



EUROPEAN CENTRAL BANK

EUROSYSTEM

MONTHLY BULLETIN
JULY

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This Bulletin was produced under the responsibility of the Executive Board of the ECB. Translations are prepared and published by the national central banks.

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The cut-off date for the statistics included in this issue was 4 July 2012.

ISSN 1561-0136 (print)

ISSN 1725-2822 (online)



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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 5 July to cut the key ECB interest rates by 25 basis points. Inflationary pressure over the policy-relevant horizon has been dampened further as some of the previously identified downside risks to the euro area growth outlook have materialised. Consistent with this picture, the underlying pace of monetary expansion remains subdued. Inflation expectations for the euro area economy continue to be firmly anchored in line with the Governing Council's aim of maintaining inflation rates below, but close to, 2% over the medium term. At the same time, economic growth in the euro area continues to remain weak, with heightened uncertainty weighing on confidence and sentiment.

The Eurosystem has implemented both standard and non-standard monetary policy measures. This combination of measures has supported the transmission of monetary policy. All the non-standard monetary policy measures are temporary in nature and the Eurosystem maintains its full capacity to ensure medium-term price stability by acting in a firm and timely manner. In this respect, on 22 June 2012 the Governing Council decided on further measures to increase collateral availability for counterparties.

As regards the economic analysis, on a quarterly basis, euro area real GDP growth was flat in the first quarter of 2012, following a decline of 0.3% in the previous quarter. Indicators for the second quarter of 2012 point to a renewed weakening of economic growth and heightened uncertainty. Looking beyond the short term the Governing Council expects the euro area economy to recover gradually, although with momentum dampened by a number of factors. In particular, tensions in some euro area sovereign debt markets and their impact on credit conditions, the process of balance sheet adjustment in the financial and non-financial sectors and high unemployment are expected to weigh on the underlying growth momentum.

The risks surrounding the economic outlook for the euro area continue to be on the downside. They relate, in particular, to a renewed increase in the tensions in several euro area financial markets and their potential spillover to the euro area real economy. Downside risks also relate to possibly renewed increases in energy prices over the medium term.

Euro area annual HICP inflation was 2.4% in June 2012, according to Eurostat's flash estimate, unchanged from the previous month. On the basis of current futures prices for oil, inflation rates should decline further in the course of 2012 and be again below 2% in 2013. Over the policy-relevant horizon, in an environment of modest growth in the euro area and well-anchored long-term inflation expectations, underlying price pressures should remain moderate.

Taking into account the Governing Council's decisions of 5 July, risks to the outlook for price developments continue to be broadly balanced over the medium term. The main downside risks relate to the impact of weaker than expected growth in the euro area. Upside risks pertain to further increases in indirect taxes, owing to the need for fiscal consolidation, and higher than expected energy prices over the medium term.

Turning to the monetary analysis, the underlying pace of monetary expansion has remained subdued, with short-term developments displaying some volatility. The increase in the annual growth rate of M3 to 2.9% in May, up from 2.5% in April and close to the 3.0% observed in March, mainly reflected a reversal of the outflows in April from overnight deposits belonging to non-monetary financial intermediaries (particularly investment funds). In addition to an increased preference for deposits with shorter maturities, these factors have also shaped M1 developments, with the annual growth rate increasing from 1.8% in April to 3.3% in May.

The annual growth rate of loans to the private sector (adjusted for loan sales and securitisation) declined to 0.4% in May (from 0.8% in April). Annual growth rates for loans to both non-financial corporations and households (adjusted for loan sales and securitisation) also decreased in May, to 0.2% and 1.3% respectively, with negative monthly loan flows to non-financial corporations. To a large extent, subdued loan growth reflects the current cyclical situation, heightened risk aversion, and the ongoing adjustment in the balance sheets of households and enterprises which weigh on credit demand.

Looking ahead, it is essential for banks to continue to strengthen their resilience where it is needed. The soundness of banks' balance sheets will be a key factor in facilitating both an appropriate provision of credit to the economy and the normalisation of all funding channels.

To sum up, taking into account the Governing Council's decisions of 5 July, the economic analysis indicates that price developments should remain in line with price stability over the medium term. A cross-check with the signals from the monetary analysis confirms this picture.

With regard to other policies, the Governing Council welcomes the European Council conclusions of 29 June 2012 to take action to address financial market tensions, restore confidence and revive growth. The Governing Council agrees that Economic and Monetary Union needs to be put on a more solid basis for the future and that sustainable growth, sound public finances and structural reforms to boost competitiveness remain key economic priorities. The Governing Council welcomes the decision to develop a specific and time-bound road map for the achievement of a genuine Economic and Monetary Union. Furthermore, the Governing Council welcomes the euro area summit initiative towards a single supervisory mechanism, the possibility – with appropriate conditionality – to recapitalise banks directly, and the use of existing EFSF/ESM instruments in a flexible and efficient manner in order to

stabilise markets. Finally, the ECB is ready to serve as an agent to the EFSF/ESM in conducting market operations.

This issue of the Monthly Bulletin contains two articles. The first article analyses the interactions between fiscal and monetary policy in EMU and identifies the elements for an improved policy framework. The second article reviews the evolution of longer-term inflation expectations for the euro area.

ECONOMIC AND MONETARY DEVELOPMENTS

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

The world economy remains on a very gradual and fragile recovery trajectory. The flow of incoming information suggests some renewed moderation in the global growth momentum amid diverging patterns across regions. In advanced economies, structural impediments continue to restrain the pace of growth and economic sentiment seems to have waned again in recent weeks. In emerging markets, by contrast, activity continues to expand at a much faster pace, although growth dynamics have been receding somewhat as well, partly in response to past policy tightening. Global inflation has continued to ease in recent months amid falling commodity prices.

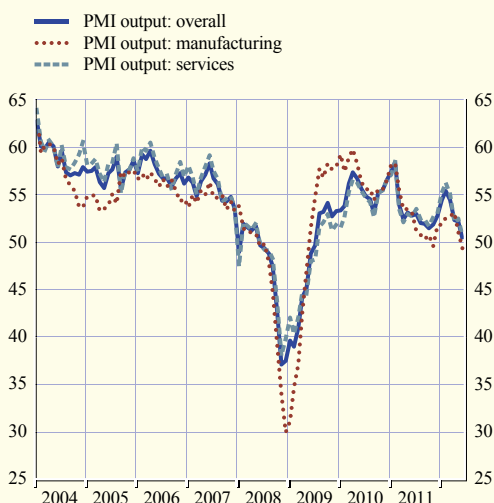
I.1 DEVELOPMENTS IN THE WORLD ECONOMY

The world economy remains on a very gradual and fragile recovery trajectory. Following some acceleration in global growth in the first quarter of the year, the flow of incoming information in recent weeks suggests some renewed moderation in the growth momentum. Global growth dynamics also continue to be rather diverse across countries and regions. In most advanced economies, structural impediments continue to restrain the pace of growth and economic sentiment seems to have waned again in recent weeks. This is likely to reflect partly a mechanical correction of very positive data releases earlier this year, which, in turn, might have been driven by temporary factors. Activity in emerging markets continues to expand at a much faster pace, thereby providing a bigger contribution to global growth. At the same time the growth momentum is receding somewhat in key emerging markets, partly reflecting past policy tightening, but also spillovers from weaker external demand.

The latest survey evidence is signalling a renewed slowdown in the external environment of the euro area. In June the global Purchasing Managers' Index (PMI) for output posted a further decline to 50.3, from 52.1 in May, as both the manufacturing and the services PMI declined (see Chart 1). While the global manufacturing PMI fell below the expansion/contraction threshold of 50, the

Chart 1 Global PMI output

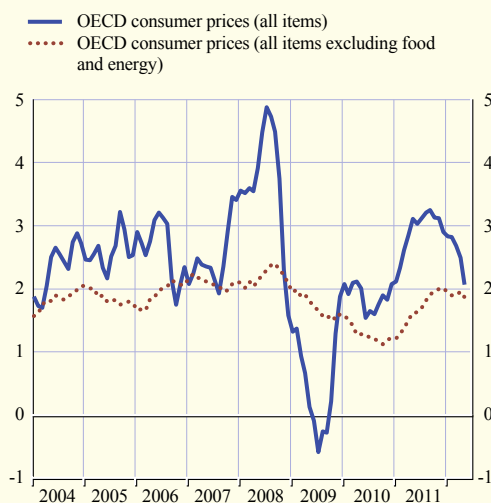
(diffusion index; seasonally adjusted; monthly data)



Source: Markit.

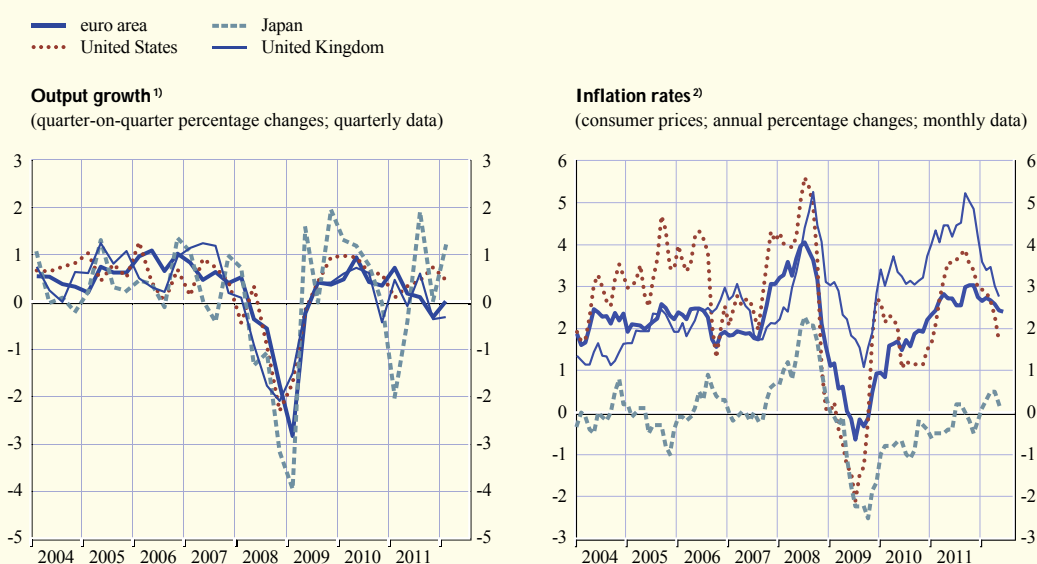
Chart 2 International price developments

(monthly data; annual percentage changes)



Source: OECD.

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.

services PMI remained above this threshold, suggesting overall continued moderate growth in the world economy. The decline in the PMI for global output was associated with a decline in the global PMI index excluding the euro area, while the global PMI for the euro area remained unchanged at very low levels in June.

Global inflation has continued to ease in recent months amid falling commodity prices. In the OECD area, consumer price inflation fell to 2.1% in the year to May, from 2.5% in April, which compares with a peak of 3.3% recorded in September last year (see Chart 2). This decline mainly reflects developments in energy and food prices. Excluding food and energy, the annual rate of inflation declined marginally to 1.9% in May, compared with 2.0% in the preceding month. In emerging markets, annual rates of inflation also tended to decline further overall, reaching 3.0% in China and 5.0% in Brazil in May, for example.

UNITED STATES

In the United States, the expansion in economic activity is proceeding at a moderate pace. According to the third estimate by the Bureau of Economic Analysis, real GDP increased at an annual rate of 1.9% (0.5% quarter on quarter) in the first quarter of 2012, the same as reported in the previous estimate, down from 3% in the previous quarter (see Chart 3). The slowdown is largely explained by softer growth in non-residential fixed investment and inventory investment. GDP growth was supported by accelerating consumer spending and exports in the first quarter, which were nonetheless somewhat weaker than previously estimated. These downward revisions in the third estimate were offset by upward revisions to commercial construction and a sharp downward revision to imports leading to a slight positive contribution of net exports to growth. Survey indicators and high-frequency data continue to point to a moderate expansion in the second quarter of 2012. Business confidence deteriorated in the second quarter, weighed down by concerns about the global economic environment,

while industrial production eased somewhat in May. On a more positive note, several indicators suggest that the housing sector is gradually firming, albeit from very low levels. Employment data for the first two months of the second quarter were weaker than expected by market analysts, and the strong momentum gained in the first quarter (also attributed to favourable weather conditions) appeared to taper off. The unemployment rate edged up slightly in May to 8.2% as a result of an increase in the number of unemployed.

In May annual CPI inflation slowed further to 1.7%, a significant decrease from 2.3% in April. The easing in headline CPI inflation primarily reflects the decline in the annual change in energy costs and the gradual easing of food price increases in recent months. Excluding these components, core inflation held steady at 2.3% for the third month in a row. The resilience of underlying inflation has been sustained by increases in the cost of shelter, medical care and apparel.

On 20 June 2012 the Federal Open Market Committee (FOMC) decided to keep the target range for the federal funds rate at 0% to 0.25% and anticipated that economic conditions are likely to warrant exceptionally low levels for the federal funds rate at least until late 2014. The FOMC also decided to continue through to the end of the year (instead of June 2012) its programme (frequently referred to as “Operation Twist”) to extend the average maturity of its holdings of securities.

JAPAN

In Japan the second preliminary release of national accounts data further confirmed the strong expansion of economic activity in the first quarter of 2012. Real GDP growth has been revised upwards to 1.2% quarter on quarter from 1.0% in the previous release owing to stronger private consumption and investment. Latest survey data indicate that the pace of expansion may have moderated somewhat in the second quarter amid slowing production momentum in the manufacturing sector, while domestic non-manufacturing activity is expected to remain solid. The manufacturing PMI signalled a further weakening in manufacturers’ sentiment in June owing to the strength of the yen and slowing growth of exports, particularly to Asia. Industrial production declined for the second consecutive month in May, by 3.1% month on month, and real exports of goods also contracted, by 2.7% month on month. At the same time, real imports rose for the third month in a row, weighing on the nominal trade deficit, which widened further in May in monthly, seasonally-adjusted terms.

Annual CPI inflation declined in May to 0.2% (from 0.5% in the previous month), owing mainly to falling prices for energy and flat-screen panel TVs. Excluding fresh food, annual CPI inflation declined to -0.1% in May, compared with 0.2% in April, while the annual rate of change of CPI inflation excluding food and energy dropped to -0.6% from -0.3%. At its latest monetary policy meeting on 15 June, the Bank of Japan decided to maintain its target for the uncollateralised overnight call rate at around 0.0% to 0.1%.

UNITED KINGDOM

In the United Kingdom, real GDP declined by 0.3% quarter on quarter in the first quarter of 2012. Recent data have been relatively weak. Export volumes and manufacturing production declined in April, while survey indicators in the manufacturing sector pointed to weakening sentiment in May. Service sector confidence has stayed at relatively high levels, but consumer confidence has remained weak and the labour market situation has shown few signs of improvement. Looking ahead, the economic recovery is likely to gather pace only very gradually, as domestic demand is expected to remain constrained by tight credit conditions, ongoing household balance sheet adjustment and substantial fiscal tightening.

Annual CPI inflation slowed to 2.8% in May from 3% in April, while CPI inflation excluding energy and unprocessed food remained unchanged at 2.4%. The fall in CPI inflation was mainly due to lower commodity prices. Looking ahead, the existence of spare capacity and the sluggish recovery in economic activity should contribute to a dampening of inflationary pressures. On 7 June the Bank of England's Monetary Policy Committee maintained the official Bank Rate paid on commercial bank reserves at 0.5% and the stock of asset purchases financed by the issuance of central bank reserves at a total of GBP 325 billion. At its 5 July meeting the Bank of England's Monetary Policy Committee maintained the policy rate at 0.5%, but at the same time increased the size of its asset purchase programme by GBP 50 billion to GBP 375 billion.

CHINA

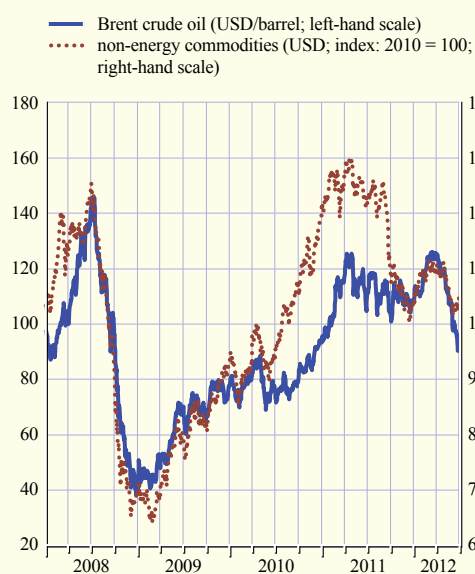
In China, recent data releases confirmed that economic activity is slowing down. Industrial production growth firmed slightly in May, but decelerated compared with the first quarter of 2012. Retail sales growth also continued to decelerate. Exports and imports grew much more strongly than expected in May, leading to a slightly higher trade surplus compared with April. The housing market showed tentative signs of stabilisation, both as regards construction activity and house prices. Annual CPI inflation continued to decline in May to 3.0%, from 3.4% in April, on account of lower food prices. The CPI inflation rate has stayed below the authorities' 4% target since February. On 7 June the People's Bank of China lowered one-year benchmark rates by 25 basis points. On 5 July it lowered deposit rates by a further 25 basis points and lending rates by a further 31 basis points. On both occasions, banks were given more leeway in setting their lending and deposit rates. Domestic liquidity conditions eased in May as loan and money growth accelerated slightly. The renminbi appreciated only marginally vis-à-vis the US dollar in May, continuing its trend of recent months of slowly appreciating.

1.2 COMMODITY MARKETS

Oil prices declined further in June, continuing their downward trend which started in mid-March. Brent crude oil prices stood at USD 90 per barrel on 26 June, their lowest level this year and 28% below the peak reached on 14 March 2012. Looking ahead, market participants expect fairly constant oil prices over the medium term, with futures contracts for December 2013 trading at USD 93 per barrel.

Oil prices have been declining since March amid concerns among market participants about the global economic outlook in the wake of the euro area sovereign debt crisis and the risks of a stronger than expected slowdown in emerging countries, in particular China. Global oil demand fell significantly in the second quarter, whereas global oil supply has been steadily growing since last year. This has increased the volume of inventories, although part of this replenishment may be due to seasonal reasons.

Chart 4 Main developments in commodity prices



Sources: Bloomberg and HWWI.

Despite this rebalancing between oil supply and demand, some upside risks remain. Supply disruptions owing to geopolitical tensions surrounding Iran may induce a new surge in prices, given the current low levels of OPEC spare capacity.

Prices of non-energy commodities were, on aggregate, broadly stable in June. Prices declined in April and May, driven largely by a fall in metal prices owing to concerns over global growth prospects. By contrast, metal prices declined only slightly in June whereas food prices increased. In aggregate terms, the price index for non-energy commodities (denominated in US dollars) was 1% higher towards the end of June than at the beginning of the year.

1.3 EXCHANGE RATES

Between the end of March and early July 2012 the effective exchange rate of the euro depreciated overall amid intensifying concerns about the fiscal situation in some euro area countries. On 4 July 2012 the nominal effective exchange rate of the euro, as measured against the currencies of 20 of the euro area's most important trading partners, stood 3.6% below its level at the end of March 2012 and 6.4% below its average level in 2011 (see Chart 5).

In bilateral terms, over the past three months the euro has broadly depreciated against most major currencies. Between 30 March 2012 and 4 July 2012 the euro steadily depreciated against the US dollar, by 6.0%, as well as against the Japanese yen, by 8.5%, and the pound sterling, by 3.7%. The euro also depreciated marginally against the Swiss franc, by 0.3%. Over the same horizon,

Chart 5 Euro effective exchange rate (EER-20) and its decomposition¹⁾

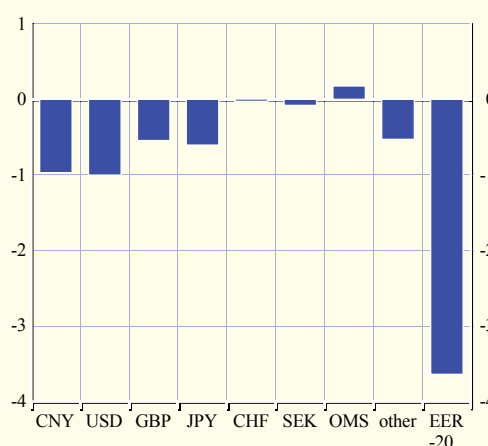
(daily data)

Index: Q1 1999 = 100



Contributions to EER-20 changes²⁾

From 30 March 2012 to 4 July 2012 (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 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 currencies 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.

Table 1 Euro exchange rate developments¹⁾

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

	Weight in EER-20	Level on 4 July 2012	Appreciation (+)/depreciation (-) of the euro as at 4 July 2012		
			since: 30 March 2012	2 January 2012	compared with: average for 2011
Chinese renminbi	18.8	7.973	-5.2	-2.2	-11.4
US dollar	16.9	1.256	-6.0	-2.9	-9.8
Pound sterling	14.9	0.803	-3.7	-3.8	-7.5
Japanese yen	7.2	100.3	-8.5	0.8	-9.6
Swiss franc	6.5	1.201	-0.3	-1.2	-2.5
Polish zloty	6.2	4.207	1.3	-6.0	2.1
Czech koruna	5.0	25.50	3.1	0.0	3.7
Swedish krona	4.7	8.688	-1.8	-2.7	-3.8
Korean won	3.9	1,428	-5.6	-4.4	-7.3
Hungarian forint	3.2	285.4	-3.2	-9.2	2.1
NEER ²⁾		96.8	-3.6	-2.7	-6.4

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).

the euro mostly appreciated vis-à-vis other European currencies, in particular against the Czech koruna by 3.1%, the Romanian leu by 2.2% and the Polish zloty by 1.3%, while it depreciated against the Hungarian forint by 3.2% (see Table 1). Market volatility, as measured on the basis of foreign exchange option prices, increased again from the relatively low levels reached in early March to levels above historical averages by the end of May, but has since then returned to long-term averages for most currency pairs.

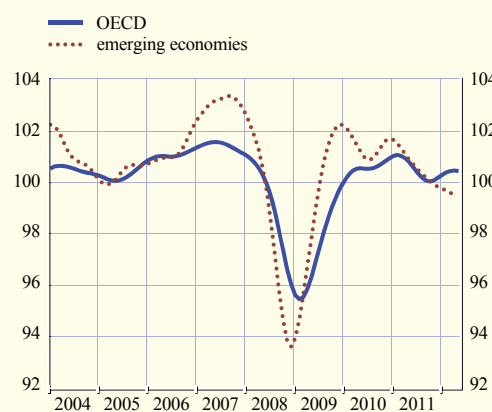
Between 31 January and 2 May 2012 the currencies participating in ERM II remained broadly stable against the euro, trading at, or close to, their respective central rates. The Latvian lats traded on the stronger side of its central rate within the unilaterally set fluctuation band of +/-1%.

1.4 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Looking ahead, economic indicators are consistent with subdued global growth. The PMI for all-industry new orders fell to 50.5 in June, from 52.2 in May. The PMI for new export orders dropped to 47.0 in June, i.e. well below the expansion/contraction threshold of 50, which does not bode well for the outlook for global trade. However, the OECD's composite leading indicator (CLI), designed to anticipate turning points in economic activity relative to trend, has continued to increase gradually over recent months. In April the indicator stood above its long-term average, supported by favourable readings for the United States and Japan, while the index suggests rather sluggish growth prospects for a number of European countries. Among emerging economies, the CLI points to some moderation,

Chart 6 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.

while the business cycle indicators for the ASEAN economies show signs of resilience. Consumer confidence in the OECD area also continued to improve in May, albeit remaining at rather low levels. Box 1 briefly compares the current recovery in selected advanced economies with the average recovery in the respective country over the last 30 years.

The outlook for the external environment of the euro area remains subject to high uncertainty, related to tensions in key financial market segments as well as fiscal and global imbalances. Moreover, geopolitical tensions in the Middle East pose an upside risk to oil prices and a downside risk to the global economy.

Box 1

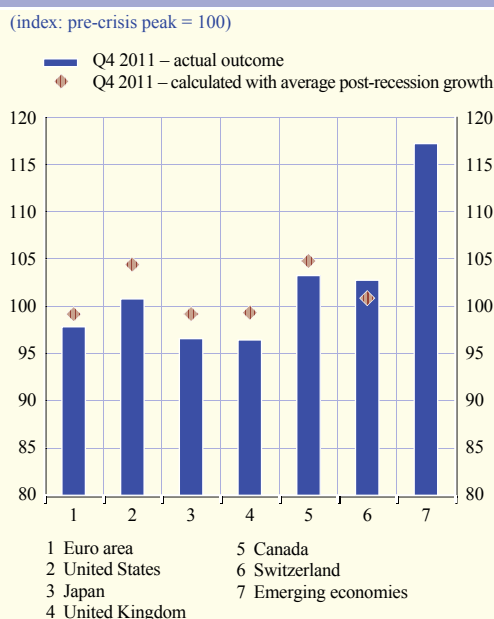
HOW DOES THE CURRENT RECOVERY IN SELECTED ADVANCED ECONOMIES COMPARE WITH AN AVERAGE RECOVERY?

The current recovery, which follows the most severe recession since the Second World War, has been protracted and sluggish. In fact, some major advanced economies are only expected to reach their pre-crisis peak level of GDP five years after the recovery commenced there. This contrasts sharply with emerging economies where the level of GDP is substantially higher than the peak level recorded prior to the crisis. In order to shed additional light on the reasons behind the weakness of the current recovery in advanced economies, this box compares the current recovery in selected advanced economies with the average of all recoveries that have taken place in the respective countries over the last thirty years. In particular, by examining the contributions of the different components of GDP, the box seeks to identify the source of the “gap” in the level of GDP in comparison with a typical recovery. For several economies, it is the lacklustre contribution of private consumption that largely explains the deviation of the current level of GDP from the level that would be expected to occur in a typical recovery.¹

How weak is the current recovery and how does it compare with an average recovery?

In the fourth quarter of 2011, the level of GDP in the euro area, the United States, the United Kingdom, Canada and Japan was 1.4%, 3.5%, 3.0%, 1.5% and 2.6% lower respectively than that which would have prevailed if an average recovery had materialised (as indicated by the

Chart A GDP level: impact of the crisis



Sources: Eurostat, national sources and ECB staff calculations.
Note: The recovery is assumed to start in Q2 2009 for Japan and Switzerland and Q3 2009 for the United States, the euro area, Canada and the United Kingdom.

¹ For a more detailed description of the euro area recovery, see the box entitled “The current euro area recovery across expenditure components from a historical perspective”, *Monthly Bulletin*, ECB, February 2011.

difference between the bars and the dots in Chart A).² In Switzerland, the level of GDP surpassed the level that would have materialised in a typical recovery.

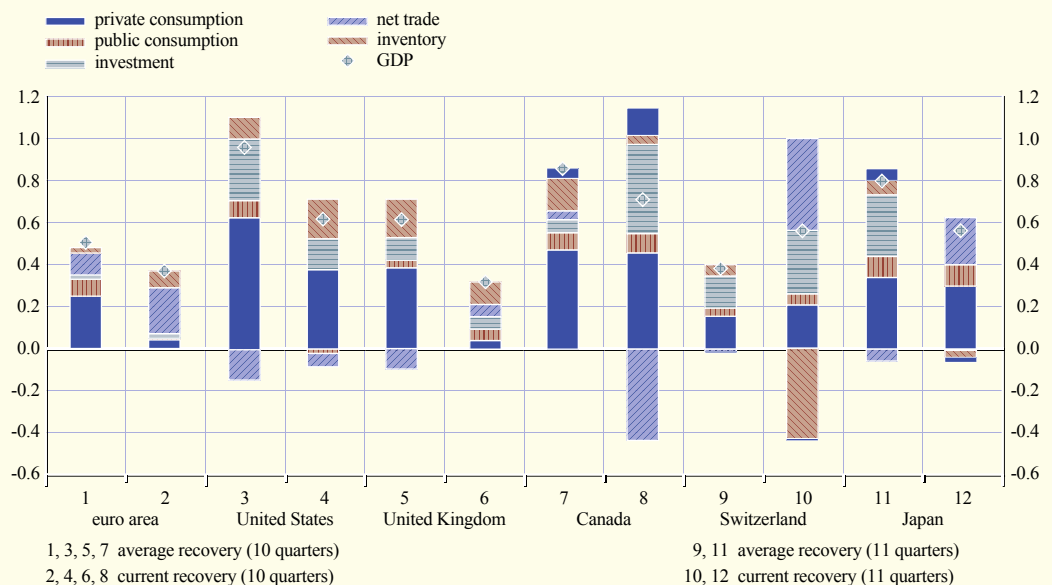
Which components of GDP are driving the weak current recovery?

With respect to the contribution of the different components of GDP to GDP growth, one feature to emerge is that the contributions of private consumption in the euro area, the United States and the United Kingdom to the current recoveries there (see Chart B, columns 2, 4 and 6) are considerably weaker than in an average recovery (see Chart B, columns 1, 3 and 5). This highlights the impact of households repairing balance sheets, weak labour markets, fiscal consolidation and elevated energy prices. In Japan, investment is not contributing as much to growth as in an average recovery, although the contribution from net trade is stronger (see Chart B, columns 11 and 12). In both Canada and Switzerland, where households have suffered less from the legacy of the financial crisis, the current contributions of private consumption are in line with those recorded in a typical recovery (see Chart B, columns 7, 8, 9 and 10). In Canada, it is notable that net trade is proving to be a drag on growth in the current recovery, which stands clearly in contrast to what occurred in previous recoveries. This partly reflects weaker demand from its major trading partners.

2 In order to calculate the path of the “typical” recovery, all recoveries that have occurred in the euro area, the United States, the United Kingdom, Canada, Japan and Switzerland over the last 30 years were identified. For each economy, the average quarterly growth rate in the ten quarters following the start of the recovery was calculated. Subsequently, the average of these average quarterly growth rates during each of the different recoveries was used to calculate the “typical” quarterly growth rate in a recovery. These average growth rates were then applied to the level of GDP at the time when the current recovery commenced so as to project the profile for the average recovery. These time periods were chosen in order to enable a comparison with the current recovery, which started ten quarters ago (for some countries, 11 quarters ago).

Chart B Recoveries in selected major advanced economies

(average quarterly growth rates and percentage point contributions; seasonally adjusted)



Sources: Eurostat, national sources and ECB staff calculations.

Notes: The number of quarters used to calculate the average is given in brackets. Statistical discrepancies are included with inventories.

Conclusion

One of the notable characteristics of the current recovery in some major advanced economies has been its sluggish pace, particularly in view of the magnitude of the downturn and also when compared with an average recovery over the last 30 years. In nearly all the economies under review, national income at the end of 2011 was lower than that which would have been expected in an average recovery. In the case of those economies that have the heaviest burden in terms of constraining legacies from the financial crisis, it is found that the gap in the level of GDP in comparison with that recorded in a typical recovery can largely be explained by the lack of support from private consumption.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

Looking beyond the considerable volatility currently characterising monetary developments, underlying money growth remained subdued in May 2012. The overall weakness of monetary dynamics is mirrored on the credit side by persistently subdued growth in MFI loans to the private sector. Much of the current weakness in MFI lending can be explained by demand conditions, although constraints on the supply side remain in a number of countries. In order to ensure the appropriate financing of the real economy once demand picks up, progress will need to be made with regard to the adjustment of credit institutions' balance sheets.

THE BROAD MONETARY AGGREGATE M3

The annual growth rate of euro area M3 recovered to stand at 2.9% in May 2012, up from 2.5% in April, standing close to the 3.0% observed in March (see Chart 7). Monthly monetary flows in April and May were characterised by considerable volatility relating to temporary transactions between credit institutions and non-monetary financial intermediaries. In addition, the inflow observed for broad money in May was amplified by a significant amount of secured interbank transactions conducted via central counterparties (CCPs). At the same time, the increase seen in the annual growth rate of M3 adjusted for the impact of transactions conducted via CCPs (which stood at 2.8% in May, up from 2.2% in April) was similar to that observed in the headline series, owing to a base effect.

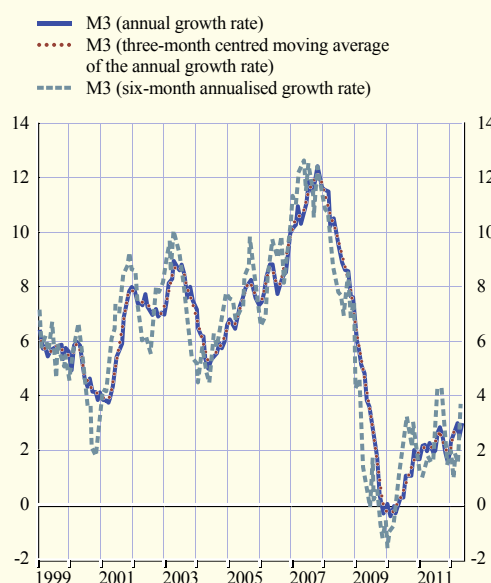
The increase in money growth was concentrated in specific components and sectors. Besides the above-mentioned volatility, this reflected institutional investors shifting funds towards the most liquid components of M3, from both within and outside M3.

On the counterpart side, the strengthening observed in money growth in May was mirrored by both a reduction in longer-term financial liabilities (excluding capital and reserves), mainly as a result of outflows for longer-term deposits, and an increase in credit to general government. The annual growth rate of MFI loans to the private sector (adjusted for the impact of loan sales and securitisation activity) declined further to stand at 0.4% in May, down from 0.8% in April, reflecting net redemptions. MFIs' net external asset position recorded a monthly inflow in May, resulting in a less negative cumulative flow over the last 12 months and thus a less negative contribution to the annual growth rate of M3.

Euro area MFIs' main assets declined marginally in May, after falling strongly in April. The contraction observed for most balance sheet items was moderate and was, to some extent, offset by increases in holdings of non-MFI securities and lending to other MFIs.

Chart 7 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

MAIN COMPONENTS OF M3

The recovery seen in the annual growth rate of M3 in May was driven mainly by the reversal of the temporary transactions observed in April between credit institutions and non-monetary financial intermediaries, which mainly affected overnight deposits. In addition, inflows for overnight deposits continued to be fuelled by shifts both from other short-term deposits included in M3 (i.e. M2 minus M1) and from longer-term time deposits (which are not included in M3). Thus, the annual growth rate of M1 recovered strongly to stand at 3.3% in May. This more than offset the decline observed in April, when it fell to 1.8%, down from 2.8% in March. By contrast, the annual growth rate of short-term deposits other than overnight deposits declined to 2.3% in May, down from 3.3% in April.

The annual growth rate of marketable instruments (i.e. M3 minus M2) increased to 3.4% in May, up from 2.5% in April, as a result of a large monthly inflow. This inflow reflected net purchases of money market fund shares/units and an increase in repurchase agreements and concealed an outflow for short-term MFI debt securities (i.e. those with an original maturity of up to two years) held by the money-holding sector. The large inflow observed for repurchase agreements was accounted for entirely by secured interbank transactions conducted via CCPs. Credit institutions tend to prefer this type of interbank trading in periods of heightened financial market uncertainty, as it reduces counterparty risk.

The annual growth rate of M3 deposits – which comprise short-term deposits and repurchase agreements and represent the broadest monetary aggregate for which a timely sectoral breakdown is available – increased to 2.4% in May, up from 2.0% in April (albeit remaining lower than the 2.8% observed in March). Households continued to make the largest contribution to the annual figures, followed by general government and insurance corporations and pension funds. However, two-thirds of the monthly increase observed in the annual growth rate of M3 deposits was attributable to increases in the contributions of non-monetary financial intermediaries, which were driven by the factors explained above.

MAIN COUNTERPARTS OF M3

As regards the counterparts of M3, the annual growth rate of MFI credit to euro area residents remained broadly stable at 1.5% in May, having stood at 1.4% in April (see Table 2). This stemmed from an increase in the annual growth rate of credit to general government (which rose to 9.0%, up from 7.6% in April), which was partially offset by a decline in the annual growth rate of credit to the private sector (which stood at -0.2% in May, down from 0.0% in April).

The increase in the annual growth rate of credit to general government was driven by net purchases of government securities by MFIs other than the Eurosystem and an increase in the provision of loans. By contrast, the annual growth rate of loans to the private sector adjusted for loan sales and securitisation declined to 0.4% in May, down from 0.8% in April, reflecting monthly net redemptions totalling €11 billion (albeit these were weaker than those seen in the previous month). Net redemptions were also recorded for loans to the non-financial private sector in May, following a sizeable inflow in April.

Having increased slightly in the previous month, the annual growth rate of MFI loans to non-financial corporations adjusted for sales and securitisation declined in May (standing at 0.2%, down from 0.6% in April) as a result of monthly net redemptions (see Table 3). That mainly reflected the net redemption of short-term loans (i.e. those with an original maturity of up to one year). The annual growth rate of MFI loans to households adjusted for sales and securitisation decreased

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					
		2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Apr.	2012 May
M1	49.2	1.7	1.4	1.9	2.3	1.8	3.3
Currency in circulation	8.6	4.2	4.5	6.2	6.1	5.5	5.5
Overnight deposits	40.5	1.1	0.8	1.0	1.5	1.0	2.9
M2-M1 (=other short-term deposits)	39.2	3.4	3.4	2.3	2.7	3.3	2.3
Deposits with an agreed maturity of up to two years	19.0	2.3	3.1	2.0	3.4	3.9	1.6
Deposits redeemable at notice of up to three months	20.2	4.5	3.7	2.5	2.1	2.7	3.0
M2	88.4	2.4	2.3	2.1	2.5	2.5	2.9
M3-M2 (=marketable instruments)	11.6	-0.3	2.7	3.4	2.1	2.5	3.4
M3	100.0	2.1	2.4	2.2	2.4	2.5	2.9
Credit to euro area residents		3.1	2.4	1.4	1.4	1.4	1.5
Credit to general government		6.5	5.2	1.4	5.1	7.6	9.0
Loans to general government		10.7	7.0	-2.2	-4.7	-2.9	-0.9
Credit to the private sector		2.3	1.8	1.4	0.6	0.0	-0.2
Loans to the private sector		2.6	2.5	2.1	0.9	0.2	-0.1
Loans to the private sector adjusted for sales and securitisation ²⁾		2.9	2.7	2.3	1.3	0.8	0.4
Longer-term financial liabilities (excluding capital and reserves)		3.4	3.6	2.7	0.5	-1.8	-3.0

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.

marginally further (standing at 1.3% in May, down from 1.5% in April). The total monthly inflow for MFI loans to households declined in May, driven by a corresponding decline in the inflow for lending for house purchase, while flows for other loan categories remained negligible.

Table 3 MFI loans to the private sector

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

	Outstanding amount as a percentage of the total ¹⁾	Annual growth rates					
		2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Apr.	2012 May
Non-financial corporations	42.1	1.1	1.6	1.7	0.7	0.4	0.1
<i>Adjusted for sales and securitisation²⁾</i>	-	1.9	2.3	2.1	0.9	0.6	0.2
Up to one year	24.5	1.5	4.1	3.8	0.5	0.9	0.2
Over one and up to five years	18.0	-2.8	-2.8	-2.5	-2.9	-2.2	-2.5
Over five years	57.5	2.2	2.1	2.3	2.0	1.1	0.8
Households³⁾	47.0	3.4	3.0	2.2	1.2	0.5	0.3
<i>Adjusted for sales and securitisation²⁾</i>	-	3.0	2.7	2.3	1.9	1.5	1.3
Consumer credit ⁴⁾	11.8	-1.0	-2.0	-2.0	-1.8	-2.4	-1.9
Lending for house purchase ⁴⁾	72.4	4.4	4.0	3.0	1.8	1.0	0.7
Other lending	15.8	2.0	2.4	1.8	0.9	0.7	0.1
Insurance corporations and pension funds	0.7	3.2	7.0	4.3	-3.0	-6.5	-6.3
Other non-monetary financial intermediaries	10.1	6.0	3.9	3.3	1.0	-1.4	-2.1

Source: ECB.

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

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

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

3) As defined in the ESA 95.

4) Definitions of consumer credit and lending for house purchase are not fully consistent across the euro area.

Weak MFI lending to the non-financial private sector continues to stem from both subdued demand and constraints on supply. On the demand side, the current stage of the business cycle and heightened risk aversion are continuing to have an adverse effect, reinforced by the persistently high debt ratios for both households and corporate sectors in a number of euro area countries. On the supply side, the availability of loans remains constrained as a result of credit institutions in a number of euro area countries needing to adjust their capital positions in order to cover potential losses resulting from excessive lending in the past and in order to meet new capital requirements. The full impact of the two three-year longer-term refinancing operations (LTROs) in terms of loan growth – beyond the easing of constraints on credit supply as a result of improvements in the liquidity positions of euro area MFIs – is likely to take several quarters to materialise and will depend on various factors. These include improvements in the economic outlook, progress with the balance sheet adjustment that needs to be undertaken by euro area credit institutions and a permanent reduction in the tensions in sovereign debt markets.

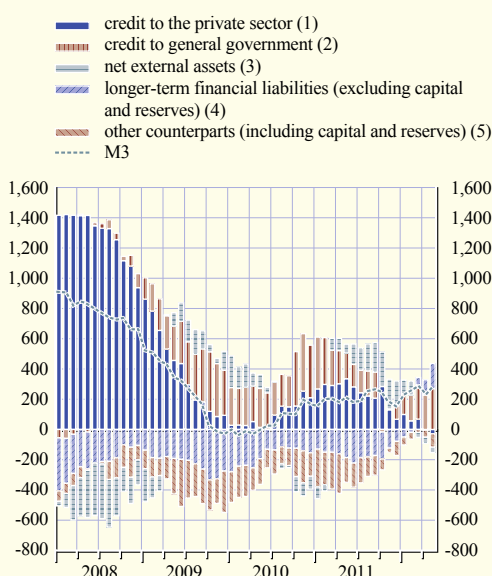
Turning to the other counterparts of M3, the annual growth rate of MFIs' longer-term financial liabilities (excluding capital and reserves) declined further to stand at -3.0% in May, down from -1.8% in the previous month, thereby supporting M3 growth. This very sizeable monthly outflow (which totalled €61 billion) reflected large negative flows for both longer-term deposits and the money-holding sector's holdings of longer-term MFI debt securities. This was the second month in a row that negative net issuance of that magnitude had been observed for such securities. This, coupled with negative net issuance for short-term debt securities, is indicative of banks using funds obtained in the two three-year LTROs to replace maturing bonds or buy back such securities. The outflow for longer-term deposits was driven predominantly by non-monetary financial intermediaries. While the unwinding of securitisation transactions not involving derecognition also played a role in this development, it was not as dominant as in previous months, so a genuine shift by non-monetary financial intermediaries other than insurance corporations and pension funds towards deposits with shorter maturities is likely to have played an important role.

The net external asset position of euro area MFIs recorded an inflow of €12 billion in May, following outflows in the previous two months. In annual terms, the net external asset position of euro area MFIs declined by €36 billion in the 12 months to May, having declined by €39 billion in the 12 months to April. Thus, having contributed positively to M3 growth between March 2011 and February 2012, net external assets have been dampening annual M3 growth since March 2012 (see Chart 8).

Overall, looking beyond the considerable short-term volatility observed recently, the underlying dynamics of money and credit remained subdued in May. For loans, this

Chart 8 Counterparts of M3

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



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

reflects, on the demand side, weak economic activity and prospects and is linked, in part, to the need to correct the high levels of indebtedness seen across the economy in a number of euro area countries. Once demand picks up, however, sufficient progress will need to have been made with necessary adjustments to credit institutions' balance sheets in order to ensure a recovery in loan growth.

2.2 SECURITIES ISSUANCE

The annual growth rate of debt securities issuance by euro area residents stood at 4.4% in April 2012, down from 4.8% in the previous month. This slowdown was driven by lower growth in the issuance of long-term debt securities, while issuance of short-term debt securities accelerated further. A pick-up in issuance activity by non-financial corporations and non-monetary financial corporations was more than offset by a slowdown in the rate of growth of debt securities issuance by MFIs and by the general government sector. At the same time, the annual growth rate of quoted shares issuance edged down to 1.4%.

DEBT SECURITIES

In April 2012 the annual rate of growth of debt securities issued by euro area residents fell to 4.4%, from 4.8% in the previous month (see Table 4). This slowdown was driven by lower growth in the issuance of long-term debt, while short-term issuance continued to accelerate. In terms of sectors, a pick-up in issuance activity by non-financial corporations and non-monetary financial corporations was more than offset by a slowdown in the rate of growth of debt securities issuance by MFIs and by the general government sector.

Looking across maturity types, the annual growth rate of long-term debt securities issuance fell to 4.2% in April 2012 from 4.7% in the previous month, driven by weaker issuance activity in both the floating and fixed rate segments of the market. By contrast, the rate of growth of short-term debt securities increased further, to 6.5% in April, from 5.7% in March. The rate of growth of short-term debt securities has followed an upward trend since December 2011 and gathered further

Table 4 Securities issued by euro area residents

Issuing sector	Amount outstanding (EUR billions)	Annual growth rates ¹⁾					
		2012		2011		2012	
		April	Q2	Q3	Q4	Q1	March	April
Debt securities	16,744	3.5	3.5	3.1	4.1	4.8	4.4
MFIs	5,610	1.1	2.0	3.3	4.6	4.8	4.2
Non-monetary financial corporations	3,363	0.7	-0.4	-1.2	-0.4	2.0	2.8
Non-financial corporations	916	4.1	4.9	5.0	6.5	8.1	9.6
General government	6,855	6.9	6.6	4.9	5.8	5.7	4.8
<i>of which:</i>							
Central government	6,190	6.1	5.9	4.2	4.8	4.5	3.7
Other general government	665	15.8	14.6	13.2	16.8	17.9	15.7
Quoted shares	4,099	1.5	1.9	1.6	1.6	1.5	1.4
MFIs	328	7.4	12.4	10.0	10.8	11.3	10.7
Non-monetary financial corporations	292	4.2	5.0	5.2	3.6	2.8	3.1
Non-financial corporations	3,479	0.5	0.4	0.3	0.3	0.3	0.2

Source: ECB.

1) For details, see the technical notes for Sections 4.3 and 4.4 of the "Euro area statistics" section.

momentum in April 2012. Issuance of short-term debt in April was strong in both the MFI and the non-financial corporation sectors.

The overall growth rate of debt securities issuance in April conceals diverging developments across sectors. The annual rate of growth of debt securities issuance slowed to 4.2% in April for MFIs, and to 4.8% for the general government sector. These rates stood at 4.8% and 5.7% respectively in the previous month. The slowdown in the pace of increase of securities issued by MFIs and the general government sector should be assessed against the background of heightened financial market tensions and the need to consolidate fiscal positions. By contrast, in the case of non-financial corporations, the annual rate of growth increased further, from 8.1% in March to 9.6% in April, a value very close to average historical standards. Issuance activity by non-financial corporations has been strengthening since the last quarter of 2011, possibly reflecting a substitution of market funding for bank lending in a context of tight credit standards. In the case of non-monetary financial corporations, the annual rate of growth of debt securities issuance stood at 2.8% in April, up from 2% in March, after being negative for seven months.

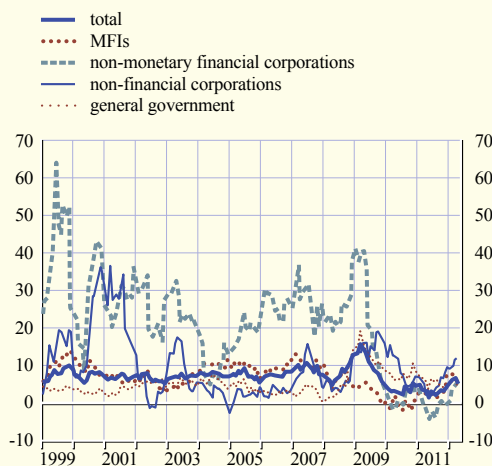
Looking at short-term trends, the seasonally adjusted annualised six-month growth rate of debt securities issuance points to a deceleration in issuance activity by MFIs and by the general government sector (see Chart 9). In particular, debt securities issuance in the MFI sector, which has been strong since the middle of 2011, weakened somewhat in March and April 2012. By contrast, issuance by non-financial corporations and non-monetary financial corporations accelerated modestly in April.

QUOTED SHARES

The annual growth rate of quoted shares issuance by euro area residents decreased marginally to 1.4% in April 2012, from 1.5% in the previous month. In particular, the annual rate of growth in equity issuance by MFIs decreased to 10.7% in April, from 11.3% in March (see Chart 10). At the same time, the annual growth rate of quoted shares issued by non-financial

Chart 9 Sectoral breakdown of debt securities issued by euro area residents

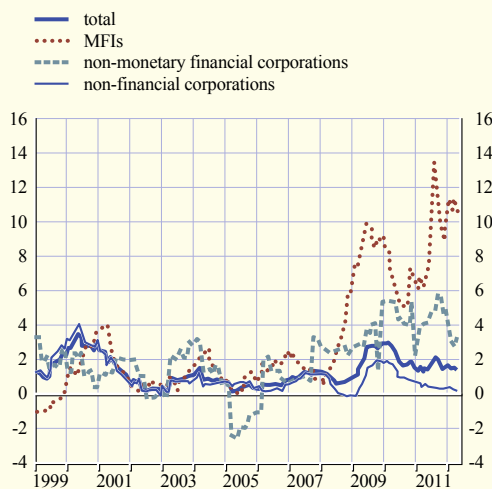
(six-month annualised growth rates; seasonally adjusted)



Source: ECB.

Chart 10 Sectoral breakdown of quoted shares issued by euro area residents

(annual growth rates)



Source: ECB.

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

corporations fell slightly, by 10 basis points, to 0.2% in April. The rate of issuance of quoted shares by non-monetary financial corporations increased, however, to 3.1%, from 2.8% in the previous month.

2.3 MONEY MARKET INTEREST RATES

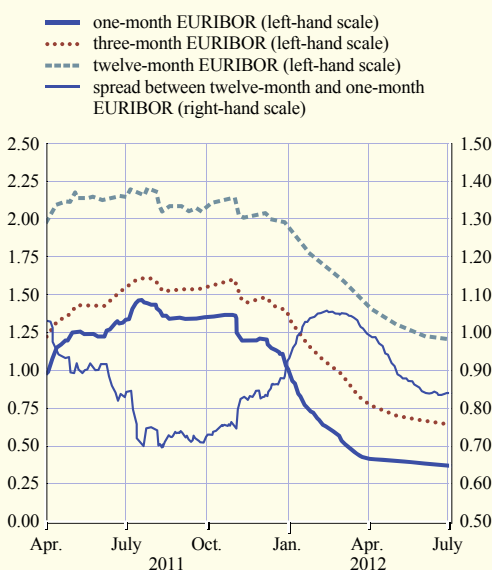
Money market interest rates declined slightly between early June and early July 2012. In the sixth maintenance period of 2012, which began on 13 June, the EONIA remained at a low level, reflecting large amounts of excess liquidity.

Unsecured money market interest rates, as measured by the EURIBOR, declined slightly between early June and early July 2012. On 4 July the one-month, three-month, six-month and twelve-month EURIBOR stood at 0.37%, 0.65%, 0.92% and 1.21% respectively – i.e. 2 basis points lower for each maturity than the level observed on 5 June. Consequently, the spread between the twelve-month and one-month EURIBOR – an indicator of the slope of the money market yield curve – remained unchanged at 84 basis points (see Chart 11).

The three-month EONIA swap rate stood at 0.21% on 4 July, 6 basis points lower than on 5 June. This resulted in the spread between the three-month EURIBOR and the three-month EONIA swap rate increasing by 4 basis points to stand at 43 basis points, remaining broadly in line with the levels seen prior to summer 2011.

Chart 11 Money market interest rates

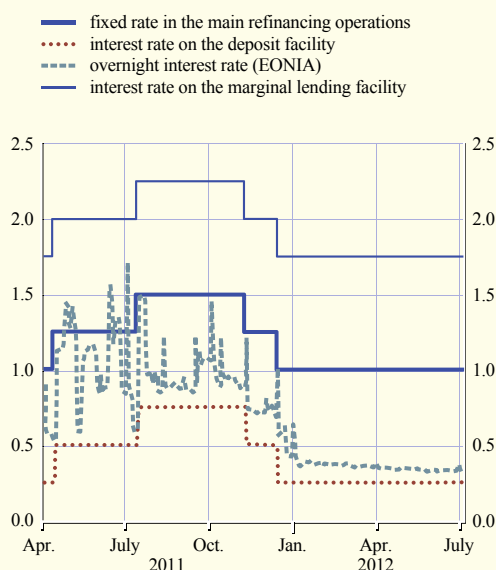
(percentages per annum; spread in percentage points; daily data)



Sources: ECB and Thomson Reuters.

Chart 12 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Thomson Reuters.

The interest rates implied by the prices of three-month EURIBOR futures maturing in September and December 2012 and March and June 2013 stood at 0.48%, 0.46%, 0.46% and 0.47% respectively on 4 July, representing decreases of 6, 7, 6 and 5 basis points respectively by comparison with the levels observed on 5 June.

Between 5 June and the end of the fifth maintenance period of the year on 12 June, the EONIA remained stable between 0.31% and 0.34%, amid continued excess liquidity. Fluctuation in the EONIA was extremely limited during the remainder of June, continuing the pattern observed since the beginning of the year. The negative spread between the EONIA and the rate on the main refinancing operations reflected the total amount of excess liquidity. On 4 July the EONIA stood at 0.332%.

The Eurosystem conducted several refinancing operations between 5 June and 4 July. In the main refinancing operations of the sixth maintenance period, which were conducted on 12, 19 and 26 June and 3 July, the Eurosystem allotted €131.7 billion, €167.3 billion, €180.4 billion and €163.6 billion respectively. The Eurosystem also conducted two longer-term refinancing operations (LTROs) in June, both as fixed rate tender procedures with full allotment: a special-term refinancing operation on 12 June with a maturity of one maintenance period (in which €18.9 billion was allotted); and a three-month LTRO on 27 June (in which €26.3 billion was allotted).

The Eurosystem also conducted four one-week liquidity-absorbing operations on 12, 19 and 26 June and 3 July as variable rate tender procedures with a maximum bid rate of 1.00%. With these operations, the Eurosystem absorbed in full the liquidity associated with purchases carried out under the Securities Markets Programme.

The sixth maintenance period of the year, which began on 13 June, was characterised by high levels of excess liquidity, with average daily recourse to the deposit facility standing at €764 billion on 4 July.

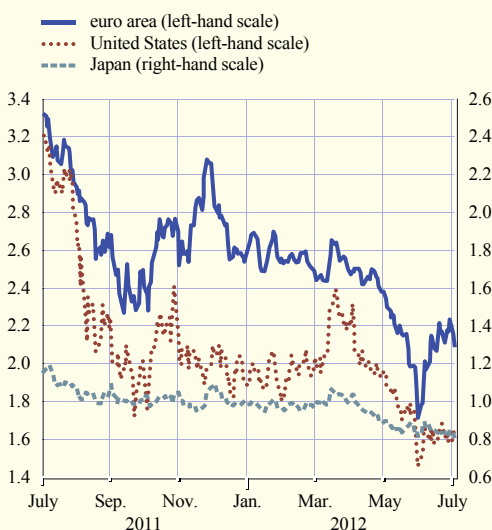
2.4 BOND MARKETS

Yields on AAA-rated long-term government bonds increased by around 30 basis points in the euro area between the end of May and early July 2012, whereas corresponding rates remained broadly unchanged in the United States. Within the euro area, yields increased overall for AAA-rated issuers, and fell for other countries. Uncertainty about future bond market developments, as measured by implied bond market volatility, increased in the euro area in the middle of June, before falling back to the levels recorded at the end of May. Market-based indicators show that inflation expectations remain fully consistent with price stability.

Between the end of May and 4 July 2012 yields on AAA-rated long-term euro area government bonds increased by approximately 30 basis points, to around 2.1%. In the United States, long-term government bond yields were broadly unchanged, standing at around 1.6% on 4 July. Long-term US government bond yields registered only minor temporary oscillations in June, whereas euro area government bond yields increased in the first half of the month and then fluctuated without a clear trend throughout late June (see Chart 13). Overall, the stabilisation of long-term bond yields in the United States at a level close to the all-time low of 1.5% reached at the beginning of June has tracked the releases of mixed economic data for the United States, showing a subdued labour market

Chart 13 Long-term government bond yields

(percentages per annum; daily data)



Sources: EuroMTS, ECB, Bloomberg and Thomson Reuters.
Notes: Long-term government bond yields refer to ten-year bonds or to the closest available bond maturity. The euro area bond yield is based on the ECB's data on AAA-rated bonds, which include bonds from Germany, France, the Netherlands, Austria and Finland.

but also signs of stabilisation in the housing market. Furthermore, the Federal Reserve System revised growth projections downwards and, as widely expected, extended the scope of Operation Twist. By contrast, the overall increase in long-term yields on AAA-rated euro area government bonds partly reflected a return of risk appetite in the run-up to the European Council meeting at the end of June in anticipation of announcements of political initiatives to strengthen financial stability. Another likely factor behind the increase was speculation that initiatives with the aim of mutualising euro area debt obligations might potentially lower the creditworthiness of the highly rated countries. The outcome of the European Council meeting was received positively by investors and flight-to-safety flows diminished, thereby contributing to the rise in yields for AAA-rated euro area government bonds directly after the meeting.

As a result of the relative movements in the yields of the two economic areas, the nominal interest rate differential between ten-year government bond yields in the United States and those in the euro area increased in the period under review and stood at around 50 basis points on 4 July. In Japan, ten-year government bond yields were broadly unchanged over the period under review, standing at 0.8% on 4 July.

Investors' uncertainty about near-term bond market developments in the euro area, as measured by option-implied volatility, increased in the first half of June, before gradually decreasing to around the same level as recorded at the end of May. In the United States, implied volatility declined by around 0.6 percentage point in the same period. These developments took place against the background of declining implied volatility in equity markets in both economic areas.

Implied bond market volatility has declined in both economic areas from the peaks recorded in November 2011, but more so in the United States. In the euro area, volatility remains high by historical standards and is currently around the levels prevailing just before the default of Lehman Brothers. By contrast, volatility in the United States is somewhat below that peak. In line with the recent decrease in investors' risk aversion, demand for safe-haven assets (as proxied by still high liquidity premia on German government bonds relative to those on comparable agency bonds) declined in the period under review, suggesting that overall bond market sentiment may have improved somewhat owing to the prospect of political initiatives to strengthen financial stability.

In the period under review the yield spreads of ten-year sovereign bonds vis-à-vis German sovereign bonds decreased for Belgium, Italy, Spain, Greece, Ireland and Portugal, while they remained broadly stable for Austria, Finland, France and the Netherlands. Spanish yields hit euro-era highs during June, before declining at the end of the month amid lower risk aversion. Uncertainty about

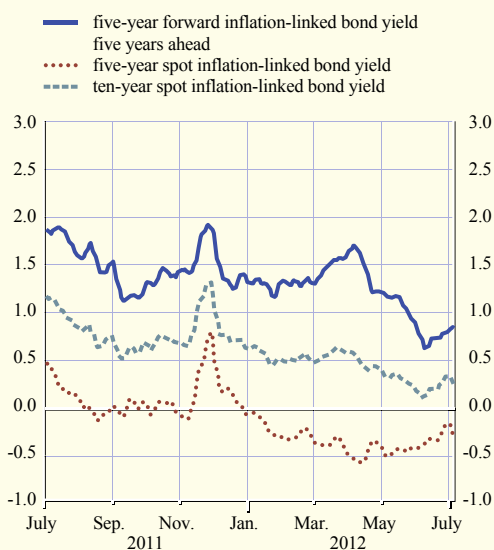
the recapitalisation needs of the financial sector and the terms of borrowing under the EU financial assistance package created volatility in Spanish government bond yields in June. Spreads declined in Greece, Ireland and Portugal in the period under review, by between 150 and 500 basis points. The outcome of the Greek election briefly calmed bond markets, but statements from the coalition government about its intention to renegotiate the financial assistance programme induced new uncertainty. Long-term bond yields increased in all AAA-rated euro area countries and fell in lower-rated euro area countries.

The yields on five and ten-year inflation-linked euro area government bonds rose by around 10 basis points in the period under review, standing at -0.4% and 0.2% respectively on 4 July (see Chart 14). The still very depressed level of long-term real rates reflects investors' gloomy perception of medium-term growth prospects. Regarding inflation perceptions, the implied forward break-even inflation rate in the euro area (five-year forward five years ahead) rose by around 30 basis points, to 2.4%, in the period under review (see Chart 15). The inflation swap rate with the same time horizon was broadly unchanged over the same period, standing at 2.2% on 4 July. Overall, taking into account not only market volatility and distortions amid high liquidity premia, but also inflation risk premia, market-based indicators show that inflation expectations remain fully consistent with price stability.

The general pattern of yields on AAA-rated long-term euro area government bonds can be broken down into changes in interest rate expectations (and related risk premia) at different horizons

Chart 14 Euro area zero coupon inflation-linked bond yields

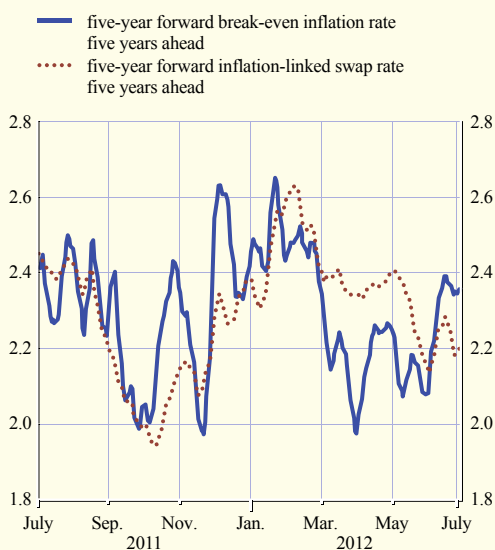
(percentages per annum; five-day moving averages of daily data; seasonally adjusted)



Sources: Thomson Reuters and ECB calculations.
Notes: Since the end of August 2011 real rates have been 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 15 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 have been 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 nominal yield curve of AAA-rated euro area government bonds with a combined real yield curve derived from French and German inflation-linked government bonds.

(see Chart 16). The term structure of forward rates prevailing on 4 July was steeper by 50 basis points than that seen at the end of May.

Between the end of May and 4 July 2012 spreads on investment-grade corporate bonds issued by non-financial corporations (relative to the Merrill Lynch EMU AAA-rated government bond index) remained broadly stable. Over the same period spreads on investment-grade corporate bonds issued by financial corporations declined for AAA and AA-rated issuers, by around 15 basis points, whereas they declined more substantially for the A and BBB rating classes, by around 40 basis points. Overall, recent developments in corporate bond yields suggest a slight improvement in market-based financing conditions for firms.

2.5 INTEREST RATES ON LOANS AND DEPOSITS

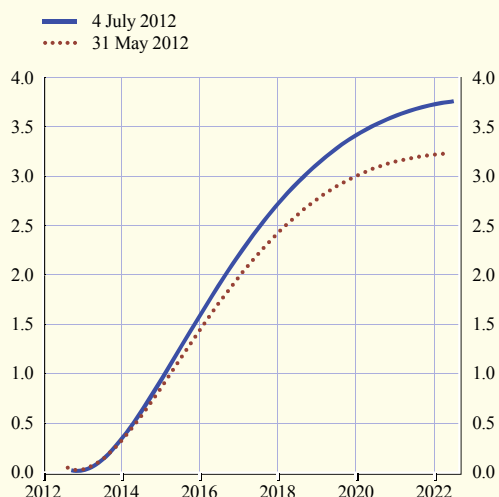
In May 2012 MFI interest rates on deposits continued to decrease. Interest rates on loans to households for house purchase and loans to non-financial corporations also declined, for both short and long maturities. Lower MFI lending rates on loans to non-financial corporations were accompanied by a reduction in the spread between small and large loans, which nonetheless remains at a historically high level.

In May 2012 short-term MFI interest rates on deposits decreased. The rates on deposits from households with an agreed maturity of up to one year edged down by 2 basis points, while those on deposits from non-financial corporations with an agreed maturity of up to one year declined by 9 basis points (see Chart 17).

Most short-term MFI lending rates also declined in May 2012. Interest rates on overdrafts for non-financial corporations moderated by 3 basis points and MFI lending rates on corporate loans with an initial maturity of less than a year declined by 6 basis points. The fall in MFI lending rates on short-term corporate loans actually reflects a more pronounced decline in lending rates for small corporate loans (i.e. loans of up to €1 million) of 5 basis points, to 4.1%, and an increase of 3 basis points, to 2.6%, in the rates for large loans (i.e. loans of more than €1 million). The spread between short-term MFI lending rates on small loans, supposedly granted to small firms, and those on large loans, supposedly granted to larger firms, thus declined somewhat in May. However, it remained at a historically high level of 156 basis points. MFI lending rates on short-term loans to households for house purchase decreased by 6 basis points in May, while those on consumer credit, which are generally quite volatile, increased by 22 basis points, thereby reversing the drop of the previous month. Overall, and given that the EURIBOR decreased by 4 basis points in the same month,

Chart 16 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



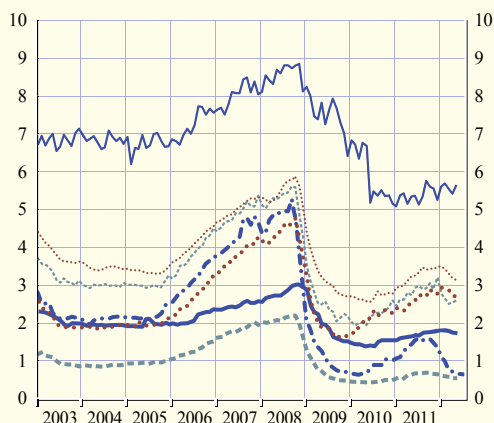
Sources: ECB, EuroMTS (underlying data) and Fitch Ratings (ratings).

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.

Chart 17 Short-term MFI interest rates and a short-term market rate

(percentages per annum; rates on new business)

- deposits from households redeemable at notice of up to three months
- deposits from households with an agreed maturity of up to one year
- - - overnight deposits from non-financial corporations
- loans to households for consumption with a floating rate and an initial rate fixation period of up to one year
- loans to households for house purchase with a floating rate and an initial rate fixation period of up to one year
- - - loans to non-financial corporations of over €1 million with a floating rate and an initial rate fixation period of up to one year
- - - three-month money market rate



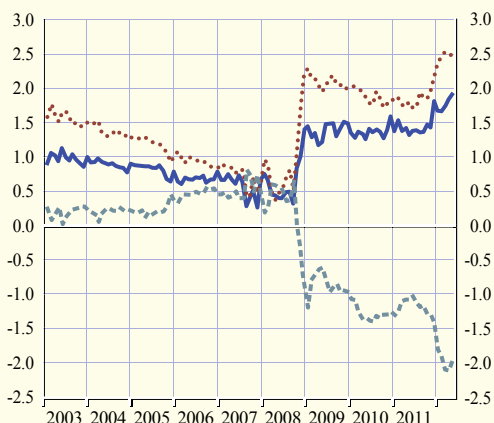
Source: ECB.

Note: 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).

Chart 18 Spreads of short-term MFI interest rates vis-à-vis the three-month money market rate

(percentage points; rates on new business)

- loans to non-financial corporations of over €1 million with a floating rate and an initial rate fixation period of up to one year
- loans to households for house purchase with a floating rate and an initial rate fixation period of up to one year
- - - deposits from households with an agreed maturity of up to one year



Source: ECB.

Notes: For the loans, the spreads are calculated as the lending rate minus the three-month money market rate. For the deposits, the spread is calculated as the three-month money market rate minus the deposit rate. 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).

the spread vis-à-vis short-term lending rates on loans to households for house purchase decreased, to 247 basis points, while the spread vis-à-vis large short-term loans to non-financial corporations increased, to 191 basis points (Chart 18).

Taking a longer-term perspective, since the beginning of 2012 short-term MFI lending rates have decreased. This trend may still reflect the pass-through of changes in market rates to bank lending rates following the cuts in the ECB's key interest rates in November and December 2011, as well as the improvements in banks' liquidity position against the background of the two three-year LTROs conducted in December 2011 and January 2012 and the broadening of the Eurosystem's collateral policy.

Turning to longer-term maturities, the rates on large loans to non-financial corporations remained unchanged in May, while the rates on loans to households for house purchase and the rates on small loans to non-financial corporations declined. More specifically, corporate lending rates on large loans with an initial rate fixation period of over five years stood at 3.6% in May, unchanged as compared with April, and somewhat below the peak reached in February 2012. At the same time,

MFI lending rates on small loans decreased by 12 basis points, to 4.1%. The rates on loans to households for house purchase with an initial rate fixation period of over five and up to ten years also declined, by about 7 basis points (see Chart 19).

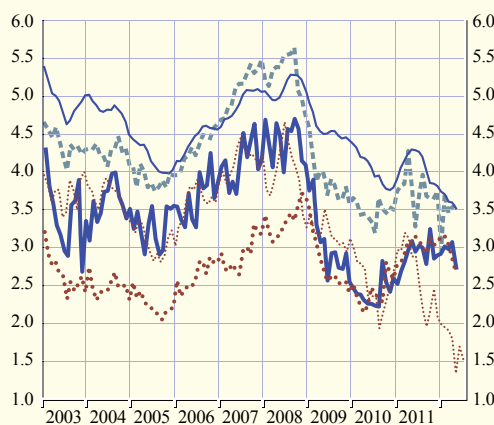
Up to April 2012 the spreads between long-term lending rates and yields on AAA-rated seven-year government bonds tended to increase, driven in part by the downward pressure on AAA-rated government bond yields in the context of flight-to-safety flows. In May the spread between long-term rates on loans to households for house purchase (with a maturity of over ten years) and the yield on AAA-rated seven-year government bonds remained broadly unchanged at 249 basis points. For non-financial corporations, the corresponding spread for large loans increased by about 7 basis points to stand at 191 basis points.

Viewed from a longer-term perspective, long-term lending rates for households and the rates on large long-term corporate loans have generally shown a somewhat incomplete and sluggish pass-through. Historical regularities between long-term lending rates and the yields on corresponding AAA-rated government bonds may recently have been distorted by the tensions associated with the euro area sovereign debt crisis, as well as by the vulnerabilities of euro area banks. The spreads between long-term lending rates and the yields on corresponding AAA-rated government bonds have thus increased significantly since the beginning of 2012.

Chart 19 Long-term MFI interest rates and a long-term market rate

(percentages per annum; rates on new business)

- deposits from non-financial corporations with an agreed maturity of over two years
- deposits from households with an agreed maturity of over two years
- - - - loans to non-financial corporations of over €1 million with an initial rate fixation period of over five years
- loans to households for house purchase with an initial rate fixation period of over five and up to ten years
- seven-year government bond yield



Source: ECB.
 Note: 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).

2.6 EQUITY MARKETS

Between the end of May and early July 2012 stock prices increased by around 8% in the euro area and by around 5% in the United States. The increases in equity prices in the two main economic areas took place against the background of prospects of political initiatives to strengthen financial stability in the euro area and a continuation of accommodative monetary policy initiatives in the United States. On the other hand, data releases pointing to some deterioration in the short-term economic outlook continued to weigh on stock prices. Financial equity prices in the euro area and the United States recorded stronger increases than the broad indices. Stock market uncertainty, as measured by implied volatility, declined in both economic areas.

Between the end of May and 4 July 2012 stock prices in the euro area, as measured by the broad-based Dow Jones EURO STOXX index, increased by around 8%, while those in the United States, as measured by the Standard & Poor's 500 index, increased by around 5%

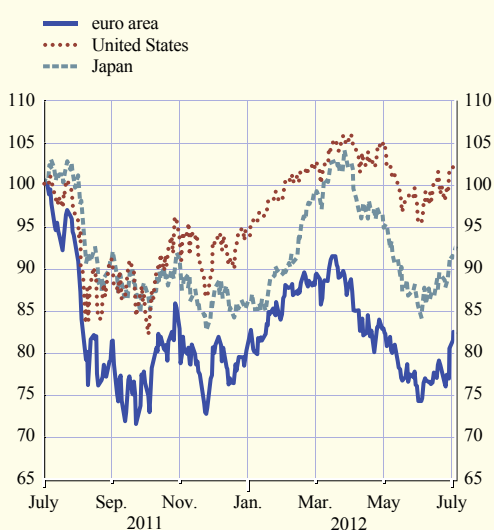
(see Chart 20). Stock prices in Japan, as measured by the Nikkei 225 index, also increased over the same period, by around 7%.

Developments in equity indices in the two main economic areas were relatively uniform throughout June and early July. Equity markets moved broadly sideways throughout most of June, before increasing following the outcome of the European Council meeting. Equity markets received generally positive support from the outcome of the Greek election, signs of a stabilisation in the US housing market and prospects of political initiatives to strengthen financial stability in the euro area. A continuation of Operation Twist in the United States and talk of growth initiatives by EU leaders also supported equity markets. On the negative side, weaker than expected employment data and downward growth revisions in the United States, as well as concerns about financial stability in some euro area countries, weighed on stock prices in June. Towards the end of month the outcome of the European Council summit was positively received by market participants and contributed to increases in stock prices in both the euro area and the United States.

Equity price increases in the reference period were broad-based within the euro area, with increases recorded in all major countries. In the euro area as a whole, the financial sub-index of the equity market tended to lead the movements in the broad index, increasing by around 12% in the period under review. In the United States, the increases were likewise led by the financial sub-index, which displayed a 6% gain, while the non-financial sub-index recorded a 4% rise. Decisions by credit rating agencies to downgrade Spain, for example, as well as a number

Chart 20 Stock price indices

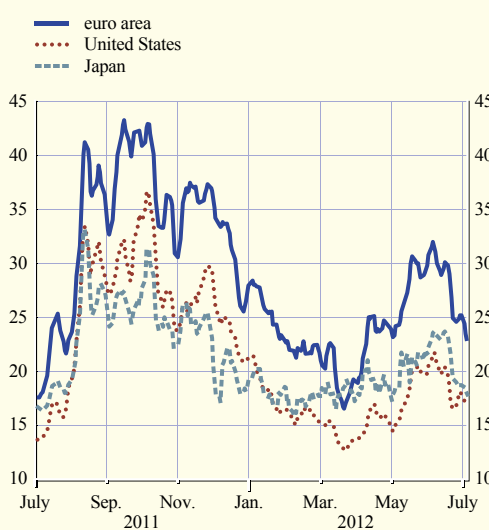
(index: 1 July 2011 = 100; daily data)



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

Chart 21 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.

of Spanish banks and global financial institutions, by several grades had a negative but limited impact on equity markets and on financial sub-indices.

Stock market uncertainty, as measured by implied volatility, was stable in the euro area until mid-June, but declined thereafter, reaching 23% on 4 July. In the United States, implied stock market volatility also declined, but to a lesser extent. The implied volatility in the United States, at 16%, continues to be lower than that in the euro area. In both economic areas, the current levels of stock market uncertainty are similar to those prevailing in early 2012 (see Chart 21).

3 PRICES AND COSTS

Euro area annual HICP inflation was 2.4% in June 2012, according to Eurostat's flash estimate, unchanged from the previous month. On the basis of current futures prices for oil, inflation rates should decline further in the course of 2012 and fall below 2% again in 2013. Over the policy-relevant horizon, in an environment of modest growth in the euro area and well-anchored long-term inflation expectations, underlying price pressures should remain moderate. Risks to the medium-term outlook for price developments continue to be broadly balanced.

3.1 CONSUMER PRICES

According to Eurostat's flash estimate, headline HICP inflation was 2.4% in June 2012, remaining unchanged from May (see Table 5). Oil prices have decreased significantly over the past weeks. The weaker increase in energy inflation may have been partly compensated by stronger increases in unprocessed food inflation, observed in some euro area countries.

In May 2012, the last month for which an official breakdown is available, HICP inflation declined to 2.4%, from 2.6% in April. This decline reflected lower annual rates of increase in the energy and, to a smaller extent, food components, which were only partially offset by a slight increase in services inflation. Non-energy industrial goods inflation remained unchanged.

Looking at the main components of the HICP in more detail, energy inflation diminished to 7.3% in May, from 8.1% in April, driven by a decline in energy prices on a monthly basis (-1.4%), which more than offset an upward base effect (see Chart 22). In particular, the annual rate of increase in the price of fuels for personal transportation diminished strongly in May, while those of electricity and gas increased marginally.

Unprocessed food inflation diminished to 1.8% in May, from 2.1% in April, reflecting lower annual rates of increase in all components. Processed food inflation also declined further to 3.4%, from rates slightly above 4% at the beginning of the year, driven by a downward base effect. The decline in processed food inflation reflected, in particular, lower price increases, on an annual basis, of bread and cereals, and of milk, cheese and eggs, while tobacco prices increased at the same annual rate as in April.

Table 5 Price developments

(annual percentage changes, unless otherwise indicated)

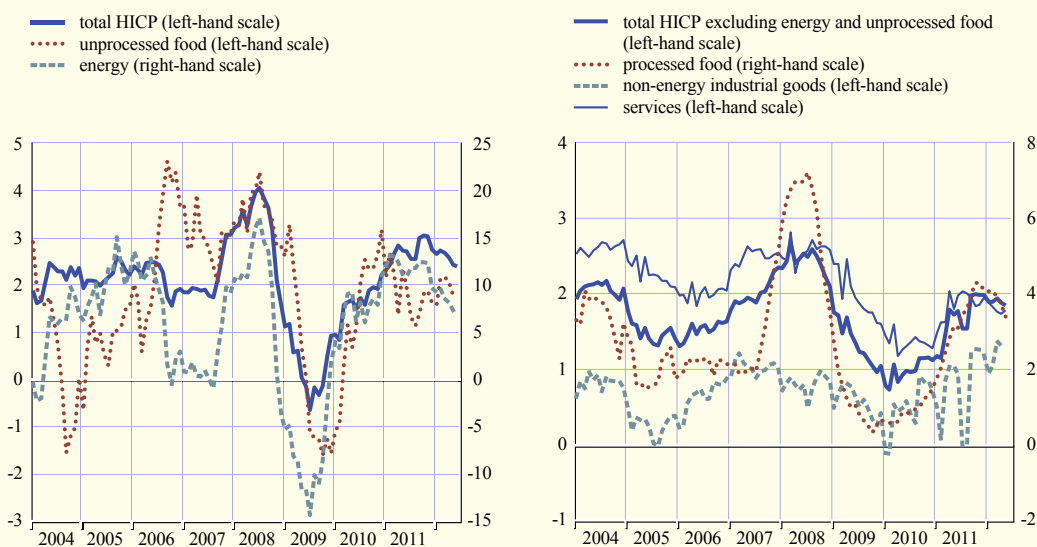
	2010	2011	2012 Jan.	2012 Feb.	2012 Mar.	2012 Apr.	2012 May	2012 June
HICP and its components								
Overall index ¹⁾	1.6	2.7	2.7	2.7	2.7	2.6	2.4	2.4
Energy	7.4	11.9	9.2	9.5	8.5	8.1	7.3	.
Unprocessed food	1.3	1.8	1.6	2.2	2.2	2.1	1.8	.
Processed food	0.9	3.3	4.1	4.1	3.9	3.7	3.4	.
Non-energy industrial goods	0.5	0.8	0.9	1.0	1.4	1.3	1.3	.
Services	1.4	1.8	1.9	1.8	1.8	1.7	1.8	.
Other price indicators								
Industrial producer prices	2.9	5.9	3.9	3.7	3.5	2.6	2.3	.
Oil prices (EUR per barrel)	60.7	79.7	86.2	89.7	94.2	91.4	86.0	76.4
Non-energy commodity prices	44.6	12.2	-4.6	-7.5	-5.2	-3.8	-0.2	0.9

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

1) HICP inflation in June 2012 refers to Eurostat's flash estimate.

Chart 22 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

Excluding all food and energy items, which represent around 30% of the HICP basket, annual HICP inflation remained unchanged at 1.6% in May 2012 for the third consecutive month. HICP inflation excluding food and energy, which is determined predominantly by domestic factors, such as wages, profit mark-ups and indirect taxes, consists of two main components, non-energy industrial goods and services.

The annual rate of change in non-energy industrial goods was unchanged at 1.3% in May, while services inflation increased marginally, from 1.7% in April to 1.8% in May. The higher services inflation reflected higher annual rates of transport and recreational services, which more than compensated for lower annual rates of communication and miscellaneous services.

3.2 INDUSTRIAL PRODUCER PRICES

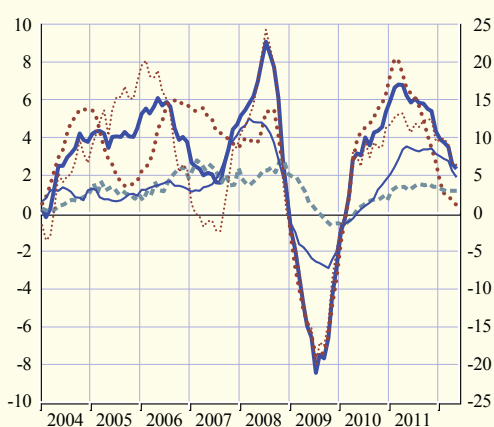
Industrial producer price inflation (excluding construction) fell to 2.3% in May 2012, from 2.6% in April (see Chart 23). The decline in the annual rate of the overall index was broadly based across the main components, in particular energy, the food and the non-food consumer goods components. Over the same period, producer price inflation excluding construction and energy fell to 1.3%, from 1.6%.

Focusing on the later stages of the production chain, the consumer food component of euro area producer price inflation continued its gradual downward trend observed since the second half of 2011, declining further from 3.2% in April to 2.6% in May. Further moderation is expected in the short term as a lagged response to ongoing declines in the annual rate of EU food commodity prices. These might be partially offset by prices for imported food commodities and processed food products, which have started to increase in recent months. The annual rate of the non-food consumer goods component fell from 0.9% to 0.7% in May, continuing its fall from the historically elevated levels seen at the end of 2011. This decrease, together with lower import price inflation, signals some easing of pipeline pressures for the non-energy industrial goods component of the HICP.

Chart 23 Breakdown of industrial producer prices

(annual percentage changes; monthly data)

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

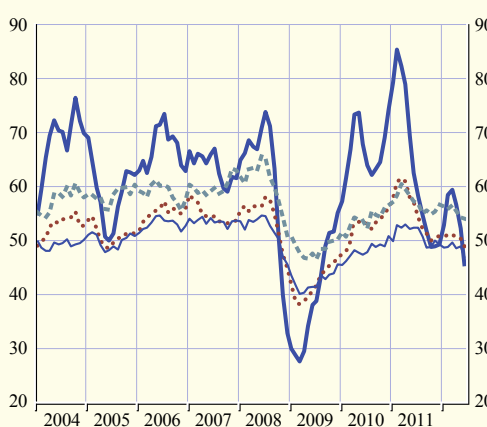


Sources: Eurostat and ECB calculations.

Chart 24 Producer input and output price surveys

(diffusion indices; monthly data)

- manufacturing; input prices
- ... manufacturing; prices charged
- - - services; input prices
- services; prices charged



Source: Markit.

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

Survey indicators for selling prices in industry, which lead PPI developments, decreased further in June 2012 (see Chart 24). European Commission survey data on selling price expectations eased markedly, owing to significant downward revisions in expectations in the intermediate goods industries. With regard to the Purchasing Managers' Index, the output price index for the manufacturing sector dropped below the threshold value of 50 in June, for the first time since March 2010. The input price index for the manufacturing sector fell sharply from 52.3 in May to 45.3 in June, reflecting lower raw material prices. Over the same period, in the services sector, the input price index remained unchanged at 54.3, while the output price index continued its downward trend. Both input and output price indices currently stand well below their long-run average levels, signalling downward price pressures.

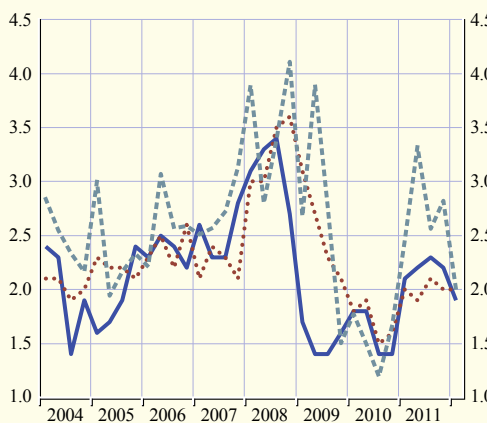
3.3 LABOUR COST INDICATORS

Recently released labour cost indicators showed some signs of moderation in wage pressures in the first quarter of 2012 (see Table 6 and Chart 25), probably reflecting weak economic activity and the continued slack in the labour market.

Chart 25 Selected labour cost indicators

(annual percentage changes; quarterly data)

- compensation per employee
- ... negotiated wages
- - - hourly labour cost index



Sources: Eurostat, national data and ECB calculations.

Table 6 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

	2010	2011	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1
Negotiated wages	1.7	2.0	2.0	1.9	2.1	2.0	2.0
Hourly labour cost index	1.5	2.8	2.5	3.3	2.6	2.8	2.0
Compensation per employee	1.7	2.2	2.1	2.2	2.3	2.2	1.9
<i>Memo items:</i>							
Labour productivity	2.5	1.3	2.2	1.3	1.2	0.9	0.4
Unit labour costs	-0.8	0.8	-0.2	0.9	1.2	1.4	1.5

Sources: Eurostat, national data and ECB calculations.

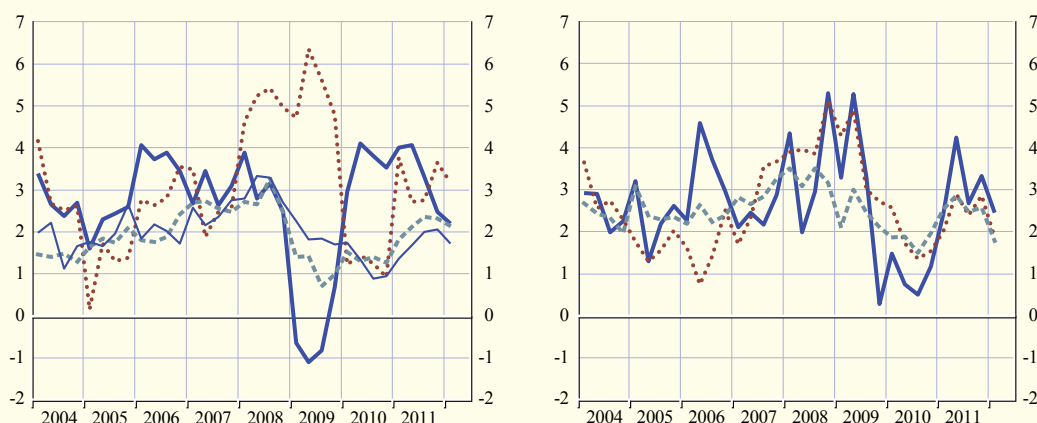
Preliminary information on euro area negotiated wages in April confirms the picture of an alleviation of euro area wage pressures. Hourly labour costs in the euro area slowed to 2.0% in the first quarter of 2012, down from 2.8% in the previous quarter. This decrease was widespread across several sectors (Chart 26). Non-wage costs grew at the same pace as the wages and salaries component of euro area hourly labour costs.

Other wage indicators, such as compensation per employee, grew by 1.9% in the first quarter of this year, slightly less than in the previous quarter. Despite this slowdown, unit labour cost growth rose to 1.5%, year on year, in the first three months of 2012, from 1.4% in the fourth quarter of 2011, as annual labour productivity growth moderated more than that of compensation per employee. Looking ahead, in a context of subdued labour market conditions, overall wage pressures should remain contained.

Chart 26 Sectoral labour cost developments

(annual percentage changes; quarterly data)

— industry excluding construction, CPE
⋯ construction, CPE
⋯ market services, CPE
— services, CPE
— industry excluding construction, hourly LCI
⋯ construction, hourly LCI
⋯ market services, hourly LCI



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

3.4 THE OUTLOOK FOR INFLATION

Euro area annual HICP inflation was 2.4% in June 2012, according to Eurostat's flash estimate, unchanged from the previous month. On the basis of current futures prices for oil, inflation rates should decline further in the course of 2012 and fall below 2% again in 2013. Over the policy-relevant horizon, in an environment of modest growth in the euro area and well-anchored long-term inflation expectations, underlying price pressures should remain moderate.

Risks to the medium-term outlook for price developments continue to be broadly balanced. The downside risks relate to the impact of weaker than expected growth in the euro area. Upside risks pertain to further increases in indirect tax increases, owing to the need for fiscal consolidation, and to higher than expected energy prices over the medium term.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Euro area real GDP growth was flat, quarter on quarter, in the first quarter of 2012, following a decline of 0.3% in the previous quarter. Indicators for the second quarter of 2012 point to a renewed weakening of economic growth and heightened uncertainty. Looking beyond the short term, the euro area economy is expected to recover gradually, although with momentum dampened by a number of factors. In particular, tensions in some euro area sovereign debt markets and their impact on credit conditions, the process of balance sheet adjustment in the financial and non-financial sectors and high unemployment are expected to weigh on the underlying growth momentum. The risks surrounding the economic outlook for the euro area continue to be on the downside.

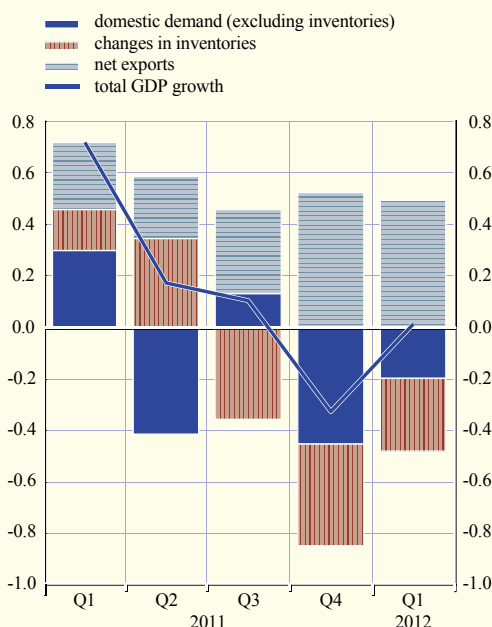
4.1 REAL GDP AND DEMAND COMPONENTS

Real GDP in the euro area displayed flat growth, quarter on quarter, in the first quarter of 2012, following a decline of 0.3% in the previous quarter (see Chart 27). The first quarter outcome reflected the continuing positive contribution of net trade, while domestic demand and changes in inventories contributed negatively. Output stood at more than 2% below its pre-recession peak in the first quarter of 2008. In this context, Box 1 in Section 1 looks at the current recovery in some advanced economies and puts it in a historical perspective.

Private consumption growth was flat, quarter on quarter, in the first quarter of 2012, following a contraction of 0.5% in the previous quarter. It is most likely that the outcome for the first quarter masks a negative contribution from car purchases, which was offset by positive growth in the consumption of services and, albeit to a lesser extent, retail goods.

Chart 27 Real GDP growth and contributions

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



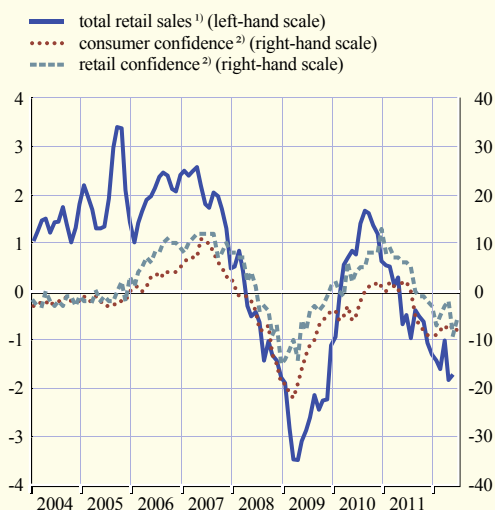
Sources: Eurostat and ECB calculations.

As regards the second quarter of 2012, available information points towards persistent muted developments in consumer spending. Although retail sales rose by 0.6% in May, they nonetheless stood – in the first two months of the second quarter – below the level in the first quarter of 2012. Euro area new passenger car registrations rose by 1.0%, month on month, in May, thereby only partly reversing the decline of 4.5% in the previous month. In the first two months of the second quarter, car registrations stood at almost 1.0% below the average level in the first quarter. This is nonetheless an improvement compared with the first quarter when registrations declined, quarter on quarter, by 6.7%.

Retail sector survey data for the second quarter suggest further weakness in the consumption of retail goods (see Chart 28). The Purchasing Managers' Index (PMI) for the retail sector declined from 46.7 in the first quarter to 44.3 in the second quarter, indicating an additional shrinking of sales. Moreover, according to the European Commission's consumer survey,

**Chart 28 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.

the indicator on consumer confidence declined slightly between May and June. However, the average for the second quarter was similar to that for the first quarter. The index, which appears to have broadly stabilised following the sharp decline during the latter half of 2011, is still below its long-term average, thus pointing towards suppressed developments in consumer spending. The indicator of expected major purchases, which remained stable between the first and second quarters, still stands at a historically low level, suggesting that consumers remain cautious when deciding whether or not to purchase durable goods.

Gross fixed capital formation dropped sharply, quarter on quarter, by 1.4% in the first quarter of 2012. Investment has therefore contracted for four consecutive quarters. With regard to the breakdown of investment in the first quarter, non-construction investment declined quarter on quarter by 1.6%, while construction investment contracted by 1.1%.

Industrial production of capital goods (an indicator of future non-construction investment) contracted in April by 2.9%, month on month. Capital goods production, which recorded flat growth, quarter on quarter, in the first quarter of 2012, stood in April almost 2% below its average level in the first quarter. Moreover, survey results for the non-construction industrial sector – both the PMI and the European Commission’s industrial confidence indicator – point towards a shrinking in investment activity in the second quarter. The industrial confidence indicator was below its historical average, while the manufacturing PMI remained below the theoretical no-growth threshold of 50 throughout the second quarter.

In April construction production declined by 2.6%, month on month, following a rise of 11.4% in the previous month. Meanwhile, the construction confidence indicator published by the European Commission was still below its historical average in the second quarter. At the same time, the PMI for construction in the euro area stood at well below 50 in April and May, pointing towards protracted negative developments (see Box 2 entitled “Recent developments in the euro area construction industry” for a more detailed overview).

Following the contraction in the last quarter of 2011, euro area trade flows stabilised in the first quarter of 2012. Exports increased by 1.0% quarter on quarter, mainly owing to a strengthening of foreign demand. Imports displayed a slight decline (0.2% quarter on quarter). The information that has become available in the meantime suggests that imports remained weak in the second quarter and that exports may have lost momentum. In April both imports and exports of goods declined on a monthly basis. Against the backdrop of prevailing uncertainty about the strength of the global recovery, survey data relating to euro area exports have also recently deteriorated, ending the string of positive trade-related news recorded around the turn of the year. In the second quarter of 2012, the average level of the PMI new export orders was well below the average of the previous quarter

and the theoretical expansion/contraction threshold of 50. Looking further ahead, growth in foreign demand and euro area exports is expected to pick up again in the second half of 2012 on the back of a gradual, albeit modest, strengthening of global economic activity. Broadly consistent with the prospects for economic activity in the euro area, the near-term outlook for imports remains rather subdued.

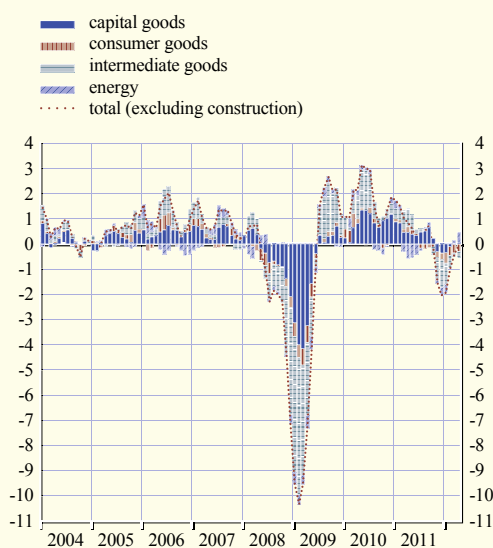
4.2 SECTORAL OUTPUT

Real value added shrank, quarter on quarter, by 0.1% in the first quarter of 2012, on the back of weak activity in construction, which declined sharply by 0.9% quarter on quarter. By contrast, value added in industry (excluding construction) and in services both recorded flat growth.

With regard to developments in the second quarter of 2012, industrial production (excluding construction) dropped 1.1% month on month in April, following a decline of 0.1% in the previous month. Production in April stood some 0.9% below its average level in the first quarter. This represents a worsening compared with its quarterly decline of 0.4% in the first quarter of 2012 (see Chart 29). Survey data point to a weakening of industrial activity in the second quarter (see Chart 30). For example, the PMI manufacturing output index declined from 49.8 in the first quarter to 45.2 in the second quarter, thus reaching a level well below the no-growth threshold of 50.

Chart 29 Industrial production growth and contributions

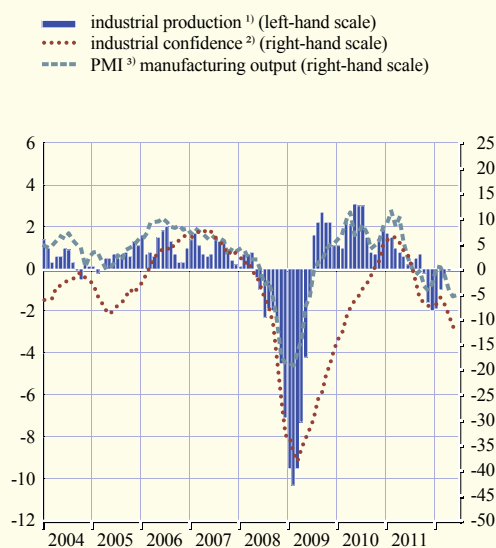
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



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

Chart 30 Industrial production, industrial confidence and PMI manufacturing output

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, Markit and ECB calculations.
Notes: 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.

The latest construction production data confirm ongoing subdued activity in the construction sector (see Box 2 for a more detailed analysis). Production in construction fell by 2.6% month on month in April, following strong fluctuations in the previous two months which can be explained by adverse weather conditions in parts of Europe. Despite the negative monthly results, construction production in April was up compared with the average of the previous quarter. However, underlying growth dynamics remain weak with survey indicators pointing to an ongoing contraction in the construction sector.

Box 2

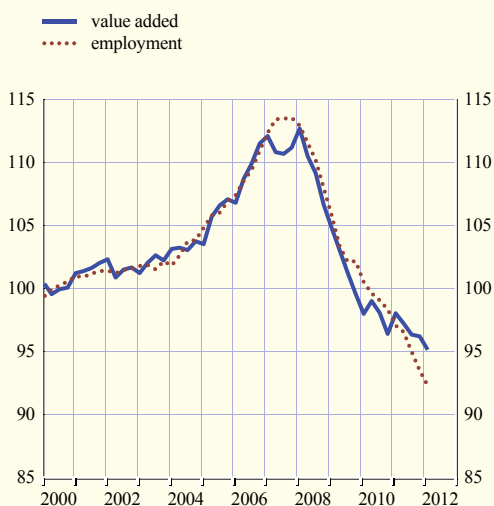
RECENT DEVELOPMENTS IN THE EURO AREA CONSTRUCTION INDUSTRY

In the euro area, construction activity expanded rapidly in the run-up to the financial and economic crisis (see Chart A). While economic growth resumed at the end of 2009, the sharp contraction continued in the construction industry, and at the beginning of 2012 no clear signs of a stabilisation had yet emerged. According to national accounts data, by early 2012 activity and employment in the euro area construction industry were down from their peaks by around 15% and 20% respectively. This box reviews recent developments in the construction industry in the euro area and the five largest euro area countries, as well as the outlook for the coming quarters.

The developments at the euro area level mask divergent developments across the large countries. The largest positive contributions to construction activity during the period 2004-07 were made by France, Italy, the Netherlands and, in particular, Spain, which more than offset a contraction in Germany. Since 2008 developments in construction activity have reversed (see Chart B).

Chart A Euro area construction industry value added and employment

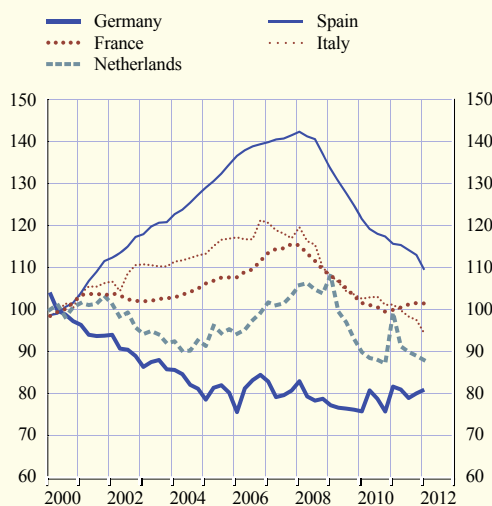
(index: 2000 = 100; quarterly data; working day and seasonally adjusted; chain-linked values)



Sources: Eurostat and ECB calculations.

Chart B Construction industry value added for selected euro area countries

(index: 2000 = 100; quarterly data; working day and seasonally adjusted; chain-linked values)



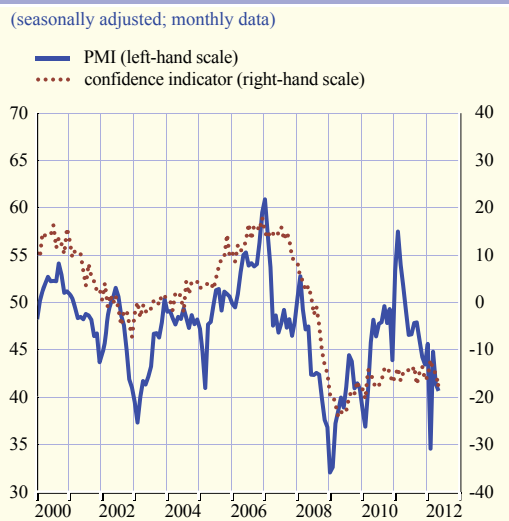
Sources: Eurostat and ECB calculations.
Note: Data for the Netherlands are only seasonally adjusted.

Activity has fallen in Spain, Italy, the Netherlands and, to a lesser extent, in France, while it has been broadly flat in Germany, with some positive signals more recently. While signs of a stabilisation were observed in some countries in early 2011, the intensified euro area sovereign debt crisis triggered a renewed weakness in the second half of the year.

The weak developments in overall construction activity were also reflected in survey indicators. For example, in May 2012 the Purchasing Managers' Index (PMI) for the construction sector in the euro area was below the threshold value of 50 – which is normally associated with a contraction in activity – for the 13th consecutive month, highlighting the weak momentum of construction activity (see Chart C). However, the low values of the construction PMI need to be interpreted with caution, as the construction industry expanded moderately between 2001 and 2005, but the construction PMI was below 50 for most of that period. In addition, the European Commission's construction confidence indicator for the euro area, despite recovering somewhat since 2009, still stood significantly below its long-term average in May 2012. Forward-looking indicators of construction activity have also remained weak. The number of building permits granted in the euro area and, according to the European Commission, construction firms' assessment of order books, have been increasing slowly from subdued levels since the beginning of 2009 (see Chart D).

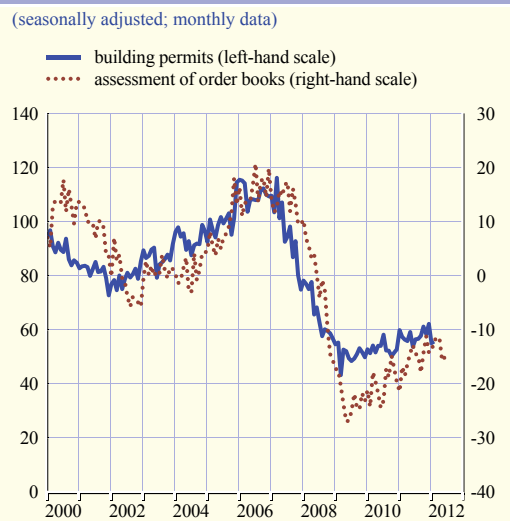
The mood in the euro area construction industry as a whole reflects a subdued sentiment in the five largest euro area countries, except Germany, where it is more positive. In Germany, short-term indicators of construction activity are still favourable, supported by buoyant demand for investment in construction, which is partly due to the uncertainty surrounding the return prospects of financial assets. In Spain, domestic demand remains weak. However, in recent months there has been some stabilisation of short-term indicators of construction activity, albeit from depressed levels. In the Netherlands, there has been a rapid deterioration in survey

Chart C PMI and confidence indicator for the euro area construction sector



Sources: European Commission and Markit.
 Note: The confidence indicator has been normalised around the mean of the series since 1999.

Chart D Building permits granted and construction firms' assessment of order books in the euro area



Sources: European Commission and Eurostat.
 Notes: For building permits, the base year for the index is 2005. The assessment of order books has been normalised around the mean of the series since 1999.

indicators for the construction sector, which have fallen to levels previously only seen at the peak of the crisis, alongside a correction in house prices, while in France and Italy, sentiment seems to have stabilised somewhat below the mean of the series.

Looking ahead, activity in the construction industry is likely to remain subdued, as suggested by short-term indicators. In France and Italy, fiscal consolidation measures, such as increases in property taxes and the phasing-out of tax measures favouring investments in residential properties, may also weigh on construction activity. In addition, activity in those countries more affected by the sovereign debt crisis may be dampened by higher financing costs and adjustments in the financial sector, while in Germany activity will be supported by low financing costs.

Although the PMI index of activity in business services experienced a mild improvement in June, it nonetheless declined between the first and second quarters of 2012. The index continues to record levels below 50, which would be consistent with negative output growth in the services sector in the second quarter of 2012. Other business surveys, such as those of the European Commission, are broadly in line with developments in the PMI.

4.3 LABOUR MARKET

Conditions in the euro area labour markets have deteriorated further. Employment has declined, while the unemployment rate has continued to rise. Surveys do not point to an improvement in the period ahead.

Employment declined by 0.2%, quarter on quarter, in the first quarter of 2012, following falls of a similar magnitude in the previous two quarters. At the same time, hours worked rebounded somewhat and rose by 0.1% (see Table 7). At the sectoral level, on a quarter-on-quarter basis,

Table 7 Employment growth

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

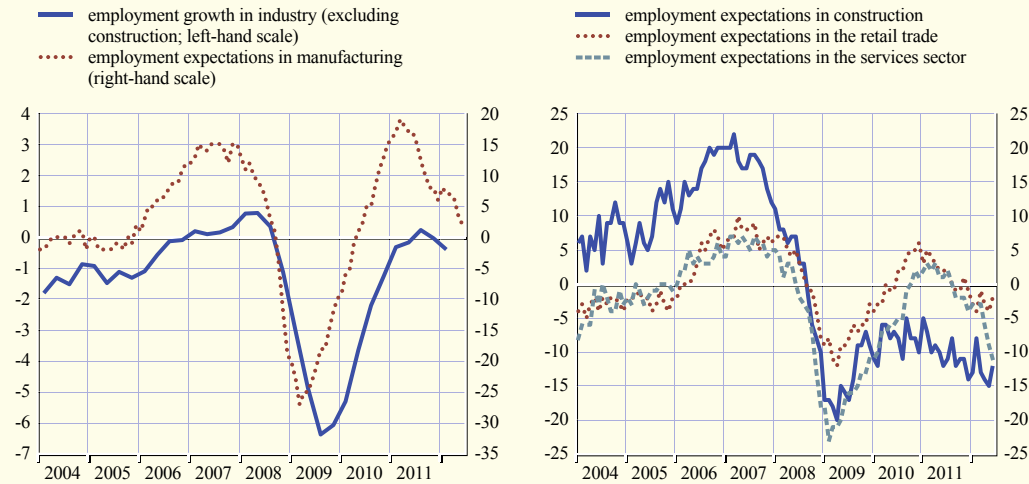
	Persons					Hours				
	Annual rates		Quarterly rates			Annual rates		Quarterly rates		
	2010	2011	2011 Q3	2011 Q4	2012 Q1	2010	2011	2011 Q3	2011 Q4	2012 Q1
Whole economy	-0.6	0.1	-0.2	-0.2	-0.2	0.1	0.1	0.1	-0.5	0.1
<i>of which:</i>										
Agriculture and fishing	-1.2	-2.4	-0.5	-0.7	-0.3	-0.4	-1.6	-0.4	-0.4	-0.3
Industry	-3.4	-1.3	-0.5	-0.6	-0.5	-1.7	-0.9	0.0	-1.2	0.1
Excluding construction	-3.1	-0.1	0.1	-0.3	-0.2	-0.6	0.5	0.5	-0.6	0.5
Construction	-3.8	-3.9	-1.6	-1.5	-1.3	-3.8	-3.7	-1.0	-2.5	-0.8
Services	0.4	0.7	-0.1	-0.1	-0.1	0.7	0.6	0.2	-0.2	0.1
Trade and transport	-0.7	0.5	-0.1	-0.5	-0.2	-0.3	0.2	0.3	-0.8	-0.1
Information and communication	-1.2	1.4	-0.5	0.3	1.0	-0.6	1.1	0.2	-0.2	1.7
Finance and insurance	-1.0	-0.1	0.1	0.0	-0.2	-0.4	0.4	0.3	-0.4	0.2
Real estate activities	-1.0	2.3	-0.8	2.0	-0.8	0.2	1.9	0.6	0.8	-1.8
Professional services	2.0	2.5	-0.3	0.3	-0.7	2.5	2.9	0.0	0.4	-0.5
Public administration	1.0	0.1	0.1	-0.1	0.0	1.2	0.1	0.1	0.1	0.6
Other services ¹⁾	0.8	-0.2	0.0	0.1	0.6	0.6	-0.5	0.7	0.0	0.6

Sources: Eurostat and ECB calculations.

1) Also includes household services, the arts and activities of extraterritorial organisations.

Chart 31 Employment growth and employment expectations

(annual percentage changes; percentage balances; seasonally adjusted)



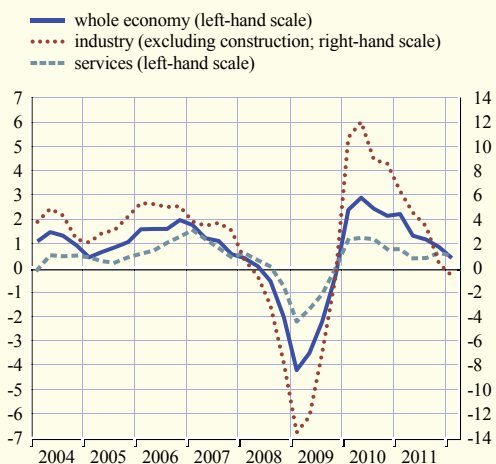
Sources: Eurostat and European Commission Business and Consumer Surveys.
Note: Percentage balances are mean-adjusted.

the latest employment figures again reflect a sharp drop in construction (1.3%), while employment in industry (excluding construction) and in services showed less pronounced declines (0.2% and 0.1%, respectively). The latest survey results suggest further employment losses in the second quarter of 2012 (see Chart 31).

The annual rate of change in productivity per person employed eased further from 0.9% in the fourth quarter of 2011 to 0.4% in the first quarter of 2012 (see Chart 32). This slowdown in growth was

Chart 32 Labour productivity per person employed

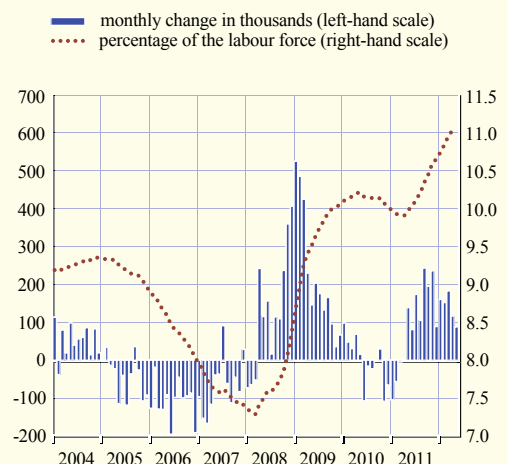
(annual percentage changes)



Sources: Eurostat and ECB calculations.

Chart 33 Unemployment

(monthly data: seasonally adjusted)



Source: Eurostat.

generalised across industries, with the largest drop recorded in the construction sector. Similarly, the annual growth rate of hourly labour productivity also decreased further, by 0.1 percentage point, to 0.7% over the same period. Looking ahead, the latest readings of the PMI productivity index suggest some further moderation in productivity growth in the second quarter of 2012.

The unemployment rate rose further between April and May 2012, reaching 11.1%. This is 1.2 percentage points above the level at which it previously bottomed out in April 2011 (see Chart 33). The economic and financial crisis has taken a heavy toll on euro area labour markets. Box 3 looks at recent developments in the relationship between movements in unemployment and output growth in the euro area and at the country level.

Box 3

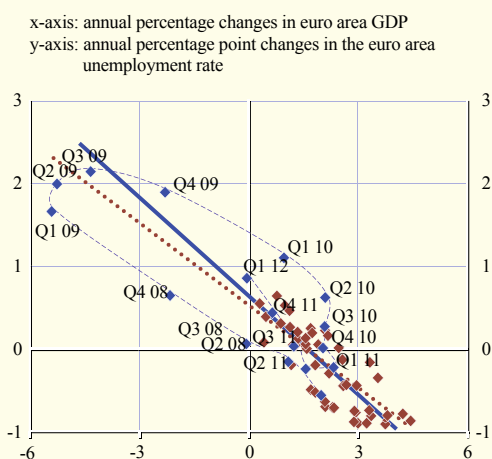
RECENT DEVELOPMENTS IN THE OKUN RELATIONSHIP IN THE EURO AREA

After standing at a 25-year low of 7.3% in the first quarter of 2008, the euro area unemployment rate rose to 10.9% by the first quarter of 2012. This box examines the most recent developments from the perspective of the output-unemployment relationship (Okun's Law) for the euro area as a whole and for the individual euro area countries. It also looks at links between the Okun relationship and wage developments in order to assess the extent to which the unemployment reactions observed since the recent economic and financial crisis reflect varying degrees of wage flexibility across euro area countries.

Okun's Law for the euro area

Okun's Law quantifies the relationship observed between changes in economic growth and the change in the unemployment rate. Chart A plots the Okun relationship for the euro area from the first quarter of 1996 to the first quarter of 2012. From 1996 to the beginning of the 2008-09 recession typical Okun coefficient estimates for the euro area were close to -0.4. However, widespread labour hoarding in a number of euro area countries, partly related to short-time working arrangements, led to a lower responsiveness of unemployment to GDP developments.¹ More recently, at the aggregate euro area level, the responsiveness of unemployment developments to GDP dynamics appears to have returned to pre-crisis levels (see the latest observations in Chart A), with the unemployment rate reacting more strongly to changes in activity. However,

Chart A Okun's Law for the euro area



Sources: Eurostat and ECB staff calculations.
Note: The diamonds represent individual observations from quarterly data from Q1 1996 to Q1 2012; the solid blue trend line is estimated on the basis of observations up to and including Q1 2008; the dotted reddish-brown line uses all observations up to Q1 2012.

¹ See also the boxes entitled "Back to Okun's Law? Recent developments in euro area output and unemployment", *Monthly Bulletin*, ECB, June 2011, and "Labour market adjustment in the euro area", *Monthly Bulletin*, ECB, March 2012.

developments for the euro area as a whole obscure markedly different unemployment adjustments across countries.

Developments at the country level

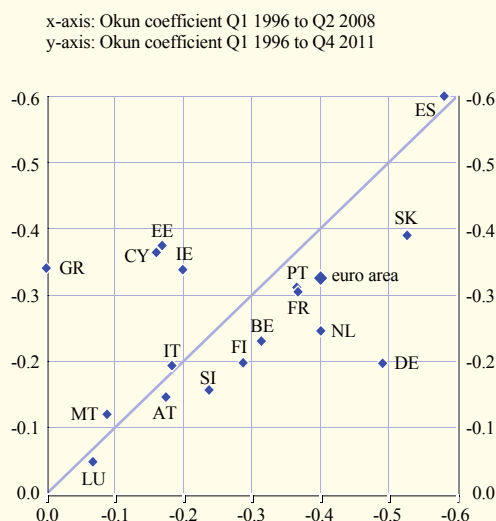
The responsiveness of unemployment to GDP developments varies considerably across the euro area countries. Chart B highlights the degree of cross-country variation in the responsiveness of unemployment and illustrates how this responsiveness changed over the course of the crisis. The chart suggests that, prior to the onset of recession in the second quarter of 2008, Greece, Luxembourg, Malta, Estonia, Cyprus, Ireland, Italy and Austria were characterised by relatively low unemployment responsiveness to GDP developments (with estimated Okun coefficients higher than -0.2), while Germany, the Netherlands, Slovakia and particularly Spain exhibited strong and relatively swift unemployment rate reactions to changes in GDP (with estimated Okun coefficients lower than -0.4). In part, these differences are likely to reflect structural labour market reforms undertaken earlier in the decade in the latter economies, including efforts to reform unemployment benefit systems (such as the Hartz reforms in Germany) and the liberalisation of rules governing the use of temporary contracts (which were particularly widespread in Spain).

Countries further from the 45° line (in Chart B) have exhibited a more significant change in the Okun relationship since the onset of the euro area recession, with those above the line demonstrating a marked increase in the responsiveness of unemployment to GDP changes. For some countries – Greece, Cyprus, Ireland and Spain – this increase is likely to reflect the heavy job losses resulting from accumulated excessive macroeconomic imbalances in the years preceding the crisis. For countries below the 45° line – most notably Germany, the Netherlands and Belgium – declines in responsiveness are likely to be largely a consequence of the substantial short-time working arrangements adopted over the course of the crisis. Moreover, euro area countries in which labour costs have been increasing relatively rapidly over the longer term have tended to experience higher increases in their unemployment rates.²

Wage responses to increases in unemployment

The considerable differences in labour market adjustment across countries since the crisis mostly reflect differences in labour market flexibility and institutional arrangements, as well as the amount of progress being made on structural reforms. Chart C shows how wages in the euro area countries have responded to “unexpected” changes in unemployment (proxied by the difference between the actual unemployment rate and the level expected on the basis of the

Chart B Recent movements in Okun coefficients



Sources: Eurostat and ECB staff calculations.
Note: Owing to space constraints, the observation for Spain is truncated. It increases from -0.78 for the pre-recession period (Q1 1996 to Q1 2008) to almost unity (-0.98) when the later period (to Q4 2011) is included.

² This topic was also discussed in the box entitled “Labour market adjustment in the euro area”, *Monthly Bulletin*, ECB, March 2012.

pre-crisis Okun relationship). In a well-functioning labour market, high unemployment should exert downward pressure on wages. The larger than expected increases in unemployment seen in some countries (those on the right-hand side in Chart C) since the onset of the crisis should have led to a higher degree of wage moderation. On the whole, however, adjustments have varied considerably. Chart C shows that wage growth seems to have been more moderate than the average level (i.e. wage growth is below the trend line) in particular in Ireland. By contrast, wage adjustments have been significantly less responsive to larger than expected increases in unemployment in other countries (e.g. Cyprus, Spain and, until recently, Greece).³

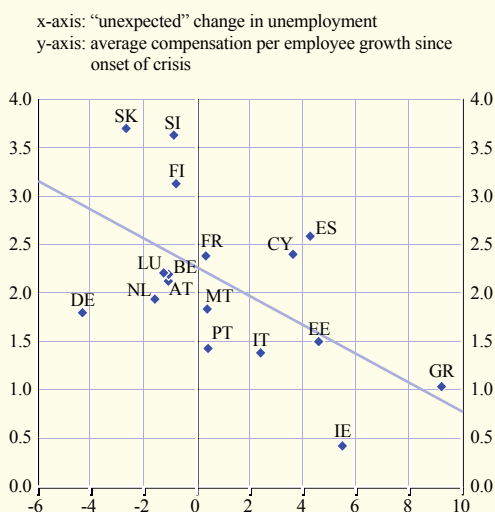
Concluding remarks

The economic and financial crisis has taken a heavy toll on euro area labour markets. Variations in the reaction of unemployment to the crisis reflect, in part, strong cross-country differences in labour market institutional arrangements, in the extent and impact of earlier structural reforms and in the sectoral concentration of job losses. At the same time, downward wage adjustment has been limited in a number of countries, despite the rise in unemployment, pointing to a need for further reforms to facilitate wage flexibility. In many of the worst-hit countries, structural reforms are ongoing. These will need to include further efforts to enhance labour market flexibility and wage moderation so as to facilitate the sectoral reallocation of displaced workers, encourage job creation and thereby reduce unemployment.

³ These results should, however, be interpreted with caution. In particular, average wage growth since 2008 masks strong moderations in recent quarters, often as a consequence of government-imposed public sector wage cuts in some countries. In addition, “unexpected” changes in unemployment are estimated on the basis of the gap between the actual unemployment level and the unemployment level expected on the basis of the pre-crisis Okun relationship, but for several countries this Okun relationship has only weak explanatory power. Moreover, for the purposes of Chart C, the pre-crisis Okun relationship is estimated up to the first quarter of 2008 for all countries (i.e. the crisis dates are not country-specific).

Chart C Average annual growth in compensation per employee and “unexpected” change in unemployment, Q2 2008 to Q4 2011

(percentage points; annual percentage changes)



Sources: Eurostat and ECB staff calculations.

Notes: The “unexpected” change in unemployment is calculated as the gap between the actual unemployment level and the unemployment level expected on the basis of the pre-recession Okun relationship (Q1 1996 to Q1 2008 as in Chart B).

4.4 THE OUTLOOK FOR ECONOMIC ACTIVITY

Indicators for the second quarter of 2012 point to a renewed weakening of economic growth and heightened uncertainty. Looking beyond the short term, the euro area economy is expected to recover gradually, although with momentum dampened by a number of factors. In particular, tensions in some euro area sovereign debt markets and their impact on credit conditions, the process of balance sheet adjustment in the financial and non-financial sectors and high unemployment are expected to weigh on the underlying growth momentum.

The risks surrounding the economic outlook for the euro area continue to be on the downside. They relate, in particular, to a renewed increase in the tensions in several euro area financial markets and their potential spillover to the euro area real economy. Downside risks also relate to possible renewed increases in energy prices over the medium term.

From a long-term perspective, Box 4 summarises the main conclusions of the 2012 Ageing Report, prepared by the European Commission and the EU Economic Policy Committee, and the challenges for economic growth and public finances stemming from population ageing.

Box 4

FISCAL CHALLENGES FROM POPULATION AGEING: NEW EVIDENCE FOR THE EURO AREA

Ensuring the long-term sustainability of public finances in the euro area and its member countries is a prerequisite for the smooth functioning of EMU. The sovereign debt crisis has shown the negative effects that large fiscal imbalances in some member countries can have on the economic and financial stability of the monetary union as a whole. In this respect, an important lesson from the crisis is the need for each country to maintain sound public finances and thus foster the stability of EMU as a whole.

Looking ahead, the demographic ageing process represents a major challenge to long-term fiscal sustainability. Demographic ageing is projected to lead to a significantly higher old-age dependency ratio, defined as the ratio between the population aged 65 and above and the working age population (i.e. people aged 20-64). For the euro area, based on the 2010 Eurostat population projection, the old-age dependency ratio is projected to roughly double from 30.1% in 2010 to 58.4% in 2060, which will place a significant burden on the pension and healthcare systems of euro area countries. Against this backdrop, addressing the challenges related to population ageing must remain high on the policy agenda of both national and European policy-makers. The objective should be for all countries to restore budgetary room for manoeuvre, rein in ageing-related spending and strengthen potential output growth, thereby safeguarding the long-term sustainability of public finances.

New ageing-related expenditure projections up to 2060 were published in the 2012 Ageing Report, prepared by the European Commission and the EU Economic Policy Committee.¹ This box summarises the main findings of the report and the challenges for economic growth and fiscal sustainability stemming from population ageing.

The evolution of ageing-related expenditure over the period 2010-60

For the period 2010-60, the 2012 Ageing Report projects an increase in strictly ageing-related public expenditure (i.e. expenditure on pensions, health care, long-term care and education) of 4.5 percentage points of GDP in the euro area as a whole.²

1 See "The 2012 Ageing Report – Economic and budgetary projections for the 27 EU Member States (2010-2060)", European Commission and Economic Policy Committee, *European Economy*, 2/2012, May 2012.

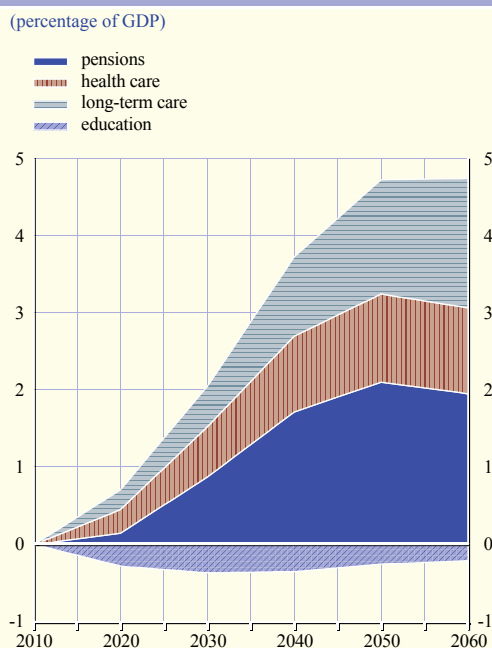
2 This refers to the reference scenario. In a risk scenario based on more prudent assumptions regarding health care and long-term care, the increase would amount to 5.3 percentage points of GDP.

Chart A shows the evolution over the projection horizon of the change in strictly ageing-related spending and its sub-components for the euro area in the reference scenario. Overall, until 2020 a relatively modest increase is projected, whereas the dynamics worsen significantly between 2020 and 2050. The chart reveals interesting patterns in the trend of different sub-components. Pension expenditures remain the main driver of increases in spending over the projection horizon, though their increase is steeper over the period 2020-40, becomes flatter afterwards and starts declining towards the end of the projection horizon; healthcare spending follows a similar trend. By contrast, the increase in long-term care spending is relatively negligible until 2030 and becomes much steeper afterwards, thus partially offsetting the slowdown in pension and healthcare spending from 2040 onwards. Education expenditures are projected to be on a downward path by 2040 and to start increasing gradually thereafter.

Over the projection horizon 2010-60, in the euro area, pensions are projected to increase by 2.0 percentage points of GDP, while healthcare spending is projected to increase by 1.1 percentage points of GDP and long-term care spending by 1.7 percentage points. By contrast, spending on education is expected to decrease slightly, by 0.2 percentage point of GDP, for the euro area as a whole.

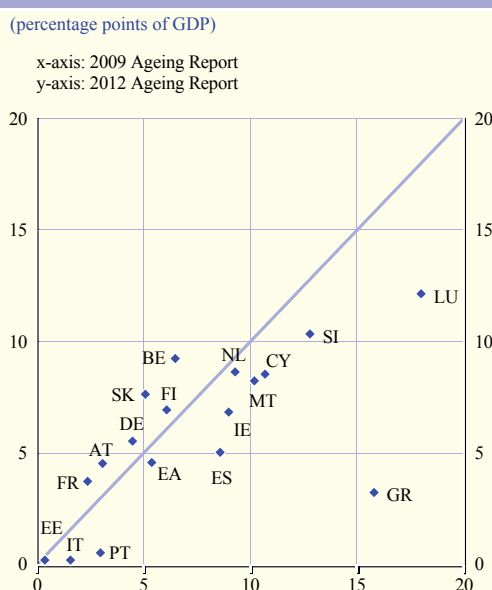
Compared with the 2009 exercise, the 2012 projection exercise points to a slightly lower increase in strictly ageing-related spending over the projection horizon (4.5 percentage points of GDP compared with 5.4 percentage points; see Chart B). Among the euro area countries, Luxembourg remains the country with the largest projected increase in ageing-related spending. Greece stands out as the country where the outlook for ageing-related expenditure has improved the most compared with the 2009 exercise. In Italy and Portugal, ageing-related spending pressures are expected to decline, owing to pension reforms.

Chart A Projected increase in pension, healthcare, long-term care and education expenditures in the euro area over the period 2010-60



Sources: 2012 Ageing Report and ECB calculations.

Chart B Projected change in strictly ageing-related expenditure over the period 2010-60 under the reference scenario



Sources: 2009 and 2012 Ageing Reports.
Notes: Projections for unemployment-related expenditures have been subtracted from the 2009 total ageing cost estimates so as to arrive at a measure of strictly ageing-related costs which can be compared with the 2012 exercise.

Improvements are also projected for Spain, Cyprus, Ireland, Malta and Slovenia. By contrast, six euro area countries (including Germany and France) show a deterioration in the outlook for ageing-related expenditure compared with the 2009 exercise, with Belgium and Slovakia seeing the strongest deterioration.

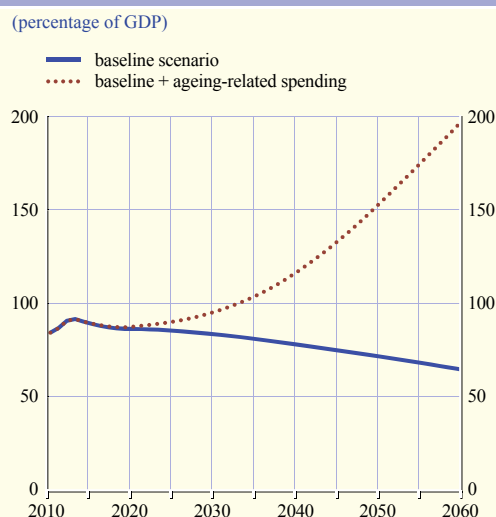
Differences between the two projection exercises can be ascribed to a number of factors and vary from country to country. Although the macroeconomic assumptions of the 2012 Ageing Report are more pessimistic than the previous ones, reflecting to a large extent the impact of the economic and financial crisis, the overall outlook for ageing-related spending has improved compared with the 2009 exercise. For a number of countries, this is due to the inclusion in the projections of the pension reforms implemented since the finalisation of the 2009 exercise, which have contributed to a sizeable reduction in the budgetary impact of ageing.

Challenges to fiscal sustainability and options for reform

The budgetary pressures arising from demographic ageing have been a cause for concern for a long time.³ Although the reforms undertaken since the finalisation of the 2009 Ageing Report have started to pay off in some countries, the need for timely and comprehensive policy reform remains high in several countries. Risks to long-term fiscal sustainability remain elevated, first, because the liabilities related to demographic ageing will require a substantial increase in government spending and, second, because most countries are in a much weaker fiscal position, with high debt-to-GDP ratios following the financial crisis.

Looking at the budgetary pressures arising from ageing-related costs from a long-term perspective, Chart C shows the results of a conventional debt sustainability analysis for the euro area aggregate for the period 2010-60 under a baseline scenario and a so-called ageing scenario, which includes the impact of the strictly ageing-related costs as projected in the reference scenario of the 2012 Ageing Report. The baseline scenario is based on the European Commission's spring 2012 forecast until 2013. The structural primary balance is assumed to remain constant from 2014 onwards. The ageing scenario is identical to the baseline scenario except for the structural primary balance which reflects the Commission projections until 2013, whereas from 2013 onwards it increases according to the projected increase in strictly ageing-related spending, using 2013 as a reference year. Chart C shows

Chart C Long-term debt scenarios for the euro area aggregate for the period 2010-60



Sources: European Commission's spring 2012 forecast until 2013 and ECB calculations.

³ Demographic ageing has been the subject of a relatively large number of ECB Monthly Bulletin articles, including: "Population ageing and fiscal policy in the euro area" (July 2000); "The need for comprehensive reforms to cope with population ageing" (April 2003); "Demographic change in the euro area: projections and consequences" (October 2006); "Challenges to fiscal sustainability in the euro area" (February 2007); "Entitlements of households under government pension schemes in the euro area – results on the basis of the new system of national accounts" (January 2010); and "Ensuring fiscal sustainability in the euro area" (April 2011).

that the euro area debt ratio will start deviating from a sustainable path around 2020, if the fiscal imbalances related to demographic ageing are left unaddressed.⁴

Looking ahead, reform efforts to address the sustainability challenges related to population ageing should focus on some key priority areas. As regards pension systems, reforms should continue in the direction of adjusting the key parameters to the changing demographic environment. Many of the existing schemes are based on the pay-as-you-go principle, which is financially viable as long as the number of contributors significantly exceeds the number of beneficiaries. In such schemes, the worsening of the dependency ratio calls for higher contributions during the productive age and/or lower benefits in the retirement phase, if other parameters are left unchanged. A preferable, and more equitable, solution is an automatic built-in adjustment of the main parameters such as the statutory retirement age, which can be regularly modified on the basis of updated projections of life expectancy and other demographic developments. This would allow the ratio between contributors and beneficiaries and the ratio between contributions and pensions to be kept at affordable and acceptable levels, both from a financial and social point of view. Such a mechanism would also help citizens to form adequate expectations about the level of future pensions, thereby allowing them to take informed decisions on spending and saving throughout their lifetimes.

Another important aspect for the financial viability of existing pension systems is the accumulation of sufficient pension assets to enable the (partial) funding of pension liabilities. This is a long process which requires clear rules and the disclosure of adequate information to citizens about their pension benefit prospects. However, it should be noted that the financial and sovereign debt crisis, and the associated volatility in financial markets, have had a negative impact on the profitability of pension funds, with clear repercussions for the future sustainability of pension liabilities. Moreover, some Member States have started to draw from the accumulated pension reserves earlier than planned and often for reasons not related to the financing of pension liabilities. These initiatives carry considerable risks, as they represent a reversal of pension reforms previously undertaken which, if not corrected in due time, risks jeopardising the sustainability of public finances.

While the importance of reforming pension schemes is widely known and accepted, the need for reform of public health and long-term care systems has so far received less attention in the public debate. Government spending on health and long-term care has increased sharply in the last decade in many countries, largely on the back of rising costs related to technological progress in medicine, but also on account of insufficient monitoring of expenditures. This trend is expected to become more pronounced in the coming years and points to a clear need to improve the cost efficiency of health and long-term care systems. Although reforming these systems inevitably involves complex choices, key reform areas which should be addressed by governments without delay include, for example, improving existing cost-sharing systems so as to encourage the effective use of healthcare services and increasing hospital efficiency.⁵

Determined structural reform in the above-mentioned areas is important to address market concerns regarding fiscal sustainability. In addition to reducing future government obligations,

⁴ For more details on the structure of the debt sustainability analysis presented in this box and for a comprehensive discussion about the tool utilised therein, see the article entitled "Analysing government debt sustainability in the euro area", Monthly Bulletin, ECB, April 2012.

⁵ For more details on policy recommendations, see the "Joint Report on Health Systems", European Commission and Economic Policy Committee, *Occasional Papers*, No 74, December 2010.

structural reforms must strengthen long-term potential output growth, thus putting countries with fiscal sustainability problems back on a sustainable path. Indeed, the projected population ageing (and the associated reduction in the labour force) would, according to the 2012 Ageing Report, imply – without further reforms – a fall in the potential GDP growth rate (from close to 2% in 2000 to 1.6% in 2020 and further to 1.4% in 2060) in the euro area. Pension reforms, as well as an improved functioning of labour markets and increased productivity, are thus needed to offset the effects of an ageing society on potential growth.

ARTICLES

MONETARY AND FISCAL POLICY INTERACTIONS IN A MONETARY UNION



In EMU, responsibility for monetary policy is assigned to the ECB, while fiscal policy remains the remit of each individual EU Member State. The Treaty on the Functioning of the European Union (hereinafter referred to as the “Treaty”), as well as additional provisions on monetary and fiscal policy interactions, aim to safeguard the value of the single currency and lay down requirements for national fiscal policies.

The financial crisis has highlighted that threats to financial stability can have a tremendous influence on both monetary policy and fiscal policy. In particular, financial instability and weak public finances can have a negative impact on each other. This adverse financial-fiscal feedback loop poses severe challenges to monetary policy, as volatile and illiquid sovereign bond markets, as well as a struggling banking system, put the smooth functioning of the monetary policy transmission mechanism at risk. In order to counter the adverse impact of fiscal and financial instability on the monetary policy transmission mechanism, the Eurosystem resorted to a set of non-standard monetary policy measures during the crisis.

Several weaknesses in the national fiscal policies and economic governance of EMU have come to light in the course of the crisis. First, the incentives and rules for sound fiscal, financial stability and macroeconomic policies proved to be insufficient. Second, the absence of a framework for the prevention, identification and correction of macroeconomic imbalances was a clear flaw in the EMU framework. Third, the lack of an explicit framework for euro area-wide financial stability and crisis management made it difficult to contain cross-market contagion quickly and efficiently.

Together with a stability-oriented monetary policy, sound fiscal and financial stability policies are an important foundation for sustainable growth and employment in the euro area. Hence, an improved policy framework is needed to address the identified shortcomings and thus ensure the smooth functioning of EMU. Such a framework must: i) maintain a price stability-oriented monetary policy; ii) provide stronger safeguards for sustainable public finances and economic policies; and iii) include explicit provisions for ensuring financial stability and crisis management. The first steps have been taken to overhaul the framework for economic governance in EMU, as well as the framework for financial supervision and regulation. The fast implementation and efficient enforcement of the new rules are essential.¹

I INTRODUCTION

EMU is based on a unique institutional framework, comprising a single monetary policy and several fiscal policies, each of which has clearly specified objectives and functions. With regard to monetary policy, the Treaty tasks the Eurosystem with the clear, primary objective of maintaining price stability in the euro area as a whole. With regard to fiscal policy, it is the responsibility of the national authorities to ensure a commitment to sound public finances, despite there being a formal framework for coordinating and laying down requirements for fiscal policies across countries.

The single monetary policy and national fiscal policies interact in various ways. For instance, a reliable and stability-oriented monetary policy fosters stable inflation expectations and low inflation risk premia, both of which help to limit the level and volatility of long-term interest rates. This, in turn, is beneficial to governments’ financing costs. Conversely, fiscal policy has an impact on monetary policy, not only through demand-side effects, which may have a direct impact on the inflation outlook, but also by shaping the supply side of the economy, e.g. via tax regimes, or by influencing long-term interest rates via the issuance of public debt.

¹ The article is based on information available until 12 June 2012.

While fiscal and monetary policies should ideally be mutually reinforcing, the euro area sovereign debt crisis has exemplified the opposite, namely that unsustainable public finances and high levels of debt can impede the conduct of a stability-oriented monetary policy. In fact, the experience of recent years has unfortunately highlighted that weak public finances can trigger a vicious circle that puts the financial system under strain. Deteriorating fiscal positions induce a repricing of sovereign debt, which has an adverse impact on the financial system via banks' exposure to government bonds. This, in turn, has negative repercussions for the macroeconomy, weakening public finances and financial markets even further. Such an adverse feedback loop then has an impact on monetary policy, in that volatile and illiquid sovereign bond markets, as well as instabilities in the banking system, put the smooth functioning of the monetary policy transmission mechanism at risk.

Against this background, this article sets out to shed fresh light on the interaction of monetary and fiscal policies in the euro area, taking into account a new dimension consisting in the nexus of fiscal and financial developments.² Section 2 recalls the institutional set-up of EMU, going back to the preparatory work carried out before 1999. Section 3 focuses on monetary and fiscal policies in the euro area prior to the onset of the financial crisis. It discusses the evolution of Member States' public finances and highlights deficiencies in fiscal governance. In Section 4, the article explains the interaction between public finances, financial stability and monetary policy. Section 5 provides a snapshot of the status quo in terms of addressing the shortcomings of the economic governance framework, as well as reforming financial supervision and regulation. Section 6 concludes.

2 THE INSTITUTIONAL FRAMEWORK OF EMU

Based on historical experience and academic studies, there is a broad consensus that the prerequisites for a stable currency are not only

the independence of the central bank and its commitment to price stability, but also the commitment of the fiscal authorities to ensure sound public finances.³ In fact, unsustainable budgets and excessive debt are detrimental to long-term growth because of the effect they have on long-term interest rates and, ultimately, they could put undue pressure on central banks to monetise public debt. When the EMU framework was designed, there was indeed a clear understanding that unsustainable fiscal positions can interfere with the smooth conduct of a single monetary policy. As stated in the "Delors Report"⁴ "[a single currency] would imply a common monetary policy and require a high degree of compatibility of economic policies [...], in particular in the fiscal field"; Moreover, "[i]n particular, uncoordinated and divergent national budgetary policies would undermine monetary stability [...]."⁵

The founding fathers of EMU were well aware that the incentives for sustainable fiscal policies are weaker in a currency union. The Delors Report mentions that "[...] the access to a large capital market may for some time even facilitate the financing of economic imbalances."⁶

2 For earlier discussions of the relationship between monetary and fiscal policies in the euro area, see the article entitled "One monetary policy and many fiscal policies: ensuring a smooth functioning of EMU", *Monthly Bulletin*, ECB, July 2008; and the article entitled "The relationship between monetary policy and fiscal policies in the euro area", *Monthly Bulletin*, ECB, February 2003.

3 See, for example, Goodfriend, M., "How the world achieved consensus on monetary policy", *Journal of Economic Perspectives*, Vol. 21, No 4, 2007, pp. 47-68. For an overview of the various aspects of the interaction between monetary and fiscal policies in the academic literature, see, for example, Walsh, C.E., *Monetary theory and policy*, Chapter 4, 3rd edn, MIT Press, 2010. As evidenced, for example, by Sargent, T.J., "The ends of four big inflations", in Hall, R.E. (ed.), *Inflation: Causes and Effects*, University of Chicago Press, 1982, pp. 41-98, periods of hyperinflation have been observed when central banks lacking independence bow to fiscal needs and finance budget deficits through money creation.

4 In June 1988 the European Council set up the Committee for the Study of Economic and Monetary Union (the Delors Committee) and mandated it to study and propose concrete steps towards establishing economic and monetary union. The resulting Report on economic and monetary union (the "Delors Report") was, in essence, a concrete plan for the introduction of EMU.

5 See *Delors Report*, 1989, p. 13 and p. 19.

6 *ibid.*, p. 20.

This refers to the fact that, in a currency union with fully integrated capital markets, governments and private agents can draw on a larger pool of savings to cover their borrowing needs. As a result, if an individual country increases its borrowing, funding costs rise only moderately; in fact, if the country were to have a smaller local pool of savings to draw from, the same increase in public borrowing would induce a stronger increase in bond yields. The elimination of exchange rate risk and the perceived possibility that, in the worst case scenario, the union might assume the liabilities of individual members clearly weakens incentives to pursue prudent fiscal policies. Bearing this in mind, the overall policy framework of EMU was designed to safeguard the value of the single currency, while countering any adverse side effects on incentives to ensure sound public finances.

Under the framework, there is a clear separation of responsibilities: the definition and implementation of monetary policy are mandated to the Eurosystem, while fiscal policies are ultimately the responsibility of the national governments. The ECB is an independent institution with the primary objective of maintaining price stability (see Articles 127(1) and 130 of the Treaty). At the same time, Member States are required to avoid excessive government deficits (see Article 126(1) of the Treaty).

While, in principle, it was expected that financial markets would penalise rising public deficits and debt by demanding higher yields on government bonds, the Delors Report had already pointed out that markets on their own may be imperfect devices for encouraging disciplined national fiscal policies: “Experience suggests that market perceptions do not necessarily provide strong and compelling signals [...]. Rather than leading to a gradual adaptation of borrowing costs, market views about the creditworthiness of official borrowers tend to change abruptly and result in closure of access to market financing. The constraints imposed by market forces might either be too slow and weak or too sudden and disruptive.”⁷

It was therefore essential to strengthen the incentives for pursuing prudent public finances by establishing explicit rules and commitments under the Treaty.⁸ First, the ECB and the NCBs of the EU Member States were excluded as a source of direct borrowing via the prohibition of monetary financing of public debt (see Article 123 of the Treaty).⁹ Second, the prohibition of privileged access to financial institutions by the public sector (see Article 124 of the Treaty)¹⁰ rules out forced lending on state-specified terms. Third, the no-bailout clause (see Article 125 of the Treaty) prohibits the fiscal obligations of one Member State being assumed by the EU or another Member State.¹¹ Fourth, and crucially, explicit fiscal rules, coupled with the idea of peer surveillance and sanctions, were laid down in Article 126(2) to (14) of the Treaty and reinforced by the Stability and Growth Pact.

While this framework takes due account of conflicts that could arise from the interaction between fiscal and monetary policy, it also provides some guidance with regard to the division of labour between the fiscal authorities and central banks faced with financial instability. Financial stability policies, supervision and regulation are clearly the remit of the national authorities,¹² while the Eurosystem’s role in ensuring financial stability is confined to providing liquidity to its counterparties.

7 *ibid.*, p. 20.

8 For one of the first discussions of the rationale behind the Stability and Growth Pact, both as an attempt to underpin monetary dominance in the context of strategic interaction between monetary and fiscal authorities and as a partial substitute for a shared stability culture, see Artis, M. and Winkler, B. “The Stability Pact: Safeguarding the Credibility of the European Central Bank”, *National Institute Economic Review*, Vol. 163, No 1, January 1998, pp. 87-98.

9 However, public credit institutions can borrow directly from the Eurosystem in the context of the supply of reserves for fulfilling minimum reserve requirements and are treated in the same way as private credit institutions.

10 Privileged access to financial institutions for the purposes of prudential supervision and regulation is permitted.

11 Loans from the EU or Member States to another Member State do not infringe the no-bailout clause.

12 However, this implies that, in some euro area countries, the NCB is involved in banking supervision. In fact, Article 127(5) of the Treaty asserts that “[t]he ESCB shall contribute to the smooth conduct of policies pursued by the competent authorities relating to the prudential supervision of credit institutions and the stability of the financial system”. See also Article 3.3 of Protocol (No 4) on the Statute of the European System of Central Banks and of the European Central Bank.

3 MONETARY AND FISCAL POLICIES BEFORE THE CRISIS

In accordance with its mandate, the ECB conducts monetary policy for the euro area in line with its primary objective of maintaining price stability, thereby contributing to an overall stable macroeconomic environment. Euro area HICP inflation was, on average, 2.04% over the period from January 1999 to the onset of the financial crisis in August 2007 (see Chart 1).¹³ Inflation expectations were well anchored around levels consistent with the aim of the Governing Council of the ECB to maintain euro area inflation below, but close to, 2% over the medium term. Compared with inflation rates achieved in other advanced economies across the globe, euro area inflation rates have, since the launch of the euro, been not only low, but also fairly stable and accompanied by a low level of macroeconomic volatility (see Chart 2).

At the same time, however, the economic governance framework in place did not prevent the build-up of sizeable public and private sector imbalances in the euro area, which was possibly

supported by an environment of increased financial market integration, low macroeconomic volatility, the absence of exchange rate risk and the fact that governments and private agents had access to a large common pool of savings.

With regard to fiscal developments in the euro area in the run-up to Stage Three of EMU, there was a significant improvement in the fiscal positions of the first 11 countries to join the euro area. This reflected the considerable consolidation efforts made by most countries aiming to join the single currency.¹⁴ Declining interest rates also helped countries to reduce their fiscal deficits during that period.

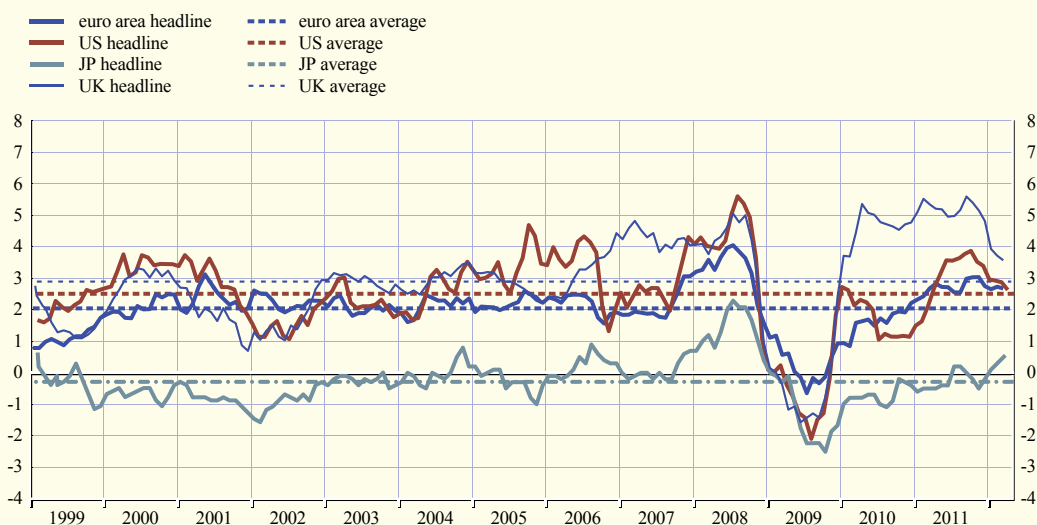
However, during the economic upswing of 1999-2000 most euro area countries missed the opportunity to further reduce their fiscal imbalances and build up sufficient “fiscal buffers”. In the course of the economic

13 Since 1999 average euro area HICP inflation has been 2.05%. The latest observation for this calculation was May 2012.

14 The aggregate average government deficit of the countries that were the first to join the euro area declined from around 5% of GDP in 1991 to just above 2% of GDP in 1998.

Chart 1 Inflation rates in major industrialised economies

(annual percentage changes)

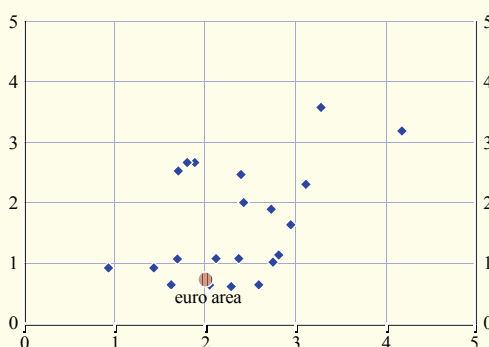


Sources: Eurostat, BIS and ECB calculations.

Notes: Inflation rates are calculated as year-on-year changes in the HICP for the euro area, the CPI-U for the United States and headline CPI for Japan and the United Kingdom. The data are not seasonally adjusted.

Chart 2 Inflation and output volatility in OECD countries and the euro area

(annual data 1999-2011; percentage points)

x-axis: standard deviation of output
y-axis: standard deviation of inflation

Sources: OECD and ECB calculations.

Notes: The inflation data refer to annual CPI inflation and the GDP growth data refer to annual real GDP growth. The sample consists of the OECD member and partner states (excluding euro area countries) and the euro area.

countries recorded deficits above 3%, with the euro area average also exceeding that reference value. The deterioration in budgetary positions over that period and the growing reluctance to follow agreed rules and procedures weakened the credibility of the EU fiscal framework. Rather than insisting on a strict implementation of the rules, it was decided to reform the Stability and Growth Pact in 2005. Overall, the reforms introduced greater scope for the exercise of discretion in the application of procedures.¹⁵ At the time, the Governing Council of the ECB expressed concern that these changes would make the EU fiscal framework more complex and less transparent, thereby hampering its ability to facilitate the achievement of sound fiscal positions by euro area countries.¹⁶

The new framework was not put to the test until the financial crisis erupted. The years following

slowdown that began in 2001, fiscal positions deteriorated and excessive deficits were run up in an increasing number of euro area countries. In 2003 six out of the then twelve euro area

15 See the article entitled “Ten years of the Stability and Growth Pact”, *Monthly Bulletin*, ECB, October 2008.

16 See the statement issued by the Governing Council of the ECB on 21 March 2005 regarding the ECOFIN Council’s report on improving the implementation of the Stability and Growth Pact.

Selected fiscal indicators

	Fiscal balance to GDP ratio				Government debt to GDP ratio				Interest payments to GDP ratio			
	1998	Change 1998-2007	Change 2007-2010	2011	1998	Change 1998-2007	Change 2007-2010	2011	1998	Change 1998-2007	Change 2007-2010	2011
Belgium	-0.9	0.9	-3.8	-3.7	117.2	-33.2	12.0	98.0	7.3	-3.4	-0.5	3.3
Germany	-2.3	2.6	-4.5	-1.0	60.5	4.7	17.9	81.2	3.4	-0.6	-0.3	2.7
Estonia	-0.7	3.1	-2.1	1.0	6.0	-2.3	3.0	6.0	0.5	-0.4	0.0	0.1
Ireland	2.4	-2.3	-31.2	-13.1	53.0	-28.2	67.6	108.2	3.3	-2.3	2.1	3.4
Greece	-3.9	-2.6	-3.9	-9.1	95.4	12.0	37.5	165.3	8.2	-3.7	1.2	6.9
Spain	-3.0	4.9	-11.3	-8.5	64.2	-27.9	25.0	68.5	4.2	-2.6	0.3	2.4
France	-2.6	-0.1	-4.3	-5.2	59.5	4.7	18.1	85.8	3.3	-0.6	-0.3	2.6
Italy	-2.7	1.0	-3.0	-3.9	114.2	-11.2	15.5	120.1	7.9	-2.9	-0.4	4.9
Cyprus	-4.2	7.7	-8.8	-6.3	59.2	-0.4	2.7	71.6	3.1	0.0	-0.8	2.5
Luxembourg	3.4	0.3	-4.5	-0.6	7.1	-0.4	12.4	18.2	0.4	-0.2	0.2	0.5
Malta	-9.9	7.6	-1.4	-2.7	53.4	8.8	7.2	72.0	3.2	0.1	-0.3	3.1
Netherlands	-0.9	1.1	-5.3	-4.7	65.7	-20.4	17.6	65.2	4.7	-2.5	-0.2	2.0
Austria	-2.4	1.5	-3.6	-2.6	64.4	-4.2	11.7	72.2	3.6	-0.8	-0.1	2.6
Portugal	-3.9	0.7	-6.7	-4.2	50.3	18.0	25.1	107.8	3.1	-0.2	-0.1	3.9
Slovenia	-2.4	2.3	-6.0	-6.4	23.1	-0.1	15.7	47.6	2.2	-0.9	0.4	2.0
Slovakia	-5.3	3.5	-5.9	-4.8	34.5	-4.9	11.5	43.3	2.5	-1.1	0.0	1.6
Finland	1.6	3.7	-7.8	-0.5	48.4	-13.2	13.2	48.6	3.5	-2.1	-0.4	1.1
Euro area	-2.3	1.6	-5.6	-4.1	72.8	-6.5	19.2	88.0	4.5	-1.6	-0.2	3.1

Sources: European Commission and the European Commission’s European Economic Forecast – spring 2012.

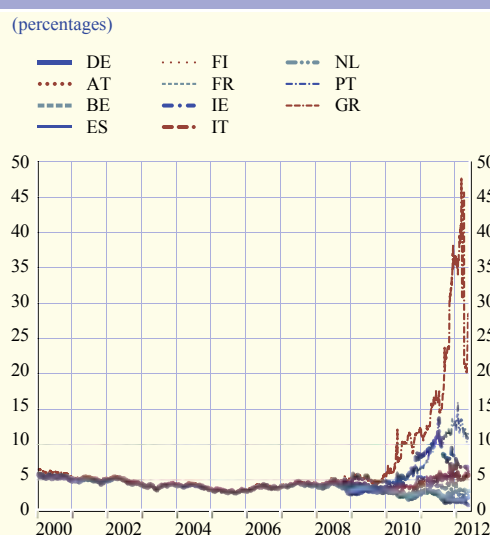
Notes: 1998 and 2011 levels are expressed as a percentage of GDP. The changes over the periods 1998-2007 and 2007-10 are expressed in percentage points. Regarding changes in the fiscal balance-to-GDP ratio, a positive (negative) figure reflects an improvement (deterioration) in the fiscal balance.

the reform of the Stability and Growth Pact were characterised by a significant improvement in the fiscal positions of most euro area countries: the aggregate euro area deficit ratio dropped to 0.7% of GDP in 2007, its lowest level since the introduction of the euro (see the table). However, in most countries, this improvement was largely the result of favourable economic developments rather than concrete fiscal consolidation policies. Thus, the structural fiscal position of the euro area was much weaker and the structural deficit, i.e. the nominal deficit adjusted for the impact of the economic cycle and one-off measures, still amounted to 2.0% of GDP. In addition, the euro area debt-to-GDP ratio was around 66% of GDP in 2007, which is only about 6 percentage points below the level recorded when the euro was introduced in 1999. Fiscal fundamentals also differed substantially across the euro area countries.

The failure to achieve sound fiscal positions before the crisis can be attributed to two main institutional weaknesses. First, the preventive arm of the reformed Stability and Growth Pact was not fully enforced, with only a few countries either achieving their medium-term budgetary objective or complying with the minimum adjustment requirements for achieving said objective. Second, the excessive deficit procedure was not rigorously applied to those countries that exceeded the 3% of GDP deficit criterion, i.e. sanctions were never imposed. Moreover, financial markets did not provide the necessary incentives for ensuring fiscal discipline. Until early 2008 governments issued debt at very similar interest rates, despite the divergence in their fiscal positions (see Chart 3). This reduced incentives to adopt more ambitious consolidation strategies.

With regard to the private sector, several euro area countries experienced large and persistent current account imbalances, as well as rising unit labour costs, which resulted in a loss of competitiveness.¹⁷ Moreover, increasing private sector leverage was, in some cases, accompanied by a housing market boom, and various macroeconomic imbalances tended to “cluster”

Chart 3 Yields on ten-year government bonds in selected euro area countries



Source: Thomson Reuters Datastream.
Note: The latest observation is for 22 May 2012.

in some countries: the leverage of non-financial corporations and households, for instance, increased significantly in countries with a current account deficit, but remained broadly stable in countries with a current account surplus. Furthermore, the increase in leverage in the non-financial sector in deficit countries tended to be accompanied by surges in bank leverage.¹⁸ These developments took place under a governance framework that made no provision for monitoring and preventing the build-up of such macroeconomic imbalances and, furthermore, they were not addressed by fiscal, structural or financial policies at the national level.

Essentially, several euro area countries entered the financial crisis with far from perfect fiscal fundamentals, and some of them were also burdened by sizeable private sector imbalances.

¹⁷ For a discussion of labour cost developments in the euro area countries between 1999 and 2007, see the article entitled “Monitoring labour cost developments across euro area countries”, *Monthly Bulletin*, ECB, November 2008.

¹⁸ See the article entitled “Sectoral balances and euro area financial integration”, *Financial Integration in Europe*, ECB, April 2012. Bank leverage is measured using notional assets and notional liabilities. By construction, the dynamics of notional ratios are not affected by asset price changes.

4 MONETARY AND FISCAL POLICIES IN THE FACE OF FINANCIAL INSTABILITY

The global financial crisis started in the summer of 2007, intensified in the autumn of 2008 and was followed by the deepest worldwide recession for decades. In response to the scale of the crisis, governments and central banks across the globe introduced policy measures that were often unprecedented in size or scope.

With regard to the euro area, the Eurosystem responded to the financial crisis with a combination of standard and non-standard measures. The standard measures led to significant interest rate cuts in 2008 and 2009, while the non-standard measures took the form of enhanced credit support to the banking system. Over the period 2007-09 this support comprised: i) unlimited liquidity provision to euro area banks at a fixed rate in all refinancing operations against adequate collateral; ii) the lengthening of the maximum maturity of refinancing operations from three months prior to the crisis to one year; iii) the extension of the list of assets accepted as collateral; iv) the provision of liquidity in foreign currencies (notably US dollars); and v) outright purchases in the covered bond market. Notably, these non-standard measures complemented an operational framework that was already “broad” – by international comparison – in the sense that it essentially enabled all credit institutions to obtain funding against a wide range of collateral.

The aim of all these measures was to mitigate the adverse effects that dysfunctional money markets were having on the liquidity situation of solvent banks in the euro area, and, ultimately, on credit market conditions and longer-term interest rates. They therefore helped to support the flow of credit to firms and households, and to counteract risks to price stability.

With regard to government policy responses at the national level, these included not only fiscal stimulus measures (that had been agreed at the EU level), but also measures to support the financial sector.¹⁹ In conjunction with the strong contraction in GDP and the operation of

automatic stabilisers in a contracting economy, these measures brought about a rapid rise in government deficit and debt ratios.

As shown in the table, the fiscal balance-to-GDP ratio for the euro area as a whole increased by 5.6 percentage points over the period 2007-10, while the government debt-to-GDP ratio shot up by almost 20 percentage points. This deterioration in public finances and the weak economic outlook triggered a strong widening of sovereign bond spreads, as investors started to change their views on the fiscal strength and growth prospects of certain countries. However, it cannot be ruled out that, during some periods, sovereign bond yields displayed some overshooting. This is precisely the risk that had already been acknowledged in the Delors Report, namely that “market views about the creditworthiness of official borrowers tend to change abruptly” and that the “constraints imposed by market forces might either be too slow and weak or too sudden and disruptive”.

For most euro area countries, the first sharp increase in sovereign bond spreads in the autumn of 2008 has been attributed to a “transfer of risk” from the financial system to governments²⁰ after the collapse of Lehman Brothers in the September of that year. The national responses to the financial crisis, which consisted, in particular, of various forms of government guarantee and rescue measure for the financial

19 These amounted in total to 5.2% of euro area GDP over the period 2008-11 (see Table 1 in the article entitled “Analysing government debt sustainability in the euro area”, *Monthly Bulletin*, ECB, April 2012). For an overview of the measures to support the financial sector see, for example, Petrovic, A. and Tutsch, R., “National rescue measures in response to the current financial crisis”, *Legal Working Paper Series*, No 8, ECB, July 2009; or Stolz, S.M. and Wedow, M., “Extraordinary measures in extraordinary times – public measures in support of the financial sector in the EU and the United States”, *Occasional Paper Series*, No 117, ECB, July 2010. See also Van Riet, A. (ed.), “Euro area fiscal policies and the crisis”, *Occasional Paper Series*, No 109, ECB, April 2010.

20 See, for example, Attinasi, M.-G., Checherita-Westphal, C. and Nickel, C., “What explains the surge in euro area sovereign spreads during the financial crisis of 2007-09?”, *Public Finance and Management*, Vol. 10, No 4, 2010, pp. 595-645; and Ejsing, J. and Lemke, W., “The Janus-headed salvation – sovereign and bank credit risk premia during 2008-09”, *Economics Letters*, Vol. 110, No 1, 2011, pp. 28-31.

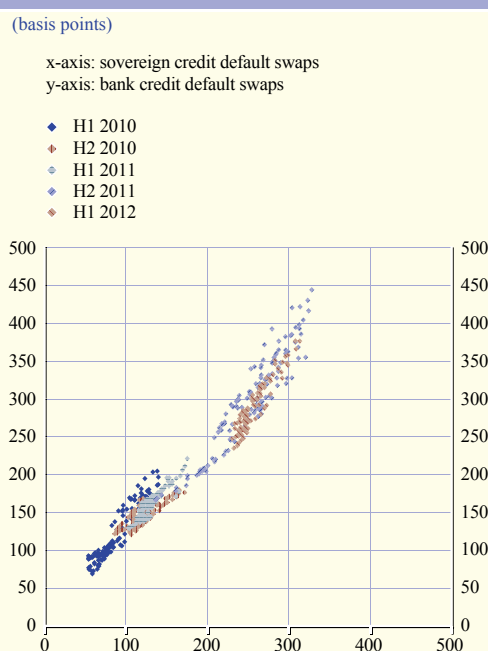
sector, lowered the perceived riskiness of banks. In turn, bondholders started to accept lower yields on bank bonds and demand higher yields on sovereign debt titles. This was coupled with a general reassessment and repricing of risk in financial markets, which led to a further general increase in euro area sovereign bond spreads. Over the months that followed, sovereign bond spreads widened further, with country-specific news – affecting perceptions regarding fiscal sustainability – becoming an increasingly prominent driver of sovereign credit risk premia.²¹

It soon became clear that sovereign bond prices were not merely a barometer for the credit and liquidity risk inherent in government bonds. Instead, bond valuations themselves were having a strong impact on other parts of the financial markets and real economy, as well as on monetary policy. Falling government bond prices came to weigh heavily on banks' balance sheets, as lower valuations of government debt reduce, *ceteris paribus*, the creditworthiness of banks and push up their market-based financing costs. Together with the initial “transfer of risk” from the financial sector to sovereigns, the negative impact of government bond valuations on banks completed the first full adverse feedback loop between sovereign bond markets and the financial sector.

As the crisis unfolded further, the downward spiral continued. Banks faced with funding constraints, owing to their weakened balance sheets, tightened credit supply standards.²² The negative repercussions that this had on the real economy put a strain on public finances, as automatic stabilisers reacted to the economic downturn and ailing banks needed further support. Reflecting this vicious circle, the credit risk assessments of sovereign and bank issuers became closely linked (see Chart 4).

In addition to the adverse spillovers between sovereign debt markets and the banking sector, there was probably contagion between euro area sovereign debt markets. In a broad sense,

Chart 4 Euro area sovereign and bank credit default swap premia



Sources: Thomson Reuters Datastream and ECB calculations.
Notes: The latest observation is for 30 April 2012. The sovereign credit default swap (CDS) premia for the euro area are calculated as a weighted average of the five-year CDS premia of 11 euro area countries using the ECB's capital keys as weights. The countries included are Germany, France, Italy, Spain, the Netherlands, Portugal, Belgium, Austria, Finland, Slovakia and Ireland. The bank CDS premia are calculated as the simple average across ten large banks in the euro area. Each dot represents the pair (sovereign CDS premium, bank CDS premium) on a certain day in each six-month period.

contagion occurs when an “idiosyncratic”, i.e. inherently country-specific, increase in bond yields in one Member State lead to an increase in another Member State's yields that does not reflect changes in that Member State's fundamentals. Accordingly, Member States subject to contagion incur an externality or “social cost”, as they have to pay higher interest rates on their debt purely as a result of spillover effects not related to fundamentals. Although contagion is difficult to capture both conceptually and quantitatively, there is descriptive and model-based evidence that

²¹ See, for example, the box entitled “Common trends in euro area sovereign credit default swap premia”, *Financial Stability Review*, ECB, June 2011.

²² See, for example, the box entitled “The results of the euro area bank lending survey for the fourth quarter of 2011”, *Monthly Bulletin*, ECB, February 2012.

there has been an overshooting of yields over and beyond the normal market reaction to changes in fundamentals during the euro area sovereign debt crisis.²³

In early May 2010 tensions in the sovereign debt markets of some euro area countries reached new heights and spilled over to other financial market segments. In particular, liquidity conditions in overnight and longer-term money markets deteriorated significantly, probably owing to the increased counterparty risk between banks. With the normal functioning of the interbank market thus seriously impaired, a crucial element in the early stages of the monetary policy transmission mechanism was in jeopardy. Ultimately, the very ability of banks to provide credit to the real economy was at risk. In the face of this, the ECB introduced a number of non-standard policy measures, including the Securities Markets Programme.²⁴ This programme involves liquidity-neutral Eurosystem interventions in the euro area public and private debt securities markets, with a view to ensuring depth and liquidity in dysfunctional market segments, and to restoring the proper functioning of the monetary policy transmission mechanism.

Following the decision of the euro area Heads of State or Government to resort to private sector involvement for Greece, the tensions in sovereign debt markets intensified once more in the summer of 2011. This increasingly hampered euro area banks' access to market-based funding, in turn impeding the flow of credit to euro area households and non-financial corporations.²⁵ To counter the severe impairment of the credit intermediation process and ensure that the ECB's monetary policy continued to be transmitted effectively to the real economy, the ECB reintroduced and extended a number of the non-standard monetary measures in the second half of 2011.²⁶ Finally, in December 2011 the Governing Council of the ECB announced additional measures to support bank lending and liquidity in the euro area money market. In particular, it decided to conduct two longer-term refinancing operations (LTROs) with a maturity

of three years and the option of early repayment after one year. The effect of these measures is still under evaluation, but a preliminary analysis of these two LTROs suggests that they helped to improve funding conditions for banks and thereby removed impediments to credit provision to the real economy.²⁷

One particular monetary policy challenge when designing the non-standard measures was the heterogeneity in financial conditions across the euro area countries, which had increased considerably during the crisis. While all measures were guided by the mandate of price stability for the euro area as a whole, some of the non-standard measures had different effects across countries, which was natural and desirable. For instance, the long-term liquidity provisions have been taken up by countries to varying degrees, reflecting differences in the situation of the respective banking system.

5 CURRENT POLICY INITIATIVES

Overall, the years of crisis have exposed several shortcomings in national policies, but also in economic governance at the EU level, as well as in financial supervision and regulation.

23 See, for example, the speech entitled "Sovereign contagion in Europe" by José Manuel González-Páramo, Member of the Executive Board of the ECB, London, 25 November 2011; and the article entitled "The euro area sovereign crisis: monitoring spillovers and contagion", *Research Bulletin*, No 14, ECB, autumn 2011.

24 See the box entitled "Developments in financial markets in early May", *Monthly Bulletin*, ECB, June 2010.

25 See Chart 1, *Euro area bank lending survey*, ECB, January 2012.

26 Including: i) the reintroduction of longer-term operations, with one of approximately 6 months (conducted in August 2011) and later on two additional operations of approximately 12 months and 13 months (conducted in October 2011); ii) the active implementation of the Securities Markets Programme (August 2011); iii) three additional US dollar liquidity-providing operations with a maturity of approximately three months covering the end of the year (September 2011) – a measure decided on in coordination with other major central banks; iv) a decision to prolong fixed rate tender procedures with full allotment for all refinancing operations allotted until at least the first half of 2012; v) a new covered bond purchase programme; and vi) coordinated action with other central banks to enhance their capacity to provide liquidity support to the global financial system through liquidity swap arrangements.

27 See the box entitled "Impact of the two three-year longer-term refinancing operations", *Monthly Bulletin*, ECB, March 2012.

First, the fiscal governance framework has proved inadequate to foster disciplined public finances at the national level. In particular, both the preventive and the corrective arm of the Stability and Growth Pact have not served as effective deterrents against the build-up of fiscal imbalances. Second, financial markets have failed to provide the necessary additional signals that sound fiscal positions need to be maintained. Third, there has been no effective mechanism for counteracting the build-up of potentially hazardous private sector imbalances. As the crisis has revealed, such private sector imbalances can quickly turn into public debt, thus exacerbating government sector imbalances. Fourth, if the risks to a country's fiscal sustainability increase, this can trigger a repricing of its government bonds, which can, in turn, have negative repercussions on the euro area financial sector and result in spillovers to the government bond markets of other countries. There has been no policy framework in place to prevent such contagion effects. Finally, while the source and the various repercussions of the financial crisis may have been almost impossible to predict, better micro- and macro-prudential supervision may have highlighted, at an earlier stage, certain risks for the euro area financial sector.

Lessons from the crisis have been learnt at both the national and EU level. Governments have embarked on a process of fiscal consolidation and structural reforms. An overhaul of the EU's frameworks for economic governance, as well as for financial supervision and regulation, is also under way. This is being complemented by the establishment of "firewalls", which have crisis management frameworks for addressing financial instability and preventing contagion across the euro area. All of these efforts are still ongoing, but progress has already been made in a number of areas.

First, from 2010 euro area countries began to discontinue fiscal stimulus measures and implement consolidation packages. In conjunction with a pick-up in GDP growth (after negative growth rates in 2008 and

2009), the fiscal deficit for the euro area as a whole decreased somewhat in 2011. However, the degree of consolidation achieved by the individual countries varied significantly, with 11 of the 17 countries still recording a deficit above the 3% of GDP threshold in 2011, according to the European Commission's European Economic Forecast – spring 2012. As regards the fiscal adjustment process, there is no doubt that, in the long term, fiscal consolidation has a positive and significant effect on growth and employment. While fiscal consolidation can have a dampening impact on economic activity in the short run, the extent of this impact depends on several factors, such as the composition of the fiscal adjustment. Indeed, consolidation strategies tend to be more successful and sustainable if the focus lies on the spending side of the budget.

Second, a number of initiatives have been launched to restore fiscal discipline and foster competitiveness. These include sets of new legislative measures (e.g. the "six pack" and the "two pack"), which should reinforce both the preventive and the corrective arm of the Stability and Growth Pact, improve budgetary surveillance and prevent the build-up of macroeconomic imbalances. Moreover, almost all EU Member States have signed the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, of which the fiscal part (the "fiscal compact") mandates all contracting parties to incorporate balanced budget rules and automatic correction mechanisms into national legislation.²⁸ Further steps have also been taken to enhance the competitiveness and convergence of national economies (see the box for details). Indeed, well-designed structural reforms in labour and product markets can have a positive impact on growth and employment relatively quickly and can thus also help to mitigate any negative effect that fiscal consolidation may have on short-term growth.

²⁸ See also the article entitled "A fiscal compact for a stronger economic and monetary union", *Monthly Bulletin*, ECB, May 2012.

Box

THE EU'S NEW FRAMEWORK FOR ECONOMIC GOVERNANCE

To address the shortcomings of the institutional set-up of EMU with regard to fiscal and macroeconomic policies, a number of important measures have been implemented or are currently in the making. These measures are intended to substantially improve EMU's fiscal rules and to help restore the fiscal discipline needed for a smooth functioning of EMU. They should also further strengthen the economic dimension of EMU and, in turn, foster deeper economic integration in the euro area.

A package of six new legislative acts, the “six pack”, which entered into force in December 2011, is intended to fill the main gaps in the fiscal and economic governance framework that were identified in the main text.¹ Regarding the fiscal rules, the six pack reinforces both the preventive and the corrective arm of the Stability and Growth Pact. Inter alia, it: i) strengthens the focus on government debt and fiscal sustainability; ii) increases the degree of automaticity in the excessive deficit procedure, leaving less leeway for political considerations; iii) reinforces compliance by introducing early and gradual financial sanctions for euro area countries if they do not adhere to the rules; and iv) defines more clearly the adjustment path to be followed by all EU Member States to sufficiently reduce their public deficits. Importantly, the six pack includes a new procedure for monitoring and preventing the build-up of macroeconomic imbalances, which was not part of the pre-crisis framework. With the help of a scoreboard of different indicators covering, for instance, current account balances, unit labour costs and house prices, the European Commission is asked to identify emerging imbalances and give appropriate policy recommendations. Like the Stability and Growth Pact, the procedure has a preventive and a corrective arm. Euro area countries may be fined if they do not comply with the rules.

To improve the overall surveillance of national economic policies, the six pack formally introduces the “European semester” which comprises a timetable to align the timing of all elements of surveillance, including fiscal, macroeconomic and structural policies. The main aim of the European semester is to ensure that all national policies are analysed and assessed together, although the procedures are legally and procedurally separate. The new approach was applied for the first time in 2011.

As a form of high-level political commitment to further enhancing economic coordination, also in areas of national competence, all euro area countries, as well as six non-euro area countries,² signed the Euro Plus Pact in March 2011. The Pact aims to help boost the competitiveness and convergence of national economies. Euro area leaders review the concrete goals on an annual basis and the European Commission monitors their implementation.

It soon became clear that the euro area countries would have to take steps in addition to the six pack in terms of enhancing the surveillance of economic policies, as well as promoting financial stability in the euro area and mitigating the risk of contagion.

1 For detailed information on and an assessment of the governance elements addressed in the six pack, see the article entitled “The reform of economic governance in the euro area – essential elements”, *Monthly Bulletin*, ECB, March 2011.

2 The six non-euro area countries that signed the Euro Plus Pact were Bulgaria, Denmark, Latvia, Lithuania, Poland and Romania.

In November 2011 the European Commission proposed two regulations that are specifically addressed to the euro area. These are referred to as the “two pack”. They are currently being finalised and it is envisaged that they will enter into force before the autumn of 2012. The first regulation aims at improving budgetary surveillance, in particular through ex ante assessments of draft national budgetary plans by the Commission. If the draft budgets are found not to comply with the requirements of the Stability and Growth Pact, the Commission may request that they be revised. In addition, the Commission will monitor the in-year budgetary implementation of countries with an excessive deficit very carefully and issue further recommendations if need be. The second regulation proposes enhanced surveillance for euro area countries in difficulty, or threatened with difficulties, as regards financial stability. It is the decision of the Commission whether or not to subject a euro area country to enhanced surveillance. Such surveillance implies, inter alia, heightened fiscal monitoring and an obligation to carry out stress tests in the banking sector, in cooperation with the European Banking Authority. Fact-finding missions by the Commission, in cooperation with the ECB, will feed into possible recommendations for further corrective measures.

The latest element in the reform of economic governance framework is the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, signed in March 2012 by all EU Member States, except the United Kingdom and the Czech Republic. In particular, the fiscal part of the Treaty, the “fiscal compact”, is essential to ensuring fiscal discipline, as it mandates all countries to enshrine balanced budget rules and an automatic correction mechanism into national law.³

Overall, the reform of the economic governance framework is an important first step towards strengthening the foundations of EMU. Going forward, the strict implementation and enforcement of the new rules will be key to ensuring their success.

³ For further information on the fiscal compact, see the article entitled “A fiscal compact for a stronger economic and monetary union”, *Monthly Bulletin*, ECB, May 2012.

Third, work is under way to improve procedures for the detection and treatment of risks to financial stability. In this context, the current overhaul of the international financial regulatory framework, which is being overseen by the Financial Stability Board, is essential. So far, the overhaul has seen the launch of the Basel III framework of new capital and liquidity rules for banks and, at the EU level, the introduction of a more integrated system for prudential supervision. The European System of Financial Supervision comprises the European Systemic Risk Board on the macro-prudential side and the three European Supervisory Authorities (ESAs) – the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA) – on the micro-prudential side. Gradual progress has been made towards the establishment of a single rulebook,

which should foster coordination between national supervisors and spur the convergence of national supervisory practices.

Finally, the improvements to economic governance, as well as financial supervision and regulation, are being complemented by the establishment of firewalls to tackle threats to financial stability, as well as contagion across markets, in a swift and effective manner. This is particularly noteworthy as the pre-crisis framework did not include instruments for crisis management. In this context, the European Financial Stability Facility (EFSF) and its successor, the European Stability Mechanism (ESM), are important additions to the architecture of EMU.²⁹

²⁹ See, for example, the article entitled “The new EU framework for financial crisis management and resolution”, *Monthly Bulletin*, ECB, July 2011; and the article entitled “The European Stability Mechanism”, *Monthly Bulletin*, ECB, July 2011.

Despite the significant progress that has been made, several important issues still need to be addressed, in particular with regard to the financial stability safeguards in the euro area. Given the current level of financial integration, better cross-border financial safety net arrangements are essential. As a first step towards a more unified scheme for bank recovery and resolution, the European Commission has recently adopted a proposal that envisages a harmonised set of prevention tools, early intervention measures and resolution tools, as well as a framework for cooperation between national authorities, but no centralisation.³⁰ However, the creation of a single European resolution authority would truly constitute a change in the financial safety net to reflect the degree of financial integration in EMU. Under the control and responsibility of such an authority – equipped with the right tools to effectively support financial stability – synergies between a supranational deposit insurance scheme and a supranational resolution fund could be fully exploited.

Taken together, better economic governance and an improved financial stability framework could help to break the hazardous feedback loop between government and the financial sector. If governments live up to their responsibility to ensure fiscal prudence, and if the new economic governance framework is implemented consistently, investors will start to regain confidence and sovereign bond prices will adjust accordingly. If banks restore sustainable profitability, as well as sound liquidity and capital profiles, they will be less vulnerable to financial volatility and changes in asset valuations, including those related to government debt holdings. While this is the desired scenario, the time needed to achieve it will depend on how quickly and comprehensively the envisaged framework is implemented.

6 CONCLUSION

Not even a decade since its launch, EMU has been hit by the international financial turmoil

and subsequently experienced its own sovereign debt crisis. Beyond the lessons from the crisis that apply at the global level, the years of crisis have also provided important but painful lessons about shortcomings in the design of EMU and the insufficient implementation of policy rules. The economic governance framework failed to ensure fiscal discipline across the euro area countries, as well as to identify and correct the build-up of macroeconomic imbalances in a timely manner. Moreover, the hazardous interplay between strained public finances and threats to the financial system was a new (at least in terms of its extent) and truly unsettling phenomenon.

Decisive steps have already been taken to establish a better economic governance framework for the euro area, with a view to ensuring fiscal discipline and improving the competitiveness of euro area countries. In parallel, an overhaul of the framework for financial supervision and regulation is under way in order to make the financial system more resilient. Finally, firewalls including instruments for crisis management have been established to further safeguard financial stability, in particular by addressing the risk of contagion across countries and different financial market segments.

By contrast, the set of principles guiding monetary policy – i.e. the mandate of price stability, codified central bank independence, the prohibition of monetary financing – as well as the monetary policy strategy and operational framework, functioned well and resulted in a successful track record in terms of price stability, both prior to and during the crisis. Moreover, the framework provided the ECB with sufficient flexibility to act during the financial crisis.

However, the evolution of the financial crisis into a sovereign debt and banking crisis over the last two to three years has posed several challenges for euro area monetary policy. Monetary policy has been confronted with a deterioration in public finances and volatile sovereign debt

³⁰ See European Commission Press Release, IP/12/570, 6 June 2012.

markets, several threats to financial stability and the vicious circle of the feedback loop between the two, i.e. sovereign debt market tensions and a struggling banking system. In response, the Eurosystem has had to introduce a variety of new and non-standard measures to address liquidity problems in interbank markets and the impairment of the monetary policy transmission mechanism.

This conflict-prone interplay between monetary policy, fiscal policy and financial stability constitutes a challenging “triangle” of interactions that adds another pole to the typical “dipole” of monetary and fiscal policy interaction. The above-mentioned reforms to the economic governance framework and the reshaping of the financial system all have the potential to mitigate these tensions. Restoring sound public finances will address the root causes of the recent tensions in sovereign debt markets. Together with better supervision and regulation of the financial system and the established firewalls, it will help to avoid the hazardous feedback loop between sovereign debt market tensions and financial instability that has shaped the euro area sovereign debt crisis.

If the reforms succeed in promoting disciplined public finances, reducing macroeconomic imbalances and safeguarding financial stability, it would relieve monetary policy from having to address negative externalities from other policy areas when striving to maintain price stability. However, the success of the measures taken will ultimately depend on the speed and extent of their implementation, their enforcement and, most importantly, the commitment of the national governments to comply with the agreed rules and to deliver the promised policy reforms.

If successful, all this will result in a better framework for EMU, with a more resilient financial system that is focused on its core task of financing the real economy, as well as sound public finances governed by fiscal discipline and a monetary policy that continues to maintain price stability in the euro area. Ultimately, sound

fiscal policies and a stability-oriented common monetary policy would be mutually reinforcing and provide the foundations for sustainable economic growth in the euro area.

ASSESSING THE ANCHORING OF LONGER-TERM INFLATION EXPECTATIONS

ARTICLES

Assessing the anchoring of longer-term inflation expectations

Monitoring longer-term inflation expectations helps in gauging the public's perceptions of a central bank's commitment to maintain price stability. This is particularly important in periods of large shocks to the economic and financial environment and strong adjustment processes ensuing from these shocks, as could be witnessed over the past few years. Against this background, this article reviews the evolution of longer-term inflation expectations for the euro area provided by surveys of professional forecasters and extracted from financial market instruments. During the financial and sovereign debt crises of the past few years, the levels of longer-term inflation expectations have continued to move within a rather narrow band, with no signs of systematic changes in either direction. At the same time, the levels have been surrounded by higher uncertainty than in previous years. Nevertheless, overall, the evidence presented in this article suggests a firm anchoring of public perceptions regarding the ECB's commitment to maintain inflation rates below, but close to, 2% over the medium term, also in times of such exceptional uncertainty.

I INTRODUCTION

Developments in longer-term inflation expectations play an important role in central banks' monitoring and assessment activities, because well-anchored expectations are central to the functioning of the monetary transmission mechanism. If economic agents were to believe that inflation would ultimately be out of line with the central bank's objective, they would adjust their price and wage-setting decisions, increasing the risk of self-propelling price spirals. In this respect, the relationship between inflation expectations and inflation can operate in both directions: actual inflation, if systematically away from the central bank's objective, can endanger the anchoring of expectations, and de-anchored inflation expectations can themselves contribute to moving actual inflation away from this objective. Well-anchored expectations are hence an indicator of the success and the credibility of a price stability-oriented monetary policy.

The ECB monitors longer-term inflation expectations derived from surveys and financial market instruments. The focus here is on longer-term rather than shorter-term expectations¹, because inflation in the short term can be heavily affected by shocks, such as may stem from commodity price developments or changes in indirect taxes. Such shocks cannot be counteracted by monetary policy within short time horizons and can therefore lead to considerable volatility in inflation.

By contrast, longer-term inflation expectations should be a measure that reflects more fundamental expectations about the credibility of monetary policy. Monitoring longer-term inflation expectations is particularly important in periods of large shocks to the economic and financial environment. The period since autumn 2008 is a prominent example in this respect. The Lehman bankruptcy and the associated financial crisis triggered the deepest recession since World War II, and together with the more recent tensions in some euro area sovereign debt markets this set off unusually deep adjustment processes. Such strong reactions in the macroeconomy may leave market participants with more uncertainty regarding the prospects for inflation than in normal times.

Against this background, Sections 2 and 3 of this article review the developments of survey-based and market-based measures of longer-term inflation expectations for the euro area, with some focus on the post-Lehman period. They review these developments with regard to different dimensions, such as the level of inflation expectations and its movements over time, but also the uncertainty that can surround this level at any given point. Section 4 concludes.

¹ For an analysis of shorter-term inflation expectations in the euro area, see the article entitled "Inflation expectations in the euro area: a review of recent developments", *Monthly Bulletin*, ECB, February 2011.

2 SURVEY-BASED INDICATORS OF LONGER-TERM INFLATION EXPECTATIONS

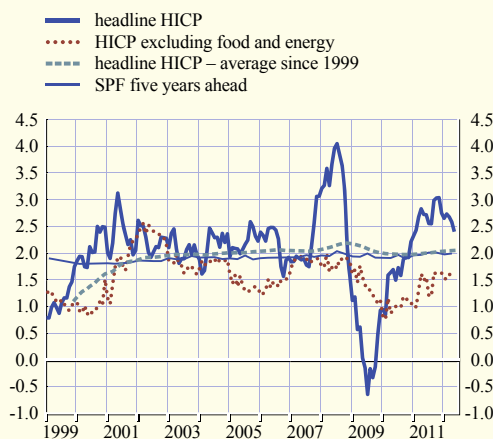
One main source of survey-based indicators for longer-term inflation expectations is the quarterly ECB Survey of Professional Forecasters (SPF), which collects both point forecasts and probability distributions for five-year-ahead inflation expectations.² Point forecasts of inflation several years into the future are also published by Consensus Economics and MJEconomics (the Euro Zone Barometer), although there are some differences between these surveys and the SPF with respect to the reference period and the frequency at which the data are collected.³

2.1 THE MEAN LEVEL OF INFLATION EXPECTATIONS

HICP inflation since 1999 has occasionally displayed strong movements, reflecting in particular the impact of commodity price shocks on the energy and food components of HICP (see Chart 1). But also when these volatile components are excluded, HICP inflation has shown certain movements over time.

Chart 1 Longer-term inflation and inflation expectation developments

(annual percentage changes)



Source: ECB.

Note: The average HICP series is computed as the average annual inflation rate over the period from December 1999 to each of the subsequent months. In 1999 and 2000 the SPF collected five-years ahead inflation expectations only in the first quarter. The latest observation is for April 2012.

Nonetheless, the average of the annual rate of HICP inflation computed over the period from December 1999 to each of the subsequent months has hovered within a rather narrow band around 2%. This measure reflects how closely average inflation was in line with the price stability objective during Monetary Union.

In this context, it is apparent that longer-term inflation expectations have been much more closely aligned with longer-term averages than with shorter-term movements in actual inflation. In the period since 2001, when the SPF longer-term expectations became available on a regular basis, the mean level (point forecasts for inflation five years ahead) has moved in a narrow band between 1.80% and 2.03%.

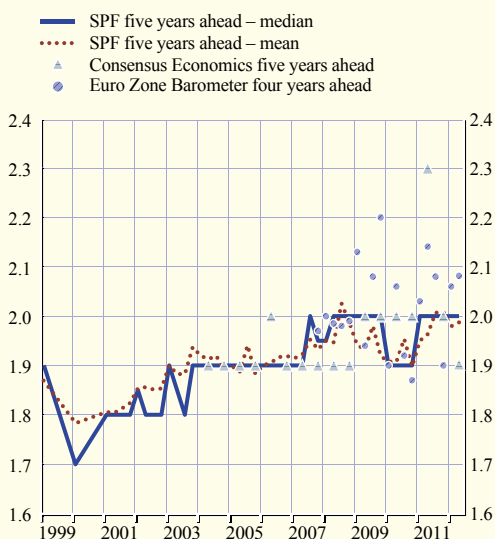
Developments in the mean level of SPF longer-term inflation expectations can be broken down into three broad phases (see Chart 2). The first phase covers a slight upward movement in the period prior to 2003. This coincided with a gradual upward movement in both overall HICP inflation and HICP inflation excluding volatile components from the low levels prevailing at the start of Monetary Union. The phase ended in mid-2003, possibly also reflecting the clarification at the time that, within the ECB definition of price stability as a year-on-year increase in the HICP for the euro area of below 2% over the medium term, the Governing Council aims to keep inflation “below” but “close to” 2%. This clarification is likely to have provided a more precise anchor for private sector expectations.

2 For a detailed description of the SPF, see Bowles, C. et al., “The ECB survey of professional forecasters (SPF) – A review after eight years’ experience”, *Occasional Paper Series*, No 59, ECB, April 2007.

3 The Euro Zone Barometer and the Consensus Economics survey report longer-term forecasts at a quarterly and bi-annual frequency, respectively. The SPF asks for longer-term expectations in each of the quarterly rounds. The reference horizon for longer-term forecasts is extended by one year in the January issue of the Eurozone Barometer, while it is extended only in the second half of the year for the Consensus Economics survey and the SPF. The longest forecast horizons covered by the SPF and the Euro Zone Barometer are the five and four-year ahead horizons, respectively, while the horizon in the Consensus Economics survey goes beyond five years, covering the period from six to ten years.

**Chart 2 Longer-term inflation expectations
from various surveys**

(annual percentage changes)



Sources: ECB, Consensus Economics and the Euro Zone Barometer.
Note: In 1999 and 2000 the SPF collected five-years-ahead inflation expectations only in the first quarter.

The second phase from mid-2003 to mid-2007 was one of broad stability in longer-term inflation expectations, which remained around this level of below, but close to, 2%. It coincided with a period in which developments in headline inflation and in HICP inflation excluding food and energy were relatively stable.

Since mid-2007, inflation expectations have again shown slightly stronger movements. This coincided with particularly large swings in actual inflation owing to global shocks related to commodity prices⁴ and world growth dynamics, and a generally more uncertain macroeconomic, fiscal and financial environment. Average longer-term inflation expectations in the SPF reached a peak of 2.03% in the third quarter of 2008, moderated to 1.90% in 2009, before increasing again to around 2.0% as from the second half of 2011. The median of the point forecasts, which is less influenced by outliers in the individual survey responses, has generally shown somewhat less variation than the mean but has also fluctuated in the period since mid-2007.

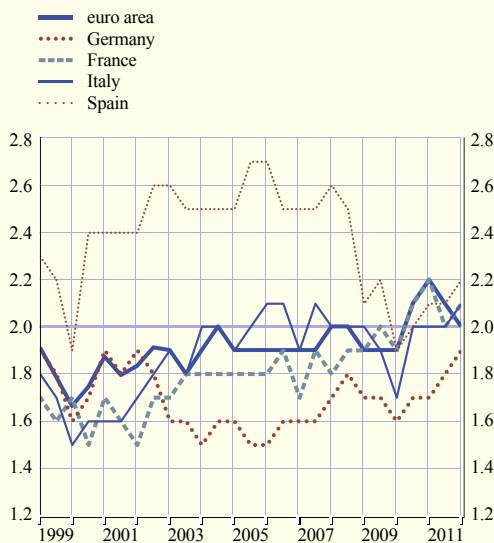
As shown in Chart 2, the mean point forecasts in the different private sector surveys have been typically very close to one another. However, Consensus Economics and Euro Zone Barometer longer-term forecasts have also displayed more volatility in recent years than before the Lehman bankruptcy. When comparing the movements in these means from one survey round to the next, it is important to note that Chart 2 reports data from the Consensus Economics survey and the Euro Zone Barometer with one decimal, which – due to rounding – can then suggest either stronger or weaker movements compared with the SPF, given the narrow bands in which longer-term inflation expectations move. Moreover, when comparing the mean levels across the different surveys, some differences in the degree of movement from one round to the next can be associated with the impact of outliers or of changes in the composition of the panel. The relatively large number of respondents in the SPF compared to the other surveys (approximately 45, on average, for the question on longer-term inflation expectations) implies that the survey mean in the SPF survey should be less affected in its reliability by outliers or by changes in the panel composition than that in other surveys.

The fact that longer-term inflation expectations for the euro area as a whole hovered within a narrow band around 2% conceals some differences across euro area countries (see Chart 3). Consensus Economics data (for the average inflation rate between six and ten years ahead, available only at one decimal) for the four largest euro area economies point to both different averages and more movement in the mean levels of longer-term expectations. For instance, for Germany expectations fluctuated around 1.7% and have never exceeded 1.9%, while for France they have been generally higher than for Germany. Longer-term inflation expectations for Spain have been at a significantly higher level compared with other large euro area countries and with the euro area average up until

4 The oil price peaked at almost 150 USD per barrel in July 2008, falling below 40 USD per barrel in December of the same year.

Chart 3 Longer-term inflation expectations for the euro area and the larger euro area economies

(annual percentage changes)



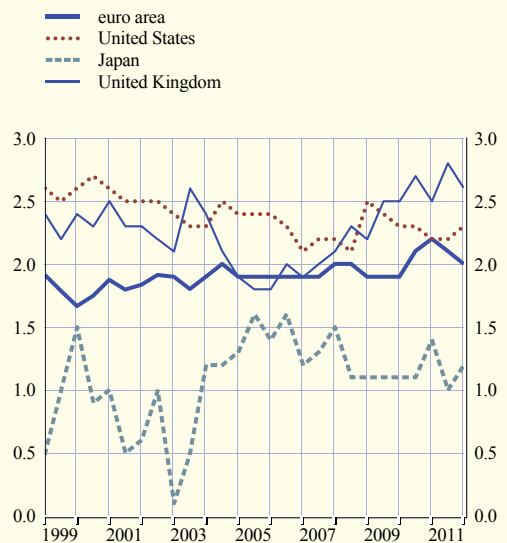
Source: Consensus Economics.
Note: The latest observation is for April 2012.

the onset of the crisis in 2008. This is likely to reflect the boom period in the first decade of Monetary Union, which has now proven to be unsustainable. After the beginning of the crisis, the mean level of longer-term inflation expectations for Spain clearly declined, while that for Germany edged up somewhat. Overall, this implies more convergence in longer-term inflation expectations towards the euro area average across euro area countries in recent years, a phenomenon which should be natural for a monetary union in the longer-term.

There have also been differences between longer-term inflation expectations for the euro area as a whole and those for other advanced economies (see Chart 4). These differences relate to both the level of longer-term inflation expectations and the movements in this level over time. The mean level for the euro area from the Consensus Economics survey has generally been lower than those for the United States and the United Kingdom, and has also moved within a narrower band.⁵ Since the onset of the crisis in late 2008, the difference between the levels has narrowed vis-à-vis the

Chart 4 Longer-term inflation expectations for the euro area, the United States, the United Kingdom and Japan

(annual percentage changes)



Source: Consensus Economics.
Note: The latest observation is for April 2012.

United States, but has widened vis-à-vis the United Kingdom, where expectations have displayed a broad upward movement in recent years.

Differences in the level and its movements can be related to the nature of the sample, but may also be a reflection of the clarity of definitions of the monetary policy objectives. In this respect, most central banks now provide quantifications of their price stability objectives that can serve to anchor longer-term inflation expectations. While the Federal Reserve has not given a quantitative definition of its price stability objective for a long time, in December 2011 the Federal Open Market Committee of the Federal Reserve Board specified that inflation at 2%, as measured by the price index for personal consumption expenditures, would be most consistent with the Federal Reserve's statutory mandate over the longer run.

5 The same conclusions can be drawn when comparing longer-term inflation expectations for the euro area with those for the United States and the United Kingdom, according to the respective surveys of professional forecasters by the Federal Reserve Bank of Philadelphia and the Bank of England.

In December 2003 the Bank of England defined its inflation target as 2.0% on average over time, based on the Consumer Prices Index measure.⁶ In February 2012 the Bank of Japan also introduced a price stability goal for the medium to long-term as part of its monetary policy framework: the goal is defined as a positive range of 2% or lower in terms of the year-on-year rate of change in the consumer price index, the specific goal being set at 1% for the time being to overcome deflation and achieve sustainable growth with stable prices. It is notable that inflation expectations in the euro area appear to be relatively close to the price stability objective when seen in international comparison. This conclusion also emerges from the J.P. Morgan Inflation Expectations Survey,⁷ which shows that, since 2009, the average percentage of respondents expecting medium-term inflation to be close to the policy objective has been above 50% for the euro area, compared with around 30% for the United Kingdom and the United States.

Overall, the limited movements in the mean level of longer-term inflation expectations for the euro area, both when compared with actual inflation developments and when compared with other economies, point to relatively well-anchored expectations in the period since 1999. However, the higher volatility in longer-term inflation expectations observed in recent years points to the need to closely monitor such expectations in the future.

2.2 UNCERTAINTIES SURROUNDING THE LEVEL OF INFLATION EXPECTATIONS

The relatively sound anchoring of the mean level of the SPF longer-term inflation expectations can conceal uncertainties surrounding this aggregate level at any point in time. The SPF offers two main ways of assessing such uncertainties.

First, uncertainty can be reflected in the disagreement among panellists about the level of longer-term inflation. Measured by the

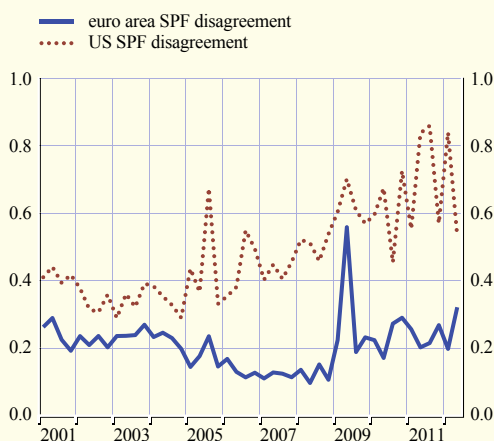
standard deviation of the individual point forecasts, this disagreement in the SPF has been mostly in the range of 0.1 to 0.3 percentage point (see Chart 5). Only in the second quarter of 2009 was there a one-off surge in disagreement. However, this reflected some extreme replies given by a small number of respondents. It took place when the euro area economy was in recession and downside risks to price stability were rising. The degree of disagreement has fallen again in the subsequent period, but has remained somewhat higher than in the years immediately preceding the crisis. By contrast, the Survey of Professional Forecasters conducted by the Federal Reserve Bank of Philadelphia shows that, in the United States, the disagreement about the level of longer-term inflation was not only higher than

6 This was equivalent to the former target of 2.5% defined in terms of the retail prices index excluding mortgage interest payments (RPIX), a symmetrical target introduced in 1997.

7 Launched in July 2009 and addressed to financial market participants, the J.P. Morgan Inflation Expectations Survey is conducted three times a year and covers expectations for the euro area, the United States, the United Kingdom, Japan and Australia. Among other questions, it asks about medium-term (two to five-year horizon) inflation expectations with respect to the respective central bank's objective.

Chart 5 Disagreement on longer-term inflation expectations in the euro area and the United States

(standard deviation of the point estimates)



Sources: European Central Bank and Federal Reserve Bank of Philadelphia.
Note: The latest observation refers to the second quarter of 2012 for the ECB SPF and for the US SPF.

in the euro area, but has also remained on a rising trend in recent years.⁸

Second, uncertainty can be reflected in the probability distribution that SPF panellists provide together with the point forecasts. These probabilities are expressed as a percentage and denote the likelihood that future outcomes for longer-term inflation will fall within specific intervals. The flatter the distribution, the more likely the respondents consider it that outcomes other than their central forecast for longer-term inflation will materialise. Using these individual probability distributions, an “aggregate” probability distribution can be obtained by averaging the probability assigned by the respondents to each specific range. This aggregate probability distribution typically has a stable shape, with the highest probability mass assigned to the interval between 1.5% and 1.9% and that between 2.0% and 2.4% (see Chart 6). Looking at the results of the survey in the first quarter of 2007 compared to the second quarter of 2009, it appears that the probability distribution became somewhat flatter after the onset of the crisis. This flattening may

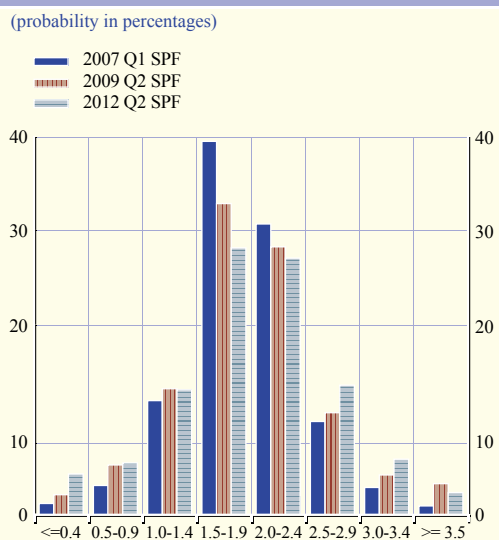
even have become somewhat more pronounced in the most recent survey rounds.

Condensing these aggregate probabilities in broader ranges shows that the probability assigned to longer-term inflation being in a range between 1.5% and 2.4% is currently slightly below 60% and has thus visibly declined since the onset of the financial crisis (see Chart 7). At the same time, the probabilities attached to longer-term inflation outcomes below 1% and at or above 3% rose to close to 10% in recent years for both of these extreme intervals. This confirms again that the distribution has flattened somewhat since the crisis, with higher probabilities assigned to the tail intervals.

The picture of flatter distributions and hence a higher uncertainty surrounding point forecasts is confirmed by looking at the standard deviations of probability distributions. In this

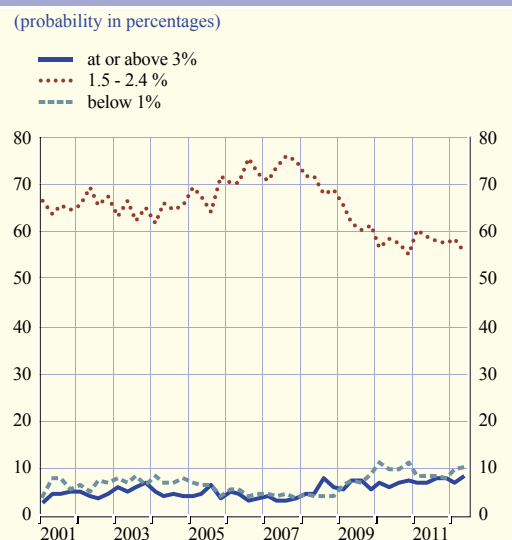
8 Data for the United States refer to the expectations for the average CPI rate over the next ten years. The higher degree and different trend of disagreement in the past few years in the United States relative to the euro area also hold when adjusted for the different levels of longer-term inflation expectations in the two economies.

Chart 6 Aggregate probability distribution of longer-term inflation expectations in selected SPF rounds



Source: ECB.

Chart 7 Probability of inflation outcomes falling in various ranges in the long term

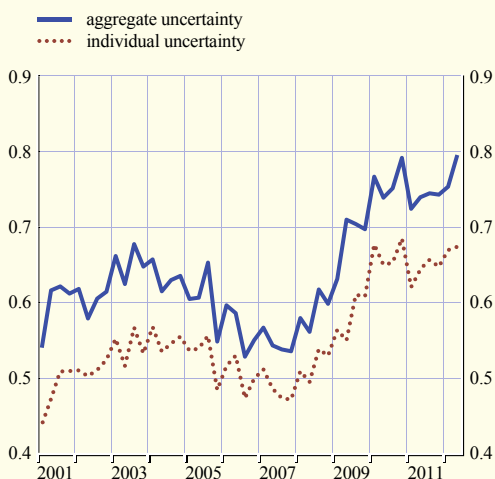


Source: ECB.

Note: The latest observation refers to the second quarter of 2012.

Chart 8 Uncertainty about longer-term inflation expectations from the SPF

(percentage points)



Source: ECB.

Note: Aggregate uncertainty is measured as the standard deviation of the aggregate probability distribution, while individual uncertainty is defined as the average standard deviation of the individual probability distributions. The latest observation refers to the second quarter of 2012.

respect, aggregate uncertainty is measured as the standard deviation of the aggregate probability distribution (see Chart 8), while individual uncertainty is defined as the average standard deviation of the individual probability distributions. Both these measures started to increase somewhat during 2008 and continued to do so up to end-2010. Since then, uncertainty around the longer-term inflation outlook has remained at relatively high levels.

Overall, the SPF results therefore suggest that the average level of inflation expectations is surrounded by uncertainty, and that this uncertainty has increased somewhat in the past few years. This again supports the conclusion that such expectations need to be closely monitored.

3 MARKET-BASED MEASURES OF LONGER-TERM INFLATION EXPECTATIONS

Market-based indicators of longer term inflation expectations are derived from inflation-linked instruments, notably inflation-linked bonds,

but also derivatives, such as inflation-linked swaps. They are available in real time and at a high frequency and are hence in principle more suitable for the real-time assessment of new movements in inflation expectations than survey-based measures. However, market-based measures are at the same time subject to higher volatility and distortions through risk premia.

3.1 INFLATION EXPECTATIONS DERIVED FROM FINANCIAL MARKETS

Daily information on inflation expectations is derived from market pricing of financial products linked to euro area HICP excluding tobacco. The ECB uses inflation-linked bonds issued by German and French sovereigns and inflation swaps. Break-even inflation rates (BEIRs) are computed as the difference between yields on nominal bonds and yields on comparable inflation-linked bonds at the same maturity.⁹ The BEIR level contains information on expected inflation over the maturity of the bond. However, BEIRs also include risk premia reflecting the uncertainty about future inflation outcomes, as well as changes related to the trading conditions.

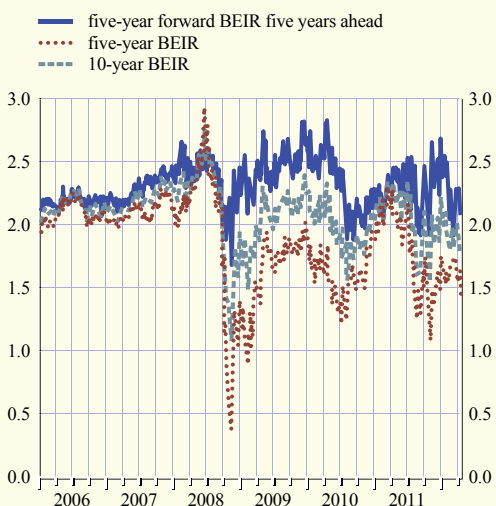
Spot measures of break-even inflation rates are much more volatile than longer-term forward measures, as they should also reflect shorter-term shocks to inflation (see Chart 9). For example, the five-year spot BEIR measures the average inflation expected for the next five years and therefore captures expectations for temporary deviations of inflation from the ECB's objective, for instance due to oil price shocks.

For the purpose of monitoring longer-term inflation expectations, the five-year forward BEIR five years ahead is one of the most suitable indicators. It measures the expected inflation for a five-year period starting in five years and is therefore not

⁹ In 2011 the ECB changed the method for estimating break-even inflation rates for the euro area to reduce distortions stemming from widening spreads between German and French bond yields, see the box entitled "Estimating real yields and break-even inflation rates following the recent intensification of the sovereign debt crisis", *Monthly Bulletin*, ECB, December 2011.

Chart 9 Euro area break-even inflation rates

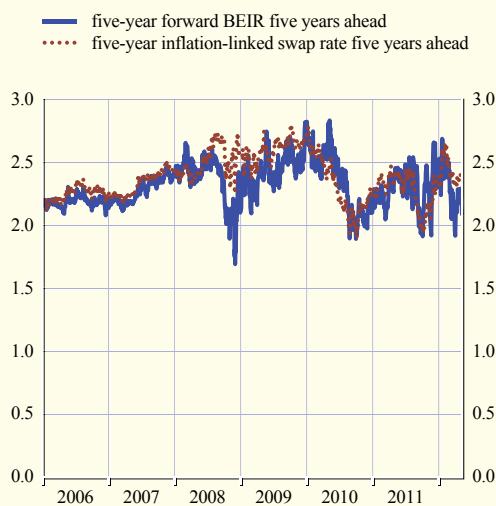
(percentage points)



Sources: Reuters and ECB calculations.
Note: Rates are seasonally adjusted. The latest observation refers to 9 May 2012.

Chart 10 Long-term forward euro area inflation expectations

(percentage points)



Sources: Reuters and ECB calculations.
Note: Rates refer to five-year forward inflation rates five years ahead. Bond-based rates are seasonally adjusted. The latest observation refers to 9 May 2012.

affected by short-term shocks as much as spot BEIRs are. As a result, it has for instance remained much more stable in the post-Lehman period than five and ten-year spot break-even rates. The same holds for the five-year inflation-linked swap rates five years ahead (see Chart 10).

Another important message arising from Chart 10 is that before the outbreak of the financial crisis, these forward measures of long-term inflation expectations had remained relatively stable at slightly above 2%. However, like the survey-based measures, the market-based measures have been more volatile thereafter.

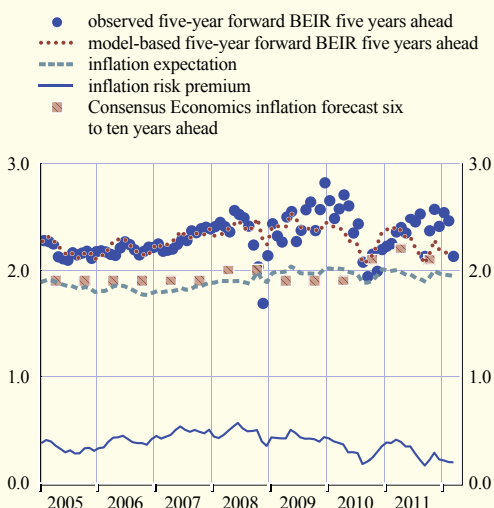
In this context, an assessment of the level and volatility of market-based measures of inflation expectations needs to take the risk premia in these measures into account. While these risk premia are not observable, they can be derived with models that decompose market prices into “pure” inflation expectations and inflation risk premia. The model used in Chart 11 is a term structure model of nominal and real yields, including information on realised inflation as well as survey-based inflation

expectations.¹⁰ Comparing the observed break-even inflation rates with the model-based break-even inflation rates shows that model residuals increased during the crisis. This is due to the increased volatility during the periods of market tensions. Going beyond these effects, a model-based decomposition suggests that “pure” inflation expectations have remained relatively stable and close to 2% (see Chart 11). Hence, while inflation risk premia usually cause market-based measures of longer-term inflation expectations to exceed survey-based measures, model-based analysis shows that correcting for these premia brings market-based and survey-based measures more closely in line with each other (see Chart 12).

10 For a description of the model, see Garcia, J.A. and Werner, T., “Inflation risks and inflation risk premia”, *Working Paper Series*, No 1162, ECB, March 2010. Similar models are used by the Bank of England and the Federal Reserve System. For a description of these models, see Joyce, M., Lasaoa, A., Stevens, I. and Tong, M., “Extracting inflation expectations and inflation risk premia from the term structure. A joint model of the UK nominal and real curves”, *Working Paper*, No 360, Bank of England, 2010 and Kim, D.H. and Wright J.H., “An Arbitrage-Free Three Factor Term Structure Model and the Recent Behavior of Long-Term Yields and Distant-Horizon Forward Rates”, *FEDS Working Papers*, The Federal Reserve Board, 2005.

Chart 11 Model-based contributions of inflation expectations, risk premia and observation noise to five-year forward BEIR five years ahead

(percentage points)



Sources: Bloomberg and ECB calculations.
Note: The model is based on that described in Garcia, J.A. and Werner, T. "Inflation risks and inflation risk premia", *Working Paper Series*, No 1162, ECB, March 2010. The latest observation refers to March 2012.

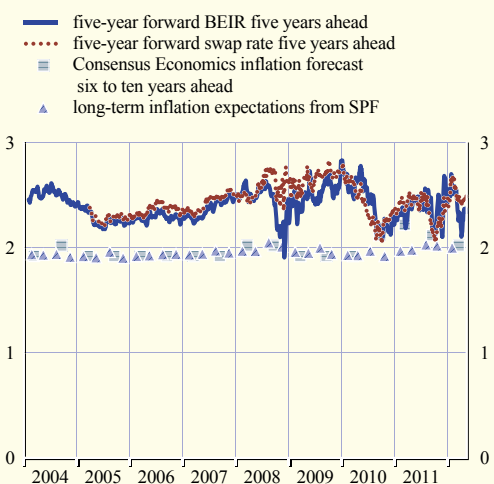
3.2 VOLATILITY OF MARKET-BASED INFLATION EXPECTATIONS AMID TURBULENCES

In the period before the collapse of Lehman, the differences between bond and swap-implied measures were relatively small as arbitrage operations under normal market conditions tie the swap and bond market together. However inflation-linked swap and inflation-linked bond markets are somewhat different; they often involve divergent market players and can therefore develop in different ways, especially at times of market tensions when arbitrage channels do not work efficiently, as has been the case for periods since 2008. The signals about the pricing in of inflation expectations from the two markets therefore need to be monitored together.

Differences in the level of inflation expectations received from inflation-linked bond and inflation-linked swap markets often occur during periods of significant flights-to-safety and flights-to-liquidity towards government bonds, which

Chart 12 Market-based and survey-based measures of inflation expectations in the euro area

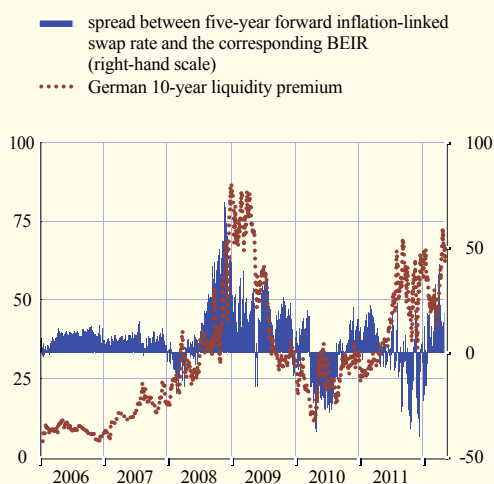
(percentage points)



Sources: Reuters, ECB and Consensus Economics.
Note: Rates are seasonally adjusted. The latest observation refers to 9 May 2012.

Chart 13 Liquidity premium and discrepancy between break-even inflation and swap rates

(basis points; 2 January 2006 to 9 May 2012)



Sources: Reuters and ECB calculations.
Note: Rates underlying the difference refer to five-year forward five-years ahead inflation rates. Bond-based rates are seasonally adjusted. The liquidity premium is measured by the spread between yields of German government-guaranteed agency bonds (issued by the Kreditanstalt für Wiederaufbau) and German sovereign bonds. The methodology is based on Ejsing, J., Grothe, M. and Grothe, O., "Liquidity and credit risk premia in government bond yields", *Working Paper Series*, No 1440, ECB, June 2012. The latest observation refers to 9 May 2012.

mostly benefit nominal bond markets, weighing on break-even inflation rates. Chart 13 shows that the discrepancy between five-year forward BEIR five years ahead and the corresponding inflation swap rates is correlated with an indicator of liquidity premia in the German nominal bond market, computed as a spread between government-guaranteed agency bonds and German nominal bonds.¹¹

Overall, the volatility of market-based measures of inflation expectations therefore depends

on general conditions in the broader financial markets. Tensions in inflation-linked markets are highly correlated with indicators for liquidity, market volatility and risk. Moreover, the short-term responsiveness of market-based measures of inflation expectations to economic surprises also seems to have increased during the crisis (see Box 1).

11 For the documentation of such effects in the euro area bond markets during the crisis, see the box entitled “New evidence on credit and liquidity premia in selected euro area sovereign yields”, *Monthly Bulletin*, ECB, September 2009.

Box 1

THE RESPONSIVENESS OF MARKET-BASED INFLATION EXPECTATION INDICATORS TO MACROECONOMIC ANNOUNCEMENTS – AN EVENT STUDY

Market-based inflation expectations are derived from inflation-linked financial products, which are traded at a high frequency. These measures therefore quickly reflect new information available to market participants. This box analyses the short-term reaction of euro area market-based inflation expectation indicators to surprises in macroeconomic news releases.

The focus of this analysis is on ten important economic announcements related to prices and real activity in the euro area and the United States. The surprise is defined as the difference between the actual release and the median of analysts’ expectations before the release as collected by Bloomberg. Daily changes in spot and forward break-even inflation rates (BEIRs) and inflation-linked swap rates are regressed on the economic announcement surprises.¹ Tables A and B show the regression results. As efficient markets should react quickly, the analysis focuses on daily changes of market-based indicators of inflation expectations on the day of the announcement. To account for the changes in the functioning of markets for inflation-linked products observed during the financial crisis, the analysis encompasses two periods of similar length: the pre-crisis period from 2004 to 2007 and the period from 2008 onwards.

The results suggest that markets for inflation-linked financial products reacted to only very few macroeconomic announcements in the pre-crisis period in a significant way.² Spot inflation expectations react more strongly than the forward measures, which is a positive result as spot inflation expectations should reflect the developments in the near future and thus also respond to transitory economic shocks. By contrast, if monetary policy is credible, longer-term forward inflation expectations are less expected to react to temporary business cycle movements.

1 A GARCH(1,1) methodology is used to take heteroscedasticity into account.

2 The magnitudes of the coefficients are interpreted as changes in basis points to a one unit surprise in the level of the economic indicator unless otherwise noted. The regression coefficients are rounded.

Table A Responsiveness of market-based inflation expectation indicators during the years 2004-07

(regression coefficients; estimates in basis points; 1 February 2004 to 31 December 2007)

Announcement	Five-year BEIR	Ten-year BEIR	Five-year forward BEIR five years ahead	Five-year swap	Ten-year swap	Five-year forward swap five years ahead
Eurozone Services Purchasing Managers' Index	-1	0	1	0	0	-1
Eurozone Flash HICP	6***	3***	3	8***	4***	1
Eurozone GDP Constant Prices	0	2	2	10***	7	4
Eurozone Manufacturing Purchasing Managers' Index	0	0	1	-1	0	0
German Import Prices	1	1	1	0	1	1
IFO Germany Business Climate	0	0	0	0	0	0
US Purchasing Managers' Index	0***	0	0	0	0**	0*
US Producer Price Index	0	0*	1	1**	1	1
US initial jobless claim ('00,000)	1	-1	-1	-1	-1	0
US non-farm payrolls (net change) ('00,000)	0	0	0	0	0	0

Sources: Bloomberg, Xetra and ECB calculations.

Note: *, ** and *** denote statistical significance at the 10%, 5% and 1% levels using two-sided t-tests.

Table B shows that in the crisis period more variables are significant for explaining daily movements in inflation expectation indicators, notably for swap market measures. The results for the two periods suggest that particularly long-term spot measures of inflation expectations have reacted more strongly in the latest subsample. The fact that, overall, news has had a stronger effect on market-based measures of inflation expectations since the outbreak of the financial crisis most likely reflects the increased pricing of inflation risk premia among market participants. Nonetheless, the conclusion holds that forward rates are significantly less affected by economic news than spot rates, which is a comforting signal for monetary policy credibility.

This analysis is an event study; the results assess the impact of economic news on the inflation expectation measures on the day of the announcement and, for example, do not show whether the effects on the indicators were caused by changes in inflation expectations or by factors affecting the functioning of inflation-linked markets such as an increase in the liquidity risk premia. Similarly, the regressions do not directly reveal whether the reactions are transitory or have a persistent effect. Therefore the results of this empirical analysis should be assessed with caution.

Table B Responsiveness of market-based inflation expectation indicators during the period from 2008 onwards

(regression coefficients; estimates in basis points; 1 January 2008 to 31 March 2012)

Announcement	Five-year BEIR	Ten-year BEIR	Five-year forward BEIR five years ahead	Five-year swap	Ten-year swap	Five-year forward swap five years ahead
Eurozone Services Purchasing Managers' Index	2	2	1	0	0	0
Eurozone Flash HICP	10*	5	-1	9***	6***	2
Eurozone GDP Constant Prices	-3	0	9	6	6	6
Eurozone Manufacturing Purchasing Managers' Index	1	1	-2	4***	3***	3***
German Import Prices	1	2**	4***	0	1	2***
IFO Germany Business Climate	0	0	-1	0	0	0
US Purchasing Managers' Index	0	0	0	0	0***	0
US Producer Price Index	1	1	1	1	1*	1
US initial jobless claim ('00,000)	-4	-2	0	-3	-2	-2
US non-farm payrolls (net change) ('00,000)	1	0	-1	1***	1***	1

Sources: Bloomberg, Xetra and ECB calculations.

Note: *, ** and *** denote statistical significance at 10%, 5% and 1% level using two-sided t-tests.

4 CONCLUSIONS

The evidence from survey-based and market-based measures of longer-term inflation expectations for the euro area suggests that these expectations have remained relatively well-anchored. This holds through periods in which actual inflation developments have been heavily affected by commodity price developments, but also in the midst of the financial and sovereign debt crises of the past few years. At the same time, while the level of longer-term inflation expectations has continued to hover within a relatively narrow band around 2%, there has been somewhat more uncertainty surrounding this level since the onset of the crisis in 2008. This probably reflects the substantial financial, fiscal and macroeconomic disturbances associated with the crisis and the strong

economic adjustment processes in response to these disturbances.

Keeping longer-term inflation expectations well-anchored is of paramount importance in such an environment. Box 2 illustrates this again on the basis of a structural model. In the euro area, well-anchored inflation expectations have not only helped in ensuring price stability, but also in containing the fallout from the financial crisis and the associated slowdown in economic activity. The remarkable stability of longer-term inflation expectations documents the ECB's credible commitment to deliver price stability and its solid track record in this respect since the inception of the single monetary policy in 1999. At the same time, the high uncertainty in recent years indicates the need to continue monitoring these expectations closely in the future.

Box 2

THE CONSEQUENCES OF A DE-ANCHORING OF LONGER-TERM INFLATION EXPECTATIONS IN A STRUCTURAL MODEL

A de-anchoring of longer-term inflation expectations would undermine the central bank's ability to maintain price stability and would give rise to more widespread macroeconomic instability. This box employs the ECB's New Area-Wide Model (NAWM)¹ to illustrate the economic consequences of an upward shift in longer-term inflation expectations. This shift is implemented through a shock to the private sector's perceptions of the central bank's price stability objective, whereas the actual price stability objective remains unchanged.

The panels in the chart portray the effects on the perceived price stability objective, consumer price inflation, real GDP growth and the short-term nominal interest rate of a one-off 25 basis points shock to agents' perceptions of the objective.² It is assumed that all variables are equal to their long-run values prior to the shock, represented by the zero lines in the chart.

The model-based illustration covers three distinct monetary policy reactions: (A) the central bank follows the prescriptions of the interest rate-reaction function embedded in the model;³ (B) the central bank reacts also to the de-anchoring of inflation expectations by responding to deviations of the perceived price stability objective from the actual objective; and (C) the central

1 See Christoffel, K., Coenen, G. and Warne, A., "The New Area-Wide Model of the euro area: A micro-founded open-economy model for forecasting and policy analysis", *Working Paper Series*, No 944, ECB, October 2008.

2 For further discussion and details on modelling inflation expectations using the approach taken in this box, see Gürkaynak, R.S., Levin, A.T., Marder, A.N. and Swanson E.T., "Inflation targeting and the anchoring of inflation expectations in the Western Hemisphere", *Economic Review*, pp. 25-47, Federal Reserve Bank of San Francisco, 2007.

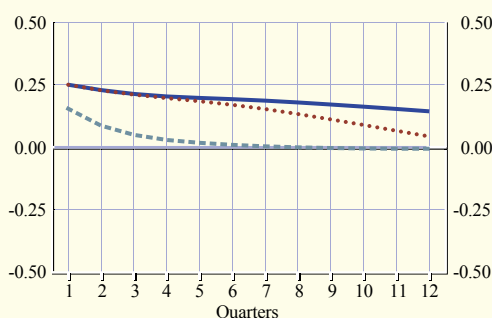
3 The reaction function of the central bank in the NAWM is standard and includes consumer price inflation, the actual price stability objective and real GDP growth. For details, see Christoffel, K., Coenen, G. and Warne A., op cit.

Impact of an upward shift in longer-term inflation expectations and the role of monetary policy

- upward shift in inflation expectations
- ... with offsetting policy and inattentive expectations
- ... with offsetting policy and attentive expectations

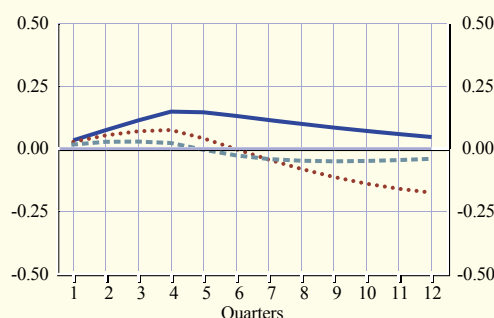
(a) Perceived price stability objective

(annualised rates, deviations from baseline, percentage points)



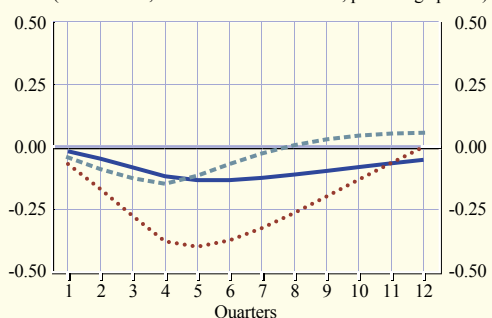
(b) Consumer price inflation

(annual rates, deviations from baseline, percentage points)



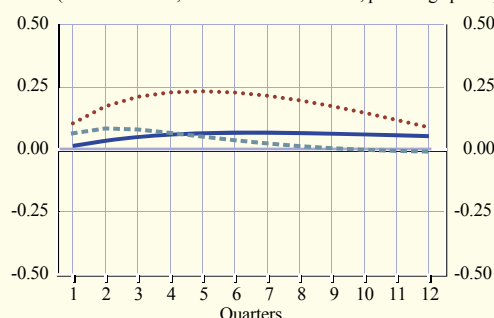
(c) Real GDP growth

(annual rates, deviations from baseline, percentage points)



(d) Short-term nominal interest rate

(annualised rates, deviations from baseline, percentage points)



Source: NAWM-based simulations.

bank, in addition to (B), attempts to influence the private sector's expectation formation directly by means of an effective communication of its intentions.

Turning first to case (A), the perceived price stability objective immediately increases by 25 basis points (solid blue line) in response to the underlying shock. This increase in the perceived objective leads forward-looking firms to adjust their prices upward, while households require higher wages. Because of the implied reduction in households' real income and higher labour costs, aggregate demand and employment fall. As a consequence of these private sector reactions, annual consumer price inflation gradually increases with a peak effect of approximately 15 basis points after about one year. Annual real GDP growth falls by a similar amount, reaching a trough after four to five quarters. According to the reaction function in the model, the central bank raises the interest rate moderately in response to these inflation and output developments. In the absence of further shocks, the perceived price stability objective slowly returns towards the baseline, because the private sector agents gradually correct their misperceptions as they observe that consumer price inflation remains below the perceived objective.

The fact that the return towards the baseline is very slow may tempt the central bank to react directly to the misperceptions of the private sector. An offsetting policy response, as assumed in case (B), leads to a stronger interest rate increase (dotted red line) and, accordingly, real GDP falls more sharply, while consumer price inflation is lower than in the case without the offsetting response. In the absence of a direct impact on the private sector's inflation expectations, i.e. with "inattentive" expectations, the perceived price stability objective adjusts very sluggishly and remains close to the values under case (A) until about five quarters after the shock. By then, consumer price inflation has fallen sufficiently for the offsetting policy response to have a discernible reversing effect on the perceived price stability objective.

To the extent that private sector agents in case (B) do not consider the possibility that their perceptions of the price stability objective differ from the actual objective, an important effect that arises from the central bank's reaction to agents' misperceptions is that the policy response is stronger than in case (A) and, hence, that the actual interest rate is considerably higher than the level that private sector agents had expected. As seen for case (B), this mismatch between actual and expected policy can have notable effects on the economy. However, if the central bank can communicate its intentions clearly and effectively, it is conceivable that the private sector's misperceptions may be corrected more swiftly. This case (C) is referred to as an offsetting policy response with "attentive" expectations (dashed green line), where private agents recognise the mismatch between actual and expected policy at an early stage and correct their misperceptions accordingly.

The chart shows that the direct impact of the underlying shock on the perceived price stability objective is considerably lower for case (C), with the perceived price stability objective falling back to the actual objective after about one year. The consequences for consumer price inflation and real GDP growth as well as for the actual interest rate are therefore much more benign. Hence, by effectively combining "words with deeds", the central bank's monetary policy can succeed in forestalling the risks of an upward shift in inflation expectations.

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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
2010	8.5	1.8	0.5	-	0.6	4.2	0.81	3.36
2011	2.0	2.3	2.2	-	2.4	0.9	1.39	2.65
2011 Q3	1.4	2.3	2.4	-	2.5	0.5	1.56	2.48
Q4	1.9	2.1	2.2	-	2.1	-0.4	1.50	2.65
2012 Q1	2.3	2.5	2.4	-	0.9	0.3	1.04	2.60
Q2	.	.	.	-	.	.	0.69	2.32
2012 Jan.	2.1	2.3	2.3	2.2	1.2	-0.2	1.22	2.67
Feb.	2.6	2.8	2.7	2.7	0.8	0.4	1.05	2.59
Mar.	2.8	3.0	3.0	2.7	0.6	2.2	0.86	2.60
Apr.	1.8	2.5	2.5	2.8	0.2	3.1	0.74	2.47
May	3.3	2.9	2.9	.	-0.1	.	0.68	1.89
June	.	.	.	.	.	.	0.66	2.32

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
2010	1.6	2.9	1.5	2.0	7.3	76.7	-0.6	10.1
2011	2.7	5.9	2.8	1.5	3.5	80.3	0.1	10.2
2011 Q3	2.7	5.9	2.5	1.3	3.9	80.0	0.2	10.2
Q4	2.9	5.1	2.8	0.7	-0.2	79.7	-0.2	10.6
2012 Q1	2.7	3.7	2.0	0.0	-1.6	79.8	-0.4	10.9
2012 Jan.	2.7	3.9	-	-	-1.8	79.8	-	10.8
Feb.	2.7	3.7	-	-	-1.6	-	-	10.8
Mar.	2.7	3.5	-	-	-1.5	-	-	11.0
Apr.	2.6	2.6	-	-	-2.4	79.7	-	11.0
May	2.4	2.3	-	-	.	-	-	11.1
June	2.4	.	-	-	.	-	-	.

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)	
2010	-0.4	15.1	51.2	591.2	-13.4	120.3	103.6	101.6	1.3257
2011	7.6	4.6	157.1	667.1	-12.1	120.5	103.4	100.7	1.3920
2011 Q3	4.4	2.8	15.8	646.6	-13.1	122.4	103.5	100.6	1.4127
Q4	39.9	14.3	-59.1	667.1	-12.1	120.5	102.1	99.4	1.3482
2012 Q1	-5.0	1.9	-66.3	671.3	.	.	99.5	96.9	1.3108
Q2	.	.	.	.	.	.	98.2	95.9	1.2814
2012 Jan.	-10.0	-9.2	-49.8	702.4	.	.	98.9	96.3	1.2905
Feb.	-4.0	2.3	16.0	696.4	.	.	99.6	97.2	1.3224
Mar.	9.1	8.8	-32.5	671.3	.	.	99.8	97.3	1.3201
Apr.	2.0	6.0	-14.8	679.7	.	.	99.5	97.1	1.3162
May	.	.	.	695.7	.	.	98.0	95.7	1.2789
June	.	.	.	.	.	.	97.2	94.8	1.2526

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

	1 June 2012	8 June 2012	15 June 2012	22 June 2012	29 June 2012
Gold and gold receivables	432,703	432,702	432,701	432,701	433,779
Claims on non-euro area residents in foreign currency	243,598	244,526	246,521	246,984	260,867
Claims on euro area residents in foreign currency	49,077	49,069	48,160	48,933	51,856
Claims on non-euro area residents in euro	17,590	16,616	17,612	18,295	17,455
Lending to euro area credit institutions in euro	1,115,517	1,185,060	1,206,289	1,240,525	1,260,858
Main refinancing operations	51,176	119,370	131,747	167,253	180,378
Longer-term refinancing operations	1,063,629	1,063,629	1,071,547	1,071,547	1,079,725
Fine-tuning reverse operations	0	0	0	0	0
Structural reverse operations	0	0	0	0	0
Marginal lending facility	710	1,949	2,979	1,470	706
Credits related to margin calls	1	112	17	255	48
Other claims on euro area credit institutions in euro	250,592	189,547	191,721	186,432	186,363
Securities of euro area residents in euro	605,113	605,665	603,316	602,442	602,322
Securities held for monetary policy purposes	280,823	281,242	280,219	280,340	281,046
Other securities	324,290	324,423	323,097	322,102	321,276
General government debt in euro	30,583	30,583	30,587	30,587	30,092
Other assets	257,820	255,914	250,398	250,994	258,637
Total assets	3,002,593	3,009,684	3,027,305	3,057,892	3,102,227

2. Liabilities

	1 June 2012	8 June 2012	15 June 2012	22 June 2012	29 June 2012
Banknotes in circulation	884,875	888,613	891,508	890,327	893,740
Liabilities to euro area credit institutions in euro	1,091,700	1,088,326	1,105,241	1,084,056	1,105,531
Current accounts (covering the minimum reserve system)	94,017	87,070	150,901	97,022	116,654
Deposit facility	784,973	788,218	741,191	775,263	772,855
Fixed-term deposits	212,000	212,000	212,000	210,500	210,500
Fine-tuning reverse operations	0	0	0	0	0
Deposits related to margin calls	710	1,039	1,149	1,271	5,522
Other liabilities to euro area credit institutions in euro	3,399	3,913	3,947	3,843	3,714
Debt certificates issued	0	0	0	0	0
Liabilities to other euro area residents in euro	129,026	124,720	119,105	161,354	158,474
Liabilities to non-euro area residents in euro	116,419	129,600	138,772	149,718	149,908
Liabilities to euro area residents in foreign currency	5,491	4,006	2,872	2,944	3,291
Liabilities to non-euro area residents in foreign currency	9,279	9,890	10,149	8,786	9,552
Counterpart of special drawing rights allocated by the IMF	54,716	54,716	54,716	54,716	56,886
Other liabilities	222,881	220,707	215,805	216,955	225,543
Revaluation accounts	399,445	399,445	399,445	399,445	409,840
Capital and reserves	85,363	85,747	85,748	85,748	85,748
Total liabilities	3,002,593	3,009,684	3,027,305	3,057,892	3,102,227

Source: ECB.

1.2 Key ECB interest rates

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

With effect from: ^{b)}	Deposit facility		Main refinancing operations			Marginal lending facility	
			Fixed rate tenders	Variable rate tenders			
	Level	Change	Fixed rate	Minimum bid rate	Change	Level	Change
			Level	Level			
1	2	3	4	5	6	7	
1999 1 Jan.	2.00	-	3.00	-	-	4.50	-
4 ²⁾	2.75	0.75	3.00	-	...	3.25	-1.25
22	2.00	-0.75	3.00	-	...	4.50	1.25
9 Apr.	1.50	-0.50	2.50	-	-0.50	3.50	-1.00
5 Nov.	2.00	0.50	3.00	-	0.50	4.00	0.50
2000 4 Feb.	2.25	0.25	3.25	-	0.25	4.25	0.25
17 Mar.	2.50	0.25	3.50	-	0.25	4.50	0.25
28 Apr.	2.75	0.25	3.75	-	0.25	4.75	0.25
9 June	3.25	0.50	4.25	-	0.50	5.25	0.50
28 ³⁾	3.25	...	-	4.25	...	5.25	...
1 Sep.	3.50	0.25	-	4.50	0.25	5.50	0.25
6 Oct.	3.75	0.25	-	4.75	0.25	5.75	0.25
2001 11 May	3.50	-0.25	-	4.50	-0.25	5.50	-0.25
31 Aug.	3.25	-0.25	-	4.25	-0.25	5.25	-0.25
18 Sep.	2.75	-0.50	-	3.75	-0.50	4.75	-0.50
9 Nov.	2.25	-0.50	-	3.25	-0.50	4.25	-0.50
2002 6 Dec.	1.75	-0.50	-	2.75	-0.50	3.75	-0.50
2003 7 Mar.	1.50	-0.25	-	2.50	-0.25	3.50	-0.25
6 June	1.00	-0.50	-	2.00	-0.50	3.00	-0.50
2005 6 Dec.	1.25	0.25	-	2.25	0.25	3.25	0.25
2006 8 Mar.	1.50	0.25	-	2.50	0.25	3.50	0.25
15 June	1.75	0.25	-	2.75	0.25	3.75	0.25
9 Aug.	2.00	0.25	-	3.00	0.25	4.00	0.25
11 Oct.	2.25	0.25	-	3.25	0.25	4.25	0.25
13 Dec.	2.50	0.25	-	3.50	0.25	4.50	0.25
2007 14 Mar.	2.75	0.25	-	3.75	0.25	4.75	0.25
13 June	3.00	0.25	-	4.00	0.25	5.00	0.25
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
2012 11 July	0.00	-0.25	0.75	-	-0.25	1.50	-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									
2012 28 Mar.	61,078	81	61,078	1.00	-	-	-	-	7
4 Apr.	62,625	80	62,625	1.00	-	-	-	-	7
11	55,362	82	55,362	1.00	-	-	-	-	7
18	51,775	85	51,775	1.00	-	-	-	-	7
25	46,369	82	46,369	1.00	-	-	-	-	7
2 May	34,420	77	34,420	1.00	-	-	-	-	7
9	39,287	80	39,287	1.00	-	-	-	-	7
16	42,988	84	42,988	1.00	-	-	-	-	7
23	37,852	84	37,852	1.00	-	-	-	-	7
30	51,176	87	51,176	1.00	-	-	-	-	7
6 June	119,370	96	119,370	1.00	-	-	-	-	7
13	131,747	94	131,747	1.00	-	-	-	-	7
20	167,253	101	167,253	1.00	-	-	-	-	7
27	180,378	105	180,378	1.00	-	-	-	-	7
4 July	163,629	92	163,629	1.00	-	-	-	-	7
Longer-term refinancing operations									
2012 26 Jan.	19,580	54	19,580	1.00	-	-	-	-	91
15 Feb.	14,325	18	14,325	1.00	-	-	-	-	28
1 Mar.	6,496	30	6,496	1.00	-	-	-	-	91
1 ⁵⁾⁶⁾	529,531	800	529,531	.	-	-	-	-	1,092
14	9,754	19	9,754	1.00	-	-	-	-	28
29	25,127	48	25,127	1.00	-	-	-	-	91
11 Apr.	11,389	20	11,389	1.00	-	-	-	-	28
26 ⁵⁾	21,338	39	21,338	.	-	-	-	-	91
9 May	12,988	20	12,988	1.00	-	-	-	-	35
31 ⁵⁾	8,307	33	8,307	.	-	-	-	-	91
13 June	18,905	21	18,905	1.00	-	-	-	-	28
28 ⁵⁾	26,295	50	26,295	.	-	-	-	-	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
2012 28 Mar.	Collection of fixed-term deposits	322,943	82	213,500	-	-	1.00	0.26	0.26	7	
4 Apr.	Collection of fixed-term deposits	415,044	78	213,500	-	-	1.00	0.26	0.26	7	
11	Collection of fixed-term deposits	365,273	66	214,000	-	-	1.00	0.26	0.26	7	
18	Collection of fixed-term deposits	438,325	75	214,000	-	-	1.00	0.26	0.26	7	
25	Collection of fixed-term deposits	411,451	70	214,000	-	-	1.00	0.26	0.26	7	
2 May	Collection of fixed-term deposits	389,405	58	214,000	-	-	1.00	0.26	0.26	7	
9	Collection of fixed-term deposits	441,270	74	214,000	-	-	1.00	0.26	0.26	7	
16	Collection of fixed-term deposits	468,092	75	214,000	-	-	1.00	0.26	0.26	7	
23	Collection of fixed-term deposits	459,846	70	212,000	-	-	1.00	0.26	0.26	7	
30	Collection of fixed-term deposits	420,004	66	212,000	-	-	1.00	0.26	0.26	7	
6 June	Collection of fixed-term deposits	420,651	71	212,000	-	-	1.00	0.26	0.26	7	
13	Collection of fixed-term deposits	318,560	72	212,000	-	-	1.00	0.26	0.26	7	
20	Collection of fixed-term deposits	387,534	66	210,500	-	-	1.00	0.26	0.26	7	
27	Collection of fixed-term deposits	288,426	62	210,500	-	-	1.00	0.26	0.26	7	
4 July	Collection of fixed-term deposits	398,078	73	210,500	-	-	1.00	0.26	0.26	7	

Source: ECB.

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

2) 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.

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.

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

5) 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.

6) After one year counterparties will have the option to repay any part of the liquidity that they have been allotted in this operation, on any day that coincides with the settlement day of a main refinancing operation.

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 (end of period):	Total	Liabilities to which a positive reserve coefficient is applied ¹⁾		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
2007	17,394.7	9,438.8	815.0	2,143.1	1,364.0	3,633.9
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 Dec.	18,970.0	9,790.9	687.7	2,781.2	1,303.5	4,406.8
2012 Jan.	19,111.4	9,901.1	684.7	2,784.2	1,343.8	4,397.7
Feb.	19,090.1	9,870.4	700.9	2,768.7	1,356.6	4,393.6
Mar.	19,178.8	9,981.7	725.5	2,758.8	1,336.0	4,376.8
Apr.	19,172.4	10,013.5	726.5	2,736.0	1,349.9	4,346.5

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
2008	217.2	218.7	1.5	0.0	3.25
2009	210.2	211.4	1.2	0.0	1.00
2010	211.8	212.5	0.7	0.5	1.00
2011	207.7	212.2	4.5	0.0	1.25
2012 14 Feb.	103.3	108.1	4.7	0.0	1.00
13 Mar.	104.3	108.9	4.6	0.0	1.00
10 Apr.	105.4	109.6	4.3	0.0	1.00
8 May	105.2	110.5	5.3	0.0	1.00
12 June	106.6	110.8	4.2	0.0	1.00
10 July	106.9	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors						Liquidity-absorbing factors				Credit institutions' current accounts	Base money
	Monetary policy operations of the Eurosystem						Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)			
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations ²⁾	Deposit facility				Other liquidity-absorbing operations ³⁾		
1	2	3	4	5	6	7	8	9	10	11	12	
2008	580.5	337.3	457.2	2.7	0.0	200.9	4.9	731.1	107.8	114.3	218.7	1,150.7
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	622.1	238.0	389.0	4.4	260.3	253.7	200.5	869.4	63.8	-85.9	212.2	1,335.3
2012 17 Jan.	683.9	169.4	627.3	6.0	278.6	399.3	210.8	883.7	67.7	-8.7	212.3	1,495.3
14 Feb.	698.3	120.6	683.6	2.3	282.4	489.0	218.5	870.1	100.1	1.6	108.1	1,467.1
13 Mar.	688.2	89.1	860.1	2.2	288.1	621.0	219.5	868.8	129.0	-19.4	108.9	1,598.6
10 Apr.	667.6	56.4	1,093.4	3.0	280.6	771.3	215.8	871.2	146.3	-13.3	109.6	1,752.1
8 May	659.3	47.0	1,088.7	1.0	281.3	771.4	214.0	872.7	137.1	-28.5	110.5	1,754.6
12 June	656.8	58.1	1,071.0	1.6	281.1	770.8	212.8	880.8	117.8	-24.2	110.8	1,762.3

Source: ECB.

1) A coefficient of 1% is applied as of the maintenance period beginning on 18 January 2012. A coefficient of 2% is applied to all previous maintenance periods.

2) Includes liquidity provided under the Eurosystem's covered bond purchase programmes 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														
2010	3,212.4	1,566.8	18.6	0.9	1,547.3	573.6	425.4	9.4	138.7	-	18.6	684.1	8.0	361.4
2011	4,700.4	2,728.5	18.0	1.0	2,709.5	717.2	556.9	10.9	149.5	-	20.3	779.2	8.1	447.0
2011 Q4	4,700.4	2,728.5	18.0	1.0	2,709.5	717.2	556.9	10.9	149.5	-	20.3	779.2	8.1	447.0
2012 Q1	5,238.2	3,289.9	18.0	1.0	3,270.9	744.4	578.0	10.6	155.9	-	21.0	774.4	8.1	400.5
2012 Feb.	4,821.7	2,789.0	18.0	1.0	2,770.0	738.0	578.0	11.2	148.8	-	21.0	803.2	8.0	462.4
Mar.	5,238.2	3,289.9	18.0	1.0	3,270.9	744.4	578.0	10.6	155.9	-	21.0	774.4	8.1	400.5
Apr.	5,252.9	3,345.0	17.4	1.0	3,326.6	738.3	572.2	10.9	155.2	-	21.0	789.8	8.1	350.8
May ^(p)	5,424.4	3,500.7	17.4	1.0	3,482.3	732.6	566.3	11.0	155.2	-	20.5	811.1	8.1	351.5
MFIs excluding the Eurosystem														
2010	32,199.5	17,765.0	1,221.8	11,026.0	5,517.1	4,938.6	1,524.2	1,528.6	1,885.8	59.9	1,233.1	4,321.5	223.5	3,657.9
2011	33,537.3	18,480.8	1,160.5	11,159.5	6,160.7	4,765.3	1,395.8	1,517.8	1,851.6	50.2	1,212.2	4,253.0	232.5	4,543.3
2011 Q4	33,537.3	18,480.8	1,160.5	11,159.5	6,160.7	4,765.3	1,395.8	1,517.8	1,851.6	50.2	1,212.2	4,253.0	232.5	4,543.3
2012 Q1	33,782.9	18,629.6	1,137.5	11,161.2	6,330.9	4,964.4	1,528.3	1,517.1	1,919.1	60.5	1,231.5	4,258.4	220.9	4,417.4
2012 Feb.	33,722.6	18,478.0	1,141.0	11,163.5	6,173.5	4,936.8	1,500.4	1,529.6	1,906.9	55.8	1,223.1	4,211.7	224.8	4,592.3
Mar.	33,782.9	18,629.6	1,137.5	11,161.2	6,330.9	4,964.4	1,528.3	1,517.1	1,919.1	60.5	1,231.5	4,258.4	220.9	4,417.4
Apr.	33,886.1	18,619.6	1,142.1	11,154.5	6,323.0	4,935.5	1,527.3	1,510.7	1,897.6	60.8	1,242.1	4,266.1	221.5	4,540.4
May ^(p)	34,814.1	18,638.9	1,143.2	11,173.8	6,322.0	4,943.9	1,546.5	1,511.4	1,885.9	62.0	1,226.5	4,387.2	221.8	5,333.7

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											
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	4,700.4	913.7	2,609.0	63.8	12.1	2,533.1	-	0.0	481.2	285.3	411.1
2011 Q4	4,700.4	913.7	2,609.0	63.8	12.1	2,533.1	-	0.0	481.2	285.3	411.1
2012 Q1	5,238.2	894.8	3,219.6	136.0	9.2	3,074.4	-	0.0	508.8	208.1	406.9
2012 Feb.	4,821.7	892.1	2,752.7	135.6	12.4	2,604.6	-	0.0	526.3	241.2	409.4
Mar.	5,238.2	894.8	3,219.6	136.0	9.2	3,074.4	-	0.0	508.8	208.1	406.9
Apr.	5,252.9	898.8	3,212.9	100.7	10.6	3,101.6	-	0.0	517.4	212.9	410.9
May ^(p)	5,424.4	908.1	3,324.0	110.4	9.9	3,203.8	-	0.0	522.0	255.9	414.5
MFIs excluding the Eurosystem											
2010	32,199.5	-	16,497.6	196.2	10,526.4	5,774.9	612.3	4,847.4	2,045.5	4,218.2	3,978.5
2011	33,537.3	-	17,266.3	195.5	10,752.0	6,318.9	570.5	5,008.2	2,230.6	3,803.0	4,658.6
2011 Q4	33,537.3	-	17,266.3	195.5	10,752.0	6,318.9	570.5	5,008.2	2,230.6	3,803.0	4,658.6
2012 Q1	33,782.9	-	17,468.5	192.5	10,805.4	6,470.7	559.1	5,066.5	2,259.7	3,938.6	4,490.4
2012 Feb.	33,722.6	-	17,283.6	206.6	10,776.6	6,300.4	545.2	5,042.4	2,263.4	3,834.6	4,753.4
Mar.	33,782.9	-	17,468.5	192.5	10,805.4	6,470.7	559.1	5,066.5	2,259.7	3,938.6	4,490.4
Apr.	33,886.1	-	17,489.7	189.1	10,807.6	6,493.0	566.4	5,037.7	2,248.5	3,975.6	4,568.2
May ^(p)	34,814.1	-	17,562.7	206.9	10,810.7	6,545.1	584.4	5,025.0	2,250.2	4,031.1	5,360.7

Source: ECB.

- 1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
- 2) Amounts issued by euro area residents. Amounts issued by non-euro area residents are included in external assets.
- 3) 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 MFIs ¹⁾

(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											
2010	25,756.7	12,267.4	1,240.4	11,027.0	3,487.7	1,949.7	1,538.1	800.4	5,005.6	231.5	3,964.1
2011	26,767.0	12,339.0	1,178.5	11,160.5	3,481.4	1,952.7	1,528.7	739.6	5,032.2	240.6	4,934.1
2011 Q4	26,767.0	12,339.0	1,178.5	11,160.5	3,481.4	1,952.7	1,528.7	739.6	5,032.2	240.6	4,934.1
2012 Q1	26,737.2	12,317.7	1,155.5	11,162.2	3,633.9	2,106.2	1,527.6	755.9	5,032.8	229.0	4,768.0
2012 Feb.	26,940.8	12,323.4	1,158.9	11,164.5	3,619.2	2,078.4	1,540.8	745.3	5,014.9	232.8	5,005.2
Mar.	26,737.2	12,317.7	1,155.5	11,162.2	3,633.9	2,106.2	1,527.6	755.9	5,032.8	229.0	4,768.0
Apr.	26,828.5	12,315.0	1,159.5	11,155.5	3,621.1	2,099.5	1,521.6	767.0	5,055.9	229.6	4,840.0
May ³⁾	27,783.8	12,335.3	1,160.6	11,174.8	3,635.3	2,112.8	1,522.5	751.6	5,198.3	229.9	5,633.4
Transactions											
2010	577.2	412.8	206.3	206.5	137.9	140.4	-2.5	5.7	-112.5	2.3	130.8
2011	1,027.2	55.5	-58.6	114.1	132.0	150.1	-18.1	-29.9	-37.2	8.0	898.7
2011 Q4	-258.2	-103.0	13.8	-116.8	80.2	41.3	38.9	-8.9	-173.4	3.6	-56.7
2012 Q1	107.3	0.9	-22.1	23.0	152.8	149.8	3.0	19.3	69.0	-12.4	-121.8
2012 Feb.	41.7	-36.4	-16.3	-20.2	52.7	46.8	5.9	-1.4	18.5	-5.5	13.8
Mar.	-175.0	-1.7	-2.8	1.1	23.3	35.4	-12.1	12.6	33.2	-3.7	-238.7
Apr.	128.1	-1.4	7.0	-8.4	-8.7	-3.5	-5.2	20.8	-12.8	0.6	129.5
May ³⁾	835.6	6.4	0.8	5.6	29.4	28.8	0.5	-9.2	23.7	0.3	785.1

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units ³⁾	Debt securities issued ⁴⁾	Capital and reserves	External liabilities	Remaining liabilities ²⁾	Excess of inter-MFI liabilities over inter-MFI assets
Outstanding amounts										
2010	25,756.7	808.6	264.2	10,535.1	552.4	2,822.9	2,022.6	4,372.0	4,350.2	28.6
2011	26,767.0	857.5	259.3	10,764.1	520.3	3,007.1	2,218.9	4,088.4	5,069.7	-18.3
2011 Q4	26,767.0	857.5	259.3	10,764.1	520.3	3,007.1	2,218.9	4,088.4	5,069.7	-18.3
2012 Q1	26,737.2	844.9	328.5	10,814.6	498.6	2,991.6	2,271.9	4,146.7	4,897.3	-56.7
2012 Feb.	26,940.8	842.5	342.2	10,789.1	489.4	2,986.7	2,290.9	4,075.8	5,162.8	-38.6
Mar.	26,737.2	844.9	328.5	10,814.6	498.6	2,991.6	2,271.9	4,146.7	4,897.3	-56.7
Apr.	26,828.5	847.6	289.8	10,818.1	505.6	2,985.0	2,269.8	4,188.5	4,979.0	-55.0
May ³⁾	27,783.8	856.3	317.2	10,820.6	522.4	2,983.8	2,276.8	4,287.0	5,775.1	-55.3
Transactions										
2010	577.2	38.6	11.8	331.6	-98.5	39.5	99.6	-26.2	145.4	35.3
2011	1,027.2	49.1	-0.8	173.9	-29.1	50.8	137.8	-199.4	891.8	-46.7
2011 Q4	-258.2	26.4	-2.2	-31.7	-6.6	-48.7	47.0	-115.1	-104.4	-22.8
2012 Q1	107.3	-12.4	69.3	57.4	6.0	-1.2	18.3	130.7	-150.9	-9.8
2012 Feb.	41.7	-0.4	23.2	21.7	2.1	6.1	-0.1	-3.0	-32.3	24.4
Mar.	-175.0	2.4	-13.8	24.2	9.7	6.9	10.1	59.4	-250.7	-23.3
Apr.	128.1	2.7	-36.3	-5.2	9.8	-13.6	4.2	13.4	152.4	0.8
May ³⁾	835.6	8.7	27.5	13.1	13.3	-33.8	18.5	10.7	801.0	-23.4

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⁾

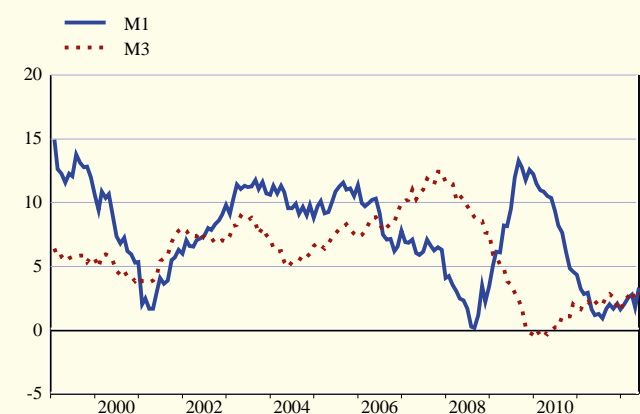
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

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												
2010	4,702.1	3,707.3	8,409.4	1,130.5	9,539.9	-	7,276.6	3,216.8	13,384.8	11,048.7	-	619.5
2011	4,785.8	3,804.8	8,590.6	1,149.7	9,740.3	-	7,681.4	3,157.5	13,449.0	11,183.1	-	929.7
2011 Q4	4,785.8	3,804.8	8,590.6	1,149.7	9,740.3	-	7,681.4	3,157.5	13,449.0	11,183.1	-	929.7
2012 Q1	4,848.3	3,877.3	8,725.6	1,155.8	9,881.5	-	7,662.0	3,258.8	13,473.3	11,182.9	-	904.5
2012 Feb.	4,818.6	3,866.3	8,684.9	1,142.2	9,827.1	-	7,727.0	3,235.7	13,475.6	11,192.0	-	933.5
Mar.	4,848.3	3,877.3	8,725.6	1,155.8	9,881.5	-	7,662.0	3,258.8	13,473.3	11,182.9	-	904.5
Apr.	4,794.0	3,900.2	8,694.2	1,139.2	9,833.4	-	7,664.5	3,246.1	13,414.2	11,163.4	-	898.6
May ^(p)	4,872.5	3,884.6	8,757.1	1,153.6	9,910.7	-	7,645.2	3,262.8	13,423.6	11,165.9	-	941.2
Transactions												
2010	195.9	-10.0	185.9	-23.8	162.2	-	249.9	347.0	210.0	207.7	264.6	-85.7
2011	77.6	76.4	154.0	-6.5	147.4	-	213.8	90.1	67.1	114.9	141.3	162.1
2011 Q4	3.9	-11.3	-7.4	-70.9	-78.3	-	-12.3	70.3	-59.6	-65.2	-28.5	-51.8
2012 Q1	65.8	74.0	139.8	28.4	168.1	-	-31.3	98.5	52.7	21.2	30.5	-29.1
2012 Feb.	30.4	31.0	61.4	15.5	76.9	-	-12.2	27.7	-0.2	-11.1	-7.8	18.0
Mar.	29.0	10.9	39.9	16.0	55.9	-	-36.1	31.3	4.3	-5.8	-4.7	-2.2
Apr.	-55.9	19.1	-36.7	-11.7	-48.5	-	-3.9	-6.5	-50.6	-21.1	-21.8	-13.4
May ^(p)	72.0	-19.7	52.3	34.1	86.4	-	-42.4	31.8	1.5	-11.2	-10.8	11.7
Growth rates												
2010	4.4	-0.3	2.3	-2.1	1.7	1.8	3.6	12.0	1.6	1.9	2.4	-85.7
2011	1.7	2.1	1.8	-0.7	1.5	1.9	2.9	3.0	0.5	1.0	1.3	162.1
2011 Q4	1.7	2.1	1.8	-0.7	1.5	1.9	2.9	3.0	0.5	1.0	1.3	162.1
2012 Q1	2.8	3.2	3.0	3.7	3.0	2.7	1.3	7.4	0.5	0.6	1.2	-33.8
2012 Feb.	2.6	3.0	2.8	1.9	2.7	2.7	2.1	5.6	0.4	0.8	1.2	93.0
Mar.	2.8	3.2	3.0	3.7	3.0	2.7	1.3	7.4	0.5	0.6	1.2	-33.8
Apr.	1.8	3.3	2.5	2.5	2.5	2.8	0.7	7.6	0.0	0.2	0.8	-39.1
May ^(p)	3.3	2.3	2.9	3.4	2.9	.	-0.1	9.0	-0.2	-0.1	0.4	-35.6

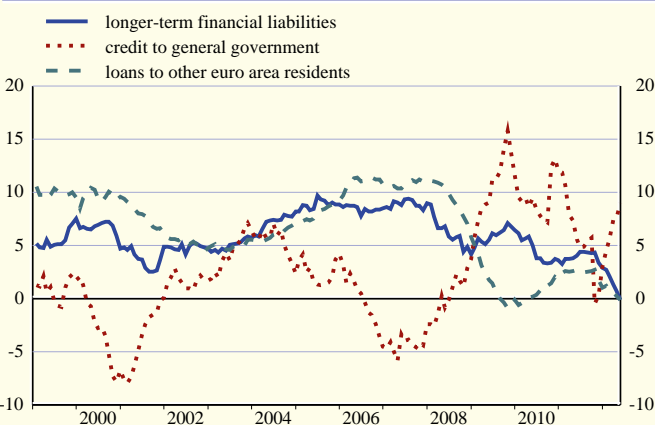
C1 Monetary aggregates ¹⁾

(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⁾

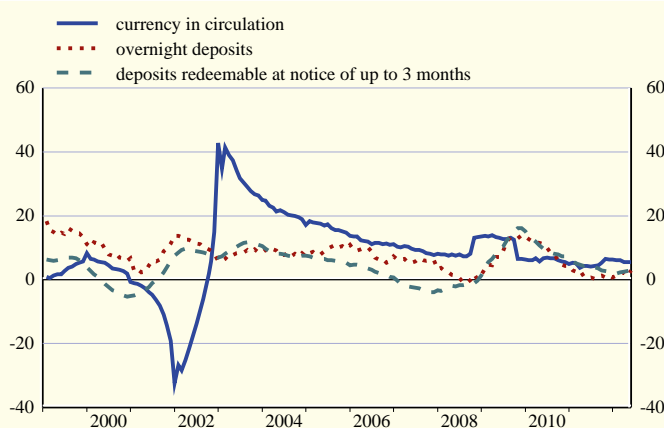
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

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

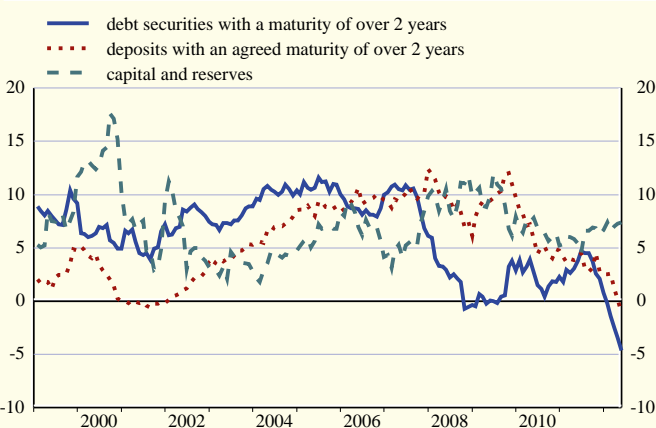
	Currency in circulation	Overnight deposits	Deposits with an agreed maturity of up to 2 years	Deposits redeemable at notice of up to 3 months	Repos	Money market fund shares/units	Debt securities with a maturity of up to 2 years	Debt securities with a maturity of over 2 years	Deposits redeemable at notice 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											
2010	794.0	3,908.2	1,794.7	1,912.6	438.6	568.7	123.1	2,719.0	118.9	2,432.1	2,006.6
2011	843.2	3,942.6	1,846.3	1,958.4	407.7	535.4	206.6	2,821.7	115.4	2,543.8	2,200.5
2011 Q4	843.2	3,942.6	1,846.3	1,958.4	407.7	535.4	206.6	2,821.7	115.4	2,543.8	2,200.5
2012 Q1	847.8	4,000.5	1,901.4	1,975.9	417.8	497.6	240.5	2,749.5	113.1	2,522.4	2,277.0
2012 Feb.	852.6	3,966.0	1,897.7	1,968.6	437.0	487.7	217.5	2,774.3	114.0	2,550.8	2,287.9
Mar.	847.8	4,000.5	1,901.4	1,975.9	417.8	497.6	240.5	2,749.5	113.1	2,522.4	2,277.0
Apr.	850.1	3,943.9	1,917.3	1,983.0	411.2	498.6	229.4	2,752.1	113.8	2,511.7	2,287.0
May ^(p)	856.7	4,015.8	1,887.6	1,997.0	422.5	512.5	218.6	2,755.9	113.1	2,483.2	2,293.0
Transactions											
2010	36.5	159.5	-122.1	112.1	96.3	-101.6	-18.5	59.9	-14.1	107.9	96.2
2011	49.4	28.2	39.7	36.6	-9.8	-29.9	33.2	19.6	-2.5	61.6	135.1
2011 Q4	11.2	-7.3	-8.0	-3.3	-99.3	6.2	22.1	-45.5	-3.0	8.8	27.4
2012 Q1	4.8	61.0	55.1	18.8	10.0	-10.0	28.4	-52.3	-3.2	-17.9	42.0
2012 Feb.	2.8	27.7	20.6	10.4	5.5	-3.4	13.5	-19.8	-1.5	4.9	4.2
Mar.	-4.8	33.8	3.6	7.3	-19.3	10.5	24.9	-24.7	-0.8	-28.8	18.2
Apr.	2.2	-58.1	12.1	7.0	-9.3	3.8	-6.2	-9.3	0.7	-11.5	16.3
May ^(p)	6.6	65.5	-33.6	13.9	35.4	10.5	-11.8	-27.6	-0.7	-31.7	17.6
Growth rates											
2010	4.8	4.3	-6.4	6.2	28.3	-15.2	-13.6	2.3	-10.6	4.7	5.2
2011	6.2	0.7	2.2	1.9	-2.3	-5.2	24.0	0.8	-2.1	2.5	6.7
2011 Q4	6.2	0.7	2.2	1.9	-2.3	-5.2	24.0	0.8	-2.1	2.5	6.7
2012 Q1	5.5	2.2	3.9	2.5	4.3	-3.1	20.2	-2.5	-5.2	1.2	7.0
2012 Feb.	6.2	1.8	3.9	2.3	4.3	-5.4	21.8	-1.4	-4.4	2.6	6.6
Mar.	5.5	2.2	3.9	2.5	4.3	-3.1	20.2	-2.5	-5.2	1.2	7.0
Apr.	5.5	1.0	3.9	2.7	-0.7	-1.6	21.5	-3.5	-4.6	0.2	7.3
May ^(p)	5.5	2.9	1.6	3.0	-1.3	1.6	21.3	-4.6	-5.1	-1.1	7.4

C3 Components of monetary aggregates ¹⁾

(annual growth rates; seasonally adjusted)


C4 Components of longer-term financial liabilities ¹⁾

(annual growth rates; seasonally adjusted)



Source: ECB.

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

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

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

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

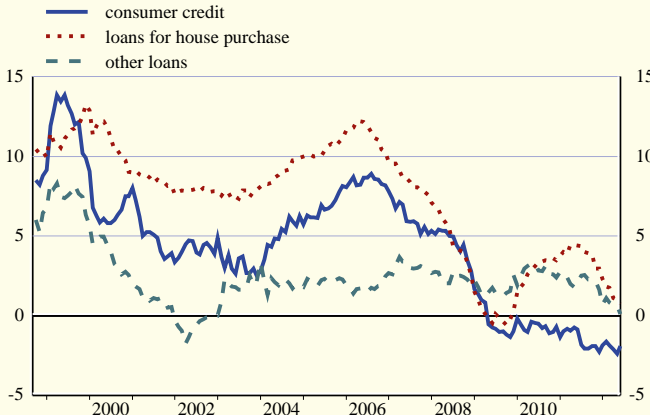
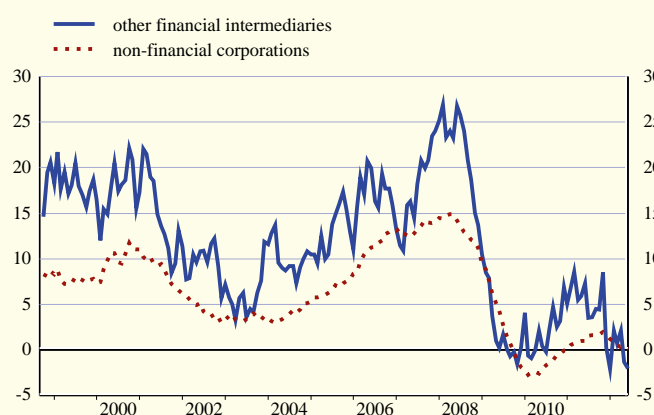
	Insurance corporations and pension funds		Non-financial corporations				Households ³⁾					
	Total	Total	Total			Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total			
			Loans adjusted for sales and securitisation ⁴⁾						Loans adjusted for sales and securitisation ⁴⁾	Consumer credit	Loans for house purchase	Other loans
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2010	93.7	1,128.5	4,668.5	-	1,127.6	899.0	2,641.9	5,158.0	-	638.5	3,700.6	819.0
2011	91.1	1,138.6	4,722.6	-	1,146.7	860.9	2,714.9	5,230.8	-	625.9	3,777.6	827.3
2011 Q4	91.1	1,138.6	4,722.6	-	1,146.7	860.9	2,714.9	5,230.8	-	625.9	3,777.6	827.3
2012 Q1	88.0	1,153.3	4,699.8	-	1,136.5	848.1	2,715.3	5,241.7	-	620.6	3,792.7	828.4
2012 Feb.	84.2	1,161.5	4,709.8	-	1,141.9	849.6	2,718.3	5,236.6	-	623.9	3,782.8	829.8
Mar.	88.0	1,153.3	4,699.8	-	1,136.5	848.1	2,715.3	5,241.7	-	620.6	3,792.7	828.4
Apr.	81.3	1,131.2	4,702.3	-	1,151.9	846.9	2,703.4	5,248.6	-	620.0	3,799.0	829.6
May ^(p)	82.2	1,132.8	4,698.5	-	1,149.9	844.7	2,703.9	5,252.4	-	621.2	3,801.5	829.7
Transactions												
2010	6.3	56.3	-1.9	45.9	-37.5	-26.3	61.9	146.9	155.5	-8.5	133.7	21.7
2011	1.4	-23.3	58.3	64.0	22.0	-20.7	57.0	78.6	99.2	-11.9	84.7	5.7
2011 Q4	-4.5	-9.4	-32.5	-30.1	-26.9	-8.3	2.7	-18.8	15.8	-1.5	-11.7	-5.6
2012 Q1	-2.9	17.4	-9.6	-6.5	-6.9	-8.7	6.0	16.2	22.0	-2.5	16.3	2.4
2012 Feb.	-3.5	-4.4	-2.5	-0.6	-2.7	-2.0	2.1	-0.7	0.8	-1.9	1.9	-0.7
Mar.	3.8	-8.3	-7.9	-7.0	-5.3	-0.2	-2.4	6.6	6.3	-2.0	10.1	-1.5
Apr.	-6.7	-28.0	7.0	7.1	17.8	-0.6	-10.2	6.6	5.8	-1.6	7.3	0.9
May ^(p)	1.1	-3.9	-9.9	-8.9	-4.8	-1.5	-3.6	1.5	1.0	1.4	0.8	-0.7
Growth rates												
2010	7.2	5.1	0.0	1.0	-3.2	-2.8	2.4	2.9	3.1	-1.3	3.8	2.8
2011	1.6	-2.0	1.2	1.4	2.0	-2.3	2.2	1.5	1.9	-1.9	2.3	0.7
2011 Q4	1.6	-2.0	1.2	1.4	2.0	-2.3	2.2	1.5	1.9	-1.9	2.3	0.7
2012 Q1	-0.2	2.3	0.3	0.5	-0.4	-2.9	1.6	0.6	1.7	-2.1	1.1	0.7
2012 Feb.	-8.3	0.8	0.6	0.7	0.1	-3.2	2.0	1.2	1.8	-1.9	1.7	0.8
Mar.	-0.2	2.3	0.3	0.5	-0.4	-2.9	1.6	0.6	1.7	-2.1	1.1	0.7
Apr.	-6.5	-1.4	0.4	0.6	0.9	-2.2	1.1	0.5	1.5	-2.4	1.0	0.7
May ^(p)	-6.3	-2.1	0.1	0.2	0.2	-2.5	0.8	0.3	1.3	-1.9	0.7	0.1

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													
2011	83.4	63.7	6.3	13.4	1,114.8	155.6	579.1	213.4	322.4	4,720.3	1,138.9	860.9	2,720.5
2011 Q4	83.4	63.7	6.3	13.4	1,114.8	155.6	579.1	213.4	322.4	4,720.3	1,138.9	860.9	2,720.5
2012 Q1	86.1	67.5	5.4	13.2	1,144.5	184.8	589.7	220.7	334.2	4,699.3	1,136.9	849.0	2,713.4
2012 Mar.	86.1	67.5	5.4	13.2	1,144.5	184.8	589.7	220.7	334.2	4,699.3	1,136.9	849.0	2,713.4
Apr.	81.6	63.0	5.4	13.2	1,135.6	176.7	577.6	220.1	337.9	4,703.1	1,154.6	847.1	2,701.4
May ^(p)	84.6	65.8	5.5	13.2	1,144.7	181.4	581.9	221.1	341.7	4,703.7	1,153.6	846.5	2,703.6
Transactions													
2011	1.9	2.8	1.1	-2.0	-24.1	12.8	-19.7	-10.3	5.9	57.1	21.1	-20.7	56.6
2011 Q4	-15.0	-15.2	1.0	-0.8	-56.2	-22.6	-54.9	4.4	-5.7	-31.5	-33.8	-9.0	11.3
2012 Q1	3.0	3.9	-0.9	0.0	32.4	29.1	12.9	7.5	12.1	-7.9	1.3	-7.7	-1.5
2012 Mar.	3.4	4.1	-0.8	0.1	2.5	2.0	-3.5	-2.4	8.5	-9.5	-6.5	1.4	-4.5
Apr.	-4.5	-4.6	0.0	0.0	-14.8	-11.2	-16.9	-1.0	3.1	8.4	20.1	-1.4	-10.3
May ^(p)	3.1	3.1	0.1	0.0	3.6	6.1	2.8	-1.2	2.1	-5.5	-3.8	0.2	-1.8
Growth rates													
2011	2.1	3.9	21.7	-13.3	-2.1	8.9	-3.2	-4.9	1.9	1.2	1.9	-2.3	2.1
2011 Q4	2.1	3.9	21.7	-13.3	-2.1	8.9	-3.2	-4.9	1.9	1.2	1.9	-2.3	2.1
2012 Q1	-0.3	1.2	-0.6	-7.6	2.1	34.4	0.0	3.8	5.0	0.3	-0.4	-2.9	1.6
2012 Mar.	-0.3	1.2	-0.6	-7.6	2.1	34.4	0.0	3.8	5.0	0.3	-0.4	-2.9	1.6
Apr.	-6.7	-7.3	4.6	-7.8	-1.4	18.4	-6.9	3.4	6.3	0.4	0.9	-2.2	1.1
May ^(p)	-6.4	-6.9	3.1	-7.4	-2.1	10.3	-7.5	2.0	5.8	0.1	0.3	-2.5	0.8

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														
2011	5,241.1	628.1	140.9	183.8	303.5	3,784.4	14.5	56.7	3,713.3	828.5	419.8	141.2	87.5	599.9
2011 Q4	5,241.1	628.1	140.9	183.8	303.5	3,784.4	14.5	56.7	3,713.3	828.5	419.8	141.2	87.5	599.9
2012 Q1	5,231.3	617.9	136.1	180.1	301.7	3,787.1	14.0	56.6	3,716.4	826.3	417.4	141.8	85.9	598.6
2012 Mar.	5,231.3	617.9	136.1	180.1	301.7	3,787.1	14.0	56.6	3,716.4	826.3	417.4	141.8	85.9	598.6
Apr.	5,234.2	618.3	137.2	180.1	301.0	3,789.5	14.0	56.8	3,718.6	826.4	418.6	140.0	85.7	600.7
May ^(p)	5,240.8	619.2	137.5	180.4	301.4	3,793.3	14.1	56.8	3,722.4	828.4	417.6	140.5	86.4	601.5
Transactions														
2011	79.1	-11.9	-3.7	-6.4	-1.8	85.2	-0.2	2.7	82.7	5.8	8.8	-8.0	-2.5	16.3
2011 Q4	-14.1	-1.0	2.1	-2.0	-1.0	-8.8	0.3	0.4	-9.5	-4.4	10.2	-6.4	-0.1	2.2
2012 Q1	-4.4	-7.4	-4.5	-2.1	-0.8	3.9	-0.4	0.1	4.2	-1.0	-2.6	0.9	-1.0	-0.8
2012 Mar.	4.7	0.2	-1.5	0.1	1.5	6.7	0.1	0.2	6.4	-2.2	-1.5	-1.4	-0.1	-0.7
Apr.	2.6	-0.6	0.5	0.0	-1.0	3.4	0.0	0.4	3.0	-0.2	-1.4	-0.8	-0.1	0.7
May ^(p)	4.3	1.1	0.3	0.3	0.5	2.1	0.1	-0.1	2.1	1.1	-0.9	0.0	0.4	0.6
Growth rates														
2011	1.5	-1.9	-2.5	-3.4	-0.6	2.3	-1.7	5.0	2.3	0.7	2.1	-5.4	-2.9	2.8
2011 Q4	1.5	-1.9	-2.5	-3.4	-0.6	2.3	-1.7	5.0	2.3	0.7	2.1	-5.4	-2.9	2.8
2012 Q1	0.6	-2.1	-1.7	-3.7	-1.3	1.1	1.1	5.2	1.0	0.7	2.0	-4.2	-2.1	2.3
2012 Mar.	0.6	-2.1	-1.7	-3.7	-1.3	1.1	1.1	5.2	1.0	0.7	2.0	-4.2	-2.1	2.3
Apr.	0.5	-2.4	-1.1	-3.8	-2.1	1.0	0.9	5.5	0.9	0.6	1.7	-3.3	-0.7	1.8
May ^(p)	0.3	-1.9	-0.8	-3.7	-1.3	0.7	0.7	4.5	0.7	0.1	1.0	-3.5	-0.7	1.1

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

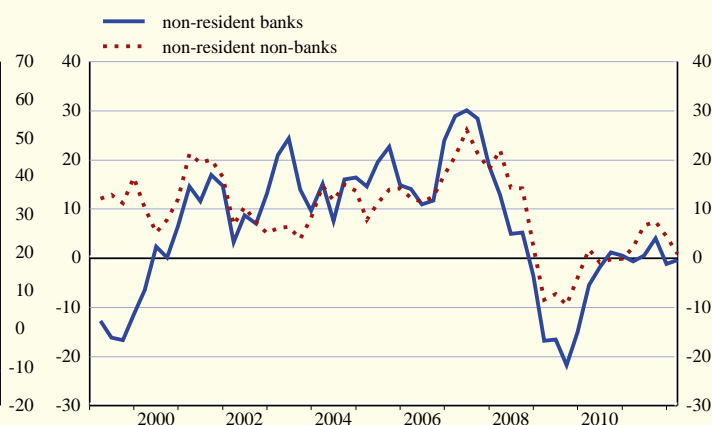
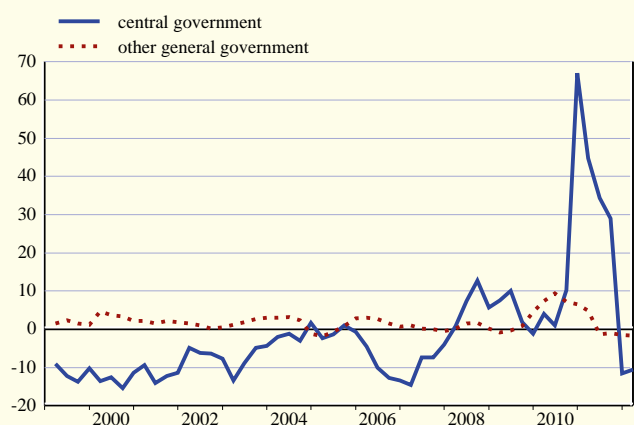
	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks ³⁾	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2010	1,221.8	397.5	225.2	553.0	46.1	2,963.0	2,010.9	952.1	49.5	902.6
2011	1,160.5	349.0	221.7	568.1	21.7	3,020.8	2,022.6	998.3	62.4	935.9
2011 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	1,145.8	343.5	224.0	553.7	24.7	3,155.7	2,133.1	1,022.7	62.7	960.0
Q4	1,160.5	349.0	221.7	568.1	21.7	3,020.8	2,022.6	998.3	62.4	935.9
2012 Q1 ⁴⁾	1,137.5	321.9	224.0	567.4	24.0	3,004.9	1,996.0	1,007.8	59.6	948.3
Transactions										
2010	207.2	156.3	14.9	24.1	11.9	6.3	8.3	-2.3	0.6	-2.9
2011	-58.0	-45.7	-0.4	11.4	-23.6	15.9	-26.1	42.0	12.9	29.1
2011 Q2	-36.5	-13.0	-6.5	-2.1	-14.9	44.5	21.8	22.7	6.1	16.6
Q3	-7.1	-3.3	0.6	-2.0	-2.4	65.9	59.6	6.3	1.4	5.0
Q4	13.8	4.9	1.2	10.6	-3.2	-150.7	-107.7	-43.1	-1.4	-41.6
2012 Q1 ⁴⁾	-22.1	-26.8	-1.7	3.8	2.7	40.1	15.2	23.8	-2.0	25.8
Growth rates										
2010	20.6	67.1	7.1	4.6	35.1	0.6	0.5	-0.1	0.8	-0.2
2011	-4.8	-11.5	-0.2	2.1	-52.2	0.7	-1.1	4.4	26.6	3.2
2011 Q2	7.1	34.4	-1.1	1.4	-38.6	2.6	0.5	6.6	30.4	5.4
Q3	6.2	28.9	0.2	1.8	-43.3	5.2	4.0	7.4	24.6	6.4
Q4	-4.8	-11.5	-0.2	2.1	-52.2	0.7	-1.1	4.4	26.6	3.2
2012 Q1 ⁴⁾	-4.4	-10.6	-2.8	1.8	-42.4	0.1	-0.4	1.0	7.5	0.6

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)}

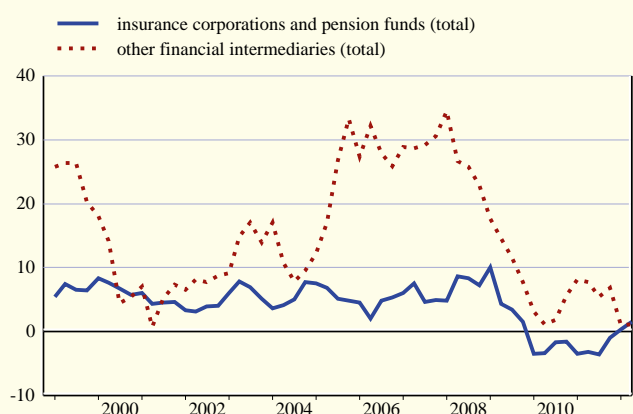
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

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															
2010	716.9	84.6	79.3	528.3	2.6	0.3	21.9	2,168.3	358.5	305.7	1,132.6	10.7	0.5	360.3	255.0
2011	704.0	92.1	79.9	512.4	4.0	0.2	15.5	2,220.9	390.0	284.9	1,190.9	14.7	0.5	339.9	260.0
2011 Q4	704.0	92.1	79.9	512.4	4.0	0.2	15.5	2,220.9	390.0	284.9	1,190.9	14.7	0.5	339.9	260.0
2012 Q1	711.3	98.4	86.8	504.6	4.5	0.2	16.9	2,211.1	420.1	265.9	1,148.9	15.5	0.4	360.4	275.9
2012 Feb.	721.4	107.0	87.1	506.7	4.2	0.2	16.1	2,250.7	408.2	277.4	1,175.9	14.1	0.3	374.7	286.2
Mar.	711.3	98.4	86.8	504.6	4.5	0.2	16.9	2,211.1	420.1	265.9	1,148.9	15.5	0.4	360.4	275.9
Apr.	718.6	105.9	87.7	503.6	4.7	0.2	16.5	2,200.9	405.1	269.7	1,141.1	15.1	0.5	369.3	280.7
May ^(p)	709.7	104.0	86.5	501.7	5.4	0.2	11.9	2,187.4	414.8	264.9	1,112.7	14.3	0.3	380.4	290.5
Transactions															
2010	-26.5	-3.3	-8.4	-16.6	0.2	0.0	1.6	156.9	45.1	-37.6	52.8	-8.0	0.4	104.2	-
2011	1.9	11.7	4.2	-14.2	1.1	-0.1	-0.9	19.9	28.9	-29.1	16.4	3.9	0.1	-0.3	5.5
2011 Q4	-8.5	3.6	-5.2	-6.4	0.1	0.0	-0.7	-98.7	4.7	-23.7	19.1	3.3	0.1	-102.1	-79.6
2012 Q1	7.9	6.4	6.7	-7.1	0.5	0.0	1.4	-6.7	31.1	-18.2	-40.8	0.8	-0.2	20.6	15.5
2012 Feb.	2.1	-2.0	3.8	-2.3	0.1	0.0	2.4	-1.3	-6.9	2.5	-11.4	0.1	0.0	14.4	15.6
Mar.	-10.3	-8.7	-0.4	-2.2	0.3	0.0	0.7	-40.3	11.7	-11.7	-27.3	1.4	0.0	-14.4	-10.3
Apr.	7.0	7.6	0.3	-0.8	0.2	0.0	-0.3	-14.4	-15.6	3.6	-8.6	-0.2	0.1	6.3	2.2
May ^(p)	-6.5	-1.9	-1.4	-1.9	0.7	0.0	-2.1	3.6	7.3	-6.3	-32.1	-0.9	-0.2	35.7	34.5
Growth rates															
2010	-3.6	-3.4	-9.6	-3.0	9.7	-	7.8	8.1	14.4	-11.1	4.9	-48.5	-	41.1	-
2011	0.3	14.4	5.6	-2.7	43.3	-	-5.2	0.9	8.1	-9.3	1.4	36.1	-	-0.2	2.1
2011 Q4	0.3	14.4	5.6	-2.7	43.3	-	-5.2	0.9	8.1	-9.3	1.4	36.1	-	-0.2	2.1
2012 Q1	1.5	17.9	14.8	-3.8	43.3	-	18.9	1.1	11.8	-13.2	-1.0	31.5	-	8.1	14.6
2012 Feb.	2.2	25.8	14.4	-3.6	38.3	-	4.2	2.5	7.9	-9.7	2.1	26.8	-	8.0	13.5
Mar.	1.5	17.9	14.8	-3.8	43.3	-	18.9	1.1	11.8	-13.2	-1.0	31.5	-	8.1	14.6
Apr.	1.1	23.4	10.3	-3.9	14.4	-	-3.8	-1.3	6.0	-14.3	-2.6	37.0	-	5.5	12.5
May ^(p)	1.2	21.4	15.5	-4.1	35.0	-	-7.8	-2.3	10.1	-17.4	-4.8	19.7	-	5.2	8.3

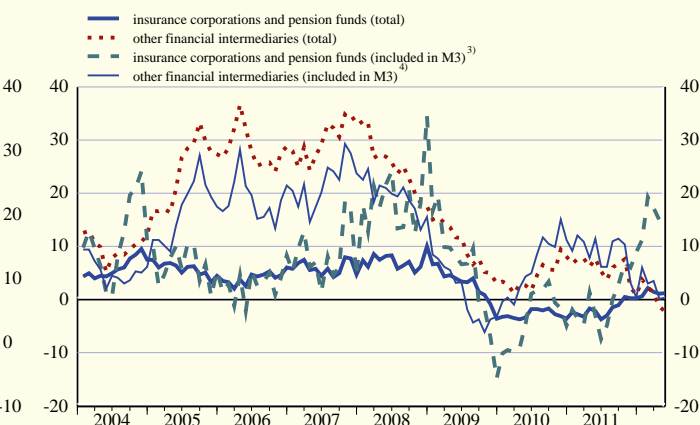
C9 Total deposits by sector ²⁾

(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)}

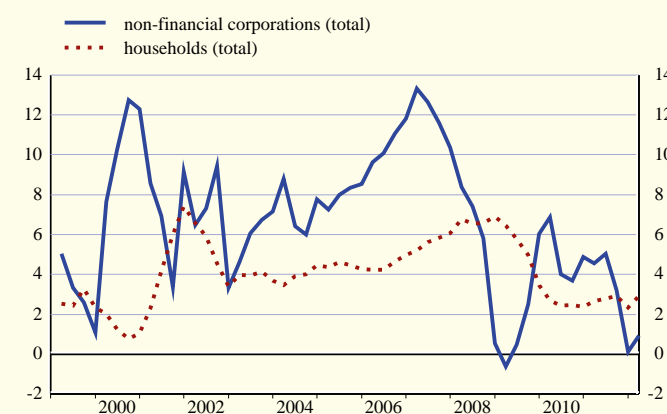
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

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														
2010	1,670.7	1,036.4	455.5	87.2	75.8	1.5	14.2	5,739.1	2,244.5	901.0	665.0	1,788.5	110.3	29.8
2011	1,685.9	1,044.1	453.5	97.7	72.3	2.0	16.3	5,894.0	2,255.7	948.3	723.7	1,837.0	106.7	22.7
2011 Q4	1,685.9	1,044.1	453.5	97.7	72.3	2.0	16.3	5,894.0	2,255.7	948.3	723.7	1,837.0	106.7	22.7
2012 Q1	1,663.6	1,019.5	451.6	100.6	76.0	2.2	13.8	5,945.1	2,223.2	995.4	736.9	1,864.7	105.0	19.9
2012 Feb.	1,628.9	989.8	448.5	100.3	74.1	2.1	14.1	5,919.2	2,218.2	982.2	734.0	1,858.4	105.6	20.8
Mar.	1,663.6	1,019.5	451.6	100.6	76.0	2.2	13.8	5,945.1	2,223.2	995.4	736.9	1,864.7	105.0	19.9
Apr.	1,650.1	1,012.5	442.6	102.2	77.0	1.8	14.0	5,968.5	2,246.5	992.3	738.8	1,868.2	105.0	17.6
May ⁴⁾	1,661.2	1,031.7	430.8	102.3	79.5	1.7	15.2	5,961.4	2,243.9	983.5	741.0	1,872.4	104.3	16.3
Transactions														
2010	78.1	40.3	23.2	9.0	7.8	-0.2	-2.1	132.9	81.7	-98.9	58.7	113.6	-14.6	-7.5
2011	2.3	3.5	-2.7	8.7	-7.3	0.4	-0.5	134.3	7.4	42.6	50.5	43.5	-2.6	-7.0
2011 Q4	21.6	46.5	-17.2	0.8	-6.5	0.3	-2.4	56.7	14.4	25.9	13.7	15.1	-1.3	-11.2
2012 Q1	-20.7	-23.1	-2.8	4.3	3.2	0.2	-2.4	52.4	-32.0	47.2	13.6	29.0	-2.6	-2.8
2012 Feb.	-0.8	-2.8	-0.5	3.0	0.3	0.1	-0.9	16.5	-10.3	15.8	7.1	6.8	-1.2	-1.7
Mar.	34.4	29.5	2.9	0.3	1.9	0.0	-0.3	25.8	4.8	13.3	2.9	6.3	-0.7	-0.9
Apr.	-13.7	-6.8	-9.1	1.6	0.8	-0.4	0.1	22.0	22.1	-3.1	1.8	3.5	0.1	-2.3
May ⁴⁾	7.3	16.0	-12.8	0.6	2.5	-0.1	1.1	-9.3	-3.4	-10.1	2.2	4.1	-0.7	-1.3
Growth rates														
2010	4.9	4.1	5.3	11.2	11.4	-10.1	-12.8	2.4	3.8	-9.9	9.7	6.8	-11.7	-20.2
2011	0.1	0.3	-0.6	9.9	-9.3	29.0	-5.2	2.3	0.3	4.7	7.5	2.4	-2.4	-23.6
2011 Q4	0.1	0.3	-0.6	9.9	-9.3	29.0	-5.2	2.3	0.3	4.7	7.5	2.4	-2.4	-23.6
2012 Q1	0.9	1.8	-1.8	12.0	-6.5	3.5	-4.0	2.9	0.0	9.6	7.3	2.8	-4.8	-36.6
2012 Feb.	0.8	1.2	-0.5	11.0	-8.7	0.6	4.2	2.5	-0.4	7.8	7.4	2.6	-4.0	-32.8
Mar.	0.9	1.8	-1.8	12.0	-6.5	3.5	-4.0	2.9	0.0	9.6	7.3	2.8	-4.8	-36.6
Apr.	-0.1	1.0	-3.3	11.6	-5.5	-13.1	-20.2	2.8	-0.2	9.4	6.7	2.8	-4.0	-45.8
May ⁴⁾	0.1	2.8	-6.4	10.3	-1.9	-16.0	-27.0	2.7	0.4	8.2	5.9	3.0	-4.7	-52.5

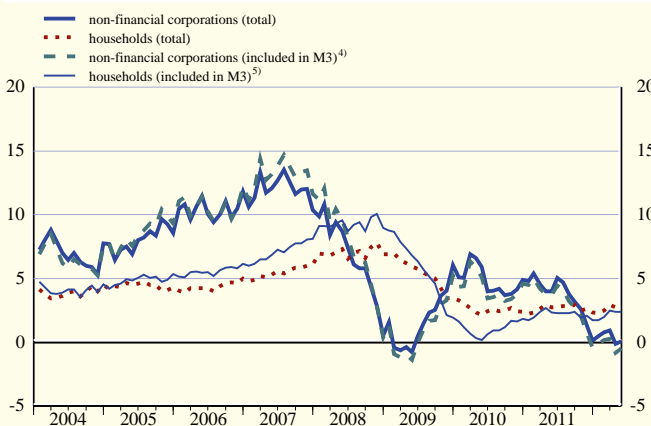
C11 Total deposits by sector ²⁾

(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)}

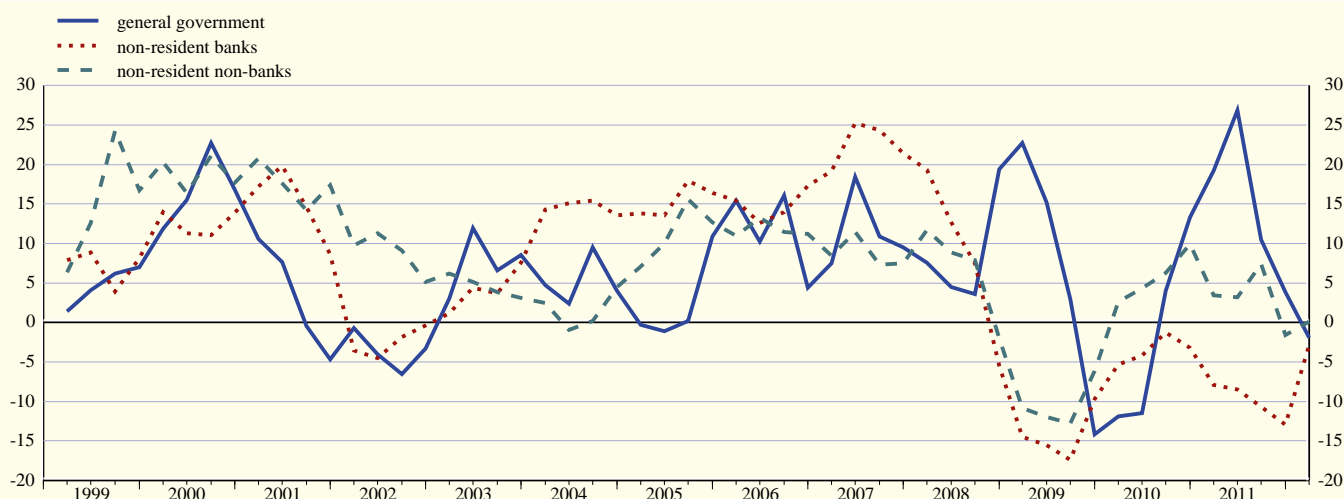
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

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										
2010	427.6	196.2	47.7	109.6	74.1	3,488.8	2,492.0	996.9	45.9	950.9
2011	442.7	195.5	48.6	113.5	85.2	3,153.0	2,175.4	977.5	44.3	933.2
2011 Q2	521.5	266.4	55.0	112.6	87.5	3,276.4	2,291.6	984.8	47.7	937.1
Q3	464.8	211.4	54.3	111.4	87.8	3,343.0	2,295.3	1,047.7	50.0	997.7
Q4	442.7	195.5	48.6	113.5	85.2	3,153.0	2,175.4	977.5	44.3	933.2
2012 Q1 ^(p)	466.7	192.5	65.0	113.4	95.9	3,311.7	2,328.6	981.4	54.8	926.6
Transactions										
2010	49.9	47.4	4.3	-5.0	2.9	0.8	-83.9	84.7	7.5	77.1
2011	16.9	3.3	0.6	2.3	10.6	-334.6	-318.0	-16.7	-2.1	-14.6
2011 Q2	45.7	30.9	2.7	3.9	8.2	-19.7	-41.5	21.8	6.4	15.4
Q3	-56.9	-55.1	-1.0	-1.2	0.2	0.6	-49.1	49.7	1.4	48.3
Q4	-22.3	-15.9	-5.9	2.1	-2.5	-234.1	-151.5	-82.6	-6.2	-76.4
2012 Q1 ^(p)	24.6	-2.9	16.5	0.5	10.9	190.3	176.9	11.7	11.1	0.6
Growth rates										
2010	13.3	32.2	9.9	-4.4	4.1	0.3	-3.2	9.9	12.7	9.6
2011	3.9	1.3	1.3	2.1	14.3	-9.7	-13.0	-1.6	-4.3	-1.5
2011 Q2	26.8	61.3	1.2	-2.6	14.0	-5.2	-8.5	3.2	5.0	3.1
Q3	10.5	21.6	-7.8	-1.9	17.0	-5.6	-10.7	7.4	3.3	7.6
Q4	3.9	1.3	1.3	2.1	14.3	-9.7	-13.0	-1.6	-4.3	-1.5
2012 Q1 ^(p)	-1.9	-18.3	23.5	4.8	21.2	-1.9	-2.9	0.1	30.0	-1.2

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.

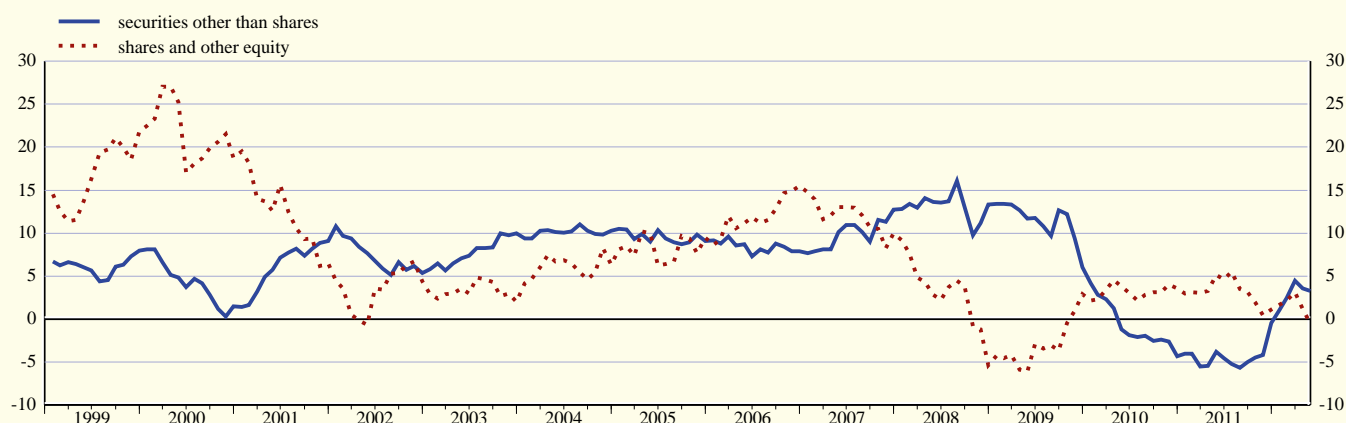
2.6 MFI holdings of securities: breakdown ^{1), 2)}

(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												
2010	5,991.2	1,778.4	107.4	1,507.8	16.4	1,500.9	27.8	1,052.6	1,535.9	445.3	787.8	302.8
2011	5,697.8	1,763.8	87.8	1,373.0	22.9	1,489.5	28.3	932.5	1,507.6	485.7	726.5	295.4
2011 Q4	5,697.8	1,763.8	87.8	1,373.0	22.9	1,489.5	28.3	932.5	1,507.6	485.7	726.5	295.4
2012 Q1	5,919.5	1,821.1	98.0	1,496.2	32.1	1,492.2	24.9	955.1	1,526.6	489.4	742.2	295.0
2012 Feb.	5,862.2	1,815.9	91.0	1,469.4	31.0	1,506.0	23.6	925.4	1,515.5	491.5	731.6	292.4
Mar.	5,919.5	1,821.1	98.0	1,496.2	32.1	1,492.2	24.9	955.1	1,526.6	489.4	742.2	295.0
Apr.	5,871.6	1,798.9	98.6	1,494.2	33.0	1,486.8	23.9	936.0	1,535.0	488.8	753.3	292.8
May ^(p)	5,897.8	1,783.9	102.0	1,511.8	34.7	1,486.7	24.8	953.9	1,517.7	488.1	738.4	291.1
Transactions												
2010	-270.8	-167.1	-6.9	42.8	-2.0	10.1	-14.8	-132.9	54.4	28.2	5.2	20.9
2011	-25.9	45.4	8.0	-4.4	5.5	-19.9	0.4	-60.9	17.2	60.1	-31.5	-11.4
2011 Q4	75.1	66.4	0.5	-14.6	-0.2	36.5	2.3	-15.9	-8.0	5.2	-9.5	-3.6
2012 Q1	253.1	60.1	13.0	135.4	10.7	5.3	-1.8	30.5	30.8	11.7	19.3	-0.2
2012 Feb.	93.3	31.2	3.7	38.9	8.0	5.7	0.1	5.8	-3.9	0.6	-1.4	-3.1
Mar.	48.6	1.3	6.4	39.5	1.5	-12.6	1.2	11.4	18.3	2.2	12.6	3.4
Apr.	-54.5	-23.6	-0.9	1.9	0.5	-4.2	-1.4	-26.8	20.4	0.8	20.6	-1.0
May ^(p)	11.6	-13.3	-0.5	28.4	-0.4	0.6	-0.2	-3.0	-8.2	1.6	-9.3	-0.6
Growth rates												
2010	-4.3	-8.5	-5.5	2.9	-11.1	0.7	-35.4	-11.2	3.6	6.5	0.6	7.5
2011	-0.4	2.7	7.8	-0.4	33.8	-1.3	0.8	-6.2	1.1	13.8	-4.1	-3.7
2011 Q4	-0.4	2.7	7.8	-0.4	33.8	-1.3	0.8	-6.2	1.1	13.8	-4.1	-3.7
2012 Q1	4.5	7.6	23.0	8.9	56.4	1.2	-12.9	-4.4	3.1	16.2	-2.4	-1.7
2012 Feb.	2.5	6.1	19.1	5.0	63.9	0.1	-12.3	-6.1	2.2	15.6	-3.8	-2.0
Mar.	4.5	7.6	23.0	8.9	56.4	1.2	-12.9	-4.4	3.1	16.2	-2.4	-1.7
Apr.	3.6	7.3	16.8	8.3	61.6	0.4	-7.5	-6.6	1.2	16.0	-4.8	-4.3
May ^(p)	3.3	6.2	5.5	9.8	60.7	0.6	-8.4	-7.6	-0.5	8.8	-3.8	-6.1

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>														
2010	5,517.1	-	-	-	-	-	12,247.8	96.0	4.0	2.1	0.2	1.1	0.4	
2011	6,160.7	-	-	-	-	-	12,320.1	96.2	3.8	1.9	0.3	1.1	0.4	
2011 Q4	6,160.7	-	-	-	-	-	12,320.1	96.2	3.8	1.9	0.3	1.1	0.4	
2012 Q1 ^(p)	6,330.9	-	-	-	-	-	12,298.7	96.3	3.7	1.8	0.2	1.1	0.4	
<i>To non-euro area residents</i>														
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	2,022.6	44.5	55.5	35.6	2.5	2.7	9.3	998.3	38.2	61.8	41.2	2.6	3.3	7.8
2011 Q4	2,022.6	44.5	55.5	35.6	2.5	2.7	9.3	998.3	38.2	61.8	41.2	2.6	3.3	7.8
2012 Q1 ^(p)	1,996.0	47.9	52.1	32.9	2.5	2.6	8.5	1,007.8	39.1	60.9	41.0	2.4	3.1	7.6
Holdings of securities other than shares														
<i>Issued by euro area residents</i>														
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	1,851.6	95.3	4.7	2.5	0.1	0.3	1.5	2,913.7	98.2	1.8	1.0	0.2	0.1	0.4
2011 Q4	1,851.6	95.3	4.7	2.5	0.1	0.3	1.5	2,913.7	98.2	1.8	1.0	0.2	0.1	0.4
2012 Q1 ^(p)	1,919.1	94.9	5.1	2.6	0.1	0.3	1.8	3,045.3	98.1	1.9	1.1	0.1	0.1	0.4
<i>Issued by non-euro area residents</i>														
2010	545.9	49.9	50.1	27.6	0.3	0.5	16.8	506.6	33.3	66.7	40.5	3.9	0.9	13.6
2011	457.0	56.4	43.6	21.1	0.3	0.3	16.0	475.5	32.3	67.7	39.3	5.8	0.7	13.7
2011 Q4	457.0	56.4	43.6	21.1	0.3	0.3	16.0	475.5	32.3	67.7	39.3	5.8	0.7	13.7
2012 Q1 ^(p)	489.5	55.5	44.5	19.8	0.3	0.3	20.2	465.1	33.5	66.5	36.2	4.5	0.9	13.6
Deposits														
<i>By euro area residents</i>														
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	6,318.9	92.1	7.9	5.2	0.2	1.2	0.7	10,947.4	97.0	3.0	2.0	0.1	0.1	0.4
2011 Q4	6,318.9	92.1	7.9	5.2	0.2	1.2	0.7	10,947.4	97.0	3.0	2.0	0.1	0.1	0.4
2012 Q1 ^(p)	6,470.7	93.4	6.6	3.9	0.2	1.2	0.6	10,997.8	97.1	2.9	1.9	0.1	0.1	0.4
<i>By non-euro area residents</i>														
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	2,175.4	59.2	40.8	25.6	2.1	1.8	7.2	977.5	56.1	43.9	30.0	2.0	1.5	5.1
2011 Q4	2,175.4	59.2	40.8	25.6	2.1	1.8	7.2	977.5	56.1	43.9	30.0	2.0	1.5	5.1
2012 Q1 ^(p)	2,328.6	60.4	39.6	25.4	1.8	1.6	6.9	981.4	55.4	44.6	29.8	2.0	1.3	5.2

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	
2010	5,082.6	81.6	18.4	9.7	1.8	2.1	2.5
2011	5,236.8	82.0	18.0	9.4	1.7	2.0	2.6
2011 Q4	5,236.8	82.0	18.0	9.4	1.7	2.0	2.6
2012 Q1 ^(p)	5,295.7	82.5	17.5	9.3	1.5	2.0	2.4

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 Oct.	6,177.6	422.1	2,371.2	1,735.9	844.4	234.6	569.5
Nov.	6,082.0	418.5	2,345.8	1,703.6	826.9	235.0	552.1
Dec.	6,212.3	416.0	2,504.1	1,732.5	838.2	236.2	485.3
2012 Jan.	6,485.7	436.9	2,581.5	1,824.3	864.7	239.6	538.7
Feb.	6,645.9	446.0	2,635.7	1,883.3	884.0	241.0	555.9
Mar.	6,678.7	443.0	2,673.0	1,886.9	888.5	241.7	545.6
Apr. ^(p)	6,677.7	446.9	2,692.1	1,857.1	886.1	241.6	554.0
Transactions							
2011 Q3	-4.9	29.0	-21.0	-41.9	-16.1	2.8	42.3
Q4	-184.3	-34.0	-2.9	-26.4	-11.2	2.1	-112.0
2012 Q1	146.7	15.6	71.2	3.3	10.7	4.9	40.8

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 Oct.	6,177.6	127.9	5,531.3	4,243.2	615.7	1,288.1	518.4
Nov.	6,082.0	128.8	5,447.1	4,162.2	597.5	1,284.9	506.0
Dec.	6,212.3	117.6	5,663.8	4,263.7	613.5	1,400.1	430.9
2012 Jan.	6,485.7	124.4	5,881.2	4,420.9	649.9	1,460.3	480.1
Feb.	6,645.9	134.1	6,019.0	4,530.5	676.0	1,488.5	492.8
Mar.	6,678.7	127.2	6,065.9	4,556.0	684.3	1,509.9	485.5
Apr. ^(p)	6,677.7	132.0	6,055.9	4,533.7	678.2	1,522.1	489.9
Transactions							
2011 Q3	-4.9	6.5	-44.3	-55.4	-31.3	11.1	32.8
Q4	-184.3	-13.5	-40.3	-58.2	-3.0	18.8	-130.6
2012 Q1	146.7	9.1	91.7	64.8	30.8	26.9	45.9

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 Sep.	5,423.0	1,786.1	1,414.2	1,387.7	290.7	119.0	425.3	5,333.8	89.2	1,066.9
Oct.	5,531.3	1,789.0	1,504.0	1,406.0	293.2	115.6	423.5	5,449.3	81.9	1,051.6
Nov.	5,447.1	1,757.7	1,473.5	1,384.2	292.5	118.7	420.5	5,364.6	82.5	1,083.5
Dec.	5,663.8	1,920.2	1,496.4	1,403.1	296.1	122.1	426.0	5,579.1	84.7	991.9
2012 Jan.	5,881.2	2,016.4	1,583.8	1,458.0	303.3	129.6	390.2	5,792.8	88.4	949.8
Feb.	6,019.0	2,053.9	1,638.6	1,490.4	305.8	130.3	400.1	5,933.5	85.5	935.4
Mar.	6,065.9	2,086.5	1,641.4	1,498.0	309.0	132.3	398.7	5,980.4	85.6	956.8
Apr. ^(p)	6,055.9	2,106.9	1,614.0	1,495.6	308.6	133.9	397.0	5,969.7	86.2	972.4
Transactions										
2011 Oct.	-18.8	1.3	-2.5	-6.1	0.8	-0.7	-11.6	-12.0	-6.8	-5.7
Nov.	-21.7	-8.7	-8.5	-5.8	-0.1	0.1	1.3	-22.4	0.6	19.1
Dec.	0.3	10.6	-6.7	-3.1	2.7	-0.3	-3.0	-1.9	2.1	0.7
2012 Jan.	21.1	15.6	3.3	-1.2	3.8	0.9	-1.3	16.6	4.6	6.1
Feb.	33.4	13.3	1.9	11.9	1.3	0.2	4.8	35.7	-2.3	2.8
Mar.	37.2	28.2	4.7	4.8	1.8	-1.1	-1.2	36.5	0.7	18.5
Apr. ^(p)	0.7	11.0	-12.9	2.5	-0.7	0.3	0.5	0.2	0.5	9.3

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 funds ¹⁾ 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											
2011 Q2	2,387.6	1,430.3	386.4	671.6	196.3	5.8	170.1	957.3	252.3	358.6	17.8
Q3	2,384.2	1,414.5	380.7	682.7	184.2	4.7	162.1	969.8	252.4	369.8	18.7
Q4	2,504.1	1,423.1	390.9	674.4	185.5	4.5	167.6	1,081.1	270.5	436.8	20.4
2012 Q1 ^(p)	2,673.0	1,502.4	425.1	678.3	208.7	5.7	184.6	1,170.6	313.2	453.1	15.5
Transactions											
2011 Q3	-21.0	-16.6	-5.9	1.5	-7.6	-0.4	-4.3	-4.4	6.0	-4.1	5.3
Q4	-2.9	0.0	3.4	-6.5	-1.1	-0.3	4.4	-1.5	-3.2	1.6	-0.3
2012 Q1 ^(p)	71.2	12.7	10.3	-21.9	14.7	0.5	9.0	58.5	20.3	15.5	-4.3

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											
2011 Q2	1,958.4	773.5	84.5	-	41.1	26.1	621.8	1,184.9	166.4	362.8	77.0
Q3	1,632.5	615.6	53.3	-	35.7	20.4	506.2	1,016.9	141.8	323.6	72.5
Q4	1,732.5	636.2	51.1	-	36.2	21.5	527.4	1,096.4	154.6	356.6	71.2
2012 Q1 ^(p)	1,886.9	689.0	57.4	-	41.6	24.1	565.8	1,197.9	162.6	389.7	75.4
Transactions											
2011 Q3	-41.9	-8.9	-4.9	-	-0.7	0.2	-3.4	-33.1	-5.1	-11.8	-3.2
Q4	-26.4	-9.5	-1.7	-	-2.4	0.4	-5.9	-16.9	-0.9	-7.4	0.9
2012 Q1 ^(p)	3.3	-4.4	4.0	-	0.7	-1.2	-8.0	7.7	-2.4	-0.4	-1.6

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											
2011 Q2	886.8	752.0	79.3	-	672.7	-	-	134.8	22.1	42.8	0.5
Q3	830.7	698.5	94.5	-	604.0	-	-	132.2	20.1	42.6	0.5
Q4	838.2	708.5	95.0	-	613.5	-	-	129.7	20.8	40.2	0.6
2012 Q1 ^(p)	888.5	753.3	69.0	-	684.3	-	-	135.2	25.2	41.2	0.6
Transactions											
2011 Q3	-16.1	-15.3	16.0	-	-31.3	-	-	-0.8	-0.5	-0.4	0.0
Q4	-11.2	-2.6	0.4	-	-3.0	-	-	-8.6	-0.8	-9.1	0.0
2012 Q1 ^(p)	10.7	11.4	-19.4	-	30.8	-	-	-0.6	2.2	-0.6	-0.1

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													
2011 Q1	2,255.4	351.2	1,484.8	1,184.8	595.3	142.5	21.8	5.9	129.9	241.6	89.0	36.3	52.4
Q2	2,217.9	340.0	1,462.9	1,166.7	585.5	144.7	20.4	5.2	126.0	232.6	88.6	35.7	58.2
Q3	2,201.7	321.4	1,465.9	1,178.9	590.5	142.8	20.5	5.1	118.5	232.3	86.9	37.8	57.5
Q4	2,273.2	324.8	1,533.7	1,244.2	583.1	147.8	20.8	4.8	116.1	229.0	90.0	36.8	58.9
2012 Q1	2,226.8	318.4	1,503.7	1,209.6	553.7	143.2	20.5	4.8	125.7	217.3	86.2	35.6	65.6
Transactions													
2011 Q1	-96.5	-25.0	-39.3	-44.3	-	5.3	-0.3	-0.1	0.2	-9.9	-2.4	-5.1	-14.8
Q2	-43.0	-11.1	-25.0	-21.4	-	2.0	-0.7	-0.3	-4.4	-7.9	0.0	0.0	1.1
Q3	-26.1	-18.5	1.9	11.4	-	-2.1	-0.1	0.0	-7.3	-2.2	-2.1	-1.1	-4.2
Q4	69.9	3.4	65.9	64.1	-	4.2	0.3	-0.4	-2.4	-2.9	2.3	-1.0	2.2
2012 Q1	-54.0	-6.1	-28.3	-19.5	-	-4.5	-0.3	0.0	-4.0	-13.2	-2.8	-0.9	-2.7

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							
2011 Q1	2,255.4	135.1	1,884.4	70.0	1,814.4	36.3	199.6
Q2	2,217.9	135.9	1,841.7	66.4	1,775.3	35.2	205.2
Q3	2,201.7	134.1	1,823.0	63.8	1,759.2	34.7	210.0
Q4	2,273.2	150.8	1,883.7	66.7	1,817.0	33.9	204.7
2012 Q1	2,226.8	152.6	1,824.7	59.8	1,764.9	32.7	216.7
Transactions							
2011 Q1	-96.5	-1.1	-82.7	-6.6	-76.1	-6.0	-6.7
Q2	-43.0	1.4	-47.0	-7.5	-39.5	-0.8	3.3
Q3	-26.1	-2.2	-24.3	-3.0	-21.3	-1.7	2.1
Q4	69.9	16.5	62.0	2.9	59.1	-1.0	-7.6
2012 Q1	-54.0	1.1	-56.4	-7.9	-48.5	-0.9	2.2

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

	Securitized loans originated by euro area MFIs						Securities other than shares						
	Total	Euro area borrowing sector ²⁾					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													
2011 Q1	1,184.8	803.6	261.3	17.9	0.2	7.2	34.0	241.6	124.3	42.3	82.0	36.5	117.4
Q2	1,166.7	788.6	253.1	19.3	0.4	9.8	35.5	232.6	124.2	41.0	83.2	35.4	108.4
Q3	1,178.9	795.4	254.2	18.7	0.4	9.6	32.9	232.3	122.2	42.1	80.1	33.8	110.1
Q4	1,244.2	828.0	262.5	17.9	0.2	6.6	33.6	229.0	120.1	40.7	79.4	33.4	108.9
2012 Q1	1,209.6	818.9	239.6	17.8	0.2	6.4	29.9	217.3	115.3	40.3	75.0	30.5	102.1
Transactions													
2011 Q1	-44.3	-52.2	3.2	-0.4	0.0	0.0	-1.6	-9.9	-5.7	-3.1	-2.7	-0.1	-4.2
Q2	-21.4	-20.8	0.2	0.8	0.2	2.6	-3.8	-7.9	0.4	-0.4	0.7	-0.7	-8.3
Q3	11.4	6.2	-0.4	-0.7	0.0	-0.2	-1.2	-2.2	-3.1	-0.2	-2.9	-1.2	-1.0
Q4	64.1	32.0	8.1	-0.7	-0.1	-3.0	0.3	-2.9	-1.6	-1.5	0.0	-0.2	1.4
2012 Q1	-19.5	-13.1	-7.8	0.0	0.0	-0.2	0.0	-13.2	-5.5	-0.8	-4.8	-2.8	-7.7

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) Excludes securitisations of inter-MFI loans.

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
2009 Q2	6,325.4	781.2	439.9	2,381.9	815.0	1,187.9	97.2	245.6	226.8	149.8
Q3	6,517.2	782.9	437.5	2,429.4	790.8	1,363.1	94.8	247.9	221.7	148.9
Q4	6,642.0	785.8	433.9	2,469.5	805.2	1,442.2	95.2	252.7	209.4	148.1
2010 Q1	6,871.3	782.5	440.1	2,592.4	810.6	1,519.9	94.0	261.4	227.0	143.5
Q2	6,889.7	783.7	443.6	2,620.6	789.7	1,506.8	90.8	267.1	242.2	145.3
Q3	7,064.0	782.0	450.1	2,710.8	807.7	1,547.4	86.9	269.1	264.8	145.1
Q4	6,997.3	773.1	454.5	2,646.6	835.5	1,577.6	76.8	269.4	216.8	147.0
2011 Q1	7,091.4	773.6	455.4	2,703.1	846.1	1,593.8	74.4	274.9	220.8	149.2
Q2	7,102.9	776.5	462.6	2,713.1	844.3	1,597.2	77.5	265.4	218.2	148.0
Q3	7,098.9	793.4	459.3	2,741.8	791.4	1,548.6	85.2	264.7	266.6	147.9
Q4	7,084.3	786.9	467.1	2,683.3	796.9	1,585.9	87.2	259.5	267.9	149.5
2012 Q1	7,373.0	796.9	467.7	2,812.0	819.2	1,701.2	88.4	265.5	270.9	151.2

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
2009 Q2	2,381.9	1,983.2	546.3	1,060.5	223.4	14.1	138.9	398.7
Q3	2,429.4	2,025.1	553.8	1,090.2	228.5	15.2	137.4	404.3
Q4	2,469.5	2,060.7	545.6	1,119.8	239.0	16.7	139.5	408.9
2010 Q1	2,592.4	2,170.9	575.8	1,198.5	233.8	16.1	146.8	421.4
Q2	2,620.6	2,196.4	577.8	1,204.4	247.1	16.7	150.4	424.2
Q3	2,710.8	2,278.7	593.2	1,260.5	252.5	19.1	153.3	432.1
Q4	2,646.6	2,219.0	587.0	1,228.6	230.8	17.9	154.7	427.6
2011 Q1	2,703.1	2,284.0	606.8	1,251.9	254.4	18.8	152.2	419.1
Q2	2,713.1	2,285.4	626.8	1,269.1	214.3	16.2	158.9	427.7
Q3	2,741.8	2,309.5	635.1	1,265.0	230.5	17.8	161.0	432.3
Q4	2,683.3	2,259.6	615.4	1,189.2	274.1	20.2	160.8	423.7
2012 Q1	2,812.0	2,356.7	648.0	1,231.7	279.1	20.8	177.2	455.2

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
2009 Q2	6,176.4	267.2	33.0	395.4	5,281.3	2,881.4	1,598.9	801.0	199.5	149.0
Q3	6,337.7	256.3	36.1	442.1	5,407.2	2,970.8	1,637.0	799.4	195.9	179.5
Q4	6,440.2	239.6	39.5	438.8	5,524.6	3,037.9	1,686.1	800.6	197.8	201.8
2010 Q1	6,638.0	255.7	39.5	456.8	5,695.7	3,125.3	1,746.3	824.1	190.2	233.3
Q2	6,715.3	258.0	40.8	428.6	5,793.9	3,154.1	1,815.1	824.7	194.0	174.4
Q3	6,873.9	282.7	39.7	437.5	5,933.7	3,217.2	1,896.5	819.9	180.4	190.1
Q4	6,828.1	258.9	42.2	445.1	5,913.5	3,254.9	1,839.3	819.2	168.4	169.1
2011 Q1	6,893.4	271.0	40.1	462.2	5,944.9	3,285.8	1,821.9	837.3	175.1	198.0
Q2	6,915.3	271.4	43.0	450.7	5,974.7	3,303.0	1,841.2	830.5	175.5	187.6
Q3	7,028.5	279.2	41.9	405.4	6,113.0	3,289.4	1,994.8	828.9	188.9	70.4
Q4	7,044.1	274.5	41.6	405.4	6,135.8	3,294.9	2,017.2	823.7	186.8	40.2
2012 Q1	7,220.1	283.2	44.6	438.7	6,267.0	3,341.4	2,077.9	847.6	186.6	152.8

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 Q4						
External account						
Exports of goods and services						605
<i>Trade balance</i> ¹⁾						-32
Generation of income account						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,244	128	778	65	273	
Other taxes less subsidies on production	25	8	7	4	5	
Consumption of fixed capital	364	97	206	11	49	
<i>Net operating surplus and mixed income</i> ¹⁾	533	271	233	30	-2	
Allocation of primary income account						
Net operating surplus and mixed income						7
Compensation of employees						
Taxes less subsidies on production						
Property income	709	40	275	321	73	117
Interest	403	37	74	219	73	53
Other property income	306	3	201	102	0	64
<i>Net national income</i> ¹⁾	2,075	1,705	81	51	238	
Secondary distribution of income account						
Net national income						
Current taxes on income, wealth, etc.	322	246	64	12	0	0
Social contributions	476	476				1
Social benefits other than social transfers in kind	485	1	18	35	431	1
Other current transfers	205	75	26	49	55	10
Net non-life insurance premiums	46	33	11	1	1	2
Non-life insurance claims	46			46		1
Other	112	42	15	1	55	8
<i>Net disposable income</i> ¹⁾	2,045	1,484	6	54	501	
Use of income account						
Net disposable income						
Final consumption expenditure	1,934	1,380			554	
Individual consumption expenditure	1,718	1,380			338	
Collective consumption expenditure	216				216	
Adjustment for the change in the net equity of households in pension fund reserves	15	0	0	15	0	0
<i>Net saving/current external account</i> ¹⁾	111	119	6	39	-53	-25
Capital account						
Net saving/current external account						
Gross capital formation	450	146	231	11	61	
Gross fixed capital formation	472	146	254	11	61	
Changes in inventories and acquisitions less disposals of valuables	-23	0	-23	0	0	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	0	0	7	0	-7	0
Capital transfers	64	9	3	17	35	10
Capital taxes	10	6	1	3		0
Other capital transfers	54	3	1	14	35	10
<i>Net lending (+)/net borrowing (-) (from capital account)</i> ¹⁾	32	74	-4	30	-69	-32
Statistical discrepancy	0	-8	8	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 Q4						
External account						
Imports of goods and services						573
<i>Trade balance</i>						
Generation of income account						
Gross value added (basic prices)	2,164	504	1,225	110	326	
Taxes less subsidies on products	251					
Gross domestic product (market prices) ²⁾	2,416					
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	533	271	233	30	-2	
Compensation of employees	1,247	1,247				3
Taxes less subsidies on production	289				289	-13
Property income	715	227	123	342	23	111
Interest	390	62	47	269	11	67
Other property income	326	165	76	73	12	44
<i>Net national income</i>						
Secondary distribution of income account						
Net national income	2,075	1,705	81	51	238	
Current taxes on income, wealth, etc.	322				322	1
Social contributions	475	1	18	52	404	1
Social benefits other than social transfers in kind	484	484				3
Other current transfers	178	92	15	47	23	37
Net non-life insurance premiums	46			46		1
Non-life insurance claims	45	35	9	1	0	2
Other	86	57	6	0	23	34
<i>Net disposable income</i>						
Use of income account						
Net disposable income	2,045	1,484	6	54	501	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in the net equity of households in pension fund reserves	15	15				0
<i>Net saving/current external account</i>						
Capital account						
Net saving/current external account	111	119	6	39	-53	-25
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	364	97	206	11	49	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	71	12	25	9	25	3
Capital taxes	10				10	0
Other capital transfers	61	12	25	9	15	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 Q4								
Opening balance sheet, financial assets								
Total financial assets		18,548	16,196	33,644	15,185	6,715	3,750	16,985
Monetary gold and special drawing rights (SDRs)				469				
Currency and deposits		6,726	1,934	10,349	2,471	823	712	3,673
Short-term debt securities		43	83	512	350	54	32	710
Long-term debt securities		1,336	240	6,015	2,441	2,650	448	4,004
Loans		77	3,184	13,524	3,658	464	534	1,936
<i>of which: Long-term</i>		58	1,802	10,555	2,589	348	460	.
Shares and other equity		3,995	7,108	1,787	5,987	2,352	1,322	5,884
Quoted shares		648	1,200	317	1,808	518	215	.
Unquoted shares and other equity		2,086	5,529	1,178	3,219	290	958	.
Mutual fund shares		1,260	379	292	959	1,543	148	.
Insurance technical reserves		5,834	169	3	0	232	4	241
Other accounts receivable and financial derivatives		535	3,478	986	278	140	698	540
<i>Net financial worth</i>								
Financial account, transactions in financial assets								
Total transactions in financial assets		84	97	725	-6	-33	61	-110
Monetary gold and SDRs				0				0
Currency and deposits		84	48	758	-106	-8	3	-146
Short-term debt securities		12	9	63	-3	10	6	-64
Long-term debt securities		29	3	83	27	-34	-2	-24
Loans		6	49	-144	56	2	10	37
<i>of which: Long-term</i>		6	43	-8	50	-2	15	.
Shares and other equity		-6	22	-7	59	3	5	86
Quoted shares		3	-2	-3	-31	2	-2	.
Unquoted shares and other equity		25	25	8	104	-11	3	.
Mutual fund shares		-33	-1	-12	-14	12	4	.
Insurance technical reserves		6	-2	0	0	-6	0	5
Other accounts receivable and financial derivatives		-47	-32	-28	-38	1	38	-4
<i>Changes in net financial worth due to transactions</i>								
Other changes account, financial assets								
Total other changes in financial assets		46	278	-60	168	23	-9	251
Monetary gold and SDRs				7				
Currency and deposits		2	-1	-24	-4	-5	0	48
Short-term debt securities		1	2	-12	52	-1	-1	-4
Long-term debt securities		-26	21	-40	-25	-18	-5	56
Loans		0	6	0	34	1	0	7
<i>of which: Long-term</i>		0	2	-6	26	1	5	.
Shares and other equity		3	170	18	108	42	2	196
Quoted shares		3	38	9	114	10	-7	.
Unquoted shares and other equity		-27	137	9	-24	3	6	.
Mutual fund shares		27	-5	0	17	29	4	.
Insurance technical reserves		52	0	0	0	0	0	6
Other accounts receivable and financial derivatives		14	79	-9	2	4	-6	-58
<i>Other changes in net financial worth</i>								
Closing balance sheet, financial assets								
Total financial assets		18,678	16,571	34,310	15,347	6,705	3,802	17,126
Monetary gold and SDRs				476				
Currency and deposits		6,811	1,982	11,083	2,361	810	715	3,575
Short-term debt securities		57	94	563	399	63	37	641
Long-term debt securities		1,340	264	6,057	2,443	2,598	442	4,036
Loans		83	3,239	13,380	3,748	467	544	1,979
<i>of which: Long-term</i>		64	1,847	10,542	2,665	347	480	.
Shares and other equity		3,992	7,299	1,797	6,154	2,397	1,330	6,165
Quoted shares		655	1,236	323	1,891	530	206	.
Unquoted shares and other equity		2,084	5,691	1,194	3,300	283	967	.
Mutual fund shares		1,253	373	280	963	1,583	156	.
Insurance technical reserves		5,892	168	3	0	226	4	252
Other accounts receivable and financial derivatives		503	3,525	949	242	144	730	478
<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 Q4								
Opening balance sheet, liabilities								
Total liabilities		6,728	25,413	32,611	14,627	6,865	9,323	14,987
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			30	23,561	33	0	262	2,802
Short-term debt securities			94	639	71	1	749	229
Long-term debt securities			827	4,585	2,803	32	6,013	2,874
Loans		6,180	8,580		3,430	308	1,741	3,138
<i>of which: Long-term</i>		5,821	6,093		1,883	116	1,431	.
Shares and other equity		7	11,955	2,529	8,069	382	6	5,485
Quoted shares			3,142	348	181	97	0	.
Unquoted shares and other equity		7	8,813	1,114	2,658	283	6	.
Mutual fund shares				1,067	5,230			.
Insurance technical reserves		35	336	71	1	6,039	1	
Other accounts payable and financial derivatives		505	3,591	1,226	220	104	552	457
<i>Net financial worth¹⁾</i>	-1,529	11,820	-9,217	1,033	558	-150	-5,574	
Financial account, transactions in liabilities								
Total transactions in liabilities		19	93	676	-11	-9	129	-78
Monetary gold and SDRs								
Currency and deposits			0	728	0	0	11	-107
Short-term debt securities			-9	65	-4	0	-36	16
Long-term debt securities			14	-39	40	0	88	-20
Loans		14	6		-23	-11	62	-32
<i>of which: Long-term</i>		16	8		35	1	59	.
Shares and other equity		0	29	26	38	1	0	67
Quoted shares			3	4	1	0	0	.
Unquoted shares and other equity		0	26	8	80	1	0	.
Mutual fund shares				14	-43			.
Insurance technical reserves		0	0	0	0	3	0	
Other accounts payable and financial derivatives		4	52	-104	-63	-3	5	-1
<i>Changes in net financial worth due to transactions¹⁾</i>	32	66	4	49	5	-24	-69	-32
Other changes account, liabilities								
Total other changes in liabilities		-20	205	-54	317	54	-155	343
Monetary gold and SDRs								
Currency and deposits			0	30	0	0	0	-13
Short-term debt securities			1	5	4	0	1	28
Long-term debt securities			0	10	16	-2	-132	72
Loans		-2	0		12	0	1	36
<i>of which: Long-term</i>		-2	1		7	0	1	.
Shares and other equity		0	221	-120	277	3	0	157
Quoted shares			154	-20	8	0	0	.
Unquoted shares and other equity		0	67	-11	-13	3	0	.
Mutual fund shares				-89	281			.
Insurance technical reserves		0	0	0	0	58	0	
Other accounts payable and financial derivatives		-18	-17	21	7	-4	-26	63
<i>Other changes in net financial worth¹⁾</i>	100	66	73	-6	-148	-32	146	-93
Closing balance sheet, liabilities								
Total liabilities		6,726	25,710	33,233	14,932	6,910	9,298	15,252
Monetary gold and SDRs								
Currency and deposits			29	24,319	33	0	274	2,683
Short-term debt securities			86	710	71	1	714	272
Long-term debt securities			841	4,556	2,859	30	5,968	2,925
Loans		6,191	8,586		3,419	297	1,804	3,142
<i>of which: Long-term</i>		5,835	6,102		1,926	117	1,491	.
Shares and other equity		7	12,205	2,435	8,385	386	6	5,709
Quoted shares			3,300	333	191	97	0	.
Unquoted shares and other equity		7	8,905	1,111	2,725	287	6	.
Mutual fund shares				992	5,469			.
Insurance technical reserves		35	336	71	1	6,100	1	
Other accounts payable and financial derivatives		492	3,626	1,142	164	96	530	520
<i>Net financial worth¹⁾</i>	-1,398	11,952	-9,139	1,076	415	-206	-5,496	

Source: ECB.

3.2 Euro area non-financial accounts

(EUR billions; four-quarter cumulated flows)

Uses	2007	2008	2009	2010 Q1- 2010 Q4	2010 Q2- 2011 Q1	2010 Q3- 2011 Q2	2010 Q4- 2011 Q3	2011 Q1- 2011 Q4
Generation of income account								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	4,279	4,461	4,442	4,491	4,518	4,551	4,580	4,606
Other taxes less subsidies on production	99	94	85	82	84	87	92	95
Consumption of fixed capital	1,294	1,361	1,385	1,416	1,426	1,436	1,443	1,451
<i>Net operating surplus and mixed income</i> ¹⁾	2,401	2,365	2,111	2,213	2,241	2,260	2,273	2,272
Allocation of primary income account								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	3,698	3,945	2,976	2,816	2,862	2,939	2,997	3,037
Interest	2,129	2,383	1,607	1,411	1,442	1,487	1,535	1,577
Other property income	1,568	1,561	1,369	1,404	1,419	1,452	1,463	1,461
<i>Net national income</i> ¹⁾	7,768	7,804	7,533	7,754	7,814	7,876	7,927	7,957
Secondary distribution of income account								
Net national income								
Current taxes on income, wealth, etc.	1,136	1,145	1,029	1,054	1,072	1,083	1,100	1,109
Social contributions	1,596	1,671	1,676	1,701	1,712	1,724	1,739	1,755
Social benefits other than social transfers in kind	1,586	1,657	1,774	1,821	1,826	1,832	1,840	1,848
Other current transfers	738	771	776	776	776	779	779	779
Net non-life insurance premiums	183	187	181	181	180	180	180	180
Non-life insurance claims	184	188	182	181	181	180	180	180
Other	370	395	413	413	415	418	418	419
<i>Net disposable income</i> ¹⁾	7,675	7,703	7,424	7,641	7,700	7,764	7,817	7,845
Use of income account								
Net disposable income								
Final consumption expenditure	6,887	7,140	7,143	7,304	7,353	7,400	7,441	7,466
Individual consumption expenditure	6,188	6,404	6,373	6,532	6,580	6,626	6,666	6,691
Collective consumption expenditure	698	736	771	772	773	774	775	775
Adjustment for the change in the net equity of households in pension fund reserves	61	70	61	56	56	56	58	59
<i>Net saving</i> ¹⁾	788	562	280	337	347	364	376	379
Capital account								
Net saving								
Gross capital formation	2,066	2,075	1,715	1,790	1,835	1,856	1,874	1,873
Gross fixed capital formation	1,989	2,010	1,763	1,772	1,797	1,812	1,825	1,833
Changes in inventories and acquisitions less disposals of valuables	76	65	-48	18	38	44	50	41
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	-1	1	1	1	1	1	1	0
Capital transfers	153	152	185	227	214	205	169	162
Capital taxes	24	24	34	25	26	26	27	31
Other capital transfers	129	128	151	202	188	180	142	132
<i>Net lending (+)/net borrowing (-) (from capital account)</i> ¹⁾	32	-143	-42	-27	-52	-47	-45	-32

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	2010 Q1- 2010 Q4	2010 Q2- 2011 Q1	2010 Q3- 2011 Q2	2010 Q4- 2011 Q3	2011 Q1- 2011 Q4
Generation of income account								
Gross value added (basic prices)	8,072	8,281	8,023	8,202	8,269	8,334	8,388	8,423
Taxes less subsidies on products	960	946	894	940	956	960	967	972
Gross domestic product (market prices) ²⁾	9,032	9,227	8,917	9,143	9,225	9,294	9,355	9,395
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	2,401	2,365	2,111	2,213	2,241	2,260	2,273	2,272
Compensation of employees	4,287	4,468	4,452	4,503	4,530	4,563	4,593	4,618
Taxes less subsidies on production	1,067	1,047	996	1,036	1,053	1,060	1,072	1,078
Property income	3,712	3,868	2,950	2,818	2,851	2,932	2,988	3,026
Interest	2,092	2,327	1,563	1,367	1,398	1,440	1,485	1,523
Other property income	1,620	1,541	1,388	1,450	1,453	1,492	1,503	1,503
<i>Net national income</i>								
Secondary distribution of income account								
Net national income	7,768	7,804	7,533	7,754	7,814	7,876	7,927	7,957
Current taxes on income, wealth, etc.	1,144	1,154	1,034	1,059	1,077	1,089	1,107	1,115
Social contributions	1,595	1,670	1,674	1,699	1,710	1,722	1,737	1,753
Social benefits other than social transfers in kind	1,578	1,649	1,768	1,815	1,820	1,825	1,833	1,841
Other current transfers	644	671	669	666	665	669	671	670
Net non-life insurance premiums	184	188	182	181	181	180	180	180
Non-life insurance claims	180	184	178	178	177	177	177	176
Other	280	298	308	307	308	312	314	313
<i>Net disposable income</i>								
Use of income account								
Net disposable income	7,675	7,703	7,424	7,641	7,700	7,764	7,817	7,845
Final consumption expenditure								
Individual consumption expenditure								
Collective consumption expenditure								
Adjustment for the change in the net equity of households in pension fund reserves	61	70	61	56	56	56	58	59
<i>Net saving</i>								
Capital account								
Net saving	788	562	280	337	347	364	376	379
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,294	1,361	1,385	1,416	1,426	1,436	1,443	1,451
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	168	161	194	237	225	215	179	175
Capital taxes	24	24	34	25	26	26	27	31
Other capital transfers	144	137	160	212	199	189	152	144
<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	2010 Q1- 2010 Q4	2010 Q2- 2011 Q1	2010 Q3- 2011 Q2	2010 Q4- 2011 Q3	2011 Q1- 2011 Q4
Income, saving and changes in net worth								
Compensation of employees (+)	4,287	4,468	4,452	4,503	4,530	4,563	4,593	4,618
Gross operating surplus and mixed income (+)	1,484	1,522	1,446	1,454	1,466	1,481	1,491	1,496
Interest receivable (+)	316	351	241	214	221	230	239	246
Interest payable (-)	220	249	146	126	130	137	143	147
Other property income receivable (+)	789	786	718	719	728	735	747	752
Other property income payable (-)	10	10	10	10	10	10	10	10
Current taxes on income and wealth (-)	834	872	841	848	855	861	872	875
Net social contributions (-)	1,592	1,667	1,671	1,696	1,707	1,719	1,734	1,750
Net social benefits (+)	1,573	1,644	1,763	1,809	1,814	1,820	1,827	1,835
Net current transfers receivable (+)	63	70	71	70	68	69	69	69
= Gross disposable income	5,854	6,043	6,022	6,089	6,125	6,172	6,206	6,234
Final consumption expenditure (-)	5,081	5,241	5,156	5,291	5,335	5,379	5,418	5,439
Changes in net worth in pension funds (+)	60	69	61	55	55	56	58	59
= Gross saving	833	871	927	853	846	848	847	854
Consumption of fixed capital (-)	358	372	376	380	382	384	386	387
Net capital transfers receivable (+)	12	-1	10	11	11	10	10	8
Other changes in net worth (+)	1,310	-1,776	-799	731	711	586	-192	-720
= Changes in net worth	1,797	-1,278	-238	1,215	1,185	1,061	279	-246
Investment, financing and changes in net worth								
Net acquisition of non-financial assets (+)	661	646	554	560	568	571	577	580
Consumption of fixed capital (-)	358	372	376	380	382	384	386	387
Main items of financial investment (+)								
Short-term assets	421	460	-13	38	104	125	132	125
Currency and deposits	351	438	123	119	139	137	147	117
Money market fund shares	37	-4	-43	-57	-36	-27	-17	-21
Debt securities ¹⁾	33	27	-93	-24	1	15	2	29
Long-term assets	171	25	500	392	299	251	217	193
Deposits	-31	-29	85	56	41	50	51	50
Debt securities	85	17	16	-14	28	32	44	53
Shares and other equity	-104	-97	170	119	35	-3	-23	-26
Quoted and unquoted shares and other equity	39	76	119	103	53	23	28	36
Mutual fund shares	-143	-173	52	17	-18	-26	-51	-62
Life insurance and pension fund reserves	221	133	228	231	195	172	145	115
Main items of financing (-)								
Loans	384	257	103	126	119	136	121	87
<i>of which: From euro area MFIs</i>	283	83	65	147	170	168	148	81
Other changes in assets (+)								
Non-financial assets	1,227	-372	-1,101	620	665	298	262	-269
Financial assets	102	-1,459	303	136	44	238	-466	-477
Shares and other equity	79	-1,209	109	75	71	222	-373	-457
Life insurance and pension fund reserves	8	-239	173	105	35	48	-43	25
Remaining net flows (+)	-42	52	-2	-26	6	97	65	75
= Changes in net worth	1,797	-1,278	-238	1,215	1,185	1,061	279	-246
Balance sheet								
Non-financial assets (+)	28,117	28,018	27,096	27,896	27,932	27,980	28,242	27,820
Financial assets (+)								
Short-term assets	5,264	5,813	5,788	5,829	5,870	5,911	5,907	5,970
Currency and deposits	4,851	5,321	5,476	5,600	5,598	5,650	5,658	5,730
Money market fund shares	280	317	241	185	209	199	194	169
Debt securities ¹⁾	133	175	71	44	63	63	54	70
Long-term assets	12,200	10,718	11,555	12,080	12,160	12,167	11,699	11,799
Deposits	965	913	970	1,027	1,037	1,055	1,068	1,081
Debt securities	1,284	1,307	1,375	1,314	1,336	1,355	1,325	1,327
Shares and other equity	5,152	3,806	4,118	4,311	4,319	4,261	3,801	3,823
Quoted and unquoted shares and other equity	3,761	2,877	3,000	3,107	3,149	3,093	2,735	2,739
Mutual fund shares	1,391	929	1,118	1,204	1,170	1,168	1,066	1,084
Life insurance and pension fund reserves	4,798	4,692	5,092	5,428	5,468	5,496	5,505	5,569
Remaining net assets (+)	308	312	306	315	309	390	394	375
Liabilities (-)								
Loans	5,569	5,820	5,942	6,102	6,103	6,162	6,180	6,191
<i>of which: From euro area MFIs</i>	4,831	4,914	4,968	5,213	5,256	5,304	5,313	5,281
= Net worth	40,320	39,041	38,803	40,018	40,168	40,287	40,063	39,773

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	2010 Q1- 2010 Q4	2010 Q2- 2011 Q1	2010 Q3- 2011 Q2	2010 Q4- 2011 Q3	2011 Q1- 2011 Q4
Income and saving								
Gross value added (basic prices) (+)	4,648	4,759	4,497	4,635	4,684	4,730	4,769	4,792
Compensation of employees (-)	2,711	2,833	2,776	2,807	2,830	2,859	2,884	2,906
Other taxes less subsidies on production (-)	49	46	39	33	34	37	40	41
= Gross operating surplus (+)	1,888	1,880	1,682	1,794	1,820	1,835	1,845	1,845
Consumption of fixed capital (-)	726	767	784	803	810	816	820	824
= Net operating surplus (+)	1,162	1,113	899	991	1,010	1,019	1,025	1,021
Property income receivable (+)	639	637	549	552	554	572	577	572
Interest receivable	218	239	174	157	161	168	175	181
Other property income receivable	421	398	376	395	393	404	402	391
Interest and rents payable (-)	366	421	299	263	270	281	292	301
= Net entrepreneurial income (+)	1,436	1,329	1,149	1,280	1,295	1,310	1,311	1,292
Distributed income (-)	1,005	1,027	936	944	959	964	974	977
Taxes on income and wealth payable (-)	248	236	152	168	176	179	184	190
Social contributions receivable (+)	64	68	70	69	70	70	71	71
Social benefits payable (-)	63	65	68	69	70	70	70	70
Other net transfers (-)	43	48	47	46	46	44	44	45
= Net saving	141	21	17	123	114	124	109	82
Investment, financing and saving								
Net acquisition of non-financial assets (+)	409	369	78	159	191	200	210	210
Gross fixed capital formation (+)	1,058	1,077	911	944	963	976	988	996
Consumption of fixed capital (-)	726	767	784	803	810	816	820	824
Net acquisition of other non-financial assets (+)	77	60	-50	18	37	39	43	39
Main items of financial investment (+)								
Short-term assets	167	72	91	43	28	41	-2	-33
Currency and deposits	153	15	87	67	63	66	45	0
Money market fund shares	-20	33	40	-23	-27	-27	-43	-44
Debt securities ¹⁾	34	24	-35	-2	-7	2	-4	10
Long-term assets	763	664	242	471	480	544	559	554
Deposits	-8	39	0	12	23	22	24	53
Debt securities	51	-42	18	-9	2	14	17	23
Shares and other equity	412	331	110	238	249	304	321	275
Other (mainly intercompany loans)	308	336	114	230	206	204	197	203
Remaining net assets (+)	209	-27	56	-35	-32	-41	-66	-111
Main items of financing (-)								
Debt	928	664	79	181	209	280	261	243
of which: Loans from euro area MFIs	538	394	-113	-11	27	75	79	50
of which: Debt securities	32	48	88	65	44	43	48	46
Shares and other equity	413	315	284	260	272	271	266	232
Quoted shares	62	5	58	31	30	28	29	28
Unquoted shares and other equity	350	310	227	229	242	242	237	203
Net capital transfers receivable (-)	69	74	83	73	70	68	66	65
= Net saving	141	21	17	123	114	124	109	82
Financial balance sheet								
Financial assets								
Short-term assets	1,788	1,879	1,959	1,992	1,958	1,946	1,944	1,968
Currency and deposits	1,507	1,538	1,631	1,693	1,668	1,674	1,680	1,704
Money market fund shares	163	192	214	192	183	171	158	146
Debt securities ¹⁾	118	149	114	107	107	102	107	118
Long-term assets	10,813	9,370	10,282	10,953	11,134	11,268	10,604	10,910
Deposits	213	255	232	258	237	239	254	278
Debt securities	230	180	195	197	219	215	216	240
Shares and other equity	8,026	6,278	7,075	7,474	7,625	7,706	6,950	7,153
Other (mainly intercompany loans)	2,344	2,657	2,779	3,024	3,052	3,108	3,184	3,239
Remaining net assets	253	204	190	41	141	92	86	96
Liabilities								
Debt	8,644	9,326	9,423	9,588	9,655	9,761	9,837	9,849
of which: Loans from euro area MFIs	4,465	4,870	4,711	4,695	4,726	4,751	4,766	4,725
of which: Debt securities	647	702	824	882	859	878	921	927
Shares and other equity	14,376	11,123	12,436	13,148	13,427	13,417	11,955	12,205
Quoted shares	5,068	2,941	3,502	3,813	3,923	3,914	3,142	3,300
Unquoted shares and other equity	9,308	8,182	8,934	9,334	9,504	9,503	8,813	8,905

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	2010 Q1- 2010 Q4	2010 Q2- 2011 Q1	2010 Q3- 2011 Q2	2010 Q4- 2011 Q3	2011 Q1- 2011 Q4
Financial account, financial transactions								
Main items of financial investment (+)								
Short-term assets	22	73	-48	-19	-24	-35	2	50
Currency and deposits	7	57	-33	-9	-9	-15	5	16
Money market fund shares	4	12	0	-17	-24	-23	-12	11
Debt securities ¹⁾	11	3	-14	7	9	3	9	23
Long-term assets	240	119	286	282	246	268	220	100
Deposits	47	-9	19	-8	8	11	17	10
Debt securities	108	72	105	180	144	128	69	3
Loans	-15	25	6	26	19	22	14	4
Quoted shares	21	-10	-57	13	16	16	11	7
Unquoted shares and other equity	14	16	-15	1	4	5	12	-4
Mutual fund shares	64	25	229	70	56	86	98	81
Remaining net assets (+)	2	13	24	20	2	-47	-48	-37
Main items of financing (-)								
Debt securities	3	4	5	0	0	2	3	3
Loans	-2	32	-2	11	17	13	8	7
Shares and other equity	3	8	4	7	6	1	1	1
Insurance technical reserves	247	121	234	273	217	180	139	103
Net equity of households in life insurance and pension fund reserves	224	119	230	249	197	168	132	103
Prepayments of insurance premiums and reserves for outstanding claims	22	1	4	24	21	12	7	-1
= Changes in net financial worth due to transactions	13	40	21	-7	-16	-11	23	-1
Other changes account								
Other changes in financial assets (+)								
Shares and other equity	-9	-515	207	99	33	60	-122	-113
Other net assets	-32	53	27	-13	-63	-44	-62	33
Other changes in liabilities (-)								
Shares and other equity	-21	-172	12	-10	-8	12	-43	-44
Insurance technical reserves	28	-254	186	107	40	50	-31	41
Net equity of households in life insurance and pension fund reserves	16	-244	183	107	42	55	-30	40
Prepayments of insurance premiums and reserves for outstanding claims	12	-10	3	0	-2	-5	-2	0
= Other changes in net financial worth	-47	-35	37	-12	-62	-46	-110	-76
Financial balance sheet								
Financial assets (+)								
Short-term assets	318	393	340	326	319	319	350	361
Currency and deposits	163	224	195	190	181	181	199	193
Money market fund shares	91	101	93	77	75	75	81	87
Debt securities ¹⁾	63	67	51	58	63	63	70	81
Long-term assets	5,470	5,080	5,650	6,015	6,069	6,100	5,993	5,974
Deposits	594	599	617	611	624	624	624	617
Debt securities	2,202	2,265	2,441	2,604	2,617	2,631	2,634	2,581
Loans	410	433	437	463	462	467	464	467
Quoted shares	750	491	523	563	576	570	518	530
Unquoted shares and other equity	348	321	301	293	292	290	290	283
Mutual fund shares	1,166	971	1,331	1,481	1,497	1,517	1,463	1,496
Remaining net assets (+)	174	237	212	242	252	239	268	274
Liabilities (-)								
Debt securities	20	23	31	33	31	33	32	31
Loans	244	281	273	293	297	300	308	297
Shares and other equity	580	416	432	429	445	429	382	386
Insurance technical reserves	5,290	5,156	5,576	5,957	6,013	6,035	6,039	6,100
Net equity of households in life insurance and pension fund reserves	4,481	4,356	4,769	5,126	5,168	5,196	5,203	5,269
Prepayments of insurance premiums and reserves for outstanding claims	809	800	807	831	844	839	836	830
= Net financial wealth	-173	-168	-110	-129	-146	-141	-150	-206

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

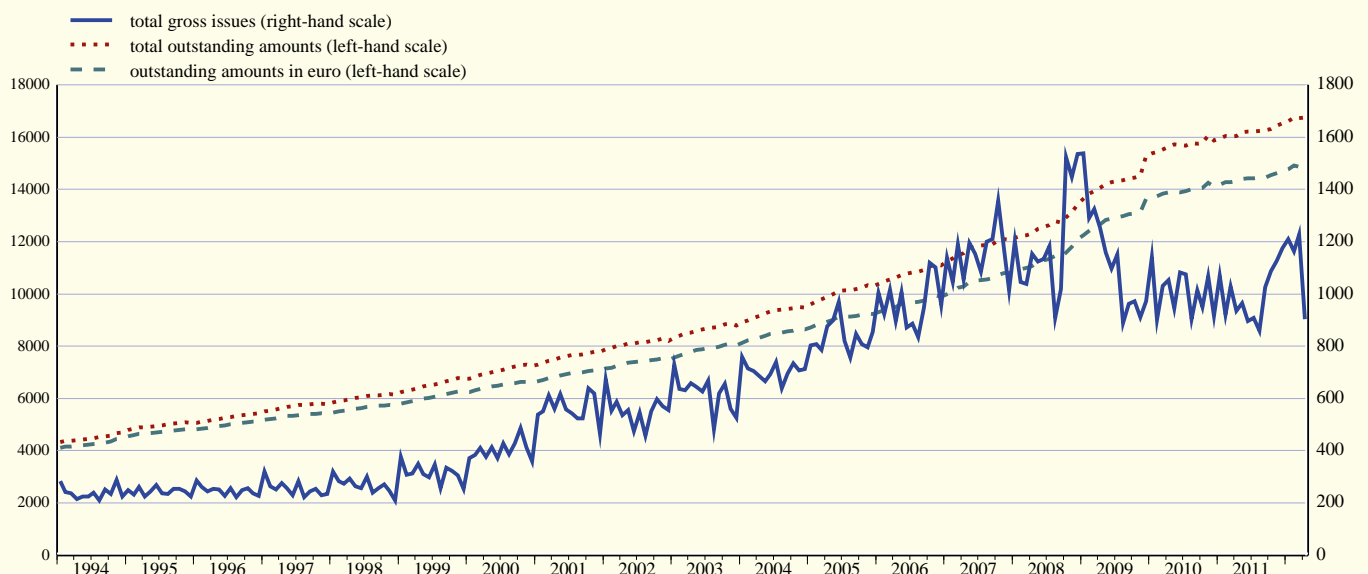
4.1 Securities other than shares by original maturity, residency of the issuer and currency

(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	6-month growth rates	
	Total											
2011 Apr.	16,483.9	889.7	21.4	14,316.0	850.3	47.5	16,040.4	934.9	50.9	3.2	25.0	3.3
May	16,587.2	922.6	101.6	14,408.6	866.0	91.0	16,188.9	963.8	118.1	3.6	41.7	1.8
June	16,618.6	852.3	31.4	14,431.4	800.4	22.7	16,205.1	897.3	23.3	3.8	49.5	3.2
July	16,588.8	852.6	-30.3	14,421.6	825.3	-10.4	16,218.7	907.2	-11.1	3.6	14.4	2.4
Aug.	16,620.5	808.3	31.9	14,454.2	773.9	32.8	16,227.9	859.8	20.5	3.2	49.2	2.4
Sep.	16,651.9	1,002.0	31.8	14,459.4	926.1	5.6	16,272.7	1,026.6	7.5	3.3	59.8	3.0
Oct.	16,702.8	1,034.5	51.6	14,537.8	992.9	79.1	16,316.2	1,086.5	69.5	3.3	59.3	3.4
Nov.	16,785.8	1,062.0	82.5	14,628.1	1,014.9	89.5	16,443.2	1,126.0	97.8	2.4	9.0	3.0
Dec.	16,850.6	1,125.6	64.7	14,691.6	1,083.2	63.5	16,533.9	1,174.3	62.3	4.0	188.0	4.7
2012 Jan.	16,942.3	1,168.7	91.8	14,775.1	1,095.5	83.7	16,600.0	1,209.8	75.4	3.8	61.4	5.3
Feb.	17,130.2	1,118.7	178.5	14,923.6	1,045.8	149.0	16,748.9	1,163.3	167.4	4.2	112.9	6.1
Mar.	17,145.2	1,200.5	109.8	14,873.3	1,091.6	43.9	16,740.1	1,226.2	80.9	4.8	90.7	6.5
Apr.	.	.	.	14,858.0	799.8	-5.3	16,744.3	903.3	1.1	4.4	-24.3	5.4
	Long-term											
2011 Apr.	15,083.5	303.3	53.7	12,991.8	278.4	64.6	14,506.3	308.9	67.8	4.2	48.4	4.8
May	15,159.6	275.9	75.0	13,059.6	243.5	66.6	14,612.1	266.5	80.2	4.4	14.9	3.4
June	15,211.5	259.5	51.4	13,109.6	228.2	49.4	14,659.7	257.1	52.5	4.6	42.7	3.7
July	15,193.3	203.3	-20.4	13,098.6	192.1	-13.3	14,671.1	213.8	-12.8	4.4	25.9	2.7
Aug.	15,189.6	123.1	-3.7	13,099.1	113.5	0.5	14,652.6	123.5	-8.1	4.0	29.9	2.5
Sep.	15,180.0	229.2	-8.9	13,085.7	189.8	-12.7	14,680.0	213.9	-5.3	4.0	41.4	2.8
Oct.	15,253.5	278.3	75.4	13,165.1	250.9	81.4	14,725.9	268.0	69.8	4.0	73.8	3.2
Nov.	15,324.2	211.0	70.5	13,246.9	191.8	81.2	14,843.1	212.5	91.6	3.3	8.8	3.1
Dec.	15,375.1	238.0	49.8	13,311.7	228.8	63.8	14,934.7	246.4	66.0	4.0	136.0	4.4
2012 Jan.	15,459.9	347.7	85.2	13,373.3	301.8	62.1	14,977.6	330.8	50.8	3.9	77.5	5.1
Feb.	15,627.3	350.7	157.0	13,509.2	308.3	135.4	15,108.0	338.9	146.1	4.2	95.3	6.0
Mar.	15,628.6	352.4	96.6	13,466.9	278.8	52.5	15,091.7	329.2	76.2	4.7	79.8	6.5
Apr.	.	.	.	13,449.4	174.8	-7.6	15,097.0	206.4	5.2	4.2	-14.7	5.2

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 ¹⁾					
	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	15,872	5,246	3,291	850	5,932	554	1,007	625	80	69	205	29
2011	16,534	5,530	3,296	868	6,216	624	1,000	609	98	62	191	39
2011 Q2	16,205	5,364	3,246	832	6,167	597	932	551	86	60	192	43
Q3	16,273	5,426	3,227	853	6,160	607	931	580	79	60	180	33
Q4	16,534	5,530	3,296	868	6,216	624	1,129	714	136	70	172	36
2012 Q1	16,740	5,632	3,330	900	6,208	670	1,200	753	105	69	223	49
2012 Jan.	16,600	5,541	3,280	875	6,271	633	1,210	729	117	64	249	51
Feb.	16,749	5,604	3,291	886	6,314	654	1,163	742	82	68	218	53
Mar.	16,740	5,632	3,330	900	6,208	670	1,226	788	118	76	203	41
Apr.	16,744	5,610	3,363	916	6,190	665	903	559	58	73	191	24
	Short-term											
2010	1,540	572	122	67	724	54	759	534	34	57	115	19
2011	1,599	702	110	77	634	77	747	511	47	53	107	29
2011 Q2	1,545	582	124	72	702	65	654	440	31	51	102	32
Q3	1,593	613	113	83	712	72	747	512	42	53	114	26
Q4	1,599	702	110	77	634	77	887	629	75	60	94	28
2012 Q1	1,648	711	126	81	641	91	867	598	61	54	125	29
2012 Jan.	1,622	709	109	77	649	79	879	587	67	51	139	34
Feb.	1,641	715	117	82	644	83	824	571	52	53	122	27
Mar.	1,648	711	126	81	641	91	897	634	66	57	114	26
Apr.	1,647	709	130	92	633	83	697	484	32	62	103	15
	Long-term ²⁾											
2010	14,332	4,674	3,168	783	5,207	499	248	91	46	12	90	9
2011	14,935	4,827	3,186	791	5,583	547	252	98	51	9	84	10
2011 Q2	14,660	4,781	3,123	759	5,465	532	277	111	55	9	90	12
Q3	14,680	4,813	3,114	770	5,448	535	184	67	36	7	66	7
Q4	14,935	4,827	3,186	791	5,583	547	242	85	61	10	78	8
2012 Q1	15,092	4,922	3,204	819	5,567	580	333	155	44	16	98	20
2012 Jan.	14,978	4,833	3,172	797	5,622	554	331	141	51	12	110	17
Feb.	15,108	4,889	3,174	804	5,671	571	339	171	30	15	97	27
Mar.	15,092	4,922	3,204	819	5,567	580	329	154	52	19	89	15
Apr.	15,097	4,900	3,233	824	5,557	582	206	75	26	10	87	8
	<i>of which: Long-term fixed rate</i>											
2010	9,478	2,633	1,099	672	4,697	377	156	50	13	10	77	6
2011	10,028	2,777	1,151	698	4,994	408	151	54	12	8	70	7
2011 Q2	9,863	2,743	1,141	666	4,912	401	173	62	20	8	74	8
Q3	9,888	2,773	1,149	678	4,887	400	112	35	8	6	58	5
Q4	10,028	2,777	1,151	698	4,994	408	123	41	7	9	61	5
2012 Q1	10,240	2,890	1,201	724	5,003	421	228	103	17	14	83	11
2012 Jan.	10,091	2,799	1,159	704	5,021	409	218	96	16	11	86	9
Feb.	10,214	2,845	1,166	710	5,076	417	243	107	18	14	88	16
Mar.	10,240	2,890	1,201	724	5,003	421	223	106	17	17	75	7
Apr.	10,254	2,884	1,209	730	5,008	423	134	37	9	9	73	6
	<i>of which: Long-term variable rate</i>											
2010	4,383	1,761	1,964	106	432	121	78	34	29	1	10	4
2011	4,404	1,781	1,881	90	513	139	84	37	32	1	11	3
2011 Q2	4,296	1,765	1,836	89	477	129	84	42	23	1	13	4
Q3	4,286	1,767	1,806	88	491	133	56	26	21	0	5	3
Q4	4,404	1,781	1,881	90	513	139	106	36	51	1	15	3
2012 Q1	4,341	1,764	1,842	92	486	156	89	45	23	1	10	8
2012 Jan.	4,377	1,766	1,858	90	519	143	92	37	30	1	16	8
Feb.	4,386	1,775	1,850	91	520	151	82	56	11	1	5	10
Mar.	4,341	1,764	1,842	92	486	156	92	42	30	2	11	7
Apr.	4,340	1,750	1,863	90	479	158	59	31	14	1	10	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

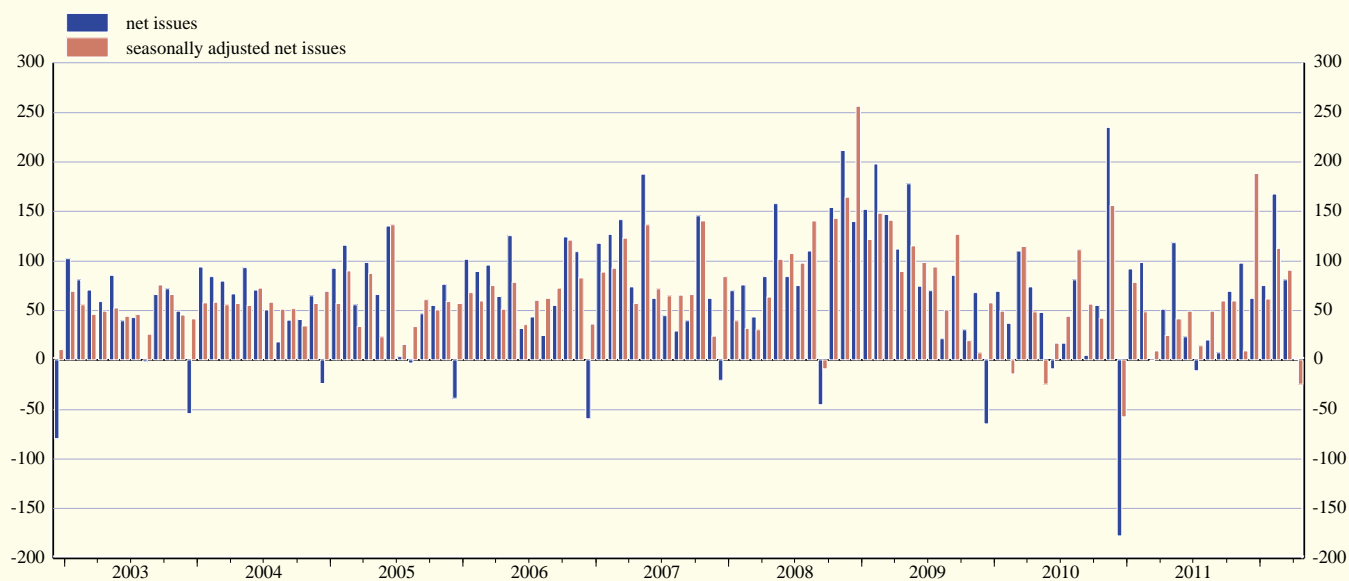
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted ¹⁾						Seasonally adjusted ¹⁾					
	Total	MFIs (including 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	45.4	-1.2	4.7	5.0	31.6	5.3	45.3	-1.4	4.8	5.0	31.8	5.1
2011	52.4	22.7	-3.0	3.7	23.4	5.6	52.6	23.1	-2.7	3.8	23.1	5.3
2011 Q2	64.1	5.2	-2.3	2.7	47.5	11.0	38.7	0.8	-7.5	-0.2	34.2	11.5
Q3	5.6	12.8	-10.0	4.5	-3.8	2.0	41.1	20.4	5.2	6.2	5.6	3.7
Q4	76.5	29.7	21.1	3.3	17.6	4.9	85.5	47.1	-4.5	6.5	36.1	0.3
2012 Q1	107.9	38.1	12.5	11.7	29.6	15.9	88.3	16.9	28.3	9.9	14.8	18.4
2012 Jan.	75.4	16.8	-14.3	8.0	55.5	9.4	61.4	-7.2	5.4	4.3	39.3	19.7
Feb.	167.4	73.0	14.2	13.4	45.0	21.8	112.9	39.8	23.2	11.2	16.3	22.3
Mar.	80.9	24.5	37.7	13.8	-11.6	16.5	90.7	18.3	56.3	14.1	-11.3	13.3
Apr.	1.1	-29.9	30.6	14.7	-8.1	-6.2	-24.3	-38.1	27.6	9.1	-15.7	-7.2
	Long-term											
2010	54.0	1.9	2.0	5.3	41.3	3.5	54.3	2.0	2.2	5.3	41.4	3.5
2011	47.9	12.0	-1.8	2.8	31.0	3.9	48.4	12.2	-1.5	2.8	31.1	3.9
2011 Q2	66.8	16.9	-5.7	2.4	46.7	6.5	35.3	5.8	-10.0	-0.6	35.1	5.0
Q3	-8.7	3.1	-6.4	0.9	-6.9	0.6	32.4	10.9	7.4	2.2	9.1	2.7
Q4	75.8	0.8	22.1	5.5	43.8	3.6	72.9	14.9	-1.3	7.1	48.9	3.2
2012 Q1	91.0	35.1	7.1	10.4	27.3	11.1	84.2	24.3	21.1	10.5	17.4	10.8
2012 Jan.	50.8	9.2	-13.1	7.5	40.7	6.6	77.5	-5.8	8.2	9.1	46.0	8.4
Feb.	146.1	64.4	5.5	8.8	49.7	17.6	95.3	39.3	9.2	7.7	20.3	18.9
Mar.	76.2	31.7	28.8	15.0	-8.4	9.1	79.8	27.9	46.1	14.8	-14.1	5.2
Apr.	5.2	-26.3	26.9	3.0	-0.4	1.9	-14.7	-37.2	26.9	-0.1	-3.5	-0.7

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.

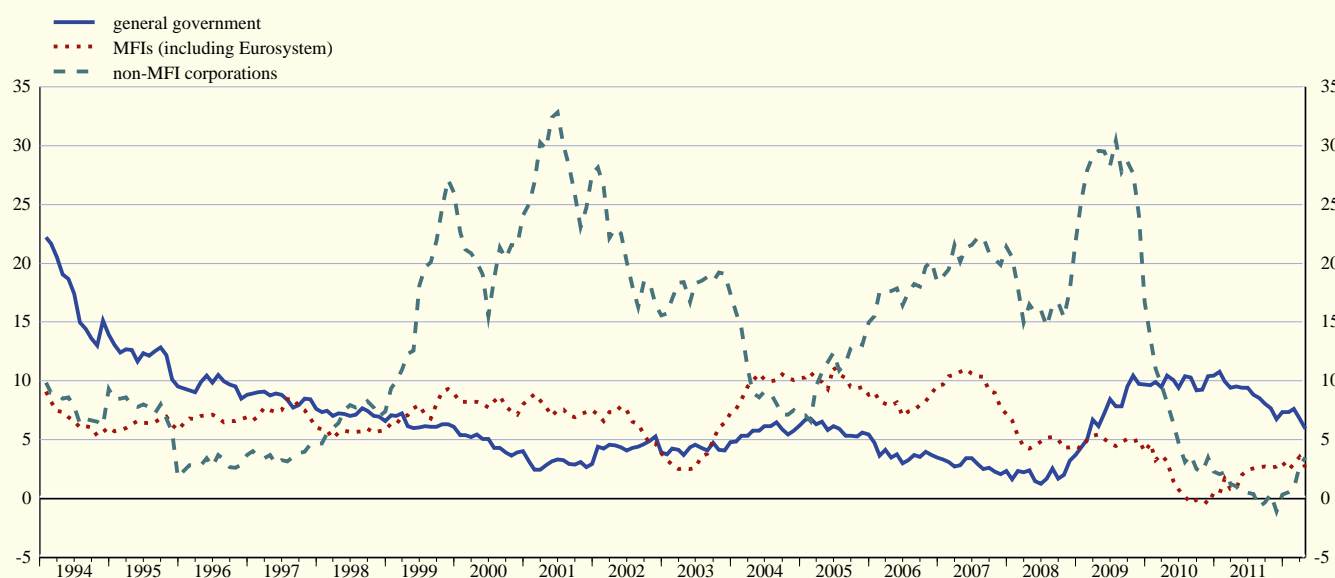
4.3 Growth rates of securities other than shares issued by euro area residents ¹⁾

(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												
2011 Apr.	3.2	0.4	1.0	3.4	6.0	14.6	3.3	2.9	-0.8	2.5	5.3	12.3
May	3.6	1.7	0.2	4.3	6.1	17.4	1.8	3.0	-4.2	3.7	2.7	15.8
June	3.8	1.8	0.4	4.2	6.5	16.1	3.2	2.8	-2.1	1.8	5.2	20.1
July	3.6	1.8	0.3	4.9	6.2	13.3	2.4	1.2	-3.0	2.9	5.1	16.0
Aug.	3.2	2.0	-1.3	5.2	5.6	15.3	2.4	1.3	-3.9	4.4	4.9	22.0
Sep.	3.3	2.4	-0.7	4.8	5.1	14.2	3.0	2.4	-0.4	4.4	4.0	16.8
Oct.	3.3	2.9	-0.3	4.7	4.7	12.8	3.4	3.0	0.3	7.1	4.2	12.9
Nov.	2.4	3.2	-2.3	5.1	3.0	13.6	3.0	3.4	-0.5	6.6	3.4	11.0
Dec.	4.0	5.2	-1.1	5.4	4.7	12.1	4.7	7.7	0.1	9.4	4.1	4.0
2012 Jan.	3.8	4.4	-1.2	5.9	4.8	15.4	5.3	7.6	0.6	9.0	4.5	14.9
Feb.	4.2	4.5	-0.5	7.0	4.8	19.8	6.1	7.8	3.1	9.6	4.7	17.7
Mar.	4.8	4.8	2.0	8.1	4.5	17.9	6.5	7.2	4.4	11.8	5.0	19.1
Apr.	4.4	4.2	2.8	9.6	3.7	15.7	5.4	5.4	5.4	11.9	3.3	18.7
Long-term												
2011 Apr.	4.2	0.9	0.1	5.0	9.5	9.5	4.8	3.4	-1.6	4.0	10.0	8.7
May	4.4	2.0	-0.6	5.2	9.1	12.1	3.4	3.6	-4.9	3.1	7.9	11.0
June	4.6	2.4	-0.4	4.4	9.4	9.4	3.7	2.9	-2.3	1.5	7.8	11.9
July	4.4	2.6	-0.6	4.8	8.7	9.8	2.7	1.4	-3.0	2.1	6.6	12.2
Aug.	4.0	2.7	-1.9	4.4	8.4	10.2	2.5	1.2	-3.9	2.8	6.8	12.1
Sep.	4.0	2.7	-1.2	3.4	7.9	9.4	2.8	2.1	-0.5	1.3	5.0	9.3
Oct.	4.0	2.6	-0.4	3.5	7.6	8.7	3.2	1.8	0.9	3.0	5.3	8.5
Nov.	3.3	2.7	-2.3	4.0	6.4	10.0	3.1	1.9	0.2	4.9	4.9	9.1
Dec.	4.0	3.1	-0.7	4.4	7.2	9.4	4.4	3.3	1.2	7.5	6.5	6.9
2012 Jan.	3.9	2.4	-0.7	5.7	7.0	11.1	5.1	3.5	1.7	9.5	7.3	10.1
Feb.	4.2	2.9	-0.5	6.5	7.0	13.5	6.0	4.7	3.1	10.3	7.3	15.2
Mar.	4.7	3.5	1.6	7.6	6.2	12.7	6.5	5.0	3.8	14.2	7.4	16.3
Apr.	4.2	2.7	2.6	7.2	5.4	11.8	5.2	3.5	4.2	11.4	5.5	15.0

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.

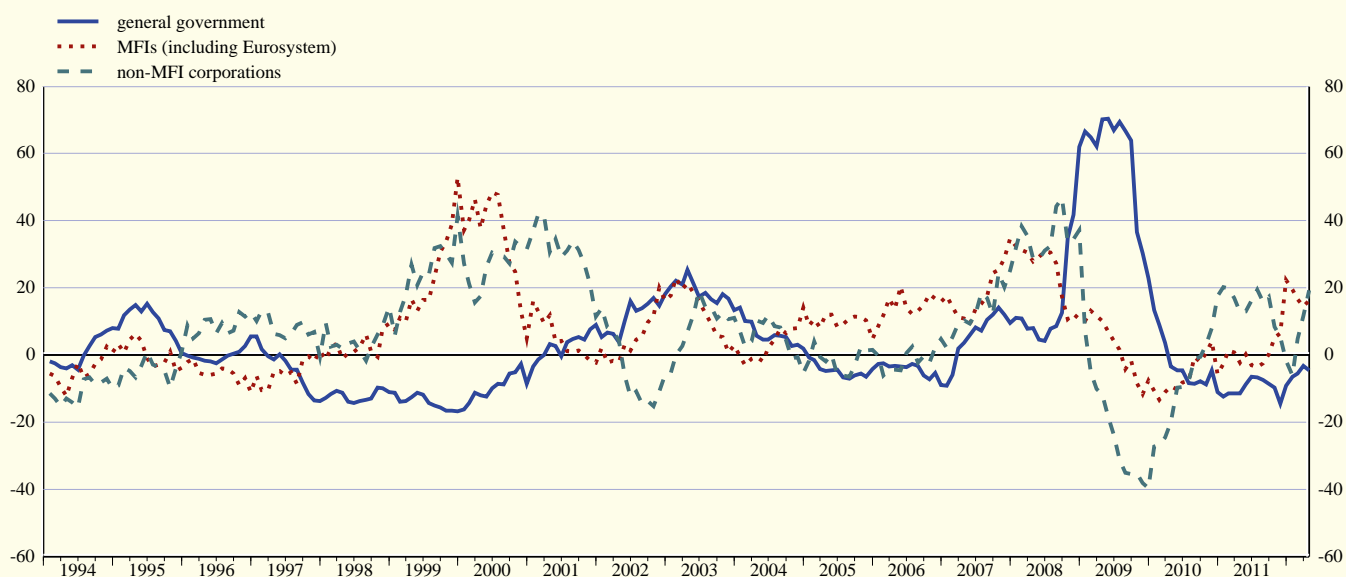
4.3 Growth rates of securities other than shares issued by euro area residents ¹⁾ (cont'd)

(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												
2010	8.8	5.7	6.4	19.7	9.9	8.8	-0.6	-4.0	0.7	-2.0	6.4	27.5
2011	6.4	5.0	3.4	6.3	7.8	7.6	-0.7	-1.4	-5.4	-1.9	22.3	16.1
2011 Q2	6.5	4.6	3.7	6.4	8.2	7.9	-0.5	-2.0	-4.7	-1.5	23.5	18.4
Q3	6.6	6.3	4.2	5.2	7.4	8.9	-1.5	-1.3	-7.8	-2.3	25.7	13.0
Q4	5.6	5.7	2.6	4.5	6.1	8.1	-1.1	-0.5	-7.0	-2.5	21.0	13.9
2012 Q1	5.8	5.7	2.1	6.6	6.4	9.0	-0.1	0.2	-5.2	-0.7	15.3	21.5
2011 Nov.	5.2	5.2	1.6	4.6	5.8	8.5	-1.8	0.0	-8.0	-2.3	14.6	15.1
Dec.	5.5	5.7	0.9	5.0	6.3	8.0	0.2	0.3	-4.8	-1.0	18.7	14.3
2012 Jan.	5.7	5.3	2.0	6.4	6.4	8.7	-0.6	-0.5	-5.5	-0.9	15.6	19.3
Feb.	6.1	5.7	2.9	6.9	6.7	10.1	-0.2	0.4	-5.9	-0.2	15.3	24.4
Mar.	5.9	6.5	2.1	8.0	5.9	8.3	0.6	0.9	-3.8	-0.9	11.4	27.0
Apr.	5.5	5.7	2.1	7.9	5.6	7.3	-0.2	-0.4	-3.3	-0.5	6.4	25.9
In euro												
2010	9.1	5.6	7.4	20.1	10.0	8.3	-0.4	-3.3	0.4	-2.5	5.9	26.2
2011	6.5	4.2	3.6	6.6	8.1	7.2	-0.2	0.0	-6.0	-2.9	22.2	15.3
2011 Q2	6.6	3.8	4.0	6.5	8.5	7.3	0.3	-0.6	-4.8	-2.7	23.5	18.1
Q3	6.7	5.5	4.4	5.9	7.6	8.6	-1.2	-0.2	-8.6	-3.5	25.6	11.1
Q4	5.7	5.5	2.6	4.7	6.4	8.5	-0.7	0.9	-7.8	-3.6	20.8	12.3
2012 Q1	6.2	6.0	2.6	6.5	6.6	9.8	0.4	2.1	-5.9	-1.9	15.0	20.2
2011 Nov.	5.5	5.3	1.8	4.7	6.1	9.0	-1.4	1.5	-8.5	-3.4	14.3	13.7
Dec.	5.7	5.7	0.8	5.1	6.5	8.6	0.4	1.8	-5.8	-2.1	18.4	13.1
2012 Jan.	6.1	5.5	2.6	6.1	6.6	10.0	0.2	1.5	-5.9	-2.1	15.3	18.2
Feb.	6.4	6.1	3.5	6.6	6.8	10.7	0.5	2.5	-6.3	-1.5	15.1	22.6
Mar.	6.2	7.0	2.4	8.4	6.1	9.1	0.8	2.7	-5.3	-2.1	11.3	26.1
Apr.	5.7	6.0	2.0	8.2	5.8	7.0	-0.1	1.8	-5.1	-2.2	6.2	25.4

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)

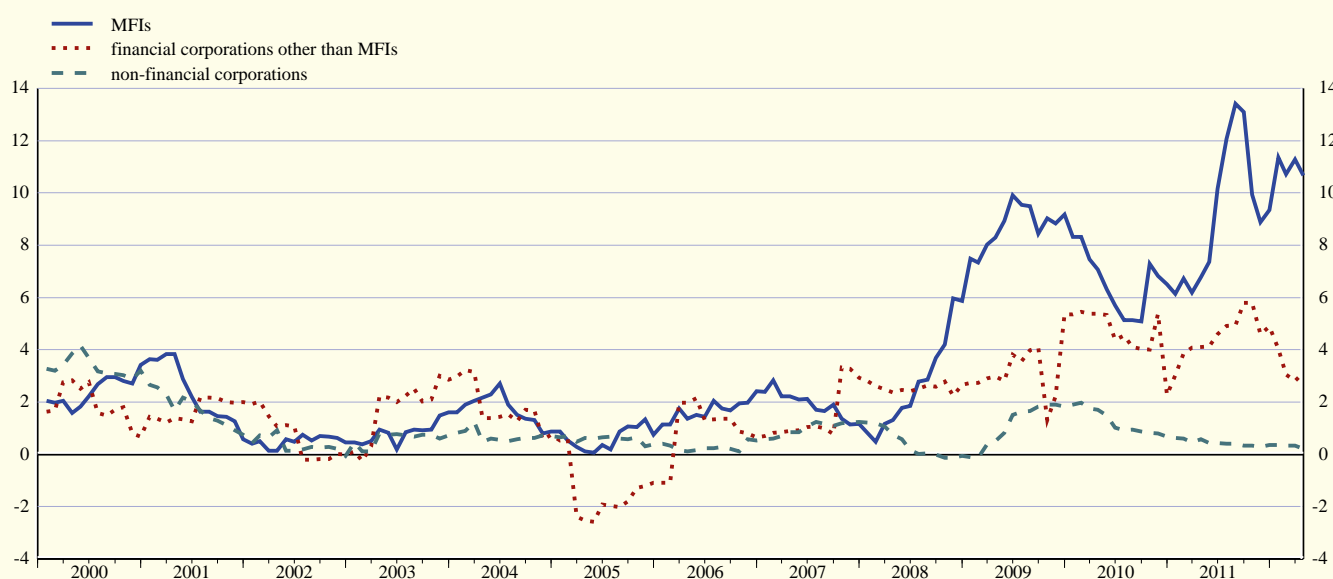
1. Outstanding amounts and annual growth rates

(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
2010 Apr.	4,409.1	103.4	2.7	508.4	7.1	345.8	5.4	3,555.0	1.7
May	4,093.4	103.5	2.4	445.9	6.3	322.7	5.3	3,324.8	1.5
June	4,054.6	103.7	1.9	446.4	5.7	315.6	4.4	3,292.6	1.0
July	4,256.1	103.7	1.7	519.8	5.1	338.1	4.5	3,398.2	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	333.6	4.0	3,683.0	0.8
Nov.	4,413.3	104.4	1.8	437.8	6.8	316.6	5.4	3,658.9	0.8
Dec.	4,596.2	104.4	1.4	458.4	6.5	334.0	2.3	3,803.8	0.7
2011 Jan.	4,759.8	104.5	1.4	514.3	6.1	365.8	3.0	3,879.7	0.6
Feb.	4,845.8	104.7	1.5	535.0	6.7	379.0	3.9	3,931.9	0.6
Mar.	4,767.3	104.8	1.4	491.7	6.2	363.3	4.1	3,912.4	0.5
Apr.	4,891.8	105.0	1.5	497.5	6.8	371.5	4.1	4,022.7	0.6
May	4,777.5	105.0	1.4	475.9	7.4	356.3	4.1	3,945.3	0.4
June	4,722.7	105.5	1.7	491.6	10.2	350.6	4.6	3,880.5	0.4
July	4,504.3	105.7	1.9	458.8	12.1	325.6	4.9	3,720.0	0.4
Aug.	3,975.3	105.9	2.0	383.0	13.4	281.7	4.9	3,310.6	0.4
Sep.	3,749.2	105.9	2.0	350.7	13.1	264.4	5.8	3,134.2	0.3
Oct.	4,043.3	105.9	1.7	360.6	9.9	288.0	5.8	3,394.7	0.3
Nov.	3,892.8	105.9	1.4	330.0	8.9	271.5	4.6	3,291.3	0.3
Dec.	3,906.3	106.1	1.6	339.6	9.3	270.7	4.9	3,296.0	0.3
2012 Jan.	4,120.5	106.3	1.7	375.8	11.3	298.1	4.0	3,446.7	0.4
Feb.	4,285.7	106.3	1.5	395.0	10.7	311.3	3.1	3,579.4	0.3
Mar.	4,271.6	106.4	1.5	373.4	11.3	311.1	2.8	3,587.2	0.3
Apr.	4,098.8	106.4	1.4	327.6	10.7	292.0	3.1	3,479.3	0.2

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

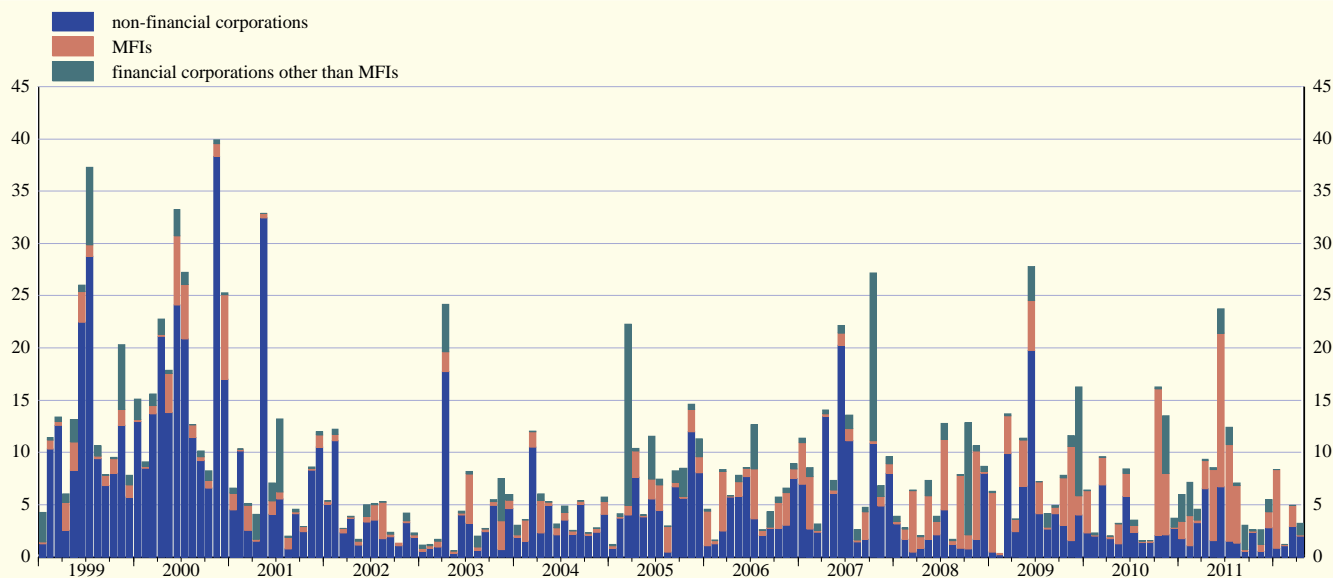
(EUR billions; market values)

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
2010 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.	13.5	1.5	12.0	5.9	0.0	5.9	5.5	0.1	5.4	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.	6.0	1.3	4.7	1.6	0.0	1.6	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.	9.4	0.5	8.8	2.7	0.0	2.7	0.1	0.0	0.1	6.5	0.5	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
Oct.	2.4	0.4	2.0	0.0	0.0	0.0	0.1	0.0	0.1	2.3	0.4	1.9
Nov.	2.6	1.5	1.1	0.7	0.0	0.7	1.4	0.0	1.4	0.5	1.5	-1.0
Dec.	5.5	1.0	4.5	1.5	0.0	1.5	1.2	0.0	1.2	2.8	1.0	1.8
2012 Jan.	8.3	0.4	7.9	7.5	0.0	7.5	0.0	0.1	-0.1	0.9	0.3	0.5
Feb.	1.1	1.4	-0.3	0.0	0.0	0.0	0.0	0.2	-0.2	1.0	1.2	-0.1
Mar.	5.0	0.7	4.2	2.0	0.0	2.0	0.0	0.1	-0.1	2.9	0.6	2.3
Apr.	3.1	0.3	2.7	0.0	0.0	0.0	1.1	0.0	1.1	2.0	0.3	1.7

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
2011 June	0.49	2.58	3.25	3.15	1.67	1.92	0.67	1.78	2.82	2.94	1.47
July	0.52	2.74	3.16	3.10	1.67	1.93	0.66	1.77	2.66	3.03	1.41
Aug.	0.54	2.73	3.16	2.99	1.74	1.93	0.68	1.64	2.69	2.99	1.42
Sep.	0.55	2.73	3.15	2.92	1.76	1.94	0.69	1.71	2.72	2.79	1.47
Oct.	0.55	2.88	3.17	3.14	1.77	1.96	0.69	1.67	2.74	3.23	1.65
Nov.	0.55	2.78	3.08	3.03	1.78	1.96	0.66	1.46	2.61	2.85	1.62
Dec.	0.54	2.78	3.20	3.06	1.79	1.97	0.65	1.50	2.76	2.90	1.38
2012 Jan.	0.53	2.94	3.48	3.15	1.81	1.96	0.61	1.27	2.95	2.92	1.23
Feb.	0.52	2.90	3.38	3.16	1.81	1.96	0.59	1.22	2.96	3.01	1.05
Mar.	0.51	2.88	3.04	3.03	1.79	1.95	0.59	1.25	2.75	2.98	0.97
Apr.	0.49	2.82	2.92	2.84	1.76	1.95	0.55	1.10	2.70	3.07	1.28
May	0.48	2.65	2.70	2.67	1.74	1.92	0.55	1.01	2.30	2.75	0.93

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
2011 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.	8.43	17.17	5.60	6.53	7.94	7.54	3.44	3.79	3.86	3.94	3.95	3.98	4.76	4.16
Nov.	8.41	17.11	5.56	6.47	7.78	7.39	3.43	3.74	3.84	3.94	3.96	4.22	4.93	4.02
Dec.	8.37	17.08	5.26	6.44	7.64	7.16	3.49	3.74	3.81	3.95	4.02	4.13	4.84	3.92
2012 Jan.	8.46	17.06	5.61	6.58	8.08	7.57	3.50	3.71	3.75	4.03	4.03	3.88	4.76	3.93
Feb.	8.41	17.05	5.70	6.58	8.09	7.62	3.44	3.64	3.70	3.95	3.92	3.86	4.71	4.04
Mar.	8.39	16.98	5.55	6.44	7.94	7.45	3.31	3.57	3.61	3.91	3.83	3.73	4.74	3.90
Apr.	8.26	17.10	5.42	6.31	7.95	7.35	3.20	3.58	3.59	3.96	3.79	3.65	4.68	3.89
May	8.26	17.06	5.64	6.38	7.95	7.47	3.14	3.54	3.53	3.84	3.72	3.80	4.74	3.83

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
2011 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	2.87	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	2.79	3.56	3.64	3.99	3.87	4.06
Sep.	4.54	4.59	4.94	4.79	4.94	4.46	4.31	2.84	3.44	3.69	3.63	3.64	3.74
Oct.	4.61	4.70	5.10	4.86	4.99	4.56	4.27	2.98	3.54	3.78	3.89	3.60	3.71
Nov.	4.61	4.77	5.26	4.98	5.10	4.65	4.26	2.80	3.66	3.42	3.92	3.60	3.71
Dec.	4.67	4.89	5.15	4.98	5.05	4.58	4.27	3.04	3.74	3.11	3.95	3.73	3.75
2012 Jan.	4.64	4.93	5.35	4.78	5.04	4.40	4.33	2.66	3.70	3.06	3.45	2.70	3.80
Feb.	4.59	4.86	5.25	4.74	5.02	4.65	4.41	2.50	3.76	3.36	3.89	3.77	3.64
Mar.	4.61	4.81	5.17	4.66	5.00	4.63	4.32	2.39	3.43	3.06	3.09	3.37	3.57
Apr.	4.47	4.96	5.09	4.61	4.85	4.57	4.39	2.39	3.52	3.43	3.40	3.51	3.59
May	4.44	4.82	5.03	4.60	4.84	4.49	4.20	2.37	3.76	3.41	3.48	3.60	3.51

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)

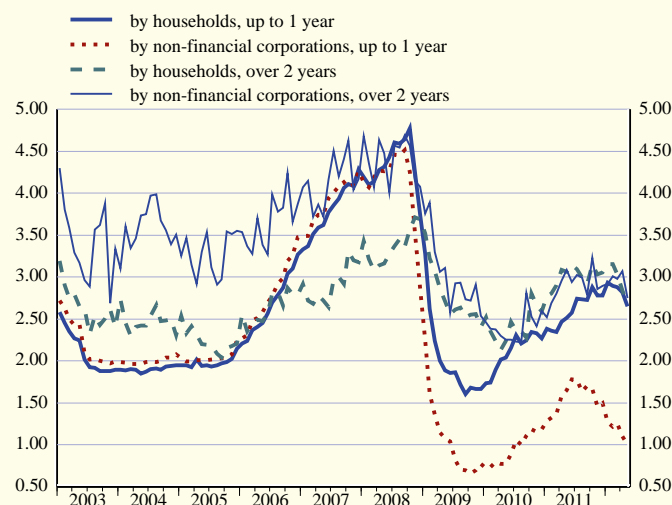
4. Interest rates on deposits (outstanding amounts)

	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
2011 June	0.49	2.49	2.75	1.67	1.92	0.67	2.07	3.11	1.93
July	0.52	2.54	2.77	1.67	1.93	0.66	2.13	3.13	1.94
Aug.	0.54	2.59	2.77	1.74	1.93	0.68	2.12	3.14	1.97
Sep.	0.55	2.62	2.79	1.76	1.94	0.69	2.14	3.15	2.07
Oct.	0.55	2.66	2.78	1.77	1.96	0.69	2.16	3.14	2.15
Nov.	0.55	2.70	2.80	1.78	1.96	0.66	2.17	3.16	2.24
Dec.	0.54	2.73	2.78	1.79	1.97	0.65	2.14	3.13	2.37
2012 Jan.	0.53	2.76	2.78	1.81	1.96	0.61	2.10	3.16	2.46
Feb.	0.52	2.79	2.80	1.81	1.96	0.59	2.08	3.20	2.62
Mar.	0.51	2.81	2.81	1.79	1.95	0.59	2.00	3.13	2.58
Apr.	0.49	2.78	2.82	1.76	1.95	0.55	1.96	3.09	2.56
May	0.48	2.76	2.80	1.74	1.92	0.55	1.91	3.06	2.39

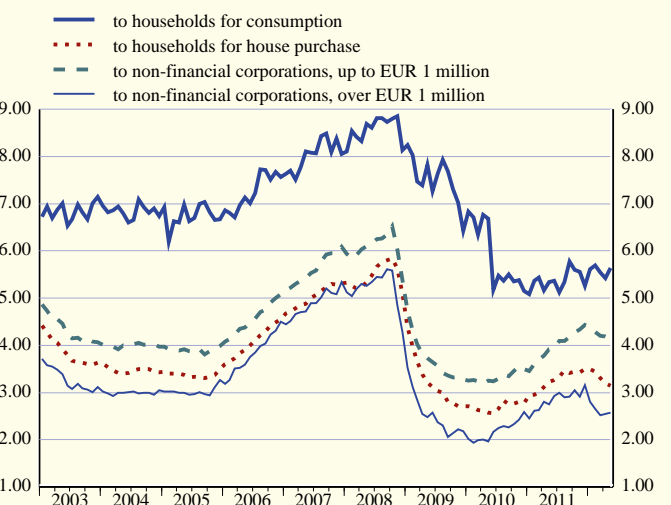
5. Interest rates on loans (outstanding amounts)

	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
2011 June	3.87	3.78	3.86	7.95	6.45	5.28	3.93	3.73	3.63
July	4.03	3.79	3.90	8.03	6.42	5.30	4.00	3.80	3.69
Aug.	4.06	3.78	3.89	8.07	6.42	5.31	4.06	3.84	3.72
Sep.	4.13	3.79	3.92	8.14	6.48	5.32	4.11	3.85	3.73
Oct.	4.12	3.78	3.91	8.17	6.44	5.33	4.19	3.86	3.74
Nov.	4.12	3.77	3.91	8.09	6.44	5.34	4.20	3.89	3.75
Dec.	4.12	3.74	3.89	8.12	6.43	5.31	4.26	3.87	3.72
2012 Jan.	4.06	3.71	3.87	8.14	6.40	5.28	4.24	3.81	3.68
Feb.	4.04	3.69	3.86	8.09	6.39	5.27	4.18	3.78	3.67
Mar.	4.03	3.68	3.85	8.07	6.37	5.25	4.16	3.66	3.60
Apr.	3.93	3.64	3.80	7.97	6.31	5.20	4.05	3.61	3.54
May	3.88	3.62	3.77	7.95	6.29	5.16	3.99	3.58	3.50

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)

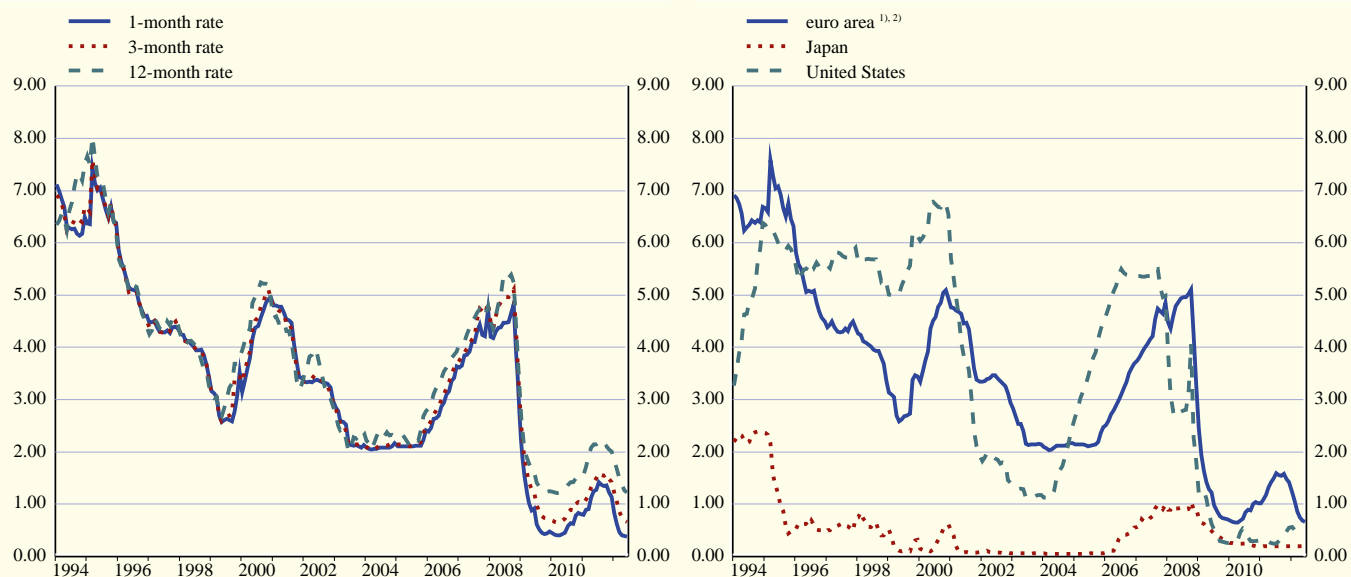
	Euro area ^{1),2)}					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2009	0.71	0.89	1.22	1.43	1.61	0.69	0.47
2010	0.44	0.57	0.81	1.08	1.35	0.34	0.23
2011	0.87	1.18	1.39	1.64	2.01	0.34	0.19
2011 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
Q4	0.79	1.24	1.50	1.72	2.05	0.48	0.20
2012 Q1	0.37	0.64	1.04	1.34	1.67	0.51	0.20
Q2	0.34	0.39	0.69	0.98	1.28	0.47	0.20
2011 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
Dec.	0.63	1.14	1.43	1.67	2.00	0.56	0.20
2012 Jan.	0.38	0.84	1.22	1.50	1.84	0.57	0.20
Feb.	0.37	0.63	1.05	1.35	1.68	0.50	0.20
Mar.	0.36	0.47	0.86	1.16	1.50	0.47	0.20
Apr.	0.35	0.41	0.74	1.04	1.37	0.47	0.20
May	0.34	0.39	0.68	0.97	1.27	0.47	0.20
June	0.33	0.38	0.66	0.93	1.22	0.47	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.

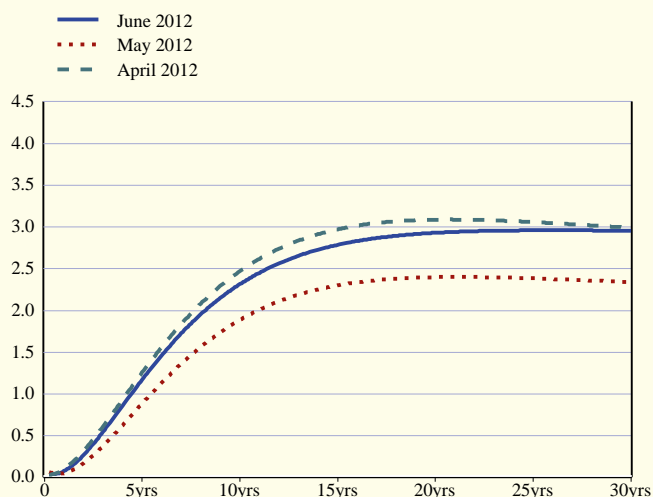
4.7 Euro area yield curves ¹⁾

(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
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
2011	0.00	0.09	0.41	1.56	2.13	2.65	2.65	2.24	0.32	1.15	3.24	3.84
2011 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
Q4	0.00	0.09	0.41	1.56	2.13	2.65	2.65	2.24	0.32	1.15	3.24	3.84
2012 Q1	0.07	0.16	0.39	1.36	1.95	2.60	2.53	2.21	0.34	0.95	2.97	4.26
Q2	0.04	0.08	0.27	1.17	1.73	2.32	2.27	2.05	0.20	0.76	2.69	3.82
2011 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
Dec.	0.00	0.09	0.41	1.56	2.13	2.65	2.65	2.24	0.32	1.15	3.24	3.84
2012 Jan.	0.11	0.21	0.45	1.44	2.03	2.67	2.55	2.22	0.39	1.03	3.07	4.26
Feb.	0.11	0.15	0.37	1.39	1.99	2.59	2.49	2.22	0.29	0.95	3.06	4.06
Mar.	0.07	0.16	0.39	1.36	1.95	2.60	2.53	2.21	0.34	0.95	2.97	4.26
Apr.	0.03	0.10	0.32	1.26	1.84	2.47	2.44	2.15	0.26	0.85	2.84	4.10
May	0.07	0.05	0.17	0.89	1.36	1.89	1.82	1.72	0.10	0.52	2.17	3.23
June	0.04	0.08	0.27	1.17	1.73	2.32	2.27	2.05	0.20	0.76	2.69	3.82

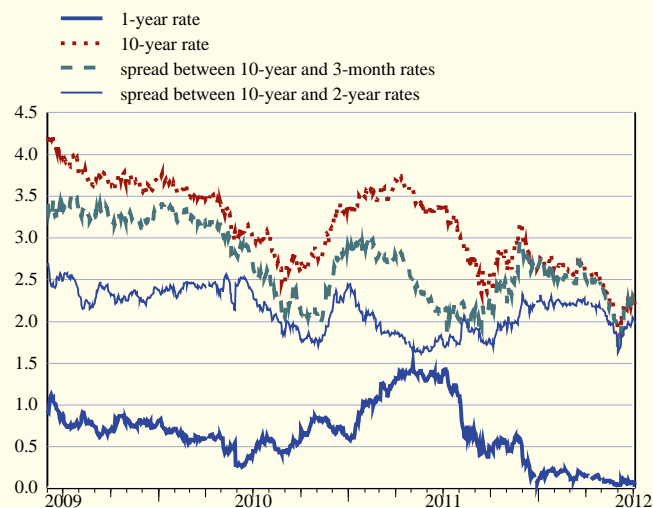
C25 Euro area spot yield curves ²⁾

(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.

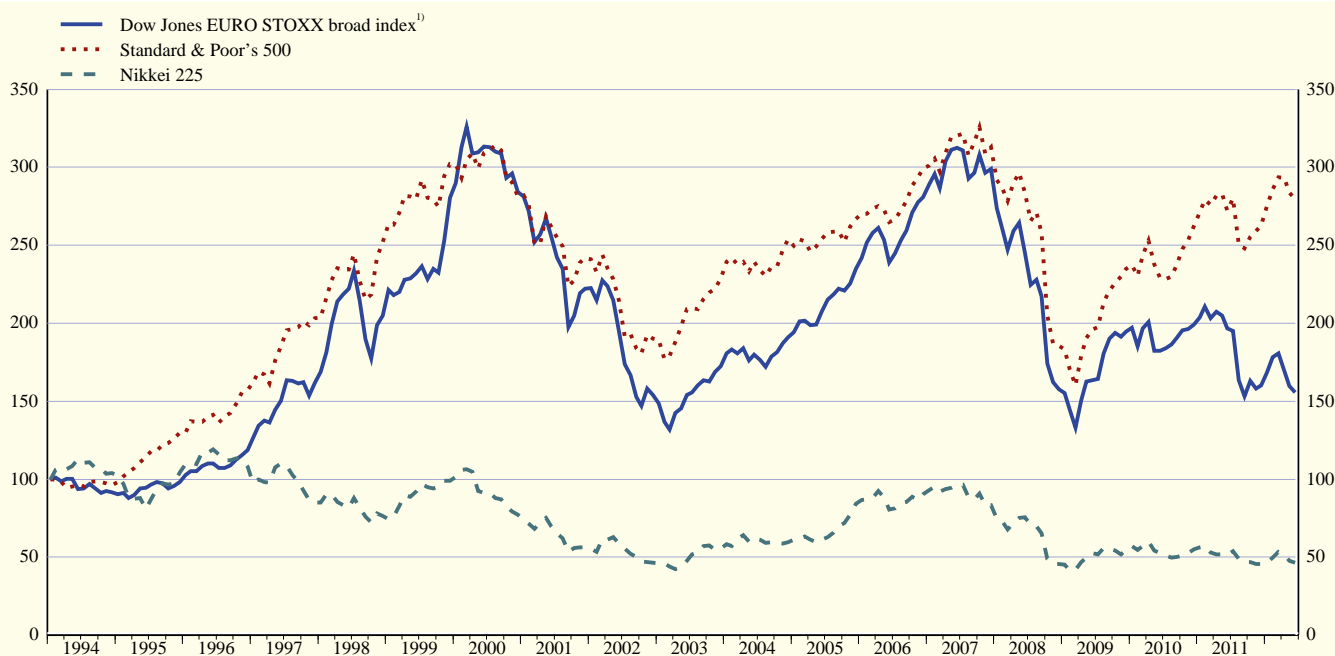
4.8 Stock market indices

(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	
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
2011	256.0	2,611.0	493.4	158.1	351.2	311.6	152.6	349.4	222.5	301.7	358.4	432.7	1,267.6	9,425.4
2011 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
Q4	222.4	2,277.8	427.1	142.1	327.1	295.5	117.2	296.6	201.8	256.5	320.3	432.4	1,225.7	8,580.6
2012 Q1	243.7	2,473.6	499.1	150.3	372.3	324.6	129.7	333.3	221.7	253.7	300.6	480.6	1,348.8	9,295.3
Q2	224.0	2,226.2	472.5	140.8	370.7	285.3	108.2	311.6	207.4	223.4	261.9	493.2	1,349.7	9,026.5
2011 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
Dec.	222.2	2,283.3	433.2	142.4	329.9	302.9	115.9	295.5	196.6	249.3	310.3	448.4	1,243.3	8,506.0
2012 Jan.	233.4	2,382.1	477.6	146.9	351.8	317.3	120.4	319.2	206.9	248.8	305.0	473.6	1,300.6	8,616.7
Feb.	247.2	2,508.2	507.2	152.1	377.3	327.0	134.4	336.3	223.9	254.6	300.1	477.6	1,352.5	9,242.3
Mar.	250.7	2,532.2	512.9	152.0	388.0	329.5	134.6	344.6	234.3	257.7	296.7	490.5	1,389.2	9,962.3
Apr.	235.0	2,340.8	497.6	145.9	380.9	301.1	116.8	327.8	221.2	237.7	275.2	488.5	1,386.4	9,627.4
May	221.9	2,198.5	469.5	139.7	373.7	281.6	105.0	310.4	204.5	218.9	261.4	492.0	1,341.3	8,842.5
June	216.2	2,152.7	453.1	137.4	358.3	275.1	104.0	298.4	198.0	215.4	250.4	498.9	1,323.5	8,638.1

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 2012	100.0	100.0	81.8	58.5	41.5	100.0	11.9	7.2	28.5	11.0	41.5	88.2	11.8
	1	2	3	4	5	6	7	8	9	10	11	12	13
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
2011	112.8	2.7	1.7	3.3	1.8	-	-	-	-	-	-	2.6	3.5
2011 Q1	111.3	2.5	1.3	3.1	1.6	1.0	0.9	0.4	0.2	6.3	0.5	2.4	3.3
Q2	113.1	2.8	1.8	3.3	1.9	0.8	1.2	0.4	0.3	2.8	0.6	2.6	3.6
Q3	112.9	2.7	1.7	3.2	2.0	0.3	1.1	0.0	-0.3	0.4	0.5	2.6	3.5
Q4	114.1	2.9	2.0	3.7	1.9	0.8	1.1	0.9	1.1	1.5	0.3	2.9	3.5
2012 Q1	114.3	2.7	1.9	3.3	1.8	0.8	0.7	0.6	0.2	4.1	0.5	2.6	3.4
2012 Jan.	113.4	2.7	1.9	3.2	1.9	0.4	0.2	-0.2	0.0	2.6	0.2	2.5	3.5
Feb.	114.0	2.7	1.9	3.4	1.8	0.3	0.3	0.8	0.1	1.1	0.1	2.6	3.4
Mar.	115.5	2.7	1.9	3.3	1.8	0.3	0.3	0.2	0.2	1.6	0.1	2.6	3.3
Apr.	116.0	2.6	1.9	3.2	1.7	0.3	0.2	-0.1	0.0	1.1	0.3	2.5	3.3
May	115.9	2.4	1.8	2.9	1.8	-0.1	0.2	0.1	0.0	-1.4	0.1	2.3	3.4
June ³⁾	.	2.4	.	.	.	.	.	.	.	.	.	.	.

	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 2012	19.1	11.9	7.2	39.5	28.5	11.0	10.1	6.0	6.5	3.1	14.5	7.3
	14	15	16	17	18	19	20	21	22	23	24	25
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
2011	2.7	3.3	1.8	3.7	0.8	11.9	1.8	1.4	2.9	-1.3	2.0	2.1
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	3.3	-1.8	2.3	2.1
Q4	3.3	4.2	1.8	3.9	1.2	11.5	1.7	1.4	3.0	-1.8	2.2	2.1
2012 Q1	3.2	4.0	2.0	3.3	1.1	9.1	1.7	1.5	2.9	-2.7	2.1	2.4
2011 Dec.	3.1	4.1	1.6	3.4	1.2	9.7	1.7	1.4	3.2	-1.9	2.2	2.3
2012 Jan.	3.1	4.1	1.6	3.2	0.9	9.2	1.8	1.5	2.8	-2.4	2.1	2.6
Feb.	3.3	4.1	2.2	3.4	1.0	9.5	1.7	1.5	2.8	-3.0	2.2	2.4
Mar.	3.3	3.9	2.2	3.4	1.4	8.5	1.7	1.4	3.1	-2.8	2.0	2.2
Apr.	3.1	3.7	2.1	3.2	1.3	8.1	1.7	1.5	2.5	-3.1	2.3	2.1
May	2.8	3.4	1.8	3.0	1.3	7.3	1.7	1.4	2.7	-3.3	2.4	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
2008	114.4	6.1	4.8	3.4	3.9	2.1	3.9	2.8	4.1	14.2	3.8	1.9
2009	108.6	-5.1	-5.4	-2.9	-5.3	0.4	-2.1	1.2	-2.5	-11.8	0.1	-3.2
2010	111.7	2.9	3.4	1.6	3.5	0.3	0.4	0.9	0.3	6.4	1.9	1.1
2011	118.3	5.9	5.5	3.8	5.9	1.4	3.1	2.1	3.3	11.9	3.3	1.0
2011 Q1	116.7	6.5	6.3	4.4	7.9	1.3	2.5	1.8	2.6	12.5	4.1	2.0
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	3.3	1.0
Q4	119.3	5.1	4.5	2.9	3.4	1.5	3.3	2.5	3.4	11.4	2.9	-0.2
2012 Q1	121.0	3.7	3.0	1.7	1.2	1.2	2.9	2.3	3.0	9.5	1.9	.
2011 Dec.	119.2	4.3	3.7	2.5	2.7	1.4	3.1	2.3	3.3	9.5	-	-
2012 Jan.	120.3	3.9	3.3	2.0	1.6	1.3	3.0	2.3	3.1	9.7	-	-
Feb.	121.0	3.7	3.0	1.7	1.1	1.2	2.9	2.4	3.0	9.9	-	-
Mar.	121.7	3.5	2.6	1.6	0.9	1.2	2.8	2.3	2.8	9.0	-	-
Apr.	121.7	2.6	2.1	1.3	0.6	1.2	2.2	2.0	2.3	6.7	-	-
May	121.2	2.3	1.8	1.1	0.5	1.2	1.9	1.9	1.9	6.4	-	-

3. Commodity prices and gross domestic product deflators

	Oil prices ³⁾ (EUR per barrel)	Non-energy commodity prices						Total (s.a.; index: 2005 = 100)	Total	GDP deflators				Exports ⁶⁾	Imports ⁶⁾
		Import-weighted ⁴⁾			Use-weighted ⁵⁾					Domestic demand					
		Total	Food	Non-food	Total	Food	Non-food			Total	Private consump- tion	Government consump- tion	Gross fixed capital formation		
% of total	100.0	35.0	65.0	100.0	45.0	55.0	8	9	10	11	12	13	14	15	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2008	65.9	2.0	18.4	-4.4	-1.7	9.7	-8.6	106.2	2.0	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	107.2	0.9	-0.1	-0.4	2.0	-0.4	-3.5	-6.2
2010	60.7	44.6	21.4	57.9	42.1	27.1	54.5	108.0	0.8	1.5	1.7	0.8	1.0	2.9	4.9
2011	79.7	12.2	22.4	7.7	12.9	20.7	7.5	109.4	1.2	2.1	2.5	0.9	2.0	3.7	5.9
2011 Q2	81.3	11.6	28.8	4.6	13.3	26.2	5.1	109.2	1.3	2.0	2.5	1.0	1.8	3.7	5.6
Q3	79.3	3.8	16.7	-1.6	4.9	11.7	0.3	109.6	1.3	2.1	2.4	1.1	2.0	3.2	5.3
Q4	80.7	-2.5	3.6	-5.2	-1.7	4.4	-6.0	109.8	1.4	2.1	2.6	0.9	2.1	2.9	4.8
2012 Q1	90.1	-5.8	-7.6	-4.9	-4.8	-3.6	-5.6	110.1	1.2	1.7	2.3	1.1	1.7	2.1	3.3
Q2	84.6	-1.1	-3.3	0.1	1.1	4.1	-1.2	.	.	.	.	.	.	.	.
2012 Jan.	86.2	-4.6	-4.1	-4.8	-4.1	-1.9	-5.8	-	-	-	-	-	-	-	-
Feb.	89.7	-7.5	-10.5	-6.0	-6.5	-6.5	-6.5	-	-	-	-	-	-	-	-
Mar.	94.2	-5.2	-8.1	-3.8	-3.6	-2.3	-4.6	-	-	-	-	-	-	-	-
Apr.	91.4	-3.8	-5.1	-3.1	-2.5	0.3	-4.5	-	-	-	-	-	-	-	-
May	86.0	-0.2	-2.8	1.1	2.5	5.4	0.2	-	-	-	-	-	-	-	-
June	76.4	0.9	-2.0	2.3	3.4	6.7	0.9	-	-	-	-	-	-	-	-

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)

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

(quarterly data seasonally adjusted; annual data unadjusted)

	Total (index: 2005 = 100)	Total	By economic activity									
			Agriculture, forestry and fishing	Manufactu- ring, energy and utilities	Construction	Trade, transport, accommoda- tion and food services	Information and commu- nication	Finance and insurance	Real estate	Professional, business and support services	Public admi- nistration, education, health and social work	Arts, enter- tainment and other services
	1	2	3	4	5	6	7	8	9	10	11	12
Unit labour costs ¹⁾												
2010	109.3	-0.8	0.2	-5.9	1.6	-1.5	-1.4	-0.3	2.2	0.5	1.0	1.5
2011	110.2	0.8	-1.6	-0.1	0.2	0.5	3.0	0.8	3.7	3.1	0.8	1.6
2011 Q2	110.2	0.9	-1.7	-0.5	1.4	0.3	3.2	2.8	3.9	3.1	0.6	2.2
Q3	110.1	1.2	-2.2	-0.1	0.3	1.6	3.4	0.0	1.9	3.1	1.1	1.9
Q4	110.8	1.4	-2.5	2.1	-1.2	1.2	3.7	-1.4	4.5	3.5	0.9	1.7
2012 Q1	111.2	1.5	-1.7	2.9	1.2	1.6	3.9	-0.3	1.6	2.2	0.7	1.7
Compensation per employee												
2010	111.6	1.7	2.4	3.7	1.2	1.7	2.7	2.1	3.4	0.5	1.0	1.3
2011	114.1	2.2	2.6	3.4	3.2	2.0	2.2	1.4	2.2	3.0	1.3	1.5
2011 Q2	114.0	2.2	2.2	4.1	2.7	1.7	1.9	2.5	2.5	2.9	1.1	1.4
Q3	114.2	2.3	2.5	3.3	2.8	2.2	2.6	1.8	2.0	3.3	1.5	1.5
Q4	114.8	2.2	2.3	2.5	3.6	2.1	2.4	0.1	2.1	3.5	1.7	2.4
2012 Q1	115.5	1.9	1.7	2.2	3.2	2.1	2.5	0.8	2.6	2.5	1.1	2.3
Labour productivity per person employed ²⁾												
2010	102.2	2.5	2.2	10.2	-0.4	3.3	4.1	2.4	1.2	0.0	0.0	-0.3
2011	103.5	1.3	4.3	3.5	3.0	1.5	-0.7	0.6	-1.4	-0.1	0.5	-0.2
2011 Q2	103.4	1.3	4.0	4.6	1.3	1.4	-1.2	-0.3	-1.3	-0.2	0.6	-0.8
Q3	103.7	1.2	4.8	3.4	2.5	0.6	-0.8	1.8	0.1	0.2	0.4	-0.4
Q4	103.6	0.9	4.9	0.4	4.9	0.9	-1.2	1.4	-2.3	-0.1	0.8	0.7
2012 Q1	103.8	0.4	3.4	-0.7	2.0	0.4	-1.3	1.1	0.9	0.3	0.4	0.7
Compensation per hour worked												
2010	113.3	1.0	0.7	0.9	1.5	1.4	1.9	1.6	2.3	-0.2	0.7	1.3
2011	115.6	2.0	0.2	2.6	3.2	2.1	2.6	0.9	2.5	2.4	1.3	1.8
2011 Q2	115.8	2.5	1.5	3.5	3.3	2.2	3.2	2.3	3.6	2.9	1.5	2.2
Q3	115.7	2.2	0.4	2.9	2.8	2.0	2.6	1.2	2.0	2.6	1.8	2.0
Q4	116.6	2.1	0.6	2.6	4.1	2.0	2.8	-0.6	3.1	2.5	1.5	2.3
2012 Q1	116.8	2.1	4.4	2.1	4.2	2.3	2.6	1.2	5.4	2.6	0.7	2.7
Hourly labour productivity ²⁾												
2010	104.1	1.9	1.3	7.4	-0.5	2.8	3.5	1.7	0.0	-0.5	-0.3	0.0
2011	105.4	1.3	3.5	2.9	2.8	1.8	-0.4	0.1	-1.0	-0.4	0.5	0.1
2011 Q2	105.6	1.8	4.5	4.3	1.9	2.1	-0.1	-0.5	0.0	-0.1	0.9	-0.1
Q3	105.6	1.2	4.9	3.3	2.2	0.6	-1.0	1.3	-0.4	-0.2	0.7	-0.2
Q4	105.7	0.8	4.5	0.6	5.1	1.0	-1.0	1.1	-1.1	-0.7	0.6	0.5
2012 Q1	105.6	0.7	4.8	-0.7	2.9	0.9	-1.3	1.5	2.7	0.4	0.0	1.0

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	
% of total in 2008	100.0	100.0	75.2	24.8	32.4	9.0	58.6	
	1	2	3	4	5	6	7	8
2010	104.3	1.5	1.4	1.8	1.0	1.8	1.7	
2011	107.2	2.8	2.6	3.4	3.2	2.5	2.0	
2011 Q2	107.2	3.3	3.1	3.8	4.2	2.9	1.9	
Q3	107.2	2.6	2.4	3.0	2.7	2.4	2.1	
Q4	108.0	2.8	2.6	3.5	3.3	2.9	2.0	
2012 Q1	108.3	2.0	1.9	2.0	2.5	1.9	2.0	

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>								
2008	9,244.5	9,159.2	5,207.1	1,898.8	1,989.5	63.7	85.3	3,882.1	3,796.8
2009	8,919.8	8,802.0	5,126.6	1,986.6	1,735.9	-47.0	117.8	3,273.4	3,155.6
2010	9,162.8	9,045.4	5,262.4	2,015.3	1,753.1	14.6	117.4	3,749.3	3,631.9
2011	9,413.3	9,280.8	5,403.2	2,027.4	1,813.7	36.5	132.6	4,128.5	3,996.0
2011 Q1	2,337.5	2,315.3	1,343.9	505.1	452.4	13.9	22.2	1,009.1	986.9
Q2	2,351.8	2,325.5	1,345.6	506.6	453.7	19.5	26.3	1,024.9	998.5
Q3	2,361.5	2,323.6	1,354.1	508.0	453.3	8.2	37.9	1,046.8	1,008.9
Q4	2,358.7	2,314.0	1,357.8	507.4	452.7	-4.0	44.7	1,043.6	998.9
2012 Q1	2,365.1	2,315.3	1,364.3	510.7	448.0	-7.7	49.7	1,061.3	1,011.6
	<i>percentage of GDP</i>								
2011	100.0	98.6	57.4	21.5	19.3	0.4	1.4	-	-
	<i>Chain-linked volumes (prices for the previous year)</i>								
	<i>quarter-on-quarter percentage changes</i>								
2011 Q1	0.7	0.5	0.0	-0.4	2.0	-	-	1.4	0.8
Q2	0.2	-0.1	-0.6	-0.1	-0.4	-	-	1.1	0.6
Q3	0.1	-0.2	0.4	-0.1	-0.3	-	-	1.5	0.7
Q4	-0.3	-0.9	-0.5	-0.2	-0.6	-	-	-0.6	-1.9
2012 Q1	0.0	-0.5	0.0	0.4	-1.4	-	-	1.0	-0.2
	<i>annual percentage changes</i>								
2008	0.4	0.3	0.4	2.3	-1.1	-	-	1.0	0.9
2009	-4.4	-3.8	-1.2	2.6	-12.4	-	-	-12.7	-11.5
2010	2.0	1.2	0.9	0.7	0.0	-	-	11.2	9.6
2011	1.5	0.5	0.2	-0.3	1.4	-	-	6.2	4.0
2011 Q1	2.4	1.7	1.0	0.0	3.7	-	-	10.0	8.3
Q2	1.7	0.8	0.2	-0.2	1.2	-	-	6.4	4.5
Q3	1.3	0.4	0.2	-0.4	0.8	-	-	5.7	3.6
Q4	0.7	-0.7	-0.7	-0.7	0.7	-	-	3.5	0.3
2012 Q1	0.0	-1.7	-0.7	0.0	-2.6	-	-	3.0	-0.7
	<i>contributions to quarter-on-quarter percentage changes in GDP; percentage points</i>								
2011 Q1	0.7	0.5	0.0	-0.1	0.4	0.2	0.3	-	-
Q2	0.2	-0.1	-0.3	0.0	-0.1	0.3	0.2	-	-
Q3	0.1	-0.2	0.2	0.0	-0.1	-0.4	0.3	-	-
Q4	-0.3	-0.8	-0.3	0.0	-0.1	-0.4	0.5	-	-
2012 Q1	0.0	-0.5	0.0	0.1	-0.3	-0.3	0.5	-	-
	<i>contributions to annual percentage changes in GDP; percentage points</i>								
2008	0.4	0.3	0.2	0.5	-0.2	-0.1	0.1	-	-
2009	-4.4	-3.8	-0.7	0.5	-2.7	-1.0	-0.6	-	-
2010	2.0	1.2	0.5	0.1	0.0	0.6	0.7	-	-
2011	1.5	0.5	0.1	-0.1	0.3	0.2	1.0	-	-
2011 Q1	2.4	1.7	0.6	0.0	0.7	0.4	0.8	-	-
Q2	1.7	0.8	0.1	-0.1	0.2	0.5	0.8	-	-
Q3	1.3	0.4	0.1	-0.1	0.1	0.2	0.9	-	-
Q4	0.7	-0.7	-0.4	-0.1	0.1	-0.3	1.4	-	-
2012 Q1	0.0	-1.7	-0.4	0.0	-0.5	-0.7	1.6	-	-

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, forestry and fishing	Manufac- turing, energy and utilities	Construction	Trade, transport, accommoda- tion and food services	Information and commu- nication	Finance and insurance	Real estate	Professional, business and support services	Public admi- nistration, education, health and social work	Arts, enter- tainment and other services	
	1	2	3	4	5	6	7	8	9	10	11	12
<i>Current prices (EUR billions)</i>												
2008	8,299.2	141.9	1,652.6	561.5	1,597.7	356.5	385.3	930.7	859.8	1,521.1	292.0	945.3
2009	8,026.5	126.1	1,469.9	536.2	1,522.1	358.3	427.5	903.0	804.4	1,581.2	297.8	893.3
2010	8,222.4	138.8	1,557.8	514.2	1,564.0	357.9	441.4	918.7	817.5	1,610.0	302.0	940.4
2011	8,439.7	144.6	1,631.2	521.6	1,618.0	355.1	440.1	947.2	845.2	1,630.9	305.8	973.6
2011 Q1	2,095.4	36.7	403.7	131.0	401.4	89.0	108.9	233.6	209.0	406.0	76.1	242.2
Q2	2,106.9	36.8	406.8	129.9	404.3	88.7	109.5	236.5	210.8	408.0	75.6	244.9
Q3	2,117.1	35.6	411.9	129.6	405.2	89.1	110.8	237.9	212.2	408.3	76.5	244.4
Q4	2,116.1	35.4	406.5	130.8	406.0	88.1	110.8	239.3	213.3	408.5	77.5	242.6
2012 Q1	2,121.0	37.7	405.9	129.9	407.8	88.2	110.4	238.3	213.5	411.4	78.0	244.1
<i>percentage of value added</i>												
2011	100.0	1.7	19.3	6.2	19.2	4.2	5.2	11.2	10.0	19.3	3.6	-
<i>Chain-linked volumes (prices for the previous year)</i>												
<i>quarter-on-quarter percentage changes</i>												
2011 Q1	0.7	1.6	1.4	1.9	0.9	-0.4	1.2	-0.4	1.1	0.2	-0.4	0.7
Q2	0.2	0.4	0.5	-1.1	0.1	0.4	0.0	0.6	0.5	0.2	-0.9	0.1
Q3	0.2	0.1	0.3	-0.9	0.0	0.2	0.8	0.2	0.3	0.2	0.8	-0.4
Q4	-0.3	0.2	-1.7	-0.1	0.0	0.1	-0.5	0.5	-0.1	0.1	0.6	-0.7
2012 Q1	-0.1	1.7	0.0	-0.9	0.1	-0.4	0.5	-0.2	-0.2	-0.2	0.4	0.7
<i>annual percentage changes</i>												
2008	0.6	1.8	-2.3	-1.1	1.1	2.8	1.2	1.2	1.6	1.9	1.7	-1.3
2009	-4.4	-0.4	-13.2	-7.0	-5.7	1.2	3.9	0.5	-7.4	1.4	0.2	-4.2
2010	2.1	1.0	6.8	-4.2	2.6	2.9	1.3	0.2	2.0	0.9	0.5	0.8
2011	1.5	1.8	3.4	-1.0	2.0	0.7	0.5	0.8	2.4	0.6	-0.4	1.2
2011 Q1	2.3	0.4	6.0	0.1	3.3	1.3	-0.8	0.7	3.3	0.6	0.2	3.5
Q2	1.7	1.7	4.4	-1.8	2.4	0.7	-0.5	1.0	2.9	0.6	-1.3	1.5
Q3	1.4	2.7	3.7	-1.8	1.4	0.7	1.8	0.8	2.2	0.6	-0.6	0.6
Q4	0.8	2.3	0.4	-0.2	1.0	0.3	1.6	0.8	1.8	0.8	0.1	-0.3
2012 Q1	0.0	2.3	-1.1	-3.0	0.2	0.3	0.8	1.1	0.4	0.4	0.8	-0.4
<i>contributions to quarter-on-quarter percentage changes in value added; percentage points</i>												
2011 Q1	0.7	0.0	0.3	0.1	0.2	0.0	0.1	0.0	0.1	0.0	0.0	-
Q2	0.2	0.0	0.1	-0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	-
Q3	0.2	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Q4	-0.3	0.0	-0.3	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	-
2012 Q1	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
<i>contributions to annual percentage changes in value added; percentage points</i>												
2008	0.6	0.0	-0.5	-0.1	0.2	0.1	0.1	0.1	0.2	0.3	0.1	-
2009	-4.4	0.0	-2.6	-0.5	-1.1	0.1	0.2	0.1	-0.8	0.2	0.0	-
2010	2.1	0.0	1.2	-0.3	0.5	0.1	0.1	0.0	0.2	0.2	0.0	-
2011	1.5	0.0	0.7	-0.1	0.4	0.0	0.0	0.1	0.2	0.1	0.0	-
2011 Q1	2.3	0.0	1.1	0.0	0.6	0.1	0.0	0.1	0.3	0.1	0.0	-
Q2	1.7	0.0	0.8	-0.1	0.4	0.0	0.0	0.1	0.3	0.1	0.0	-
Q3	1.4	0.0	0.7	-0.1	0.3	0.0	0.1	0.1	0.2	0.1	0.0	-
Q4	0.8	0.0	0.1	0.0	0.2	0.0	0.1	0.1	0.2	0.1	0.0	-
2012 Q1	0.0	0.0	-0.2	-0.2	0.0	0.0	0.0	0.1	0.0	0.1	0.0	-

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		12
			Manufacturing	Total	Intermediate goods	Capital goods	Consumer goods			9.1		
							Total	Durable	Non-durable			
1	2	3	4	5	6	7	8	9	10	11		
2009	-13.7	90.5	-14.9	-15.9	-16.1	-19.2	-20.9	-5.0	-17.4	-3.0	-5.4	-7.8
2010	4.1	97.1	7.3	7.7	7.7	10.0	9.2	3.0	2.7	3.1	3.8	-7.9
2011	2.5	100.6	3.5	4.7	4.7	4.2	8.8	0.5	0.7	0.5	-4.4	-0.9
2011 Q2	2.1	100.8	4.0	5.2	5.3	4.4	9.4	1.6	1.3	1.7	-5.5	-4.8
Q3	3.6	101.5	3.9	4.7	4.7	3.7	9.7	0.5	2.1	0.3	-2.6	1.9
Q4	0.0	99.4	-0.2	1.0	1.0	-0.3	4.0	-0.8	-2.9	-0.5	-7.7	2.1
2012 Q1	-2.4	99.1	-1.6	-1.3	-1.3	-2.9	2.1	-3.2	-5.0	-2.9	-3.4	-6.4
2011 Nov.	0.4	99.6	0.0	0.8	0.9	-0.6	4.7	-1.9	-3.1	-1.7	-5.4	1.4
Dec.	0.2	98.8	-1.6	0.3	0.4	-0.2	2.1	-0.7	-2.9	-0.4	-12.2	10.6
2012 Jan.	-1.9	98.6	-1.8	-0.7	-0.7	-1.7	1.6	-2.2	-3.0	-2.0	-7.3	-2.0
Feb.	-3.5	99.3	-1.6	-2.4	-2.4	-4.4	1.5	-4.9	-5.7	-4.7	3.8	-14.9
Mar.	-1.8	99.2	-1.5	-0.8	-0.8	-2.6	2.9	-2.6	-6.0	-2.2	-6.3	-2.6
Apr.	-3.1	98.2	-2.4	-3.2	-3.4	-4.5	-0.7	-4.4	-6.7	-4.1	3.3	-4.8
<i>month-on-month percentage changes (s.a.)</i>												
2011 Nov.	0.2	-	-0.4	-0.4	-0.2	-0.1	0.1	-1.4	0.3	-1.6	0.2	1.8
Dec.	-0.7	-	-0.8	-0.4	-0.2	-1.0	-0.3	0.2	0.2	0.0	-2.8	-1.6
2012 Jan.	-0.1	-	-0.2	-0.2	-0.4	0.7	-1.0	-0.7	0.0	-0.6	0.8	-0.7
Feb.	-0.8	-	0.7	-0.4	-0.4	-1.3	1.2	-1.3	-1.6	-1.3	7.7	-9.8
Mar.	1.0	-	-0.1	1.1	1.0	1.0	1.2	1.3	0.0	1.5	-8.1	11.4
Apr.	-0.9	-	-1.1	-1.9	-1.9	-1.4	-2.9	-1.2	-0.9	-1.8	6.2	-2.6

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

	Industrial new orders ¹⁾		Industrial turnover		Retail sales (including automotive fuel)								New passenger car registrations	
	Manufacturing ²⁾ (current prices)		Manufacturing (current prices)		Current prices	Constant prices							Total (s.a.; thousands) ³⁾	
	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	100.0	100.0	100.0	100.0	100.0	100.0	38.4	51.0	9.0	12.8	10.6	13	14	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2009	87.4	-22.7	95.6	-18.3	-4.3	100.5	-2.4	-1.7	-2.4	-1.9	-4.3	-5.8	924	3.3
2010	102.8	17.7	105.2	10.2	2.1	101.5	0.9	0.5	1.8	2.2	1.1	-2.8	843	-8.5
2011	111.6	8.6	114.7	8.9	1.6	100.9	-0.6	-1.0	0.1	-1.3	0.0	-3.5	838	-1.1
2011 Q2	114.2	11.7	114.7	9.6	1.7	101.0	-0.5	-0.5	0.0	1.8	-1.2	-3.7	825	-1.7
Q3	110.8	5.3	115.8	8.8	1.7	101.3	-0.5	-0.8	0.1	-2.2	0.0	-4.5	822	2.9
Q4	108.7	-0.6	114.5	4.0	1.0	100.0	-1.3	-1.7	-0.8	-4.1	-0.3	-4.2	830	-1.7
2012 Q1	108.1	-3.9	115.2	1.1	1.2	100.2	-1.0	-0.9	-0.5	-0.9	-2.0	-5.6	775	-11.4
2012 Jan.	107.7	-4.1	114.7	1.6	1.1	100.2	-1.1	-1.7	-0.3	0.1	-2.4	-3.9	760	-13.2
Feb.	107.3	-5.2	115.3	0.7	0.2	100.0	-2.0	-0.5	-2.1	-6.2	-3.3	-7.4	764	-14.8
Mar.	109.4	-2.7	115.6	1.1	2.2	100.4	0.0	-0.7	0.8	2.7	-0.5	-5.5	800	-7.2
Apr.	.	.	114.2	-1.2	-1.7	98.9	-3.4	-3.4	-2.9	-11.7	-2.7	-7.5	764	-7.7
May	.	.	.	.	0.4	99.5	-1.7	-1.1	-1.5	.	.	-6.5	771	-6.6
<i>month-on-month percentage changes (s.a.)</i>														
2012 Jan.	-	-2.6	-	-0.1	1.1	-	1.2	1.0	1.0	2.4	-0.8	0.8	-	-10.6
Feb.	-	-0.4	-	0.6	-0.1	-	-0.2	0.6	-0.4	-1.7	-0.8	-3.2	-	0.5
Mar.	-	2.0	-	0.2	0.7	-	0.4	-0.4	0.7	4.6	0.8	-0.5	-	4.6
Apr.	-	.	-	-1.1	-1.5	-	-1.4	-0.3	-1.7	-8.8	-0.6	-1.6	-	-4.5
May	-	.	-	.	0.6	-	0.6	0.2	1.0	.	.	0.3	-	1.0

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).

- Following the amendment of the Regulation concerning short-term statistics (see the General Notes), euro area industrial new order statistics have been discontinued; the last release by Eurostat was for March 2012.
- Includes manufacturing industries working mainly on the basis of orders, which represented 61.2% of total manufacturing in 2005.
- 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
2008	93.5	-8.4	-13.4	10.8	-1.0	82.0	-18.4	-10.1	-25.4	23.9	-14.1
2009	80.2	-28.7	-56.7	14.8	-14.7	70.8	-24.8	-7.0	-26.1	55.3	-10.7
2010	100.5	-4.7	-24.7	0.8	11.4	76.7	-14.2	-5.3	-12.3	31.2	-8.1
2011	101.0	0.1	-6.9	2.3	9.4	80.3	-14.5	-7.5	-18.2	23.3	-9.2
2011 Q2	105.2	4.0	-2.0	-0.7	13.1	80.9	-10.7	-6.7	-12.6	15.2	-8.3
Q3	98.4	-2.8	-9.0	4.5	5.2	80.0	-15.9	-7.4	-21.8	24.1	-10.1
Q4	93.6	-7.0	-14.6	7.0	0.6	79.7	-20.6	-9.7	-28.4	33.8	-10.8
2012 Q1	94.1	-6.6	-15.8	6.1	2.1	79.8	-20.0	-10.1	-24.2	34.7	-11.2
Q2	91.1	-11.0	-22.8	6.8	-3.5	.	-19.7	-10.4	-24.4	32.6	-11.2
2012 Jan.	93.4	-7.0	-16.4	6.5	1.9	79.8	-20.7	-10.9	-27.4	33.1	-11.6
Feb.	94.5	-5.7	-14.2	5.9	3.0	-	-20.3	-10.0	-24.2	36.2	-10.7
Mar.	94.5	-7.1	-16.8	6.0	1.5	-	-19.1	-9.4	-21.0	34.7	-11.3
Apr.	92.9	-9.0	-19.3	6.1	-1.6	79.7	-19.9	-10.5	-24.0	33.5	-11.7
May	90.5	-11.4	-23.6	7.1	-3.5	-	-19.3	-10.8	-23.7	30.8	-11.8
June	89.9	-12.7	-25.6	7.1	-5.5	-	-19.8	-10.0	-25.6	33.4	-10.2
	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
2008	-14.2	-20.7	-7.7	-10.0	-11.0	15.8	-3.3	0.4	-3.8	0.5	4.7
2009	-33.1	-42.1	-24.1	-15.5	-21.4	9.8	-15.4	-15.8	-20.8	-18.2	-8.5
2010	-28.8	-39.3	-18.4	-4.1	-6.6	7.2	1.6	4.5	1.9	3.5	8.0
2011	-27.4	-34.9	-20.0	-5.5	-5.8	11.1	0.5	5.4	2.2	5.4	8.6
2011 Q2	-26.9	-33.8	-20.0	-2.4	-1.6	9.7	4.1	9.5	7.1	9.7	11.6
Q3	-27.7	-35.0	-20.4	-7.5	-7.3	12.8	-2.3	3.5	0.3	3.7	6.5
Q4	-27.4	-32.5	-22.3	-11.1	-13.6	14.0	-5.7	-1.6	-6.4	-1.7	3.3
2012 Q1	-26.5	-31.7	-21.2	-13.8	-14.7	16.2	-10.6	-0.6	-6.6	-0.4	5.1
Q2	-28.6	-33.4	-23.8	-14.7	-18.6	14.7	-10.7	-5.0	-11.0	-4.8	0.9
2012 Jan.	-28.1	-33.2	-22.9	-15.5	-18.3	16.3	-11.9	-0.7	-7.3	0.6	4.7
Feb.	-24.6	-31.4	-17.9	-14.0	-14.3	16.8	-11.0	-0.9	-6.9	-1.3	5.4
Mar.	-26.7	-30.6	-22.8	-12.0	-11.6	15.5	-8.9	-0.3	-5.5	-0.6	5.2
Apr.	-27.5	-30.9	-24.0	-11.1	-11.8	12.9	-8.5	-2.4	-8.1	-2.3	3.2
May	-30.2	-35.0	-25.4	-18.1	-24.4	16.9	-13.1	-5.2	-11.1	-4.5	0.2
June	-28.1	-34.3	-22.0	-14.9	-19.7	14.4	-10.5	-7.4	-13.9	-7.7	-0.6

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 since 1990.
- 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⁾

(quarterly data seasonally adjusted; annual data unadjusted)

1. Employment

	By employment status			By economic activity									
	Total	Employees	Self-employed	Agriculture, forestry and fishing	Manufacturing, energy and utilities	Construction	Trade, transport, accommodation and food services	Information and communication	Finance and insurance	Real estate	Professional, business and support services	Public administration, education, health and social work	Arts, entertainment and other services
	1	2	3	4	5	6	7	8	9	10	11	12	13
Persons employed													
<i>levels (thousands)</i>													
2011	146,746	125,741	21,005	5,039	23,053	9,929	36,043	4,018	4,070	1,290	18,145	34,435	10,723
<i>percentage of total persons employed</i>													
2011	100.0	85.7	14.3	3.4	15.7	6.8	24.6	2.7	2.8	0.9	12.4	23.5	7.3
<i>annual percentage changes</i>													
2009	-1.8	-1.8	-1.8	-2.2	-5.1	-6.6	-1.6	-0.7	0.3	-4.0	-2.5	1.2	1.0
2010	-0.6	-0.5	-0.8	-1.2	-3.1	-3.8	-0.7	-1.2	-1.0	-1.0	2.0	1.0	0.8
2011	0.1	0.3	-1.1	-2.4	-0.1	-3.9	0.5	1.4	-0.1	2.3	2.5	0.1	-0.2
2011 Q2	0.3	0.6	-1.0	-2.2	-0.2	-3.1	1.0	1.9	-0.3	2.4	3.1	0.1	-0.6
Q3	0.2	0.4	-1.3	-2.0	0.2	-4.2	0.8	1.5	0.0	0.7	2.0	0.2	-0.2
Q4	-0.2	0.0	-1.3	-2.5	0.0	-4.9	0.0	1.5	0.1	3.2	1.8	0.0	-0.6
2012 Q1	-0.4	-0.3	-1.0	-1.0	-0.4	-4.8	-0.2	1.6	-0.3	0.1	0.1	0.0	0.1
<i>quarter-on-quarter percentage changes</i>													
2011 Q2	0.2	0.3	-0.6	0.6	0.0	-0.5	0.6	0.7	-0.2	-0.3	0.8	-0.1	-0.6
Q3	-0.2	-0.1	-0.5	-0.5	0.1	-1.6	-0.1	-0.5	0.1	-0.8	-0.3	0.1	0.0
Q4	-0.2	-0.2	-0.2	-0.7	-0.3	-1.5	-0.5	0.3	0.0	2.0	0.3	-0.1	0.1
2012 Q1	-0.2	-0.3	0.3	-0.3	-0.2	-1.3	-0.2	1.0	-0.2	-0.8	-0.7	0.0	0.6
Hours worked													
<i>levels (millions)</i>													
2011	232,648	187,478	45,170	10,553	36,690	17,682	60,661	6,452	6,470	1,992	27,835	49,175	15,139
<i>percentage of total hours worked</i>													
2011	100.0	80.6	19.4	4.5	15.8	7.6	26.1	2.8	2.8	0.9	12.0	21.1	6.5
<i>annual percentage changes</i>													
2009	-3.4	-3.6	-2.7	-3.1	-9.0	-7.6	-2.9	-1.2	-1.2	-4.3	-3.7	0.9	-0.5
2010	0.1	0.1	-0.3	-0.4	-0.6	-3.8	-0.3	-0.6	-0.4	0.2	2.5	1.2	0.6
2011	0.1	0.5	-1.3	-1.6	0.5	-3.7	0.2	1.1	0.4	1.9	2.9	0.1	-0.5
2011 Q2	-0.1	0.3	-1.7	-2.7	0.1	-3.6	0.2	0.8	-0.1	1.0	3.0	-0.2	-1.3
Q3	0.2	0.5	-1.4	-2.1	0.4	-3.9	0.8	1.7	0.5	1.1	2.4	-0.1	-0.3
Q4	-0.2	0.1	-1.4	-2.1	-0.2	-5.1	0.0	1.3	0.4	1.9	2.5	0.2	-0.5
2012 Q1	-0.7	-0.5	-1.4	-2.3	-0.3	-5.7	-0.6	1.6	-0.6	-1.5	0.0	0.3	-0.2
<i>quarter-on-quarter percentage changes</i>													
2011 Q2	-0.5	-0.3	-1.1	-1.2	-0.6	-1.5	0.0	-0.1	-0.8	-1.1	0.1	-0.4	-1.6
Q3	0.1	0.2	0.0	-0.4	0.5	-1.0	0.3	0.2	0.3	0.6	0.0	0.1	0.7
Q4	-0.5	-0.5	-0.3	-0.4	-0.6	-2.5	-0.8	-0.2	-0.4	0.8	0.4	0.1	0.0
2012 Q1	0.1	0.1	0.0	-0.3	0.5	-0.8	-0.1	1.7	0.2	-1.8	-0.5	0.6	0.6
Hours worked per person employed													
<i>levels (thousands)</i>													
2011	1,585	1,491	2,150	2,094	1,592	1,781	1,683	1,606	1,590	1,544	1,534	1,428	1,412
<i>annual percentage changes</i>													
2009	-1.6	-1.8	-0.9	-0.9	-4.2	-1.1	-1.3	-0.5	-1.4	-0.3	-1.2	-0.3	-1.5
2010	0.6	0.7	0.5	0.8	2.6	0.1	0.4	0.6	0.6	1.2	0.5	0.2	-0.2
2011	0.0	0.2	-0.3	0.8	0.6	0.2	-0.3	-0.3	0.4	-0.4	0.3	0.0	-0.3
2011 Q2	-0.4	-0.3	-0.7	-0.5	0.2	-0.6	-0.8	-1.1	0.2	-1.4	-0.1	-0.3	-0.7
Q3	0.0	0.1	-0.1	-0.1	0.1	0.2	0.0	0.2	0.5	0.5	0.4	-0.3	-0.1
Q4	0.0	0.1	-0.2	0.4	-0.2	-0.2	-0.1	-0.2	0.3	-1.2	0.6	0.2	0.2
2012 Q1	-0.3	-0.2	-0.4	-1.3	0.1	-0.9	-0.4	0.0	-0.4	-1.7	-0.1	0.3	-0.3
<i>quarter-on-quarter percentage changes</i>													
2011 Q2	-2.3	-3.2	1.6	3.7	-2.9	0.5	-1.9	-4.7	-4.1	-3.7	-3.6	-3.9	-1.4
Q3	-1.1	-0.9	-1.6	-0.4	-1.7	-0.6	-1.3	0.7	-0.8	1.4	-1.6	-1.0	-0.5
Q4	2.8	3.2	1.1	-2.0	3.8	-0.3	2.7	2.7	3.0	1.0	5.5	3.3	2.3
2012 Q1	1.0	1.3	-0.9	-2.3	1.3	-0.1	1.0	1.9	2.4	0.3	0.1	2.4	0.4

Source: ECB calculations based on Eurostat data.

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

5.3 Labour markets

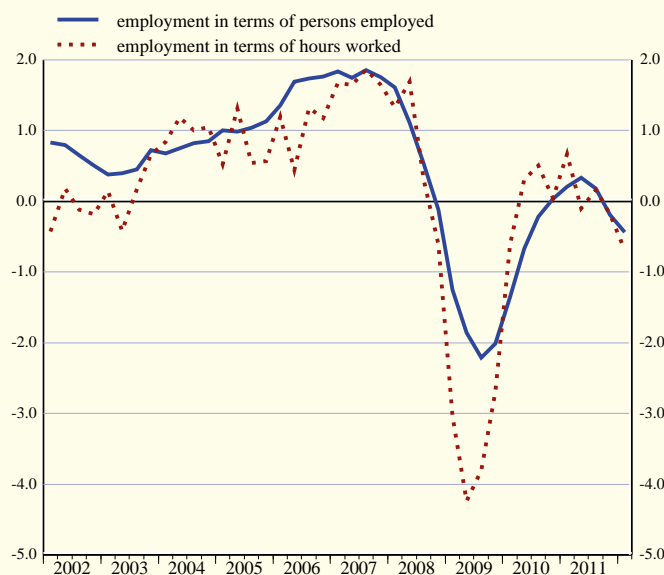
(seasonally adjusted, unless otherwise indicated)

2. Unemployment and job vacancies¹⁾

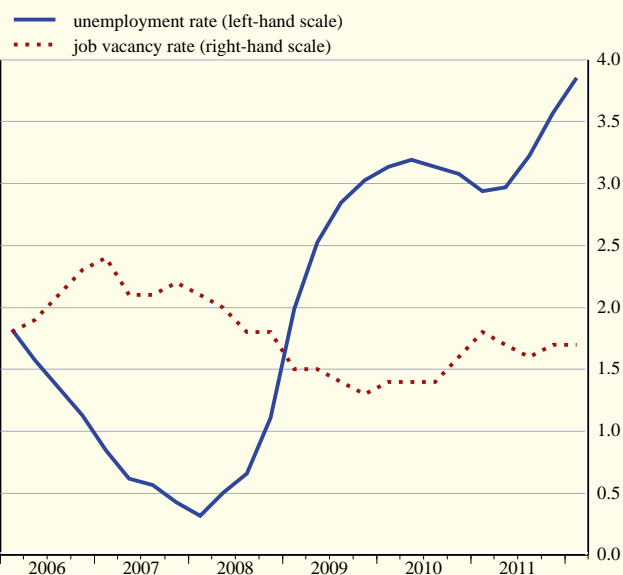
	Unemployment										Job vacancy rate ²⁾
	Total		By age ³⁾				By gender ⁴⁾				
	Millions	% of labour force	Adult		Youth		Male		Female		
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	
% of total in 2010	100.0		79.5		20.5		54.0		46.0		
	1	2	3	4	5	6	7	8	9	10	11
2008	11.965	7.6	9.291	6.6	2.675	16.0	6.041	7.0	5.924	8.5	1.9
2009	15.056	9.6	11.772	8.4	3.284	20.3	8.148	9.4	6.908	9.8	1.4
2010	15.928	10.1	12.657	8.9	3.272	20.9	8.596	10.0	7.332	10.3	1.5
2011	16.053	10.2	12.846	9.0	3.206	20.9	8.551	9.9	7.502	10.5	1.7
2011 Q1	15.621	9.9	12.448	8.8	3.173	20.6	8.312	9.7	7.309	10.3	1.8
Q2	15.721	10.0	12.568	8.8	3.153	20.5	8.381	9.7	7.341	10.3	1.7
Q3	16.145	10.2	12.945	9.1	3.199	20.8	8.575	9.9	7.570	10.6	1.6
Q4	16.724	10.6	13.424	9.4	3.300	21.6	8.936	10.4	7.788	10.8	1.7
2012 Q1	17.184	10.9	13.818	9.7	3.367	22.2	9.193	10.7	7.991	11.1	1.7
2011 Dec.	16.862	10.7	13.545	9.5	3.317	21.7	9.028	10.5	7.834	10.9	-
2012 Jan.	17.022	10.8	13.674	9.6	3.348	22.0	9.106	10.6	7.916	11.0	-
Feb.	17.174	10.8	13.814	9.6	3.360	22.2	9.179	10.6	7.995	11.1	-
Mar.	17.357	11.0	13.965	9.8	3.392	22.4	9.294	10.8	8.063	11.2	-
Apr.	17.473	11.0	14.077	9.8	3.396	22.4	9.374	10.9	8.100	11.2	-
May	17.561	11.1	14.149	9.9	3.412	22.6	9.422	10.9	8.139	11.3	-

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	Social contributions		Sales	Capital taxes	12	13			
			Households	Corporations		Received by EU institutions	Employers					Employees		
	3	4	5	6	7	8	9	10	11			14		
2003	44.9	44.2	11.5	8.8	2.7	13.2	0.4	15.7	8.2	4.6	2.3	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	45.0	12.3	8.7	3.4	13.4	0.3	15.3	8.0	4.5	2.3	0.3	0.3	41.3
2007	45.3	45.1	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	0.2	0.3	40.9
2009	44.9	44.5	11.6	9.2	2.3	12.8	0.3	15.8	8.3	4.5	2.5	0.3	0.4	40.6
2010	44.7	44.5	11.6	8.9	2.5	12.9	0.3	15.6	8.2	4.5	2.6	0.3	0.3	40.4
2011	45.3	45.0	11.9	9.1	2.7	13.0	0.3	15.7	8.2	4.6	2.6	0.3	0.3	40.9

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
							7	8							10	11	12	13
	3	4	5	6	7	8	9	10	11	12	13	14		
2003	48.0	44.1	10.6	5.0	3.3	25.2	22.3	1.8	0.5	4.0	2.6	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	51.3	47.0	11.0	5.7	2.9	27.4	24.3	1.8	0.4	4.3	2.8	1.4	0.0	48.4
2010	51.0	46.6	10.8	5.7	2.8	27.3	24.2	1.8	0.4	4.4	2.5	1.9	0.0	48.2
2011	49.4	46.0	10.6	5.5	3.0	26.9	23.9	1.7	0.4	3.4	2.3	1.2	0.0	46.4

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
2003	-3.2	-2.5	-0.5	-0.2	0.1	0.2	20.5	10.6	5.0	5.2	1.9	2.3	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	-2.6	-2.3	-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	0.6	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	22.3	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	5.7	5.8	2.1	2.6	8.4	13.6
2011	-4.1	-3.2	-0.7	-0.2	0.0	-1.1	21.5	10.6	5.5	5.8	2.1	2.6	8.2	13.3

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
2008	-1.0	-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	-5.6	-3.2	-2.0	-14.0	-15.6	-11.2	-7.5	-5.4	-6.1	-0.8	-3.8	-5.6	-4.1	-10.2	-6.1	-8.0	-2.5
2010	-3.8	-4.3	0.2	-31.2	-10.3	-9.3	-7.1	-4.6	-5.3	-0.9	-3.7	-5.1	-4.5	-9.8	-6.0	-7.7	-2.5
2011	-3.7	-1.0	1.0	-13.1	-9.1	-8.5	-5.2	-3.9	-6.3	-0.6	-2.7	-4.7	-2.6	-4.2	-6.4	-4.8	-0.5

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				
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors ²⁾				Other creditors ³⁾
						Total	MFIs	Other financial corporations	Other sectors	
1	2	3	4	5	6	7	8	9	10	
2002	68.0	2.7	11.9	4.6	48.8	40.9	19.6	10.8	10.5	27.2
2003	69.2	2.1	12.5	5.1	49.6	40.1	19.8	11.3	9.1	29.1
2004	69.6	2.2	12.1	4.8	50.5	38.7	18.9	11.1	8.7	30.9
2005	70.5	2.4	12.2	4.5	51.3	37.0	18.1	11.2	7.7	33.5
2006	68.6	2.5	11.9	4.0	50.3	34.9	18.3	9.3	7.3	33.8
2007	66.3	2.2	11.3	3.9	48.9	32.6	17.1	8.5	7.0	33.7
2008	70.1	2.3	11.5	6.5	49.8	33.0	17.7	7.8	7.5	37.1
2009	79.9	2.5	12.6	8.3	56.5	37.2	20.7	8.9	7.6	42.7
2010	85.3	2.4	15.3	7.4	60.2	40.5	23.4	9.7	7.3	44.9
2011	87.3	2.4	15.4	7.4	62.1	42.5	23.8	10.5	8.3	44.7

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

	Total	Issued by: ⁴⁾				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Euro or participating currencies	Other currencies
2002	68.0	56.3	6.2	4.7	0.8	7.6	60.4	5.3	15.5	25.3	27.2	66.9	1.1
2003	69.2	56.7	6.5	5.0	1.0	7.8	61.4	5.1	14.9	26.0	28.3	68.3	0.9
2004	69.6	56.6	6.6	5.1	1.3	7.7	62.0	4.7	14.7	26.3	28.6	68.6	1.0
2005	70.5	57.1	6.7	5.2	1.4	7.7	62.8	4.6	14.8	25.8	29.9	69.4	1.1
2006	68.6	55.4	6.5	5.4	1.4	7.3	61.3	4.4	14.3	24.2	30.1	67.9	0.7
2007	66.3	53.4	6.2	5.3	1.4	7.1	59.2	4.3	14.5	23.6	28.2	65.8	0.5
2008	70.1	56.9	6.6	5.3	1.3	10.0	60.1	5.0	17.6	23.4	29.1	69.2	0.9
2009	79.9	64.8	7.7	5.8	1.7	12.0	67.9	5.0	19.4	27.3	33.1	78.8	1.1
2010	85.3	69.3	8.3	5.8	1.9	12.9	72.4	5.2	22.6	28.6	34.2	84.1	1.3
2011	87.3	70.7	8.5	5.8	2.2	12.5	74.8	6.2	22.6	29.4	35.3	85.7	1.6

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
2008	89.3	66.7	4.5	44.2	113.0	40.2	68.2	105.7	48.9	13.7	62.3	58.5	63.8	71.6	21.9	27.9	33.9
2009	95.8	74.4	7.2	65.1	129.4	53.9	79.2	116.0	58.5	14.8	68.1	60.8	69.5	83.1	35.3	35.6	43.5
2010	96.0	83.0	6.7	92.5	145.0	61.2	82.3	118.6	61.5	19.1	69.4	62.9	71.9	93.3	38.8	41.1	48.4
2011	98.0	81.2	6.0	108.2	165.3	68.5	85.8	120.1	71.6	18.2	72.0	65.2	72.2	107.8	47.6	43.3	48.6

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	Other financial corporations	
	1	2	3	4	5	6	7	8	9	10	11	12
2003	3.1	3.3	-0.2	0.0	-0.6	1.0	0.6	2.1	0.5	0.8	0.8	2.7
2004	3.2	3.3	-0.1	0.0	0.2	0.1	-0.1	2.9	0.2	-0.1	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	3.7
2006	1.6	1.5	0.1	0.0	0.2	0.2	-0.3	1.5	-0.3	1.1	-1.4	1.9
2007	1.2	1.2	0.0	0.0	-0.1	0.0	0.1	1.2	-0.5	-0.3	-0.3	1.6
2008	5.3	5.2	0.1	0.0	0.1	0.5	2.7	2.0	1.1	1.1	-0.6	4.2
2009	7.2	7.4	-0.2	0.0	0.1	0.7	1.6	4.9	3.0	2.3	0.9	4.3
2010	7.5	7.7	-0.1	0.0	0.0	3.0	-0.7	5.2	4.2	3.3	1.0	3.3
2011	4.2	4.0	0.2	0.0	0.0	0.5	0.2	3.5	3.2	1.0	1.0	1.1

2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) ⁷⁾	Deficit-debt adjustment ⁸⁾											
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	Other ⁹⁾
				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
2003	3.1	-3.2	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	0.3	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	-2.6	0.8	0.6	0.3	0.0	0.1	0.1	-0.3	0.2	0.2	0.0	0.0	0.0
2006	1.6	-1.4	0.2	0.2	0.3	-0.1	0.2	-0.2	-0.4	0.1	0.1	0.0	0.0	-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	0.9	1.0	0.3	0.0	0.3	0.4	-0.3	0.5	-0.2	0.0	0.0	0.1
2010	7.5	-6.2	1.3	1.8	0.0	0.5	1.1	0.1	0.0	0.1	-0.1	0.0	0.0	-0.3
2011	4.2	-4.1	0.1	-0.3	0.2	-0.2	-0.2	0.0	-0.1	0.2	0.2	0.0	0.0	0.2

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 Q4	48.6	47.9	13.7	14.0	16.1	2.4	0.8	0.8	0.3	44.0
2006 Q1	42.4	42.0	10.4	12.8	15.1	2.1	0.8	0.4	0.3	38.5
2006 Q2	45.5	45.0	12.5	13.1	15.1	2.2	1.4	0.5	0.3	41.0
2006 Q3	43.7	43.1	11.8	12.4	15.1	2.3	0.8	0.5	0.3	39.5
2006 Q4	49.2	48.6	14.4	14.1	15.8	2.5	0.9	0.6	0.3	44.5
2007 Q1	42.1	41.7	10.4	12.8	14.8	2.1	0.9	0.4	0.3	38.2
2007 Q2	45.7	45.3	13.0	13.0	14.9	2.2	1.4	0.4	0.3	41.2
2007 Q3	43.7	43.2	12.3	12.4	14.8	2.3	0.7	0.5	0.3	39.7
2007 Q4	49.4	48.8	14.8	13.9	15.7	2.6	1.0	0.6	0.3	44.7
2008 Q1	42.2	41.9	10.8	12.3	14.8	2.1	1.1	0.3	0.2	38.2
2008 Q2	45.2	44.8	12.9	12.3	15.0	2.2	1.5	0.4	0.3	40.5
2008 Q3	43.5	43.1	12.2	12.0	15.0	2.3	0.8	0.4	0.3	39.5
2008 Q4	48.9	48.4	13.9	13.4	16.4	2.7	1.1	0.5	0.3	44.0
2009 Q1	42.3	42.1	10.4	12.0	15.5	2.3	1.1	0.1	0.2	38.2
2009 Q2	45.2	44.6	11.8	12.5	15.7	2.4	1.4	0.6	0.5	40.5
2009 Q3	42.9	42.6	11.0	12.0	15.5	2.5	0.7	0.3	0.3	38.8
2009 Q4	48.8	47.9	13.0	13.6	16.5	2.8	1.0	0.8	0.5	43.6
2010 Q1	42.0	41.8	10.1	12.1	15.5	2.3	0.9	0.2	0.3	38.0
2010 Q2	45.0	44.6	11.8	12.7	15.4	2.5	1.3	0.4	0.3	40.3
2010 Q3	43.0	42.7	11.0	12.4	15.2	2.5	0.7	0.3	0.3	38.9
2010 Q4	48.6	47.9	13.2	13.4	16.4	2.9	1.0	0.7	0.3	43.3
2011 Q1	42.7	42.5	10.6	12.4	15.3	2.4	1.0	0.3	0.3	38.6
2011 Q2	45.1	44.8	12.0	12.6	15.4	2.5	1.5	0.3	0.3	40.3
2011 Q3	43.8	43.5	11.4	12.5	15.3	2.6	0.8	0.3	0.3	39.6
2011 Q4	49.3	48.3	13.3	13.4	16.7	2.9	1.0	1.0	0.4	43.9

2. Euro area – quarterly expenditure and deficit/surplus

	Total		Current expenditure						Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
	1	2	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social benefits	Subsidies	Investment	Capital transfers		
2005 Q4	49.4	45.0	11.3	5.8	2.8	25.2	21.6	1.3	4.4	2.7	1.7	-0.8	2.0
2006 Q1	45.7	42.3	10.1	4.3	3.0	24.9	21.4	1.1	3.4	2.2	1.3	-3.3	-0.3
2006 Q2	45.6	42.2	10.3	4.7	3.1	24.1	21.1	1.1	3.4	2.5	1.0	-0.1	3.0
2006 Q3	45.5	41.9	9.8	4.8	2.9	24.3	20.9	1.2	3.6	2.6	1.0	-1.8	1.1
2006 Q4	49.7	44.7	10.8	6.1	2.7	25.1	21.3	1.3	4.9	2.8	2.2	-0.5	2.2
2007 Q1	44.8	41.3	9.9	4.3	2.9	24.1	20.7	1.1	3.5	2.3	1.2	-2.7	0.3
2007 Q2	44.8	41.4	10.0	4.6	3.2	23.6	20.6	1.1	3.4	2.5	0.9	0.9	4.1
2007 Q3	44.8	41.2	9.6	4.8	3.0	23.8	20.6	1.1	3.6	2.6	0.9	-1.1	1.9
2007 Q4	49.4	44.8	10.8	6.1	2.8	25.1	21.2	1.5	4.5	2.8	1.7	0.0	2.9
2008 Q1	45.3	41.7	9.9	4.4	3.0	24.4	20.8	1.2	3.6	2.3	1.2	-3.0	0.0
2008 Q2	45.8	42.2	10.2	4.8	3.3	23.9	20.8	1.1	3.6	2.6	1.0	-0.6	2.7
2008 Q3	45.9	42.2	9.8	5.0	3.0	24.4	21.2	1.1	3.7	2.7	1.0	-2.4	0.6
2008 Q4	51.4	46.8	11.2	6.5	2.8	26.3	22.2	1.4	4.6	2.9	1.7	-2.5	0.3
2009 Q1	49.3	45.4	10.7	4.9	2.9	26.9	22.9	1.3	3.8	2.6	1.2	-7.0	-4.1
2009 Q2	50.5	46.3	11.1	5.4	3.0	26.9	23.3	1.3	4.2	2.8	1.3	-5.4	-2.3
2009 Q3	50.2	46.1	10.5	5.6	2.9	27.1	23.5	1.3	4.1	2.8	1.1	-7.3	-4.4
2009 Q4	54.7	49.7	11.8	6.9	2.6	28.5	24.0	1.5	4.9	3.0	1.9	-5.9	-3.3
2010 Q1	50.2	46.4	10.7	4.9	2.8	27.9	23.6	1.4	3.9	2.3	1.5	-8.2	-5.4
2010 Q2	49.4	45.9	10.9	5.3	2.9	26.7	23.2	1.3	3.5	2.5	1.2	-4.4	-1.4
2010 Q3	50.6	45.4	10.2	5.5	2.8	26.9	23.2	1.3	5.2	2.6	2.6	-7.6	-4.9
2010 Q4	53.4	48.7	11.4	6.8	2.7	27.7	23.6	1.5	4.8	2.7	2.1	-4.8	-2.1
2011 Q1	48.4	45.3	10.4	4.8	3.0	27.2	23.1	1.3	3.1	2.1	0.9	-5.7	-2.7
2011 Q2	48.4	45.2	10.6	5.1	3.2	26.2	22.8	1.2	3.2	2.3	0.9	-3.3	-0.1
2011 Q3	48.3	44.9	10.0	5.3	3.0	26.5	23.0	1.2	3.4	2.3	1.1	-4.5	-1.5
2011 Q4	52.4	48.6	11.3	6.7	3.0	27.6	23.6	1.4	3.8	2.5	1.5	-3.0	0.0

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⁾

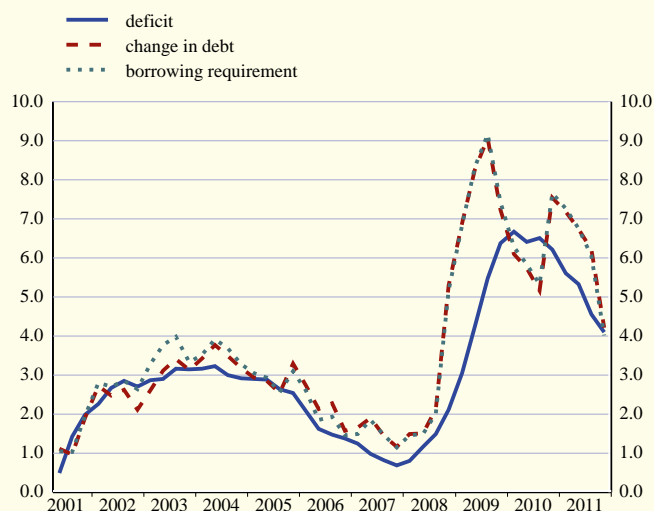
	Total 1	Financial instruments			
		Currency and deposits 2	Loans 3	Short-term securities 4	Long-term securities 5
2009 Q1	73.9	2.3	11.8	7.7	52.1
Q2	77.1	2.4	12.2	8.2	54.3
Q3	79.0	2.4	12.4	9.0	55.3
Q4	79.9	2.5	12.6	8.3	56.5
2010 Q1	81.6	2.4	12.8	8.2	58.2
Q2	82.9	2.4	13.4	7.8	59.2
Q3	83.0	2.4	13.3	7.9	59.3
Q4	85.3	2.4	15.3	7.4	60.2
2011 Q1	86.2	2.4	15.1	7.4	61.2
Q2	87.1	2.4	14.9	7.5	62.3
Q3	86.7	2.4	15.1	7.8	61.4
Q4	87.3	2.4	15.4	7.4	62.1

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
2009 Q1	12.9	-7.0	5.8	6.6	5.2	-0.1	0.8	0.7	-0.5	-0.3	13.3
Q2	9.2	-5.4	3.9	3.2	2.3	-0.4	0.2	1.1	-0.4	1.0	9.6
Q3	5.1	-7.3	-2.2	-2.8	-3.1	0.6	-0.1	-0.2	0.2	0.4	4.8
Q4	2.1	-5.9	-3.8	-2.8	-2.9	-0.1	0.0	0.2	-0.2	-0.8	2.3
2010 Q1	8.2	-8.2	0.0	0.7	0.9	-0.1	-0.3	0.2	-0.4	-0.4	8.5
Q2	7.7	-4.4	3.4	3.3	2.0	1.1	-0.2	0.5	-0.1	0.1	7.8
Q3	2.8	-7.6	-4.9	-2.9	-2.3	-0.6	0.0	0.0	0.0	-1.9	2.8
Q4	11.4	-4.8	6.6	5.7	-0.4	1.7	4.7	-0.3	0.0	0.8	11.4
2011 Q1	6.7	-5.7	1.0	0.7	2.0	-0.7	-0.3	-0.2	-0.2	0.5	6.9
Q2	6.0	-3.3	2.7	2.9	2.8	0.5	-0.4	-0.1	0.2	-0.5	5.7
Q3	0.7	-4.5	-3.8	-3.8	-3.7	-0.3	0.2	0.1	0.6	-0.6	0.1
Q4	3.6	-3.0	0.5	-0.8	-0.5	-0.3	-0.3	0.2	0.2	1.2	3.4

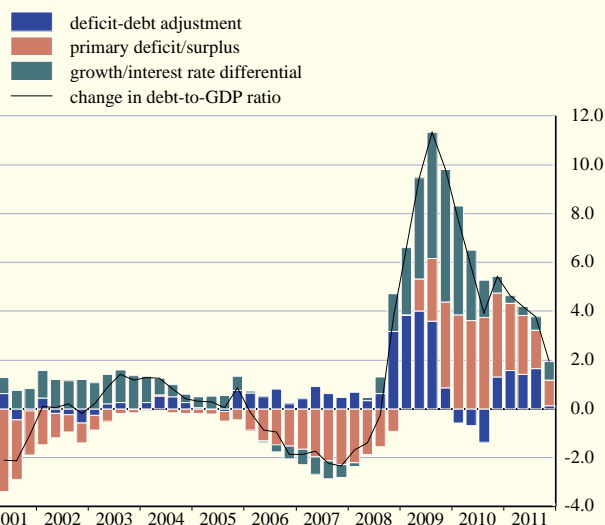
C30 Deficit, borrowing requirement and change in debt

(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

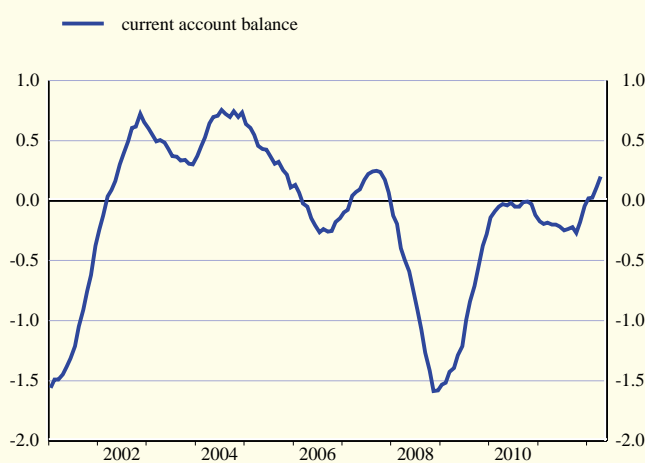
7.1 Summary balance of payments ¹⁾

(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
2009	-21.9	31.3	36.4	3.5	-93.1	6.7	-15.2	9.4	-105.1	265.7	20.0	-175.7	4.6	5.8
2010	-6.8	15.1	49.6	31.8	-103.3	6.4	-0.4	-2.5	-113.9	165.1	18.5	-61.7	-10.5	3.0
2011	-3.2	4.6	61.1	31.7	-100.6	10.8	7.6	-24.6	-151.1	308.3	-20.8	-150.7	-10.2	17.0
2011 Q1	-21.3	-10.1	7.9	14.9	-33.9	2.3	-18.9	-5.3	-42.8	136.0	-0.4	-86.4	-11.7	24.2
Q2	-18.6	-2.4	16.4	-11.7	-20.9	0.8	-17.9	21.2	-31.8	139.1	3.6	-94.1	4.5	-3.3
Q3	2.7	2.8	19.6	8.8	-28.5	1.7	4.4	3.5	-19.2	35.0	-14.8	-1.2	3.7	-7.9
Q4	33.9	14.3	17.2	19.8	-17.3	6.0	39.9	-44.0	-57.3	-1.8	-9.2	31.0	-6.8	4.1
2012 Q1	-7.0	1.9	10.5	14.3	-33.7	2.1	-5.0	-7.1	-27.9	-38.4	-3.5	63.9	-1.2	12.1
2011 Apr.	-5.0	-3.6	3.9	1.4	-6.7	-0.1	-5.1	-4.7	-31.2	5.3	3.3	11.9	6.0	9.8
May	-13.9	0.5	6.2	-14.4	-6.2	0.4	-13.5	18.9	-4.2	44.5	-1.6	-16.6	-3.1	-5.4
June	0.3	0.8	6.3	1.3	-8.0	0.4	0.8	7.0	3.6	89.2	1.9	-89.3	1.6	-7.7
July	3.4	4.2	7.2	2.7	-10.7	-0.1	3.2	-6.2	-17.3	-24.0	0.3	36.0	-1.2	3.0
Aug.	-1.4	-4.3	5.2	5.6	-7.9	2.1	0.6	-0.6	7.2	26.2	-8.0	-29.4	3.4	-0.1
Sep.	0.8	3.0	7.2	0.5	-9.9	-0.2	0.6	10.3	-9.0	32.7	-7.1	-7.9	1.6	-10.9
Oct.	3.4	0.4	6.0	6.1	-9.1	1.8	5.2	-1.3	-6.5	-1.4	-2.2	9.9	-1.1	-3.9
Nov.	8.9	5.7	4.4	5.5	-6.7	2.6	11.5	-21.9	-42.6	35.2	-3.8	-10.4	-0.2	10.4
Dec.	21.6	8.2	6.8	8.2	-1.5	1.6	23.3	-20.8	-8.2	-35.6	-3.2	31.5	-5.4	-2.4
2012 Jan.	-10.1	-9.2	2.2	4.1	-7.3	0.1	-10.0	10.4	-6.4	-43.4	-4.1	64.8	-0.5	-0.4
Feb.	-5.6	2.3	3.1	4.9	-15.9	1.6	-4.0	0.3	-3.4	19.4	4.9	-18.9	-1.8	3.8
Mar.	8.7	8.8	5.1	5.3	-10.5	0.3	9.1	-17.8	-18.1	-14.4	-4.3	17.9	1.1	8.7
Apr.	1.6	6.0	5.4	-0.9	-8.8	0.4	2.0	-3.5	-6.0	-8.8	2.4	11.9	-2.9	1.5
<i>12-month cumulated transactions</i>														
2012 Apr.	17.6	26.3	65.1	28.9	-102.6	11.0	28.7	-25.3	-111.1	119.7	-24.7	-0.4	-8.7	-3.4
<i>12-month cumulated transactions as a percentage of GDP</i>														
2012 Apr.	0.2	0.3	0.7	0.3	-1.1	0.1	0.3	-0.3	-1.2	1.3	-0.3	0.0	-0.1	0.0

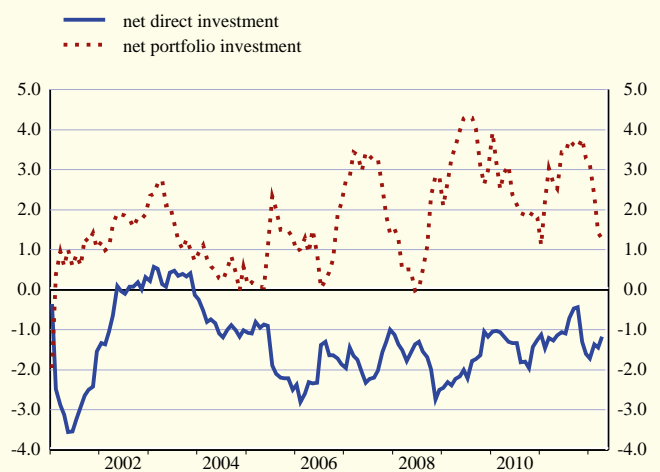
C32 Euro area b.o.p.: current account

(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

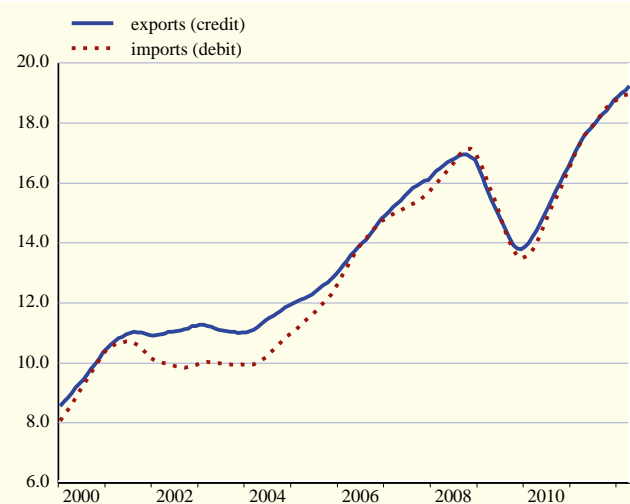
(EUR billions; transactions)

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	
2009	2,307.2	2,329.2	-21.9	1,304.1	1,272.8	478.9	442.5	429.9	426.5	94.3	6.4	187.4	22.5	20.5	13.7
2010	2,657.8	2,664.6	-6.8	1,566.8	1,551.7	524.0	474.4	479.4	447.6	87.6	6.3	190.9	22.3	21.4	15.0
2011	2,930.5	2,933.7	-3.2	1,773.8	1,769.1	550.1	489.0	513.9	482.2	92.7	6.4	193.4	22.3	25.5	14.7
2011 Q1	698.0	719.3	-21.3	427.8	437.9	124.6	116.8	121.1	106.2	24.5	1.5	58.4	5.4	5.0	2.7
Q2	727.8	746.4	-18.6	438.7	441.0	134.4	118.0	135.5	147.3	19.1	1.6	40.0	5.6	4.0	3.2
Q3	732.7	730.0	2.7	444.6	441.8	147.3	127.7	124.0	115.3	16.8	1.8	45.3	5.7	5.2	3.5
Q4	772.0	738.1	33.9	462.7	448.4	143.7	126.6	133.3	113.5	32.3	1.5	49.6	5.6	11.3	5.3
2012 Q1	743.7	750.7	-7.0	463.9	462.0	127.2	116.8	125.9	111.6	26.7	.	60.4	.	5.0	3.0
2012 Feb.	244.0	249.6	-5.6	153.2	150.9	41.3	38.1	38.3	33.5	11.2	.	27.1	.	2.4	0.8
Mar.	263.9	255.1	8.7	167.8	158.9	44.9	39.7	45.3	40.0	6.0	.	16.5	.	1.6	1.3
Apr.	243.2	241.6	1.6	152.1	146.1	44.9	39.5	39.9	40.8	6.3	.	15.1	.	1.4	1.0
	<i>Seasonally adjusted</i>														
2011 Q3	735.2	735.4	-0.2	443.7	442.5	138.5	122.8	129.4	121.9	23.6	.	48.2	.	.	.
Q4	747.2	742.9	4.3	452.4	450.1	139.9	122.9	131.1	121.1	23.8	.	48.7	.	.	.
2012 Q1	762.8	750.0	12.9	469.9	456.5	138.5	121.7	129.3	121.3	25.2	.	50.5	.	.	.
2012 Feb.	251.5	252.6	-1.2	156.3	155.0	46.7	41.6	40.7	39.7	7.7	.	16.4	.	.	.
Mar.	258.1	247.8	10.3	158.8	150.1	47.2	39.7	42.9	40.1	9.2	.	17.9	.	.	.
Apr.	256.0	251.4	4.6	159.6	152.1	48.2	42.3	40.3	38.7	7.9	.	18.3	.	.	.
	<i>12-month cumulated transactions</i>														
2012 Apr.	2,983.7	2,964.9	18.8	1,816.5	1,790.0	555.3	490.0	516.7	487.1	95.2	.	197.8	.	.	.
	<i>12-month cumulated transactions as a percentage of GDP</i>														
2012 Apr.	31.6	31.4	0.2	19.2	19.0	5.9	5.2	5.5	5.2	1.0	.	2.1	.	.	.

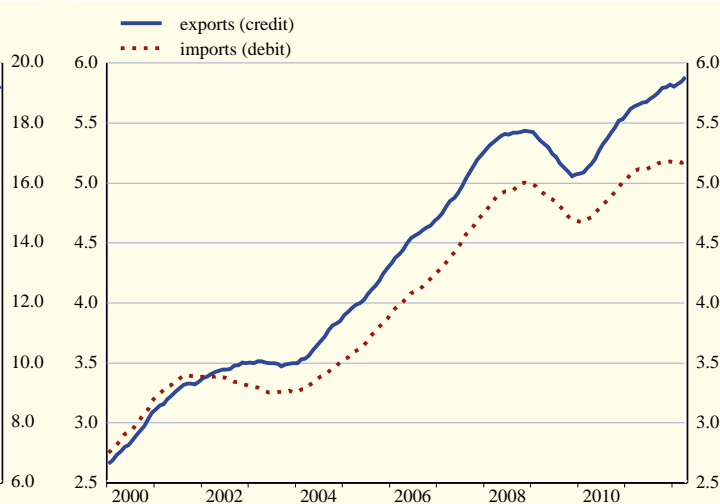
C34 Euro area b.o.p.: goods

(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
2009	22.2	12.0	407.7	414.4	156.8	20.7	100.6	15.4	25.0	24.7	24.5	77.5	100.9	121.3	100.4	90.3
2010	24.2	12.0	455.1	435.6	220.5	41.6	137.7	32.7	23.9	22.1	28.7	86.6	102.2	124.0	79.9	65.2
2011	25.1	12.3	488.8	469.9	239.8	65.5	153.1	53.1	25.0	21.9	35.9	96.3	102.6	131.7	85.5	66.8
2010 Q4	6.6	2.9	117.7	107.8	57.1	1.6	34.0	0.7	6.3	7.8	6.3	18.7	26.9	30.0	21.1	17.3
2011 Q1	6.0	2.2	115.1	104.0	55.4	16.0	35.4	20.6	5.8	4.8	7.4	14.4	25.7	32.7	20.7	16.7
Q2	6.1	3.3	129.4	144.0	65.5	13.7	42.3	9.9	5.4	5.5	12.3	46.6	25.7	32.3	20.5	17.2
Q3	6.0	3.7	118.0	111.5	54.5	21.3	37.6	17.7	6.8	5.5	9.0	18.7	25.9	33.2	21.9	16.5
Q4	7.0	3.1	126.3	110.4	64.3	14.5	37.8	4.8	6.9	6.1	7.2	16.6	25.3	33.5	22.5	16.4

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									
2011 Q1 to 2011 Q4	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Credits																
Current account	2,930.5	959.1	53.5	91.0	445.7	307.5	61.3	58.8	40.1	149.6	41.2	64.2	107.9	228.5	376.2	904.9
Goods	1,773.8	565.8	33.7	59.1	232.0	240.9	0.2	30.3	20.7	115.7	30.9	39.6	80.6	123.6	199.1	567.5
Services	550.1	170.6	11.2	15.4	105.2	32.2	6.6	8.9	9.1	17.8	6.9	13.0	18.2	55.2	81.5	168.9
Income	513.9	160.6	7.5	14.8	97.8	31.4	9.0	19.3	9.6	15.4	3.2	10.6	8.6	40.9	89.2	156.5
Investment income	488.8	153.3	6.7	14.7	96.3	30.8	4.8	19.2	9.5	15.4	3.2	10.6	8.5	28.6	87.5	153.0
Current transfers	92.7	62.0	1.1	1.7	10.7	3.0	45.5	0.4	0.7	0.7	0.3	1.0	0.5	8.7	6.5	12.0
Capital account	25.5	20.8	0.0	0.1	1.4	0.4	19.0	0.1	0.0	0.0	0.2	0.1	0.6	0.4	3.2	
Debits																
Current account	2,933.7	901.4	46.0	89.6	386.7	272.8	106.4	-	32.7	-	-	95.7	-	189.3	374.7	-
Goods	1,769.1	490.3	30.3	51.5	185.5	223.0	0.0	31.2	15.0	210.1	28.4	52.7	134.5	99.7	142.4	564.9
Services	489.0	140.5	8.3	12.8	83.7	35.5	0.3	5.4	6.5	13.1	6.1	9.3	10.1	42.8	100.5	154.6
Income	482.2	152.2	6.6	23.8	105.9	9.8	6.2	-	9.3	-	-	33.0	-	39.3	125.4	-
Investment income	469.9	146.1	6.5	23.6	104.3	5.4	6.2	-	9.1	-	-	32.8	-	38.9	124.1	-
Current transfers	193.4	118.4	0.8	1.5	11.6	4.5	100.0	1.5	1.8	4.1	0.7	0.6	0.7	7.5	6.4	51.6
Capital account	14.7	2.1	0.3	0.1	1.1	0.4	0.2	0.2	0.3	0.4	0.3	0.1	0.1	0.6	1.8	8.8
Net																
Current account	-3.2	57.7	7.6	1.4	59.0	34.8	-45.2	-	7.4	-	-	-31.4	-	39.1	1.5	-
Goods	4.6	75.6	3.4	7.6	46.5	17.9	0.2	-0.9	5.6	-94.3	2.4	-13.1	-53.9	23.9	56.7	2.6
Services	61.1	30.0	3.0	2.6	21.5	-3.3	6.3	3.5	2.6	4.7	0.8	3.6	8.1	12.4	-19.0	14.2
Income	31.7	8.4	0.9	-8.9	-8.0	21.6	2.8	-	0.3	-	-	-22.3	-	1.6	-36.2	-
Investment income	18.9	7.2	0.2	-9.0	-8.0	25.4	-1.4	-	0.4	-	-	-22.2	-	-10.3	-36.6	-
Current transfers	-100.6	-56.3	0.4	0.2	-0.9	-1.5	-54.5	-1.1	-1.1	-3.4	-0.5	0.3	-0.2	1.2	0.0	-39.5
Capital account	10.8	18.7	-0.3	-0.1	0.3	0.0	18.8	-0.1	-0.2	-0.4	-0.2	0.1	0.1	0.0	-1.4	-5.6

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)														
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	154.3	170.1	-15.8	4,287.2	3,403.0	4,341.3	6,781.9	0.2	4,675.9	4,985.4	459.6
2010	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 Q2	15,377.0	16,636.0	-1,259.0	165.1	178.6	-13.5	5,030.5	3,837.6	4,762.1	7,646.7	-48.3	5,051.8	5,151.6	580.9
Q3	15,558.2	16,782.4	-1,224.2	166.0	179.0	-13.1	5,089.1	3,896.4	4,573.8	7,523.4	-45.9	5,294.5	5,362.6	646.6
Q4	15,786.0	16,922.4	-1,136.4	167.7	179.8	-12.1	5,238.8	3,938.1	4,744.0	7,677.3	-30.4	5,166.5	5,307.0	667.1
Changes to outstanding amounts														
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	551.2	460.7	90.5	5.9	4.9	1.0	440.7	223.3	-163.5	234.5	31.2	163.5	3.0	79.3
2011 Q3	181.2	146.4	34.8	7.7	6.2	1.5	58.7	58.7	-188.3	-123.3	2.4	242.7	211.0	65.8
Q4	227.8	140.0	87.8	9.4	5.8	3.6	149.7	41.8	170.2	153.9	15.4	-128.0	-55.6	20.5
Transactions														
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	-131.4	-121.9	-9.4	-1.5	-1.4	-0.1	337.0	231.9	90.4	356.1	-20.0	-534.2	-709.9	-4.6
2010	589.9	587.4	2.5	6.4	6.4	0.0	275.8	161.8	143.0	308.1	-18.5	179.1	117.4	10.5
2011	491.0	466.5	24.6	5.2	5.0	0.3	348.3	197.2	-47.2	261.1	20.8	158.9	8.2	10.2
2011 Q3	133.0	136.5	-3.5	5.7	5.8	-0.1	56.6	37.4	-63.1	-28.1	14.8	128.4	127.2	-3.7
Q4	-78.5	-122.5	44.0	-3.2	-5.1	1.8	106.9	49.5	-46.8	-48.6	9.2	-154.5	-123.5	6.8
2012 Q1	236.8	229.7	7.1	10.2	9.9	0.3	66.6	38.7	102.4	64.0	3.5	63.1	127.0	1.2
2011 Dec.	-22.5	-43.3	20.8	.	.	.	38.7	30.5	17.0	-18.6	3.2	-86.7	-55.2	5.4
2012 Jan.	74.2	84.6	-10.4	.	.	.	26.8	20.4	28.3	-15.1	4.1	14.4	79.3	0.5
Feb.	62.2	62.4	-0.3	.	.	.	14.5	11.1	29.6	49.0	-4.9	21.2	2.3	1.8
Mar.	100.5	82.7	17.8	.	.	.	25.3	7.2	44.5	30.1	4.3	27.4	45.4	-1.1
Apr.	3.6	0.1	3.5	.	.	.	22.0	16.0	-11.2	-20.0	-2.4	-7.8	4.1	2.9
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	518.4	330.8	187.6	5.8	3.7	2.1	71.8	-76.7	416.0	449.0	20.7	-80.0	-41.5	89.9
2010	880.8	704.1	176.7	9.6	7.7	1.9	235.2	150.0	423.2	352.9	-43.2	147.9	201.2	117.7
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	-55.1	5.5	-0.6	-0.6	0.1	-4.6	5.7	-30.5	-32.9	.	-11.9	-27.9	-2.7
2010	535.4	323.9	211.5	5.8	3.5	2.3	160.8	57.6	179.4	101.7	.	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	634.2	483.5	150.7	7.1	5.4	1.7	142.5	28.4	425.2	455.2	20.7	.	.	45.8
2010	296.3	153.8	142.5	3.2	1.7	1.6	50.2	2.2	187.3	151.7	-43.2	.	.	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	-66.2	-97.6	31.4	-0.7	-1.1	0.4	-66.2	-110.8	21.2	26.8	.	-68.1	-13.6	46.8
2010	49.1	226.4	-177.3	0.5	2.5	-1.9	24.2	90.1	56.5	99.6	.	-34.3	36.7	2.7
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	-	.	.	.	8.7	7.3	2.3	5.9	.	-10.1	-12.3	-1.2
2010	4.1	3.8	-	.	.	.	6.2	4.6	3.2	4.4	.	3.8	2.3	2.0
2011 Q3	4.5	4.2	-	.	.	.	5.7	6.3	0.9	5.3	.	6.9	1.2	0.9
Q4	3.2	2.9	-	.	.	.	7.2	5.3	-1.1	3.5	.	3.3	0.2	1.6
2012 Q1	3.2	2.8	-	.	.	.	5.8	4.0	0.6	2.2	.	2.8	2.7	-0.2

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

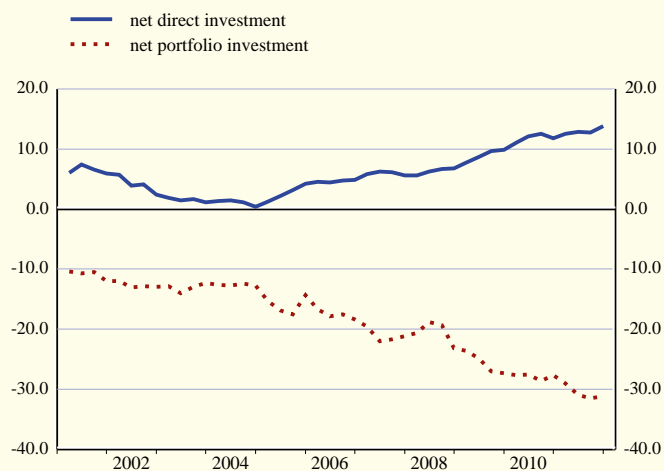
	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs	Non-MFIs	Total	MFIs	Non-MFIs		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 Q3	5,089.1	3,926.1	287.7	3,638.4	1,163.0	13.2	1,149.8	3,896.4	3,019.1	85.4	2,933.7	877.2	8.7	868.5
Q4	5,238.8	4,067.8	291.3	3,776.6	1,171.0	14.2	1,156.8	3,938.1	3,056.9	85.3	2,971.6	881.2	8.2	873.0
Transactions														
2009	337.0	258.1	21.6	236.5	78.9	2.6	76.3	231.9	236.3	5.6	230.7	-4.4	-0.6	-3.8
2010	275.8	157.0	14.9	142.2	118.7	1.2	117.5	161.8	203.2	6.1	197.1	-41.3	-7.5	-33.8
2011	348.3	303.1	16.6	286.4	45.2	-3.3	48.5	197.2	208.0	3.5	204.5	-10.8	-3.4	-7.4
2011 Q3	56.6	35.9	2.3	33.5	20.7	-1.7	22.5	37.4	58.7	1.0	57.7	-21.3	-0.8	-20.5
Q4	106.9	105.8	1.2	104.6	1.1	1.0	0.1	49.5	41.7	0.7	41.0	7.9	0.2	7.7
2012 Q1	66.6	51.8	-1.6	53.4	14.8	0.8	14.0	38.7	45.1	1.5	43.7	-6.4	-1.8	-4.6
2011 Dec.	38.7	30.5	0.7	29.8	8.1	0.5	7.7	30.5	19.9	-0.4	20.3	10.5	0.4	10.1
2012 Jan.	26.8	27.1	2.4	24.7	-0.4	0.2	-0.6	20.4	23.8	0.2	23.5	-3.4	-0.5	-2.8
Feb.	14.5	13.7	-3.0	16.7	0.8	0.2	0.7	11.1	8.9	1.3	7.6	2.2	0.2	2.0
Mar.	25.3	11.0	-1.0	11.9	14.4	0.4	13.9	7.2	12.5	-0.1	12.5	-5.2	-1.5	-3.8
Apr.	22.0	10.1	-0.8	10.8	11.9	0.1	11.8	16.0	4.1	-0.1	4.1	11.9	0.6	11.3
Growth rates														
2009	8.7	8.6	9.9	8.5	9.0	20.5	8.8	7.3	10.4	8.6	10.4	-0.5	-3.2	-0.4
2010	6.2	4.5	6.2	4.4	12.0	7.8	12.0	4.6	7.9	8.0	7.9	-4.6	-41.3	-3.8
2011 Q3	5.7	5.5	5.9	5.4	6.5	-24.0	7.0	6.3	6.9	5.2	6.9	4.5	-51.2	5.7
Q4	7.2	8.2	6.1	8.3	4.0	-19.6	4.4	5.3	7.3	4.2	7.4	-1.2	-27.6	-0.9
2012 Q1	5.8	6.4	3.9	6.6	3.8	-15.4	4.1	4.0	6.1	5.3	6.1	-2.8	-37.6	-2.3

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	MFIs		Non-MFIs		Bonds and notes			Money market instruments						
			3	4	5	6	7	MFIs		10	11	12	MFIs		15	16
								Euro-system	General government				Euro-system	General government			Euro-system	General government
8	9	13	14													
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 Q3	4,573.8	1,620.4	76.2	3.4	1,544.2	38.1	2,552.5	748.7	17.7	1,803.8	93.9	400.9	301.4	54.9	99.5	0.5
Q4	4,744.0	1,706.8	70.6	3.1	1,636.2	39.4	2,579.1	727.4	16.0	1,851.7	94.2	458.2	298.8	57.5	159.4	0.5
Transactions																
2009	90.4	53.1	-1.3	0.0	54.4	2.5	42.9	-93.0	-3.8	135.9	17.5	-5.6	0.5	-12.9	-6.1	0.9
2010	143.0	76.7	5.6	-0.2	71.1	1.7	106.7	-125.3	-0.9	232.0	51.5	-40.4	-55.7	-11.7	15.3	-1.9
2011	-47.2	-69.0	-18.8	-0.6	-50.2	-7.3	-9.0	-54.1	0.3	45.1	-2.9	30.8	28.7	10.5	2.2	0.2
2011 Q3	-63.1	-53.7	-12.9	0.0	-40.8	-2.0	-17.8	-19.4	-0.1	1.6	0.1	8.4	8.1	3.5	0.4	0.0
Q4	-46.8	-36.8	-9.2	-0.3	-27.6	-0.9	-21.5	-17.3	-1.7	-4.2	-1.7	11.5	14.8	0.6	-3.3	0.0
2012 Q1	102.4	14.5	5.3	0.0	9.2	.	65.0	12.3	0.7	52.7	.	22.9	16.9	-4.4	6.0	.
2011 Dec.	17.0	-7.7	-1.6	-0.2	-6.1	.	3.4	-1.9	-9.5	5.2	.	21.3	25.8	15.2	-4.5	.
2012 Jan.	28.3	2.9	-0.6	0.0	3.5	.	20.5	1.3	0.8	19.2	.	5.0	2.7	-7.2	2.2	.
Feb.	29.6	2.8	0.5	0.0	2.4	.	23.1	5.6	0.1	17.5	.	3.6	1.6	2.4	2.0	.
Mar.	44.5	8.8	5.5	0.0	3.3	.	21.4	5.4	-0.2	16.0	.	14.3	12.5	0.4	1.8	.
Apr.	-11.2	5.8	-0.9	0.0	6.7	.	-7.4	-13.1	0.7	5.7	.	-9.6	-16.3	1.9	6.7	.
Growth rates																
2009	2.3	3.8	-2.4	-0.6	4.2	8.5	1.8	-9.4	-19.0	10.5	93.4	-2.0	-0.9	-22.3	-7.9	67.2
2010	3.2	4.8	7.0	-5.2	4.7	4.8	4.2	-13.5	-4.9	14.8	122.5	-9.5	-16.0	-25.4	21.1	-91.9
2011 Q3	0.9	0.6	-7.3	-8.7	1.0	-16.4	0.5	-14.9	9.3	8.6	130.0	6.1	1.0	0.9	28.1	-4.8
Q4	-1.1	-4.0	-21.3	-16.7	-3.1	-15.8	-0.4	-6.9	2.0	2.6	-3.1	7.9	9.8	26.5	2.5	112.5
2012 Q1	0.6	-2.9	-15.5	-6.0	-2.3	.	2.0	-3.8	-4.0	4.5	.	7.2	10.1	12.7	-0.7	.

4. Portfolio investment liabilities

	Total		Equity				Debt instruments								
	1	2	MFIs		Non-MFIs		Bonds and notes			Money market instruments					
			3	4	5	6	7	MFIs		10	11	12			
								Euro-system	General government				Euro-system	General government	
8	9	13	14												
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 Q3	7,523.4	2,842.5	618.0	2,224.5	4,148.9	1,222.6	2,926.3	1,844.4	532.0	110.1	421.9	376.8			
Q4	7,677.3	3,078.2	553.6	2,524.6	4,141.2	1,235.2	2,906.0	1,836.6	457.9	98.2	359.8	315.1			
Transactions															
2009	356.1	124.6	10.7	113.9	140.5	-14.4	154.9	101.3	90.9	-18.5	109.4	144.3			
2010	308.1	144.2	-16.3	160.4	184.2	59.1	125.1	194.5	-20.3	19.2	-39.5	-34.9			
2011	261.1	120.5	19.9	100.6	167.0	57.5	109.6	100.5	-26.4	18.2	-44.7	-35.8			
2011 Q3	-28.1	-22.3	-10.6	-11.7	2.1	14.2	-12.0	-22.9	-7.9	-12.7	4.8	17.9			
Q4	-48.6	42.3	29.0	13.3	-31.5	-31.5	0.1	-4.1	-59.4	0.4	-59.8	-71.6			
2012 Q1	64.0	33.2	3.7	29.5	14.9	-0.4	15.3	.	15.9	7.7	8.3	.			
2011 Dec.	-18.6	31.5	3.8	27.7	-20.6	-9.2	-11.3	.	-29.6	-4.5	-25.0	.			
2012 Jan.	-15.1	9.9	4.1	5.8	-32.0	-6.6	-25.4	.	7.1	-3.4	10.4	.			
Feb.	49.0	1.2	-2.7	3.9	45.5	6.0	39.5	.	2.3	1.9	0.4	.			
Mar.	30.1	22.1	2.3	19.8	1.4	0.2	1.2	.	6.6	9.2	-2.6	.			
Apr.	-20.0	-19.1	-3.2	-15.8	-4.6	3.4	-8.0	.	3.7	-7.6	11.3	.			
Growth rates															
2009	5.9	5.4	1.7	6.8	4.1	-1.2	7.0	7.2	23.1	-29.1	33.1	53.5			
2010	4.4	5.1	-2.4	7.5	5.1	5.2	5.1	12.9	-4.2	26.3	-9.1	-8.7			
2011 Q3	5.3	4.5	-2.8	6.5	6.7	10.3	5.2	8.5	-0.4	9.3	-2.4	5.3			
Q4	3.5	4.0	3.2	4.1	4.5	5.2	4.2	6.1	-4.9	24.6	-10.9	-10.7			
2012 Q1	2.2	1.7	2.9	1.3	4.2	2.5	4.9	.	-7.2	3.4	-10.1	.			

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 Q3	5,294.5	42.4	42.1	0.3	3,206.3	3,148.7	57.6	141.7	7.4	93.5	16.5	1,904.1	228.5	1,518.4	480.5
2011 Q4	5,166.5	35.5	35.2	0.3	3,065.7	3,007.3	58.4	165.8	7.5	116.8	30.2	1,899.5	230.4	1,521.0	463.4
Transactions															
2009	-534.2	0.1	0.0	0.1	-420.4	-399.9	-20.5	11.8	-0.4	10.4	0.2	-125.6	7.5	-129.0	-34.8
2010	179.1	-2.9	-2.9	0.0	8.6	-0.2	8.8	41.7	-0.3	41.3	4.9	131.7	7.6	101.7	46.7
2011	158.9	-2.6	-2.7	0.1	50.3	20.9	29.4	1.5	-0.2	0.9	9.9	109.7	8.3	79.9	53.0
2011 Q3	128.4	-2.7	-2.7	0.1	82.7	68.3	14.4	-6.0	-0.1	-6.0	-1.5	54.4	2.4	39.2	19.0
2011 Q4	-154.5	-8.2	-8.2	0.0	-156.9	-157.2	0.3	17.0	0.0	17.0	13.3	-6.3	0.2	4.2	-4.1
2012 Q1	63.1	1.1	.	.	32.8	.	.	-10.5	.	.	-5.8	39.7	.	.	9.1
2011 Dec.	-86.7	-1.4	.	.	-47.6	.	.	0.5	.	.	-1.3	-38.2	.	.	-20.8
2012 Jan.	14.4	1.8	.	.	5.5	.	.	-1.6	.	.	0.6	8.7	.	.	-2.0
Feb.	21.2	0.1	.	.	12.0	.	.	-8.3	.	.	-6.4	17.3	.	.	4.6
Mar.	27.4	-0.9	.	.	15.3	.	.	-0.6	.	.	0.0	13.6	.	.	6.5
Apr.	-7.8	-0.1	.	.	5.3	.	.	0.8	.	.	0.7	-13.8	.	.	-3.3
Growth rates															
2009	-10.1	-0.4	-1.4	23.4	-12.8	-12.4	-37.0	10.8	-3.5	17.1	3.5	-6.9	3.8	-8.6	-8.2
2010	3.8	-13.1	-13.0	-9.9	0.4	0.1	27.7	33.2	-3.1	53.2	30.6	7.7	3.7	7.4	11.3
2011 Q3	6.9	46.0	46.3	63.4	6.0	5.1	84.1	16.1	-3.6	25.0	9.1	7.2	4.5	7.0	18.0
2011 Q4	3.3	-5.3	-5.4	40.4	1.8	0.9	88.4	1.2	-3.2	1.4	51.8	6.1	3.8	5.6	12.6
2012 Q1	2.8	-12.3	.	.	0.8	.	.	0.2	.	.	54.2	6.9	.	.	13.2

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 Q3	5,362.6	315.2	312.3	2.9	3,403.8	3,340.7	63.2	210.2	0.0	204.2	5.9	1,433.4	219.6	1,039.3	174.4
2011 Q4	5,307.0	408.9	406.0	2.8	3,212.4	3,144.8	67.6	222.6	0.1	215.9	6.7	1,463.1	221.5	1,073.7	167.9
Transactions															
2009	-709.9	-233.2	-233.4	0.2	-352.8	-341.6	-11.2	17.2	0.0	17.2	0.0	-141.1	0.8	-127.6	-14.3
2010	117.4	8.9	6.3	2.6	-10.8	-16.7	5.9	65.6	0.0	64.8	0.8	53.7	15.4	14.9	23.4
2011	8.2	134.6	134.8	-0.2	-288.9	-327.6	38.7	72.7	0.0	73.4	-0.6	89.8	10.5	47.1	32.2
2011 Q3	127.2	29.8	29.8	0.0	24.3	5.6	18.7	23.2	-0.1	23.2	0.1	49.8	6.3	24.2	19.4
2011 Q4	-123.5	87.9	88.0	0.0	-232.2	-240.2	8.0	9.1	0.0	8.9	0.1	11.7	0.6	19.0	-7.9
2012 Q1	127.0	-71.4	.	.	185.2	.	.	6.6	.	.	.	6.5	.	.	.
2011 Dec.	-55.2	98.2	.	.	-154.3	.	.	5.7	.	.	.	-4.8	.	.	.
2012 Jan.	79.3	-35.8	.	.	106.3	.	.	6.3	.	.	.	2.5	.	.	.
Feb.	2.3	0.1	.	.	-6.2	.	.	-2.1	.	.	.	10.5	.	.	.
Mar.	45.4	-35.7	.	.	85.1	.	.	2.4	.	.	.	-6.5	.	.	.
Apr.	4.1	1.0	.	.	2.9	.	.	5.5	.	.	.	-5.3	.	.	.
Growth rates															
2009	-12.3	-48.1	-48.1	.	-9.4	-9.2	-19.8	24.9	.	26.5	-0.7	-9.9	0.3	-11.6	-9.2
2010	2.3	3.4	2.4	.	-0.2	-0.4	15.5	75.5	.	79.7	11.8	4.1	8.5	1.4	15.4
2011 Q3	1.2	25.9	25.6	.	-4.3	-5.4	79.4	104.6	.	111.8	-8.4	3.1	10.3	-0.5	19.4
2011 Q4	0.2	50.6	51.2	.	-8.3	-9.5	89.7	48.5	.	51.2	-9.0	6.7	5.1	4.7	22.4
2012 Q1	2.7	20.0	.	.	-1.3	.	.	29.7	.	.	.	5.4	.	.	.

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)																	
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	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 Q2	580.9	361.4	346.988	50.5	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
Q3	646.7	416.3	346.989	52.9	26.1	151.4	5.5	11.1	135.1	0.6	120.5	14.0	-0.4	0.0	31.4	-24.5	54.5
Q4	667.1	422.1	346.846	54.0	30.2	160.9	5.3	7.8	148.1	0.6	134.3	13.3	-0.4	0.0	97.4	-86.0	55.9
2012 Apr.	679.7	433.4	346.847	53.1	32.2	160.7	5.0	8.9	146.8	-	-	-	0.0	0.3	52.7	-42.7	55.3
May	695.7	435.7	346.848	54.8	33.4	171.4	5.2	8.6	158.3	-	-	-	-0.7	0.4	51.0	-41.6	57.3
Transactions																	
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	10.5	0.0	-	-0.1	4.9	5.7	-5.4	6.7	4.3	0.0	10.6	-6.3	0.0	0.0	-	-	-
2011	10.2	0.1	-	-1.6	12.9	-1.1	-2.3	-8.2	9.3	-0.2	16.2	-6.8	0.0	0.0	-	-	-
2011 Q3	-3.7	0.0	-	0.2	2.4	-6.3	0.3	-2.9	-3.8	0.0	3.0	-6.7	0.0	0.0	-	-	-
Q4	6.8	0.0	-	-0.4	3.1	4.1	-0.5	-3.0	7.4	-0.2	8.8	-1.2	0.1	0.0	-	-	-
2012 Q1	1.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	3.7	-43.3	76.2	3.6	-5.2	10.3	-24.5	-	-	-	-	-
2011 Q3	0.9	0.0	-	-2.0	64.6	-2.8	-27.0	-37.0	3.2	1.9	9.9	-42.4	-	-	-	-	-
Q4	1.6	0.0	-	-3.0	82.2	-1.1	-30.0	-52.4	6.9	-21.6	14.6	-45.3	-	-	-	-	-
2012 Q1	-0.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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
Outstanding amounts (international investment position)											
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	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 Q2	11,057.2	4,729.2	522.7	3,961.4	209.6	212.9	1,421.5	2,329.9	278.0	4,604.5	2,423.3
Q3	11,464.2	4,896.6	532.0	4,148.9	219.7	246.4	1,420.7	2,431.3	315.2	4,736.6	2,560.4
Q4	11,338.1	4,840.4	457.9	4,141.2	221.5	245.0	1,432.0	2,374.3	408.9	4,545.7	2,577.2
Outstanding amounts as a percentage of GDP											
2008	118.2	57.8	4.3	36.6	2.0	2.3	15.2	18.9	5.2	54.2	24.6
2009	116.5	51.8	5.7	39.2	2.0	2.1	15.8	22.2	2.8	51.1	24.7
2010	120.3	53.4	5.1	41.8	2.2	2.3	15.5	23.9	2.9	51.9	26.1
2011 Q2	118.9	50.8	5.6	42.6	2.3	2.3	15.3	25.0	3.0	49.5	26.0
Q3	122.4	52.3	5.7	44.3	2.3	2.6	15.2	26.0	3.4	50.6	27.3
Q4	120.5	51.4	4.9	44.0	2.4	2.6	15.2	25.2	4.3	48.3	27.4

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
2011 Q1 to 2011 Q4	Cumulated transactions														
Direct investment	151.1	78.1	-2.1	-5.5	64.1	21.5	0.0	2.5	11.5	-0.1	-13.4	1.9	25.8	0.0	44.8
Abroad	348.3	97.0	2.4	-0.3	71.0	23.9	0.0	10.7	14.6	0.5	19.2	85.9	41.9	0.0	78.3
Equity/reinvested earnings	303.1	80.3	1.9	-1.0	58.7	20.6	0.0	11.1	9.7	1.2	23.0	67.1	45.8	0.0	64.8
Other capital	45.2	16.7	0.5	0.6	12.3	3.3	0.0	-0.4	5.0	-0.7	-3.8	18.8	-3.9	0.0	13.5
In the euro area	197.2	18.9	4.5	5.1	6.9	2.4	0.0	8.2	3.2	0.6	32.6	84.0	16.1	0.0	33.5
Equity/reinvested earnings	208.0	26.9	0.9	7.1	17.2	1.8	0.0	14.7	0.4	1.3	15.8	90.6	21.6	0.0	36.6
Other capital	-10.8	-8.0	3.6	-1.9	-10.3	0.7	0.0	-6.5	2.8	-0.7	16.7	-6.6	-5.5	0.0	-3.0
Portfolio investment assets	-47.2	-5.8	-0.4	10.4	-40.1	2.0	22.4	-4.7	5.4	1.0	-5.4	0.4	-27.5	2.8	-13.4
Equity	-69.0	-13.1	-0.8	-0.2	-12.2	-0.3	0.4	3.3	4.0	-5.4	-7.3	-22.3	-9.1	-0.4	-18.8
Debt instruments	21.8	7.4	0.4	10.6	-28.0	2.3	22.0	-8.0	1.4	6.4	1.8	22.6	-18.4	3.2	5.4
Bonds and notes	-9.0	7.9	3.4	3.1	-15.8	1.3	15.9	-7.6	0.9	-5.2	1.3	-1.9	-20.4	2.4	13.7
Money market instruments	30.8	-0.5	-3.0	7.5	-12.1	0.9	6.1	-0.4	0.5	11.6	0.5	24.6	2.1	0.9	-8.3
Other investment	150.7	8.7	1.1	-26.5	86.8	-10.9	-41.9	1.1	0.7	-4.7	-33.4	147.2	127.6	-41.2	-55.3
Assets	158.9	-6.9	-7.5	3.2	3.9	-8.2	1.7	0.4	11.8	1.1	9.1	84.2	58.7	-12.5	13.0
General government	1.5	9.8	0.8	-1.9	10.5	-0.4	0.8	0.0	-0.1	-0.5	0.0	-4.9	-1.0	0.4	-2.2
MFIs	47.7	-81.4	-9.7	1.0	-64.5	-8.9	0.6	-1.2	9.5	3.2	0.2	80.8	49.8	-13.0	-0.2
Other sectors	109.7	64.7	1.4	4.0	57.9	1.0	0.4	1.6	2.4	-1.5	8.9	8.3	9.9	0.1	15.4
Liabilities	8.2	-15.6	-8.6	29.7	-83.0	2.6	43.6	-0.7	11.1	5.8	42.5	-63.0	-68.9	28.7	68.3
General government	72.7	29.3	0.0	-0.1	1.0	-0.1	28.5	0.0	0.0	0.0	0.3	7.2	-0.3	36.3	0.1
MFIs	-154.3	-90.0	-6.0	26.9	-124.2	4.2	9.2	-2.5	7.9	6.9	40.4	-72.4	-75.5	-7.9	38.8
Other sectors	89.8	45.1	-2.6	3.0	40.3	-1.5	5.9	1.9	3.2	-1.1	1.8	2.2	7.0	0.3	29.5

Source: ECB.

7.4 Monetary presentation of the balance of payments ¹⁾

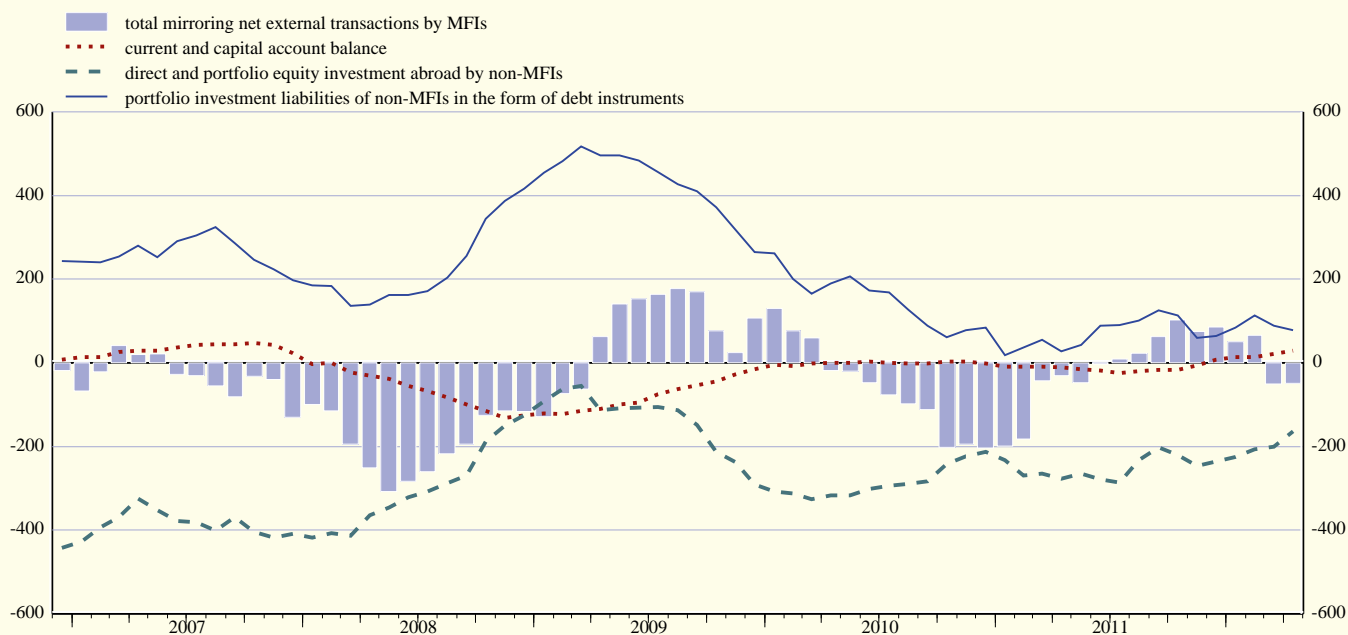
(EUR billions; transactions)

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	
2009	107.7	-15.7	-312.7	226.7	-54.4	-129.8	114.0	265.4	113.8	-123.6	20.0	4.1
2010	-203.6	-1.7	-259.9	163.1	-70.9	-247.3	160.5	84.8	-172.6	119.2	18.5	2.7
2011	85.7	7.6	-335.0	197.1	50.2	-47.3	100.6	64.9	-111.2	162.5	-20.8	17.0
2011 Q1	81.0	-18.9	-120.5	82.6	5.5	-24.0	98.8	-0.1	-16.3	50.2	-0.4	24.2
Q2	19.6	-17.9	-53.7	28.5	-23.7	-28.8	0.2	132.0	-35.8	18.5	3.6	-3.3
Q3	7.5	4.4	-56.0	37.2	40.8	-2.0	-11.7	-7.2	-48.4	73.1	-14.8	-7.9
Q4	-22.4	39.9	-104.7	48.7	27.6	7.5	13.3	-59.8	-10.7	20.8	-9.2	4.1
2012 Q1	-55.6	-5.0	-67.4	39.1	-9.2	-58.8	29.5	23.6	-29.2	13.2	-3.5	12.1
2011 Apr.	-21.6	-5.1	-46.4	20.8	-14.2	-14.0	4.6	13.7	-0.1	6.0	3.3	9.8
May	-0.9	-13.5	-7.0	3.2	-2.1	-18.5	-15.4	73.4	-29.6	15.6	-1.6	-5.4
June	42.1	0.8	-0.3	4.5	-7.4	3.7	10.9	44.9	-6.1	-3.1	1.9	-7.7
July	-18.1	3.2	-31.0	12.2	3.9	-16.5	14.5	-21.4	-7.6	21.3	0.3	3.0
Aug.	10.7	0.6	1.0	7.7	27.2	1.8	-14.4	-17.1	-12.0	23.9	-8.0	-0.1
Sep.	14.9	0.6	-26.1	17.3	9.7	12.7	-11.7	31.3	-28.8	27.8	-7.1	-10.9
Oct.	-39.4	5.2	-19.7	13.7	4.4	8.9	-22.9	0.8	-42.4	18.6	-2.2	-3.9
Nov.	-28.8	11.5	-47.6	4.5	17.1	-0.6	8.5	-24.2	-6.0	1.3	-3.8	10.4
Dec.	45.9	23.3	-37.5	30.4	6.1	-0.8	27.7	-36.4	37.7	0.9	-3.2	-2.4
2012 Jan.	-50.6	-10.0	-24.2	20.7	-3.5	-21.5	5.8	-15.0	-7.2	8.8	-4.1	-0.4
Feb.	18.4	-4.0	-17.4	9.7	-2.4	-19.5	3.9	39.9	-9.0	8.5	4.9	3.8
Mar.	-23.4	9.1	-25.9	8.7	-3.3	-17.8	19.8	-1.4	-13.0	-4.0	-4.3	8.7
Apr.	-19.7	2.0	-22.6	15.5	-6.7	-12.4	-15.8	3.3	13.0	0.1	2.4	1.5
<i>12-month cumulated transactions</i>												
2012 Apr.	-49.1	28.7	-258.1	148.2	43.0	-80.5	10.9	78.1	-110.9	119.6	-24.7	-3.4

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)													
2010	20.0	22.5	1,533.6	764.2	311.5	419.9	1,268.8	1,547.9	948.3	230.0	348.3	1,019.8	250.1
2011	12.9	12.6	1,738.6	872.8	351.2	472.2	1,423.3	1,747.3	1,119.1	236.4	364.5	1,098.5	319.8
2011 Q2	13.2	13.1	430.4	216.6	87.5	116.1	351.6	437.9	281.7	59.0	90.3	276.8	78.0
Q3	9.6	9.8	437.1	219.7	87.7	118.9	358.4	441.5	284.1	59.4	91.7	276.2	82.7
Q4	8.5	4.8	444.7	222.0	90.4	121.2	363.6	432.8	276.5	58.5	90.5	268.2	84.8
2012 Q1	8.6	3.7	464.2	232.1	93.1	126.7	374.8	451.4	291.1	61.2	90.7	272.7	89.8
2011 Nov.	10.3	4.6	149.0	74.2	31.3	40.2	122.0	144.0	92.3	19.6	30.1	88.7	28.7
Dec.	9.6	1.7	151.3	75.1	31.1	41.6	124.9	144.5	92.3	19.3	30.2	90.0	28.0
2012 Jan.	11.0	4.1	153.2	76.8	30.2	41.6	122.8	148.0	94.6	20.4	30.2	90.6	29.6
Feb.	11.1	7.2	156.3	78.0	32.0	42.7	126.5	152.4	99.3	20.3	30.7	92.1	29.5
Mar.	4.5	0.4	154.7	77.4	30.8	42.4	125.5	151.0	97.3	20.4	29.7	90.0	30.6
Apr.	6.1	-0.9	152.7	74.6	31.4	43.0	123.2	146.5	92.5	20.1	31.0	88.9	.
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2010	14.9	10.7	136.8	132.4	138.5	143.6	133.9	121.1	113.3	131.7	143.2	128.1	104.8
2011	7.5	2.6	147.7	142.2	152.2	154.6	145.1	124.2	117.0	133.8	143.3	133.1	101.3
2011 Q2	8.4	3.0	147.2	141.3	153.3	154.0	144.4	124.7	117.3	135.0	144.5	135.1	96.3
Q3	5.4	2.9	148.3	142.7	152.6	155.4	146.1	125.4	118.6	136.2	143.3	134.1	104.4
Q4	3.4	-2.9	149.5	143.4	154.4	156.9	146.8	121.5	114.2	131.3	140.0	129.5	105.0
2012 Q1	4.5	-1.9	152.7	146.9	157.4	159.2	149.0	122.3	115.9	131.4	136.9	128.5	101.3
2011 Oct.	0.3	0.2	145.6	140.4	144.9	153.2	141.3	122.0	114.1	134.3	140.5	129.8	105.5
Nov.	5.1	-3.9	151.0	144.8	160.7	156.5	148.6	121.7	114.9	132.3	139.8	129.1	106.7
Dec.	4.8	-5.0	151.9	145.0	157.5	161.0	150.6	120.7	113.5	127.4	139.6	129.5	102.8
2012 Jan.	7.1	-1.5	152.2	146.9	154.0	157.8	147.1	121.3	114.7	131.2	136.2	127.8	105.1
Feb.	6.3	0.5	153.2	146.9	162.2	159.6	149.9	123.7	118.3	130.7	139.5	130.1	99.9
Mar.	0.8	-4.5	152.7	147.0	156.2	160.2	149.9	121.9	114.7	132.2	135.2	127.7	98.9

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: Manufacturing	Total (index: 2005 = 100)	Total				Memo item: Manufacturing		
		Intermediate goods	Capital goods	Consumer goods	Energy			Intermediate goods	Capital goods	Consumer goods	Energy			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
% of total	100.0	100.0	33.1	44.5	17.9	4.5	99.2	100.0	100.0	28.4	27.9	22.1	21.6	81.1
2010	106.2	4.1	4.8	1.4	2.2	26.4	4.1	108.8	9.8	9.7	1.4	2.9	26.1	5.8
2011	110.5	4.0	5.8	1.4	2.2	23.3	4.0	118.7	9.1	4.6	-0.1	3.8	26.1	4.2
2011 Q3	110.8	3.4	5.0	0.9	1.8	25.5	3.4	118.9	8.1	3.0	-1.5	2.9	26.4	3.0
Q4	111.1	3.5	3.8	1.8	2.3	20.3	3.4	119.8	7.6	0.4	0.5	3.4	24.0	2.8
2012 Q1	112.9	3.1	1.7	2.0	2.5	17.5	3.0	123.0	4.8	-1.3	1.2	2.2	14.8	1.5
2011 Dec.	111.4	3.1	3.1	1.9	2.2	14.8	3.0	120.2	5.7	-1.0	0.6	2.8	17.8	1.8
2012 Jan.	112.6	3.2	2.2	2.0	2.5	17.7	3.2	121.9	5.2	-1.4	1.5	2.4	16.2	1.9
Feb.	112.9	3.1	1.6	2.0	2.5	18.7	3.0	122.9	4.7	-1.5	1.0	2.0	15.3	1.3
Mar.	113.3	2.9	1.3	2.1	2.4	16.4	2.8	124.2	4.5	-1.0	1.1	2.3	12.9	1.2
Apr.	113.5	2.8	1.1	2.4	2.5	12.0	2.7	123.7	3.2	-1.0	1.2	2.7	8.1	1.1
May	113.2	2.6	1.0	2.4	2.7	8.8	2.5	122.3	3.3	0.5	2.2	3.3	.	2.1

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.)															
2010	1,533.6	30.1	52.6	194.8	208.2	63.0	92.8	47.4	180.6	356.6	94.8	34.6	104.0	73.4	130.1
2011	1,738.6	32.9	60.3	213.6	241.1	79.8	108.9	56.7	197.6	406.2	115.3	39.4	111.3	84.5	145.7
2010 Q4	405.8	8.2	14.2	50.3	55.9	17.4	24.8	13.3	46.3	93.5	25.5	9.0	27.2	19.0	35.7
2011 Q1	426.4	8.1	14.9	53.0	59.2	18.6	25.8	15.2	49.4	99.6	28.7	9.3	27.9	20.2	34.7
Q2	430.4	8.2	15.4	52.6	60.5	19.8	26.1	14.3	48.3	98.7	27.5	9.5	27.0	20.7	38.8
Q3	437.1	8.3	15.6	53.7	61.1	20.6	28.8	13.6	48.6	101.7	28.7	10.2	27.9	21.7	35.4
Q4	444.7	8.3	14.4	54.3	60.3	20.8	28.2	13.5	51.3	106.2	30.5	10.5	28.6	21.9	36.8
2012 Q1	464.2	8.4	15.0	56.2	61.4	22.2	29.4	14.6	55.1	109.1	31.4	10.5	30.9	24.0	38.0
2011 Nov.	149.0	2.8	4.7	18.3	20.3	7.0	9.4	4.4	17.5	35.5	10.2	3.5	9.6	7.2	12.3
Dec.	151.3	2.8	4.9	18.3	20.4	7.2	9.5	4.7	18.0	36.2	10.1	3.4	9.8	7.9	11.7
2012 Jan.	153.2	2.8	5.0	18.7	20.2	7.1	9.9	4.7	18.2	35.8	10.4	3.5	9.7	7.7	13.3
Feb.	156.3	2.8	5.1	19.2	20.9	7.5	9.8	4.8	18.5	37.2	10.9	3.6	10.3	8.0	12.2
Mar.	154.7	2.8	5.0	18.4	20.3	7.5	9.7	5.0	18.4	36.1	10.1	3.5	10.9	8.3	12.4
Apr.	152.7	.	.	.	.	7.5	9.6	4.7	17.2	35.0	9.8	3.6	10.4	7.9	.
Percentage share of total exports															
2011	100.0	1.9	3.5	12.3	13.9	4.6	6.3	3.3	11.4	23.4	6.6	2.3	6.4	4.9	8.4
Imports (c.i.f.)															
2010	1,547.9	27.4	47.3	147.8	195.4	112.2	72.8	30.7	129.9	494.9	208.7	51.4	118.9	75.3	95.4
2011	1,747.3	29.8	53.2	166.6	226.5	138.6	80.2	34.8	139.8	548.4	217.0	52.5	128.2	90.4	110.9
2010 Q4	408.6	7.0	12.5	38.7	52.3	30.3	17.9	8.1	34.3	128.6	54.3	13.0	32.6	20.9	25.4
2011 Q1	435.1	7.3	13.2	40.9	55.6	35.9	19.1	9.0	35.7	135.7	54.9	13.7	34.8	21.5	26.5
Q2	437.9	7.6	13.4	41.2	56.5	34.4	19.4	8.8	34.3	139.9	55.6	12.8	30.7	22.0	29.8
Q3	441.5	7.4	13.9	42.4	57.2	33.0	22.0	8.5	34.5	139.3	54.6	13.3	31.2	23.4	28.7
Q4	432.8	7.6	12.7	42.0	57.3	35.3	19.8	8.5	35.4	133.5	51.8	12.8	31.5	23.4	25.9
2012 Q1	451.4	7.2	13.2	42.4	57.4	37.6	20.0	8.4	37.5	135.1	53.0	12.4	38.5	23.6	30.6
2011 Nov.	144.0	2.6	4.3	14.0	19.3	11.7	6.8	2.7	11.7	44.5	17.0	4.2	10.3	7.7	8.3
Dec.	144.5	2.5	4.2	14.1	19.2	11.5	6.4	2.9	11.8	44.2	17.2	4.3	10.6	8.1	9.2
2012 Jan.	148.0	2.4	4.4	14.0	18.9	11.8	6.8	2.7	12.3	44.6	17.7	4.1	12.0	7.8	10.4
Feb.	152.4	2.5	4.4	14.5	19.3	12.7	6.8	2.8	12.5	46.2	18.4	4.2	13.3	8.2	9.1
Mar.	151.0	2.3	4.4	13.9	19.1	13.1	6.4	2.8	12.6	44.4	16.9	4.0	13.2	7.7	11.1
Apr.	146.5	.	.	.	.	11.8	6.1	2.8	12.1	44.2	18.1	3.9	12.7	7.5	.
Percentage share of total imports															
2011	100.0	1.7	3.0	9.5	13.0	7.9	4.6	2.0	8.0	31.4	12.4	3.0	7.3	5.2	6.3
Balance															
2010	-14.3	2.7	5.3	47.0	12.7	-49.1	20.0	16.8	50.7	-138.3	-113.8	-16.8	-14.9	-1.8	34.7
2011	-8.7	3.0	7.1	47.0	14.6	-58.8	28.7	21.9	57.8	-142.2	-101.7	-13.1	-16.9	-5.8	34.9
2010 Q4	-2.8	1.2	1.7	11.7	3.6	-12.9	6.9	5.2	12.0	-35.2	-28.8	-4.0	-5.3	-1.9	10.2
2011 Q1	-8.6	0.8	1.7	12.1	3.6	-17.3	6.8	6.2	13.7	-36.1	-26.3	-4.4	-6.9	-1.3	8.2
Q2	-7.5	0.6	2.0	11.3	4.0	-14.6	6.7	5.5	14.1	-41.2	-28.1	-3.2	-3.7	-1.3	9.0
Q3	-4.4	0.9	1.7	11.3	3.9	-12.4	6.8	5.1	14.1	-37.6	-26.0	-3.1	-3.3	-1.7	6.7
Q4	11.9	0.7	1.7	12.3	3.0	-14.5	8.4	5.1	15.9	-27.3	-21.3	-2.3	-2.9	-1.5	11.0
2012 Q1	12.8	1.2	1.8	13.8	4.0	-15.4	9.5	6.2	17.6	-26.0	-21.6	-1.8	-7.5	0.3	7.4
2011 Nov.	5.0	0.1	0.4	4.2	1.0	-4.7	2.6	1.7	5.8	-8.9	-6.8	-0.8	-0.7	-0.4	4.0
Dec.	6.9	0.3	0.7	4.2	1.2	-4.3	3.1	1.8	6.3	-8.0	-7.1	-0.8	-0.8	-0.2	2.6
2012 Jan.	5.2	0.4	0.6	4.7	1.3	-4.7	3.1	2.0	5.9	-8.7	-7.3	-0.6	-2.3	-0.1	3.0
Feb.	3.9	0.3	0.7	4.6	1.5	-5.1	3.0	2.0	6.0	-9.0	-7.6	-0.7	-3.0	-0.2	3.1
Mar.	3.7	0.5	0.6	4.5	1.2	-5.6	3.3	2.2	5.7	-8.3	-6.8	-0.5	-2.2	0.6	1.3
Apr.	6.2	.	.	.	.	-4.3	3.5	2.0	5.1	-9.2	-8.3	-0.3	-2.3	0.4	.

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	
2009	110.6	109.2	104.3	104.9	118.7	105.0	119.7	106.8	
2010	103.6	101.6	98.1	96.8	107.7	97.2	111.4	98.1	
2011	103.4	100.7	97.6	95.1	107.1	95.8	112.1	97.6	
2011 Q2	105.2	102.6	99.3	97.1	108.7	97.7	113.5	99.0	
Q3	103.5	100.6	97.6	95.1	107.7	95.6	112.5	97.7	
Q4	102.1	99.4	96.3	93.2	106.6	94.5	111.6	97.0	
2012 Q1	99.5	96.9	94.4	90.5	104.1	91.6	108.3	94.1	
Q2	98.2	95.9	93.4	.	.	.	107.4	93.2	
2011 June	105.0	102.2	99.0	-	-	-	113.4	98.8	
July	104.0	101.0	98.1	-	-	-	112.4	97.7	
Aug.	103.9	100.8	97.9	-	-	-	112.9	98.0	
Sep.	102.8	100.0	96.8	-	-	-	112.0	97.4	
Oct.	103.0	100.2	97.0	-	-	-	112.6	97.8	
Nov.	102.6	99.9	96.7	-	-	-	112.1	97.4	
Dec.	100.8	98.1	95.1	-	-	-	110.3	95.8	
2012 Jan.	98.9	96.3	93.6	-	-	-	108.0	93.7	
Feb.	99.6	97.2	94.6	-	-	-	108.4	94.2	
Mar.	99.8	97.3	94.8	-	-	-	108.6	94.3	
Apr.	99.5	97.1	94.4	-	-	-	108.4	94.2	
May	98.0	95.7	93.3	-	-	-	107.2	93.0	
June	97.2	94.8	92.6	-	-	-	106.6	92.4	
	<i>Percentage change versus previous month</i>								
2012 June	-0.9	-1.0	-0.8	-	-	-	-0.6	-0.7	
	<i>Percentage change versus previous year</i>								
2012 June	-7.4	-7.3	-6.5	-	-	-	-6.0	-6.5	

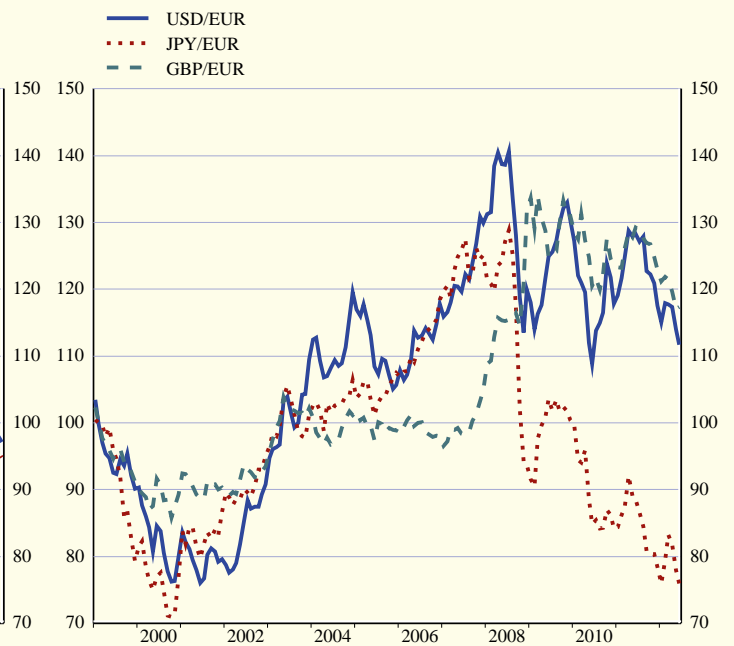
C39 Effective exchange rates

(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
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	1.9558	24.590	7.4506	0.7063	3.4528	279.37	4.1206	4.2391	9.0298	0.86788	7.4390	2.3378
2011 Q4	1.9558	25.276	7.4398	0.7017	3.4528	303.47	4.4207	4.3365	9.0910	0.85727	7.4968	2.4759
2012 Q1	1.9558	25.084	7.4350	0.6985	3.4528	296.85	4.2329	4.3533	8.8529	0.83448	7.5568	2.3556
Q2	1.9558	25.269	7.4349	0.6981	3.4528	293.98	4.2595	4.4293	8.9133	0.80998	7.5280	2.3157
2011 Dec.	1.9558	25.514	7.4341	0.6975	3.4528	304.19	4.4774	4.3282	9.0184	0.84405	7.5136	2.4632
2012 Jan.	1.9558	25.531	7.4353	0.6990	3.4528	307.33	4.3760	4.3417	8.8503	0.83210	7.5543	2.3759
Feb.	1.9558	25.042	7.4341	0.6988	3.4528	290.68	4.1835	4.3513	8.8196	0.83696	7.5815	2.3264
Mar.	1.9558	24.676	7.4354	0.6977	3.4528	292.26	4.1370	4.3668	8.8873	0.83448	7.5358	2.3631
Apr.	1.9558	24.809	7.4393	0.6993	3.4528	294.81	4.1782	4.3789	8.8650	0.82188	7.4991	2.3520
May	1.9558	25.313	7.4335	0.6981	3.4528	293.67	4.2937	4.4412	8.9924	0.80371	7.5383	2.3149
June	1.9558	25.640	7.4325	0.6969	3.4528	293.57	4.2973	4.4626	8.8743	0.80579	7.5434	2.2837
	<i>Percentage change versus previous month</i>											
2012 June	0.0	1.3	0.0	-0.2	0.0	0.0	0.1	0.5	-1.3	0.3	0.1	-1.3
	<i>Percentage change versus previous year</i>											
2012 June	0.0	5.6	-0.3	-1.7	0.0	10.0	8.2	6.4	-2.6	-9.2	1.8	-1.0

	Australian dollar	Brazilian real	Canadian dollar	Chinese yuan renminbi	Hong Kong dollar	Indian rupee ¹⁾	Indonesian rupiah	Israeli shekel	Japanese yen	Malaysian ringgit
	13	14	15	16	17	18	19	20	21	22
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	1.3484	2.3265	1.3761	8.9960	10.8362	64.8859	12,206.51	4.9775	110.96	4.2558
2011 Q4	1.3316	2.4240	1.3788	8.5682	10.4879	68.5352	12,111.94	5.0172	104.22	4.2458
2012 Q1	1.2425	2.3169	1.3128	8.2692	10.1725	65.8991	11,901.67	4.9431	103.99	4.0121
Q2	1.2699	2.5167	1.2949	8.1072	9.9460	69.3757	11,932.86	4.9021	102.59	3.9918
2011 Dec.	1.3003	2.4175	1.3481	8.3563	10.2496	69.2066	11,965.40	4.9725	102.55	4.1639
2012 Jan.	1.2405	2.3084	1.3073	8.1465	10.0187	66.0601	11,709.25	4.9141	99.33	4.0151
Feb.	1.2327	2.2729	1.3193	8.3314	10.2553	65.0589	11,913.82	4.9474	103.77	3.9978
Mar.	1.2538	2.3674	1.3121	8.3326	10.2474	66.5399	12,082.50	4.9679	108.88	4.0229
Apr.	1.2718	2.4405	1.3068	8.2921	10.2163	68.1939	12,068.69	4.9362	107.00	4.0277
May	1.2825	2.5357	1.2916	8.0806	9.9291	69.6407	11,913.51	4.8974	101.97	3.9688
June	1.2550	2.5658	1.2874	7.9676	9.7192	70.1673	11,830.22	4.8763	99.26	3.9836
	<i>Percentage change versus previous month</i>									
2012 June	-2.1	1.2	-0.3	-1.4	-2.1	0.8	-0.7	-0.4	-2.7	0.4
	<i>Percentage change versus previous year</i>									
2012 June	-7.5	12.3	-8.5	-14.5	-13.2	8.8	-4.0	-0.8	-14.2	-8.6

	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
	23	24	25	26	27	28	29	30	31	32	33
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	17.2877	1.7600	7.7934	60.260	40.8846	1.7489	10.0970	1,541.23	1.2326	42.429	1.3920
2011 Q4	18.3742	1.7353	7.7602	58.566	42.0737	1.7348	10.9209	1,542.87	1.2293	41.791	1.3482
2012 Q1	17.0195	1.6030	7.5868	56.421	39.5496	1.6573	10.1730	1,482.75	1.2080	40.630	1.3108
Q2	17.3620	1.6241	7.5582	54.813	39.8768	1.6200	10.4214	1,477.96	1.2015	40.101	1.2814
2011 Dec.	18.1174	1.7102	7.7451	57.537	41.5686	1.7070	10.7829	1,513.26	1.2276	41.099	1.3179
2012 Jan.	17.3140	1.6132	7.6752	56.208	40.4394	1.6510	10.3405	1,474.96	1.2108	40.718	1.2905
Feb.	16.9159	1.5845	7.5522	56.419	39.4232	1.6585	10.1289	1,485.58	1.2071	40.614	1.3224
Mar.	16.8239	1.6104	7.5315	56.634	38.7804	1.6624	10.0475	1,487.83	1.2061	40.557	1.3201
Apr.	17.1900	1.6095	7.5698	56.145	38.8087	1.6459	10.3060	1,495.40	1.2023	40.639	1.3162
May	17.4237	1.6538	7.5655	54.908	39.5585	1.6152	10.4412	1,481.36	1.2012	40.077	1.2789
June	17.4529	1.6062	7.5401	53.510	41.1766	1.6016	10.5050	1,458.61	1.2011	39.640	1.2526
	<i>Percentage change versus previous month</i>										
2012 June	0.2	-2.9	-0.3	-2.5	4.1	-0.8	0.6	-1.5	0.0	-1.1	-2.1
	<i>Percentage change versus previous year</i>										
2012 June	2.7	-9.1	-3.7	-14.3	2.3	-9.8	7.4	-6.2	-0.7	-9.8	-12.9

Source: ECB.

1) 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										
2010	3.0	1.2	2.2	-1.2	1.2	4.7	2.7	6.1	1.9	3.3
2011	3.4	2.1	2.7	4.2	4.1	3.9	3.9	5.8	1.4	4.5
2011 Q4	2.5	2.8	2.5	4.1	4.0	4.1	4.2	3.4	0.9	4.7
2012 Q1	1.9	4.0	2.8	3.3	3.6	5.6	4.2	2.7	0.9	3.5
2012 Mar.	1.7	4.2	2.7	3.2	3.7	5.5	3.9	2.5	1.1	3.5
Apr.	2.0	4.0	2.3	2.8	3.3	5.6	4.0	1.9	1.0	3.0
May	1.8	3.5	2.1	2.3	2.6	5.4	3.6	2.0	0.9	2.8
General government deficit (-)/surplus (+) as a percentage of GDP										
2009	-4.3	-5.8	-2.7	-9.8	-9.4	-4.6	-7.4	-9.0	-0.7	-11.5
2010	-3.1	-4.8	-2.5	-8.2	-7.2	-4.2	-7.8	-6.8	0.3	-10.2
2011	-2.1	-3.1	-1.8	-3.5	-5.5	4.3	-5.1	-5.2	0.3	-8.3
General government gross debt as a percentage of GDP										
2009	14.6	34.4	40.6	36.7	29.4	79.8	50.9	23.6	42.6	69.6
2010	16.3	38.1	42.9	44.7	38.0	81.4	54.8	30.5	39.4	79.6
2011	16.3	41.2	46.5	42.6	38.5	80.6	56.3	33.3	38.4	85.7
Long-term government bond yield as a percentage per annum; period average										
2011 Dec.	5.23	3.70	1.86	5.93	5.75	8.97	5.84	7.39	1.68	1.81
2012 Jan.	5.31	3.39	1.74	5.74	5.35	9.51	5.68	7.02	1.70	2.04
Feb.	5.31	3.12	1.84	5.45	5.15	8.60	5.46	6.99	1.89	2.13
Mar.	5.07	3.51	1.89	5.15	5.29	8.73	5.37	6.48	1.95	2.17
Apr.	5.11	3.51	1.71	5.10	5.30	8.77	5.49	6.24	1.82	2.03
May	5.11	3.31	1.37	5.15	5.30	8.33	5.41	6.50	1.51	1.78
3-month interest rate as a percentage per annum; period average										
2011 Dec.	3.64	1.16	1.08	1.86	1.78	6.50	4.98	6.05	2.69	1.06
2012 Jan.	3.34	1.17	1.01	1.79	1.48	8.54	4.99	5.26	2.61	1.09
Feb.	3.19	1.20	1.00	1.31	1.43	8.83	4.97	4.79	2.44	1.07
Mar.	2.91	1.23	0.99	1.19	1.31	-	4.95	4.25	2.30	1.04
Apr.	2.71	1.24	0.97	1.00	1.28	8.19	4.94	4.12	2.19	1.02
May	2.59	1.24	0.90	0.94	1.24	8.22	5.05	4.69	2.14	1.00
Real GDP										
2010	0.4	2.7	1.3	-0.3	1.4	1.3	3.9	-1.7	6.2	1.8
2011	1.7	1.7	0.8	5.5	5.9	1.6	4.3	2.5	3.9	0.8
2011 Q3	1.4	1.3	-0.2	5.8	6.7	1.4	4.0	3.2	4.0	0.5
Q4	0.9	0.6	0.1	5.7	5.2	1.2	4.2	2.1	1.2	0.6
2012 Q1	0.5	-0.7	0.4	5.6	4.4	-1.4	3.8	0.8	1.5	-0.2
Current and capital account balance as a percentage of GDP										
2010	-0.2	-3.0	5.6	4.9	4.2	3.0	-2.8	-4.2	6.7	-3.1
2011	2.2	-2.5	6.9	0.9	0.9	3.6	-2.1	-4.1	6.9	-1.7
2011 Q3	11.9	-5.7	8.5	0.8	5.7	4.4	-3.3	-4.3	8.6	-3.1
Q4	-4.1	-0.6	6.1	2.6	-1.6	3.2	-1.5	-1.8	4.6	-1.5
2012 Q1	-5.2	4.0	3.1	-2.9	-7.6	3.1	-3.5	-0.7	8.0	-2.9
Gross external debt as a percentage of GDP										
2010	102.8	56.5	191.3	165.4	87.4	144.0	66.0	75.8	191.3	413.1
2011	92.0	58.4	183.2	145.9	80.8	145.9	72.7	73.5	195.2	421.3
2011 Q3	93.3	57.9	183.7	151.4	82.0	147.1	73.5	76.9	196.4	432.8
Q4	92.0	58.4	183.2	145.9	80.8	145.9	72.7	73.5	195.2	421.3
2012 Q1	93.2	.	.	145.3	.	135.4	70.7	74.2	194.5	417.5
Unit labour costs										
2010	5.6	-0.7	-1.0	-9.8	-7.3	-3.2	2.3	7.9	-1.9	1.2
2011	1.1	1.0	0.5	2.1	-0.2	3.8	0.9	1.7	-0.8	1.7
2011 Q3	3.1	0.9	1.2	1.9	-0.9	4.5	2.0	3.9	-0.5	2.1
Q4	4.8	1.6	1.8	1.7	3.1	3.0	0.3	0.3	0.5	2.9
2012 Q1	1.9	4.7	1.0	-0.2	4.6	5.0	.	4.6	1.7	4.5
Standardised unemployment rate as a percentage of labour force (s.a.)										
2010	10.3	7.3	7.5	19.8	17.8	11.1	9.6	7.3	8.4	7.8
2011	11.3	6.7	7.6	16.3	15.4	10.9	9.7	7.4	7.5	8.0
2011 Q4	11.6	6.6	7.8	15.3	14.1	10.9	10.0	7.5	7.5	8.3
2012 Q1	12.0	6.8	7.5	15.3	13.6	11.0	9.9	7.2	7.5	8.1
2012 Mar.	12.1	6.8	7.6	15.3	13.6	10.7	9.9	7.2	7.3	8.1
Apr.	12.2	6.7	7.7	.	13.8	10.7	9.9	7.4	7.4	.
May	12.2	6.7	7.8	.	13.7	10.9	9.9	7.7	7.8	.

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

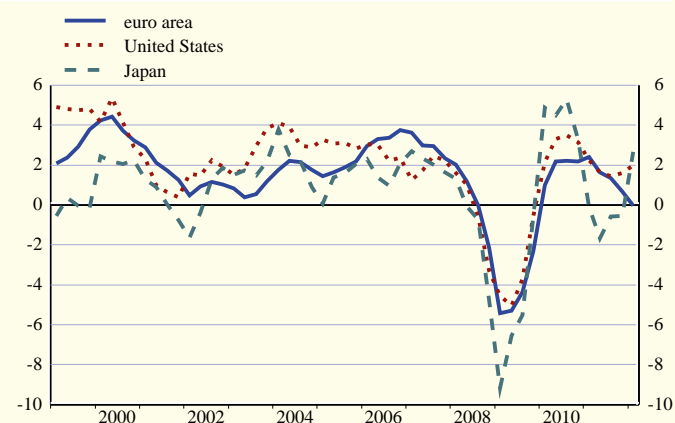
9.2 Economic and financial developments in the United States and Japan

(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 ⁵⁾ 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											
2008	3.8	2.8	-0.3	-4.8	5.8	6.8	2.93	2.70	1.4708	-6.6	61.5
2009	-0.4	-0.6	-3.5	-13.8	9.3	8.0	0.69	4.17	1.3948	-11.6	74.1
2010	1.6	-2.0	3.0	6.3	9.6	2.5	0.34	3.57	1.3257	-10.7	82.4
2011	3.2	1.6	1.7	4.8	9.0	7.3	0.34	2.10	1.3920	-9.7	86.4
2011 Q2	3.4	1.0	1.6	4.0	9.0	5.5	0.26	3.46	1.4391	-10.2	83.0
Q3	3.8	2.0	1.5	3.9	9.1	9.2	0.30	2.18	1.4127	-9.6	84.9
Q4	3.3	2.1	1.6	4.5	8.7	9.7	0.48	2.10	1.3482	-9.1	86.4
2012 Q1	2.8	0.8	2.0	5.3	8.3	10.1	0.51	2.38	1.3108	.	.
Q2	.	.	.	.	.	.	0.47	1.83	1.2814	.	.
2012 Feb.	2.9	-	-	6.0	8.3	10.1	0.50	2.15	1.3224	-	-
Mar.	2.7	-	-	4.6	8.2	9.8	0.47	2.38	1.3201	-	-
Apr.	2.3	-	-	6.0	8.1	9.8	0.47	2.11	1.3162	-	-
May	1.7	-	-	5.4	8.2	9.5	0.47	1.79	1.2789	-	-
June	.	-	-	.	.	.	0.47	1.83	1.2526	-	-
Japan											
2008	1.4	1.3	-1.1	-3.4	4.0	2.1	0.93	1.21	152.45	-1.9	162.9
2009	-1.3	2.9	-5.5	-21.9	5.1	2.7	0.47	1.42	130.34	-8.8	180.0
2010	-0.7	-2.8	4.5	16.6	5.1	2.8	0.23	1.18	116.24	-8.4	188.4
2011	-0.3	.	-0.7	-2.5	4.6	2.8	0.19	1.00	110.96	.	.
2011 Q2	-0.4	1.6	-1.7	-5.9	4.6	2.7	0.20	1.18	117.41	.	.
Q3	0.1	0.6	-0.6	-1.0	4.4	2.8	0.19	1.04	109.77	.	.
Q4	-0.3	.	-0.5	-1.7	4.5	3.0	0.20	1.00	104.22	.	.
2012 Q1	0.3	.	2.7	4.7	4.6	3.0	0.20	1.05	103.99	.	.
Q2	.	.	.	.	.	.	0.20	0.84	102.59	.	.
2012 Feb.	0.3	-	-	1.5	4.5	3.0	0.20	1.01	103.77	-	-
Mar.	0.5	-	-	14.3	4.5	3.0	0.20	1.05	108.88	-	-
Apr.	0.4	-	-	13.1	4.6	2.6	0.20	0.94	107.00	-	-
May	0.2	-	-	6.2	4.4	2.1	0.20	0.85	101.97	-	-
June	.	-	-	.	.	.	0.20	0.84	99.26	-	-

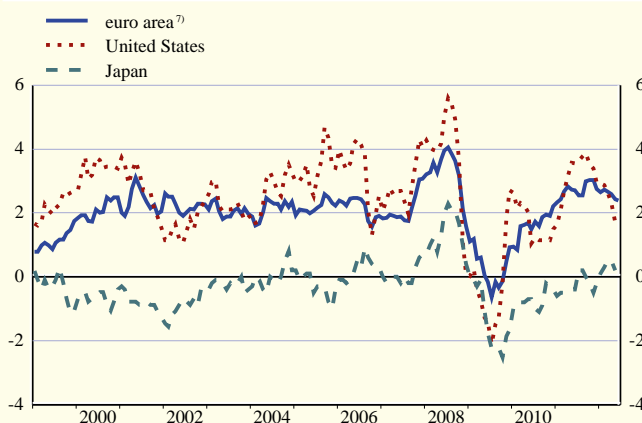
C41 Real gross domestic product

(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 S80). 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 4 July 2012.

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 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

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>).

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.

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.

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.

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.

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

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.

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 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 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

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.

in Section 5.1) and employment statistics (Tables 1, 2 and 3 in Section 5.3) are derived from the ESA 95¹¹ quarterly national accounts. The ESA 95 was amended by Commission Regulation (EU) No 715/2010 of 10 August 2010¹² introducing NACE Revision 2, the updated statistical classification of economic activities. The publication of euro area national accounts data applying this new classification began in December 2011.

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 2000¹³ 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 10 June 2002 on quarterly non-financial accounts for general government¹⁴. 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

11 OJ L 310, 30.11.1996, p. 1.

12 OJ L 210, 11.8.2010, p. 1.

13 OJ L 172, 12.7.2000, p. 3.

14 OJ L 179, 9.7.2002, p. 1.

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)¹⁵ and the amending ECB Guideline of 31 May 2007 (ECB/2007/3)¹⁶. 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.cmf.org). The annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force’s recommendations and follows the basic principles of the ECB Statistics Quality Framework published in April 2008, is available on the ECB’s website.

On 9 December 2011 the ECB Guideline on the statistical requirements of the European Central Bank in the field of external statistics (ECB/2011/23)¹⁷ was adopted by the Governing Council of the ECB. This legal act lays down new reporting requirements in the field of external statistics, which mainly reflect methodological changes introduced in the sixth edition of the

IMF’s Balance of Payments and International Investment Position Manual (BPM6). The ECB will begin publishing the euro area’s b.o.p., i.i.p. and international reserves statistics in accordance with Guideline ECB/2011/23 and the BPM6 in 2014, with backdata.

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

¹⁵ OJ L 354, 30.11.2004, p. 34.

¹⁶ OJ L 159, 20.6.2007, p. 48.

¹⁷ OJ L 65, 3.3.2012, p. 1.

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. 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, 2004-2006 and 2007-2009 and are calculated to account for third-market effects. The EER indices are obtained by chain-linking the indicators based on each of these five 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. The most recent rate for the Icelandic krona is 290.0 per euro and refers to 3 December 2008.

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



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 18 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.

¹ The chronology of monetary policy measures taken by the Eurosystem between 1999 and 2009 can be found in the ECB's Annual Report for the respective years.

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.

12 JANUARY 2012

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.

9 FEBRUARY 2012

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 approves specific national eligibility criteria and risk control measures for the temporary acceptance in a number of countries of additional credit claims as collateral in Eurosystem credit operations.

8 MARCH, 4 APRIL AND 3 MAY 2012

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.

6 JUNE 2012

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 15 January 2013, notably to continue its fixed rate tender procedures with full allotment.

5 JULY 2012

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 0.75%, starting from the operation to be settled on 11 July 2012. In addition, it decides to decrease the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 1.50% and 0.00% respectively, both with effect from 11 July 2012.



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.

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GLOSSARY

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

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

Balance of payments (b.o.p.): a statistical statement that summarises, for a specific period of time, the economic transactions of an economy with the rest of the world.

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

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

Current transfers account: a technical b.o.p. account in which the value of real resources or financial items is recorded when these are transferred without receiving anything in exchange. Current transfers cover all transfers that are not capital transfers.

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 significant and persistent decline in the prices of a very broad set of consumer goods and services that 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 ten non-euro area EU Member States and ten 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. These securities are backed by a portfolio of assets (typically loans) which are held by the FVC. In some cases, a securitisation transaction may involve a number of FVCs, where one FVC holds the securitised assets and another issues the securities backed by those assets.

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.

Income account: a b.o.p. account that covers two types of transactions with non-residents, namely (i) those involving compensation of employees that is paid to non-resident workers (e.g., cross-border, seasonal, and other short-term workers) and (ii) those involving investment income receipts and payments on external financial assets and liabilities, with the latter including receipts and payments on direct investment, portfolio investment and other investment, as well as receipts on reserve assets.

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: 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 36 months 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 (i) the Eurosystem, (ii) resident credit institutions (as defined in EU law), (iii) other 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, as well as electronic money institutions that are principally engaged in financial intermediation in the form of issuing electronic money, and (iv) money market funds, i.e. collective investment undertakings that invest in short-term and low-risk instruments.

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.

ISSN 1561-0136



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