8	75.1
Money market instruments	67.1	29.8	0.2	0.2	26.9	2.0	0.6	1.3	0.0	-6.5	0.3	24.2	17.9	-0.2	0.2
Other investment	60.3	118.7	25.6	-10.2	80.6	39.3	-16.5	-4.0	0.4	-33.9	-3.6	-116.7	58.8	0.1	40.5
Assets	1,059.8	558.8	24.9	-1.4	472.2	59.9	3.2	3.3	4.2	-16.8	38.9	260.7	93.4	9.4	107.9
General government	-2.3	-2.2	1.2	-0.8	-2.9	-0.1	0.4	-0.1	0.0	0.4	0.0	-0.1	0.0	0.9	-1.2
MFIs	720.8	417.0	22.1	2.5	333.5	58.5	0.4	-0.9	1.9	-8.9	39.0	96.6	82.6	8.5	84.9
Other sectors	341.3	144.0	1.5	-3.0	141.5	1.5	2.4	4.2	2.3	-8.3	0.0	164.2	10.8	0.0	24.2
Liabilities	999.5	440.1	-0.7	8.9	391.6	20.6	19.7	7.3	3.8	17.1	42.6	377.4	34.6	9.3	67.3
General government	2.4	6.3	-0.2	0.0	-1.6	0.0	8.0	0.0	0.0	-0.2	-2.6	0.3	0.1	0.2	-1.7
MFIs	697.5	368.9	-1.4	6.9	341.4	16.2	5.8	5.3	2.9	17.1	27.5	186.5	26.3	9.0	54.0
Other sectors	299.6	64.9	0.9	2.0	51.7	4.4	5.8	2.0	0.9	0.2	17.7	190.6	8.3	0.1	15.0

Source: ECB.

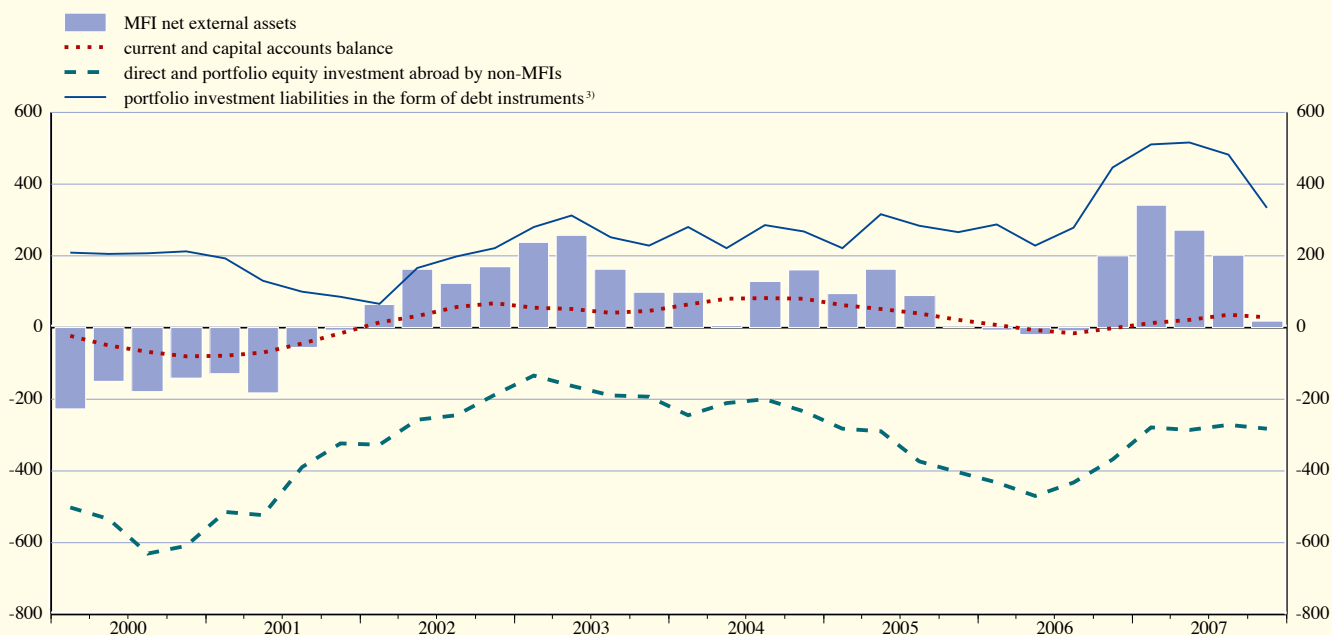
7.4 Monetary presentation of the balance of payments ¹⁾

(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 ²⁾	Debt instruments ³⁾						
1	2	3	4	5	6	7	8	9	10	11	12	
2005	21.5	-343.2	147.1	-265.6	220.0	266.7	-170.7	167.0	-16.4	-43.9	-17.7	0.0
2006	-1.6	-298.8	197.8	-288.1	248.3	446.4	-194.2	183.7	2.5	-115.0	181.1	200.4
2007	27.8	-364.1	269.2	-195.4	176.7	334.0	-330.0	240.6	-123.2	-29.3	6.6	18.2
2006 Q4	21.6	-57.4	21.6	-68.4	67.8	159.2	-56.8	63.5	-2.7	21.2	169.6	176.3
2007 Q1	4.8	-89.5	78.3	-54.6	94.8	150.8	-77.4	8.4	-16.4	-9.5	89.7	101.6
Q2	-2.4	-104.2	43.8	-68.7	60.4	123.9	-56.2	44.3	-23.2	-21.2	-3.5	-8.7
Q3	11.0	-94.5	71.3	-43.5	35.3	48.7	-148.6	185.6	-32.5	-101.6	-68.8	-67.8
Q4	14.4	-75.9	75.8	-28.5	-13.8	10.7	-47.8	2.3	-51.1	102.9	-10.8	-6.9
2006 Dec.	18.1	-28.9	12.8	-18.5	21.6	24.9	6.4	29.2	-5.5	15.7	75.7	81.3
2007 Jan.	-1.4	-25.7	12.9	-16.3	39.9	45.7	-38.9	3.5	-4.2	-41.2	-25.8	-23.1
Feb.	-2.4	-42.0	33.3	-22.0	40.7	44.3	-24.3	27.6	-7.9	0.5	47.5	40.0
Mar.	8.7	-21.7	32.1	-16.3	14.2	60.7	-14.1	-22.6	-4.3	31.2	68.0	84.7
Apr.	-4.0	-23.9	17.0	-21.3	-14.5	38.5	-10.6	24.1	-9.9	-37.2	-41.8	-38.5
May	-10.9	-43.0	19.7	-20.3	10.9	41.1	-23.1	3.4	-2.9	14.6	-10.5	-17.2
June	12.4	-37.2	7.1	-27.2	64.0	44.2	-22.5	16.7	-10.4	1.5	48.7	46.9
July	5.6	-24.1	24.4	-19.1	34.6	19.0	32.5	-0.8	-12.9	-51.4	7.7	5.6
Aug.	0.5	-25.5	28.6	-14.2	-14.6	23.6	-14.0	33.4	-8.4	-59.1	-49.7	-51.3
Sep.	4.9	-44.9	18.3	-10.2	15.3	6.1	-167.1	152.9	-11.1	9.0	-26.8	-22.1
Oct.	5.1	-36.7	45.5	-18.4	-21.1	-11.0	-33.9	4.6	-6.9	75.5	2.6	11.6
Nov.	3.8	-18.5	29.7	-2.5	3.9	49.3	-19.9	9.7	-31.6	9.3	33.3	28.1
Dec.	5.6	-20.7	0.6	-7.6	3.5	-27.6	6.0	-12.0	-12.6	18.1	-46.7	-46.6
	<i>12-month cumulated transactions</i>											
2007 Dec.	27.8	-364.1	269.2	-195.4	176.7	334.0	-330.0	240.6	-123.2	-29.3	6.6	18.2

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

(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.

7.5 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)													
2004	8.9	9.4	1,145.7	544.7	247.1	314.8	995.5	1,073.5	603.6	184.2	256.2	767.6	128.9
2005	7.8	13.5	1,240.5	590.6	270.1	335.1	1,069.7	1,225.2	704.7	208.1	276.5	842.6	186.2
2006	11.6	13.7	1,386.8	670.7	293.5	372.6	1,187.6	1,395.0	832.4	213.5	307.4	942.9	224.4
2007	8.3	5.6	1,501.4	.	.	.	1,282.5	1,470.8	.	.	.	1,009.3	.
2006 Q3	8.3	10.5	347.8	169.4	71.9	92.6	297.3	353.0	213.3	52.0	76.8	237.1	59.9
Q4	12.2	7.8	362.9	176.5	76.3	97.2	313.3	355.9	212.0	53.0	79.3	246.1	52.3
2007 Q1	9.3	5.5	369.7	177.9	78.1	97.8	318.8	359.8	213.4	53.7	79.8	254.7	47.3
Q2	9.3	3.7	371.3	178.6	78.3	98.4	316.2	360.2	217.3	50.6	79.3	248.2	52.7
Q3	9.9	6.0	380.7	183.4	79.9	100.5	326.5	373.2	222.7	52.9	82.4	258.5	57.1
Q4	5.1	7.0	379.7	.	.	.	321.1	377.6	.	.	.	248.0	.
2007 July	14.2	9.9	125.4	60.5	25.7	33.5	107.0	124.7	75.1	17.7	27.1	85.9	19.3
Aug.	12.2	5.5	128.4	62.3	27.1	33.7	110.6	125.0	74.3	17.8	27.7	87.2	19.0
Sep.	4.0	2.9	126.8	60.6	27.1	33.4	108.9	123.5	73.2	17.4	27.6	85.4	18.8
Oct.	10.4	8.5	128.3	61.8	27.0	33.7	108.8	126.0	74.9	17.2	27.7	84.9	19.4
Nov.	4.4	6.4	127.3	60.8	27.1	33.1	108.4	125.4	76.1	16.8	27.2	82.6	.
Dec.	0.1	6.0	124.1	.	.	.	103.9	126.2	.	.	.	80.5	.
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2004	9.0	6.5	117.6	115.4	120.1	118.4	118.1	108.2	104.1	109.4	117.7	108.3	104.9
2005	4.9	5.1	123.8	120.2	129.6	123.6	124.3	114.3	107.6	124.2	123.7	116.4	109.7
2006	7.8	6.0	133.7	131.1	138.1	133.3	134.4	121.3	114.9	127.3	133.0	125.9	109.4
2007	.	.	.	.	.	.	.	.	.	.	.	.	.
2006 Q3	5.3	4.7	134.2	132.1	136.2	132.6	134.8	121.9	116.5	125.2	132.6	126.3	116.2
Q4	9.5	6.1	139.0	136.5	142.6	138.9	140.5	125.1	118.5	128.1	136.9	130.7	109.7
2007 Q1	7.5	6.5	140.7	135.9	146.0	138.3	142.0	126.3	118.7	130.4	137.7	134.5	102.0
Q2	6.4	3.6	140.0	135.0	145.5	139.3	140.0	124.7	118.3	124.4	136.5	131.2	106.1
Q3	7.2	4.9	143.2	138.1	147.8	141.8	144.5	127.7	119.2	129.7	140.5	136.6	111.4
Q4	.	.	.	.	.	.	.	.	.	.	.	.	.
2007 July	11.0	8.5	141.4	136.6	142.6	140.8	141.7	128.0	120.3	130.9	138.8	136.0	112.4
Aug.	9.6	6.1	145.3	141.0	150.9	142.8	147.1	129.0	120.4	131.9	141.9	138.8	112.1
Sep.	1.4	0.5	142.9	136.8	150.0	141.6	144.5	126.0	116.8	126.2	140.7	134.9	109.8
Oct.	8.1	4.1	144.8	139.7	150.0	142.6	145.0	127.4	116.7	126.7	142.5	135.6	105.1
Nov.	2.5	0.4	143.6	137.6	150.6	140.6	144.9	124.6	115.8	123.5	139.3	131.6	.
Dec.	.	.	.	.	.	.	.	.	.	.	.	.	.
Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2004	-0.1	2.6	97.5	96.4	95.7	101.4	97.1	97.3	98.4	91.7	98.9	96.3	99.6
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	137.6
2006	3.5	7.4	103.8	104.4	98.8	106.6	101.8	112.8	123.1	91.3	105.0	101.8	166.8
2007	.	.	.	.	.	.	.	.	.	.	.	.	.
2006 Q3	2.8	5.6	103.7	104.7	98.2	106.5	101.6	113.6	124.4	90.5	105.2	102.1	167.5
Q4	2.5	1.6	104.5	105.6	99.4	106.7	102.8	111.6	121.5	90.2	105.2	102.4	154.9
2007 Q1	1.6	-0.9	105.2	106.9	99.4	107.8	103.4	111.8	122.2	89.8	105.3	103.0	150.8
Q2	2.7	0.1	106.1	108.0	100.1	107.8	104.1	113.3	124.8	88.7	105.6	102.8	161.3
Q3	2.6	1.0	106.4	108.4	100.4	108.2	104.1	114.7	127.0	88.9	106.6	102.9	166.5
Q4	.	.	.	.	.	.	.	.	.	.	.	.	.
2007 July	2.9	1.3	106.5	108.5	100.6	108.8	104.4	114.6	127.2	88.4	106.3	103.0	167.7
Aug.	2.3	-0.6	106.2	108.2	100.1	107.9	103.9	114.0	125.9	88.4	106.2	102.4	165.1
Sep.	2.5	2.4	106.6	108.6	100.6	107.8	104.1	115.4	127.8	89.9	107.1	103.3	166.8
Oct.	2.1	4.3	106.4	108.4	100.3	108.2	103.7	116.4	130.8	88.9	105.9	102.1	179.8
Nov.	1.8	6.0	106.5	108.4	100.3	107.9	103.4	118.4	134.0	88.9	106.3	102.3	.
Dec.	.	.	.	.	.	.	.	.	.	.	.	.	.

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	13	14	15	
Exports (f.o.b.)															
2004	1,145.7	25.8	42.2	204.3	138.7	35.9	66.6	31.9	172.6	225.3	40.4	33.3	64.5	40.6	97.4
2005	1,240.5	29.0	45.2	202.9	158.4	43.7	70.8	34.7	185.0	243.7	43.3	34.0	73.2	46.9	107.0
2006	1,386.8	31.6	49.7	216.0	195.2	55.1	77.3	38.8	199.6	271.1	53.6	34.4	77.6	54.4	120.3
2007	1,501.4	.	.	.	.	66.8	81.6	40.8	194.3	294.3	60.0	34.0	86.7	61.2	-
2006 Q3	347.8	7.9	12.7	54.4	49.6	14.1	19.5	9.6	49.4	67.8	13.6	8.6	19.2	13.5	30.2
Q4	362.9	8.1	13.1	54.7	52.3	15.6	20.9	9.6	50.9	71.7	14.7	8.6	20.0	14.2	31.7
2007 Q1	369.7	8.3	13.6	56.6	54.2	15.8	20.5	10.3	50.0	72.3	14.4	8.8	21.4	14.8	31.9
Q2	371.3	8.4	13.9	55.9	55.3	16.7	20.0	9.9	48.6	72.8	14.9	8.9	21.4	15.4	32.9
Q3	380.7	8.5	14.1	58.7	58.1	17.1	20.6	10.2	49.1	74.6	15.3	8.3	22.1	15.6	32.0
Q4	379.7	.	.	.	.	17.2	20.6	10.3	46.5	74.6	15.5	8.0	21.8	15.4	-
2007 July	125.4	2.9	4.8	19.4	19.1	5.7	6.8	3.3	16.3	24.8	5.0	2.8	7.3	5.2	9.9
Aug.	128.4	2.9	4.8	20.2	19.6	5.7	6.8	3.5	16.4	25.0	5.1	2.9	7.5	5.4	10.7
Sep.	126.8	2.7	4.6	19.1	19.4	5.6	7.0	3.5	16.4	24.8	5.2	2.6	7.3	5.1	11.3
Oct.	128.3	2.9	4.8	19.3	19.8	5.8	6.9	3.4	16.1	25.1	5.2	2.8	7.3	5.3	11.6
Nov.	127.3	.	.	.	.	5.8	7.0	3.5	15.8	25.0	5.1	2.7	7.2	5.1	-
Dec.	124.1	.	.	.	.	5.6	6.6	3.4	14.7	24.6	5.2	2.5	7.2	5.0	-
<i>% share of total exports</i>															
2007	100.0	.	.	.	.	4.4	5.4	2.7	12.9	19.6	4.0	2.3	5.8	4.1	-
Imports (c.i.f.)															
2004	1,073.5	25.4	39.8	144.4	116.8	56.6	53.3	23.2	113.3	308.5	92.2	54.0	72.8	45.1	74.4
2005	1,225.2	26.3	42.2	152.4	129.4	76.2	58.0	25.5	119.9	362.1	117.9	53.0	95.9	53.7	83.5
2006	1,395.0	28.3	47.7	166.0	154.2	95.5	62.2	29.4	125.6	416.9	144.2	56.8	110.4	66.1	92.6
2007	1,470.8	.	.	.	.	97.1	66.9	32.1	130.1	441.7	169.1	57.8	112.1	74.2	-
2006 Q3	353.0	7.2	12.1	41.3	39.4	24.1	16.0	7.5	31.3	104.5	35.6	14.3	28.3	16.8	24.6
Q4	355.9	7.0	12.6	40.7	41.5	22.1	15.9	7.6	32.3	107.4	39.7	14.3	27.7	17.4	23.4
2007 Q1	359.8	7.0	12.9	40.8	42.4	22.6	16.9	7.9	33.7	110.7	42.4	14.9	26.3	17.9	20.7
Q2	360.2	7.0	12.7	41.3	43.3	23.8	16.5	7.9	32.0	107.1	39.6	14.2	27.0	18.3	23.3
Q3	373.2	7.3	12.8	42.4	45.4	23.6	17.1	8.1	33.0	113.1	44.3	14.5	28.0	18.7	23.7
Q4	377.6	.	.	.	.	27.2	16.4	8.3	31.4	110.8	42.9	14.1	30.8	19.2	-
2007 July	124.7	2.5	4.2	14.3	14.7	8.2	5.7	2.7	10.8	38.0	14.8	4.7	9.4	6.1	8.0
Aug.	125.0	2.4	4.3	14.4	15.3	7.8	5.8	2.7	11.0	38.2	14.9	5.1	9.2	6.2	7.8
Sep.	123.5	2.4	4.2	13.7	15.4	7.6	5.7	2.7	11.1	37.0	14.6	4.8	9.4	6.4	7.9
Oct.	126.0	2.3	4.3	14.1	15.5	9.0	5.6	2.7	10.6	37.3	14.7	4.9	9.5	6.4	8.7
Nov.	125.4	.	.	.	.	9.1	5.5	2.8	10.6	36.5	14.2	4.6	10.1	6.5	-
Dec.	126.2	.	.	.	.	9.1	5.4	2.8	10.2	37.0	14.0	4.7	11.2	6.3	-
<i>% share of total imports</i>															
2007	100.0	.	.	.	.	6.6	4.6	2.2	8.9	30.0	11.5	3.9	7.6	5.0	-
Balance															
2004	72.2	0.4	2.4	60.0	21.9	-20.7	13.3	8.7	59.3	-83.2	-51.9	-20.7	-8.4	-4.5	23.0
2005	15.3	2.7	3.0	50.5	29.1	-32.5	12.8	9.2	65.1	-118.5	-74.6	-19.0	-22.7	-6.7	23.4
2006	-8.2	3.2	2.0	50.1	41.0	-40.4	15.1	9.4	74.0	-145.7	-90.5	-22.4	-32.7	-11.8	27.7
2007	30.6	.	.	.	.	-30.3	14.7	8.7	64.2	-147.4	-109.2	-23.8	-25.4	-13.1	-
2006 Q3	-5.2	0.7	0.6	13.1	10.2	-9.9	3.5	2.2	18.1	-36.8	-22.0	-5.7	-9.1	-3.3	5.6
Q4	7.0	1.1	0.5	14.0	10.8	-6.5	5.0	2.0	18.5	-35.7	-25.0	-5.7	-7.7	-3.2	8.3
2007 Q1	-9.9	1.3	0.6	15.8	11.8	-6.8	3.6	2.4	16.3	-38.4	-28.0	-6.1	-5.0	-3.1	11.2
Q2	11.1	1.4	1.1	14.6	12.0	-7.1	3.5	2.0	16.6	-34.3	-24.7	-5.4	-5.6	-2.9	9.6
Q3	7.5	1.2	1.3	16.3	12.7	-6.5	3.5	2.2	16.1	-38.6	-29.0	-6.2	-5.9	-3.1	8.3
Q4	2.1	.	.	.	.	-10.0	4.1	2.1	15.1	-36.1	-27.4	-6.2	-9.0	-3.9	-
2007 July	0.7	0.5	0.5	5.1	4.3	-2.5	1.1	0.6	5.4	-13.2	-9.8	-1.9	-2.1	-1.0	1.9
Aug.	3.5	0.5	0.4	5.8	4.4	-2.0	1.1	0.8	5.4	-13.2	-9.7	-2.2	-1.7	-0.9	3.0
Sep.	3.4	0.3	0.4	5.4	4.0	-2.0	1.3	0.8	5.3	-12.2	-9.5	-2.1	-2.1	-1.3	3.4
Oct.	2.2	0.6	0.5	5.2	4.3	-3.2	1.3	0.7	5.5	-12.2	-9.4	-2.1	-2.2	-1.1	2.9
Nov.	2.0	.	.	.	.	-3.3	1.5	0.8	5.1	-11.5	-9.1	-1.9	-2.8	-1.4	-
Dec.	-2.1	.	.	.	.	-3.5	1.3	0.6	4.5	-12.4	-8.8	-2.2	-4.0	-1.4	-

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



EXCHANGE RATES

8.1 Effective exchange rates ¹⁾

(period averages; index 1999 Q1=100)

	EER-22					EER-42		
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2005	103.3	104.2	102.5	102.3	99.2	102.0	109.7	103.7
2006	103.6	104.6	103.0	102.3	99.6	101.5	110.0	103.4
2007	107.7	108.3	106.9	-	-	-	114.2	106.6
2006 Q4	104.6	105.5	104.1	103.1	99.6	101.0	111.3	104.4
2007 Q1	105.5	106.3	104.9	103.9	99.5	102.0	112.1	104.9
Q2	107.1	107.7	106.2	105.4	101.9	103.8	113.5	106.0
Q3	107.6	108.2	106.7	105.8	101.6	103.9	114.1	106.4
Q4	110.5	111.2	109.6	-	-	-	117.0	109.0
2007 Feb.	105.4	106.2	104.9	-	-	-	111.9	104.8
Mar.	106.1	106.8	105.3	-	-	-	112.8	105.5
Apr.	107.2	107.8	106.4	-	-	-	113.7	106.3
May	107.3	107.9	106.2	-	-	-	113.6	106.1
June	106.9	107.4	105.9	-	-	-	113.2	105.6
July	107.6	108.0	106.4	-	-	-	113.9	106.2
Aug.	107.1	107.6	106.3	-	-	-	113.7	106.0
Sep.	108.2	108.8	107.5	-	-	-	114.8	107.0
Oct.	109.4	110.1	108.7	-	-	-	115.8	108.0
Nov.	111.0	111.7	110.0	-	-	-	117.6	109.6
Dec.	111.2	111.7	110.1	-	-	-	117.6	109.4
2008 Jan.	112.0	112.4	110.5	-	-	-	118.3	110.0
Feb.	111.8	112.2	110.2	-	-	-	118.2	109.7
	<i>% change versus previous month</i>							
2008 Feb.	-0.2	-0.2	-0.2	-	-	-	-0.1	-0.2
	<i>% change versus previous year</i>							
2008 Feb.	6.0	5.6	5.1	-	-	-	5.6	4.7

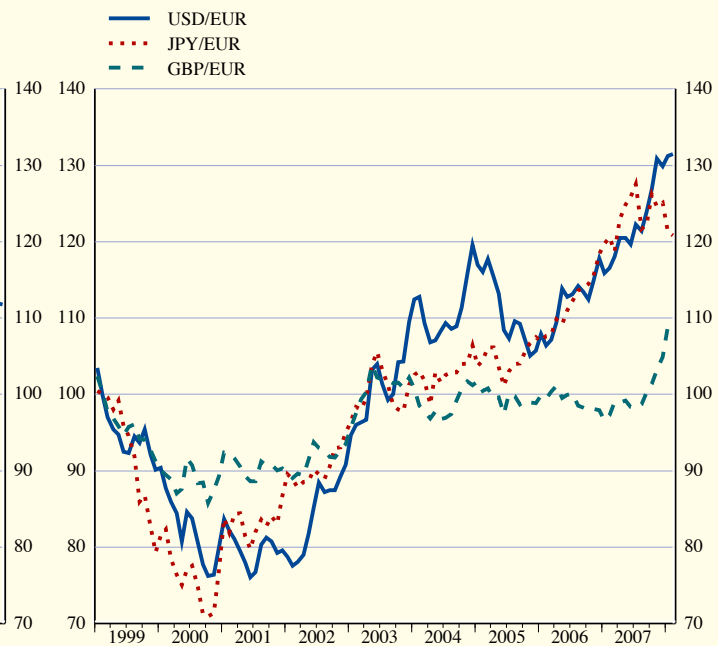
C35 Effective exchange rates

(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
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
2007	7.4506	9.2501	0.68434	1.3705	161.25	1.6427	1,272.99	10.6912	2.0636	1.4678	8.0165	1.6348
2007 Q2	7.4500	9.2573	0.67880	1.3481	162.89	1.6478	1,252.05	10.5372	2.0562	1.4791	8.1060	1.6214
Q3	7.4446	9.2639	0.68001	1.3738	161.90	1.6473	1,274.31	10.7250	2.0841	1.4374	7.9175	1.6229
Q4	7.4557	9.2899	0.70782	1.4486	163.83	1.6596	1,334.12	11.2639	2.1061	1.4201	7.8778	1.6279
2007 Aug.	7.4429	9.3231	0.67766	1.3622	159.05	1.6383	1,273.37	10.6469	2.0744	1.4420	7.9735	1.6442
Sep.	7.4506	9.2835	0.68887	1.3896	159.82	1.6475	1,291.46	10.8151	2.1009	1.4273	7.8306	1.6445
Oct.	7.4534	9.1735	0.69614	1.4227	164.95	1.6706	1,301.67	11.0327	2.0849	1.3891	7.6963	1.5837
Nov.	7.4543	9.2889	0.70896	1.4684	162.89	1.6485	1,348.46	11.4211	2.1242	1.4163	7.9519	1.6373
Dec.	7.4599	9.4319	0.72064	1.4570	163.55	1.6592	1,356.79	11.3619	2.1108	1.4620	8.0117	1.6703
2008 Jan.	7.4505	9.4314	0.74725	1.4718	158.68	1.6203	1,387.66	11.4863	2.1062	1.4862	7.9566	1.6694
Feb.	7.4540	9.3642	0.75094	1.4748	157.97	1.6080	1,392.57	11.4996	2.0808	1.4740	7.9480	1.6156
	<i>% change versus previous month</i>											
2008 Feb.	0.0	-0.7	0.5	0.2	-0.4	-0.8	0.4	0.1	-1.2	-0.8	-0.1	-3.2
	<i>% change versus previous year</i>											
2008 Feb.	0.0	1.9	12.4	12.8	0.2	-0.8	13.7	12.6	3.8	-3.7	-1.7	-3.3
	Czech koruna 13	Estonian kroon 14	Latvian lats 15	Lithuanian litas 16	Hungarian forint 17	Polish zloty 18	Slovak koruna 19	Bulgarian lev 20	New Roman- ian leu 21	Croatian kuna 22	New Turkish lira 23	
2005	29.782	15.6466	0.6962	3.4528	248.05	4.0230	38.599	1.9558	3.6209	7.4008	1.6771	
2006	28.342	15.6466	0.6962	3.4528	264.26	3.8959	37.234	1.9558	3.5258	7.3247	1.8090	
2007	27.766	15.6466	0.7001	3.4528	251.35	3.7837	33.775	1.9558	3.3353	7.3376	1.7865	
2007 Q2	28.272	15.6466	0.6986	3.4528	248.31	3.8005	33.751	1.9558	3.2789	7.3494	1.8029	
Q3	27.941	15.6466	0.6988	3.4528	251.82	3.7900	33.579	1.9558	3.2321	7.3080	1.7685	
Q4	26.826	15.6466	0.7005	3.4528	252.86	3.6584	33.424	1.9558	3.4489	7.3281	1.7261	
2007 Aug.	27.860	15.6466	0.6978	3.4528	255.20	3.8116	33.603	1.9558	3.2246	7.3161	1.7921	
Sep.	27.573	15.6466	0.7021	3.4528	253.33	3.7891	33.829	1.9558	3.3481	7.3134	1.7536	
Oct.	27.335	15.6466	0.7030	3.4528	251.02	3.7062	33.624	1.9558	3.3537	7.3284	1.7089	
Nov.	26.733	15.6466	0.7005	3.4528	254.50	3.6575	33.232	1.9558	3.4739	7.3365	1.7498	
Dec.	26.317	15.6466	0.6975	3.4528	253.18	3.6015	33.404	1.9558	3.5351	7.3178	1.7195	
2008 Jan.	26.050	15.6466	0.6982	3.4528	256.03	3.6092	33.546	1.9558	3.6937	7.3155	1.7322	
Feb.	25.377	15.6466	0.6967	3.4528	262.15	3.5768	33.085	1.9558	3.6557	7.2707	1.7632	
	<i>% change versus previous month</i>											
2008 Feb.	-2.6	0.0	-0.2	0.0	2.4	-0.9	-1.4	0.0	-1.0	-0.6	1.8	
	<i>% change versus previous year</i>											
2008 Feb.	-10.1	0.0	-0.5	0.0	3.5	-8.2	-4.1	0.0	8.1	-1.2	-3.4	
	Brazilian real ¹⁾ 24	Chinese yuan renminbi 25	Icelandic krona 26	Indonesian rupiah 27	Malaysian ringgit 28	Mexican peso ¹⁾ 29	New Zealand dollar 30	Philippine peso 31	Russian rouble 32	South African rand 33	Thai baht 34	
2005	3.0360	10.1955	78.23	12,072.83	4.7119	13.5643	1.7660	68.494	35.1884	7.9183	50.068	
2006	2.7333	10.0096	87.76	11,512.37	4.6044	13.6936	1.9373	64.379	34.1117	8.5312	47.594	
2007	2.6603	10.4178	87.63	12,528.33	4.7076	14.9801	1.8627	63.026	35.0183	9.6596	44.214	
2007 Q2	2.6590	10.3476	85.82	12,082.62	4.6204	14.6736	1.8188	63.134	34.8589	9.5688	44.011	
Q3	2.6333	10.3834	86.71	12,705.62	4.7608	15.0578	1.8508	63.035	35.0350	9.7645	43.220	
Q4	2.5863	10.7699	88.69	13,374.03	4.8613	15.7217	1.8965	62.330	35.6947	9.8088	45.097	
2007 Aug.	2.6735	10.3162	88.46	12,765.65	4.7457	15.0491	1.8786	62.862	34.9211	9.8391	43.337	
Sep.	2.6455	10.4533	88.59	12,927.37	4.8249	15.3293	1.9358	63.911	35.1723	9.8912	44.570	
Oct.	2.5653	10.6741	86.30	12,945.80	4.8005	15.4044	1.8739	62.894	35.4008	9.6371	44.898	
Nov.	2.5920	10.8957	89.34	13,608.92	4.9279	15.9776	1.9231	63.271	35.9174	9.8553	46.120	
Dec.	2.6050	10.7404	90.82	13,620.45	4.8576	15.8096	1.8930	60.556	35.7927	9.9626	44.153	
2008 Jan.	2.6111	10.6568	94.50	13,839.19	4.8090	16.0639	1.9054	60.079	36.0300	10.3101	44.758	
Feb.	2.5516	10.5682	98.06	13,542.26	4.7548	15.8786	1.8513	59.845	36.1357	11.2899	46.085	
	<i>% change versus previous month</i>											
2008 Feb.	-2.3	-0.8	3.8	-2.1	-1.1	-1.2	-2.8	-0.4	0.3	9.5	3.0	
	<i>% change versus previous year</i>											
2008 Feb.	-6.8	4.3	11.4	14.2	4.0	10.5	-1.8	-5.3	5.0	20.4	3.7	

Source: ECB.

1) For these currencies the ECB computes and publishes euro reference exchange rates as from 1 January 2008. Previous data are indicative.



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	Latvia	Lithuania	Hungary	Poland	Romania	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12
HICP												
2006	7.4	2.1	1.9	4.4	6.6	3.8	4.0	1.3	6.6	4.3	1.5	2.3
2007	7.6	3.0	1.7	6.7	10.1	5.8	7.9	2.6	4.9	1.9	1.7	2.3
2007 Q2	4.7	2.6	1.5	5.8	8.5	5.0	8.5	2.3	3.9	1.7	1.4	2.6
Q3	9.0	2.7	1.0	6.7	10.4	5.9	7.3	2.4	5.1	1.4	1.4	1.8
Q4	11.2	4.9	2.2	9.2	13.7	7.9	7.1	3.7	6.8	2.4	2.3	2.1
2007 Sep.	11.0	2.8	1.2	7.5	11.5	7.1	6.4	2.7	6.1	1.7	1.6	1.8
Oct.	10.6	4.0	1.8	8.7	13.2	7.6	6.9	3.1	6.9	2.4	1.9	2.1
Nov.	11.4	5.1	2.5	9.3	13.7	7.9	7.2	3.7	6.8	2.3	2.4	2.1
Dec.	11.6	5.5	2.4	9.7	14.0	8.2	7.4	4.2	6.7	2.5	2.5	2.1
2008 Jan.	11.7	7.9	3.0	11.3	15.6	10.0	7.4	4.4	7.3	3.2	3.0	2.2
General government deficit (-)/surplus (+) as a % of GDP												
2004	2.3	-3.0	1.9	1.8	-1.0	-1.5	-6.5	-5.7	-1.5	-2.4	0.8	-3.4
2005	2.0	-3.5	4.6	1.9	-0.4	-0.5	-7.8	-4.3	-1.4	-2.8	2.4	-3.3
2006	3.2	-2.9	4.6	3.6	-0.3	-0.6	-9.2	-3.8	-1.9	-3.7	2.5	-2.7
General government gross debt as a % of GDP												
2004	37.9	30.4	44.0	5.1	14.5	19.4	59.4	45.7	18.8	41.4	52.4	40.4
2005	29.2	30.2	36.3	4.4	12.5	18.6	61.6	47.1	15.8	34.2	52.2	42.1
2006	22.8	30.1	30.3	4.0	10.6	18.2	65.6	47.6	12.4	30.4	47.0	43.2
Long-term government bond yield as a % per annum, period average												
2007 Aug.	4.79	4.48	4.39	-	5.32	4.80	6.80	5.68	6.93	4.65	4.25	5.19
Sep.	4.44	4.54	4.36	-	5.21	4.72	6.67	5.69	6.93	4.61	4.22	5.05
Oct.	4.59	4.50	4.39	-	5.06	4.72	6.61	5.64	6.93	4.64	4.31	5.00
Nov.	4.94	4.54	4.21	-	5.12	4.57	6.74	5.70	6.93	4.59	4.22	4.74
Dec.	5.08	4.65	4.33	-	5.10	4.94	6.93	5.86	6.93	4.61	4.31	4.70
2008 Jan.	5.07	4.54	4.15	-	5.71	4.73	7.11	5.81	6.93	4.48	4.09	4.26
3-month interest rate as a % per annum, period average												
2007 Aug.	4.80	3.28	4.66	4.94	7.99	5.25	7.83	4.91	6.69	4.33	3.96	6.42
Sep.	5.25	3.46	4.85	5.21	11.06	5.59	7.72	5.09	6.82	4.32	4.22	6.65
Oct.	5.59	3.55	4.84	5.22	12.75	5.93	7.60	5.13	7.25	4.33	4.37	6.27
Nov.	6.32	3.73	4.82	5.36	11.69	6.50	7.51	5.36	7.71	4.35	4.61	6.41
Dec.	6.56	4.05	4.92	7.23	10.78	7.07	7.63	5.67	7.93	4.31	4.74	6.36
2008 Jan.	6.55	3.96	4.73	7.03	9.01	5.69	7.78	5.64	8.43	4.32	4.52	5.66
Real GDP												
2006	6.1	6.4	3.9	11.2	11.9	7.7	3.9	6.2	7.9	8.5	4.1	2.9
2007	.	.	1.8	7.0	.	8.8	.	6.5	6.0	10.3	2.6	3.1
2007 Q2	6.6	6.2	-0.1	7.6	11.0	7.6	1.6	6.7	5.7	9.3	2.8	3.2
Q3	4.5	6.1	1.5	6.4	10.9	11.6	1.0	6.0	5.7	9.4	2.6	3.3
Q4	.	.	2.0	4.5	.	8.2	0.6	6.7	6.6	14.1	2.6	2.9
Current and capital accounts balance as a % of GDP												
2006	-15.0	-2.8	2.6	-13.2	-21.1	-9.6	-5.9	-2.6	-10.5	-7.1	6.3	-3.8
2007	-20.4	-2.5	1.2	-14.4	-22.4	-11.6	-3.8	-2.6	-14.3	-4.9	7.0	-5.2
2007 Q2	-18.9	-4.7	2.8	-11.7	-22.7	-14.6	-5.9	-4.2	-16.0	-6.9	4.8	-4.2
Q3	-11.3	-4.9	2.9	-13.4	-24.3	-10.2	-3.2	-1.9	-11.0	-6.6	5.5	-6.2
Q4	.	.	1.1	.	.	-9.9	.	-1.9	-13.4	-6.5	8.2	.
Unit labour costs												
2006	4.5	1.7	1.6	8.0	14.0	8.5	.	.	.	1.7	-0.2	2.6
2007	.	.	3.8	.	.	.	.	.	.	.	3.9	.
2007 Q2	13.2	2.4	5.8	20.1	-	7.7	-	-	-	-0.4	3.3	2.4
Q3	16.6	3.0	4.3	20.7	-	5.9	-	-	-	0.3	3.4	2.3
Q4	.	.	3.2	.	-	.	-	-	-	.	4.7	.
Standardised unemployment rate as a % of labour force (s.a.)												
2006	9.0	7.1	3.9	5.9	6.9	5.6	7.4	13.8	7.3	13.3	7.1	5.3
2007	6.8	5.3	3.7	5.0	5.9	4.3	7.2	9.6	.	11.3	6.1	.
2007 Q2	7.1	5.5	3.9	5.0	6.0	4.3	7.2	9.9	6.6	11.4	6.1	5.3
Q3	6.7	5.2	3.8	4.8	5.8	4.1	7.2	9.2	6.5	11.3	5.8	5.2
Q4	6.0	4.8	3.2	5.2	5.3	4.1	7.2	8.6	.	11.0	5.8	.
2007 Sep.	6.5	5.1	3.8	4.9	5.6	4.1	7.2	9.0	6.5	11.2	5.9	5.2
Oct.	6.2	5.0	3.3	5.1	5.4	4.1	7.2	8.9	.	11.2	5.8	5.2
Nov.	6.0	4.9	3.2	5.3	5.3	4.1	7.2	8.6	.	11.0	5.9	5.1
Dec.	5.9	4.7	3.1	5.3	5.2	4.1	7.2	8.4	.	10.7	5.6	.
2008 Jan.	6.2	4.7	.	5.6	5.0	4.5	7.2	8.6	.	10.4	5.6	.

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

9.2 In the United States and Japan

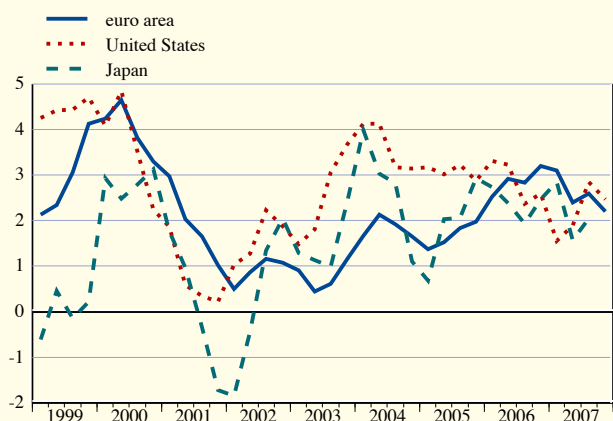
(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Consumer price index	Unit labour costs ¹⁾ (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money ²⁾	3-month interbank deposit rate ³⁾	10-year zero coupon government bond yield ³⁾ end-of-period	Exchange rate ⁴⁾ as national currency per euro	Fiscal deficit (-)/ surplus (+) as a % of GDP	Gross public debt ⁵⁾ as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
2004	2.7	-0.1	3.6	3.0	5.5	4.7	1.62	4.80	1.2439	-4.4	48.9
2005	3.4	-0.5	3.1	4.0	5.1	4.4	3.56	5.05	1.2441	-3.6	49.2
2006	3.2	-1.5	2.9	5.0	4.6	4.8	5.19	5.26	1.2556	-2.6	48.6
2007	2.9	1.7	2.2	2.0	4.6	5.9	5.30	4.81	1.3705	.	.
2006 Q4	1.9	0.4	2.6	3.6	4.4	4.9	5.37	5.26	1.2887	-2.1	48.6
2007 Q1	2.4	0.9	1.5	2.3	4.5	5.4	5.36	5.27	1.3106	-3.0	49.5
Q2	2.7	2.4	1.9	2.0	4.5	6.1	5.36	5.78	1.3481	-2.7	48.3
Q3	2.4	3.0	2.8	1.8	4.7	6.3	5.45	5.34	1.3738	-3.2	48.7
Q4	4.0	0.5	2.5	1.9	4.8	5.9	5.02	4.81	1.4486	.	.
2007 Oct.	3.5	-	-	1.8	4.8	6.0	5.15	5.23	1.4227	-	-
Nov.	4.3	-	-	2.4	4.7	6.0	4.96	4.70	1.4684	-	-
Dec.	4.1	-	-	1.4	5.0	5.9	4.97	4.81	1.4570	-	-
2008 Jan.	4.3	-	-	2.0	4.9	5.8	3.92	4.37	1.4718	-	-
Feb.	.	-	-	.	.	.	3.09	4.47	1.4748	-	-
Japan											
2004	0.0	-4.9	2.7	5.5	4.7	1.9	0.05	1.53	134.44	-6.2	157.6
2005	-0.3	-0.6	1.9	1.1	4.4	1.8	0.06	1.66	136.85	-6.4	164.2
2006	0.2	-2.6	2.4	4.8	4.1	1.1	0.30	1.85	146.02	.	.
2007	0.1	.	2.1	2.7	3.8	1.6	0.79	1.70	161.25	.	.
2006 Q4	0.3	-3.6	2.4	5.9	4.1	0.6	0.49	1.85	151.72	.	.
2007 Q1	-0.1	-2.2	2.9	3.0	4.0	1.0	0.62	1.85	156.43	.	.
Q2	-0.1	.	1.7	2.4	3.8	1.5	0.69	2.11	162.89	.	.
Q3	-0.1	.	1.9	2.7	3.8	1.9	0.89	1.88	161.90	.	.
Q4	0.5	.	1.8	2.9	3.8	2.0	0.96	1.70	163.83	.	.
2007 Oct.	0.3	-	-	4.8	4.0	1.9	0.97	1.82	164.95	-	-
Nov.	0.6	-	-	3.0	3.8	2.0	0.91	1.73	162.89	-	-
Dec.	0.7	-	-	0.8	3.8	2.0	0.99	1.70	163.55	-	-
2008 Jan.	0.7	-	-	.	3.8	2.1	0.89	1.63	158.68	-	-
Feb.	.	-	-	.	.	.	0.90	1.60	157.97	-	-

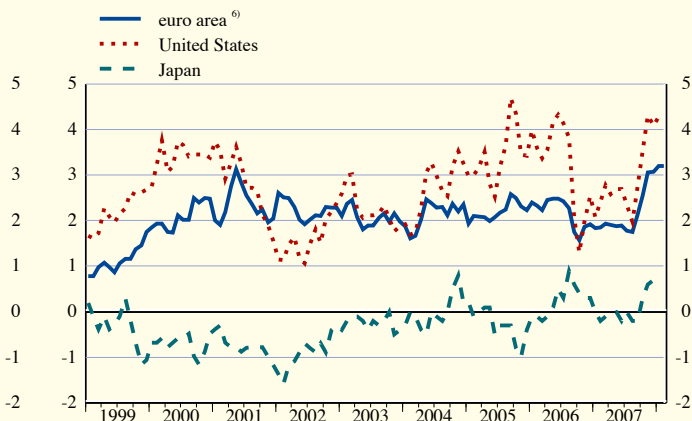
C37 Real gross domestic product

(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) Percentages per annum. For further information on 3-month interbank deposit rate, see Section 4.6.

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.europa.eu) 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:

$$h) \quad a_t^M = \left(\frac{I_t}{I_{t-1}} - 1 \right) \times 100$$

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:

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

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 STATISTICS¹

The approach used relies on a multiplicative decomposition through X-12-ARIMA.² 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.³ 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.europa.eu), 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:

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

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

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

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

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

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

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

The calculation formula used for Section 4.3 is also used for Section 4.4 and is likewise based on that used for the monetary aggregates. Section 4.4 is based on market values and the basis for the calculation are financial transactions, which exclude reclassifications, revaluations or any other changes that do not arise from transactions. Exchange rate variations are not included as all quoted shares covered are denominated in euro.

SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS⁴

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:

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

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

RELATING TO TABLE I IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP⁴

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 factors are revised at annual intervals or as required.

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

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 in goods and services 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.

RELATING TO SECTION 7.3

CALCULATION OF GROWTH RATES FOR THE QUARTERLY AND ANNUAL SERIES

The annual growth rate for quarter t is calculated on the basis of quarterly transactions (F_t) and positions (L_t), as follows:

$$a_t = \left(\prod_{i=t-3}^t \left(1 + \frac{F_i}{L_{i-1}} \right) - 1 \right) \times 100$$

The growth rate for the annual series is equal to the growth rate in the last quarter of the year.



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.europa.eu). This allows user-friendly access to data via the ECB’s Statistical Data Warehouse (<http://sdw.ecb.europa.eu/>), 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.europa.eu.

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 March 2008.

Unless otherwise indicated, all data series covering observations for 2008 relate to the Euro 15 (i.e. the euro area including Cyprus and Malta) 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, 2007 and 2008, calculated from bases in 2000, 2006 and 2007, use a series which takes into account the impact of the entry of Greece, Slovenia, and Cyprus and Malta, respectively, into the euro area. Historical data referring to the euro area before the entry of Cyprus and Malta are available on the ECB’s website at <http://www.ecb.europa.eu/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 for 2007 refer to the Euro 13, i.e. the Euro 12 plus Slovenia, and data after 2008 refer to the Euro 15, i.e. the Euro 13 plus Cyprus and Malta.

Given that the composition of the European currency unit (ECU) does not coincide with the former currencies of the countries that have adopted the single currency, pre-1999 amounts originally expressed in the participating currencies and converted into ECU at current ECU exchange rates are affected by movements in the currencies of EU Member States that 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, Latvia, Lithuania, Hungary, 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 (NCBs) 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 MROs (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 NCBs 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 an analysis, by sector and instrument, 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 that do not arise from transactions. Section 2.7 shows selected revaluations that 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 that NCBs are recommended to follow. 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 sector¹, as last amended by Regulation ECB/2003/10².

In line with this Regulation, the balance sheet item "money market paper" has been merged with the item "debt securities" on both the assets and liabilities side of the MFI balance sheet.

Section 2.9 shows end-of-quarter outstanding amounts for the balance sheet of the euro area investment funds (other than money market funds). The balance sheet is aggregated and therefore includes, among the liabilities, holdings by investment funds of shares/units issued by other investment funds. Total assets/liabilities are also broken down by investment policy (equity funds, bond funds, mixed funds, real estate funds and other funds) and by type of investor (general public funds and special investors' funds). Section 2.10 shows the aggregated balance sheet for each investment fund sector, as identified by investment policy and type of investor.

¹ OJ L 356, 30.12.1998, p. 7.

² OJ L 250, 2.10.2003, p. 19.

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 interaction between these sectors and both the euro area and the rest of the world. The non-seasonally adjusted data on current prices 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 the 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 provide 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. those resulting from the impact of changes in asset prices) 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) 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 so 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 broken down further 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 re-fixed 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. The 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 that 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 that 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 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, ranging 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.

Table 4.7 shows end-of-period rates estimated from nominal spot yield curves based on AAA-rated euro-denominated bonds issued by euro area central governments. The yield curves are estimated using the Svensson model³. Spreads between the ten-year rates and the three-month and two-year rates are also released. Additional yield curves (daily releases, including charts and tables) and the corresponding methodological information are available at <http://www.ecb.europa.eu/stats/money/yc/html/index.en.html>. Daily data may also be downloaded.

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.

3 Svensson, L. E., 1994, "Estimating and Interpreting Forward Interest Rates: Sweden 1992-1994", Centre for Economic Policy Research, Discussion Paper No 1051.

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 by households on final consumption in 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 statistics⁴. 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 2001⁵. 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 index⁶ and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003⁷. 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 the textile, pulp and paper, chemical, metal, capital goods and durable consumer goods industries. The data are calculated on the basis of current prices.

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

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.

4 OJ L 162, 5.6.1998, p. 1.

5 OJ L 86, 27.3.2001, p. 11.

6 OJ L 69, 13.3.2003, p. 1.

7 OJ L 169, 8.7.2003, p. 37.

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 on the basis of 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 2000⁸ 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 on quarterly non-financial accounts for general government⁹. 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 No 222/2004 and data provided by the NCBs.

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)¹⁰ and the amending ECB Guideline of 31 May 2007 (ECB/2007/3)¹¹. 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 following Task Force reports: “Portfolio investment collection systems” (June 2002), “Portfolio investment income” (August 2003) and “Foreign direct investment” (March 2004), all of 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.cmfb.org). The annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force’s recommendations, is available on the ECB’s website.

The tables in Sections 7.1 and 7.4 follow the sign convention in the IMF Balance of Payments Manual, i.e. surpluses in the current account and in the capital account have a plus sign, while in the financial account a plus sign

⁸ OJ L 172, 12.7.2000, p. 3.

⁹ OJ L 179, 9.7.2002, p. 1.

¹⁰ OJ L 354, 30.11.2004, p. 34.

¹¹ OJ L 159, 20.6.2007, p. 48.

denotes an increase in liabilities or a decrease in assets. In the tables in Section 7.2, both credit and debit transactions are presented with a plus sign. Furthermore, starting with the February 2008 issue of the Monthly Bulletin, the tables in Section 7.3 have been restructured in order to allow the data on balance of payments, the international investment position and related growth rates to be presented together; in the new tables, transactions in assets and liabilities that correspond to increases in positions are shown with a plus sign.

The euro area b.o.p. is compiled by the ECB. 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 7.2, Table 1 also contains seasonally adjusted data for the current account. Where appropriate, the adjustment also covers working-day, leap-year and/or Easter effects. Table 3 in Section 7.2 and Table 8 in Section 7.3 present a breakdown of the euro area b.o.p. and i.i.p. 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. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives and international reserves. In addition, separate data are not provided for investment income payable to Brazil, mainland China, India and Russia. 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 b.o.p. financial account and i.i.p. in Section 7.3 are based on transactions and 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, Box 5 in the January 2007 issue of the Monthly Bulletin and Box 6 in the January 2008 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 for unquoted shares, and other investments (e.g. loans and deposits). 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, asset prices and foreign exchange developments.

Table 1 in Section 7.3 summarises the i.i.p. and financial transactions in the euro area b.o.p. The breakdown of the change in the annual i.i.p. is obtained by applying a statistical model to the i.i.p. changes other than transactions with information from the geographical breakdown and currency composition of assets and liabilities, as well as price indices for different financial assets. In this table, Columns 5 and 6 refer to direct investment by resident units abroad and direct investment by non-resident units in the euro area.

In Table 5 in Section 7.3, the breakdown into “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.

The outstanding amounts of the Eurosystem’s international reserves and related assets and liabilities are shown in Section 7.3, Table 7. 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 7 are in line with the recommendations for the 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 7.4 contains a monetary presentation of the euro area balance of payments, in which the balance of payments transactions mirror the transactions in the external counterpart to M3. In portfolio investment liabilities (Columns 5 and 6), the transactions include sales and purchases of equity and debt securities issued by MFIs in the euro area, excluding 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 balance of payments 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 7.5 shows data on euro area external trade in goods. The source is Eurostat. Unit value indices are shown without any adjustment, while value data and volume indices 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. China excludes Hong Kong. On account of 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 b.o.p. statistics (Sections 7.1 and 7.2). 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-22 group of trading partners is composed of the 12 non-euro area EU Member States plus Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-42 group includes the EER-22 and 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. The 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 EUROSYSTEM¹



12 JANUARY AND 2 FEBRUARY 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.25%, 3.25% and 1.25% respectively.

2 MARCH 2006

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

6 APRIL AND 4 MAY 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.50%, 3.50% and 1.50% respectively.

8 JUNE 2006

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

6 JULY 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.75%, 3.75% and 1.75% respectively.

3 AUGUST 2006

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

31 AUGUST 2006

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

5 OCTOBER 2006

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

¹ The chronology of monetary policy measures taken by the Eurosystem between 1999 and 2005 can be found in the ECB's Annual Report for the respective years.

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 by 25 basis points the interest rates on both the marginal lending facility and the deposit facility, to 5% and 3% respectively, with effect from 13 June 2007.

**5 JULY, 2 AUGUST, 6 SEPTEMBER, 4 OCTOBER,
8 NOVEMBER AND 6 DECEMBER 2007 AND
10 JANUARY, 7 FEBRUARY AND 6 MARCH 2008**

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 4.00%, 5.00% and 3.00% respectively.

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



PAYMENT FLOWS IN TARGET

In the fourth quarter of 2007 TARGET processed a daily average of 389,859 payments, with a total daily average value of €2,573 billion. Compared with the previous quarter, this represents an increase of 8% in terms of volume and 6% in terms of value. Compared with the same period of the previous year, it is an increase of 11% in volume and 18% in value. TARGET's overall market share in terms of value remained stable at 90%, and its market share in terms of volume reached 60%. The highest level of TARGET traffic during this quarter was recorded on 21 December, the Friday before Christmas, when a record number of 574,840 payments were processed. During the fourth quarter the TARGET2 system started operating on 19 November 2007, when a first group of countries (Germany, Cyprus, Latvia, Lithuania, Luxembourg, Malta, Austria and Slovenia) successfully migrated their operations to the Single Shared Platform (SSP). It is noteworthy that this did not have an impact on TARGET's overall availability or stability.

INTRA-MEMBER STATE PAYMENTS

TARGET processed a daily average of 304,590 intra-Member State payments with a total average value of €1,655 billion per business day in the fourth quarter of 2007. This represents an increase of 8% in volume and 6% in value as compared with the previous quarter. In comparison with the corresponding period in 2006, the volume increased by 12% and the value by 15%. Intra-Member State traffic accounted for 78% of the total volume and 64% of the total value of TARGET payments. The average value of an intra-Member State payment remained at €5.4 million. At the intra-Member State level, 65% of payments were below €50,000, while 9% were above €1 million. On average, there were 193 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 21 December, when a total of 466,422 payments were processed.

INTER-MEMBER STATE PAYMENTS

At the inter-Member State level, TARGET processed a daily average of 85,269 payments with a total daily average value of €918 billion in the fourth quarter of 2007. Compared with the previous quarter, this represents an increase of 6% in terms of volume and 2% in value. In comparison with the corresponding period in 2006, it is an increase of 9% in volume and 21% in value. The proportion of interbank payments in average daily inter-Member State traffic was 46% in terms of volume and 95% in terms of value. The average value of an interbank payment decreased from €22.2 million to €22.0 million and that of a customer payment remained at €1.1 million. 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 101 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 20 December, when a total of 129,677 payments were processed.

TARGET AVAILABILITY AND BUSINESS PERFORMANCE

In the fourth quarter of 2007 TARGET achieved an overall availability of 99.90%, compared with 99.94% in the previous quarter. The number of incidents with an effect on TARGET's availability was 14, which is five more 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 fourth quarter of 2007 there was one incident that lasted more than two hours. Table 3 shows the availability figures for each national TARGET component, the SSP and the ECB payment mechanism. In the quarter under review 97.48% of inter-Member State payments were processed in less than 5 minutes, 2.40% needed between 5 minutes and 15 minutes, and 0.09% required between 15 minutes and 30 minutes. On average, the processing time exceeded 30 minutes for 30 payments per day, which should be seen in the context of the 85,269 inter-Member State payments processed on average every day.

Table 1 Payment instructions processed by TARGET and other selected interbank funds transfer systems: volume of transactions

(number of payments)					
	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4
TARGET					
All TARGET payments					
Total volume	22,062,699	22,069,092	22,882,111	23,473,483	24,951,015
Daily average	350,202	344,830	369,066	361,130	389,859
Intra-Member State TARGET payments					
Total volume	17,153,073	17,071,952	17,746,830	18,261,887	19,493,777
Daily average	272,271	266,749	286,239	280,952	304,590
Inter-Member State TARGET payments					
Total volume	4,909,629	4,997,140	5,135,281	5,211,596	5,457,238
Daily average	77,931	78,080	82,827	80,178	85,269
Other systems					
EURO1 (EBA)					
Total volume	12,390,099	12,540,775	13,252,906	13,210,577	14,856,086
Daily average	196,668	195,876	213,757	203,240	232,126
Paris Net Settlement (PNS)					
Total volume	1,700,859	1,678,885	1,659,684	1,636,102	1,454,570
Daily average	26,998	26,235	26,769	25,171	22,728
Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)					
Total volume	136,200	136,111	173,124	150,046	141,813
Daily average	2,162	2,126	2,792	2,308	2,216

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

(EUR billions)					
	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4
TARGET					
All TARGET payments					
Total value	137,943	143,598	150,143	158,305	164,686
Daily average	2,190	2,244	2,422	2,436	2,573
Intra-Member State TARGET payments					
Total value	90,307	93,776	95,905	99,826	105,905
Daily average	1,434	1,465	1,547	1,536	1,655
Inter-Member State TARGET payments					
Total value	47,637	49,822	54,237	58,478	58,782
Daily average	756	778	875	900	918
Other systems					
EURO1 (EBA)					
Total value	12,766	13,480	13,876	15,112	15,766
Daily average	203	210	224	233	246
Paris Net Settlement (PNS)					
Total value	3,795	3,883	4,459	4,571	3,352
Daily average	60	61	72	70	52
Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)					
Total value	114	128	115	111	114
Daily average	2	2	2	2	2

Table 3 TARGET availability for each national component and the ECB payment mechanism (EPM)

National TARGET component	Availability Q4 2007
Belgium	99.94%
Denmark	99.78%
Germany ¹⁾	100.00%
Estonia	100.00%
Ireland	100.00%
Greece	99.74%
Spain	99.91%
France	99.64%
Italy	100.00%
Luxembourg ¹⁾	100.00%
Netherlands	100.00%
Austria ¹⁾	100.00%
Poland	100.00%
Portugal	99.75%
Finland	99.54%
United Kingdom	100.00%
ECB payment mechanism	99.35%
Single Shared Platform ²⁾	100.00%
Overall TARGET availability	99.90%

1) These national components ceased to operate on 16 November 2007.

2) The TARGET2 system started operating on 19 November 2007, when a first group of countries (Germany, Cyprus, Latvia, Lithuania, Luxembourg, Malta, Austria and Slovenia) migrated their operations to the Single Shared Platform.



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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.europa.eu/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-22 (comprising the 12 non-euro area EU Member States and the 10 main trading partners outside the EU) and the EER-42 (composed of the EER-22 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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