



EUROPEAN CENTRAL BANK

EUROSYSTEM

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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	statistical classification of economic activities in the European Union
NCB	national central bank
OECD	Organisation for Economic Co-operation and Development
PPI	Producer Price Index
SITC Rev. 4	Standard International Trade Classification (revision 4)
ULCM	unit labour costs in manufacturing
ULCT	unit labour costs in the total economy

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



EDITORIAL

Based on its regular economic and monetary analyses, the Governing Council decided at its meeting on 8 December 2011 to lower the key ECB interest rates by 25 basis points, following the 25 basis point decrease on 3 November 2011. Inflation is likely to stay above 2% for several months to come, before declining to below 2%. The intensified financial market tensions are continuing to dampen economic activity in the euro area and the outlook remains subject to high uncertainty and substantial downside risks. In such an environment, cost, wage and price pressures in the euro area should remain modest over the policy-relevant horizon. At the same time, the underlying pace of monetary expansion remains moderate. Overall, it is essential for monetary policy to maintain price stability over the medium term, thereby ensuring a firm anchoring of inflation expectations in the euro area in line with the Governing Council's aim of maintaining inflation rates below, but close to, 2% over the medium term. Such anchoring is a prerequisite for monetary policy to make its contribution towards supporting economic growth and job creation in the euro area.

In its continued efforts to support the liquidity situation of euro area banks, and following the coordinated central bank action on 30 November 2011 to provide liquidity to the global financial system, the Governing Council also decided to adopt further non-standard measures. These measures should ensure enhanced access of the banking sector to liquidity and facilitate the functioning of the euro area money market. They are expected to support the provision of credit to households and non-financial corporations. In this context, the Governing Council decided:¹

First, to conduct two longer-term refinancing operations (LTROs) with a maturity of 36 months and the option of early repayment after one year. The operations will be conducted as fixed rate tender procedures with full allotment. The rate in these operations will be fixed at the average rate of the main refinancing operations over the life of the respective operation. Interest will be paid when the respective operation matures.

Second, to increase collateral availability by reducing the rating threshold for certain asset-backed securities (ABS). In addition to the ABS that are already eligible for Eurosystem operations, ABS having a second-best rating of at least "single A" in the Eurosystem harmonised credit scale at issuance, and at all times subsequently, and the underlying assets of which comprise residential mortgages and loans to small and medium-sized enterprises, will be eligible for use as collateral in Eurosystem credit operations. Moreover, national central banks will be allowed, as a temporary solution, to accept as collateral additional performing credit claims (namely bank loans) that satisfy specific eligibility criteria. The responsibility entailed in the acceptance of such credit claims will be borne by the national central bank authorising their use.

Third, to reduce the reserve ratio, which is currently 2%, to 1%. This will free up collateral and support money market activity. As a consequence of the full allotment policy applied in the ECB's main refinancing operations and the way banks are using this option, the system of reserve requirements is not needed to the same extent as under normal circumstances to steer money market conditions.

Fourth, to discontinue for the time being the fine-tuning operations carried out on the last day of each maintenance period. This is a technical measure to support money market activity.

As stated on previous occasions, all the non-standard monetary policy measures are, by construction, temporary in nature.

As regards the economic analysis, real GDP in the euro area grew by 0.2% quarter on quarter in the third quarter of 2011, unchanged from the previous quarter. Evidence from survey data points to weaker economic activity in the fourth quarter of this year. A number of factors seem to be dampening the underlying growth

¹ For further details, see the press release of 8 December 2011 "ECB announces measures to support bank lending and money market activity".

momentum in the euro area. They include a moderation in the pace of global demand growth and unfavourable effects on overall financing conditions and on confidence resulting from ongoing tensions in euro area sovereign debt markets, as well as the process of balance sheet adjustment in the financial and non-financial sectors. At the same time, the Governing Council expects euro area economic activity to recover, albeit very gradually, in the course of next year, supported by resilient global demand, very low short-term interest rates and all the measures taken to support the functioning of the financial sector.

This assessment is also reflected in the December 2011 Eurosystem staff macroeconomic projections for the euro area, which foresee annual real GDP growth in a range between 1.5% and 1.7% in 2011, between -0.4% and 1.0% in 2012 and between 0.3% and 2.3% in 2013. Compared with the September 2011 ECB staff macroeconomic projections, there is a narrowing of the range of the real GDP growth projection for 2011 and a significant downward revision of the range for 2012. These revisions mainly reflect the impact on domestic demand of weaker confidence and worsening financing conditions, stemming from the heightened uncertainty related to the sovereign debt crisis, as well as downward revisions of foreign demand.

In the Governing Council's assessment, substantial downside risks to the economic outlook for the euro area exist in an environment of high uncertainty. Downside risks notably relate to a further intensification of the tensions in euro area financial markets and their potential spillover to the euro area real economy. Downside risks also relate to the global economy, which may be weaker than expected, as well as to protectionist pressures and the possibility of a disorderly correction of global imbalances.

With regard to price developments, euro area annual HICP inflation was 3.0% in November, according to Eurostat's flash estimate, unchanged

from the previous two months. Inflation rates have been at elevated levels since the end of last year, mainly driven by higher energy and other commodity prices. Looking ahead, they are likely to stay above 2% for several months to come, before declining to below 2%. This pattern reflects the expectation that, in an environment of weaker growth in the euro area and globally, underlying cost, wage and price pressures in the euro area should also remain modest.

This assessment is also reflected in the December 2011 Eurosystem staff macroeconomic projections for the euro area, which foresee annual HICP inflation in a range between 2.6% and 2.8% for 2011, between 1.5% and 2.5% for 2012 and between 0.8% and 2.2% for 2013. Compared with the September 2011 ECB staff macroeconomic projections, the projection ranges for 2011 and 2012 have been revised slightly upwards. This results from the upward impact of higher oil prices in euro terms, as well as a higher contribution from indirect taxes. The upward impact of these factors is expected to more than compensate the downward adjustments to profit margins and wage growth that are related to the downward revision of activity.

The Governing Council continues to view the risks to the medium-term outlook for price developments as broadly balanced. On the upside, the main risks relate to further increases in indirect taxes and administered prices, owing to the need for fiscal consolidation in the coming years. The main downside risks relate to the impact of weaker than expected growth in the euro area and globally.

Turning to the monetary analysis, the annual growth rate of M3 decreased to 2.6% in October 2011, after 3.0% in September. The annual growth rate of loans to the private sector, adjusted for loan sales and securitisation, increased to 3.0% in October, compared with 2.7% in September. As in the previous two months, the monetary data for October reflect the heightened uncertainty in financial markets.

On the counterpart side, the annual growth rates of loans to non-financial corporations and loans to households, adjusted for loan sales and securitisation, remained broadly unchanged in October, at 2.3% and 2.5% respectively. The unadjusted growth rates were lower, owing to substantial securitisation activities in October. Overall, the figures on lending do not suggest that the heightened financial market tensions have significantly affected the supply of credit in the period to October. However, given that credit supply effects can manifest themselves with lags, close scrutiny of credit developments is warranted in the period ahead.

Taking the appropriate medium-term perspective and looking through short-term volatility, overall, the underlying pace of monetary expansion remains moderate.

The soundness of bank balance sheets will be a key factor in reducing potential negative feedback loop effects related to tensions in financial markets, thereby facilitating an appropriate provision of credit to the economy over time. The agreement of the European Council of 26 October to proceed with the increase in the capital position of banks to 9% of core Tier 1 by the end of June 2012 should improve the euro area banking sector's resilience over the medium term. In this respect, it is essential that national supervisors ensure that the implementation of banks' recapitalisation plans does not result in developments that are detrimental to the financing of economic activity in the euro area.

To sum up, inflation is likely to stay above 2% for several months to come, before declining to below 2%. Intensified financial market tensions are continuing to dampen economic activity in the euro area and the outlook remains subject

to high uncertainty and substantial downside risks. In such an environment, price, cost and wage pressures in the euro area should remain modest over the policy-relevant horizon. A cross-check with the signals from the monetary analysis confirms this picture, with the underlying pace of monetary expansion remaining moderate.

Turning to fiscal policies, all euro area governments urgently need to do their utmost to support fiscal sustainability in the euro area as a whole. A new fiscal compact, comprising a fundamental restatement of the fiscal rules together with the fiscal commitments that euro area governments have made, is the most important precondition for restoring the normal functioning of financial markets. Policy-makers need to correct excessive deficits and move to balanced budgets in the coming years by specifying and implementing the necessary adjustment measures. This will support public confidence in the soundness of policy actions and thus strengthen overall economic sentiment.

To accompany fiscal consolidation, the Governing Council has repeatedly called for bold and ambitious structural reforms. Going hand in hand, fiscal consolidation and structural reforms would strengthen confidence, growth prospects and job creation. Key reforms should be immediately carried out to help the euro area countries to improve competitiveness, increase the flexibility of their economies and enhance their longer-term growth potential. The agreements following the European Council meeting of 8-9 December 2011 are an important step in this direction. Labour market reforms should focus on removing rigidities and enhancing wage flexibility. Product market reforms should focus on fully opening up markets to increased competition.

ADDITIONAL NON-STANDARD MONETARY POLICY MEASURES DECIDED BY THE GOVERNING COUNCIL ON 8 DECEMBER 2011

On 8 December 2011 the Governing Council of the ECB decided on several measures to prevent adverse effects on the monetary policy transmission mechanism stemming from the ongoing tensions in parts of the euro area financial markets. These tensions have the potential to hamper the monetary policy transmission mechanism of the Eurosystem and, hence, its ability to maintain price stability in the euro area. These measures are not intended to affect the monetary policy stance.

In particular, the Governing Council decided to expand its offer of refinancing operations by conducting two refinancing operations with a maturity of 36 months, to support the supply of credit to the euro area economy. This measure addresses the risk that persistent financial market tensions could affect the capacity of euro area banks to obtain refinancing over longer horizons. Through these operations, the Eurosystem will ensure that banks continue to have access to stable funding with longer maturities. This will provide essential support to lending activity by limiting the impact on euro area banks of the difficult conditions in funding markets. Additionally, after one year banks will have the option to repay outstanding amounts received in these operations, which gives them a high degree of flexibility, facilitating their liability management.

The Governing Council also announced a temporary expansion of the list of collateral with regard to securities, as well as the intention to enhance the use of eligible credit claims (i.e. bank loans) as collateral in Eurosystem operations. These measures also aim to support bank lending, by increasing the amount of assets on euro area banks' balance sheets that can be used to obtain central bank refinancing. Expanding the list of collateral helps to enhance the reach of the fixed rate tender procedure with full allotment (including in the additional longer-term refinancing operations), limiting the impact of the financial market tensions on access to central bank refinancing. The list of collateral is expanded to include securities backed by loans to the real economy, as well as loans which are not securitised (asset-backed securities and credit claims respectively). This enables euro area banks to more readily access Eurosystem refinancing using assets directly related to their lending activity.

In the case of credit claims, the Governing Council decided to temporarily accept as collateral credit claims which are assessed at the national level as eligible. Although the vast majority of euro area banks currently do not face collateral shortages, this measure allows for a swift expansion of collateral, as a precaution, in order to counter the risk of a more broad-based collateral shortage resulting from persistent financial market tensions. National central banks will apply certain eligibility criteria in their evaluation of credit claims. The Governing Council would welcome the wider use of credit claims as collateral in Eurosystem operations on the basis of harmonised criteria. To this end, the Eurosystem aims to enhance its internal credit assessment capabilities and encourages potential external credit assessment providers, as well as commercial banks using an internal ratings-based system, to seek endorsement under the Eurosystem Credit Assessment Framework.

The Governing Council also decided on measures aimed at fostering money market activity. The proper functioning of euro area money markets is essential to ensure that monetary policy

impulses are transmitted via the banking system to the euro area economy. Accordingly, it decided to discontinue the fine-tuning operations carried out at the end of maintenance periods. These operations, which, in a situation of balanced liquidity conditions, help to limit the volatility of short-term money market rates, especially on the last day of a maintenance period, are not needed under the current circumstances, given that there is excess liquidity in aggregate terms. The Governing Council also decided to temporarily reduce the reserve ratio from 2% to 1% in order to increase incentives for market participants to engage in money market transactions, as this increases the cost to banks of holding liquidity buffers, which are an alternative to money market trades for smoothing out intra-maintenance period liquidity shocks. In this context, it should be noted that reserve requirements are technically not needed in an environment of excess liquidity. This measure also increases the collateral available to banks, as it reduces their liquidity needs vis-à-vis the Eurosystem and thereby the amount of collateral that needs to be posted.

In the view of the Governing Council, these measures are essential to safeguard the effectiveness of the monetary policy transmission mechanism. In particular, they will help to remove impediments to access to finance in the economy stemming from spillovers from the sovereign debt crisis to banks' funding markets and to asset valuation. The measures will thereby help to ensure continued access to finance for households, non-financial corporations and financial intermediaries at favourable conditions, thus contributing to maintaining price stability over the medium term in the euro area.

ECONOMIC AND MONETARY DEVELOPMENTS

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

In recent months the global economy has experienced a continued loss of growth momentum. Against a background of heightened uncertainty and rising stresses in financial markets, global business and consumer sentiment has further deteriorated. These developments have impeded the positive impetus from the unwinding of supply-chain disruptions triggered by the Great East Japan Earthquake. Looking ahead, significant structural headwinds remain, particularly in advanced economies, which are expected to restrain the global recovery over the medium term. In emerging economies, the recent moderation in growth should help to alleviate overheating pressures. Inflationary dynamics remain contained in advanced economies, despite rates having increased slightly in recent months. By contrast, pronounced underlying inflationary pressures persist in some emerging economies in spite of a modest decline in inflation rates over recent months.

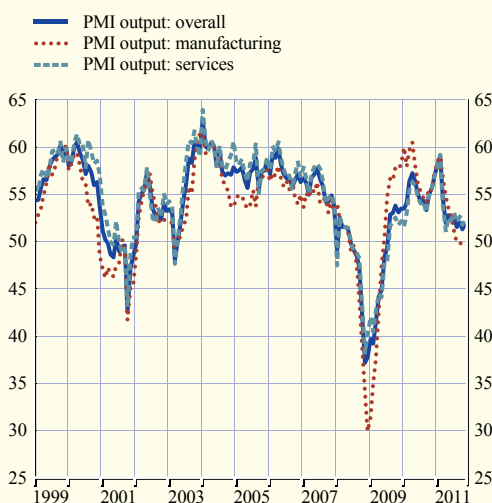
I.1 DEVELOPMENTS IN THE WORLD ECONOMY

The slowdown in OECD GDP growth to 0.3% quarter on quarter in the second quarter of 2011 was partly due to a series of temporary factors, such as the disruptions to global supply chains on account of the natural disaster in Japan as well as the dampening effects of high commodity prices on disposable incomes in major advanced economies. While the gradual unwinding of these factors provided some impetus to economic growth in the third quarter, with OECD growth picking up to 0.6% quarter on quarter, the renewed tensions in financial markets again dampened global economic activity. Structural headwinds persist and are expected to continue to restrain the pace of growth in the global economy over the medium term. These headwinds mainly relate to the continued need to repair public and private sector balance sheets as well as the continued weaknesses in labour and housing markets in some major advanced economies.

The heightened tensions in financial markets have had a detrimental impact on business and consumer sentiment worldwide, with survey data and indicators suggesting that the global economy

Chart 1 Global PMI output

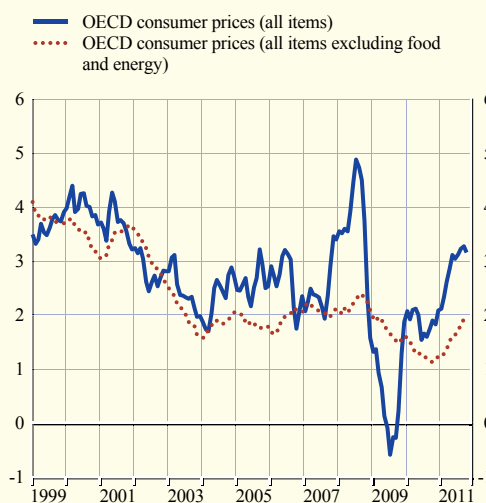
(diffusion index; seasonally adjusted; monthly data)



Source: Markit.

Chart 2 International price developments

(monthly data; annual percentage changes)



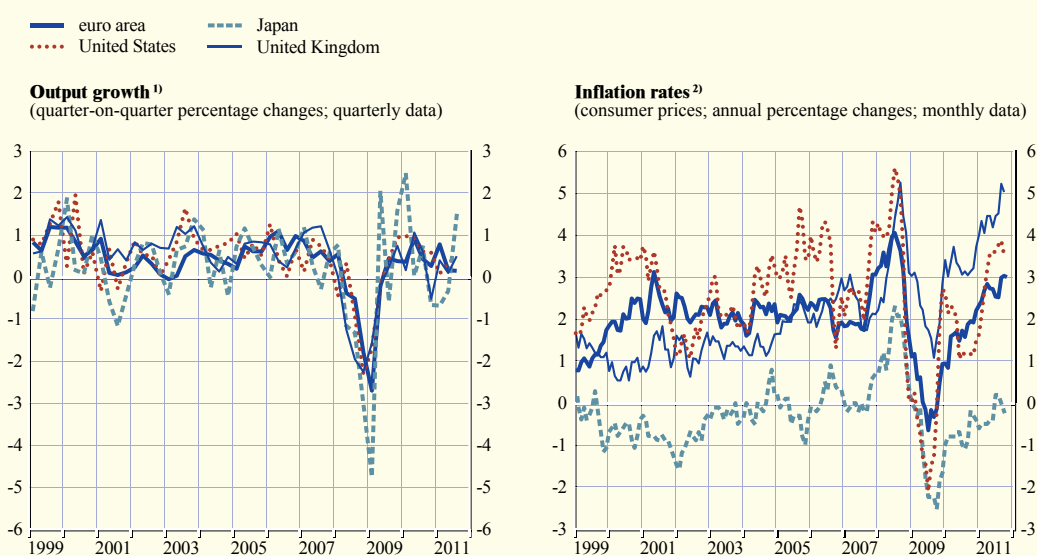
Source: OECD.

has continued to lose growth momentum. The loss in business confidence is evidenced by the Purchasing Managers' Index (PMI) for global all-industry output, which stood at a level of 51.8 on average in the three months to November 2011. While this is below the average for the first half of the year, it remains well above the trough recorded at the height of the global financial crisis in late 2008. Over the course of the year, growth in global industrial production has been decelerating substantially, which is consistent with the weak developments in the global manufacturing PMI. The PMI survey also points to continued sluggish growth in new businesses. On the consumer side, sentiment has also deteriorated across countries. In the United States, consumer sentiment indicators have fallen to very depressed levels. In the United Kingdom and Japan, consumer confidence indicators are also rather weak, albeit standing above their troughs recorded at the height of the global financial crisis.

Consistent with the developments in global economic activity, the latest data for global trade suggest weak dynamics. Although recent data on world trade in goods up to September indicate some stabilisation in global trade, this is likely to reflect the positive impact of the gradual unwinding of the supply-chain disruptions on global trade in the third quarter. The global PMI for new export orders has remained at very low levels, suggesting a continued weakness in world trade. This is also broadly consistent with other trade indicators such as developments in airfreight and maritime shipping volumes. Overall, this would suggest that growth in world trade and euro area foreign demand has remained constrained in the second half of this year.

Annual headline inflation rates remain relatively contained in advanced economies despite having increased slightly in recent months. In the OECD area, annual headline inflation decreased slightly to 3.2% in October from 3.3% in September. The annual inflation rate excluding food and energy in the OECD area increased slightly to 2.0% in October from 1.9% in September.

Chart 3 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.

By contrast, despite some modest declines in inflation rates in emerging economies, underlying inflationary pressures remain pronounced.

UNITED STATES

In the United States, the economic recovery gained momentum in the third quarter of 2011 after growing at a slow pace in the first half of the year. According to the second estimate by the Bureau of Economic Analysis, US real GDP increased at an annual rate of 2.0% in the third quarter of 2011 (i.e. 0.5% on a quarter-on-quarter basis). This was less than previously estimated, although it is still above the annualised growth rate of 1.3% recorded in the second quarter of the year. Overall, the picture across components indicates that the expansion in the third quarter was supported by growth in consumer spending, as durable goods purchases rebounded, and by business investment, with equipment and software being the main driver, while residential investment remained weak.

As regards price developments, annual CPI inflation declined to 3.5% in October 2011, from 3.9% in the previous month. This is the lowest level recorded since April this year. After several months in which CPI inflation proved more persistent than expected, it began to decline at the start of the last quarter, mainly on account of an easing in commodity prices. Excluding food and energy, CPI inflation increased slightly, at an annual rate of 2.1%, compared with 2.0% in the previous two months. Recent developments in core inflation partly reflect some stabilisation in the growth of rental costs in line with a distressed housing market, after a sustained rise since mid-2010.

Looking forward, the recovery is expected to proceed at a similar pace in the last quarter of this year, before slowing down somewhat at the start of 2012. On the one hand, the fading of some temporary headwinds, such as supply-chain disruptions from the Great East Japan Earthquake and pressures from high commodity prices, should have a positive impact in the short term. On the other hand, weak developments in housing and labour markets, the need for further balance sheet repair in the household sector and negative wealth effects following adverse developments in financial markets are likely to have a more lasting impact on economic momentum over the medium term. In addition, fiscal developments are expected to exert a significant drag on growth in 2012, as some temporary measures – such as the payroll tax cut for employees and the extension of unemployment benefits – are unlikely to be prolonged. Moreover, the fiscal outlook continues to be a source of concern, as reflected by the failure of the bipartisan committee to reach an agreement regarding measures to cut the deficit and bring public debt onto a sustainable path. Turning to prices, the halt in commodity price increases together with the persistent economic slack in product and labour markets should continue to limit upward price pressures and to reduce inflation.

On 2 November 2011 the US Federal Open Market Committee stated that, although economic growth strengthened somewhat in the third quarter, it continues to expect a moderate pace of economic growth over coming quarters. In this context, the Committee decided to maintain its target range for the federal funds rate at 0.0% to 0.25% and anticipates that economic conditions are likely to warrant exceptionally low levels for the federal funds rate at least until mid-2013. The Committee will also continue its programme to extend the average maturity of its holdings of securities as announced in September, and is maintaining its existing policies of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction.

JAPAN

In Japan, the preliminary release of national accounts data for the third quarter of this year confirmed that economic activity has recovered considerably from the Great East Japan Earthquake

that occurred in March 2011. Real GDP grew by 1.5% (quarter on quarter) in the third quarter, following three quarters of negative growth. The upswing in economic activity was broadly based and supported by a pick-up in domestic demand as well as a strong rebound in net exports amid a restocking of inventories abroad, which had declined owing to supply-chain disruptions after the earthquake. As for domestic demand, private consumption remained firm, while business investment increased moderately. Housing investment picked up strongly, partly aided by rebuilding efforts in the disaster areas and temporary factors related to the expiry of an incentive programme for environmentally friendly home refurbishing in July.

Economic activity is expected to have slowed significantly in the fourth quarter of 2011 in response to the weakening in global demand and the appreciation of the Japanese yen. After a strong decline by 3.3% in the previous month, industrial production increased by 2.4% (month on month, seasonally-adjusted) in October. Real exports of goods contracted for the first time since the earthquake in October (by 4.8% month on month), while real imports rose by 4.7% in monthly terms. Looking ahead, reconstruction-related demand and the implementation of the third supplementary budget are expected to support GDP growth, while a further weakening of global demand could potentially weigh on the outlook.

With regard to consumer price developments, annual CPI inflation further declined to -0.2% in October, reflecting the expiration of a base effect resulting from a rise in cigarette taxes in October 2010. Excluding fresh food, annual CPI inflation was negative for the first time since June, at -0.1%, while annual CPI inflation excluding fresh food and energy dropped to -1.0% (from -0.4% in September). In its latest monetary policy meeting on 30 November, the Bank of Japan decided to maintain its target for the uncollateralised overnight call rate at around 0 to 0.1%.

UNITED KINGDOM

In the United Kingdom, economic activity has remained subdued. In the third quarter of 2011 real GDP increased by 0.5%, supported mainly by inventory accumulation and largely reflecting the waning of some temporary factors in the second quarter, such as an extra bank holiday. Most business and household survey indicators have remained weak in recent months. The labour market situation has also worsened, and the unemployment rate increased to 8.3% in the third quarter of 2011. Overall, growth is likely to remain sluggish in the short term, even though monetary stimuli should support economic activity going forward. Growth in domestic demand is expected to remain constrained by tight credit conditions, household balance sheet adjustment and substantial fiscal tightening, while the weakening of the outlook for external demand is likely to restrain export growth.

Annual CPI inflation has remained elevated in recent months. CPI inflation decreased to 5.0% in October from 5.2% in September. CPI inflation excluding energy and unprocessed food declined by 0.1 percentage point to 3.8%. In the short term, inflation is likely to remain high, but going forward, the gradual diminishing of certain temporary factors (higher past commodity prices, the lagged effects of the depreciation of the pound sterling, and the increase in the rate of VAT in January 2011), as well as the existence of spare capacity, should contribute to the dampening of inflationary pressures. The Bank of England's Monetary Policy Committee maintained the official Bank Rate paid on commercial bank reserves at 0.5%, and decided to keep the stock of asset purchases financed by the issuance of central bank reserves at GBP 275 billion on 10 November, after deciding on an expansion of GBP 75 billion in October.

OTHER EU COUNTRIES

In the other non-euro area EU countries, the recovery has continued in recent quarters and growth remained robust in a number of countries in the third quarter, mainly on account of temporary factors (e.g. an increase in external demand and strong agricultural performance). Looking ahead, growth prospects have deteriorated, partly reflecting spillover effects from the euro area and deteriorating external financing conditions.

In Sweden and Denmark, real GDP increased by 0.9% and 1.0% respectively in the second quarter, mainly supported by domestic demand. In October 2011 HICP inflation stood at 1.1% in Sweden and 2.7% in Denmark.

In the largest central and eastern European countries, the recovery has continued in recent quarters. Looking ahead, however, growth prospects have deteriorated markedly, reflecting, in part, the weakening of activity in their main export markets in the euro area and worsened external financing conditions. Although quarter-on-quarter real GDP growth accelerated to 0.6% in Hungary and 1.9% in Romania in the third quarter, this mainly reflected temporary factors (e.g. exceptionally strong agricultural performance). Real GDP growth stagnated in the Czech Republic in the third quarter, while in Poland it remained robust at 1% quarter-on-quarter. Overall, short-term indicators for activity and trade data show a notable slowdown in these countries. Annual HICP inflation has moderated steadily in recent months, standing at 3.8% in Hungary and 3.6% in Romania in October 2011 (partly owing to base effects and moderating commodity prices). HICP inflation increased slightly in the Czech Republic to 2.6% in October 2011 from a fairly low level compared with other countries in the region, while in Poland, inflation has been hovering between 3.5% and 4% in recent months. Looking ahead, changes in VAT and administered prices are expected to temporarily increase headline HICP inflation in these countries except Poland.

In the smaller central and eastern European countries, growth remained strong in the third quarter, but is expected to slow down in the coming quarters on account of the aforementioned factors. Growth has been mainly export driven in these countries, but the role of domestic growth drivers (e.g. private consumption) has also increased in spite of the high unemployment rates, in particular in Latvia and Lithuania (see also Box 2 for a discussion of labour mobility in central and eastern European EU countries). Inflation has remained elevated (above 4%) in the Baltic countries, and remained around 3% in Bulgaria. Looking ahead, inflation is expected to moderate owing to weaker growth and base effects.

Box 2

LABOUR MARKET MOBILITY IN THE CENTRAL AND EASTERN EUROPEAN EU MEMBER STATES, COMPARED WITH THAT OF THE EURO AREA, DENMARK AND SWEDEN

This box looks at labour mobility in central and eastern European EU countries (CEECs) using evidence for labour mobility in the euro area, Denmark and Sweden as a benchmark (for an analysis of the same phenomenon in the euro area, please see Box 8 of the March 2011 issue of the Monthly Bulletin).

In particular, this box presents alternative measures of labour market mobility for the period 1998-2008, based on microeconomic data obtained from Eurostat's Labour Force Survey.^{1, 2} To illustrate the ease of transition between employment, unemployment and inactivity, measures of the probability of moving from or remaining in each status over a given two-year period are constructed.

The results show that the average probability of remaining employed in a given two-year period is broadly similar in the CEECs, Sweden and the euro area and is higher than in Denmark (Chart A (a)). The probability of remaining inactive is also similar in the CEECs and the euro area, but higher than in Denmark and Sweden (Chart A (b)).³ Chart A also shows that in the CEECs and in the euro area the probability of moving from unemployment to employment is much lower than in Denmark and Sweden (panel c),⁴ while the probability of remaining

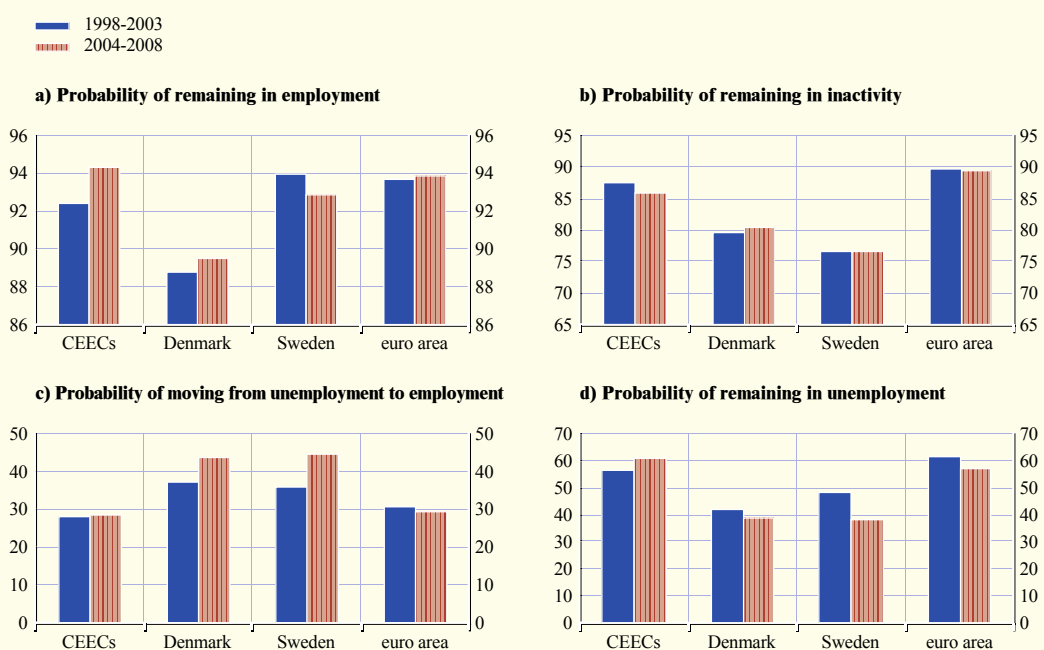
1 This box focuses on EU Member States that were not in the euro area in 2008, i.e. the Czech Republic, Denmark, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Slovakia and Sweden. The United Kingdom and Bulgaria are excluded owing to a lack of data. For Latvia, Lithuania and Slovakia, data prior to 2001 are not available; for Romania and Hungary, there are no data for the period prior to 1999. For Sweden, data for 2005 are not available. For the purposes of this box, data for the euro area exclude Germany, Malta, Ireland, Spain and the Netherlands. For these countries, information is available only from more recent waves of the survey or no data are available. Among euro area countries, data are not available for France for the period 2003-05 or for Luxembourg and Slovenia prior to 1999 and 2000 respectively.

2 Data on labour market status are based on self-assessments by survey respondents of their current and past working status.

3 As inactivity includes retirement and education, the probability of remaining inactive is reduced by about 8-10 percentage points on average, after education and retirement flows are controlled for.

4 In Denmark and Sweden, stronger labour demand conditions are explained by active labour market policies, but also by more generous employment benefits and long-term job security programmes (e.g. "flexicurity" in Denmark).

Chart A Probability of remaining in each labour market status over a two-year period and probability of moving from unemployment to employment (1998-2008)



Sources: Eurostat's Labour Force Survey and ECB calculations.
 Note: Observations are weighted according to the labour force share (people aged 15-64) in each country over the CEECs' aggregate. The same weighting is applied to euro area countries.

unemployed is much higher in the CEECs and the euro area than in Denmark and Sweden (panel d). Thus, overall, the CEECs share many similarities with the euro area and both regions appear to have lower labour market mobility compared with that of Denmark and Sweden.

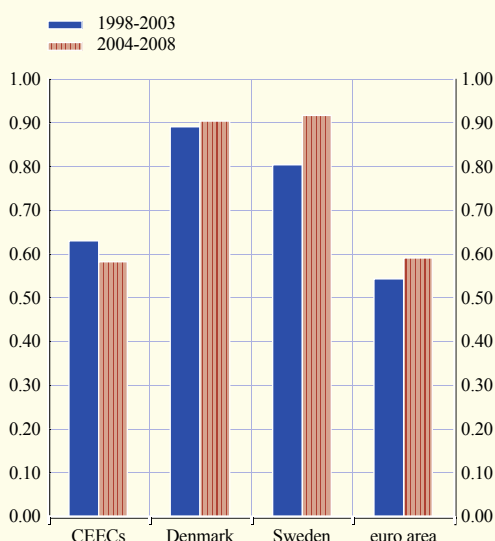
The Shorrocks index, a summary measure of mobility,⁵ indicates that labour market mobility in the CEECs has decreased over time (see Chart B). By contrast, in the euro area, Denmark and Sweden, mobility rates tended to increase between 1998 and 2008. The decrease in labour market flexibility in the CEE countries is also evident when looking at labour transition probabilities over time. Compared with 1998 to 2003, the number of people remaining in unemployment in the CEECs increased between 2004 and 2008, whereas it decreased in Denmark, Sweden and the euro area over the same period (Chart A (d)).

The observed decrease in mobility in the CEECs since 2004 is in line with the stabilisation of the labour market in the region, possibly reflecting strong economic growth as well as policies which supported the lengthening of average job tenures (especially for young people and highly educated people). That said, these policies also increased labour market inefficiencies, as evidenced by the increase in the probability of remaining unemployed in the CEECs.

Overall, however, the results for the CEECs do not differ greatly from the aggregate results for the euro area, with labour market flexibility in terms of ease of hiring (and firing) still being relatively weak compared with Denmark and, in particular, Sweden. This points to a need for further efforts to implement labour market reforms, to increase labour market flexibility and to achieve a better match of skills to job vacancies in the CEECs and the euro area, thus increasing labour market participation and reducing the cost of long-term unemployment.

5 See Shorrocks, A.F. (1978), "The measurement of mobility", *Econometrica*, 46, pp. 1013-34. The Shorrocks index captures changes in the probability of moving between employment, unemployment and inactivity between the previous and the current period. The index is bounded between zero and one, where a value of zero implies a zero probability of mobility and a value of one implies full mobility.

Chart B Developments in labour market mobility indices



Sources: Eurostat's Labour Force Survey and ECB calculations.
Notes: Observations are weighted according to the labour force share (people aged 15-64) in each country over the CEECs' aggregate. The same weighting is applied to euro area countries. See also footnote 5.

OTHER EUROPEAN COUNTRIES

In the second quarter of 2011 real GDP in Turkey continued to grow at a robust pace of 8.8% year on year. As in the first quarter, domestic demand was the main engine of growth, whereas the contribution of net exports remained largely negative. Inflation is on the rise and reached 9.5% year on year in November 2011, on the back of the pass-through of the depreciation of the Turkish lira, which has lost around 20% of its value in nominal effective terms since the beginning of the year. The central bank tried to counter devaluation pressures by intervening in the foreign exchange market and, at the same time, tightened domestic monetary conditions, raising the overnight lending rate from 9% to 12.5% in October. In the short term, the economic outlook is likely to be affected by the faltering global growth and tighter domestic and external financing conditions.

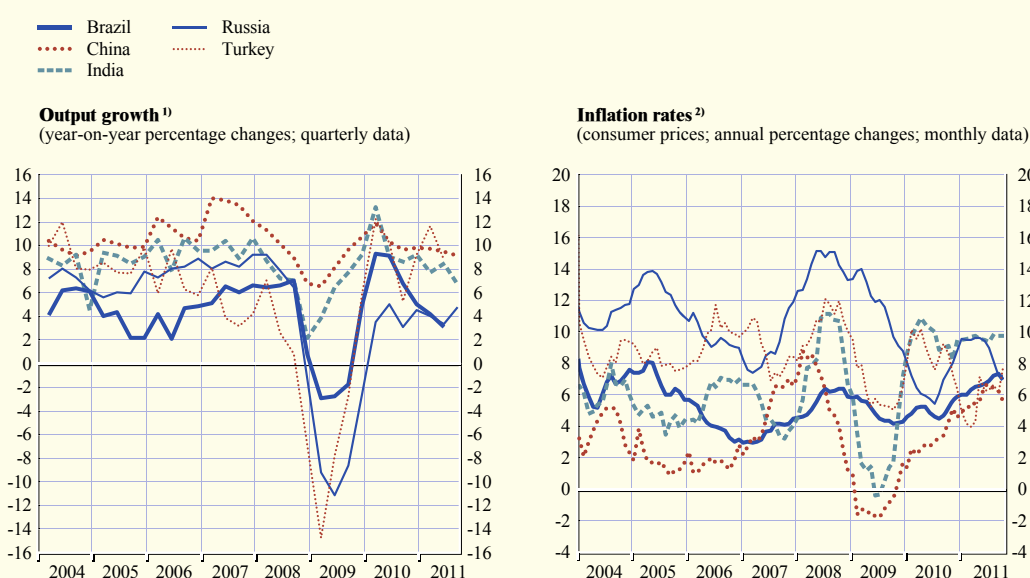
In Russia, growth was rather robust in the third quarter of 2011, following the slowdown in the first half of the year. According to the preliminary flash estimate, year-on-year real GDP growth was 4.8% in the third quarter, after 3.7% on average in the first half of 2011. This was partly driven by strong growth in the agricultural sector. Industrial production growth continued to moderate, standing at 3.6% year on year in October. Annual inflation has decelerated quickly since July, and reached 6.8% in November 2011. The Bank of Russia raised the rate on its deposit operations and reduced the rate on its repo operations in mid-September, thereby narrowing the effective part of its interest rate corridor to 150 basis points in order to limit the volatility of interbank market rates. Looking ahead, economic activity is likely to depend mostly on commodity price developments, given the important role played by energy commodity exports in the economy, as well as on the impact of weakening global economic conditions.

EMERGING ASIA

In emerging Asia, economic growth stabilised in the third quarter of 2011 after moderating in the second quarter. Private consumption and investment continued to be resilient in a context of accommodative monetary policies and strong credit growth, while export growth decreased owing to the unfavourable external environment. Annual inflation is likely to have peaked in the third quarter as both imported inflation and domestic demand pressures have eased more recently. In the light of signs of easing inflation and downside risks to the economic outlook, central banks in the region halted their monetary tightening cycle, except in some large countries where inflation remains stubbornly high.

In China, the gradual slowdown of economic growth continued, although the economy has, thus far, been largely resilient to the worsening of the global outlook. In the third quarter of 2011 real GDP increased by 9.1% year on year (down from 9.5% in the second quarter), with the contribution of domestic demand to growth diminishing and the contribution of net exports being negative. High-frequency indicators suggest that industrial value added and retail sales slowed marginally and that investment growth remained robust recently. However, the latest PMIs signalled that manufacturing activity deteriorated in November. Amid worsening external conditions, Chinese nominal export growth decelerated to 15.8% year on year in October, down from 20.5% in the third quarter, mainly on account of weaker demand from Europe. Inflationary pressures have continued diminishing following the peak in the third quarter. Annual CPI inflation declined to 5.5% in October, 0.6 percentage point down from the month before. The decrease in CPI inflation was mainly driven by food prices, while non-food CPI inflation also moderated slightly. In the property market, prices continued to decelerate and sales volumes decreased. Monetary and credit conditions loosened somewhat in October, with new loans picking up to a four-month high. The People's Bank of China reduced the reserve requirement ratio by 50 basis points in late November, the first time since end-2008.

Chart 4 Main developments in major emerging economies



Source: Haver Analytics.

1) Seasonally adjusted data for Brazil and China. Non-seasonally adjusted data for India, Russia and Turkey. Last observation: Third quarter 2011 (Brazil and Turkey: second quarter 2011).

2) WPI inflation for India. Last observation: October 2011.

In India, year-on-year real GDP growth decelerated to 6.7 % in the third quarter of 2011 from 8.5% in the second quarter, mainly driven by the contraction in investment. Annual wholesale price inflation – the Reserve Bank of India’s preferred measure of inflation – has remained high, at 9.7% in September and October, with both manufactured products and commodity prices contributing to the high inflationary pressures. Consequently, the Reserve Bank of India hiked its key policy rate by 25 basis points in September and by a further 25 basis points in October, to reach 8.5%.

In Korea, real GDP increased to 3.5% year on year in the third quarter of 2011, compared with 3.4% in the second quarter of 2011. The contribution of net exports and investment was weaker than in the previous quarter, while private consumption remained resilient, growing by 3.2% year on year. Annual CPI inflation was within the Bank of Korea’s target band of 2% to 4% for the first time this year in October, falling to 3.9%, but has once more rebounded in November to 4.2%. The Bank of Korea maintained its policy rate at 3.25%.

Among the ASEAN-5 countries (Indonesia, Malaysia, the Philippines, Singapore and Thailand), Indonesia’s economy continued to grow strongly (by 6.5% year on year in the third quarter of 2011), driven by private consumption and net exports. In Malaysia, Singapore and Thailand, GDP growth picked up in the third quarter, mainly owing to strong private consumption. At the same time, Thailand is experiencing its worst floods for more than 50 years, leading to severe disruptions in production. This will have had a negative impact on growth in the fourth quarter of 2011.

Looking ahead, growth in emerging Asia is expected to remain moderate. The turmoil in global financial markets and weak activity in major advanced economies constitute downside risks to growth. As commodity prices are stabilising, inflation is likely to decrease, reducing somewhat concerns about overheating risks.

MIDDLE EAST AND AFRICA

High energy prices and robust demand from emerging market economies continue to support GDP growth in those oil-exporting countries in the Middle East and Africa which have not witnessed major social unrest. In Libya, oil output is gradually rising, albeit so far mostly for domestic consumption. In the third quarter of 2011 most oil-exporting countries experienced a slight pick-up in consumer price inflation, but overall inflationary pressures have remained subdued.

In Saudi Arabia, oil production continued at historically high levels in the third quarter of 2011, partially to compensate for the shortfall in Libyan oil supply, but also in response to the strong demand from emerging markets. At the same time, the boost to consumer spending from the bonus given to public employees earlier in the year has faded. Consumer price inflation increased to 5.0% year on year in the third quarter from 4.7% in the preceding three months.

The slow progress in the political transition and continued social unrest, as well as a weakening global economy, continue to hinder growth and macroeconomic stability in several oil-importing countries in the Middle East and North Africa. High global food and fuel prices and a severe drought in the Horn of Africa have led to a sharp increase in inflation in the region, which has required monetary tightening in a number of countries. Looking ahead, the outlook for the Middle East and Africa will be shaped by the scale of the slowdown in global activity and its impact on commodity prices.

LATIN AMERICA

In Latin America, growth in economic activity decelerated further in the third quarter of 2011. The growth moderation mainly stemmed from worsening global conditions and from the lagged effects of the tightening of domestic policies. At the same time, inflationary pressures are easing somewhat, albeit remaining elevated across most countries in the region.

In Brazil, there are widespread signs that the third quarter of 2011 saw an economic slowdown, with production, demand and labour market indicators worsening across the board. Industrial production was flat during that quarter. Meanwhile, inflationary pressures continue to rise with annual inflation reaching 7.1% in the third quarter of 2011, 0.4 percentage point higher than during the second quarter of 2011. In Mexico, annual real GDP growth stood at 4.4% in the third quarter of 2011, compared with 3.6% in the previous quarter. Growth in the third quarter was supported to a significant degree by strong growth in the primary sector, which reflects a rebound from the weakness in the first half of the year. Annual consumer price inflation remained broadly unchanged compared with the preceding quarters, averaging 3.4% in the third quarter of 2011. In Argentina, economic growth has started to decelerate after growing at a rapid speed during the past year and a half. Industrial production grew at an annual rate of 5.7% in the third quarter. This compares with 8.5% in the second quarter. At the same time, inflation remains close to double digit rates, with annual CPI inflation standing at 9.8% in the third quarter of 2011, up by 0.1 percentage point compared with the second quarter.

Looking ahead, growth in economic activity in the region is expected to weaken further, mainly on account of a further slowdown in export growth. Inflationary pressures are expected to ease, albeit only gradually.

1.2 COMMODITY MARKETS

Oil prices have declined since early September 2011, amid strong fluctuations within the range of USD 101 to USD 116 per barrel, thereby maintaining the highly volatile pattern observed since

mid-May 2011. Brent crude oil prices stood at USD 110.3 per barrel on 7 December, which is still 18.4% higher than at the beginning of the year. Looking ahead, market participants are expecting slightly lower oil prices in the medium term, with futures contracts for December 2012 trading at USD 106.7 per barrel.

During the second half of September and early October 2011 oil prices plunged to USD 101 per barrel, a level not seen since early 2011, before rising again and fluctuating relatively tightly around USD 110 per barrel. The sharp decline in September came amid an intensification of tensions in financial markets and their expected downward impact on demand. Despite further intensification of financial markets turbulences during subsequent months, oil prices have remained resilient and regained most of the losses experienced. This was mainly due to relatively tight physical market fundamentals, with OECD oil inventories running lower for the fourth consecutive month in September, reflecting a combination of supply disruptions and robust current oil demand readings.

Prices of non-energy commodities have experienced strong declines over the last few months, and currently stand about 16% lower than at the beginning of September. Given the generally fairly accommodative supply-side conditions, both food and base metal commodity prices have been affected by the tensions in some sovereign debt markets and their implication for global demand. In aggregate terms, the price index for non-energy commodities (denominated in US dollars) was 14% lower at the beginning of December than at the beginning of the year.

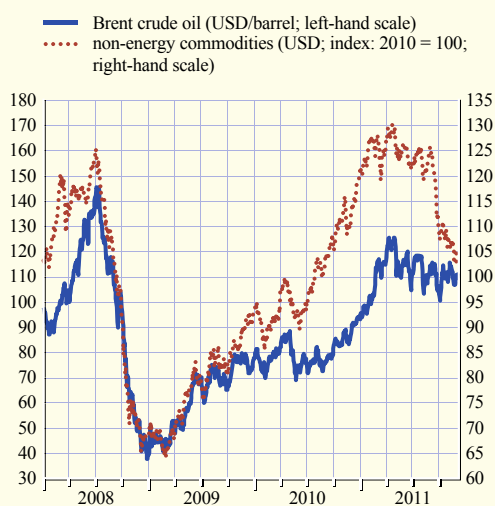
1.3 EXCHANGE RATES

EFFECTIVE EXCHANGE RATE OF THE EURO

Since late August this year, the euro has largely been following a downward trend amid elevated volatility. As a result, the euro has lost some of the gains from the strengthening observed earlier this year, which took place in particular between January and April. On 7 December the euro stood – in nominal effective terms, as measured against the currencies of 20 of the euro area's most important trading partners – 2.8% below its level at the end of August 2011 and about 1.9% below its average level in 2010.

Since early September, movements in the euro exchange rate have continued to be largely related to hastily changing market perceptions regarding the fiscal and economic prospects of euro area countries relative to those of other major economies, as well as to developments in expected yield differentials between the euro area and other advanced economies. The steady depreciation of the euro in nominal effective terms over the period under review continued to reflect elevated risk aversion and concerns about the fiscal outlook of some euro area countries. This trend was only temporarily interrupted in October, as the euro appreciated markedly against the US dollar and the

Chart 5 Main developments in commodity prices



Sources: Bloomberg and HWWI.

Japanese yen amid somewhat declining volatility. The subsequent weakening of the euro against the US dollar and the Japanese yen was only partly offset by a strengthening of the euro against other currencies, particularly those of central and eastern European economies (see Table 1).

Volatility in the euro foreign exchange market has continued to remain at elevated levels since late August this year. The implied volatility of the bilateral exchange rates of the euro vis-à-vis the US dollar, the British pound and the Japanese yen, both at the short and long horizons, soared in September in line with the general increase in market uncertainty amid renewed concerns about sovereign debt sustainability not only in the euro area, but also in the United States (see Chart 8). Implied volatility declined only temporarily in October and increased again towards the end of the year, with the exception of implied volatility in the exchange rate of the euro against the Swiss franc, which decreased markedly following the Swiss National Bank's announcement in early September that it would enforce a minimum exchange rate of the euro against the Swiss franc.

With regard to indicators of the international price and cost competitiveness of the euro area, in November 2011 the real effective exchange rate of the euro based on consumer prices (as measured against the currencies of 20 of the euro area's most important trading partners) was 1.7% below its average level in 2010 (see Chart 7). This reflected mostly the nominal depreciation of the euro with respect to 2010 while consumer price inflation in the euro area was roughly comparable to the average in its main trading partner countries.

BILATERAL EXCHANGE RATES

Since early September the euro has depreciated markedly against the US dollar. From 31 August to 7 December 2011, the euro depreciated by 7.4% against the US dollar, thus trading 0.9% above its 2010 average (see Chart 6 and Table 1). As mentioned above, the main driving factors were changes in the perception of the sustainability of public finances in some euro area Member States and in the United States as well as movements in yield differentials between the two economies.

The euro also depreciated markedly against the yen, in particular between late August and early October, and thereafter started to reverse its trend for the rest of the month. Since November the euro has again depreciated against the Japanese yen and information contained in the prices of

Table 1 Euro exchange rate developments¹⁾

(daily data; units of national currency per euro; percentage changes)

	Weight in EER-20	Level on 7 December 2011	Appreciation(+)/depreciation(-) of the euro as at 7 December 2011			
			since:		compared with:	
			31 August 2011	1 January 2010	average for 2010	
US dollar	19.4	1.338	-7.4	-7.0	0.9	
Pound sterling	17.8	0.857	-3.2	-3.8	0.0	
Chinese renminbi	13.6	8.491	-7.8	-13.6	-5.4	
Japanese yen	8.3	104.0	-5.9	-22.2	-10.5	
Swiss franc	6.4	1.241	6.4	-16.5	-10.1	
Polish zloty	4.9	4.472	7.8	9.0	11.9	
Swedish krona	4.9	9.015	-1.6	-11.6	-5.5	
Czech koruna	4.1	25.33	5.1	-3.6	0.2	
Korean won	3.9	1,513	-1.7	-9.0	-1.3	
Hungarian forint	3.1	300.2	10.4	11.3	9.0	
NEER ²⁾		102.7	-2.8	-8.2	-1.9	

Source: ECB.

1) Bilateral exchange rates in descending order based on the corresponding currencies' trade weights in the EER-20 index.

2) Euro nominal effective exchange rate against the currencies of 20 of the most important trading partners of the euro area (EER-20).

currency options signal that market sentiment is increasingly pricing a further depreciation of the euro against the yen, despite the Japanese authorities' efforts to contain the appreciation of the Japanese yen, including interventions in foreign exchange markets in late October. Indeed, the Japanese yen is commonly regarded as a "safe haven" currency and thus prone to marked nominal appreciation when market volatility surges. On 7 December 2011 the euro traded 5.9% below its level at the end of August and 10.5% below the average level in 2010.

As regards other currencies, the exchange rate of the euro against the pound sterling has continued to oscillate without a clear trend since late August, amid elevated volatility. On 7 December the euro traded 3.2% below its end-August level against the pound sterling (see Table 1). The euro also experienced wide swings vis-à-vis the Swiss franc from April to August 2011, first depreciating strongly to reach a historical trough of 1.05 on 11 August, then appreciating markedly for the rest of August and early September. Since then, the Swiss franc has remained broadly stable against the euro, trading above the minimum exchange rate unilaterally set by the Swiss National Bank in early September which, on 7 December, was about 6.4% above its level at the end of August 2011. In the period under review the single currency also appreciated against some other European currencies, most notably against the Czech koruna by 5.1%, the Hungarian forint by 10.4%, and the Polish zloty by 7.8%.

Since the beginning of 2011 the currencies participating in ERM II have remained broadly stable against the euro, trading at, or close to, their respective central rates. Over the period under review the Latvian lats moved closer to its central rate within the unilaterally set fluctuation band of ± 1 percent.

1.4 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Looking ahead, global growth is expected to be supported by the resilience of the emerging economies, although this is set against a backdrop of heightened tensions in global financial markets as

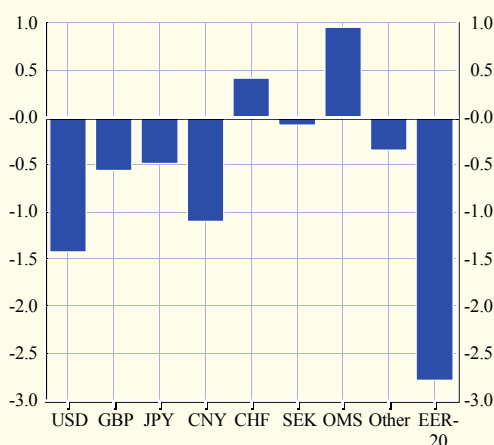
Chart 6 Euro effective exchange rate (EER-20) and its decomposition¹⁾

(daily data)



Contributions to EER-20 changes²⁾

From 31 August to 7 December 2011 (percentage points)



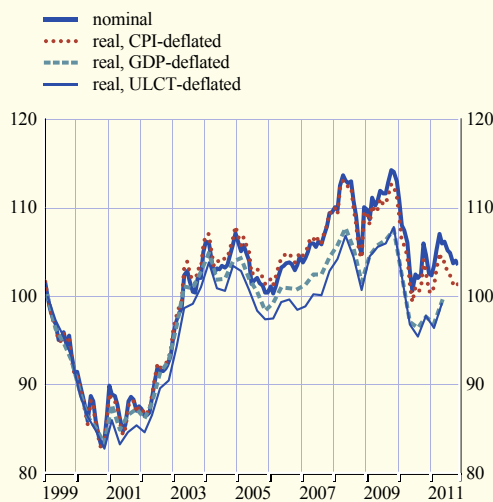
Source: ECB.

1) An upward movement of the index represents an appreciation of the euro against the currencies of 20 of the most important trading partners of the euro area (including all non-euro area EU Member States).

2) Contributions to EER-20 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 pound sterling and the Swedish krona). The category "Other" refers to the aggregate contribution of the remaining six trading partners of the euro area in the EER-20 index. Changes are calculated using the corresponding overall trade weights in the EER-20 index.

Chart 7 Euro nominal and real effective exchange rates (EER-20)¹⁾

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



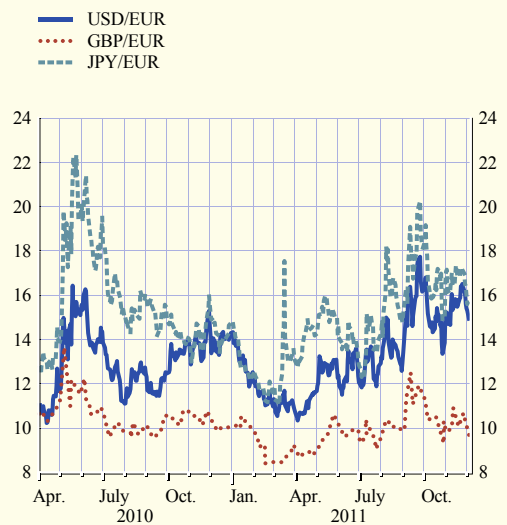
Source: ECB.

1) An upward movement of the EER-20 indices represents an appreciation of the euro. The latest observations for monthly data are for November 2011. In the case of the GDP and ULCT-based real EER-20, the latest observation is for the 2nd quarter of 2011 and is partly based on estimates.

Chart 8 Patterns in exchange rates and implied volatilities

(daily data)

Implied exchange rate volatilities (three-month)

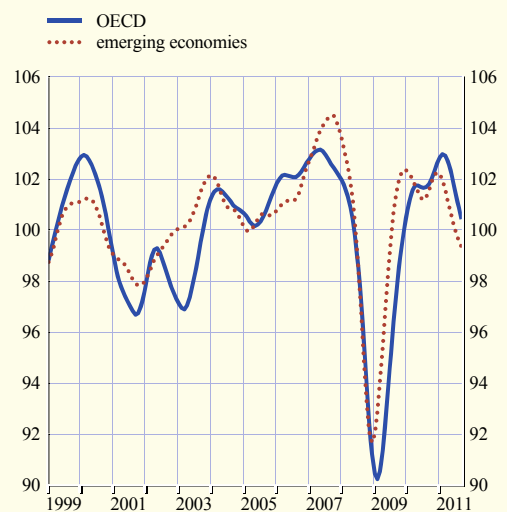


Source: Bloomberg.

well as the growth-sapping structural headwinds which currently prevail. In September the OECD's composite leading indicator continued to suggest a slowdown in most OECD countries and other major economies. The Ifo indicator for the world economic climate deteriorated in the fourth quarter and is now significantly below its long-term average. This worsening of the index was due to both a less favourable assessment of the current situation as well as for the next six months, with the indicators for North America and for Asia continuing to deteriorate. Against this background, the December 2011 staff projections imply a weaker outlook when compared with the September 2011 projections (see Section 6). In an environment of high uncertainty, risks to activity remain on the downside. These risks notably relate to a further intensification of the tensions in some segments of the financial markets as well as to protectionist pressures and the possibility of disorderly correction of global imbalances.

Chart 9 OECD composite leading indicators

(monthly data; amplitude-adjusted)



Source: OECD.

Note: The emerging market indicator is a weighted average of the composite leading indicators for Brazil, Russia and China.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

The tense financial market environment and uncertainties concerning economic activity had a marked impact on monetary developments and, more broadly, on both sides of MFIs' balance sheets in the third quarter and October 2011. August and September saw considerable portfolio flows away from riskier assets and into M3. These were then partly reversed in October, as institutional investors shifted funds to assets located outside the euro area. At the same time, funding stress on MFI balance sheets stemming from the withdrawal of deposits by non-euro area residents and subdued issuance of longer-term MFI debt securities was partly compensated for by a substantial increase in recourse to Eurosystem liquidity operations. Against this backdrop, MFI loans to the private sector were relatively weak in the third quarter and October 2011. Looking at the euro area as a whole, there were no signs of credit being curtailed to any significant extent in the period to October. However, given the current funding stress and the fact that effects on credit supply manifest themselves with lags, credit developments will need to be monitored closely. Overall, underlying money and credit growth remained at moderate levels.

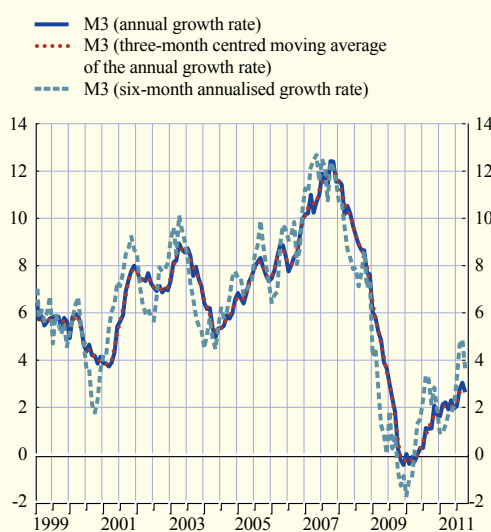
THE BROAD MONETARY AGGREGATE M3

The tense financial market environment had a marked impact on monetary developments in the third quarter of 2011. Heightened uncertainty triggered portfolio reallocation, with flows towards monetary instruments, as the money-holding sector placed a premium on the liquidity and capital certainty associated with these assets. This financial environment also encouraged MFIs to increase their use of central counterparties (CCPs) to conduct secured money market transactions, thereby further boosting flows into the broad monetary aggregate M3. However, the strong preference for monetary assets in the third quarter was only partially reflected in the annual growth rate of M3, which represents the average of developments over the last four quarters. As a result, the annual growth rate of M3 edged upwards to stand at 2.4% in the third quarter, up from 2.1% in the second quarter (see Chart 10). The strong inflows seen for M3 in the third quarter were partially reversed in October, with the annual growth rate of M3 declining slightly to stand at 2.6%, down from 3.0% in September.

The impact of the financial market uncertainty was clearly evident in the types of component that saw the largest inflows in the third quarter. Inflows for M1 accounted for a large part of the overall increase in M3, reflecting the money-holding sector's stronger preference for liquidity. By contrast with the period following the collapse of Lehman Brothers, this money demand shock mainly affected overnight deposits, rather than currency in circulation. The importance of liquidity considerations was also reflected in the inflows seen for money market fund shares/units in the third quarter,

Chart 10 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

despite these instruments' low levels of remuneration. The outflows observed for M3 in October were driven largely by institutional investors and were broadly based across monetary instruments, with the notable exception of currency in circulation.

The inflows for M3 in the third quarter and the outflows in October were broadly mirrored by developments in MFIs' net external asset position. While monthly flows are highly volatile, particularly in times of heightened uncertainty, and should thus be interpreted with caution, this could point to parts of the money-holding sector (particularly institutional investors) selling risky assets in August and September and acquiring assets outside the euro area in October.

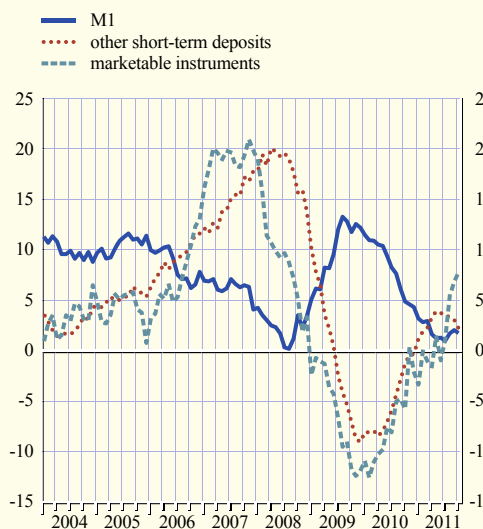
Despite the significant inflows observed for M3 in the third quarter, euro area MFIs faced considerable funding pressure as a result of the increased withdrawal of deposits by non-euro area residents and limited issuance of longer-term debt securities. This, coupled with pressure on banks' capital positions and increased uncertainty regarding the economic outlook, contributed to a levelling-off of the annual growth rate of MFI lending to the non-financial private sector. At the same time, data up to October do not point to credit being curtailed to any significant extent in the euro area as a whole.

MAIN COMPONENTS OF M3

The further increase seen in the annual growth rate of marketable instruments explained the stronger M3 growth observed in the third quarter and October. At the same time, the narrow monetary aggregate M1 and other short-term deposits saw a turnaround in their dynamics in the period under review (see Chart 11). The annual growth rate of M1 increased significantly during the third quarter, while that of other short-term deposits has weakened considerably in recent months. As a result, the main components of M3 contributed equally to the level of annual M3 growth in October.

Chart 11 Main components of M3

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



Source: ECB.

The annual growth rate of M1 declined to 1.4% in the third quarter, down from 1.7% in the second quarter, before increasing to stand at 1.7% in October (see Table 2). However, these developments mask significant strengthening in annual M1 growth in August and September, followed by a slight moderation in October. The strong inflows observed for M1 in August and September were mostly accounted for by overnight deposits, reflecting portfolio shifts from risky assets to liquid assets on the part of households and non-monetary financial intermediaries. Thus, these inflows reflected the heightened financial market tensions and economic uncertainty, as evidenced by the sharp declines seen in stock and bond prices and consumer confidence. The decline seen in annual M1 growth in October was driven mainly by non-monetary financial intermediaries reducing their holdings of overnight deposits. This probably reflected investment funds and other institutional investors shifting temporarily

Table 2 Summary table of monetary variables

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

	Outstanding amounts as a percentage of M3 ¹⁾	Annual growth rates					
		2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Sep.	2011 Oct.
M1	48.8	4.9	3.2	1.7	1.4	2.0	1.7
Currency in circulation	8.6	5.6	4.9	4.2	4.5	5.3	6.5
Overnight deposits	40.1	4.7	2.9	1.2	0.8	1.4	0.8
M2 - M1 (= other short-term deposits)	39.0	-1.1	1.3	3.4	3.4	3.1	2.2
Deposits with an agreed maturity of up to two years	18.9	-8.7	-2.7	2.3	3.2	3.2	1.8
Deposits redeemable at notice of up to three months	20.1	7.2	5.4	4.5	3.7	3.0	2.7
M2	87.7	2.2	2.4	2.4	2.3	2.5	2.0
M3 - M2 (= marketable instruments)	12.3	-3.0	-1.7	-0.4	3.1	6.8	7.8
M3	100.0	1.5	1.9	2.1	2.4	3.0	2.6
Credit to euro area residents		3.4	3.7	3.1	2.4	2.3	1.6
Credit to general government		11.8	10.9	6.5	5.1	5.6	-0.5
Loans to general government		15.5	17.7	10.7	7.0	6.1	-1.2
Credit to the private sector		1.5	2.1	2.3	1.8	1.5	2.1
Loans to the private sector		1.7	2.4	2.6	2.5	2.5	2.7
Loans to the private sector adjusted for sales and securitisation ²⁾		2.2	2.8	2.8	2.7	2.7	3.0
Longer-term financial liabilities (excluding capital and reserves)		2.7	2.8	3.4	3.6	3.3	3.3

Source: ECB.

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

2) Adjusted for the derecognition of loans from the MFI statistical balance sheet owing to their sale or securitisation.

parked funds obtained from previous sales of securities to non-euro area assets, as well as withdrawals from investment funds. Households also reduced their holdings of overnight deposits in October. However, this mirrored their portfolio reallocation within M3, with shifts into short-term savings deposits (i.e. deposits redeemable at notice of up to three months) and short-term time deposits (i.e. deposits with agreed maturities of up to two years) in the context of the increases observed since the beginning of the year in the spreads between the remuneration of these types of deposit and that of overnight deposits.

The average annual growth rate of short-term deposits other than overnight deposits was unchanged at 3.4% in the third quarter, before declining to stand at 2.2% in October. However, the former concealed further significant quarterly inflows for both short-term time deposits and short-term savings deposits. This mainly reflected households continuing to increase their holdings of these instruments on account of the above-mentioned portfolio reallocation, as well as proceeds from any sales of riskier assets or savings being directed to these kinds of asset. The moderation seen in the annual growth rate of short-term deposits other than overnight deposits in October was driven largely by non-financial corporations and investment funds reducing their holdings of short-term time deposits. These developments were probably related to firms shifting their cash reserves towards more liquid assets, as well as the aforementioned investment funds reallocating their investment portfolios, with shifts towards non-euro area assets.

The annual growth rate of marketable instruments turned significantly positive in the third quarter – rising to 3.1%, up from -0.4% in the second quarter – and then strengthened markedly further to stand at 7.8% in October. This reflected broadly similar trends in its various sub-components. The annual growth rate of repurchase agreements continued to increase, primarily reflecting sizeable amounts of secured interbank transactions conducted via CCPs. This reflects banks' current

preference for secured interbank lending, rather than uncollateralised lending, in the context of heightened uncertainty regarding the financial soundness of counterparties. The annual flow of short-term MFI debt securities turned positive in the third quarter – the first positive flow since the second quarter of 2010 – and then strengthened further in October. However, this development masks the fact that flows have, in cumulative terms, been moderately negative in recent months, as the money-holding sector does not find investing in this type of asset attractive. The annual growth rate of money market fund shares/units remained significantly negative, albeit the pace of contraction moderated. Indeed, in August and September the money-holding sector increased its investment in money market fund shares/units, probably reflecting temporary shifts from other, riskier investment fund shares/units. Overall, the continued weakness of this sub-component reflects the low yields offered by these instruments relative to other assets with similar risk profiles and maturities.

The annual growth rate of M3 deposits – which comprise short-term deposits and repurchase agreements and represent the broadest monetary aggregate for which reliable information is available at a sectoral level – stood at 3.0% in October, slightly lower than in the third quarter (see Chart 12). However, this concealed a strong moderation in the annual growth of M3 deposits in October, which mainly reflected institutional investors substantially reducing their holdings of these instruments, as discussed above. By contrast, households' M3 deposit holdings increased further both in the third quarter and in October, indicating that households increased their direct holdings of MFI liabilities throughout the review period.

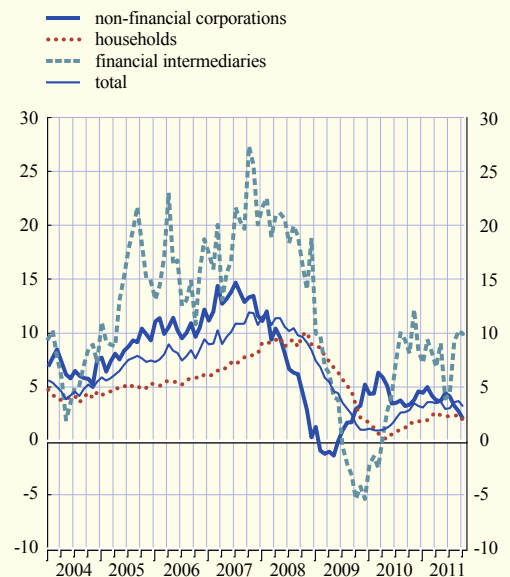
MAIN COUNTERPARTS OF M3

Driven by the intensification of the sovereign debt crisis, euro area credit institutions' funding situation worsened noticeably in the third quarter of 2011, as evidenced by (i) the increased withdrawal of deposits by non-euro area residents, and (ii) the limited issuance of longer-term debt securities. As a result, banks were forced to considerably increase their recourse to Eurosystem liquidity operations. The sovereign debt crisis and the slowdown in economic activity are also exerting pressure on banks' capital positions. Overall, however, data up to October do not show signs of MFI credit being curtailed to any significant extent in the euro area as a whole.

The annual growth rate of total MFI credit to euro area residents decreased to 2.4% in the third quarter, down from 3.1% in the previous quarter. This was driven by declines in the annual growth rates of both credit to general government and credit to the private sector. As regards MFI lending to general government, euro area credit institutions tended, on aggregate, to further reduce their exposure to sovereign debtors within the euro area. While the strong quarterly inflows for securities other than shares entirely reflected purchases of securities under the ECB's Securities Markets

Chart 12 Short-term deposits and repurchase agreements

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



Source: ECB.
Note: MFI sector excluding the Eurosystem.

Programme, quarterly flows for loans were slightly negative. As a result, the annual growth rate of credit to general government decreased to 5.1% in the third quarter, down from 6.5% in the second quarter. In October a base effect in credit to general government (relating to asset transfers from MFIs to “bad bank” schemes classified as part of the general government sector one year earlier) dropped out of the data. As a result, the annual growth rate of total MFI credit to euro area residents declined further to stand at 1.6% in that month (see Table 2) and the annual growth rate of credit to general government turned negative.

The annual growth rate of MFI credit to the private sector declined to 1.8% in the third quarter, down from 2.3% in the previous quarter. This was due partly to MFIs reducing their holdings of risky assets (i.e. shares and other equity) amid the intensification of the financial market unrest in August – behaviour that was also observed in October. At the same time, October saw the largest monthly inflow for total MFI credit to the private sector since late 2010, increasing its annual growth rate to 2.1%. However, the bulk of this development stemmed from liquidity trading conducted via CCPs classified as non-monetary financial intermediaries other than insurance corporations and pension funds (OFIs) – i.e. entities that belong to the money-holding sector. This reflects banks’ increased reluctance to lend to each other without collateral in the context of heightened uncertainty concerning counterparties’ creditworthiness.

The annual growth rate of MFI loans to the private sector (adjusted for loan sales and securitisation) – the largest component of credit to the private sector – stood at 2.7% in the third quarter, broadly unchanged from the second quarter, before increasing to stand at 3.0% in October (see Table 2). Securitisation activity, which increased only slightly in the third quarter, picked up strongly in October, mirroring some banks’ efforts to acquire eligible collateral in order to participate in Eurosystem refinancing operations. In turn, the increase seen in October in banks’ holdings of private sector securities other than shares was broadly equal to the volume of loans securitised in that month.

Euro area MFIs’ lending to the non-financial private sector was relatively weak in both the third quarter and October, largely reflecting the weakening of the economic environment and deteriorating business expectations. The annual growth rate continued to be dominated by loans to households, which accounted for the bulk of the slowdown owing to relatively weak lending for house purchase. Correcting MFI loan growth for the impact of loan sales and securitisation leaves this assessment broadly unchanged, as securitisation activity remained subdued for loans to households, despite increasing slightly in the third quarter. The annual growth rate of loans to households (adjusted for loan sales and securitisation) declined to 2.5% in October (down from 3.0% in June). At the same time, the annual growth rate of loans to non-financial corporations (adjusted for loan sales and securitisation) stood at 2.3% in October (unchanged from June). By contrast, the annual growth rate of loans to OFIs increased to 4.5% in September, up from 3.4% in June, before increasing strongly further to stand at 8.7% in October. Developments in the third quarter were attributable entirely to transactions conducted via CCPs, which also dominated lending to OFIs in October, thereby reflecting recent financial market tensions.

A breakdown of loans to households by purpose indicates that the slowdown observed in total MFI lending to households was accounted for mainly by developments in lending for house purchase and, to a lesser extent, consumer credit. The annual growth rate of loans for house purchase declined to 3.9% in September, down from 4.4% in June, before falling further to stand at 3.0% in October. At the same time, the annual growth rate of consumer credit remained clearly in negative territory,

standing at -1.9% in both the third quarter and October, broadly unchanged from June (see Section 2.7 for more details).

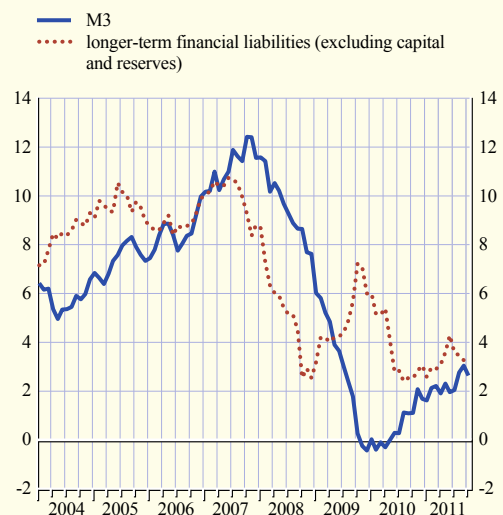
Despite the intensification of financial market tensions and increased apprehension regarding banks' funding situation in the third quarter, the quarterly flow for loans to non-financial corporations was only slightly below the level seen in the previous quarter. In particular, lending to non-financial corporations was at its strongest in September – i.e. after the significant market tensions in August. In some countries, however, the increasing significance of short-term loans, combined with some information on the utilisation of credit lines, may potentially point to non-financial corporations drawing down their credit lines in expectation of future shortages in credit supply. It may also be that short-term loans are being sought in order to fund working capital in the presence of declining cash flows. However, in most euro area countries, the largest quarterly flow was for long-term lending to non-financial corporations in the third quarter.

Turning to the other counterparts of M3, the annual growth rate of MFIs' longer-term financial liabilities (excluding capital and reserves) decreased to 3.3% in October, down from 3.6% in the third quarter and 3.4% in the second quarter (see Chart 13). Longer-term deposits held by the money-holding sector saw considerable increases in their respective annual growth rates, largely reflecting strong securitisation activity in October. By contrast, longer-term MFI debt securities (i.e. those with an original maturity of over two years) saw a large reduction in outstanding volumes in October, pushing their annual growth rate down to 2.5%, from 4.6% at the end of the second quarter.

The net external asset position of euro area MFIs (which captures the capital flows of the money-holding sector where these are routed via MFIs, as well as the transfer of assets issued by the money-holding sector) played a crucial role as a counterpart to both the strong inflows

Chart 13 M3 and MFI longer-term financial liabilities

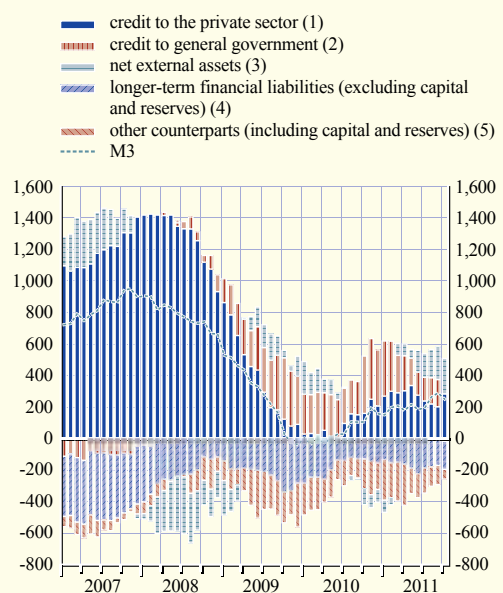
(annual percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

Chart 14 Counterparts of M3

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



Source: ECB.

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

observed for M3 in August and September and the large outflows seen in October. The developments in August and September, which largely reflected the repatriation of funds, resulted in the annual inflow for MFIs' net external asset position increasing further (see Chart 14). In October, however, sizeable monthly outflows were observed for both MFIs' net external asset position and M3 (with an outflow of €73 billion being recorded for the former), indicating that euro area institutional investors may have favoured non-euro area assets. (For further details, see Box 3, entitled "Recent developments in the financial account of the euro area balance of payments".)

GENERAL ASSESSMENT OF MONETARY LIQUIDITY CONDITIONS IN THE EURO AREA

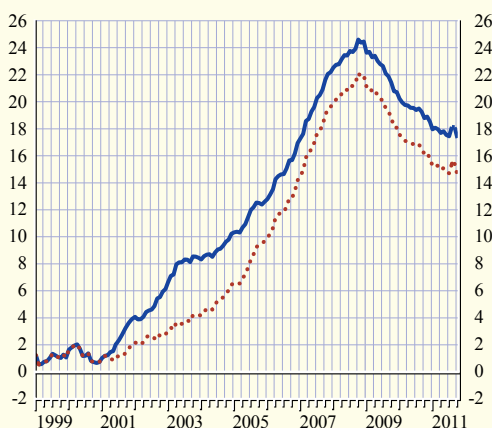
The large inflows observed for M3 in the third quarter of 2011 brought to a halt the absorption of the monetary liquidity that had accumulated prior to the financial crisis (see Charts 15 and 16). The resulting uptick in the money gaps brought to a halt the continuous absorption of excess liquidity observed since the beginning of 2009. However, this uptick can be attributed to a money demand shock triggered by financial market uncertainty and should not, therefore, have a direct bearing on the outlook for price stability over the medium term. Moreover, it was then reversed by the outflow seen for M3 in October. More generally, it should be recalled that this kind of liquidity measure has to be interpreted with caution, as it relies on an assessment of equilibrium money holdings, which is surrounded by considerable uncertainty.

Overall, the strengthening observed in monetary dynamics in the third quarter of 2011, which remained visible in the annual growth rate for October, was driven by uncertainty-related money

Chart 15 Estimates of the nominal money gap¹⁾

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

- nominal money gap based on official M3
- nominal money gap based on M3 corrected for the estimated impact of portfolio shifts²⁾



Source: ECB.

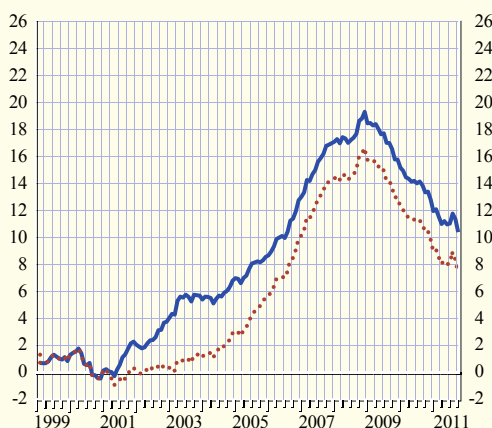
1) The nominal money gap is defined as the difference between the actual level of M3 and the level of M3 that would have resulted from constant M3 growth at its reference value of 4½% since December 1998 (taken as the base period).

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", *Monthly Bulletin*, ECB, Frankfurt am Main, October 2004.

Chart 16 Estimates of the real money gap¹⁾

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

- real money gap based on official M3
- real money gap based on M3 corrected for the estimated impact of portfolio shifts²⁾



Source: ECB.

1) 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", *Monthly Bulletin*, ECB, Frankfurt am Main, October 2004.

demand shocks. At the same time, the annual growth rate of MFI lending to the non-financial private sector levelled off. Together, these developments indicate that the pace of underlying monetary expansion remained moderate. At the same time, uncertainty regarding the outlook for intermediation flows has increased amid heightened funding and capital pressures for banks. Given that effects on credit supply manifest themselves with lags, credit developments will need to be monitored closely.

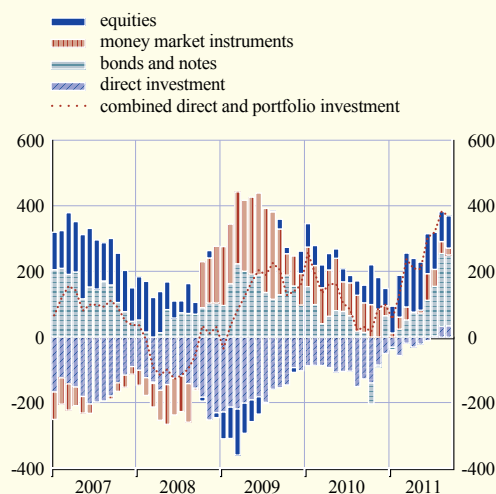
Box 3

RECENT DEVELOPMENTS IN THE FINANCIAL ACCOUNT OF THE EURO AREA BALANCE OF PAYMENTS

This box analyses recent developments in the financial account of the euro area balance of payments. Net inflows in the euro area financial account increased in the 12-month period to September. These were driven mainly by larger inflows in combined net direct and portfolio investment, which increased considerably to reach an all-time high of €369.4 billion in the 12-month period to September, up from €30.6 billion in the previous year, and were only partially offset by larger net outflows in other investment (see table and chart). However, in the third quarter of 2011 the renewed intensification of financial market tensions appears to have led to changes in investment patterns. There was a significant reduction in the size of net capital flows and, most noticeably, both euro area and foreign investors reduced their cross-border financial exposures.

Main items in the financial account

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



Source: ECB.

The larger inflows in combined net direct and portfolio investment in the 12-month period to September were supported mainly by larger net inflows in portfolio investment, but also reduced outflows in foreign direct investment. The larger net inflows in portfolio investment mainly concerned debt securities, reflecting foreign investors' substantial purchases of euro area securities issued by the MFI and non-MFI sectors in the first half of 2011, as well as the moderation of euro area investment in foreign securities. In particular, foreign demand for more liquid and highly rated debt securities issued by the non-MFI sectors of core euro area countries was particularly strong in the second quarter of 2011, probably reflecting safe-haven flows in the context of the downward revision of growth expectations for major developed economies. Moreover, these portfolio investment inflows in the euro area non-MFI sector have contributed positively to the liquidity available in the euro area and are partly reflected in the evolution of the broad monetary aggregate M3. In fact, as can be seen from the monetary presentation of

Financial account of the euro area balance of payments

(EUR billions; non-seasonally adjusted data)

	2011		Three-month cumulated figures				12-month cumulated figures	
	Aug.	Sep.	2010 Dec.	Mar.	2011 June	Sep.	2010 Sep.	2011 Sep.
Financial account¹⁾	6.8	2.8	9.5	15.7	20.6	12.2	20.0	58.0
Combined net direct and portfolio investment	31.7	13.5	99.0	118.7	127.1	24.7	30.6	369.4
Net direct investment	-0.3	-7.2	79.5	-9.9	-28.5	-6.8	-127.3	34.3
Net portfolio investment	31.9	20.7	19.5	128.5	155.6	31.5	157.9	335.1
Equities	19.1	5.8	6.7	89.2	-29.3	31.8	54.0	98.4
Debt instruments	12.8	14.9	12.8	39.3	184.9	-0.3	103.9	236.7
Bonds and notes	19.2	17.9	42.1	16.8	145.4	11.2	13.6	215.5
Money market instruments	-6.4	-3.0	-29.3	22.5	39.5	-11.5	90.2	21.2
Net other investment	-27.4	-14.1	-96.8	-89.1	-114.3	-13.0	-9.1	-313.3
<i>Of which: money-holding sector²⁾</i>								
Net direct investment	0.8	-8.0	83.5	-5.3	-22.3	-8.7	-114.7	47.1
Net portfolio investment	-22.8	22.4	-103.1	61.5	79.4	-18.7	-13.3	19.0
Equities	-10.6	2.9	17.0	82.3	-20.9	16.3	69.8	94.8
Debt instruments	-12.2	19.5	-120.1	-20.8	100.2	-35.0	-83.2	-75.8
Net other investment	16.8	-0.5	-36.4	31.1	-37.8	35.4	30.8	-7.7

Source: ECB.

Note: Figures may not add up, owing to rounding.

1) Figures refer to balances (net flows). A positive (negative) sign indicates a net inflow (outflow).

2) General government and other sectors of the balance of payments.

the balance of payments, these transactions involving the money-holding sector are a mirror image of the gradual increase observed in MFIs' net external asset position since the beginning of 2011.¹

More recently, however, there have been significant changes in the patterns of portfolio investment flows. Specifically, in the third quarter of 2011 net inflows in debt securities declined considerably, while at the same time there was a shift from net outflows to net inflows in equity securities. This masked a liquidation process, whereby euro area investors repatriated funds previously invested in foreign securities and non-resident investors disinvested in euro area securities. Whereas in the euro area, both the MFI and non-MFI sectors liquidated foreign securities, foreign investors' disinvestment focused mainly on securities issued by the euro area non-MFI sector, particularly the general government sector. By contrast, non-residents' demand for euro area securities issued by the private non-MFI sector remained robust, as reflected in MFIs' net external assets in the third quarter of 2011. These developments should be seen against the backdrop of the further intensification of financial market tensions, as well as volatile and declining stock market prices at the global level. Increased concerns regarding the sovereign debt crisis and uncertainty regarding the global economic outlook weighed on market sentiment and altered the behaviour of investors. A heightened degree of risk aversion, together with an apparent increase in home bias on the part of investors, appears to have triggered flight-to-safety flows.

1 To the extent that they are settled via resident banks, transactions carried out by the money-holding sector have an impact on the external assets and liabilities of the banking sector, which is one of the counterparts of M3. The money-holding sector comprises households, non-financial corporations, non-monetary financial intermediaries, and general government other than central government. For more information on the monetary presentation of the balance of payments, see Duc, L.B., Mayerlen, F. and Sola, P., "The monetary presentation of the euro area balance of payments", *Occasional Paper Series*, No 96, ECB, 2008. See also the article entitled "The external dimension of monetary analysis", *Monthly Bulletin*, ECB, August 2008.

Turning to the MFI sector, inflows in euro area debt securities issued by MFIs moderated in the third quarter of 2011, both for bonds and notes and for money market instruments. This moderation was particularly strong for money market instruments, indicating a reversal of previous investment patterns on the part of foreign money market investors. At the same time, euro area MFIs' ongoing liquidation of foreign debt securities – which is in line with the restructuring of balance sheets – increased. Euro area MFIs may also have stepped up their liquidation of foreign securities in order to mobilise funds, given reduced inflows owing to the retrenchment by foreign investors.

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

The annual growth rate of financial investment by the non-financial sectors remained broadly unchanged in the second quarter of 2011, despite an increase in the annual growth rate of investment in MFI instruments. The annual growth rate of financial investment by insurance corporations and pension funds declined further, mirroring households' low levels of investment in insurance technical reserves. Heightened tensions in financial markets in the third quarter of 2011 led to sizeable net redemptions across all major types of investment fund.

NON-FINANCIAL SECTORS

In the second quarter of 2011 (the most recent quarter for which data are available) the annual growth rate of total financial investment by the non-financial sectors was broadly unchanged at 3.3%, thereby stabilising at a relatively low level by historical standards (see Table 3). Were it not for the effect of asset transfers from MFIs to “bad bank” schemes classified as part of the general

Table 3 Financial investment of the euro area non-financial sectors

	Outstanding amount as a percentage of financial assets ¹⁾	Annual growth rates									
		2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2
Financial investment	100	3.7	3.7	3.5	2.6	2.6	2.6	2.7	3.4	3.2	3.3
Currency and deposits	24	7.5	6.9	6.0	3.3	1.9	1.5	2.2	3.0	3.4	3.7
Debt securities, excluding financial derivatives	6	3.6	1.2	0.0	-2.5	-2.6	-2.6	-2.9	4.8	7.6	8.6
of which: short-term	0	-11.7	-22.3	-32.4	-35.7	-26.9	-22.3	-8.2	-5.8	3.6	2.8
of which: long-term	5	5.9	4.8	5.0	2.6	0.5	-0.3	-2.4	5.7	8.0	9.1
Shares and other equity, excluding mutual fund shares	30	4.4	4.6	4.3	2.9	2.6	2.2	2.2	2.3	1.9	2.1
of which: quoted shares	6	5.3	5.1	5.0	4.6	4.9	3.6	2.5	3.3	1.3	1.4
of which: unquoted shares and other equity	23	4.2	4.5	4.1	2.5	2.1	1.9	2.1	2.1	2.0	2.3
Mutual fund shares	5	-5.4	-3.5	-2.6	0.3	0.2	-1.7	-0.3	-0.1	-1.6	-0.3
Insurance technical reserves	15	2.7	3.1	3.5	4.4	5.0	4.8	4.6	4.3	3.6	3.4
Other ²⁾	21	1.6	1.8	2.0	2.3	3.8	5.2	4.9	5.3	4.6	3.8
M3³⁾		5.2	3.6	1.8	-0.4	-0.1	0.3	1.1	1.7	2.2	2.0

Source: ECB.

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

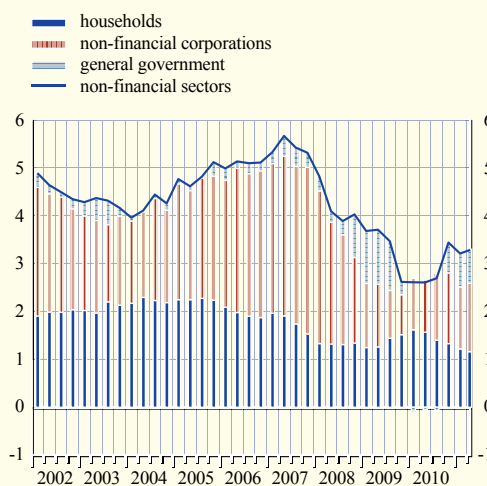
2) Other financial assets comprise loans and other accounts receivable, which in turn include trade credit granted by non-financial corporations.

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 intermediaries) with euro area MFIs and central government.

government sector, the annual growth rate of financial investment by the non-financial sectors would still be very close to the levels recorded in the trough between late 2009 and early 2010. The moderate developments observed in the second quarter of 2011 mask increases in the annual growth rates of most instruments, which were broadly counterbalanced by declines in the annual growth rates of investment in insurance technical reserves and other assets (mainly loans and other accounts receivable). For the first time since mid-2009, the annual growth rate of investment in instruments issued by MFIs was higher than that of investment in other instruments, pointing to some portfolio adjustment in favour of bank liabilities. Information available from MFI balance sheet statistics suggests that this trend strengthened in the third quarter, being supported by high levels of financial market uncertainty.

Chart 17 Financial investment of non-financial sectors

(annual percentage changes; contributions in percentage points)



Source: ECB.

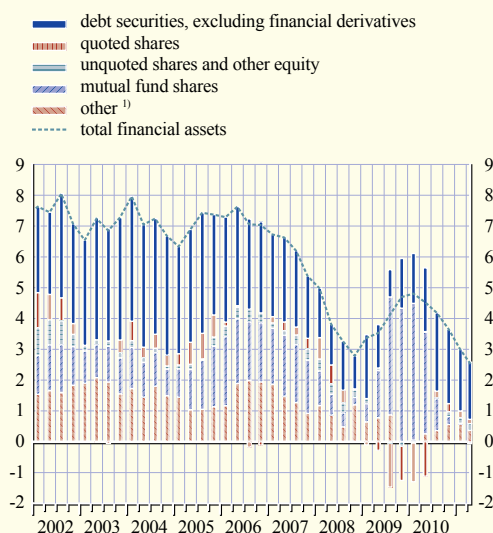
From a sectoral perspective, the fact that the annual growth rate of total financial investment by the non-financial sectors was broadly unchanged in the second quarter reflected an increase in the contribution of non-financial corporations, which was compensated for by somewhat weaker financial investment by households (see Chart 17). The slower accumulation of financial assets by households should be seen in the context of a low savings ratio and stalling nominal disposable income growth. This was reflected in the shedding of mutual fund shares and reduced investment in insurance technical reserves. The pick-up seen in the pace of financial investment by non-financial corporations in the second quarter points to a resumption of the gradual recovery observed since early 2010, which had been interrupted in the first quarter of 2011. The faster accumulation of financial assets by non-financial corporations in the second quarter was driven mainly by purchases of shares and other equity. While some of these purchases were in the form of quoted and unquoted shares, thereby reflecting the accumulation of retained earnings and potentially merger and acquisition activity, mutual fund shares also contributed to this development. Finally, the annual growth rate of financial investment by the general government sector remained unchanged at a high level in the second quarter, reflecting, as previously indicated, the continued impact of asset transfers from MFIs to “bad bank” schemes. The second quarter saw an increase in the annual growth rate of the general government sector’s holdings of currency and deposits and other accounts receivable, which compensated for declines in both the acquisition of debt securities and the granting of loans, as well as the shedding of shares and other equities. More detailed information on developments in the financial flows and balance sheets of the non-financial private sectors is provided in Sections 2.6 and 2.7.

INSTITUTIONAL INVESTORS

The slow pace of households’ investment in insurance technical reserves, the main factor determining the funds that can be invested by insurance corporations and pension funds, led to a further decline in the annual growth rate of financial investment by insurance corporations and pension funds in the second quarter of 2011. Indeed, it declined to 2.5% in that quarter (see Chart 18), the lowest level since 1999.

Chart 18 Financial investment of insurance corporations and pension funds

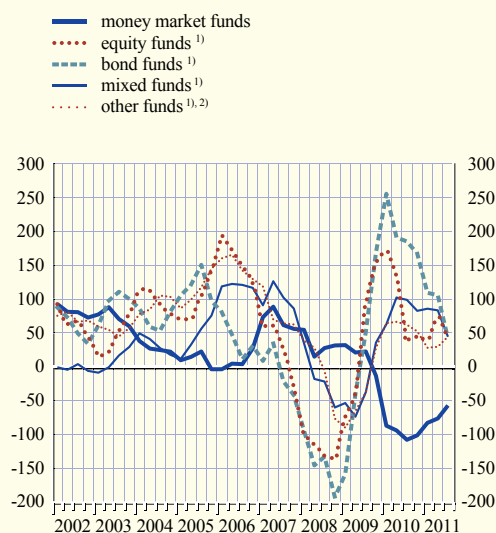
(annual percentage changes; contributions in percentage points)



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

Chart 19 Net annual flows into money market and investment funds

(EUR billions)



Sources: ECB and EFAMA.
1) Prior to the first quarter of 2009, estimates of quarterly flows are derived from non-harmonised ECB investment fund statistics, ECB calculations based on national data provided by EFAMA, and ECB estimates.
2) Includes real estate funds, hedge funds and funds not classified elsewhere.

From an instrument perspective, debt securities continued to be the main vehicle used for the financial investment of insurance corporations and pension funds. Investment in mutual fund shares, which has in the past accounted for a substantial share of this sector's financial investment, has been negligible in recent quarters, pointing to a preference for direct investment in securities. The second quarter also saw declines in the annual growth rates of households' net equity in life insurance reserves and pension fund reserves.

The heightened financial market uncertainty in the third quarter of 2011, which was reflected in sharp declines in financial asset prices and strong portfolio adjustment, had a marked impact on investment funds' inflows. The annual inflow for investment fund shares/units (excluding money market funds) declined to €174 billion in the third quarter, down from €297 billion in the previous quarter, thereby bringing the annual growth rate to 3.1%, down from 5.4% in the second quarter. Annual inflows declined for all three major investment fund types (i.e. equity, bond and mixed funds), reflecting the general shunning of riskier assets and a preference for assets that offer a guarantee on the principal invested, such as monetary instruments (see Chart 19). At the same time, funds that are perceived to offer higher levels of capital certainty (such as property funds) or to be able to deliver returns in adverse market conditions (such as hedge funds) still managed to attract investors and increase their annual inflows in the third quarter. Money market funds also benefited from this financial market environment, with inflows being observed in the third quarter, as these are often used to temporarily host funds withdrawn from other types of fund. At the same time, these inflows could not compensate for the outflows seen in previous quarters (which were probably related to the relatively low returns offered by these funds), with the result that annual outflows continued to be observed for money market fund shares/units in the third quarter.

Looking specifically at developments during the third quarter of 2011, when tensions in financial markets became more acute, an outflow of €42 billion was observed for investment fund shares/units (excluding money market funds) on the basis of non-seasonally adjusted data. This was the first quarterly outflow since the first quarter of 2009, but was considerably smaller than those recorded in the aftermath of the collapse of Lehman Brothers. Net redemptions were observed for all three major investment fund types, but they were largely concentrated in equity funds, which accounted for three-quarters of the total outflow during the quarter. Equity funds also sustained the largest reductions in value, with asset price changes reducing outstanding amounts by approximately 15% in the third quarter. The net redemptions sustained by investment funds were mirrored on the asset side of the balance sheet by the broad-based disposal of shares and other equity, securities other than shares, and investment fund shares. At the same time, investment funds (other than money market funds) increased their holdings of deposits, partly as a capital-preserving investment in the context of financial market volatility, but also in order to be able to accommodate the large redemptions they have faced.

2.3 MONEY MARKET INTEREST RATES

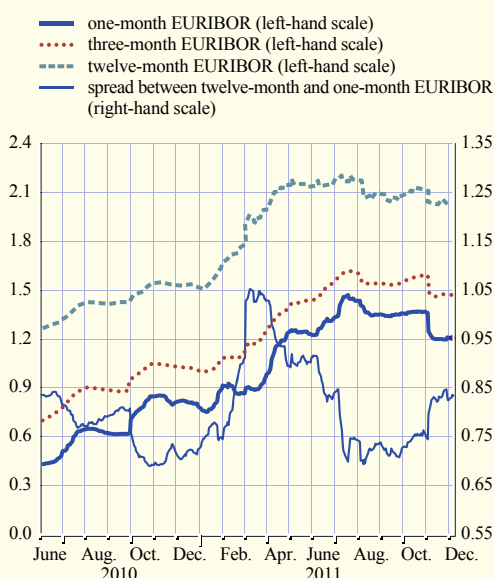
Money market interest rates generally declined between 7 September and 7 December 2011, reflecting the downward revision of short-term interest rate expectations both in late October and in November. In addition, on 3 November 2011 the Governing Council decided to reduce the key ECB interest rates by 25 basis points, a decision which took effect as of the main refinancing operation settled on 9 November 2011. At the same time, volatility in money market interest rates increased further.

Unsecured money market interest rates decreased only slightly between 7 September and 7 December 2011. On 7 December 2011 the one-month, three-month, six-month and twelve-month EURIBOR stood at 1.21%, 1.47%, 1.70% and 2.04% respectively – i.e. 14, 6, 3 and 3 basis points lower than the levels observed on 7 September 2011. The spread between the twelve-month and one-month EURIBOR – an indicator of the slope of the money market yield curve – increased by 11 basis points over that period and stood at 83 basis points on 7 December (see Chart 20).

Secured money market interest rates declined overall during the review period, thereby partly reversing the general upward trend observed since January 2011 (see Chart 21). The interest rate on the three-month overnight index swap stood at 0.47% on 7 December, around 24 basis points lower than on 7 September. As the corresponding unsecured EURIBOR decreased only slightly, the spread between

Chart 20 Money market interest rates

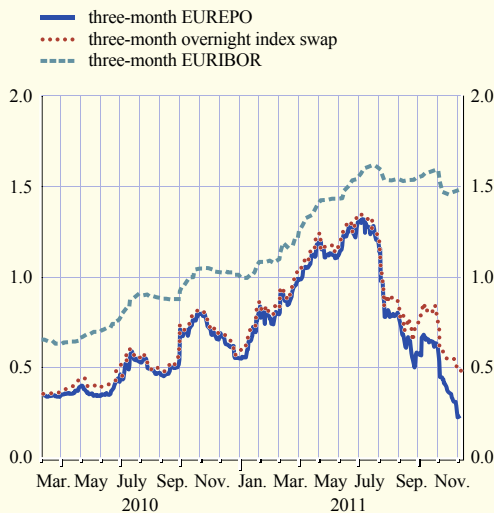
(percentages per annum; spread in percentage points; daily data)



Sources: ECB and Thomson Reuters.

Chart 21 Three-month EUREPO, EURIBOR and overnight index swap

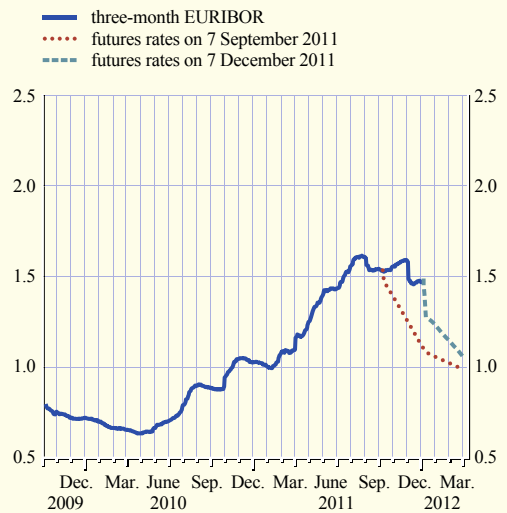
(percentages per annum; daily data)



Sources: ECB, Bloomberg and Thomson Reuters.

Chart 22 Three-month interest rates and futures rates in the euro area

(percentages per annum; daily data)



Source: Thomson Reuters.

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

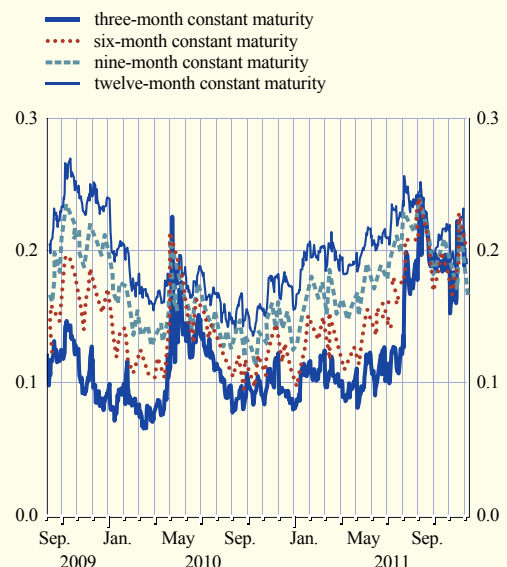
these two rates increased from 77 basis points on 7 September to 101 basis points on 7 December. These developments can be explained by the renewed tensions in the euro area financial markets.

The interest rates implied by the prices of three-month EURIBOR futures contracts maturing in December 2011 and March and June 2012 stood at 1.28%, 1.04% and 0.97% respectively on 7 December, representing increases of 6 and 2 basis points and a decline of 2 basis points by comparison with the levels observed on 7 September, partly reflecting the scaling-down of expectations regarding monetary policy rates (see Chart 22). Implied volatilities with constant maturities of three, six, nine and twelve months derived from options on three-month EURIBOR futures contracts have remained at historically high levels over the past three months, most notably for the shorter maturities (see Chart 23).

Looking at the overnight maturity, the EONIA remained relatively volatile during the period under review. As a result of the renewed

Chart 23 Implied volatilities with constant maturities derived from options on three-month EURIBOR futures

(percentages per annum; daily data)



Sources: Thomson Reuters and ECB calculations.

Notes: This measure is calculated in two stages. First, implied volatilities derived from options on three-month EURIBOR futures are converted by expressing them in terms of logged prices instead of logged yields. Second, the resulting implied volatilities, which have a constant maturity date, are transformed into data with a constant time to maturity.

tensions in financial markets, banks' recourse to Eurosystem liquidity operations increased markedly. Consequently, the amount of excess liquidity in the system increased, as indicated by recourse to the deposit facility. Thus, the spread between the EONIA and the main refinancing rate remained negative throughout the review period. On 3 November the Governing Council reduced the key ECB interest rates by 25 basis points, reducing the rate on the deposit facility to 0.50% and the rates on the main refinancing operations and the marginal lending facility to 1.25% and 2.00% respectively. The EONIA mirrored that move and stood at 0.747% on 7 December (see Chart 24).

The review period saw the ECB continue to provide support to money markets by means of liquidity-providing operations with maturities of one week, one maintenance period and three months. All of the Eurosystem's liquidity-providing operations were conducted as fixed rate tender procedures with full allotment.

Given the tensions in euro area financial markets, the ECB also decided to provide liquidity via two supplementary longer-term refinancing operations – also conducted by means of fixed rate tender procedures with full allotment – with maturities of approximately twelve and thirteen months. The first of the two operations was conducted on 26 October. The ECB also conducted weekly one-week liquidity-absorbing operations with a variable rate tender procedure and maximum bid rates of 1.50% in the ninth and tenth maintenance periods of the year and 1.25% in the eleventh maintenance period. With these liquidity-absorbing operations, the ECB offered to absorb an amount up to the value of the purchases made under the Securities Markets Programme, which totalled €207.6 billion on 7 December. For further details regarding liquidity conditions and monetary policy operations, see Box 4.

Box 4

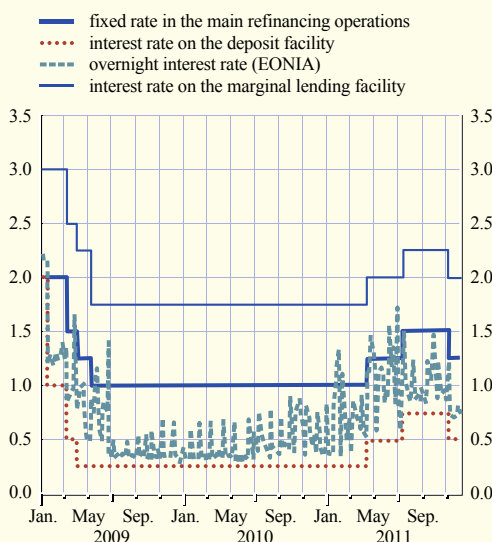
LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS IN THE PERIOD FROM 10 AUGUST TO 8 NOVEMBER 2011

This box describes the ECB's open market operations during the reserve maintenance periods ending on 13 September, 11 October and 8 November 2011. During this period all euro refinancing operations continued to be conducted by means of fixed rate tender procedures with full allotment.

On 4 August 2011 the Governing Council decided to conduct a supplementary liquidity-providing longer-term refinancing operation with a maturity of approximately six months on

Chart 24 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

10 August 2011. This was conducted as a fixed rate tender procedure with full allotment.

Subsequently, on 6 October 2011, the Governing Council decided to conduct two further supplementary longer-term refinancing operations – one with a maturity of approximately 12 months, to be conducted in October 2011, and the other with a maturity of approximately 13 months, to be conducted in December 2011 – also as fixed rate tender procedures with full allotment.

On the same day, the Governing Council announced that a second covered bond purchase programme (CBPP2) would be launched in November 2011 with a view to easing funding conditions for credit institutions and enterprises and encouraging credit institutions to maintain and expand lending to their clients.

Eligible covered bonds with a total nominal value of €40 billion are set to be purchased under CBPP2, with purchases expected to be completed by the end of October 2012.¹

Liquidity needs of the banking system

In the period under review the banking system's aggregate daily liquidity needs – defined as the sum of autonomous factors, reserve requirements and excess reserves (i.e. current account holdings in excess of reserve requirements) – averaged €452.4 billion. This was €30.0 billion lower than the daily average recorded in the previous three maintenance periods (i.e. the period from 11 May to 9 August 2011).

This mainly reflected a further decline in the average value of autonomous factors, which decreased by €26.4 billion to stand at €245.9 billion. The average level of reserve requirements was €206.4 billion, €1.1 billion lower than in the previous three maintenance periods.

Liquidity supply

In the period under review total liquidity supplied by means of open market operations averaged €615.3 billion, an increase of €99.1 billion compared with the previous three maintenance periods, with tender operations² providing an average of €408.5 billion (€26.9 billion more than in the previous review period, mainly as a result of the increase in longer-term refinancing operations).

Compared with the previous three maintenance periods, the average liquidity supplied by one-week main refinancing operations increased by €29.7 billion to €171.6 billion, while the

Chart A Banks' current account holdings in excess of reserve requirements

(EUR billions; average level in each maintenance period)



Source: ECB.

¹ For more details, see the ECB press release of 3 November 2011: http://www.ecb.europa.eu/press/pr/date/2011/html/pr111103_1.en.html

² Tender operations include main refinancing operations, longer-term refinancing operations and fine-tuning operations, the last of which can be either liquidity-providing or liquidity-absorbing.

average liquidity provided by special-term refinancing operations with a maturity of one maintenance period decreased by €8.5 billion to stand at €64.0 billion. In parallel, the average liquidity supplied by three-month longer-term refinancing operations increased by €17.1 billion to stand at €261.6 billion. In addition, €49.7 billion was provided through the above-mentioned supplementary six-month longer-term refinancing operation, which was settled on 11 August 2011, and €56.9 billion was provided through the above-mentioned supplementary 12-month longer-term refinancing operation, which was settled on 27 October 2011. Overall, the total liquidity provided through longer-term refinancing operations averaged €384.0 billion, compared with €317.0 billion in the previous review period.

Together, the first covered bond purchase programme (CBPP) and the Securities Markets Programme (SMP) provided an average of €206.7 billion of liquidity, compared with an average of €134.6 billion in the previous three maintenance periods.

The CBPP, for which purchases ended on 30 June 2010, provided €59.4 billion, down marginally from €60.6 billion in the previous review period on account of maturing amounts. On 4 November 2011 the net value of settled purchases under the SMP stood at €183.0 billion, substantially higher than the €73.9 billion observed on 5 August 2011.

In parallel, weekly operations neutralised all the liquidity provided by the SMP, absorbing an average of €139.2 billion in the period under review. Liquidity absorbed by means of fine-tuning operations with an overnight maturity on the last day of each maintenance period averaged €241.6 billion (see Chart B).

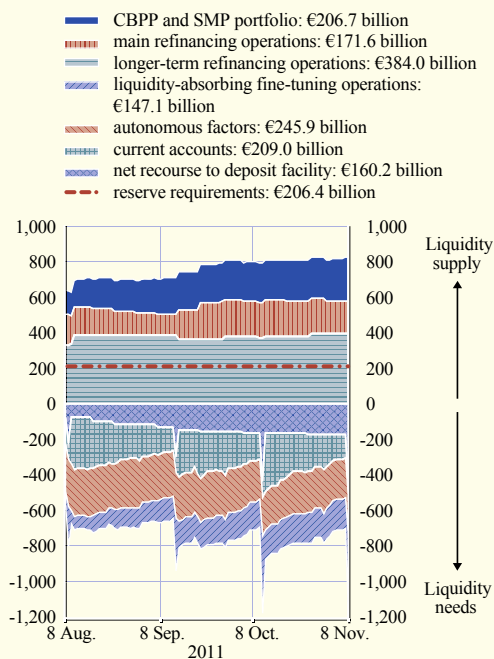
Use of standing facilities

Overall, the increase in the supply of liquidity resulted in average excess liquidity rising to €164.3 billion in the period under review (up from €36.2 billion in the previous review period). Recourse to the marginal lending facility increased from an average of €0.1 billion in the previous three maintenance periods to an average of €1.4 billion during this review period. This was most pronounced during the third of the maintenance periods under review (when it averaged €2.8 billion). At the same time, average recourse to the deposit facility increased to €161.7 billion, up from €33.5 billion in the previous review period. This led to increased net recourse to the deposit facility³, particularly in the second and third maintenance periods under

³ Net recourse to the deposit facility is calculated as recourse to the deposit facility minus recourse to the marginal lending facility, including weekends.

Chart B Liquidity needs of the banking system and liquidity supply

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



Source: ECB.

review. Indeed, net recourse to the deposit facility averaged €160.2 billion, up from €33.5 billion in the previous review period.

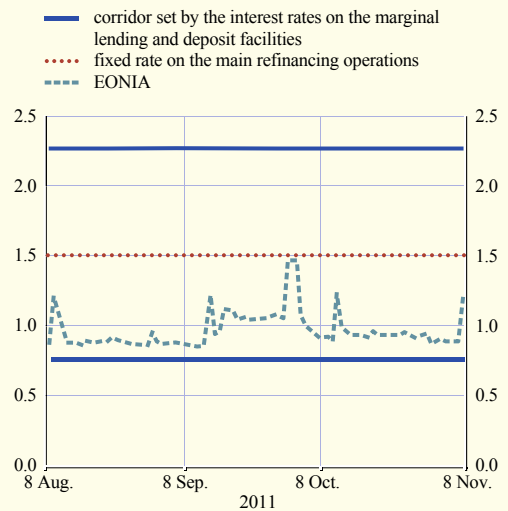
Interest rates

The ECB's key interest rates remained unchanged in the three maintenance periods under review, with the rates on the main refinancing operations, the deposit facility and the marginal lending facility remaining at 1.50%, 0.75% and 2.25% respectively. The decision on 3 November 2011 to reduce policy interest rates by 25 basis points was implemented on 9 November 2011 in the 11th maintenance period of the year.

With liquidity remaining ample in the period under review, the EONIA and other very short-term money market rates remained below the main refinancing rate, typically declining towards the end of the maintenance period as the fulfilment of reserve requirements neared completion (see Chart C). The EONIA averaged 0.96%, having fluctuated between 0.85% and 1.46%. A spike of 1.46% was recorded on 30 September 2011 at the end of the third quarter.

Chart C The EONIA and the ECB interest rates

(daily interest rates in percentages)



Source: ECB.

2.4 BOND MARKETS

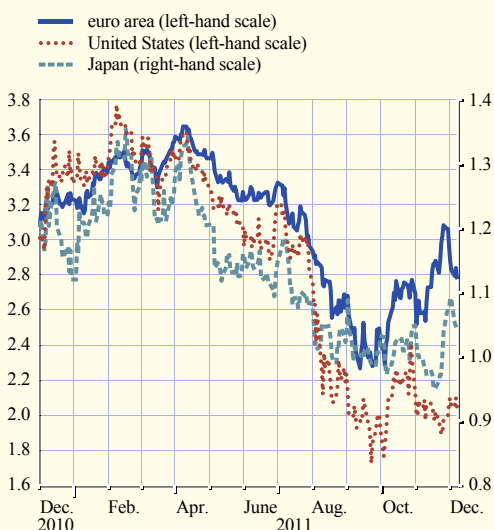
Between the end of August and 7 December, yields on AAA-rated long-term euro area government bonds increased, while comparable yields on US government bonds decreased. The overall increase in euro area long-term government bond yields mainly reflected increasing concerns about the sovereign debt crisis affecting even AAA-rated countries. Uncertainty about future bond market developments, as measured by implied bond market volatility, increased and intra-euro area sovereign bond yield spreads widened further for most countries. At the same time, market-based indicators suggest that market participants' inflation expectations remain fully consistent with price stability.

Between the end of August and 7 December, AAA-rated long-term euro area government bond yields rose by 10 basis points, to 2.8% at the end of the period under review. In the United States, by contrast, long-term bond yields decreased by 20 basis points, and stood at 2.0% on 7 December (see Chart 25). Consequently, the nominal interest rate differential between ten-year government bond yields in the euro area and those in the United States increased by 30 basis points over the period. In Japan, ten-year government bond yields remained broadly unchanged over the same period, standing at 1.1% on 7 December.

Overall, investors' uncertainty about near-term bond market developments in the euro area, as measured by option-implied volatility, increased over the period. Both in the euro area and in the United States, implied bond market volatility rose markedly up to the meeting of the euro area

Chart 25 Long-term government bond yields

(percentages per annum; daily data)



Sources: Bloomberg and Thomson Reuters.

Notes: Long-term government bond yields refer to ten-year bonds or to the closest available bond maturity. In the case of the euro area, only AAA-rated government bonds are covered.

Heads of State or Government on 26 October, reflecting investors' uncertainty about the outcome of that meeting. Following the surprise announcement by the Greek Prime Minister of a vote of confidence on the Greek government and a Greek referendum, implied bond market volatility increased further, reaching levels in the euro area comparable to the peak observed in mid-August 2011. When the referendum was later called off, implied bond market volatility decreased somewhat, although it remained at high levels as the euro area sovereign debt crisis spread further both to larger and to higher-rated countries. Throughout the period under review, the level of implied bond market volatility in the euro area has been significantly higher than in the United States.

Developments in AAA-rated long-term euro area and US government bond yields reflected both concerns about the sovereign debt crisis and uncertainty about the global economic outlook. In the first part of the reference period, the expectation and, subsequently, the

announcement that the Federal Open Market Committee would extend the average maturity of its holdings of Treasury securities, led to downward pressure on long-term yields in the United States. This was followed by an increase in long-term euro area and US government bond yields which was largely driven by the expectation that the outcome of the meeting of the euro area Heads of State or Government on 26 October would lead to improved market conditions, as important steps to deal with the euro area sovereign debt crisis were anticipated. Some better than expected economic data for the United States also eased investors' fears of a global economic slowdown and contributed to upward pressure on long-term government bond yields on both sides of the Atlantic. Following the announcement of the decisions taken on 26 October, long-term euro area and US government bond yields increased further amid improved market sentiment and reduced risk aversion. However, parts of the increases in long-term yields were reversed as market sentiment deteriorated sharply after the surprise announcement of a possible Greek referendum. In November, as the euro area sovereign debt crisis affected even AAA-rated countries and as a ten-year German Bund auction that did not raise the intended amount was negatively perceived by market participants, AAA-rated long-term euro area government bond yields increased while long-term US government bond yields continued to decline.

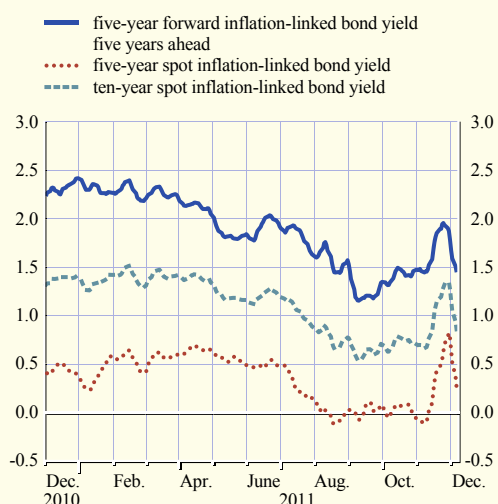
During the period under review, euro area sovereign yield spreads vis-à-vis German sovereign bonds widened further for most countries. At the same time, demand for high-rated and liquid government bonds continued to depress German sovereign bond yields. Furthermore a number of euro area countries were downgraded. Spain and Italy were both downgraded by all three major rating agencies, while Belgium was downgraded by two rating agencies and Portugal by one. In addition, Moody's warned that France's rating outlook might be changed to negative and Fitch Ratings stated that France could not absorb further shocks without undermining its AAA rating. Finally, Standard & Poor's, based on its assessment that systemic stress affected

the credit standing of the area as a whole, indicated that 15 euro area Member States were at risk of being downgraded. Following the meeting of the euro area Heads of State or Government on 26 October, euro area sovereign yield spreads vis-à-vis German sovereign bonds temporarily narrowed significantly. However, this was reversed as spreads widened sharply following the renewed uncertainty caused by the surprise announcement of a potential Greek referendum and by the political situation in Italy. Towards the end of the period under review, ten-year bond yield spreads vis-à-vis German sovereign bond yields narrowed significantly, driven by improvements in market sentiment ahead of the meeting of the euro area Heads of State or Government on 9 December.

For the period under review, the estimation method of real yields and break-even inflation rates was amended to avoid distortions from the increasing spreads between French and German government bond yields (see the box entitled “Estimating real yields and break-even inflation rates following the recent intensification of the sovereign debt crisis”). Since the end of August, yields on five and ten-year inflation-linked euro area government bonds increased by around 10 basis points (see Chart 26). On 7 December, five and ten-year spot real yields stood at around 0.2% and 0.8% respectively. Over the same period, implied forward inflation swap rates (five-year forward five years ahead) in the euro area increased by 9 basis points, standing at 2.3% on 7 December (see Chart 27). The corresponding break-even inflation rates increased by 14 basis points, standing at 2.6% on the same date. Break-even inflation rates have been rather volatile in recent months, reflecting the high volatility of nominal and real bond yields against the background of market tensions and safe-haven flows. In such circumstances, inflation expectations derived from the inflation swap market are

Chart 26 Euro area zero coupon inflation-linked bond yields

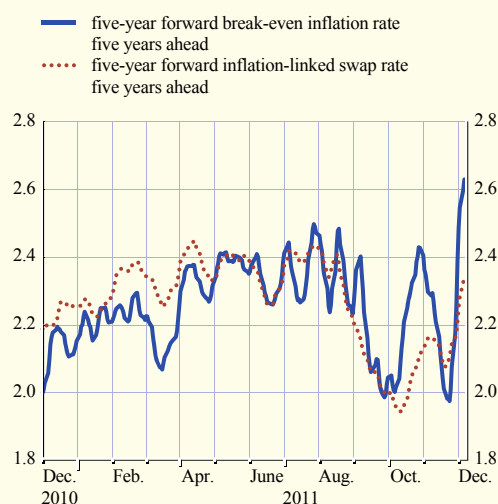
(percentages per annum; five-day moving averages of daily data; seasonally adjusted)



Sources: Thomson Reuters and ECB calculations.
Notes: Since the end of August 2011, real rates are computed as a GDP-weighted average of separate real rates for France and Germany. Before this date, real rates were computed by estimating a combined real yield curve for France and Germany.

Chart 27 Euro area zero coupon break-even inflation rates and inflation-linked swap rates

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



Sources: Thomson Reuters and ECB calculations.
Notes: Since the end of August 2011, break-even inflation rates are computed as a GDP-weighted average of separately estimated break-even rates for France and Germany. Before this date, break-even inflation rates were computed by comparing yields from the euro area AAA nominal yield curve with a combined real yield curve derived from French and German inflation-linked government bonds.

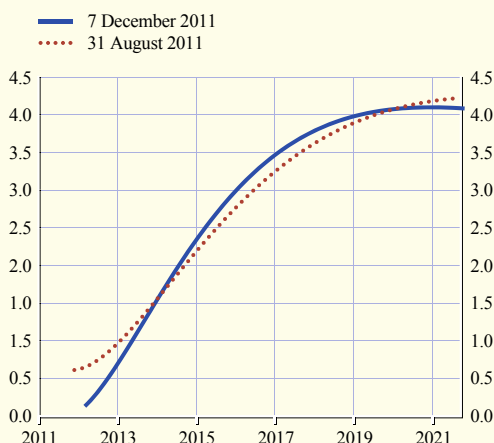
thus more reliable than signals inferred from the bond markets. Overall, market-based indicators suggest that market participants' long-term inflation expectations remain fully consistent with price stability.

The general pattern of AAA-rated long-term euro area bond yields can be decomposed into changes in interest rate expectations (and related risk premia) at different horizons (see Chart 28). Compared with the end of August, the term structure of short-term forward rates shifted downwards for short-term maturity horizons of less than around one and a half years, reflecting a downward revision of the expected path of short-term interest rates. For maturity horizons of between one and a half years and eight and a half years, short-term forward rates shifted upwards. These developments mainly reflected adjustments to risk premia amid the intensification of the euro area sovereign debt crisis.

The spreads on investment-grade corporate bonds issued by non-financial corporations increased for the lowest rating class, whereas they decreased or remained broadly stable for the higher rating classes. Spreads on investment-grade corporate bonds issued by financial corporations increased markedly for the lower rating classes, but remained broadly stable for the higher rating classes. During the period under review, spreads were volatile, reflecting changes in investors' risk aversion and developments related to the euro area sovereign debt crisis.

Chart 28 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



Sources: ECB, 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 AAA-rated euro area government bond yields.

Box 5

ESTIMATING REAL YIELDS AND BREAK-EVEN INFLATION RATES FOLLOWING THE RECENT INTENSIFICATION OF THE SOVEREIGN DEBT CRISIS

The widening of the spreads between yields on German and French government bonds, particularly in the course of November 2011, together with the dissimilar maturity structures of inflation-linked bonds issued by these two countries – with outstanding German bonds having relatively shorter maturities than outstanding French bonds – give rise to significant distortions in an estimated combined real yield curve. As a consequence, break-even inflation rates (BEIRs) derived using the combined real yield curve are also distorted. This box briefly describes the reasons for the distortions and puts forward an alternative estimation method that reduces distortions stemming from widening spreads between German and French bond yields.

To illustrate distortions in a combined real yield curve amid the current tensions in sovereign bond markets, Chart A shows the yields on German and French inflation-linked bonds, together

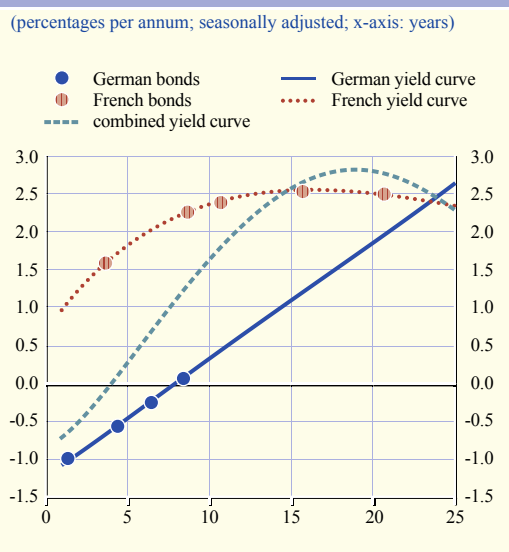
with estimated yield curves for each country's bonds and a combined yield curve estimated using the bonds from both countries. It is clear that short maturities of the combined curve are mainly influenced by German bonds, whereas long maturities are dominated by French bonds. Thus, the slope of the combined yield curve differs from the yield curves estimated separately for German bonds and for French bonds. In fact, for maturities between five and ten years, the combined curve is much steeper than either of the two separate curves and, as a consequence, the distortions in forward rates are particularly severe.

Chart B shows that real forward rates (five-year forward rates five years ahead) based on the estimated combined curve have increased substantially in recent weeks, temporarily reaching values close to 3%. As argued above, such levels of forward real yields are artificially high. To overcome this problem, real yields can be calculated as GDP-weighted averages of real yield curves that are estimated separately for Germany and France.

As well as the distortions in real rates, BEIRs are also distorted, as, to calculate the BEIR curve, the estimated combined real curve is subtracted from the nominal yield curve based on AAA-rated government bonds.¹ In fact, forward BEIRs based on the estimated combined curve have declined dramatically over recent weeks, reaching levels of less than 1%. Such low levels of forward BEIRs are at odds with the information derived from the inflation swap market, which is much less influenced by credit risk and liquidity effects than measures derived from the bond market.

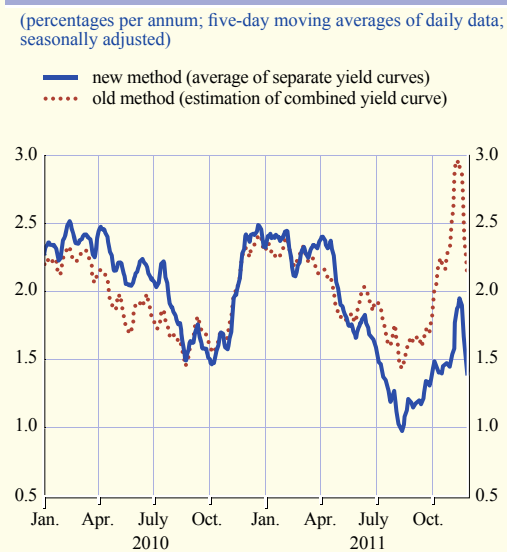
1 The euro area nominal yield curve calculated on AAA-rated government bonds is based on a large number of bonds issued by different countries with different maturities and is therefore much less affected by distortions amid widening sovereign spreads than the real yield curve.

Chart A Inflation-linked bond yields and zero coupon real yield curves



Sources: Bloomberg, Thomson Reuters and ECB calculations.
Note: The data refer to 16 November 2011.

Chart B Euro area real five-year forward rates five years ahead



Sources: Bloomberg, Thomson Reuters and ECB calculations.

To circumvent distortions in the estimation of break-even curves, separate BEIR curves can be computed for German and French data. The GDP-weighted averages of these two BEIR estimates can then be used to gauge market participants' inflation expectations. BEIRs derived by this method are more in line with signals received from the inflation swap market than those derived from the combined real yield curve and currently indicate that long-term inflation expectations stand at around 2.6% (see Chart 27). However, in the current market situation, amid renewed tensions in many sovereign bond markets resulting in volatile nominal and inflation-linked bond yields, inflation swap rates are more reliable indicators of market participants' inflation expectations than BEIRs derived from government bond markets. Nevertheless, information from the bond market, if properly adjusted to take account of these tensions, is useful for cross-checking information derived from the inflation swap market.

2.5 EQUITY MARKETS

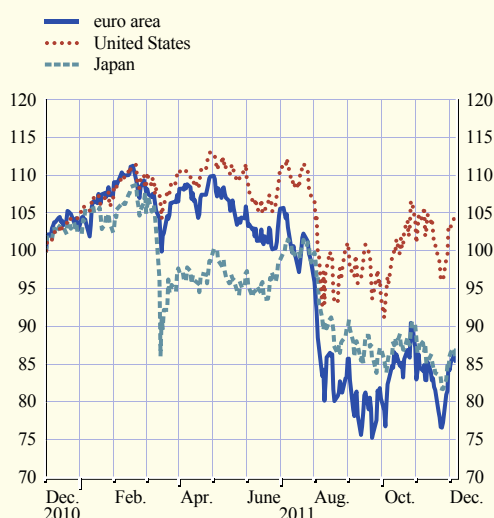
Between the end of August and 7 December, stock prices generally declined slightly in the euro area, whereas stock prices rose in the United States. In both the euro area and the United States, stock market uncertainty, as measured by implied volatility, stood at high levels throughout the period under review. Changes in market sentiment related to the euro area sovereign debt crisis continued to affect developments in stock prices, especially in the financial sector. In addition, most economic data releases in the euro area continued to disappoint market participants, whereas in the second part of the period economic data releases in the United States mainly came out better than expected.

Between the end of August and 7 December, stock prices declined slightly in the euro area, while they rose in the United States. Overall, euro area stock prices, as measured by the broad-based Dow Jones EURO STOXX index, declined by 0.6% between the end of August and 7 December. In the United States, the Standard and Poor's 500 index increased by 3.5% (see Chart 29). Over the same period, stock prices in Japan, as measured by the Nikkei 225 index, fell by 2.6%.

In both the euro area and the United States, stock market uncertainty, as measured by implied volatility, stood at high levels throughout the period under review (see Chart 30). This was mainly driven by tensions in a number of market segments related to the euro area sovereign debt crisis and continued uncertainty about the global economic outlook. As in the bond markets, the level of implied volatility was significantly higher in the euro area than in the United States.

Chart 29 Stock price indices

(index: 1 December 2010 = 100; daily data)

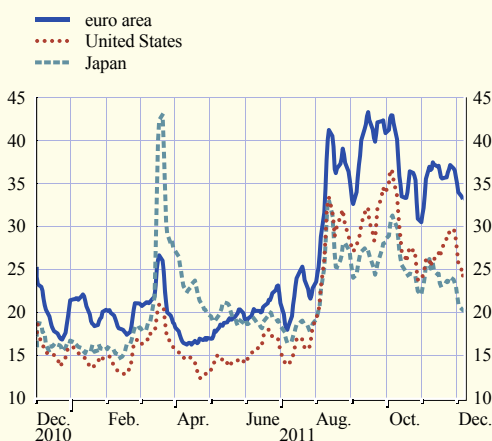


Source: Thomson Reuters.

Notes: 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 30 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.

During the period under review, changes in market sentiment related to the euro area sovereign debt crisis continued to affect developments in stock prices. In addition, most economic data releases in the euro area continued to disappoint market participants, whereas in the second part of the period economic data releases in the United States mainly came out better than expected. Stock prices increased ahead of, and shortly after, the meeting of the euro area Heads of State or Government on 26 October as market sentiment continued to improve following the announcement of the decisions taken at the meeting. However, the stock price gains were reversed as market sentiment deteriorated sharply following the surprise announcement by the Greek Prime Minister of a vote of confidence on the Greek government and a Greek referendum and the spreading of the crisis both to larger and to higher-rated countries. Towards the end of the period, stock prices increased sharply as the Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank, the Federal Reserve and the Swiss National Bank announced

coordinated actions to enhance their capacity to provide liquidity support to the global financial system in order to ease strains in financial markets. In addition, market sentiment improved ahead of the meeting of the euro area Heads of State or Government on 9 December

At the sectoral level, developments in stock price indices in the euro area were mixed, with euro area financial stock prices declining the most, while some other stock prices, especially in the oil and

Table 4 Price changes in the Dow Jones EURO STOXX economic sector indices

(percentages of end-of-period prices)

	EURO STOXX	Basic materials	Consumer services	Consumer goods	Oil and gas	Financial	Health-care	Industrial	Technology	Telecommunications	Utility
Share of sector in market capitalisation (end-of-period data)	100.0	10.0	6.9	16.5	8.5	19.9	5.4	14.0	4.7	6.6	7.7
Price changes (end-of-period data)											
Q3 2010	7.3	9.0	11.1	8.0	5.3	8.2	-0.2	5.6	3.2	12.8	4.9
Q4 2010	3.8	16.3	0.7	9.0	7.9	-7.0	-1.1	13.3	10.2	-4.7	2.9
Q1 2011	3.6	-0.3	-1.8	-3.2	8.4	8.5	4.8	4.4	5.0	6.0	3.5
Q2 2011	-1.7	3.0	-2.9	7.0	-6.2	-5.0	11.5	-1.3	-8.8	-6.5	-6.8
Q3 2011	-23.1	-28.9	-17.4	-20.0	-19.1	-30.9	-9.2	-27.4	-15.9	-14.4	-18.5
Oct. 2011	8.4	12.9	6.7	10.9	15.4	6.2	3.8	9.4	12.1	4.6	1.4
Nov. 2011	-2.6	0.2	-0.4	-1.4	0.2	-7.2	0.2	-2.5	-4.4	-4.0	-2.0
31 Aug. - 07 Dec.11	-0.6	0.0	-0.3	1.2	11.3	-4.8	3.1	-4.0	2.6	-3.4	-0.9

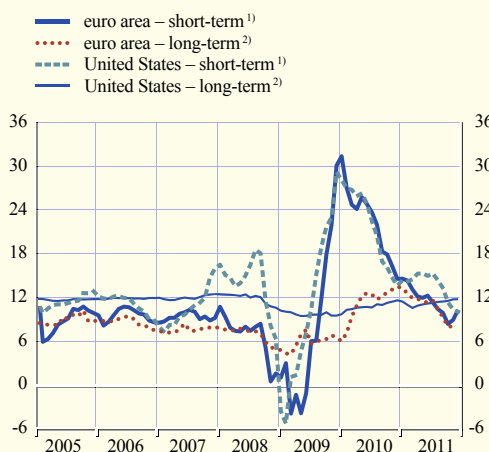
Sources: Thomson Reuters and ECB calculations.

gas sector, increased (see Table 4). The decline in euro area financial stock prices reflected developments in the euro area sovereign debt crisis affecting banks' holdings of government bonds, recapitalisation requirements, downgrading by rating agencies and heightened tensions in banks' funding markets. In the United States, financial stocks were also among the declining sectors, although the decline was much smaller than in the euro area.

For euro area corporations that are included in the Dow Jones EURO STOXX index, data on corporate earnings showed that growth in actual annual earnings per share dropped from 19% in August to 0% in November. The growth in earnings per share projected by market participants for the period 12 months ahead also declined slightly, falling from 10% in August to 9% in November (see Chart 31). Long-term expected growth in earnings per share also decreased, falling from 10% in August to 8% in November.

Chart 31 Expected growth in corporate earnings per share in the United States and the euro area

(percentages per annum; monthly data)



Sources: Thomson Reuters and ECB calculations.

Notes: Expected earnings growth of corporations on the Dow Jones EURO STOXX index for the euro area and on 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).

2.6 FINANCIAL FLOWS AND THE FINANCIAL POSITION OF NON-FINANCIAL CORPORATIONS

From July to October 2011 the real cost of financing for euro area non-financial corporations remained broadly unchanged. The overall stability of financing costs masks diverging trends in the main components. With regard to financial flows, the annual growth of lending to non-financial corporations edged up slightly to 1.6% in the third quarter of 2011. Subdued loan dynamics appear broadly in line with the slowdown in economic activity in the euro area. Debt securities issuance by non-financial corporations increased slightly in the third quarter of 2011.

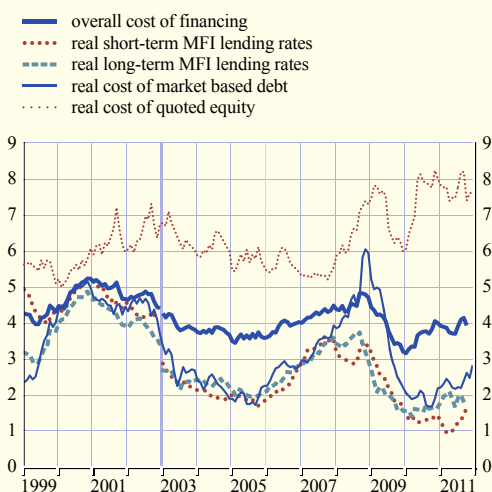
FINANCING CONDITIONS

The real cost of external financing for euro area non-financial corporations – as calculated by weighting the costs of different sources of financing on the basis of their outstanding amounts, corrected for valuation effects – remained broadly unchanged between July and October, standing at 3.9% in October 2011 (see Chart 32).

The stability of the overall cost of financing masks diverging developments across components. Specifically, the real cost of quoted equity decreased by 38 basis points over the period, to 7.4% in October, largely on the back of increasing stock prices during October. By contrast, the real cost of market-based debt and real short-term lending rates both rose by about 40 basis points, to stand at 2.6% and 1.6% respectively, in October 2011. Real long-term lending rates remained broadly unchanged between July and October, at about 1.9%. More recent data up to the first week of December indicate an increase of about 20 basis points in the real cost of equity, owing to the fall in equity prices and lower expected earnings growth. The real cost of market-based

Chart 32 Real cost of the external financing of euro area non-financial corporations

(percentages per annum; monthly data)



Sources: ECB, Thomson Reuters, Merrill Lynch and Consensus Economics Forecasts.

Notes: The real cost of 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 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. Data as of June 2010 may not be fully comparable with those prior to that date owing to methodological changes arising from the implementation of Regulations ECB/2008/32 and ECB/2009/7 (amending Regulation ECB/2001/18).

debt also edged up by about 20 basis points over the same period. Taking a longer-term perspective, the overall real cost of financing for euro area non-financial corporations in October was at the historical average observed since 2003. The real cost of quoted equity remained above historical levels, while real lending rates (both short and long-term) and the real cost of market-based debt stood below their long-term averages.

In the period between July and October 2011, nominal MFI interest rates on new loans to non-financial corporations increased in the case of short-term maturities, but contracted in that of long-term loans (see Table 5). In particular, short-term interest rates rose by 18 basis points for small loans (up to €1 million), and by 6 basis points for large loans (over €1 million). Long-term MFI interest rates on small loans fell by 22 basis points, while those on large loans contracted by 6 basis points. The increase in short-term lending rates to non-financial corporations to some extent reflects the increase in key ECB interest rates decided in July, but may also partly reflect ongoing tensions in bank funding and deteriorating creditworthiness of

Table 5 MFI interest rates on new loans to non-financial corporations

(percentages per annum; basis points)

							Change in basis points up to October 2011 ¹⁾		
	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Sep. 2011	Oct. 2011	July 2010	July 2011	Sep. 2011
MFI interest rates on loans									
Bank overdrafts to non-financial corporations	3.79	3.86	4.01	4.27	4.41	4.46	77	19	5
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	3.35	3.50	3.70	3.94	4.18	4.27	97	18	9
with an initial rate fixation of over five years	3.79	3.86	4.19	4.39	4.19	4.23	28	-22	4
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	2.26	2.59	2.63	2.92	2.92	3.06	81	6	14
with an initial rate fixation of over five years	3.51	3.50	3.84	3.29	3.68	3.65	45	-6	-3
Memo items									
Three-month money market interest rate	0.89	1.01	1.24	1.55	1.55	1.59	69	-2	4
Two-year government bond yield	1.89	2.25	2.91	3.61	5.47	6.66	489	234	119
Seven-year government bond yield	2.14	2.71	3.19	2.89	1.96	2.17	-21	-33	21

Source: ECB.

1) Figures may not add up due to rounding.

corporations in some jurisdictions. Seven-year government bond yields in the period under review fell by 33 basis points for the euro area as a whole, but significant heterogeneity was recorded across countries.

Spreads between non-financial corporate bond yields and government bond yields have been volatile since summer this year. Reflecting disappointing economic data and increased macroeconomic uncertainty spreads on AA-rated corporate bonds widened by about 25 basis points between July and September, while those on high-yield bonds widened by more than 340 basis points (see Chart 33). Market sentiment improved somewhat in October, resulting in lower spreads for all rating categories. In November 2011, however, renewed market tensions related to the euro area sovereign debt crisis and the negative spillover effects on larger and higher-rated countries put upward pressure mainly on corporate bond spreads of intermediate and lower-rated bond classes.

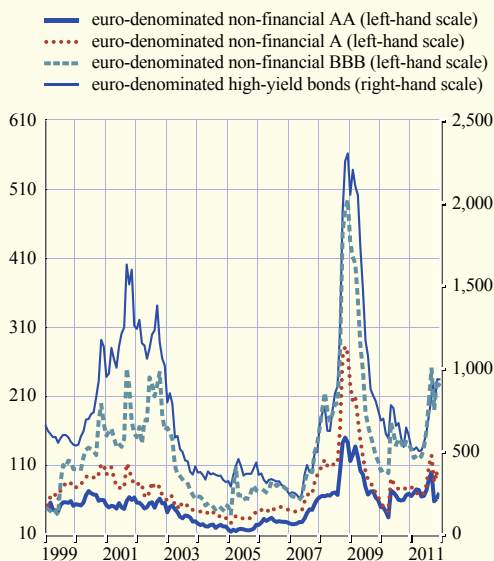
FINANCIAL FLOWS

Indicators of the profitability of euro area non-financial corporations pointed to a still positive performance in the third quarter and in the first two months of the fourth quarter of 2011. At the same time, the annual growth rate of earnings per share for listed non-financial corporations in the euro area declined from about 40% at the turn of this year to about 4% in November 2011 (see Chart 34). Looking ahead, market participants expect the downward correction to be reversed, with a smooth recovery over the coming months.

With regard to external financing, the recovery of MFI lending to non-financial corporations observed since 2010 lost momentum in the third quarter of 2011. The stabilisation in MFI lending to non-financial corporations was concomitant with a slight increase in issuance activity of debt securities over the same period (see Chart 35). The slightly more buoyant issuance activity of

Chart 33 Corporate bond spreads of non-financial corporations

(basis points; monthly averages)



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

Chart 34 Earnings per share of listed non-financial corporations in the euro area

(annual percentage changes; monthly data)



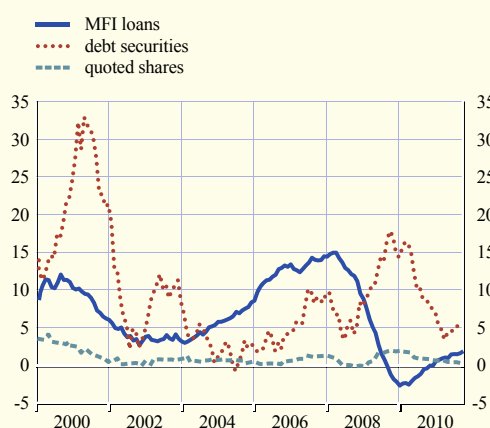
Sources: Thomson Reuters and ECB calculations.

non-financial corporations was driven entirely by issuance of long-term fixed rate debt securities, while issuance of short-term debt securities and long-term floating rate securities continued to decline. In contrast, the annual growth rate of issuance of quoted shares by non-financial corporations contracted somewhat, driven by the increase in the cost of quoted equity.

The annual growth rate of bank lending to non-financial corporations increased only slightly, to 1.6% in the third quarter of 2011 (see Table 6), reflecting a pickup in the annual growth rate of loans with a maturity of over five years, which was offset by a declining annual growth rate for short-term lending (loans with maturities of up to one year). The rate of decline in lending to non-financial corporations with intermediate maturities (i.e. over one year and up to five years) remained broadly unchanged in the third quarter of 2011. Thus far, the subdued dynamics of lending to non-financial corporations remain in line with moderate loan demand in the context of a slowdown in economic activity.

Chart 35 External financing of non-financial corporations broken down by instrument

(annual percentage changes)



Source: ECB.

Note: Quoted shares are euro-denominated.

Table 6 Financing of non-financial corporations

(percentage changes; end of quarter)

	Annual growth rates				
	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3
MFI loans	-0.5	-0.1	0.9	1.4	1.6
Up to one year	-6.0	-3.2	0.1	4.2	4.1
Over one and up to five years	-2.5	-2.8	-2.3	-3.7	-3.7
Over five years	2.8	2.4	2.4	2.0	2.3
Debt securities issued	8.6	7.4	4.7	4.2	5.0
Short-term	-12.5	-6.4	-4.9	2.6	19.3
Long-term, of which: ¹⁾	11.1	8.8	5.7	4.3	3.6
Fixed rate	13.9	11.0	7.3	5.3	4.3
Variable rate	-1.5	-0.6	-1.0	-1.9	-3.8
Quoted shares issued	0.9	0.7	0.5	0.4	0.3
Memo items ²⁾					
Total financing	2.0	2.2	2.2	2.4	-
Loans to non-financial corporations	1.9	1.9	2.6	3.1	-
Insurance technical reserves ³⁾	0.4	1.1	1.0	1.0	-

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 in securities issuance statistics. Small differences compared with data reported in financial accounts statistics may arise, mainly as 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.

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 technical reserves, other accounts payable and financial derivatives.

3) Includes pension fund reserves.

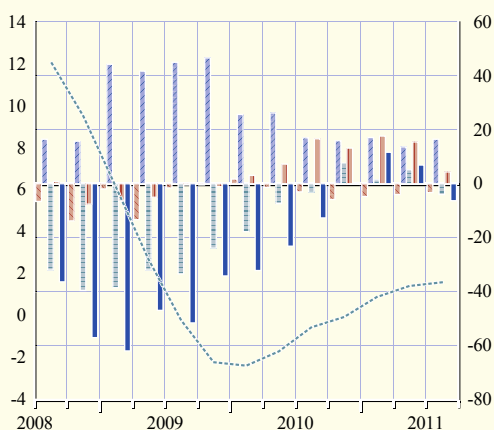
The results of the bank lending survey for the euro area for the third quarter of 2011 showed the first decline in loan demand by non-financial corporations since the second quarter of 2010. This suggests a noticeable contraction in loan demand from the corporate sector during the summer, driven by a moderation in the pace of economic activity. The net decrease in demand for loans was driven by a clear decline in the need to finance fixed investment and the lower contribution of financing needs linked to inventories and working capital (see Chart 36). Furthermore, euro area banks tightened their credit standards on loans to non-financial corporations significantly in the third quarter of 2011. The tightening of credit standards reflected factors related to banks' market funding conditions and a deterioration in the overall economic environment. Looking ahead, banks expect a further tightening of credit standards and a continuing decline in the demand for loans from non-financial corporations. Box 6 presents the results of the latest survey on the access to finance of small and medium-sized enterprises in the euro area.

Chart 37 shows the breakdown of euro area enterprises' saving, financing and investment as reported in the euro area accounts, for which data are available up to the second quarter of 2011. The financing gap of (or net borrowing by) non-financial corporations – i.e. the difference between their outlays for real investment and their internally generated funds (gross savings) – was broadly

Chart 36 Loan growth and factors contributing to nonfinancial corporations' demand for loans

(annual percentage changes; net percentages)

- fixed investment (right-hand scale)
- inventories and working capital (right-hand scale)
- mergers and acquisitions as well as corporate restructuring (right-hand scale)
- debt restructuring (right-hand scale)
- internal financing (right-hand scale)
- loans to non-financial corporations (left-hand scale)



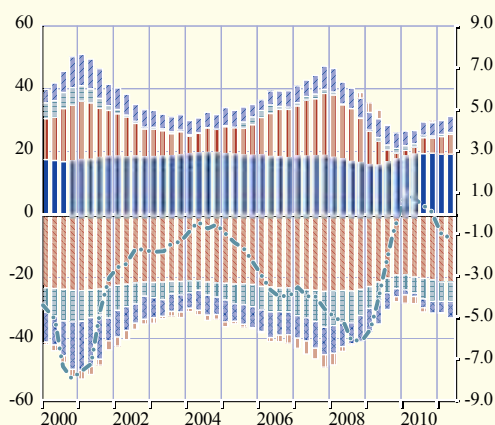
Source: ECB.

Notes: The net percentages refer to the difference between the percentage of banks reporting that the given factor contributed to an increase in demand and the percentage reporting that it contributed to a decrease.

Chart 37 Savings, financing and investment of non-financial corporations

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

- gross saving and net capital transfers
- debt financing
- quoted equity issuance
- unquoted equity issuance
- gross capital formation
- net acquisition of financial assets excluding equity
- net acquisition of equity
- other
- financing gap (right-hand scale)



Source: Euro area accounts.

Notes: Debt includes loans, debt securities and pension fund reserves. "Other" includes financial derivatives, other accounts payable/receivable netted out and adjustments. Inter-company loans are netted out. The financing gap is the net lending/net borrowing position, which is broadly the difference between gross saving and gross capital formation.

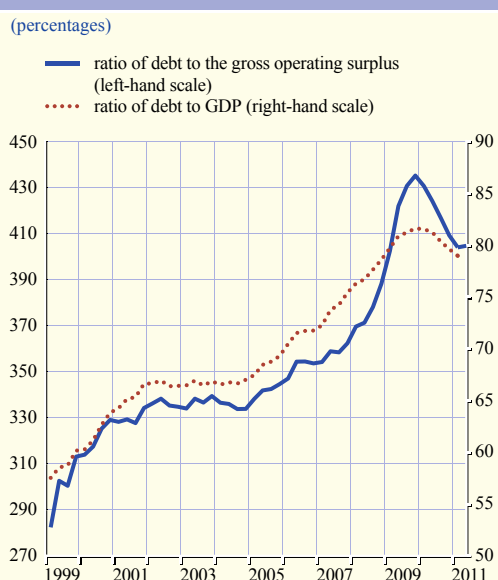
stable in the second quarter, on the basis of four-quarter moving sums. At -1.1%, the financing gap still remained relatively low by historical standards, despite signs of normalisation over the previous quarters, on the back of relatively low capital formation and high internally generated funds. As shown in the chart, corporate real investment (gross fixed capital formation) was financed mainly through internal funds, so that it remained a minor source of corporate financing, even though external financing edged up slightly. At the same time, net acquisitions of financial assets, including equity, increased slightly in the second quarter of 2011.

FINANCIAL POSITION

In the second quarter of 2011, on the basis of euro area accounts statistics, indebtedness in the non-financial corporate sector remained broadly unchanged at 79% in terms of the ratio of debt to GDP, and at 405% in terms of the ratio of debt to the gross operating surplus (see Chart 38). After the sharp drop recorded in the period from the end of 2008 to the first half of 2010, the interest burden of non-financial corporations has increased since the second half of 2010 (see Chart 39). The increase continued up to the third quarter of 2011, albeit at a more moderate pace, bringing the interest burden to a level above its long-term average.

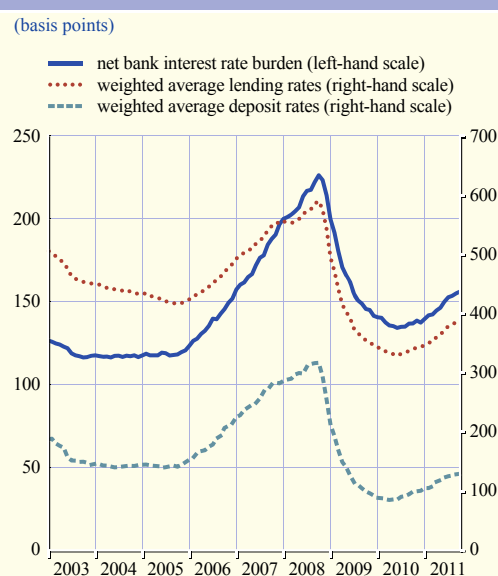
While the deleveraging process observed since the end of 2009 contributed to improving firms' financial positions, this process lost some momentum in the second quarter of 2011 as debt financing recovered amid a slowdown in economic growth.

Chart 38 Debt ratios of non-financial corporations



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.

Chart 39 Net bank interest rate burden of non-financial corporations



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

Box 6

THE RESULTS OF THE “SURVEY ON THE ACCESS TO FINANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE EURO AREA”

This box presents the results of the fifth round of the “Survey on the access to finance of small and medium-sized enterprises in the euro area”.¹ The survey was conducted between 22 August and 7 October 2011 and covered 8,316 firms, of which 7,690 (i.e. 92%) had fewer than 250 employees (and are thus categorised as small and medium-sized enterprises (SMEs)).² This box provides information on the financial situation, financing needs and access to financing of SMEs in the euro area, compared with large firms, over the six preceding months (i.e. from April to September 2011).³

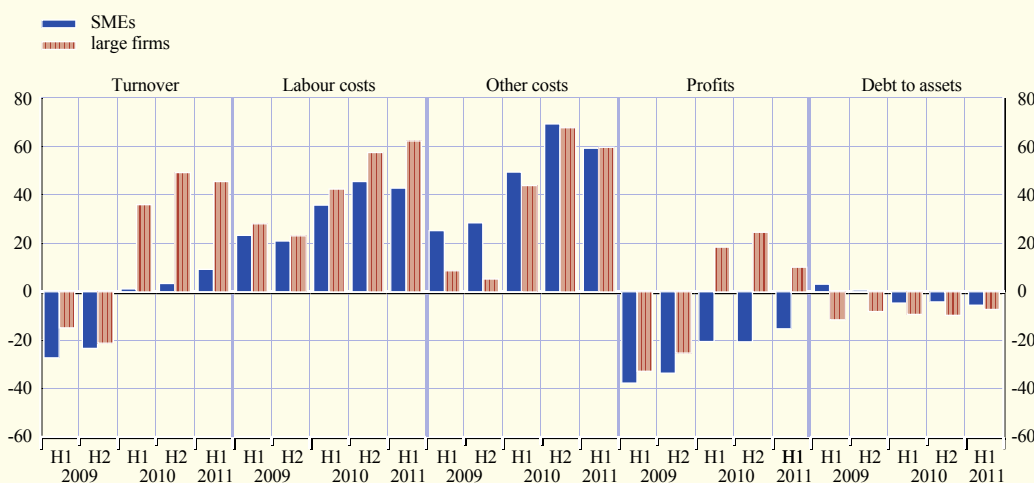
SMEs’ overall financial situation remained difficult

The financial situation of euro area SMEs remained difficult, but less so than in the period from September 2010 to February 2011. By comparison, that of large firms continued to be more favourable. The net percentage of euro area SMEs reporting an increase in turnover during the six months preceding the interview rose further to 9%, mainly reflecting the stronger pace of economic growth in the first half of 2011 (see Chart A). At the same time, they continued to report, on balance, a deterioration in profits, although the percentage declined to 15% (from 21%). In addition, they continued to report an increase in labour and other costs (43% and 59% respectively, in net terms), although the reported increase was smaller than in the previous survey round. This general assessment of cost increases was shared by large firms, which seemed

- 1 Further information, as well as detailed statistical tables and additional breakdowns, is available in the Statistics section of the ECB’s website under Monetary and financial statistics/Surveys/Access to finance of SMEs.
- 2 Unlike the previous survey round, this round covered a small sample from the six smallest euro area countries. There is very little change in the results for the euro area if the sample of firms from these countries is not taken into account.
- 3 The reference period for the previous survey round was September 2010 to February 2011.

Chart A Indicators of the financial situation of euro area firms

(change over the preceding six months; net percentage of respondents)



Source: ECB and European Commission survey on the access to finance of small and medium-sized enterprises in the euro area.
Note: The net percentage is the difference between the percentage of firms reporting an increase for a given factor and that reporting a decrease.

to be more affected by increases in labour costs. In most cases, however, their overall financial situation appeared to be stronger than that of SMEs. On balance, they continued to report an increase in profits, albeit a smaller one than in the previous survey round (10%, compared with 25%), as well as an increase in turnover (45%, down from 49%).

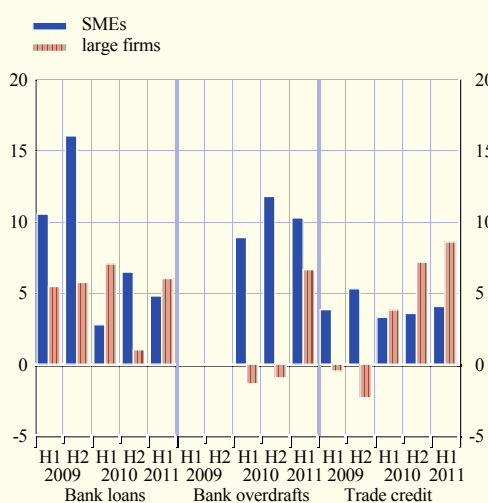
The net percentage of euro area SMEs reporting a slight further decline in their leverage (defined as the ratio of debt to assets) rose slightly to 6%, from 4% in the survey for the second half of 2010. This was due to the ongoing need of SMEs to deleverage from the overall high levels of debt, in an environment of increased sensitivity towards credit risks and overall debt sustainability. At the same time, the net percentage of large firms reporting that their leverage had declined over the preceding six months fell to 7%, from 10% in the previous survey round.

External financing needs of euro area SMEs continued to increase, but less so than in the previous survey round

Compared with the previous survey round, euro area SMEs reported, on balance, virtually no change in their need for bank loans (5%, compared with 6%; see Chart B). With regard to their need for bank overdrafts and credit lines, they continued to signal a net increase, albeit a smaller one compared with the previous round (10%, down from 12%), while in terms of their need for trade credit, there was little change, on balance, from the previous round. By contrast, a higher percentage of large firms reported an increase in their need for external financing. This percentage was also higher than in the previous survey round. In particular, their need for bank loans rose to 6% (compared with 1%), trade credit to 9% (up from 7%) and bank overdrafts to 7% (up from -1%).

Chart B External financing needs of euro area firms

(change over the preceding six months; net percentage of respondents)



Source: ECB and European Commission survey on the access to finance of small and medium-sized enterprises in the euro area. Notes: The net percentage is the difference between the percentage of firms reporting an increase in financing needs and that reporting a decrease. Data for bank overdrafts (which also cover credit lines and credit cards) are not available for the first two rounds of the survey.

With regard to the factors affecting SMEs' external financing needs, there was also little change from the last survey round, with fixed investment, as well as inventories and working capital, contributing to a slight increase in financing needs. By contrast, the increase in the financing needs of large firms was attributable more to inventories and working capital than to fixed investment.

Availability of external financing deteriorated between April and September 2011

The survey results show that access to sources of external financing, in particular bank loans, continued to deteriorate, with SMEs reporting a further decline in the net availability of bank loans (14%, compared with 9% in the previous survey round; see Chart C). As regards other sources of external financing, such as trade

credit, SMEs did not indicate a further deterioration in availability. By contrast, euro area large firms reported a more pronounced reduction in the availability of bank loans (from 6% to -10% in net terms).

With regard to the terms and conditions of financing loans, SMEs reported an increase in lending rates and “other costs of financing”, and generally perceived the increases in non-price terms and conditions (i.e. collateral requirements, covenants and other guarantees) to be smaller than for interest rates.

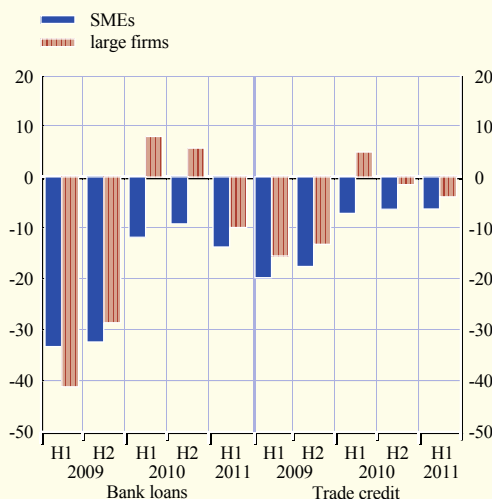
Overall, issues related to “access to finance” were cited by 16% of euro area SMEs and 11% of large firms as being their most pressing problem, unchanged from the previous survey round in both cases. 23% of SMEs reported “Finding customers” as being by far their most pressing problem, with only around 15% reporting either “Availability of skilled staff or experienced managers” or “Competitive pressure”. The most pressing problem for large firms was “Finding customers”, followed by the “Availability of skilled staff or experienced managers”.

Bank loan applications were slightly less successful

Between April and September 2011 22% of SMEs applied for a bank loan (down from 25% in the second half of 2010 and the lowest percentage since the beginning of the survey), while 51% (up from 46%) did not apply because they believed they had sufficient internal funds to cover their financing needs. The percentage of firms not applying for a loan for fear of rejection remained broadly stable at 6%. When asked about the actual success of their applications for bank loans, SMEs reported that there had basically been no change in the rejection rate (10%) from the previous survey round (see Chart D). In addition, the percentage of euro area SMEs reporting they had received the full amount they applied for decreased slightly to 63% (from 66% in the

Chart C Availability of external financing for euro area firms

(change over the preceding six months; net percentage of firms that had applied for external financing)

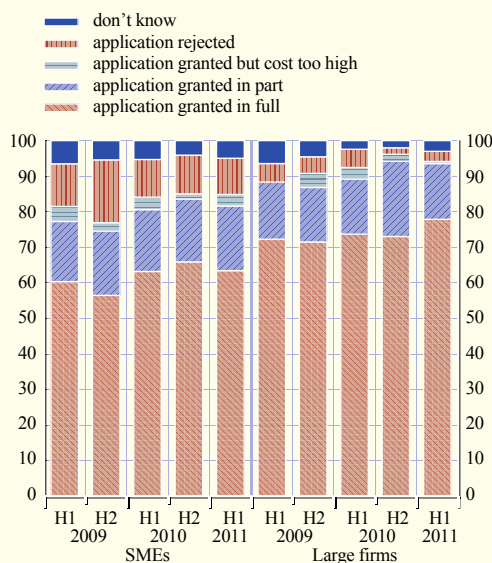


Source: ECB and European Commission survey on the access to finance of small and medium-sized enterprises in the euro area.

Note: The net percentage is the difference between the percentage of firms reporting an increase in availability and that reporting a decrease.

Chart D Outcome of loan applications by euro area firms

(over the preceding six months; percentage of firms that had applied for bank loans)



Source: ECB and European Commission survey on the access to finance of small and medium-sized enterprises in the euro area.

previous round). Compared with SMEs, large firms continued to report a lower rejection rate (3%, compared with 2% in the previous survey round) and a higher success rate (78%, up from 73%) when applying for a bank loan. Alternative sources of financing, in particular trade credit, developed along similar lines.

2.7 FINANCIAL FLOWS AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

Euro area households' financing conditions deteriorated somewhat in the third quarter of 2011. While interest rates on loans to households remained broadly unchanged on average, there was considerable net tightening of credit standards for all categories of loan. The annual growth rate of MFI lending to households declined further to stand at 2.2% in October, largely on account of weaker growth in loans for house purchase. Households' interest payment burden and the ratio of household debt to gross disposable income are estimated to have remained broadly unchanged in the third quarter of 2011.

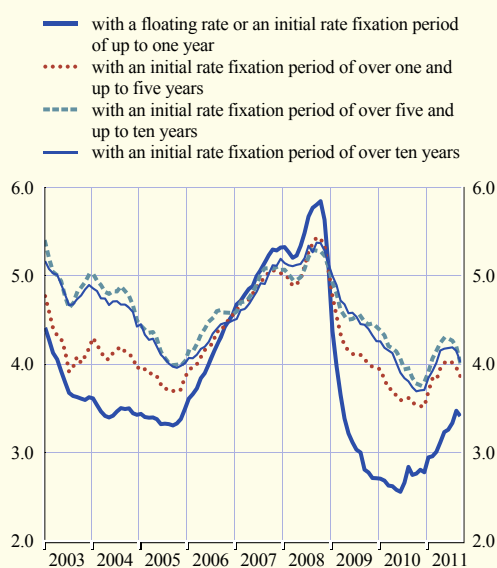
FINANCING CONDITIONS

Overall, the financing costs of the euro area household sector remained broadly unchanged in the third quarter of 2011 – after increasing in the first six months of the year – with interest rate changes in the various categories of loan broadly offsetting each other. Developments in MFIs' lending rates were thus somewhat different from those in market rates, with uncollateralised market rates remaining broadly unchanged, while collateralised market rates declined in the third quarter. Breaking down loans to households by purpose, MFIs' lending rates on new loans for house purchase remained broadly unchanged on average in the third quarter. With the exception of mortgage loans with floating rates or short initial rate fixation periods (i.e. rate fixation periods of up to one year), for which a marked increase was observed, the interest rates on all types of loan for house purchase were lower than in the previous quarter (see Chart 40). However, to some extent, euro area figures mask considerable heterogeneity at the country level. In October interest rates on mortgages remained broadly unchanged.

By contrast, new consumer credit saw interest rate increases for all categories of initial rate fixation period in the third quarter, the fourth consecutive quarter that interest rate increases had been observed. In particular, interest rates on consumer credit with a floating rate or a short initial rate fixation period increased markedly, whereas interest rates on credit with long initial rate fixation periods (i.e. rate fixation periods of more than five years) increased only slightly. This was partly reversed in October, when interest rates on consumer credit declined slightly.

Chart 40 MFI interest rates on loans to households for house purchase

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



Source: ECB.

Finally, interest rates on other loans to households declined on aggregate in the third quarter – mainly on account of loans with long initial rate fixation periods. At the same time, increases in interest rates on loans with medium initial rate fixation periods (i.e. rate fixation periods of over one and up to five years) were counterbalanced by declining interest rates on loans with short initial rate fixation periods.

According to the October 2011 bank lending survey, euro area banks increased the net tightening of credit standards on lending to households, against the background of deteriorating expectations regarding the general economic environment, declining competition between banks, and increases in funding costs and balance sheet constraints. Weaker housing market prospects also contributed to tighter credit standards on loans for house purchase, while declining creditworthiness on the part of consumers called for the tightening of credit standards on consumer credit and other lending. Looking ahead, euro area banks expect credit standards on all lending to households to tighten further in the course of the fourth quarter.

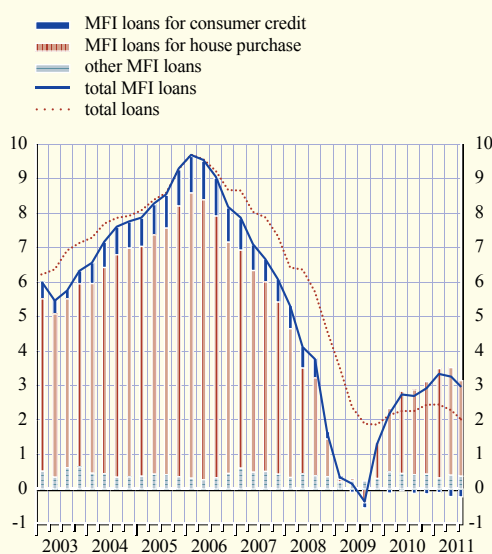
FINANCIAL FLOWS

Total lending to the euro area household sector was relatively weak in the second quarter of 2011 (the most recent quarter for which data from the euro area accounts are available), mirroring subdued lending activity in both the MFI and non-MFI sectors. As a result, the annual growth rate of total loans to households declined marginally to stand at 2.3%, down from 2.5% in the first quarter. The annual growth rate of total MFI credit to households (not adjusted for loan sales or securitisation) declined to 3.3% at the end of the second quarter, having stood at 3.4% at the end of the previous quarter. Since loan sales and securitisation activity – which frequently result in household loans being shifted between the MFI and non-MFI sectors – remained subdued in the second quarter, this did not prevent the annual growth rate of non-MFI loans to households from decreasing further to stand at -3.1%, down from -2.3% in the previous quarter. Thus, non-MFI lending continued the declining trend observed since mid-2009. Estimates for the third quarter of 2011 show total loans to households declining further (see Chart 41).

Looking at MFI data that are already available for the third quarter and October, growth in lending to households remained relatively weak. The annual growth rate of MFI loans to households declined further to stand at 3.0% in the third quarter, reflecting a moderation in the quarterly flow of loans to households. This was partly due to relatively high levels of securitisation for loans to households in a number of countries, particularly in July. However, when the impact of loan sales and securitisation is adjusted for, the annual growth rate of MFI loans to households still

Chart 41 Total loans granted to households

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



Source: ECB.

Notes: Total loans comprise loans to households from all institutional sectors, including the rest of the world. For the third quarter of 2011, 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.

declined, pointing to weakness in origination activity. In October the annual growth rate of loans granted to households by euro area MFIs (adjusted for loan sales and securitisation) stood at 2.5% (see Section 2.1 for details), representing a decline of 0.5 percentage point since the end of the second quarter.

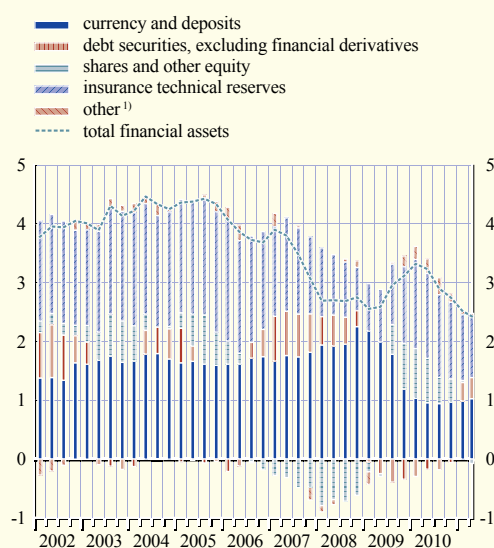
The decline observed in the annual growth rate of MFI lending to households in the third quarter was caused mainly by reduced quarterly flows for loans for house purchase, probably related to the weakening of growth and deteriorating prospects for the housing market. The annual growth rate of MFI loans for house purchase (adjusted for loan sales and securitisation) decreased to 3.4% in September (down from 3.9% in June), before declining further to stand at 3.3% in October. However, loans for house purchase continued to account for the bulk of MFIs' lending to households. Consumer credit also contributed to the decline in the overall growth rate, with markedly negative flows being recorded in the third quarter and the annual growth rate standing at -1.9% in September, broadly unchanged from June. Finally, the annual growth rate of other loans to households, which largely reflects loans to sole proprietors and unincorporated businesses, also remained broadly unchanged, standing at 2.3% in September. The annual growth rates of consumer credit and other lending to households remained broadly unchanged in October.

Looking at the underlying causes of the relatively weak growth seen in MFI lending to households, the October 2011 bank lending survey reveals a significant contraction in households' net demand for all categories of credit. This has to be seen in the context of a considerable decline in consumer confidence, probably reflecting concerns on the part of households that the sovereign debt crisis in the euro area could spill over into the real economy. In addition, deteriorating housing market prospects weighed on mortgages, while the fact that households spent less on durable goods contributed to reduced demand for consumer credit in the third quarter of 2011. Looking ahead, banks expect a further decline in net demand for both loans for house purchase and consumer credit in the fourth quarter of 2011.

Turning to the asset side of the euro area household sector's balance sheet, the annual growth rate of total financial investment by households remained broadly unchanged at 2.4% in the second quarter of 2011, after declining for three consecutive quarters (see Chart 42). This reflected broadly similar developments across the various sub-components. The negative trend observed since mid-2010 for shares and other equity continued, reflecting households' reluctance to hold risky assets in the context of heightened financial market uncertainty. The contribution made by insurance technical reserves to the annual growth rate of households' total financial investment also declined, but remained strongly positive in the quarter under review. At the same time, the contributions of currency and deposits and debt securities (excluding financial derivatives) increased gradually further, benefiting from a preference

Chart 42 Financial investment of households

(annual percentage changes; contributions in percentage points)



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

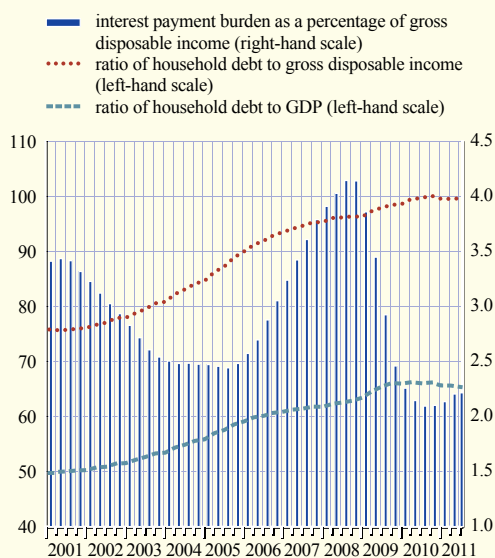
for liquid and less risky assets. However, the financial market tensions experienced in the course of the third quarter of 2011 are likely to have had a significant impact on households' financial investment, further increasing their preference for monetary instruments and increasing their aversion to securities.

FINANCIAL POSITION

The ratio of household debt to gross disposable income is estimated to stand at 99.7% in the third quarter of 2011 (see Chart 43), broadly unchanged from mid-2010, with households' gross disposable income again increasing at a pace similar to that of their total indebtedness. The household sector's interest payment burden is estimated to stand at 2.1% of gross disposable income in the third quarter of 2011, up marginally from the levels observed in summer 2010. Nevertheless, households' interest payment burden remains low by historical standards. The ratio of household debt to GDP is estimated to have decreased marginally in the quarter under review, standing at 65.4%, down from 65.7% in the previous quarter.

Chart 43 Household debt and interest payments

(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. Data for the last quarter shown have been partly estimated.

3 PRICES AND COSTS

According to Eurostat's flash estimate, euro area annual HICP inflation was 3.0% in November 2011, unchanged from the previous two months. Inflation rates have been at elevated levels since the end of last year, mainly driven by higher energy and other commodity prices. Looking ahead, they are likely to stay above 2% for several months to come, before declining to below 2%. This pattern reflects the expectation that, in an environment of weaker growth in the euro area and globally, underlying cost, wage and price pressures in the euro area should also remain modest. The December 2011 Eurosystem staff macroeconomic projections for the euro area incorporate these considerations and foresee annual HICP inflation in a range between 2.6% and 2.8% for 2011, between 1.5% and 2.5% for 2012 and between 0.8% and 2.2% for 2013. Risks to the medium-term outlook for price developments continue to be broadly balanced.

3.1 CONSUMER PRICES

According to Eurostat's flash estimate, euro area annual HICP inflation remained stable in November 2011, standing at 3.0% for the third consecutive month (see Table 7). Headline HICP inflation has been at an elevated level since the end of 2010, driven mainly by the strong annual growth rates of energy and food prices on the back of earlier surges in global commodity prices. In some euro area economies, increases in indirect taxes and administered prices also contributed to higher overall inflation rates. In July and August HICP inflation remained stable at 2.5%, before rising again to 3.0% in September. This increase reflected not only the waning statistical effect of the new regulation on the treatment of seasonal products in the HICP,¹ but also some genuine upward pressure at the later stages of the production chain. Whether or not further pipeline pressures – mainly on non-energy industrial goods prices – will materialise over the next few months will depend largely on demand conditions. At the early stages of the production chain, price pressures have continued to ease, which, over time, is expected to contribute to a gradual moderation in overall inflation rates.

Owing to the tensions in sovereign debt markets, the economic outlook for the euro area is currently subject to high uncertainty. With regard to expectations, forecasters have developed methods for taking into account increases in uncertainty. Box 7 compares forecast revisions in the most

1 For more details, see the box entitled "Methodological changes in the compilation of the HICP and their impact on recent data", *Monthly Bulletin*, ECB, April 2011.

Table 7 Price developments

(annual percentage changes, unless otherwise indicated)

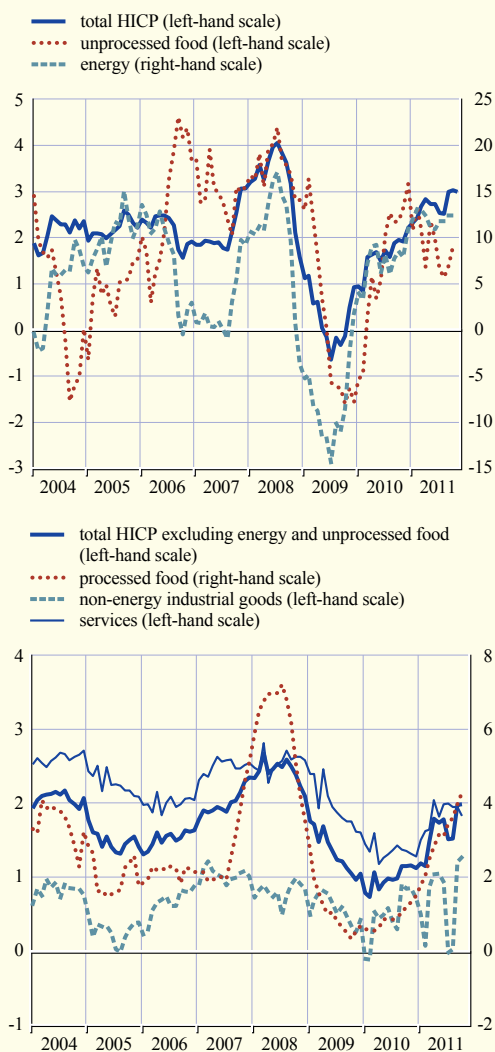
	2009	2010	2011 June	2011 July	2011 Aug.	2011 Sep.	2011 Oct.	2011 Nov.
HICP and its components								
Overall index ¹⁾	0.3	1.6	2.7	2.5	2.5	3.0	3.0	3.0
Energy	-8.1	7.4	10.9	11.8	11.8	12.4	12.4	
Unprocessed food	0.2	1.3	2.0	1.3	1.1	1.4	1.8	
Processed food	1.1	0.9	3.1	3.4	3.6	4.0	4.3	
Non-energy industrial goods	0.6	0.5	0.9	0.0	0.0	1.2	1.3	
Services	2.0	1.4	2.0	2.0	1.9	1.9	1.8	
Other price indicators								
Industrial producer prices	-5.1	2.9	5.9	6.1	5.8	5.8	5.5	
Oil prices (EUR per barrel)	44.6	60.7	79.1	81.7	76.7	79.8	78.9	81.4
Non-energy commodity prices	-18.5	44.6	8.7	7.6	2.5	1.5	1.7	-1.9

Sources: Eurostat, ECB and ECB calculations based on Thomson Reuters data.

1) HICP inflation in November 2011 refers to Eurostat's flash estimate.

Chart 44 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

recent round of the ECB Survey of Professional Forecasters with those in the fourth quarter of 2008.

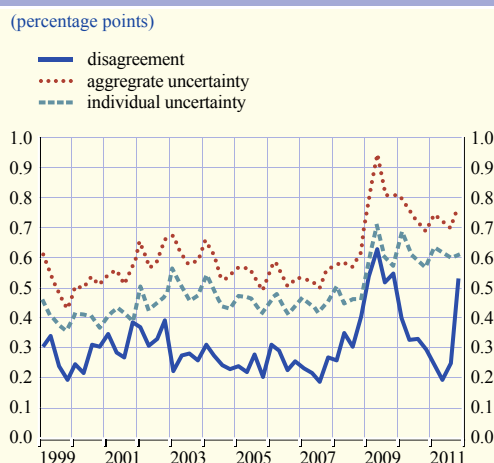
In October, the last month for which an official HICP breakdown is available, the annual rate of change in the energy component stood at 12.4%, thus remaining in double digits for the 11th consecutive month (see Chart 44). This elevated annual rate of change is attributable mainly to the sharp hikes in crude oil prices (amounting to more than 25%) at the end of 2010 and the beginning of 2011. Since April 2011 euro area energy inflation has risen only by slightly less than 1%. Moreover, oil prices in euro terms have been broadly constant since March, fluctuating around a level of just above €80 per barrel. The strongest rates of increase were observed in the sub-components most closely linked to oil, namely transport and heating fuel, which stood at 14.1% and 24.1% respectively. The prices of the other main energy sub-components, such as gas and electricity, tend to follow trends in oil prices with a lag. Thus, despite the broad stability of oil prices in euro terms over the past six months, upward pressure is still being exerted on the prices of these sub-components. In October natural gas prices rose by 10.1% year on year. In the euro area, changes in natural gas prices tend to be concentrated in four months of the year (January, April, July and October), with around two-thirds of price changes occurring in these months. Owing to the way natural gas prices are set in Europe – gas import prices are predominantly index-linked with some lag to oil prices – consumer prices for natural gas are likely to rise further in the first half of 2012.

Box 7

REVISIONS TO FORECASTS IN THE ECB SURVEY OF PROFESSIONAL FORECASTERS: END-2011 COMPARED WITH END-2008

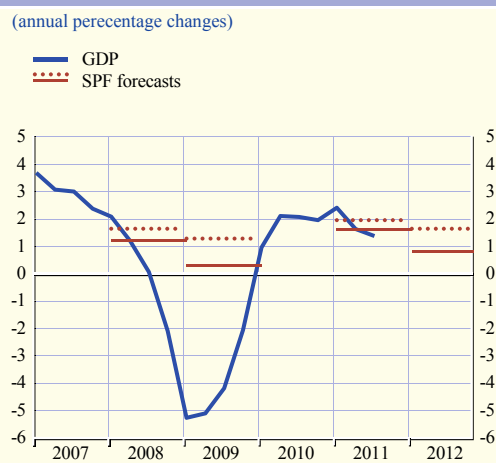
Owing to the tensions in sovereign debt markets, the economic outlook for the euro area is currently subject to high uncertainty. Indeed, measures of disagreement and uncertainty in the ECB Survey of Professional Forecasters (SPF) currently stand at relatively high levels (see Chart A). However, indicators of implied stock market volatility (e.g. the VSTOXX®

Chart A Disagreement and uncertainty around SPF real GDP growth forecasts for the year ahead



Source: ECB calculations.
 Note: Disagreement is defined as the standard deviation of the point forecasts. Individual uncertainty is defined as the average standard deviation of the individual density forecasts, while aggregate uncertainty is defined as the standard deviation of the aggregate probability distribution.

Chart B Euro area real GDP growth and SPF forecasts



Sources: Eurostat and ECB.
 Note: The solid red lines for 2008/2009 and 2011/2012 refer to forecasts provided in the fourth quarter surveys of 2008 and 2011, while the dotted lines refer to forecasts provided in the third quarter surveys of 2008 and 2011.

and the VIX[®])¹ suggest that the current level of uncertainty is significantly lower than it was at the end of 2008, when the intensification of the financial market tensions led to exceptionally high uncertainty. Forecasters can take increases in uncertainty into account by incorporating them directly into their baseline outlooks or by acknowledging them in the risk assessments surrounding these outlooks. Against this background, this box compares forecast revisions in the most recent SPF round with those in the fourth quarter of 2008. The comparison focuses on expectations for real GDP growth and inflation in the current year and the year ahead.

Real GDP growth expectations

The pattern of revisions to the short-term outlook for economic growth is very similar across the two survey rounds under review. In both cases, annual real GDP growth stood at around 1½% in the second quarter, according to the latest available figures.² In the end-2008 survey, respondents on average revised down their forecasts for real GDP growth by 0.4 percentage point for the current year and 1.0 percentage point for the year ahead. This compares with slightly lower revisions of 0.3 percentage point and 0.8 percentage point respectively in the end-2011 survey (see Chart B).

1 The EURO STOXX 50[®] Volatility (VSTOXX[®]) indices reflect market expectations of near-term up to long-term volatility of the EURO STOXX 50[®] index, which covers a selection of sector-leading blue-chip companies in the euro area equity market. The CBOE Volatility Index[®] (VIX[®]) is a similar measure available for several future horizons and is based on the S&P 500[®] index, which covers leading companies in the US equity market. These measures of implied volatility are based on the prices of the options on the underlying indices.
 2 When the SPF for the fourth quarter of 2008 was conducted, the latest available figure for real GDP growth in the second quarter was 1.4%, which was later revised down to 1.2%. When it was conducted for the fourth quarter of 2011, the latest available figure for real GDP growth in the second quarter was 1.6%.

Table A Assessment of the risks to the outlook for real GDP growth

Views on the balance of risks ¹⁾	Survey rounds							
	Q3 2008		Q4 2008		Q3 2011		Q4 2011	
Survey horizon	2008	-26	-14	2011	-13	-9		
	2009	1	-19	2012	-6	3		
Probability of negative annual growth in the year ahead	Q3 2008		Q4 2008		Q3 2011		Q4 2011	
	Survey horizon	2009	1%	29%	2012	2%	11%	

1) Figures indicate the difference between a) the number of respondents reporting a point forecast below the mean of their probability distribution (indicating upside risks) and b) the number of respondents reporting a point forecast above the mean (indicating downside risks). A positive number indicates risks tilted to the upside.

It is also of interest to look at the revisions to the risk assessments in the two survey rounds under review. In both cases, the percentage of respondents that assessed risks as being, on balance, on the downside for the current year decreased in the fourth quarter survey compared with the third quarter survey. By contrast, for the year ahead, the revisions to the risk assessments went in opposite directions: in the end-2008 survey, the balance moved from being broadly neutral to a majority of respondents assessing risks as being on the downside (despite the significant downward revision in the baseline outlook), but in the end-2011 survey, it moved from views being predominantly on the downside to being broadly neutral (see Table A). This may reflect a greater and historically unprecedented uncertainty shock in 2008, which respondents dealt with by incorporating their concerns initially more strongly into the risk assessment than into the baseline outlook. Furthermore, it may be that the three years' experience of financial market tensions and the extended run-up to the intensification of the sovereign debt crisis may have led respondents in the end-2011 survey to gauge the impact as being more imminent in terms of baseline revisions. Lastly, the 2011 uncertainty shock could entail future outcomes, the likelihood of which is difficult to compute, as they will depend largely on how the sovereign debt crisis in the euro area is resolved.

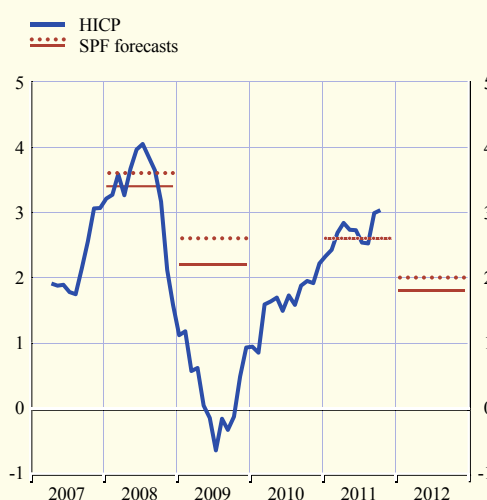
The difference between the risk assessments is also evident in the probability assigned to what may be perceived ex ante as a tail risk, namely negative real GDP growth in a year as a whole. In the end-2008 survey, the aggregate probability assigned to an average annual negative growth rate in the year ahead was 29%, up from almost zero in the previous survey round, whereas in the end-2011 survey, it was only 11%, up from close to zero in the previous round.

Inflation expectations

Revisions to the average forecast for inflation were smaller in the end-2011 survey than in the end-2008 survey. In the end-2008 survey, they were revised down by 0.2 percentage point for the current year and 0.4 percentage

Chart C Euro area HICP inflation and SPF forecasts

(annual percentage changes)



Sources: Eurostat and ECB.
Note: The solid red lines for 2008/2009 and 2011/2012 refer to forecasts provided in the fourth quarter surveys of 2008 and 2011, while the dotted lines refer to forecasts provided in the third quarter surveys of 2008 and 2011.

Table B Assessment of the risks to the inflation outlook

Views on the balance of risks ¹⁾	Survey rounds					
		Q3 2008	Q4 2008		Q3 2011	Q4 2011
Survey horizon	2008	-10	-7	2011	-23	7
	2009	-2	-14	2012	-8	-9

1) Figures indicate the difference between a) the number of respondents reporting a point forecast below the mean of their probability distribution (indicating upside risks) and b) the number of respondents reporting a point forecast above the mean (indicating downside risks). A positive number indicates risks tilted to the upside.

point for the year ahead, while in the end-2011 survey, there was no revision to the forecast for the current year and a downward revision of only 0.2 percentage point for the year ahead (see Chart C). The main reason for this difference is that, in the end-2008 survey, the expected path of oil prices in US dollar terms was revised down more strongly than in the end-2011 survey and the expectation of a depreciation of the euro had less of an offsetting impact than in the end-2011 survey. Furthermore, in the end-2008 survey, the expected growth of compensation per employee was revised down more strongly than in the latest survey round. Finally, in the end-2011 survey, respondents reported increasing upward pressure on inflation from indirect taxes, a factor that was not prevalent in 2008.

Revisions to the risk assessments also differed between the two survey rounds under review. In the end-2008 survey, the views on risks to the inflation outlook remained broadly unchanged (the balance being on the downside) for the current year and shifted further to the downside for the year ahead. By contrast, in the end-2011 survey, they moved from being mostly on the downside to being mostly on the upside for the current year, while they remained broadly unchanged, mostly on the downside, for the year ahead (see Table B).

Conclusion

In terms of the high levels of uncertainty, there are some similarities between the economic environment at the end of 2008 and that at the end of 2011. However, the results of the SPF for the fourth quarters of these years provide quantitative evidence of both similarities and differences in the revisions to baseline forecasts and risk assessments. While for real GDP growth the average downward revisions to the baseline outlooks were of a similar size across the two surveys, for inflation they were clearly smaller in the end-2011 survey. Revisions to the risk assessments also varied, with more respondents shifting to the downside in the end-2008 survey for both real GDP growth and inflation. These differences may reflect two factors. First, it may be that forecasters have learnt how to better deal with uncertainty shocks and tend to build them directly into revisions of baseline outlooks rather than revisions of risk assessments. Second, it could also be that the 2011 uncertainty shock does not lend itself to quantification in terms of probabilistic risk, as future economic outcomes will depend largely on political decisions with respect to the resolution of the sovereign debt crisis in the euro area, which could result in both upside and downside scenarios relative to the baseline.

The relationship between oil prices and consumer prices for electricity is more drawn out and less clear cut by comparison with the other energy sub-components. This is due to the fact that electricity can be generated using a variety of inputs, of which only some co-move with oil prices. However, the annual rate of change in electricity prices has risen sharply since the end of 2010, increasing from 2.7% in December to 7.5% in October 2011. The latest data suggest that there may be further increases in these components in the first half of 2012, particularly in January.

Mirroring developments in international food commodity prices, the annual growth rate of total food prices (including alcohol and tobacco) has risen steadily in the course of 2011, increasing from 1.9% in January to 3.3% in October, which is the highest it has been since December 2008. This upward trend is attributable to a combination of factors. These include upward base effects stemming from developments in food prices a year earlier, the pass-through of the hikes in food commodity prices in global markets since mid-2010, adverse weather conditions affecting selected items in the unprocessed food component (in particular meat, fruit and vegetables) and, more recently, a surge in tobacco prices, largely as a result of increases in indirect taxes in some countries. Underlying inflationary pressures stemming from the hikes in global food commodity prices have remained at an elevated level. For example, the annual rate of inflation in the processed food component (excluding tobacco) has risen further recently, driven by commodity-intensive items, such as dairy products, oils and fats and, in particular, coffee and tea. While the latter items account for only 0.4% of the HICP basket, they rose by 13.4% year on year in October 2011. Developments in producer prices also support the assessment that there are still high pipeline pressures in the food production chain. Producer prices for food items increased by 6.0% year on year in October, after 6.4% in the previous month, but this was still much higher than the historical average of 1.7% since 1999.

Excluding all food and energy items, which represent around 30% of the HICP basket, annual HICP inflation remained stable during most of 2011, standing at 1.6% in October, after falling temporarily to 1.2% in July and August. HICP inflation excluding total food and energy is determined predominantly by domestic factors, such as wages, profit mark-ups and indirect taxes, and it consists of two main components, namely non-energy industrial goods and services, developments in which have been very different.

In 2010 non-energy industrial goods inflation followed an upward trend from the second quarter until the end of the year. This was due both to upward base effects and a sequence of month-on-month increases. The latter reflected some pass-through of past exchange rate depreciation and commodity price increases, as well as tax hikes, but prices were constrained by low, albeit improving, demand and moderate wage growth. Commodity price developments (in euro terms) and moderate wage increases – together with further improvements in demand conditions and tax changes – have continued to affect inflation developments in the non-energy industrial goods component in 2011, with the rates of change having been rather volatile since the beginning of the year on account of the new regulation on the treatment of seasonal products in the HICP. Non-energy industrial goods inflation declined to 0.5% in January and 0.1% in February 2011, then rebounded to rates around 1% in the months from March to June, before dropping again to 0.0% in July and August and climbing to above 1% in September and October. This volatility was largely attributable to the semi-durable goods sub-component (clothing materials, textiles, books, etc.), with developments in the other two sub-components, namely durable goods (cars, furniture, electronic appliances, etc.) and non-durable goods (water supply, pharmaceutical products, newspapers, etc.), remaining more stable.

From September 2010 to June 2011 the annual rate of change in durable goods prices hovered around 0.3%, before dropping to levels close to zero in the months from July to October. Developments in this sub-component are largely influenced by the annual rate of change in car prices, which turned positive in July 2010 for the first time since spring 2009. In June 2011 it had increased to 1.3% and has been fluctuating around 1% ever since. Further declines in the prices of some consumer electrical and electronic goods have counteracted the impact of the increases in car prices on durable goods inflation.

Non-durable goods inflation remained close to 1% in 2010 and rose to 1.5% in the second quarter of 2011. It then fell to below 1% in the period from July to October, reflecting a decrease in the annual rates of change in the prices of various items as a result of moderate growth in demand.

Developments in the prices of semi-durable goods are normally shaped by biannual seasonal sales (winter and summer). In the fourth quarter of 2010 semi-durable goods inflation rose to 0.9%, reflecting increases in the prices of certain items, such as garments and footwear, as well as car spare parts. In 2011 semi-durable goods prices have been very volatile on account of the introduction of the new regulation on the treatment of seasonal products in the HICP, which had a downward distorting impact on the annual rates of change in the prices of clothing and footwear in both January and February, and in July and August. More specifically, semi-durable goods inflation dropped to -1.2% in February, then rebounded to 1.5% in May, before falling again to below -1% in July and August and rising to levels close to 2% in September and October. The recent higher annual inflation rates in this sub-component can be attributed to the waning effects of the new regulation, as well as “genuinely” higher price pressures affecting several items.

Services price inflation increased notably in the first half of 2011, from an annual rate of 1.5% in January to around 2.0% over the next few months, before decreasing to 1.8% in October. This pattern of an upward trend followed by some stabilisation or even weakening in the annual rates of change is observable in all the main services sub-components, with the exception of communication services. The largest contributors to the increase in the annual rate of change in services prices in the first half of the year were recreation and personal services, and transportation services. Sharp hikes in the prices of package holidays and accommodation services – owing, among other things, to the different timing of Easter and Pentecost compared with last year – were the main driver of the hike in the prices of recreation and personal services. Meanwhile, the annual rate of change for this sub-component has stabilised at around 2.2%. The annual rate of change in the prices of transportation services peaked at 3.4% in June and July, but fell to 2.9% in October, most likely owing to the absence of further substantial increases in oil prices denominated in euro. Over the past few months there has also been a slight decline in the annual rate of change for housing services, a large part of which are rents. During the summer it stood close to 1.9%, but then fell to 1.7% in October. The annual rate of change in miscellaneous services prices, which include, for instance, prices for health and education, also declined slightly to 2.0% in October. Following stronger increases at the start of the year, the inflation rates of these sub-components have hovered around 2.1% for most of 2011. Finally, communication services is the only services sub-component that has shown a very distinct development pattern compared with the others. As a result of changes in the prices of telecommunication equipment and services, prices for communication services have declined significantly in the course of 2011, falling from -0.2% in January to -1.9% in October.

Looking ahead, on the basis of current oil prices, which averaged around €82 per barrel during November 2011, as well as the prices of oil futures contracts, the annual rate of change in the energy component of the HICP is expected to decline substantially from November, despite potential further increases in prices for consumer natural gas and electricity. This decline should reflect the fact that previous strong increases one year earlier will start to drop out of the annual comparison (base effects). However, the extent to which these base effects will actually be evident in the profile of this component will depend on the degree to which expectations currently embodied in oil price futures (i.e. slight declines in crude oil prices or at least no further substantial increases) are realised.

Given the current futures prices for food commodities, the annual rate of growth in food prices is expected to remain around its current high level until mid-2012, before starting to decline thereafter, also as a result of downward base effects. However, there is a large degree of uncertainty surrounding the outlook for commodity prices. Furthermore, the extent of the pass-through of higher commodity prices will depend on the strength of consumer demand, as well as on the behaviour of producers and retailers, who might react to the price changes by adjusting their profit margins.

Available leading indicators for non-energy industrial goods inflation, such as developments in producer and import prices for consumer goods (excluding food and tobacco), show that there are still upward pipeline pressures at the later stages of the production chain. Moreover, increases in indirect taxes are likely to affect non-energy industrial goods inflation in the period ahead. At the same time, pipeline pressures at the early stages of the production chain have eased further, mainly reflecting the recent moderation in commodity price developments and their impact on the energy and intermediate goods industries. However, the extent of the pass-through of these price developments to non-energy industrial goods inflation is uncertain, as it may be constrained by a low share of directly imported goods and the buffer provided by retailers' margins. Overall, non-energy industrial goods inflation is expected to decline slightly in the coming months.

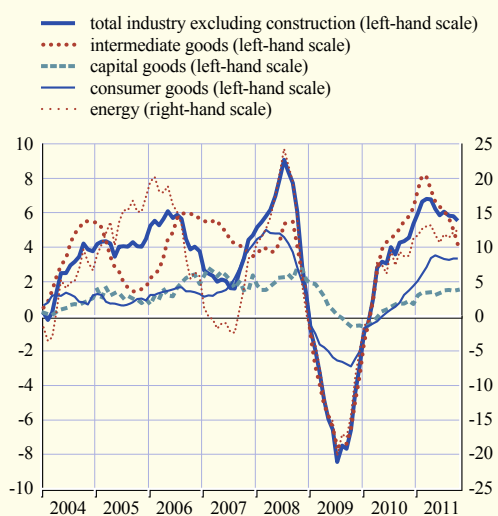
Finally, services price inflation is expected to remain broadly stable at its current level over the coming quarters, reflecting moderate developments in domestic demand and largely contained wage pressures.

3.2 INDUSTRIAL PRODUCER PRICES

From their trough in the summer of 2009, supply chain pressures rose steadily until recently (see Table 7 and Chart 45). In the first half of 2011 the annual rate of change in industrial producer prices (excluding construction) oscillated around 6%, peaking at 6.8% in March and moderating thereafter. In July it edged up

Chart 45 Breakdown of industrial producer prices

(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

again slightly to 6.1%, but since August it has been below 6%, reaching 5.5% in October. In the same month industrial producer price inflation (excluding construction and energy) decreased to 3.2% year on year.

Looking in more detail at the main components of the overall PPI, it appears that the downward trend in industrial producer price inflation is being driven predominantly by the intermediate goods component, owing to a moderation in commodity prices. In other words, at the moment, the easing in pipeline pressures is more visible at the earlier stages of the pricing chain than at the later stages (e.g. producer prices for consumer goods excluding food).

Within the consumer goods component, the annual rate of change in the prices of non-durable consumer goods only turned positive in May 2010 and had been rising until earlier this year. As it depends on developments in producer prices for food items, the annual rate of change in non-durable consumer goods prices has hovered between 3.3% and 3.5% since April 2011. Although the recent increases in producer prices for food items have been strong, they have been less extreme than those recorded in 2008. Producer prices for consumer goods excluding food and tobacco entered into positive territory in autumn 2010 and have been on the rise ever since. In October 2011 the annual rate of change stood at 1.5%, unchanged from the previous month. This is the highest it has been since 2001 and therefore signalled continued pipeline pressures for underlying consumer price inflation.

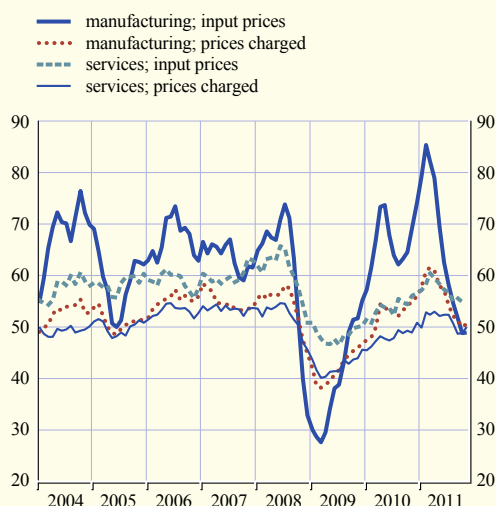
With regard to survey information on producer price developments, price data from the Purchasing Managers Index (PMI) showed moderate increases in most indices in November, interrupting the downward trend that had been ongoing for several months (see Chart 46). In the services sector, the input price index increased further to 55.4, from 54.9 in the previous month, while in the manufacturing sector it remained broadly stable at 48.9. The selling price index rose slightly in both sectors, from 50.0 to 50.6 in the manufacturing sector and from 48.8 to 50.0 in services sector. Despite these increases, industrial producer price inflation is expected to continue its downward trend, owing to an overall moderation in commodity price developments. The elevated levels of producer price inflation continue to reflect the ongoing pipeline pressures.

3.3 LABOUR COST INDICATORS

In line with the slow improvement in labour market conditions, labour cost developments remained subdued throughout 2010. Since the beginning of 2011, however, domestic cost pressures in the euro area have been increasing gradually on the labour cost side (see Table 8 and Chart 47).

Chart 46 Producer input and output price surveys

(diffusion indices; monthly data)



Source: Markit.

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

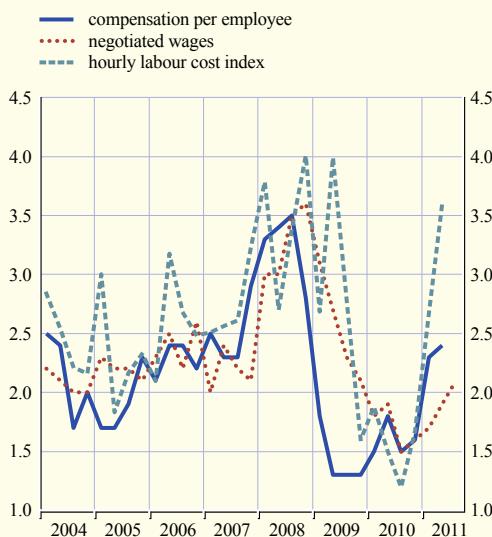
In the first half of 2011 the annual growth rate of euro area compensation per employee picked up markedly, rising by 2.3% in the first quarter and by 2.4% in the second quarter, after an average growth rate of 1.6% in 2010. This increase was attributable to the spurt in the rate of growth in compensation per hour worked, despite the fall in the number of hours worked per employee. The annual rate of growth in hourly labour costs surged to 3.6% in the second quarter. This acceleration was broadly based across sectors (see Chart 48), but was particularly strong in the industrial and construction sectors. At the country level, Germany appears to be the main driver of the acceleration, owing to both increasing bonus payments and the further phasing-out of short-time work schemes. Overall, non-wage costs continued to grow at a faster rate than the wages and salaries component of euro area hourly labour costs.

Turning to developments in euro area negotiated wages – the only labour cost indicator which is available for the third quarter of 2011 – their annual growth rate increased to 2.1% year on year in that quarter, after 1.9% in the previous quarter. Looking ahead, it is likely that the pattern of higher, albeit still moderate, wage growth will by and large continue in the near term. At present it is uncertain to what extent the high HICP inflation rates seen in recent months could trigger higher salary demands, after the muted increases agreed in past years. In some countries, existing wage indexation schemes that link wage revisions to past inflation will most likely lead to higher wage increases. More generally, however, there appears to be little pressure for stronger wage growth, in view of the ongoing slack in the labour market.

Finally, measured on a per head basis, labour productivity grew by 2.2% on average in 2010. This represented a significant recovery from the average recorded in 2009, when labour productivity declined by 2.3%. Having slowed considerably by the end of 2010 owing to the gradual rise in employment, productivity growth picked up in the first quarter of 2011, increasing by 2.1%. However, as a result of the slowdown in real GDP growth in the second quarter of 2011, the annual

Chart 47 Selected labour cost indicators

(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.

Table 8 Labour cost indicators

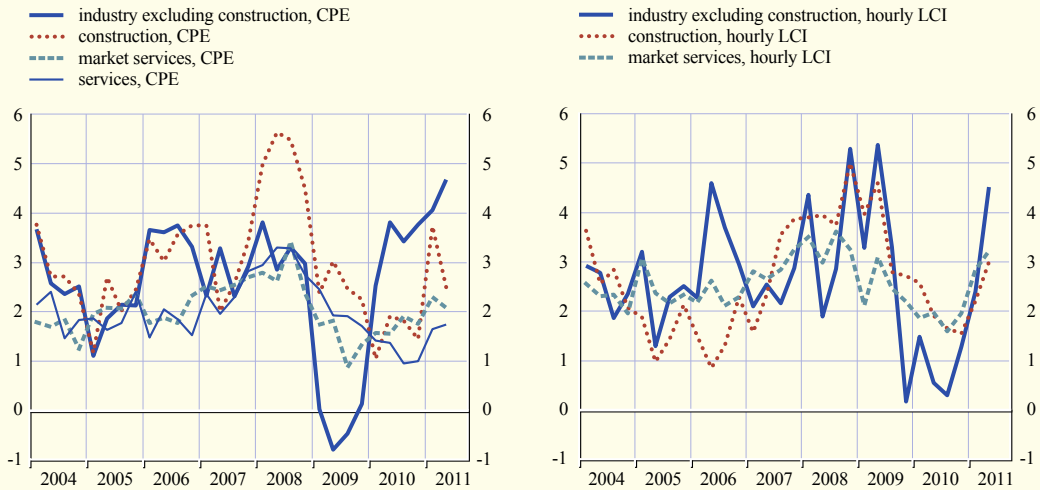
(annual percentage changes, unless otherwise indicated)

	2009	2010	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3
Negotiated wages	2.6	1.7	1.5	1.6	1.7	1.9	2.1
Hourly labour cost index	2.8	1.6	1.2	1.7	2.7	3.6	-
Compensation per employee	1.4	1.6	1.5	1.6	2.3	2.4	-
<i>Memo items:</i>							
Labour productivity	-2.4	2.3	2.2	1.8	2.1	1.2	-
Unit labour costs	3.9	-0.7	-0.7	-0.2	0.2	1.3	-

Sources: Eurostat, national data and ECB calculations.

Chart 48 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”.

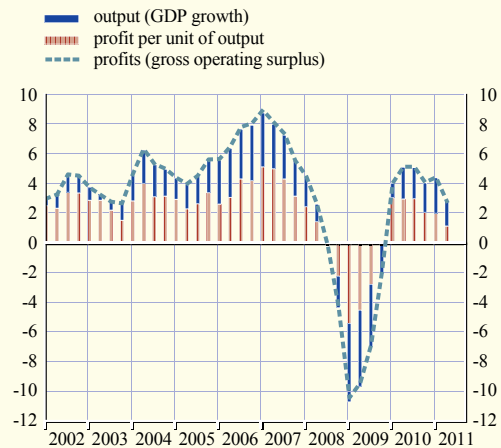
growth rate of labour productivity declined again to 1.2%, while that of compensation per employee increased further. Consequently, unit labour cost growth increased to 1.3% year on year in the second quarter, from 0.2% in the previous quarter, having remained in negative territory in 2010. Looking ahead, the latest surveys point to a further slowdown in productivity in the coming quarters, which could drive up growth in unit labour costs.

3.4 CORPORATE PROFIT DEVELOPMENTS

Growth in corporate profits (measured in terms of gross operating surplus) declined notably in the second quarter of 2011, to 2.8% year on year, following growth rates of more than 4.5% on average in previous quarters (see Chart 49). This marked slowdown in corporate profit growth reflects the moderation in annual GDP growth in the second quarter, as well as a more modest increase in unit profit growth owing to the notable slowdown in productivity growth. This pattern of weaker profit growth becomes even more apparent when focusing on short-term dynamics. In quarterly terms, corporate profits rose by only 0.2% in the second quarter of 2011, in line with real GDP growth in that quarter, while unit profit growth stagnated.

Chart 49 Breakdown of euro area profit growth into output and profit per unit of output

(annual percentage changes; quarterly data)



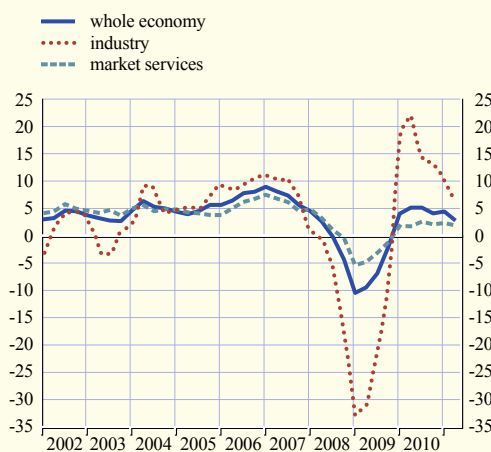
Sources: Eurostat and ECB calculations.

Developments in the large economic sectors show that corporate profit growth weakened in the second quarter of 2011. While year-on-year corporate profit growth in the market services sector moderated only slightly to 1.9%, from 2.1% on average in the previous quarter, it fell substantially in the industrial sector to 6.1%, from 15.8% on average in the previous quarter (see Chart 50). Quarter on quarter, corporate profit growth declined somewhat in the industrial sector, but remained stable in the market services sector.

Looking ahead, corporate profit growth is expected to moderate much further in line with the modest growth outlook for economic activity and subdued developments in unit profit growth, which are a reflection of weak demand, as well as weak productivity developments.

Chart 50 Euro area profit developments by main branch of activity

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

3.5 THE OUTLOOK FOR INFLATION

Looking ahead, inflation rates are likely to stay above 2% for several months to come, before declining to below 2%. This pattern reflects the expectation that, in an environment of weaker growth in the euro area and globally, underlying cost, wage and price pressures in the euro area should also remain modest.

The December 2011 Eurosystem staff macroeconomic projections for the euro area foresee annual HICP inflation in a range between 2.6% and 2.8% in 2011, between 1.5% and 2.5% in 2012 and between 0.8% and 2.2% in 2013. Compared with the September 2011 ECB staff macroeconomic projections, the projection ranges for 2011 and 2012 have been revised slightly upwards. This results from the upward impact of higher oil prices in euro terms, as well as a higher contribution from indirect taxes. The upward impact of these factors is expected to more than compensate the downward adjustments to profit margins and wage growth that are related to the downward revision of activity.

Risks to the medium-term outlook for price developments continue to be seen as broadly balanced. On the upside, the main risks relate to further increases in indirect taxes and administered prices, owing to the need for fiscal consolidation in the coming years. The main downside risks relate to the impact of weaker than expected growth in the euro area and globally.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Real GDP in the euro area grew by 0.2% quarter on quarter in the third quarter of 2011, unchanged from the previous quarter. Evidence from survey data points to weaker economic activity in the fourth quarter of this year. A number of factors seem to be dampening the underlying growth momentum in the euro area. They include a moderation in the pace of global demand growth and unfavourable effects on overall financing conditions and on confidence resulting from ongoing tensions in euro area sovereign debt markets, as well as the process of balance sheet adjustment in the financial and non-financial sectors. At the same time, euro area economic activity is expected to recover, albeit very gradually, in the course of next year, supported by resilient global demand, very low short-term interest rates and all of the measures taken to support the functioning of the financial sector.

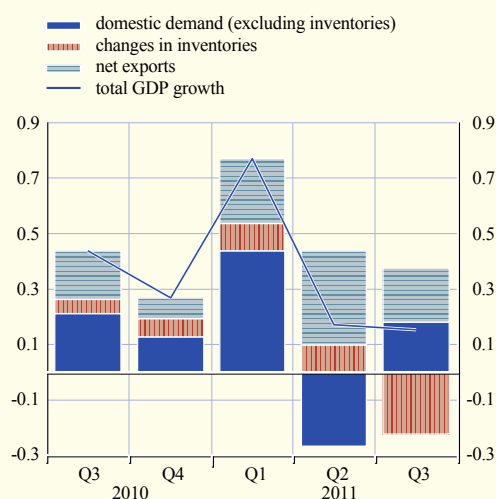
This assessment is also reflected in the December 2011 Eurosystem staff macroeconomic projections for the euro area, which foresee annual real GDP growth in a range between 1.5% and 1.7% in 2011, between -0.4% and 1.0% in 2012 and between 0.3% and 2.3% in 2013. Compared with the September 2011 ECB staff macroeconomic projections, there is a narrowing of the range of the real GDP growth projection for 2011 and a significant downward revision of the range for 2012. Substantial downside risks to the economic outlook for the euro area exist in an environment of high uncertainty.

4.1 REAL GDP AND DEMAND COMPONENTS

According to Eurostat's second release, euro area real GDP grew by 0.2% on a quarterly basis in the third quarter of 2011, following growth rates of 0.2% in the second quarter and 0.8% in the first quarter (see Chart 51). This outcome, which was in line with expectations, reflects positive contributions from domestic demand as well as net exports. Although there has been a gradual recovery in GDP since the second quarter of 2009, the level of output in the third quarter of 2011 was still 1.7% below its peak in the first quarter of 2008. Available indicators point towards very muted, possibly even negative, quarter-on-quarter GDP growth in the fourth quarter of the year. Box 8 entitled "Output volatility in the euro area" compares the pattern of output growth in the euro area during the financial crisis with that in advanced economies in previous financial crises.

Chart 51 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

Box 8

OUTPUT VOLATILITY IN THE EURO AREA

Since the trough in activity in 2009 the euro area has seen substantial changes in the pace of real GDP growth from quarter to quarter. For example, strong output growth in the first quarter of 2011 was followed by a sharp moderation in the pace of expansion in the second quarter. Similar variation in the quarter-on-quarter rates of growth was observed in 2010. Some country and sector-specific factors underlie this volatility. This box assesses whether the pattern of output growth has been unusual, comparing the recent crisis with previous banking crises in advanced economies.

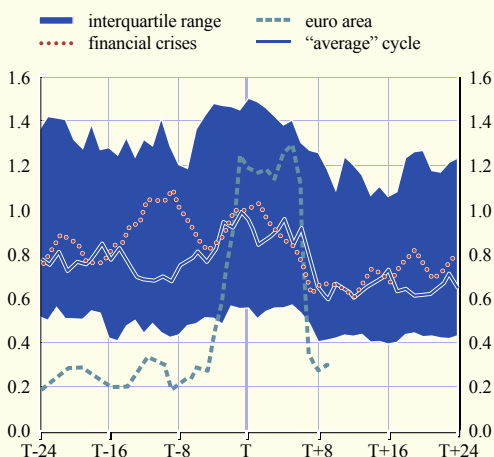
Output volatility following financial crises

Prior to the recent financial crisis there had been five systemic banking crises in advanced economies: in Spain in the late 1970s, Norway in the late 1980s, Finland and Sweden in the early 1990s and Japan during the 1990s.¹ Charts A and B provide different perspectives on the growth profile following the crises. Chart A shows rolling estimates (over an eight-quarter horizon) of the standard deviation of GDP quarter-on-quarter growth rates before and after the recessions

¹ For a definition of systemic crises, see Laeven, L. and Valencia, F., "Systemic Banking Crises: A New Database", *Working Paper Series*, No 08/224, IMF, 2008. See also Claessens, S., Kose, M.A. and Terrones, M., "What happens during recessions, crunches and busts?", *Working Paper Series*, No 08/274, IMF, 2008. See also the IMF's World Economic Outlook of April 2009.

Chart A GDP volatility across cycles

(eight-quarter rolling estimates of standard deviations of quarter-on-quarter GDP growth¹; T = cyclical trough)

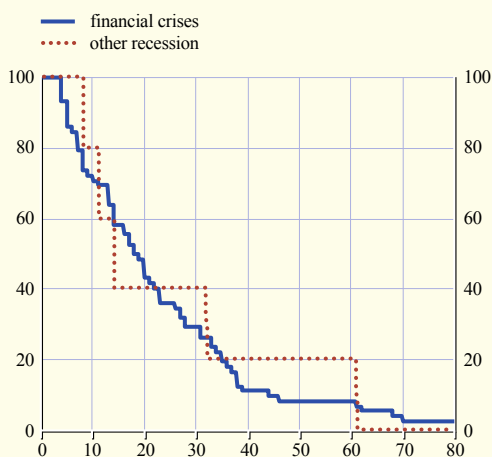


Sources: OECD, Eurostat and ECB staff calculations.

1) The x-axis measures quarters before and after the trough (T).

Chart B Length of expansions following financial crises

(percentages)



Sources: OECD, Eurostat and ECB staff calculations.

Note: The x-axis measures the length of expansion in quarters. Each line shows the proportion of the sample of cycles lasting up to a given number of quarters. Economic cycles are measured for a sample of advanced economies since 1970 and are defined based on movements in real GDP.

that followed the crises, aligned around the recession trough.² To provide a comparison with cycles not associated with financial crises, the average cyclical path, found by averaging across countries and cycles in a sample of advanced economies since 1970, is also shown. Recent euro area developments are also shown. Chart B illustrates the length of expansions following financial crises, showing the number of quarters before the economy fell back into recession (defined as two periods of negative quarter-on-quarter growth) across the sample of cycles. Overall, the charts suggest that the profile of growth following periods of severe financial turmoil does not differ considerably from that of other recoveries: there is little evidence that GDP was significantly more volatile in the aftermath of the five systemic episodes, and expansions following financial crises were typically not shorter than those following other recessions.

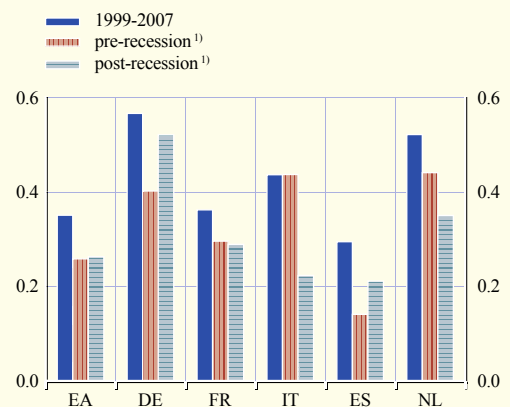
At the same time, even if the length of the expansions is not different, economies may experience more periods of negative growth following a crisis. That would be consistent with the tendency for a decline in the average pace of growth following banking crises³ – the same volatility around a lower average growth rate would tend to mean more observations of negative quarter-on-quarter growth. Indeed, this appears to be the case: in the five years after the crises, countries saw a slightly higher number of quarterly GDP falls than in the same period before the recession.

Recent volatility in the euro area

For most euro area countries, the recession did not end until 2009, providing only a relatively small window to judge post-crisis volatility in the euro area. In general, the volatility of GDP growth (measured by the standard deviation of quarterly growth rates) has not been noticeably higher in euro area countries since then. GDP volatility increased substantially in the largest euro area countries during the recession, reflecting the deep trough in output in many countries, but has since fallen back. Euro area output volatility since the end of the recession (in the second quarter of 2009) has been broadly similar to the two-year period before the recession and lower than the average volatility since the beginning of monetary union (see Chart C). The standard deviation of output volatility has also been more modest in most large euro area countries since the end of

Chart C GDP volatility in large euro area countries

(standard deviations of quarter-on-quarter growth rates)



Sources: Eurostat and ECB staff calculations.

1) Pre-recession refers to the period from Q1 2006 to Q4 2007; post-recession refers to the period from Q3 2009 to Q2 or Q3 2011 depending on the availability of data.

2 For a more in-depth discussion of economic developments following financial crises, see the article entitled “The latest euro area recession in a historical context” in the November 2009 issue of the Monthly Bulletin. For each country, economic cycles are defined based on movements in real GDP using an algorithm developed in Bry, G. and Boschan, C., “Cyclical Analysis of Time Series: Selected Procedures and Computer Programs”, *Technical Paper*, No 20, NBER, 1971; and Harding, D. and Pagan, A., “Dissecting the cycle: a methodological investigation”, *Journal of Monetary Economics*, Vol. 49, pp. 365-381, 2002.

3 See Furceri, D. and Mourougane, A., “The Effect of Financial Crises on Potential Output: New Empirical Evidence from OECD Countries”, *Working Paper Series*, No 699, OECD, 2009.

the recession than in the past. The exception is Germany, where output has been more volatile. But that mainly reflects the impact of two very cold winters in 2010 and 2011, which resulted in significant changes in construction investment from quarter to quarter. Excluding construction sector output, volatility in Germany since the end of the recession in mid-2009 has been below the average between 1999 and 2007.

To sum up, previous experience suggests that output growth is typically not more volatile following financial crises, although there has been a tendency for more frequent instances of negative quarterly growth during the recovery phase. In general, the volatility of GDP growth has not been noticeably higher in most euro area countries since the end of the recent recession. As in previous financial crises, however, the pace of the recovery has varied across countries and has been relatively subdued for the euro area overall.

PRIVATE CONSUMPTION

After a quarterly decline of 0.5% in the second quarter of 2011, private consumption increased by 0.3% in the third quarter, reaching a level slightly below its pre-recession peak in the first quarter of 2008. The outcome for the third quarter is likely to reflect positive growth in the consumption of services, as retail sales displayed flat growth and car registrations declined. Recent information from short-term indicators and surveys points to rather muted euro area consumer spending in the period ahead. Box 9 takes a closer look at the impact of the car industry on production, exports and consumption in Germany, France and Italy.

The recovery in consumption has been slower than developments in overall activity. Changes in real income, which are among the main determinants of trend developments in consumer spending, largely explain this. Although aggregate real income has been supported by increasing employment growth, at the same time it has been eroded by rising food and energy prices. Looking ahead, however, these factors should reverse their respective influences, as inflation is expected to have peaked (see Section 3), while the improvements in labour market conditions seem to have come to a halt. Household income in real terms rose slightly year on year in the second quarter of 2011 for the second consecutive quarter, following a period of contraction. This may explain in part why households stopped adjusting downwards their precautionary savings, which in turn led to a small rise in the saving ratio.

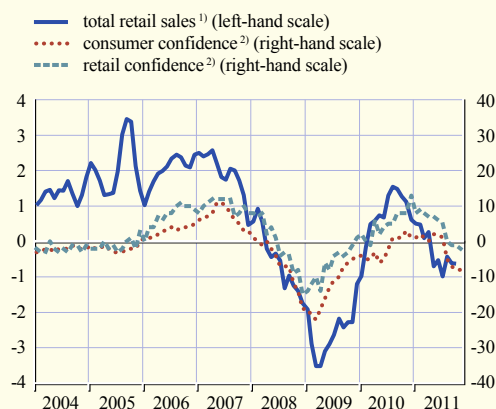
The relatively slow recovery in private consumption is also partly explained by the sharp decline in financial and housing wealth in 2008 and 2009. Over time, however, financial wealth has increased and in the second quarter of 2011 stood close to its pre-crisis level, according to the integrated euro area accounts published by Eurostat and the ECB. Furthermore, residential property prices in the euro area were up in the second quarter of 2011 year on year for the sixth quarter in a row.

Regarding short-term dynamics in the fourth quarter, “hard” as well as “soft” data point towards continued weakness in consumer spending. Although retail sales increased by 0.4% on the previous month in October, the level remained unchanged compared to the average level in the third quarter. The Purchasing Managers’ Index (PMI) for retail sales declined from 50.2 in October to 46.0 in November, pointing to falling sales in that month. According to European Commission surveys, on average retail confidence over these two months was below its average level in the third quarter and slightly below its long-term average. New passenger car registrations declined month on month by

0.8% in October, reaching a level that was 0.2% below its average level in the third quarter. By comparison, in the third quarter car registrations declined quarter on quarter by 0.7%. By contrast, the European Commission indicator on expected major purchases increased between October and November, although it remained at a historically low level. However, the indicator of consumer confidence, which provides a reasonably good idea of trend developments in consumption, declined in November for the fifth consecutive month, albeit to a lesser extent than in the previous month. The index is thereby continuing on its downward path that started in June 2011, and has now reached the level at which it stood in September 2009 (see Chart 52). This is well below its historical average and is therefore consistent with continued muted developments in consumer spending.

Chart 52 Retail sales and confidence in the retail trade and household sectors

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.

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

2) Percentage balances; seasonally and mean-adjusted.

Box 9

RECENT DEVELOPMENTS IN THE CAR INDUSTRY IN MAJOR EURO AREA COUNTRIES

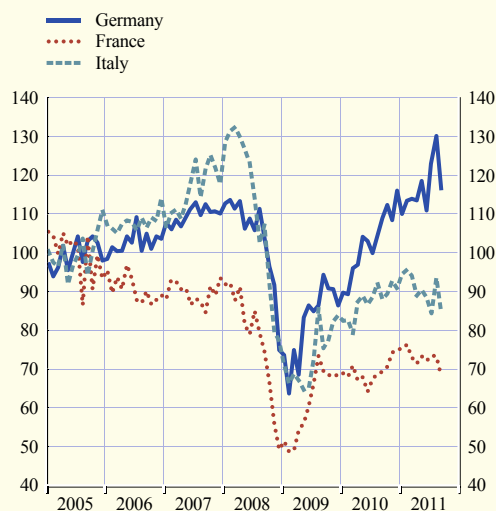
This box looks at recent developments in the car industry in Germany, Italy and France. It describes the production side, the role of exports and the impact of car purchases on domestic consumption.

Production

The production of motor vehicles, trailers and semi-trailers (hereafter simply referred to as “cars”) has recovered for the major European car manufacturers since its trough in early 2009 but, as Chart A shows, the recovery has been much stronger in Germany than in France and Italy. German car production was at record high levels in the third quarter of 2011, whereas French and Italian car production stood at around 15% and 30% below previous peaks respectively. The economy-wide impact of the post-2009 car production boom is magnified by the importance of the car industry in

Chart A Manufacture of motor vehicles, trailers and semi-trailers (including parts)

(index: 2005 = 100; monthly data; working day and seasonally adjusted)



Source: Eurostat.

Germany. Car production constitutes a larger share of total manufacturing production in Germany than in France and Italy (the available shares for 2005 were 13% for Germany, compared with 8% for France and 5% for Italy).

Exports

Looking at the recovery in car exports from their trough in early 2009, a similar picture emerges as for car production. Total car exports from Germany have recorded new highs in 2011, whereas car exports from France and Italy have been about 45% and 40% below previous peak levels, respectively (see Chart B). The strength of German exports is largely due to extra-EU exports. Indeed, in 2011 extra-EU exports exceeded the peak level of 2007 by more than 30% in Germany. The table provides some insights into the underlying reason for the comparatively strong extra-EU car export performance of Germany. In 2010 Germany had the highest share of extra-EU car exports in total exports (almost 50%), with the main trade partners being the United States and China, each having a share of around 10%. In France and Italy, the shares of extra-EU car exports are only about 20% and 30% respectively.

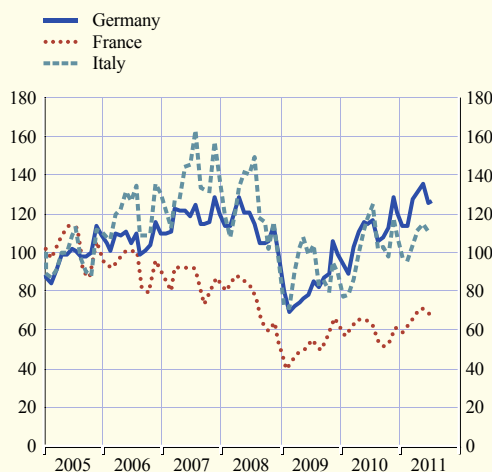
With regard to China being an important and growing car export market, Chart C shows that Germany has been the main beneficiary of increasing car exports to China. From 2008 to 2010 the volume of German car exports (including parts) to China increased by more than 200%. In 2011 Germany's share in the value of total car imports into China has amounted to 60%, compared with a cumulative share of around 4% for France and Italy. By 2010, in addition to exports of finished cars, German car manufacturers were producing an increasing number of cars abroad. For German car manufacturers, one of the main external locations for car production is China, where they made more than 1.5 million cars in 2010.

Domestic consumption

Car purchases do not generally shape overall domestic consumption in the three

Chart B Exports of motor vehicles, trailers and semi-trailers (including parts)

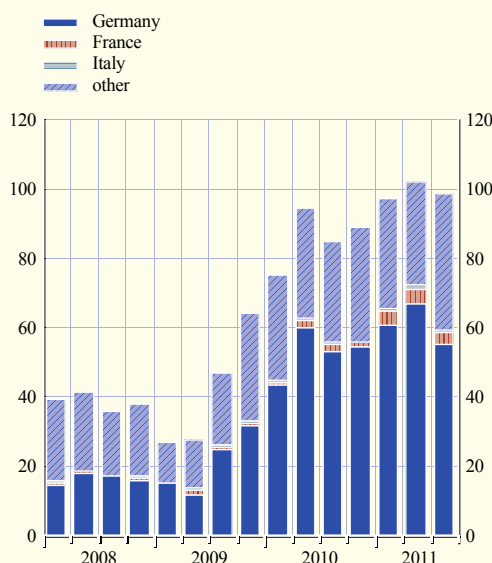
(index: 2005 = 100; monthly data; three-month moving averages; seasonally adjusted)



Source: Eurostat.

Chart C Imports of motor vehicles (including parts) for final assembly into China

(thousand of vehicle units; quarterly data; not seasonally adjusted)



Source: CEIC.

Geographical breakdown of exports of motor vehicles, trailers and semi-trailers (including parts)

(percentage share in the value of total exports, 2010)

	Germany	France	Italy
EU27	52.2	81.2	72.4
United States	13.3	0.2	7.3
China	8.9	0.5	1.7
Switzerland	2.9	2.7	4.5
Turkey	2.0	2.0	2.0
Russia	2.1	1.9	0.3
Japan	2.7	1.0	2.3
Australia	1.8	0.6	1.1
Norway	1.5	0.8	0.3
Canada	1.9	0.1	0.1
South Korea	1.4	0.2	0.2
Other	9.2	8.6	7.8

Source: Eurostat.

countries. This is due to the relatively small share of car purchases in overall consumer spending (about 5% in Germany and slightly less in France and Italy). In some specific years, however, car purchases have affected the consumption pattern since the recovery started in 2009. This is illustrated in Chart D, which shows the level of passenger car registrations in Germany, France and Italy. The timing of car purchases has been particularly affected by the introduction and withdrawal of the various car scrappage schemes. For instance, passenger car registrations increased in Germany by more than 20% in 2009. In 2010, however, registrations declined by a similar percentage following the withdrawal of the German scheme. Similarly, registrations in France rose by 13% in 2009, before declining by almost 4% in the following year. More recently, in 2011 (data are available up to October) domestic passenger car sales in Germany have been making a positive contribution to overall consumption growth, while in France and Italy passenger car purchases have declined and have thus contributed negatively to consumption growth in both countries.

To sum up, car production developments have been significantly stronger in Germany than in Italy and France in recent years. This difference mainly reflects stronger extra-EU exports from Germany and, to a lesser extent, more dynamic domestic car sales. Output growth in Germany has benefited not only from the much stronger production expansion in the car industry in Germany than in France and Italy, but also from the much higher share of car production in total manufacturing production.

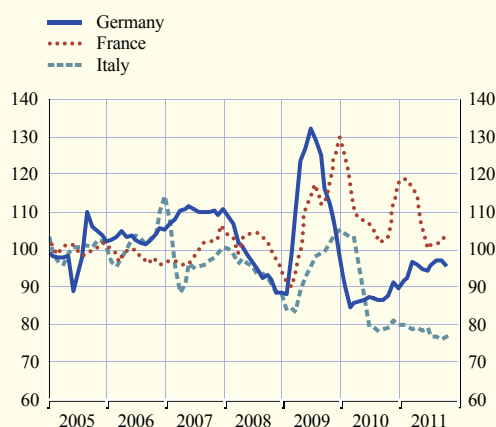
INVESTMENT

The gradual improvement in gross fixed capital formation over the past two years was interrupted in mid-2011, as quarter-on-quarter investment growth slowed to 0.0% and 0.1% in the second and third quarters respectively.

As regards the third quarter of 2011, the full breakdown of capital formation is not yet available. Short-term indicators of non-construction investment – which accounts for half of total investment – point to a low outcome. Subdued overall economic and profit developments, tighter financing

Chart D New passenger car registrations

(index: 2005 = 100; monthly data; three-month moving averages; seasonally adjusted)



Source: ACEA.

conditions, a further fall in capacity utilisation below its long-term average and a sizeable decline in manufacturing confidence all point to a weak third quarter. Available aggregated country data support this picture.

Residential and non-residential construction investment is likely to have contracted in the third quarter, as suggested by the continuous fall in confidence in the construction sector. In addition to the adjustment process that construction activity is undergoing in some countries, it is likely that the overall tighter financing conditions will have dampened construction investment.

The few early indicators available for the fourth quarter of 2011 suggest a further slowdown in non-construction capital formation in the euro area. New orders of capital goods from the euro area shrank particularly strongly in September. Capacity utilisation rates have continued to fall, implying a reduced need to expand production capabilities in the near term. Financing conditions have deteriorated, although to a various extent across countries, which also dampens productive capital formation. Survey data on industrial confidence, such as the manufacturing PMI and its new orders component, show a strong drop up to November 2011, to levels not witnessed since mid-2009.

Although the outlook for construction investment is slightly more favourable for the fourth quarter of 2011 than for the third, activity is still expected to be subdued, owing to ongoing adjustments in those regions where it had expanded extraordinarily in the pre-crisis period. Over a longer time horizon non-construction investment is expected to strengthen modestly in 2012, in line with a gradual recovery in economic activity. There are downside risks to the outlook and uncertainty is very high. According to the recent European Commission industrial investment survey, euro area managers expect negative growth in their investment volumes in 2012.

GOVERNMENT CONSUMPTION

Recently, growth in government consumption has been moderate, reflecting fiscal consolidation efforts in a number of countries. Following a slight quarter-on-quarter decline in the second quarter of 2011, real government consumption displayed flat growth in the third quarter.

Looking at individual components, restraint in compensation of government employees, which has a weight of close to half of total government consumption, has been a major dampening force on total nominal government consumption. This restraint stems from moderate wage developments and employment reductions in several countries. Intermediate government consumption expenditure (which accounts for slightly less than a quarter of the total) has also been declining, owing to the ongoing consolidation efforts of governments. Social transfers in kind, which also account for almost a quarter of government consumption, have been growing more in line with historical averages. This is because social transfers in kind include items such as health expenditure, which have a somewhat autonomous dynamic.

Looking ahead, the impetus to domestic demand from government consumption is expected to remain limited in the coming quarters as a result of further expected fiscal consolidation efforts in a number of euro area countries.

INVENTORIES

The pronounced inventory depletion that accompanied the deep recession of 2008 and 2009 and its only partial replenishment during the subsequent recovery have left producers with fairly lean

inventories. Nonetheless, the impending slowdown in activity could still lead to some reduction in the pace of net restocking observed recently, with some significant negative contributions of inventories to growth in the second half of 2011 and the beginning of 2012.

After the pace of net destocking reached a maximum 0.7% of GDP (in value) in the second quarter of 2009, on the back of very deteriorated demand prospects as well as very tight financing conditions, destocking gradually eased in intensity thereafter, with improved demand expectations and more favourable financing conditions, eventually turning into restocking by mid-2010. From the third quarter of 2009 this led to positive or neutral contributions of the changes in inventories to GDP growth for eight consecutive quarters, which amounted to a significant cumulated total of 1.1 percentage points, accounting for slightly less than a third of the growth in GDP over that period.

Since the third quarter of 2010 restocking has been reported in the national accounts, which was probably a reflection of the then stronger than expected recovery in activity rather than deliberate attempts by firms to relax tight inventory policies. Indeed, survey data as well as other anecdotal evidence point towards a corporate willingness to keep inventories lean. In both the first and second quarters of 2011, inventories contributed 0.1 percentage point to quarter-on-quarter GDP growth.¹

The conjunction of substantial net additions of inventories observed in mid-2011 (0.6% of GDP in value in the second quarter of 2011), together with a recent but marked deterioration in business perspectives, have led firms to swiftly change, in a matter of a few months, their assessment of inventory levels. According to the European Commission's business surveys, these levels are now considered to be close to normal. PMI surveys also point to a pattern of compression of input and retail inventories, leading to some involuntary additions of finished good inventories by manufacturers.

This new configuration explains the halt in the sequence of positive contributions of inventories to growth that was observed in the past two years, with -0.2 percentage point in the third quarter of 2011. This also suggests the potential for some further negative contributions over the coming quarters, in particular if the recent tightening in financing conditions were to be protracted. Nonetheless, owing to a starting point of fairly lean inventories in terms of levels, the scope for a pronounced destocking similar to that observed after the bankruptcy of Lehman Brothers seems more limited at this stage, pointing towards a generally milder inventory cycle on the basis of current projections.

EXTERNAL TRADE

After a slowdown in euro area trade during the second quarter of 2011, both exports and imports rebounded in the third quarter of 2011, growing quarter on quarter by 1.5% and 1.1% respectively. Export growth was stronger than import growth, leading to a positive net contribution by trade to GDP growth. A slowdown in intra-euro area trade was offset by a slight pick-up in extra-euro area trade over the same quarter.

Data on trade values for goods and services available up to September 2011 indicate that extra-euro area trade grew moderately in the third quarter of the year. According to the balance of

¹ It is hard to assess the extent to which the latest outcome was affected by the natural disaster in Japan in mid-March 2011. In addition, caution is warranted when interpreting quarterly developments in such contributions, as significant statistical uncertainty is linked to the way inventories are estimated in national accounts, which are also prone to revisions.

payments data, the quarter-on-quarter growth rate of goods and services exports in value terms picked up to 0.8%, whereas the quarter-on-quarter growth rate of imports remained subdued, at 0.4%, in the third quarter of 2011 (compared with 0.2% and 0.5% respectively in the previous quarter). Overall, extra-euro area exports of goods in the third quarter were supported by import demand from emerging economies, partly owing to the unwinding of supply-chain disruptions (see Chart 53). In addition, demand from advanced economies also strengthened, in particular from the United Kingdom and the United States. The breakdown by product category indicates that growth in extra-euro area export values of consumption goods picked up, while the export values of capital and intermediate goods grew at a similarly subdued rate in the third quarter of 2011 as in the previous quarter.

At the same time, euro area imports grew modestly in the third quarter of 2011. The developments in extra-euro area import values mainly reflected the weakness of domestic demand and were also in line with moderating growth in euro area industrial production growth in the course of the third quarter. Among the main product categories, imports of capital and consumption goods increased, whereas imports of intermediate goods slowed.

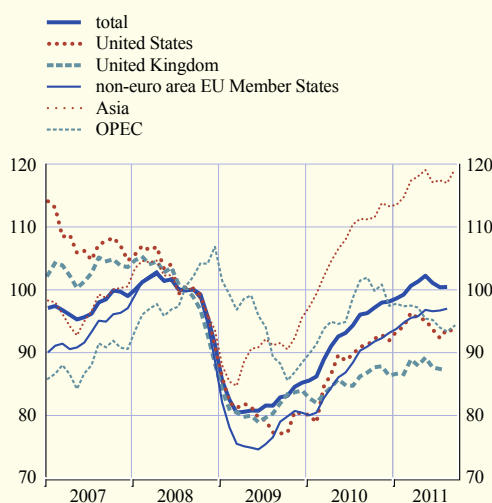
Turning to trade in services, according to balance of payments data, the value of services exports remained broadly unchanged, after declining in the previous quarter, while the value of imports increased by 2.0% in the third quarter compared with the previous quarter. The stabilisation of services exports was related to the slight increase in the demand for services from the United States and the United Kingdom, which are the largest of the euro area's trading partners for services.

Finally, the euro area current account deficit in the 12-month period to September 2011 increased compared with the corresponding period a year earlier, standing at €56.5 billion (i.e. around 0.6% of euro area GDP). This increase was mostly explained by a less positive goods balance and, to a lesser extent, by a deterioration in the income balance.

Against the backdrop of a slowdown in global activity, continued tensions in financial markets and elevated uncertainty, euro area export growth is expected to ease and display growth around zero in the near term. The available survey-based evidence is consistent with weak euro area trade in the last quarter of the year. The PMI for new export orders in the euro area manufacturing sector weakened further and was below the expansion/contraction threshold in October and November, indicating weak extra-euro area exports in the period ahead.

Chart 53 Extra-euro area export volumes to selected trading partners

(indices: Q3 2008 = 100; seasonally adjusted; three-month moving averages)



Sources: Eurostat and ECB calculations.

Notes: The latest observations refer to September 2011, except for the total, the non-euro area EU Member States and the United Kingdom (August 2011). The non-euro area EU Member States aggregate does not include Denmark, Sweden or the United Kingdom.

4.2 OUTPUT, SUPPLY AND LABOUR MARKET DEVELOPMENTS

Looking at the production side of national accounts, total value added rose further in the third quarter of this year, continuing on its upward trend since the end of the recession in the second quarter of 2009. There have been, however, marked differences in this pick-up across sectors. The strongest pick-up was recorded for the industrial (excluding construction) sector, although the level of industrial value added is still about 8% below its pre-crisis peak. While services value added has actually returned to slightly above its pre-recession peak, it has followed a more modest recovery pattern than the manufacturing sector. The value added in the construction sector, which had declined further after the end of the recession, has more or less stabilised since the beginning of 2010 and remained 13% below pre-recession levels in the third quarter of this year. Focusing on more recent developments, total value added growth stabilised at 0.2% in the third quarter of 2011, and short-term indicators point to lower and possibly negative growth in the fourth quarter.

The improvements in labour market conditions that took place up to mid-2011 have come to a halt (see the labour market section below). The unemployment rate has started to edge upwards, and surveys point to a marked slowdown in employment growth.

SECTORAL OUTPUT

The pace of expansion in total value added, which was comparatively high in the first quarter of this year – in part owing to special factors – continued in the second and third quarters of the year, with moderate rates of around 0.2% in quarter-on-quarter terms.

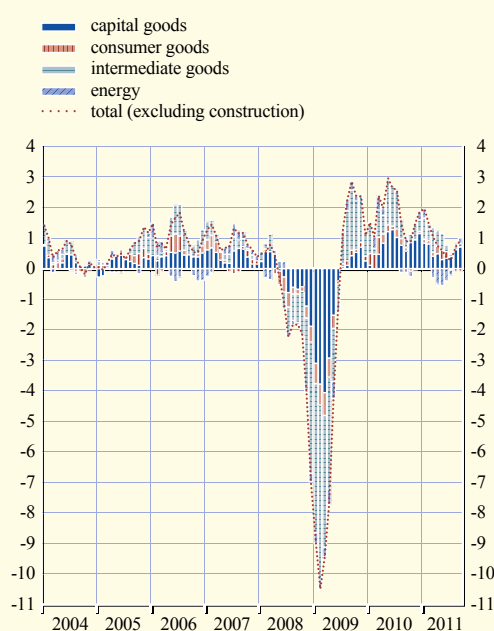
Regarding the industrial sector excluding construction, value added growth moderated further in the third quarter of 2011. The pace of expansion declined from a quarterly rate of 0.6% in the second quarter to 0.2% in the third quarter. After growing in quarterly terms by 0.4% in the second quarter, industrial production (excluding construction) continued to increase at a faster pace in the third quarter (0.9%). This acceleration was due to higher growth rates in production in the capital goods, intermediate goods and energy sectors, whereas production growth declined and turned negative in the consumer goods sector (see Chart 54).

The European Commission survey data indicate that “limits to production” increased somewhat in the three months to October 2011. This rise was mainly related to insufficient demand, whereas the supply side-related limits decreased owing to a lack of equipment, although they remained above their long-term average.

Short-term indicators suggest that the expansion in the industrial sector has come to a halt in the fourth quarter of 2011. The European Commission’s

Chart 54 Industrial production growth and contributions

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



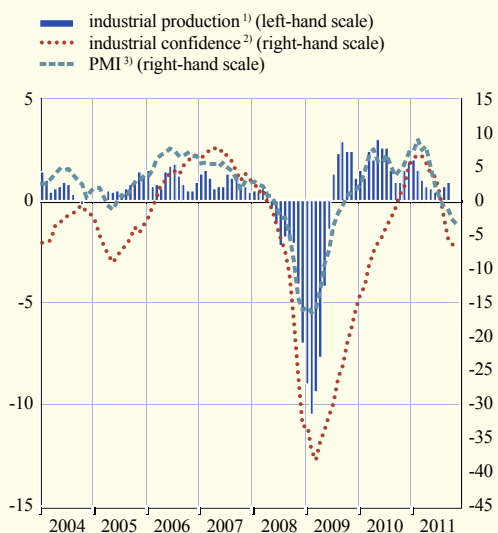
Sources: Eurostat and ECB calculations.

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

industrial confidence indicator declined further in the first two months of the fourth quarter and in November moved below its long-term average (see Chart 55). This deterioration came on the back of a lower assessment of companies' past production and export order books and growing concerns about production expectations. The manufacturing PMI output index decreased further in the first two months of the fourth quarter, standing on average clearly below the theoretical no-growth threshold of 50, and thus indicates a contraction in industrial production. Industrial new orders, most of which should subsequently appear in production, decreased strongly month on month in September 2011. This decline in new orders was broadly based across industrial groupings irrespective of the origin of the orders. The assessment regarding firms' overall order books and new orders, as reported by the European Commission and Markit, declined further in October and November. While order books remain above their long-term average, the manufacturing PMI new orders index clearly indicates further monthly declines in industrial new orders.

Chart 55 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, Markit and ECB calculations.
Note: Survey data refer to manufacturing.
1) Three-month-on-three-month percentage changes.
2) Percentage balances.
3) Purchasing Managers' Index; deviations from an index value of 50.

In the third quarter of 2011 construction value added declined quarter on quarter by 0.6%, following a slight decline in the second quarter and a strong rise in the first quarter of this year. Notwithstanding a large degree of volatility, it appears that value added in construction has been stabilising following the protracted period of a slowdown in 2008 and 2009. However, short-term indicators point towards continued negative growth in construction value added in the fourth quarter of 2011, as the construction PMI was lower in the first month of the fourth quarter, compared with the third quarter. Surveys of new orders received by euro area construction firms also declined further in October, while the European Commission business confidence indicator in the construction sector was slightly lower in the first two months of the fourth quarter than in the third quarter.

There was a quarter-on-quarter increase in services valued added of 0.2% in the third quarter of 2011, following similar growth in the previous quarter. This growth in the services sectors was, to a large extent, due to developments in the financial and insurance sector, as well as the public administration sector. Between the third quarter of 2009 and the third quarter of 2011, i.e. following the start of the recovery, quarterly growth in services averaged 0.3%, whereas average real GDP growth was slightly higher at 0.4%.

Looking ahead, surveys point to a contraction in the services sector in the fourth quarter of 2011. According to the PMI output index for the services sector, business activity was significantly lower in the first two months of the fourth quarter than in the third quarter. The index was well below the

theoretical growth threshold of 50, pointing towards a contraction in output. Similarly, the results from the European Commission survey of business confidence in the services sector also suggest a significant deterioration compared with the summer.

LABOUR MARKET

Following the slowdown in euro area activity in the second half of 2011, labour market conditions have weakened. This is reflected in a rise in the unemployment rate and deteriorating survey results regarding the short-term employment outlook.

A large part of the employment adjustment during the downturn took place through a reduction in hours worked per person employed, while headcount employment was more resilient. Consequently, the observed negative effect on employment was modest. Consistent with these developments, initial signs of an improvement in labour markets were evident from the recovery in the number of hours worked per person, with gradual increases since the second quarter of 2009, while employment growth stabilised in terms of numbers and started to expand in the last quarter of 2010. However, survey data point to a slowdown in employment growth in the third and fourth quarters of 2011, which is consistent with the observed increase in the unemployment rate in the two months up to October 2011.

Total hours worked fell quarter on quarter in the second quarter of 2011, following positive growth in the previous quarter. At a sectoral level, the change in hours worked turned slightly negative in the construction sector, after an increase in the preceding quarter, overall confirming the ongoing weakness in this sector. Similar decreases in growth were recorded for the industry (excluding construction) sector and, to a lesser extent, for the services sector.

Employment rose on a quarterly basis by 0.3% in the second quarter of 2011, accelerating compared with the first quarter. Total services employment increased by 0.4% quarter on quarter in the second quarter. Furthermore, employment changes turned somewhat positive during the second quarter of this year in industry (including construction), after negative growth during the fourth quarter of 2010 and the first quarter of 2011 (see Table 9).

Table 9 Employment growth

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

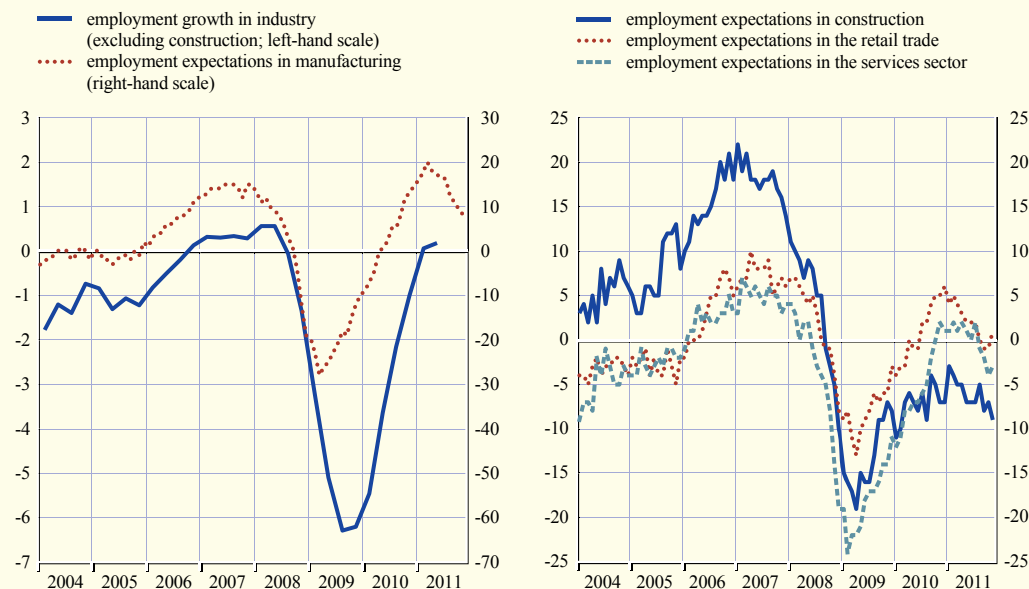
	Persons					Hours				
	Annual rates		Quarterly rates			Annual rates		Quarterly rates		
	2009	2010	2010	2011	2011	2009	2010	2010	2011	2011
			Q4	Q1	Q2			Q4	Q1	Q2
Whole economy	-1.9	-0.5	0.1	0.1	0.3	-3.5	0.4	0.0	0.3	-0.2
<i>of which:</i>										
Agriculture and fishing	-2.4	-0.6	0.1	-1.3	-0.7	-2.3	-1.2	-0.2	-0.3	-1.7
Industry	-5.7	-3.3	-0.3	-0.1	0.1	-9.0	-1.3	-0.5	0.6	-0.4
Excluding construction	-5.2	-3.1	0.1	0.3	0.1	-9.2	-0.3	0.1	0.6	-0.3
Construction	-6.7	-3.7	-1.0	-0.9	0.1	-8.6	-3.4	-1.8	0.5	-0.4
Services	-0.5	0.5	0.2	0.2	0.4	-1.6	1.0	0.2	0.3	0.0
Trade and transport	-1.8	-0.6	0.2	0.1	0.5	-3.0	0.3	0.0	0.0	0.0
Finance and business	-2.2	1.1	0.3	1.1	1.0	-3.5	1.7	0.6	1.2	-0.5
Public administration ¹⁾	1.5	1.1	0.2	-0.2	0.1	0.9	1.4	0.1	0.1	0.2

Sources: Eurostat and ECB calculations.

1) Also includes education, health and other services.

Chart 56 Employment growth and employment expectations

(annual percentage changes; percentage balances; seasonally adjusted)



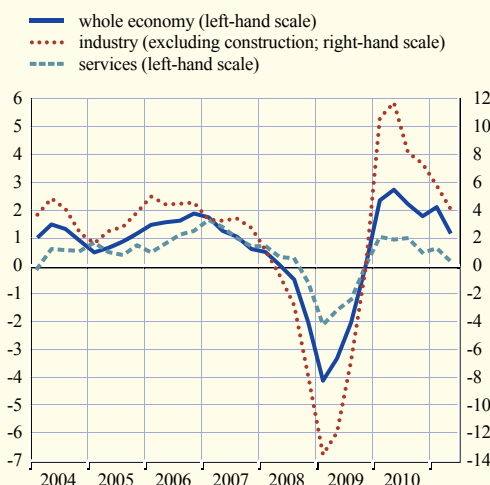
Sources: Eurostat and European Commission Business and Consumer Surveys.
Note: Percentage balances are mean-adjusted.

Looking at available “soft” data, surveys of employment expectations suggest, in line with weaker activity, that employment growth is likely to decrease in the third and fourth quarters of 2011. In particular, the euro area PMIs for employment expectations in manufacturing and services started to decline in mid-2011 and in November stood close to 50, thereby pointing to broadly flat employment growth. The European Commission business surveys provide a similar picture (see Chart 56).

The slowdown in euro area output, combined with an improvement in headcount employment, has brought about a significant decline in productivity growth. Since the fourth quarter of 2009, productivity growth has shown a positive pattern in year-on-year terms, with some sectors rebounding more quickly than others. However, as employment increased and growth weakened further, productivity slowed down. The latest available data show a decrease in productivity growth in year-on-year terms for the second quarter of 2011 (see Chart 57). As economic growth appears to be moderating, a further slowdown in labour productivity is expected. Box 10 presents an analysis of recent sectoral productivity developments in the euro area compared with the United States.

Chart 57 Labour productivity per person employed

(annual percentage changes)



Sources: Eurostat and ECB calculations.

RECENT SECTORAL PRODUCTIVITY DEVELOPMENTS IN THE EURO AREA AND THE UNITED STATES

The onset of recession heralded a sharp decline in aggregate productivity growth in the euro area, with productivity per person employed contracting by 4.1% year on year in the first quarter of 2009, according to national accounts data. Hourly productivity fell less steeply, as flexible working time arrangements and crisis measures in many euro area countries (such as short-time work in Germany) helped euro area firms adjust working hours rather than headcount employment over the course of the recession.¹ Since then, consecutive quarterly releases have shown ongoing improvements in productivity growth, with positive year-on-year growth observed since the fourth quarter of 2009. However, behind the aggregate rebound, sectoral productivity developments have differed substantially. This box examines recent sectoral productivity developments in the euro area, before comparing them with those in the United States over the past decade.

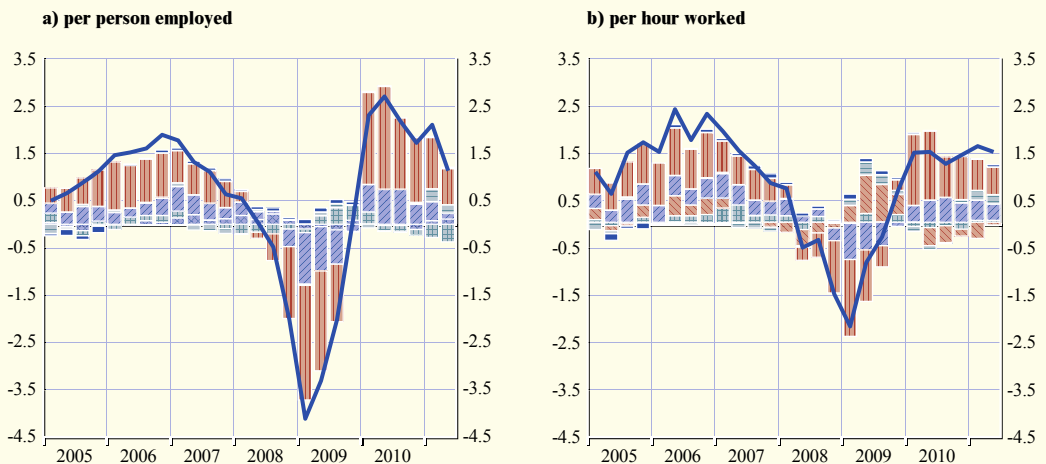
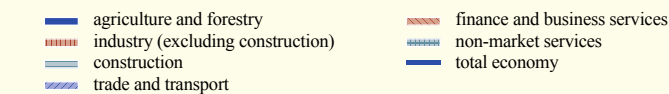
Recent productivity developments in the euro area

In the aftermath of the recession, the first sectors to show a return to positive productivity growth in the euro area were the finance and business services sector (which includes financial intermediation and insurance, real estate and renting, as well as wider business services), construction and agriculture (see Chart A). In both construction and the finance and business services sector, the early rebound came about largely as a consequence of heavy labour shedding.

1 See also the box entitled "Recent productivity developments in the euro area and the United States", *Monthly Bulletin*, ECB, Frankfurt am Main, July 2011.

Chart A Euro area labour productivity growth and sectoral contributions

(year-on-year percentage changes and percentage point contributions; quarterly data)



Sources: Eurostat and ECB calculations.
Note: Latest observation refers to the second quarter of 2011.

More recently, strong employment growth in the finance and business sector has tempered productivity growth in this sector to the point of productivity contractions from the second quarter of 2010.

Overall, however, by far the most important drivers of aggregate euro area productivity growth have been the industrial sector (excluding construction) and, to a lesser extent, the trade and transport sector (which includes retail and wholesale trade, as well as the transportation and communications sub-sectors). Both sectors recovered strongly, on the back of rebounds in demand, following sharp contractions throughout 2009. In industry, the markedly greater improvements in productivity when measured in terms of persons employed as opposed to per hour worked (contrast panels (a) and (b) in Chart A) undoubtedly reflect, in large part, the widespread use of shortened working hour schemes in that sector in the course of the crisis, and their subsequent unwinding as output demand began to recover. Such schemes were also used in the transport sector, which had similarly suffered strongly from the downturn in global trade.

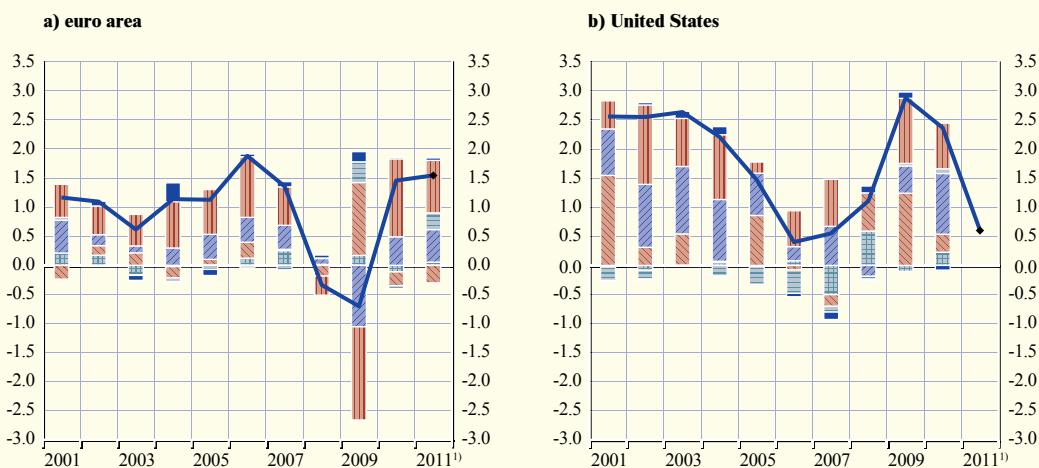
A comparison with US sectoral developments

Quarterly productivity developments are not available with the same sectoral breakdown for the United States, but the US Economic Accounts provide sectoral estimates on an annual basis up to 2010. Chart B thus compares aggregate productivity growth per hour worked, and the contributions from the main economic sectors, on the basis of annual averages for the euro area and the United States since 2001 (the earliest year for which euro area hours worked are available). Taking a longer-term perspective, Chart B clearly illustrates two marked and long-standing characteristics that distinguish the euro area from the United States. First, hourly

Chart B Sectoral productivity developments per hour worked in the euro area and the United States

(year-on-year percentage changes and percentage point contributions; annual data)

- agriculture and forestry
- industry (excluding construction)
- construction
- trade and transport
- finance and business services
- non-market services
- total economy



Sources: Eurostat, US Economic Accounts and ECB calculations.

1) Latest full-year observation refers to 2010; 2011 figures are estimates, based on data available for the first two quarters for the euro area and the first three quarters for the United States. No sectoral breakdown is yet available for the United States.

labour productivity growth has typically been somewhat higher in the United States than in the euro area. Second, the patterns of productivity growth seem to be far more broadly based in sectoral terms in the United States than in the euro area, where growth appears to come largely from industry.

Looking at more recent developments, Chart B shows a much stronger decline in productivity growth per hour worked in the euro area than in the United States over the course of the recession, despite the magnitude of the peak-to-trough declines in GDP being similar in the two economies. This could be partly related to stronger employment protection legislation in many European countries, which is likely to have helped delay labour market adjustments at a time when demand was being heavily affected. In addition, it may also reflect a higher degree of labour hoarding in many European countries in the course of the crisis – relative to the United States – particularly in countries which had experienced significant labour shortages in key areas in advance of the recession. In the United States, meanwhile, sharp declines in activity led to swift and significant labour shedding, which contributed to keeping productivity growth in positive territory throughout the crisis.

Chart B also demonstrates the markedly different sectoral drivers of productivity growth across the two economies. While, until the recent recession at least, industrial developments contributed to aggregate productivity growth to a similar extent in both economies (adding, on average, 0.7 percentage point to aggregate hourly productivity growth in the euro area and 0.8 percentage point in the United States between 2001 and 2007), a much greater share of the productivity growth observed in the United States over this time – which was much stronger than in the euro area – was generated by strong growth in trade and transport services, as well as in the finance and business sector. Between 2001 and 2007 trade and transport contributed roughly 0.8 percentage point per year, on average, to aggregate US productivity growth, compared with just 0.3 percentage point in the euro area. At the same time, the finance and business sector contributed some 0.4 percentage point per year to US aggregate productivity growth, but nothing at all to euro area productivity growth (on the basis of annual averages). Part of the explanation for these differences may be related to the somewhat slower spread of new technology (particularly information and communication technology) in the euro area than in the United States.² However, the differences are also likely to reflect the more broadly based liberalisation in financial services in the United States in the last decade than in the euro area, which led to both strong value-added growth and considerable consolidation (often through mergers and acquisitions).

As the United States emerged from recession, these three sectors quickly returned as the main – and joint – drivers of aggregate productivity growth, pushing it up to around 2.5% in 2010. A return to previous contribution patterns has also been evident in the euro area since the recovery, with industry (excluding construction) and, to a lesser extent, trade and transport together accounting for the 1.5% hourly productivity growth seen in 2010. In stark contrast to developments in the United States, and after a somewhat promising start in the initial recovery phase, the contribution of the euro area finance and business services sector to aggregate productivity growth has stalled again (contributing negatively in 2010 and in the first half of 2011).

2 For more on this aspect, see Gómez-Salvador, R., Musso, A., Stocker, M. and Turunen, J., “Labour productivity developments in the euro area”, *Occasional Paper Series*, No 53, ECB, Frankfurt am Main, October 2006.

In summary, while the industrial sector shows a similar contribution to overall productivity growth in both economic areas, other sectors – particularly the financial and business services sector – show a higher contribution in the United States than in the euro area. As economic growth appears to be slowing, euro area labour productivity growth can also be expected to slow. Further efforts to boost euro area productivity should include measures aimed at rebalancing the potential drivers of productivity growth, in particular in the underperforming service sectors. Such efforts are likely to require additional structural reforms to further open up European markets and encourage cross-border operations so as to create the conditions necessary for greater economies of scale, as well as policies aimed at stimulating innovation and promoting the use of productivity-enhancing technologies.

The unemployment rate increased for the second consecutive month, to 10.3% in October 2011 from 10.2% in September, slightly exceeding the level at which it most recently peaked in the second quarter of 2010 (see Chart 58). Along with the recent deterioration in employment expectations, this suggests that the recovery in the euro area labour market is drawing to a halt.

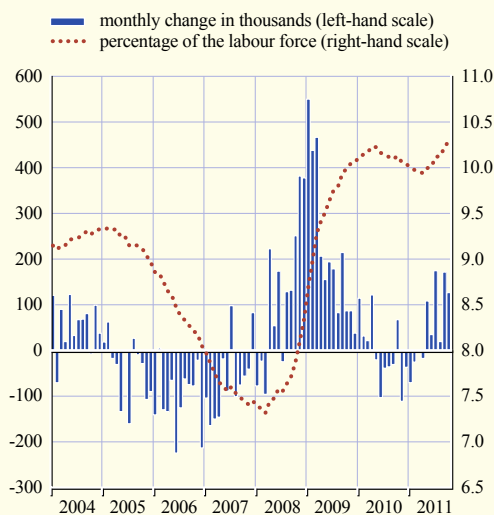
4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Real GDP in the euro area grew by 0.2% quarter on quarter in the third quarter of 2011, unchanged from the previous quarter. Evidence from survey data points to weaker economic activity in the fourth quarter of this year. A number of factors seem to be dampening the underlying growth momentum in the euro area. They include a moderation in the pace of global demand growth and unfavourable effects on overall financing conditions and on confidence resulting from ongoing tensions in euro area sovereign debt markets, as well as the process of balance sheet adjustment in the financial and non-financial sectors. At the same time, euro area economic activity is expected to recover, albeit very gradually, in the course of next year, supported by resilient global demand, very low short-term interest rates and all of the measures taken to support the functioning of the financial sector.

This assessment is also reflected in the December 2011 Eurosystem staff macroeconomic projections for the euro area, which foresee annual real GDP growth in a range between 1.5% and 1.7% in 2011, between -0.4% and 1.0% in 2012 and between 0.3% and 2.3% in 2013. Compared with the September 2011 ECB staff macroeconomic projections, there is a narrowing of the range of the real GDP growth projection for 2011 and a significant downward revision of the range for 2012. These revisions mainly reflect the impact on domestic demand of weaker confidence and worsening financing conditions, stemming from the heightened uncertainty related to the sovereign debt crisis, as well as downward revisions of foreign demand (see also Section 6).

Chart 58 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

Substantial downside risks to the economic outlook for the euro area exist in an environment of high uncertainty. Downside risks notably relate to a further intensification of the tensions in euro area financial markets and their potential spillover to the euro area real economy. Downside risks also relate to the global economy, which may be weaker than expected, as well as to protectionist pressures and the possibility of a disorderly correction of global imbalances.

5 FISCAL DEVELOPMENTS

According to the European Commission's autumn 2011 economic forecast, the aggregate euro area general government deficit has declined considerably in 2011 from 6.2% of GDP in 2010 to 4.1% of GDP in 2011. Further declines are expected in 2012 and 2013, although at a slowing pace. The euro area government debt-to-GDP ratio will, however, continue to rise. Overcoming the sovereign debt crisis and bringing the debt ratios of euro area countries onto a sustainable downward path hinges crucially on the implementation of appropriate and credible policy responses in line with the reinforced Stability and Growth Pact. The agreements following the European Council meeting of 8-9 December 2011 are an important step towards ensuring fiscal discipline.

FISCAL DEVELOPMENTS IN 2011

According to the European Commission's autumn 2011 economic forecast, the aggregate euro area general government deficit will have declined from 6.2% of GDP in 2010 to 4.1% of GDP in 2011. This clear improvement in the euro area's budget balance in 2011 is somewhat stronger than projected in the Commission's spring 2011 forecast. The better than expected fiscal outcome in 2011 is mainly due to consolidation packages – in some countries sizeable – in response to heightened financial market pressures (see Table 10). The bulk of the fiscal adjustment in 2011 results from a fall in government spending, reflecting the phasing-out of temporary fiscal stimulus measures introduced in 2009 and 2010 and a reduction in government consumption and investment. This will have resulted in a decline in the euro area expenditure ratio by 1.5 percentage points to 49.4% of GDP in 2011. Meanwhile, the revenue-to-GDP ratio for the euro area as a whole will have increased by around 0.6 percentage point to 45.3% of GDP in 2011, mainly on account of discretionary tax measures and despite stronger economic growth (see Chart 59).

Despite the better fiscal outcome for the euro area aggregate, structural adjustment efforts have been rather heterogeneous across countries. In a number of countries they appear insufficient to correct excessive deficits on time and to close the gaps with the commonly agreed consolidation commitments. With the exception of Estonia, Luxembourg and Finland, all euro area countries are subject to excessive deficit procedures (EDPs). Against this background, the ECOFIN Council on 4 October 2011 called on the countries with significant adjustment gaps to step up their consolidation efforts and to specify the measures needed to close the gaps as soon as possible and no later than in their 2012 budgets.

Table 10 Fiscal developments in the euro area

(as a percentage of GDP)

	2008	2009	2010	2011	2012	2013
a. Total revenue	45.0	44.8	44.7	45.3	45.8	45.9
b. Total expenditure	47.1	51.2	50.9	49.4	49.2	48.8
of which:						
c. Interest expenditure	3.0	2.9	2.8	3.0	3.1	3.3
d. Primary expenditure (b-c)	44.1	48.3	48.1	46.4	46.1	45.6
Budget balance (a-b)	-2.1	-6.4	-6.2	-4.1	-3.4	-3.0
Primary budget balance (a-d)	0.9	-3.5	-3.4	-1.2	-0.3	0.3
Cyclically adjusted budget balance	-2.8	-4.6	-5.0	-3.2	-2.4	-2.1
Gross debt	70.1	79.8	85.6	88.0	90.4	90.9
Memo item: real GDP (percentage change)	0.4	-4.2	1.9	1.5	0.5	1.3

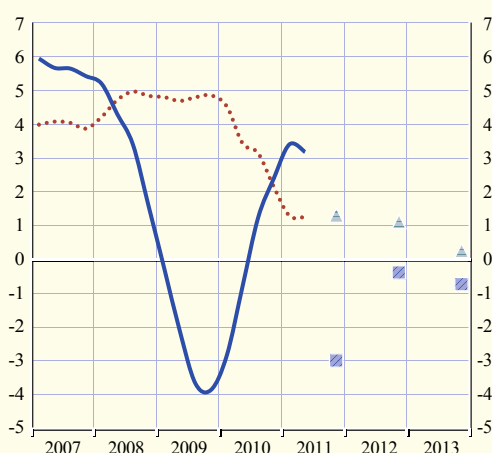
Sources: European Commission's autumn 2011 economic forecast and ECB calculations.

Notes: Data refer to the general government. Figures may not add up due to rounding.

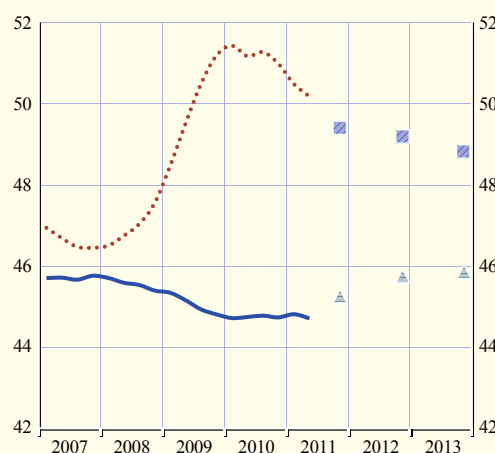
Chart 59 Quarterly government finance statistics and projections for the euro area

— total revenue, quarterly
 total expenditure, quarterly
 ▲ total revenue, annual (European Commission)
 ■ total expenditure, annual (European Commission)

a) Year-on-year percentage growth rate of four-quarter moving sums



b) Four-quarter moving sums as a percentage of GDP



Sources: ECB calculations based on Eurostat and national data, and the European Commission's autumn 2011 economic forecast.
 Notes: The charts show the evolution of total revenue and total expenditure in terms of four-quarter moving sums for the period from the first quarter of 2007 to the second quarter of 2011, plus the annual projections for 2011, 2012 and 2013 from the European Commission's autumn 2011 economic forecast. Data refer to the general government.

The general government gross debt ratio for the euro area is projected by the European Commission to have risen from 85.6% of GDP in 2010 to 88.0% in 2011, which is higher than projected in the Commission's spring 2011 forecast. The debt ratio is below the 60% of GDP threshold in only 5 out of 17 euro area countries. The rise in the debt ratio in 2011, although less marked than last year, has taken place mainly on account of primary deficits, while deficit-debt adjustments related to measures taken to support the financial system and the "snowball effect", i.e. the positive differential between the nominal interest rate and the nominal GDP growth rate, contributed to a lesser extent to the higher debt ratio.

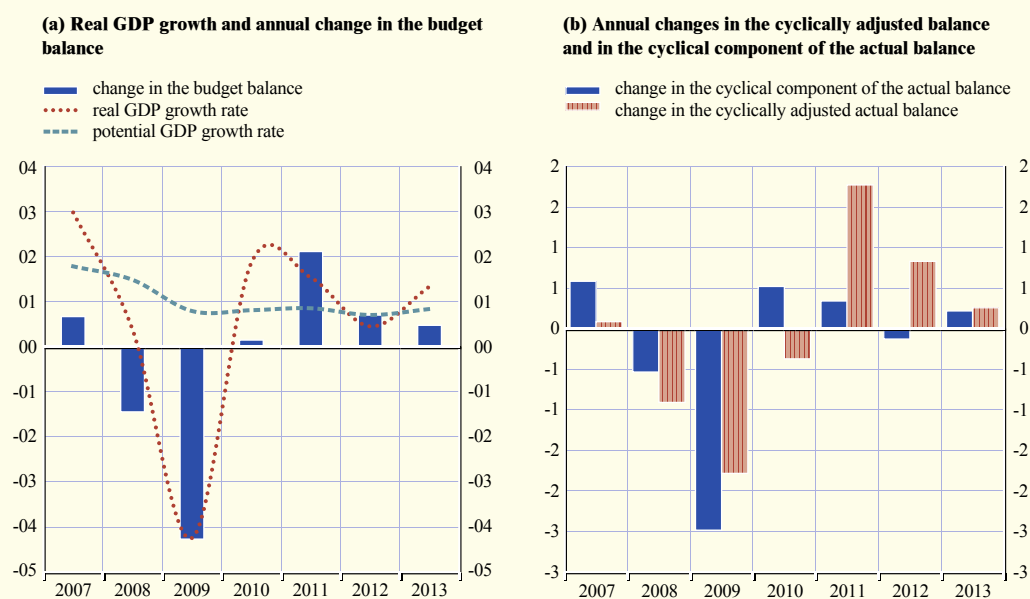
PROSPECTS FOR FISCAL POLICIES IN 2012 AND 2013

According to the European Commission's autumn 2011 economic forecast, the aggregate euro area general government deficit is projected to decline moderately to 3.4% of GDP in 2012 and, under the customary assumption that no policy changes are made, to 3.0% in 2013. The projected budgetary improvement stems mainly from a reduction in the structural deficit, reflecting the implementation of consolidation packages in a number of countries. As a result of the expected economic slowdown, with real GDP growth falling below potential growth in 2012, cyclical conditions would not contribute to the better fiscal outcomes (see Chart 60). The worsened economic outlook explains most of the upward revisions of the projections for the general government debt ratio, which reaches 90.4% of GDP in 2012 and almost 100% in 2013.

In view of the sovereign debt crisis and the difficult market conditions, several countries have taken additional consolidation steps in recent months (some of which are not yet reflected in the

Chart 60 Determinants of budgetary developments in the euro area

(in percentage points of GDP; percentage changes)



Sources: European Commission's autumn 2011 economic forecast and ECB calculations.
 Note: Data refer to the general government.

Commission's forecasts) in order to correct their excessive deficits and put their debt-to-GDP ratios on a sustainable downward path. The following brief review of recent budgetary developments is limited to the largest euro area countries and those countries in the euro area covered by an EU/IMF financial assistance programme.

In Germany, according to the latest government projections, the general government budget deficit is expected to decrease to around 1% of GDP in 2011, which is around 1½ percentage points below the target in the stability programme update of April 2011. This improved budgetary situation would stem mainly from more favourable revenue developments. The deficit would remain at around 1% of GDP in 2012 and decline to ½% of GDP in 2013. In line with the constitutional "debt brake", the general government budget would be broadly balanced as of 2014. Government debt is projected to gradually decline from 83.2% of GDP in 2010 to around 75½% in 2015.

In France, the Prime Minister on 7 November announced a new package of consolidation measures to ensure the achievement of the 2012 and 2013 deficit targets in the stability programme (4.6% and 3.0% of GDP respectively). The budgetary impact of the package is estimated at €7.0 billion (around 0.34% of GDP) in 2012 and €4.7 billion (around 0.22% of GDP) in 2013. Although the new package remains predominantly revenue-based, it contains significant expenditure measures. These include lowering, from 2.8% to 2.5%, the ceiling on the annual growth rate of healthcare spending and shortening the transition period for the increase in the legal retirement age from 60 to 62 years; the latter will now come fully into effect by 2017 instead of 2018. On the revenue side, the most important measures include freezing in 2012 and 2013 the schedules for

income tax, wealth tax and tax on gifts and inheritances, introducing a new, intermediate VAT rate of 7%,¹ and imposing a temporary additional 5% levy on the corporate income tax paid by firms with a turnover above €250 million. The new revenue measures are expected to be adopted by Parliament as part of the fourth supplementary budget law for 2011.

In Italy, on 4 December the new government approved a Decree Law containing a new package of fiscal and structural measures. The package entered into force immediately, but still needs to be confirmed by Parliament within 60 days. The package will amount to around €30 billion, of which €20 billion will be addressed to deficit reduction, and the remaining €10 billion will be used for measures aimed at enhancing growth. The main elements of the package include substantial measures to reduce pension expenditures, the re-introduction of the tax on owner-occupied houses and increases in VAT rates. The introduction of a constitutional balanced budget rule is currently under discussion by Parliament.

In Spain, the latest available budget execution data and the third-quarter national accounts point to an increasingly strong contraction in government spending. Nonetheless, the risk of slippages in relation to the objective of reducing the general government deficit to 6% of GDP this year has increased in recent months owing to weakness in tax receipts. The 2012 state budget was postponed because of the general election which took place on 20 November. The incoming government will need to formulate a convincing 2012 budget in line with budget targets (of 4.4% of GDP in 2012) as soon as possible. This should be based on a prudent forecast for economic growth and tax receipts, which is also necessary to ensure that regional government budgets for 2012 are based on realistic revenue assumptions.

In Greece, the Medium-Term Fiscal Strategy adopted in June and August 2011 appeared insufficient to achieve the EU/IMF financial assistance programme targets, owing to worse than expected macroeconomic developments, continued weaknesses in tax collection, and delayed and incomplete implementation of several measures. In response, the authorities adopted a set of new fiscal consolidation measures in October amounting to about 3.2% of GDP up to 2015. However, additional measures are likely to be needed to ensure that the deficit is reduced to below 3% of GDP by 2014. On 27 October the euro area Heads of State or Government agreed on updated parameters for the second programme for Greece for the period up to 2014. The new programme should be supported by additional official financing of up to €130 billion and, exceptionally, by a voluntary exchange of privately held government bonds at a discount of 50% to the nominal value of the Greek debt. This should ensure – under the assumption of a rigorous programme implementation – that the general government debt ratio declines to around 120% of GDP by 2020.

In Portugal, the 2012 budget bill was approved on 30 November by Parliament, targeting a deficit ratio of 4.5% of GDP in line with the EU/IMF financial assistance programme. The consolidation effort, which is estimated at 5.4% of GDP, is mostly expenditure-based. Besides an extension of the 5% average cut made in 2011 in public wages, the main measures that will affect the 2012 budget include the additional suspension of the 13th and 14th extraordinary salary payments, cuts in pensions equivalent to a suspension of the 13th and 14th extraordinary pension payments, consolidation measures in the healthcare sector, cuts in government investment and higher VAT revenues (as many items have been moved from the reduced and intermediate rates to the standard 23% rate).

¹ The intermediate VAT rate of 7% was introduced for certain goods and services previously subject to a 5.5% reduced rate (e.g. books, telephone services, restaurants and building works), while for some basic goods (e.g. food products and utilities) the reduced rate of 5.5% was retained. This tax change is expected to generate €1.8 billion a year.

In Ireland, the fourth review of the EU/IMF financial assistance programme concluded that the general government deficit was on track to meet the 2011 target of 10.6% of GDP. Beyond 2011, the government remains committed to taking all necessary measures to meet the programme's deficit targets and bring the general government deficit below 3% of GDP by 2015, in line with the EDP. In early November the Irish authorities published the Medium-Term Fiscal Statement, which outlined for the period 2012 to 2015 the overall number and composition of measures needed to fulfil the EDP commitment. The detailed measures underpinning the adjustment, which were presented with the 2012 budget in early December, are slightly more expenditure-based, including cuts in government consumption, while on the revenue side, new measures are mainly focused on indirect and capital taxation.

FISCAL POLICY CONSIDERATIONS

As the sovereign debt crisis has intensified in recent months, market sentiment has deteriorated further. In particular, market concerns have risen markedly over Greece's debt situation and focused increasingly on the sovereign financing needs of Spain and Italy. A number of other euro area countries have been increasingly affected by this negative market sentiment. Against this background, it is crucial to restore confidence in the sustainability of public finances. Excessive deficits must be corrected and, in the event of non-compliance with the EDP requirements, further procedural steps need to be implemented without further delay. Fiscal consolidation should mainly focus on the expenditure side, while promoting growth-enhancing spending reforms and tax efficiency.

To improve fiscal surveillance in the euro area, stronger fiscal governance is essential, both for the euro area as a whole and at the national level. The recently adopted legislative package aimed at a reinforcement of economic governance in the EU, and in particular in the euro area, is a step in the right direction but falls short of the necessary "quantum leap". In particular, the revised framework still leaves considerable room for discretion with respect to the execution and enforcement of fiscal surveillance (see also Box 11 on governance reform). The new, strengthened enforcement mechanism, which entered into force in mid-December, needs to be fully applied to all euro area countries for which the ECOFIN Council might decide to step up the procedures to correct excessive deficits.

As a move to further strengthen the economic governance framework, the Heads of State or Government of the euro area countries made a commitment on 27 October 2011 to undertake further reforms. In particular, the concrete proposals foresee, among other things, that euro area countries (i) adopt balanced budget rules (in structural terms) in national legislation, preferably at the constitutional level or equivalent; (ii) base national budgets on independent growth forecasts and introduce fiscal councils; and (iii) consult the European Commission before adopting any major fiscal or economic policy reform with potential spillover effects. In addition, the ECOFIN Council should ensure closer monitoring and additional enforcement for countries in excessive deficit. The agreements following the European Council meeting of 8-9 December 2011 are a further important step towards ensuring fiscal discipline. It was agreed to move closer to an economic union and to establish a new fiscal compact. From a fiscal perspective, a key element of the new fiscal compact is the balanced budget rule formulated in structural terms ("debt brake") in an intergovernmental treaty at the European level, to be enshrined in national legislation and combined with an automatic correction mechanism in the event of deviations. Other major elements are the endorsement of quasi-automatic sanctions if budget deficits exceed the 3% of GDP reference value and the decision to enshrine in primary law the numerical benchmark for debt reduction for countries with general government debt in excess of 60% of GDP.

Overcoming the sovereign debt crisis in the euro area hinges crucially on whether appropriate and credible policy responses are adopted, including measures aimed at promoting economic adjustment and sustainable growth (see also Box 12 on fiscal devaluation). This requires adequate national fiscal frameworks, strong incentives for ensuring sound fiscal policies and effective surveillance and enforcement at the EU and euro area level.

Box 11

STRONGER EU ECONOMIC GOVERNANCE FRAMEWORK COMES INTO FORCE

Following intense negotiations on the reform of the EU economic governance framework, an agreement was reached between the EU Council, the European Parliament and the European Commission in September 2011 and formally adopted in November. The reforms come into force in mid-December. This box summarises and briefly assesses the main elements of the new governance framework.

The governance reform package is aimed at strengthening fiscal and economic governance in the EU and in particular the euro area.¹

The *main new elements of the fiscal governance framework* to strengthen fiscal discipline are: i) an expenditure benchmark in the preventive arm of the Stability and Growth Pact (SGP) as part of an overall assessment of progress towards a country's medium-term objective with the structural balance as the reference, ii) a numerical benchmark for assessing compliance with the government debt criterion in the corrective arm of the SGP, iii) new financial sanctions and non-financial measures for non-compliant euro area countries which are applied at an earlier stage in the surveillance process and increase gradually in intensity, iv) a higher degree of automaticity in the fiscal surveillance procedures through the use of reverse qualified majority voting (i.e. in particular, Commission recommendations for imposing financial sanctions are deemed to be adopted unless the Council decides, by qualified majority, to reject them), v) minimum requirements for national budgetary frameworks of Member States, and (vi) minimum requirements for the independence of national statistical authorities and the possibility of financial sanctions in the case of falsification of budgetary statistics.

The *new macroeconomic surveillance framework* is aimed at identifying and addressing macroeconomic imbalances at an early stage. The new framework, which applies to all EU Member States, has a preventive and a corrective arm, with the following procedural elements: i) an early alert mechanism, comprising a scoreboard with a limited set of macroeconomic indicators and an annual qualitative economic and financial assessment provided by the European Commission; ii) broad-based in-depth reviews of economic developments in Member States for which the Commission has identified significant macroeconomic imbalances or risks thereof; iii) recommendations addressed to Member States for implementing specific economic policies to correct or prevent such macroeconomic imbalances; iv) Member States in which *severe* macroeconomic imbalances that potentially endanger the proper functioning of EMU have been identified can be made subject to the excessive imbalance procedure (EIP), which

¹ The governance reform package consists of six legal texts. For further details see also the article entitled "The reform of economic governance in the euro area – essential elements", *Monthly Bulletin*, ECB, March 2011.

entails more detailed and stronger policy recommendations and an obligation for the country to submit a corrective action plan setting out the policy responses to the recommendations and deadlines decided by the Council; v) financial sanctions can be imposed on euro area countries in the form of interest-bearing deposits if the Council establishes that the country concerned has failed twice to address the Council recommendation. In the case of continued non-compliance with the Council recommendation within the same EIP, such a deposit would be converted into an annual fine. Moreover, as a rule, a country that has failed twice to draw up a corrective action plan addressing the Council recommendation would be subject to a fine.

Other new elements incorporated in the legal texts are: i) provisions for an “economic dialogue” according to which the European Parliament may invite the President of the Council, the Commission and, where appropriate, the Presidents of the European Council or the Eurogroup to discuss multilateral surveillance, and ii) a regular review of the application of the legal acts and their amendment if appropriate.

While these governance reforms are an important step forward, the legislative package adopted falls short of the “quantum leap” that the ECB’s Governing Council had advocated.² In particular, the new framework still leaves considerable room for both the Commission and the Council to exercise discretion in executing fiscal and economic surveillance and enforcing compliance, which could seriously weaken the effectiveness of the reforms. The main shortcomings of the revised framework are as follows.

(i) Exceptions and many relevant factors to be taken into account

The envisaged strengthening of fiscal surveillance is considerably curtailed in several respects. In particular, the effectiveness of the numerical benchmark for net expenditure growth is constrained by the fact that a number of expenditure categories are excluded from the expenditure aggregate. Moreover, the deficit and debt criteria have been encumbered with an extended list of relevant factors that must be taken into account. Consequently, non-compliance with the deficit and debt criteria will not necessarily result in an excessive deficit procedure (EDP) being launched. With respect to economic surveillance, the new EIP can only be effective if it is sufficiently focused on correcting harmful macroeconomic imbalances threatening the smooth functioning of Monetary Union, such as excessive losses in competitiveness, persistent and excessive current account deficits, unsustainable increases in asset prices, including real estate prices, and high levels of external and internal indebtedness. However, the symmetric approach of the scoreboard, with respect to detecting and preventing excessive losses/gains in competitiveness as well as excessive current account deficits/surpluses, entails the risk that surveillance efforts will become diluted and will potentially be distracted from the most serious challenges to Monetary Union.

(ii) Insufficient automaticity of enforcement procedures

The introduction of earlier, more gradual and more differentiated sanctions is welcome, but greater automaticity is needed in decision-making through the use of reverse qualified majority voting to the maximum extent possible. In the preventive arm of the SGP, a somewhat

² See also the ECB’s legal opinion of 16 February 2011 on economic governance reform in the European Union in the “Legal framework” section of the ECB’s website (<http://www.ecb.europa.eu>).

stricter voting rule in the form of simple majority voting by the Council will only be applied after an additional step of normal qualified majority voting. Moreover, there is still considerable leeway as financial sanctions under both the EDP and the EIP can be reduced or cancelled either on grounds of exceptional economic circumstances or following a reasoned request by the Member State concerned to the Commission. Also, sanctions associated with a breach of the government debt criterion are subject to a transition period of three years starting from the correction of current excessive deficits.

(iii) Risks to implementation

The effectiveness of the revised fiscal rules will depend on them being fully implemented by the Commission and the Council. Compared with the old SGP, the Commission is expected to play a more important role in the procedures, also with respect to the stricter enforcement mechanisms in the case of non-compliance, as the Council's discretion to reject the Commission's recommendations has been reduced. A credible implementation of the fiscal and economic surveillance measures requires that the Commission take a strict approach and that the Council apply the full force of its peer pressure and impose sanctions on non-compliant euro area countries.

(iv) Higher complexity

The new fiscal governance framework is extremely complex compared with the old SGP. More information requirements will have to be met by the Member States. On the Commission's side, additional analyses and extensive technical capacity are required, and it might be difficult to obtain and verify all the necessary data on time. The increased complexity is expected to reduce transparency and thereby the accountability of the new fiscal governance framework and will, at the very least, present challenges as regards communication.

(v) Insufficient strengthening of national budgetary frameworks

The introduction of minimum standards for national budgetary frameworks is welcome. However, the agreed standards are not sufficient, and the strengthening of national budgetary frameworks will largely depend on the countries' political will. At the same time, some Member States have recently committed themselves in the Euro Plus Pact to transposing fiscal rules under the SGP into national legislation. Some countries have already taken initiatives in this respect; other countries should follow their example.

As the sovereign debt crisis has demonstrated, effective fiscal and economic surveillance and enforcement are crucially important to ensuring the smooth functioning of EMU. While the reform of the EU governance framework is a step in the right direction, more needs to be done and is under way.

Box 12

FISCAL DEVALUATION – A TOOL FOR ECONOMIC ADJUSTMENT

In addition to fiscal difficulties, some euro area countries are also faced with competitiveness problems, leading to persistent current account deficits. As nominal devaluation is not possible for countries participating in a currency area, competitiveness has to be regained domestically. This requires productivity-enhancing structural reforms and adjustment of relative prices, in particular real wage moderation. This box looks, from an analytical perspective, at the policy option of a “fiscal devaluation”, which has been proposed in the literature as another tool that could contribute to the economic adjustment process.

Fiscal devaluation is the use of the tax system to mimic a nominal devaluation of the exchange rate, in particular by increasing taxes on imports and reducing them on exports, thereby changing the relative price of domestic and foreign goods. In practice, this can be achieved indirectly by cutting taxes that increase the cost of production, such as payroll or corporate income taxes, and therefore also affect the cost of exports, financed by an increase in VAT (remembering that exports are zero-rated) or property taxes. However, owing to differences in timing of receipts and the speed of behavioural responses, short-term revenue losses could occur even for a budget-neutral tax reform and could pose an obstacle to countries with short-term fiscal constraints. Moreover, the analogy with a change in the nominal exchange rate is not perfect, as a fiscal devaluation is not accompanied by an increase in the domestic money supply.

Theoretical analysis supports the idea that a fiscal devaluation can help in regaining competitiveness. The move from an origin to a destination-based tax, such as from a labour or corporate income tax to a VAT or sales tax, leads to an immediate fiscal depreciation. Typically this would have no long-term impact,¹ because the real effective exchange rate will ultimately adjust, either through appreciation (for countries subject to a flexible exchange rate) or inflation (for countries in a fixed exchange rate, including those in a currency area). For certain euro area countries, however, the starting point is that of a disequilibrium characterised by an overvalued real effective exchange rate. Here, a fiscal devaluation would merely speed up a necessary adjustment process and it could not be expected to replace necessary structural reforms.

Furthermore, simulations using dynamic equilibrium models suggest that a fiscal devaluation would have to be large in order to generate a significant impact on competitiveness and trade. This is borne out by ECB staff simulations using the Euro Area and Global Economy (EAGLE) model, as well as other recent research.² Empirical evidence also tends to find that moderate shifts in domestic taxes have hardly any impact on trade.³ At the same time, no study has yet been undertaken that considers the particular case of countries in a currency area that start from an uncompetitive position.

1 See Grossman, G., “Border Tax Adjustments: Do They Distort Trade?”, *Journal of International Economics*, Vol. 10(1), pp. 117-128, 1980. See also Feldstein, M. and Krugman, P., “International Trade Effects of Value-Added Taxation” in Razin, A. and Slemrod, J. (eds.), *Taxation in the Global Economy*, University of Chicago Press, 1990, who argue among other things that VAT can affect trade if it replaces a distortionary tax or if tax rates applied to the tradable sector differ in practice from those in the rest of the economy.

2 See Franco, F., “Improving competitiveness through devaluation, the case of Portugal”, mimeo, New University of Lisbon, 2010; Lipińska, A. and von Thadden, L., “Monetary and fiscal policy aspects of indirect tax changes in a monetary union”, *Working Paper Series*, No 1097, ECB, Frankfurt am Main, October 2009.

3 See Desai, M.A. and Hines, J.R., “Value-Added Taxes and International Trade: The Evidence”, mimeo, University of Michigan, 2002; and Keen, M. and Syed, M., “Domestic Taxes and International Trade: Some Evidence”, *Working Paper Series*, IMF, WP/06/47, 2006.

Nevertheless, reforms that shift taxation from inputs to consumption are likely to be beneficial from a broader economic perspective. Moving away from taxes on labour income or profits and towards consumption or property taxes could boost growth structurally in addition to the (possibly small) effect from higher net exports. Such a reform would reduce the tax bias against saving and promote labour supply. Moreover, the more attractive tax structure might encourage investment, including by fostering foreign direct investment. There is strong empirical evidence that moving towards taxing consumption or property has a positive impact on growth.⁴

To safeguard any improvement in competitiveness achieved as a result of fiscal devaluation, it is important to prevent an increase in inflationary expectations. On the one hand, if corporate income taxes or employer-paid payroll taxes are cut, then production costs are immediately reduced, which will also allow a reduction in prices net of VAT, so that inflation net of the VAT effect is likely to be lower, although the impact is uncertain and profit margins could also increase. On the other hand, the accompanying increase in VAT will have an immediate one-off impact on inflation, with the risk that possible second-round effects on wages and prices counter any beneficial impact on competitiveness. In countries with automatic rules linking wage adjustments to inflation, the competitiveness gain would necessarily be short-lived.

Overall, a fiscal devaluation whereby labour or corporate income taxes are replaced to some extent by VAT or property taxes can make a positive – if small – contribution to the required economic adjustment in euro area countries with competitiveness problems. At the same time, a fiscal devaluation cannot be a substitute for, but only a complement to, necessary structural reforms. Beyond these considerations, a more efficient tax structure which favours saving and investment can be conducive to higher real growth more generally.

4 See, for example, Johansson, Å. et al., “Taxation and Economic Growth”, *Economics Department Working Papers*, OECD, No 620, 2008, who find that VAT and property taxes are the least harmful taxes for growth, while labour and corporate income taxes are the most damaging. For the specific case of a small euro area country, Alemeida, V. et al., “Fiscal consolidation in a small euro area economy”, *Working Paper Series*, Banco de Portugal, May 2011, use a New-Keynesian general equilibrium model to look at different options for fiscal consolidation. They find that an increase in VAT is better for growth and employment than an increase in the labour tax, although expenditure cuts are better than either option.

6 EUROSISTEM STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

On the basis of the information available up to 25 November 2011, Eurosystem staff have prepared projections for macroeconomic developments in the euro area.¹ Euro area economic activity weakened in the second half of 2011. This reflected a weakening in global demand and a substantial deterioration in both business and consumer confidence in recent months, in an environment of increased uncertainty stemming from intensified tensions in financial markets, with equity prices falling significantly and financing conditions worsening in an increasing number of euro area countries. Assuming that the financial crisis does not intensify further, real GDP growth is projected to recover during the course of 2012 and to improve somewhat further in 2013. The recovery is, however, expected to be dampened by the balance sheet restructuring that is taking place in many sectors and by the adverse financing conditions that prevail in many parts of the euro area over the projection horizon. At the same time, the recovery is expected to be supported by a strengthening in global demand, and a decline in energy and food price inflation supporting real incomes, as well as by the favourable impact on domestic demand of the very low short-term interest rates and of the measures to restore the functioning of the financial system. Average annual real GDP growth is projected to be between 1.5% and 1.7% in 2011, between -0.4% and 1.0% in 2012 and between 0.3% and 2.3% in 2013. Euro area HICP inflation is projected to remain elevated in the near term but to decline markedly thereafter. The average rate of overall HICP inflation is expected to be between 2.6% and 2.8% in 2011, between 1.5% and 2.5% in 2012 and between 0.8% and 2.2% in 2013. This profile largely reflects downward base effects in energy and food prices in 2012 as well as assumptions of flat or declining commodity prices. HICP inflation excluding food and energy is expected to increase only slightly over the projection horizon, reflecting relatively subdued domestic demand and contained labour costs.

¹ The Eurosystem staff macroeconomic projections are produced jointly by experts from the ECB and the euro area NCBs. They are a biannual input into the Governing Council's assessment of economic developments and the risks to price stability. More information on the procedures and techniques used is given in "A guide to Eurosystem staff macroeconomic projection exercises", ECB, June 2001, which is available on the ECB's website. 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. The method used, involving a correction for exceptional events, is documented in "New procedure for constructing Eurosystem and ECB staff projection ranges", ECB, December 2009, also available on the ECB's website.

Box 13

TECHNICAL ASSUMPTIONS ABOUT INTEREST RATES, EXCHANGE RATES, COMMODITY PRICES AND FISCAL POLICIES

The technical assumptions about interest rates and commodity prices are based on market expectations, with a cut-off date of 17 November 2011.¹ The assumption about short-term interest rates is of a purely technical nature. Short-term rates are measured by the three-month EURIBOR, with market expectations derived from futures rates. The methodology gives an average level for these short-term interest rates of 1.4% for 2011, 1.2% for 2012 and 1.4% for 2013. The market expectations for euro area ten-year nominal government bond yields imply an average level of 4.4% in 2011, 5.3% in 2012 and 5.6% in 2013. Reflecting the path of forward market interest rates and the gradual pass-through of changes in market rates to lending rates, both short-term and long-term bank lending rates are expected to gradually increase further over the entire projection horizon. Credit supply conditions for the euro area as a whole are expected

¹ Oil and food price assumptions are based on futures prices up to the end of the projection horizon. The prices of other commodities are assumed to follow futures until the fourth quarter of 2012 and thereafter to evolve in line with global economic activity.

to overall weigh negatively on activity. As regards commodity prices, on the basis of the path implied by futures markets in the two-week period ending on the cut-off date, the price of a barrel of Brent crude oil is assumed to average USD 111.5 in 2011, USD 109.4 in 2012 and USD 104.0 in 2013. The prices of non-energy commodities in US dollars are assumed to rise by 17.8% in 2011, to fall by 7.3% in 2012 and to increase by 4.3% in 2013.

Bilateral exchange rates are assumed to remain unchanged over the projection horizon at the average levels prevailing in the two-week period ending on the cut-off date. This implies an exchange rate of USD per EUR of 1.40 in 2011, and 1.36 in 2012 and 2013. On average, the effective exchange rate of the euro is assumed to remain unchanged in 2011 and to depreciate by 0.9% in 2012.

Fiscal policy assumptions are based on individual euro area countries' national budget plans that were available on 25 November 2011. They include all policy measures that have already been approved by national parliaments or that have been specified in detail by governments and are likely to pass the legislative process.

THE INTERNATIONAL ENVIRONMENT

The momentum of global growth weakened in the course of 2011. In the second half of the year the positive impetus from the unwinding of supply chain disruptions in the aftermath of the natural disasters in Japan was thwarted by renewed global financial market tensions, largely driven by the intensification of the sovereign debt crisis in the euro area and growing concerns about fiscal sustainability in other major advanced economies. This eroded consumer and business confidence worldwide. Looking ahead, a gradual recovery is expected, although headwinds, such as the continued need to repair balance sheets and the weakness in housing and labour markets in some major advanced economies, imply a prolonged period of sluggish growth, particularly in advanced economies, which will constrain the pace of the global recovery. In emerging economies, growth is continuing at a rather strong pace, but is expected to lose momentum, owing to earlier policy tightening aimed at mitigating financial imbalances and price pressures, as well as expected weaker foreign demand and adverse spillovers from the global financial turbulence. World real GDP growth outside the euro area, which reached 5.7% in 2010, is projected to decrease to 4.1% in 2011 and 3.9% in 2012 before increasing to 4.5% in 2013. Growth in euro area foreign demand is estimated to decline from 11.8% in 2010 to 6.4% in 2011, and to 4.8% in 2012, before increasing to 6.9% in 2013.

REAL GDP GROWTH PROJECTIONS

Euro area real GDP grew only moderately in the third quarter of 2011, rising by 0.2% in quarter-on-quarter terms, which is the same rate as recorded in the second quarter. While a number of temporary factors – global as well as domestic – weighed negatively on activity in the second quarter of 2011, the weak underlying growth momentum in the euro area in the past few months has increasingly reflected the impact of the sovereign debt crisis in the euro area and the associated tightening of the fiscal stance in some euro area countries. On the domestic side, the adverse impact of increased uncertainty related to intensified tensions in financial markets in the euro area resulted in a substantial deterioration in business and consumer confidence, a sharp decline in equity prices across the euro area and a worsening of financing conditions for households and non-financial corporations in a number of countries. As foreign demand also turned weaker in 2011, external factors are not expected to offset the adverse impact of these domestic factors in the near term. Looking ahead, assuming that the financial crisis does not intensify further, real GDP

growth is expected to pick up during the course of 2012 and to improve somewhat further in 2013. The recovery is, however, expected to be dampened over the projection horizon by the balance sheet restructuring that is taking place in many sectors and by the adverse financing conditions that prevail in many parts of the euro area. At the same time, the recovery is expected to be supported by a strengthening in global demand, and a decline in energy and food price inflation supporting real incomes, as well as the favourable impact on domestic demand of the very low short-term interest rates and of the measures to restore the functioning of the financial system. Overall, the pace of the recovery is expected to be slow. In annual terms, euro area real GDP is expected to grow by between 1.5% and 1.7% in 2011, between -0.4% and 1.0% in 2012 and between 0.3% and 2.3% in 2013.

In more detail, euro area private consumption growth is projected to be rather subdued until mid-2012, mainly as a result of the weak pattern of real disposable income growth, and to pick up slightly thereafter. Nominal disposable income growth is projected to be dampened by subdued employment growth, in conjunction with moderate increases in wages and transfer income, which are both expected to be constrained owing to the fiscal tightening implemented in several euro area countries. While the adverse impact of past increases in commodity prices has dampened real disposable income, commodity price pressures are expected to diminish, thereby progressively supporting the dynamics of real disposable income. The euro area saving ratio is projected to be broadly unchanged from its current level over the remainder of the projection horizon. This reflects the fact that an upward impact on the saving ratio stemming from heightened uncertainty and weakened confidence is expected to be broadly compensated by a need to reduce savings in order to smooth consumption in view of the weakness in real income developments. Reflecting the only gradual expansion in employment, the euro area unemployment rate is expected to rise somewhat during the course of 2012 and to decline only slowly thereafter.

Euro area non-residential private investment is expected to be dampened as a result of persistent adverse financing conditions in some euro area countries, in an environment of elevated uncertainty. It is projected to stagnate in the near term and to recover only gradually over the remainder of the projection horizon, supported by a strengthening in export growth, a moderate pick-up in domestic demand and relatively sustained profitability. Residential investment growth is expected to be even more sluggish, dampened by ongoing adjustments in the housing market in some countries – which are also reflected in rather modest house price developments. Government investment is assumed to decline substantially in 2011 and 2012 before stabilising in 2013, owing to the fiscal consolidation packages announced in several euro area countries.

Table II Macroeconomic projections for the euro area

(average annual percentage changes)^{1), 2)}

	2010	2011	2012	2013
HICP	1.6	2.6 – 2.8	1.5 – 2.5	0.8 – 2.2
Real GDP	1.8	1.5 – 1.7	-0.4 – 1.0	0.3 – 2.3
Private consumption	0.8	0.3 – 0.5	-0.4 – 0.6	0.0 – 1.8
Government consumption	0.5	-0.3 – 0.5	-0.5 – 0.7	-0.3 – 1.3
Gross fixed capital formation	-0.6	1.6 – 2.4	-1.6 – 1.8	-0.5 – 4.3
Exports (goods and services)	10.8	5.4 – 7.2	0.3 – 6.1	2.1 – 8.9
Imports (goods and services)	9.2	4.0 – 5.4	-0.5 – 5.1	1.7 – 8.1

1) The projections for real GDP and its components refer to working day-adjusted data. The projections for imports and exports include intra-euro area trade.

2) Data refer to the euro area including Estonia, except for the HICP data for 2010. The average annual percentage change in the HICP for 2011 is based on a euro area composition in 2010 that already includes Estonia.

In line with the pattern of foreign demand, the pace of export growth is expected to weaken in the near term before gradually gaining momentum during the course of 2012. A similar path is projected for import growth. Overall, reflecting somewhat stronger export growth from early 2012, net trade is expected to make a positive contribution to quarterly GDP growth over the projection horizon.

The current crisis is expected to have adversely affected potential growth, although the exact magnitude of this impact remains highly uncertain. It is likely that the continuing weakness in activity will further reduce potential output growth. Nevertheless, given the weak outlook for growth, the negative output gap is projected to widen in 2012 before narrowing somewhat in 2013.

PRICE AND COST PROJECTIONS

Driven by past hikes in commodity prices and, to some extent, by increases in indirect taxes, the overall euro area HICP inflation rate is projected to remain above 2% in the first quarter of 2012. Thereafter, it is expected to moderate considerably. This pattern largely reflects a sharply decreasing contribution from energy prices, as a result of the fading-out of the impact of past increases in oil prices and the assumed gradual decline in crude oil prices over the projection horizon. Food price inflation is expected to moderate from mid-2012, once the pressures currently in the pipeline have passed through. Finally, HICP inflation excluding food and energy is projected to increase only slightly, reflecting relatively weak domestic demand and contained labour costs. The average rate of overall HICP inflation is expected to be between 2.6% and 2.8% in 2011, between 1.5% and 2.5% in 2012 and between 0.8% and 2.2% in 2013.

In more detail, external price pressures have eased and are expected to fall markedly over the projection horizon, mainly on account of stabilising or declining commodity prices. Owing in part to the slower pace of world trade growth and lower global inflation, the annual rate of increase of the import deflator, which peaked at the beginning of 2011, is expected to decline sharply in 2012 and to fall somewhat further in 2013. Turning to domestic price pressures, the annual growth rate of compensation per employee is expected to slow in the first half of 2012, largely reflecting the impact of one-off payments in the first half of 2011. The annual growth rate of compensation per employee is expected to pick up in the second half of 2012 and to stabilise thereafter. This pattern reflects the impact of offsetting factors. On the one hand, upward pressures would stem from past increases in consumer price inflation. On the other hand, the general slowdown in economic activity and the persistently weak labour market conditions are expected to exert downward pressure on wages. Given the rather elevated consumer price inflation this year, real compensation per employee is projected to decline in 2011 and 2012 and to recover somewhat thereafter. The growth rate of unit labour costs is expected to increase somewhat in 2012 and to ease subsequently. This profile reflects a cyclical drop in productivity growth in 2012 – as activity growth weakens substantially and employment growth adjusts only partially – and a subsequent increase in 2013. The growth of profit margins is expected to remain low throughout 2011 and 2012, on the back of subdued aggregate demand and accelerating unit labour costs. In 2013 profit margins are expected to recover as activity picks up. Increases in administered prices and indirect taxes are expected to contribute substantially to HICP inflation in 2011 and 2012, reflecting the ongoing fiscal consolidation in several euro area countries. The impact in 2013 is expected to be smaller, although this reflects in part the lack of detailed information on fiscal measures for that year.

COMPARISON WITH THE SEPTEMBER 2011 PROJECTIONS

Compared with the ECB staff macroeconomic projections published in the September 2011 issue of the Monthly Bulletin, there is a narrowing of the range of the real GDP growth projection

Table 12 Comparison with the September 2011 projections

(average annual percentage changes)

	2011	2012
Real GDP – September 2011	1.4 – 1.8	0.4 – 2.2
Real GDP – December 2011	1.5 – 1.7	-0.4 – 1.0
HICP – September 2011	2.5 – 2.7	1.2 – 2.2
HICP – December 2011	2.6 – 2.8	1.5 – 2.5

for 2011 and a significant downward revision of the range for 2012. These revisions mainly reflect the impact on domestic demand of weaker confidence and worsening financing conditions – stemming from the heightened uncertainty related to the sovereign debt crisis as well as downward revisions of foreign demand. Additional fiscal tightening and stricter financing conditions in some euro area countries have also led to downward revisions of the medium-term outlook for real GDP growth. With regard to HICP inflation, the projection ranges for 2011 and 2012 have been revised slightly upwards. This results from the upward impact of higher oil prices in euro terms, as well as a higher contribution from indirect taxes. The upward impact of these factors is expected to more than compensate the downward impact of the adjustments to profit margins and wage growth that are related to the downward revision of activity.

Box 14

FORECASTS BY OTHER INSTITUTIONS

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

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

(average annual percentage changes)

	Date of release	GDP growth			HICP inflation		
		2011	2012	2013	2011	2012	2013
IMF	September 2011	1.6	1.1	1.5	2.5	1.5	1.7
Survey of Professional Forecasters	November 2011	1.6	0.8	1.6	2.6	1.8	1.8
Consensus Economics Forecasts	November 2011	1.6	0.4	1.5	2.7	1.8	1.8
OECD	November 2011	1.6	0.2	1.4	2.6	1.6	1.2
European Commission	November 2011	1.5	0.5	1.3	2.6	1.7	1.6
Eurosystem staff projections	December 2011	1.5 – 1.7	-0.4 – 1.0	0.3 – 2.3	2.6 – 2.8	1.5 – 2.5	0.8 – 2.2

Sources: European Commission Economic Forecasts, Autumn 2011; IMF World Economic Outlook, September 2011; OECD Economic Outlook, November 2011; Consensus Economics Forecasts; and the ECB's Survey of Professional Forecasters.
Notes: The Eurosystem staff macroeconomic projections and the OECD forecasts both report working day-adjusted annual growth rates, whereas the European Commission and the IMF report annual growth rates that are not adjusted for the number of working days per annum. Other forecasts do not specify whether they report working day-adjusted or non-working day-adjusted data.

In the forecasts currently available from other institutions, euro area real GDP is expected to grow by between 1.5% and 1.6% in 2011, between 0.2% and 1.1% in 2012 and between 1.3% and 1.6% in 2013. All the forecasts are within or very close to the ranges of the Eurosystem staff projections.

As regards inflation, the forecasts from other institutions point to average annual HICP inflation of between 2.5% and 2.7% in 2011, between 1.5% and 1.8% in 2012 and between 1.2% and 1.8% in 2013. All the forecasts are within or very close to the range of the Eurosystem staff projections. The projections for 2012 are in the lower half of the Eurosystem staff projection ranges.

EURO AREA STATISTICS



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

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Conventions used in the tables

“-”	data do not exist/data are not applicable
“.”	data are not yet available
“...”	nil or negligible
“billion”	10 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 ¹⁾

	M1 ²⁾	M2 ²⁾	M3 ^{2),3)}	M3 ^{2),3)} 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government ²⁾	Securities other than shares issued in euro by non-MFI corporations ²⁾	3-month interest rate (EURIBOR; % per annum; period averages)	10-year spot rate (% per annum; end of period) ⁴⁾
	1	2	3	4	5	6	7	8
2009	9.5	4.8	3.3	-	1.6	23.7	1.22	3.76
2010	8.5	1.8	0.5	-	0.6	3.8	0.81	3.36
2010 Q4	4.9	2.2	1.5	-	1.7	2.0	1.02	3.36
2011 Q1	3.2	2.4	1.9	-	2.4	2.2	1.10	3.66
Q2	1.7	2.4	2.1	-	2.6	1.4	1.42	3.41
Q3	1.4	2.3	2.4	-	2.5	0.7	1.56	2.48
2011 June	1.3	2.3	2.0	2.1	2.5	1.6	1.49	3.41
July	1.0	2.2	2.0	2.3	2.4	1.1	1.60	3.06
Aug.	1.7	2.4	2.8	2.6	2.5	0.3	1.55	2.76
Sep.	2.0	2.5	3.0	2.8	2.5	0.0	1.54	2.48
Oct.	1.7	2.0	2.6	.	2.7	.	1.58	2.79
Nov.	.	.	.	.	.	.	1.48	3.07

2. Prices, output, demand and labour markets ⁵⁾

	HICP ¹⁾	Industrial producer prices	Hourly labour costs	Real GDP (s.a.)	Industrial production excluding construction	Capacity utilisation in manufacturing (%)	Employment (s.a.)	Unemployment (% of labour force; s.a.)
	1	2	3	4	5	6	7	8
2009	0.3	-5.1	2.7	-4.2	-14.8	70.9	-1.9	9.6
2010	1.6	2.9	1.6	1.9	7.4	76.9	-0.5	10.1
2011 Q1	2.5	6.5	2.7	2.4	6.6	80.9	0.3	10.0
Q2	2.8	6.3	3.6	1.7	4.2	81.2	0.5	10.0
Q3	2.7	5.9	.	1.4	4.1	80.3	.	10.2
2011 June	2.7	5.9	-	-	2.8	-	-	10.0
July	2.5	6.1	-	-	4.4	80.8	-	10.1
Aug.	2.5	5.8	-	-	6.0	-	-	10.1
Sep.	3.0	5.8	-	-	2.4	-	-	10.2
Oct.	3.0	5.5	-	-	.	79.7	-	10.3
Nov.	3.0	.	-	-	.	-	-	.

3. External statistics

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)			Reserve assets (end-of-period positions)	Net international investment position (as a % of GDP)	Gross external debt (as a % of GDP)	Effective exchange rate of the euro: EER-20 ⁶⁾ (index: 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Combined direct and portfolio investment				Nominal	Real (CPI)	
2009	-18.6	36.0	158.6	462.4	-15.7	116.4	111.7	110.6	1.3948
2010	-36.7	12.9	98.1	591.2	-13.4	120.3	104.6	103.0	1.3257
2010 Q4	4.7	5.5	99.0	591.2	-13.4	120.3	104.4	102.4	1.3583
2011 Q1	-27.8	-13.0	118.7	576.6	-13.4	117.5	103.7	101.5	1.3680
Q2	-20.1	-2.7	127.1	580.9	-14.5	119.6	106.4	104.2	1.4391
Q3	-9.1	1.0	24.7	646.7	.	.	104.6	102.1	1.4127
2011 June	0.6	0.5	101.5	580.9	.	.	106.1	104.0	1.4388
July	-1.6	3.3	-20.5	621.6	.	.	105.2	102.6	1.4264
Aug.	-5.0	-4.5	31.7	656.4	.	.	104.9	102.3	1.4343
Sep.	-2.5	2.2	13.5	646.7	.	.	103.8	101.4	1.3770
Oct.	.	.	.	651.7	.	.	104.0	101.7	1.3706
Nov.	.	.	.	.	.	.	103.5	101.3	1.3556

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

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

- 1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
- 2) Annual percentage changes for monthly data refer to the end of the month, whereas those for quarterly and yearly data refer to the annual change in the period average. See the Technical Notes for details.
- 3) 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.
- 4) Based on AAA-rated euro area central government bond yield curves. For further information, see Section 4.7.
- 5) Data refer to the Euro 17, unless otherwise indicated.
- 6) For a definition of the trading partner groups and other information, please refer to the General Notes.



MONETARY POLICY STATISTICS

I.1 Consolidated financial statement of the Eurosystem

(EUR millions)

1. Assets

	11 November 2011	18 November 2011	25 November 2011	2 December 2011
Gold and gold receivables	419,823	419,823	419,822	419,822
Claims on non-euro area residents in foreign currency	229,210	229,403	229,889	231,908
Claims on euro area residents in foreign currency	32,539	33,126	33,837	32,250
Claims on non-euro area residents in euro	28,288	28,762	29,042	28,341
Lending to euro area credit institutions in euro	589,242	625,489	641,425	656,026
Main refinancing operations	194,765	230,264	247,175	265,456
Longer-term refinancing operations	392,481	392,481	392,481	383,053
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	1,980	2,675	1,702	7,002
Credits related to margin calls	16	68	67	515
Other claims on euro area credit institutions in euro	89,087	90,656	93,197	92,447
Securities of euro area residents in euro	581,238	590,575	600,927	605,732
Securities held for monetary policy purposes	246,065	254,365	263,337	267,620
Other securities	335,173	336,210	337,590	338,111
General government debt in euro	33,966	33,966	33,966	33,932
Other assets	340,154	341,551	337,442	335,230
Total assets	2,343,547	2,393,350	2,419,548	2,435,688

2. Liabilities

	11 November 2011	18 November 2011	25 November 2011	2 December 2011
Banknotes in circulation	866,452	865,139	865,069	873,981
Liabilities to euro area credit institutions in euro	623,205	661,914	663,647	707,956
Current accounts (covering the minimum reserve system)	294,928	236,508	211,905	180,703
Deposit facility	144,701	236,781	256,259	332,705
Fixed-term deposits	183,000	187,000	194,500	194,199
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	575	1,625	983	349
Other liabilities to euro area credit institutions in euro	2,574	7,150	1,859	1,600
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	57,944	65,302	97,009	63,099
Liabilities to non-euro area residents in euro	51,883	51,524	51,426	51,201
Liabilities to euro area residents in foreign currency	3,982	3,652	1,840	4,391
Liabilities to non-euro area residents in foreign currency	9,906	9,564	11,788	8,872
Counterpart of special drawing rights allocated by the IMF	54,486	54,486	54,486	54,486
Other liabilities	208,360	209,861	207,668	205,346
Revaluation accounts	383,276	383,276	383,276	383,276
Capital and reserves	81,481	81,481	81,481	81,481
Total liabilities	2,343,547	2,393,350	2,419,548	2,435,688

Source: ECB.

1.2 Key ECB interest rates

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

	With effect from: ¹⁾		Main refinancing operations				Marginal lending facility	
	Deposit facility		Fixed rate tenders	Variable rate tenders	Change	Level	Change	
	Level	Change	Fixed rate	Minimum bid rate				
			1	2	3	4	5	6	7
1999	4 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
2008	9 July	3.25	0.25	-	4.25	0.25	5.25	0.25
	8 Oct.	2.75	-0.50	-	-	-	4.75	-0.50
	9 ⁴⁾	3.25	0.50	-	-	-	4.25	-0.50
	15 ⁵⁾	3.25	...	3.75	-	-0.50	4.25	...
	12 Nov.	2.75	-0.50	3.25	-	-0.50	3.75	-0.50
	10 Dec.	2.00	-0.75	2.50	-	-0.75	3.00	-0.75
2009	21 Jan.	1.00	-1.00	2.00	-	-0.50	3.00	...
	11 Mar.	0.50	-0.50	1.50	-	-0.50	2.50	-0.50
	8 Apr.	0.25	-0.25	1.25	-	-0.25	2.25	-0.25
	13 May	0.25	...	1.00	-	-0.25	1.75	-0.50
2011	13 Apr.	0.50	0.25	1.25	-	0.25	2.00	0.25
	13 July	0.75	0.25	1.50	-	0.25	2.25	0.25
	9 Nov.	0.50	-0.25	1.25	-	-0.25	2.00	-0.25
	14 Dec.	0.25	-0.25	1.00	-	-0.25	1.75	-0.25

Source: ECB.

- 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 both to the deposit and marginal lending facilities and to the main refinancing operations (with changes effective from the first main refinancing operation following the Governing Council decision), unless otherwise indicated.
- 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.
- 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.
- As of 9 October 2008 the ECB reduced the standing facilities corridor from 200 basis points to 100 basis points around the interest rate on the main refinancing operations. The standing facilities corridor was restored to 200 basis points as of 21 January 2009.
- On 8 October 2008 the ECB announced that, starting from the operation to be settled on 15 October, the weekly main refinancing operations would be carried out through a fixed rate tender procedure with full allotment at the interest rate on the main refinancing operations. This change overrode the previous decision (made on the same day) to cut by 50 basis points the minimum bid rate on the main refinancing operations conducted as variable rate tenders.

1.3 Eurosystem monetary policy operations allotted through tender procedures ^{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)	Fixed rate tender procedures	Variable rate tender procedures			Running for (... days)
				Fixed rate	Minimum bid rate	Marginal rate ⁴⁾	Weighted average rate	
	1	2	3	4	5	6	7	8
Main refinancing operations								
2011 24 Aug.	133,674	133	133,674	1.50	-	-	-	7
31	121,669	135	121,669	1.50	-	-	-	7
7 Sep.	115,408	126	115,408	1.50	-	-	-	7
14	163,768	142	163,768	1.50	-	-	-	7
21	201,149	153	201,149	1.50	-	-	-	7
28	208,349	159	208,349	1.50	-	-	-	7
5 Oct.	198,881	166	198,881	1.50	-	-	-	7
12	204,939	166	204,939	1.50	-	-	-	7
19	201,182	164	201,182	1.50	-	-	-	7
26	197,438	152	197,438	1.50	-	-	-	6
1 Nov.	182,773	143	182,773	1.50	-	-	-	8
9	194,765	150	194,765	1.25	-	-	-	7
16	230,265	161	230,265	1.25	-	-	-	7
23	247,175	178	247,175	1.25	-	-	-	7
30	265,456	192	265,456	1.25	-	-	-	7
7 Dec.	252,100	197	252,100	1.25	-	-	-	7
Longer-term refinancing operations								
2011 13 July	67,748	57	67,748	1.50	-	-	-	28
28	84,977	165	84,977	1.50	-	-	-	91
10 Aug.	75,751	39	75,751	1.50	-	-	-	35
11 ⁵⁾	49,752	114	49,752	.	-	-	-	203
1 Sep.	49,356	128	49,356	1.50	-	-	-	91
14	54,222	37	54,222	1.50	-	-	-	28
29 ⁵⁾	140,628	214	140,628	.	-	-	-	84
12 Oct.	59,062	39	59,062	1.50	-	-	-	28
27 ⁵⁾	56,934	181	56,934	.	-	-	-	371
27 ⁵⁾	44,564	91	44,564	.	-	-	-	91
9 Nov.	55,547	47	55,547	1.25	-	-	-	35
1 Dec. ⁵⁾	38,620	108	38,620	.	-	-	-	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tender procedures	Variable rate tender procedures			Running for (... days)		
					Fixed rate	Minimum bid rate	Maximum bid rate	Marginal rate ⁴⁾		Weighted average rate	
		1	2	3	4	5	6	7	8	9	10
2011 14 Sep.	Collection of fixed-term deposits	187,685	104	143,000	-	-	1.50	1.06	1.01	7	
21	Collection of fixed-term deposits	203,366	109	152,500	-	-	1.50	1.05	0.99	7	
28	Collection of fixed-term deposits	202,875	103	156,500	-	-	1.50	1.15	1.05	7	
5 Oct.	Collection of fixed-term deposits	240,553	100	160,500	-	-	1.50	1.02	0.96	7	
11	Collection of fixed-term deposits	273,916	153	273,816	-	-	1.50	1.30	1.27	1	
12	Collection of fixed-term deposits	241,578	108	163,000	-	-	1.50	0.98	0.95	7	
19	Collection of fixed-term deposits	263,579	108	165,000	-	-	1.50	0.91	0.89	7	
26	Collection of fixed-term deposits	231,364	87	169,500	-	-	1.50	0.87	0.85	6	
1 Nov.	Collection of fixed-term deposits	197,917	71	173,500	-	-	1.50	0.87	0.83	8	
8	Collection of fixed-term deposits	284,108	165	284,043	-	-	1.50	1.30	1.27	1	
9	Collection of fixed-term deposits	214,817	99	183,000	-	-	1.25	0.69	0.64	7	
16	Collection of fixed-term deposits	260,476	100	187,000	-	-	1.25	0.65	0.61	7	
23	Collection of fixed-term deposits	233,094	88	194,500	-	-	1.25	0.63	0.60	7	
30	Collection of fixed-term deposits	194,199	85	194,199	-	-	1.25	1.25	0.62	7	
7 Dec.	Collection of fixed-term deposits	246,344	113	207,000	-	-	1.25	1.00	0.65	7	

Source: ECB.

- The amounts shown may differ slightly from those in Section 1.1 owing to operations that have been allotted but not settled.
- With effect from April 2002, split tender operations (i.e. operations with a one-week maturity conducted as standard tender procedures in parallel with a main refinancing operation) are classified as main refinancing operations. For split tender operations conducted before this month, see Table 2 in Section 1.3.
- On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tender procedures. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids. On 8 October 2008 the ECB announced that, starting from the operation to be settled on 15 October 2008, the weekly main refinancing operations would be carried out through a fixed rate tender procedure with full allotment at the interest rate on the main refinancing operations. On 4 March 2010 the ECB decided to return to variable rate tender procedures in the regular three-month longer-term refinancing operations, starting with the operation to be allotted on 28 April 2010 and settled on 29 April 2010.
- In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
- In this longer-term refinancing operation, the rate at which all bids are satisfied is indexed to the average minimum bid rate in the main refinancing operations over the life of the operation. The interest rates displayed for these indexed longer-term refinancing operations have been rounded to two decimal places. For the precise calculation method, please refer to the Technical Notes.

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	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Overnight deposits and deposits with an agreed maturity or notice period of up to 2 years	Debt securities issued with a maturity of up to 2 years	Deposits with an agreed maturity or notice period of over 2 years	Repos	Debt securities issued with a maturity of over 2 years
	1	2	3	4	5	6
2008	18,169.6	10,056.8	848.7	2,376.9	1,243.5	3,643.7
2009	18,318.2	9,808.5	760.4	2,475.7	1,170.1	4,103.5
2010	18,948.1	9,962.6	644.3	2,683.3	1,335.4	4,322.5
2011 May	19,175.7	9,787.9	677.0	2,764.2	1,538.4	4,408.3
June	19,039.4	9,730.8	643.5	2,777.9	1,491.7	4,395.4
July	19,046.3	9,695.1	635.0	2,777.7	1,502.7	4,435.8
Aug.	19,095.3	9,688.3	645.8	2,782.6	1,557.4	4,421.3
Sep.	19,247.9	9,761.9	650.5	2,808.3	1,576.5	4,450.7

2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions' current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2009	210.2	211.4	1.2	0.0	1.00
2010	211.8	212.5	0.7	0.5	1.00
2011 12 July	207.7	210.9	3.1	0.0	1.25
9 Aug.	208.8	211.5	2.7	0.0	1.50
13 Sep.	207.0	209.5	2.5	0.0	1.50
11 Oct.	206.1	208.7	2.6	0.0	1.50
8 Nov.	206.2	208.9	2.8	0.0	1.50
13 Dec.	207.7	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money			
	Eurosystème's net assets in gold and foreign currency	Monetary policy operations of the Eurosystem				Deposit facility	Other liquidity-absorbing operations ³⁾	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)					
1		Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations ²⁾						2	3	4	5	6	7	8	9	10	11	12
2009	407.6	55.8	593.4	0.7	24.6	65.7	9.9	775.2	150.1	-130.2	211.4	1,052.3			
2010	511.1	179.5	336.3	1.9	130.4	44.7	70.8	815.9	94.4	-79.1	212.5	1,073.1			
2011 14 June	526.8	114.7	317.9	0.0	135.5	18.4	76.2	836.6	62.6	-107.9	209.0	1,064.0			
12 July	533.6	146.0	311.6	0.2	134.2	29.5	76.9	846.2	73.4	-111.2	210.9	1,086.6			
9 Aug.	541.3	171.7	321.5	0.1	133.9	56.7	79.2	854.2	71.4	-104.5	211.5	1,122.4			
13 Sep.	540.3	135.1	389.8	0.3	178.0	121.8	109.8	853.2	52.3	-103.0	209.5	1,184.5			
11 Oct.	571.0	193.0	373.6	1.5	217.4	168.7	162.9	854.9	50.0	-88.5	208.7	1,232.2			
8 Nov.	612.1	196.1	387.1	2.8	231.9	204.6	178.0	861.4	57.9	-80.8	208.9	1,274.8			

Source: ECB.

1) End of period.

2) Includes liquidity provided under the Eurosystem's covered bond purchase programme and the Eurosystem's securities markets programme.

3) Includes liquidity absorbed as a result of the Eurosystem's foreign exchange swap operations.

For more information, please see: <http://www.ecb.europa.eu/mopo/liq/html/index.en.html>



MONEY, BANKING AND OTHER FINANCIAL CORPORATIONS

2.1 Aggregated balance sheet of euro area MFIs ¹⁾

(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 ³⁾
		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														
2009	2,829.9	1,489.8	19.5	0.7	1,469.7	451.7	368.3	7.5	75.9	-	16.5	556.8	8.5	306.7
2010	3,212.4	1,551.0	18.6	0.9	1,531.5	574.4	463.8	9.6	101.1	-	18.1	684.1	8.5	376.3
2011 Q2	3,132.7	1,434.0	17.8	1.0	1,415.2	594.9	468.9	9.9	116.2	-	19.4	688.4	8.6	387.3
Q3	3,928.6	2,043.3	18.0	1.0	2,024.4	659.9	544.3	10.9	104.7	-	17.9	767.4	8.7	431.3
2011 July	3,245.0	1,518.6	17.8	1.0	1,499.9	578.0	464.8	10.2	103.0	-	19.0	727.8	8.7	392.9
Aug.	3,551.1	1,713.6	17.8	1.0	1,694.8	628.8	514.8	10.4	103.5	-	18.2	776.9	8.7	404.9
Sep.	3,928.6	2,043.3	18.0	1.0	2,024.4	659.9	544.3	10.9	104.7	-	17.9	767.4	8.7	431.3
Oct. ^(p)	4,013.1	2,122.5	18.0	1.0	2,103.6	667.3	551.9	10.8	104.6	-	18.6	757.7	8.7	438.3
MFIs excluding the Eurosystem														
2009	31,144.2	17,701.6	1,001.7	10,783.9	5,916.1	5,060.0	1,482.1	1,498.0	2,079.9	85.1	1,236.1	4,252.4	220.7	2,588.3
2010	32,199.5	17,763.1	1,221.8	11,026.1	5,515.2	4,938.6	1,524.2	1,528.6	1,885.8	59.9	1,233.1	4,323.4	223.5	3,658.0
2011 Q2	31,742.6	17,880.6	1,152.7	11,223.9	5,504.0	4,691.1	1,457.7	1,472.2	1,761.2	61.6	1,251.5	4,295.2	228.9	3,333.7
Q3	33,661.5	18,443.8	1,145.8	11,296.6	6,001.4	4,662.1	1,416.1	1,458.2	1,787.8	58.4	1,230.0	4,435.1	230.3	4,601.8
2011 July	32,154.8	17,999.0	1,157.2	11,237.7	5,604.1	4,661.6	1,437.6	1,476.9	1,747.0	61.0	1,249.9	4,301.4	229.6	3,652.3
Aug.	32,816.3	18,152.3	1,145.0	11,237.9	5,769.5	4,674.6	1,429.9	1,469.2	1,775.5	62.2	1,234.4	4,338.5	229.7	4,124.5
Sep.	33,661.5	18,443.8	1,145.8	11,296.6	6,001.4	4,662.1	1,416.1	1,458.2	1,787.8	58.4	1,230.0	4,435.1	230.3	4,601.8
Oct. ^(p)	33,537.5	18,444.0	1,145.4	11,267.5	6,031.1	4,713.7	1,393.2	1,516.2	1,804.3	55.7	1,226.4	4,278.1	230.8	4,588.8

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/units ⁴⁾	Debt securities issued ⁵⁾	Capital and reserves	External liabilities	Remaining liabilities ³⁾
			Total	Central government	Other general government/other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
Eurosystem											
2009	2,829.9	829.3	1,196.1	103.6	22.1	1,070.5	-	0.1	319.8	140.2	344.4
2010	3,212.4	863.7	1,394.8	68.0	8.7	1,318.1	-	0.0	428.5	153.8	371.7
2011 Q2	3,132.7	871.6	1,320.1	72.5	11.2	1,236.3	-	0.0	412.2	157.5	371.4
Q3	3,928.6	882.1	1,984.0	50.1	6.6	1,927.3	-	0.0	475.8	189.4	397.3
2011 July	3,245.0	880.4	1,364.1	86.0	8.2	1,269.9	-	0.0	445.0	174.0	381.4
Aug.	3,551.1	874.5	1,616.6	69.5	8.7	1,538.4	-	0.0	493.7	176.4	389.9
Sep.	3,928.6	882.1	1,984.0	50.1	6.6	1,927.3	-	0.0	475.8	189.4	397.3
Oct. ^(p)	4,013.1	889.2	2,068.0	66.4	10.6	1,991.0	-	0.0	477.1	177.5	401.3
MFIs excluding the Eurosystem											
2009	31,144.2	-	16,469.0	146.0	10,041.4	6,281.6	732.6	4,908.5	1,921.2	4,098.5	3,014.4
2010	32,199.5	-	16,497.6	196.2	10,526.4	5,774.9	612.3	4,845.2	2,045.1	4,220.4	3,978.9
2011 Q2	31,742.6	-	16,614.3	266.4	10,655.6	5,692.3	609.7	4,903.1	2,155.7	3,973.4	3,486.5
Q3	33,661.5	-	17,079.4	211.4	10,783.7	6,084.4	607.5	4,952.8	2,203.2	4,033.3	4,785.3
2011 July	32,154.8	-	16,706.6	230.9	10,647.5	5,828.2	599.6	4,893.5	2,192.5	3,971.9	3,790.7
Aug.	32,816.3	-	16,818.8	187.1	10,711.5	5,920.2	622.7	4,908.7	2,198.4	3,988.7	4,279.0
Sep.	33,661.5	-	17,079.4	211.4	10,783.7	6,084.4	607.5	4,952.8	2,203.2	4,033.3	4,785.3
Oct. ^(p)	33,537.5	-	17,073.9	194.8	10,763.4	6,115.6	594.0	4,921.5	2,203.5	3,953.2	4,791.5

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) In December 2010 a change was made to the recording practice for derivatives in one Member State, leading to an increase in this position.
- 4) Amounts held by euro area residents.
- 5) Amounts issued with a maturity of up to two years and 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 ²⁾
		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											
2009	23,848.2	11,805.7	1,021.1	10,784.6	3,355.9	1,850.4	1,505.5	812.6	4,809.2	229.1	2,835.6
2010	25,812.0	12,267.4	1,240.4	11,027.0	3,526.2	1,988.0	1,538.2	799.9	5,007.5	232.0	3,979.1
2011 Q2	25,483.1	12,395.4	1,170.5	11,224.9	3,408.6	1,926.6	1,482.1	788.8	4,983.6	237.5	3,669.1
Q3	27,067.0	12,461.4	1,163.8	11,297.5	3,429.5	1,960.4	1,469.1	752.4	5,202.4	239.0	4,982.3
2011 July	25,845.6	12,413.6	1,175.0	11,238.6	3,389.5	1,902.5	1,487.1	781.9	5,029.2	238.3	3,993.0
Aug.	26,423.5	12,401.5	1,162.7	11,238.8	3,424.4	1,944.7	1,479.7	765.3	5,115.5	238.4	4,478.4
Sep.	27,067.0	12,461.4	1,163.8	11,297.5	3,429.5	1,960.4	1,469.1	752.4	5,202.4	239.0	4,982.3
Oct. ^(p)	26,906.3	12,431.9	1,163.3	11,268.5	3,472.1	1,945.1	1,527.0	751.7	5,035.8	239.5	4,975.4
Transactions											
2009	-635.0	15.8	29.4	-13.5	364.5	269.5	95.0	12.3	-465.1	7.8	-571.2
2010	600.1	412.9	206.4	206.5	142.6	144.7	-2.1	5.7	-109.2	2.4	145.5
2011 Q2	175.3	67.0	-37.2	104.2	29.0	50.5	-21.6	-3.1	36.0	1.9	44.5
Q3	1,394.2	46.6	-6.9	53.5	30.3	37.2	-6.9	-23.2	34.2	1.6	1,304.7
2011 July	266.9	6.8	4.1	2.7	-9.9	-15.7	5.8	-2.4	-37.5	0.8	309.1
Aug.	559.8	-12.2	-14.0	1.7	27.9	31.7	-3.8	-8.8	69.8	0.1	482.9
Sep.	567.4	52.0	3.0	49.0	12.3	21.2	-8.9	-12.0	1.8	0.6	512.6
Oct. ^(p)	-78.5	1.2	-0.4	1.6	36.5	-2.9	39.4	-3.6	-105.9	0.5	-7.0

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units ³⁾	Debt securities issued ⁴⁾	Capital and reserves	External liabilities	Remaining liabilities ²⁾	Excess of inter-MFI liabilities over inter-MFI assets
Outstanding amounts										
2009	23,848.2	769.9	249.6	10,063.5	647.5	2,752.9	1,801.0	4,238.8	3,358.8	-33.7
2010	25,812.0	808.6	264.2	10,535.1	552.4	2,858.3	2,022.3	4,374.2	4,350.6	46.3
2011 Q2	25,483.1	819.7	339.0	10,666.8	548.1	3,025.7	2,085.7	4,130.8	3,857.8	9.4
Q3	27,067.0	831.2	261.5	10,790.2	549.1	3,060.3	2,183.6	4,222.7	5,182.6	-14.0
2011 July	25,845.6	828.2	317.0	10,655.7	538.7	3,043.5	2,150.4	4,145.9	4,172.2	-5.9
Aug.	26,423.5	823.4	256.6	10,720.2	560.4	3,029.7	2,204.8	4,165.1	4,668.9	-5.6
Sep.	27,067.0	831.2	261.5	10,790.2	549.1	3,060.3	2,183.6	4,222.7	5,182.6	-14.0
Oct. ^(p)	26,906.3	837.5	261.2	10,774.0	538.3	3,012.5	2,187.3	4,130.6	5,192.8	-28.0
Transactions										
2009	-635.0	45.8	-4.2	286.0	-12.5	-56.4	131.2	-590.3	-490.5	55.8
2010	600.1	38.6	11.8	331.5	-98.2	42.5	96.4	-27.3	152.2	52.7
2011 Q2	175.3	21.3	42.6	121.9	-19.7	33.5	29.1	-20.5	-2.4	-30.6
Q3	1,394.2	11.5	-77.5	104.8	3.9	-3.0	46.2	-12.1	1,343.4	-23.0
2011 July	266.9	8.5	-22.0	-15.5	-7.0	0.7	36.3	-20.5	305.1	-18.8
Aug.	559.8	-4.7	-60.4	62.3	21.9	-5.8	10.4	43.9	491.6	0.7
Sep.	567.4	7.7	4.9	58.0	-11.1	2.1	-0.5	-35.6	546.7	-4.9
Oct. ^(p)	-78.5	6.3	-0.2	-6.6	-10.7	-28.7	4.0	-37.9	12.6	-17.2

Source: ECB.

- 1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
- 2) In December 2010 a change was made to the recording practice for derivatives in one Member State, leading to an increase in this position.
- 3) Amounts held by euro area residents.
- 4) Amounts issued with a maturity of up to two years and held by non-euro area residents are included in external liabilities.

2.3 Monetary statistics ¹⁾

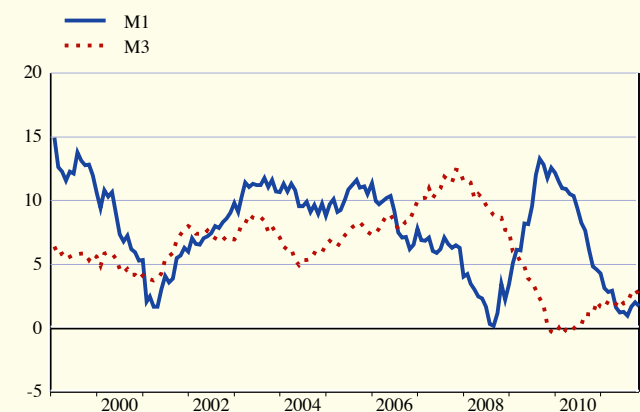
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

1. Monetary aggregates ²⁾ and counterparts

	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⁾		
	M2		M3-M2	Loans				Loans adjusted for sales and securitisation ⁴⁾				
	M1	M2-M1										
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2009	4,495.7	3,701.6	8,197.3	1,134.1	9,331.4	-	6,762.9	2,909.6	13,105.9	10,792.9	-	552.2
2010	4,694.8	3,700.0	8,394.8	1,125.2	9,520.0	-	7,313.3	3,270.4	13,365.0	11,033.5	-	615.1
2011 Q2	4,715.7	3,783.6	8,499.3	1,166.5	9,665.9	-	7,544.0	3,061.4	13,463.7	11,193.6	-	853.5
Q3	4,780.3	3,824.5	8,604.8	1,242.4	9,847.2	-	7,708.8	3,121.0	13,516.8	11,279.8	-	973.6
2011 July	4,730.0	3,793.2	8,523.2	1,167.5	9,690.7	-	7,619.1	3,064.2	13,491.0	11,213.8	-	891.8
Aug.	4,779.5	3,803.4	8,582.9	1,223.2	9,806.1	-	7,685.4	3,112.6	13,518.9	11,259.5	-	949.9
Sep.	4,780.3	3,824.5	8,604.8	1,242.4	9,847.2	-	7,708.8	3,121.0	13,516.8	11,279.8	-	973.6
Oct. ^(p)	4,770.1	3,810.4	8,580.4	1,199.9	9,780.4	-	7,711.0	3,105.9	13,576.2	11,284.7	-	893.7
Transactions												
2009	488.7	-368.0	120.7	-160.4	-39.6	-	410.8	306.9	90.1	-14.6	31.2	124.8
2010	194.0	-12.2	181.9	-24.0	157.9	-	248.9	355.2	206.9	204.8	261.7	-81.8
2011 Q2	9.1	32.9	42.0	13.9	55.9	-	73.3	-25.8	23.7	60.8	68.0	46.7
Q3	57.1	35.5	92.6	82.8	175.4	-	65.9	62.6	53.4	67.0	77.8	39.6
2011 July	11.9	8.0	19.9	5.3	25.2	-	27.4	10.7	21.6	9.2	20.3	-9.2
Aug.	50.9	10.4	61.3	55.5	116.8	-	26.9	36.2	41.1	47.3	49.5	17.1
Sep.	-5.7	17.0	11.4	22.1	33.4	-	11.6	15.7	-9.3	10.5	8.1	31.7
Oct. ^(p)	-7.2	-9.9	-17.1	-41.8	-58.9	-	23.1	-2.6	68.6	35.6	64.5	-73.4
Growth rates												
2009	12.2	-9.0	1.5	-11.9	-0.4	-0.2	6.5	11.8	0.7	-0.1	0.3	124.8
2010	4.3	-0.3	2.2	-2.1	1.7	1.8	3.6	12.1	1.6	1.9	2.4	-81.8
2011 Q2	1.3	3.7	2.3	-1.0	2.0	2.1	4.4	4.7	2.1	2.5	2.7	137.8
Q3	2.0	3.1	2.5	6.8	3.0	2.8	4.2	5.6	1.5	2.5	2.7	208.5
2011 July	1.0	3.7	2.2	1.1	2.0	2.3	4.4	4.9	1.8	2.4	2.6	150.6
Aug.	1.7	3.2	2.4	5.4	2.8	2.6	4.4	5.4	1.7	2.5	2.7	180.4
Sep.	2.0	3.1	2.5	6.8	3.0	2.8	4.2	5.6	1.5	2.5	2.7	208.5
Oct. ^(p)	1.7	2.2	2.0	7.8	2.6	.	4.2	-0.5	2.1	2.7	3.0	224.1

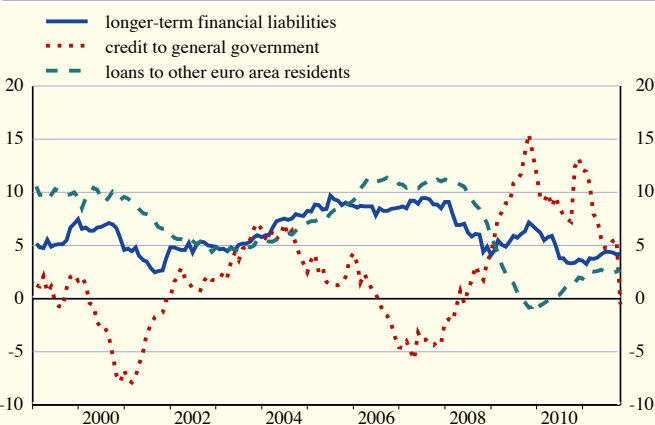
C1 Monetary aggregates ¹⁾

(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.

Monthly and other shorter-term growth rates for selected items are available at: <http://www.ecb.europa.eu/stats/money/aggregates/aggr/html/index.en.html>

2) Monetary liabilities of MFIs and central government (post office, treasury, etc.) vis-à-vis non-MFI euro area residents excluding central government.

For definitions of M1, M2 and M3, see glossary.

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

4) Adjustment for the derecognition of loans on the MFI balance sheet on account of their sale or securitisation.

2.3 Monetary statistics ¹⁾

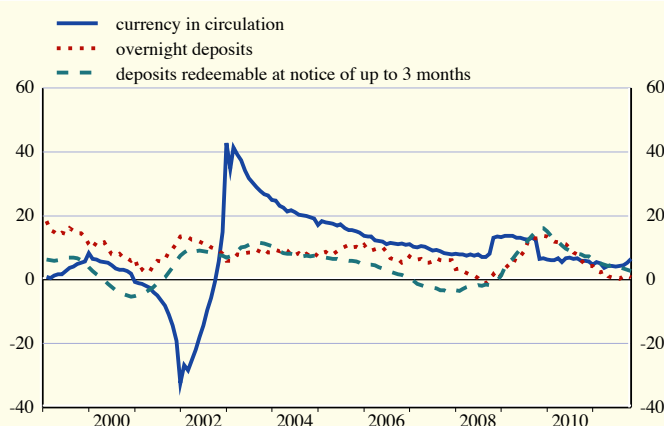
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

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

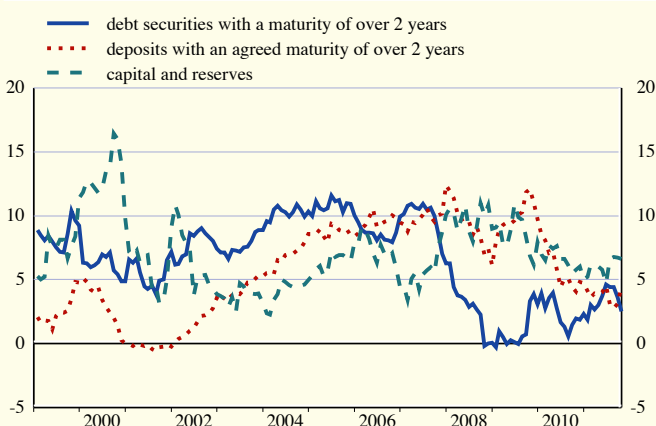
	Currency in circulation	Overnight deposits	Deposits with an agreed maturity of up to 2 years	Deposits redeemable at notice of up to 3 months	Repos	Money market fund shares/units	Debt securities with a maturity of up to 2 years	Debt securities with a maturity of over 2 years	Deposits redeemable at notice of over 3 months	Deposits with an agreed maturity of over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2009	757.5	3,738.1	1,896.8	1,804.8	334.3	668.1	131.8	2,635.4	132.5	2,207.9	1,787.2
2010	793.6	3,901.2	1,785.1	1,914.9	433.8	570.2	121.2	2,753.6	118.4	2,436.0	2,005.4
2011 Q2	815.4	3,900.3	1,845.4	1,938.2	441.2	550.6	174.8	2,845.2	119.7	2,493.8	2,085.2
Q3	832.3	3,948.0	1,865.5	1,959.0	508.8	552.6	181.1	2,878.6	119.4	2,529.5	2,181.3
2011 July	816.3	3,913.7	1,848.7	1,944.5	455.6	534.9	177.0	2,855.2	120.0	2,496.2	2,147.7
Aug.	825.4	3,954.0	1,849.6	1,953.9	499.8	549.7	173.8	2,849.0	119.9	2,509.8	2,206.7
Sep.	832.3	3,948.0	1,865.5	1,959.0	508.8	552.6	181.1	2,878.6	119.4	2,529.5	2,181.3
Oct. ^(p)	843.3	3,926.8	1,847.0	1,963.4	487.0	543.4	169.5	2,840.6	118.6	2,567.1	2,184.7
Transactions											
2009	44.3	444.4	-605.2	237.2	-12.6	-13.1	-134.7	78.6	9.0	194.0	129.2
2010	36.0	158.0	-125.1	113.0	95.3	-101.2	-18.1	61.9	-14.1	108.2	92.9
2011 Q2	12.7	-3.6	18.9	14.0	31.4	-17.5	-0.1	30.9	0.0	16.7	25.7
Q3	16.9	40.2	14.8	20.7	74.6	4.9	3.3	-1.1	-0.4	23.0	44.4
2011 July	0.9	11.0	1.8	6.3	19.1	-13.3	-0.6	-4.3	0.3	-2.7	34.1
Aug.	9.1	41.7	1.1	9.4	44.3	15.0	-3.8	2.4	-0.1	9.6	15.0
Sep.	6.9	-12.6	12.0	5.0	11.2	3.2	7.7	0.8	-0.5	16.0	-4.7
Oct. ^(p)	11.0	-18.1	-14.9	4.9	-21.4	-9.2	-11.2	-19.3	-0.7	39.6	3.6
Growth rates											
2009	6.2	13.5	-24.2	15.1	-3.5	-1.9	-50.4	3.0	7.3	9.7	7.9
2010	4.8	4.2	-6.6	6.3	28.3	-15.1	-13.4	2.3	-10.7	4.7	5.0
2011 Q2	4.1	0.7	3.1	4.3	13.9	-12.4	8.3	4.6	-6.3	4.5	4.7
Q3	5.3	1.4	3.2	3.0	31.0	-9.5	10.5	3.6	-2.4	3.1	6.7
2011 July	4.3	0.3	3.5	3.9	19.9	-12.2	6.9	4.4	-4.6	3.1	6.6
Aug.	4.5	1.2	2.9	3.5	31.2	-10.5	5.1	4.4	-3.9	2.8	6.8
Sep.	5.3	1.4	3.2	3.0	31.0	-9.5	10.5	3.6	-2.4	3.1	6.7
Oct. ^(p)	6.5	0.8	1.8	2.7	34.9	-8.9	8.3	2.5	-1.1	4.5	6.6

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; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

1. Loans to financial intermediaries, non-financial corporations and households

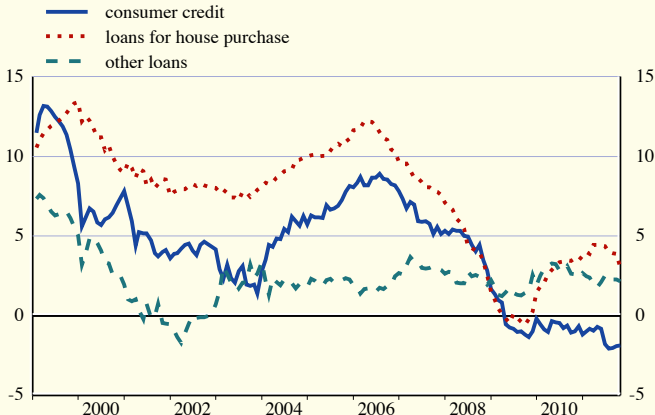
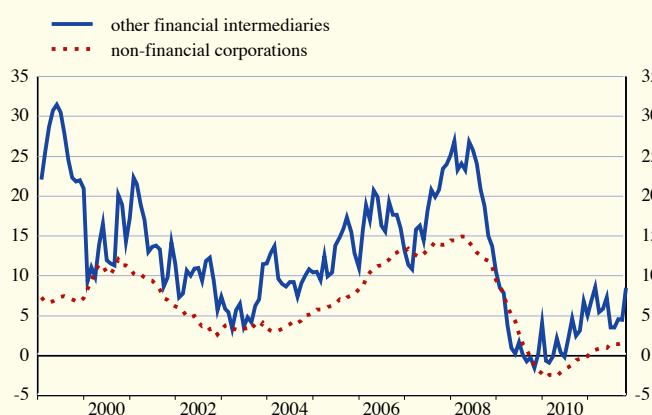
	Insurance corporations and pension funds		Non-financial corporations				Households ³⁾					
	Total	Total	Total			Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total			
			Loans adjusted for sales and securitisation ⁴⁾						Loans adjusted for sales and securitisation ⁴⁾	Consumer credit	Loans for house purchase	Other loans
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2009	89.0	1,060.7	4,690.9	-	1,187.8	937.6	2,565.5	4,952.2	-	631.3	3,546.6	774.3
2010	95.0	1,112.0	4,667.2	-	1,127.3	899.0	2,640.9	5,159.3	-	639.3	3,701.3	818.7
2011 Q2	88.8	1,116.5	4,729.2	-	1,175.8	867.3	2,686.1	5,259.1	-	629.4	3,796.5	833.2
Q3	97.0	1,152.2	4,761.1	-	1,178.2	870.3	2,712.6	5,269.4	-	627.6	3,806.3	835.6
2011 July	91.0	1,139.0	4,729.7	-	1,168.3	865.9	2,695.5	5,254.1	-	626.2	3,793.7	834.3
Aug.	99.1	1,161.5	4,735.2	-	1,168.5	867.8	2,699.0	5,263.7	-	629.8	3,798.2	835.7
Sep.	97.0	1,152.2	4,761.1	-	1,178.2	870.3	2,712.6	5,269.4	-	627.6	3,806.3	835.6
Oct. ^(p)	94.1	1,198.9	4,761.0	-	1,180.7	868.2	2,712.1	5,230.8	-	626.9	3,768.8	835.0
Transactions												
2009	-13.6	40.9	-107.0	-108.0	-181.2	-18.9	93.2	65.1	99.5	-1.0	51.4	14.7
2010	7.0	52.9	-2.2	45.6	-37.0	-26.2	61.0	147.1	155.8	-7.6	133.7	21.0
2011 Q2	1.0	2.2	27.0	29.6	30.9	-17.2	13.3	30.6	34.4	-7.1	29.2	8.5
Q3	8.1	28.6	24.2	25.0	-0.8	1.3	23.7	6.2	16.7	-3.2	7.9	1.5
2011 July	2.1	19.4	-4.1	-3.4	-9.2	-2.0	7.1	-8.4	2.3	-3.4	-5.5	0.6
Aug.	8.1	21.8	9.7	9.9	1.6	1.2	6.9	7.7	9.7	1.0	5.7	1.0
Sep.	-2.1	-12.6	18.5	18.5	6.8	2.1	9.6	6.8	4.7	-0.8	7.7	-0.1
Oct. ^(p)	-2.9	48.7	7.3	9.0	4.8	0.0	2.5	-17.6	9.9	-0.5	-17.6	0.4
Growth rates												
2009	-13.2	4.2	-2.2	-	-13.1	-2.0	3.7	1.3	-	-0.2	1.5	1.9
2010	8.0	4.8	0.0	1.0	-3.1	-2.8	2.4	2.9	3.1	-1.2	3.8	2.7
2011 Q2	5.7	3.4	1.4	2.3	4.3	-3.7	2.0	3.3	3.0	-1.8	4.4	2.5
Q3	9.7	4.5	1.6	2.2	4.0	-3.7	2.4	2.9	2.6	-1.9	3.9	2.3
2011 July	3.8	3.5	1.5	2.2	4.1	-3.5	2.1	3.0	2.8	-2.0	4.0	2.6
Aug.	9.8	4.5	1.5	2.1	4.0	-3.5	2.0	2.9	2.7	-2.0	3.9	2.3
Sep.	9.7	4.5	1.6	2.2	4.0	-3.7	2.4	2.9	2.6	-1.9	3.9	2.3
Oct. ^(p)	6.1	8.7	1.9	2.3	4.6	-3.2	2.4	2.2	2.5	-1.9	3.0	2.2

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

(annual growth rates; not seasonally adjusted)

C6 Loans to households ²⁾

(annual growth rates; not seasonally adjusted)



Source: ECB.

- 1) MFI sector excluding the Eurosystem; sectoral classification is based on the 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) Adjustment for the derecognition of loans on the MFI balance sheet on account of their sale or securitisation.

2.4 MFI loans: breakdown 1), 2)

(EUR billions and annual growth rates; not seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

2. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds				Other financial intermediaries					Non-financial corporations			
	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Reverse repos to central counterparties	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years
Outstanding amounts													
2010	86.2	66.6	5.2	14.4	1,104.7	142.9	587.7	206.4	310.6	4,667.2	1,120.6	898.6	2,648.0
2011 Q2	91.1	71.2	5.6	14.2	1,129.3	153.1	601.4	203.6	324.3	4,737.3	1,185.1	868.6	2,683.7
2011 Q3	98.3	78.8	5.2	14.2	1,167.9	178.1	631.2	207.4	329.3	4,755.0	1,176.6	870.6	2,707.7
2011 Aug.	99.7	80.1	5.3	14.2	1,152.7	174.9	618.6	206.5	327.6	4,721.5	1,156.4	866.9	2,698.2
Sep.	98.3	78.8	5.2	14.2	1,167.9	178.1	631.2	207.4	329.3	4,755.0	1,176.6	870.6	2,707.7
Oct. ^(p)	95.6	76.6	5.2	13.8	1,186.9	212.0	648.2	206.4	332.4	4,751.2	1,174.3	868.5	2,708.4
Transactions													
2010	6.8	10.1	-1.8	-1.5	54.4	-	17.8	7.1	29.5	-2.5	-37.2	-26.2	60.9
2011 Q2	4.2	4.6	-0.1	-0.3	16.1	15.6	14.9	-5.0	6.2	36.0	39.2	-16.0	12.8
2011 Q3	7.1	7.5	-0.4	0.0	31.4	25.1	26.7	1.5	3.3	10.0	-11.5	0.3	21.2
2011 Aug.	6.1	6.5	-0.4	0.0	10.7	15.7	9.3	0.6	0.7	-14.9	-16.4	-1.4	2.9
Sep.	-1.5	-1.3	-0.1	0.0	11.8	3.3	10.8	0.4	0.7	26.2	17.4	3.3	5.5
Oct. ^(p)	-2.7	-2.2	0.0	-0.4	21.1	33.9	18.6	-0.4	2.9	3.6	0.0	-0.1	3.7
Growth rates													
2010	8.4	17.5	-25.4	-9.1	5.0	-	2.9	3.2	10.4	-0.1	-3.2	-2.8	2.4
2011 Q2	5.7	11.1	3.3	-15.9	3.5	21.2	2.6	-3.2	10.1	1.4	4.2	-3.7	2.0
2011 Q3	9.9	15.2	-6.6	-8.1	4.5	20.1	6.4	-4.5	7.1	1.6	4.1	-3.7	2.3
2011 Aug.	9.9	16.1	9.8	-16.5	4.5	20.4	6.2	-2.5	6.1	1.5	4.1	-3.5	2.1
Sep.	9.9	15.2	-6.6	-8.1	4.5	20.1	6.4	-4.5	7.1	1.6	4.1	-3.7	2.3
Oct. ^(p)	6.1	11.7	-6.5	-14.2	8.5	58.4	14.2	-4.4	7.0	1.9	4.6	-3.2	2.4

3. Loans to households 3)

	Total	Consumer credit				Loans for house purchase				Other loans				
		Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	
	1	2	3	4	5	6	7	8	9	10	Sole proprietors 11	12	13	14
Outstanding amounts														
2010	5,168.0	641.7	147.0	186.5	308.2	3,706.9	14.7	54.9	3,637.2	819.4	402.4	146.7	85.7	587.0
2011 Q2	5,266.2	633.0	141.9	185.3	305.7	3,794.7	14.6	55.2	3,724.9	838.6	404.2	152.1	87.0	599.4
2011 Q3	5,275.3	629.7	138.6	186.3	304.8	3,810.3	14.5	56.7	3,739.1	835.4	409.7	147.5	87.9	600.0
2011 Aug.	5,264.0	630.7	141.0	185.5	304.3	3,799.4	14.7	56.1	3,728.6	833.9	405.8	145.5	88.1	600.4
Sep.	5,275.3	629.7	138.6	186.3	304.8	3,810.3	14.5	56.7	3,739.1	835.4	409.7	147.5	87.9	600.0
Oct. ^(p)	5,233.8	629.3	138.8	185.2	305.3	3,771.7	14.4	56.5	3,700.7	832.8	407.4	145.9	87.5	599.4
Transactions														
2010	147.5	-7.6	-4.8	-8.8	5.9	134.2	-0.6	-3.7	138.6	20.9	-	-6.9	-4.5	32.3
2011 Q2	47.7	-0.3	2.5	-2.0	-0.8	33.0	0.5	1.1	31.4	15.0	1.7	5.1	0.2	9.8
2011 Q3	4.9	-4.7	-2.4	-0.8	-1.4	13.7	-0.1	1.3	12.6	-4.1	-1.3	-5.9	-0.8	2.6
2011 Aug.	-0.1	-1.5	0.8	-0.9	-1.4	1.7	0.0	0.4	1.3	-0.4	0.0	0.0	-0.6	0.3
Sep.	12.4	0.4	-1.6	1.0	0.9	10.5	-0.2	0.3	10.4	1.5	-0.2	1.4	-0.2	0.2
Oct. ^(p)	-20.5	-0.1	0.1	-0.6	0.4	-18.7	-0.1	0.2	-18.8	-1.6	-2.2	-1.4	-0.2	0.0
Growth rates														
2010	3.0	-1.2	-3.5	-4.5	2.0	3.8	-4.2	-6.2	4.0	2.7	-	-4.6	-5.1	5.9
2011 Q2	3.3	-1.8	-2.6	-5.0	0.6	4.4	0.0	2.6	4.4	2.5	0.4	0.6	-3.3	3.9
2011 Q3	2.9	-1.9	-2.1	-3.6	-0.8	3.9	-2.5	0.6	4.0	2.3	0.0	-0.1	-3.7	3.8
2011 Aug.	2.9	-2.0	-1.9	-5.3	-0.1	3.9	-1.6	2.7	3.9	2.3	-0.5	0.2	-3.8	3.7
Sep.	2.9	-1.9	-2.1	-3.6	-0.8	3.9	-2.5	0.6	4.0	2.3	0.0	-0.1	-3.7	3.8
Oct. ^(p)	2.2	-1.9	-2.0	-3.8	-0.6	3.0	-2.4	0.4	3.0	2.1	-0.2	0.8	-3.2	3.3

Source: ECB.

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

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

3) Including non-profit institutions serving households.

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

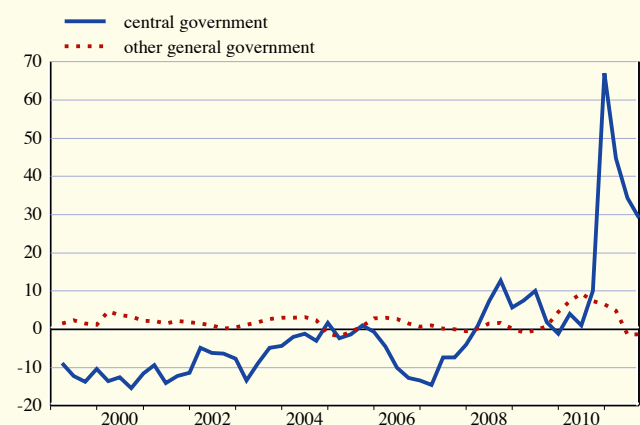
(EUR billions and annual growth rates; not seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

4. 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										
2009	1,001.7	229.3	209.8	528.8	33.8	2,821.7	1,914.9	906.8	46.2	860.7
2010	1,221.8	397.5	225.2	553.0	46.1	2,963.0	2,010.9	952.1	49.5	902.6
2010 Q4	1,221.8	397.5	225.2	553.0	46.1	2,963.0	2,010.9	952.1	49.5	902.6
2011 Q1	1,188.8	359.4	229.6	557.8	41.9	2,934.4	1,957.5	976.9	54.5	922.4
Q2	1,152.7	346.4	223.4	555.9	27.0	3,006.5	2,012.0	994.5	60.1	934.4
Q3 ³⁾	1,145.8	343.5	224.0	553.7	24.7	3,157.5	2,134.8	1,022.7	62.7	960.0
Transactions										
2009	30.5	-2.7	0.1	21.6	11.5	-384.7	-345.6	-38.9	-1.4	-37.5
2010	207.2	156.3	14.9	24.1	11.9	5.4	10.1	-5.0	0.5	-5.5
2010 Q4	138.7	126.7	1.6	8.8	1.5	-17.0	-1.9	-15.1	-2.0	-13.1
2011 Q1	-28.2	-34.3	4.4	4.9	-3.2	55.7	-1.5	57.0	7.0	50.1
Q2	-36.5	-13.0	-6.5	-2.1	-14.9	44.6	21.6	23.0	6.1	16.9
Q3 ³⁾	-7.1	-3.4	0.6	-3.7	-2.6	68.2	62.1	5.9	1.4	4.5
Growth rates										
2009	3.1	-1.2	0.1	4.2	51.9	-11.7	-15.1	-4.1	-3.0	-4.2
2010	20.6	67.1	7.1	4.6	35.1	0.5	0.6	-0.4	0.4	-0.5
2010 Q4	20.6	67.1	7.1	4.6	35.1	0.5	0.6	-0.4	0.4	-0.5
2011 Q1	14.3	44.7	9.6	3.4	0.6	0.5	-0.7	2.2	16.0	1.5
Q2	7.1	34.4	-1.1	1.4	-38.6	2.6	0.2	7.0	30.9	5.8
Q3 ³⁾	6.2	29.1	0.0	1.5	-43.8	5.2	4.0	7.4	24.7	6.4

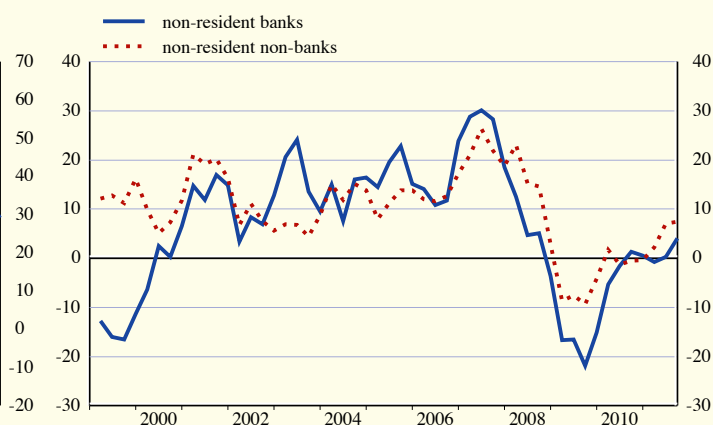
C7 Loans to government ²⁾

(annual growth rates; not seasonally adjusted)



C8 Loans to non-euro area residents ²⁾

(annual growth rates; not seasonally adjusted)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on the 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 similar to MFIs which are resident outside the euro area.

2.5 Deposits held with MFIs: breakdown ^{1), 2)}

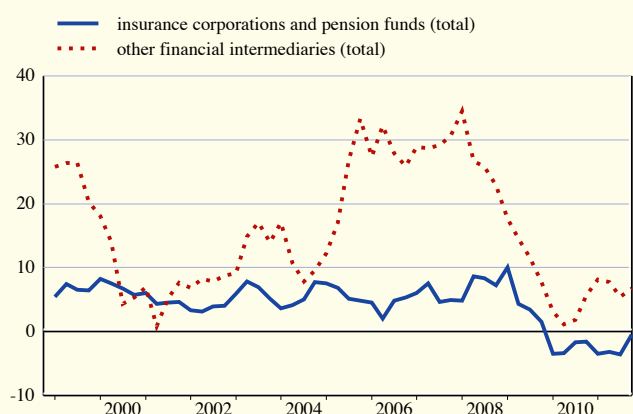
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries							
	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		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	With central counter-parties 15
Outstanding amounts															
2009	738.5	84.1	86.9	543.7	2.2	1.4	20.2	1,871.2	311.7	335.1	957.5	15.9	0.0	250.9	-
2010	716.9	84.5	79.4	528.3	2.6	0.3	21.9	2,168.3	358.3	305.9	1,132.6	10.7	0.5	360.3	255.0
2011 Q2	703.4	84.6	72.1	524.0	3.2	0.2	19.3	2,216.9	369.7	297.2	1,152.4	12.5	0.3	384.8	290.8
2011 Q3	721.6	88.4	88.6	520.2	3.6	0.2	20.6	2,309.3	382.4	305.2	1,167.4	11.4	0.5	442.4	338.7
2011 July	707.6	82.8	75.4	523.4	3.7	0.2	22.1	2,193.2	359.9	301.5	1,148.3	11.6	0.3	371.7	282.3
2011 Aug.	718.0	87.0	82.6	523.3	3.7	0.2	21.1	2,256.8	370.3	305.4	1,151.9	11.7	0.5	417.0	315.0
2011 Sep.	721.6	88.4	88.6	520.2	3.6	0.2	20.6	2,309.3	382.4	305.2	1,167.4	11.4	0.5	442.4	338.7
2011 Oct. ^(p)	724.1	93.2	87.9	520.3	3.8	0.2	18.7	2,294.5	382.3	292.8	1,186.0	10.9	0.4	422.0	324.6
Transactions															
2009	-26.8	-1.0	-30.4	6.3	1.1	-0.1	-2.7	55.4	5.5	-93.6	85.8	3.7	0.0	54.0	-
2010	-26.5	-3.4	-8.2	-16.6	0.2	0.0	1.6	156.7	45.1	-37.8	52.8	-8.0	0.4	104.2	-
2011 Q2	-2.6	1.7	-3.2	-2.7	0.3	0.0	1.3	39.4	-1.8	-6.8	3.0	0.7	-0.3	44.6	50.1
2011 Q3	17.5	3.3	16.4	-3.9	0.4	0.0	1.3	86.1	10.2	4.7	7.3	-1.1	0.2	64.7	48.6
2011 July	4.0	-1.9	3.3	-0.6	0.5	0.0	2.8	-25.5	-10.8	3.6	-9.1	-0.9	0.0	-8.3	-8.6
2011 Aug.	10.3	4.3	7.1	0.0	0.0	0.0	-1.0	65.6	11.1	4.3	4.4	0.2	0.2	45.4	32.8
2011 Sep.	3.1	0.9	6.0	-3.3	0.0	0.0	-0.5	46.0	10.0	-3.2	12.0	-0.4	0.0	27.6	24.3
2011 Oct. ^(p)	4.7	4.9	-0.6	0.1	0.1	0.0	0.2	-9.4	1.1	-10.4	20.6	-0.5	0.0	-20.2	-14.0
Growth rates															
2009	-3.5	-1.1	-26.4	1.2	96.8	-	-11.8	3.1	1.5	-22.0	10.0	30.0	-	27.4	-
2010	-3.6	-3.6	-9.4	-3.0	9.7	-	7.8	8.1	14.4	-11.2	4.9	-48.5	-	41.1	-
2011 Q2	-3.7	-5.7	-10.6	-2.2	26.4	-	-6.6	5.4	1.2	1.3	4.7	5.4	-	15.8	33.0
2011 Q3	-0.5	4.2	3.6	-2.3	28.7	-	8.1	6.7	1.5	-1.5	2.6	2.8	-	33.8	47.4
2011 July	-3.0	-7.4	-10.0	-2.2	41.0	-	25.5	3.9	0.1	-0.8	1.7	-0.8	-	19.9	34.7
2011 Aug.	-1.3	2.3	-5.9	-1.9	38.3	-	17.4	6.0	1.7	-1.5	1.6	5.0	-	33.9	43.5
2011 Sep.	-0.5	4.2	3.6	-2.3	28.7	-	8.1	6.7	1.5	-1.5	2.6	2.8	-	33.8	47.4
2011 Oct. ^(p)	0.9	10.2	7.0	-1.7	37.2	-	2.1	7.6	3.5	-9.8	5.2	-3.0	-	39.3	58.5

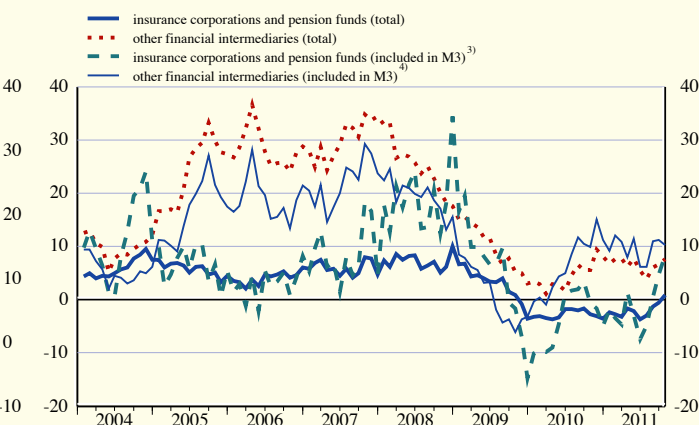
C9 Total deposits by sector ²⁾

(annual growth rates)



C10 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 the ESA 95.
- 2) Data refer to the changing composition of the euro area. For further information, see the General Notes.
- 3) Covers deposits in columns 2, 3, 5 and 7.
- 4) Covers deposits in columns 9, 10, 12 and 14.

2.5 Deposits held with MFIs: breakdown ^{1), 2)}

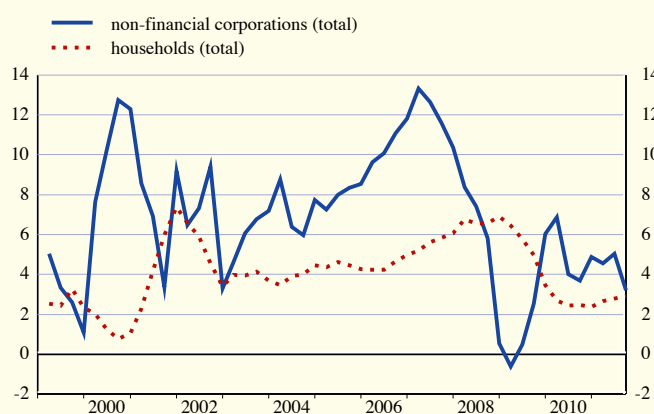
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations						Households ³⁾							
	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		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														
2009	1,601.2	999.2	434.5	80.7	68.7	1.7	16.3	5,601.7	2,156.9	996.5	607.1	1,680.2	123.7	37.3
2010	1,670.7	1,034.1	457.8	87.2	75.8	1.5	14.2	5,739.1	2,243.9	901.6	665.0	1,788.5	110.3	29.8
2011 Q2	1,657.4	1,011.4	455.9	94.8	77.3	2.0	15.8	5,822.9	2,257.9	904.8	701.2	1,816.1	109.4	33.5
Q3	1,663.9	997.5	473.1	96.7	76.5	1.7	18.5	5,835.4	2,240.1	922.2	709.7	1,820.6	109.0	33.9
2011 July	1,654.6	1,002.1	459.9	95.5	76.5	2.0	18.7	5,845.1	2,261.6	913.9	705.1	1,819.8	109.5	35.3
Aug.	1,654.0	994.1	466.2	95.1	77.4	1.7	19.5	5,830.5	2,236.0	918.9	707.0	1,824.2	109.4	35.1
Sep.	1,663.9	997.5	473.1	96.7	76.5	1.7	18.5	5,835.4	2,240.1	922.2	709.7	1,820.6	109.0	33.9
Oct. ^(p)	1,664.5	998.5	472.4	97.6	74.5	2.0	19.6	5,834.3	2,234.9	926.0	712.2	1,820.1	108.8	32.3
Transactions														
2009	91.1	112.3	-70.1	15.1	40.8	0.4	-7.4	187.7	320.5	-371.5	85.9	190.5	8.6	-46.3
2010	78.1	40.3	23.2	9.0	7.8	-0.2	-2.1	133.0	81.7	-98.8	58.7	113.6	-14.6	-7.5
2011 Q2	11.7	12.4	-5.5	4.0	-0.9	0.0	1.5	55.9	35.2	-2.1	18.8	2.7	-0.9	2.1
Q3	3.2	-17.1	17.2	1.8	-0.9	-0.4	2.6	4.6	-18.9	15.5	3.7	4.4	-0.4	0.4
2011 July	-4.3	-10.4	3.5	0.6	-0.8	-0.1	2.8	21.5	3.3	8.7	3.9	3.7	0.1	1.8
Aug.	0.4	-7.3	6.6	-0.4	0.9	-0.3	0.9	-19.6	-25.5	4.6	-2.9	4.4	-0.1	-0.2
Sep.	7.1	0.6	7.1	1.5	-0.9	-0.1	-1.0	2.8	3.3	2.2	2.7	-3.8	-0.4	-1.2
Oct. ^(p)	3.2	2.5	0.2	1.0	-1.9	0.3	1.1	0.1	-5.1	4.4	2.4	0.1	-0.1	-1.6
Growth rates														
2009	6.0	12.7	-13.9	23.1	146.6	28.3	-31.2	3.5	17.5	-27.1	16.5	12.8	7.5	-55.4
2010	4.9	4.1	5.3	11.2	11.4	-10.0	-12.8	2.4	3.8	-9.9	9.7	6.8	-11.8	-20.2
2011 Q2	5.1	1.6	11.6	16.7	2.3	-1.4	6.1	2.8	1.3	-0.1	8.4	4.6	-6.4	10.2
Q3	3.2	0.3	8.3	12.0	-2.5	-19.8	31.4	2.9	1.5	2.4	7.5	3.4	-1.7	8.0
2011 July	4.7	1.7	9.7	14.8	-0.2	-5.0	34.8	2.9	1.0	1.4	8.4	4.2	-4.6	12.1
Aug.	3.8	0.9	8.4	13.8	-1.7	-16.0	37.5	2.8	1.1	1.9	7.4	3.8	-3.2	10.2
Sep.	3.2	0.3	8.3	12.0	-2.5	-19.8	31.4	2.9	1.5	2.4	7.5	3.4	-1.7	8.0
Oct. ^(p)	2.6	0.7	4.8	13.1	-4.4	-3.3	44.8	2.5	0.6	2.7	7.4	3.2	-0.6	4.8

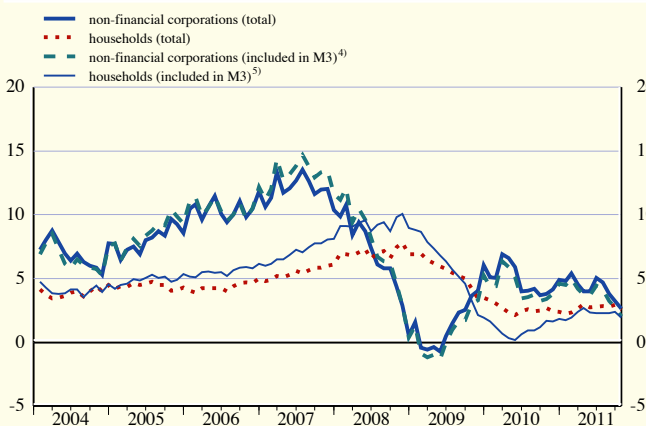
C11 Total deposits by sector ²⁾

(annual growth rates)



C12 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 the 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)}

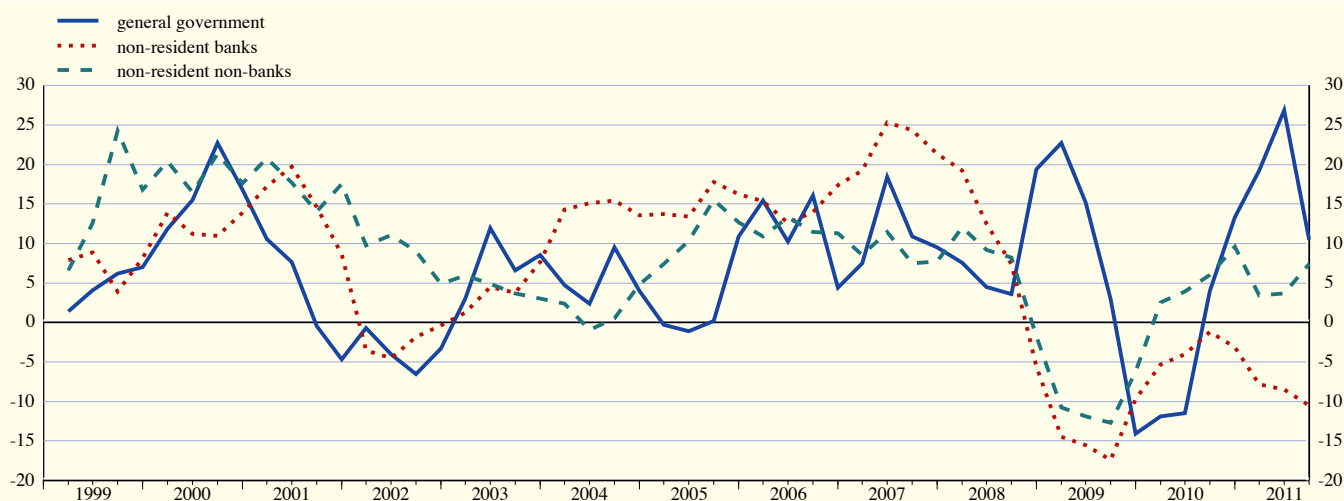
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

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										
2009	374.9	146.0	43.4	114.3	71.2	3,369.4	2,532.8	836.7	56.7	780.0
2010	427.6	196.2	47.7	109.6	74.1	3,488.8	2,492.0	996.9	45.9	950.9
2010 Q4	427.6	196.2	47.7	109.6	74.1	3,488.8	2,492.0	996.9	45.9	950.9
2011 Q1	475.6	235.8	52.3	108.7	78.8	3,314.1	2,346.8	967.4	41.4	926.0
Q2	521.5	266.4	55.0	112.6	87.5	3,280.6	2,295.8	984.8	47.7	937.1
Q3 ^(p)	464.8	211.4	54.3	111.4	87.8	3,346.4	2,298.8	1,047.6	50.0	997.6
Transactions										
2009	-62.8	-36.2	-8.7	-2.5	-15.0	-330.6	-275.3	-55.3	-4.5	-50.8
2010	50.0	47.4	4.3	-4.9	2.9	0.2	-82.4	82.6	7.5	75.1
2010 Q4	5.4	19.3	-11.0	-2.3	-0.5	-102.5	-107.6	5.1	-2.7	7.8
2011 Q1	50.4	43.4	4.7	-2.4	4.7	-77.6	-73.5	-4.1	-3.6	-0.5
Q2	45.7	30.9	2.7	3.9	8.2	-19.6	-42.0	22.4	6.4	16.0
Q3 ^(p)	-56.9	-55.1	-1.0	-1.2	0.2	0.6	-47.0	47.5	1.4	46.2
Growth rates										
2009	-14.1	-18.9	-16.7	-2.1	-17.4	-8.7	-9.8	-6.2	-7.0	-6.1
2010	13.3	32.2	9.9	-4.3	4.1	0.3	-3.2	9.6	12.7	9.3
2010 Q4	13.3	32.2	9.9	-4.3	4.1	0.3	-3.2	9.6	12.7	9.3
2011 Q1	19.2	41.4	4.0	-1.3	9.2	-4.7	-7.8	3.4	-10.5	4.2
Q2	26.8	61.3	1.2	-2.5	14.0	-5.1	-8.5	3.6	5.0	3.6
Q3 ^(p)	10.5	21.6	-7.8	-1.8	17.0	-5.5	-10.5	7.4	3.4	7.6

C13 Deposits by government and non-euro area residents ²⁾

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on the 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 similar to MFIs which are resident outside the euro area.

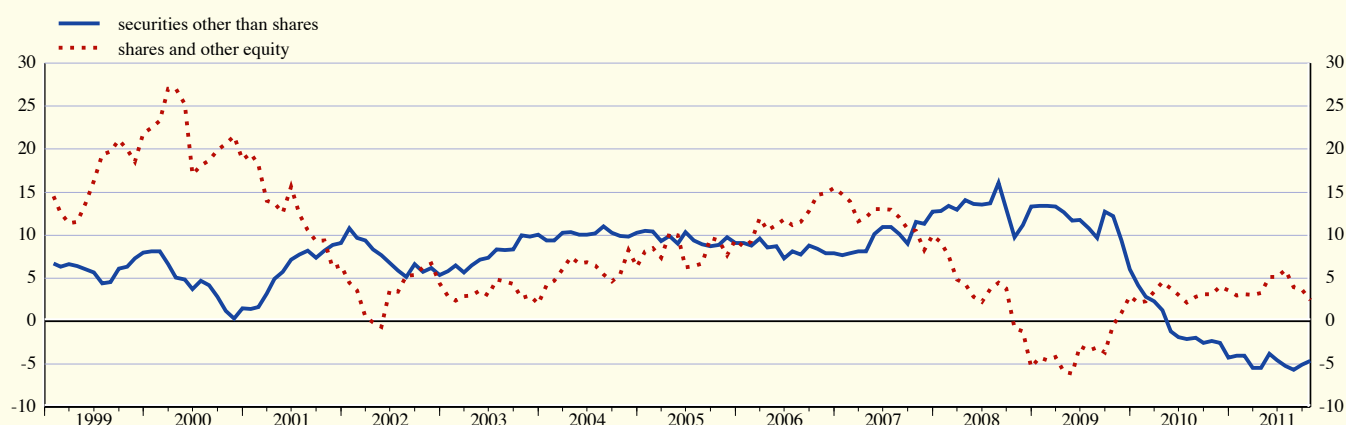
2.6 MFI holdings of securities: breakdown ^{1), 2)}

(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												
2009	6,207.8	1,970.8	109.1	1,466.1	16.0	1,458.6	39.4	1,147.8	1,516.3	435.0	801.0	280.2
2010	5,993.1	1,778.4	107.4	1,507.8	16.4	1,500.8	27.8	1,054.5	1,535.9	445.3	787.8	302.8
2011 Q2	5,663.5	1,670.5	90.7	1,437.0	20.7	1,448.1	24.1	972.4	1,563.8	476.0	775.5	312.3
Q3	5,635.1	1,706.9	80.9	1,393.8	22.3	1,433.2	25.0	973.0	1,530.5	489.3	740.6	300.5
2011 July	5,629.4	1,657.4	89.6	1,417.1	20.6	1,452.0	24.9	967.9	1,562.3	480.9	769.0	312.3
Aug.	5,611.4	1,690.2	85.2	1,406.2	23.8	1,442.1	27.1	936.8	1,535.3	481.2	753.2	300.9
Sep.	5,635.1	1,706.9	80.9	1,393.8	22.3	1,433.2	25.0	973.0	1,530.5	489.3	740.6	300.5
Oct. ^(p)	5,652.6	1,711.3	93.0	1,371.4	21.8	1,491.2	24.9	938.9	1,522.5	487.1	739.3	296.1
Transactions												
2009	354.7	83.5	16.6	231.0	-3.2	103.0	-12.0	-64.2	42.9	29.1	11.6	2.3
2010	-268.5	-167.1	-7.2	42.8	-2.1	10.2	-14.6	-130.5	54.4	28.2	5.2	20.9
2011 Q2	-29.3	-32.9	6.2	45.5	1.0	-18.1	-3.7	-27.3	45.2	36.8	-3.2	11.7
Q3	-49.0	36.1	-11.7	-43.4	0.3	-7.3	-0.5	-22.5	-14.1	17.2	-23.2	-8.1
2011 July	-35.0	-13.6	-0.5	-14.0	-0.7	5.6	0.0	-11.8	4.3	6.4	-2.4	0.3
Aug.	-13.0	32.7	-3.4	-18.8	3.5	-6.8	2.8	-23.1	-16.0	1.9	-8.8	-9.2
Sep.	-1.0	17.0	-7.8	-10.7	-2.5	-6.0	-3.3	12.3	-2.4	8.8	-12.0	0.8
Oct. ^(p)	19.1	2.6	14.3	-15.8	0.2	38.8	0.6	-21.6	-10.1	-2.2	-3.6	-4.3
Growth rates												
2009	6.0	4.4	17.6	18.7	-16.0	7.6	-23.2	-5.3	2.9	7.0	1.5	0.8
2010	-4.3	-8.5	-5.7	2.9	-11.5	0.7	-35.0	-11.0	3.6	6.5	0.6	7.5
2011 Q2	-4.6	-9.2	7.4	1.2	22.9	-1.9	1.9	-9.5	5.1	9.9	3.2	3.0
Q3	-5.1	-4.9	-6.6	-1.0	24.8	-4.4	-16.8	-11.9	3.6	13.4	-1.0	1.0
2011 July	-5.2	-8.9	12.9	0.4	24.3	-3.6	0.5	-10.9	6.0	11.9	3.2	4.3
Aug.	-5.6	-7.1	-0.9	-0.2	48.5	-4.1	13.5	-14.2	4.0	11.4	0.6	1.7
Sep.	-5.1	-4.9	-6.6	-1.0	24.8	-4.4	-16.8	-11.9	3.6	13.4	-1.0	1.0
Oct. ^(p)	-4.6	-2.2	6.0	-8.3	49.3	-0.3	-6.2	-10.6	2.5	12.6	-2.1	-0.6

C14 MFI holdings of securities ²⁾

(annual growth rates)



Source: ECB.

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

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

2.7 Currency breakdown of selected MFI balance sheet items ^{1), 2)}

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

1. Loans, holdings of securities other than shares, and deposits

	MFIs ³⁾							Non-MFIs						
	All currencies (outstanding amount)	Euro ⁴⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ⁴⁾	Non-euro currencies					
			Total	USD	JPY	CHF			GBP	Total	USD	JPY	CHF	GBP
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Loans														
<i>To euro area residents</i>														
2009	5,916.1	-	-	-	-	-	11,785.6	96.2	3.8	1.9	0.2	1.0	0.4	
2010	5,515.2	-	-	-	-	-	12,247.8	96.0	4.0	2.1	0.2	1.1	0.4	
2011 Q2	5,504.0	-	-	-	-	-	12,376.6	96.2	3.8	1.8	0.2	1.1	0.4	
Q3	6,001.4	-	-	-	-	-	12,442.4	96.1	3.9	1.9	0.3	1.1	0.4	
<i>To non-euro area residents</i>														
2009	1,914.9	45.8	54.2	29.4	2.7	2.9	12.6	906.8	40.0	60.0	42.1	1.2	3.7	8.0
2010	2,010.9	44.9	55.1	30.7	2.9	3.2	11.6	952.1	39.9	60.1	42.8	1.4	3.7	6.7
2011 Q2	2,012.0	45.4	54.6	31.8	2.7	3.2	10.0	994.5	41.4	58.6	39.8	1.4	3.6	6.8
Q3	2,134.8	44.1	55.9	34.7	2.8	3.3	9.1	1,022.7	40.0	60.0	41.3	2.2	3.3	7.0
Holdings of securities other than shares														
<i>Issued by euro area residents</i>														
2009	2,079.9	94.8	5.2	3.1	0.2	0.3	1.4	2,980.2	98.1	1.9	1.2	0.2	0.1	0.3
2010	1,885.8	94.3	5.7	3.3	0.1	0.3	1.7	3,052.8	98.6	1.4	0.8	0.1	0.1	0.4
2011 Q2	1,761.2	94.8	5.2	2.9	0.2	0.3	1.4	2,929.9	98.5	1.5	0.8	0.1	0.1	0.4
Q3	1,787.8	95.5	4.5	2.5	0.1	0.3	1.3	2,874.3	98.4	1.6	0.9	0.2	0.1	0.4
<i>Issued by non-euro area residents</i>														
2009	552.1	55.3	44.7	27.1	0.4	0.5	14.6	595.6	35.3	64.7	37.9	4.3	0.9	15.3
2010	545.9	49.9	50.1	27.6	0.3	0.5	16.8	508.6	33.6	66.4	40.3	3.9	0.9	13.5
2011 Q2	492.2	53.0	47.0	24.9	0.3	0.6	15.7	480.2	33.9	66.1	38.6	5.3	0.8	12.4
Q3	490.4	53.3	46.7	21.7	0.3	0.4	18.7	482.8	32.6	67.4	39.2	6.0	0.8	12.5
Deposits														
<i>By euro area residents</i>														
2009	6,281.6	92.9	7.1	4.4	0.3	1.2	0.7	10,187.4	97.0	3.0	1.9	0.2	0.1	0.4
2010	5,774.9	92.9	7.1	4.1	0.3	1.3	0.8	10,722.6	97.1	2.9	1.9	0.2	0.1	0.4
2011 Q2	5,692.3	92.5	7.5	4.3	0.2	1.5	0.8	10,922.0	97.1	2.9	1.9	0.1	0.1	0.4
Q3	6,084.4	92.2	7.8	4.6	0.3	1.4	0.8	10,995.1	97.0	3.0	2.0	0.2	0.1	0.4
<i>By non-euro area residents</i>														
2009	2,532.8	49.2	50.8	34.2	1.8	2.2	9.6	836.7	53.5	46.5	31.4	1.1	1.7	7.5
2010	2,492.0	52.1	47.9	31.8	2.2	1.8	8.6	996.9	58.8	41.2	29.3	1.2	1.4	5.1
2011 Q2	2,295.8	53.5	46.5	29.8	2.2	1.9	8.0	984.8	58.7	41.3	29.3	1.3	1.4	4.5
Q3	2,298.8	57.1	42.9	26.9	2.1	1.8	7.8	1,047.6	59.0	41.0	28.6	1.5	1.7	4.6

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	
2009	5,168.3	83.3	16.7	8.8	1.6	1.9	2.5
2010	5,082.6	81.6	18.4	9.7	1.8	2.1	2.5
2011 Q2	5,155.8	81.9	18.1	9.6	1.6	2.2	2.4
Q3	5,180.3	81.8	18.2	9.7	1.7	2.1	2.5

Source: ECB.

- 1) MFI sector excluding the Eurosystem; sectoral classification is based on the 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 similar to euro area MFIs.
- 4) Including items expressed in the national denominations of the euro.

2.8 Aggregated balance sheet of euro area investment funds ¹⁾

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

1. Assets

	Total	Deposits and loan claims	Securities other than shares	Shares and other equity (excl. investment fund/money market fund shares)	Investment fund/money market fund shares	Non-financial assets	Other assets (incl. financial derivatives)
	1	2	3	4	5	6	7
Outstanding amounts							
2011 Mar.	6,339.0	387.5	2,354.9	1,973.7	882.9	221.4	518.5
Apr.	6,379.9	391.3	2,353.3	1,991.8	890.8	223.6	529.0
May	6,430.3	392.2	2,399.8	1,992.2	897.8	224.2	524.0
June	6,352.1	390.6	2,386.8	1,958.6	886.8	224.3	505.0
July	6,438.0	394.8	2,420.5	1,943.9	891.5	225.8	561.6
Aug.	6,192.2	411.8	2,382.8	1,736.5	840.2	227.2	593.7
Sep. ^(p)	6,071.6	414.2	2,383.2	1,632.4	829.9	228.8	583.0
Transactions							
2011 Q1	110.1	19.2	25.2	14.9	8.4	2.4	40.0
Q2	68.2	5.6	38.2	25.9	12.3	5.2	-18.9
Q3 ^(p)	3.5	22.3	-21.7	-42.0	-16.7	2.8	58.8

2. Liabilities

	Total	Loans and deposits received	Investment fund shares issued				Other liabilities (incl. financial derivatives)
			Total	Held by euro area residents		Held by non-euro area residents	
				Investment funds			
	1	2	3	4	5	6	7
Outstanding amounts							
2011 Mar.	6,339.0	127.1	5,770.5	4,476.2	668.3	1,294.2	441.5
Apr.	6,379.9	125.8	5,814.8	4,508.2	676.9	1,306.6	439.3
May	6,430.3	125.8	5,861.6	4,532.9	682.9	1,328.8	442.9
June	6,352.1	120.0	5,790.7	4,467.2	672.6	1,323.5	441.4
July	6,438.0	121.2	5,829.5	4,468.9	672.8	1,360.6	487.3
Aug.	6,192.2	127.5	5,546.0	4,268.6	621.7	1,277.4	518.7
Sep. ^(p)	6,071.6	124.0	5,416.9	4,162.8	602.2	1,254.1	530.7
Transactions							
2011 Q1	110.1	12.0	55.4	27.1	4.1	28.3	42.8
Q2	68.2	-3.9	79.5	26.2	9.6	53.3	-7.3
Q3 ^(p)	3.5	6.4	-41.9	-52.8	-32.9	10.8	39.0

3. Investment fund shares issued broken down by investment policy and type of fund

	Total	Funds by investment policy					Funds by type		Memo item: Money market funds	
		Bond funds	Equity funds	Mixed funds	Real estate funds	Hedge funds	Other funds	Open-end funds		Closed-end funds
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2011 Feb.	5,824.5	1,814.2	1,742.8	1,419.2	266.6	112.4	469.4	5,739.8	84.7	1,097.9
Mar.	5,770.5	1,799.7	1,708.3	1,410.5	267.3	112.7	471.9	5,686.0	84.4	1,077.4
Apr.	5,814.8	1,797.4	1,724.8	1,429.1	270.0	113.3	480.2	5,728.9	85.9	1,070.8
May	5,861.6	1,825.3	1,729.6	1,438.2	271.6	114.5	482.5	5,775.7	86.0	1,090.1
June	5,790.7	1,812.6	1,689.6	1,424.5	272.8	112.5	478.8	5,703.6	87.2	1,049.8
July	5,829.5	1,840.1	1,674.2	1,434.2	287.3	116.2	477.3	5,740.5	89.0	1,032.5
Aug.	5,546.0	1,807.5	1,495.2	1,381.7	286.6	114.1	460.8	5,457.3	88.8	1,060.3
Sep. ^(p)	5,416.9	1,786.3	1,413.9	1,386.8	286.8	119.2	424.0	5,327.4	89.6	1,066.9
Transactions										
2011 Mar.	8.6	4.3	-6.4	2.5	0.6	0.8	6.8	8.6	0.1	-8.7
Apr.	42.9	9.4	13.4	13.3	2.4	1.0	3.4	41.1	1.8	6.0
May	27.8	9.8	9.7	5.9	-0.2	-1.0	3.6	28.1	-0.3	7.9
June	8.8	2.1	2.1	1.5	2.8	-0.3	0.5	6.8	2.0	-34.7
July	39.7	15.5	5.5	2.5	13.3	2.0	0.8	38.2	1.5	-22.5
Aug.	-48.8	-13.9	-22.7	-10.6	0.8	-0.2	-2.0	-48.8	0.0	33.1
Sep. ^(p)	-32.6	-16.2	-11.0	-5.0	1.1	0.6	-2.0	-32.9	0.3	-13.1

Source: ECB.

1) Other than money market funds (which are shown as a memo item in column 10 in Table 3 of this section). For further details, see the General Notes.

2.9 Securities held by investment funds¹⁾ broken down by issuer of securities

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

1. Securities other than shares

	Total	Euro area						Rest of the world			
		Total	MFIs	General government	Other financial intermediaries	Insurance corporations and pension funds	Non-financial corporations	EU Member States outside the euro area	United States	Japan	
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2010 Q4	2,369.5	1,432.6	375.5	692.0	193.9	6.2	165.0	936.8	247.0	365.8	16.1
2011 Q1	2,354.9	1,430.3	383.4	675.7	200.2	5.6	165.5	924.5	246.5	354.5	14.1
Q2	2,386.8	1,429.8	386.3	671.3	196.3	5.8	170.1	957.0	252.3	358.6	17.8
Q3 ^(p)	2,383.2	1,413.6	380.7	682.1	184.1	4.7	162.0	969.5	252.3	369.9	18.7
Transactions											
2011 Q1	25.2	10.7	9.3	-8.3	7.9	-0.1	1.8	14.5	1.9	2.3	-1.0
Q2	38.2	-0.4	1.7	-3.5	-1.6	0.4	2.7	37.0	8.2	7.8	3.6
Q3 ^(p)	-21.7	-7.1	-5.9	6.2	-7.7	-0.3	0.6	-14.7	5.9	-14.2	5.3

2. Shares and other equity (other than investment fund and money market fund shares)

	Total	Euro area						Rest of the world			
		Total	MFIs	General government	Other financial intermediaries	Insurance corporations and pension funds	Non-financial corporations	EU Member States outside the euro area	United States	Japan	
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2010 Q4	1,987.7	751.1	77.8	-	39.5	25.2	608.7	1,236.5	171.4	355.8	83.8
2011 Q1	1,973.7	782.8	89.2	-	41.7	26.2	625.7	1,191.0	167.2	365.2	71.1
Q2	1,958.6	773.6	84.5	-	41.2	26.1	621.9	1,185.0	166.4	362.8	77.0
Q3 ^(p)	1,632.4	615.4	53.3	-	35.7	20.4	506.0	1,017.0	141.8	323.6	72.5
Transactions											
2011 Q1	14.9	11.6	5.5	-	2.3	-0.9	4.7	3.3	-0.5	16.0	-3.9
Q2	25.9	-0.9	-0.6	-	1.3	0.3	-2.0	26.8	2.9	8.5	6.9
Q3 ^(p)	-42.0	-8.9	-4.9	-	-0.7	0.2	-3.5	-33.0	-5.1	-11.8	-3.2

3. Investment fund/money market fund shares

	Total	Euro area						Rest of the world			
		Total	MFIs ²⁾	General government	Other financial intermediaries ²⁾	Insurance corporations and pension funds	Non-financial corporations	EU Member States outside the euro area	United States	Japan	
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2010 Q4	875.6	740.5	76.0	-	664.4	-	-	135.1	23.8	38.6	0.6
2011 Q1	882.9	746.3	78.0	-	668.3	-	-	136.6	22.6	41.7	0.5
Q2	886.8	752.0	79.4	-	672.6	-	-	134.8	22.1	42.8	0.5
Q3 ^(p)	829.9	697.5	95.3	-	602.2	-	-	132.4	20.1	42.6	0.5
Transactions											
2011 Q1	8.4	6.1	2.1	-	4.1	-	-	2.3	-0.9	3.3	-0.1
Q2	12.3	10.8	1.2	-	9.6	-	-	1.5	0.3	1.3	0.0
Q3 ^(p)	-16.7	-16.2	16.7	-	-32.9	-	-	-0.6	-0.5	-0.3	0.0

Source: ECB.

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

2) Investment fund shares (other than money market fund shares) are issued by other financial intermediaries. Money market fund shares are issued by MFIs.

2.10 Aggregated balance sheet of euro area financial vehicle corporations

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

1. Assets

	Total	Deposits and loan claims	Securitised loans						Securities other than shares	Other securitised assets	Shares and other equity	Other assets	
			Total	Originated in euro area				Originated outside euro area					
				MFIs	Other financial intermediaries, insurance corporations and pension funds	Non-financial corporations	General government						
													Remaining on the MFI balance sheet ¹⁾
1	2	3	4	5	6	7	8	9	10	11	12	13	
Outstanding amounts													
2010 Q2	2,285.9	363.2	1,437.5	1,131.2	570.6	140.6	25.0	6.4	134.2	278.8	101.3	41.1	64.0
Q3	2,284.9	350.2	1,467.1	1,173.3	582.4	133.7	24.8	6.4	128.8	260.4	100.3	41.4	65.6
Q4	2,350.1	373.6	1,521.9	1,237.6	606.4	124.9	22.9	6.0	130.4	251.8	92.5	41.9	68.5
2011 Q1	2,256.1	353.1	1,482.1	1,193.7	595.3	131.3	23.3	5.9	127.8	242.0	89.0	36.8	53.1
Q2	2,215.8	339.7	1,461.1	1,177.1	585.5	134.1	21.8	5.2	123.0	232.5	88.6	35.7	58.2
Q3	2,200.2	321.4	1,470.1	1,195.7	590.5	132.3	21.8	5.2	115.1	231.5	86.5	34.4	56.4
Transactions													
2010 Q3	-4.5	-12.1	23.4	32.9	-	-2.3	-0.6	-0.1	-6.5	-16.3	-0.5	0.4	0.7
Q4	44.8	24.5	24.2	30.1	-	-4.7	-2.1	-0.4	1.3	-5.5	-0.9	-0.6	3.0
2011 Q1	-92.3	-23.1	-36.5	-44.2	-	8.8	0.6	0.0	-1.8	-10.0	-2.4	-4.9	-15.3
Q2	-44.6	-11.7	-26.0	-22.3	-	2.5	-0.9	-0.3	-4.9	-7.9	0.0	0.0	1.0
Q3	-23.4	-18.3	4.6	14.6	-	-2.0	-0.2	0.0	-7.8	-2.3	-2.2	-1.1	-4.2

2. Liabilities

	Total	Loans and deposits received	Debt securities issued			Capital and reserves	Other liabilities
			Total	Up to 2 years	Over 2 years		
1	2	3	4	5	6	7	
Outstanding amounts							
2010 Q2	2,285.9	107.6	1,961.1	91.1	1,870.0	45.0	172.2
Q3	2,284.9	119.9	1,946.8	86.5	1,860.3	43.2	175.1
Q4	2,350.1	134.4	1,970.0	93.5	1,876.5	42.6	203.2
2011 Q1	2,256.1	133.1	1,887.6	83.9	1,803.6	37.7	197.7
Q2	2,215.8	134.0	1,844.0	82.6	1,761.4	34.8	203.1
Q3	2,200.2	131.1	1,824.8	80.0	1,744.8	34.4	209.9
Transactions							
2010 Q3	-4.5	11.6	-10.9	-4.2	-6.7	-0.1	-5.1
Q4	44.8	15.9	24.0	5.7	18.3	-2.1	7.0
2011 Q1	-92.3	-1.0	-79.2	-9.9	-69.3	-4.5	-7.7
Q2	-44.6	0.9	-48.6	-5.7	-42.8	-1.2	4.3
Q3	-23.4	-2.2	-22.6	-4.1	-18.6	-1.7	3.1

3. Holdings of securitised loans originated by euro area MFIs and securities other than shares

	Securitised loans originated by euro area MFIs						Securities other than shares						
	Total	Euro area borrowing sector					Non-euro area borrowing sector	Total	Euro area residents				Non-euro area residents
		Households	Non-financial corporations	Other financial intermediaries	Insurance corporations and pension funds	General government			Total	MFIs	Non-MFIs		
											Financial vehicle corporations		
1	2	3	4	5	6	7	8	9	10	11	12	13	
Outstanding amounts													
2010 Q2	1,131.2	812.6	215.9	19.4	14.7	7.4	61.1	278.8	149.2	50.5	98.7	45.5	129.6
Q3	1,173.3	828.7	221.2	18.2	15.0	7.0	83.2	260.4	140.8	47.4	93.4	38.3	119.6
Q4	1,237.6	852.7	251.4	17.2	15.3	7.1	94.1	251.8	131.9	45.7	86.3	36.5	119.9
2011 Q1	1,193.7	804.1	250.7	17.0	15.4	7.2	99.3	242.0	125.7	42.4	83.3	36.8	116.3
Q2	1,177.1	788.8	250.9	18.8	15.4	9.8	93.4	232.5	124.5	41.1	83.4	35.4	108.2
Q3	1,195.7	795.2	257.5	18.1	15.2	9.6	100.1	231.5	121.6	41.7	79.9	33.8	109.1
Transactions													
2010 Q3	32.9	9.7	1.3	-0.8	0.3	-0.4	22.8	-16.3	-9.8	-2.5	-7.4	-6.7	-6.5
Q4	30.1	16.3	14.1	-1.6	-0.2	0.1	1.4	-5.5	-5.3	-1.1	-4.2	-2.2	-0.2
2011 Q1	-44.2	-52.2	3.2	-0.4	0.0	0.0	5.2	-10.0	-5.9	-3.1	-2.8	0.1	-4.1
Q2	-22.3	-21.1	0.3	0.6	-0.2	2.6	-4.4	-7.9	0.6	-0.4	0.9	-0.7	-8.5
Q3	14.6	6.3	2.5	-0.7	0.0	-0.2	6.7	-2.3	-3.3	-0.2	-3.1	-1.2	1.0

Source: ECB.

1) Loans securitised using euro area financial vehicle corporations which remain on the balance sheet of the relevant MFI - i.e. which have not been derecognised. Whether or not loans are derecognised from the balance sheet of the MFI depends on the relevant accounting rules. For further information, see the General Notes.

2.11 Aggregated balance sheet of euro area insurance corporations and pension funds

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Currency and deposits	Loans	Securities other than shares	Shares and other equity	Investment fund shares	Money market fund shares	Prepayments of insurance premiums and reserves for outstanding claims	Other accounts receivable/payable and financial derivatives	Non-financial assets
	1	2	3	4	5	6	7	8	9	10
2008 Q3	6,266.6	762.9	458.8	2,281.6	932.8	1,187.7	87.5	251.1	149.3	154.8
Q4	6,158.6	800.7	478.6	2,292.9	819.2	1,088.2	93.9	245.7	184.8	154.5
2009 Q1	6,188.2	797.2	493.7	2,361.0	785.7	1,071.9	101.6	244.1	176.2	156.7
Q2	6,330.2	782.8	487.7	2,384.4	819.0	1,200.4	89.7	248.6	162.1	155.4
Q3	6,517.6	784.2	483.4	2,424.9	792.6	1,377.5	86.1	252.0	163.2	153.9
Q4	6,642.6	786.9	477.9	2,462.8	804.4	1,456.8	86.5	256.2	158.1	152.9
2010 Q1	6,864.5	784.5	486.3	2,575.8	815.4	1,534.2	83.5	266.9	169.4	148.5
Q2	6,891.0	785.5	488.9	2,613.5	792.8	1,518.5	79.9	271.6	190.2	150.2
Q3	7,060.0	783.2	498.0	2,698.8	807.5	1,559.8	75.4	272.2	215.1	150.0
Q4	6,977.5	774.1	500.9	2,642.2	823.1	1,579.3	65.4	269.0	171.9	151.5
2011 Q1	7,048.4	775.1	499.7	2,676.4	826.8	1,602.1	63.5	277.8	172.8	154.2
Q2	7,085.5	778.2	505.1	2,688.3	834.2	1,607.6	66.7	275.4	175.8	154.3

2. Holdings of securities other than shares

	Total	Issued by euro area residents					Issued by non-euro area residents	
		Total	MFIs	General government	Other financial intermediaries	Insurance corporations and pension funds		Non-financial corporations
	1	2	3	4	5	6	7	8
2008 Q3	2,281.6	1,851.3	517.9	975.2	215.2	9.1	134.0	430.3
Q4	2,292.9	1,874.6	505.9	1,013.9	207.0	11.4	136.4	418.3
2009 Q1	2,361.0	1,939.4	531.1	1,040.5	218.3	13.5	136.1	421.6
Q2	2,384.4	1,987.6	541.7	1,060.7	231.2	15.0	139.0	396.8
Q3	2,424.9	2,021.6	552.6	1,086.6	229.4	15.1	137.8	403.2
Q4	2,462.8	2,053.6	543.7	1,114.3	239.4	16.7	139.5	409.2
2010 Q1	2,575.8	2,157.9	578.5	1,184.6	231.8	16.2	146.9	417.9
Q2	2,613.5	2,190.3	581.7	1,196.7	244.4	16.6	150.9	423.1
Q3	2,698.8	2,271.6	593.4	1,242.2	264.1	19.5	152.4	427.2
Q4	2,642.2	2,218.7	594.3	1,215.0	236.2	17.7	155.5	423.5
2011 Q1	2,676.4	2,260.3	617.2	1,208.7	262.0	19.0	153.5	416.1
Q2	2,688.3	2,263.6	636.9	1,227.6	223.5	16.0	159.6	424.7

3. Liabilities and net worth

	Liabilities								Net worth	
	Total	Loans received	Securities other than shares	Shares and other equity	Insurance technical reserves					Other accounts receivable/payable and financial derivatives
					Total	Net equity of households in life insurance reserves	Net equity of households in pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims		
	1	2	3	4	5	6	7	8	9	10
2008 Q3	6,177.2	331.4	29.7	475.0	5,190.2	2,938.1	1,410.5	841.6	151.0	89.4
Q4	6,123.7	348.8	31.7	422.1	5,178.6	2,909.2	1,445.8	823.6	142.6	34.9
2009 Q1	6,129.8	347.8	31.8	378.6	5,228.6	2,927.5	1,460.2	841.0	142.9	58.4
Q2	6,215.9	321.6	33.1	395.1	5,325.5	3,005.5	1,477.4	842.6	140.6	114.3
Q3	6,363.7	303.8	36.1	440.0	5,438.6	3,094.8	1,501.7	842.2	145.1	153.9
Q4	6,441.3	284.6	39.5	436.2	5,527.8	3,168.6	1,519.8	839.3	153.3	201.3
2010 Q1	6,620.1	293.6	39.5	454.0	5,675.5	3,255.5	1,560.2	859.8	157.5	244.4
Q2	6,655.6	298.9	40.9	425.1	5,730.6	3,280.6	1,589.1	860.9	160.0	235.4
Q3	6,765.4	315.0	39.8	431.6	5,823.8	3,337.6	1,629.5	856.6	155.2	294.6
Q4	6,802.9	283.9	42.3	439.0	5,887.7	3,380.3	1,651.3	856.0	150.1	174.6
2011 Q1	6,907.4	304.2	40.1	455.6	5,957.3	3,412.8	1,664.5	880.0	150.2	140.9
Q2	6,934.8	304.4	42.7	449.3	5,987.6	3,438.6	1,670.7	878.3	150.8	150.7

Source: ECB.



EURO AREA ACCOUNTS

3.1 Integrated economic and financial accounts by institutional sector

(EUR billions)

Uses	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
2011 Q2						
External account						
Exports of goods and services						569
<i>Trade balance</i> ¹⁾						-10
Generation of income account						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,168	119	741	57	250	
Other taxes less subsidies on production	31	4	19	3	4	
Consumption of fixed capital	363	95	208	11	49	
<i>Net operating surplus and mixed income</i> ¹⁾	550	283	231	36	0	
Allocation of primary income account						
Net operating surplus and mixed income						6
Compensation of employees						
Taxes less subsidies on production						
Property income	982	39	489	382	73	123
Interest	396	36	71	215	73	53
Other property income	587	2	417	167	0	70
<i>Net national income</i> ¹⁾	1,977	1,711	-11	51	226	
Secondary distribution of income account						
Net national income						
Current taxes on income, wealth, etc.	276	215	47	13	0	5
Social contributions	429	429				1
Social benefits other than social transfers in kind	454	1	18	34	402	1
Other current transfers	188	70	25	47	46	9
Net non-life insurance premiums	44	33	10	1	1	1
Non-life insurance claims	45			45		1
Other	99	37	15	1	45	7
<i>Net disposable income</i> ¹⁾	1,957	1,535	-69	53	439	
Use of income account						
Net disposable income						
Final consumption expenditure	1,867	1,360			507	
Individual consumption expenditure	1,673	1,360			313	
Collective consumption expenditure	194				194	
Adjustment for the change in the net equity of households in pension fund reserves	14	0	0	14	0	0
<i>Net saving/current external account</i> ¹⁾	91	189	-70	39	-68	18
Capital account						
Net saving/current external account						
Gross capital formation	472	143	261	12	56	
Gross fixed capital formation	472	143	261	12	56	
Changes in inventories and acquisitions less disposals of valuables	0	1	-1	0	0	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	0	-2	1	0	0	0
Capital transfers	32	9	1	2	20	4
Capital taxes	6	6	1	0	0	0
Other capital transfers	26	3	0	2	20	4
<i>Net lending (+)/net borrowing (-) (from capital account)</i> ¹⁾	-17	143	-109	36	-87	17
Statistical discrepancy	0	-21	21	0	0	0

Sources: ECB and Eurostat.

1) For details of 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
2011 Q2						
External account						
Imports of goods and services						559
<i>Trade balance</i>						
Generation of income account						
Gross value added (basic prices)	2,113	502	1,200	108	303	
Taxes less subsidies on products	236					
Gross domestic product (market prices) ²⁾	2,349					
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	550	283	231	36	0	
Compensation of employees	1,170	1,170				3
Taxes less subsidies on production	267				267	0
Property income	971	296	247	396	32	134
Interest	385	60	45	272	8	63
Other property income	586	236	202	124	24	71
<i>Net national income</i>						
Secondary distribution of income account						
Net national income	1,977	1,711	-11	51	226	
Current taxes on income, wealth, etc.	280				280	1
Social contributions	429	1	18	49	361	1
Social benefits other than social transfers in kind	452	452				3
Other current transfers	166	87	13	46	19	30
Net non-life insurance premiums	45			45		1
Non-life insurance claims	44	34	8	1	0	2
Other	77	53	5	0	19	28
<i>Net disposable income</i>						
Use of income account						
Net disposable income	1,957	1,535	-69	53	439	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in the net equity of households in pension fund reserves	14	14				0
<i>Net saving/current external account</i>						
Capital account						
Net saving/current external account	91	189	-70	39	-68	18
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	363	95	208	11	49	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	33	9	16	1	7	3
Capital taxes	6				6	0
Other capital transfers	27	9	16	1	1	3
<i>Net lending (+)/net borrowing (-) (from capital account)</i>						
Statistical discrepancy						

Sources: ECB and Eurostat.

2) Gross domestic product is equal to the gross value added of all domestic sectors plus net taxes (i.e. 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
2011 Q2								
Opening balance sheet, financial assets								
Total financial assets		18,863	16,850	31,958	15,222	6,795	3,709	16,575
Monetary gold and special drawing rights (SDRs)				403				
Currency and deposits		6,636	1,887	8,974	2,318	810	715	3,600
Short-term debt securities		59	80	515	326	43	34	680
Long-term debt securities		1,358	235	6,023	2,397	2,652	448	3,624
Loans		79	3,069	13,342	3,556	469	521	1,853
<i>of which: Long-term</i>		59	1,762	10,255	2,539	348	461	.
Shares and other equity		4,487	7,876	1,863	6,324	2,427	1,326	6,080
Quoted shares		831	1,418	343	2,153	563	267	.
Unquoted shares and other equity		2,289	6,048	1,215	3,208	292	890	.
Mutual fund shares		1,366	410	305	964	1,572	169	.
Insurance technical reserves		5,783	180	3	0	242	4	230
Other accounts receivable and financial derivatives		461	3,524	837	300	151	661	508
<i>Net financial worth</i>								
Financial account, transactions in financial assets								
Total transactions in financial assets		152	133	281	138	2	120	217
Monetary gold and SDRs				0				0
Currency and deposits		72	3	95	52	1	76	-11
Short-term debt securities		-5	-5	-27	-2	0	-2	14
Long-term debt securities		22	-2	21	-1	8	-2	182
Loans		1	55	90	56	3	19	18
<i>of which: Long-term</i>		0	31	60	38	4	-3	.
Shares and other equity		-1	105	41	46	-5	-1	14
Quoted shares		0	23	29	9	-2	1	.
Unquoted shares and other equity		8	66	12	5	1	-2	.
Mutual fund shares		-9	15	1	31	-4	0	.
Insurance technical reserves		39	-1	0	0	-6	0	-1
Other accounts receivable and financial derivatives		25	-21	61	-14	1	30	2
<i>Changes in net financial worth due to transactions</i>								
Other changes account, financial assets								
Total other changes in financial assets		-70	-61	-28	-26	26	-18	7
Monetary gold and SDRs				10				
Currency and deposits		0	-6	46	0	-1	0	-16
Short-term debt securities		-3	-1	-18	-8	0	0	11
Long-term debt securities		0	1	-61	-2	7	-5	59
Loans		0	1	-1	-17	0	0	4
<i>of which: Long-term</i>		0	-1	1	-6	0	0	.
Shares and other equity		-75	-75	-5	8	20	-13	-45
Quoted shares		-15	-22	-5	-15	-4	-6	.
Unquoted shares and other equity		-57	-28	6	27	-3	-6	.
Mutual fund shares		-3	-26	-6	-4	27	0	.
Insurance technical reserves		-2	0	0	0	-3	0	5
Other accounts receivable and financial derivatives		10	20	1	-6	3	0	-11
<i>Other changes in net financial worth</i>								
Closing balance sheet, financial assets								
Total financial assets		18,944	16,923	32,212	15,333	6,823	3,811	16,799
Monetary gold and SDRs				412				
Currency and deposits		6,708	1,885	9,115	2,370	811	792	3,573
Short-term debt securities		51	74	470	316	43	32	704
Long-term debt securities		1,379	233	5,982	2,394	2,667	441	3,866
Loans		80	3,124	13,431	3,595	471	540	1,874
<i>of which: Long-term</i>		59	1,791	10,316	2,570	352	458	.
Shares and other equity		4,411	7,905	1,899	6,378	2,443	1,312	6,049
Quoted shares		817	1,420	367	2,146	557	262	.
Unquoted shares and other equity		2,240	6,086	1,233	3,240	291	882	.
Mutual fund shares		1,354	400	299	992	1,595	168	.
Insurance technical reserves		5,820	179	3	0	233	4	234
Other accounts receivable and financial derivatives		495	3,523	899	280	155	691	499
<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	MFI's	Other financial intermediaries	Insurance corporations and pension funds	General government	Rest of the world
2011 Q2								
Opening balance sheet, liabilities								
Total liabilities		6,689	26,635	31,064	14,601	6,877	9,027	14,676
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			31	22,055	24	0	255	2,575
Short-term debt securities			81	653	71	0	677	255
Long-term debt securities			784	4,481	2,739	30	5,876	2,826
Loans		6,094	8,472		3,310	270	1,706	3,035
<i>of which: Long-term</i>		5,740	6,010		1,836	119	1,378	.
Shares and other equity		7	13,369	2,635	8,356	436	6	5,574
Quoted shares			3,923	490	253	130	0	.
Unquoted shares and other equity		7	9,446	1,068	2,528	305	6	.
Mutual fund shares				1,077	5,576			.
Insurance technical reserves		35	336	68	1	6,002	1	
Other accounts payable and financial derivatives		553	3,562	1,171	100	139	507	410
<i>Net financial worth ¹⁾</i>	-1,496	12,174	-9,785	895	620	-82	-5,318	
Financial account, transactions in liabilities								
Total transactions in liabilities		30	221	253	116	16	207	200
Monetary gold and SDRs								
Currency and deposits			0	242	-3	0	3	47
Short-term debt securities			1	-30	7	0	-5	-3
Long-term debt securities			9	43	-3	2	152	25
Loans		45	95		48	3	-4	54
<i>of which: Long-term</i>		38	54		29	1	26	.
Shares and other equity		0	62	3	68	-2	0	68
Quoted shares			10	18	6	0	0	.
Unquoted shares and other equity		0	52	5	7	-2	0	.
Mutual fund shares				-21	54			.
Insurance technical reserves		0	0	0	0	30	0	
Other accounts payable and financial derivatives		-15	53	-6	-1	-18	61	9
<i>Changes in net financial worth due to transactions ¹⁾</i>	-17	122	-88	29	22	-14	-87	17
Other changes account, liabilities								
Total other changes in liabilities		-1	-59	12	0	7	-49	-91
Monetary gold and SDRs								
Currency and deposits			0	13	0	0	0	12
Short-term debt securities			0	0	0	0	-1	-18
Long-term debt securities			5	15	12	0	-32	-4
Loans		1	2		-4	0	0	-13
<i>of which: Long-term</i>		4	3		-1	0	0	.
Shares and other equity		0	-76	-15	-31	-13	0	-50
Quoted shares			-19	-19	-9	-8	0	.
Unquoted shares and other equity		0	-57	11	19	-5	0	.
Mutual fund shares				-7	-42			.
Insurance technical reserves		0	0	0	0	0	0	
Other accounts payable and financial derivatives		-1	10	-1	23	20	-16	-18
<i>Other changes in net financial worth ¹⁾</i>	-88	-70	-2	-40	-26	19	31	97
Closing balance sheet, liabilities								
Total liabilities		6,719	26,798	31,328	14,717	6,900	9,186	14,786
Monetary gold and SDRs								
Currency and deposits			30	22,309	21	0	258	2,634
Short-term debt securities			83	623	79	0	671	234
Long-term debt securities			799	4,539	2,748	33	5,996	2,847
Loans		6,141	8,569		3,354	273	1,702	3,077
<i>of which: Long-term</i>		5,782	6,067		1,864	120	1,404	.
Shares and other equity		7	13,356	2,623	8,392	421	6	5,592
Quoted shares			3,914	489	250	122	0	.
Unquoted shares and other equity		7	9,442	1,084	2,554	298	6	.
Mutual fund shares				1,050	5,588			.
Insurance technical reserves		35	336	69	1	6,032	1	
Other accounts payable and financial derivatives		536	3,625	1,164	123	141	552	401
<i>Net financial worth ¹⁾</i>	-1,601	12,226	-9,874	884	616	-77	-5,375	

Source: ECB.

3.2 Euro area non-financial accounts

(EUR billions; four-quarter cumulated flows)

Uses	2007	2008	2009	2009 Q3- 2010 Q2	2009 Q4- 2010 Q3	2010 Q1- 2010 Q4	2010 Q2- 2011 Q1	2010 Q3- 2011 Q2
Generation of income account								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	4,280	4,462	4,442	4,458	4,472	4,492	4,523	4,557
Other taxes less subsidies on production	99	94	85	84	88	83	84	89
Consumption of fixed capital	1,294	1,360	1,385	1,398	1,407	1,417	1,427	1,437
<i>Net operating surplus and mixed income</i> ¹⁾	2,393	2,358	2,111	2,159	2,179	2,207	2,234	2,249
Allocation of primary income account								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	3,678	3,925	2,957	2,762	2,763	2,808	2,847	2,917
Interest	2,129	2,378	1,603	1,424	1,404	1,415	1,440	1,483
Other property income	1,549	1,547	1,354	1,338	1,359	1,393	1,407	1,434
<i>Net national income</i> ¹⁾	7,771	7,806	7,525	7,614	7,672	7,725	7,794	7,860
Secondary distribution of income account								
Net national income								
Current taxes on income, wealth, etc.	1,136	1,145	1,028	1,036	1,042	1,053	1,070	1,077
Social contributions	1,597	1,670	1,675	1,682	1,688	1,699	1,708	1,718
Social benefits other than social transfers in kind	1,585	1,656	1,772	1,803	1,811	1,819	1,823	1,828
Other current transfers	741	774	779	780	781	774	774	776
Net non-life insurance premiums	183	188	182	181	180	180	178	178
Non-life insurance claims	184	189	183	182	181	181	179	179
Other	374	397	414	417	420	414	416	419
<i>Net disposable income</i> ¹⁾	7,678	7,704	7,416	7,500	7,554	7,610	7,679	7,747
Use of income account								
Net disposable income								
Final consumption expenditure	6,892	7,145	7,145	7,219	7,264	7,308	7,355	7,401
Individual consumption expenditure	6,192	6,407	6,374	6,446	6,490	6,534	6,580	6,625
Collective consumption expenditure	700	738	771	774	774	773	775	776
Adjustment for the change in the net equity of households in pension fund reserves	61	69	61	57	56	55	54	55
<i>Net saving</i> ¹⁾	786	559	270	280	291	303	324	346
Capital account								
Net saving								
Gross capital formation	2,055	2,059	1,707	1,730	1,759	1,785	1,836	1,858
Gross fixed capital formation	1,978	1,998	1,752	1,738	1,749	1,762	1,788	1,802
Changes in inventories and acquisitions less disposals of valuables	76	62	-44	-9	10	23	48	56
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	-1	1	1	2	2	1	1	1
Capital transfers	153	152	185	186	220	227	215	207
Capital taxes	24	24	34	30	30	25	26	25
Other capital transfers	129	128	151	156	190	202	190	182
<i>Net lending (+)/net borrowing (-) (from capital account)</i> ¹⁾	40	-132	-43	-41	-50	-55	-74	-65

Sources: ECB and Eurostat.

1) For details of 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	2007	2008	2009	2009 Q3- 2010 Q2	2009 Q4- 2010 Q3	2010 Q1- 2010 Q4	2010 Q2- 2011 Q1	2010 Q3- 2011 Q2
Generation of income account								
Gross value added (basic prices)	8,066	8,274	8,024	8,099	8,147	8,199	8,268	8,331
Taxes less subsidies on products	961	947	895	915	933	941	957	959
Gross domestic product (market prices) ²⁾	9,027	9,221	8,919	9,014	9,080	9,140	9,225	9,290
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	2,393	2,358	2,111	2,159	2,179	2,207	2,234	2,249
Compensation of employees	4,287	4,469	4,449	4,466	4,480	4,500	4,532	4,565
Taxes less subsidies on production	1,068	1,048	997	1,015	1,035	1,038	1,055	1,060
Property income	3,701	3,858	2,924	2,736	2,740	2,788	2,821	2,902
Interest	2,098	2,326	1,554	1,380	1,360	1,372	1,401	1,447
Other property income	1,603	1,532	1,370	1,356	1,380	1,415	1,420	1,455
<i>Net national income</i>								
Secondary distribution of income account								
Net national income	7,771	7,806	7,525	7,614	7,672	7,725	7,794	7,860
Current taxes on income, wealth, etc.	1,144	1,153	1,034	1,040	1,047	1,058	1,075	1,084
Social contributions	1,596	1,668	1,673	1,681	1,688	1,698	1,708	1,717
Social benefits other than social transfers in kind	1,577	1,648	1,766	1,798	1,805	1,812	1,816	1,821
Other current transfers	648	673	672	668	665	662	661	664
Net non-life insurance premiums	184	189	183	182	181	181	179	179
Non-life insurance claims	181	185	179	178	177	176	175	175
Other	282	299	309	308	307	305	306	310
<i>Net disposable income</i>								
Use of income account								
Net disposable income	7,678	7,704	7,416	7,500	7,554	7,610	7,679	7,747
Final consumption expenditure								
Individual consumption expenditure								
Collective consumption expenditure								
Adjustment for the change in the net equity of households in pension fund reserves	61	69	61	57	56	55	54	55
<i>Net saving</i>								
Capital account								
Net saving	786	559	270	280	291	303	324	346
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,294	1,360	1,385	1,398	1,407	1,417	1,427	1,437
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	168	161	195	197	232	239	228	218
Capital taxes	24	24	34	30	30	25	26	25
Other capital transfers	144	137	161	167	202	214	202	193
<i>Net lending (+)/net borrowing (-) (from capital account)</i>								

Sources: ECB and Eurostat.

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

3.3 Households

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

	2007	2008	2009	2009 Q3- 2010 Q2	2009 Q4- 2010 Q3	2010 Q1- 2010 Q4	2010 Q2- 2011 Q1	2010 Q3- 2011 Q2
Income, saving and changes in net worth								
Compensation of employees (+)	4,287	4,469	4,449	4,466	4,480	4,500	4,532	4,565
Gross operating surplus and mixed income (+)	1,485	1,526	1,456	1,453	1,456	1,463	1,476	1,490
Interest receivable (+)	318	351	236	210	207	210	215	223
Interest payable (-)	221	250	148	129	127	128	131	136
Other property income receivable (+)	777	779	713	695	700	707	720	725
Other property income payable (-)	10	10	10	10	10	10	10	10
Current taxes on income and wealth (-)	836	874	843	843	846	849	859	862
Net social contributions (-)	1,592	1,665	1,670	1,677	1,683	1,694	1,703	1,713
Net social benefits (+)	1,572	1,643	1,760	1,792	1,800	1,807	1,811	1,815
Net current transfers receivable (+)	62	69	72	70	71	70	69	69
= Gross disposable income	5,842	6,037	6,015	6,027	6,048	6,077	6,119	6,166
Final consumption expenditure (-)	5,085	5,244	5,157	5,212	5,251	5,293	5,334	5,376
Changes in net worth in pension funds (+)	61	69	61	57	56	55	54	55
= Gross saving	818	862	919	872	853	838	839	845
Consumption of fixed capital (-)	356	371	373	375	377	379	380	380
Net capital transfers receivable (+)	12	0	11	7	7	12	12	12
Other changes in net worth (+)	1,239	-1,978	-457	811	1,019	1,035	720	490
= Changes in net worth	1,713	-1,486	101	1,314	1,501	1,506	1,191	967
Investment, financing and changes in net worth								
Net acquisition of non-financial assets (+)	638	625	535	532	538	544	550	552
Consumption of fixed capital (-)	356	371	373	375	377	379	380	380
Main items of financial investment (+)								
Short-term assets	420	458	-14	-75	-23	57	118	118
Currency and deposits	351	438	121	63	89	120	141	138
Money market fund shares	37	-6	-43	-73	-84	-51	-37	-32
Debt securities ¹⁾	32	25	-92	-65	-29	-13	14	12
Long-term assets	140	21	521	592	488	411	331	314
Deposits	-31	-27	85	104	80	56	40	51
Debt securities	83	24	33	35	-4	2	44	53
Shares and other equity	-121	-107	178	205	164	122	44	18
Quoted and unquoted shares and other equity	30	68	131	139	103	99	57	32
Mutual fund shares	-151	-176	47	66	61	23	-13	-14
Life insurance and pension fund reserves	209	131	225	248	248	231	203	192
Main items of financing (-)								
Loans	384	257	111	135	135	147	148	139
of which: From euro area MFIs	283	83	65	136	135	148	170	164
Other changes in assets (+)								
Non-financial assets	1,176	-566	-770	511	873	916	727	297
Financial assets	114	-1,444	300	299	140	132	-3	170
Shares and other equity	96	-1,183	106	97	-2	82	36	159
Life insurance and pension fund reserves	8	-240	174	183	142	87	28	43
Remaining net flows (+)	-34	47	13	-35	-2	-28	-5	36
= Changes in net worth	1,713	-1,486	101	1,314	1,501	1,506	1,191	967
Balance sheet								
Non-financial assets (+)	27,755	27,443	26,835	27,371	27,759	27,916	27,799	27,840
Financial assets (+)								
Short-term assets	5,263	5,805	5,781	5,784	5,771	5,844	5,883	5,913
Currency and deposits	4,851	5,322	5,475	5,508	5,500	5,600	5,599	5,650
Money market fund shares	280	316	240	216	204	191	209	196
Debt securities ¹⁾	132	167	66	59	67	54	75	66
Long-term assets	12,140	10,675	11,529	11,667	11,927	12,058	12,107	12,125
Deposits	965	915	971	1,011	1,015	1,028	1,037	1,058
Debt securities	1,272	1,296	1,379	1,354	1,349	1,331	1,342	1,364
Shares and other equity	5,116	3,785	4,101	4,050	4,195	4,304	4,279	4,215
Quoted and unquoted shares and other equity	3,741	2,864	2,996	2,924	3,036	3,113	3,121	3,057
Mutual fund shares	1,375	920	1,105	1,126	1,159	1,191	1,158	1,158
Life insurance and pension fund reserves	4,787	4,678	5,077	5,253	5,368	5,395	5,450	5,488
Remaining net assets (+)	315	315	299	279	306	294	279	329
Liabilities (-)								
Loans	5,569	5,820	5,925	6,002	6,030	6,087	6,094	6,141
of which: From euro area MFIs	4,831	4,914	4,968	5,140	5,159	5,213	5,256	5,301
= Net worth	39,905	38,418	38,519	39,099	39,732	40,025	39,973	40,065

Sources: ECB and Eurostat.

1) Securities issued by MFIs with a maturity of less than two years and securities issued 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)

	2007	2008	2009	2009 Q3- 2010 Q2	2009 Q4- 2010 Q3	2010 Q1- 2010 Q4	2010 Q2- 2011 Q1	2010 Q3- 2011 Q2
Income and saving								
Gross value added (basic prices) (+)	4,638	4,745	4,485	4,539	4,577	4,619	4,671	4,717
Compensation of employees (-)	2,712	2,833	2,773	2,776	2,786	2,805	2,832	2,861
Other taxes less subsidies on production (-)	48	45	39	35	39	33	34	38
= Gross operating surplus (+)	1,877	1,868	1,673	1,727	1,752	1,781	1,805	1,818
Consumption of fixed capital (-)	724	765	783	792	797	803	810	817
= Net operating surplus (+)	1,153	1,102	890	936	955	978	996	1,000
Property income receivable (+)	636	638	539	518	517	531	532	553
Interest receivable	222	242	173	158	154	156	158	165
Other property income receivable	414	396	366	360	362	375	374	387
Interest and rents payable (-)	365	422	300	268	264	266	272	281
= Net entrepreneurial income (+)	1,423	1,318	1,130	1,186	1,208	1,242	1,256	1,272
Distributed income (-)	990	1,021	927	905	913	934	952	958
Taxes on income and wealth payable (-)	246	233	150	156	159	165	171	173
Social contributions receivable (+)	63	67	69	68	68	68	69	69
Social benefits payable (-)	62	65	67	68	68	69	69	69
Other net transfers (-)	43	48	47	48	48	47	47	47
= Net saving	145	18	8	77	89	96	86	95
Investment, financing and saving								
Net acquisition of non-financial assets (+)	421	376	87	124	148	169	207	215
Gross fixed capital formation (+)	1,068	1,085	917	924	935	950	970	982
Consumption of fixed capital (-)	724	765	783	792	797	803	810	817
Net acquisition of other non-financial assets (+)	77	57	-47	-9	9	23	47	51
Main items of financial investment (+)								
Short-term assets	168	70	96	24	22	16	18	38
Currency and deposits	153	15	88	58	51	68	62	66
Money market fund shares	-20	33	40	-23	-29	-41	-27	-19
Debt securities ¹⁾	35	22	-32	-11	-1	-11	-17	-9
Long-term assets	762	710	211	254	403	471	441	501
Deposits	-13	40	4	-10	-7	2	11	6
Debt securities	48	-35	11	-9	-12	-9	0	13
Shares and other equity	425	357	76	72	157	211	199	269
Other (mainly intercompany loans)	302	348	119	202	265	267	231	212
Remaining net assets (+)	181	-89	72	99	54	-35	-6	-23
Main items of financing (-)								
Debt	917	667	84	104	232	225	262	305
<i>of which: Loans from euro area MFIs</i>	<i>536</i>	<i>394</i>	<i>-114</i>	<i>-92</i>	<i>-35</i>	<i>-8</i>	<i>30</i>	<i>77</i>
<i>of which: Debt securities</i>	<i>33</i>	<i>48</i>	<i>90</i>	<i>89</i>	<i>73</i>	<i>68</i>	<i>44</i>	<i>44</i>
Shares and other equity	402	306	289	238	226	226	238	259
Quoted shares	58	6	67	47	37	30	30	28
Unquoted shares and other equity	344	300	223	191	189	196	208	231
Net capital transfers receivable (-)	68	73	81	79	78	74	72	71
= Net saving	145	18	8	77	89	96	86	95
Financial balance sheet								
Financial assets								
Short-term assets	1,788	1,876	1,960	1,903	1,926	1,972	1,950	1,939
Currency and deposits	1,507	1,538	1,632	1,608	1,625	1,693	1,667	1,673
Money market fund shares	163	192	214	184	182	174	179	169
Debt securities ¹⁾	119	147	114	111	118	105	104	97
Long-term assets	10,739	9,300	10,255	10,371	10,735	11,026	11,197	11,282
Deposits	206	246	227	231	240	220	220	211
Debt securities	228	183	191	195	200	196	211	210
Shares and other equity	7,968	6,221	7,054	6,987	7,283	7,545	7,697	7,737
Other (mainly intercompany loans)	2,337	2,650	2,784	2,957	3,011	3,065	3,069	3,124
Remaining net assets	263	238	219	200	215	66	173	107
Liabilities								
Debt	8,649	9,337	9,461	9,600	9,642	9,648	9,674	9,787
<i>of which: Loans from euro area MFIs</i>	<i>4,466</i>	<i>4,866</i>	<i>4,711</i>	<i>4,731</i>	<i>4,709</i>	<i>4,699</i>	<i>4,730</i>	<i>4,760</i>
<i>of which: Debt securities</i>	<i>648</i>	<i>704</i>	<i>827</i>	<i>887</i>	<i>901</i>	<i>889</i>	<i>866</i>	<i>882</i>
Shares and other equity	14,250	11,063	12,381	12,026	12,622	13,091	13,369	13,356
Quoted shares	5,005	2,935	3,516	3,316	3,542	3,814	3,923	3,914
Unquoted shares and other equity	9,245	8,129	8,865	8,711	9,080	9,277	9,446	9,442

Sources: ECB and Eurostat.

1) Securities issued by MFIs with a maturity of less than two years and securities issued 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)

	2007	2008	2009	2009 Q3- 2010 Q2	2009 Q4- 2010 Q3	2010 Q1- 2010 Q4	2010 Q2- 2011 Q1	2010 Q3- 2011 Q2
Financial account, financial transactions								
Main items of financial investment (+)								
Short-term assets	22	78	-51	-22	-3	-12	-30	-38
Currency and deposits	7	57	-33	2	6	-9	-9	-14
Money market fund shares	4	14	0	1	-2	-6	-24	-25
Debt securities ¹⁾	11	7	-17	-25	-7	3	3	1
Long-term assets	280	92	318	281	250	219	213	204
Deposits	47	-9	21	-8	-11	-8	7	10
Debt securities	108	59	111	150	167	151	129	122
Loans	-15	25	7	6	12	28	25	26
Quoted shares	20	2	-65	-68	14	17	15	9
Unquoted shares and other equity	22	15	-8	1	2	10	12	14
Mutual fund shares	98	1	253	199	66	22	25	22
Remaining net assets (+)	-38	39	2	43	60	53	20	5
Main items of financing (-)								
Debt securities	3	4	5	5	2	0	0	2
Loans	-2	24	-16	-10	7	6	11	8
Shares and other equity	3	6	1	5	5	5	4	1
Insurance technical reserves	245	125	231	282	278	259	208	184
Net equity of households in life insurance and pension fund reserves	212	121	227	273	270	248	201	184
Prepayments of insurance premiums and reserves for outstanding claims	34	4	4	9	8	11	7	0
= Changes in net financial worth due to transactions	14	50	48	20	15	-10	-21	-24
Other changes account								
Other changes in financial assets (+)								
Shares and other equity	-48	-502	188	160	122	120	41	105
Other net assets	11	34	52	78	57	-36	-44	-68
Other changes in liabilities (-)								
Shares and other equity	-22	-172	8	20	-19	-8	-9	12
Insurance technical reserves	30	-260	186	189	146	96	39	51
Net equity of households in life insurance and pension fund reserves	18	-248	182	187	147	99	41	56
Prepayments of insurance premiums and reserves for outstanding claims	12	-11	4	2	-1	-2	-2	-5
= Other changes in net financial worth	-45	-36	45	30	51	-5	-33	-26
Financial balance sheet								
Financial assets (+)								
Short-term assets	318	398	342	367	362	335	323	325
Currency and deposits	163	224	195	206	203	190	186	186
Money market fund shares	91	103	94	103	101	89	79	81
Debt securities ¹⁾	63	71	52	58	57	55	58	58
Long-term assets	5,473	5,077	5,658	5,841	5,979	5,983	6,079	6,110
Deposits	594	599	617	610	610	610	624	624
Debt securities	2,203	2,261	2,444	2,571	2,642	2,580	2,638	2,652
Loans	411	433	439	446	453	466	469	471
Quoted shares	750	491	523	518	539	553	563	557
Unquoted shares and other equity	347	321	301	290	284	295	292	291
Mutual fund shares	1,167	971	1,335	1,406	1,451	1,479	1,493	1,514
Remaining net assets (+)	176	238	223	266	292	253	254	247
Liabilities (-)								
Debt securities	19	23	30	32	30	33	30	33
Loans	244	273	256	264	277	265	270	273
Shares and other equity	578	412	422	409	413	419	436	421
Insurance technical reserves	5,295	5,160	5,577	5,797	5,911	5,932	6,002	6,032
Net equity of households in life insurance and pension fund reserves	4,472	4,345	4,754	4,956	5,074	5,101	5,158	5,196
Prepayments of insurance premiums and reserves for outstanding claims	822	814	823	841	837	831	844	836
= Net financial wealth	-170	-156	-63	-27	2	-78	-82	-77

Source: ECB.

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

FINANCIAL MARKETS



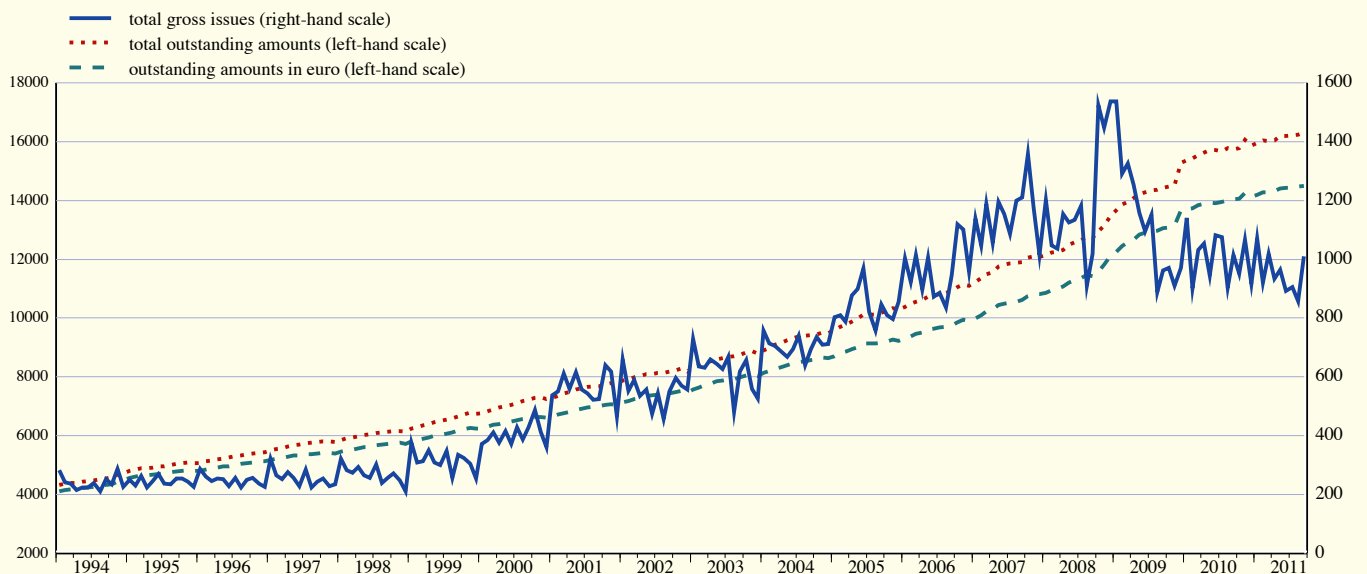
4.1 Securities other than shares by original maturity, residency of the issuer and currency

(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 11	6-month growth rates 12	
Total												
2010 Sep.	16,270.3	985.1	18.9	14,030.2	908.6	18.2	15,741.3	1,013.6	4.8	3.1	56.6	3.4
Oct.	16,277.8	888.0	10.2	14,067.8	843.2	40.2	15,779.6	950.3	52.7	3.2	39.5	3.2
Nov.	16,457.4	993.0	180.9	14,266.5	954.0	199.8	16,063.3	1,067.0	239.0	4.3	160.4	5.5
Dec.	16,293.1	876.6	-162.9	14,119.4	843.9	-145.6	15,871.8	916.4	-184.6	3.5	-64.7	4.4
2011 Jan.	16,370.6	1,005.0	76.7	14,194.0	954.5	73.8	15,945.3	1,070.7	92.1	3.7	78.3	4.9
Feb.	16,470.9	866.7	101.2	14,286.0	813.9	93.0	16,037.6	920.1	98.1	4.1	47.9	4.0
Mar.	16,471.7	978.7	1.1	14,279.4	911.7	-6.3	16,015.4	1,019.8	2.3	3.4	11.9	3.4
Apr.	16,492.4	889.0	21.3	14,326.9	850.2	48.0	16,041.7	934.8	51.3	3.2	25.4	3.3
May	16,594.4	922.5	100.4	14,418.2	865.9	89.7	16,187.8	963.7	115.7	3.6	39.3	1.7
June	16,626.1	848.2	31.6	14,441.3	796.4	23.0	16,202.1	893.3	20.0	3.8	45.8	3.1
July	16,751.8	852.0	-27.6	14,434.8	824.2	-7.2	16,224.0	906.1	-1.3	3.7	24.4	2.4
Aug.	16,783.9	805.7	32.4	14,469.0	771.8	34.4	16,237.1	857.6	24.3	3.3	53.0	2.5
Sep.	16,827.3	985.5	29.2	14,486.3	910.0	4.5	16,299.9	1,010.3	12.2	3.3	64.7	3.2
Long-term												
2010 Sep.	14,718.4	268.6	4.1	12,591.2	228.4	14.4	14,102.4	258.8	4.4	4.1	50.3	3.5
Oct.	14,755.7	222.2	37.5	12,640.5	195.5	49.4	14,158.1	233.3	65.7	4.0	66.5	3.7
Nov.	14,900.0	338.5	145.3	12,799.7	322.0	160.2	14,390.0	360.5	191.3	4.8	115.8	5.5
Dec.	14,857.2	186.8	-40.2	12,774.8	179.6	-22.3	14,333.5	193.8	-50.3	4.7	10.3	5.5
2011 Jan.	14,922.4	308.9	66.7	12,825.5	277.9	52.2	14,381.1	320.0	67.8	4.8	97.5	6.1
Feb.	15,028.6	284.2	106.4	12,921.3	253.1	96.2	14,469.1	285.1	92.4	5.0	43.0	5.5
Mar.	15,041.3	305.3	13.2	12,940.6	269.2	19.8	14,463.9	303.4	16.7	4.3	22.2	5.1
Apr.	15,095.0	302.7	54.0	13,005.7	278.4	65.4	14,510.8	308.9	68.4	4.3	49.0	4.8
May	15,172.0	278.2	75.9	13,074.3	245.8	67.5	14,616.1	268.8	79.9	4.4	14.5	3.3
June	15,224.1	255.4	51.5	13,124.5	224.2	49.6	14,666.2	253.1	53.5	4.6	43.7	3.8
July	15,356.6	203.3	-17.1	13,117.1	191.9	-9.8	14,681.7	213.5	-7.3	4.5	31.4	2.8
Aug.	15,353.0	120.6	-3.4	13,119.2	112.0	2.1	14,667.1	122.0	-4.2	4.1	33.8	2.7
Sep.	15,352.8	213.7	-12.9	13,117.0	175.5	-14.8	14,711.4	199.7	-1.6	4.1	45.3	3.0

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 details of the calculation of the growth rates, see the Technical Notes. The six-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 ^{b)}					
	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												
2009	15,286	5,371	3,226	802	5,418	469	1,126	734	68	80	215	29
2010	15,872	5,246	3,290	850	5,932	554	1,007	625	80	69	205	29
2010 Q4	15,872	5,246	3,290	850	5,932	554	978	566	110	63	206	32
2011 Q1	16,015	5,348	3,256	824	6,024	564	1,004	592	89	59	220	43
Q2	16,202	5,364	3,243	833	6,166	597	931	551	85	60	192	43
Q3	16,300	5,423	3,255	856	6,160	607	925	579	73	60	180	33
2011 June	16,202	5,364	3,243	833	6,166	597	893	541	70	59	182	42
July	16,224	5,372	3,256	847	6,161	588	906	533	83	62	194	34
Aug.	16,237	5,393	3,235	847	6,165	597	858	572	57	52	145	32
Sep.	16,300	5,423	3,255	856	6,160	607	1,010	631	78	65	202	34
Short-term												
2009	1,638	733	89	71	714	31	876	635	25	63	133	20
2010	1,538	572	122	67	724	53	758	534	34	57	115	19
2010 Q4	1,538	572	122	67	724	53	715	484	38	52	117	24
2011 Q1	1,552	618	112	71	700	51	701	462	41	49	118	30
Q2	1,536	582	118	72	702	62	654	440	31	51	102	31
Q3	1,588	613	113	83	712	68	746	512	41	53	114	25
2011 June	1,536	582	118	72	702	62	640	426	31	52	102	29
July	1,542	578	118	79	711	55	693	466	31	52	119	25
Aug.	1,570	604	116	82	707	61	736	516	41	51	104	24
Sep.	1,588	613	113	83	712	68	811	554	53	57	120	28
Long-term²⁾												
2009	13,648	4,638	3,137	731	4,704	438	251	99	44	17	82	9
2010	14,333	4,674	3,168	784	5,207	500	248	91	46	12	90	10
2010 Q4	14,333	4,674	3,168	784	5,207	500	263	83	72	11	89	8
2011 Q1	14,464	4,730	3,143	753	5,324	513	303	130	48	10	102	13
Q2	14,666	4,781	3,125	761	5,465	535	277	111	54	9	90	12
Q3	14,711	4,810	3,142	773	5,448	539	178	67	31	7	66	8
2011 June	14,666	4,781	3,125	761	5,465	535	253	115	38	7	80	12
July	14,682	4,794	3,138	768	5,450	533	213	67	52	10	75	9
Aug.	14,667	4,789	3,119	765	5,458	536	122	56	17	1	41	8
Sep.	14,711	4,810	3,142	773	5,448	539	200	77	25	9	82	6
<i>of which: Long-term fixed rate</i>												
2009	8,799	2,563	1,026	597	4,261	351	172	60	18	16	72	6
2010	9,470	2,634	1,091	670	4,697	378	156	50	13	10	77	6
2010 Q4	9,470	2,634	1,091	670	4,697	378	143	43	19	11	65	6
2011 Q1	9,628	2,700	1,098	655	4,787	388	195	78	12	8	87	9
Q2	9,855	2,743	1,130	665	4,912	404	174	62	20	8	74	9
Q3	9,894	2,773	1,152	678	4,887	404	112	35	8	6	58	5
2011 June	9,855	2,743	1,130	665	4,912	404	157	61	13	5	72	7
July	9,854	2,745	1,145	673	4,891	401	124	30	11	10	68	5
Aug.	9,851	2,748	1,139	671	4,889	403	67	27	4	0	31	5
Sep.	9,894	2,773	1,152	678	4,887	404	144	47	10	8	75	3
<i>of which: Long-term variable rate</i>												
2009	4,409	1,786	2,044	123	371	85	62	28	25	1	6	2
2010	4,393	1,760	1,972	108	431	121	78	34	29	1	10	4
2010 Q4	4,393	1,760	1,972	108	431	121	102	33	44	1	22	2
2011 Q1	4,342	1,741	1,927	94	458	123	87	42	29	1	11	4
Q2	4,310	1,765	1,848	91	477	129	82	42	22	1	13	4
Q3	4,311	1,766	1,830	90	491	133	51	26	16	0	5	3
2011 June	4,310	1,765	1,848	91	477	129	79	48	18	2	6	5
July	4,316	1,774	1,839	90	482	131	70	30	30	1	6	3
Aug.	4,300	1,765	1,824	89	490	132	41	22	8	0	8	3
Sep.	4,311	1,766	1,830	90	491	133	41	24	11	0	3	3

Source: ECB.

- 1) Monthly data on gross issues refer to transactions during the month. For the purposes of comparison, quarterly and annual data refer to the respective monthly averages.
- 2) 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

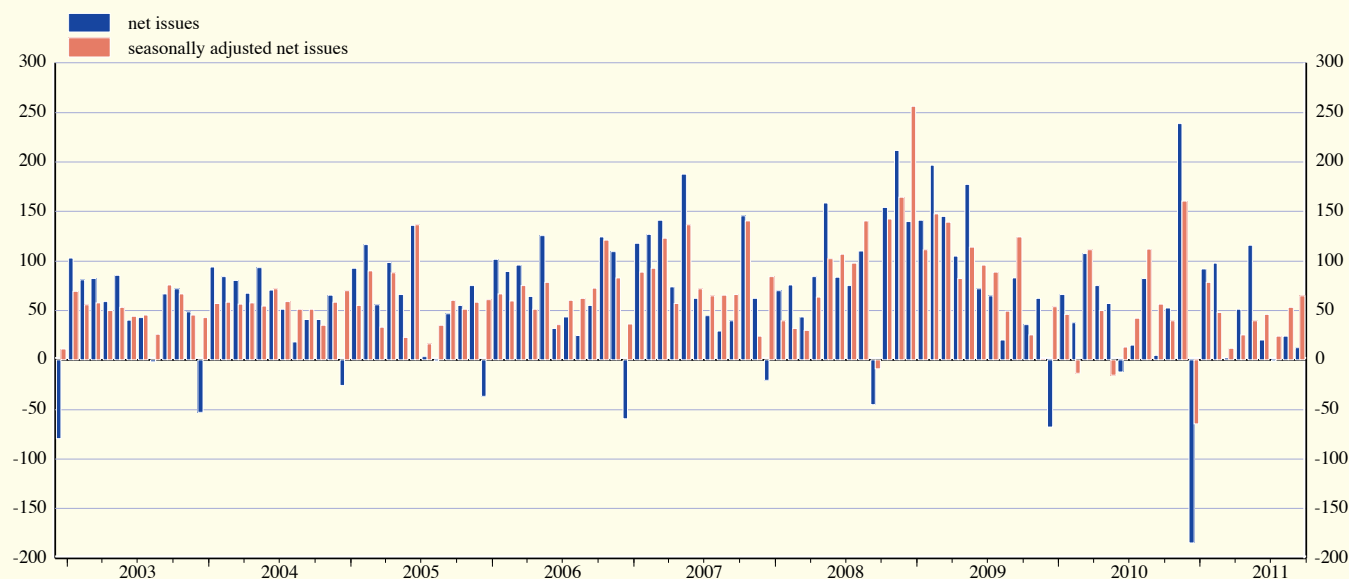
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted ¹⁾						Seasonally adjusted ¹⁾					
	Total	MFIs (including Eurosysteem)	Non-MFI corporations		General government		Total	MFIs (including Eurosysteem)	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											
2009	86.3	10.2	18.4	8.7	44.9	4.2	86.1	10.1	18.3	8.4	45.2	4.2
2010	45.0	-1.2	4.3	5.0	31.6	5.3	44.9	-1.4	4.4	5.0	31.8	5.1
2010 Q4	35.7	-19.9	23.7	1.3	22.9	7.7	45.1	-4.5	-3.2	4.2	44.0	4.6
2011 Q1	64.2	43.0	-19.9	4.4	32.5	4.3	46.0	24.0	-3.5	2.9	16.7	5.9
Q2	62.4	4.9	-3.9	2.9	47.5	11.0	36.9	0.5	-9.1	-0.1	34.2	11.4
Q3	11.7	11.7	-3.3	4.9	-3.8	2.1	47.3	19.3	12.0	6.7	5.6	3.7
2011 June	20.0	-27.5	-5.4	-7.5	47.9	12.4	45.8	-3.3	-2.2	-5.3	41.5	15.1
July	-1.3	-3.2	10.3	8.5	-7.1	-9.8	24.4	-4.8	8.0	5.4	26.8	-10.9
Aug.	24.3	27.2	-19.3	2.0	4.8	9.6	53.0	33.3	-13.0	9.0	10.1	13.5
Sep.	12.2	11.2	-0.9	4.3	-8.9	6.5	64.7	29.5	41.1	5.6	-20.2	8.7
	Long-term											
2009	86.9	14.9	21.5	12.7	33.0	4.8	87.1	15.1	21.4	12.8	33.0	4.8
2010	53.6	1.8	1.6	5.3	41.3	3.6	54.0	1.9	1.8	5.4	41.4	3.6
2010 Q4	68.9	-5.3	14.6	2.9	53.1	3.6	64.2	8.2	-10.4	4.4	58.8	3.3
2011 Q1	58.9	27.4	-16.1	2.3	40.5	4.9	54.2	17.1	-1.1	2.5	31.2	4.6
Q2	67.3	16.6	-5.8	2.4	46.7	7.3	35.7	5.5	-10.1	-0.6	35.1	5.8
Q3	-4.4	2.0	-1.5	1.3	-6.9	0.8	36.8	9.9	12.3	2.7	9.1	2.9
2011 June	53.5	8.7	-2.9	-2.5	44.0	6.2	43.7	7.8	-2.8	-3.7	38.1	4.3
July	-7.3	0.8	9.8	1.4	-16.4	-2.9	31.4	0.1	5.9	1.5	23.4	0.5
Aug.	-4.2	0.8	-17.4	-0.7	9.0	4.0	33.8	10.2	-8.4	5.3	20.9	5.8
Sep.	-1.6	4.4	3.0	3.2	-13.4	1.1	45.3	19.2	39.4	1.2	-16.9	2.4

CI6 Net issues of securities other than shares: seasonally adjusted and non-seasonally adjusted

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



Source: ECB.

1) Monthly data on net issues refer to transactions during the month. For the purposes of comparison, quarterly and annual data refer to the respective monthly averages.

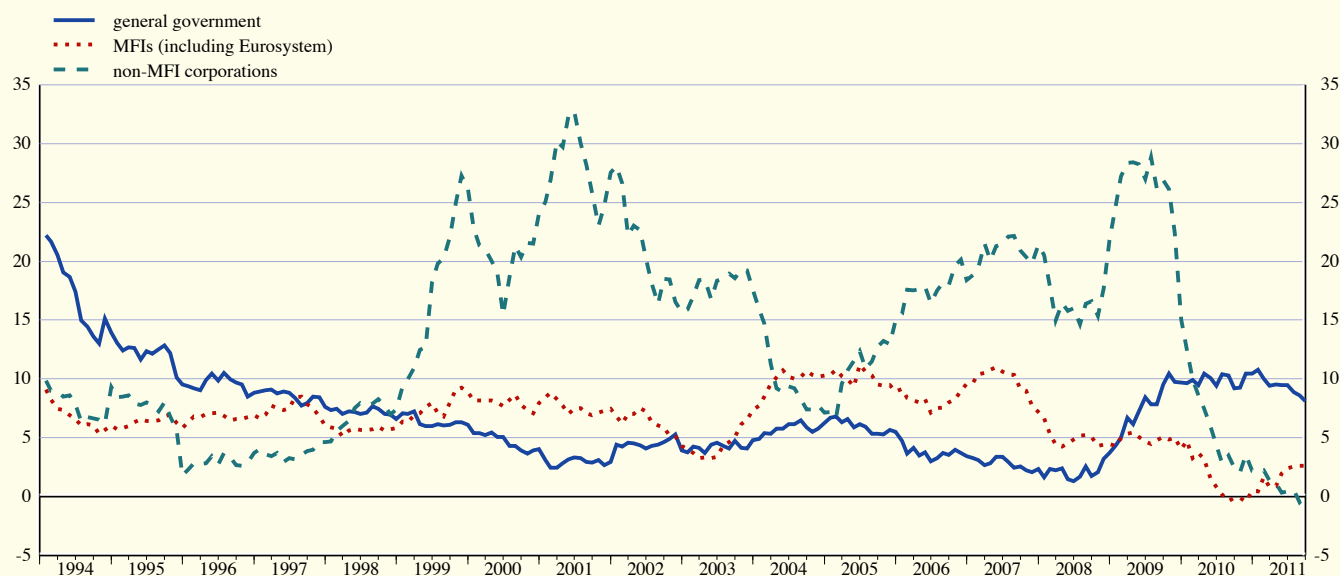
4.3 Growth rates of securities other than shares issued by euro area residents ¹⁾

(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												
2010 Sep.	3.1	-0.4	0.7	8.6	6.5	12.1	3.4	-0.6	3.9	4.3	5.6	16.9
Oct.	3.2	0.0	0.3	8.5	6.4	11.8	3.2	-1.9	3.2	4.2	6.8	17.0
Nov.	4.3	0.1	2.5	8.4	8.1	12.8	5.5	0.5	4.7	4.7	9.7	19.2
Dec.	3.5	-0.3	1.6	7.4	7.0	13.2	4.4	0.6	2.8	6.6	8.0	13.3
2011 Jan.	3.7	0.0	1.7	7.1	7.1	13.4	4.9	2.3	3.5	6.7	7.3	10.9
Feb.	4.1	1.6	2.2	5.4	6.7	11.9	4.0	2.5	1.1	5.8	6.4	9.4
Mar.	3.4	0.8	1.3	4.7	5.9	14.5	3.4	2.2	-1.2	5.1	6.3	12.1
Apr.	3.2	0.4	1.1	3.4	6.0	14.6	3.3	2.9	-0.9	2.6	5.3	12.3
May	3.6	1.7	0.0	4.2	6.1	17.4	1.7	3.0	-4.6	3.8	2.7	15.8
June	3.8	1.8	0.1	4.2	6.5	16.1	3.1	2.8	-2.3	2.0	5.2	19.9
July	3.7	1.8	0.4	4.9	6.2	13.3	2.4	1.2	-2.5	3.1	5.1	15.9
Aug.	3.3	1.9	-1.1	5.3	5.6	15.3	2.5	1.2	-3.2	4.7	4.9	21.9
Sep.	3.3	2.3	-0.3	5.0	5.1	14.3	3.2	2.2	0.5	4.8	4.0	16.8
Long-term												
2010 Sep.	4.1	-0.1	0.3	11.1	8.9	12.0	3.5	-1.5	2.9	5.8	7.9	8.7
Oct.	4.0	-0.1	0.1	10.5	9.0	11.4	3.7	-1.6	2.2	6.0	9.0	10.2
Nov.	4.8	-0.5	2.1	9.6	10.4	11.2	5.5	0.4	3.9	7.3	10.4	13.4
Dec.	4.7	0.5	0.6	8.8	10.5	9.4	5.5	1.9	1.3	7.3	11.2	7.2
2011 Jan.	4.8	0.4	0.7	8.0	11.0	8.6	6.1	3.7	1.7	7.4	10.9	7.9
Feb.	5.0	1.7	1.2	6.4	10.1	8.8	5.5	4.1	-0.1	6.1	10.0	8.9
Mar.	4.3	0.8	0.3	5.7	9.4	9.3	5.1	3.3	-2.2	5.6	11.0	9.8
Apr.	4.3	0.9	0.2	5.1	9.5	9.7	4.8	3.4	-1.7	4.0	10.0	9.1
May	4.4	2.0	-0.8	5.1	9.1	12.8	3.3	3.6	-5.4	3.0	7.9	12.0
June	4.6	2.4	-0.5	4.3	9.4	10.1	3.8	2.9	-2.1	1.5	7.8	12.9
July	4.5	2.5	-0.5	4.7	8.7	10.5	2.8	1.4	-2.5	2.1	6.6	13.2
Aug.	4.1	2.6	-1.6	4.5	8.4	11.0	2.7	1.1	-3.3	3.0	6.8	13.2
Sep.	4.1	2.6	-0.8	3.6	7.9	10.2	3.0	2.0	0.4	1.6	5.0	10.5

C17 Annual growth rates of long-term debt securities, by sector of the issuer, in all currencies combined

(annual percentage changes)



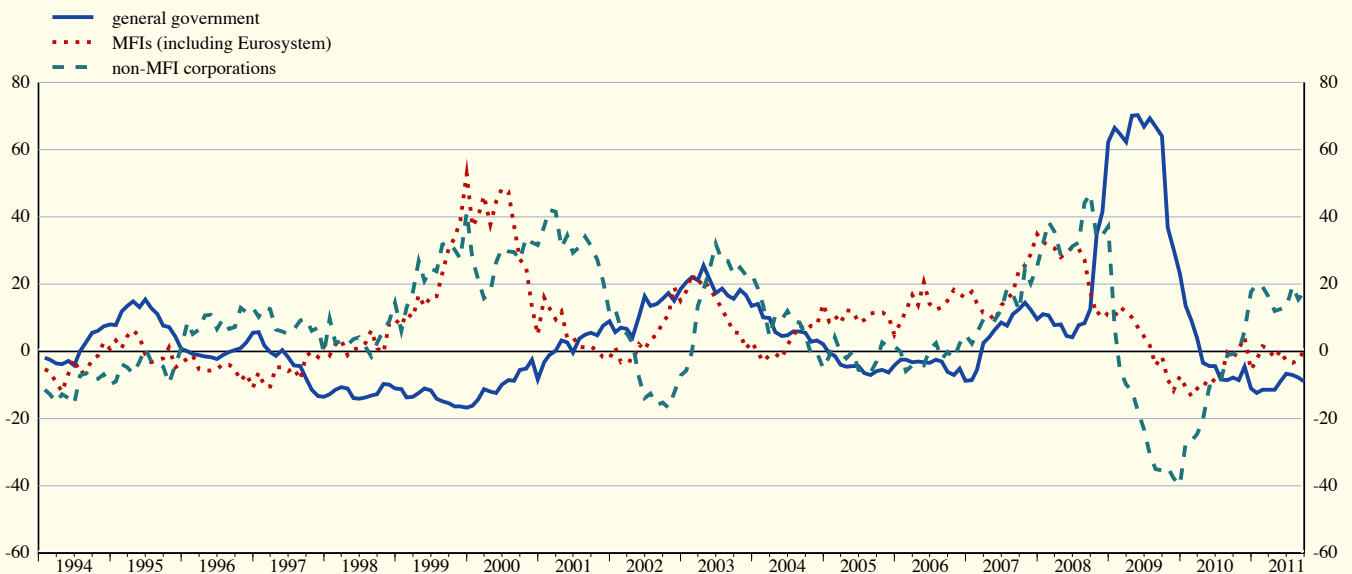
Source: ECB.

1) For details of the calculation of the growth rates, see the Technical Notes. The six-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												
2009	9.5	7.2	17.2	25.3	8.1	5.4	12.1	1.6	36.7	-1.9	-0.3	22.2
2010	8.8	5.8	6.4	19.7	9.9	8.9	-0.6	-3.9	0.7	-1.5	6.4	27.5
2010 Q4	7.0	2.8	3.2	12.5	9.8	7.4	-0.2	-3.3	-0.9	-1.0	12.2	25.7
2011 Q1	6.9	3.4	3.2	9.2	9.7	5.9	0.5	-1.8	-1.9	-1.2	19.0	19.9
Q2	6.5	4.6	3.8	6.4	8.2	8.5	-0.4	-2.1	-4.5	-1.5	23.6	18.4
Q3	6.7	6.2	4.3	5.2	7.4	9.9	-1.5	-1.4	-7.7	-2.4	25.7	13.0
2011 Apr.	6.1	3.8	2.8	6.2	8.1	7.1	0.1	-2.6	-3.2	-1.7	25.2	19.0
May	6.8	5.0	4.7	6.6	8.0	10.5	-0.8	-1.4	-5.9	-1.4	22.2	20.9
June	7.0	5.9	4.4	5.3	8.3	9.5	-0.7	-1.2	-6.2	-1.9	25.7	12.3
July	6.8	6.1	4.4	5.5	7.7	10.0	-1.3	-1.3	-7.2	-1.9	24.4	12.7
Aug.	6.6	6.3	3.9	5.2	7.2	10.4	-1.9	-1.5	-8.5	-2.3	25.6	13.4
Sep.	6.2	6.3	4.7	4.3	6.4	9.3	-1.7	-1.4	-8.6	-3.8	28.3	13.4
In euro												
2009	10.1	9.1	20.5	23.6	8.2	4.4	14.6	3.8	39.2	-2.4	-0.4	21.4
2010	9.1	5.6	7.5	20.1	10.0	8.4	-0.3	-3.3	0.4	-1.9	5.9	26.1
2010 Q4	7.2	1.6	4.3	12.8	10.0	6.8	0.1	-2.4	-1.3	-1.5	12.3	26.5
2011 Q1	7.0	2.2	3.5	9.5	9.9	4.8	1.0	-0.1	-2.7	-1.7	19.1	21.0
Q2	6.7	3.8	4.1	6.4	8.5	7.9	0.3	-0.6	-4.6	-2.6	23.5	18.1
Q3	6.7	5.4	4.5	5.9	7.6	9.7	-1.2	-0.2	-8.4	-3.5	25.6	11.1
2011 Apr.	6.2	3.0	3.0	6.0	8.4	6.3	0.9	-1.2	-3.3	-3.0	25.3	18.9
May	6.9	4.2	5.3	6.6	8.3	10.3	0.0	0.1	-5.8	-2.5	22.2	21.0
June	7.1	5.0	4.8	6.0	8.5	9.1	0.0	0.1	-5.9	-2.4	25.5	10.6
July	6.9	5.3	4.7	6.3	7.9	9.5	-1.2	-0.2	-8.2	-3.3	24.3	10.7
Aug.	6.6	5.6	4.1	6.0	7.4	10.1	-1.6	-0.5	-9.1	-3.7	25.6	11.5
Sep.	6.2	5.7	4.5	4.8	6.6	9.5	-1.6	-0.2	-9.9	-4.6	28.3	11.4

C18 Annual growth rates of short-term debt securities, by sector of the issuer, in all currencies combined
(annual percentage changes)



Source: ECB.

¹⁾ Annual percentage changes for monthly data refer to the end of the month, whereas those for quarterly and yearly data refer to the annual change in the period average. See the Technical Notes for details.

4.4 Quoted shares issued by euro area residents ¹⁾

(EUR billions, unless otherwise indicated; market values)

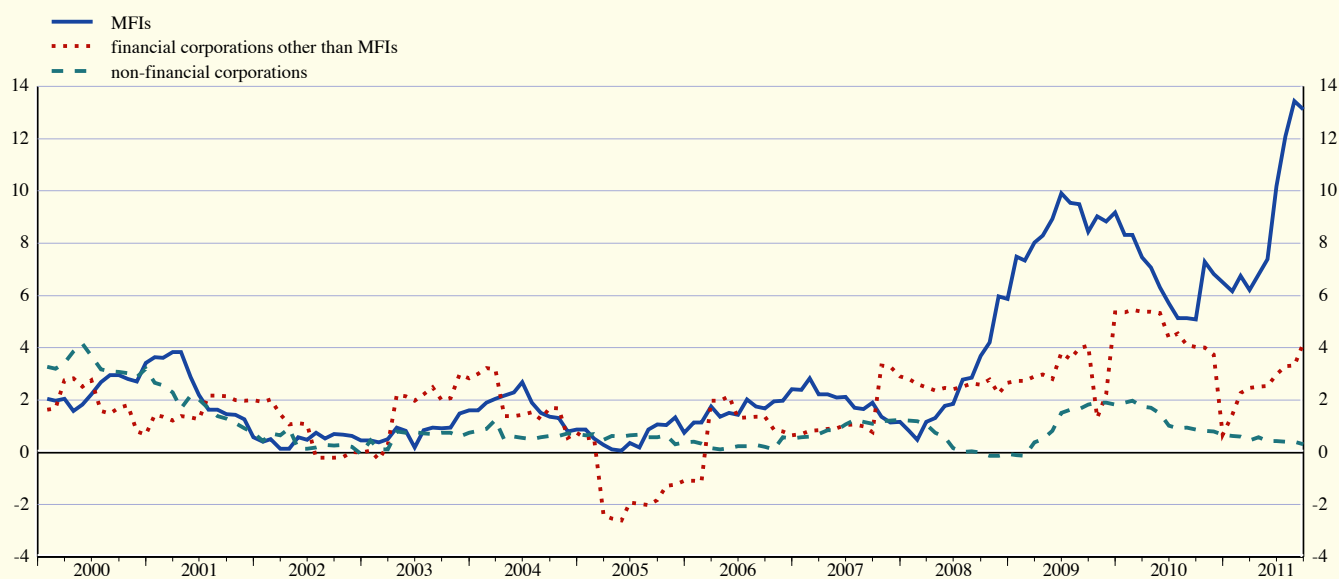
1. Outstanding amounts and annual growth rates

(outstanding amounts as at end of period)

	Total			MFIs		Financial corporations other than MFIs		Non-financial corporations	
	Total	Index: Dec. 2008 = 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
2009 Sep.	4,210.4	102.1	2.8	588.4	8.4	353.6	4.1	3,268.3	1.8
Oct.	4,065.1	102.3	2.7	563.3	9.0	328.3	1.3	3,173.5	1.9
Nov.	4,079.4	102.6	2.7	563.8	8.8	319.9	2.2	3,195.7	1.9
Dec.	4,410.6	103.0	3.0	566.0	9.2	350.9	5.4	3,493.7	1.8
2010 Jan.	4,242.8	103.1	2.9	516.7	8.3	340.7	5.4	3,385.4	1.9
Feb.	4,161.5	103.2	3.0	499.3	8.3	339.2	5.4	3,323.0	2.0
Mar.	4,474.4	103.4	2.8	543.6	7.5	365.2	5.4	3,565.5	1.8
Apr.	4,409.1	103.4	2.7	508.4	7.1	345.7	5.4	3,555.0	1.7
May	4,093.4	103.5	2.4	445.9	6.3	322.7	5.3	3,324.9	1.5
June	4,054.6	103.7	1.9	446.4	5.7	315.5	4.4	3,292.7	1.0
July	4,256.1	103.7	1.7	519.8	5.1	338.0	4.5	3,398.3	0.9
Aug.	4,121.2	103.7	1.7	479.3	5.1	314.4	4.1	3,327.5	0.9
Sep.	4,345.2	103.8	1.6	487.0	5.1	326.6	4.0	3,531.6	0.9
Oct.	4,531.0	104.2	1.8	514.4	7.3	333.5	4.0	3,683.1	0.8
Nov.	4,409.2	104.3	1.7	437.8	6.8	312.5	3.7	3,658.9	0.8
Dec.	4,593.4	104.3	1.3	458.4	6.5	331.2	0.7	3,803.8	0.7
2011 Jan.	4,757.3	104.4	1.3	514.3	6.2	363.3	1.4	3,879.7	0.6
Feb.	4,845.8	104.6	1.4	535.0	6.8	378.9	2.3	3,931.9	0.6
Mar.	4,767.3	104.7	1.2	491.7	6.2	363.2	2.5	3,912.5	0.5
Apr.	4,891.8	104.8	1.4	497.5	6.8	371.5	2.5	4,022.8	0.6
May	4,777.5	104.8	1.3	475.9	7.4	356.2	2.5	3,945.4	0.4
June	4,722.7	105.3	1.6	491.6	10.2	350.5	3.0	3,880.6	0.4
July	4,504.3	105.6	1.8	458.8	12.1	325.5	3.3	3,720.0	0.4
Aug.	3,975.3	105.7	1.9	383.0	13.4	281.6	3.3	3,310.7	0.4
Sep.	3,749.2	105.7	1.9	350.7	13.1	264.3	4.2	3,134.2	0.3

C19 Annual growth rates for quoted shares issued by euro area residents

(annual percentage changes)



Source: ECB.

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

4.4 Quoted shares issued by euro area residents

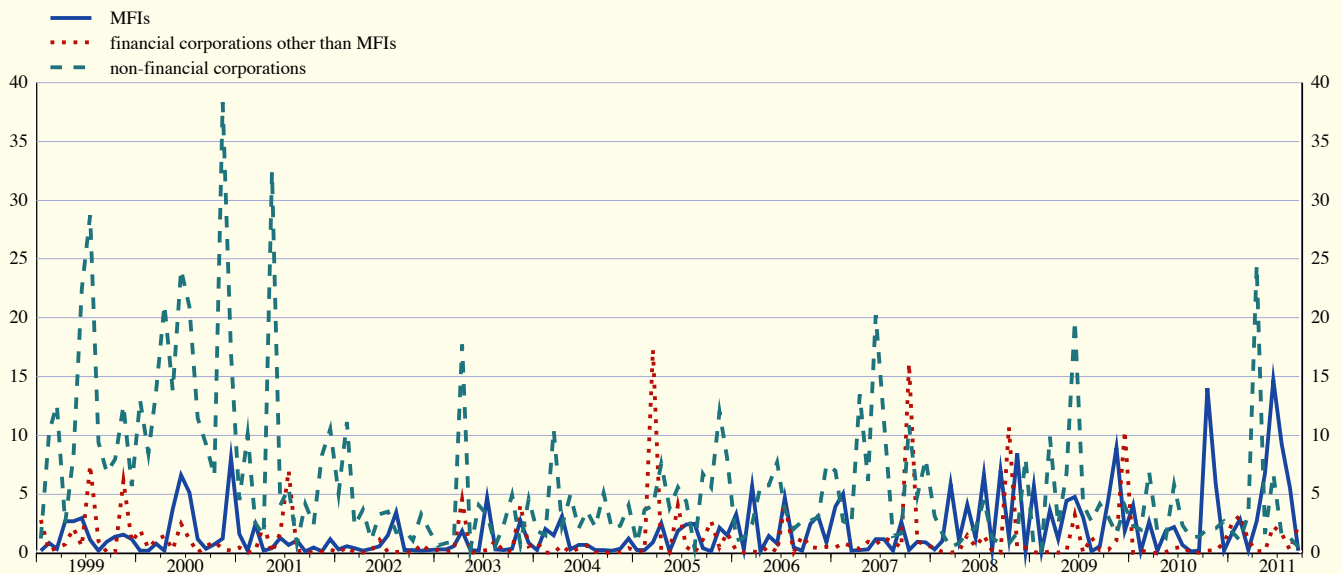
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			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
2009 Sep.	5.0	0.3	4.7	0.6	0.0	0.6	0.2	0.0	0.2	4.2	0.2	3.9
Oct.	7.8	0.3	7.5	4.5	0.0	4.5	0.2	0.0	0.2	3.1	0.2	2.8
Nov.	11.6	0.2	11.4	9.0	0.0	9.0	1.0	0.0	1.0	1.6	0.2	1.4
Dec.	16.2	0.2	16.1	1.9	0.0	1.9	10.4	0.1	10.3	4.0	0.1	3.9
2010 Jan.	6.4	0.0	6.4	4.1	0.0	4.1	0.1	0.0	0.1	2.3	0.0	2.3
Feb.	2.2	0.3	1.9	0.0	0.0	0.0	0.2	0.0	0.2	2.0	0.3	1.7
Mar.	9.6	0.6	9.0	2.6	0.0	2.6	0.1	0.0	0.1	6.9	0.6	6.3
Apr.	1.8	0.4	1.5	0.1	0.0	0.0	0.0	0.0	0.0	1.8	0.3	1.5
May	3.2	0.8	2.4	1.9	0.0	1.9	0.1	0.0	0.1	1.3	0.8	0.4
June	8.4	0.4	8.0	2.2	0.0	2.2	0.4	0.0	0.4	5.8	0.4	5.4
July	3.6	0.8	2.7	0.7	0.0	0.7	0.5	0.0	0.5	2.4	0.8	1.6
Aug.	1.4	1.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	1.4	1.2	0.2
Sep.	1.6	0.2	1.4	0.2	0.0	0.2	0.0	0.0	0.0	1.4	0.2	1.2
Oct.	16.3	0.2	16.0	14.0	0.0	14.0	0.2	0.1	0.1	2.0	0.2	1.9
Nov.	8.3	1.5	6.8	5.9	0.0	5.9	0.2	0.1	0.2	2.1	1.4	0.7
Dec.	3.7	3.5	0.2	0.2	0.0	0.2	0.9	0.3	0.5	2.7	3.2	-0.5
2011 Jan.	6.1	1.3	4.8	1.7	0.0	1.7	2.6	0.0	2.6	1.8	1.3	0.5
Feb.	7.1	0.2	6.9	2.9	0.0	2.9	3.2	0.0	3.2	1.1	0.2	0.8
Mar.	4.4	1.0	3.5	0.1	0.0	0.1	1.0	0.2	0.8	3.3	0.7	2.6
Apr.	27.3	18.5	8.8	2.7	0.0	2.7	0.1	0.0	0.1	24.5	18.5	6.0
May	8.6	8.8	-0.2	6.8	2.1	4.6	0.2	0.0	0.2	1.6	6.6	-5.0
June	23.7	1.3	22.5	14.7	0.0	14.7	2.3	0.3	2.0	6.7	1.0	5.7
July	12.4	0.7	11.7	9.3	0.0	9.3	1.6	0.0	1.6	1.5	0.7	0.8
Aug.	7.1	1.1	6.0	5.5	0.0	5.5	0.3	0.2	0.1	1.3	0.9	0.4
Sep.	2.9	2.9	0.0	0.0	0.9	-0.9	2.3	0.0	2.3	0.5	2.0	-1.4

C20 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

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

(percentages per annum; outstanding amounts as at 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	With an agreed maturity of:			Redeemable at notice of: ²⁾		Overnight	With an agreed maturity of:			
		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
2010 Nov.	0.44	2.33	2.65	2.67	1.54	1.83	0.50	1.16	2.45	2.41	0.90
Dec.	0.43	2.27	2.77	2.59	1.55	1.84	0.50	1.19	2.56	2.60	1.07
2011 Jan.	0.43	2.38	2.61	2.77	1.53	1.85	0.54	1.29	2.42	2.52	1.02
Feb.	0.44	2.36	2.74	2.80	1.60	1.86	0.52	1.32	2.37	2.69	1.04
Mar.	0.45	2.34	2.78	2.90	1.61	1.88	0.54	1.37	2.53	2.81	1.14
Apr.	0.46	2.47	2.85	3.08	1.65	1.90	0.61	1.58	2.62	2.95	1.30
May	0.49	2.52	2.96	3.07	1.67	1.91	0.63	1.65	2.78	3.08	1.30
June	0.49	2.58	3.25	3.15	1.70	1.92	0.67	1.78	2.82	2.94	1.47
July	0.52	2.74	3.16	3.10	1.70	1.93	0.66	1.77	2.66	3.03	1.41
Aug.	0.54	2.73	3.16	2.99	1.77	1.93	0.68	1.64	2.69	2.99	1.42
Sep.	0.55	2.73	3.15	2.92	1.79	1.94	0.69	1.71	2.72	2.79	1.47
Oct.	0.55	2.88	3.17	3.14	1.80	1.96	0.69	1.68	2.74	3.23	1.60

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

	Revolving loans and overdrafts	Extended credit card debt ³⁾	Consumer credit				Lending for house purchase				Lending to sole proprietors and unincorporated partnerships			
			By initial rate fixation			APRC ⁴⁾	By initial rate fixation			APRC ⁴⁾	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 and up to 10 years		Over 10 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	8	9	10	11	12	13	14
2010 Nov.	8.02	16.59	5.38	6.08	7.64	7.17	2.80	3.53	3.76	3.70	3.65	3.28	4.40	3.97
Dec.	8.02	16.59	5.16	5.95	7.24	6.89	2.78	3.52	3.80	3.71	3.68	3.36	4.32	3.96
2011 Jan.	8.06	16.73	5.09	6.13	7.83	7.20	2.94	3.69	3.91	3.84	3.83	3.21	4.24	4.08
Feb.	8.09	16.81	5.38	6.13	7.83	7.31	2.96	3.83	4.06	3.92	3.90	3.36	4.63	4.30
Mar.	8.04	16.88	5.44	6.22	7.82	7.32	3.01	3.82	4.15	4.01	3.93	3.43	4.69	4.43
Apr.	8.12	16.92	5.17	6.23	7.80	7.25	3.12	3.95	4.24	4.15	4.03	3.54	4.68	4.53
May	8.19	16.91	5.35	6.37	7.99	7.49	3.23	4.01	4.30	4.18	4.09	3.75	4.81	4.60
June	8.24	16.95	5.37	6.47	7.87	7.42	3.26	4.04	4.29	4.18	4.09	3.82	4.78	4.62
July	8.28	16.94	5.13	6.53	7.98	7.43	3.33	4.02	4.26	4.19	4.10	3.83	4.82	4.60
Aug.	8.31	17.10	5.34	6.54	7.97	7.57	3.47	3.96	4.20	4.15	4.16	3.95	4.96	4.39
Sep.	8.41	17.18	5.77	6.57	7.94	7.64	3.41	3.86	4.02	4.02	4.02	3.97	4.86	4.20
Oct.	8.41	17.16	5.60	6.53	7.94	7.53	3.44	3.79	3.86	3.94	3.95	3.98	4.76	4.16

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

	Revolving loans and overdrafts	Other loans of up to EUR 0.25 million by initial rate fixation						Other loans of over EUR 1 million by initial rate fixation					
		Floating rate and up to 3 months	Over 3 months and up to 1 year	Over 1 and up to 3 years	Over 3 and up to 5 years	Over 5 and up to 10 years	Over 10 years	Floating rate and up to 3 months	Over 3 months and up to 1 year	Over 1 and up to 3 years	Over 3 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
2010 Nov.	3.96	3.82	4.32	4.43	4.67	4.09	3.72	2.36	2.71	2.80	3.44	3.62	3.44
Dec.	3.99	3.81	3.99	4.42	4.64	4.09	3.73	2.52	2.83	2.69	3.02	3.54	3.48
2011 Jan.	4.11	3.82	4.07	4.35	4.63	4.03	3.88	2.37	2.90	2.64	3.55	3.67	3.85
Feb.	4.12	3.98	4.21	4.48	4.89	4.39	3.94	2.55	3.06	2.96	3.86	3.88	3.75
Mar.	4.12	4.02	4.39	4.63	5.00	4.49	4.02	2.53	3.26	3.00	3.61	3.84	3.84
Apr.	4.25	4.07	4.47	4.73	5.05	4.57	4.15	2.72	3.31	3.38	3.78	4.36	4.15
May	4.30	4.18	4.65	4.79	5.14	4.67	4.19	2.65	3.37	3.17	3.63	3.65	4.11
June	4.41	4.23	4.68	4.74	5.16	4.67	4.44	2.78	3.49	3.50	3.61	2.77	4.00
July	4.43	4.38	4.79	4.79	5.10	4.68	4.44	2.88	3.45	3.46	3.98	4.09	3.24
Aug.	4.49	4.44	4.94	4.85	5.03	4.58	4.35	2.80	3.56	3.70	3.99	3.87	4.06
Sep.	4.55	4.59	4.94	4.79	4.94	4.46	4.31	2.84	3.44	3.74	3.63	3.63	3.74
Oct.	4.61	4.73	5.04	4.83	4.99	4.56	4.27	2.98	3.56	3.85	3.89	3.60	3.71

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, 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 when all participating Member States are combined.

3) This instrument category excludes convenience credit card debt, i.e. credit granted at an interest rate of 0% during the billing cycle.

4) The annual percentage rate of charge (APRC) covers the total cost of a loan. The total cost comprises both an interest rate component and a component incorporating other (related) charges, such as the cost of inquiries, administration, preparation of documents and guarantees.

4.5 MFI interest rates on euro-denominated deposits from and loans to euro area residents ^{1), *}
(percentages per annum; outstanding amounts as at end of period, new business as period average, unless otherwise indicated)

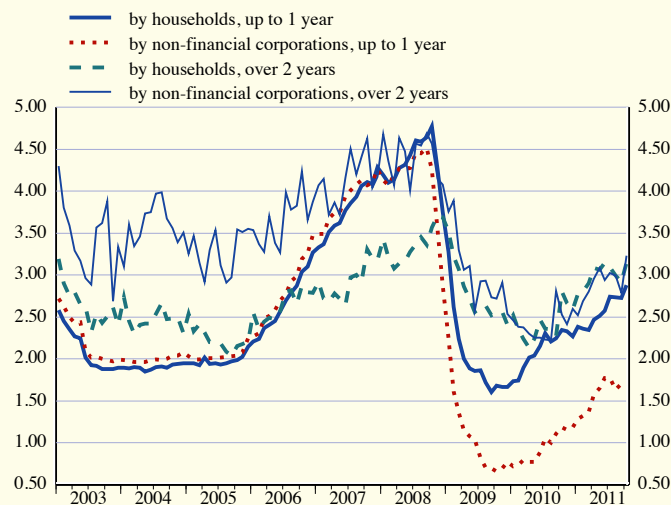
4. Interest rates on deposits (outstanding amounts)

	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight ²⁾	With an agreed maturity of:		Redeemable at notice of: ^{2),3)}		Overnight ²⁾	With an agreed maturity of:		
		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
2010 Nov.	0.44	2.25	2.72	1.54	1.83	0.50	1.70	3.11	1.33
Dec.	0.43	2.28	2.71	1.55	1.84	0.50	1.76	3.09	1.50
2011 Jan.	0.43	2.31	2.72	1.53	1.85	0.54	1.78	3.07	1.55
Feb.	0.44	2.34	2.73	1.60	1.86	0.52	1.79	3.09	1.59
Mar.	0.45	2.38	2.71	1.61	1.88	0.54	1.84	3.13	1.65
Apr.	0.46	2.40	2.73	1.65	1.90	0.61	1.93	3.12	1.72
May	0.49	2.45	2.73	1.67	1.91	0.63	1.99	3.12	1.76
June	0.49	2.48	2.75	1.70	1.92	0.67	2.07	3.11	1.93
July	0.52	2.53	2.77	1.70	1.93	0.66	2.13	3.13	1.94
Aug.	0.54	2.58	2.77	1.77	1.93	0.68	2.11	3.14	1.97
Sep.	0.55	2.61	2.79	1.79	1.94	0.69	2.14	3.15	2.07
Oct.	0.55	2.65	2.78	1.80	1.96	0.69	2.16	3.14	2.17

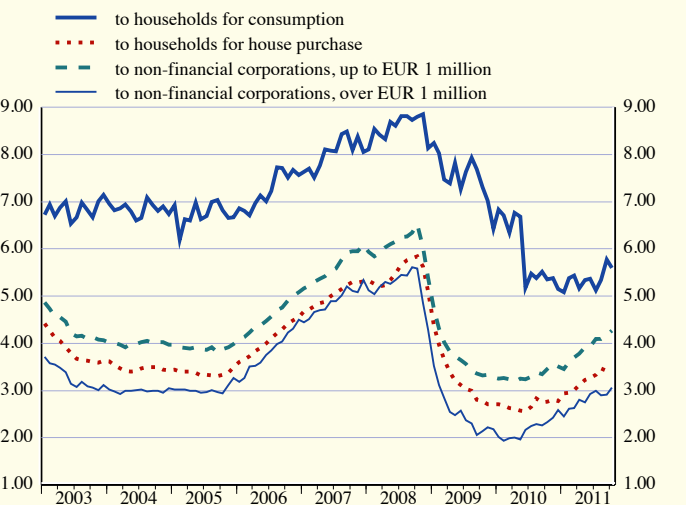
5. Interest rates on loans (outstanding amounts)

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase with a maturity of:			Consumer credit and other loans with a maturity of:			With a maturity of:		
	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
2010 Nov.	3.77	3.86	3.84	7.74	6.47	5.20	3.50	3.39	3.41
Dec.	3.73	3.83	3.81	7.72	6.41	5.18	3.49	3.41	3.42
2011 Jan.	3.71	3.80	3.80	7.83	6.40	5.17	3.58	3.44	3.42
Feb.	3.68	3.81	3.82	7.86	6.43	5.20	3.63	3.47	3.47
Mar.	3.72	3.80	3.84	7.90	6.40	5.19	3.67	3.49	3.48
Apr.	3.81	3.78	3.84	7.92	6.43	5.23	3.76	3.59	3.54
May	3.81	3.78	3.85	7.94	6.38	5.23	3.83	3.64	3.56
June	3.87	3.78	3.86	7.93	6.45	5.28	3.92	3.73	3.63
July	4.02	3.79	3.90	8.01	6.42	5.29	3.99	3.80	3.69
Aug.	4.06	3.78	3.89	8.05	6.42	5.30	4.05	3.84	3.72
Sep.	4.12	3.80	3.92	8.12	6.48	5.31	4.10	3.85	3.74
Oct.	4.12	3.78	3.91	8.15	6.43	5.33	4.17	3.87	3.74

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



C22 New loans with a floating rate and up to 1 year's initial rate fixation
(percentages per annum excluding charges; period averages)



Source: ECB.

* For the source of the data in the table and the related footnotes, please see page S42.

4.6 Money market interest rates

(percentages per annum; period averages)

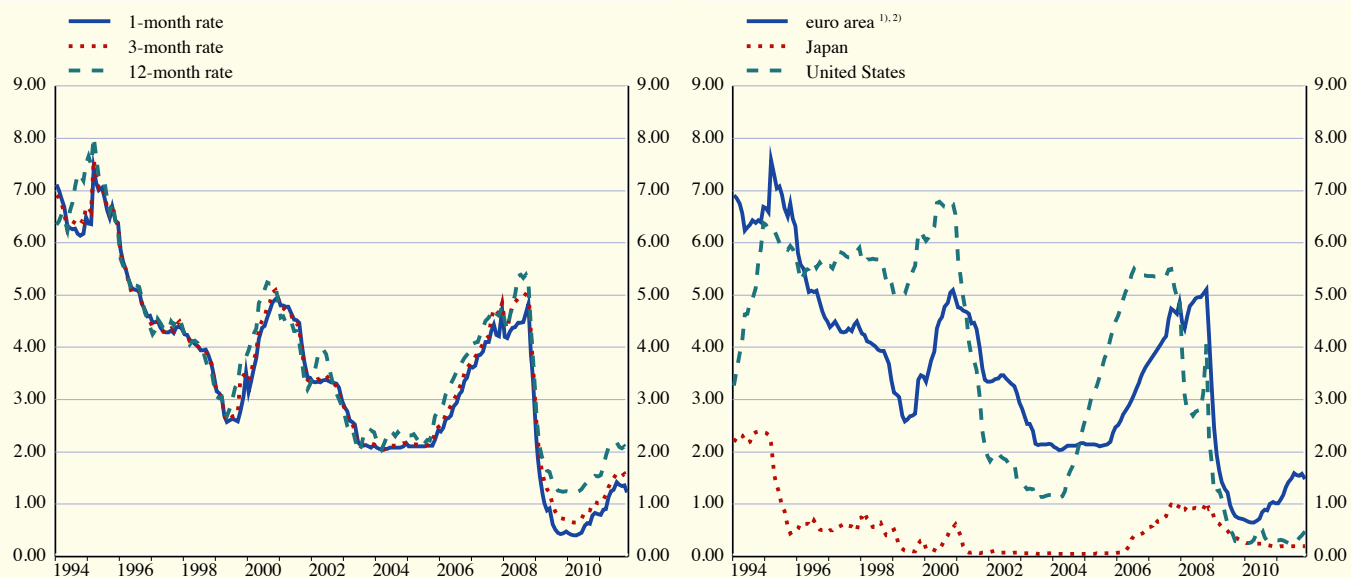
	Euro area ^{1),2)}					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2008	3.87	4.28	4.64	4.73	4.83	2.93	0.93
2009	0.71	0.89	1.22	1.43	1.61	0.69	0.47
2010	0.44	0.57	0.81	1.08	1.35	0.34	0.23
2010 Q3	0.45	0.61	0.87	1.13	1.40	0.39	0.24
Q4	0.59	0.81	1.02	1.25	1.52	0.29	0.19
2011 Q1	0.67	0.86	1.10	1.37	1.74	0.31	0.19
Q2	1.04	1.22	1.42	1.70	2.13	0.26	0.20
Q3	0.97	1.38	1.56	1.77	2.11	0.30	0.19
2010 Nov.	0.59	0.83	1.04	1.27	1.54	0.29	0.19
Dec.	0.50	0.81	1.02	1.25	1.53	0.30	0.18
2011 Jan.	0.66	0.79	1.02	1.25	1.55	0.30	0.19
Feb.	0.71	0.89	1.09	1.35	1.71	0.31	0.19
Mar.	0.66	0.90	1.18	1.48	1.92	0.31	0.20
Apr.	0.97	1.13	1.32	1.62	2.09	0.28	0.20
May	1.03	1.24	1.43	1.71	2.15	0.26	0.20
June	1.12	1.28	1.49	1.75	2.14	0.25	0.20
July	1.01	1.42	1.60	1.82	2.18	0.25	0.20
Aug.	0.91	1.37	1.55	1.75	2.10	0.29	0.19
Sep.	1.01	1.35	1.54	1.74	2.07	0.35	0.19
Oct.	0.96	1.36	1.58	1.78	2.11	0.41	0.19
Nov.	0.79	1.23	1.48	1.71	2.04	0.48	0.20

C23 Euro area money market rates ^{1), 2)}

(monthly averages; percentages per annum)

C24 3-month money market rates

(monthly averages; 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.

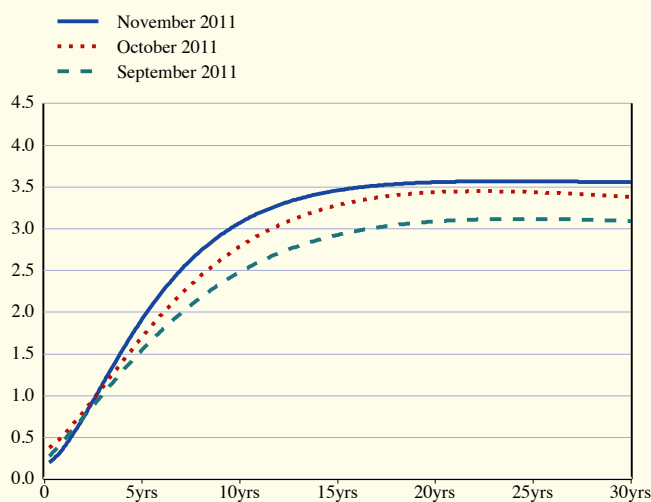
4.7 Euro area yield curves ¹⁾

(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
2008	1.75	1.85	2.14	2.95	3.32	3.69	1.94	1.55	2.09	2.76	4.04	4.60
2009	0.38	0.81	1.38	2.64	3.20	3.76	3.38	2.38	1.41	2.44	4.27	5.20
2010	0.49	0.60	0.93	2.15	2.78	3.36	2.87	2.43	0.85	1.70	3.99	4.69
2010 Q3	0.57	0.68	0.90	1.71	2.18	2.67	2.10	1.77	0.86	1.41	3.01	3.91
Q4	0.49	0.60	0.93	2.15	2.78	3.36	2.87	2.43	0.85	1.70	3.99	4.69
2011 Q1	0.87	1.30	1.79	2.83	3.26	3.66	2.79	1.87	1.84	2.69	4.12	4.63
Q2	1.24	1.39	1.65	2.50	2.94	3.41	2.17	1.75	1.63	2.22	3.76	4.60
Q3	0.27	0.47	0.75	1.55	1.99	2.48	2.21	1.74	0.74	1.31	2.77	3.79
2010 Nov.	0.63	0.72	0.99	2.02	2.58	3.11	2.48	2.12	0.92	1.62	3.62	4.35
Dec.	0.49	0.60	0.93	2.15	2.78	3.36	2.87	2.43	0.85	1.70	3.99	4.69
2011 Jan.	0.65	1.03	1.48	2.55	3.03	3.49	2.84	2.01	1.51	2.34	3.96	4.62
Feb.	0.69	1.08	1.53	2.55	3.02	3.49	2.80	1.96	1.56	2.37	3.91	4.67
Mar.	0.87	1.30	1.79	2.83	3.26	3.66	2.79	1.87	1.84	2.69	4.12	4.63
Apr.	1.02	1.41	1.86	2.80	3.19	3.55	2.53	1.70	1.90	2.67	3.96	4.46
May	1.03	1.32	1.67	2.52	2.93	3.37	2.34	1.69	1.69	2.34	3.69	4.51
June	1.24	1.39	1.65	2.50	2.94	3.41	2.17	1.75	1.63	2.22	3.76	4.60
July	1.01	1.11	1.32	2.09	2.55	3.06	2.05	1.74	1.28	1.79	3.34	4.39
Aug.	0.61	0.67	0.86	1.69	2.21	2.76	2.15	1.90	0.80	1.33	3.09	4.22
Sep.	0.27	0.47	0.75	1.55	1.99	2.48	2.21	1.74	0.74	1.31	2.77	3.79
Oct.	0.38	0.54	0.81	1.71	2.22	2.79	2.41	1.98	0.78	1.39	3.12	4.29
Nov.	0.20	0.38	0.74	1.92	2.51	3.07	2.87	2.33	0.69	1.53	3.64	4.41

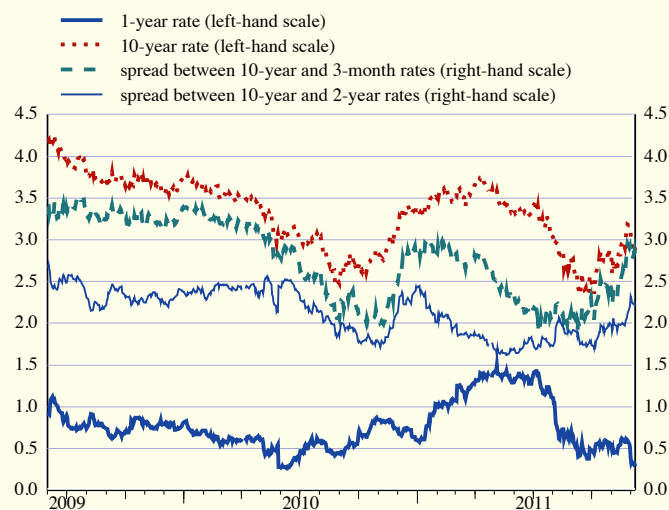
C25 Euro area spot yield curves ²⁾

(percentages per annum; end of period)



C26 Euro area spot rates and spreads ²⁾

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



Sources: ECB calculations based on underlying data provided by EuroMTS and ratings provided by Fitch Ratings.

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

2) Data cover AAA-rated euro area central government bonds.

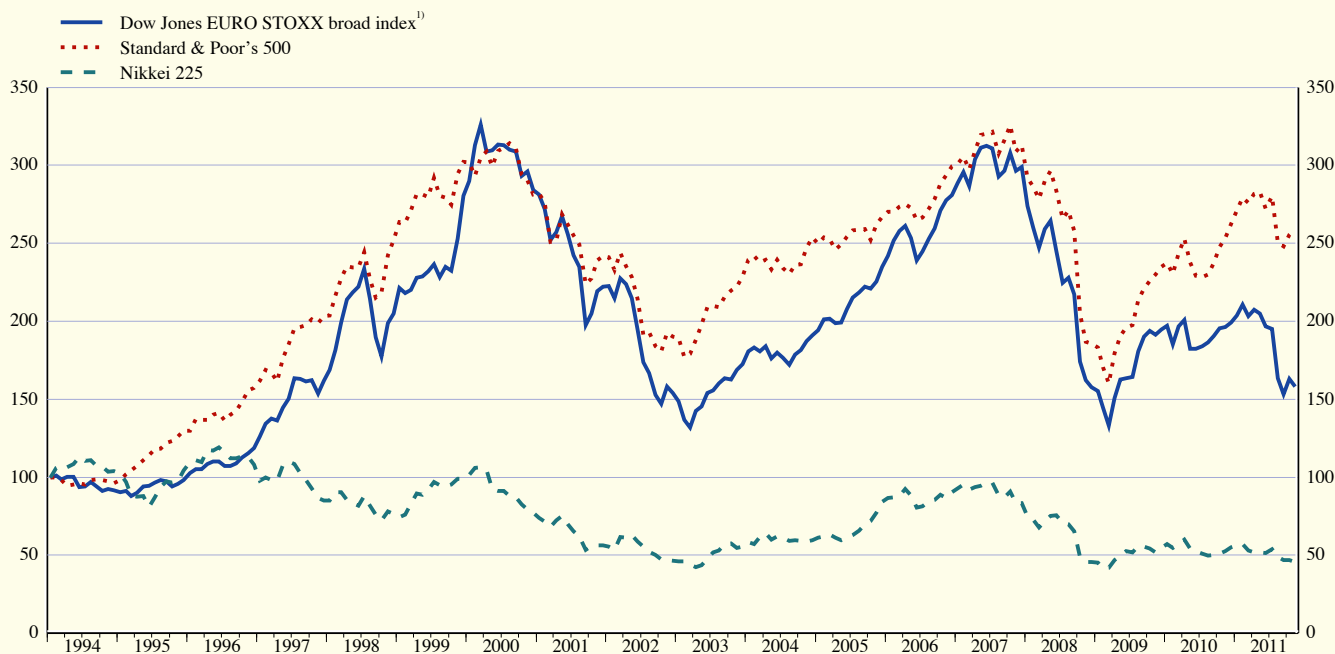
4.8 Stock market indices

(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 index	50	Basic materials	Consumer services	Consumer goods	Oil and gas	Financials	Industrials	Technology	Utilities	Telecoms	Health care		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2008	313.7	3,319.5	480.4	169.3	290.7	380.9	265.0	350.9	282.5	502.0	431.5	411.5	1,220.7	12,151.6
2009	234.2	2,521.0	353.2	140.5	244.5	293.5	172.1	269.7	200.7	353.7	380.4	363.5	946.2	9,321.6
2010	265.5	2,779.3	463.1	166.2	323.4	307.2	182.8	337.6	224.1	344.9	389.6	408.4	1,140.0	10,006.5
2010 Q3	259.5	2,715.9	445.8	165.2	323.0	294.5	181.6	327.0	210.7	325.9	387.6	391.4	1,096.2	9,356.0
Q4	273.4	2,817.8	513.8	176.1	361.3	309.9	175.7	361.9	227.0	333.0	399.2	405.0	1,204.6	9,842.4
2011 Q1	285.5	2,932.9	532.7	175.5	366.3	341.1	185.0	388.0	249.6	347.7	396.7	415.0	1,302.5	10,285.3
Q2	281.2	2,862.7	552.0	169.6	370.7	328.8	175.2	391.5	239.7	333.7	385.0	448.4	1,318.3	9,609.4
Q3	236.0	2,381.6	463.7	146.0	341.5	282.0	133.8	323.0	199.8	270.2	333.0	435.0	1,225.3	9,246.3
2010 Nov.	272.2	2,809.6	509.9	176.3	359.9	307.4	174.4	358.5	222.9	335.0	403.0	405.0	1,198.9	9,797.2
Dec.	276.5	2,825.6	540.1	176.8	376.5	316.7	170.0	379.7	234.1	332.6	385.3	404.6	1,241.5	10,254.5
2011 Jan.	282.8	2,900.7	531.1	178.1	375.3	335.1	178.0	385.8	246.1	346.2	390.7	411.8	1,282.6	10,449.5
Feb.	292.3	3,015.7	540.5	179.0	369.7	348.0	193.5	393.1	257.6	359.0	402.9	418.7	1,321.1	10,622.3
Mar.	281.9	2,890.4	527.4	170.1	355.0	340.5	184.1	385.7	245.9	339.1	396.8	414.6	1,304.5	9,852.4
Apr.	287.5	2,947.2	557.3	172.5	366.6	343.8	182.4	397.9	250.0	346.9	402.8	435.4	1,331.5	9,644.6
May	284.0	2,885.8	557.0	171.7	374.9	330.4	176.3	395.5	246.5	337.8	386.4	457.8	1,338.3	9,650.8
June	272.9	2,766.6	542.5	164.9	370.0	314.3	168.0	382.0	224.1	318.3	368.2	450.3	1,287.3	9,541.5
July	270.5	2,743.5	550.7	160.8	384.4	317.4	160.6	375.7	221.0	307.8	360.0	467.4	1,325.2	9,996.7
Aug.	226.9	2,297.2	443.7	141.1	329.7	268.6	129.0	307.3	189.7	258.4	329.3	420.7	1,185.3	9,072.9
Sep.	212.6	2,124.3	401.4	137.0	312.8	262.4	113.3	289.2	190.1	246.7	311.1	419.0	1,173.9	8,695.4
Oct.	226.1	2,312.3	424.8	142.4	325.6	290.2	123.1	302.3	203.0	269.9	334.1	426.1	1,207.2	8,733.6
Nov.	219.2	2,239.6	423.6	141.5	325.9	293.5	112.8	292.2	205.7	250.6	316.6	423.3	1,226.4	8,506.1

C27 Dow Jones EURO STOXX broad index, Standard & Poor's 500 and Nikkei 225

(January 1994 = 100; monthly averages)



Source: ECB.

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

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS



5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices ¹⁾

	Total					Total (s.a.; percentage change vis-à-vis 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 in 2011	100.0	100.0	82.3	58.6	41.4	100.0	11.9	7.4	28.9	10.4	41.4	88.7	11.3
	1	2	3	4	5	6	7	8	9	10	11	12	13
2007	104.4	2.1	2.0	1.9	2.5	-	-	-	-	-	-	2.1	2.2
2008	107.8	3.3	2.4	3.8	2.6	-	-	-	-	-	-	3.4	2.7
2009	108.1	0.3	1.3	-0.9	2.0	-	-	-	-	-	-	0.1	1.8
2010	109.8	1.6	1.0	1.8	1.4	-	-	-	-	-	-	1.6	1.5
2010 Q3	109.9	1.7	1.0	2.0	1.4	0.3	0.5	0.6	0.1	0.0	0.5	1.7	2.0
Q4	110.8	2.0	1.1	2.5	1.3	0.5	0.5	0.5	0.3	2.0	0.4	2.0	2.3
2011 Q1	111.3	2.5	1.3	3.1	1.6	1.0	0.8	0.4	0.0	6.3	0.5	2.4	3.4
Q2	113.1	2.8	1.8	3.3	1.9	0.9	1.2	0.3	0.6	2.8	0.6	2.7	3.6
Q3	112.8	2.7	1.7	3.2	2.0	0.3	1.1	0.0	-0.4	0.4	0.5	2.6	3.5
2011 June	113.1	2.7	1.8	3.2	2.0	0.1	0.2	-0.1	0.0	-0.5	0.3	2.6	3.6
July	112.4	2.5	1.5	2.9	2.0	-0.1	0.4	-0.1	-0.9	0.8	0.2	2.4	3.5
Aug.	112.6	2.5	1.5	3.0	1.9	0.1	0.3	0.1	0.1	-0.2	0.2	2.4	3.4
Sep.	113.5	3.0	2.0	3.7	1.9	0.5	0.4	0.2	1.2	0.9	0.1	2.9	3.5
Oct.	113.9	3.0	2.0	3.9	1.8	0.2	0.5	0.5	0.2	0.6	0.1	3.0	3.6
Nov. ³⁾	.	3.0	.	.	.	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing	Transport	Communication	Recreation and personal	Miscellaneous	
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy						Rents
% of total in 2011	19.3	11.9	7.4	39.3	28.9	10.4	10.1	6.0	6.5	3.2	14.6	7.0
	14	15	16	17	18	19	20	21	22	23	24	25
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
2008	5.1	6.1	3.5	3.1	0.8	10.3	2.3	1.9	3.9	-2.2	3.2	2.5
2009	0.7	1.1	0.2	-1.7	0.6	-8.1	2.0	1.8	2.9	-1.0	2.1	2.1
2010	1.1	0.9	1.3	2.2	0.5	7.4	1.8	1.5	2.3	-0.8	1.0	1.5
2010 Q3	1.5	0.9	2.3	2.2	0.5	7.3	1.8	1.6	2.5	-0.8	1.0	1.5
Q4	1.9	1.3	2.7	2.9	0.8	9.2	1.6	1.3	1.9	-0.8	1.2	1.5
2011 Q1	2.2	2.1	2.3	3.6	0.5	12.7	1.8	1.3	2.0	-0.4	1.5	1.9
Q2	2.6	3.0	1.9	3.7	1.0	11.5	1.9	1.4	3.2	-1.0	2.0	2.1
Q3	2.8	3.7	1.3	3.4	0.4	12.0	1.8	1.5	3.2	-1.8	2.2	2.1
2011 May	2.8	3.2	2.4	3.6	1.0	11.1	1.9	1.4	3.1	-1.0	1.7	2.1
June	2.7	3.1	2.0	3.5	0.9	10.9	1.9	1.5	3.4	-1.2	2.2	2.0
July	2.6	3.4	1.3	3.1	0.0	11.8	1.9	1.5	3.4	-1.6	2.2	2.0
Aug.	2.7	3.6	1.1	3.1	0.0	11.8	1.8	1.5	3.3	-1.8	2.2	2.1
Sep.	3.0	4.0	1.4	4.1	1.2	12.4	1.8	1.4	3.1	-1.9	2.3	2.2
Oct.	3.3	4.3	1.8	4.2	1.3	12.4	1.7	1.4	2.9	-1.9	2.2	2.0

Sources: Eurostat and ECB calculations.

- 1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
- 2) 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 Eurostat's website (<http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/introduction>) for a note explaining the methodology used in the compilation of this indicator.
- 3) Estimate based on provisional national releases, which usually cover 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 and residential property prices

	Industrial producer prices excluding construction										Construction ¹⁾	Residential property prices ²⁾
	Total (index: 2005 = 100)	Total		Industry excluding construction and energy						Energy		
		Manu- facturing	Total	Intermediate goods	Capital goods	Consumer goods						
						Total	Durable	Non-durable				
% of total in 2005	100.0	100.0	82.8	75.6	30.0	22.0	23.7	2.7	21.0	24.4		
	1	2	3	4	5	6	7	8	9	10	11	12
2007	107.9	2.7	3.0	3.2	4.6	2.2	2.2	2.4	2.2	1.2	4.2	4.7
2008	114.4	6.1	4.8	3.4	3.9	2.1	3.9	2.8	4.1	14.2	3.8	1.4
2009	108.6	-5.1	-5.4	-2.9	-5.3	0.4	-2.1	1.2	-2.5	-11.8	0.1	-2.9
2010	111.7	2.9	3.4	1.6	3.5	0.3	0.4	0.9	0.3	6.4	1.9	1.8
2010 Q3	112.3	4.0	3.7	2.3	4.8	0.7	0.6	1.1	0.5	8.7	2.5	2.7
Q4	113.5	4.8	4.6	3.1	5.9	0.8	1.5	1.4	1.5	9.6	2.8	2.8
2011 Q1	116.7	6.5	6.3	4.4	7.9	1.3	2.5	1.8	2.6	12.5	4.2	2.3
Q2	118.5	6.3	5.8	4.3	6.8	1.3	3.4	1.9	3.7	11.9	3.0	1.1
Q3	118.9	5.9	5.5	3.8	5.6	1.5	3.3	2.2	3.5	11.8	3.2	.
2011 May	118.4	6.2	5.6	4.2	6.6	1.2	3.5	1.9	3.8	11.8	-	-
June	118.4	5.9	5.4	4.1	6.3	1.3	3.4	1.8	3.7	10.7	-	-
July	118.9	6.1	5.8	4.0	6.1	1.5	3.3	1.9	3.5	11.9	-	-
Aug.	118.7	5.8	5.5	3.9	5.7	1.5	3.3	2.1	3.5	11.4	-	-
Sep.	119.0	5.8	5.3	3.5	5.0	1.5	3.3	2.5	3.4	12.2	-	-
Oct.	119.2	5.5	5.0	3.2	4.2	1.5	3.4	2.5	3.5	12.4	-	-

3. Commodity prices and gross domestic product deflators

	Oil prices ³⁾ (EUR per barrel)	Non-energy commodity prices						GDP deflators							
		Import-weighted ⁴⁾			Use-weighted ⁵⁾			Total (s.a.; index: 2005 = 100)	Total	Domestic demand				Exports ⁶⁾	Imports ⁶⁾
		Total	Food	Non-food	Total	Food	Non-food			Total	Private consump- tion	Government consump- tion	Gross fixed capital formation		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2007	52.8	7.8	14.3	5.5	5.3	9.3	2.9	104.2	2.3	2.2	2.2	1.8	2.5	1.6	1.2
2008	65.9	2.0	18.4	-4.4	-1.7	9.7	-8.6	106.2	1.9	2.6	2.7	2.8	2.3	2.4	3.9
2009	44.6	-18.5	-8.9	-23.0	-18.0	-11.4	-22.8	107.1	0.9	-0.1	-0.4	2.1	-0.6	-3.3	-5.9
2010	60.7	44.6	21.4	57.9	42.1	27.1	54.5	107.9	0.7	1.5	1.7	0.9	1.2	3.0	5.3
2010 Q3	59.6	51.5	29.7	63.1	49.4	41.0	55.8	108.2	1.0	1.8	1.8	0.5	1.8	4.3	6.6
Q4	64.4	48.6	36.6	54.7	48.7	48.4	48.9	108.2	0.9	1.8	2.1	0.7	1.7	4.3	6.7
2011 Q1	77.3	42.9	46.1	41.4	41.0	47.2	36.6	108.7	1.2	2.3	2.5	0.8	2.0	5.4	8.3
Q2	81.3	11.6	28.8	4.6	13.3	26.2	5.1	109.1	1.2	2.0	2.6	0.8	1.6	3.7	5.7
Q3	79.3	3.8	16.7	-1.6	4.9	11.7	0.3	109.7	1.4	2.1	2.6	0.9	1.5	3.3	5.1
2011 June	79.1	8.7	21.2	3.3	10.3	18.7	4.6	-	-	-	-	-	-	-	-
July	81.7	7.6	18.7	2.9	9.5	15.1	5.6	-	-	-	-	-	-	-	-
Aug.	76.7	2.5	17.2	-3.6	4.1	12.7	-1.8	-	-	-	-	-	-	-	-
Sep.	79.8	1.5	14.3	-3.9	1.5	7.5	-2.6	-	-	-	-	-	-	-	-
Oct.	78.9	1.7	10.9	-2.4	2.5	10.6	-3.2	-	-	-	-	-	-	-	-
Nov.	81.4	-1.9	4.8	-4.9	-0.7	6.0	-5.5	-	-	-	-	-	-	-	-

Sources: Eurostat, ECB calculations based on Eurostat data (column 7 in Table 2 in Section 5.1 and columns 8-15 in Table 3 in Section 5.1), ECB calculations based on Thomson Reuters data (column 1 in Table 3 in Section 5.1) and ECB calculations (column 12 in Table 2 in Section 5.1 and columns 2-7 in Table 3 in Section 5.1).

- 1) Input prices for residential buildings.
- 2) Experimental data based on non-harmonised national sources (see <http://www.ecb.europa.eu/stats/intro/html/experiment.en.html> for further details).
- 3) Brent Blend (for one-month forward delivery).
- 4) Refers to prices expressed in euro. Weighted according to the structure of euro area imports in the period 2004-06.
- 5) Refers to prices expressed in euro. Weighted according to euro area domestic demand (domestic production plus imports minus exports) in the period 2004-06. Experimental data (see <http://www.ecb.europa.eu/stats/intro/html/experiment.en.html> for details).
- 6) Deflators for exports and imports refer to goods and services and include cross-border trade within the euro area.

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

4. Unit labour costs, compensation per labour input and labour productivity

(seasonally adjusted)

	Total (index: 2005 = 100)	Total	By economic activity					Memo item: Indicator of negotiated wages ⁴⁾
			Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	
	1	2	3	4	5	6	7	8
Unit labour costs ¹⁾								
2009	110.0	3.9	-3.0	8.8	2.0	5.7	0.6	2.7
2010	109.2	-0.7	0.3	-5.7	2.0	-1.4	1.6	0.8
2010 Q3	108.8	-0.7	1.7	-4.4	2.0	-1.7	2.1	0.1
Q4	109.4	-0.2	0.8	-3.3	1.0	-0.3	1.8	0.7
2011 Q1	109.7	0.2	1.9	-1.6	-0.7	0.4	2.9	0.7
Q2	110.5	1.3	1.4	0.6	-0.5	1.4	3.3	1.0
Compensation per employee								
2009	109.8	1.4	2.1	-0.3	2.5	1.8	1.2	2.5
2010	111.6	1.6	1.0	3.4	1.6	1.6	1.5	0.7
2010 Q3	111.6	1.5	1.1	3.4	1.8	1.8	1.6	0.0
Q4	112.4	1.6	1.5	3.8	1.4	1.8	1.4	0.3
2011 Q1	113.4	2.3	3.7	4.1	3.7	2.3	2.0	1.1
Q2	114.1	2.4	3.4	4.7	2.5	1.9	2.0	1.5
Labour productivity per person employed ²⁾								
2009	99.8	-2.4	5.3	-8.3	0.5	-3.6	0.6	-0.2
2010	102.2	2.3	0.7	9.7	-0.4	3.1	-0.1	-0.1
2010 Q3	102.5	2.2	-0.6	8.2	-0.2	3.6	-0.4	-0.1
Q4	102.7	1.8	0.7	7.3	0.5	2.1	-0.4	-0.5
2011 Q1	103.4	2.1	1.8	5.8	4.5	1.9	-0.9	0.3
Q2	103.3	1.2	2.0	4.1	3.0	0.6	-1.3	0.5
Compensation per hour worked								
2009	112.1	3.3	2.6	4.4	5.2	3.2	2.7	3.0
2010	113.0	0.8	0.5	0.5	1.7	0.8	0.8	0.5
2010 Q3	112.9	0.6	0.4	0.2	1.9	0.9	0.7	-0.1
Q4	113.9	1.3	3.0	1.3	2.5	1.9	1.1	0.3
2011 Q1	114.6	1.9	1.5	1.8	3.3	2.8	1.5	1.0
Q2	115.9	2.8	6.2	3.6	3.1	3.5	2.8	1.3
Hourly labour productivity ²⁾								
2009	102.1	-0.8	5.2	-4.3	2.7	-2.5	2.0	0.3
2010	103.6	1.5	1.4	6.6	-0.7	2.2	-0.7	-0.4
2010 Q3	103.9	1.3	0.0	4.7	-0.5	2.5	-1.2	-0.3
Q4	104.2	1.5	1.8	4.9	1.1	2.0	-0.5	-0.6
2011 Q1	104.6	1.6	0.3	3.5	3.5	2.0	-1.2	0.2
Q2	105.0	1.5	3.1	3.1	3.2	1.7	-0.2	0.2

5. Labour cost indices³⁾

	Total (s.a.; index: 2008 = 100)	Total	By component		For selected economic activities			Memo item: Indicator of negotiated wages ⁴⁾
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
	1	2	3	4	5	6	7	8
% of total in 2008	100.0	100.0	75.2	24.8	32.4	9.0	58.6	
2009	102.7	2.8	2.5	2.9	3.0	3.5	2.5	2.6
2010	104.3	1.6	1.4	1.9	0.9	1.9	1.9	1.7
2010 Q4	105.2	1.7	1.6	2.0	1.3	1.5	2.0	1.6
2011 Q1	106.4	2.7	2.3	3.4	2.4	2.2	2.8	1.7
Q2	107.7	3.6	3.5	4.3	4.5	3.0	3.2	1.9
Q3								2.1

Sources: Eurostat, ECB calculations based on Eurostat data (Table 4 in Section 5.1) and ECB calculations (column 8 in Table 5 in Section 5.1).

- 1) Compensation (at current prices) per employee divided by labour productivity per person employed.
- 2) Total GDP and value added by economic activity (volumes) per labour input (persons employed and hours worked).
- 3) Hourly labour cost indices for the whole economy, excluding agriculture, public administration, education, health and services not classified elsewhere. Owing to differences in coverage, the estimates for the components may not be consistent with the total.
- 4) Experimental data (see <http://www.ecb.europa.eu/stats/intro/html/experiment.en.html> for further details).

5.2 Output and demand

(quarterly data seasonally adjusted; annual data unadjusted)

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)</i>								
2007	9,030.2	8,897.5	5,050.0	1,805.3	1,965.3	76.8	132.7	3,749.3	3,616.6
2008	9,244.3	9,158.9	5,207.0	1,898.9	1,989.7	63.3	85.4	3,881.8	3,796.4
2009	8,930.9	8,813.0	5,128.2	1,986.5	1,740.3	-42.0	117.9	3,273.2	3,155.3
2010	9,161.7	9,046.0	5,262.6	2,013.6	1,749.6	20.3	115.7	3,747.9	3,632.2
2010 Q3	2,303.6	2,270.9	1,319.3	505.1	440.5	6.0	32.7	959.6	927.0
Q4	2,310.0	2,283.3	1,333.3	503.3	440.2	6.4	26.8	976.9	950.2
2011 Q1	2,338.4	2,317.6	1,343.8	507.7	451.1	15.0	20.8	1,010.3	989.6
Q2	2,351.1	2,323.0	1,349.1	507.5	453.3	13.1	28.0	1,024.5	996.5
Q3	2,367.3	2,330.5	1,357.6	509.3	454.2	9.4	36.8	1,046.5	1,009.7
	<i>percentage of GDP</i>								
2010	100.0	98.7	57.4	22.0	19.1	0.2	1.3	-	-
	<i>Chain-linked volumes (prices for the previous year)</i>								
	<i>quarter-on-quarter percentage changes</i>								
2010 Q3	0.4	0.3	0.3	0.1	0.1	-	-	2.2	1.8
Q4	0.3	0.2	0.4	0.0	-0.4	-	-	1.2	1.0
2011 Q1	0.8	0.6	0.1	0.0	1.9	-	-	1.6	1.1
Q2	0.2	-0.2	-0.5	-0.1	0.0	-	-	1.1	0.3
Q3	0.2	0.0	0.3	0.0	0.1	-	-	1.5	1.1
	<i>annual percentage changes</i>								
2007	3.0	2.8	1.7	2.2	4.7	-	-	6.6	6.2
2008	0.4	0.3	0.4	2.3	-1.1	-	-	1.0	0.9
2009	-4.2	-3.7	-1.2	2.5	-12.1	-	-	-12.8	-11.7
2010	1.9	1.1	0.9	0.4	-0.7	-	-	11.1	9.3
2010 Q3	2.1	1.4	1.0	0.3	0.7	-	-	11.9	10.4
Q4	2.0	1.5	1.1	-0.2	1.2	-	-	11.5	10.7
2011 Q1	2.4	1.7	1.0	0.3	3.7	-	-	9.7	8.1
Q2	1.7	0.9	0.3	0.1	1.6	-	-	6.2	4.4
Q3	1.4	0.5	0.3	-0.1	1.6	-	-	5.5	3.6
	<i>contributions to quarter-on-quarter percentage changes in GDP; percentage points</i>								
2010 Q3	0.4	0.3	0.2	0.0	0.0	0.1	0.2	-	-
Q4	0.3	0.2	0.2	0.0	-0.1	0.1	0.1	-	-
2011 Q1	0.8	0.5	0.1	0.0	0.4	0.1	0.2	-	-
Q2	0.2	-0.2	-0.3	0.0	0.0	0.1	0.3	-	-
Q3	0.2	0.0	0.2	0.0	0.0	-0.2	0.2	-	-
	<i>contributions to annual percentage changes in GDP; percentage points</i>								
2007	3.0	2.8	1.0	0.4	1.0	0.3	0.2	-	-
2008	0.4	0.3	0.2	0.5	-0.2	-0.1	0.1	-	-
2009	-4.2	-3.7	-0.7	0.5	-2.6	-0.9	-0.6	-	-
2010	1.9	1.1	0.5	0.1	-0.1	0.6	0.8	-	-
2010 Q3	2.1	1.4	0.6	0.1	0.1	0.6	0.7	-	-
Q4	2.0	1.5	0.6	0.0	0.2	0.7	0.5	-	-
2011 Q1	2.4	1.7	0.6	0.1	0.7	0.4	0.7	-	-
Q2	1.6	0.8	0.2	0.0	0.3	0.3	0.8	-	-
Q3	1.4	0.5	0.2	0.0	0.3	0.0	0.8	-	-

Sources: Eurostat and ECB calculations.

- Exports and imports cover goods and services and include cross-border intra-euro area trade. They are not fully consistent with: Section 3.1; Table 1 of Section 7.1; Table 3 of Section 7.2; or Tables 1 or 3 of Section 7.5.
- Including acquisitions less disposals of valuables.

5.2 Output and demand

(quarterly data seasonally adjusted; annual data unadjusted)

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)</i>								
2007	8,071.4	147.7	1,654.0	511.7	1,666.4	2,304.4	1,790.9	958.8
2008	8,299.0	143.1	1,653.9	527.3	1,725.6	2,381.1	1,871.8	945.3
2009	8,038.1	129.2	1,445.5	505.9	1,648.4	2,374.3	1,945.6	892.8
2010	8,222.9	138.6	1,530.6	486.8	1,690.5	2,409.7	1,980.5	938.8
2010 Q3	2,065.4	35.1	383.1	122.2	425.6	605.2	495.0	238.2
Q4	2,073.0	35.8	390.0	120.6	427.0	606.7	495.1	237.0
2011 Q1	2,098.1	36.7	397.2	125.2	431.6	611.8	498.3	240.3
Q2	2,109.2	36.6	400.2	125.6	434.4	614.2	501.6	241.9
Q3	2,122.4	.	.	.	.	.	.	245.0
<i>percentage of value added</i>								
2010	100.0	1.7	18.6	5.9	20.6	29.3	24.1	-
<i>Chain-linked volumes (prices for the previous year)</i>								
<i>quarter-on-quarter percentage changes</i>								
2010 Q3	0.4	-0.9	0.8	-1.1	0.7	0.6	0.1	0.5
Q4	0.3	0.6	1.3	-1.3	0.0	0.3	0.1	-0.2
2011 Q1	0.7	0.6	1.8	2.5	0.6	0.2	0.2	1.2
Q2	0.2	-0.2	0.4	0.1	0.2	0.2	0.2	-0.4
Q3	0.2	.	.	.	.	.	.	0.1
<i>annual percentage changes</i>								
2007	3.2	1.6	3.5	2.6	3.9	4.2	1.8	0.9
2008	0.6	1.3	-2.4	-1.6	1.4	1.6	2.0	-1.3
2009	-4.3	2.8	-13.1	-6.2	-5.3	-1.6	1.3	-4.0
2010	2.0	0.1	6.3	-4.1	2.4	1.0	0.9	1.0
2010 Q3	2.1	-0.8	5.8	-3.1	3.1	1.2	0.8	2.1
Q4	2.1	0.0	6.3	-3.0	2.3	1.4	0.4	1.2
2011 Q1	2.2	-0.3	5.8	1.1	2.3	1.5	0.6	3.9
Q2	1.7	0.1	4.3	0.2	1.5	1.3	0.6	1.2
Q3	1.4	.	.	.	.	.	.	0.7
<i>contributions to quarter-on-quarter percentage changes in value added; percentage points</i>								
2010 Q3	0.4	0.0	0.1	-0.1	0.1	0.2	0.0	-
Q4	0.3	0.0	0.2	-0.1	0.0	0.1	0.0	-
2011 Q1	0.7	0.0	0.3	0.1	0.1	0.1	0.1	-
Q2	0.2	0.0	0.1	0.0	0.0	0.0	0.0	-
Q3	0.2	.	.	.	.	.	.	-
<i>contributions to annual percentage changes in value added; percentage points</i>								
2007	3.2	0.0	0.7	0.2	0.8	1.2	0.4	-
2008	0.6	0.0	-0.5	-0.1	0.3	0.5	0.4	-
2009	-4.3	0.0	-2.6	-0.4	-1.1	-0.5	0.3	-
2010	2.0	0.0	1.1	-0.3	0.5	0.3	0.2	-
2010 Q3	2.1	0.0	1.1	-0.2	0.6	0.4	0.2	-
Q4	2.1	0.0	1.1	-0.2	0.5	0.4	0.1	-
2011 Q1	2.2	0.0	1.1	0.1	0.5	0.4	0.1	-
Q2	1.7	0.0	0.8	0.0	0.3	0.4	0.1	-
Q3	1.4	.	.	.	.	.	.	-

Sources: Eurostat and ECB calculations.

5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

3. Industrial production

	Total		Industry excluding construction								Construction	
	% of total in 2005	Total (s.a.; index: 2005 = 100)	Total	Industry excluding construction and energy							Energy	
				Manu- facturing	Total	Interme- diate goods	Capital goods	Consumer goods				
								Total	Durable	Non-durable		
1	2	3	4	5	6	7	8	9	10	11	12	
% of total in 2005	100.0	77.8	77.8	69.2	68.7	28.1	22.3	18.3	2.6	15.7	9.1	22.2
2008	-2.4	106.6	-1.6	-1.7	-1.8	-3.4	0.0	-1.9	-5.2	-1.3	0.2	-5.2
2009	-13.6	90.8	-14.8	-15.9	-16.0	-19.0	-20.9	-4.9	-17.3	-2.9	-5.3	-7.8
2010	4.1	97.5	7.4	7.8	7.8	10.1	9.1	3.4	2.6	3.5	3.8	-8.1
2010 Q4	4.5	99.9	8.0	8.4	8.5	7.9	13.9	3.0	2.0	3.1	4.9	-9.2
2011 Q1	4.6	101.0	6.6	8.2	8.2	9.0	13.2	1.4	2.8	1.2	-2.3	-2.6
Q2	2.2	101.3	4.2	5.4	5.5	4.3	9.4	2.3	0.9	2.4	-5.4	-5.4
Q3	3.5	102.3	4.1	4.9	5.0	3.8	9.9	1.1	2.0	1.0	-2.8	0.9
2011 Apr.	3.7	101.4	5.4	6.8	7.0	5.5	10.7	3.9	4.6	3.7	-5.2	-3.1
May	3.3	101.6	4.3	5.9	6.2	4.5	10.7	2.6	1.1	2.7	-7.2	-0.9
June	-0.3	101.0	2.8	3.6	3.4	3.1	7.0	0.4	-2.8	1.0	-3.7	-11.4
July	4.0	102.0	4.4	5.2	5.3	4.2	11.8	-0.1	4.5	-0.7	-4.0	2.0
Aug.	5.3	103.3	6.0	7.1	7.2	5.3	13.0	3.1	3.2	3.2	-2.1	1.6
Sep.	1.7	101.5	2.4	3.0	3.0	2.1	5.9	0.7	-1.0	0.9	-2.2	-0.7
<i>month-on-month percentage changes (s.a.)</i>												
2011 Apr.	0.4	-	0.3	0.3	0.2	0.1	0.7	0.8	0.8	0.4	-3.7	0.8
May	0.3	-	0.2	0.1	0.1	0.0	1.2	-0.2	-0.6	-0.1	0.3	0.5
June	-1.3	-	-0.6	-1.1	-0.7	-0.7	-1.4	-0.6	-2.5	-0.7	1.1	-1.2
July	1.8	-	1.0	0.8	1.0	0.7	3.0	-0.2	3.7	-0.7	0.3	1.7
Aug.	1.1	-	1.4	1.6	1.3	1.7	2.4	0.9	0.0	1.7	1.0	-0.2
Sep.	-1.9	-	-1.8	-2.5	-1.4	-2.2	-3.8	-0.7	-3.5	-1.1	-0.8	-1.8

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

	Industrial new orders		Industrial turnover		Retail sales (including automotive fuel)								New passenger car registrations	
	Manufacturing ¹⁾ (current prices)		Manufacturing (current prices)		Current prices	Constant prices							Total (s.a.; thousands) ²⁾	
	Total (s.a.; index: 2005 = 100)	Total	Total (s.a.; index: 2005 = 100)	Total	Total	Total (s.a.; index: 2005 = 100)	Total	Food, beverages, tobacco	Non-food		Fuel			
									Textiles, clothing, footwear	Household equipment				
% of total in 2005	1	2	3	4	5	6	7	8	9	10	11	12	13	14
% of total in 2005	100.0	100.0	100.0	100.0	100.0	100.0	100.0	38.4	51.0	9.0	12.8	10.6		
2008	112.9	-5.7	116.9	1.4	2.4	103.1	-0.7	-1.8	-0.1	-1.9	-1.6	-1.0	891	-7.8
2009	87.3	-22.7	95.6	-18.3	-4.3	100.6	-2.5	-1.7	-2.2	-1.8	-3.9	-5.7	925	3.3
2010	102.8	17.6	105.2	10.2	2.1	101.4	0.8	0.5	1.7	2.6	0.7	-2.9	843	-8.5
2010 Q4	108.4	18.5	110.0	12.4	2.0	101.4	0.6	0.2	1.5	1.6	-0.1	-2.0	850	-11.0
2011 Q1	112.2	18.5	114.6	13.7	2.1	101.3	0.1	-1.1	1.2	-0.3	1.7	-1.3	861	-3.1
Q2	114.3	11.6	114.6	9.8	1.7	101.0	-0.5	-0.6	-0.1	1.7	-1.2	-3.6	827	-1.8
Q3	111.4	5.4	115.0	8.7	1.7	101.0	-0.6	-0.9	0.0	-2.3	-0.1	-4.3	821	2.9
2011 May	115.9	13.4	115.4	10.6	0.5	100.4	-1.8	-2.8	-1.0	-0.4	-2.7	-3.6	825	-1.1
June	114.7	10.3	113.1	6.5	1.3	101.0	-0.8	-0.3	-0.6	1.1	-2.6	-3.9	829	-3.8
July	112.8	8.8	115.2	9.8	1.7	101.2	-0.4	-2.4	1.7	2.3	1.6	-5.4	817	2.2
Aug.	114.3	6.0	116.4	10.2	2.0	101.2	-0.1	0.1	0.3	-1.1	-1.4	-3.0	821	6.1
Sep.	107.2	1.6	113.2	6.4	1.3	100.6	-1.4	-0.4	-2.0	-8.5	-0.6	-4.4	827	1.3
Oct.	.	.	.	.	2.0	101.0	-0.4	-0.4	-0.6	.	.	.	820	-0.7
<i>month-on-month percentage changes (s.a.)</i>														
2011 June	-	-1.1	-	-2.0	0.6	-	0.6	0.7	0.5	1.2	0.3	-0.1	-	0.5
July	-	-1.7	-	1.9	0.4	-	0.2	-0.7	0.5	1.6	1.3	-0.4	-	-1.4
Aug.	-	1.4	-	1.0	0.1	-	0.1	0.4	-0.2	-1.5	-0.7	1.1	-	0.5
Sep.	-	-6.2	-	-2.8	-0.5	-	-0.6	0.0	-0.8	-4.2	-0.1	-0.9	-	0.7
Oct.	-	.	-	.	0.8	-	0.4	0.2	0.5	.	.	.	-	-0.8

Sources: Eurostat, except columns 13 and 14 in Table 4 in Section 5.2 (which comprise ECB calculations based on data from the European Automobile Manufacturers' Association).

1) Includes manufacturing industries working mainly on the basis of orders, which represented 61.2% of total manufacturing in 2005.

2) 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⁾ (%)	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
2007	109.4	5.8	7.2	4.4	14.6	84.8	-4.9	-2.3	-4.3	5.0	-8.0
2008	93.7	-8.4	-13.3	10.8	-1.0	82.1	-18.1	-9.9	-25.3	23.5	-13.6
2009	80.7	-28.7	-56.8	14.6	-14.8	70.9	-24.8	-7.0	-26.3	55.5	-10.3
2010	100.9	-4.5	-24.6	0.6	11.6	76.9	-14.0	-5.2	-12.2	31.0	-7.6
2010 Q3	102.3	-2.5	-18.4	0.3	11.3	77.6	-12.1	-5.5	-11.3	23.4	-8.2
Q4	105.7	2.7	-9.5	-0.8	16.8	79.1	-10.4	-5.4	-8.7	20.9	-6.6
2011 Q1	107.4	6.5	-1.6	-2.0	19.0	80.9	-10.6	-6.0	-9.6	19.7	-7.0
Q2	105.7	4.3	-1.3	-0.9	13.4	81.2	-10.4	-6.6	-12.4	14.7	-7.9
Q3	98.8	-2.6	-8.5	4.5	5.3	80.3	-15.6	-7.3	-21.6	23.8	-9.6
2011 June	105.4	3.5	-1.4	0.1	12.0	-	-9.7	-5.8	-11.1	13.7	-8.2
July	103.0	0.9	-4.7	2.5	9.8	80.8	-11.2	-6.0	-14.2	16.1	-8.3
Aug.	98.4	-2.7	-9.0	5.0	5.9	-	-16.5	-7.2	-23.4	25.5	-10.0
Sep.	95.0	-5.9	-11.9	6.1	0.3	-	-19.1	-8.8	-27.2	29.8	-10.6
Oct.	94.8	-6.5	-13.0	6.6	0.2	79.7	-19.9	-8.9	-28.6	32.5	-9.4
Nov.	93.7	-7.3	-14.0	7.1	-0.7	-	-20.4	-9.1	-28.9	33.7	-9.7
	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
2007	0.1	-7.6	7.8	1.1	5.1	13.2	11.4	16.1	13.3	14.6	20.4
2008	-13.4	-20.7	-6.1	-10.0	-10.6	16.0	-3.5	0.6	-3.7	0.7	4.7
2009	-32.7	-42.2	-23.2	-15.5	-21.0	9.9	-15.7	-15.5	-20.4	-17.9	-8.3
2010	-28.4	-39.6	-17.2	-4.0	-6.1	7.4	1.5	5.0	2.5	4.2	8.3
2010 Q3	-28.1	-39.8	-16.4	-2.8	-4.7	7.0	3.4	6.9	4.8	8.3	7.6
Q4	-26.2	-36.0	-16.3	0.8	1.3	7.4	8.5	9.0	6.8	8.4	11.9
2011 Q1	-25.2	-36.1	-14.3	-0.7	0.1	8.2	6.0	10.6	8.3	10.5	13.2
Q2	-24.2	-32.2	-16.1	-2.3	-0.9	9.9	4.0	9.9	7.6	10.3	11.8
Q3	-24.8	-32.8	-16.6	-7.4	-6.8	12.9	-2.3	3.9	0.7	4.2	6.6
2011 June	-23.5	-30.4	-16.5	-2.6	0.5	10.0	1.9	10.1	8.5	10.8	11.1
July	-24.3	-31.3	-17.2	-3.6	-2.4	10.5	2.2	7.9	5.3	7.9	10.5
Aug.	-23.4	-32.1	-14.6	-8.7	-7.3	13.7	-5.1	3.7	0.1	4.0	6.9
Sep.	-26.6	-35.1	-18.0	-9.8	-10.6	14.6	-4.1	0.0	-3.3	0.8	2.5
Oct.	-25.1	-32.8	-17.3	-9.7	-11.6	13.9	-3.8	0.1	-3.4	-0.4	4.2
Nov.	-24.8	-30.5	-19.0	-11.0	-13.6	14.2	-5.3	-1.7	-6.6	-1.6	3.2

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 for the economic sentiment indicator of above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period 1990 to 2010.
- 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; seasonally adjusted)

1. Employment in terms of persons employed

	Whole economy		By employment status		By economic activity					
	Total (millions)	Total	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 in 2010	100.0	100.0	85.5	14.5	3.7	16.0	6.9	25.4	16.6	31.4
	1	2	3	4	5	6	7	8	9	10
2008	149.721	0.8	1.0	-0.3	-1.7	-0.1	-2.0	1.1	2.2	1.2
2009	146.947	-1.9	-1.8	-2.3	-2.4	-5.2	-6.7	-1.8	-2.2	1.5
2010	146.273	-0.5	-0.4	-0.7	-0.6	-3.1	-3.7	-0.6	1.1	1.1
2010 Q3	146.257	-0.1	0.0	-0.7	-0.1	-2.2	-2.9	-0.4	1.7	0.9
Q4	146.427	0.2	0.3	-0.4	-0.7	-1.0	-3.5	0.2	1.8	0.9
2011 Q1	146.548	0.3	0.4	-0.4	-2.0	0.1	-3.3	0.4	2.5	0.2
Q2	146.996	0.5	0.6	-0.4	-1.8	0.2	-2.7	0.9	2.6	0.1
	<i>quarter-on-quarter percentage changes</i>									
2010 Q3	-0.026	0.0	0.0	-0.3	0.1	-0.2	-1.0	0.1	0.2	0.1
Q4	0.170	0.1	0.1	0.1	0.1	0.1	-1.0	0.2	0.3	0.2
2011 Q1	0.121	0.1	0.1	0.2	-1.3	0.3	-0.9	0.1	1.1	-0.2
Q2	0.448	0.3	0.4	-0.3	-0.7	0.1	0.1	0.5	1.0	0.1

2. Employment in terms of hours worked

	Whole economy		By employment status		By economic activity					
	Total (millions)	Total	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 in 2010	100.0	100.0	80.5	19.5	4.8	16.0	7.7	27.0	16.1	28.6
	1	2	3	4	5	6	7	8	9	10
2008	239,003.1	0.7	1.1	-0.9	-2.0	-0.6	-1.8	0.9	2.4	1.8
2009	230,626.4	-3.5	-3.6	-3.1	-2.3	-9.2	-8.6	-3.0	-3.5	0.9
2010	231,449.8	0.4	0.4	0.2	-1.2	-0.3	-3.4	0.3	1.7	1.4
2010 Q3	57,927.6	0.8	0.9	0.4	-0.8	1.1	-2.6	0.6	2.5	1.2
Q4	57,922.6	0.5	0.6	0.2	-1.7	1.3	-4.1	0.4	1.9	1.1
2011 Q1	58,120.3	0.8	0.8	0.6	-0.5	2.2	-2.3	0.3	2.7	0.4
Q2	58,009.1	0.1	0.2	-0.3	-2.9	1.1	-2.9	-0.2	1.5	0.5
	<i>quarter-on-quarter percentage changes</i>									
2010 Q3	-1.7	0.0	0.1	-0.3	-0.8	0.7	-1.2	-0.1	0.2	0.0
Q4	-4.9	0.0	-0.1	0.4	-0.2	0.1	-1.8	0.0	0.6	0.1
2011 Q1	197.7	0.3	0.4	0.2	-0.3	0.6	0.5	0.0	1.2	0.1
Q2	-111.2	-0.2	-0.1	-0.6	-1.7	-0.3	-0.4	0.0	-0.5	0.2

3. Hours worked per person employed

	Whole economy		By employment status		By economic activity					
	Total (thousands)	Total	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
	1	2	3	4	5	6	7	8	9	10
2008	1.596	0.0	0.2	-0.6	-0.3	-0.5	0.3	-0.3	0.2	0.6
2009	1.569	-1.7	-1.9	-0.7	0.1	-4.2	-2.1	-1.2	-1.3	-0.5
2010	1.582	0.8	0.8	0.9	-0.6	2.9	0.4	0.9	0.7	0.3
2010 Q3	0.396	0.9	0.9	1.1	-0.6	3.3	0.3	1.0	0.8	0.2
Q4	0.396	0.3	0.3	0.6	-1.0	2.3	-0.6	0.1	0.1	0.2
2011 Q1	0.397	0.5	0.4	1.0	1.5	2.2	1.0	-0.1	0.3	0.2
Q2	0.395	-0.3	-0.4	0.0	-1.1	0.9	-0.2	-1.1	-1.1	0.3

Source: ECB calculations based on Eurostat data.

1) Data for employment are based on the ESA 95.

5.3 Labour markets

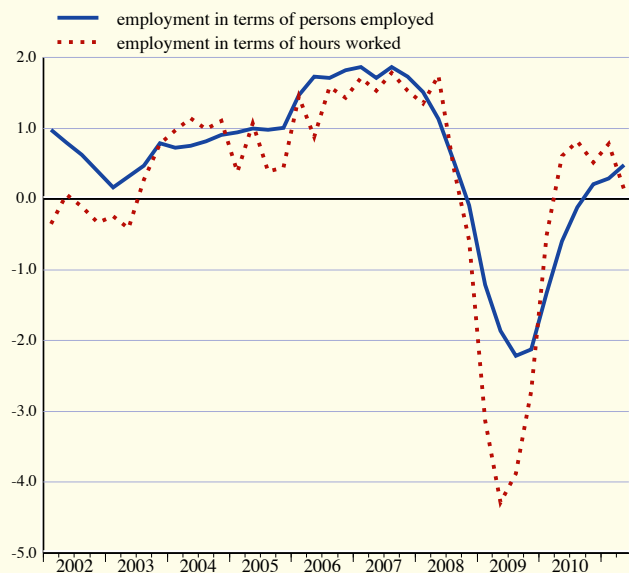
(seasonally adjusted, unless otherwise indicated)

4. Unemployment and job vacancies¹⁾

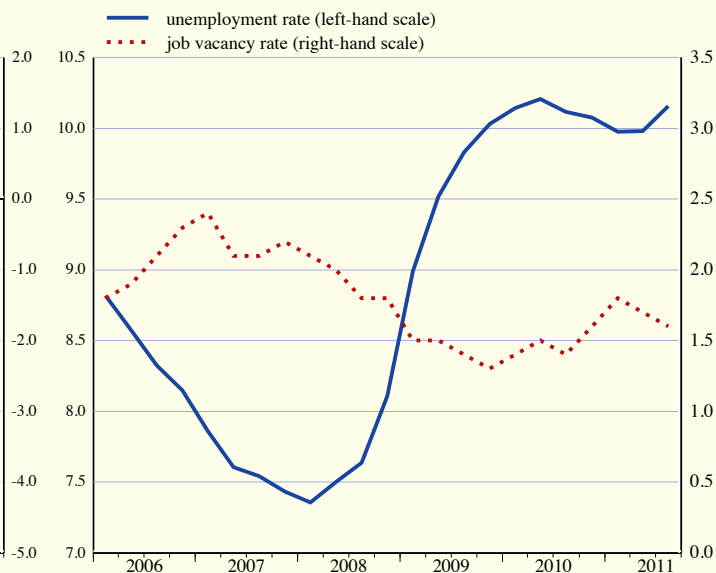
	Unemployment										Job vacancy rate ²⁾
	Total		By age ³⁾				By gender ⁴⁾				
	Millions	% of labour force	Adult		Youth		Male		Female		
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	
% of total in 2010	100.0		79.5		20.5		53.9		46.1		% of total posts
	1	2	3	4	5	6	7	8	9	10	11
2007	11.784	7.6	9.186	6.7	2.598	15.5	5.810	6.7	5.975	8.7	2.2
2008	11.972	7.6	9.294	6.6	2.679	16.0	6.049	7.0	5.923	8.5	1.9
2009	15.051	9.6	11.767	8.4	3.283	20.3	8.144	9.4	6.907	9.8	1.4
2010	15.930	10.1	12.659	8.9	3.271	20.9	8.593	10.0	7.336	10.3	1.5
2010 Q3	15.893	10.1	12.663	8.9	3.230	20.8	8.550	9.9	7.343	10.3	1.4
Q4	15.841	10.1	12.650	8.9	3.190	20.6	8.461	9.8	7.380	10.4	1.6
2011 Q1	15.689	10.0	12.505	8.8	3.184	20.7	8.349	9.7	7.341	10.3	1.8
Q2	15.744	10.0	12.558	8.8	3.186	20.6	8.374	9.7	7.369	10.3	1.7
Q3	16.048	10.2	12.788	9.0	3.259	21.0	8.501	9.8	7.546	10.5	1.6
2011 May	15.768	10.0	12.574	8.8	3.194	20.7	8.403	9.7	7.365	10.3	-
June	15.803	10.0	12.607	8.9	3.197	20.7	8.386	9.7	7.417	10.4	-
July	15.978	10.1	12.745	8.9	3.232	20.9	8.481	9.8	7.496	10.5	-
Aug.	15.997	10.1	12.759	9.0	3.239	20.9	8.465	9.8	7.532	10.5	-
Sep.	16.168	10.2	12.861	9.0	3.306	21.2	8.556	9.9	7.611	10.6	-
Oct.	16.294	10.3	12.956	9.1	3.338	21.4	8.682	10.0	7.612	10.6	-

C28 Employment - persons employed and hours worked

(annual percentage changes)



C29 Unemployment and job vacancy²⁾ rates



Source: Eurostat.

- 1) Data for unemployment refer to persons and follow ILO recommendations.
- 2) Industry, construction and services (excluding households as employers and extra-territorial organisations and bodies); non-seasonally adjusted.
- 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 item: Fiscal burden ²⁾
	1	2	Direct taxes		Indirect taxes	Received by EU institutions	Social contributions			Sales	Capital taxes	13		
			Households	Corporations			Employers	Employees						
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2002	44.9	44.6	11.9	9.0	2.8	13.2	0.4	15.6	8.1	4.6	2.2	0.3	0.3	40.9
2003	44.9	44.2	11.5	8.8	2.7	13.2	0.4	15.7	8.2	4.6	2.2	0.6	0.5	40.9
2004	44.5	44.0	11.5	8.5	2.9	13.2	0.3	15.5	8.1	4.5	2.2	0.5	0.4	40.6
2005	44.8	44.3	11.7	8.6	3.0	13.3	0.3	15.4	8.1	4.5	2.3	0.5	0.3	40.7
2006	45.3	44.9	12.3	8.8	3.4	13.4	0.3	15.3	8.0	4.5	2.3	0.4	0.3	41.3
2007	45.3	45.0	12.7	8.9	3.6	13.3	0.3	15.1	8.0	4.4	2.3	0.3	0.3	41.3
2008	45.1	44.8	12.5	9.1	3.2	12.9	0.3	15.3	8.1	4.5	2.3	0.3	0.3	40.9
2009	44.8	44.5	11.6	9.2	2.3	12.8	0.3	15.8	8.3	4.5	2.5	0.4	0.4	40.5
2010	44.7	44.4	11.6	8.9	2.5	12.9	0.3	15.6	8.2	4.5	2.5	0.3	0.3	40.4

2. Euro area – expenditure

	Total		Current expenditure							Capital expenditure			Memo item: 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		
														3	4	5	6	7	8	9	10	11	12	13
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2002	47.6	43.8	10.5	4.9	3.5	24.9	22.0	1.9	0.5	3.9	2.4	1.4	0.1	44.1
2003	48.0	44.1	10.6	4.9	3.3	25.2	22.3	1.8	0.5	4.0	2.5	1.4	0.1	44.7
2004	47.4	43.5	10.5	5.0	3.1	24.9	22.1	1.7	0.5	3.9	2.5	1.5	0.1	44.3
2005	47.3	43.4	10.5	5.0	3.0	24.9	22.1	1.7	0.5	3.9	2.5	1.4	0.0	44.3
2006	46.7	42.8	10.3	5.0	2.9	24.6	21.8	1.6	0.5	3.9	2.5	1.4	0.0	43.8
2007	46.0	42.2	10.1	5.0	3.0	24.2	21.4	1.6	0.4	3.8	2.6	1.2	0.0	43.1
2008	47.2	43.3	10.3	5.2	3.0	24.8	21.9	1.6	0.4	3.9	2.6	1.3	0.0	44.2
2009	51.2	46.9	11.0	5.7	2.9	27.4	24.2	1.8	0.4	4.3	2.8	1.4	0.0	48.4
2010	50.9	46.6	10.8	5.6	2.8	27.3	24.2	1.8	0.4	4.4	2.5	1.9	0.0	48.1

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
2002	-2.7	-2.3	-0.5	-0.3	0.3	0.8	20.2	10.5	4.9	5.1	1.9	2.2	8.1	12.1
2003	-3.1	-2.5	-0.5	-0.2	0.1	0.2	20.5	10.6	4.9	5.2	1.9	2.2	8.1	12.3
2004	-2.9	-2.5	-0.4	-0.3	0.2	0.2	20.4	10.5	5.0	5.1	1.9	2.2	8.1	12.3
2005	-2.5	-2.2	-0.3	-0.2	0.2	0.5	20.4	10.5	5.0	5.1	1.9	2.3	8.0	12.4
2006	-1.4	-1.5	-0.1	-0.2	0.4	1.5	20.3	10.3	5.0	5.2	1.9	2.3	7.9	12.4
2007	-0.7	-1.2	0.0	-0.1	0.6	2.3	20.0	10.1	5.0	5.1	1.9	2.3	7.7	12.3
2008	-2.1	-2.3	-0.2	-0.2	0.5	0.9	20.5	10.3	5.2	5.3	2.0	2.3	8.0	12.6
2009	-6.4	-5.2	-0.5	-0.3	-0.4	-3.5	22.2	11.0	5.7	5.8	2.1	2.5	8.6	13.6
2010	-6.2	-5.1	-0.7	-0.3	-0.1	-3.4	22.0	10.8	5.6	5.8	2.1	2.5	8.4	13.6

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

	BE	DE	EE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
2007	-0.3	0.2	2.4	0.1	-6.5	1.9	-2.7	-1.6	3.5	3.7	-2.4	0.2	-0.9	-3.1	0.0	-1.8	5.3
2008	-1.3	-0.1	-2.9	-7.3	-9.8	-4.5	-3.3	-2.7	0.9	3.0	-4.6	0.5	-0.9	-3.6	-1.9	-2.1	4.3
2009	-5.8	-3.2	-2.0	-14.2	-15.8	-11.2	-7.5	-5.4	-6.1	-0.9	-3.7	-5.6	-4.1	-10.1	-6.1	-8.0	-2.5
2010	-4.1	-4.3	0.2	-31.3	-10.6	-9.3	-7.1	-4.6	-5.3	-1.1	-3.6	-5.1	-4.4	-9.8	-5.8	-7.7	-2.5

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

- 1) Data refer to the Euro 17. The concepts "revenue", "expenditure" and "deficit/surplus" are based on the ESA 95. 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				Other creditors ³⁾
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors ²⁾				
						Total	MFIs	Other financial corporations	Other sectors	
1	2	3	4	5	6	7	8	9	10	
2001	68.2	2.8	12.4	4.0	48.9	42.7	20.8	11.2	10.7	25.4
2002	68.0	2.7	11.8	4.6	48.9	41.0	19.6	10.8	10.5	27.0
2003	69.1	2.1	12.4	5.1	49.6	40.3	19.8	11.3	9.2	28.9
2004	69.5	2.2	12.1	5.0	50.3	38.8	18.9	11.1	8.8	30.7
2005	70.4	2.4	12.2	4.7	51.2	37.1	18.1	11.2	7.7	33.3
2006	68.6	2.5	11.9	4.1	50.2	35.0	18.3	9.3	7.4	33.6
2007	66.3	2.2	11.2	4.2	48.7	32.7	17.1	8.5	7.1	33.6
2008	70.1	2.3	11.5	6.7	49.6	33.1	17.8	7.8	7.6	36.9
2009	79.8	2.5	12.6	8.6	56.2	37.3	20.6	8.9	7.8	42.5
2010	85.3	2.4	15.3	7.7	60.0	40.5	23.4	9.6	7.5	44.8

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 and up to 5 years	Over 5 years	Euro or participating currencies	Other currencies
2001	68.2	56.6	6.0	4.7	0.8	7.0	61.1	5.3	13.7	26.6	27.9	66.8	1.3
2002	68.0	56.3	6.2	4.7	0.8	7.6	60.4	5.2	15.5	25.3	27.2	66.8	1.1
2003	69.1	56.6	6.5	5.0	1.0	7.8	61.3	5.0	14.9	26.0	28.2	68.3	0.9
2004	69.5	56.5	6.6	5.1	1.3	7.8	61.7	4.6	14.8	26.2	28.5	68.4	1.1
2005	70.4	57.1	6.7	5.2	1.4	7.8	62.6	4.6	14.9	25.7	29.8	69.2	1.2
2006	68.6	55.4	6.5	5.4	1.4	7.4	61.2	4.3	14.4	24.2	30.0	67.8	0.8
2007	66.3	53.5	6.2	5.3	1.4	7.4	58.9	4.3	15.0	23.4	27.8	65.9	0.4
2008	70.1	56.9	6.6	5.3	1.3	10.2	59.9	4.9	18.7	23.1	28.3	69.4	0.7
2009	79.8	64.7	7.6	5.8	1.7	12.3	67.5	5.0	21.1	26.7	32.0	79.1	0.7
2010	85.3	69.3	8.3	5.9	1.9	13.1	72.2	5.2	24.0	28.1	33.3	84.5	0.8

3. Euro area countries

	BE	DE	EE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
2007	84.1	65.2	3.7	24.8	107.4	36.2	64.2	103.1	58.8	6.7	62.1	45.3	60.2	68.3	23.1	29.6	35.2
2008	89.3	66.7	4.5	44.2	113.0	40.1	68.2	105.8	48.9	13.7	62.2	58.5	63.8	71.6	21.9	27.8	33.9
2009	95.9	74.4	7.2	65.2	129.3	53.8	79.0	115.5	58.5	14.8	67.8	60.8	69.5	83.0	35.3	35.5	43.3
2010	96.2	83.2	6.7	92.5	144.9	61.0	82.3	118.4	61.5	19.1	69.0	62.9	71.8	93.3	38.8	41.0	48.3

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

- 1) Data refer to the Euro 17. Gross general government debt at nominal value and consolidated between sub-sectors of government. Holdings by non-resident governments are not consolidated. Intergovernmental lending in the context of the financial crisis is 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.

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 ⁶⁾
		Borrowing requirement ²⁾	Valuation effects ³⁾	Other changes in volume ⁴⁾	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors ⁵⁾	MFI's	Other financial corporations	
	1	2	3	4	5	6	7	8	9	10	11	12
2002	2.1	2.7	-0.5	-0.1	0.0	-0.2	0.7	1.6	-0.3	-0.5	0.0	2.4
2003	3.1	3.3	-0.2	0.0	-0.6	0.9	0.6	2.1	0.5	0.8	0.8	2.6
2004	3.2	3.3	-0.1	0.0	0.2	0.1	0.1	2.7	0.1	-0.2	0.3	3.0
2005	3.3	3.1	0.2	0.0	0.3	0.5	-0.1	2.6	-0.4	-0.1	0.5	3.6
2006	1.7	1.4	0.1	0.1	0.2	0.3	-0.3	1.5	-0.3	1.1	-1.4	2.0
2007	1.2	1.2	0.0	0.0	-0.1	0.0	0.3	1.0	-0.5	-0.3	-0.3	1.6
2008	5.3	5.2	0.1	0.0	0.1	0.5	2.6	2.0	1.1	1.0	-0.6	4.2
2009	7.2	7.5	-0.2	0.0	0.1	0.7	1.6	4.8	3.0	2.3	0.8	4.3
2010	7.6	7.7	-0.1	0.0	0.0	3.0	-0.7	5.2	4.2	3.3	1.0	3.3

2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) ⁷⁾	Deficit-debt adjustment ⁸⁾											Other ⁹⁾
			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 ¹⁰⁾	Shares and other equity	Privatisations	Equity injections				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2002	2.1	-2.7	-0.6	0.1	0.1	0.0	0.0	-0.1	-0.4	0.1	-0.5	-0.1	-0.1	-0.1
2003	3.1	-3.1	0.0	0.1	0.1	0.0	0.0	0.1	-0.2	0.1	-0.2	-0.1	0.0	0.1
2004	3.2	-2.9	0.2	0.2	0.2	0.0	0.1	0.0	-0.5	0.2	-0.1	0.0	0.0	0.1
2005	3.3	-2.5	0.7	0.6	0.3	0.0	0.1	0.1	-0.3	0.2	0.2	0.0	0.0	-0.1
2006	1.7	-1.4	0.3	0.2	0.3	-0.1	0.2	-0.2	-0.4	0.1	0.1	0.0	0.1	-0.1
2007	1.2	-0.7	0.5	0.6	0.2	0.0	0.2	0.1	-0.3	0.2	0.0	0.0	0.0	-0.1
2008	5.3	-2.1	3.2	3.0	0.8	0.7	0.7	0.9	-0.1	0.7	0.1	0.0	0.0	0.0
2009	7.2	-6.4	0.8	1.0	0.3	0.0	0.3	0.5	-0.3	0.5	-0.2	0.0	0.0	0.1
2010	7.6	-6.2	1.3	1.7	0.0	0.5	1.1	0.1	0.0	0.2	-0.1	0.0	0.0	-0.3

Source: ECB.

- 1) Data refer to the Euro 17 and are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e. $[\text{debt}(t) - \text{debt}(t-1)] \div \text{GDP}(t)$. Intergovernmental lending in the context of the financial crisis is consolidated.
- 2) The borrowing requirement is by definition equal to transactions in debt.
- 3) Includes, in addition to the impact of foreign exchange movements, effects arising from measurement at nominal value (e.g. premia or discounts on securities issued).
- 4) Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.
- 5) Holders resident in the country whose government has issued the debt.
- 6) Includes residents of euro area countries other than the country whose government has issued the debt.
- 7) Including proceeds from sales of UMTS licences.
- 8) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
- 9) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
- 10) 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 item: Fiscal burden ²⁾
	1	2	Direct taxes	Indirect taxes	Social contributions	Sales	Property income	8	Capital taxes		9
2005 Q2	44.7	44.0	11.8	12.9	15.2	2.3	1.1	0.6	0.3	40.2
2005 Q3	43.4	42.6	11.2	12.5	15.1	2.2	0.7	0.7	0.3	39.2
2005 Q4	48.7	47.9	13.7	14.0	16.1	2.4	0.8	0.8	0.3	44.1
2006 Q1	42.5	42.1	10.4	12.8	15.1	2.2	0.8	0.4	0.3	38.6
2006 Q2	45.7	45.2	12.5	13.1	15.1	2.3	1.4	0.5	0.3	41.0
2006 Q3	43.6	43.0	11.8	12.4	15.1	2.2	0.8	0.5	0.3	39.5
2006 Q4	49.0	48.4	14.4	14.1	15.8	2.4	0.9	0.6	0.3	44.6
2007 Q1	42.2	41.8	10.4	12.8	14.7	2.2	0.9	0.4	0.3	38.2
2007 Q2	45.8	45.4	13.0	13.0	15.0	2.3	1.4	0.4	0.3	41.2
2007 Q3	43.6	43.2	12.3	13.0	14.8	2.2	0.8	0.5	0.3	39.7
2007 Q4	49.3	48.7	14.8	13.9	15.8	2.4	1.0	0.6	0.3	44.7
2008 Q1	42.4	42.1	10.8	12.3	14.8	2.3	1.1	0.3	0.2	38.2
2008 Q2	45.2	44.9	12.9	12.3	15.0	2.3	1.5	0.4	0.3	40.5
2008 Q3	43.3	43.0	12.2	12.0	15.0	2.2	0.8	0.4	0.3	39.5
2008 Q4	48.8	48.3	13.9	13.4	16.4	2.5	1.1	0.5	0.3	44.0
2009 Q1	42.5	42.3	10.4	12.0	15.5	2.5	1.1	0.1	0.2	38.1
2009 Q2	45.2	44.6	11.8	12.4	15.7	2.5	1.4	0.6	0.5	40.4
2009 Q3	42.7	42.3	11.0	11.9	15.5	2.4	0.7	0.4	0.3	38.7
2009 Q4	48.6	47.7	13.0	13.7	16.4	2.6	0.9	0.8	0.5	43.6
2010 Q1	42.1	41.9	10.1	12.0	15.5	2.5	0.9	0.2	0.3	37.9
2010 Q2	45.2	44.7	11.9	12.7	15.4	2.6	1.3	0.5	0.3	40.3
2010 Q3	42.9	42.5	10.9	12.4	15.2	2.4	0.7	0.3	0.3	38.9
2010 Q4	48.4	47.7	13.2	13.5	16.4	2.7	1.0	0.7	0.3	43.3
2011 Q1	42.5	42.3	10.5	12.3	15.3	2.5	0.9	0.3	0.3	38.3
2011 Q2	44.9	44.6	11.9	12.5	15.3	2.6	1.4	0.3	0.3	40.0

2. Euro area – quarterly expenditure and deficit/surplus

	Total		Current expenditure						Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
	1	2	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social		Investment	Capital transfers		
								benefits	Subsidies				
	1	2	3	4	5	6	7	8	9	10	11	12	13
2005 Q2	46.5	43.0	10.3	5.0	3.2	24.6	21.3	1.1	3.5	2.4	1.1	-1.8	1.4
2005 Q3	45.7	42.2	9.9	4.8	3.0	24.5	21.2	1.2	3.5	2.6	1.0	-2.4	0.6
2005 Q4	49.6	45.1	11.3	5.8	2.8	25.2	21.7	1.3	4.6	2.8	1.7	-0.9	1.8
2006 Q1	45.8	42.5	10.1	4.6	3.0	24.9	21.4	1.1	3.3	2.1	1.3	-3.3	-0.3
2006 Q2	45.8	42.5	10.3	4.9	3.1	24.1	21.1	1.1	3.4	2.4	1.0	-0.2	2.9
2006 Q3	45.3	41.7	9.8	4.7	2.9	24.3	20.9	1.2	3.5	2.6	1.0	-1.7	1.2
2006 Q4	49.5	44.4	10.8	5.8	2.7	25.1	21.4	1.3	5.1	2.9	2.2	-0.4	2.3
2007 Q1	44.8	41.4	9.9	4.5	2.9	24.1	20.7	1.1	3.4	2.2	1.2	-2.6	0.3
2007 Q2	45.1	41.7	10.0	4.9	3.2	23.6	20.6	1.0	3.3	2.5	0.9	0.8	4.0
2007 Q3	44.6	41.1	9.6	4.8	3.0	23.8	20.6	1.1	3.6	2.6	0.9	-1.0	1.9
2007 Q4	49.3	44.5	10.8	5.8	2.8	25.1	21.3	1.4	4.7	3.0	1.7	0.0	2.8
2008 Q1	45.4	41.9	9.9	4.7	3.0	24.4	20.7	1.2	3.5	2.2	1.2	-3.0	0.0
2008 Q2	45.9	42.4	10.2	5.0	3.3	23.9	20.8	1.1	3.5	2.5	1.0	-0.7	2.6
2008 Q3	45.7	42.1	9.8	4.9	3.1	24.4	21.2	1.1	3.6	2.6	1.0	-2.4	0.7
2008 Q4	51.4	46.5	11.2	6.2	2.8	26.3	22.3	1.4	4.8	3.2	1.7	-2.6	0.3
2009 Q1	49.6	45.8	10.7	5.4	2.9	26.9	22.9	1.3	3.7	2.5	1.2	-7.1	-4.2
2009 Q2	50.7	46.6	11.1	5.6	3.0	26.9	23.3	1.3	4.1	2.8	1.3	-5.6	-2.5
2009 Q3	49.9	45.9	10.5	5.3	2.9	27.1	23.5	1.3	4.1	2.8	1.2	-7.2	-4.3
2009 Q4	54.3	49.2	11.8	6.5	2.6	28.3	24.0	1.5	5.1	3.1	1.9	-5.7	-3.1
2010 Q1	50.5	46.7	10.7	5.3	2.8	27.9	23.6	1.4	3.8	2.2	1.5	-8.4	-5.6
2010 Q2	49.6	46.1	10.9	5.6	2.9	26.7	23.2	1.3	3.5	2.5	1.2	-4.5	-1.5
2010 Q3	50.3	45.1	10.2	5.3	2.8	26.9	23.2	1.3	5.2	2.5	2.6	-7.5	-4.7
2010 Q4	53.2	48.3	11.4	6.4	2.7	27.7	23.7	1.5	5.0	2.8	2.1	-4.8	-2.1
2011 Q1	48.5	45.5	10.4	5.2	2.9	27.1	23.1	1.2	3.0	2.1	0.9	-6.0	-3.2
2011 Q2	48.5	45.3	10.6	5.4	3.1	26.2	22.8	1.2	3.2	2.4	0.9	-3.7	-0.6

Sources: ECB calculations based on Eurostat and national data.

- 1) Data refer to the Euro 17. The concepts "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, 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 ¹⁾

(as a percentage of GDP)

1. Euro area – Maastricht debt by financial instrument ²⁾

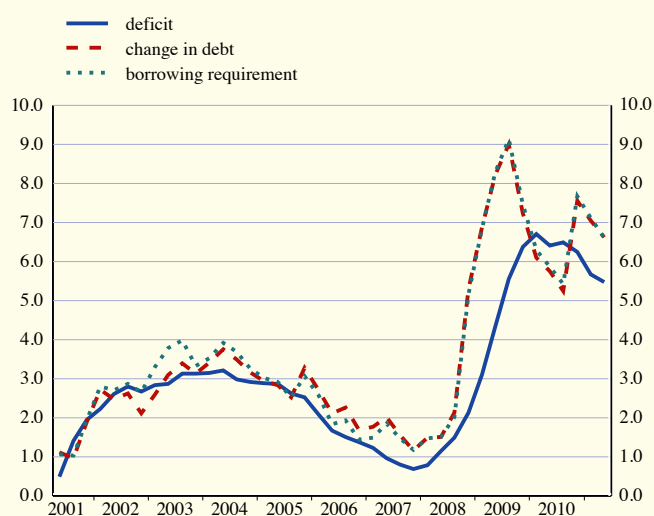
	Total 1	Financial instruments			
		Currency and deposits 2	Loans 3	Short-term securities 4	Long-term securities 5
2008 Q3	67.7	2.1	11.4	5.5	48.7
Q4	70.1	2.3	11.5	6.7	49.6
2009 Q1	73.8	2.3	11.8	7.9	51.8
Q2	77.0	2.4	12.2	8.4	54.0
Q3	78.9	2.4	12.4	9.2	54.9
Q4	79.8	2.5	12.6	8.6	56.2
2010 Q1	81.5	2.4	12.8	8.4	57.9
Q2	82.8	2.4	13.4	8.1	59.0
Q3	82.9	2.4	13.3	8.2	59.1
Q4	85.3	2.4	15.3	7.7	60.0
2011 Q1	86.1	2.4	15.1	7.6	60.9
Q2	86.9	2.4	14.9	7.6	62.0

2. Euro area – deficit-debt adjustment

	Change in debt 1	Deficit (-)/ surplus (+) 2	Deficit-debt adjustment								Memo item: 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		
2008 Q3	2.0	-2.4	-0.4	-0.6	-1.4	0.0	0.3	0.6	0.4	0.4	-0.2	1.6
Q4	9.2	-2.6	6.7	5.5	0.6	2.5	0.4	2.1	0.2	1.0	9.0	
2009 Q1	12.8	-7.1	5.7	6.7	5.2	-0.1	0.9	0.7	-0.5	-0.5	13.3	
Q2	9.1	-5.6	3.5	3.2	2.3	-0.6	0.2	1.2	-0.4	0.8	9.5	
Q3	5.0	-7.2	-2.3	-2.9	-3.2	0.6	-0.1	-0.3	0.2	0.4	4.7	
Q4	2.4	-5.7	-3.3	-2.8	-2.9	-0.1	0.1	0.1	-0.2	-0.3	2.6	
2010 Q1	8.1	-8.4	-0.2	0.7	0.8	0.0	-0.4	0.3	-0.3	-0.6	8.5	
Q2	7.6	-4.5	3.2	3.3	2.0	1.1	-0.2	0.4	-0.1	0.0	7.7	
Q3	3.0	-7.5	-4.5	-3.0	-2.3	-0.6	-0.1	0.1	0.0	-1.5	3.0	
Q4	11.3	-4.8	6.5	5.9	-0.3	1.7	4.7	-0.2	0.0	0.7	11.3	
2011 Q1	6.0	-6.0	0.0	0.7	1.8	-0.4	-0.4	-0.3	-0.2	-0.5	6.3	
Q2	5.9	-3.7	2.3	3.3	3.1	0.6	-0.4	-0.1	0.3	-1.3	5.7	

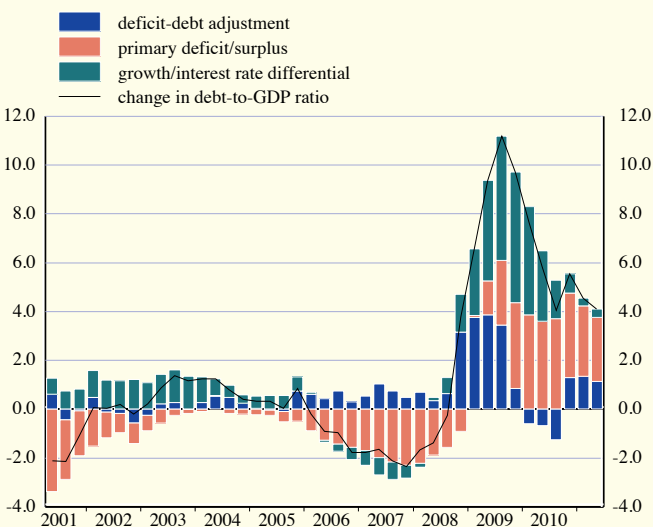
C30 Deficit, borrowing requirement and change in debt

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



C31 Maastricht debt

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



Sources: ECB calculations based on Eurostat and national data.

1) Data refer to the Euro 17. Intergovernmental lending in the context of the financial crisis is consolidated.

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



EXTERNAL TRANSACTIONS AND POSITIONS

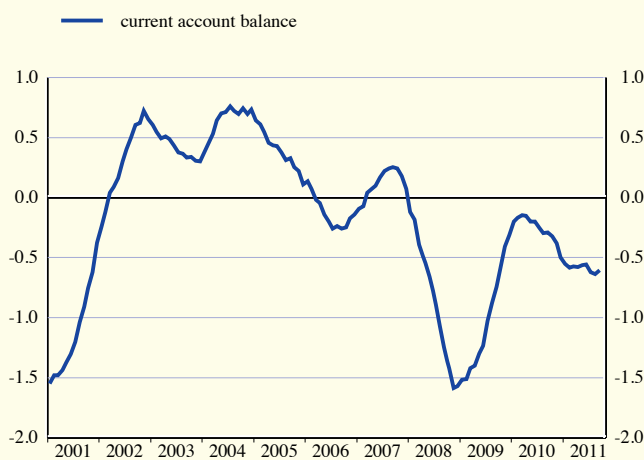
7.1 Summary balance of payments ¹⁾

(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
2008	-143.5	-21.8	42.1	-66.8	-97.0	10.0	-133.5	121.3	-231.1	261.4	-84.5	178.9	-3.4	12.2
2009	-25.9	36.0	35.1	-5.8	-91.2	7.3	-18.6	14.0	-102.8	261.4	21.1	-170.2	4.6	4.6
2010	-42.2	12.9	45.9	2.3	-103.3	5.5	-36.7	44.1	-49.9	148.0	17.4	-61.2	-10.3	-7.4
2010 Q3	-7.1	5.5	16.1	2.5	-31.2	0.8	-6.3	6.8	-52.2	11.0	6.3	46.8	-5.1	-0.5
Q4	3.4	5.5	10.5	4.3	-16.8	1.3	4.7	9.5	79.5	19.5	8.9	-96.8	-1.6	-14.2
2011 Q1	-30.2	-13.0	7.0	10.2	-34.5	2.4	-27.8	15.7	-9.9	128.5	-2.2	-89.1	-11.6	12.1
Q2	-20.8	-2.7	17.5	-14.4	-21.2	0.7	-20.1	20.6	-28.5	155.6	3.4	-114.3	4.3	-0.4
Q3	-11.7	1.0	15.4	-0.1	-28.1	2.6	-9.1	12.2	-6.8	31.5	-3.4	-13.0	3.9	-3.0
2010 Sep.	-4.9	3.8	5.5	-2.7	-11.4	-0.6	-5.5	6.3	-8.6	35.4	0.4	-20.5	-0.3	-0.8
Oct.	3.9	5.7	3.2	3.9	-8.9	-1.3	2.6	2.0	-8.7	5.2	-0.3	5.9	-0.2	-4.6
Nov.	-3.4	-0.8	3.4	0.3	-6.2	0.5	-2.9	13.4	45.4	18.4	3.1	-53.5	0.0	-10.5
Dec.	3.0	0.6	3.9	0.1	-1.7	2.0	4.9	-5.8	42.7	-4.2	6.1	-49.2	-1.3	0.9
2011 Jan.	-19.9	-14.7	2.6	1.1	-8.9	0.4	-19.6	13.5	11.7	-28.9	-1.0	37.7	-6.0	6.0
Feb.	-9.3	-0.8	2.6	4.2	-15.2	2.1	-7.1	2.2	-27.9	93.6	0.8	-65.3	1.0	5.0
Mar.	-1.0	2.5	1.8	5.0	-10.3	-0.1	-1.1	0.0	6.3	63.9	-2.1	-61.5	-6.6	1.1
Apr.	-4.9	-3.7	4.0	1.4	-6.6	-0.1	-5.0	-1.8	-30.4	18.7	2.9	1.0	5.9	6.8
May	-16.1	0.6	5.4	-15.6	-6.4	0.4	-15.7	13.1	-5.9	43.2	-1.5	-19.6	-3.1	2.5
June	0.2	0.5	8.1	-0.2	-8.2	0.3	0.6	9.2	7.8	93.7	1.9	-95.7	1.5	-9.8
July	-2.0	3.3	5.5	-0.7	-10.2	0.5	-1.6	2.5	0.6	-21.1	-4.6	28.5	-0.9	-0.9
Aug.	-7.2	-4.5	4.0	1.1	-7.8	2.2	-5.0	6.8	-0.3	31.9	-0.7	-27.4	3.2	-1.8
Sep.	-2.5	2.2	5.9	-0.6	-10.0	0.0	-2.5	2.8	-7.2	20.7	1.9	-14.1	1.6	-0.3
<i>12-month cumulated transactions</i>														
2011 Sep.	-59.3	-9.2	50.4	0.0	-100.6	7.0	-52.4	58.0	34.3	335.1	6.7	-313.3	-4.8	-5.6
<i>12-month cumulated transactions as a percentage of GDP</i>														
2011 Sep.	-0.6	-0.1	0.5	0.0	-1.1	0.1	-0.6	0.6	0.4	3.6	0.1	-3.3	-0.1	-0.1

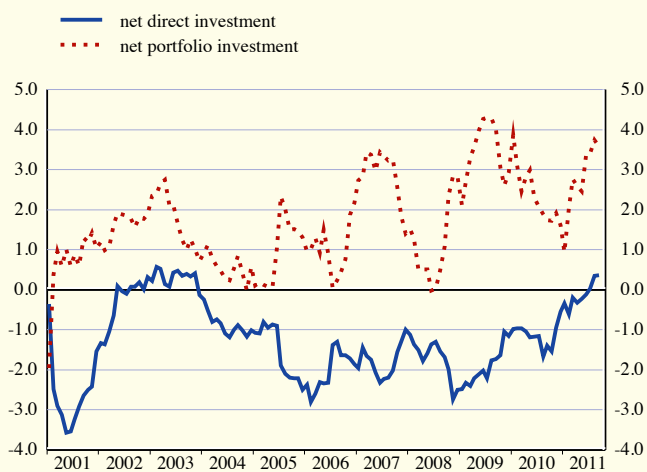
C32 Euro area b.o.p.: current account

(seasonally adjusted; 12-month cumulated transactions as a percentage of GDP)



C33 Euro area b.o.p.: direct and portfolio investment

(12-month cumulated transactions as a percentage of GDP)



Source: ECB.

1) The sign convention is explained in the General Notes.

7.2 Current and capital accounts

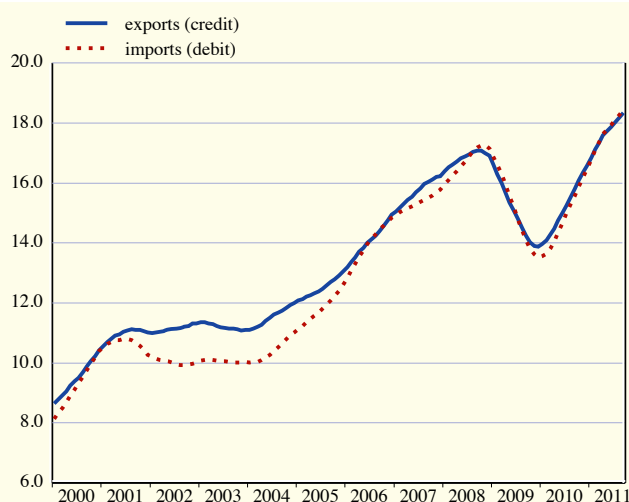
(EUR billions; transactions)

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	
2008	2,717.2	2,860.8	-143.5	1,588.5	1,610.4	513.3	471.2	523.6	590.4	91.8	6.9	188.8	21.6	24.7	14.7
2009	2,292.4	2,318.3	-25.9	1,302.5	1,266.5	473.9	438.8	421.5	427.3	94.5	6.4	185.7	22.5	20.6	13.4
2010	2,617.1	2,659.3	-42.2	1,560.0	1,547.1	518.8	472.9	450.7	448.4	87.6	6.3	190.9	22.3	21.2	15.7
2010 Q3	666.8	674.0	-7.1	402.3	396.8	139.3	123.2	109.7	107.2	15.6	1.7	46.8	5.8	4.6	3.7
Q4	705.7	702.2	3.4	421.7	416.2	135.7	125.2	117.3	113.0	31.0	1.6	47.8	6.0	7.1	5.9
2011 Q1	684.5	714.7	-30.2	423.3	436.4	123.0	116.0	113.5	103.3	24.7	1.5	59.1	5.4	5.0	2.6
Q2	718.0	738.8	-20.8	438.0	440.6	133.3	115.8	127.1	141.5	19.6	1.6	40.8	5.6	3.8	3.1
Q3	709.6	721.4	-11.7	441.7	440.7	140.7	125.3	110.5	110.6	16.7	.	44.7	.	5.5	2.9
2011 July	236.6	238.7	-2.0	148.1	144.8	47.1	41.6	36.1	36.8	5.3	.	15.6	.	1.4	1.0
Aug.	228.1	235.3	-7.2	139.9	144.4	46.4	42.5	35.9	34.7	5.9	.	13.7	.	3.1	1.0
Sep.	244.9	247.4	-2.5	153.7	151.6	47.2	41.3	38.6	39.1	5.4	.	15.4	.	0.9	1.0
	<i>Seasonally adjusted</i>														
2011 Q1	707.4	717.6	-10.2	434.4	435.7	133.6	120.7	116.7	112.6	22.7	.	48.6	.	.	.
Q2	712.1	725.2	-13.1	436.2	440.8	132.7	118.4	120.5	118.0	22.6	.	48.0	.	.	.
Q3	714.1	726.3	-12.3	440.7	440.8	133.0	120.7	116.5	117.8	23.9	.	47.0	.	.	.
2011 July	235.7	242.5	-6.8	145.9	147.1	43.7	40.1	38.4	39.3	7.6	.	16.0	.	.	.
Aug.	238.8	244.7	-5.9	147.9	148.9	44.1	40.3	38.7	39.9	8.1	.	15.6	.	.	.
Sep.	239.6	239.1	0.5	146.8	144.9	45.2	40.3	39.5	38.6	8.1	.	15.4	.	.	.
	<i>12-month cumulated transactions</i>														
2011 Sep.	2,809.8	2,866.4	-56.5	1,718.0	1,727.7	531.7	481.0	467.9	466.4	92.2	.	191.4	.	.	.
	<i>12-month cumulated transactions as a percentage of GDP</i>														
2011 Sep.	30.0	30.6	-0.6	18.3	18.4	5.7	5.1	5.0	5.0	1.0	.	2.0	.	.	.

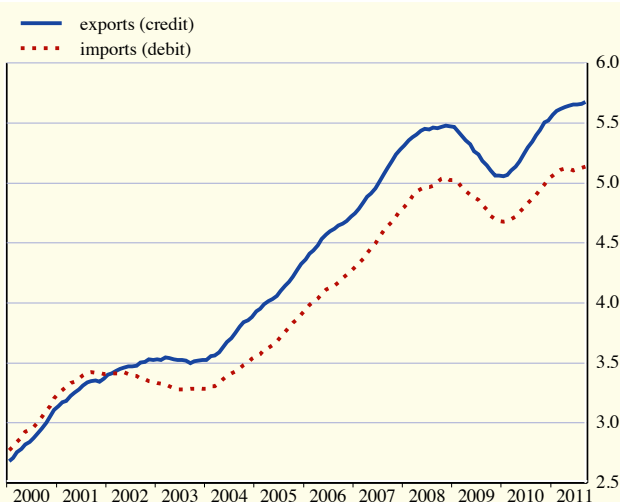
C34 Euro area b.o.p.: goods

(seasonally adjusted; 12-month cumulated transactions as a percentage of GDP)



C35 Euro area b.o.p.: services

(seasonally adjusted; 12-month cumulated transactions as a percentage of GDP)



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	Reinv. earnings	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
			1	2											3	4	5	6	7	8	9	10	11	12	13	14	15	16
2008	21.1	13.1	502.5	577.3	140.5	-7.8	117.4	20.5	31.3	26.7	39.3	111.2	119.1	128.7	172.3	193.3
2009	21.7	13.8	399.9	413.5	148.8	16.1	100.4	14.9	24.7	23.5	24.5	77.3	101.0	122.1	100.8	90.2
2010	23.3	14.2	427.3	434.2	195.6	20.1	139.6	38.4	24.0	19.9	29.1	86.3	99.3	122.7	79.3	65.6
2010 Q2	5.7	3.4	110.2	126.4	50.5	-8.5	35.7	3.6	6.0	4.9	9.3	38.5	24.8	31.0	19.6	16.2
Q3	5.6	4.1	104.1	103.1	46.5	14.6	35.0	12.5	5.7	4.6	7.4	16.8	25.4	31.1	19.1	15.6
Q4	6.4	4.1	111.0	108.9	51.2	-2.0	36.0	6.4	6.7	6.2	6.4	18.5	25.5	30.0	21.2	18.2
2011 Q1	5.7	2.7	107.8	100.6	47.7	11.1	33.8	21.5	6.5	4.3	7.4	14.2	25.4	30.8	20.9	17.5
Q2	5.8	3.2	121.3	138.4	56.5	8.8	38.1	10.6	6.4	4.8	12.3	46.3	25.2	31.3	20.9	17.8

3. Geographical breakdown

(cumulated transactions)

	Total	EU Member States outside the euro area						Brazil	Canada	China	India	Japan	Russia	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions									
2010 Q3 to 2011 Q2	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Credits																
Current account	2,775.0	916.7	51.1	87.3	424.1	295.6	58.7	53.1	38.3	131.5	39.9	60.3	103.8	208.5	352.9	869.9
Goods	1,685.3	539.3	32.6	57.8	219.4	229.4	0.2	28.3	19.5	106.3	29.9	36.9	76.3	110.8	193.0	544.8
Services	531.3	166.9	10.9	14.7	103.9	30.7	6.6	8.4	8.2	17.1	7.4	13.1	17.3	53.6	77.6	161.6
Income	467.6	150.1	6.5	13.1	90.6	31.7	8.3	15.9	9.8	7.5	2.4	9.3	9.6	35.8	75.8	151.4
Investment income	444.1	143.4	6.4	12.9	89.0	31.1	4.0	15.9	9.7	7.5	2.4	9.3	9.5	24.7	74.0	147.7
Current transfers	90.8	60.4	1.2	1.6	10.2	3.7	43.7	0.4	0.8	0.5	0.3	0.9	0.6	8.3	6.5	12.1
Capital account	20.5	17.2	0.0	0.0	1.2	0.4	15.6	0.1	0.0	0.0	0.0	0.2	0.1	0.4	0.4	1.9
Debits																
Current account	2,829.7	861.0	43.9	84.2	366.3	262.6	104.0	-	31.9	-	-	93.5	-	180.6	364.8	-
Goods	1,690.0	465.8	29.0	50.6	173.8	212.4	0.0	29.5	14.2	215.1	26.8	52.7	121.6	91.0	140.3	533.1
Services	480.2	136.9	7.7	12.8	81.9	34.2	0.2	5.1	6.5	13.1	5.7	9.8	10.7	42.4	98.7	151.4
Income	465.0	141.5	6.6	19.2	98.9	11.4	5.4	-	9.3	-	-	30.5	-	39.5	118.8	-
Investment income	450.9	133.4	6.5	19.1	97.4	5.0	5.4	-	9.2	-	-	30.3	-	39.1	117.7	-
Current transfers	194.5	116.7	0.6	1.5	11.7	4.5	98.4	1.5	1.9	3.8	0.7	0.5	0.7	7.8	7.0	53.8
Capital account	15.3	1.6	0.0	0.1	0.9	0.3	0.2	0.2	0.3	0.3	0.2	0.1	0.1	0.6	1.3	10.6
Net																
Current account	-54.7	55.7	7.2	3.0	57.8	33.0	-45.3	-	6.4	-	-	-33.2	-	27.9	-12.0	-
Goods	-4.7	73.5	3.6	7.2	45.5	17.0	0.2	-1.1	5.3	-108.7	3.1	-15.7	-45.3	19.8	52.8	11.7
Services	51.1	30.0	3.2	1.9	22.1	-3.5	6.3	3.3	1.7	4.0	1.7	3.3	6.7	11.2	-21.2	10.2
Income	2.6	8.6	-0.1	-6.2	-8.3	20.2	2.9	-	0.5	-	-	-21.2	-	-3.6	-43.1	-
Investment income	-6.8	10.0	-0.1	-6.2	-8.4	26.0	-1.3	-	0.5	-	-	-21.1	-	-14.4	-43.7	-
Current transfers	-103.7	-56.4	0.6	0.1	-1.5	-0.8	-54.7	-1.2	-1.1	-3.2	-0.5	0.3	-0.1	0.5	-0.5	-41.7
Capital account	5.2	15.6	0.0	-0.1	0.2	0.0	15.4	-0.1	-0.2	-0.2	-0.2	0.1	0.0	-0.2	-0.9	-8.7

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)														
2007	13,992.8	15,266.8	-1,274.0	155.0	169.1	-14.1	3,726.7	3,221.9	4,631.1	6,538.1	-28.9	5,316.7	5,506.8	347.2
2008	13,377.1	14,961.4	-1,584.3	144.7	161.8	-17.1	3,878.4	3,247.8	3,834.9	5,976.8	-0.5	5,290.0	5,736.7	374.2
2009	13,764.1	15,170.3	-1,406.2	154.1	169.9	-15.7	4,287.2	3,403.0	4,341.3	6,781.9	0.2	4,675.9	4,985.4	459.6
2010 Q4	15,234.8	16,461.7	-1,226.9	166.3	179.7	-13.4	4,798.2	3,714.8	4,907.5	7,442.9	-61.6	5,002.9	5,304.0	587.8
2011 Q1	15,135.4	16,377.3	-1,241.9	163.7	177.1	-13.4	4,801.9	3,739.5	4,811.3	7,469.7	-31.6	4,977.1	5,168.1	576.6
Q2	15,241.6	16,591.9	-1,350.3	163.6	178.1	-14.5	4,861.2	3,765.7	4,768.0	7,681.2	-49.1	5,080.6	5,144.9	581.0
Changes to outstanding amounts														
2007	1,608.0	1,858.8	-250.9	17.8	20.6	-2.8	572.8	486.8	258.7	591.3	-8.1	763.3	780.7	21.4
2008	-615.7	-305.5	-310.3	-6.7	-3.3	-3.4	151.7	25.9	-796.2	-561.3	28.4	-26.7	229.9	27.0
2009	387.1	208.9	178.1	4.3	2.3	2.0	408.8	155.2	506.4	805.1	0.7	-614.1	-751.4	85.4
2010	1,470.7	1,291.5	179.3	16.1	14.1	2.0	511.0	311.8	566.2	661.0	-61.7	327.1	318.7	128.2
2011 Q1	-99.5	-84.5	-15.0	-4.3	-3.7	-0.7	3.8	24.6	-96.2	26.8	29.9	-25.8	-135.9	-11.2
Q2	106.2	214.6	-108.4	4.5	9.1	-4.6	59.3	26.2	-43.4	211.5	-17.5	103.4	-23.2	4.4
Transactions														
2007	1,940.3	1,943.2	-3.0	21.5	21.5	0.0	512.9	422.5	439.5	566.3	66.9	915.8	954.4	5.1
2008	429.9	551.3	-121.3	4.7	6.0	-1.3	336.6	105.5	5.0	266.4	84.5	0.5	179.4	3.4
2009	-128.9	-114.9	-14.0	-1.4	-1.3	-0.2	334.7	231.9	94.0	355.3	-21.1	-531.9	-702.1	-4.6
2010	490.0	534.1	-44.1	5.3	5.8	-0.5	174.9	125.0	145.6	293.6	-17.4	176.7	115.5	10.3
2011 Q1	217.2	233.0	-15.7	9.5	10.2	-0.7	89.3	79.5	27.1	155.6	2.2	86.9	-2.2	11.6
Q2	203.9	224.4	-20.6	8.7	9.5	-0.9	59.5	31.0	33.5	189.1	-3.4	118.7	4.4	-4.3
Q3	58.3	70.5	-12.2	2.5	3.0	-0.5	24.6	17.8	-83.2	-51.7	3.4	117.4	104.4	-3.9
2011 May	143.8	156.9	-13.1	.	.	.	7.0	1.1	35.0	78.1	1.5	97.3	77.7	3.1
June	-99.3	-90.1	-9.2	.	.	.	-0.2	7.6	-19.3	74.4	-1.9	-76.4	-172.1	-1.5
July	-6.6	-4.1	-2.5	.	.	.	12.2	12.9	-5.6	-26.7	4.6	-18.7	9.7	0.9
Aug.	40.0	46.8	-6.8	.	.	.	-6.0	-6.3	-65.9	-34.0	0.7	114.4	87.0	-3.2
Sep.	25.0	27.8	-2.8	.	.	.	18.4	11.2	-11.6	9.0	-1.9	21.7	7.6	-1.6
Other changes														
2007	-332.3	-84.4	-247.9	-3.7	-0.9	-2.7	59.9	64.3	-180.8	25.1	-75.1	-152.6	-173.8	16.3
2008	-1,045.7	-856.7	-188.9	-11.3	-9.3	-2.0	-184.9	-79.5	-801.2	-827.7	-56.0	-27.2	50.5	23.7
2009	515.9	323.8	192.2	5.8	3.6	2.2	74.1	-76.7	412.4	449.7	21.7	-82.2	-49.3	89.9
2010	980.7	757.4	223.3	10.7	8.3	2.4	336.1	186.8	420.6	367.4	-44.3	150.4	203.1	117.9
Other changes due to exchange rate changes														
2007	-522.0	-339.7	-182.3	-5.8	-3.8	-2.0	-104.2	-17.1	-217.4	-146.8	.	-186.6	-175.8	-13.7
2008	-49.8	27.9	-77.7	-0.5	0.3	-0.8	-25.0	-34.0	6.6	41.9	.	-40.7	20.1	9.3
2009	-49.6	-55.2	5.5	-0.6	-0.6	0.1	-4.6	5.7	-30.5	-32.9	.	-11.9	-28.0	-2.7
2010	535.0	323.6	211.3	5.8	3.5	2.3	160.3	57.4	179.4	101.6	.	182.2	164.6	13.0
Other changes due to price changes														
2007	78.7	113.4	-34.6	0.9	1.3	-0.4	45.2	5.8	77.3	107.6	-75.1	.	.	31.3
2008	-1,002.7	-975.7	-27.1	-10.8	-10.6	-0.3	-159.2	-60.7	-809.5	-915.0	-56.0	.	.	22.0
2009	635.3	483.4	151.9	7.1	5.4	1.7	142.5	28.4	425.3	455.0	21.7	.	.	45.8
2010	295.0	153.7	141.3	3.2	1.7	1.5	50.1	2.2	187.3	151.5	-44.3	.	.	102.0
Other changes due to other adjustments														
2007	110.9	142.0	-31.0	1.2	1.6	-0.3	118.8	75.6	-40.7	64.3	.	34.1	2.0	-1.3
2008	6.8	91.0	-84.1	0.1	1.0	-0.9	-0.7	15.2	1.8	45.4	.	13.4	30.4	-7.7
2009	-69.7	-104.4	34.7	-0.8	-1.2	0.4	-63.9	-110.8	17.6	27.7	.	-70.3	-21.3	46.8
2010	150.8	280.1	-129.3	1.6	3.1	-1.4	125.7	127.2	53.9	114.4	.	-31.8	38.5	2.9
Growth rates of outstanding amounts														
2007	15.6	14.3	.	.	.	.	15.8	15.1	10.0	9.4	.	20.2	20.2	1.6
2008	3.0	3.6	.	.	.	.	9.2	3.3	-0.2	4.2	.	0.0	3.3	1.0
2009	-1.0	-0.8	.	.	.	.	8.6	7.3	2.4	5.9	.	-10.1	-12.2	-1.2
2010	3.5	3.4	.	.	.	.	3.9	3.5	3.2	4.2	.	3.7	2.3	2.0
2011 Q1	3.4	3.4	.	.	.	.	4.5	5.3	2.6	5.3	.	3.4	-0.4	2.9
Q2	3.8	3.8	.	.	.	.	3.8	4.6	3.1	6.4	.	4.9	-0.3	2.4
Q3	3.5	3.6	.	.	.	.	3.2	5.2	0.5	4.9	.	7.1	0.7	0.8

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	MFIs	Non-MFIs	Total	MFIs	Non-MFIs		Total	Into MFIs	Into non-MFIs	Total	To MFIs	To non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts (international investment position)														
2009	4,287.2	3,305.5	236.2	3,069.3	981.7	14.8	966.9	3,403.0	2,501.9	74.2	2,427.7	901.1	18.1	883.0
2010	4,798.2	3,667.1	277.9	3,389.2	1,131.1	17.8	1,113.3	3,714.8	2,820.2	83.2	2,737.0	894.6	12.7	881.9
2011 Q1	4,801.9	3,680.2	273.8	3,406.4	1,121.7	17.1	1,104.6	3,739.5	2,853.3	84.4	2,768.9	886.2	11.1	875.1
Q2	4,861.2	3,732.0	281.1	3,450.9	1,129.2	14.5	1,114.7	3,765.7	2,875.9	85.1	2,790.8	889.8	9.5	880.3
Transactions														
2008	336.6	193.8	9.3	184.5	142.8	-0.3	143.1	105.5	64.3	-8.2	72.5	41.1	1.6	39.6
2009	334.7	257.5	20.1	237.3	77.2	2.6	74.6	231.9	236.7	7.5	229.2	-4.8	-0.6	-4.2
2010	174.9	51.1	12.6	38.5	123.8	1.2	122.6	125.0	176.7	7.2	169.5	-51.7	-7.5	-44.2
2011 Q1	89.3	77.8	3.8	74.0	11.6	0.1	11.5	79.5	69.6	0.8	68.8	9.9	-1.5	11.4
Q2	59.5	55.4	8.9	46.4	4.1	-2.6	6.7	31.0	26.8	1.6	25.2	4.2	-1.5	5.7
Q3	24.6	11.3	1.6	9.7	13.3	-1.7	15.0	17.8	31.7	1.5	30.2	-13.9	0.2	-14.2
2011 May	7.0	0.1	0.4	-0.3	6.9	0.4	6.5	1.1	3.2	0.7	2.5	-2.1	0.0	-2.0
June	-0.2	8.2	3.7	4.5	-8.3	-3.7	-4.6	7.6	6.8	0.5	6.3	0.8	-1.0	1.8
July	12.2	10.3	0.0	10.3	1.9	-1.6	3.5	12.9	16.4	0.8	15.6	-3.6	-0.2	-3.4
Aug.	-6.0	-7.1	1.3	-8.3	1.1	0.1	0.9	-6.3	7.8	0.2	7.6	-14.1	0.1	-14.1
Sep.	18.4	8.0	0.2	7.8	10.3	-0.2	10.6	11.2	7.5	0.5	7.0	3.7	0.3	3.4
Growth rates														
2009	8.6	8.6	9.2	8.5	8.8	20.5	8.6	7.3	10.4	11.6	10.4	-0.5	-3.2	-0.5
2010	3.9	1.5	5.3	1.2	12.5	7.8	12.6	3.5	6.8	9.4	6.8	-5.7	-41.3	-5.0
2011 Q1	4.5	2.9	2.1	3.0	9.9	6.4	10.0	5.3	6.3	8.7	6.2	2.0	-48.1	3.1
Q2	3.8	3.5	5.4	3.3	4.8	-12.7	5.1	4.6	5.1	8.0	5.0	3.1	-47.9	4.1
Q3	3.2	2.6	5.4	2.3	5.4	-24.0	5.9	5.2	4.9	6.9	4.9	6.1	-46.4	7.2

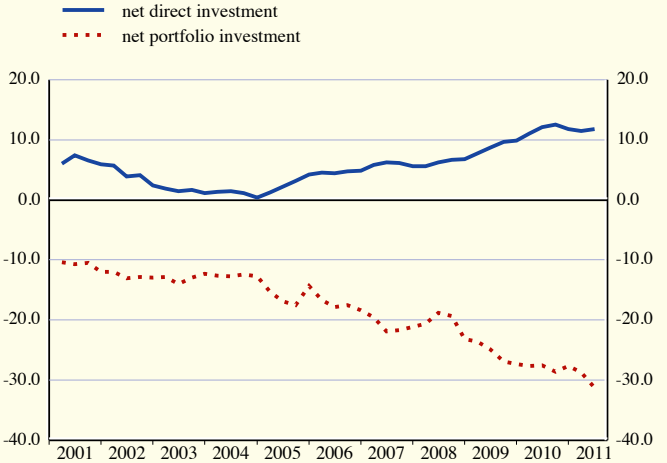
C36 Euro area international investment position

(outstanding amounts at end of period; as a percentage of GDP)



C37 Euro area direct and portfolio investment position

(outstanding amounts at end of period; as a percentage of GDP)



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	3	4	5	6	Bonds and notes			Money market instruments						
							7	8	9	10	11	12	13	14	15	16
			Euro-system	General government		Euro-system	General government		Euro-system	General government						
Outstanding amounts (international investment position)																
2009	4,341.3	1,514.5	80.8	3.4	1,433.6	36.6	2,426.6	924.6	17.1	1,502.0	36.6	400.2	330.2	44.9	69.9	2.0
2010	4,907.5	1,914.2	93.8	3.6	1,820.5	47.6	2,588.8	810.7	15.6	1,778.1	75.7	404.5	314.9	41.7	89.6	0.2
2011 Q1	4,811.3	1,858.4	89.8	3.1	1,768.6	44.8	2,537.2	772.0	17.1	1,765.2	95.9	415.8	323.9	40.0	91.8	0.9
Q2	4,768.0	1,835.0	94.8	3.5	1,740.2	41.6	2,561.6	762.2	17.7	1,799.4	93.4	371.3	278.1	45.7	93.2	0.4
Transactions																
2008	5.0	-93.7	-34.3	0.7	-59.4	-0.1	72.1	37.7	3.2	34.4	2.7	26.5	49.6	13.1	-23.0	0.4
2009	94.0	53.4	-1.3	0.0	54.8	2.5	45.7	-93.2	-3.8	138.9	17.5	-5.2	1.0	-12.9	-6.2	0.9
2010	145.6	76.5	5.6	-0.2	70.9	1.7	109.3	-124.5	-0.8	233.8	52.8	-40.3	-55.5	-11.7	15.3	-1.9
2011 Q1	27.1	-1.0	0.0	-0.4	-1.0	-1.8	5.3	-12.7	1.7	18.0	0.4	22.8	16.8	1.5	6.1	0.7
Q2	33.5	17.0	3.2	0.1	13.9	-2.3	29.4	-4.4	0.4	33.9	-0.8	-13.0	-12.4	4.8	-0.6	-0.5
Q3	-83.2	-48.7	-10.0	-0.1	-38.7	.	-50.3	-37.7	-1.4	-12.6	.	15.8	18.4	4.9	-2.6	.
2011 May	35.0	4.6	3.4	0.0	1.2	.	20.0	7.3	-0.2	12.7	.	10.3	3.9	4.5	6.4	.
June	-19.3	1.4	-4.3	0.0	5.7	.	4.4	-9.5	0.4	13.8	.	-25.0	-9.6	3.0	-15.5	.
July	-5.6	1.6	1.3	0.0	0.3	.	-4.8	-9.2	0.2	4.5	.	-2.5	-6.7	-3.9	4.2	.
Aug.	-65.9	-38.9	-10.3	0.0	-28.5	.	-24.9	-17.4	-1.4	-7.5	.	-2.2	-2.8	8.3	0.7	.
Sep.	-11.6	-11.5	-1.0	0.0	-10.4	.	-20.6	-11.1	-0.2	-9.5	.	20.4	27.9	0.6	-7.5	.
Growth rates																
2009	2.4	3.9	-2.4	-0.6	4.3	8.5	1.9	-9.5	-19.0	10.7	93.4	-2.0	-0.8	-22.3	-7.9	67.2
2010	3.2	4.8	7.0	-5.2	4.7	4.8	4.4	-13.5	-4.9	14.9	127.8	-9.5	-16.0	-25.4	21.1	-91.9
2011 Q1	2.6	2.6	1.7	-16.4	2.6	-3.2	2.9	-14.0	2.5	12.4	131.9	0.8	-6.5	-10.2	34.8	65.6
Q2	3.1	3.4	4.8	-9.8	3.3	-14.1	3.7	-12.4	9.7	12.3	126.5	-0.8	-4.4	9.2	13.7	93.4
Q3	0.5	0.5	-4.0	-10.5	0.8	.	-0.6	-17.0	1.5	8.0	.	7.9	4.2	3.7	24.5	.

4. Portfolio investment liabilities

	Total		Equity				Debt instruments									
	1	2	3	4	5	6	Bonds and notes			Money market instruments						
							7	8	9	10	11	12				
													Total	MFIs	Non-MFIs	Total	MFIs	Non-MFIs
							General government					General government				
Outstanding amounts (international investment position)																
2009	6,781.9	2,781.9	686.2	2,095.7	3,493.1	1,093.2	2,399.9	1,481.2	506.9	66.2	440.7	409.3				
2010	7,442.9	3,150.7	658.0	2,492.7	3,823.0	1,165.4	2,657.5	1,680.3	469.2	77.2	392.0	352.6				
2011 Q1	7,469.7	3,206.3	651.6	2,554.8	3,760.6	1,113.4	2,647.2	1,698.3	502.8	109.0	393.7	360.0				
Q2	7,681.2	3,127.4	636.2	2,491.3	4,010.3	1,169.6	2,840.7	1,827.9	543.4	140.1	403.3	354.9				
Transactions																
2008	266.4	-108.6	78.1	-186.7	175.5	-15.6	191.0	159.4	199.5	-25.0	224.6	191.0				
2009	355.3	121.6	10.7	110.9	143.2	-15.6	158.8	103.7	90.5	-18.3	108.9	144.3				
2010	293.6	128.9	-14.2	143.1	174.2	57.3	116.9	189.2	-9.5	28.9	-38.4	-34.8				
2011 Q1	155.6	88.2	6.9	81.4	22.1	28.8	-6.8	31.7	45.4	35.4	10.0	20.8				
Q2	189.1	-12.3	-5.3	-7.0	174.8	46.0	128.9	98.3	26.5	21.9	4.6	-1.3				
Q3	-51.7	-16.9	5.4	-22.3	-39.1	12.6	-51.7	.	4.3	2.8	1.4	.				
2011 May	78.1	-14.3	-3.3	-11.0	63.4	14.6	48.8	.	29.1	13.0	16.0	.				
June	74.4	1.8	-5.8	7.6	67.8	24.8	43.0	.	4.9	0.9	3.9	.				
July	-26.7	8.6	-15.8	24.4	-30.7	2.3	-33.0	.	-4.6	-4.0	-0.6	.				
Aug.	-34.0	-19.7	19.4	-39.1	-5.6	5.9	-11.5	.	-8.6	-1.0	-7.6	.				
Sep.	9.0	-5.7	1.9	-7.6	-2.8	4.4	-7.1	.	17.5	7.8	9.7	.				
Growth rates																
2009	5.9	5.2	1.6	6.6	4.2	-1.3	7.2	7.4	23.0	-28.7	33.0	53.5				
2010	4.2	4.5	-2.1	6.7	4.9	5.0	4.8	12.6	-1.9	42.9	-8.9	-8.7				
2011 Q1	5.3	7.1	1.1	8.9	3.4	5.9	2.3	8.6	9.0	68.9	-1.5	0.9				
Q2	6.4	6.1	1.5	7.5	5.5	10.1	3.5	7.5	16.7	151.2	-1.8	2.9				
Q3	4.9	3.5	0.0	4.5	5.4	10.2	3.4	.	10.5	77.3	-2.0	.				

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				
		Total	Loans/ currency and deposits	Other assets	Total	Loans/ currency and deposits	Other assets	Trade credits	Loans/currency and deposits	Currency and deposits	Trade credits	Loans/currency and deposits	Currency and deposits		
														1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Outstanding amounts (international investment position)															
2009	4,675.9	30.2	29.8	0.4	2,834.7	2,804.2	30.5	122.1	8.4	74.9	15.9	1,688.9	201.4	1,344.7	402.6
2010	5,002.9	32.6	32.0	0.7	2,972.3	2,939.9	32.4	166.3	7.6	117.6	21.0	1,831.8	214.4	1,468.5	428.6
2011 Q1	4,977.1	35.3	35.1	0.2	2,963.5	2,923.3	40.2	153.1	7.5	104.7	16.8	1,825.3	223.8	1,449.8	434.7
Q2	5,080.6	40.4	40.2	0.2	3,043.7	2,994.0	49.7	147.4	7.5	99.5	19.2	1,849.1	224.4	1,480.1	443.6
Transactions															
2008	0.5	-9.5	-9.5	0.0	-42.6	-59.2	16.6	-5.7	-1.1	-5.9	-4.7	58.3	-1.1	48.0	-22.0
2009	-531.9	0.1	0.0	0.1	-420.5	-399.9	-20.5	10.7	-0.4	9.3	1.2	-122.2	7.5	-128.0	-34.6
2010	176.7	-2.9	-2.9	0.0	8.5	-0.4	8.9	40.0	-0.3	39.4	4.9	131.2	7.0	100.9	46.3
2011 Q1	86.9	3.6	3.6	0.0	63.3	55.2	8.1	-7.8	-0.1	-8.2	-4.2	27.8	11.2	-0.7	2.6
Q2	118.7	4.6	4.6	0.0	61.3	54.7	6.6	1.0	0.0	0.6	2.4	51.8	0.6	49.5	22.6
Q3	117.4	-2.9	.	.	88.5	.	.	-6.5	.	.	-1.6	38.4	.	.	15.1
2011 May	97.3	-1.5	.	.	65.5	.	.	-1.9	.	.	-0.2	35.2	.	.	10.5
June	-76.4	0.6	.	.	-87.4	.	.	1.4	.	.	2.7	9.1	.	.	4.9
July	-18.7	-0.1	.	.	-19.5	.	.	-5.4	.	.	-1.7	6.2	.	.	4.3
Aug.	114.4	0.5	.	.	103.8	.	.	-3.6	.	.	-3.0	13.8	.	.	0.0
Sep.	21.7	-3.3	.	.	4.2	.	.	2.5	.	.	3.1	18.4	.	.	10.9
Growth rates															
2009	-10.1	-0.4	-1.4	23.4	-12.8	-12.4	-36.9	9.8	-3.5	15.3	7.9	-6.7	3.8	-8.6	-8.1
2010	3.7	-13.1	-13.0	-9.9	0.4	0.1	27.8	31.9	-3.1	50.8	30.6	7.6	3.4	7.3	11.1
2011 Q1	3.4	26.3	27.3	-10.9	0.5	0.1	44.7	32.3	-3.3	53.5	36.0	5.9	10.7	4.8	10.0
Q2	4.9	65.6	67.1	-1.3	2.8	2.4	37.8	18.2	-3.2	27.6	3.6	6.6	6.7	6.3	14.9
Q3	7.1	45.1	.	.	6.2	.	.	16.3	.	.	8.5	7.3	.	.	14.2

6. Other investment liabilities

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government			Other sectors				
		Total	Loans/ currency and deposits	Other liabilities	Total	Loans/ currency and deposits	Other liabilities	Total	Trade credits	Loans	Other liabilities	Total	Trade credits	Loans	Other liabilities
Outstanding amounts (international investment position)															
2009	4,985.4	251.7	251.3	0.4	3,399.7	3,360.7	39.0	85.2	0.0	80.8	4.4	1,248.8	177.8	929.3	141.7
2010	5,304.0	268.8	265.7	3.1	3,508.6	3,462.6	46.0	153.9	0.0	147.2	6.6	1,372.8	200.8	1,016.2	155.8
2011 Q1	5,168.1	272.3	271.8	0.5	3,365.9	3,310.5	55.4	174.1	0.0	168.6	5.4	1,355.8	207.5	984.5	163.8
Q2	5,144.9	277.7	274.9	2.8	3,326.5	3,270.6	55.9	186.2	0.0	180.9	5.3	1,354.5	207.2	990.5	156.8
Transactions															
2008	179.4	280.9	280.9	0.0	-174.7	-186.0	11.3	9.5	0.0	10.9	-1.3	63.6	9.4	44.4	9.8
2009	-702.1	-233.2	-233.4	0.2	-352.7	-341.5	-11.2	17.8	0.0	17.8	0.0	-134.0	0.8	-126.1	-8.7
2010	115.5	8.9	6.3	2.6	-10.8	-16.8	6.0	64.6	0.0	63.8	0.8	52.8	15.5	13.5	23.8
2011 Q1	-2.2	9.6	12.1	-2.6	-62.9	-73.7	10.8	27.1	0.0	28.3	-1.2	24.0	6.3	-0.4	18.0
Q2	4.4	7.2	4.9	2.4	-17.9	-19.2	1.3	12.2	0.0	12.3	-0.1	2.8	-0.2	0.1	2.9
Q3	104.4	29.9	.	.	7.3	.	.	23.5	.	.	.	43.7	.	.	.
2011 May	77.7	5.4	.	.	54.7	.	.	11.1	.	.	.	6.6	.	.	.
June	-172.1	1.3	.	.	-168.4	.	.	3.2	.	.	.	-8.2	.	.	.
July	9.7	14.2	.	.	-24.3	.	.	6.9	.	.	.	13.0	.	.	.
Aug.	87.0	7.1	.	.	53.0	.	.	-2.5	.	.	.	29.4	.	.	.
Sep.	7.6	8.6	.	.	-21.4	.	.	19.0	.	.	.	1.3	.	.	.
Growth rates															
2009	-12.2	-48.1	-48.2	.	-9.3	-9.2	-19.8	25.7	.	27.4	-0.9	-9.4	0.3	-11.5	-5.8
2010	2.3	3.4	2.4	.	-0.2	-0.4	15.8	74.2	.	78.3	11.7	4.0	8.6	1.2	15.8
2011 Q1	-0.4	9.4	9.6	.	-4.9	-5.3	26.8	99.8	.	106.7	-2.7	3.5	14.2	-0.2	14.6
Q2	-0.3	12.6	11.8	.	-5.2	-5.6	23.3	93.6	.	101.8	-18.8	4.0	8.6	0.8	19.5
Q3	0.7	25.9	.	.	-4.8	.	.	102.6	.	.	.	2.5	.	.	.

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 assets¹⁾

	Reserve assets													Memo items			
	Total	Monetary gold		SDR holdings	Reserve position in the IMF	Foreign exchange							Other claims	Other foreign currency assets	Pre-determined short-term net drains on foreign currency	SDR allocations	
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities			Financial derivatives					
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes						Money market instruments
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
Outstanding amounts (international investment position)																	
2007	347.2	201.0	353.688	4.6	3.6	138.0	7.2	22.0	108.5	0.4	87.8	20.3	0.3	0.0	44.3	-38.5	5.3
2008	374.2	217.0	349.207	4.7	7.3	145.1	7.6	8.1	129.5	0.6	111.3	17.6	0.0	0.0	262.8	-245.7	5.5
2009	462.4	266.1	347.180	50.8	10.5	134.9	11.7	8.1	115.2	0.5	92.0	22.7	-0.1	0.0	32.1	-24.2	51.2
2010 Q4	591.2	366.2	346.962	54.2	15.8	155.0	7.7	16.1	131.3	0.5	111.2	19.5	0.0	0.0	26.3	-24.4	54.5
2011 Q1	576.6	351.5	346.988	51.1	21.6	152.4	5.6	18.2	128.2	0.5	108.6	19.0	0.4	0.0	21.3	-24.5	52.6
Q2	580.8	361.4	346.989	50.4	22.4	146.5	5.1	13.0	128.2	0.5	108.3	19.3	0.2	0.0	20.4	-18.1	52.2
2011 Sep.	646.7	416.3	346.990	52.9	26.0	151.4	5.5	11.2	135.2	-	-	-	-0.4	0.0	31.4	-24.5	54.5
Oct.	651.7	426.6	346.844	51.8	25.6	147.7	5.1	8.7	133.8	-	-	-	0.0	0.0	30.4	-22.7	53.4
Transactions																	
2008	3.4	-2.7	-	-0.1	3.8	2.4	5.0	-15.7	11.8	0.1	15.8	-4.1	1.3	0.0	-	-	-
2009	-4.6	-2.0	-	0.5	3.4	-6.4	3.1	-1.2	-9.5	0.0	-14.1	4.6	1.2	0.0	-	-	-
2010	10.3	0.0	-	-0.1	4.9	5.4	-5.4	6.7	4.1	0.0	10.6	-6.5	0.0	0.0	-	-	-
2011 Q1	11.6	0.0	-	-1.2	6.7	6.1	-1.8	3.1	4.8	0.0	4.0	0.7	0.0	0.0	-	-	-
Q2	-4.3	0.0	-	-0.2	0.9	-5.1	-0.5	-5.4	0.9	0.0	0.4	0.5	-0.1	0.0	-	-	-
Q3	-3.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Growth rates																	
2007	1.6	-1.7	-	7.3	-18.3	6.3	15.0	6.4	5.7	1.1	18.6	-27.6	-	-	-	-	-
2008	1.0	-1.3	-	-2.5	105.5	1.7	67.8	-68.9	10.8	28.0	17.9	-20.6	-	-	-	-	-
2009	-1.2	-0.9	-	-2.6	45.5	-4.4	41.1	-21.3	-7.3	1.0	-12.8	25.3	-	-	-	-	-
2010	2.0	0.0	-	-0.1	46.4	3.6	-43.3	76.2	3.4	-5.2	10.3	-25.5	-	-	-	-	-
2011 Q1	2.9	0.0	-	-1.9	77.7	5.3	-44.7	68.6	4.0	-4.3	12.0	-27.9	-	-	-	-	-
Q2	2.4	0.0	-	-2.4	49.8	4.6	-36.6	5.3	7.4	1.9	12.4	-15.3	-	-	-	-	-
Q3	0.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

8. Gross external debt

	Total	By instrument					By sector (excluding direct investment)				
		Loans, currency and deposits	Money market instruments	Bonds and notes	Trade credits	Other debt liabilities	Direct investment: inter-company lending	General government	Eurosystem	MFIs (excluding Eurosystem)	Other sectors
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts (international investment position)											
2007	9,991.0	5,144.6	240.5	2,996.3	172.6	189.6	1,247.3	1,235.4	202.1	5,228.6	2,077.6
2008	10,914.5	5,340.8	398.1	3,377.9	184.1	211.8	1,401.7	1,747.0	482.7	5,006.5	2,276.5
2009	10,391.3	4,622.0	506.9	3,493.1	177.8	185.6	1,405.9	1,975.7	251.7	4,559.1	2,198.9
2010 Q4	11,016.4	4,891.7	469.2	3,823.0	200.8	211.5	1,420.2	2,186.8	268.8	4,751.3	2,389.4
2011 Q1	10,855.2	4,735.4	502.8	3,760.6	207.6	225.1	1,423.7	2,232.3	272.3	4,588.4	2,338.5
Q2	11,126.4	4,716.9	543.4	4,010.3	207.3	220.8	1,427.7	2,369.0	277.7	4,636.2	2,415.7
Outstanding amounts as a percentage of GDP											
2007	110.6	56.9	2.7	33.2	1.9	2.1	13.8	13.7	2.2	57.9	23.0
2008	118.2	57.8	4.3	36.6	2.0	2.3	15.2	18.9	5.2	54.2	24.6
2009	116.4	51.8	5.7	39.1	2.0	2.1	15.7	22.1	2.8	51.1	24.6
2010 Q4	120.3	53.4	5.1	41.8	2.2	2.3	15.5	23.9	2.9	51.9	26.1
2011 Q1	117.5	51.3	5.4	40.7	2.2	2.4	15.4	24.2	2.9	49.7	25.3
Q2	119.6	50.7	5.8	43.1	2.2	2.4	15.3	25.5	3.0	49.8	26.0

Source: ECB.

1) Data refer to the changing composition of the euro area, in line with the approach adopted for the reserve assets of the Eurosystem. For further information, see the General Notes.

7.3 Financial account

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

9. Geographical breakdown

	Total	EU Member States outside the euro area					Canada	China	Japan	Switzer-land	United States	Offshore financial centres	Interna-tional organisa-tions	Other countries	
	1	Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions	8	9	10	11	12	13	14	15
2010	Outstanding amounts (international investment position)														
Direct investment	1,083.3	116.9	3.8	-6.6	-170.8	291.8	-1.3	50.4	57.1	-3.9	178.9	-23.2	42.7	-0.3	664.8
Abroad	4,798.2	1,490.8	36.2	141.7	994.2	318.7	0.0	154.7	61.5	87.2	479.5	899.7	586.7	0.0	1,037.9
Equity/reinvested earnings	3,667.1	1,114.0	32.2	88.8	733.5	259.4	0.0	121.4	49.5	65.8	374.0	637.1	501.8	0.0	803.6
Other capital	1,131.1	376.8	4.0	52.9	260.7	59.2	0.0	33.3	12.0	21.4	105.6	262.7	85.0	0.0	234.3
In the euro area	3,714.8	1,374.0	32.5	148.4	1,165.0	26.9	1.3	104.3	4.4	91.1	300.6	922.9	544.1	0.4	373.1
Equity/reinvested earnings	2,820.2	1,121.1	22.5	133.9	958.4	4.9	1.3	91.7	3.4	73.5	201.8	702.5	387.3	0.1	238.8
Other capital	894.6	252.9	10.0	14.4	206.6	21.9	0.0	12.6	1.0	17.6	98.8	220.4	156.7	0.2	134.3
Portfolio investment assets	4,907.5	1,550.5	84.0	189.3	1,054.9	103.5	118.9	110.8	59.5	203.6	134.6	1,557.4	460.8	30.8	799.6
Equity	1,914.2	379.4	13.7	46.0	300.5	18.1	1.1	44.6	57.2	106.3	117.5	574.9	243.0	1.4	390.1
Debt instruments	2,993.3	1,171.1	70.3	143.3	754.4	85.3	117.8	66.3	2.2	97.3	17.1	982.5	217.8	29.4	409.6
Bonds and notes	2,588.8	1,031.4	63.0	121.3	646.1	83.8	117.2	61.8	1.4	44.3	11.7	836.1	208.6	29.0	364.5
Money market instruments	404.5	139.7	7.3	21.9	108.3	1.6	0.6	4.5	0.8	53.0	5.5	146.4	9.2	0.4	45.1
Other investment	-301.1	-241.1	54.8	1.5	-202.0	85.9	-181.2	-7.3	-8.0	19.9	-34.4	-94.6	-5.0	-25.2	94.7
Assets	5,002.9	2,295.1	112.6	96.9	1,869.7	198.5	17.4	28.5	38.7	103.7	275.2	713.1	588.7	48.8	911.2
General government	166.3	55.0	0.8	6.5	34.6	2.1	11.0	1.9	3.2	2.6	1.2	13.7	3.6	31.8	53.2
MFIs	3,004.9	1,576.0	90.7	52.9	1,268.2	160.9	3.3	15.6	12.1	72.6	136.3	375.8	367.6	16.5	432.4
Other sectors	1,831.8	664.0	21.1	37.5	566.9	35.5	3.1	11.0	23.4	28.5	137.7	323.6	217.4	0.6	425.5
Liabilities	5,304.0	2,536.1	57.9	95.4	2,071.7	112.6	198.6	35.8	46.7	83.8	309.6	807.8	593.6	74.0	816.5
General government	153.9	92.1	0.2	0.5	57.1	0.2	34.1	0.1	0.1	0.1	0.8	27.3	1.7	27.6	4.1
MFIs	3,777.4	1,855.6	45.5	63.8	1,555.6	84.5	106.1	27.6	22.1	50.4	233.4	491.5	475.5	43.4	577.9
Other sectors	1,372.8	588.4	12.2	31.1	458.9	27.9	58.3	8.2	24.6	33.2	75.4	289.0	116.5	3.0	234.5
2010 Q3 to 2011 Q2	Cumulated transactions														
Direct investment	11.1	22.6	0.6	-8.6	15.7	14.9	0.0	-29.0	6.7	1.6	-24.9	-15.3	8.0	-0.1	41.5
Abroad	179.9	47.7	1.6	2.1	25.2	18.7	0.0	1.8	6.6	1.4	-3.2	21.3	26.8	0.0	77.4
Equity/reinvested earnings	127.3	38.3	1.7	3.5	14.6	18.5	0.0	1.9	3.7	2.1	-4.8	20.1	7.0	0.0	59.0
Other capital	52.6	9.4	0.0	-1.4	10.6	0.2	0.0	0.0	2.9	-0.6	1.6	1.3	19.7	0.0	18.4
In the euro area	168.9	25.1	1.0	10.7	9.5	3.8	0.0	30.9	-0.1	-0.1	21.7	36.6	18.8	0.1	36.0
Equity/reinvested earnings	142.2	34.2	-0.2	8.1	26.1	0.2	0.0	31.7	0.4	0.4	1.3	29.1	17.5	0.0	27.6
Other capital	26.6	-9.2	1.2	2.6	-16.5	3.6	0.0	-0.8	-0.5	-0.6	20.4	7.5	1.3	0.1	8.4
Portfolio investment assets	148.8	31.3	-2.8	16.8	-0.7	6.0	11.9	-2.5	12.1	3.3	1.3	48.9	-24.8	0.6	78.6
Equity	58.4	12.7	0.7	4.7	6.5	0.8	0.1	5.4	11.3	1.2	-3.3	20.2	-7.2	-0.4	18.5
Debt instruments	90.3	18.5	-3.5	12.1	-7.2	5.3	11.9	-8.0	0.8	2.1	4.7	28.7	-17.6	1.0	60.1
Bonds and notes	94.1	42.1	-1.9	12.4	14.7	4.9	12.0	-9.0	0.7	0.8	3.3	20.2	-19.8	1.2	54.5
Money market instruments	-3.7	-23.5	-1.6	-0.3	-21.9	0.4	-0.1	1.0	0.0	1.2	1.4	8.6	2.2	-0.2	5.6
Other investment	253.4	148.4	1.3	8.7	168.8	2.4	-32.7	-1.0	1.8	4.2	44.0	-4.7	126.0	-43.7	-21.6
Assets	242.2	119.0	1.6	20.4	89.8	6.3	0.9	-0.2	9.3	15.0	13.9	20.6	49.4	-11.1	26.4
General government	24.1	9.7	0.8	0.9	6.8	1.4	-0.3	1.0	0.0	2.3	0.7	7.4	0.4	0.8	1.9
MFIs	98.6	30.9	-1.8	13.7	15.0	4.0	-0.1	-1.8	7.9	11.4	0.1	9.4	38.7	-11.9	14.1
Other sectors	119.5	78.5	2.6	5.8	68.0	0.9	1.3	0.6	1.4	1.3	13.1	3.8	10.3	0.1	10.5
Liabilities	-11.2	-29.3	0.3	11.8	-79.0	3.9	33.7	0.8	7.4	10.8	-30.1	25.3	-76.6	32.6	48.0
General government	90.1	51.9	0.0	0.0	32.6	0.0	19.3	0.0	0.0	-0.2	-0.9	16.2	1.2	22.7	-0.7
MFIs	-157.0	-110.9	0.4	5.2	-125.5	1.8	7.3	-2.0	4.6	12.0	-35.7	20.8	-79.4	9.9	23.6
Other sectors	55.7	29.7	0.0	6.5	13.9	2.1	7.1	2.7	2.9	-1.0	6.5	-11.8	1.6	0.0	25.1

Source: ECB.

7.4 Monetary presentation of the balance of payments ¹⁾

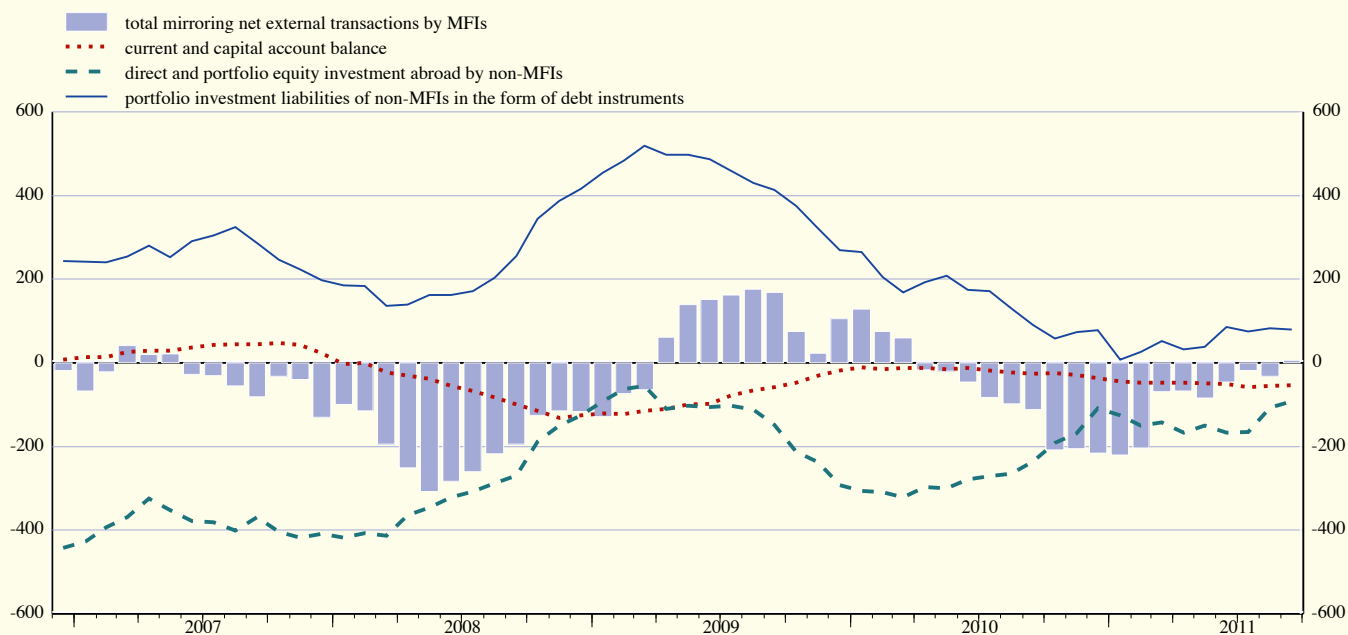
(EUR billions; transactions)

B.o.p. items mirroring net transactions by MFIs

	Total	Current and capital account balance	Transactions by non-MFIs								Financial derivatives	Errors and omissions
			Direct investment		Portfolio investment				Other investment			
			By resident units abroad	By non-resident units in euro area	Assets		Liabilities		Assets	Liabilities		
					Equity	Debt instruments	Equity	Debt instruments				
1	2	3	4	5	6	7	8	9	10	11	12	
2008	-116.9	-125.2	-327.9	112.0	59.2	-11.0	-186.9	416.4	-53.1	73.5	-84.4	10.6
2009	105.7	-19.1	-311.9	224.8	-54.8	-132.8	111.0	268.8	111.5	-115.9	21.1	3.0
2010	-216.3	-37.3	-161.3	125.2	-70.7	-249.1	143.2	77.8	-170.3	117.2	17.4	-8.4
2010 Q3	-59.5	-6.4	-49.0	-3.8	-3.8	-44.6	41.0	-43.9	-23.2	68.6	6.3	-0.6
Q4	-57.3	4.2	20.2	63.1	-37.6	-113.2	54.6	-7.4	-46.9	11.1	8.9	-14.4
2011 Q1	69.3	-27.8	-85.5	80.2	1.0	-24.0	81.4	3.2	-20.0	51.1	-2.2	12.1
Q2	2.1	-20.1	-53.2	30.8	-13.9	-33.2	-7.0	133.4	-52.8	15.0	3.4	-0.4
Q3	-7.6	-9.1	-24.8	16.0	38.7	15.2	-22.3	-50.2	-31.9	67.2	-3.4	-3.0
2010 Sep.	-26.0	-5.5	-12.3	3.7	-4.1	-15.6	15.1	6.6	-27.7	14.2	0.3	-0.8
Oct.	-84.2	2.5	5.2	-16.2	-17.2	-87.7	44.7	7.3	-26.8	9.2	-0.2	-4.9
Nov.	-7.0	-3.0	7.8	39.5	-9.4	-23.4	-15.1	30.4	-23.3	-2.9	3.1	-10.6
Dec.	33.8	4.7	7.1	39.9	-11.0	-2.0	25.1	-45.1	3.1	4.8	6.1	1.0
2011 Jan.	-23.6	-19.6	-29.4	37.4	0.2	-12.3	10.3	-37.0	-21.4	43.2	-1.0	6.0
Feb.	3.2	-7.1	-25.6	0.5	-1.1	-12.2	43.8	10.6	0.8	-12.3	0.8	5.0
Mar.	89.7	-1.1	-30.4	42.2	1.9	0.5	27.2	29.6	0.6	20.2	-2.1	1.1
Apr.	-31.3	-5.0	-47.1	22.3	-6.9	-15.7	-3.6	21.7	-9.0	2.4	2.9	6.8
May	-2.4	-15.7	-6.2	0.5	-1.2	-19.1	-11.0	64.8	-33.3	17.7	-1.5	2.5
June	35.8	0.6	0.1	8.1	-5.7	1.6	7.6	46.9	-10.5	-5.0	1.9	-9.8
July	-7.9	-1.6	-13.8	12.2	-0.3	-8.6	24.4	-33.7	-0.9	19.9	-4.6	-0.9
Aug.	-12.7	-5.0	7.4	-6.6	28.5	6.8	-39.1	-19.1	-10.2	27.0	-0.7	-1.8
Sep.	13.0	-2.5	-18.4	10.4	10.4	17.0	-7.6	2.5	-20.8	20.4	1.9	-0.3
<i>12-month cumulated transactions</i>												
2011 Sep.	6.5	-52.8	-143.2	190.2	-11.8	-155.2	106.7	79.0	-151.6	144.5	6.7	-5.8

C38 Main b.o.p. items mirroring developments in MFI net external transactions 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.

7.5 Trade in goods

1. Values and volumes by product group ¹⁾

(seasonally adjusted, unless otherwise indicated)

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
	Exports	Imports	Total			Memo item: Manufacturing	Total			Memo items:			
			Intermediate	Capital	Consumption		Intermediate	Capital	Consumption	Manufacturing	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)													
2009	-18.0	-21.8	1,279.7	628.0	264.3	355.3	1,063.2	1,266.8	734.4	193.9	316.8	841.0	182.1
2010	20.0	22.5	1,531.8	764.8	311.3	419.8	1,268.5	1,546.0	945.7	229.9	348.1	1,017.0	247.3
2010 Q4	22.2	25.6	404.0	201.6	84.2	109.5	332.8	407.1	253.6	59.2	89.5	265.6	66.4
2011 Q1	21.7	24.2	427.2	214.5	86.1	116.1	350.3	435.3	275.9	59.6	91.7	277.2	74.2
Q2	13.0	12.8	429.2	215.7	86.7	116.3	350.5	435.6	279.7	58.3	89.8	274.8	77.1
Q3	9.4	8.9	436.4	217.7	87.1	119.5	357.8	438.6	278.5	58.5	92.6	274.8	.
2011 Apr.	14.6	17.8	144.4	72.3	28.3	39.4	116.0	146.9	94.5	20.2	29.7	91.7	26.9
May	22.4	17.8	146.2	73.2	30.3	40.1	121.2	147.4	94.4	19.5	30.5	93.8	25.3
June	3.4	3.7	138.7	70.2	28.1	36.8	113.2	141.4	90.8	18.6	29.6	89.3	24.8
July	5.2	7.4	142.1	71.4	28.1	38.2	115.9	145.2	93.0	19.3	29.9	90.8	27.3
Aug.	13.8	11.7	147.9	73.6	29.8	40.5	123.0	149.1	94.6	20.0	31.1	95.2	26.3
Sep.	9.7	7.9	146.4	72.6	29.3	40.9	119.0	144.3	90.9	19.2	31.7	88.9	.
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2009	-16.5	-13.7	119.5	114.8	119.0	128.0	116.0	109.7	101.0	115.7	136.3	111.0	101.7
2010	14.8	10.7	136.6	132.3	138.4	143.5	133.9	120.7	112.9	131.2	143.1	127.7	100.7
2010 Q3	16.0	12.7	139.8	134.8	143.7	145.5	137.4	122.2	114.0	134.1	143.9	130.6	101.4
Q4	15.1	10.3	142.5	137.3	149.4	148.0	139.3	123.6	116.3	134.5	145.0	131.7	102.7
2011 Q1	13.5	7.9	146.1	141.2	149.8	152.5	143.2	125.0	117.9	132.6	144.8	133.6	96.8
Q2	8.2	2.8	146.8	140.6	152.0	154.2	143.9	123.8	116.3	132.9	143.4	134.0	92.4
2011 Mar.	8.9	1.5	147.4	142.9	154.0	154.7	145.5	124.0	116.9	129.2	146.5	135.2	95.6
Apr.	8.1	5.0	147.8	141.0	149.7	156.1	142.8	124.5	116.9	138.7	142.6	134.2	95.1
May	17.3	8.1	150.2	143.4	159.3	159.6	149.2	126.8	119.0	134.8	147.2	138.4	90.7
June	0.2	-4.3	142.3	137.4	146.8	147.0	139.5	120.0	113.1	125.3	140.4	129.6	91.2
July	1.6	1.1	144.8	139.1	146.7	150.1	141.6	124.2	117.1	133.3	140.9	132.5	100.6
Aug.	9.1	3.9	150.4	142.8	155.3	158.8	150.2	126.0	117.7	136.7	144.1	137.6	96.4

2. Prices ²⁾

(annual percentage changes, unless otherwise indicated)

	Industrial producer export prices (f.o.b.) ³⁾							Industrial import prices (c.i.f.)						
	Total (index: 2005 = 100)	Total				Memo item: Manufac- turing	Total (index: 2005 = 100)	Total				Memo item: Manufac- turing		
		Intermediate goods	Capital goods	Consumer goods	Energy			Intermediate goods	Capital goods	Consumer goods	Energy			
% of total	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2009	101.5	-2.7	-4.0	0.5	0.5	-23.7	-2.6	100.1	-8.7	-4.8	1.8	1.0	-28.3	-2.6
2010	105.4	3.9	4.8	1.1	2.2	26.3	3.8	109.8	9.8	9.7	1.4	2.9	27.5	5.8
2011 Q1	109.1	5.9	8.5	2.0	2.9	25.8	5.8	118.3	12.2	11.3	0.7	6.0	31.8	7.0
Q2	110.2	4.1	6.0	0.8	1.8	22.0	4.0	118.8	7.5	3.9	-3.0	3.2	27.8	2.0
Q3	110.5	4.0	5.0	0.9	1.8	25.5	3.9	118.8	7.1	2.5	-3.5	2.7	28.4	1.5
2011 May	110.2	4.0	5.9	0.8	1.6	22.1	3.9	118.5	7.1	2.4	-3.0	3.0	28.3	1.2
June	110.1	3.4	5.1	0.6	1.2	18.8	3.3	117.8	5.9	2.6	-4.2	2.0	24.8	0.7
July	110.5	4.0	5.3	0.8	1.7	25.9	4.0	119.0	7.5	3.6	-4.0	2.7	29.5	1.5
Aug.	110.3	3.8	4.8	0.8	1.8	23.4	3.7	118.1	6.2	2.0	-3.4	2.4	25.5	1.3
Sep.	110.6	4.0	4.8	1.1	1.9	27.2	4.0	119.2	7.4	2.0	-3.0	3.2	30.2	1.6
Oct.	110.4	4.1	4.4	1.7	2.5	24.4	4.0	121.6	10.0	3.2	-0.5	4.7	29.9	3.7

Source: Eurostat.

- Product groups as classified in the Broad Economic Categories. Unlike the product groups shown in Table 2, intermediate and consumption product groups include agricultural and energy products.
- Product groups as classified in the Main Industrial Groupings. Unlike the product groups shown in Table 1, intermediate and consumer goods do not include energy products, and agricultural goods are not covered. Manufacturing has a different composition compared with the data shown in columns 7 and 12 of Table 1. Data shown are price indices which follow the pure price change for a basket of products and are not simple ratios of the value and volume data shown in Table 1, which are affected by changes in the composition and quality of traded goods. These indices differ from the GDP deflators for imports and exports (shown in Table 3 in Section 5.1), mainly because those deflators include all goods and services and cover cross-border trade within the euro area.
- Industrial producer export prices refer to direct transactions between domestic producers and non-domestic customers. Contrary to the data shown for values and volumes in Table 1, exports from wholesalers and re-exports are not covered.

7.5 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

3. Geographical breakdown

	Total	EU Member States outside the euro area				Russia	Switzerland	Turkey	United States	Asia		Africa	Latin America	Other countries	
		Denmark	Sweden	United Kingdom	Other EU countries					China	Japan				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Exports (f.o.b.)															
2009	1,279.7	27.3	41.5	175.3	174.6	50.1	78.8	34.8	152.4	284.4	68.9	28.6	92.0	54.3	29.4
2010	1,531.8	30.1	52.5	194.1	208.3	63.4	92.7	47.4	180.6	355.9	94.8	34.6	104.9	73.4	17.7
2010 Q2	378.9	7.3	13.2	47.9	51.0	15.4	22.8	11.5	45.2	88.7	23.6	8.7	25.7	18.6	4.8
Q3	397.0	7.6	13.4	50.0	53.9	17.2	23.9	12.2	47.7	92.0	23.9	8.9	26.8	19.0	3.9
Q4	404.0	8.1	14.0	50.1	55.9	17.2	24.7	13.2	46.2	93.5	25.6	9.0	27.5	19.2	3.9
2011 Q1	427.2	8.0	15.0	53.2	59.0	18.7	25.8	15.3	50.0	99.4	28.9	9.3	28.1	20.2	0.4
Q2	429.2	8.2	15.4	52.1	60.3	20.1	26.5	14.3	48.1	98.4	27.3	9.5	27.0	21.0	3.5
Q3	436.4	.	.	.	.	20.9	28.6	13.6	48.2	101.3	28.5	10.1	27.7	21.2	.
2011 Apr.	144.4	2.7	5.0	17.0	19.7	6.5	9.0	4.9	16.2	32.4	8.9	3.2	9.2	7.0	3.4
May	146.2	2.8	5.3	18.0	20.5	7.1	9.3	4.8	16.3	33.9	9.5	3.2	9.1	7.4	-0.5
June	138.7	2.7	5.0	17.1	20.0	6.5	8.2	4.5	15.5	32.1	8.9	3.1	8.7	6.6	0.5
July	142.1	2.7	5.2	17.2	19.9	6.6	8.5	4.5	15.5	33.0	9.2	3.2	9.0	6.9	1.8
Aug.	147.9	2.8	5.3	18.3	20.9	7.1	10.0	4.5	17.0	34.4	9.8	3.5	9.2	7.3	-0.5
Sep.	146.4	.	.	.	.	7.2	10.0	4.5	15.7	33.9	9.5	3.4	9.5	7.0	.
Percentage share of total exports															
2010	100.0	2.0	3.4	12.7	13.6	4.1	6.0	3.1	11.8	23.2	6.2	2.3	6.9	4.8	1.2
Imports (c.i.f.)															
2009	1,266.8	27.1	38.2	127.1	161.9	84.3	65.4	26.5	116.2	380.2	157.7	43.9	94.8	59.5	-25.3
2010	1,546.0	27.2	47.3	146.9	194.9	112.7	73.5	30.9	129.8	494.6	208.6	51.4	119.2	75.3	-49.8
2010 Q2	385.2	6.7	11.9	36.3	48.2	28.5	19.5	7.6	32.0	125.0	53.0	13.1	29.9	18.2	-14.8
Q3	401.2	6.9	12.5	37.6	50.0	28.2	18.8	7.8	34.3	130.5	55.7	13.2	29.7	19.5	-10.5
Q4	407.1	7.0	12.6	38.4	52.2	30.2	18.3	8.3	34.2	128.4	54.1	13.1	32.6	20.9	-14.4
2011 Q1	435.3	7.3	13.2	41.7	55.5	34.7	19.4	9.0	35.4	135.7	54.8	13.7	35.7	21.4	-17.3
Q2	435.6	7.5	13.3	41.4	56.2	34.6	20.0	8.9	34.0	138.4	55.9	12.7	30.9	21.9	-15.0
Q3	438.6	.	.	.	.	31.8	22.2	8.5	34.1	137.0	54.2	13.3	30.9	23.4	.
2011 Apr.	146.9	2.4	4.3	13.9	18.5	12.1	6.6	3.0	11.6	46.7	18.7	4.4	10.3	7.3	-5.0
May	147.4	2.7	4.7	13.9	19.0	12.6	6.8	3.0	11.4	46.4	18.8	4.2	9.8	7.5	-5.9
June	141.4	2.4	4.3	13.6	18.6	9.8	6.7	2.9	11.0	45.4	18.5	4.1	10.8	7.1	-4.1
July	145.2	2.4	4.5	14.1	18.7	11.8	6.7	2.9	11.0	46.4	18.1	4.5	9.7	7.7	-5.3
Aug.	149.1	2.4	4.7	14.1	19.1	9.7	8.0	2.9	11.5	46.7	18.9	4.5	10.9	8.1	-1.7
Sep.	144.3	.	.	.	.	10.4	7.5	2.8	11.6	43.8	17.2	4.3	10.4	7.6	.
Percentage share of total imports															
2010	100.0	1.8	3.1	9.5	12.6	7.3	4.8	2.0	8.4	32.0	13.5	3.3	7.7	4.9	-3.2
Balance															
2009	13.0	0.2	3.3	48.2	12.7	-34.2	13.3	8.3	36.2	-95.8	-88.8	-15.2	-2.8	-5.2	54.7
2010	-14.2	2.9	5.2	47.2	13.4	-49.3	19.2	16.5	50.8	-138.7	-113.8	-16.8	-14.4	-1.8	67.5
2010 Q2	-6.4	0.6	1.3	11.5	2.8	-13.1	3.3	3.9	13.2	-36.3	-29.5	-4.4	-4.2	0.4	19.6
Q3	-4.2	0.7	0.9	12.5	4.0	-11.0	5.1	4.4	13.4	-38.5	-31.7	-4.4	-2.8	-0.5	14.3
Q4	-3.1	1.2	1.5	11.7	3.6	-13.0	6.4	4.9	12.1	-34.9	-28.6	-4.1	-5.1	-1.8	18.3
2011 Q1	-8.1	0.8	1.8	11.5	3.5	-16.0	6.4	6.4	14.5	-36.2	-25.9	-4.4	-7.6	-1.3	17.7
Q2	-6.3	0.7	2.1	10.7	4.1	-14.4	6.5	5.4	14.0	-40.0	-28.6	-3.2	-3.9	-0.9	18.5
Q3	-2.2	.	.	.	.	-10.9	6.3	5.0	14.1	-35.7	-25.7	-3.1	-3.2	-2.2	.
2011 Apr.	-2.5	0.4	0.7	3.1	1.2	-5.7	2.4	1.9	4.6	-14.2	-9.8	-1.2	-1.1	-0.3	8.4
May	-1.2	0.1	0.6	4.1	1.5	-5.5	2.6	1.9	4.9	-12.4	-9.2	-1.0	-0.7	-0.1	5.4
June	-2.7	0.3	0.7	3.5	1.4	-3.3	1.5	1.6	4.5	-13.4	-9.6	-1.0	-2.0	-0.5	4.7
July	-3.1	0.3	0.7	3.1	1.2	-5.1	1.8	1.7	4.5	-13.4	-9.0	-1.2	-0.7	-0.7	7.1
Aug.	-1.2	0.3	0.6	4.2	1.8	-2.7	2.0	1.6	5.5	-12.3	-9.1	-1.1	-1.6	-0.8	1.2
Sep.	2.1	.	.	.	.	-3.2	2.5	1.7	4.1	-9.9	-7.6	-0.9	-0.8	-0.6	.

Source: Eurostat.



EXCHANGE RATES

8.1 Effective exchange rates ¹⁾

(period averages; index: 1999 Q1=100)

	EER-20						EER-40	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2008	110.4	109.9	107.7	105.1	115.4	104.1	117.9	107.1
2009	111.7	110.6	104.9	106.1	120.4	106.0	120.6	108.0
2010	104.6	103.0	98.8	98.4	109.6	98.0	112.3	99.3
2010 Q3	102.3	100.8	96.9	96.5	106.9	95.4	109.8	97.2
Q4	104.4	102.4	98.7	97.7	108.7	97.7	112.1	98.7
2011 Q1	103.7	101.5	98.0	96.9	107.0	96.4	111.6	97.9
Q2	106.4	104.2	100.2	99.5	109.4	99.2	114.5	100.5
Q3	104.6	102.1	98.4	.	.	.	113.3	99.1
2010 Nov.	104.7	102.7	99.0	-	-	-	112.5	99.0
Dec.	102.6	100.6	96.9	-	-	-	110.1	96.8
2011 Jan.	102.4	100.3	96.9	-	-	-	110.1	96.7
Feb.	103.4	101.1	97.8	-	-	-	111.4	97.6
Mar.	105.2	103.1	99.4	-	-	-	113.2	99.4
Apr.	107.0	104.9	101.0	-	-	-	115.0	101.1
May	106.0	103.8	99.7	-	-	-	114.1	100.1
June	106.1	104.0	99.9	-	-	-	114.4	100.3
July	105.2	102.6	99.0	-	-	-	113.4	99.1
Aug.	104.9	102.3	98.8	-	-	-	113.8	99.4
Sep.	103.8	101.4	97.6	-	-	-	112.8	98.7
Oct.	104.0	101.7	98.1	-	-	-	113.3	99.1
Nov.	103.5	101.3	97.7	-	-	-	112.8	98.6
	<i>Percentage change versus previous month</i>							
2011 Nov.	-0.5	-0.4	-0.4	-	-	-	-0.5	-0.6
	<i>Percentage change versus previous year</i>							
2011 Nov.	-1.1	-1.4	-1.3	-	-	-	0.3	-0.4

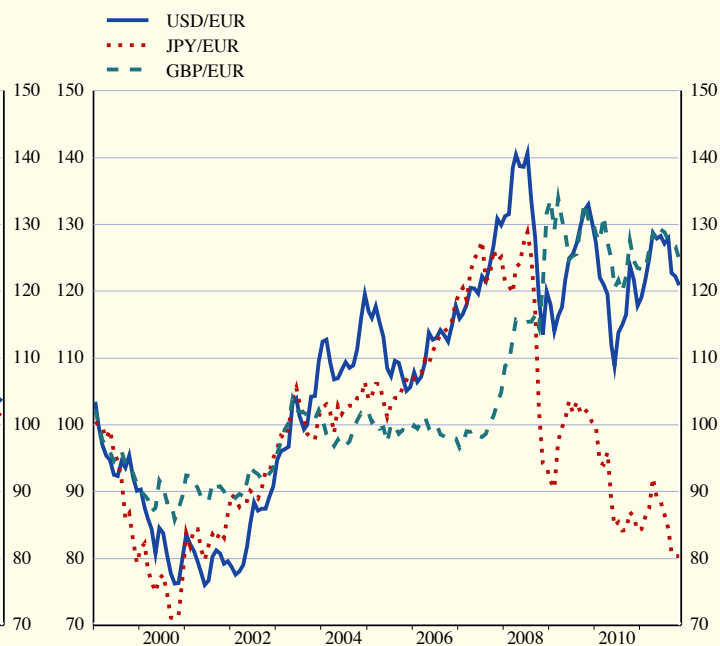
C39 Effective exchange rates

(monthly averages; index: 1999 Q1=100)



C40 Bilateral exchange rates

(monthly averages; index: 1999 Q1=100)



Source: ECB.

1) For a 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)

	Bulgarian lev	Czech koruna	Danish krone	Latvian lats	Lithuanian litas	Hungarian forint	Polish zloty	New Romanian leu	Swedish krona	Pound sterling	Croatian kuna	New Turkish lira
	1	2	3	4	5	6	7	8	9	10	11	12
2008	1.9558	24.946	7.4560	0.7027	3.4528	251.51	3.5121	3.6826	9.6152	0.79628	7.2239	1.9064
2009	1.9558	26.435	7.4462	0.7057	3.4528	280.33	4.3276	4.2399	10.6191	0.89094	7.3400	2.1631
2010	1.9558	25.284	7.4473	0.7087	3.4528	275.48	3.9947	4.2122	9.5373	0.85784	7.2891	1.9965
2011 Q1	1.9558	24.375	7.4550	0.7049	3.4528	272.43	3.9460	4.2212	8.8642	0.85386	7.4018	2.1591
Q2	1.9558	24.324	7.4573	0.7092	3.4528	266.42	3.9596	4.1378	9.0153	0.88274	7.3932	2.2579
Q3	1.9558	24.387	7.4506	0.7093	3.4528	275.10	4.1527	4.2587	9.1451	0.87760	7.4629	2.4535
2011 May	1.9558	24.381	7.4566	0.7093	3.4528	266.96	3.9404	4.1142	8.9571	0.87788	7.4052	2.2603
June	1.9558	24.286	7.4579	0.7091	3.4528	266.87	3.9702	4.1937	9.1125	0.88745	7.4065	2.3077
July	1.9558	24.335	7.4560	0.7092	3.4528	267.68	3.9951	4.2413	9.1340	0.88476	7.4316	2.3654
Aug.	1.9558	24.273	7.4498	0.7093	3.4528	272.37	4.1195	4.2505	9.1655	0.87668	7.4620	2.5147
Sep.	1.9558	24.556	7.4462	0.7093	3.4528	285.05	4.3379	4.2838	9.1343	0.87172	7.4936	2.4736
Oct.	1.9558	24.841	7.4442	0.7061	3.4528	296.79	4.3516	4.3244	9.1138	0.87036	7.4849	2.5089
Nov.	1.9558	25.464	7.4412	0.7015	3.4528	309.15	4.4324	4.3560	9.1387	0.85740	7.4923	2.4565
<i>Percentage change versus previous month</i>												
2011 Nov.	0.0	2.5	0.0	-0.6	0.0	4.2	1.9	0.7	0.3	-1.5	0.1	-2.1
<i>Percentage change versus previous year</i>												
2011 Nov.	0.0	3.4	-0.2	-1.1	0.0	12.2	12.2	1.4	-1.9	0.3	1.5	24.6
	Australian dollar	Brazilian real	Canadian dollar	Chinese yuan renminbi	Hong Kong dollar	Icelandic krona ¹⁾	Indian rupee ²⁾	Indonesian rupiah	Israeli shekel	Japanese yen	Malaysian ringgit	
	13	14	15	16	17	18	19	20	21	22	23	
2008	1.7416	2.6737	1.5594	10.2236	11.4541	143.83	63.6143	14,165.16	5.2561	152.45	4.8893	
2009	1.7727	2.7674	1.5850	9.5277	10.8114	-	67.3611	14,443.74	5.4668	130.34	4.9079	
2010	1.4423	2.3314	1.3651	8.9712	10.2994	-	60.5878	12,041.70	4.9457	116.24	4.2668	
2011 Q1	1.3614	2.2799	1.3484	9.0028	10.6535	-	61.9255	12,171.85	4.9247	112.57	4.1668	
Q2	1.3550	2.2960	1.3932	9.3509	11.1932	-	64.3809	12,364.41	4.9490	117.41	4.3451	
Q3	1.3459	2.3063	1.3841	9.0653	11.0105	-	64.7000	12,181.09	5.0174	109.77	4.2666	
2011 May	1.3437	2.3131	1.3885	9.3198	11.1551	-	64.4735	12,290.33	4.9740	116.47	4.3272	
June	1.3567	2.2850	1.4063	9.3161	11.2021	-	64.5200	12,327.02	4.9169	115.75	4.3585	
July	1.3249	2.2329	1.3638	9.2121	11.1104	-	63.3537	12,171.27	4.8801	113.26	4.2716	
Aug.	1.3651	2.2888	1.4071	9.1857	11.1846	-	65.0717	12,249.95	5.0841	110.43	4.2822	
Sep.	1.3458	2.3946	1.3794	8.7994	10.7333	-	65.5964	12,118.49	5.0788	105.75	4.2456	
Oct.	1.3525	2.4336	1.3981	8.7308	10.6616	-	67.5519	12,150.54	5.0253	105.06	4.2963	
Nov.	1.3414	2.4210	1.3897	8.6154	10.5495	-	68.8330	12,214.99	5.0521	105.02	4.2756	
<i>Percentage change versus previous month</i>												
2011 Nov.	-0.8	-0.5	-0.6	-1.3	-1.1	-	1.9	0.5	0.5	0.0	-0.5	
<i>Percentage change versus previous year</i>												
2011 Nov.	-2.9	3.5	0.5	-5.2	-0.4	-	12.0	-0.1	1.5	-6.8	0.4	
	Mexican peso	New Zealand dollar	Norwegian krone	Philippine peso	Russian rouble	Singapore dollar	South African rand	South Korean won	Swiss franc	Thai baht	US dollar	
	24	25	26	27	28	29	30	31	32	33	34	
2008	16.2911	2.0770	8.2237	65.172	36.4207	2.0762	12.0590	1,606.09	1.5874	48.475	1.4708	
2009	18.7989	2.2121	8.7278	66.338	44.1376	2.0241	11.6737	1,772.90	1.5100	47.804	1.3948	
2010	16.7373	1.8377	8.0043	59.739	40.2629	1.8055	9.6984	1,531.82	1.3803	42.014	1.3257	
2011 Q1	16.5007	1.8107	7.8236	59.876	39.9976	1.7467	9.5875	1,530.79	1.2871	41.771	1.3680	
Q2	16.8752	1.7992	7.8259	62.256	40.2750	1.7842	9.7852	1,559.23	1.2514	43.592	1.4391	
Q3	17.3908	1.6976	7.7652	60.371	41.1734	1.7309	10.0898	1,532.60	1.1649	42.574	1.4127	
2011 May	16.7177	1.8024	7.8384	61.953	40.0573	1.7763	9.8461	1,555.99	1.2537	43.398	1.4349	
June	16.9931	1.7666	7.8302	62.468	40.2670	1.7763	9.7807	1,555.32	1.2092	43.923	1.4388	
July	16.6491	1.6877	7.7829	60.961	39.8343	1.7359	9.7000	1,510.29	1.1766	42.949	1.4264	
Aug.	17.5456	1.7108	7.7882	60.836	41.2954	1.7340	10.1532	1,542.01	1.1203	42.875	1.4343	
Sep.	17.9370	1.6932	7.7243	59.322	42.3239	1.7229	10.3956	1,544.04	1.2005	41.902	1.3770	
Oct.	18.4315	1.7361	7.7474	59.412	42.8569	1.7493	10.9188	1,578.17	1.2295	42.297	1.3706	
Nov.	18.5646	1.7584	7.7868	58.743	41.8082	1.7476	11.0547	1,537.42	1.2307	41.969	1.3556	
<i>Percentage change versus previous month</i>												
2011 Nov.	0.7	1.3	0.5	-1.1	-2.4	-0.1	1.2	-2.6	0.1	-0.8	-1.1	
<i>Percentage change versus previous year</i>												
2011 Nov.	10.3	-0.7	-4.4	-1.2	-1.2	-1.5	16.0	-0.4	-8.4	2.8	-0.8	

Source: ECB.

1) The most recent rate for the Icelandic krona refers to 3 December 2008.

2) For this currency the ECB computes and publishes euro reference exchange rates as from 1 January 2009. Previous data are indicative.



DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 Economic and financial developments in other EU Member States

(annual percentage changes, unless otherwise indicated)

	Bulgaria	Czech Republic	Denmark	Latvia	Lithuania	Hungary	Poland	Romania	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10
HICP										
2009	2.5	0.6	1.1	3.3	4.2	4.0	4.0	5.6	1.9	2.2
2010	3.0	1.2	2.2	-1.2	1.2	4.7	2.7	6.1	1.9	3.3
2011 Q2	3.4	1.8	2.9	4.6	4.7	3.9	4.0	8.3	1.7	4.4
Q3	3.1	2.0	2.6	4.4	4.6	3.4	3.7	4.2	1.6	4.7
2011 Aug.	3.1	2.1	2.4	4.6	4.4	3.5	4.0	4.3	1.6	4.5
Sep.	2.9	2.1	2.4	4.5	4.7	3.7	3.5	3.5	1.5	5.2
Oct.	3.0	2.6	2.7	4.3	4.2	3.8	3.8	3.6	1.1	5.0
General government deficit (-)/surplus (+) as a percentage of GDP										
2008	1.7	-2.2	3.2	-4.2	-3.3	-3.7	-3.7	-5.7	2.2	-5.0
2009	-4.3	-5.8	-2.7	-9.7	-9.5	-4.6	-7.3	-9.0	-0.7	-11.5
2010	-3.1	-4.8	-2.6	-8.3	-7.0	-4.2	-7.8	-6.9	0.2	-10.3
General government gross debt as a percentage of GDP										
2008	13.7	28.7	34.5	19.8	15.5	72.9	47.1	13.4	38.8	54.8
2009	14.6	34.4	41.8	36.7	29.4	79.7	50.9	23.6	42.7	69.6
2010	16.3	37.6	43.7	44.7	38.0	81.3	54.9	31.0	39.7	79.9
Long-term government bond yield as a percentage per annum; period average										
2011 May	5.39	3.89	3.13	6.36	5.05	7.11	6.06	7.26	3.01	3.49
June	5.39	3.77	2.96	5.87	5.05	7.22	5.88	7.09	2.89	3.09
July	5.36	3.79	3.02	5.67	5.05	7.35	5.81	7.30	2.75	2.88
Aug.	5.32	3.40	2.49	5.60	5.05	7.49	5.70	7.38	2.17	2.37
Sep.	5.30	3.00	2.07	5.60	5.09	7.64	5.74	7.43	1.83	2.41
Oct.	5.27	3.14	2.23	5.62	5.06	7.88	5.71	7.48	1.90	2.52
3-month interest rate as a percentage per annum; period average										
2011 May	3.77	1.22	1.46	0.78	1.65	6.88	4.40	5.26	2.46	0.82
June	3.74	1.20	1.51	0.74	1.69	6.27	4.61	5.25	2.46	0.83
July	3.75	1.19	1.66	0.82	1.81	6.74	4.70	5.11	2.56	0.83
Aug.	3.74	1.19	1.60	0.83	1.86	7.12	4.72	5.60	2.58	0.86
Sep.	3.67	1.17	1.44	0.87	1.85	6.19	4.75	5.77	2.53	0.92
Oct.	3.68	1.17	1.40	0.99	1.88	6.18	4.80	5.96	2.52	0.97
Real GDP										
2009	-5.5	-4.1	-5.8	-17.7	-14.8	-6.8	1.6	-7.1	-5.2	-4.4
2010	0.2	2.3	1.3	-0.3	1.4	1.3	3.9	-1.3	5.6	1.8
2011 Q1	3.3	2.8	2.1	3.0	5.4	1.9	4.5	1.3	5.8	1.6
Q2	2.0	2.2	1.8	5.1	6.5	1.7	4.6	1.9	4.8	0.6
Q3	1.6	.	-0.3	5.3	7.3	1.5	4.2	4.4	4.6	0.5
Current and capital account balance as a percentage of GDP										
2009	-7.6	-1.0	3.3	11.1	7.8	1.0	-2.2	-3.6	6.9	-1.5
2010	-0.5	-2.3	5.6	4.9	4.2	2.9	-2.8	-3.8	6.5	-2.3
2011 Q1	2.0	2.5	5.5	1.2	2.1	3.7	-1.7	-2.6	8.0	-1.1
Q2	1.5	-5.2	7.3	1.3	-2.2	4.1	-2.2	-6.3	6.7	-0.2
Q3	12.8	.	7.7	.	3.0	.	-4.9	-2.7	9.2	.
Gross external debt as a percentage of GDP										
2008	105.1	50.6	176.3	130.0	70.9	122.2	56.8	56.0	205.7	445.0
2009	108.3	53.2	188.5	156.5	87.0	142.3	59.4	69.0	210.8	416.9
2010 Q4	102.8	57.4	190.7	165.4	87.4	141.4	66.0	77.2	190.4	418.8
2011 Q1	98.5	56.9	185.6	158.1	85.6	135.1	68.3	74.6	188.5	421.4
Q2	96.0	56.9	181.6	154.7	86.0	134.7	68.5	78.1	189.3	422.4
Unit labour costs										
2009	12.7	3.5	5.7	-7.9	-1.4	2.0	2.2	-1.3	4.6	5.7
2010	0.8	0.6	-1.0	-10.2	-7.3	-1.2	4.7	0.8	-1.7	1.7
2011 Q1	1.7	0.1	-0.5	2.5	-3.0	0.7	2.6	-1.3	-2.4	-0.9
Q2	5.3	0.2	-1.1	2.3	-0.7	.	0.6	9.4	-0.7	0.3
Q3	.	.	1.2	.	.	.	.	9.3	-1.0	1.9
Standardised unemployment rate as a percentage of labour force (s.a.)										
2009	6.8	6.7	6.0	17.1	13.7	10.0	8.2	6.9	8.3	7.6
2010	10.2	7.3	7.4	18.6	17.8	11.1	9.6	7.3	8.4	7.8
2011 Q2	11.3	6.9	7.5	16.2	15.5	10.9	9.6	7.4	7.5	7.9
Q3	11.7	6.7	7.5	.	15.0	10.3	9.7	7.5	7.3	.
2011 Aug.	11.7	6.7	7.5	.	15.0	10.3	9.7	7.5	7.4	8.3
Sep.	11.9	6.6	7.6	.	15.0	9.9	9.8	7.7	7.3	.
Oct.	12.1	6.7	7.7	.	.	9.8	9.9	7.3	7.5	.

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

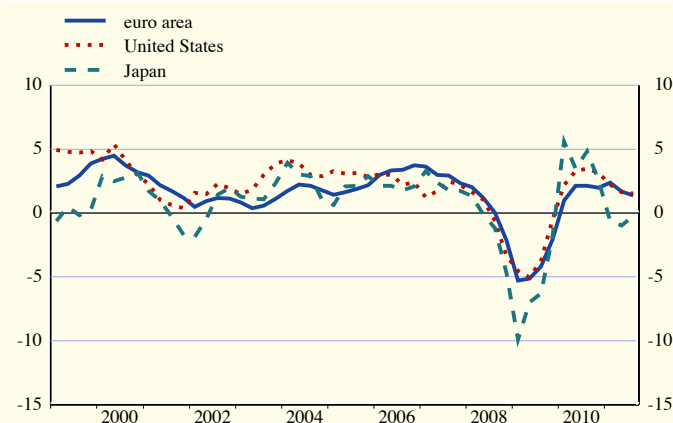
9.2 Economic and financial developments in the United States and Japan

(annual percentage changes, unless otherwise indicated)

	Consumer price index	Unit labour costs ¹⁾	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force ²⁾ (s.a.)	Broad money ³⁾	3-month interbank deposit rate ⁴⁾	10-year zero coupon government bond yield; ⁵⁾ end of period	Exchange rate ⁶⁾ as national currency per euro	Fiscal deficit (-)/surplus (+) as a % of GDP	Gross public debt ⁶⁾ as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
2007	2.9	2.5	1.9	3.1	4.6	6.3	5.30	4.81	1.3705	-2.9	48.5
2008	3.8	2.8	-0.3	-4.7	5.8	7.1	2.93	2.70	1.4708	-6.6	57.0
2009	-0.4	-0.6	-3.5	-13.5	9.3	7.9	0.69	4.17	1.3948	-11.6	69.4
2010	1.6	-2.0	3.0	5.9	9.6	2.3	0.34	3.57	1.3257	-10.7	78.2
2010 Q3	1.2	-1.5	3.5	7.2	9.6	2.5	0.39	2.69	1.2910	-10.3	76.2
Q4	1.3	-0.9	3.1	6.6	9.6	3.2	0.29	3.57	1.3583	-10.5	78.2
2011 Q1	2.1	1.3	2.2	6.6	8.9	4.5	0.31	3.76	1.3680	-9.9	79.1
Q2	3.4	1.0	1.6	4.4	9.1	5.4	0.26	3.46	1.4391	-10.2	79.0
Q3	3.8	0.4	1.5	4.1	9.1	9.4	0.30	2.18	1.4127	.	.
2011 July	3.6	-	-	4.0	9.1	8.0	0.25	3.08	1.4264	-	-
Aug.	3.8	-	-	4.1	9.1	10.2	0.29	2.51	1.4343	-	-
Sep.	3.9	-	-	4.2	9.1	10.1	0.35	2.18	1.3770	-	-
Oct.	3.5	-	-	4.5	9.0	9.9	0.41	2.37	1.3706	-	-
Nov.	.	-	-	.	8.6	.	0.48	2.30	1.3556	-	-
Japan											
2007	0.1	-2.3	2.3	2.8	3.8	1.6	0.79	1.70	161.25	-2.4	156.2
2008	1.4	1.2	-1.2	-3.4	4.0	2.1	0.93	1.21	152.45	-2.2	162.0
2009	-1.3	2.8	-6.3	-21.9	5.1	2.7	0.47	1.42	130.34	-8.7	180.4
2010	-0.7	-2.6	4.1	16.6	5.1	2.8	0.23	1.18	116.24	.	.
2010 Q3	-1.0	-3.2	4.9	14.0	5.0	2.7	0.24	1.03	110.68	.	.
Q4	-0.3	-1.3	2.5	6.0	5.0	2.5	0.19	1.18	112.10	.	.
2011 Q1	-0.5	1.2	-0.6	-2.6	4.7	2.5	0.19	1.33	112.57	.	.
Q2	-0.4	1.2	-1.0	-6.9	4.6	2.8	0.20	1.18	117.41	.	.
Q3	0.1	.	-0.2	-2.1	4.4	2.8	0.19	1.04	109.77	.	.
2011 July	0.2	-	-	-3.0	4.7	3.0	0.20	1.09	113.26	-	-
Aug.	0.2	-	-	0.4	4.3	2.7	0.19	1.05	110.43	-	-
Sep.	0.0	-	-	-3.3	4.1	2.7	0.19	1.04	105.75	-	-
Oct.	-0.2	-	-	0.3	.	2.7	0.19	1.04	105.06	-	-
Nov.	.	-	-	.	.	.	0.20	1.10	105.02	-	-

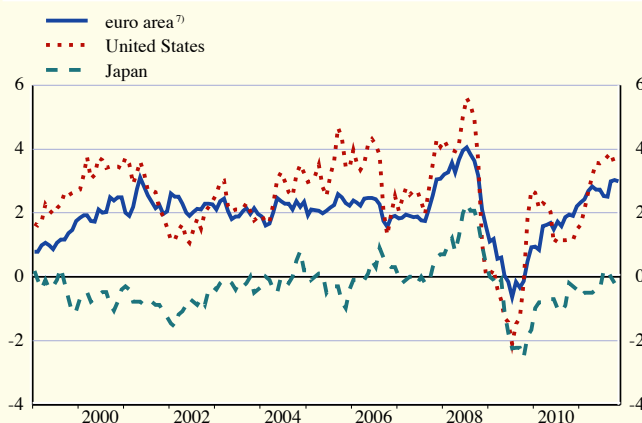
C41 Real gross domestic product

(annual percentage changes; quarterly data)



C42 Consumer price indices

(annual percentage changes; monthly data)



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); Thomson Reuters (columns 7 and 8); ECB calculations (column 11).

- 1) Seasonally adjusted. The data for the United States refer to the private non-agricultural business sector.
- 2) Japanese data from March to August 2011 exclude the three prefectures most affected by the earthquake in that country. These are reinstated as of September 2011.
- 3) Period averages; M2 for the United States, M2+CDs for Japan.
- 4) Percentages per annum. For further information on the three-month interbank deposit rate, see Section 4.6.
- 5) For more information, see Section 8.2.
- 6) Gross consolidated general government debt (end of period).
- 7) Data refer to the changing composition of the euro area. For further information, see the General Notes.



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TECHNICAL NOTES

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:

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

SECTION 1.3

CALCULATION OF INTEREST RATES ON INDEXED LONGER-TERM REFINANCING OPERATIONS

The interest rate on an indexed longer-term refinancing operation (LTRO) is equal to the average of the minimum bid rates on the main refinancing operations (MROs) over the life of that LTRO. According to this definition, if an LTRO is outstanding for D number of days and the minimum bid rates prevailing in MROs are $R_{1, MRO}$ (over D_1 days), $R_{2, MRO}$ (over D_2 days), etc., until $R_{i, MRO}$ (over D_i days), where $D_1 + D_2 + \dots + D_i = D$, the applicable annualised rate (R_{LTRO}) is calculated as:

$$c) R_{LTRO} = \frac{D_1 R_{1, MRO} + D_2 R_{2, MRO} + \dots + D_i R_{i, MRO}}{D}$$

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:

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

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

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

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 can 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:

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

The base of the index (for the non-seasonally adjusted series) is currently set as December 2008 = 100. Time series for the index of adjusted outstanding amounts are available on the ECB's website (www.ecb.europa.eu) in the "Monetary and financial statistics" sub-section of the "Statistics" section.

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

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

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

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 h) by dividing the index for December 2002 by the index for December 2001.

Growth rates for intra-annual periods can be derived by adapting formula h). For example, the month-on-month growth rate a_t^M can be calculated as:

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

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 g) or h) 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:

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

The annual growth rate in the four quarters ending in month t (i.e. a_t) can be calculated using formula h).

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS¹

The approach used is based on multiplicative decomposition using X-12-ARIMA.² The seasonal adjustment may include a day-of-the-week adjustment, and for some series it is carried out indirectly by means of a linear combination of components. This is the case for M3, which is 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 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.

1 For details, see "Seasonal adjustment of monetary aggregates and HICP for the euro area", ECB (August 2000) and the "Monetary and financial statistics" sub-section of the "Statistics" section of the ECB's website (www.ecb.europa.eu).

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 of 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 2008) generally differs from 100, reflecting the seasonality of that month.

SECTIONS 3.1 TO 3.5

EQUALITY OF USES AND RESOURCES

In Section 3.1 the data conform to a basic accounting identity. For non-financial transactions, total uses equal total resources for each transaction category. This accounting identity is also reflected in the financial account – 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 Sections 3.1, 3.2 and 3.3 are computed as follows.

The trade balance equals euro area imports minus exports vis-à-vis the rest of the world for goods and services.

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 defined only 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 the net equity of households in pension fund reserves (resources minus uses) minus final consumption expenditure (uses). For the rest of the world, the 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 the balancing items computed from the capital account and the financial account.

Changes in net financial worth (wealth) due to transactions are computed as total transactions in financial assets minus total transactions in liabilities, whereas other changes in net financial worth (wealth) are calculated as (total) other changes in financial assets minus (total) other changes in liabilities.

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).

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) and other changes in non-financial assets.

The net worth (wealth) of households is calculated as the sum of the non-financial assets and net financial worth (wealth) of households.

SECTIONS 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 can 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 month t , the index I_t of notional stocks in month t is defined as:

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

As a base, the index is set equal to 100 in December 2008. The growth rate a_t for month t , corresponding to the change in the 12 months ending in month t , can be calculated using either of the following two formulae:

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

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

The method used to calculate the growth rates for securities other than shares is the same as that used for the monetary aggregates, the only difference being that an “N” is used instead of an “F”. This is to show that the method used to obtain “net issues” for securities issues statistics

differs from that used to calculate equivalent “transactions” for the monetary aggregates.

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

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

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

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

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 calculations are based on financial transactions, which exclude reclassifications, revaluations and 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 is based on multiplicative decomposition using X-12-ARIMA. The seasonal adjustment of total securities issues 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 seasonal factors are then applied to the outstanding amounts, from which seasonally

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

adjusted net issues are derived. Seasonal factors are revised at annual intervals or as required.

As in formulae l) and m), the growth rate a_t for month t , corresponding to the change in the six months ending in month t , can be calculated using either of the following two formulae:

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

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

TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP⁴

The approach used is based on multiplicative decomposition using 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.

TABLE 2 IN SECTION 7.1

SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

The approach used is based on multiplicative decomposition, using X-12-ARIMA or TRAMO-SEATS depending on the item. The raw data for goods, services, income and current transfers are pre-adjusted in order to take into account significant working day effects. The working day adjustment for goods and services takes account of national public holidays. The seasonal adjustment of 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 biannual intervals or as required.

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:

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

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 in the “Data services” sub-section include subscriptions 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 Governing Council of the ECB’s first meeting of the month. For this issue, the cut-off date was 7 December 2011.

Unless otherwise indicated, all data series including observations for 2011 relate to the “Euro 17” (i.e. the euro area including Estonia) for the whole time series. For interest rates, monetary statistics, the HICP and reserve assets (and, for consistency reasons, the components and counterparts of M3 and the components of the HICP), euro area statistical series take into account the changing composition of the euro area.

The composition of the euro area has changed a number of times over the years. When the euro was introduced in 1999, the euro area comprised the following 11 countries (the Euro 11): Belgium, Germany, Ireland, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. Greece then joined in 2001, forming the Euro 12. Slovenia joined in 2007, forming the Euro 13; Cyprus and Malta joined in 2008, forming the Euro 15; and Slovakia joined in 2009, forming the Euro 16. Finally, Estonia joined in 2011, bringing the number of euro area countries to 17.

EURO AREA SERIES WITH A FIXED COMPOSITION

Aggregated statistical series for fixed compositions of the euro area relate to a given fixed composition for the whole time series, regardless of the composition at the time to which the statistics relate. For example, aggregated series are calculated for the Euro 17 (i.e. aggregating the data of all 17 countries currently in the euro area) for all years, despite the fact that the euro area has only had this composition since 1 January 2011. Unless otherwise indicated, the ECB’s Monthly Bulletin provides statistical series for the current composition.

EURO AREA SERIES WITH A CHANGING COMPOSITION

Aggregated statistical series with a changing composition take into account the composition of the euro area at the time to which the statistics relate. For example, euro area statistical series with a changing composition aggregate the data of the Euro 11 for the period up to the end of 2000, the Euro 12 for the period from 2001 to the end of 2006, and so on. With this approach, each individual statistical series covers all of the various compositions of the euro area.

For the HICP, as well as monetary aggregates and their counterparts, annual rates of change are compiled from chain-linked indices, with joining countries’ series linked to the euro area series in the December index. Thus, if a country joins the euro area in January of a given year, annual rates of change relate to the previous composition of the euro area up to and including December of the previous year, and the enlarged composition of the euro area thereafter. Percentage changes are calculated on the basis of a chain-linked index, taking account of the changing composition of the euro area. Absolute changes for monetary aggregates

and their counterparts (transactions) refer to the composition of the euro area at the time to which the statistics relate.

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, pre-1999 data¹ 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, Latvia, Lithuania, Hungary, Poland, Romania, 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 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 wording “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. Maintenance periods for minimum reserve requirements start every month on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting for which the monthly assessment of the monetary policy stance is scheduled. They end on the day preceding the corresponding settlement day in the following month. Annual/quarterly observations refer to averages for the last reserve maintenance period of the year/quarter.

Table 1 in Section 1.4 shows the components of the reserve base of credit institutions subject to reserve requirements. Liabilities vis-à-vis other credit institutions subject to the ESCB’s minimum reserve system, the ECB and participating national central banks are excluded from the reserve base. When a credit institution cannot provide evidence of the amount of its issues of debt securities with a maturity of up to two years which are held by the institutions mentioned above, it may deduct a certain percentage of these liabilities from its reserve base. The percentage used to calculate the reserve base was 10% until November 1999 and has been 30% since that date.

Table 2 in Section 1.4 contains average data for completed maintenance periods. First, the reserve requirement of each individual credit institution is calculated by applying the

¹ Data on monetary statistics in Sections 2.1 to 2.8 are available for periods prior to January 1999 on the ECB’s website (<http://www.ecb.europa.eu/stats/services/downloads/html/index.en.html>) and in the SDW (<http://sdw.ecb.europa.eu/browse.do?node=2018811>).

reserve ratios for the corresponding categories of liability 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). Current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve to fulfil reserve requirements. Excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. 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 requirements. 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 euro area credit institutions' current account holdings with the Eurosystem in euro. All amounts are derived from the consolidated financial statement of the Eurosystem. Other liquidity-absorbing operations (column 7) exclude the issuance of debt certificates initiated by NCBs in Stage Two of EMU. Net other factors (column 10) represent the netted remaining items in the consolidated financial statement of the Eurosystem. 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). Base money (column 12) is calculated as the sum of the deposit facility (column 6), banknotes in circulation (column 8) and credit institutions' current account holdings (column 11).

MONEY, BANKING AND OTHER FINANCIAL CORPORATIONS

Chapter 2 shows balance sheet statistics for MFIs and other financial corporations. Other financial corporations comprise investment funds (other than money market funds, which are part of the MFI sector), financial vehicle corporations, insurance corporations and pension funds.

Section 2.1 shows the aggregated balance sheet of the MFI sector, i.e. the sum of the harmonised balance sheets of all MFIs resident in the euro area. MFIs comprise central banks, credit institutions as defined under EU 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 credit 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 of MFIs in the euro area. Owing to a small amount of 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 in 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 analysis, broken down by sector, type and original maturity, of loans granted by MFIs other than the Eurosystem (i.e. the banking system) resident in the euro area. Section 2.5 provides analysis, broken down 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, broken down by type of issuer. Section 2.7 shows a quarterly currency breakdown for selected MFI balance sheet items.

Sections 2.2 to 2.6 also provide growth rates based on those transactions in the form of annual percentage changes.

Since 1 January 1999 statistical information has been collected and compiled on the basis of various ECB regulations concerning the balance sheet of the monetary financial institution sector. Since July 2010 this has been carried out on the basis of Regulation ECB/2008/32². Detailed sector definitions are set out in the third edition of the “Monetary financial institutions and markets statistics sector manual – Guidance for the statistical classification of customers” (ECB, March 2007).

Section 2.8 shows outstanding amounts and transactions on the balance sheet of euro area investment funds (other than money market funds, which are included in the MFI balance sheet statistics). An investment fund is a collective investment undertaking that invests capital raised from the public in financial and/or non-financial assets. A complete list of euro area investment funds is published on the ECB’s website. The balance sheet is aggregated, so investment funds’ assets include their holdings of shares/units issued by other investment funds. Shares/units issued by investment funds are also broken down by investment policy (i.e. into bond funds, equity funds, mixed funds, real estate funds, hedge funds and other

funds) and by type (i.e. into open-end funds and closed-end funds). Section 2.9 provides further details on the main types of asset held by euro area investment funds. This section contains a geographical breakdown of the issuers of securities held by investment funds, as well as breaking issuers down by economic sector where they are resident in the euro area.

Since December 2008 harmonised statistical information has been collected and compiled on the basis of Regulation ECB/2007/8³ concerning statistics on the assets and liabilities of investment funds. Further information on these investment fund statistics can be found in the “Manual on investment fund statistics” (ECB, May 2009).

Section 2.10 shows the aggregated balance sheet of financial vehicle corporations (FVCs) resident in the euro area. FVCs are entities which are set up in order to carry out securitisation transactions. Securitisation generally involves the transfer of an asset or pool of assets to an FVC, with such assets reported on the FVC’s balance sheet as securitised loans, securities other than shares, or other securitised assets. Alternatively, the credit risk relating to an asset or pool of assets may be transferred to an FVC through credit default swaps, guarantees or other such mechanisms. Collateral held by the FVC against these exposures is typically a deposit held with an MFI or invested in securities other than shares. FVCs typically securitise loans which have been originated by the MFI sector. FVCs must report such loans on their statistical balance sheet, regardless of whether the relevant accounting rules allow the MFI to derecognise the loans. Data on loans which are securitised by FVCs but remain on the balance sheet of the relevant MFI (and thus remain in the MFI statistics) are provided separately. These quarterly data are collected under Regulation ECB/2008/30⁴ as of December 2009.

2 OJ L 15, 20.01.2009, p. 14.

3 OJ L 211, 11.08.2007, p. 8.

4 OJ L 15, 20.01.2009, p. 1.

Section 2.11 shows the aggregated balance sheet of insurance corporations and pension funds resident in the euro area. Insurance corporations cover both the insurance and reinsurance sectors, while pension funds include entities which have autonomy in terms of decision-making and keep a complete set of accounts (i.e. autonomous pension funds). This section also contains a geographical and sectoral breakdown of issuing counterparties for securities other than shares held by insurance corporations and pension funds.

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. Non-seasonally adjusted data at 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.

In short, the sequence of accounts (transactions) comprises: (1) the generation of income account, which shows how production activity translates into various categories of income; (2) the allocation of primary income account, which records receipts and expenses relating to various forms of property income (for the economy as a whole; the balancing item of the primary income account is national income); (3) the secondary distribution of income account, which shows how the national income of an institutional sector changes because of current transfers; (4) the use of income account, which shows how disposable income is spent on consumption or saved; (5) the capital account, which shows how savings and net capital transfers are spent in the acquisition of non-financial assets (the balancing item of the capital account is net lending/

net borrowing); and (6) the financial account, which records the net acquisitions of financial assets and the net incurrence of liabilities. As each non-financial transaction is mirrored by a financial transaction, the balancing item of the financial account conceptually also equals net lending/net borrowing as calculated from the capital account.

In addition, opening and closing financial balance sheets are presented, which 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 sectoral coverage of the financial account and the financial balance sheets is more detailed for the financial corporation sector, which is broken down 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 “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, as well as outstanding amounts in the financial and non-financial balance sheet accounts, presenting data in a more analytical manner. Sector-specific transactions and balancing items are arranged in a way that more clearly depicts the financing and investment decisions of households, while respecting the accounting identities 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, as well as outstanding amounts for the financial balance sheet accounts, presenting data in a more analytical manner.

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 those EU Member States that had adopted the euro at the time to which the statistics relate (i.e. a changing composition), with the exception of statistics on securities issues (Sections 4.1 to 4.4), which relate to the Euro 16 for the whole time series (i.e. a fixed composition).

Statistics on securities other than shares and statistics on 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 from and loans to 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: (i) securities other than shares, excluding financial derivatives; and (ii) quoted shares. The former are presented in Sections 4.1, 4.2 and 4.3, while the latter 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 (i) a longer maturity, (ii) optional maturity dates, the latest of which is more than one year away, or (iii) 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 issue. Variable rate issues comprise all issues where the coupon is periodically refixed with reference to an independent interest rate

or index. 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, broken down by original maturity, residency of the issuer and currency. It presents outstanding amounts, gross issues and net issues of securities other than shares, broken down into: (i) issues denominated in euro and issues in all currencies; (ii) issues by euro area residents and total issues; and (iii) total and long-term maturities. 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 six-month annualised seasonally adjusted growth rates for total and long-term debt securities. Seasonally adjusted data are derived from the 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 correspond 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 the data on debt securities issued 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 of Section 4.2 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows seasonally adjusted and non-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.

Columns 1, 4, 6 and 8 in Table 1 of Section 4.4 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 3.4 (financial balance sheet; quoted shares).

Columns 3, 5, 7 and 9 in Table 1 of Section 4.4 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 issues or redeems shares for cash, excluding investments in the issuer's own shares. 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. These MFI

interest rate statistics replaced the ten transitional statistical series on euro area retail interest rates that had been published in the Monthly Bulletin as of 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 prior to January 1999, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by end-of-period interbank deposit bid rates up to and including December 1998 and period averages for the euro overnight index average (EONIA) thereafter. As of January 1999, euro area interest rates on one, three, six and twelve-month deposits are euro interbank offered rates (EURIBOR); prior to that date, they are London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

Section 4.7 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 model⁵. 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 can also be downloaded.

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

⁵ Svensson, L.E., "Estimating and Interpreting Forward Interest Rates: Sweden 1992-1994", *CEPR Discussion Papers*, No 1051. Centre for Economic Policy Research, London, 1994.

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 labour costs indices, GDP and expenditure components, value added by economic activity, industrial production, retail sales passenger car registrations and employment in terms of hours worked are working day-adjusted.

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 into 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 statistics⁶. Since January 2009 the revised classification of economic activities (NACE Revision 2), as covered by Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90, as well as certain EC Regulations on specific statistical domains⁷, has been applied in the production of short-term statistics. The breakdown by end use of product for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE

Revision 2, sections B to E) into Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 656/2007 of 14 June 2007⁸. 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.

The two non-energy commodity price indices shown in Table 3 in Section 5.1 are compiled with the same commodity coverage, but using two different weighting schemes: one based on the respective commodity imports of the euro area (columns 2-4), and the other (columns 5-7) based on estimated euro area domestic demand, or “use”, taking into account information on imports, exports and the domestic production of each commodity (ignoring, for the sake of simplicity, inventories, which are assumed to be relatively stable over the observed period). The import-weighted commodity price index is appropriate for analysing external developments, while the use-weighted index is suitable for the specific purpose of analysing international commodity price pressures on euro area inflation. The use-weighted commodity price indices are experimental data. For more details as regards the compilation of the ECB commodity price indices, see Box 1 in the December 2008 issue of the Monthly Bulletin.

The labour cost indices (Table 5 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 index⁹ and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003¹⁰. A breakdown of the labour cost indices for the euro area is available by labour cost component (wages and salaries, and employers’ social

6 OJ L 162, 5.6.1998, p. 1.

7 OJ L 393, 30.12.2006, p. 1.

8 OJ L 155, 15.6.2007, p. 3.

9 OJ L 69, 13.3.2003, p. 1.

10 OJ L 169, 8.7.2003, p. 37.

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 3 in Section 5.1) and employment statistics (Tables 1, 2 and 3 in Section 5.3) are derived from 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 automotive fuel. New passenger car registrations cover registrations of both private and commercial passenger cars.

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

Unemployment rates (Table 4 in Section 5.3) conform to International Labour Organization guidelines. They refer to persons actively seeking work as a share of the labour force, using harmonised criteria and definitions. The labour force estimates underlying the unemployment rate are different from the sum of the employment and unemployment levels published in Section 5.3.

GOVERNMENT FINANCE

Sections 6.1 to 6.5 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The annual euro area aggregates in Sections 6.1 to 6.3 are compiled by the ECB 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 2000¹¹ 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 within 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 Council Regulation (EC) No 479/2009 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

¹¹ OJ L 172, 12.7.2000, p. 3.

10 June 2002 on quarterly non-financial accounts for general government¹². 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 Regulation (EC) No 501/2004 and Regulation (EC) No 222/2004 and data provided by the NCBs.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments 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)¹³ and the amending ECB Guideline of 31 May 2007 (ECB/2007/3)¹⁴. Additional information regarding 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 reports of the Task Force on Portfolio Investment Collection Systems (June 2002), the Task Force on Portfolio Investment Income (August 2003) and the Task Force on Foreign Direct Investment (March 2004), all of which can be downloaded from the ECB’s website. In addition, a report by the ECB/European Commission (Eurostat) Task Force on Quality looking at 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.cmbf.org). The annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force’s recommendations and follows the basic principles of the ECB Statistics Quality Framework published in April 2008, 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 the capital account have a plus sign, while in the financial account a plus sign 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, as of the February 2008 issue of the Monthly Bulletin, the tables in Section 7.3 have been restructured in order to allow the data on the 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.

Table 1 in Section 7.2 also contains seasonally adjusted data for the current account. Where appropriate, the adjustment also covers working day, leap year and/or Easter-related effects. Table 3 in Section 7.2 and Table 9 in Section 7.3 present a breakdown of the euro area b.o.p. and i.i.p. vis-à-vis major partner countries, both individually and 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, with the exception of the ECB, are considered to be outside the euro area for statistical purposes, regardless of their physical location) and, for some purposes, offshore centres and international organisations. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives or international reserves. In addition, separate data are not provided for investment income payable to Brazil, mainland China, India or Russia.

¹² OJ L 179, 9.7.2002, p. 1.

¹³ OJ L 354, 30.11.2004, p. 34.

¹⁴ OJ L 159, 20.6.2007, p. 48.

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, regarding 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 i.i.p. changes other than transactions, using 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 for the Eurosystem’s international reserves and related assets and liabilities are shown in Table 7 of Section 7.3. These figures are not fully comparable with those in 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. By definition, the assets included in the Eurosystem’s international reserves take account of the changing composition of the euro area. Before countries join the euro area, the assets of their national central banks are included in portfolio investment (in the case of securities) or other investment (in the case of other assets). 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 27 September 2009. 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.

The euro area’s gross external debt statistics in Table 8 of Section 7.3 represent outstanding actual (rather than contingent) liabilities vis-à-vis non-euro area residents that require the payment of principal and/or interest by the debtor at one or more points in the future. Table 8 shows a breakdown of gross external debt by instrument and institutional sector.

Section 7.4 contains a monetary presentation of the euro area balance of payments, showing the transactions by non-MFIs that mirror the net external transactions by MFIs. Included in the transactions by non-MFIs are b.o.p. transactions

for which a sectoral breakdown is not available. These concern the current and capital accounts (column 2) and financial derivatives (column 11). An up-to-date 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. Value data and volume indices are seasonally and working day-adjusted. 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 contained in the Broad Economic Categories and corresponds to the basic classes of goods in the System of National Accounts. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 4 definition. The geographical breakdown (Table 3 in Section 7.5) shows major trading partners both individually and 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). Part of the difference arises from the inclusion of insurance and freight services in the recording of imported goods in external trade data.

Industrial import prices and industrial producer export prices (or industrial output prices for the non-domestic market) shown in Table 2 in Section 7.5 were introduced by Regulation (EC) No 1158/2005 of the European Parliament and of the Council of 6 July 2005 amending Council Regulation (EC) No 1165/98, which is the principal legal basis for short-term statistics. The industrial import price index covers industrial products imported from outside the euro area under sections B to E of the Statistical Classification of Products by Activity in the European Economic Community (CPA) and all institutional import sectors except households, governments and non-profit institutions. It reflects the cost, insurance and freight price

excluding import duties and taxes, and refers to actual transactions in euro recorded at the point when ownership of the goods is transferred. The industrial producer export prices cover all industrial products exported directly by euro area producers to the extra-euro area market under sections B to E of NACE Revision 2. Exports from wholesalers and re-exports are not covered. The indices reflect the free on board price expressed in euro and calculated at the euro area frontier, including any indirect taxes except VAT and other deductible taxes. Industrial import prices and industrial producer export prices are available by Main Industrial Grouping as defined by Commission Regulation (EC) No 656/2007 of 14 June 2007. For more details, see Box 11 in the December 2008 issue of the Monthly Bulletin.

EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate indices for the euro, which are calculated by the ECB on the basis of weighted averages of the euro’s bilateral exchange rates against the currencies of the selected trading partners of the euro area. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with those trading partners in the periods 1995-1997, 1998-2000, 2001-2003 and 2004-2006, and are calculated to account for third-market effects. The EER indices are obtained by chain-linking the indicators based on each of these four sets of trade weights at the end of each three-year period. The base period of the resulting EER index is the first quarter of 1999. The EER-20 group of trading partners is composed of the 10 non-euro area EU Member States plus Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-40 group comprises the EER-20 plus 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 and unit labour costs, both for the manufacturing sector and for the total economy.

For more detailed information on the calculation of the EERs, see the relevant methodological note and ECB 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 data relating to the euro area. As a result, data on current and capital accounts and gross external debt include special-purpose vehicles. 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



15 JANUARY 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 50 basis points to 2.00%, starting from the operations to be settled on 21 January 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 3.00% and 1.00% respectively, with effect from 21 January 2009, in line with the decision of 18 December 2008.

5 FEBRUARY 2009

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.00%, 3.00% and 1.00% respectively.

5 MARCH 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 50 basis points to 1.50%, starting from the operations to be settled on 11 March 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 2.50% and 0.50% respectively, with effect from 11 March 2009.

Moreover, the Governing Council decides to continue the fixed rate tender procedure with full allotment for all main refinancing operations, special-term refinancing operations and supplementary and regular longer-term refinancing operations for as long as needed, and in any case beyond the end of 2009. In addition, the Governing Council decides to continue with the current frequency and maturity profile of supplementary longer-term refinancing operations and special-term refinancing operations for as long as needed, and in any case beyond the end of 2009.

2 APRIL 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 1.25%, starting from the operations to be settled on 8 April 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 2.25% and 0.25% respectively, with effect from 8 April 2009.

7 MAY 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 1.00%, starting from the operation to be settled on 13 May 2009. In addition, it decides to decrease the interest rate on the marginal lending facility by 50 basis points to 1.75% with effect from 13 May 2009, and to leave the interest rate on the deposit facility unchanged at 0.25%. In addition, the Governing Council of the ECB decides to proceed with its enhanced credit support approach. In particular, it decides that the Eurosystem will conduct liquidity-providing longer-term refinancing operations with a maturity of one year as fixed rate tender procedures with full allotment. In addition, it decides in principle that the Eurosystem will purchase euro-denominated covered bonds issued in the euro area.

4 JUNE 2009

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. In addition, the Governing Council of the ECB decides upon the technical modalities related to the purchase of euro-denominated covered bonds issued in the euro area decided on 7 May 2009.

¹ The chronology of monetary policy measures taken by the Eurosystem between 1999 and 2008 can be found in the ECB's Annual Report for the respective years.

**2 JULY, 6 AUGUST, 3 SEPTEMBER, 8 OCTOBER
AND 5 NOVEMBER 2009**

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

3 DECEMBER 2009

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 13 April 2010.

14 JANUARY AND 4 FEBRUARY 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

4 MARCH 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 12 October 2010, including a return to variable rate tender procedures in the regular three-month longer-term refinancing operations, starting with the operation to be allotted on 28 April 2010.

8 APRIL AND 6 MAY 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

10 MAY 2010

The Governing Council of the ECB decides on several measures to address severe tensions in financial markets. In particular, it decides to conduct interventions in the euro area public and private debt securities markets (Securities Markets Programme) and to adopt a fixed rate tender procedure with full allotment in the regular three-month longer-term refinancing operations in May and June 2010.

10 JUNE 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. In addition, it decides to adopt a fixed rate tender procedure with full allotment in the regular three-month longer-term refinancing operations to be allotted during the third quarter of 2010.

8 JULY AND 5 AUGUST 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

2 SEPTEMBER 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing

operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 11 January 2011, notably the adoption of a fixed rate tender procedure with full allotment in the three-month longer-term refinancing operations.

7 OCTOBER AND 4 NOVEMBER 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

2 DECEMBER 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 12 April 2011, notably to continue its fixed rate tender procedures with full allotment.

13 JANUARY AND 3 FEBRUARY 2011

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

3 MARCH 2011

The Governing Council of the ECB decides that the interest rate on the main refinancing

operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 12 July 2011, notably to continue its fixed rate tender procedures with full allotment.

7 APRIL 2011

The Governing Council of the ECB decides to increase the interest rate on the main refinancing operations by 25 basis points to 1.25%, starting from the operation to be settled on 13 April 2011. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 2.00% and 0.50% respectively, both with effect from 13 April 2011.

5 MAY 2011

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.25%, 2.00% and 0.50% respectively.

9 JUNE 2011

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.25%, 2.00% and 0.50% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 11 October 2011, notably to continue its fixed rate tender procedures with full allotment.

7 JULY 2011

The Governing Council of the ECB decides to increase the interest rate on the main refinancing operations by 25 basis points to 1.50%, starting from the operation to be settled on 13 July 2011. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 2.25% and 0.75% respectively, both with effect from 13 July 2011.

4 AUGUST 2011

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.50%, 2.25% and 0.75% respectively. It also decides on several measures to address renewed tensions in some financial markets. In particular, it decides that the Eurosystem will conduct a liquidity-providing supplementary longer-term refinancing operation with a maturity of approximately six months as a fixed rate tender procedure with full allotment. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 17 January 2012, notably to continue its fixed rate tender procedures with full allotment.

8 SEPTEMBER 2011

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.50%, 2.25% and 0.75% respectively.

6 OCTOBER 2011

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal

lending facility and the deposit facility will remain unchanged at 1.50%, 2.25% and 0.75% respectively. It also decides on the details of its refinancing operations from October 2011 to 10 July 2012, notably to conduct two longer-term refinancing operations – one with a maturity of approximately 12 months in October 2011, and another with a maturity of approximately 13 months in December 2011 – and to continue to apply fixed rate tender procedures with full allotment in all of its refinancing operations. In addition, the Governing Council decides to launch a new covered bond purchase programme in November 2011.

3 NOVEMBER 2011

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 1.25%, starting from the operation to be settled on 9 November 2011. In addition, it decides to decrease the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 2.00% and 0.50% respectively, both with effect from 9 November 2011.

8 DECEMBER 2011

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 1.00%, starting from the operation to be settled on 14 December 2011. In addition, it decides to decrease the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 1.75% and 0.25% respectively, both with effect from 14 December 2011. It also decides to adopt further non-standard measures, notably: (i) to conduct two longer-term refinancing operations with a maturity of approximately three years; (ii) to increase the availability of collateral; (iii) to reduce the reserve ratio to 1%; and (iv) to discontinue, for the time being, the fine-tuning operations carried out on the last day of each maintenance period.

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



TARGET2¹ is instrumental in promoting the integrated euro area money market, which is a prerequisite for the effective conduct of the single monetary policy. It also contributes to the integration of the euro area financial markets. More than 4,400 commercial banks, as well as 23 national central banks, use TARGET2 to initiate payments of their own or on their customers' behalf. Taking into account branches and subsidiaries, almost 60,000 banks worldwide (and thus all the customers of these banks) can be addressed via TARGET2. TARGET2 is used to make large-value and time-critical payments, including payments to facilitate settlements in other interbank fund transfer systems (e.g. Continuous Linked Settlement or EURO1), and to settle money market, foreign exchange and securities transactions. It is also used for smaller-value customer payments. TARGET2 provides intraday finality for transactions and allows the funds credited to a participant's account to become immediately available for other payments.

there were 274 payments per day with a value of more than €1 billion.

INTRADAY PATTERN OF VOLUMES AND VALUES

The chart shows the intraday distribution of TARGET2 traffic, i.e. the percentage of daily volumes and values processed at different times of the day, for the third quarter of 2011. In volume terms, the curve is well above the linear distribution, with 70% of the volume already exchanged by 1 p.m. CET and 99.6% by one hour before the close of the system. By 1 p.m. CET, 55% of the value exchanged in TARGET2 had already been settled, a figure that rose to 93% one hour before the close of the system. In value terms, the curve is very close to the linear distribution. This indicates that turnover was evenly spread throughout the day and that liquidity circulated appropriately among participants, thereby ensuring the smooth settlement of TARGET2 transactions.

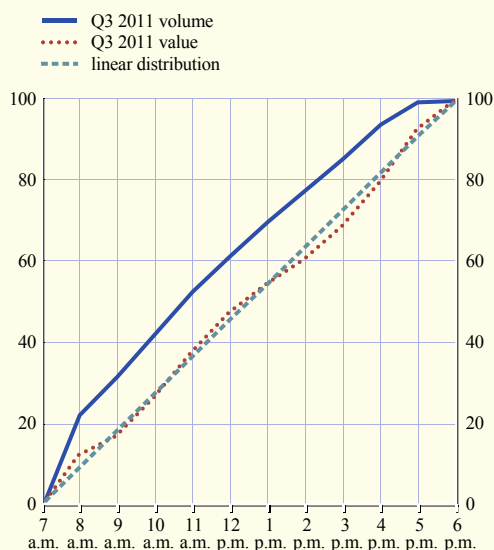
PAYMENT FLOWS IN TARGET2

In the third quarter of 2011 TARGET2 settled 22,362,239 transactions with a total value of €154,799 billion, which corresponds to a daily average of 338,822 transactions with a value of €2,345 billion. The highest level of TARGET2 traffic during this quarter was recorded on 30 September, when 512,437 payments were processed. With a market share of 59% in terms of volume and 90% in terms of value, TARGET2 maintained its dominant position in the market for large-value payments in euro. The stability of TARGET2's market share confirms banks' strong interest in settlement in central bank money, particularly in times of market turbulence. The average proportion of interbank payments was 41% in terms of volume and 93% in terms of value. The average value of an interbank payment processed in the system was €15.9 million, while that of a customer payment was €0.8 million. 66% of the payments had a value of less than €50,000, while 12% had a value of more than €1 million. On average,

¹ TARGET2 is the second generation of TARGET and was launched in 2007.

Intraday pattern

(percentages)



Source: ECB.

TARGET2 AVAILABILITY AND BUSINESS PERFORMANCE

Incidents considered in the calculation of TARGET2's availability are those that completely prevent the processing of payments for ten minutes or more on TARGET2 business days between 7 a.m. and 6.45 p.m. On 25 July the first incident to have an impact on the full

TARGET2 service occurred. The incident prevented the start of the day-trade phase until 9.58 a.m. As a result, TARGET2 achieved 99.59% technical availability in the third quarter. During that period 99.15% of payments were settled in less than five minutes, 0.56% required between five minutes and 15 minutes, while only 0.29% of all payments required more than 15 minutes.

Table 1 Payment instructions processed by TARGET2 and EURO1: volume of transactions

(number of payments)					
	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3
TARGET2					
Total volume	21,568,091	22,790,133	21,856,960	22,410,171	22,362,239
Daily average	326,789	349,305	341,515	355,717	338,822
EURO1 (EBA)					
Total volume	14,755,175	15,445,811	14,829,518	15,372,628	15,482,902
Daily average	223,563	230,124	231,711	244,010	234,589

Table 2 Payment instructions processed by TARGET2 and EURO1: value of transactions

(EUR billions)					
	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3
TARGET2					
Total value	150,349	150,795	146,071	144,109	154,799
Daily average	2,278	2,285	2,282	2,287	2,345
EURO1 (EBA)					
Total value	15,199	15,563	15,261	15,222	16,322
Daily average	230	241	238	242	247



PUBLICATIONS PRODUCED BY THE EUROPEAN CENTRAL BANK

The ECB produces a number of publications which provide information about its core activities: monetary policy, statistics, payment and securities settlement systems, financial stability and supervision, international and European cooperation, and legal matters. These include the following:

STATUTORY PUBLICATIONS

- Annual Report
- Convergence Report
- Monthly Bulletin

RESEARCH PAPERS

- Legal Working Paper Series
- Occasional Paper Series
- Research Bulletin
- Working Paper Series

OTHER/TASK-RELATED PUBLICATIONS

- Enhancing monetary analysis
- Financial integration in Europe
- Financial Stability Review
- Statistics Pocket Book
- The European Central Bank: history, role and functions
- The international role of the euro
- The implementation of monetary policy in the euro area (“General Documentation”)
- The monetary policy of the ECB
- The payment system

The ECB also publishes brochures and information materials on a variety of topics, such as the euro banknotes and coins, as well as seminar and conference proceedings.

For a complete list of documents (in PDF format) published by the ECB and the European Monetary Institute, the ECB’s forerunner from 1994 to 1998, please visit the ECB’s website at <http://www.ecb.europa.eu/pub/>. Language codes indicate the languages in which each publication is available.

Unless otherwise indicated, hard copies can be obtained or subscribed to free of charge, stock permitting, by contacting info@ecb.europa.eu



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 the general government.

Break-even inflation rate: the spread between the yield on a nominal bond and that on an inflation-linked bond of the same (or as similar as possible) maturity.

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.

Capital accounts: part of the system of national (or euro area) accounts consisting of the change in net worth that is due to net saving, net capital transfers and net acquisitions of non-financial assets.

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 or per hour worked: 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 or by the total number of employees' hours worked.

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. the 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.

Collateral: assets pledged or transferred in some form as a guarantee for the repayment of loans, as well as assets sold under repurchase agreements. Collateral used in Eurosystem reverse transactions must fulfil certain eligibility criteria.

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 taken out by households, as well as the loans, debt securities and pension fund reserves (resulting from employers' direct pension commitments on behalf of their employees) of non-financial corporations, valued at market prices at the end of the period.

Debt (general government): the gross debt (currency and deposits, loans and debt securities) 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 126(2) of the Treaty on the Functioning of the European Union 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 126(2) of the Treaty on the Functioning of the European Union 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 generalised, persistent and self-reinforcing decline in a broad set of prices that results from a drop in aggregate demand and becomes entrenched in expectations.

Deposit facility: a standing facility of the Eurosystem enabling eligible counterparties to make, on their own initiative, overnight deposits with the NCB in their respective jurisdiction. Deposits are remunerated at a pre-specified rate that normally provides a floor for overnight market interest rates.

Disinflation: a process of decelerating inflation that may lead to negative inflation rates of a temporary nature.

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 EER

indices of the euro are calculated against different groups of trading partners: the EER-20 comprises the 10 non-euro area EU Member States and 10 trading partners outside the EU, and the EER-40 encompasses the EER-20 and 20 additional countries. The weights used reflect the share of each partner country in the euro area's trade in manufactured goods 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.

Enhanced credit support: the non-standard measures taken by the ECB/Eurosystem during the financial crisis with a view to supporting financing conditions and credit flows above and beyond what could be achieved through reductions in key ECB interest rates alone.

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, e.g. 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 what is known as a prime bank is willing to lend funds (denominated in euro) to another prime bank. The EURIBOR is computed daily, based on the rates of a sample of selected banks, for 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 on the Functioning of the European Union.

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 whose currency is 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 transactions between residents and non-residents in direct investment, portfolio investment, other investment, financial derivatives and reserve assets.

Financial accounts: part of the system of national (or euro area) accounts showing the financial positions (stocks or balance sheets), financial transactions and other changes of the different institutional sectors of an economy by type of financial asset.

Financial vehicle corporation (FVC): an entity whose principal activity is to carry out securitisation transactions. An FVC typically issues marketable securities that are offered for sale to the general public, or sold in the form of private placements. In some cases, an FVC simply holds the securitised assets and issues the securities through another entity, often an FVC itself.

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.

Fixed rate full-allotment tender procedure: a tender procedure in which the interest rate is pre-specified by the central bank (fixed rate) and in which counterparties bid the amount of money they want to transact at that rate, knowing in advance that all their bids will be satisfied (full allotment).

General government: a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

Gross domestic product (GDP): the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

Gross external debt: the outstanding amount of an economy's actual (i.e. non-contingent) current liabilities that require payment of principal and/or interest to non-residents at some point in the future.

Harmonised Index of Consumer Prices (HICP): a measure of the development 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.

Insurance corporations and pension funds: a sector defined in the ESA 95 as comprising all financial corporations and quasi-corporations that are engaged primarily in financial intermediation as the consequence of the pooling of risks.

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 payment 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 and the reserve positions in the IMF which are held by the Eurosystem.

Investment funds (except money market funds): financial institutions that pool capital raised from the public and invest it in financial and non-financial assets. See also MFIs.

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 recently taken 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 rates at the main refinancing operations, on the marginal lending facility and 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 (volume) divided by either total employment or total hours worked.

Liquidity-absorbing operation: an operation through which the Eurosystem absorbs liquidity in order to reduce excess liquidity, or to create a shortage of liquidity. Such operations can be conducted by issuing debt certificates or fixed-term deposits.

Longer-term refinancing operation (LTRO): an open market operation with a maturity of more than one week that is executed by the Eurosystem in the form of a reverse transaction. The regular monthly operations have a maturity of three months. During the financial market turmoil that started in August 2007, supplementary operations with maturities ranging from one maintenance period to one year were conducted, the frequency of which varied.

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 (MRO): 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 enabling eligible counterparties, on their own initiative, to receive overnight credit from the NCB in their jurisdiction at a pre-specified rate in the form of a reverse transaction. The rate on loans extended within the scope of the marginal lending facility normally provides an upper bound for overnight market interest rates.

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, i.e. funds that invest in short-term and low-risk instruments usually with a maturity of one year or less.

Minimum bid rate: the lower limit to the interest rates at which counterparties may submit bids in the variable tenders.

Open market operation: a financial market operation executed on the initiative of the central bank. These operations include reverse transactions, outright transactions as well as the issuance of fixed-term deposits or debt certificates or foreign exchange swaps. The open market operations can be liquidity providing or liquidity absorbing.

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: as defined by the Governing Council, 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 that is deemed to be compatible with price stability over the medium term.

Reserve requirement: the requirement for institutions to hold minimum reserves with the central bank over a maintenance period. Compliance with the requirement is determined on the basis of the average of the daily balances in the reserve accounts over the maintenance period.

Reverse transaction: an operation whereby the NCB buys or sells assets under a repurchase agreement or conducts credit operations against collateral.

Securitisation: a transaction or scheme whereby an asset or a pool of cash flow-producing assets, often consisting of loans (mortgages, consumer loans, etc.), is transferred from an originator (usually a credit institution) to a financial vehicle corporation (FVC). The FVC effectively converts these assets into marketable securities by issuing debt instruments with principal and interest serviced through the cash flows produced by the asset pool.

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 (volume) 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.

Volatility: the degree of fluctuation in a given variable.

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 sufficiently homogenous debt securities with 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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