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EUROPEAN CENTRAL BANK



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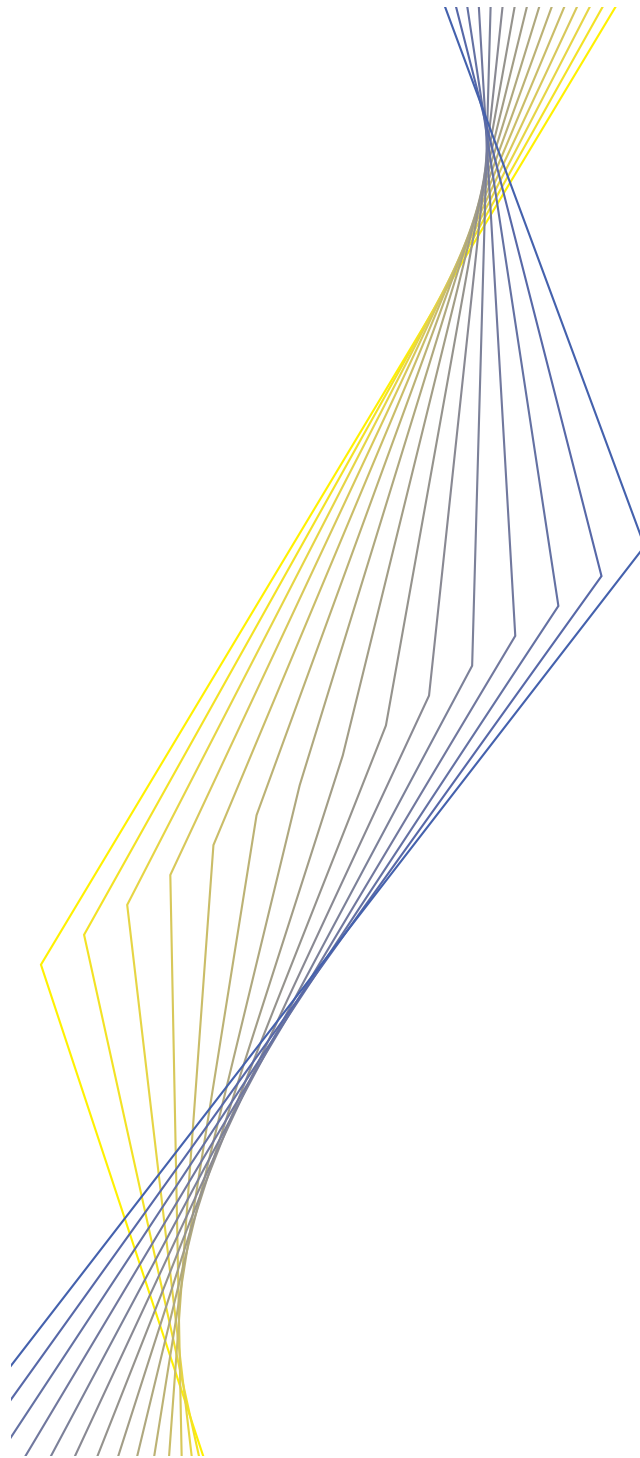
MONTHLY BULLETIN February 2000

**M O N T H L Y
B U L L E T I N**

February 2000



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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

At its meeting on 3 February 2000 the Governing Council of the ECB decided to raise the ECB interest rates. The interest rate on the main refinancing operations, which continue to be conducted as fixed rate tenders, was raised by 25 basis points to 3.25%, starting with the operation to be settled on 9 February 2000. The interest rates on the marginal lending facility and on the deposit facility were also increased by 25 basis points, to 4.25% and 2.25% respectively, both with effect from 4 February 2000.

The decision of the Governing Council was taken in the context of the Eurosystem's monetary policy strategy and was motivated by its overriding objective of maintaining price stability in the medium term. Both of the pillars of the monetary policy strategy were seen to indicate upward risks to price stability. Considering the first pillar, monetary and credit growth continued to signal generous liquidity conditions in the euro area. Monetary growth has consistently been above the reference value of 4½% and credit to the private sector continued to grow at 10% or more throughout 1999. The second pillar, the broadly based assessment of the outlook for price developments, leads to the same conclusion. Price and cost increases recently observed – including oil and non-energy commodity prices, as well as producer prices – have been larger and more protracted than earlier foreseen. Moreover, the continuous depreciation of the euro has contributed to increases in import prices. Taken together, these factors point towards an increasing risk of second round effects on consumer prices. In this context, it should be noted that the risks to price stability have to be assessed in an environment in which the outlook is for a strong cyclical upswing in the euro area, supported by a favourable outlook for output growth at the global level. Indeed, internal and external factors reinforce one another and are contributing to intensifying the growth of the real GDP of the euro area.

Against this background, a monetary policy which has a forward-looking orientation needs to respond in a timely fashion, thereby

also contributing to ensuring sustainable growth in the euro area. The Governing Council's determination not to tolerate any lasting upward effects on inflation should assure wage negotiators that the prospects for maintaining price stability remain favourable. At the same time, it will be important for wage settlements themselves not to constitute a threat to price stability in the medium term.

Looking in more detail at the developments which led to the decision to raise ECB interest rates and starting with the first pillar, M3 growth remained high in 1999. The three-month average of the annual growth rate of M3, covering the period from October to December 1999, was equal to 6.1%. At the same time the annual growth rate of credit to the private sector continued to be high in December 1999, standing at 10.5%. Both the prolonged deviation of M3 growth from the reference value of 4½% and the ongoing strong expansion of credit continued to signal generous liquidity conditions and are important factors contributing to upside risks to price stability.

With regard to the second pillar, a wide range of indicators are to be considered. Long-term nominal interest rates signal increased expectations of a lasting upswing in the euro area economy. Ten-year government bond yields in the euro area increased further in January to reach the highest level observed since late 1997.

The nominal effective exchange rate of the euro depreciated by 1.7% between the beginning of January 2000 and 2 February. This brought the overall effective depreciation of the euro since the first quarter of 1999 to almost 12%. Given both the magnitude and the duration of this development, the past movements of the exchange rate of the euro have increasingly become a cause for concern with regard to future price stability in view of their impact on consumer price inflation via increases in the prices of final and intermediate imported goods.

Recent economic developments in the euro area confirm that an upswing is well under way. Following the acceleration in activity seen in the third quarter of 1999, economic surveys point to continued expansion in the fourth quarter of 1999 and early 2000. The outlook for economic activity in the euro area is favourable. The brighter prospects for growth in most regions of the world are contributing to this. In addition to the US economy continuing to enjoy robust growth, activity is also accelerating in other industrialised countries, and a strong recovery is under way in a number of Asian and Latin American emerging market economies.

In this climate of economic expansion the rate of unemployment in the euro area fell further, to 9.6%, in December 1999. This was 0.8 percentage point below the level recorded a year earlier. The acceleration in economic activity is expected to lead to continued employment growth and to further reductions in unemployment in the future.

Euro area inflation, as measured by the annual rate of change in the Harmonised Index of Consumer Prices (HICP), rose to 1.7% in December, up from 1.5% in November 1999. The increase was mainly determined by the energy component of the HICP. The annual HICP inflation rate is expected to increase further in the next few months. This reflects,

first, the effects of the increase in oil prices and the depreciation of the exchange rate of the euro over recent months. In addition, it is a consequence of a base effect, since energy prices declined in January and February 1999.

In an environment of robust economic growth in the euro area, social partners will need to keep wage increases in line with price stability in order to maintain favourable conditions for a strong economic expansion without inflation, as well as being supportive of further growth in employment. In addition, governments will have to step up the structural reform process in order to strengthen the economy in a lasting manner. Such reforms will contribute to making the euro area more attractive for both domestic and foreign investors. Overall, consistently acting in line with these responsibilities appears to be most conducive to maintaining price stability at the domestic level and to ensuring robust and lasting economic growth.

This issue of the ECB Monthly Bulletin contains two articles. The first, entitled "The Eurosystem and the EU enlargement process", considers the implications for the Eurosystem of the enlargement of the European Union. The second article, entitled "Consolidation in the securities settlement industry", analyses the process of consolidation in that industry in the wake of the introduction of the euro.

Economic developments in the euro area

I Monetary and financial developments

Monetary policy decisions of the Governing Council of the ECB

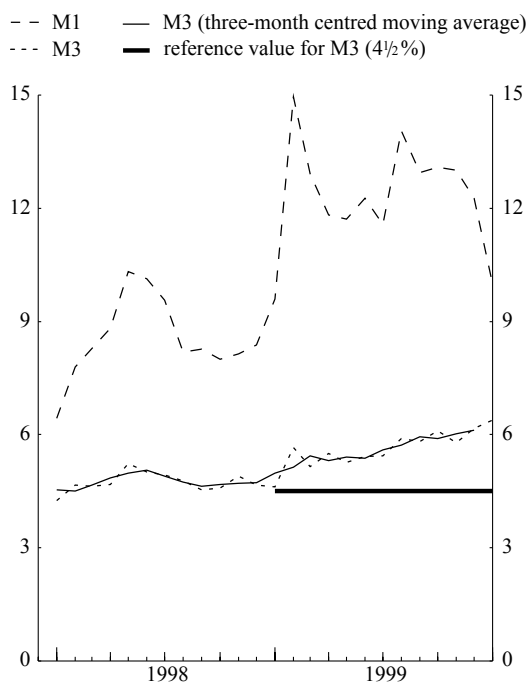
At its meeting on 3 February 2000 the Governing Council of the ECB decided to raise the three main interest rates of the ECB by 25 basis points. The interest rate on the main refinancing operations of the Eurosystem (which will continue to be conducted as fixed rate tenders) was raised from 3.0% to 3.25%, starting with the operation to be settled on 9 February 2000. In addition, the interest rate on the marginal lending facility was increased from 4.0% to 4.25% and that on the deposit facility from 2.0% to 2.25%, both with effect from 4 February 2000 (see Chart 1).

Annual M3 growth remained high in December 1999

In December 1999 the annual growth rate of the broad monetary aggregate M3 increased to 6.4%, from 6.2% in the previous month. The three-month average of the annual

Chart 2 Monetary aggregates in the euro area

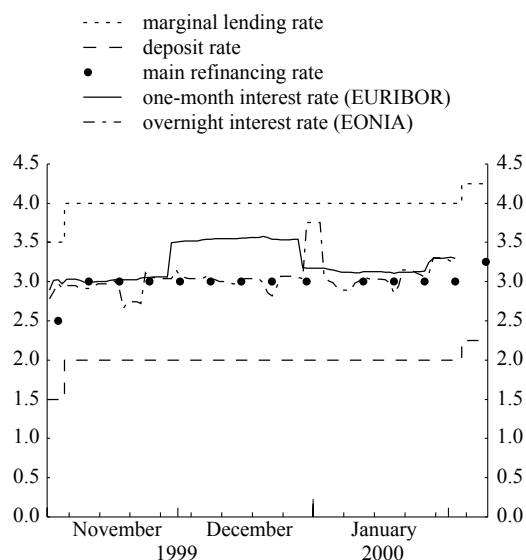
(annual percentage changes)



Source: ECB.

Chart 1 ECB interest rates and money market rates

(percentages per annum; daily data)



Source: ECB.

growth rates of M3, covering the period from October to December 1999, was 6.1%. This was slightly higher than the figure of 6.0% recorded for the period from September to November 1999, thus remaining around 1½ percentage points above the reference value of 4½% (see Chart 2). In interpreting these data, it must be taken into account that the increase in the annual growth rate of M3 in December 1999 was largely the result of a base effect (see Box 1). This notwithstanding, the prolonged deviation of M3 growth from the reference value continued to signal generous liquidity conditions and remained an important factor contributing to upside risks to price stability in the medium term.

The monthly increase in M3 of €82 billion in December 1999 was due, to a large extent, to seasonal influences. Corrected for the influence of seasonal factors, the rise in M3 in December against November 1999 was €11 billion, or 0.2% (see Table 1), and hence

Box I

The influence of base effects on annual monetary growth rates

The Governing Council of the ECB announced in December 1998 and confirmed in December 1999 that it would monitor developments in M3 in relation to the reference value of 4½% using three-month moving averages of the annual growth rates. Year-on-year comparisons are one of the standard methods used to present developments in monetary and other economic variables. One of the advantages of this procedure is that seasonal influences are, in principle, excluded. Moreover, a 12-month period is usually sufficiently long in order to avoid overstating temporary short-term movements. Finally, annual growth rates facilitate comparisons with data which are only available at lower frequencies. In order to further eliminate erratic one-month disturbances to M3, the ECB uses three-month averages of annual growth rates.

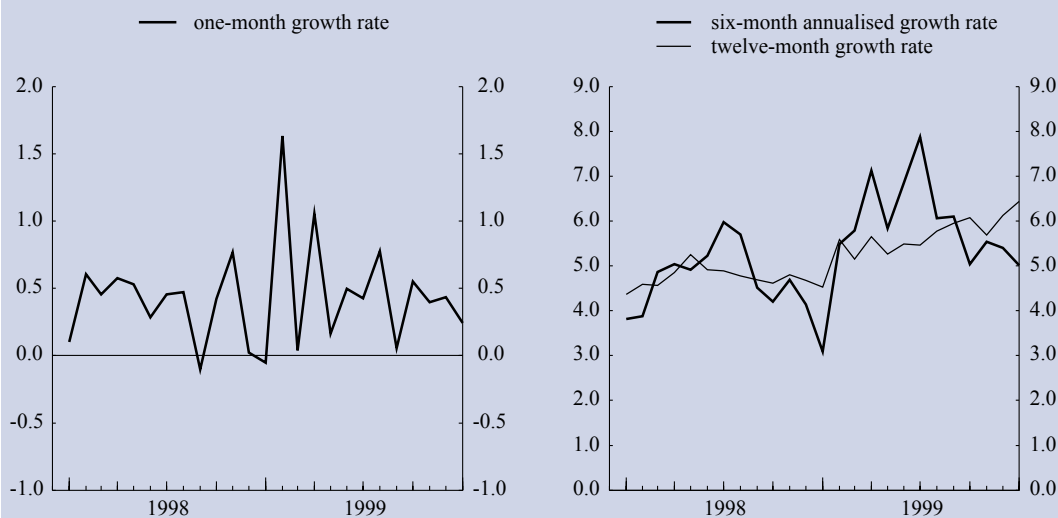
However, when interpreting changes in annual growth rates on a month-to-month basis, due account has to be taken of possible base effects. These base effects may arise because a change in the 12-month growth rate is influenced not only by developments in the most recent month, but also by developments in the same month of the previous year. For example, if the money stock grows rather strongly (or rather weakly) in a specific month of one year, this may cause a decline (or an increase) in the 12-month growth rate one year later because the increase (or decrease) of one year ago drops out of the calculation of the 12-month growth rate.

The ECB therefore does not base its assessment of developments in M3 exclusively on year-on-year comparisons. It also regularly monitors seasonally adjusted growth rates over periods that are shorter or longer than 12 months. Seasonally adjusted one-month growth rates (see Table 2.4 in the “Euro area statistics” section) show developments in the most recent month. While monthly changes in M3 can be rather volatile and should thus not be overemphasised, comparing the seasonally adjusted increase in M3 in one month with that in the same month of the previous year can help to identify the presence of base effects in annual growth rates. In addition, annualised growth rates over periods shorter or longer than one year can be calculated on the basis of the seasonally adjusted index of M3. On occasion, in particular when changes in 12-month growth rates are heavily influenced by base effects, investigating monetary developments over such shorter or longer periods is helpful in order to come to a reliable assessment of money growth.

The distorting influence of base effects can be illustrated by the monetary developments in the euro area around the end of 1999. In December 1998 the (seasonally adjusted) stock of M3 declined. This was followed

Growth rates of M3

(percentage changes; based on seasonally adjusted data)



Source: ECB.

by an exceptionally strong increase in this stock in January 1999 (see the left panel of the chart above). This volatility in the monetary data of one year ago, which was largely associated with the specific circumstances prevailing just before and after the introduction of the euro, had a major impact on the annual growth rates of M3 in December 1999 and January 2000. The (seasonally adjusted) fall in M3 in December 1998 was the main reason for the year-on-year growth rate of M3 increasing from 6.2% in November 1999 to 6.4% in December 1999. In the same vein, the base effect of the jump in M3 seen in January 1999 will have a significant dampening impact on the annual growth rate of M3 in January 2000. The three-month moving average of the annual growth rate of M3 is also affected by these base effects, albeit to a lesser extent, as their impact is averaged out over three months.

lower than in each of the three preceding months. Currency in circulation and overnight deposits (M1) decreased by a total of €11 billion or 0.6% in seasonally adjusted terms in December, whereas there was an increase in short-term deposits other than overnight deposits (€5 billion or 0.2%) and in marketable instruments (€17 billion, or 2.6%).

The annual growth rate of currency in circulation increased considerably in December 1999, to 8.4%, from 5.3% in November. The pick-up in the demand for currency was probably related to precautionary holdings of banknotes in connection with uncertainties surrounding the impact of the century date change. By contrast, the annual growth rate of overnight deposits decreased substantially, to 10.3%, from 13.8% in November 1999. While this slowdown may have been partially due to a shift to holdings of banknotes, the weaker

demand for overnight deposits may also have reflected the rise in short-term market interest rates in the fourth quarter of 1999, which tended to increase the opportunity costs of holding these liquid instruments. Overall, the annual growth rate of the narrow monetary aggregate M1 declined to 10.0% in December, from 12.3% in November. While the annual rate of expansion of M1 remained high, it appears that the demand for the most liquid components of M3, after having been exceptionally strong in the first half of 1999, has declined somewhat in more recent months. In fact, in the second half of last year M1 expanded by a seasonally adjusted and annualised rate of only 4.0%.

The annual rate of growth of short-term deposits other than overnight deposits declined further in December 1999, to 1.3%, from 1.8% in the previous month. The slowdown in the growth of these instruments was mainly due to a fall in the annual rate of

Table I

M3 and its main components

(end-of-month levels and seasonally adjusted month-on-month changes)

	Dec. 1999 levels	Oct. 1999 change		Nov. 1999 change		Dec. 1999 change		Oct. to Dec. 1999 average change	
	EUR billions	EUR billions	%	EUR billions	%	EUR billions	%	EUR billions	%
M3	4,781.6	18.4	0.4	20.3	0.4	11.4	0.2	16.7	0.4
Currency in circulation and overnight deposits (= M1)	1,959.7	6.1	0.3	4.8	0.3	-10.8	-0.6	0.1	0.0
Other short-term deposits (= M2 - M1)	2,157.7	3.8	0.2	0.6	0.0	5.0	0.2	3.1	0.1
Marketable instruments (= M3 - M2)	664.2	8.5	1.3	14.8	2.3	17.2	2.6	13.5	2.1

Source: ECB.

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

increase in deposits redeemable at a period of notice of up to three months (4.0%, compared with 5.0% in November). This may have reflected the rise in opportunity costs following the upturn in market interest rates in the euro area in relation to the bank retail rates on these deposits. The annual rate of decline in deposits with an agreed maturity of up to two years remained broadly unchanged in December, at 2.5%. All in all, the annual growth rate of the intermediate monetary aggregate M2, which includes currency in circulation and all short-term deposits, declined significantly, from 6.5% in November to 5.3% in December 1999.

By contrast with the aforementioned developments in deposits, the annual rate of increase in marketable instruments included in M3 rose substantially, jumping to 14.3% in December 1999, from 4.0% in November. This was by far the highest figure recorded in the past 12 months. While the exceptionally strong rise in the annual growth rate in December was partially due to the presence of base effects, it also reflected a pronounced seasonally adjusted monthly increase (2.6%). The latter may be associated with the increase in short-term market rates in recent months and possibly also with the rise in bond market volatility in the course of December. Both these factors may have made investments in relatively liquid instruments with a remuneration close to money market rates more attractive.

The rise in the annual growth rate of marketable instruments reflected a positive contribution from all main sub-components. Repurchase agreements continued their negative trend, but at a less pronounced rate; the annual rate of decline was 16.9% in December, compared with 20.7% in the previous month. The annual rate of growth of money market fund shares and money market paper increased to 26.9%, from 18.3% in November, partly as a result of the above-mentioned base effects. The strong demand for these money market instruments may also have reflected purchases from non-euro area residents (which cannot be identified

separately in the monetary statistics of the Eurosystem in a reliable manner). Finally, the annual rate of growth of debt securities issued with a maturity of up to two years jumped to 40.7% in December, from 8.1% in the previous month. Again, this may have reflected a base effect, as the demand for these instruments had fallen substantially in December 1998.

Continued strong growth of credit to the private sector

Turning to the counterparts of M3 in the consolidated balance sheet of the MFI sector, the annual growth rate of total credit granted to euro area residents remained stable in December 1999, at 8.4%. However, this stability masked opposite movements in credit growth in individual sectors. The annual growth rate of credit extended to the private sector declined from 10.9% in November to 10.5% in December, while that of credit granted to general government rose from 1.7% in November to 2.5% in December.

Developments in credit to the private sector mainly reflected the somewhat slower growth of loans (9.5% in December, compared with 10.1% in the previous month). In addition, there was a slightly weaker expansion of MFI holdings of shares and other equity (25.0% in December, after 26.9% in November), whereas the annual rate of change in MFI holdings of securities other than shares increased from 8.2% in November to 12.4% in December. Overall, the growth rate of credit remained high and continued to signal favourable financing conditions in the euro area.

The annual growth rate of credit extended to general government rose for the fourth consecutive month in December, reaching 2.5% (compared with 1.7% in November). This upward trend mainly reflected increased purchases of government debt securities by MFIs (at an annual rate of 4.4% in December), while the growth rate of loans to general government remained subdued (the annual rate of change was -0.1% in December).

Table 2**M3 and its counterparts in the consolidated balance sheet of the MFI sector***(EUR billions)*

Assets	Amounts outstanding		12-month flows ¹⁾	Liabilities	Amounts outstanding		12-month flows ¹⁾
	Dec. 1998	Dec. 1999	Dec. 1999		Dec. 1998	Dec. 1999	Dec. 1999
Credit to private sector	5,590.3	6,140.5	583.0	M3	4,442.4	4,781.6	285.0
Credit to general government	2,022.4	2,062.2	50.8	Longer-term financial liabilities	3,274.7	3,579.9	266.7
Net external assets	389.9	269.5	-185.4	Net other counterparts ²⁾	285.5	110.6	-103.4
Total	8,002.6	8,472.2	448.4	Total	8,002.6	8,472.2	448.4

Source: ECB.

1) Calculated from monthly differences in levels adjusted for reclassifications, other revaluations, exchange rate variations and any other changes which do not arise from transactions.

2) Net other counterparts = deposits of central government + excess of inter-MFI liabilities + remaining liabilities - fixed assets - counterpart to central government liabilities included in M3 - remaining assets.

In respect of the other counterparts of M3, the annual growth rate of longer-term MFI financial liabilities continued to rise in December, reaching 8.1% after 7.3% in November. This reflected a higher annual growth rate of deposits with an agreed maturity of over two years (which has been on an upward trend since May, reaching 5.9% in December 1999), as well as an increase in the annual growth rate of capital and reserves (14.1%, compared with 9.4% in November). Investments in longer-term deposits continued to be favoured by the widening of the spread between longer-term retail deposit rates and interest rates on short-term deposits. The rise in the growth rate of MFIs' capital and reserves in December was partly related to valuation effects. As regards the other longer-term MFI financial liabilities, debt securities issued with an original maturity of over two years grew at a slower pace (8.3% in December, compared with 9.0% in the previous month). Finally, deposits redeemable at a period of notice of over three months continued to decline (at an annual rate of 8.8% in December, compared with 8.1% in November).

The net external asset position of the MFI sector declined slightly during December (by €3 billion in absolute and non-seasonally adjusted terms), as the decline in MFI external assets was somewhat larger than that in external liabilities.

Overall, between December 1998 and December 1999 the outstanding amount of M3 rose by €285 billion. With regard to the 12-month changes in the other main items of the consolidated balance sheet of the MFI sector (see Table 2), credit to the private sector expanded by €583 billion, while credit to general government rose by €51 billion. These developments were accompanied by an increase in longer-term MFI liabilities (amounting to €267 billion) and a reduction in the net external assets of the MFI sector (€185 billion). The other counterparts of M3 (net liabilities) declined by €103 billion over the 12 months up to December 1999.

Private sector participation in euro area debt markets increasing

In this issue of the ECB Monthly Bulletin, the ECB is publishing for the first time data broken down by issuing sector for amounts outstanding and gross issuance of euro-denominated securities (see Box 2). These data complement the securities issues data which the ECB has been publishing since November 1999 and enhance the understanding of the development of the euro area financial structure.

In October and November 1999 the gross issuance of debt securities by euro area residents was €311.3 billion and

Box 2

Euro-denominated debt securities by issuing sector

Since November 1999 the ECB has published statistics on debt securities issues with a breakdown by original maturity, residency of the issuer and currency denomination (see Table 3.5 in the “Euro area statistics” section and Box 2 on pages 17 and 18 of the November 1999 issue of the ECB Monthly Bulletin). The range of securities issues statistics published by the ECB has now been extended to include data broken down by issuing sector on amounts outstanding and gross issues of euro-denominated securities (see Table 3.6 in the “Euro area statistics” section). These new ECB statistics distinguish between six types of issuing sector: MFIs (including the Eurosystem), non-monetary financial corporations, non-financial corporations, central government, other general government and international organisations. A sectoral breakdown of issuing activity in the debt securities markets of the euro area is an important element of monetary and financial analysis. These data can highlight the relative importance of the demands of the public and private sectors on the capital markets and may assist in accounting for movements in market interest rates, particularly for medium to long-term maturities. In addition, when monitored over time, these data can indicate any shifts under way in saving and lending patterns in the euro area economy which may have a bearing on the interpretation of monetary and credit developments or on the transmission mechanism of monetary policy.

The sectoral statistics refer to securities other than shares issued world-wide in euro (including any remaining issues in the national currency denominations of the Member States participating in the euro area). In these statistics, the issuing sector is determined by the entity incurring the liability, in accordance with European standards as set out in the European System of Accounts 1995 (ESA 95).

With regard to euro-denominated debt securities issued by euro area residents, the sectoral breakdown shows that central government had the largest presence in the euro area capital market, with a total amount outstanding of €3,262.9 billion at the end of November 1999, or 54% of the total amount outstanding (see the table below). This compares with a share in the total amounts outstanding at the end of December 1998 of 56%. MFIs had the second largest amount outstanding of euro-denominated debt securities at the end of November, namely €2,208.5 billion or 37% of the total amount outstanding. The equivalent share at the end of December 1998 was 36%.

Non-financial corporations and non-monetary financial corporations were still relatively small sectors of the euro area capital market, with shares in total amounts outstanding of 5% and 3% respectively at the end of November 1999 (4% and 2% respectively at the end of December 1998). As indicated by the changes in the shares of the various issuing sectors in the total amounts outstanding between December 1998 and November 1999, the participation of the non-public sector in the euro area capital market increased relative to the public sector in the course of 1999 (on this topic see also the article in the January 2000 issue of the ECB Monthly Bulletin entitled “The euro area one year after the introduction of the euro: key characteristics and changes in the financial structure”).

With regard to the maturity breakdown of the amounts outstanding of euro-denominated debt securities, all sectors reveal predominantly long-term issuance, although this feature is less marked for non-financial corporations resident in the euro area than for other sectors.

As for the sectoral breakdown of euro-denominated debt securities issued by non-euro area residents, data are collected by the Bank for International Settlements (BIS). BIS data are currently available up to the third quarter of 1999. At the end of September 1999 the share of the amount outstanding of euro-denominated debt securities issued by non-euro area residents in the total amount outstanding of euro-denominated debt securities issued was 9%. Concerning the sectoral breakdown of non-euro area issuers of euro-denominated debt securities, non-euro area banks (including central banks) accounted for the largest share in the total amount outstanding issued by non-euro area residents (28% at the end of September 1999). They were

followed by international organisations (21%), non-financial corporations (19%), non-monetary financial corporations (15%) and central governments (13%). Compared with the end of December 1998, the share of non-financial corporations in the total amount outstanding of euro-denominated debt securities issued by non-euro area residents had increased from 13% to 19% by the end of September 1999, which was by far the largest increase in any issuing sector. This development again reflects the growing importance of the private sector in the issuance of euro-denominated debt securities.

Debt securities issued by euro area residents ¹⁾ denominated in euro ²⁾ by issuing sector

(EUR billions)

	Gross issues in 1999						Amounts outstanding as at	
	Q1	Q2	Q3	Oct.	Nov.	Jan.-Nov. ⁴⁾	end-Dec. 1998	end-Nov. 1999 ⁵⁾
Total	931.9	873.6	853.3	296.9	277.9	2,955.7	5,589.9	6,028.1
- of which issued by								
Non-financial corporations	129.5	125.1	129.8	47.7	41.0	473.1	235.0	282.6
(o/w short-term in %) ³⁾	(81)	(88)	(90)	(87)	(94)	(87)	(20)	(26)
(o/w long-term in %)	(19)	(12)	(10)	(13)	(6)	(13)	(80)	(74)
MFIs (including Eurosystem)	452.6	430.4	412.8	154.4	159.3	1,609.5	1,989.3	2,208.5
(o/w short-term in %) ³⁾	(65)	(68)	(72)	(67)	(72)	(69)	(8)	(10)
(o/w long-term in %)	(35)	(32)	(28)	(33)	(28)	(31)	(92)	(90)
Non-monetary financial corporations	15.7	37.1	22.7	5.5	6.0	87.0	131.0	183.5
(o/w short-term in %) ³⁾	(27)	(13)	(22)	(27)	(20)	(20)	(7)	(3)
(o/w long-term in %)	(73)	(87)	(78)	(73)	(80)	(80)	(93)	(97)
Central government	325.8	271.4	282.0	86.9	68.1	1,034.2	3,127.2	3,262.9
(o/w short-term in %) ³⁾	(43)	(49)	(46)	(47)	(49)	(46)	(10)	(8)
(o/w long-term in %)	(57)	(51)	(54)	(53)	(51)	(54)	(90)	(92)
Other general government	8.3	9.8	6.0	2.5	3.6	30.1	107.5	113.9
(o/w short-term in %) ³⁾	(42)	(41)	(57)	(60)	(56)	(48)	(3)	(3)
(o/w long-term in %)	(58)	(59)	(43)	(40)	(44)	(52)	(97)	(97)
Memo item:								
Total issues in euro by non-residents	76.7	75.2	90.3	.	.	242.2	439.1	593.1
(as % of total issues in euro)	(8)	(8)	(10)	.	.	(8)	(7)	(9)
Non-financial corporations	18.0	22.3	27.9	.	.	68.2	56.0	109.9
Banks (including central banks)	28.6	22.3	30.6	.	.	81.5	117.6	164.1
Non-monetary financial corporations	16.5	19.1	21.8	.	.	57.4	53.4	87.2
Central government	5.6	6.2	4.4	.	.	16.2	65.9	78.9
Other general government	1.9	2.2	2.5	.	.	6.6	25.5	29.7
International organisations	6.1	3.2	3.2	.	.	12.5	120.7	123.3

Sources: ECB and BIS.

1) Data coverage for euro area residents is estimated at around 95% of total issuance.

2) Including items expressed in the national denominations of the euro.

3) Short-term debt securities include issues with a maturity of one year or less (in accordance with the ESA 95, two years in exceptional cases).

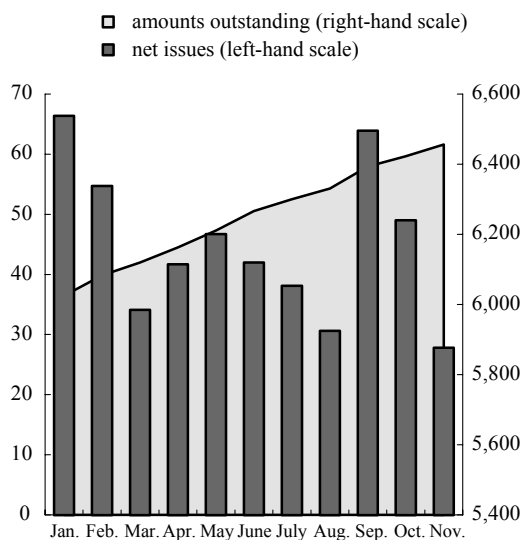
4) January to September for issues by non-residents.

5) End-September for issues by non-residents.

Chart 3

Debt securities issued by euro area residents in 1999

(EUR billions)



Source: ECB.

Note: Net issues differ from the change in amounts outstanding owing to valuation changes, reclassifications and other adjustments.

€293.6 billion respectively. Taking into account the redemptions (€262.3 billion and €265.9 billion respectively), the net issuance was €49.0 billion and €27.8 billion respectively. This compares with an average figure of €46.5 billion for previous months in 1999 (see Chart 3). The outstanding amount of debt securities issued by euro area residents was €6,455.9 billion at end-November 1999.

Retail bank interest rates increased slightly in December

All short-term retail bank interest rates in the euro area rose in December 1999, reflecting the increase in ECB interest rates in early November, as well as increases in money market interest rates in October and November. Furthermore, longer-term retail bank interest rates in the euro area showed a broad tendency to increase in December against the background of an increase in long-term capital market interest rates.

The most notable increase in short-term retail bank interest rates was observed in the average rates on deposits with an agreed maturity of up to one year, which increased by 11 basis points to stand at 2.7% in December 1999 (see Chart 4). Even though all short-term retail bank interest rates have shown a tendency to increase since the summer months of 1999, in December 1999 they were below the levels observed in December 1998.

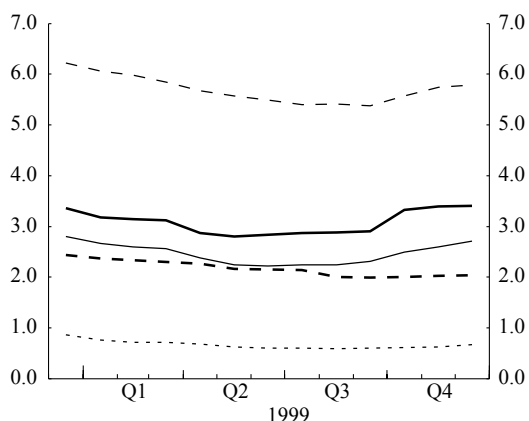
With regard to retail bank interest rates at longer maturities, the average rate on deposits with an agreed maturity of over two years rose by 7 basis points in December 1999 to reach 4.0% (see Chart 5). The average interest rates on loans to households for house purchase also increased slightly to stand at 5.8%. Only the average rate on longer-term loans to enterprises declined slightly in December, to 5.5%. All longer-term retail bank interest rates in December 1999 were significantly above the levels observed a year earlier in connection with the trend increase in bond yields since May 1999.

Chart 4

Short-term retail bank interest rates

(percentages per annum; monthly averages)

- three-month money market rate
- - loans to enterprises with a maturity of up to one year
- deposits with an agreed maturity of up to one year
- - deposits redeemable at notice of up to three months
- ... overnight deposits

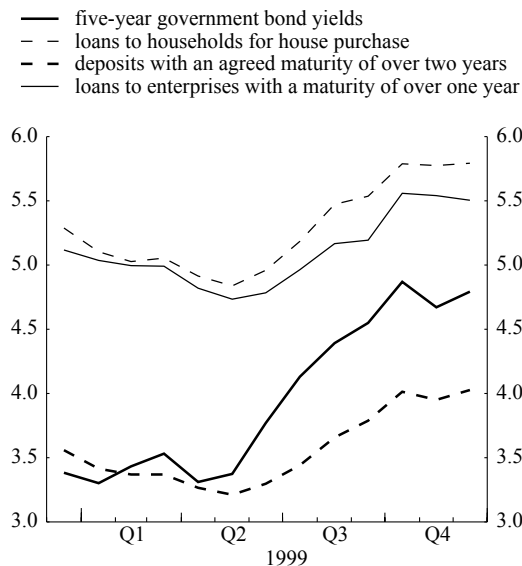


Sources: ECB aggregation of individual country data and Reuters.

Chart 5

Long-term retail bank interest rates

(percentages per annum; monthly averages)



Sources: ECB aggregation of individual country data and Reuters.

Money market interest rates rose towards the end of January

Money market interest rates remained broadly stable for most of January, but rose towards the end of the month, as market expectations of an increase in ECB interest rates in February 2000 strengthened. The overnight interest rate, as measured by the EONIA, was close to the rate of 3.0% applicable to the main refinancing operations of the Eurosystem during most of January. This pattern reflected the return to a broad equilibrium between the banking system's liquidity and the amount needed to meet the Eurosystem's reserve requirements following the century date change (see Box 3). As from the end of January the EONIA rate rose again, reaching 3.18% on 2 February 2000 (see Chart 1).

The money market yield curve remained positively sloped and relatively steep in January 2000. The one-month EURIBOR, which stood at 3.17% at the end of December 1999, first declined by a few basis points at the beginning of January, but subsequently increased by almost 20 basis points in the

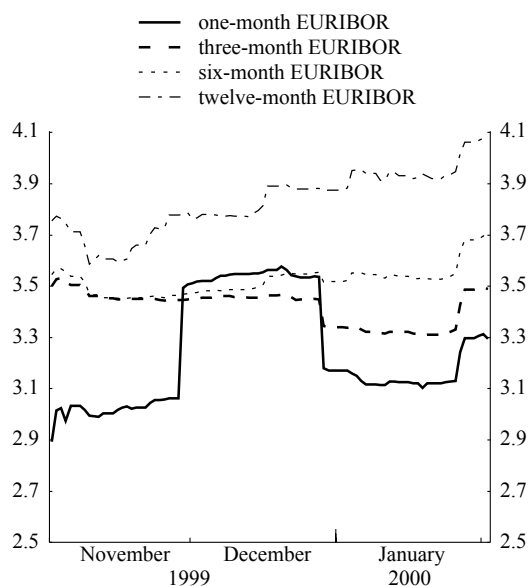
second half of the month to reach 3.30% on 2 February 2000 (see Chart 6). The three-month EURIBOR showed a similar albeit less pronounced pattern and rose to 3.49% on 2 February, which was 15 basis points higher than at the end of December 1999.

The three-month EURIBOR interest rate implied in futures contracts for delivery in the course of the year 2000 followed a similar pattern throughout January to that of the three-month spot rate. On 2 February the three-month EURIBOR rate implied in futures contracts for delivery in March, June and September 2000 was equal to 3.70%, 4.06% and 4.35% respectively, which is approximately 10 basis points above the levels recorded at the end of December for all maturities. These movements were reflected in the six-month and twelve-month EURIBOR rates, which rose by 17 and 18 basis points respectively between end-December 1999 and 2 February 2000, when they were equal to 3.69% and 4.06% respectively. The upward shift in the money market yield curve signalled a strengthening of market expectations of increases in short-term interest rates.

Chart 6

Short-term interest rates in the euro area

(percentages per annum; daily data)



Source: Reuters.

Box 3**Monetary policy operations and liquidity conditions in the reserve maintenance period ending on 23 January 2000****Allotments in monetary policy operations**

The reserve maintenance period from 24 December 1999 to 23 January 2000 was characterised by the special circumstances linked to the transition to the year 2000 and the specific changes introduced as a result of the century date change. As announced by the ECB on 23 September 1999, no main refinancing operation was conducted in the first week of 2000 and no such operation matured during that week. As a consequence, the Eurosystem conducted three main refinancing operations and one fine-tuning operation during this maintenance period. The main refinancing operations were all conducted at a fixed interest rate of 3.00%. The allotted volume varied between €35 billion and €77 billion. The total amounts of the bids submitted for the main refinancing operations ranged between €486 billion and €1,146 billion, while the average amount was €849 billion, compared with €988 billion in the previous reserve maintenance period. The allotment ratios varied between 3.8% and 14.4%, i.e. they were somewhat lower than in the preceding reserve maintenance period, when the range was between 6.1% and 19.9%.

As the transition to the year 2000 went smoothly, the ECB decided to adjust the ample liquidity situation which had arisen owing to, on the one hand, the ECB's commitment to preventing liquidity constraints from occurring during the transition, and, on the other, the substantial expansion of liquidity created by banks' heavy recourse to the marginal lending facility on 30 December 1999 and a large decrease in the autonomous factors at the beginning of 2000. On 5 January 2000 the ECB conducted a liquidity-absorbing fine-tuning operation maturing on 12 January 2000 by means of the collection of fixed-term deposits in a variable rate quick tender with a pre-announced maximum bid rate of 3.00%. While the announcement was for an intended allotment amount of €33 billion, the bids amounted to €14.4 billion. Of the 210 eligible counterparties, 43 participated in the fine-tuning operation.

With the exception of the last business day of the year, the EONIA rate fluctuated between 2.85% and 3.15%. On 30 December 1999 the rate peaked at 3.75%, reflecting, inter alia, banks' concerns with regard to the transition to the year 2000. However, the peak rate turned out to be more moderate than money market participants had expected and on 4 January 2000 the rate fell to 3.01%.

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

Daily average during the reserve maintenance period from 24 December 1999 to 23 January 2000

	<i>Liquidity providing</i>	<i>Liquidity absorbing</i>	<i>Net contribution</i>
(a) Monetary policy operations of the Eurosystem	215.5	3.8	+ 211.7
Main refinancing operations	138.5	-	+ 138.5
Longer-term refinancing operations	75.0	-	+ 75.0
Standing facilities	1.9	0.5	+1.4
Other operations	0.0	3.3	-3.3
(b) Other factors affecting the banking system's liquidity	362.3	465.3	- 103.0
Banknotes in circulation	-	363.0	- 363.0
Government deposits with the Eurosystem	-	41.0	-41.0
Net foreign assets (including gold)	362.3	-	+ 362.3
Other factors (net)	-	61.2	- 61.2
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)			108.7
(d) Required reserves			107.7

*Source: ECB.**Totals may not add up due to rounding.***Use of standing facilities**

The average recourse to the marginal lending facility amounted to €1.9 billion, i.e. €1.6 billion more than in the previous reserve maintenance period. Greatest use was made of the facility over the year-end, to a large

extent reflecting the special circumstances of the transition to the year 2000. In addition to this, liquidity was scarcer than expected at the end of the period because excess reserves turned out to be higher than usual. The average recourse to the deposit facility was €0.5 billion, i.e. €0.5 billion less than in the previous reserve maintenance period.

Liquidity factors not related to monetary policy

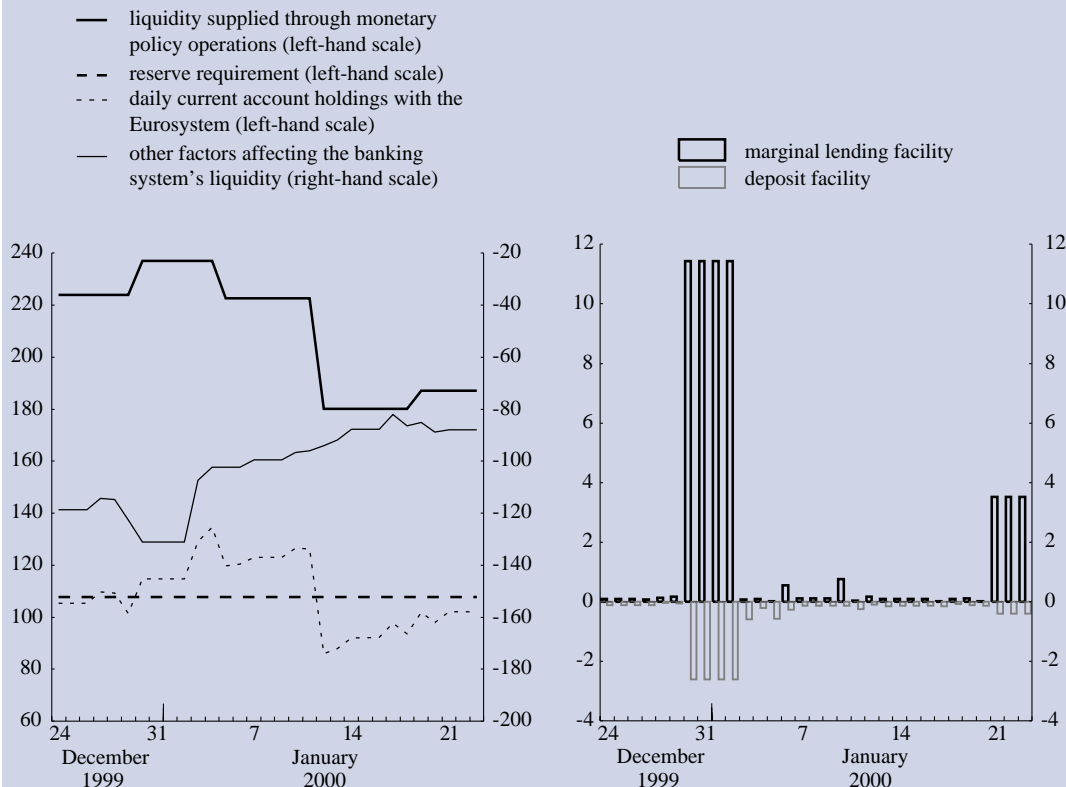
The net liquidity-absorbing impact of the autonomous factors (i.e. the factors not related to monetary policy) on the banking system's liquidity (item (b) in the table above) was €103 billion on average, i.e. €6.1 billion less than in the previous reserve maintenance period. The main factors affecting this outcome were a decrease in net government deposits, which were €18 billion lower, and an increase in the amount of banknotes in circulation, which was €8.7 billion higher, on average, than in the previous reserve maintenance period. The increase of almost €11 billion in net foreign assets was mainly the result of a revaluation at the end of the year, which was also reflected in the "other factors" item. The sum of autonomous factors fluctuated between €82.1 billion and €131.0 billion.

Current account holdings of counterparties

The average current account holdings amounted to €108.7 billion and the reserve requirements to €107.7 billion. The difference between the average current account holdings and the reserve requirements therefore amounted to €1.0 billion, which was €0.3 billion more than in the previous reserve maintenance period. Around €0.2 billion of this amount was a result of current account holdings not contributing to the fulfilment of reserve requirements, and €0.8 billion was related to excess reserves. The higher than usual amount of excess reserves was related in part to the hoarding of liquidity by banks over the year-end.

Factors contributing to the banking system's liquidity during the maintenance period ending on 23 January 2000

(EUR billions; daily data)



Source: ECB.

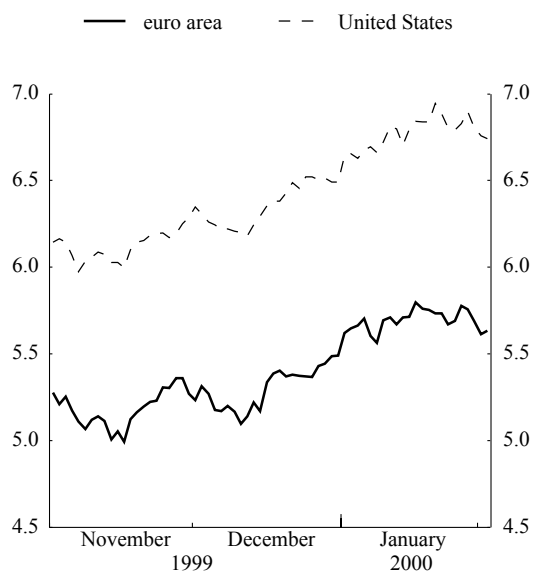
The marginal and average allotment interest rates on the Eurosystem's longer-term refinancing operation which was settled on 27 January 2000 were equal to 3.28% and 3.30% respectively. This was a few basis points below the three-month EURIBOR interest rate prevailing at the time the operation was conducted. The allotted amount was €20 billion, following the announcement by the Governing Council of the ECB on 20 January 2000 that the intention was to allot this amount for each of the monthly longer-term refinancing operations to be conducted in the first half of 2000. This announcement of the intended allotment volume took into consideration the expected liquidity needs of the euro area banking system in the first six months of 2000 and the desire of the Eurosystem to continue to provide the bulk of its refinancing of the financial sector through its main refinancing operations.

Long-term bond yields increased further in January

Following the increases recorded in the second half of December 1999, long-term bond yields in the euro area continued to rise in January 2000 (see Chart 7). Between end-December 1999 and 2 February 2000 the average level of ten-year bond yields in the euro area increased by around 15 basis points, to 5.64%, thereby bringing long-term bond yields in the euro area to the highest level observed since late 1997. A spillover of significant upward pressure on US long-term bond yields seemed partly to account for this development in the first half of January. Subsequently, however, there appeared to be a decoupling as US long-term bond yields continued to rise. Reflecting this, the spread between US and euro area ten-year bond yields widened by ten basis points in January, and stood at 110 basis points on 2 February 2000.

In the United States the ten-year bond yield increased by 25 basis points between end-December 1999 and 2 February 2000, to stand at 6.74%. This brought US ten-year bond yields to the highest level recorded in

Chart 7
Long-term government bond yields in the euro area and the United States
(percentages per annum; daily data)



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

more than two and a half years, and around 200 basis points above the levels observed one year earlier. The main factor behind the increase in US bond yields appeared to be concerns among financial market participants with regard to a possible build-up in inflationary pressures as the US economy continued to grow at a remarkable pace. While few indicators seemed to point to immediate inflationary tendencies, a continued flow of information indicating robust growth, as well as high confidence among consumers and producers, may have led to increasing doubts on the part of market participants regarding the potential for the US economy to sustain low inflation in an environment of very high GDP growth rates in the medium to longer term. Towards the end of January the upward pressure on long-term bond yields receded somewhat as the US Treasury Department revealed plans to start buying back long-term bonds during the first half of 2000, and as reports indicated that larger than expected budget surpluses would allow the United States to increase the pace of federal debt paybacks.

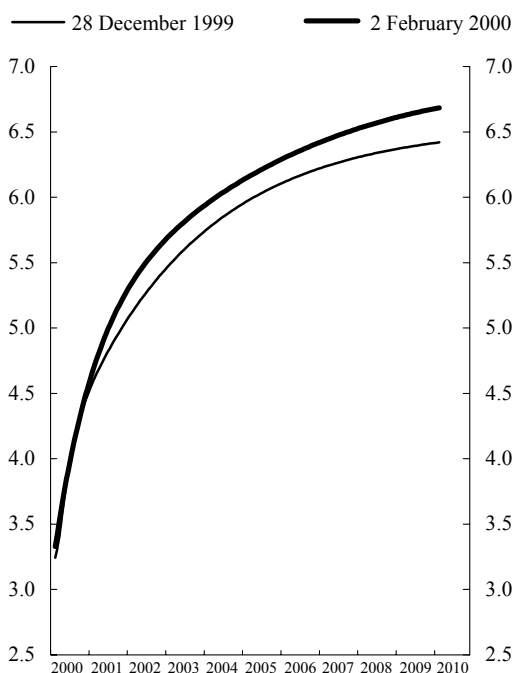
In Japan ten-year bond yields increased by around 20 basis points during January, standing at 1.84% on 2 February 2000. An upward movement in ten-year bond yields was observed particularly in the first half of January, as market expectations of an end to the zero interest rate monetary policy in Japan increased, and possibly also reflecting technical factors related to the issuance of new Japanese five-year government bonds. However, these yield movements were subsequently partly reversed as the Bank of Japan reiterated that it would continue with a zero interest rate policy for the time being.

In the euro area most of the increase in long-term bond yields in January 2000 was concentrated in the first half of the month, while bond yields remained broadly stable during the second half. A significant part of the increase in early January seemed attributable to spillovers from the upward pressure on yields in the US bond market, which was a pattern that had also been observed in the second half of December 1999. In addition to this influence, the increase in euro area bond yields appeared to be fuelled by recent economic news and data releases, which tended to point towards brighter prospects for the euro area economy and, in turn, to expectations of inflationary pressures in the future. Furthermore, significant bond issuance planned for early 2000 may have contributed to generating upward pressures on euro area bond yields in January. Reflecting the aforementioned increases in long-term interest rates, the euro area forward yield curve became somewhat steeper during January (see Chart 8).

Between end-December 1999 and 2 February 2000 the real yield on the French ten-year index-linked bond increased by more than 35 basis points to stand at 3.90%, while the “break-even” inflation rate, i.e. the differential between nominal and real ten-year yields, decreased by around 25 basis points, to 1.70%. This would seem to suggest that the recent increase in nominal euro area bond yields was linked to market expectations of higher short-term real interest rates in the

Chart 8
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.

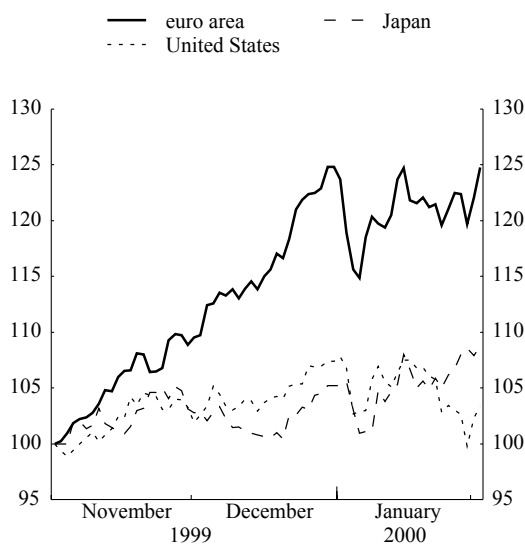
future, rather than reflecting inflation expectations. This, in turn, may be seen as an indication that the market expected the Eurosystem to contain inflationary pressures within the definition of price stability. However, as mentioned in earlier issues of the ECB Monthly Bulletin, any inference regarding inflation expectations based on the French index-linked bond yields warrants some degree of caution, since a number of caveats apply.

Stock prices declined in a volatile environment in January

Similarly to developments in the United States, stock price developments in the euro area in January 2000 tended to be relatively volatile (see Chart 9). Overall, when measured according to the broad Dow Jones

Chart 9
Stock price indices in the euro area, the United States and Japan

(1 November 1999 = 100; daily data)



Source: Reuters.

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.

EURO STOXX index, euro area stock prices showed no clear trend between end-December 1999 and 2 February 2000. This contrasted with the large increases recorded in the latter part of 1999.

With regard to conditions in global stock markets, stock prices in the United States – as measured by the Standard and Poor's 500 index – declined by 4% between end-1999 and 2 February 2000. This overall development in US stock prices appears to have been the result of two countervailing influences. First, the significant increases seen in US long-term bond yields since December 1999 seem to have exerted downward pressures on US stock prices by lowering the present value of future corporate earnings streams. Partly offsetting this, evidence of continued robust growth in the economy and

the related strength of corporate earnings growth may have had a favourable influence on expectations with regard to future corporate profitability.

By contrast with developments in the United States and the euro area, stock prices in Japan, as measured by the Nikkei 225 index, increased by more than 4% between end-1999 and 2 February 2000. While Japanese stock prices appeared at times to suffer the negative effects of spillovers of volatility in US stock prices and continued uncertainties surrounding the future pace of economic activity, they nevertheless recovered from the declines seen at the beginning of January. Against the background of a rise in Japanese long-term bond yields in January, this increase in stock prices seemed mainly to reflect expectations of an improvement in corporate profitability.

In the euro area stock price developments mirrored those in the United States in the first weeks of the year. Although market participants appeared to become more optimistic about economic prospects in the euro area, downward pressure in early January may have been mainly related to a spillover of volatility from the US stock market as well as from rising domestic bond yields. An analysis of sectoral developments during the month reveals that the principal contribution to the decline in euro area stock prices in early January came from the financial sector. This sector, which currently represents close to one-quarter of the stock market capitalisation of the Dow Jones EURO STOXX index, declined by 8% between end-1999 and 2 February 2000. By contrast, stock prices in the technology and utilities sectors (particularly telecommunications) rose during January against the background of favourable expectations for earnings growth.

2 Price developments

Consumer price inflation rose further in December owing to energy prices

The rate of euro area inflation as measured by the year-on-year increase in the overall Harmonised Index of Consumer Prices (HICP) rose further in December 1999 to stand at 1.7%, up from a revised 1.5% in November. The rise in the inflation rate in December was almost entirely the result of the development in energy prices. With the exception of processed food prices, which increased slightly, the rate of increase in the other main components of the HICP remained either unchanged or fell slightly. Owing to a rise in the year-on-year increase in non-seasonal food prices, the annual rate of increase in the HICP excluding seasonal

food and energy rose by 0.1 percentage point to 1.0% in December.

The annual rate of increase in the energy component rose by 3 percentage points, from 7.2% in November to 10.2% in December (see Table 3). This rise in the year-on-year increase in energy prices was caused by both a sharp increase in the energy price index from November 1999 to December 1999 and a relatively strong base effect caused by the decline in the energy price index a year earlier (see Chart 10). Owing to the ongoing decline in energy prices during 1998, such base effects have influenced the annual rate of increase in energy prices to varying degrees throughout 1999. As Chart 10 shows, base effects will continue to exert an upward effect on the

Table 3
Price and cost developments in the euro area

(annual percentage changes, unless otherwise indicated)

	1997	1998	1999	1999	1999	1999	1999	1999	1999	1999	1999	1999	2000
				Q1	Q2	Q3	Q4	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
Harmonised Index of Consumer Prices (HICP) and its components													
Overall index	1.6	1.1	1.1	0.8	1.0	1.1	1.5	1.2	1.2	1.4	1.5	1.7	.
<i>of which:</i>													
Goods	1.1	0.6	0.8	0.3	0.6	0.9	1.5	0.9	1.1	1.3	1.4	1.8	.
Food	1.4	1.6	0.6	1.3	0.6	-0.1	0.5	-0.2	-0.1	0.4	0.5	0.5	.
Processed food	1.4	1.4	0.9	1.2	0.9	0.7	0.9	0.7	0.7	0.9	0.9	1.0	.
Unprocessed food	1.4	2.0	0.0	1.5	0.3	-1.4	-0.3	-1.6	-1.2	-0.4	-0.2	-0.3	.
Industrial goods	1.0	0.1	1.0	-0.2	0.6	1.5	2.1	1.5	1.7	1.8	2.0	2.6	.
Non-energy industrial goods	0.5	0.9	0.6	0.8	0.6	0.5	0.5	0.6	0.4	0.5	0.5	0.5	.
Energy	2.8	-2.6	2.4	-3.8	0.8	4.9	7.9	5.0	6.4	6.4	7.2	10.2	.
Services	2.4	2.0	1.6	1.7	1.6	1.5	1.4	1.5	1.4	1.3	1.5	1.5	.
Other price and cost indicators													
Industrial producer prices ¹⁾	1.1	-0.8	.	-2.6	-1.3	0.6	.	0.6	1.3	2.1	3.0	.	.
Unit labour costs ²⁾	0.7	0.0	.	1.7	1.7	.	.	-	-	-	-	-	-
Labour productivity ²⁾	1.7	1.5	.	0.1	0.4	.	.	-	-	-	-	-	-
Compensation per employee ²⁾	2.4	1.5	.	1.8	2.0	.	.	-	-	-	-	-	-
Total hourly labour costs ³⁾	2.6	1.7	.	2.0	2.0	2.2	.	-	-	-	-	-	-
Oil prices (EUR per barrel) ⁴⁾	17.1	12.0	17.1	10.3	15.0	19.7	23.0	19.2	21.8	20.8	23.5	24.8	24.9
Commodity prices ⁵⁾	12.9	-12.5	-3.1	-16.0	-8.2	1.1	14.0	-0.5	6.6	10.7	11.9	19.3	19.4

Sources: Eurostat, national data, International Petroleum Exchange, 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).

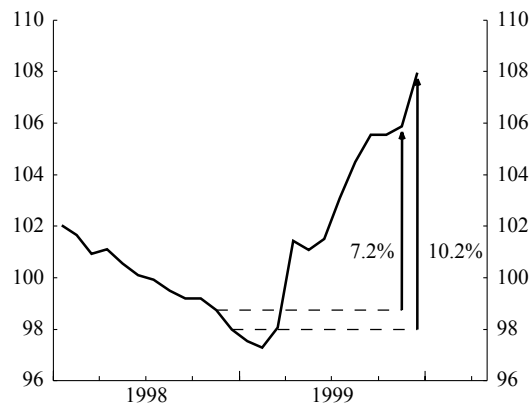
4) Brent Blend (for one-month forward delivery). In ECU up to December 1998.

5) Excluding energy. In euro; in ECU up to December 1998.

Chart 10

An illustration of the year-on-year increase in the HICP energy index in November and December 1999¹⁾

(index: 1996 = 100; monthly data)



Source: Eurostat.

1) The length of the vertical arrows indicates the year-on-year increase measured in index points, while the annual percentage changes are stated next to the arrows. The vertical difference between the two broken lines indicates the so-called base effect.

annual rate of increase in the energy component in early 2000 as a result of the continued decline in the energy price index in January and February 1999. In addition, in view of the increases in oil prices in late 1999 (to €24.8 in December), as well as the rise in energy taxation in a large Member State in January 2000, the HICP energy index will rise again in January 2000. However, if oil prices do not increase further in the coming months, the contribution from energy prices to overall HICP inflation is expected to decline gradually after the first quarter of 2000. Indirect effects on other components of the HICP are only likely to materialise with a lag later in 2000.

The annual rate of increase in processed food prices rose slightly (by 0.1 percentage point) from November to stand at 1.0% in December 1999 (see Chart 11), thus also contributing to the rise in the overall HICP inflation rate, albeit to a limited extent. However, owing to a somewhat stronger rate of decline in unprocessed food prices over the same period, the annual rate of increase in total food prices remained unchanged from November to December, at 0.5%. The stronger year-on-year decline in unprocessed

food prices was caused by developments with regard to seasonal food items. Meanwhile, the annual rates of increase in non-energy industrial goods and services prices remained unchanged from November to December, at 0.5% and 1.5% respectively.

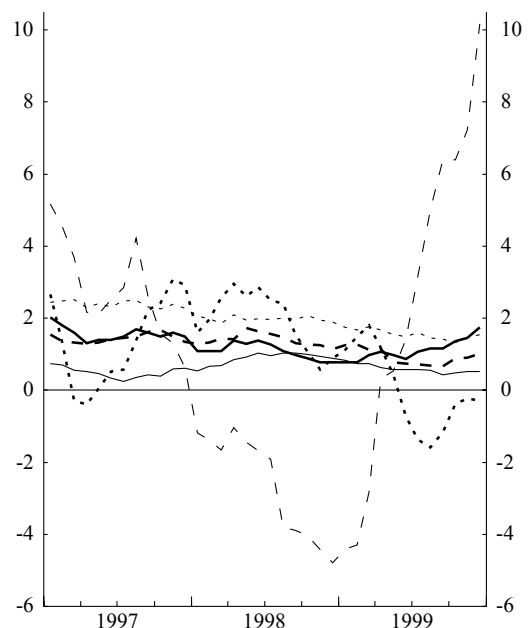
Apart from the base effect stemming from the development in energy prices, the development of the HICP in 2000 will also be affected by a further harmonisation of the methods used to calculate the indices as well as by an extension of the coverage of the HICP. The latter consists of the inclusion of additional health-related goods and services, social protection and additional insurance services. These changes will affect the data from January 2000 onwards. The national statistical institutes of the Member States will, in general, not produce backdata covering these changes. Although the changes in the HICP represent an improvement in the index insofar as they bring it more closely into line

Chart 11

Breakdown of HICP inflation in the euro area by components

(annual percentage changes; monthly data)

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



Source: Eurostat.

with actual household spending and make it more comparable across countries, the lack of backdata implies that the annual rate of change in the HICP will be distorted to some extent throughout 2000. It is not possible to quantify the effect with any precision at this stage. However, only a minor, most likely upward effect on the annual rate of increase in overall HICP in January 2000 is expected given the items which are to be included.

The year-on-year increase in industrial producer prices rose further

In November 1999 the annual rate of increase in total industrial producer prices in the euro area rose to 3.0%, compared with 2.1% in October. As in previous months, this was largely attributable to a rise in the year-on-year change in intermediate goods prices, which, in turn, reflects rising oil prices as well as higher non-oil raw material input prices measured in euro during the course of 1999. By contrast with developments in intermediate goods prices, the contributions from both capital and consumer goods prices to the overall increase in producer prices continued to be relatively small. Over time a pass-through from intermediate goods prices to other producer prices can be expected to materialise.

Looking at the influence of the above developments on the HICP, it should be noted that developments in the prices of raw materials and intermediate goods are linked via the production chain to developments in final goods and consumer prices. As a result, the increases in industrial producer prices recorded towards the end of 1999 will have a lagged indirect impact on the HICP (in particular on the non-energy industrial goods

price component) in addition to the direct effects of oil price developments (via the HICP energy component). Therefore, while the upward contribution from the direct effect of energy prices would show a tendency to decline if no further increases in oil prices were to take place and the exchange rate were to stabilise, this would to some extent be counteracted by indirect effects.

In the third quarter of 1999 total hourly labour costs in the euro area as a whole rose by 2.2% compared with the same period in the previous year. This is 0.2 percentage point higher than the year-on-year increase observed in the first two quarters of 1999 and mainly reflects an increase in wage cost growth, while other costs continued to grow at broadly the same pace. Meanwhile, unit labour cost data, which are currently available for the first half of 1999, point to an annual increase of 1.7% in both the first and the second quarters of 1999, following zero growth in 1998. These developments reflect both a slowdown in productivity gains related to the slowdown in economic activity in the industrial sector and stronger growth in compensation per employee. In recent years the rates of increase in compensation per employee and hourly labour costs have displayed similar patterns. Given the rise in total hourly labour cost growth in the third quarter of 1999, the year-on-year increase in compensation could rise by 0.2 or 0.3 percentage point from the second to the third quarter, to 2.2-2.3%. At the same time, productivity growth may have increased more strongly over the same period, and in the light of the economic recovery it could be expected to rise further in the fourth quarter of 1999. As a result, unit labour costs may turn out to have remained subdued in the second half of 1999.

3 Output, demand and labour market developments

Revised data confirm stronger real GDP growth in the third quarter of 1999

Revised Eurostat estimates of euro area national accounts broadly confirm the earlier picture of a further strengthening of euro area real GDP growth in the third quarter of 1999, as discussed in the January 2000 issue of the ECB Monthly Bulletin. Compared with the second quarter of 1999, there were higher contributions to quarter-on-quarter GDP growth from both net exports and final domestic demand (i.e. domestic demand excluding changes in inventories). In particular, export growth increased further.

At the same time as the release of the revised GDP estimates for the third quarter of 1999, Eurostat also published revisions to previous quarters in both 1999 and 1998. These mainly affect the components of GDP, rather than GDP growth itself. The overall pattern of growth has not, therefore, changed to any significant extent. Quarter-on-quarter growth rates of GDP in the second and third quarters of 1999 have been revised downwards by

0.1 percentage point to stand at 0.5% and 0.9% respectively, with the magnitude of the upturn between the two quarters remaining unchanged (see Table 4). The lower growth in the third quarter is mainly the result of a lower contribution to growth from changes in inventories, while the contributions of final domestic demand and net exports remained unchanged. As regards the second quarter, the downward revision reflects a somewhat lower contribution from net exports.

Compared with the second quarter, the revised estimates continue to indicate higher contributions to growth from both domestic demand and net exports in the third quarter of 1999. The contribution from domestic demand increased from 0.4 to 0.5 percentage point, while the contribution from net exports rose from 0.1 to 0.4 percentage point. In particular, the revised data still point to a noticeable further acceleration of the quarter-on-quarter rate of growth of exports in goods and services (including intra-euro area trade) to 3.0% in the third quarter, after growth rates of 0.0% and 2.2% in the first and

Table 4
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 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Q3	1998 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Q3
Real gross domestic product <i>of which:</i>	1.3	2.2	2.7	2.6	1.9	1.7	1.7	2.2	0.4	0.2	0.5	0.5	0.9
Domestic demand	0.9	1.7	3.3	3.5	3.0	2.7	2.6	2.4	0.7	0.6	0.8	0.4	0.6
Private consumption	1.4	1.4	2.9	3.3	3.0	2.8	2.4	2.4	0.7	0.6	0.7	0.3	0.7
Government consumption	1.9	0.6	1.4	1.2	1.2	1.5	1.2	1.6	0.0	-0.1	1.3	-0.1	0.5
Gross fixed capital formation	0.9	2.1	4.3	4.8	3.5	3.4	4.9	4.2	2.2	0.3	1.8	0.4	1.5
Changes in inventories ^{3) 4)}	-0.5	0.3	0.4	0.3	0.3	0.0	0.0	-0.2	-0.2	0.2	-0.3	0.2	-0.3
Net exports ³⁾	0.5	0.6	-0.5	-0.8	-1.0	-0.9	-0.8	-0.1	-0.2	-0.4	-0.2	0.1	0.4
Exports ⁵⁾	4.5	9.9	6.4	4.5	1.8	0.1	1.3	4.4	-0.1	-0.7	0.0	2.2	3.0
Imports ⁵⁾	3.1	8.7	8.6	7.6	5.2	2.9	3.9	5.2	0.6	0.6	0.7	1.9	1.9

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) Including acquisitions less disposals of valuables.

5) 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.

Table 5**Industrial production in the euro area***(annual percentage changes, unless otherwise indicated)*

	1997	1998	1999	1999	1999	1999	1999	1999	1999	1999	1999	1999	1999
			Sep.	Oct.	Nov.	Sep.	Oct.	Nov.	June	July	Aug.	Sep.	Oct.
				month-on-month			three-month moving averages						
Total industry excl. construct.	4.4	4.1	2.3	1.9	2.8	0.3	0.1	0.6	1.1	1.3	1.4	1.1	1.0
Manufacturing	5.0	4.6	2.4	2.2	3.3	-0.6	0.1	0.5	1.2	1.5	1.7	1.4	0.6
by main industrial groupings:													
Intermediate goods	5.4	3.7	3.1	2.1	3.4	0.5	-0.3	0.9	1.0	1.3	1.5	1.2	1.0
Capital goods	5.0	6.7	2.2	1.9	2.1	0.4	-0.2	0.3	0.3	0.6	0.8	0.8	0.7
Consumer goods	2.7	3.1	1.0	1.4	2.4	-2.1	0.5	0.3	1.6	1.5	1.2	0.5	-0.5
Durable consumer goods	2.8	6.3	0.1	-0.1	1.8	-4.5	1.0	0.1	2.1	2.5	1.6	1.1	-1.3
Non-durable consumer goods	2.6	1.5	1.7	2.3	2.3	0.0	0.0	0.3	0.6	0.8	1.0	0.9	0.6

*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.*

second quarters respectively. As regards the components of domestic demand, higher quarter-on-quarter growth in the third quarter of 0.7% in private consumption and 1.5% in fixed capital formation were partially offset by a negative contribution to growth from changes in inventories of -0.3 percentage point. This implies that the upturn in final domestic demand (i.e. excluding changes in inventories) was quite strong in the third quarter, with a contribution to growth of 0.8 percentage point, following 0.2 percentage point in the second quarter. In fact, as one of the functions of inventories is to serve as a

buffer to short-term variations in final demand, the lower level of stock-building may be a consequence of the acceleration in final demand in the third quarter (see Box 3 in the January 2000 issue of the ECB Monthly Bulletin).

Continued growth of industrial production

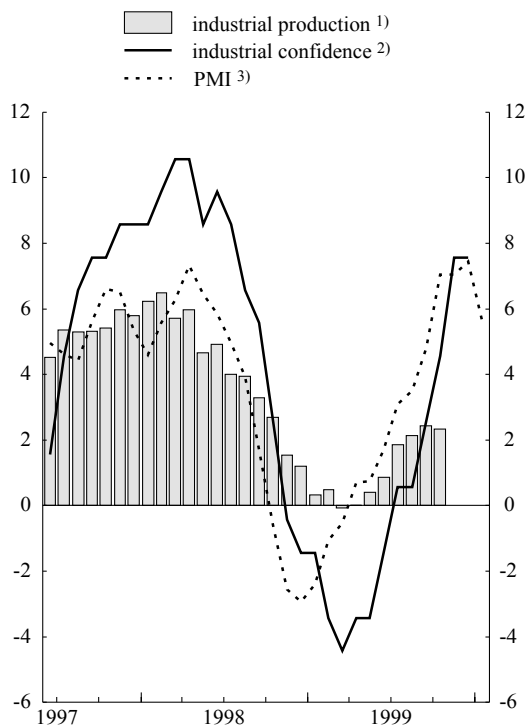
Industrial production data from Eurostat, which now include the month of November 1999, indicate continued albeit slightly weaker

Table 6**Results from EC Business and Consumer Surveys for the euro area***(seasonally adjusted data)*

	1997	1998	1999	1999	1999	1999	1999	1999	1999	1999	1999	1999	1999
				Q1	Q2	Q3	Q4	July	Aug.	Sep.	Oct.	Nov.	Dec.
Economic sentiment index ¹⁾	2.4	3.1	0.2	0.5	-0.4	0.1	1.1	0.5	-0.5	0.2	0.6	0.8	0.1
Consumer confidence indicator ²⁾	-4	6	9	11	7	7	10	8	7	7	9	10	10
Industrial confidence indicator ²⁾	4	7	1	-3	-2	2	7	1	1	3	5	8	8
Construction confidence indicator ²⁾	-11	3	15	13	15	15	19	17	13	14	16	22	18
Retail confidence indicator ²⁾	-3	3	1	3	2	-1	-1	0	-1	-1	-3	-3	4
Capacity utilisation (%) ³⁾	81.4	82.9	.	81.9	81.7	81.8	.	81.6	-	-	81.9	-	-

*Source: European Commission Business and Consumer Surveys.**1) Percentage changes compared with the previous period.**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 12
Industrial production, industrial confidence and PMI for the euro area



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

- 1) Annual percentage changes of three-month moving averages; working-day adjusted data.
- 2) Percentage balances, deviations from the average since January 1985.
- 3) Purchasing Managers' Index; deviations from the value of 50; positive values indicate an expansion of economic activity.

growth in industrial production. In terms of three-month moving averages, industrial production (excluding construction) rose by 1.0% in the three-month period up to November 1999 compared with the three-month period up to August (see Table 5). This is somewhat below the growth rates recorded in the previous three-month periods up to September and October. The slightly lower rate of growth is evident in all of the main industrial groupings with the exception of the production of durable consumer goods, which recorded an absolute decline.

When interpreting the industrial production data, it should be noted that the initial estimates of industrial production from

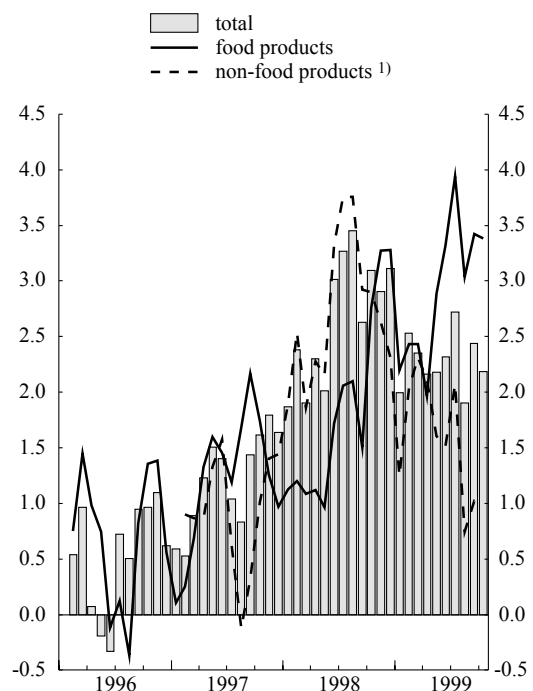
Eurostat are regularly subject to revision. In particular, country-specific information suggests that revisions to the latest estimates are likely to result in somewhat higher rates of growth of industrial production at least for October and November.

Business and consumer confidence remained unchanged in December 1999

The results of the European Commission Business and Consumer Surveys for December 1999 show that both business and consumer confidence remained at high levels, unchanged from the previous month (see Table 6). Industrial confidence rose significantly in the six-month period up to November 1999. A slight decline in consumer

Chart 13
Retail sales in the euro area

(annual percentage changes; three-month centred moving averages)



Source: Eurostat.

Note: Total retail trade turnover at constant prices; excluding motor vehicles, motorcycles and the repair of personal and household goods.

Annual percentage changes are calculated by using data adjusted for variations in the number of working days.

- 1) Owing to the unavailability of some national components, the series only starts from January 1996.

confidence in the first half of the year was subsequently reversed in the period up to November 1999, so that in December the consumer confidence indicator once again stood very close to its all-time high.

The positive business climate in the manufacturing sector was also confirmed by the results of the Purchasing Managers' Index (PMI). This composite index was subject to a slight decline in January, following a steady improvement in the course of 1999 (see Chart 12). However, the index continued to signal a further expansion in euro area industrial production.

Data on retail sales volumes in the euro area, which now cover the period up to and including November 1999, suggest that the rate of increase remained broadly unchanged

in the course of last year. Retail sales are estimated to have risen by around 0.5% in the latest three-month period compared with the previous three months (i.e. in the period from September to November 1999, compared with June to August 1999). This is broadly consistent with the development of private consumption, which retail sales appear to follow rather closely. According to the product breakdown, while the rate of growth of sales in the food products category has been robust, sales of non-food products have slowed (see Chart 13). The retail sales data released by Eurostat are described in greater detail in Box 4. Passenger car registrations fell sharply towards the end of last year. In the final quarter of 1999 passenger car registrations were over 4% lower than in the third quarter.

Box 4

Retail sales in the euro area

The analysis of retail sales (or retail trade turnover) plays an important role in the monitoring of developments in final domestic demand in the euro area. In combination with other indicators, such as registrations of new passenger cars, the monthly data on retail sales provide a useful indicator of private consumption.

Since September 1999 the ECB has regularly published data on retail sales for the euro area, as received from Eurostat, in Table 5.2 of the "Euro area statistics" section of the ECB Monthly Bulletin. In addition to total retail sales, these data distinguish between sales of food, beverages and tobacco and non-food sales (in particular clothing, furniture, household equipment, books and newspapers and medical and pharmaceutical goods), in accordance with the statistical classification of economic activities in the European Community (NACE Rev. 1, Division 52). The individual categories of retail sales are assembled according to the *main* product range of the reporting enterprises. The product groups are therefore not fully homogeneous.

Retail sales, in common with a number of other important monthly and quarterly indicators, are covered by the EU Council Regulation of May 1998 concerning short-term statistics. This Council Regulation provides a harmonised framework for retail trade statistics in all EU countries and requires that monthly results, both in current and in constant prices, be made available by all countries within two months of the end of the reference month (three months for countries contributing less than 3% to the total value added of retail trade in the EU and for retail trade data at a disaggregated level). Not all countries are yet in a position to fulfil this requirement. Moreover, not all of the sub-components foreseen by the Council Regulation are available yet. The Council Regulation on short-term statistics will eventually lead to harmonised retail sales data for the euro area. At present, however, the national methods still differ in some important respects, such as the treatment of value added tax (which is included in some countries and excluded from sales in other countries) and the exclusion of a number of different sub-sectors of retail trade from national results. Work has started recently at the European level on the harmonisation of the methodological basis for retail trade statistics.

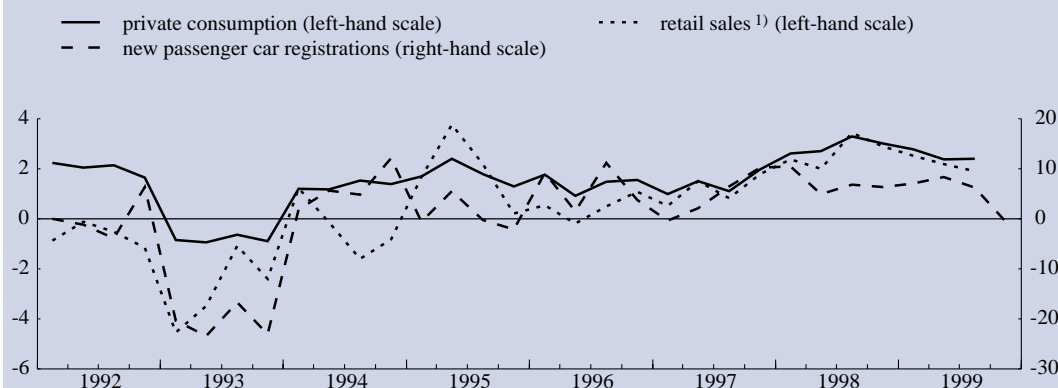
Eurostat compiles euro area results by aggregating national data, weighted by total sales expressed in ECU for the year 1995. Euro area estimates are made available as soon as a sufficiently high coverage of the euro area is available. The first estimates, which in most cases cover 70% of the euro area, currently become available two to three months after the end of the reference month. Forecasts are implicitly made for the results of the missing countries using autoregressive moving average methods (ARIMA models). The data are typically revised as results for further countries become available. Moreover, revisions of national data carried out by the national statistical institutes also lead to revisions of euro area aggregates. Seasonal adjustment of the euro area series is carried out by Eurostat directly on the basis of the unadjusted data, rather than by aggregating the seasonally adjusted series produced by the individual Member States.

Neither sales of cars and motorcycles nor sales of fuel are included in the euro area retail trade data. However, some evidence on the former is provided by monthly data on passenger car registrations provided by the European Automobile Manufacturers' Association (ACEA). The data on passenger car registrations, while not identical to the value or volume of car sales (and including the registrations of cars used for commercial purposes), cover all euro area countries with a short time-lag.

As can be seen from the chart below (which links together earlier aggregated national data on retail sales with the Eurostat data available from 1995 onwards to derive a longer time series), although retail trade accounts for only around two-fifths of total private consumption, there is nevertheless a reasonably close relationship between the growth rates of retail sales and those of total private consumption. While car sales account for only approximately 5% of the total in the breakdown of total private consumption, passenger car registrations also appear to track private consumption quite closely over the same period. Both series are subject to higher volatility than private consumption, even when – as in the chart – quarterly averages are considered. This is particularly true of passenger car registrations. One reason for this is that private consumption in the national accounts includes other expenditures, in particular on rents, including the imputed value of rents for owner-occupied housing, which usually exhibit a much smoother path than retail sales. The decline in both retail sales and passenger car registrations was more pronounced in 1993 than in overall private consumption. In the past two years the growth rate of retail sales has been very close to that of private consumption.

Private consumption, retail sales and new passenger car registrations in the euro area

(annual percentage changes; quarterly data)



Sources: Eurostat and ACEA/A.A.A. (European Automobile Manufacturers' Association).

1) Total retail trade turnover at constant prices. To end-1995, ECB aggregation of national data; from 1996 onwards, Eurostat data.

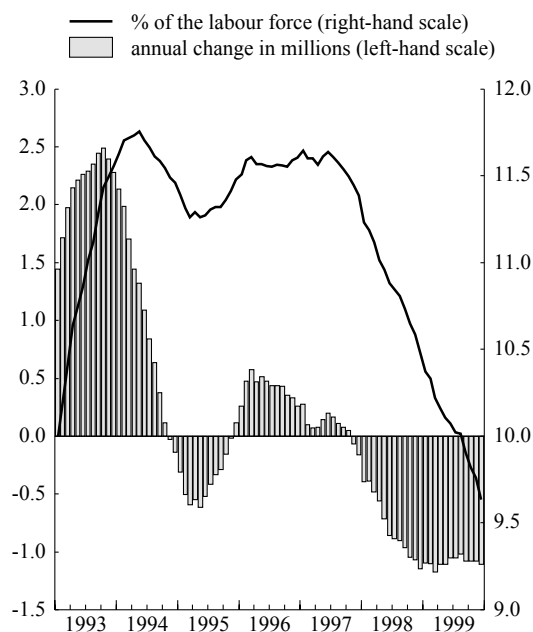
Table 7**Unemployment in the euro area***(as a percentage of the labour force; seasonally adjusted)*

	1997	1998	1999	1999	1999	1999	1999	1999	1999	1999	1999	1999	1999
				Q1	Q2	Q3	Q4	July	Aug.	Sep.	Oct.	Nov.	Dec.
Total	11.6	10.9	10.0	10.3	10.1	10.0	9.7	10.0	10.0	9.9	9.8	9.8	9.6
Under 25 years ¹⁾	23.2	21.3	19.1	20.1	19.3	19.0	18.3	19.1	19.1	18.8	18.5	18.3	18.0
25 years and over ²⁾	9.9	9.4	8.8	9.0	8.9	8.7	8.6	8.8	8.8	8.7	8.6	8.6	8.5

*Source: Eurostat.**Note: According to ILO recommendations.**1) In 1999 this category represented 23.0% of total unemployment.**2) In 1999 this category represented 77.0% of total unemployment.***Unemployment continued to decline in December**

In December 1999 the standardised rate of unemployment in the euro area stood at 9.6%, down 0.2 percentage point from November (see Table 7). This confirms the expectation that in the latter part of 1999 the unemployment rate would resume the downward trend observed in 1998 and the first half of 1999. In the course of 1999, unemployment declined by 0.8 percentage point; a reduction similar to that registered in the previous year.

Both for those under 25 years of age and for those above 25 years of age, the fall in unemployment was greater in December than in November 1999. The rate of unemployment for the former fell by 0.3 percentage point in December to stand at 18.0% at the end of the year, while for the latter it declined by 0.1 percentage point to 8.5%. In 1999 the rate of unemployment for those under 25 years of age declined by more than in the previous year, while the decline for those above 25 years of age was slightly smaller. At the national level a general pattern of a downward trend in the unemployment rate has been observed. In some countries vacancy rates have reached the highest level seen for the past few years, indicating shortages in the available labour force in at least some sectors of their respective labour markets.

Chart 14**Unemployment in the euro area***(monthly data; seasonally adjusted)**Source: Eurostat.***Sustained employment growth in the third quarter of 1999**

Available national data suggest a quarter-on-quarter rate of increase in employment in the third quarter of 1999 of 0.3%, i.e. unchanged compared with the previous quarter (see Table 8). According to these estimates, the slowdown in economic activity at the turn of the year 1998/1999 only had a limited impact on employment growth. It is expected that the recent strengthening of economic activity will result in an increase in the pace of net job creation albeit with a certain time-lag, as was the case in the mid-1990s.

Table 8**Employment growth in the euro area***(annual percentage changes, unless otherwise indicated)*

	1997	1998	1998 Q4	1999 Q1	1999 Q2	1999 Q3	1998	1999	1999	1999	1999 July	1999 Aug.	1999 Sep.
							Q4	Q1	Q2	Q3				Quarterly rates ^{1)}
Whole economy ²⁾	0.6	1.4	1.6	1.6	1.5	1.4	0.4	0.4	0.3	0.3	-	-	-
Total industry	-1.3	0.2	0.4	0.1	0.0	0.0	0.1	-0.1	-0.1	0.0	0.1	0.0	-0.1
Construction	-0.4	0.1	2.1	2.8	3.3	3.3	2.0	0.6	0.1	0.7	3.6	3.3	3.1
Total industry excl. construct.	-1.4	0.4	0.2	-0.2	-0.8	-0.8	-0.2	-0.2	-0.3	-0.1	-0.8	-0.8	-0.9
Manufacturing	-1.0	0.8	0.5	0.1	-0.6	-0.6	-0.2	-0.1	-0.3	0.0	-0.6	-0.6	-0.7

Sources: National data and Eurostat (Short-term Business Statistics).

1) Quarterly rates: percentage change compared with the previous quarter; seasonally adjusted.

2) Excluding Belgium and Ireland; seasonally adjusted.

The sectoral pattern of quarterly employment growth in the euro area points to a gradual improvement in the industrial sector. According to data recently released by Eurostat, employment in industry remained unchanged in the third quarter of 1999 after having fallen in the previous two quarters. Moreover, expectations from various

sources, such as the European Commission Business Surveys and the Purchasing Managers' Survey, indicate that employment growth in the manufacturing sector could have been positive in the latter part of 1999. Job creation in the services sector is expected to have remained stable in the third quarter.

4 Exchange rate and balance of payments developments

A weaker euro and a stronger US dollar

The weakening of the euro and the corresponding strengthening of the US dollar and the pound sterling characterised foreign exchange markets in January and early February 2000, in the context of a decline in the value of the Japanese yen from the highs it had reached in December. Overall, in nominal effective terms, the euro depreciated by 1.7% between the beginning of the year and 2 February 2000. The main driving forces behind these developments appeared to be unabated confidence in continued strong growth in the United States, as well as the fact that recent news on the pace of recovery in Japan has been somewhat more mixed. While the pound sterling strengthened against the euro, other European currencies were mostly stable in January and early February 2000, the currencies of the euro area's main

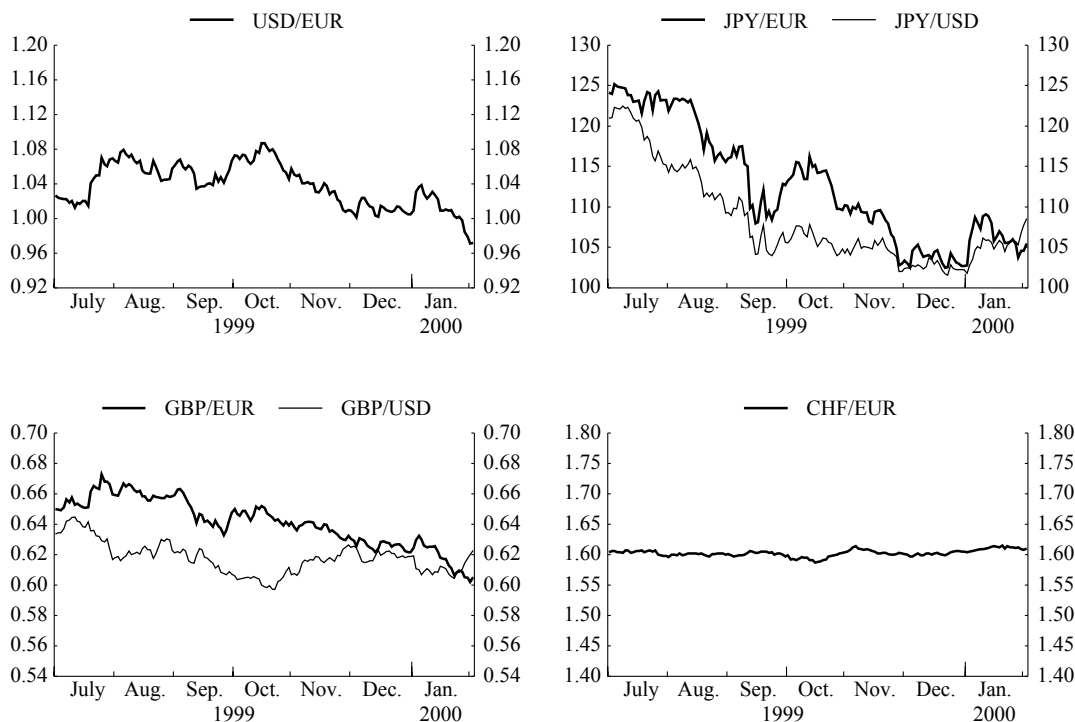
trading partners in Asia strengthened in line with the continued recovery in the region as a whole.

The euro initially strengthened by around 2% against the US dollar in the first week of January in response to indications that euro area economic activity will accelerate this year (see Chart 15). However, subsequent releases of benign inflation data and other economic news in the United States fuelled expectations of continued strong growth of the US economy and led to a strengthening of the dollar from mid-January onwards, more than offsetting the earlier strengthening of the euro. The decision by the Federal Reserve on 2 February to raise interest rates by 25 basis points had little impact on foreign exchange markets. The euro stood at USD 0.972 on 2 February 2000.

Chart 15

Patterns in exchange rates

(daily data)



Source: ECB.

The Japanese yen declined somewhat in January 2000 from the highs it had reached against all major currencies in December 1999, amid mixed signals with regard to the pace of recovery in Japan. The yen weakened by around 5% against the euro during the first two weeks of January, but then strengthened again in line with the weakening of the euro against the US dollar. On 2 February the euro stood at JPY 105.51.

The pound sterling appreciated by around 3% in January 2000 to reach a new high against the euro, owing to the apparent strengthening of the UK economy. This strengthening also seemed to reflect the monetary policy tightening of the Bank of England, which raised its repo rate from 5.5% to 5.75% on 13 January. This decision was motivated by prospects for strong domestic demand and consumer spending – in turn driven by recent increases in household wealth, labour incomes and household borrowing – which are expected to put

upward pressure on inflation in the future, despite the strengthening of the pound sterling. On 2 February 2000 the euro stood at GBP 0.605.

Within ERM II the central parity for the Greek drachma was revalued by 3.5%, from GRD 353.11 to GRD 340.75, with effect from 17 January 2000 (see Chart 16). This decision was taken at the request of the Greek authorities by mutual agreement between the ministers of the euro area Member States, the ministers and central bank governors of the non-euro area Member States participating in ERM II and the ECB. The decision was taken in order to keep Greece's economy on a path of sustainable growth with price stability. The market exchange rate was barely affected by the decision and remained at around GRD 331 in January. On 26 January the Bank of Greece lowered its main policy interest rates, with the interbank money market intervention rate declining by 100 basis points to 9.75% and the lombard

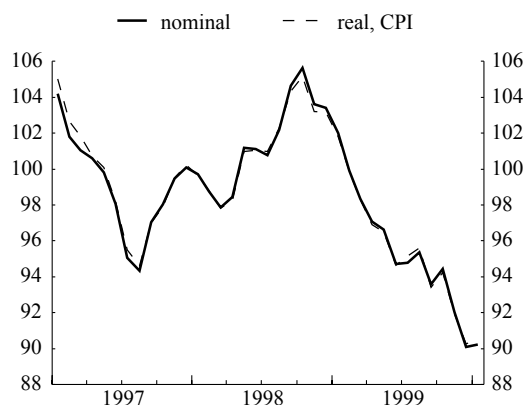
rate declining by 50 basis points to 11.00%. The Danish krone remained, as in earlier months, very close to its central parity of DKK 7.46 in January and early February.

The Swiss franc remained broadly stable against the euro at around CHF 1.61, as in earlier months. The exchange rate was unaffected by important changes in the monetary policy framework of the Swiss National Bank, which came into effect at the beginning of the year. The Swiss National Bank has now formally defined its primary objective as being to keep annual inflation below 2%, while it has discontinued its practice of announcing growth targets for the monetary base.

In nominal effective terms – measured against the currencies of the euro area’s 13 most important trading partners – the depreciation of the euro by 1.7% in January and early February 2000 was mainly a result of its

Chart 17
Nominal and real effective exchange rates¹⁾

(monthly averages; index 1999 Q1 = 100)

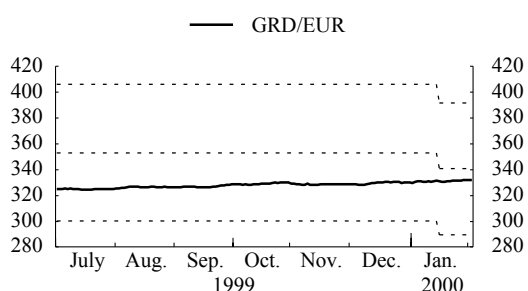
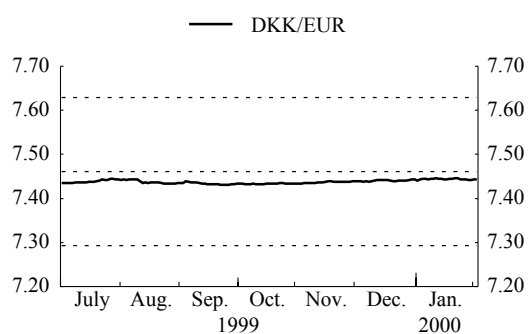


Source: ECB.

1) Data are ECB calculations (see Box 5 in the October 1999 issue of the Monthly Bulletin). An upward movement of the index represents an appreciation of the euro. The latest observations are for January 2000.

Chart 16
Patterns of exchange rates within ERM II

(daily data)



Source: ECB.

Note: The horizontal lines indicate the central parities (DKK 7.46 and GRD 340.75, with the latter changing from GRD 353.11 with effect from 17 January 2000) and the respective fluctuation bands ($\pm 2.25\%$ for DKK and $\pm 15\%$ for GRD).

depreciation against the US dollar and the pound sterling, each of which had an effect of almost 1 percentage point on the effective exchange rate index. The small positive effect on the index resulting from the euro’s appreciation against the Japanese yen was broadly offset by its depreciation against other Asian currencies. The average level of the effective exchange rate index in January was, however, broadly unchanged when compared with December (owing to the appreciation of the euro in the early part of January) and stood 9.8% below the level recorded for the first quarter of 1999 (see Chart 17). The decline since the early part of last year appeared to have had a significant impact on import prices for the euro area, as did the effects of rising oil prices (see Box 5).

Strong growth in exports and imports in November 1999

Exports of goods continued to grow strongly in November 1999 as a result of both expanding foreign demand and improvements in the price competitiveness of the euro area. They rose by €9.2 billion, compared with the same month in 1998 (from ECU 64.4 billion

Table 9**Balance of payments of the euro area¹⁾***(EUR billions, compared with ECU billions for 1998 (not seasonally adjusted))*

	1998 Jan. - Nov.	1998 Nov.	1999 Jan. - Nov.	1999 Sep.	1999 Oct.	1999 Nov.
Current account balance	54.2	4.4	40.6	-2.0	3.6	2.4
Credits	1,154.5	101.5	1,170.0	108.7	111.2	113.1
Debits	1,100.3	97.1	1,129.4	110.7	107.6	110.7
Goods balance	108.5	10.2	91.5	5.6	10.2	8.3
Exports	708.1	64.4	717.9	68.2	71.7	73.6
Imports	599.6	54.2	626.4	62.7	61.6	65.2
Services balance	-0.9	-0.3	-6.0	-0.6	-0.6	-1.1
Exports	211.1	17.9	211.3	20.6	19.7	19.1
Imports	212.1	18.1	217.2	21.2	20.4	20.3
Income balance	-11.5	-1.0	-7.0	-1.8	-1.9	-0.3
Current transfers balance	-41.9	-4.6	-37.9	-5.2	-4.0	-4.5
Capital account balance	10.6	0.9	10.2	0.4	1.6	0.8
Financial account balance²⁾	-35.3	7.4	-56.6	-9.5	12.0	-0.6
Direct investment	-99.4	-35.3	-120.6	-6.3	-11.6	-17.5
Abroad	-168.8	-42.7	-178.6	-10.5	-18.5	-19.9
In the euro area	69.4	7.4	58.0	4.3	6.9	2.4
Portfolio investment ²⁾	-73.2	3.1	-28.3	20.9	-14.4	18.0
Assets	-282.3	-32.0	-261.6	-19.5	-15.3	-31.1
Liabilities	209.1	35.0	233.3	40.4	0.8	49.1
Financial derivatives ²⁾	-8.1	-2.3	-0.4	-1.2	-1.4	1.6
Other investment ²⁾³⁾	152.4	47.8	78.5	-24.6	39.4	-3.2
Reserve assets ²⁾	-7.0	-5.8	14.2	1.7	0.1	0.6
Errors and omissions²⁾	-29.5	-12.6	5.8	11.1	-17.2	-2.6

Source: ECB.

Note: For the financial account, a positive sign indicates an inflow, a negative sign an outflow; for reserve assets, a negative sign indicates an increase, a positive sign a decrease. A more detailed set of tables may be found in Section 8 of the "Euro area statistics" section of this Monthly Bulletin.

1) Figures may not add up due to rounding.

2) Data before end-1998 are not closely comparable with later observations.

3) Flows before January 1999 include estimates.

to €73.6 billion). Imports grew by €11.0 billion in November, compared with the same month a year earlier (from ECU 54.2 billion to €65.2 billion), contributing to a cumulative decline of €17.0 billion in the goods surplus for the first 11 months of 1999, compared with the same period in 1998 (see Table 9). The sustained increase in imports of goods appears largely to reflect the sharp rise in import prices during 1999, which was caused by higher oil prices and the change in the exchange rate of the euro. By contrast, the recovery in export values seems to have been the result of strong underlying growth in export volumes (see Box 5).

Against this background, the current account surplus of the euro area declined to €2.4 billion in November 1999 (from

ECU 4.4 billion in the corresponding month of 1998). As in previous months, the decline was primarily caused by a fall in the goods surplus (to €8.3 billion, from ECU 10.2 billion in November 1998) as changes in the balances of services and income broadly offset one another, while the deficit on current transfers remained virtually unchanged.

Over the first 11 months of 1999 the current account surplus was €40.6 billion, i.e. €13.6 billion lower than in the same period in 1998, reflecting both the shrinking goods surplus and a higher deficit for services. By contrast, smaller deficits were recorded for both the income and the current transfers accounts for the first 11 months of 1999 compared with the same period a year earlier.

Box 5

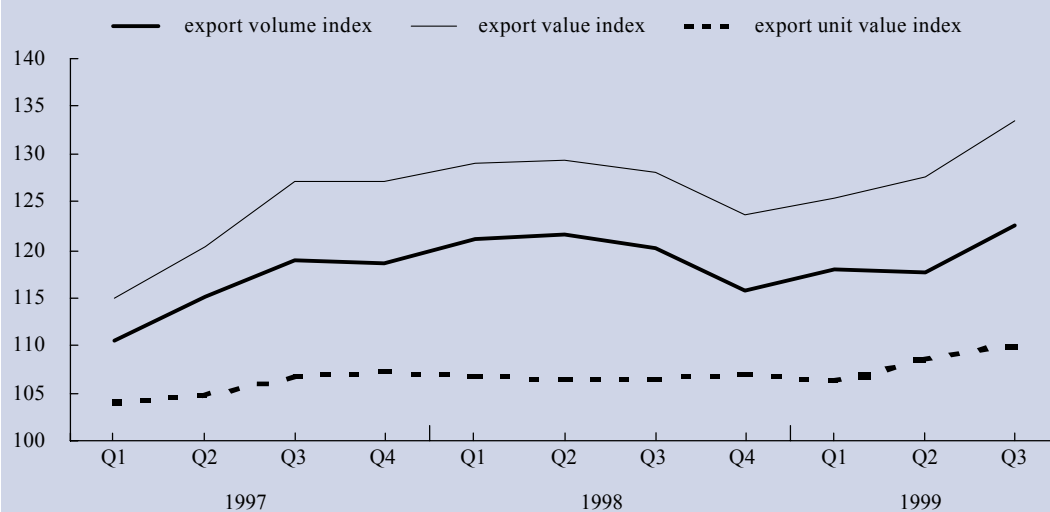
Strong recovery in export volumes

More detailed data on trade volumes and unit values for the first eight months of 1999 point to a strong ongoing recovery in export volumes of goods. Despite this improvement, the current account surplus of the euro area fell by one-quarter during the first 11 months of 1999 compared with the corresponding period of 1998, primarily owing to a €17 billion decrease in the goods surplus. Two major factors contributed to the decline in the goods surplus: first, the low level of export values during the first half of 1999, primarily owing to the “carry-over” effects of the steep decline in foreign demand in 1998; and, second, the strong growth in import prices resulting from the higher price of oil and the change in the exchange rate of the euro.

Following a strong increase in 1997, during the second half of 1998 euro area exports fell as a result of both declining external demand and a loss in price competitiveness associated with the appreciation of the euro. Exports began to recover at the start of 1999, reaching their previous peak in the third quarter of last year, in response to renewed growth in foreign demand and gains in export price competitiveness resulting from the change in the euro exchange rate. As the chart below shows, the decrease and subsequent recovery in export values was primarily a result of movements in export volumes, although higher export prices during 1999 – suggesting that euro area exporters increased their profit margins somewhat – also played a role.

Euro area export volumes, values and unit values in levels

(index: 1995 = 100; seasonally adjusted)



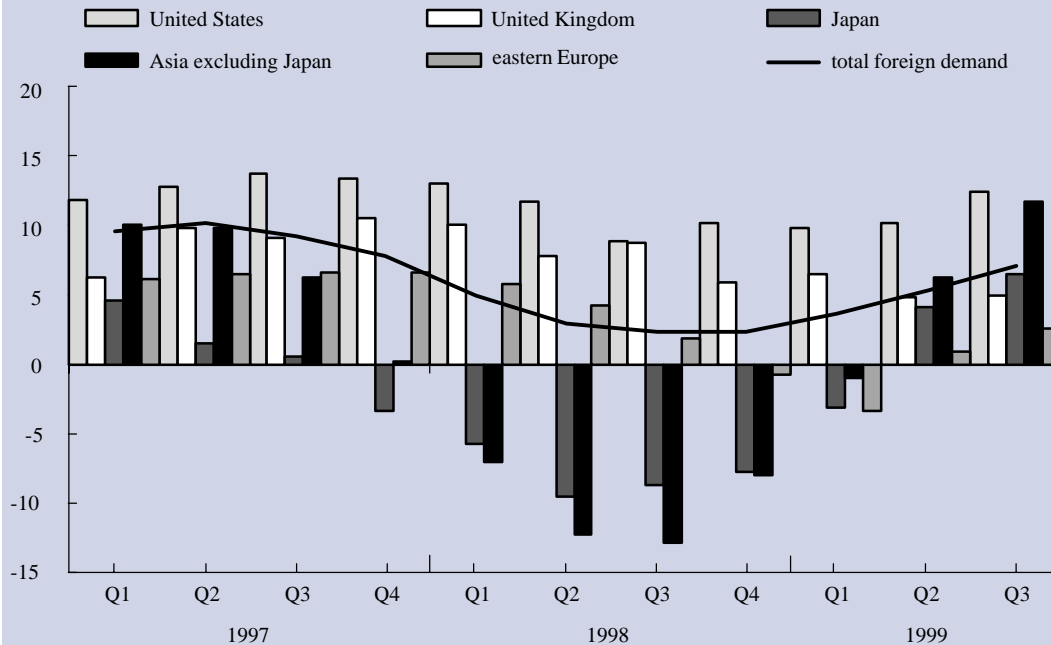
Sources: Eurostat and ECB.

Note: Indices are based on international trade statistics data, which differ from the balance of payments statistics compiled by the ECB; data for the third quarter of 1999 are based on data for July and August.

Movements in foreign demand, defined as a weighted average of the import volumes of the euro area's main export markets, are shown in the first chart below. According to these data the strong negative growth rates for import demand in Japan and the rest of Asia, together with a deceleration in import growth in the United Kingdom, the United States and eastern Europe, appear to explain a large part of the decline in foreign demand in 1998. Similarly, both the rebound in demand in most of these regions, particularly Asia including Japan, and continued robust import growth in the United States would seem to be associated with the recovery in euro area exports in 1999. Although the United Kingdom is the largest market, accounting for 19.3% of the exports of the euro area, Asia including Japan accounts for 18.3%, followed by the United States (14%) and the transition economies of eastern Europe (13.5%).

Annual growth rate of import volumes of the major euro area export markets ¹⁾

(year-on-year growth rate)



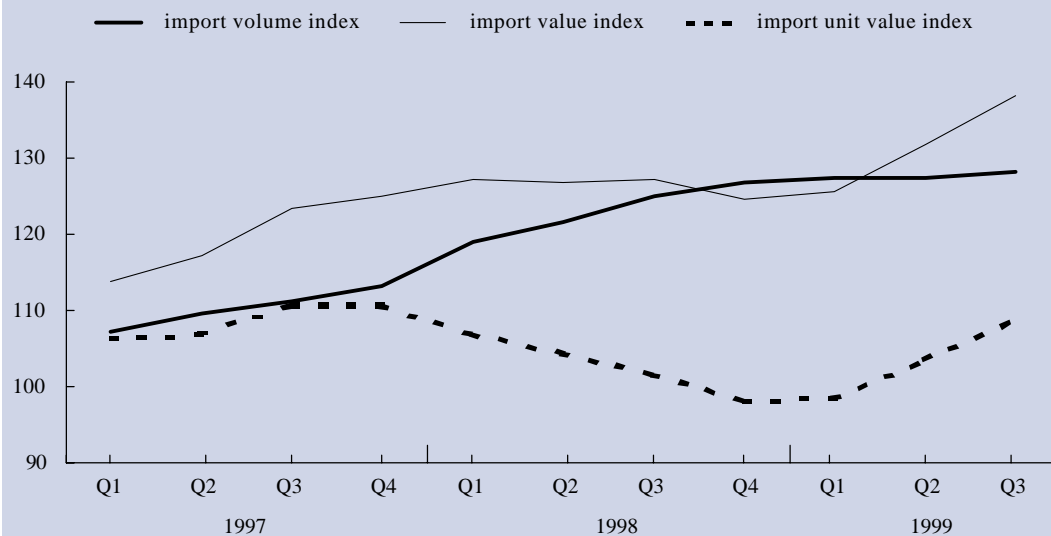
Sources: OECD and IMF (estimates for the third quarter of 1999).

1) Year-on-year percentage changes.

On the imports side, the virtually constant level of imports (in value terms) in 1998 resulted from a combination of substantially higher import volumes and a large fall in import prices (see the chart below). By contrast, during the first three quarters of 1999 the sustained rise in import prices, owing to higher oil prices and the change in the euro exchange rate, explains the high level of imports in value terms, given that import volumes remained flat.

Euro area import volumes, values and unit values in levels

(index: 1995 = 100; seasonally adjusted)



Sources: Eurostat and ECB.

Note: Indices are based on international trade statistics data, which differ from the balance of payments statistics compiled by the ECB; data for the third quarter of 1999 are based on data for July and August.

Strong portfolio investment inflows in November 1999

The main development in the financial account in November 1999 was a relatively strong portfolio investment net inflow of €18.0 billion (compared with net outflows of €14.4 billion in October 1999), the second highest level of inflows reported so far for the euro area. The main determinant was high demand from foreign investors for euro area debt instruments (€34.3 billion), both bonds and notes and money market instruments, which coincided with higher short-term interest rates and more stable interest rate expectations following the interest rate increase announced by the ECB on 4 November 1999.

Over the first 11 months of 1999 portfolio investment net outflows were substantially lower than in the same period of 1998 (€28.3 billion compared with ECU 73.2 billion). This was the result of a swing in debt instruments from net outflows in 1998 (ECU 73.8 billion) to net inflows in 1999 (€24.2 billion), which was triggered by both lower investment by euro area residents in foreign debt securities and stronger demand from foreign investors for euro area debt instruments, in particular money market instruments. Purchases of euro area debt instruments by foreign investors tended to accelerate in the course of 1999 and reached their highest level yet in November.

Net inflows of debt instruments contrasted, however, with high equity investment net outflows, which reached €52.5 billion in the first 11 months of 1999, compared with a net inflow of ECU 0.5 billion in the same period of 1998.

Moreover, direct investment net outflows remained at a high level in November (€17.5 billion). Cumulative net outflows of direct investment amounted to €120.6 billion over the period from January to November 1999, compared with ECU 99.4 billion in the same period of 1998. Both higher direct investment abroad by euro area residents and

lower foreign direct investment in the euro area contributed to this result.

In this particular context it is noteworthy that combined portfolio and direct investment net outflows in the first 11 months of 1999 were, however, substantially below the level reached in the same period of 1998 (€148.9 billion in 1999 compared with ECU 172.6 billion in 1998), as higher direct investment net outflows were more than offset by lower portfolio investment net outflows.

The ECB has now published a more detailed set of balance of payments statistics for the third quarter of 1999 and has also revised the monthly key items (see Table 8 in the "Euro area statistics" section), including a breakdown of the income item of the current account and additional information on sectors and instruments for the financial account. Revisions for the third quarter of 1999 left the current account surplus broadly unchanged. The financial account deficit was revised from €3.4 billion to €6.7 billion as a result of relatively limited revisions in most sub-accounts.

Moreover, the ECB has now published data for the current account as well as for direct investment net flows and portfolio investment net flows in 1997 (see Table 8 in the "Euro area statistics" section; monthly figures for 1997 are to be made available on the ECB's Web site by the end of February 2000). (Further information on 1997 data – including details of some limitations concerning their comparability with data for later periods – can be found in the methodological notes on balance of payments data on the ECB's Web site.) According to these data the current account surplus was substantially higher in 1997 than in 1998 (ECU 94.7 billion, compared with ECU 60.3 billion in 1998), as a result of a higher goods surplus, significant inflows in the services and income balances and a relatively low deficit on the current transfers account. Net financial outflows were significantly lower than in 1998; net direct investment outflows amounted to

ECU 48.1 billion in 1997 (ECU 102.6 billion in 1998) and net portfolio investment outflows stood at ECU 22.8 billion in 1997 (ECU 85.3 billion in 1998).

The Eurosystem and the EU enlargement process

There are currently 13 countries in central and eastern Europe and in the Mediterranean which are officially recognised as candidates for accession to the European Union (EU), 12 of which have formally started accession negotiations. Most of these are Central and Eastern European countries, as the new wave of enlargement ultimately stems from the dissolution of the Soviet bloc that followed the fall of the Berlin Wall 11 years ago. The majority can also be characterised as small open economies actively engaged in a process of catching up with the EU in terms of both real and nominal convergence. On joining the EU the new Member States will participate in Economic and Monetary Union (EMU) with the status of “countries with a derogation”, that is to say with a clear commitment to join the euro area at a later stage. This ultimate step will depend upon their compliance with the convergence criteria required by the Treaty establishing the European Community (the “Treaty”).

Even at this stage enlargement has implications for these countries in the monetary field. With a view to their accession to the EU, most of the countries negotiating entry have linked their currencies to the euro, although with varying degrees of closeness and through different unilateral arrangements. Furthermore, they are in the process of modifying or are planning to modify EMU-related legislation to ensure compliance with the requirements of the Treaty.

Against this background, the Eurosystem has a clear interest in establishing relations with accession countries and in being involved, in its areas of exclusive or shared competence, in the process aimed at EU accession and, eventually, at the adoption of the euro. The Eurosystem stands ready to support this process with a view to fulfilling its mandate and commitment to price stability in the euro area in a credible and lasting manner, even after enlargement.

I Introduction

Relations between the Eurosystem and the countries currently recognised as candidates for accession to the European Union (EU) can be seen within the broader framework of the Union’s relations with non-EU countries in Europe, and with Mediterranean and African countries. For each of the different country groupings – the European Economic Area (EEA), central and eastern Europe, the Balkans, the Mediterranean and the African, Caribbean and Pacific (ACP) countries – one or more institutional arrangements with the EU are currently in force. Clearly, accession to the EU is a distinct qualitative leap moving far beyond the traditional instruments of international co-operation.

As stipulated in the Treaty on European Union, European countries may apply to become a member of the EU and, subsequently, of Economic and Monetary Union (EMU). There are currently 13 countries in central and eastern Europe and in the Mediterranean which are officially recognised as candidates for accession to the

EU. At present, the following 12 have already started negotiations with the EU: Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, the Slovak Republic and Slovenia. Furthermore, following a decision by the European Council in December 1999, Turkey is now also an official candidate for accession, but the conditions to be fulfilled before the start of negotiations have yet to be met. This article focuses on those 12 countries with which the European Council has decided to start formal negotiations for EU accession (hereinafter referred to as “accession countries”).

The forthcoming EU enlargement, which will be the fifth to have taken place, has its ultimate origin in the dissolution of the Soviet bloc that followed the fall of the Berlin Wall. Since then, economic integration and political dialogue between the EU and accession countries have developed considerably. The transition process in which accession countries are currently engaged is a factor of

potential growth and stability for the region as a whole. Some significant improvements have already been achieved, albeit in a rather diversified manner. The Eurosystem is

monitoring these developments attentively, since accession to the EU ultimately means full participation in EMU.

2 The economic background

The main structural features of the accession countries are highlighted in Table I. At the end of 1998 the total population of these countries was equal to around 36% of the euro area's population, but their combined GDP only represented about 6% of euro area GDP, with Poland accounting for 40% of this share. In fact, the other accession countries each had a GDP of less than 1% of euro area GDP. Moreover, per capita GDP ranged, depending on the country under consideration, from almost 7% to 61% of euro area per capita GDP. In terms of purchasing power standards, per capita GDP ranged from around 23% to 79% of that of the euro area; in particular, the per capita GDP of Cyprus, Slovenia and the Czech Republic reached levels similar to those of certain EU countries. On the whole, the aforementioned data are symptomatic of the asymmetry between the euro area and the countries currently

negotiating EU accession in terms of both economic size and living standards.

Most of these countries are very open to international trade. With the exception of Poland and Romania, the degree of openness – the average of exports and imports of goods and services as a share of GDP – in 1998 was above 40% for all these countries and exceeded 80% in small countries such as Estonia and Malta (see Table I). These figures are significantly higher than the corresponding figures for euro area countries in 1998. Trade integration is, so far, the most apparent effect of the process of integration with the EU. After COMECON ceased to exist in 1991, most accession countries belonging to this area underwent a major reorientation of their trade. Today only the Baltic states have a substantial share of their trade in Russia and the Commonwealth of

Table I
Accession countries: structural indicators
(1998)

	Population (millions; annual average)	GDP in ECU (% of euro area GDP)	GDP in purchasing power standards (% of euro area GDP)	Per capita GDP in ECU (% of euro area per capita GDP)	Per capita GDP in purchasing power standards (% of euro area per capita GDP)	Share of industry in GDP ¹⁾ (%)	Share of agriculture in GDP ²⁾ (%)	Degree of openness ³⁾	Exports to euro area (% of total exports)
Bulgaria	8.3	0.2	0.6	6.6	22.8	22.2	18.7	45.7	38.7
Cyprus	0.7	0.1	0.2	60.8	78.8	13.4	4.4	47.3	13.1
Czech Republic	10.3	0.9	2.1	24.3	60.1	32.2	4.2	60.7	58.5
Estonia	1.5	0.1	0.2	16.0	36.4	18.2	5.6	85.3	30.4
Hungary	10.1	0.7	1.7	20.6	47.7	24.9	5.2	45.7	67.7
Latvia	2.4	0.1	0.2	11.6	27.2	21.1	4.1	54.3	27.6
Lithuania	3.7	0.2	0.4	12.9	30.5	21.1	9.1	53.2	27.8
Malta	0.4	0.1	.	40.4	.	.	.	90.7	34.1
Poland	38.7	2.4	4.7	18.1	35.9	24.4	4.2	26.2	58.8
Romania	22.5	0.6	2.1	7.5	27.0	31.7	16.0	29.9	57.7
Slovak Republic	5.4	0.3	0.8	16.8	45.8	26.7	4.4	69.3	52.9
Slovenia	2.0	0.3	0.5	43.9	67.8	28.1	3.4	57.4	61.9

Sources: Eurostat; IMF (exports of goods to the euro area and all data for Malta).

1) Industry, including energy and excluding construction. Data for Hungary refer to 1997.

2) Agriculture, hunting and forestry; fishing and operation of fish hatcheries and fish farms. Data for Hungary refer to 1997.

3) Average of exports and imports of goods and services as a share of GDP. Data for Hungary refer to 1997.

Table 2**Accession countries: macroeconomic indicators***(1997-99; annual percentage changes, unless otherwise indicated)*

	Real gross domestic product			Consumer price inflation			General government balance ¹⁾ (% of GDP)	
	1997	1998	1999 Jan.-June	1997	1998	1999 Jan.-June	1997	1998
Bulgaria	-7.0	3.5	0.5	1,082.0	22.3	.	-0.3	1.3
Cyprus	2.5	5.0	.	3.6	2.2	1.3	-5.3	.
Czech Republic	0.3	-2.3	-1.8	8.5	10.7	2.7	-2.1	-2.4
Estonia	10.6	4.0	-3.9	11.2	10.5	4.0	2.6	-0.2
Hungary	4.6	4.9	3.5	18.3	14.3	9.3	-5.4	-7.1
Latvia	8.6	3.6	-2.0	8.4	4.7	2.1	1.8	0.1
Lithuania	7.3	5.1	-4.8	8.9	5.1	1.2	-0.7	-3.4
Malta	4.9	4.1	.	3.1	2.4	1.6	-9.8	-11.1
Poland	6.8	5.0	2.3	14.9	11.8	6.1	-2.6	-2.1
Romania	-6.9	-7.3	-3.9	161.7	59.1	39.5	-4.4	.
Slovak Republic	6.5	4.4	2.4	6.1	6.7	6.9	-3.6	-4.8
Slovenia	4.6	3.9	4.5	8.4	7.9	4.9	-1.5	-0.8

Sources: Eurostat, except 1999 inflation for Cyprus (IMF) and all data for Malta (IMF and national sources).

1) Cyprus excludes local government.

Independent States (CIS). As a result of trade integration with western Europe, countries such as the Czech Republic, Hungary, Poland, Romania, the Slovak Republic and Slovenia placed around 50% to 70% of their total exports in the euro area in 1998.

Most accession countries have made significant progress towards macroeconomic stability. In particular, substantial decreases in the rate of inflation over the past three years have been achieved, with inflation falling below 5% in a number of countries (see Table 2). This mirrors the growing importance of price stability as a statutory objective of accession countries' central banks (see Table 3). On the other hand, this process has occurred in a period of crisis in the international financial system. The Russian crisis played a particularly relevant role in this context and might partially explain the deterioration in growth performance in the first half of 1999. However, there is some evidence that growth has recovered since then. Although final data for 1999 on the general government balance are not yet available, there are indications that deficits deteriorated compared with the 1998 figures shown in Table 2. In order to bring fiscal deficits closer in line with euro area

standards, a continued effort is required on the part of most accession countries.

There are both real and nominal aspects of the economic convergence of accession countries; these are strategic elements that need to be pursued in parallel on the path towards sustainable economic growth and stability.

The need for real convergence implies, especially for central and eastern Europe, the completion of the process of economic transition towards competitive, market-based economies. Structural reforms – for instance privatisation, enhancing the legal and institutional framework to enable the functioning of a market economy, strengthening the banking system and developing domestic financial markets – are necessary to allocate capital and human resources more efficiently and to foster the development of the private sector. While this process is likely to take a long time, it will be accelerated by progress in integration with the EU. Moreover, the removal of inefficiencies is likely to attract further foreign direct and portfolio investment, feeding the virtuous circle between regional integration and real convergence.

Table 3**Monetary and exchange rate policies of accession countries**

	Monetary policy
Countries	Statutory objectives *
Bulgaria	“The main task of the Bulgarian National Bank shall be to contribute to the maintenance of the stability of the national currency through implementation of the monetary and credit policy as provided for by this Law, and to assist in the establishment and functioning of efficient payment mechanisms.”
Cyprus	“The main purpose of the Bank is to foster monetary stability and such credit and balance of payment conditions which are conducive to the orderly development of the economy of the Republic.”
Czech Republic	“The primary objective of the Czech National Bank is to ensure the stability of the Czech national currency.”
Estonia	“The main goals of the Bank of Estonia are: 1. Maintaining and ensuring the value of the Estonian kroon in fulfilling all the functions of money. 2. Improving the safety and stability of the Estonian banking system. 3. Furthering the efficiency and development of the Estonian financial system, particularly the payment and settlement systems. 4. Meeting the cash demand of the public.”
Hungary	“The basic task of the National Bank of Hungary is to safeguard the domestic and external purchasing power of the national currency. The National Bank of Hungary supports the implementation of the economic policy programme of the government with monetary policy (money and credit policy) means available to it.”
Latvia	“The main objective of the Bank of Latvia shall be to implement monetary policy by controlling the amount of money in circulation with the aim to maintain price stability in the State. The Bank of Latvia shall facilitate free competition, effective allocation and circulation of assets, and the stability, coordination and supervision of the financial system.”
Lithuania	“The principal objective of the Bank of Lithuania shall be to achieve stability of currency of the Republic of Lithuania. Implementing the principal objective, the Bank of Lithuania must: 1. ensure the reliable functioning of the currency market and the system of credit and settlements; and 2. support the economic policy carried out by the Government of the Republic of Lithuania, provided said policy is in compliance with the principal objective of the Bank.”
Malta	“It shall be the function of the Bank [inter alia] to maintain external reserves as to safeguard the international value of the currency; to influence the volume and conditions of supply of credit so as to promote the orderly and balanced economic development of Malta and a rising level of employment and income consistent with the maintenance of monetary stability in Malta and the external value of the currency; to promote a sound financial structure and to foster an orderly capital market in Malta.”
Poland	“The basic objective of NBP (National Bank of Poland) activity shall be to maintain price stability, and it shall at the same time act in support of Government economic policies, insofar as this does not constrain pursuit of the basic objective of the NBP.”
Romania	“The main objective of the National Bank of Romania is to ensure the stability of the national currency, for the overall purpose of price stability.”
Slovak Republic	“The primary task of the National Bank of Slovakia shall be to ensure the stability of the Slovak currency.”
Slovenia	“Bank of Slovenia shall take care of the stability of domestic currency and of general liquidity of payments within the country and with foreign countries.”

* Sources: Direct quotations from the central banks' acts, in the English translations prepared by the central banks themselves.

Exchange rate regime		
Features	Remarks	Countries
Currency board, pegged to the euro/Deutsche Mark.	Formally introduced on 1 July 1997. National legislation provides that the euro will replace the Deutsche Mark upon the introduction of the euro banknotes in 2002 at the latest.	Bulgaria
Pegged to the euro, with a $\pm 2.25\%$ fluctuation band.	The Cypriot pound was pegged to the ECU between June 1992 and December 1998. It has been pegged to the euro since 1 January 1999 with the same central parity as was previously adopted for the ECU.	Cyprus
Managed floating (the euro is used informally as a reference currency).	In May 1997 the peg, with a $\pm 7.5\%$ fluctuation band, to a currency basket (Deutsche Mark (65%) and US dollar (35%)) which had been introduced in February 1996 was abandoned; the peg to a currency basket had been introduced in 1991.	Czech Republic
Currency board, pegged to the euro/Deutsche Mark.	Introduced in June 1992.	Estonia
Crawling fluctuation band, pegged to the euro. $\pm 2.25\%$ pre-announced crawling fluctuation band, currently with a 0.4% monthly depreciation rate.	Introduced in March 1995. The monthly rate of depreciation of the central rate and accordingly that of the crawling fluctuation band have been frequently reduced over time.	Hungary
Pegged to the special drawing right.	De facto peg to the special drawing right since February 1994, formalised in 1997.	Latvia
Currency board, pegged to the US dollar.	Introduced in April 1994. The Bank of Lithuania has announced its intention to re-peg the litas to the euro in the second half of 2001.	Lithuania
Pegged to a currency basket: euro (56.8%), US dollar (21.6%), pound sterling (21.6%). $\pm 0.25\%$ fluctuation band.	Currency basket peg in effect since 1971. The euro was substituted for the ECU, with effect from 1 January 1999.	Malta
Crawling fluctuation band, against a currency basket: US dollar (45%), euro (55%). $\pm 15\%$ pre-announced crawling fluctuation band currently with a 0.3% monthly depreciation rate.	The currency basket peg was introduced in May 1991, with the basket weights remaining unchanged until 31 December 1998 (US dollar 45%, Deutsche Mark 35%, pound sterling 10%, Swiss franc 5%, French franc 5%). The crawling band around the peg was introduced in May 1995. The rate of the crawl has since been gradually reduced and the band has widened. Since 1 January 1999 the basket has comprised only the euro and the US dollar.	Poland
Managed floating (the euro is used informally as a reference currency).	Since August 1992. In recent months the exchange rate has become the prevailing anchor for monetary policy. A change of strategy has not, however, been announced.	Romania
Managed floating (the euro is used informally as a reference currency).	Between 14 July 1994 and 1 October 1998 the Slovak crown was pegged to a basket of two currencies (60% Deutsche Mark and 40% US dollar). In 1996 the fluctuation band was widened from $\pm 1.5\%$ to $\pm 7\%$. On 2 October 1998 the system of pegging was abolished and replaced by managed floating; on 1 January 1999 the Deutsche Mark was replaced by the euro as a reference currency.	Slovak Republic
Managed floating (the euro is used informally as a reference currency).	Since 1992 the exchange rate has remained within an unannounced narrow band against the Deutsche Mark (the euro since 1 January 1999).	Slovenia

Even though the fulfilment of the “Maastricht convergence criteria” (including price stability, the sustainability of public finance, exchange rate stability in the framework of participation in the exchange rate mechanism and the convergence of interest rates) is not mandatory for EU accession, accession countries should have macroeconomic programmes consistent with those prevailing in the euro area in their medium-term policy agenda. In particular, it should be highlighted that price stability has a positive impact on real economic performance, especially on output and employment prospects. It does so by increasing the transparency of the relative price mechanism, which is a precondition for the efficient allocation of resources by markets; by avoiding large and arbitrary redistribution of wealth and income; and by reducing uncertainty, which will be reflected in an overall reduction in long-term interest rates.

As detailed in Table 3, monetary policies and exchange rate regimes adopted by accession countries are very different, with exchange rate arrangements ranging from tightly fixed to flexible ones. Currency board arrangements are in place in three countries, implying a fixed peg to the euro/Deutsche Mark in Bulgaria and Estonia, and to the US dollar in Lithuania. Other countries are operating fixed pegs (Latvia to the special

drawing right (SDR)), crawling fluctuation bands of different widths (Hungary to the euro, Poland to a currency basket) or adjustable pegs (Cyprus to the euro, Malta to a currency basket). Both Malta and Poland assign a weight higher than 50% to the euro in their currency baskets. The Czech Republic, Romania, the Slovak Republic and Slovenia have adopted a system of managed floating with the euro unofficially used as the reference currency.

Irrespective of the particular exchange rate arrangement chosen by any of these countries, the aim should be to ensure a stable economic environment, inter alia, by avoiding real exchange rate misalignments and excessive nominal exchange rate fluctuation. In these countries, exchange rate and monetary policies also have to cope with the challenges presented by factors related to the catching-up process, such as large foreign direct investment inflows due to, inter alia, large-scale privatisation programmes and the potential for real appreciation owing to productivity gains. As the exchange rate vis-à-vis the euro generally plays a fundamental role for these countries, the faster the process of integration moves towards a single market and economic convergence with the EU/euro area, the stronger the case for the stability of the nominal exchange rates vis-à-vis the euro will become.

3 The institutional background

While the Copenhagen European Council in June 1993 marked the political start of the current enlargement process, by approving the principle of enlargement and defining the criteria for membership (the “Copenhagen criteria”, which are further described in Box 1), the Luxembourg European Council in December 1997 marked the start of the process more formally by broadly endorsing the strategy for enlargement presented in the Agenda 2000 (a document detailing the need to reform EU policies in order to prepare for enlargement). Following that decision, negotiations were launched on 30 March 1998

with six of the then 11 accession countries, namely Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia. The same Council requested that the other five countries, Bulgaria, Latvia, Lithuania, Romania and the Slovak Republic, make further progress towards satisfying the conditions for launching accession negotiations. More recently, the enlargement process was given additional impetus at the Helsinki European Council on 10 and 11 December 1999. On that occasion it was decided to launch accession negotiations in February 2000 with the five remaining countries and Malta, which

Box I

The Copenhagen criteria

The overall criteria which applicant countries should meet as a prerequisite for becoming members of the European Union (EU) were defined in general terms by the Copenhagen European Council in June 1993. The “Copenhagen criteria” require:

- “the stability of institutions guaranteeing democracy, the rule of law, human rights, and the respect for and protection of minorities”;
- “the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the EU”; and
- “the ability to take on the obligations of membership, including adherence to the aims of political unification, as well as Economic and Monetary Union (EMU)”.

joined the list of accession countries in February 1999.

On their way towards EU membership, all 12 countries are benefiting from a pre-accession strategy which was formulated at the Community level and which consists of the treaties of association (the “Europe Agreements”), as well as pre-accession aid through the Phare programme and a set of co-operative arrangements (the “Accession Partnerships”). Within that framework, key provisions of the EU legal system already apply to the accession countries in some areas (e.g. extensive trade liberalisation and competition rules). The Accession Partnerships also constitute a forum within which the European Commission and the governments of the individual accession countries jointly carry out assessments of medium-term economic policy priorities.

Also in Helsinki, a political commitment was made to carry out the necessary institutional reforms to ensure that the EU would be in a position to accept new Member States as from the end of 2002. To this end, an Intergovernmental Conference aimed at resolving the institutional issues “left over” by the Treaty of Amsterdam has been convened and is expected to produce a new Treaty by the end of this year, designing the new European Union which accession

countries will ultimately join. These institutional issues refer to the “size and composition of the European Commission; the weighting of votes in the EU Council and the possible extension of qualified majority voting in the Council; as well as to any other amendment to the Treaties arising as regards the European institutions” in connection with the implementation of the Treaty of Amsterdam (Presidency conclusions of the Helsinki European Council). An “efficient and credible enlargement process” remains a priority, as confirmed in Helsinki and recently reiterated by the Portuguese EU Presidency.

There is no exact timetable for the accession of new Member States, nor will the timetable need to be the same for each of them. Some candidate countries have indicated that they intend to be ready from a technical point of view in 2002 or 2003. Negotiations are carried out separately by the EU with each of the 12 accession countries and will be finalised by means of individual accession agreements which may contain transitional arrangements. The ratification of the individual accession agreements by the relevant accession country and by the current 15 EU Member States will need to be concluded before the respective accession country becomes de jure a member of the EU.

In the monetary field it has already been decided that no “opt-out” clauses, such as those negotiated by the United Kingdom and Denmark, shall be granted to new Member States, thus implying that, when joining the EU, new Member States will be committed to finally adopting the euro. However, they will not be expected to transfer their monetary sovereignty upon accession to the EU, but instead to participate in EMU with the status of Member States with a derogation. Nonetheless, they will still have to prepare themselves for full participation in EMU. Upon accession to the EU, the respective central banks will consequently be integrated into the European System of Central Banks (ESCB).

Meeting the Maastricht convergence criteria does not constitute a prerequisite for joining the EU. In the Copenhagen criteria, reference is only made to the ability of applicant countries to adhere to the aims of EMU – rather than to their fulfilment of the criteria for adopting the euro – at the time of accession. Indeed, progress towards adopting the euro is part of a continuum encompassing three stages: pre-accession to the EU, EMU membership with a derogation and full EMU membership. There are thus two different steps to the accession process: EU accession and final adoption of the euro. As is also the case for EU accession, there is no preset timetable for the final adoption of the euro and countries need not enter the euro area at the same time. The Treaty only foresees an assessment of convergence at least once every two years, or at the request of a Member State with a derogation.

Upon their entry into the EU, new Member States will have to “treat (...) exchange rate policy as a matter of common interest” (Article 124 of the Treaty, ex Article 109m). In their progress towards adopting the euro they are expected to participate in the exchange rate mechanism (ERM II), the features of which should allow sufficient flexibility for accession countries to reconcile price and exchange rate stability with the structural evolution of their economies, thereby accommodating their different needs. Throughout this process, the Eurosystem will act in accordance with its statutory objective of maintaining price stability in the euro area.

Furthermore, the new Member States shall “regard their economic policies as a matter of common concern” (Article 99 of the Treaty, ex Article 103) and will also take part in the EU policy co-ordination and surveillance procedures under the same conditions as current Member States with a derogation. This relates in particular to the relevant provisions of the excessive deficit procedure and the Stability and Growth Pact.

The aforementioned mechanisms should assist the new Member States in pursuing the stability-oriented policies necessary to foster economic convergence and properly integrate their economies into that of the euro area, with the ultimate aim of becoming full participants in EMU and joining the euro area once the Maastricht criteria have been met. Once a new Member State has adopted the euro, the central bank concerned will become a component of the Eurosystem.

4 The Eurosystem and the EU accession process

The Eurosystem stands ready to support the process of economic and monetary integration between accession countries and the euro area, based on the principles outlined in the Treaty. The progress of economic integration between accession countries and the euro area, the increasing links to the euro in the pre-accession

exchange rate strategies, and the fact that, with EU accession, these countries will be committed to the final adoption of the euro, all illustrate the need for the Eurosystem to follow the accession process closely. Moreover, in order to fulfil the statutory mandate of price stability in an enlarged euro area, it is in the Eurosystem’s best interest,

even at this stage, to encourage current policies to be oriented towards stability and economic convergence in accession countries.

The Eurosystem is not formally involved in the negotiations on accession. However, it will be involved in such a way as to ensure that its views, when the issues in question relate to its areas of competence, are properly taken into account. This concerns, in particular, the adoption and the implementation of the EMU-related *acquis communautaire*, which will provide new Member States with the necessary background to pursue stability-oriented policies.

The implementation of the EMU-related *acquis communautaire*

From the perspective of the Eurosystem, the compliance and implementation of the EMU-related *acquis communautaire* are essential for establishing the appropriate conditions for stability-oriented monetary policies, sound banking systems and smoothly functioning market economies. In particular, this relates to the following three areas:

- legislation on *central banks*, to ensure that they are compatible with the independence of the ESCB and all the other requirements arising from the Treaty and from the Statute of the ESCB;
- legislation on *capital movements*; and
- legislation relating to the creation of conditions for *sound banking systems and financial stability*.

With the exception of the first of these areas, for which it will be possible to adopt some aspects of the legislation on joining the euro area, new Member States will have to comply, at the time of EU accession, with all requirements outlined in the *acquis communautaire* – unless transitional arrangements are made during the negotiations.

With regard to legislation on *central banks*, all features of central banks' independence should be effective at the time of accession to the EU, in accordance with Article 109 (ex Article 108) of the Treaty. This requirement implies that accession countries will have to take on the legal features of institutional, personal and financial independence, as laid down in the Treaty and in the Statute of the ESCB and as further elaborated by the European Monetary Institute (EMI) in its Convergence Report ("Report required by Article 109j of the Treaty establishing the European Community", March 1998). Furthermore, in order to enhance functional independence, central banks' statutory objectives ought to be brought into line with the primary objective of maintaining price stability, as laid down in the Treaty. These legal adjustments do not require full harmonisation, but they do imply that the relevant national legislation needs to be made compatible with the Treaty and with the Statute of the ESCB.

Moreover, a number of provisions contained in the Treaty will be directly applicable to the new Member States upon accession to the EU. For instance, this is the case for the provisions concerning the independence of the central banks, such as the prohibition of monetary financing of the public sector (Article 101 of the Treaty, ex Article 104) and that of privileged access by the public sector to financial institutions (Article 102 of the Treaty, ex Article 104a).

As a second important step, at the latest before the adoption of the euro, the statutes of accession countries' central banks will have to be adapted in order to provide for smooth integration into the Eurosystem. In particular, measures need to be taken to ensure that the national central banks (NCBs) execute tasks as members of the Eurosystem and in accordance with the decisions of the ECB. The main areas for attention are those where statutory provisions may prevent an NCB from complying with the requirements of the Eurosystem, as well as those where statutory provisions do not respect the prerogatives of the ECB.

As part of the implementation of the EMU-related *acquis communautaire*, other legislation in the monetary field with a potential impact on the Eurosystem's operations will also have to be adopted in time for participation in the euro area, taking particular account of the long lead times involved. The monetary authorities of new Member States will, therefore, need to pay close attention to these provisions, which will directly or indirectly impinge on the conduct of the Eurosystem's monetary policy operations. Therefore, new Member States' central banks will have to take into account relevant legal instruments brought into effect by the Eurosystem since its establishment, and the overall civil and commercial law of their countries will have to be adjusted accordingly. The soundness of legislation on pledges and repurchase agreements, for instance, will have a bearing on the use of collateral. Finally, other financial regulations in the area of payment systems, securities settlement systems and stock exchanges will also need to be taken into account.

With regard to the second area mentioned above, *capital movements*, accession countries will have to liberalise capital flows before EU accession. This is important not only because free movement of capital is an integral part of both the internal market and EMU, but also because it constitutes one of the components which reflect the accession countries' ability to cope with competitive pressures and market forces within the EU.

As for the third area, the creation of conditions for *sound banking systems and financial stability*, accession countries will need to implement the EU Directives in the banking and financial area before EU accession. These involve, in particular, the need for appropriate legislation on capital adequacy, insolvency, the adoption of accounting standards, effective prudential supervision, settlement finality and the avoidance of moral hazard problems.

The Eurosystem's dialogue with accession countries' central banks

In order to engage, within its areas of competence, in a fruitful dialogue with accession countries' central banks, the Eurosystem has intensified its bilateral relations and is also developing a framework for multilateral relations with these institutions. As a first step, a seminar at a high policy level was held in Helsinki on 11 and 12 November 1999, which was jointly organised by the ECB and Suomen Pankki, the Finnish national central bank. It brought together representatives of the Eurosystem and governors and deputy governors of the 12 accession countries' central banks, with the objective of addressing central banking issues related to the accession process in order to identify the main areas where co-operation could be enhanced in the future. The main conclusions that emerged from the Helsinki seminar are highlighted in Box 2.

Since the Helsinki seminar, multilateral meetings have taken place with experts from a number of areas, in particular statistics and legal services. These meetings will gradually be extended to all central banking areas and develop into a regular activity.

Accession countries' central banks are already benefiting from different kinds of professional co-operation and technical assistance in a large number of areas. However, with regard to EU accession and the eventual adoption of the euro, a significant amount of additional preparatory work will be required in order to integrate the central banks of the accession countries into the ESCB and – later on – into the Eurosystem. The catalogue of issues to be addressed is, indeed, a substantial one. The areas involved include the adoption and implementation of the *acquis communautaire* (in particular, the adaptation of central bank statutes and other legal instruments), the enhancement of payment and securities settlement systems, the preparation of the necessary statistical requirements, the technical adaptation required to connect the central banks to the IT infrastructure of the

Box 2

Main conclusions emerging from the Helsinki seminar

- Central banks have a crucial interest in the timely adoption and implementation of the *acquis communautaire* in their fields of competence. Although they are not directly involved in accession negotiations, they will closely follow the process and express their views. This relates especially to the independent status of central banks and other legislation in the monetary field, as well as to the banking sector and financial market.
- **Nominal and real convergence** should be pursued in parallel. By modifying their economic structures in line with those prevailing within the EU and by implementing appropriate structural reforms, accession countries will speed up the process of “catching up”, whereby their living standards will progressively move towards levels closer to those of the EU (real convergence). Historical experience shows that this process should go hand in hand with price stability and sound public finances (nominal convergence). Progress towards fulfilling the Maastricht criteria as a condition for the adoption of the euro is, therefore, fully compatible with structural reforms.
- Accession countries therefore need to continue to implement monetary policies geared towards achieving and maintaining **price stability**, and to support this process with prudent fiscal policies and adequate structural reforms.
- No common path should be prescribed for all accession countries with regard to the orientation of their **exchange rate policies** prior to accession, the inclusion of their currencies in ERM II or the later adoption of the euro. Against the background of different starting-points for the economic reform process and the difficulty of ascertaining the lead time for further headway towards nominal and real convergence, a plurality of approaches should be feasible without compromising the equality of treatment.
- The smooth functioning of banking and financial markets is of utmost importance for successful integration of the accession countries, first, into the Single Market, and, at a later stage, into the euro area. Compared with developments in the euro area in recent years, the **financial sector** in accession countries has been characterised by intense restructuring (mergers, acquisitions and privatisation). Central banks will make an important contribution to ensuring that such developments occur within a general framework of stability.

Eurosystem, work to ensure full compliance with the Eurosystem’s accounting and reporting framework, as well as activities in the area of banknote production, the post-issuance handling of euro banknotes and efforts to combat counterfeiting.

The provision of technical assistance will require substantial resources and adequate co-ordination within the Eurosystem. This will present a significant challenge to the Eurosystem, requiring adequate planning and the necessary instruments to address a number of objectives. First, these instruments will have to draw on the expertise and resources of the different components of the Eurosystem, notably the NCBs, which have

already been active in this field for some time. Second, they will have to ensure that all accession countries receive the necessary support. Finally, they will have to guarantee a consistent approach, not only in terms of the treatment of the accession countries’ central banks, but also within the Eurosystem.

The Eurosystem, under the co-ordination of the ECB, will provide accession countries’ central banks with the required technical assistance in the above-mentioned areas. More generally, the aim will be to develop a close and fruitful professional working relationship in areas of common interest for the central banking community.

Box 3

The General Council of the ECB

As stated in Article 45 of the Statute of the ESCB, the General Council “shall be constituted as a third decision-making body of the ECB”.

Composition: the General Council comprises the President and the Vice-President of the ECB and the governors of all the Member States’ national central banks (including, therefore, the four current non-participating countries). The other members of the Executive Board may participate, without having the right to vote, in the meetings.

Responsibilities: the General Council performs the “transitional tasks”, namely those tasks of the European Monetary Institute (EMI) which, because of the derogation of one or more Member States, still have to be performed in Stage Three of EMU. These tasks mainly include the strengthening of the co-operation between the ECB and the national central banks of Member States with a derogation, the monitoring of the functioning of the exchange rate mechanism, and the regular consultations concerning the course of monetary policies.

Moreover, the General Council gives advice on the preparations for the abrogation of the derogation and, when a decision is taken by the EU Council that a Member State with a derogation fulfils the necessary conditions for the adoption of the euro, it contributes to the necessary preparations for irrevocably fixing the exchange rate of the currency of this Member State vis-à-vis the euro.

Finally, the General Council contributes to a number of advisory functions (for instance, those related to acts proposed by Community institutions or national authorities in the fields of ECB competence, including prudential supervision) and other activities (including the collection of statistical information and the reporting activities of the ECB).

Upon EU accession, accession countries’ central banks will become members of the ESCB and their respective governors will join the General Council of the ECB, the decision-making body responsible for carrying out the tasks related to the central banks of Member States with a derogation (see Box 3 for the

composition and responsibilities of the General Council). The General Council will become, from that point onwards, the primary forum for co-operation between the Eurosystem and the central banks of the new Member States.

5 Concluding remarks

As can be seen from the increase in trade interdependence, the economic links of the 12 accession countries with the EU are intensifying. This development is lending substance, from an economic point of view, to the enlargement process itself. This process, which consists of three different stages (namely pre-accession, participation in EMU as a “country with a derogation”, and full participation in EMU), forms a *continuum* which is already conditioning the medium-term policy framework of these countries.

The Eurosystem has a major interest in the monetary aspects of the EU enlargement process. While the Eurosystem is not officially party to the accession negotiations, it will need to be involved in such a way as to ensure that its views – in its areas of competence – are properly taken into account.

The Eurosystem attributes particular importance to the adoption and implementation of the necessary provisions to ensure compliance with the EMU-related

acquis communautaire. Prior to entry into the EU, central banks need to be made independent, capital movements liberalised and legislation adapted to guarantee the necessary conditions for sound banking systems and financial stability.

Upon entry into the EU, the central banks of the new Member States will join the ESCB and their governors will become members of the General Council of the ECB. The General Council will therefore play a key role in the

co-operation between the Eurosystem and the new Member States' central banks.

Before this point is reached, i.e. in the pre-accession stage, the Eurosystem will increase its co-operation with accession countries' central banks, with a view to extending it to all relevant central banking areas and to assisting them in their preparations for integration into the ESCB and, later, into the Eurosystem itself.

Consolidation in the securities settlement industry

The introduction of the euro has accelerated the consolidation process in the securities settlement industry within the euro area: investors no longer face currency risks with regard to their euro area holdings and are increasingly diversifying their euro portfolio. Developments in technology and legal harmonisation at the European level are also emphasising the need for further consolidation. In this context, competition and network externalities are further increasing the pressure for a more integrated and efficient infrastructure at the EU level, i.e. the integration of stock exchanges, trading platforms and electronic networks, market practices and contracts, and clearing and settlement facilities. This fourth potential area of integration – clearing and settlement facilities – constitutes the main focus of this article.

The increased homogeneity of the euro area securities markets, and particularly the markets for debt instruments, has progressively altered the investment behaviour of global investors, which are increasingly considering the euro area securities markets as a single securities market. In order to meet investor demands, market initiatives are being developed to further integrate the securities settlement infrastructure within the EU.

The Eurosystem has taken action to ensure the soundness and efficiency of euro area securities settlement systems and to ensure equal treatment of euro area institutions in the use of collateral. Guided by these objectives, its stance is to promote the necessary integration of the securities settlement infrastructure.

I The euro area securities settlement infrastructure

What are securities settlement systems?

Securities settlement systems (SSSs) are systems which mainly provide custody services and final delivery of securities from the seller to the buyer. When securities are traded in exchange for funds, SSSs also ensure the smooth transfer of the related funds in the relevant payment system. In other words, market investors use the services of SSSs in order to discharge the obligations which they assume when buying or selling securities. As such, SSSs represent one of the basic infrastructures of financial markets.

In the past, the transfer of securities involved the physical movement of paper-based certificates. However, developments in technology have enabled SSSs to issue and transfer securities by simple electronic book entry (registration in accounts). Another important achievement has been the establishment of a link, for safety reasons, between the delivery of securities and the settlement of related funds, through the implementation of special mechanisms (called delivery versus payment (DVP) facilities). DVP facilities allow for the simultaneous transfer

of funds and securities in the relevant payment and securities settlement systems.

Who supplies securities settlement services?

Securities settlement services are supplied by three kinds of institutions: domestic central securities depositories (CSDs), international central securities depositories (ICSDs) and custodians. The term “SSS” refers to both domestic CSDs and ICSDs.

In 1997 there were 21 domestic CSDs in the 11 countries of the euro area. This was the result of differing historical, institutional, technical and legal environments, as well as of the existence of different currencies. In most euro area countries one single CSD supported the activity of the entire securities industry, while in some countries the role of each CSD was limited to a certain segment of the market (settlement of public debt, equities, corporate debt). Domestic CSDs have thus enjoyed a monopolistic position, which in many cases was protected and defined by law. They have served the needs

of the local market which they were designed to support.

These national features of most domestic CSDs have led to a fragmentation of the industry, which was thus unable to adequately serve the needs of participants willing to operate across EU markets. Cross-border transfers of securities in the EU have therefore relied extensively on the use of alternative channels, namely custodian banks or ICSDs.

Custodian banks are intermediaries which provide foreign investors with custody and settlement services in their domestic CSD(s). The ability of local custodians to facilitate communication between foreign banks and domestic CSDs and to provide local expertise has greatly contributed to the development of the cross-border trading of securities over the past 20 years. Global custodians (GCs), i.e. custodians which have extended their range of services in order to cover several markets, use a network of sub-custodians (local agents, including their local branches) to provide institutional investors with a single gateway for settling their cross-border portfolio in many countries. Although GCs also provide internal settlement of securities in their own books, they specialise more in the custody function and do not reach the level of turnover of SSSs.

The two ICSDs in the euro area, Euroclear and Cedel, have established direct and indirect links (mainly through local custodians) with SSSs in many countries. In achieving a “critical mass” of participants and assets, these institutions provide settlement of internationally traded securities in their own books.

Although there is a certain overlap (and therefore competition) between the services provided by GCs and ICSDs, the two kinds of institutions are to some extent complementary. On the one hand, GCs provide some relevant services to ICSDs. (In particular, they enable ICSDs to establish links with local markets and domestic CSDs, and

act as correspondents of ICSDs for funds settlements.) On the other hand, GCs are the major shareholders and the major participants in the ICSDs.

Thus, the three major categories of supplier in the clearing and settlement industry (domestic CSDs, ICSDs and GCs) have so far each more or less served their own particular business area. Domestic CSDs serve the local market, ICSDs serve the larger investors in the international markets (including GCs) and GCs serve smaller investors and act as intermediaries between domestic CSDs and global investors (including the ICSDs).

What is driving the industry towards integration?

Integration processes between providers of these services and products are generally driven by economies of scale and scope.

Economies of scale stem from the need for service providers to create a “critical mass” of customers in order to recover the heavy investments needed in information technology and in the establishment of efficient communication networks. To the extent that SSSs are successful in attracting a significant number of issuers and participants, these fixed costs may be spread over a wider number of transactions and services can be provided at a low cost. Greater integration of different systems would enable service providers to benefit from further economies of scale, thereby reducing expenditure related to trade, settlement and custody services.

Economies of scope stem from customers’ requests for a wide range of products and services at a relatively low cost. Two integrated stock exchanges or SSSs would be able to develop new products and services at a lower unit cost than if they were acting alone. The integration process would allow the provision of a wide range of services without any need for customers to set up different interfaces and to implement different procedures for reaching different markets.

Using a single point of entry to one system, a participant can, at a relatively low cost, have access to different segments of the securities markets, both at the national and at the international level.

What makes the current consolidation process in the euro area different from those of the past is a combination of new factors which emerged in Europe in the late 1990s: the introduction of the euro, the implementation of the European Investment Service Directive (ISD) and, in a global context, the intensified impact of technology.

The introduction of the euro has eliminated currency segmentation, which was one of the main reasons for fragmenting listing, trading and settlement in countries of the euro area. The euro is having an impact on the demand side of stock exchange business, by increasingly making similar European securities almost perfect substitutes. The euro has also reduced spreads between countries and will induce investors to assess risks associated with securities on the basis of the quality of the signatures of the issuers, rather than their countries, causing a substantial reorganisation of the asset management industry. Moreover, Economic and Monetary Union (EMU) has already caused the merger of the large-value payment systems in the euro area (through the establishment of the TARGET system) and has resulted in the emergence of an integrated area-wide money market (see the article entitled "TARGET and payments in euro" in the November 1999 issue of the Monthly Bulletin). The need to collateralise many of the money market transactions provides a further incentive to the cross-border use of securities in the euro area.

This increased homogeneity of the euro area securities markets, and particularly of the markets for debt instruments, has progressively altered the investment behaviour of global investors, which increasingly view the euro area securities markets as a single securities market. This will increase the liquidity of some selected

instruments, transforming them from domestic instruments to benchmark instruments for the entire euro area. This will also have an impact on major service providers, as they will all endeavour to offer services related to these benchmark instruments.

As a result, the introduction of the euro has intensified the competition between different service providers in the euro area. It has removed the differences between domestic and cross-border transactions within the euro area. This has provided a further incentive for domestic SSSs to establish a link with one another in order to provide the same range of services throughout the euro area.

The ISD is a second factor which has led to the process of consolidation within the securities settlement industry. Its key element is the introduction of a "single passport" policy for market participants, which allows them to access screen-based trading systems. In fact, it allows each market participant in a regulated or organised domestic market to be recognised in the regulated or organised markets of other EU countries. It also offers members of these markets remote access to regulated or organised markets in other EU countries without their having to comply with the specific regulatory regime of the "host" country.

Finally, advances in technology allow stock exchanges and settlement systems to overcome differences in location, with the possibility of offering remote access to financial intermediaries from any location in Europe. This eliminates another reason for the fragmentation of securities listing among different stock exchanges. Advanced technology also decreases the cost of cross-border data transmission, thereby making the implementation of links between stock exchanges and SSSs easier.

In summary, these factors have modified the competitive position of national securities service providers, such as stock exchanges and SSSs, transforming them from locally

protected institutions to competitors in a cross-border context. Under market pressures, the overly fragmented SSS industry in the EU is now engaged in an important consolidation process, which is taking place in two parallel phases.

The first phase is known as *vertical integration*. According to this process, the institutions in charge of securities trading, clearing, settlement and custody become increasingly integrated, very often through a holding company which manages a single system for debt and stock securities, traded on the spot

and derivatives markets. This process started before the introduction of the euro and is currently well advanced in France, Germany, the Netherlands and Austria, whereas in other countries the progress has been slower.

The next phase, currently under way, is *horizontal integration*, which has accelerated since the start of Stage Three of EMU. It means a higher degree of cross-border integration and co-operation between institutions providing similar services and products.

2 The role of the Eurosystem

Objectives of the Eurosystem

The Eurosystem has two objectives in the field of SSSs.

The first is to promote the soundness and efficiency of the euro area SSSs. Central banks are primarily concerned with the smooth functioning of these systems, because of their link to payment systems and monetary policy. Their link with payment systems stems from the fact that most securities transactions also involve the settlement of funds. As a result, banks include the payment flows stemming from securities settlement in their intraday liquidity management. If these funds are not delivered, or not delivered on time, payment systems could become gridlocked. The development of DVP facilities has, on the one hand, reduced credit risk and, on the other, increased the liquidity risks which may arise in the event of a failure to deliver securities, in particular when settlement occurs in real-time gross settlement (RTGS) systems. Furthermore, since the liquidity in the TARGET system depends on intraday credit, which the Eurosystem only grants against collateral, TARGET would be blocked if securities were not delivered to the Eurosystem on time.

The Eurosystem's monetary policy operations are also fully collateralised and therefore rely heavily on the smooth delivery of securities to the Eurosystem. Against this background, the efficient and secure functioning of the securities settlement framework is important for the fulfilment of the Eurosystem's monetary policy objectives.

The second objective which the Eurosystem endeavours to achieve is to ensure equal treatment of institutions located in the euro area when accessing central bank credit. Before Stage Three of EMU most credit institutions could only use their domestic portfolio to obtain central bank credit. Now all collateral eligible for use either in monetary policy operations or in obtaining intraday liquidity in TARGET is available to all market participants, irrespective of where the collateral or the participants are located in the euro area. In meeting this second objective, the Eurosystem promotes the necessary integration of the securities settlement infrastructure. An efficient infrastructure will also promote a deepening of the markets, making the euro area financial markets more liquid and reducing operational risks.

Action taken by the Eurosystem

In pursuing the objectives described above, the Eurosystem followed two main courses of action before the start of Stage Three of EMU. It defined standards for the use of SSSs and the links between them in Eurosystem credit operations. It also established the correspondent central banking model (CCBM).

The European Monetary Institute's document entitled "Standards for the use of EU securities settlement systems in ESCB credit operations" was published in January 1998. It reflects a strong preference for clear legal arrangements, settlement in central bank money, strict limitation of custody risk and intraday finality with delivery versus payment (DVP). The need for all systems to apply the same high standards of safety and efficiency stems both from the necessity to ensure a level playing-field among the counterparts of the Eurosystem and from the need to protect the Eurosystem from assuming inappropriate risks.

The CCBM is a mechanism whereby central banks act as securities custodians for one another. It was created as an interim solution

to allow all the counterparties of the Eurosystem to use all eligible assets, irrespective of where in the euro area the collateral or the participants are located. In providing a procedure for the use of the foreign collateral for central bank credit, the CCBM has enhanced the possibility for credit institutions to distribute their portfolios across the euro area. The CCBM never intended to compete with market solutions which enable counterparties to hold cross-border assets. It should not, therefore, be seen as a permanent alternative. It is not the intention of the Eurosystem to maintain the CCBM once the market has developed alternative solutions which cover the whole euro area and meet the Eurosystem's standards mentioned above.

Following this course of action, statistics reflect that by December 1999 21.1% of the eligible collateral held by the Eurosystem monetary policy operations was issued in a country other than that of the counterparty which provided it. In some countries more than half of the collateral provided to the national central banks is foreign collateral. This figure has been increasing since the start of Stage Three of EMU (see Chart 1).

Chart 1

Cross-border collateral as a percentage of the total collateral held by the Eurosystem¹⁾

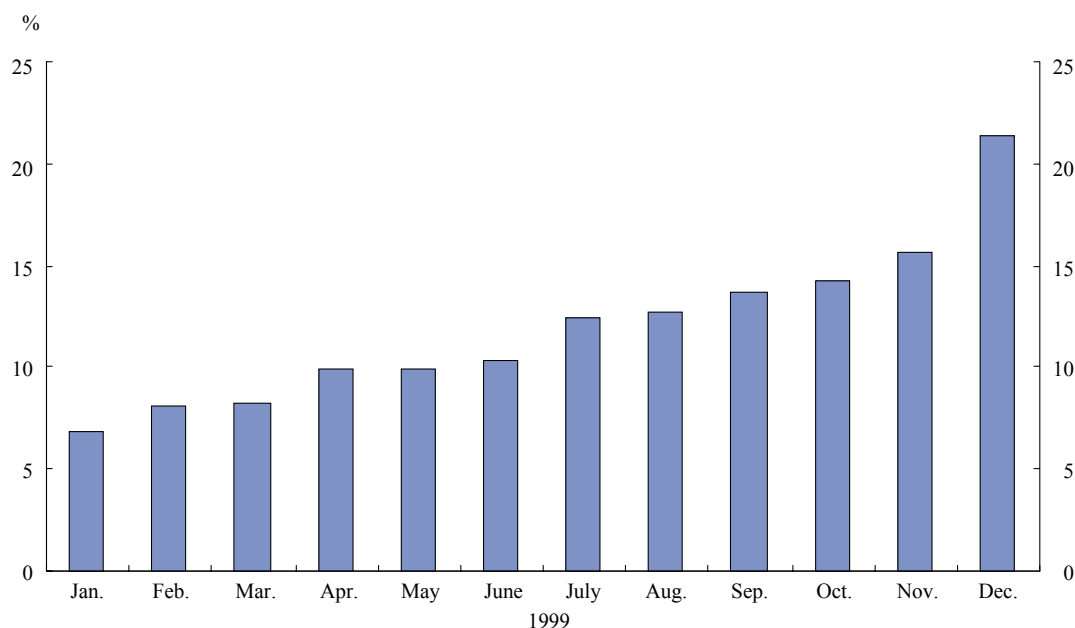
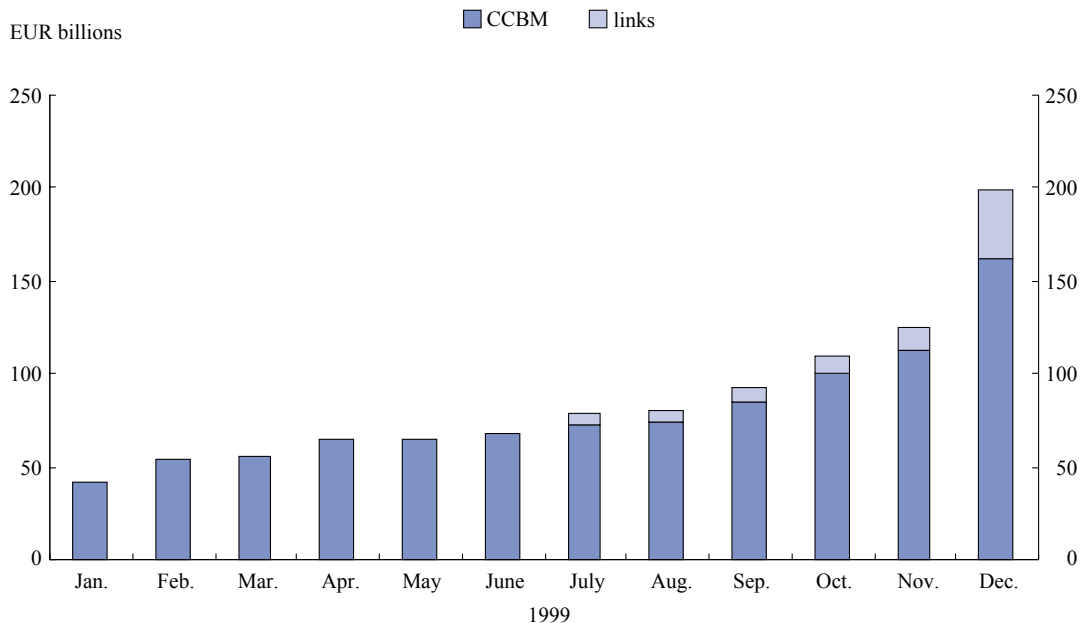


Chart 2**Total cross-border collateral held by the European System of Central Banks**

Counterparties of the Eurosystem may use two different channels to deliver cross-border collateral to their national central bank (e.g. a Dutch bank using Belgian OLA as collateral for a monetary policy operation): either the CCBM or the links between SSSs which comply with the standards.

By December 1999 collateral worth EUR 162.7 billion was held through the CCBM, while EUR 35.8 billion was provided through links (see Chart 2). Progress in the consolidation of the SSS industry in the euro area is expected to progressively reduce the level of recourse to CCBM transactions.

The position of the Eurosystem with regard to consolidation of the industry

The consolidation of the securities settlement industry is under way. In the field of payment systems, TARGET allows the real-time transfer of cash between any of the 5,000 participants throughout the EU. However, even today, it is no easier for a euro area bank to settle trades denominated in euro than for it to settle trades in other currencies.

Market participants are keen to see a further consolidation of the securities settlement industry in order to save costs. They have already made it clear that they wish to be able to settle all their securities transactions in euro from a single gateway. The Eurosystem understands their interest in this issue. It also recognises the need for a monetary system with an infrastructure for securities settlement which is as rational and efficient as that of other monetary areas (e.g. United States).

The first year of Stage Three of EMU has already seen a rapid increase in consolidation. Some projects have already been put forward by the industry and their development is being followed closely by the Eurosystem. It is not yet clear which solution will prevail or how long it will take to achieve consolidation. In this context, neutrality and efficiency are the Eurosystem's guiding principles.

The neutrality of the Eurosystem means that it will not interfere with the market competition between systems, financial centres and categories of banks to provide a more integrated solution. It also means that

the Eurosystem will avoid any “policy bias” which could favour one particular type of integration. The neutrality of the Eurosystem does not mean giving “a bit to everyone”; nor does it mean choosing a particular model (or network) for cross-border securities management proposed by the industry. Such a decision should indeed be left to the market. Rather, neutrality means that the Eurosystem clearly and openly defines the standards which

it deems necessary in order to allow maximum efficiency and minimum risk, and removes potential obstacles to the consolidation process.

With regard to efficiency, the Eurosystem will support consolidation of, as well as competition within, the securities industry and, thus, the integration of euro area money and financial markets.



Euro area statistics



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I Monetary policy statistics

Table 1.1

Consolidated financial statement of the Eurosystem ¹⁾

(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 in euro	Main refinancing operations	Longer-term refinancing operations	Fine-tuning reverse operations
	1	2	3	4	5	6	7	8
1999 3 Sep.	101,754	245,588	11,915	4,281	197,748	152,043	44,996	0
10	101,754	245,034	12,887	4,686	193,931	147,991	44,996	0
17	101,754	245,923	12,472	5,028	188,657	142,932	44,994	0
24	101,754	246,058	13,054	4,919	198,458	152,955	44,994	0
1 Oct.	114,988	240,223	13,357	5,066	192,534	146,988	44,994	0
8	114,988	240,037	13,649	5,026	191,099	145,071	44,994	0
15	114,988	239,967	13,748	5,084	185,829	140,104	44,994	0
22	114,988	240,735	13,741	5,084	171,707	125,054	44,994	0
29	114,988	240,177	13,684	5,670	205,293	149,004	54,995	0
5 Nov.	114,988	240,305	13,702	5,832	195,860	140,104	54,995	0
12	114,988	238,617	13,749	5,336	196,193	140,111	54,995	0
19	114,988	240,349	13,229	5,313	198,821	143,029	54,995	0
26	114,987	239,561	12,846	5,340	208,995	143,046	64,999	0
3 Dec.	114,986	239,060	13,111	5,254	212,237	146,067	64,999	0
10	114,955	240,344	13,728	4,395	230,117	164,018	64,999	0
17	114,745	242,368	13,795	4,998	225,423	148,972	74,996	0
24	114,745	242,368	13,795	4,998	225,423	148,972	74,996	0
31	116,612	254,880	14,383	4,822	250,079	161,988	74,996	0
2000 7 Jan.	116,612	255,118	14,739	4,834	238,670	161,988	74,996	0
14	116,512	255,640	14,086	4,993	181,388	105,036	74,996	0
21	116,304	256,607	13,091	5,101	191,454	112,009	74,998	0
28	116,295	256,333	14,754	4,772	216,714	146,035	69,996	0

2. Liabilities

	Banknotes in circulation	Liabilities to financial sector counterparties in the euro area in euro	Current accounts (covering the minimum reserve 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 3 Sep.	344,193	106,110	106,037	49	0	0	24	10,158
10	344,254	100,011	99,984	20	0	0	7	10,158
17	342,188	98,993	98,237	750	0	0	6	10,158
24	340,327	103,953	103,863	76	0	0	14	10,158
1 Oct.	343,179	109,898	109,679	154	0	0	65	8,606
8	345,322	102,086	101,938	85	0	0	63	8,606
15	343,752	109,329	109,011	184	0	0	134	8,606
22	340,852	98,656	92,529	6,027	0	0	100	8,606
29	343,584	109,886	109,399	395	0	0	92	8,606
5 Nov.	345,416	100,927	100,826	13	0	0	88	7,876
12	344,556	98,280	98,208	21	0	0	51	7,876
19	342,495	107,072	106,253	748	0	0	71	7,876
26	343,342	106,785	106,570	57	0	0	158	7,876
3 Dec.	353,009	114,651	114,352	143	0	0	156	7,876
10	357,245	103,584	101,621	1,815	0	0	148	7,876
17	370,789	105,444	105,317	111	0	0	16	7,876
24	370,789	105,127	105,000	111	0	0	16	7,876
31	374,953	117,427	114,799	2,618	0	0	10	7,876
2000 7 Jan.	364,659	137,689	123,060	135	14,420	0	74	7,876
14	355,655	92,476	92,272	137	0	0	67	7,876
21	349,981	102,388	101,964	406	0	0	18	7,876
28	347,953	115,650	115,525	105	0	0	20	7,876

Source: ECB.

1) Data have been revised in the light of new information.

Structural reverse operations	Marginal lending facility	Credits related to margin calls	Other claims	Securities of euro area residents in euro	General government debt in euro	Other assets	Total	
0	3	52	654	25,838	60,156	79,848	727,128	1999 3 Sep.
0	236	43	665	25,551	60,156	77,271	721,270	10
0	46	125	560	25,163	60,156	78,761	717,914	17
0	36	102	371	25,414	60,156	78,787	728,600	24
0	151	90	311	24,700	60,156	79,592	730,616	1 Oct.
0	334	94	606	24,631	60,156	79,827	729,413	8
0	195	76	460	24,309	60,156	80,277	724,358	15
0	1,111	46	502	24,102	60,156	79,433	709,946	22
0	650	69	575	23,428	60,156	79,228	742,624	29
0	73	116	572	23,490	60,121	82,843	737,141	5 Nov.
0	302	95	690	23,856	60,121	80,988	733,848	12
0	72	43	682	24,123	60,121	78,054	734,998	19
0	44	206	700	23,896	60,121	77,749	743,495	26
0	523	58	590	23,931	60,121	78,464	747,164	3 Dec.
0	78	224	798	24,055	60,153	76,990	764,737	10
0	96	401	958	23,991	59,649	76,019	760,988	17
0	96	401	958	23,991	59,649	75,700	760,669	24
0	11,429	404	1,262	23,521	59,180	80,150	803,627	31
0	105	400	1,181	23,701	59,236	79,070	791,980	2000 7 Jan.
0	102	63	1,191	23,797	59,236	80,833	736,485	14
0	3,526	44	877	23,993	59,236	79,505	745,291	21
0	27	82	574	24,037	59,251	80,593	772,749	28

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	Other liabilities	Revaluation accounts	Capital and reserves	Total	
53,401	7,509	905	8,372	6,192	54,557	82,510	53,221	727,128	1999 3 Sep.
54,393	7,398	904	8,958	6,192	53,271	82,510	53,221	721,270	10
52,897	7,180	855	9,696	6,192	54,024	82,510	53,221	717,914	17
58,991	7,260	872	10,460	6,192	54,655	82,510	53,222	728,600	24
45,950	7,433	1,078	9,840	6,229	55,357	89,826	53,220	730,616	1 Oct.
51,323	7,214	1,040	9,687	6,229	54,859	89,826	53,221	729,413	8
41,971	7,127	1,039	9,909	6,229	53,346	89,827	53,223	724,358	15
40,259	7,648	1,071	10,610	6,229	52,955	89,835	53,225	709,946	22
59,464	7,132	1,282	9,842	6,229	53,539	89,835	53,225	742,624	29
59,276	7,119	1,205	9,470	6,229	56,560	89,835	53,228	737,141	5 Nov.
61,257	7,143	986	8,363	6,229	56,092	89,835	53,231	733,848	12
56,974	7,339	874	9,504	6,229	53,568	89,835	53,232	734,998	19
65,713	7,269	965	8,653	6,229	53,592	89,835	53,236	743,495	26
54,635	6,874	914	8,279	6,229	51,625	89,835	53,237	747,164	3 Dec.
76,886	6,053	1,261	9,794	6,229	52,733	89,835	53,241	764,737	10
52,373	7,343	1,027	12,008	6,229	54,821	89,835	53,243	760,988	17
52,373	7,343	1,027	12,008	6,229	54,819	89,835	53,243	760,669	24
60,614	7,834	926	11,901	6,531	54,714	107,477	53,374	803,627	31
40,227	7,674	927	11,822	6,531	53,689	107,477	53,409	791,980	2000 7 Jan.
38,341	6,922	1,028	11,689	6,531	55,084	107,470	53,413	736,485	14
42,016	7,306	820	11,767	6,531	55,730	107,469	53,407	745,291	21
56,784	7,043	1,177	13,279	6,531	55,583	107,469	53,404	772,749	28

Table 1.2**ECB interest rates on standing facilities***(levels in percentages per annum; changes in percentage points)*

	Deposit facility		Marginal lending facility	
	Level 1	Change 2	Level 3	Change 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
5 Nov.	2.00	0.50	4.00	0.50
2000 4 Feb.	2.25	0.25	4.25	0.25

Source: ECB.

1) On 22 December 1998 the ECB announced that, as an exceptional measure between 4 and 21 January 1999, a narrow corridor of 50 basis points would be applied between the interest rates for the marginal lending facility and the deposit facility, aimed at facilitating the transition to the new regime by market participants.

Table 1.3**Eurosystem monetary policy operations allotted through tenders¹⁾***(EUR millions; interest rates in percentages per annum)*

Date of settlement	Main refinancing operations					
	Bids (amount)	Allotment (amount)	Fixed rate tenders	Variable rate tenders		Running for (...) days
			Fixed rate	Marginal rate	Weighted average rate	
1	2	3	4	5	6	
1999 3 Nov.	2,344,082	66,000	2.50	-	-	14
10	404,857	74,000	3.00	-	-	14
17	484,348	69,000	3.00	-	-	14
24	687,973	74,000	3.00	-	-	14
1 Dec.	1,018,950	72,000	3.00	-	-	14
8	1,141,163	92,000	3.00	-	-	14
15	286,824	57,000	3.00	-	-	15
22	1,505,405	92,000	3.00	-	-	21
30	485,825	70,000	3.00	-	-	20
2000 12 Jan.	914,566	35,000	3.00	-	-	14
19	1,145,548	77,000	3.00	-	-	14
26	1,520,993	69,000	3.00	-	-	14
2 Feb.	3,012,630	62,000	3.00	-	-	14

Date of settlement	Longer-term refinancing operations					
	Bids (amount)	Allotment (amount)	Fixed rate tenders	Variable rate tenders		Running for (...) days
			Fixed rate	Marginal rate	Weighted average rate	
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
29	64,973	15,000	-	2.65	2.66	91
26 Aug.	52,416	15,000	-	2.65	2.66	91
30 Sep.	41,443	15,000	-	2.66	2.67	84
28 Oct.	74,430	25,000	-	3.19	3.42	91
25 Nov.	74,988	25,000	-	3.18	3.27	98
23 Dec.	91,088	25,000	-	3.26	3.29	98
2000 27 Jan.	87,052	20,000	-	3.28	3.30	91

Date of settlement	Other tender operations						
	Type of operation	Bids (amount)	Allotment (amount)	Fixed rate tenders	Variable rate tenders		Running for (...) days
				Fixed rate	Marginal rate	Weighted average rate	
1	2	3	4	5	6	7	
2000 5 Jan.	Liquidity absorbing ²⁾	14,420	14,420	-	3.00	3.00	7

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.

2) Collection of fixed-term deposits. The intended volume was EUR 33 billion.

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) ²	Debt securities up to 2 years' agreed maturity ³	Money market paper ⁴	Deposits (over 2 years' agreed maturity and notice period) ⁵	Repos ⁶	Debt securities over 2 years' agreed maturity ⁷
1999 Feb.	8,638.8	4,801.1	86.9	148.9	1,111.6	543.9	1,946.5
Mar.	8,684.9	4,803.1	88.8	151.2	1,125.6	549.8	1,966.4
Apr.	8,741.1	4,827.6	93.3	160.3	1,129.3	542.0	1,988.6
May	8,797.6	4,867.1	101.1	158.7	1,130.8	541.0	1,999.0
June	8,857.3	4,916.6	106.3	152.0	1,145.5	517.6	2,019.3
July	8,848.9	4,895.7	109.2	155.5	1,153.5	513.8	2,021.2
Aug.	8,856.3	4,893.0	113.2	165.4	1,164.9	484.8	2,035.0
Sep.	8,969.1	4,912.7	120.6	170.0	1,166.5	537.2	2,062.1
Oct.	9,083.7	4,967.3	129.0	178.5	1,180.3	554.2	2,074.5
Nov.	9,295.2	5,079.6	135.9	202.9	1,193.3	562.6	2,121.0
Dec. ^(p)	9,188.1	5,121.7	113.6	169.4	1,204.9	507.0	2,071.6

Source: ECB.

- 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 of up to two years and of money market paper held by the institutions mentioned above, it may deduct a certain percentage of these liabilities from its reserve base. This percentage was 10% for calculating the reserve base until November 1999, and 30% thereafter.*
- 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 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	102.0	102.7	0.8	0.0	2.50
Aug.	102.8	103.5	0.6	0.0	2.50
Sep.	102.6	103.0	0.5	0.0	2.50
Oct.	102.8	103.3	0.6	0.0	2.50
Nov.	103.4	104.0	0.5	0.0	2.73
Dec.	104.9	105.4	0.5	0.0	3.00
2000 Jan.	107.7	108.5	0.8	0.0	3.00
Feb. ^(p)	107.4	-	-	-	-

Source: ECB.

- This table contains full data for completed maintenance periods and required reserves for the current maintenance period.*
- 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.*
- Aggregate average daily holdings of credit institutions required to hold a positive amount of reserves on their reserve accounts over the maintenance period.*
- 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.*
- 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.*
- This rate equals the average, over the maintenance period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's main refinancing operations (see 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⁾
	Monetary policy operations of the Eurosystem						Deposit facility	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net) ³⁾		
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations ²⁾	Other liquidity-absorbing operations ²⁾						
1	2	3	4	5	6	7	8	9	10	11	12	
1999 Feb.	328.2	104.6	34.2	3.8	30.2	0.2	1.3	329.3	41.0	28.9	100.3	430.9
Mar.	323.6	136.4	45.0	0.4	0.0	0.0	1.4	326.9	49.8	25.0	102.2	430.5
Apr.	338.4	130.1	45.0	0.7	0.0	0.0	0.3	331.0	42.9	39.0	101.1	432.3
May	342.5	121.6	45.0	0.8	0.0	0.0	0.4	333.9	36.3	38.0	101.2	435.5
June	339.8	132.0	45.0	0.4	0.0	0.0	0.6	337.0	40.4	37.2	101.9	439.6
July	342.4	143.1	45.0	0.4	0.0	0.0	0.5	342.1	45.7	39.5	102.9	445.6
Aug.	343.2	150.1	45.0	0.5	0.0	0.0	1.0	344.8	47.3	42.1	103.6	449.4
Sep.	343.5	150.4	45.0	0.2	0.0	0.0	0.7	342.1	51.4	41.6	103.2	446.0
Oct.	349.7	143.0	45.0	0.3	0.0	0.0	0.6	342.5	45.4	45.9	103.5	446.7
Nov.	351.8	140.5	53.7	0.3	0.0	0.0	0.4	343.1	51.5	47.3	104.2	447.6
Dec.	351.7	150.4	65.0	0.3	0.0	0.0	1.0	354.3	59.0	47.5	105.6	460.8
2000 Jan.	362.3	138.5	75.0	1.9	0.0	3.3	0.5	363.0	41.0	61.2	108.7	472.3

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 10).
- 5) Calculated as the sum of the deposit facility (item 7), banknotes in circulation (item 8) and credit institutions' current account holdings (item 11).



2 Monetary developments in the euro area

Table 2.1

Aggregated balance sheet of the Eurosystem ¹⁾

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

1. Assets

	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Holdings of shares/ other equity issued by euro area residents			External assets ²⁾	Fixed assets	Re-remaining assets	Total
	1	2	3	4	5	6	7	8	9	10	11					12	13	14	15
1998 May	227.0	205.6	21.2	0.3	101.9	1.6	99.4	0.9	3.0	0.4	2.6	331.0	7.7	46.9	717.4
June	293.4	272.1	21.1	0.2	105.4	4.8	99.7	0.8	3.2	0.6	2.6	337.2	7.8	47.9	794.9
July	314.2	292.9	21.1	0.2	87.8	1.1	85.9	0.8	4.8	2.1	2.8	333.2	8.0	49.8	798.0
Aug.	313.9	292.6	21.1	0.2	88.1	0.9	86.3	0.9	4.8	2.0	2.8	333.1	8.0	54.8	802.7
Sep.	302.8	281.5	21.1	0.2	82.7	1.0	81.0	0.7	4.8	2.0	2.8	329.4	8.0	50.0	777.6
Oct.	305.1	283.8	21.1	0.2	73.3	0.9	71.7	0.7	4.8	1.9	2.9	334.7	8.1	49.7	775.7
Nov.	300.6	279.1	21.1	0.4	78.0	1.0	76.3	0.6	4.8	1.9	2.9	341.9	8.1	51.5	785.0
Dec.	225.2	204.6	20.4	0.1	87.8	1.1	86.2	0.5	5.5	1.8	3.7	322.3	7.9	49.3	698.0
1999 Jan.	524.2	503.6	20.4	0.2	89.2	1.3	87.3	0.6	8.2	4.1	4.1	416.8	9.3	57.1	1,104.7
Feb.	647.3	626.7	20.4	0.2	90.7	1.5	88.6	0.5	8.3	4.2	4.1	365.2	9.3	56.8	1,177.7
Mar.	608.5	587.9	20.4	0.2	94.0	1.5	91.9	0.6	8.1	4.0	4.1	426.0	9.3	52.2	1,198.3
Apr.	540.7	520.1	20.4	0.2	93.2	1.2	91.3	0.7	8.1	4.0	4.1	435.7	9.6	52.8	1,140.2
May	481.1	460.5	20.4	0.2	93.1	1.6	90.8	0.7	8.2	4.0	4.2	387.6	9.6	51.1	1,030.9
June	788.8	768.3	20.4	0.2	92.4	1.5	90.0	0.9	8.7	4.4	4.3	499.4	9.7	47.1	1,446.1
July	755.2	734.7	20.4	0.2	92.3	1.5	89.9	0.9	8.7	4.4	4.3	452.0	9.8	51.6	1,369.8
Aug.	530.8	510.2	20.4	0.2	91.9	1.1	90.0	0.7	8.8	4.4	4.4	423.0	9.9	52.8	1,117.1
Sep.	456.9	436.3	20.4	0.2	92.4	1.4	89.9	1.1	8.7	4.3	4.4	427.9	9.8	47.9	1,043.7
Oct.	567.0	546.4	20.4	0.2	92.4	1.9	89.4	1.2	8.6	4.3	4.3	432.6	9.9	53.9	1,164.2
Nov.	508.4	487.8	20.4	0.2	92.6	2.1	89.4	1.1	8.8	4.2	4.6	410.3	9.9	56.0	1,086.1
Dec. ³⁾	442.3	422.1	19.7	0.5	89.2	1.9	86.1	1.1	14.1	4.3	9.8	400.6	10.1	55.6	1,011.9

2. Liabilities

	Currency in circulation		Deposits of euro area residents			Money market paper	Debt securities issued	Capital and reserves	External liabilities ²⁾	Remaining liabilities	Total
	1	2	3	4	5							6	7	8	9	10	11
1998 May	346.1	141.8	90.9	47.0	4.0	14.7	13.7	106.2	32.1	62.8	717.4
June	345.5	217.8	159.1	54.2	4.5	14.4	13.3	114.3	27.2	62.5	794.9
July	350.4	215.8	148.8	64.0	3.0	15.1	13.0	112.9	24.0	66.7	798.0
Aug.	344.7	222.8	149.5	69.7	3.5	13.4	12.5	112.7	23.6	73.0	802.7
Sep.	341.5	211.8	140.2	67.1	4.5	11.9	12.0	109.6	23.2	67.6	777.6
Oct.	342.4	213.3	144.3	64.7	4.3	11.8	11.7	108.6	22.6	65.3	775.7
Nov.	344.1	225.7	162.5	56.8	6.4	13.0	11.0	105.3	20.0	65.8	785.0
Dec.	359.1	152.0	94.2	55.0	2.9	8.5	5.3	97.1	18.6	57.4	698.0
1999 Jan.	343.8	467.5	410.9	50.3	6.2	6.3	5.3	125.8	99.3	56.7	1,104.7
Feb.	342.4	594.2	532.5	55.0	6.7	6.3	5.3	122.9	50.5	56.0	1,177.7
Mar.	348.3	549.5	486.6	55.1	7.9	4.9	5.3	138.0	97.9	54.5	1,198.3
Apr.	349.6	486.1	440.9	38.8	6.3	4.9	5.3	139.0	105.0	50.4	1,140.2
May	353.0	419.7	369.5	42.7	7.4	4.9	5.3	137.4	61.5	49.2	1,030.9
June	355.8	724.3	672.3	44.1	7.8	4.9	5.3	140.7	171.4	43.8	1,446.1
July	363.6	682.7	620.6	56.4	5.7	4.9	5.3	139.9	124.3	49.2	1,369.8
Aug.	358.6	463.7	403.2	54.5	5.9	4.9	5.3	139.9	93.9	50.9	1,117.1
Sep.	359.4	390.5	332.9	50.7	6.9	3.3	5.3	146.3	88.8	50.1	1,043.7
Oct.	361.2	500.6	440.8	50.9	8.8	3.3	5.3	150.6	93.8	49.4	1,164.2
Nov.	362.9	443.0	368.3	65.0	9.7	3.3	4.6	150.3	69.5	52.4	1,086.1
Dec. ³⁾	393.0	339.3	278.1	53.3	7.9	3.3	4.6	174.5	49.8	47.6	1,011.9

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. Data have been revised in the light of new information.
- 2) 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 approximately EUR 75 billion at end-January, EUR 27 billion at end-February, EUR 77 billion at end-March, EUR 84 billion at end-April, EUR 40 billion at end-May, EUR 149 billion at end-June, EUR 101 billion at end-July, EUR 72 billion at end-August, EUR 66 billion at end-September, EUR 71 billion at end-October, EUR 47 billion at end-November and EUR 24 billion at end-December.

Table 2.3
Consolidated balance sheet of the euro area MFIs, including the Eurosystem ¹⁾
(EUR billions (not seasonally adjusted; end of period))
1. Assets: levels outstanding

	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/ other equity issued by other euro area residents	External assets ³⁾	Fixed assets	Remaining assets	Total
	General government	Other euro area residents		General government	Other euro area residents						
	1	2	3	4	5	6	7	8	9	10	11
1998 May	5,645.6	820.9	4,824.7	1,429.4	1,225.9	203.5	290.3	1,963.9	254.7	863.2	10,447.1
June	5,703.4	826.9	4,876.6	1,433.7	1,237.3	196.3	285.4	2,012.1	248.0	753.8	10,436.4
July	5,739.7	822.5	4,917.2	1,424.9	1,223.1	201.8	277.9	1,965.9	243.3	799.4	10,451.2
Aug.	5,741.6	825.0	4,916.6	1,424.8	1,222.4	202.4	271.1	1,974.1	244.3	793.6	10,449.5
Sep.	5,785.6	828.9	4,956.7	1,421.9	1,217.3	204.6	274.2	1,983.7	244.9	803.2	10,513.5
Oct.	5,825.9	834.8	4,991.1	1,431.0	1,222.9	208.1	275.2	1,971.0	247.1	800.5	10,550.6
Nov.	5,877.1	838.8	5,038.3	1,426.5	1,223.5	203.0	288.7	2,023.2	249.3	818.2	10,683.0
Dec.	5,932.3	840.8	5,091.5	1,375.5	1,181.6	193.9	305.0	1,913.7	251.8	791.6	10,569.8
1999 Jan.	5,943.4	840.8	5,102.6	1,397.9	1,190.4	207.6	321.7	2,051.3	254.0	959.8	10,926.8
Feb.	5,951.5	841.3	5,110.2	1,407.6	1,204.1	203.5	328.1	1,955.2	252.7	978.4	10,873.6
Mar.	5,992.8	839.1	5,153.7	1,419.5	1,221.5	198.0	346.6	2,070.1	254.0	902.5	10,985.5
Apr.	6,009.6	831.8	5,177.8	1,422.4	1,219.8	202.6	359.2	2,068.1	255.9	867.0	10,982.2
May	6,046.0	830.8	5,215.2	1,446.8	1,237.9	208.9	373.2	2,008.4	257.1	846.8	10,978.3
June	6,142.6	837.3	5,305.3	1,423.7	1,210.2	213.4	364.5	2,139.3	259.6	879.0	11,208.7
July	6,163.9	828.9	5,335.0	1,415.1	1,198.2	216.8	361.6	2,080.0	264.4	863.8	11,148.7
Aug.	6,156.1	825.0	5,331.2	1,430.0	1,204.9	225.2	360.3	2,052.6	265.2	849.7	11,113.9
Sep.	6,204.4	830.5	5,373.9	1,437.3	1,216.8	220.5	358.7	2,088.4	267.3	826.4	11,182.4
Oct.	6,255.6	839.6	5,416.0	1,448.3	1,230.1	218.3	359.8	2,123.2	269.5	861.6	11,317.9
Nov.	6,334.2	852.2	5,482.0	1,459.5	1,232.5	227.0	374.9	2,174.8	273.8	917.3	11,534.5
Dec. ^(p)	6,361.9	841.7	5,520.2	1,446.0	1,220.5	225.5	394.7	2,104.5	291.4	946.8	11,545.5

2. Liabilities: levels outstanding

	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Deposits of other general government/ other euro area residents				Money market fund shares/ units and money market paper	Debt securities issued	Capital and reserves	External liabilities ³⁾	Re-remaining liabilities	Excess of inter-MFI liabilities	Total
				Over-night	With agreed maturity	Redeemable at notice	Repurchase agreements							
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998 May	317.2	135.1	4,713.0	1,246.3	1,910.6	1,347.9	208.2	319.4	1,356.2	701.7	1,508.4	1,403.0	-7.0	10,447.1
June	315.5	148.2	4,735.0	1,294.3	1,890.8	1,346.5	203.4	315.1	1,370.3	714.3	1,523.3	1,323.3	-8.7	10,436.4
July	320.7	156.4	4,709.1	1,253.8	1,893.9	1,345.9	215.5	322.3	1,378.7	713.8	1,496.9	1,347.9	5.4	10,451.2
Aug.	314.9	165.2	4,706.4	1,245.3	1,905.4	1,347.6	208.2	326.3	1,383.4	712.7	1,499.4	1,336.4	4.8	10,449.5
Sep.	311.7	157.1	4,718.5	1,268.8	1,890.8	1,347.6	211.3	320.6	1,397.5	720.4	1,513.6	1,354.6	19.5	10,513.5
Oct.	313.3	155.5	4,737.2	1,275.0	1,889.2	1,350.8	222.3	325.3	1,391.8	717.6	1,553.3	1,352.1	4.7	10,550.6
Nov.	314.2	148.8	4,761.0	1,316.2	1,888.9	1,353.5	202.4	328.7	1,400.9	714.9	1,618.3	1,360.6	35.6	10,683.0
Dec.	323.6	150.7	4,858.4	1,385.6	1,909.7	1,385.9	177.2	303.4	1,390.1	713.3	1,523.8	1,277.0	29.5	10,569.8
1999 Jan.	313.2	132.1	4,871.5	1,413.9	1,975.8	1,310.6	171.2	339.9	1,415.6	757.3	1,689.7	1,431.0	-23.6	10,926.8
Feb.	312.7	140.4	4,858.4	1,388.8	1,973.0	1,312.6	183.9	355.3	1,432.6	754.4	1,640.0	1,382.3	-2.5	10,873.6
Mar.	317.5	134.2	4,869.4	1,391.7	1,988.0	1,310.8	178.9	366.0	1,438.0	767.8	1,716.0	1,356.9	19.6	10,985.5
Apr.	319.5	116.6	4,881.2	1,409.8	1,984.9	1,314.2	172.3	387.5	1,454.5	778.4	1,737.7	1,302.9	3.9	10,982.2
May	321.3	121.5	4,903.9	1,442.1	1,975.2	1,314.1	172.5	388.9	1,465.4	783.1	1,718.5	1,257.3	18.3	10,978.3
June	323.7	126.3	4,932.5	1,486.0	1,961.5	1,318.6	166.5	391.2	1,474.1	793.8	1,833.0	1,325.4	8.7	11,208.7
July	331.8	135.4	4,936.6	1,473.4	1,978.6	1,320.9	163.7	382.8	1,478.5	797.6	1,765.0	1,316.8	4.1	11,148.7
Aug.	326.2	137.8	4,916.0	1,445.4	1,987.9	1,320.1	162.6	396.1	1,486.8	796.7	1,769.0	1,287.4	-2.2	11,113.9
Sep.	327.0	133.1	4,929.7	1,475.8	1,977.5	1,318.0	158.4	398.2	1,510.9	805.4	1,774.1	1,296.0	7.9	11,182.4
Oct.	329.3	136.4	4,945.8	1,478.0	1,997.6	1,314.4	155.8	404.3	1,524.5	814.1	1,842.0	1,305.1	16.5	11,317.9
Nov.	329.9	147.0	4,984.3	1,512.1	2,006.0	1,309.1	157.1	424.8	1,533.6	819.5	1,905.0	1,377.9	12.5	11,534.5
Dec. ^(p)	349.9	143.5	5,048.5	1,541.9	2,036.5	1,326.0	144.0	433.2	1,533.6	859.6	1,835.0	1,332.2	10.1	11,545.5

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. Data have been revised in the light of new information.

2) Calculated from monthly differences in levels adjusted for reclassifications, other revaluations, exchange rate variations and any other changes which do not arise from transactions.

3) See Table 2.1, footnote 2.

Table 2.3

(EUR billions (not seasonally adjusted))

3. Assets: flows ²⁾

											Total
	Loans to euro area residents	Holdings of securities other than shares issued by euro area residents		Holdings of shares/ other equity issued by other euro area residents	External assets ³⁾	Fixed assets	Remaining assets				
		General government	Other euro area residents					General government	Other euro area residents		
1	2	3	4	5	6	7	8	9	10	11	
1998 June	66.7	5.9	60.8	2.8	10.7	-7.8	-6.0	36.0	-6.7	-104.5	-11.7
July	39.9	-4.2	44.2	-11.7	-17.3	5.7	-6.8	-30.7	-4.7	45.9	32.0
Aug.	1.4	2.4	-1.0	-0.4	-0.9	0.5	-6.7	1.3	1.0	-6.0	-9.4
Sep.	50.8	4.2	46.6	-2.5	-5.1	2.6	3.2	58.5	0.6	-4.4	106.3
Oct.	40.2	5.8	34.4	7.7	4.4	3.2	1.0	-19.3	2.3	-2.6	29.2
Nov.	53.2	3.9	49.3	-4.7	0.5	-5.2	13.5	33.1	2.4	17.4	114.9
Dec.	65.0	2.1	62.8	-50.1	-41.0	-9.2	16.2	-104.1	2.6	-26.2	-96.7
1999 Jan.	72.1	0.9	71.3	17.7	17.0	0.7	10.5	115.1	-0.1	155.1	369.2
Feb.	5.6	0.3	5.3	9.2	13.5	-4.3	6.5	-121.2	-1.3	18.6	-81.3
Mar.	36.0	-2.9	39.0	28.0	25.6	2.4	18.2	74.6	1.3	-86.5	71.6
Apr.	15.3	-8.9	24.2	3.7	-0.8	4.4	12.5	-12.6	2.0	-35.5	-14.6
May	35.4	-1.1	36.5	24.2	18.0	6.2	13.9	-68.0	1.2	-20.2	-13.4
June	97.8	6.5	91.3	-24.3	-28.6	4.4	-9.3	121.5	2.3	31.7	219.7
July	24.3	-8.3	32.6	-8.2	-11.8	3.6	-2.9	-33.7	4.7	-15.2	-31.1
Aug.	-8.7	-4.0	-4.6	14.2	6.2	8.0	-1.5	-42.0	0.9	-14.1	-51.2
Sep.	50.0	5.6	44.4	6.6	11.3	-4.7	-1.6	34.4	2.1	-16.5	74.9
Oct.	48.1	9.0	39.1	10.3	12.8	-2.5	1.1	17.5	1.9	35.2	114.1
Nov.	74.1	12.4	61.8	10.0	1.8	8.2	15.0	18.4	4.4	55.7	177.6
Dec. ⁴⁾	29.7	-10.3	39.9	-15.1	-13.2	-1.8	15.2	-76.3	17.6	26.0	-2.9

4. Liabilities: flows ²⁾

														Total
	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 ³⁾	Re-maining liabilities	Excess of inter-MFI liabilities	
1998 June	-1.7	13.1	20.7	47.4	-20.5	-1.4	-4.8	-4.4	14.5	15.4	6.6	-76.7	0.6	-11.7
July	5.2	8.2	-23.6	-39.7	4.4	-0.6	12.1	7.4	11.6	-1.2	-15.1	24.0	15.6	32.0
Aug.	-5.7	8.8	-3.8	-8.9	10.8	1.6	-7.3	3.8	3.1	-0.2	-3.2	-11.6	-0.5	-9.4
Sep.	-3.2	-8.1	18.6	25.6	-10.5	0.2	3.2	-5.0	6.9	8.8	51.9	21.9	14.4	106.3
Oct.	1.5	-1.6	18.0	5.8	-2.0	3.2	11.0	4.8	-9.0	-2.4	37.3	-4.2	-15.1	29.2
Nov.	0.9	-6.7	21.3	40.3	-1.7	2.6	-19.9	3.1	7.6	-1.9	49.2	10.4	31.1	114.9
Dec.	9.4	1.9	99.9	70.0	22.7	32.4	-25.2	-24.8	-11.1	-2.1	-86.8	-77.6	-5.6	-96.7
1999 Jan.	-9.4	-6.6	39.0	28.1	-2.0	14.8	-1.9	13.6	26.9	13.3	166.4	163.3	-37.3	369.2
Feb.	-0.6	8.3	-23.3	-26.3	-11.7	2.0	12.7	15.1	13.1	-2.0	-71.4	-48.3	27.9	-81.3
Mar.	4.8	-6.0	7.8	1.6	13.2	-1.9	-5.1	6.5	7.4	12.5	58.5	-35.8	15.9	71.6
Apr.	2.0	-17.5	10.6	17.7	-3.9	3.4	-6.6	20.9	15.2	10.9	13.3	-54.6	-15.4	-14.6
May	1.8	4.9	21.5	31.9	-10.4	-0.2	0.2	1.3	9.4	5.5	-26.9	-45.1	14.3	-13.4
June	2.4	4.8	27.1	43.3	-14.7	4.4	-6.0	1.1	7.1	12.5	105.2	70.0	-10.4	219.7
July	8.1	9.1	7.2	-11.4	19.0	2.4	-2.8	-7.9	7.3	4.6	-46.3	-8.1	-5.1	-31.1
Aug.	-5.6	2.5	-22.6	-28.8	8.2	-0.9	-1.1	13.1	5.5	-0.2	-7.4	-30.8	-5.8	-51.2
Sep.	0.8	-4.7	14.5	30.9	-10.2	-2.1	-4.2	1.7	24.1	4.2	9.0	15.1	10.1	74.9
Oct.	2.3	3.3	13.6	1.3	18.6	-3.6	-2.7	5.5	10.7	6.1	52.2	13.0	7.3	114.1
Nov.	0.5	10.7	34.0	32.4	5.7	-5.4	1.2	19.9	5.3	4.5	34.0	72.8	-4.0	177.6
Dec. ⁴⁾	19.8	-3.6	63.6	29.6	30.1	16.9	-13.0	-3.5	-0.2	32.0	-73.6	-36.6	-0.9	-2.9

Table 2.4

Monetary aggregates ¹⁾

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

1. Levels outstanding at the end of the period

	M1								M2		Repurchase agreements	Money market fund shares/units and money market paper	Debt securities up to 2 years
	Currency in circulation		Overnight deposits		Total	Index Dec. 98=100 ²⁾	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Total	Index Dec. 98=100 ²⁾			
	1	2	3	4										5	6	7	8
1998 May	317.2	1,313.0	1,630.3	91.69	888.8	1,189.2	3,708.3	95.11	208.2	319.4	88.7		
June	315.5	1,361.7	1,677.2	94.30	871.2	1,189.0	3,737.5	95.83	203.4	315.1	87.8		
July	320.7	1,321.7	1,642.3	92.38	872.5	1,189.7	3,704.6	95.04	215.5	322.3	93.5		
Aug.	314.9	1,312.6	1,627.5	91.53	879.3	1,192.9	3,699.7	94.89	208.2	326.3	88.8		
Sep.	311.7	1,334.7	1,646.5	92.71	864.8	1,193.8	3,705.1	95.17	211.3	320.6	80.5		
Oct.	313.3	1,339.7	1,653.0	93.06	867.2	1,197.3	3,717.5	95.48	222.3	325.3	81.5		
Nov.	314.2	1,380.7	1,694.9	95.37	871.1	1,199.9	3,765.8	96.66	202.4	328.7	80.0		
Dec.	323.6	1,453.0	1,776.6	100.00	885.8	1,231.6	3,894.0	100.00	177.2	303.4	67.8		
1999 Jan.	313.2	1,481.7	1,795.0	101.08	881.7	1,247.8	3,924.5	100.71	171.2	339.9	55.0		
Feb.	312.7	1,452.9	1,765.6	99.36	868.0	1,251.6	3,885.2	99.63	183.9	355.3	56.8		
Mar.	317.5	1,465.2	1,782.7	100.24	878.3	1,250.4	3,911.3	100.23	178.9	366.0	48.6		
Apr.	319.5	1,480.1	1,799.6	101.17	871.9	1,255.3	3,926.8	100.60	172.3	387.5	53.4		
May	321.3	1,509.9	1,831.2	102.92	862.5	1,259.3	3,953.0	101.24	172.5	388.9	59.2		
June	323.7	1,548.7	1,872.3	105.21	841.4	1,265.1	3,978.9	101.87	166.5	391.2	58.9		
July	331.8	1,542.3	1,874.0	105.36	853.3	1,269.9	3,997.2	102.41	163.7	382.8	62.7		
Aug.	326.2	1,513.3	1,839.5	103.38	856.6	1,270.2	3,966.2	101.57	162.6	396.1	64.9		
Sep.	327.0	1,538.0	1,865.0	104.84	844.0	1,268.2	3,977.2	101.87	158.4	398.2	81.8		
Oct.	329.3	1,542.4	1,871.7	105.17	859.1	1,265.9	3,996.7	102.28	155.8	404.3	79.7		
Nov.	329.9	1,577.4	1,907.2	107.07	858.3	1,260.8	4,026.3	102.94	157.1	424.8	79.7		
Dec. ^(p)	349.9	1,609.8	1,959.7	109.99	875.9	1,281.9	4,117.4	105.25	144.0	433.2	87.0		

2. Flows ³⁾

	M1								M2		Repurchase agreements	Money market fund shares/units and money market paper	Debt securities up to 2 years
	Currency in circulation		Overnight deposits		Total	Annual percentage change ³⁾	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Total	Annual percentage change ³⁾			
	1	2	3	4										5	6	7	8
1998 June	-1.7	48.1	46.4	9.6	-18.2	-0.2	28.0	5.3	-4.8	-4.4	-1.0		
July	5.2	-39.2	-34.1	8.2	2.4	0.7	-31.0	4.4	12.1	7.4	6.0		
Aug.	-5.7	-9.4	-15.2	8.3	6.3	3.2	-5.7	4.3	-7.3	3.8	-4.8		
Sep.	-3.2	24.3	21.1	8.0	-11.3	1.1	10.9	4.7	3.2	-5.0	-7.4		
Oct.	1.5	4.6	6.2	8.1	2.2	3.5	11.8	4.6	11.0	4.8	0.7		
Nov.	0.9	40.1	41.0	8.4	2.7	2.5	46.2	5.0	-19.9	3.1	-1.8		
Dec.	9.4	72.8	82.3	9.6	16.3	31.4	130.0	6.0	-25.2	-24.8	-12.4		
1999 Jan.	-9.4	28.6	19.2	14.9	-7.4	15.8	27.6	7.6	-1.9	13.6	-1.1		
Feb.	-0.6	-30.0	-30.5	12.9	-15.3	3.7	-42.1	6.4	12.7	15.1	1.3		
Mar.	4.8	10.9	15.7	11.8	9.0	-1.4	23.3	6.9	-5.1	6.5	-1.6		
Apr.	2.0	14.4	16.5	11.7	-7.0	5.0	14.5	6.4	-6.6	20.9	1.9		
May	1.8	29.4	31.2	12.3	-9.9	3.9	25.2	6.4	0.2	1.3	5.6		
June	2.4	38.2	40.6	11.6	-21.7	5.8	24.7	6.3	-6.0	1.1	-0.5		
July	8.1	-5.3	2.8	14.1	13.2	4.9	20.8	7.8	-2.8	-7.9	4.2		
Aug.	-5.6	-29.8	-35.3	12.9	2.4	0.2	-32.7	7.0	-1.1	13.1	1.9		
Sep.	0.8	25.2	26.1	13.1	-12.4	-1.9	11.7	7.0	-4.2	1.7	5.3		
Oct.	2.3	3.5	5.8	13.0	12.4	-2.4	15.8	7.1	-2.7	5.5	-2.5		
Nov.	0.5	33.3	33.8	12.3	-2.6	-5.2	26.0	6.5	1.2	19.9	-0.8		
Dec. ^(p)	19.8	32.2	52.0	10.0	17.3	21.0	90.4	5.3	-13.0	-3.5	8.0		

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. Data have been revised in the light of new information.
- 2) 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 3. The percentage change in the index between any two dates corresponds to the change in the aggregate excluding such reclassifications, etc.
- 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. For the calculation of growth rates, see the technical notes on page 52*.

M3			Memo: Non-monetary liabilities of MFIs								
Total	Index, Dec. 98=100 ²⁾		Deposits					Debt securities over 2 years	Capital and reserves	Total	
12	13	14	15	With agreed maturity over 2 years	16	Redeemable at notice over 3 months	17	18	19	20	
4,324.6	97.22		1,235.3	1,022.3	213.0	1,267.5	701.7	3,204.6	1998 May		
4,343.9	97.62		1,232.2	1,020.2	212.0	1,282.5	714.3	3,228.9	June		
4,335.9	97.50		1,232.6	1,021.8	210.8	1,285.2	713.8	3,231.7	July		
4,323.0	97.18		1,236.5	1,026.5	209.9	1,294.6	712.7	3,243.8	Aug.		
4,317.5	97.22		1,235.8	1,026.5	209.3	1,317.0	720.4	3,273.2	Sep.		
4,346.7	97.86		1,231.5	1,022.4	209.1	1,310.2	717.6	3,259.3	Oct.		
4,376.9	98.48		1,227.8	1,018.3	209.5	1,320.9	714.9	3,263.6	Nov.		
4,442.4	100.00		1,239.1	1,024.4	214.6	1,322.3	713.3	3,274.7	Dec.		
4,490.6	100.86		1,218.0	1,094.9	123.1	1,360.6	757.3	3,335.9	1999 Jan.		
4,481.3	100.57		1,227.6	1,105.8	121.8	1,375.8	754.4	3,357.8	Feb.		
4,504.9	101.09		1,231.4	1,110.5	120.9	1,389.4	767.8	3,388.7	Mar.		
4,540.0	101.77		1,232.7	1,114.0	118.7	1,401.1	778.4	3,412.2	Apr.		
4,573.6	102.50		1,228.8	1,113.7	115.2	1,406.3	783.1	3,418.2	May		
4,595.4	102.93		1,235.2	1,121.0	114.2	1,415.3	793.8	3,444.3	June		
4,606.4	103.25		1,238.0	1,126.0	112.0	1,415.8	797.6	3,451.4	July		
4,589.8	102.83		1,243.0	1,132.0	111.0	1,421.9	796.7	3,461.7	Aug.		
4,615.7	103.16		1,245.4	1,134.2	111.2	1,429.1	805.4	3,480.0	Sep.		
4,636.4	103.52		1,249.6	1,139.0	110.6	1,444.8	814.1	3,508.4	Oct.		
4,687.8	104.55		1,258.8	1,148.1	110.6	1,453.9	819.5	3,532.2	Nov.		
4,781.6	106.38		1,273.8	1,161.0	112.7	1,446.6	859.6	3,579.9	Dec. ^(p)		

M3				Memo: Non-monetary liabilities of MFIs							
Total	Annual percentage change ³⁾	3-month moving average (centred)	Deposits					Debt securities over 2 years	Capital and reserves	Total	
12	13	14	15	With agreed maturity over 2 years	16	Redeemable at notice over 3 months	17	18	19	20	
17.9	4.9	4.9	-3.3	-2.3	-1.0	15.5	15.4	27.6	1998 June		
-5.4	4.8	4.8	0.7	1.9	-1.2	5.6	-1.2	5.2	July		
-14.1	4.5	4.6	3.6	4.5	-0.9	7.9	-0.2	11.4	Aug.		
1.7	4.6	4.7	0.3	0.8	-0.6	14.4	8.8	23.4	Sep.		
28.3	4.9	4.7	-4.4	-4.1	-0.2	-9.8	-2.4	-16.6	Oct.		
27.5	4.7	4.7	-4.0	-4.4	0.4	9.4	-1.9	3.5	Nov.		
67.7	4.6	5.0	11.9	6.4	5.5	1.3	-2.1	11.0	Dec.		
38.2	5.7	5.1	4.6	5.6	-1.0	28.0	13.3	45.9	1999 Jan.		
-12.9	5.2	5.4	2.3	3.6	-1.3	11.7	-2.0	12.0	Feb.		
23.1	5.5	5.3	3.5	4.3	-0.8	9.0	12.5	24.9	Mar.		
30.7	5.3	5.4	1.1	3.3	-2.2	13.3	10.9	25.3	Apr.		
32.3	5.4	5.4	-4.1	-0.6	-3.5	3.8	5.5	5.2	May		
19.3	5.4	5.6	6.1	7.1	-1.0	7.6	12.5	26.2	June		
14.4	5.9	5.7	3.3	5.5	-2.2	3.1	4.6	11.0	July		
-18.8	5.8	5.9	4.7	5.7	-1.0	3.7	-0.2	8.2	Aug.		
14.6	6.1	5.9	2.5	2.3	0.2	18.8	4.2	25.6	Sep.		
16.2	5.8	6.0	5.3	6.0	-0.6	13.1	6.1	24.6	Oct.		
46.3	6.2	6.1	8.4	8.4	0.1	6.1	4.5	19.1	Nov.		
81.9	6.4	-	14.9	12.8	2.1	-8.2	32.0	38.7	Dec. ^(p)		

Table 2.4 (cont.)
Monetary aggregates ¹⁾
(EUR billions and percentage changes, unless otherwise indicated)
3. Seasonally adjusted levels

	M3									
	M2				Marketable instruments ⁴⁾				Total	Index ²⁾
	M1		Other short-term deposits ³⁾		Total	Index ²⁾	Total	Index ²⁾		
	Total	Index ²⁾	Total	Index ²⁾					Total	Index ²⁾
1	2	3	4	5	6	7	8	9	10	
1998 May	1,633.8	91.89	2,070.6		3,704.4	95.05	601.3		4,305.7	96.87
June	1,647.2	92.61	2,076.5		3,723.7	95.51	603.0		4,326.7	97.32
July	1,645.0	92.53	2,068.6		3,713.6	95.31	630.9		4,344.6	97.77
Aug.	1,652.1	92.91	2,074.4		3,726.5	95.61	614.7		4,341.2	97.67
Sep.	1,659.7	93.46	2,077.2		3,736.9	96.02	615.5		4,352.4	98.09
Oct.	1,671.0	94.08	2,076.9		3,747.9	96.29	638.8		4,386.7	98.84
Nov.	1,680.6	94.57	2,093.9		3,774.5	96.92	615.8		4,390.4	98.86
Dec.	1,703.6	95.89	2,107.6		3,811.3	97.91	574.6		4,385.8	98.81
1999 Jan.	1,794.7	101.07	2,101.0		3,895.7	100.01	571.8		4,467.5	100.42
Feb.	1,786.0	100.51	2,096.4		3,882.3	99.59	590.6		4,472.9	100.46
Mar.	1,803.4	101.41	2,129.0		3,932.4	100.80	588.2		4,520.6	101.52
Apr.	1,818.1	102.21	2,113.5		3,931.6	100.75	600.7		4,532.3	101.68
May	1,833.8	103.07	2,117.2		3,951.0	101.23	605.1		4,556.1	102.19
June	1,843.8	103.60	2,121.7		3,965.4	101.57	612.7		4,578.1	102.63
July	1,870.3	105.16	2,130.1		4,000.4	102.52	609.8		4,610.2	103.42
Aug.	1,869.4	105.06	2,129.3		3,998.7	102.44	616.4		4,615.1	103.48
Sep.	1,878.8	105.62	2,132.2		4,011.0	102.77	640.7		4,651.7	104.05
Oct.	1,885.8	105.96	2,138.7		4,024.5	103.02	650.2		4,674.7	104.46
Nov.	1,892.3	106.23	2,141.3		4,033.6	103.16	666.5		4,700.1	104.91
Dec. ⁶⁾	1,882.0	105.63	2,146.5		4,028.5	103.02	695.4		4,724.0	105.17

4. Seasonally adjusted flows ⁵⁾

	M3									
	M2				Marketable instruments ⁴⁾				Total	Change on previous month (%)
	M1		Other short-term deposits ³⁾		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 May	6.5	0.4	6.7	0.3	13.2	0.4	-1.0	-0.2	12.3	0.3
June	12.9	0.8	5.3	0.3	18.2	0.5	1.5	0.2	19.7	0.5
July	-1.4	-0.1	-6.7	-0.3	-8.1	-0.2	28.5	4.7	20.4	0.5
Aug.	6.7	0.4	5.3	0.3	12.0	0.3	-16.5	-2.6	-4.5	-0.1
Sep.	9.8	0.6	6.2	0.3	16.0	0.4	2.4	0.4	18.4	0.4
Oct.	10.9	0.7	-0.6	0.0	10.3	0.3	23.1	3.8	33.4	0.8
Nov.	8.7	0.5	15.8	0.8	24.5	0.7	-23.6	-3.7	0.9	0.0
Dec.	23.6	1.4	15.0	0.7	38.6	1.0	-40.9	-6.6	-2.3	-0.1
1999 Jan.	91.9	5.4	-10.2	-0.5	81.6	2.1	-10.0	-1.7	71.6	1.6
Feb.	-9.9	-0.6	-6.2	-0.3	-16.2	-0.4	17.9	3.1	1.8	0.0
Mar.	16.1	0.9	31.1	1.5	47.2	1.2	-0.1	0.0	47.1	1.1
Apr.	14.3	0.8	-16.1	-0.8	-1.8	0.0	9.1	1.6	7.3	0.2
May	15.3	0.8	3.1	0.1	18.4	0.5	4.1	0.7	22.6	0.5
June	9.5	0.5	3.8	0.2	13.2	0.3	6.2	1.0	19.5	0.4
July	27.7	1.5	9.8	0.5	37.5	0.9	-2.0	-0.3	35.5	0.8
Aug.	-1.7	-0.1	-1.7	-0.1	-3.4	-0.1	6.0	1.0	2.6	0.1
Sep.	9.9	0.5	3.1	0.1	13.0	0.3	12.3	2.0	25.3	0.5
Oct.	6.1	0.3	3.8	0.2	9.9	0.2	8.5	1.3	18.4	0.4
Nov.	4.8	0.3	0.6	0.0	5.5	0.1	14.8	2.3	20.3	0.4
Dec. ⁶⁾	-10.8	-0.6	5.0	0.2	-5.8	-0.1	17.2	2.6	11.4	0.2

Source: ECB.

1) See page 14*, footnote 1.

2) See page 14*, footnote 2. For the calculation of growth rates, see the technical notes on page 52*.

3) 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.

4) Marketable instruments comprise repurchase agreements, money market fund shares/units and money market paper together with debt securities issued with an original maturity of up to two years.

5) See page 14*, footnote 3.

Table 2.5
Outstanding MFI loans by counterpart, type and original maturity ¹⁾
(EUR billions (not seasonally adjusted; end of period))
1. Loans to non-financial sectors other than government

	Non-financial corporations ²⁾				Households ²⁾	Consumer credit ³⁾			Lending for house purchase ³⁾			Other lending			Non-profit institutions serving households ²⁾
	Up to 1 year	Over 1 and up to 5 years	Over 5 years			Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	
1998 Q1	2,163.1	770.9	319.8	1,072.5	2,318.2	75.0	119.0	185.9	28.0	49.0	1,320.7	108.2	76.6	355.8	37.7
Q2	2,200.2	785.4	317.8	1,096.9	2,374.5	77.9	122.1	190.2	28.4	49.2	1,346.0	113.4	77.4	369.8	37.6
Q3	2,222.2	774.3	324.0	1,123.8	2,419.2	80.2	125.9	195.1	28.9	48.6	1,378.8	111.6	86.5	363.6	36.7
Q4	2,284.9	810.7	320.1	1,154.0	2,478.7	84.7	128.2	199.8	28.2	45.9	1,415.9	114.2	84.8	376.9	36.9
1999 Q1	2,279.1	816.3	347.0	1,115.7	2,526.2	86.1	147.5	187.3	15.4	70.5	1,460.4	131.5	100.3	327.2	35.8
Q2	2,339.0	842.7	355.2	1,141.1	2,592.1	84.9	152.3	193.0	18.7	67.8	1,508.8	138.1	98.2	330.1	35.8
Q3 ⁴⁾	2,339.7	829.6	364.6	1,145.6	2,646.0	86.0	154.7	195.7	19.5	67.7	1,551.4	136.3	100.6	334.2	36.5

2. Loans to non-monetary financial corporations

	Other financial intermediaries ²⁾				Insurance corporations and pension funds ²⁾			
	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	
1998 Q1	240.4	146.1	50.0	44.3	23.5	17.5	2.0	4.0
Q2	244.6	146.4	51.0	47.2	23.4	16.4	2.2	4.8
Q3	246.4	142.6	54.0	49.8	35.1	27.1	2.4	5.6
Q4	262.2	157.3	52.8	52.1	27.9	19.2	2.5	6.3
1999 Q1	275.9	174.6	52.8	48.5	36.6	27.5	3.1	6.0
Q2	297.9	193.9	49.6	54.5	40.4	29.0	2.7	8.8
Q3 ⁴⁾	311.2	190.8	54.5	65.9	40.4	31.6	2.7	6.1

3. Loans to government

	General government ²⁾										
	Central government ⁴⁾	Other general government									Social security funds
		State government			Local government			Up to 1 year	Over 1 and up to 5 years	Over 5 years	
		Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years				
24	25	26	27	28	29	30	31	32	33	34	
1998 Q1	828.0	221.2	269.2	9.9	14.6	244.6	327.0	19.9	52.4	254.7	10.6
Q2	827.5	217.2	271.3	8.5	14.5	248.3	333.3	19.8	54.0	259.6	5.7
Q3	829.5	216.4	272.9	7.8	14.0	251.1	325.0	17.7	50.7	256.6	15.2
Q4	841.0	202.6	290.5	11.3	13.7	265.6	333.8	19.1	51.2	263.6	14.0
1999 Q1	839.1	221.7	277.8	11.0	21.1	245.6	326.0	19.0	12.6	294.4	13.7
Q2	837.3	212.3	279.3	11.5	20.6	247.1	328.4	20.0	10.9	297.5	17.3
Q3 ⁴⁾	830.5	206.3	278.5	10.2	21.3	247.1	327.7	19.4	10.7	297.6	18.0

Source: ECB.

1) Data have been revised in the light of new information. Outstanding amounts are not adjusted for reclassifications, other revaluations or exchange rate variations. Data are partially estimated.

2) Corresponding ESA 95 sector codes: non-financial corporations, S11; households, S14; non-profit institutions serving households, S15; other financial intermediaries, S123 (including financial auxiliaries, S124); insurance corporations and pension funds, S125; general government, S13.

3) The definitions of consumer credit and lending for house purchase are not fully consistent across the euro area.

4) A maturity breakdown is not available for loans to central government.

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 currencies 1	Euro ²⁾ 2	Other EU currencies 3	Other currencies 4	Other currencies				All currencies 9	Euro ²⁾ 10	Other EU currencies 11	Other currencies 12	Other currencies			
					USD 5	JPY 6	CHF 7	Other 8					USD 13	JPY 14	CHF 15	Other 16
1998 Q1	3,180.6	2,809.4	43.5	327.7	234.5	27.0	44.9	21.3	4,816.8	4,658.3	21.1	137.3	103.3	15.1	10.3	8.6
Q2	3,280.6	2,929.7	41.8	309.1	223.0	21.8	43.6	20.6	4,887.4	4,734.8	18.6	134.0	99.0	15.6	10.1	9.3
Q3	3,317.0	2,927.2	42.9	346.8	241.2	27.9	44.8	32.9	4,877.1	4,726.4	19.5	131.2	94.0	12.6	13.6	11.0
Q4	3,405.7	3,009.6	43.8	352.3	246.8	27.3	51.4	26.8	5,009.0	4,864.9	19.4	124.8	89.6	13.0	13.1	9.0
1999 Q1	3,892.7	3,466.7	48.9	377.0	266.0	27.7	54.7	28.7	5,003.4	4,851.8	23.6	128.0	89.0	13.9	14.5	10.7
Q2	4,112.7	3,711.3	43.7	357.7	255.1	27.1	51.6	23.9	5,058.3	4,897.8	25.7	134.8	96.8	15.0	12.5	10.5
Q3 ³⁾	3,822.1	3,415.6	46.4	360.0	252.7	30.3	56.2	20.9	5,062.3	4,901.6	25.9	134.9	96.4	16.2	11.9	10.3

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

	Banks ³⁾								Non-banks							
	All currencies 1	Euro ²⁾ 2	Other EU currencies 3	Other currencies 4	Other currencies				All currencies 9	Euro ²⁾ 10	Other EU currencies 11	Other currencies 12	Other currencies			
					USD 5	JPY 6	CHF 7	Other 8					USD 13	JPY 14	CHF 15	Other 16
1998 Q1	1,161.9	470.3	121.0	570.6	448.6	44.0	52.5	25.6	388.7	150.1	39.0	199.6	145.7	22.4	13.9	17.7
Q2	1,150.4	470.0	122.6	557.7	435.9	42.7	51.3	27.7	370.7	145.0	34.6	191.1	142.8	18.4	11.5	18.3
Q3	1,174.7	468.7	128.8	577.2	443.6	47.5	54.1	32.0	332.6	143.1	30.5	158.9	122.3	13.8	11.2	11.6
Q4	1,158.3	458.9	124.0	575.4	441.3	55.8	52.5	25.8	364.7	153.5	33.4	177.8	130.7	22.4	12.1	12.6
1999 Q1	1,291.9	556.1	129.9	605.9	467.3	53.5	53.2	31.9	417.4	179.5	38.9	198.9	148.0	24.3	12.5	14.0
Q2	1,374.6	611.9	136.0	626.7	498.9	39.4	52.2	36.2	452.0	192.0	40.8	219.2	168.2	24.6	11.7	14.8
Q3 ³⁾	1,309.0	549.3	130.3	629.4	498.2	43.7	53.5	34.0	457.5	197.7	43.5	216.4	162.6	27.5	11.4	14.9

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

	Debt securities								Money market paper							
	All currencies 1	Euro ²⁾ 2	Other EU currencies 3	Other currencies 4	Other currencies				All currencies 9	Euro ²⁾ 10	Other EU currencies 11	Other currencies 12	Other currencies			
					USD 5	JPY 6	CHF 7	Other 8					USD 13	JPY 14	CHF 15	Other 16
1998 Q1	2,001.2	1,784.0	20.7	196.6	110.7	38.9	31.2	15.8	163.5	151.0	0.3	12.2	10.6	0.9	0.4	0.4
Q2	2,055.0	1,835.8	22.5	196.7	112.5	37.4	30.5	16.3	160.2	144.2	0.7	15.3	10.9	1.8	1.2	1.3
Q3	2,106.4	1,892.6	26.0	187.8	105.2	33.7	33.2	15.8	166.1	147.9	0.6	17.6	15.5	1.0	0.7	0.3
Q4	2,119.2	1,902.1	27.7	189.4	106.3	35.2	33.0	14.9	169.4	155.4	0.6	13.4	11.3	0.9	1.1	0.1
1999 Q1	2,198.9	1,966.9	25.3	206.7	111.6	32.8	31.6	30.7	185.4	169.8	0.8	14.9	12.6	0.8	1.3	0.2
Q2	2,274.3	2,026.9	30.1	217.3	114.3	31.8	32.2	38.9	187.8	169.9	1.4	16.5	13.8	1.1	1.5	0.2
Q3 ³⁾	2,335.2	2,078.9	31.7	224.5	116.7	34.8	32.8	40.3	204.0	184.2	1.2	18.6	13.5	2.7	2.2	0.2

Source: ECB.

- 1) Data have been revised in the light of new information. Outstanding amounts are not adjusted for reclassifications, other revaluations or exchange rate variations. Data are partially estimated.
- 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 currencies	Euro ²⁾	Other EU currencies	Other currencies					All currencies	Euro ²⁾	Other EU currencies	Other currencies				
					USD	JPY	CHF	Other					USD	JPY	CHF	Other
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
1998 Q1	3,188.6	-	-	-	-	-	-	-	5,604.5	5,437.2	26.5	140.8	86.0	15.3	36.9	2.6
Q2	3,342.6	-	-	-	-	-	-	-	5,704.2	5,541.9	25.5	136.8	81.6	13.9	38.2	3.0
Q3	3,354.7	-	-	-	-	-	-	-	5,786.7	5,624.1	26.4	136.3	77.8	12.7	42.8	2.9
Q4	3,376.7	-	-	-	-	-	-	-	5,932.3	5,758.7	26.6	147.0	79.2	15.1	49.0	3.7
1999 Q1	3,873.0	-	-	-	-	-	-	-	5,992.8	5,797.4	19.7	175.7	99.0	18.5	53.7	4.5
Q2	4,104.1	-	-	-	-	-	-	-	6,142.6	5,931.2	21.4	190.0	109.4	19.5	57.9	3.2
Q3 ^(p)	3,814.2	-	-	-	-	-	-	-	6,204.4	5,984.7	23.2	196.6	106.8	23.9	61.6	4.3

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

	MFIs								Non-MFIs							
	All currencies	Euro ²⁾	Other EU currencies	Other currencies					All currencies	Euro ²⁾	Other EU currencies	Other currencies				
					USD	JPY	CHF	Other					USD	JPY	CHF	Other
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
1998 Q1	654.7	625.7	6.7	22.2	14.6	2.7	1.2	3.8	1,407.7	1,366.7	8.2	32.8	16.8	6.9	2.6	6.5
Q2	686.3	657.0	6.2	23.2	14.7	2.6	1.2	4.7	1,433.7	1,390.2	8.8	34.7	17.2	7.2	2.7	7.5
Q3	708.8	680.3	7.4	21.1	13.7	3.0	1.4	3.0	1,421.9	1,384.3	10.3	27.2	15.0	7.6	2.4	2.2
Q4	729.0	686.0	18.0	25.0	16.9	3.7	1.8	2.6	1,375.5	1,338.2	10.6	26.7	14.6	8.6	2.4	1.1
1999 Q1	760.9	725.4	7.7	27.7	18.3	5.5	1.3	2.6	1,419.5	1,387.0	3.9	28.6	15.2	10.5	2.0	0.9
Q2	800.1	766.2	6.5	27.4	18.1	5.2	1.1	3.1	1,423.7	1,393.8	3.2	26.7	13.5	10.2	2.1	1.0
Q3 ^(p)	824.3	790.4	6.9	27.0	17.2	5.0	1.7	3.1	1,437.3	1,407.5	3.1	26.7	13.1	10.5	2.3	0.8

6. Loans to non-residents of the euro area

	Banks ³⁾								Non-banks							
	All currencies	Euro ²⁾	Other EU currencies	Other currencies					All currencies	Euro ²⁾	Other EU currencies	Other currencies				
					USD	JPY	CHF	Other					USD	JPY	CHF	Other
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
1998 Q1	1,081.2	441.5	83.8	555.9	426.6	63.7	29.8	35.8	420.7	190.9	25.5	204.3	171.7	5.7	11.0	15.9
Q2	1,053.1	429.6	88.5	535.0	404.9	66.8	29.6	33.8	384.9	179.5	23.0	182.4	162.8	4.5	11.2	3.9
Q3	1,026.9	424.5	99.7	502.6	365.2	67.5	26.7	43.2	380.2	174.7	25.9	179.6	156.5	5.3	11.9	5.9
Q4	971.9	379.8	77.1	515.1	375.5	73.9	27.1	38.6	378.7	152.3	27.0	199.4	173.2	8.3	13.3	4.5
1999 Q1	1,008.4	467.4	81.4	459.6	328.2	62.7	26.8	41.9	385.2	136.8	28.9	219.5	191.7	7.8	14.5	5.5
Q2	1,019.1	472.1	79.5	467.6	347.3	53.2	26.2	40.9	416.3	138.9	35.0	242.4	211.9	8.0	16.3	6.3
Q3 ^(p)	951.4	428.0	77.3	446.1	322.9	54.1	28.4	40.7	413.7	143.3	36.9	233.5	199.0	10.8	18.0	5.8

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

	Banks ³⁾								Non-banks							
	All currencies	Euro ²⁾	Other EU currencies	Other currencies					All currencies	Euro ²⁾	Other EU currencies	Other currencies				
					USD	JPY	CHF	Other					USD	JPY	CHF	Other
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
1998 Q1	71.5	15.9	4.5	51.1	38.2	3.7	0.6	8.6	262.9	38.8	29.6	194.6	148.1	23.9	3.9	18.8
Q2	88.2	17.1	4.7	66.4	38.1	4.4	0.7	23.2	274.4	49.5	25.6	199.4	138.7	20.2	3.8	36.6
Q3	77.0	19.5	3.8	53.7	39.7	5.2	1.0	7.8	286.0	41.5	31.0	213.5	158.5	29.9	4.3	20.8
Q4	65.3	18.8	5.1	41.5	27.9	5.0	0.8	7.7	316.2	47.3	30.6	238.3	179.7	34.6	4.2	19.6
1999 Q1	75.5	19.7	5.7	50.2	35.0	5.3	0.9	9.0	410.1	52.5	30.8	326.8	255.4	37.6	4.4	29.4
Q2	82.7	21.7	6.3	54.8	39.2	5.6	1.2	8.8	413.0	66.8	33.7	312.4	247.6	37.1	4.9	22.8
Q3 ^(p)	83.4	23.4	6.7	53.3	38.6	5.8	1.0	7.9	412.0	70.3	34.7	307.0	242.6	38.5	4.7	21.3

3 Financial markets and interest rates in the euro area

Table 3.1

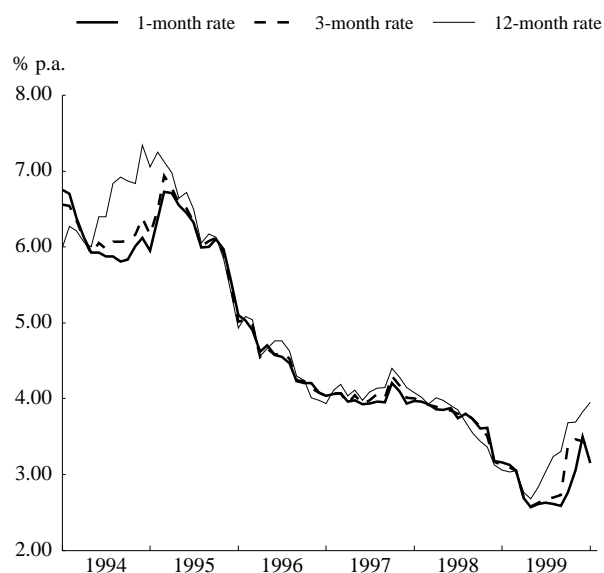
Money market interest rates ¹⁾

(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
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
1999	2.74	2.86	2.96	3.05	3.18	5.41	0.22
1999 Jan.	3.14	3.16	3.13	3.10	3.06	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
July	2.52	2.63	2.68	2.90	3.03	5.30	0.12
Aug.	2.44	2.61	2.70	3.05	3.24	5.46	0.13
Sep.	2.43	2.58	2.73	3.11	3.30	5.56	0.14
Oct.	2.50	2.76	3.38	3.46	3.68	6.20	0.24
Nov.	2.94	3.06	3.47	3.48	3.69	6.09	0.31
Dec.	3.04	3.49	3.44	3.51	3.83	6.15	0.39
2000 Jan.	3.04	3.15	3.34	3.56	3.95	6.04	0.15
2000 7 Jan.	2.89	3.12	3.32	3.55	3.94	6.03	0.15
14	3.03	3.13	3.32	3.54	3.93	6.04	0.15
21	3.15	3.12	3.31	3.53	3.92	6.04	0.14
28	3.30	3.30	3.49	3.68	4.06	6.05	0.13

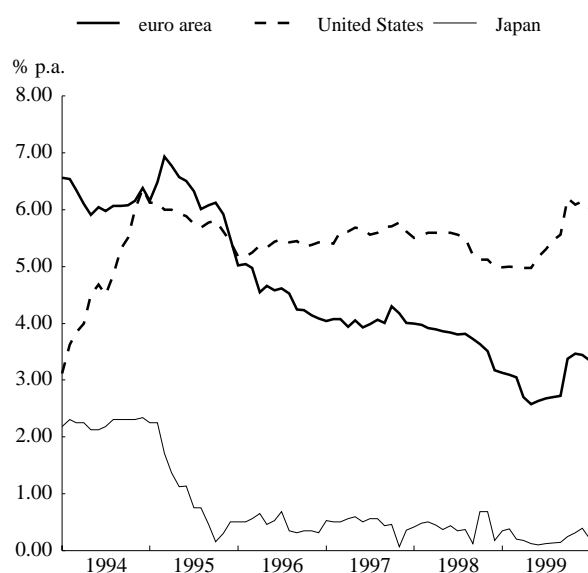
Euro area money market rates

(monthly)



3-month money market rates

(monthly)



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 index average (EONIA); other euro area money market rates from January 1999 are euro interbank offered rates (EURIBOR). The last EONIA rate for December 1999 relates to 30 December.

5) From February 1999, London interbank offered rate (LIBOR).

Table 3.2

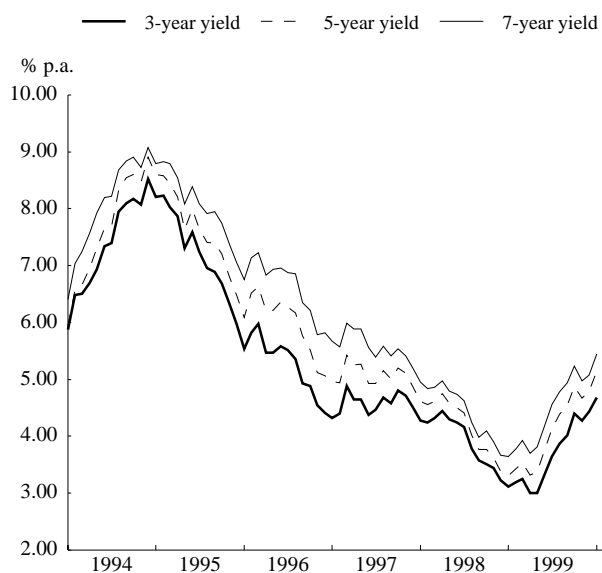
Government bond yields ¹⁾

(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
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
1999	3.39	3.63	4.01	4.38	4.66	5.64	1.75
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
July	3.30	3.64	4.13	4.55	4.86	5.80	1.69
Aug.	3.56	3.87	4.39	4.78	5.06	5.94	1.89
Sep.	3.68	4.02	4.55	4.94	5.24	5.91	1.75
Oct.	4.07	4.40	4.87	5.23	5.47	6.10	1.78
Nov.	3.99	4.27	4.67	4.97	5.18	6.03	1.81
Dec.	4.18	4.43	4.79	5.07	5.30	6.26	1.73
2000 Jan.	4.38	4.68	5.14	5.44	5.70	6.66	1.71
2000 7 Jan.	4.32	4.60	5.00	5.32	5.60	6.52	1.72
14	4.33	4.65	5.13	5.44	5.71	6.69	1.78
21	4.37	4.68	5.18	5.48	5.73	6.79	1.74
28	4.49	4.79	5.25	5.54	5.76	6.70	1.66

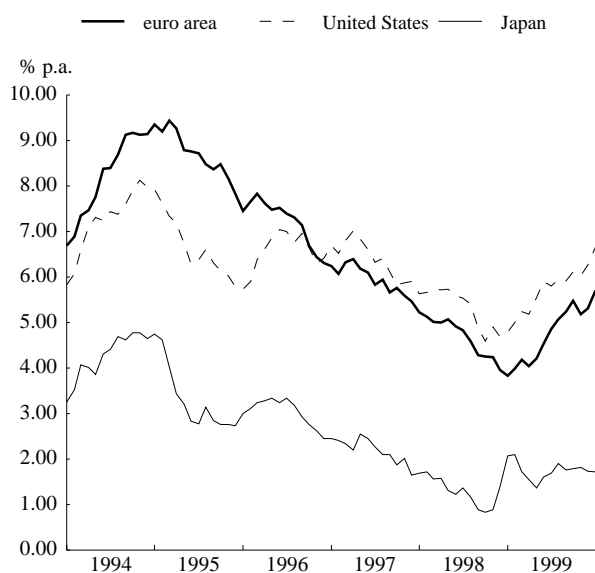
Euro area government bond yields

(monthly)



10-year government bond yields

(monthly)



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. Thereafter, 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

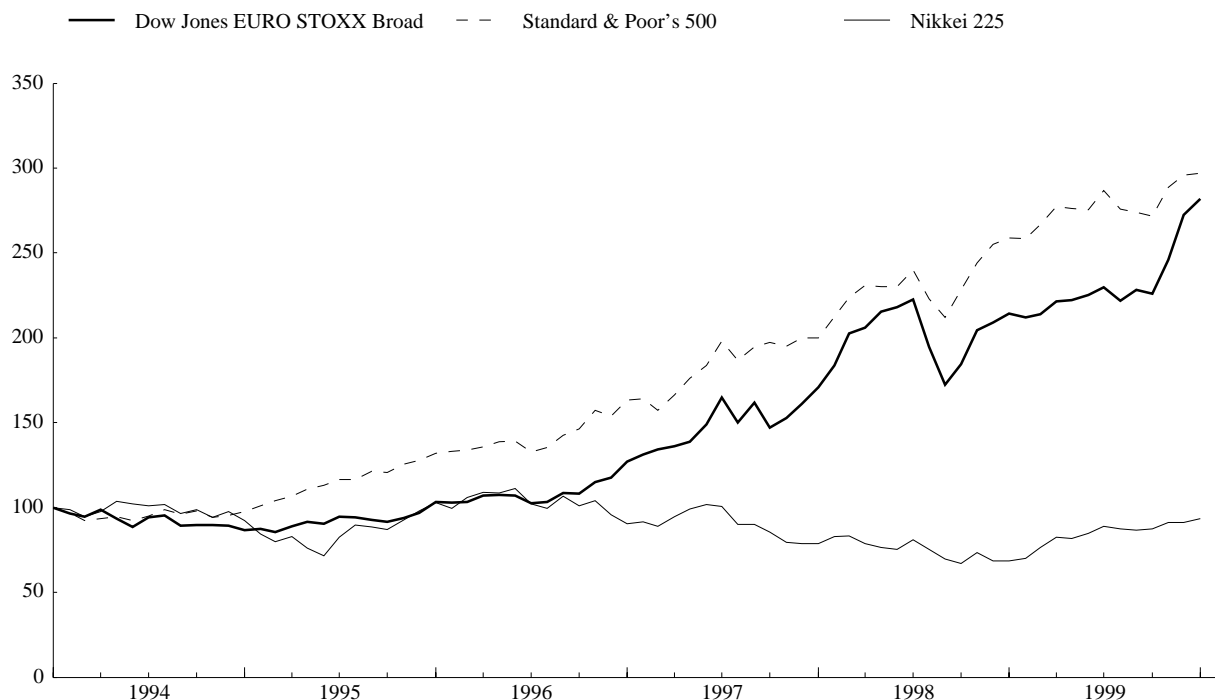
Stock market indices

(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	Conglomerates	Industrial	Technology	Utilities	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13
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
1999	325.23	3,779.57	183.87	162.80	493.34	285.35	249.69	259.77	366.91	468.28	306.21	1,327.39	16,802.27
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
July	328.07	3,846.24	190.82	168.19	487.34	316.01	246.24	277.97	379.94	481.62	302.28	1,380.99	18,008.62
Aug.	316.78	3,691.33	204.66	162.31	468.57	314.74	235.93	278.08	365.94	455.23	289.80	1,327.49	17,670.31
Sep.	325.88	3,772.79	199.93	161.67	500.44	312.33	242.61	273.47	380.45	480.77	296.06	1,318.21	17,532.78
Oct.	322.44	3,742.62	193.96	159.46	482.52	295.41	238.87	262.05	381.39	488.96	281.85	1,312.60	17,697.85
Nov.	351.17	4,159.97	200.99	164.75	508.19	305.69	259.69	275.80	418.69	589.93	297.38	1,391.61	18,440.35
Dec.	389.11	4,590.11	239.03	177.78	534.58	307.61	259.32	297.94	506.52	757.03	312.07	1,428.96	18,430.57
2000 Jan.	402.38	4,714.71	250.96	183.05	527.45	300.56	250.25	320.65	529.38	836.48	310.07	1,427.47	18,905.63
2000 7 Jan.	395.36	4,648.27	268.21	179.95	549.10	305.22	258.44	313.94	533.63	772.43	307.70	1,441.47	18,193.41
14	412.63	4,829.36	256.35	194.13	541.17	302.99	255.25	335.99	544.23	861.80	313.01	1,465.15	18,956.55
21	404.29	4,719.29	243.11	182.02	519.63	304.51	245.88	323.01	525.24	859.66	309.96	1,441.36	18,878.09
28	408.26	4,781.94	235.83	181.19	499.81	292.66	242.50	311.46	517.38	910.56	315.67	1,360.16	19,434.78

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

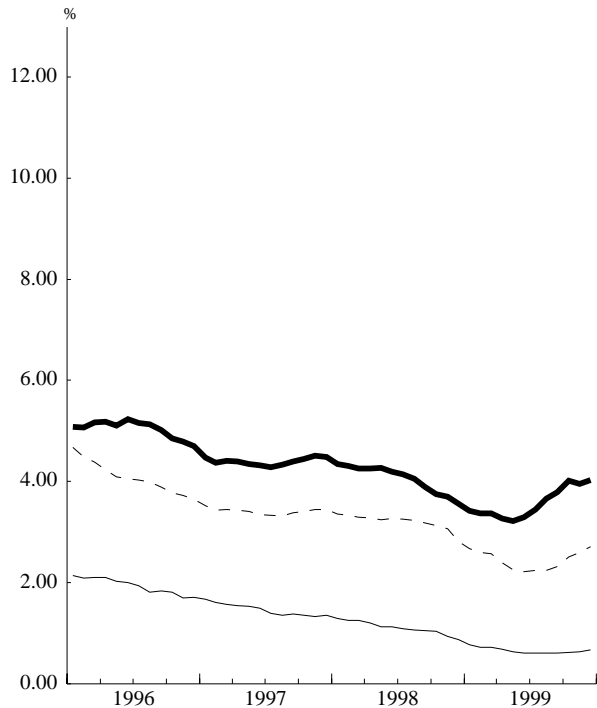
(percentages per annum; period averages)

	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
1997	1.46	3.41	3.63	4.40	2.80	3.09	7.58	6.64	10.61	6.63
1998	1.10	3.20	3.22	4.06	2.61	3.25	6.74	5.80	10.05	5.87
1999	0.65	2.44	2.44	3.57	2.15	2.76	5.66	5.11	9.38	5.29
1998 Dec.	0.87	2.81	2.81	3.56	2.44	3.03	6.22	5.11	9.61	5.29
1999 Jan.	0.77	2.67	2.67	3.41	2.37	2.86	6.07	5.04	9.61	5.10
Feb.	0.72	2.60	2.59	3.37	2.34	2.78	5.98	5.00	9.54	5.02
Mar.	0.71	2.57	2.56	3.37	2.31	2.79	5.85	4.99	9.50	5.05
Apr.	0.68	2.39	2.39	3.26	2.27	2.61	5.68	4.82	9.37	4.91
May	0.63	2.25	2.25	3.21	2.17	2.48	5.57	4.73	9.31	4.84
June	0.60	2.22	2.22	3.30	2.15	2.45	5.49	4.78	9.29	4.96
July	0.60	2.24	2.24	3.44	2.15	2.63	5.41	4.96	9.21	5.18
Aug.	0.60	2.24	2.25	3.66	2.01	2.73	5.42	5.16	9.31	5.47
Sep.	0.60	2.32	2.32	3.79	1.99	2.80	5.37	5.19	9.29	5.53
Oct.	0.61	2.50	2.50	4.01	2.01	2.93	5.57	5.56	9.36	5.79
Nov.	0.63	2.60	2.60	3.95	2.03	3.01	5.74	5.54	9.36	5.77
Dec.	0.67	2.71	2.71	4.02	2.04	3.05	5.79	5.50	9.41	5.79

Deposit interest rates

(monthly)

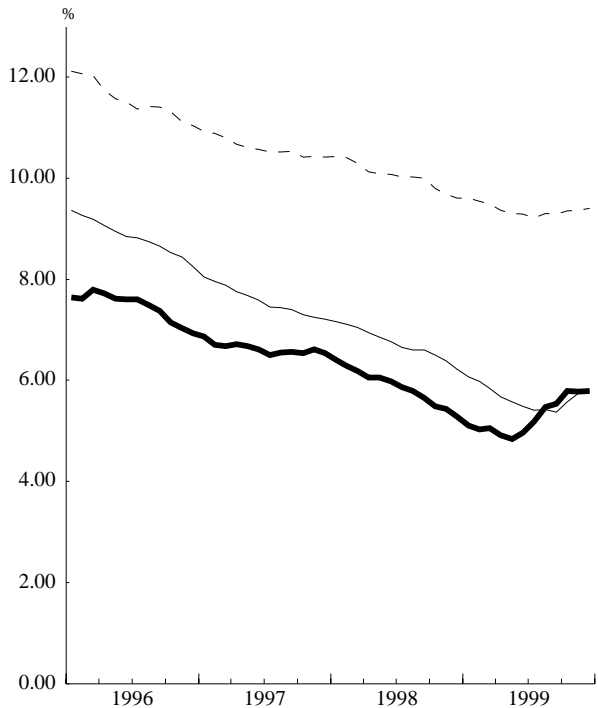
— overnight
 - - - agreed maturity up to 1 year
 — agreed maturity over 2 years



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.

Table 3.5**Securities issues other than shares by original maturity, residency of the issuer and currency denomination ¹⁾²⁾***(EUR billions; transactions during the period and end-of-period stocks; nominal values)***1. Short-term ³⁾**

	By euro area residents									
					In euro ⁴⁾				In other	
	Issues	Redemptions	Net issues	Amounts outstanding	Issues	Redemptions	Net issues	Amounts outstanding	Issues	Redemptions
	1	2	3	4	5	6	7	8	9	10
1998 Dec.				532.2				523.2		
1999 Jan.	205.3	195.3	10.0	542.3	198.6	189.8	8.8	532.1	6.7	5.5
Feb.	174.8	176.8	-2.0	540.4	170.3	173.9	-3.7	528.4	4.5	2.8
Mar.	184.2	180.6	3.6	544.0	179.5	177.2	2.3	530.7	4.7	3.4
Apr.	217.7	199.5	18.2	562.2	212.7	195.4	17.3	547.9	5.0	4.1
May	171.9	172.4	-0.4	561.8	165.4	167.5	-2.1	545.7	6.5	4.8
June	173.7	185.6	-12.0	549.7	167.8	180.9	-13.1	532.5	5.8	4.7
July	206.4	207.6	-1.2	547.0	199.9	201.5	-1.7	529.3	6.6	6.1
Aug.	180.9	162.1	18.9	562.8	174.2	156.7	17.5	544.2	6.7	5.3
Sep.	186.1	181.6	4.5	566.9	179.0	176.8	2.2	546.1	7.1	4.8
Oct.	195.1	187.3	7.8	575.4	189.0	180.3	8.7	555.6	6.1	7.0
Nov.	196.4	172.6	23.8	599.5	189.0	166.0	23.0	578.7	7.4	6.6

2. Long-term ³⁾

	By euro area residents									
					In euro ⁴⁾				In other	
	Issues	Redemptions	Net issues	Amounts outstanding	Issues	Redemptions	Net issues	Amounts outstanding	Issues	Redemptions
	1	2	3	4	5	6	7	8	9	10
1998 Dec.				5,416.9				5,066.7		
1999 Jan.	159.4	103.0	56.4	5,482.5	146.0	93.8	52.2	5,124.7	13.4	9.2
Feb.	133.0	76.3	56.7	5,542.6	120.4	73.7	46.6	5,171.1	12.6	2.6
Mar.	125.1	94.7	30.5	5,576.0	117.2	85.9	31.3	5,201.5	7.9	8.7
Apr.	124.4	100.9	23.5	5,600.9	117.0	95.4	21.5	5,222.6	7.5	5.5
May	121.7	74.5	47.1	5,649.3	103.5	58.8	44.7	5,267.0	18.2	15.7
June	118.1	64.2	53.9	5,716.4	107.3	59.1	48.2	5,326.4	10.8	5.1
July	128.0	88.7	39.3	5,753.3	119.5	78.8	40.7	5,367.9	8.5	10.0
Aug.	71.8	60.0	11.7	5,767.8	61.4	52.6	8.8	5,375.8	10.4	7.4
Sep.	156.8	97.4	59.4	5,826.2	119.3	65.1	54.2	5,428.5	37.5	32.2
Oct.	116.2	75.0	41.2	5,847.0	107.9	71.3	36.6	5,441.9	8.3	3.7
Nov.	97.2	93.3	3.9	5,856.4	88.9	80.0	8.9	5,449.3	8.3	13.3

3. Total

	By euro area residents									
					In euro ⁴⁾				In other	
	Issues	Redemptions	Net issues	Amounts outstanding	Issues	Redemptions	Net issues	Amounts outstanding	Issues	Redemptions
	1	2	3	4	5	6	7	8	9	10
1998 Dec.				5,949.1				5,589.9		
1999 Jan.	364.7	298.3	66.4	6,024.8	344.6	283.6	61.0	5,656.8	20.1	14.7
Feb.	307.8	253.1	54.7	6,082.9	290.6	247.7	43.0	5,699.5	17.1	5.4
Mar.	309.3	275.2	34.1	6,120.0	296.7	263.1	33.6	5,732.2	12.6	12.1
Apr.	342.1	300.4	41.7	6,163.1	329.6	290.8	38.8	5,770.5	12.5	9.6
May	293.6	246.9	46.7	6,211.1	268.9	226.4	42.6	5,812.7	24.7	20.5
June	291.8	249.8	42.0	6,266.1	275.1	240.0	35.1	5,858.9	16.7	9.8
July	334.4	296.4	38.1	6,300.3	319.4	280.3	39.1	5,897.2	15.1	16.1
Aug.	252.7	222.1	30.6	6,330.6	235.6	209.3	26.3	5,920.0	17.1	12.8
Sep.	342.9	279.0	63.9	6,393.1	298.3	242.0	56.3	5,974.6	44.6	37.0
Oct.	311.3	262.3	49.0	6,422.5	296.9	251.7	45.2	5,997.5	14.4	10.7
Nov.	293.6	265.9	27.8	6,455.9	277.9	246.0	31.9	6,028.1	15.7	19.9

Sources: ECB and BIS (for issues by non-residents of the euro area).

1) Data coverage for euro area residents is estimated at around 95% of total issues. Data will be revised as new information becomes available.

2) Net issues differ from the change in amounts outstanding because of valuation changes, reclassifications and other adjustments.

currencies		By non-residents of the euro area in euro ⁴⁾				Total in euro ⁴⁾				
Net issues	Amounts outstanding	Issues (during quarter)	Redemptions (during quarter)	Net issues (during quarter)	Amounts outstanding (end-quarter)	Issues (during quarter)	Redemptions (during quarter)	Net issues (during quarter)	Amounts outstanding (end-quarter)	
11	12	13	14	15	16	17	18	19	20	
.	9.0	.	.	.	12.4	.	.	.	535.6	1998 Dec.
1.2	10.2	.	.	.	.	.	.	.	.	1999 Jan.
1.7	12.0	.	.	.	.	.	.	.	.	Feb.
1.3	13.4	23.3	11.1	12.2	25.4	571.7	552.0	19.6	556.1	Mar.
0.9	14.3	.	.	.	.	.	.	.	.	Apr.
1.7	16.0	.	.	.	.	.	.	.	.	May
1.1	17.2	19.2	22.7	-3.5	22.8	565.1	566.5	-1.3	555.3	June
0.5	17.7	.	.	.	.	.	.	.	.	July
1.4	18.5	.	.	.	.	.	.	.	.	Aug.
2.4	20.8	27.8	18.4	9.4	31.7	580.9	553.5	27.4	577.7	Sep.
-0.9	19.8	.	.	.	.	.	.	.	.	Oct.
0.8	20.7	.	.	.	.	.	.	.	.	Nov.

currencies		By non-residents of the euro area in euro ⁴⁾				Total in euro ⁴⁾				
Net issues	Amounts outstanding	Issues (during quarter)	Redemptions (during quarter)	Net issues (during quarter)	Amounts outstanding (end-quarter)	Issues (during quarter)	Redemptions (during quarter)	Net issues (during quarter)	Amounts outstanding (end-quarter)	
11	12	13	14	15	16	17	18	19	20	
.	350.2	.	.	.	426.7	.	.	.	5,493.4	1998 Dec.
4.2	357.8	.	.	.	.	.	.	.	.	1999 Jan.
10.0	371.5	.	.	.	.	.	.	.	.	Feb.
-0.8	374.5	53.4	16.8	36.5	462.6	436.9	270.3	166.6	5,664.1	Mar.
2.0	378.3	.	.	.	.	.	.	.	.	Apr.
2.5	382.3	.	.	.	.	.	.	.	.	May
5.8	390.0	56.1	11.4	44.7	506.9	383.8	224.8	159.1	5,833.3	June
-1.5	385.4	.	.	.	.	.	.	.	.	July
3.0	392.0	.	.	.	.	.	.	.	.	Aug.
5.3	397.7	62.5	8.2	54.3	561.4	362.7	204.7	157.9	5,989.9	Sep.
4.6	405.1	.	.	.	.	.	.	.	.	Oct.
-5.0	407.1	.	.	.	.	.	.	.	.	Nov.

currencies		By non-residents of the euro area in euro ⁴⁾				Total in euro ⁴⁾				
Net issues	Amounts outstanding	Issues (during quarter)	Redemptions (during quarter)	Net issues (during quarter)	Amounts outstanding (end-quarter)	Issues (during quarter)	Redemptions (during quarter)	Net issues (during quarter)	Amounts outstanding (end-quarter)	
11	12	13	14	15	16	17	18	19	20	
.	359.2	.	.	.	439.1	.	.	.	6,029.0	1998 Dec.
5.4	368.1	.	.	.	.	.	.	.	.	1999 Jan.
11.7	383.5	.	.	.	.	.	.	.	.	Feb.
0.5	387.9	76.7	27.9	48.7	488.0	1,008.6	822.3	186.3	6,220.2	Mar.
2.9	392.6	.	.	.	.	.	.	.	.	Apr.
4.2	398.3	.	.	.	.	.	.	.	.	May
6.9	407.2	75.2	34.0	41.2	529.7	948.9	791.2	157.7	6,388.6	June
-1.0	403.1	.	.	.	.	.	.	.	.	July
4.4	410.5	.	.	.	.	.	.	.	.	Aug.
7.6	418.5	90.3	26.6	63.7	593.1	943.6	758.2	185.4	6,567.6	Sep.
3.7	425.0	.	.	.	.	.	.	.	.	Oct.
-4.2	427.8	.	.	.	.	.	.	.	.	Nov.

3) "Short-term" means securities with an original maturity of one year or less (in accordance with the ESA 95, in exceptional cases two years or less). Securities with longer original maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as long-term.

4) Including items expressed in the national denominations of the euro.

Table 3.6**Euro-denominated securities other than shares by original maturity, residency and sector of the issuer** ¹⁾²⁾³⁾*(EUR billions; end of period; nominal values)***Amounts outstanding****1. Short-term** ⁴⁾

	By euro area residents						By non-residents			
	Total	MFIs (including Eurosystem)	Non-monetary financial corporations	Non-financial corporations	Central government	Other general government	Total	Banks (including central banks) ⁵⁾	Non-monetary financial corporations	Non-financial corporations
	1	2	3	4	5	6	7	8	9	10
1998 Dec.	523.2	155.5	8.6	46.5	309.0	3.6	12.4	2.7	6.2	2.5
1999 Jan.	532.1	163.0	8.7	51.6	305.4	3.4	.	.	.	.
Feb.	528.4	165.5	8.7	54.6	295.9	3.7	.	.	.	.
Mar.	530.7	163.9	8.7	58.1	296.7	3.3	25.4	12.5	7.7	4.2
Apr.	547.9	174.4	8.6	61.1	300.7	3.1	.	.	.	.
May	545.7	172.7	8.4	59.9	301.8	3.0	.	.	.	.
June	532.5	166.0	8.2	58.8	296.5	3.0	22.8	8.3	8.7	5.0
July	529.3	172.0	6.7	61.0	286.5	3.2	.	.	.	.
Aug.	544.2	183.2	6.9	62.4	288.8	2.9	.	.	.	.
Sep.	546.1	193.2	6.7	64.8	278.6	2.7	31.7	11.2	12.0	7.3
Oct.	555.6	206.0	6.6	66.2	273.6	3.1	.	.	.	.
Nov.	578.7	230.0	6.4	72.6	266.0	3.7	.	.	.	.

2. Long-term ⁴⁾

	By euro area residents						By non-residents			
	Total	MFIs (including Eurosystem)	Non-monetary financial corporations	Non-financial corporations	Central government	Other general government	Total	Banks (including central banks) ⁵⁾	Non-monetary financial corporations	Non-financial corporations
	1	2	3	4	5	6	7	8	9	10
1998 Dec.	5,066.7	1,833.8	122.4	188.5	2,818.2	103.9	426.7	114.9	47.2	53.5
1999 Jan.	5,124.7	1,860.3	125.9	188.1	2,846.6	103.8	.	.	.	.
Feb.	5,171.1	1,870.8	128.6	193.1	2,873.7	104.9	.	.	.	.
Mar.	5,201.5	1,876.4	129.6	199.6	2,889.6	106.3	462.6	123.7	55.4	65.8
Apr.	5,222.6	1,890.7	133.1	204.0	2,885.9	108.9	.	.	.	.
May	5,267.0	1,913.1	138.5	203.3	2,902.9	109.3	.	.	.	.
June	5,326.4	1,935.5	157.9	205.9	2,917.9	109.3	506.9	134.6	66.2	82.3
July	5,367.9	1,938.4	163.2	211.6	2,944.9	109.7	.	.	.	.
Aug.	5,375.8	1,937.2	164.6	207.4	2,957.0	109.6	.	.	.	.
Sep.	5,428.5	1,960.3	172.3	207.5	2,977.8	110.6	561.4	152.9	75.2	102.6
Oct.	5,441.9	1,977.5	175.1	210.8	2,992.4	109.3	.	.	.	.
Nov.	5,449.3	1,978.5	177.1	209.9	2,996.9	110.2	.	.	.	.

3. Total

	By euro area residents						By non-residents			
	Total	MFIs (including Eurosystem)	Non-monetary financial corporations	Non-financial corporations	Central government	Other general government	Total	Banks (including central banks) ⁵⁾	Non-monetary financial corporations	Non-financial corporations
	1	2	3	4	5	6	7	8	9	10
1998 Dec.	5,589.9	1,989.3	131.0	235.0	3,127.2	107.5	439.1	117.6	53.4	56.0
1999 Jan.	5,656.8	2,023.3	134.6	239.7	3,152.0	107.2	.	.	.	.
Feb.	5,699.5	2,036.2	137.3	247.7	3,169.7	108.5	.	.	.	.
Mar.	5,732.2	2,040.2	138.2	257.8	3,186.4	109.6	488.0	136.2	63.2	70.0
Apr.	5,770.5	2,065.1	141.7	265.1	3,186.6	111.9	.	.	.	.
May	5,812.7	2,085.8	146.9	263.2	3,204.6	112.2	.	.	.	.
June	5,858.9	2,101.5	166.0	264.6	3,214.4	112.3	529.7	143.0	74.9	87.3
July	5,897.2	2,110.3	170.0	272.6	3,231.4	112.9	.	.	.	.
Aug.	5,920.0	2,120.4	171.5	269.8	3,245.8	112.6	.	.	.	.
Sep.	5,974.6	2,153.5	179.1	272.3	3,256.4	113.3	593.1	164.1	87.2	109.9
Oct.	5,997.5	2,183.5	181.7	277.1	3,266.0	112.5	.	.	.	.
Nov.	6,028.1	2,208.5	183.5	282.6	3,262.9	113.9	.	.	.	.

Sources: ECB and BIS (for issues by non-residents of the euro area).

1) Data coverage for euro area residents is estimated at around 95% of total issues. Data will be revised as new information becomes available.

2) Including items expressed in the national denominations of the euro.

3) Corresponding ESA 95 sector codes: MFIs (including Eurosystem) comprises the ECB and the national central banks of Member States in the euro area (S121) and other monetary financial institutions (S122); non-monetary financial corporations comprises other financial intermediaries (S123), financial auxiliaries (S124) and insurance corporations and pension funds (S125); non-financial corporations (S11); central government (S131); other general government comprises state government (S1312), local government (S1313) and social security funds (S1314).

of the euro area			Total							
Central government	Other general government	International organisations ⁶⁾	Total	Banks (including central banks) ⁵⁾	Non-monetary financial corporations	Non-financial corporations	Central government	Other general government	International organisations ⁶⁾	
11	12	13	14	15	16	17	18	19	20	
0.4	0.5	0.0	535.6	158.2	14.8	49.0	309.4	4.1	0.0	1998 Dec
.	.	.	.	.	.	.	.	.	.	1999 Jan.
0.4	0.4	0.2	556.1	176.4	16.4	62.3	297.2	3.6	0.2	Feb.
.	.	.	.	.	.	.	.	.	.	Mar
0.3	0.3	0.1	555.3	174.3	16.9	63.8	296.9	3.3	0.1	Apr
.	.	.	.	.	.	.	.	.	.	May
0.3	0.6	0.3	577.7	204.4	18.7	72.1	279.0	3.3	0.3	June
.	.	.	.	.	.	.	.	.	.	July
.	.	.	.	.	.	.	.	.	.	Aug
.	.	.	.	.	.	.	.	.	.	Sep.
.	.	.	.	.	.	.	.	.	.	Oct.
.	.	.	.	.	.	.	.	.	.	Nov

of the euro area			Total							
Central government	Other general government	International organisations ⁶⁾	Total	Banks (including central banks) ⁵⁾	Non-monetary financial corporations	Non-financial corporations	Central government	Other general government	International organisations ⁶⁾	
11	12	13	14	15	16	17	18	19	20	
65.5	24.9	120.7	5,493.4	1,948.7	169.6	242.0	2,883.7	128.8	120.7	1998 Dec
.	.	.	.	.	.	.	.	.	.	1999 Jan.
69.7	25.8	122.2	5,664.1	2,000.1	185.0	265.4	2,959.3	132.1	122.2	Feb.
.	.	.	.	.	.	.	.	.	.	Mar
73.9	27.3	122.6	5,833.3	2,070.1	224.1	288.2	2,991.8	136.6	122.6	Apr
.	.	.	.	.	.	.	.	.	.	May
78.6	29.1	123.0	5,989.9	2,113.2	247.5	310.1	3,056.4	139.7	123.0	June
.	.	.	.	.	.	.	.	.	.	July
.	.	.	.	.	.	.	.	.	.	Aug
.	.	.	.	.	.	.	.	.	.	Sep.
.	.	.	.	.	.	.	.	.	.	Oct.
.	.	.	.	.	.	.	.	.	.	Nov

of the euro area			Total							
Central government	Other general government	International organisations ⁶⁾	Total	Banks (including central banks) ⁵⁾	Non-monetary financial corporations	Non-financial corporations	Central government	Other general government	International organisations ⁶⁾	
11	12	13	14	15	16	17	18	19	20	
65.9	25.5	120.7	6,029.0	2,106.9	184.4	291.0	3,193.0	133.0	120.7	1998 Dec
.	.	.	.	.	.	.	.	.	.	1999 Jan.
70.1	26.1	122.5	6,220.2	2,176.4	201.4	327.8	3,256.5	135.7	122.5	Feb.
.	.	.	.	.	.	.	.	.	.	Mar
74.2	27.6	122.8	6,388.6	2,244.4	241.0	351.9	3,288.6	139.9	122.8	Apr
.	.	.	.	.	.	.	.	.	.	May
78.9	29.7	123.3	6,567.6	2,317.6	266.2	382.2	3,335.3	143.0	123.3	June
.	.	.	.	.	.	.	.	.	.	July
.	.	.	.	.	.	.	.	.	.	Aug
.	.	.	.	.	.	.	.	.	.	Sep.
.	.	.	.	.	.	.	.	.	.	Oct.
.	.	.	.	.	.	.	.	.	.	Nov

4) "Short-term" means securities with an original maturity of one year or less (in accordance with the ESA 95, in exceptional cases two years or less). Securities with a longer original maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as long-term.

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

6) Including the European Investment Bank. The ECB is included in the Eurosystem.

Table 3.6 (cont)
Euro-denominated securities other than shares by original maturity, residency and sector of the issuer ¹⁾²⁾³⁾
(EUR billions; transactions during month or quarter; nominal values)
Gross issues
1. Short-term ⁴⁾

	By euro area residents						By non-residents			
	Total	MFIs (including Eurosystem)	Non-monetary financial corporations	Non-financial corporations	Central government	Other general government	Total	Banks (including central banks) ⁵⁾	Non-monetary financial corporations	Non-financial corporations
	1	2	3	4	5	6	7	8	9	10
1998 Dec.	.	.	.	.	.	.	.	.	.	.
1999 Jan.	198.6	105.8	1.7	35.2	54.7	1.2	.	.	.	.
Feb.	170.3	96.4	1.2	31.6	39.8	1.3	.	.	.	.
Mar.	179.5	92.1	1.4	38.7	46.2	1.1	23.3	12.2	6.6	3.7
Apr.	212.7	113.1	1.5	40.8	56.0	1.3	.	.	.	.
May	165.4	87.6	1.5	34.1	40.4	1.8	.	.	.	.
June	167.8	93.8	1.9	34.9	36.4	0.9	19.2	6.8	7.2	4.5
July	199.9	107.4	1.7	42.5	46.9	1.4	.	.	.	.
Aug.	174.2	91.2	2.2	35.9	43.8	1.1	.	.	.	.
Sep.	179.0	99.1	1.2	37.9	40.0	0.9	27.8	9.5	10.5	6.7
Oct.	189.0	104.0	1.5	41.4	40.7	1.5	.	.	.	.
Nov.	189.0	114.1	1.2	38.7	33.1	2.0	.	.	.	.

2. Long-term ⁴⁾

	By euro area residents						By non-residents			
	Total	MFIs (including Eurosystem)	Non-monetary financial corporations	Non-financial corporations	Central government	Other general government	Total	Banks (including central banks) ⁵⁾	Non-monetary financial corporations	Non-financial corporations
	1	2	3	4	5	6	7	8	9	10
1998 Dec.	.	.	.	.	.	.	.	.	.	.
1999 Jan.	146.0	61.0	4.9	5.0	74.6	0.6	.	.	.	.
Feb.	120.4	47.0	4.0	9.9	57.3	2.1	.	.	.	.
Mar.	117.2	50.3	2.6	9.1	53.2	2.1	53.4	16.3	9.9	14.3
Apr.	117.0	50.7	5.1	7.3	50.2	3.7	.	.	.	.
May	103.5	46.2	7.0	1.9	47.3	1.1	.	.	.	.
June	107.3	39.1	20.1	6.1	41.1	0.9	56.1	15.5	11.9	17.7
July	119.5	35.3	6.8	9.0	67.4	1.0	.	.	.	.
Aug.	61.4	27.9	1.7	0.9	30.7	0.2	.	.	.	.
Sep.	119.3	51.9	9.1	3.7	53.2	1.4	62.5	21.0	11.2	21.2
Oct.	107.9	50.4	3.9	6.3	46.2	1.0	.	.	.	.
Nov.	88.9	45.2	4.8	2.3	35.0	1.6	.	.	.	.

3. Total

	By euro area residents						By non-residents			
	Total	MFIs (including Eurosystem)	Non-monetary financial corporations	Non-financial corporations	Central government	Other general government	Total	Banks (including central banks) ⁵⁾	Non-monetary financial corporations	Non-financial corporations
	1	2	3	4	5	6	7	8	9	10
1998 Dec.	.	.	.	.	.	.	.	.	.	.
1999 Jan.	344.6	166.8	6.5	40.2	129.3	1.8	.	.	.	.
Feb.	290.6	143.4	5.2	41.5	97.1	3.4	.	.	.	.
Mar.	296.7	142.4	4.0	47.8	99.4	3.1	76.7	28.6	16.5	18.0
Apr.	329.6	163.8	6.5	48.2	106.2	5.0	.	.	.	.
May	268.9	133.8	8.5	36.0	87.7	2.9	.	.	.	.
June	275.1	132.8	22.1	40.9	77.5	1.9	75.2	22.3	19.1	22.3
July	319.4	142.7	8.5	51.5	114.3	2.4	.	.	.	.
Aug.	235.6	119.1	3.9	36.7	74.5	1.4	.	.	.	.
Sep.	298.3	151.0	10.3	41.6	93.2	2.2	90.3	30.6	21.8	27.9
Oct.	296.9	154.4	5.5	47.7	86.9	2.5	.	.	.	.
Nov.	277.9	159.3	6.0	41.0	68.1	3.6	.	.	.	.

Sources: ECB and BIS (for issues by non-residents of the euro area).

1) Data coverage for euro area residents is estimated at around 95% of total issues. Data will be revised as new information becomes available.

2) Including items expressed in the national denominations of the euro.

3) Corresponding ESA 95 sector codes: MFIs (including Eurosystem) comprises the ECB and the national central banks of Member States in the euro area (S121) and other monetary financial institutions (S122); non-monetary financial corporations comprises other financial intermediaries (S123), financial auxiliaries (S124) and insurance corporations and pension funds (S125); non-financial corporations (S11); central government (S131); other general government comprises state government (S1312), local government (S1313) and social security funds (S1314).

of the euro area			Total							
Central government	Other general government	International organisations ⁶⁾	Total	Banks (including central banks) ⁵⁾	Non-monetary financial corporations	Non-financial corporations	Central government	Other general government	International organisations ⁶⁾	
11	12	13	14	15	16	17	18	19	20	
.	.	.	.	.	.	.	.	.	.	1998 Dec.
.	.	.	.	.	.	.	.	.	.	1999 Jan.
0.3	0.3	0.2	571.7	306.5	10.8	109.2	141.0	3.9	0.2	Feb.
.	.	.	.	.	.	.	.	.	.	Mar.
0.3	0.2	0.1	565.1	301.2	12.1	114.3	133.1	4.3	0.1	Apr.
.	.	.	.	.	.	.	.	.	.	May
0.3	0.5	0.2	580.9	307.2	15.6	123.0	131.0	3.8	0.2	June
.	.	.	.	.	.	.	.	.	.	July
.	.	.	.	.	.	.	.	.	.	Aug.
.	.	.	.	.	.	.	.	.	.	Sep.
.	.	.	.	.	.	.	.	.	.	Oct.
.	.	.	.	.	.	.	.	.	.	Nov.

of the euro area			Total							
Central government	Other general government	International organisations ⁶⁾	Total	Banks (including central banks) ⁵⁾	Non-monetary financial corporations	Non-financial corporations	Central government	Other general government	International organisations ⁶⁾	
11	12	13	14	15	16	17	18	19	20	
.	.	.	.	.	.	.	.	.	.	1998 Dec.
.	.	.	.	.	.	.	.	.	.	1999 Jan.
5.3	1.6	5.9	436.9	174.6	21.3	38.3	190.4	6.3	5.9	Feb.
.	.	.	.	.	.	.	.	.	.	Mar.
5.9	2.1	3.1	383.8	151.4	44.0	33.1	144.4	7.8	3.1	Apr.
.	.	.	.	.	.	.	.	.	.	May
4.1	2.1	2.9	362.7	136.1	28.9	34.8	155.3	4.7	2.9	June
.	.	.	.	.	.	.	.	.	.	July
.	.	.	.	.	.	.	.	.	.	Aug.
.	.	.	.	.	.	.	.	.	.	Sep.
.	.	.	.	.	.	.	.	.	.	Oct.
.	.	.	.	.	.	.	.	.	.	Nov.

of the euro area			Total							
Central government	Other general government	International organisations ⁶⁾	Total	Banks (including central banks) ⁵⁾	Non-monetary financial corporations	Non-financial corporations	Central government	Other general government	International organisations ⁶⁾	
11	12	13	14	15	16	17	18	19	20	
.	.	.	.	.	.	.	.	.	.	1998 Dec.
.	.	.	.	.	.	.	.	.	.	1999 Jan.
5.6	1.9	6.1	1,008.6	481.1	32.2	147.5	331.5	10.2	6.1	Feb.
.	.	.	.	.	.	.	.	.	.	Mar.
6.2	2.2	3.2	948.9	452.7	56.1	147.4	277.5	12.0	3.2	Apr.
.	.	.	.	.	.	.	.	.	.	May
4.4	2.5	3.2	943.6	443.3	44.5	157.8	286.3	8.5	3.2	June
.	.	.	.	.	.	.	.	.	.	July
.	.	.	.	.	.	.	.	.	.	Aug.
.	.	.	.	.	.	.	.	.	.	Sep.
.	.	.	.	.	.	.	.	.	.	Oct.
.	.	.	.	.	.	.	.	.	.	Nov.

4) "Short-term" means securities with an original maturity of one year or less (in accordance with the ESA 95, in exceptional cases two years or less). Securities with a longer original maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as long-term.

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

6) Including the European Investment Bank. The ECB is included in the Eurosystem.

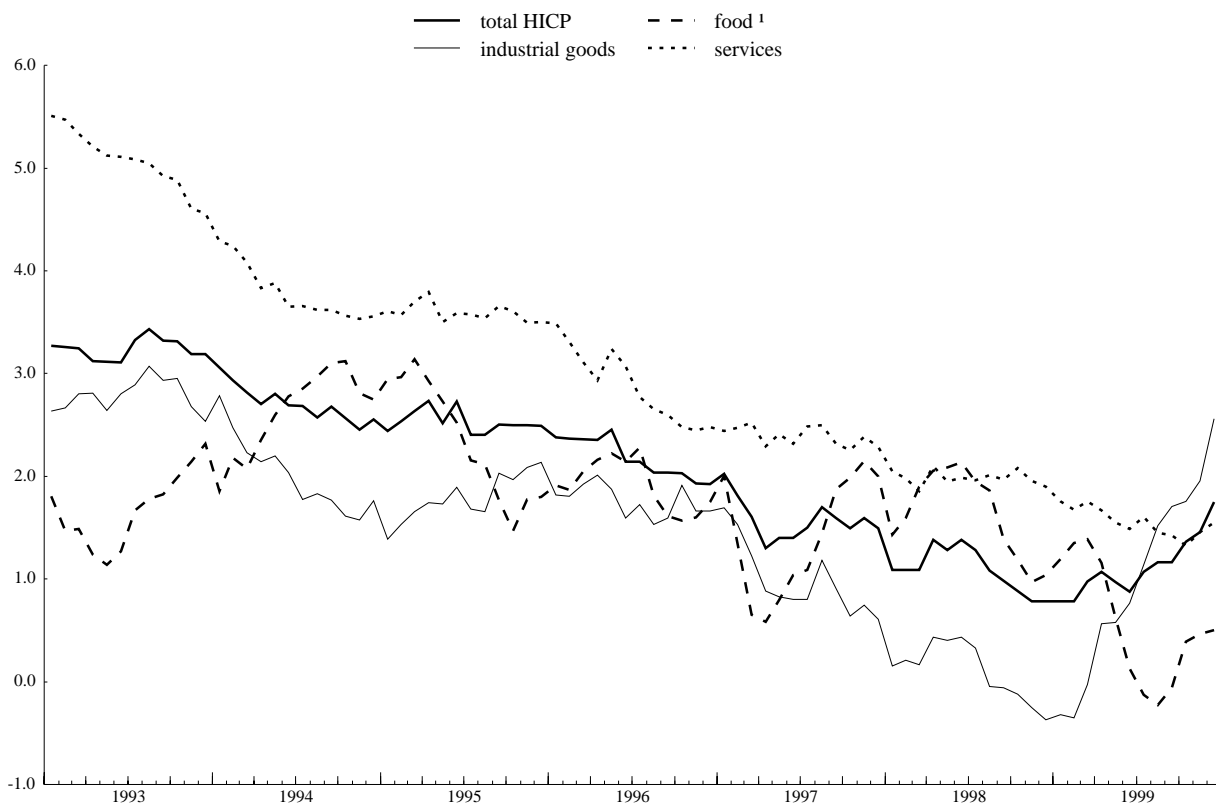
4 HICP and other prices in the euro area

Table 4.1

Harmonised Index of Consumer Prices

(annual percentage changes, unless otherwise indicated)

	Total (index, 1996 = 100)	Total	Goods							Services
			Food ¹⁾	Processed food ²⁾	Unprocessed food	Industrial goods	Non-energy industrial goods	Energy		
Weight in the total (%) ²⁾	100.0	100.0	63.6	22.4	13.4	9.0	41.2	32.5	8.7	36.4
	1	2	3	4	5	6	7	8	9	10
1995	97.9	2.5	2.1	2.4	2.4	2.2	1.8	1.9	1.4	3.6
1996	100.0	2.2	1.8	1.9	2.0	1.7	1.8	1.5	3.0	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
1999	103.8	1.1	0.8	0.6	0.9	0.0	1.0	0.6	2.4	1.6
1998 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	1.5	-0.2	0.8	-3.8	1.7
Q2	103.8	1.0	0.6	0.6	0.9	0.3	0.6	0.6	0.8	1.6
Q3	104.1	1.1	0.9	-0.1	0.7	-1.4	1.5	0.5	4.9	1.5
Q4	104.4	1.5	1.5	0.5	0.9	-0.3	2.1	0.5	7.9	1.4
1998 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	1.3	1.3	1.5	-0.4	0.7	-4.3	1.7
Mar.	103.4	1.0	0.5	1.4	1.1	1.8	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	0.6	0.8	0.4	0.6	0.6	0.5	1.5
June	103.8	0.9	0.5	0.1	0.7	-0.7	0.8	0.6	1.4	1.5
July	104.0	1.1	0.7	-0.1	0.7	-1.4	1.1	0.6	3.2	1.6
Aug.	104.1	1.2	0.9	-0.2	0.7	-1.6	1.5	0.6	5.0	1.5
Sep.	104.1	1.2	1.1	-0.1	0.7	-1.2	1.7	0.4	6.4	1.4
Oct.	104.2	1.4	1.3	0.4	0.9	-0.4	1.8	0.5	6.4	1.3
Nov.	104.3	1.5	1.4	0.5	0.9	-0.2	2.0	0.5	7.2	1.5
Dec.	104.7	1.7	1.8	0.5	1.0	-0.3	2.6	0.5	10.2	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
Selected other price indicators
(annual percentage changes, unless otherwise indicated)
1. Industry and commodity prices

	Industrial producer prices									World market prices of raw materials ²⁾		Oil prices ³⁾ (EUR per barrel)
	Total excluding construction		Manufacturing						Construction ¹⁾	Total	Total excluding energy	
	Index, 1995 = 100			Intermediate goods	Capital goods	Consumer goods						
						Durable consumer goods	Non-durable consumer goods					
1	2	3	4	5	6	7	8	9	10	11	12	
1995	100.0	3.6	3.9	5.0	1.8	-	-	2.4	-	0.2	2.1	13.0
1996	100.4	0.4	1.0	-1.1	1.2	1.7	1.7	1.7	1.3	6.5	-6.9	15.9
1997	101.4	1.1	0.6	1.2	0.3	0.8	0.1	1.2	1.3	10.0	12.9	17.1
1998	100.6	-0.8	-0.6	-2.2	0.5	0.4	0.1	0.6	0.2	-21.2	-12.5	12.0
1999	.	.	.	.	.	.	.	.	.	17.8	-3.1	17.1
1998 Q4	99.4	-2.3	-2.0	-4.5	0.4	-0.2	0.1	-0.3	0.1	-30.0	-20.5	10.1
1999 Q1	98.8	-2.6	-2.1	-4.8	0.2	-0.1	0.2	-0.2	0.8	-17.6	-16.0	10.3
Q2	99.7	-1.3	-1.0	-2.8	0.0	-0.2	0.1	-0.3	0.8	5.9	-8.2	15.0
Q3	101.0	0.6	0.8	0.6	-0.1	0.1	0.2	0.1	1.1	31.0	1.1	19.7
Q4	.	.	.	.	.	.	.	.	.	61.5	14.0	23.0
1999 Jan.	98.8	-2.7	-2.4	-5.1	0.2	-0.1	0.3	-0.3	-	-23.4	-17.3	9.6
Feb.	98.7	-2.7	-2.3	-5.1	0.3	0.0	0.2	-0.2	-	-20.6	-16.0	9.4
Mar.	99.0	-2.3	-1.8	-4.3	0.2	-0.1	0.2	-0.2	-	-8.4	-14.6	11.8
Apr.	99.6	-1.6	-1.2	-3.3	0.2	-0.1	0.2	-0.3	-	0.3	-12.5	14.4
May	99.7	-1.4	-1.0	-2.8	-0.1	-0.2	0.1	-0.3	-	5.1	-7.8	14.9
June	99.8	-1.0	-0.7	-2.1	0.0	-0.1	0.0	-0.2	-	12.8	-4.2	15.6
July	100.5	-0.1	0.1	-0.6	-0.1	0.0	0.1	-0.1	-	22.7	-2.3	18.1
Aug.	101.0	0.6	0.9	0.6	-0.1	0.0	0.1	0.0	-	29.2	-0.5	19.2
Sep.	101.5	1.3	1.5	1.7	-0.1	0.3	0.4	0.2	-	41.4	6.6	21.8
Oct.	101.9	2.1	2.0	3.1	0.0	0.4	0.4	0.4	-	44.3	10.7	20.8
Nov.	102.4	3.0	2.8	4.6	0.1	0.4	0.3	0.4	-	60.4	11.9	23.5
Dec.	.	.	.	.	.	.	.	.	-	81.3	19.3	24.8
2000 Jan.	.	.	.	.	.	.	.	.	-	76.2	19.4	24.9

2. Deflators of gross domestic product

	Deflators of GDP ⁴⁾ (s.a.)								
	GDP		Domestic demand	Private consumption	Government consumption	Gross fixed capital formation	Exports	Imports	
	Index, 1995 = 100								
13	14	15	16	17	18	19	20		
1995	100.0	2.6	2.5	2.7	2.7	1.5	2.7	2.4	
1996	102.0	2.0	2.0	2.5	2.1	0.9	0.9	0.8	
1997	103.6	1.6	1.7	1.9	1.6	1.1	2.2	2.8	
1998	105.3	1.6	1.2	1.4	1.3	0.7	0.0	-1.4	
1997 Q3	103.8	1.6	1.9	2.0	1.5	1.2	2.6	3.8	
Q4	104.2	1.6	1.6	1.9	1.7	1.1	2.6	2.9	
1998 Q1	104.8	1.7	1.5	1.6	1.1	0.8	1.6	1.0	
Q2	105.1	1.7	1.4	1.6	1.2	0.9	0.7	-0.2	
Q3	105.5	1.6	1.0	1.2	1.7	0.7	-0.5	-2.5	
Q4	105.8	1.5	0.8	1.0	1.4	0.4	-1.8	-4.0	
1999 Q1	106.2	1.4	0.8	1.1	1.6	0.3	-2.2	-4.0	
Q2	106.3	1.1	1.0	1.3	1.9	0.4	-1.3	-1.7	
Q3	106.5	1.0	1.4	1.3	1.9	0.8	-0.2	1.1	

Sources: Eurostat, except columns 10 and 11 (HWWA, Institut für Wirtschaftsforschung, Hamburg), column 12 (International Petroleum Exchange), and columns 13 to 20 (ECB calculations based on Eurostat data).

1) Residential buildings, based on non-harmonised data.

2) To December 1998, in ECU; from January 1999, in euro.

3) Brent Blend (for one-month forward delivery). To December 1998, in ECU; from January 1999, in euro.

4) Based mainly on the ESA 95; data to end-1998 are based on national deflators in domestic currency.

5 Real economy indicators in the euro area

Table 5.1

National accounts ¹⁾

1. Current prices

(EUR billions (ECU billions to end-1998), seasonally adjusted)

	GDP	Domestic demand	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories ²⁾	Exports ³⁾	Imports ³⁾
	1	2	3	4	5	6	7	8
1995	5,307.9	5,220.0	2,995.8	1,097.2	1,094.1	32.8	1,548.8	1,460.9
1996	5,527.7	5,411.8	3,138.4	1,147.7	1,119.9	5.9	1,636.4	1,520.5
1997	5,641.5	5,503.0	3,189.6	1,153.4	1,135.2	24.9	1,803.4	1,664.9
1998	5,864.6	5,729.9	3,313.7	1,181.0	1,189.0	46.1	1,910.2	1,775.5
1998 Q2	1,458.6	1,423.0	823.2	294.2	292.2	13.3	480.6	445.0
Q3	1,473.4	1,438.2	832.9	296.1	299.8	9.4	478.9	443.7
Q4	1,487.7	1,456.6	843.8	298.5	302.7	11.6	473.0	441.9
1999 Q1	1,501.9	1,474.0	852.0	304.1	308.6	9.3	471.1	443.2
Q2	1,511.6	1,486.5	859.4	305.6	311.1	10.3	483.5	458.4
Q3	1,528.8	1,503.6	868.1	308.4	317.6	9.5	500.1	475.0

2. Constant prices

(ECU billions at 1995 prices, seasonally adjusted)

	GDP	Domestic demand	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories ²⁾	Exports ³⁾	Imports ³⁾
	9	10	11	12	13	14	15	16
1995	5,307.9	5,220.0	2,995.8	1,097.2	1,094.1	32.8	1,548.8	1,460.9
1996	5,379.0	5,266.5	3,038.9	1,117.8	1,104.2	5.7	1,618.6	1,506.1
1997	5,498.6	5,356.0	3,081.2	1,125.0	1,127.4	22.4	1,779.4	1,636.8
1998	5,647.4	5,531.7	3,170.9	1,140.3	1,175.4	45.1	1,892.9	1,777.2
1998 Q2	1,409.7	1,377.7	790.0	285.2	289.7	12.8	475.3	443.3
Q3	1,415.9	1,387.2	795.6	285.3	296.0	10.2	474.9	446.1
Q4	1,419.0	1,396.0	800.7	285.1	297.0	13.2	471.7	448.7
1999 Q1	1,426.7	1,407.2	806.5	288.9	302.5	9.3	471.5	451.9
Q2	1,434.1	1,413.1	808.7	288.5	303.8	12.1	481.7	460.7
Q3	1,447.7	1,421.0	814.7	290.0	308.5	7.8	496.0	469.2

(annual percentage changes)

1995	2.2	2.2	1.8	1.0	2.5	—	6.5	6.8
1996	1.3	0.9	1.4	1.9	0.9	—	4.5	3.1
1997	2.2	1.7	1.4	0.6	2.1	—	9.9	8.7
1998	2.7	3.3	2.9	1.4	4.3	—	6.4	8.6
1998 Q2	2.8	3.0	2.7	1.5	2.9	—	8.4	9.6
Q3	2.6	3.5	3.3	1.2	4.8	—	4.5	7.6
Q4	1.9	3.0	3.0	1.2	3.5	—	1.8	5.2
1999 Q1	1.7	2.7	2.8	1.5	3.4	—	0.1	2.9
Q2	1.7	2.6	2.4	1.2	4.9	—	1.3	3.9
Q3	2.2	2.4	2.4	1.6	4.2	—	4.4	5.2

Source: Eurostat.

1) Based mainly on the ESA 95. See the first section of the general notes for a brief explanation of features of current price data expressed in ECU up to end-1998.

2) Including acquisitions less disposals of valuables.

3) Exports and imports cover goods and services and include cross-border trade within the euro area.

Table 5.2
Selected other real economy indicators ¹⁾
1. Industrial production
(annual percentage changes, unless otherwise indicated)

	Total including construction		Total excluding construction		Manufacturing						Construction
	Index (s.a.) 1995 = 100		Index (s.a.) 1995 = 100		5	Intermediate goods	Capital goods	Consumer goods		11	
	1	2	3	4				8	9			10
1995	100.1	2.8	100.1	3.4	3.5	2.6	7.3	0.8	-1.1	1.8	-0.4
1996	100.1	-0.1	100.4	0.3	0.0	-0.2	1.4	-0.2	-0.2	-0.4	-2.0
1997	103.9	3.8	104.8	4.4	5.0	5.4	5.0	2.7	2.8	2.6	-0.5
1998	107.5	3.5	109.1	4.1	4.6	3.7	6.7	3.1	6.3	1.5	-0.5
1998 Q3	107.7	3.2	109.3	3.9	4.3	2.8	6.6	3.4	6.6	1.9	-0.9
Q4	107.3	1.0	109.1	1.5	1.4	0.2	4.2	1.3	4.6	-0.3	-2.3
1999 Q1	107.8	0.3	109.3	0.5	0.2	-0.1	1.1	1.1	1.9	0.8	-0.6
Q2	108.3	0.6	109.9	0.4	0.3	0.2	-0.3	1.2	2.7	0.2	1.7
Q3	109.3	1.5	111.4	2.1	2.1	2.8	1.1	2.0	2.4	2.3	2.5
1998 Nov.	107.5	1.7	109.5	2.3	2.0	1.2	4.7	1.8	4.4	0.3	-2.1
Dec.	106.8	-0.6	108.2	-0.2	-0.7	-1.9	2.4	-0.7	0.6	-1.2	-3.3
1999 Jan.	108.2	1.5	109.3	1.5	1.4	0.3	3.5	2.5	4.7	1.3	1.8
Feb.	107.3	-0.7	108.9	-0.2	-0.9	-0.8	0.4	-0.1	0.9	-0.4	-4.0
Mar.	108.1	0.3	109.8	0.3	0.1	0.2	-0.3	1.1	0.6	1.7	0.4
Apr.	108.0	-0.1	109.1	-0.3	-0.3	-0.7	-0.1	0.1	1.1	-0.2	1.5
May	108.2	0.1	109.9	0.0	-0.1	-0.2	-1.2	1.4	3.2	-0.1	0.8
June	108.8	1.6	110.6	1.5	1.3	1.4	0.3	2.1	3.9	0.8	2.8
July	109.1	1.4	111.0	1.1	0.9	1.8	-0.6	1.1	0.5	1.7	2.6
Aug.	108.9	0.8	111.5	3.3	3.3	3.5	1.7	4.5	9.7	3.6	2.1
Sep.	109.7	2.3	111.9	2.3	2.4	3.1	2.2	1.0	0.1	1.7	2.6
Oct.	109.8	2.0	112.0	1.9	2.2	2.1	1.9	1.4	-0.1	2.3	3.5
Nov.	.	.	112.6	2.8	3.3	3.4	2.1	2.4	1.8	2.3	.

2. Retail sales and car registrations
(annual percentage changes, unless otherwise indicated)

	Retail sales								New passenger car registrations	
	Current prices				Constant prices				Thousands ²⁾ (s.a.)	21
	Total		Total		Food, beverages, tobacco	Non-food		Textiles, clothing, footwear			Household equipment
	Index (s.a.) 1995 = 100		Index (s.a.) 1995 = 100			17	18		19	
12	13	14	15	16	17	18	19	20		
1995	100.0	.	100.0	.	.	.	.	.	777	0.8
1996	102.1	2.1	100.5	0.5	0.6	.	-1.1	0.0	826	6.2
1997	104.4	2.3	101.7	1.2	1.2	0.9	0.7	1.1	861	4.2
1998	108.1	3.5	104.4	2.7	1.9	2.8	1.7	3.8	923	7.2
1999	.	.	.	.	.	.	.	.	973	5.4
1998 Q4	109.2	3.4	105.4	2.9	3.3	2.6	0.3	2.9	950	6.3
1999 Q1	110.1	3.2	105.9	2.5	2.4	2.0	2.0	1.2	976	7.1
Q2	110.8	2.7	106.4	2.2	2.9	1.6	1.9	2.5	980	8.4
Q3	111.8	2.7	107.1	1.9	3.0	0.7	-2.2	3.4	989	6.3
Q4	.	.	.	.	.	.	.	.	946	-0.6
1998 Dec.	109.1	2.6	105.2	1.9	2.6	1.7	-1.7	1.9	938	3.9
1999 Jan.	109.5	2.4	105.6	2.3	1.4	0.8	1.8	2.7	982	8.8
Feb.	109.7	2.5	105.7	1.8	2.4	1.0	-2.2	0.4	963	5.5
Mar.	111.0	4.7	106.5	3.4	3.4	4.2	5.7	0.7	984	6.9
Apr.	110.1	2.2	106.0	1.8	1.5	1.7	2.5	3.5	991	11.2
May	110.5	1.8	106.3	1.3	1.0	0.5	-0.2	1.1	970	6.0
June	111.6	4.1	107.1	3.5	6.1	2.6	3.7	3.1	979	7.9
July	111.7	2.8	107.1	2.2	2.8	1.5	-0.1	3.3	1,042	10.3
Aug.	112.1	3.1	107.4	2.5	2.8	2.2	0.8	4.1	961	5.5
Sep.	111.6	2.2	106.9	1.1	3.5	-1.2	-6.6	2.9	962	1.8
Oct.	112.9	4.3	108.1	3.7	3.9	2.2	4.6	3.0	968	2.7
Nov.	113.2	3.1	108.0	1.7	2.8	1.8	2.2	1.7	956	-1.3
Dec.	.	.	.	.	.	.	.	.	914	-4.1

Sources: Eurostat, except columns 20 and 21 (ECB calculation based on data from the ACEA/A.A.A., European Automobile Manufacturers' Association).
1) Adjusted for variations in the number of working days.
2) Monthly averages.

Table 5.3

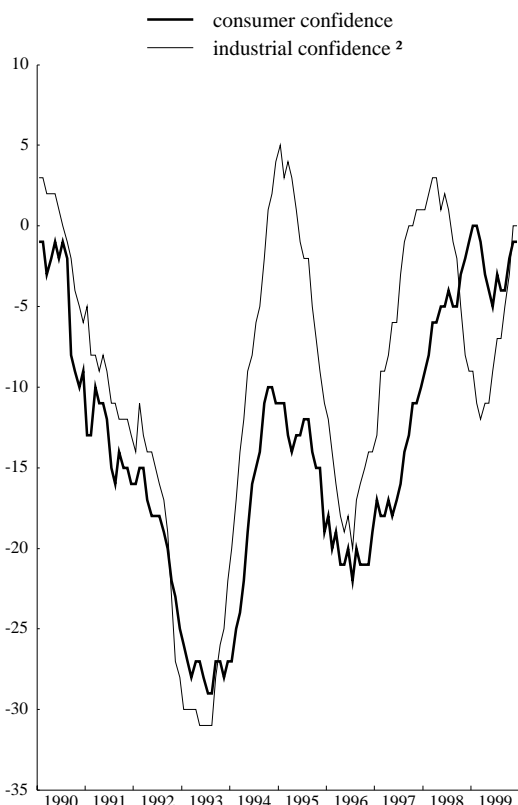
Business and consumer surveys

(percentage balances, seasonally adjusted, unless otherwise indicated)

	Manufacturing industry				Construction confidence indicator	Retail trade confidence indicator	Consumer confidence indicator
	Confidence indicator	Production expectations	Assessment of order books	Capacity utilisation ¹⁾ (percentages)			
	1	2	3	4	5	6	7
1995	-2	10	-8	82.6	-27	-12	-14
1996	-16	-1	-30	80.6	-36	-11	-20
1997	-4	11	-15	81.0	-33	-9	-15
1998	-1	11	-5	83.0	-19	-3	-5
1999	-7	6	-17	81.8	-7	-5	-2
1998 Q4	-7	3	-13	82.8	-15	-3	-2
1999 Q1	-11	1	-20	82.0	-9	-3	0
Q2	-10	3	-21	81.8	-7	-4	-4
Q3	-6	8	-17	81.6	-7	-7	-4
Q4	-1	13	-9	81.9	-3	-7	-1
1998 Dec.	-9	2	-15	-	-14	-4	-1
1999 Jan.	-9	2	-16	-	-9	0	0
Feb.	-11	1	-20	-	-9	-4	0
Mar.	-12	0	-23	-	-9	-6	-1
Apr.	-11	2	-20	-	-7	-1	-3
May	-11	3	-22	-	-8	-3	-4
June	-9	5	-22	-	-6	-9	-5
July	-7	7	-18	-	-5	-6	-3
Aug.	-7	7	-17	-	-9	-7	-4
Sep.	-5	10	-15	-	-8	-7	-4
Oct.	-3	13	-11	-	-6	-9	-2
Nov.	0	15	-9	-	0	-9	-1
Dec.	0	12	-6	-	-4	-2	-1

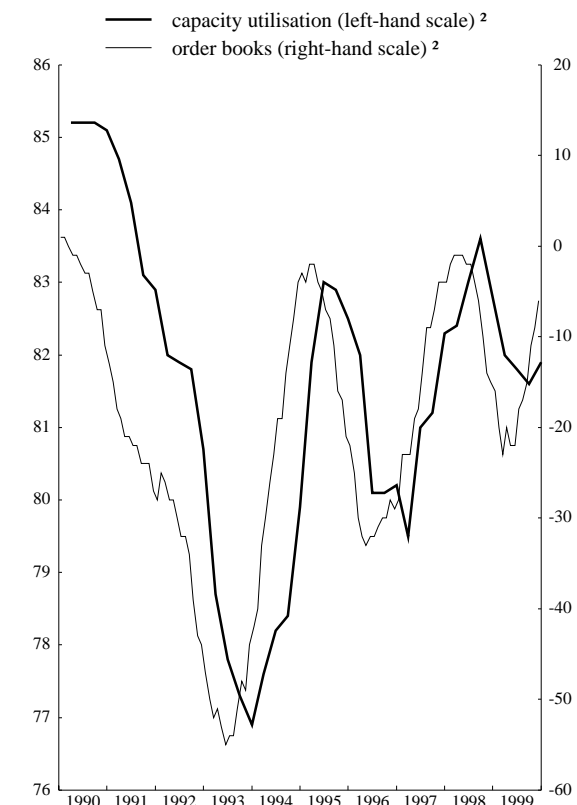
Consumer and industrial confidence indicators

(percentage balances; monthly, seasonally adjusted)



Capacity utilisation and order books

(capacity utilisation, percentages, quarterly; order books, percentage balances, monthly; seasonally adjusted)



Source: European Commission Business and Consumer Surveys.

1) Data on capacity utilisation are collected in January, April, July and October. Annual data are averages of the four quarterly surveys.

2) Manufacturing.

Table 5.4
Labour market indicators
1. Employment and unemployment ¹⁾
(annual percentage changes, unless otherwise indicated)

	Employment						Unemployment (s.a.)			
	Whole economy				Industry (excluding construction)	Services	Total		Adult ²⁾	Youth ²⁾
	Index, 1995 = 100		Employees	Self- employed			Millions	% of labour force	% of labour force	% of labour force
1	2	3	4	5	6	7	8	9	10	
1995	100.0	.	.	.	.	.	14.295	11.3	9.5	23.2
1996	100.3	0.3	0.3	0.4	-1.2	1.3	14.713	11.6	9.8	23.9
1997	100.8	0.5	0.7	0.0	-0.4	1.1	14.799	11.6	9.9	23.2
1998	102.1	1.3	1.4	0.6	0.9	1.7	14.015	10.9	9.4	21.3
1999	.	.	.	.	.	.	12.927	10.0	8.8	19.1
1998 Q4	.	.	1.6	.	.	.	13.619	10.6	9.2	20.7
1999 Q1	.	.	1.7	.	.	.	13.281	10.3	9.0	20.1
Q2	.	.	1.7	.	.	.	13.031	10.1	8.9	19.3
Q3	.	.	1.5	.	.	.	12.864	10.0	8.7	19.0
Q4	.	.	.	.	.	.	12.531	9.7	8.6	18.3
1998 Dec.	-	-	-	-	-	-	13.492	10.5	9.1	20.5
1999 Jan.	-	-	-	-	-	-	13.373	10.4	9.0	20.3
Feb.	-	-	-	-	-	-	13.313	10.3	9.0	20.1
Mar.	-	-	-	-	-	-	13.157	10.2	8.9	19.7
Apr.	-	-	-	-	-	-	13.099	10.2	8.9	19.5
May	-	-	-	-	-	-	13.022	10.1	8.9	19.2
June	-	-	-	-	-	-	12.972	10.1	8.8	19.1
July	-	-	-	-	-	-	12.925	10.0	8.8	19.1
Aug.	-	-	-	-	-	-	12.913	10.0	8.8	19.1
Sep.	-	-	-	-	-	-	12.753	9.9	8.7	18.8
Oct.	-	-	-	-	-	-	12.644	9.8	8.6	18.5
Nov.	-	-	-	-	-	-	12.562	9.8	8.6	18.3
Dec.	-	-	-	-	-	-	12.387	9.6	8.5	18.0

2. Labour costs and productivity
(annual percentage changes)

	Unit labour cost in the whole economy, and components (s.a.)			Labour cost indices ³⁾ and components						Earnings per employee in manufacturing
	Unit labour cost	Compensation per employee	Labour productivity	Total	Wages and salaries	Other	Industry	Services		
							Total	Total		
							11	12	13		14	15	16	17	18
1995	1.5	3.4	1.9	-	-	-	-	-	3.7	
1996	2.0	3.2	1.2	3.4	3.0	4.5	3.4	3.9	3.7	
1997	0.7	2.4	1.7	2.6	2.4	3.3	2.4	2.6	2.8	
1998	0.0	1.5	1.5	1.7	1.9	1.0	1.8	1.2	2.4	
1997 Q3	0.4	2.1	1.8	2.1	2.1	2.7	2.3	1.7	2.6	
Q4	0.0	2.1	2.1	2.6	2.4	3.2	2.4	2.2	2.7	
1998 Q1	-1.5	1.3	2.8	1.7	1.9	1.2	1.5	1.3	2.0	
Q2	0.0	1.4	1.4	1.8	2.0	0.8	2.0	1.3	2.5	
Q3	0.2	1.5	1.2	1.6	1.7	1.1	1.8	1.1	2.3	
Q4	0.7	1.4	0.6	1.8	1.9	1.1	2.0	1.2	2.6	
1999 Q1	1.7	1.8	0.1	2.0	2.1	2.1	2.1	1.4	2.4	
Q2	1.7	2.0	0.4	2.0	2.1	1.8	1.8	1.9	2.2	
Q3	.	.	.	2.2	2.3	1.9	2.2	2.0	.	

Sources: ECB calculations based on Eurostat data (columns 1 to 6 and 18), Eurostat (columns 7 to 10, 14 to 17) and ECB calculations based on national data (columns 11 to 13 and 19).

1) Data for employment are based on the ESA 95. Data for unemployment follow ILO recommendations.

2) Adult, 25 years and over; youth, below 25 years; expressed as a percentage of the labour force for the relevant age group.

3) Hourly labour costs for the whole economy, excluding the agriculture, public administration, education and health sectors. Owing to differences in coverage, components are not consistent with the total.

6 Saving, investment and financing in the euro area

Table 6

Saving, investment and financing

(as a percentage of GDP, unless otherwise indicated)

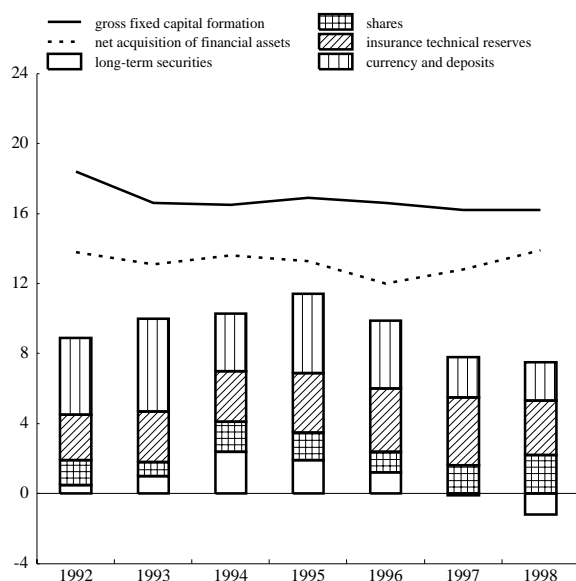
	Euro area saving and investment ¹⁾			Investment of private non-financial sectors ¹⁾²⁾							
	Gross saving	Gross fixed capital formation	Net lending to the rest of the world	Gross fixed capital formation	Non-financial corporations	Net acquisition of financial assets	Currency and deposits	Securities other than shares	Long-term securities	Shares	Insurance technical reserves
1991	21.9	23.0	-1.3	19.1	14.3	16.6	3.9	3.0	2.5	1.7	2.5
1992	20.9	22.2	-1.0	18.4	13.7	13.8	4.4	1.7	0.5	1.4	2.6
1993	20.0	20.2	0.5	16.6	12.3	13.1	5.3	0.6	1.0	0.8	2.9
1994	20.4	19.8	0.3	16.5	12.3	13.6	3.3	2.2	2.4	1.7	2.9
1995	21.3	20.1	0.8	16.9	12.6	13.3	4.5	2.2	1.9	1.6	3.4
1996	20.9	19.8	1.2	16.6	12.3	12.0	3.9	0.2	1.2	1.2	3.6
1997	21.6	19.2	1.9	16.2	12.0	12.8	2.3	-0.8	-0.1	1.6	3.9
1998	21.9	19.3	1.3	16.2	12.1	13.9	2.2	-2.1	-1.2	2.2	3.1

	Financing of private non-financial sectors ¹⁾²⁾									Net financial investment ³⁾	Financial investment as a % of gross investment ⁴⁾	Net incurrence of liabilities as a % of financing ⁵⁾
	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
1991	21.0	12.1	13.2	0.4	0.4	1.6	9.1	5.0	3.4	46.5	38.6	
1992	20.7	12.1	10.3	0.7	0.6	1.4	6.8	4.7	3.5	42.9	33.2	
1993	20.4	11.5	7.6	1.3	1.4	1.6	3.6	4.3	5.5	44.1	27.1	
1994	20.3	10.6	9.5	1.0	1.1	1.8	3.6	3.5	4.1	45.2	31.9	
1995	21.1	10.9	7.0	-1.8	-1.8	1.4	5.4	3.6	6.3	44.0	24.9	
1996	20.3	10.7	8.1	0.2	0.0	1.7	5.3	4.3	3.9	42.0	28.5	
1997	19.8	9.4	9.4	0.1	0.0	1.5	6.5	4.8	3.4	44.1	32.2	
1998	18.7	8.7	11.9	0.5	0.3	2.6	7.5	5.6	2.0	46.2	38.9	

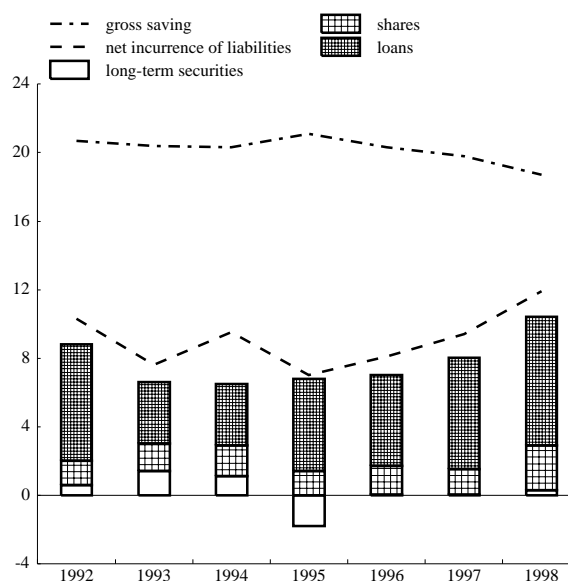
Investment and financing of private non-financial sectors ¹⁾²⁾

(as a percentage of GDP)

Investment



Financing



Source: ECB.

1) Selected items of investment and financing.

2) Private non-financial sectors comprise non-financial corporations, households and non-profit institutions serving households.

3) column 6 - column 14

4) column 6:(column 4+ column 6)

5) column 14:(column 12+ column 14)

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⁾ – receipts and expenditure

	Receipts							Expenditure							
	Total	Current receipts					Capital receipts	Total	Current expenditure					Capital expenditure	
		Direct taxes	Indirect taxes	Social contributions	Sales	Compensation of employees			Inter-mediate consumption	Interest	Transfers to households	Investment			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
1991	46.4	46.1	11.9	12.9	16.8	2.2	0.4	50.9	46.1	11.2	5.4	5.0	20.5	4.8	3.1
1992	47.6	46.8	12.0	12.9	17.1	2.3	0.7	52.2	47.5	11.4	5.5	5.5	21.4	4.7	3.1
1993	48.3	47.8	12.1	13.2	17.6	2.4	0.5	53.9	49.2	11.6	5.7	5.8	22.3	4.7	2.9
1994	47.7	47.2	11.6	13.4	17.5	2.3	0.4	52.7	48.3	11.3	5.5	5.4	22.3	4.4	2.8
1995	47.4	46.8	11.7	13.3	17.4	2.4	0.5	52.4	48.0	11.2	5.3	5.7	22.3	4.5	2.6
1996	48.2	47.7	12.1	13.4	17.7	2.5	0.5	52.4	48.5	11.2	5.4	5.6	22.8	3.9	2.5
1997	48.5	47.8	12.3	13.5	17.6	2.4	0.7	51.0	47.3	11.0	5.3	5.1	22.6	3.7	2.3
1998	48.1	47.5	12.5	14.2	16.6	2.4	0.5	50.0	46.2	10.7	5.2	4.6	22.1	3.8	2.3

2. Euro area ¹⁾ – saving, deficit and debt

	Gross saving	Deficit (-) / surplus (+)				Primary deficit/surplus	Deficit/debt adjustment ²⁾	Change in debt ³⁾				Gross nominal consolidated debt			
		Total	Central government	State and 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
1991	0.0	-4.4	-4.3	-0.4	0.3	0.5	0.7	5.1	1.3	0.0	3.9	58.1	18.5	8.5	31.2
1992	-0.7	-4.6	-4.1	-0.5	-0.1	0.8	2.1	6.7	1.7	0.8	4.2	61.7	19.2	8.9	33.6
1993	-1.4	-5.6	-4.9	-0.6	0.0	0.2	2.5	8.1	1.5	-0.3	6.9	68.2	20.2	8.3	39.7
1994	-1.1	-5.1	-4.4	-0.7	0.0	0.4	0.9	5.9	0.2	0.6	5.1	70.7	19.4	8.5	42.8
1995	-1.1	-5.1	-4.3	-0.5	-0.3	0.6	2.1	7.2	2.0	-0.2	5.4	74.7	20.5	7.9	46.3
1996	-0.8	-4.2	-3.6	-0.4	-0.2	1.4	-0.3	3.9	0.3	0.2	3.4	76.0	20.2	7.8	48.0
1997	0.5	-2.5	-2.3	-0.3	0.1	2.6	-0.3	2.2	-0.1	-1.0	3.2	75.3	19.3	6.5	49.4
1998	1.4	-2.0	-2.1	0.1	0.1	2.7	-0.4	1.6	-0.3	-0.7	2.6	73.5	18.1	5.6	49.8

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	-3.1	-4.4	-2.0	-2.3	-10.1	1.9	-2.9	-3.0	-6.0	-1.0
1992	-7.0	-2.6	-4.0	-3.8	-2.5	-9.6	0.7	-3.9	-2.0	-3.0	-5.9
1993	-7.3	-3.2	-6.8	-5.7	-2.2	-9.5	1.6	-3.2	-4.2	-6.1	-7.1
1994	-4.9	-2.4	-6.2	-5.8	-1.7	-9.2	2.7	-3.8	-5.0	-6.0	-6.4
1995	-3.8	-3.3	-7.1	-4.9	-2.1	-7.7	1.8	-4.1	-5.1	-5.7	-4.6
1996	-3.1	-3.4	-4.5	-4.1	-0.2	-6.6	2.8	-1.8	-3.7	-3.3	-3.1
1997	-1.6	-2.7	-2.5	-3.0	1.0	-2.7	3.8	-1.0	-1.8	-2.5	-1.2
1998	-0.9	-2.0	-1.7	-2.9	2.4	-2.7	2.5	-0.7	-2.2	-2.2	0.9

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	128.5	41.4	44.6	35.7	94.3	101.5	4.0	79.0	57.9	62.9	23.1
1992	130.1	44.0	47.1	39.6	91.1	108.7	4.9	80.0	57.9	56.3	41.3
1993	136.8	48.0	59.0	45.7	92.6	119.1	5.9	81.2	62.7	61.0	57.6
1994	135.1	50.2	61.3	48.5	86.1	124.9	5.5	77.9	65.4	63.8	59.3
1995	132.0	58.3	64.2	52.8	78.4	125.3	5.8	77.9	69.4	65.9	58.1
1996	128.8	60.8	68.5	55.7	68.6	124.6	6.3	76.1	69.8	64.9	57.6
1997	123.4	61.5	67.1	58.1	59.9	122.4	6.4	70.8	64.1	61.7	55.0
1998	118.2	61.1	65.1	58.8	49.5	118.7	6.9	67.5	63.0	57.8	49.7

Sources: ECB for euro area aggregated data; for data relating to countries' deficit/surplus and debt, 1995-98: European Commission (Economic and Financial Affairs DG and Eurostat), 1991-94: ECB.

1) Receipts, expenditure and deficit aggregates based mainly on the ESA 95. Euro area excluding Luxembourg; transactions among countries are not consolidated.

2) Difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.

3) Annual change in gross nominal consolidated debt expressed as a percentage of GDP [$\text{debt}(t) - \text{debt}(t-1) / \text{GDP}(t)$].

8 Balance of payments and international investment position of the euro area (including reserves)

Table 8.1

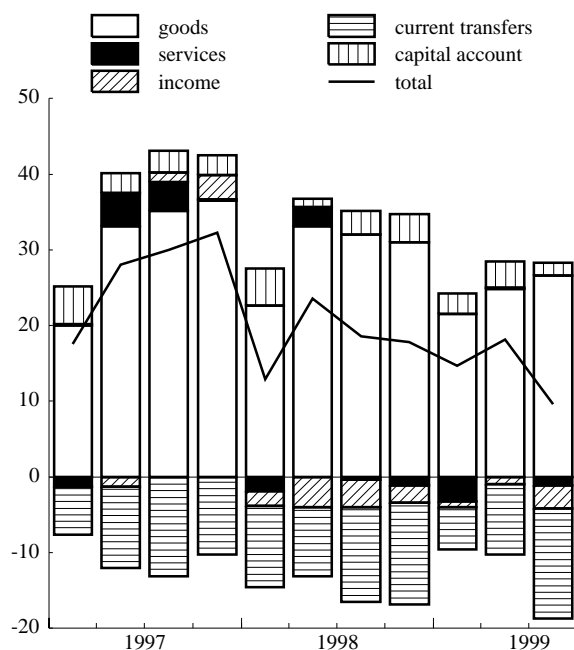
Summary balance of payments

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

	Current account					Capital account	Financial account ¹⁾						Errors and omissions
	Total	Goods	Services	Income	Current transfers		Total	Direct investment	Portfolio investment	Financial derivatives	Other investment ⁴⁾	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13
1997 ²⁾	94.7	124.8	7.1	3.3	-40.5	13.1	.	-48.1	-22.8	.	.	.	.
1998 ³⁾	60.3	118.8	-0.9	-11.9	-45.8	12.7	-69.1	-102.6	-85.3	-8.2	118.5	8.5	-3.8
1998 Q3	15.5	32.0	-0.4	-3.7	-12.5	3.1	-15.6	-20.0	8.8	1.1	-8.2	2.6	-3.0
Q4	14.2	31.0	-1.2	-2.3	-13.4	3.7	-36.2	-56.5	-39.7	-5.3	58.7	6.7	18.3
1999 Q1	11.9	21.5	-3.2	-0.8	-5.5	2.8	-33.1	-15.6	-54.7	-1.4	33.0	5.5	18.4
Q2	14.8	24.8	0.2	-0.9	-9.3	3.4	-28.3	-52.6	-7.0	-0.6	25.3	6.6	10.1
Q3	7.9	26.6	-1.1	-3.0	-14.6	1.6	-6.7	-23.3	29.8	1.5	-16.1	1.4	-2.9
1998 Sep.	0.7	7.9	-0.8	-1.6	-4.9	0.5	-37.2	-6.5	-12.6	0.3	-22.9	4.5	36.0
Oct.	3.7	10.6	-1.0	-1.0	-4.9	0.8	-9.7	-18.0	-30.7	-2.9	44.8	-2.9	5.3
Nov.	4.4	10.2	-0.3	-1.0	-4.6	0.9	7.4	-35.3	3.1	-2.3	47.8	-5.8	-12.6
Dec.	6.1	10.3	0.1	-0.3	-3.9	2.0	-33.8	-3.2	-12.0	-0.1	-33.9	15.4	25.7
1999 Jan.	-0.5	4.8	-2.9	-0.4	-2.0	2.7	0.4	-4.7	8.8	-1.9	0.3	-2.1	-2.6
Feb.	4.1	6.9	0.0	-0.6	-2.2	-0.1	6.8	-6.2	-26.4	-0.4	34.8	5.0	-10.8
Mar.	8.3	9.8	-0.4	0.2	-1.4	0.2	-40.3	-4.6	-37.1	0.9	-2.1	2.7	31.8
Apr.	6.8	8.0	-0.4	2.1	-2.9	0.5	-5.1	-14.6	13.6	3.5	-9.3	1.8	-2.3
May	0.5	5.9	0.7	-2.9	-3.2	1.4	-11.0	-19.1	-28.5	-3.9	37.0	3.5	9.1
June	7.4	11.0	-0.1	-0.2	-3.2	1.4	-12.2	-18.9	7.9	-0.1	-2.3	1.3	3.3
July	7.6	14.6	-0.1	-2.4	-4.5	0.7	-24.4	-9.8	-3.2	0.8	-11.5	-0.8	16.2
Aug.	2.4	6.5	-0.5	1.2	-4.8	0.6	27.2	-7.2	12.0	1.9	20.0	0.5	-30.2
Sep.	-2.0	5.6	-0.6	-1.8	-5.2	0.4	-9.5	-6.3	20.9	-1.2	-24.6	1.7	11.1
Oct.	3.6	10.2	-0.6	-1.9	-4.0	1.6	12.0	-11.6	-14.4	-1.4	39.4	0.1	-17.2
Nov.	2.4	8.3	-1.1	-0.3	-4.5	0.8	-0.6	-17.5	18.0	1.6	-3.2	0.6	-2.6

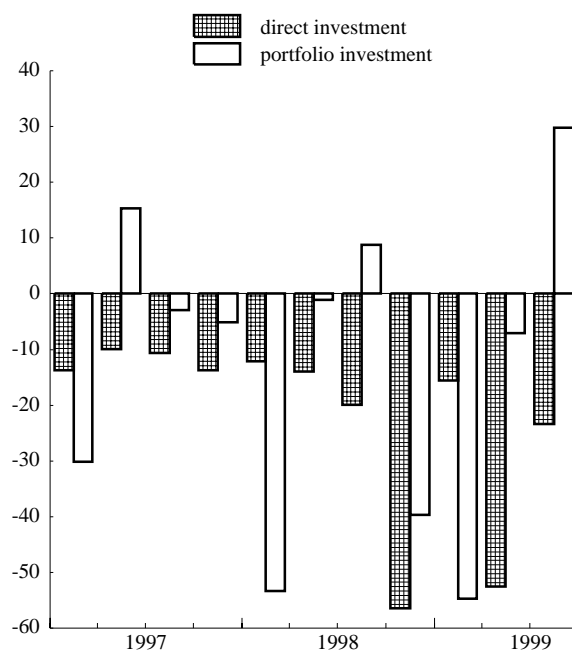
Current and capital accounts

(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 on services and income are not closely comparable with later observations.

3) Data before end-1998 on portfolio investment, financial derivatives, other investment and reserve assets are not closely comparable with later observations.

4) Flows before January 1999 include estimates.

Table 8.2**Balance of payments: current and capital accounts***(EUR billions (ECU billions to end-1998); gross flows)*

	Current account										Capital account	
	Total		Goods		Services		Income		Current transfers		Credit 11	Debit 12
	Credit 1	Debit 2	Credit 3	Debit 4	Credit 5	Debit 6	Credit 7	Debit 8	Credit 9	Debit 10		
1997 ¹⁾	1,212.2	1,117.5	744.1	619.3	217.9	210.8	189.5	186.2	60.7	101.1	18.9	5.8
1998	1,264.0	1,203.7	772.4	653.6	232.0	232.8	198.5	210.4	61.1	106.9	17.8	5.1
1998 Q3	310.8	295.2	189.4	157.4	61.6	62.0	47.5	51.2	12.2	24.6	4.3	1.2
Q4	316.6	302.4	195.7	164.7	58.1	59.3	50.3	52.6	12.4	25.9	5.2	1.6
1999 Q1	299.7	287.7	179.7	158.2	50.7	53.9	45.5	46.3	23.8	29.3	4.4	1.7
Q2	324.0	309.2	193.1	168.2	59.3	59.1	56.8	57.8	14.8	24.2	4.6	1.2
Q3	322.0	314.1	199.9	173.2	62.5	63.6	46.8	49.8	12.9	27.5	3.1	1.5
1998 Sep.	103.6	102.9	63.6	55.7	19.6	20.4	16.6	18.2	3.7	8.6	0.9	0.4
Oct.	105.7	101.9	67.1	56.5	19.4	20.4	15.7	16.7	3.4	8.4	1.2	0.4
Nov.	101.5	97.1	64.4	54.2	17.9	18.1	15.3	16.3	4.0	8.5	1.3	0.5
Dec.	109.4	103.3	64.3	54.0	20.8	20.8	19.3	19.6	5.0	9.0	2.7	0.6
1999 Jan.	95.0	95.5	53.5	48.7	14.9	17.8	14.4	14.8	12.3	14.3	3.1	0.4
Feb.	94.7	90.5	57.4	50.5	17.2	17.2	13.8	14.5	6.2	8.4	0.7	0.8
Mar.	110.0	101.7	68.8	59.0	18.7	19.0	17.3	17.1	5.3	6.6	0.6	0.5
Apr.	105.4	98.5	63.3	55.3	18.5	18.9	18.7	16.6	4.9	7.8	1.0	0.4
May	102.2	101.7	60.7	54.9	19.2	18.5	16.9	19.7	5.4	8.6	1.8	0.3
June	116.4	109.0	69.1	58.1	21.6	21.7	21.2	21.4	4.6	7.8	1.9	0.5
July	115.5	107.9	72.8	58.2	22.7	22.8	15.3	17.8	4.6	9.1	1.3	0.6
Aug.	97.9	95.5	58.8	52.3	19.1	19.6	15.8	14.6	4.2	9.0	1.0	0.4
Sep.	108.7	110.7	68.2	62.7	20.6	21.2	15.7	17.5	4.1	9.4	0.8	0.5
Oct.	111.2	107.6	71.7	61.6	19.7	20.4	15.1	17.1	4.6	8.6	2.1	0.5
Nov.	113.1	110.7	73.6	65.2	19.1	20.3	16.5	16.8	4.0	8.5	1.5	0.6

Source: ECB.

1) Data on services and income are not closely comparable with later observations.

Table 8.3**Balance of payments: income account***(EUR billions; gross flows)*

	Total		Compensation of employees		Investment income							
	Credit 1	Debit 2	Credit 3	Debit 4	Total		Direct investment		Portfolio investment		Other investment	
					Credit 5	Debit 6	Credit 7	Debit 8	Credit 9	Debit 10	Credit 11	Debit 12
1999 Q1	45.5	46.3	2.3	0.9	43.2	45.4	7.8	8.8	12.5	15.0	23.0	21.6
Q2	56.8	57.8	2.3	1.3	54.5	56.5	12.7	8.1	16.2	24.1	25.5	24.3
Q3	46.8	49.8	2.3	1.4	44.5	48.4	9.5	9.8	14.6	17.9	20.4	20.7

	Income on direct investment				Income on portfolio investment							
	Equity		Debt		Equity		Debt instruments					
	Credit 13	Debit 14	Credit 15	Debit 16	Credit 17	Debit 18	Total		Bonds and notes		Money market instruments	
							Credit 19	Debit 20	Credit 21	Debit 22	Credit 23	Debit 24
1999 Q1	6.9	8.0	0.9	0.9	1.6	3.6	10.9	11.3	10.5	10.9	0.5	0.5
Q2	11.5	7.0	1.2	1.1	3.4	10.9	12.9	13.1	12.3	12.5	0.6	0.7
Q3	8.2	8.6	1.3	1.2	2.4	5.5	12.2	12.4	11.7	11.9	0.6	0.5

Source: ECB.

Table 8.4
Balance of payments: direct and portfolio investment accounts ¹⁾
(EUR billions (ECU billions to end-1998); net flows)
1. Direct investment; portfolio investment by instrument

	Direct investment		Portfolio investment ²⁾										
	Abroad	In the euro area	Total		Equity		Debt instruments						
			Assets	Liabilities	Assets	Liabilities	Assets			Liabilities			
							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		
1997	-93.4	45.3
1998	-183.0	80.4	-302.1	216.8	-98.7	98.3	-203.3	-187.1	-16.3	118.5	102.7	15.8	
1998 Q3	-25.3	5.3	-60.2	69.1	-13.2	5.5	-47.1	-42.2	-4.8	63.5	47.0	16.6	
Q4	-70.0	13.5	-61.4	21.7	-20.1	41.6	-41.2	-29.2	-12.0	-19.9	-18.0	-1.9	
1999 Q1	-36.3	20.8	-65.3	10.7	-21.7	-5.4	-43.6	-43.8	0.1	16.1	2.9	13.2	
Q2	-76.9	24.3	-85.6	78.6	-40.9	31.3	-44.7	-52.5	7.8	47.3	33.7	13.7	
Q3	-26.9	3.6	-64.3	94.1	-37.2	27.1	-27.0	-21.0	-6.1	67.0	42.3	24.7	
1998 Sep.	-19.2	12.7	-19.5	6.9	-8.1	-2.0	-11.4	-7.8	-3.6	8.9	9.4	-0.6	
Oct.	-13.0	-5.0	-9.6	-21.1	-2.0	-2.0	-7.6	-6.7	-0.9	-19.1	-24.7	5.6	
Nov.	-42.7	7.4	-32.0	35.0	-10.0	36.4	-21.9	-13.8	-8.2	-1.4	-0.8	-0.6	
Dec.	-14.2	11.0	-19.8	7.7	-8.1	7.1	-11.7	-8.8	-2.9	0.6	7.5	-6.9	
1999 Jan.	-11.8	7.1	-19.1	27.9	-6.4	9.5	-12.7	-9.3	-3.4	18.4	15.7	2.7	
Feb.	-12.0	5.8	-16.2	-10.2	-4.3	1.9	-11.9	-13.2	1.3	-12.1	-18.0	6.0	
Mar.	-12.5	7.9	-30.0	-7.1	-11.0	-16.9	-19.0	-21.2	2.3	9.7	5.2	4.5	
Apr.	-23.3	8.7	-22.2	35.8	-11.7	8.2	-10.5	-14.8	4.3	27.6	27.7	-0.1	
May	-28.3	9.1	-37.9	9.4	-15.7	10.8	-22.2	-23.3	1.1	-1.4	-9.2	7.8	
June	-25.3	6.4	-25.5	33.4	-13.5	12.3	-12.0	-14.4	2.4	21.1	15.2	5.9	
July	-3.6	-6.2	-22.0	18.8	-9.8	11.0	-12.2	-11.8	-0.3	7.8	0.4	7.4	
Aug.	-12.8	5.6	-22.8	34.8	-14.8	5.5	-8.0	-6.5	-1.5	29.3	21.8	7.5	
Sep.	-10.5	4.3	-19.5	40.4	-12.6	10.5	-6.9	-2.7	-4.2	29.9	20.1	9.8	
Oct.	-18.5	6.9	-15.3	0.8	-12.2	9.2	-3.0	2.7	-5.7	-8.4	-13.3	4.9	
Nov.	-19.9	2.4	-31.1	49.1	-17.5	14.9	-13.7	-9.2	-4.5	34.3	15.7	18.6	

2. Portfolio investment assets by instrument and sector of holder

	Equity				Debt instruments							
	Euro-system	General government	MFIs (excl. the Euro-system)	Other sectors	Bonds and notes				Money market instruments			
					Euro-system	General government	MFIs (excl. the Euro-system)	Other sectors	Euro-system	General government	MFIs (excl. the Euro-system)	Other sectors
1	2	3	4	5	6	7	8	9	10	11	12	
1999 Q1	0.1	-0.4	1.1	-22.5	0.1	-0.4	5.1	-48.6	1.4	-0.2	-1.1	0.0
Q2	0.0	-0.3	-3.0	-37.7	0.8	-0.3	-10.5	-42.5	0.5	-0.5	1.1	6.6
Q3	0.0	-0.5	6.1	-42.9	0.1	-0.6	-4.4	-16.1	-1.0	0.4	-1.0	-4.4

Source: ECB.

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

2) Data before end-1998 are not closely comparable with later observations and include estimates.

Table 8.5**Balance of payments: other investment account and reserve assets ¹⁾***(EUR billions (ECU billions to end-1998); net flows)***1. Other investment by sector ²⁾**

	Total		Eurosystem		General government		MFIs (excluding the Eurosystem)						Other sectors	
	Assets 1	Liabilities 2	Assets 3	Liabilities 4	Assets 5	Liabilities 6	Total		Long-term		Short-term		Assets 13	Liabilities 14
							Assets 7	Liabilities 8	Assets 9	Liabilities 10	Assets 11	Liabilities 12		
1998	-67.5	186.0	-0.7	3.5	-1.4	-7.7	-22.6	178.1	-34.2	34.8	11.6	143.3	-42.8	12.1
1998 Q3	-84.3	76.1	0.4	-0.6	0.6	-1.9	-71.2	77.8	-13.2	1.7	-58.0	76.2	-14.0	0.8
Q4	59.1	-0.4	-0.5	2.9	3.0	-2.5	53.7	-4.1	-3.7	14.2	57.4	-18.3	2.9	3.2
1999 Q1	-34.6	67.7	2.9	0.0	-3.3	-4.2	-13.4	58.6	-13.9	7.1	0.6	51.5	-20.9	13.3
Q2	1.0	24.4	4.4	0.0	3.9	-2.9	8.2	19.4	-15.6	13.2	23.9	6.2	-15.6	7.8
Q3	-28.1	12.0	-0.3	0.0	-1.6	-2.4	-8.6	10.3	-14.3	8.1	5.7	2.2	-17.7	4.1
1998 Sep.	-65.1	42.2	0.1	-0.4	-0.2	0.9	-56.4	39.2	-4.8	2.3	-51.6	36.9	-8.5	2.4
Oct.	3.5	41.3	0.0	0.4	0.0	0.2	13.5	38.5	-1.3	2.8	14.8	35.7	-10.1	2.2
Nov.	6.7	41.1	-0.1	-2.6	1.2	2.2	1.6	39.8	-0.8	1.8	2.4	38.0	4.1	1.7
Dec.	49.0	-82.8	-0.4	5.2	1.9	-4.9	38.6	-82.4	-1.6	9.6	40.3	-92.0	8.9	-0.7
1999 Jan.	-64.7	65.1	8.4	0.0	0.0	-4.8	-65.0	65.2	-6.2	3.4	-58.8	61.7	-8.2	4.6
Feb.	30.9	3.9	-4.5	0.0	-2.2	-0.6	48.5	1.5	-0.6	-3.2	49.1	4.6	-10.9	3.1
Mar.	-0.8	-1.3	-1.0	0.0	-1.1	1.2	3.2	-8.1	-7.1	6.8	10.3	-14.9	-1.8	5.6
Apr.	10.5	-19.8	0.4	0.0	-0.2	0.3	15.0	-20.8	-4.7	2.7	19.7	-23.5	-4.8	0.7
May	-10.7	47.6	3.1	0.0	1.0	-0.9	-13.4	50.4	-3.9	6.1	-9.5	44.3	-1.4	-1.9
June	1.1	-3.5	0.9	0.0	3.0	-2.3	6.6	-10.1	-7.1	4.5	13.7	-14.6	-9.4	9.0
July	-14.2	2.7	0.8	0.0	-1.7	-1.2	-8.2	0.4	-2.1	3.7	-6.0	-3.2	-5.1	3.5
Aug.	-5.1	25.1	-1.5	0.0	0.2	-0.1	-2.6	26.3	-5.4	0.1	2.8	26.2	-1.2	-1.1
Sep.	-8.8	-15.8	0.5	0.0	-0.1	-1.1	2.2	-16.4	-6.8	4.3	9.0	-20.7	-11.4	1.7
Oct.	-20.0	59.4	-0.1	0.0	-1.1	-0.6	-22.9	54.7	-4.7	4.2	-18.1	50.4	4.1	5.4
Nov.	-66.1	62.9	2.6	0.0	1.0	-1.8	-66.3	61.8	2.4	-1.1	-68.7	62.9	-3.5	2.8

2. Other investment by sector and instrument**2.1. Eurosystem**

	Loans/currency and deposits			Other assets/liabilities		
	Assets 1	Liabilities 2	Balance 3	Assets 4	Liabilities 5	Balance 6
1999 Q1	3.6	0.0	3.6	-0.7	0.0	-0.7
Q2	4.3	0.0	4.3	0.1	0.0	0.1
Q3	-0.3	0.0	-0.3	0.0	0.0	0.0

Source: ECB.

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

2) Data before end-1998 are not closely comparable with later observations and include estimates.

2.2. General government

	Trade credits			Loans/currency and deposits			Other assets/liabilities		
	Assets 7	Liabilities 8	Balance 9	Assets 10	Liabilities 11	Balance 12	Assets 13	Liabilities 14	Balance 15
1999 Q1	-0.2	0.0	-0.2	-2.9	-4.1	-7.0	-0.3	-0.1	-0.4
Q2	-0.1	0.0	-0.1	5.7	-2.7	3.0	-1.8	-0.2	-2.0
Q3	-0.1	0.0	-0.1	-1.2	-2.5	-3.7	-0.3	0.1	-0.2

2.3. MFIs (excluding the Eurosystem)

	Loans/currency and deposits			Other assets/liabilities		
	Assets 16	Liabilities 17	Balance 18	Assets 19	Liabilities 20	Balance 21
1999 Q1	-17.1	61.3	44.2	3.7	-2.7	1.0
Q2	9.1	18.4	27.4	-0.8	1.1	0.2
Q3	-6.8	9.8	3.0	-1.8	0.5	-1.3

2.4. Other sectors

	Trade credits			Loans/currency and deposits			Other assets/liabilities		
	Assets 22	Liabilities 23	Balance 24	Assets 25	Liabilities 26	Balance 27	Assets 28	Liabilities 29	Balance 30
1999 Q1	-3.5	4.1	0.6	-11.8	3.4	-8.4	-5.5	5.8	0.2
Q2	-6.2	-2.9	-9.1	1.4	9.6	11.1	-10.8	1.0	-9.7
Q3	-2.9	-0.1	-3.0	-11.9	2.7	-9.2	-2.9	1.5	-1.4

3. Reserve assets ¹⁾

	Total	Monetary gold	Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims
					Total	Currency and deposits		Securities			Financial derivatives	
						With monetary authorities and the BIS	With banks	Equity	Bonds and notes	Money market instruments		
	1	2	3	4	5	6	7	8	9	10	11	12
1999 Q1	5.5	0.0	2.5	0.0	3.3	1.5	3.0	0.0	1.3	-2.5	0.0	-0.3
Q2	6.6	0.0	-1.1	0.8	6.8	-4.6	-2.4	0.0	11.0	2.8	0.0	0.1
Q3	1.4	0.0	0.2	1.9	-0.9	5.3	-2.7	0.2	-3.2	-0.5	0.0	0.2

Source: ECB.

1) Increase (-); decrease (+).

Table 8.6
International investment position
1. Net international investment position ¹⁾
(EUR billions (ECU billions in 1997); assets minus liabilities; end-of-period positions)

	Total	Direct investment			Portfolio investment					Financial derivatives ²⁾	Other investment				Reserve assets ²⁾
		Total	Equity (including reinvested earnings)	Other capital	Total	Equity securities	Debt instruments				Total	Trade credits	Loans/currency and deposits ²⁾	Other assets/liabilities	
							Total	Bonds and notes	Money market instruments						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
1997	42.2	114.4	129.9	-15.5	-599.6	-361.8	-237.8	-210.7	-27.0	-5.7	169.8	80.0	0.4	89.3	363.3
1998	-132.4	164.6	175.4	-10.8	-609.1	-475.5	-133.6	-125.5	-8.2	-3.6	-13.8	86.5	-172.2	71.9	329.4

2. Reserves and related assets of the Eurosystem ³⁾
(EUR billions; end-of-period positions, unless otherwise indicated)

	Reserve assets													Memo: related assets
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange						Other claims	Claims on euro area residents denominated in foreign currency	
		In fine troy ounces (millions)	Total			Currency and deposits		Securities			Financial derivatives			
						With monetary authorities and the BIS	With banks	Equity	Bonds and notes	Money market instruments				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1998 Dec. ⁴⁾	329.4	99.6	404.131	5.1	23.4	199.8	12.5	18.3	0.0	116.7	52.4	0.0	1.5	7.6
1999 Jan.	337.3	101.3	404.084	5.3	23.0	206.5	-	-	-	-	-	0.0	1.2	7.6
Feb.	339.6	105.3	404.084	2.3	23.0	208.7	-	-	-	-	-	0.0	0.2	9.6
Mar.	348.6	105.1	404.084	3.8	23.3	215.2	-	-	-	-	-	0.0	1.3	10.4
Apr.	352.1	109.3	404.084	5.4	23.8	212.4	-	-	-	-	-	0.0	1.2	11.7
May	344.3	103.8	404.084	4.9	23.9	210.4	-	-	-	-	-	0.0	1.2	12.7
June	346.9	102.0	403.730	3.9	25.1	214.8	-	-	-	-	-	0.0	1.1	12.6
July	339.4	96.5	403.730	3.6	24.3	213.8	-	-	-	-	-	0.0	1.2	12.7
Aug.	340.9	96.9	403.730	3.7	24.1	215.0	-	-	-	-	-	0.0	1.1	12.4
Sep.	353.5	113.2	403.730	3.7	23.6	212.2	-	-	-	-	-	0.0	0.9	12.9
Oct.	357.6	115.5	403.731	3.7	23.5	214.0	-	-	-	-	-	0.0	0.8	13.5
Nov.	362.5	116.5	403.730	3.8	23.5	217.9	-	-	-	-	-	0.0	0.9	12.5
Dec. ⁵⁾	371.2	116.4	402.769	4.5	24.3	225.1	-	-	-	-	-	0.1	0.9	14.4

Source: ECB.

1) Obtained by aggregating national data.

2) Data for end-1997 are not closely comparable with those for end-1998.

3) The figures are not fully comparable with those in Table 1.1 owing to differences in coverage and valuation.

4) Position as at 1 January 1999.

5) The change in the gold holdings of the Eurosystem is due to a sale of gold by a central bank within the terms of the Central Bank Gold Agreement of 26 September 1999.

9 External trade in goods of the euro area

Table 9

I. Exports ¹⁾

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

	Total 1	Food, drink, tobacco 2	Raw materials 3	Energy 4	Chemicals 5	Other manu- factured articles 6	Machinery, transport equipment 7	Other 8	Export trade indices 1995 = 100		
									Value ²⁾ 9	Volume ²⁾ 10	Unit value 11
1996	669.7	49.2	14.2	13.1	85.5	195.5	295.9	16.3	107.6	104.7	102.8
1997	762.8	52.8	16.3	14.4	99.0	216.6	342.8	20.9	122.5	115.9	105.7
1998	796.0	56.0	15.8	12.6	104.3	221.6	371.0	14.7	127.9	120.0	106.6
1997 Q1	170.7	12.0	3.8	3.7	22.6	48.9	74.7	5.0	109.7	104.2	105.3
Q2	191.8	13.4	4.1	3.6	25.1	53.9	86.4	5.3	123.3	117.3	105.1
Q3	193.5	13.0	4.2	3.4	25.6	55.6	86.5	5.1	124.3	116.6	106.6
Q4	206.8	14.4	4.2	3.7	25.6	58.2	95.1	5.5	132.9	125.7	105.7
1998 Q1	194.3	13.8	4.1	3.4	26.6	54.7	87.9	3.7	124.9	115.8	107.8
Q2	204.4	14.6	3.9	3.3	26.9	56.5	95.4	3.7	131.4	123.0	106.8
Q3	195.9	13.5	3.9	3.0	25.8	55.2	90.9	3.6	125.9	118.2	106.5
Q4	201.4	14.2	3.8	2.9	25.0	55.1	96.7	3.7	129.4	122.8	105.4
1999 Q1	187.4	12.3	3.8	2.6	25.8	50.9	86.4	5.7	120.4	112.3	107.3
Q2	202.4	13.4	3.9	3.1	27.9	54.7	93.7	5.7	130.1	119.3	109.0
Q3	205.6	13.5	4.0	3.7	29.0	55.6	94.0	5.8	132.1	.	.
1998 Jan.	58.6	4.3	1.3	1.2	8.4	16.3	26.0	1.2	112.9	104.9	107.7
Feb.	63.7	4.5	1.4	1.0	8.6	18.1	28.9	1.2	122.9	114.0	107.8
Mar.	72.0	5.0	1.5	1.2	9.6	20.3	33.1	1.3	138.8	128.6	108.0
Apr.	68.2	4.9	1.3	1.1	9.2	19.0	31.3	1.3	131.4	122.9	106.9
May	65.8	4.8	1.3	1.1	8.7	18.2	30.7	1.2	126.9	118.8	106.9
June	70.4	4.9	1.3	1.1	9.1	19.3	33.5	1.2	135.7	127.2	106.7
July	72.9	4.8	1.3	1.1	9.3	21.1	34.1	1.2	140.6	131.5	106.9
Aug.	56.7	4.2	1.2	1.0	7.7	15.6	25.9	1.1	109.3	103.3	105.9
Sep.	66.2	4.5	1.3	0.9	8.8	18.5	30.9	1.3	127.6	119.7	106.6
Oct.	69.0	4.8	1.3	1.0	8.6	19.6	32.5	1.2	133.1	125.8	105.8
Nov.	67.1	4.8	1.3	1.0	8.1	18.2	32.5	1.3	129.3	123.4	104.8
Dec.	65.3	4.6	1.2	0.9	8.2	17.3	31.7	1.2	125.9	119.3	105.5
1999 Jan.	54.5	3.7	1.2	0.8	7.8	14.6	24.9	1.5	105.0	98.3	106.8
Feb.	60.1	4.0	1.2	0.8	8.3	16.5	27.3	2.1	115.9	108.5	106.9
Mar.	72.8	4.7	1.4	1.0	9.8	19.8	34.1	2.1	140.4	130.0	108.0
Apr.	65.8	4.3	1.3	1.0	9.1	17.7	30.6	1.7	126.8	116.4	109.0
May	63.6	4.5	1.3	1.0	9.0	17.3	28.8	1.8	122.6	112.9	108.6
June	73.0	4.6	1.3	1.1	9.8	19.7	34.3	2.2	140.7	128.6	109.4
July	75.2	4.5	1.4	1.1	10.1	20.5	35.3	2.3	145.0	131.2	110.5
Aug.	60.3	4.2	1.3	1.1	9.1	15.8	27.1	1.7	116.2	105.7	109.9
Sep.	70.1	4.9	1.3	1.5	9.8	19.3	31.5	1.8	135.2	.	.
Oct.	75.5	5.0	1.5	1.3	10.2	20.6	34.8	2.0	145.5	.	.
Nov.	74.8	.	.	.	.	.	.	.	144.2	.	.

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 1	Food, drink, tobacco 2	Raw materials 3	Energy 4	Chemicals 5	Other manu- factured articles 6	Machinery, transport equipment 7	Other 8	Import trade indices 1995 = 100		
									Value ²⁾ 9	Volume ²⁾ 10	Unit value 11
1996	593.9	46.6	36.5	71.6	54.1	167.0	193.6	24.6	105.5	102.9	102.6
1997	674.2	49.7	41.3	81.2	62.0	188.1	228.8	23.1	119.8	110.3	108.6
1998	714.5	55.0	41.3	62.2	67.9	202.0	270.1	16.1	127.0	123.6	102.7
1997 Q1	159.1	11.4	9.7	21.2	14.7	44.6	51.8	5.8	113.1	106.0	106.7
Q2	168.0	12.6	11.0	18.6	16.0	46.5	57.5	5.7	119.4	111.4	107.2
Q3	166.6	12.2	10.0	20.0	15.2	48.9	55.6	4.7	118.5	106.9	110.8
Q4	180.4	13.5	10.6	21.4	16.1	48.2	63.8	6.8	128.2	117.0	109.6
1998 Q1	181.1	13.7	10.9	17.5	17.7	51.6	65.5	4.3	128.7	120.0	107.3
Q2	180.0	13.7	11.1	16.0	17.3	50.4	67.2	4.3	127.9	122.2	104.7
Q3	172.0	13.4	9.7	14.7	16.4	50.8	63.4	3.6	122.3	120.1	101.8
Q4	181.4	14.3	9.6	13.9	16.5	49.2	74.0	3.8	129.0	132.4	97.4
1999 Q1	177.1	12.0	9.1	13.4	16.9	49.8	70.3	5.5	125.9	127.4	98.8
Q2	187.6	12.6	10.0	16.8	17.6	50.3	74.6	5.8	133.4	128.4	103.9
Q3	188.4	12.2	9.2	20.3	16.8	53.1	71.1	5.7	133.9	.	.
1998 Jan.	58.1	4.5	3.5	6.2	5.6	16.6	20.4	1.4	124.0	115.2	107.6
Feb.	58.3	4.3	3.5	5.7	5.5	16.7	20.9	1.6	124.4	115.3	107.9
Mar.	64.6	4.9	3.8	5.6	6.5	18.3	24.2	1.3	137.8	129.3	106.6
Apr.	60.4	4.7	3.7	5.5	5.8	16.8	22.6	1.3	128.9	122.2	105.5
May	57.2	4.4	3.5	5.5	5.6	15.8	21.1	1.2	121.9	116.2	104.9
June	62.4	4.6	3.9	4.9	6.0	17.8	23.4	1.8	133.0	128.3	103.7
July	59.5	4.7	3.6	4.9	6.0	17.8	21.2	1.3	126.8	124.1	102.2
Aug.	50.5	4.1	2.8	4.7	4.7	15.0	18.1	1.0	107.6	106.4	101.1
Sep.	62.1	4.6	3.3	5.0	5.8	17.9	24.1	1.4	132.4	129.9	101.9
Oct.	62.7	4.8	3.3	5.0	5.8	17.4	25.1	1.4	133.8	134.4	99.5
Nov.	59.9	4.6	3.2	4.4	5.4	16.2	24.8	1.3	127.8	132.3	96.6
Dec.	58.8	4.9	3.1	4.5	5.3	15.7	24.1	1.1	125.3	130.5	96.0
1999 Jan.	54.4	3.7	2.9	4.5	5.1	15.4	21.1	1.7	116.1	118.3	98.1
Feb.	55.8	3.7	2.9	4.1	5.4	16.0	21.8	1.9	119.0	120.9	98.4
Mar.	66.8	4.5	3.3	4.9	6.4	18.5	27.4	1.9	142.5	142.8	99.8
Apr.	61.0	4.1	3.3	5.6	5.7	15.9	24.4	1.9	130.1	127.2	102.3
May	61.8	4.2	3.3	5.7	5.7	16.4	24.7	1.8	131.8	126.0	104.6
June	64.8	4.3	3.5	5.4	6.1	18.0	25.5	2.0	138.3	132.0	104.7
July	63.0	4.2	3.3	6.5	5.6	18.0	23.5	1.9	134.4	124.5	108.0
Aug.	57.4	3.9	2.6	6.9	5.1	16.0	21.1	1.7	122.3	111.9	109.3
Sep.	68.0	4.1	3.3	6.9	6.1	19.0	26.4	2.1	145.0	.	.
Oct.	68.7	4.3	3.3	7.6	6.3	17.9	26.9	2.3	146.5	.	.
Nov.	70.8	.	.	.	.	.	.	.	151.0	.	.

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	2.7	-22.3	-58.5	31.4	28.5	102.3	-8.3
1997	88.6	3.2	-25.0	-66.8	37.0	28.5	114.0	-2.2
1998	81.5	1.0	-25.5	-49.6	36.5	19.6	101.0	-1.4
1997 Q1	11.6	0.6	-5.8	-17.5	7.9	4.3	22.8	-0.8
Q2	23.8	0.7	-6.9	-15.0	9.1	7.4	28.9	-0.4
Q3	26.8	0.9	-5.9	-16.6	10.4	6.8	30.9	0.3
Q4	26.3	1.0	-6.4	-17.7	9.5	10.0	31.3	-1.3
1998 Q1	13.2	0.1	-6.7	-14.1	9.0	3.1	22.5	-0.7
Q2	24.4	0.9	-7.2	-12.6	9.6	6.1	28.2	-0.6
Q3	23.8	0.1	-5.8	-11.8	9.3	4.5	27.5	0.0
Q4	20.0	-0.1	-5.7	-11.1	8.5	5.8	22.7	-0.2
1999 Q1	10.4	0.3	-5.3	-10.8	8.9	1.0	16.1	0.2
Q2	14.7	0.8	-6.1	-13.7	10.3	4.4	19.1	-0.1
Q3	17.1	1.3	-5.2	-16.6	12.2	2.5	22.9	0.1
1998 Jan.	0.5	-0.2	-2.2	-5.0	2.8	-0.3	5.6	-0.2
Feb.	5.4	0.3	-2.2	-4.7	3.1	1.4	8.0	-0.4
Mar.	7.4	0.1	-2.3	-4.4	3.1	2.0	8.9	0.0
Apr.	7.7	0.1	-2.4	-4.4	3.4	2.2	8.7	0.0
May	8.7	0.4	-2.3	-4.5	3.1	2.4	9.5	-0.1
June	8.0	0.3	-2.6	-3.8	3.1	1.5	10.1	-0.5
July	13.5	0.0	-2.2	-3.9	3.3	3.3	13.0	0.0
Aug.	6.3	0.1	-1.6	-3.8	3.0	0.6	7.7	0.1
Sep.	4.1	-0.1	-2.0	-4.1	3.0	0.5	6.8	-0.1
Oct.	6.3	0.0	-2.0	-4.0	2.8	2.2	7.4	-0.2
Nov.	7.2	0.2	-1.9	-3.5	2.7	2.0	7.7	0.0
Dec.	6.5	-0.3	-1.9	-3.6	2.9	1.7	7.6	0.1
1999 Jan.	0.0	0.0	-1.8	-3.7	2.6	-0.8	3.8	-0.2
Feb.	4.4	0.2	-1.7	-3.2	2.8	0.5	5.6	0.2
Mar.	6.0	0.1	-1.9	-3.9	3.4	1.3	6.7	0.2
Apr.	4.8	0.2	-1.9	-4.6	3.4	1.7	6.2	-0.2
May	1.8	0.3	-2.0	-4.8	3.3	0.9	4.1	0.0
June	8.2	0.3	-2.1	-4.3	3.6	1.7	8.8	0.2
July	12.1	0.3	-1.9	-5.4	4.5	2.4	11.9	0.4
Aug.	2.9	0.3	-1.3	-5.8	4.0	-0.2	6.0	0.0
Sep.	2.1	0.7	-2.0	-5.4	3.7	0.3	5.1	-0.3
Oct.	6.8	0.7	-1.8	-6.3	3.9	2.7	7.9	-0.2
Nov.	4.0	.	.	.	.	.	.	.

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

Table 10

Exchange rates

(period averages; units of national currency per ECU or euro (bilateral); index 1999 Q1 = 100 (effective))

	Effective exchange rate of the euro ¹⁾		Bilateral ECU or euro exchange rates ²⁾					
	Nominal 1	Real 2	US dollar 3	Japanese yen 4	Swiss franc 5	Pound sterling 6	Swedish krona 7	Danish krone 8
1996	107.9	108.8	1.270	138.1	1.568	0.814	8.51	7.36
1997	99.1	99.4	1.134	137.1	1.644	0.692	8.65	7.48
1998	101.5	101.3	1.121	146.4	1.622	0.676	8.92	7.50
1999	95.7	95.7	1.066	121.3	1.600	0.659	8.81	7.44
1998 Q4	104.2	103.8	1.177	140.6	1.600	0.702	9.38	7.44
1999 Q1	100.0	100.0	1.122	130.7	1.599	0.687	8.98	7.44
Q2	96.1	96.0	1.057	127.7	1.600	0.658	8.90	7.43
Q3	94.6	94.7	1.049	118.7	1.602	0.655	8.71	7.44
Q4	92.2	92.2	1.038	108.4	1.600	0.636	8.65	7.44
1999 Jan.	102.0	101.8	1.161	131.3	1.605	0.703	9.08	7.44
Feb.	99.9	99.9	1.121	130.8	1.598	0.689	8.91	7.44
Mar.	98.3	98.3	1.088	130.2	1.595	0.671	8.94	7.43
Apr.	97.1	96.9	1.070	128.2	1.602	0.665	8.91	7.43
May	96.6	96.5	1.063	129.7	1.603	0.658	8.97	7.43
June	94.7	94.6	1.038	125.3	1.595	0.650	8.83	7.43
July	94.8	95.2	1.035	123.7	1.604	0.658	8.74	7.44
Aug.	95.4	95.6	1.060	120.1	1.600	0.660	8.75	7.44
Sep.	93.6	93.4	1.050	112.4	1.602	0.647	8.63	7.43
Oct.	94.4	94.2	1.071	113.5	1.594	0.646	8.73	7.43
Nov.	92.0	92.0	1.034	108.2	1.605	0.637	8.63	7.44
Dec.	90.1	90.3	1.011	103.7	1.601	0.627	8.59	7.44
2000 Jan.	90.2	90.6	1.014	106.5	1.610	0.618	8.60	7.44
% ch. vs. ³⁾ prev. month								
2000 Jan.	0.2	0.3	0.3	2.7	0.6	-1.3	0.1	0.0
% ch. vs. ³⁾ prev. year								
2000 Jan.	-11.5	-11.0	-12.7	-18.9	0.3	-12.0	-5.3	0.0

	Bilateral ECU or euro exchange rates ²⁾						
	Greek drachma 9	Norwegian krone 10	Canadian dollar 11	Australian dollar 12	Hong Kong dollar 13	Korean won 14	Singapore dollar 15
1996	305.5	8.20	1.731	1.623	9.68	1,007.9	1.765
1997	309.3	8.02	1.569	1.528	8.75	1,069.8	1.678
1998	330.7	8.47	1.665	1.787	8.69	1,568.9	1.876
1999	325.8	8.31	1.584	1.652	8.27	1,267.3	1.806
1998 Q4	331.5	8.82	1.814	1.887	9.16	1,516.6	1.942
1999 Q1	322.7	8.60	1.696	1.770	8.69	1,342.6	1.911
Q2	325.0	8.24	1.557	1.618	8.19	1,258.8	1.810
Q3	326.1	8.22	1.558	1.613	8.14	1,252.8	1.772
Q4	329.2	8.19	1.528	1.613	8.07	1,217.4	1.737
1999 Jan.	323.6	8.65	1.765	1.839	8.99	1,362.4	1.950
Feb.	322.0	8.65	1.679	1.751	8.68	1,330.2	1.905
Mar.	322.5	8.51	1.651	1.726	8.43	1,336.2	1.881
Apr.	325.5	8.32	1.594	1.668	8.30	1,292.2	1.834
May	325.2	8.23	1.553	1.605	8.24	1,272.1	1.820
June	324.2	8.17	1.524	1.580	8.05	1,212.6	1.775
July	325.0	8.18	1.540	1.576	8.03	1,229.4	1.756
Aug.	326.4	8.26	1.583	1.645	8.23	1,269.1	1.779
Sep.	327.0	8.23	1.552	1.619	8.15	1,260.1	1.781
Oct.	329.2	8.29	1.581	1.641	8.32	1,289.9	1.793
Nov.	328.7	8.19	1.516	1.618	8.04	1,215.9	1.727
Dec.	329.7	8.10	1.491	1.580	7.86	1,149.6	1.694
2000 Jan.	331.1	8.12	1.469	1.542	7.89	1,145.9	1.697
% ch. vs. ³⁾ prev. month							
2000 Jan.	0.4	0.3	-1.5	-2.4	0.3	-0.3	0.2
% ch. vs. ³⁾ prev. year							
2000 Jan.	2.3	-6.1	-16.8	-16.1	-12.3	-15.9	-12.9

Source: ECB.

- 1) ECB calculations; based on weighted averages of bilateral euro exchange rates. Weights are based on 1995-97 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 (HICP for the euro area and the other EU Member States). Where CPI data are not yet available, estimates are used.
- 2) To December 1998, rates for the ECU (source BIS); from January 1999, rates for the euro.
- 3) The table shows the percentage change in the latest monthly observation vis-à-vis the previous month, and vis-à-vis the same month of the previous year. A positive change denotes an appreciation of the euro.
- 4) As the ECB does not provide official reference rates, indicative rates are shown.

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⁾	Standardised unemployment 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												
1996	2.1	-0.9	67.7	7.19	7.36	-	1.4	2.8	2.0	6.8	7.2	3.98
1997	1.9	0.4	63.9	6.26	7.48	0.6	2.8	3.1	5.6	5.6	4.7	3.73
1998	1.3	1.0	58.0	4.94	7.50	-1.1	2.4	2.7	2.2	5.1	4.6	4.28
1999	2.1	.	.	4.91	7.44	.	.	.	.	4.5	4.2	3.44
1998 Q4	1.1	-	-	4.51	7.44	-3.7	3.5	2.5	-0.3	4.7	3.7	4.51
1999 Q1	1.4	-	-	4.22	7.44	1.7	6.3	0.5	-0.9	4.8	4.5	3.64
Q2	1.8	-	-	4.50	7.43	1.3	4.3	1.8	5.7	4.5	4.9	3.12
Q3	2.3	-	-	5.35	7.44	1.5	3.6	1.0	0.0	4.4	3.4	3.19
Q4	2.8	-	-	5.57	7.44	.	.	.	.	4.2	4.1	3.78
1999 July	2.0	-	-	5.12	7.44	-	-	-	-2.6	4.4	3.1	3.17
Aug.	2.4	-	-	5.38	7.44	-	-	-	-1.8	4.4	4.9	3.21
Sep.	2.4	-	-	5.56	7.43	-	-	-	4.6	4.3	2.1	3.18
Oct.	2.6	-	-	5.76	7.43	-	-	-	0.9	4.2	2.0	3.69
Nov.	2.7	-	-	5.45	7.44	-	-	-	4.5	4.1	6.3	3.85
Dec.	3.1	-	-	5.50	7.44	-	-	-	.	4.1	4.2	3.80
2000 Jan.	.	-	-	.	7.44	-	-	-	.	.	.	3.72
Greece												
1996	7.9	-7.5	112.3	-	305.5	-3.7	10.6	2.4	0.6	7.5	9.8	13.54
1997	5.4	-4.0	109.5	9.92	309.3	-3.9	7.2	3.4	1.0	7.9	14.5	12.48
1998	4.5	-2.5	106.3	8.48	330.7	-3.1	5.5	3.7	3.4	10.0	4.0	13.53
1999	2.3	.	.	6.30	325.8	.	1.8	.	.	.	.	10.08
1998 Q4	4.0	-	-	7.76	331.5	-	-	-	0.8	9.8	5.7	11.94
1999 Q1	3.4	-	-	6.08	322.7	-	-	-	-0.8	.	.	10.56
Q2	2.2	-	-	5.87	325.0	-	-	-	0.5	.	.	9.80
Q3	1.7	-	-	6.56	326.1	-	-	-	1.5	.	.	9.86
Q4	2.2	-	-	6.68	329.2	-	-	-	.	.	.	10.13
1999 July	1.8	-	-	6.37	325.0	-	-	-	0.2	.	.	9.83
Aug.	1.6	-	-	6.66	326.4	-	-	-	4.7	.	.	9.90
Sep.	1.5	-	-	6.64	327.0	-	-	-	0.2	.	.	9.85
Oct.	1.9	-	-	7.03	329.2	-	-	-	2.1	.	.	10.11
Nov.	2.2	-	-	6.61	328.7	-	-	-	.	.	.	10.71
Dec.	2.4	-	-	6.39	329.7	-	-	-	.	.	.	9.57
2000 Jan.	.	-	-	.	331.1	-	-	-	.	.	.	8.92
Sweden												
1996	0.8	-3.5	76.7	8.03	8.51	-	5.0	1.1	1.8	9.6	10.0	6.03
1997	1.8	-0.7	76.1	6.62	8.65	-	0.4	2.0	7.2	9.9	4.2	4.43
1998	1.0	1.9	74.2	4.99	8.92	3.4	1.5	3.0	4.2	8.3	3.5	4.36
1999	0.6	.	.	4.98	8.81	.	.	.	.	7.0	.	3.26
1998 Q4	0.1	-	-	4.50	9.38	3.7	2.1	3.5	1.3	7.6	4.5	3.94
1999 Q1	0.2	-	-	4.21	8.98	2.5	0.3	3.6	1.3	7.5	5.4	3.31
Q2	0.3	-	-	4.54	8.90	1.2	0.3	3.2	1.0	7.0	6.4	3.07
Q3	0.7	-	-	5.48	8.71	3.3	-0.7	4.1	-0.6	6.9	6.1	3.23
Q4	1.0	-	-	5.69	8.65	.	.	.	.	6.6	.	3.75
1999 July	0.2	-	-	5.26	8.74	-	-	-	-0.4	6.8	4.5	3.23
Aug.	0.8	-	-	5.49	8.75	-	-	-	-6.2	6.9	6.5	3.25
Sep.	1.1	-	-	5.69	8.63	-	-	-	4.3	6.8	7.3	3.22
Oct.	1.0	-	-	5.92	8.73	-	-	-	3.8	6.5	9.9	3.74
Nov.	0.8	-	-	5.56	8.63	-	-	-	4.2	6.6	7.4	3.79
Dec.	1.2	-	-	5.59	8.59	-	-	-	.	6.6	.	.
2000 Jan.	.	-	-	5.95	8.60	-	-	-	.	.	.	.
United Kingdom												
1996	2.5	-4.4	53.1	7.94	0.814	0.0	1.7	2.6	0.4	8.2	9.9	6.11
1997	1.8	-1.9	51.5	7.13	0.692	0.9	2.9	3.5	1.3	7.0	11.2	6.92
1998	1.5	0.5	48.7	5.60	0.676	0.0	3.8	2.2	0.3	6.3	9.6	7.43
1999	1.3	.	.	5.01	0.659	.	.	.	.	.	.	5.54
1998 Q4	1.4	1.5	48.1	4.82	0.702	-0.2	4.3	1.5	-0.5	6.3	8.5	6.89
1999 Q1	1.6	4.0	46.6	4.39	0.687	-1.9	4.3	1.4	-1.2	6.3	7.1	5.60
Q2	1.4	-2.0	46.7	4.82	0.658	-1.0	4.0	1.6	-1.2	6.1	6.5	5.30
Q3	1.2	1.8	45.9	5.39	0.655	-1.5	3.4	1.9	0.2	5.9	3.3	5.28
Q4	1.2	-0.1	45.8	5.46	0.636	.	.	.	.	.	.	5.98
1999 July	1.3	5.8	46.1	5.27	0.658	-	-	-	-0.5	5.9	3.3	5.17
Aug.	1.3	-1.5	45.9	5.31	0.660	-	-	-	0.3	5.9	4.1	5.25
Sep.	1.2	1.2	45.9	5.60	0.647	-	-	-	0.9	5.9	2.6	5.41
Oct.	1.2	8.6	44.8	5.78	0.646	-	-	-	1.3	5.9	.	6.02
Nov.	1.3	-4.2	44.9	5.23	0.637	-	-	-	.	.	.	5.87
Dec.	1.2	-4.9	45.8	5.36	0.627	-	-	-	.	.	.	6.06
2000 Jan.	.	.	.	5.80	0.618	-	-	-	.	.	.	6.14

Sources: Eurostat (columns 1, 8 and 10 (except Greece)); European Commission (Economic and Financial Affairs DG and Eurostat) (columns 2 (annual) and 13 (annual)); Reuters (column 12); national data (columns 2 (quarterly and monthly), 3 (quarterly and monthly), 4, 5, 7 (except Sweden), 9, 10 (Greece) and 11); ECB calculation (column 6 and 7 (Sweden)).

1) Average-of-period values.

4) Whole economy; data for the United Kingdom exclude employers' contribution to social security.

6) Average of end-month values; M3; M4 for United Kingdom.

2) For more information, see Table 10.

5) Manufacturing; adjusted for working days.

3) BPM5; BPM4 for Greece.

12 Economic and financial developments outside the EU

Table 12.1

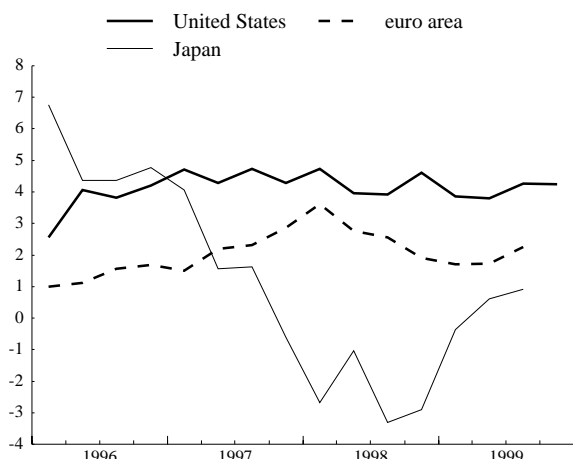
Economic and financial developments

(annual percentage changes, unless otherwise indicated)

	Consumer price index	Unit labour costs ¹⁾	Real GDP	Industrial production index ¹⁾	Unemployment 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											
1996	2.9	-2.3	3.7	4.7	5.4	4.8	5.43	6.54	1.270	-2.2	58.8
1997	2.3	0.0	4.5	7.0	4.9	5.0	5.62	6.45	1.134	-0.9	56.5
1998	1.6	0.7	4.3	4.9	4.5	7.4	5.00	5.33	1.121	0.4	53.5
1999	2.2	.	4.0	4.2	.	7.5	5.41	5.64	1.066	.	.
1998 Q3	1.6	1.4	3.9	4.2	4.5	7.3	5.20	5.27	1.118	0.6	53.7
Q4	1.5	-0.8	4.6	3.7	4.4	8.4	5.00	4.72	1.177	0.7	53.5
1999 Q1	1.7	-1.6	3.9	3.5	4.3	8.4	4.99	5.00	1.122	0.8	53.1
Q2	2.1	-1.4	3.8	4.1	4.3	7.9	5.04	5.54	1.057	1.0	51.4
Q3	2.3	-0.8	4.3	4.4	4.2	7.5	5.44	5.88	1.049	1.2	50.6
Q4	2.6	.	4.2	4.8	.	6.1	6.15	6.13	1.038	.	.
1999 Aug.	2.3	-	-	3.7	4.2	7.6	5.46	5.94	1.060	-	-
Sep.	2.6	-	-	4.1	4.2	7.0	5.56	5.91	1.050	-	-
Oct.	2.6	-	-	4.3	4.1	6.5	6.20	6.10	1.071	-	-
Nov.	2.6	-	-	5.0	4.1	6.0	6.09	6.03	1.034	-	-
Dec.	2.7	-	-	5.1	.	5.9	6.15	6.26	1.011	-	-
2000 Jan.	.	-	-	.	.	.	6.04	6.66	1.014	-	-
Japan											
1996	0.1	-1.9	5.1	2.3	3.4	3.3	0.31	3.03	138.1	-4.2	-
1997	1.7	-2.2	1.6	3.6	3.4	3.1	0.36	2.15	137.1	-3.4	-
1998	0.6	6.3	-2.5	-7.1	4.1	4.4	0.18	1.30	146.4	-6.0	-
1999	-0.3	.	.	0.4	.	3.7	0.22	1.75	121.3	.	-
1998 Q3	-0.2	7.6	-3.3	-8.5	4.3	4.2	0.12	1.14	156.3	-	-
Q4	0.5	5.1	-2.9	-6.8	4.4	4.5	0.18	1.03	140.6	-	-
1999 Q1	-0.1	3.6	-0.4	-4.2	4.6	4.1	0.31	1.96	130.7	-	-
Q2	-0.3	-1.3	0.6	-1.0	4.8	4.1	0.13	1.50	127.7	-	-
Q3	0.0	-4.6	0.9	2.6	4.7	3.6	0.13	1.78	118.7	-	-
Q4	-1.0	.	.	4.3	.	3.0	0.31	1.78	108.4	-	-
1999 Aug.	0.3	-6.9	-	5.2	4.7	3.5	0.13	1.89	120.1	-	-
Sep.	-0.2	-4.0	-	2.7	4.6	3.3	0.14	1.75	112.4	-	-
Oct.	-0.7	.	-	1.3	4.6	3.6	0.24	1.79	113.5	-	-
Nov.	-1.2	.	-	6.7	4.5	2.9	0.31	1.81	108.2	-	-
Dec.	-1.1	.	-	5.1	.	2.6	0.39	1.73	103.7	-	-
2000 Jan.	.	.	-	.	.	.	0.15	1.71	106.5	-	-

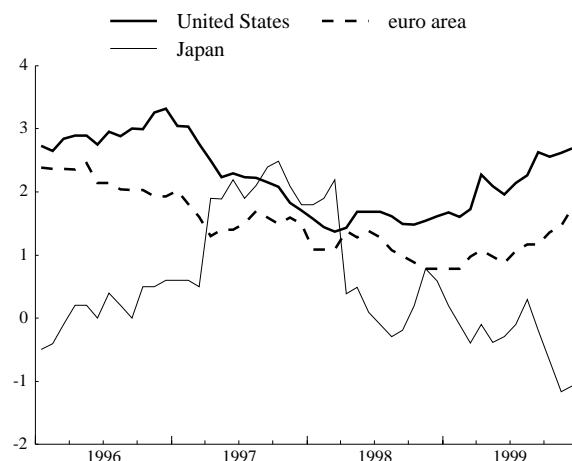
Real gross domestic product

(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 10 (United States)); OECD (column 2 (Japan) and 10 (Japan)); Eurostat (euro area chart data); Reuters (column 7 and 8 (from January 1999)); ECB calculation (column 11).

1) Manufacturing.

4) For more information, see Table 10.

2) Average-of-period values, M2 and CDs for Japan.

5) Gross consolidated debt for the general government (end of period).

3) For more information, see Table 3.1 and Table 3.2.

Table 12.2

Saving, investment and financing

(as a percentage of GDP)

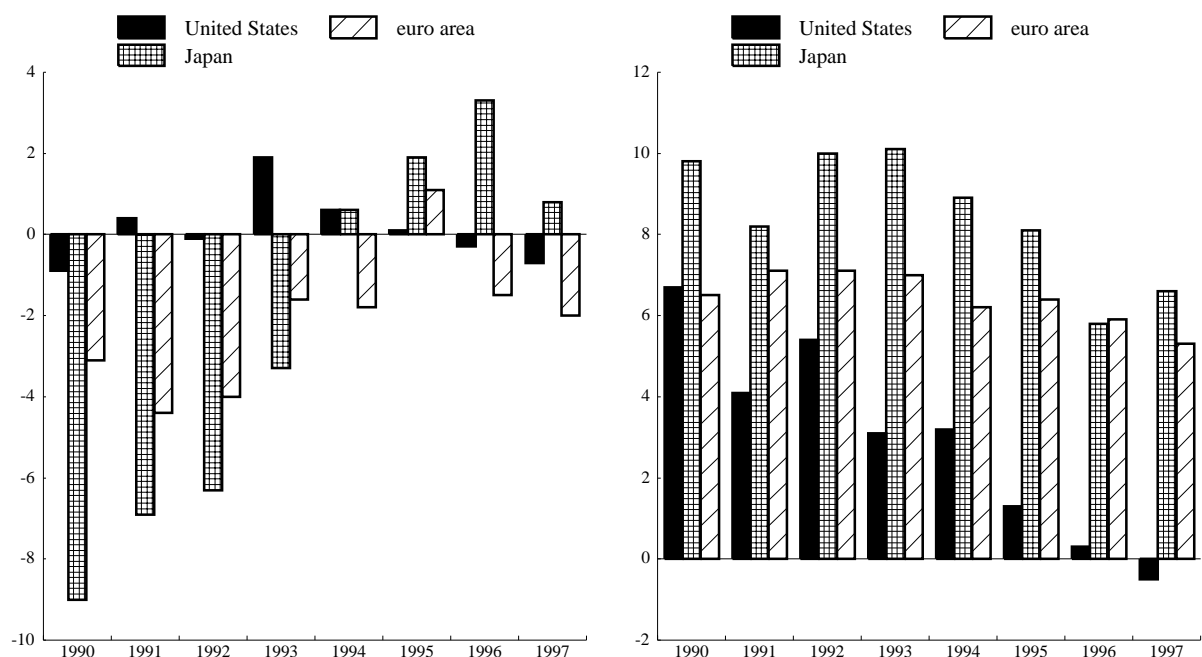
	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households ¹⁾			
	Gross saving	Gross capital formation	Net lending to the rest of the world	Gross capital formation	Gross fixed capital formation	Net acquisition of financial assets	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	17.0	18.7	-1.3	8.6	7.9	5.4	8.4	5.3	2.5	11.7	6.3	13.6	4.9
1996	17.3	19.1	-1.4	8.7	8.3	4.8	8.7	5.1	1.2	11.8	5.2	12.9	4.9
1997	18.3	19.8	-1.5	9.1	8.3	3.5	8.8	4.2	2.2	11.6	4.0	12.5	4.5
1998	18.8	20.5	-2.3	9.5	8.7	3.1	8.7	4.2	1.7	12.1	5.4	12.1	5.7
1997 Q4	18.6	19.9	-1.7	8.9	8.1	2.7	8.8	3.3	3.3	11.6	3.5	12.5	4.1
1998 Q1	18.9	20.6	-1.8	9.8	8.6	4.1	8.8	5.8	3.3	11.9	3.8	12.3	5.8
Q2	18.6	20.3	-2.2	9.3	8.7	3.3	8.7	4.0	3.9	12.1	8.9	12.1	5.6
Q3	18.9	20.6	-2.6	9.4	8.5	4.1	8.7	4.4	0.7	12.0	5.1	12.0	5.4
Q4	18.8	20.7	-2.6	9.5	8.9	1.1	8.6	2.6	-0.9	12.3	3.6	12.2	6.1
1999 Q1	19.0	20.8	-2.8	9.4	8.9	6.3	8.7	7.8	6.0	12.5	3.0	11.8	6.5
Q2	18.7	20.5	-3.3	9.6	9.4	4.2	8.7	5.6	-0.5	12.8	6.9	11.6	6.7
Q3	18.7	20.8	-3.6	9.7	9.2	4.4	8.7	5.9	3.4	12.6	5.9	11.2	6.1
Japan													
1995	30.8	28.6	2.1	14.9	14.9	3.0	13.5	2.3	0.5	5.3	10.2	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	.	.	.	.	.	-6.9	.	-8.8	-1.4	.	5.9	.	-0.3
1997 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	.	.	-16.0	.	-18.6	-0.7	.	-4.3	.	3.2
Q2	.	24.1	.	.	.	-25.6	.	-10.4	0.4	.	11.5	.	-6.3
Q3	.	26.7	.	.	.	2.6	.	-2.0	1.3	.	2.7	.	0.8
Q4	.	.	.	.	.	9.6	.	-4.4	-6.3	.	13.1	.	1.0
1999 Q1	.	.	.	.	.	3.6	.	-17.7	-3.3	.	-4.4	.	12.5
Q2	.	.	.	.	.	-13.4	.	-3.0	2.1	.	15.9	.	-3.5
Q3	.	.	.	.	.	9.7	.	-2.3	1.3	.	0.1	.	2.8

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.

Technical notes

Relating to Table 2.4

Seasonal adjustment of the euro area monetary aggregates

Multiplicative versions of X-12-ARIMA (version 0.2.2¹) and TRAMO/SEATS² (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.

Calculation of growth rates

Growth rates may be calculated (a) from flows, or (b) from the index of adjusted stocks.

If F_t represents the flow in month t , L_t the level outstanding at the end of month t , X_t the rate of change in month t defined as $X_t = (F_t \div L_{t-1} + 1)$, and I_t the index of adjusted stocks in month t , the annual percentage change a_t – i.e. the change in the latest 12 months – may be calculated as follows:

$$(a) \quad a_t = ((X_t * X_{t-1} * X_{t-2} * X_{t-3} * X_{t-4} * X_{t-5} * X_{t-6} * X_{t-7} * X_{t-8} * X_{t-9} * X_{t-10} * X_{t-11}) - 1) * 100$$

$$(b) \quad a_t = (I_t \div I_{t-12} - 1) * 100$$

Roundings may give rise to differences from the annual percentage changes shown in Table 2.4. The index of adjusted stocks is available with a higher level of precision on the ECB's Web site (<http://www.ecb.int>) on the "Euro area statistics – download" page (in csv file format), from which the exact percentage changes shown in Table 2.4 may be calculated.

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.*

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 which have adopted the single currency, pre-1999 amounts converted from the participating currencies into ECU at current ECU exchange rates are affected by movements in the currencies of 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 euro exchange rates established 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.

As a general rule, the cut-off date for the statistics included in the ECB Monthly Bulletin is the day preceding the first meeting in the month of the Governing Council of the ECB. For this issue, it was 2 February 2000.

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” (ECB, November 1999). The “Money and Banking Statistics Compilation Guide” (EMI, April 1998) explains recommended practices to be followed by the NCBs. From 1 February 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

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).

rates (Table 3.4), see the footnote at the bottom of the relevant page.

Statistics on securities issues, redemptions and amounts outstanding are shown in Table 3.5, with a sectoral breakdown of issuers of euro-denominated securities, whether resident in the euro area or elsewhere, in Table 3.6. The totals (columns 1, 7 and 14) in Table 3.6 are identical to the data on amounts outstanding (columns 8, 16 and 20) and gross issues (columns 5, 13 and 17) of euro-denominated securities in Table 3.5. The amounts outstanding of securities issued by MFIs (column 2) in Table 3.6 are broadly comparable with money market paper and debt securities issued as shown on the liabilities side of the aggregated MFI balance sheet in Table 2.6.3 (columns 2 and 10), although the coverage of the securities issues statistics is at present somewhat narrower. Pages 17-18 of the November 1999 issue of the Monthly Bulletin give more detail on these statistics.

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 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.

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 has begun to pave the way for fully comparable data, including quarterly summary accounts, across the euro area. Before 1999 the deflators of GDP in Table 4.2.2 are derived from national data in domestic currency. National accounts in this issue are based mainly on the ESA 95.

Table 5.2 shows selected other real economy indicators. 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.

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

Employment data (Table 5.4) are based on the ESA 95. Since coverage of the euro area was not complete in time for this issue, some data are ECB estimates based on the information available. Unemployment rates conform to International Labour Organization (ILO) guidelines.

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 this year.

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.

Balance of payments and international investment position of the euro area (including reserves), 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 (i.i.p.) statistics 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 used for the euro area balance of payments statistics were explained on pages 26-27 of the May 1999 issue of the Monthly Bulletin.

The euro area balance of payments is compiled by the ECB. Data for 1997 are published for the first time in this issue of the Monthly Bulletin. Data up to December 1998 are expressed in ECU. The recent monthly figures for balance of payments statistics should be regarded as provisional. These data are revised with the publication of the detailed quarterly balance of payments data.

The euro area i.i.p. (Table 8.6) is compiled on a net basis by aggregating national data. The i.i.p. is valued at current market prices with the exception of direct investment stocks, where book values are used to a large

extent. Data for end-1997, especially for reserve assets, are not fully comparable with those for end-1998. The methodology used for the compilation of the i.i.p. was explained on page 56 of the December 1999 issue of the Monthly Bulletin.

The outstanding amounts of the Eurosystem's international reserves and related assets are shown in Table 8.6.2. Corresponding summary net flows are shown in Table 8.1, with quarterly detail in Table 8.5.3. Data before end-1998 are compiled by aggregating figures following national definitions and include instruments issued by other residents of the euro area; they are therefore not fully comparable with later data.

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).

Table 10 shows nominal and real effective exchange rate indices for the euro compiled by the ECB. The bilateral rates shown are those against the 13 currencies used in the calculation. For all except the Hong Kong and Singapore dollars and the Korean won the bilateral rates are daily reference rates published by the ECB. Box 5 on pages 29-31 of the October 1999 issue of the Monthly Bulletin gives more information about the new effective exchange rate index.

Detailed methodological notes on euro area balance of payments and i.i.p. statistics, external trade in goods of the euro area and exchange rates are available on the ECB's Web site. In addition, a complete set of balance of payments, external trade in goods and exchange rate statistics, including the historical data at the highest frequencies

available – which are not shown in the Monthly Bulletin – are available in a downloadable format (csv files) on the ECB's Web site.

Other statistics

Statistics on other EU Member States (Table I I) 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

“-”	Data do not exist.
“.”	Data are not yet 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 109I (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, Denmark's 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 $\pm 2.25\%$ will be observed around the euro central rate for the Danish krone. The standard fluctuation band of $\pm 15\%$ 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, 15 July, 29 July, 26 August, 9 September 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.

23 September 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 ECB releases to the public the indicative calendar for the Eurosystem's tender operations in 2000. It also announces that no new main refinancing operation will be initiated in the first week of the year 2000, and that no such operation will mature during that week. For this reason the maturity of the main refinancing operation of 21 December 1999 will be lengthened exceptionally to three weeks. To avoid two main refinancing operations maturing on 12 January 2000, the maturity of the operation of 30 December 1999 will also be lengthened to three weeks. These steps are taken to minimise any potential problem for counterparties and for the financial market which could result from the conduct and settlement of a large operation directly after the transition to the new century.

7 October 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.

21 October 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.

It also decides that for the longer-term refinancing operations to be settled on 28 October 1999, 25 November 1999 and 23 December 1999, the intention is to allot an amount of €25 billion per operation. This amount is higher than the amount of €15 billion

allotted for all previous longer-term refinancing operations conducted in 1999. This decision takes into account the intention of the ECB to contribute to a smooth transition to the year 2000.

4 November 1999

The Governing Council of the ECB decides to raise the interest rate on the main refinancing operations of the Eurosystem by 0.5 percentage point to 3.0%, with effect from the operation to be settled on 10 November 1999. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 0.5 percentage point to 4.0% and 2.0% respectively, both with effect from 5 November 1999.

18 November 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 3.0%, 4.0% and 2.0% respectively.

2 December 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 3.0%, 4.0% and 2.0% respectively.

The Governing Council also decides to confirm the reference value for monetary growth, namely an annual growth rate of 4½% for the broad monetary aggregate M3. This decision is taken on the grounds that the components underlying the derivation of the reference value, namely the Eurosystem's definition of price stability (an annual increase in the HICP for the euro area of below 2%), the estimate for the trend of real GDP growth (2% to 2½% per annum) and that for the trend decline in M3

income velocity (½% to 1% per annum), have basically remained unchanged. As before, the Governing Council will assess monetary developments in relation to the reference value on the basis of a three-month moving average of annual growth rates. The Governing Council also decides to review the reference value henceforth on a regular annual basis. The next review will take place in December 2000.

With regard to the minimum reserve system of the Eurosystem, the Governing Council, after reviewing new statistical evidence, decides to increase from 10% to 30% the standardised deduction from the reserve base to be applied to debt securities issued with an agreed maturity of up to two years and to money market paper. This decision shall take effect as from the determination of the reserve requirement to be fulfilled in the maintenance period starting on 24 January 2000.

15 December 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 3.0%, 4.0% and 2.0% respectively.

4 January 2000

The ECB announces that on 5 January 2000 the Eurosystem will conduct a liquidity-absorbing fine-tuning operation with same-day settlement. This measure aims at restoring normal liquidity conditions in the money market after the successful transition to the year 2000.

5 January 2000

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 3.0%, 4.0% and 2.0% respectively.

15 January 2000

At the request of the Greek authorities, the ministers of the euro area Member States, the ECB and the ministers and central bank governors of Denmark and Greece decide, following a common procedure, to revalue the central rate of the Greek drachma in the exchange rate mechanism (ERM II) by 3½%, with effect from 17 January 2000.

20 January 2000

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 3.0%, 4.0% and 2.0% respectively.

It also announces that the Eurosystem intends to allot an amount of €20 billion for each of the

longer-term refinancing operations to be conducted in the first half of 2000. This amount takes into consideration the expected liquidity needs of the banking system of the euro area in the first half of 2000 and the desire of the Eurosystem to continue to provide the bulk of its refinancing of the financial sector through its main refinancing operations.

3 February 2000

The Governing Council of the ECB decides to raise the interest rate on the main refinancing operations of the Eurosystem by 0.25 percentage point to 3.25%, starting from the operation to be settled on 9 February 2000. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 0.25 percentage point, to 4.25% and 2.25% respectively, both with effect from 4 February 2000.

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.

For a complete list of documents published by the European Monetary Institute, please visit the ECB's Web site (<http://www.ecb.int>).

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.

"The international role of the euro", August 1999.

"The balance sheets of the Monetary Financial Institutions of the euro area in early 1999", August 1999.

"Inflation differentials in a monetary union", October 1999.

"ESCB preparations for the year 2000", October 1999.

"Stability-oriented policies and developments in long-term real interest rates in the 1990s", November 1999.

"TARGET and payments in euro", November 1999.

"Legal instruments of the European Central Bank", November 1999.

"The euro area one year after the introduction of the euro: key characteristics and changes in the financial structure", January 2000.

"Foreign exchange reserves and operations of the Eurosystem", January 2000.

“The Eurosystem and the EU enlargement process”, February 2000.

“Consolidation in the securities settlement industry”, February 2000.

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.
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 - 8 “Inflation zone targeting” by A. Orphanides and V. Wieland, October 1999.
 - 9 “Asymptotic confidence bands for the estimated autocovariance and autocorrelation functions of vector autoregressive models”, by G. Coenen, January 2000.
 - 10 “On the effectiveness of sterilized foreign exchange intervention”, by R. Fatum, February 2000.
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Other publications

“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.

“The effects of technology on the EU banking systems”, July 1999.

“Payment systems in countries that have applied for membership of the European Union”, August 1999.

“Improving cross-border retail payment services: the Eurosystem’s view”, September 1999.

“Compendium: collection of legal instruments, June 1998 – May 1999”, October 1999.

“European Union balance of payments/international investment position statistical methods”, November 1999.

“Money and Banking Statistics Compilation Guide, Addendum I: Money market paper”, November 1999.

“Money and Banking Statistics Sector Manual”, second edition, November 1999.

“Report on the legal protection of banknotes in the European Union Member States”, November 1999.

“Correspondent central banking model (CCBM)”, November 1999.

“Cross-border payments in TARGET: A users’ survey”, November 1999.

“Money and Banking Statistics: Series keys for the exchange of balance sheet items time series”, November 1999.

“Money and Banking Statistics: Handbook for the compilation of flow statistics”, December 1999.

“Payment systems in the European Union: Addendum incorporating 1998 figures”, February 2000.

Information brochures

“TARGET”, July 1998.

“The euro banknotes and coins”, July 1999.

“TARGET: facts, figures, future”, September 1999.

