EUROPEAN CENTRAL BANK

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MONTHLY BULLETIN

July 1999

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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.

The cut-off date for the statistics included in this issue was 1 July 1999.

Contents

Abbreviations

Countries

BE	Belgium
DK	Denmark
DE	Germany
GR	Greece
ES	Spain
FR	France
IE	Ireland
IT	Italy
LU	Luxembourg
NL	Netherlands
AT	Austria
PT	Portugal
FI	Finland
SE	Sweden
UK	United Kingdom
JP	Japan
US	United States

Others

BIS	Bank for International Settlements
BPM4	IMF Balance of Payments Manual (4th edition)
BPM5	IMF Balance of Payments Manual (5th edition)
CDs	certificates of deposit
c.i.f.	cost, insurance and freight at the importer's border
CPI	Consumer Price Index
ECB	European Central Bank
ECU	European Currency Unit
EMI	European Monetary Institute
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
ILO	International Labour Organization
IMF	International Monetary Fund
MFIs	Monetary Financial Institutions
NCBs	national central banks
repos	repurchase agreements
SITC Rev. 3	Standard International Trade Classification (revision 3)

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

Editorial

Since the June 1999 issue of the ECB Monthly Bulletin was finalised, new data point to a stabilisation of overall output growth in early 1999 and to an economic recovery in the second part of 1999 and into the year 2000. In response to these new data, financial market participants appear to have shifted their expectations towards a faster pace of economic growth in the euro area. These data, as well as recent monetary and credit developments, suggest that downward risks to future price stability have receded further compared with last month. Hence all available evidence points to the conclusion that both in the short and in the medium term price developments should continue to be compatible with the Eurosystem's definition of price stability, i.e. with increases in the area-wide Harmonised Index of Consumer Prices (HICP) remaining below 2%. Against this background and in line with the monetary policy strategy of the Eurosystem, at its meetings on 17 June and 1 July 1999 the Governing Council of the ECB decided to keep the interest rates on the monetary policy instruments of the Eurosystem unchanged. The rate on the main refinancing operations was maintained at 2.5%, while the interest rates on the marginal lending facility and on the deposit facility were left at 3.5% and 1.5% respectively.

With regard to monetary developments, the three-month moving average of the annual growth rates of M3 covering the period from March to May 1999 increased to 5.2%, from 5.1% in the period from February to April 1999. Consequently, M3 growth remained above the reference value of 4½% set by the Governing Council. The annual growth rate of the broad monetary aggregate M3 rose to 5.3% in May; this was 0.3 percentage point higher than that in April. The upturn in M3 growth was mainly spurred by a higher demand for overnight deposits.

Credit to euro area residents continued to expand at a robust pace, with the annual growth rate rising from 7.3% in April to 7.9% in May. This acceleration was broadly based, as it was noticeable for loans as well as for securitised lending and occurred in respect of credit to both the private sector and the general government. With the growth rate of loans to households and firms standing at around 10%, consumers and investors appear to be taking advantage of the low level of interest rates in the euro area. In conjunction with the growth pattern of M3, this situation indicates that the private sector is not facing liquidity constraints with regard to financing its spending. While this situation is not seen as signalling inflationary pressures at the present juncture, a reassessment may be appropriate once economic growth in the euro area starts to accelerate.

Turning to financial market indicators, long-term interest rates on euro-denominated instruments have been influenced by the pronounced rise in bond yields in the United States in recent months. In the second half of June domestic factors probably played a more important role in developments in bond markets in the euro area than in previous months. In particular, market participants appeared to be expecting a pick-up in the pace of economic activity in the euro area later in 1999, accompanied by a moderate upswing of inflation from the low levels recorded in past months.

The exchange rate of the euro did not follow a clear trend in June. Some uncertainty regarding the evolution of the monetary policy of the US Federal Reserve System prior to the decision taken on 30 June to raise its target for the federal funds rate by 25 basis points contributed to the volatile evolution of the euro/dollar exchange rate within the month. The overall average depreciation of the nominal effective exchange rate in the second quarter of 1999 was approximately 3½%, compared with the first quarter of the year. However, the pass-through via net external demand and import prices to consumer price inflation in the euro area is expected to be only moderate in the light of the limited weight of external trade in the euro area economy. In addition, these effects would be reversed if the exchange rate of the euro were to benefit from a build-up of

expectations of more sustained growth in the context of price stability in the euro area.

The outlook for the external environment facing the euro area brightened further during June, consolidating the prospects of a sustained recovery in the world economy. While in the United States all available information suggests that economic growth remains robust, the process of recovery in economic activity and confidence continued in East Asia and Latin America, although less markedly in the latter. The economic prospects in Japan remain uncertain, however, since positive figures for real GDP growth in the first quarter of 1999 contrasted with less positive data for other indicators.

Turning to economic activity in the euro area, Eurostat released the first estimates of real GDP growth in the first quarter of 1999, as well as revisions regarding data for 1998. Caution should be exercised when interpreting these data, since the aggregate figures for the euro area combine data for some countries which have been compiled in accordance with the new methodology of the European System of Accounts 1995 (ESA 95), whereas other countries' data are still based on the old system and in some cases estimates have been used. However, two broad conclusions may be drawn from these data. First, while previous GDP data had suggested a rather sharp slowdown in the last quarter of 1998, the revised data imply a pattern of slowing real GDP growth which was spread more evenly over the course of 1998. Second, the weakening of output growth came to a halt in the first quarter of 1999. Data on industrial production for April 1999 confirmed this picture. Although there are as yet no clear signs of a recovery in the industrial sector, it appears that the level of industrial production (excluding construction) stabilised over the first few months of 1999. There have also been positive indications regarding economic activity in the euro area in recent business and consumer surveys conducted in several euro area countries. The unemployment rate in the euro area fell only slightly in the first months of the year. This is broadly in line with recent forecasts from international institutions (as discussed in the June 1999 issue of the ECB Monthly Bulletin), which foresee a recovery later in the year. The risks to this economic outlook seem to have become more balanced, as it appears that the likelihood of further downward pressures on economic activity is now less than in previous months.

The annual rate of increase in the HICP in the euro area declined to 1.0% in May, from 1.1% in April 1999, despite the pronounced rise in oil prices since March 1999. In fact, in May the pick-up in the rate of change in the energy price component of the HICP was more than offset by a further slowdown in the rate of price increases for most other HICP components, notably food and services. Over recent months services price increases have fallen regularly. It appears that services prices have been affected by enhanced competition, in particular in the telecommunications sector. In addition, changes in indirect taxes contributed to a lower 12-month rate of change in prices. As a consequence, the annual rate of increase in the HICP excluding the most volatile components, i.e. seasonal food and energy, also declined in May, from 1.0% to 0.9%.

Taking all the information on recent monetary, financial market and other economic developments into account, the outlook for the maintenance of price stability in the euro area remains favourable. In the light of monetary and credit developments and the recent indications of an end to the economic slowdown in early 1999, it appears that downward risks to price stability have receded. In the short term some moderate upward pressure on HICP increases still appears to be the most likely outcome, as the effects of past oil price increases and the weakening of the exchange rate of the euro have yet to be passed on fully to prices. However, the upward pressures might be dampened by enhanced competition in euro area goods and services markets, which may continue to exercise some downward pressures on price increases for some time to come. Nevertheless, looking

further ahead, any upward pressures on prices have to be monitored very carefully.

This issue of the Monthly Bulletin contains an article entitled "Longer-term developments and cyclical variations in key economic indicators across euro area countries", which analyses the issue of divergences and similarities in economic developments prior to the move to Stage Three of Economic and Monetary Union across the countries which currently form the euro area. A second article provides an overview of the institutional framework of the European System of Central Banks.

Economic developments in the euro area

1   Monetary and financial developments

Monetary policy decisions by the Governing Council of the ECB

At its meetings held on 17 June and 1 July 1999 the Governing Council of the ECB reviewed the outlook for price developments in the euro area. As explained in the "Editorial" section of this issue of the ECB Monthly Bulletin, the prospects for inflation were considered to have remained in line with the primary objective of the Eurosystem, i.e. to maintain price stability. Therefore, the Governing Council saw no reason to change the prevailing ECB interest rates. The rate on the main refinancing operations of the Eurosystem was thus maintained at 2.5%, and the interest rates on the marginal lending facility and on the deposit facility were kept at 3.5% and 1.5% respectively (see Chart 1).

Rise in M3 growth in May

The annual growth rate of M3 rose to 5.3% in May, from 5.0% in April 1999. (The latter figure was revised upwards from 4.9%.) The
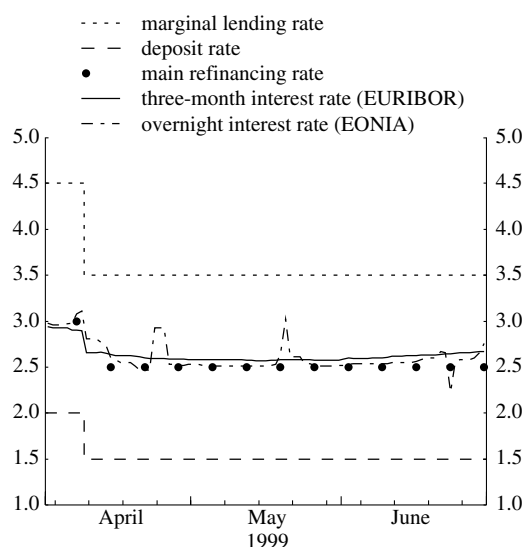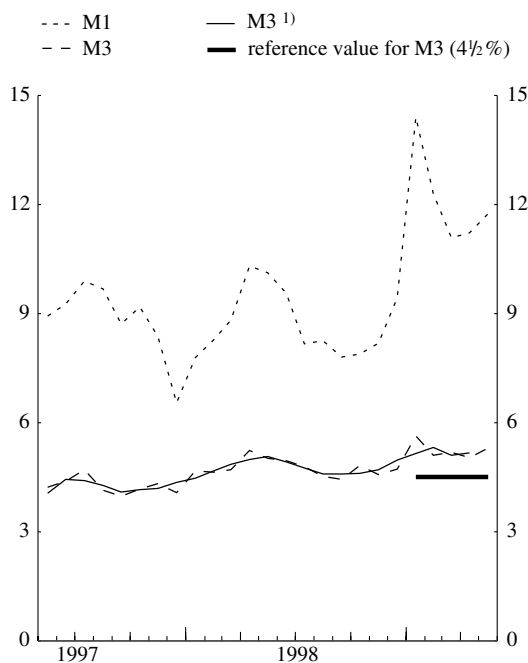
three-month moving average of the 12-month growth rates of M3 covering the period from March to May 1999 increased slightly to 5.2%, from 5.1% in the period from February to April 1999. (The latter figure was revised upwards from 5.0%.) M3 growth thus remained above the reference value of 4½% set by the Governing Council (see Chart 2).

At the end of June 1999 the ECB published for the first time information on seasonally adjusted monthly changes in M3 and its main components, namely the sum of currency in circulation and overnight deposits (this equals the narrow monetary aggregate M1); the sum of other short-term deposits (i.e. the difference between the monetary aggregates M2 and M1) and the total of marketable instruments included in M3 (i.e. the difference between the monetary aggregates M3 and M2). The relevant figures are reported in Table 2.4 in the "Euro area statistics" section of this Monthly Bulletin.

Table I

M3 and its main components

(seasonally adjusted monthly changes)

	Mar. 1999		Apr. 1999		May 1999		Mar. to May 1999 average	
	EUR billions	%	EUR billions	%	EUR billions	%	EUR billions	%
M3	33.4	0.7	11.0	0.2	24.8	0.5	23.1	0.5
Currency in circulation and overnight deposits (= M1)	8.8	0.5	17.6	1.0	15.7	0.9	14.0	0.8
Other short-term deposits (= M2 - M1)	27.9	1.3	-15.0	-0.7	3.8	0.2	5.6	0.3
Marketable instruments (= M3 - M2)	-3.3	-0.6	8.5	1.4	5.4	0.9	3.5	0.6

Source: ECB.
Note: Due to rounding, the sum of the changes in the components of M3 in euro (billions) may not add up to the total reported for M3.

On the basis of non-seasonally adjusted data, M3 expanded by €36 billion in May 1999. Around one-third of this change reflected seasonal effects. In terms of seasonally adjusted figures, M3 rose by €25 billion (or about 0.5%) compared with the previous month (see Table 1). This rise in M3 reflected a significant increase in the components of M1 (amounting to €16 billion). In addition, there were smaller increases in other short-term deposits (of €4 billion) and in marketable instruments (of €5 billion).

The upturn in the annual rate of M3 growth in May was mainly due to the higher growth rate of overnight deposits, but also reflected increases in the rates of change both in shares in money market funds and money market paper and in debt securities issued with a maturity of up to two years. The annual growth rate of overnight deposits – which account for about one-third of M3 – increased to 14.2%, from 13.5% in April. At the same time, the annual increase in currency in circulation declined to 1.6% in May (from 1.9% in April). Nevertheless, reflecting the higher growth rate of overnight deposits, the 12-month growth rate of the narrow monetary aggregate M1 increased to 11.7% in May, from the rate of 11.2% recorded in the previous month.

Short-term deposits other than overnight deposits represent almost half of M3. On aggregate, their annual growth rate declined to 1.7% in May from 2.1% in April, thereby continuing the subdued trend of the past two years. The moderate decline in May was concentrated in deposits with an agreed maturity of up to one year. As in April, the lower demand for these financial instruments may have reflected a substitution in investors' portfolios in favour of overnight deposits, following the narrowing of the spread between the retail bank interest rates on these two types of deposits.

By contrast, such substitution effects were not seen in deposits redeemable at a period of notice of up to three months, which continued to grow at a stable pace of 5.7% in May. This may reflect the fact that this financial instrument has features which are more similar to overnight deposits than to other short-term deposits. This instrument has also benefited from a decline in opportunity costs in recent months, as the reduction in retail bank interest rates on deposits redeemable at a period of notice of up to three months was significantly smaller than that on deposits with an agreed maturity of up to two years. Reflecting the aforementioned contrasting developments in currency, overnight deposits and other short-term deposits, the annual increase in the monetary aggregate M2 remained stable at 6.1%.

Marketable securities included in M3 interrupted their negative trend in May. The 12-month rate of change in these financial instruments rose to 0.4%, from -1.1% in the

previous month. This recovery was accounted for by a higher annual rate of change both in money market fund shares and money market paper (14.7% compared with 12.6% in April) and in debt securities issued with a maturity of up to two years (which rose to -15.9% from -20.5% in the previous month). By contrast, repurchase agreements declined at an annual rate of 14.6% in May, which compares with an annual decline of 14.3% in April.

Box 1

Currency composition of certain assets and liabilities of euro area MFIs

Detailed data for the currency composition of certain assets and liabilities of Monetary Financial Institutions (MFIs) in the euro area are collected by the Eurosystem on a quarterly basis. The first such data have recently become available for December 1998 and March 1999. They are reported in Table 2.6 in the "Euro area statistics" section in this Monthly Bulletin.

The data show that MFI positions vis-à-vis *non-MFI euro area residents* (see item 1 (a) in the table below) are denominated almost completely in euro (including its national denominations). The share of euro-denominated deposits of non-MFI euro area residents was 97.0%. The euro accounted for similar percentages of loans granted to non-MFI euro area residents and of MFI holdings of securities other than shares. As regards other currencies, 1.8% of deposits, 1.6% of loans and 1.3% of MFI holdings of securities other than shares were denominated in US dollars. The positions in other currencies were below 1%.

With regard to the denomination of MFI assets and liabilities vis-à-vis *non-bank non-euro area residents* (see item 2 (a) in the table below), foreign currencies assume greater importance, particularly the US dollar. In March 1999 the euro accounted for 42.0% of deposits placed by non-bank non-euro area residents, while the share of the US dollar was 35.7%. Around 9% of the deposits placed by non-residents were denominated in non-euro area EU currencies. The share of the Japanese yen was 6.9%. Of the outstanding loans granted to non-bank non-euro area residents, 48.9% were denominated in US dollars, while the euro accounted for 35.9%. The share of loans granted to non-euro area residents denominated in non-euro area EU currencies was 7.9%. The corresponding figure for the Swiss franc was 3.8%, which was about twice as high as that for the Japanese yen. Finally, in March 1999 63.3% of MFI holdings of securities issued by non-bank non-euro area residents were denominated in US dollars, while only 13.0% were denominated in euro. Non-euro area EU currencies accounted for 8.5% of these securities, while the share of yen-denominated securities was 7.7%.

A similar picture can be seen with regard to the positions of MFIs in the euro area vis-à-vis other euro area MFIs (see item 1 (b) in the table below) and vis-à-vis non-resident banks (see item 2 (b) in the table). The euro accounts for a very large share of intra-euro area MFI positions, whereas, in the case of positions vis-à-vis non-resident banks, other currencies also play an important role.

For the outstanding stock of debt securities and of money market paper issued by euro area MFIs, a breakdown between amounts held by residents and non-residents is not available (see item 3 in the table below). The share of the euro in these financial instruments was 90.8%, while the share of the US dollar was 5.0% and those of both the Japanese yen and the Swiss franc were equal to 1.2%.

Table 2.6 in the "Euro area statistics" section of this Monthly Bulletin also shows a currency breakdown for December 1998. However, a comparison between data for December 1998 and March 1999 needs to be interpreted with great caution, as the difference between these two months may reflect the effects of, in particular, exchange rate variations and other changes which do not result from transactions.

	Euro [1]	Other EU currencies	Other currencies	USD	JPY	CHF	Other
1. MFI positions vis-à-vis euro area residents							
(a) Non-MFIs							
Deposits placed by euro area residents	97.0	0.5	2.6	1.8	0.3	0.3	0.2
Loans granted to euro area residents	96.6	0.5	2.9	1.6	0.3	0.9	0.1
Holdings of securities other than shares issued by euro area residents	97.0	0.7	2.3	1.3	0.8	0.2	0.1
(b) MFIs							
Deposits placed by euro area MFIs	87.8	1.3	10.9	7.7	0.8	1.4	1.0
Holdings of securities other than shares issued by euro area MFIs	95.7	0.8	3.4	2.5	0.5	0.2	0.3
2. MFI positions vis-à-vis non-euro area residents							
(a) Non-banks							
Deposits placed by non-residents	42.0	9.0	49.0	35.7	6.9	3.0	3.4
Loans granted to non-residents	35.9	7.9	56.2	48.9	2.0	3.8	1.4
Holdings of securities other than shares issued by non-residents	13.0	8.5	78.6	63.3	7.7	1.1	6.5
(b) Banks [2]							
Deposits placed by non-resident banks	43.1	10.5	46.3	36.0	3.7	4.2	2.4
Loans granted to non-resident banks	44.2	8.9	46.8	33.7	6.2	2.7	4.2
Holdings of securities other than shares issued by non-resident banks	23.4	18.8	57.7	40.8	6.2	1.1	9.7
3. MFI positions not allocated							
Debt securities and money market paper issued by MFIs	90.8	1.1	8.0	5.0	1.2	1.2	0.6

1) *Including items expressed in the national denominations of the euro.*
2) *The term "banks" includes MFIs resident in the European Economic Area non-euro area countries and "depository corporations", as defined in accordance with the United Nations System of National Accounts 1993 (SNA 93), resident in the rest of the world.*

Higher growth of credit in May

The annual growth rate of total credit granted to euro area residents increased from 7.3% in April to 7.9% in May 1999. All forms of credit granted by the MFI sector (comprising loans as well as securitised lending), in respect of both the private sector and the general government, contributed to this increase. As regards credit to the private sector, its annual growth rate rose to 10.5% in May from 10.0% in the previous month. Among the components of private sector credit, the annual growth rate of loans (which represent about 90% of the total amount of credit granted to the private sector) increased from 9.7% to 10.0%. The rapid expansion of loans to households and firms can be related primarily to the low level of bank lending rates in the euro area, which declined further in May, reflecting a lagged adjustment to the cut in ECB interest rates announced on 8 April 1999. By contrast, the annual growth rate of credit to general government remained very low in May at 1.2%, as compared with 0.4% in April.

In May 1999 the net external asset position of the MFI sector declined further by €41 billion. Compared with a year ago, the net external assets of the MFI sector fell by about €203 billion. This change in the MFI sector's net external asset position matches part of the high credit growth in the euro area and mainly mirrors the net outflow of funds from non-MFIs in the financial account of the euro area balance of payments.

On the liabilities side of the consolidated balance sheet of the MFI sector, the annual growth rate of longer-term financial liabilities remained higher than in late 1998 and early 1999, although it declined slightly from the rate of 5.2% recorded in April to 5.0% in May. The growth of debt securities issued with a maturity of over two years was broadly stable at a high level (8.1% in May). By contrast, the growth of longer-term deposits continued to be weak. To some extent, this may reflect the fact that, while retail bank interest rates on longer-term deposits decreased further in recent months, long-term bond yields rose.

Short-term market interest rates edged up in June

During June short-term market interest rates picked up all along the maturity spectrum. The overnight interest rate, as measured by the EONIA ("euro overnight index average"), gradually increased in the course of the fifth reserve maintenance period (which started on 24 May and ended on 23 June 1999) from about 2.52% to above 2.6%. The rise in the EONIA occurred despite the availability of ample liquidity in the banking system as a whole (see Box 2). Only on the very last day of the reserve maintenance period did the EONIA rate drop to 2.23%, reflecting the fact that the amount of liquidity in the banking system was in excess of the amount needed to meet the reserve requirements of the Eurosystem. In the first few days of the new reserve maintenance period the overnight interest rate stood again at around 2.6%, although it was temporarily driven upwards to 2.76% on 30 June 1999, which probably reflected a desire on the part of financial market participants to adjust their end-semester balance sheets.

Further along the money market yield curve the one-month EURIBOR rate rose by 7 basis points to stand at 2.64% at end-June, while a rise of 9 basis points over the same period brought the three-month EURIBOR interest rate up to 2.67%. At the 12-month maturity the interest rate picked up by 25 basis points to 2.94%. As a consequence, the spread between the 12-month

Chart 3

Short-term interest rates in the euro area

(percentages per annum; daily data)
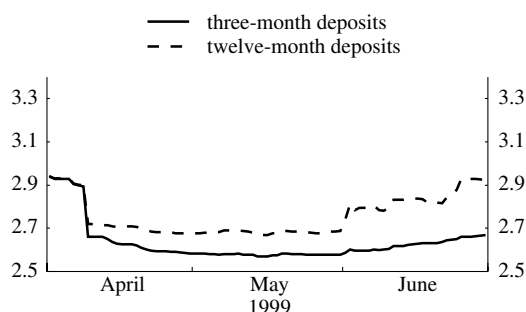
Source: ECB.
Note: Three-month and twelve-month EURIBOR.

and the three-month EURIBOR interest rates widened from 11 basis points at the end of May to 27 basis points at end-June (see Chart 3).

The steepening of the money market yield curve was also reflected in EURIBOR interest rates implied in futures prices, which for contracts maturing in late 1999 and in the year 2000 rose more markedly than for earlier delivery dates. At the end of June three-month interest rates associated with futures contracts maturing in September and December 1999 and in March 2000 stood at 2.75%, 3.07% and 3.07% respectively, having increased by 13, 25 and 25 basis points respectively compared with a month earlier. This evolution of current and expected future short-term interest rates seems to reflect a market perception of a more positive outlook for the euro area economy.

The aforementioned developments in the money market were also visible in the results of the regular monthly longer-term refinancing operation of the Eurosystem which was settled on 1 July. As usual, this longer-term operation had a three-month maturity and was conducted using the multiple rate allotment procedure. The resulting weighted average and marginal rates of allotment were equal to 2.64% and 2.63% respectively and, as for earlier operations, they turned out to be at a level slightly below the three-month EURIBOR rate on the day of execution.

Monetary policy operations and liquidity conditions in the fifth maintenance period

Allotments in monetary policy operations

During the fifth reserve maintenance period, which started on 24 May and ended on 23 June 1999, the Eurosystem conducted five main refinancing operations and one longer-term refinancing operation. All the main refinancing operations were carried out at a fixed rate of 2.5%. The allotted volume varied between €96.0 billion and €39.0 billion. After a moderate drop in the amount of bids submitted by counterparties, from €784.4 billion to €698.4 billion, between the first and second main refinancing operations, bids increased continuously in the following three operations up to €1,165.5 billion, mainly due to the growing difference between the overnight rate and the tender rate. On average, the amount of bids was €895.5 billion, and thus significantly higher than in the fourth reserve maintenance period, when it was €689.5 billion. The number of participating counterparties followed a pattern similar to the bids and was on average 759. The increase in the bid amount is also reflected in the development of the allotment ratios. While in the fourth reserve maintenance period the allotment ratio alternated between 12% and 6%, in accordance with the different sizes of the two outstanding tender operations, it fluctuated between 9.5% and 4.2% in the fifth reserve maintenance period.

Contributions to the banking system's liquidity
(EUR billions)

Daily average during the reserve maintenance period from 24 May to 23 June 1999

	Liquidity providing	*Liquidity absorbing*	*Net contribution*
(a) Monetary policy operations of the Eurosystem	**177.3**	**0.6**	**+ 176.7**
Main refinancing operations	132.0	-	+ 132.0
Longer-term refinancing operations	45.0	-	+ 45.0
Standing facilities	0.3	0.6	-0.3
Other operations	0.0	0.0	0.0
(b) Other factors affecting the banking system's liquidity	**339.8**	**414.6**	**- 74.8**
Banknotes in circulation	-	337.0	- 337.0
Government deposits with the Eurosystem	-	40.4	-40.4
Net foreign assets (including gold)	339.8	-	+ 339.8
Other factors (net)	-	37.2	- 37.2
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) - (b)			**101.9**
(d) Required reserves			**101.0**

Source: ECB.
Totals may not add up due to rounding.

Use of standing facilities

Compared with the previous reserve maintenance period, the average use of the marginal lending facility declined from a daily average of €0.8 billion to one of €0.3 billion. The use of the deposit facility increased somewhat, from a daily average of €0.4 billion to one of €0.6 billion. However, more than two-thirds of the recourse to the deposit facility took place on the last day of the period (€13.5 billion). On that day a main refinancing operation was settled. The allotment decision had to take into account the fact that the major liquidity impact of the operation would not be in the fifth, but in the sixth reserve maintenance period, which was expected to see a withdrawal of funds because of changes in autonomous factors. Furthermore, the ECB responded with the allotment amount to the high level of the overnight interest rates that had prevailed before the end of the fifth reserve maintenance period.

Liquidity factors not related to monetary policy

The net liquidity absorbing impact of the autonomous factors (item (b) in the table above) was, on average, €74.8 billion, i.e. €9.0 billion more than during the previous reserve maintenance period. The main reasons for this considerable increase were a €4.0 billion rise in the government deposits held with the Eurosystem and a €3.2 billion expansion of banknotes in circulation. The sum of the autonomous factors fluctuated between €64.4 billion and €81.3 billion. Government deposits were the most important source of these fluctuations (see Box 3).

Factors contributing to the banking system's liquidity during the fifth maintenance period
(EUR billions; daily data)

liquidity supplied through regular
open market operations (left-hand scale)
reserve requirement (left-hand scale)
daily current account holdings with
the Eurosystem (left-hand scale)
other factors affecting the banking
system's liquidity (right-hand scale)

marginal lending facility
deposit facility

23 June: -13.4 →
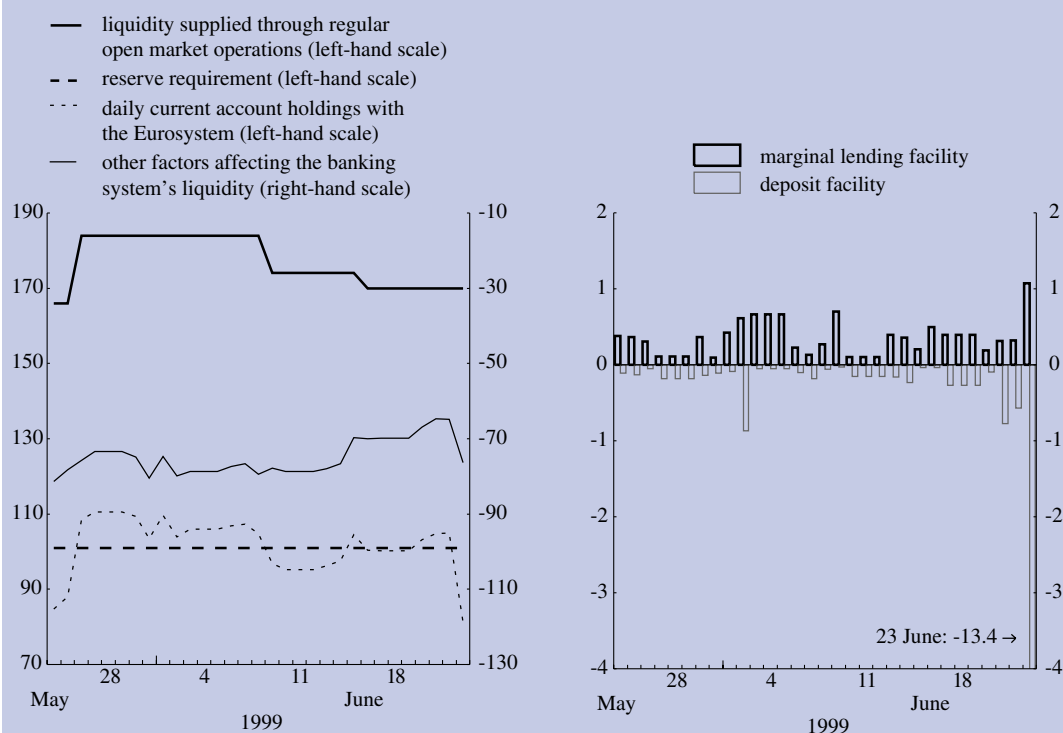
Source: ECB.

Current account holdings of counterparties

The current account holdings of counterparties with the Eurosystem correspond to the difference between the liquidity provided through monetary policy operations (including the net impact of the use of standing facilities) and the net effect of the autonomous factors. During the fifth reserve maintenance period the average current account holdings were €101.9 billion, while the reserve requirements stood at €101.0 billion. Compared with the fourth reserve maintenance period, the difference between these two variables declined slightly from €1.0 billion to €0.9 billion. The decrease was due to a further decline from €0.3 billion to €0.2 billion in current account holdings not contributing to the fulfilment of reserve requirements. By contrast, the excess reserve holdings of counterparties subject to reserve requirements seem to have stabilised. For the third maintenance period in a row they amounted to approximately €0.7 billion.

Treasury activities affecting the liquidity situation in the euro area

In a few euro area countries the amount of Treasury deposits with the central bank is large and these deposits are the most volatile of the autonomous factors, i.e. those changes in the balance sheet of central banks not resulting from monetary policy decisions. The standard deviation of the daily changes in the case of government deposits since the start of Stage Three of Economic and Monetary Union is €5,507 million, whereas it is €963 million for banknotes and €506 million for net foreign assets.

Treasury accounts are affected by any operation conducted by the Treasury, such as debt issuance, redemption and coupon payment activity, the collection of tax and social security contributions, the acquisition of goods and services, and the payment of wages, pensions and other social security benefits. Typically, such operations follow a defined calendar, which determines the pattern of the inflows and outflows on the Treasury account. However, these flows only bring about liquidity effects if a Treasury keeps all or most of its accounts with the central bank. Whether a national Treasury keeps its accounts with the central bank or with commercial banks basically depends on two factors: regulations, sometimes in the form of a law or an agreement with the central bank, and the payment of interest on the deposits held with the central bank. In countries where Treasury accounts bring about limited liquidity changes, there are either limits on the amount the Treasury can hold with the central bank or interest is paid on the Treasury's account (at least above a certain, relatively low threshold) at a zero rate or at a rate below the market rate, such that the Treasury has an incentive to place its funds in the market at the end of the day.

The euro area countries can be divided into three groups according to the volatility and size of the liquidity effects triggered by Treasury activity. The first group, where the volatility of the Treasury accounts is negligible, comprises Belgium, Germany, Luxembourg, the Netherlands, Austria and Finland. In these countries the overnight balances on the Treasury's account with the central bank are low or even close to zero, therefore not affecting liquidity. In the second group (Ireland and Portugal), although some volatility occurs on the Treasury's account with the central bank, this is limited in scale. Finally, in the case of the third group of countries, namely Spain, Italy and, to a lesser extent, France, the liquidity effects of Treasury activities are considerable. The main public sources of information on Treasury activities are available from the ECB's Web site (http://www.ecb.int).

Liquidity effects related to government deposits
(EUR millions)

Note: The vertical lines give the 23rd of each month, i.e. the last day of a reserve maintenance period. The figures provided on the graph give the daily average for the aggregate government deposits in the respective reserve maintenance period.

The chart above shows the development, since the start of Monetary Union, of aggregate "general government" deposits with the Eurosystem, i.e. liability item 4.1 of the Eurosystem's consolidated weekly financial statement. It should be noted that on the Eurosystem's balance sheet the asset position towards the general government sector is rather constant at around €60 billion and therefore need not be considered here. The largest change affecting Treasury deposits in the course of a reserve maintenance period is due to the Italian tax collection scheduled on the 23rd of each month (or on the following business day), i.e. on the last day of each reserve maintenance period, which absorbs liquidity. The effects of this change on deposits of the Italian Treasury normally continue into the beginning of the following reserve maintenance period. In evaluating the behaviour of Treasury deposits, it should also be noted that at the beginning of May 1999 an institutional change took place in France. Since then, interest has been paid on the French Treasury's balances with the Banque de France above a given threshold at a rate below the market rate, therefore giving incentives to the French Treasury to hold these funds in the market. The standard deviation of the daily changes in aggregate government deposits has decreased to €4,020 million since May.

Long-term bond yields rose further in June

Following the increases that were observed in May 1999, long-term government bond yields in the euro area rose further in the course of June, by almost 40 basis points (see Chart 4). By 30 June 1999 the average level of euro area 10-year bond yields stood at just below 4.7%, which was more than 70 basis points higher than the levels seen at the end of 1998, but still considerably lower than the levels observed throughout most of the 1990s. As has been the pattern for much of 1999, the increase in bond yields in June appeared partly to reflect the continued upward pressures on domestic bond yields emanating from increases in bond yields in the United States. At the same time, market expectations of a recovery in the pace of economic activity in the euro area appeared to play a more important role in the determination of long-term bond yields than in previous months. As a consequence, the spread of US long-term bond yields over comparable yields in the euro area, which has shown a tendency to widen since October 1998, narrowed during June to stand at around 120 basis points on 30 June.

Considering the international setting for domestic bond market developments, following the sharp increases observed in May 1999 the pattern of long-term bond yield developments in the United States in June was volatile, with 10-year yields increasing by more than 20 basis points to around 5.9% by 30 June. The volatility in the US bond market took place in an environment where market participants became increasingly uncertain about the potential implications for future price developments and monetary policy decisions of continued indications of robust and broadly based economic growth in the United States. The initial bond market reaction to the decision of the US Federal Reserve Board to raise its target for the federal funds rate by 25 basis points, but to eliminate the "tightening bias" in its monetary policy stance following the meeting of the Federal Open Market Committee on 30 June, was a downward correction in long-term interest rates in the United States. In Japan there was also an increase in long-term bond yields of almost 30 basis points between end-May and 30 June to around 1.8%, which was linked mainly to an exceptionally strong real GDP growth figure for the first quarter of 1999.

Apart from developments in international bond markets, domestic influences represented a further factor that may have placed upward pressures on euro area bond yields as they seemed to lead to market expectations of a recovery in the pace of economic activity in the euro area. Although data on economic activity, including increases in real GDP growth and industrial confidence and declines in consumer confidence,

Chart 4

Long-term government bond yields in the euro area and the United States

(percentages per annum; daily data)
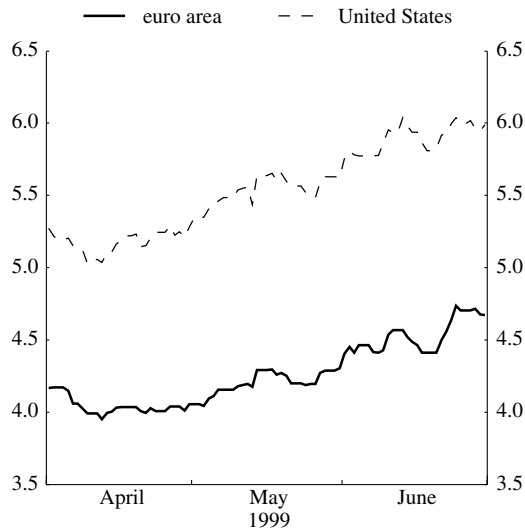
Sources: ECB, national data and Reuters.
Note: Long-term government bond yields refer to 10-year bonds or to the closest available bond maturity.

reflected increases in interest rate expectations for shorter to medium-term maturities. This appears to indicate that market participants have altered their expectations regarding economic growth and inflation developments over the short to medium term.

In addition, a slight increase in the 10-year real yield available on index-linked bonds issued in France may indicate market expectations of an improvement in the future pace of economic activity. At the same time, "break-even" inflation rates, as measured by the difference between 10-year yields from fixed income and index-linked bonds issued in France, also rose slightly during June.

continued to provide conflicting indications concerning future economic prospects, financial market participants, on balance, seemed to see these as pointing in the direction of a recovery in the pace of economic activity. Financial market expectations of a pick-up in the pace of economic activity in the euro area may also have led to a slight upward revision of inflation expectations.

In the light of the aforementioned developments in euro area bond markets, the yield curve in the euro area became steeper in June. Measured as the difference between three-month money market interest rates and 10-year bond yields, the yield curve slope stood at around 200 basis points by 30 June. This was almost 130 basis points steeper than the level observed at end-1998 and represented the highest level recorded since late 1996. Considering developments in the forward yield curve (see Chart 5), which, apart from risk premia considerations, are indicative of market expectations of future short-term interest rates, much of the increase in the yield curve slope in June

Chart 5

Implied forward euro area overnight interest rates

(percentages per annum; daily data)
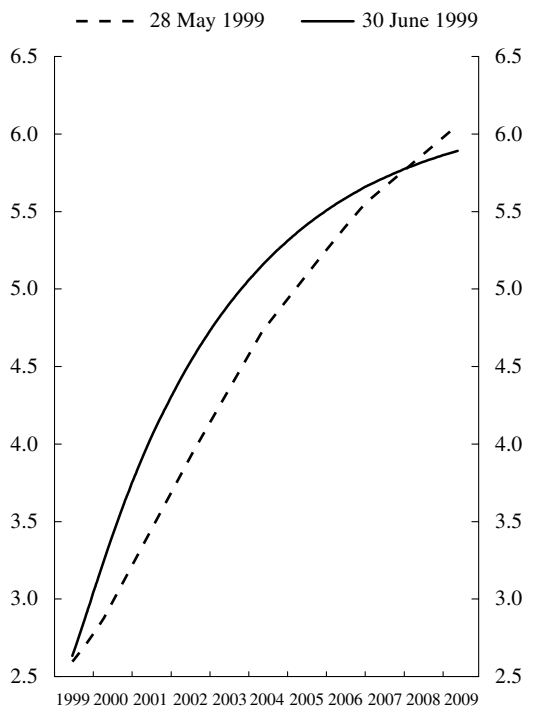
Source: ECB estimation. The implied forward yield curve, which is derived from the term structure of interest rates observed in the market, reflects the market expectation of future levels for short-term interest rates. The method used to compute these implied forward yield curves was outlined on page 26 of the January 1999 issue of the Monthly Bulletin. The data used in the estimation are derived from swap contracts.

Recovery in stock markets during June

Stock prices in the euro area, as measured by the broad Dow Jones EURO STOXX index, increased by close to 4% over the period from end-May to 30 June 1999 (see Chart 6). This increase brought the average level of stock prices in the euro area to around 9% above the level observed at the end of 1998. The increase in stock prices in the euro area during June 1999 appeared to be linked both to a supportive environment provided by increases in international stock markets and to the influence of favourable domestic factors.

In the United States the Standard and Poor's 500 index rose by slightly more than 5% over the period from end-May to 30 June. The developments in US stock prices during June seemed partly to reflect the positive influence of continued evidence of robust economic growth in the United States. Furthermore, the decision of the US Federal Reserve Board to remove a "tightening bias" from its monetary policy stance after it raised its

target for the federal funds rate on 30 June 1999 had a positive influence on US stock price levels. In Japan, following the earlier increase of more than 16% during the first five months of 1999, stock prices, as measured by the Nikkei 225 index, rose by slightly less than 9% over the period from end-May to 30 June 1999. Among the factors that seemed to account for this development was increasing optimism on the part of market participants about economic prospects linked to the strong GDP growth figure for the first quarter of 1999.

For the euro area stock markets, apart from the favourable financial environment provided by rising stock prices in international markets, a market perception of an improvement in the real external economic environment facing the euro area seemed to have contributed to the increase in stock prices. Related to this, market perceptions of a recovery in the pace of economic activity in the euro area also seemed to play an important role in the increase in stock prices during June. This rise in stock prices was notable in the context of the aforementioned sharp increase in long-term bond yields in the euro area and also seemed to reflect an improvement in financial market perceptions regarding the prospects for corporate profitability in the euro area.

Despite the recovery in euro area stock markets during June, performances across different sectors remained rather varied, with some sectors which may be more exposed to the external environment, such as the industrial and technology sectors, showing considerable increases of around 30% compared with the end of 1998. In addition, those consumer sectors that are considered to be sensitive to the state of the business cycle have kept pace with aggregate market developments since the end of 1998. On the other hand, sectors that are considered to be less sensitive to the state of the business cycle, such as the utilities and non-cyclical consumer sectors, continued to show weak performances relative to the overall market.

Chart 6

Stock price indices in the euro area, the United States and Japan

(1 April 1999 =100; daily data)
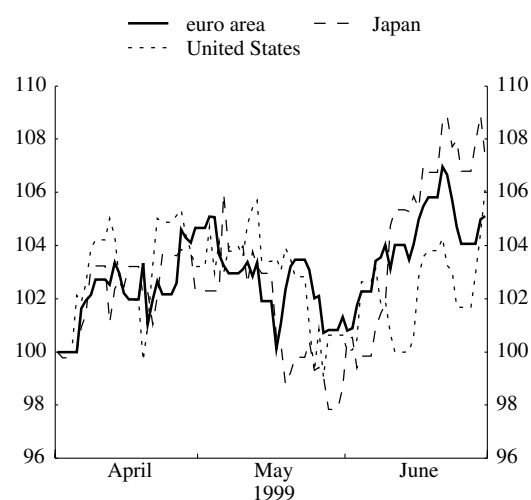
Sources: Reuters for the euro area; national data for the United States and Japan.
Note: Dow Jones EURO STOXX broad (stock price) index for the euro area, Standard and Poor's 500 for the United States and Nikkei 225 for Japan.

2   Price developments

Lower consumer price increases due to food and services prices

As indicated in the June issue of the ECB Monthly Bulletin, the outlook for price developments in the coming months is for upward pressure on consumer prices as a result of the oil and commodity price increases that occurred in the first months of the year. However, although oil prices did indeed lead to a further increase in the energy component of the Harmonised Index of Consumer Prices (HICP) in May (see Chart 7 and Table 2), the year-on-year increase in euro area headline HICP fell by 0.1 percentage point to 1.0% in May.

The recent slowdown is due to a number of factors. It is partly related to the year-on-year increase in unprocessed food prices,

Chart 7

Breakdown of HICP inflation in the euro area by components

(annual percentage changes; monthly data)

— total HICP
— — processed food
···· unprocessed food
— non-energy industrial goods
– – energy
---- services

Source: Eurostat.

which fell substantially to 0.4% in May, from 1.2% in April. These prices are typically very volatile and depend greatly on seasonal factors and weather conditions.

However, other influences played a role as well, as the HICP excluding seasonal food and energy also rose more slowly in May (0.9% compared with 1.0% in April). In part, this was related to a base effect in connection with the German VAT increase of last year, which raised the year-on-year rate of inflation in May 1998, and is therefore now having a dampening effect. Moreover, in addition to this, the annual increase in processed food prices continued to slow down from 1.2% in April to 0.9% in May, thereby confirming the tendency which can be observed from the second quarter of 1998 onwards. Finally, the annual rate of increase in services prices, which remained relatively stable at around 2% throughout 1998, fell in early 1999 and reached 1.5% in May. This development is partly associated with deregulation in certain sectors, such as telecommunications.

Looking to the immediate future, oil prices continued to increase in June, reaching €15.6 per barrel, which is almost 5% higher than in May. Therefore, even without further changes in oil prices, some further upward movement in the year-on-year increase in the energy component of the HICP can be expected in the summer months as a result of the base effect from the decline in energy prices in the second half of 1998. In addition, industrial producer prices appear to have recovered in the months leading up to April, when the annual rate of change was still negative (at -1.6%), but had moved upwards from -2.3% in the previous month (see Table 2). Some further movement in this direction might be seen in the following months, reflecting the upward pressure from the development in oil and non-energy commodity prices in the months leading up to June. Conversely, the decline in the year-on-year increase in processed food and especially services prices indicates that forces such as deregulation and intensified competition should

Table 2

Price and cost developments in the euro area

(annual percentage changes, unless otherwise indicated)

	1996	1997	1998	1998 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Jan.	1999 Feb.	1999 Mar.	1999 Apr.	1999 May	1999 June
Harmonised Index of Consumer Prices (HICP) and its components													
Overall index *of which:*	2.2	1.6	1.1	1.1	0.8	0.8	.	0.8	0.8	1.0	1.1	1.0	.
Goods	1.8	1.1	0.6	0.7	0.2	0.3	.	0.2	0.2	0.5	0.8	0.6	.
Food	1.9	1.4	1.6	1.7	1.1	1.3	.	1.2	1.4	1.4	1.2	0.7	.
Processed food	1.9	1.4	1.4	1.4	1.2	1.2	.	1.3	1.3	1.2	1.2	0.9	.
Unprocessed food	1.8	1.4	2.0	2.1	0.8	1.4	.	1.1	1.5	1.7	1.2	0.4	.
Industrial goods	1.8	1.0	0.1	0.1	-0.2	-0.2	.	-0.3	-0.4	0.0	0.6	0.6	.
Non-energy industrial goods	1.6	0.5	0.9	1.0	0.9	0.8	.	0.8	0.7	0.7	0.6	0.6	.
Energy	2.6	2.8	-2.6	-3.2	-4.4	-3.8	.	-4.4	-4.3	-2.8	0.3	0.6	.
Services	2.9	2.4	2.0	2.0	2.0	1.7	.	1.8	1.7	1.8	1.7	1.5	.
Other price and cost indicators													
Industrial producer prices [1]	0.4	1.1	-0.8	-1.3	-2.3	-2.5	.	-2.7	-2.7	-2.3	-1.6	.	.
Unit labour costs [2]	2.0	0.6	.	-0.4	.	.	.	-	-	-	-	-	-
Labour productivity [2]	1.3	1.9	.	1.4	.	.	.	-	-	-	-	-	-
Compensation per employee [2]	3.3	2.5	.	1.1	.	.	.	-	-	-	-	-	-
Total hourly labour costs [3]	2.8	2.4	1.6	1.7	1.5	.	.	-	-	-	-	-	-
Oil prices (EUR per barrel) [4]	15.9	17.1	12.0	11.7	10.0	10.3	14.9	9.5	9.4	11.8	14.4	14.9	15.6
Commodity prices [5]	-6.9	13.0	-12.5	-18.2	-20.5	-16.0	-8.3	-17.2	-16.1	-14.7	-12.6	-7.7	-4.2

Sources: Eurostat, national data, HWWA – Institut für Wirtschaftsforschung (Hamburg) and ECB calculations.
1) Excluding construction.
2) Whole economy.
3) Whole economy (excluding agriculture, public administration, education, health and other services).
4) Brent Blend (for one-month forward delivery). In ECU up to December 1998.
5) Excluding energy. In euro; in ECU up to December 1998.

continue to exercise some downward pressure on prices. This points to the possibility that consumer prices may increase only gradually in the immediate future, particularly as wage increases appear to be remaining moderate at the euro area level.

3 Output, demand and labour market developments

Output growth stabilised in the first quarter of 1999

According to a preliminary estimate released by Eurostat in mid-June, overall output growth stabilised in the first quarter of this year. Real GDP in the first quarter of 1999 was up 0.4% on the previous quarter, following a gradual slowdown from 0.7% to 0.3% in the course of 1998 (see Table 3). Exports declined further at the beginning of this year and inventories saw a substantial downward adjustment. However, the negative contributions to growth resulting from these developments were more than offset by higher contributions from both fixed capital formation and final consumption. While these preliminary GDP data contain a higher share of Eurostat's own estimates than is usually the case, national data that subsequently became available essentially confirmed this picture. Revised Eurostat estimates, which are

more closely based on the new concept of the ESA 95, were scheduled to be released only after the cut-off date for this issue of the ECB Monthly Bulletin. The impact of the new ESA 95 data on area-wide developments will be addressed separately in a forthcoming issue of the ECB Monthly Bulletin (see also Box 4 on the delayed changeover to the ESA 95).

The stabilisation in overall output growth in the first quarter of this year was largely due to developments in the industrial sector. On the basis of three-month centred moving averages, the level of industrial production (excluding construction) remained broadly unchanged in the three-month period up to March 1999, compared with the three-month

period up to December 1998 (see Table 4). The slight decline of 0.2% constituted a clear improvement compared with the pronounced declines of up to 1.1% recorded at the start of the year. There was no significant further improvement in the three-month period up to April 1999. At the level of industrial groupings the latest developments remained mixed and do not as yet suggest a broadly based improvement across all major categories of industrial goods. While industries producing intermediate goods and consumer goods account for the recent stabilisation, the decline in output in the capital goods industries again became somewhat stronger in the three-month period up to April 1999.

Box 4

Delayed changeover to the ESA 95

On 14 June 1999 the European Commission (Eurostat) released first estimates of the main euro area national accounts indicators for the first quarter of 1999. This release, containing estimates for GDP and the main expenditure components at constant prices, was partly based on data compiled in accordance with the new European System of Accounts 1995 (ESA 95), as transmitted by the Member States to Eurostat (for more details on the ESA 95, see page 23 of the June issue of the ECB Monthly Bulletin). As not all Member States had transmitted their ESA 95 data by then, the estimate for the euro area as a whole was still partially based on national data compiled in accordance with the old methodology and, as usual, on Eurostat's own estimates for those countries which had not published any estimates for the first quarter of 1999.

The next publication by Eurostat on ESA 95 euro area quarterly national accounts data – scheduled for July 1999, but after the cut-off date for this issue of the ECB Monthly Bulletin – is expected to include more data at constant prices and, for the first time, data at current prices. However, a full set of quarterly indicators, as required for transmission to Eurostat by individual Member States according to the ESA 95 Regulation, will be published at a later date by Eurostat for the euro area. The delayed changeover to the ESA 95 for euro area results makes a comprehensive analysis of economic developments in the euro area more difficult. The delay only partly reflects derogations from the transmission programme granted to individual Member States under the ESA 95 Regulation.

The ESA 95 data published by Member States in time for the first estimate produced by Eurostat show changes in the growth rates of real GDP which are generally larger than expected. Germany, which accounts for one-third of the euro area in terms of GDP, revised the annual growth rate of real GDP downwards for the years 1996-98 by an average of nearly 0.5 percentage point, while there was an upward revision for 1995. France also revised its real GDP growth downwards, but to a lesser extent, for the years 1995-97, while the results for 1998 remained unchanged. The revisions observed in these two countries, which represent more than 50% of the euro area in terms of GDP, are the main causes of the revisions observed in connection with Eurostat's first estimate. For Italy, the first data compiled in accordance with the ESA 95 point to only minor revisions to real GDP growth in earlier years.

Table 3

Composition of real GDP growth in the euro area

(percentage changes, unless otherwise indicated; seasonally adjusted)

				Annual rates [1]					Quarterly rates [2]				
	1996	1997	1998	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1
Real gross domestic product *of which:*	1.4	2.4	2.6	3.4	2.7	2.5	2.0	1.8	0.7	0.6	0.5	0.3	0.4
Domestic demand	1.0	2.1	3.1	3.8	2.8	3.2	2.8	2.3	1.2	0.4	0.4	0.7	0.7
Private consumption	1.4	1.7	2.3	2.2	1.9	2.6	2.4	2.9	0.8	0.3	0.6	0.7	1.2
Government consumption	1.2	0.3	1.6	1.9	2.2	1.4	0.8	0.4	1.3	0.3	-0.3	-0.5	0.9
Gross fixed capital formation	1.3	2.9	4.0	5.8	3.0	4.1	3.0	3.9	1.3	-0.5	1.8	0.4	2.1
Changes in inventories [3]	-0.3	0.4	0.6	0.9	0.6	0.5	0.6	-0.3	0.2	0.3	-0.2	0.3	-0.6
Net exports [3]	0.4	0.4	-0.4	-0.3	-0.1	-0.6	-0.7	-0.5	-0.5	0.2	0.0	-0.4	-0.3
Exports [4]	4.7	9.4	6.0	10.3	8.7	4.4	1.2	-0.9	0.6	2.2	0.3	-2.0	-1.4
Imports [4]	3.5	8.8	8.0	12.1	9.8	6.9	3.6	0.5	2.4	1.7	0.2	-0.7	-0.6

Sources: Eurostat and ECB calculations.
1) *Annual rates: percentage change compared with the same period a year earlier.*
2) *Quarterly rates: percentage change compared with the previous quarter.*
3) *As a contribution to real GDP growth; in percentage points.*
4) *Exports and imports cover goods and services and include internal cross-border trade in the euro area. Intra-euro area trade is not cancelled out in import and export figures used in national accounts. Consequently, these data are not fully comparable with balance of payments data.*

Data on retail sales volumes, as reported in Table 5.1 in the "Euro area statistics" section of this Monthly Bulletin, continue to suggest broadly sustained growth of real consumption. While for April these data only indicate an increase of 1.6% on a year earlier, following a 5.6% increase in March, this drop in growth is considered to be largely due to the timing of Easter at the beginning of April. On average, in the period from February to April the annual rate of growth was around 3%, i.e. in line with the corresponding rate in the last three months of 1998.

Industrial confidence showed signs of recovery

While survey data from the European Commission Business and Consumer Survey

Table 4

Industrial production in the euro area

(annual percentage changes, unless otherwise indicated)

	1997	1998	1999 Feb.	1999 Mar.	1999 Apr.	1999 Feb.	1999 Mar.	1999 Apr.	1998 Nov.	1998 Dec.	1999 Jan.	1999 Feb.	1999 Mar.
						month-on-month			3-month moving averages				
Total industry excl. construct.	4.4	4.0	-0.6	-0.1	-0.7	-0.5	0.6	-0.7	-0.5	-0.6	-1.1	-0.2	-0.1
Manufacturing *by main industrial groupings:*	5.0	4.5	-1.4	-0.4	-0.8	-1.0	0.8	-0.6	-1.2	-1.0	-0.9	0.0	-0.1
Intermediate goods	5.4	3.9	-1.5	-0.4	-1.6	-0.2	0.2	-0.4	-0.5	-0.6	-0.8	-0.4	-0.3
Capital goods	4.8	6.6	0.2	-1.2	1.0	-0.3	-0.2	0.3	0.3	0.0	-0.1	-0.2	-0.3
Consumer goods	2.7	3.0	0.0	0.6	-0.6	-0.5	0.6	-1.0	-1.0	-0.9	-0.7	0.2	0.1
Durable consumer goods	2.8	6.3	0.8	-0.5	-1.5	-0.4	-0.1	-0.5	-0.1	-0.8	-0.9	-0.3	-0.2
Non-durable consumer goods	2.6	1.4	-0.4	1.5	-0.3	0.0	0.1	0.1	-0.1	0.0	0.0	0.1	0.2

Sources: Eurostat and ECB calculations.
Note: Annual percentage changes are calculated by using data adjusted for variations in the number of working days; percentage changes on the previous month and three-month centred moving averages against the corresponding average three months earlier are calculated by using seasonally and working day adjusted data.

in June were not available before the cut-off date for this issue of the ECB Monthly Bulletin, developments in May broadly confirmed previous indications (see Table 5). In particular, at the euro area level there was a further slight rise in industrial confidence and a further slight decline in consumer confidence. The fact that industrial confidence improved from below average levels, while consumer confidence fell back from all-time high levels, although remaining fairly close to them, may be interpreted as an encouraging overall development. Notably, these latest developments point to somewhat lower risks of a delayed recovery of industrial confidence.

The positive interpretation of recent developments in industrial and consumer confidence tends to be supported by developments at the level of the respective components. With regard to the increase in industrial confidence, this was largely accounted for by an improvement in production expectations and a more favourable assessment of export order books, which may be seen as representing the more forward-looking components of the survey. In addition, the decline in consumer confidence mainly reflected a less favourable assessment by households of the general economic situation, rather than a more cautious assessment of their own financial situation or a reduced willingness to make major purchases. The assessment of the general economic situation is typically more volatile than the other components of consumer confidence.

Recent data are consistent with the latest forecasts

Overall, the data on short-term indicators available at the cut-off date for this issue of the ECB Monthly Bulletin tend to be consistent with the growth pattern at the start of 1999 implied by the forecasts from private and international organisations discussed in the June issue of the Monthly Bulletin. These projections were based on the expectation that the slowdown in output growth in 1998 would cease in the early months of 1999 and would turn into a recovery in the latter part of the year. While the level of activity remains low, the development of production in the conjuncturally sensitive industrial sector points to some improvement (see Chart 8). At the same time, given the preliminary estimate for the rate of overall GDP growth in the first quarter of 1999, output in the

Table 5

Results from EC Business and Consumer Surveys for the euro area
(seasonally adjusted data)

	1996	1997	1998	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1998 Dec.	1999 Jan.	1999 Feb.	1999 Mar.	1999 Apr.	1999 May
Economic sentiment index [1]	-2.7	2.4	3.1	0.9	0.0	-0.7	0.5	0.1	0.6	-0.3	-0.2	0.2	-0.3
Consumer confidence indicator [2]	-8	-3	7	7	7	10	12	11	12	12	11	9	8
Industrial confidence indicator [2]	-8	4	7	10	7	1	-3	-1	-1	-3	-4	-3	-2
Construction confidence indicator [2]	-13	-10	4	1	10	8	14	9	14	14	14	16	15
Retail confidence indicator [2]	-5	-3	4	2	5	3	3	2	6	2	0	5	3
Capacity utilisation (%) [3]	80.3	81.5	82.6	82.8	83.3	82.4	81.9	-	81.9	-	-	81.9	-

Source: European Commission Business and Consumer Surveys.
1) *Percentage changes over the previous period; index 1985 = 100.*
2) *Percentage balances; data shown are calculated as deviations from the average over the period since January 1985.*
3) *Data are collected in January, April, July and October of each year. The quarterly figures shown are the average of two successive surveys, i.e. the surveys conducted at the beginning of the quarter in question and at the beginning of the following quarter. Annual data are quarterly averages.*

Chart 8

Output and industrial confidence in the euro area

(percentage changes compared with the previous period; seasonally adjusted; percentage balances for industrial confidence)

real GDP (left-hand scale)
industrial production [1] (left-hand scale)
industrial confidence [2] (right-hand scale)
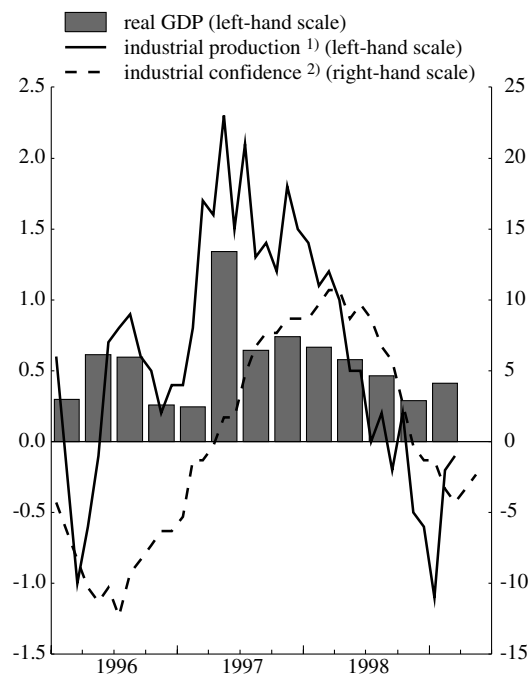
Sources: Eurostat and European Commission Business and Consumer Surveys.
1) *Three-month centred moving averages.*
2) *Data are calculated as deviations from the average over the period since January 1985.*

non-industrial sectors of the economy appears to have expanded at fairly sustained rates of growth.

Limited slowdown in employment growth

Data for total employment in the euro area for 1998 have been revised and now indicate a somewhat less pronounced slowdown in total employment growth in the fourth quarter than earlier data had suggested. The quarter-on-quarter change has been revised upwards from 0.2% to 0.4%, compared with 0.5% in the third quarter of 1998. Compared with the same quarter a year earlier, total employment is now estimated to have increased by 1.6% (see Table 6).

Area-wide data for employment in 1999 may not become available for several months. This is due to the postponement of the data release for Germany, where the methodology used to calculate employment statistics is being revised. However, preliminary estimates can be made using the available national data and partial information on Germany. These suggest that total employment growth in the euro area in the first quarter of 1999 might have been similar to that in the fourth quarter of 1998. These higher than expected estimates reflect different sectoral patterns. On the one hand, net job creation was sustained in the services sector. On the other, while revised Eurostat data show some degree of continued net job losses in industry, this was smaller than initially expected. In the manufacturing sector, in particular, the

Table 6

Employment growth in the euro area

(annual percentage changes, unless otherwise indicated)

	1997	1998	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1999 Jan.	1999 Feb.	1999 Mar.
							Quarterly rates [1]						
Whole economy [2]	0.5	1.3	1.2	1.4	1.6	.	0.4	0.5	0.4	.	-	-	-
Total industry	-1.4	0.1	0.0	0.2	0.2	.	0.0	0.0	0.0	.	.	.	.
Construction	-0.5	-0.1	-1.4	-0.4	1.5	.	-0.5	0.6	1.5	.	.	.	.
Total industry excl. construct.	-1.4	0.4	0.6	0.6	0.1	-0.3	0.2	0.0	-0.3	-0.2	-0.1	-0.2	-0.6
Manufacturing	-1.0	0.7	1.0	0.9	0.4	0.1	0.3	0.0	-0.2	-0.1	0.3	0.2	-0.2

Sources: National data and Eurostat.
1) *Quarterly rates: percentage change compared with the previous quarter; seasonally adjusted.*
2) *Excluding Belgium and Ireland; seasonally adjusted.*

quarter-on-quarter rate of change in employment has been revised upwards by Eurostat from -0.3% to -0.1% in the first quarter of 1999, compared with -0.2% in the previous quarter. This somewhat more favourable picture of manufacturing employment developments appears to be in line with the recent information on output, as discussed above.

Slight decline in unemployment in April

In April 1999 the standardised rate of unemployment for the euro area fell to 10.4%, i.e. 0.1 percentage point below the level in the previous three months, during which the rate of unemployment was virtually unchanged (see Chart 9 and Table 7). It is worth noting that the decline in April was due to a fall in unemployment among the young unemployed, while the unemployment rate among those over 25 years of age has remained at the same level for the past four months. Developments at the country level show that this uneven pattern in the decline of unemployment during the course of 1999 is a fairly general phenomenon. The national data available for May 1999 suggest that the standardised rate of unemployment in the euro area, which was due to be released by Eurostat after the cut-off date for this issue of the ECB Monthly Bulletin, may have been only slightly lower than in April.

Unemployment in the euro area
(monthly data; seasonally adjusted)

—— % of the labour force (right-hand scale)
▢ annual change in millions (left-hand scale)
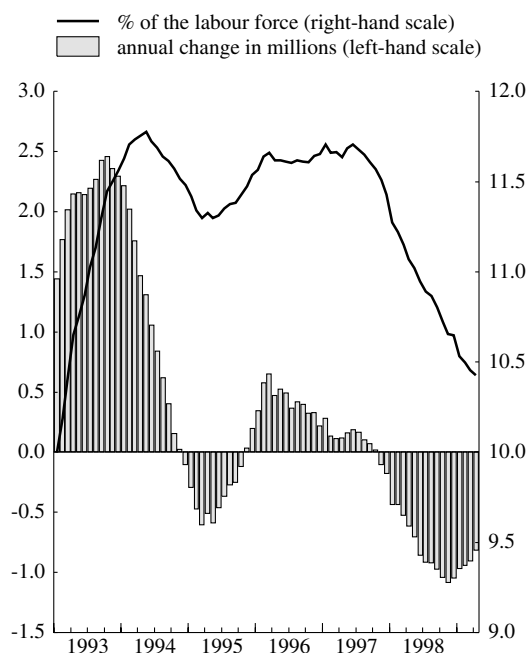
Source: Eurostat.

Overall, for the time being the gradual slowdown in economic activity in the course of 1998 seems to have had a limited impact on total employment. Despite this relatively favourable employment development, the unemployment rate decreased only marginally in the first quarter of this year.

Unemployment in the euro area
(as a percentage of the labour force; seasonally adjusted)

	1996	1997	1998	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1998 Nov.	1998 Dec.	1999 Jan.	1999 Feb.	1999 Mar.	1999 Apr.
Total	11.6	11.6	10.9	11.0	10.9	10.7	10.5	10.7	10.6	10.5	10.5	10.5	10.4
Under 25 years [1]	23.9	23.2	21.1	21.3	20.9	20.6	20.2	20.6	20.4	20.4	20.2	20.1	19.9
25 years and over [2]	9.8	10.0	9.5	9.5	9.4	9.2	9.1	9.2	9.2	9.1	9.1	9.1	9.1

Source: Eurostat.
Note: According to ILO recommendations.
1)   In 1998 this category represented 24.4% of total unemployment.
2)   In 1998 this category represented 75.6% of total unemployment.

4 Exchange rate and balance of payments developments

Euro exchange rate broadly stable in June

The exchange rate of the euro fluctuated vis-à-vis major currencies in June, but the depreciation recorded in earlier months did not continue at the previous rate. Noteworthy changes occurred only against the pound sterling – which weakened against most major currencies – and a number of currencies of more limited importance for euro area trade. However, the euro weakened somewhat further on 1 July, following the interest rate rise in the United States.

The fluctuation of the exchange rate of the euro against the US dollar in June reflected mainly the uncertainty about the prospects of a monetary policy tightening in the United States. This tightening materialised on 30 June, when the Federal Reserve Board increased its target for the federal funds rate by 25 basis points to 5.0%. Euro exchange rate developments against the US dollar also continued to be influenced by the divergent growth patterns in the two economies, with new information that became available in the course of the month predominantly supporting the view of continued growth in the United States and suggesting only a gradual recovery in the euro area. Accordingly, for most of June the euro exchange rate fluctuated around an average of USD 1.04 and closed at a level of USD 1.03 by the time this section was finalised on 1 July (see Chart 10). This was 1.6% lower than at the beginning of June.

Against the Japanese yen, the euro fluctuated in a relatively narrow range of between JPY 124 and JPY 127, after having weakened in late May and early June, in particular following the release of strong first quarter GDP growth data in Japan. The appreciation of the yen to around JPY 124 triggered intervention by the Bank of Japan on 18 and 21 June, which was partly carried out on its behalf in euro by the ECB and a number of national central banks (see Box 5). Following this intervention, as the improved GDP figures were not supported by further economic data, the exchange rate subsequently displayed no clear trend. On 1 July the euro was quoted at JPY 124, i.e. 1.8% lower than at the beginning of June.

The Bank of England's cut in the repo rate of 25 basis points – and possibly also market participants' expectations of a recovery in euro area growth – contributed to a slight appreciation of the euro against the pound sterling in June. The pound sterling showed some degree of decoupling from the previously observed close correlation with developments of the US dollar. On 1 July the euro weakened against the pound sterling in line with its weakening against the US dollar and was quoted at GBP 0.65, the same level as at the beginning of June. The Swedish krona, by contrast, strengthened vis-à-vis the euro against the background of an improved outlook for the Swedish economy.

Chart 10

Patterns in exchange rates

(daily data)

Source: ECB.

The two currencies participating in ERM II remained stable against the euro in June (see Chart 11). In particular, the Danish krone remained close to its central parity in June. As concerns about the Kosovo crisis lessened, pressure on the Greek drachma declined and the currency continued to trade at 9% above its central parity.

As for developments in the currencies of the other trading partners of the euro area in June, the Norwegian krone strengthened against the euro. The Canadian, Australian and New Zealand dollars likewise all appreciated against the euro, following the recent recovery in the prices of several commodities and improved

Chart 11

Patterns of exchange rates within ERM II
(daily data)
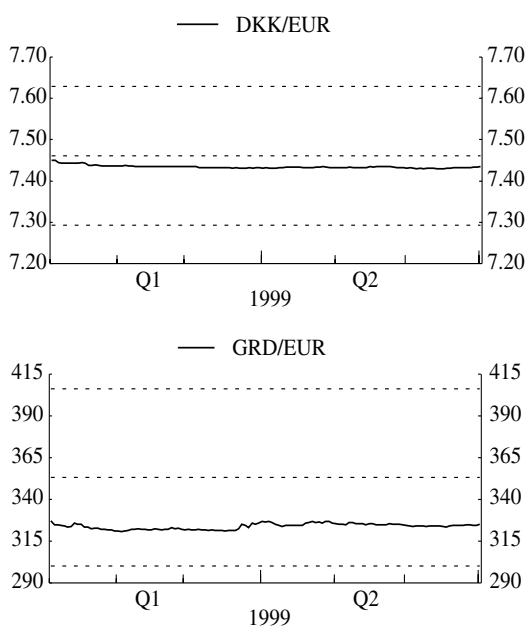
Source: ECB.
Note: The horizontal lines indicate the central parity and the respective fluctuation bands (±2.25% for DKK and ±15% for GRD).

Chart 12

Effective exchange rates of the euro area [1]
(monthly averages; index 1990 = 100)
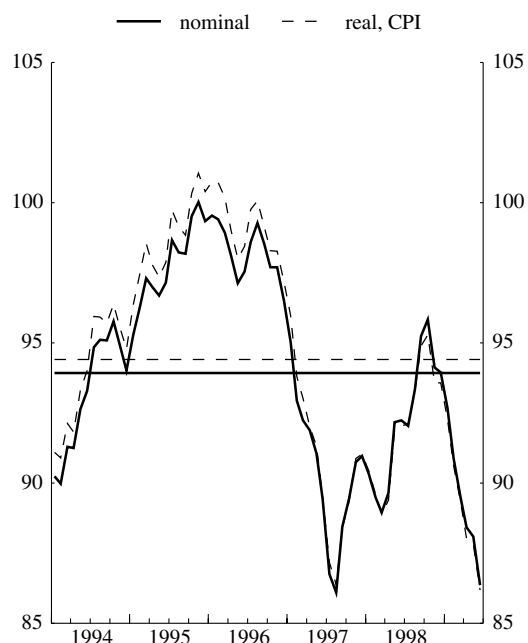
Source: BIS.
1) Data are BIS calculations; for information on the methodology used, see Table 10 in the "Euro area statistics" section of this Bulletin. An upward movement of the index represents an appreciation for the euro area. Horizontal lines are averages over the period shown (January 1994 to June 1999).

growth outlooks not only for the respective domestic economies, but also for their Asian trading partners.

The exchange rate of the euro in nominal effective terms, as calculated by the Bank for International Settlements, remained virtually unchanged at the end of June 1999, as compared with the level at the end of the month before. Thus it was about 8% below its level at the time the euro was launched (see Chart 12). The value of the euro in the second quarter of 1999 was, in effective terms, 3.7% below its level in the first quarter and about 5% below the average level of the weighted euro area currencies in 1998. Consequently, taking into account the fact that the share of imports in GDP is only about 16% for the euro area, any effect on the outlook for consumer prices from higher import prices is likely to remain contained.

Higher current account surplus

In the first four months of 1999 the cumulative current account surplus increased by €3 billion compared with the corresponding period in 1998 and reached €16 billion. A lower deficit in current transfers contributed most, together with the improvement in the income balance;

both developments more than offset the decline of about 21% – compared with the same period in 1998 – in the cumulative surplus in the balance on goods and services.

The April 1999 results contributed significantly to the higher cumulative current account surplus. Most notable was the swing from deficit to surplus on the income account and the lower deficit in the balance of current transfers, which more than offset the deficit in the services balance (€0.4 billion, compared with a surplus of €0.2 billion in April 1998) and the €1.3 billion reduction in the surplus in the balance of goods. The decline in the latter, which had stood at €8.6 billion in April 1999, was due to a fall in the value of exports and imports of 4.5% and 2.8% respectively, in comparison with the corresponding month in 1998. As for the remaining accounts, the net income account was in surplus by €1.4 billion, compared with a deficit of €0.7 billion in the same period in 1998, while net current transfers vis-à-vis non-residents – including EU institutions – were in deficit by €2.8 billion, i.e. €1.1 billion lower than in April 1998.

In April the capital account closed with a surplus of €0.6 billion. In the first four months of 1999 the surplus amounted to €3.1 billion.

Box 6

Foreign trade developments in 1997 and 1998

Recently released statistics produced by Eurostat – providing a disaggregation of external trade figures by volume and unit value – help to explain the underlying reasons for the reduction in the surplus in the balance of goods for the euro area reported for 1998. According to these statistics – which are consistent with the balance of payments data published by the ECB since the April issue of the ECB Monthly Bulletin – the main driving force was a substantial slowdown in the volume of exports, which more than offset the deceleration and decline in import prices.

Using 12-month moving averages to smooth the monthly variations, the deceleration in the growth in the value of exports can be explained almost entirely by the trends in the export volumes as unit values remained broadly constant. As can be seen in the chart below (exports of goods – overall), the growth of export volumes started to decline in March 1998; in 1998 as a whole, export volumes grew by only 2.8%, compared with 10.7% in the previous year.

Euro area exports and imports of goods
(12-month moving average; annual percentage changes)

Exports of goods – overall

volume ———
value – – –
unit value ———

Exports of goods (value) – by destination

United States ———	Switzerland –·–·
Japan – – –	Asia, excluding Japan ·······
United Kingdom ———	

Imports of goods – overall

volume ———
value – – –
unit value ———

Imports of goods (value) – by origin

United States ———	Switzerland –·–·
Japan – – –	Asia, excluding Japan ·······
United Kingdom ———	
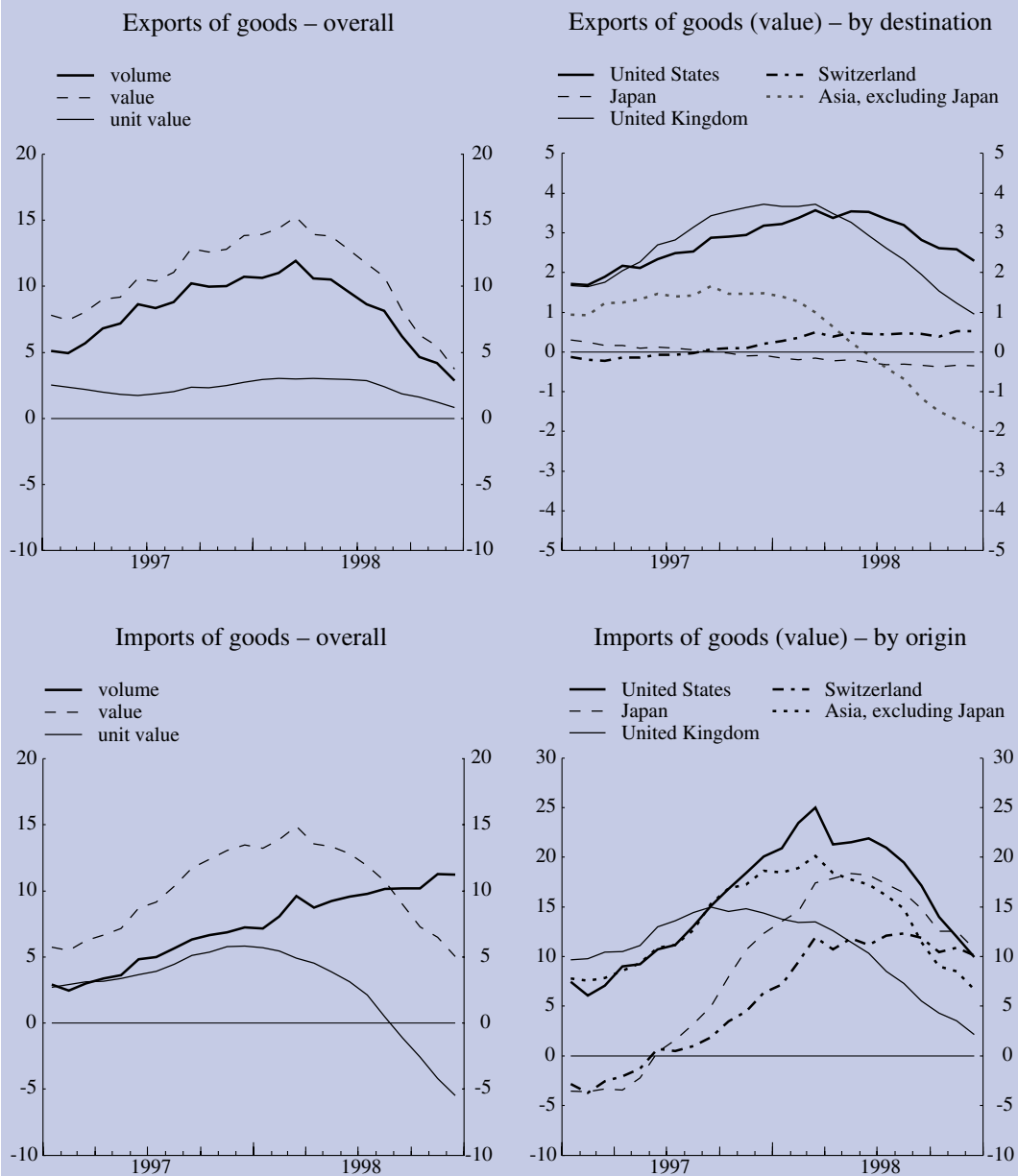
Source: Eurostat.

The overall slowdown in export growth by value, however, conceals interesting details regarding the geographical distribution. In particular, most of the trend is explained by the decline in exports to Asian countries other than Japan, as well as by a rapid slowdown in exports to the United Kingdom (see the chart on exports of goods by destination).

As for imports, demand in real terms accelerated during 1998 in line with strong domestic demand in the euro area, but at the same time import prices fell significantly, leading to a deceleration of import value growth during 1998. Euro area imports rose by only 5.0% in value terms in 1998, down from 13.6% in 1997; this slowdown in import value growth involved all trading partners, with the exception of Switzerland.

Table 8

Balance of payments of the euro area [1)]

(EUR billions, compared with ECU billions for 1998 (not seasonally adjusted))

	1999 Apr.	1999 Jan. - Apr.	1999 Apr.	1999 Jan. - Apr.
			Absolute difference from period a year earlier	
Current account (a)	6.8	16.0	1.3	3.0
Credit	103.8	396.5	-2.7	-27.6
Debit	97.0	380.5	-4.0	-30.5
Goods	8.6	27.6	-1.3	-5.1
Credit	63.5	241.5	-3.0	-15.8
Debit	55.0	213.8	-1.7	-10.7
Services	-0.4	-3.6	-0.6	-1.1
Credit	17.9	65.8	-2.3	-10.7
Debit	18.3	69.3	-1.7	-9.6
Income	1.4	0.3	2.1	3.1
Credit	17.5	62.0	1.3	-1.2
Debit	16.1	61.7	-0.8	-4.3
Current transfers	-2.8	-8.4	1.1	6.1
Credit	4.8	27.2	1.3	0.2
Debit	7.6	35.6	0.2	-5.9
Capital account (b)	0.6	3.1	0.0	-2.3
Credit	1.5	5.9	0.5	-1.0
Debit	0.9	2.9	0.5	1.3
Net lending to the rest of the world (a) + (b)	7.5	19.1	1.4	0.7
Financial account	17.3	-4.3	46.3	26.3
Direct investment	-13.8	-23.7	-5.6	-4.3
Assets	-22.4	-50.5	-1.6	16.6
Liabilities	8.6	26.8	-4.0	-20.9
Portfolio investment	2.4	-39.5	24.3	37.1
Assets	-14.4	-79.0	19.6	69.1
Liabilities	16.8	39.5	4.7	-32.0
Financial derivatives	2.7	1.1	3.6	1.8
Other investment	24.5	52.2	21.6	-15.9
Assets	17.9	-34.9	11.2	-10.4
Liabilities	6.6	87.1	10.4	-5.5
Reserve assets	1.5	5.5	2.4	7.6
Errors and omissions	-24.7	-14.7	-47.6	-27.0

Source: ECB.
1) *Figures may not add up due to rounding.*

Portfolio investment flows move into surplus in April

In the first four months of 1999 the financial account recorded outflows of €4.3 billion. In April, however, net inflows of €17.3 billion were reported. The inflows in April were mostly related to a reduction in the short-term external assets of the MFI sector that outweighed outflows related to foreign direct investment. In addition, there were some inflows in the portfolio investment, financial derivatives and reserve assets accounts.

Direct investment recorded net outflows of €23.7 billion in the first four months of the year, of which €13.8 billion occurred in April. Compared with previous months, the

increase in outflows in April resulted from higher net direct investment abroad by euro area residents.

The portfolio investment account showed net outflows of €39.5 billion between January and April 1999. In April, however, it reported inflows of €2.4 billion, compared with outflows of €33.2 billion and €16.8 billion in March and February respectively. Net redemptions and net sales by euro area residents of money market instruments issued by non-residents represented a main source of the inflows observed in April. Moreover, purchases of euro area equity securities by non-residents contributed to the inflows recorded in the portfolio investment account, as had been the case in January and February. In March, by contrast, strong outflows were recorded (€22.3 billion), which, however, appear to have been related to a few large individual transactions. As regards net purchases of foreign equity securities by euro area residents, only limited outflows were recorded in April, which confirm the trend observed in previous months. Finally, debt instruments showed moderate inflows, mainly accounted for by transactions in bonds and notes. In April the demand on the part of euro area residents for foreign bonds and notes was lower than in February and March.

Inflows in the other investment account amounted to €52.2 billion in the first four months of 1999. In April the other investment account showed net inflows of €24.5 billion, mainly in the form of a reduction in the short-term external assets of the MFI sector.

In the financial derivatives account, net inflows of €2.7 billion were recorded in April (€1.1 billion between January and April). Finally, the reserve assets declined by €1.5 billion. In the first four months of the year the reserve assets declined by €5.5 billion.

Longer-term developments and cyclical variations in key economic indicators across euro area countries

The introduction of the euro at the beginning of this year constituted a milestone in the process of European economic integration. It also marked a change in the way in which economic developments are assessed in that it brought about a focus on developments in the euro area as a whole. In addition, economic developments in individual euro area countries are increasingly assessed in terms of the extent to which they are similar to those in other countries participating in Monetary Union and in the euro area as a whole. For example, in connection with recent output and price developments, concerns have been expressed about divergent developments. The evolution of such differences will have to be monitored closely and addressed as the need arises. This article is a first contribution towards a discussion of the issue of divergences and similarities in economic developments across euro area countries by analysing past patterns from the early 1970s up to 1998.

The analysis covers the longer-term developments and cyclical variations of the following indicators: real GDP, total employment, industrial production and consumer prices. Among the broad range of indicators used to evaluate the economic situation, these play an important role. Overall, taking the factors at work into account, there seems to have been a fairly high degree of conformity in economic developments across countries. As expected and as highlighted by recent experience, national differences in the development of output and prices did not cease to exist on 1 January 1999, but continued following the start of Stage Three of Economic and Monetary Union. The analysis presented in this article shows that these recent divergences are by no means unusual.

As the introduction of the euro and the particular conditions of Monetary Union mark a significant break with the past, results of this analysis can only provide limited guidance as to future developments, but may help to put them into perspective as they occur. More specifically, it is too early to draw any firm conclusions regarding the impact that Monetary Union may have on the divergence of economic developments across euro area countries in the future and how, in turn, the single currency framework might be affected by such patterns.

1   Economic developments reflect both longer-term trends and cyclical movements

The complex issue of divergences and similarities in economic developments across euro area countries may best be introduced in terms of consumer price increases and real GDP growth at the end of 1998. In accordance with the appropriate benchmark for the single monetary policy, almost all the countries in the euro area had by then either achieved, or had maintained, consumer price increases of less than 2% over the previous two years, although a few countries had shown slightly higher rates of inflation. Notwithstanding this high degree of conformity in the general level of inflation, country-specific temporary factors continue to contribute to differences across countries in the shorter-term cyclical movements around these stable rates of price increases. In addition, following a two-year recovery phase common to almost all Member States, shorter-term differences in growth performance across euro

area countries emerged in the course of last year. (See Box 1 for a discussion of recent developments in real GDP and consumer prices in euro area countries.) Some concern has been voiced with regard to the recent differences in growth and inflation developments across euro area countries. The objective of the analysis below is to provide a framework for assessing these recent developments from a historical perspective, even though, owing to the changes resulting from the introduction of the euro, this does not give a clear indication of likely future outcomes. Overall, an outstanding feature of the past few years appears to have been a high degree of conformity in longer-term price developments across countries at low levels of inflation. At the same time, the degree of shorter-term differences in output developments across countries seen in the recent past is by no means unusual.

Recent differences in real GDP growth and HICP inflation across euro area countries

As outlined in the main part of this article, some differences in output growth and consumer price inflation tend to be a standard feature of economic developments across euro area countries. With the introduction of the euro, such differences have attracted increased attention. In particular, the recent divergence in growth rates between the larger Member States has led to some discussion on whether the most recent data should be interpreted as indicating a more protracted divergence of growth patterns between euro area countries or as a usual, temporary difference in output growth.

Some differences in real GDP growth have emerged recently

On the basis of data for the fourth quarter of 1998, differences in GDP growth between individual euro area countries have emerged recently.[1] In particular, when compared with the previous quarter, real GDP growth was negative in Germany and Italy, while only a moderate slowdown was observed in Spain. France, by contrast, witnessed a rebound in output growth. Compared with the fourth quarter of 1997, differences, although relatively small, do still exist.

Several factors contributed to the recent divergence in overall GDP growth. While in most of the euro area countries domestic demand, in particular private consumption, was strong enough to sustain overall growth despite the negative impact of external factors, this has not been the case in Italy or, to some extent, Germany. In Italy the quarterly contribution to growth from private consumption in the fourth quarter of 1998 was lower than in the past two years.

As regards the contribution of exports to growth, Italy experienced a contraction in the fourth quarter of last year, while only a mild slowdown was recorded in most other euro area countries. This appears to be related to the composition of Italian exports, which is more similar to that of emerging countries. In the aftermath of the currency devaluations in South-East Asia, Italian exports saw a loss in competitiveness, which had already been observed in the course of last year. However, significantly lower imports have considerably softened the negative impact of falling exports on growth. In Germany and France, too, a considerable deceleration in the contribution of exports to growth was visible in the fourth quarter of 1998, although this was not as strong as in Italy. Since in both cases there was only a limited offsetting impact from the import side, the contribution of net exports to growth fell quite sharply.

The contribution to growth from changes in inventories fell back significantly in Germany and Italy in the last quarter of 1998, while remaining broadly unchanged in most of the other euro area countries. In general, however, it is difficult to trace this back to purely economic developments as, in most countries, changes in inventories also reflect statistical uncertainties. Overall, while in Germany the recent weakness is mostly explained by the more volatile components of aggregate demand, exports and inventory changes, in Italy the slowdown appears to be more broadly based.

As explained in the main text of this article, the most recent increase in the differences between real GDP growth rates in individual countries is by no means exceptional from a historical perspective. At the same time, looking ahead, the spring 1999 European Commission forecast indicates that the difference between the real GDP growth rates in the countries which have recently experienced slow growth (Germany and Italy), on the one hand, and the euro area as a whole, on the other, is set to narrow considerably. Some narrowing is also expected for the difference in the real GDP growth rates between the fast growing countries (notably Spain, Ireland, Portugal and Finland) and the euro area.

1   *Given the preliminary and incomplete nature of the latest data releases in the context of the new national accounts (ESA 95), this Box is based on the old national accounts (ESA 79), except for the description of developments in the first quarter of 1999.*

In this respect it should be noted that, on the basis of data revised in accordance with the new ESA 95 definitions, the difference between quarter-on-quarter growth rates of the real GDP in Germany and Italy, on the one hand, and France and Spain, on the other, was far smaller in the fourth quarter of 1998 than previously recorded and narrowed further in the first quarter of 1999.

Average real GDP growth in groups of countries

(annual percentage changes; annual data)
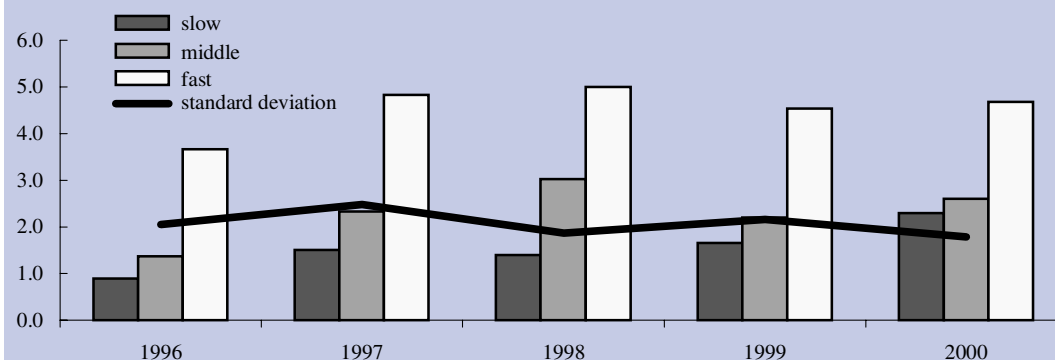
Sources: Eurostat, European Commission forecasts for 1999 and 2000, ECB calculations.
Note: The composition of the groups varies each year. Countries with a real GDP growth rate close to the euro area average (±0.3 percentage point) are gathered in the "middle" group. Countries which grow faster are in the "fast" group and the remaining countries are in the "slow" group. The different bars represent the unweighted average of the real GDP growth rates in each group. The line represents the unweighted standard deviation for the 11 euro area countries.

Differences in consumer price increases move within reasonable bounds

To some extent the differences in the rates of increase in consumer prices, as measured by the HICP, reflect differences in real GDP, while at the same time efforts to fulfil the convergence criterion on price stability in accordance with the Treaty establishing the European Community have played an important role in recent years. In the recent past growth has been particularly strong in Spain, Ireland, Luxembourg, the Netherlands, Portugal and Finland. More specifically, vigorous domestic demand has generated higher than average price increases for headline HICP in these countries (except in the case of Luxembourg and Finland) and, in particular, for services prices. At the same time, wage moderation and strong productivity growth have subdued price pressures in Germany and France, for instance. In addition, temporary factors such as divergent developments in food prices, especially in seasonal food, have contributed to differences in headline HICP. From a longer-term viewpoint, structural forces reflecting different productivity developments across regions and sectors as well as price level adjustments also provide an explanation for differences in HICP rates.

According to the spring 1999 European Commission forecast, the spread between the highest and lowest HICP rates is expected to decline to 1.5 and 1.3 percentage points in 1999 and 2000 respectively, from 1.6 percentage points in 1998, while the standard deviation is expected to narrow to 0.5 and 0.4 percentage point respectively, from 0.6 percentage point in 1998. These spreads are compatible with the limits which were regarded as acceptable in the convergence criteria laid down in the Treaty establishing the European Community.

Longer-term developments are reflected in the trend in a particular variable, while cyclical movements are determined as shorter-term deviations from this trend. While, in practice, it can prove difficult to distinguish empirically between trend and cycle, such a distinction is helpful, as these two phenomena frequently tend to be discussed in connection with different economic issues. For example, the extent to which trend developments in output growth diverge or narrow across countries is discussed in the context of countries "catching up" with one another, while the degree of similarity of cyclical movements across countries is discussed in connection with the issue of "synchronisation". In the case of inflation differentials across countries, in the run-up to Monetary Union patterns were discussed primarily in the context of the nominal "convergence" criteria and there was little need to distinguish explicitly between the longer-term trends and the shorter-term cyclical variations in price increases.

Mainly for presentational purposes a uniform methodology has been used to decompose each of the series reviewed below into a trend component and a cyclical component, and to determine the degree of synchronisation of cyclical developments (see Box 2 for further details on the methodology applied for this analysis). However, while different de-trending methods give rise to somewhat different results, these are not thought to impinge on the validity of the broad conclusions which can be drawn. Correlation coefficients between cyclical components are compiled for rolling 10-year periods. The coefficients refer to the end of the respective period, i.e. the latest available data for 1998 reflect the average correlation of national developments and area-wide developments over the period from 1989 to 1998. This implies that references to particular periods have to be viewed from a broader perspective, with individual results possibly reflecting a number of events and major occurrences which continue to have an impact on the data. Given the different weights that individual countries have with regard to area-wide developments, the level of correlation for the larger countries among the euro area Member States tends to be higher than that for the smaller countries. Germany, in particular, is more likely to have a higher correlation with the area-wide aggregate than other countries, as it accounts for almost one-third of area-wide developments. The correlation of developments in individual countries with those in the euro area as a whole naturally blurs the extent to which the individual euro area countries are synchronised with one another. However, it may be considered a natural basis for comparison, as monetary policy decisions are based on economic developments in the euro area as a whole, to which individual countries may contribute to different degrees.

Box 2

Methodology based on de-trending and correlation analysis

Cyclical components are commonly defined as the deviations of a series from its trend. For the purposes of this exercise, the trend series are derived on the basis of purely statistical considerations, rather than from a specific economic theory. Due to its widespread use in empirical economics, the Hodrick-Prescott (HP) filter has been applied here, in order to mechanically decompose the individual indicators into a trend movement and a cyclical component. The HP filter can best be characterised as a symmetric moving average. It minimises the following function, where Y and Y^* denote actual and trend values respectively:

$$\underset{Y^*}{Min} = \sum_{t=1}^{T} (Y_t - Y_t^*)^2 + \lambda \cdot \sum_{t=2}^{T-1} [$$

This method essentially offers a trade-off between the proximity of the trend to actual data, as captured by the first term, and the smoothness of the trend, as captured by the second term. The results of this trade-off depend on the value of the parameter λ, which typically varies according to the frequency of the data analysed. As the default settings for λ (14,400 for monthly data and 1,600 for quarterly data) tend to leave too much cyclical variation in the derived trend series, in this exercise the respective values for monthly and quarterly data were increased. The filter has been applied to the rates of growth in the indicators reviewed. Apart from the statistical consideration that the HP filter is sensitive to the stationarity properties of the data, this also reflects the fact that the economic interest of this analysis lies in growth cycles, rather than in classical business cycles, and in inflation rather than in price levels.

The correlation coefficients between the cyclical components across countries are sensitive to the de-trending method chosen. While there are a large number of alternatives, all of them typically suffer from specific shortcomings. For example, the HP filter suffers from the so-called end-point bias owing to the fact that both lagged and lead values of the series are taken into consideration when calculating the trend, thus making it less precise at the beginning and at the end of the sample. The broad inferences drawn from this exercise are deemed sufficiently robust, in the sense that they do not critically hinge on the application of the HP filter as opposed to other possible methods for de-trending the data, although the use of alternative filters would lead to slightly different results, including those for the precise timing and duration of cycles. The trends should, however, be treated with particular caution as, in common with other similar approaches, the trend derived from the use of the HP filter is assumed to be a smooth series, rather than one marked by sudden and sharp changes due to structural breaks.

Correlation analysis is used to summarise the extent to which the cyclical components exhibit co-movements across countries. A high coefficient of correlation indicates that countries tend to be in similar states of cyclical movement. The degree of synchronisation itself is determined on the basis of contemporaneous cross-correlation, while the overall linkage between cyclical movements is measured by the maximum coefficient, which emerges from cross-correlation at different lags and leads. This allows for a fairly comprehensive analysis. Developments in synchronisation over time are examined on the basis of the contemporaneous cross-correlation coefficients for rolling 10-year periods. While evidence of increasing or decreasing synchronisation may emerge, there is uncertainty as to whether this is due to generally higher or lower linkages in cyclical developments or simply to a phase shift of the cycles, effectively reducing the number of lag and lead periods during which the maximum correlation occurs. Evidence of increased synchronisation may thus be considered most convincing if the contemporaneous correlation is increasing over time and tends to be equal to the maximum correlation at a zero lag or lead.

In order to conduct the analysis over a longer time period it was necessary to select series for individual countries which covered the whole period or to join several series together. Thus, the degree of harmonisation of the data is lower than for those data which cover only the more recent periods. For example, the HICP is only available for the 1990s, and therefore the national CPI has been used. In addition, account has been taken of German unification by joining the growth rates of pan-German data to the earlier western German data series. In some cases the frequency of data was converted or data from different sources were used. Finally, GDP and employment data compiled in accordance with the new statistical framework (ESA 95) have recently become available for a number of countries. The new data may have some impact on the precise results, particularly for recent trends and cyclical patterns. However, both the availability of these data for only a relatively short period and their limited compatibility with former data restrict the possibility of conducting this analysis on the basis of the new ESA 95 data. Moreover, the overall results in terms of cyclical correlations are unlikely to change fundamentally.

2 Some empirical evidence on divergences and similarities in economic developments

Key economic indicators are reviewed

In this article key economic indicators are reviewed in terms of their longer-term developments and cyclical movements across countries, and both activity and price developments are covered. The four indicators considered are real GDP, total employment, industrial production and consumer prices. These play an important role in an assessment of the economic situation. (The broad range of indicators in the ECB's assessment of the outlook for price stability was discussed in an article in the April issue of the ECB Monthly Bulletin, entitled "The role of short-term economic indicators in the analysis of price developments in the euro area".) For all four indicators the trend components and cyclical components are derived from the respective changes on a year earlier. For the three activity indicators – real GDP, total employment and industrial production – developments tend to be closely related. Hence, for each individual country, trends in employment growth and production growth are likely to develop in line with the trend in real GDP growth. The same applies to the cyclical components of growth. Finding closely aligned trends and synchronisation in cycles for one variable across countries would hence suggest a similar finding for the other variables. Inflation patterns, as discussed below, may follow a more distinct course of development.

Real GDP and industrial production are both important measures of economic activity, with industrial production referring to output in the more cyclically sensitive sector of the overall economy. Industrial production accounts for around one-third of overall output in the euro area as a whole (and also in most individual Member States). Both for the euro area as a whole and for individual countries, this suggests that cyclical movements in industrial production and real GDP are fairly closely synchronised. However, the share of industrial output in overall activity has generally been declining over recent decades. At the same time, the services sectors, which produce largely non-tradable output, have expanded relative to industry. Hence the extent to which the longer-term trends in GDP and industrial production are similar depends on the scope and speed of structural change in the economy, which, in turn, both depend on factors such as the stage of economic development, technological progress and changes in international competitiveness. On average, the process of countries catching up with one another in respect of per capita income has been particularly pronounced in terms of narrowing productivity differentials in the industrial sectors producing tradable goods.

Similarly, employment developments are connected to developments in short-term output. Whether there is also a strong relationship between the longer-term developments in employment and output depends on the characteristics of the labour and goods markets and, in particular, on the relative degrees of flexibility within those markets. More specifically, wage flexibility and the incentives and disincentives both to look for work and to create jobs determine the extent to which and the speed with which output growth feeds through to employment growth. The more rigidities exist, the more likely it is that a pick-up in output growth will only give rise to additional employment with long lags. Hence, even if countries experience the same shocks to output, effectively leading to more synchronisation in the corresponding cyclical developments, their structural features will determine the degree to which this also gives rise to synchronised developments in employment.

Real GDP growth

Over the period since the early 1970s real GDP growth in most euro area countries has been subject to three main economic cycles. The troughs of these cycles were in the mid-1970s, at the start of the 1980s and in the early 1990s, with the precise timing differing somewhat across countries (see Chart 1). The recession in the mid-1970s appeared to be most closely aligned across countries, whereas patterns of growth were more diverse for some countries thereafter. In particular, the period of economic recovery following the recession in the early 1980s varied across countries. While in several cases (notably in the case of Ireland) annual growth rates remained clearly positive, even during the period of weakness in the early

1990s, Finland experienced a very deep and protracted recession. In general, in a number of countries there appear to have been economic developments in the course of the 1990s which were quite different from developments in the euro area as a whole.

In terms of trend growth rates there was substantial convergence prior to the first oil price shock. In the first half of the 1970s trend growth rates were mostly in a range of between 3% and 4% (see Table 1). Growth rates generally declined thereafter and in the 1980s trend growth rates were around 2% to 2.5% in most of the euro area countries. In the 1990s, however, growth rates have become somewhat more divergent. While large common productivity shocks – such as the oil price shocks – tend to enforce a higher

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Chart 1

Real GDP growth in euro area countries

(annual percentage changes; annual data)
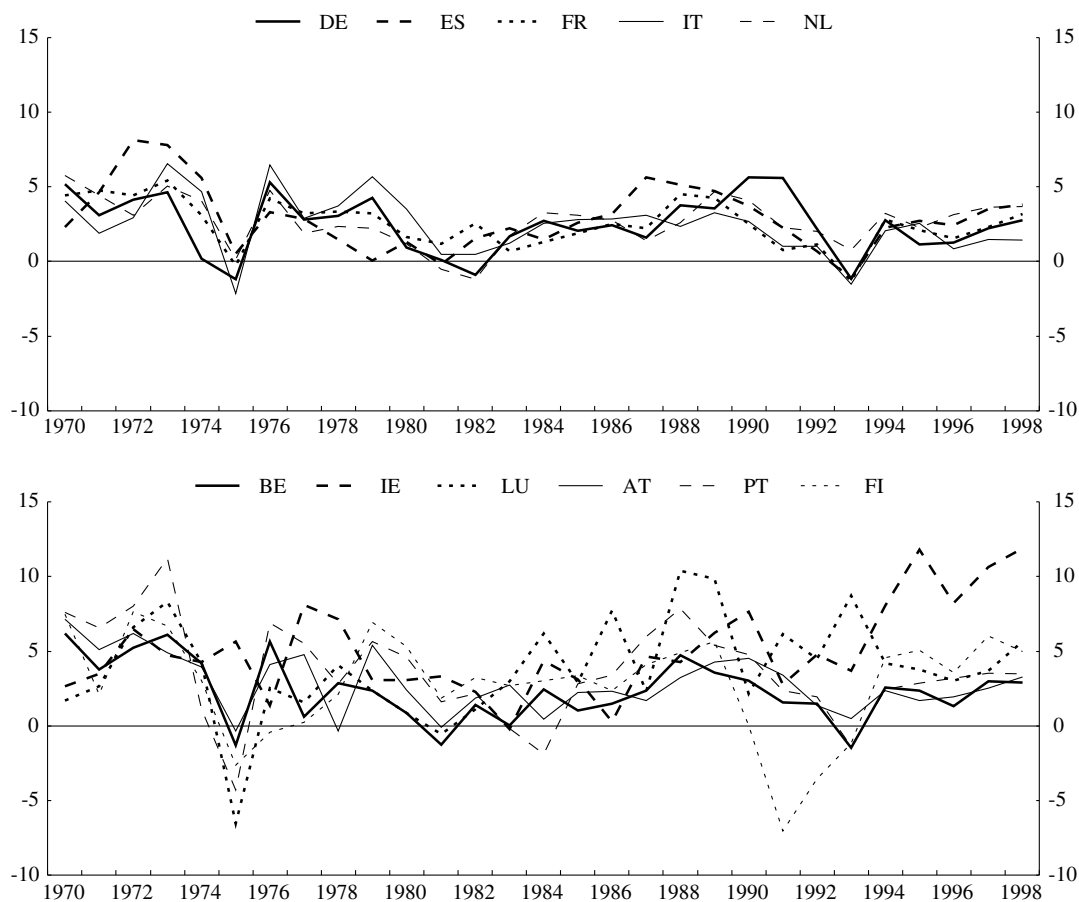
Source: ECB calculations.

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degree of similarity in trend growth rates, in the absence of such shocks other factors determining growth may come more to the fore. Differences may then reflect more clearly the different degree to which the "poorer" countries are still in the process of catching up with the "richer" ones, or the degree to which the individual countries have recovered from their most recent recessions. In some countries slower trend growth has made apparent the need for structural reforms to foster growth in the longer term. There is some evidence that those countries which embarked earlier and more decisively on such a path of reform have witnessed a comparatively strong rebound in measured trend growth rates. This accounts for some of the divergence. The countries which have been growing faster in recent years, notably Ireland, Luxembourg, Finland and the Netherlands, account for most of the recent differences in trend growth rates. In the case of Ireland, this is partly explained by a continued process of catching up with other countries. By contrast, in Italy measured trend growth in the 1990s has declined. This appears to be a continuation of a development which can be observed from the 1970s onwards. In Germany, taking account of the effect of unification, which temporarily boosted the growth rate at the beginning of the 1990s, trend growth appears

to have remained broadly unchanged compared with the 1980s. Turning to other countries, in Spain, France, Austria and Portugal recent output trends appear to be more in line with those witnessed around the end of the 1980s, suggesting no significant change in the trend over the past decade. In Belgium trend growth has recovered from the relatively low levels of the 1980s.

With regard to the synchronisation of shorter-term cyclical developments in GDP growth, there appears to have been a greater degree of similarity than for trend growth rates. This may be concluded from the analysis of the correlation of cyclical components of GDP growth in individual countries with those for the euro area as a whole. For the larger countries, on average, this correlation exceeded 0.5 and moved fairly narrowly around levels of 0.7 and 0.8 during most of the period under review (see the upper half of Chart 2). This holds true, in particular, for Germany and France. A lower correlation was visible during the first half of the 1970s for Italy and the Netherlands, but the correlation increased steadily in the second half of the 1970s to match broadly the results for Germany and France. For Spain, the correlation coefficient declined in the course of the 1980s from levels of around 0.6 to close to zero. The end of the 1980s

Table I

Trend growth rates in euro area countries
(average annual percentage changes)

	1971 to 1975	1976 to 1980	1981 to 1985	1986 to 1990	1991 to 1995	1994 to 1998
Euro area	3.7	2.7	2.3	2.5	2.4	2.3
Belgium	3.7	2.3	1.6	1.8	2.0	2.2
Germany	3.1	2.3	2.1	2.5	2.4	2.2
Spain	4.3	2.6	2.2	2.6	2.6	2.7
France	3.8	2.8	2.2	2.1	1.9	2.0
Ireland	4.6	3.9	3.3	4.2	6.9	9.2
Italy	3.9	3.1	2.5	2.1	1.5	1.3
Luxembourg	3.0	2.5	3.6	5.1	5.3	5.0
Netherlands	3.8	2.4	1.9	2.3	2.8	3.1
Austria	4.1	2.9	2.3	2.4	2.4	2.4
Portugal	5.2	3.7	3.0	3.1	2.9	2.9
Finland	3.7	3.0	2.6	2.0	2.1	3.2

Source: ECB calculations.

was characterised by a general increase in synchronisation of the individual countries with the euro area as a whole, which was reflected in correlation coefficients rising to above 0.8 on average. This increase was followed by a decline at the beginning of the 1990s. The fact that the correlation coefficient declined least for Germany, but fell to a similar degree for the other larger countries, suggests that it was Germany which moved out of line with the other countries but which, on account of its weight, remains more highly synchronised with the euro area as a whole. During the mid-1990s there was a general rebound in the correlation coefficients to a level of around 0.7, with a higher level being reached in the case of Germany. This is supported by results for bilateral correlation between individual

countries, but is not reported here. While, on average, the correlation coefficients did not fully return to the peaks seen at the beginning and end of the 1980s, the range of correlation coefficients decreased compared with these earlier periods. In particular, the synchronisation of cyclical GDP developments between Spain and the euro area as a whole has been a more recent phenomenon. On the other hand, Italy has seen the smallest rebound in synchronisation in terms of correlation coefficients and has ranked at the lower end of the range of larger countries in recent years.

Evidence of a high degree of synchronisation with euro area GDP developments is more mixed among the smaller countries (see the lower part of Chart 2). On account of their

Chart 2

Correlation of cyclical developments in real GDP growth with the euro area

(rolling 10-year correlations; quarterly data)
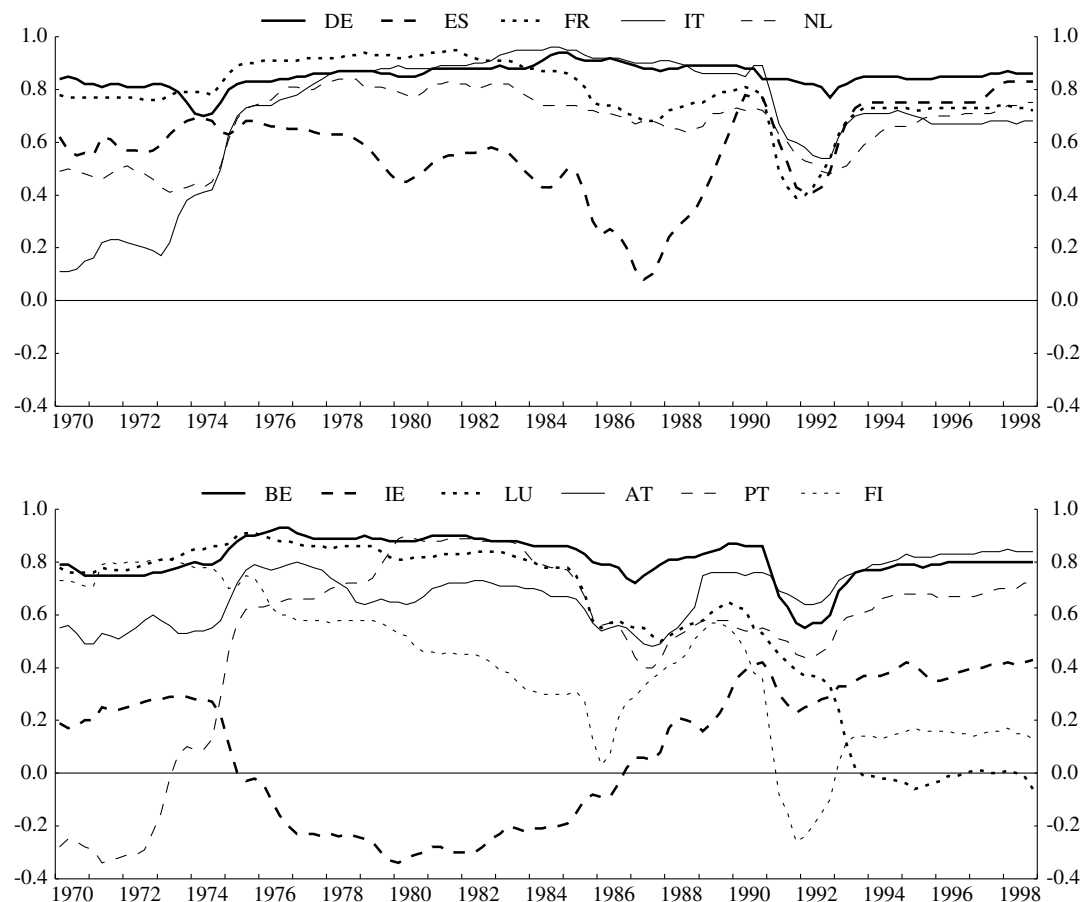
Source: ECB calculations.

lower weight relative to the total, developments in these countries have only a limited impact at the area-wide level. Belgium and Austria have largely followed the patterns described for the larger countries. In particular, Belgium has shown a continuously high degree of synchronisation with euro area developments. The correlation coefficient has mostly been above 0.8, and dropped at the beginning of the 1990s less significantly than in most of the larger countries. Overall, the level and pattern of correlation for Belgium are similar to those for Germany, suggesting that cyclical GDP developments are well synchronised between the two countries. A similar conclusion may be drawn for Austria, for which there is a high correlation of above 0.8 with euro area developments in the 1990s, with a comparatively small decline at the beginning of the decade. However, in earlier periods the degree of synchronisation was somewhat lower for Austria than for Belgium and most of the larger countries. There has been an overall increase in the synchronisation of cyclical GDP developments in Portugal with those in the euro area as a whole. The correlation coefficient rose steadily from negative values in the early 1970s to above 0.8 in the early 1980s. It subsequently fell and remained around a level of 0.5 in the second half of the 1980s, before increasing again to 0.7 in the mid-1990s. Compared with the aforementioned countries, the three smallest Member States, namely Ireland, Luxembourg and Finland, have all witnessed a noticeably lower degree of synchronisation in the 1990s. Their respective correlation coefficients are generally lower than 0.5. While this points to an increase compared with earlier periods in the case of Ireland, the cyclical component of GDP growth in Luxembourg and Finland has become less synchronised with that of the euro area as a whole when compared with the 1970s and early 1980s.

Overall, for a substantial group of countries the correlation of their cyclical GDP movements with the euro area as a whole appears to be relatively high, particularly for more recent periods. Ireland, Luxembourg and Finland seem to be exceptions. An important factor in explaining the extent of synchronisation is the large oil price shocks, which affected all the countries in a relatively similar way and hence imposed a more or less common cyclical development at the time. This is supported by the fact that cyclical developments across euro area countries saw their highest correlation at different leads and lags in the period up to the early 1970s, while the contemporaneous correlation tended to be highest after the shocks. The slightly lower degree of overall synchronisation in the 1990s mainly reflects the somewhat reduced synchronisation between the three largest countries, i.e. Germany, France and Italy. German unification is one important factor explaining this development, implying that this result may be a temporary phenomenon and may not properly reflect underlying developments in synchronisation. Indeed, looking at the period since 1994, it appears that the German cycle has again become more synchronised with that of other countries and that overall synchronisation is returning to the levels recorded in the second half of the 1970s, i.e. in the period between the oil price shocks. Given that the latter were common shocks, while the impact of German unification was asymmetric in nature, the recent degree of synchronisation might indicate the return of more standard relationships. Italy, however, seems to have become somewhat less synchronised with the euro area as a whole. This is due in part to the real depreciation of the Italian lira after the currency turbulence around the turn of the year 1992-93 and to the measures which subsequently became necessary to keep domestic inflationary pressures subdued and budget deficits low.

Total employment growth

As in the case of GDP, there have also been somewhat more divergent growth rates in the recent past for total employment growth. However, rather than primarily being accounted for by small countries, this divergence also derives from differences in the employment performance of the larger countries (see Chart 3).

Chart 3

Employment growth in euro area countries
(annual percentage changes; annual data)
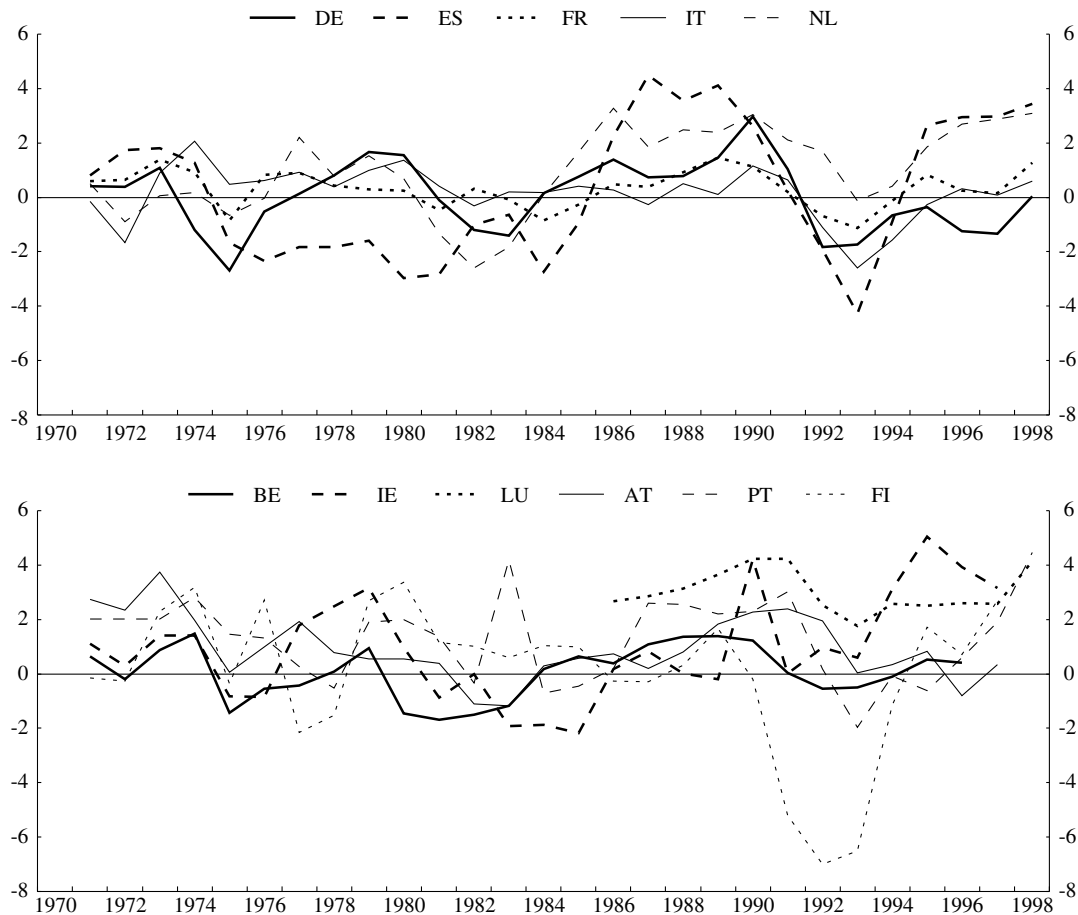
Source: ECB calculations.

As regards trend growth, the rates ranged between 0% and 1% in most countries in the 1970s and 1980s, but became more diverse in the 1990s. On average, the trend growth rates in the smaller countries were different from those in the larger countries for most of the period under review. However, in the past decade some divergence of trends has also emerged among the larger countries, possibly reflecting the fact that some countries have successfully started to implement structural reforms, while others still have to launch the reforms necessary to reduce labour market rigidities. This would be broadly in line with the assessments of international organisations regarding the progress in structural reforms in the euro area, namely that in many countries the

poor performance of employment and unemployment highlights the need for greater flexibility in the labour market.

Looking at the pattern of synchronisation from the 1970s onwards, a number of euro area countries witnessed cyclical developments that are highly correlated with those of the euro area as a whole. On average, the synchronisation of cyclical employment developments tended to be somewhat higher than that of cyclical GDP developments. More precisely, there was a clear tendency for cross-correlation coefficients between cyclical developments in total employment growth in individual countries and those of the euro area to become more stable and less widely spread

in the 1990s. This tendency is particularly conspicuous for the correlation of cyclical employment in the five largest countries with that of the euro area as a whole (see the upper half of Chart 4). For this group of countries the correlation coefficients have remained in a narrow band between around 0.8 and 0.9 since the mid-1990s, while they moved between 0.5 and 0.8 at the beginning of the sample period, and between 0.2 and 0.9 during the mid-1980s. In Germany cyclical employment growth remained highly correlated with that of the euro area as a whole throughout the period, partly as a result of its high weight in total area-wide employment. However, at the end of the period the correlation coefficients were slightly lower in Germany than in the other four countries shown, in particular France,

where the correlation has exceeded 0.9 since around 1993. Within this group of countries, the most significant change in the degree of synchronisation has occurred in Spain, where the cyclical employment developments were hardly correlated at all with those of the euro area as a whole in the mid-1980s, but have reflected steadily increasing synchronisation since then. By the mid-1990s the correlation coefficient was well in line with those of the other four larger countries.

The tendency towards more stable patterns of synchronisation with the euro area as a whole and fewer differences between countries is also noticeable, albeit to a lesser extent, for smaller countries (see the lower part of Chart 4). This holds true, in particular, for Portugal and Finland. In these countries

Correlation of cyclical developments in employment growth with the euro area
(rolling 10-year correlations; quarterly data)
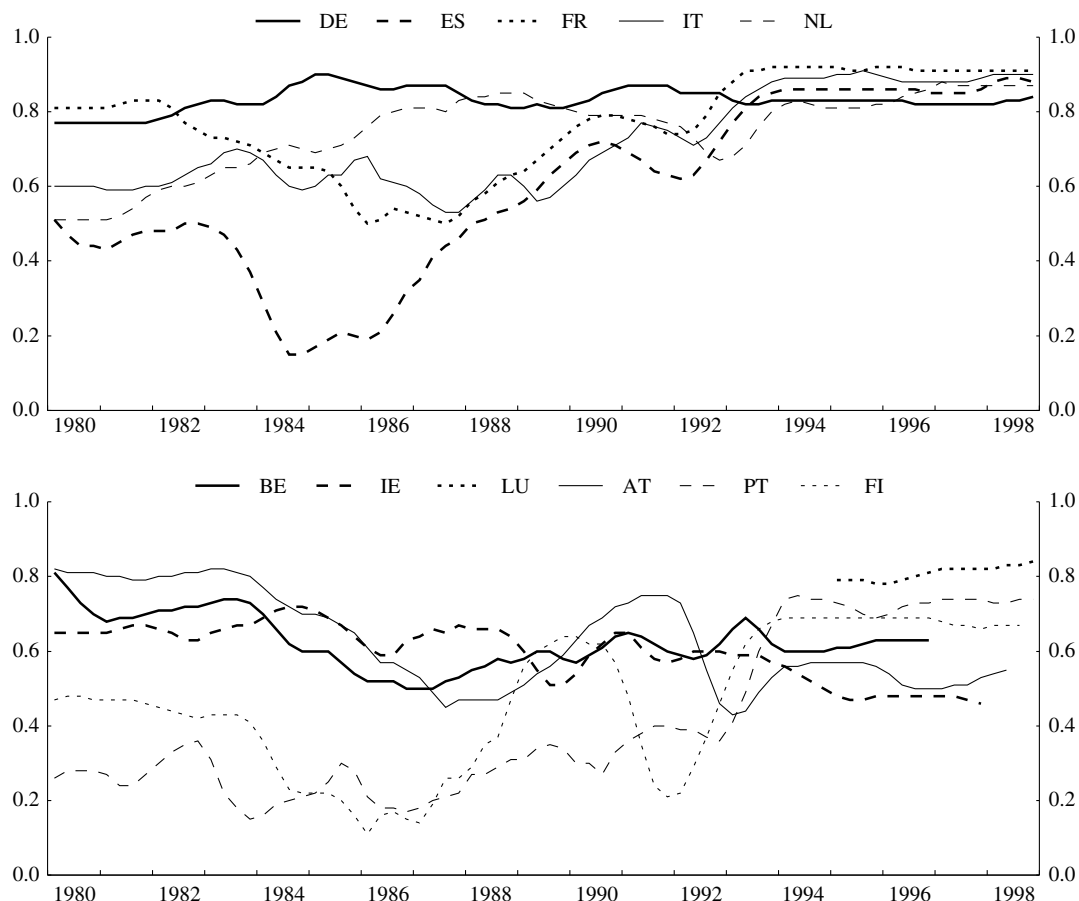
Source: ECB calculations.

the change in the degree of synchronisation, as expressed by an increase in the correlation coefficient from below 0.5 on average, was marked at the end of the 1980s. Conversely, correlation coefficients have tended to decline somewhat over the 1990s in Ireland and Austria. In Belgium the correlation of the cyclical components of employment growth with those of the euro area as a whole remained broadly stable at around 0.6, after having decreased from 0.8 during the first half of the 1980s.

Industrial production growth

While some of the trend and cyclical patterns observed in respect of overall GDP growth may be identified for industrial production,

there are also certain differences. These are likely to be accounted for by sectoral change and greater international exposure, both of which are typical of the industrial sector in developed economies.

Since the 1970s the trend rate of growth of industrial production has, on average, slowed down in all countries and tends to be somewhat lower than the trend rate of growth of GDP. This reflects the secular process of structural change towards more services-oriented economies. As in the case of real GDP, growth rates have also become somewhat more divergent in the 1990s, after broadly converging during the 1980s (see Chart 5). In particular, the four largest countries, i.e. Germany, France, Italy and Spain, experienced convergence to broadly

Industrial production growth in euro area countries
(annual percentage changes; annual data)
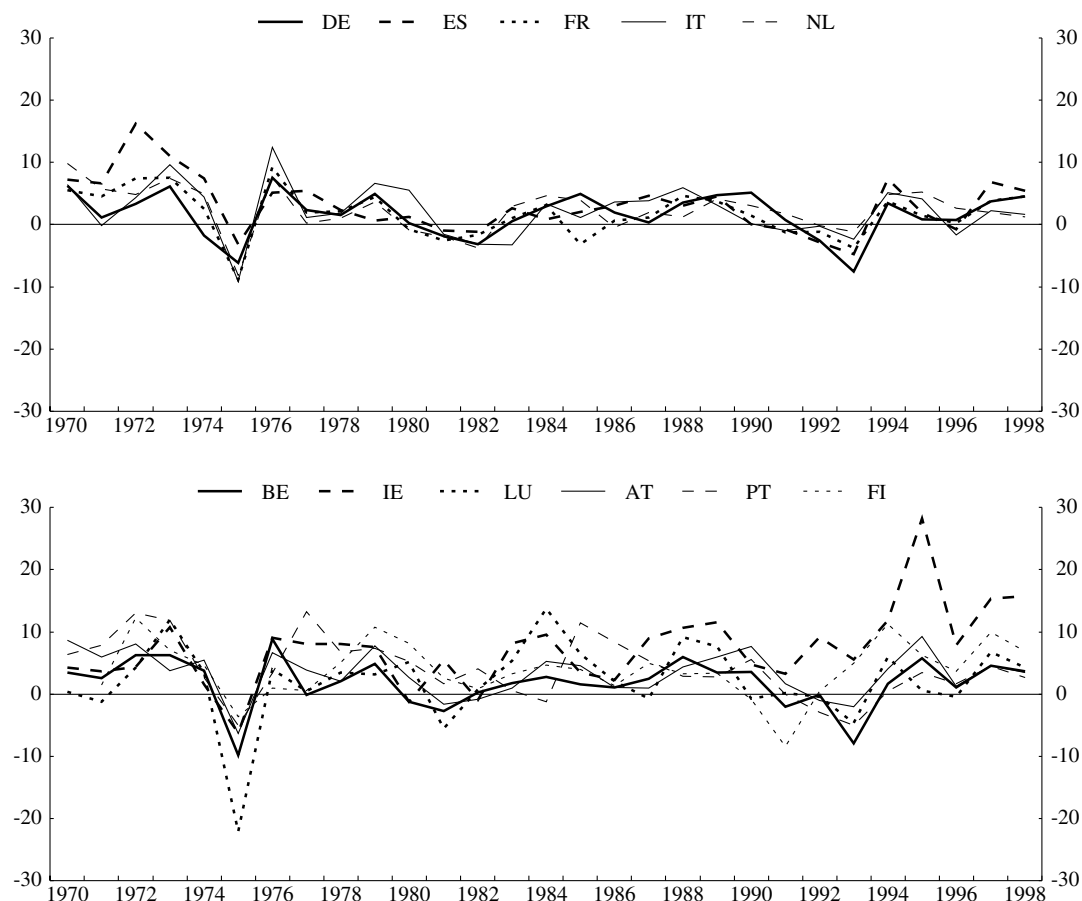
Source: ECB calculations.

uniform trend growth rates at the beginning of the 1980s in connection with the second oil price shock. While some divergence in trend growth remained in the smaller countries during that period, some convergence in trend growth rates can be observed for these countries at the beginning of the 1990s. More recently, Ireland and Finland have both witnessed considerably higher trend growth rates than the majority of euro area countries. While Italy experienced less of a decline in output growth in connection with the general economic slowdown in the early 1990s, it also appears to have recovered less strongly during the mid-1990s; thus there has been some divergence in terms of lower trend growth than in other countries in recent years.

With regard to the synchronisation of cyclical movements in industrial production growth, the evidence points, as a whole, to decreasing rather than increasing synchronisation of production cycles since the early 1980s. This is a consequence both of less synchronisation during the second half of the decade and of the fact that the earlier degree of synchronisation has not been reached again in the 1990s. Among the larger countries, only in Germany and France has the synchronisation of cyclical components in industrial production growth with those in the euro area as a whole been at both a high and a broadly stable level (see the upper half of Chart 6). The correlation coefficient was between 0.8 and 0.9 on average over the period under review, with a phase of temporarily lower correlation between the

Chart 6
Correlation of cyclical developments in industrial production growth with the euro area
(rolling 10-year correlations; monthly data)
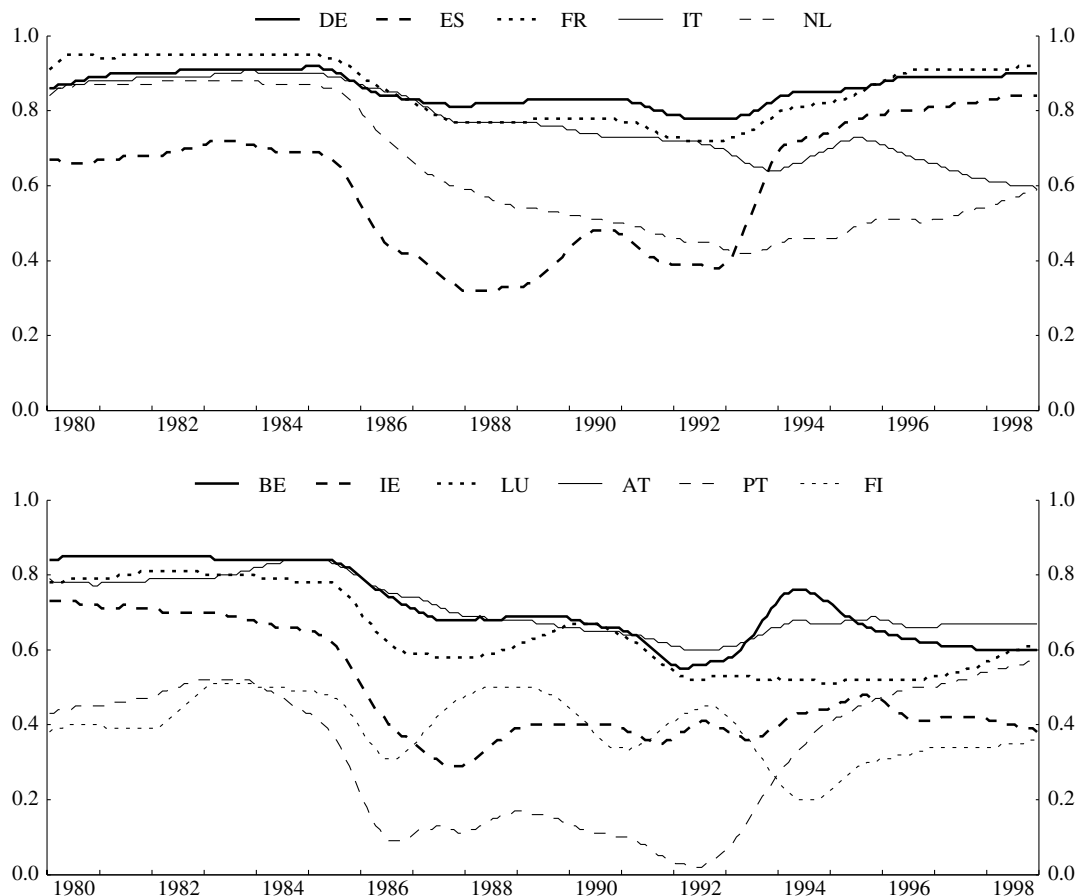
Source: ECB calculations.

mid-1980s and the mid-1990s. Italy showed similar patterns of synchronisation with the euro area as a whole up to the early 1990s, but has since become less synchronised. The correlation coefficient for Italy has been gradually falling in recent years and at the end of the sample period was the lowest among the larger countries. For Spain and, to a lesser extent, for the Netherlands, the correlation of industrial production with that of the euro area as a whole has increased in the course of the 1990s from a relatively low level of around 0.4 at the end of the 1980s. In the case of Spain this reflects a higher degree of synchronisation with France and Germany in the more recent period. For the Netherlands, this nevertheless implies a significantly lower degree of synchronisation with the euro area as a whole compared with the situation in the early 1980s, when the correlation coefficients were comparable with those of the three largest countries, namely Germany, France and Italy.

Synchronisation patterns for the smaller countries partly resemble those for the larger countries (see the lower half of Chart 6). In particular, coefficients of correlation with the euro area as a whole for Belgium and Austria were broadly stable over the reference period, falling somewhat from around 0.8 at the beginning of the period to around 0.6 towards the end. The pattern for Luxembourg is similar, but the correlation was lower in the early 1990s and has only recently regained levels comparable with those of Austria and Belgium. Overall, for the countries mentioned, the correlation coefficients remained well above 0.5. This has not, however, been the case for Ireland, Portugal and Finland. In particular, Portugal showed a low degree of synchronisation with the euro area as a whole between the mid-1980s and the early 1990s, but has since seen a steady increase to correlation levels of 0.6. For Finland, synchronisation with the euro area as a whole is characterised by a correlation coefficient that has remained at around 0.4, with no clear tendency to increase or to fall over the sample period. The same holds true for Ireland, even though the changes in the

correlation coefficient are less pronounced and synchronisation was noticeably higher in the first half of the 1980s. Except for Finland and Ireland, production developments in the smaller countries seem to be fairly well synchronised with individual large neighbouring countries, but not necessarily with other Member States. This may partly be explained by specific supply patterns between intermediate goods industries in one country and final goods industries in other countries. For instance, judging from the bilateral correlation coefficients, not reported here, Luxembourg appears to have witnessed developments fairly well synchronised with France, but not with Germany, while Austria and also Portugal have witnessed developments quite well synchronised with Germany, but not with France.

Overall, for most countries during most of the period under review, the degree of synchronisation with the euro area as a whole remained relatively high in terms of correlation coefficients, broadly matching those for the respective GDP developments in magnitude. The extensive negative effects on output of the increase in oil prices are likely to have brought about much more uniformity in cyclical developments in industry than in services and thus in overall GDP. This implies a "spurious" synchronisation in cyclical production developments in the 1970s and early 1980s, which would not be expected in the absence of such shocks. This may explain why there has been less of a rebound in the degree of synchronisation of production developments in the 1990s than in that of GDP developments. However, the level of cyclical synchronisation has risen again in the 1990s as a result of the broadly similar timing of the recessions early in the decade.

Consumer price increases

Reflecting the convergence criteria laid down in the Treaty establishing the European Community and the conduct of consistent monetary policies prior to the start of

Monetary Union, consumer price increases in euro area countries have broadly converged at a low level consistent with price stability (as defined by the Eurosystem). At the end of 1998 inflation in all Member States stood close to or below 2%. Looking back over the preceding decades, the state of convergence at the end of the 1990s indicates the successful completion of a longer-term process aimed at achieving price stability in many euro area countries (see Chart 7). Remaining differences may partly be linked to differences in longer-term productivity developments and may thus also reflect the catching-up process.

Given that there has not been a stable relationship between activity developments and inflation over the past few decades,

consumer price developments tend to exhibit a more independent pattern. With regard to the longer-term development of consumer price increases, some differences across countries may be expected as a consequence of the catching-up process mentioned above. While countries expanding from lower levels of productivity tend to have lower overall price levels, the different speeds of productivity growth experienced while countries are in the course of catching up with one another may give rise to higher overall price increases in the faster growing countries than in others. Given that prices for tradable (industrial) goods are largely determined in international markets, this naturally hinges on the extent to which prices for non-tradable goods and services increase more rapidly in the course of the catching-up

Chart 7

Consumer price increases in euro area countries

(annual percentage changes; monthly data)
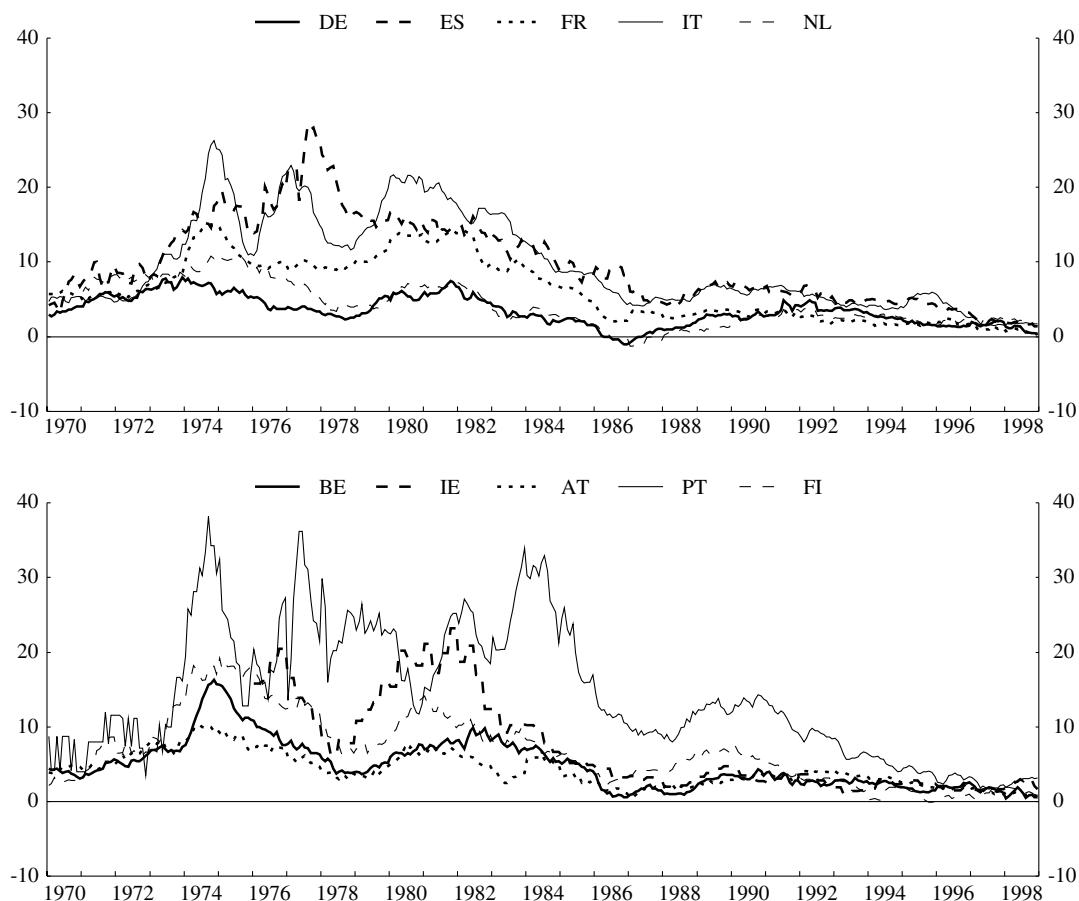
Source: ECB calculations.

process. In this respect, the narrowing of productivity differentials is most noticeable in the industrial sectors, but the concomitant higher wage increases in those sectors may feed through to the more sheltered services sectors. Differences in the longer-term developments in consumer prices also depend on the particular monetary policy and exchange rate regime operating at the time, with different inflation trends depending on the orientation of national monetary policy in the long term. For a number of countries, the de facto ties of their exchange rates to the Deutsche Mark have provided a common anchor for price developments over the past decade (or, in some cases, even longer).

The trend rate of increase in consumer prices was lower at the beginning of the 1970s and in the 1990s than in the intervening period. Throughout the period trend inflation was lowest in Germany, Austria and the Netherlands. In these countries, in particular, the increase in the trend rate of inflation in the 1970s and 1980s was more limited than in other countries. Indeed, in the course of the 1970s trend inflation rates appeared to diverge significantly, largely in response to the oil price shocks of 1973 and 1979. As a result, at the end of the 1970s trend inflation rates varied from below 5% to well above 20%. From the 1980s onwards there was a general trend towards lower inflation, which was particularly evident in those countries where inflation had been highest, although the process of disinflation occurred at different speeds. In the course of the 1980s trend inflation converged to below 5% in a number of countries, including Germany and France. In the 1990s the expansionary effects of fiscal policies and the excessive wage increases in connection with German unification led to a temporary increase in trend inflation, but at levels which remained below those seen in previous decades. This temporary increase spilled over into several smaller neighbouring countries, but did not affect trend inflation rates in others.

As with the longer-term developments, cyclical components of consumer price developments may be affected by the orientation of monetary policy and changes therein, and could thereby exhibit more common patterns. However, given that fluctuations and variations in inflation tend to increase with the level of inflation, the latter may be seen as an important factor in determining the extent to which a common cyclical pattern in price movements becomes visible across countries. While the cyclical component of consumer price inflation is expected to be much more clearly discernible in periods of relatively high inflation rates, it may become very small when the rates of increase in consumer prices are low enough to be regarded as consistent with price stability. This is currently the case in the euro area. Typically, more temporary country-specific factors may then dominate developments and it becomes increasingly difficult to disentangle cyclical movements from pure "noise" caused by all kinds of relatively small shocks to the price level (e.g. indirect tax changes, differing seasonal patterns, liberalisation measures, administrative price changes, and asymmetric effects caused by differences in the composition of the basket of consumer goods and services).

For the larger euro area countries, synchronisation of the cyclical element of price increases with that of the euro area as a whole was characterised by relatively high correlation coefficients ranging from 0.8 to 0.9 during the first half of the 1980s (see the upper part of Chart 8). While the correlation of the cyclical element of price developments remained relatively stable at this level in France, Italy and the Netherlands, it rose to this level over the same period from 0.7 and from just below 0.4 in Germany and in Spain respectively. During the second half of the 1980s the correlation with the euro area as a whole rose further to just below 1.0 in Germany, while it fell back to below 0.5 in Spain. During the first half of the 1990s the correlation coefficients remained high, at around 0.9, in Germany, France, Italy and the Netherlands, while they gradually increased again in Spain. Whereas in Spain this increase

in synchronisation continued until early 1997, in the other larger countries it fell from mid-1995 onwards, so that in early 1997 the correlation coefficients stood at around 0.8 for all of the larger countries. In the past two years the overall degree of synchronisation has decreased, with correlation coefficients falling in all of these countries. In Germany, the Netherlands and France there appears to have been some stabilisation in the correlation with the euro area as a whole, which stood at between 0.7 and 0.8 at the end of 1998.

While Spain showed a noticeably lower degree of synchronisation compared with the other larger countries, with regard to the smaller countries this was essentially the case for Portugal. Up to the early 1990s the

coefficient of correlation with the cyclical inflation developments of the euro area as a whole fluctuated at around 0.4 in Portugal, compared with around 0.8 for the other smaller countries (see the lower part of Chart 8). Since 1990, however, the correlation coefficient for Portugal has increased towards the level of the other smaller countries. On average, the smaller countries recorded only marginally lower degrees of synchronisation with the euro area than the larger countries. The process of increasing overall synchronisation of the smaller countries with the euro area as a whole was accomplished in the mid-1990s. However, as with the larger countries, the correlation of the smaller countries with the euro area as a whole declined from that point onwards. In Austria the tendency towards a lower level

Chart 8

Correlation of cyclical developments in consumer price increases with the euro area
(rolling 10-year correlations; monthly data)
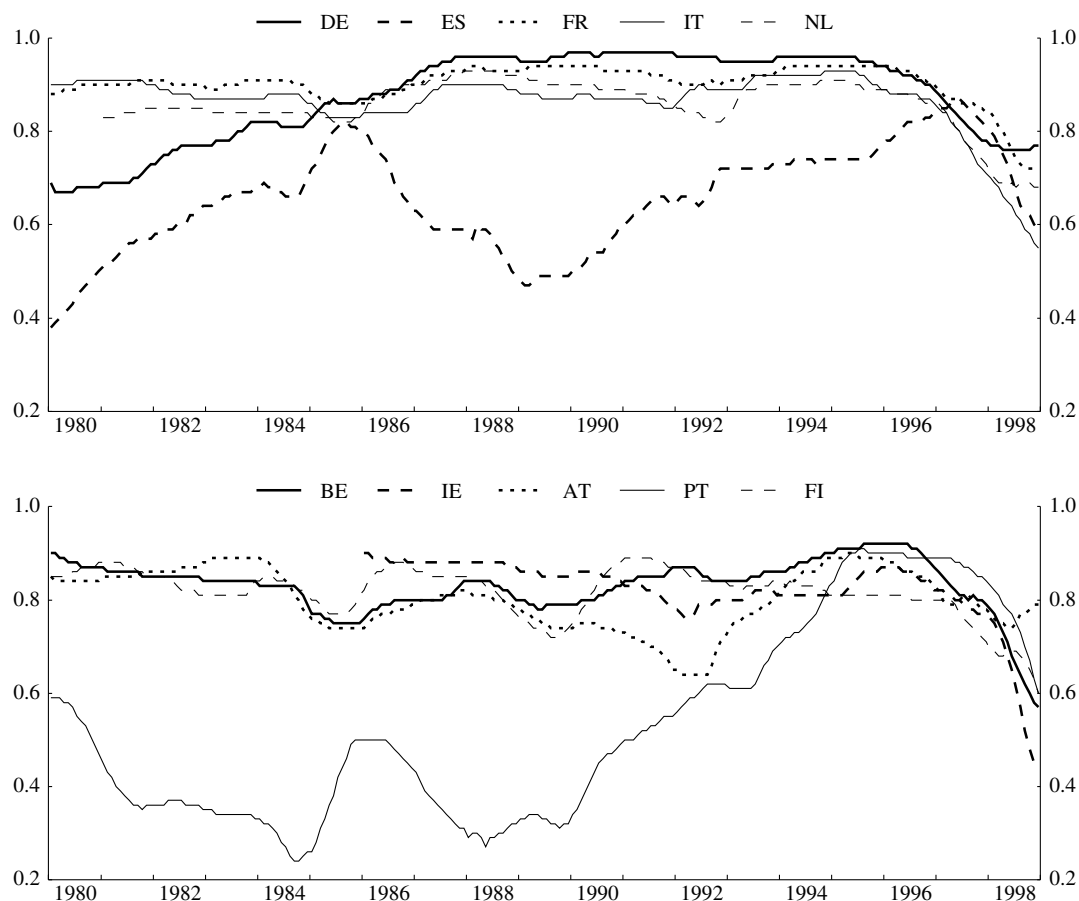
Source: ECB calculations.

of synchronisation came to a halt in early 1998, following similar tendencies in France, Germany and the Netherlands. As mentioned earlier, statistical noise may play a larger role at low levels of inflation, making it more difficult to disentangle cycle from noise. All other things being equal, this leads to lower levels of correlation.

Overall, a pronounced reduction in the degree of synchronisation is seen when focusing on the 1990s, as compared with the 1970s and 1980s. This is due to the asymmetric effects of the German unification shock and, given that levels of inflation in the early 1990s were still relatively disparate, to the different policy responses needed to achieve convergence in inflation rates necessary prior to the establishment of Monetary Union. In the past few years synchronisation appears to have stabilised or increased again somewhat between a number of countries and the euro area as a whole. However, with prices increasing at rates consistent with price stability, and given the associated difficulties in identifying a clear cyclical pattern, it is unlikely that earlier levels of cyclical synchronisation will be repeated. Instead, it is probable that differences in inflation rates will reflect a number of country-specific patterns, as indicated above.

3 Interpreting the results of the analysis

Key economic indicators were analysed in terms of the degrees to which their longer-term developments are similar and their cyclical movements are synchronised across euro area countries. When interpreting the results of this analysis, a distinction should be made between the evolution and the level of these degrees. Overall, while the degree of synchronisation may vary over the period under review, it may be seen as being high in absolute terms, taking into account that there had been all kinds of economic shocks and – at times – pronounced differences in policy regimes across countries.

Looking to the past, there have always been differences in the longer-term developments in real GDP growth across euro area countries. While the trend growth rates have in most cases declined over time, for some countries they tend to be higher in more recent periods relative to the early part of the period covered. The different trends also extend to the patterns for longer-term growth in employment and industrial production. For industrial production the tendency of declining trend growth was more pronounced across countries than for GDP, owing to the fact that services sectors have generally expanded more rapidly. While inflation trends in the early part of the sample period were very different across countries, there has been a process of convergence in recent years, so that all countries now have rates of consumer price increases at relatively similar low levels. This reflects a shift towards a common orientation of monetary policy in terms of price stability. The degree of synchronisation in cyclical movements across countries in the indicators considered, after adjustment has been made for the differences in trends, shows some variation over the period under review. In particular, the degree of synchronisation can be attributed in part to the types of shocks that occurred and the economic policies pursued. Overall, there appears to have been a fair degree of synchronisation in activity variables, while, as price developments have converged towards price stability, the cyclical fluctuations in the inflation series have become, as might have been expected, more idiosyncratic and related to country-specific factors. The evidence shown does not suggest that there have been significant and protracted divergences over time or that recent divergences are in any sense abnormal.

In general, there may be a variety of reasons for differences in economic developments across countries. Differences in longer-term developments may arise for two reasons: first,

countries may be at different stages of economic development – such that differences in developments may reflect a process of countries catching up with one another – and, second, there may be differences in demographic features. In addition, longer-term developments have to be seen against the background of country-specific institutional structures and can therefore reflect both differences in these structures and changes to them. Turning to differences in cyclical developments, these may relate to different mixtures of shocks, the economic mechanisms that propagate these shocks and the economic policies pursued in response. In the case of similar propagation mechanisms and a neutral stance of economic policies, there may be differences when shocks are mainly country-specific in nature. Differences may also arise if, in the face of similar propagation mechanisms, economic policies react differently to common shocks. Finally, even if countries were exposed to similar shocks and economic policies were to react in the same way across countries, differences in cyclical patterns (as well as in longer-term developments) could emerge because country-specific structures give rise to different propagation mechanisms. In this respect, changes in the institutional structure may also have a temporary impact on cyclical patterns.

Looking forward, the analysis of longer-term developments and cyclical movements in the previous section is based on historical data and can therefore provide only limited guidance as to future patterns. Significant in this context are the introduction of the single monetary policy and the implementation of the Stability and Growth Pact, which requires national fiscal policies to operate within well-defined boundaries. Monetary and exchange rate policy is no longer conducted at the individual country level but has been replaced by the single monetary policy for the euro area as a whole. From this perspective, cyclical variations should, in principle, become less volatile and less divergent insofar as, in the past, these were accounted for by differences in monetary and exchange rate

policies across euro area countries. Moreover, the process of monetary and economic integration may lead to (and may require) more flexibility in institutional and behavioural structures and may thus contribute to the easier absorption of shocks in individual countries. Again, this would give rise to a higher degree of similarity in economic developments. In terms of prices, the introduction of the single currency may add to difficulties in identifying purely cyclical movements in consumer price increases. As comparability and transparency increase with regard to the prices being charged for similar goods and services in the individual Member States, an increase in competition may lead to one-off declines in price levels, and may thereby temporarily blur the cyclical pattern of price increases.

Nonetheless, some important causes of differences in economic developments across euro area countries may remain. These are differences in various structural features of the individual economies, which may give rise to differences in their longer-term growth potential. In addition, as countries which are in the process of catching up with one another may witness different rates of productivity growth, this may be reflected in sustained differences in inflation rates across countries. Another cause of differences may derive from country or region-specific institutional properties, which may (at least temporarily) lead to different economic reactions to the same shock. Moreover, in the face of increased openness and trade integration, it has been suggested that a tendency towards country-specific specialisation might emerge, which could lead to some divergence between countries as asymmetric shocks occur. However, to the extent that the linkage between industries increases across national boundaries as part of the process of growing integration in the European Union and the euro area, the degree of synchronisation between national developments may well see some increase. With euro area countries continuing to be influenced by different factors, it is important to ensure the necessary capability of

individual economies to absorb and respond to shocks. Particular importance is therefore attached to the implementation of reforms in the goods and labour markets, which are aimed at increasing overall economic flexibility and which would increase the degree of flexibility of national economic policies to react to country-specific events.

Given the complexity of the issue, the analysis presented in this article is primarily intended to be illustrative, but the caveats should nevertheless be clearly recognised. First, the exercise is backward-looking and can thus provide only limited guidance as to likely outcomes in the future. Second, the structures of the economies considered changed significantly in the period under review. These changes include major adjustments to economic policy frameworks. For example, the integration of economies has increased over time in the course of the completion of the Single Market, and there has been a tendency towards greater independence of monetary policy from government intervention as well as an increasing focus on price stability as the primary objective of monetary policy. Moreover, the overall degree of exchange rate stability increased prior to the start of Monetary Union, in terms of both actual stability in exchange rates and the close

alignment of exchange rate developments in a growing number of countries. Third, to some extent the choice of the variables to be considered determines the results. For instance, an analysis of output developments could be conducted at a more detailed level, either considering the patterns of regional integration or examining the evidence at a more disaggregated sectoral level. Thus, the results here may be understood to be illustrative of some of the factors at work at a more macroeconomic level, rather than as an attempt to draw conclusions about the process of integration in a far wider sense.

Overall, there are no grounds to expect differences in economic developments across euro area countries to disappear entirely as a result of the introduction of the single currency. However, it is too early to assess whether this could pose a challenge to the successful conduct of monetary policy. The divergences observed recently do not appear to be unusual. Moreover, perfectly synchronous developments across euro area Member States may even be seen as a potential problem, if synchronicity increases the amplitude of the cyclical movements of the euro area as a whole, while some cyclical divergence would average out and thus lead to smoother developments at the area-wide level.

4   Concluding remarks

Against the background of recent discussion concerning divergent trends and cyclical movements in key economic indicators, this article has addressed the divergences and similarities in economic developments across euro area countries from the early 1970s up to 1998. This period was characterised by a variety of shocks, common and asymmetric, as well as differences and changes in national policy regimes. Taking this into account, overall, the euro area countries did indeed experience a considerable degree of synchronisation in their cyclical movements and fairly similar patterns in longer-term developments. With the introduction of the

single monetary policy for the euro area as a whole and the disciplining effects of the Stability and Growth Pact on fiscal policy, as well as the co-ordination of national policies at various levels, the overall policy environment has changed profoundly. At this stage, the precise consequences of this change for future patterns of synchronisation in cyclical movements and the degree to which longer-term developments are similar across countries cannot yet be assessed. As it is only a few months since the introduction of the single currency, sufficient time has yet to elapse in order to evaluate its impact. In this context, this article has reviewed past

patterns and may be considered to provide a background to this topic. In the meantime, divergences in economic developments across Member States will have to be monitored closely.

The institutional framework of the European System of Central Banks

The Treaty establishing the European Community (the "Treaty") and the Statute of the European System of Central Banks (ESCB) and of the European Central Bank (ECB) confer specific objectives and tasks upon the ESCB, which is composed of the ECB and the national central banks of the 15 Member States of the European Union (EU). In order to enhance transparency and to facilitate understanding of the complex structure of central banking in the euro area, the term "Eurosystem" has been adopted to refer more specifically to the body which carries out the basic tasks related to the single monetary policy of the euro area. The ESCB thus deals with the tasks and objectives as they relate to the EU as a whole.

In contrast to the ECB and the national central banks, the ESCB (and hence the Eurosystem) has no legal personality and no decision-making bodies of its own. The ESCB is governed by the decision-making bodies of the ECB, namely the Governing Council, the General Council and the Executive Board. While decisions relating to the objectives and tasks of the ESCB have to be taken centrally, operations are decentralised to the extent deemed appropriate and possible. When taking monetary policy decisions, the members of the Governing Council of the ECB do not act as national representatives, but in a fully independent personal capacity. This is reflected in the principle of "one person, one vote".

The Treaty grants full constitutional independence to the ESCB. In particular, neither the ECB nor any member of its decision-making bodies is permitted to seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body.

1   Introduction

The Treaty establishing the European Community (the "Treaty") and the Statute of the European System of Central Banks and of the European Central Bank (the "Statute"), which is annexed to the Treaty as a Protocol and forms an integral part of the Treaty, establish the European System of Central Banks (ESCB). The Treaty and the Statute assign specific objectives and tasks to the ESCB, which is composed of the European Central Bank (ECB) and the national central banks of the 15 Member States of the European Union (EU).

Unlike the ECB and the national central banks, the ESCB has no legal personality and no decision-making bodies of its own. However, since the objectives of the ESCB are assigned to it by the Treaty, its 16 members have common aims. It is, however, the task of the ECB and its decision-making bodies to decide how they should be achieved, i.e. directly or through the national central banks.

To enhance transparency and to enable the public to comprehend the complex structure of the European central banking system more easily, the Governing Council of the ECB decided to adopt the term "Eurosystem" as a user-friendly expression indicating the composition in which the ESCB performs its basic tasks.

The Eurosystem comprises the ECB and the national central banks of the 11 Member States which have adopted the euro. On the first day of Stage Three of Economic and Monetary Union (1 January 1999), these Member States transferred their sovereignty with regard to monetary policy to the Eurosystem.

2   Objectives and tasks of the Eurosystem

The primary objective of the Eurosystem is to maintain price stability. Without prejudice to this objective, it is required to support the general economic policies in the European Community with a view to contributing to the achievement of the objectives of the

Community, such as the promotion of a harmonious and balanced development of economic activities, sustainable and non-inflationary growth respecting the environment, a high degree of convergence of economic performance and a high level of employment and of social protection. While pursuing its objectives, the Eurosystem is required to act in accordance with the principle of an open market economy with free competition, favouring an efficient allocation of resources. Should there be any conflict between the objectives to be assessed by the ECB, the objective of price stability will always be paramount; the other objectives are dealt with according to the weighting that the ECB considers appropriate.

The Treaty and the Statute confer the following basic tasks upon the Eurosystem:

- to define and implement the monetary policy of the euro area;
- to conduct foreign exchange operations;
- to hold and manage the official reserves of the Member States;

- to promote the smooth operation of payment systems;
- to issue banknotes with legal tender status within the euro area; and
- to approve the volume of issuance of the euro coins by the Member States which have adopted the euro.

In addition, the Eurosystem 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;
- be consulted on any proposed Community act and on any draft legislation of national authorities which falls within its field of competence;
- collect statistical information necessary for the fulfilment of its tasks; and
- be represented in the field of international co-operation and participate in international monetary institutions.

3   The European Central Bank

Legal status

The ECB has legal personality under public international law and is thus in a position, inter alia, to conclude, in matters relating to its field of competence, agreements under public international law and to participate in the work of international organisations such as the International Monetary Fund, the Bank for International Settlements or the Organisation for Economic Co-operation and Development. Moreover, in each Member State the ECB enjoys the most extensive legal capacity accorded to legal persons under the respective national law. It may therefore acquire or dispose of movable and immovable property and may be party to legal proceedings.

In addition, the ECB enjoys in the territories of the Member States such privileges and immunities as are necessary for the performance of its tasks, under the conditions laid down in the Protocol on the privileges and immunities of the European Communities. Further details are stipulated in the Headquarters Agreement between the ECB and the Federal Republic of Germany concerning the seat of the former; in particular, the members of the Executive Board enjoy the privileges, exemptions, immunities and facilities granted to all diplomats accredited by the German Federal Government in accordance with the Vienna Convention on Diplomatic Relations of 18 April 1961.

Overall responsibility

The ECB has been established as the core of the Eurosystem. The overall responsibility to ensure that the tasks of the Eurosystem are carried out either by its own activities or through the national central banks is attributed to the ECB. In taking its decisions on the way in which the tasks of the ESCB are to be carried out – adopting a centralised or a decentralised approach – the ECB adheres to the *principle of decentralisation*. This principle stipulates that, to the extent deemed possible and appropriate, the ECB shall have recourse to the national central banks to carry out operations which form part of the tasks of the Eurosystem. It is for the ECB (Governing Council) to evaluate the possibility and appropriateness of decentralising operations. Where, taking into account the objectives of the Eurosystem, operations can be carried out more effectively if they are handled directly by the ECB, the Statute entitles the ECB to act in a centralised manner. Moreover, it should be underlined that the principle of decentralisation applies to operations only, while decisions and legislative activities remain centralised.

In order to ensure that the decentralised approach does not hamper the smooth functioning of the Eurosystem, the national central banks, as operational arms of the ECB, have to act in accordance with ECB Guidelines and ECB Instructions. To ensure compliance by the national central banks with these legal instruments, the ECB is empowered to take any steps that are deemed necessary – which may extend to bringing a matter before the Court of Justice of the European Communities (European Court of Justice).

Regulatory powers

The Treaty assigns to the ECB not only the power to conclude agreements with third parties, but also the regulatory powers to adopt any legal acts that are necessary to fulfil the tasks assigned to the Eurosystem. A distinction can be made between two different kinds of ECB legislation. The first of these are legal acts addressed to third parties outside the Eurosystem. These legal acts are ECB Regulations, Decisions, Recommendations and Opinions. In addition, the ECB is empowered to adopt legal instruments which are of internal relevance to the Eurosystem and are meant to govern the Eurosystem without affecting third parties. Taking into account the unique structure of the Eurosystem, in which each of the constituent bodies retains its own legal personality, the internal legal instruments (ECB Guidelines, Instructions and Decisions) have been designed in such a way as to functionally subordinate the national central banks to the ECB and to allow the Eurosystem to operate efficiently as a single entity with a view to achieving the objectives of the Treaty.

Independence

The ECB has been granted full constitutional independence by the Treaty, which explicitly stipulates that, when exercising their powers and carrying out their tasks and duties, neither the ECB nor any member of its decision-making bodies shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body. The Community institutions and bodies and the governments of the Member States have undertaken to respect this principle and not to seek to influence the members of the decision-making bodies of the ECB in the performance of their tasks. The concept of independence was further specified by the European Monetary Institute in its Convergence Report (March 1998), which was endorsed by the ECOFIN Council in its recommendation to the Council under Article 109j (2), last paragraph, of the Treaty. Therefore, independence means *financial* and *institutional independence*. The Treaty establishes that the ECB has its own budget, independent from that of the European

Union. This makes it impossible for Community institutions to interfere with the administration of the ECB and keeps the budget separate from the financial interests of the Community. The Statute protects the *personal independence* of the members of the ECB's decision-making bodies, stipulating:

- a minimum renewable term of office of five years for governors of the national central banks;
- a non-renewable term of office of eight years for members of the Executive Board, a system of staggered appointments having been applied for the appointment of its first members;
- removal from office only in the event of incapacity or serious misconduct; and
- competence of the European Court of Justice to settle any disputes in these matters.

Moreover, the Statute enables the ECB to adopt autonomous rules for its personnel, prohibiting other Community institutions from having any influence on the conditions of employment for staff of the ECB. The institutional independence is established in the provisions already mentioned. Moreover, the competence of the European Court of Auditors has been limited to an examination of the operational efficiency of the management of the ECB, while the accounts of the ECB are audited by independent external auditors.

Accountability and transparency

All central banks operate in a particular social, political and institutional environment. In a democratic context, it is vital for an independent central bank not only to be open, transparent and clear about the reasons for its actions, but also for it to be accountable for its performance. Recognising the importance of these issues, the Treaty imposes stringent reporting obligations on the Eurosystem. The ECB publishes a consolidated weekly financial statement of the Eurosystem and has to draw up and publish reports on the activities of the ESCB at least

every quarter. It has to address an Annual Report on the activities of the ESCB and on the monetary policy of both the previous and the current year to the European Parliament, the EU Council, the European Commission and the European Council. The European Parliament may hold a general debate on the Annual Report, and the President of the ECB and the other members of the Executive Board may, at the request of the European Parliament or on their own initiative, be heard by the competent committees of the European Parliament. The President of the EU Council and a member of the European Commission may participate in the meetings of the Governing Council of the ECB without having the right to vote.

In fact, the Eurosystem has committed itself to exceeding these requirements. A press conference introduced by the President of the ECB is held immediately after the first meeting of the Governing Council in any month. His regular statements giving the Governing Council's views on the economic situation and the outlook for price developments are supplemented by the publication of a Monthly Bulletin (which is translated into all official languages of the European Community). However, the Statute does not permit publication of the individual voting of the members of the Governing Council because, rather than contribute to further transparency, this would jeopardise the independence of its members, since they would then be more likely to come under national or other pressure. In fact, the members of the Governing Council must not be seen and should not act as national representatives, but rather in a fully independent personal capacity. Their monetary policy decisions are taken in respect of the euro area as a whole; national economic developments should not be taken into account when they vote on monetary policy decisions affecting the euro area.

Judicial control

The acts and omissions of the ECB – including those addressed to the national central banks as an integral part of the Eurosystem – are

open to review or interpretation by the European Court of Justice. Moreover, to protect its prerogatives the ECB has jus standi before the European Court of Justice.

The European Court of Justice's jurisdiction with regard to the control of the fulfilment by national central banks of their obligations reflects the special character of the ESCB and the role of the ECB, parallel to that of the European Commission, as the "guardian of the European currency constitution". If the ECB considers that a national central bank has failed to fulfil its obligations, it may, following the established procedure, bring the matter before the European Court of Justice.

Decision-making bodies of the ECB

The process of decision-making in the Eurosystem is centralised through the decision-making bodies of the ECB, namely the Governing Council and the Executive Board. As long as there are Member States which have not adopted the euro the General Council exists as a third decision-making body.

Governing Council

The Governing Council comprises all the members of the Executive Board and the governors of the national central banks of the Member States which have adopted the euro. It is the primary decision-making body of the ECB. With regard to the objectives and tasks entrusted to the Eurosystem, the Governing Council is responsible, in particular, for:

- adopting the Guidelines and Decisions necessary to ensure the performance of the tasks entrusted to the Eurosystem under the Treaty and the Statute;
- formulating the monetary policy of the euro area, including intermediate monetary objectives, key interest rates and the supply of reserves in the Eurosystem,

taking the necessary decisions and adopting the Guidelines needed for its implementation;

- deciding on the use of other operational methods of monetary control;
- adopting the Regulation concerning the calculation and determination of the required minimum reserves;
- adopting Regulations to ensure efficient and sound clearing and payment systems within the Community;
- issuing Guidelines for operations of the national central banks and the Member States with remaining foreign reserve assets;
- taking the necessary steps to ensure compliance with ECB Guidelines and Instructions and defining any necessary information to be provided by the national central banks;
- fulfilling the advisory role of the ECB;
- adopting the Rules of Procedure which determine the internal organisation of the ECB and its decision-making bodies;
- authorising the issuance of euro banknotes and the volume of issue of the euro coins within the euro area; and
- establishing the necessary rules for the standardisation of the accounting and reporting of operations undertaken by the national central banks.

It emerges from these competences that the Treaty and the Statute assign to the Governing Council the power to take the most important and strategically significant decisions for the Eurosystem. In particular when taking monetary policy decisions, the Governing Council normally acts by a simple majority of the votes cast by the members who are present in person. Each member has one vote. The principle of "one person, one vote" reflects the status of all the members of the Governing Council, including the governors of the national central banks of the Eurosystem, who are appointed in their personal capacity and not as representatives of their Member States. In the event of a tie, the President has the deciding vote.

For some decisions on financial matters relating to the status of the national central banks as shareholders of the capital of the ECB, the votes in the Governing Council are weighted according to the national central banks' shares in the subscribed capital of the ECB. The votes of the members of the Executive Board are zero-weighted. In the case of "shareholder matters", a governor who is unable to participate may appoint an alternate to cast his/her vote.

According to the Statute, the Governing Council has to meet at least 10 times a year. Current practice is for the Governing Council to meet every two weeks in Frankfurt.

Executive Board

The Executive Board is composed of the President and the Vice-President of the ECB and four other members who have been appointed from among persons of recognised standing and professional experience in monetary and banking matters. The appointment procedure confers a high level of legitimacy on the Executive Board's decisions; the appointments have to be made by common accord of the governments of the Member States at the level of the Heads of State or Government, on a recommendation from the EU Council after it has consulted the European Parliament and the Governing Council of the ECB. The main responsibilities of the Executive Board are:

- to implement monetary policy in accordance with the Guidelines and Decisions laid down by the Governing Council;
- to issue the necessary Instructions to national central banks for the implementation of the Guidelines and Decisions of the Governing Council;
- to be responsible for the current business of the ECB; and
- to execute certain powers delegated to it by the Governing Council, including those of a regulatory nature.

The Statute stipulates that implementation of the monetary policy is a competence exclusive to the Executive Board and is not at the disposal of the Governing Council.

These responsibilities of the Executive Board justify its status as the primary operational decision-making body of the ECB. The power of the Executive Board to adopt ECB Instructions addressed to the national central banks enables the Eurosystem to react and adapt to quickly changing conditions in the money and capital markets, to address specific cases and to deal with matters of urgency.

The Executive Board normally acts by a simple majority of the votes cast by the members who are present in person. In the event of a tie, the President has the casting vote. Current practice is that the Executive Board meets at least once a week.

The current members of the Executive Board and their individual responsibilities with respect to the working units of the ECB are presented in Box 1.

General Council

The General Council is composed of the President and the Vice-President of the ECB and the governors of the national central banks of all 15 Member States. It can be defined as a "transitory body", performing those tasks taken over from the European Monetary Institute which, owing to the fact that not all Member States have adopted the euro, still have to be performed by the ECB in Stage Three of Economic and Monetary Union. Therefore, the General Council is primarily responsible for giving advice in the necessary preparations for irrevocably fixing the exchange rates of the currencies of the Member States which have not yet adopted the euro. Moreover, the General Council contributes to particular activities of the ESCB, such as the ESCB's advisory functions and the collection of statistical information. The President of the ECB has to inform the General Council of the decisions taken by the Governing Council.

Individual responsibilities of the members of the Executive Board with respect to the working units of the European Central Bank (ECB)

Article 11.5 of the Statute of the European System of Central Banks and of the European Central Bank stipulates that "each member of the Executive Board present in person shall have the right to vote and shall have, for that purpose, one vote". Thereby, Article 11.5 establishes the principle of collegiate responsibility as the relevant factor governing decision-making by the Executive Board. It is based on the equal participation of the Executive Board in the adoption of Decisions, from which it follows, in particular, that Decisions should be subject to collective deliberations and that all members of the decision-making body should bear collective responsibility for all Decisions adopted.

While respecting the principle of collegiate responsibility, it is stipulated in the Rules of Procedure of the European Central Bank that, with regard to the ECB's internal organisation, the Executive Board shall decide on the individual responsibilities of its members with respect to the working units of the ECB. The following allocation of responsibilities has been agreed by the members of the Executive Board:

- The President, **Willem F. Duisenberg**, is responsible for *External Relations*, *Secretariat, Protocol and Conferences* and *Internal Audit*.
- The Vice-President, **Christian Noyer**, is responsible for *Administration and Personnel, Legal Services* and the *Middle Office*. He is also one of the ECB's two members of the Economic and Financial Committee, a consultative Community body set up at the start of Stage Three of Economic and Monetary Union.
- **Eugenio Domingo Solans** is responsible for *Information Systems, Statistics* and *Banknotes*.
- **Sirkka Hämäläinen** is responsible for *Operations* and *Controlling and Organisation*.
- **Otmar Issing** is responsible for *Economics* and *Research*. He is also one of the ECB's two members of the Economic and Financial Committee.
- **Tommaso Padoa-Schioppa** is responsible for *International and European Relations*, *Payment Systems* and *Prudential Supervision*.

Neither the Treaty nor the Statute provides for a minimum number of meetings of the General Council. Current practice is that the General Council meets every three months in Frankfurt.

4 The role of the national central banks

The national central banks have legal personality according to the national law of their respective countries. As a consequence of the requirement of legal convergence, the national laws which apply to the national central banks have been amended in order to be compatible with Community law; in particular, they have to comply with the requirement of independence, which is necessary for the smooth functioning of the ESCB. Despite their separate legal personality, the national central banks of the Eurosystem are integral parts of it and, as such, subject to the regulatory regime of the ECB; they are therefore functionally subordinate to the ECB. As a consequence, the national central banks have to comply with the internal legal instruments adopted by the Governing Council or the Executive Board.

As integral parts of the Eurosystem, the national central banks act as operative arms of the ESCB, carrying out the tasks conferred upon the Eurosystem in accordance with the rules established by the ECB. Through various Committees which are, as a rule, chaired by a representative of the ECB, representatives of

the national central banks assist in the work of the ESCB (see the list of current Committees in Box 2). The mandates of the Committees are laid down by the Governing Council. The Committees report to the Governing Council via the Executive Board.

The Statute allows the national central banks to continue to perform non-Eurosystem functions on their own responsibility unless the Governing Council finds that such functions interfere with the objectives and tasks of the Eurosystem.

5   Concluding remarks

The characteristics of the institutional framework of the ESCB enable the ECB to deal with the new environment which has confronted central banking in the euro area from the first day of Stage Three of Economic and Monetary Union.

The pattern of centralised decision-making in the Eurosystem through the decision-making bodies of the ECB ensures the singleness of the monetary policy of the euro area. The primarily decentralised execution of the monetary policy operations through the national central banks of the Eurosystem adequately reflects the differences in the financial market structures and the different legal systems in the Member States which have adopted the euro.

In the General Council the ESCB has a forum through which co-operation between the Eurosystem and the other national central banks of the ESCB can be strengthened and preparation can be made for the participation of the other national central banks of the ESCB in the Eurosystem.

In addition, the institutional framework provides the decision-making bodies with enough flexibility to allow the Eurosystem to adapt to new challenges arising, for instance, from the deepening integration of financial markets in the euro area.

Euro area statistics

Contents

1 Monetary policy statistics

Consolidated financial statement of the Eurosystem

(EUR millions)

1. Assets

	Gold and gold receivables	Claims on non-euro area residents in foreign currency	Claims on euro area residents in foreign currency	Claims on non-euro area residents in euro	Lending to financial sector counterparties in the euro area	Main refinancing operations	Longer-term refinancing operations	Fine-tuning reverse operations
	1	2	3	4	5	6	7	8
1999 5 Feb.	99,589	231,709	7,454	6,702	177,831	130,994	44,993	0
12	99,589	231,409	8,104	6,176	173,248	126,879	44,993	0
19	99,589	232,211	8,448	5,277	173,527	126,830	44,993	0
26	99,589	228,797	9,338	4,430	186,437	139,938	45,001	0
5 Mar.	99,589	228,538	8,591	4,890	190,857	144,836	45,001	0
12	99,589	227,441	9,834	3,990	188,013	141,819	45,001	0
19	99,589	228,150	9,027	4,445	165,292	119,020	45,001	0
26	99,589	228,549	8,925	3,780	192,221	146,030	45,005	0
2 Apr.	105,323	242,761	10,618	3,492	187,687	140,975	44,994	0
9	105,323	243,199	10,331	3,789	152,226	105,607	44,994	0
16	105,323	241,250	11,488	4,146	180,495	133,600	44,994	0
23	105,323	240,702	11,963	4,033	168,543	117,043	44,994	0
30	105,323	240,747	11,683	4,002	174,322	128,023	44,999	0
7 May	105,323	239,350	12,366	4,018	166,184	119,944	44,984	0
14	105,323	238,483	12,091	4,088	166,060	119,953	44,981	0
21	105,323	240,921	11,904	4,265	167,728	120,953	44,981	0
28	105,323	237,639	12,383	4,350	185,070	138,992	45,008	0
4 June	105,307	236,031	12,428	4,345	184,680	139,032	44,997	0
11	105,307	238,154	12,499	4,216	174,876	129,020	44,997	0
18	105,307	237,871	12,156	4,031	170,664	125,012	44,997	0
25	105,307	238,361	11,927	3,941	170,641	125,020	44,997	0

2. Liabilities

	Banknotes in circulation	Liabilities to financial sector counterparties in the euro area in euro	Current accounts (covering the minimum reserves system)	Deposit facility	Fixed-term deposits	Fine-tuning reverse operations	Deposits related to margin calls	Debt certificates issued
	1	2	3	4	5	6	7	8
1999 5 Feb.	328,262	109,138	108,127	1,010	0	0	1	11,650
12	327,341	106,048	105,821	226	0	0	1	11,650
19	324,490	97,297	95,419	1,870	0	0	8	11,650
26	325,207	99,970	99,261	705	0	0	4	11,650
5 Mar.	328,763	115,173	114,900	210	0	0	63	11,650
12	328,646	108,092	107,621	436	0	0	35	11,650
19	327,281	87,857	84,427	3,410	0	0	20	11,650
26	327,128	100,416	100,274	130	0	0	12	11,650
2 Apr.	335,331	104,850	104,298	536	0	0	16	10,158
9	333,367	79,332	79,117	213	0	0	2	10,158
16	330,839	120,752	120,462	283	0	0	7	10,158
23	328,984	90,190	89,605	580	0	0	5	10,158
30	332,280	104,395	104,241	119	0	0	35	10,158
7 May	335,708	101,663	101,459	197	0	0	7	10,158
14	337,375	99,361	99,229	118	0	0	14	10,158
21	335,245	102,373	99,795	2,561	0	0	17	10,158
28	335,148	109,331	109,194	134	0	0	3	10,158
4 June	338,980	106,950	106,826	101	0	0	23	10,158
11	338,947	96,441	96,278	155	0	0	8	10,158
18	337,865	103,238	103,141	91	0	0	6	10,158
25	337,877	97,499	97,383	101	0	0	15	10,158

Source: ECB.

Structural reverse operations	Marginal lending facility	Credits related to margin calls	Other lending	Securities of euro area residents in euro	General government debt in euro	Other assets	Total	
9	10	11	12	13	14	15	16	
0	592	101	997	22,549	60,185	81,428	687,447	5 Feb.
0	210	102	1,064	23,255	60,185	78,270	680,236	12
0	592	95	1,017	23,868	60,185	78,786	681,891	19
0	423	102	973	24,281	60,185	79,584	692,641	26
0	97	62	861	24,638	60,185	80,785	698,073	5 Mar.
0	161	95	937	25,365	60,185	78,637	693,054	12
0	188	118	965	25,036	60,185	76,559	668,283	19
0	171	149	866	26,107	60,185	80,040	699,396	26
0	665	178	875	26,640	60,186	81,041	717,748	2 Apr.
0	710	72	843	26,511	60,186	77,903	679,468	9
0	1,019	128	754	25,871	60,186	76,831	705,590	16
0	5,591	138	777	26,181	60,186	74,786	691,717	23
0	500	47	753	26,088	60,186	75,945	698,296	30
0	481	52	723	26,047	60,186	78,650	692,124	7 May
0	366	55	705	26,030	60,186	75,266	687,527	14
0	950	65	779	25,945	60,186	74,813	691,085	21
0	479	63	528	25,873	60,180	74,249	705,060	28
0	229	32	390	25,957	60,156	77,522	706,426	4 June
0	397	30	432	26,137	60,156	75,708	697,053	11
0	193	29	433	25,929	60,156	75,657	691,771	18
0	165	29	430	26,088	60,156	79,223	695,644	25

Liabilities to other euro area residents in euro	Liabilities to non-euro area residents in euro	Liabilities to euro area residents in foreign currency	Liabilities to non-euro area residents in foreign currency	Counterpart of special drawing rights allocated by the IMF	Revaluation accounts	Capital and reserves	Other liabilities	Total	
9	10	11	12	13	14	15	16	17	
44,017	8,161	810	5,827	5,767	59,658	51,279	62,878	687,447	5 Feb.
43,556	7,840	733	6,395	5,767	59,658	51,279	59,969	680,236	12
54,905	8,052	746	7,172	5,767	59,658	51,279	60,875	681,891	19
62,143	7,739	777	6,385	5,767	59,658	51,280	62,065	692,641	26
49,724	7,141	778	6,910	5,767	59,658	51,280	61,229	698,073	5 Mar.
53,503	7,820	828	6,860	5,767	59,658	51,281	58,949	693,054	12
49,493	8,100	856	6,729	5,767	59,658	51,281	59,611	668,283	19
64,280	7,663	856	7,780	5,767	59,658	51,281	62,917	699,396	26
48,234	8,468	917	7,381	6,043	78,685	54,146	63,535	717,748	2 Apr.
39,644	7,936	940	7,684	6,043	78,479	54,147	61,738	679,468	9
38,048	7,830	930	7,389	6,043	78,479	54,147	50,975	705,590	16
57,279	7,617	969	7,629	6,043	78,479	54,638	49,731	691,717	23
44,993	7,207	994	7,931	6,043	78,479	54,639	51,177	698,296	30
36,822	6,993	998	7,925	6,043	78,479	54,666	52,669	692,124	7 May
35,681	7,557	896	7,199	6,043	78,479	54,694	50,084	687,527	14
35,029	8,111	948	8,847	6,042	78,479	54,694	51,159	691,085	21
43,906	7,751	938	8,838	6,043	78,479	54,809	49,659	705,060	28
44,070	7,457	902	7,269	6,042	78,479	54,858	51,261	706,426	4 June
45,428	7,275	776	9,603	6,042	78,479	53,227	50,677	697,053	11
36,035	6,918	733	9,028	6,042	78,479	53,226	50,049	691,771	18
40,939	7,075	734	9,265	6,042	78,479	53,227	54,349	695,644	25

Table 1.2

ECB interest rates on standing facilities

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

	Deposit facility		Marginal lending facility	
	Level	Change	Level	Change
	1	2	3	4
1999 1 Jan.	2.00	-	4.50	-
4 [1]	2.75	0.75	3.25	-1.25
22	2.00	-0.75	4.50	1.25
9 Apr.	1.50	-0.50	3.50	-1.00

Source: ECB.

1)   *On 22 December 1998 the ECB announced that, as an exceptional measure between 4 January 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 regime by market participants.*

Table 1.3

Eurosystem monetary policy operations allotted through tenders [1]

(EUR millions; interest rates in percentages per annum)

Main refinancing operations					
Date of settlement	Bids	Allotment	Fixed rate tenders	Variable rate tenders	
	(amount)	(amount)	Fixed rate	Marginal rate	Weighted average rate	Running for [...] days
	1	2	3	4	5	6
1999 3 Mar.	1,100,797	67,000	3.00			14
10	950,369	75,000	3.00			14
17	335,249	44,000	3.00			14
24	372,647	102,000	3.00			14
31	118,683	39,000	3.00			14
7 Apr.	67,353	67,353	3.00			14
14	781,721	67,000	2.50			14
21	612,275	50,000	2.50			14
28	754,825	78,000	2.50			14
5 May	655,789	42,000	2.50			14
12	708,881	78,000	2.50			14
19	638,583	43,000	2.50			14
26	784,380	96,000	2.50			14
2 June	698,358	43,000	2.50			14
9	907,145	86,000	2.50			14
16	922,203	39,000	2.50			14
23	1,165,521	86,000	2.50			14
30	1,222,128	57,000	2.50			14

Longer-term refinancing operations					
Date of settlement	Bids	Allotment	Fixed rate tenders	Variable rate tenders	
	(amount)	(amount)	Fixed rate	Marginal rate	Weighted average rate	Running for [...] days
	1	2	3	4	5	6
1999 14 Jan.	79,846	15,000		3.13		42
14	39,343	15,000		3.10		70
14	46,152	15,000		3.08		105
25 Feb.	77,300	15,000		3.04		91
25 Mar.	53,659	15,000		2.96	2.97	98
29 Apr.	66,911	15,000		2.53	2.54	91
27 May	72,294	15,000		2.53	2.54	91
1 July	76,284	15,000		2.63	2.64	91

Other tender operations						
Date of settlement	Type of operation	Bids	Allotment	Fixed rate tenders	Variable rate tenders	
		(amount)	(amount)	Fixed rate	Marginal rate	Weighted average rate	Running for [...] days
	1	2	3	4	5	6	7
1999							

Source: ECB.

1)   *The amounts shown may differ slightly from those in Table 1.1, columns 6 to 8, due to operations allotted but not executed.*

Table 1.4

Minimum reserve statistics

1. Reserve base of credit institutions subject to reserve requirements [1] [2]

(EUR billions; end of period)

Reserve base as at:	Total	Liabilities to which a 2% reserve coefficient is applied			Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Money market paper	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6	7
1999 Jan.	8,699.7	4,839.2	83.1	146.0	1,196.9	510.6	1,923.8
Feb.	8,731.2	4,801.5	86.9	148.9	1,203.6	543.9	1,946.5
Mar.	8,777.8	4,803.9	88.8	151.2	1,217.7	549.8	1,966.4
Apr.	8,834.9	4,827.7	93.3	160.3	1,223.1	542.0	1,988.6
May (p)	8,896.8	4,875.9	101.2	157.9	1,218.7	541.4	2,001.6

Source: ECB.

1) *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. If a credit institution cannot provide evidence of the amount of its issues of debt securities with a maturity up to 2 years and of money market paper held by the institutions mentioned above, it may deduct 10% of these liabilities from its reserve base.*

2) *Maintenance periods start on the 24th of the month and run to the 23rd of the following month; the required reserve is calculated from the reserve base as at the end of the preceding month.*

2. Reserve maintenance [1]

(EUR billions; interest rates as annual percentages)

Maintenance period ending in:	Required reserves [2]	Actual reserves [3]	Excess reserves [4]	Deficiencies [5]	Interest rate on minimum reserves [6]
	1	2	3	4	5
1999 Feb.	98.3	99.3	1.1	0.1	3.00
Mar.	100.6	101.5	0.9	0.1	3.00
Apr.	100.1	100.7	0.6	0.0	2.84
May	100.2	101.0	0.8	0.0	2.50
June	100.9	101.5	0.6	0.0	2.50
July (p)	102.0				

Source: ECB.

1) *This table contains full data for completed maintenance periods and required reserves for the current maintenance period.*

2) *The amount of reserve requirement of each individual credit institution is first calculated by applying the reserve ratio for the corresponding categories of liabilities to the eligible liabilities, using the balance sheet data as at the end of each calendar month; subsequently, each credit institution deducts from this figure a lump-sum allowance of EUR 100,000. The resulting reserve requirements are then aggregated at the euro area level.*

3) *Aggregate average daily holdings of credit institutions required to hold a positive amount of reserves on their reserve accounts over the maintenance period.*

4) *Average actual reserve holdings over the maintenance period in excess of the required reserves, computed on the basis of those credit institutions that have fulfilled the reserve requirement.*

5) *Average shortfalls of actual reserve holdings from required reserves over the maintenance period, computed on the basis of those credit institutions that have not fulfilled the reserve requirement.*

6) *This rate equals the average, over the maintainance period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's main refinancing operations (see Table 1.3).*

Table 1.5

Banking system's liquidity position [1]

(EUR billions; period averages of daily positions)

Maintenance period ending in:	Liquidity-providing factors					Liquidity-absorbing factors				Credit institutions' current accounts [4]	Base money [5]
	Eurosystem's net assets in gold and foreign currency	Monetary policy operations of the Eurosystem				Deposit facility	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net) [3]		
		Main refinancing operations	Longer-term refinancing operations	Other operations [2]	Marginal lending facility						
	1	2	3	4	5	6	7	8	9	10	11
1999 Feb.	328.2	104.6	34.2	30.6	3.8	1.3	329.3	41.1	29.5	100.2	430.8
Mar.	323.6	136.4	45.0	0.0	0.4	1.4	326.9	49.9	25.0	102.2	430.5
Apr.	338.4	130.1	45.0	0.0	0.7	0.3	331.0	42.9	38.9	101.1	432.4
May	342.5	121.6	45.0	0.0	0.8	0.4	333.8	36.3	38.1	101.3	435.5
June	339.8	132.0	45.0	0.0	0.3	0.6	337.0	40.4	37.2	101.9	439.5

Source: ECB.

1) *The banking system's liquidity position is defined as the current account holdings in euro of credit institutions in the euro area with the Eurosystem. Amounts are derived from the consolidated financial statement of the Eurosystem.*
2) *Includes monetary policy operations initiated by national central banks in Stage Two and outstanding at the start of Stage Three (excluding outright operations and the issuance of debt certificates).*
3) *Remaining items in the consolidated financial statement of the Eurosystem.*
4) *Equal to the difference between the sum of liquidity-providing factors (items 1 to 5) and the sum of liquidity-absorbing factors (items 6 to 9).*
5) *Calculated as the sum of the deposit facility (item 6), banknotes in circulation (item 7) and credit institutions' current account holdings (item 10) or, alternatively, as the difference between the sum of liquidity-providing factors (items 1 to 5) and the sum of government deposits (item 8) and other factors (net) (item 9).*

2 Monetary developments in the euro area

Table 2.1

Aggregated balance sheet of the Eurosystem [1] [2]

(EUR billions (not seasonally adjusted; end of period))

1. Assets

															Total
	Loans to euro area residents	MFIs	General govern-ment	Other euro area residents	Holdings of securities other than shares issued by euro area residents	MFIs	General govern-ment	Other euro area residents	Holdings of shares/ other equity issued by euro area residents	MFIs	Other euro area residents	External assets [3]	Fixed assets	Remaining assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1998 Jan.	234.9	213.3	21.2	0.4	111.7	1.0	109.3	1.5	2.9	0.3	2.6	294.3	7.2	43.0	694.0
Feb.	257.7	235.9	21.2	0.7	108.2	1.0	105.8	1.5	2.9	0.4	2.5	294.6	7.3	44.3	715.1
Mar.	242.7	221.3	21.2	0.2	106.6	1.2	104.2	1.3	3.0	0.4	2.6	294.0	7.5	41.3	695.1
Apr.	237.2	215.6	21.2	0.4	102.5	1.4	100.2	0.9	3.0	0.4	2.6	298.4	7.6	45.7	694.4
May	239.3	217.8	21.2	0.3	101.9	1.6	99.4	0.9	3.0	0.4	2.6	301.7	7.7	48.8	702.4
June	325.0	303.7	21.1	0.2	105.4	4.8	99.7	0.8	3.2	0.6	2.6	288.4	7.8	49.8	779.7
July	338.2	316.9	21.1	0.2	87.8	1.1	85.9	0.8	4.8	2.1	2.8	292.5	8.0	51.9	783.3
Aug.	339.9	318.5	21.1	0.2	88.1	0.9	86.3	0.9	4.8	2.0	2.8	290.4	8.0	56.9	788.1
Sep.	326.8	305.5	21.1	0.2	82.7	1.0	81.0	0.7	4.8	2.0	2.8	288.0	8.0	52.1	762.4
Oct.	326.6	305.3	21.1	0.2	73.3	0.9	71.7	0.7	4.8	1.9	2.9	297.9	8.1	51.7	762.3
Nov.	322.2	300.7	21.1	0.4	78.0	1.0	76.3	0.6	4.8	1.9	2.9	305.1	8.1	53.4	771.5
Dec.	225.1	204.5	20.4	0.1	87.8	1.1	86.2	0.5	5.5	1.8	3.7	317.2	7.9	49.4	692.9
1999 Jan.	451.0	430.4	20.4	0.2	89.2	1.3	87.3	0.6	8.2	4.1	4.1	416.8	9.5	56.9	1,031.5
Feb.	504.5	483.9	20.4	0.2	90.7	1.5	88.6	0.5	8.3	4.2	4.1	364.6	9.5	56.6	1,034.3
Mar.	513.1	492.5	20.4	0.2	93.9	1.5	91.8	0.6	8.4	4.2	4.1	425.7	9.4	52.2	1,102.7
Apr.	486.4	465.8	20.4	0.2	93.1	1.2	91.2	0.7	8.4	4.3	4.1	435.0	9.7	52.7	1,085.4
May [(p)]	415.4	394.8	20.4	0.2	93.1	1.6	90.8	0.7	8.7	4.5	4.2	391.7	9.7	56.9	975.5

2. Liabilities

											Total
	Currency in circulation	Deposits of euro area residents	MFIs	Central government	Other general government/ other euro area residents	Money market paper	Debt securities issued	Capital and reserves	External liabilities [3]	Remaining liabilities	
	1	2	3	4	5	6	7	8	9	10	11
1998 Jan.	339.9	136.3	83.4	50.7	2.2	13.9	16.3	109.2	16.1	62.3	694.0
Feb.	339.9	159.2	93.7	61.5	4.0	13.3	16.5	107.4	15.1	63.7	715.1
Mar.	340.5	137.9	88.4	46.8	2.7	11.3	17.2	106.6	15.3	66.3	695.1
Apr.	343.8	131.3	84.8	44.3	2.2	12.0	16.9	105.6	16.4	68.4	694.4
May	346.1	141.8	90.9	47.0	4.0	13.1	15.3	105.3	15.9	64.8	702.4
June	345.4	208.0	149.3	54.2	4.5	13.5	14.1	113.4	20.8	64.4	779.7
July	350.4	199.9	132.8	64.0	3.0	13.9	14.3	112.1	24.0	68.8	783.3
Aug.	344.6	208.8	135.5	69.7	3.5	12.4	13.5	112.0	21.6	75.1	788.1
Sep.	341.5	195.9	124.4	67.1	4.5	11.2	12.8	108.2	23.2	69.7	762.4
Oct.	342.3	198.2	129.2	64.7	4.3	11.7	11.8	108.5	22.6	67.2	762.3
Nov.	344.1	210.5	147.3	56.8	6.4	12.5	11.6	105.1	20.0	67.8	771.5
Dec.	359.1	146.9	89.0	55.0	2.9	7.2	6.7	97.1	18.6	57.4	692.9
1999 Jan.	343.8	383.2	326.7	50.3	6.2	6.3	5.3	125.7	99.3	67.8	1,031.5
Feb.	342.4	451.5	389.8	55.0	6.7	6.3	5.3	122.9	49.9	56.0	1,034.3
Mar.	348.3	454.3	391.4	55.1	7.9	4.9	5.3	137.9	97.7	54.3	1,102.7
Apr.	349.6	432.0	386.8	38.8	6.4	4.9	5.3	138.9	104.8	50.0	1,085.4
May [(p)]	352.9	358.8	308.9	42.5	7.4	4.9	5.3	137.5	60.9	55.3	975.5

Source: ECB.

1) The ECB was established on 1 June 1998. The data shown for the Eurosystem relate to the ECB (as from June 1998) and the national central banks of Member States in the euro area.
2) Data have been revised in the light of new information.
3) From January 1999 including temporary gross positions of the Eurosystem with the national central banks of Member States not participating in the euro area related to the operation of the TARGET system. These positions amounted to approximatively EUR 75 billion at end-January, EUR 27 billion at end-February, EUR 77 billion at end-March, EUR 84 billion at end-April and EUR 40 billion at end-May.

Table 2.2

Aggregated balance sheet of the euro area MFIs, excluding the Eurosystem [1]

(EUR billions (not seasonally adjusted; end of period))

1. Assets

		Loans to euro area residents	MFIs	General govern- ment	Other euro area residents	Holdings of securities other than shares issued by euro area residents	MFIs	General govern- ment	Other euro area residents	Money market paper	Holdings of shares/ other equity issued by euro area residents	MFIs	Other euro area residents	External assets	Fixed assets	Re- maining assets	Total
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1998	Jan.	8,501.3	2,974.4	806.4	4,720.6	1,911.0	648.2	1,074.0	188.9	104.8	351.2	102.2	249.0	1,597.3	236.4	826.4	13,528.4
	Feb.	8,538.7	2,986.8	807.9	4,744.0	1,932.1	651.8	1,086.2	194.1	106.3	363.7	106.6	257.1	1,623.6	236.7	831.4	13,632.5
	Mar.	8,561.6	2,979.8	806.0	4,775.8	1,957.2	654.9	1,103.7	198.6	105.1	384.4	110.9	273.5	1,676.7	238.0	811.3	13,734.4
	Apr.	8,617.1	2,999.7	810.9	4,806.5	1,978.1	664.3	1,114.8	199.1	105.7	396.1	114.0	282.1	1,634.0	238.2	830.8	13,800.1
	May	8,618.2	2,994.0	799.7	4,824.4	2,000.0	670.8	1,126.5	202.7	105.7	404.0	116.4	287.7	1,632.9	247.0	845.6	13,853.4
	June	8,752.6	3,070.5	805.8	4,876.4	2,014.5	681.3	1,137.6	195.5	104.1	401.0	118.2	282.8	1,674.8	240.2	736.3	13,923.5
	July	8,732.2	3,013.6	801.4	4,917.0	2,035.7	697.5	1,137.2	201.0	104.0	392.2	117.2	275.1	1,632.7	235.3	779.7	13,911.9
	Aug.	8,756.1	3,035.8	803.9	4,916.4	2,041.4	703.8	1,136.1	201.6	103.7	386.4	118.2	268.3	1,641.1	236.3	768.9	13,933.9
	Sep.	8,820.5	3,049.0	806.9	4,964.6	2,047.5	709.6	1,135.8	202.2	102.2	379.7	109.6	270.1	1,624.9	237.0	782.1	13,993.9
	Oct.	8,943.6	3,131.9	812.8	4,998.9	2,070.4	709.9	1,154.6	205.9	101.9	386.8	115.7	271.1	1,621.2	239.0	782.1	14,145.0
	Nov.	9,072.1	3,209.2	819.6	5,043.3	2,071.8	719.4	1,151.8	200.6	108.9	401.2	116.7	284.5	1,666.1	241.2	795.2	14,356.6
	Dec.	9,047.7	3,130.2	821.3	5,096.2	2,031.9	731.1	1,107.3	193.6	101.5	423.0	121.8	301.2	1,587.6	243.3	795.0	14,230.1
1999	Jan.	9,266.9	3,344.5	821.2	5,101.1	2,060.0	738.6	1,115.0	206.3	103.8	431.5	102.0	329.5	1,631.5	244.0	947.5	14,685.2
	Feb.	9,164.8	3,233.0	821.7	5,110.1	2,075.7	746.6	1,126.2	202.8	108.2	442.6	107.7	334.9	1,586.9	242.9	967.2	14,588.2
	Mar.	9,218.6	3,235.6	818.7	5,164.3	2,082.0	762.5	1,122.8	196.7	95.4	468.9	114.5	354.5	1,640.9	243.7	895.0	14,644.5
	Apr.	9,265.5	3,266.3	811.5	5,187.8	2,098.3	776.0	1,121.2	201.2	101.2	482.0	114.1	367.9	1,629.1	245.4	865.6	14,687.2
	May [(p)]	9,279.2	3,243.2	810.0	5,226.0	2,135.9	789.8	1,138.2	207.9	95.7	498.1	115.4	382.7	1,613.8	246.5	859.9	14,729.1

2. Liabilities

		Currency in circulation	Deposits of euro area residents	MFIs	Central govern- ment	Other general govern- ment/ other euro area residents	Over- night	With agreed maturity	Redeem- able at notice	Repur- chase agree- ments	Money market fund shares/ units	Debt securities issued	Money market paper	Capital and reserves	External liabilities	Re- maining liabilities	Total
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1998	Jan.	0.4	7,782.1	3,029.5	95.9	4,656.6	1,179.8	1,917.8	1,341.8	217.1	253.7	1,946.6	145.2	690.8	1,436.0	1,273.7	13,528.4
	Feb.	0.4	7,829.7	3,066.1	98.4	4,665.2	1,181.7	1,922.1	1,345.1	216.3	255.7	1,969.9	147.2	696.0	1,469.8	1,263.9	13,632.5
	Mar.	0.4	7,836.4	3,077.0	92.8	4,666.7	1,210.8	1,897.2	1,346.4	212.2	255.5	1,987.2	149.5	710.3	1,521.2	1,273.7	13,734.4
	Apr.	0.4	7,867.3	3,079.7	97.2	4,690.3	1,225.4	1,912.4	1,346.0	206.6	258.3	2,001.5	156.3	702.6	1,492.4	1,321.3	13,800.1
	May	0.4	7,890.0	3,092.8	88.2	4,709.0	1,242.3	1,910.6	1,347.9	208.2	261.2	2,013.3	150.9	712.2	1,485.2	1,340.2	13,853.4
	June	0.4	7,999.4	3,174.8	94.0	4,730.5	1,289.8	1,890.8	1,346.5	203.4	259.8	2,042.4	145.9	718.7	1,496.1	1,260.8	13,923.5
	July	0.4	7,961.8	3,163.3	92.4	4,706.1	1,250.8	1,893.9	1,345.9	215.5	259.8	2,063.1	152.8	720.1	1,472.9	1,281.2	13,911.9
	Aug.	0.4	7,982.1	3,183.7	95.4	4,702.9	1,241.8	1,905.4	1,347.6	208.2	264.7	2,074.7	152.9	720.1	1,475.8	1,263.3	13,933.9
	Sep.	0.4	8,013.6	3,212.6	96.3	4,704.7	1,260.9	1,889.5	1,346.6	207.7	260.3	2,074.8	153.2	718.4	1,484.9	1,288.4	13,993.9
	Oct.	0.4	8,105.1	3,285.9	97.0	4,722.2	1,266.2	1,887.8	1,349.8	218.3	258.4	2,077.7	160.2	722.5	1,532.4	1,288.3	14,145.0
	Nov.	0.4	8,213.4	3,370.6	98.2	4,744.6	1,306.2	1,887.6	1,352.5	198.3	259.6	2,093.6	168.6	724.3	1,600.1	1,296.6	14,356.6
	Dec.	0.4	8,233.8	3,283.0	101.3	4,849.5	1,379.1	1,907.0	1,385.4	178.0	241.1	2,091.0	165.3	727.5	1,516.1	1,254.9	14,230.1
1999	Jan.	0.4	8,369.3	3,427.0	87.5	4,854.8	1,399.7	1,972.7	1,309.8	172.5	272.0	2,125.5	174.1	738.2	1,601.6	1,404.2	14,685.2
	Feb.	0.4	8,270.6	3,339.4	91.2	4,840.0	1,372.9	1,970.0	1,312.5	184.7	286.5	2,150.8	179.1	742.9	1,600.8	1,357.0	14,588.2
	Mar.	0.5	8,314.0	3,372.4	85.8	4,855.9	1,384.0	1,982.7	1,309.7	179.6	279.7	2,175.9	178.5	749.6	1,618.8	1,327.6	14,644.5
	Apr.	0.5	8,317.2	3,364.5	84.7	4,868.1	1,402.0	1,980.2	1,313.0	172.9	297.4	2,206.3	187.5	759.7	1,634.2	1,284.4	14,687.2
	May [(p)]	0.5	8,340.1	3,364.0	85.5	4,890.6	1,433.7	1,970.8	1,312.4	173.8	296.3	2,229.4	188.3	767.9	1,660.7	1,245.9	14,729.1

Source: ECB.
1) *Data have been revised in the light of new information.*

Table 2.3

Consolidated balance sheet of the euro area MFIs, including the Eurosystem [1] [2]

(EUR billions (not seasonally adjusted; end of period))

1. Assets: levels outstanding

		Loans to euro area residents	General government	Other euro area residents	Holdings of securities other than shares issued by euro area residents	General government	Other euro area residents	Holdings of shares/other equity issued by other euro area residents	External assets [4]	Fixed assets	Remaining assets	Total
		1	2	3	4	5	6	7	8	9	10	11
1998	Jan.	5,548.5	827.5	4,721.0	1,373.6	1,183.2	190.4	251.6	1,891.6	243.6	840.5	10,149.4
	Feb.	5,573.8	829.1	4,744.7	1,387.6	1,192.0	195.6	259.6	1,918.2	244.0	847.1	10,230.3
	Mar.	5,603.2	827.2	4,776.0	1,407.7	1,207.9	199.8	276.1	1,970.7	245.5	823.5	10,326.7
	Apr.	5,639.0	832.1	4,806.9	1,414.9	1,215.0	199.9	284.7	1,932.4	245.8	847.0	10,363.9
	May	5,645.6	820.9	4,824.7	1,429.4	1,225.9	203.5	290.3	1,934.6	254.7	865.1	10,419.7
	June	5,703.4	826.9	4,876.6	1,433.7	1,237.3	196.4	285.4	1,963.3	248.0	755.8	10,389.6
	July	5,739.7	822.5	4,917.2	1,424.9	1,223.1	201.8	277.9	1,925.2	243.3	801.4	10,412.5
	Aug.	5,741.6	825.0	4,916.7	1,424.8	1,222.4	202.4	271.1	1,931.5	244.3	795.6	10,408.9
	Sep.	5,792.8	828.0	4,964.8	1,419.6	1,216.7	202.9	272.9	1,912.9	245.0	804.2	10,447.5
	Oct.	5,833.1	833.9	4,999.1	1,432.9	1,226.3	206.6	273.9	1,919.1	247.1	804.4	10,510.4
	Nov.	5,884.4	840.7	5,043.7	1,429.4	1,228.1	201.3	287.4	1,971.2	249.3	818.3	10,640.1
	Dec.	5,938.0	841.6	5,096.4	1,387.6	1,193.5	194.1	304.9	1,904.8	251.2	808.7	10,595.2
1999	Jan.	5,942.9	841.7	5,101.3	1,409.2	1,202.3	206.9	333.6	2,048.3	253.5	973.8	10,961.3
	Feb.	5,952.4	842.2	5,110.3	1,418.2	1,214.9	203.3	339.0	1,951.5	252.3	994.0	10,907.5
	Mar.	6,003.6	839.1	5,164.5	1,411.9	1,214.7	197.2	358.6	2,066.6	253.1	916.2	11,010.0
	Apr.	6,019.8	831.9	5,187.9	1,414.2	1,212.3	201.9	372.1	2,064.1	255.1	888.1	11,013.5
	May [(p)]	6,056.7	830.4	5,226.2	1,437.6	1,229.0	208.6	386.9	2,005.5	256.2	885.0	11,027.8

2. Liabilities: levels outstanding

		Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Overnight	With agreed maturity	Redeemable at notice	Repurchase agreements	Money market fund shares/ units and money market paper	Debt securities issued	Capital and reserves	External liabilities [4]	Remaining liabilities	Excess of inter-MFI liabilities	Total
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	Jan.	311.4	146.6	4,658.8	1,182.1	1,917.8	1,341.8	217.1	308.0	1,313.8	697.5	1,452.0	1,336.0	-74.8	10,149.4
	Feb.	311.7	160.0	4,669.2	1,185.6	1,922.1	1,345.1	216.3	309.8	1,333.7	696.5	1,484.9	1,327.6	-62.9	10,230.3
	Mar.	311.8	139.6	4,669.4	1,213.6	1,897.2	1,346.4	212.2	311.2	1,348.3	705.7	1,536.6	1,340.0	-35.8	10,326.7
	Apr.	314.8	141.6	4,692.5	1,227.5	1,912.4	1,346.0	206.6	320.9	1,352.7	693.8	1,508.8	1,389.7	-50.8	10,363.9
	May	317.2	135.1	4,713.0	1,246.3	1,910.6	1,347.9	208.2	319.4	1,356.3	700.8	1,501.2	1,405.0	-28.2	10,419.7
	June	315.5	148.2	4,735.0	1,294.3	1,890.8	1,346.5	203.4	315.1	1,370.3	713.4	1,516.9	1,325.2	-50.1	10,389.6
	July	320.6	156.4	4,709.1	1,253.8	1,893.9	1,345.9	215.5	322.3	1,378.7	713.1	1,496.9	1,349.9	-34.6	10,412.5
	Aug.	314.9	165.2	4,706.4	1,245.3	1,905.4	1,347.6	208.2	326.2	1,383.4	712.0	1,497.4	1,338.4	-35.1	10,408.9
	Sep.	311.9	163.3	4,709.2	1,265.4	1,889.5	1,346.6	207.7	322.5	1,377.0	715.0	1,508.1	1,358.1	-17.6	10,447.5
	Oct.	313.4	161.7	4,726.5	1,270.5	1,887.8	1,349.8	218.3	328.5	1,378.6	713.3	1,555.0	1,355.5	-22.2	10,510.4
	Nov.	314.3	155.0	4,751.0	1,312.5	1,887.6	1,352.5	198.4	331.8	1,384.8	710.7	1,620.1	1,364.4	8.0	10,640.1
	Dec.	323.8	156.3	4,852.4	1,382.1	1,907.0	1,385.4	178.0	312.0	1,365.5	701.0	1,534.7	1,312.3	37.2	10,595.2
1999	Jan.	313.6	137.9	4,861.0	1,405.9	1,972.7	1,309.8	172.5	348.5	1,390.8	757.9	1,700.9	1,472.0	-21.3	10,961.3
	Feb.	313.0	146.2	4,846.8	1,379.6	1,970.0	1,312.5	184.7	363.8	1,408.0	753.9	1,650.7	1,413.0	12.2	10,907.5
	Mar.	317.8	140.8	4,863.8	1,391.8	1,982.7	1,309.7	179.6	367.6	1,417.2	768.8	1,716.5	1,381.9	35.7	11,010.0
	Apr.	319.9	123.5	4,874.4	1,408.3	1,980.2	1,313.0	173.0	388.5	1,434.5	780.2	1,738.9	1,334.4	19.2	11,013.5
	May [(p)]	321.6	128.0	4,898.1	1,441.0	1,970.8	1,312.4	173.8	393.7	1,443.3	785.5	1,721.5	1,301.2	35.0	11,027.8

Source: ECB.

1) The ECB was established on 1 June 1998. The data shown for the Eurosystem relate to the ECB (as from June 1998) and the national central banks of Member States in the euro area.
2) Data have been revised in the light of new information.
3) Calculated from monthly differences in levels adjusted for reclassifications, other revaluations, exchange rate variations and any other changes which do not arise from transactions.
4) From January 1999 including temporary gross positions of the Eurosystem with the national central banks of Member States not participating in the euro area related to the operation of the TARGET system. These positions amounted to approximatively EUR 75 billion at end-January, EUR 27 billion at end-February, EUR 77 billion at end-March, EUR 84 billion at end-April and EUR 40 billion at end-May.

(EUR billions (not seasonally adjusted))

3. Assets: flows [3]

		Loans to euro area residents	General government	Other euro area residents	Holdings of securities other than shares issued by euro area residents	General government	Other euro area residents	Holdings of shares/other equity issued by other euro area residents	External assets [4]	Fixed assets	Remaining assets	Total
		1	2	3	4	5	6	7	8	9	10	11
1998	Feb.	28.5	2.4	26.1	14.1	8.8	5.3	8.0	33.2	0.4	6.2	90.4
	Mar.	31.0	-1.9	32.9	19.2	15.1	4.2	16.5	40.5	1.5	-23.6	85.1
	Apr.	39.2	5.0	34.2	7.8	7.4	0.3	8.6	-6.5	0.3	23.2	72.6
	May	7.9	-11.1	19.0	14.7	11.0	3.7	5.6	14.9	9.0	17.9	69.9
	June	66.8	5.9	60.9	2.9	10.7	-7.8	-6.0	9.8	-6.7	-104.5	-37.8
	July	39.9	-4.3	44.1	-11.7	-17.3	5.6	-6.8	-17.2	-4.7	46.0	45.5
	Aug.	1.5	2.4	-0.9	-0.4	-0.9	0.5	-6.7	-3.1	1.0	-6.0	-13.7
	Sep.	57.7	3.3	54.4	-4.8	-5.6	0.8	1.9	46.9	0.6	8.4	110.8
	Oct.	40.1	5.9	34.3	12.0	8.5	3.5	0.9	-1.5	2.2	0.3	54.1
	Nov.	53.4	6.7	46.7	-3.7	1.7	-5.5	13.5	26.3	2.4	13.7	105.5
	Dec.	63.3	1.1	62.2	-40.9	-33.7	-7.2	17.4	-60.1	2.1	-9.2	-27.4
1999	Jan.	66.0	0.9	65.1	16.9	17.1	-0.2	9.7	112.2	-0.2	151.9	356.5
	Feb.	7.0	0.3	6.7	8.4	12.2	-3.9	5.5	-133.9	-1.2	20.2	-94.0
	Mar.	46.0	-3.7	49.8	9.7	8.0	1.7	19.3	66.2	0.8	-88.0	54.0
	Apr.	14.9	-8.8	23.7	3.2	-1.4	4.6	13.5	-17.8	2.0	-28.1	-12.4
	May [(p)]	35.9	-1.5	37.4	23.1	16.6	6.5	14.8	-70.8	1.0	-3.1	1.0

4. Liabilities: flows [3]

		Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Overnight	With agreed maturity	Redeemable at notice	Repurchase agreements	Money market fund shares/ units and money market paper	Debt securities issued	Capital and reserves	External liabilities [4]	Remaining liabilities	Excess of inter-MFI liabilities	Total
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	Feb.	0.4	13.3	10.9	3.7	4.7	3.2	-0.8	1.8	20.6	0.5	37.9	-7.6	12.6	90.4
	Mar.	0.0	-20.4	-0.9	27.5	-25.6	1.3	-4.1	1.3	14.7	12.5	42.5	8.1	27.2	85.1
	Apr.	3.0	2.0	25.8	14.8	16.9	-0.4	-5.6	10.1	8.2	-11.2	-3.8	53.6	-15.1	72.6
	May	2.4	-6.5	21.5	19.2	-1.2	1.9	1.6	-1.3	6.1	7.4	1.3	16.5	22.5	69.9
	June	-1.7	13.1	20.8	47.4	-20.4	-1.4	-4.8	-4.4	14.5	15.5	5.1	-77.6	-23.2	-37.8
	July	5.2	8.2	-23.8	-39.7	4.3	-0.6	12.1	7.4	11.5	-1.0	-4.0	25.0	17.0	45.5
	Aug.	-5.7	8.8	-3.7	-8.9	10.8	1.7	-7.3	3.8	3.1	-0.1	-7.5	-11.8	-0.5	-13.7
	Sep.	-3.1	-1.8	8.9	22.2	-12.1	-0.8	-0.4	-3.0	0.0	4.0	62.4	26.0	17.3	110.8
	Oct.	1.5	-1.6	16.4	4.6	-2.1	3.2	10.6	6.0	-1.7	-1.4	43.0	-3.2	-4.8	54.1
	Nov.	0.9	-6.7	22.3	41.1	-1.6	2.6	-19.9	3.0	4.7	-1.9	42.7	10.3	30.3	105.5
	Dec.	9.5	1.3	103.8	70.1	21.3	32.9	-20.5	-19.2	-19.6	-10.2	-76.3	-46.5	29.8	-27.4
1999	Jan.	-9.4	-6.4	34.5	23.7	-2.4	14.6	-1.4	13.6	26.9	13.5	158.8	167.9	-42.8	356.5
	Feb.	-0.6	8.3	-24.3	-27.4	-11.5	2.5	12.1	14.9	13.6	-3.0	-83.3	-59.9	40.3	-94.0
	Mar.	4.8	-5.2	13.9	10.8	11.0	-2.9	-5.1	-0.4	11.5	14.2	39.2	-41.2	17.2	54.0
	Apr.	2.1	-17.4	9.4	16.1	-3.3	3.3	-6.7	20.3	16.0	11.8	9.2	-47.7	-16.2	-12.4
	May [(p)]	1.7	4.5	22.4	32.3	-10.1	-0.6	0.8	5.0	7.5	6.1	-29.6	-32.2	15.7	1.0

Table 2.4

Monetary aggregates [1] [2]

(EUR billions (not seasonally adjusted) and annual percentage changes, unless otherwise indicated)

1. Levels outstanding at the end of the period

		Currency in circulation	Overnight deposits	M1 Total	M1 Index, Dec. 98 =100 [3]	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	M2 Total	M2 Index, Dec. 98 =100 [3]	Repurchase agreements	Money market fund shares/ units and money market paper	Debt securities up to 2 years
		1	2	3	4	5	6	7	8	9	10	11
1998	Jan.	311.4	1,253.6	1,565.0	88.13	908.4	1,177.5	3,650.9	93.71	217.1	308.0	74.8
	Feb.	311.7	1,254.1	1,565.8	88.19	905.1	1,181.6	3,652.5	93.76	216.3	309.8	79.7
	Mar.	311.8	1,283.8	1,595.5	89.84	878.8	1,183.4	3,657.7	93.87	212.2	311.2	85.9
	Apr.	314.8	1,295.9	1,610.7	90.75	892.6	1,185.1	3,688.4	94.72	206.6	320.9	86.4
	May	317.2	1,313.0	1,630.2	91.87	888.8	1,189.2	3,708.3	95.25	208.2	319.4	88.7
	June	315.5	1,361.7	1,677.2	94.48	871.2	1,189.0	3,737.4	95.97	203.4	315.1	87.8
	July	320.6	1,321.7	1,642.3	92.56	872.5	1,189.7	3,704.6	95.17	215.5	322.3	93.5
	Aug.	314.9	1,312.6	1,627.5	91.71	879.3	1,192.9	3,699.7	95.02	208.2	326.2	88.9
	Sep.	311.9	1,331.3	1,643.2	92.71	864.6	1,192.9	3,700.7	95.18	207.7	322.5	81.2
	Oct.	313.4	1,335.3	1,648.6	92.99	867.0	1,196.4	3,712.0	95.45	218.3	328.5	84.6
	Nov.	314.3	1,377.0	1,691.3	95.35	870.9	1,198.9	3,761.1	96.67	198.4	331.8	81.8
	Dec.	323.8	1,449.4	1,773.2	100.00	884.8	1,231.1	3,889.1	100.00	178.0	312.0	68.5
1999	Jan.	313.6	1,473.8	1,787.3	100.83	881.2	1,247.1	3,915.6	100.60	172.5	348.5	55.5
	Feb.	313.0	1,443.8	1,756.8	99.05	867.4	1,251.4	3,875.7	99.51	184.7	363.8	57.3
	Mar.	317.8	1,454.0	1,771.8	99.81	876.2	1,249.2	3,897.2	99.99	179.6	367.6	48.9
	Apr.	317.8	1,454.0	1,771.8	100.93	876.2	1,249.2	3,897.2	100.46	179.6	367.6	48.9
	May (p)	321.6	1,501.5	1,823.1	102.66	861.3	1,257.5	3,941.9	101.08	173.8	393.7	59.8

2. Flows [4]

		Currency in circulation	Overnight deposits	M1 Total	M1 Annual percentage change [4]	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	M2 Total	M2 Annual percentage change [4]	Repurchase agreements	Money market fund shares/ units and money market paper	Debt securities up to 2 years
		1	2	3	4	5	6	7	8	9	10	11
1998	Feb.	0.4	0.7	1.1	8.3	-3.1	4.1	2.0	4.2	-0.8	1.8	4.9
	Mar.	0.0	29.3	29.3	8.8	-26.9	1.8	4.2	4.4	-4.1	1.3	6.2
	Apr.	3.0	13.0	16.1	10.3	15.0	1.8	32.9	5.1	-5.6	10.1	0.9
	May	2.4	17.5	19.9	10.1	-3.2	4.1	20.7	5.3	1.6	-1.3	2.5
	June	-1.7	48.1	46.4	9.6	-18.1	-0.2	28.1	5.3	-4.8	-4.4	-1.0
	July	5.2	-39.2	-34.1	8.2	2.3	0.7	-31.1	4.4	12.1	7.4	5.9
	Aug.	-5.7	-9.4	-15.2	8.2	6.3	3.2	-5.7	4.3	-7.3	3.8	-4.8
	Sep.	-3.1	20.8	17.8	7.8	-11.8	0.1	6.1	4.5	-0.4	-3.0	-7.1
	Oct.	1.5	3.5	5.0	7.9	2.1	3.5	10.6	4.4	10.6	6.0	3.1
	Nov.	0.9	40.9	41.8	8.2	2.8	2.5	47.1	4.9	-19.9	3.0	-2.9
	Dec.	9.5	72.9	82.4	9.4	15.4	31.9	129.7	5.9	-20.5	-19.2	-13.6
1999	Jan.	-9.4	24.2	14.8	14.4	-6.9	15.6	23.5	7.3	-1.4	13.6	-1.3
	Feb.	-0.6	-31.1	-31.7	12.3	-15.2	4.2	-42.6	6.1	12.1	14.9	1.3
	Mar.	4.8	8.8	13.6	11.1	7.5	-2.4	18.7	6.5	-5.1	-0.4	-1.8
	Apr.	2.1	17.7	19.8	11.2	-6.3	4.9	18.4	6.1	-6.7	20.3	1.7
	May (p)	1.7	29.0	30.7	11.7	-9.8	3.4	24.4	6.1	0.8	5.0	6.1

Source: ECB.

1) Monetary aggregates comprise monetary liabilities of MFIs and central government (Post Office, Treasury) vis-à-vis non-MFI euro area residents excluding central government.
2) Data have been revised in the light of new information.
3) Taking the December 1998 outstanding level (not seasonally adjusted) as 100, the index shows the cumulative product of changes from that date calculated from flows, as described in footnote 4. The percentage change in the index between any two dates corresponds to the change in the aggregate excluding such reclassifications, etc.
4) Calculated from monthly differences in levels adjusted for reclassifications, other revaluations, exchange rate variations and any other changes which do not arise from transactions.

Table 1

M3 Total	Index, Dec. 98 =100 [3]		Memo: Non-monetary liabilities of MFIs							
			Deposits	With agreed maturity over 2 years	Redeemable at notice over 3 months	Debt securities over 2 years	Capital and reserves	Total		
12	13	14	15	16	17	18	19	20		
4,250.9	95.38		1,227.7	1,010.0	217.7	1,239.0	697.5	3,164.2	1998	Jan.
4,258.3	95.56		1,235.2	1,017.7	217.5	1,254.0	696.5	3,185.7		Feb.
4,267.0	95.73		1,235.8	1,019.1	216.8	1,262.5	705.7	3,203.9		Mar.
4,302.4	96.59		1,235.2	1,020.5	214.7	1,266.2	693.8	3,195.2		Apr.
4,324.6	97.12		1,235.3	1,022.3	213.0	1,267.5	700.8	3,203.6		May
4,343.8	97.53		1,232.2	1,020.2	212.0	1,282.5	713.4	3,228.0		June
4,335.9	97.40		1,232.6	1,021.8	210.8	1,285.2	713.1	3,230.9		July
4,323.0	97.09		1,236.5	1,026.6	209.9	1,294.6	712.0	3,243.0		Aug.
4,312.1	96.99		1,234.7	1,025.3	209.3	1,295.8	715.0	3,245.5		Sep.
4,343.4	97.67		1,230.4	1,021.3	209.1	1,294.1	713.3	3,237.8		Oct.
4,373.1	98.28		1,226.7	1,017.2	209.5	1,302.9	710.7	3,240.3		Nov.
4,447.6	100.00		1,237.4	1,022.8	214.6	1,297.0	701.0	3,235.4		Dec.
4,492.1	100.77		1,215.4	1,092.3	123.1	1,335.3	757.9	3,308.6	1999	Jan.
4,481.4	100.45		1,225.2	1,103.3	121.8	1,350.6	753.9	3,329.7		Feb.
4,493.3	100.71		1,228.1	1,107.2	120.9	1,368.3	768.8	3,365.2		Mar.
4,493.3	101.46		1,228.1	1,107.2	120.9	1,368.3	768.8	3,365.2		Apr.
4,569.2	102.28		1,225.7	1,110.5	115.2	1,383.5	785.5	3,394.6		May (p)

Table 2

M3 Total	Annual percentage change [4]	3-month moving average (centered)	Memo: Non-monetary liabilities of MFIs							
			Deposits	With agreed maturity over 2 years	Redeemable at notice over 3 months	Debt securities over 2 years	Capital and reserves	Total		
12	13	14	15	16	17	18	19	20		
8.0	4.6	4.7	7.6	7.8	-0.2	15.6	0.5	23.7	1998	Feb.
7.6	4.7	4.9	0.5	1.2	-0.8	8.5	12.5	21.5		Mar.
38.3	5.2	5.0	-0.1	1.9	-2.0	7.2	-11.2	-4.1		Apr.
23.5	5.0	5.1	0.2	1.9	-1.7	3.6	7.4	11.2		May
18.0	4.9	4.9	-3.3	-2.3	-1.0	15.5	15.5	27.7		June
-5.6	4.8	4.7	0.7	1.9	-1.2	5.6	-1.0	5.3		July
-14.0	4.5	4.6	3.6	4.5	-0.9	7.9	-0.1	11.4		Aug.
-4.4	4.4	4.6	-0.9	-0.4	-0.6	7.1	4.0	10.2		Sep.
30.2	4.8	4.6	-4.4	-4.2	-0.2	-4.8	-1.4	-10.6		Oct.
27.3	4.6	4.7	-4.0	-4.4	0.4	7.6	-1.9	1.6		Nov.
76.5	4.7	5.0	11.4	5.9	5.5	-6.1	-10.2	-4.9		Dec.
34.3	5.6	5.2	3.7	4.7	-1.0	28.2	13.5	45.4	1999	Jan.
-14.2	5.1	5.3	2.4	3.7	-1.3	12.3	-3.0	11.7		Feb.
11.4	5.2	5.1	2.7	3.5	-0.8	13.3	14.2	30.2		Mar.
33.7	5.0	5.2	0.9	3.2	-2.2	14.3	11.8	27.1		Apr.
36.4	5.3	-	-3.9	-0.4	-3.5	1.3	6.1	3.5		May (p)

Table 2.4

Monetary aggregates [1] [2]

(EUR billions and percentage changes, unless otherwise indicated)

3. Seasonally adjusted levels

| | | M1 | | Other short term deposits [4] | | M2 | | Marketable instruments [5] | | M3 | |
		Total	Index [3]	Total		Total	Index [3]	Total		Total	Index [3]
		1	2	3	4	5	6	7	8	9	10
1998	Jan.	1,570.0	88.42	2,058.3		3,628.4	93.16	607.8		4,236.2	95.15
	Feb.	1,587.4	89.40	2,063.1		3,650.5	93.74	601.5		4,252.0	95.52
	Mar.	1,603.7	90.30	2,063.2		3,666.9	94.14	608.3		4,275.2	96.01
	Apr.	1,621.8	91.38	2,064.2		3,686.0	94.69	607.1		4,293.2	96.48
	May	1,628.6	91.78	2,070.1		3,698.7	95.03	603.1		4,301.8	96.71
	June	1,646.6	92.76	2,072.4		3,719.0	95.53	604.6		4,323.6	97.17
	July	1,644.6	92.69	2,070.2		3,714.8	95.46	624.4		4,339.2	97.57
	Aug.	1,652.6	93.12	2,074.9		3,727.5	95.77	610.4		4,337.9	97.52
	Sep.	1,660.4	93.68	2,076.6		3,736.9	96.15	610.9		4,347.8	97.89
	Oct.	1,672.0	94.31	2,078.0		3,750.0	96.46	632.0		4,382.1	98.63
	Nov.	1,684.0	94.94	2,094.5		3,778.5	97.15	615.5		4,394.0	98.85
	Dec.	1,701.0	95.93	2,106.4		3,807.4	97.93	591.1		4,398.5	99.00
1999	Jan.	1,787.9	100.87	2,099.8		3,887.7	99.92	585.6		4,473.3	100.45
	Feb.	1,774.6	100.05	2,095.5		3,870.1	99.40	602.0		4,472.1	100.34
	Mar.	1,784.8	100.55	2,124.9		3,909.7	100.34	596.4		4,506.1	101.09
	Apr.	1,802.8	101.54	2,110.5		3,913.3	100.41	608.3		4,521.5	101.34
	May [(p)]	1,818.9	102.42	2,114.8		3,933.7	100.91	614.0		4,547.7	101.90

4. Seasonally adjusted flows [6]

| | | M1 | | Other short term deposits [4] | | M2 | | Marketable instruments [5] | | M3 | |
		Total	Change on previous month (%)	Total	Change on previous month (%)	Total	Change on previous month (%)	Total	Change on previous month (%)	Total	Change on previous month (%)
		1	2	3	4	5	6	7	8	9	10
1998	Jan.	18.7	1.2	7.7	0.4	26.5	0.7	-0.2	0.0	26.3	0.4
	Feb.	17.5	1.1	5.1	0.2	22.6	0.6	-6.2	-1.0	16.4	0.4
	Mar.	16.0	1.0	-0.5	0.0	15.5	0.4	6.7	1.1	22.1	0.5
	Apr.	19.0	1.2	2.3	0.1	21.3	0.6	-0.4	-0.1	20.9	0.5
	May	7.1	0.4	6.4	0.3	13.5	0.4	-3.6	-0.6	9.9	0.2
	June	17.5	1.1	1.7	0.1	19.2	0.5	1.3	0.2	20.5	0.5
	July	-1.2	-0.1	-1.2	-0.1	-2.4	-0.1	20.4	3.4	17.9	0.4
	Aug.	7.6	0.5	4.3	0.2	11.9	0.3	-14.3	-2.3	-2.3	-0.1
	Sep.	9.9	0.6	4.7	0.2	14.6	0.4	1.9	0.3	16.4	0.4
	Oct.	11.2	0.7	1.1	0.1	12.3	0.3	20.8	3.4	33.2	0.8
	Nov.	11.1	0.7	15.5	0.7	26.6	0.7	-17.0	-2.7	9.5	0.2
	Dec.	17.5	1.0	13.1	0.6	30.6	0.8	-24.1	-3.9	6.5	0.1
1999	Jan.	87.5	5.1	-10.3	-0.5	77.2	2.0	-12.8	-2.2	64.5	1.5
	Feb.	-14.5	-0.8	-5.8	-0.3	-20.3	-0.5	15.6	2.7	-4.7	-0.1
	Mar.	8.8	0.5	27.9	1.3	36.8	0.9	-3.3	-0.6	33.4	0.7
	Apr.	17.6	1.0	-15.0	-0.7	2.6	0.1	8.5	1.4	11.0	0.2
	May [(p)]	15.7	0.9	3.8	0.2	19.5	0.5	5.4	0.9	24.8	0.5

Source: ECB.

1) *Monetary aggregates comprise monetary liabilities of MFIs and central government (Post Office, Treasury) vis-à-vis non-MFI euro area residents excluding central government.*
2) *Data have been revised in the light of new information.*
3) *Taking the December 1998 outstanding level (not seasonally adjusted) as 100, the index shows the cumulative product of changes from that date calculated from flows, as described in footnote 6. The percentage change in the index between any two dates corresponds to the change in the aggregate excluding such reclassifications, etc.*
4) *Other short term deposits comprise deposits with an agreed maturity of up to two years and deposits redeemable at notice of up to three months.*
5) *Marketable instruments comprise repurchase agreements, money market fund shares/units and money market paper together with debt securities issued with an original maturity of less than two years.*
6) *Calculated from monthly differences in levels adjusted for reclassifications, other revaluations, exchange rate variations and any other changes which do not arise from transactions.*

Table 2.5

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Outstanding MFI loans to households and non-financial corporations by type and maturity at issue

(EUR billions (not seasonally adjusted); end of period)

	Non-financial corpora-tions [1]	Up to 1 year	Over 1 and up to 5 years	Over 5 years	House-holds [1]	Consumer credit [2]			Lending for house purchase [2]			Non-profit institu-tions serving house-holds [1]
						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	10	11	12
1998 Dec.	2,277.2	813.4	321.3	1,142.6	2,483.1	84.9	128.2	199.9	28.2	48.6	1,409.9	37.2
1999 Mar. [(p)]	2,268.0	815.6	347.6	1,104.7	2,535.3	85.8	149.7	185.8	15.4	72.2	1,458.1	35.5

Source: ECB.
1) *Corresponding ESA 95 sector codes: non-financial corporations, S11; households, S14; non-profit institutions serving households, S15.*
2) *The definitions of consumer credit and lending for house purchase are not fully consistent across the euro area. Column 5 includes other lending to households.*

Table 2.4 – Technical note

Seasonal adjustment of the euro area monetary aggregates

Multiplicative versions of X-12-ARIMA (version 0.2.2[1]) and TRAMO/SEATS[2] (beta version, July 1998) are used. For technical reasons, the results of X-12-ARIMA are published as the official figures. Seasonal adjustment for monetary aggregates includes a day-of-the-week adjustment for some components of M2. The seasonal adjustment of M3 is carried out indirectly by aggregating the seasonally adjusted series of M1, M2 less M1, and M3 less M2 to fulfil the additivity constraint.

Seasonal factors are estimated for the index of adjusted stocks (Table 2.4.1). They are then applied to the levels expressed in EUR billions and to the adjustments due to reclassifications, other revaluations, etc, yielding seasonally adjusted values for the levels, the adjustments, and thus for the flows.

1 *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, 127-152, or "X-12-ARIMA Reference Manual Version 0.2.2", (December 1998), Time Series Staff, Bureau of the Census, Washington, D.C.*
2 *For details see Gomez, V. and Maravall, A. (1996), "Programs TRAMO and SEATS: Instructions for the User", Bank of Spain, Working Paper No. 9628, Madrid.*

Table 2.6

Currency analysis of certain liabilities and assets of the euro area MFIs [1]

(EUR billions (not seasonally adjusted; end of period))

Liabilities outstanding

1. Deposits placed by euro area residents

		MFIs							Non-MFIs							
		All curren-cies	Euro [2]	Other EU curren-cies	Other curren-cies	USD	JPY	CHF	Other	All curren-cies	Euro [2]	Other EU curren-cies	Other curren-cies	USD	JPY	CHF	Other
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1998	Dec.	3,370.9	2,978.6	43.2	349.4	244.8	27.2	51.2	26.5	5,008.0	4,863.2	19.5	125.4	90.0	13.1	13.2	9.1
1999	Mar. (p)	3,762.1	3,302.5	49.1	410.5	289.6	30.8	54.2	36.0	4,992.9	4,841.9	23.5	127.6	88.1	14.3	14.7	10.5

2. Deposits placed by non-residents of the euro area

		Banks [3]							Non-banks							
		All curren-cies	Euro [2]	Other EU curren-cies	Other curren-cies	USD	JPY	CHF	Other	All curren-cies	Euro [2]	Other EU curren-cies	Other curren-cies	USD	JPY	CHF	Other
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1998	Dec.	1,166.3	480.4	122.8	563.1	434.7	50.8	51.6	26.1	367.7	154.3	32.5	180.9	130.7	26.0	11.7	12.5
1999	Mar. (p)	1,290.2	556.7	136.0	597.4	464.8	47.3	54.7	30.7	421.1	177.0	38.0	206.2	150.3	29.0	12.7	14.2

3. Debt securities and money market paper issued by euro area MFIs

		Debt securities							Money market paper							
		All curren-cies	Euro [2]	Other EU curren-cies	Other curren-cies	USD	JPY	CHF	Other	All curren-cies	Euro [2]	Other EU curren-cies	Other curren-cies	USD	JPY	CHF	Other
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1998	Dec.	2,097.6	1,885.2	25.9	186.6	107.3	34.4	30.9	13.9	172.5	158.5	0.6	13.4	11.3	0.9	1.1	0.1
1999	Mar. (p)	2,177.9	1,977.3	25.7	174.9	105.6	26.7	28.2	14.4	183.3	167.6	0.8	15.0	12.8	0.8	1.3	0.2

Source: ECB.
1) *Data have been revised in the light of new information.*
2) *Including items expressed in the national denominations of the euro.*
3) *The term "banks" is used in this table to indicate institutions of a similar type to MFIs resident outside the euro area.*

Assets outstanding

4. Loans to euro area residents

		MFIs								Non-MFIs							
		All curren-cies	Euro [2]	Other EU curren-cies	Other curren-cies	USD	JPY	CHF	Other	All curren-cies	Euro [2]	Other EU curren-cies	Other curren-cies	USD	JPY	CHF	Other
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1998	Dec.	3,334.7	.	.	.	.	.	.	.	5,936.7	5,763.7	26.1	146.9	79.7	15.1	49.1	3.1
1999	Mar. [(p)]	3,728.1	.	.	.	.	.	.	.	6,005.5	5,803.8	28.8	172.8	93.9	18.6	53.9	6.5

5. Holdings of securities other than shares issued by euro area residents

		MFIs								Non-MFIs							
		All curren-cies	Euro [2]	Other EU curren-cies	Other curren-cies	USD	JPY	CHF	Other	All curren-cies	Euro [2]	Other EU curren-cies	Other curren-cies	USD	JPY	CHF	Other
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1998	Dec.	732.1	688.8	18.1	25.3	16.9	3.8	1.8	2.9	1,387.6	1,346.1	10.9	30.6	16.4	9.2	2.8	2.3
1999	Mar. [(p)]	761.2	728.7	6.4	26.1	18.9	3.9	1.2	2.1	1,418.1	1,376.0	9.7	32.3	18.0	10.9	2.5	0.9

6. Loans to non-residents of the euro area

		Banks [3]								Non-banks							
		All curren-cies	Euro [2]	Other EU curren-cies	Other curren-cies	USD	JPY	CHF	Other	All curren-cies	Euro [2]	Other EU curren-cies	Other curren-cies	USD	JPY	CHF	Other
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1998	Dec.	973.5	378.6	80.5	514.5	377.2	73.9	26.2	37.3	379.4	152.3	26.8	200.3	172.5	8.7	14.3	4.8
1999	Mar. [(p)]	974.6	431.3	86.7	456.6	328.6	60.8	26.0	41.3	376.2	135.0	29.9	211.4	184.0	7.5	14.5	5.4

7. Holdings of securities other than shares issued by non-residents of the euro area

		Banks [3]								Non-banks							
		All curren-cies	Euro [2]	Other EU curren-cies	Other curren-cies	USD	JPY	CHF	Other	All curren-cies	Euro [2]	Other EU curren-cies	Other curren-cies	USD	JPY	CHF	Other
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1998	Dec.	69.4	18.8	9.9	40.8	27.7	5.0	0.9	7.2	313.0	47.0	32.0	234.0	178.3	33.1	4.1	18.4
1999	Mar. [(p)]	80.1	18.8	15.1	46.2	32.6	5.0	0.9	7.8	400.8	51.9	34.1	314.9	253.5	30.9	4.5	26.1

3 Financial markets and interest rates in the euro area

Table 3.1

Money market interest rates[1]

(percentages per annum)[2]

	Euro area [3] [4]					United States [5]	Japan [5]
	Overnight deposits 1	1-month deposits 2	3-month deposits 3	6-month deposits 4	12-month deposits 5	3-month deposits 6	3-month deposits 7
1994	5.24	6.12	6.38	6.83	7.34	6.37	2.34
1995	5.62	5.57	5.49	5.62	5.42	5.44	0.50
1996	4.04	4.08	4.08	4.06	3.98	5.43	0.31
1997	3.98	3.94	4.01	4.05	4.15	5.62	0.36
1998	3.09	3.18	3.17	3.14	3.13	5.00	0.18
1998 June	3.76	3.88	3.84	3.85	3.91	5.59	0.43
July	3.77	3.74	3.80	3.82	3.85	5.56	0.34
Aug.	3.78	3.80	3.81	3.72	3.69	5.50	0.37
Sep.	3.81	3.73	3.73	3.64	3.55	5.20	0.12
Oct.	3.66	3.61	3.63	3.53	3.44	5.12	0.68
Nov.	3.40	3.62	3.51	3.43	3.36	5.12	0.68
Dec.	3.09	3.18	3.17	3.14	3.13	5.00	0.18
1999 Jan.	3.14	3.16	3.14	3.10	3.07	4.99	0.35
Feb.	3.12	3.13	3.09	3.04	3.03	5.00	0.38
Mar.	2.93	3.05	3.05	3.02	3.05	4.99	0.20
Apr.	2.71	2.69	2.70	2.70	2.76	4.97	0.18
May	2.55	2.57	2.58	2.60	2.68	4.98	0.12
June	2.56	2.61	2.63	2.68	2.84	5.17	0.10
1999 4 June	2.54	2.58	2.60	2.65	2.80	5.09	0.06
11	2.55	2.60	2.62	2.67	2.83	5.13	0.11
18	2.60	2.62	2.63	2.67	2.82	5.18	0.12
25	2.58	2.63	2.66	2.71	2.93	5.28	0.11

Euro area money market rates

(monthly)

——— 1-month rate ········ 3-month rate
——— 12-month rate

% p.a.
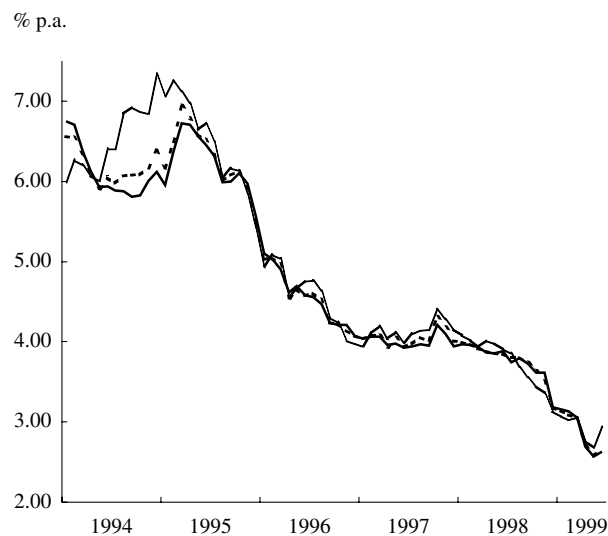
3-month money market rates

(monthly)

——— euro area ········ United States ——— Japan

% p.a.
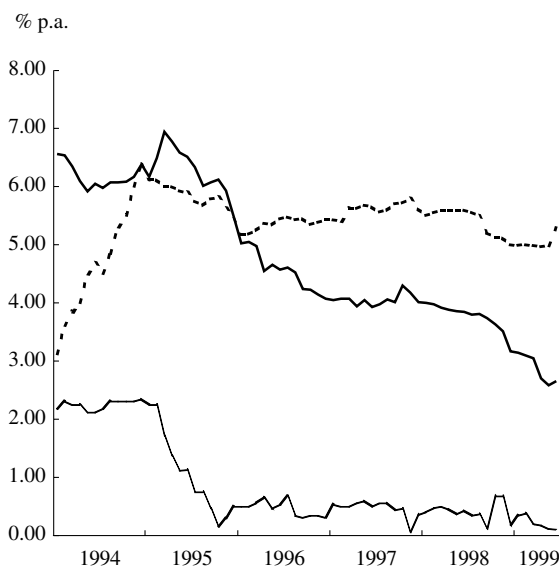
Sources: Reuters and ECB.
1) *Interbank deposit bid rates to December 1998; offered rates thereafter.*
2) *End-of-period rates to December 1998; period averages thereafter.*
3) *Before January 1999 synthetic euro area rates were calculated on the basis of national rates weighted by GDP.*
4) *From January 1999 column 1 shows the euro overnight interest average (EONIA); other euro area money market rates from January 1999 are euro interbank offered rates (EURIBOR).*
5) *From February 1999, London interbank offered rate (LIBOR).*

Table 3.2

Government bond yields [1]

(percentages per annum)

	Euro area [2]					United States	Japan
	2 years 1	3 years 2	5 years 3	7 years 4	10 years 5	10 years 6	10 years 7
1994	8.08	8.52	8.91	9.08	8.18	7.21	4.24
1995	5.69	5.97	6.48	7.06	8.73	6.69	3.32
1996	4.17	4.41	5.06	5.82	7.23	6.54	3.03
1997	4.33	4.51	4.87	5.20	5.99	6.45	2.15
1998	3.16	3.22	3.38	3.67	4.71	5.33	1.30
1998 June	4.08	4.24	4.50	4.73	4.91	5.58	1.22
July	4.04	4.16	4.41	4.62	4.82	5.53	1.36
Aug.	3.68	3.78	4.01	4.24	4.59	5.41	1.17
Sep.	3.55	3.58	3.77	3.98	4.27	4.87	0.88
Oct.	3.39	3.51	3.77	4.09	4.25	4.58	0.82
Nov.	3.33	3.44	3.62	3.90	4.24	4.89	0.89
Dec.	3.16	3.22	3.38	3.67	3.95	4.69	1.39
1999 Jan.	2.98	3.11	3.30	3.64	3.82	4.78	2.07
Feb.	3.05	3.19	3.43	3.78	3.98	4.99	2.09
Mar.	3.08	3.25	3.53	3.92	4.18	5.23	1.72
Apr.	2.83	3.00	3.31	3.70	4.04	5.18	1.55
May	2.82	3.00	3.37	3.81	4.21	5.54	1.36
June	3.09	3.34	3.77	4.20	4.53	5.90	1.60
1999 4 June	2.99	3.22	3.63	4.08	4.46	5.80	1.63
11	3.09	3.34	3.80	4.25	4.57	5.99	1.75
18	3.02	3.28	3.68	4.11	4.41	5.82	1.73
25	3.25	3.56	4.00	4.40	4.70	6.03	1.78

Euro area government bond yields
(monthly)

——— 3-year yield   - - - - 5-year yield
——— 7-year yield

10-year government bond yields
(monthly)

——— euro area   - - - - United States   ——— Japan
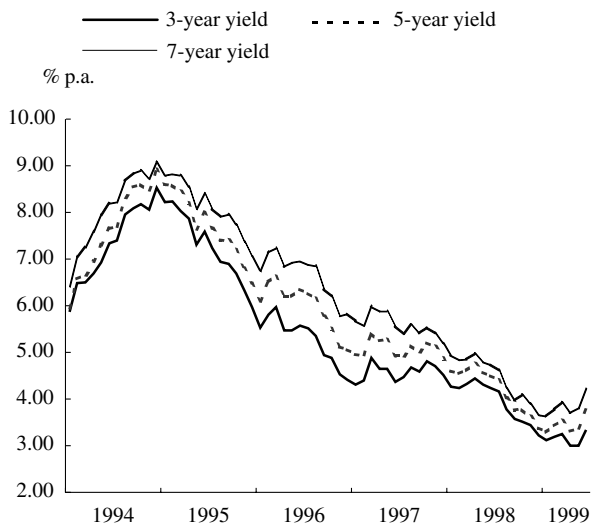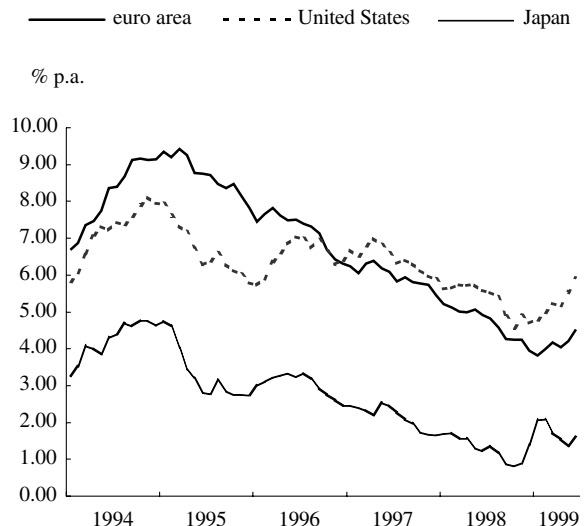
Sources: Reuters, ECB, Federal Reserve and Bank of Japan.
1) *To December 1998, 2, 3, 5, and 7-year euro area yields are end-of-period values and 10-year yields are period averages. Therafter, all yields are period averages.*
2) *To December 1998, euro area yields are calculated on the basis of harmonised national government bond yields weighted by GDP. Thereafter, the weights are the nominal outstanding amounts of government bonds in each maturity band.*

Table 3.3

Stock market indices

(index levels, in points) [1]

		Dow Jones EURO STOXX indices											United States	Japan
		Benchmark		**Main economic sector indices**										
		Broad	50	Basic materials	Consumer cyclical	Consumer non-cyclical	Energy	Financial	Conglom-erates	Industrial	Techno-logy	Utilities	Standard & Poor's 500	Nikkei 225
		1	2	3	4	5	6	7	8	9	10	11	12	13
1994		127.33	1,320.59	145.88	107.82	143.90	125.92	109.29	125.91	132.31	128.66	122.60	455.19	19,299.47
1995		138.37	1,506.82	137.78	111.06	181.13	145.46	117.66	133.05	136.18	145.57	152.09	614.57	19,417.95
1996		167.75	1,850.32	145.11	120.25	274.94	180.64	137.84	156.11	171.05	153.17	192.40	743.25	20,147.27
1997		229.86	2,531.99	166.33	159.82	324.06	249.22	188.87	210.33	204.75	248.37	225.11	962.37	15,917.07
1998		298.37	3,342.32	147.10	156.74	485.39	232.87	250.29	218.78	283.76	353.38	329.50	1,229.23	13,842.17
1998	June	311.58	3,406.82	198.55	204.62	430.65	275.47	270.69	244.59	299.67	387.80	294.99	1,108.39	15,231.29
	July	318.06	3,480.63	182.52	195.81	436.13	255.90	291.41	226.39	301.26	417.31	305.08	1,156.58	16,370.17
	Aug.	277.73	3,050.59	151.13	167.11	413.58	217.55	240.10	194.28	262.30	360.33	279.30	1,074.62	15,243.98
	Sep.	246.31	2,670.97	131.62	137.37	379.55	230.22	187.86	182.29	240.51	279.90	277.86	1,020.64	14,140.69
	Oct.	263.49	2,887.11	138.21	147.48	419.19	223.71	206.17	197.45	250.98	300.39	295.80	1,098.67	13,564.51
	Nov.	291.73	3,232.44	147.95	153.01	442.91	237.51	236.66	208.39	270.40	339.22	306.30	1,176.46	14,883.70
	Dec.	298.37	3,342.32	147.10	156.74	485.39	232.87	250.29	218.78	283.76	353.38	329.50	1,229.23	13,842.17
1999	Jan.	306.01	3,486.40	146.59	152.92	498.08	226.40	254.13	229.20	301.23	367.41	339.23	1,246.89	13,859.26
	Feb.	302.69	3,450.87	149.74	152.16	496.17	225.01	246.99	229.33	312.25	366.43	330.00	1,244.93	14,168.83
	Mar.	305.52	3,524.19	153.81	155.94	480.73	254.11	249.73	229.77	311.75	374.45	318.57	1,284.56	15,459.81
	Apr.	316.39	3,671.80	172.06	162.67	493.62	276.64	257.18	238.42	334.72	403.94	306.87	1,335.79	16,689.65
	May	317.05	3,669.07	176.93	167.47	482.10	291.29	253.77	257.12	344.94	413.34	300.15	1,330.72	16,533.26
	June	321.66	3,749.45	177.95	168.33	487.77	299.00	251.77	268.06	365.11	440.22	300.26	1,325.93	17,135.96
1999	4 June	315.96	3,671.42	169.38	167.27	491.71	294.04	250.07	262.63	357.08	414.78	296.33	1,327.75	16,300.75
	11	321.38	3,749.67	178.91	167.88	481.91	300.36	251.07	264.90	370.78	434.02	299.41	1,293.64	17,198.55
	18	326.91	3,822.89	181.87	168.98	489.23	310.13	258.30	267.85	367.47	452.66	302.93	1,342.84	17,431.26
	25	321.52	3,739.81	183.55	167.99	482.59	295.44	249.22	272.72	363.97	451.93	299.85	1,315.31	17,436.52

Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225 re-based

(base month: January 1994 = 100; monthly)
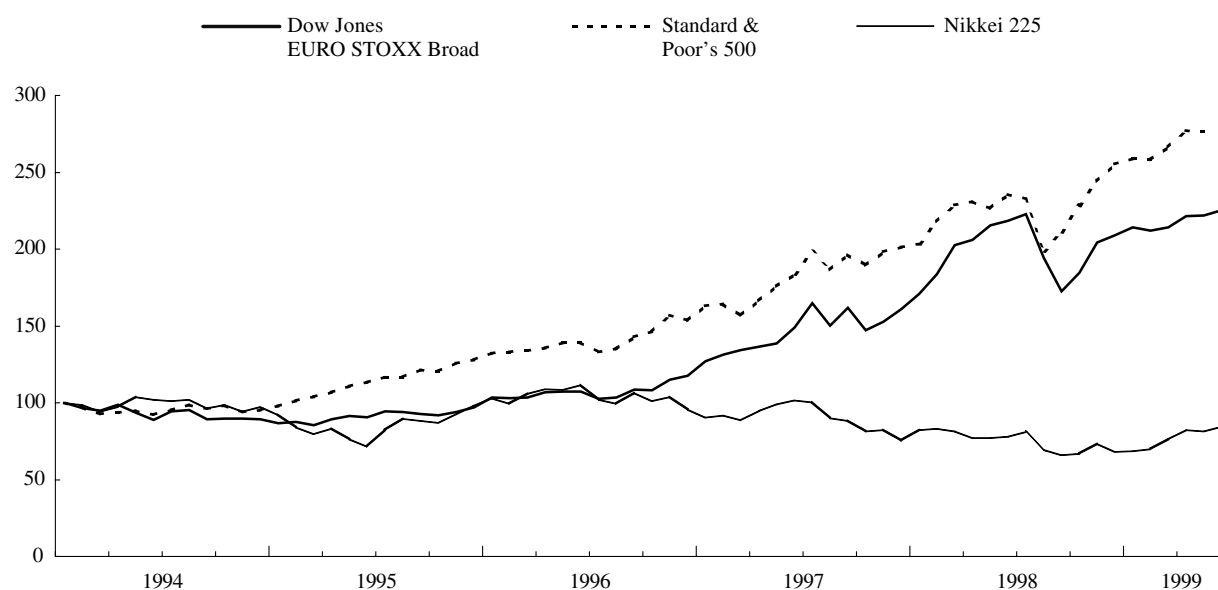
Source: Reuters.
1)   *End-of-period values to December 1998; period averages thereafter.*

Table 3.4

Retail bank interest rates

(percentages per annum; period averages)

		Deposit interest rates					Lending interest rates			
	Overnight	With agreed maturity			Redeemable at notice		To enterprises		To households	
		Up to 1 year	Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	Up to 1 year	Over 1 year	Consumer lending	For house purchase
	1	2	3	4	5	6	7	8	9	10
1996	1.94	4.09	4.69	5.04	3.05	3.16	8.85	.	11.56	7.44
1997	1.46	3.41	3.63	4.40	2.80	3.09	7.58	6.64	10.60	6.62
1998	1.10	3.20	3.22	4.06	2.61	3.25	6.73	5.80	10.04	5.87
1998 May	1.12	3.24	3.26	4.27	2.71	3.33	6.85	5.94	10.07	6.04
June	1.12	3.27	3.28	4.18	2.58	3.34	6.76	5.90	10.07	5.98
July	1.08	3.26	3.26	4.15	2.56	3.29	6.65	5.84	10.01	5.86
Aug.	1.05	3.23	3.24	4.05	2.55	3.30	6.60	5.77	10.02	5.79
Sep.	1.05	3.17	3.18	3.88	2.53	3.21	6.59	5.65	10.00	5.65
Oct.	1.04	3.12	3.13	3.74	2.49	3.14	6.51	5.52	9.79	5.48
Nov.	0.94	3.06	3.05	3.70	2.48	3.12	6.39	5.44	9.67	5.43
Dec.	0.87	2.81	2.81	3.56	2.44	3.03	6.21	5.12	9.61	5.28
1999 Jan.	0.79	2.67	2.67	3.42	2.36	2.86	6.01	5.03	9.59	5.10
Feb.	0.74	2.60	2.60	3.37	2.33	2.78	5.91	4.99	9.52	5.02
Mar.	0.73	2.57	2.56	3.37	2.30	2.79	5.83	4.98	9.49	5.06
Apr.	0.70	2.39	2.39	3.26	2.26	2.61	5.66	4.80	9.36	4.91
May	0.65	2.25	2.25	3.21	2.16	2.48	5.54	4.72	9.30	

Deposit interest rates
(monthly)

- overnight
- agreed maturity up to 1 year
- agreed maturity over 2 years

Lending interest rates
(monthly)

- up to 1 year to enterprises
- consumer lending
- to households for house purchase
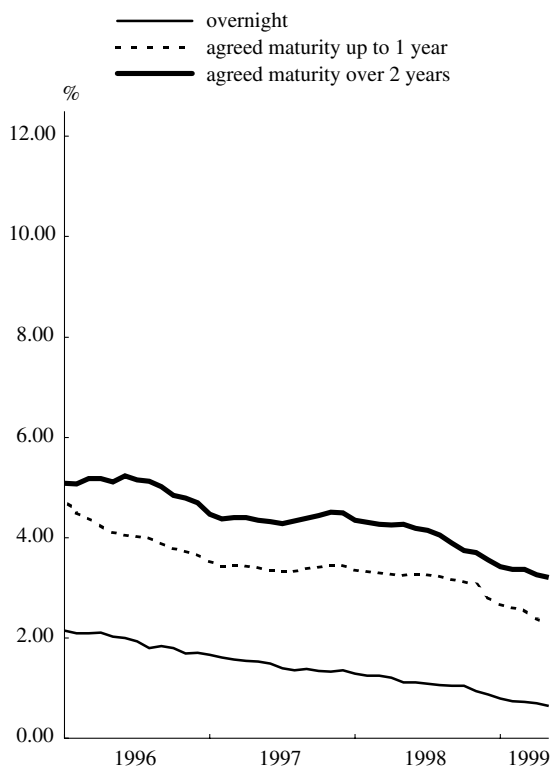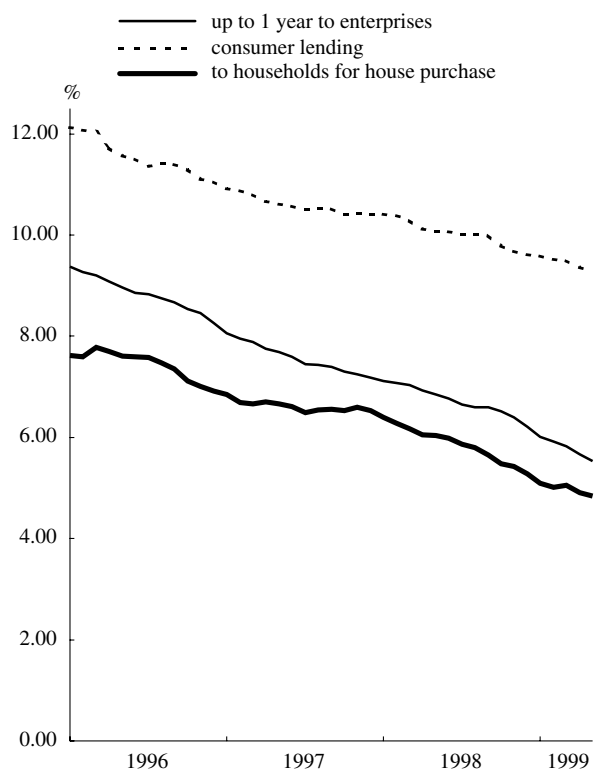
Source: ECB.

These euro area retail bank interest rates should be used with caution and for statistical purposes only, primarily to analyse their development over time rather than their level. They are calculated as the weighted average of national interest rates provided by the national central banks. The national rates represent those rates that are currently available from national sources and which are judged to fit the standard categories. These national rates have been aggregated to derive information for the euro area, in some cases relying on proxies and working assumptions due to the heterogeneity observed in the national financial instruments across MU Member States. Furthermore, the national interest rates are not harmonised in terms of their coverage (new business and/or outstanding amounts), the nature of the data (nominal or effective) or the compilation method. The country weights for the euro area retail bank interest rates are derived from MFI balance sheet statistics or close proxies. The weights reflect the country-specific proportions of the relevant instruments within the euro area, measured as outstanding amounts. The weights are adjusted monthly, so that interest rates and weights always refer to the same month.

4 HICP and other prices in the euro area

		Total (index, 1996 = 100)	Total	Goods	Food [1]		Processed food [1]	Unprocessed food	Industrial goods	Non-energy industrial goods	Energy	Services
Weight in the total (%) [2]		100.0	100.0	63.7	22.4		13.4	9.0	41.3	32.5	8.8	36.3
		1	2	3	4		5	6	7	8	9	10
1995		97.9	2.5	.	2.4		2.5	2.4	1.6	1.7	1.4	3.4
1996		100.0	2.2	1.8	1.9		1.9	1.8	1.8	1.6	2.6	2.9
1997		101.6	1.6	1.1	1.4		1.4	1.4	1.0	0.5	2.8	2.4
1998		102.7	1.1	0.6	1.6		1.4	2.0	0.1	0.9	-2.6	2.0
1998	Q1	102.2	1.1	0.7	1.6		1.3	2.0	0.2	0.6	-1.4	2.0
	Q2	102.8	1.3	1.0	2.1		1.6	2.8	0.4	0.9	-1.4	2.0
	Q3	102.9	1.1	0.7	1.7		1.4	2.1	0.1	1.0	-3.2	2.0
	Q4	102.8	0.8	0.2	1.1		1.2	0.8	-0.2	0.9	-4.4	2.0
1999	Q1	103.1	0.8	0.3	1.3		1.2	1.4	-0.2	0.8	-3.8	1.7
1998	May	102.8	1.3	1.0	2.1		1.7	2.6	0.4	0.9	-1.4	2.0
	June	102.9	1.4	1.0	2.1		1.6	2.9	0.4	1.0	-1.7	2.0
	July	102.9	1.3	0.9	1.9		1.6	2.5	0.3	1.0	-1.9	2.0
	Aug.	102.9	1.1	0.6	1.9		1.5	2.4	0.0	1.0	-3.8	2.0
	Sep.	102.9	1.0	0.4	1.4		1.3	1.5	-0.1	1.0	-3.9	2.0
	Oct.	102.8	0.9	0.3	1.2		1.3	1.1	-0.1	1.0	-4.0	2.1
	Nov.	102.8	0.8	0.2	1.0		1.2	0.6	-0.2	0.9	-4.4	2.0
	Dec.	102.9	0.8	0.1	1.0		1.1	0.9	-0.4	0.9	-4.8	1.9
1999	Jan.	102.8	0.8	0.2	1.2		1.3	1.1	-0.3	0.8	-4.4	1.8
	Feb.	103.1	0.8	0.2	1.4		1.3	1.5	-0.4	0.7	-4.3	1.7
	Mar.	103.4	1.0	0.5	1.4		1.2	1.7	0.0	0.7	-2.8	1.8
	Apr.	103.7	1.1	0.8	1.2		1.2	1.2	0.6	0.6	0.3	1.7
	May	103.8	1.0	0.6	0.7		0.9	0.4	0.6	0.6	0.6	1.5
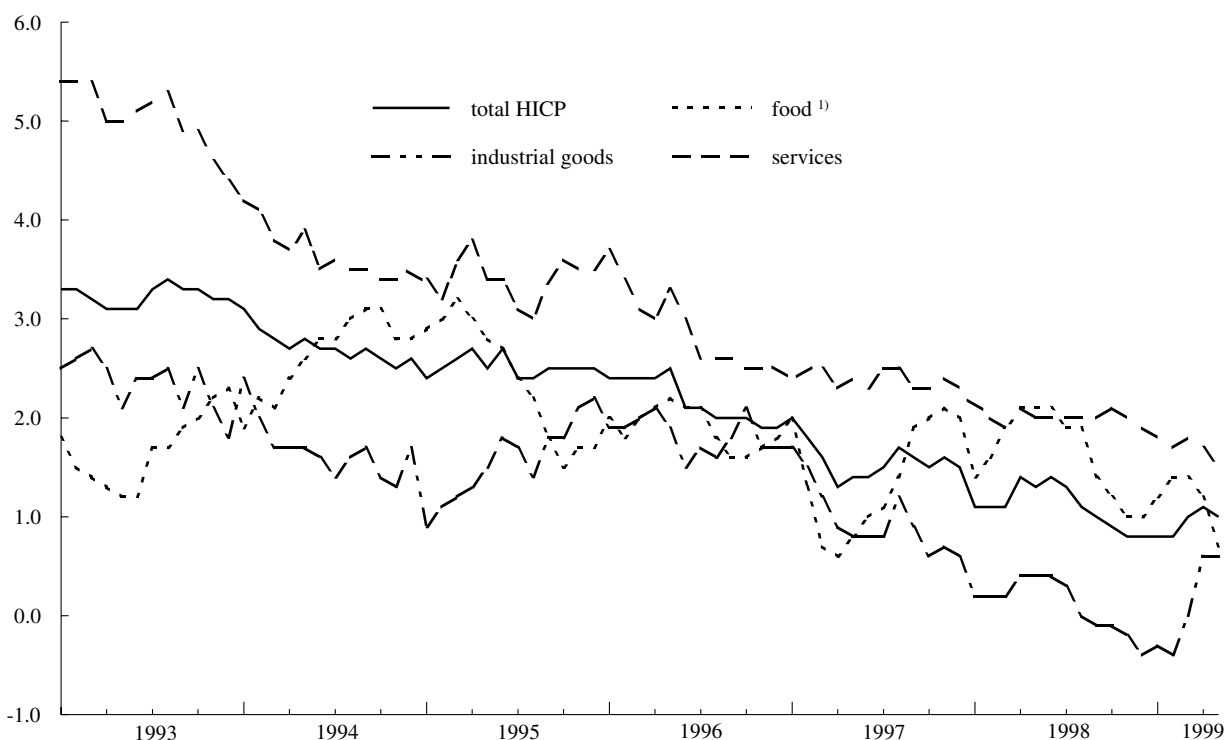
Source: Eurostat. Data before 1995 are estimates based on national definitions and are not fully comparable with HICPs starting in 1995.
1) Including alcoholic beverages and tobacco.
2) Referring to index period 1999.

Table 4.2   25*

Selected other price and cost indicators
(annual percentage changes, unless otherwise indicated)

1. Industry and commodity prices

| | Industrial producer prices | | | | | | | | | World market prices of raw materials [1] | |
	Total excluding construction (index, 1995 = 100)	Total excluding construction	Manu-facturing	Inter-mediate goods	Capital goods	Consumer goods	Durable consumer goods	Non-durable consumer goods	Con-struction [2]	Total	Total excluding energy
	1	2	3	4	5	6	7	8	9	10	11
1995	100.0	3.6	3.9	5.0	1.8	2.2	1.9	2.4	.	0.3	2.1
1996	100.4	0.4	1.0	-1.1	1.2	1.7	1.7	1.7	1.2	6.4	-6.9
1997	101.4	1.1	0.6	1.2	0.3	0.8	0.1	1.2	1.4	10.0	13.0
1998	100.6	-0.8	-0.7	-2.2	0.5	0.4	0.1	0.6	0.3	-21.2	-12.5
1998 Q2	101.0	-0.2	0.0	-1.1	0.5	0.6	0.1	0.8	0.4	-16.6	-10.7
Q3	100.4	-1.3	-1.1	-2.9	0.7	0.3	0.3	0.3	0.0	-24.3	-18.2
Q4	99.5	-2.3	-2.1	-4.5	0.3	-0.2	0.1	-0.3	0.3	-30.0	-20.5
1999 Q1	98.9	-2.5	-2.1	-4.7	0.2	0.0	0.2	-0.2	1.4	-17.5	-16.0
Q2	.	.	.	.	.	.	.	.	.	6.0	-8.3
1998 June	100.8	-0.5	-0.3	-1.5	0.5	0.6	0.2	0.8	-	-18.9	-13.3
July	100.6	-0.8	-0.6	-2.1	0.7	0.6	0.4	0.6	-	-21.1	-14.4
Aug.	100.4	-1.4	-1.2	-3.2	0.7	0.4	0.3	0.4	-	-26.3	-19.0
Sep.	100.2	-1.6	-1.5	-3.4	0.5	0.1	0.2	0.0	-	-25.4	-20.9
Oct.	99.8	-2.0	-1.9	-4.1	0.4	-0.1	0.1	-0.2	-	-30.6	-23.6
Nov.	99.4	-2.4	-2.2	-4.6	0.3	-0.2	0.1	-0.4	-	-28.6	-18.4
Dec.	99.1	-2.5	-2.3	-4.8	0.3	-0.1	0.2	-0.3	-	-30.8	-19.4
1999 Jan.	98.8	-2.7	-2.3	-5.0	0.2	-0.1	0.3	-0.3	-	-23.2	-17.2
Feb.	98.8	-2.7	-2.2	-4.9	0.2	-0.1	0.2	-0.1	-	-20.6	-16.1
Mar.	99.0	-2.3	-1.7	-4.3	0.2	-0.1	0.2	-0.2	-	-8.3	-14.7
Apr.	99.6	-1.6	-1.2	-3.3	0.3	.	0.2	.	-	0.3	-12.6
May	.	.	.	.	.	.	.	.	-	5.1	-7.7
June	.	.	.	.	.	.	.	.	-	13.0	-4.2

2. Deflators of gross domestic product and indicators of labour costs

| | Deflators of GDP [3] (s.a.) | | | | | Unit labour costs in whole economy | Compensation per employee in whole economy | Earnings per employee in manufacturing |
	GDP (index, 1995 = 100)	GDP	Private consumption	Government consumption	Gross fixed capital formation			
	12	13	14	15	16	17	18	19
1995	100.0	2.8	2.6	3.0	2.1	1.6	3.6	3.7
1996	102.0	2.0	2.3	2.5	0.7	2.0	3.3	3.5
1997	103.4	1.4	1.8	2.1	1.0	0.6	2.5	3.0
1998	105.1	1.6	1.2	1.8	0.3	.	.	.
1996 Q2	101.8	2.2	2.6	2.3	0.7	2.3	3.3	3.2
Q3	102.2	1.8	2.3	2.2	0.4	1.9	3.2	3.6
Q4	102.7	1.6	2.1	2.3	0.2	1.4	2.8	2.8
1997 Q1	102.9	1.5	2.0	2.1	0.6	1.9	2.7	3.1
Q2	103.1	1.3	1.6	2.4	0.8	0.4	2.7	3.4
Q3	103.6	1.3	1.8	2.0	1.2	0.2	2.3	2.7
Q4	104.1	1.4	1.7	2.0	1.2	-0.1	2.1	2.8
1998 Q1	104.5	1.5	1.4	1.6	0.7	-2.0	0.9	2.2
Q2	104.8	1.6	1.4	1.6	0.4	-0.4	1.1	2.8
Q3	105.1	1.5	1.1	2.1	-0.2	-0.4	1.1	2.6
Q4	105.6	1.5	1.0	1.7	-0.4	.	.	.

Sources: Eurostat, except columns 10 and 11 (HWWA – Institut für Wirtschaftsforschung, Hamburg), columns 12 to 16 (ECB calculations based on deflators in national currency) and columns 17 to 19 (ECB calculations based on non-harmonised national data).
1) *To December 1998, in ECU; from January 1999, in euro.*
2) *Residential buildings, based on non-harmonised data.*
3) *Based partly on the ESA 95 and partly on the ESA 79.*

5 Real economy indicators in the euro area

Output and demand indicators

1. Gross domestic product and its components

(EUR billions (ECU billions to end-1998), seasonally adjusted, at 1995 prices)[1]

	GDP	Domestic demand	Private consumption	Government consumption	Gross fixed capital formation	Exports[2]	Imports[2]
	1	2	3	4	5	6	7
1995	5,280.6	5,178.8	2,990.2	1,084.6	1,076.0	1,549.6	1,447.7
1996	5,356.9	5,232.0	3,033.3	1,097.6	1,090.2	1,622.7	1,497.8
1997	5,486.8	5,340.5	3,084.9	1,100.5	1,121.7	1,775.2	1,628.8
1998	5,631.7	5,508.6	3,155.5	1,118.1	1,166.1	1,882.2	1,759.1
1998 Q1	1,397.6	1,367.9	783.5	279.7	289.7	464.4	434.7
Q2	1,405.7	1,372.9	785.5	280.5	288.2	474.7	441.9
Q3	1,412.2	1,378.8	790.4	279.6	293.5	476.2	442.8
Q4	1,416.3	1,389.1	796.2	278.3	294.7	466.9	439.7
1999 Q1	1,422.1	1,398.9	806.1	280.9	301.0	460.3	437.0

(annual percentage changes)[1]

	GDP	Domestic demand	Private consumption	Government consumption	Gross fixed capital formation	Exports[2]	Imports[2]
	8	9	10	11	12	13	14
1995	2.4	2.1	1.9	0.8	2.6	7.9	7.3
1996	1.4	1.0	1.4	1.2	1.3	4.7	3.5
1997	2.4	2.1	1.7	0.3	2.9	9.4	8.8
1998	2.6	3.1	2.3	1.6	4.0	6.0	8.0
1998 Q1	3.4	3.8	2.2	1.9	5.8	10.3	12.1
Q2	2.7	2.8	1.9	2.2	3.0	8.7	9.8
Q3	2.5	3.2	2.6	1.4	4.1	4.4	6.9
Q4	2.0	2.8	2.4	0.8	3.0	1.2	3.6
1999 Q1	1.8	2.3	2.9	0.4	3.9	-0.9	0.5

2. Selected other real economy indicators

(annual percentage changes, unless otherwise indicated)

	Industrial production[3]								Retail sales at constant prices	New passenger car registrations
	Total excluding construction (index (s.a.), 1995 = 100)	Total excluding construction	Manu-facturing	Intermediate goods	Capital goods	Durable consumer goods	Non-durable consumer goods	Construction		
	15	16	17	18	19	20	21	22	23	24
1995	100.0	3.4	3.5	.	.	.	.	-0.4	2.0	0.3
1996	100.4	0.4	0.1	-0.1	1.7	0.1	-0.2	-2.4	1.1	6.6
1997	104.8	4.4	5.0	5.4	4.8	2.8	2.6	-1.1	0.8	3.9
1998	109.0	4.0	4.5	3.9	6.6	6.3	1.4	-0.5	2.6	7.6
1998 Q1	108.6	6.5	7.5	7.6	9.0	7.5	1.8	3.9	2.8	12.8
Q2	109.2	4.7	5.3	4.7	7.2	6.9	2.5	-0.2	1.8	3.0
Q3	109.4	3.9	4.2	3.1	6.6	6.5	2.0	-1.5	2.8	7.4
Q4	108.9	1.2	1.1	0.3	3.8	4.4	-0.5	-3.4	3.0	7.5
1999 Q1	108.7	0.1	-0.3	-0.8	0.8	1.1	0.6	.	2.4	7.1
1998 May	109.7	7.0	7.9	6.5	10.4	11.0	4.3	2.6	1.9	6.1
June	109.0	3.5	4.0	3.7	5.3	5.6	1.8	-0.6	2.6	5.3
July	109.9	4.2	4.6	3.5	7.4	6.5	2.8	-0.4	3.5	7.2
Aug.	108.8	4.2	4.7	3.5	6.9	7.7	2.4	-0.6	2.4	7.1
Sep.	109.4	3.2	3.4	2.5	5.7	5.8	1.0	-3.1	2.6	7.9
Oct.	109.6	2.4	2.7	1.3	5.7	8.1	0.2	-3.6	1.8	1.2
Nov.	109.3	1.9	1.7	1.3	4.3	4.3	-0.1	-3.6	4.0	15.3
Dec.	107.7	-0.8	-1.4	-1.9	1.5	0.1	-1.8	-3.1	3.3	7.3
1999 Jan.	108.8	1.1	0.9	-0.4	3.9	3.3	0.8	1.8	0.0	5.1
Feb.	108.3	-0.6	-1.4	-1.5	0.2	0.8	-0.4	-2.2	1.5	5.6
Mar.	109.0	-0.1	-0.4	-0.4	-1.2	-0.5	1.5	.	5.6	10.0
Apr.	108.2	-0.7	-0.8	-1.6	1.0	-1.5	-0.3	.	1.6	11.2
May	.	.	.	.	.	.	.	.	.	7.9

Sources: Eurostat, except column 23 (ECB calculation based on non-harmonised national data) and column 24 (ACEA/A.A.A. – European Automobile Manufacturers' Association).
1)   *Components exclude changes in inventories. Based partly on the ESA 95 and partly on the ESA 79. The latest quarter is a first estimate.*
2)   *Exports and imports cover goods and services and include internal cross-border trade in the euro area.*
3)   *Adjusted for variations in the number of working days.*

Table 5.2

Labour market indicators

(seasonally adjusted)

	Employment				Unemployment [2]		Labour productivity	
	Whole economy [1]		Manufacturing		Millions	% of labour force	Whole economy [1] (annual percentage changes)	Manufacturing (annual percentage changes)
	Index, 1995 = 100	Annual percentage changes	Index, 1995 = 100	Annual percentage changes				
	1	2	3	4	5	6	7	8
1995	100.0	0.5	100.0	-1.1	14.382	11.4	1.9	4.7
1996	100.3	0.3	98.1	-1.9	14.808	11.6	1.3	2.1
1997	100.8	0.5	97.1	-1.0	14.902	11.6	1.9	6.1
1998	102.2	1.3	97.8	0.7	14.102	10.9	.	3.7
1998 Q1	101.5	1.1	97.6	0.6	14.460	11.2	3.1	6.9
Q2	101.9	1.2	97.9	1.0	14.197	11.0	1.5	4.3
Q3	102.4	1.4	97.9	0.9	13.996	10.9	1.4	3.3
Q4	102.8	1.6	97.8	0.4	13.756	10.7	.	0.6
1999 Q1	.	.	97.6	0.1	13.513	10.5	.	-0.4
1998 Apr.	-	-	97.8	0.8	14.275	11.1	-	3.3
May	-	-	97.9	1.0	14.209	11.0	-	6.8
June	-	-	98.0	1.0	14.107	10.9	-	3.0
July	-	-	97.9	0.9	14.044	10.9	-	3.7
Aug.	-	-	97.9	0.9	14.016	10.9	-	3.8
Sep.	-	-	97.9	0.8	13.927	10.8	-	2.6
Oct.	-	-	97.9	0.6	13.818	10.7	-	2.0
Nov.	-	-	97.7	0.4	13.730	10.7	-	1.3
Dec.	-	-	97.7	0.3	13.720	10.6	-	-1.7
1999 Jan.	-	-	97.8	0.3	13.565	10.5	-	0.6
Feb.	-	-	97.7	0.2	13.516	10.5	-	-1.6
Mar.	-	-	97.5	-0.2	13.458	10.5	-	-0.2
Apr.	-	-	.	.	13.419	10.4	-	.

Chart 5.3

Opinion surveys

Consumer and industrial confidence indicators
(percentage balances; monthly, seasonally adjusted)
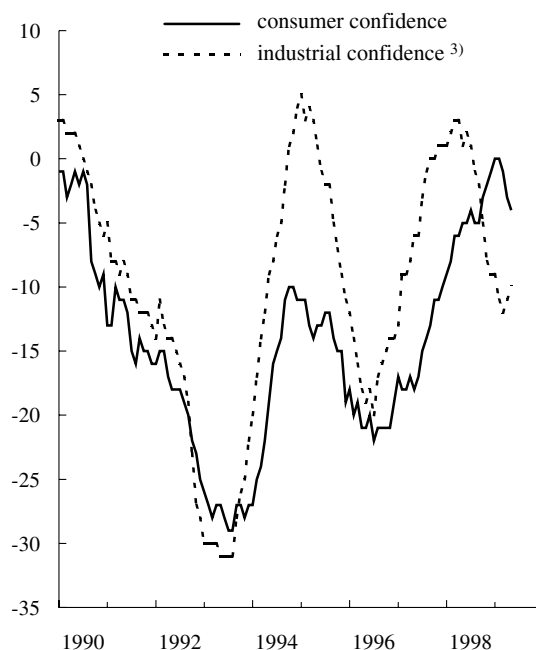
Capacity utilisation and order books
(capacity utilisation, percentages, quarterly; order books, percentage balances, monthly; seasonally adjusted)
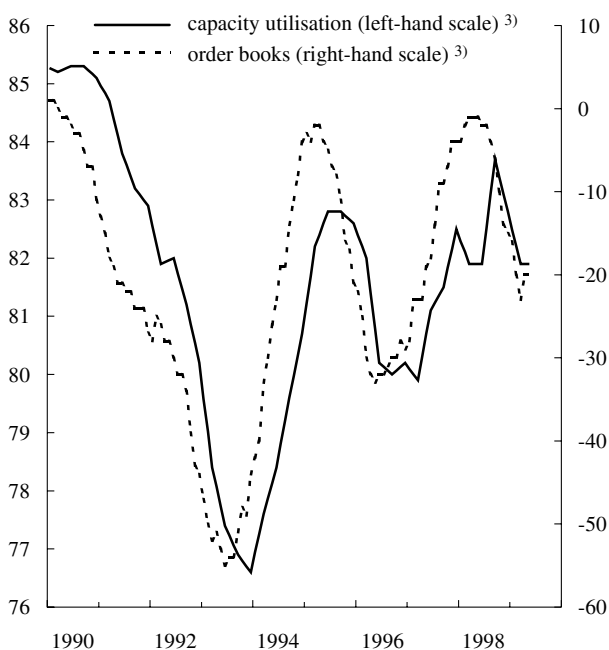
Sources: ECB calculations based on available national non-harmonised data (columns 1, 2, 7), Eurostat (columns 3 to 6, 8) and European Commission Business and Consumer Surveys (chart data).
1) *Quarterly results are based on available data from those countries which compile monthly or quarterly statistics.*
2) *Calculated according to ILO recommendations.*
3) *Manufacturing; data on capacity utilisation are collected in January, April, July and October.*

6 Saving, investment and financing in the euro area

Table 6

Saving, investment and financing

(as a percentage of GDP, unless otherwise indicated)

	Euro area saving and investment [1]			Investment of private non-financial sectors [1] [2]							
	Gross saving	Gross fixed capital formation	Net lending to the rest of the world	Gross fixed capital formation	Non-financial corporations	Net acquisition of financial assets	Currency and deposits	Securities other than shares	Long-term securities	Shares	Insurance technical reserves
	1	2	3	4	5	6	7	8	9	10	11
1991	21.9	23.0	-1.3	19.1	14.3	16.8	3.9	3.0	2.6	1.6	2.5
1992	20.9	22.2	-1.0	18.4	13.7	14.3	4.5	1.7	0.5	1.3	2.6
1993	20.0	20.2	0.5	16.6	12.3	13.2	5.4	0.6	1.1	0.9	2.9
1994	20.4	19.8	0.3	16.5	12.3	14.0	3.4	2.3	2.5	1.5	3.0
1995	21.2	20.1	0.8	16.8	12.6	13.1	4.7	2.0	1.7	1.3	3.2
1996	20.8	19.7	1.3	16.6	12.3	12.8	4.1	0.2	1.2	1.2	3.6
1997	21.6	19.2	1.9	16.2	12.1	11.7	2.1	-0.5	0.0	1.3	3.6
1998	21.6	19.4	0.9	16.3	12.4	.	.	.	.	.	.

	Financing of private non-financial sectors [1] [2]								Net financial investment (col. 6 - 14)	Financial investment as a % of gross investment (col. 6÷(4+6))	Net incurrence of liabilities as a % of financing (col. 14÷(12+14))
	Gross saving	Households	Net incurrence of liabilities	Securities other than shares	Long-term securities	Shares	Loans	Long-term loans			
	12	13	14	15	16	17	18	19	20	21	22
1991	21.0	12.1	13.2	0.4	0.3	1.7	9.0	4.8	3.6	46.7	38.6
1992	20.7	12.1	10.7	0.7	0.6	1.6	6.9	4.7	3.6	43.6	34.0
1993	20.4	11.5	7.6	1.3	1.4	1.7	3.8	4.6	5.6	44.2	27.1
1994	20.3	10.6	9.8	1.1	1.2	1.9	3.8	3.7	4.1	45.8	32.6
1995	21.0	10.8	5.6	-1.7	-1.8	1.7	4.7	2.9	7.5	43.7	21.0
1996	20.3	10.7	8.4	0.2	0.1	1.9	4.6	3.5	4.4	43.7	29.3
1997	19.8	9.4	7.6	0.0	-0.1	1.4	4.8	3.1	4.1	42.0	27.7
1998	19.0	8.8	.	.	.	.	.	.	.	.	.

Investment and financing of private non-financial sectors [1] [2]

(as a percentage of GDP)
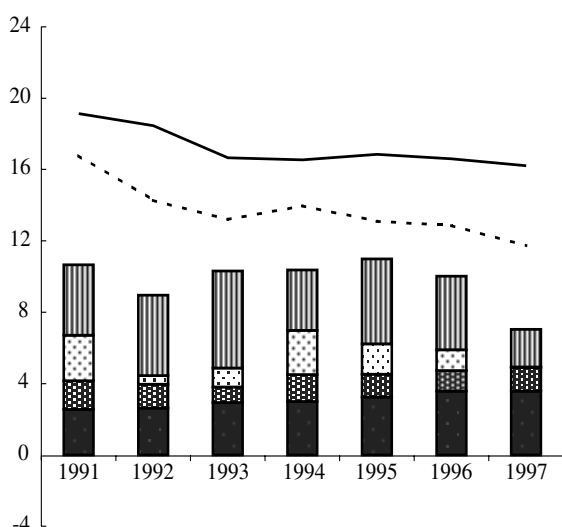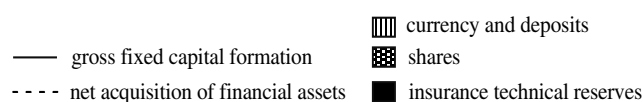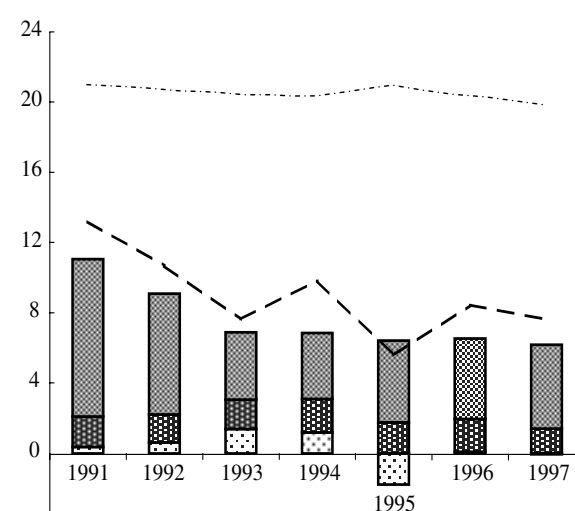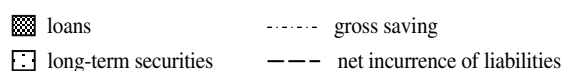
Source: ECB.
1) Selected items of financing and investment.
2) Private non-financial sectors comprise non-financial corporations, households and non-profit institutions serving households.

7 General government fiscal position in the euro area and in the euro area countries

Table 7

General government fiscal position

(as a percentage of GDP)

1. Euro area [1] [2] – receipts and expenditure

	Total	Receipts					Capital receipts	Total	Expenditure					Capital expenditure	Investment
		Current receipts	Direct taxes	Indirect taxes	Social contributions	Sales			Current expenditure	Compensation of employees	Intermediate consumption	Interest	Transfers to households		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1991	48.0	47.5	12.3	12.9	17.3	2.5	0.4	52.4	47.7	11.8	5.5	4.9	21.3	4.6	3.0
1992	49.2	48.4	12.3	13.0	17.7	2.7	0.8	53.8	49.3	12.1	5.5	5.5	22.2	4.5	3.0
1993	49.9	49.4	12.5	13.2	18.2	2.8	0.5	55.5	51.0	12.3	5.7	5.7	23.1	4.5	2.9
1994	49.2	48.6	12.0	13.4	18.1	2.7	0.5	54.3	50.1	12.0	5.5	5.4	23.1	4.2	2.7
1995	49.1	48.5	12.1	13.3	18.1	2.8	0.6	54.0	49.7	11.8	5.3	5.7	23.1	4.3	2.6
1996	49.3	48.8	12.1	13.4	18.3	2.8	0.5	53.4	49.7	11.9	5.4	5.5	23.2	3.7	2.4
1997	49.7	49.0	12.2	13.5	18.3	2.7	0.7	52.2	48.6	11.6	5.2	5.0	23.1	3.6	2.3
1998	49.1	48.5	12.5	14.1	17.2	2.7	0.5	51.2	47.4	11.3	5.1	4.5	22.6	3.7	2.3

2. Euro area [1] [2] – saving, deficit and debt

	Gross saving	Deficit (-) / surplus (+)				Primary deficit/ surplus	Deficit/ debt adjustment [3]	Change in debt [4]				Gross nominal consolidated debt			
		Total	Central government	Local government	Social security			Total	Currency, deposits and loans	Short-term securities	Medium/ long-term securities	Total	Currency, deposits and loans	Short-term securities	Medium/ long-term securities
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
1991	-0.2	-4.4	-4.5	-0.2	0.3	0.5	0.7	5.1	1.3	0.0	3.9	58.3	18.5	8.5	31.2
1992	-0.9	-4.6	-4.3	-0.2	-0.1	0.9	2.2	6.8	1.7	0.9	4.2	61.9	19.2	8.9	33.8
1993	-1.6	-5.5	-5.3	-0.2	0.0	0.2	2.5	8.1	1.5	-0.3	6.9	68.4	20.2	8.4	39.8
1994	-1.5	-5.1	-4.9	-0.2	0.0	0.3	0.8	5.9	0.2	0.6	5.1	70.8	19.4	8.5	42.9
1995	-1.3	-5.0	-4.6	-0.1	-0.3	0.7	2.3	7.3	2.0	-0.2	5.5	74.8	20.6	7.9	46.4
1996	-0.9	-4.1	-3.9	0.0	-0.2	1.3	-0.2	3.9	0.3	0.2	3.4	76.1	20.2	7.8	48.1
1997	0.4	-2.5	-2.6	0.0	0.0	2.5	-0.3	2.2	-0.1	-1.0	3.2	75.4	19.3	6.6	49.5
1998	1.1	-2.1	-2.3	0.2	0.1	2.4	-0.6	1.5	-0.4	-0.7	2.6	73.6	18.1	5.6	49.9

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

	BE	DE	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11
1991	-6.3	-3.3	-4.4	-2.1	-2.3	-10.1	1.9	-2.9	-3.0	-6.0	-1.1
1992	-7.1	-2.8	-4.0	-3.9	-2.4	-9.6	0.7	-3.9	-2.0	-3.0	-5.7
1993	-7.3	-3.5	-6.8	-5.8	-2.3	-9.6	1.6	-3.2	-4.3	-6.1	-7.3
1994	-4.9	-2.6	-6.2	-5.8	-1.5	-9.2	2.7	-3.8	-5.0	-6.0	-6.0
1995	-4.0	-3.3	-7.1	-4.9	-2.1	-7.7	1.8	-4.0	-5.1	-5.7	-4.6
1996	-3.1	-3.4	-4.5	-4.1	-0.3	-6.6	2.8	-2.0	-3.7	-3.3	-3.1
1997	-1.9	-2.7	-2.6	-3.0	1.1	-2.7	2.9	-0.9	-1.9	-2.5	-1.2
1998	-1.3	-2.1	-1.8	-2.9	2.3	-2.7	2.1	-0.9	-2.1	-2.3	1.0

4. Euro area countries – gross nominal consolidated debt

	BE	DE	ES	FR	IE	IT	LU	NL	AT	PT	FI
	12	13	14	15	16	17	18	19	20	21	22
1991	128.4	40.9	44.6	35.8	92.6	102.0	4.0	79.0	58.2	67.3	23.1
1992	130.6	43.6	47.0	39.9	89.5	109.4	4.9	79.9	58.1	59.9	41.5
1993	137.6	47.5	58.8	45.4	93.1	120.0	5.9	81.1	62.8	63.2	58.0
1994	135.1	49.9	61.3	48.6	86.5	125.7	5.5	77.8	65.6	63.8	59.6
1995	132.2	58.3	64.2	52.8	78.9	125.3	5.8	79.0	69.4	65.9	58.1
1996	128.0	60.8	68.6	55.7	69.4	124.6	6.3	77.0	69.8	64.9	57.8
1997	123.4	61.5	67.5	58.1	61.3	122.4	6.4	71.2	64.3	61.7	54.9
1998	117.3	61.0	65.6	58.5	52.1	118.7	6.7	67.7	63.1	57.8	49.6

Sources: ECB for euro area aggregated data; European Commission (DG II and Eurostat) for data relating to euro area countries' deficit/surplus and debt.

1) *Transactions among the euro area countries are not consolidated.*
2) *Euro area excluding Luxembourg.*
3) *Difference between the annual change in nominal gross consolidated debt and the deficit as a percentage of GDP.*
4) *Annual change in nominal gross consolidated debt expressed as a percentage of GDP: [debt(t) - debt(t-1)] ÷ GDP(t).*

Table 8.1

Summary balance of payments

(EUR billions (ECU billions to end-1998); net flows)

		Current account					Capital account	Financial account [1]						Errors and omissions [2]
		Total	Goods	Services	Income	Current transfers		Total [2]	Direct investment	Portfolio investment [2]	Financial derivatives [2]	Other investment [2] [3]	Reserve assets [2]	
		1	2	3	4	5	6	7	8	9	10	11	12	13
1998		67.0	122.1	3.1	-12.6	-45.5	12.6	7.9	-100.2	-90.8	-8.3	198.9	8.3	-87.6
1998	Q1	7.6	22.9	-2.6	-2.2	-10.5	4.7	-1.6	-11.2	-54.7	0.3	65.2	-1.3	-10.7
	Q2	22.3	31.8	3.7	-4.0	-9.3	1.2	4.1	-14.8	-1.7	-4.1	24.6	0.0	-27.5
	Q3	19.3	32.4	2.7	-3.8	-12.1	3.0	-3.3	-23.1	12.3	1.2	3.5	2.8	-19.0
	Q4	17.9	34.9	-0.6	-2.8	-13.6	3.7	8.7	-51.1	-46.7	-5.6	105.5	6.7	-30.3
1999	Q1	9.2	19.1	-3.2	-1.2	-5.6	2.4	-21.6	-9.9	-41.9	-1.6	27.7	4.0	10.0
1998	Jan.	-2.4	4.9	-2.3	-1.9	-3.2	2.7	13.5	-5.1	-2.0	-1.8	20.0	2.5	-13.9
	Feb.	2.8	8.0	-0.6	-0.7	-3.8	0.6	-17.6	-4.5	-22.8	0.7	12.9	-3.9	14.2
	Mar.	7.1	10.0	0.3	0.4	-3.6	1.4	2.5	-1.5	-29.9	1.4	32.3	0.2	-11.0
	Apr.	5.5	9.9	0.2	-0.7	-3.9	0.6	-29.0	-8.2	-21.9	-0.9	2.9	-0.9	22.9
	May	6.4	10.8	0.8	-2.2	-3.0	0.5	19.5	-1.3	9.1	-1.5	12.3	0.9	-26.4
	June	10.4	11.2	2.7	-1.1	-2.4	0.1	13.6	-5.2	11.1	-1.8	9.5	0.0	-24.1
	July	12.3	15.3	1.5	-2.3	-2.3	1.0	23.8	-8.6	14.6	-1.4	17.8	1.3	-37.1
	Aug.	4.5	8.2	1.0	0.1	-4.9	1.5	8.6	-7.9	8.5	2.3	8.3	-2.5	-14.6
	Sep.	2.5	8.9	0.2	-1.6	-4.9	0.5	-35.7	-6.6	-10.8	0.3	-22.6	4.0	32.6
	Oct.	5.4	12.2	-0.6	-1.2	-5.0	0.9	-12.3	-16.6	-33.4	-3.0	44.1	-3.3	6.0
	Nov.	5.0	11.6	-0.3	-1.6	-4.7	0.9	4.7	-33.8	1.8	-2.4	45.1	-6.1	-10.5
	Dec.	7.5	11.0	0.3	0.1	-3.9	2.0	16.3	-0.7	-15.1	-0.2	16.2	16.1	-25.8
1999	Jan.	-0.2	4.0	-1.3	-1.3	-1.6	2.7	11.8	-5.2	8.1	-2.1	13.6	-2.4	-14.3
	Feb.	3.9	7.2	-0.6	-0.2	-2.6	0.0	6.7	-2.0	-16.8	-0.2	21.2	4.6	-10.6
	Mar.	5.5	7.8	-1.3	0.3	-1.4	-0.2	-40.2	-2.6	-33.2	0.8	-7.0	1.8	34.9
	Apr.	6.8	8.6	-0.4	1.4	-2.8	0.6	17.3	-13.8	2.4	2.7	24.5	1.5	-24.7

Current and capital accounts
(EUR billions (ECU billions to end-1998); net flows)
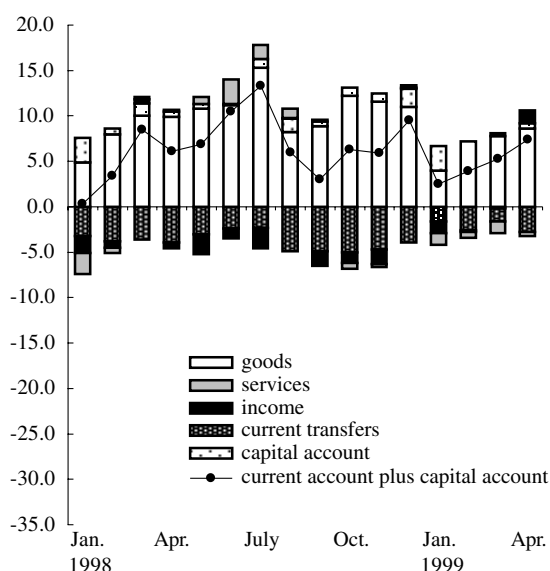
Direct and portfolio investment
(EUR billions (ECU billions to end-1998); net flows)
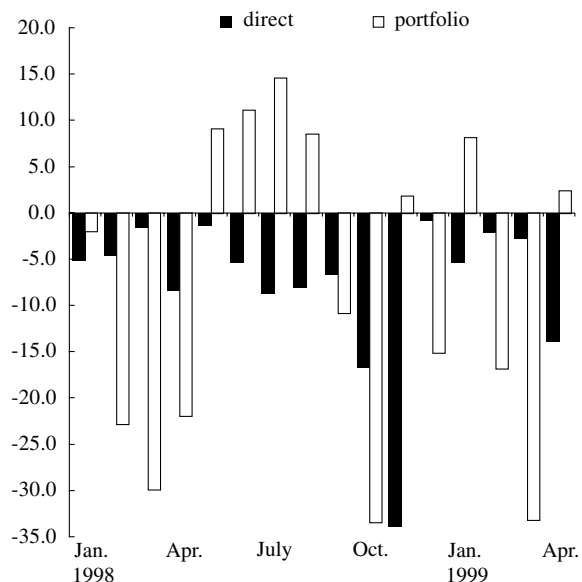
Source: ECB.

1) Inflows (+); outflows (-). Reserve assets: increase (-); decrease (+).
2) Data from January 1999 are not closely comparable with earlier observations.
3) Flows before January 1999 include estimates.

Table 8.2

Current and capital accounts

(EUR billions (ECU billions to end-1998); gross flows)

		Current account										Capital account	
		Total		Goods		Services		Income		Current transfers			
		Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
		1	2	3	4	5	6	7	8	9	10	11	12
1998		1,277.8	1,210.7	779.4	657.3	247.6	244.4	190.2	202.9	60.6	106.1	17.6	5.0
1998	Q1	317.6	310.1	190.8	167.9	56.3	58.9	47.0	49.2	23.5	34.1	5.9	1.2
	Q2	325.7	303.5	199.0	167.2	64.1	60.4	50.3	54.2	12.3	21.6	2.4	1.2
	Q3	316.0	296.7	190.8	158.3	67.4	64.7	45.5	49.3	12.2	24.3	4.1	1.1
	Q4	318.4	300.5	198.8	163.9	59.7	60.4	47.4	50.1	12.5	26.1	5.2	1.5
1999	Q1	292.7	283.5	177.9	158.9	47.9	51.0	44.5	45.6	22.4	28.0	4.4	2.0
1998	Jan.	104.7	107.1	58.6	53.7	18.5	20.8	14.6	16.5	13.0	16.2	3.1	0.4
	Feb.	101.0	98.1	62.3	54.3	17.6	18.2	15.1	15.8	6.0	9.8	0.9	0.4
	Mar.	112.0	104.9	69.9	60.0	20.2	19.9	17.3	16.9	4.6	8.1	1.8	0.4
	Apr.	106.4	101.0	66.5	56.6	20.2	20.0	16.2	16.9	3.5	7.4	1.0	0.4
	May	104.4	98.0	64.3	53.5	20.7	19.9	15.2	17.3	4.2	7.2	0.9	0.4
	June	114.9	104.5	68.2	57.1	23.2	20.5	18.9	20.0	4.6	7.0	0.5	0.4
	July	116.0	103.7	70.6	55.3	24.1	22.6	16.2	18.5	5.0	7.3	1.4	0.4
	Aug.	94.6	90.1	55.3	47.1	22.3	21.3	13.4	13.3	3.6	8.5	1.8	0.3
	Sep.	105.4	102.9	64.8	55.9	21.0	20.9	15.9	17.5	3.6	8.5	0.9	0.4
	Oct.	106.8	101.4	68.2	56.0	20.4	21.0	14.6	15.8	3.6	8.6	1.3	0.4
	Nov.	101.5	96.5	65.2	53.5	18.1	18.4	14.2	15.8	4.1	8.8	1.3	0.5
	Dec.	110.1	102.5	65.4	54.4	21.2	20.9	18.6	18.5	4.8	8.7	2.6	0.6
1999	Jan.	94.3	94.5	53.0	49.0	14.5	15.8	14.2	15.5	12.6	14.2	3.1	0.5
	Feb.	93.7	89.8	58.1	50.9	16.0	16.6	14.3	14.4	5.3	7.9	0.5	0.5
	Mar.	104.7	99.2	66.8	58.9	17.4	18.6	16.1	15.7	4.5	5.9	0.8	1.0
	Apr.	103.8	97.0	63.5	55.0	17.9	18.3	17.5	16.1	4.8	7.6	1.5	0.9

Source: ECB.

Table 8.4

Direct and portfolio investment accounts [1]

(EUR billions (ECU billions to end-1998); net flows)

		Direct investment		Portfolio investment										
		Abroad	In the euro area	Total		Equity		Debt instruments						
								Assets			Liabilities [2]			
				Assets	Liabilities [2]	Assets	Liabilities [2]	Total	Bonds and notes	Money market instruments	Total	Bonds and notes	Money market instruments
		1	2	3	4	5	6	7	8	9	10	11	12
1998		-177.9	77.7	-307.1	216.3	-82.4	68.5	-224.7	-206.9	-17.9	147.8	119.4	28.3
1998	Q1	-46.4	35.2	-114.1	59.4	-29.6	14.8	-84.5	-74.9	-9.5	44.6	39.9	4.6
	Q2	-39.6	24.9	-83.3	81.6	-25.6	24.8	-57.6	-55.1	-2.5	56.7	44.3	12.4
	Q3	-25.3	2.2	-55.0	67.3	-9.8	-0.4	-45.2	-42.5	-2.7	67.7	50.5	17.3
	Q4	-66.6	15.4	-54.7	8.0	-17.3	29.2	-37.4	-34.3	-3.1	-21.2	-15.2	-6.0
1999	Q1	-28.1	18.3	-64.6	22.7	-15.2	-13.5	-49.4	-47.8	-1.6	36.2	33.2	3.0
1998	Jan.	-9.8	4.7	-20.8	18.7	-5.7	4.7	-15.1	-16.3	1.2	14.0	11.3	2.7
	Feb.	-15.0	10.5	-51.1	28.3	-11.4	3.2	-39.7	-33.0	-6.7	25.1	26.0	-1.0
	Mar.	-21.6	20.1	-42.3	12.4	-12.5	6.9	-29.7	-25.7	-4.0	5.5	2.6	2.9
	Apr.	-20.7	12.5	-34.0	12.1	-8.0	1.2	-26.0	-30.9	4.9	10.9	10.6	0.3
	May	-12.3	10.9	-19.6	28.7	-6.7	5.5	-12.9	-10.0	-2.9	23.2	15.8	7.5
	June	-6.6	1.4	-29.7	40.8	-10.9	18.2	-18.7	-14.2	-4.6	22.6	17.9	4.7
	July	-2.8	-5.8	-23.0	37.6	-3.2	9.1	-19.8	-20.9	1.1	28.6	17.0	11.6
	Aug.	-4.0	-4.0	-14.5	23.0	0.5	-5.4	-15.0	-14.1	-0.9	28.4	22.4	6.0
	Sep.	-18.6	12.0	-17.5	6.7	-7.1	-4.1	-10.4	-7.4	-2.9	10.8	11.1	-0.3
	Oct.	-11.7	-5.0	-6.9	-26.6	-1.4	-6.1	-5.5	-8.0	2.5	-20.4	-24.8	4.3
	Nov.	-41.1	7.3	-30.3	32.1	-9.0	33.0	-21.3	-15.7	-5.6	-0.9	1.1	-2.0
	Dec.	-13.8	13.1	-17.6	2.5	-7.0	2.4	-10.6	-10.6	0.0	0.1	8.4	-8.3
1999	Jan.	-11.6	6.3	-17.2	25.3	-6.3	5.9	-10.9	-7.4	-3.5	19.3	23.5	-4.1
	Feb.	-5.4	3.4	-19.8	3.0	-3.1	2.8	-16.7	-18.5	1.8	0.1	-5.8	5.9
	Mar.	-11.1	8.5	-27.6	-5.6	-5.8	-22.3	-21.8	-21.9	0.1	16.7	15.5	1.3
	Apr.	-22.4	8.6	-14.4	16.8	-4.1	2.7	-10.3	-16.4	6.1	14.1	12.7	1.3

Source: ECB.
1) *Inflows (+); outflows (-).*
2) *Data from January 1999 are not closely comparable with earlier observations.*

Table 8.5

Other investment account [1] [2]

(EUR billions (ECU billions to end-1998); net flows)

		Total		Eurosystem		General government		MFIs (excluding the Eurosystem)						Other sectors	
								Total		Long-term		Short-term			
		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998		-37.0	235.8	-0.7	2.5	-1.4	-8.2	-18.1	211.0	-38.3	36.6	20.3	174.4	-16.8	30.5
1998	Q1	-31.2	96.4	0.4	-0.1	-1.9	-2.4	-9.6	88.7	-7.6	11.1	-1.9	77.6	-20.1	10.2
	Q2	-1.5	26.2	-1.0	0.5	-2.9	-1.0	-1.8	20.7	-13.7	7.7	11.9	13.1	4.2	5.9
	Q3	-79.3	82.8	0.4	-0.6	0.4	-1.9	-73.6	78.7	-14.7	1.4	-58.8	77.3	-6.5	6.6
	Q4	75.0	30.4	-0.5	2.7	3.1	-2.8	66.9	22.8	-2.3	16.4	69.1	6.4	5.6	7.8
1999	Q1	-52.8	80.5	-2.4	0.0	-3.3	-5.0	-32.1	71.0	-19.9	21.1	-12.2	49.9	-14.9	14.5
1998	Jan.	-14.4	34.3	0.1	0.2	-2.4	-1.6	3.1	32.8	-4.4	3.6	7.5	29.2	-15.2	2.9
	Feb.	-14.1	27.0	0.3	-0.3	-0.8	-1.3	-6.6	24.6	-4.3	7.3	-2.3	17.4	-7.0	4.0
	Mar.	-2.7	35.0	0.0	0.1	1.2	0.5	-6.0	31.3	1.1	0.2	-7.1	31.1	2.1	3.3
	Apr.	6.7	-3.8	0.0	0.3	0.5	0.2	12.9	-7.2	-4.1	4.0	17.0	-11.3	-6.6	2.9
	May	-0.7	12.9	0.0	-0.3	-1.2	-0.6	-5.9	13.5	-3.9	0.8	-1.9	12.7	6.4	0.4
	June	-7.6	17.0	-0.9	0.6	-2.2	-0.6	-8.8	14.5	-5.6	2.9	-3.2	11.6	4.4	2.6
	July	-3.2	20.9	0.2	-0.1	0.3	-3.4	6.4	21.9	-3.3	0.9	9.7	21.1	-10.0	2.5
	Aug.	-10.2	18.5	0.1	-0.1	0.5	0.5	-22.8	17.4	-6.1	-1.6	-16.7	19.0	12.0	0.7
	Sep.	-65.9	43.3	0.1	-0.4	-0.3	0.9	-57.1	39.4	-5.3	2.1	-51.9	37.3	-8.5	3.4
	Oct.	5.5	38.7	0.0	0.4	0.2	0.4	14.8	33.6	-1.0	4.6	15.7	29.0	-9.5	4.3
	Nov.	10.2	34.9	-0.1	-2.7	1.1	1.5	2.5	33.1	0.5	2.3	2.1	30.9	6.7	3.0
	Dec.	59.4	-43.2	-0.4	5.0	1.8	-4.7	49.6	-43.9	-1.8	9.6	51.4	-53.5	8.4	0.5
1999	Jan.	-59.2	72.8	2.7	0.0	-0.5	-5.6	-58.5	75.1	-13.2	8.2	-45.3	67.0	-3.0	3.2
	Feb.	20.4	0.7	-4.9	0.0	-2.1	-0.7	39.4	-3.2	-0.7	-3.0	40.2	-0.2	-12.0	4.6
	Mar.	-14.0	7.0	-0.3	0.0	-0.8	1.3	-13.0	-1.0	-5.9	15.9	-7.1	-16.8	0.1	6.7
	Apr.	17.9	6.6	0.9	0.0	-0.1	0.4	17.0	3.6	-3.5	4.8	20.5	-1.2	0.1	2.6

Source: ECB.

1) *Inflows (+); outflows (-).*

2) *Data from January 1999 are not closely comparable with earlier observations. Flows before January 1999 include estimates.*

Table 8.6

Reserves and related assets of the Eurosystem [1]

(EUR billions; end-of-period positions, unless otherwise indicated)

		Reserve assets						Memo: Related assets
	Total	Monetary gold	In fine troy ounces (millions)	Special drawing rights	Reserve position in the IMF	Foreign exchange	Other claims	Claims on euro area residents denominated in foreign currency
	1	2	3	4	5	6	7	8
1999 1 Jan.	330.2	99.6	405	5.8	22.7	201.5	0.7	7.6
Jan.	337.5	101.6	405	5.6	22.7	206.0	1.7	7.4
Feb.	340.2	105.6	405	2.6	22.8	208.5	0.7	9.4
Mar.	348.9	105.3	405	3.4	23.6	214.7	1.8	10.1
Apr.	352.6	109.6	405	5.0	24.2	212.1	1.7	11.7
May	345.9	104.1	405	4.5	24.4	211.2	1.7	12.2

Source: ECB.
1)   *The figures are not fully comparable with those of Table 1.1 owing to differences in coverage and valuation.*

9 External trade in goods of the euro area

Table 9   35*

1. Exports [1]

(EUR billions (ECU billions to end-1998); f.o.b. value)

		Total	Food, drink, tobacco	Raw materials	Energy	Chemicals	Other manu-factured articles	Machinery, transport equipment	Other	Export trade indices 1995 = 100		
										Value [2]	Volume [2]	Unit value
		1	2	3	4	5	6	7	8	9	10	11
1996		669.7	48.6	13.7	13.0	85.1	194.3	293.5	21.6	107.6	104.7	102.8
1997		762.4	52.8	16.3	14.4	98.9	216.3	342.5	21.2	122.5	115.9	105.7
1998		790.8	53.1	15.7	12.4	104.1	219.0	367.1	19.5	127.0	119.2	106.6
1996	Q4	182.2	13.3	3.6	3.5	21.7	52.0	82.0	6.0	117.1	114.8	102.0
1997	Q1	170.7	12.0	3.8	3.7	22.6	48.7	74.6	5.4	109.7	104.2	105.3
	Q2	191.7	13.3	4.1	3.6	25.1	53.9	86.4	5.4	123.2	117.2	105.1
	Q3	193.4	13.0	4.2	3.4	25.6	55.7	86.5	4.9	124.3	116.6	106.6
	Q4	206.6	14.4	4.2	3.7	25.6	58.1	95.0	5.5	132.8	125.6	105.7
1998	Q1	194.0	13.1	4.1	3.4	26.5	54.3	87.5	5.0	124.6	115.6	107.8
	Q2	203.6	13.9	3.9	3.3	26.9	56.0	94.5	5.1	130.8	122.5	106.8
	Q3	194.5	12.7	3.9	2.9	25.7	54.5	90.0	4.7	125.0	117.4	106.5
	Q4	198.8	13.4	3.8	2.8	24.9	54.2	95.2	4.7	127.7	121.4	105.2
1999	Q1	183.4	.	.	.	.	.	.	.	117.8	.	.
1997	Dec.	67.1	4.5	1.3	1.3	8.1	18.1	32.0	1.9	129.4	122.3	105.8
1998	Jan.	58.4	4.0	1.3	1.2	8.4	16.2	25.8	1.6	112.7	104.7	107.6
	Feb.	63.7	4.3	1.4	1.0	8.6	18.0	28.8	1.6	122.7	113.8	107.8
	Mar.	71.9	4.8	1.5	1.2	9.6	20.1	32.9	1.8	138.6	128.3	108.0
	Apr.	67.9	4.7	1.3	1.1	9.2	18.8	30.9	1.9	130.9	122.5	106.9
	May	65.7	4.5	1.3	1.1	8.7	18.1	30.5	1.6	126.7	118.5	106.9
	June	69.9	4.7	1.3	1.1	9.1	19.1	33.1	1.6	134.8	126.3	106.7
	July	72.7	4.5	1.3	1.1	9.2	20.9	34.0	1.6	140.2	131.2	106.9
	Aug.	56.2	4.0	1.2	0.9	7.7	15.4	25.4	1.4	108.3	102.3	105.9
	Sep.	65.6	4.3	1.3	0.9	8.8	18.2	30.6	1.6	126.5	118.7	106.6
	Oct.	68.3	4.5	1.3	1.0	8.6	19.3	32.0	1.6	131.7	124.7	105.6
	Nov.	66.1	4.5	1.3	0.9	8.1	17.9	31.9	1.6	127.5	121.7	104.7
	Dec.	64.3	4.4	1.2	0.9	8.2	16.9	31.2	1.5	124.0	117.8	105.3
1999	Jan.	54.1	.	.	.	.	.	.	.	104.2	.	.
	Feb.	59.4	.	.	.	.	.	.	.	114.4	.	.
	Mar.	69.9	.	.	.	.	.	.	.	134.8	.	.

Source: Eurostat; the commodity breakdown is in accordance with the SITC Rev. 3.

1) *Owing to differences in definitions, coverage and time of recording, trade data (as compiled by Eurostat) are not fully comparable with the goods item in the balance of payments statistics compiled by the ECB (Table 8.2).*
2) *ECB calculations based on Eurostat data.*

Table 9

2. Imports [1]

(EUR billions (ECU billions to end-1998); c.i.f. value)

		Total	Food, drink, tobacco	Raw materials	Energy	Chemicals	Other manu-factured articles	Machinery, transport equipment	Other	Import trade indices 1995 = 100		
										Value [2]	Volume [2]	Unit value
		1	2	3	4	5	6	7	8	9	10	11
1996		593.9	46.7	36.5	73.8	53.8	166.1	191.3	25.7	105.5	102.9	102.6
1997		674.0	49.6	41.3	81.2	61.9	188.0	228.2	23.7	119.8	110.3	108.6
1998		707.8	50.3	41.0	61.9	67.3	199.8	264.6	23.0	125.8	122.6	102.6
1996	Q4	157.9	12.1	9.0	22.2	13.7	41.4	51.3	8.1	112.2	108.8	103.2
1997	Q1	159.1	11.4	9.6	21.2	14.6	44.5	51.5	6.3	113.1	106.0	106.7
	Q2	168.0	12.6	11.0	18.6	16.0	46.5	57.3	5.9	119.4	111.4	107.2
	Q3	166.6	12.2	10.0	20.0	15.2	48.9	55.6	4.7	118.4	106.9	110.8
	Q4	180.3	13.5	10.6	21.4	16.1	48.1	63.8	6.9	128.2	116.9	109.6
1998	Q1	180.5	12.6	10.8	17.5	17.6	51.2	64.6	6.2	128.3	119.6	107.3
	Q2	178.7	12.5	11.1	15.9	17.2	50.0	65.8	6.1	127.0	121.4	104.6
	Q3	170.6	12.2	9.6	14.7	16.2	50.1	62.5	5.2	121.3	119.3	101.7
	Q4	178.0	12.8	9.5	13.8	16.2	48.4	71.7	5.5	126.5	130.3	97.1
1999	Q1	172.6	.	.	.	.	.	.	.	122.7	.	.
1997	Dec.	58.8	4.4	3.4	7.0	5.1	15.3	21.0	2.6	125.5	116.3	107.9
1998	Jan.	57.9	4.1	3.5	6.2	5.6	16.4	20.1	2.0	123.5	114.7	107.6
	Feb.	58.2	4.0	3.5	5.7	5.5	16.6	20.7	2.2	124.2	115.2	107.8
	Mar.	64.4	4.6	3.8	5.6	6.5	18.2	23.7	2.0	137.3	129.0	106.4
	Apr.	60.0	4.3	3.7	5.4	5.7	16.6	22.3	2.0	127.9	121.3	105.5
	May	57.1	4.0	3.5	5.5	5.6	15.7	20.9	1.8	121.7	116.0	104.9
	June	61.6	4.2	3.9	4.9	5.9	17.7	22.7	2.3	131.4	127.1	103.4
	July	59.1	4.3	3.6	4.9	5.9	17.7	20.9	1.9	126.1	123.5	102.1
	Aug.	50.0	3.7	2.8	4.7	4.7	14.7	17.9	1.5	106.7	105.5	101.1
	Sep.	61.5	4.2	3.3	5.0	5.7	17.7	23.7	1.9	131.1	128.8	101.8
	Oct.	61.7	4.3	3.3	5.0	5.7	17.2	24.3	2.0	131.6	132.5	99.3
	Nov.	59.0	4.2	3.1	4.4	5.3	16.0	24.3	1.8	125.8	130.6	96.3
	Dec.	57.3	4.4	3.1	4.4	5.2	15.3	23.2	1.8	122.3	127.9	95.6
1999	Jan.	53.9	.	.	.	.	.	.	.	114.8	.	.
	Feb.	55.2	.	.	.	.	.	.	.	117.6	.	.
	Mar.	63.6	.	.	.	.	.	.	.	135.6	.	.

Source: Eurostat; the commodity breakdown is in accordance with the SITC Rev. 3.

1) *Owing to differences in definitions, coverage and time of recording, trade data (as compiled by Eurostat) are not fully comparable with the goods item in the balance of payments statistics compiled by the ECB (Table 8.2). Part of the difference arises from the inclusion of insurance and freight services in the recording of goods imported, which accounted for about 3.8% of the value of imports (c.i.f.) in 1998.*

2) *ECB calculations based on Eurostat data.*

Table 9

3. Trade balance[1]

(EUR billions (ECU billions to end-1998); exports (f.o.b.) - imports (c.i.f.))

		Total	Food, drink, tobacco	Raw materials	Energy	Chemicals	Other manufactured articles	Machinery, transport equipment	Other
		1	2	3	4	5	6	7	8
1996		75.8	2.0	-22.7	-60.9	31.3	28.1	102.1	-4.2
1997		88.4	3.2	-25.0	-66.8	37.0	28.3	114.3	-2.6
1998		83.0	2.9	-25.4	-49.5	36.8	19.2	102.5	-3.6
1996	Q4	24.2	1.2	-5.5	-18.7	8.0	10.6	30.7	-2.1
1997	Q1	11.6	0.6	-5.8	-17.5	8.0	4.2	23.0	-0.9
	Q2	23.7	0.7	-7.0	-15.0	9.1	7.4	29.1	-0.6
	Q3	26.8	0.9	-5.9	-16.6	10.4	6.8	30.9	0.2
	Q4	26.3	1.0	-6.4	-17.7	9.5	9.9	31.3	-1.3
1998	Q1	13.5	0.5	-6.7	-14.1	9.0	3.1	22.9	-1.1
	Q2	24.9	1.4	-7.2	-12.6	9.7	6.0	28.6	-1.0
	Q3	23.9	0.5	-5.8	-11.7	9.5	4.4	27.6	-0.6
	Q4	20.7	0.5	-5.7	-11.1	8.6	5.7	23.4	-0.9
1999	Q1	10.7	.	.	.	.	.	.	.
1997	Dec.	8.3	0.1	-2.1	-5.8	3.0	2.8	11.0	-0.7
1998	Jan.	0.5	-0.1	-2.3	-5.0	2.8	-0.2	5.7	-0.4
	Feb.	5.4	0.4	-2.2	-4.7	3.1	1.4	8.1	-0.6
	Mar.	7.5	0.2	-2.3	-4.4	3.1	1.9	9.1	-0.2
	Apr.	7.9	0.4	-2.4	-4.3	3.4	2.2	8.7	-0.1
	May	8.7	0.5	-2.3	-4.5	3.1	2.3	9.6	-0.1
	June	8.3	0.5	-2.6	-3.8	3.2	1.4	10.4	-0.8
	July	13.6	0.2	-2.2	-3.8	3.4	3.3	13.1	-0.2
	Aug.	6.2	0.3	-1.6	-3.8	3.1	0.7	7.6	-0.1
	Sep.	4.2	0.0	-2.0	-4.1	3.1	0.5	6.9	-0.3
	Oct.	6.6	0.2	-2.0	-4.0	2.9	2.2	7.7	-0.4
	Nov.	7.1	0.3	-1.9	-3.5	2.8	1.9	7.7	-0.2
	Dec.	7.0	-0.1	-1.8	-3.5	3.0	1.6	8.0	-0.2
1999	Jan.	0.2	.	.	.	.	.	.	.
	Feb.	4.2	.	.	.	.	.	.	.
	Mar.	6.3	.	.	.	.	.	.	.

Source: Eurostat; the commodity breakdown is in accordance with the SITC Rev. 3.

1) *Owing to differences in definitions, coverage and time of recording, trade data (as compiled by Eurostat) are not fully comparable with the goods item in the balance of payments statistics compiled by the ECB (Table 8.1). Part of the difference arises from the inclusion of insurance and freight services in the recording of goods imported, which accounted for about 3.8% of the value of imports (c.i.f.) in 1998.*

10 Exchange rates

Exchange rates [1]

(period averages; units of national currency per ECU or euro (bilateral); index 1990 = 100 (effective))

		US dollar 1	Japanese yen 2	Swiss franc 3	Pound sterling 4	Swedish krona 5	Danish krone 6	Greek drachma 7	Norwegian krone 8	Canadian dollar 9
		Bilateral ECU or euro exchange rates								
1995		1.308	123.0	1.546	0.829	9.33	7.33	303.0	8.29	1.795
1996		1.270	138.1	1.568	0.814	8.51	7.36	305.5	8.20	1.731
1997		1.134	137.1	1.644	0.692	8.65	7.48	309.3	8.02	1.569
1998		1.121	146.4	1.622	0.676	8.92	7.50	330.7	8.47	1.665
1998	Q2	1.100	149.5	1.643	0.665	8.60	7.52	339.9	8.28	1.592
	Q3	1.118	156.3	1.642	0.676	8.95	7.50	332.7	8.54	1.690
	Q4	1.177	140.6	1.600	0.702	9.38	7.44	331.5	8.82	1.814
1999	Q1	1.122	130.7	1.599	0.687	8.98	7.44	322.7	8.60	1.696
	Q2	1.057	127.7	1.600	0.658	8.90	7.43	325.0	8.24	1.557
1998	June	1.101	154.4	1.645	0.667	8.71	7.52	334.8	8.34	1.613
	July	1.098	154.3	1.661	0.668	8.77	7.52	328.7	8.37	1.630
	Aug.	1.102	159.4	1.646	0.675	8.96	7.50	331.6	8.51	1.688
	Sep.	1.154	155.3	1.617	0.687	9.12	7.48	337.9	8.74	1.756
	Oct.	1.194	144.2	1.596	0.705	9.37	7.44	336.5	8.88	1.842
	Nov.	1.164	140.1	1.612	0.701	9.31	7.44	329.1	8.68	1.793
	Dec.	1.172	137.4	1.594	0.702	9.45	7.45	328.8	8.91	1.807
1999	Jan.	1.161	131.3	1.605	0.703	9.08	7.44	323.6	8.65	1.765
	Feb.	1.121	130.8	1.598	0.689	8.91	7.44	322.0	8.65	1.679
	Mar.	1.088	130.2	1.595	0.671	8.94	7.43	322.5	8.51	1.651
	Apr.	1.070	128.2	1.602	0.665	8.91	7.43	325.5	8.32	1.594
	May	1.063	129.7	1.603	0.658	8.97	7.43	325.2	8.23	1.553
	June	1.038	125.3	1.595	0.650	8.83	7.43	324.2	8.17	1.524
% ch. vs.[2] prev. month		-2.4	-3.4	-0.5	-1.2	-1.6	0.0	-0.3	-0.8	-1.8

		Australian dollar 10	New Zealand dollar 11	Hong Kong dollar 12	Korean won 13	Singapore dollar 14	Taiwan dollar 15	Mexican peso 16	Nominal 17	Real 18
		Bilateral ECU or euro exchange rates							**Effective exchange rate (EER) of the euro area** [3]	
1995		1.765	1.993	10.01	999.7	1.833	34.28	8.35	97.8	98.7
1996		1.623	1.847	9.68	1,007.9	1.765	34.39	9.52	98.3	99.1
1997		1.528	1.715	8.75	1,069.8	1.678	32.50	8.95	90.4	90.7
1998		1.787	2.097	8.69	1,568.9	1.876	37.64	10.30	92.3	92.1
1998	Q2	1.754	2.063	8.53	1,537.0	1.810	37.09	9.55	91.3	91.1
	Q3	1.867	2.199	8.67	1,486.8	1.935	38.71	10.62	93.5	93.4
	Q4	1.887	2.236	9.16	1,516.6	1.942	38.64	11.84	94.6	94.2
1999	Q1	1.770	2.087	8.69	1,342.6	1.911	36.60	11.18	91.0	90.8
	Q2	1.618	1.949	8.19	1,258.8	1.810	34.57	9.98	87.6	87.4
1998	June	1.824	2.151	8.53	1,539.8	1.866	38.06	9.83	92.2	92.0
	July	1.776	2.116	8.51	1,423.6	1.878	37.79	9.78	92.0	92.1
	Aug.	1.868	2.196	8.55	1,450.4	1.939	38.33	10.34	93.3	93.3
	Sep.	1.962	2.289	8.97	1,592.4	1.994	40.10	11.83	95.2	94.9
	Oct.	1.932	2.284	9.31	1,615.7	1.969	39.81	12.21	95.8	95.3
	Nov.	1.834	2.18	9.05	1,511.9	1.913	38.08	11.64	94.1	93.6
	Dec.	1.893	2.241	9.11	1,426.3	1.941	38.02	11.65	94.0	93.6
1999	Jan.	1.839	2.159	8.99	1,362.4	1.950	37.43	11.82	92.7	92.3
	Feb.	1.751	2.062	8.68	1,330.2	1.905	36.41	11.21	90.9	90.6
	Mar.	1.726	2.045	8.43	1,336.2	1.881	36.04	10.60	89.5	89.4
	Apr.	1.668	1.972	8.30	1,292.2	1.834	35.22	10.10	88.4	88.0
	May	1.605	1.925	8.24	1,272.1	1.820	34.82	9.97	88.1	87.8
	June	1.580	1.948	8.05	1,212.6	1.775	33.70	9.88	86.4	86.2
% ch. vs.[2] prev. month		-1.5	1.2	-2.3	-4.7	-2.5	-3.2	-0.9	-2.0	-1.9
prev. year									-6.4	-6.3

Source: ECB.

1) To December 1998, rates for the ECU (source BIS); from January 1999, rates for the euro.
2) A percentage change in the latest monthly observation is shown compared with the previous month and (only for the effective exchange rate) the same month of the previous year, respectively. A positive change denotes an appreciation of the euro.
3) BIS calculations; to December 1998, based on weighted averages of the euro area countries' effective exchange rates; from January 1999, based on weighted averages of bilateral euro exchange rates (original BIS figures have been rescaled to 1990 = 100). Weights are based on 1990 manufactured goods trade with the trading partners whose currencies are shown in the table and capture third-market effects. Real rates are calculated using national CPIs. Where CPI data are not yet available, estimates are used.

II Economic and financial developments in the other EU Member States

Table 11

Economic and financial developments

(annual percentage changes, unless otherwise indicated)

		HICP	General government deficit (-) / surplus (+) as a % of GDP	General government gross debt as a % of GDP	Long-term government bond yield [1] as a % per annum	Exchange rate [2] as national currency per ECU or euro	Current and new capital account [3] as a % of GDP	Unit labour costs [4]	Real GDP	Industrial production index [5]	Standard-ised unemploy-ment rate as a % of labour force (s.a.)	Broad money [6]	3-month interest rate [1] as a % per annum
		1	2	3	4	5	6	7	8	9	10	11	12
Denmark													
1995		-	-2.4	72.1	8.27	7.33	.	1.7	3.0	4.4	7.2	-2.0	6.20
1996		2.1	-0.9	67.4	7.19	7.36	.	1.0	3.3	2.0	6.8	7.2	3.98
1997		1.9	0.4	63.6	6.26	7.48	0.6	2.8	3.1	5.6	5.6	4.7	3.73
1998		1.3	0.8	58.1	4.94	7.50	-1.2	2.8	2.9	2.2	5.1	4.6	4.27
1998	Q2	1.4	-	-	5.12	7.52	-1.8	1.6	1.3	-1.2	5.2	5.1	4.21
	Q3	1.2	-	-	4.82	7.50	1.4	3.1	3.7	3.7	5.1	6.6	4.47
	Q4	1.1	-	-	4.51	7.44	-3.5	4.4	2.7	-0.3	4.7	3.7	4.51
1999	Q1	1.4	-	-	4.22	7.44	.	.	.	0.0	4.8	4.5	3.64
	Q2	.	-	-	.	7.43	.	.	.	.	.	.	3.12
1998	Dec.	1.1	-	-	4.27	7.45	-	-	-	-3.6	4.7	2.9	4.23
1999	Jan.	1.2	-	-	4.03	7.44	-	-	-	-0.9	4.9	3.7	3.87
	Feb.	1.3	-	-	4.19	7.44	-	-	-	-0.9	4.8	4.3	3.62
	Mar.	1.7	-	-	4.43	7.43	-	-	-	1.8	4.7	5.5	3.46
	Apr.	1.7	-	-	4.22	7.43	-	-	-	9.8	4.7	3.9	3.12
	May	1.6	-	-	4.46	7.43	-	-	-	.	.	5.2	3.11
	June	.	-	-	.	7.43	-	-	-	.	.	.	3.13
Greece													
1995		-	-10.3	110.1	-	303.0	-2.8	11.6	2.1	2.1	7.1	6.4	16.09
1996		7.9	-7.5	112.2	-	305.5	-3.7	10.6	2.4	0.6	7.5	9.8	13.54
1997		5.4	-3.9	109.4	9.92	309.3	-4.0	7.1	3.2	1.0	7.9	14.5	12.48
1998		4.5	-2.4	106.5	8.48	330.7	-3.1	.	.	3.4	10.0	4.0	13.53
1998	Q2	5.0	-	-	7.90	339.9	.	.	.	6.1	10.3	3.4	12.77
	Q3	4.8	-	-	7.83	332.7	.	.	.	3.7	11.7	2.3	13.18
	Q4	4.0	-	-	7.76	331.5	.	.	.	0.8	9.8	5.7	11.94
1999	Q1	3.4	-	-	6.08	322.7	.	.	.	-1.1	.	.	10.56
	Q2	.	-	-	.	325.0	.	.	.	.	.	.	9.80
1998	Dec.	3.7	-	-	7.17	328.8	-	-	-	-1.3	9.3	8.7	11.62
1999	Jan.	3.5	-	-	6.32	323.6	-	-	-	-0.1	.	14.6	11.45
	Feb.	3.5	-	-	5.96	322.0	-	-	-	-0.9	.	.	10.43
	Mar.	3.2	-	-	5.97	322.5	-	-	-	-2.2	.	.	9.84
	Apr.	2.6	-	-	5.85	325.5	-	-	-	.	.	.	9.85
	May	2.2	-	-	5.75	325.2	-	-	-	.	.	.	9.72
	June	.	-	-	.	324.2	-	-	-	.	.	.	9.84
Sweden													
1995		-	-6.9	77.6	10.24	9.33	.	.	3.7	10.6	8.8	-1.3	8.83
1996		0.8	-3.5	76.7	8.02	8.51	.	.	1.3	1.8	9.6	10.0	6.03
1997		1.8	-0.7	76.7	6.62	8.65	.	.	1.8	7.2	9.9	4.2	4.43
1998		1.0	2.0	75.1	4.99	8.92	2.3	.	2.6	4.1	8.3	3.5	4.36
1998	Q2	1.4	-	-	5.13	8.60	1.1	.	1.8	6.2	8.6	2.6	4.53
	Q3	0.6	-	-	4.82	8.95	2.4	.	2.5	4.8	8.2	4.7	4.29
	Q4	0.1	-	-	4.50	9.38	2.8	.	3.2	1.2	7.6	4.5	3.94
1999	Q1	0.2	-	-	4.21	8.98	2.4	.	3.6	.	7.5	5.4	3.31
	Q2	.	-	-	4.54	8.90	.	.	.	.	.	.	3.07
1998	Dec.	0.0	-	-	4.22	9.45	-	-	-	-1.5	7.5	2.1	3.60
1999	Jan.	0.0	-	-	4.02	9.08	-	-	-	-1.1	7.7	4.1	3.42
	Feb.	0.2	-	-	4.18	8.91	-	-	-	.	7.3	5.8	3.31
	Mar.	0.5	-	-	4.44	8.94	-	-	-	.	7.5	6.3	3.23
	Apr.	0.3	-	-	4.24	8.91	-	-	-	.	7.4	6.7	2.99
	May	0.3	-	-	4.50	8.97	-	-	-	.	.	6.6	3.10
	June	.	-	-	4.87	8.83	-	-	-	.	.	.	3.12
United Kingdom													
1995		-	-5.7	53.0	8.32	0.829	.	1.7	2.8	1.5	8.7	7.2	6.75
1996		2.5	-4.4	53.6	7.94	0.814	0.0	2.0	2.6	0.4	8.2	9.9	6.11
1997		1.8	-1.9	52.1	7.13	0.692	0.9	3.3	3.5	1.0	7.0	11.2	6.92
1998		1.5	0.6	49.4	5.60	0.676	0.2	.	2.1	0.3	6.3	9.6	7.43
1998	Q2	1.8	-	-	5.89	0.665	-0.8	.	2.3	1.0	6.3	9.9	7.58
	Q3	1.4	-	-	5.57	0.676	0.8	.	1.8	0.5	6.3	9.5	7.67
	Q4	1.4	-	-	4.82	0.702	1.0	.	1.1	-0.5	6.3	8.6	6.89
1999	Q1	1.6	-	-	4.39	0.687	.	.	0.7	.	6.3	7.3	5.60
	Q2	.	-	-	.	0.658	.	.	.	.	.	.	5.29
1998	Dec.	1.5	-	-	4.54	0.702	-	-	-	-1.0	6.4	8.2	6.47
1999	Jan.	1.6	-	-	4.20	0.703	-	-	-	-0.9	6.3	7.6	5.90
	Feb.	1.5	-	-	4.37	0.689	-	-	-	-1.4	6.3	7.4	5.53
	Mar.	1.7	-	-	4.60	0.671	-	-	-	.	.	6.9	5.40
	Apr.	1.5	-	-	4.54	0.665	-	-	-	.	.	.	5.32
	May	1.3	-	-	4.83	0.658	-	-	-	.	.	.	5.35
	June	.	-	-	.	0.650	-	-	-	.	.	.	5.22

Sources: Eurostat (columns 1, 8 and 10 (except Greece)); European Commission (DG II and Eurostat) (columns 2 and 3); Bloomberg (column 12); national data (columns 4, 5, 6, 7, 9, 10 (Greece) and 11).

1) Average-of-period values.
2) For more information, see Table 10.
3) BPM5; BPM4 for Greece.
4) Whole economy; data for the United Kingdom exclude employers' contribution to social security.
5) Manufacturing; adjusted for working days.
6) Average of end-month values; M3; M4 for the United Kingdom.

12 Economic and financial developments outside the EU

Table 12.1

Economic and financial developments

(annual percentage changes, unless otherwise indicated)

|	Consumer price index	Unit labour costs [1]	Real GDP	Industrial production index [1]	Unemploy- ment rate as a % of labour force (s.a.)	M2 [2]	3-month interbank deposit rate [3] as a % per annum	10-year government bond yield [3] as a % per annum	Exchange rate [4] as national currency per ECU or euro	Fiscal deficit (-) / surplus (+) as a % of GDP	Gross public debt [5] as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
1995	2.8	-1.6	2.3	5.4	5.6	2.1	5.44	6.69	1.308	-2.2	60.8
1996	2.9	-2.3	3.4	4.8	5.4	4.8	5.43	6.54	1.270	-1.2	59.9
1997	2.3	0.0	3.9	6.7	4.9	5.0	5.62	6.45	1.134	0.1	57.8
1998	1.6	0.7	3.9	4.2	4.5	7.4	5.00	5.33	1.121	1.4	55.4
1998 Q2	1.6	1.0	3.6	5.0	4.4	7.2	5.59	5.67	1.100	-	56.2
Q3	1.6	1.4	3.5	3.2	4.5	7.3	5.20	5.27	1.118	-	55.4
Q4	1.5	-0.8	4.3	2.5	4.4	8.4	5.00	4.72	1.177	-	55.4
1999 Q1	1.7	-1.6	4.0	2.3	4.3	8.5	4.99	5.00	1.122	-	.
Q2	.	.	.	.	.	.	5.08	5.54	1.057	-	.
1998 Dec.	1.6	-	-	2.2	4.3	8.7	5.00	4.69	1.172	-	-
1999 Jan.	1.7	-	-	1.9	4.3	8.7	4.99	4.78	1.161	-	-
Feb.	1.6	-	-	2.4	4.4	8.5	5.00	4.99	1.121	-	-
Mar.	1.7	-	-	2.5	4.2	8.1	4.99	5.23	1.088	-	-
Apr.	2.3	-	-	2.4	4.3	8.1	4.97	5.18	1.070	-	-
May	2.1	-	-	2.4	4.2	7.9	4.98	5.54	1.063	-	-
June	.	-	-	.	.	.	5.17	5.90	1.038	-	-
Japan											
1995	-0.1	-2.5	1.5	3.4	3.2	3.0	0.50	3.32	123.0	-3.6	.
1996	0.1	-1.7	5.1	2.3	3.4	3.3	0.31	3.03	138.1	-4.3	.
1997	1.7	-1.8	1.4	3.6	3.4	3.1	0.36	2.15	137.1	-3.3	.
1998	0.6	.	-2.8	-7.1	4.1	4.4	0.18	1.30	146.4	-5.9	.
1998 Q2	0.3	7.1	-1.7	-8.8	4.1	4.2	0.43	1.36	149.5	-	-
Q3	-0.2	.	-3.2	-8.5	4.3	4.2	0.12	1.14	156.3	-	-
Q4	0.5	.	-2.8	-6.8	4.4	4.5	0.18	1.04	140.6	-	-
1999 Q1	-0.1	.	0.1	-4.2	4.6	4.1	0.31	1.96	130.7	-	-
Q2	.	.	.	.	.	.	0.14	1.50	127.7	-	-
1998 Dec.	0.6	.	-	-6.7	4.4	4.4	0.18	1.39	137.4	-	-
1999 Jan.	0.2	.	-	-8.3	4.4	4.1	0.35	2.07	131.3	-	-
Feb.	-0.1	.	-	-4.1	4.6	3.9	0.38	2.09	130.8	-	-
Mar.	-0.4	.	-	-0.8	4.8	4.2	0.20	1.72	130.2	-	-
Apr.	-0.1	.	-	-2.4	4.8	4.0	0.18	1.55	128.2	-	-
May	-0.4	.	-	.	4.6	4.1	0.12	1.36	129.7	-	-
June	.	.	-	.	.	.	0.10	1.60	125.3	-	-

Real gross domestic product
(annual percentage changes; quarterly)
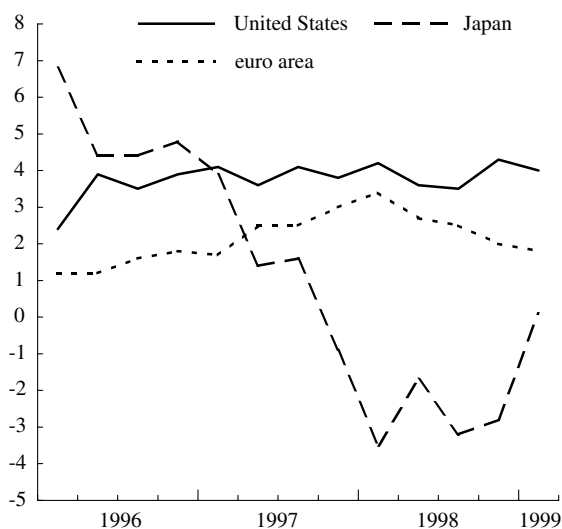
Consumer price indices
(annual percentage changes; monthly)
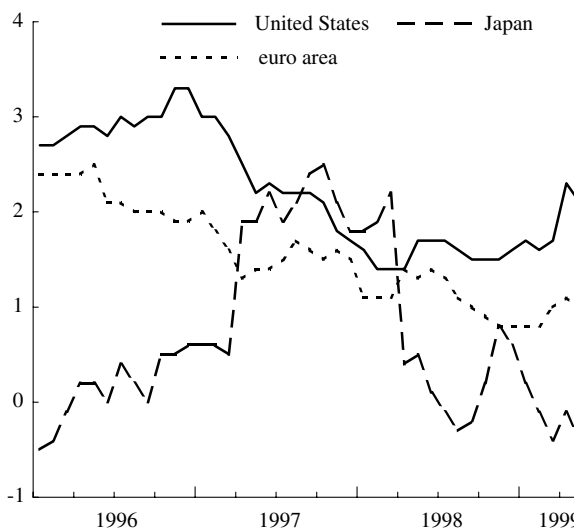
Sources: National data (columns 1, 2 (United States), 3, 4, 5, 6, 8 (to December 1998), 9 and 11); OECD (column 2 (Japan)); Eurostat (euro area chart data); Reuters (columns 7 and 8 (from January 1999)); European Commission (DG II) (column 10).
1) Manufacturing.
2) Average-of-period values, M2 and CDs for Japan.
3) For more information, see Tables 3.1 and 3.2.
4) For more information, see Table 10.
5) Gross consolidated debt for the general government (end of period).

Table 12.2

Saving, investment and financing
(as a percentage of GDP)

		National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households [1]			
		Gross saving	Gross capital formation	Net lending to the rest of the world	Gross capital formation	Gross fixed capital formation	Net acquisition of financial assets	Gross saving	Net incurrence of liabilities	Securities and shares	Capital expenditure	Net acquisition of financial assets	Gross saving	Net incurrence of liabilities
		1	2	3	4	5	6	7	8	9	10	11	12	13
United States														
1995		16.3	17.4	-1.4	7.8	7.2	6.0	8.3	5.4	2.3	12.2	6.6	13.5	5.0
1996		16.6	17.8	-1.6	7.9	7.5	5.3	8.2	5.2	0.7	12.4	5.1	13.5	4.8
1997		17.3	18.4	-1.7	8.3	7.4	3.7	8.2	4.3	1.5	12.3	4.6	12.8	4.6
1998		17.2	18.8	-2.5	8.3	7.7	4.3	8.1	4.6	0.8	12.8	4.9	11.5	5.9
1997	Q2	17.6	18.5	-1.5	8.7	7.5	1.8	8.3	2.9	1.1	12.2	5.9	13.3	4.5
	Q3	17.5	18.4	-1.7	8.2	7.7	5.1	8.4	6.1	1.6	12.3	4.9	12.9	5.4
	Q4	17.3	18.5	-2.0	8.1	7.3	3.2	8.1	3.4	2.1	12.2	4.6	12.3	4.0
1998	Q1	17.7	19.1	-2.1	8.7	7.7	6.1	8.2	6.6	1.9	12.5	3.5	11.6	5.6
	Q2	17.2	18.7	-2.5	8.1	7.8	2.3	8.1	2.7	2.6	12.8	8.2	11.5	6.0
	Q3	17.3	18.8	-2.7	8.2	7.6	4.1	8.1	4.1	0.7	12.7	3.6	11.3	5.1
	Q4	16.9	18.8	-2.6	8.2	7.8	4.7	8.0	4.8	-2.0	13.1	4.4	11.5	6.7
1999	Q1	17.0	19.0	-3.0	8.2	7.7	5.4	8.1	5.7	3.9	13.3	4.3	10.9	6.6
Japan														
1995		30.8	28.6	2.1	14.9	14.9	3.1	13.5	2.3	0.5	5.3	10.3	13.1	1.9
1996		31.5	30.0	1.4	14.6	15.3	1.7	15.2	0.3	1.0	6.7	6.4	12.7	1.1
1997		30.9	28.7	2.2	15.5	16.1	3.3	15.2	1.2	0.1	5.6	7.1	12.3	0.7
1998		.	.	.	.	.	4.4	.	-5.7	-1.3	.	5.3	.	-0.3
1997	Q2	31.2	26.6	2.3	.	.	2.6	.	-1.9	1.4	.	10.7	.	0.7
	Q3	30.2	30.0	2.2	.	.	3.0	.	3.1	0.4	.	-0.3	.	1.5
	Q4	29.0	29.3	2.6	.	.	6.6	.	10.7	-0.3	.	19.8	.	1.5
1998	Q1	33.2	27.9	2.4	.	.	0.6	.	-15.3	-2.6	.	-5.4	.	-2.3
	Q2	.	24.1	.	.	.	-0.6	.	1.3	2.2	.	12.2	.	0.0
	Q3	.	26.7	.	.	.	4.1	.	-1.9	0.5	.	-2.2	.	0.5
	Q4	.	.	.	.	.	12.7	.	-6.7	-4.8	.	15.4	.	0.6
1999	Q1	.	.	.	.	.	.	.	.	.	.	.	.	.

Net lending of non-financial corporations
(as a percentage of GDP)

Net lending of households [1]
(as a percentage of GDP)
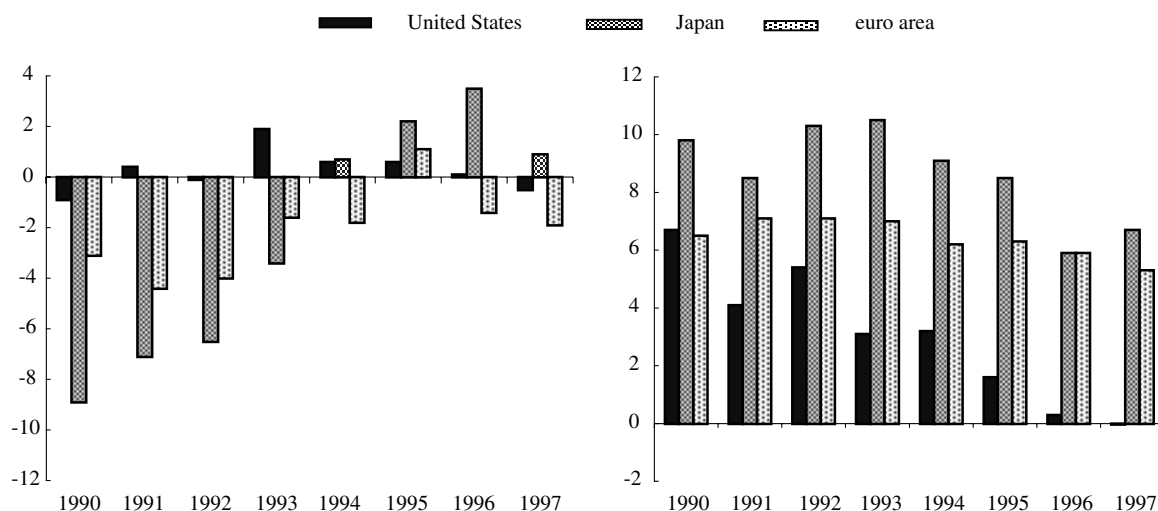
Sources: ECB, Federal Reserve Board, Bank of Japan and Economic Planning Agency.

1) *Households including non-profit institutions serving households. For Japan, saving of non-profit institutions serving households is included under saving of non-financial corporations.*

General notes

The basis for the statistics compiled and published by the European Central Bank (ECB) was laid down in the document entitled the "Statistical requirements for Stage Three of Monetary Union (Implementation package)" which was made available to banking associations and others involved in statistical preparations for Stage Three by the European Monetary Institute (EMI) and the national central banks (NCBs) in July 1996. The "Implementation package" covers money and banking statistics, balance of payments statistics, international investment position statistics, financial accounts statistics, price and cost and other economic statistics.[1]

The focus of these statistics is the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available on the ECB's Web site (http://www.ecb.int), and new or expanded data will appear in the ECB Monthly Bulletin as they become available.

Because the composition of the ECU does not coincide with the currencies of the Member States adopting the single currency, pre-1999 amounts converted from the participating currencies into ECU at current ECU exchange rates are affected by movements in the currencies of Member States which have not adopted the euro. To avoid this effect in the monetary statistics, the pre-1999 data in Tables 2.1 to 2.6 are expressed in units converted from national currencies at the irrevocable fixed exchange rates announced on 31 December 1998. Unless indicated otherwise, price and cost statistics before 1999 are based on the data expressed in national currency terms.

Methods of aggregation and/or consolidation (including cross-country consolidation) have been used as appropriate.

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1 Money and banking statistics are the responsibility of the ECB at the European level; responsibility for balance of payments, international investment position and financial accounts statistics is shared with the European Commission (Eurostat); price and cost and other economic statistics are the responsibility of the European Commission (Eurostat).

As a general rule, the cut-off date for the statistics included in the ECB Monthly Bulletin is the date of the first meeting in the month of the Governing Council of the ECB. For this issue, it was 1 July 1999.

Recent data are often provisional and may be revised. Discrepancies between totals and their components may arise from rounding.

Monetary policy and financial statistics

Tables 1.1 to 1.5 show the consolidated financial statement of the Eurosystem, data on Eurosystem operations, statistics relating to minimum reserves, and the banking system's liquidity position. Monetary data relating to Monetary Financial Institutions (MFIs), including the Eurosystem, are shown in Tables 2.1 to 2.3. Table 2.3 is consolidated; inter-MFI positions within the euro area are not shown, but any difference between the sum total of such claims and liabilities as recorded is shown in column 13. Table 2.4 sets out monetary aggregates drawn from the consolidated MFI balance sheet; they also include some (monetary) liabilities of central government. Table 2.5 shows a quarterly sectoral and maturity analysis of loans by MFIs to euro area residents. Table 2.6 shows a quarterly currency analysis of certain MFI balance sheet items. More quarterly detail will be available shortly. A complete list of MFIs is published on the ECB's Web site. Details of the sector definitions are set out in the "Money and Banking Statistics Sector Manual: Guidance for the statistical classification of customers" (EMI, April 1998). The "Money and Banking Statistics Compilation Guide" (EMI, April 1998) explains recommended practices to be followed by the NCBs. From 1 January 1999 the statistical information is collected and compiled on the basis of the ECB Regulation concerning the consolidated balance sheet of the Monetary Financial Institutions sector (ECB/1998/16).

Statistics on money market interest rates, long-term government bond yields and stock market indices (Tables 3.1 to 3.3) are produced by the

ECB using data from wire services. For details concerning the statistics on retail bank interest rates (Table 3.4), see the footnote at the bottom of the relevant page.

Statistics on securities market issues and redemptions are expected to be available later in 1999.

Prices and real economy indicators

The data presented in the ECB Monthly Bulletin are, with a few exceptions, 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. However, the availability of comparable data is, as a general rule, better for the more recent periods than for earlier periods. The seasonally adjusted data are produced by Eurostat or national sources.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Table 4.1) is available from 1995 onwards. It is based on national HICPs that follow the same methodology in all euro area countries. Estimates for periods before 1995 based on national consumer price indices are not fully comparable. The implementation of Council Regulation (EC) No. 1165/98 of 19 May 1998 concerning short-term statistics will enlarge the range of available euro area data, including timely and comparable data for retail trade turnover, for which, at present, an estimate based on national data is used (Table 5.1).

With regard to statistics on national accounts (Tables 4.2 and 5.1), the implementation of the European System of Accounts 1995 (ESA 95) during 1999 and thereafter will pave the way for fully comparable data, including quarterly summary accounts, across the euro area. The data in this issue are based partly on the ESA 95 and partly on the ESA 79.

Unemployment rates conform to International Labour Organization (ILO) guidelines. Data on whole economy employment are derived from national sources using similar definitions. Data on manufacturing employment are harmonised and reported under the Regulation concerning short-term statistics (Table 5.2).

Opinion survey data (Chart 5.3) draw on the business and consumer surveys of the European Commission.

Financial accounts statistics

The "Implementation package" foresaw a need for detailed information covering the financial transactions and balance sheets for the euro area in order to complement monetary analysis and policy research. The aim is to provide a fairly full, though not complete, set of financial accounts for the euro area based on money and banking, balance of payments, capital market, non-MFI financial corporation and government finance statistics, and drawing also on the ESA 95 national accounts. Table 6 shows euro area aggregates based on national capital and financial accounts.

A more detailed and further harmonised set of statistics presenting financial accounts for the euro area is expected to appear in the ECB Monthly Bulletin later in 1999.

General government fiscal position

The general government fiscal position in the euro area is presented in Table 7 by reference to general government receipts, expenditure, saving, deficit and debt as a percentage of GDP. These data are aggregated by the ECB from harmonised data provided by the NCBs.

In addition, general government deficit and debt data are shown for individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. These data are provided by the European Commission.

Balance of payments of the euro area, the Eurosystem's reserve position, trade in goods and exchange rates

The concepts and definitions used in balance of payments statistics (Tables 8.1 to 8.5) and international investment position statistics (to be published next autumn, for end-1998 stocks) generally conform to the 5th edition of the IMF Balance of Payments Manual (October 1993), to the ECB Guideline of 1 December 1998 (ECB/1998/17) on the statistical reporting requirements of the European Central Bank, and to Eurostat's documentation. The common methodology agreed between the ECB and the European Commission (Eurostat) and the aggregation method were explained on page 26 of the May issue of the Monthly Bulletin (see also the ECB's Web site). Table 8.3 on income is not included in this issue; it will be published in the August issue, when detailed quarterly data are available.

The euro area balance of payments is compiled by the ECB. Data up to December 1998 are expressed in ECU.

The outstanding amounts of the Eurosystem's reserves and related assets from 1999 onwards are shown in Table 8.6. Corresponding net flows are shown in Table 8.1. These data are not comparable with the net flows up to December 1998 shown in Table 8.1, which are compiled by aggregating figures following national definitions and include instruments issued by other residents of the euro area.

Table 9 gives data on euro area external trade in goods, and indices – value, volume and unit value – for total exports and imports. The value index is calculated by the ECB. The volume index is derived from the unit value index provided by Eurostat and the value index. Owing to differences in definitions, classification, coverage and time of recording, external trade data, in particular imports, are not fully comparable with the goods item in the balance of payments statistics (Tables 8.1 and 8.2).

From January 1999 onwards, statistics on exchange rates (Table 10) are daily reference rates published by the ECB.

Detailed methodological notes on euro area balance of payments statistics, external trade in goods of the euro area, and exchange rates are available on the ECB's Web site.

Other statistics

Statistics on other EU Member States (Table 11) follow the same principles as those for data relating to the euro area. Data for the United States and Japan contained in Tables/Charts 12.1 and 12.2 are obtained from national sources. Saving, investment and financing data for the United States and Japan (Table/Chart 12.2) are structured in the same way as the capital and financial flows data shown for the euro area in Table/ Chart 6.

Conventions used in the tables

"-"	not applicable
"."	not available
"…"	nil or negligible
"billion"	10^9
(p)	provisional
s.a.	seasonally adjusted

Chronology of monetary policy measures of the Eurosystem

22 December 1998

The Governing Council of the ECB decides that the first main refinancing operation of the Eurosystem will be a fixed rate tender offered at an interest rate of 3.0%, a level which it intends to maintain for the foreseeable future. This operation will be initiated on 4 January 1999, while the allotment decision will be taken on 5 January 1999 and settlement will take place on 7 January 1999. In addition, the first longer-term refinancing operation will be announced on 12 January 1999 (with a settlement date of 14 January 1999) and will be conducted through a variable rate tender using the single rate allotment procedure.

The Governing Council furthermore decides that the interest rate for the marginal lending facility will be set at a level of 4.5% and the interest rate for the deposit facility at a level of 2.0% for the start of Stage Three, i.e. 1 January 1999. As a transitional measure, between 4 and 21 January 1999, the interest rate for the marginal lending facility will be set at a level of 3.25% and the interest rate for the deposit facility at a level of 2.75%. The Governing Council intends to terminate this transitional measure following its meeting on 21 January 1999.

31 December 1998

In accordance with Article 109l (4) of the Treaty establishing the European Community, the EU Council, acting with the unanimity of the Member States of the European Community without a derogation, upon a proposal from the European Commission and after consultation of the ECB, adopts the irrevocable conversion rates for the euro, with effect from 1 January 1999, 0.00 a.m. (local time).

The ministers of the euro area Member States, the ECB and the ministers and central bank governors of Denmark and Greece decide, in a common procedure involving the European Commission and after consultation

of the Monetary Committee, to fix the central rates against the euro for the currencies participating in the exchange rate mechanism which comes into operation on 1 January 1999. Further to this decision on the euro central rates, the ECB, Danmarks Nationalbank and the Bank of Greece establish by common accord the compulsory intervention rates for the Danish krone and the Greek drachma. A fluctuation band of ±2.25% will be observed around the euro central rate for the Danish krone. The standard fluctuation band of ±15% will be observed around the euro central rate for the Greek drachma.

7 January 1999

The Governing Council of the ECB decides that for the two main refinancing operations to be announced on 11 and 18 January 1999 respectively the same conditions will apply as for the first such operation, which was settled on 7 January 1999, i.e. they will be fixed rate tenders conducted at an interest rate of 3.0%.

12 January 1999

Following the decision of the Governing Council of the ECB on 22 December 1998, the ECB announces that the first longer-term refinancing operations of the Eurosystem will be conducted as variable rate tenders using the single rate method of allotment. With a view to phasing in the longer-term refinancing operations, the first such operation is conducted through three parallel tenders with three different maturities, namely 25 February, 25 March and 29 April 1999. The ECB also announces that the intention is to allot an amount of €15 billion in each of these parallel tenders. For the subsequent longer-term refinancing operations in the first three months of 1999, the intention is to allot an unchanged amount of €15 billion per operation.

21 January 1999

The Governing Council of the ECB decides to revert to the interest rates on the Eurosystem's two standing facilities which it had set for the start of Stage Three, i.e. to set the interest rate for the marginal lending facility at a level of 4.5% and that for the deposit facility at a level of 2.0% with effect from 22 January 1999. Furthermore, it decides that for the two main refinancing operations to be settled on 27 January and 3 February 1999 respectively the same conditions will apply as for the first three such operations settled earlier in January, i.e. they will be fixed rate tenders conducted at an interest rate of 3.0%.

4 February 1999

The Governing Council of the ECB decides that for the main refinancing operations to be settled on 10 and 17 February 1999 the same conditions will apply as for the first such operations settled earlier in the year, i.e. they will be fixed rate tenders conducted at an interest rate of 3.0%. In addition, the interest rate on the marginal lending facility continues to be 4.5% and the interest rate on the deposit facility remains 2.0%.

18 February 1999

The Governing Council of the ECB decides that for the main refinancing operations to be settled on 24 February and 3 March 1999 the same conditions will apply as for the previous such operations settled earlier in the year, i.e. they will be fixed rate tenders conducted at an interest rate of 3.0%. In addition, the interest rate on the marginal lending facility continues to be 4.5% and the interest rate on the deposit facility remains 2.0%.

4 March 1999

The Governing Council of the ECB decides that for the main refinancing operations to be settled on 10 and 17 March 1999 the same conditions will apply as for the previous such operations settled earlier in the year, i.e. they will be fixed rate tenders conducted at an interest rate of 3.0%. In addition, the interest rate on the marginal lending facility continues to be 4.5% and the interest rate on the deposit facility remains 2.0%. The Governing Council also decides that for forthcoming longer-term refinancing operations of the Eurosystem the multiple rate method of allotment will be applied (starting from the operation with a settlement date of 25 March 1999) until otherwise indicated.

18 March 1999

The Governing Council of the ECB decides that for the main refinancing operations to be settled on 24 and 31 March and 7 April 1999 the same conditions will apply as for the previous such operations settled earlier in the year, i.e. they will be fixed rate tenders conducted at an interest rate of 3.0%. In addition, the interest rate on the marginal lending facility continues to be 4.5% and the interest rate on the deposit facility remains 2.0%.

8 April 1999

The Governing Council of the ECB decides to reduce the interest rate on the main refinancing operations by 0.5 percentage point to 2.5%, starting with the operation to be settled on 14 April 1999. In addition, it decides to lower the interest rate on the marginal lending facility by 1 percentage point to 3.5% and the interest rate on the deposit facility by 0.5 percentage point to 1.5%, both with effect from 9 April 1999.

22 April 1999

The Governing Council of the ECB decides that the interest rates on the main refinancing operations, the marginal lending facility and the deposit facility will remain unchanged at 2.5%, 3.5% and 1.5% respectively. In addition, the

Governing Council announces that for the longer-term refinancing operations to be settled during the next six months, the intention is to continue to allot an amount of €15 billion per operation.

6 May 1999

The Governing Council of the ECB decides that the interest rates on the main refinancing operations, the marginal lending facility and the deposit facility will remain unchanged at 2.5%, 3.5% and 1.5% respectively.

20 May 1999

The Governing Council of the ECB decides that the interest rates on the main refinancing operations, the marginal lending facility and the deposit facility will remain unchanged at 2.5%, 3.5% and 1.5% respectively. The Governing Council also decides to change the maturity of the longer-term refinancing operation scheduled to be settled on 30 September 1999. The redemption date of this operation will be brought forward from 30 December to 23 December 1999. Correspondingly, the longer-term refinancing operation which was originally scheduled to be announced on 27 December 1999 and to be allotted and settled on 30 December 1999 will be announced on 21 December, allotted on 22 December and settled on 23 December 1999. The rescheduling of operations is intended to alleviate the working procedures for financial market participants at the turn of the year.

2 June, 17 June, 1 July 1999

The Governing Council of the ECB decides that the interest rates on the main refinancing operations, the marginal lending facility and the deposit facility will remain unchanged at 2.5%, 3.5% and 1.5% respectively.

Documents published by the European Central Bank (ECB)

This list is designed to inform readers about selected documents published by the European Central Bank. The publications are available to interested parties free of charge from the Press Division. Please submit orders in writing to the postal address given on the back of the title page.

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Annual Report

"Annual Report 1998", April 1999.

Monthly Bulletin

Articles published from January 1999 onwards:

"The euro area at the start of Stage Three", January 1999.

"The stability-oriented monetary policy strategy of the Eurosystem", January 1999.

"Euro area monetary aggregates and their role in the Eurosystem's monetary policy strategy", February 1999.

"The role of short-term economic indicators in the analysis of price developments in the euro area", April 1999.

"Banking in the euro area: structural features and trends", April 1999.

"The operational framework of the Eurosystem: description and first assessment", May 1999.

"The implementation of the Stability and Growth Pact", May 1999.

"Longer-term developments and cyclical variations in key economic indicators across euro area countries", July 1999.

"The institutional framework of the European System of Central Banks", July 1999.

Working Paper Series

1   "A global hazard index for the world foreign exchange markets" by V. Brousseau and F. Scacciavillani, May 1999.

2   "What does the single monetary policy do? A SVAR benchmark for the European Central Bank" by C. Monticelli and O. Tristani, May 1999.

3   "Fiscal policy effectiveness and neutrality results in a non-Ricardian world" by C. Detken, May 1999.

4   "From the ERM to the euro: new evidence on economic and policy convergence among EU countries" by I. Angeloni and L. Dedola, May 1999.

5   "Core inflation: a review of some conceptual issues" by M. Wynne, May 1999.

Other publications

TARGET brochure, July 1998.

"The TARGET service level", July 1998.

"Report on electronic money", August 1998.

"Assessment of EU securities settlement systems against the standards for their use in ESCB credit operations", September 1998.

"Money and banking statistics compilation guide", September 1998.

"The single monetary policy in Stage Three: General documentation on ESCB monetary policy instruments and procedures", September 1998.

"Third progress report on the TARGET project", November 1998.

"Correspondent central banking model (CCBM)", December 1998.

"Payment systems in the European Union: Addendum incorporating 1997 figures", January 1999.

"Possible effects of EMU on the EU banking systems in the medium to long term", February 1999.

"Euro area monetary aggregates: conceptual reconciliation exercise", July 1999.