





EUROPEAN CENTRAL BANK



## MONTHLY BULLETIN JANUARY 2004

In 2004 all ECB publications will feature a motif taken from the €100 banknote.

© European Central Bank, 2004

**Address**

Kaiserstrasse 29  
60311 Frankfurt am Main  
Germany

**Postal address**

Postfach 16 03 19  
60066 Frankfurt am Main  
Germany

**Telephone**

+49 69 1344 0

**Website**

<http://www.ecb.int>

**Fax**

+49 69 1344 6000

**Telex**

411 144 ecb d

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

*All rights reserved. Reproduction for educational and non-commercial purposes is permitted provided that the source is acknowledged.*

*The cut-off date for the statistics included in this issue was 14 January 2004.*

ISSN 1561-0136 (print)

ISSN 1725-2822 (online)



## CONTENTS

<b>EDITORIAL</b>	<b>5</b>
<b>ECONOMIC AND MONETARY DEVELOPMENTS</b>	<b>7</b>
The external environment of the euro area	7
Monetary and financial developments	9
Prices and costs	25
Output, demand and the labour market	31
Exchange rate and balance of payments developments	36
Boxes:	
1 Worldwide trends in monetary aggregates over recent years	10
2 New ECB statistics on quoted share transactions	16
3 The impact of developments in indirect taxes and administered prices on inflation	27
<b>ARTICLES</b>	
EMU and the conduct of fiscal policies	41
Opinion surveys on activity, prices and labour market developments in the euro area: features and uses	51
Measuring and analysing profit developments in the euro area	63
<b>EURO AREA STATISTICS</b>	<b>SI</b>
Chronology of monetary policy measures of the Eurosystem	I
Documents published by the European Central Bank since 2003	V
<b>GLOSSARY</b>	<b>IX</b>

## 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
b.o.p.	balance of payments
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
EER	effective exchange rate
EMI	European Monetary Institute
EMU	Economic and Monetary Union
ESA 95	European System of Accounts 1995
ESCB	European System of Central Banks
EU	European Union
EUR	euro
f.o.b.	free on board at the exporter's border
GDP	gross domestic product
HICP	Harmonised Index of Consumer Prices
ILO	International Labour Organization
IMF	International Monetary Fund
MFI	monetary financial institutions
NACE Rev. 1	Statistical classification of economic activities in the European Community
NCBs	national central banks
PPI	Producer Price Index
SITC Rev. 3	Standard International Trade Classification (revision 3)
ULCM	unit labour costs in manufacturing
ULCT	unit labour costs in the total economy

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





## EDITORIAL

At its meeting on 8 January 2004, the Governing Council of the ECB decided to leave the minimum bid rate on the main refinancing operations of the Eurosystem unchanged at 2.0%. The interest rates on the marginal lending facility and the deposit facility were also left unchanged at 3.0% and 1.0% respectively.

This decision reflects the Governing Council's judgement that the current stance of monetary policy is appropriate to preserve price stability over the medium term. The assessment that an economic recovery is ongoing in the euro area has not fundamentally changed. In fact, although recent exchange rate developments are likely to have some dampening effects on exports, export growth should continue to benefit from the dynamic expansion of the world economy and the conditions for a recovery in domestic demand remain favourable. At the same time, owing to the appreciation of the euro, import price developments in the euro area should become somewhat more favourable, thereby helping to contain inflationary risks. The Governing Council will continue to monitor carefully all developments that could affect the assessment of risks to price stability over the medium term. As regards exchange rates, in the present circumstances, we particularly stress stability and we are concerned about excessive exchange rate moves.

Starting with the economic analysis, recently available indicators confirm that world economic growth is progressing. For the euro area too, the latest information on production and confidence is consistent with an ongoing recovery in economic activity and the momentum for growth should strengthen in the course of 2004. This assessment is supported by all available forecasts from both official and private sources and is in line with developments in financial markets.

On the external side, recent exchange rate developments are having a negative impact on the price competitiveness of euro area exporters. However, owing to the ongoing

expansion of global demand, euro area exports should, overall, continue to grow. On the domestic side, investment growth should benefit from the continuing adjustment efforts of firms to enhance productivity and profitability, as well as from the low level of interest rates and generally favourable financing conditions. Private consumption should receive support from growth in real disposable income, partly due to favourable effects on terms of trade and inflation stemming from the appreciation of the euro.

The short-term risks to this outlook remain balanced. Over longer horizons, the uncertainties continue to be related to persistent external imbalances in some regions of the world and their potential repercussions on the sustainability of global economic growth. This is a challenge to be addressed by sustainable macroeconomic policies and structural reforms which foster a sound balance between savings and investment in all major partner countries, enhance the production potential in the euro area and support a further expansion in the trade of goods and services at the global level.

With regard to price developments, annual HICP inflation rates are still expected to fluctuate around the 2% level over the short term, following Eurostat's flash estimate for December of 2.1%. Adverse food and oil price developments and increases in indirect taxes and administered prices have all adversely affected the short-term outlook for inflation.

Nevertheless, annual inflation rates are expected to fall in the course of this year and to remain in line with price stability thereafter. This expectation is based on the assumption that wage developments will remain moderate in the context of a gradual economic recovery. Moreover, the appreciation of the euro should dampen price pressures through its effect on import prices. A decline in inflation is also reflected in the available forecasts and projections. However, it is important to recall the conditional nature of these forward-looking exercises and therefore to bear in mind all

elements of risk to the outlook for price stability. In the same vein, it will be necessary to continue to monitor inflation expectations closely.

Turning to the monetary analysis, the strong monetary growth of the last few years means that there is significantly more liquidity available in the euro area than needed to finance non-inflationary growth. At the same time, the growth of loans to the private sector has risen over recent months, benefiting from the low level of interest rates and the general improvement in the economic environment.

The accumulation of excess liquidity should not be of concern for price stability as long as the economic recovery is gradual. However, should excess liquidity remain high once there is a significant strengthening of economic activity, it could lead to inflationary pressures. It is therefore important to monitor monetary developments carefully.

In summary, the economic analysis continues to indicate that the main scenario for price developments in the medium term is in line with price stability. While certain risks may develop in the course of an economic upswing, this broad picture is also confirmed by cross-checking with the monetary analysis.

With regard to fiscal policies, 2004 will be a crucial year for strengthening the credibility of the institutional framework and confidence in the soundness of public finances of Member States across the euro area. Together with the Treaty provisions, the overall fiscal framework of the Stability and Growth Pact remains of central importance and must be fully respected. These are the foundations for trust and confidence in EMU. They are key not only to stability but also to growth, and are a precondition for preserving low risk premia in financial markets. The Governing Council therefore strongly urges governments and the ECOFIN Council to live up to their responsibilities and to the commitments they made last November.

Finally, the Governing Council strongly supports ongoing efforts by governments to proceed with structural reforms in the fiscal domain and in labour and product markets. Building on the measures already implemented, further reforms are required to respond effectively to the main challenges of the euro area, namely to bring down the high level of structural unemployment, enhance the production potential, increase productivity, reduce the inefficiencies of the tax systems as well as to prepare the health and pension systems for the ageing of the population. The process of structural reform would be greatly enhanced if social partners were to commit themselves fully to the objective of making the euro area a more dynamic, innovative and competitive economy. Such a commitment would also facilitate better communication to the public of the benefits of structural reforms.

The layout of the Monthly Bulletin has been amended to make it more reader-friendly. As from January, the part on economic and monetary developments will include a summary at the beginning of each section as well as a new section entitled "The external environment of the euro area". In addition, the "Euro area statistics" section has been restructured and a glossary of economic terms has been introduced.

This issue of the Monthly Bulletin contains three articles. The first reviews the fiscal policy experiences in the euro area since the early 1990s. The second describes the various ways in which opinion survey data on activity, prices and labour market developments in the euro area can be used in economic analysis. The third analyses developments in measures of profits in the euro area.

# ECONOMIC AND MONETARY DEVELOPMENTS

## I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

Overall, the external environment remains favourable for the euro area. The recovery of global economic activity and trade continues to accelerate, and financial conditions are supportive. Moreover, domestic inflationary pressures in other major economies remain relatively subdued although both oil and other commodity prices have been rising in US dollar terms (while remaining relatively flat in euro).

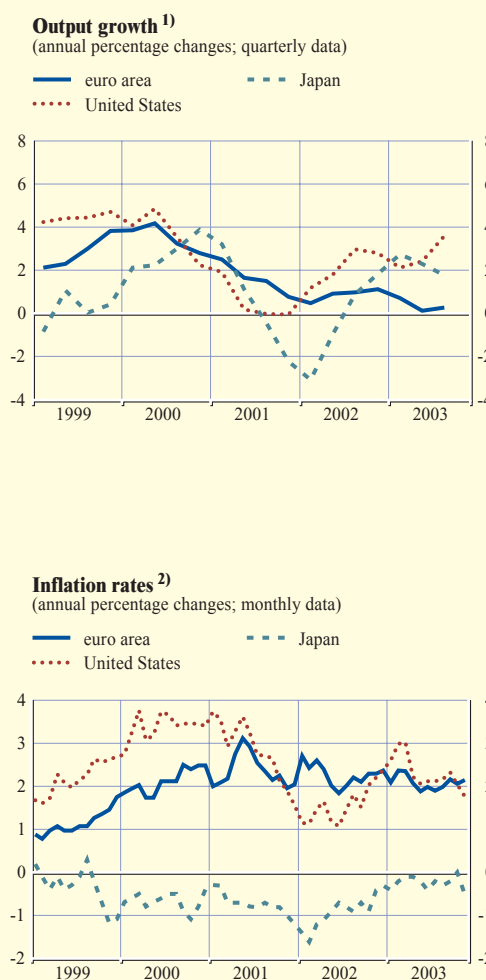
### DEVELOPMENTS IN THE WORLD ECONOMY

According to recent data, the recovery of the global economy continues to accelerate, supported by a generalised revitalisation of trade as well as stronger domestic demand and favourable financing conditions in most countries.

In the United States, recent developments confirm a continuation of the economic recovery. Real private consumption is supported by personal income tax rebates and increasing real wage growth, which more than compensate for a still tepid recovery in employment growth. Recent data releases indicate that the recovery in firms' capital spending which started in the second quarter of 2003 is continuing. In particular, survey indicators suggest that the ongoing rebound in the manufacturing sector is contributing increasingly to private business investment growth. Financial market developments remain supportive for both private consumption and private investment as equity prices continue to recover, interest rates are low and corporate bond spreads decline. In November annual CPI inflation and CPI inflation excluding food and energy fell to 1.8% and 1.1% respectively (see Chart 2).

In Japan, real GDP growth in the third quarter of 2003 was revised down to 0.3% (quarter on quarter) from a previously estimated 0.6%. However, the December Bank of Japan Tankan survey indicates a broad-based improvement in current business conditions. Despite an encouraging trend in activity, mild deflation persists. Overall consumer prices declined by 0.5% (year on year) in November after being flat the previous month, while consumer prices excluding fresh food decreased by 0.1%.

Chart 1 Main developments in major industrialised economies



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

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

2) Based on the HICP.



In the United Kingdom, the recovery continues. Real GDP growth rose to a quarterly rate of 0.8% in the third quarter. On 10 December the UK Government announced a new inflation target, redefining it in terms of the HICP (referred to as the CPI in the United Kingdom) instead of the RPIX index. The inflation target, which was previously a 12-month increase in the RPIX of 2.5%, is now defined as a 12-month increase in the HICP of 2%. In November, HICP inflation slowed to an annual rate of 1.3%. The outlook for the UK economy suggests steady growth in consumer spending, combined with strong growth in public expenditure and a modest expansion in business investment.

In non-Japan Asia, where China remains the region's fastest growing economy, economic activity remains very strong, supported particularly by exports. In the EU acceding countries the overall outlook for growth is brightening further. Recent information shows that Latin American economic activity has lost much of its earlier strength, constrained by the virtual stagnation in Mexico and Brazil.

### COMMODITY MARKETS

Oil prices have risen since the beginning of December 2003. The price of Brent quality crude oil reached USD 32 on 14 January 2004. The increase reflects strong demand in the United States and Asia, sharp declines in commercial stocks in the United States and concerns about political stability in the Middle East. In addition, the Organization of the Petroleum Exporting Countries (OPEC) has defended high prices in order to compensate for losses in the purchasing power of its oil export revenues related to the depreciation of the US dollar. Other commodity prices experienced a relatively sharp increase (in dollar terms) in the second half of 2003, supported by improved global economic conditions (see Chart 2). Several commodities are currently trading close to their highest level for many years. However, the increase in both oil and other commodity prices has been more muted in euro terms.

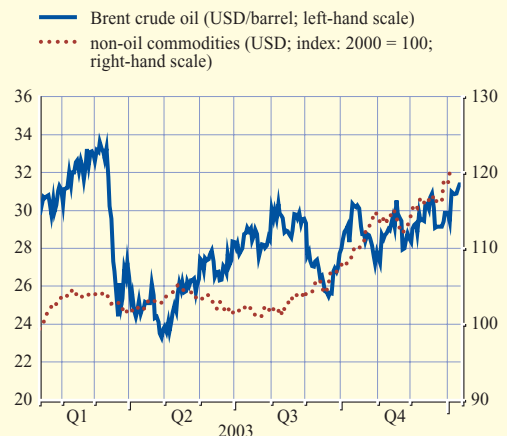
### OUTLOOK FOR THE EXTERNAL ENVIRONMENT

At the current juncture, official and private forecasts suggest a continuation of the economic recovery in 2004. The United States appears to remain the main engine of growth for the world economy, notwithstanding that real US GDP growth may moderate following the high growth rates observed recently. Moreover, Asia – and most notably China – is expected to provide ongoing additional stimulus to world trade and the global economic recovery.

Overall, the risks to the global economic recovery appear broadly balanced. On the one hand, economic frictions and imbalances persist. First, households, firms and governments have accumulated large amounts of debt, which increase their vulnerability to adverse shocks. In the case of the United States, the large current account and fiscal deficits weigh on the outlook. Second, commodity prices are relatively high and may remain at a high level throughout 2004. On the other hand, signs of increasing business investment in the United States could, if sustained, provide further support to output growth.

**Chart 2 Main developments in commodity markets**

(from 14 January 2003 to 13 January 2004)



Sources: Datastream and Hamburg Institute of International Economics.

## 2 MONETARY AND FINANCIAL DEVELOPMENTS

### 2.1 MONEY AND MFI CREDIT

M3 growth has moderated since its peak in the summer of 2003, albeit at a slow pace. It appears that euro area investors have only very cautiously started to reallocate their financial investments from monetary assets to longer-term financial assets following the improvements in financial market conditions and the reduced uncertainty about the economic outlook. At the same time, the low level of interest rates has continued to support the demand for liquid assets. In this environment, there has been a pick-up in the growth dynamics of MFI loans to the private sector over recent months. Overall, there remains significantly more liquidity in the euro area than is needed to finance non-inflationary economic growth.

#### THE BROAD MONETARY AGGREGATE M3

After having expanded very strongly in October 2003, the broad monetary aggregate M3 stagnated in November on a month-to-month basis. The annual growth rate of M3 decreased to 7.4%, from 8.1% in October and 7.5% in September (see Chart 3). This development reflected, to a large extent, the reversal of large central government transactions that drove up M3 growth in October. Looking beyond the very volatile monthly developments, while it appears that monetary growth passed its peak in the summer of 2003, the subsequent moderation has been rather slow. Improving financial market conditions and reduced uncertainty about the economic outlook seem to have increased economic agents' inclination to invest in longer-term financial assets. However, at the same time, the very low interest rates and, hence, opportunity costs of holding money have continued to fuel monetary growth.

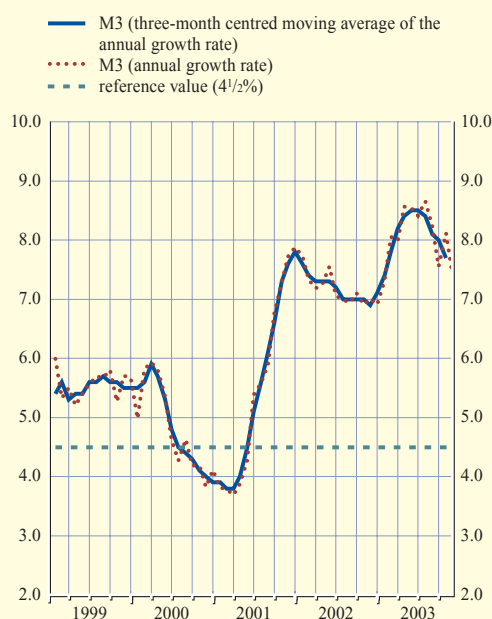
In spite of the moderation in M3 growth, there is still significantly more liquidity in the euro area than is needed to finance non-inflationary economic growth. This ample liquidity is at the current juncture not of concern as regards price stability, given that, for the time being, the economic recovery in the euro area is only gradual. However, should excess liquidity remain high once there is a significant strengthening of economic activity, inflationary pressures could result. Therefore, it is important that the future development of the accumulated liquidity and its uses be closely monitored, all the more so because the strong liquidity preference of investors has been, to a large extent, a global phenomenon (see Box 1).

#### MAIN COMPONENTS OF M3

The annual growth rate of the narrow monetary aggregate M1 remained high in November (see Table 1). It appears that economic agents (both inside and outside the euro area) continued to rebuild their currency holdings after the euro cash changeover in January 2002. In addition, the very low opportunity costs of holding overnight deposits continued to make this type of deposit rather attractive.

Chart 3 M3 growth and the reference value

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



Source: ECB.

**WORLDWIDE TRENDS IN MONETARY AGGREGATES OVER RECENT YEARS**

Over recent years, monetary trends in the major industrialised countries have exhibited many similarities. This box analyses the development of broad money in the five largest developed economic areas since the early 1980s. It also presents a global monetary aggregate (constructed as a simple sum of the monetary aggregates of the euro area, the United States, the United Kingdom, Japan and Canada converted into euro) in order to investigate the linkages between money and other macroeconomic variables at the global level.

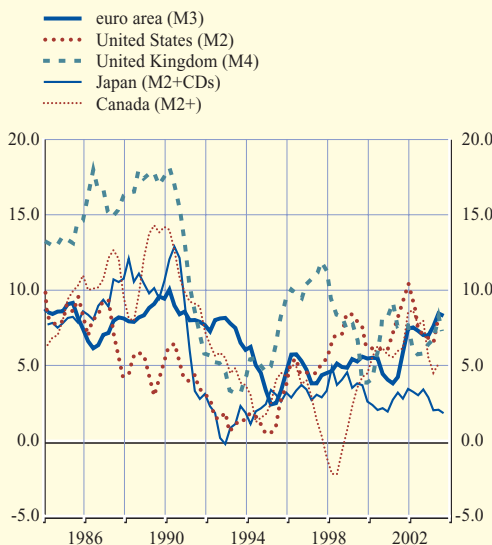
**Developments in broad money in the largest developed economic areas**

Chart A plots the annual growth rate of a key monetary aggregate for the euro area, the United States, the United Kingdom, Japan and Canada in domestic currency.<sup>1</sup> Over longer periods, some broad co-movements are apparent. The 1980s, in particular, were characterised by high monetary growth, which was followed by a significant decline in the early 1990s and some renewed increase thereafter.

Chart B illustrates in more detail recent developments in the euro area, the United States and the United Kingdom.<sup>2</sup> In all three economic areas, monetary growth has been rather high over

**Chart A Broad money growth in the euro area and abroad**

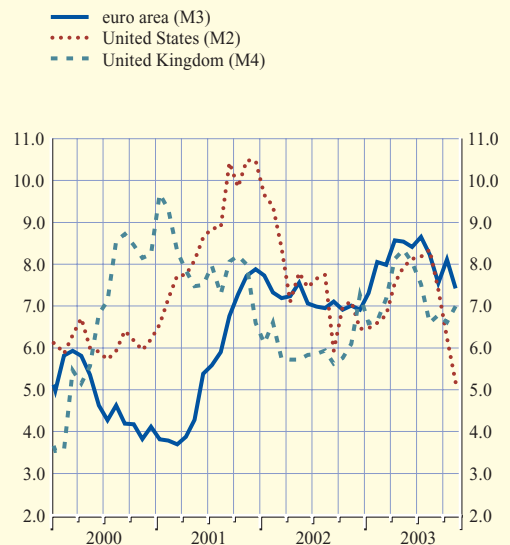
(annual percentage changes; quarterly data)



Sources: ECB and BIS.  
Note: Underlying data are in domestic currency.

**Chart B Broad money growth in the euro area, the United States and the United Kingdom**

(annual percentage changes; monthly data)



Sources: ECB and BIS.  
Note: Underlying data are in domestic currency.

1 The monetary aggregates are M3 for the euro area, M2 for the United States, M4 for the United Kingdom, M2 plus certificates of deposit for Japan and M2+ for Canada.  
2 In Japan and Canada developments seem to have been largely influenced by domestic factors and show less similarity with those of the euro area, the United States and the United Kingdom.

recent years, especially considering the low level of inflation. In the United Kingdom, M4 growth started to increase in 2000. In the United States and the euro area, broad monetary aggregates increased strongly in 2001, driven in both cases by portfolio shifts away from financial markets. While country-specific factors partly account for these trends, important common factors also played a role. These included heightened stock market volatility, a protracted decline in stock prices, and rising economic uncertainty, not least that triggered by the terrorist attacks of 11 September 2001.

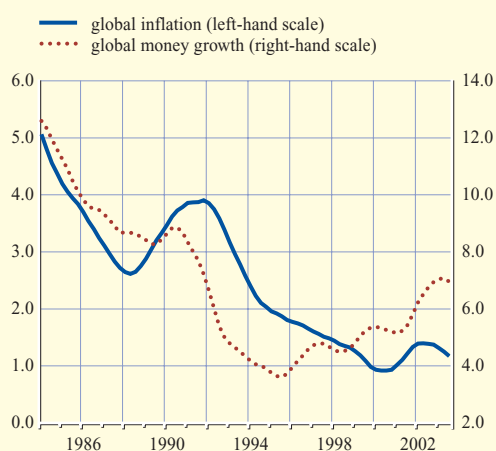
In early 2003 a similar parallel upward movement among the three monetary series can be observed, probably triggered by rising investor uncertainty related to the then prevailing geopolitical situation. The relatively low level of interest rates also contributed significantly to the increase in monetary growth. Despite this, monetary growth appears to have stabilised more recently and shows some signs of moderation, as some portfolio shifts back to the stock market took place in an environment of less volatile market conditions.

### Link between global monetary growth and other global macroeconomic variables

Chart C shows developments in the annual growth rate of a global monetary aggregate (in nominal terms) and the global inflation rate (measured by the GDP deflator). Although there are several episodes where developments in the two variables appear only weakly related, overall there is a positive correlation between global inflation and global monetary growth. The chart suggests that the decline in the growth of global money preceded the disinflationary period in the first half of the 1990s. However, the relation between the two variables from mid-1995 onwards is less clear. While the growth of global money increased from the mid-1990s, global inflation continued to decline and has only started to rise since 2001.

**Chart C Global money growth and global inflation**

(two-year moving average of annual percentage changes; quarterly data)



Sources: ECB, Eurostat, BIS and OECD.

Note: Global money is the simple sum of broad monetary aggregates in the euro area, the United States, the United Kingdom, Japan and Canada converted into euro using purchasing power parity exchange rates; global inflation is the weighted average of the inflation rates (measured by the GDP deflator) in the euro area, the United States, the United Kingdom, Japan and Canada constructed using GDP weights.

Chart D compares developments in the global monetary aggregate in real terms with those in global real GDP. As in the case of inflation, a positive correlation emerges between the growth of real global money and the growth of global real economic activity: periods when global real GDP growth is relatively high appear to coincide with periods where the growth of real global money is also relatively high, and vice versa. The main exception is the period from mid-2001 onwards, during which the annual growth of real global money increased substantially, while global real GDP growth declined significantly. This is another indication that the strong turbulence in financial markets (related to the heightened global economic, financial and geopolitical uncertainty over recent years) has led to an

increased preference of economic agents for holding liquid and safe assets, such as those included in the broad monetary aggregates. The gap between real money growth and real GDP growth on a global scale (in terms of two-year moving averages) peaked at 3.4 percentage points in the first quarter of 2003 and diminished only slightly in the following two quarters.

**Chart D Global real GDP growth and real global money growth**

(two-year moving average of annual percentage changes; quarterly data)



Sources: ECB, Eurostat, BIS and OECD.

Note: Global real GDP growth is the weighted average of real GDP growth rates in the euro area, the United States, the United Kingdom, Japan and Canada constructed using GDP weights; real global money is nominal global money deflated by the euro area GDP deflator.

Overall, the comparison shows that the recent apparent decoupling of monetary growth from nominal GDP developments was not a phenomenon restricted to the euro area. Indeed, it seems that many common factors were at work in causing similar trends in other major economies. Looking ahead, it is uncertain how the current high excess liquidity will be used. Although it is possible that a higher liquidity preference of agents in their portfolio allocation will become a structural phenomenon, there are also risks of the excess liquidity leading to higher global inflation and/or renewed global asset price bubbles in the future.<sup>3</sup> For this reason, further developments in these monetary holdings need to be monitored carefully.

<sup>3</sup> See also the box entitled "What could happen with the accumulated excess liquidity in the euro area?" in the October 2003 issue of the ECB's Monthly Bulletin, pp. 8-10.

After having declined since May 2003, the annual growth rate of total short-term deposits other than overnight deposits remained broadly stable in November. There are also tentative signs that the fall in the growth differential between short-term time deposits (deposits with an agreed maturity of up to and including two years) and short-term savings deposits (deposits with a period of notice of up to and including three months), which had been observed since late 2002, might have come to an end. The steep decline was related to large shifts from short-term time deposits to short-term savings deposits which, in turn, were mainly driven by the declining spread between the interest rates MFIs paid on these deposits. The recent stabilisation of the spread may explain why economic agents appear to have stopped shifting funds out of short-term time deposits.

Finally, the annual growth rate of marketable instruments included in M3 (of which money market fund shares/units are the main component) declined to 6.4% in November. Looking beyond the very volatile monthly developments, the moderation of this growth rate after the first quarter of 2003 suggests that economic agents may have started, in a cautious manner, to reallocate their financial investments into longer-term assets outside M3.

**Table 1 Summary table of monetary variables in the euro area**

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

	Outstanding amount as a percentage of M3 <sup>1)</sup>	Annual growth rates					
		2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Oct.	2003 Nov.
<b>M1</b>	<b>42.9</b>	<b>8.8</b>	<b>10.1</b>	<b>11.3</b>	<b>11.4</b>	<b>12.2</b>	<b>10.7</b>
Currency in circulation	6.2	12.9	39.1	35.8	29.6	26.1	26.3
Overnight deposits	36.7	8.2	6.5	8.0	8.9	10.2	8.4
M2 - M1 (= other short-term deposits)	42.1	4.8	4.3	5.4	5.6	4.4	4.6
Deposits with agreed maturity of up to two years	17.1	1.5	0.4	-0.2	-1.6	-4.0	-3.1
Deposits redeemable at notice of up to three months	25.0	7.6	7.5	9.8	11.4	11.0	10.7
<b>M2</b>	<b>85.0</b>	<b>6.7</b>	<b>7.1</b>	<b>8.2</b>	<b>8.4</b>	<b>8.2</b>	<b>7.6</b>
M3 - M2 (= marketable instruments)	15.0	8.5	10.5	9.8	7.4	7.6	6.4
<b>M3</b>	<b>100.0</b>	<b>7.0</b>	<b>7.6</b>	<b>8.4</b>	<b>8.3</b>	<b>8.1</b>	<b>7.4</b>
<b>Credit to euro area residents</b>	<b>169.3</b>	<b>4.1</b>	<b>4.2</b>	<b>4.7</b>	<b>5.4</b>	<b>5.7</b>	<b>6.3</b>
Credit to general government	36.4	2.0	2.1	3.4	4.8	6.7	7.1
Loans to general government	13.5	-1.2	-1.2	-0.5	1.0	1.4	1.5
Credit to the private sector	132.9	4.7	4.8	5.1	5.5	5.5	6.0
Loans to the private sector	115.5	4.8	5.0	4.6	4.9	5.1	5.6
<b>Longer-term financial liabilities (excl. capital and reserves)</b>	<b>51.2</b>	<b>5.2</b>	<b>5.1</b>	<b>5.2</b>	<b>5.6</b>	<b>6.4</b>	<b>6.6</b>

Source: ECB.

1) As at the end of November 2003. Figures may not add up due to rounding.

### MAIN COUNTERPARTS OF M3

Turning to the main counterparts of M3 in the consolidated balance sheet of the MFI sector, the annual growth rate of MFI loans to the private sector increased to 5.6% in November, from 5.1% in October (see Table 1), confirming earlier signs that loan growth had been picking up. The stronger demand for loans to the private sector was probably linked to the improved economic outlook and the continuing low level of bank lending rates in the euro area. At the same time, it has to be taken into account that changes in legal and tax rules might have an upward impact on loan growth around the turn of the year. It therefore remains to be seen whether the upturn in MFI loan growth is confirmed in 2004.

The annual growth rate of the broader aggregate MFI credit to the private sector (including, in addition to MFI loans, MFI holdings of securities issued by the private sector) also increased significantly, reaching 6.0% in November. The annual growth rate of MFI credit to general government continued its upward trend and stood at 7.1% in November (up from 6.7% in October), reflecting the rise in budget deficits.

In the course of 2003, investors slowly stepped up their demand for longer-term deposits and bank bonds, an increase probably related to the steepening of the yield curve, which made these assets relatively more attractive than shorter-term assets. As a consequence, the annual rate of growth of MFI longer-term financial liabilities (excluding capital and reserves) rose gradually to 6.6% in November, from 5.0% in March. This also supports the hypothesis that economic agents have started, albeit very cautiously, to reallocate their financial investments by investing more in longer-term financial assets.

Finally, the annual flow of the net external assets of the euro area MFI sector declined for the fifth month in a row in November. Changes in MFI net external assets reflect, to a large extent,

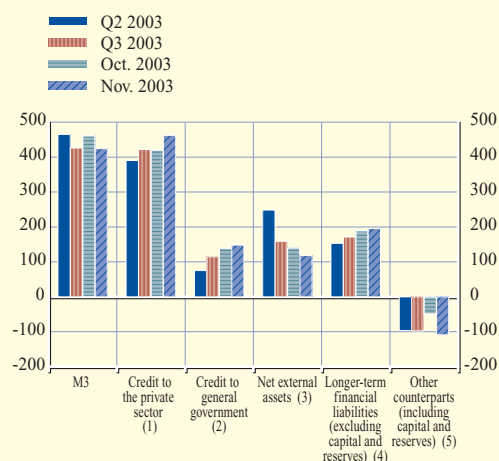


transactions between non-euro area residents and euro area agents other than MFIs that are settled via the euro area MFI sector. According to balance of payments data (which are available only up to October) the decline in the annual flow of MFI net external assets mainly reflected euro area residents buying more foreign bonds and equity. In contrast, the sharp increase in the annual flow of MFI net external assets between mid-2001 and mid-2003 mainly reflected euro area residents purchasing less foreign equity and, later on, non-euro area residents buying more euro area bonds. The decline in the annual flow of MFI net external assets over the past five months therefore seems consistent with some reversal of past portfolio shifts related to the unwinding of the heightened financial market uncertainties.

In sum, the moderation in M3 growth over recent months has mainly been driven by increases in the growth rate of MFI longer-term financial liabilities (excluding capital and reserves) and a decline in the annual flow of MFI net external assets (see Chart 4). The combination of these factors suggests that euro area agents may have started to cautiously invest more in longer-term financial assets and less in short-term instruments included in M3. At the same time, the strong increase in the annual growth of MFI credit to both the private sector and general government continued to fuel M3 growth.

**Chart 4 Movements in M3 and its counterparts**

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



Source: ECB.  
 $M3 = 1 + 2 + 3 - 4 + 5$

## 2.2 SECURITIES ISSUANCE

*The annual growth rate of debt securities issued by euro area residents increased slightly in October 2003. One notable development was the increase in the growth rate of debt securities issued by the non-financial corporate sector, correcting partly the slight decline observed during the summer months. Issuance of quoted shares by euro area residents continued to grow at a moderate pace in October.*

### DEBT SECURITIES

The annual growth rate of debt securities issued by euro area residents increased to 7.1% in October 2003, from 6.9% in September (see Chart 5). Underlying the overall increase in October was a 0.9 percentage point rise in the annual growth rate of short-term debt securities issuance to 10.3% and a 0.2 percentage point increase in the annual growth rate of long-term debt securities issuance to 6.8%.

In terms of the sectoral breakdown, the annual growth rate of debt securities issued by non-financial corporations increased to 9.4% in October 2003, from 8.8% in September (see Table 2). This development corrected partly the slight decline in the annual growth rate observed during the summer months. The annual growth in debt securities issued by non-monetary financial corporations continued to be high, at a rate of 28.2%, in October. This strong growth partly

Table 2 Securities issuance by euro area residents

Issuing sector	Amounts outstanding (EUR billions) 2003 Q3	Annual growth rates (annual percentage changes <sup>1)</sup> )					
		2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Sep.	2003 Oct.
<b>Debt securities issuance:</b>	<b>8,657</b>	<b>6.9</b>	<b>6.7</b>	<b>6.8</b>	<b>6.9</b>	<b>6.9</b>	<b>7.1</b>
MFIs	3,264	6.1	5.4	4.7	4.8	4.7	5.5
Non-monetary financial corporations	641	25.5	26.0	26.2	27.8	28.0	28.2
Non-financial corporations	577	4.2	6.2	10.2	10.0	8.8	9.4
General government	4,173	5.7	5.4	5.7	5.4	5.7	5.4
<i>of which:</i>							
Central government	3,964	4.8	4.4	4.7	4.7	4.9	4.6
Other general government	209	28.4	31.4	28.8	22.0	23.2	21.3
<b>Quoted share issuance:</b>	<b>3,304</b>	<b>1.0</b>	<b>0.7</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>
MFIs	495	0.9	0.8	0.8	1.1	1.1	1.1
Non-monetary financial corporations	307	0.5	0.3	2.0	2.1	1.9	1.9
Non-financial corporations	2,502	1.1	0.8	1.1	1.0	1.0	1.0

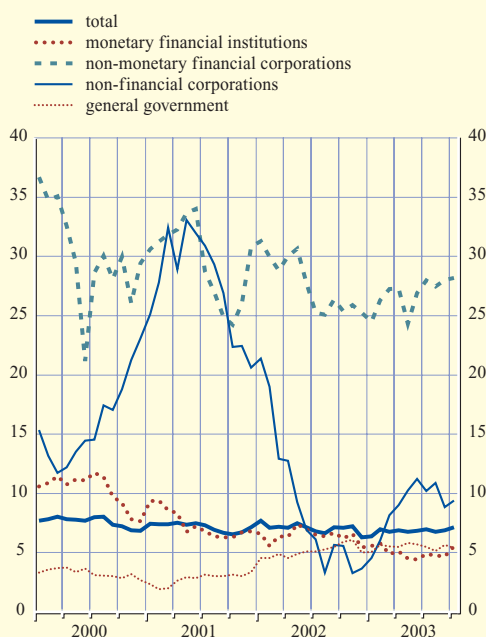
Source: ECB.

1) Quarterly average of monthly annual growth rates for quoted shares and debt securities.

reflected indirect issuance by non-financial corporations, particularly in the telecommunications and utilities sectors, through financial subsidiaries.

Chart 5 Sectoral breakdown of debt securities issuance by euro area residents

(annual percentage changes)

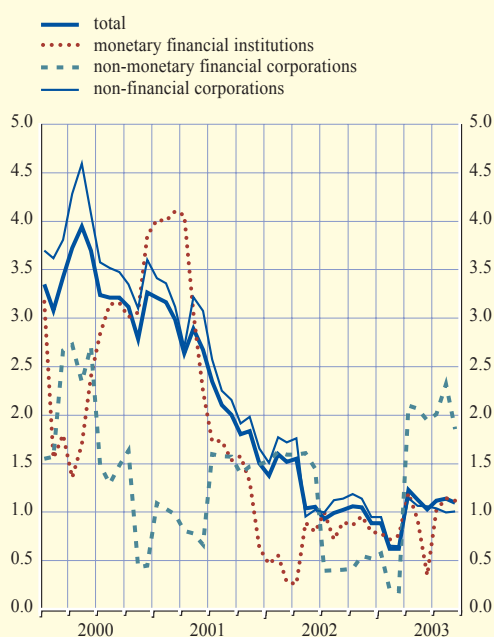


Source: ECB.

Note: Growth rates are based on financial transactions and therefore do not include reclassifications, revaluations, exchange rate variations and other changes that do not arise from transactions.

Chart 6 Sectoral breakdown of quoted share issuance by euro area residents

(annual percentage changes)



Source: ECB.

Note: Growth rates are based on financial transactions and therefore do not include revaluations and other changes that do not arise from transactions.

Turning to government issuance, the annual growth rate of debt securities issued by central government was 4.6% in October 2003, which was broadly similar to the average annual growth rate for this sector between January and October. The other general government sector (mainly consisting of state and local governments) continued to issue debt securities at a very high rate.

### QUOTED SHARES

The annual growth rate for quoted shares issued by euro area residents has been fluctuating within a range of 1.0% to 1.3% since April 2003 (see Chart 6, Table 2 and Box 2 on “New ECB statistics on quoted share transactions”). The annual growth rate in October 2003 was 1.1%. Looking at the various sectors, the annual growth rates of quoted shares issued by non-financial corporations, which account for about three-quarters of total amounts outstanding, and by MFIs were unchanged from September to October at 1.0% and 1.1%, respectively. For non-monetary financial corporations (i.e. insurance corporations, pension funds and other non-MFI financial intermediaries), the annual growth rate was 1.9% in October, also unchanged from the previous month.

#### Box 2

### NEW ECB STATISTICS ON QUOTED SHARE TRANSACTIONS

This issue of the Monthly Bulletin includes for the first time statistics on monthly transactions in quoted shares issued by euro area residents starting with the reference period January 1999 (see Table 4.4 in the “Euro area statistics” section). They complement the statistics already published on the amounts outstanding by providing information on new issues and redemptions of quoted shares. The main benefit of the new statistics is that they provide accurate measures of the funds raised through quoted share issuance. These measures differ from those based on comparisons of amounts outstanding as they do not include revaluations, reclassifications and other non-transactional changes. From a monetary policy perspective, it is interesting to monitor share issuance given its importance as a source of financing. Direct access to funds on the equity markets is an alternative to reliance on debt securities markets or financial intermediaries, such as banks. Over time, shifts between forms of financing may also affect the monetary policy transmission mechanism. This box describes the new statistics and highlights a number of their main features, including the fluctuations in quoted share issuance over recent years.

#### Description of the new statistics

Shares comprise all financial assets which represent property rights on corporations. These financial assets generally entitle holders to a share in the corporation’s profits and, in the event of liquidation, in its net assets. In most cases, they also entitle holders to vote at the corporation’s general meetings. Shares generally provide holders with a part in the ownership of the corporation whereas, in the case of debt securities, holders are creditors. The category “quoted shares” covers all shares with prices quoted on a recognised stock exchange or other forms of regulated market.<sup>1</sup>

The statistics on quoted shares distinguish between issues by non-financial corporations, monetary financial institutions and non-monetary financial corporations.

<sup>1</sup> See also the box entitled “Recent improvements in securities issues statistics” in the January 2003 issue of the ECB’s Monthly Bulletin.

Transaction data on quoted shares provide information about the amount of funds raised by the issuer. Transactions refer to issues of quoted shares where the issuer sells securities for cash (gross issues) or all repurchases of quoted shares by the issuer where the investor receives cash for the securities (redemptions). Gross issues include transactions where shares of corporations become listed on a stock exchange for the first time (e.g. initial public offerings) and increases in equity capital (e.g. secondary offerings). An example of a redemption is a share buyback by a company that leads to a reduction in capital. Net issues refer to the difference between gross issues and redemptions.

The transactions and amounts outstanding of quoted shares are reported at market value. For transactions, this means that gross issues and redemptions are valued at the price at which the transactions took place. For amounts outstanding, the market value is calculated by multiplying the number of shares outstanding at the end of the reference period by the last price quotation for that reference period. This implies that the reported amounts outstanding are revalued each month with the latest price quotation.

However, for the purpose of measuring issuance activity in terms of growth rates, inter-temporal comparisons of amounts outstanding at market prices are not suitable since their information content would be distorted by non-transactional changes such as movements in stock prices. To avoid this, the newly released data on quoted share transactions are combined with the amounts outstanding to produce an “index” of notional stocks to calculate the annual growth rates for quoted shares, as is already done for debt securities and for monetary aggregates and their counterparts in the MFI balance sheet.

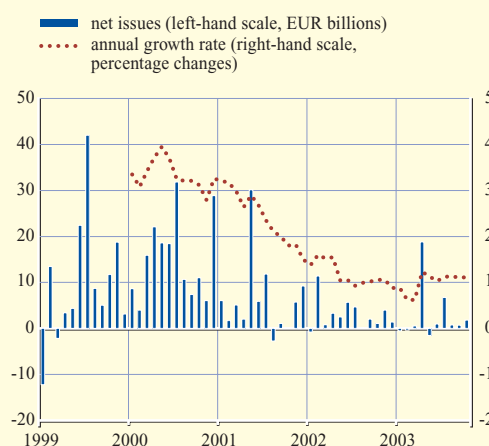
### Recent developments in the issuance of quoted shares

A firm’s decision to issue securities is primarily driven by its need for funding, and its choice of instruments reflects, to a large extent, relative prices of the instruments and considerations relating to taxes, bankruptcy costs, agency costs and asymmetric information.

Quoted share issuance by euro area residents has been subject to some fluctuations over recent years.<sup>2</sup> The annual growth rate of quoted shares issued by euro area residents was around 3.0% during the first half of 2000 before stock prices started to fall (see Chart A). Thereafter, the annual growth rate experienced a substantial and prolonged decline, falling to 0.6% in March 2003. More recently, issuance has recovered somewhat and, since April 2003, the annual growth rate has stood slightly above 1.0%.

**Chart A Net issues and annual growth rate of quoted shares issued by euro area residents**

(monthly data)



Source: ECB.

<sup>2</sup> See also the box entitled “Recent trends in equity issuance in the euro area” in the March 2003 issue of the ECB’s Monthly Bulletin.

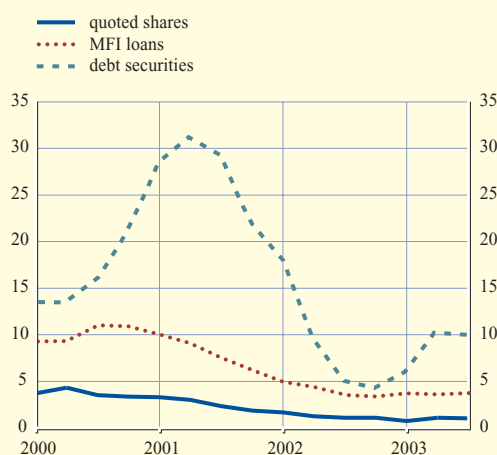
The subdued economic activity in 2001 and 2002 and the bursting of the technology bubble are likely to have contributed to the decrease in issuance activity in the equity markets. Over the same period, the significant decline in stock prices, high stock market volatility and most likely an increasing equity risk premium, together with low levels of interest rates, resulted in a relatively high cost of equity and also reduced many companies' interest in obtaining finance via public stock markets. Conversely, the pick-up in stock prices since the last trough in March 2003 has helped to lower the cost of equity issuance, which together with the improvement in the general economic situation was one of the main reasons for the increase in the annual growth rate of quoted shares issued by euro area residents in 2003.

Total quoted share issuance is mostly driven by the issuance activity of non-financial corporations (see Chart 6 in the main text). This sector accounted for three-quarters of the total amounts outstanding at the end of October 2003 and is therefore by far the largest segment of the quoted share market.

The use of quoted shares by euro area non-financial corporations has however declined relative to other external funding methods. Chart B shows that, for non-financial corporations, the annual growth rate of quoted shares issued has been consistently lower than the corresponding annual growth rates for debt securities issued and MFI loans since 2000. Moreover, annual transaction data from the financial accounts indicate that the ratio of quoted shares issued to unquoted shares and other equity also fell between 1999 and 2002. In terms of the overall financing structure of non-financial corporations in the euro area, the amount outstanding of quoted shares at the end of 2002 represented only 17% of the liabilities of the non-financial corporate sector (see Chart C). It is noteworthy that unquoted shares and other forms of equity were nearly twice as important as quoted shares.

**Chart B Financing of non-financial corporations via quoted shares compared with debt securities and MFI loans**

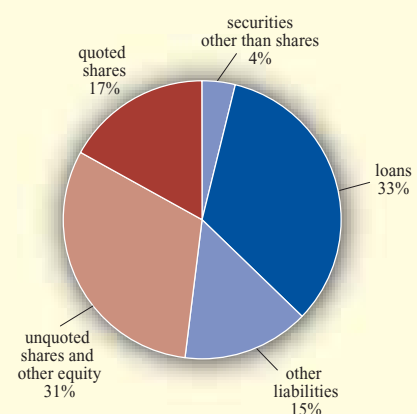
(annual percentage changes, quarterly data<sup>1)</sup>)



Source: ECB.  
1) Quarterly average of monthly annual growth rates for quoted shares and debt securities.

**Chart C Financing structure of non-financial corporations**

(percentage of total liabilities at end-2002)



Source: ECB.  
Note: Other liabilities include trade credits and advance payments received.

## 2.3 MONEY MARKET INTEREST RATES

After increasing slightly in November, money market interest rates declined again in the course of December 2003 and the first half of January 2004. The decline in these rates was most pronounced at the longer maturities. Consequently, the slope of the money market yield curve became less steep.

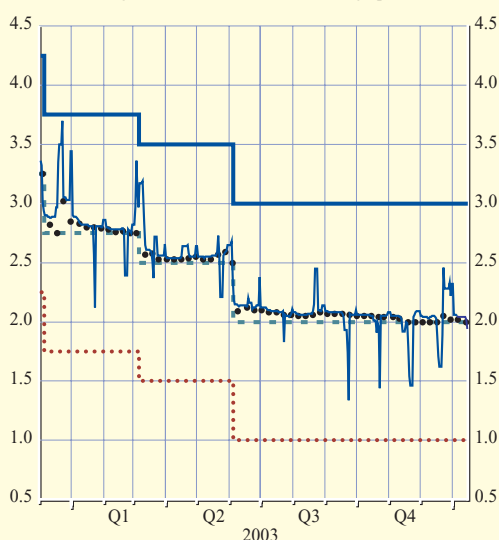
For most of the period between end-November 2003 and 14 January 2004, the overnight interest rate, as measured by the EONIA, hovered slightly above the minimum bid rate in the Eurosystem's main refinancing operations of 2%. There were some fluctuations in the EONIA in the second half of December 2003, as this rate was affected by changing perceptions of the liquidity situation towards the end of the reserve maintenance period and, later on, by the usual end-of-year effect resulting from the financial institutions' desire to adjust their balance sheets at the end of the year (see Chart 7).

The EURIBOR interest rates declined between end-November 2003 and 14 January 2004. The twelve-month EURIBOR declined by 28 basis points to stand at 2.19% on 14 January 2004. The drop in interest rates with a shorter maturity was less pronounced. As a result, the slope of the money market yield curve, as measured by the difference between the twelve-month and the one-month EURIBOR, became less steep. It was 12 basis points on 14 January 2004, down from 32 basis points at the end of November 2003 (see Chart 8). On 14 January 2004, rates with a maturity of up to six months were at levels relatively close to the minimum bid rate in the Eurosystem's main refinancing operations of 2%.

**Chart 7 ECB interest rates and the overnight interest rate**

(percentages per annum; daily data)

- marginal lending rate
- ... deposit rate
- - - minimum bid rate in the main refinancing operations
- overnight interest rate (EONIA)
- marginal rate in the main refinancing operations

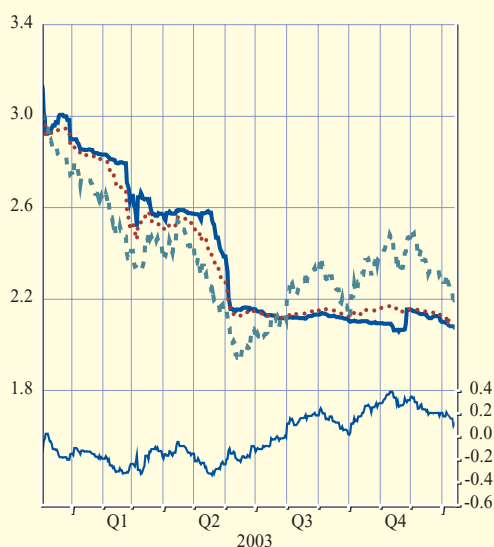


Sources: ECB and Reuters.

**Chart 8 Short-term interest rates and the slope of the money market yield curve**

(percentages per annum; percentage points; daily data)

- one-month EURIBOR (left-hand scale)
- ... three-month EURIBOR (left-hand scale)
- - - twelve-month EURIBOR (left-hand scale)
- spread between twelve-month and one-month EURIBOR (right-hand scale)



Source: Reuters.



The decline in short-term money market rates was generally mirrored in the evolution of the implied three-month EURIBOR futures rates. For instance, the rate as implied in contracts with a delivery date in September 2004 dropped by 61 basis points between the end of November 2003 and 14 January 2004, on which date it stood at 2.25%. This indicates that market participants revised their expectations for future short-term interest rates downwards during that period.

The allotment rates in the Eurosystem's main refinancing operations in December 2003 and the first half of January 2004 were relatively close to the minimum bid rate set for these operations. During that period, the marginal and average rates were, on average, 1 and 4 basis points respectively above the minimum bid rate. In the longer-term refinancing operation settled on 18 December 2003, the rates were very close to the then prevailing three-month EURIBOR, and were virtually unchanged compared with the longer-term refinancing operation settled on 27 November 2003.

## 2.4 BOND MARKETS

*Long-term government bond yields in the euro area and the United States declined between end-November 2003 and 14 January 2004. Implied bond market volatility was stable over this period, but remained at high levels, especially in the United States.*

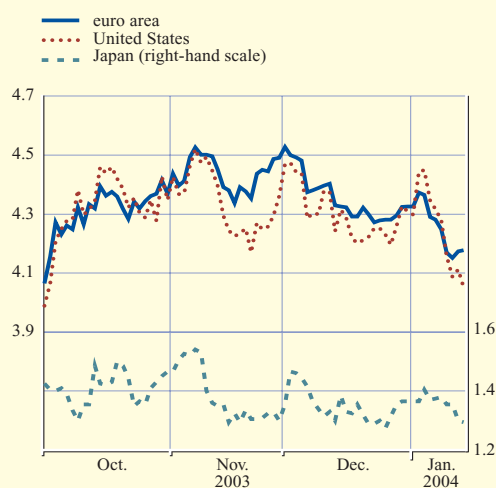
### UNITED STATES

In the United States, ten-year government bond yields declined by 30 basis points between the end of November 2003 and 14 January 2004, ending this period at a level of 4% (see Chart 9). Bond yields were influenced by several factors during this period. On the one hand, market participants came to expect that the Federal Reserve would keep monetary policy rates at the current low levels for longer than previously anticipated. On the other hand, positive macroeconomic data releases at times exerted upward pressure on bond yields.

Investors' long-term inflation expectations seemed to decline slightly between the end of November 2003 and 14 January 2004, as suggested by the 10 basis point decrease in the ten-year break-even inflation rate, which is measured as the yield differential between comparable nominal and inflation-indexed government bonds. Implied bond market volatility – a measure of market participants' uncertainty about future bond yield developments – in the United States declined slightly during December 2003 and the first half of January 2004 (see Chart 10), but remained at high levels from a longer-term perspective.

**Chart 9 Long-term government bond yields**

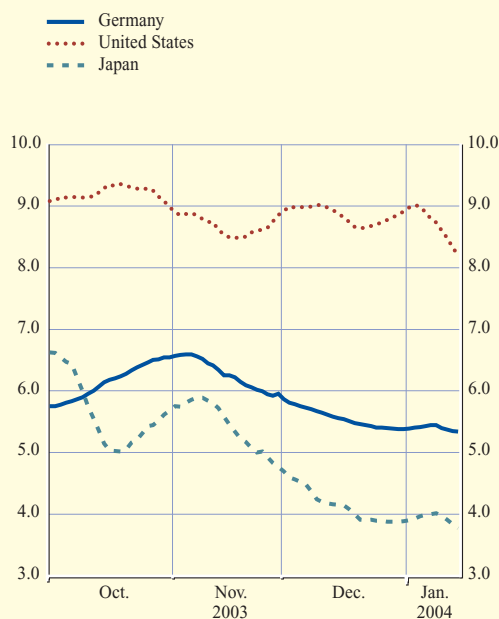
(percentages per annum; daily data)



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

Chart 10 Implied bond market volatility

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

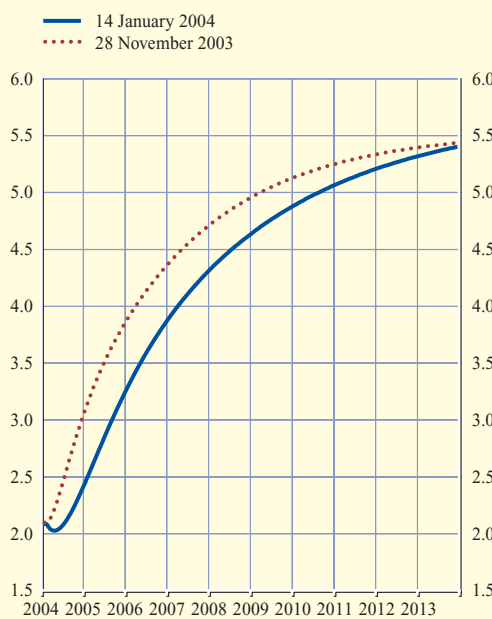


Source: Bloomberg.

Note: The implied volatility series represents the nearby implied volatility on the near-contract generic future, rolled over 20 days prior to expiry, as defined by Bloomberg. This means that 20 days prior to expiry of the contracts, a change in the choice of contracts used to obtain the implied volatility is made, from the contract closest to maturity to the next contract.

Chart 11 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



Source: ECB estimate.

Note: 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 calculate these implied forward yield curves was outlined on page 26 of the January 1999 issue of the Monthly Bulletin. The data used in the estimate are derived from swap contracts.

## JAPAN

In Japan, long-term bond yields were broadly stable during December 2003 and the first half of January 2004 at a level of around 1.3%. This seemed to reflect market participants' expectations that short-term rates will remain at the current very low levels over the medium term. Uncertainty among market participants seemed to decrease over the same period as indicated by a decline in implied bond market volatility.

## EURO AREA

In the euro area, government bond yields declined across the entire maturity spectrum in December 2003 and the first half of January 2004. Ten-year government bond yields fell by 30 basis points between end-November 2003 and 14 January 2004, to stand at 4.2% on the latter date. The general decline in bond yields seemed to partly reflect expectations among market participants that short-term interest rates in the euro area would stay at lower levels for longer than had been anticipated at the end of November (see Chart 11). The effects of releases of macroeconomic data broadly supporting the scenario of a recovery in the euro area were partly counterbalanced by market participants' concerns about the potential negative impact of the recent strong appreciation of the euro on the price competitiveness of euro area exporters. Investors' long-term average growth expectations seemed to decline between the end of November 2003 and 14 January 2004, as suggested by the 20 basis point drop in the yields on ten-year index-linked government bonds (indexed on the euro area HICP excluding tobacco), which stood at 1.9% on the latter date. In

addition, over the same period there was a slight decline of around 10 basis points in the ten-year break-even inflation rate derived from the difference between ten-year nominal bond yields and ten-year index-linked bond yields (indexed on the euro area HICP excluding tobacco).

The degree of uncertainty prevailing in the euro area bond markets has changed little over the last few weeks according to recent developments in implied bond market volatility. On 14 January 2004 this volatility stood at a level slightly below the average since January 1999.

## 2.5 MFI INTEREST RATES

*In the period between June and November 2003, short-term MFI interest rates on new business remained mostly unchanged while long-term MFI rates showed mixed developments.*

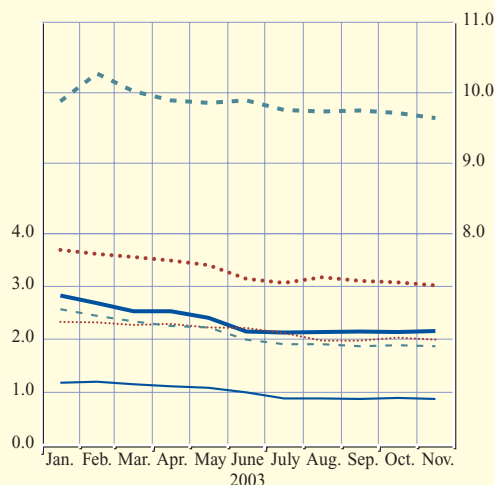
### SHORT-TERM MFI INTEREST RATES

Most short-term MFI interest rates remained broadly unchanged in November, as in the previous four months, after declining during the first half of 2003 (see Chart 12). Consequently, between

**Chart 12 Short-term MFI interest rates and a short-term market rate**

(percentages per annum; rates on new business)

- three-month money market rate (left-hand scale)
- short-term loans to non-financial corporations (left-hand scale)
- - - overdrafts to households (right-hand scale)
- overnight deposits from non-financial corporations (left-hand scale)
- short-term savings deposits from households (left-hand scale)
- - - short-term time deposits from households (left-hand scale)

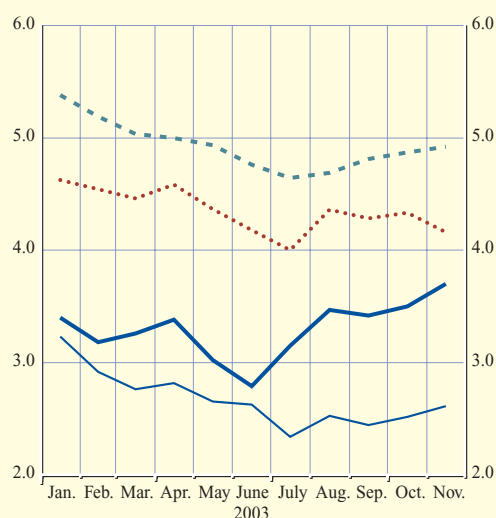


Source: ECB.  
Notes: Short-term loans to non-financial corporations include loans over €1 million with a floating rate or with up to one year initial rate fixation. Short-term savings and time deposits from households comprise deposits redeemable at notice of up to three months and with an agreed maturity of up to one year, respectively.

**Chart 13 Long-term MFI interest rates and a long-term market rate**

(percentages per annum; rates on new business)

- five-year government bond yields
- long-term loans to non-financial corporations
- - - long-term loans for house purchase
- long-term time deposits from households



Source: ECB.  
Notes: Long-term loans to non-financial corporations are loans over €1 million with over five years' initial rate fixation. Long-term loans for house purchase are loans with over five and up to ten years' initial rate fixation. Long-term time deposits comprise deposits with an agreed maturity of over two years.

January and November 2003, the rates on short-term savings deposits from households (i.e. redeemable at notice of up to three months) and on overnight deposits from non-financial corporations declined by more than 30 basis points, while the rate on short-term time deposits from households (i.e. with an agreed maturity of up to one year) decreased by 70 basis points. Over the same period, the rates on short-term lending to non-financial corporations (i.e. loans over €1 million with a floating rate or with up to one year initial rate fixation) and the rate on bank overdrafts to households declined by about 65 and 25 basis points, respectively. It is useful to compare developments in short-term MFI rates with movements in money market rates. The three-month money market rate, for example, experienced an overall decline of around 65 basis points between January and November.

### LONG-TERM MFI INTEREST RATES

Developments in long-term MFI rates on new business were mixed in November 2003 (see Chart 13). For households the rates on long-term time deposits and on long-term loans for house purchase increased in November, while for non-financial corporations the rates on long-term loans and time deposits decreased in the same month. Developments in most long-term rates have also been rather diverse since June when government bond yields began an upward trend. From June to November, the rate on long-term time deposits from households (i.e. with an agreed maturity of over two years) was broadly unchanged. During the same period, the rate on long-term loans for house purchase (i.e. with over five and up to ten years' initial rate fixation) increased by around 15 basis points, while the rate on long-term loans to non-financial corporations (i.e. over €1 million with over five years' initial rate fixation) remained broadly unchanged.

## 2.6 EQUITY MARKETS

*Following the increases over previous months, global stock prices edged up further in December 2003 and the first half of January 2004. These increases could, in part, have reflected some favourable macroeconomic data releases and further signs of improvements in corporate profitability. Stock market uncertainty, as measured by implied volatility, declined over this period. This decline, together with a growing appetite for risk on the part of investors, seems to have also supported the rise in stock prices.*

### UNITED STATES

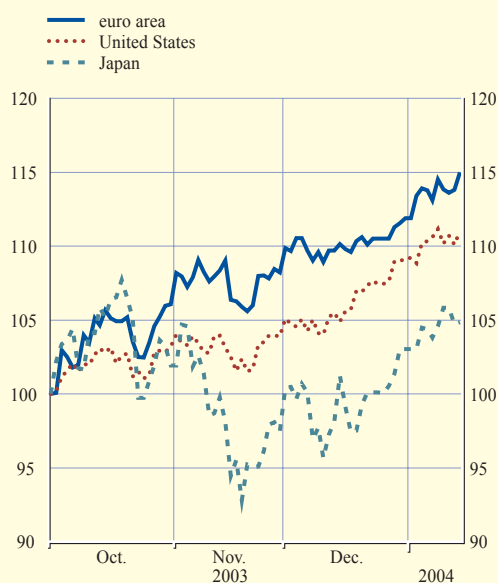
In the United States, stock prices, as measured by the Standard and Poor's 500 index, rose by around 7% between the end of November 2003 and 14 January 2004 (see Chart 14). This rise in US stock prices seemed to reflect, to some extent, generally better than expected earnings announcements by corporations, notably in the financial sector, and a slightly more optimistic assessment of short-term earnings prospects by investors. In addition, recent stock price increases might have resulted from the high level of oil prices and its positive impact on the earnings of corporations in the energy sector. Indeed, the energy and financial sectors were among the main contributors to the increase in stock prices in December. Stock market uncertainty, as measured by implied volatility derived from options on the Standard & Poor's 500 index, declined somewhat between the end of November 2003 and 14 January 2004 and ended the period at a level significantly below its average since 1999 (see Chart 15).

### JAPAN

In Japan, stock prices increased overall in December 2003 and the first half of January 2004 in a rather volatile environment. The overall stock price increase seemed to result from mostly positive

**Chart 14 Stock price indices**

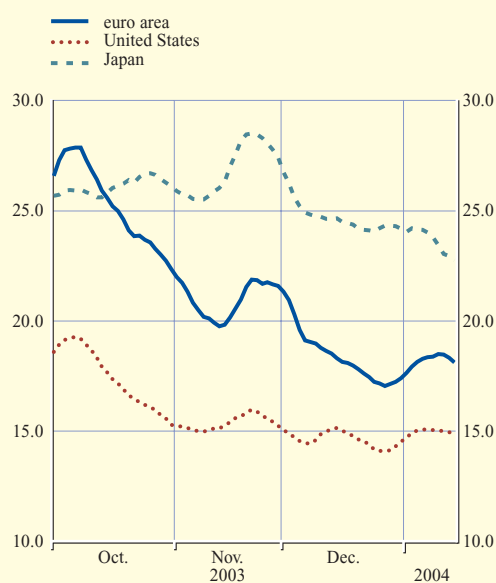
(index: 1 October 2003 = 100; daily data)



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

**Chart 15 Implied stock market volatility**

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



Source: Bloomberg.  
Notes: The implied volatility series reflects the expected standard deviation of percentage stock price changes over a period of up to three months, as implied in the prices of options on stock price indices. The equity indices to which the implied volatilities refer are the Dow Jones EURO STOXX 50 for the euro area, the Standard & Poor's 500 for the United States and the Nikkei 225 for Japan.

macroeconomic data releases in Japan, suggesting that market participants have become more optimistic about the economic outlook. In addition, a decline in stock market uncertainty may have also contributed to the increase. The implied volatility extracted from options on the Nikkei 225 index, a measure of uncertainty in the Japanese stock market, decreased markedly between the end of November 2003 and 14 January 2004 (see Chart 15) to a level that was somewhat lower than its average since 1999.

### EURO AREA

In the euro area, stock prices, as measured by the Dow Jones EURO STOXX index, rose by about 6% between the end of November 2003 and 14 January 2004. As in the case of the United States, this could reflect a more positive assessment among market participants of the short-term earnings outlook. The rise in stock prices was also due to strong contributions from the energy sector, which benefited from the relatively high level of oil prices, and from the financial sector, which seemed to gain inter alia from expectations of further consolidation within the sector. Stock prices were also supported by declines in both long-term real interest rates and market participants' uncertainty in the euro area. Such a decline in market participants' uncertainty is suggested by the substantial drop in the implied volatility extracted from options on the Dow Jones EURO STOXX 50 index between the end of November 2003 and 14 January 2004 (see Chart 15). On the latter date, implied stock market volatility was close to the lowest levels observed since the start of Stage Three of EMU.

## 3 PRICES AND COSTS

Energy and food prices appear to be the main factors behind developments in HICP inflation in the last two months of 2003. In November, they were the main contributors to the increase in inflation to 2.2% (up from 2.0% in October), while in December they helped to reduce inflation to 2.1% according to Eurostat's flash estimate. Although the annual rate of change in industrial producer prices increased in November, the latest developments do not signal any strong price pressures at earlier stages of the production chain. This is to a large extent explained by the moderating impact of the euro appreciation. As regards labour costs, the most recent developments continue to support the view of a levelling-off in euro area wage growth since the beginning of 2002. In light of the above, and assuming no further price shocks, HICP inflation is expected to fall below 2% in the course of 2004 and to remain in line with price stability thereafter.

### 3.1 CONSUMER PRICES

#### FLASH ESTIMATE FOR DECEMBER 2003

According to Eurostat's flash estimate, HICP inflation in the euro area stood at 2.1% in December 2003 (see Table 3), which is 0.1 percentage point lower as compared with November. Notwithstanding the uncertainties surrounding early estimates, it appears that parts of the decline stem from a lower year-on-year rate of change in energy prices, which in turn can partly be explained by the appreciation of the euro. In addition, there are also signs that the strong increase in unprocessed food prices that occurred over the summer of 2003 has started to fade out. The flash estimate would imply an average rate of HICP inflation of 2.1% in 2003 as a whole.

#### HICP INFLATION IN NOVEMBER 2003

Owing mainly to a base effect in energy prices, but also to some further increase in food prices arising from tobacco taxation, HICP inflation rose to 2.2% in November 2003, from 2.0% in October. Meanwhile, the year-on-year growth rate of the HICP excluding unprocessed food and energy remained unchanged at 2.0%, reflecting a counterbalancing of the increase in the rate of change in processed food prices against slight declines in the rates of change in non-energy industrial goods and services prices.

**Table 3 Price developments**

(annual percentage changes, unless otherwise indicated)

	2002	2003	2003 July	2003 Aug.	2003 Sep.	2003 Oct.	2003 Nov.	2003 Dec.
<b>HICP and its components</b>								
Overall index <sup>1)</sup>	2.3	.	1.9	2.1	2.2	2.0	2.2	2.1
Energy	-0.6	.	2.0	2.7	1.6	0.7	2.2	.
Unprocessed food	3.1	.	2.7	3.3	4.2	3.9	4.0	.
Processed food	3.1	.	3.1	3.0	3.2	3.5	3.9	.
Non-energy industrial goods	1.5	.	0.7	0.6	0.8	0.8	0.7	.
Services	3.1	.	2.3	2.5	2.5	2.5	2.4	.
<b>Other price indicators</b>								
Industrial producer prices	-0.1	.	1.3	1.3	1.1	0.9	1.4	.
Oil prices (EUR per barrel)	26.5	25.1	25.0	26.5	23.9	24.7	24.6	24.0
Non-energy commodity prices	-0.9	-4.5	-7.5	-5.2	-4.7	-3.7	0.2	-0.2

Sources: Eurostat, (Thomson Financial) Datastream and HWWA.

1) HICP inflation in December 2003 refers to Eurostat's flash estimate.



Both of the two more volatile components of the HICP contributed to the increase in HICP inflation in November 2003, although to a different extent. The annual rate of change in HICP inflation in November 2003, although to a different extent. The annual rate of change in energy prices rose to 2.2% in November 2003, from 0.7% in the previous month (see Chart 16). This increase reflects a base effect, as the level of energy prices declined marginally in November as compared with October, owing mainly to gas prices. At the same time, the annual rate of change in unprocessed food prices increased slightly in November 2003, to 4.0%. There is some diversity across euro area countries in relation to unprocessed food price developments. In some countries the impact of extreme weather conditions during the summer appears to be unwinding, whereas in others the annual rates of change in vegetable prices were still rising in November 2003.

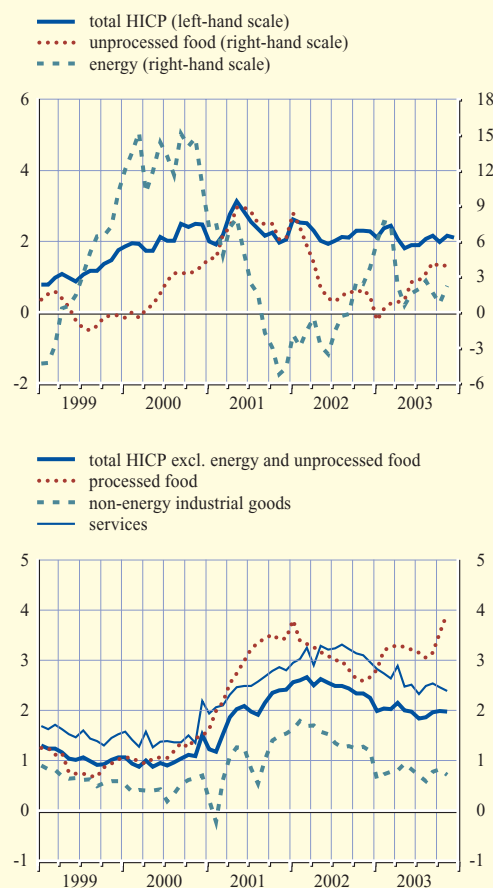
In addition, the year-on-year rate of change in processed food prices also increased further, to 3.9% in November 2003, from 3.5% in October, driven primarily by tobacco tax increases in France. Over the coming months further increases in tobacco taxes are envisaged in a number of Member States. Box 3 takes a closer look at recent developments in indirect taxes and administered prices and at their impact on HICP inflation. By contrast with processed food prices, the annual growth rates of non-energy industrial goods and services prices both edged down by 0.1 percentage point, to 0.7% and 2.4% respectively. The decline in the year-on-year rate of change in the former component was relatively broadly based across its sub-items. This suggests that developments in non-energy industrial goods prices have been dampened by the appreciation of the euro. However, any firm conclusions about the precise impact of the euro appreciation are difficult to draw given the presence of relatively strong seasonality in some of these prices.

### 3.2 INDUSTRIAL PRODUCER PRICES

Reflecting to a large extent the moderating impact of the euro appreciation, price pressures are currently moderate at earlier stages of the production chain. In particular, the appreciation helped to contain the increase in the price of non-oil commodities following the rise in world demand for raw materials. In November 2003 the annual rate of change in the euro area Producer Price Index (PPI) excluding construction increased to 1.4%, from 0.9% in the previous month (see Chart 17). This rise mainly reflected an increase in the annual rate of change in energy producer prices. As a

**Chart 16 Breakdown of HICP inflation: main sub-components**

(annual percentage changes; monthly data)



Source: Eurostat.

## Box 3

## THE IMPACT OF DEVELOPMENTS IN INDIRECT TAXES AND ADMINISTERED PRICES ON INFLATION

Over recent years indirect taxes, particularly those on tobacco products, and administered prices have had an increasing upward impact on euro area HICP inflation and were one factor behind the relative stickiness of HICP inflation over the past couple of years. In the coming months some further upward impact may be expected, although there is still uncertainty about its precise timing and magnitude.

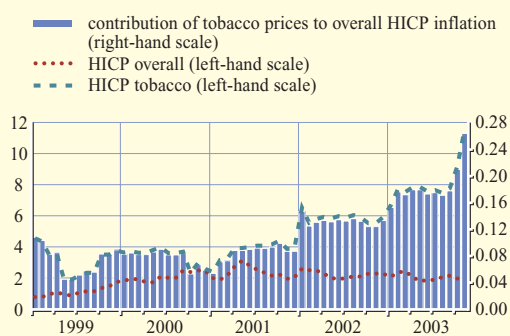
**Indirect taxes**

Indirect taxes are levied on many goods and services, either via value added taxes, which impact on a wide range of goods and services, or else via taxes on specific goods or services, such as energy or tobacco products. Since January 2002 taxes on tobacco products have been increased significantly, while increases in other indirect taxes have not been as pronounced.

In 2002 and 2003, there was an increase in tobacco excise duties in many euro area countries. Increases in tobacco taxes can mainly be explained as an effort to curb tobacco consumption for health reasons, but may also reflect the need for governments to raise revenues as a result of budgetary pressures. Since January 2002, the year-on-year rate of change in tobacco prices in the euro area has increased significantly (see Chart A), driven primarily by the higher taxation on tobacco products. In November 2003 the year-on-year rate of change in tobacco prices stood at 11.6%. Looking forward, in 2004 agreed and proposed increases in taxes should have a further upward impact on tobacco prices in a number of euro area countries.

**Chart A Tobacco prices and overall HICP inflation**

(annual percentage changes and percentage points)



Sources: Eurostat and ECB calculations.

Other indirect taxes, such as energy tax or value added tax (VAT), also impact on price developments. However, over the past two years, average VAT rates have remained broadly unchanged in the euro area. Similarly, while there has been some increase in energy taxes, these have not been as pronounced over the last two years as the increases in tobacco taxes.

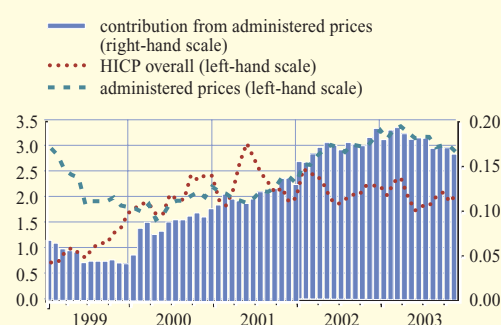
**Administered prices**

In addition to indirect tax changes, identifying developments in administered prices is also of interest, as they are not necessarily – at least not in the short run – driven by general macroeconomic factors such as external or internal price and cost pressures or the business cycle. However, defining administered prices is not easy, particularly at the euro area level. What is an administered price in one country could be market-determined in another. Even within countries it is not always easy to distinguish between administered prices and market-determined prices. Despite these caveats, Chart B illustrates the development of a proxy measure of administered prices within the services

component of the HICP.<sup>1</sup> The year-on-year rate of change in this proxy measure has been higher than overall HICP inflation since late 2001. However, the increase in the contribution of administered prices to HICP inflation has been even larger than that implied by the relative rates of change in administered prices and overall HICP. This is due to the extension since January 2001 of HICP coverage to some items relating to health, social protection and education services. It should be noted that these estimates refer only to a relatively narrow set of administered prices. There are other partly or fully administered prices in individual countries (e.g. regulated rents) that are not considered here. Looking forward, in 2004 agreed and proposed measures should have a further upward impact on administered prices, both for goods and services, in a number of euro area countries.<sup>2</sup>

**Chart B Administered prices and overall HICP inflation**

(annual percentage changes and percentage points)



Sources: Eurostat and ECB calculations.

### Probable future developments

As already indicated, a further upward impact from tobacco taxes and administered prices may be envisaged in 2004, based on proposed or agreed measures. However, it is important to note that it is not always possible to identify or quantify these impacts in advance. Budgetary processes differ across countries, so that for some measures the implementation may be signalled in advance, whereas for others little information is made available. In addition, the data relating to the absolute prices (in euro) of specific goods and services, which would be needed to obtain a precise quantitative estimate of the impact, are not widely available. Lastly, in some cases, where prices are charged for the first time or the pricing structure is complex, it may not be clear in advance what the pass-through to or impact on the HICP will be.

For longer horizons, such as 2005 and beyond, very little information is at present available on planned changes in indirect taxes and administered prices. To the extent that such measures are often decided only shortly before implementation, they may imply revisions to previously published inflation forecasts and projections. This is because most forecasting and projection exercises, including those of the ECB, typically take into account only firmly planned or already decided fiscal measures.

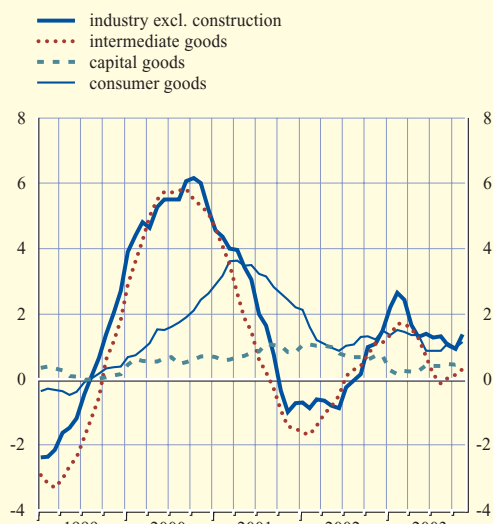
1 Given differences across euro area countries only a crude and narrow proxy of administered prices may be constructed. The items included in this proxy measure are sewerage collection (HICP weight in 2003, 0.5%), refuse collection (0.5%), medical and paramedical services (0.9%), dental services (0.6%), hospital services (0.7%), passenger transport by railway (0.4%), postal services (0.2%), education (0.9%) and social protection (0.9%). Their aggregate HICP weight is 5.6%.  
 2 The anticipated changes in administered prices in 2004 relate to goods as well as to services prices, mainly healthcare.

result, the year-on-year rate of change in the PPI excluding energy increased by only 0.1 percentage point as compared with October 2003.

Energy producer prices increased by 3.4% in November 2003, up from 1.7% in the previous month. This increase was entirely due to a base effect in line with the sharp decline in the euro price of oil in November 2002. In November 2003, the euro price of oil remained broadly unchanged as

**Chart 17 Breakdown of industrial producer prices**

(annual percentage changes; monthly data)



Source: Eurostat.

pressures at earlier stages of the production chain. Stronger global demand for many key materials (notably metals) was highlighted as a reason for the rise. The EPI has been moving upwards since July 2003, and has for the last three months been above the theoretical threshold value of 50, which separates price declines from price increases.

compared with the previous month. In capital goods industries, prices in November 2003 were some 0.5% higher than one year earlier. Although this rate is unchanged as compared with the year-on-year rates of change recorded in the two previous months, it is too early to assess whether this represents a discontinuation of the upward movement that started at the beginning of 2003. In the consumer and intermediate goods industries, the annual rates of change in November 2003 stood at 1.5% and 0.3% respectively, both up by 0.2 percentage point from the previous month. It appears that the moderating effect on these prices of the euro appreciation is counterbalanced by higher prices of tobacco products and increases in the world price of raw materials respectively.

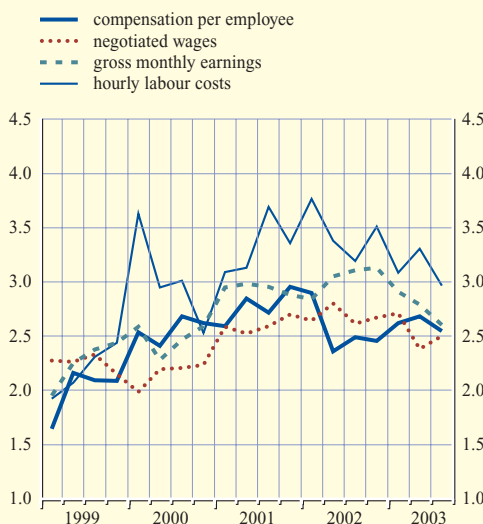
The Eurozone Input Price Index (EPI) for manufacturing from the Purchasing Managers' Survey increased further in December 2003, to 53.6, indicating a moderate increase in price

### 3.3 LABOUR COST INDICATORS

As regards labour costs, the most recent developments continue to support the view of a levelling-off in euro area wage growth since the beginning of 2002 (see Chart 18). For instance, according to estimates released by Eurostat (see Table 4), annual growth in euro area compensation per employee and total hourly labour costs in the non-agricultural business sector both declined between the second and third quarter of 2003, to 2.5% and 3.0% respectively. At the sectoral level, lower growth rates of compensation per employee were recorded for industry (including construction) as well as for market services. At the same time, the annual growth rate of gross monthly earnings also declined between the second and third quarter of 2003 (from 2.8% to 2.6%), while the indicator of negotiated wages showed a slight increase (from 2.4% to 2.5%).

**Chart 18 Selected labour cost indicators**

(annual percentage changes)



Sources: Eurostat, national data and ECB calculations.

**Table 4 Labour cost indicators**

(annual percentage changes, unless otherwise indicated)

	2001	2002	2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3
Negotiated wages	2.6	2.7	2.6	2.7	2.7	2.4	2.5
Total hourly labour costs	3.3	3.5	3.2	3.5	3.1	3.3	3.0
Gross monthly earnings	2.9	3.0	3.1	3.1	2.9	2.8	2.6
Compensation per employee	2.8	2.6	2.5	2.5	2.6	2.7	2.5
<i>Memo items:</i>							
Labour productivity	0.2	0.4	0.6	0.9	0.6	0.0	0.2
Unit labour costs	2.5	2.1	1.9	1.5	2.0	2.7	2.4

Sources: Eurostat, national data and ECB calculations.

Importantly, the indications of a levelling-off in euro area wage growth are also supported by developments over a somewhat longer horizon. For instance, while the average growth rate of compensation per employee during the first three quarters of 2003 was broadly unchanged compared with the average for 2002 as a whole, the other three indicators showed lower growth rates.

By contrast, the average rate of growth in unit labour costs in the first three quarters of 2003 was higher than the average increase in 2002. This can largely be explained by the cyclical decline in productivity growth. In the third quarter of 2003, however, annual productivity growth increased, albeit slightly, to 0.2%. Given the decrease in compensation per employee growth, the annual rate of change in unit labour cost declined to 2.4%. This is 0.3 percentage point lower than the increase in the second quarter and represents the first decline in unit labour cost growth since the end of 2002.

### 3.4 THE OUTLOOK FOR INFLATION

Taking account of these latest developments, the overall inflation outlook in the euro area remains broadly unchanged. In the very short term, some uncertainty remains about the impact on prices from fiscal measures planned in early 2004. Beyond the very short term, and assuming that no shocks to prices occur, HICP inflation is expected to fall below 2% in the course of 2004 and thereafter remain at levels consistent with price stability. In particular, favourable import price developments should, as a result of the appreciation of the euro, continue to dampen price pressures at various stages of the production chain. In this context it is important that the indications of a levelling-off in labour cost growth are confirmed in the form of continuing moderate wage developments.

The expectation of euro area inflation in line with price stability appears to be broadly based among available forecasts and projections. Although the different forecasts are not strictly comparable with one another (as they are based on different assumptions and were finalised at different points in time), they all point towards lower price pressures in the period ahead, with exchange rate developments helping to contain inflationary risks.

## 4 OUTPUT, DEMAND AND THE LABOUR MARKET

Real GDP in the euro area picked up in the third quarter of 2003, reflecting in particular strong growth in exports. Short-term indicators point to a continuation of the upturn in the fourth quarter, even though survey results in December partly deteriorated. Labour market conditions remained subdued in the third quarter of last year. The overall outlook for activity has not fundamentally changed. The conditions for a recovery in domestic demand remain favourable. While recent exchange rate movements are likely to have a dampening impact, export growth should continue to benefit from the dynamic expansion of the world economy.

### 4.1 OUTPUT AND DEMAND

#### REAL GDP AND EXPENDITURE COMPONENTS

The second estimate of euro area real GDP in the third quarter of 2003 confirmed the first estimate and earlier expectations of a recovery in the second half of 2003. Growth was estimated to be 0.4% quarter on quarter, following three quarters of close-to-zero growth (see Chart 19). This was the first rise in quarter-on-quarter growth since the short-lived improvement recorded in early 2002.

The second estimate implied only small revisions to the expenditure components of real GDP and thus did not change the underlying growth pattern. The outcome for real GDP growth in the third quarter of 2003 was the result of a contribution from net exports of 0.8 percentage point. This was the strongest contribution to quarter-on-quarter growth since 1993 and reflects the combination of a sharp pick-up in exports and a further decline in imports. The strongly positive contribution from net exports was partly offset by a negative contribution from domestic demand. The main reason for this was a strong depletion of inventories, which may be a reflection of the substantial restocking in the first half of the year and the increase in export demand. As a result, the contribution to growth from changes in inventories declined to -0.5 percentage point. The contribution from final domestic demand (excluding inventory changes) was only slightly positive, reflecting subdued growth in private consumption and a further decline in fixed capital formation.

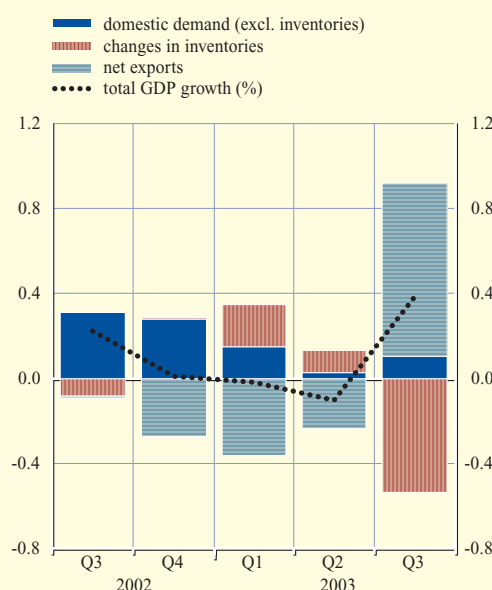
#### SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

The pick-up in activity in the third quarter of 2003 was broadly based across sectors. Output, as measured by real value added, increased by 0.6% quarter on quarter in industry (excluding construction) and by 0.5% in market services. These two sectors account for more than 70% of total real value added in the euro area. Output growth in the remaining sectors, essentially public services and construction, was slightly lower.

Industrial production data for October suggest that the increase in output in industry continued into the fourth quarter. According to Eurostat,

Chart 19 Contributions to real GDP growth

(quarterly percentage point contributions; seasonally adjusted)



Sources: Eurostat and ECB calculations.

industrial production (excluding construction) rose noticeably in October, following much weaker outturns in the previous two months. As a result, the three-month on three-month growth rate, calculated as the average in the period August to October over the average in the period May to July, was somewhat higher than before. In the case of new orders to manufacturing industries, the corresponding growth rate showed a strong increase. Given that new orders have a small lead over industrial production, the latest developments in new orders point to a continuation of the pick-up in industrial activity in the fourth quarter of last year.

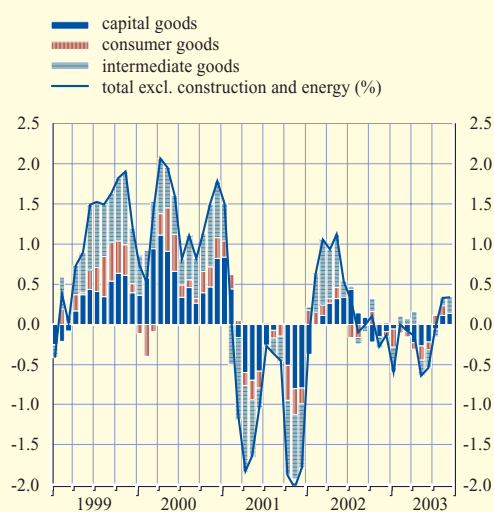
Industries producing capital goods saw a particularly strong increase in output in October 2003, but in the face of the weak outcome in the previous two months the corresponding three-month on three-month growth rate rose only marginally. Industries producing intermediate goods recorded a somewhat stronger improvement and contributed most to growth in industrial production (excluding construction and energy) in the three-month period August to October (see Chart 20).

### SURVEY DATA FOR MANUFACTURING AND SERVICES SECTORS

While survey indicators for activity in the manufacturing and services sectors improved strongly in the fourth quarter of 2003 as a whole, the December results were on average somewhat weaker than in previous months. Starting with manufacturing, the European Commission's industrial confidence indicator declined somewhat in December, following consecutive increases in the period August to November. This decline was mainly due to less optimistic production expectations, in particular in industries producing capital goods. The assessment of order books (including export orders) was unchanged, while the assessment of inventories deteriorated, albeit only slightly.

**Chart 20 Contributions to growth in industrial production**

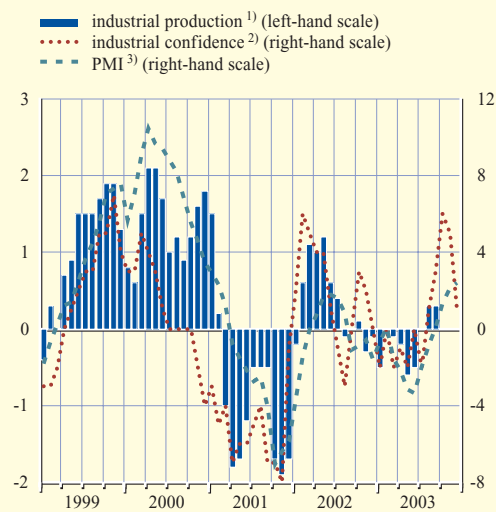
(percentage point contributions; seasonally adjusted)



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

**Chart 21 Industrial production, industrial confidence and the PMI**

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, Reuters and ECB calculations.  
1) Manufacturing; three-month on three-month percentage changes.  
2) Percentage balances; changes compared with three months earlier.  
3) Purchasing Managers' Index; deviations from an index value of 50.



The Purchasing Managers' Index (PMI) for the manufacturing sector rose again in December 2003, for the sixth consecutive month. The latest developments thus imply an ongoing recovery of industrial output in the fourth quarter (see Chart 21). However, the improvement in the PMI in December was smaller than in previous months and appears quite limited for the early stages of a recovery. The rise in the overall PMI reflects mainly an improvement in the index related to suppliers' delivery times, with a further lengthening of delivery times implying positive signals for manufacturing activity. The indices for output and new orders improved only marginally, while those for employment and stocks of purchased products were unchanged. The gap between the indices for output and new orders, on the one hand, and those for employment and stocks of purchased products, on the other, is larger than in comparable early stages of the cycle. This suggests that firms are still under relatively high pressure to cut costs.

Survey developments in December 2003 for the market services sectors were similar to those for the manufacturing sector, in that one indicator improved while the other deteriorated. The European Commission's services confidence indicator increased somewhat further, for the ninth consecutive month. Within the overall indicator, the components related to the assessment of recent demand and the business climate both improved further, while demand expectations declined somewhat and thus have stayed at fairly constant levels since September. The business activity index of the Purchasing Managers' Survey for the services sector declined in December, for the first time since March 2003. The decline was not particularly strong given the substantial increases over previous months, but it was accompanied by declines in most other components of the survey.

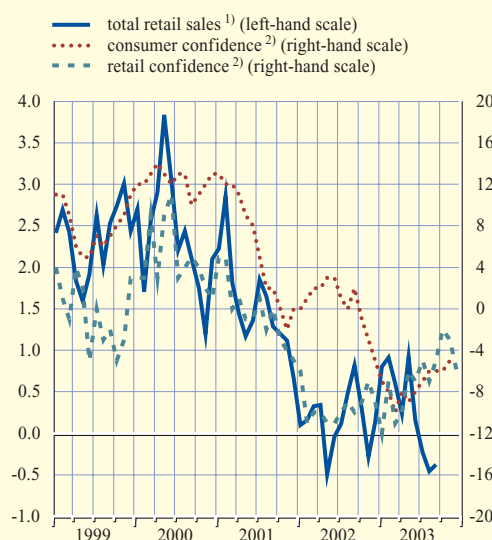
### INDICATORS OF HOUSEHOLD SPENDING

Private consumption stagnated in the third quarter of 2003, while short-term indicators provide somewhat mixed signals for the fourth quarter. On the one hand, retail sales volumes increased further in October 2003, pointing to a possible stabilisation in the level of sales in the fourth quarter. This would imply an improvement, following the declines in the second and third quarters. On the other hand, although new passenger car registrations increased somewhat in November 2003, the quarter-on-quarter growth rate in the fourth quarter is likely to have been lower than in the third quarter.

The European Commission's consumer confidence indicator was unchanged in December, following a small increase in the previous month. Improvements in the indicator in the second half of last year were limited and the average in the fourth quarter was only slightly higher than in the third quarter (see Chart 22). The unchanged outcome for overall consumer confidence in December conceals offsetting developments in the individual components. While expectations deteriorated with regard to households' financial situation and their ability to save, they were unchanged

Chart 22 Retail sales and confidence in the retail trade and household sectors

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.

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

2) Percentage balances; seasonally and mean adjusted.

with regard to the overall economic situation, and unemployment expectations even improved further. Confidence in the retail trade sector declined further in December, due to a less favourable assessment of the present and expected business situation, but on average in the fourth quarter it was still somewhat higher than in the third quarter.

## 4.2 LABOUR MARKET

### UNEMPLOYMENT

Labour market conditions remained subdued. In November 2003, the standardised unemployment rate in the euro area was 8.8%, unchanged since March last year (see Chart 23). However, the number of unemployed was estimated to have declined slightly in November – by about 10,000 persons. The unemployment rates of the different age and gender groups were also unchanged in November. At the same time, compared with the spring of 2003, the gap between the unemployment rate for women and that for men, as well as the gap between the rates for persons below 25 and those aged 25 and above, narrowed slightly.

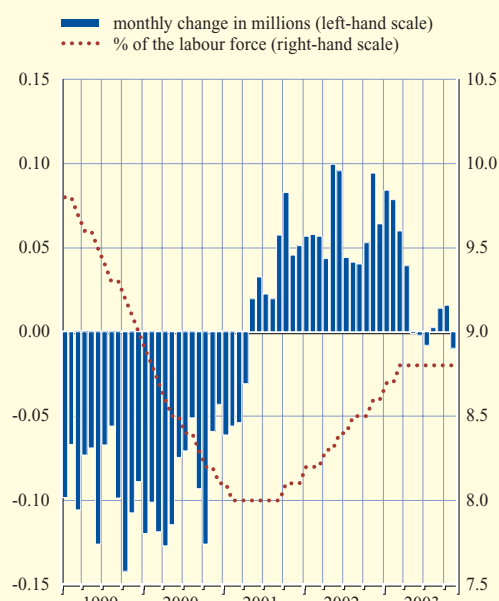
### EMPLOYMENT

The level of employment was unchanged in the third quarter of 2003, extending the period of broadly stable employment to 1½ years (see Table 5). Together with the pick-up in activity in the third quarter, this implies an improvement in productivity. Given the small increase in the number of unemployed in the third quarter, the stagnation in employment also implies that there was effectively no growth in the labour force.

The shift of employment from industry to services that is typically observed in a period of subdued overall activity continued in the third quarter of 2003. In industry (excluding construction) employment fell further, at a broadly unchanged pace of around 0.5% quarter on quarter, while in the services sector it continued to increase at a stable quarter-on-quarter rate of 0.2%. Survey data available up to December suggest that this pattern broadly continued in the fourth quarter. The European Commission's indicator of employment expectations in manufacturing and the employment index in the Purchasing Managers' Index both improved, but by only a little compared with the third quarter, implying that employment in industry (excluding construction) declined further. For the market services sector, the employment index in the PMI survey and the employment expectations in the European Commission's survey improved somewhat compared with the third quarter, but both indicators are still at relatively low levels.

Chart 23 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

**Table 5 Employment growth**

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

	Annual rates		Quarterly rates				
	2001	2002	2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3
Whole economy	1.4	0.4	0.0	0.0	0.0	0.1	0.0
<i>of which:</i>							
Agriculture and fishing	-0.6	-2.2	-0.6	-0.4	-0.7	-0.2	-0.4
Industry	0.4	-1.2	-0.4	-0.5	-0.3	-0.2	-0.6
Excluding construction	0.3	-1.4	-0.4	-0.6	-0.4	-0.4	-0.5
Construction	0.5	-0.7	-0.3	-0.1	0.0	0.3	-0.9
Services	1.9	1.3	0.2	0.2	0.2	0.2	0.2
Trade and transport	1.6	0.4	0.0	0.0	0.2	0.2	0.3
Finance and business	3.9	2.3	0.2	0.4	0.1	0.3	0.3
Public administration	1.3	1.5	0.3	0.3	0.2	0.2	0.1

Sources: Eurostat and ECB calculations.

### 4.3 OUTLOOK FOR ECONOMIC ACTIVITY

The latest data and information provide further confirmation of the view that a recovery started in the second half of 2003. Overall, the available short-term indicators suggest that the pick-up in real GDP in the third quarter of 2003 continued in the fourth quarter. All available forecasts and projections imply that the growth momentum should strengthen in the course of this year.

In line with earlier expectations, exports were the main driving force behind the pick-up in real GDP in the third quarter of 2003, reflecting the strengthening of global growth and trade. Recent exchange rate developments are having a negative impact on the price competitiveness of euro area exporters, but, overall, exports should continue to grow, owing to the ongoing expansion of global demand. Moreover, the conditions for a pick-up in domestic demand remain favourable. Low levels of interest rates, generally favourable financing conditions and ongoing adjustment efforts by businesses to enhance profitability provide important impulses to a recovery in investment activity. Private consumption should benefit from the rise in real disposable incomes related to the favourable terms-of-trade effects stemming from the appreciation of the euro.

## 5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

### 5.1 EXCHANGE RATES

*After remaining relatively stable in October and weakening slightly in the earlier part of November 2003, the euro rebounded strongly in nominal effective terms. This strengthening broadly continued throughout December and in the first half of January 2004 against the backdrop of a broad-based US dollar decline.*

In the period under review – between the end of November 2003 and 14 January 2004 – the euro appreciated vis-à-vis most major currencies. This strengthening was particularly pronounced against the US dollar as the latter depreciated against a broad set of currencies. The euro also appreciated, albeit to a lesser extent, against the Japanese yen, while it depreciated slightly vis-à-vis the pound sterling.

#### US DOLLAR/EURO

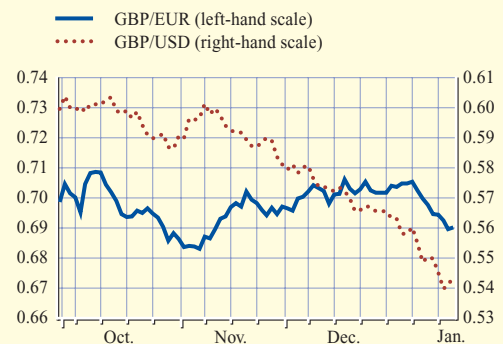
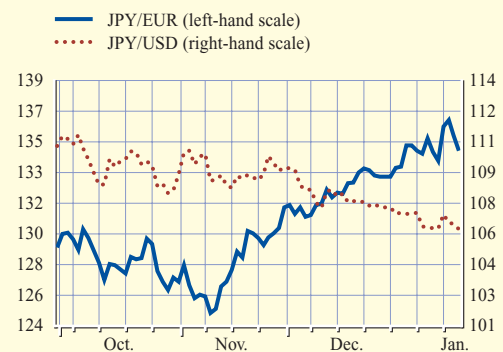
The euro appreciated strongly vis-à-vis the US dollar in December 2003 and the first half of January 2004 (see Chart 24), amid ongoing market concerns over the financing of the US current account deficit. The broad-based US dollar decline occurred despite further evidence of a strengthening of the US economic outlook. Most notably, private consumption remained strong while robust corporate investment growth pointed to an improvement in business sector prospects. Other positive factors included improvements in manufacturing activity and a stabilisation of consumer confidence at pre-Iraq war levels. However, the release of weaker than expected data for the US labour market weighed on the US currency in early January. On 14 January, the euro stood at USD 1.27, 5.8% higher than its end-November level and 12.2% stronger than its 2003 average.

#### JAPANESE YEN/EURO

In the course of the period under review the euro also appreciated against the Japanese yen, albeit to a lesser extent than vis-à-vis the dollar (see Chart 24). After remaining relatively stable in November, the Japanese currency rose markedly against that of the United States, in spite of indications that the Japanese authorities might have resumed foreign exchange market interventions to stabilise the yen–US dollar

Chart 24 Patterns in exchange rates

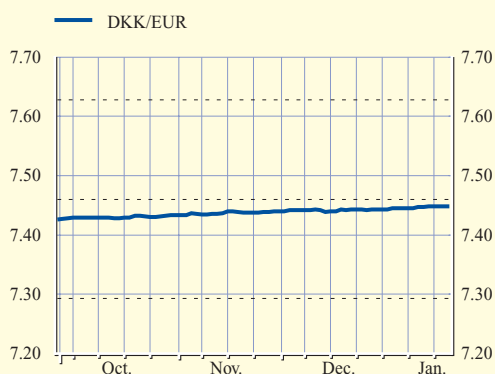
(daily data)



Source: ECB.

**Chart 25 Patterns in exchange rates within ERM II**

(daily data)



Source: ECB.

Note: The horizontal lines indicate the central parity (DKK 7.46) and the fluctuation band ( $\pm 2.25\%$  for DKK).

exchange rate. On 14 January, the euro was quoted at JPY 134.7, 2.6% stronger than at the end of November and 2.8% higher than its 2003 average.

### POUND STERLING/EURO

In December and the first half of January, the euro depreciated slightly against the pound sterling. At the same time the UK currency appreciated further against the US dollar, reaching its highest level since September 1992 (see Chart 24). The overall strengthening of the pound sterling was associated with generally strong data releases, as confirmed by an upward revision of GDP for the third quarter of 2003.

On 14 January the euro traded against the pound sterling at GBP 0.69, i.e. 1% below its level at the end of November and close to its 2003 average.

### OTHER EUROPEAN CURRENCIES

In ERM II, the Danish krone continued to fluctuate in a very narrow range close to its central parity (see Chart 25). As regards other European currencies, the euro strengthened by 0.8% against the Swiss franc and by 1.4% against the Swedish krona in the period under review. The euro also appreciated by 5% vis-à-vis the Norwegian krone compared with its level at end-November. This development may be associated partly with the reduction of the Norges Bank's key interest rate by 0.25 percentage point to 2.25%, which came into effect on 18 December 2003.

### EFFECTIVE EXCHANGE RATE OF THE EURO

In light of the above developments, the nominal effective exchange rate of the euro, as measured against the currencies of 12 major euro area trading partners, was, on 14 January, 2.4% higher than its end-November level and 5% above its average level in 2003 (see Chart 26). The strengthening

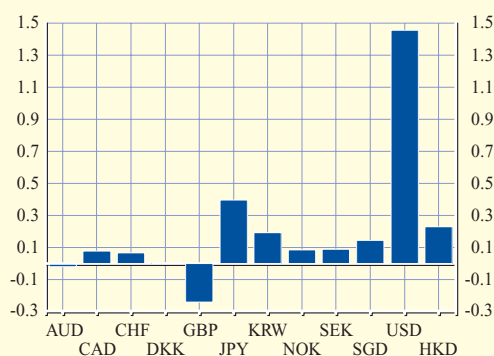
**Chart 26 The effective euro exchange rate and its decomposition<sup>1)</sup>**

(daily data)



### Contributions to EER changes<sup>2)</sup>

From 28 Nov. 2003 to 14 Jan. 2004  
(in percentage points)



Source: ECB.

1) An upward movement of the index represents an appreciation of the effective exchange rate against 12 partner currencies.

2) Changes are calculated, using trade weights, against 12 major trading partners.

of the euro in effective terms mainly reflects its rebound against the US dollar and, to a lesser extent, its appreciation against the Japanese yen and most other Asian currencies linked to the US dollar, which was only partly offset by its slight depreciation against the pound sterling.

## 5.2 BALANCE OF PAYMENTS

*In October 2003, despite the euro appreciation, exports of goods continued to grow robustly, largely as a result of strong foreign demand. While imports of goods had been rather subdued in previous months, they rose significantly in October, which may be partly associated with the strengthening of euro area domestic demand. These developments contributed to the decrease in the euro area current account surplus to €5.6 billion in seasonally adjusted terms. In the financial account, combined direct and portfolio investment recorded net inflows that were the result of net inflows in portfolio investment.*

### CURRENT ACCOUNT AND TRADE

In seasonally adjusted terms, the current account of the euro area registered a surplus of €5.6 billion in October (corresponding to a surplus of €8.1 billion in non-seasonally adjusted terms). This reflected surpluses in both goods and services that were partly offset by deficits in income and current transfers. In October the seasonally adjusted current account surplus fell by €2.4 billion compared with September (see Table 6). This was the result of an increase of €4.3 billion in the income deficit and a decrease of €2.2 billion in the goods surplus, which were only partly compensated by a rise of €0.5 billion in the services surplus and a decrease of €3.6 billion in the current transfers deficit.

**Table 6 Main items of the balance of payments**

(EUR billions, seasonally adjusted, unless otherwise indicated)

	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Sep.	2003 Oct.	12-month cumulated figures ending	
							2002 Oct.	2003 Oct.
<b>Current account balance</b>	<b>17.5</b>	<b>4.4</b>	<b>2.5</b>	<b>12.1</b>	<b>8.0</b>	<b>5.6</b>	<b>55.8</b>	<b>39.4</b>
Goods balance	29.1	25.0	26.9	34.4	13.7	11.5	127.9	117.7
Exports	262.9	258.2	255.1	259.9	87.3	88.2	1,052.7	1,036.7
Imports	233.8	233.3	228.2	225.5	73.6	76.7	924.8	919.0
Services balance	3.7	5.7	2.0	3.8	1.8	2.3	8.7	16.6
Income balance	-4.4	-13.9	-11.8	-9.8	-2.3	-6.6	-29.9	-43.5
Current transfers balance	-10.9	-12.4	-14.6	-16.4	-5.2	-1.6	-50.9	-51.4
<b>Financial account balance<sup>1)</sup></b>	<b>-48.5</b>	<b>-25.1</b>	<b>-41.3</b>	<b>-22.8</b>	<b>-13.7</b>	<b>-2.5</b>	<b>-71.1</b>	<b>-126.4</b>
Combined net direct and portfolio investment	36.0	6.2	47.5	-82.9	1.0	18.2	71.7	4.3
Direct investment	-6.0	-0.9	5.4	-12.4	-6.6	-8.3	-27.3	-15.3
Portfolio investment	42.0	7.0	42.2	-70.5	7.6	26.5	98.9	19.6
Equities	5.1	14.5	-1.9	6.2	7.6	13.1	64.8	38.3
Debt instruments	36.9	-7.5	44.0	-76.7	0.0	13.4	34.1	-18.6

Source: ECB.

Notes: Figures may not add up due to rounding. For the financial accounts, a positive (negative) sign indicates a net inflow (outflow). A detailed set of tables on the euro area balance of payments data can be found on the ECB's website.

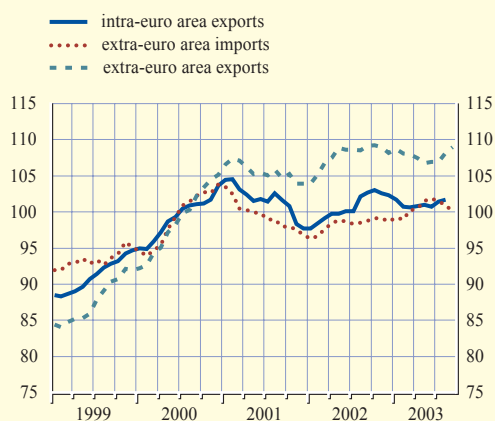
1) Not seasonally adjusted.

Taking a longer-term view, the 12-month cumulated current account surplus in October was €39.4 billion, approximately €16 billion below the level recorded in October 2002, mostly owing to a fall in the goods surplus and an increase in the income deficit. However, in the months leading up to October the decline in the cumulated current account surplus came to a halt, owing partly to a rebound in the value of exports of goods combined with weak imports (see Charts C27, C29 and C30 in Table 7.1 in the “Euro area statistics” section). After having declined in the first half of 2003, exports started to recover in July and recorded a month-on-month increase of 1% in October. The recovery in exports resulted from stronger growth in foreign demand, which was only partially offset by the lagged effects of the euro appreciation. Meanwhile, the value of imports of goods had been on a declining trend since the start of 2003 as a result of weak domestic demand, particularly in the import-intensive categories of capital expenditure and inventories. However, October witnessed a month-on-month increase in imports of around 4%, which may be partly related to rising oil prices but may also reflect the initial signs of a recovery in euro area domestic demand.

Data available up to September show that the rise in the value of extra-euro area exports from July 2003 onwards was largely due to an increase in export volumes (see Chart 27). Export volumes to central and eastern European countries and Asia grew relatively rapidly compared with those to other destinations (see Chart 28). In terms of the type of exports, export volumes of capital goods showed the strongest increase in the third quarter, rising by about 4.5% in comparison with the previous quarter. Turning to imports, the decline in import volumes over the same period (see Chart 27) can be accounted for by falls in all major product categories, with the strongest declines registered in imports of capital and consumer goods (for a breakdown of trade volumes of product groups see Table 7.3 in the “Euro area statistics” section).

**Chart 27 Intra- and extra-euro area trade volumes<sup>1)</sup>**

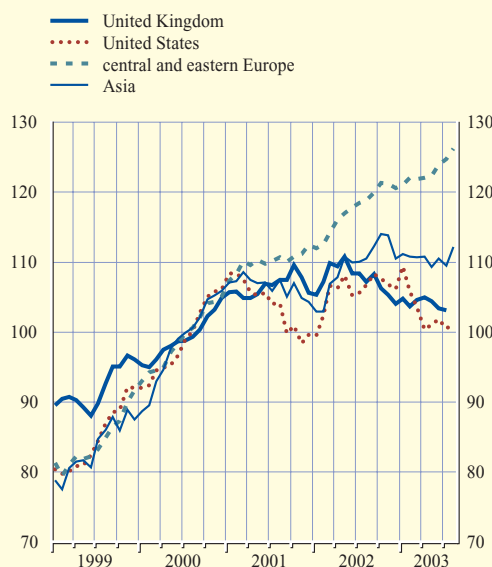
(index: 2000 = 100; seasonally adjusted; three-month moving average)



Sources: Eurostat and ECB calculations based on Eurostat data.  
1) Latest extra-euro area observations are for September 2003, latest intra-euro area observations are for August 2003 and both are partly based on estimates.

**Chart 28 Export volumes to selected trading partners<sup>1)</sup>**

(index: 2000 = 100; seasonally adjusted; three-month moving average)



Sources: Eurostat and ECB calculations based on Eurostat data.  
1) Latest observations are for August 2003.



## FINANCIAL ACCOUNT

In the financial account, combined direct and portfolio investment experienced net inflows of €18.2 billion in October, reflecting net inflows in portfolio investment (€26.5 billion) which were only partly offset by net outflows in direct investment (€8.3 billion). Net inflows in combined direct and portfolio investment rose by €17.2 billion compared with September. Increased net purchases in all sub-items of euro area portfolio securities by non-residents accounted for this development (see Table 7.1 in the “Euro area statistics” section).

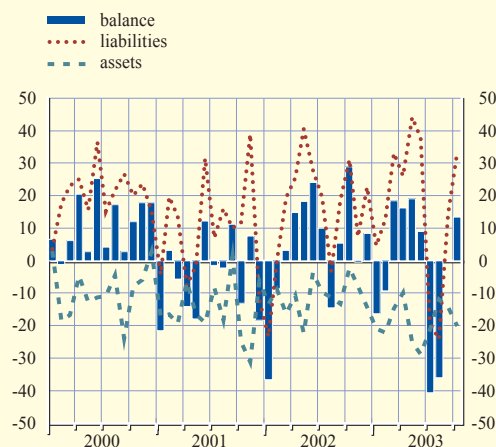
Against a background of broadly stable interest rate and equity return differentials, particularly vis-à-vis the United States, the net inflows in equity securities and debt instruments in October may have been associated with market expectations of a euro appreciation. Furthermore, net purchases of euro area debt instruments by non-residents in September and October partly reversed the disinvestment observed in July and August, with the latter possibly related to the rise in long-term bond yields experienced over the summer (see Chart 29).

Euro area cross-border direct investment activities remained subdued compared with previous years. In September and October, however, euro area direct investment abroad started to rise, possibly owing to an improving global economic outlook, while foreign direct investment in the euro area continued to be somewhat muted.

From a longer-term perspective, 12-month cumulated net inflows in combined direct and portfolio investment declined gradually, almost reaching a balanced position of €4.3 billion in October (or €67.4 billion less than in October 2002). This mainly reflected the sizeable reduction in net inflows in portfolio investment, partly accounted for by the net outflows of €76.7 billion recorded in debt securities in July and August. 12-month cumulated figures also show that net inflows in portfolio equity securities began to fall in the second quarter of 2002 before stabilising in the more recent months for which data are available. This stabilisation might relate to international investment decisions being affected by the positive developments in global equity markets amid improving prospects for the global economy over the same period.

Chart 29 Portfolio investment in debt instruments

(EUR billions; monthly data)



Source: ECB.

## ARTICLES

# EMU AND THE CONDUCT OF FISCAL POLICIES



*This article reviews fiscal policy experiences in the euro area since the early 1990s. For the euro area as a whole, there is a clear difference in the fiscal experience between the period before the decision was taken on which countries would initially participate in the single currency (1992-1997) and the period thereafter (1998-2003). The first period was very successful in terms of eliminating excessive government deficits, as mandated by the Maastricht Treaty (the Treaty). A long trend of large and persistent budgetary imbalances and mounting public debt ratios was reversed. However, most of the consolidation was revenue-based, and non-interest expenditure ratios even rose slightly further.*

*The second period (1998-2003) provides a more mixed picture as it was only partially successful in terms of meeting the objectives of the Stability and Growth Pact. While many countries had reached sound budgetary positions by 2000, a number of countries undertook insufficient consolidation at the time of robust economic growth and even relaxed their fiscal policies, with the result that fiscal imbalances remained or re-emerged. When economic activity slowed down and the automatic stabilisers operated as intended, safety margins were in some cases insufficient to avoid excessive deficits. Debt ratios remained very high in a number of countries. Fiscal strategies continued to place too little emphasis on restraining primary expenditure, and the interest expenditure savings on public debt (the “EMU premium”) were not assigned to public finance consolidation.*

*One lesson which emerges from this is that a rigorous implementation of the EU fiscal framework is needed in all circumstances, and particularly in times of higher economic growth. At the current juncture, progress towards attaining sound budgetary positions is needed to firmly set the euro area’s deficit and debt dynamics on a sustainable path. An ambitious, expenditure-based reform strategy would be instrumental in achieving such consolidation, while at the same time allowing further tax cuts to be financed and economic dynamism to increase.*

### I INTRODUCTION: THE RATIONALE FOR FISCAL RULES IN EMU

After years of deteriorating public finances, euro area countries experienced exceptional budgetary improvements in the mid- to late 1990s. Declining budget deficits also caused public debt-to-GDP ratios to fall.

Recent years, however, have seen countries experience difficulties in honouring policy commitments and there has been insufficient compliance with EU fiscal rules. These difficulties, which have been accompanied by slow progress in structural reforms, raise two important questions: how successful has the EU framework of fiscal rules been in promoting sound budgetary policies in the euro area, and what lessons does this hold for the future?

Before embarking on this assessment, it is worth recalling the main elements of the EU’s

institutional framework for fiscal policy. The commitment to sound public finances is enshrined in the Maastricht Treaty, which entered into force in November 1993 and provides that Member States shall avoid excessive deficits. Such deficits are defined in relation to reference values set at 3% of GDP for government deficits and 60% of GDP for government debt.

In the run-up to Stage Three of EMU (the adoption of the single currency) the convergence process required strict compliance with the 3% deficit limit and a sufficiently diminishing debt ratio, if above 60%. To improve fiscal coordination in Stage Three, an operational clarification of the Treaty’s budgetary rules was agreed in 1997 with the Stability and Growth Pact (SGP). The SGP requires Member States to aim for the medium-term budgetary objective of positions close to balance or in surplus and lays down procedures

for the surveillance and coordination of fiscal policies. It also defines the excessive deficit procedure in more detail. The latter aims to dissuade governments from incurring excessive deficits by means of a number of procedural steps involving peer pressure and ultimately also the possibility of sanctions. It further specifies that an exceptional and temporary breach of the deficit reference value resulting from events outside the control of the government or from a severe economic downturn would not be considered an excessive deficit.<sup>1</sup>

The basic rationale for fiscal discipline lies in the need for sound and sustainable public finances as a prerequisite for macroeconomic stability. In combination with price stability-oriented monetary policy, this allows economic agents to form expectations of low inflation and favourable financing conditions which, in turn, encourages long-term planning and investment. The effects are reinforced when combined with structural fiscal reforms. These are necessary to eliminate impediments to efficiency and growth embedded in tax-benefit systems and to deal with longer-term challenges such as population ageing.

Sound public finances also enhance the stabilising role of fiscal policies. There is a risk that the demand-supporting effects of automatic stabilisers during economic downturns could be neutralised if the public is concerned about persistently high deficits and mounting public debt and their implications for future tax burdens and growth prospects.

The need for fiscal discipline becomes even stronger in a monetary union comprising sovereign states retaining responsibility for their fiscal policies. First, there are no longer national monetary and exchange rate policies to respond to country-specific shocks, and fiscal policies can better cushion such shocks if they start from a sound position. Second, countries might be more inclined to run deficits in a monetary union, if their policy-makers fail to take a long-term view. It is primarily the

country relaxing its budgetary constraints that enjoys the short-term political benefits of deficits, whereas negative consequences for the level of interest rates affect all member countries. Third, financial markets are not likely to discourage expansionary fiscal policies sufficiently. Bond markets react to expectations of errant fiscal policies, but there is no evidence to suggest that the discipline exerted by financial markets is sufficient.<sup>2</sup> With the disappearance of exchange rate risks within a monetary union, the sanctioning role of financial markets, as reflected in bond yield spreads, declines. The reaction of increasingly globalised markets to the deviant fiscal policy of a single country in a monetary union is, hence, likely to be slow and only partially reflected in bond yield differentials, even if governments – as in EMU – are not obliged to bail each other out in the event of fiscal difficulties (as laid down in the “no bail-out” clause contained in the Treaty). Financial market signals are, therefore, normally far too weak a deterrent to encourage governments to take full account of long-term budgetary constraints. A common fiscal framework, such as that set out in the Treaty and the SGP, helps to correct political-economic biases and supplements the dissuasive effects of market forces.

## 2 FISCAL POLICIES IN THE RUN-UP TO MONETARY UNION

The 1970s and 1980s were characterised by high fiscal deficits and growing public debt ratios in many euro area countries, which contributed to unfavourable financing conditions and crowding out of the private sector. At the beginning of the 1990s, most euro area countries showed sizeable imbalances in their public finances. In 1991, the

<sup>1</sup> See Council Regulations (EC) No. 1466/97 and No. 1467/97. For a comprehensive presentation of institutional aspects and provisions of the Treaty and the Stability and Growth Pact, see the article entitled “The implementation of the Stability and Growth Pact” in the May 1999 issue of the ECB’s Monthly Bulletin.

<sup>2</sup> See also the box entitled “Recent developments in spreads between euro area government bond yields” in the November 2003 issue of the ECB’s Monthly Bulletin.

**Table 1 Fiscal developments in the euro area, 1991-1997**

(as a percentage of GDP)

	1991	1992	1993	1994	1995	1996	1997
<b>Budget balance</b>	-4.6	-4.8	-5.6	-5.1	-5.1	-4.3	-2.6
Cyclical component	1.0	0.6	-0.6	-0.4	-0.3	-0.5	-0.3
Interest payments	5.0	5.5	5.6	5.4	5.6	5.7	5.2
Cyclically adjusted primary balance	-0.6	0.1	0.6	0.7	0.8	1.9	2.8
<b>Gross debt</b>	<b>58.6</b>	<b>61.9</b>	<b>67.2</b>	<b>69.5</b>	<b>73.0</b>	<b>75.4</b>	<b>75.4</b>

Source: European Commission, autumn 2003 (AMECO database). Cyclically adjusted figures based on Commission methodology.  
Note: Figures may not add up due to rounding.

average general government deficit-to-GDP ratio in the euro area was 4.6%, with a majority of countries recording a deficit above the reference value subsequently laid down in the Treaty.<sup>3</sup> In many countries the debt ratio also exceeded the reference value, and the euro area average was only slightly below 60% of GDP (see Table 1).

Budget balance and debt ratios worsened further in the following years. This reflected the budgetary impact of the economic recession of 1992-1993, while the average cyclically adjusted balance was already slowly starting to improve. A substantial deficit reduction took place later in the run-up to monetary union. This was particularly true in 1997, when the average general government budget deficit ratio in the euro area declined sharply, by 1.7 percentage points to 2.6% of GDP. In the same year, the upward trend in the government debt ratio that had persisted since the early 1970s also came to a halt. In other words, in 1997, budget deficits were at levels not seen for long periods, marking a watershed when compared with the experience of previous decades.

It is worth noting that the large deficit reduction of 2 percentage points of GDP achieved from 1991 to 1997 took place in a relatively unfavourable economic environment. This is reflected in the negative effect of the cyclical component on the budget balance, which totalled more than 1 percentage point of GDP over that period (see Chart 1a). The change in the cyclically adjusted primary balance, i.e. the budget balance net of interest expenditure and cyclical effects, is the indicator used in this article to measure consolidation efforts (despite

some caveats due to measurement problems). It is denoted as “consolidation” in Charts 1b and 2b. The charts illustrate how countries have distributed their consolidation efforts over time. From 1992 until 1995 there was, on average, progress in consolidation. This is evidenced by the cumulative increase in the cyclically adjusted primary surplus of 1.4 percentage points of GDP over that period. In an accelerated drive to fulfil the fiscal convergence criteria for participation in stage Three of EMU, the euro area average government deficit ratio was significantly reduced in 1996 and 1997. In those two years, the cyclically adjusted primary surplus improved by a total of 2.0 percentage points of GDP in the euro area.

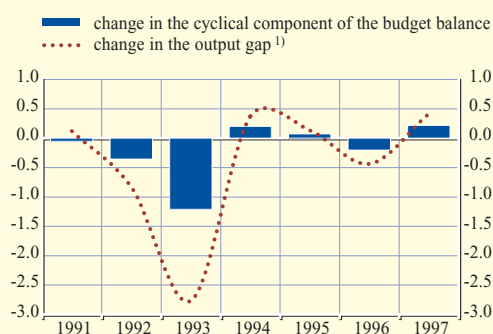
Despite these resolute and sustained consolidation efforts, the cost of servicing public debt (i.e. the ratio of interest expenditure to GDP) only started to decline in 1997. This was because the gradual, albeit sizeable, drop in the implicit interest rate paid on public debt (the ratio of interest expenditure to debt) did not compensate for the fact that the debt ratio continued to rise (see Chart 1c).

The change in the fiscal positions of the countries of the euro area can be characterised by breaking down the change in the budget balance into contributions from revenue, non-interest (primary) expenditure and interest expenditure. Revenue-based adjustment preceded, and in some instances outweighed,

<sup>3</sup> All data used in this article come from the European Commission (AMECO database). The averages for the euro area are GDP-weighted averages of the 12 participating countries.

**Chart 1a Impact of the cycle on the budget balance, 1991-1997**

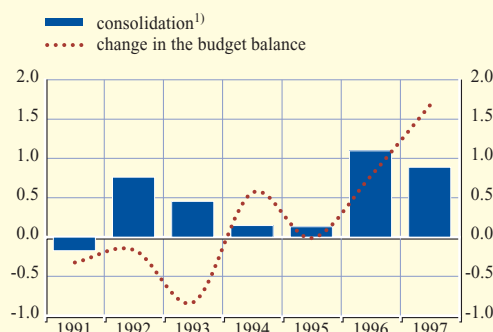
(in percentage points of GDP)



Source: European Commission, autumn 2003 (AMECO database). Cyclically adjusted figures and output gap estimate based on Commission methodology.  
1) Defined as the gap between actual and potential GDP, as a percentage of potential GDP, at 1995 market prices.

**Chart 1b Changes in the budget balance and consolidation<sup>1)</sup>, 1991-1997**

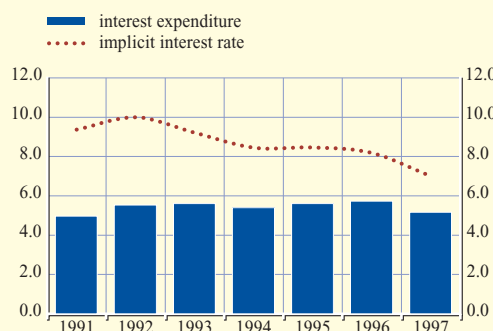
(in percentage points of GDP)



Source: European Commission, autumn 2003 (AMECO database). Cyclically adjusted figures based on Commission methodology.  
1) Defined as the annual change in the cyclically adjusted primary balance.

**Chart 1c Interest burden on public debt, 1991-1997**

(in percentage points of GDP; percentages per annum)



Source: European Commission, autumn 2003 (AMECO database).

expenditure-based adjustment in many countries in the years until 1997. Over the period 1992-1997, the revenue-to-GDP ratio for the euro area increased by 2.9 percentage points to 47.6% in 1997. Net of the effect of the cycle, the revenue ratio shows an even stronger bias towards a tax-based adjustment, with an increase of 4.1 percentage points over the same period. However, in a number of countries some discretionary tax increases were implemented by means of temporary measures that did not have lasting consolidation effects.

The total expenditure ratio remained slightly above 50% of GDP for most of the period. An increase of more than 2 percentage points between 1991 and 1995 was partly reversed during 1996 and 1997. Hence, the trend of rising public expenditure ratios that had prevailed in most countries during the 1980s was at least halted.

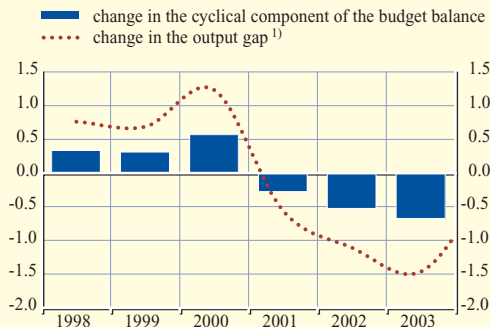
All in all, the major consolidation efforts undertaken between the early 1990s and 1997 suggest that the signing of the Maastricht Treaty and the adoption of the EU fiscal framework successfully promoted fiscal discipline during that period. However, consolidation was largely based on revenue increases, while primary expenditure rose slightly on average in the euro area.

### 3 FISCAL POLICIES SINCE 1998

Since the decision on which Member States would initially participate in Stage Three of EMU was adopted in the spring of 1998, fiscal policies have been only partially successful in terms of meeting the objectives of the Stability and Growth Pact. The average euro area deficit initially continued to decline and many countries reached sound budgetary positions. Subsequently, however, a majority of countries experienced a deterioration of their budgetary balances, due not only to the weakening economic environment. In some cases, including the largest euro area countries, significant fiscal disequilibria have resurfaced. In 2001,

**Chart 2a Impact of the cycle on the budget balance, 1998-2003**

(in percentage points of GDP)

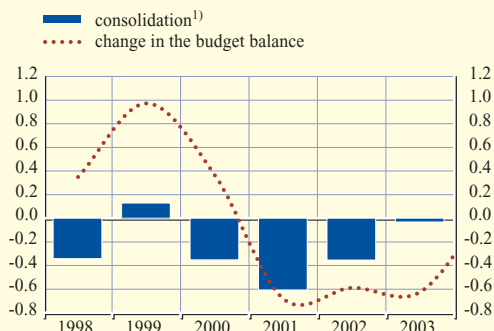


Source: European Commission, autumn 2003 (AMECO database). Cyclically adjusted figures and output gap estimate based on Commission methodology.

1) Defined as the gap between actual and potential GDP, as a percentage of potential GDP, at 1995 market prices.

**Chart 2b Changes in the budget balance and consolidation<sup>1)</sup>, 1998-2003**

(in percentage points of GDP)

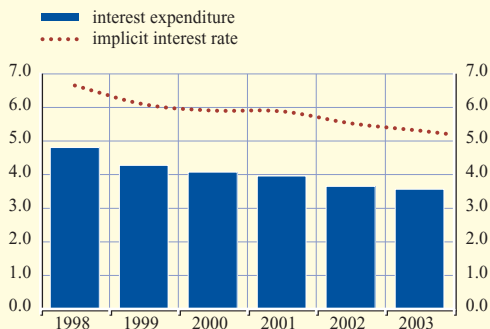


Source: European Commission, autumn 2003 (AMECO database). Cyclically adjusted figures based on Commission methodology.

1) Defined as the annual change in the cyclically adjusted primary balance.

**Chart 2c Interest burden on public debt, 1998-2003**

(in percentage points of GDP; percentages per annum)



Source: European Commission, autumn 2003 (AMECO database).

Portugal's budget deficit exceeded the reference value of 3% of GDP, with Germany and France following in both 2002 and 2003.

The average government deficit ratio for the euro area, having declined gradually from 1997 until 2000, has been on an upward trend since then (see Table 2). In 2003, the average budget deficit ratio is estimated to have reached 2.8% of GDP, broadly the same level as in 1997. The general government debt ratio was put on a downward path in almost all countries and the euro area average declined from its peak value of 75.4% of GDP in 1997 to 69.0% in 2002. In 2003, however, the average debt ratio is expected to have increased for the first time since the launch of the single currency and to have slightly exceeded 70% of GDP.

Over the period 1998-2003, the impact of the cycle on the budget balance turned from being positive in the years from 1998 until 2000 to being negative in the years from 2001 until 2003 (see Chart 2a). Thus, strong growth initially contributed to the improvement of the overall budget balance before the economic downturn and its adverse effects on fiscal balances set in.

Although fiscal experiences differed from country to country over the 1998-2003 period, the fiscal stance in the euro area as a whole was relaxed. Chart 2b shows that the cyclically adjusted primary surplus declined, in particular in the years 2000 to 2002. It is also worth noting that interest expenditure declined markedly over the 1998-2003 period, by 1.6 percentage points of GDP taking 1997 as the reference year (see Chart 2c). This was driven mainly by the significant reduction in short and long-term interest rates. The decline of roughly 5 percentage points in the debt ratio had a much smaller effect on interest spending.

The examination of the main budget components, i.e. revenue and expenditure, over the 1998-2003 period is also revealing. There was a sizeable decline in revenue, by almost 1.5 percentage points of GDP, which brought



**Table 2 Fiscal developments in the euro area, 1998-2003**

(as a percentage of GDP)	1998	1999	2000	2001	2002	2003
<b>Budget balance</b>	-2.3	-1.3	-0.9	-1.6	-2.2	-2.8
Cyclical component	0.0	0.4	0.9	0.6	0.1	-0.6
Interest payments	4.8	4.3	4.1	4.0	3.6	3.6
Cyclically adjusted primary balance	2.5	2.6	2.3	1.7	1.3	1.3
<b>Gross debt</b>	<b>73.7</b>	<b>72.7</b>	<b>70.2</b>	<b>69.2</b>	<b>69.0</b>	<b>70.4</b>

Source: European Commission, autumn 2003 (AMECO database). Cyclically adjusted figures based on Commission methodology.  
Note: Figures may not add up due to rounding.

the revenue ratio to an expected 46.2% of GDP in 2003. The impact of the underlying tax cuts on the budget balance was exacerbated by a further, albeit modest, rise in primary expenditure to an expected 45.4% of GDP in 2003. As a result, the primary surplus declined strongly, by 1.8 percentage points of GDP.

The evolution of these ratios can be further analysed by extracting the effect of the cycle on revenue and expenditure. This helps to shed some light on the trend evolution of these key budget components. Between 1998 and 2003 the average cyclically adjusted revenue ratio for the euro area declined by about 1½ percentage points, while the cyclically adjusted primary expenditure ratio remained broadly stable.

Public finance developments thus present at best a mixed picture since 1998. Fiscal deficits initially continued to decline in the euro area and automatic stabilisers operated to a large extent by means of induced adjustments in budget items that are sensitive to the cyclical position of the economy. However, fiscal balances did not improve sufficiently during the high growth period. This was coupled with a substantial deterioration of the cyclically adjusted primary balances in the subsequent slowdown of the euro area economy. The relaxation was masked by lower interest expenditure brought about by the single currency combined with price stability, declining interest rates and fading interest rate differentials. Again, on average in the euro area, no significant expenditure restraint was exercised. These developments are largely responsible for the fact that the average deficit

for the euro area is estimated to have been close to 3% of GDP in 2003, with some countries in excessive deficit.

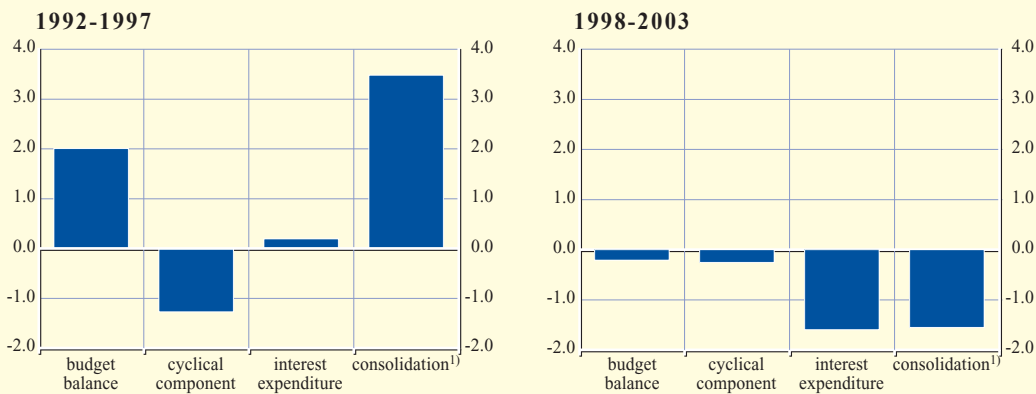
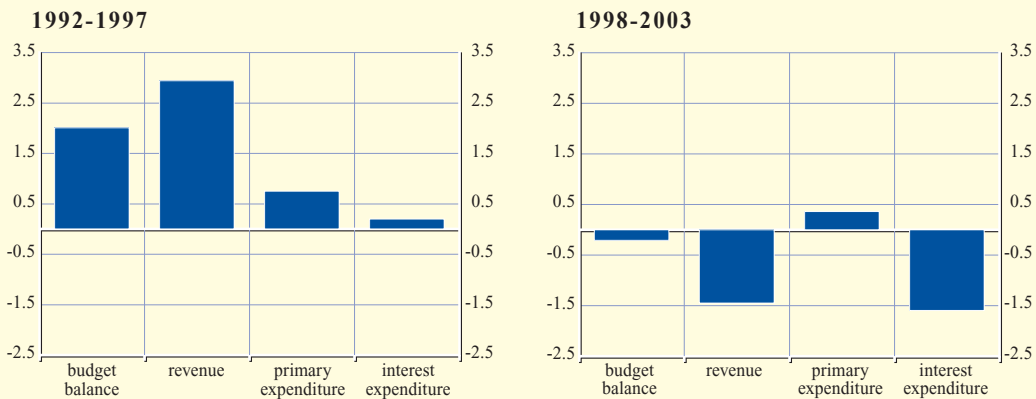
#### 4 ASSESSING FISCAL CONSOLIDATION AND STRATEGIES

The favourable development of public finances in the run-up to monetary union, the continued but not always sufficient progress in deficit reduction in the subsequent high growth years and the re-emergence of significant budgetary imbalances in recent years have brought to the fore two key issues. The first is the extent to which countries have implemented sufficient and lasting budgetary adjustments to attain sound budgetary positions and speed up the decline of the public debt ratio. The second issue is whether countries have applied an appropriate fiscal policy strategy. A body of literature examining fiscal consolidation episodes has looked at the conditions under which budgetary adjustments produce an effective and lasting improvement in public finances that is also most conducive to economic growth. The main message is that the success of a fiscal consolidation strategy depends critically on its size, its quality (namely the composition of the budgetary adjustment) and the initial situation of the public finances. The composition of the budgetary adjustment is particularly relevant, there being evidence that an expenditure-based adjustment tends to be more growth-friendly and long-lived than a tax-based adjustment without expenditure retrenchment.



Chart 3 Fiscal developments: determinants and components

(in percentage points of GDP)

**Change in the average euro area budgetary position and underlying factors****Change in the average euro area budgetary position: revenue, primary expenditure and interest expenditure**

Source: European Commission, autumn 2003 (AMECO database). Cyclically adjusted figures based on Commission methodology.  
1) Defined as the annual change in the cyclically adjusted primary balance.

On the first issue, concerning continued and sufficient consolidation efforts, experiences have been only partially positive, as consolidation has come to a halt or even reversed in recent years. As to the second issue, consolidation strategies also reveal important shortcomings, especially in light of the high spending and tax ratios that distort economic decision-making and thwart economic dynamism in the euro area (see Chart 3). The early to mid-1990s were characterised by major consolidation through tax increases. In recent years, some of this consolidation was reversed

through tax cuts that offset the EMU premium derived from falling interest rates and debt service payments. On average over the period 1992-2003, primary expenditure restraint was not sufficiently ambitious to complete the consolidation process and allow tax cuts to be introduced without compromising sound public finances.

A glance at the fiscal adjustment undertaken by individual euro area countries confirms the overall picture with regard to the underlying consolidation strategies. Chart 4 plots

tax-based adjustments against expenditure-based adjustments (measured by changes in, respectively, the cyclically adjusted revenue ratio and the cyclically adjusted primary expenditure ratio) between 1992 and 1997 for the individual countries and the euro area average. The points below the diagonal line indicate a budgetary improvement over the period considered and those above it a deterioration. The observations below the diagonal in the first quadrant indicate those countries that achieved budget adjustments by means of tax increases partly offset by increases in expenditure. Observations in the second quadrant indicate countries that implemented both tax-based and expenditure-based policies in order to consolidate their budget. The third quadrant contains, below the diagonal, observations for countries that succeeded in consolidating their budget by reducing expenditure, in spite of the implemented tax reduction.

It is interesting to note that almost all euro area countries fall in the first and second quadrants.

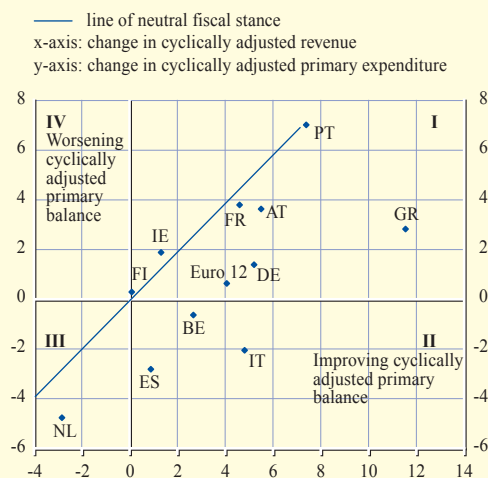
This indicates a tax-based consolidation strategy, which was in most cases weakened by increases in the expenditure ratio (Greece, France, Austria and Portugal in particular), and in others reinforced by a diminishing or stable expenditure ratio (Italy, Spain and Belgium). By contrast, the Netherlands lies in the third quadrant, showing a reduction of both its tax and expenditure ratios, which implies both fiscal consolidation and downsizing of the government sector.

In recent years, strategies changed in many countries as regards revenue but not as regards expenditure policies. Discretionary measures aimed at reforming countries' tax systems and reducing the tax burden were in most countries not accompanied by sufficient measures restraining the growth of expenditure. Tax cuts were prompted by the consideration that an excessively high tax burden on the factors of production (labour and capital) was detrimental to economic activity. Concerns about the distortionary effects of heavy taxes on incentives, in addition to optimistic estimates of the beneficial effects expected from a lower tax burden, led to a policy strategy giving priority to tax cuts over the need for budgetary discipline.

The largest tax reductions have been implemented in both the personal and corporate sectors, particularly in countries recording comparatively high revenue ratios within the euro area. In some cases, buoyant temporary revenues from the cyclical upturn obscured the impact that discretionary tax reductions had on the deficit. As a result, there was excessive confidence in the self-financing possibilities of income tax cuts and the changes were not always adequately financed through budgetary retrenchment. The full effect of this policy priority did not become apparent until the economic boom had already begun to falter. In the wake of the economic slowdown and the decline of asset prices beginning in 2000, revenues started declining and most countries experienced a worsening of their budgetary position.

**Chart 4 Budget adjustment 1992-1997**

(in percentage points of GDP)



Source: European Commission, autumn 2003 (AMECO database). Cyclically adjusted figures based on Commission methodology.  
Note: Figures exclude Luxembourg.

As a consequence of this tax-cutting strategy, most countries recorded a deterioration in their cyclically adjusted primary balance in recent years or at best managed merely to keep it at the same level. Chart 5, which covers the 1998-2003 period, confirms this picture as a majority of the observations lie above the diagonal and indicate a worsening of countries' budget balances through tax reductions. Moreover, most countries are above the horizontal axis, revealing expansionary expenditure policies.

The most pronounced budget deterioration (as measured by the distance between a country observation and the diagonal in Chart 5), in conjunction with tax cuts, took place in some of the largest countries, namely Germany, France, Italy and the Netherlands, but also in Greece and Ireland. In these countries, the introduction of significant tax reforms was accompanied by hardly any measures to stabilise the primary expenditure ratio. Hence, to some extent, these countries – which comprise most of those that experienced deficits near or above the reference value in 2003 – reversed the budget adjustment implemented in previous years. By contrast, the

other countries either financed discretionary tax cuts by restraining expenditure or adopted a strategy of broadly equal increases in both, thus maintaining a broadly neutral fiscal stance. The only general exception was Finland, which continued to pursue significant budget consolidation.

Insufficient fiscal consolidation and low economic growth over the most recent period is also reflected in the development of the debt ratio. After having declined for a number of years, the average euro area debt-to-GDP ratio is expected to have increased again in 2003. At the individual country level, France and Germany joined the group of countries with debt ratios above the 60% reference value (Belgium, Greece, Italy and Austria).

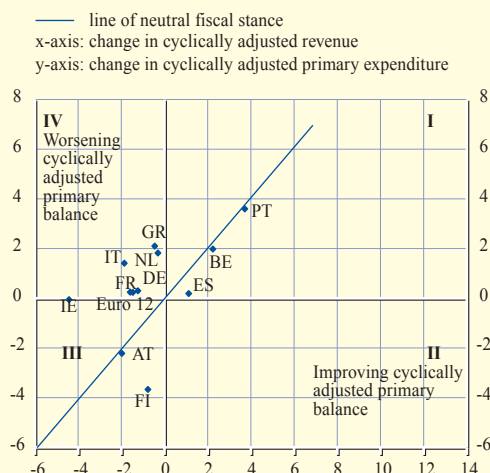
To summarise, both the size and the composition of policy measures appear to have had an effect on the durability and overall effectiveness of fiscal consolidation. Fiscal consolidation was significant until 1997, but since then further progress has not been robust enough in all countries to build adequate safety margins against unforeseen and adverse economic developments. Since 2001, therefore, the combined effects of tax cuts and the cyclical downturn have quickly produced sizeable imbalances. Some countries which relied heavily on tax-based adjustments in the period 1992 to 1997, such as Italy and Germany, also suffered most from consolidation fatigue in the years that followed. Most importantly, the lack of expenditure restraint in many countries has undermined consolidation, safety margins for stabilisation and the outlook for public finance sustainability.

## 5 CONCLUSION

The review of fiscal policies in the euro area has shown that there was much progress in the strengthening of the sustainability of public finances after the Maastricht Treaty was signed. In particular, fiscal consolidation efforts brought the average euro area deficit down to

Chart 5 Budget adjustment 1998-2003

(in percentage points of GDP)



Source: European Commission, autumn 2003 (AMECO database). Cyclically adjusted figures based on Commission methodology.

Note: Figures exclude Luxembourg.

below 3% of GDP in 1997. A long trend of rising public debt ratios came to a halt. A number of countries experienced a return to sounder budgetary positions and created adequate margins for automatic stabilisers to operate without a high risk of incurring excessive deficits. In some countries, debt ratios were put on a firmly declining path, helping to prepare for population ageing. A few countries exercised expenditure restraint, which allowed both fiscal consolidation and tax cuts.

However, progress as regards the attainment of targets under the EU fiscal framework and in the quality of fiscal adjustment was uneven over time and across the various countries. In the period between 1992 and 1997 most progress was achieved by means of revenue-based adjustment, including temporary measures in some cases. After 1997, the average deficit initially continued to decline during the high growth period until 2000. However, in some countries this proved insufficient for the safe operation of automatic stabilisers when growth slowed thereafter. Additional fiscal loosening due to insufficient expenditure restraint, together with savings on interest expenditure being used to finance tax cuts rather than consolidation, resulted in the re-emergence of significant imbalances. Some countries have in recent years even breached the reference value for excessive government deficits, and public debt ratios remain in some cases very high. This has begun to have an adverse effect on the implementation of the fiscal rules themselves.

A majority of euro area countries must now make progress towards attaining sound budgetary positions so that the deficit and debt ratio dynamics are firmly set on a sustainable path. Consolidation needs and the long-term challenges to public finances also require ambitious fiscal structural reform. Here the fiscal strategy is key: given that the EMU premium in the form of interest expenditure savings has largely been spent, further consolidation must be achieved and tax cuts need to be fully financed by primary expenditure restraint. Moreover, well-designed

expenditure reform can boost economic growth in the medium term by increasing the incentives to invest and work. In such an environment, confidence in economic prospects will also boost demand and minimise, if not eliminate, any trade-off between fiscal consolidation and economic growth even in the short term.

Last but not least, the insufficient progress in fiscal consolidation since the launch of the single currency also emphasises the importance of strictly enforcing the fiscal rules in EMU. Reinvigorating the implementation of the fiscal framework in good times, as expected ahead, can set in motion a virtuous circle of sound public finances, structural reform and high growth that supports macroeconomic and price stability.

# OPINION SURVEYS ON ACTIVITY, PRICES AND LABOUR MARKET DEVELOPMENTS IN THE EURO AREA: FEATURES AND USES



*Opinion surveys are an important element in the analysis of the conjunctural situation because of the timeliness and nature of the information they convey. This article describes the various ways in which opinion survey data can be used. First, analytical tools can be developed to infer information about key economic variables from survey results. Second, detailed survey responses can be examined to identify the economic factors shaping conjunctural developments and to assess their importance. Third, in addition to the regular monitoring of economic developments, survey data can also be used to make a relatively timely initial assessment of the consequences of exceptional events.*

*Whatever the purpose for which survey data are used, however, it is important to bear some caveats in mind when interpreting the survey results. In particular, experience shows that indications given by survey data can at times be misleading. This is a special concern when the survey data have only been compiled for a relatively short time, since it is difficult to assess their reliability. More generally, survey data should always be assessed in the broader context of the economic analysis conducted under the framework of the ECB's monetary policy strategy.*

## I INTRODUCTION

Opinion survey data on economic activity, prices and labour market developments constitute an important, although of course only partial, source of information for the analysis of the euro area economy by the ECB.<sup>1</sup> This article describes the main features of survey data and explains how such data can be used for economic analysis. In Section 2, the availability of opinion surveys covering the euro area is reviewed. Section 3 examines the main features of these survey data and Section 4 looks into the usefulness of opinion survey data in the ECB's economic analysis. Finally, Section 5 concludes.

## 2 OPINION SURVEY DATA AVAILABLE FOR THE EURO AREA

Opinion surveys provide timely and valuable evidence of perceptions and expectations regarding economic conditions. Results from opinion surveys complement euro area data from quantitative statistics. Qualitative opinion surveys are conducted using questionnaires, which in general consist of a small set of questions asking the respondents to indicate whether economic conditions (e.g. the current business situation) have improved, remained unchanged or deteriorated. Business opinion surveys are conducted for different sectors (e.g.

manufacturing, services and retail trade) and are addressed to senior executives, whereas consumer opinion surveys are conducted on a sample of households. Besides qualitative questions on assessments, some opinion surveys also include quantitative questions, e.g. regarding the rate of capacity utilisation in the manufacturing industry.

For the euro area, two main opinion surveys are available, the results of which are regularly reported and commented upon in the ECB's Monthly Bulletin: (i) the set of opinion surveys published by the European Commission (Economic and Financial Affairs DG); and (ii) the Purchasing Managers' Surveys conducted by NTC Research on behalf of Reuters. Most of the euro area series available from these surveys refer to economic activity.

## EUROPEAN COMMISSION BUSINESS AND CONSUMER SURVEYS

The European Commission's harmonised surveys of the manufacturing, construction, retail and services sectors, as well as the survey

<sup>1</sup> See e.g. "The role of short-term economic indicators in the analysis of price developments in the euro area", ECB Monthly Bulletin, April 1999, and "The information content of composite indicators of the euro area business cycle", Monthly Bulletin, November 2001.

of consumers (together referred to as the EC surveys), provide the broadest results of all the opinion survey data for the euro area. On behalf of the Commission, national institutes (e.g. statistical institutes, research agencies, economic federations) conduct these surveys on a regular basis in each of the EU Member States. Recently, although starting at different dates, the candidate countries have also participated in the EC surveys. The national institutes include the questions from the harmonised questionnaire defined by the Commission. Some questions are backward looking (e.g. "How has your production developed over the past three months?"), while others are forward looking (e.g. "By comparison with the past 12 months, how do you expect that consumer prices will develop in the next 12 months?") or refer to the current situation (e.g. "How do you consider your present business situation?"). However, the institutes in each country may include additional questions in the various surveys to gather information for national use.

At present, five EC surveys are conducted on a monthly basis in the following areas: industry (covering about 22,000 enterprises in the euro area), construction (7,500 enterprises), retail trade (14,000 enterprises), the services sector (16,000 enterprises) and consumers (20,000 households). The surveys of industry, construction and consumers contain some questions that are only asked on a quarterly basis. In addition, the harmonised investment survey of the industrial sectors, which gathers information on the investment plans of enterprises, is conducted twice a year. The quarterly World Economic Survey, based on a worldwide panel of economic experts, provides an assessment of the international economic situation. Finally, the Commission conducts ad hoc surveys on specific issues, e.g. in 1999 it conducted a survey on certain aspects of the EU labour market.<sup>2</sup>

From each monthly EC survey, composite confidence indicators are calculated, summarising the replies to a number of different

questions in a single indicator. Confidence indicators are designed to provide a summary indicator of the overall "climate" in the respective economic sector and to track sufficiently well the evolution of a reference variable from quantitative statistics. For instance, manufacturing production is the reference variable for the industrial confidence indicator. The selection of the components for the calculation of confidence indicators is occasionally reviewed and updated. The most recent review was in 2001 when the Commission changed the components of the consumer confidence indicator.

The Commission calculates euro area aggregates as weighted averages on the basis of the national results and performs seasonal adjustment on the aggregate series. EC survey results are usually presented in the form of "balance statistics", i.e. the difference between the percentages of respondents giving positive and negative replies (in the form of a percentage balance).

The monthly EC surveys are carried out in the first fortnight of each month and the quarterly surveys in the first fortnight of each quarter (i.e. January, April, July and October). The Commission usually publishes the results on the last working day of the reference month. However, survey results for August and September are released together at the end of September. For the industry survey, both national results and euro area results broken down by branch are published. In general, euro area results from the monthly EC surveys are available from 1985 onwards, the exception being the services survey, for which euro area data start in 1995, with an increasing coverage of services activities since then.

<sup>2</sup> This was the fourth such survey, following surveys in 1985, 1989 and 1994; for further details, see "European Economy (Reports and Studies, No. 4 – 2000), Performance of the European Union Labour Market".



### PURCHASING MANAGER SURVEYS

On behalf of Reuters, NTC Research conducts monthly surveys in the euro area among purchasing executives in the manufacturing industry and in the services sector; altogether, information is collected from more than 5,000 companies. The Purchasing Managers' Survey for the euro area is relatively new (survey results are available from 1997 for manufacturing and from 1998 for services). The design and the underlying methodology of the surveys are broadly similar to those of the purchasing manager surveys in the United States. In general, purchasing manager surveys are intended to provide a timely indication of current or recent developments in activity and prices.

The Purchasing Managers' Survey of manufacturing is currently conducted in eight euro area countries representing more than 90% of the euro area in terms of GDP weights, whereas for the services sector five euro area countries are currently surveyed covering about 80% of the euro area. The Purchasing Managers' Survey questionnaires mainly consist of questions on actual current conditions, requesting respondents to identify the direction of change of the indicator compared with the situation one month ago, e.g. "Is the level of orders received by your company higher, the same or lower than one month ago?"

The percentages of respondents giving positive, negative or no change replies are converted into diffusion indicators where a figure of 50 should represent an unchanged level for the variable concerned. Hence, values above (or below) this theoretical threshold indicate a rise (decline) in the variable since the previous month.

There are different questions for manufacturing and service industries, with more detail for manufacturing (e.g. stocks of purchased goods and of finished products). The Purchasing Managers' Index (PMI) for the manufacturing sector is a composite indicator calculated from indices of new orders, output, employment,

suppliers' delivery times and stocks of purchases. Responses to questions included in both Purchasing Managers' Surveys (e.g. on output, new business, input prices and employment) are used to compile euro area composite indices.

Purchasing Managers' Survey data are collected at mid-month and euro area results are released on the first working day (for manufacturing) and third working day (for services and composite indices) following the reference month. Euro area results broken down by branch are not publicly available.

### 3 FEATURES OF OPINION SURVEY DATA

Opinion survey data have several features which make them potentially useful for economic analysis. One main characteristic, which has raised interest in the use of opinion surveys, is the timeliness of the publication of this kind of data compared with official statistics published by Eurostat. Despite improvements in this respect, official statistics for the euro area are often released with relatively long delays.<sup>3</sup> In the case of the euro area, the EC and Purchasing Managers' surveys provide information up to three months before the release of official statistics.

Second, in addition to their timeliness, opinion survey data are usually available at a monthly frequency. Although monthly data are often quite noisy and pose challenges such as the need for seasonal adjustment, this monthly frequency represents an advantage compared with other sources of information. For instance, GDP data for the euro area is published at a quarterly frequency. With publication delays, this could imply large gaps between the reference periods of the latest available

<sup>3</sup> For details of recent progress in the availability and publication delays of short-term statistics for the euro area, see "Developments in general economic statistics for the euro area", Monthly Bulletin, April 2003, and Box 7 in the September 2003 issue of the Monthly Bulletin.



statistics and the current date. This is particularly relevant for the assessment of activity in the sectors of the economy which are less, or not, covered by monthly statistics. This is most notably the case for services activity, for which only monthly series of retail sales volumes are available, and these data only cover a small part of the services sector. Results of the EC and Purchasing Managers' surveys in the services sector thus provide potentially useful information at a monthly frequency.

Third, opinion survey data are the primary source of direct information on some aspects of economic developments. For instance, information on capacity utilisation rates in manufacturing is only provided by the EC surveys. A second example relates to output prices in the services sector, for which an indicator is compiled within the Purchasing Managers' Survey. Timely data on services sector price developments at earlier stages of the production chain do not exist for the euro area, although they are an important element in the overall price formation process.

Fourth, some survey data tend to be less volatile than the quantitative statistics they relate to. This derives from the nature of the information underlying opinion survey data and official statistics. Perceptions as reflected in some opinion surveys tend to change gradually, while official statistics also reflect one-off factors such as unusual weather conditions, strikes, etc. The less erratic evolution of opinion surveys implies, in theory, that turning-points should be more rapidly identified in these data. Indeed, fewer observations in opinion surveys are needed to confirm a turnaround in economic conditions. However, time series properties vary across opinion surveys. In particular, as regularly pointed out in the Monthly Bulletin, the results of the EC surveys in the construction and retail sectors tend to be relatively volatile.

Finally, a further feature of survey data relates to the absence of revisions, while these are common in official statistics. Initial estimates of

quantitative statistics are often based on partial information. As more comprehensive information becomes available, numbers are generally revised, thereby enhancing the reliability of the estimates. By contrast, opinion survey data are not revised. This might imply, however, that some information is not included in the survey results (e.g. due to the late arrival of completed questionnaires).

However, there are also some caveats which should be borne in mind when using survey data. For instance, opinion surveys normally only represent qualitative assessments, while they are often interpreted in quantitative terms. Here, caution is warranted when the survey results are translated into quantitative estimates of official statistics. The level of detail for opinion survey data is more limited than for quantitative business statistics. In addition, survey results across sectors are not necessarily consistent, as is the case for quarterly national accounts. Finally, the incentives for the respondents to provide quality replies to the survey questions may sometimes be limited. This is probably less relevant for business surveys than for consumer surveys, since the former are normally addressed to senior managers who have access to all relevant information concerning their firm. Answers not based on all available information could potentially constitute a source of error in the survey data.

#### **4 THE USE OF OPINION SURVEY DATA IN ECONOMIC ANALYSIS**

After reviewing the features that make opinion survey data potentially useful for conjunctural analysis, this section illustrates with a few examples how survey data feed into the economic analysis of the ECB. The first part concentrates on the use of opinion surveys to quantify key economic indicators such as real GDP growth or producer prices (PPI) in advance of their release. Inference based on qualitative surveys may be done informally, for instance relying on graphical inspection, or

using econometric techniques. The latter approach is explained by means of an example in the box later in this article. The second part of this section suggests how surveys can be used to identify factors driving economic developments. Here, the usefulness of surveys when the economy is influenced by exceptional circumstances, as was the case around the turn of 2001/02, is underlined.

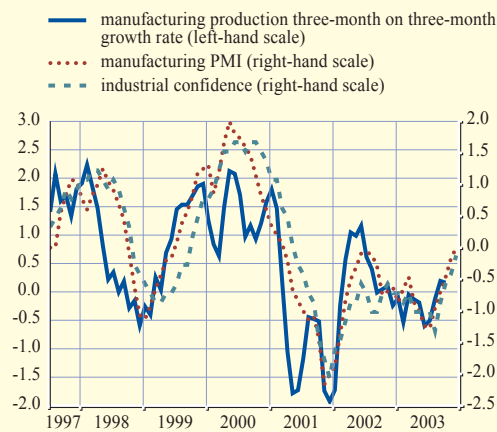
### INFERENCE OF OFFICIAL STATISTICS FROM OPINION SURVEY DATA

In some cases, the survey questions relate to a specific key economic variable, allowing for a straightforward inference of official statistics from survey results. For instance, the EC and Purchasing Managers' surveys include questions about businesses' assessment of developments in activity and prices at the sectoral level and expectations thereof. These questions cover the same aspect of economic developments as production and price data from official statistics for a given sector. Similarly, businesses' assessment of current and future employment may be seen as the qualitative counterpart of quantitative statistics on the number of employed persons.

Chart 1 shows that developments in industrial confidence and in the manufacturing PMI are highly correlated with the growth rates of manufacturing production. Hence, opinion survey data would seem to convey useful information about developments in activity in the manufacturing sector. Moreover, as shown in the chart, the two opinion surveys have signalled turning-points in manufacturing production in a timely manner. For instance, at the beginning of 2002, strong increases in industrial confidence and in the manufacturing PMI were rapidly followed by an acceleration in manufacturing production. However, this pick-up in confidence was driven to a large extent by strong production expectations, which never fully materialised. Subsequently, a few months later, qualitative survey data correctly signalled renewed weakening in manufacturing activity. In the chart, the survey results are plotted

**Chart 1 Manufacturing PMI, industrial confidence and manufacturing production growth**

(annual percentage changes; survey data shown as deviation from the mean, divided by the standard deviation)



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

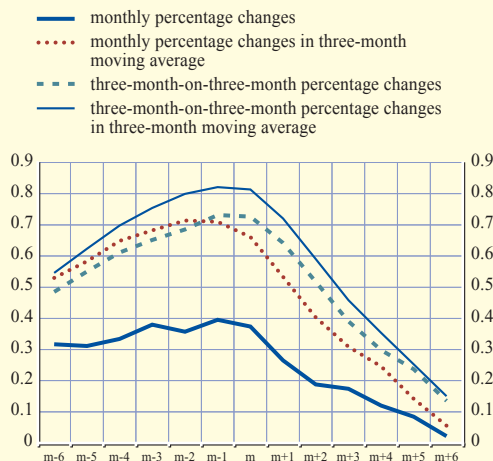
against the right-hand scale. Given the more timely release of opinion survey data, these results can be translated into early estimates of manufacturing production growth rates.

Some caution is warranted when using industrial confidence to infer developments in production. As illustrated in the chart, the correlation between survey data and actual developments is by no means perfect and may vary over time. In some instances, opinion survey data have lagged turning-points in activity. This was the case for EC survey industrial confidence in early 1999 for instance. According to the questionnaires of the Purchasing Managers' Survey, results should reflect changes in the month-on-month growth rates of production, as firms are asked about the evolution of production with respect to the previous month.

Chart 2 shows the correlation between the manufacturing PMI and production at different leads and lags. The percentage increase in production has been calculated using both one-month and three-month changes. In addition, changes in production are also computed on the basis of a three-month moving average. Results show that qualitative survey data

**Chart 2 PMI and manufacturing production lags/leads structure**

(correlation between PMI and various transformations of manufacturing production)



Sources: Eurostat, Reuters and ECB calculations.

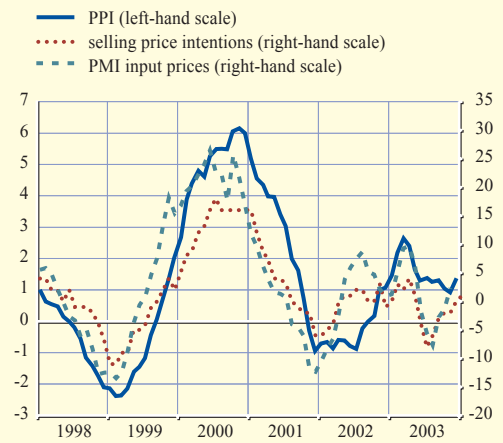
are more closely linked (i.e. more highly correlated) to the smoother path followed by the input prices growth rates of manufacturing production using three-month moving averages.

Furthermore, the evolution of the PMI appears to be contemporaneous with developments in the three-month-on-three-month growth rates of production, while it slightly lags month-on-month changes. These features imply that surveys are ill-suited to anticipate very short-term changes in production. Overall, survey responses appear to have some degree of inertia and should hence be interpreted as depicting developments over several months rather than the month-on-month changes referred to in the survey questions. Experience also shows that the theoretical threshold value of 50 for the PMI, which should distinguish between periods of positive and negative growth in activity, does not always have such a signalling property in practice. More generally, it seems that changes in the survey series should be considered in combination with their levels.

Another example of quantitative inference is provided by Purchasing Managers' and

**Chart 3 Producer prices, selling price intentions and the PMIs in the manufacturing sector**

(annual percentage change on left-hand scale; percentage balance and diffusion index on right-hand scale)



Sources: Eurostat, European Commission Business and Consumer Surveys, Reuters and ECB calculations. Note: The PMI input price index is shown as deviations from the threshold value of 50.

EC survey questions regarding price developments in the manufacturing sector. Chart 3 depicts these survey results together with the annual rate of change in producer prices in manufacturing. These data are of particular importance since they help to identify price pressures at the earlier stages of the production chain that could subsequently be passed on to finished goods and consumer prices.

There is, however, one conceptual difference between the Purchasing Managers' and EC surveys. While the respondents to the Purchasing Manager Survey are asked about price developments over the past month, the respondents to the EC surveys are asked about their selling price intentions over the next three months. This means that the Purchasing Manager Survey by its construction is a backward-looking indicator and should therefore theoretically show the best fit with the contemporaneous month-on-month rate of change in the PPI. By contrast, the EC survey data are forward looking and should thus show the best fit with changes in the PPI lagged three months. However, in practice, results from the

## Box

## ESTIMATES OF REAL GDP GROWTH BASED ON OPINION SURVEY DATA

Economic analysts commonly derive estimates of euro area real GDP growth in the current quarter (“nowcasts”) from qualitative survey data prior to the release of official statistics. This box briefly explains the methods followed and presents the advantages of such tools. It also highlights the main caveats to be borne in mind when interpreting the results.

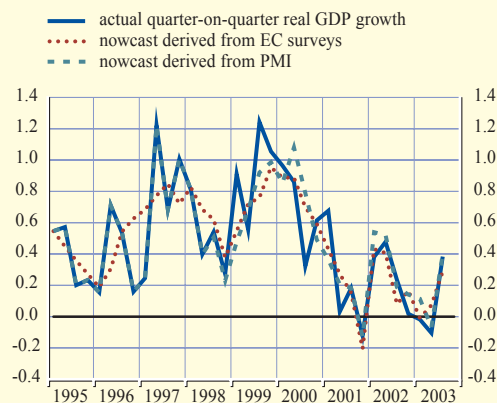
The use of opinion survey data to derive estimates of real GDP growth has several advantages. First, as explained below, there are simple tools that enable the translation of qualitative survey data into quantitative estimates of real GDP growth. Second, given the timely release of opinion survey data, survey-based estimates of GDP growth provide information on developments in real GDP growth in the current quarter, i.e. for one quarter beyond the latest release of national accounts statistics.<sup>1</sup> Third, developments in the estimates can be monitored on a monthly basis, as new survey data become available. Finally, looking at the data from opinion surveys for different industrial sectors provides information on the respective contributions of each sector to overall activity, which may be useful in analysing ongoing economic developments.

Regression analysis can be used to estimate the relationship between survey indicators and actual activity. This relationship is then used to predict the actual change in activity based on the observed survey results. Estimates of real GDP growth can be obtained, for instance, by combining information from an opinion survey of the manufacturing sector with information from an opinion survey of the services sector. Estimates of GDP growth in the current quarter are simply obtained using the estimated relationship. The reliability of the nowcasts obtained depends *inter alia* on the number of observations on which the relationship is based. The longer the survey series, the more reliable the estimates tend to be. For some survey data, such as the Purchasing Managers’ Survey, and to a lesser extent the EC survey of the services sector, the relatively short time series call for caution when interpreting nowcasts of GDP growth based on them.

The chart shows the results of such regressions for a combination of the EC surveys of industrial and services confidence, on the one hand, and of the manufacturing and services output from the Purchasing Managers’ Survey, on the other. As can be seen, survey data enable real GDP growth in the euro area to be estimated fairly well on average. Over the sample for which euro area Purchasing Managers’ Survey data are available (i.e. since the third quarter of 1998), the average error of both sets of nowcasts shown in the

## Nowcasts of euro area real GDP growth based on EC surveys and on PMI

(quarter-on-quarter percentage change; seasonally adjusted data)



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

<sup>1</sup> Eurostat releases flash real GDP growth estimates for the euro area 45 to 48 days after the end of the reference quarter.

chart has been 0.15 percentage point in absolute terms. However, in some quarters, errors in nowcasts of GDP growth derived from opinion survey data can be relatively large. For the estimates shown below, the largest error since the third quarter of 1998 was 0.5 percentage point.

These examples illustrate the fact that, while useful, nowcasts of real GDP growth based on opinion survey data should be interpreted with caution. Past experience shows that on some occasions they may fail to capture actual developments in real GDP growth. It is therefore necessary to cross-check these estimates with those derived with other tools used for analysing developments in activity. These tools make particular use of other composite indicators of activity, such as the OECD indicator, the EuroCOIN indicator and indicators based on a wide range of economic and financial market data which closely relate to economic developments.

Purchasing Managers' and EC surveys show a higher correlation with the contemporaneous annual rate of change in the PPI, irrespective of the underlying questions in the surveys.

In general, whether relying on graphical inspection or regression analysis, the reliability of quantitative inference from opinion survey data requires relatively long series. This is currently a problem for some surveys, for which historical data are available only from the second half of the 1990s. Caution is therefore warranted, as more observations are needed to build confidence in quantitative estimates based on qualitative surveys.

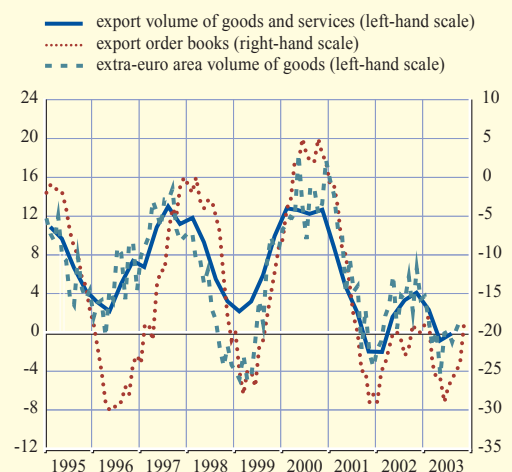
#### ILLUSTRATIONS OF THE USE OF SURVEY DATA AS INFORMATION ON FACTORS DRIVING RECENT ECONOMIC DEVELOPMENTS

Besides allowing for a quantitative assessment of activity and price developments, the replies to the questions included in the EC and Purchasing Managers' surveys provide useful insights into the factors driving economic developments. This is an important element in analysing the size and duration of shocks affecting the euro area economy. For illustrative purposes, this sub-section looks at recent economic developments and provides some examples of how survey data have been used to detect factors driving economic developments.

For instance, around the turn of 2002/03, manufacturers reported declining export order books, signalling that the external sources of demand were waning. This development contributed to the renewed weakness in manufacturing activity in the first half of 2003 (see Chart 4). Weaker export orders reflected some deceleration in foreign demand, but also the impact on euro area price competitiveness of the past appreciation of the euro as well as the

**Chart 4 Export growth and export orders**

(annual percentage change on left-hand scale; percentage balance on right-hand scale)



Sources: Eurostat and European Commission Business and Consumer Surveys.

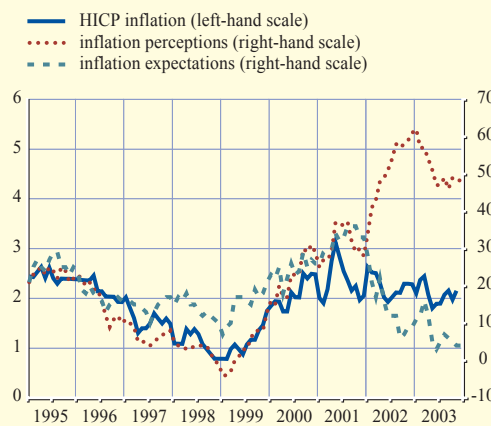
negative effect on trade related to geopolitical tensions and, in particular, the imminence of the conflict in Iraq. However, it should be borne in mind that export orders from survey data not only capture extra-euro area trade developments, but also trade among euro area countries. One desirable improvement in the EC surveys from a euro area perspective could therefore be to disentangle extra-euro area export orders from the total. In any case, Chart 4 shows that the link between export orders and extra-euro area exports of goods is relatively close.

Even if opinion survey data have a low correlation with their respective reference series, they may still provide useful information or insights when assessing short-term macroeconomic developments. An example of this is the relationship between perceived and actual inflation. Any divergence between these two variables warrants close examination given that it might have an impact on other macroeconomic variables. If inflation rates are perceived as being higher than they actually are, one consequence is that real wage developments, and thus purchasing power, are underestimated by consumers. This may, for instance, trigger higher wage claims or have negative consequences for consumption.

The most striking example is the decoupling between perceived and actual inflation that started in the beginning of 2002, when the EC Consumer Survey showed that households in the euro area perceived price increases to be much higher than recorded by official statistics such as the HICP (see Chart 5). The most plausible explanation for this divergence is that in completing the survey questionnaire consumers attached very high importance to price developments for goods and services that they buy more frequently. Indeed, a number of such items showed strong price increases at the time. For instance, prices of certain services, such as restaurants, hairdressing and dry cleaning, rose strongly during the first half of 2002, partly as a result of the introduction of the euro banknotes and coins (for a more detailed

**Chart 5 Actual, perceived and expected inflation**

(annual percentage change on left-hand scale; percentage balance on right-hand scale)



Sources: Eurostat and European Commission Business and Consumer Surveys.

analysis, see the box entitled “Effects of the introduction of the euro banknotes and coins on consumer prices” in the ECB’s Annual Report 2002).

The EC Consumer Survey also contains a question on consumers’ inflation expectations. Inflation expectations based on surveys may provide useful additional information from a central bank perspective. Two examples serve to highlight the crucial importance of access to reliable measures of expected inflation. First, to the extent that they provide a useful or unbiased predictor of future inflation, measures of expected inflation may be an important information variable in a forward-looking analysis of price developments. Second, higher inflation expectations may lead employees to demand higher wage settlements, giving rise to cost-push effects on inflation. In a situation where overall inflation is expected to rise, firms may be more willing to pay higher wages because they believe that they can more easily pass on any change in costs in the form of higher selling prices. One interesting observation is that inflation expectations declined in the course of 2002, in contrast to developments in perceived inflation, which



increased. This suggests that the price rises underlying the strong increase in perceptions in early 2002 were thought to be of a transitory nature.

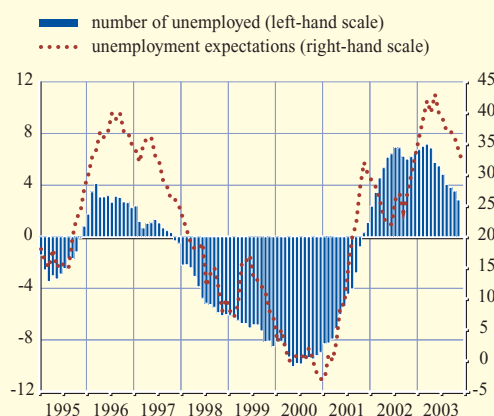
In addition to the above-mentioned wedge between perceived and actual inflation, the turn of 2001/02 was characterised by a period of marked weakness in consumer spending. This reflected high uncertainty among households related in particular to the 11 September terrorist attacks in 2001 and later to concerns associated with the conversion of prices into euro. Here, survey data again proved very useful for identifying the factors driving consumer behaviour.

Confidence was significantly dented at the end of 2001 by the terrorist attacks in the United States. Chart 6 illustrates in particular that, following these events, households anticipated a rapid deterioration in labour market conditions. This might have led households to increase precautionary savings and reduce spending. However, by the beginning of 2002, it became clear that the economic consequences of 11 September were to be limited, as signs of global economic recovery were re-emerging. Consequently, households became more optimistic about future labour market developments.

Despite an improvement in the economic outlook, uncertainty for households did not recede at the beginning of 2002, as the euro cash changeover visibly raised concerns and generated a certain degree of apprehension among households. First, the misperception of the impact on consumer prices implied that households underestimated by a significant margin the evolution of their purchasing power in that period. Second, the euro cash changeover might have led to some delays in durable goods consumption, as can be seen from consumer surveys which showed a significant drop in consumers' willingness to make important purchases in the first quarter of 2002. Later in 2002, the partial unwinding of these temporary shocks might have contributed

**Chart 6 Unemployment and unemployment expectations by consumers**

(annual percentage change on left-hand scale; percentage balance on right hand-scale)



Sources: Eurostat and European Commission Business and Consumer Surveys.

to the strengthening of consumer spending, while labour market conditions were weakening and equity wealth was hurt by further sharp declines in share prices.

This episode illustrates the importance of closely monitoring specific information gathered by opinion surveys as part of the regular analysis of economic developments. Besides being used in the regular monitoring of economic developments, survey data may indeed prove very useful when the economy is affected by special circumstances. In this context, opinion surveys may help to identify shocks and assess their consequences for broader economic developments.

## 5 CONCLUSION

Opinion surveys provide useful and timely information on perceptions and expectations regarding economic conditions. Besides qualitative assessments, some opinion surveys include quantitative data as well (e.g. the rate of capacity utilisation). Although the statistical frameworks of the EC and Purchasing Managers' surveys are similar (e.g. in terms of



the design of the questions and the surveyed industries), these surveys do differ, suggesting that both datasets should be used for analytical purposes. For example, the Purchasing Managers' Survey mainly seeks to measure the current situation, whereas the EC surveys provide an assessment of past developments and expectations of future developments as well. Furthermore, the EC surveys provide the broadest results of all the opinion survey data for the euro area, including evidence on consumer opinions and euro area results broken down by branch (in the industry survey).

These surveys are important elements in the regular analysis of current economic developments. First, they provide information that can be used directly to infer developments in overall activity, the labour market and prices. Composite indices of overall activity based on either EC or Purchasing Managers' surveys allow a reliable inference of the direction and pace of activity in the euro area in advance of the publication of quarterly GDP figures. In terms of sectoral coverage, the correlation of survey results with official statistics seems particularly high in industry. Available survey data on price developments within industry are also useful for short-term economic analysis when assessing underlying price pressures at earlier stages of the production chain. In addition, relatively smooth developments in opinion surveys in that sector imply that turning-points in industrial activity can sometimes be identified more rapidly on the basis of survey indications than on the basis of the more volatile manufacturing production statistics. In other sectors of the economy, the link between the assessment of survey respondents and actual developments in production is more tenuous. This implies that opinion surveys should be interpreted cautiously, notably for the services sector.

Another advantage of surveys lies in the nature of the information conveyed, as it helps to explain the factors accounting for observed conjunctural developments. Two aspects could be emphasised in this regard. First, some

concepts covered in survey questions are not observed and provide useful complementary information to official statistics. This is notably the case for capacity utilisation in manufacturing, which provides additional information on the factors shaping developments in that sector. Second, surveys contain specific information which is key in driving economic decisions. In this regard, significant divergences between actual and perceived developments, such as that observed for consumer prices following the introduction of euro banknotes and coins at the start of 2002, can potentially reflect important influences on broad economic developments and should therefore be monitored closely.

However, some caveats apply to the use of survey information and need to be underlined. First, opinion surveys normally only represent qualitative assessments, although they are often interpreted in quantitative terms. Qualitative information sometimes changes for reasons that are either difficult to relate to specific events or for reasons that are less important for economic analysis. This warrants cautious interpretation of survey results. Second, some surveys have limited sample size and detail, as is the case for the PMI surveys, and incomplete coverage, as for example in the surveys of the services sector. Third, some of the survey data are only available for the past few years, limiting their usefulness for reliable short-term economic analysis.

All in all, opinion survey data are not a substitute for official statistics, but rather a timely complement. Bearing in mind the above-mentioned caveats and the potential scope for further improvements, survey data constitute an important input into the analysis of euro area macroeconomic developments. Survey data should be used within the broader economic analysis conducted under the framework of the ECB's monetary policy strategy, which considers all available information when assessing current and future economic developments and implied risks to price stability.





## MEASURING AND ANALYSING PROFIT DEVELOPMENTS IN THE EURO AREA

*Profit developments are of general interest for macroeconomic analysis and, in particular, they play an important role in the analysis of investment, growth and prices. However, it must be borne in mind that the measurement of profits at the macroeconomic level is subject to a high degree of uncertainty and may also reflect measurement problems associated with other economic variables. Hence, it is advisable to consider several profit indicators from different sources and to be cautious in drawing inferences.*

*These caveats are particularly relevant when considering profit developments over a longer time period or across countries. Bearing these caveats in mind, the broad picture that emerges from various indicators of profits in the euro area would seem to indicate that, following generally unfavourable profit conditions in the 1970s, euro area profitability recovered gradually during the 1980s and 1990s. This broad picture holds true irrespective of whether one considers the so-called profit share (i.e. the gross operating surplus as a percentage of total GDP) or the net rate of return on capital (i.e. the gross operating surplus less depreciation of capital as a percentage of total net capital). Although it is very difficult to make international comparisons, available evidence would seem to indicate that euro area profitability has remained below that of the United States.*

*Considering profit developments since 1999, the euro area economy has been hit by a number of shocks, including a strong increase in oil prices and movements in exchange rates, and by a slowdown in economic activity. These shocks have had an impact on profit developments in the euro area, as in the short run profits tend to act as a buffer against sharp movements in external prices and in unit labour costs, although the impact of these shocks has differed across sectors of economic activity.*

*Looking forward, it is important that an adequate rate of return be attained in the euro area to stimulate investment and to sustain economic growth. Continued labour and product market reforms are necessary to ensure an efficient allocation of resources and price-setting behaviour within a competitive environment. This process must also be supported by continued wage moderation.*

### I INTRODUCTION

Profits are of interest for macroeconomic analysis for a number of reasons. In particular, together with wages, profits are a primary determinant of domestic price pressures. In the short run, profits tend to act as a buffer against external shocks and cyclical variations in unit labour costs. Beyond the short run, profit behaviour has implications for price developments. Profit developments also play a significant role in determining firms' behaviour, particularly in relation to investment and employment decisions. Thus, the analysis of profits is an important part of any general economic analysis and also plays a role in the context of the economic analysis carried out

within the framework of the ECB's monetary policy strategy.

At the euro area level, the analysis of profit developments is particularly challenging. While, as indicated below, national account data are especially useful because the European System of Accounts (ESA 95) is a harmonised statistical framework adopted by all EU countries, the level of detail of the data remains limited. With regard to information on profits from other sources such as company account or tax data, euro area analysis is made difficult by differences in national practices.

Section 2 of this article provides an introduction to the alternative concepts and

measures of profits. The usefulness of the various measures depends largely on the specific issue being addressed, for example, whether it is related to investment or to wage-price dynamics. Alternative sources of information on euro area profits are also considered. These sources include national account and company account data. Section 3 presents an analysis of profit developments in the euro area from 1960 to 2003. Longer-term comparisons should be interpreted with caution, however, due to data measurement issues, as should international comparisons. Section 4 offers some concluding remarks.

## 2 CONCEPTS AND USES OF PROFIT DATA

The measurement of profits and profitability is surrounded by considerable uncertainty. Generally, profits are calculated as a residual and therefore may contain distortions associated with the difficulties in measuring other economic variables. Furthermore, absolute measures of profits are not particularly informative in themselves, since they simply reflect the size of the economy, of the sector of activity or of the company. By relating profits to measures of input or output, profitability measures can be constructed that contain more directly useful information for economic analysis. For example, profitability measures are often calculated relating profits either to a measure of output or to capital input. However, in the latter case, measurement difficulties associated with profits may be compounded by the difficulties in measuring the capital stock. Thus, profits may be considered in a number of alternative ways, with the preferred choice often depending on the issue that one is trying to address. Hence, bearing this and the data caveats in mind, it is advisable to consider several profit indicators from different sources and to be cautious in drawing inferences.

Before presenting alternative indicators of profit developments, it may be useful to consider briefly the relative advantages and disadvantages of the two main sources of profit

data for economic analysis in the euro area, which are national account and corporate account data (for further details, see the annex).

National account data are the primary source of data in this article. The main reason for this is that national account data are relatively consistent across countries and over time. The ESA 95 is a harmonised statistical framework, adopted by all EU countries. ESA 95 data for the euro area are available at a quarterly frequency from 1991 onwards. In addition, by contrast with company accounts, if national accounting conventions change, consistent historical national account data are usually also made available. Lastly, national accounts cover the whole economy. However, they are not without limitations for macroeconomic analysis. For example, what is typically referred to as profit within the national account framework covers a wide range of income flows, including interest payments and taxes due on profits (i.e. the corporate equivalent of gross operating profit).

Instead, firms and investors generally focus on the net profit or loss, i.e. after deducting interest payments and taxes. Hence, measures of profits available from corporate sources may differ due to different focuses and accounting treatments. Although a measure of profits/earnings based on company account data is discussed in this article, limited emphasis is placed on information from company accounts. Accounting standards and practices are not as harmonised as national account statistics and the comparability of data from taxation statistics may be distorted by differing tax rules across countries. The main differences in accounting practices across countries include the treatment of extraordinary items, the value adjustment of assets and the capitalisation of interest.<sup>1</sup> However, corporate measures of profits/earnings may be of interest when analysing firms' behaviour.

<sup>1</sup> For a further discussion of the main accounting problems in international profitability comparisons, see for example "BACH: Guide for the database users", Vol. 1, European Commission, 2001.

In the national account framework, the gross operating surplus (and mixed income) – the national account measure of profits – is calculated as GDP less compensation of employees and less taxes (minus subsidies) on production. Hence, this measure combines both the gross operating surplus (the income of the entrepreneurial factor of production) and gross mixed income (which incorporates the entrepreneurial income of unincorporated enterprises in the household sector as well as the compensation of the labour of owner-workers of unincorporated enterprises in the household sector). It should also be noted that the gross operating surplus (and mixed income) is not net of corporate income tax (which is considered as a secondary income flow) or interest payments, which may have implications for economic analysis. The operating surplus (and mixed income) may also be defined on a net (of depreciation) basis. However, although this concept might be more economically meaningful, its calculation involves additional measurement challenges, in particular in relation to the depreciation rate across countries, across sectors of activity and over time.

In the corporate profit and loss account, gross operating profit may be broadly defined as total operating income less wages and other operating costs. Using this basic measure, additional indicators of profits can be calculated, including, for example, net operating profit, which takes into consideration depreciation. Further profit measures may be calculated taking into account interest payments and taxes.

As indicated above, absolute measures of profits may be combined with measures of input or output to construct profitability measures useful for economic analysis. A first such measure is the so-called profit share, which can be calculated as the ratio of the gross operating surplus (and mixed income) to GDP. This measure is of interest for macroeconomic analysis, since movements in the profit share are primarily determined by the relative

dynamics of the gross operating surplus and labour costs. For example, recent research has focused on the labour/profit share as a measure of real marginal costs and the relationship with inflation dynamics.

A concept closely related to the profit share is the profit mark-up (over unit labour costs) indicator. The change in the profit mark-up is usually calculated by reference to the difference between the rate of growth in the gross value added deflator and that in unit labour costs. It should be noted that this can only be a crude approximation, as it does not take into consideration corporate tax and interest payments. It also makes implicit assumptions about the evolution of other taxes (minus subsidies) on production. There are a number of advantages to using the change in the profit mark-up as opposed to the absolute level of the profit mark-up. First, as it is calculated in terms of rates of change, it is not subject to the caveats highlighted above about interpreting the precise level of different profit indicators. Second, the rate of change in the profit mark-up measure also has an appealing economic interpretation, as it allows for a decomposition of price changes into labour cost and profit mark-up developments.

An additional measure, which may be the focus of companies and investors, is the rate of return on capital. The rate of return on capital can be defined as the net operating surplus (and mixed income) divided by the total capital stock. However, the calculation of the capital stock is a complicated measurement, which can be sensitive to factors such as assumed asset lives and depreciation rates, and the treatment of investment in intangible capital.

Another profit indicator is the profit margin indicator, or profit as a share of total output, i.e. including intermediate consumption. Considering the profit margin indicator instead of the profit mark-up indicator may provide some insight (particularly at the sector-of-activity level) into the share of profit in total output and the relative importance of

## Profit and profitability: concepts and uses

Concept	Definition	Comment
<b>Gross operating surplus (and mixed income)</b>	GDP less compensation of employees less taxes (minus subsidies) on production	National accounts' equivalent of gross operating profit. Proxy for measuring absolute profits. Indicator for considering internal sources of funding available for investment.
<b>Profit share indicator</b>	Ratio of gross operating surplus (and mixed income) to GDP	Proxy for analysing relative wage and price dynamics.
<b>Profit mark-up indicator</b>	Ratio of gross value added deflator to unit labour costs	Proxy for analysing pricing behaviour.
<b>Profit margin indicator</b>	Ratio of gross operating surplus (and mixed income) to total output (i.e. including intermediate consumption)	A measure allowing for an analysis of behaviour along the pricing chain.
<b>Rate of return on capital indicator</b>	Ratio of net operating surplus (and mixed income) to net capital stock	A measure used by firms to guide investment decisions. It may also play a role in determining international capital flows.

intermediate inputs. For instance, if the share of profit in total output is relatively small or the prices of inputs are relatively volatile, profit margins could be more susceptible to fluctuations in input costs or output. However, comparisons across sectors of activity or over time are difficult, as the way in which the sector of activity is organised (e.g. the degree of vertical integration) affects the ratio of intermediate consumption to total output and could blur genuine movements in profitability. Furthermore, at present, national account data on gross output and intermediate consumption in the euro area are only available with a considerable lag.

The table above summarises alternative indicators of profit developments drawn from national accounts, as well as the analytical use of these indicators.

### 3 DEVELOPMENTS IN EURO AREA PROFITS AND PROFITABILITY

This section considers profit developments in the euro area over the period from 1960 to 2003, using a number of different profitability indicators from different sources. However, it must be recalled that comparing profit developments over a longer time period is

fraught with difficulty due to data constraints. In particular, ESA 95 data are only available for the euro area from 1991 onwards. This section first considers longer-term profit movements and then looks at more recent developments. The advantage of this approach is that it may help to distinguish whether more recent profit developments reflect a long-run adjustment process or rather indicate short-term cyclical factors or variations in costs.

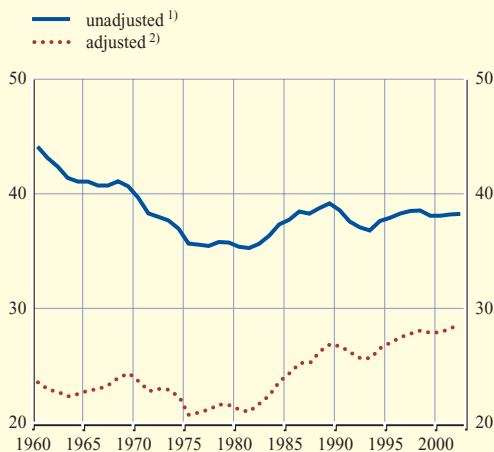
#### DEVELOPMENTS IN THE PROFIT SHARE INDICATOR

As highlighted above, one way to analyse economy-wide profit developments is to examine the labour and profit shares. In the European Commission's AMECO database, annual data are available back to 1960.<sup>2</sup> Chart 1 presents two different measures of the profit share in the euro area. The two measures differ in their treatment of the imputed labour income of the self-employed (i.e. part of gross mixed income). The first measure (i.e. the "unadjusted" measure) includes all the income of the self-employed as part of "profit". The second measure is adjusted for the imputed

<sup>2</sup> Data from 1991 onwards are based on ESA 95, while data for the earlier period are based on ESA 79, which is less harmonised. Once again, this highlights the need for careful interpretation of the data over time.

**Chart 1 Profit share indicator in the euro area**

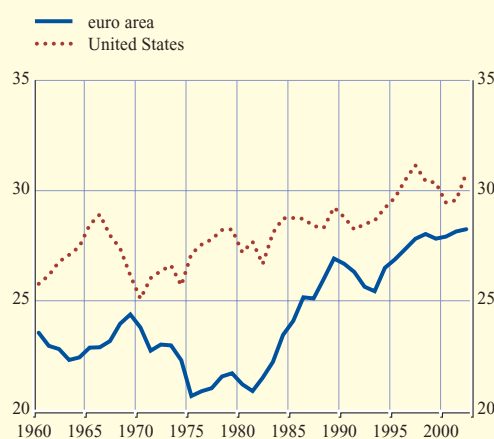
(percentages, annual data)



Sources: European Commission AMECO database and ECB calculations.

1) Unadjusted for imputed labour income of the self-employed.  
2) Adjusted for imputed labour income of the self-employed.**Chart 2 Profit share indicator in the euro area and the United States**

(percentages, annual data)



Sources: European Commission AMECO database and ECB calculations.

Note: Adjusted for imputed labour income of the self-employed.

labour income of the self-employed. This measure is calculated assuming that the labour income per self-employed person is the same as compensation per employee (see the annex for more details). Needless to say, this is only a crude approximation.<sup>3</sup> While both measures exhibit a broadly similar pattern, the absolute level varies across measures.

Since 1960 the profit share in the euro area, unadjusted for the imputed labour income of the self-employed, has varied between approximately 35% and 45% of total GDP (see Chart 1). From a share of above 40% in the early 1960s, the profit share decreased in the period 1969-1975 in the euro area as a whole to a level of around 35%. Factors typically associated with these developments, which were mutually reinforcing, are the following: the decline in productivity growth since the late 1960s, the oil price crisis of 1973 and the consequences of strong labour cost increases in the early 1970s.

Since the mid-1970s, and particularly during the 1980s, this movement has been partially reversed. The profit share increased gradually

from around 35% in the early 1980s to slightly below 40% in the late 1990s and early 2000s. This recovery in the profit share is often attributed to labour market developments. In particular, the high labour costs stemming from the real wage increases of the early 1970s are typically interpreted as having triggered a process of substitution of capital for labour, thereby reducing the employment rate. Moreover, the upsurge in unemployment since the early 1980s in the euro area, in turn, has highlighted the need to restore wage moderation. Although the level of the profit share adjusted for the imputed income of the self-employed is lower than that of the unadjusted profit share, the profile over time is broadly similar.

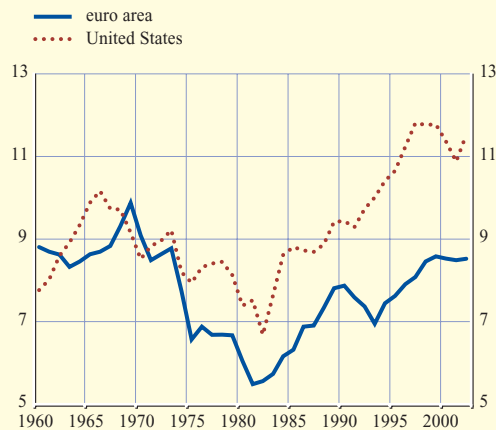
The evolution of the profit share in the euro area partly differs from that in the United States (see Chart 2). In the United States, the profit share has been less volatile since the early 1970s and

<sup>3</sup> Both the average level of compensation per employee and the ratio of self-employed to total employment have varied significantly across sectors of activity and over time. This underlines the crude nature of this adjustment.



**Chart 3 Net return on capital in the euro area and the United States**

(percentages, annual data)



Sources: European Commission AMECO database and ECB calculations.  
Note: Adjusted for imputed labour income of the self-employed.

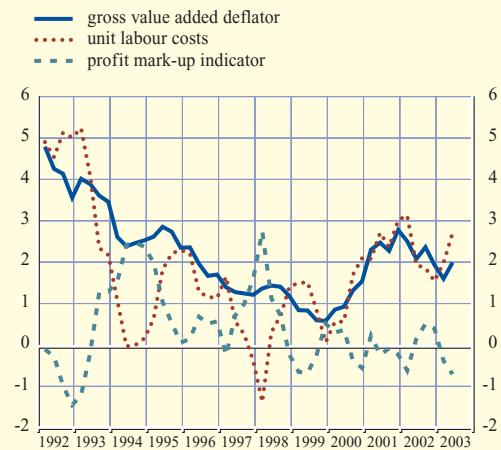
a gradual upward trend has been observed over the last three decades. This is often related to the growing importance of the services sector (which tends to have higher profit shares) or to technological factors, although data issues, such as the adjustment for the imputed labour income of the self-employed, could be at play. The share of profits in the euro area, adjusted for the imputed labour income of the self-employed, remains somewhat below that in the United States. However, in the light of the measurement caveats outlined earlier, too much importance should not be placed on the specific levels of the profit share in the United States and the euro area.

#### NET RATE OF RETURN ON CAPITAL

As already mentioned, another indicator of profit developments is the net rate of return on capital. Keeping in mind the data caveats outlined earlier, for the euro area, this measure shows a broadly similar profile to that of the profit share measure (see Chart 3). Thus, following a decline in the 1970s, the net rate of return on capital recovered slowly during the 1980s and 1990s. In addition, similar to the profit share indicator, the net rate of return on

**Chart 4 Gross value added deflator, unit labour costs and the profit mark-up indicator**

(annual percentage changes, quarterly data)



Sources: Eurostat ESA 95 database and ECB calculations.

capital in the euro area appears to be below that in the United States.

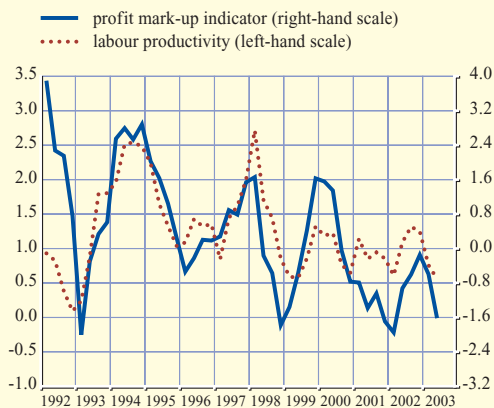
#### PROFIT MARK-UP INDICATOR

Chart 4 presents the profit mark-up indicator, which is the difference between the rate of change in the gross value added deflator and the rate of change in unit labour costs. These data are only available at a quarterly frequency from 1991 onwards. This measure shows broadly the same picture as the profit share indicator described above. During most of the 1990s, the profit mark-up indicator recovered as the rate of change in the GDP deflator was above that in unit labour costs. However, a stronger cyclical pattern is evident, as the data are available at a quarterly frequency, which highlights more clearly the buffer role of profits against short-term cyclical fluctuations in unit labour costs.

Cyclical movements in labour productivity are a primary determinant of short-term movements in the profit mark-up indicator. For example, the deterioration observed in the profit mark-up indicator in 2000 and 2001 reflected mainly the increase in unit labour cost growth brought about by the cyclical weakness in economic

**Chart 5 Profit mark-up indicator and labour productivity**

(annual percentage changes, quarterly data)



Sources: Eurostat ESA 95 database and ECB calculations.  
 Note: The profit mark-up indicator is calculated by subtracting the annual growth rate of unit labour costs from the annual growth rate of the gross value added deflator.

activity and labour productivity (see Chart 5), but also to some extent higher external cost pressures. While some recovery in profit mark-ups took place in the early part of 2002, the renewed weakness in economic activity in the latter part of 2002 and the first half of 2003 resulted in a renewed deterioration in profit mark-ups.

#### DEVELOPMENTS BY SECTOR OF ACTIVITY

The picture for the whole economy presented thus far masks developments in specific sectors of activity. The box describes developments in

profit margins by sector of activity and cross-country dispersions over the period 1991-2001, using data from the OECD's STAN database. Although, as indicated in Chart 4, the profit mark-up has remained broadly unchanged for the whole euro area economy since 1999, this masks differing developments across sectors of activity. The increase in oil prices and the depreciation of the euro in 1999 and 2000 had a negative impact on euro area producers for the euro area market via higher input costs. The negative impact of higher input costs on exporting producers was largely offset by the favourable impact of exchange rates on selling prices. However, the appreciation of the euro since 2002 has meant that this favourable impact on selling prices has been eroded for exporters. Conversely, as the impact of the oil price and exchange rate movements in 1999 and 2000 has unwound, input cost developments for euro area producers have been more favourable since 2002. Likewise, considering goods producers and service providers, the impact of exchange rate and intermediate cost fluctuations on the former is greater given the larger share of intermediate inputs in the production process of goods than is generally the case for the provision of services. On the other hand, given the larger labour input into services, fluctuations in labour costs are an even more important determinant of services price developments. In this regard, unit labour cost growth has been strong over the last three years. This mainly reflects subdued labour productivity growth as a result of the slowdown in economic activity.

#### Box

#### PROFIT MARGIN DEVELOPMENTS BY SECTOR OF ACTIVITY AND DISPERSION ACROSS EURO AREA COUNTRIES

One of the main objectives of EU integration during the past two decades has been to move towards full product market integration. The resulting increase in the level of competition within the EU could be expected to have led to a convergence of profit margins, assuming that national profit margin levels differed prior to the integration process. The objective of this box is to determine to what extent profit margins at the sector-of-economic-activity (hereafter sector) level varied across euro area countries during the 1990s. The analysis presented uses sector profit

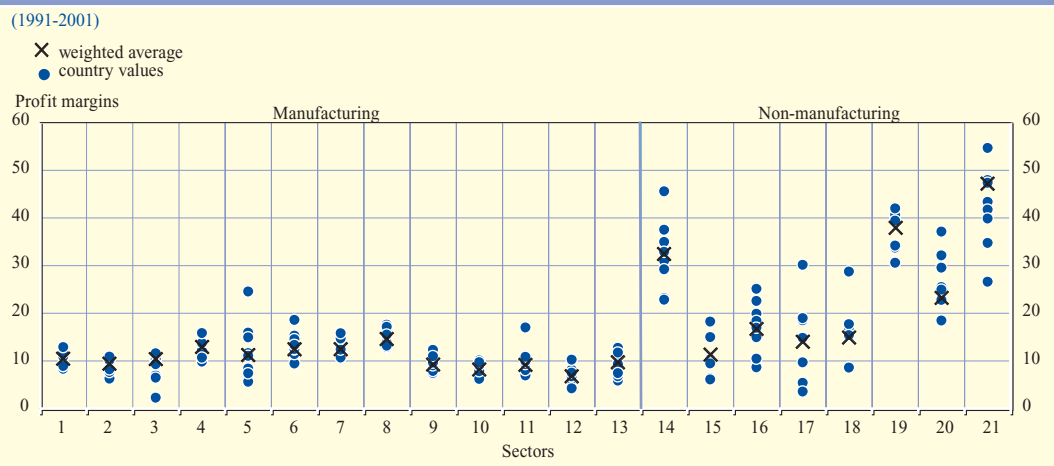
margins for twenty-one sectors and eight euro area countries, measured as the gross operating surplus (adjusted for the imputed labour income of the self-employed) relative to total output. However, comparisons across sectors or countries are difficult, as the way in which the sector is organised (e.g. the degree of vertical integration) affects the ratio of intermediate consumption to total output and hence the profit margin measure. Moreover, the gross operating surplus includes the consumption of fixed capital, which also makes comparisons across sectors difficult.

The chart plots the average sector profit margin levels for the period 1991-2001 for eight euro area countries, as well as the weighted euro area average for each individual sector. The non-manufacturing sectors include the electricity, gas and water supply industry, the construction sector and six business sector services. The data source is the OECD's STAN database. The table shows the sectoral coefficients of variation, measured as the standard deviation relative to the mean, as well as the spread between the averages of the three maximum and minimum values.

Overall profit margin levels were higher in non-manufacturing sectors than in manufacturing sectors. However, as indicated above, the differences in levels across sectors have to be interpreted with caution due to the possible distortion introduced by the inclusion of intermediate inputs.

Turning to differences across countries within sectors, the spread between the averages of the three maximum and minimum values as well as the coefficients of variation reveal that the dispersion across euro area countries has been somewhat higher in the non-manufacturing sectors than in the manufacturing sectors. When looking at data at a more detailed level, the results provide a more mixed picture. Indeed, within manufacturing the dispersion across euro area countries appears to have been relatively low in some sectors, such as other non-metallic mineral products, rubber and plastic products, as well as machinery and equipment not

### Sector profit margin level averages and dispersion across euro area countries



Source: OECD STAN database.

- 1) Numbers on the x-axis refer to the sectors listed in the table below.
- 2) The eight euro area countries considered are Belgium, Germany, Spain, France, Italy, the Netherlands, Austria and Finland. These eight countries accounted for 94.4% of euro area GDP in 2001.
- 3) Data for Belgium and Spain are available from 1995 to 2000.
- 4) The adjustment for the imputed labour income of the self-employed is described in the annex.
- 5) The percentage of self-employed relative to total employment on average between 1991 and 2001 varied considerably across countries. The ratio was 27% in Italy, 19.9% in Austria, 17.5% in Belgium, 17.2% in Spain, 15% in the Netherlands, 13.1% in Finland and 10.2% in Germany and France.

## Sector profit margin level dispersion across euro area countries – 1991-2001

	Coeff. of variation <sup>1)</sup>	3 minimum value average	3 maximum value average	Spread <sup>2)</sup>
<b>Total<sup>3)</sup></b>	<b>0.28</b>	<b>12.0</b>	<b>19.6</b>	<b>7.6</b>
<b>Total manufacturing<sup>3)</sup></b>	<b>0.23</b>	<b>8.4</b>	<b>12.9</b>	<b>4.5</b>
1 Food products, beverages and tobacco	0.17	8.7	12.0	3.3
2 Textiles, textile products, leather and footwear	0.18	7.1	9.9	2.7
3 Wood and products of wood and cork	0.37	5.2	11.1	5.9
4 Pulp, paper, paper products, printing and publishing	0.15	10.9	14.6	3.7
5 Coke, refined petroleum products and nuclear fuel	0.49	7.1	18.5	11.3
6 Chemicals and chemical products	0.21	11.1	16.1	5.1
7 Rubber and plastic products	0.14	11.1	14.3	3.2
8 Other non-metallic mineral products	0.13	12.9	17.0	4.1
9 Basic metals and fabricated metal products	0.19	7.5	11.1	3.6
10 Machinery and equipment NEC	0.15	7.3	9.9	2.6
11 Electrical and optical equipment	0.29	8.1	12.6	4.5
12 Transport equipment	0.29	5.0	8.6	3.7
13 Manufacturing NEC; recycling	0.29	6.7	11.9	5.3
<b>Non-manufacturing<sup>3)</sup></b>	<b>0.34</b>	<b>17.9</b>	<b>30.5</b>	<b>12.5</b>
14 Electricity, gas and water supply	0.23	25.1	39.4	14.3
15 Construction	0.39	7.3	14.5	7.2
<b>Business sector services<sup>3)</sup></b>	<b>0.35</b>	<b>18.5</b>	<b>31.6</b>	<b>13.1</b>
16 Wholesale and retail trade; repairs	0.33	11.4	22.5	11.2
17 Hotels and restaurants	0.86	2.0	22.6	20.6
18 Transport and storage	0.35	12.0	21.1	9.1
19 Post and telecommunications	0.12	32.1	40.7	8.5
20 Financial intermediation	0.25	19.9	32.9	13.0
21 Real estate, renting and business activities	0.21	33.7	50.0	16.3

Source: OECD STAN database.

1) Coefficient of variation is calculated as standard deviation divided by mean.

2) Spread is calculated as the difference between the averages of the three maximum and the three minimum values.

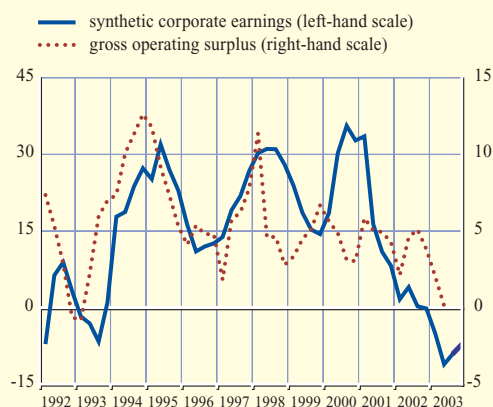
3) Data for sectoral aggregations are unweighted averages of component sectors.

elsewhere classified (NEC), and pulp, paper, paper products, printing and publishing. In other manufacturing sectors, however, such as coke, refined petroleum products and nuclear fuel, and wood and products of wood and cork, the dispersion appears to have been even higher than the average dispersion for business sector services. Within the non-manufacturing sectors, the dispersion across countries was comparatively low in network industries (post and telecommunications, and electricity, gas and water supply) as well as in real estate, renting and business activities.

Overall, the data reveal clear differences in sector profit margin levels across countries. Although the results need to be interpreted with the caveats mentioned earlier in mind, the sector profit margin levels were in general higher in non-manufacturing sectors than in manufacturing sectors. Moreover, the levels differed substantially more across countries in the non-manufacturing sectors than in the manufacturing sectors. The lower dispersion of profit margin levels observed in some sectors, especially in manufacturing sectors, may be seen as a result of a downward convergence of profit margins across euro area countries due to the progress achieved in product market integration. By contrast, the higher average level and dispersion of profit margins for non-manufacturing sectors during the period reviewed in this box could be related to the fact that the integration process in the non-manufacturing sectors tended to start at a later point in time and is generally still less advanced than in manufacturing.

**Chart 6 National account profits and a synthetic measure of corporate profits derived from stock market indicators**

(annual percentage changes, quarterly data)



Sources: Datastream and ECB calculations.  
 Note: The market index covers approximately 80% of euro area stock market capitalisation. The gross operating surplus is adjusted for imputed labour income of the self-employed.

### CORPORATE EARNINGS

Although national accounts are the main source of profit data in this article, it is nonetheless informative to compare the gross operating surplus measure extracted from national accounts with a synthetic measure of corporate earnings derived from information on stock market values and price/earnings ratios (see Chart 6). There is a good degree of comovement between the two measures, although the synthetic measure appears to lag the measure based on national accounts slightly. This might reflect the fact that not all companies report quarterly earnings and hence the earnings data can refer to the last annual earnings reported. Differences between the two measures may be related to factors such as coverage (corporate earnings refer only to a sub-set of publicly quoted companies, whereas national accounts refer to the whole economy) and differences in accounting treatment for items such as depreciation, stock options, etc.

### 4 CONCLUSIONS

A range of indicators of profit developments and alternative sources of profit data have been presented in this article. This range of indicators is necessary to enable cross-checks to be performed, as profits are generally calculated as a residual, suggesting that they may be subject to significant measurement errors.

These caveats are particularly relevant when considering profit developments over a longer time period or across countries. Bearing these caveats in mind, the broad picture that emerges from the various indicators of profits suggests that, following generally unfavourable profit conditions in the 1970s, euro area profitability recovered gradually during the 1980s and 1990s. This broad picture holds true irrespective of whether one considers the profit share or the net rate of return on capital. Although it is very difficult to make international comparisons, it appears that euro area profitability has remained below that of the United States.

Considering profit developments since 1999, the euro area has been hit by a number of shocks, including a strong increase in oil prices and movements in exchange rates, and by a slowdown in economic activity. These have had an impact on profit developments in the euro area, although the extent of their impact has differed across sectors of activity.

Looking forward, it is important that an adequate rate of return be attained in the euro area to stimulate investment and to sustain economic growth. Continued labour and product market reforms are necessary to ensure an efficient allocation of resources and price-setting behaviour within a competitive environment. This process must also be supported by continued wage moderation.

## ANNEX: SOURCES OF EURO AREA PROFIT DATA

### NATIONAL ACCOUNT DATA

The main source of the data used in this article is national account data, for the reasons outlined in Section 2. National accounts provide information on a number of indicators of profits and profitability including the gross operating surplus and mixed income, the profit share, the profit mark-up over unit labour costs, the profit margin and the rate of return on capital.

At present, quarterly euro area national account data in accordance with ESA 95 are available from Eurostat from 1991 onwards. Prior to this, annual data are available using ESA 79, e.g. from the European Commission's AMECO database.

However, one major issue when using national account data on the gross operating surplus and mixed income is the treatment of the imputed labour income of the self-employed. In practice, the measure of the gross operating surplus in the national accounts also includes gross mixed income, which is the operating surplus of unincorporated enterprises (OSPUE) owned by households. As some of this gross mixed income represents compensation of the labour of the self-employed as well as the entrepreneurial income of unincorporated enterprises, an adjustment should be made to reflect better the distinction between wage income and non-wage income, both of which form part of gross mixed income. This has implications for comparisons across sectors of activity, between countries or over time, if the degree of self-employment varies significantly across these dimensions. International comparisons suggest that some adjustments are necessary.<sup>4</sup> OSPUE data would allow for the most robust adjustment, but unfortunately these data do not exist for the euro area as a whole. A more common adjustment is to assume that the imputed compensation per self-employed person equals compensation per employee. This crude adjustment, while much more tractable, is another reason to interpret profit data with caution. For instance, adjustments carried out at

the sector-of-activity level can yield a different result than if carried out at a more aggregate level.

### COMPANY ACCOUNT DATA

Notwithstanding the caveats mentioned above concerning issues relating to the use of euro area-wide company account measures of profits, a synthetic measure of profits based on company account data is presented in this article. This measure is constructed using stock market data, specifically price/earnings (p/e) ratios and market values. Using p/e ratios and total market values, it is possible to construct an index of earnings. The growth rate of this synthetic measure is compared with the growth rate of the gross operating surplus measure derived from national account data. However, in addition to the more general caveats, when making such a comparison it should be borne in mind that the stock market measure only includes a sub-set of publicly quoted companies.

### HYBRID DATA

The OECD's structural analysis (STAN) database combines data from national accounts with data from other sources, such as national industrial surveys/censuses. One of the main advantages of this source is the degree of sector-of-activity coverage, with data available at the two-digit ISIC Rev. 3 level. Data are available up to 2001 for detailed sectors of activity, and 2002 for more aggregate data. These data are used in the box to compare profitability across both countries and sectors.

<sup>4</sup> Gollin, D., 2002. "Getting income shares right", *Journal of Political Economy*, Vol. 110, No. 2, pp. 458-474.





# EURO AREA STATISTICS





# CONTENTS<sup>1</sup>

## EURO AREA OVERVIEW

Summary of economic indicators for the euro area	S5
--	----

## 1 MONETARY POLICY STATISTICS

1.1 Consolidated financial statement of the Eurosystem	S6
1.2 Key ECB interest rates	S7
1.3 Eurosystem monetary policy operations allotted through tenders	S8
1.4 Minimum reserve and liquidity statistics	S9

## 2 MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs	S10
2.2 Consolidated balance sheet of euro area MFIs	S11
2.3 Monetary statistics	S12
2.4 MFI loans, breakdown	S14
2.5 Deposits held with MFIs, breakdown	S17
2.6 MFI holdings of securities, breakdown	S20
2.7 Revaluation of selected MFI balance sheet items	S21
2.8 Currency breakdown of selected MFI balance sheet items	S22
2.9 Aggregated balance sheet of euro area investment funds	S24
2.10 Assets of euro area investment funds broken down by investment policy and type of investor	S25

## 3 FINANCIAL AND NON-FINANCIAL ACCOUNTS

3.1 Main financial assets of non-financial sectors	S26
3.2 Main liabilities of non-financial sectors	S27
3.3 Main financial assets and liabilities of insurance corporations and pension funds	S28
3.4 Annual saving, investment and financing	S29

## 4 FINANCIAL MARKETS

4.1 Securities issues other than shares by original maturity, residency of the issuer and currency	S31
4.2 Securities other than shares issued by euro area residents by original maturity and sector of the issuer	S32
4.3 Annual growth rates of securities other than shares issued by euro area residents	S34
4.4 Quoted shares issued by euro area residents	S36
4.5 MFI interest rates on euro-denominated deposits and loans by euro area residents	S38
4.6 Money market interest rates	S40
4.7 Government bond yields	S41
4.8 Stock market indices	S42

## 5 PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5.1 HICP, other prices and costs	S43
5.2 Output and demand	S46
5.3 Labour markets	S50

<sup>1</sup> See the ECB's website ([www.ecb.int](http://www.ecb.int)) for longer runs and more detailed data.

<b>6</b>	<b>GOVERNMENT FINANCE</b>	
6.1	Revenue, expenditure and deficit/surplus	<b>S51</b>
6.2	Debt	<b>S52</b>
6.3	Change in debt	<b>S53</b>
<b>7</b>	<b>EXTERNAL TRANSACTIONS AND POSITIONS</b>	
7.1	Balance of payments	<b>S54</b>
7.2	Monetary presentation of the balance of payments	<b>S60</b>
7.3	Trade in goods	<b>S61</b>
7.4	International investment position	<b>S63</b>
7.5	International reserves	<b>S65</b>
<b>8</b>	<b>EXCHANGE RATES</b>	
8.1	Effective exchange rates	<b>S66</b>
8.2	Bilateral exchange rates	<b>S67</b>
<b>9</b>	<b>DEVELOPMENTS OUTSIDE THE EURO AREA</b>	
9.1	In other European countries	<b>S68</b>
9.2	In the United States and Japan	<b>S69</b>
	<b>LIST OF CHARTS</b>	<b>S71</b>
	<b>TECHNICAL NOTES</b>	<b>S73</b>
	<b>GENERAL NOTES</b>	<b>S77</b>

---

#### Conventions used in the tables

“-”	data do not exist/data are not applicable
“.”	data are not yet available
“..”	nil or negligible
“billion”	10 <sup>9</sup>
(p)	provisional
s.a.	seasonally adjusted
n.s.a.	non-seasonally adjusted

# EURO AREA OVERVIEW



## Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

### 1. Monetary developments and interest rates

	M1 <sup>1)</sup>	M2 <sup>1)</sup>	M3 <sup>1,2)</sup>	M3 <sup>1,2)</sup> 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government <sup>1)</sup>	Securities other than shares issued in euro by non- financial and non- monetary financial corporations <sup>1)</sup>	3-month interest rate (EURIBOR, % per annum, period averages)	10-year government bond yield (% per annum, period averages)
	1	2	3	4	5	6	7	8
2002	7.5	6.5	7.2	-	5.3	21.2	3.32	4.92
2003	.	.	.	.	.	.	2.33	4.16
2003 Q1	10.1	7.1	7.6	-	5.0	17.2	2.69	4.16
Q2	11.3	8.2	8.4	-	4.6	20.2	2.37	3.96
Q3	11.4	8.4	8.3	-	4.9	21.9	2.14	4.16
Q4	.	.	.	-	.	.	2.15	4.36
2003 July	11.4	8.5	8.7	8.4	4.9	21.8	2.13	4.06
Aug.	11.7	8.6	8.2	8.1	5.0	22.1	2.14	4.20
Sep.	11.1	8.1	7.5	8.0	5.0	21.3	2.15	4.23
Oct.	12.2	8.2	8.1	7.7	5.1	22.0	2.14	4.31
Nov.	10.7	7.6	7.4	.	5.6	.	2.16	4.44
Dec.	.	.	.	.	.	.	2.15	4.36

### 2. Prices, output, demand and labour markets

	HICP	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2002	2.3	-0.1	3.5	0.9	-0.5	81.4	0.4	8.4
2003	.	.	.	.	.	.	.	.
2003 Q1	2.3	2.4	3.1	0.7	1.1	81.1	0.0	8.7
Q2	1.9	1.5	3.3	0.1	-0.7	80.8	0.1	8.8
Q3	2.0	1.2	3.0	0.3	-0.2	81.0	0.1	8.8
Q4	.	.	.	.	.	.	.	.
2003 July	1.9	1.3	-	-	0.8	80.7	-	8.8
Aug.	2.1	1.3	-	-	-0.3	-	-	8.8
Sep.	2.2	1.1	-	-	-1.2	-	-	8.8
Oct.	2.0	0.9	-	-	1.2	81.2	-	8.8
Nov.	2.2	1.4	-	-	.	.	-	8.8
Dec.	2.1	.	-	-	.	.	-	.

### 3. Balance of payments, reserve assets and exchange rates

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: narrow group (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
2002	77.9	130.6	-41.5	103.4	366.1	89.7	92.3	0.9456
2003	.	.	.	.	.	99.9	103.6	1.1312
2003 Q1	4.4	16.6	-0.9	7.0	339.1	96.6	99.8	1.0731
Q2	-5.2	25.1	5.4	42.2	326.1	101.0	104.7	1.1372
Q3	19.1	38.6	-12.4	-70.5	332.9	100.2	103.9	1.1248
Q4	.	.	.	.	.	101.8	106.0	1.1890
2003 July	2.8	15.3	-3.2	-35.6	328.9	101.1	104.9	1.1372
Aug.	6.6	10.6	-2.6	-42.5	346.8	99.9	103.6	1.1139
Sep.	9.8	12.6	-6.6	7.6	332.9	99.5	103.2	1.1222
Oct.	9.2	14.9	-8.3	26.5	332.4	101.0	104.8	1.1692
Nov.	.	.	.	.	321.9	100.9	104.9	1.1702
Dec.	.	.	.	.	.	103.7	108.1	1.2286

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

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

- 1) Monthly growth rates refer to the end of the period, whereas quarterly and annual growth rates are calculated as period averages. Growth rates for M1, M2, M3 and loans are calculated on the basis of seasonally adjusted monthly outstanding amounts and transactions.
- 2) M3 and its components exclude holdings by non-euro area residents of money market fund shares/units and debt securities with a maturity of up to two years.



# MONETARY POLICY STATISTICS

## 1.1 Consolidated financial statement of the Eurosystem (EUR millions)

### 1. Assets

	2003 19 Dec.	2003 26 Dec.	2004 2 Jan.	2004 9 Jan.
<b>Gold and gold receivables</b>	130,214	130,187	130,344	130,344
<b>Claims on non-euro area residents in foreign currency</b>	189,867	189,453	176,783	176,437
<b>Claims on euro area residents in foreign currency</b>	17,750	17,959	17,379	18,385
<b>Claims on non-euro area residents in euro</b>	5,912	5,979	6,314	6,532
<b>Lending to euro area credit institutions in euro</b>	284,029	276,022	298,047	270,399
Main refinancing operations	238,999	230,998	253,001	225,001
Longer-term refinancing operations	45,000	45,000	45,000	45,000
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	9	5	18	366
Credits related to margin calls	21	19	28	32
<b>Other claims on euro area credit institutions in euro</b>	687	720	819	954
<b>Securities of euro area residents in euro</b>	54,115	54,130	61,323	62,044
<b>General government debt in euro</b>	43,655	42,902	42,686	42,687
<b>Other assets</b>	122,476	117,805	104,626	104,169
<b>Total assets</b>	<b>848,705</b>	<b>835,157</b>	<b>838,321</b>	<b>811,951</b>

### 2. Liabilities

	2003 19 Dec.	2003 26 Dec.	2004 2 Jan.	2004 9 Jan.
<b>Banknotes in circulation</b>	429,510	439,206	434,251	425,220
<b>Liabilities to euro area credit institutions in euro</b>	129,848	113,541	152,917	133,708
Current accounts (covering the minimum reserve system)	129,745	113,508	152,814	133,606
Deposit facility	103	33	102	102
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	0	0	1	0
<b>Other liabilities to euro area credit institutions in euro</b>	251	256	257	256
<b>Debt certificates issued</b>	1,054	1,054	1,054	1,054
<b>Liabilities to other euro area residents in euro</b>	55,151	48,076	35,584	38,761
<b>Liabilities to non-euro area residents in euro</b>	9,466	10,334	10,057	9,520
<b>Liabilities to euro area residents in foreign currency</b>	601	580	499	481
<b>Liabilities to non-euro area residents in foreign currency</b>	12,671	12,595	12,344	12,452
<b>Counterpart of special drawing rights allocated by the IMF</b>	5,991	5,991	5,757	5,757
<b>Other liabilities</b>	67,959	67,320	54,398	53,572
<b>Revaluation accounts</b>	71,174	71,174	69,141	69,141
<b>Capital and reserves</b>	65,029	65,030	62,062	62,029
<b>Total liabilities</b>	<b>848,705</b>	<b>835,157</b>	<b>838,321</b>	<b>811,951</b>

Source: ECB.

## 1.2 Key ECB interest rates

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

With effect from <sup>1)</sup>	Deposit facility		Main refinancing operations			Marginal lending facility	
	Level	Change	Fixed rate tenders	Variable rate tenders	Change	Level	Change
			Fixed rate	Minimum bid rate			
	1	2	3	4	5	6	7
1999 1 Jan.	2.00	-	3.00	-	-	4.50	-
4 <sup>2)</sup>	2.75	0.75	3.00	-	...	3.25	-1.25
22	2.00	-0.75	3.00	-	...	4.50	1.25
9 Apr.	1.50	-0.50	2.50	-	-0.50	3.50	-1.00
5 Nov.	2.00	0.50	3.00	-	0.50	4.00	0.50
2000 4 Feb.	2.25	0.25	3.25	-	0.25	4.25	0.25
17 Mar.	2.50	0.25	3.50	-	0.25	4.50	0.25
28 Apr.	2.75	0.25	3.75	-	0.25	4.75	0.25
9 June	3.25	0.50	4.25	-	0.50	5.25	0.50
28 <sup>3)</sup>	3.25	...	-	4.25	...	5.25	...
1 Sep.	3.50	0.25	-	4.50	0.25	5.50	0.25
6 Oct.	3.75	0.25	-	4.75	0.25	5.75	0.25
2001 11 May	3.50	-0.25	-	4.50	-0.25	5.50	-0.25
31 Aug.	3.25	-0.25	-	4.25	-0.25	5.25	-0.25
18 Sep.	2.75	-0.50	-	3.75	-0.50	4.75	-0.50
9 Nov.	2.25	-0.50	-	3.25	-0.50	4.25	-0.50
2002 6 Dec.	1.75	-0.50	-	2.75	-0.50	3.75	-0.50
2003 7 Mar.	1.50	-0.25	-	2.50	-0.25	3.50	-0.25
6 June	1.00	-0.50	-	2.00	-0.50	3.00	-0.50

Source: ECB.

- 1) From 1 January 1999 to 9 March 2004, the date refers to the deposit and marginal lending facilities. For main refinancing operations, changes in the rate are effective from the first operation following the date indicated. The change on 18 September 2001 was effective on that same day. From 10 March 2004 onwards, the date will refer to the deposit and marginal lending facilities and to the main refinancing operations (changes effective from the main refinancing operation following the Governing Council discussion), unless otherwise indicated.
- 2) On 22 December 1998 the ECB announced that, as an exceptional measure between 4 and 21 January 1999, a narrow corridor of 50 basis points would be applied between the interest rates for the marginal lending facility and the deposit facility, aimed at facilitating the transition to the new monetary regime by market participants.
- 3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.



### 1.3 Eurosystem monetary policy operations allotted through tenders <sup>1), 2)</sup>

(EUR millions; interest rates in percentages per annum)

#### 1. Main and longer-term refinancing operations <sup>3)</sup>

Date of settlement	Bids (amount)	Allotment (amount)	Variable rate tenders			Running for (...) days
			Minimum bid rate	Marginal rate <sup>4)</sup>	Weighted average rate	
	1	2	3	4	5	6
Main refinancing operations						
2003 17 Sep.	177,865	150,000	2.00	2.07	2.08	14
24	109,738	81,000	2.00	2.06	2.07	14
1 Oct.	164,023	123,000	2.00	2.05	2.06	14
8	135,884	82,000	2.00	2.05	2.06	14
15	153,304	113,000	2.00	2.05	2.05	12
22	119,327	90,000	2.00	2.04	2.05	14
25	135,867	117,000	2.00	2.04	2.05	15
5 Nov.	125,765	84,000	2.00	2.04	2.05	14
11	126,830	118,000	2.00	2.03	2.04	15
19	113,354	99,000	2.00	2.00	2.02	14
26	126,291	126,291	2.00	2.00	2.02	14
3 Dec.	137,154	121,000	2.00	2.00	2.03	14
10	129,319	116,000	2.00	2.00	2.01	13
17	128,410	123,000	2.00	2.00	2.02	13
23	154,382	108,000	2.00	2.05	2.08	14
30	166,862	145,000	2.00	2.02	2.09	15
2004 6 Jan.	118,344	80,000	2.00	2.02	2.04	15
14	166,033	144,000	2.00	2.00	2.02	14
Longer-term refinancing operations						
2002 23 Dec.	42,305	15,000	-	2.93	2.95	94
2003 30 Jan.	31,716	15,000	-	2.78	2.80	90
27 Feb.	24,863	15,000	-	2.48	2.51	91
27 Mar.	33,367	15,000	-	2.49	2.51	91
30 Apr.	35,096	15,000	-	2.50	2.51	92
29 May	30,218	15,000	-	2.25	2.27	91
26 June	28,694	15,000	-	2.11	2.12	91
31 July	25,416	15,000	-	2.08	2.10	91
28 Aug.	35,940	15,000	-	2.12	2.13	91
25 Sep.	28,436	15,000	-	2.10	2.12	84
30 Oct.	32,384	15,000	-	2.13	2.14	91
27 Nov.	25,402	15,000	-	2.12	2.13	91
18 Dec.	24,988	15,000	-	2.12	2.14	105

#### 2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Allotment (amount)	Fixed rate tenders	Variable rate tenders			Running for (...) days
				Fixed rate	Minimum bid rate	Marginal rate <sup>4)</sup>	Weighted average rate	
	1	2	3	4	5	6	7	8
2000 5 Jan. <sup>5)</sup>	Collection of fixed-term deposits	14,420	14,420	-	-	3.00	3.00	7
21 June	Reverse transaction	18,845	7,000	-	-	4.26	4.28	1
2001 30 Apr.	Reverse transaction	105,377	73,000	-	4.75	4.77	4.79	7
12 Sep.	Reverse transaction	69,281	69,281	4.25	-	-	-	1
13	Reverse transaction	40,495	40,495	4.25	-	-	-	1
28 Nov.	Reverse transaction	73,096	53,000	-	3.25	3.28	3.29	7
2002 4 Jan.	Reverse transaction	57,644	25,000	-	3.25	3.30	3.32	3
10	Reverse transaction	59,377	40,000	-	3.25	3.28	3.30	1
18 Dec.	Reverse transaction	28,480	10,000	-	2.75	2.80	2.82	6
2003 23 May	Collection of fixed-term deposits	3,850	3,850	2.50	-	-	-	3

Source: ECB.

- 1) The amounts shown may differ slightly from those in Table 1.1 due to operations allotted but not settled.
- 2) With effect from April 2002, split tender operations, i.e. operations with one-week maturity conducted as standard tenders in parallel with a main refinancing operation, are classified as main refinancing operations. For split tender operations conducted before this month, see Table 1.3.2.
- 3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.
- 4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
- 5) This operation was conducted with a maximum rate of 3.00%.

## 1.4 Minimum reserve and liquidity statistics

(EUR billions; period averages of daily positions, unless otherwise indicated; interest rates as percentages per annum)

### 1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at <sup>1)</sup> :	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
2001	10,910.1	6,226.1	389.7	1,315.2	605.1	2,374.0
2002	11,116.8	6,139.9	409.2	1,381.9	725.5	2,460.3
2003 Q1	11,229.9	6,117.2	427.4	1,404.1	782.7	2,498.5
Q2	11,381.7	6,217.9	415.4	1,421.4	781.0	2,545.9
2003 July	11,394.7	6,176.0	417.8	1,430.0	800.8	2,570.1
Aug.	11,408.0	6,184.3	404.3	1,442.5	787.6	2,589.3
Sep.	11,396.7	6,173.3	405.1	1,433.2	791.7	2,593.3
Oct.	11,497.0	6,194.8	420.2	1,445.3	814.0	2,622.7
Nov. <sup>(p)</sup>	11,562.9	6,241.5	424.4	1,451.1	813.0	2,632.9

### 2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2001	126.4	127.4	1.0	0.0	3.30
2002	128.8	129.5	0.8	0.0	3.06
2003 Q1	128.9	129.6	0.7	0.0	2.67
Q2	131.2	131.9	0.6	0.0	2.34
Q3	131.3	132.0	0.6	0.0	2.07
2003 23 Oct.	131.2	131.9	0.6	0.0	2.05
23 Nov.	131.0	131.8	0.7	0.0	2.03
23 Dec.	131.8	132.6	0.8	0.0	2.00
2004 23 Jan. <sup>(p)</sup>	132.8				

### 3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions current accounts	Base money
	Eurosystem's net assets in gold and foreign currency	Monetary policy operations of the Eurosystem				Deposit facility	Other liquidity-absorbing operations	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
1		2	3	4	5						6	7
2001	383.7	122.5	60.0	0.5	12.4	0.8	0.0	298.0	43.5	109.3	127.4	426.2
2002	371.5	168.1	45.0	1.1	2.0	0.2	0.0	350.7	51.7	55.5	129.5	480.5
2003 Q1	352.5	179.5	45.0	0.2	0.0	0.1	0.0	347.8	59.1	40.6	129.6	477.5
Q2	331.3	194.7	45.0	0.4	0.0	0.3	0.2	373.2	52.6	13.2	131.9	505.3
2003 23 July	320.4	204.7	45.0	0.4	0.0	0.3	0.0	382.7	52.4	2.9	132.2	515.2
23 Aug.	315.8	213.4	45.0	0.2	0.0	0.1	0.0	391.6	51.5	-1.6	132.8	524.6
23 Sep.	315.0	214.0	45.0	0.1	0.0	0.6	0.0	391.7	54.4	-4.4	132.0	524.2
23 Oct.	321.3	208.4	45.0	0.1	0.0	0.2	0.0	395.5	48.3	-1.1	131.9	527.5
23 Nov.	321.8	205.8	45.0	0.1	0.0	0.3	0.0	399.4	43.4	-2.2	131.8	531.4
23 Dec. <sup>(p)</sup>	320.1	235.5	45.0	0.6	0.0	0.1	0.0	416.1	57.0	-4.5	132.6	548.7

Source: ECB.

1) End of period.



# MONEY, BANKING AND INVESTMENT FUNDS

## 2.1 Aggregated balance sheet of euro area MFIs

(EUR billions; outstanding amounts at end of period)

### 1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents				Money market fund shares/units	Holdings of shares/other equity issued by euro area residents	External assets	Fixed assets	Remaining assets	
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents						MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Eurosysteem														
2001	998.6	412.7	25.7	0.6	386.4	107.0	101.8	1.3	3.8	-	13.8	399.0	11.9	54.3
2002	1,042.8	416.2	24.2	0.6	391.3	94.5	86.0	0.8	7.6	-	13.2	374.8	11.9	132.3
2003 Q1	1,015.4	411.8	24.1	0.6	387.0	105.4	95.1	0.8	9.5	-	12.5	350.2	11.9	123.6
Q2	1,074.6	469.3	23.7	0.6	445.0	114.2	103.1	1.1	10.0	-	12.4	335.2	12.0	131.5
2003 July	1,048.8	437.3	23.7	0.7	412.9	115.3	104.6	1.1	9.6	-	12.5	338.1	12.2	133.4
Aug.	1,063.8	437.4	23.7	0.7	413.0	117.4	106.4	1.0	10.0	-	12.5	354.1	12.2	130.1
Sep.	1,089.0	462.5	23.7	0.6	438.1	121.6	110.4	1.1	10.1	-	12.4	341.8	12.3	138.4
Oct.	1,081.4	449.6	23.7	0.6	425.2	122.9	111.5	1.2	10.2	-	12.7	341.4	12.3	142.5
Nov. <sup>(p)</sup>	1,078.5	452.2	23.7	0.6	427.8	124.2	112.7	1.2	10.4	-	12.9	332.4	12.3	144.4
MFIs excluding the Eurosysteem														
2001	18,226.3	11,134.7	822.0	6,518.7	3,794.0	2,535.9	1,122.9	1,077.4	335.6	38.5	810.8	2,408.8	168.1	1,129.5
2002	18,857.9	11,611.4	812.6	6,781.0	4,017.8	2,671.5	1,170.4	1,135.0	366.2	62.4	827.6	2,465.5	167.6	1,051.8
2003 Q1	19,184.0	11,732.8	804.8	6,853.8	4,074.2	2,830.6	1,234.7	1,210.0	385.9	66.8	818.3	2,545.0	160.8	1,029.7
Q2	19,529.8	11,881.0	794.2	6,943.6	4,143.2	2,886.2	1,241.7	1,239.4	405.1	69.0	853.4	2,624.1	157.9	1,058.1
2003 July	19,502.7	11,865.1	802.2	6,963.9	4,099.0	2,912.0	1,259.2	1,251.1	401.7	68.4	883.6	2,604.6	158.2	1,010.8
Aug.	19,507.5	11,902.3	796.3	6,976.1	4,129.9	2,905.8	1,258.1	1,243.4	404.3	69.6	887.1	2,575.8	158.2	1,008.8
Sep.	19,579.0	11,956.4	797.5	6,998.8	4,160.1	2,927.9	1,256.5	1,260.9	410.5	68.8	882.0	2,544.8	158.9	1,040.1
Oct.	19,610.4	11,921.8	797.3	7,027.3	4,097.3	2,956.3	1,264.6	1,274.3	417.4	70.7	881.3	2,610.4	158.7	1,011.2
Nov. <sup>(p)</sup>	19,808.8	12,048.2	806.9	7,072.0	4,169.3	2,985.7	1,272.7	1,291.2	421.8	71.1	891.0	2,620.5	158.8	1,033.6

### 2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents			Money market fund shares/units <sup>1)</sup>	Debt securities issued <sup>1)</sup>	Capital and reserves	External liabilities	Remaining liabilities	
			Total	Central government	Other general government/other euro area residents						MFIs
	1	2	3	4	5	6	7	8	9	10	11
Eurosysteem											
2001	998.6	285.9	391.9	35.1	14.4	342.4	-	4.6	209.8	35.6	70.8
2002	1,042.8	392.9	328.4	29.5	15.6	283.3	-	3.6	165.9	32.9	119.1
2003 Q1	1,015.4	365.4	345.8	50.7	16.2	279.0	-	2.7	149.5	28.7	123.3
Q2	1,074.6	391.4	379.4	52.6	18.9	307.9	-	2.6	143.1	29.8	128.3
2003 July	1,048.8	403.5	334.4	52.3	16.0	266.1	-	2.6	145.2	31.9	131.1
Aug.	1,063.8	404.1	335.8	49.7	15.8	270.3	-	2.6	157.9	32.7	130.6
Sep.	1,089.0	406.4	362.1	55.0	17.4	289.8	-	2.6	151.1	32.4	134.4
Oct.	1,081.4	412.3	345.6	35.0	18.5	292.1	-	2.6	150.5	32.0	138.4
Nov. <sup>(p)</sup>	1,078.5	419.2	343.1	48.3	20.5	274.3	-	1.6	146.3	28.0	140.2
MFIs excluding the Eurosysteem											
2001	18,226.3	0.0	9,696.6	103.9	5,763.1	3,829.6	436.5	2,882.9	1,041.9	2,687.4	1,480.9
2002	18,857.9	0.0	10,197.4	106.9	5,954.1	4,136.5	532.9	2,993.1	1,108.7	2,594.1	1,431.8
2003 Q1	19,184.0	0.0	10,316.8	125.5	5,994.7	4,196.6	617.6	3,045.9	1,115.8	2,665.4	1,422.4
Q2	19,529.8	0.0	10,540.5	147.6	6,094.7	4,298.1	640.0	3,083.1	1,126.3	2,641.7	1,498.1
2003 July	19,502.7	0.0	10,497.1	120.7	6,122.7	4,253.8	653.9	3,116.0	1,132.9	2,649.5	1,453.2
Aug.	19,507.5	0.0	10,509.1	112.8	6,126.2	4,270.1	657.3	3,126.9	1,135.4	2,647.2	1,431.6
Sep.	19,579.0	0.0	10,567.5	128.8	6,126.4	4,312.3	646.2	3,128.9	1,137.0	2,607.5	1,491.9
Oct.	19,610.4	0.0	10,533.7	130.7	6,158.1	4,244.9	653.4	3,172.6	1,137.4	2,657.9	1,455.3
Nov. <sup>(p)</sup>	19,808.8	0.0	10,665.8	132.0	6,201.9	4,331.9	657.2	3,188.4	1,140.7	2,657.5	1,499.2

Source: ECB.

1) Amounts held by euro area residents. Amounts held by non-euro area residents are included in external liabilities.

## 2.2 Consolidated balance sheet of euro area MFIs

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

### 1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/other equity issued by other euro area residents	External assets <sup>1)</sup>	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	Total	General government	Other euro area residents				
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2001	13,576.7	7,367.0	847.7	6,519.3	1,516.1	1,179.2	336.9	568.1	2,807.8	180.0	1,137.6
2002	13,931.2	7,618.5	836.8	6,781.6	1,588.0	1,221.0	367.0	572.7	2,840.3	179.5	1,132.3
2003 Q1	14,124.7	7,683.3	828.9	6,854.4	1,691.8	1,305.1	386.7	566.6	2,895.2	172.7	1,115.1
Q2	14,383.3	7,762.1	817.9	6,944.2	1,748.7	1,342.5	406.2	594.1	2,959.3	169.9	1,149.2
2003 July	14,381.8	7,790.5	825.9	6,964.6	1,758.5	1,355.7	402.8	617.6	2,942.7	170.4	1,102.1
Aug.	14,370.3	7,796.8	820.0	6,976.8	1,755.2	1,349.9	405.3	620.6	2,929.9	170.4	1,097.4
Sep.	14,415.3	7,820.6	821.2	6,999.4	1,782.9	1,371.3	411.6	616.9	2,886.6	171.1	1,137.0
Oct.	14,503.3	7,849.0	821.0	7,028.0	1,804.5	1,385.8	418.6	614.3	2,951.9	171.0	1,112.7
Nov. <sup>(p)</sup>	14,616.1	7,903.3	830.6	7,072.6	1,826.8	1,403.8	423.0	624.0	2,953.0	171.1	1,138.0
Transactions											
2001	912.2	365.6	-7.6	373.2	71.5	8.5	62.9	29.8	331.1	8.1	100.6
2002	601.3	299.2	-9.8	309.0	75.9	45.7	30.2	5.5	242.5	-1.3	-20.5
2003 Q1	221.0	87.2	-0.3	87.5	63.0	46.4	16.6	0.2	90.7	-3.6	-17.0
Q2	323.2	98.2	-8.6	106.8	52.0	37.9	14.1	21.2	121.9	-2.5	32.4
2003 July	-46.3	27.9	8.0	20.0	10.4	12.8	-2.4	-2.1	-33.1	0.4	-49.8
Aug.	-78.3	-0.1	-6.2	6.1	-3.2	-5.0	1.8	2.2	-70.5	0.0	-6.6
Sep.	127.7	35.2	1.6	33.6	30.3	23.0	7.3	-4.2	27.8	0.7	38.0
Oct.	82.8	29.0	-0.2	29.1	26.8	19.5	7.3	-4.1	52.9	0.0	-21.7
Nov. <sup>(p)</sup>	155.1	60.5	9.8	50.7	18.7	13.7	4.9	8.5	41.7	-0.1	25.8

### 2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/other euro area residents	Money market fund shares/units <sup>2)</sup>	Debt securities issued <sup>2)</sup>	Capital and reserves	External liabilities <sup>1)</sup>	Remaining liabilities	Excess of inter-MFI liabilities	
											1
Outstanding amounts											
2001	13,576.7	239.7	139.0	5,777.6	398.0	1,760.8	995.2	2,723.0	1,551.8	-8.5	
2002	13,931.2	341.2	136.4	5,969.6	470.5	1,818.6	1,006.4	2,626.9	1,550.9	10.7	
2003 Q1	14,124.7	327.2	176.2	6,010.9	550.8	1,804.5	1,001.0	2,694.1	1,545.7	14.3	
Q2	14,383.3	351.0	200.3	6,113.7	571.0	1,833.9	997.7	2,671.6	1,626.4	17.7	
2003 July	14,381.8	361.5	173.0	6,138.7	585.5	1,849.8	999.7	2,681.5	1,584.3	8.0	
Aug.	14,370.3	362.7	162.5	6,142.0	587.7	1,861.5	1,014.3	2,679.9	1,562.3	-2.5	
Sep.	14,415.3	364.9	183.8	6,143.7	577.4	1,864.9	1,010.6	2,639.9	1,626.3	3.8	
Oct.	14,503.3	371.3	165.7	6,176.6	582.8	1,900.4	1,008.3	2,689.9	1,593.7	14.5	
Nov. <sup>(p)</sup>	14,616.1	379.2	180.3	6,222.3	586.1	1,906.9	1,007.1	2,685.5	1,639.4	9.1	
Transactions											
2001	912.2	-116.4	-26.9	385.4	90.9	107.6	81.2	338.4	85.5	-33.5	
2002	601.3	101.4	-5.8	221.7	70.1	105.3	39.2	75.7	-38.9	32.6	
2003 Q1	221.0	7.7	32.8	50.4	35.8	24.9	2.6	59.6	-4.5	11.7	
Q2	323.2	23.8	24.1	109.9	19.7	36.7	0.7	25.9	78.8	3.5	
2003 July	-46.3	11.1	-24.6	-8.6	10.3	14.4	9.9	6.6	-57.5	-7.8	
Aug.	-78.3	1.2	-10.5	-2.2	2.1	0.7	6.7	-39.1	-27.0	-10.2	
Sep.	127.7	2.2	21.3	9.4	-8.3	21.9	1.2	12.5	62.0	5.6	
Oct.	82.8	6.4	-18.1	31.8	5.6	32.3	2.3	40.0	-30.6	12.9	
Nov. <sup>(p)</sup>	155.1	7.9	14.6	50.3	-3.4	15.2	2.6	27.7	44.2	-4.0	

Source: ECB.

- 1) Since the end of November 2000, balances arising from the TARGET system are netted by novation on a daily basis. This implies that the bilateral positions of each NCB vis-à-vis the ECB and other NCBs have been replaced by a single net bilateral position vis-à-vis the ECB. For the TARGET gross end-of-month positions in 1999 and in 2000 (January to October), see the corresponding footnote in the February 2000 and December 2000 issues of the Monthly Bulletin.
- 2) Amounts held by euro area residents. Amounts held by non-euro area residents are included in external liabilities.

## 2.3 Monetary statistics

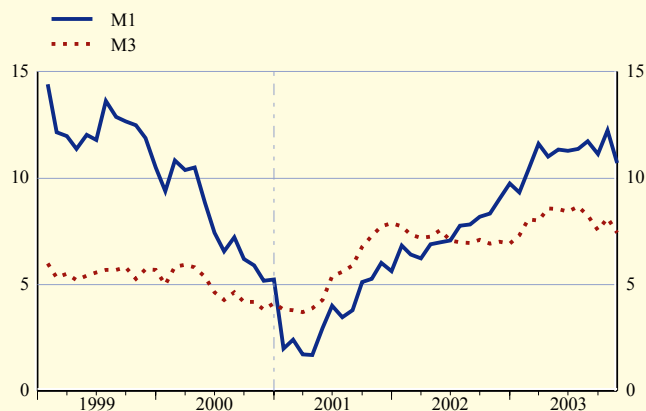
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

### 1. Monetary aggregates<sup>1)</sup> and counterparts

	M1		M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets <sup>2)</sup>
	1	2	3	4	5	6	7	8	Loans		11
									9	10	
Outstanding amounts											
2001	2,205.1	2,395.9	4,601.0	789.8	5,390.8	-	3,897.3	2,041.0	7,425.5	6,514.7	48.8
2002	2,422.3	2,474.3	4,896.6	854.5	5,751.1	-	3,994.2	2,073.3	7,724.3	6,781.0	176.7
2003 Q1	2,484.3	2,518.3	5,002.6	857.8	5,860.4	-	4,005.7	2,120.9	7,788.0	6,846.9	228.3
Q2	2,528.0	2,559.6	5,087.6	887.8	5,975.4	-	4,031.4	2,143.2	7,913.3	6,913.5	288.5
2003 July	2,552.8	2,571.5	5,124.3	901.4	6,025.7	-	4,065.6	2,183.5	7,981.7	6,954.9	264.6
Aug.	2,585.4	2,573.5	5,158.9	892.4	6,051.3	-	4,110.8	2,184.6	8,035.2	7,004.7	243.6
Sep.	2,596.8	2,570.3	5,167.1	889.7	6,056.8	-	4,102.0	2,203.1	8,052.1	7,009.6	225.2
Oct.	2,640.5	2,574.4	5,214.9	914.7	6,129.6	-	4,131.5	2,218.6	8,083.2	7,042.1	236.8
Nov. <sup>(p)</sup>	2,633.1	2,582.0	5,215.1	919.5	6,134.6	-	4,153.7	2,234.8	8,149.8	7,087.6	230.3
Transactions											
2001	114.9	158.3	273.2	118.5	391.7	-	178.2	2.5	467.0	377.4	-9.0
2002	214.8	88.4	303.2	68.7	371.9	-	188.0	37.7	346.7	313.0	166.1
2003 Q1	68.2	46.1	114.4	-8.0	106.3	-	30.0	17.0	81.6	80.6	94.9
Q2	59.3	44.8	104.1	27.1	131.2	-	40.3	25.2	130.7	83.6	69.5
2003 July	26.5	11.5	38.0	11.1	49.0	-	38.3	39.8	43.1	41.0	-37.2
Aug.	30.5	-0.3	30.2	-9.1	21.1	-	25.2	1.7	45.8	43.7	-41.1
Sep.	14.7	-1.0	13.7	-0.3	13.4	-	16.4	20.4	28.4	15.9	0.2
Oct.	43.3	3.6	46.9	25.1	72.0	-	30.9	20.6	30.5	33.1	9.3
Nov. <sup>(p)</sup>	-5.7	9.8	4.1	-2.1	2.0	-	35.4	12.1	72.0	51.5	2.0
Growth rates											
2001 Dec.	5.6	7.1	6.4	17.6	7.9	7.8	4.8	0.1	6.7	6.1	-9.0
2002 Dec.	9.8	3.7	6.6	8.7	6.9	7.1	4.9	1.8	4.7	4.8	166.1
2003 Mar.	11.6	4.7	8.0	8.0	8.0	8.2	4.4	1.7	4.8	4.7	229.8
June	11.3	5.6	8.4	8.7	8.4	8.5	5.1	3.7	5.2	4.6	248.3
2003 July	11.4	5.8	8.5	9.4	8.7	8.4	5.3	4.9	5.6	4.9	208.9
Aug.	11.7	5.6	8.6	6.3	8.2	8.1	5.3	5.1	5.6	5.0	161.1
Sep.	11.1	5.2	8.1	4.5	7.5	8.0	5.2	5.5	5.5	5.0	158.8
Oct.	12.2	4.4	8.2	7.6	8.1	7.7	5.7	6.7	5.5	5.1	140.1
Nov. <sup>(p)</sup>	10.7	4.6	7.6	6.4	7.4	.	5.8	7.1	6.0	5.6	118.2

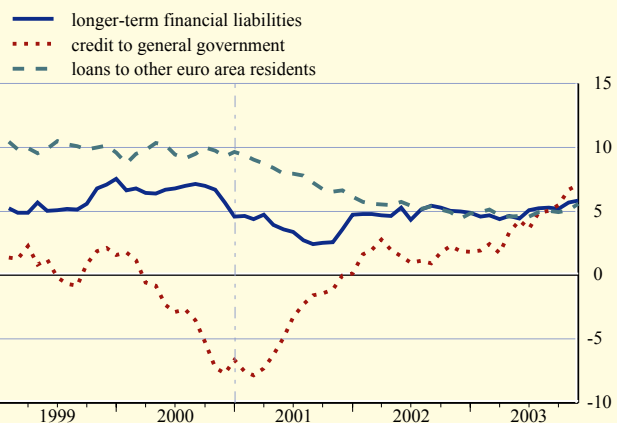
### C1 Monetary aggregates

(annual growth rates; seasonally adjusted)



### C2 Counterparts

(annual growth rates; seasonally adjusted)



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. M1 is the sum of currency in circulation and overnight deposits; M2 is the sum of M1, deposits with an agreed maturity of up to two years and deposits redeemable at notice of up to three months; and M3 is the sum of M2, repos, money market fund shares/units and debt securities up to two years.
- 2) Values in section 'growth rates' are sums of the transactions during the 12 months ending in the period indicated.

## 2.3 Monetary statistics

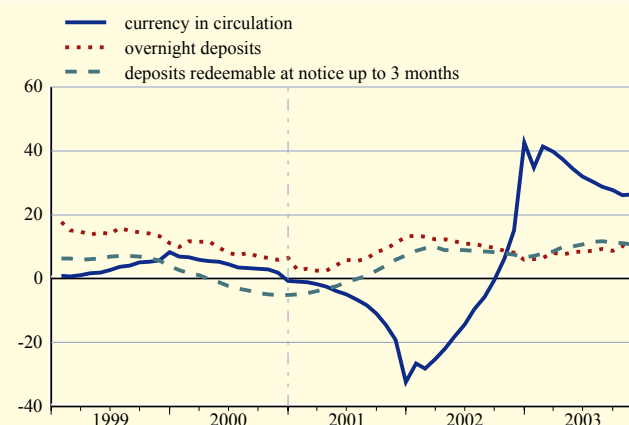
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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

	Currency in circulation	Overnight deposits	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Repos	Money market fund shares/units	Debt securities up to 2 years	Debt securities over 2 years	Deposits redeemable at notice over 3 months	Deposits with agreed maturity over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2001	233.4	1,971.7	1,089.9	1,306.0	231.6	412.4	145.9	1,621.4	113.7	1,166.8	995.3
2002	333.0	2,089.2	1,079.5	1,394.9	240.0	486.9	127.7	1,697.3	103.7	1,186.9	1,006.4
2003 Q1	331.9	2,152.3	1,071.2	1,447.1	209.4	549.1	99.4	1,703.0	100.2	1,203.3	999.2
Q2	347.1	2,180.9	1,072.9	1,486.7	220.9	569.2	97.6	1,731.0	96.2	1,211.1	993.1
2003 July	355.2	2,197.6	1,066.4	1,505.1	227.3	582.8	91.2	1,754.9	94.0	1,220.3	996.4
Aug.	359.6	2,225.8	1,057.2	1,516.3	222.3	581.2	88.9	1,774.3	92.1	1,228.8	1,015.6
Sep.	366.9	2,229.9	1,049.7	1,520.5	215.6	582.5	91.4	1,773.3	90.9	1,229.8	1,008.0
Oct.	371.7	2,268.8	1,046.3	1,528.1	225.3	588.0	101.3	1,796.7	91.2	1,235.3	1,008.3
Nov. <sup>(p)</sup>	379.7	2,253.4	1,046.4	1,535.6	227.9	590.2	101.4	1,801.6	90.7	1,245.8	1,015.5
Transactions											
2001	-112.5	227.4	69.3	88.9	26.9	93.8	-2.1	110.0	-10.6	-2.4	81.3
2002	99.6	115.2	0.0	88.4	9.6	72.1	-13.0	118.1	-10.0	40.9	39.0
2003 Q1	20.9	47.3	-6.3	52.5	-21.8	17.4	-3.7	20.2	-3.5	12.4	0.9
Q2	15.2	44.1	4.9	39.9	11.6	19.7	-4.2	37.7	-4.0	8.7	-2.1
2003 July	8.7	17.8	-6.8	18.3	6.7	9.4	-5.0	21.0	-2.2	8.4	11.1
Aug.	4.4	26.1	-11.3	11.0	-5.1	-1.7	-2.3	8.4	-1.9	7.3	11.3
Sep.	7.3	7.4	-5.5	4.5	-5.6	3.4	1.8	18.2	-1.2	2.1	-2.7
Oct.	4.8	38.5	-3.9	7.5	9.8	5.7	9.7	20.3	0.3	5.4	5.0
Nov. <sup>(p)</sup>	8.0	-13.7	2.1	7.7	2.6	-4.5	0.0	13.7	-0.4	11.1	11.0
Growth rates											
2001 Dec.	-32.4	13.2	6.8	7.3	12.6	28.9	-1.5	7.2	-8.5	-0.2	8.9
2002 Dec.	42.7	5.9	0.0	6.8	4.2	17.4	-9.3	7.3	-8.8	3.5	4.0
2003 Mar.	39.7	8.0	-0.1	8.5	0.9	16.5	-11.3	6.7	-8.2	4.0	2.5
June	31.9	8.5	-0.6	10.7	-0.9	19.3	-13.7	7.2	-10.7	3.9	4.6
2003 July	30.3	8.7	-1.2	11.4	1.6	18.1	-12.4	7.5	-12.6	4.3	4.5
Aug.	28.8	9.3	-2.0	11.6	-2.8	15.4	-15.4	7.6	-14.3	4.8	4.3
Sep.	27.8	8.7	-2.7	11.4	-6.7	14.5	-16.0	8.0	-15.2	4.6	3.4
Oct.	26.1	10.2	-4.0	11.0	-0.3	15.1	-8.9	8.8	-14.4	5.0	3.5
Nov. <sup>(p)</sup>	26.3	8.4	-3.1	10.7	2.0	11.1	-7.0	8.9	-13.7	5.2	3.5

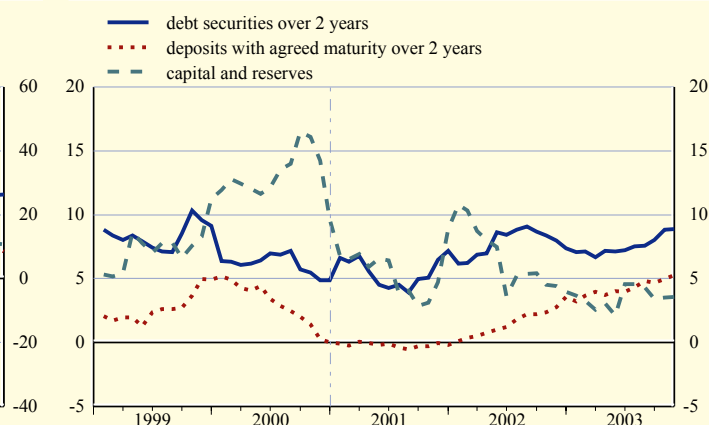
### C3 Components of monetary aggregates

(annual growth rates; seasonally adjusted)



### C4 Components of longer-term financial liabilities

(annual growth rates; seasonally adjusted)



Source: ECB.

## 2.4 MFI loans, breakdown <sup>1)</sup>

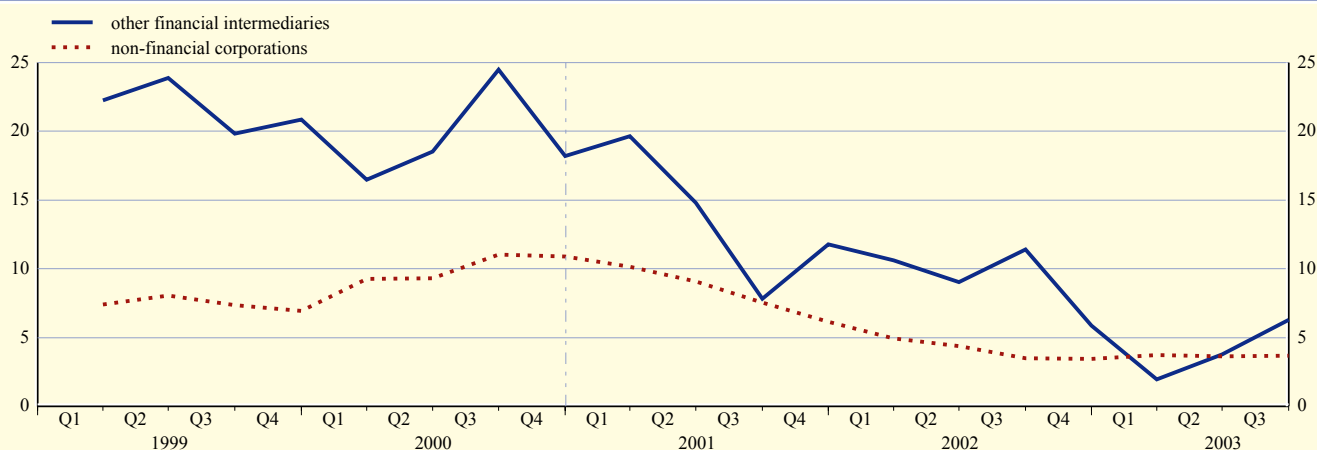
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 1. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds		Other financial intermediaries <sup>2)</sup>		Non-financial corporations			
	Total		Total		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	Up to 1 year 2	3	Up to 1 year 4	5	6	7	8
Outstanding amounts								
2001	34.9	24.8	434.4	276.0	2,903.3	1,019.0	489.8	1,394.5
2002	33.0	19.7	453.9	288.0	2,972.3	980.8	514.3	1,477.2
2003 Q1	42.4	30.0	470.6	301.0	2,990.9	991.6	512.4	1,486.9
Q2	44.8	31.3	478.2	304.4	3,016.5	1,000.2	508.4	1,507.9
2003 July	48.7	32.8	472.0	292.7	3,015.3	987.0	514.3	1,514.1
Aug.	44.1	28.2	470.8	289.4	3,021.4	978.5	519.7	1,523.2
Sep.	44.5	28.3	479.4	295.7	3,018.5	972.3	521.8	1,524.4
Oct.	50.0	33.9	480.1	294.8	3,022.1	961.8	525.8	1,534.6
Nov. <sup>(p)</sup>	49.2	33.1	497.0	313.1	3,036.0	965.4	527.9	1,542.6
Transactions								
2001	3.6	3.0	46.4	27.7	167.7	18.4	55.6	93.6
2002	-4.4	-5.3	25.5	18.2	99.8	-25.9	31.0	94.7
2003 Q1	11.3	10.3	9.4	5.1	31.9	13.6	2.1	16.2
Q2	2.6	1.4	10.1	5.1	35.8	12.5	-2.7	26.0
2003 July	3.9	1.5	-6.6	-12.1	-1.1	-12.8	5.6	6.1
Aug.	-4.7	-4.6	-1.4	-3.4	2.7	-9.7	4.9	7.5
Sep.	0.4	0.1	9.7	6.9	2.3	-4.5	2.7	4.1
Oct.	5.5	5.6	0.9	-0.9	3.4	-10.6	3.8	10.1
Nov. <sup>(p)</sup>	-0.8	-0.8	16.6	18.1	17.4	4.9	2.6	9.8
Growth rates								
2001 Dec.	11.3	13.6	11.8	11.0	6.2	2.0	12.8	7.2
2002 Dec.	-11.1	-21.2	5.9	6.6	3.4	-2.6	6.3	6.8
2003 Mar.	7.2	5.3	2.0	-2.2	3.7	-1.0	5.8	6.4
June	4.7	2.9	3.8	0.0	3.6	0.5	2.4	6.2
Sep. <sup>(p)</sup>	10.5	-5.7	6.3	2.5	3.7	-0.9	5.1	6.4

### C5 Loans to financial intermediaries and non-financial corporations

(annual growth rates)



Source: ECB.

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

2) This category includes investment funds.



## 2.4 MFI loans, breakdown <sup>1)</sup>

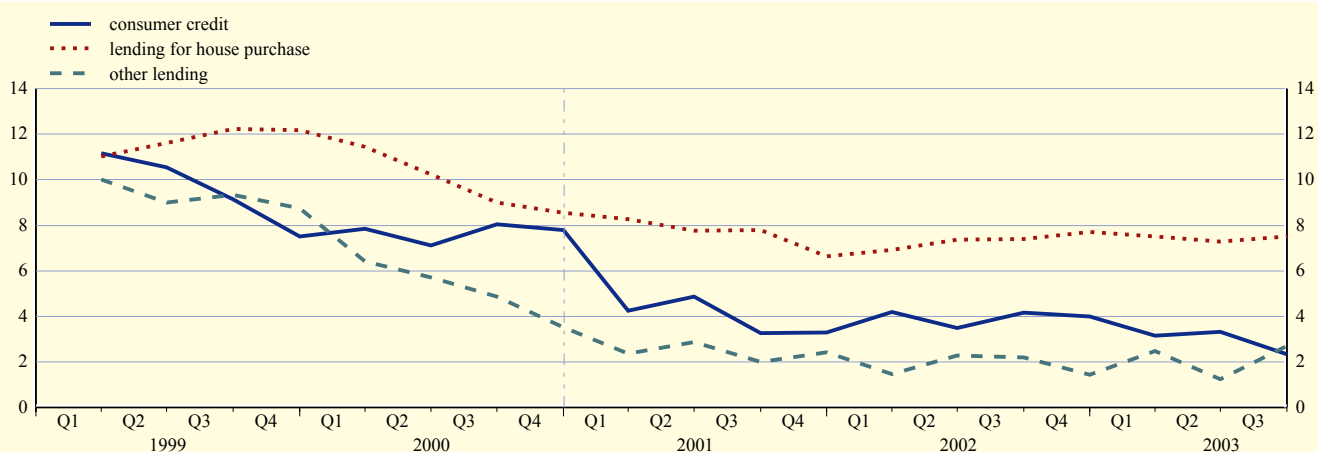
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 2. Loans to households <sup>2)</sup>

	Outstanding amounts												
	Total	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	
	1	2	3	4	5	6	7	8	9	10	11	12	13
Outstanding amounts													
2001	3,146.1	497.1	102.5	170.4	224.2	2,020.6	22.7	61.0	1,937.0	628.3	152.8	105.3	370.3
2002	3,321.7	517.3	105.1	178.3	233.9	2,181.6	23.3	65.8	2,092.5	622.8	153.9	99.7	369.2
2003 Q1	3,349.9	492.9	111.3	176.6	205.0	2,218.1	16.1	68.1	2,133.8	639.0	144.9	94.9	399.2
Q2	3,404.1	500.5	114.9	179.2	206.4	2,258.8	16.6	68.5	2,173.7	644.9	145.2	92.6	407.0
2003 July	3,427.9	501.9	113.0	180.2	208.7	2,281.4	16.3	69.3	2,195.8	644.6	140.8	93.1	410.7
Aug.	3,439.8	486.0	108.1	178.1	199.8	2,296.1	16.5	69.7	2,209.9	657.7	141.8	94.1	421.8
Sep.	3,456.4	476.4	109.3	177.9	189.2	2,306.0	16.8	70.2	2,219.0	674.0	145.5	95.6	432.8
Oct.	3,475.1	479.8	110.1	178.8	190.8	2,324.9	16.6	71.1	2,237.3	670.4	142.9	95.3	432.1
Nov. <sup>(p)</sup>	3,489.8	478.8	107.6	180.0	191.2	2,334.7	15.8	70.9	2,248.0	676.4	144.8	95.2	436.4
Transactions													
2001	156.3	15.9	-0.3	3.6	12.6	125.2	0.3	-1.8	126.7	15.2	-2.0	3.0	14.2
2002	184.7	20.0	6.1	4.8	9.0	155.9	0.7	2.8	152.4	8.9	-1.9	1.8	8.9
2003 Q1	35.1	-5.0	6.2	-3.2	-8.1	36.8	-7.1	2.5	41.3	3.4	-6.6	-2.3	12.2
Q2	58.3	7.8	1.7	4.5	1.6	44.0	0.4	-0.2	43.7	6.5	2.8	-2.8	6.5
2003 July	24.0	2.8	-1.9	1.4	3.3	22.4	-0.2	0.8	21.6	-0.9	-3.9	0.1	2.8
Aug.	11.4	-2.7	-1.6	-0.8	-0.6	14.8	0.2	0.4	13.6	0.5	-2.5	-0.4	3.0
Sep.	18.4	3.0	2.2	1.2	-0.1	11.1	0.3	0.6	10.8	3.2	3.1	0.1	0.3
Oct.	19.7	2.9	0.8	1.0	1.1	18.6	-0.2	0.9	18.0	-1.9	-2.5	-0.3	1.0
Nov. <sup>(p)</sup>	15.9	-0.9	-2.5	1.3	0.4	9.7	-0.8	-0.2	11.0	6.4	2.1	-0.1	4.6
Growth rates													
2001 Dec.	5.2	3.3	-0.6	2.2	6.0	6.6	1.5	-2.8	7.0	2.4	-1.3	2.9	3.9
2002 Dec.	5.9	4.0	5.9	2.8	4.0	7.7	2.9	4.6	7.9	1.4	-1.2	1.8	2.4
2003 Mar.	5.8	3.2	17.0	0.3	-0.6	7.5	-29.5	9.2	7.9	2.5	-4.4	-0.3	6.2
June	5.5	3.3	15.6	2.5	-1.4	7.3	-29.4	8.8	7.7	1.3	-6.9	-5.9	6.7
Sept. <sup>(p)</sup>	5.8	2.3	12.1	2.3	-1.9	7.5	-30.5	11.6	7.8	2.7	-5.2	-2.9	7.4

### C6 Loans to households

(annual growth rates)



Source: ECB.

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

2) Including non-profit institutions serving households.

## 2.4 MFI loans, breakdown <sup>1)</sup>

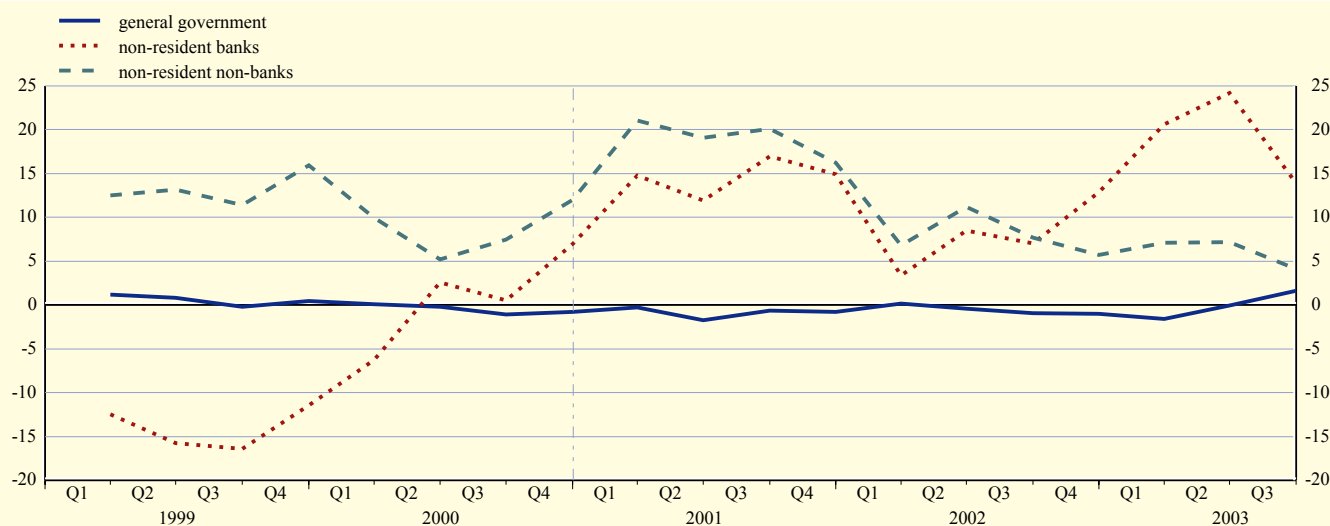
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>2)</sup>	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2001	822.0	146.0	298.3	362.9	14.8	1,704.3	1,095.6	608.7	69.9	538.8
2002	812.6	132.3	277.7	382.8	19.7	1,730.1	1,146.2	583.9	64.6	519.3
2003 Q1	804.8	134.3	267.2	379.0	23.9	1,767.0	1,173.0	594.0	59.0	535.0
Q2	794.2	126.4	263.5	375.4	28.3	1,833.1	1,242.2	590.9	59.2	531.7
Q3 <sup>(p)</sup>	797.5	128.4	262.3	375.8	30.4	1,740.7	1,160.9	579.9	59.1	520.7
Transactions										
2001	-6.2	-18.3	1.1	9.9	1.3	224.8	140.1	84.6	4.3	80.3
2002	-8.3	-12.2	-21.1	19.9	4.9	169.3	134.8	34.5	-1.2	35.7
2003 Q1	-0.2	0.5	-10.2	4.8	4.1	66.8	43.8	22.9	-5.5	28.5
Q2	-8.2	-7.5	-3.8	-1.6	4.5	105.9	93.1	12.8	0.3	12.5
Q3 <sup>(p)</sup>	3.4	2.1	-1.1	0.4	2.1	-87.4	-79.8	-7.6	-0.1	-7.5
Growth rates										
2001 Dec.	-0.8	-11.2	0.4	2.8	9.7	15.4	14.9	16.3	6.3	17.8
2002 Dec.	-1.0	-8.4	-7.1	5.5	33.2	10.4	12.9	5.7	-1.9	6.7
2003 Mar.	-1.6	-13.9	-9.2	7.1	60.3	15.7	20.6	7.1	-13.9	9.9
June	0.0	-9.3	-6.3	5.3	57.4	18.0	24.1	7.2	-8.3	9.1
Sep. <sup>(p)</sup>	1.6	-3.5	-4.4	5.0	49.4	10.4	13.9	4.1	-11.5	6.1

### C7 Loans to government and non-euro area residents

(annual growth rates)



Source: ECB.

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

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

## 2.5 Deposits held with MFIs, breakdown <sup>1)</sup>

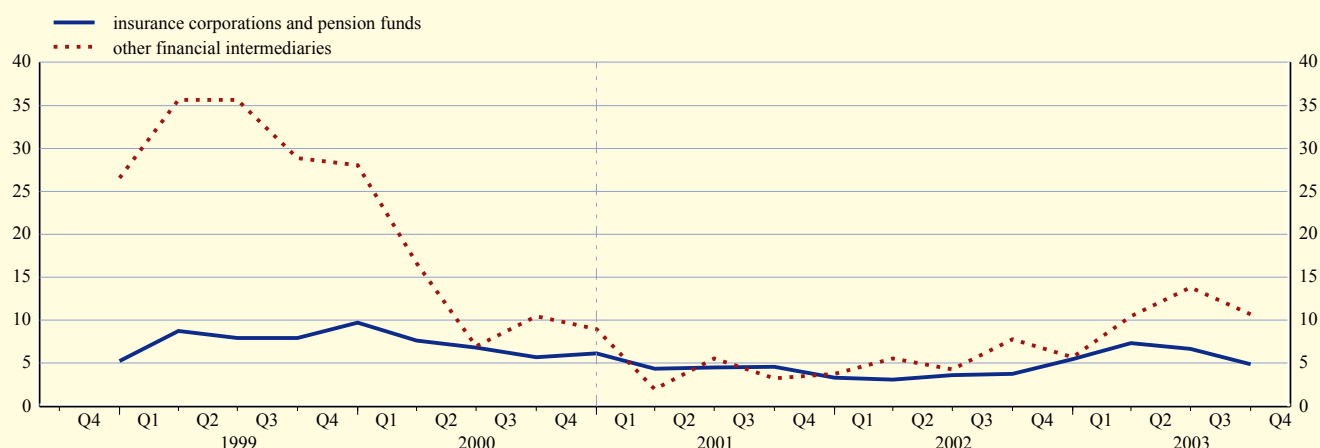
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries <sup>2)</sup>						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
2001	495.4	48.0	-	-	-	-	16.4	464.5	156.5	-	-	-	-	85.3
2002	522.8	55.8	-	-	-	-	17.9	493.6	152.7	-	-	-	-	97.1
2003 Q1	535.5	59.6	39.2	414.7	3.0	0.6	18.3	526.0	165.4	133.1	119.6	8.1	0.1	99.6
Q2	537.5	62.1	38.1	412.1	2.6	0.3	22.3	545.3	176.6	131.3	129.8	9.5	0.1	98.0
2003 July	535.6	53.6	39.6	418.5	2.8	0.3	20.8	539.9	167.3	130.2	128.2	9.5	0.1	104.6
Aug.	534.9	49.6	40.2	422.9	2.9	0.3	19.0	537.7	163.5	130.5	129.8	8.9	0.1	104.9
Sep.	532.3	55.8	33.0	422.0	2.7	0.3	18.6	539.0	173.6	123.5	129.1	9.2	0.1	103.5
Oct.	533.8	51.0	37.8	423.5	2.9	0.3	18.3	556.1	171.5	127.7	130.3	10.0	0.1	116.4
Nov. <sup>(p)</sup>	533.1	50.5	36.5	423.6	2.8	0.3	19.3	561.4	172.7	129.0	133.4	9.7	0.1	116.5
Transactions														
2001	15.8	7.6	-	-	-	-	-1.1	16.2	3.6	-	-	-	-	10.3
2002	27.3	7.8	-	-	-	-	1.4	26.7	-4.7	-	-	-	-	12.8
2003 Q1	12.3	3.9	-6.7	14.5	0.3	-0.1	0.5	41.8	13.4	7.9	18.9	1.7	0.0	11.0
Q2	2.3	2.7	-1.0	-2.9	-0.4	0.0	3.9	21.7	12.2	-1.1	10.8	1.5	0.0	-1.6
2003 July	-2.2	-8.5	1.4	6.1	0.2	0.0	-1.5	-5.3	-9.4	-1.1	-1.7	0.0	0.0	7.0
Aug.	-2.0	-4.2	0.5	3.6	0.1	0.0	-2.0	-4.5	-4.9	0.1	0.7	-0.7	0.0	0.3
Sep.	-2.3	6.2	-7.0	-0.9	-0.2	0.0	-0.4	2.6	11.3	-7.6	0.0	0.4	0.0	-1.6
Oct.	1.4	-4.8	4.8	1.6	0.2	0.0	-0.3	16.8	-2.2	4.1	1.2	0.8	0.0	13.0
Nov. <sup>(p)</sup>	-0.5	-0.4	-1.2	0.1	-0.1	0.0	1.1	6.8	1.8	1.6	3.5	-0.2	0.0	0.1
Growth rates														
2001 Dec.	3.3	18.7	-	-	-	-	-5.1	3.7	2.3	-	-	-	-	14.0
2002 Dec.	5.5	16.3	-	-	-	-	8.5	5.7	-3.0	-	-	-	-	14.9
2003 Mar.	7.3	36.1	-	-	-	-	3.3	10.5	5.6	-	-	-	-	17.7
June	6.7	29.0	-	-	-	-	17.4	13.8	9.1	-	-	-	-	16.3
Sep. <sup>(p)</sup>	4.8	11.7	-	-	-	-	27.8	10.7	11.5	-	-	-	-	8.7

### C8 Deposits by financial intermediaries

(annual growth rates)



Source: ECB.

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

2) This category includes investment funds.

## 2.5 Deposits held with MFIs, breakdown <sup>1)</sup>

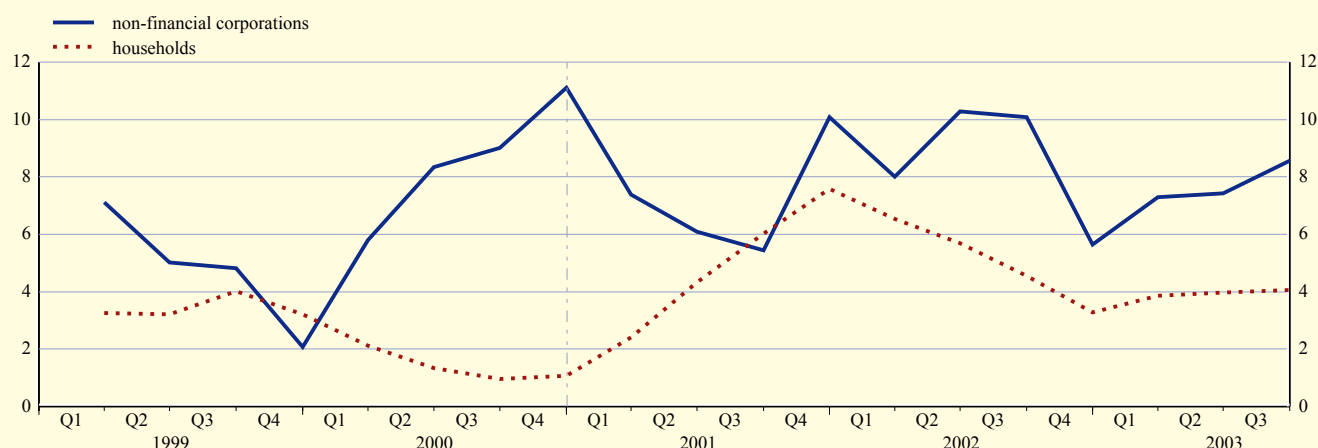
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 2. Deposits by non-financial corporations and households

	Non-financial corporations							Households <sup>2)</sup>						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
2001	974.2	575.3	-	-	-	-	36.2	3,679.3	1,097.2	-	-	-	-	76.6
2002	989.6	595.5	-	-	-	-	34.7	3,806.1	1,173.0	-	-	-	-	74.7
2003 Q1	960.4	560.2	271.0	61.8	34.0	1.1	32.3	3,834.3	1,182.1	580.2	586.7	1,316.0	98.6	70.6
Q2	1,001.1	593.8	279.1	61.0	36.0	1.4	29.8	3,867.6	1,222.9	562.8	585.5	1,341.4	93.0	61.9
2003 July	996.6	584.2	284.3	62.0	36.1	1.4	28.6	3,909.2	1,257.1	561.1	586.1	1,351.5	90.9	62.5
Aug.	1,004.7	581.0	291.5	64.9	36.6	1.4	29.3	3,910.8	1,256.6	559.6	586.5	1,357.7	89.3	60.9
Sep.	1,018.0	603.6	282.1	64.9	36.4	1.5	29.4	3,901.9	1,257.4	555.1	586.6	1,357.6	88.6	56.6
Oct.	1,026.9	601.7	290.6	66.0	36.9	1.5	30.2	3,905.8	1,260.8	551.9	587.8	1,360.4	88.7	56.3
Nov. <sup>(p)</sup>	1,043.4	616.7	289.0	69.5	37.6	1.5	29.2	3,928.4	1,283.5	547.6	587.7	1,364.8	88.9	55.9
Transactions														
2001	89.9	69.6	-	-	-	-	7.4	258.5	139.7	-	-	-	-	7.0
2002	53.9	28.9	-	-	-	-	-1.3	120.4	65.4	-	-	-	-	-1.9
2003 Q1	-27.1	-34.3	37.9	-44.3	4.5	0.3	-2.4	26.2	9.6	-42.4	25.3	40.3	-5.2	-4.1
Q2	43.4	34.7	9.2	-0.2	2.0	0.0	-2.4	35.0	41.1	-16.2	-1.2	25.5	-5.5	-8.7
2003 July	-5.3	-10.4	5.0	1.2	0.1	0.0	-1.2	9.1	2.7	-1.9	-0.1	10.0	-2.1	0.6
Aug.	6.6	-3.9	6.4	2.7	0.5	0.0	0.9	0.2	-0.8	-2.5	0.4	6.1	-1.6	-1.6
Sep.	17.8	24.3	-7.9	0.0	-0.1	0.1	1.4	-7.2	1.1	-3.7	0.4	0.0	-0.7	-4.4
Oct.	8.5	-2.1	8.3	1.1	0.4	0.0	0.8	3.6	3.3	-3.4	1.1	2.7	0.1	-0.3
Nov. <sup>(p)</sup>	18.4	15.8	-0.8	3.7	0.8	0.0	-1.0	23.6	22.9	-3.6	0.0	4.5	0.2	-0.4
Growth rates														
2001 Dec.	10.1	13.6	-	-	-	-	25.8	7.6	14.5	-	-	-	-	12.9
2002 Dec.	5.6	5.1	-	-	-	-	-3.5	3.3	6.0	-	-	-	-	-2.5
2003 Mar.	7.3	8.1	-	-	-	-	-3.5	3.9	7.3	-	-	-	-	-12.4
June	7.4	8.0	-	-	-	-	-18.0	4.0	7.2	-	-	-	-	-19.6
Sep. <sup>(p)</sup>	8.6	8.7	-	-	-	-	-15.0	4.1	8.2	-	-	-	-	-27.8

### C9 Deposits by non-financial corporations and households

(annual growth rates)



Source: ECB.

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

2) Including non-profit institutions serving households.

## 2.5 Deposits held with MFIs, breakdown <sup>1)</sup>

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

### 3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>2)</sup>	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2001	253.6	103.9	29.9	68.9	50.9	2,400.1	1,696.9	703.2	94.1	609.1
2002	248.4	106.9	31.6	69.2	40.7	2,271.0	1,585.3	685.7	97.4	588.3
2003 Q1	264.0	125.5	32.0	65.5	41.0	2,292.0	1,587.9	704.1	97.8	606.3
Q2	290.9	147.6	34.2	64.5	44.5	2,274.5	1,580.6	693.9	94.5	599.3
Q3 <sup>(p)</sup>	264.0	128.8	32.2	64.3	38.7	2,257.0	1,556.9	700.1	93.5	606.7
Transactions										
2001	-12.5	-14.1	-0.8	-0.2	2.6	234.5	130.6	103.9	10.2	93.6
2002	-8.4	-0.2	1.8	0.4	-10.3	30.3	-4.9	35.2	3.6	31.6
2003 Q1	8.6	11.6	0.4	-3.7	0.4	61.6	30.2	31.4	0.5	31.0
Q2	26.9	22.1	2.2	-0.9	3.5	30.1	27.2	2.9	-3.3	6.2
Q3 <sup>(p)</sup>	-23.4	-16.1	-2.0	-0.3	-5.0	-5.6	-13.3	7.8	-1.1	8.8
Growth rates										
2001 Dec.	-4.8	-12.0	-2.6	-0.3	5.3	11.1	8.7	17.6	12.2	18.5
2002 Dec.	-3.3	-0.2	5.9	0.5	-20.2	1.3	-0.2	5.0	3.9	5.1
2003 Mar.	3.1	13.0	3.7	2.1	-16.9	2.8	1.4	6.0	-0.1	7.0
June	12.0	29.9	0.4	-1.6	-3.0	4.6	4.5	4.9	-0.6	5.8
Sep. <sup>(p)</sup>	6.6	18.8	-5.8	0.8	-5.4	3.8	3.4	4.7	-7.7	6.8

### C10 Deposits by government and non-euro area residents

(annual growth rates)



Source: ECB.

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

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

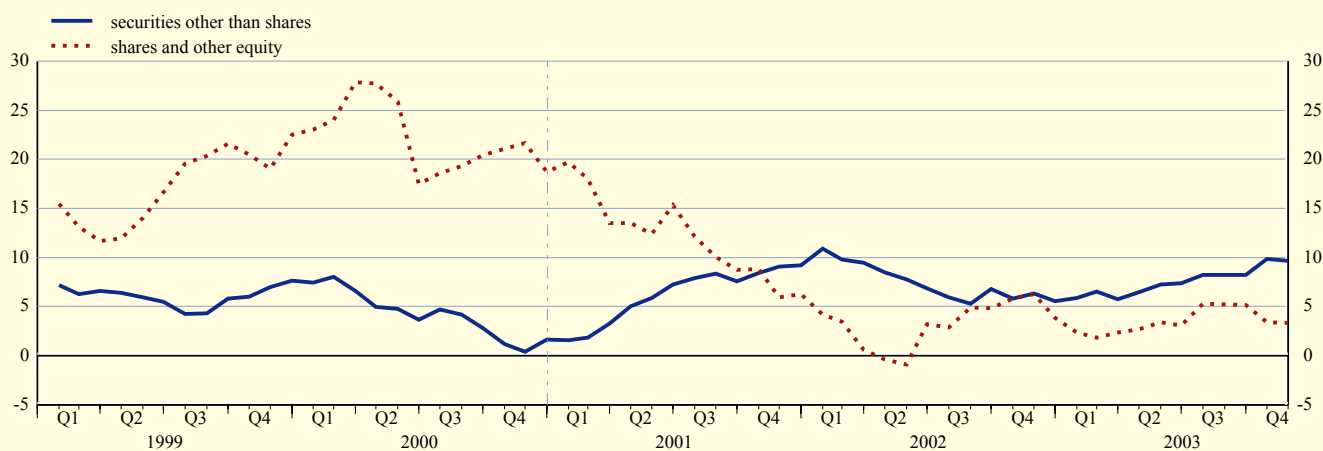
## 2.6 MFI holdings of securities, breakdown <sup>1)</sup>

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2001	3,076.9	1,068.7	54.2	1,059.8	17.6	319.8	15.8	541.0	972.4	251.9	559.0	161.6
2002	3,228.2	1,122.2	48.2	1,119.4	15.5	349.5	16.7	556.6	1,004.9	263.3	564.3	177.3
2003 Q1	3,426.4	1,173.3	61.4	1,192.3	17.7	366.9	19.0	595.8	999.4	259.2	559.1	181.0
Q2	3,501.0	1,182.2	59.5	1,223.2	16.1	386.8	18.3	614.8	1,028.2	267.3	586.1	174.8
2003 July	3,536.9	1,198.9	60.3	1,234.4	16.7	382.5	19.2	624.9	1,062.4	274.0	609.6	178.9
Aug.	3,541.6	1,198.8	59.2	1,226.3	17.1	384.8	19.5	635.8	1,070.1	274.5	612.6	183.0
Sep.	3,551.3	1,198.6	58.0	1,244.2	16.7	391.3	19.2	623.3	1,061.4	273.1	608.9	179.4
Oct.	3,593.0	1,205.3	59.3	1,258.0	16.2	398.2	19.2	636.7	1,063.3	275.2	606.0	182.0
Nov. <sup>(p)</sup>	3,624.9	1,213.6	59.1	1,275.0	16.1	402.8	19.0	639.2	1,070.2	275.4	615.6	179.3
Transactions												
2001	258.3	82.4	-4.1	13.1	-4.9	63.0	-0.1	108.9	57.0	10.3	29.6	17.0
2002	171.0	48.0	-0.9	41.0	-0.8	27.3	3.2	53.1	37.2	13.7	4.8	18.7
2003 Q1	131.2	41.8	4.0	36.1	1.5	16.4	0.2	31.2	-0.1	-3.0	0.7	2.3
Q2	87.3	16.1	-0.4	30.9	-0.7	13.9	0.2	27.2	19.7	5.8	21.0	-7.1
2003 July	31.4	15.3	0.5	9.9	0.4	-3.2	0.8	7.6	3.9	3.3	-2.2	2.9
Aug.	-8.1	0.3	-2.6	-6.7	-0.3	2.3	-0.4	-0.7	6.4	0.6	2.2	3.6
Sep.	30.0	-0.1	0.4	19.1	0.3	6.7	0.5	3.1	-8.6	-1.5	-4.2	-2.8
Oct.	44.5	7.8	0.8	18.1	-0.6	7.2	0.0	11.2	-1.9	1.2	-4.2	1.2
Nov. <sup>(p)</sup>	38.8	7.8	1.0	11.9	0.4	4.6	0.3	12.7	5.1	-0.7	8.5	-2.7
Growth rates												
2001 Dec.	9.2	8.2	-7.1	1.2	-23.4	25.0	-0.4	25.4	6.3	4.2	5.7	12.0
2002 Dec.	5.6	4.5	-2.5	3.9	-4.3	8.5	21.9	10.0	3.8	5.4	0.9	11.6
2003 Mar.	5.7	4.3	-3.4	3.2	7.5	9.9	25.4	12.0	2.3	1.0	2.3	4.7
June	7.4	4.2	-9.4	4.9	7.2	15.3	15.9	16.3	3.1	-0.1	5.8	-0.5
2003 July	8.2	5.8	-8.2	6.0	6.9	14.6	22.5	15.9	5.3	3.2	7.6	1.1
Aug.	8.2	6.3	-11.8	5.8	5.5	16.4	19.7	14.4	5.3	4.0	6.2	4.3
Sep.	8.2	6.0	-8.0	6.4	8.4	15.3	18.4	13.7	5.2	3.5	6.4	3.8
Oct.	9.8	6.6	4.3	8.4	5.4	16.6	11.1	16.1	3.4	3.2	3.7	2.8
Nov. <sup>(p)</sup>	9.6	5.8	2.1	8.9	8.9	16.8	12.5	15.4	3.3	2.8	4.7	-0.3

## C11 MFI holdings of securities

(annual growth rates)



Source: ECB.

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

2.7 Revaluation of selected MFI balance sheet items <sup>1)</sup>  
(EUR billions)

1. Write-offs/write-downs of loans to households <sup>2)</sup>

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2001	0.0	-	-	-	0.0	-	-	-	0.0	-	-	-
2002	0.0	-	-	-	0.0	-	-	-	-1.0	-	-	-
2003 Q1	-1.2	-0.6	-0.1	-0.4	-1.1	-0.1	0.0	-1.0	-2.7	-1.2	-0.1	-1.5
Q2	-0.2	0.0	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-1.3	-0.3	0.0	-0.9
2003 July	-0.1	-0.1	0.0	0.0	-0.4	0.0	0.0	-0.3	-0.5	-0.1	0.0	-0.3
Aug.	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	-0.4	-0.1	0.0	-0.3
Sep.	-0.1	0.0	0.0	-0.1	-0.2	0.0	0.0	-0.2	-0.6	-0.2	0.0	-0.4
Oct.	-0.2	0.0	0.0	-0.1	-0.2	0.0	0.0	-0.1	-0.5	-0.1	0.0	-0.4
Nov. <sup>(p)</sup>	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	-0.4	-0.1	0.0	-0.3

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2001	-10.6	-0.8	-5.4	-4.4	-0.4	-	-
2002	-9.2	-1.8	-2.7	-4.7	-6.7	-	-
2003 Q1	-7.5	-4.1	-0.6	-2.8	-0.1	0.0	-0.1
Q2	-2.3	-1.2	-0.1	-1.1	-0.3	-0.3	-0.1
2003 July	-0.7	-0.1	0.0	-0.5	0.0	0.0	0.0
Aug.	-0.7	-0.1	-0.1	-0.4	0.0	0.0	-0.1
Sep.	-0.9	-0.3	-0.1	-0.5	-0.1	-0.1	0.0
Oct.	-0.5	-0.1	0.0	-0.3	0.0	0.0	0.0
Nov. <sup>(p)</sup>	-0.7	-0.4	0.0	-0.3	-0.1	0.0	0.0

3. Revaluation of securities held by MFIs

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2001	14.1	-0.6	0.2	9.8	0.1	5.9	0.1	-1.5	7.3	1.1	7.6	-1.3
2002	35.1	9.8	0.6	11.0	-0.1	5.1	0.2	4.4	-6.8	-4.7	0.8	-2.7
2003 Q1	6.4	-1.8	-0.1	10.3	0.0	-1.4	0.2	-0.9	-6.8	-1.1	-7.2	1.5
Q2	-0.3	-1.3	-0.1	0.1	-0.1	0.3	-0.2	0.8	8.9	2.2	6.0	0.7
2003 July	-0.1	0.5	0.0	-0.8	0.0	0.0	-0.1	0.3	4.0	4.5	-1.2	0.7
Aug.	-1.1	-0.3	0.2	-1.4	0.1	0.0	0.0	0.4	1.4	-0.1	0.9	0.6
Sep.	-0.9	0.0	-0.2	0.2	-0.1	-0.1	0.0	-0.7	-0.2	0.0	0.5	-0.8
Oct.	-3.4	-0.2	0.0	-3.0	0.0	-0.2	0.0	-0.1	3.7	0.9	1.5	1.4
Nov. <sup>(p)</sup>	-1.6	0.4	-0.1	-0.8	0.0	0.0	0.0	-1.0	1.9	0.9	1.0	0.0

Source: ECB.

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

2) Including non-profit institutions serving households.



## 2.8 Currency breakdown of selected MFI balance sheet items <sup>1)</sup>

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

### 1. Deposits

	MFIs <sup>2)</sup>							Non-MFIs						
	All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies				All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies					
			Total	USD	JPY	CHF			GBP	Total	USD	JPY	CHF	GBP
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
By euro area residents														
2001	3,829.6	87.7	12.3	8.0	0.9	1.8	1.0	5,867.1	96.6	3.4	2.2	0.4	0.2	0.3
2002	4,136.5	90.2	9.8	6.1	0.8	1.5	0.7	6,060.9	97.1	2.9	1.8	0.3	0.2	0.3
2003 Q1	4,196.6	90.5	9.5	6.1	0.7	1.5	0.8	6,120.2	97.1	2.9	1.8	0.3	0.2	0.3
Q2	4,298.1	91.0	9.0	5.8	0.6	1.4	0.8	6,242.0	97.0	3.0	1.8	0.3	0.2	0.4
Q3 <sup>(p)</sup>	4,312.3	91.0	9.0	5.6	0.5	1.4	0.9	6,255.2	97.1	2.9	1.7	0.4	0.1	0.3
By non-euro area residents														
2001	1,696.9	36.5	63.5	46.5	2.9	4.4	7.0	703.2	43.7	56.3	40.9	2.4	2.6	8.0
2002	1,585.3	43.7	56.3	39.2	2.1	4.3	7.8	685.7	48.3	51.7	35.0	2.3	1.9	9.8
2003 Q1	1,587.9	46.1	53.9	36.8	2.1	4.4	7.9	704.1	51.7	48.3	32.0	2.5	1.9	8.9
Q2	1,580.6	45.9	54.1	37.4	1.7	4.2	8.0	693.9	52.1	47.9	32.3	2.2	1.9	8.8
Q3 <sup>(p)</sup>	1,556.9	46.4	53.6	35.8	1.7	4.1	9.0	700.1	52.8	47.2	30.5	2.4	2.2	9.1

### 2. Debt securities issued by euro area MFIs

	All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies				
			Total				
			USD	JPY	CHF	GBP	
1	2	3	4	5	6	7	
2001	3,030.2	85.1	14.9	8.2	2.2	1.4	2.2
2002	3,139.2	85.4	14.6	7.7	1.8	1.6	2.3
2003 Q1	3,197.5	85.2	14.8	8.1	1.6	1.6	2.3
Q2	3,228.6	85.6	14.4	8.1	1.4	1.6	2.1
Q3 <sup>(p)</sup>	3,264.1	85.3	14.7	8.2	1.6	1.7	2.1

Source: ECB.

- 1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
- 2) For non-euro area residents, the term "MFIs" refers to institutions of a similar type to euro area MFIs.
- 3) Including items expressed in the national denominations of the euro.

## 2.8 Currency breakdown of selected MFI balance sheet items <sup>1)</sup>

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

### 3. Loans

	MFIs <sup>2)</sup>							Non-MFIs						
	All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies				All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	To euro area residents													
2001	3,794.0	-	-	-	-	-	7,340.7	95.4	4.6	2.5	0.7	1.1	0.4	
2002	4,017.8	-	-	-	-	-	7,593.6	96.2	3.8	1.8	0.5	1.1	0.3	
2003 Q1	4,074.2	-	-	-	-	-	7,658.6	96.2	3.8	1.8	0.5	1.1	0.3	
Q2	4,143.2	-	-	-	-	-	7,737.8	96.3	3.7	1.7	0.4	1.1	0.3	
Q3 <sup>(p)</sup>	4,160.1	-	-	-	-	-	7,796.3	96.3	3.7	1.7	0.4	1.2	0.3	
	To non-euro area residents													
2001	1,095.6	41.3	58.7	37.9	4.0	3.4	608.7	33.1	66.9	51.9	1.9	4.2	6.1	
2002	1,146.2	48.3	51.7	32.4	4.5	2.6	583.9	36.2	63.8	47.6	2.3	4.7	5.6	
2003 Q1	1,173.0	50.6	49.4	30.6	4.3	2.7	594.0	38.2	61.8	46.7	1.9	4.6	5.6	
Q2	1,242.2	50.8	49.2	30.8	4.8	2.4	590.9	39.3	60.7	46.2	1.5	4.2	5.7	
Q3 <sup>(p)</sup>	1,160.9	50.0	50.0	30.4	5.2	2.4	579.9	37.7	62.3	46.5	2.1	4.4	6.3	

### 4. Holdings of securities other than shares

	Issued by MFIs <sup>2)</sup>							Issued by non-MFIs						
	All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies				All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	Issued by euro area residents													
2001	1,122.9	95.2	4.8	3.3	0.8	0.2	1.3	1,413.0	97.6	2.4	1.3	0.8	0.1	0.2
2002	1,170.4	95.9	4.1	2.1	0.6	0.2	2.0	1,501.2	97.9	2.1	1.0	0.7	0.1	0.4
2003 Q1	1,234.7	95.0	5.0	1.7	0.6	0.2	1.0	1,595.9	97.7	2.3	1.3	0.6	0.1	0.2
Q2	1,241.7	95.2	4.8	1.7	0.6	0.3	1.0	1,644.5	97.9	2.1	1.1	0.6	0.1	0.2
Q3 <sup>(p)</sup>	1,256.5	95.4	4.6	1.6	0.5	0.3	1.1	1,671.4	97.9	2.1	1.1	0.7	0.1	0.2
	Issued by non-euro area residents													
2001	233.0	34.4	65.6	49.6	1.8	1.2	10.2	308.0	41.3	58.7	44.1	5.9	0.8	4.7
2002	239.6	36.9	63.1	45.5	1.7	0.6	13.2	317.1	41.5	58.5	42.0	5.8	0.9	5.6
2003 Q1	256.6	39.8	60.2	36.3	3.7	3.4	12.0	339.2	43.2	56.8	36.5	9.1	0.7	5.9
Q2	259.1	42.2	57.8	34.4	3.4	2.5	13.6	355.4	44.2	55.8	35.4	8.5	0.7	6.0
Q3 <sup>(p)</sup>	262.7	42.9	57.1	32.5	3.5	2.8	14.5	360.2	44.6	55.4	34.4	8.9	0.7	5.5

Source: ECB.

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

2) For non-euro area residents, the term "MFIs" refers to institutions of a similar type to euro area MFIs.

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

## 2.9 Aggregated balance sheet of euro area investment funds <sup>1)</sup>

(EUR billions; outstanding amounts at end of period)

### 1. Assets

	Total 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
2002 Q1	3,259.2	253.6	1,308.7	70.7	1,238.0	1,263.3	224.6	111.0	98.0
Q2	3,034.4	242.8	1,312.6	75.4	1,237.1	1,056.1	215.2	108.0	99.8
Q3	2,846.5	236.7	1,337.4	74.3	1,263.0	844.8	203.4	121.0	103.2
Q4	2,862.3	242.0	1,335.1	72.0	1,263.1	853.2	203.1	122.4	106.6
2003 Q1	2,748.9	217.1	1,331.8	70.6	1,261.2	767.3	205.8	118.6	108.2
Q2 <sup>(p)</sup>	2,955.5	232.5	1,382.2	67.0	1,315.2	878.2	223.7	120.7	118.0

### 2. Liabilities

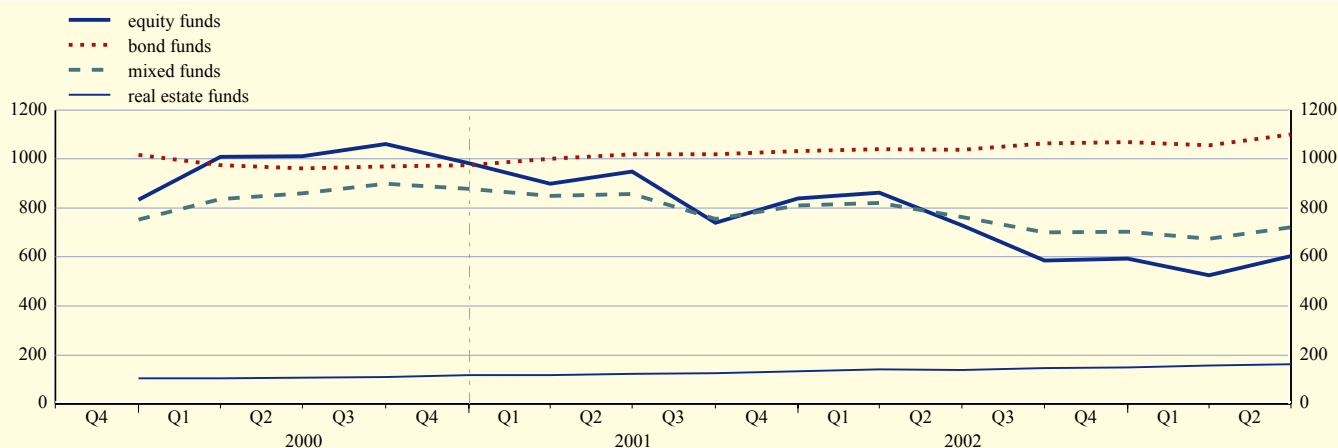
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
2002 Q1	3,259.2	42.6	3,137.7	78.8
Q2	3,034.4	39.1	2,919.8	75.5
Q3	2,846.5	38.9	2,732.3	75.3
Q4	2,862.3	40.2	2,745.2	76.9
2003 Q1	2,748.9	41.1	2,629.4	78.5
Q2 <sup>(p)</sup>	2,955.5	41.8	2,821.8	91.8

### 3. Total assets/liabilities broken down by investment policy and type of investor

	Total 1	Funds by investment policy					Funds by type of investor		
		Equity funds 2	Bond funds 3	Mixed funds 4	Real estate funds 5	Other funds 6	General public funds 7	Special investors' funds 8	
2002 Q1	3,259.2	862.4	1,039.3	820.3	142.3	394.8	2,464.2	794.9	
Q2	3,034.4	728.7	1,037.0	762.6	139.2	366.9	2,262.4	772.0	
Q3	2,846.5	585.2	1,063.2	699.9	145.6	352.6	2,092.3	754.2	
Q4	2,862.3	593.9	1,068.2	701.6	149.4	349.2	2,089.5	772.9	
2003 Q1	2,748.9	525.9	1,054.1	675.3	155.9	337.7	1,977.5	771.4	
Q2 <sup>(p)</sup>	2,955.5	603.3	1,099.5	720.7	161.5	370.5	2,140.2	815.3	

## C12 Total assets of investment funds

(EUR billions)



Source: ECB.

1) Other than money market funds. Data refer to euro area countries excluding Ireland. For further details, see the general notes.

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

(EUR billions; outstanding amounts at end of period)

## 1. Funds by investment policy

	Total	Deposits	Holdings of securities other than shares			Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
			Total	Up to 1 year	Over 1 year				
	1	2	3	4	5	6	7	8	9
<b>Equity funds</b>									
2002 Q1	862.4	39.3	28.7	2.9	25.8	759.1	20.6	-	14.7
Q2	728.7	34.0	27.4	4.0	23.4	630.0	22.2	-	15.0
Q3	585.2	29.0	26.5	3.7	22.8	496.5	19.1	-	14.1
Q4	593.9	26.6	28.0	3.1	24.9	506.0	18.4	-	14.9
2003 Q1	525.9	24.5	30.3	2.8	27.5	438.6	16.5	-	16.1
Q2 <sup>(p)</sup>	603.3	27.9	31.6	2.9	28.8	506.4	18.5	-	18.9
<b>Bond funds</b>									
2002 Q1	1,039.3	77.9	874.0	37.3	836.7	42.9	11.5	-	33.0
Q2	1,037.0	75.9	882.2	38.5	843.8	33.2	10.8	-	34.9
Q3	1,063.2	78.3	902.1	37.2	865.0	32.6	11.6	-	38.5
Q4	1,068.2	83.9	902.8	36.6	866.2	31.9	12.3	-	37.2
2003 Q1	1,054.1	77.5	899.8	35.8	864.0	26.6	18.6	-	31.5
Q2 <sup>(p)</sup>	1,099.5	82.4	928.2	33.0	895.2	31.1	20.9	-	36.9
<b>Mixed funds</b>									
2002 Q1	820.3	52.6	283.8	18.1	265.7	357.0	100.3	2.3	24.4
Q2	762.6	54.2	286.9	20.6	266.3	298.8	94.6	2.1	26.0
Q3	699.9	53.0	291.7	21.3	270.4	234.3	88.1	5.2	27.7
Q4	701.6	53.9	295.0	21.3	273.7	232.9	87.7	3.4	28.6
2003 Q1	675.3	50.4	300.7	21.8	278.9	209.9	83.7	0.7	29.9
Q2 <sup>(p)</sup>	720.7	49.4	311.8	20.9	290.9	237.0	91.9	0.3	30.3
<b>Real estate funds</b>									
2002 Q1	142.3	11.5	12.9	0.6	12.3	1.1	2.1	108.3	6.4
Q2	139.2	13.5	9.8	0.6	9.2	0.9	3.9	105.1	6.0
Q3	145.6	13.3	10.7	0.6	10.1	0.8	5.1	109.5	6.2
Q4	149.4	10.9	9.5	0.5	8.9	0.7	7.0	114.5	6.9
2003 Q1	155.9	14.7	8.3	0.5	7.7	0.7	8.6	117.1	6.6
Q2 <sup>(p)</sup>	161.5	16.5	9.0	0.6	8.5	0.7	9.1	119.8	6.3

## 2. Funds by type of investor

	Total	Deposits	Holdings of securities other than shares	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
<b>General public funds</b>							
2002 Q1	2,464.2	213.3	921.8	984.8	176.8	100.6	66.9
Q2	2,262.4	199.2	915.7	818.4	166.7	96.1	66.3
Q3	2,092.3	187.9	917.6	654.4	156.0	107.9	68.5
Q4	2,089.5	190.8	904.8	663.2	153.1	107.7	69.8
2003 Q1	1,977.5	165.5	882.6	599.9	155.1	103.2	71.2
Q2 <sup>(p)</sup>	2,140.2	181.5	912.6	691.5	168.3	104.3	82.0
<b>Special investors' funds</b>							
2002 Q1	794.9	40.3	386.9	278.4	47.8	10.3	31.2
Q2	772.0	43.6	396.9	237.7	48.5	11.9	33.5
Q3	754.2	48.8	419.8	190.3	47.5	13.1	34.7
Q4	772.9	51.2	430.3	190.0	49.9	14.7	36.8
2003 Q1	771.4	51.6	449.2	167.4	50.7	15.4	37.1
Q2 <sup>(p)</sup>	815.3	51.0	469.6	186.7	55.4	16.5	36.0

Source: ECB.



## FINANCIAL AND NON-FINANCIAL ACCOUNTS

### 3.1 Main financial assets of non-financial sectors

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

	Total		Currency and deposits							Memo: deposits of non-banks with banks outside the euro area	
	Total	Currency	Deposits of non-financial sectors other than central government with euro area MFIs					Deposits of central government with euro area MFIs	Deposits with non-MFIs <sup>1)</sup>		
			Total	Overnight	With agreed maturity	Redeemable at notice	Repos				
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2002 Q1	15,126.6	5,346.2	236.7	4,774.3	1,692.3	1,604.8	1,358.1	119.1	157.5	177.6	301.7
Q2	14,796.3	5,422.5	261.2	4,827.6	1,759.9	1,593.8	1,356.2	117.6	155.0	178.7	278.1
Q3	14,331.5	5,433.0	278.4	4,827.5	1,757.3	1,585.8	1,365.7	118.8	146.3	180.8	289.0
Q4	14,605.9	5,590.5	309.2	4,951.6	1,846.7	1,581.4	1,411.7	111.9	136.4	193.3	293.2
2003 Q1	14,588.5	5,635.1	295.2	4,948.2	1,816.7	1,572.4	1,453.0	106.1	176.2	215.4	323.7
Q2	15,049.2	5,751.3	319.1	5,029.7	1,899.2	1,560.8	1,475.1	94.7	200.3	202.2	329.6
Transactions											
2002 Q1	168.8	-6.8	8.5	-40.2	-53.2	-4.1	14.8	2.3	19.0	6.0	2.7
Q2	168.5	96.3	24.5	73.2	73.7	0.9	0.2	-1.7	-2.5	1.1	-10.0
Q3	155.9	7.4	17.2	0.6	-3.1	-7.3	9.4	1.7	-12.5	2.1	9.1
Q4	185.3	167.3	30.8	133.9	82.6	11.8	46.4	-6.9	-9.9	12.5	10.1
2003 Q1	174.6	41.6	7.7	-3.3	-28.4	-10.6	41.5	-5.7	32.8	4.4	32.1
Q2	228.4	136.3	23.8	85.9	84.0	-8.6	22.0	-11.4	24.1	2.4	11.4
Growth rates											
2002 Q1	4.7	4.7	-26.2	6.7	13.3	0.3	7.0	5.8	5.1	12.9	9.0
Q2	4.6	4.6	-18.1	6.4	12.3	0.6	6.7	1.8	-6.0	12.9	3.3
Q3	4.9	4.6	-6.4	5.3	10.3	0.0	6.4	-2.6	-3.2	13.6	5.3
Q4	4.5	4.9	33.8	3.5	5.7	0.1	5.3	-3.9	-4.2	12.6	4.0
2003 Q1	4.5	5.8	33.9	4.3	7.4	-0.3	7.2	-10.6	5.1	11.3	13.7
Q2	5.0	6.5	30.4	4.5	7.7	-0.9	8.8	-19.0	22.3	11.9	22.5
Securities other than shares											
			Shares <sup>2)</sup>				Insurance technical reserves				
Total		Short-term	Long-term	Total	Quoted shares	Mutual fund shares	Money market fund shares	Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims	
12	13	14	15	16	17	18	19	20	21		
Outstanding amounts											
2002 Q1	1,935.6	266.8	1,668.9	4,442.6	2,590.3	1,852.2	290.6	3,402.2	3,070.9	331.4	
Q2	1,933.2	224.7	1,708.5	4,018.3	2,266.1	1,752.3	292.8	3,422.3	3,087.3	335.0	
Q3	2,023.3	251.2	1,772.0	3,426.6	1,713.6	1,713.0	309.3	3,448.7	3,111.0	337.7	
Q4	2,023.4	244.9	1,778.4	3,472.7	1,782.0	1,690.7	303.6	3,519.3	3,175.3	344.0	
2003 Q1	2,037.9	243.5	1,794.4	3,339.3	1,625.3	1,713.9	381.9	3,576.3	3,228.0	348.3	
Q2	2,006.6	221.5	1,785.1	3,644.1	1,841.2	1,802.8	387.3	3,647.2	3,296.0	351.2	
Transactions											
2002 Q1	67.7	36.1	31.6	43.8	1.5	42.3	26.5	64.1	55.3	8.8	
Q2	-11.2	-42.4	31.1	33.7	19.6	14.1	-1.6	49.7	45.7	3.9	
Q3	46.1	27.5	18.6	54.9	30.9	24.0	13.7	47.4	43.5	3.9	
Q4	-18.9	-15.6	-3.2	-21.4	-21.8	0.4	-8.4	58.2	56.6	1.6	
2003 Q1	-1.8	-4.5	2.8	71.4	10.5	60.9	29.1	63.3	57.8	5.5	
Q2	-33.0	-22.1	-10.9	71.5	38.7	32.9	3.3	53.6	48.9	4.7	
Growth rates											
2002 Q1	5.4	-7.7	7.8	2.8	1.2	5.4	21.0	6.9	7.0	6.3	
Q2	4.9	-12.0	7.5	2.8	0.9	5.7	18.1	6.7	6.7	6.3	
Q3	5.8	1.3	6.4	3.3	1.4	5.9	16.5	6.6	6.7	5.9	
Q4	4.4	2.4	4.7	2.5	1.2	4.4	11.7	6.5	6.6	5.6	
2003 Q1	0.7	-13.1	3.0	3.1	1.5	5.4	11.3	6.4	6.6	4.5	
Q2	-0.4	-6.5	0.4	4.4	2.6	6.7	12.9	6.5	6.7	4.7	

Source: ECB.

- 1) Covering deposits with euro area central government (S.1311 in ESA 95), other financial intermediaries (S.123 in ESA 95) and insurance corporations and pension funds (S.125 in ESA 95).
- 2) Excluding unquoted shares.

## 3.2 Main liabilities of non-financial sectors

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

	Total	Loans taken from euro area MFIs and other financial corporations by										Memo: loans taken from banks outside the euro area by non-banks	
		Total	General government			Non-financial corporations			Households <sup>1)</sup>				
			Taken from euro area MFIs	Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term		Long-term
1	2	3	4	5	6	7	8	9	10	11	12	13	
Outstanding amounts													
2002 Q1	16,226.0	7,810.2	6,960.5	901.5	53.4	848.2	3,501.2	1,222.0	2,279.3	3,407.4	277.2	3,130.2	279.4
Q2	15,909.0	7,904.2	7,017.6	874.7	53.4	821.3	3,546.5	1,206.7	2,339.8	3,483.0	287.7	3,195.2	247.3
Q3	15,349.5	7,949.2	7,053.0	867.0	54.7	812.3	3,553.7	1,188.7	2,365.0	3,528.4	283.8	3,244.6	241.7
Q4	15,591.9	8,061.1	7,131.4	880.0	60.6	819.4	3,593.8	1,172.5	2,421.2	3,587.4	286.5	3,300.9	242.6
2003 Q1	15,555.7	8,113.2	7,170.0	871.6	68.3	803.3	3,622.5	1,188.7	2,433.8	3,619.2	276.4	3,342.7	256.9
Q2	16,112.2	8,214.8	7,238.5	859.1	69.6	789.5	3,669.6	1,212.6	2,457.0	3,686.2	280.8	3,405.4	254.1
Transactions													
2002 Q1	181.2	59.7	61.9	0.9	3.4	-2.5	19.8	-7.1	26.9	39.0	-4.9	43.9	9.7
Q2	186.4	113.2	83.0	-25.3	0.1	-25.4	63.8	-3.8	67.5	74.8	10.7	64.1	-18.0
Q3	110.3	42.9	34.3	-8.0	1.3	-9.2	2.3	-17.7	20.0	48.5	-3.9	52.4	-7.1
Q4	141.8	122.2	95.5	13.4	5.9	7.6	46.1	-11.1	57.3	62.6	3.6	59.0	7.5
2003 Q1	246.7	81.6	66.2	-0.6	8.0	-8.6	42.5	15.7	26.8	39.7	-7.7	47.4	6.6
Q2	239.1	116.2	85.3	-10.3	3.3	-13.6	55.9	29.6	26.3	70.5	5.0	65.6	2.4
Growth rates													
2002 Q1	4.5	5.0	4.5	0.4	26.3	-0.9	5.5	-1.9	10.0	5.8	-0.6	6.4	3.6
Q2	4.2	5.0	4.4	-0.6	26.7	-2.0	5.3	-3.7	10.6	6.3	1.0	6.8	-9.1
Q3	4.1	4.4	4.0	-0.8	20.9	-2.0	3.7	-3.9	8.0	6.5	1.2	7.0	-4.5
Q4	3.9	4.4	4.0	-2.1	21.2	-3.5	3.8	-3.2	7.6	6.7	1.9	7.1	-2.9
2003 Q1	4.2	4.6	4.0	-2.3	28.6	-4.2	4.4	-1.4	7.5	6.6	1.0	7.1	-3.9
Q2	4.6	4.6	4.0	-0.6	34.5	-2.9	4.1	1.4	5.6	6.4	-1.1	7.0	3.8
Securities other than shares issued by													
	Total	General government			Non-financial corporations			Quoted shares issued by non-financial corporations	Deposit liabilities of central government	Pension fund reserves of non- financial corporations			
		Total	Short-term	Long-term	Total	Short-term	Long-term						
	14	15	16	17	18	19	20	21	22	23			
Outstanding amounts													
2002 Q1	4,433.3	3,907.8	446.6	3,461.2	525.5	144.7	380.8	3,551.9	174.6	256.0			
Q2	4,529.8	4,008.8	481.6	3,527.2	521.0	130.0	391.0	3,040.1	175.7	259.3			
Q3	4,666.4	4,130.6	479.9	3,650.7	535.9	137.0	398.8	2,293.2	177.6	263.1			
Q4	4,677.0	4,134.7	480.0	3,654.7	542.3	143.8	398.5	2,398.1	190.1	265.7			
2003 Q1	4,836.3	4,265.7	529.9	3,735.8	570.5	165.9	404.6	2,124.7	212.4	269.1			
Q2	4,957.1	4,364.6	563.6	3,800.9	592.5	163.5	429.0	2,466.1	201.6	272.5			
Transactions													
2002 Q1	102.9	94.1	21.7	72.4	8.9	5.2	3.7	9.3	6.0	3.3			
Q2	61.3	62.1	33.9	28.2	-0.8	-14.5	13.7	7.5	1.1	3.3			
Q3	56.2	46.2	-0.9	47.1	10.0	7.1	2.9	5.5	1.9	3.8			
Q4	3.0	-0.6	-8.4	7.8	3.6	6.7	-3.1	1.7	12.4	2.5			
2003 Q1	157.4	128.8	50.0	78.8	28.6	22.1	6.6	-0.2	4.6	3.4			
Q2	101.0	82.0	33.8	48.1	19.0	-2.3	21.3	16.2	2.4	3.4			
Growth rates													
2002 Q1	5.8	4.6	4.5	4.6	16.2	27.2	12.5	1.7	12.9	4.6			
Q2	5.2	4.6	9.6	4.0	9.7	3.6	11.8	0.9	13.2	4.7			
Q3	5.2	5.0	7.3	4.7	7.1	-2.1	10.7	1.2	13.6	4.9			
Q4	5.1	5.2	10.6	4.5	4.2	3.2	4.5	0.7	12.7	5.2			
2003 Q1	6.3	6.0	16.7	4.7	7.9	14.8	5.3	0.4	11.5	5.1			
Q2	7.0	6.4	15.5	5.2	11.7	25.8	7.1	0.8	12.1	5.1			

Source: ECB.

1) Including non-profit institutions serving households.

### 3.3 Main financial assets and liabilities of insurance corporations and pension funds

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

	Main financial assets											
	Total	Deposits with euro area MFIs					Loans			Securities other than shares		
		Total	Overnight	With agreed maturity	Redeemable at notice	Repos	Total	Short-term	Long-term	Total	Short-term	Long-term
1	2	3	4	5	6	7	8	9	10	11	12	
	Outstanding amounts											
2002 Q1	3,554.3	498.6	43.9	433.0	4.0	17.7	325.2	59.5	265.7	1,251.6	52.5	1,199.1
Q2	3,438.1	503.9	48.4	432.9	3.7	19.0	331.7	65.2	266.5	1,241.9	40.5	1,201.4
Q3	3,363.4	506.3	50.1	437.9	3.9	14.4	334.3	69.2	265.1	1,301.3	51.5	1,249.9
Q4	3,460.2	522.8	55.9	445.6	3.5	17.9	336.9	70.5	266.4	1,345.4	54.1	1,291.3
2003 Q1	3,480.2	535.6	59.6	454.0	3.7	18.3	342.5	71.8	270.8	1,397.3	63.7	1,333.6
Q2	3,621.3	537.6	62.1	450.2	3.0	22.3	346.0	72.9	273.1	1,424.7	58.9	1,365.9
	Transactions											
2002 Q1	95.8	3.0	-4.2	5.3	0.5	1.3	3.2	1.2	2.0	53.8	8.1	45.7
Q2	22.7	5.3	4.5	-0.1	-0.3	1.2	5.5	4.3	1.3	-6.9	-12.3	5.4
Q3	55.0	2.5	1.7	5.1	0.3	-4.6	1.1	2.5	-1.4	39.0	9.7	29.3
Q4	67.7	16.5	5.8	7.7	-0.4	3.5	3.1	1.5	1.6	33.0	2.2	30.7
2003 Q1	93.4	12.3	3.9	7.8	0.2	0.5	8.8	3.8	5.0	56.7	10.5	46.2
Q2	40.8	2.3	2.7	-3.9	-0.4	3.9	6.6	3.7	2.9	14.3	-5.0	19.3
	Growth rates											
2002 Q1	8.1	3.1	15.5	2.3	13.6	-5.8	3.9	11.9	2.3	10.6	27.2	10.0
Q2	7.1	3.6	17.0	2.0	-5.0	12.2	4.6	19.0	1.8	7.3	-28.6	9.1
Q3	7.8	3.8	27.6	2.6	4.5	-19.6	4.8	21.8	1.4	9.6	-2.6	10.2
Q4	7.1	5.5	16.3	4.2	1.9	8.5	4.1	16.7	1.3	10.0	17.4	9.7
2003 Q1	6.7	7.3	36.2	4.7	-8.0	3.3	5.7	20.2	2.4	9.7	19.3	9.3
Q2	7.5	6.7	28.9	3.9	-10.8	17.4	5.9	17.5	3.0	11.5	43.1	10.4

	Main financial assets					Main liabilities									
	Shares <sup>1)</sup>				Prepayments of insurance premiums and reserves for outstanding claims	Total	Loans taken from euro area MFIs and other financial corporations		Securities other than shares	Quoted shares	Insurance technical reserves				
	Total	Quoted shares	Mutual fund shares	Money market fund shares			Total	Taken from euro area MFIs			Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims		
13	14	15	16	17	18	19	20	21	22	23	24	25			
	Outstanding amounts														
2002 Q1	1,382.7	765.7	617.0	47.5	96.3	3,554.3	52.5	38.9	10.4	257.0	3,234.4	2,742.5	491.9		
Q2	1,263.3	672.4	590.9	50.1	97.2	3,545.4	55.9	42.5	10.7	226.5	3,252.3	2,754.8	497.5		
Q3	1,123.0	562.7	560.3	48.7	98.5	3,472.7	56.4	42.1	10.8	127.2	3,278.4	2,774.8	503.5		
Q4	1,155.7	583.8	571.9	55.2	99.4	3,508.9	43.4	33.0	10.9	113.3	3,341.3	2,835.3	506.1		
2003 Q1	1,103.8	534.5	569.3	57.1	101.0	3,572.0	55.8	42.4	11.1	103.3	3,401.8	2,889.0	512.8		
Q2	1,210.6	604.6	606.1	61.6	102.5	3,678.0	58.1	44.8	11.3	136.5	3,472.0	2,954.0	518.1		
	Transactions														
2002 Q1	31.4	16.1	15.3	1.6	4.3	69.7	3.7	3.9	0.2	0.2	65.6	50.5	15.1		
Q2	17.9	5.4	12.4	2.5	1.0	50.5	2.9	3.3	0.4	0.2	47.1	41.7	5.4		
Q3	11.1	7.6	3.4	-1.4	1.3	43.0	-2.0	-2.5	0.1	0.0	44.9	39.0	5.9		
Q4	14.2	-3.5	17.7	6.5	0.9	44.5	-11.5	-9.2	0.1	0.5	55.4	53.0	2.5		
2003 Q1	14.0	1.8	12.2	1.9	1.6	79.5	14.2	11.3	0.0	0.2	65.0	57.1	8.0		
Q2	16.3	1.6	14.6	4.4	1.4	58.7	2.5	2.6	0.2	2.7	53.3	46.4	7.0		
	Growth rates														
2002 Q1	8.0	7.7	8.3	4.8	19.5	7.0	4.3	7.5	19.1	1.2	7.6	7.3	9.3		
Q2	8.0	6.7	9.7	7.3	19.3	6.9	9.4	17.3	15.3	1.6	7.3	7.0	9.6		
Q3	7.8	5.7	10.3	6.0	18.2	6.7	2.3	5.9	14.2	0.4	7.2	6.9	9.3		
Q4	5.7	3.6	8.1	20.2	8.1	5.9	-14.4	-12.6	8.1	0.4	6.6	6.7	6.1		
2003 Q1	4.1	1.5	7.4	20.2	4.9	6.1	6.7	7.5	5.8	0.4	6.6	7.0	4.4		
Q2	4.4	1.1	8.1	22.9	5.4	6.4	5.6	5.0	4.3	1.5	6.7	7.1	4.7		

Source: ECB.

1) Excluding unquoted shares.



## 3.4 Annual saving, investment and financing

(EUR billions, unless otherwise indicated)

## 1. All sectors in the euro area

	Net acquisition of non-financial assets					Net acquisition of financial assets							
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Changes in inventories <sup>1)</sup>	Non-produced assets	Total	Monetary gold and SDRs	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Insurance technical reserves	Other investment (net) <sup>3)</sup>
	1	2	3	4	5	6	7	8	9	10	11	12	13
1996	340.4	1,122.4	-783.9	1.6	0.4	1,730.1	-3.0	395.3	397.7	383.7	313.2	193.6	49.7
1997	353.0	1,139.3	-797.1	10.7	0.0	1,912.7	-0.2	394.4	332.2	449.8	485.7	222.0	28.7
1998	412.4	1,203.5	-823.6	32.3	0.2	2,398.9	11.0	422.7	357.6	522.9	844.7	215.9	24.1
1999	449.6	1,292.4	-863.7	20.8	0.2	3,062.3	1.3	557.7	427.3	881.5	905.1	261.1	28.3
2000	487.8	1,391.2	-913.1	26.4	-16.6	2,801.7	1.3	349.6	267.9	809.1	1,126.4	252.9	-5.5
2001	465.8	1,444.8	-973.6	-7.3	1.9	2,580.5	-0.5	575.8	430.2	730.3	630.8	243.1	-29.3
2002	409.1	1,429.3	-1,011.4	-10.1	1.2	2,154.8	0.9	581.3	329.8	519.1	485.1	227.0	11.6

	Changes in net worth <sup>4)</sup>				Net incurrence of liabilities					
	Total	Gross saving	Consumption of fixed capital (-)	Net capital transfers receivable	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Insurance technical reserves
	14	15	16	17	18	19	20	21	22	23
1996	410.7	1,190.0	-783.9	4.6	1,659.8	472.4	383.4	334.9	272.9	196.3
1997	455.7	1,241.8	-797.1	11.0	1,809.9	511.6	317.7	378.5	372.2	229.9
1998	486.6	1,299.1	-823.6	11.1	2,324.7	648.4	323.0	482.4	649.3	221.5
1999	498.3	1,352.0	-863.7	10.0	3,013.7	929.1	502.9	759.7	557.5	264.5
2000	514.8	1,419.4	-913.1	8.5	2,774.6	532.3	415.9	851.1	722.3	253.0
2001	483.5	1,449.4	-973.6	7.7	2,562.7	661.4	492.3	608.3	550.1	250.7
2002	497.8	1,496.5	-1,011.4	12.7	2,066.1	528.9	451.9	467.8	376.4	241.1

## 2. Non-financial corporations

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth <sup>4)</sup>		Net incurrence of liabilities			
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Total	Gross saving	Total	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	132.2	567.3	-437.3	258.5	54.1	-13.9	55.1	87.5	120.1	514.5	270.5	7.0	143.5	112.4
1997	151.8	592.0	-451.9	239.6	25.3	-13.0	46.3	97.0	106.5	521.5	285.0	12.1	153.7	109.7
1998	195.3	635.2	-469.1	424.5	45.7	-9.9	96.3	203.1	149.2	569.2	470.7	22.8	252.8	184.4
1999	213.6	684.2	-489.0	604.4	26.9	88.9	169.1	299.1	109.0	548.0	709.0	47.2	423.3	222.0
2000	309.4	748.6	-521.5	831.6	71.8	88.8	193.0	457.7	86.2	561.3	1,054.7	61.6	559.6	425.5
2001	215.8	771.8	-554.5	626.9	101.2	40.1	142.1	246.5	85.1	581.2	757.5	102.4	324.0	319.6
2002	180.6	758.5	-574.4	368.2	19.2	15.6	46.7	264.7	123.0	630.1	425.8	21.7	204.9	185.4

3. Households<sup>5)</sup>

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth <sup>4)</sup>		Net incurrence of liabilities		Memo:	
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Shares and other equity	Insurance technical reserves	Total	Gross saving	Total	Loans	Disposable income	Gross saving ratio <sup>6)</sup>
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	168.2	384.7	-217.5	437.9	146.2	25.1	93.0	189.0	444.7	646.9	161.3	160.1	3,789.8	17.1
1997	165.9	377.9	-213.1	425.6	70.4	-19.0	193.7	215.8	423.0	617.2	168.5	167.1	3,818.0	16.2
1998	175.9	389.8	-218.0	443.5	96.3	-118.6	288.0	210.7	406.7	594.5	212.6	211.3	3,925.3	15.1
1999	187.7	418.9	-233.6	471.5	119.2	-24.1	189.7	247.6	391.6	582.5	267.6	266.1	4,089.0	14.2
2000	196.5	442.7	-242.8	419.3	65.6	42.0	114.1	247.0	393.9	597.3	221.8	220.1	4,277.8	14.0
2001	190.7	457.7	-264.0	402.2	175.3	86.6	59.4	223.7	423.4	653.8	169.4	167.5	4,576.4	14.3
2002	180.8	462.8	-276.7	488.2	219.7	66.1	-4.2	214.2	458.2	706.4	210.8	208.6	4,741.3	14.9

Source: ECB.

- 1) Including net acquisition of valuables.
- 2) Excluding financial derivatives.
- 3) Financial derivatives, other accounts receivable/payable and statistical discrepancies.
- 4) Arising from saving and net capital transfers receivable, after allowance for consumption of fixed capital (-).
- 5) Including non-profit institutions serving households.
- 6) Gross saving as a percentage of disposable income.



## FINANCIAL MARKETS

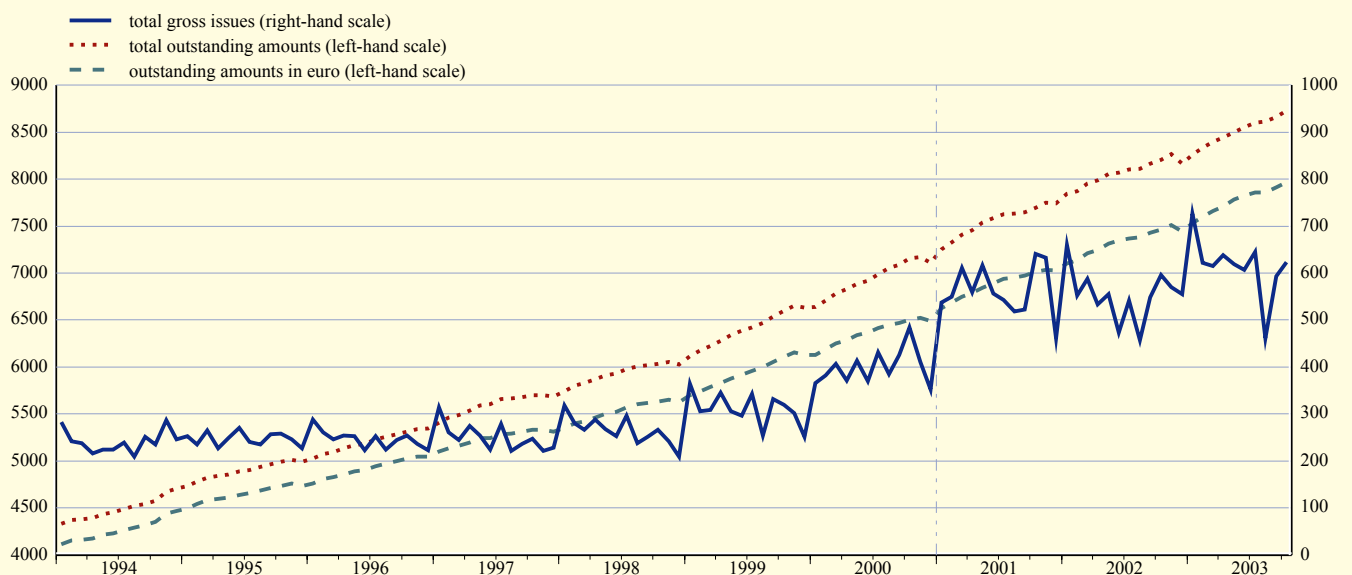
### 4.1 Securities issues other than shares by original maturity, residency of the issuer and currency

(EUR billions unless otherwise indicated, transactions during the month and end-of-period outstandings amounts; nominal values)

	Total in euro <sup>1)</sup>				By euro area residents							
	Outstanding amounts	Gross issues	Redemptions	Net issues	Total				Of which in euro			
					Outstanding amounts	Gross issues	Redemptions	Net issues	Outstanding amounts (%)	Gross issues (%)	Redemptions (%)	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Total</b>												
2002 Oct.	8,490.9	581.1	563.3	17.8	8,205.3	595.5	552.8	42.7	90.9	92.5	93.9	31.9
Nov.	8,544.1	562.0	509.0	53.0	8,263.7	569.5	510.4	59.1	90.9	93.7	94.0	53.8
Dec.	8,493.8	566.5	614.7	-48.2	8,166.9	555.4	631.4	-76.0	91.1	94.4	93.9	-68.8
2003 Jan.	8,578.7	717.0	631.8	85.2	8,256.8	726.7	624.3	102.5	91.2	93.1	94.5	86.9
Feb.	8,661.0	627.2	545.2	82.1	8,336.5	622.3	542.1	80.2	91.1	93.3	94.7	67.3
Mar.	8,764.5	641.8	538.5	103.3	8,398.3	614.7	547.1	67.5	91.2	94.3	94.9	60.5
Apr.	8,806.2	635.9	593.9	42.0	8,441.2	638.3	582.4	56.0	91.3	94.3	94.2	53.0
May	8,899.6	624.5	530.3	94.1	8,499.0	618.8	537.6	81.2	91.6	93.4	93.6	74.5
June	8,981.4	636.8	555.4	81.5	8,553.5	606.1	563.9	42.3	91.5	93.8	94.0	38.5
July	9,013.5	648.6	616.9	31.7	8,600.8	644.6	602.0	42.7	91.3	93.1	94.4	32.3
Aug.	9,017.7	470.4	466.7	3.7	8,612.7	461.4	464.8	-3.5	91.2	94.0	92.7	2.7
Sep.	9,109.2	615.8	523.4	92.4	8,657.7	593.6	529.2	64.4	91.4	93.4	94.3	55.5
Oct.	.	.	.	.	8,728.0	622.7	558.1	64.6	91.3	93.8	94.9	54.8
<b>Long-term</b>												
2002 Oct.	7,718.2	120.6	97.1	23.5	7,396.6	125.6	94.8	30.7	91.1	85.5	88.6	23.4
Nov.	7,748.9	133.1	102.4	30.7	7,430.5	133.1	96.5	36.6	91.1	89.7	93.5	29.1
Dec.	7,729.3	155.2	173.6	-18.4	7,380.6	148.6	179.3	-30.7	91.4	92.2	90.8	-25.9
2003 Jan.	7,777.8	180.4	132.6	47.9	7,413.4	179.9	134.8	45.1	91.4	87.1	93.0	31.3
Feb.	7,829.4	172.5	121.6	50.9	7,467.9	164.8	112.6	52.2	91.3	88.6	92.3	42.0
Mar.	7,899.6	175.2	105.4	69.9	7,520.0	162.4	106.1	56.3	91.3	90.2	90.3	50.7
Apr.	7,940.0	165.3	125.3	40.0	7,546.2	160.6	125.2	35.3	91.4	90.8	92.6	29.9
May	8,026.7	186.7	100.0	86.7	7,598.6	174.7	101.0	73.6	91.7	92.2	90.6	69.5
June	8,097.5	185.3	115.1	70.3	7,673.1	170.8	108.6	62.2	91.5	91.0	92.2	55.2
July	8,149.2	197.6	146.7	51.0	7,721.3	184.9	141.0	43.9	91.4	88.1	95.0	29.0
Aug.	8,160.3	86.4	76.7	9.7	7,746.5	79.0	71.0	7.9	91.2	88.0	90.2	5.4
Sep.	8,238.2	180.0	101.5	78.6	7,798.7	172.4	101.2	71.2	91.4	91.6	90.3	66.6
Oct.	.	.	.	.	7,847.7	162.2	118.0	44.3	91.3	92.1	94.6	37.9

### C13 Total outstanding amounts and gross issues of securities other than shares issued by euro area residents

(EUR billions)



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

1) Total euro-denominated securities other than shares issued by euro area residents and non-euro area residents.

## 4.2 Securities other than shares issued by euro area residents by original maturity and sector of the issuer

(EUR billions unless otherwise indicated; nominal values)

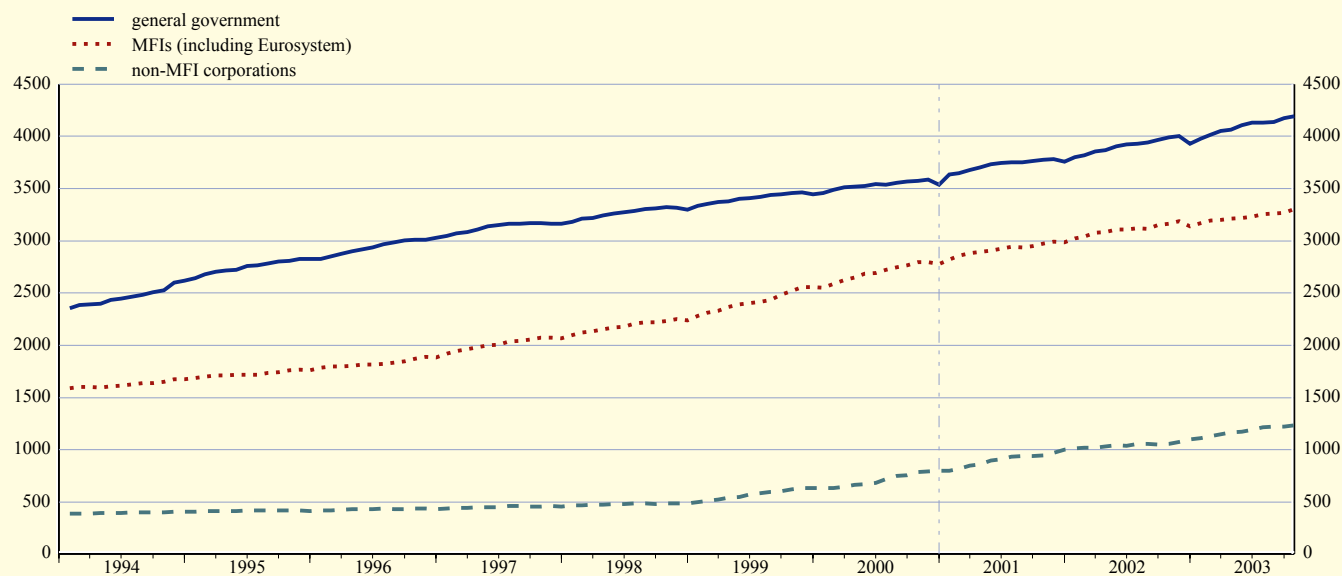
### 1. Outstanding amounts

(end of period)

	Total						Of which in euro (%)					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2002 Oct.	8,205.3	3,161.6	518.0	536.7	3,813.2	175.8	90.9	85.6	80.2	86.9	97.1	95.6
Nov.	8,263.7	3,187.8	530.7	541.0	3,827.0	177.2	90.9	85.5	80.9	87.1	97.2	95.7
Dec.	8,166.9	3,139.4	560.3	536.3	3,751.9	179.0	91.1	85.6	83.1	87.3	97.3	95.8
2003 Jan.	8,256.8	3,171.4	559.4	549.0	3,794.4	182.6	91.2	85.6	83.7	87.8	97.2	95.8
Feb.	8,336.5	3,191.8	572.4	557.3	3,826.1	188.9	91.1	85.5	83.6	87.8	97.1	95.9
Mar.	8,398.3	3,201.6	581.0	566.6	3,857.4	191.7	91.2	85.5	84.0	88.3	97.2	96.0
Apr.	8,441.2	3,213.1	593.7	571.4	3,867.2	195.7	91.3	85.6	84.7	88.4	97.3	95.7
May	8,499.0	3,215.7	594.3	579.6	3,910.7	198.6	91.6	85.9	85.3	88.8	97.4	95.7
June	8,553.5	3,229.8	611.3	581.4	3,928.0	203.0	91.5	85.7	85.4	88.8	97.3	95.7
July	8,600.8	3,257.7	629.8	583.7	3,925.1	204.5	91.3	85.6	85.3	88.6	97.3	95.5
Aug.	8,612.7	3,258.4	632.9	586.5	3,930.6	204.3	91.2	85.5	85.0	88.5	97.2	95.4
Sep.	8,657.7	3,264.7	641.1	578.0	3,965.0	209.0	91.4	85.4	86.0	88.7	97.4	95.5
Oct.	8,728.0	3,306.4	650.9	581.1	3,977.0	212.5	91.3	85.2	86.3	88.6	97.4	95.5
	Long-term											
2002 Oct.	7,396.6	2,798.3	510.9	443.5	3,471.6	172.3	91.1	86.6	79.9	85.2	97.0	95.8
Nov.	7,430.5	2,802.8	523.1	446.6	3,484.3	173.7	91.1	86.3	80.6	85.4	97.0	95.9
Dec.	7,380.6	2,778.6	553.0	446.1	3,427.6	175.3	91.4	86.6	82.9	85.8	97.1	96.0
2003 Jan.	7,413.4	2,778.3	552.2	451.7	3,451.9	179.4	91.4	86.4	83.5	86.2	97.1	96.1
Feb.	7,467.9	2,794.2	563.7	456.0	3,468.8	185.2	91.3	86.3	83.4	86.2	97.0	96.0
Mar.	7,520.0	2,808.0	571.9	463.0	3,488.9	188.1	91.3	86.2	83.8	86.8	97.0	96.1
Apr.	7,546.2	2,817.5	585.1	467.0	3,484.7	192.0	91.4	86.2	84.5	87.0	97.2	95.8
May	7,598.6	2,824.1	585.9	472.9	3,521.2	194.6	91.7	86.6	85.1	87.3	97.3	95.9
June	7,673.1	2,850.1	602.6	480.5	3,540.9	199.0	91.5	86.2	85.2	87.5	97.2	95.9
July	7,721.3	2,880.5	621.0	482.7	3,537.0	200.0	91.4	86.0	85.1	87.3	97.2	95.7
Aug.	7,746.5	2,896.4	624.2	485.3	3,540.2	200.4	91.2	85.7	84.8	87.2	97.1	95.5
Sep.	7,798.7	2,908.0	633.0	480.7	3,571.5	205.5	91.4	85.7	85.9	87.5	97.2	95.7
Oct.	7,847.7	2,940.6	642.9	481.7	3,573.3	209.1	91.3	85.5	86.2	87.4	97.3	95.7

### C14 Outstanding amounts of securities other than shares by sector

(EUR billions, end-of-period outstanding amounts, nominal values)



Source: ECB.

**4.2 Securities other than shares issued by euro area residents by original maturity and sector of the issuer**  
(EUR billions unless otherwise indicated; nominal values)

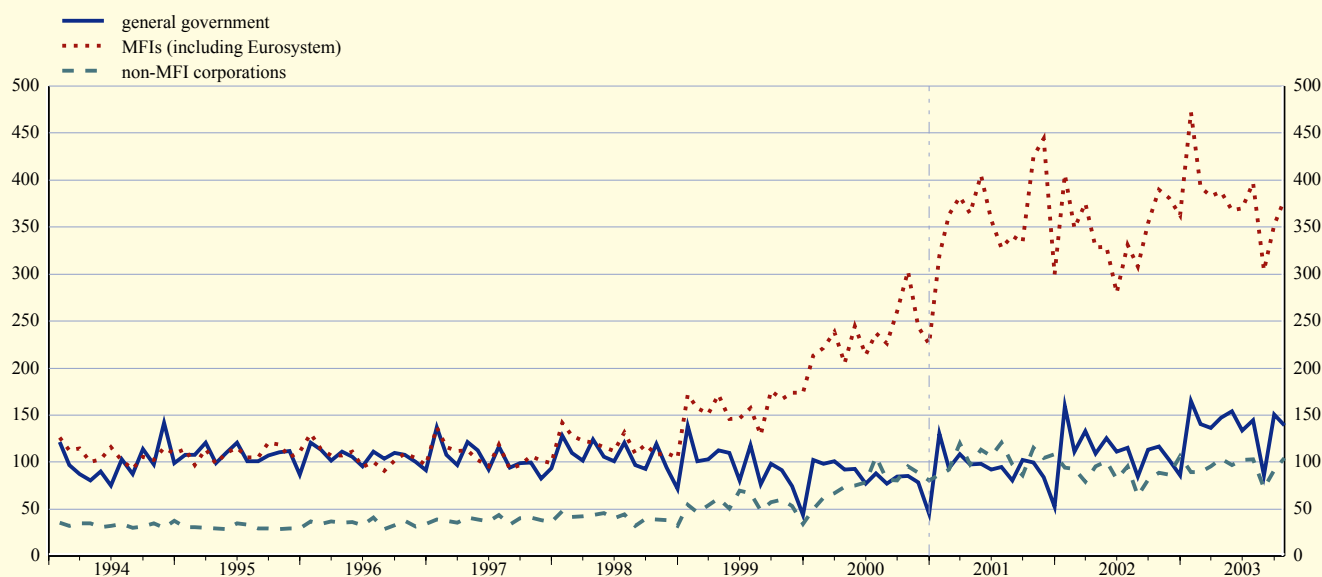
**2. Gross issues**

(transactions during the month)

	Total						Of which in euro (%)					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2002 Oct.	595.5	389.8	18.3	70.5	108.5	8.4	92.5	92.0	80.4	93.2	97.0	80.2
Nov.	569.5	380.5	21.2	65.2	96.6	5.9	93.7	92.3	92.0	94.6	99.0	98.3
Dec.	555.4	362.5	50.2	56.5	79.4	6.7	94.4	92.9	95.9	96.1	99.1	94.4
2003 Jan.	726.7	472.2	11.7	77.7	156.3	8.9	93.1	91.9	90.5	96.4	95.5	92.7
Feb.	622.3	392.3	20.9	68.4	131.8	8.8	93.3	92.6	81.5	95.5	95.9	95.4
Mar.	614.7	382.7	20.8	74.8	129.9	6.4	94.3	92.8	87.6	98.0	97.6	99.1
Apr.	638.3	387.3	22.7	81.0	140.9	6.5	94.3	92.7	94.9	96.4	97.5	86.3
May	618.8	367.6	14.8	82.0	148.5	5.9	93.4	92.2	84.3	94.6	96.8	90.5
June	606.1	370.1	23.6	79.1	125.2	8.2	93.8	91.9	96.1	97.0	96.8	94.9
July	644.6	397.1	26.6	76.5	138.6	5.8	93.1	92.2	83.2	94.5	96.9	91.2
Aug.	461.4	303.6	8.7	63.4	82.3	3.4	94.0	92.4	91.8	96.6	97.7	93.1
Sep.	593.6	351.9	22.1	69.1	140.7	9.9	93.4	90.4	98.7	96.5	98.5	96.5
Oct.	622.7	379.2	19.3	85.3	130.9	7.9	93.8	91.6	95.3	97.0	97.9	95.1
	Long-term											
2002 Oct.	125.6	49.7	14.5	2.7	52.7	5.9	85.5	78.5	75.3	33.5	98.7	74.8
Nov.	133.1	58.7	18.0	4.9	48.0	3.6	89.7	81.9	90.5	71.1	100.0	99.8
Dec.	148.6	54.3	47.3	8.5	34.4	4.1	92.2	84.0	95.6	93.1	100.0	91.8
2003 Jan.	179.9	75.0	7.9	10.0	80.2	6.8	87.1	77.8	86.1	89.1	95.1	93.0
Feb.	164.8	65.7	17.5	9.3	65.7	6.6	88.6	84.3	77.9	93.1	94.2	96.5
Mar.	162.4	65.4	18.2	10.6	64.4	3.8	90.2	82.1	85.8	98.3	97.9	99.0
Apr.	160.6	62.2	19.9	8.4	65.7	4.5	90.8	81.5	94.2	85.2	100.0	81.9
May	174.7	61.6	11.8	12.9	85.0	3.5	92.2	87.8	80.3	84.6	98.2	91.8
June	170.8	68.8	20.2	12.8	63.0	5.9	91.0	81.8	95.5	99.0	97.5	95.2
July	184.9	74.2	24.1	9.9	73.5	3.2	88.1	82.6	81.5	79.7	97.0	87.5
Aug.	79.0	44.7	6.2	3.4	23.0	1.6	88.0	82.3	88.5	98.7	97.2	91.3
Sep.	172.4	64.9	19.0	2.7	78.8	7.0	91.6	79.6	98.6	99.2	99.0	98.8
Oct.	162.2	73.5	16.4	8.1	58.9	5.4	92.1	84.3	95.8	95.0	100.0	96.2

**C15 Gross issues of securities other than shares by sector**

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

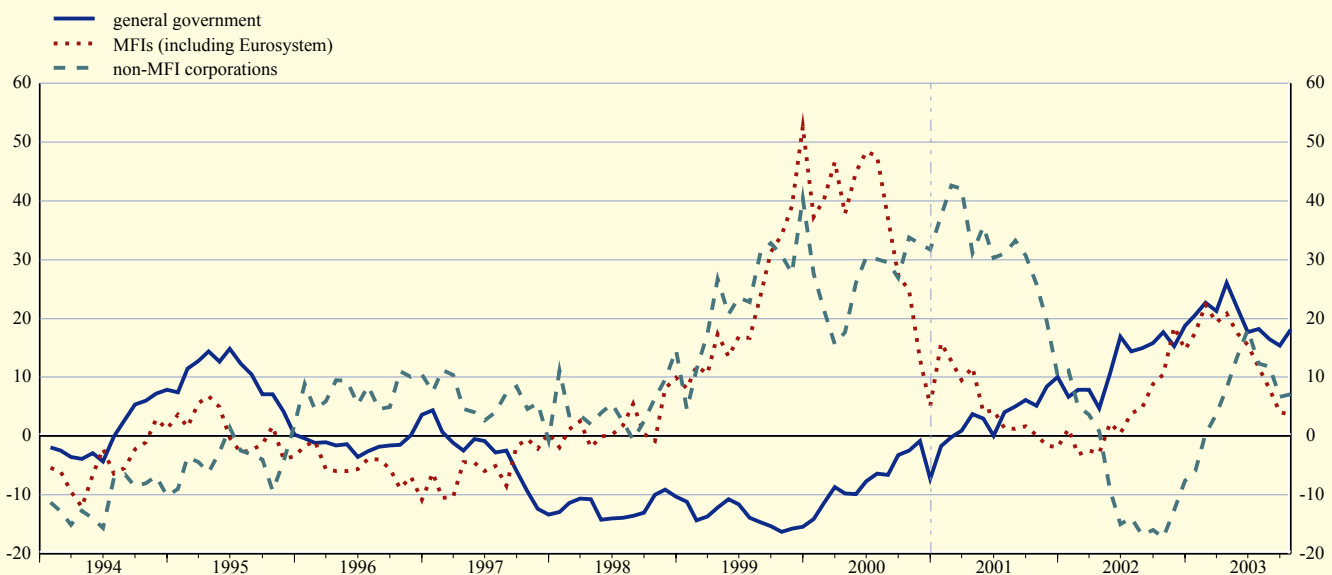


Source: ECB.

### 4.3 Annual growth rates of securities other than shares issued by euro area residents <sup>1)</sup> (percentage changes)

	Total													
	Total		MFIs (including Eurosystem)	Non-MFI corporations			General government			Total		MFIs (including Euro- system)	Non-MFI	
	Total	Index Dec. 01 = 100		Total	Non- monetary financial corporations	Non- financial corporations	Total	Central gov.	Other general gov.	Total	Index Dec. 01 = 100		Total	Non- monetary financial corporations
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
In all currencies combined														
2002 Oct.	7.1	106.5	6.2	14.6	25.4	5.6	5.9	5.0	29.0	8.8	116.2	10.5	-17.2	5.8
Nov.	7.2	107.3	6.6	13.6	25.9	3.3	6.1	5.2	28.1	12.4	119.4	18.6	-12.6	26.7
Dec.	6.3	106.3	5.4	13.8	25.3	3.6	5.0	4.1	28.0	12.9	112.9	14.7	-7.5	52.1
2003 Jan.	6.4	107.6	5.6	13.9	24.5	4.6	5.0	4.1	28.6	15.2	121.2	17.6	-6.0	16.0
Feb.	6.9	108.7	5.8	15.6	26.3	6.0	5.7	4.6	33.7	19.2	125.2	22.4	0.3	29.8
Mar.	6.7	109.6	4.9	17.2	27.2	8.1	5.5	4.5	31.8	17.9	126.8	19.4	3.8	28.2
Apr.	6.9	110.3	5.1	17.7	27.3	9.0	5.5	4.4	30.6	21.2	129.8	20.9	8.2	20.0
May	6.7	111.3	4.5	17.0	24.3	10.2	5.8	4.9	27.5	18.8	130.9	17.4	13.7	30.9
June	6.9	111.9	4.4	18.8	26.9	11.2	5.7	4.7	28.3	16.8	128.0	15.5	18.1	29.0
July	6.9	112.5	4.9	18.8	28.0	10.2	5.5	4.7	21.9	14.6	127.8	11.7	12.3	22.9
Aug.	6.7	112.4	4.7	18.9	27.5	10.9	5.1	4.4	21.0	12.2	126.1	8.0	11.7	18.6
Sep.	6.9	113.3	4.7	18.2	28.0	8.8	5.7	4.9	23.2	9.3	125.2	4.0	6.6	17.0
Oct.	7.1	114.1	5.5	18.6	28.2	9.4	5.4	4.6	21.3	10.3	128.1	3.6	7.1	14.3
In euro														
2002 Oct.	6.4	106.2	4.2	16.0	29.2	6.1	5.9	5.0	28.7	7.5	116.8	8.1	-19.0	4.2
Nov.	6.8	106.9	5.3	15.1	30.4	3.6	6.1	5.3	28.0	12.4	120.8	20.4	-13.8	25.0
Dec.	6.0	106.0	4.2	16.1	30.8	4.2	5.0	4.1	27.7	13.8	113.8	16.6	-8.5	50.0
2003 Jan.	6.0	107.2	4.4	16.2	30.2	5.0	4.9	4.0	28.0	16.0	122.9	20.5	-6.9	14.3
Feb.	6.4	108.2	4.4	17.6	31.5	6.3	5.4	4.3	33.1	19.9	127.0	25.8	-0.8	28.2
Mar.	6.3	109.0	3.5	19.4	32.2	8.9	5.3	4.3	31.0	18.4	128.6	21.5	2.6	26.5
Apr.	6.5	109.8	3.8	20.2	32.8	9.8	5.3	4.4	29.3	23.1	132.4	26.1	7.3	18.3
May	6.5	110.8	3.4	19.7	29.8	11.1	5.6	4.7	26.3	20.3	133.2	20.9	13.7	29.0
June	6.5	111.4	3.1	22.1	33.3	12.5	5.4	4.5	27.0	18.2	130.4	18.7	17.5	29.2
July	6.6	111.8	3.8	21.8	34.1	11.2	5.2	4.5	20.4	16.8	131.0	16.1	12.1	22.9
Aug.	6.5	111.9	3.7	22.1	33.8	11.9	4.9	4.2	19.5	14.9	130.5	13.7	11.0	18.6
Sep.	6.6	112.7	3.3	21.3	34.6	9.7	5.5	4.8	21.7	11.5	128.7	8.7	5.8	16.9
Oct.	6.9	113.5	4.2	22.0	35.3	10.1	5.3	4.6	20.8	12.6	131.5	7.9	6.7	14.6

### C16 Short-term debt securities by sector of the issuer in all currencies combined (annual percentage changes based on nominal end-of-period outstanding amounts)



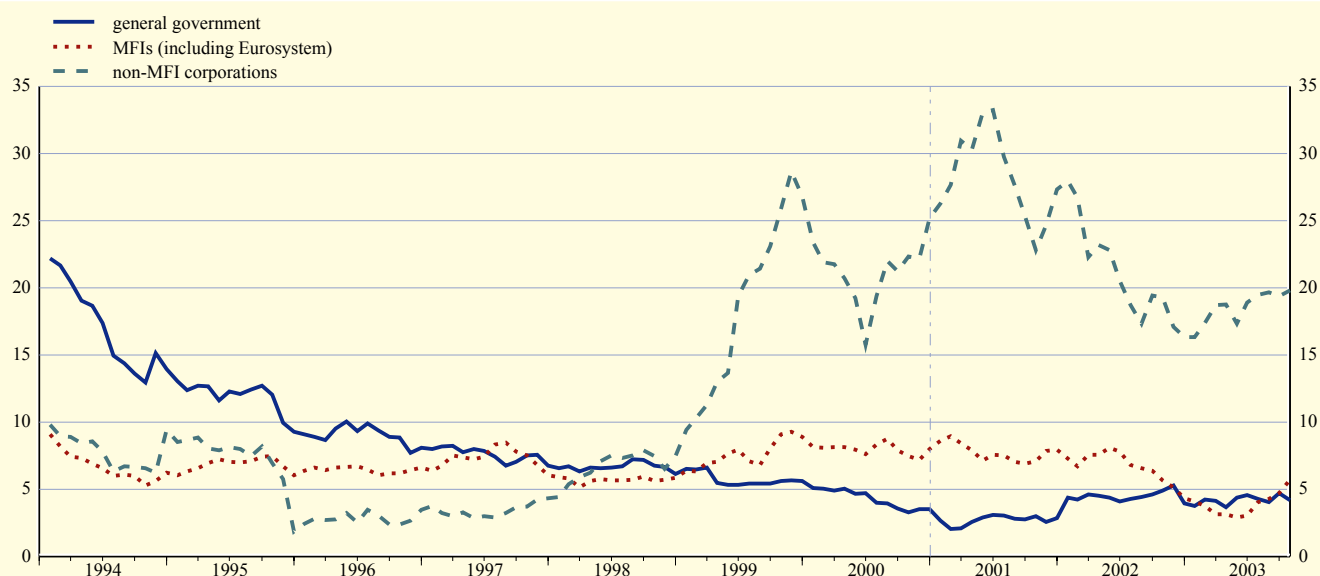
Source: ECB.

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

**4.3 Annual growth rates of securities other than shares issued by euro area residents <sup>1)</sup>**  
(percentage changes)

Short-term				Long-term									
corporations	General government			Total		MFIs (including Eurosystem)	Non-MFI corporations			General government			
	Non-financial corporations	Total	Central gov.	Other general gov.	Total		Index Dec. 01 = 100	Total	Non-monetary financial corporations	Non-financial corporations	Total	Central gov.	
15	16	17	18	19	20	21	22	23	24	25	26	27	
In all currencies combined													
-18.6	17.7	17.9	-0.9	6.9	105.6	5.7	19.3	25.7	12.5	4.9	3.9	29.8	2002 Oct.
-14.7	15.3	15.6	-5.3	6.7	106.1	5.1	17.1	25.9	8.0	5.3	4.3	29.1	Nov.
-10.5	18.7	19.3	-14.3	5.6	105.6	4.3	16.3	25.0	7.0	3.9	2.9	29.4	Dec.
-7.3	20.6	21.1	-15.2	5.5	106.3	4.1	16.3	24.6	7.4	3.8	2.7	29.8	2003 Jan.
-1.6	22.7	23.0	0.6	5.7	107.0	3.7	17.4	26.3	7.8	4.2	3.0	34.6	Feb.
2.0	21.2	21.4	5.7	5.6	107.8	3.1	18.7	27.2	9.5	4.1	3.0	32.4	Mar.
7.4	26.0	26.1	18.1	5.4	108.3	3.2	18.8	27.4	9.3	3.7	2.5	30.9	Apr.
12.5	21.7	21.7	22.5	5.5	109.4	2.9	17.3	24.2	9.7	4.4	3.3	27.7	May
17.2	17.7	17.7	18.7	5.8	110.3	3.1	18.9	26.9	10.1	4.6	3.5	28.5	June
11.5	18.2	18.2	18.9	6.1	110.9	4.0	19.5	28.1	9.9	4.3	3.4	22.0	July
11.2	16.5	16.6	2.5	6.2	111.0	4.3	19.7	27.6	10.8	4.1	3.2	21.4	Aug.
5.8	15.4	15.4	14.5	6.6	112.1	4.7	19.4	28.2	9.5	4.7	3.8	23.4	Sep.
6.6	18.1	18.3	-2.9	6.8	112.7	5.7	19.8	28.4	10.0	4.2	3.3	21.8	Oct.
In euro													
-20.4	17.7	18.1	-11.8	6.3	105.2	3.7	22.3	29.8	14.9	4.9	3.9	29.8	2002 Oct.
-16.0	15.6	15.9	-14.0	6.2	105.6	3.7	19.8	30.5	9.6	5.3	4.3	29.1	Nov.
-11.5	19.6	20.3	-23.4	5.2	105.2	2.9	19.6	30.6	8.5	3.8	2.8	29.3	Dec.
-8.2	20.5	21.1	-27.0	5.0	105.7	2.6	19.6	30.4	8.7	3.6	2.5	29.5	2003 Jan.
-2.8	22.3	22.7	-9.0	5.1	106.4	2.1	20.2	31.5	8.8	4.0	2.7	34.2	Feb.
0.9	21.0	21.3	-2.7	5.0	107.1	1.5	21.8	32.3	11.1	3.9	2.8	31.8	Mar.
6.4	25.8	26.0	8.9	4.8	107.6	1.4	22.0	33.1	10.6	3.5	2.4	29.7	Apr.
12.6	21.8	21.9	17.6	5.0	108.7	1.5	20.5	29.8	10.8	4.1	3.1	26.5	May
16.6	17.9	18.0	14.4	5.3	109.6	1.4	22.7	33.4	11.6	4.3	3.2	27.3	June
11.3	18.7	18.7	14.4	5.6	110.0	2.4	23.0	34.3	11.2	4.0	3.2	20.5	July
10.4	16.8	17.0	1.1	5.6	110.1	2.5	23.4	34.1	12.2	3.7	3.0	19.9	Aug.
4.9	15.4	15.4	14.5	6.0	111.1	2.7	23.2	35.0	10.8	4.5	3.7	21.9	Sep.
6.0	18.1	18.3	-5.1	6.2	111.7	3.7	23.8	35.7	11.1	4.0	3.2	21.2	Oct.

**C17 Long-term debt securities by sector of the issuer in all currencies combined**  
(annual percentage changes based on nominal end-of-period outstanding amounts)



Source: ECB.



#### 4.4 Quoted shares issued by euro area residents <sup>1)</sup>

(EUR billions unless otherwise indicated; market values)

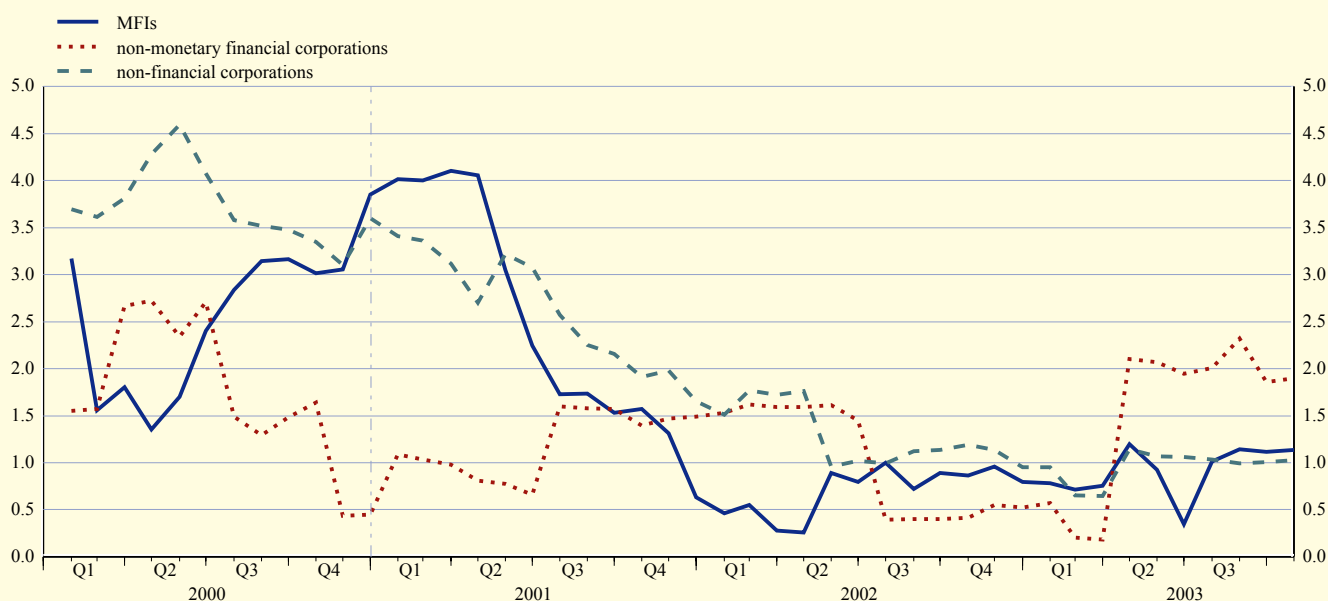
##### 1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Non-monetary financial corporations		Non-financial corporations	
	Total	Index Dec. 01 = 100 (%)	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2001 Oct.	4,277.7	99.7	1.8	554.4	1.6	497.8	1.4	3,225.5	1.9
Nov.	4,520.7	99.8	1.8	587.7	1.3	512.1	1.5	3,421.0	2.0
Dec.	4,656.4	100.0	1.5	617.3	0.6	511.1	1.5	3,528.0	1.7
2002 Jan.	4,575.2	100.0	1.4	623.9	0.5	518.8	1.5	3,432.5	1.5
Feb.	4,545.6	100.2	1.6	622.5	0.6	509.8	1.6	3,413.4	1.8
Mar.	4,753.9	100.3	1.5	665.3	0.3	536.6	1.6	3,551.9	1.7
Apr.	4,570.2	100.3	1.5	678.1	0.3	517.4	1.6	3,374.7	1.8
May	4,432.4	100.4	1.0	666.3	0.9	484.8	1.6	3,281.3	1.0
June	4,118.3	100.5	1.1	614.9	0.8	463.4	1.5	3,040.1	1.0
July	3,710.7	100.6	0.9	515.7	1.0	395.4	0.4	2,799.6	1.0
Aug.	3,520.2	100.6	1.0	521.7	0.7	371.0	0.4	2,627.5	1.1
Sep.	2,981.8	100.7	1.0	412.6	0.9	276.3	0.4	2,292.9	1.1
Oct.	3,251.6	100.7	1.1	446.9	0.9	321.2	0.4	2,483.4	1.2
Nov.	3,435.5	100.8	1.0	487.4	1.0	346.0	0.5	2,602.1	1.1
Dec.	3,142.7	100.9	0.9	450.7	0.8	283.6	0.5	2,408.3	1.0
2003 Jan.	3,002.7	100.9	0.9	425.8	0.8	261.1	0.6	2,315.8	0.9
Feb.	2,909.2	100.9	0.6	425.3	0.7	270.8	0.2	2,213.2	0.7
Mar.	2,784.9	100.9	0.6	413.0	0.8	236.2	0.2	2,135.7	0.6
Apr.	3,137.9	101.6	1.2	471.4	1.2	291.8	2.1	2,374.7	1.1
May	3,171.4	101.5	1.1	476.7	0.9	291.3	2.1	2,403.3	1.1
June	3,288.0	101.5	1.0	506.5	0.3	300.6	1.9	2,480.8	1.1
July	3,398.6	101.7	1.1	530.3	1.0	330.9	2.0	2,537.4	1.0
Aug.	3,443.4	101.8	1.1	506.5	1.1	325.5	2.3	2,611.5	1.0
Sep.	3,304.2	101.8	1.1	494.8	1.1	307.1	1.9	2,502.2	1.0
Oct.	3,511.6	101.8	1.1	535.2	1.1	333.2	1.9	2,643.2	1.0

#### C18 Annual growth rates for quoted shares issued by euro area residents

(annual percentage changes)



Source: ECB.

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

#### 4.4 Quoted shares issued by euro area residents

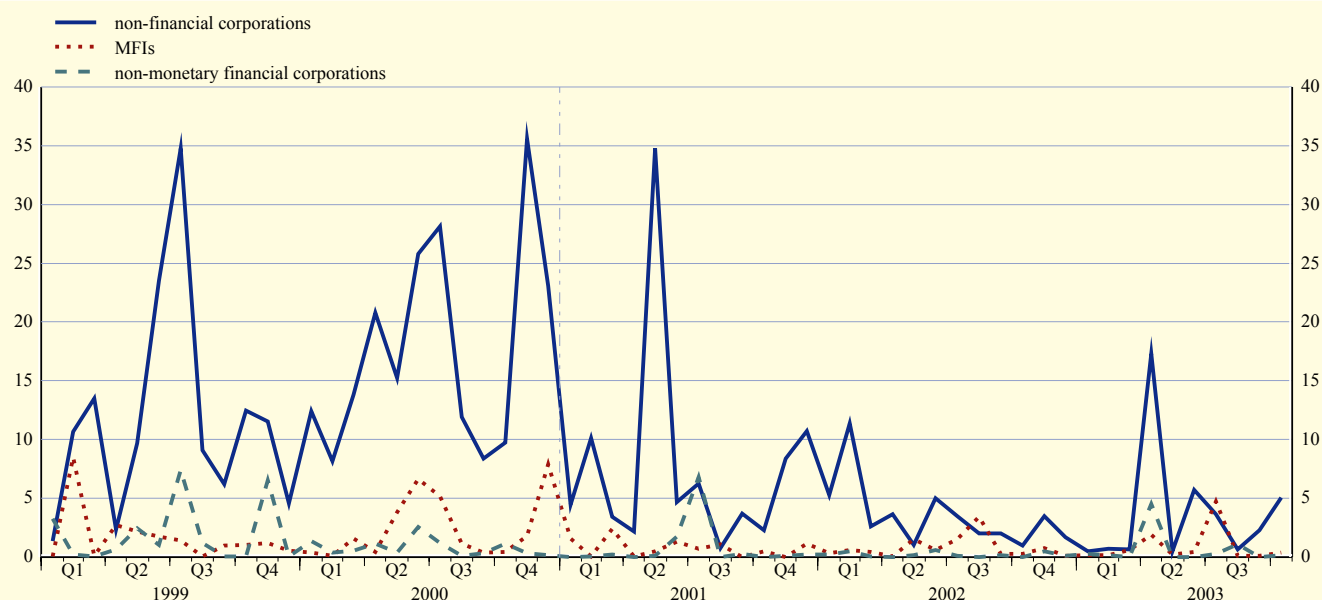
(EUR billions; market values)

##### 2. Transactions during the month

	Total			MFIs			Non-monetary financial corporations			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2001 Oct.	2.7	2.7	0.0	0.5	0.0	0.4	0.0	0.0	0.0	2.3	2.7	-0.4
Nov.	8.5	2.8	5.7	0.0	0.1	-0.1	0.1	0.0	0.1	8.4	2.7	5.7
Dec.	12.0	2.8	9.2	1.1	0.0	1.1	0.2	0.0	0.2	10.7	2.7	8.0
2002 Jan.	5.8	6.6	-0.8	0.3	0.0	0.3	0.2	0.0	0.2	5.3	6.6	-1.3
Feb.	12.4	1.0	11.4	0.6	0.0	0.6	0.5	0.0	0.5	11.3	1.0	10.3
Mar.	3.1	2.2	0.8	0.4	0.0	0.4	0.0	0.0	0.0	2.6	2.2	0.4
Apr.	3.7	0.4	3.3	0.0	0.1	-0.1	0.0	0.0	0.0	3.7	0.3	3.4
May	2.7	0.2	2.5	1.5	0.0	1.5	0.2	0.0	0.2	1.0	0.2	0.9
June	6.1	0.4	5.7	0.6	0.0	0.6	0.6	0.0	0.6	5.0	0.4	4.6
July	5.0	0.3	4.7	1.5	0.1	1.4	0.1	0.0	0.1	3.5	0.2	3.2
Aug.	5.4	5.3	0.2	3.4	4.0	-0.6	0.0	0.0	0.0	2.0	1.2	0.8
Sep.	2.4	0.4	2.0	0.3	0.1	0.1	0.2	0.0	0.2	2.0	0.3	1.7
Oct.	1.2	0.1	1.1	0.3	0.0	0.2	0.0	0.0	0.0	0.9	0.1	0.9
Nov.	4.7	0.7	4.0	0.8	0.4	0.4	0.5	0.0	0.5	3.5	0.3	3.1
Dec.	1.9	0.5	1.4	0.1	0.0	0.1	0.1	0.1	0.0	1.7	0.4	1.3
2003 Jan.	0.9	1.4	-0.5	0.1	0.0	0.1	0.3	0.0	0.3	0.5	1.4	-0.9
Feb.	1.0	1.3	-0.4	0.1	0.0	0.1	0.1	0.8	-0.7	0.7	0.5	0.2
Mar.	1.2	0.7	0.5	0.6	0.1	0.5	0.0	0.0	0.0	0.6	0.5	0.1
Apr.	23.7	4.9	18.8	1.9	0.1	1.7	4.5	0.0	4.5	17.3	4.7	12.6
May	0.7	2.2	-1.5	0.2	0.4	-0.2	0.0	0.0	0.0	0.5	1.7	-1.3
June	6.1	5.2	0.9	0.4	2.8	-2.3	0.0	0.0	0.0	5.7	2.4	3.3
July	8.6	1.8	6.7	4.7	0.2	4.5	0.2	0.0	0.2	3.6	1.6	2.0
Aug.	1.8	1.1	0.8	0.1	0.0	0.1	1.1	0.1	1.0	0.6	0.9	-0.3
Sep.	2.4	1.7	0.7	0.1	0.1	0.0	0.0	1.3	-1.3	2.3	0.3	2.0
Oct.	5.6	3.7	1.8	0.4	0.0	0.3	0.1	0.0	0.1	5.1	3.7	1.4

#### C19 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

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

(percentages per annum; outstanding amounts as end-of-period, new business as period average unless otherwise indicated)

### 1. Interest rates on deposits (new business)

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight <sup>(1)</sup>	With agreed maturity			Redeemable at notice <sup>(1,2)</sup>		Overnight <sup>(1)</sup>	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2003 Jan.	0.89	2.57	2.80	3.23	2.33	3.27	1.18	2.71	3.45	4.30	2.69
Feb.	0.91	2.44	2.67	2.92	2.32	3.23	1.20	2.63	2.91	3.73	2.68
Mar.	0.87	2.34	2.55	2.76	2.28	3.19	1.15	2.50	2.49	3.41	2.57
Apr.	0.84	2.25	2.56	2.82	2.29	3.14	1.12	2.43	2.37	3.29	2.48
May	0.84	2.23	2.39	2.65	2.23	3.10	1.08	2.43	2.31	2.94	2.46
June	0.76	2.00	2.22	2.62	2.21	3.01	1.00	2.10	2.18	3.04	2.14
July	0.68	1.91	2.11	2.34	2.12	2.93	0.88	2.02	2.14	2.73	2.03
Aug.	0.68	1.91	2.13	2.53	1.97	2.88	0.89	2.03	2.28	3.55	1.97
Sep.	0.69	1.87	2.13	2.44	1.98	2.85	0.87	2.00	2.30	3.64	2.00
Oct.	0.70	1.89	2.16	2.51	2.03	2.73	0.89	1.98	2.23	3.71	1.99
Nov.	0.70	1.87	2.24	2.61	2.00	2.70	0.87	1.97	2.34	2.77	1.97

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

	Bank overdraft <sup>(1)</sup>	Consumer credit				Lending for house purchase					Other lending by initial period of fixation		
		By initial period of fixation			Annual percentage rate of charge <sup>(3)</sup>	By initial period of fixation				Annual percentage rate of charge <sup>(3)</sup>	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years				
	1	2	3	4	5	6	7	8	9	10	11	12	13
2003 Jan.	9.88	7.23	7.37	8.36	8.22	4.44	4.77	5.38	5.27	4.98	4.94	5.60	5.51
Feb.	10.27	7.64	7.15	8.37	8.22	4.27	4.59	5.19	5.10	4.88	4.63	5.62	5.42
Mar.	10.02	7.27	7.00	8.28	8.05	4.13	4.41	5.04	5.05	4.70	4.73	5.31	5.37
Apr.	9.89	7.44	6.99	8.32	8.15	4.07	4.32	5.00	5.03	4.67	4.71	5.30	5.33
May	9.86	7.63	6.98	8.34	8.16	3.93	4.29	4.94	4.91	4.56	4.44	5.35	5.32
June	9.89	7.10	6.94	8.28	8.02	3.80	4.16	4.76	4.78	4.42	4.12	4.97	4.91
July	9.76	7.24	7.04	8.20	7.92	3.68	3.92	4.64	4.68	4.33	4.11	4.95	4.98
Aug.	9.74	7.69	6.84	8.28	8.04	3.64	3.96	4.69	4.69	4.41	4.13	5.00	4.98
Sep.	9.75	7.40	6.89	8.04	8.01	3.63	4.10	4.81	4.75	4.41	3.98	5.00	5.11
Oct.	9.72	7.18	6.74	8.07	7.91	3.62	4.02	4.87	4.78	4.40	4.05	5.09	5.21
Nov.	9.64	7.56	6.59	7.93	7.84	3.59	4.09	4.92	4.84	4.41	4.16	5.24	5.17

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

	Bank overdraft <sup>(1)</sup>	Other loans up to EUR 1 million by initial period of fixation			Other loans over EUR 1 million by initial period of fixation			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	
								1
2003 Jan.		6.20	4.88	5.26	5.06	3.70	3.80	4.63
Feb.		6.14	4.74	5.07	5.10	3.62	4.02	4.55
Mar.		6.05	4.54	5.03	5.11	3.56	3.86	4.46
Apr.		5.85	4.57	4.89	5.04	3.49	3.69	4.58
May		5.82	4.47	4.86	4.96	3.40	3.57	4.36
June		5.68	4.20	4.60	4.89	3.14	3.39	4.18
July		5.56	4.15	4.59	4.73	3.07	3.14	4.00
Aug.		5.47	4.17	4.65	4.77	3.18	3.41	4.36
Sep.		5.46	4.08	4.79	4.76	3.11	3.32	4.28
Oct.		5.46	4.14	4.76	4.83	3.08	3.26	4.33
Nov.		5.42	4.10	4.94	4.71	3.02	3.30	4.16

Source: ECB.

- For this instrument category, new business and outstanding amounts coincide. End-of-period.
- For this instrument category, households and non-financial corporations are merged and allocated to the household sector, since the outstanding amounts of non-financial corporations are negligible compared with those of the household sector in all participating Member States combined.
- The annual percentage rate of charge is the weighted average rate across all maturities and equals the total cost of the loans. These total costs comprise an interest rate component and a component of other (related) charges, such as the cost of inquiries, administration, preparation of documents, guarantees, etc.

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

(percentages per annum; outstanding amounts as end-of-period, new business as period average unless otherwise indicated)

#### 4. Interest rates on deposits (outstanding amounts)

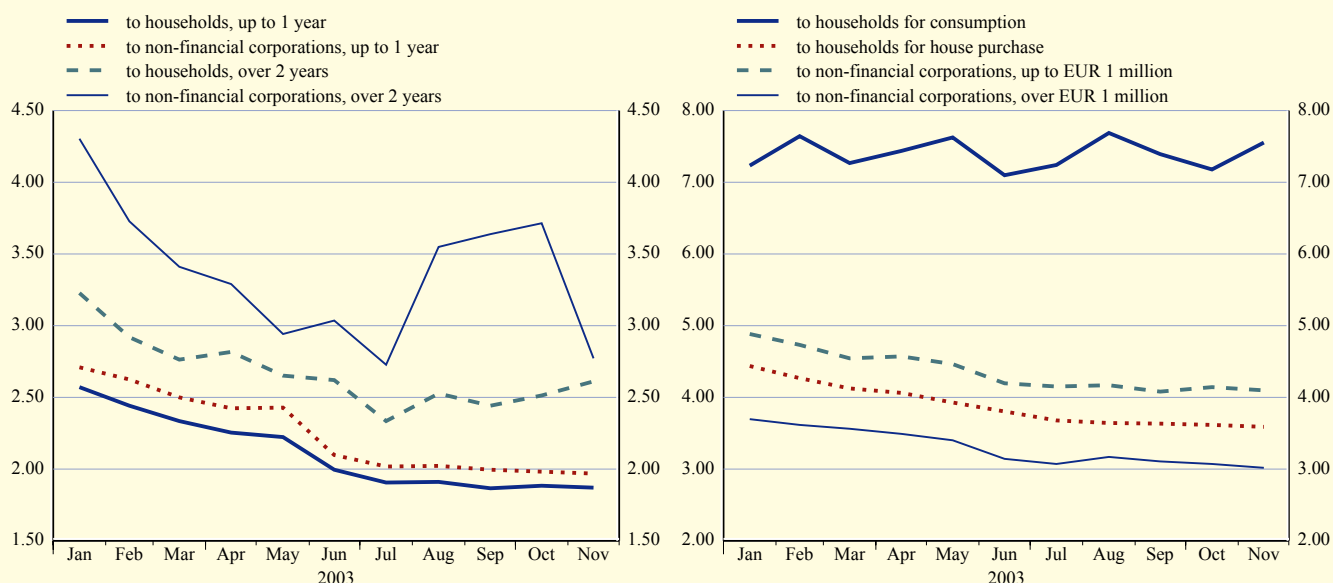
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight <sup>1)</sup>	With agreed maturity		Redeemable at notice <sup>1,2)</sup>		Overnight <sup>1)</sup>	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2003 Jan.	0.89	2.63	3.60	2.33	3.27	1.18	2.81	4.64	2.77
Feb.	0.91	2.55	3.68	2.32	3.23	1.20	2.73	4.73	2.69
Mar.	0.87	2.44	3.54	2.28	3.19	1.15	2.60	4.66	2.52
Apr.	0.84	2.38	3.54	2.29	3.14	1.12	2.52	4.62	2.44
May	0.84	2.33	3.47	2.23	3.10	1.08	2.50	4.50	2.42
June	0.76	2.17	3.47	2.21	3.01	1.00	2.25	4.45	2.19
July	0.68	2.07	3.43	2.12	2.93	0.88	2.23	4.40	2.08
Aug.	0.68	2.03	3.42	1.97	2.88	0.89	2.19	4.26	2.05
Sep.	0.69	2.00	3.44	1.98	2.85	0.87	2.23	4.33	2.04
Oct.	0.70	.	.	2.03	2.73	0.89	.	.	.
Nov.	0.70	.	.	2.00	2.70	0.87	.	.	.

#### 5. Interest rates on loans (outstanding amounts)

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase, with maturity			Consumer credit and other loans, with maturity			With maturity		
	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9
2003 Jan.	5.52	5.41	5.58	8.59	7.51	6.24	5.25	4.83	5.19
Feb.	5.48	5.43	5.62	8.69	7.53	6.23	5.18	4.82	5.25
Mar.	5.46	5.36	5.55	8.64	7.42	6.17	5.00	4.68	5.11
Apr.	5.40	5.26	5.49	8.53	7.45	6.11	4.89	4.61	5.03
May	5.33	5.22	5.44	8.52	7.34	6.09	4.83	4.56	4.94
June	5.30	5.13	5.39	8.47	7.37	6.03	4.72	4.46	4.90
July	5.21	5.07	5.31	8.36	7.27	5.96	4.60	4.32	4.80
Aug.	5.11	4.99	5.25	8.31	7.23	6.07	4.53	4.21	4.74
Sep.	5.05	4.95	5.24	8.33	7.26	6.00	4.55	4.19	4.75
Oct.	.	.	.	.	.	.	.	.	.
Nov.	.	.	.	.	.	.	.	.	.

**C20 New deposits with agreed maturity**  
(percentages per annum excluding charges; period averages)

**C21 New loans at floating rate and up to 1 year initial rate fixation**  
(percentages per annum excluding charges; period averages)



Source: ECB.

## 4.6 Money market interest rates

(percentages per annum; period averages)

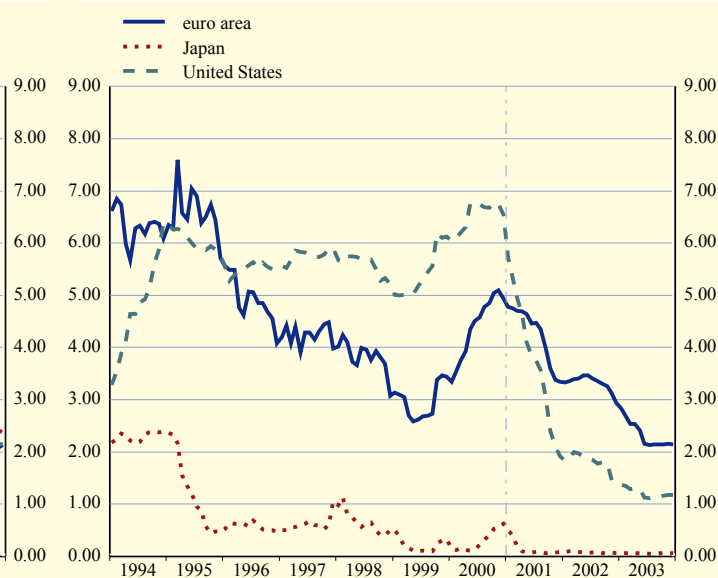
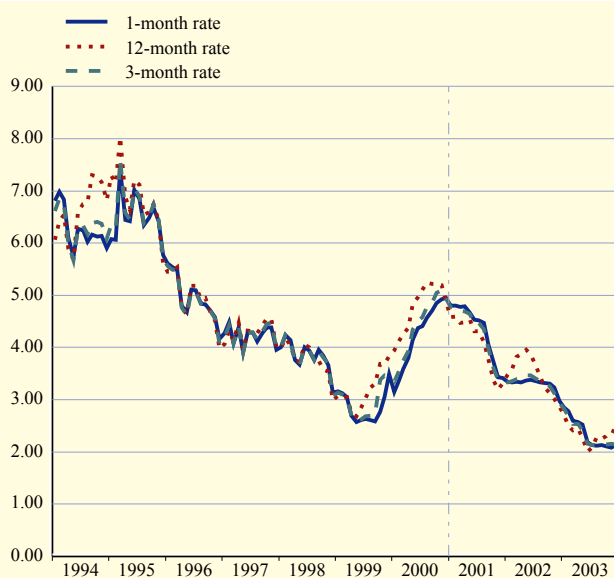
	Euro area <sup>1)</sup>					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2001	4.39	4.33	4.26	4.16	4.09	3.78	0.15
2002	3.29	3.30	3.32	3.35	3.49	1.80	0.08
2003	2.32	2.35	2.33	2.31	2.34	1.22	0.06
2002 Q4	3.24	3.17	3.11	3.03	3.01	1.55	0.07
2003 Q1	2.77	2.75	2.69	2.60	2.55	1.33	0.06
Q2	2.44	2.43	2.37	2.29	2.25	1.24	0.06
Q3	2.07	2.13	2.14	2.15	2.20	1.13	0.05
Q4	2.02	2.11	2.15	2.20	2.36	1.17	0.06
2002 Dec.	3.09	2.98	2.94	2.89	2.87	1.41	0.06
2003 Jan.	2.79	2.86	2.83	2.76	2.71	1.37	0.06
Feb.	2.76	2.77	2.69	2.58	2.50	1.34	0.06
Mar.	2.75	2.60	2.53	2.45	2.41	1.29	0.06
Apr.	2.56	2.58	2.54	2.47	2.45	1.30	0.06
May	2.56	2.52	2.41	2.32	2.26	1.28	0.06
June	2.21	2.18	2.15	2.08	2.01	1.12	0.06
July	2.08	2.13	2.13	2.09	2.08	1.11	0.05
Aug.	2.10	2.12	2.14	2.17	2.28	1.14	0.05
Sep.	2.02	2.13	2.15	2.18	2.26	1.14	0.05
Oct.	2.01	2.10	2.14	2.17	2.30	1.16	0.06
Nov.	1.97	2.09	2.16	2.22	2.41	1.17	0.06
Dec.	2.06	2.13	2.15	2.20	2.38	1.17	0.06

### C22 Euro area money market rates

(monthly; percentages per annum)

### C23 3-month money market rates

(monthly; percentages per annum)



Source: ECB.

1) Before January 1999 synthetic euro area rates were calculated on the basis of national rates weighted by GDP. For further information, see general notes.

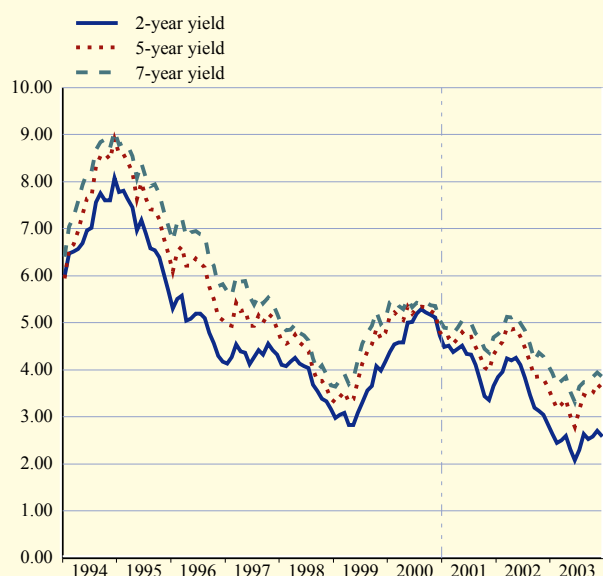
### 4.7 Government bond yields <sup>1)</sup>

(percentages per annum; period averages)

	Euro area					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
2001	4.11	4.23	4.49	4.78	5.03	5.01	1.34
2002	3.67	3.94	4.35	4.70	4.92	4.59	1.27
2003	2.49	2.74	3.32	3.74	4.16	4.00	1.00
2002 Q4	3.00	3.27	3.77	4.25	4.54	3.99	1.02
2003 Q1	2.53	2.71	3.29	3.80	4.16	3.91	0.80
Q2	2.33	2.54	3.07	3.57	3.96	3.61	0.60
Q3	2.48	2.77	3.34	3.70	4.16	4.21	1.19
Q4	2.62	2.91	3.59	3.88	4.36	4.27	1.38
2002 Dec.	2.84	3.08	3.63	4.10	4.41	4.03	0.97
2003 Jan.	2.64	2.85	3.40	3.93	4.27	4.02	0.84
Feb.	2.45	2.61	3.18	3.68	4.06	3.90	0.83
Mar.	2.50	2.66	3.26	3.76	4.13	3.79	0.74
Apr.	2.59	2.81	3.38	3.85	4.23	3.94	0.66
May	2.31	2.53	3.02	3.54	3.92	3.56	0.57
June	2.08	2.29	2.79	3.32	3.72	3.32	0.56
July	2.30	2.56	3.15	3.65	4.06	3.93	0.99
Aug.	2.63	2.91	3.47	3.74	4.20	4.44	1.15
Sep.	2.53	2.87	3.42	3.72	4.23	4.29	1.45
Oct.	2.59	2.88	3.50	3.85	4.31	4.27	1.40
Nov.	2.70	2.99	3.70	3.94	4.44	4.29	1.38
Dec.	2.58	2.88	3.59	3.85	4.36	4.26	1.35

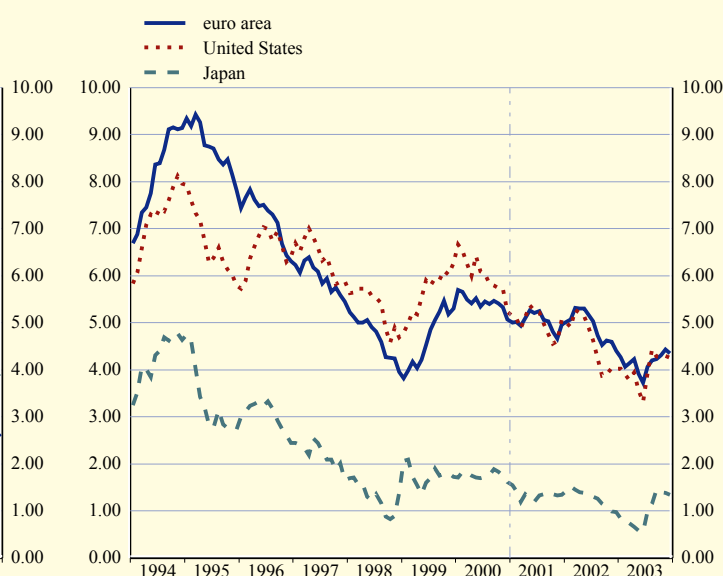
#### C24 Euro area government bond yields

(monthly; percentages per annum)



#### C25 10-year government bond yields

(monthly; percentages per annum)



Source: ECB.

1) 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.

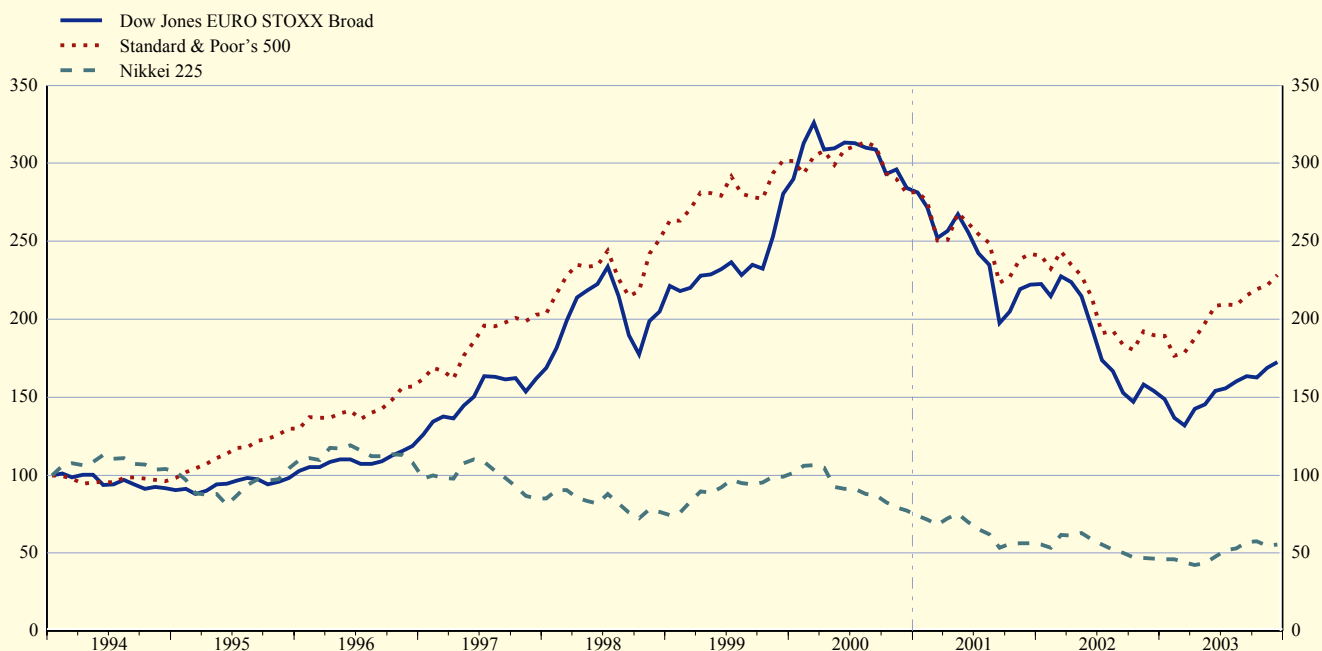
## 4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices												United States	Japan
	Benchmark		Main economic sector indices										Standard & Poor's 500	Nikkei 225
	Broad	50	Basic materials	Consumer cyclical	Consumer non-cyclical	Energy	Financial	Industrial	Technology	Utilities	Telecom.	Healthcare		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2001	336.3	4,049.4	296.0	228.2	303.3	341.4	321.6	310.0	530.5	309.6	541.2	540.1	1,193.8	12,114.8
2002	259.9	3,023.4	267.5	175.0	266.5	308.9	243.3	252.4	345.1	255.5	349.2	411.8	995.4	10,119.3
2003	213.3	2,404.5	212.5	137.5	209.7	259.5	199.3	213.5	275.1	210.7	337.5	304.4	964.8	9,312.9
2002 Q4	212.4	2,472.9	221.3	140.0	232.6	271.1	189.7	202.6	265.3	210.7	311.3	339.0	887.9	8,718.5
2003 Q1	193.0	2,211.6	191.7	122.6	201.7	249.5	174.4	188.6	235.0	197.9	310.7	287.8	859.7	8,424.7
Q2	204.4	2,341.5	198.3	126.8	204.2	255.2	189.9	199.3	260.5	208.7	330.1	303.9	937.8	8,304.5
Q3	221.8	2,512.4	225.2	144.6	212.9	265.9	210.0	225.0	286.0	216.1	347.6	304.4	1,000.3	10,066.4
Q4	233.0	2,613.9	233.7	155.2	219.1	266.5	221.9	240.2	317.8	219.5	360.4	320.0	1,056.7	10,413.8
2002 Dec.	213.6	2,475.1	225.3	139.4	226.5	268.8	194.2	205.2	270.4	207.3	322.5	324.4	899.1	8,674.8
2003 Jan.	206.3	2,377.4	213.0	130.9	220.2	262.4	186.5	198.5	250.2	210.0	330.0	313.8	896.0	8,567.4
Feb.	189.8	2,170.9	185.8	121.5	196.5	245.1	172.2	186.0	226.5	198.1	309.4	274.3	836.6	8,535.8
Mar.	183.0	2,086.5	176.1	115.4	188.4	241.1	164.5	181.2	228.2	185.6	292.8	275.2	846.6	8,171.0
Apr.	197.9	2,278.2	193.4	122.5	203.9	250.0	181.0	192.0	251.6	201.0	324.8	288.7	889.6	7,895.7
May	202.0	2,303.0	196.4	124.9	202.3	249.6	187.4	198.5	258.2	208.3	324.9	304.2	935.8	8,122.1
June	213.5	2,443.3	205.0	133.0	206.5	266.1	201.2	207.4	271.5	216.7	340.7	318.9	988.0	8,895.7
July	216.1	2,459.8	218.8	138.1	205.5	260.1	206.1	216.0	274.2	214.6	340.9	306.8	992.6	9,669.8
Aug.	222.3	2,524.1	227.2	144.6	211.9	268.6	211.6	227.0	281.7	217.0	352.4	293.2	989.5	9,884.6
Sep.	226.8	2,553.3	229.5	151.2	221.4	269.0	212.1	232.0	302.1	216.6	349.6	313.2	1,018.9	10,644.8
Oct.	225.5	2,523.3	222.0	150.1	218.9	263.0	212.9	231.5	308.0	210.8	348.4	309.7	1,038.7	10,720.1
Nov.	233.9	2,618.1	237.5	156.8	222.1	262.0	223.0	241.5	325.4	217.0	358.7	319.3	1,050.1	10,205.4
Dec.	239.4	2,700.3	241.5	158.8	216.3	274.6	229.9	247.8	319.8	230.7	374.1	331.1	1,081.2	10,315.9

### C26 Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225

(January 1994 = 100; monthly averages)



Source: ECB.

# PRICES, OUTPUT, DEMAND AND LABOUR MARKETS



## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

### 1. Harmonised Index of Consumer Prices <sup>1)</sup>

	Total				Total (s.a., percentage change on previous period)					
	Index 1996 = 100	Total	Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services
% of total <sup>2)</sup>	100.0	100.0	59.1	40.9	100.0	11.7	7.6	31.6	8.2	40.9
	1	2	3	4	5	6	7	8	9	10
1999	103.8	1.1	0.9	1.5	-	-	-	-	-	-
2000	106.0	2.1	2.5	1.5	-	-	-	-	-	-
2001	108.5	2.3	2.3	2.5	-	-	-	-	-	-
2002	110.9	2.3	1.7	3.1	-	-	-	-	-	-
2002 Q3	111.1	2.1	1.3	3.3	0.4	0.7	-0.1	0.2	-0.1	0.8
Q4	111.7	2.3	1.8	3.1	0.5	0.5	0.6	0.3	0.3	0.7
2003 Q1	112.5	2.3	2.0	2.7	0.8	1.2	0.7	0.1	4.4	0.5
Q2	113.2	1.9	1.5	2.6	0.2	0.7	0.3	0.3	-2.9	0.6
Q3	113.4	2.0	1.7	2.4	0.5	0.6	1.7	0.1	0.5	0.6
2003 July	113.1	1.9	1.6	2.3	0.1	0.2	0.0	0.0	0.6	0.1
Aug.	113.3	2.1	1.7	2.5	0.3	0.2	0.9	0.0	1.0	0.4
Sep.	113.7	2.2	1.8	2.5	0.3	0.2	1.4	0.2	-0.1	0.3
Oct.	113.8	2.0	1.7	2.5	0.1	0.5	-0.1	0.1	-0.3	0.1
Nov.	113.9	2.2	2.0	2.4	0.1	0.6	0.1	0.0	-0.2	0.1
Dec. <sup>3)</sup>	.	2.1	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy	Rents					
% of total <sup>2)</sup>	19.3	11.7	7.6	39.8	31.6	8.2	10.4	6.4	6.3	2.9	14.9	6.4
	11	12	13	14	15	16	17	18	19	20	21	22
1999	0.6	0.9	0.0	1.0	0.7	2.4	1.8	1.7	2.1	-4.4	2.0	1.8
2000	1.4	1.2	1.8	3.0	0.5	13.0	1.5	1.3	2.5	-7.1	2.4	2.5
2001	4.5	2.9	7.0	1.2	0.9	2.2	1.8	1.4	3.6	-4.1	3.6	2.7
2002	3.1	3.1	3.1	1.0	1.5	-0.6	2.4	2.0	3.2	-0.3	4.2	3.4
2002 Q3	2.3	2.9	1.3	0.8	1.3	-0.7	2.4	2.1	3.4	0.0	4.3	3.5
Q4	2.2	2.6	1.6	1.6	1.2	2.9	2.5	2.1	3.0	-0.2	4.0	3.4
2003 Q1	1.9	3.1	0.1	2.0	0.7	7.0	2.4	2.1	3.2	-0.8	3.0	3.7
Q2	2.5	3.3	1.5	1.0	0.9	1.5	2.4	2.1	3.0	-0.5	2.9	3.5
Q3	3.2	3.1	3.4	1.0	0.7	2.1	2.4	1.9	2.8	-0.4	2.6	3.2
2003 July	3.0	3.1	2.7	1.0	0.7	2.0	2.4	2.0	2.6	-0.5	2.3	3.3
Aug.	3.1	3.0	3.3	1.0	0.6	2.7	2.3	1.9	2.8	-0.4	2.7	3.2
Sep.	3.6	3.2	4.2	1.0	0.8	1.6	2.4	2.0	3.1	-0.3	2.7	3.2
Oct.	3.7	3.5	3.9	0.8	0.8	0.7	2.2	1.9	2.9	-0.8	2.7	3.4
Nov.	4.0	3.9	4.0	1.0	0.7	2.2	2.2	1.9	2.8	-0.5	2.5	3.2
Dec.	.	.	.	.	.	.	.	.	.	.	.	.

Sources: Eurostat and ECB calculations.

1) Data prior to 2001 refer to the Euro 11.

2) Referring to the index period 2003. Due to rounding, component weights might not add up to the total.

3) Estimate based on first releases by Germany and Italy (and, when available, by other Member States), as well as on early information on energy prices.



## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

### 2. Industry and commodity prices

	Industrial producer prices										World market prices of raw materials <sup>1)</sup>	Oil prices <sup>2)</sup> (EUR per barrel)		
	Industry excluding construction									Construction <sup>3)</sup>			Manufacturing	
	Total (index 2000 = 100)	Total	Industry excluding construction and energy						Energy	Total	Total excluding energy			
			Total	Intermediate goods	Capital goods	Consumer goods								
						Total	Durable	Non-durable						
% of total <sup>4)</sup>	100.0	100.0	82.5	31.6	21.3	29.5	4.0	25.5	17.5	89.5	100.0	32.8		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2000	100.0	5.3	2.6	5.0	0.6	1.6	1.4	1.6	17.2	2.5	4.8	51.9	20.4	31.0
2001	102.1	2.1	1.7	1.2	0.8	3.0	1.9	3.2	2.7	2.2	1.2	-8.3	-8.1	27.8
2002	102.0	-0.1	0.4	-0.3	0.8	1.3	1.5	1.2	-2.0	2.7	0.3	-4.1	-0.9	26.5
2003	.	.	.	.	.	.	.	.	.	.	.	-4.0	-4.5	25.1
2002 Q4	102.5	1.2	0.9	1.0	0.7	1.3	1.2	1.4	2.8	3.0	1.4	12.6	5.6	26.5
2003 Q1	103.9	2.4	1.1	1.6	0.2	1.4	0.8	1.5	7.6	2.2	2.2	9.1	-3.2	28.4
Q2	103.4	1.5	0.9	1.2	0.3	1.2	0.5	1.3	2.8	2.6	0.7	-13.7	-7.9	22.7
Q3	103.4	1.2	0.5	0.0	0.4	0.9	0.4	1.0	3.5	.	0.5	-6.5	-5.8	25.1
Q4	.	.	.	.	.	.	.	.	.	.	.	-4.2	-1.2	24.5
2003 July	103.3	1.3	0.6	0.2	0.4	0.9	0.5	0.9	3.8	-	0.6	-4.4	-7.5	25.0
Aug.	103.5	1.3	0.5	-0.1	0.4	0.9	0.3	1.0	4.5	-	0.5	-2.9	-5.2	26.5
Sep.	103.5	1.1	0.6	0.0	0.5	1.1	0.4	1.2	2.3	-	0.3	-11.8	-4.7	23.9
Oct.	103.6	0.9	0.6	0.1	0.5	1.0	0.4	1.0	1.7	-	0.3	-8.2	-3.7	24.7
Nov.	103.6	1.4	0.7	0.3	0.5	1.1	0.3	1.2	3.4	-	0.8	1.1	0.2	24.6
Dec.	.	.	.	.	.	.	.	.	.	-	.	-5.0	-0.2	24.0

### 3. Hourly labour costs<sup>5)</sup>

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo item: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
	1	2	3	4	5	6	7	8
1999	97.1	2.2	2.5	1.3	2.2	2.8	1.9	2.3
2000	100.0	3.0	3.3	2.2	3.3	3.3	2.8	2.2
2001	103.3	3.3	3.5	2.9	3.1	3.6	3.6	2.6
2002	106.9	3.5	3.3	3.8	3.2	3.5	3.6	2.7
2002 Q3	107.3	3.2	3.1	3.6	2.9	3.3	3.3	2.6
Q4	108.2	3.5	3.4	3.9	3.5	3.1	3.4	2.7
2003 Q1	108.9	3.1	2.9	3.7	3.1	3.0	2.6	2.7
Q2	109.8	3.3	3.2	3.8	3.9	4.0	3.2	2.4
Q3	110.6	3.0	2.9	3.3	3.3	3.4	2.7	2.5

Sources: Eurostat, except columns 12 and 13 (HWWA - Hamburg Institute of International Economics), column 14 (Thomson Financial Datastream) in table 5.1.2, and column 7 (ECB calculations based on Eurostat data) and column 8 in table 5.1.3 (ECB calculations).

1) Refers to the prices expressed in euro.

2) Brent Blend (for one-month forward delivery).

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

4) In 2000.

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

## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated; seasonally adjusted)

## 4. Unit labour costs, compensation per employee and labour productivity

	Total (index 2000 = 100)	Total	By economic activity						
			Agriculture, hunting, forestry and fishing	Mining, manufacturing, and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services		
	1	2	3	4	5	6	7	8	
Unit labour costs <sup>1)</sup>									
1999	98.8	1.0	-3.1	0.7	1.3	-0.4	3.8	2.2	
2000	100.0	1.2	1.5	-0.4	1.9	-0.5	4.5	1.5	
2001	102.5	2.5	3.1	2.5	3.9	1.2	2.5	2.8	
2002	104.7	2.1	1.6	0.6	3.2	1.8	2.2	3.6	
2002 Q3	104.8	1.9	-1.4	0.4	2.9	1.4	2.0	3.8	
Q4	105.5	1.5	5.1	-0.5	3.4	1.2	2.4	2.5	
2003 Q1	106.3	2.0	3.9	0.6	4.4	1.9	2.6	2.0	
Q2	107.1	2.7	7.8	2.2	4.4	3.0	3.2	1.7	
Q3	107.3	2.4	6.5	1.2	2.8	2.4	2.3	2.2	
Compensation per employee									
1999	97.5	2.0	2.0	2.0	1.8	1.8	1.5	2.3	
2000	100.0	2.6	2.9	3.1	2.4	1.4	3.1	2.4	
2001	102.8	2.8	2.6	2.9	3.0	2.8	1.5	3.2	
2002	105.4	2.6	2.9	2.9	3.1	2.5	1.9	2.6	
2002 Q3	105.8	2.5	-0.5	3.1	2.7	2.4	1.9	2.6	
Q4	106.4	2.5	3.9	3.2	2.7	2.6	2.2	1.9	
2003 Q1	107.2	2.6	4.0	3.4	2.8	2.6	2.3	2.1	
Q2	107.8	2.7	7.7	3.1	3.7	3.0	2.3	2.0	
Q3	108.4	2.5	5.7	2.6	3.0	2.3	1.7	2.9	
Labour productivity <sup>2)</sup>									
1999	98.7	1.0	5.3	1.3	0.6	2.2	-2.2	0.1	
2000	100.0	1.3	1.3	3.5	0.5	2.0	-1.3	0.9	
2001	100.2	0.2	-0.5	0.3	-0.9	1.6	-1.0	0.4	
2002	100.7	0.4	1.2	2.2	-0.1	0.7	-0.2	-0.9	
2002 Q3	100.9	0.6	0.9	2.6	-0.2	1.0	-0.1	-1.1	
Q4	100.9	0.9	-1.2	3.8	-0.7	1.3	-0.2	-0.6	
2003 Q1	100.8	0.6	0.1	2.8	-1.6	0.7	-0.3	0.1	
Q2	100.7	0.0	-0.1	0.9	-0.7	0.0	-0.9	0.3	
Q3	101.1	0.2	-0.8	1.4	0.2	-0.1	-0.6	0.6	

## 5. Gross Domestic Product deflators

	Total (index 2000 = 100)	Total	Domestic demand			Exports <sup>3)</sup>	Imports <sup>3)</sup>	
			Total	Private consumption	Government consumption			Gross fixed capital formation
	1	2	3	4	5	6	7	8
1999	98.6	1.1	1.2	1.1	2.0	0.9	-0.5	-0.3
2000	100.0	1.4	2.6	2.2	2.7	2.7	4.7	8.3
2001	102.5	2.5	2.2	2.4	2.5	2.0	1.4	0.8
2002	104.9	2.4	2.1	2.8	1.9	1.8	-0.6	-1.7
2002 Q3	105.2	2.6	1.9	2.7	1.9	1.7	-0.2	-2.3
Q4	105.7	2.2	2.2	2.7	1.7	1.9	-0.2	-0.4
2003 Q1	106.3	2.0	2.0	2.3	1.8	1.4	0.3	0.3
Q2	106.9	2.2	1.8	1.7	1.8	1.3	-0.6	-1.7
Q3	107.6	2.3	2.0	1.7	2.6	1.5	-0.5	-1.3

Sources: ECB calculations based on Eurostat data.

- 1) Compensation (at current prices) per employee divided by value added (at constant prices) per person employed.
- 2) Value added (at constant prices) per person employed.
- 3) Deflators for exports and imports refer to goods and services and include cross-border trade within the euro area.

## 5.2 Output and demand

### 1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance <sup>2)</sup>		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories <sup>1)</sup>	Total	Exports <sup>2)</sup>	Imports <sup>2)</sup>
1	2	3	4	5	6	7	8	9	
<i>Current prices (EUR billions, seasonally adjusted)</i>									
1999	6,268.2	6,177.0	3,589.7	1,247.5	1,319.1	20.7	91.2	2,077.8	1,986.6
2000	6,576.1	6,519.5	3,765.3	1,306.9	1,420.2	27.0	56.6	2,448.7	2,392.1
2001	6,844.2	6,730.5	3,922.6	1,371.4	1,444.8	-8.2	113.7	2,564.8	2,451.1
2002	7,070.8	6,887.5	4,034.9	1,435.7	1,429.3	-12.4	183.4	2,594.0	2,410.7
2002 Q3	1,776.5	1,726.8	1,013.3	361.4	356.4	-4.3	49.7	657.4	607.7
Q4	1,784.9	1,740.1	1,021.5	363.6	358.8	-3.8	44.8	657.3	612.5
2003 Q1	1,794.6	1,758.9	1,033.6	366.5	355.4	3.3	35.7	649.1	613.5
Q2	1,802.2	1,765.7	1,035.4	370.2	354.7	5.3	36.5	636.8	600.3
Q3	1,821.4	1,767.6	1,041.3	376.6	355.4	-5.6	53.8	651.0	597.2
<i>percentage of GDP</i>									
2002	100.0	97.4	57.1	20.3	20.2	-0.2	2.6	-	-
<i>Constant prices (ECU billions at 1995 prices, seasonally adjusted)</i>									
<i>quarter-on-quarter percentage changes</i>									
2002 Q3	0.2	0.2	0.3	0.6	0.1	-	-	1.4	1.6
Q4	0.0	0.3	0.3	0.2	0.3	-	-	-0.2	0.6
2003 Q1	0.0	0.4	0.5	0.4	-1.2	-	-	-1.4	-0.5
Q2	-0.1	0.1	0.1	0.5	-0.6	-	-	-0.9	-0.3
Q3	0.4	-0.4	0.1	0.5	-0.3	-	-	2.0	-0.1
<i>annual percentage changes</i>									
1999	2.8	3.5	3.5	1.9	6.0	-	-	5.3	7.6
2000	3.5	2.9	2.7	2.1	4.9	-	-	12.6	11.2
2001	1.6	1.0	1.8	2.4	-0.2	-	-	3.3	1.8
2002	0.9	0.2	0.1	2.8	-2.9	-	-	1.7	0.1
2002 Q3	1.0	0.4	0.0	3.1	-3.0	-	-	3.4	2.1
Q4	1.1	0.9	0.7	2.2	-1.9	-	-	4.1	3.8
2003 Q1	0.7	1.3	1.6	2.0	-2.3	-	-	2.5	4.2
Q2	0.1	1.0	1.3	1.7	-1.4	-	-	-1.1	1.3
Q3	0.3	0.3	1.1	1.6	-1.7	-	-	-0.5	-0.4
<i>contributions to annual percentage changes of GDP in percentage points</i>									
1999	2.8	3.4	2.0	0.4	1.3	-0.2	-0.6	-	-
2000	3.5	2.9	1.5	0.4	1.1	-0.1	0.6	-	-
2001	1.6	1.0	1.0	0.5	0.0	-0.5	0.6	-	-
2002	0.9	0.2	0.1	0.5	-0.6	0.2	0.6	-	-
2002 Q3	1.0	0.4	0.0	0.6	-0.6	0.4	0.6	-	-
Q4	1.1	0.9	0.4	0.4	-0.4	0.5	0.2	-	-
2003 Q1	0.7	1.2	0.9	0.4	-0.5	0.4	-0.5	-	-
Q2	0.1	1.0	0.7	0.3	-0.3	0.2	-0.9	-	-
Q3	0.3	0.3	0.6	0.3	-0.4	-0.2	-0.1	-	-

Source: Eurostat.

1) Including acquisitions less disposals of valuables.

2) Exports and imports cover goods and services and include cross-border intra-euro area trade. They are not fully consistent with Table 7.3.1.

## 5.2 Output and demand

## 2. Value added by economic activity

	Gross value added (basic prices)							Intermediate consumption of FISIM <sup>1)</sup>	Taxes less subsidies on products
	Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities	Public administration, education, health and other services		
	1	2	3	4	5	6	7	8	9
<i>Current prices (EUR billions, seasonally adjusted)</i>									
1999	5,795.8	145.1	1,311.3	319.2	1,215.5	1,557.3	1,247.3	205.2	677.6
2000	6,084.0	145.8	1,369.1	337.0	1,281.2	1,651.4	1,299.6	212.6	704.6
2001	6,348.9	151.2	1,412.4	351.6	1,350.4	1,722.8	1,360.6	221.8	717.0
2002	6,555.9	149.6	1,428.9	362.3	1,385.4	1,803.4	1,426.2	227.0	742.0
2002 Q3	1,645.8	37.3	359.4	90.4	347.8	452.6	358.4	56.6	187.3
Q4	1,653.4	37.2	357.9	91.4	349.1	456.1	361.6	57.5	189.0
2003 Q1	1,661.0	37.5	359.7	91.7	347.7	459.7	364.6	57.7	191.3
Q2	1,668.5	38.1	355.4	92.8	351.1	464.2	367.0	58.5	192.2
Q3	1,687.5	38.7	359.8	93.9	353.4	469.4	372.3	58.8	192.7
<i>percentage of value added</i>									
2002	100.0	2.3	21.8	5.5	21.1	27.5	21.8	-	-
<i>Constant prices (ECU billions at 1995 prices, seasonally adjusted)</i>									
<i>quarter-on-quarter percentage changes</i>									
2002 Q3	0.2	-0.2	0.1	0.0	0.4	0.1	0.2	1.2	1.1
Q4	0.0	-0.8	-0.4	0.0	0.1	0.1	0.5	0.9	0.3
2003 Q1	0.0	-0.6	0.3	-0.8	-0.2	-0.1	0.4	0.2	-0.3
Q2	-0.1	-0.5	-0.9	0.0	0.1	0.1	0.3	0.4	0.2
Q3	0.4	-0.6	0.6	0.3	0.5	0.4	0.4	1.7	0.4
<i>annual percentage changes</i>									
1999	2.7	2.8	1.0	2.4	4.4	3.3	2.0	4.2	4.6
2000	3.8	-0.3	4.0	2.4	5.2	4.4	2.5	7.1	1.9
2001	1.9	-1.2	0.7	-0.5	3.2	2.8	1.7	4.4	0.2
2002	1.0	-1.0	0.8	-1.0	1.1	2.1	0.6	-0.1	-1.0
2002 Q3	1.0	-1.2	1.3	-1.4	1.1	2.0	0.4	-0.3	-0.3
Q4	1.2	-3.2	2.0	-1.7	1.4	1.6	0.9	0.7	0.2
2003 Q1	0.8	-2.1	1.0	-2.3	0.8	1.1	1.3	2.1	0.7
Q2	0.1	-2.1	-1.0	-0.8	0.4	0.2	1.4	2.8	1.4
Q3	0.4	-2.5	-0.5	-0.5	0.5	0.5	1.6	3.2	0.7
<i>contributions to annual percentage changes of value added in percentage points</i>									
1999	2.7	0.1	0.2	0.1	0.9	0.9	0.4	-	-
2000	3.8	0.0	0.9	0.1	1.1	1.1	0.5	-	-
2001	1.9	0.0	0.2	0.0	0.7	0.7	0.4	-	-
2002	1.0	0.0	0.2	-0.1	0.2	0.5	0.1	-	-
2002 Q3	1.0	0.0	0.3	-0.1	0.2	0.5	0.1	-	-
Q4	1.2	-0.1	0.4	-0.1	0.3	0.4	0.2	-	-
2003 Q1	0.8	-0.1	0.2	-0.1	0.2	0.3	0.3	-	-
Q2	0.1	-0.1	-0.2	0.0	0.1	0.0	0.3	-	-
Q3	0.4	-0.1	-0.1	0.0	0.1	0.1	0.3	-	-

Source: Eurostat.

1) The use of financial intermediation services indirectly measured (FISIM) is treated as intermediate consumption which is not allocated among branches.

## 5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

### 3. Industrial production

	Total		Industry excluding construction							Construction	Manufacturing	
	Total (s.a. index 2000 = 100)	Total	Industry excluding construction and energy						Energy			
			Total	Intermediate goods	Capital goods	Consumer goods						
						Total	Durable	Non-durable				
% of total <sup>1)</sup>	100.0	82.9	82.9	74.0	30.0	22.4	21.5	3.6	17.9	8.9	17.1	75.0
	1	2	3	4	5	6	7	8	9	10	11	12
1999	2.1	95.0	1.9	1.9	1.9	2.3	1.6	1.5	1.5	0.9	4.1	1.9
2000	4.8	100.1	5.3	5.3	5.9	8.4	2.1	6.1	1.2	2.0	2.4	5.6
2001	0.4	100.6	0.5	0.3	-0.5	1.5	0.6	-1.8	1.2	1.6	0.5	0.4
2002	-0.5	100.1	-0.5	-0.7	0.4	-1.9	-0.4	-5.3	0.6	1.1	0.6	-0.7
2002 Q3	0.0	100.4	0.1	-0.2	1.3	-1.0	-0.7	-4.1	0.1	1.8	0.5	0.0
Q4	0.9	100.2	1.3	1.5	2.7	1.4	0.9	-4.0	1.8	-0.5	-0.6	1.6
2003 Q1	0.8	100.4	1.1	0.8	1.4	1.5	-0.6	-4.8	0.0	4.7	-2.3	0.9
Q2	-0.5	99.9	-0.7	-1.2	-0.3	-2.0	-1.5	-5.9	-0.4	2.0	-0.2	-1.2
Q3	-0.4	100.2	-0.2	-0.6	-0.2	-1.2	0.1	-4.5	0.8	2.0	-0.6	-0.6
2003 May	-1.0	99.6	-1.2	-1.5	-0.9	-1.0	-3.0	-6.3	-2.4	0.9	-0.5	-1.3
June	-1.0	99.6	-1.5	-1.8	-0.5	-4.2	-1.2	-6.4	-0.4	2.0	1.0	-1.9
July	0.9	100.7	0.8	0.5	0.4	1.2	1.3	-3.0	2.2	1.0	2.2	0.7
Aug.	-0.6	100.2	-0.3	-1.0	0.7	-3.3	0.2	-4.8	1.0	3.4	0.1	-1.0
Sep.	-1.6	99.8	-1.2	-1.5	-1.4	-1.9	-1.2	-5.7	-0.7	1.6	-3.7	-1.5
Oct.	.	101.0	1.2	1.1	1.4	2.3	-1.0	-2.6	-0.6	2.0	.	1.2
<i>month-on-month percentage changes (s.a.)</i>												
2003 May	-0.7	-	-0.9	-1.0	-1.0	-1.1	-0.8	-1.7	-1.5	-0.8	-0.7	-0.8
June	0.1	-	0.0	0.0	0.2	-1.1	0.7	0.5	0.6	2.1	1.0	-0.2
July	0.8	-	1.1	1.3	0.8	2.6	0.6	2.2	1.1	-0.4	1.0	1.4
Aug.	-0.7	-	-0.6	-0.8	0.2	-1.6	-0.4	-2.6	-0.3	1.0	-1.9	-0.9
Sep.	-0.3	-	-0.4	-0.3	-0.9	-0.2	-0.6	0.3	-1.0	-1.9	-1.9	-0.2
Oct.	.	-	1.2	1.4	1.2	2.6	0.3	0.9	0.3	1.4	.	1.3

### 4. Retail sales and passenger car registrations

	Retail sales (s.a.)								New passenger car registrations	
	Current prices				Constant prices				Total (s.a. thousands <sup>2)</sup> )	Total
	Total (index 2000 = 100)	Total	Total (index 2000 = 100)	Total	Food, beverages, tobacco	Non-food				
						Textiles, clothing, footwear	Household equipment			
% of total <sup>1)</sup>	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8	9	10
	1	2	3	4	5	6	7	8	9	10
1999	95.9	3.1	97.7	2.3	2.9	2.2	1.4	2.5	995	6.0
2000	99.9	4.1	100.0	2.3	1.8	2.2	1.7	4.4	976	-1.8
2001	104.1	4.2	101.7	1.7	1.8	1.5	0.8	-0.2	968	-0.8
2002	106.1	1.9	101.7	0.0	0.9	-0.3	-1.9	-1.8	926	-4.3
2002 Q3	106.7	1.9	102.3	0.4	1.2	0.3	-2.2	-0.6	919	-4.7
Q4	106.6	1.5	101.7	-0.1	1.2	-0.7	-1.3	-2.5	947	0.2
2003 Q1	108.0	2.7	102.4	0.9	2.5	0.5	-1.8	0.2	898	-2.6
Q2	107.6	1.8	102.1	0.9	1.7	-0.2	-1.6	0.3	891	-2.8
Q3	107.7	0.9	101.8	-0.5	1.1	-1.6	-4.7	-0.8	929	1.4
2003 June	107.8	1.8	101.8	0.5	1.3	-0.3	-1.4	0.2	920	0.8
July	107.8	1.4	102.0	-0.1	0.9	-1.0	-2.1	-1.2	926	2.6
Aug.	107.4	0.2	101.6	-1.1	1.3	-2.7	-7.7	-1.3	922	-0.9
Sep.	107.9	1.1	101.8	-0.2	0.9	-1.1	-4.3	0.1	939	1.7
Oct.	108.3	0.9	102.4	0.1	0.6	-0.7	-1.3	-0.1	929	-0.1
Nov.	.	.	.	.	.	.	.	.	934	0.1

Sources: Eurostat, except columns 9 and 10 in table 5.2.4 (ECB calculations based on data from the ACEA, European Automobile Manufacturers' Association).

1) In 2000.

2) Annual and quarterly figures are averages of monthly figures in the period concerned.

## 5.2 Output and demand

(percentage balances,<sup>1)</sup> unless otherwise indicated; seasonally adjusted)

## 5. Business and Consumer Surveys

	Economic sentiment indicator <sup>2)</sup> (index 2000 = 100)	Manufacturing industry					Consumer confidence indicator				
		Industrial confidence indicator				Capacity utilisation <sup>3)</sup> (percentages)	Total <sup>4)</sup>	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total <sup>4)</sup>	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
1999	97.6	-7	-16	11	6	82.6	-3	3	-4	11	1
2000	100.0	5	2	4	16	84.5	1	4	1	1	2
2001	97.0	-9	-15	14	1	82.9	-5	2	-10	14	2
2002	95.6	-11	-25	11	3	81.4	-11	-1	-12	26	-3
2003	95.1	-10	-25	10	3	.	-18	-5	-21	38	-9
2002 Q4	95.3	-10	-23	10	4	81.5	-14	-3	-15	30	-8
2003 Q1	94.9	-11	-24	10	0	81.1	-19	-5	-23	39	-9
Q2	94.8	-12	-27	9	0	80.8	-19	-4	-22	41	-9
Q3	95.0	-11	-27	11	4	81.0	-17	-4	-20	38	-8
Q4	95.7	-7	-22	9	8	.	-16	-5	-17	34	-9
2003 July	94.7	-14	-28	12	-1	80.7	-18	-4	-21	39	-9
Aug.	95.0	-11	-26	11	4	-	-17	-4	-20	37	-7
Sep.	95.3	-9	-26	10	9	-	-17	-4	-18	37	-8
Oct.	95.5	-8	-23	10	8	81.2	-17	-5	-18	36	-9
Nov.	96.0	-6	-21	8	10	-	-16	-4	-16	34	-8
Dec.	95.6	-8	-21	9	6	-	-16	-5	-16	32	-10
	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total <sup>4)</sup>	Order books	Employment expectations	Total <sup>4)</sup>	Present business situation	Volume of stocks	Expected business situation	Total <sup>4)</sup>	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
1999	-10	-17	-2	-7	-7	17	2	27	25	26	31
2000	-5	-13	3	-2	1	17	9	30	36	23	33
2001	-11	-16	-4	-7	-7	17	2	15	16	8	20
2002	-19	-26	-11	-16	-23	18	-9	1	-4	-6	13
2003	-21	-28	-14	-14	-20	16	-5	2	-6	1	11
2002 Q4	-22	-29	-15	-15	-21	17	-8	-4	-13	-4	4
2003 Q1	-20	-27	-13	-17	-24	17	-10	-6	-16	-11	11
Q2	-21	-27	-14	-15	-20	18	-6	-2	-12	0	6
Q3	-22	-28	-15	-13	-19	16	-3	5	-1	4	13
Q4	-20	-28	-12	-11	-15	15	-2	11	5	11	15
2003 July	-20	-27	-13	-12	-19	16	0	3	-3	3	10
Aug.	-23	-29	-16	-14	-18	18	-5	6	-1	5	14
Sep.	-23	-29	-16	-12	-19	14	-4	7	1	4	16
Oct.	-22	-29	-14	-9	-16	12	0	9	3	9	15
Nov.	-20	-27	-13	-10	-13	16	-1	11	6	11	16
Dec.	-19	-29	-9	-13	-17	16	-5	12	7	13	15

Source: European Commission (Economic and Financial Affairs DG).

- 1) Difference between the percentages of respondents giving positive and negative replies.
- 2) The economic sentiment indicator is composed of the industrial, consumer, construction and retail trade confidence indicators; the industrial confidence indicator has a weight of 40% and the three other indicators have a weight of 20% each.
- 3) Data are collected in January, April, July and October each year. The quarterly figures shown are the average of two successive surveys. Annual data are derived from quarterly averages.
- 4) The confidence indicators are calculated as simple averages of the components shown; the assessment of stocks (columns 4 and 17) and unemployment (column 10) are used with inverted signs for the calculation of confidence indicators.

## 5.3 Labour markets <sup>1)</sup>

(annual percentage changes, unless otherwise indicated)

### 1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing, and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total <sup>2)</sup>	100.0	100.0	84.2	15.8	4.7	19.3	7.1	25.1	14.3	29.6
	1	2	3	4	5	6	7	8	9	10
1999	128.608	1.8	2.3	-0.8	-2.3	-0.2	1.9	2.2	5.6	1.9
2000	131.408	2.2	2.5	0.7	-1.5	0.5	2.0	3.1	5.8	1.6
2001	133.222	1.4	1.6	0.2	-0.6	0.3	0.5	1.6	3.9	1.3
2002	133.808	0.4	0.6	-0.2	-2.2	-1.4	-0.7	0.4	2.3	1.5
2002 Q3	133.723	0.3	0.4	-0.6	-2.2	-1.4	-0.9	0.0	2.0	1.5
Q4	133.735	0.1	0.1	0.2	-2.2	-1.8	-0.8	-0.2	1.7	1.5
2003 Q1	133.764	0.0	-0.1	0.4	-2.2	-1.8	-0.8	0.0	1.3	1.1
Q2	133.888	0.1	0.1	0.5	-1.8	-1.8	0.2	0.4	1.0	1.1
Q3	133.861	0.1	0.0	0.3	-1.7	-2.0	-0.5	0.8	0.9	0.8
	<i>quarter-on-quarter changes (s.a.)</i>									
2002 Q3	0.001	0.0	0.0	-0.1	-0.6	-0.4	-0.3	0.0	0.2	0.3
Q4	0.012	0.0	-0.1	0.4	-0.4	-0.6	-0.1	0.0	0.4	0.3
2003 Q1	0.029	0.0	0.0	0.2	-0.7	-0.4	0.0	0.2	0.1	0.2
Q2	0.124	0.1	0.1	-0.2	-0.2	-0.4	0.3	0.2	0.3	0.2
Q3	-0.027	0.0	0.0	-0.1	-0.4	-0.5	-0.9	0.3	0.3	0.1

### 2. Unemployment

(seasonally adjusted)

	Total		By age <sup>3)</sup>				By gender <sup>4)</sup>			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total <sup>2)</sup>	100.0	100.0	77.8	77.8	22.2	22.2	49.3	49.3	50.7	50.7
	1	2	3	4	5	6	7	8	9	10
1999	12.775	9.4	9.784	8.2	2.991	18.5	6.109	7.8	6.666	11.6
2000	11.604	8.5	8.897	7.4	2.707	16.7	5.481	7.0	6.123	10.5
2001	11.071	8.0	8.541	7.0	2.530	15.7	5.317	6.8	5.754	9.7
2002	11.687	8.4	9.094	7.4	2.593	16.2	5.761	7.3	5.926	9.9
2002 Q3	11.785	8.5	9.184	7.4	2.601	16.2	5.830	7.4	5.955	9.9
Q4	11.963	8.6	9.345	7.6	2.619	16.4	5.936	7.5	6.027	10.0
2003 Q1	12.194	8.7	9.525	7.7	2.669	16.7	6.067	7.6	6.128	10.1
Q2	12.299	8.8	9.635	7.8	2.664	16.7	6.125	7.7	6.174	10.2
Q3	12.296	8.8	9.655	7.8	2.641	16.7	6.140	7.7	6.156	10.1
2003 June	12.297	8.8	9.638	7.8	2.659	16.7	6.128	7.7	6.169	10.2
July	12.289	8.8	9.637	7.8	2.652	16.7	6.126	7.7	6.163	10.1
Aug.	12.292	8.8	9.653	7.8	2.639	16.7	6.136	7.7	6.156	10.1
Sep.	12.306	8.8	9.674	7.8	2.632	16.7	6.158	7.8	6.148	10.1
Oct.	12.322	8.8	9.696	7.8	2.625	16.6	6.177	7.8	6.145	10.1
Nov.	12.312	8.8	9.695	7.8	2.617	16.6	6.176	7.8	6.136	10.1

Sources: ECB calculations based on Eurostat data (in table 5.3.1) and Eurostat (table 5.3.2).

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

2) In 2002.

3) Adult: 25 years of age and over; youth: below 25 years of age; rates are expressed as a percentage of the labour force for the relevant age group.

4) Rates are expressed as a percentage of the labour force for the relevant gender.

# GOVERNMENT FINANCE

## 6.1 Revenue, expenditure and deficit/surplus <sup>2)</sup> (as a percentage of GDP)

### 1. Euro area <sup>1)</sup> – revenue

	Total		Current revenue									Capital revenue		Memo: fiscal burden <sup>3)</sup>
	1	2	Direct taxes			Indirect taxes	Received by EU institutions	Social contributions			Sales	Capital taxes	13	
			Households	Corporations	Employers			Employees						
1994	47.6	47.1	11.6	9.3	1.9	13.4	0.8	17.5	8.5	5.7	2.5	0.4	0.2	42.8
1995	47.2	46.6	11.6	9.2	2.0	13.3	0.9	17.3	8.4	5.6	2.5	0.5	0.3	42.6
1996	48.0	47.5	12.0	9.4	2.3	13.4	0.8	17.6	8.7	5.6	2.5	0.5	0.3	43.3
1997	48.2	47.6	12.2	9.3	2.5	13.5	0.7	17.6	8.8	5.6	2.5	0.6	0.4	43.7
1998	47.6	47.2	12.4	9.6	2.5	14.1	0.7	16.5	8.5	5.0	2.5	0.4	0.3	43.3
1999	48.2	47.7	12.8	9.8	2.6	14.3	0.6	16.4	8.5	5.0	2.5	0.5	0.3	43.8
2000	47.8	47.3	13.0	10.0	2.7	14.2	0.6	16.2	8.4	4.9	2.4	0.5	0.3	43.6
2001	47.1	46.6	12.6	9.8	2.5	13.9	0.6	16.0	8.4	4.8	2.3	0.5	0.3	42.7
2002	46.5	45.9	12.1	9.5	2.4	13.8	0.5	16.0	8.4	4.7	2.3	0.5	0.3	42.2

### 2. Euro area <sup>1)</sup> – expenditure

	Total		Current expenditure							Capital expenditure			Memo: primary expenditure <sup>4)</sup>	
	1	2	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments	Subsidies	Paid by EU institutions	Investment	Capital transfers	Paid by EU institutions		
														1994
1995	52.2	47.7	11.2	4.8	5.7	26.1	22.9	2.2	0.6	4.5	2.7	1.8	0.1	46.5
1996	52.3	48.3	11.2	4.8	5.7	26.6	23.3	2.2	0.6	4.0	2.6	1.4	0.0	46.6
1997	50.9	47.2	11.0	4.7	5.1	26.3	23.2	2.1	0.6	3.7	2.4	1.3	0.1	45.7
1998	49.9	46.0	10.7	4.6	4.7	26.0	22.7	2.0	0.5	3.9	2.4	1.5	0.1	45.2
1999	49.4	45.4	10.7	4.7	4.2	25.8	22.6	2.0	0.5	4.0	2.5	1.5	0.1	45.2
2000	48.7	44.7	10.5	4.7	4.0	25.5	22.3	1.9	0.5	4.0	2.5	1.4	0.0	44.7
2001	48.7	44.6	10.5	4.7	4.0	25.4	22.3	1.9	0.5	4.2	2.5	1.6	0.0	44.8
2002	48.7	44.8	10.6	4.8	3.7	25.7	22.8	1.8	0.5	3.9	2.4	1.5	0.0	45.1

### 3. Euro area <sup>1)</sup> – deficit/surplus, primary deficit/surplus and government consumption

	Deficit (-)/surplus (+)					Primary deficit (-)/surplus (+)	Government consumption <sup>5)</sup>							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
1995	-5.1	-4.2	-0.5	-0.1	-0.3	0.6	20.5	11.2	4.8	5.1	1.9	-2.5	8.6	11.9
1996	-4.3	-3.6	-0.4	0.0	-0.2	1.4	20.6	11.2	4.8	5.2	1.9	-2.5	8.6	12.0
1997	-2.6	-2.3	-0.4	0.1	0.0	2.5	20.4	11.0	4.7	5.1	1.9	-2.5	8.4	11.9
1998	-2.3	-2.2	-0.2	0.1	0.0	2.4	20.0	10.7	4.6	5.1	1.8	-2.5	8.2	11.8
1999	-1.3	-1.6	-0.1	0.1	0.4	2.9	20.0	10.7	4.7	5.1	1.8	-2.5	8.2	11.8
2000	-0.9	-1.3	-0.1	0.1	0.4	3.1	20.0	10.5	4.7	5.2	1.8	-2.4	8.1	11.9
2001	-1.7	-1.5	-0.4	0.0	0.3	2.3	20.0	10.5	4.7	5.2	1.8	-2.3	8.1	11.9
2002	-2.3	-1.9	-0.5	-0.1	0.2	1.4	20.3	10.6	4.8	5.3	1.8	-2.3	8.2	12.2

### 4. Euro area countries – deficit (-)/surplus (+) <sup>6)</sup>

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
1999	-0.4	-1.5	-1.8	-1.2	-1.8	2.4	-1.7	3.5	0.7	-2.3	-2.8	2.2
2000	0.2	1.3	-1.9	-0.8	-1.4	4.4	-0.6	6.4	2.2	-1.5	-2.8	7.1
2001	0.6	-2.8	-1.5	-0.3	-1.5	0.9	-2.6	6.1	0.0	0.3	-4.2	5.2
2002	0.1	-3.5	-1.2	0.1	-3.1	-0.2	-2.3	2.5	-1.6	-0.2	-2.7	4.2

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

- 1) Data prior to 2001 refer to the Euro 11.
- 2) Revenue, expenditure and deficit/surplus based on the ESA 95, but the figures exclude proceeds from the sale of UMTS licences in 2000 (the euro area deficit/surplus including those proceeds is equal to 0.2). Transactions between countries and EU institutions are included and consolidated. Transactions among governments are not consolidated.
- 3) The fiscal burden comprises taxes and social contributions.
- 4) Comprises total expenditure minus interest expenditure.
- 5) Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
- 6) Including proceeds from the sale of UMTS licences.



## 6.2 Debt <sup>2)</sup>

(as a percentage of GDP)

### 1. Euro area <sup>1)</sup> – government debt by financial instrument and sector of the holder

	Total	Financial instrument				Holder				
		Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>3)</sup>				Other creditors <sup>4)</sup>
						Total	MFIs	Other financial corporations	Other sectors	
1	2	3	4	5	6	7	8	9	10	
1993	67.3	2.7	17.0	10.0	37.6	52.5	27.6	8.8	16.1	14.8
1994	70.0	2.9	16.1	10.3	40.6	55.8	29.8	10.0	15.9	14.2
1995	74.2	2.9	17.7	9.9	43.8	58.3	30.5	11.0	16.8	15.9
1996	75.4	2.9	17.2	9.9	45.5	58.9	30.3	13.2	15.4	16.5
1997	74.9	2.8	16.3	8.9	46.8	56.9	29.1	14.5	13.3	17.9
1998	73.2	2.8	15.1	7.9	47.3	53.4	27.0	16.3	10.1	19.8
1999	72.1	2.9	14.2	6.9	48.1	49.8	25.2	14.9	9.7	22.3
2000	69.6	2.7	13.0	6.2	47.6	46.0	22.8	13.3	9.8	23.6
2001	69.2	2.6	12.5	6.3	47.8	44.7	22.5	12.5	9.6	24.5
2002	69.0	2.5	11.8	6.7	48.0	43.1	21.4	12.1	9.5	25.9

### 2. Euro area <sup>1)</sup> – government debt by issuer, maturity and currency denomination

	Total	Issued by <sup>5)</sup>				Original maturity			Residual maturity			Currency		
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currency <sup>6)</sup>	Non-domestic currency	Other currencies
1993	67.3	55.2	5.2	6.3	0.6	11.9	55.4	6.6	18.4	24.4	24.4	65.6	2.9	1.7
1994	70.0	57.9	5.4	6.1	0.5	11.2	58.8	7.4	16.5	26.8	26.7	68.1	3.0	1.9
1995	74.2	61.7	5.7	6.0	0.8	10.6	63.6	6.8	17.6	26.4	30.2	72.5	2.9	1.7
1996	75.4	62.9	6.1	5.9	0.5	10.2	65.2	6.3	19.2	25.4	30.8	73.7	2.7	1.8
1997	74.9	62.3	6.3	5.6	0.6	8.8	66.0	6.0	18.6	25.4	30.8	73.0	2.8	1.9
1998	73.2	61.1	6.3	5.4	0.4	7.7	65.4	5.5	16.4	26.1	30.7	71.6	3.2	1.5
1999	72.1	60.2	6.2	5.3	0.3	6.5	65.6	5.0	14.4	26.9	30.7	70.3	-	1.7
2000	69.6	58.1	6.1	5.1	0.3	5.7	63.8	4.4	14.3	27.6	27.7	67.8	-	1.7
2001	69.2	57.8	6.2	4.9	0.3	6.0	63.2	3.2	14.6	26.3	28.3	67.6	-	1.6
2002	69.0	57.5	6.4	4.9	0.3	6.2	62.8	3.3	15.4	25.1	28.5	67.6	-	1.4

### 3. Euro area countries – government debt

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
1999	114.9	61.2	105.2	63.1	58.5	48.6	114.9	5.9	63.1	67.5	54.3	47.0
2000	109.6	60.2	106.2	60.5	57.2	38.4	110.6	5.5	55.9	66.8	53.3	44.6
2001	108.5	59.5	106.9	56.8	56.8	36.1	109.5	5.5	52.9	67.3	55.5	44.0
2002	105.8	60.8	104.7	53.8	59.0	32.4	106.7	5.7	52.4	67.3	58.1	42.7

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

- 1) Data prior to 2001 refer to the Euro 11.
- 2) Data are partially estimated. General government gross consolidated debt at nominal value at the end of the year. Holdings by other governments are not consolidated.
- 3) Holders resident in the country whose government has issued the debt.
- 4) Includes residents of euro area countries other than the country whose government has issued the debt.
- 5) Excludes debt held by general government in the country whose government has issued it.
- 6) Before 1999, this comprises debt in ECU, in domestic currency and in the currencies of other Member States which have adopted the euro.

### 6.3 Change in debt <sup>2)</sup>

(as a percentage of GDP)

#### 1. Euro area <sup>1)</sup> – change in government debt by source, financial instrument and sector of the holder

	Total	Source of change				Financial instrument				Holder			Other creditors <sup>8)</sup>
		Borrowing requirement <sup>3)</sup>	Valuation effects <sup>4)</sup>	Other changes in volume <sup>5)</sup>	Aggregation effect <sup>6)</sup>	Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>7)</sup>	MFIs	Other financial corporations	
	1	2	3	4	5	6	7	8	9	10	11	12	13
1993	8.0	7.5	0.4	0.1	0.1	0.2	1.2	0.1	6.5	3.6	2.0	1.3	4.4
1994	6.0	5.2	0.2	0.7	0.0	0.4	-0.1	0.9	4.9	5.9	3.6	1.7	0.2
1995	7.8	5.5	0.2	2.3	-0.2	0.2	2.3	0.0	5.2	5.3	2.2	1.5	2.4
1996	3.8	4.2	-0.2	0.1	-0.3	0.1	0.1	0.4	3.2	2.6	0.8	2.6	1.2
1997	2.3	2.4	0.2	-0.2	0.0	0.0	-0.2	-0.6	3.1	0.2	-0.1	1.8	2.0
1998	1.7	1.9	-0.2	0.0	0.0	0.1	-0.4	-0.6	2.6	-1.0	-0.8	2.4	2.6
1999	1.7	1.4	0.3	0.1	0.0	0.2	-0.4	-0.7	2.6	-1.5	-0.7	-0.7	3.2
2000	0.9	0.8	0.1	-0.1	0.0	0.0	-0.5	-0.3	1.7	-1.5	-1.3	-0.9	2.4
2001	1.7	1.7	0.0	0.0	0.0	0.0	-0.2	0.4	1.4	0.2	0.1	0.0	1.4
2002	2.0	2.5	-0.5	0.0	0.0	0.0	-0.4	0.6	1.7	-0.2	-0.3	0.0	2.2

#### 2. Euro area <sup>1)</sup> – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) <sup>9)</sup>	Deficit-debt adjustment <sup>10)</sup>											Other <sup>12)</sup>
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	
				Total	Currency and deposits	Securities <sup>11)</sup>	Loans	Shares and other equity	Privatisations	Equity injections				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1993	8.0	-5.7	2.3	1.5	1.3	0.2	0.3	-0.2	-0.3	0.1	0.4	0.3	0.1	0.3
1994	6.0	-5.1	0.9	0.0	-0.2	0.1	0.3	-0.1	-0.4	0.2	0.2	0.0	0.7	0.1
1995	7.8	-5.1	2.7	0.6	0.1	-0.1	0.5	0.1	-0.4	0.2	0.2	-0.1	2.3	-0.3
1996	3.8	-4.3	-0.5	-0.2	-0.1	0.0	-0.1	-0.1	-0.3	0.2	-0.2	-0.1	0.1	-0.2
1997	2.3	-2.6	-0.3	-0.5	0.2	-0.1	0.0	-0.5	-0.8	0.3	0.2	0.2	-0.2	0.2
1998	1.7	-2.3	-0.6	-0.5	0.1	0.0	-0.1	-0.6	-0.8	0.3	-0.2	0.0	0.0	0.1
1999	1.7	-1.3	0.4	-0.1	0.5	0.1	0.0	-0.7	-0.9	0.1	0.3	0.2	0.1	0.1
2000	0.9	0.2	1.1	0.9	0.7	0.1	0.2	-0.2	-0.4	0.1	0.1	0.0	-0.1	0.1
2001	1.7	-1.6	0.1	-0.4	-0.6	0.1	0.2	-0.1	-0.4	0.2	0.0	0.0	0.0	0.5
2002	2.0	-2.3	-0.2	0.3	0.2	0.1	0.1	0.0	-0.3	0.1	-0.5	-0.1	0.0	0.0

Source: ECB.

1) Data prior to 2001 refer to the Euro 11.

2) Data are partially estimated. Annual change in gross nominal consolidated debt expressed as a percentage of GDP, i.e.  $[\text{debt}(t) - \text{debt}(t-1)] \div \text{GDP}(t)$ .

3) The borrowing requirement is by definition equal to transactions in government debt.

4) Includes, in addition to the impact of foreign exchange movements, effects arising from measurement at nominal value (e.g. premia or discounts on securities issued).

5) Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.

6) The difference between the changes in the aggregated debt, resulting from the aggregation of countries' debt, and the aggregation of countries' change in debt, due to variations in the exchange rates used for aggregation before 1999.

7) Holders resident in the country whose government has issued the debt.

8) Includes residents of euro area countries other than the country whose government has issued the debt.

9) Including proceeds from sales of UMTS licences.

10) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.

11) Excluding financial derivatives.

12) Mainly composed of transactions in other assets and liabilities (trade credit, other receivables/payables and financial derivatives).



# EXTERNAL TRANSACTIONS AND POSITIONS

## 7.1 Balance of payments

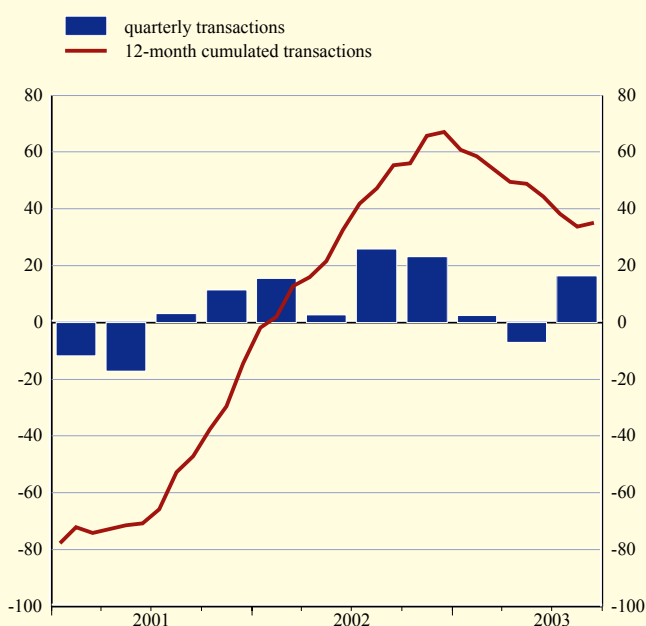
(EUR billions; net transactions)

### 1. Summary balance of payments

	Current account					Capital account	Net lending/borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	-14.5	73.6	-1.1	-35.7	-51.3	6.7	-7.8	-24.4	-102.4	68.1	-1.5	-6.4	17.8	32.2
2002	67.0	130.6	11.3	-28.2	-46.7	10.9	77.9	-97.2	-41.5	103.4	-10.2	-146.6	-2.3	19.3
2002 Q3	25.8	38.1	7.0	-8.2	-11.2	2.0	27.9	-53.6	-10.8	19.9	-9.0	-49.1	-4.6	25.8
Q4	23.1	34.5	3.4	-0.7	-14.0	2.4	25.6	-48.5	-6.0	42.0	-2.9	-80.3	-1.3	22.9
2003 Q1	2.4	16.6	1.6	-12.7	-3.1	2.0	4.4	-25.1	-0.9	7.0	-2.5	-40.7	11.9	20.7
Q2	-7.0	25.1	4.3	-17.2	-19.2	1.8	-5.2	-41.3	5.4	42.2	-2.8	-88.1	2.0	46.5
Q3	16.5	38.6	5.5	-10.3	-17.3	2.7	19.1	-22.8	-12.4	-70.5	-5.2	63.7	1.7	3.6
2002 Oct.	4.6	12.5	0.5	-2.1	-6.3	1.4	5.9	-13.9	-6.9	27.6	0.5	-37.2	2.1	7.9
Nov.	10.6	12.4	1.6	0.4	-3.9	0.3	10.9	-18.9	7.3	15.1	-0.8	-38.1	-2.4	8.0
Dec.	7.9	9.6	1.2	1.0	-3.8	0.8	8.7	-15.7	-6.4	-0.7	-2.5	-5.0	-1.1	7.0
2003 Jan.	-5.2	1.5	-0.5	-9.4	3.2	2.1	-3.1	-12.2	-2.2	-0.6	-1.5	-9.4	1.5	15.3
Feb.	3.4	8.7	0.4	-2.6	-3.2	-0.9	2.4	-19.6	2.9	-6.6	-0.1	-21.2	5.3	17.2
Mar.	4.3	6.5	1.7	-0.8	-3.1	0.8	5.1	6.7	-1.5	14.2	-0.9	-10.1	5.0	-11.8
Apr.	-10.0	6.9	0.4	-10.9	-6.5	0.1	-9.9	16.1	-18.4	25.1	-4.7	13.3	0.8	-6.2
May	-0.1	7.6	1.3	-3.6	-5.5	0.2	0.1	-33.4	0.7	1.1	1.4	-37.0	0.4	33.3
June	3.1	10.5	2.5	-2.8	-7.2	1.5	4.6	-24.0	23.1	16.0	0.5	-64.4	0.9	19.4
July	2.0	15.3	2.8	-10.1	-6.1	0.8	2.8	-6.1	-3.2	-35.6	-2.7	33.8	1.6	3.4
Aug.	4.9	10.6	0.8	-0.9	-5.5	1.7	6.6	-3.0	-2.6	-42.5	-1.6	43.4	0.3	-3.6
Sep.	9.6	12.6	1.9	0.8	-5.7	0.2	9.8	-13.7	-6.6	7.6	-0.9	-13.5	-0.2	3.9
Oct.	8.1	14.9	2.0	-5.7	-3.3	1.1	9.2	-2.5	-8.3	26.5	1.4	-22.4	0.2	-6.6
<i>12-month cumulated transactions</i>														
2003 Oct.	38.5	117.3	16.2	-44.5	-50.5	8.6	47.1	-126.4	-15.3	19.6	-12.5	-130.6	12.3	79.2

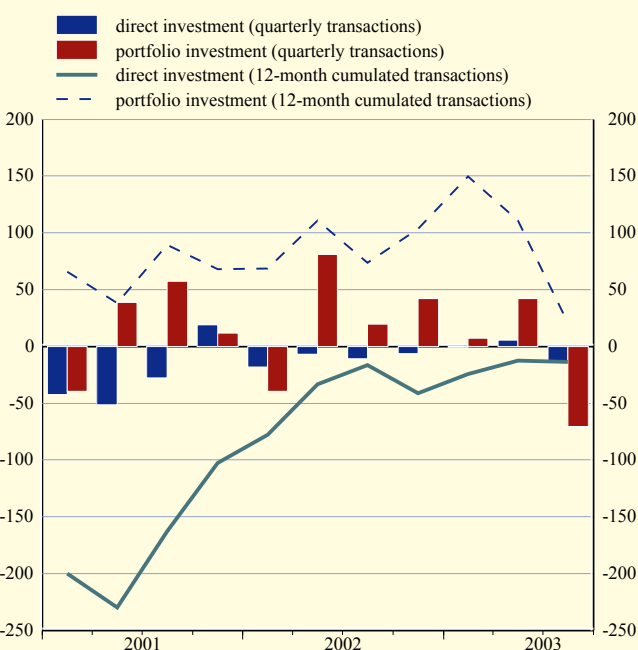
### C27 B.o.p. current account balance

(EUR billions)



### C28 B.o.p. net direct and portfolio investment

(EUR billions)



Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

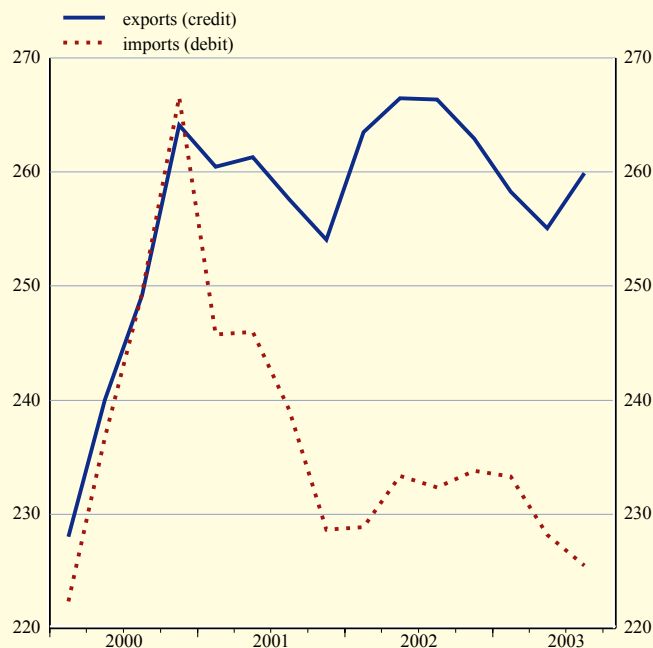
### 2. Current account

(seasonally adjusted)

	Total			Goods		Services		Income		Current transfers	
	Credit 1	Debit 2	Net 3	Credit 4	Debit 5	Credit 6	Debit 7	Credit 8	Debit 9	Credit 10	Debit 11
2002 Q3	435.3	413.0	22.3	266.3	232.3	84.8	79.4	61.4	69.4	22.8	31.9
Q4	432.0	414.5	17.5	262.9	233.8	82.9	79.3	62.9	67.3	23.2	34.1
2003 Q1	418.8	414.5	4.4	258.2	233.3	83.6	77.9	55.7	69.6	21.2	33.7
Q2	411.8	409.3	2.5	255.1	228.2	78.2	76.1	58.8	70.6	19.8	34.4
Q3	415.8	403.7	12.1	259.9	225.5	78.7	74.9	57.6	67.4	19.6	36.0
2002 Oct.	142.9	140.3	2.6	87.7	78.4	27.6	26.7	20.5	23.5	7.1	11.7
Nov.	148.4	139.1	9.4	89.1	77.9	28.2	26.2	22.7	23.6	8.4	11.4
Dec.	140.7	135.1	5.6	86.1	77.4	27.2	26.4	19.7	20.3	7.6	11.0
2003 Jan.	143.0	140.9	2.2	88.1	78.4	28.7	26.4	19.0	24.6	7.3	11.4
Feb.	139.6	137.9	1.7	87.0	77.3	27.5	25.9	18.4	23.4	6.8	11.3
Mar.	136.2	135.8	0.4	83.2	77.7	27.5	25.6	18.3	21.6	7.2	10.9
Apr.	140.8	141.3	-0.6	87.4	77.3	26.4	25.6	20.8	27.2	6.2	11.3
May	137.1	134.5	2.7	85.5	76.5	25.8	25.4	19.4	21.3	6.5	11.3
June	133.9	133.5	0.4	82.2	74.4	26.0	25.1	18.6	22.1	7.1	11.8
July	138.4	137.1	1.3	86.0	75.4	26.3	25.2	19.3	24.0	6.8	12.5
Aug.	139.8	137.0	2.7	86.6	76.4	26.0	25.0	20.3	23.1	6.9	12.5
Sep.	137.6	129.6	8.0	87.3	73.6	26.5	24.7	18.0	20.3	5.9	11.1
Oct.	139.2	133.6	5.6	88.2	76.7	27.4	25.1	17.2	23.8	6.4	8.1

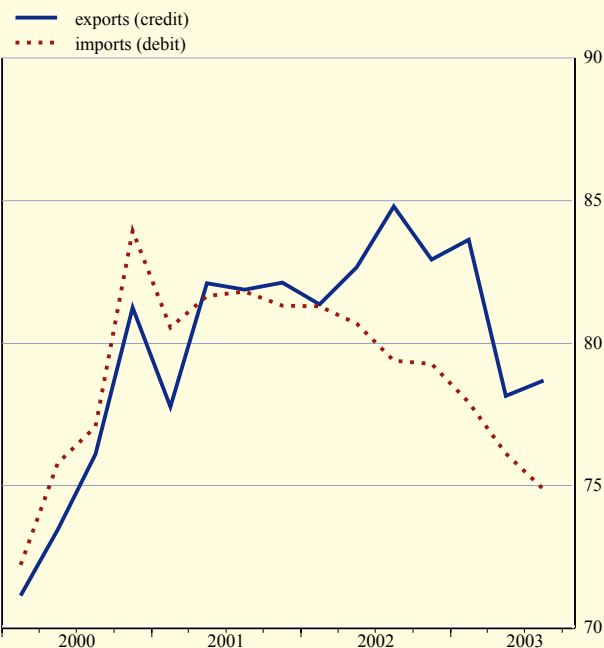
### C29 B.o.p. goods

(EUR billions, seasonally adjusted)



### C30 B.o.p. services

(EUR billions, seasonally adjusted)



Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

### 3. Current and capital accounts

	Current account										Capital account		
	Total			Goods		Services		Income		Current transfers		Credit	Debit
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	
2001	1,714.4	1,728.9	-14.5	1,033.8	960.3	324.5	325.6	277.3	313.0	78.8	130.0	17.4	10.7
2002	1,728.8	1,661.8	67.0	1,059.6	929.0	332.2	320.8	251.3	279.6	85.7	132.4	18.9	8.0
2002 Q3	431.9	406.1	25.8	263.3	225.2	91.3	84.2	58.5	66.7	18.8	29.9	4.1	2.0
Q4	443.3	420.1	23.1	273.6	239.2	84.4	81.0	64.9	65.6	20.4	34.4	5.2	2.7
2003 Q1	414.3	411.8	2.4	252.6	236.0	75.7	74.1	53.4	66.1	32.6	35.7	5.3	3.4
Q2	408.3	415.3	-7.0	253.5	228.3	78.2	73.9	61.4	78.6	15.2	34.4	4.4	2.6
Q3	413.5	397.0	16.5	257.1	218.6	84.8	79.4	55.3	65.6	16.2	33.6	4.0	1.3
2002 Oct.	151.9	147.3	4.6	97.6	85.1	28.8	28.3	20.3	22.4	5.2	11.5	2.0	0.6
Nov.	146.2	135.6	10.6	92.1	79.7	26.6	25.0	20.4	20.0	7.1	11.0	1.1	0.8
Dec.	145.1	137.2	7.9	83.9	74.3	29.0	27.8	24.1	23.2	8.1	11.9	2.1	1.3
2003 Jan.	144.0	149.2	-5.2	82.2	80.7	25.6	26.1	18.4	27.7	17.8	14.6	2.6	0.5
Feb.	131.4	128.0	3.4	83.1	74.4	23.6	23.2	16.9	19.5	7.8	10.9	1.5	2.5
Mar.	138.9	134.6	4.3	87.3	80.9	26.4	24.7	18.1	18.9	7.0	10.1	1.2	0.4
Apr.	136.5	146.5	-10.0	85.3	78.4	25.4	24.9	21.0	31.9	4.8	11.3	0.5	0.4
May	134.4	134.6	-0.1	83.7	76.1	25.6	24.3	19.9	23.5	5.1	10.6	1.4	1.2
June	137.4	134.2	3.1	84.4	73.9	27.2	24.7	20.5	23.3	5.2	12.5	2.6	1.0
July	147.9	145.9	2.0	91.7	76.4	30.7	27.9	19.6	29.6	5.9	12.0	1.3	0.5
Aug.	126.7	121.8	4.9	77.1	66.4	26.7	25.9	17.5	18.5	5.4	11.0	2.1	0.4
Sep.	138.9	129.3	9.6	88.3	75.7	27.4	25.5	18.2	17.4	5.0	10.6	0.7	0.5
Oct.	148.5	140.4	8.1	98.1	83.2	28.6	26.5	17.1	22.7	4.7	7.9	1.6	0.5

### 4. Income account

	Total		Compensation of employees		Investment income							
	Credit	Debit	Credit	Debit	Total		Direct investment					
					Credit	Debit	Total		Equity		Debt	
							Credit	Debit	Credit	Debit	Credit	Debit
1	2	3	4	5	6	7	8	9	10	11	12	
2001	277.3	313.0	14.7	5.9	262.6	307.1	60.6	59.0	50.4	49.8	10.2	9.2
2002	251.3	279.6	14.7	6.0	236.7	273.6	67.0	57.1	59.1	51.2	7.9	5.9
2002 Q2	65.6	80.4	3.5	1.5	62.0	78.9	19.4	16.7	17.7	15.4	1.8	1.3
Q3	58.5	66.7	3.7	1.6	54.9	65.1	13.4	12.5	12.0	11.1	1.4	1.4
Q4	64.9	65.6	3.9	1.6	61.0	64.0	19.5	15.2	17.1	13.3	2.4	1.9
2003 Q1	53.4	66.1	3.6	1.2	49.8	64.9	10.1	13.0	8.4	11.1	1.7	1.9
Q2	61.4	78.6	3.6	1.4	57.8	77.2	17.1	19.3	14.3	17.0	2.8	2.3

	Investment income							
	Portfolio investment						Other investment	
	Total		Equity		Debt		Credit	Debit
	Credit	Debit	Credit	Debit	Credit	Debit		
13	14	15	16	17	18	19	20	
2001	85.0	116.8	17.9	44.7	67.0	72.1	117.0	131.2
2002	86.4	123.9	20.4	52.7	65.9	71.2	83.3	92.6
2002 Q2	23.0	39.7	6.6	24.3	16.4	15.4	19.6	22.5
Q3	21.0	30.6	4.5	10.6	16.5	20.0	20.4	22.0
Q4	21.1	26.2	4.5	9.1	16.6	17.1	20.4	22.6
2003 Q1	19.0	31.8	3.7	8.4	15.4	23.4	20.7	20.1
Q2	22.0	36.8	6.9	20.7	15.1	16.1	18.7	21.2

Source: ECB.

**7.1 Balance of payments**

(EUR billions; transactions)

**5. Direct investment**

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
2001	-305.0	-234.7	-19.9	-214.8	-70.3	-0.1	-70.2	202.6	148.8	4.4	144.4	53.8	0.9	52.9
2002	-183.5	-156.7	-17.3	-139.3	-26.8	0.0	-26.8	142.0	95.7	3.1	92.6	46.3	0.5	45.8
2002 Q3	-32.6	-39.8	-5.1	-34.7	7.2	0.0	7.2	21.8	12.3	0.7	11.5	9.5	0.6	9.0
Q4	-41.2	-34.2	-5.7	-28.6	-6.9	0.0	-6.9	35.1	34.2	0.7	33.5	0.9	0.0	1.0
2003 Q1	-36.5	-19.3	-1.9	-17.4	-17.2	-0.1	-17.1	35.6	25.6	0.8	24.8	10.0	-0.1	10.1
Q2	-30.1	-21.2	5.4	-26.6	-8.9	-0.3	-8.5	35.4	29.4	1.9	27.6	6.0	0.0	6.0
Q3	-22.7	-22.3	-0.6	-21.7	-0.4	-0.1	-0.3	10.3	4.7	0.2	4.5	5.6	-0.7	6.3
2002 Oct.	-14.5	-8.0	-0.9	-7.1	-6.6	0.0	-6.6	7.6	6.7	0.2	6.5	0.9	-0.1	0.9
Nov.	-15.4	-7.9	-1.2	-6.7	-7.4	0.0	-7.4	22.7	15.9	0.0	15.9	6.8	0.0	6.8
Dec.	-11.3	-18.4	-3.6	-14.7	7.1	0.0	7.1	4.8	11.6	0.4	11.1	-6.7	0.0	-6.7
2003 Jan.	-14.7	-8.5	-0.7	-7.8	-6.2	0.0	-6.2	12.5	10.9	0.2	10.6	1.7	0.0	1.7
Feb.	-7.1	-5.3	-0.4	-4.9	-1.8	0.0	-1.8	10.0	6.2	0.8	5.4	3.7	-0.1	3.8
Mar.	-14.7	-5.4	-0.7	-4.7	-9.3	-0.1	-9.2	13.1	8.5	-0.2	8.7	4.6	0.0	4.7
Apr.	-24.4	-7.9	-1.3	-6.6	-16.5	-0.3	-16.2	6.0	7.5	0.2	7.3	-1.5	0.0	-1.5
May	-15.6	-16.2	-0.7	-15.5	0.6	0.0	0.6	16.3	15.2	0.2	15.0	1.0	-0.1	1.1
June	9.9	2.8	7.3	-4.5	7.1	0.0	7.1	13.2	6.7	1.5	5.2	6.5	0.1	6.4
July	-7.6	-6.2	-0.9	-5.3	-1.4	0.0	-1.4	4.4	3.9	0.1	3.8	0.5	-0.7	1.2
Aug.	-5.9	-9.9	-0.5	-9.4	4.0	0.0	4.0	3.3	0.9	0.1	0.8	2.5	0.1	2.4
Sep.	-9.2	-6.2	0.7	-7.0	-2.9	0.0	-2.9	2.6	0.0	0.0	-0.1	2.6	-0.1	2.7
Oct.	-11.2	-6.0	2.1	-8.1	-5.2	0.0	-5.2	2.9	5.2	0.0	5.2	-2.4	0.1	-2.4

**6. Portfolio investment by instrument**

	Total		Equity		Debt instruments					
	Assets	Liabilities	Assets	Liabilities	Assets			Liabilities		
					Total	Bonds and notes	Money market instruments	Total	Bonds and notes	Money market instruments
2001	-288.2	356.3	-104.8	233.2	-183.5	-155.8	-27.6	123.1	114.0	9.1
2002	-173.9	277.3	-40.2	90.8	-133.7	-88.9	-44.8	186.6	127.7	58.9
2002 Q3	-21.6	41.5	12.7	6.4	-34.3	-19.1	-15.2	35.1	8.1	27.0
Q4	-32.8	74.8	-8.4	13.5	-24.4	-20.0	-4.4	61.3	46.7	14.7
2003 Q1	-47.3	54.3	10.8	3.7	-58.0	-49.9	-8.1	50.6	47.9	2.7
Q2	-96.3	138.5	-32.3	30.5	-64.0	-53.9	-10.1	108.0	97.5	10.5
Q3	-62.7	-7.8	-15.0	21.2	-47.7	-50.8	3.1	-29.0	-20.2	-8.8
2002 Oct.	-3.0	30.6	-0.7	-0.6	-2.3	-5.7	3.4	31.2	19.6	11.6
Nov.	-7.6	22.7	0.2	15.3	-7.8	-4.4	-3.4	7.4	5.5	1.9
Dec.	-22.3	21.5	-8.0	-1.2	-14.3	-9.9	-4.4	22.7	21.6	1.2
2003 Jan.	-18.7	18.1	2.3	13.5	-21.0	-15.1	-6.0	4.6	5.5	-0.9
Feb.	-21.5	14.9	0.8	2.1	-22.2	-20.3	-2.0	12.8	4.3	8.5
Mar.	-7.1	21.3	7.7	-11.8	-14.8	-14.6	-0.2	33.1	38.1	-4.9
Apr.	-17.0	42.1	-7.1	16.0	-9.9	-14.7	4.7	26.1	10.1	15.9
May	-35.7	36.8	-10.4	-7.4	-25.2	-17.6	-7.6	44.2	42.4	1.8
June	-43.6	59.6	-14.8	21.8	-28.8	-21.6	-7.2	37.8	44.9	-7.2
July	-29.5	-6.1	-8.1	13.1	-21.4	-27.2	5.8	-19.2	-17.4	-1.8
Aug.	-12.2	-30.3	-0.2	-6.1	-11.9	-12.4	0.5	-24.2	-11.2	-13.0
Sep.	-21.0	28.6	-6.6	14.2	-14.4	-11.2	-3.2	14.4	8.4	6.0
Oct.	-34.5	61.1	-14.4	27.5	-20.1	-10.5	-9.6	33.6	17.8	15.7

Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

### 7. Portfolio investment assets by instrument and sector of holder

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		
1	2	Total	General gov.	Other sectors	6	7	Total	General gov.	Other sectors	11	12	Total	General gov.	Other sectors	
		3	4	5			8	9	10			13	14	15	
2001	-0.4	4.0	-108.4	-2.1	-106.4	0.2	-67.1	-89.0	-1.2	-87.8	-2.4	-40.7	15.4	-0.1	15.5
2002	-0.4	-7.8	-32.0	-4.4	-27.6	-0.6	-14.6	-73.8	-1.0	-72.7	2.1	-33.0	-13.9	-1.0	-12.9
2002 Q3	-0.1	3.2	9.5	-0.6	10.1	-0.5	-4.1	-14.6	-0.3	-14.2	0.9	-13.3	-2.7	0.2	-2.9
Q4	-0.2	-2.7	-5.6	-1.2	-4.4	0.0	-1.9	-18.1	-0.4	-17.7	0.4	-4.8	0.0	0.1	-0.2
2003 Q1	-0.1	-3.7	14.6	-0.6	15.2	-0.4	-22.9	-26.6	0.2	-26.9	-1.4	-7.3	0.6	-1.6	2.2
Q2	-0.2	0.7	-32.9	-0.8	-32.2	-0.2	-21.2	-32.4	0.0	-32.4	1.1	-4.4	-6.7	1.0	-7.8
Q3	-0.1	-6.1	-8.8	.	.	-1.4	-7.9	-41.5	.	.	0.0	-1.3	4.5	.	.
2002 Oct.	-0.1	-1.8	1.1	-	-	-0.3	-1.1	-4.3	-	-	0.4	3.8	-0.7	-	-
Nov.	-0.2	-0.7	1.1	-	-	0.6	-6.0	1.0	-	-	-0.1	-8.7	5.4	-	-
Dec.	0.0	-0.2	-7.8	-	-	-0.3	5.2	-14.7	-	-	0.1	0.2	-4.8	-	-
2003 Jan.	0.1	1.5	0.7	-	-	-0.4	-11.9	-2.8	-	-	-0.3	-12.8	7.2	-	-
Feb.	-0.1	-1.5	2.4	-	-	0.4	-9.7	-10.9	-	-	-0.8	-0.8	-0.3	-	-
Mar.	0.0	-3.8	11.6	-	-	-0.4	-1.3	-12.9	-	-	-0.2	6.2	-6.2	-	-
Apr.	-0.1	0.7	-7.6	-	-	-0.1	-7.3	-7.3	-	-	0.5	2.9	1.3	-	-
May	0.0	0.2	-10.6	-	-	-0.2	-2.0	-15.4	-	-	0.9	-6.2	-2.3	-	-
June	0.0	-0.1	-14.6	-	-	0.1	-12.0	-9.7	-	-	-0.4	-1.1	-5.7	-	-
July	0.0	-2.5	-5.6	-	-	-0.1	-2.3	-24.8	-	-	0.1	-2.9	8.6	-	-
Aug.	0.0	-0.5	0.3	-	-	-0.6	-3.8	-8.0	-	-	0.0	3.6	-3.2	-	-
Sep.	0.0	-3.2	-3.5	-	-	-0.7	-1.8	-8.7	-	-	-0.2	-2.0	-0.9	-	-
Oct.	0.0	-4.9	-9.5	-	-	0.1	-2.3	-8.3	-	-	0.0	-5.3	-4.3	-	-

### 8. Other investment by sector

	Total		Eurosystem		General government		MFIs (excluding Eurosystem)						Other sectors	
							Total		Long-term		Short-term			
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	-267.6	261.2	0.6	4.4	3.0	-0.4	-229.1	232.4	-46.1	21.8	-183.0	210.5	-42.1	24.8
2002	-205.4	58.8	-1.2	19.3	0.0	-8.2	-164.8	28.4	-31.4	52.5	-133.4	-24.1	-39.5	19.3
2002 Q3	-59.9	10.8	0.3	3.6	-0.6	-2.8	-33.3	13.9	-5.4	6.2	-28.0	7.6	-26.3	-3.9
Q4	-99.2	18.9	-0.4	6.2	0.3	-1.0	-88.1	0.8	-19.2	16.3	-68.8	-15.6	-11.0	12.9
2003 Q1	-114.7	74.0	-0.6	-4.4	-1.8	-8.4	-65.4	60.2	-15.1	10.1	-50.4	50.0	-46.9	26.6
Q2	-120.2	32.1	0.2	2.3	-1.5	3.9	-103.2	27.0	-11.5	12.1	-91.7	14.9	-15.6	-1.0
Q3	76.2	-12.5	0.4	2.7	-0.8	4.7	86.3	-10.2	-15.1	13.8	101.4	-23.9	-9.7	-9.7
2002 Oct.	-69.5	32.3	-0.1	0.9	-0.4	1.3	-54.8	22.6	-5.6	8.2	-49.2	14.4	-14.2	7.6
Nov.	-77.2	39.1	0.9	2.0	-1.6	-0.3	-66.5	35.1	-8.3	-6.1	-58.2	41.2	-10.0	2.3
Dec.	47.6	-52.6	-1.3	3.3	2.3	-2.0	33.2	-57.0	-5.4	14.2	38.6	-71.2	13.3	3.1
2003 Jan.	-9.8	0.4	0.5	-2.4	-2.4	-6.2	3.1	1.6	-3.7	1.3	6.8	0.3	-11.0	7.4
Feb.	-83.3	62.1	-0.5	-2.0	-3.8	-2.2	-54.9	54.1	-6.3	4.5	-48.6	49.6	-24.1	12.2
Mar.	-21.6	11.5	-0.5	0.0	4.4	0.1	-13.7	4.4	-5.1	4.2	-8.6	0.2	-11.8	7.0
Apr.	-42.8	56.1	0.0	-0.3	0.9	2.7	-32.7	52.1	-3.7	2.0	-29.1	50.1	-11.0	1.6
May	-46.8	9.9	0.7	0.9	-3.5	1.3	-35.2	3.8	-1.7	2.8	-33.5	1.0	-8.8	3.9
June	-30.5	-33.9	-0.5	1.6	1.1	-0.2	-35.3	-28.9	-6.2	7.3	-29.1	-36.2	4.2	-6.5
July	34.8	-0.9	0.1	1.5	-2.7	1.8	43.7	2.7	-5.1	7.5	48.8	-4.8	-6.3	-7.0
Aug.	74.3	-30.9	0.3	0.4	0.4	0.4	72.2	-32.2	-2.8	2.2	75.0	-34.4	1.4	0.5
Sep.	-32.9	19.3	0.0	0.7	1.5	2.5	-29.6	19.3	-7.1	4.1	-22.4	15.3	-4.8	-3.2
Oct.	-48.0	25.6	-0.3	-0.3	1.7	-1.8	-39.8	24.6	-8.0	7.0	-31.8	17.6	-9.5	3.1

Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

## 9. Other investment by instrument

	Eurosystem						General government								
	Loans/currency and deposits			Other assets/liabilities			Trade credits			Loans/currency and deposits			Other assets/liabilities		
	Assets	Liabilities	Balance	Assets	Liabilities	Balance	Assets	Liabilities	Balance	Assets	Liabilities	Balance	Assets	Liabilities	Balance
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2001	0.6	4.5	5.0	0.0	0.0	0.0	-0.1	0.0	-0.1	4.4	-0.5	3.9	-1.3	0.1	-1.3
2002	-1.2	19.3	18.2	0.0	0.0	0.0	1.5	0.0	1.4	-0.6	-8.0	-8.6	-0.9	-0.2	-1.1
2002 Q2	-0.6	3.4	2.8	0.0	0.0	0.0	1.4	0.0	1.4	-0.2	3.6	3.4	-0.3	0.2	-0.2
Q3	0.3	3.6	3.9	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-2.7	-3.0	-0.2	0.0	-0.3
Q4	-0.4	6.3	5.8	0.0	0.0	0.0	0.0	0.0	0.0	0.2	-0.9	-0.6	0.1	-0.1	-0.1
2003 Q1	-0.6	-4.4	-4.9	0.0	0.0	0.0	0.0	0.0	0.0	-1.2	-8.3	-9.6	-0.5	-0.1	-0.6
Q2	0.2	2.3	2.4	0.0	0.0	0.0	0.0	0.0	0.0	-1.2	3.6	2.4	-0.3	0.3	0.0

	MFIs (excluding Eurosystem)						Other sectors								
	Loans/currency and deposits			Other assets/liabilities			Trade credits			Loans/currency and deposits			Other assets/liabilities		
	Assets	Liabilities	Balance	Assets	Liabilities	Balance	Assets	Liabilities	Balance	Assets	Liabilities	Balance	Assets	Liabilities	Balance
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
2001	-215.1	222.2	7.1	-14.0	10.2	-3.9	-3.5	1.3	-2.2	-29.6	18.3	-11.3	-8.9	5.2	-3.8
2002	-161.0	31.2	-129.8	-3.8	-2.8	-6.6	-3.5	-3.0	-6.4	-34.1	16.0	-18.1	-1.9	6.3	4.3
2002 Q2	-64.1	-11.1	-75.2	-1.0	-1.3	-2.3	-2.5	-1.3	-3.8	-8.5	-0.2	-8.8	0.3	1.0	1.4
Q3	-31.0	11.8	-19.2	-2.3	2.1	-0.3	-1.8	1.9	0.1	-24.6	-8.0	-32.6	0.1	2.2	2.3
Q4	-93.1	10.4	-82.7	5.1	-9.6	-4.6	0.2	-3.0	-2.8	-10.6	14.2	3.6	-0.5	1.7	1.2
2003 Q1	-63.5	59.7	-3.8	-1.9	0.5	-1.5	-1.3	5.1	3.8	-39.8	18.2	-21.6	-5.8	3.2	-2.6
Q2	-103.9	28.7	-75.2	0.7	-1.6	-1.0	-1.4	-0.9	-2.2	-6.7	-6.4	-13.2	-7.5	6.3	-1.2

## 10. Reserve assets

	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	
2001	17.8	0.6	-1.0	-4.2	22.5	10.0	-5.3	-1.1	20.4	-1.6	0.0	0.0
2002	-2.3	0.7	0.2	-2.0	-1.2	-2.3	-15.3	0.0	8.1	8.5	-0.2	0.0
2002 Q2	6.7	0.5	0.5	-2.0	7.8	-0.6	1.2	0.0	4.2	3.1	-0.2	0.0
Q3	-4.6	-0.1	-0.2	0.2	-4.6	-2.4	-3.0	0.0	1.9	-1.2	0.0	0.0
Q4	-1.3	0.4	-0.1	0.3	-1.9	2.3	-1.2	0.0	-2.3	-0.9	0.0	0.0
2003 Q1	11.9	0.5	0.0	-0.2	11.5	0.8	-0.6	0.0	9.6	1.7	0.0	0.0
Q2	2.0	0.0	0.0	-2.6	4.5	-0.5	0.0	-0.1	4.8	0.2	0.0	0.0

Source: ECB.



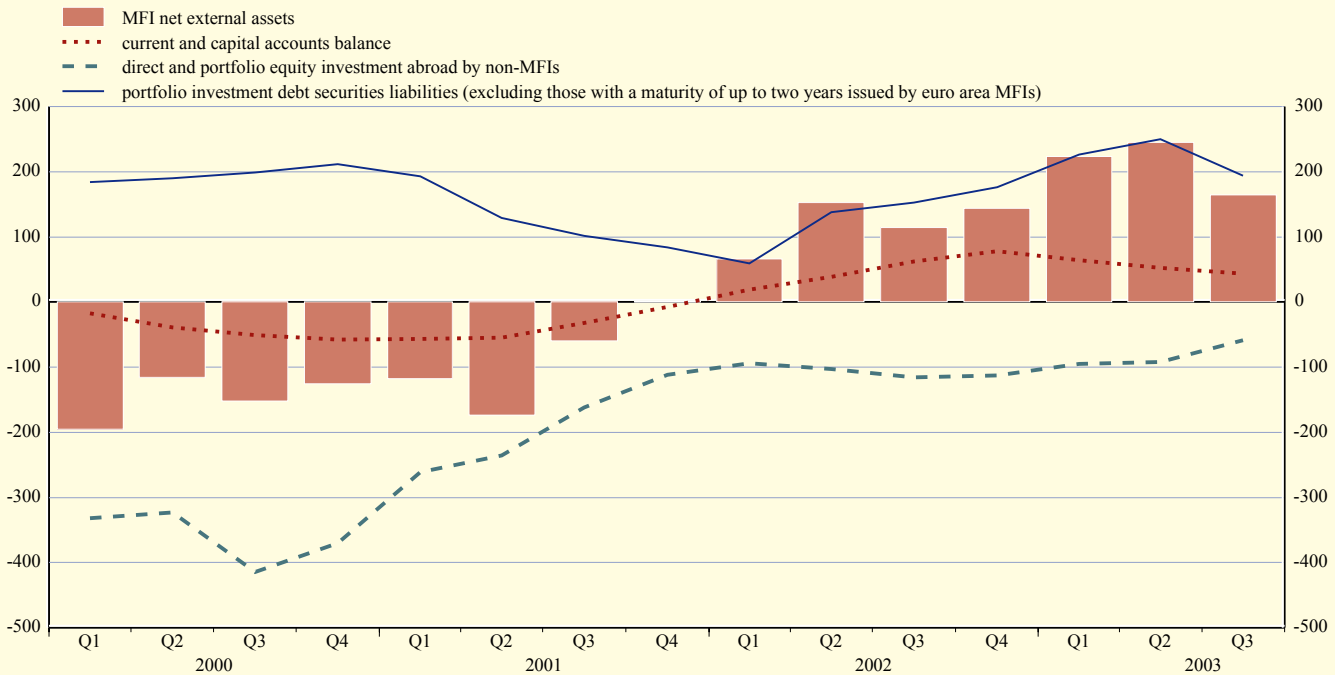
## 7.2 Monetary presentation of the balance of payments

(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non- resident units in the euro area	Assets	Liabilities		Assets	Liabilities				
					Non-MFIs	Equity <sup>1)</sup>						
1	2	3	4	5	6	7	8	9	10	11		
2001	-7.8	-285.0	201.7	-182.0	172.9	84.3	-39.1	24.4	-1.5	32.2	0.1	-7.3
2002	77.9	-166.2	141.6	-119.7	53.9	176.1	-39.5	11.0	-10.2	19.3	144.3	166.8
2002 Q3	27.9	-27.6	21.2	-7.7	-4.2	42.2	-26.9	-6.7	-9.0	25.8	35.1	33.9
Q4	25.6	-35.5	35.2	-23.8	4.0	51.5	-10.7	11.9	-2.9	22.9	78.4	86.8
2003 Q1	4.4	-34.5	35.7	-11.4	6.7	45.7	-48.7	18.2	-2.5	20.7	34.4	31.0
Q2	-5.2	-35.1	35.4	-72.1	34.1	110.2	-17.1	2.8	-2.8	46.5	96.8	95.9
Q3	19.1	-21.9	11.0	-45.8	23.3	-14.0	-10.5	-5.0	-5.2	3.6	-45.4	-55.8

## C31 Main b.o.p. transactions underlying the developments in MFI net external assets

(EUR billions; 12-month cumulated transactions)



Source: ECB.

1) Excluding money market fund shares/units.

2) Excluding debt securities with a maturity of up to two years issued by euro area MFIs.

### 7.3 Trade in goods

(seasonally adjusted, unless otherwise indicated)

#### 1. Values, volumes and unit values by commodity

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
	Exports	Imports	Total			Memo: Manufactures	Total			Memo:			
			Intermediate	Capital	Consumption		Intermediate	Capital	Consumption	Manufactures	Oil		
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Values (EUR billions; annual percentage changes for columns 1 and 2)												
1999	4.3	9.7	815.3	381.1	178.0	218.5	710.9	784.4	424.8	145.7	192.6	592.3	62.5
2000	21.7	29.4	1,001.2	480.1	217.6	261.4	874.7	1,024.1	589.5	183.1	220.9	744.9	122.6
2001	6.1	-0.9	1,063.7	492.7	236.5	287.7	932.0	1,012.7	576.1	178.4	226.6	738.6	107.8
2002	2.0	-2.8	1,085.4	500.5	230.3	308.1	948.6	984.8	557.3	163.5	233.4	716.9	105.2
2002 Q2	2.7	-3.4	273.5	126.7	57.7	77.1	239.3	248.4	141.6	39.9	58.3	180.2	27.0
Q3	3.9	-1.4	272.2	124.7	57.9	78.2	238.3	245.5	138.9	41.8	58.0	180.5	26.4
Q4	2.3	2.4	269.6	124.6	56.8	76.3	235.0	247.4	139.4	40.8	59.2	178.1	27.8
2003 Q1	-0.9	3.4	266.3	122.7	55.3	74.9	230.2	250.3	142.0	40.8	58.2	177.2	29.9
Q2	-6.0	-3.2	259.5	119.8	53.4	72.3	225.3	243.4	133.4	39.0	59.1	176.2	25.4
Q3	-2.9	-2.3	263.9	120.5	55.8	73.5	229.7	240.3	131.9	38.3	58.0	174.2	25.9
2003 May	-7.2	-3.3	85.5	39.9	17.2	24.0	74.5	80.6	44.3	12.8	19.5	57.6	7.9
June	-5.6	-2.5	86.1	39.2	18.4	23.6	74.7	80.1	43.2	13.0	19.8	58.7	8.0
July	-3.7	-3.0	87.2	39.2	18.9	24.2	75.5	79.6	43.2	12.9	19.5	58.5	8.7
Aug.	-6.4	-5.3	88.1	40.8	17.8	24.6	76.7	81.2	44.6	12.6	19.3	57.3	8.9
Sep.	1.0	1.1	88.5	40.4	19.0	24.7	77.5	79.6	44.1	12.7	19.2	58.4	8.4
Oct.	-2.8	-3.2	88.0	39.5	18.3	24.7	76.7	80.2	43.7	13.1	19.7	58.9	8.1
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
1999	2.0	6.0	88.2	88.1	87.9	87.9	87.2	93.6	92.6	89.0	94.9	90.4	95.9
2000	12.4	6.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2001	5.1	-1.0	105.3	102.0	108.4	108.1	105.6	98.8	99.1	96.0	99.9	97.6	98.9
2002	2.7	-0.4	108.1	105.1	106.1	115.1	108.2	98.4	98.7	89.9	104.0	96.3	100.3
2002 Q2	3.4	-0.2	108.6	106.2	105.6	115.0	108.8	98.7	99.4	87.0	103.5	96.2	98.9
Q3	5.9	2.2	109.2	105.5	107.5	117.6	109.3	98.8	98.6	92.9	104.5	97.9	100.5
Q4	3.3	1.7	108.1	104.7	105.7	114.9	108.0	98.7	97.9	91.3	105.9	96.6	101.9
2003 Q1	1.7	3.3	108.0	104.5	104.4	114.4	107.2	100.1	98.8	94.3	106.1	97.8	96.2
Q2	-2.4	1.9	107.0	103.7	102.5	111.6	106.4	101.8	98.9	92.0	108.8	98.8	103.7
Q3	-0.1	1.1	108.9	104.7	107.1	113.2	108.5	100.0	97.6	89.5	106.4	97.6	105.5
2003 May	-3.4	3.1	105.8	103.4	99.3	110.9	105.4	102.5	100.4	90.8	108.6	97.5	105.9
June	-1.8	3.0	107.1	102.9	106.2	109.6	106.5	101.4	97.5	92.2	110.0	99.5	100.4
July	-0.9	1.5	108.0	102.5	108.2	111.8	106.8	100.4	96.9	91.4	107.8	98.9	108.9
Aug.	-3.5	-2.2	109.3	106.2	103.4	113.9	108.9	101.3	98.7	89.1	106.4	96.5	104.0
Sep.	3.8	3.6	109.5	105.3	109.7	113.9	109.9	98.4	97.2	87.8	104.8	97.4	103.6
Oct.	0.6	1.1	109.4	103.1	103.2	114.7	109.2	100.1	96.9	92.8	108.3	99.3	97.8
	Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)												
1999	2.1	3.3	92.3	90.1	93.0	95.1	93.1	81.9	77.8	89.4	91.9	88.0	53.3
2000	8.3	22.0	99.9	99.9	99.9	100.0	99.9	100.0	100.0	99.9	100.0	100.0	99.9
2001	1.0	0.2	101.0	100.7	100.2	101.9	100.9	100.2	98.7	101.5	102.8	101.6	89.1
2002	-0.7	-2.4	100.3	99.2	99.7	102.4	100.2	97.8	95.9	99.4	101.7	100.0	85.6
2002 Q2	-0.7	-3.2	100.7	99.4	100.5	102.7	100.6	98.4	96.7	100.3	102.1	100.7	89.0
Q3	-1.9	-3.4	99.6	98.5	99.1	101.8	99.7	97.2	95.6	98.4	100.5	99.1	85.7
Q4	-1.1	0.6	99.6	99.1	98.9	101.7	99.5	98.0	96.7	97.8	101.3	99.1	89.0
2003 Q1	-2.6	0.1	98.6	97.8	97.4	100.2	98.2	97.7	97.6	94.6	99.4	97.3	101.3
Q2	-3.7	-5.0	97.0	96.3	95.7	99.2	96.9	93.5	91.6	92.7	98.5	95.8	80.0
Q3	-2.8	-3.3	96.8	95.9	95.7	99.4	96.8	93.9	91.9	93.5	98.9	95.9	80.3
2003 May	-4.0	-6.2	96.9	96.5	95.4	99.4	96.9	92.2	89.9	92.4	97.8	95.3	73.3
June	-3.9	-5.3	96.4	95.2	95.5	98.9	96.2	92.6	90.2	92.1	98.0	95.1	78.1
July	-2.8	-4.4	96.8	95.7	96.6	99.3	96.9	93.0	90.9	92.7	98.2	95.3	78.2
Aug.	-3.0	-3.1	96.7	96.1	95.0	99.3	96.6	94.0	92.1	92.9	98.7	95.7	83.4
Sep.	-2.7	-2.5	97.0	96.0	95.7	99.5	96.8	94.8	92.6	95.0	99.8	96.7	79.2
Oct.	-3.4	-4.2	96.4	95.9	97.6	99.0	96.3	94.0	91.8	92.8	98.9	95.7	81.4

Sources: Eurostat and ECB calculations based on Eurostat data (volume indices and seasonal adjustment of unit value indices).

## 7.3 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

### 2. Geographical breakdown

	Total	United Kingdom	Sweden	Denmark	Acceding countries	Switzerland	United States	Japan	Asia excl. Japan	Africa	Latin America	Other countries
	1	2	3	4	5	6	7	8	9	10	11	12
<i>Exports (f.o.b.)</i>												
1999	815.3	160.3	33.2	21.1	78.8	55.7	134.2	26.8	118.1	48.6	38.7	99.9
2000	1,001.2	189.2	39.2	23.6	97.1	63.9	173.2	34.3	153.8	56.4	47.1	126.2
2001	1,063.7	202.1	36.9	24.3	105.8	66.4	180.2	34.5	165.5	60.4	49.9	135.5
2002	1,085.4	205.4	37.1	25.2	112.1	64.0	184.2	33.0	170.5	59.4	43.4	148.5
2002 Q2	273.5	51.8	9.1	6.4	28.1	16.1	45.9	8.3	42.8	15.2	11.5	37.3
Q3	272.2	51.5	9.2	6.4	28.3	16.3	46.2	8.4	43.4	15.0	10.5	37.7
Q4	269.6	49.7	9.4	6.4	28.1	15.7	45.4	8.3	42.5	14.4	10.4	37.6
2003 Q1	266.3	48.8	9.5	6.5	28.5	16.5	43.2	7.8	42.2	14.4	10.4	37.9
Q2	259.5	46.9	9.5	6.1	29.2	15.6	41.4	7.6	41.6	14.5	9.6	37.7
Q3	263.9	47.8	9.5	6.3	30.1	15.3	41.4	7.7	43.4	15.3	9.2	.
2003 May	85.5	15.3	3.2	2.0	9.6	5.2	13.9	2.5	13.6	4.8	3.0	12.2
June	86.1	15.5	3.1	2.0	9.6	5.2	13.3	2.3	13.8	4.8	3.3	12.7
July	87.2	16.0	3.2	2.0	9.9	5.2	13.4	2.6	13.8	5.1	2.9	13.2
Aug.	88.1	15.8	3.1	2.1	10.2	5.1	13.9	2.5	14.8	4.9	2.9	.
Sep.	88.5	16.0	3.2	2.1	10.0	5.0	14.1	2.6	14.8	5.3	3.3	.
Oct.	88.0	.	.	.	.	.	.	.	.	.	.	.
<i>% share of total exports</i>												
2002	100.0	19.0	3.4	2.3	10.3	5.9	17.0	3.1	15.7	5.5	4.0	13.7
<i>Imports (c.i.f.)</i>												
1999	784.4	132.3	32.9	18.9	61.5	43.3	113.6	54.6	154.6	49.3	30.3	93.0
2000	1,024.1	159.4	39.0	22.2	78.8	50.8	143.7	67.5	217.4	73.7	40.3	133.4
2001	1,012.7	154.3	34.4	21.3	88.9	53.0	138.0	58.6	208.3	74.0	40.9	140.3
2002	984.8	149.2	35.5	22.9	93.5	52.1	125.7	52.7	204.9	67.8	39.4	140.2
2002 Q2	248.4	38.7	8.9	5.7	23.4	13.4	31.6	13.0	50.2	17.2	9.7	36.2
Q3	245.5	37.1	9.0	5.8	23.5	13.2	31.0	13.4	51.6	16.4	9.8	34.5
Q4	247.4	35.7	9.2	5.9	24.0	12.7	30.5	13.4	52.9	16.8	9.8	35.9
2003 Q1	250.3	35.2	9.0	5.9	24.7	13.3	27.9	13.5	53.1	18.4	9.7	38.3
Q2	243.4	33.8	9.0	5.7	25.1	12.6	28.0	13.1	53.3	16.9	9.6	36.3
Q3	240.3	33.4	8.8	5.6	25.1	12.5	27.7	12.3	52.9	16.8	9.6	.
2003 May	80.6	10.8	3.0	1.8	8.3	4.3	9.3	4.3	17.5	5.4	3.2	11.9
June	80.1	11.4	2.9	1.9	8.2	4.1	9.1	4.3	17.8	5.3	3.1	11.9
July	79.6	11.2	2.9	1.8	8.6	4.2	9.2	4.2	17.6	5.7	3.2	11.8
Aug.	81.2	11.4	3.0	1.9	8.0	4.2	9.1	4.1	17.5	5.4	3.2	.
Sep.	79.6	10.9	3.0	1.9	8.5	4.0	9.4	4.1	17.8	5.7	3.2	.
Oct.	80.2	.	.	.	.	.	.	.	.	.	.	.
<i>% share of total imports</i>												
2002	100.0	15.2	3.6	2.3	9.5	5.3	12.8	5.4	20.8	6.9	4.0	14.3
<i>Balance</i>												
1999	30.9	28.0	0.3	2.1	17.3	12.4	20.7	-27.9	-36.5	-0.7	8.4	6.9
2000	-22.9	29.8	0.2	1.4	18.3	13.2	29.6	-33.2	-63.6	-17.2	6.8	-7.1
2001	51.1	47.8	2.6	3.0	17.0	13.4	42.1	-24.1	-42.8	-13.7	9.0	-4.8
2002	100.5	56.3	1.5	2.3	18.6	12.0	58.6	-19.7	-34.4	-8.4	4.0	8.3
2002 Q2	25.1	13.1	0.2	0.7	4.7	2.7	14.3	-4.7	-7.4	-2.0	1.7	1.1
Q3	26.7	14.4	0.2	0.6	4.8	3.1	15.1	-4.9	-8.3	-1.4	0.7	3.2
Q4	22.2	14.0	0.3	0.4	4.1	2.9	14.9	-5.1	-10.4	-2.4	0.6	1.7
2003 Q1	16.0	13.6	0.5	0.6	3.8	3.2	15.3	-5.7	-10.8	-3.9	0.6	-0.4
Q2	16.1	13.1	0.5	0.4	4.1	3.0	13.3	-5.5	-11.6	-2.3	-0.1	1.4
Q3	23.6	14.4	0.7	0.7	5.0	2.8	13.7	-4.6	-9.5	-1.5	-0.4	.
2003 May	4.9	4.5	0.2	0.2	1.4	0.9	4.6	-1.8	-3.9	-0.6	-0.2	0.3
June	5.9	4.0	0.2	0.1	1.4	1.1	4.2	-2.0	-4.0	-0.6	0.2	0.8
July	7.6	4.8	0.2	0.2	1.3	1.0	4.2	-1.6	-3.8	-0.6	-0.2	1.5
Aug.	7.0	4.5	0.2	0.2	2.2	0.9	4.7	-1.6	-2.7	-0.5	-0.3	.
Sep.	9.0	5.1	0.2	0.2	1.5	0.9	4.7	-1.4	-3.0	-0.4	0.1	.
Oct.	7.8	.	.	.	.	.	.	.	.	.	.	.

Sources: Eurostat and ECB calculations based on Eurostat data (balance, acceding countries and other countries).

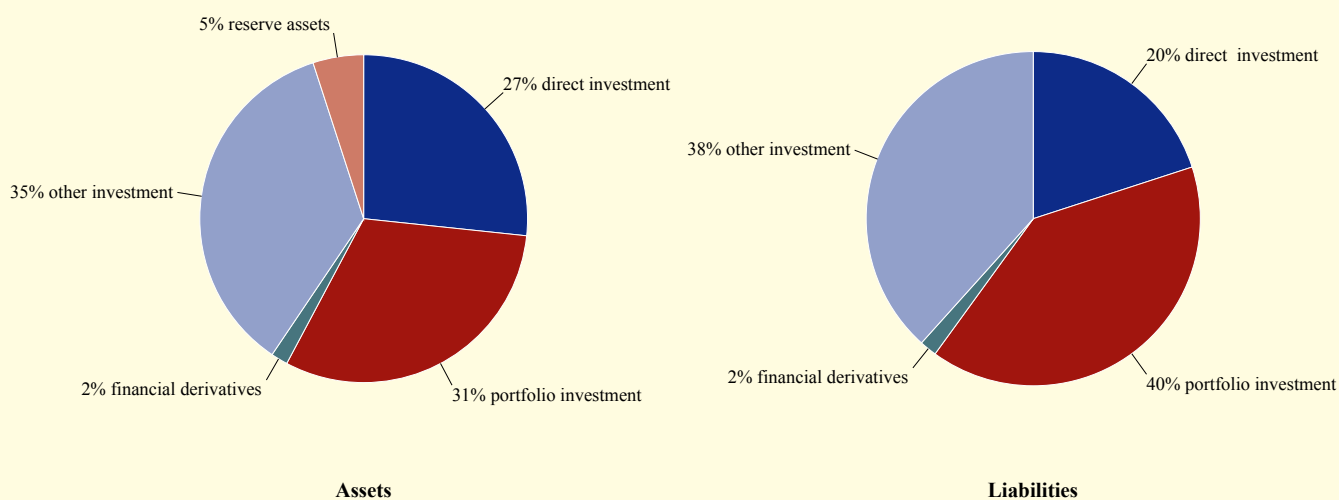
## 7.4 International investment position

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

## 1. Summary international investment position

	Total	Total	Direct	Portfolio	Financial	Other	Reserve
	1	as a % of GDP	investment	investment	derivatives	investment	assets
		2	3	4	5	6	7
Net international investment position							
1999	-318.5	-5.1	369.6	-892.8	16.0	-193.5	382.2
2000	-386.8	-5.9	452.7	-786.4	2.0	-446.3	391.2
2001	-189.6	-2.8	496.4	-691.4	1.5	-388.8	392.7
2002	-289.6	-4.1	425.1	-756.3	-8.1	-316.4	366.1
Outstanding assets							
1999	5,796.6	92.5	1,174.5	2,058.0	111.1	2,070.8	382.2
2000	6,751.2	102.7	1,626.7	2,351.1	105.8	2,276.4	391.2
2001	7,537.2	110.1	1,897.0	2,521.3	108.4	2,617.9	392.7
2002	7,277.9	102.9	1,937.5	2,270.4	122.6	2,581.3	366.1
Outstanding liabilities							
1999	6,115.1	97.6	804.9	2,950.8	95.1	2,264.3	-
2000	7,138.0	108.5	1,174.0	3,137.5	103.7	2,722.7	-
2001	7,726.8	112.9	1,400.6	3,212.7	106.9	3,006.7	-
2002	7,567.5	107.0	1,512.5	3,026.7	130.7	2,897.6	-

## C32 International investment position by item at end-2002



Source: ECB.

## 7.4 International investment position

(EUR billions; end-of-period outstanding amounts)

### 2. Direct investment

	By resident units abroad						By non-resident units in the euro area					
	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
	Total	MFI's excluding Eurosystem	Non-MFI's	Total	MFI's excluding Eurosystem	Non-MFI's	Total	MFI's excluding Eurosystem	Non-MFI's	Total	MFI's excluding Eurosystem	Non-MFI's
1	2	3	4	5	6	7	8	9	10	11	12	
1999	938.7	85.7	853.0	235.8	1.8	234.0	606.3	24.3	582.0	198.6	1.7	196.9
2000	1,273.4	115.2	1,158.2	353.3	1.7	351.6	869.2	32.1	837.1	304.8	1.8	303.0
2001	1,513.2	129.3	1,383.9	383.8	1.4	382.4	1,043.3	42.3	1,001.1	357.3	2.5	354.8
2002	1,554.4	137.5	1,416.9	383.1	1.4	381.7	1,107.7	43.1	1,064.6	404.8	2.7	402.1

### 3. Portfolio investment by instrument

	Equity		Debt instruments					
	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	
1999	1,013.7	1,698.9	1,044.4	937.1	107.2	1,251.9	1,146.5	105.4
2000	1,183.7	1,606.7	1,167.4	1,045.3	122.2	1,530.8	1,365.5	165.4
2001	1,122.4	1,582.0	1,399.0	1,222.0	176.9	1,630.7	1,460.8	169.9
2002	862.2	1,328.3	1,408.3	1,168.7	239.6	1,698.5	1,518.5	179.9

### 4. Portfolio investment assets by instrument and sector of holder

	Equity					Debt instruments									
	Euro-system	MFI's excluding Eurosystem	Non-MFI's			Bonds and notes					Money market instruments				
			Total	General gov.	Other sectors	Euro-system	MFI's excluding Eurosystem	Non-MFI's			Euro-system	MFI's excluding Eurosystem	Non-MFI's		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
1999	0.4	25.9	987.3	4.1	983.2	4.5	257.2	675.4	6.2	669.2	2.6	68.5	36.1	0.2	35.9
2000	0.9	42.7	1,140.1	5.7	1,134.4	3.4	328.5	713.4	5.7	707.7	0.5	85.6	36.1	0.1	35.9
2001	1.3	38.1	1,082.9	6.7	1,076.3	2.2	418.7	801.1	8.3	792.8	2.8	131.9	42.2	0.2	42.0
2002	1.4	38.0	822.8	8.4	814.4	5.0	379.0	784.8	8.8	776.0	1.2	190.1	48.2	1.1	47.1

### 5. Other investment

	Eurosystem						General government							
	Total		Loans/currency and deposits		Other assets/liabilities		Total		Trade credits		Loans/currency and deposits		Other assets/liabilities	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1999	3.1	37.0	3.0	36.6	0.1	0.3	125.5	57.3	2.5	0.1	72.4	45.4	50.6	11.8
2000	3.0	41.8	2.9	41.4	0.1	0.3	133.9	59.5	2.8	0.2	77.5	47.2	53.5	12.1
2001	3.1	40.7	3.0	40.5	0.1	0.2	127.3	61.6	3.1	0.2	68.4	49.1	55.8	12.4
2002	3.4	58.1	3.4	57.9	0.1	0.2	120.6	61.0	1.3	0.1	64.9	45.8	54.3	15.1

	MFI's (excluding Eurosystem)						Other sectors							
	Total		Loans/currency and deposits		Other assets/liabilities		Total		Trade credits		Loans/currency and deposits		Other assets/liabilities	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
15	16	17	18	19	20	21	22	23	24	25	26	27	28	
1999	1,317.7	1,823.5	1,291.8	1,798.1	25.9	25.5	624.5	346.5	158.9	91.8	396.3	224.6	69.3	30.1
2000	1,458.5	2,169.0	1,421.4	2,127.1	37.1	42.0	681.1	452.4	173.9	110.9	422.9	311.8	84.2	29.6
2001	1,715.8	2,413.1	1,668.3	2,364.1	47.5	49.0	771.7	491.3	176.6	109.5	507.4	346.8	87.6	35.1
2002	1,717.0	2,274.6	1,660.1	2,227.2	56.9	47.4	740.3	503.9	176.5	105.2	485.4	354.6	78.4	44.0

Source: ECB.

**7.5 International reserves**

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

	Reserve assets													Memo		
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims	Assets	Liabilities	
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities			Financial derivatives		Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency	
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes					Money market instruments
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
<b>Eurosystem</b>																
2000 Dec.	391.2	119.2	404.157	4.3	21.2	246.5	16.8	20.5	208.5	0.0	155.3	53.2	0.7	0.0	16.3	-21.7
2001 Dec.	392.7	126.1	401.876	5.5	25.3	235.8	8.0	25.9	201.5	1.2	144.4	55.9	0.4	0.0	24.7	-28.5
2002 Nov.	372.6	128.5	399.951	5.0	25.4	213.7	10.0	39.0	164.5	-	-	-	0.2	0.0	21.8	-25.0
Dec.	366.1	130.4	399.022	4.8	25.0	205.8	10.3	35.3	159.8	1.0	117.1	41.7	0.4	0.0	22.4	-26.3
2003 Jan.	363.4	135.5	398.728	4.7	24.4	198.8	13.1	38.5	146.6	-	-	-	0.6	0.0	20.4	-22.0
Feb.	352.2	128.2	397.765	4.8	24.3	194.9	10.4	38.4	145.6	-	-	-	0.5	0.0	19.3	-19.4
Mar.	339.1	122.3	397.765	4.7	24.4	187.7	7.9	36.4	142.8	-	-	-	0.6	0.0	18.9	-20.5
Apr.	332.4	119.9	396.324	4.5	25.0	183.1	7.6	33.6	141.0	-	-	-	0.9	0.0	18.4	-22.8
May	323.1	121.1	396.233	4.5	24.2	173.3	6.9	33.6	131.6	-	-	-	1.1	0.0	18.7	-23.1
June	326.1	120.0	396.229	4.6	25.5	176.1	8.3	34.8	132.2	-	-	-	0.8	0.0	18.2	-25.8
July	328.9	124.2	396.277	4.5	25.5	174.7	8.4	33.2	132.3	-	-	-	0.8	0.0	18.1	-27.2
Aug.	346.8	136.0	395.632	4.7	26.6	179.5	10.3	31.5	137.3	-	-	-	0.4	0.0	18.1	-27.6
Sep.	332.9	131.7	395.444	4.6	26.1	170.5	9.5	30.3	130.4	-	-	-	0.3	0.0	17.1	-25.5
Oct.	332.4	131.4	395.284	4.6	26.2	170.2	9.4	31.5	128.6	-	-	-	0.8	0.0	17.8	-24.9
Nov.	321.9	131.0	394.294	4.6	25.4	160.9	11.2	26.9	121.8	-	-	-	1.0	0.0	15.8	-17.0
<b>of which held by the European Central Bank</b>																
2001 Dec.	49.3	7.8	24.656	0.1	0.0	41.4	0.8	7.0	33.6	0.0	23.5	10.1	0.0	0.0	3.6	-5.9
2002 Nov.	45.1	7.9	24.656	0.2	0.0	37.0	1.4	9.4	26.2	-	-	-	0.0	0.0	3.3	-3.7
Dec.	45.5	8.1	24.656	0.2	0.0	37.3	1.2	9.9	26.1	0.0	19.5	6.7	0.0	0.0	3.0	-5.2
2003 Jan.	42.9	8.4	24.656	0.2	0.0	34.4	0.8	9.5	24.1	-	-	-	0.0	0.0	2.9	-3.2
Feb.	42.0	7.9	24.656	0.2	0.0	33.9	1.3	8.8	23.8	-	-	-	0.0	0.0	2.6	-2.1
Mar.	40.5	7.6	24.656	0.2	0.0	32.8	0.9	9.3	22.6	-	-	-	0.0	0.0	3.0	-1.8
Apr.	40.7	7.5	24.656	0.2	0.0	33.1	0.9	6.8	25.4	-	-	-	0.0	0.0	2.5	-2.4
May	39.2	7.5	24.656	0.2	0.0	31.4	0.8	8.0	22.6	-	-	-	0.0	0.0	2.4	-2.2
June	39.3	7.5	24.656	0.2	0.0	31.6	0.9	7.1	23.6	-	-	-	0.0	0.0	2.8	-1.8
July	41.3	7.7	24.656	0.2	0.0	33.4	0.8	6.7	25.9	-	-	-	0.0	0.0	2.3	-2.9
Aug.	42.7	8.5	24.656	0.2	0.0	34.0	0.9	5.7	27.4	-	-	-	0.0	0.0	2.7	-2.6
Sep.	40.7	8.2	24.656	0.2	0.0	32.3	0.9	4.5	26.9	-	-	-	0.0	0.0	2.4	-2.3
Oct.	40.4	8.2	24.656	0.2	0.0	32.0	1.0	4.7	26.3	-	-	-	0.0	0.0	2.7	-2.3
Nov.	39.6	8.2	24.656	0.2	0.0	31.2	1.0	5.2	25.0	-	-	-	0.0	0.0	2.6	-2.4

Source: ECB.



## EXCHANGE RATES

### 8.1 Effective exchange rates

(period averages; index 1999 Q1=100)

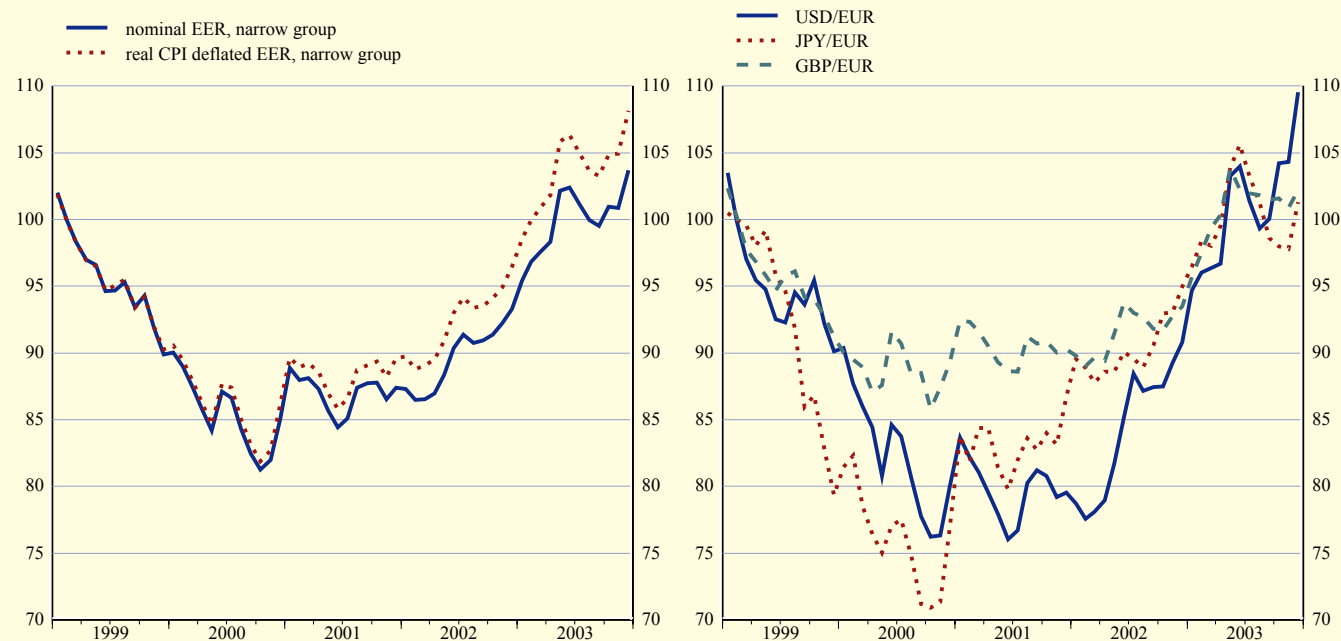
	Narrow group						Broad group	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2001	87.0	88.4	89.6	88.2	88.4	87.1	90.8	87.7
2002	89.7	92.3	93.1	92.2	91.1	91.2	95.4	91.6
2003	99.9	103.6	103.4	102.7	101.9	102.2	106.8	102.0
2002 Q4	92.3	95.2	95.9	95.3	93.7	94.2	99.1	95.0
2003 Q1	96.6	99.8	100.3	99.6	98.2	99.1	103.9	99.1
Q2	101.0	104.7	104.5	104.6	103.9	103.9	107.6	102.9
Q3	100.2	103.9	103.4	103.9	103.7	103.6	106.7	101.9
Q4	101.8	106.0	105.3	.	.	.	109.1	104.2
2002 Dec.	93.3	96.4	97.1	-	-	-	100.1	96.1
2003 Jan.	95.5	98.6	99.4	-	-	-	102.7	97.9
Feb.	96.8	100.0	100.6	-	-	-	104.1	99.2
Mar.	97.6	100.9	101.0	-	-	-	104.8	100.1
Apr.	98.3	101.8	101.7	-	-	-	105.0	100.4
May	102.2	105.8	105.7	-	-	-	108.8	103.9
June	102.4	106.3	105.9	-	-	-	109.1	104.3
July	101.1	104.9	104.5	-	-	-	107.5	102.7
Aug.	99.9	103.6	103.2	-	-	-	106.4	101.5
Sep.	99.5	103.2	102.7	-	-	-	106.1	101.3
Oct.	101.0	104.8	104.1	-	-	-	108.0	103.2
Nov.	100.9	104.9	104.3	-	-	-	108.1	103.2
Dec.	103.7	108.1	107.4	-	-	-	111.2	106.2
	<i>% change versus previous month</i>							
2003 Dec.	2.8	3.1	2.9	-	-	-	2.9	3.0
	<i>% change versus previous year</i>							
2003 Dec.	11.2	12.1	10.6	-	-	-	11.0	10.6

### C33 Effective exchange rates

(monthly averages; index 1999 Q1=100)

### C34 Bilateral exchange rates

(monthly averages; index 1999 Q1=100)



Source: ECB.







# DEVELOPMENTS OUTSIDE THE EURO AREA

## 9.1 In other European countries

(annual percentage changes, unless otherwise indicated)

### 1. Economic and financial developments

	Other EU Member States			Acceding countries									
	Denmark	Sweden	United Kingdom	Czech Republic	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Slovenia	Slovakia
	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>HICP</b>													
2002	2.4	2.0	1.3	1.4	3.6	2.8	2.0	0.4	5.2	.	1.9	7.5	3.3
2003	2.0	.	.	-0.1	1.4	4.0	.	.	.	.	.	5.7	.
2003 Q2	2.2	2.1	1.3	-0.2	0.8	4.7	2.9	-0.6	3.9	.	0.3	5.7	8.1
Q3	1.6	2.3	1.4	-0.2	1.3	2.7	3.5	-0.8	4.7	.	0.7	5.6	9.4
Q4	1.3	.	.	0.8	1.2	3.2	.	.	.	.	.	5.0	.
2003 July	1.8	2.4	1.3	-0.3	0.9	2.6	3.7	-0.8	4.7	.	0.7	6.1	8.9
Aug.	1.5	2.2	1.4	-0.2	1.4	2.4	3.4	-0.9	4.7	.	0.6	5.7	9.5
Sep.	1.7	2.3	1.4	0.0	1.5	3.3	3.2	-0.8	4.6	.	0.7	5.1	9.8
Oct.	1.1	2.0	1.4	0.5	1.2	3.7	3.3	-1.3	4.8	.	1.0	4.9	9.9
Nov.	1.4	2.0	1.3	0.9	1.2	3.8	3.7	-0.9	5.6	.	1.5	5.3	10.2
Dec.	1.2	.	.	1.0	1.2	2.2	.	.	.	.	.	4.7	.
<b>General government deficit (-)/surplus (+) as a % of GDP</b>													
2000	2.6	3.4	1.5	-	-	-	-	-	-	-	-	-	-
2001	3.1	4.5	0.8	-	-	-	-	-	-	-	-	-	-
2002	2.1	1.3	-1.5	-	-	-	-	-	-	-	-	-	-
<b>General government gross debt as a % of GDP</b>													
2000	47.3	52.8	42.1	-	-	-	-	-	-	-	-	-	-
2001	45.4	54.4	38.9	-	-	-	-	-	-	-	-	-	-
2002	45.5	52.7	38.5	-	-	-	-	-	-	-	-	-	-
<b>Long-term government bond yield as a % per annum, period average</b>													
2003 July	4.17	4.51	4.47	-	-	-	-	-	-	-	-	-	-
Aug.	4.35	4.70	4.65	-	-	-	-	-	-	-	-	-	-
Sep.	4.40	4.73	4.76	-	-	-	-	-	-	-	-	-	-
Oct.	4.44	4.85	4.96	-	-	-	-	-	-	-	-	-	-
Nov.	4.57	4.98	5.10	-	-	-	-	-	-	-	-	-	-
Dec.	4.52	4.86	4.94	-	-	-	-	-	-	-	-	-	-
<b>Real GDP</b>													
2001	1.6	0.9	2.1	3.1	6.5	4.0	7.9	6.5	3.8	-1.2	1.0	2.9	3.8
2002	1.0	1.9	1.7	2.0	6.0	2.0	6.1	6.8	3.5	1.7	1.3	2.9	4.4
2003 Q1	1.4	1.9	1.9	2.4	5.2	2.8	8.8	9.3	2.7	-1.9	2.2	2.2	4.1
Q2	-1.2	0.5	2.7	2.4	3.5	0.7	6.2	6.7	2.4	0.7	3.8	2.1	3.8
Q3	-0.5	2.0	1.9	3.4	4.6	2.2	7.3	8.8	2.9	1.9	3.9	2.3	4.2
<b>Current and capital accounts as a % of GDP</b>													
2001	3.1	3.8	-2.2	-5.4	-5.9	-4.3	-9.0	-4.8	-2.8	-4.4	-3.9	0.2	.
2002	2.6	4.3	-1.6	-6.0	-12.0	-5.4	-7.4	-4.9	-3.7	-1.2	-3.5	1.4	-7.6
2003 Q1	2.2	5.4	-0.2	-2.5	-19.5	-14.9	-5.4	-3.5	-5.3	-11.0	-3.3	-0.4	-1.7
Q2	2.8	4.1	-3.5	-7.2	-13.7	.	-10.2	-7.3	-8.4	-6.2	-2.2	-0.4	-0.8
Q3	4.3	.	-2.6	-7.8	.	.	-10.0	.	-6.0	3.2	-0.7	1.9	2.1
<b>Unit labour costs</b>													
2001	3.7	5.5	3.6	-	2.0	-	-2.1	-6.8	12.0	-	-	.	3.0
2002	2.0	0.4	2.7	-	2.0	-	0.0	-9.4	8.2	-	-	.	4.4
2003 Q1	1.2	-	3.0	-	7.1	-	-	.	-	-	-	.	-
Q2	2.2	-	3.2	-	7.4	-	-	.	-	-	-	.	-
Q3	2.7	-	.	-	5.8	-	-	.	-	-	-	.	-
<b>Standardised unemployment rate as a % of labour force (s.a.)</b>													
2002	4.6	4.9	5.1	7.3	9.5	3.9	12.5	13.6	5.6	7.4	19.8	6.1	18.7
2003	.	.	.	.	.	4.5	.	12.7	5.8	.	.	.	.
2003 Q2	5.5	5.5	5.0	7.7	10.4	4.5	10.4	13.0	5.8	7.7	19.2	6.5	17.2
Q3	5.8	5.6	4.9	7.6	10.1	4.6	10.4	12.5	5.7	8.0	19.2	6.6	16.8
Q4	.	.	.	.	.	4.7	.	12.0	5.8	.	.	.	.
2003 July	5.7	5.6	5.0	7.6	10.3	4.6	10.3	12.5	5.7	7.9	19.2	6.6	16.9
Aug.	5.8	5.6	4.9	7.6	10.1	4.6	10.3	12.5	5.7	8.0	19.2	6.6	16.7
Sep.	5.9	5.6	4.9	7.6	10.0	4.6	10.4	12.4	5.8	8.0	19.1	6.7	16.7
Oct.	6.0	5.9	.	7.6	9.8	4.6	10.4	12.1	5.8	8.1	19.1	6.6	16.6
Nov.	.	6.0	.	7.6	9.7	4.6	10.4	12.0	5.8	.	19.1	6.5	16.5
Dec.	.	.	.	.	.	4.8	.	11.8	5.9	.	.	.	.

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

## 9.2 In the United States and Japan

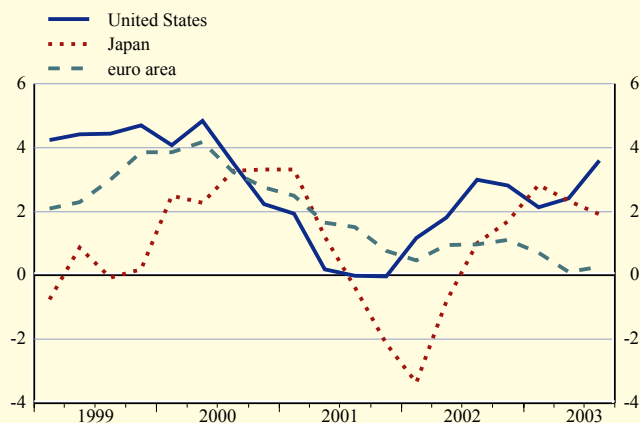
(annual percentage changes, unless otherwise indicated)

### 1. Economic and financial developments

	Consumer price index	Unit labour costs (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money <sup>1)</sup>	3-month interbank deposit rate <sup>2)</sup> as a % per annum	10-year government bond yield <sup>2)</sup> as a % per annum	Exchange rate <sup>3)</sup> as national currency per euro	Fiscal deficit (-)/surplus (+) as a % of GDP	Gross public debt <sup>4)</sup> as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
2000	3.4	3.2	3.7	4.8	4.0	9.4	6.53	6.03	0.924	1.4	44.2
2001	2.8	0.6	0.5	-3.9	4.8	11.4	3.78	5.01	0.896	-0.5	43.6
2002	1.6	-1.7	2.2	-0.5	5.8	8.0	1.80	4.60	0.946	-3.4	45.8
2003	.	.	.	.	6.0	.	1.22	4.00	1.131	.	.
2002 Q4	2.2	-0.9	2.8	1.2	5.9	6.4	1.55	3.99	0.999	-3.9	45.8
2003 Q1	2.9	0.1	2.1	0.7	5.8	6.3	1.33	3.90	1.073	-4.2	46.3
Q2	2.1	0.5	2.4	-1.3	6.1	6.9	1.24	3.61	1.137	-4.7	47.1
Q3	2.2	0.0	3.6	-0.6	6.1	7.9	1.13	4.22	1.125	-5.2	.
Q4	.	.	.	.	5.9	.	1.17	4.27	1.189	.	.
2003 Aug.	2.2	.	.	-1.1	6.1	8.0	1.14	4.44	1.114	.	.
Sep.	2.3	.	.	0.0	6.1	7.4	1.14	4.29	1.122	.	.
Oct.	2.0	.	.	0.9	6.0	6.6	1.16	4.27	1.169	.	.
Nov.	1.8	.	.	1.7	5.9	4.6	1.17	4.29	1.170	.	.
Dec.	.	.	.	.	5.7	.	1.17	4.26	1.229	.	.
Japan											
2000	-0.7	-6.0	2.8	5.7	4.7	2.1	0.28	1.76	99.5	-7.4	126.1
2001	-0.7	5.1	0.4	-6.8	5.0	2.8	0.15	1.34	108.7	-6.1	134.6
2002	-0.9	-3.2	-0.4	-1.2	5.4	3.3	0.08	1.27	118.1	.	.
2003	.	.	.	.	.	1.7	0.06	0.99	131.0	.	.
2002 Q4	-0.5	-8.5	1.7	6.0	5.4	2.9	0.07	1.01	122.4	.	.
2003 Q1	-0.2	-6.8	2.8	5.5	5.4	1.9	0.06	0.80	127.6	.	.
Q2	-0.2	-3.2	2.3	2.2	5.4	1.6	0.06	0.60	134.7	.	.
Q3	-0.2	-1.8	1.9	0.9	.	1.8	0.05	1.20	132.1	.	.
Q4	.	.	.	.	.	1.5	0.06	1.38	129.4	.	.
2003 Aug.	-0.3	0.0	.	-1.3	.	2.0	0.05	1.15	132.4	.	.
Sep.	-0.2	-5.1	.	4.1	.	1.8	0.05	1.45	128.9	.	.
Oct.	0.0	-4.3	.	3.8	.	1.5	0.06	1.40	128.1	.	.
Nov.	-0.5	.	.	2.4	.	1.6	0.06	1.38	127.8	.	.
Dec.	.	.	.	.	.	1.5	0.06	1.35	132.4	.	.

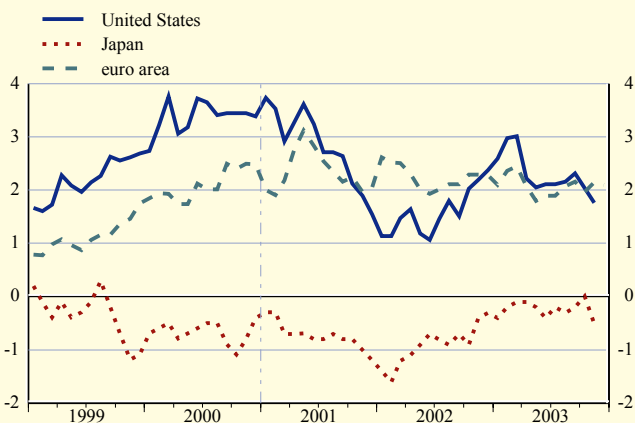
### C35 Real gross domestic product

(annual percentage changes; quarterly)



### C36 Consumer price indices

(annual percentage changes; monthly)



Sources: National data (columns 1, 2 (United States), 3, 4, 5, 6, 9 and 10); OECD (column 2 (Japan)); Eurostat (euro area chart data); Reuters (columns 7 and 8); ECB calculations (column 11).

1) Average-of-period values; M3 for US, M2+CDs for Japan.

2) For more information, see Sections 4.6 and 4.7.

3) For more information, see Section 8.

4) Gross consolidated general government debt (end of period).

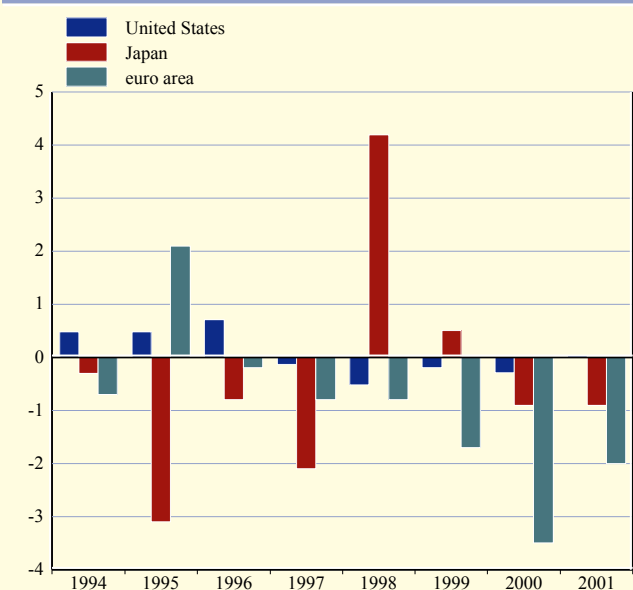
## 9.2 In the United States and Japan

(as a percentage of GDP)

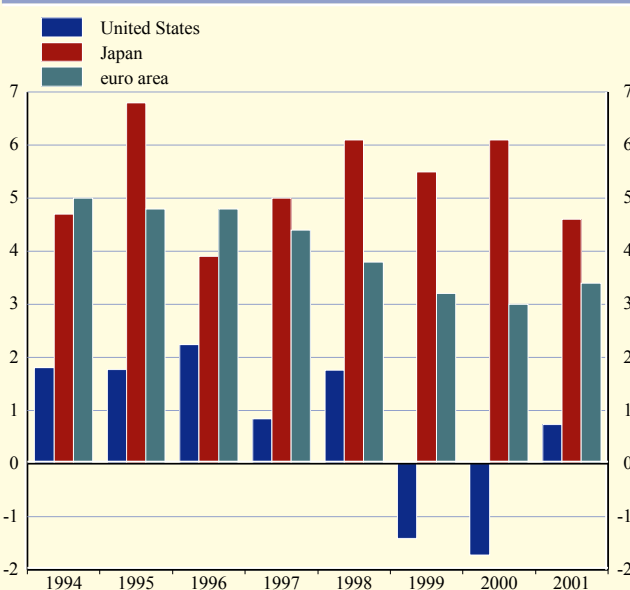
### 2. Saving, investment and financing

	National saving and investment			Investment and financing of non-financial corporations					Investment and financing of households <sup>1)</sup>				
	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	Gross capital formation	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													
1999	18.4	20.9	-3.0	9.5	8.9	10.5	8.2	10.6	2.9	12.4	4.8	11.2	6.3
2000	18.4	21.1	-4.0	9.7	9.1	12.3	7.5	12.6	2.7	12.5	4.0	11.5	5.8
2001	16.5	19.1	-3.7	7.9	8.5	1.9	7.7	1.8	1.9	13.0	6.5	11.6	5.8
2002	15.0	18.6	-4.7	7.7	7.6	1.7	7.7	2.0	0.2	12.8	6.1	12.5	7.0
2001 Q4	15.9	18.2	-3.6	7.1	8.0	2.1	8.5	0.8	2.2	13.4	3.5	10.9	3.5
2002 Q1	15.5	18.6	-4.1	7.5	7.8	1.8	7.9	1.5	0.4	12.8	6.1	12.3	6.9
Q2	15.5	18.7	-4.8	7.7	7.6	2.6	7.7	2.6	1.0	12.7	5.8	12.7	5.9
Q3	14.6	18.6	-4.7	7.8	7.6	0.3	7.5	1.0	-1.4	12.9	4.7	12.5	6.8
Q4	14.3	18.7	-5.1	7.8	7.5	2.3	7.6	2.8	0.7	12.7	7.6	12.2	8.4
2003 Q1	14.0	18.4	-5.2	7.4	7.4	2.1	7.4	2.5	0.5	12.7	7.3	12.1	8.3
Q2	13.9	18.2	-5.2	7.3	7.4	4.1	8.0	3.6	2.4	12.9	12.2	12.2	12.6
Q3	.	.	.	.	.	.	.	.	.	.	.	.	.
Japan													
1999	27.9	26.0	2.2	14.5	14.8	0.5	13.8	-5.0	0.6	5.2	5.7	11.5	0.3
2000	27.8	26.3	2.3	15.8	15.5	0.9	14.3	-1.0	0.2	5.2	3.9	10.7	-0.1
2001	26.5	25.8	2.0	15.7	15.3	-2.8	14.2	-6.3	0.2	4.9	2.8	8.6	0.2
2002	.	24.1	.	.	.	-2.9	.	-7.1	-0.9	.	0.7	.	-2.1
2001 Q4	25.5	25.5	2.0	.	.	4.3	.	5.7	-0.3	.	9.9	.	-0.6
2002 Q1	29.6	22.8	3.4	.	.	9.1	.	-4.8	-3.0	.	-6.6	.	2.5
Q2	.	22.7	.	.	.	-27.8	.	-23.6	0.8	.	5.8	.	-8.5
Q3	.	23.7	.	.	.	1.2	.	-9.7	-2.3	.	-6.8	.	-0.6
Q4	.	25.0	.	.	.	5.9	.	9.2	0.7	.	9.4	.	-1.5
2003 Q1	.	22.9	.	.	.	16.0	.	-4.6	0.3	.	-11.2	.	2.9
Q2	.	23.3	.	.	.	-25.1	.	-21.4	-0.9	.	4.1	.	-5.5
Q3	.	24.1	.	.	.	-2.7	.	-13.6	-2.9	.	-5.1	.	-3.7

**C37 Net lending of non-financial corporations**  
(as a percentage of GDP)



**C38 Net lending of households<sup>1)</sup>**  
(as a percentage of GDP)



Sources: ECB, Federal Reserve Board, Bank of Japan and Economic and Social Research Institute.

1) Including non-profit institutions serving households.

## LIST OF CHARTS

C1	Monetary aggregates	S12
C2	Counterparts	S12
C3	Components of monetary aggregates	S13
C4	Components of longer-term financial liabilities	S13
C5	Loans to financial intermediaries and non-financial corporations	S14
C6	Loans to households	S15
C7	Loans to government and non-euro area residents	S16
C8	Deposits by financial intermediaries	S17
C9	Deposits by non-financial corporations and households	S18
C10	Deposits by government and non-euro area residents	S19
C11	MFI holdings of securities	S20
C12	Total assets of investment funds	S24
C13	Total outstanding amounts and gross issues of securities other than shares issued by euro area residents	S31
C14	Outstanding amounts of securities other than shares by sector	S32
C15	Gross issues of securities other than shares by sector	S33
C16	Short-term debt securities by sector of the issuer in all currencies combined	S34
C17	Long-term debt securities by sector of the issuer in all currencies combined	S35
C18	Annual growth rates for quoted shares issued by euro area residents	S36
C19	Gross issues of quoted shares by sector of the issuer	S37
C20	New deposits with agreed maturity	S39
C21	New loans at floating rate and up to 1 year initial rate fixation	S39
C22	Euro area money market rates	S40
C23	3-month money market rates	S40
C24	Euro area government bond yields	S41
C25	10-year government bond yields	S41
C26	Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225	S42
C27	B.o.p. current account balance	S54
C28	B.o.p. net direct and portfolio investment	S54
C29	B.o.p. goods	S55
C30	B.o.p. services	S55
C31	Main b.o.p. transactions underlying the developments in MFI net external assets	S60
C32	International investment position by item at end-2002	S63
C33	Effective exchange rates	S66
C34	Bilateral exchange rates	S66
C35	Real gross domestic product	S69
C36	Consumer price indices	S69
C37	Net lending of non-financial corporations	S70
C38	Net lending of households	S70





## TECHNICAL NOTES

### RELATING TO THE EURO AREA OVERVIEW (I. MONETARY DEVELOPMENTS AND INTEREST RATES)

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

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

where  $I_t$  is the index of adjusted outstanding amounts as at month  $t$  (see also below). Likewise, for the year ending in month  $t$ , the average growth rate is calculated as:

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

### RELATING TO SECTIONS 2.1 TO 2.6

#### CALCULATION OF TRANSACTIONS

Monthly transactions are calculated from monthly differences in outstanding amounts adjusted for reclassifications, other revaluations, exchange rate variations and any other changes which do not arise from transactions.

If  $L_t$  represents the outstanding amount at the end of month  $t$ ,  $C_t^M$  the reclassification adjustment in month  $t$ ,  $E_t^M$  the exchange rate adjustment and  $V_t^M$  the other revaluation adjustments, the transactions  $F_t^M$  in month  $t$  are defined as:

$$c) F_t^M = (L_t - L_{t-1}) - C_t^M - E_t^M - V_t^M$$

Similarly, the quarterly transactions  $F_t^Q$  for the quarter ending in month  $t$  are defined as:

$$d) F_t^Q = (L_t - L_{t-3}) - C_t^Q - E_t^Q - V_t^Q$$

where  $L_{t-3}$  is the amount outstanding at the end of month  $t-3$  (the end of the previous quarter)

and, for example,  $C_t^Q$  is the reclassification adjustment in the quarter ending in month  $t$ .

For those quarterly series for which monthly observations are now available (see below), the quarterly transactions can be derived as the sum of the three monthly transactions in the quarter.

#### CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

Growth rates may be calculated from transactions or from the index of adjusted outstanding amounts. If  $F_t^M$  and  $L_t$  are defined as above, the index  $I_t$  of adjusted outstanding amounts in month  $t$  is defined as:

$$e) I_t = I_{t-1} \times \left( 1 + \frac{F_t^M}{L_{t-1}} \right)$$

The base of the index (of the non-seasonally adjusted series) is currently set as December 2001 = 100. Time series of the index of adjusted outstanding amounts are available on the ECB's website ([www.ecb.int](http://www.ecb.int)) under the "Monetary statistics" sub-section of the "Statistics" section.

The annual growth rate  $a_t$  for month  $t$  – i.e. the change in the 12 months ending in month  $t$  – may be calculated using either of the following two formulae:

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

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

Unless otherwise indicated, the annual growth rates refer to the end of the indicated period. For example, the annual percentage change for the year 2002 is calculated in g) by dividing the index of December 2002 by the index of December 2001.

Growth rates for intra-annual periods may be derived by adapting formula g). For example, the month-on-month growth rate  $a_t^M$  may be calculated as:

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

Finally, the three-month moving average for the annual growth rate of M3 is obtained as  $(a_t + a_{t-1} + a_{t-2})/3$ , where  $a_t$  is defined as in f) or g) above.

#### CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

Following the entry into force on 1 January 2003 of ECB Regulation ECB/2001/13, a number of breakdowns of MFI balance-sheet data, previously reported at a quarterly frequency, are now available monthly – thus providing monthly data on, for example, loans to households. However, for the time being and until at least a full year of monthly data becomes available, growth rates will continue to be calculated on the basis of the quarterly data.

If  $F_t^Q$  and  $L_{t-3}$  are defined as above, the index  $I_t$  of adjusted outstanding amounts for the quarter ending in month  $t$  is defined as:

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

The annual growth rate in the four quarters ending in month  $t$ , i.e.  $a_t$ , may be calculated using formula g).

#### SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS<sup>1</sup>

The approach used relies on a multiplicative decomposition through X-12-ARIMA.<sup>2</sup> The seasonal adjustment may include a day-of-the-week adjustment, and for some series is carried out indirectly by means of a linear combination of components. In particular, this is the case for

M3, derived by aggregating the seasonally adjusted series for M1, M2 less M1, and M3 less M2.

The seasonal adjustment procedures are first applied to the index of adjusted outstanding amounts.<sup>3</sup> The resulting estimates of the seasonal factors are then applied to the levels and to the adjustments arising from reclassifications and revaluations, in turn yielding seasonally adjusted transactions. Seasonal (and trading day) factors are revised at annual intervals or as required.

#### RELATING TO SECTIONS 3.1 TO 3.3

#### CALCULATION OF GROWTH RATES

Growth rates are calculated on the basis of financial transactions and therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions.

If  $T_t$  represents the transactions in quarter  $t$  and  $L_t$  represents the outstanding amount at the end of quarter  $t$ , then the growth rate for the quarter  $t$  is calculated as:

$$j) \frac{\sum_{i=0}^3 T_{t-i}}{L_{t-4}} \times 100$$

<sup>1</sup> For details, see “Seasonal adjustment of monetary aggregates and HICP for the euro area”, ECB (August 2000) and the “Statistics” section of the ECB’s website ([www.ecb.int](http://www.ecb.int)), under the “Monetary statistics” sub-section.

<sup>2</sup> For details, see Findley, D., Monsell, B., Bell, W., Otto, M., and Chen, B. C. (1998), “New Capabilities and Methods of the X-12-ARIMA Seasonal Adjustment Program”, *Journal of Business and Economic Statistics*, 16, 2, pp.127-152, or “X-12-ARIMA Reference Manual”, Time Series Staff, Bureau of the Census, Washington, D.C.

For internal purposes, the model-based approach of TRAMO-SEATS is also used. For details on TRAMO-SEATS, see Gomez, V. and Maravall, A. (1996), “Programs TRAMO and SEATS: Instructions for the User”, Banco de España, Working Paper No. 9628, Madrid.

<sup>3</sup> It follows that for the seasonally adjusted series, the level of the index for the base period, i.e. December 2001, generally differs from 100, reflecting the seasonality of that month.

**RELATING TO SECTION 4.3 AND 4.4****CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES**

Growth rates are calculated on the basis of financial transactions and therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. They may be calculated from transactions or from the index of adjusted outstanding amounts. If  $N_t^M$  represents the transactions (net issues) in month  $t$  and  $L_t$  the level outstanding at the end of the month  $t$ , the index  $I_t$  of adjusted outstanding amounts in month  $t$  is defined as:

$$k) \quad I_t = I_{t-1} \times \left( 1 + \frac{N_t^M}{L_{t-1}} \right)$$

As a base, the index is set equal to 100 on December 2001. The annual percentage change  $a_t$  for month  $t$  corresponding to the change in the 12 months ending in month  $t$ , may be calculated using either of the following two formulae:

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

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

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

The calculation formula used for Section 4.3 is also used for Section 4.4 and is likewise based on that used for the monetary aggregates. Section 4.4 is based on market values and the basis for the calculation are financial transactions, which exclude reclassifications,

revaluations or any other changes that do not arise from transactions. Exchange rate variations are not included as all quoted shares covered are denominated in euro.

**RELATING TO TABLE I IN SECTION 5.1****SEASONAL ADJUSTMENT OF THE HICP<sup>4</sup>**

The approach used relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The seasonal adjustment of the overall HICP for the euro area is carried out indirectly by aggregating the seasonally adjusted euro area series for processed food, unprocessed food, industrial goods excluding energy, and services. Energy is added without adjustment since there is no statistical evidence of seasonality. Seasonal factors are revised at annual intervals or as required.

**RELATING TO TABLE 2 IN SECTION 7.1****SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT**

The approach relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). Goods raw data are pre-adjusted to take into account “working-day”, “leap year” and “Easter” effects. Services data are subject to only a “working-day” pre-adjustment. The seasonal adjustment for goods and services is carried out using these pre-adjusted series. Income and current transfers are not pre-adjusted. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal factors are revised at annual intervals or as required.

4 For details, see “Seasonal adjustment of monetary aggregates and HICP for the euro area”, ECB (August 2000) and the “Statistics” section of the ECB’s website ([www.ecb.int](http://www.ecb.int)), under the “Monetary statistics” sub-section.







## GENERAL NOTES

The “Euro area statistics” section of the Monthly Bulletin focuses on statistics for the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available in the “Statistics” section of the ECB’s website ([www.ecb.int](http://www.ecb.int)). Services available under the “Statistics on-line” subsection include a browser interface with search facilities, subscription to different datasets and a facility for downloading data directly as compressed Comma Separated Value (CSV) files.

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the Governing Council. For this issue, the cut-off date was 14 January 2004.

All data relate to the Euro 12, unless otherwise indicated. For the monetary data, the Harmonised Index of Consumer Prices (HICP), investment fund and financial market statistics, the statistical series relating to the euro area cover the EU Member States that had adopted the euro at the time to which the statistics relate. Where applicable, this is shown in the tables by means of a footnote; in the charts, the break is indicated by a dotted line. In these cases, where underlying data are available, absolute and percentage changes for 2001, calculated from a base in 2000, use a series which takes into account the impact of Greece’s entry into the euro area.

Given that the composition of the ECU does not coincide with the former currencies of the countries 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 EU Member States which have not adopted the euro. To avoid this effect on the monetary statistics, the pre-1999 data in Sections 2.1 to 2.8 are expressed in units converted from national currencies at the irrevocable euro exchange rates established on 31 December 1998. Unless otherwise indicated,

price and cost statistics before 1999 are based on data expressed in national currency terms.

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

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

The group “acceding countries” comprises the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia.

In most cases, the terminology used within the tables follows international standards, such as those contained in the European System of Accounts 1995 (ESA 95) and the IMF Balance of Payments Manual. Transactions refer to voluntary exchanges (measured directly or derived), while flows also encompass changes in outstanding amounts owing to price and exchange rate changes, write-offs, and other changes.

### OVERVIEW

Developments in key indicators for the euro area are summarised in an overview table.

### MONETARY POLICY STATISTICS

Section 1.4 shows statistics on minimum reserve and liquidity factors. Annual and quarterly observations refer to averages of the last reserve maintenance period of the year/quarter. Until December 2003, the maintenance periods started on the 24th calendar day of a month and ran to the 23rd of the following month. On 23 January 2003 the ECB announced changes to the operational framework, which will be implemented on 10 March 2004. As a result of these changes, maintenance periods will start on the settlement

day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is scheduled. A transitional maintenance period has been defined to cover the period from 24 January to 9 March 2004.

Table 1 in Section 1.4 shows the components of the reserve base of credit institutions subject to reserve requirements. The liabilities vis-à-vis other credit institutions subject to the ESCB's minimum reserve system, the ECB and participating national central banks are excluded from the reserve base. When a credit institution cannot provide evidence of the amount of its issues of debt securities with a maturity of up to two years held by the institutions mentioned above, it may deduct a certain percentage of these liabilities from its reserve base. The percentage for calculating the reserve base was 10% until November 1999 and 30% thereafter.

Table 2 in Section 1.4 contains average data for completed maintenance periods. The amount of the reserve requirement of each individual credit institution is first calculated by applying the reserve ratio for the corresponding categories of liabilities to the eligible liabilities, using the balance sheet data from the end of each calendar month. Subsequently, each credit institution deducts from this figure a lump-sum allowance of €100,000. The resulting required reserves are then aggregated at the euro area level (column 1). The current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve the fulfilment of reserve requirements. The excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. The deficiencies (column 4) are defined as the average shortfalls of current account holdings from required reserves over the maintenance period, computed on the basis of those credit institutions that have not fulfilled their reserve requirement. The interest rate on minimum reserves (column 5) is equal to the average, over the maintenance

period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's main refinancing operations (see Section 1.3).

Table 3 in Section 1.4 shows the banking system's liquidity position, which is defined as the current account holdings in euro of credit institutions in the euro area with the Eurosystem. All amounts are derived from the consolidated financial statement of the Eurosystem. The other liquidity-absorbing operations (column 7) exclude the issuance of debt certificates initiated by national central banks in Stage Two of EMU. The net other factors (column 10) represent the netted remaining items in the consolidated financial statement of the Eurosystem. The credit institutions' current accounts (column 11) are equal to the difference between the sum of liquidity-providing factors (columns 1 to 5) and the sum of liquidity-absorbing factors (columns 6 to 10). The base money (column 12) is calculated as the sum of the deposit facility (column 6), the banknotes in circulation (column 8) and the credit institutions' current account holdings (column 11).

## **MONEY, BANKING AND INVESTMENT FUNDS**

Section 2.1 shows the aggregated balance sheet of the monetary financial institution (MFI) sector, i.e. the sum of the harmonised balance sheets of all MFIs resident in the euro area. MFIs are central banks, credit institutions as defined under Community law, money market funds and other institutions whose business it is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. A complete list of MFIs is published on the ECB's website.

Section 2.2 shows the consolidated balance sheet of the MFI sector, which is obtained by netting the aggregated balance sheet positions between MFIs in the euro area. Due to limited

heterogeneity in recording practices, the sum of the inter-MFI positions is not necessarily zero; the balance is shown in column 10 of the liabilities side of Section 2.2. Section 2.3 sets out the euro area monetary aggregates and counterparts. These are derived from the consolidated MFI balance sheet; they also take account of some monetary assets/liabilities of central government. Statistics on monetary aggregates and counterparts are adjusted for seasonal and trading-day effects. The external liabilities item of Sections 2.1 and 2.2 shows the holdings by non-euro area residents of i) shares/units issued by money market funds located in the euro area and ii) debt securities issued with a maturity of up to two years by MFIs located in the euro area. In Section 2.3, however, these holdings are excluded from the monetary aggregates and contribute to the item “net external assets”.

Section 2.4 provides an analysis by sector, type and original maturity of loans granted by MFIs other than the Eurosystem (the banking system) resident in the euro area. Section 2.5 shows a sectoral and instrument analysis of deposits held with the euro area banking system. Section 2.6 shows the securities held by the euro area banking system, by type of issuer.

Sections 2.2 to 2.6 include transactions, which are derived as differences in outstanding amounts adjusted for reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. Section 2.7 shows selected revaluations which are used in the derivation of transactions. Sections 2.2 to 2.6 also provide growth rates in terms of annual percentage changes based on the transactions. Section 2.8 shows a quarterly currency breakdown of selected MFI balance sheet items.

Details of the sector definitions are set out in the “Money and Banking Statistics Sector Manual – Guidance for the statistical classification of customers” (ECB, November 1999). The “Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet

Statistics” (ECB, November 2002) explains practices recommended to be followed by the NCBs. Since 1 January 1999 the statistical information has been collected and compiled on the basis of Regulation ECB/1998/16 of 1 December 1998 concerning the consolidated balance sheet of the Monetary Financial Institutions sector<sup>1</sup>, as last amended by Regulation ECB/2003/10<sup>2</sup>.

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

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

## FINANCIAL AND NON-FINANCIAL ACCOUNTS

Sections 3.1 and 3.2 show quarterly data on financial accounts for non-financial sectors in the euro area, comprising general government (S.13 in the ESA 95), non-financial corporations (S.11 in the ESA 95), and households (S.14 in the ESA 95) including non-profit institutions serving households (S.15 in the ESA 95). The data cover non-seasonally adjusted amounts outstanding and financial transactions classified according to the ESA 95

1 OJL 356, 30.12.1998, p. 7.

2 OJL 250, 2.10.2003, p. 19.

and show the main financial investment and financing activities of the non-financial sectors. On the financing side (liabilities), the data are presented by ESA 95 sector and original maturity (“short-term” refers to an original maturity of up to one year; “long-term” refers to an original maturity of over one year). Whenever possible, the financing taken from MFIs is presented separately. The information on financial investment (assets) is currently less detailed than that on financing, especially since a breakdown by sector is not possible.

Section 3.3 shows quarterly data on financial accounts for insurance corporations and pension funds (S.125 in the ESA 95) in the euro area. As in Sections 3.1 and 3.2, the data cover non-seasonally adjusted amounts outstanding and financial transactions, and show the main financial investment and financing activities of this sector.

The quarterly data in these three sections are based on quarterly national financial accounts data and MFI balance sheet and securities issues statistics. Sections 3.1 and 3.2 also refer to data taken from the BIS international banking statistics. Although all euro area countries contribute to the MFI balance sheet and securities issues statistics, Ireland and Luxembourg do not yet provide quarterly national financial accounts data.

Section 3.4 shows annual data on saving, investment (financial and non-financial) and financing for the euro area as a whole, and separately for non-financial corporations and households. These annual data provide, in particular, fuller sectoral information on the acquisition of financial assets and are consistent with the quarterly data in the two previous sections.

## FINANCIAL MARKETS

The series on financial market statistics for the euro area cover the EU Member States that had

adopted the euro at the time to which the statistics relate.

Statistics on securities other than shares and quoted shares (Sections 4.1 to 4.4) are produced by the ECB using data from the ESCB and the BIS. Section 4.5 presents MFI interest rates on euro-denominated deposits and loans by euro area residents. Statistics on money market interest rates, long-term government bond yields and stock market indices (Sections 4.6 to 4.8) are produced by the ECB using data from wire services.

Statistics on securities issues cover securities other than shares (debt securities), which are presented in Sections 4.1, 4.2 and 4.3, and quoted shares, which are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. “Short-term” means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as “long-term”. The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. Euro-denominated securities indicated in Sections 4.1, 4.2 and 4.3 also include items expressed in national denominations of the euro.

Section 4.1 shows securities issued, redemptions, net issues and outstanding amounts for all maturities, with an additional breakdown of long-term maturities. Net issues differ from the change in outstanding amounts owing to valuation changes, reclassifications and other adjustments.

Columns 1 to 4 show the outstanding amounts, gross issues, redemptions and net issues for all euro-denominated issues. Columns 5 to 8 show the outstanding amounts, gross issues, redemptions and net issues for all securities other than shares (debt securities) issued by euro residents. Columns 9 to 11 show the

percentage share of the outstanding amounts, gross issues and redemptions of securities that have been issued in euro by euro area residents. Column 12 shows euro-denominated net issues by euro area residents.

Section 4.2 contains a sectoral breakdown of outstanding amounts and gross issues for euro area resident issuers which is in line with the ESA 95<sup>3</sup>. The ECB is included in the Eurosystem.

The total outstanding amounts in column 1 of Section 4.2 are identical to the data on outstanding amounts of Section 4.1, column 5. The outstanding amounts of securities issued by MFIs in Section 4.2, column 2, are broadly comparable with debt securities issued as shown on the liabilities side of the aggregated MFI balance sheet in Section 2.1, column 8.

Section 4.3 shows annual growth rates for debt securities issued by euro area residents (broken down by maturity and by sector of the issuer), which are based on financial transactions that occur when an institutional unit acquires or disposes of financial assets and incurs or repays liabilities. The annual growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions.

Section 4.4, columns 1, 4, 6 and 8, show the outstanding amounts of quoted shares issued by euro area residents broken down by issuing sector. The monthly data for quoted shares issued by non-financial corporations correspond to the quarterly series shown in Section 3.2 (main liabilities, column 21).

Section 4.4, columns 3, 5, 7 and 9, show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial transactions that occur when an issuer sells or redeems shares for cash excluding investments in the issuers' own shares. Transactions include

the quotation of an issuer on a stock exchange for the first time and the creation or deletion of new instruments. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes which do not arise from transactions.

Section 4.5 presents statistics on all the interest rates that MFIs resident in the euro area apply to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area. Euro area MFI interest rates are calculated as a weighted average (by corresponding business volume) of the euro area countries' interest rates for each category.

MFI interest rate statistics are broken down by type of business coverage, sector, instrument category and maturity, period of notice or initial period of interest rate fixation. The new MFI interest rate statistics replace the ten transitional statistical series on euro area retail interest rates that have been published in the ECB's Monthly Bulletin since January 1999.

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999 column 1 of Section 4.6 shows

<sup>3</sup> The code numbers in the ESA 95 for the sectors shown in tables in the Monthly Bulletin are: MFIs (including the Eurosystem), which comprises the ECB, the NCBs of the euro area countries (S.121) and other monetary financial institutions (S.122); non-monetary financial corporations, which comprises other financial intermediaries (S.123), financial auxiliaries (S.124) and insurance corporations and pension funds (S.125); non-financial corporations (S.11); central government (S.1311); and other general government, which comprises state government (S.1312), local government (S.1313) and social security funds (S.1314).

the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999 interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

Section 4.7 presents government bond yields for the euro area, the United States and Japan. Until December 1998, two-, three-, five- and seven-year euro area yields were end-of-period values and ten-year yields period averages. Thereafter, all yields are period averages. Until December 1998, euro area yields were 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. For the United States and Japan, ten-year yields are period averages.

Section 4.8 shows stock market indices for the euro area, the United States and Japan.

## **PRICES, OUTPUT, DEMAND AND LABOUR MARKETS**

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities. Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger car registrations are adjusted for the variations in the number of working days.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The

breakdown by goods and services components is derived from the Classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure on final consumption by households on the economic territory of the euro area. The table includes seasonally adjusted HICP data which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics<sup>4</sup>. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001<sup>5</sup>. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

World market prices of raw materials (Table 2 in Section 5.1) measures price changes of euro-denominated euro area imports compared with the base period.

The Labour Cost Indices (Table 3 in Section 5.1) measure the average labour cost per hour worked. They do not, however, cover agriculture, fishing, public administration, education, health and services not elsewhere classified. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised national definition data.

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2 in Section 5.2), GDP deflators (Table 5 in Section 5.1) and employment statistics (Table 1 in Section 5.3) are results of the ESA 95 quarterly national accounts.

<sup>4</sup> OJ L 162, 5.6.1998, p. 1.

<sup>5</sup> OJ L 86, 27.3.2001, p. 11.



Retail sales (Table 4 in Section 5.2) measures the turnover, including all duties and taxes with the exception of VAT, of all retail trade excluding sales of motor vehicles and motorcycles, and except repairs. New passenger car registrations covers registrations of both private and commercial passenger cars.

Qualitative business and consumer survey data (Table 5 in Section 5.2) draw on the European Commission Business and Consumer Surveys.

Unemployment rates (Table 2 in Section 5.3) conform to International Labour Organisation (ILO) guidelines. They refer to persons actively seeking work as a share of the labour force, using harmonised criteria and definitions. The labour force estimates underlying the unemployment rate are different from the sum of the employment and unemployment levels published in Section 5.3.

## GOVERNMENT FINANCE

Sections 6.1 to 6.3 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The euro area aggregates are compiled by the ECB from harmonised data provided by the NCBs, which are regularly updated. The deficit and debt data for the euro area countries may therefore differ from those used by the European Commission within the excessive deficit procedure.

Section 6.1 shows general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000<sup>6</sup> amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact.

Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects.

## EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1, 7.2, 7.4 and 7.5) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 2 May 2003 on the statistical reporting requirements of the ECB (ECB/2003/7)<sup>7</sup>, and Eurostat documents. Additional references about the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled “European Union balance of payments/international investment position statistical methods” (November 2003), which can be downloaded from the ECB’s website.

The presentation of net transactions in the financial account follows the sign convention of the IMF Balance of Payments Manual: an increase of assets appears with a minus sign, while an increase of liabilities appears with a plus sign. In the current account and capital account, both credit and debit transactions are presented with a plus sign.

The euro area b.o.p. is compiled by the ECB. The recent monthly figures should be regarded as provisional. Data are revised when figures for the following month and/or the detailed quarterly b.o.p. are published. Earlier data are revised periodically or as a result of methodological changes in the compilation of the source data.

<sup>6</sup> OJ L 172, 12.7.2000, p. 3.

<sup>7</sup> OJ L 131, 28.5.2003, p. 20.



Table 2 in Section 7.1 contains seasonally adjusted data for the current account. Where appropriate, the adjustment covers also working-day, leap year and/or Easter effects.

Table 7 in Section 7.1 provides a sectoral breakdown of euro area purchasers of securities issued by non-euro area residents. It is not yet possible to show a sectoral breakdown of euro area issuers of securities acquired by non-residents.

Section 7.2 contains a monetary presentation of the b.o.p.: the b.o.p. transactions mirroring the transactions in the external counterpart of M3. The data follow the sign conventions of the b.o.p., except for the transactions in the external counterpart of M3 taken from money and banking statistics (column 12), where a positive sign denotes an increase of assets or a decrease of liabilities. In the liabilities of portfolio investment, the b.o.p. transactions include sales and purchases of equity and debt securities issued by MFIs, apart from shares of money market funds and debt securities issued by MFIs with a maturity of up to two years. A specific methodological note on the monetary presentation of the euro area b.o.p. is available in the "Statistics" section of the ECB's website. See also Box 1 in the June 2003 issue of the Monthly Bulletin.

Section 7.3 shows data on euro area external trade in goods. The main source is Eurostat. The ECB derives volume indices from Eurostat value and unit value indices, and performs seasonal adjustment of unit value indices, while value data are seasonally and working-day adjusted by Eurostat.

The commodity breakdown in columns 4 to 6 and 9 to 11 of Table 7.3.1 is in line with the classification by Broad Economic Categories. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 3 definition. The geographical breakdown shows main trading partners individually or in regional groups.

Owing to differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the balance of payments statistics (Sections 7.1 and 7.2). Part of the difference arises from the inclusion of insurance and freight services in the recording of goods imported, which accounted for about 5% of the value of imports (c.i.f.) in 2001 (ECB estimate).

The data on the euro area i.i.p. in Section 7.4 are based on positions vis-à-vis non-euro area residents, considering the euro area as a single economy (see also Box 9 in the December 2002 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used to a large extent.

The outstanding amounts of the Eurosystem's international reserves and related assets and liabilities are shown in Section 7.5, together with the part held by the ECB. These figures are not fully comparable with those of the Eurosystem's weekly financial statement owing to differences in coverage and valuation. The data in Section 7.5 are in line with the recommendations for the IMF/BIS template on international reserves and foreign currency liquidity. More information on the statistical treatment of the Eurosystem's international reserves can be found in a publication entitled "Statistical treatment of the Eurosystem's international reserves" (October 2000), which can be downloaded from the ECB's website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

## EXCHANGE RATES

Section 8.1 shows ECB calculations of nominal and real effective exchange rate indices for the euro, based on weighted averages of bilateral euro exchange rates. A positive change denotes

an appreciation of the euro. Weights are based on 1995-97 manufactured goods trade with the trading partners and capture third-market effects. The narrow group is composed of the United States, the United Kingdom, Japan, Switzerland, Sweden, South Korea, Hong Kong, Denmark, Singapore, Canada, Norway and Australia. In addition, the broad group includes the following countries: Algeria, Argentina, Brazil, China, Croatia, Cyprus, the Czech Republic, Estonia, Hungary, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Poland, Romania, Russia, Slovakia, Slovenia, South Africa, Taiwan, Thailand and Turkey. Real rates are calculated using consumer prices (CPI), producer prices (PPI), gross domestic product (GDP deflator), unit labour costs in manufacturing (ULCM) and unit labour costs in the total economy (ULCT). For more detailed information on the calculation of effective exchange rates, see the article entitled “Developments in the euro area’s international cost and price competitiveness” in the August 2003 issue of the Monthly Bulletin and the ECB’s Occasional Paper No. 2 (“The effective exchange rates of the euro”, Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB’s website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies.

## DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States and the acceding countries (Section 9.1) follow the same principles as those for data relating to the euro area. Data for the United States and Japan contained in Section 9.2 are obtained from national sources.





# CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM<sup>1</sup>

## 3 JANUARY 2002

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.25%, 4.25% and 2.25% respectively.

The Governing Council also decides on an allotment amount of E20 billion per operation for the longer-term refinancing operations to be conducted in 2002. This amount takes into consideration the expected liquidity needs of the euro area banking system in 2002 and the desire of the Eurosystem to continue to provide the bulk of refinancing of the financial sector through its main refinancing operations. The Governing Council may adjust the allotment amount in the course of the year in the event of unexpected developments in liquidity needs.

## 7 FEBRUARY, 7 MARCH, 4 APRIL, 2 MAY, 6 JUNE, 4 JULY 2002

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.25%, 4.25% and 2.25% respectively.

## 10 JULY 2002

The Governing Council of the ECB decides to reduce the allotment amount for each of the longer-term refinancing operations to be conducted in the second half of 2002 from E20 billion to E15 billion. This latter amount takes into consideration the expected liquidity needs of the euro area banking system in the second half of 2002 and reflects the desire of the Eurosystem to continue to provide the bulk of liquidity through its main refinancing operations.

## 1 AUGUST, 12 SEPTEMBER, 10 OCTOBER, 7 NOVEMBER 2002

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.25%, 4.25% and 2.25% respectively.

## 5 DECEMBER 2002

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.50 percentage point to 2.75%, starting from the operation to be settled on 11 December 2002. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.50 percentage point, to 3.75% and 1.75% respectively, both with effect from 6 December 2002.

In addition, it decides that the reference value for the annual growth rate of the broad monetary aggregate M3 will remain at 4½%.

## 9 JANUARY 2003

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

## 23 JANUARY 2003

The Governing Council of the ECB decides to implement the following two measures to

<sup>1</sup> The chronology of monetary policy measures of the Eurosystem taken in 1999 to 2001 can be found on pages 176 to 179 of the ECB Annual report 1999, on pages 205 to 208 of the ECB Annual report 2000 and on pages 219 to 220 of the ECB Annual report 2001 respectively.

improve the operational framework for monetary policy:

Firstly, the timing of the reserve maintenance period will be changed so that it will always start on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is pre-scheduled. Furthermore, as a rule, the implementation of changes to the standing facility rates will be aligned with the start of the new reserve maintenance period.

Secondly, the maturity of the MROs will be shortened from two weeks to one week.

These measures are scheduled to come into effect during the first quarter of 2004.

Further to the press release of 10 July 2002, the Governing Council also decides to maintain at E15 billion the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2003. This amount takes into consideration the expected liquidity needs of the euro area banking system in 2003 and reflects the desire of the Eurosystem to continue to provide the bulk of liquidity through its main refinancing operations.

### **6 FEBRUARY 2003**

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

### **6 MARCH 2003**

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.25 percentage

point to 2.50%, starting from the operation to be settled on 12 March 2003. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.25 percentage point, to 3.50% and 1.50% respectively, both with effect from 7 March 2003.

### **3 APRIL 2003**

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

### **8 MAY 2003**

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

It also announces the results of its evaluation of the ECB's monetary policy strategy. This strategy, which was announced on 13 October 1998, consists of three main elements: a quantitative definition of price stability, a prominent role for money in the assessment of risks to price stability, and a broadly based assessment of the outlook for price developments.

The Governing Council confirms the definition of price stability formulated in October 1998, namely that "price stability is defined as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. Price stability is to be maintained over the medium term". At the same time, the Governing Council agrees that in the pursuit of price stability it will aim to maintain

inflation rates close to 2% over the medium term.

The Governing Council confirms that its monetary policy decisions will continue to be based on a comprehensive analysis of the risks to price stability. At the same time, the Governing Council decides to clarify in its communication the respective roles played by economic and monetary analysis in the process of coming to the Council's overall assessment of risks to price stability.

To underscore the longer-term nature of the reference value for monetary growth as a benchmark for the assessment of monetary developments, the Governing Council also decides that it will no longer conduct a review of the reference value on an annual basis. However, it will continue to assess the underlying conditions and assumptions.

### **5 JUNE 2003**

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.50 percentage point to 2.0%, starting from the operation to be settled on 9 June 2003. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.50 percentage point, to 3.0% and 1.0% respectively, both with effect from 6 June 2003.

### **10 JULY, 31 JULY, 4 SEPTEMBER, 2 OCTOBER, 6 NOVEMBER, 4 DECEMBER 2003 AND 8 JANUARY 2004**

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

### **12 JANUARY 2004**

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2004 from EUR 15 billion to EUR 25 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated for the year 2004. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2005.





## DOCUMENTS PUBLISHED BY THE EUROPEAN CENTRAL BANK SINCE 2003



This list is designed to inform readers about selected documents published by the European Central Bank since January 2003. For Working Papers, the list only refers to publications released between October and December 2003. The publications are available to interested parties free of charge from the Press and Information 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 Central Bank and by the European Monetary Institute, please visit the ECB's website (<http://www.ecb.int>).

### ANNUAL REPORT

“Annual Report 2002”, April 2003.

### MONTHLY BULLETIN ARTICLES

- “The demand for currency in the euro area and the impact of the euro cash changeover”, January 2003.
- “CLS – purpose, concept and implications”, January 2003.
- “The relationship between monetary policy and fiscal policies in the euro area”, February 2003.
- “Exchange rate regimes for emerging market economies”, February 2003.
- “The need for comprehensive reforms to cope with population ageing”, April 2003.
- “Developments in general economic statistics for the euro area”, April 2003.
- “A bank lending survey for the euro area”, April 2003.
- “Recent trends in residential property prices in the euro area”, May 2003.
- “Electronification of payments in Europe”, May 2003.
- “The adjustment of voting modalities in the Governing Council”, May 2003.
- “The outcome of the ECB's evaluation of its monetary policy strategy”, June 2003.
- “Trends in euro area gross fixed capital formation”, July 2003.
- “Early experience of the management of euro banknote printing and issuance”, July 2003.
- “Changes to the Eurosystem's operational framework for monetary policy”, August 2003.
- “Recent developments in the euro area banking sector”, August 2003.
- “Developments in the euro area's international cost and price competitiveness”, August 2003.
- “Recent developments in financial structures of the euro area”, October 2003.
- “The integration of Europe's financial markets”, October 2003.
- “Developments in the debt financing of the euro area private sector”, November 2003.
- “Crisis resolution in emerging market economies – challenges for the international community”, November 2003.
- “The international role of the euro: main developments since the inception of Stage Three of Economic and Monetary Union”, November 2003.
- “EMU and the conduct of fiscal policies”, January 2004.
- “Opinion survey on activity, prices and labour market developments in the euro area: features and uses”, January 2004.
- “Measuring and analysing profit developments in the euro area”, January 2004.

### OCCASIONAL PAPER SERIES

- 8 “An introduction to the ECB's survey of professional forecasters” by J. A. Garcia, September 2003.



#### WORKING PAPER SERIES

- 279 “Designing targeting rules for international monetary policy cooperation” by G. Benigno and P. Benigno, October 2003.
- 280 “Inflation, factor substitution and growth” by R. Klump, October 2003.
- 281 “Identifying fiscal shocks and policy regimes in OECD countries” by G. de Arcangelis and S. Lamartina, October 2003.
- 282 “Optimal dynamic risk sharing when enforcement is a decision variable” by T. V. Koepl, October 2003.
- 283 “US, Japan and the euro area: comparing business-cycle features” by P. McAdam, November 2003.
- 284 “The credibility of the monetary policy ‘free lunch’” by J. Yetman, November 2003.
- 285 “Government deficits, wealth effects and the price level in an optimizing model” by B. Annicchiarico, November 2003.
- 286 “Country and sector-specific spillover effects in the euro area, the United States and Japan” by B. Kaltenhaeuser, November 2003.
- 287 “Consumer inflation expectations in Poland” by T. Łyziak, November 2003.
- 288 “Implementing optimal control cointegrated I(1) structural VAR models” by F. V. Monti, November 2003.
- 289 “Monetary and fiscal interactions in open economies” by G. Lombardo and A. Sutherland, November 2003.
- 290 “Inflation persistence and robust monetary policy design” by G. Coenen, November 2003.
- 291 “Measuring the time-inconsistency of US monetary policy” by P. Surico, November 2003.
- 292 “Bank mergers, competition and liquidity” by E. Carletti, P. Hartmann and G. Spagnolo, November 2003.
- 293 “Committees and special interests” by M. Felgenhauer and H. P. Grüner, November 2003.
- 294 “Does the yield spread predict recessions in the euro area?” by F. Moneta, December 2003.
- 295 “Optimal allotment policy in the eurosystem’s main refinancing operations?” by C. Ewerhart, N. Cassola, S. Ejerskov and N. Valla, December 2003.
- 296 “Monetary policy analysis in a small open economy using bayesian cointegrated structural VARs?” by M. Villani and A. Warne, December 2003.
- 297 “Measurement of contagion in banks’ equity prices” by R. Gropp and G. Moerman, December 2003.
- 298 “The lender of last resort: a 21st century approach” by X. Freixas, B. M. Parigi and J.-C. Rochet, December 2003.

#### OTHER PUBLICATIONS

- “EU banking sector stability”, February 2003.
- “List of Monetary Financial Institutions and institutions subject to minimum reserves”, February 2003.
- “Review of the foreign exchange market structure”, March 2003.
- “Structural factors in the EU housing markets”, March 2003.
- “List of Monetary Financial Institutions in the accession countries”, March 2003.
- “Memorandum of Understanding on the exchange of information among credit registers for the benefit of reporting institutions”, March 2003.

“Memorandum of Understanding on Economic and Financial Statistics between the Directorate General Statistics of the European Central Bank and the Statistical Office of the European Communities (Eurostat).

Annex 1: Share of responsibilities in the field of balance of payments and international investment position statistics”, March 2003.

“TARGET Annual Report 2002”, April 2003.

“Supplementary guidance notes concerning statistics on the holders of money market fund shares/units”, April 2003.

“Money, banking and financial market statistics in the accession countries.

Methodological Manual. Vol. 1: The current definition and structure of money and banking statistics in the accession countries”, May 2003.

“Money, banking and financial market statistics in the accession countries.

Methodological Manual. Vol. 2: Statistics on other financial intermediaries, financial markets and interest rates in the accession countries”, May 2003.

“Accession countries: balance of payments/international investment position statistical methods”, May 2003.

“Electronic money system security objectives according to the common criteria methodology”, May 2003.

“The transformation of the European financial system, Second ECB Central Banking Conference, October 2002, Frankfurt am Main”, June 2003.

“Letter from the ECB President to the President of the Convention regarding the draft Constitutional Treaty”, June 2003.

“Developments in national supervisory structures”, June 2003.

“Oversight standards for euro retail payment systems”, June 2003.

“Towards a Single Euro Payments Area – progress report”, June 2003.

“Amendments to the risk control framework for tier one and tier two eligible assets”, July 2003.

“ECB statistics: A brief overview”, August 2003.

“Portfolio investment income: Task force report”, August 2003.

“The New Basel Capital Accord”, August 2003.

“Payment and securities settlement systems in the European Union: Addendum incorporating 2001 figures”, September 2003.

“Letter from the ECB President to the President of the Council of the European Union regarding the Opinion of the ECB of 19 September 2003 at the request of the Council of the European Union on the draft Treaty establishing a Constitution for Europe (CON/2003/20)”, 22 September 2003.

“Inflation differentials in the euro area: potential causes and policy implications”, September 2003.

“Correspondent central banking model (CCBM): procedures for Eurosystem counterparties”, September 2003.

“Bond markets and long-term interest rates in European Union accession countries”, October 2003.

“Manual on MFI interest rate statistics – Regulation ECB/2001/18”, October 2003.

“European Union balance of payments/international investment position statistical methods”, November 2003.

“Money market study 2002”, November 2003.

“Background studies for the ECB’s evaluation of its monetary policy strategy”, November 2003.

“Structural analysis of the EU banking sector, Year 2002”, November 2003.  
“TARGET: the Trans-European Automated Real-Time Gross settlement Express Transfer system – update 2003”, November 2003.  
“TARGET2: the payment system of the €urosystem”, November 2003.  
“Seasonal adjustment”, November 2003.  
“Comments of the ECB on the third consultative document of the European Commission on regulatory capital review”, November 2003.  
“EU banking sector stability”, November 2003.  
“Review of the international role of the euro”, December 2003.  
“Policy position of the Governing Council of the European Central Bank on exchange rate issues relating to the acceding countries”, December 2003.

#### **INFORMATION BROCHURES**

“Information guide for credit institutions using TARGET”, July 2003.



## GLOSSARY

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

**Central parity:** the exchange rate of ERM II member currencies vis-à-vis the euro around which the ERM II fluctuation margins are defined.

**Compensation per employee:** compensation is defined as the total remuneration, in cash or in kind, payable by employers to employees. Compensation includes gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions. Compensation per employee is defined as total compensation divided by the total number of employees.

**Consolidated balance sheet of the MFI sector:** obtained by netting out inter-MFI positions (mainly loans granted by one MFI to another) on the aggregated MFI balance sheet.

**Debt (financial accounts):** includes loans, debt securities issued, and pension fund reserves of non-financial corporations, valued at market value at the end of the period. In the quarterly financial accounts, debt does not include loans granted by non-financial sectors (for example inter-company loans) or by banks outside the euro area, whereas these components are included in the annual financial accounts.

**Debt ratio (general government):** general government debt is defined as total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government. The government debt-to-GDP ratio is defined as the ratio of general government debt to gross domestic product at current market prices and is the subject of one of the fiscal convergence criteria laid down in Article 104 (2) of the Treaty establishing the European Community.

**Debt securities:** represent a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) at a specified future date or dates. They usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

**Deficit ratio (general government):** the general government deficit is defined as net borrowing and corresponds to the difference between total government revenue and total government expenditure. The deficit ratio is defined as the ratio of the general government deficit to gross domestic product at current market prices and is the subject of one of the fiscal convergence criteria laid down in Article 104 (2) of the Treaty establishing the European Community. It is also referred to as the budget deficit ratio or the fiscal deficit ratio.

**Deposit facility:** a standing facility of the Eurosystem which counterparties may use to make overnight deposits, remunerated at a pre-specified interest rate, at a national central bank.

**Direct investment:** cross-border investment that reflects the objective of obtaining a lasting interest in an enterprise resident in another economy (in practice assumed for ownership equivalent to at least 10% of the voting rights). The direct investment account records net acquisitions of assets abroad by euro area residents (as "direct investment

abroad”) and net acquisitions of euro area assets by non-residents (as “direct investment in the euro area”). Direct investment includes equity capital, reinvested earnings and other capital associated with inter-company operations.

**EC surveys:** qualitative business and consumer surveys conducted for the European Commission. Questions are addressed to managers in manufacturing, construction, retail and services as well as to consumers. The confidence indicators are composite indicators calculated as the arithmetic average of the percentage balances of several components (see Table 5.2.5 in the “Euro area statistics” section for details).

**EONIA (euro overnight index average):** a measure of the interest rate prevailing in the euro interbank overnight market based on transactions.

**Equity securities:** represent ownership of a stake in a corporation. Comprise shares traded on stock exchanges (quoted shares), unquoted shares and other forms of equity. Equities usually produce income in the form of dividends.

**ERM II (exchange rate mechanism II):** the exchange rate arrangement which provides the framework for exchange rate policy cooperation between the euro area countries and the EU Member States not participating in Stage Three of EMU.

**EURIBOR (euro interbank offered rate):** the rate at which a prime bank is willing to lend funds in euro to another prime bank, computed daily for interbank deposits with different maturities of up to 12 months.

**Euro effective exchange rates (EERs, nominal/real):** nominal euro EERs are weighted averages of bilateral euro exchange rates against the currencies of euro area’s trading partners. The ECB publishes nominal EER indices for the euro against the currencies of a narrow and a broad group of trading partners. The weights used reflect the share of each partner country in euro area trade. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are, thus, measures of price and cost competitiveness.

**Eurozone Manufacturing Input Prices Index (EPI):** a weighted average of the manufacturing input price data derived from surveys of manufacturing business conditions conducted in a number of euro area countries.

**Eurozone purchasing managers’ surveys:** surveys of manufacturing and service sector business conditions conducted for a number of countries in the euro area and used to compile indices. The Eurozone Manufacturing Purchasing Managers’ Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers’ delivery times and stocks of purchases. The service sector survey asks questions on business activity, expectations of future business activity, amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated combining the results from the manufacturing and service sector surveys.

**External trade in goods:** intra- and extra-euro area exports and imports of goods, measured in terms of value and as volume and unit value indices. Intra-euro area trade records the arrival and dispatch of goods flowing between the euro area countries, while extra-euro area trade records

the external trade of the euro area. External trade statistics are not directly comparable with exports and imports recorded in the National Accounts, as the latter include both intra- and extra-euro area transactions and also combine goods and services.

**Fixed rate tender:** a tender procedure where the interest rate is specified in advance by the central bank and participating counterparties bid the amount of money they wish to transact at the fixed interest rate.

**General government:** comprises central, state and local government and social security funds. Publicly-owned units carrying out commercial operations, such as public enterprises, are in principle excluded from general government.

**Gross domestic product (GDP):** the final result of production activity. It corresponds to the economy's output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates which make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and exports and imports of goods and services (including intra-euro area trade).

**Gross monthly earnings:** a measure of gross monthly wages and salaries of employees, including employees' social security contributions.

**Harmonised Index of Consumer Prices (HICP):** a measure of consumer prices which is compiled by Eurostat and harmonised for all EU countries.

**Hourly labour cost index:** a measure of labour costs, including gross wages and salaries (including bonuses of all kinds), employers' social security contributions and other labour costs (such as vocational training costs, recruitment costs and employment-related taxes) and net of subsidies, per hour actually worked. Hourly costs are obtained by dividing the total of these costs for all employees by all hours worked by them (including overtime).

**Implied volatility:** a measure of expected volatility (standard deviation in terms of annualised percentage changes) in the prices of, for example, bonds and stocks (or of corresponding futures contracts), which can be extracted from option prices.

**Index of negotiated wages:** a measure of the direct outcome of collective bargaining in terms of basic pay (i.e. excluding bonuses) at the euro area level. It refers to the implied average change in monthly wages and salaries.

**Industrial producer prices:** a measure of the factory-gate prices (transportation costs are not included) of all products sold by industry excluding construction on the domestic markets of the euro area countries, excluding imports.

**Industrial production:** a measure of the gross value added created by industry at constant prices.

**Inflation-indexed government bonds:** debt securities whose coupon payments and principal are linked to a specific consumer price index.

**International investment position (i.i.p.):** the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world. Also referred to as the net external asset position.

**Job vacancies:** a measure of newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has taken recent active steps to find a suitable candidate.

**Key ECB interest rates:** the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the minimum bid rate on the main refinancing operations, the interest rate on the marginal lending facility and the interest rate on the deposit facility.

**Labour force:** the sum of persons in employment and the number of unemployed.

**Labour productivity:** a measure of the output that can be produced with a given input of labour. Labour productivity can be measured in several ways. It is commonly measured as GDP at constant prices divided by either total employment or total hours worked.

**Longer-term refinancing operation:** a monthly open market operation, conducted by the Eurosystem, with a usual maturity of three months. The operations are conducted as variable rate tenders with pre-announced allotment volumes.

**M1:** narrow monetary aggregate. Comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

**M2:** intermediate monetary aggregate. Comprises M1 and deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

**M3:** broad monetary aggregate. Comprises M2 and marketable instruments, i.e. repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

**Marginal lending facility:** a standing facility of the Eurosystem which counterparties may use to receive credit from a national central bank at a pre-specified interest rate against eligible assets.

**Main refinancing operation:** a weekly open market operation conducted by the Eurosystem. In 2003 the Governing Council decided that as of March 2004 the maturity of these operations would be reduced from two weeks to one. The operations are conducted as variable rate tenders with a pre-announced minimum bid rate.

**MFIs (monetary financial institutions):** financial institutions forming the money-issuing sector of the euro area. They include the ECB, the national central banks of the euro area countries, and credit institutions and money market funds located in the euro area.

**MFI credit to euro area residents:** comprises MFI loans to euro area residents and MFI



holdings of securities issued by euro area residents. Securities comprise shares, other equity and debt securities.

**MFI longer-term financial liabilities:** comprise deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

**MFI net external assets:** comprise external assets of euro area MFIs (such as gold, non-euro banknotes, securities issued by non-euro area residents and loans granted to non-euro area residents) minus external liabilities of the euro area MFI sector (such as non-euro area residents' holdings of deposits, repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs).

**Portfolio investment:** a record of net acquisitions by euro area residents of securities issued by non-residents of the euro area ("assets") and net acquisitions by non-residents of the euro area of securities issued by euro area residents ("liabilities"). Includes equity securities, debt securities in the form of bonds and notes, and money market instruments. Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the voting rights.

**Price stability:** the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

**Reference value for M3 growth:** the annual growth rate of M3 over the medium term consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

**Reserve requirement:** the minimum amount of reserves a credit institution is required to hold with the Eurosystem. Compliance is determined on the basis of the average of the daily balances over a maintenance period of around one month.

**Unit labour costs:** a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation of employees to gross domestic product at constant prices.

**Variable rate tender:** a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

**Wage drift:** a measure of the gap between the rate of increase of wages and salaries actually paid and that of basic negotiated wages (e.g. due to additional elements such as bonuses and promotion premia and clauses covering unexpected inflation).

**Yield curve:** describes the relationship between interest rates at different maturities at a given point in time. The slope of the yield curve can be measured as the difference between interest rates at two selected maturities.





