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ABBREVIATIONS

COUNTRIES

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

OTHERS

BIS	Bank for International Settlements
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
MFIs	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 5 February 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.

The decision to keep the key ECB interest rates at their low levels reflects the Governing Council's judgement that there are no fundamental changes to the medium-term outlook for price stability. Accordingly, the monetary policy stance remains appropriate. The Governing Council assessed that inflationary risks should be contained by somewhat more favourable import price developments, while the economic recovery in the euro area should proceed in line with previous expectations. The Governing Council will continue to monitor carefully all developments that could affect its assessment of risks to price stability over the medium term. With regard to exchange rates, the Governing Council again particularly stressed stability and it remained concerned about excessive exchange rate moves.

Starting with the economic analysis, the latest data on euro area production as well as survey evidence on business confidence remain consistent with ongoing economic growth around the turn of the year, both in the manufacturing and the services sectors.

Looking ahead, the external environment of the euro area should continue to develop favourably. In particular, robust real GDP growth in the economies of the euro area's major trading partners can be expected to support foreign demand for euro area goods and services, although export growth may be dampened somewhat by the decline in price competitiveness.

The conditions for an improvement in domestic demand are also favourable. Investment activity should not only benefit from global trends in demand, but also from companies' efforts to enhance productivity and profitability, from the low level of interest rates and from generally favourable financing conditions. Growth in private consumption, which has so far remained rather subdued, can also be expected to recover in line with an increase in real disposable income. This overall picture of a gradual economic recovery is reflected in all available forecasts from official and private sources and seems to be confirmed by developments in financial markets.

Over the shorter term, risks to this main scenario remain balanced. Over longer horizons, uncertainties relate to the persistent imbalances in some regions of the world and their potential repercussions on the sustainability of global economic growth.

Looking at price developments, the annual HICP inflation rate fell in December 2003 to 2.0%. The same rate was estimated by Eurostat for January 2004. In the course of this year, inflation rates should fall below 2% and remain in line with price stability thereafter. While US dollar-denominated global commodity prices have been on an upward trend over recent months, the past appreciation of the euro is dampening their effects on domestic prices. Moreover, wage developments are expected to remain moderate in the context of high rates of unemployment and a gradual economic recovery. Recent data on labour costs seem broadly to confirm the assessment of a levelling-off of wage increases. On the whole, inflationary pressure remains limited – an assessment that is shared by all available forecasts. Given the conditional nature of any forward-looking evaluation, it is of course important to bear in mind all elements of risk to the outlook for price stability. Furthermore, it is necessary to monitor inflation expectations closely.

Turning to the monetary analysis, annual M3 growth has continued to moderate only slowly over recent months. This indicates a rather gradual shift of portfolios away from monetary assets towards longer-term financial assets outside M3. In addition, the low level of interest rates is contributing to the continued strong growth of very liquid assets. At the same time, the growth of loans to the private sector reflects the effects of both low interest rates and an improvement in the economic environment.

The strong monetary growth over the past few years means that there is significantly more liquidity available in the euro area than needed to finance non-inflationary growth. Whether the accumulated excess liquidity will translate into inflationary pressures over the medium term depends on the extent to which past portfolio shifts are reversed and on the future strength of economic growth. Should excess liquidity persist, it could lead to inflationary pressures over the medium term.

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. Cross-checking with the monetary analysis does not alter this picture.

With regard to fiscal policies, there are several important issues that warrant close attention. First, the implementation of fiscal policies should be in line with the commitments made by governments last year. In this connection, a thorough assessment of the new Stability Programmes of Member States is currently under way. Sound public finances are needed to support a stable macroeconomic framework, which in turn enhances confidence and promotes investment, growth and employment in the euro area.

Second, as regards the institutional framework for fiscal policy, the Governing Council shares the concerns of the European Commission regarding the conclusions of the ECOFIN Council in November last year. The Commission is the guardian of the Treaty and the Stability and Growth Pact. The ECB respects the Commission's decision to seek legal clarity on the implementation of the Pact. Furthermore, the ECB does not see a need to change the Treaty and it considers the Stability and Growth Pact appropriate in its current form. The Governing Council is in agreement with the Commission that the implementation of the Stability and Growth Pact could be further improved, in particular in terms of the analysis of structural imbalances and the strengthening of incentives for sound fiscal policies during good economic times. Clarity and enforceability of the fiscal framework should be enhanced.

A stable macroeconomic framework is necessary to enhance the growth potential of the euro area, but it alone is not sufficient. Boosting employment, fostering labour productivity and making the best use of technological and scientific progress in the context of an ageing society all require structural reforms – in the fiscal domain as well as in financial, product and labour markets. The Lisbon Strategy provides the appropriate blueprint for progress. The responsibility for its implementation, however, lies with governments, parliaments and social partners. The Governing Council strongly supports ongoing efforts in a number of countries to proceed with structural reforms. At the same time, it fully shares the view that additional measures are required, as recently reiterated by the Commission in its progress report on the implementation of the Lisbon Strategy and the priorities for 2004. All parties involved must convince the public at large that everybody would benefit – in terms of growth, more and better jobs, and higher incomes – from such structural reforms.

This issue of the Monthly Bulletin contains three articles. The first takes stock of some of the key macroeconomic and structural characteristics of the economies of the acceding countries on the threshold of the European Union. The second compares the main developments in saving, financing and investment, as well as the resulting trends in debt and financial wealth, of non-financial corporations and households in the euro area and in the United States since the mid-1990s. The third provides an overview of the current debate and impact on the banking industry from a wider application of fair value accounting.

ECONOMIC AND MONETARY DEVELOPMENTS

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

Global economic activity and trade have continued to accelerate and the outlook for the external environment should continue to develop favourably. The recovery in global demand and world trade has both broadened and strengthened, supported by favourable financing conditions. Commodity prices have continued to rise, in particular non-oil commodity prices.

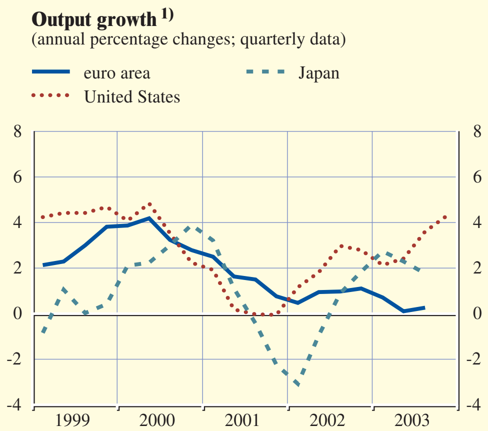
DEVELOPMENTS IN THE WORLD ECONOMY

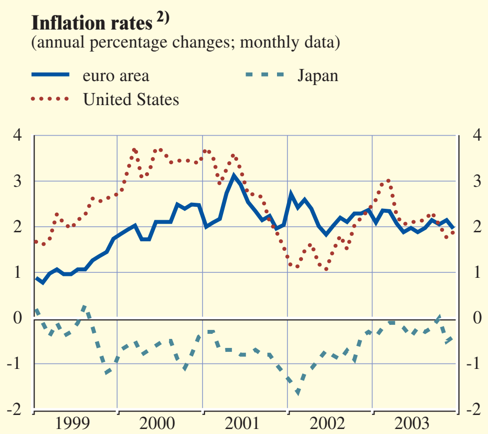
Recent data releases show a further improvement in global economic conditions and suggest that the recovery has broadened in most regions.

In the United States, economic activity has continued to be buoyant as real GDP growth in the fourth quarter was 4.0% (annualised quarter on quarter), after 8.2% in the third quarter of 2003. However, employment growth has stalled in recent months, although this does not seem to have affected the overall economic momentum so far. Consumer confidence has remained high and available evidence suggests that the rebound in firms' capital spending is still strong. In particular, strong internal liquidity positions of US firms, together with favourable financing conditions, continue to support private business investment. Inflation has broadly stabilised. Annual CPI inflation was 1.9% in December after standing at 1.8% in November, while the deflator of personal consumption expenditure (PCE) excluding food and energy stood at around 1% for the last three months of 2003. At its meeting on 28 January 2004, the Federal Open Market Committee decided to maintain its target for the federal funds rate at 1%.

The Japanese economy is continuing to make a gradual recovery. Despite a strengthening of the yen, growth has been supported mainly by rising exports, reflecting the robust expansion of global demand. The strong foreign demand has gradually been spilling over into the domestic sector, with industrial production increasing by 1.0% (month on month) in November. However, consumption spending has remained sluggish. As for price developments, mild deflation persisted as the CPI declined by 0.4% (year on year) in December, while the CPI excluding fresh food

Chart 1 Main developments in major industrialised economies



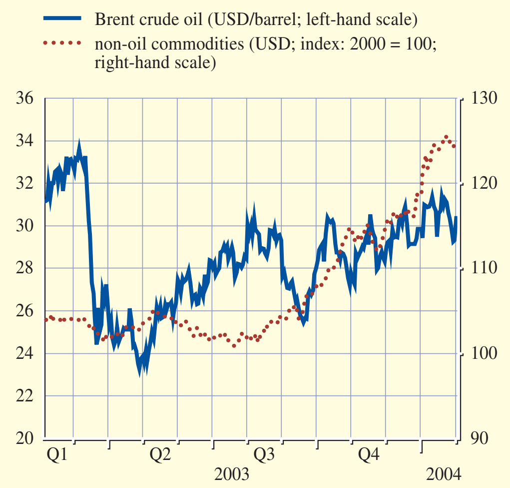


Sources: National data, BIS, Eurostat and ECB calculations.
1) Eurostat data are used for the euro area; for the United States and Japan national data are used. For all countries, GDP figures have been seasonally adjusted.
2) Based on HICP.

decreased by 0.1%. On 20 January, the Bank of Japan raised the current account balance target to JPY30-JPY35 trillion, up from JPY27-JPY32 trillion.

In the United Kingdom, economic activity continued to improve in the fourth quarter of 2003, with real GDP growth accelerating to a quarterly rate of 0.9%, resulting in an annual growth rate of 2.5%. The services sector appears to have been the main driving force behind output growth, whereas industrial output has been flat. The strength of retail sales during the fourth quarter of 2003 suggests that consumption spending remains high, reflecting buoyant household borrowing and a strong housing market. HICP inflation has been stable, at an annual rate of 1.3% in December, well below the 2% target.

Chart 2 Main developments in commodity markets



Sources: Datastream and Hamburg Institute of International Economics.

In non-Japan Asia, the strong expansion in economic activity in the region has continued. Boosted by fixed asset investment, China's annual GDP growth rate in 2003 was 9.1%, the highest level in the past seven years, while CPI inflation increased sharply to 3.2% (year on year) in December. Economic activity also continued to improve in acceding countries and in Latin America, albeit at a slower pace than in non-Japan Asia.

COMMODITY MARKETS

Oil prices in January rose to their highest level since March 2003. The price of Brent crude oil reached USD 29.6 (€23.7) on 4 February. Oil prices have been supported by strong demand in the United States and Asia and by historically low levels of commercial stocks in the United States. The Organisation of Petroleum Exporting Countries (OPEC) has allowed oil prices to exceed the upper limit of the OPEC basket price of USD 28. Moreover, the relatively sharp increase (in dollar terms) in other commodity prices observed in the second half of 2003 continued in January 2004, mainly supported by stronger global demand (see Chart 2). Non-oil commodity prices have increased by 22% since the beginning of July.

OUTLOOK FOR THE EXTERNAL ENVIRONMENT

The external environment of the euro area should continue to develop favourably. The recovery of global economic activity and world trade has broadened and strengthened, supported inter alia by favourable financing conditions and a revitalisation of domestic demand in most regions.

Risks to the world economic outlook appear to be broadly balanced. On the upside, global economic activity may accelerate if productivity growth, in particular in the United States, continues its strong performance of recent months. On the downside, the main risks relate to the persistence of external imbalances in major regions of the world economy and their potential implications for the sustainability of global growth.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONETARY DEVELOPMENTS

Evidence of a moderation in annual M3 growth since the summer of 2003 was confirmed by the December 2003 data. With improvements in financial market conditions and reduced uncertainty about the economic outlook, economic agents appear to have gradually shifted the structure of their wealth portfolio away from monetary assets and towards longer-term financial assets outside M3. At the same time, the moderation in M3 growth is proceeding relatively slowly, which may be explained at least partly by the low level of interest rates. In this environment, the annual growth of MFI loans to the private sector rose in the last quarter of 2003. This increase was driven to a large extent by the growth of loans to households. Overall, despite the moderation in M3 growth, there remains significantly more liquidity in the euro area than needed to finance non-inflationary economic growth.

THE BROAD MONETARY AGGREGATE M3

The broad monetary aggregate M3 expanded at a slow pace from November to December 2003. Its annual growth rate decreased to 7.1% in December, from 7.4% in November and a peak of 8.7% in July (see Chart 3). The December figures therefore confirm the downward trend in M3 growth which started in the summer of 2003. Rising equity prices, a steepening of the yield curve, declining financial market uncertainty and the brightening economic outlook seem to have led investors to cautiously restructure their portfolios in favour of longer-term financial assets. At the same time, the low opportunity costs of holding money have continued to fuel monetary growth. This may partly explain why the normalisation of M3 growth is proceeding relatively slowly.

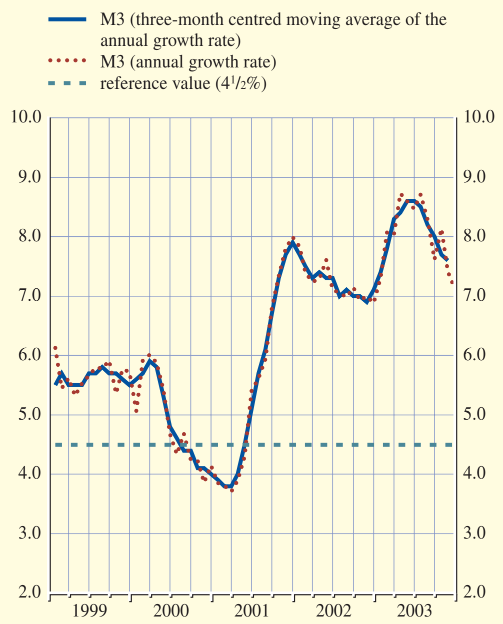
In spite of the moderation in M3 dynamics since the summer, there was in December still significantly more liquidity in the euro area than needed to finance non-inflationary economic growth. Whether or not the accumulated excess liquidity will translate into inflationary pressures in the medium term depends crucially on the extent to which past portfolio shifts are reversed and on the future evolution of the economy. Should excess liquidity persist, it could generate inflationary pressures in the medium term, in particular if accompanied by sustained economic growth.

MAIN COMPONENTS OF M3

The annual growth rate of the narrow monetary aggregate M1 remained strong in December 2003 (see Table 1). This is partly related to the ongoing and significant rebuilding of currency holdings inside and outside the euro area. The growth of currency does not yet show any clear signs of a slowdown, even though currency in circulation is now close to levels in line with trends existing before the euro cash changeover. Moreover, the low

Chart 3 M3 growth and the reference value

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



Source: ECB.

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 [1]	Annual growth rates					
		2003 Q1	2003 Q2	2003 Q3	2003 Q4	2003 Nov.	2003 Dec.
M1	**43.1**	**10.1**	**11.4**	**11.5**	**11.3**	**10.7**	**10.6**
Currency in circulation	6.3	39.1	35.7	29.6	26.2	26.3	25.0
Overnight deposits	36.8	6.6	8.2	9.0	9.1	8.4	8.4
M2 - M1 (= other short-term deposits)	42.0	4.3	5.4	5.7	4.7	4.7	4.6
Deposits with agreed maturity of up to and including two years	17.0	0.4	0.0	-1.5	-3.2	-3.0	-2.5
Deposits redeemable at notice of up to and including three months	25.0	7.5	9.8	11.4	10.8	10.7	10.1
M2	**85.1**	**7.1**	**8.3**	**8.5**	**7.9**	**7.6**	**7.5**
M3 - M2 (= marketable instruments)	14.9	10.5	9.8	7.4	6.1	6.1	4.8
M3	**100.0**	**7.6**	**8.5**	**8.3**	**7.6**	**7.4**	**7.1**
Credit to euro area residents	**169.0**	**4.2**	**4.8**	**5.4**	**5.9**	**6.3**	**5.9**
Credit to general government	36.4	2.1	3.5	4.8	6.6	7.1	6.6
Loans to general government	13.6	-1.2	-0.4	1.0	1.5	1.5	1.9
Credit to the private sector	132.7	4.8	5.1	5.5	5.7	6.0	5.7
Loans to the private sector	115.5	5.0	4.6	4.9	5.3	5.6	5.4
Longer-term financial liabilities (excluding capital and reserves)	**51.1**	**5.1**	**5.2**	**5.6**	**6.4**	**6.7**	**6.7**

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

opportunity costs of holding overnight deposits continued to fuel the demand for this type of deposit.

The annual growth rate of total short-term deposits other than overnight deposits remained broadly stable in December at 4.6%. Economic agents' substitution of short-term time deposits (deposits with an agreed maturity of up to and including two years) with short-term savings deposits (deposits with a period of notice of up to and including three months), which has been observed since mid-2002, seems to have slowed considerably. The slowdown in the substitution process, which is visible in the shorter-term growth rates, is probably linked to a stabilisation since August 2003 in the spread between the retail interest rates paid by MFIs on these deposits.

The annual growth rate of marketable instruments included in M3 declined further in December, to 4.8% from 6.1% in November and a peak of 12.5% in April. This is in line with the picture of economic agents cautiously reallocating their portfolios towards riskier assets outside M3, linked to more favourable conditions in the financial markets.

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 decreased slightly in December 2003 (see Table 1). However, the data for the whole of the last quarter of 2003 reveal a clear pick-up in loan dynamics. The strengthened demand for loans on the part of the private sector towards the end of the year was probably linked to the improved economic outlook and supported by the continuing low level of bank lending rates in the euro area.

The breakdown of MFI loans by borrower sector (see Table 2) reveals that the pick-up in loan dynamics was driven, to large extent, by loans to households. The annual growth rate of loans for

Table 2 MFI loans to the private sector

(end of quarter; not adjusted for seasonal and calendar effects)

	Outstanding amount as a percentage of total 1)	Annual growth rates					
		2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Q4
Non-financial corporations	**42.9**	**3.5**	**3.4**	**3.7**	**3.6**	**3.6**	**3.5**
Up to one year	31.6	-2.6	-2.6	-1.0	0.5	-0.9	-1.0
Over one and up to five years	17.4	8.9	6.3	5.8	2.4	4.4	3.8
Over five years	51.1	6.2	6.8	6.4	6.2	6.4	6.3
Households 2)	**49.5**	**5.9**	**5.9**	**5.9**	**5.5**	**5.8**	**6.3**
Consumer credit 3)	13.8	4.2	3.9	3.1	3.3	2.3	3.1
Lending for house purchase 3)	67.0	7.4	7.7	7.5	7.3	7.5	7.8
Other lending	19.2	2.2	1.4	2.5	1.3	2.7	3.6
Insurance corporations and pension funds	**0.5**	**5.9**	**-11.1**	**7.2**	**4.7**	**10.4**	**13.9**
Other non-monetary financial intermediaries	**7.1**	**11.4**	**5.9**	**1.9**	**3.8**	**6.0**	**10.9**

Source: ECB money and banking statistics.
Note: For further details, see footnotes to Table 2.4 in the “Euro area statistics” section and the relevant technical notes.
1) As at the end of the last quarter available. Sector loans as a percentage of total MFI loans to the private sector; maturity breakdown and breakdown by purpose as a percentage of MFI loans to the respective sector. Figures may not add up exactly due to rounding.
2) As defined in the ESA 95.
3) The definitions of consumer credit and lending for house purchase are not fully consistent across the euro area.

house purchase increased further in the fourth quarter, to 7.8% from 7.5% in the third quarter. The sustained growth in this category of loans probably reflected both the continuing low level of mortgage interest rates and the strong house price increases in some euro area countries. The annual growth rate of consumer credit and other lending to households also increased in the fourth quarter.

By contrast, the annual growth rate of MFI loans to non-financial corporations was broadly unchanged in the last quarter of 2003 (at 3.5%, compared with 3.6% in the quarter before). It thus remained within the range – 3½% to 4% – in which it has mostly fluctuated for more than a year. When interpreting these figures, it should be recognised that the significant increase in the annual growth rate of loans to non-monetary financial intermediaries in December may partly reflect increased loans to non-financial corporations via other financial intermediaries (e.g. special purpose vehicles).

The results of the Eurosystem’s January 2004 bank lending survey show a continued decrease in the net percentage of banks indicating a tightening of credit standards for loans to enterprises over the previous three months. Moreover, the net percentage of banks reporting a tightening of credit standards for loans to households remained low (see Box 1).

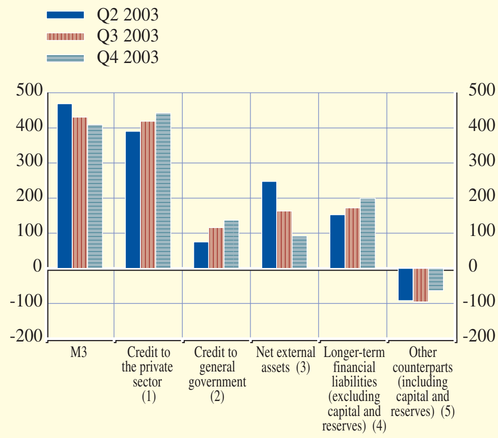
The annual growth rate of the broader aggregate MFI credit to the private sector (including, in addition to loans, MFI holdings of shares and other equity, as well as securities other than shares, issued by the private sector) stood at 5.7% in December 2003, down from 6.0% in November. The annual growth rate of MFI credit to general government remained relatively high at 6.6%.

Economic agents continued to invest strongly in longer-term deposits and longer-term bank bonds in December. The annual rate of growth of MFI longer-term financial liabilities (excluding capital and reserves) was unchanged at 6.7% in December. Looking at shorter-term developments, the annualised six-month rate of growth in this item increased to 8.6% in December, its highest level since March 1998 – the start of the data series. The relatively steep yield curve and the decline in bond market volatility might have contributed to the strength of demand for longer-term deposits and bank bonds.

The annual increase in the net external asset position of the euro area MFI sector declined further in December 2003 to €92 billion, which was €155 billion below its peak in June. Changes in MFI net external assets reflect, to a large extent, transactions that take place between euro area agents other than MFIs and non-euro area residents and are settled by the euro area MFI sector. According to balance of payments data (which are available up to November only) the decline in the annual increase in MFI net external assets after June mainly reflected euro area residents buying more foreign bonds and equity.

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

Summing up the information from the counterparts of M3, there are indications, mainly from the developments in MFI net external assets and longer-term financial liabilities, that money holders have shifted their wealth portfolio in favour of assets outside M3. At the same time, the pick-up in the annual rate of growth of MFI credit to euro area residents in the fourth quarter of 2003 has continued to fuel M3 growth (see Chart 4).

Box 1

THE RESULTS OF THE JANUARY 2004 BANK LENDING SURVEY FOR THE EURO AREA

The Eurosystem conducted its fifth bank lending survey at the beginning of January 2004. The survey provides information on supply and demand conditions in the euro area credit markets and is designed to complement existing statistics on bank interest rates and credit. This box contains the main results for the fourth quarter of 2003 and expectations for the first quarter of 2004, and compares them with those of the October 2003 survey.[1] In this respect, it has to be kept in mind that the questions are phrased in terms of changes over the past three months and expectations of changes over the next three months. The answers to these questions are then generally analysed by focusing on the difference ("net percentage") between the share of banks reporting, for instance, that credit standards have been tightened and the share of banks reporting that these standards have been eased. Attention is thus paid both to the level of these net percentages and to changes over time.

The results of the January 2004 bank lending survey, which are based on the responses of all 86 banks in the sample, indicate a continued fall in the net percentage of banks reporting a tightening of corporate credit standards in the fourth quarter of 2003. At the same time, the net

1 A more extensive report is published on the ECB's website.

Table A Changes in credit standards applied to enterprises and in demand for loans or credit lines to enterprises

(net percentages)

	Overall			Loans to small and medium-sized enterprises			Loans to large enterprises			Short-term loans			Long-term loans		
	Credit standards		Loan demand	Credit standards		Loan demand	Credit standards		Loan demand	Credit standards		Loan demand	Credit standards		Loan demand
	Past three months	Next three months	Past three months	Past three months	Next three months	Past three months	Past three months	Next three months	Past three months	Past three months	Next three months	Past three months	Past three months	Next three months	Past three months
January 2003	65	46	-31	59	40	-29	67	48	-24	47	31	-19	59	50	-22
April 2003	46	39	-31	31	35	-19	51	36	-26	32	29	-4	43	39	-14
July 2003	27	19	-25	30	14	-17	25	24	-15	19	5	-6	28	21	-30
October 2003	23	13	-17	20	11	-9	17	16	-20	16	14	-13	25	19	-11
January 2004	17	22	3	20	12	12	15	26	-5	10	11	2	17	26	7

Notes: For credit standards the net percentage refers to the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably". For loan demand it refers to the difference between the sum of the percentages for "increased considerably" and "increased somewhat" and the sum of the percentages for "decreased somewhat" and "decreased considerably".
The euro area results are the aggregation of the national outcomes weighted by the share of the total amounts outstanding of national lending in the total amount outstanding of euro area lending to euro area residents.

percentage of banks reporting a tightening of the credit standards applied to the approval of loans to households remained low.

Enterprises

Looking at lending to enterprises in more detail, the net percentage of banks reporting a tightening of corporate credit standards continued to decline, falling from 23% in October 2003 to 17% in January 2004 (see Table A). This was broadly in line with what banks expected in October 2003 for the fourth quarter (see chart, left panel). The decline in the net percentage of banks reporting in January 2004 a tightening of credit standards was observed for all loan categories, except for loans to small and medium-sized enterprises.

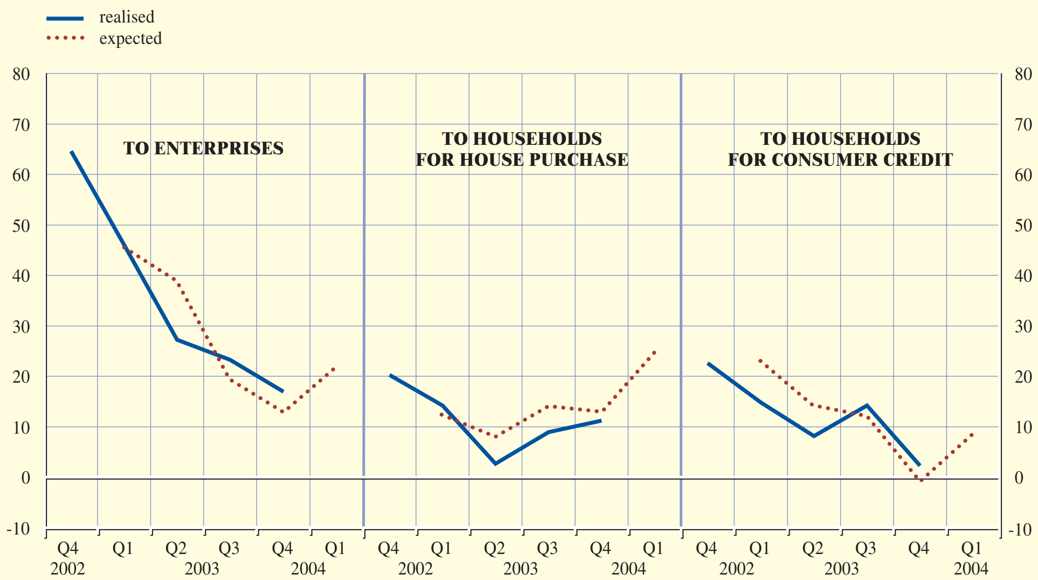
The factors cited as contributing most to the continued decrease in the net tightening of corporate credit standards in the fourth quarter of 2003 were significant falls in the risk perceptions related to general economic activity and to the industry or firm-specific outlook. The terms and conditions applying to the approval of loans or credit lines to enterprises that showed the sharpest fall in January 2004 compared with October 2003 were interest rate margins on both riskier as well as average loans and the size of the loan or credit line.

Turning to expectations about corporate credit standards for the first quarter of 2004, the net percentage of banks expecting a tightening of credit standards increased (see Table A). This result is somewhat surprising given the generally improving economic sentiment in the euro area.

As regards demand for loans or credit lines to enterprises, a net 3% of banks indicated in January 2004 that they had experienced stronger demand over the previous three months, whereas in October 2003 a net 17% of respondents had indicated weaker demand (see Table A). The main reasons given for the rise in corporate loan demand were financing needs related to

Chart Credit standards applied to the approval of loans or credit lines

(net percentages)



Notes: The net percentage refers to the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably".
"Realised" values refer to the period in which the survey was conducted. "Expected" values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, "expected" values for the first quarter of 2004 were reported by banks in the January 2004 survey.
The euro area results are the aggregation of the national outcomes weighted by the share of the total amounts outstanding of national lending in the total amount outstanding of euro area lending to euro area residents.

fixed investment, inventories and working capital, as well as to corporate restructuring and mergers and acquisitions. The rise in demand appeared particularly pronounced for small and medium-sized enterprises.

Households

With regard to households, a net 11% of banks reported a tightening of the credit standards applied to the approval of loans for house purchase in the fourth quarter of 2003 (see Table B). This is broadly unchanged from October 2003 and in line with expectations for the fourth quarter of 2003 as reported in the October survey (see chart, middle panel). Concerning the credit standards applied to consumer credit and other loans to households, on a net basis, 2% of the responding banks reported in January 2004 a tightening during the fourth quarter of 2003 (down from 14% in October 2003). This is in line with what was expected for the fourth quarter in the previous survey (see chart, right panel).

The broadly unchanged net tightening of credit standards on loans for house purchase in the fourth quarter of 2003 reflected on the one hand a slightly higher risk perception related to housing markets and on the other hand an improvement in expectations regarding general economic activity. In addition to the latter factor, a reported fall in risk perception related to the

Table B Changes in credit standards applied to households and in demand for loans to households

(net percentages)

	Loans for house purchase			Consumer credit and other lending		
	Credit standards		Loan demand	Credit standards		Loan demand
	Past three months	Next three months	Past three months	Past three months	Next three months	Past three months
January 2003	20	12	29	22	23	-8
April 2003	14	8	19	15	14	-2
July 2003	3	14	29	8	12	5
October 2003	9	13	31	14	-1	-7
January 2004	11	25	23	2	8	-14

Notes: For credit standards the net percentage refers to the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably". For loan demand it refers to the difference between the sum of the percentages for "increased considerably" and "increased somewhat" and the sum of the percentages for "decreased somewhat" and "decreased considerably".
The euro area results are the aggregation of the national outcomes weighted by the share of the total amounts outstanding of national lending in the total amount outstanding of euro area lending to euro area residents.

creditworthiness of consumers contributed to the decrease in the net tightening of consumer credit standards.

Looking at expectations for the first quarter of 2004, banks reported an anticipated slight increase in the net tightening of credit standards applied to loans for house purchase and consumer credit (see Table B).

As regards loan demand from households, the January 2004 survey showed that on a net basis less banks reported a slightly lower increase in the demand for loans for house purchase (23%, down from 31% in October 2003) (see Table B). The banks reported on a net basis a larger decrease in the demand for consumer credit and other loans to households in January 2004 than in October 2003.

2.2 SECURITIES ISSUANCE

In November 2003, the annual rate of growth in debt securities issued by euro area residents declined slightly. The annual growth rate of quoted shares issued by euro area residents remained relatively subdued at a level which has been broadly unchanged since July 2003.

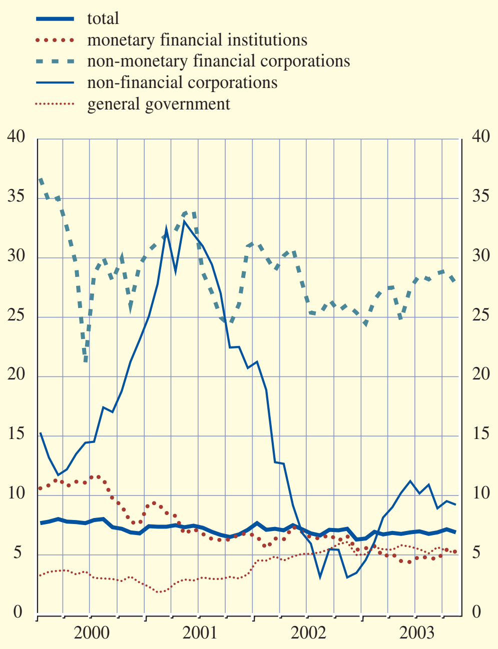
DEBT SECURITIES

The annual rate of growth in debt securities issued by euro area residents declined slightly to 6.9% in November 2003, from 7.2% in October (see Chart 5). This reflected a 3.0 percentage point decrease in the annual growth rate of short-term debt securities issuance to 7.3% in November. For long-term debt securities issuance, the annual growth rate was broadly unchanged in November at 6.9%.

Turning to the sectoral breakdown, the annual growth rate of debt securities issued by MFIs was 5.3% in November 2003, slightly lower than in October (see Table 3). In the non-MFI corporate

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

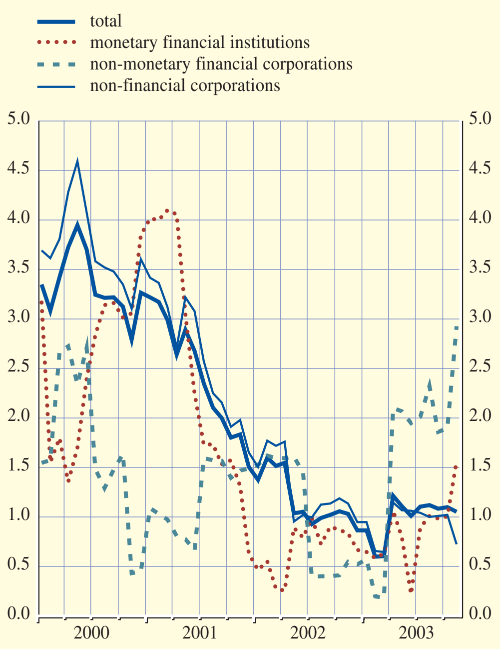
(annual percentage changes)



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.

sector, which includes both non-monetary financial corporations and non-financial corporations, the annual growth rate of debt securities issuance decreased by 0.6 percentage point between October and November 2003, to 18.4%. This decline was partly due to a decrease in the annual growth rate of debt securities issued by non-monetary financial corporations to 27.8% in November, from 29.0% in October. The continued high annual growth rates in this sector have been concentrated in a few countries and partly reflect the use of dedicated financing subsidiaries by non-financial corporations and MFIs to raise funds in the bond markets. The annual growth rate of debt securities directly issued by non-financial corporations also fell slightly, to 9.3% in November. Notwithstanding the decline in November, the annual growth rates of debt securities issuance by the non-MFI corporate sector remained relatively high, reflecting among other things the relatively low level of corporate bond yields.

In the government sector, the annual growth rate of debt securities issued by the central government sector declined to 4.4% in November, from 4.6% in the previous month. The other general government sector, mainly consisting of state and local governments, continued to issue debt securities at a high rate in November. The ongoing strong expansion in issuance activity in this sector reflects the high financing needs of local authorities in a few euro area countries.

Table 3 Securities issuance by euro area residents

Issuing sector	Amount outstanding, (EUR billions) 2003 Q3	Annual growth rates (annual percentage changes [1]) 2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Oct.	2003 Nov.
Debt securities issuance:	**8,662**	**6.9**	**6.7**	**6.8**	**6.9**	**7.2**	**6.9**
MFIs	3,264	6.1	5.4	4.7	4.8	5.5	5.3
Non-monetary financial corporations	646	25.7	26.1	26.6	28.5	29.0	27.8
Non-financial corporations	577	4.0	6.3	10.2	10.0	9.5	9.3
General government	4,173	5.7	5.4	5.7	5.4	5.4	5.2
of which:							
Central government	3,964	4.8	4.4	4.7	4.7	4.6	4.4
Other general government	209	28.4	31.4	28.8	22.0	21.3	22.8
Quoted share issuance:	**3,286**	**1.0**	**0.7**	**1.1**	**1.1**	**1.1**	**1.1**
MFIs	494	0.8	0.6	0.7	1.0	1.0	1.6
Non-monetary financial corporations	307	0.5	0.3	2.0	2.1	1.9	2.9
Non-financial corporations	2,484	1.1	0.8	1.1	1.0	1.0	0.7

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

QUOTED SHARES

The annual growth rate of quoted shares issued by euro area residents stood at 1.1% in November. It has remained at this relatively low level since July 2003 (see Chart 6 and Table 3).

In terms of the sectoral breakdown, the annual growth rate of quoted shares issued by non-financial corporations, which broadly account for three-quarters of total amounts outstanding of quoted shares, declined to 0.7% in November, from 1.0% in the previous month. In particular, the volume of initial public offerings on euro area stock markets remained low in 2003, while secondary offerings were used more actively by euro area non-financial corporations. Looking ahead, more non-financial corporations stated their intentions to issue shares in 2004, indicating a probable pick-up in issuance activity on euro area stock markets. The annual growth rate of quoted shares issued by MFIs went up to 1.6% in November, from 1.0% in the previous month, probably reflecting MFIs' efforts to strengthen their balance sheets. For non-monetary financial corporations, the annual growth rate also increased, rising to 2.9% in November from 1.9% in the previous month.

2.3 MONEY MARKET INTEREST RATES

Money market interest rates declined slightly in the course of January 2004, most notably at longer maturities. As a consequence, the slope of the money market yield curve became flatter.

For most of the period between end-December 2003 and 4 February 2004, the overnight interest rate, as measured by the EONIA, hovered slightly above the 2% minimum bid rate in the Eurosystem's main refinancing operations. There were some fluctuations in the overnight rate towards the end of the reserve maintenance period on 23 January 2004, reflecting changes in perceptions of liquidity conditions (see Chart 7 and Box 2).

Box 2

LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS FROM 24 NOVEMBER 2003 TO 23 JANUARY 2004

This box reviews the ECB's liquidity management during the reserve maintenance periods ending on 23 December 2003 and 23 January 2004. Chart A summarises the development of liquidity factors over the period considered.

Liquidity needs of the banking system

Banks' liquidity needs increased substantially over the period as a result of a seasonal increase in banknotes in circulation. Banknotes, which are the largest "autonomous factor" (i.e. a factor which normally does not stem from the use of monetary policy instruments), reached an historic high of €439.2 billion on 26 December 2003. On a daily average, autonomous factors absorbed €146.3 billion of liquidity in the period under review, which is more than in any other period since the introduction of the euro. By contrast, reserve requirements, which are the other major source of banks' liquidity needs, remained stable at around €132.3 billion. Excess reserves (i.e. current account holdings with the Eurosystem in excess of reserve requirements) were higher than normal (€0.79 billion in the first reserve maintenance period and €0.88 billion in the second). This was probably related to the low level of the key ECB interest rates (implying low opportunity costs of holding excess reserves) and a higher demand for liquidity buffers around the Christmas holiday period to cope with unexpected payment shocks.

Chart A Liquidity needs of the banking system and liquidity supply

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

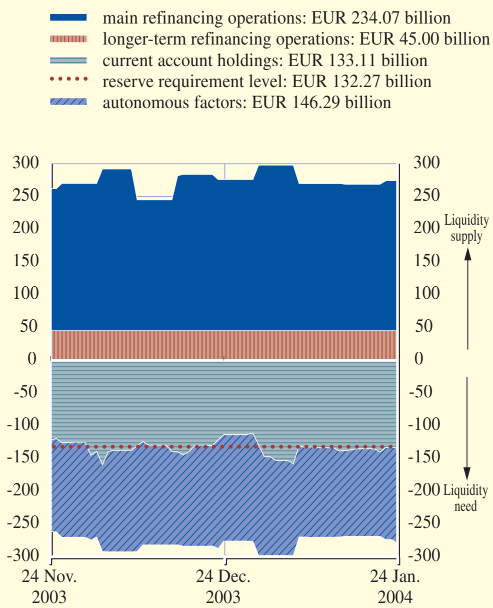
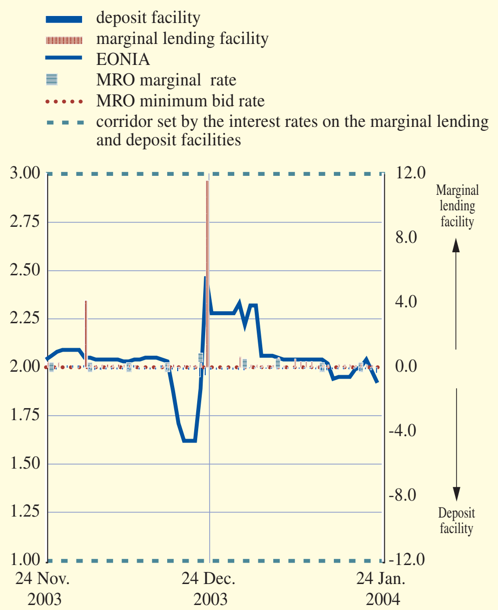


Chart B The EONIA and the recourse to the standing facilities

(left-hand scale: daily interest rates in percentages; right-hand scale: daily use of the standing facilities in EUR billions)



Liquidity supply and interest rates

In the first main refinancing operation (MRO) of the review period, settled on 26 November 2003, there was a minor episode of underbidding, i.e. participating banks asked for slightly less liquidity than the banking system as a whole needed for a smooth fulfilment of reserve requirements. The EONIA (euro overnight index average) temporarily increased after the underbidding episode but returned quickly to a level slightly above the minimum bid rate (see Chart B). In the next three MROs, bidding remained subdued and the marginal rate was equal to the minimum bid rate on all three occasions.

In mid-December, the EONIA fell below the minimum bid rate as market participants appeared to anticipate loose liquidity conditions at the end of the maintenance period despite the fact that one MRO was still to be settled on 23 December 2003. However, the ECB aimed in this operation to ensure neutral liquidity conditions at the end of the maintenance period. In fact, as a result of unexpected developments in the autonomous factors and demand for excess reserves in the last two days of the maintenance period, there was a net recourse to the marginal lending facility of EUR 11.1 billion on 23 December and the EONIA increased to 2.46% on that day.

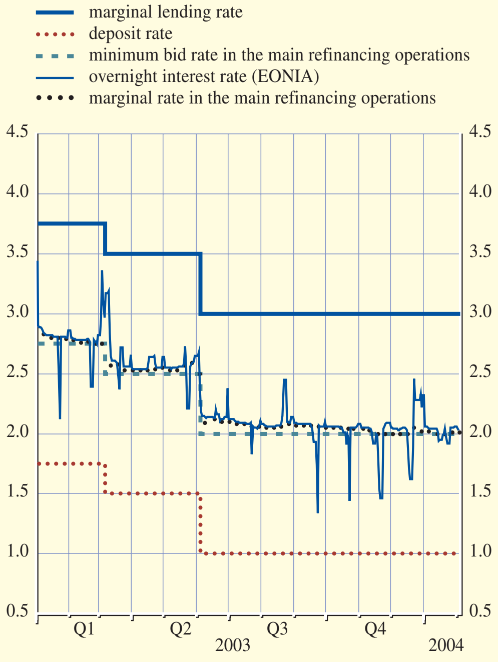
As in past years, bidding was relatively high in the two MROs spanning the turn of the year as a result of the higher demand for liquidity. In the MRO settled on 23 December, the ratio between submitted bids and satisfied bids (the bid-cover ratio) increased substantially to 1.43. The dispersion of bids also increased, with the marginal rate rising to 2.05% and the weighted average rate to 2.08%. Bids were even more widely dispersed in the first MRO of the following maintenance period, settled on 30 December 2003, resulting in a marginal rate of 2.02% and a weighted average rate of 2.09%. As usual, the EONIA was also relatively high in late December, reflecting banks' desire for additional liquidity for their year-end balance sheets.

In the remaining part of the maintenance period ending on 23 January 2004, the dispersion of bid rates decreased again and the marginal rates returned to 2.00% and 2.01%. After the New Year, the EONIA returned to levels around 2.04%. In the last week of the maintenance period, it was generally slightly below the minimum bid rate as market participants again appeared to expect loose liquidity conditions at the end of the period. However, the ECB aimed at neutral liquidity conditions in the last MRO allotment of the maintenance period, which was settled on 21 January 2004. The fact that the period ended with a net recourse to the marginal lending facility of EUR 5.2 billion was almost exclusively owing to unexpected developments in the autonomous factors after the last MRO. As liquidity conditions were not perceived by market participants as tight until late in the afternoon of 23 January, the EONIA (which is a daily average) was no more than 1.92% on that day.

After declining significantly in December 2003, the EURIBOR interest rates fell slightly between end-December 2003 and 4 February 2004. The twelve-month EURIBOR declined by 11 basis points to stand at 2.20% on 4 February. Interest rates at shorter maturities declined by a smaller amount and remained at levels relatively close to 2%. As a result, the slope of the money market yield curve flattened marginally. The difference between the twelve-month and the one-month EURIBOR was only 13 basis points on 4 February 2004, down from 21 basis points at the end of December 2003 (see Chart 8).

Chart 7 ECB interest rates and the overnight interest rate

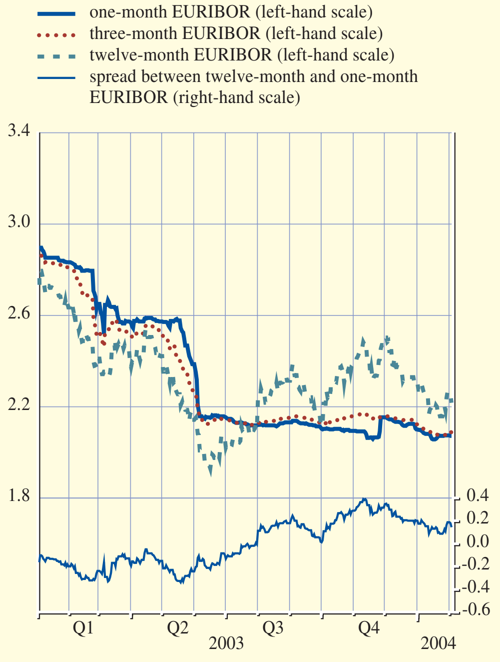
(percentages per annum; daily data)



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)



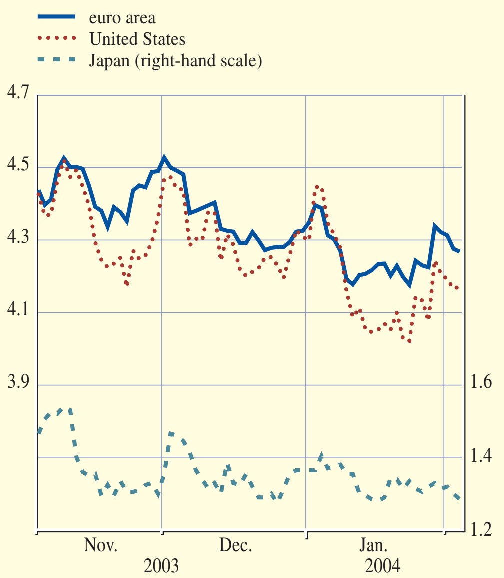
Source: Reuters.

In the course of January 2004 market participants lowered their expectations for future short-term interest rates somewhat, as indicated by the decline in implied three-month EURIBOR futures rates. For instance, the implied futures rate for September 2004 dropped by 20 basis points between the end of December 2003 and 4 February 2004, standing at 2.24% on the latter date.

The allotment rates in the Eurosystem's main refinancing operations in January 2004 were relatively close to the minimum bid rate. Between end-December 2003 and 4 February 2004 the marginal and average rates were, on average, 1 and 2 basis points respectively above the minimum bid rate. In the longer-term refinancing operation settled on 28 January 2004, the average rate was 2.03%, which was slightly below the then prevailing three-month EURIBOR and the average rate in the previous longer-term refinancing operation, settled on 18 December 2003.

Chart 9 Long-term government bond yields

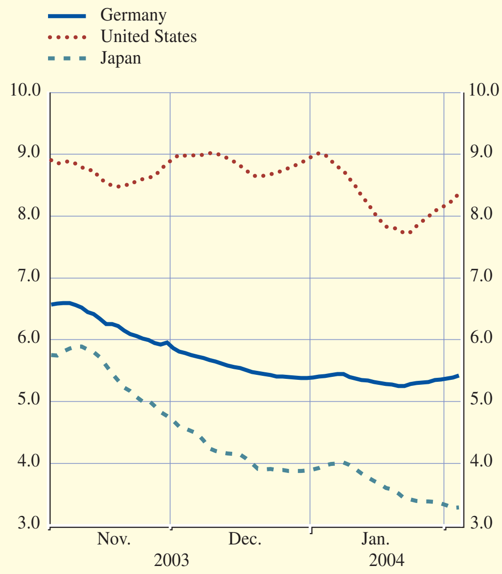
(percentages per annum; daily data)



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.

2.4 BOND MARKETS

Within a rather volatile environment, long-term government bond yields in the euro area and the United States declined slightly in January 2004. Implied bond market volatility, an indicator of market participants' uncertainty about future bond yield developments, was relatively stable in the major bond markets over recent weeks.

UNITED STATES

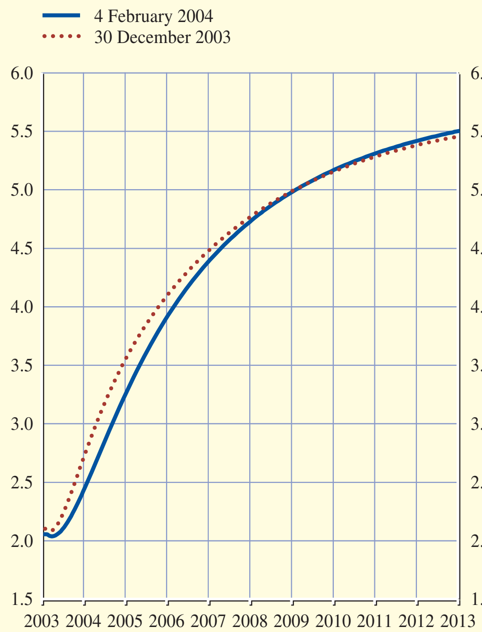
In the United States, ten-year government bond yields declined by around 15 basis points between the end of December 2003 and 4 February 2004 to a level of 4.2% (see Chart 9). There were some significant fluctuations in bond yields during this period. Several factors played a role in shaping these bond market developments. In the first weeks of January, market participants initially revised downwards their expectations about the future path of monetary policy rates, which drove down bond yields across the entire maturity spectrum. These developments were at least partially reversed after the Federal Open Market Committee issued a statement following its meeting on 28 January 2004 which market participants interpreted as a sign that the Federal Reserve might raise monetary policy rates earlier and more quickly than previously anticipated. Macroeconomic data releases during January generally supported a more optimistic outlook for economic growth. However, the corresponding upward pressure on bond yields was counteracted by technical factors, most notably large foreign purchases of US Treasury bonds, in particular by foreign central banks. Implied bond market volatility decreased slightly overall in the United States in January and early February and stood by the end of that period at a level somewhat higher than the average since 1999 (see Chart 10).

JAPAN

In Japan, long-term government bond yields decreased slightly, by 10 basis points between end-December 2003 and 4 February 2004, and stood at 1.3% on the latter date. Although investors in general seemed optimistic about the economic outlook, a further quantitative easing of monetary policy decided by the Bank of Japan on 20 January exerted downward pressure on bond yields. Market participants' uncertainty about future bond yield developments, as measured by implied bond market volatility, decreased slightly between end-December 2003 and 4 February 2004 and remained at a level slightly below the average implied volatility since January 1999.

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.

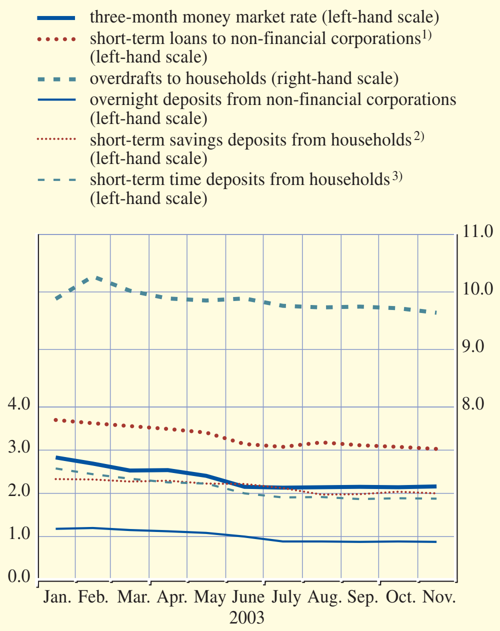
EURO AREA

In the euro area, long-term government bond yields fluctuated significantly in January and early February in tandem with US government bond yields. Overall, ten-year government bond yields in the euro area decreased slightly, by 5 basis points between end-December 2003 and 4 February 2004, and ended this period at 4.3%. This broad stability of long-term government bond yields seemed to reflect the offsetting impact of various factors. On the one hand, downward pressures emanated from expectations among market participants that short-term interest rates in the euro area would remain at the present low levels for longer than previously anticipated (see Chart 11). On the other hand, macroeconomic data releases broadly supporting the scenario of an ongoing recovery of the euro area economy exerted upward pressures on euro area bond yields.

The yields on ten-year index-linked bonds (indexed on the euro area HICP excluding tobacco) declined by around 5 basis points between the end of December 2003 and 4 February 2004. The ten-year break-even inflation rate – calculated as the difference between the yields on ten-year nominal and index-linked government bonds – also decreased by around 5 basis points during the same period. The degree of uncertainty prevailing in the euro area bond markets, as measured by implied bond market volatility, remained stable in January, at a level which broadly corresponded to the average since January 1999.

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

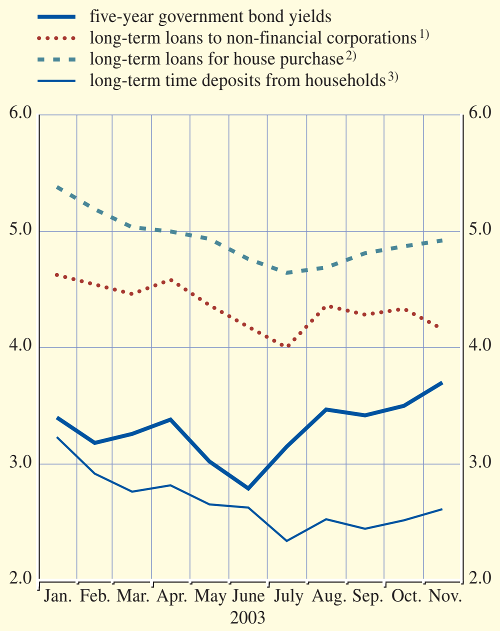
(percentages per annum; rates on new business)



Source: ECB.
1) Include loans to non-financial corporations over €1 million with a floating rate or with up to one year initial rate fixation.
2) Include deposits from households redeemable at notice of up to three months.
3) Include deposits from households with an agreed maturity of up to one year.

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

(percentages per annum; rates on new business)



Source: ECB.
1) Include loans to non-financial corporations over €1 million with over five years' initial rate fixation.
2) Include loans to households with over five and up to ten years' initial rate fixation.
3) Include deposits from households with an agreed maturity of over two years.

2.5 INTEREST RATES ON LOANS AND DEPOSITS

Between June and November 2003, short-term MFI interest rates remained mostly unchanged, while there were mixed developments in long-term MFI interest rates.

Most short-term MFI interest rates remained broadly unchanged in November 2003, as in the previous four months, after declining during the first half of 2003 (see Chart 12). Overall, between 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 on bank overdrafts to households declined by about 65 and 25 basis points respectively. For comparison, from January to November 2003, the three-month money market rate fell by around 65 basis points.

Developments in long-term MFI interest 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, whereas for non-financial corporations the rate on long-term loans decreased in the same month. Developments in most long-term interest rates were also rather diverse from June to November 2003, a period in which, for comparison, the five-year government bond yield increased by around 90 basis points. During this period, the rates on long-term time deposits from households and on long-term loans to non-financial corporations remained broadly unchanged. By contrast, 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.

2.6 EQUITY MARKETS

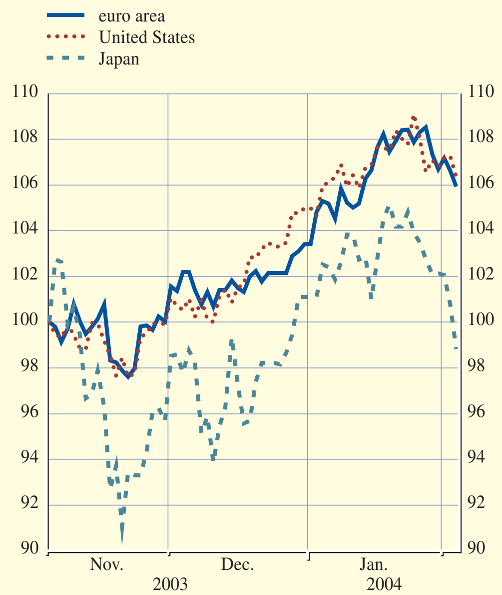
Stock prices in the euro area and the United States rose further in January 2004, partly reflecting further indications of improved corporate profitability. Stock market uncertainty, as measured by implied stock market volatility, was stable over this period.

UNITED STATES

In the United States, stock prices, as measured by the Standard & Poor's 500 index, rose by around 1% between the end of December 2003 and 4 February 2004 (see Chart 14). To some extent, this rise reflected generally better than expected earnings releases by corporations for the fourth quarter of 2003. In addition, stock prices seemed to receive support from a further decrease in

Chart 14 Stock price indices

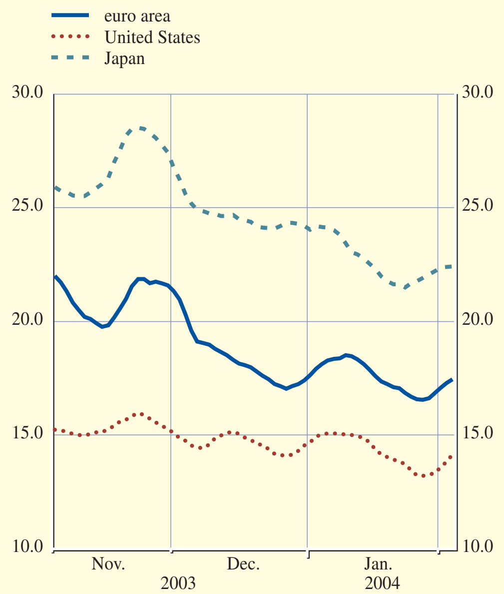
(index: 1 November 2003 = 100; daily data)



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.
Note: 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.

stock market uncertainty and possibly also from investors' lower degree of risk aversion. This is suggested, among other things, by the fact that stocks of the technology sector, which are generally perceived as riskier investments, were the main contributors to the rise in the overall index. Stock market uncertainty, as measured by implied volatility derived from options on the Standard & Poor's 500 index, was stable in January and early February (see Chart 15) and remained significantly below its average since 1999.

JAPAN

In Japan, stock prices decreased by 2% overall between end-December 2003 and 4 February 2004 in a rather volatile environment. Most of the fluctuations in Japanese stock prices in the course of the month seemed to be related to the movements of the yen exchange rate, in particular against the US dollar. In this environment, market participants' perceptions of the earnings outlook for certain sectors, notably the export sector, seem to have been in a state of flux. The implied volatility extracted from options on the Nikkei 225 index, a measure of uncertainty in the Japanese stock market, declined slightly between the end of December 2003 and early February 2004 (see Chart 15), remaining at 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 2% between the end of December 2003 and 4 February 2004. This might have reflected, in part, the continued improvement in actual and short-term expected earnings of the index's constituent firms in January. Implied stock market volatility, a measure of market participants' uncertainty about future stock price developments, did not change overall between the end of December 2003 and 4 February 2004, after having reached in late January the lowest levels observed since the introduction of the euro in January 1999 (see Chart 15). In sectoral terms, the strongest contribution to the recent stock price increases came from the technology sector, which seemed to benefit from an increase in the risk appetite of global investors.

3 PRICES AND COSTS

Lower price increases for services, food and energy brought euro area inflation down to 2.0% in December 2003, compared with 2.2% in the previous month. HICP inflation remained unchanged at 2.0% in January 2004, according to Eurostat's flash estimate. In addition to the unwinding of last summer's shock to fresh food prices, it appears that some of the decline in inflation in December 2003 can be attributed to the appreciation of the euro. The latter effect is more pronounced at earlier stages of the production chain, with producer prices increasing at relatively low rates. Available labour cost indicators confirm that wage developments have stabilised. Barring any further price shocks, HICP inflation should fall below 2% in the course of this year and remain at levels in line with price stability thereafter.

3.1 CONSUMER PRICES

FLASH ESTIMATE FOR JANUARY 2004

Euro area HICP inflation is estimated to have remained unchanged at 2.0% in January 2004, according to Eurostat's flash estimate (see Table 4). Although no detailed information is available as yet, it appears that lower energy price inflation (mainly owing to a base effect) has offset the upward impact on prices from the health care reform in Germany. This estimate is surrounded by a higher degree of uncertainty than normal, since it has to take into account the implementation of fiscal measures in early January 2004 and the annual update of the item and country weights in the HICP (which always takes place at the turn of the year).

HICP INFLATION IN DECEMBER 2003

Euro area HICP inflation declined to 2.0% in December 2003, down from 2.2% in the previous month (see Chart 16), mainly reflecting lower annual price increases for services and the more volatile components of the HICP (i.e. energy and unprocessed food prices). December's figure was slightly lower than Eurostat's flash estimate, which was released at the beginning of January. The year-on-year rate of change in the HICP excluding unprocessed food and energy declined by 0.1 percentage point to stand at 1.9% in December. The figures for December 2003 mean that the average rates of increase in the HICP and the HICP excluding unprocessed food and energy for 2003 as a whole were 2.1% and 2.0% respectively.

Table 4 Price developments

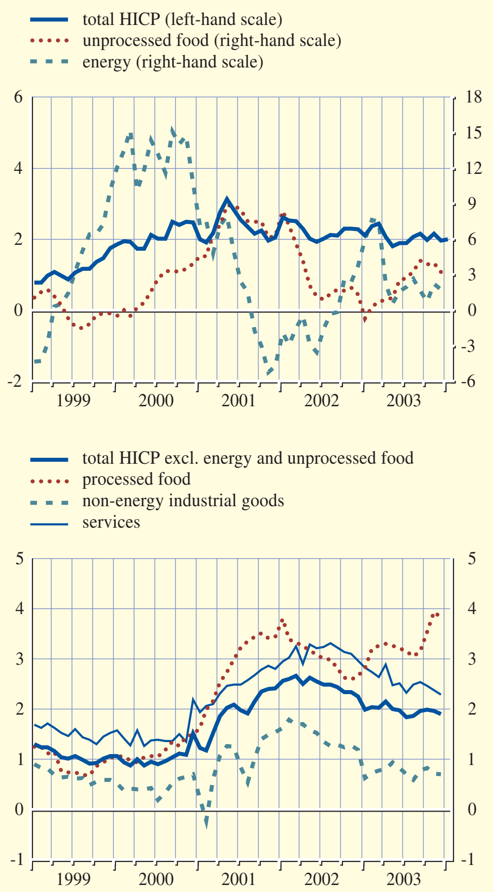
(annual percentage changes, unless otherwise indicated)

	2002	2003	2003 Aug.	2003 Sep.	2003 Oct.	2003 Nov.	2003 Dec.	2004 Jan.
HICP and its components								
Overall index [1]	2.3	2.1	2.1	2.2	2.0	2.2	2.0	*2.0*
Energy	-0.6	3.0	2.7	1.6	0.7	2.2	1.8	.
Unprocessed food	3.1	2.2	3.3	4.2	3.9	4.0	3.2	.
Processed food	3.1	3.3	3.0	3.2	3.5	3.9	3.8	.
Non-energy industrial goods	1.5	0.8	0.6	0.8	0.8	0.7	0.7	.
Services	3.1	2.5	2.5	2.5	2.5	2.4	2.3	.
Other price indicators								
Industrial producer prices	-0.1	1.6	1.3	1.1	0.9	1.4	1.0	.
Oil prices (EUR per barrel)	26.5	25.1	26.5	23.9	24.7	24.6	24.0	24.2
Non-energy commodity prices	-0.9	-4.5	-5.2	-4.7	-3.7	0.2	-0,2	5.1

Sources: Eurostat, Thomson Financial Datastream and HWWA.
1) HICP inflation in January 2004 refers to Eurostat's flash estimate.

Chart 16 Breakdown of HICP inflation: main sub-components

(annual percentage changes; monthly data)



Source: Eurostat.

The more volatile HICP sub-components both showed declines in their year-on-year rates of change in December 2003 as compared with the previous month. Energy price inflation declined to 1.8% (down by 0.4 percentage point), chiefly as a result of a base effect but also reflecting the appreciation of the euro vis-à-vis the US dollar. In addition, the impact of last summer's shock to food prices unwound further, with the annual growth rate of unprocessed food prices falling from 4.0% in November to 3.2% in December 2003.

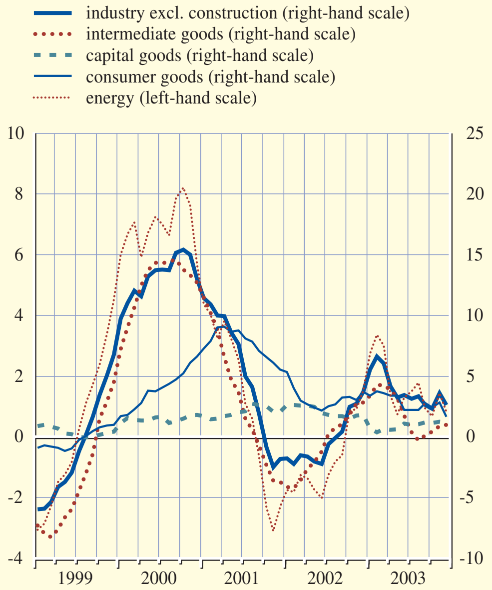
The decline in the year-on-year rate of change in the HICP excluding unprocessed food and energy in December 2003 was driven by lower annual increases in processed food and services prices. At the same time, the year-on-year rate of change in non-energy industrial goods prices remained unchanged between November and December 2003. Since October 2003, the annual rate of change in services prices has declined by 0.2 percentage point, mainly as a result of lower price increases for package holidays, accommodation and transport. Notwithstanding the very strong and irregular seasonal patterns in these components, the lower increases in package holiday and transport services prices may in part be related to the favourable impact of the stronger euro. More generally, despite upward pressure on processed food prices, triggered by rises in tobacco taxes, short-term increases in the HICP excluding unprocessed food and energy (calculated as the change over three months, using seasonally adjusted data) have shown a tendency to ease.

3.2 INDUSTRIAL PRODUCER PRICES

Price pressures at earlier stages of the production chain remained relatively subdued throughout last year (see Chart 17). Between November and December 2003 the year-on-year rate of change in the Producer Price Index (PPI) excluding construction declined from 1.4% to 1.0%, mainly on account of energy prices. The decline in the annual rate of change in the energy component, from 3.6% in November to 2.1% in December 2003, was mainly due to a base effect, but also reflected a decline in euro-denominated oil prices. In the consumer goods industries, the rate of increase in producer prices slowed from 1.1% year-on-year in November to 0.7% in December 2003. This moderation entirely reflects developments in prices of non-durable consumer goods, which in turn were driven by lower food prices in combination with a base effect. Meanwhile, the annual rates of change in intermediate and capital goods prices remained unchanged. In 2003 as a whole, producer

Chart 17 Breakdown of industrial producer prices

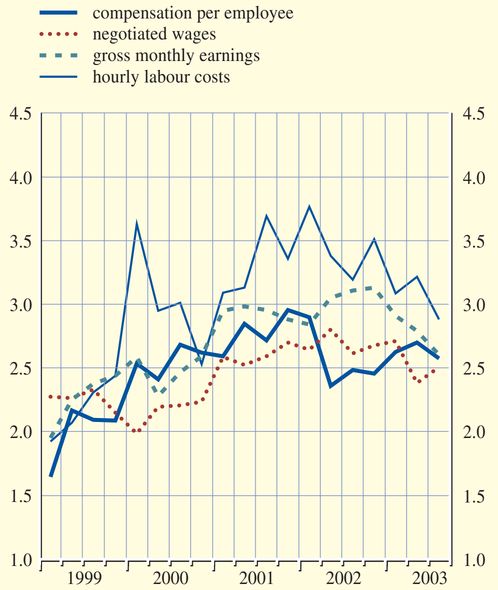
(annual percentage changes; monthly data)



Source: Eurostat.

Chart 18 Selected labour cost indicators

(annual percentage changes)



Sources: Eurostat, national data and ECB calculations.

prices increased by an average of 1.6%, compared with a 0.1% decline in 2002. Energy prices were the main contributor to the increase in producer price inflation. The average increase in the PPI excluding energy therefore rose by only 0.4 percentage point to 0.8% in 2003.

In January 2004 the Eurozone Input Price Index (EPI) for manufacturing from the Purchasing Managers' Survey increased further, signalling the strongest rise in input prices since April 2003. According to the survey respondents, this was mainly the result of higher prices for key commodities owing to a further strengthening in demand. However, while US dollar-denominated global commodity prices have been on an upward trend over recent months, the past appreciation of the euro is dampening their effects on domestic prices.

3.3 LABOUR COST INDICATORS

Available data on most labour cost indicators for the third quarter of 2003 further support the assessment that wage growth has levelled off since the beginning of 2002 (see Chart 18). The annual rates of change in euro area compensation per employee, total hourly labour costs (in the non-agricultural business sector) and gross monthly earnings all declined as compared with the second quarter, while the indicator on negotiated wages showed a slight increase (see Table 5). A longer-term comparison, such as the average growth rates during the first three quarters of 2003 relative to the average increases in 2002, also confirms that wage developments have stabilised.

As a result of the increase in productivity growth and the decline in compensation per employee growth between the second and third quarters of 2003, the annual rate of change in unit labour

Table 5 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	3.2	2.9
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	2.6
Memo items:							
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.

costs fell. This was the first decline in unit labour cost growth since the end of 2002, when it had started to increase as a result of a cyclical downturn in productivity growth. Notwithstanding this decline, unit labour cost growth is still relatively high compared with its average since the mid-1990s.

3.4 THE OUTLOOK FOR INFLATION

Taking account of these latest developments and assuming that there are no further price shocks, euro area HICP inflation is expected to fall below 2% in the course of 2004 and remain at levels in line with price stability thereafter. The short-term picture, however, remains subject to considerable uncertainty, in part related to the impact on prices of fiscal measures due to be implemented in early 2004. Over a slightly longer horizon, inflationary pressure should remain limited. This assessment is based on the assumption of moderate wage increases and a pass-through of subdued import price developments to consumer prices.

Most recent information on inflation expectations from other institutions seems to support the view that price pressures will diminish over the next two years. For instance, the most recent Survey of Professional Forecasters (SPF), conducted in late January, puts HICP inflation at 1.8% and 1.7% in 2004 and 2005 respectively (see Box 3). In addition, results from Consensus Forecasts and Euro Zone Barometer in January show that euro area inflation is expected to stand at 1.7% in both 2004 and 2005.

Box 3

PRIVATE SECTOR EXPECTATIONS FOR INFLATION AND ECONOMIC ACTIVITY IN THE EURO AREA: RESULTS OF THE 2004 Q1 SURVEY OF PROFESSIONAL FORECASTERS (SPF) AND OTHER AVAILABLE INDICATORS

This box reports the results of the 22nd Survey of Professional Forecasters (SPF) conducted by the ECB between 21 and 28 January 2004. The SPF gathers expectations for euro area inflation, economic activity and unemployment from experts affiliated to financial or non-financial institutions based in the European Union. It is important to bear in mind that, given the diversity of the panel of participants, aggregate SPF results can reflect a relatively heterogeneous set of subjective views and assumptions. Whenever possible, SPF results are compared with other available indicators of private sector expectations for the same horizons.[1]

Inflation expectations for 2004 and 2005

Survey participants have revised HICP inflation expectations for 2004 upwards compared with the previous (2003 Q4) SPF. HICP inflation is now expected to stand at 1.8% in 2004, i.e. a 0.2 percentage point upward revision from the previous SPF. HICP inflation expectations for 2005 have been revised downwards slightly compared with the previous SPF. They now stand at 1.7%, i.e. a downward revision of 0.1 percentage point. The upward revision for 2004, despite the appreciation of the euro, is mainly driven by indirect tax and administered price changes. These were, for the most part, incorporated only as risks in the previous survey round.

Results from the 2004 Q1 SPF, the 2003 Q4 SPF and Consensus Economics (January 2004)

(annual percentage changes, unless otherwise indicated)

	Survey horizon				
HICP inflation	**Dec. 2004**	**2004**	**Dec. 2005**	**2005**	**Longer term[2)]**
2004 Q1 SPF	1.7	1.8	1.8	1.7	1.9
Previous SPF (2003 Q4)	-	1.6	-	1.8	1.9
Consensus (Jan. 2004)	-	1.7	-	1.7	1.8
Real GDP growth	**2004 Q3**	**2004**	**2005 Q3**	**2005**	**Longer term[2)]**
2004 Q1 SPF	2.0	1.8	2.3	2.2	2.3
Previous SPF (2003 Q4)	-	1.7	-	2.3	2.4
Consensus (Jan. 2004)	-	1.8	-	2.1	2.1
Unemployment rate[1)]	**Nov. 2004**	**2004**	**Nov. 2005**	**2005**	**Longer term[2)]**
2004 Q1 SPF	8.7	8.8	8.4	8.5	7.4
Previous SPF (2003 Q4)	-	8.9	-	8.5	7.4

1) As a percentage of the labour force.
2) Longer-term inflation expectations refer to 2008. The Consensus Economics forecast refers to the period 2009-13 (data published in the October 2003 Consensus Economics Survey).

1 These horizons are the calendar years 2004, 2005 and "five years ahead, i.e. 2008". Expectations for two additional "rolling horizons" requested in the SPF are also reported. These rolling horizons are set one and two years ahead of the period for which the latest data for each particular variable are available at the time the survey is conducted. In the 2004 Q1 SPF, these rolling horizons were December 2004 and 2005 for the HICP inflation rate, the third quarters of 2004 and 2005 for the rate of growth in real GDP and November 2004 and 2005 for the euro area unemployment rate. These rolling horizons may be useful to identify dynamic patterns that are difficult to detect from averages over calendar years.

Chart A Probability distribution for average inflation in 2004 in the last three SPF rounds

(percentages)

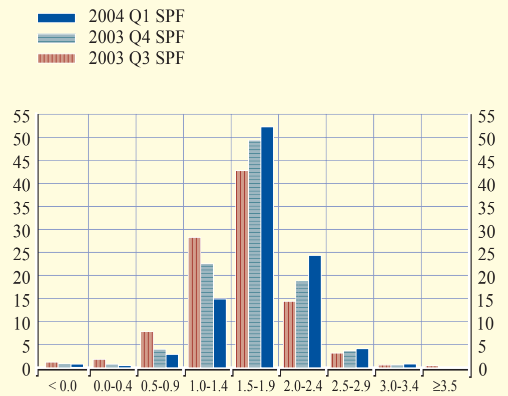
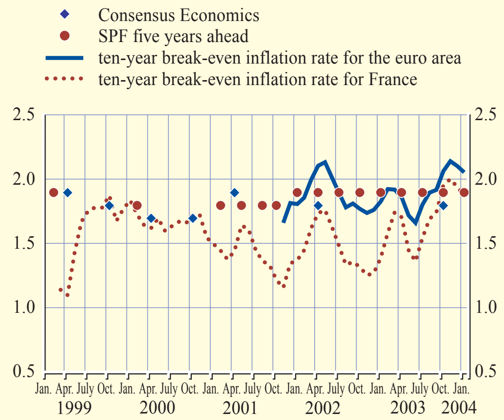


Chart B Indicators of long-term inflation expectations

(average annual percentage changes)



Sources: French Treasury, Reuters, Consensus Economics and ECB calculations.

In terms of the factors underlying inflation developments, the appreciation of the euro and low domestic price pressures are the main factors identified as exerting downward pressure. Government measures, either via indirect taxes or administered prices, and commodity price developments are the main factors cited as exerting an upward impact on prices. Overall, SPF expectations are broadly in line with the figures reported in the January 2004 issues of Consensus Economics (see the table above) and the Euro Zone Barometer (also 1.7% for both 2004 and 2005).

SPF participants are also asked to assign a probability distribution to their forecasts. This probability distribution is expressed in percentages falling within specific intervals. The probability distribution resulting from the aggregation of responses thus helps to assess how, on average, survey participants gauge the risk of the actual outcome being above or below the most likely range. Chart A reports the aggregate probability distributions for average annual rates of HICP inflation in 2004 in the last three survey rounds. Even though the bulk of the distribution continues to be centred in the 1.5-1.9% range for expected HICP inflation in 2004, there has been a further shift to the right in the latest SPF round. This shift reflects the increase in the mean expected rate, which, as highlighted above, has been driven by the gradual incorporation of indirect tax and administered price developments in forecasters' views.

Indicators of longer-term inflation expectations

Longer-term inflation expectations (i.e. five years ahead) reported by SPF participants remained at 1.9%, unchanged for the ninth consecutive SPF (see Chart B). This is broadly consistent with other available measures of longer-term inflation expectations. In October 2003 the Euro Zone Barometer forecast an average inflation rate of 1.9% in 2007, and Consensus Economics published an average inflation rate of 1.8% for the period 2009-13. Furthermore, in financial markets, there has been some reversal of the increase observed in the second half of 2003 in the ten-year break-even inflation rates derived from French government bonds linked to the euro area HICP (excluding tobacco).[2] It should be noted, however, that these break-even inflation rates are not pure measures of market participants' long-term inflation expectations. They are also affected by a variety of risk premia (including inflation uncertainty and liquidity premia). Thus, while there has been some movement in the break-even inflation rate, actual long-term inflation expectations in the SPF have remained unchanged. However, there was a slight upward shift in the probability distribution of long-term inflation expectations in the 2003 Q4 round, which has been reversed in the current SPF round.[3] These movements parallel developments in the break-even inflation rate.

Expectations for real GDP growth and unemployment in the euro area

Expected GDP growth in 2004 has been revised upwards slightly by 0.1 percentage point compared with the last SPF and now stands at 1.8%. For 2005, expected growth has been revised downwards slightly, by 0.1 percentage point from the previous survey round, to 2.2%. Based on respondents' qualitative answers, the expectation of an upturn in overall activity in 2004 is driven to a large extent by the recovery in the global economy, notwithstanding past exchange rate developments, followed by a recovery in domestic demand. The SPF forecasts for 2004 and 2005 are similar to those published in the January issues of Consensus Economics and the Euro Zone Barometer; both forecast GDP growth of 1.8% in 2004 and 2.1% in 2005. Finally, the expected long-term growth rate five years ahead (i.e. in 2008) stands at 2.3%, i.e. 0.1 percentage point lower than in the previous SPF survey round.

The unemployment rate in the euro area is expected to stand at 8.8% in 2004, a slight downward revision as compared with the last SPF round. This revision reflects the fact that unemployment did not rise as much as expected during the last slowdown and the fact that expectations for GDP growth have been revised upwards slightly. However, the recovery in 2004 is not expected to be strong enough to produce a noticeable improvement in the euro area unemployment rate until 2005, when that rate is expected to fall to 8.5%. The optimism shown by respondents regarding long-term developments, i.e. a decline to 7.4% in the unemployment rate in 2008, is explicitly linked to the implementation of further labour market reforms.

2 It should be noted that the break-even inflation rate reflects the average value of inflation expectations over the maturity of the index-linked bond under consideration and is not a point estimate for a precise year (as is the case for the survey indicators of long-term inflation expectations). For a thorough description of the conceptual nature of the break-even inflation rate, refer to the box entitled "Deriving long-term euro area inflation expectations from index-linked bonds issued by the French Treasury" on page 16 of the February 2002 issue of the ECB's Monthly Bulletin.

3 More detailed data collected as part of the survey are available on the ECB's website (http://www.ecb.int/stats/spf/spf.html).

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Euro area real GDP rose in the third quarter of 2003 due to a particularly strong increase in total exports. Growth was broadly based across the industrial and services sectors. Survey data for January 2004 point to ongoing economic growth around the turn of the year. Household spending indicators continue to provide mixed signals concerning private consumption growth, while the unemployment rate has remained unchanged. Beyond the short term, the gradual recovery should continue, supported by both exports and domestic demand.

4.1 OUTPUT AND DEMAND

REAL GDP AND EXPENDITURE COMPONENTS

Euro area real GDP data for the third quarter of 2003 support the view that the recovery started in the second half of 2003. According to the second estimate of national accounts, euro area real GDP growth was 0.4% quarter on quarter in the third quarter of 2003 (see Chart 19).

The increase in euro area real GDP in the third quarter conceals opposite developments in individual expenditure components. While net exports contributed particularly strongly to GDP growth, the contribution from domestic demand was negative. The contribution from net exports of 0.8 percentage point was due to both a strong rebound in exports and a further decline in imports. The strong export growth reflected the recovery in the euro area's export markets, while the decline in imports was the result of the euro area's weak domestic demand. The negative contribution from domestic demand was mainly due to a large negative impact from changes in inventories. This was possibly the result of an unwinding of the restocking observed in the first half of 2003. By contrast, final domestic demand (excluding inventories) provided a small positive contribution to GDP growth, arising from increases in private and government consumption accompanied by a decrease in gross fixed capital formation.

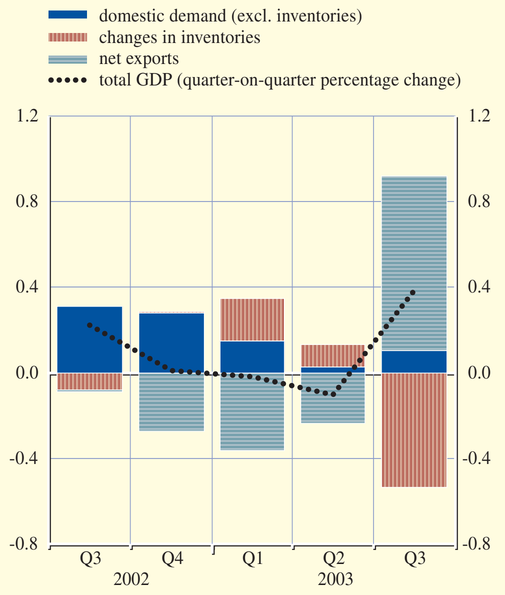
SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

Growth was broadly based across sectors in the third quarter of 2003. In terms of real value added, the industrial and services sectors expanded by, respectively, 0.5% and 0.4% quarter on quarter in the third quarter.

Recent data suggest that industrial production (excluding construction) remained robust in the fourth quarter, although the figure for November was flat month on month. The zero growth in November, which followed strong growth in October, was due to a considerable contraction in the industrial production of energy. The other main industrial groupings showed positive growth rates. Excluding energy and construction, industrial production increased more strongly, by 0.6%, in November. Moreover, including

Chart 19 Contributions to real GDP growth

(percentage point contributions; quarterly data; seasonally adjusted)



Sources: Eurostat and ECB calculations.

the November figures, data on new orders are consistent with a further strengthening in industrial production in the fourth quarter.

Taking a slightly longer-term perspective, developments in industrial production improved further. Over recent months industries producing intermediate and capital goods have made positive contributions to growth in industrial production (excluding construction and energy) (see Chart 20).

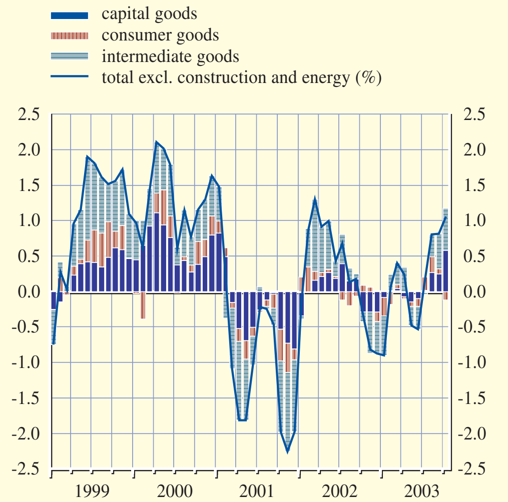
According to the European Commission's business survey, capacity utilisation in manufacturing declined in January 2004 compared with the level recorded three months earlier. The January result is, however, not fully comparable with previous data due to changes in the country coverage. The figure for January refers to the euro area excluding France, as modifications in the French survey questionnaires caused significant structural breaks in the results for France. The most recent development in this indicator therefore has to be interpreted with particular caution. Taking into account the exclusion of France, it is likely that capacity utilisation did not decline in January 2004.

SURVEY DATA FOR MANUFACTURING AND SERVICES SECTORS

Survey indicators up to January 2004 point to ongoing growth in the manufacturing and services sectors. As regards the manufacturing sector, the European Commission's industrial confidence indicator increased in January, partly reversing the decline in December 2003. With the exception of December, industrial confidence has improved continuously since mid-2003 and has now

Chart 20 Contributions to growth in industrial production

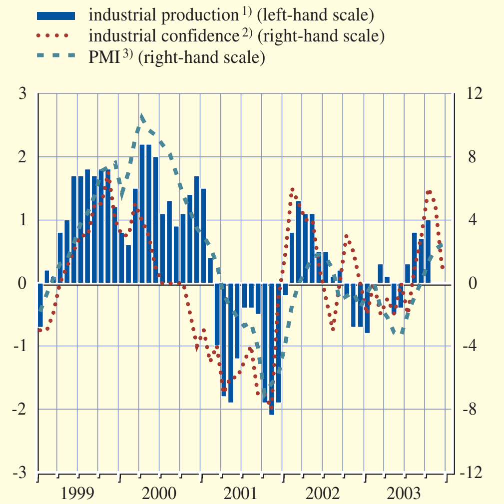
(percentage point contributions; seasonally adjusted)



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.

reached a level corresponding to its long-term average. However, measured in terms of changes compared with three months earlier, the improvements became somewhat smaller in the course of the fourth quarter (see Chart 21). The rise in industrial confidence in January was the result of a significant increase in production expectations, while the assessment of order books and stocks remained unchanged. As regards the main industrial groupings, the improvement in industrial confidence reflected increases in the intermediate and, in particular, the capital goods industries. By contrast, confidence in the consumer goods industries was unchanged.

The Purchasing Managers' Index (PMI) for the manufacturing sector also continued to increase in January. However, as in December, this increase was relatively small. Nevertheless, overall developments in the PMI in recent months still seem broadly comparable with those in previous upturns. The rise in the PMI in January was broadly based across components. There were small improvements in the indices for output, new orders, stocks of purchased products and suppliers' delivery times, whereas the index for employment remained unchanged.

Turning to the services sector, the European Commission's services confidence indicator deteriorated in January. The level of the indicator is currently still well below earlier peaks. Nevertheless, in view of the relatively strong increases in the past nine months, the recent decline does not currently change the picture of a pick-up in the services sector. Looking at the individual components, the assessment of the business climate and, in particular, of demand in recent months contributed to the decline, while expectations for demand improved. The business activity index of the Purchasing Managers' Survey for the services sector increased in January 2004, after having declined in December 2003. All components of the survey except the employment index improved in January. Overall, since spring 2003 there has been a significant improvement in the index of business activity for the services sector.

INDICATORS OF HOUSEHOLD SPENDING

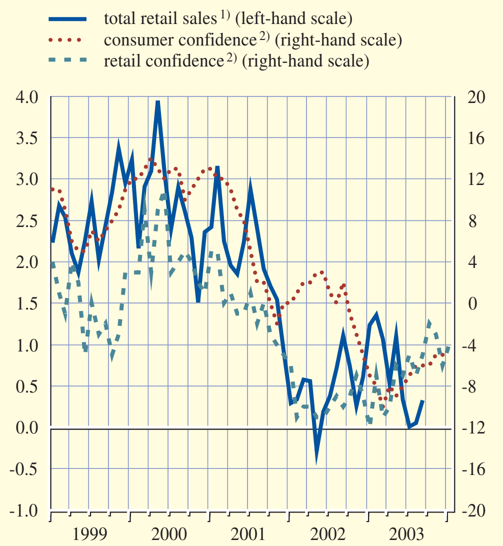
Short-term indicators suggest that private consumption remained subdued in the fourth quarter of 2003. Moreover, confidence indicators in January 2004 still provide rather mixed signals as regards developments in private consumption (see Chart 22).

Retail sales rose month on month in October, but the available national data for November do not point to stronger retail sales for the fourth quarter as a whole. In addition, new passenger car registrations declined in the fourth quarter, implying a dampening impact on private consumption growth in that period.

The European Commission's consumer confidence indicator was unchanged in January. The consumer survey results for January,

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. For consumer confidence, euro area results for January 2004 do not cover France due to changes in the questionnaires of the French surveys. The results are therefore not fully comparable with previous results.

however, like those of capacity utilisation mentioned above, are not fully comparable with previous results. Due to changes in the French consumer survey, which caused a significant structural break in the results, the euro area aggregate in January excludes France. Taking this into account, consumer confidence may have declined somewhat. Confidence in the retail trade sector, which is not affected by this factor, improved in January. The increase in January partly reversed the decline in the previous month. Overall, retail trade confidence seems to have continued the volatile but upward trend observed since the start of 2003. The increase in January 2004 was the result of a strong improvement in the expected business situation, while the assessment of the present business situation and stocks remained unchanged.

4.2 LABOUR MARKET

UNEMPLOYMENT

There were still no clear signs of an improvement in labour markets in December. The standardised unemployment rate for December was 8.8%, unchanged since March 2003 (see Chart 23). The unemployment rate also remained unchanged as regards gender groups. In terms of the age breakdown, the unemployment rate of those below 25 declined slightly in December, to 16.6%, while it remained unchanged for those aged 25 and above. The seasonally adjusted number of unemployed decreased by approximately 15,000 persons in December month on month, but increased by about 270,000 persons compared with December 2002.

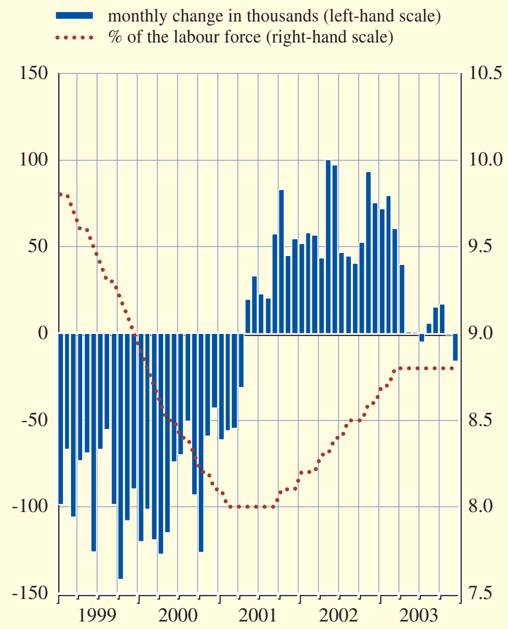
EMPLOYMENT

Employment growth was zero in the third quarter of 2003, implying a broadly stable level of employment since mid-2002 (see Table 6). However, employment developments differed across sectors. Employment continued to contract in industry in the third quarter of 2003, by 0.6% quarter on quarter, and in particular in the construction sector, while it continued to expand at a rate of 0.2% in the services sector.

Despite some modest improvements, survey data continue to suggest that labour market developments are likely to remain subdued. As regards the manufacturing sector, both the European Commission's indicator of employment expectations and the employment index in the PMI have improved slightly since mid-2003 but remained at relatively low levels. The employment index in the PMI in January 2004 still fell short of the threshold of 50 that indicates zero employment growth. In the services sector, the European Commission's indicator of employment expectations and the employment index in the PMI have also risen only moderately since mid-2003, and even declined somewhat recently.

Chart 23 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

Table 6 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
of which:							
Agriculture and fishing	-0.6	-2.2	-0.6	-0.4	-0.7	-0.2	-0.3
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	-0.5	-0.5
Construction	0.5	-0.7	-0.3	-0.1	0.0	0.4	-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 survey indicators are in line with ongoing growth around the turn of the year. European Commission business and consumer surveys, for example, show a broadly based improvement in the assessment of both current and expected economic conditions (see Box 4 on the assessment of current and expected economic conditions according to European Commission surveys).

Looking forward, in view of strong foreign demand, exports are expected to continue to grow, despite the decline in the euro area's relative price competitiveness resulting from the appreciation of the euro. Domestic demand, which has so far remained subdued, is also expected to recover. Investment growth should benefit from the low level of interest rates, the overall favourable financing conditions and the improvement in the global economic environment. In addition, the ongoing adjustment efforts of the business sector to enhance productivity and profitability should contribute to the recovery in investment. Furthermore, a rise in real disposable income owing to favourable terms-of-trade effects is expected to support growth in private consumption. This outlook is reflected in available forecasts, which all suggest that a gradual recovery should take place in the course of this year and continue thereafter (see Box 3 on the results of the 2004 Q1 Survey of Professional Forecasters).

Box 4

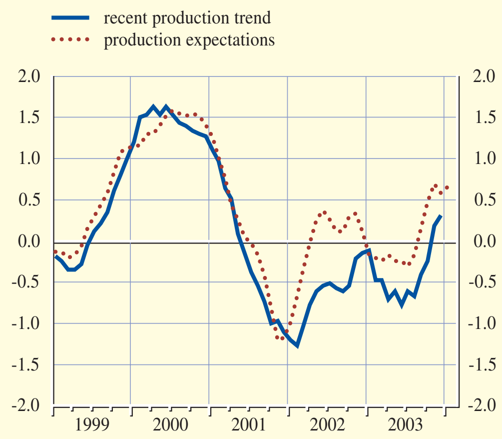
THE ASSESSMENT OF CURRENT AND EXPECTED ECONOMIC CONDITIONS ACCORDING TO EUROPEAN COMMISSION SURVEYS

Opinion surveys, such as those carried out by the European Commission each month, are useful indicators for analysing key economic variables.[1] For instance, the industrial confidence indicator is closely related to industrial production, and consumer confidence gives some indication of developments in private consumption. Moreover, the surveys gather information on the assessment of future and current developments in manufacturing and the future and current economic situation according to consumers. If the assessments of future and current developments in both the manufacturing and consumer sectors show significant discrepancies, this can provide useful information in terms of monitoring economic developments.

Discrepancies between indicators related to current developments and the future situation can be analysed using various measures. This box looks at two measures in particular. First, by using the historical cross-correlation structure between these two indicators as a benchmark, it is possible to identify discrepancies in specific periods. For the manufacturing sector, production expectations typically lead the assessment of recent production trends by one month. For consumers, expectations with regard to the future economic situation lead the assessment of the current economic situation by around two months. Second, discrepancies can also be identified by comparing the gap between the two indicators with the average gap.

Chart A Recent and expected production in manufacturing

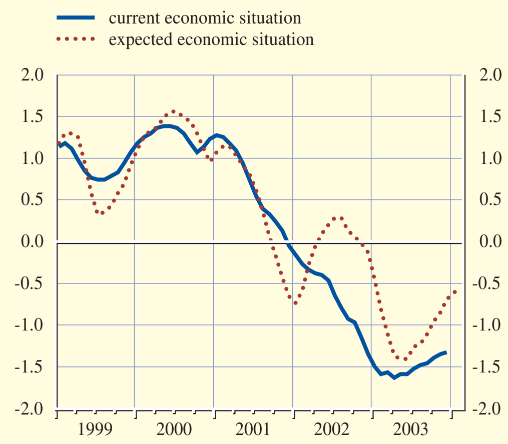
(percentage balances; three-month moving averages; series normalised)



Sources: European Commission and ECB calculations.
Note: Reflecting the average lead, expectations are moved forward by one month.

Chart B Current and future economic situation according to consumers

(percentage balances; three-month moving averages; series normalised)



Sources: European Commission and ECB calculations.
Note: Reflecting the average lead, expectations are moved forward by two months.

1 For a detailed presentation of the various ways in which opinion surveys available for the euro area can be used for economic analysis, see the article "Opinion surveys on activity, prices and labour market developments in the euro area: features and uses", published in the January 2004 issue of the Monthly Bulletin.

In this respect, it is worth noting that at the end of 2001 and the beginning of 2002 the indicators of future and current developments for both the manufacturing and consumer sectors gave mixed signals. Indeed, a rapid improvement in the expectations of manufacturers and consumers was not reflected in the assessment of current conditions. This eventually led to a downward correction of expectations (see Charts A and B). A similar pattern was also observed in the surveys on services and retail trade.

More specifically, in the manufacturing sector, production expectations started to improve strongly in November 2001, although the assessment of current production was still deteriorating and only started to improve four months later, in March 2002. Compared with the pattern observed in previous periods, there was a significant gap between the two series for most of 2002. For the household sector, although expectations regarding economic conditions improved markedly between December 2001 and May 2002, the assessment of current economic conditions continued to decline throughout this period. In line with this development, the gap between the two series grew substantially between July 2002 and January 2003, and was subsequently closed only by a significant decline in the assessment of expectations.

Recent developments indicate that the situation at present is rather different to that of 2001-02. For manufacturing, the current gap is smaller than that observed in 2001-02. More importantly, production expectations and current developments are moving in line with the usual lag. Indeed, both series started to show an improvement in July 2003, although this was more marked in the case of expectations. As regards consumers' views, recent developments indicate that the assessments of the future and the current economic situation are moving upwards together, although less rapidly than in previous upturns. Furthermore, although expectations are improving considerably more than the assessment of the current economic situation, there is no significant gap between the two series.

Overall, the results of the opinion surveys in 2003 appear to reflect a more balanced view in relation to the assessment of current and future developments than in 2001-02. This may be interpreted as a positive signal as regards prospects for both the manufacturing sector and consumption.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

Following its sustained strengthening in November and December 2003, the euro depreciated in nominal effective terms in January and early February 2004. The depreciation of the euro in that period was particularly pronounced against the pound sterling and the Japanese yen, while the euro weakened slightly vis-à-vis the US dollar.

US DOLLAR/EURO

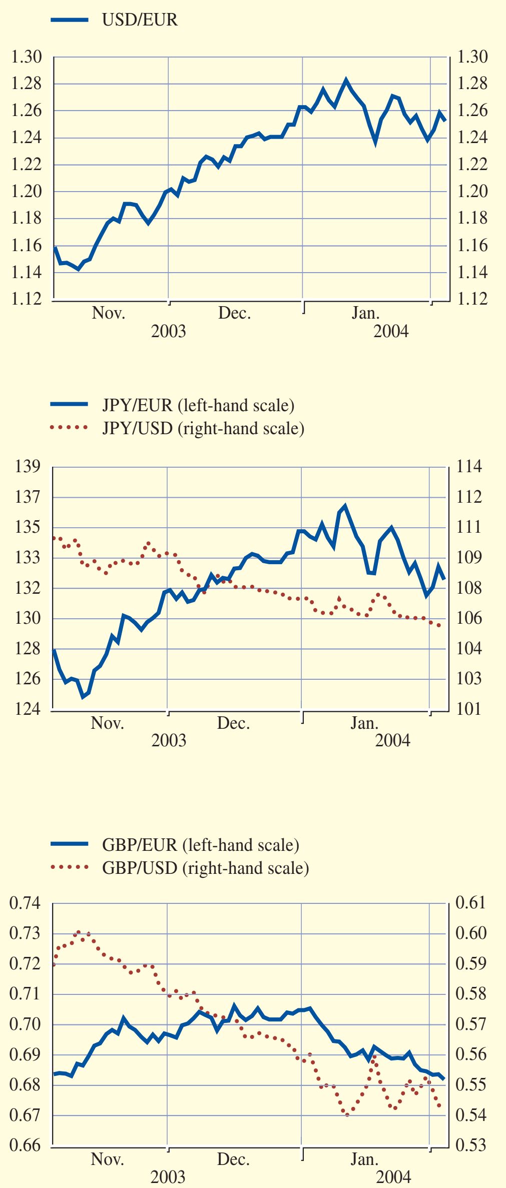
After strengthening slightly at the beginning of January 2004, the euro declined against the US dollar later in the month (see Chart 24). Additional evidence provided by the publication of various survey and confidence indicators underpinned a positive economic outlook in the United States and supported the US dollar against the euro. Moreover, market participants seemed to have placed some emphasis on the decline in the US trade deficit in November combined with strong net portfolio inflows in the same month. The US dollar received further support towards the end of the reference period following a more positive market assessment of the US economic outlook following the meeting of the Federal Open Market Committee on 28 January. Subsequently, however, this positive factor was partly offset by the release of weaker-than-expected, yet robust, data for GDP growth for the fourth quarter of 2003 in the United States. Overall, on 4 February, the euro stood at USD 1.25, less than 1% below its end-December level and 10.7% stronger than its 2003 average.

JAPANESE YEN/EURO

In January and early February the euro depreciated against the Japanese yen (see Chart 24). The Japanese yen also appreciated vis-à-vis the US dollar, mainly in response to an overall improvement in the Japanese economic outlook combined with robust export growth. The upward pressure on the yen, however, was partly offset by the Japanese authorities' interventions to contain the yen's rise against the US currency. In addition, market expectations for further interventions seemed to have strengthened following the Bank of Japan's decision of 20 January to ease liquidity conditions by increasing its current

Chart 24 Patterns in exchange rates

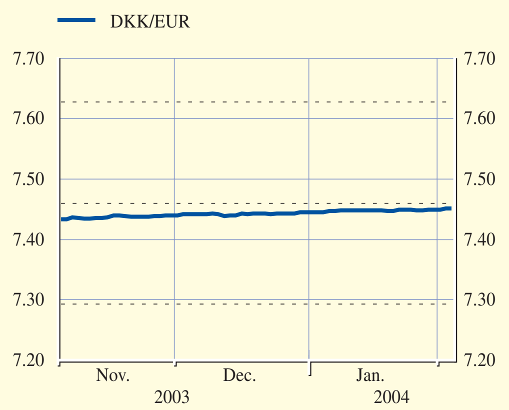
(daily data; from 3 Nov. 2003 to 4 Feb. 2004)



Source: ECB.

Chart 25 Patterns in exchange rates within ERM II

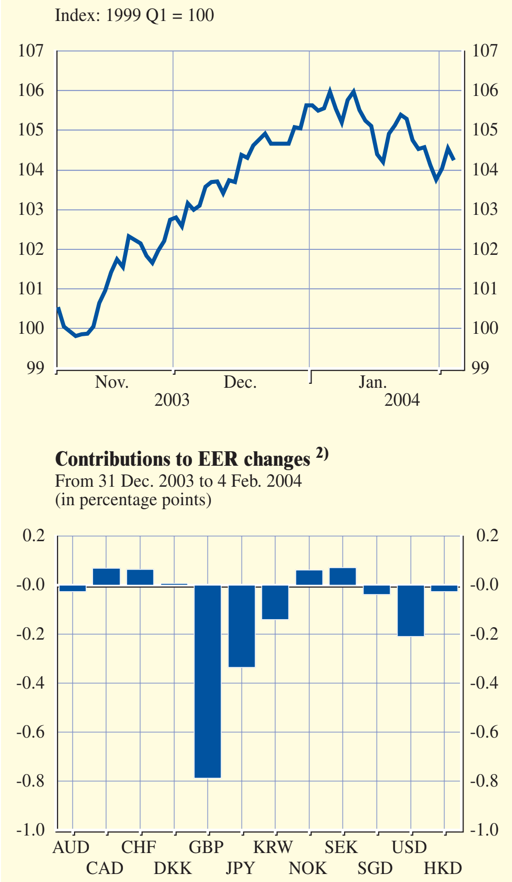
(daily data; from 3 Nov. 2003 to 4 Feb. 2004)



Source: ECB.
Note: The horizontal lines indicate the central parity (DKK 7.46) and the fluctuation band (±2.25% for DKK).

Chart 26 The effective euro exchange rate and its decomposition [1)]

(daily data; from 3 Nov. 2003 to 4 Feb. 2004)



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.

account balance target. The Bank of Japan indicated that this measure aimed at reaffirming its policy stance to overcome deflation and ensure a continued economic recovery. On 4 February the euro was quoted at JPY 132.04, 2.2% lower than its level at the end of December and nearly 1% higher than its 2003 average.

POUND STERLING/EURO

The euro also declined against the pound sterling in January and early February (see Chart 24). The significant strengthening of the pound sterling was mainly associated with strong data pointing to robust economic growth in the United Kingdom. On 4 February the euro traded against the pound sterling at GBP 0.68, 3.2% lower compared with its level at the end of December and 1.5% lower than 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 appreciated significantly against the Norwegian krone and more moderately against the Swiss franc and the Swedish krona in the course of January and early February.

EFFECTIVE EXCHANGE RATE OF THE EURO

On 4 February the nominal effective exchange rate of the euro, as measured against the currencies of 12 major euro area trading partners, was 1.3% below its end-December level and 4.0% above its average level in 2003 (see Chart 26). The weakening of the euro in effective terms mainly reflected its decline against the pound sterling and the Japanese yen.

5.2 BALANCE OF PAYMENTS

In November, the strong growth of goods exports experienced in the preceding months did not continue whereas goods imports rose. This contributed to a fall in the seasonally adjusted current account surplus in that month. Three-month average data up to November indicate a small rise in euro area exports, in line with the improvement in the external environment of the euro area and rising export orders. Taking a longer-term perspective, the twelve-month cumulated euro area goods surplus, after having declined in the first half of 2003, started to level off from the third quarter of 2003. In the financial account, combined direct and portfolio investment was close to balance in November.

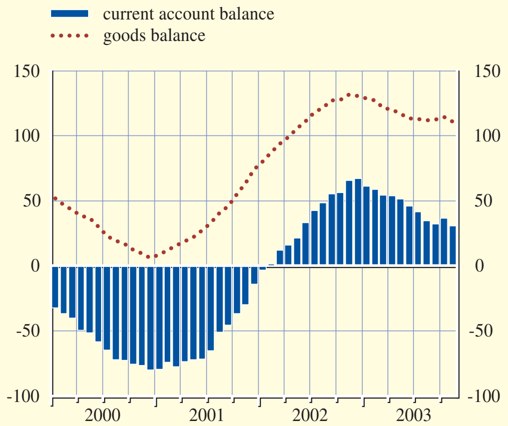
CURRENT ACCOUNT AND TRADE

The seasonally adjusted current account of the euro area recorded a surplus of €1.7 billion in November 2003 (corresponding to a surplus of €4.4 billion in non-seasonally adjusted terms). This reflected surpluses in both the goods and services balances that were partly offset by deficits in the income and current transfers balances. Compared with revised data for October 2003, the seasonally adjusted current account surplus fell by €6.3 billion. This decrease mainly resulted from a fall in the surpluses on goods (by €3.2 billion) and on services (by €1.9 billion) combined with an increase in the current transfers deficit (by €4.2 billion). The fall in the income deficit by €3 billion only partly counterbalanced these developments.

From a longer-term perspective, the twelve-month cumulated current account surplus declined in the first half of 2003 before levelling off (see Chart 27). This pattern was mostly driven by changes in the goods surplus. In the third quarter of 2003, the goods surplus increased due to both a rise in exports and a fall in imports. Exports of goods seem to have followed this trend up to October, before declining in November. The latest fall in exports should be interpreted, though,

Chart 27 The euro area current account and goods balances

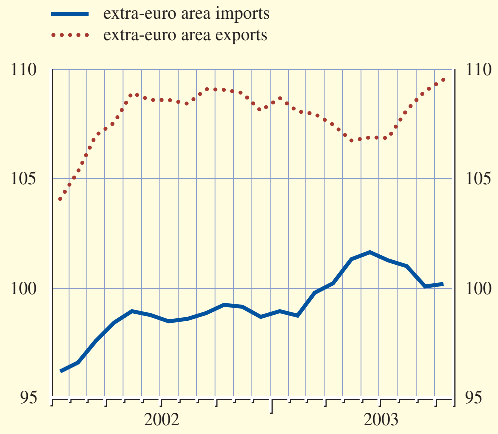
(EUR billions; monthly data; seasonally adjusted; 12-month cumulated figures)



Source: ECB.

Chart 28 Extra-euro area trade volumes [1]

(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 October 2003.

with some caution, given the volatility of the monthly figures. Using a three-month average indicates a small rise in euro area exports (see Charts C29 and C30 in Table 7.1 in the "Euro area statistics" section), in line with the improvement in the external environment of the euro area and rising export orders.

A decomposition of trade data into volumes and prices – based on the External Trade Statistics available until October 2003 – provides a better insight into the recent evolution of the goods surplus. In this period, movements in export and import values resulted mostly from changes in volumes, as neither export nor import prices underwent significant changes. In the third quarter, in particular, export volumes increased by nearly 2% (quarter-on-quarter), in contrast with the decreases registered in the preceding three quarters (see Chart 28). The rise in foreign demand over this period seems to be one of the main factors behind the rebound in export volumes. Foreign demand originated mainly from non-Japan Asia – in line with the strong growth rates recorded in this region – and from central and eastern European countries. Meanwhile, growth in exports to the United States remained subdued in the third quarter. Turning to imports, extra euro area import volumes fell by nearly 1.5% in the third quarter. A possible explanation for this is the decline in euro area domestic demand over this period, particularly on the import intensive categories such as investment and inventories.

Overall, the euro area twelve-month cumulated current account up to November 2003 was roughly €35.0 billion lower than the level reached in November 2002 (see Chart 27), mostly reflecting a fall in the goods surplus and an increase in the income deficit. The fall in the value of goods exports (by €23.4 billion) is the key element behind the decline in the twelve-month cumulated goods surplus. This seems to be accounted for by both the weakness of foreign demand in the first half of 2003 and the effect of the euro appreciation. The euro appreciation could also provide a partial explanation for the decline in income credits – and the associated rise in the income deficit – over the same period. This reflects the fact that income received in foreign currency from the rest of the world, when expressed in euro, has a lower value.

FINANCIAL ACCOUNT

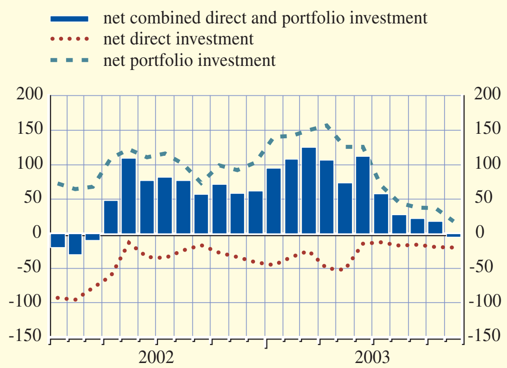
In the financial account, combined direct and portfolio investment was close to balance – recording net inflows of €2.2 billion – in November 2003. This reflected mainly net inflows in direct investment (€6.5 billion), as net inflows in equity portfolio investment (€8.8 billion) were more than offset by net outflows in debt instruments (€13.1 billion).

In November, the developments observed in net direct investment largely resulted from non-residents' investing in equity capital in the euro area, while euro area residents disinvested abroad.

With regard to portfolio investment, market expectations of a further euro appreciation might have been associated with the net inflows registered in equity securities in

Chart 29 Net direct and portfolio investment flows

(EUR billions, 12-month cumulated data)



Source: ECB.
Note: A positive (negative) number indicates a net inflow (outflow) into (out of) the euro area.

November. Conversely, the net outflows in debt instruments from the euro area do not seem to be fully accounted for by yield considerations among investors.

From a longer-term perspective, twelve-month cumulated figures up to November 2003 show that combined direct and portfolio investment flows were broadly balanced (see Chart 29). Net outflows amounted to €2.4 billion in November, compared with cumulated net inflows of €58.5 billion a year earlier. This mainly resulted from lower net inflows in portfolio investment, stemming in particular from an increase in investment by euro area residents in foreign debt instruments and, to a lesser extent, in equity securities. With regard to cross-border activity in portfolio equity securities, both the asset and liability sides in this category have shown a broad stabilisation after the second quarter of 2003.

ARTICLES

THE ACCEDING COUNTRIES' ECONOMIES ON THE THRESHOLD OF THE EUROPEAN UNION

On 1 May 2004 ten countries of central and eastern Europe and the Mediterranean will join the European Union (EU). In terms of the number of countries joining, this enlargement is the largest in the history of the EU. It is also notable for the fact that the majority of the prospective new Member States have been engaged in a transition process, making the switch from a planned to a market economy, involving fundamental institutional and structural changes in the economies concerned. The new Member States will participate in Economic and Monetary Union (EMU) with a derogation. This means that, while not yet adopting the euro, they will be committed to joining the single currency at a later stage upon fulfilment of the convergence criteria laid down in the Treaty.

This article takes stock of some of the key macroeconomic and structural characteristics of these economies as the acceding countries stand on the threshold of EU membership. It presents some basic economic indicators, reviews recent economic developments in the acceding countries and then focuses in somewhat more detail on a number of indicators that shed light on their economic interrelations with the current 15-member European Union.

INTRODUCTION

The European Union is set to embark upon its biggest ever enlargement, both in terms of the number of new countries and their diversity. Ten countries of central and eastern Europe and the Mediterranean – Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia – are set to join the EU on 1 May 2004. The scope of the enlargement is mainly defined in terms of the large number of countries that will join. The increase in diversity in economic terms, in turn, mainly stems from the fact that all of the prospective new Member States with the exception of the two Mediterranean countries have been engaged in a process of transition from planned to market economies over the past 15 years. During this process, the acceding countries established new institutional and legal frameworks, opened up their economies to international trade and capital flows and reorganised their production structures. As part of the same process, the banking sectors were consolidated and financial markets were established. As a result, the acceding countries have reoriented their external trade mainly towards the countries of the EU and started to attract large inflows of foreign direct investment (FDI). On the eve of their accession to the EU, these countries have reached an advanced stage in this transition process. The prospect of EU enlargement provides a timely opportunity to review recent developments as well as the main structural characteristics of their economies.

1 BASIC FACTS AND FIGURES

The ten acceding countries have a combined population of 75 million, about one-fifth of that of the present EU. There is a wide dispersion in terms of population size among the countries: Poland accounts for about one-half of the total acceding countries' population, followed by Hungary and the Czech Republic with around ten million citizens each. The remaining countries have populations of some five million or less, while the populations of the two Mediterranean countries are below one million. Hence, the majority of the new Member States are relatively small compared with the countries that currently comprise the EU.

The economic weight of the prospective new countries in terms of GDP in the enlarged Union of 25 Member States (EU-25) will be much lower than their share of the population, at 5%. Total GDP at current market prices in these countries amounts to around €440 billion, compared with €9,200 billion in the current Union of 15 (EU-15). This asymmetry is the result of a still relatively large gap in terms of

Table 1 Population and nominal GDP of the acceding countries (2002)

Population (millions)			Nominal GDP (EUR billions)		
1.	Poland	38.6	1.	Poland	200
2.	Czech Republic	10.2	2.	Czech Republic	78
3.	Hungary	10.2	3.	Hungary	69
4.	Slovakia	5.4	4.	Slovakia	25
5.	Lithuania	3.5	5.	Slovenia	23
6.	Latvia	2.3	6.	Lithuania	15
7.	Slovenia	2.0	7.	Cyprus	11
8.	Estonia	1.4	8.	Latvia	9
9.	Cyprus	0.7	9.	Estonia	7
10.	Malta	0.4	10.	Malta	4
AC-10		74.7	AC-10		441
EU-15		381.7	EU-15		9,170
AC-10/EU-15 (%)		20%	AC-10/EU-15 (%)		5%

Sources: European Commission and Eurostat.

per capita income levels between the current and new EU Member States (per capita income differentials and implications for growth dynamics are covered in greater detail in Section III).

2 RECENT MACROECONOMIC DEVELOPMENTS

Macroeconomic developments in the acceding countries have been broadly favourable in recent years, and 2003 has been no exception. The countries have, as a whole, achieved a solid rate of economic growth despite a difficult global environment, and have also managed to keep inflation at bay. As such, they have advanced in both the catching-up and the disinflation process, i.e. in real as well as nominal convergence. The two main weak spots at the current juncture relate to fiscal and current account deficits that have remained high or widened in several countries.

Turning to developments in more detail, recent years have seen a significant disinflation process in most of the acceding countries. In 2003 the weighted average of the HICP inflation rates in the countries as a whole stood at 2.0%, down from 2.7% in 2002 and 5.7% in 2001 (see Table 2). Nevertheless, this disinflationary process has been heterogeneous over time and across countries. Moreover, while the current low rates of inflation in the region as a whole have clearly benefited from policy frameworks with a strong focus on fighting inflation, other factors that may prove to be only temporary, such as developments in food prices, exchange rates and economic activity, have also played a role.

In 2003 around half of the acceding countries had inflation rates below the EU average, and a few of them have even recorded near-zero or negative inflation rates recently (namely the Czech Republic, Lithuania and Poland). On the other hand, there are several countries in which inflation is still high. In Hungary, Slovakia and Slovenia inflation was in the range of 4.7-8.8% in 2003. In Slovakia, for example, adjustments in a number of regulated prices led to a rise in headline inflation by as much as 5 percentage points in 2003. In general, the completion of price liberalisation towards levels compatible with a market economy is likely to continue to generate upward pressure on price levels in a number of countries. Furthermore, underlying structural price convergence resulting from the catching-up in income levels (the so-called Balassa-Samuelson effect) will also continue to play a role. As a result, a pick-up in inflation rates over the medium term remains a distinct possibility, and the challenge of completing disinflation and entrenching a low-inflation environment in acceding countries remains.

Table 2 Selected macroeconomic indicators in the acceding countries

	HICP inflation (annual percentage change)			Real GDP (annual percentage change)			General government balance (as a percentage of GDP)			Current account balance (as a percentage of GDP)		
	2001	2002	2003	2001	2002	2003 1)	2001	2002	2003 1)	2001	2002	2003 1)
Cyprus	2.0	2.8	4.0	4.0	2.0	2.0	-3.0	-3.5	-5.4	-4.3	-5.3	-4.4
Czech Republic	4.5	1.4	-0.1	3.1	2.0	2.2	-5.0	-6.7	-7.6	-5.4	-6.0	-6.6
Estonia	5.6	3.6	1.4	6.5	6.0	4.4	0.2	1.3	0.4	-6.0	-12.2	-15.2
Hungary	9.1	5.2	4.7	3.8	3.5	2.9	-4.1	-9.2	-4.8	-3.4	-4.0	-6.2
Latvia	2.5	2.0	2.9	7.9	6.1	6.0	-1.6	-3.0	-2.9	-9.6	-7.6	-8.6
Lithuania	1.3	0.4	-1.0	6.5	6.8	6.6	-1.9	-1.7	-2.4	-4.8	-5.3	-5.7
Malta 2)	2.9	2.2	1.6	-1.2	1.7	0.8	-7.0	-6.2	-7.4	-4.4	-1.3	-6.6
Poland	5.3	1.9	0.7	1.0	1.3	3.3	-3.5	-3.8	-4.1	-2.9	-2.6	-2.9
Slovakia	7.0	3.3	8.8	3.8	4.4	3.8	-5.4	-7.2	-5.0	-8.4	-8.0	-3.8
Slovenia	8.6	7.5	5.7	2.9	2.9	2.1	-2.5	-2.4	-2.0	0.2	1.4	0.5
AC-10	5.7	2.7	2.0	2.5	2.4	3.1	-3.8	-5.1	-4.7	-3.9	-3.9	-4.4
EU-15	2.2	2.1	2.0	1.7	1.1	0.8	-0.9	-1.9	-2.7	0.3	1.0	0.5

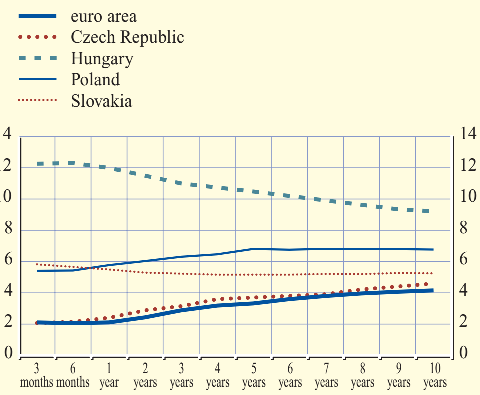
Sources: Eurostat, European Commission, Pre-Accession Economic Programmes (PEPs).
Note: The aggregates are weighted by nominal GDP in 2002.
1) Estimated.
2) For Malta, inflation data refer to CPI. The 2003 figure is the estimate from the 2003 PEP for Malta.

Policy interest rates have fallen in line with the progress made in disinflation and the improved inflation outlook in recent years, and this process has led to declining long-term interest rates in the region as a whole. Nevertheless, policy interest rates are still higher than those of the euro area in almost all of the acceding countries. Moreover, the decreasing trend of policy interest rates has largely come to a halt since mid-2003. In Hungary there has even been a significant reversal, as policy rates have been raised substantially since June 2003. While interest rates in the Czech Republic have closely shadowed those of the euro area over the entire yield curve, the same is not true in the other acceding countries (see Chart 1). In Hungary, and to a lesser extent Slovakia, the yield curve is currently inverted, reflecting a tighter monetary policy stance at the short end of the curve but expectations of lower inflation over the longer term.

Exchange rates have developed in very different ways across the region. In countries with pegs or tightly managed exchange rate regimes, nominal exchange rates vis-à-vis the euro have remained stable. By contrast, significant exchange rate variation has been observed in countries with more flexible regimes. In Poland, the zloty has displayed considerable volatility and depreciated by 14.5% against the euro in 2003. Exchange rate volatility has also increased in Hungary where the forint came under pressure in 2003, depreciating by 10% against the euro, with most of the recent depreciation seemingly related to concerns about the outlook for fiscal consolidation and inflation.

Chart 1 Yield curves in selected acceding countries in January 2004

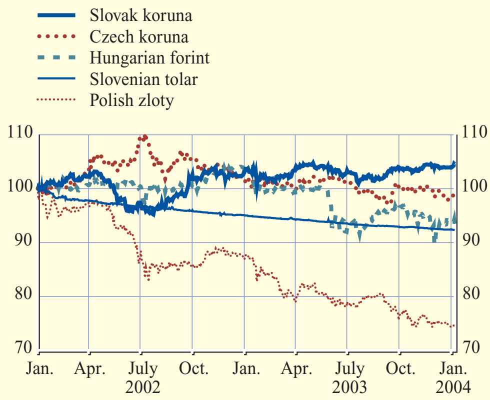
(percentages; maturities)



Sources: Bloomberg and ECB calculations.

Chart 2 Nominal exchange rates against the euro

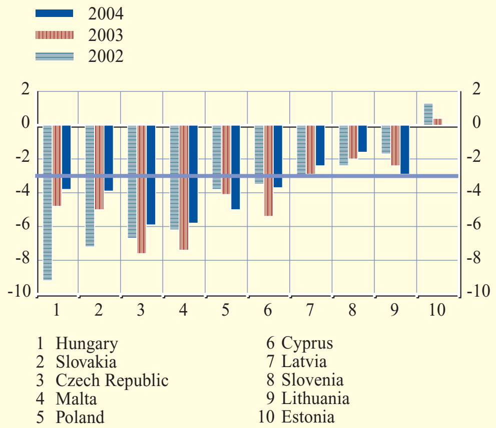
(upward movement = appreciation of the national currency; index January 2002 = 100)



Source: ECB.

Chart 3 General government budget balances

(as a percentage of GDP)



Note: 2002 figures denote outcomes, 2003 and 2004 figures are targets. Ranked by 2002 figures. For 2004, the Estonian authorities are targeting a balanced budget. The horizontal line indicates the deficit level of 3% of GDP.
Source: 2003 Pre-Accession Economic Programmes.

In terms of output performance, real GDP growth remained resilient last year, at an estimated rate of about 3.1% for the acceding countries as a whole. This is a relatively rapid rate of expansion, especially given the difficult global environment and low growth in the EU. It is noteworthy that in many of the acceding countries the composition of growth changed last year, with a larger contribution coming from private consumption and government expenditure, while gross fixed capital formation and, above all, net exports played less of a part in economic expansion.

Turning to fiscal policy, performance has been weak in several acceding countries in recent years and the overall fiscal deficit in all of the countries is estimated to have remained broadly unchanged at about 5% of GDP in 2003. Hence, the widening of deficits from 3.8% of GDP in 2001 to 5.1% of GDP in 2002 has not been reversed despite accelerating growth rates. Moreover, in most acceding countries the current fiscal deficits seem to be mainly of a structural nature, while the size of the automatic stabilisers appears limited. Thus, to stabilise the fiscal situation, the acceding countries will need to further reform their public expenditure and revenue structures in a sustainable and forward-looking manner. At country level, fiscal imbalances in 2003 were most notable in Cyprus, the Czech Republic, Hungary, Malta and Slovakia. For this group of countries the general government deficit is estimated at a weighted average of 6.1% of GDP. According to the 2003 Pre-Accession Economic Programmes (PEPs), most acceding countries have also relaxed their medium-term fiscal strategies compared with their plans for the preceding year, thereby further postponing the necessary fiscal consolidation. As a result, the level of public debt is rising in several countries, although the average for the group is much lower than the current EU average. The debt level per GDP ranges from 5.4% in Estonia to 66.4% in Malta (see Table 3).

Current account deficits have widened further in 2003 to 4.4% of GDP in the ten countries as a whole. These deficits have been particularly high in the Baltic States, where they have widened to close to 9% of GDP. Looking ahead, the acceding countries can be expected to have current account deficits, given higher returns on

Table 3 General government debt in 2003

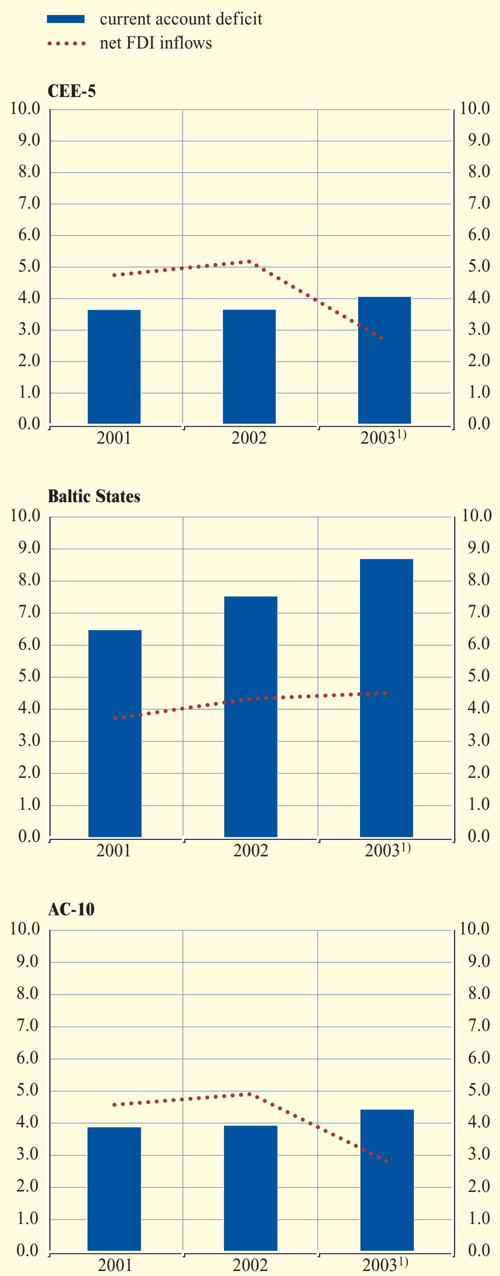
(as a percentage of GDP)

Cyprus	60.3
Czech Republic	30.7
Estonia	5.4
Hungary	57.9
Latvia	16.7
Lithuania	23.3
Malta	66.4
Poland	45.1
Slovakia	45.1
Slovenia	27.4
AC-10	42.4
EU-15	64.1

Source: European Commission, Autumn 2003 forecasts.

Chart 4 Current account deficits and FDI inflows

(as a percentage of GDP)



Sources: ECB, European Commission, Pre-Accession Economic Programmes and IMF.
Note: The five central and eastern European countries (CEE-5): Czech Republic, Hungary, Poland, Slovakia and Slovenia; the Baltic States: Estonia, Latvia and Lithuania. Figures are weighted by nominal GDP in 2002.
1) Projections.

investment. However, if current account deficits are so large that they set off unfavourable external debt dynamics, then medium and longer-term sustainability may be endangered. Given their high growth prospects, the acceding countries attract significant capital inflows. In this context, it is important to note that the bulk of inflows still appears to be related to productivity-enhancing investment. However, the composition of capital inflows has changed recently, away from FDI and towards a greater share of debt-creating inflows, including public debt. While in previous years, almost the entire current account deficit was covered by FDI inflows, these inflows fell in 2003 and a significant gap opened up between the FDI amounts and the overall deficits (see Chart 4). This is partly attributable to the completion of the privatisation process and the fact that rising fiscal deficits have led to the issuance of more bonds, which have, in turn, been purchased to a considerable extent by foreign investors.

Table 4 Economic size and employment distribution of sectors (2002)

	Economic size (as a percentage of GDP)			Employment distribution (as a percentage of total)		
	Agriculture	Industry and construction	Services	Agriculture	Industry and construction	Services
Cyprus	4.1	20.3	75.6	5.1	23.4	71.4
Czech Republic	3.2	37.3	59.5	4.8	40.0	55.3
Estonia	5.4	29.3	65.3	6.9	31.2	62.0
Hungary	3.7	30.7	65.6	6.2	34.1	59.7
Latvia	4.7	24.7	70.6	15.1	24.4	60.5
Lithuania	7.1	30.5	62.4	17.4	27.4	55.2
Malta	2.8	28.1	69.1	2.0	31.7	66.3
Poland	3.1	30.3	66.5	26.3	26.2	47.5
Slovakia	4.4	31.1	64.5	6.2	38.5	55.3
Slovenia	3.3	36.0	60.7	11.0	37.0	52.0
AC-10	**3.5**	**31.6**	**64.9**	**15.8**	**31.2**	**53.0**
Greece	7.0	22.3	70.8	15.3	24.2	60.4
Portugal	3.5	28.0	68.5	12.0	34.0	54.0
Spain	3.2	28.5	68.2	5.9	29.4	64.7
EU-15	**2.0**	**27.0**	**71.0**	**3.9**	**28.2**	**67.8**

Sources: European Commission and Eurostat.

3 STRUCTURAL FEATURES OF THE ACCEDING COUNTRIES' ECONOMIES

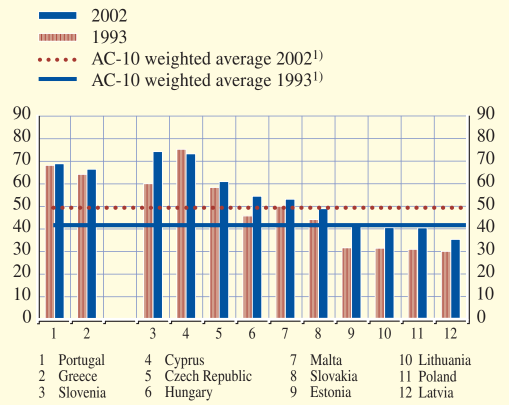
This section explores some key structural characteristics of the acceding countries in order to shed further light on their economies on the eve of EU accession. The focus is on sectoral structures, key features of economic dynamics, product and labour markets, trade patterns, external competitiveness and financial sector developments.

BROAD SECTORAL STRUCTURES

Economic transformation has brought about substantial changes in the structures of the central and eastern European acceding countries, moving their sectoral structures closer to those of the EU. Structural change has been less pronounced in Cyprus and Malta, the two acceding economies that did not undergo transition. Overall, the economic size of the three broad sectors – agriculture, industry and services – and the distribution of employment across these sectors have gradually moved towards EU averages. However, in 2002 the current shares of the agriculture and industry sectors in GDP were still higher in the acceding countries than in the EU, while the services sector is somewhat smaller (see Table 4). Sectoral differences vis-à-vis the EU tend to be more pronounced in terms of the distribution of employment across the three main sectors. Moreover, individual countries display noticeable differences with respect to sector shares and employment distribution. In particular, Latvia and Lithuania have a considerably larger agricultural sector than the EU average, in terms of both GDP and share of total employment. In Poland the share of employment in the agricultural sector is more than six times higher than the EU average, while the economic size of the agricultural sector is rather similar to that of the EU, pointing to a large productivity gap. Given the age structure of the farming community in the acceding countries, with many farmers being close to retirement, a fast reduction in employment in the agricultural sectors of acceding countries is likely over the years to come. In the Czech Republic and Slovenia the economic size of the industrial sectors is considerably larger than the EU average, while the services sectors are still significantly smaller.

Chart 5 GDP per capita in PPP terms

(as a percentage of the EU average)



Source: European Commission.
1) Weighted by nominal GDP in 2002.

KEY FEATURES OF ECONOMIC DYNAMICS

Economic growth in most acceding countries has developed quite differently from that of the EU throughout the transition process of the last one-and-a-half decades. Following recessions at the beginning of the transformation in the early 1990s, most acceding country economies have expanded faster than the economies of the EU. Furthermore, many acceding countries have experienced sharper cyclical fluctuations than the EU Member States and have been subject to several idiosyncratic shocks, including stabilisation episodes associated with periods of slow or negative GDP growth (see Box 1).

The acceding countries posted an average GDP growth rate of 3.6% during 1996-2002, compared with 2.3% in the EU. Within the group of acceding countries, the Czech Republic is an outlier, with real GDP expanding by only 1.6% as a result of the stabilisation crisis in 1997-99. Higher growth rates in acceding countries can mainly be explained by improved macroeconomic stability and, in the mid to late 1990s, also by the correction of very low activity levels after the recession in the initial phase of transition. As shown in Chart 5, GDP-per-capita levels of the acceding countries as a whole increased from 42% of the EU average in purchasing power parity (PPP) terms in 1993 to 49% in 2002. Differences in levels between the individual countries are considerable, ranging from 35% in Latvia to 74% in Slovenia and Cyprus in 2002. While some countries did not catch up with EU averages, or did so only marginally, others – in particular Poland, Lithuania, Estonia, Hungary and Slovenia – made noticeable progress. Given the differences in income levels, closing the gap with the EU in terms of real GDP per capita may involve significantly different time spans for individual countries. Moreover, as historical evidence within and outside the EU shows, successful convergence is dependent on sound economic policies and a range of other factors that determine economic growth. Under the assumption that real GDP growth remains around potential in the EU and that acceding countries will enjoy positive growth differentials with the EU of 2 percentage points, the most advanced acceding countries (Cyprus and Slovenia) could reach the EU average by around the middle of the next decade. In the case of the Czech Republic, real income convergence would occur in the 2020s; and for Hungary, Malta and Slovakia, three decades from now. Finally, the lower-income countries would achieve income convergence around the middle of the century. Convergence to the relative position of Portugal and Greece, which today are the two EU countries with the lowest GDP-per-capita levels at close to 70% of the EU average, has already been achieved by Cyprus and Slovenia, while it would require – under the assumptions made – between six and 35 years for the other countries.

The average standard deviation of real GDP growth was 2.4 percentage points in the central and eastern European countries between 1996 and mid-2003, and was therefore much higher than in the five largest economies in the euro area where the deviation was in the range of 1.1 to 1.8 percentage points. The standard deviations of the acceding countries were scattered in a broad range. The five central and

Box

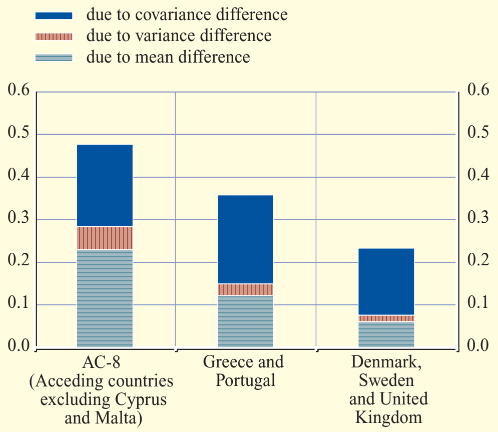
THEIL'S INEQUALITY COEFFICIENT TO MEASURE DIFFERENCES IN GROWTH DYNAMICS

A convenient way of condensing differences in economic dynamics into a single indicator is to use Theil's *U* inequality coefficient, introduced by Henri Theil in 1967. It has been widely used in the area of the welfare economics of income distribution and, more recently, has also been applied to time series. Formally, the inequality coefficient between two time series is defined as their scaled root mean squared difference.[1] When applied to growth dynamics in acceding countries, the index reveals that there is still a significant degree of difference between these countries and EU countries. This is due to differences in average growth rates, somewhat larger output swings and differences in the timing of troughs and peaks.

The value of the *U* statistic lies between zero and unity. For two series that are equal, *U* is zero and the higher *U* is, the greater the inequality. The coefficient can be further decomposed into three components which indicate the relative contribution of three specific sources to the overall inequality between the two series. These include (i) the difference in the averages of the series, (ii) the difference in the series' respective variation and (iii) the lack of synchrony or co-variation between the series. This decomposition is particularly interesting as it shows how inequality in growth patterns is related to three different origins, namely different averages (differences in the level of trend growth), different variances (differences in output volatility) and a lack of covariance trend (cyclical asynchrony and changing dynamics of trend growth). The chart displays the differences in growth dynamics and their components between the eight "transition" acceding countries (AC-8) and the five largest economies in the euro area, using quarterly data for 1996 to mid-2003.[2] The chart shows that inequality was, on average, higher for acceding countries than for Greece and Portugal on the one hand and for Denmark, Sweden and the United Kingdom on the other.

Differences of GDP growth between selected groups of countries and the five largest economies in the euro area[1)]

(Theil's inequality coefficient and components, 1996-2003Q2, based on year-on-year percentage growth rates)



Source: Eurostat and ECB calculations.
1) Aggregate of Germany, France, Italy, Spain and the Netherlands.

It is noteworthy that inequality due to covariance difference has been of a similar magnitude across these three sets of countries, while mean differences have been somewhat more pronounced in the case of the acceding countries than in Greece and Portugal. Differences also exist between the acceding countries and the two other sets of countries in terms of variance difference, i.e. output volatility. Furthermore, it should be noted that there has been considerable divergence in inequality between various acceding countries.

1 See R. Pindyck and D. Rubinfeld (1997), *Econometric models and econometric forecasts,* 4th Edition, pp. 210-211.
2 See also R. Süppel (2003), "Comparing economic dynamics in the EU and CEE accession countries", *ECB Working Paper* No. 267.

eastern European economies posted on average a much smaller standard deviation than the Baltic countries, which partly reflects the recession in the aftermath of the Russian crisis in 1998 and the subsequent recovery, but may also have to do with the small country size.

All in all, it can be concluded that growth patterns differ to some extent from those of the EU, which may pose challenges for policy-makers. However, further trade integration, intra-industrial specialisation and macroeconomic stabilisation, if managed properly, will add to further synchronisation with the current EU over the years to come.

LABOUR AND PRODUCT MARKETS

In the acceding countries as a whole, unemployment rates are high (13.6% on average for all countries in 2002). However, large differences exist across countries, with unemployment rates ranging from 3.9% in Cyprus to 19.9% in Poland. The share of long-term unemployment (longer than one year) in the acceding countries is substantial – in 2001 it was on average over 50% of all unemployed – and thus similar to shares observed in many EU countries (EU average in 2001: 45%). In a number of acceding countries, economic growth has not (or has only very recently) been associated with a decrease in unemployment. In conjunction with the high level of long-term unemployment, this suggests that unemployment is to a large extent a structural rather than a cyclical phenomenon. Likely sources of the persistently high unemployment rates are skills mismatches and low levels of inter-regional labour mobility. In fact, high-unemployment regions are much more common across acceding countries than within the EU.

Mobility across jobs and the creation of new jobs, as measured by the job turnover rate, have declined significantly in most acceding countries since the early 1990s, when the initial stages of transition led to a high job turnover rate. In more recent years, the job turnover rates in most acceding countries have stood at levels similar to those in the EU. Where available, other indicators of labour market flexibility, such as employment protection legislation, shed a positive light on the acceding countries. In fact, employment protection legislation can be regarded as less strict than in the EU.

Nominal wage growth in the acceding countries has largely moderated alongside disinflation. This seems to suggest that in most of the acceding countries nominal wage dynamics react to changes in inflation rates. So far there has been little need in the acceding countries for downward flexibility of nominal wages owing to the catching-up process on the one hand and, until recently, higher average inflation than in the EU on the other. One exception was the experience of certain sectors in the Baltic countries which were particularly hard hit by the Russian crisis and where nominal wages appeared to be flexible downwards. However, partly on account of large wage gaps between the private and public sectors, sizeable one-off adjustments of public sector wages have recently occurred in a few acceding countries, a development that may have demonstration effects for private sector wages, increasing overall wage demands. In addition, a number of acceding countries may face wage pressures resulting from minimum wage regulations and upward adjustments of regulated prices. Substantial rises in minimum wages, as observed in some countries recently, may easily spill over into higher wage brackets, thereby increasing overall wage growth with some time lag.

Nominal wage contracts in acceding countries are typically of a relatively short duration. Wage-setting frameworks and the role of trade unions in wage formation differ across countries. When collective bargaining takes place in acceding countries it does so mostly at the company level. With the exception of Slovakia and Cyprus, where sectoral wage bargaining is dominant, and Slovenia, where wage formation takes place mainly in a centralised framework, the wage bargaining process in the acceding countries is highly decentralised.

Nominal rigidities are not only a potential issue for labour markets but for product markets, too. Nominal price flexibility is typically closely linked to the degree of product market regulation. Acceding countries have proceeded fairly quickly with product market deregulation. The adoption of the single market *acquis* has been instrumental in advancing this process. While acceding countries essentially liberalised all commodity prices a number of years ago, the prices for water, power, heat and other utilities have remained regulated in most instances. Consequently, regulated prices still account for a relatively high share in the consumer baskets of some of these countries. According to the EBRD's 2003 Transition Report, the share of administered prices in the consumer baskets of the central and eastern European countries averaged roughly 16% in 2003, with considerable variation among individual countries. Moreover, the EBRD reported that a number of countries have found it difficult to move utility prices to levels that would cover costs fully.

In the EBRD's assessment, competition policy in the acceding countries is characterised by "some enforcement actions to reduce abuse of market power and to promote a competitive environment, including break-ups of dominant conglomerates [and a] substantial reduction of entry restrictions". According to the EBRD, a substantial share of market entry restrictions have been removed. Furthermore, the high degree of openness that characterises most acceding countries indicates a relatively high level of competition in tradables sectors.

OPENNESS AND TRADE PATTERNS

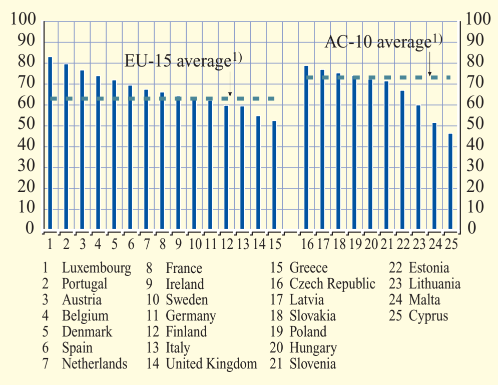
The acceding countries, with the exception of Poland, are small and highly open economies, with the average degree of openness for the acceding countries as a whole accounting for 99.3% of GDP, compared with 69% for the weighted average of individual EU countries if intra-EU trade is included. The most open countries among the acceding countries are Estonia, Malta and Slovakia. Interestingly, the countries displaying the highest trade shares with the EU-15, such as the Czech Republic, Hungary, Poland and Slovenia, are not those with the highest degree of openness, while the most open economies, such as Estonia and Malta, are somewhat less integrated with the EU. For the Baltic States, trade with Russia is still relatively more important, while Malta trades significantly with Asia on account of foreign investment from that region.

As shown in Chart 6, the acceding countries' foreign trade with other countries of the enlarged EU is on average higher than that of the current EU Member States. All acceding countries except Cyprus, Lithuania and Malta are above the EU average in this respect.

While most acceding countries have recorded relatively large current account deficits throughout the transition process so far, they have been able to develop external markets, as evidenced by the increase in their share of total world exports from 1.6% in 1996 to 2.4% in 2002. The development of the acceding countries' market shares in EU imports shows a similarly or perhaps even more encouraging picture (see Chart 7). The total share of the ten

Chart 6 Trade within the enlarged EU

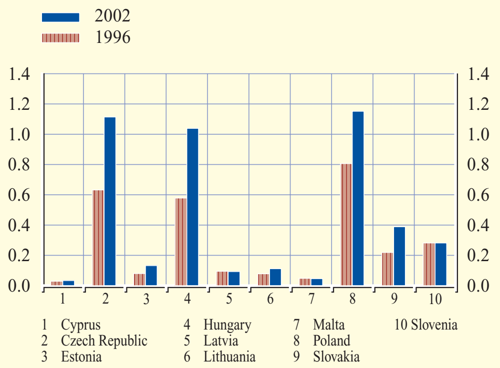
(Trade with the future EU-25 as a percentage of total trade)



Sources: IMF, DOTS and Eurostat for weights.
Note: Data for 1997 instead of 1995 for Belgium and Luxembourg.
1) Weighted by nominal GDP in 2002.

Chart 7 Share in EU imports

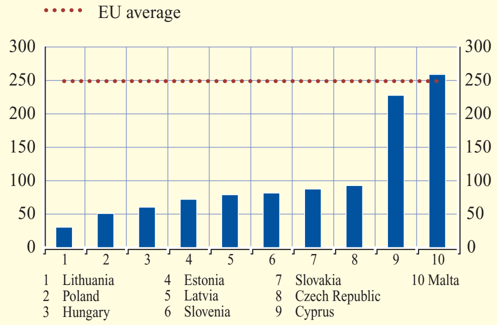
(percentage of total EU imports)



Source: IMF.

Chart 8 Size of the banking sector (2002)

(banking assets as a percentage of GDP)



Sources: IMF and national central banks.

countries in EU imports rose from 2.8% in 1996 to 4.4% in 2002. This suggests that acceding countries have succeeded in preserving their external competitiveness. To maintain this position, acceding countries will have to ensure that relative price and wage developments go hand in hand with the gradual closure of the productivity gap with the EU.

FINANCIAL SECTOR DEVELOPMENTS

A central feature of the acceding countries' financial sectors is the dominance of the banking industry, while the role of the capital markets in financial intermediation is generally limited. The acceding countries are joining the EU with banking sectors that, although small, can be considered as being consolidated and sound. Banking sector soundness has substantially improved in recent years as capitalisation, profitability and asset quality have strengthened considerably. Poland is an exception, however, since profitability is smaller and the share of non-performing loans bigger (the latter resulting partly from differences in loan classification rules). The level of financial intermediation remains low in most acceding countries, although it has begun to increase over recent years. Chart 8 shows total assets of banking systems as a ratio to GDP in the acceding countries in 2002, compared with the level prevailing in the EU. Only Cyprus and Malta have reached a level comparable with the EU average, on account of the fact that their economies did not have to undergo a transition and offshore banks have played an important role in the development of their financial sectors. For the other acceding countries, the level of banking sector assets to GDP is considerably lower than that of the EU countries with the lowest degree of financial intermediation.

A closer look at the financial market segments in the acceding countries shows that government bill and bond markets are relatively liquid in the Czech Republic, Hungary, Poland and Slovakia. Corporate bond markets in the acceding countries are, however, little developed, while equity markets that also attract foreign investors mainly exist only in the Czech Republic, Hungary and Poland. Liquid foreign exchange markets have developed in four acceding countries, namely the Czech Republic, Hungary and Poland (both spot and forward markets) as well as in Slovakia (spot market).

A further characteristic of the financial systems in acceding countries is a substantial level of foreign ownership. This is observable in all market segments but is particularly strong in the banking sector. Foreign entities, mostly from the EU, own the majority of total assets of commercial banks in acceding countries, which is significantly higher than the share of cross-border ownership in the EU. Estonia, Hungary, Latvia and Poland have the highest foreign-owned share of total assets, while Cyprus and Slovenia have the lowest. The variation in the levels of foreign ownership among the central and eastern European acceding countries can be explained by differences in the banking sector privatisation and rehabilitation strategies. The strong presence of foreign-owned banks has been instrumental in broadly improving the performance of all banks in the acceding countries. Foreign entities, and EU entities in particular, also play a significant role in the stock and fixed income markets of most acceding countries.

Financial sector development has strengthened monetary transmission through interest and credit channels in most acceding countries, although the effectiveness of these channels – compared with the exchange rate channel – is still constrained as a consequence of the modest depth of financial intermediation. There has been significant convergence of bank interest rates to the levels prevailing in the EU, and spreads between deposit and lending rates have declined in recent years to around the range seen in EU countries, albeit with significant and fairly persistent differences across countries.

In recent times, highly dynamic rates of expansion in credit to the private sector have been observed in many acceding countries. For example, loans to private individuals in 2002 rose by 74% in Hungary and by about 40% in Estonia and Latvia. Although the stock of credit remains low, and much of it is collateralised through mortgages, this development raises increasing intermediation and supervision challenges, pointing to the need to review prudential regulations and oversight, in line with the ongoing efforts in many of these future Member States.

4 CONCLUSION

The ten acceding countries will join the EU having already realised major economic accomplishments. They have achieved broad macroeconomic stabilisation, with marked progress in disinflation, sustained considerable improvements to their economic fundamentals and structural policies.

The economic structures of the acceding countries have become more similar to those of the current EU Member States, the degree of openness is high and trade, as well as financial integration with the EU, is well advanced in most cases. Progress has also been made with regard to financial stability. The prospect of EU membership has served as a powerful anchor for policy change in this process well before actual accession. However, there are significant differences among the acceding countries in terms of a range of nominal, real and structural conditions, and, in particular, labour market features, interest rate convergence, external positions and fiscal performance. The degree of integration also differs considerably from country to country. Furthermore, income-per-capita levels still tend to be low relative to the EU average, highlighting the central importance of policies that increase the potential growth rate of the acceding countries.

Joining the EU is a milestone for the acceding countries, but the process of transition will not end with accession and reforms will have to proceed as planned. The macroeconomic policies of the acceding countries will need to be geared to both preserving past achievements during the catching-up process and facing the challenges that will arise mainly as a result of external and fiscal imbalances.

DEVELOPMENTS IN PRIVATE SECTOR BALANCE SHEETS IN THE EURO AREA AND THE UNITED STATES

This article compares the main developments in saving, financing and investment, as well as the resulting trends in debt and financial wealth, of non-financial corporations and households in the euro area and in the United States since the mid-1990s. Methodological differences which affect such a comparison between the euro area and the United States are taken into account as far as possible.

In relation to GDP, non-financial corporations in both economic areas significantly increased their real and financial investment in the second half of the 1990s, while their saving tended to decline. A considerable part of the investment was financed by additional debt, resulting in rising corporate debt-to-GDP ratios. Since the end of the stock market boom in 2000 and during the subsequent period of weak economic growth, non-financial corporations have made progress in containing the growth in indebtedness. During this period, debt-to-GDP ratios of non-financial corporations in both economic areas have been broadly similar, when due account is taken of methodological differences in data compilation and accounting.

While continuously showing substantial differences in levels, household saving ratios in both the euro area and the United States also declined in the second half of the 1990s in the context of rising economic growth, expectations of high personal income growth and falling unemployment. In addition, in both economic areas, the strong growth of housing loans since the second half of the 1990s has led to a rise in household debt-to-income ratios. After 2001 the trend in saving was reversed in the context of the economic downturn. Over the whole period under review, the saving ratio of euro area households was considerably higher than that of US households, which is possibly related to US households' more optimistic income growth expectations. In line with this, household debt-to-income ratios increased more strongly and stood at a considerably higher level in the United States than in the euro area.

1 INTRODUCTION

Over recent years, the rise in the indebtedness of the private non-financial sectors (i.e. non-financial corporations and households) in major industrialised countries has led to increasing attention being paid to the structure of private sector balance sheets. Developments in asset prices (in particular the movements in stock and house prices) have not only considerably influenced the investment behaviour of non-financial corporations and households, but also the evolution of indebtedness. Against this background, this article analyses the developments in saving, financing and investment of the private sectors and compares the resulting balance sheet developments of non-financial corporations and households in the euro area and the United States. The comparison focuses on the period from 1995 to 2002, for which annual financial account data for the euro area are available. Section 2 compares the developments for non-financial corporations, whereas Section 3 focuses on the household sector. A box explains some of the main methodological differences between the euro area and US national and financial accounts and describes how these differences were taken into account for the comparison presented in this article. Section 4 concludes.

2 BALANCE SHEET DEVELOPMENTS OF NON-FINANCIAL CORPORATIONS

Since the late 1990s there have been broadly two distinct phases in developments in non-financial corporations' profits both in the euro area and the United States. Between 1997 and 2000 (for the United States) and between 1998 and 2001 (for the euro area), non-financial corporations experienced a decline in gross saving (corresponding broadly to their non-distributed profits plus depreciation allowances) as a percentage of GDP, partly related to a rise in unit labour costs (see

Table 1 Non-financial corporations' saving and capital formation

(as a percentage of GDP)

	Euro area				United States			
	(1) Gross saving	(2) Other net capital account transactions	(3) Gross fixed capital formation	(1)+(2)-(3) Net lending (+)/ net borrowing (-)	(1) Gross saving	(2) Other net capital account transactions	(3) Gross fixed capital formation	(1)+(2)-(3) Net lending (+)/ net borrowing (-)
1995	9.5	2.9	10.3	2.1	9.9	-0.5	9.9	-0.5
1996	9.3	0.7	10.2	-0.2	10.3	-0.5	10.0	-0.2
1997	9.2	0.6	10.6	-0.8	10.4	-1.0	9.9	-0.4
1998	9.7	0.8	11.2	-0.8	9.6	-0.9	9.9	-1.2
1999	8.9	0.7	11.4	-1.7	9.8	-0.7	10.9	-1.8
2000	8.7	-0.1	12.0	-3.5	9.3	-0.6	11.3	-2.6
2001	8.5	0.8	11.2	-1.9	9.4	0.4	10.5	-0.7
2002	8.9	0.8	10.6	-0.8	10.0	-0.1	9.3	0.6

Sources: ECB, Eurostat and US National Income and Product Accounts.
Note: Figures may not add up exactly due to rounding. Other net capital account transactions include capital transfers, changes in inventories and acquisitions less disposals of valuables and of non-produced non-financial assets (such as land and UMTS licences).

Table 1). Since then, corporate saving has recovered slightly in both economic areas as a result of efforts to restore profitability by containing costs. However, this increase in profits was more marked in the United States than in the euro area.

Declines in corporate saving were accompanied by rises in non-financial investment. Non-financial corporations in both economic areas significantly increased their gross fixed capital formation from 1995 to 2000. In the United States, the rate of growth in non-financial investment was stronger than in the euro area up to 2000 (with average annual growth rates of 8.7% and 6.2% respectively), owing in particular to higher investment in the "New Economy" sectors (e.g. the information processing equipment and telecommunications sectors). This eventually contributed to more significant excess capacity in the United States than in the euro area and may explain the sharper decline in capital spending by non-financial corporations in the United States compared with those in the euro area since 2001.

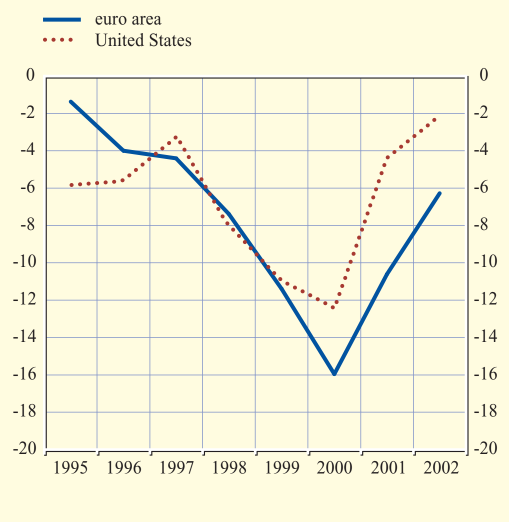
As a result of both the decline in gross saving and the increase in capital spending (including the acquisition of UMTS licences in the euro area), the financing gap of non-financial corporations – broadly the balance of gross saving and gross capital formation in relation to GDP – increased substantially in both economic areas over the period from 1996 to 2000 (see net borrowing in Table 1). The subsequent reduction of the financing gap reflected efforts by non-financial corporations to restore profitability and contain the rise in indebtedness, partly by cutting non-financial investment.

In addition to the increase in capital spending, non-financial corporations in both economies considerably increased their acquisitions of financial assets, mainly in the period from 1999 to 2001. This rise was related to significant merger and acquisition (M&A) activity. The financial investment of non-financial corporations over this period reached 10.3% of GDP on average in the euro area against 7.5% in the United States.[1] While the overall level of mergers and acquisitions was higher in the United States than in the euro area, the increase in M&A activity was stronger in the euro area

1 The higher financial investment in relation to GDP by euro area non-financial corporations might be related inter alia to differences in the accounting treatment of mergers and acquisitions in the financial accounts. In particular, cross-border mergers (e.g. between entities in different euro area countries) do not usually give rise to the recording of equity retirements (i.e. the withdrawal of equity following a complete merger), whereas this can be the case for mergers within a single country (e.g. the United States).

Chart 1 Non-financial corporations' gross saving minus financial and non-financial investment

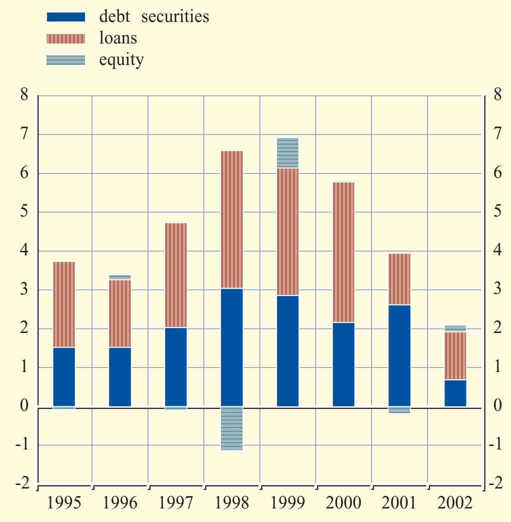
(as a percentage of GDP)



Sources: ECB, Eurostat and US National Income and Product Accounts.
Note: US data have been adjusted to enable a comparison to be made with the euro area data. For details, see the box in this article.

Chart 2 Financing of non-financial corporations in the United States

(as a percentage of GDP)



Source: US Flow of Funds Accounts.
Note: Equity issuance in the United States is defined as the sum of corporate equity issued by non-financial corporations plus direct investment in US non-financial corporations (excluding inter-company account liability of US residents vis-à-vis non-residents).

than in the United States, which might be linked to growing cross-border activity by euro area corporations during that period.

The financing needs of euro area non-financial corporations rose more strongly over the period from 1995 to 2002 than those of US non-financial corporations, partly related to lower corporate saving and higher financial investment in the euro area. As an illustration, the ratio of gross saving minus financial and non-financial investment to GDP (which can be seen as an extended measure of the financing gap) fell more significantly in the euro area than in the United States up to 2000 (see Chart 1). Its subsequent recovery was somewhat stronger in the United States owing to the stronger recovery in profits and the sharper cutback of non-financial investment in that country compared with the euro area.

The major difference between the financing of non-financial corporations in the United States and the euro area during the period under review concerns the issuance of equity. In the United States, one striking feature of corporate finance in the second half of the 1990s was the overall negative corporate equity issuance, reflecting both large equity retirements by US non-financial corporations in connection with M&A activity and large share buyback programmes[2] (see Chart 2). Share buyback programmes may have reflected the intention by US corporations to boost their equity prices in order to mitigate the risk of being taken over. In addition, owing to their generally favourable impact on equity prices, these programmes increased the attractiveness of stock option schemes for executive compensation. Tax reasons may also have been behind the setting-up of share buyback programmes, given that capital gains cashed in through share buyback

2 "Share buyback" refers to the acquisition by a company of its own shares on the stock market, whereas "equity retirement" is defined as the legal withdrawal of equity following a merger (the usual outcome of a full merger in the United States). See also the article entitled "The U.S. Flow of Funds Accounts and Their Uses" in the July 2001 Federal Reserve Bulletin.

transactions are usually subject to lower taxation than dividends.[3]

By contrast, in the euro area, equity retirements and share buyback programmes did not play a significant role, partly for legal reasons.[4] As a consequence, corporate equity issuance remained, on the whole, an important source of financing for non-financial corporations in line with rising equity prices up to 2000 and sizeable equity swaps in the context of M&A activity. Equity issuance in 2001 and 2002 remained positive but at lower levels owing to the fall in equity prices and the resulting jump in the cost of equity.

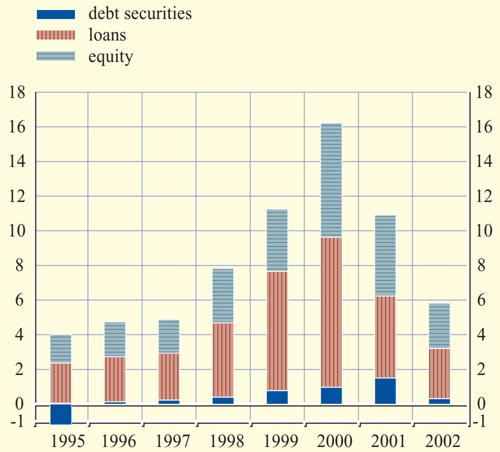
Debt financing growth in the euro area was supported by the trend decline in interest rates over the period. The bulk of non-financial corporations' debt financing in the euro area over the period from 1995 to 2002 took the form of loans (see Chart 3).[5] Although the euro area corporate bond market developed significantly following the introduction of the euro and in the context of strong M&A activity, the share of corporate bonds in the total debt financing of euro area non-financial corporations remained small. In the United States, the respective contributions of loans (54% of debt financing over the period from 1995 to 2002) and debt securities (46%) were more balanced (see Chart 2).

Overall, when taking into account both these financing developments and valuation effects, the share of loans in total outstanding liabilities in the euro area was 38% in 2002 (slightly below its 1995 level), while the share of equity increased somewhat to 55%. The share of debt securities stood at similar levels in 1995 and 2002 (at 4%) and that of pension fund reserves declined slightly to 2%. In the United States, equity remained the largest source of finance of US corporations, with a share of 56% of total outstanding liabilities, against 25% for loans and 19% for debt securities.[6]

With regard to non-financial corporations' financial positions, corporate debt ratios in both

Chart 3 Financing of non-financial corporations in the euro area

(as a percentage of GDP)



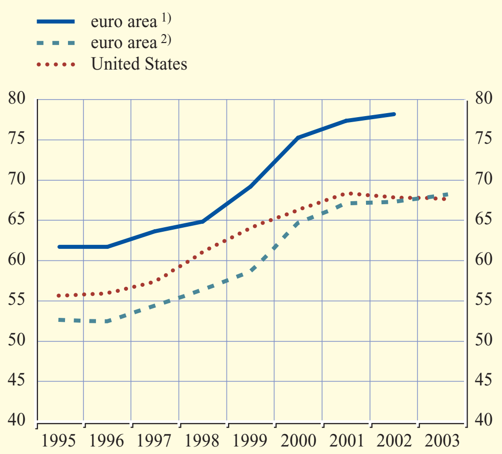
Sources: ECB and Eurostat.
Note: Pension fund reserves on the liabilities side of euro area non-financial corporations are not shown as the related flows are negligible in relation to GDP.

economic areas increased substantially during the second half of the 1990s. As a result of both higher debt financing growth and somewhat weaker GDP growth, the ratio of euro area non-financial corporations' debt to GDP increased more significantly than that of US non-financial corporations during the second half of the 1990s. This notwithstanding, when taking

3 The reduction in the capital gains tax in 1996 may have been one factor behind the large share buyback programmes which took place in the United States in the second half of the 1990s.
4 Share buybacks by corporations are restricted in several euro area countries, contrary to the situation prevailing in the United States.
5 See the article entitled "Recent developments in financial structures of the euro area" in the October 2003 issue of the ECB's Monthly Bulletin.
6 When comparing the outstanding liabilities of non-financial corporations in the euro area and the United States, some methodological differences in the definition of debt have to be taken into account (see the box in this article). In addition, the outstanding equity liability is consolidated in the United States (i.e. the inter-company holdings are netted out), whereas equity liability in euro area financial accounts is in principle not consolidated at the sector level. Such different accounting treatments also affect the relative levels of the debt-to-equity ratios in the two economic areas.

Chart 4 Debt-to-GDP ratios of non-financial corporations

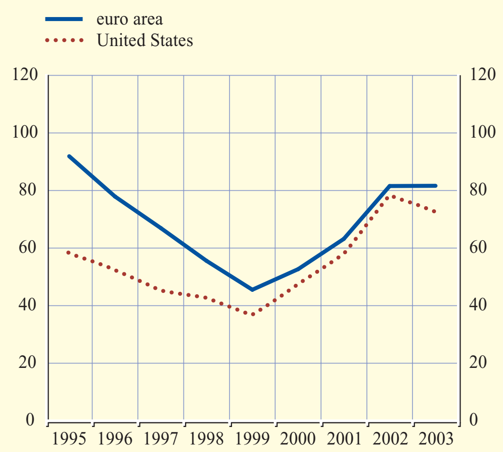
(percentages)



Sources: ECB, Eurostat and US Flow of Funds Accounts.
Note: Debt includes loans, debt securities and, for the euro area, pension fund reserves. Last observation: 2003 Q3 (estimated for the euro area).
1) Debt-to-GDP ratio calculated using the annual financial accounts.
2) Debt-to-GDP ratio estimated using the quarterly financial accounts and euro area balance of payments (see methodological box in this article).

Chart 5 Debt-to-equity ratios of non-financial corporations

(percentages)



Sources: ECB, Eurostat and US Flow of Funds Accounts.
Notes: Debt includes loans, debt securities and, for the euro area, pension fund reserves. The debt-to-equity ratio for the euro area has been calculated including inter-company loans in the debt definition (see methodological box in this article). The figures for 2003 refer to 2003 Q2 (estimated for the euro area).

account of methodological differences (see box), debt-to-GDP ratios stood at broadly comparable levels in the two economic areas in 2003 (see Chart 4).

Leverage measures such as debt-to-equity ratios, which reflect a firm's indebtedness relative to its market value, have increased sharply since 2000 owing to the decline in stock prices in both areas, following a period of significant decline during the equity market boom (see Chart 5). In the first half of 2003, this leverage ratio is estimated to have stabilised in the euro area, whereas it declined marginally in the United States.

In order to assess the sustainability of current debt levels, the interest payment burden also needs to be taken into account. In fact, the interest payments in relation to GDP of non-financial corporations have actually broadly stabilised in the euro area since 1996 due to the decline in interest rates over the period under review. In the United States, where the decline in interest rates has been less pronounced during the same period, the corresponding ratio has increased slightly.

Overall, recent developments indicate that, following the period of boom and bust in the stock markets, non-financial corporations have gradually managed to stabilise their overall balance sheet position in the two economic areas.

3 HOUSEHOLD BALANCE SHEET DEVELOPMENTS

Households' gross saving in relation to disposable income declined considerably during the second half of the 1990s in both the euro area and the United States (see Table 2). This was related to a number of factors. The stronger economic growth and the decline in unemployment, in combination with expectations of higher productivity growth, fostered expectations of permanently higher income growth, in particular in the United

Box

COMPARABILITY OF THE NATIONAL ACCOUNT DATA OF THE UNITED STATES AND THE EURO AREA

The international comparability of national account data greatly benefits from the System of National Accounts (SNA 93). The countries of the euro area compile national account data in accordance with the European System of Accounts (ESA 95), which is broadly consistent with the SNA 93. The United States has not fully adopted the SNA 93, leaving some differences between the statistical concepts used in the United States and those used in the euro area. In cases where it was possible to bridge these differences using additional statistical information, adjustments were made to the US data to facilitate the comparisons made in this article.[1] However, sometimes it was not possible to fully reconcile differences and this must be kept in mind when analysing the data.

1. Delimitation of households and corporations

On the basis of the ESA 95, the economic activities of entrepreneurs who do not have independent legal status, unless they operate as if they were independent corporations, cannot be artificially separated from those of households. Sole proprietorships and most of the partnerships without independent legal status are thus contained in the household sector of the euro area. This explains inter alia the inclusion of some non-residential investment and its financing in the household sector. In the US National Income and Product Accounts (NIPA), both sole proprietorships and all partnerships, with or without independent legal status, are excluded from the household sector and grouped in the non-corporate business sector. Furthermore, in the United States individuals in their capacity as receivers of rental income are also excluded from the household sector and classified under the non-corporate business sector. These exclusions have a downward effect on the assets and liabilities of US households compared with those of euro area households. The difference is not easily quantifiable and therefore cannot be corrected in this exercise. However, these exclusions do not have a major effect on saving because the income generated by these units is attributed to households.

2. Derivation of disposable personal income

In the ESA 95, interest is treated as income. Accordingly, interest received increases income and interest paid reduces income. In the US household accounts, only interest received is treated as income; interest paid is treated as a use of income (similarly to consumption and saving). In order to increase the comparability between the two economic areas, interest paid was deducted from the published US disposable personal income to obtain an “adjusted disposable personal income” that corresponds more closely to euro area households’ disposable income.

3. Derivation of gross saving and gross capital formation

In the ESA 95, purchases of consumer durable goods (such as cars or washing machines) by households are treated as consumption, whereas the US Flow of Funds Accounts treat consumer durables as investment. However, the US NIPA provide data on net saving without consumer durables. These data, together with additional information from the US Flow of

1 At the same time, for the definition of non-financial corporations’ debt (see item 4), euro area figures have been adjusted in order to bring them more into line with the US definition.

Funds Accounts on gross capital formation and consumption of fixed capital (which also excludes consumer durables), are used to derive gross saving and gross fixed capital formation.

4. Definition of corporate debt

Corporate debt includes outstanding amounts of loans, securities other than shares and non-autonomous pension fund reserves of non-financial corporations (the latter do not exist in the United States). Fully comparable corporate debt figures for both economic areas cannot be derived owing to the above-mentioned differences in sector coverage, but also to differences in the valuation of debt securities in the respective financial accounts: in the euro area figures, debt securities are reported at market value in accordance with the ESA 95 standards, whereas in the US Flow of Funds Accounts they are reported at nominal value adjusted for interest accrued. Inter-company loans are not included in the US debt definition, whereas they are partially included in the annual financial accounts for the euro area depending on the availability of statistical sources. However, when relevant for comparability purposes, euro area debt figures without inter-company loans have been estimated by taking quarterly financial accounts data on debt liabilities vis-à-vis euro area residents (which do not include inter-company loans) and adding estimates of debt liabilities (other than inter-company loans) vis-à-vis euro area non-residents based on the euro area balance of payments.

States. In addition, the rise in financial and non-financial wealth over that period, mainly owing to favourable developments in stock and house prices, may have increased households' propensity to consume. Moreover, in the euro area, the trend decline in interest rates in the second half of the 1990s up to Stage Three of EMU also played an important role in the decline in the saving ratio owing to the lower opportunity cost of consumption. Subsequently, as a result of the economic slowdown and a worsening labour market situation after 2000, household saving ratios in both the euro area (in 2001 and particularly in

Table 2 Households' saving and capital formation

(as a percentage of disposable income)

	Euro area				United States			
	(1) Gross saving	(2) Other net capital account transactions	(3) Gross fixed capital formation	(1)+(2)-(3) Net lending (+)/ net borrowing (-)	(1) Gross saving	(2) Other net capital account transactions	(3) Gross fixed capital formation	(1)+(2)-(3) Net lending (+)/ net borrowing (-)
1995	17.5	0.1	10.3	7.2	6.9	-0.3	5.6	1.0
1996	17.1	0.4	10.2	7.3	6.2	-0.4	5.8	0.0
1997	16.2	0.5	9.9	6.7	5.9	-0.4	5.9	-0.5
1998	15.1	0.7	9.9	5.9	6.6	-0.5	6.2	-0.1
1999	14.2	1.0	10.2	5.0	4.6	-0.5	6.4	-2.3
2000	14.0	1.0	10.3	4.6	4.6	-0.5	6.3	-2.3
2001	14.3	0.8	10.0	5.1	4.0	-0.5	6.4	-2.9
2002	14.9	0.7	9.8	5.9	4.5	-0.5	6.4	-2.3

Sources: ECB, Eurostat, US National Income and Product Accounts and US Flow of Funds Accounts.
Notes: Figures may not add up exactly due to rounding. US data have been adjusted to enable a comparison to be made with the euro area data. For US households, this has been done by excluding net investment in consumer durables from saving and gross fixed capital formation and by excluding interest paid from disposable income. Other net capital account transactions include capital transfers, changes in inventories and acquisitions less disposals of valuables and of non-produced non-financial assets (such as land).

2002) and the United States (in 2002) rose somewhat, although they remained well below 1995 levels. At the same time, households' gross fixed capital formation, which mainly consists of housing investment, remained robust over the whole period in both economic regions mainly due to low mortgage rates and house price rises.

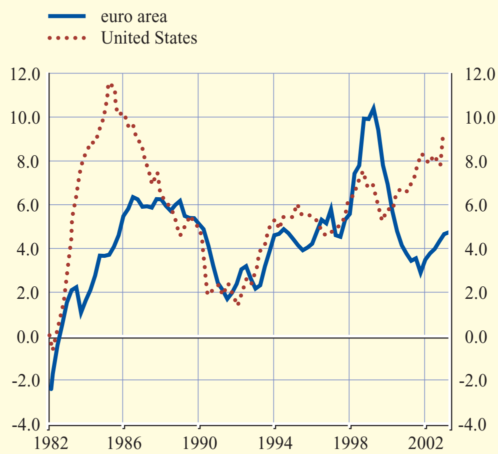
Over the period from 1995 to 2002, euro area households' gross saving and their gross fixed capital formation in relation to disposable income were considerably higher than those of US households. On balance, the net lending of euro area households (broadly equal to gross saving minus gross capital formation) was considerably higher than that of US households, which even became net borrowers between 1997 and 2002.

Related to strong housing investment growth, households' real debt financing growth was relatively high in the euro area in the late 1990s and has been rising in the United States since the mid-1990s (see Chart 6). In both economic regions, considerable rises in house prices, leading to wealth gains for homeowners and rising values of collateral available for loans, as well as favourable financing conditions fuelled the demand for housing loans. In the euro area, real debt financing growth rose in 1999 to its highest level since the early 1980s.[7] Since 2000, it has moderated, but has remained around its long-term average, despite weak economic growth. In the United States, households' real debt financing growth has continued to rise despite the slowdown in economic activity in 2001 and 2002.

During recent years, US households have frequently used part of new mortgage loans taken up on the basis of gains in housing assets (known as mortgage equity withdrawal) for additional consumption or purchases of financial assets. The surge in US home equity loans (which are considered in this article as consumer credit) has thus dampened the decline in US consumer credit growth since 2001 and supported US private consumption. In the course of 2003, however, the annual growth of

Chart 6 Households' real debt financing

(annual percentage change, deflated by the private consumption deflator)



Sources: ECB, Eurostat and US National Income and Product Accounts.
Note: US data have been adjusted to enable a comparison to be made with the euro area data. For details, see the box in this article. Last observation: 2003 Q3 (estimated for the euro area).

home equity loans stabilised, albeit at high levels, probably in connection with the rebound in longer-term interest rates from the end of June. By contrast, in the euro area, mortgage equity withdrawal seems to be of little importance, except in a few countries such as the Netherlands.[8]

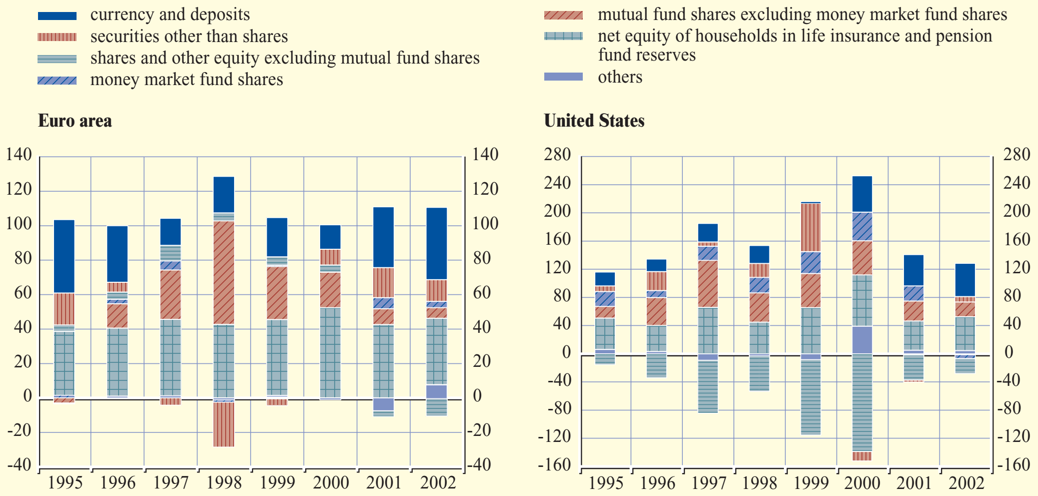
Developments in households' financial investment in both economic regions, but in particular the euro area, can be divided into two distinct periods since the mid-1990s.

First, in the second half of the 1990s, euro area households invested heavily in mutual fund shares (excluding money market fund shares) (see Chart 7).[9] This trend was related to the

7 See the article entitled "Developments in the debt financing of the euro area private sector" in the November 2003 issue of the ECB's Monthly Bulletin.
8 See "Structural factors in the EU housing markets", ECB, March 2003. For the euro area as a whole, mortgage equity withdrawals cannot be identified separately within household loans.
9 See the "Report on financial structures", ECB, October 2002, and the article entitled "Recent developments in financial structures of the euro area" in the October 2003 issue of the ECB's Monthly Bulletin.

Chart 7 Composition of households' financial investment

(as a percentage of the net acquisition of financial assets)



Sources: ECB and US Flow of Funds Accounts.
Notes: For financial derivatives and other accounts receivable/payable, the net transactions are reported on the asset side. "Others" includes net financial derivatives, loans, prepayments of insurance premiums and reserves for outstanding claims and net other accounts receivable/payable. For the euro area, the share of money market fund shares has been estimated on the basis of the quarterly financial accounts.

strong rise in equity prices. US households' net investment in mutual fund shares (excluding money market fund shares) was also relatively strong during this period, though it was generally more stable in relation to their overall financial investment (see Chart 7). A marked difference between households' investment behaviour in the two economies emerged in respect of their direct equity investment. While euro area households bought equity between 1995 and 2000, US households sold to a considerable extent direct holdings of equity over the same period. The latter development was the counterpart to substantial equity retirements by US corporations (see Section 2).[10]

Second, as a reaction to the fall in stock prices from 2000 and broader economic uncertainty, households in both economies increased their share of investment in currency and deposits during 2001 and 2002, in particular in short-term deposits. This reflected the general preference for safe and liquid assets during that period.

A common feature over the entire period from 1995 to 2002 was that households in both economies invested a large and stable share of their financial investment in insurance and pension products, reflecting the need for private pension saving.

Notwithstanding the net sales of equity holdings by US households, both euro area and US households' share of equity holdings (including mutual fund shares with the exception of money market fund shares) in total financial assets increased over the period from 1995 to 1999 by around 14 percentage points and 7 percentage points respectively, mainly as a result of gains on the holdings of securities. By contrast, their share of interest-bearing financial assets (mainly deposits and debt

10 US household transactions include equity transactions of US non-financial corporations, which cannot be separately identified in the US flow of funds, in contrast to the situation for household transactions in the euro area financial accounts.

securities) in total financial assets declined over that period. Between 2000 and 2002, the decline in stock prices led to the opposite development.

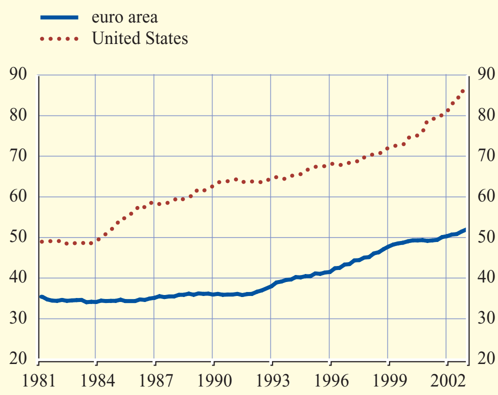
Over the period from 1995 to 2002, euro area households slightly increased the share of equity holdings (including mutual fund shares with the exception of money market fund shares) in their financial assets, to 25%, whereas this share remained broadly stable at just above 40% for US households. Euro area households' share of net equity in life insurance and pension fund products rose somewhat over this period, to 25%, but remained below the broadly stable share in the United States of close to 30%. Finally, traditional household saving in the form of bank deposits became less important in the euro area. The share of currency and deposits in euro area households' financial wealth was lower in 2002 at 35% than in 1995, when it was 40%, despite increasing towards the end of the period. The corresponding share for US households stood at a considerably lower level (13% in both 1995 and 2002).

With regard to households' financial positions, household indebtedness in relation to GDP has risen substantially in the euro area and the United States since the start of the 1990s (see Chart 8). However, the household debt ratio in the euro area remained substantially below that in the United States and increased by less. In the third quarter of 2003, euro area household debt is estimated to have been 52% in relation to GDP, while US household debt stood at 86% in relation to GDP.

However, in both economic areas, the low level of interest rates has led to a moderation in households' interest payment burden in relation to disposable income, which in 2002 stood around the level of the mid-1990s. In addition, a substantial part of mortgage debt, which accounts for the largest part of household debt in both the euro area and the United States, is financed at fixed low interest rates.

Chart 8 Household debt ratios

(as a percentage of GDP)



Sources: ECB, US National Income and Product Accounts and US Flow of Funds Accounts.
Note: US data have been adjusted to enable a comparison to be made with the euro area data. For details, see the box in this article. Last observation: 2003 Q3 (estimated for the euro area).

At the same time, in order to assess potential liquidity constraints faced by households, it is useful to look also at broader debt service indicators, including in addition to interest payments also debt redemption flows, which have risen as a consequence of higher debt levels. While such a measure is not available for the euro area, the newly calculated (Federal Reserve Board) Debt Service Ratio (DSR) for US households reached its historically highest level at the end of 2001, and broadly stabilised thereafter at a slightly lower level.[11]

Mirroring the developments in financial markets, households' financial wealth in relation to disposable income increased considerably in both economic areas from 1995 to 1999, but diminished substantially thereafter. Over the entire period from 1995 to 2002, the financial wealth in relation to disposable income of euro area households nonetheless increased (from 234% in 1995 to 265% in 2002), whereas it declined slightly for US households (from 406% in 1995 to 392% in 2002).

11 See the article entitled "Recent Changes to a Measure of U.S. Household Debt Service" in the October 2003 issue of the Federal Reserve Bulletin.

Debt-to-financial asset ratios can also be informative when assessing the sustainability of households' financial positions. After falling between 1995 and 1999, the debt-to-financial asset ratios of euro area and US households rose between 2000 and 2002 to levels somewhat higher than those in 1995. Although US household debt is considerably higher than euro area household debt, the debt-to-financial asset ratios were overall similar in the two economic regions in 2002, owing to higher holdings of financial assets by US households. The rise in this ratio between 2000 and 2002 needs to be assessed in the light of higher housing wealth because of the relatively strong rise in house prices in both economic areas in recent years. However, owing to a lack of data on housing wealth in the euro area, it is not possible to compare the level of household debt with total household wealth in the two economic areas.

4 CONCLUSION

Over the period from 1995 to 2002, private sector balance sheet developments in the euro area and the United States displayed some common features. Strong investment as well as declining saving ratios of non-financial corporations and households in both economies in the second half of the 1990s led to considerable rises in their debt ratios. After some deterioration in their financial positions after 1999 resulting from the decline in stock prices and a downturn in corporate profits, non-financial corporations have started to restructure their balance sheets in order to contain or even lower their leverage ratios.

At the same time, there have been important differences between the balance sheet developments of non-financial corporations and households in the euro area and those in the United States.

As regards non-financial corporations, the build-up in debt was more significant in the euro area than in the United States in the second half of the 1990s, in line with the trend decline in interest rates in the euro area in the run-up to Stage Three of EMU, which is likely to have increased sustainable debt levels. In 2003, non-financial corporations' debt-to-GDP ratios stood at comparable levels in the euro area and the United States. In addition, US non-financial corporations' financing behaviour was characterised by sizeable equity retirements over the period under review, whereas this was not a relevant phenomenon in the euro area.

Euro area households have a substantially higher saving ratio than US households and are net lenders, unlike US households, which were net borrowers from 1997 to 2002. In addition, the debt-to-income ratio increased more strongly and stood at a considerably higher level in the United States than in the euro area. Finally, euro area households changed their portfolio composition considerably over the period from 1995 to 2002, increasing their equity holdings (including mutual fund shares) and reducing traditional bank deposits, whereas US households' portfolio composition was more stable.

THE IMPACT OF FAIR VALUE ACCOUNTING ON THE EUROPEAN BANKING SECTOR – A FINANCIAL STABILITY PERSPECTIVE

From 2005 onwards, listed companies (including banks) in Europe will have to adopt the International Accounting Standards (IAS) for the presentation of their consolidated financial statements. These accounting standards, and in particular the proposed valuation rules for financial instruments, are expected to have a major impact on the European banking industry. This article provides an overview of the current debate and impact from a wider application of fair value accounting in the banking industry. It further investigates the possible consequences for financial stability by looking at how exogenous shocks to the banking sector are likely to manifest themselves in banks' financial statements under the new rules. The introduction of the IAS may in turn lead to changes in bank behaviour, for example in terms of customer relationships, types of products offered or risk management practices. More generally, the new accounting regime could affect the role of banks as financial intermediaries and the distribution of financial risks among economic agents.

1 INTRODUCTION

International accounting standard-setters are currently refining their proposals for the more widespread use of fair value accounting (FVA). The ECB has a keen interest in this development for several reasons. First, accounting reforms are likely to have a profound impact on the European banking sector and through this channel also on the stability of the financial system. Second, harmonised and high-quality accounting standards make a significant contribution to the integration and efficiency of financial markets. Third, the consistency between the accounting framework and the reporting schemes for supervisory and statistical purposes is an additional area worthy of attention.

This article focuses on the potential impact of FVA on the banking sector mainly from the perspective of its stability. Section 2 presents the background to the FVA debate and the initiatives recently taken by international accounting standard-setters. Section 3 discusses the pros and cons of a wider application of FVA. Section 4 describes how various exogenous shocks to the banking sector are likely to manifest themselves under the new accounting rules and how this could lead to changes in bank behaviour. Finally, Section 5 draws some general conclusions.

2 THE FVA DEBATE

THE BACKGROUND TO THE DEBATE

With the development of financial markets, in particular the strong growth of derivatives, and the increased involvement of banks in the trading of financial instruments, the current accounting framework has come under increased pressure because it does not adequately reflect economic reality. The growing demand in the investor community for transparency and for the creation of shareholder value requires firms to provide information that better reflects the impact of prevailing economic conditions on their financial position.

The traditional accounting framework is to a large extent based on so-called "historical cost accounting" (HCA), meaning that the individual balance sheet items are in principle recognised on the basis of their purchase price or the cost at the time of acquisition. Following on from this, the current accounting approach (CAA)[1] has moved away from the pure HCA framework towards a mixed model whereby different valuation rules are applied depending on management's intentions in holding certain assets and liabilities.

1 In the European Union, the current valuation framework to be applied to the annual financial statements of banks is laid down in the Directive 86/635/EEC. This Directive has in the meantime been amended to remove inconsistencies with the IAS and to bring it into line with modern accounting developments.

In this latter respect, financial instruments (such as loans, bonds, deposits or financial derivatives) are divided by the bank into two main portfolios or "books". Instruments that are intended to be held to maturity or for longer-term investment purposes are allocated to the "banking book". They continue to be accounted for at cost or at the "lower of cost or market" (LOCOM). In general terms, LOCOM can be considered as a more conservative variant of historical cost valuation and is thus an illustration of the prudence principle to which great importance is traditionally given in accounting. This is because, under LOCOM, the asset is valued at its market price when the latter is lower than its acquisition cost, meaning that unrealised losses are effectively recognised in the bank's profit and loss account, whereas unrealised gains are not. Instruments in the "trading book", by contrast, are in principle held for short-term trading purposes. They are accounted for at market prices (i.e. they are "marked to market"), with the resulting profit or loss being recognised directly.

The CAA's mixed valuation model described above would be adequate if banks managed their trading and banking books completely separately. However, this is not the case. Under current risk management practices, trading book items are often used to hedge exposures in the banking book. Owing to the differing accounting treatment of the items in the different books, accounting standard-setters have developed hedge accounting to adequately reflect in the statements the matched risk arising from a hedged position (see Box 1). Furthermore, the increased use of financial derivatives such as forwards, futures, swaps and options, has also made more evident the fact that the exposure to these financial instruments is inadequately reflected within the current accounting framework. At origination, such instruments have typically no or a very low acquisition cost. Over time, however, their economic value can change substantially, thus having a major impact on a bank's risk profile and financial position. However, since these instruments are typically not recorded in the balance sheet, their impact will only show up in the profit and loss account when they are actually settled.

RECENT INITIATIVES BY INTERNATIONAL ACCOUNTING STANDARD-SETTERS

The increasing misalignment between the information contained in financial statements and the true risk profile of firms was considered significant and in need of correction. As a result, international accounting standard-setters have started to move towards an increased use of FVA. The basis of FVA is, in principle, the market values of the different items. If no relevant market price is available, the fair value will be estimated using a model (e.g. the discounted cash flow model) that takes into account all relevant valuation factors, such as the characteristics of the instrument and the prevailing market conditions.

In 1999, the International Accounting Standards Committee (IASC), which has since been replaced by the International Accounting Standards Board (IASB), issued an accounting standard (IAS 39) that required the use of fair values for certain financial instruments, in particular derivatives and debt and equity securities held for trading or available for sale.[2] This standard, which would have a particularly important impact on financial firms such as banks, was heavily criticised and considered prematurely finalised.

In December 2000, an integrated and harmonised standard to use FVA for all financial instruments, including loans and deposits and regardless of the intention with which they are held, was put forward by the Joint Working Group of Standard Setters (JWG), in which the IASB and national accounting standard-setters are represented. This proposal for full FVA, which would apply to trading book as well as banking book

2 The IAS distinguish between four categories of financial assets: (i) assets held for trading; (ii) held-to-maturity investments; (iii) loans and receivables originated by the firm; and (iv) available-for-sale assets. The last category includes financial assets that do not belong to any of the previous three categories.

Box 1

HEDGE ACCOUNTING

The aim of hedging is to reduce the risk on a hedged instrument (e.g. a bond, loan or deposit) by combining it with a hedging instrument (e.g. a forward, future or swap) so that value changes in one instrument are offset by value changes in the other instrument. However, if different accounting valuation methods are used for the different instruments, for example historical cost for the hedged item and market value for the hedging item, this will result in volatility in the profit and loss account which does not correspond to the economic reality of a much reduced risk position. A specific accounting treatment, so-called "hedge accounting", is therefore required. Hedge accounting either defers the recognition of losses or brings forward the recognition of gains in the profit and loss account so that the gain or loss from the hedged instrument is recognised at the same time as the offsetting gain or loss from the hedging instrument. It follows that under full FVA, where the same valuation method is applied to all financial instruments, there is no need for hedge accounting.

In order to avoid situations where hedging relationships are identified ex post, for example to deliberately steer the profits and losses, the International Accounting Standards Board (IASB) laid down a number of specific requirements in order to qualify for hedge accounting. The key requirements are that the hedging relationship be:

- clearly identified and documented at inception;
- reliably measured;
- effective; and
- highly probable, if it is a forecasted transaction.

A hedge can only qualify for hedge accounting if an "effectiveness test" is passed, i.e. changes in the value of the hedged item and the hedging instrument must almost fully offset each other. Hedges must be expected to be highly effective at designation. In addition, the actual results realised over the life of the hedge must remain within a narrow margin in order for it to continue to be considered effective and for hedge accounting to continue to apply.

Hedge accounting was initially scheduled to be applied only at the micro level (i.e. instrument by instrument). However, the IASB is currently considering allowing hedge accounting also for a portfolio of instruments (so-called "macro-hedges"), which would move closer to banks' prevailing risk management practices.[1]

1 See the Exposure Draft on Fair Value Hedge Accounting for a Portfolio Hedge of Interest Rate Risk, IASB, August 2003.

instruments, was received with scepticism by the banking industry and the supervisory community.[3] The main argument against the proposal was based on the inadequate development of credit risk models and valuation methods for non-marketable instruments that would be used to derive fair values. The potential impact on financial stability from the increased volatility in financial statements was also identified as an issue of concern. The standard was not adopted, but the move towards

3 The ECB also conveyed its concerns to the JWG. See "Fair value accounting in the banking sector: ECB comments on the 'Draft standard and basis for conclusions – financial instruments and similar items' issued by the Financial Instruments Joint Working Group of Standard Setters", 8 November 2001 (www.ecb.int).

a more extensive use of fair value was not abandoned.

In August 2001, the IASB announced that it would undertake a project to amend IAS 39. In 2002, an Exposure Draft with proposed amendments was published and comments were invited. The Exposure Draft includes a proposal to give firms the (irrevocable) option to apply FVA to any financial instrument if the firm chooses to do so when entering the transaction. Following criticisms of the treatment of portfolio hedging, a further exposure draft on macro-hedging was issued in August 2003 for public consultation. In December 2003, the IASB released the revised versions of its IAS 32 and IAS 39 standards. The revisions benefited from extensive consultation, however some issues remain contentious, such as the fair value option and macro-hedging. With regard to the latter issue, further amendments to IAS 39 will be issued early in 2004.

THE EU ACCOUNTING FRAMEWORK

Within the European Union, the impetus for an accounting reform stems mainly from the objective of creating a fully-fledged single market. The need to overcome differences in accounting standards between Member States and to have a harmonised accounting framework is considered a crucial step towards the integration of financial markets in the euro area and the European Union. Indeed, harmonised accounting rules would increase transparency and comparability, thus facilitating better capital allocation and potentially reducing the cost of capital. Recently, a number of major accounting scandals in the United States and Europe have again underlined the importance of transparent and high-quality financial reporting.

In July 2002, the European Parliament and Council adopted a Regulation[4] requiring listed companies, including banks, to prepare consolidated financial statements in accordance with the IAS from 2005 onwards. Moreover, Member States have the option of extending the requirements of the Regulation to unlisted companies and to non-consolidated statements. Although a regulation has force of law without transposition into national legislation, an endorsement process to adopt international accounting standards for application in the European Union was envisaged (see Box 2). The European Commission has expressed its commitment to endorse all the standards issued by the IASB.

In accordance with this process, the Accounting Regulatory Committee (ARC) endorsed in July 2003 the existing body of IAS, with the exception of IAS 32 (dealing with the presentation and disclosure of financial instruments) and IAS 39 (dealing with the recognition and measurement of such instruments). Subsequently, the Commission formally endorsed the same IAS by adopting a Regulation.[5] At that time, IAS 32 and IAS 39 were still being reviewed by the IASB since the financial industry and financial regulators had requested further discussion to assess and address concerns regarding the application of the two standards. In light of the comments received, the IASB revised these standards in December 2003, with the exception of the issues on “macro-hedging” which should be finalised in the first quarter of 2004. Subsequently, the Commission will consider them for endorsement in the second half of 2004.

3 THE PROS AND CONS OF FULL FVA

The increased use of fair value as envisaged by the IASB has many associated benefits, but it also raises significant concerns for financial institutions. One of the major benefits is undoubtedly that the market or fair value of financial derivatives will appear on the balance sheet. Since derivative instruments have

4 Regulation (EC) No. 1606/2002.
5 Regulation (EC) No. 1725/2003.

Box 2

THE EU ENDORSEMENT PROCESS FOR INTERNATIONAL ACCOUNTING STANDARDS

The establishment of a formal endorsement process for accounting standards in the European Union is necessary for political and legal reasons. First, it is considered inappropriate to delegate accounting standards to private organisations such as the IASB over which the European Union has no influence. Second, it is important to create legal certainty by identifying the standards with which listed companies will have to comply in the future. The endorsement mechanism also examines whether the standards adopted by the IASB are consistent with EU public policy concerns. The endorsement process involves the intervention of a regulatory committee, the ARC, chaired by the European Commission and composed of representatives of the Member States. The ECB participates in the Committee in an observer capacity. The ARC adopts or rejects IAS on the basis of a proposal made by the Commission. The endorsement process can be described as follows:

Step 1:
The Commission submits its proposal to adopt or reject the accounting standard to the ARC, accompanied by a report identifying the specific IAS in question, examining its conformity with the existing accounting directives and its suitability as a basis for financial reporting in Europe.

Step 2:
The ARC has two months to deliver its opinion on the proposal. The Committee receives technical recommendations concerning the use of the IAS within the European legal environment from an accounting technical group called the European Financial Reporting Advisory Group (EFRAG), which is a private-sector forum composed of the main parties interested in financial reporting in Europe, namely the users and the preparers of accounts and representatives of the accounting profession (supported by the national standard-setters). EFRAG has one month to provide technical recommendations.

Step 3:
If the ARC agrees with the proposal, the Commission takes the necessary measures to ensure that the standard is adopted for use within the EU's legal environment. If the Committee has no opinion or delivers a negative opinion, the Commission might return the issue to EFRAG or bring the matter before the Council.

In accordance with the normal EU procedures for decision-making by regulatory committees, the European Parliament is informed of the work of the ARC. The European Parliament may also intervene if it considers that the Commission has exceeded its powers.

become a major risk management tool for banks, and their notional amount (which is now recorded off balance sheet) is often very significant relative to the total balance sheet, the user of financial statements will have a better picture of a bank's true financial position. In addition, it will be easier to assess the extent to which a bank's risk management practices, for example through the use of derivatives, are truly effective.

The wider application of FVA should also result in a more coherent and comparable valuation framework, as instruments would then be valued at the same point in time according to the same principle. One of the effects of this increased transparency and improved quality of information is that it may lead to earlier corrective action by management, shareholders or supervisors if a bank incurs excessive risks.

Another benefit is that the incentive for "cherry-picking" decreases. Under the current accounting framework, changes in the economic value of instruments are, as a rule, only recognised at the moment they are actually realised; hence a bank may have an incentive to realise certain transactions purely to boost its accounting profit. For example, assets which show substantial latent surplus values (hidden reserves) may be sold to offset poor results for core business activities.

But FVA also raises substantive concerns. First, as changes in the economic environment and the risk profile are better reflected, FVA is likely to increase volatility in financial statements. It could be argued that if volatility exists then the statements should reflect this and, in so doing, they give the user more relevant financial information. However, for instruments in the banking book that are in principle held to maturity, such as the majority of loans, the value at maturity necessarily has to be equal to the nominal or par value irrespective of the swings in the economic value during the lifetime of the instrument. The volatility in the profit and loss account arising over the lifetime of such instruments from the use of FVA may not therefore provide very relevant information and may even be misleading (see Box 3). An additional complication is the link in some countries between financial statements and taxation. There is therefore a risk under FVA that unrealised profits are taxed, a cost which might not be offset by the tax deductibility of unrealised losses.

Second, determining the fair value of certain instruments, in particular when there is no relevant market price, could be difficult. In such cases, a fair value will have to be calculated on the basis of models ("marking to model") and these could give very different results for instruments with comparable risk features. The value resulting from this procedure is only as good as the model and the data used as input. Often too short a time perspective is used for the estimation of the model parameters, and both market practitioners and supervisors agree that current valuation models still need to be further developed. Moreover, given that institutions can use different models with significantly different assumptions, the fair values and the resulting effects on the profit and loss account may not be comparable across different banks, which is at odds with one of the aims of FVA. For external auditing, it will be particularly challenging to verify whether the fair values obtained through model valuations are reliable.[6]

Finally, the issue of own credit risk or the risk arising from a bank's issued bonds should be mentioned. Under FVA, a deterioration in a bank's own credit risk would result in a reduction in the value of its own bonds, hence decreasing the fair value of its liabilities. If the value of the assets were to remain unchanged, this would simultaneously result in an increase in shareholders' funds, which are calculated as the difference between the fair value of the assets and liabilities. This improvement in the

6 There are also important issues regarding statistics, but these are not within the scope of this article.

Box 3

ILLUSTRATION OF HOW FVA CAN LEAD TO ADDITIONAL VOLATILITY IN A BANK'S FINANCIAL STATEMENTS

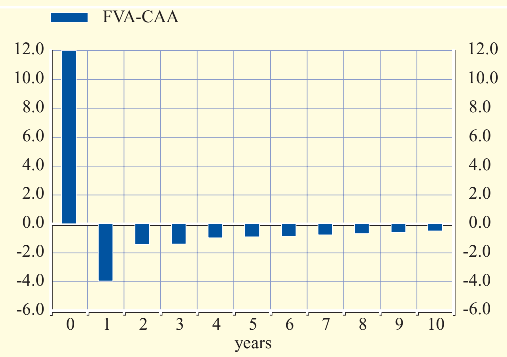
If a bank holds interest-bearing instruments (e.g. loans, bonds) on its balance sheet until maturity, FVA can lead to substantial additional volatility in the profit and loss account over the lifetime of the instruments, which is at odds with the intention with which they are held. This can be illustrated by looking at the balance sheet of an average European bank in the case of an external interest rate shock. Certain simplifying assumptions are made in constructing this balance sheet (e.g. no hedging, a maximum maturity of instruments of ten years).

In the absence of an observable or relevant market price, the fair value of bonds and loans can be approximated by calculating the net present value of their expected cash flows. This calculation consists of discounting the cash flows of the particular instrument over the remaining lifetime at a discount rate that reflects the risk-free rate and a risk premium. The effect of an interest rate shock on the fair value of the instruments can then be simulated by changing the discount rate.

At origination, the calculated value of these instruments will normally be equal to their nominal value, expressing the fact that they have been priced in accordance with prevailing market conditions. As time progresses and market conditions change, the calculated value will also change (decrease in the case of an interest rate rise, increase for an interest rate fall) and will no longer be equal to the nominal value. However, at maturity the calculated value will again have to be identical to the nominal value, reflecting the fact that at this point the bank's claim on the bond issuer or loan debtor is immediately repayable at nominal (par) value. This development of the value of a bond/loan over its lifetime is also known as the "pull to par" movement.

These principles are illustrated in the graph below, which shows the effect of a 100 basis point downward shift of the yield curve on the bank's profit and loss account over time, expressed as a percentage of the bank's capital and reserves. The effect is shown on an incremental basis, meaning that only the difference on the profit and loss account between FVA and the CAA is shown. It should be noted that because of the CAA's LOCOM valuation applied to securities in the banking book, the graph, in the case of an interest rate increase, is not just simply the mirror image of that which occurs in the event of an interest rate decrease.

FVA-CAA as a percentage of capital and reserves
Downward shift in the yield curve of 100 basis points



The graph illustrates that as the yield curve shifts downwards by 100 basis points, the fair value of the bond and loan portfolio would increase, which under FVA would be recognised in the bank's profit and loss account as a profit. Under the CAA, the portfolio would remain at its earlier book value (equal to the nominal value) so that there is no effect on the profit and loss account. If there were no additional shocks, the value increase under FVA would be transferred back over time as losses through the profit and loss account, the reason being that at maturity the fair value of the bonds and loans would necessarily pull to par. The graph also shows that while the interest rate decrease would have a large immediate impact, the subsequent offsetting movement over time would be more gradual. Under FVA, all these value changes would be fully reflected in the profit and loss account, whereas under the CAA, the bonds and loans would remain at their nominal value.

To conclude, at origination and maturity of the instruments, FVA and the CAA have the same effect on the bank's financial statements, but for the period in between, FVA will result in more volatility, which seems to be inconsistent with the intentions with which the instruments are held.

solvency position resulting from a deterioration of the own credit risk is counter-intuitive and very controversial, especially from a supervisory point of view. It may be a major reason for supervisors not to accept that the IAS are entirely reflected in the calculations for regulatory capital requirements.

4 THE IMPACT OF THE ACCOUNTING FRAMEWORK ON BANKS

THE IMPACT ON BANKS' FINANCIAL STATEMENTS

Shocks to the economy will manifest themselves differently in banks' financial statements depending on the accounting framework in place. In order to gain a better understanding of the impact on financial stability, a number of scenarios that are especially relevant to the banking sector are discussed under both the CAA and FVA. These scenarios are a significant deterioration in credit quality, an unexpected change in interest rates, a real estate crisis and a sharp adjustment in equity prices.

The *first scenario* analysed is that of a *deterioration in credit quality*. The deterioration in the credit quality of a financial asset, such as a loan or a bond, will be reflected in lower expected cash flows. If the fair value of the instrument were to be calculated by discounting its expected cash flows, the fair value would decline in parallel with the credit quality deterioration. Under current accounting rules, by contrast, the value of the asset will, as a rule, only be adjusted through the creation of a specific provision when the asset is "impaired" or "non-performing". In this case, a certain "real event" reflecting a deterioration in quality, such as default or a delay in interest payments, often has to occur before the value is adjusted in the statements.

The bank's provisioning behaviour under the CAA will therefore be crucial. If provisioning decisions are taken in a perfectly forward-looking manner and reflecting any change in the expected cash flows, the accounting effects under the CAA and FVA on credit risk will be identical. However, an important obstacle to forward-looking provisioning comes from the present accounting and tax regulations. In order to limit the possibility for management to manipulate financial results, regulations in most countries tend to narrowly define "impairment" or "non-performing loans". Provisioning is only allowed when specific losses have already materialised or when there is evidence that they will materialise soon. As a result, loan loss provisions are predominantly backward-looking.

Another important element in the CAA versus FVA debate is the way banks estimate their expected future cash flows. A crucial parameter here is the so-called "probability of default" or the likelihood that a certain debtor will default over a certain time interval. Studies conducted on banks' credit risk assessment systems have demonstrated that, as a rule, probabilities of default and the associated credit ratings are estimated in a point-in-time manner with a short time horizon of usually one year; very few banks use a longer time horizon for their risk assessment by taking into account the expected average performance of a borrower over an economic cycle. If such short time frame estimates were to be fed into the estimation of the expected cash flows, they would be revised quite frequently, hence leading to more volatility in the statements.

The *second scenario* focuses on an *unexpected change in interest rates*. If derivatives are not taken into consideration, an interest rate change will have a very different impact on the accounting value of items in the banking book under FVA compared with the CAA. An interest rate increase would result in a lower economic value of these instruments because the present value of the expected future cash flows decreases. Conversely, an interest rate decrease would result in an increase of the economic value.

Under FVA, these value changes will, by the very nature of the accounting technique, always be recognised in the statements. By contrast, under the CAA, value changes resulting from interest rate volatility will not be recognised as far as loans are concerned. For securities in the banking book, the recognition will only occur in the case of an interest rate rise when the LOCOM valuation is used to value the portfolio. LOCOM valuation, however, will not recognise the latent value increases resulting from an interest rate decrease. As a result, interest rate changes are treated in an asymmetrical way, which is not the case under FVA. In an environment of strongly declining interest rates, banks applying LOCOM are therefore likely to have substantial hidden reserves on their balance sheets.

The *third scenario* is a typical *real estate crisis*, which to a large extent may be a combination of the two earlier scenarios, i.e. an increased fragility of borrowers and a rise in interest rates. Such a scenario, for example observed during the Swedish banking crisis in the early 1990s, is particularly relevant since a crisis in the commercial real estate market often goes hand in hand with a banking crisis. In addition, mortgages make up a major part of banks' retail business and specialised mortgage institutions play an important role in several European countries.

A real estate crisis may not only affect banks' expected cash flows from borrowers through a deterioration of their intrinsic repayment capacity, but also through lower values of real estate collateral if the debtors default. Under this scenario, the evolution of both the expected future cash flows (reflecting credit risk) and the discount rate (reflecting interest rate risk) would lead to lower asset values. This combined effect would be fully reflected in the statements under FVA, most likely resulting in a substantial erosion of the banks' own funds. Under the CAA, and disregarding the specific provisioning behaviour of the bank, the credit quality deterioration would have no impact until impairment; but even when impairment actually occurs, the effect would be substantially smaller than under FVA given that the interest rate effect on the loan portfolio will not be recognised.

The *last scenario* is a *sharp adjustment in equity prices*. As a rule, the CAA applies LOCOM to shares in the banking book, whereas under FVA both price increases and decreases are fully reflected in the statements. A major difference between FVA and the CAA will therefore emerge in the event of a sharp upward adjustment in stock prices. Although for many European banks shares represent a relatively small part of their total assets, large price increases such as those witnessed during the last period of buoyant stock markets are nevertheless likely to have a substantial impact on the statements under a fair value regime. Under the CAA, by contrast, such increases would lead to the building-up of larger hidden reserves. As long as market prices remain above the initial acquisition prices, any subsequent price decline could be absorbed by the hidden reserves, whereas under FVA the price declines would be fully reflected in the profit and loss account.

These four scenarios illustrate that the wider application of FVA is likely to result in increased volatility in banks' profit and loss accounts as changing economic conditions are reflected more quickly in the financial statements. In addition, whereas under the CAA this process is to a large extent asymmetrical, with value increases resulting from improved economic conditions as a rule not being reflected, the process under FVA is symmetrical. The increased volatility can be substantial and might have an impact on bank behaviour, which would in turn raise a number of financial stability concerns.

THE POTENTIAL IMPACT ON BANK BEHAVIOUR

Although in a world characterised by no information asymmetries and efficiently working financial markets the accounting regime should, in principle, not have any impact on economic agents' behaviour, reality shows that accounting rules do have the potential to affect firms' behaviour. The increased volatility under FVA resulting from the closer link between banks' financial statements, their risk positions and prevailing economic conditions could therefore lead to changes in bank behaviour, for example by influencing their business decisions or risk management practices. More generally, it may affect the role of banks as liquidity transformers and their contribution to the smooth functioning over time of savings and investments in the economy.

The timelier recognition of risks, such as an asset price decline or a credit quality deterioration, under FVA may lead to increased transparency compared with the CAA. Likewise, transactions that are not priced in accordance with prevailing market conditions should, in principle, be easier to identify. Examples include the undercutting of competitors to gain market share or cross-subsidisation, where a firm relies on profits from its various operations to finance predatory practices in other markets. Increased transparency may in turn improve discipline on banks as exercised by the market or the supervisor, so that problems are recognised in a timelier fashion and corrective action is taken sooner.

However, the earlier recognition of risk under FVA might increase the pro-cyclicality of lending behaviour and result in more pronounced economic cycles. Pro-cyclicality here refers to the phenomenon of banks' lending activity tending to follow the same pattern as that of the real economy, i.e. credit growth in an economic upturn and restrictions in an economic downturn. This raises a number of concerns. It can lead to a misallocation of resources and sub-optimal investment behaviour because, in an economic upturn, non-viable projects may get financed, while in a downturn even very promising projects may be rejected. In addition, systemic risk could increase, an illustration being the fuelling of an asset bubble during economic upturns through generous credit conditions and higher collateral values. The subsequent bursting of the bubble may result in a banking crisis and a credit crunch.

It is acknowledged that owing to a variety of factors, including business practices, the lending behaviour of banks is by its very nature pro-cyclical. But it is important that financial regulation, such as accounting rules or capital requirements, do not unduly increase this trait. Under the FVA regime, unrealised gains due to asset price increases or improved credit quality in an economic upturn would immediately fuel the banks' profit and loss account and own funds, thereby providing the basis for a further lending expansion. In the case of an economic downturn, the opposite would occur, thereby possibly deepening or prolonging the downturn. If the economic downturn is associated with lower interest rates, this development may at least partially be offset by higher profits resulting from the revaluation of existing assets with a fixed interest rate.

FVA may not only have an impact on the level of banks' lending activity, but also on the relative composition of their balance sheets. In order to reduce the volatility in financial statements under FVA, banks may want to take on less risk. This can be done either by taking less risk at origination or by subsequently shedding the risk through activities such as hedging or securitisation. In this way, the role of banks as financial intermediaries may change and the risks they normally assume may be transferred to other economic agents. In principle, the resulting reduction in risk concentration may be beneficial in terms of financial stability, provided that the agents that take on the risk assess it adequately.

On the other hand, this risk-shifting behaviour may actually reduce the product choice or availability for customers and thus decrease social welfare. Banks may, for example, be reluctant to grant fixed-rate or long-term loans for fear that the interest rate risk will manifest itself in the financial statements or because of the costs associated with hedging or transferring the risk. Furthermore, debtors whose credit quality may be more volatile, such as small and medium-sized enterprises or start-up companies, may find it more difficult to gain access to bank loans or might only obtain such access under stricter conditions.

Finally, the introduction of FVA could affect the way banks build up financial buffers in the form of equity or reserves. Increased volatility in the financial statements raises the likelihood that thresholds for certain financial ratios will be breached. Examples are minimum solvency ratios or ratios used to prompt action such as the compulsory early repayment of a loan or a rating downgrade. In order to avoid the activation of such triggers by unanticipated value changes, the bank may want to build up larger financial buffers under FVA. Another important aspect in this respect is the reaction of shareholders. If in good times asset value increases are immediately reflected in the profit and loss account, banks may come under pressure from shareholders to distribute more dividends, which would be difficult to resist in favourable economic conditions. However, in the longer run, such behaviour may adversely affect banks' overall financial resilience.

5 CONCLUSION

The move from the CAA to FVA can be truly qualified as a paradigm shift since backward-looking accounting measures based on the concepts of prudence and reliability give way to measures based on prevailing economic values. This fundamental shift explains the often heated and contentious debate regarding the pros and cons of the two accounting models. FVA may have positive consequences, such as a better reflection of economic reality. On the other hand, there are serious doubts as to how reliable the fair value estimates would be for instruments not traded on an active and liquid market, such as the vast majority of bank loans. Differences in the reliability of valuation methods across banks might also jeopardise the comparability and transparency of financial statements. Comparability can be particularly affected if banks have the option of making different choices as to the assets and liabilities to be measured at fair value.

More generally, it is still very much unclear how a wider application of FVA would exactly affect bank behaviour. Different economic scenarios that are especially relevant for banks such as those discussed in this article may have a different impact under FVA, mostly resulting in increased volatility in the financial statements. For instruments that are held until maturity, as most bank loans are, this is at odds with the intention with which these instruments are held. Higher volatility may have an impact on the way banks are managing or willing to take on risk, which in turn could have an effect on their intermediation function and on how risks traditionally borne by them are redistributed to other economic agents. Finally, there are serious concerns that FVA may enhance the pro-cyclicality of lending behaviour and reduce the ability of banks to react to adverse developments in the economy.

In view of the still limited reliability of fair value estimates and of the possible negative effects of FVA on the stability of the financial system, caution and further analysis seem to be warranted before moving to a wider use of FVA by banks.

Glossary

Accounting Regulatory Committee (ARC): committee composed of representatives of EU Member States and headed by the European Commission. The committee has a regulatory function and provides opinions on Commission proposals to adopt international accounting standards.

Banking book: bank portfolio which consists of financial instruments that are, in principle, held to maturity or for longer-term investment purposes.

European Financial Reporting Advisory Group (EFRAG): private-sector group composed of users and preparers of accounts and representatives of the accounting profession and national standard-setters. It provides technical advice on the use of the IAS within Europe.

Exposure Draft (ED): the text of a proposed international accounting standard, with an invitation by the IASB to comment on it and provide answers to certain questions.

Fair value: this means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In practice, the fair value is often equal to the market value or is estimated using a model.

Financial instrument: for accounting purposes, this means any contract that gives rise to both a financial asset of one firm and a financial liability or equity instrument of another firm.

Hedging: this means designating one or more hedging instruments (mostly derivatives, such as forwards, futures or swaps) so that their change in fair value is an offset, in whole or in part, to the change in fair value or cash flows of a hedged item (e.g. bonds, loans or deposits).

Hidden reserves: the positive difference between the economic value or market value of an asset and its book value, which is not reflected in the financial statements.

Historical cost: for accounting purposes, this means the amount of cash or cash equivalents paid to acquire assets or the fair value of the consideration given to acquire them at the time of acquisition. For liabilities, it is the amount of proceeds received in exchange for the obligation.

IAS 32: international accounting standard that deals with the disclosure and presentation of financial instruments.

IAS 39: international accounting standard that deals with the recognition and measurement of financial instruments.

International Accounting Standard (IAS): accounting standard as adopted by the IASB.

International Accounting Standards Board (IASB): an independent, privately funded international accounting standard-setter.

International Accounting Standards Committee (IASC): predecessor body of the IASB (period 1973-2001).

Joint Working Group of Standard Setters (JWG): working group composed of representatives of the IASB and several national accounting standard-setters to deal with issues of common interest, such as the valuation of financial instruments.

Lower of cost or market (LOCOM): valuation rule, often applied to securities in the banking book, whereby the asset is valued at acquisition cost or at the market price if the latter is lower.

Trading book: bank portfolio that consists of financial instruments that are held for short-term trading purposes.

EURO AREA STATISTICS

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1 See the ECB's website (www.ecb.int) for longer runs and more detailed data.

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Conventions used in the tables

"-"	data do not exist/data are not applicable
"."	data are not yet available
"..."	nil or negligible
"billion"	10^9
(p)	provisional
s.a.	seasonally adjusted
n.s.a.	non-seasonally adjusted

EURO AREA OVERVIEW

Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

1. Monetary developments and interest rates

	M1 1)	M2 1)	M3 1), 2)	M3 1), 2) 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government 1)	Securities other than shares issued in euro by non-financial and non-monetary financial corporations 1)	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	7.6	6.6	7.2	-	5.3	21.2	3.32	4.92
2003	11.1	8.0	8.0	-	5.0	.	2.33	4.16
2003 Q1	10.1	7.1	7.6	-	5.0	17.3	2.69	4.16
Q2	11.4	8.3	8.5	-	4.6	20.5	2.37	3.96
Q3	11.5	8.5	8.3	-	4.9	22.3	2.14	4.16
Q4	11.3	7.9	7.6	-	5.3	.	2.15	4.36
2003 Aug.	11.8	8.6	8.3	8.2	5.0	22.5	2.14	4.20
Sep.	11.2	8.2	7.6	8.0	4.9	21.8	2.15	4.23
Oct.	12.3	8.2	8.1	7.7	5.1	22.5	2.14	4.31
Nov.	10.7	7.6	7.4	7.6	5.6	21.5	2.16	4.44
Dec.	10.6	7.5	7.1	.	5.4	.	2.15	4.36
2004 Jan.	.	.	.	.	.	.	2.09	4.26

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	2.1	1.6	.	.	.	80.9	.	8.8
2003 Q1	2.3	2.4	3.1	0.7	0.8	81.1	0.0	8.7
Q2	1.9	1.5	3.2	0.1	-0.7	80.8	0.1	8.8
Q3	2.0	1.2	2.9	0.3	0.0	81.0	0.1	8.8
Q4	2.0	1.1	.	.	.	81.0	.	8.8
2003 Aug.	2.1	1.3	-	-	-0.2	-	-	8.8
Sep.	2.2	1.1	-	-	-0.9	-	-	8.8
Oct.	2.0	0.9	-	-	1.5	81.2	-	8.8
Nov.	2.2	1.4	-	-	1.2	-	-	8.8
Dec.	2.0	1.0	-	-	.	-	-	8.8
2004 Jan.	2.0	.	-	-	.	80.7	-	.

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)	
	1	2	3	4	5	6	7	8
2002	77.9	130.6	-41.5	103.4	366.1	89.7	92.3	0.9456
2003	.	.	.	.	306.9	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	-5.4	23.4	3.5	57.4	326.1	101.0	104.7	1.1372
Q3	16.2	37.3	-12.4	-68.4	332.9	100.2	103.9	1.1248
Q4	.	.	.	.	306.9	101.8	106.0	1.1890
2003 Aug.	5.4	10.4	-3.4	-35.3	346.8	99.9	103.6	1.1139
Sep.	6.9	11.5	-4.8	14.2	332.9	99.5	103.3	1.1222
Oct.	10.4	14.5	-10.6	26.7	332.4	101.0	104.8	1.1692
Nov.	5.5	9.2	6.5	-4.3	321.9	100.9	104.9	1.1702
Dec.	.	.	.	.	306.9	103.7	108.1	1.2286
2004 Jan.	.	.	.	.	.	104.7	109.3	1.2613

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

	2004 9 Jan.	2004 16 Jan.	2004 23 Jan.	2004 30 Jan.
Gold and gold receivables	130,344	130,344	130,344	130,344
Claims on non-euro area residents in foreign currency	176,437	177,954	176,341	178,264
Claims on euro area residents in foreign currency	18,385	17,646	18,059	17,122
Claims on non-euro area residents in euro	6,532	7,507	7,693	7,588
Lending to euro area credit institutions in euro	270,399	269,042	279,606	279,024
Main refinancing operations	225,001	224,001	229,001	224,000
Longer-term refinancing operations	45,000	45,000	45,000	55,000
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	366	24	5,587	5
Credits related to margin calls	32	17	18	19
Other claims on euro area credit institutions in euro	954	1,150	854	1,067
Securities of euro area residents in euro	62,044	62,204	63,069	63,627
General government debt in euro	42,687	42,672	42,673	42,674
Other assets	104,169	104,085	104,641	104,682
Total assets	811,951	812,604	823,280	824,392

2. Liabilities

	2004 9 Jan.	2004 16 Jan.	2004 23 Jan.	2004 30 Jan.
Banknotes in circulation	425,220	419,162	415,127	415,623
Liabilities to euro area credit institutions in euro	133,708	135,107	134,694	132,129
Current accounts (covering the minimum reserve system)	133,606	135,053	134,323	132,115
Deposit facility	102	54	371	13
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	0	0	0	1
Other liabilities to euro area credit institutions in euro	256	256	256	256
Debt certificates issued	1,054	1,054	1,054	1,054
Liabilities to other euro area residents in euro	38,761	42,872	57,443	60,077
Liabilities to non-euro area residents in euro	9,520	9,568	10,803	9,595
Liabilities to euro area residents in foreign currency	481	393	411	410
Liabilities to non-euro area residents in foreign currency	12,452	13,419	12,594	13,516
Counterpart of special drawing rights allocated by the IMF	5,757	5,757	5,757	5,757
Other liabilities	53,572	53,845	53,969	54,802
Revaluation accounts	69,141	69,141	69,141	69,141
Capital and reserves	62,029	62,030	62,031	62,032
Total liabilities	811,951	812,604	823,280	824,392

Source: ECB.

1.2 Key ECB interest rates

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

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

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 [1), 2)]
(EUR millions; interest rates in percentages per annum)

1. Main and longer-term refinancing operations [3)]

Date of settlement	Bids (amount)	Allotment (amount)	Variable rate tenders			Running for (...) days
			Minimum bid rate	Marginal rate [4)]	Weighted average rate	
	1	2	3	4	5	6
			Main refinancing operations			
2003 8 Oct.	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
21	101,083	85,000	2.00	2.00	2.01	14
28	165,044	139,000	2.00	2.01	2.02	14
4 Feb.	112,763	76,000	2.00	2.01	2.02	14
			Longer-term refinancing operations			
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
2004 29 Jan.	47,117	25,000	-	2.03	2.04	91

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 [4)]	Weighted average rate	
	1	2	3	4	5	6	7	8
2000 5 Jan. [5)]	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 [1]:	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.	11,559.6	6,241.2	423.0	1,451.5	813.2	2,630.7
Dec. (p)	11,537.7	6,284.9	412.8	1,458.3	759.0	2,622.8

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.	132.8	133.6	0.9	0.0	2.02
9 Mar.(p)	133.4	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions current accounts	Base money
		Monetary policy operations of the Eurosystem										
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	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	8	9	10	11	12
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
Q3	315.0	214.0	45.0	0.1	0.0	0.6	0.0	391.7	54.4	-4.4	132.0	524.2
2003 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.	320.1	235.5	45.0	0.6	0.0	0.1	0.0	416.1	57.0	-4.5	132.6	548.7
2004 23 Jan.(p)	309.2	232.6	45.0	0.3	0.0	0.1	0.0	427.6	37.0	-11.2	133.6	561.4

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
	Eurosystem													
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	374.1	11.9	132.9
2003 Q1	1,015.4	411.8	24.1	0.6	387.0	105.4	95.1	0.8	9.5	-	12.5	349.3	11.9	124.5
Q2	1,074.6	469.3	23.7	0.6	445.0	114.2	103.1	1.1	10.0	-	12.4	334.4	12.0	132.3
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.	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
Dec. (p)	1,086.0	471.3	22.6	0.6	448.0	134.0	122.0	1.2	10.8	-	12.8	317.5	12.6	137.8
	MFIs excluding the Eurosystem													
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	19,530.2	11,881.0	794.2	6,943.6	4,143.2	2,886.6	1,242.1	1,239.4	405.1	69.0	853.4	2,624.1	157.9	1,058.1
2003 July	19,504.2	11,870.1	802.2	6,963.9	4,104.0	2,912.5	1,259.7	1,251.1	401.7	68.4	883.6	2,604.6	158.2	1,006.8
Aug.	19,508.0	11,902.3	796.3	6,976.1	4,129.9	2,906.3	1,258.5	1,243.4	404.3	69.6	887.1	2,575.8	158.2	1,008.8
Sep.	19,571.5	11,949.6	797.4	6,996.5	4,155.7	2,929.0	1,255.9	1,262.6	410.5	69.4	881.1	2,546.7	158.6	1,037.2
Oct.	19,609.9	11,921.9	797.3	7,025.0	4,099.6	2,959.0	1,266.2	1,274.7	418.2	71.2	880.4	2,610.7	158.4	1,008.3
Nov.	19,808.5	12,049.7	806.8	7,072.0	4,170.9	2,987.8	1,273.1	1,291.9	422.9	71.6	890.1	2,622.3	158.5	1,028.4
Dec. (p)	19,793.8	12,118.0	819.4	7,094.8	4,203.7	2,951.0	1,276.1	1,252.4	422.5	67.3	895.5	2,566.1	159.9	1,036.1

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/ units [1]	Debt securities issued [1]	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
	Eurosystem										
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.	1,078.5	419.2	343.1	48.3	20.5	274.3	-	1.6	146.3	28.0	140.2
Dec. (p)	1,086.0	450.5	324.0	21.3	16.9	285.8	-	1.6	140.1	27.5	142.3
	MFIs excluding the Eurosystem										
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	10,197.6	106.9	5,954.1	4,136.6	532.9	2,992.8	1,108.7	2,594.1	1,431.8
2003 Q1	19,184.0	0.0	10,317.0	125.5	5,995.1	4,196.3	617.6	3,045.7	1,115.8	2,665.5	1,422.4
Q2	19,530.2	0.0	10,540.6	147.6	6,096.1	4,296.9	640.0	3,083.3	1,126.3	2,641.8	1,498.1
2003 July	19,504.2	0.0	10,497.3	120.7	6,124.2	4,252.4	653.9	3,116.3	1,132.9	2,649.6	1,454.2
Aug.	19,508.0	0.0	10,509.3	113.3	6,127.3	4,268.6	657.3	3,127.2	1,135.4	2,647.2	1,431.6
Sep.	19,571.5	0.0	10,565.6	128.9	6,128.0	4,308.7	646.2	3,128.5	1,142.5	2,606.6	1,482.1
Oct.	19,609.9	0.0	10,531.5	130.8	6,158.1	4,242.5	653.4	3,172.3	1,142.9	2,657.0	1,452.9
Nov.	19,808.5	0.0	10,665.8	132.1	6,203.6	4,330.1	656.3	3,188.0	1,147.5	2,655.9	1,495.0
Dec. (p)	19,793.8	0.0	10,767.9	132.4	6,271.9	4,363.6	649.0	3,167.3	1,147.3	2,609.3	1,452.9

Source: ECB.

1) Amounts held by euro area residents. Amounts of debt securities issued with maturity up to two years 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 [1]	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	7,618.4	836.8	6,781.6	1,588.0	1,221.0	367.0	572.7	2,839.6	179.5	1,132.9
2003 Q1	14,124.7	7,683.3	828.9	6,854.4	1,691.8	1,305.1	386.7	566.6	2,894.2	172.7	1,116.0
Q2	14,383.3	7,762.1	817.9	6,944.2	1,748.7	1,342.5	406.2	594.1	2,958.5	169.9	1,150.0
2003 July	14,377.8	7,790.5	825.9	6,964.6	1,758.5	1,355.7	402.8	617.6	2,942.7	170.4	1,098.1
Aug.	14,370.3	7,796.7	820.0	6,976.8	1,755.2	1,349.9	405.3	620.6	2,929.9	170.4	1,097.4
Sep.	14,412.8	7,818.3	821.1	6,997.1	1,784.6	1,373.0	411.6	616.6	2,888.5	170.8	1,134.0
Oct.	14,498.8	7,846.6	821.0	7,025.6	1,805.6	1,386.2	419.4	613.9	2,952.1	170.7	1,109.8
Nov.	14,613.7	7,903.2	830.5	7,072.7	1,828.6	1,404.5	424.1	623.7	2,954.7	170.8	1,132.8
Dec. (p)	14,537.7	7,937.5	842.1	7,095.5	1,798.1	1,374.4	423.7	624.6	2,883.6	172.5	1,121.5
	Transactions										
2001	906.6	365.6	-7.6	373.2	71.5	8.5	62.9	29.8	331.1	8.1	100.8
2002	601.3	299.2	-9.8	309.0	75.9	45.7	30.2	5.5	241.8	-1.3	-19.9
2003 Q1	221.0	87.2	-0.3	87.5	63.0	46.4	16.6	0.2	90.3	-3.6	-16.7
Q2	323.4	98.3	-8.6	106.9	52.0	37.9	14.1	21.2	122.1	-2.5	32.2
2003 July	-50.3	27.9	8.0	19.9	10.4	12.8	-2.4	-2.1	-32.3	0.4	-54.6
Aug.	-74.3	-0.1	-6.2	6.1	-3.2	-5.0	1.8	2.2	-70.5	0.0	-2.6
Sep.	126.8	32.9	1.5	31.4	32.0	24.7	7.3	-4.5	31.3	0.4	34.9
Oct.	80.8	29.0	-0.1	29.1	26.2	18.2	8.0	-4.1	51.3	0.0	-21.6
Nov.	156.6	62.8	9.7	53.0	19.2	13.7	5.5	9.0	44.1	-0.1	21.6
Dec. (p)	-1.2	44.4	11.9	32.5	-29.0	-30.0	1.0	1.3	-12.0	1.6	-7.6

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units [2]	Debt securities issued [2]	Capital and reserves	External liabilities [1]	Remaining liabilities	Excess of inter-MFI liabilities
	1	2	3	4	5	6	7	8	9	10
	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	5,969.7	470.5	1,818.4	1,006.4	2,627.0	1,550.9	10.8
2003 Q1	14,124.7	327.2	176.2	6,011.3	550.8	1,804.3	1,001.0	2,694.2	1,545.7	14.1
Q2	14,383.3	351.0	200.3	6,115.0	571.0	1,833.7	997.7	2,671.6	1,626.4	16.5
2003 July	14,377.8	361.5	173.0	6,140.2	585.5	1,849.6	999.7	2,681.5	1,585.3	1.6
Aug.	14,370.3	362.7	163.0	6,143.2	587.7	1,861.3	1,014.3	2,679.9	1,562.3	-4.0
Sep.	14,412.8	364.8	183.9	6,145.4	576.8	1,865.1	1,016.5	2,639.0	1,616.5	4.6
Oct.	14,498.8	371.3	165.8	6,176.7	582.3	1,898.6	1,014.2	2,689.0	1,591.2	9.8
Nov.	14,613.7	379.2	180.4	6,224.1	584.7	1,906.1	1,014.4	2,683.9	1,635.3	5.7
Dec. (p)	14,537.7	398.1	153.7	6,288.8	581.7	1,882.0	1,003.7	2,636.9	1,595.2	-2.3
	Transactions									
2001	906.6	-116.4	-26.9	385.4	90.9	107.6	81.2	338.4	79.9	-33.5
2002	601.3	101.4	-5.8	221.7	70.1	105.1	39.2	75.8	-39.0	32.7
2003 Q1	221.0	7.7	32.8	50.8	35.8	24.9	2.6	59.6	-4.5	11.3
Q2	323.4	23.8	24.1	110.8	19.7	36.8	0.7	25.9	78.9	2.6
2003 July	-50.3	11.1	-24.6	-8.4	10.3	14.4	9.8	6.6	-56.5	-12.9
Aug.	-74.3	1.2	-10.0	-2.6	2.1	0.7	6.7	-39.1	-28.0	-5.3
Sep.	126.8	2.1	20.9	9.9	-8.8	22.5	7.3	11.6	53.3	7.9
Oct.	80.8	6.4	-18.0	30.2	5.7	30.1	2.4	40.0	-23.3	7.3
Nov.	156.6	7.9	14.6	50.9	-4.3	17.0	4.1	26.1	42.7	-2.4
Dec. (p)	-1.2	19.0	-26.7	72.0	-2.7	-8.2	-2.2	1.1	-39.6	-13.9

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 of debt securities issued with maturity up to two years held by non-euro area residents are included in external liabilities.

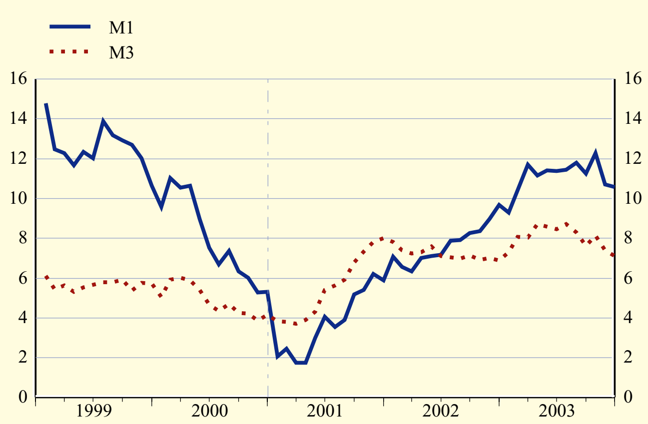
2.3 Monetary statistics

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

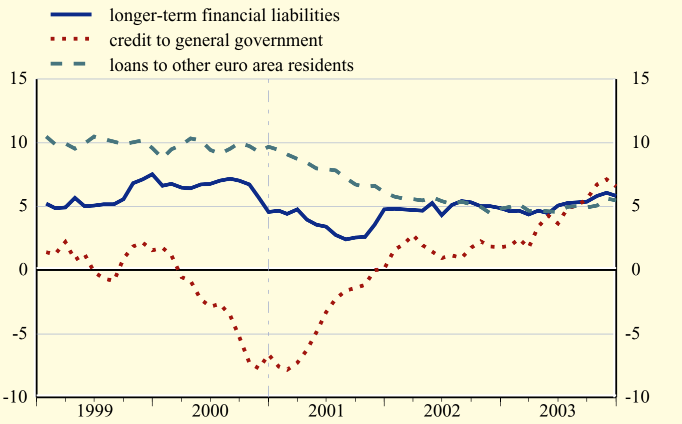
1. Monetary aggregates [1] and counterparts

	M1	M2-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	Loans	Net external assets [2]
	1	2	3	4	5	6	7	8	9	10	11
					Outstanding amounts						
2001	2,222.3	2,395.9	4,618.2	789.8	5,408.0	-	3,897.3	2,041.0	7,425.5	6,514.7	48.8
2002	2,439.3	2,474.3	4,913.6	854.5	5,768.1	-	3,994.1	2,073.3	7,724.3	6,781.0	176.0
2003 Q1	2,484.3	2,518.7	5,003.0	857.8	5,860.7	-	4,005.5	2,120.9	7,788.0	6,846.9	227.3
Q2	2,528.0	2,560.9	5,088.9	887.8	5,976.7	-	4,031.2	2,143.2	7,913.3	6,913.5	287.7
2003 July	2,552.8	2,573.0	5,125.7	901.4	6,027.1	-	4,065.5	2,183.5	7,981.7	6,954.9	264.6
Aug.	2,585.4	2,575.1	5,160.5	892.4	6,052.9	-	4,110.7	2,184.6	8,035.2	7,004.7	243.5
Sep.	2,597.0	2,571.9	5,168.9	889.3	6,058.2	-	4,109.1	2,204.6	8,049.4	7,007.4	227.9
Oct.	2,640.5	2,574.4	5,214.9	914.4	6,129.3	-	4,136.4	2,219.0	8,081.2	7,039.8	238.0
Nov.	2,632.0	2,583.2	5,215.2	917.5	6,132.7	-	4,162.4	2,235.4	8,150.6	7,087.6	233.7
Dec. (p)	2,647.6	2,577.9	5,225.5	917.0	6,142.5	-	4,140.5	2,235.2	8,148.0	7,096.6	210.2
					Transactions						
2001	121.4	158.3	279.7	118.5	398.3	-	178.2	2.5	467.0	377.4	-9.0
2002	214.6	88.4	303.0	68.7	371.7	-	187.8	37.7	346.7	313.0	165.3
2003 Q1	69.2	46.5	115.7	-8.0	107.7	-	30.0	17.0	81.6	80.6	94.6
Q2	59.3	45.7	105.0	27.1	132.1	-	40.3	25.2	130.8	83.6	69.7
2003 July	26.5	11.7	38.1	11.1	49.2	-	38.3	39.8	43.1	40.9	-36.3
Aug.	30.6	-0.2	30.4	-9.1	21.3	-	25.1	1.7	45.8	43.7	-41.1
Sep.	14.8	-0.9	13.9	-0.4	13.5	-	23.8	22.0	25.8	13.7	4.5
Oct.	43.1	1.9	45.0	25.2	70.1	-	28.8	19.4	31.2	33.0	7.7
Nov.	-6.7	10.9	4.3	-4.1	0.2	-	39.2	12.0	75.4	53.8	5.9
Dec. (p)	18.1	-2.3	15.7	-0.6	15.1	-	4.8	0.3	8.9	18.8	-12.5
					Growth rates						
2001 Dec.	5.9	7.1	6.5	17.6	8.0	7.9	4.8	0.1	6.7	6.1	-9.0
2002 Dec.	9.7	3.7	6.6	8.7	6.9	7.1	4.9	1.8	4.7	4.8	165.3
2003 Mar.	11.7	4.7	8.0	8.0	8.0	8.3	4.4	1.7	4.8	4.7	228.7
June	11.4	5.7	8.4	8.7	8.5	8.6	5.1	3.7	5.2	4.6	247.5
2003 July	11.5	5.9	8.6	9.4	8.7	8.5	5.3	4.9	5.6	4.9	208.8
Aug.	11.8	5.6	8.6	6.3	8.3	8.2	5.3	5.1	5.6	5.0	161.1
Sep.	11.2	5.2	8.2	4.5	7.6	8.0	5.4	5.6	5.5	4.9	163.2
Oct.	12.3	4.4	8.2	7.6	8.1	7.7	5.8	6.7	5.5	5.1	142.9
Nov.	10.7	4.7	7.6	6.1	7.4	7.6	6.1	7.1	6.0	5.6	124.9
Dec. (p)	10.6	4.6	7.5	4.8	7.1	.	5.8	6.6	5.7	5.4	92.5

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

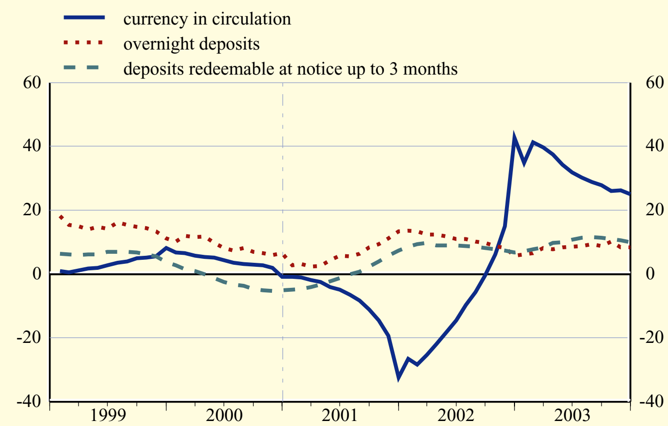
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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	1,988.9	1,089.9	1,306.0	231.5	412.4	145.9	1,621.4	113.7	1,166.8	995.3
2002	333.0	2,106.2	1,079.5	1,394.9	239.9	486.9	127.7	1,697.1	103.7	1,186.9	1,006.4
2003 Q1	331.9	2,152.3	1,071.6	1,447.1	209.4	549.1	99.4	1,702.8	100.2	1,203.3	999.2
Q2	347.1	2,180.9	1,074.2	1,486.7	220.9	569.2	97.6	1,730.8	96.2	1,211.1	993.1
2003 July	355.2	2,197.6	1,067.9	1,505.1	227.3	582.8	91.2	1,754.7	94.0	1,220.4	996.4
Aug.	359.6	2,225.8	1,058.8	1,516.3	222.4	581.2	88.9	1,774.1	92.1	1,228.9	1,015.6
Sep.	366.9	2,230.1	1,051.4	1,520.5	215.6	582.0	91.7	1,773.3	90.9	1,231.1	1,013.9
Oct.	371.7	2,268.7	1,046.3	1,528.1	225.4	587.5	101.6	1,794.6	91.2	1,236.5	1,014.2
Nov.	379.7	2,252.3	1,047.2	1,536.0	227.7	588.7	101.0	1,801.3	90.7	1,247.5	1,022.9
Dec. (p)	388.7	2,258.9	1,043.3	1,534.6	220.1	601.8	95.0	1,794.1	90.5	1,252.7	1,003.2
						Transactions					
2001	-112.5	233.9	69.3	88.9	26.8	93.8	-2.1	110.0	-10.6	-2.4	81.3
2002	99.6	115.0	0.0	88.4	9.6	72.1	-13.0	117.9	-10.0	41.0	39.0
2003 Q1	20.9	48.2	-5.9	52.5	-21.7	17.4	-3.7	20.2	-3.5	12.4	0.9
Q2	15.2	44.1	5.9	39.9	11.6	19.7	-4.2	37.7	-4.0	8.7	-2.1
2003 July	8.7	17.8	-6.6	18.3	6.7	9.4	-5.0	21.0	-2.2	8.4	11.0
Aug.	4.4	26.1	-11.2	11.0	-5.0	-1.7	-2.3	8.4	-1.9	7.3	11.3
Sep.	7.3	7.6	-5.4	4.5	-5.7	2.9	2.4	18.3	-1.2	3.2	3.4
Oct.	4.8	38.2	-5.6	7.5	9.8	5.7	9.7	18.2	0.3	5.4	5.0
Nov.	8.0	-14.6	2.8	8.1	1.3	-5.5	0.2	15.5	-0.4	11.6	12.6
Dec. (p)	9.1	9.0	-1.2	-1.1	-7.6	13.4	-6.4	9.2	-0.2	6.9	-11.1
						Growth rates					
2001 Dec.	-32.4	13.5	6.8	7.3	12.5	28.9	-1.5	7.2	-8.5	-0.2	8.9
2002 Dec.	42.7	5.8	0.0	6.8	4.2	17.4	-9.4	7.3	-8.8	3.5	4.0
2003 Mar.	39.7	8.1	0.0	8.5	0.9	16.5	-11.3	6.6	-8.2	4.0	2.5
June	31.9	8.6	-0.5	10.7	-0.9	19.3	-13.7	7.2	-10.7	3.9	4.6
2003 July	30.3	8.8	-1.0	11.4	1.6	18.1	-12.4	7.5	-12.6	4.3	4.5
Aug.	28.8	9.4	-1.9	11.6	-2.8	15.4	-15.4	7.5	-14.3	4.8	4.3
Sep.	27.8	8.9	-2.5	11.4	-6.7	14.4	-15.5	8.0	-15.2	4.8	4.0
Oct.	26.1	10.3	-4.0	11.0	-0.3	15.0	-8.4	8.7	-14.4	5.1	4.1
Nov.	26.3	8.4	-3.0	10.7	1.5	10.8	-6.4	8.8	-13.7	5.4	4.3
Dec. (p)	25.0	8.4	-2.5	10.1	-4.7	11.6	-9.6	8.9	-12.7	5.4	3.1

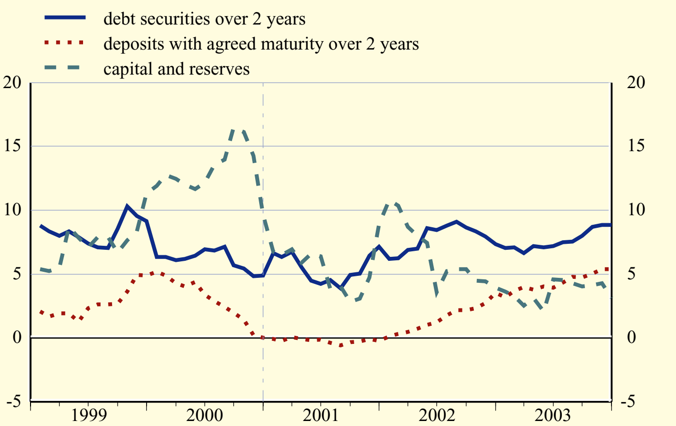
C3 Components of monetary aggregates

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities

(annual growth rates; seasonally adjusted)



Source: ECB.

2.4 MFI loans, breakdown [1)]

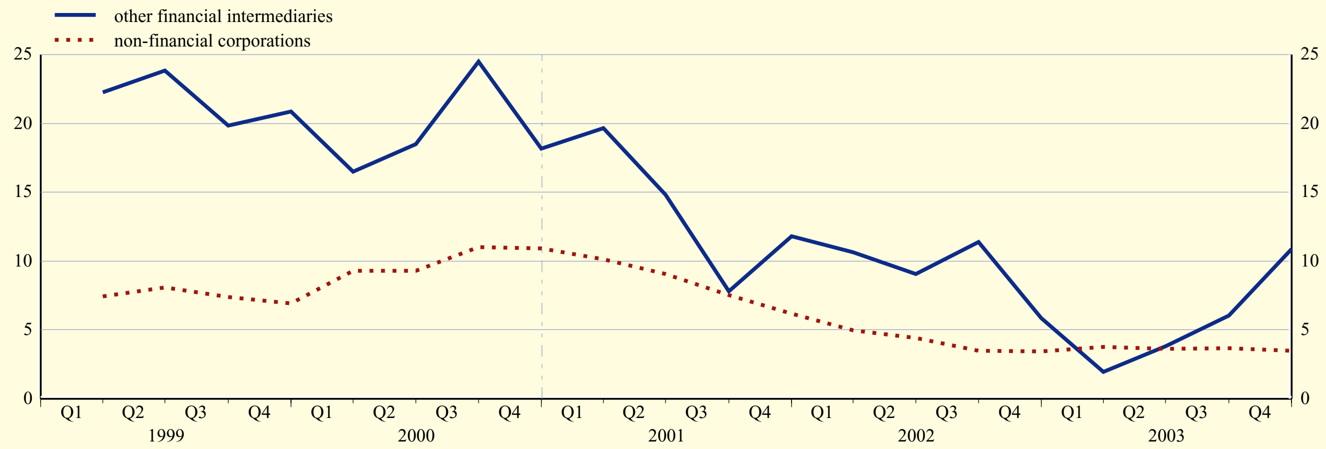
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds		Other financial intermediaries [2)]		Non-financial corporations			
	Total	Up to 1 year	Total	Up to 1 year	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	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.	44.3	28.3	478.3	295.0	3,017.3	973.2	518.8	1,525.3
Oct.	49.8	33.8	479.7	294.2	3,020.2	962.5	522.6	1,535.0
Nov.	49.1	33.1	497.1	313.8	3,035.7	966.2	525.3	1,544.2
Dec. (p)	35.9	22.4	502.8	313.9	3,042.3	959.8	528.6	1,553.8
				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	35.9	12.5	-2.7	26.1
2003 July	3.9	1.5	-6.9	-12.3	-1.1	-12.8	5.6	6.1
Aug.	-4.7	-4.6	-3.1	-4.4	2.7	-9.7	4.9	7.5
Sep.	0.4	0.1	11.3	8.0	1.0	-3.5	-0.4	4.9
Oct.	5.5	5.5	1.2	-1.0	2.7	-10.7	3.7	9.7
Nov.	-0.9	-0.9	18.9	20.4	18.8	5.1	2.8	10.8
Dec. (p)	-13.1	-10.6	9.7	2.6	10.4	-4.1	3.4	11.0
				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	1.9	-2.3	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.	10.4	-5.9	6.0	2.3	3.6	-0.9	4.4	6.4
2003 Dec. (p)	13.9	14.1	10.9	7.8	3.5	-1.0	3.8	6.3

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 [1]

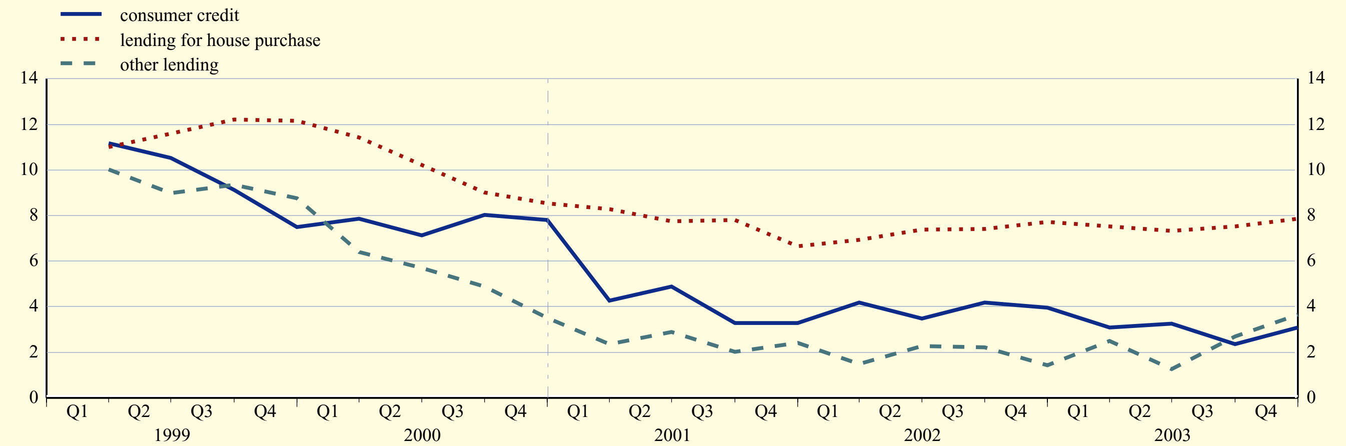
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households [2]

	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	517.0	105.1	178.3	233.6	2,181.9	23.3	65.8	2,092.8	622.8	153.9	99.7	369.2
2003 Q1	3,349.9	492.6	111.3	176.6	204.7	2,218.3	16.1	68.1	2,134.1	639.0	144.9	94.9	399.2
Q2	3,404.1	500.2	114.8	179.2	206.1	2,259.0	16.6	68.5	2,173.9	644.9	145.2	92.6	407.0
2003 July	3,427.9	501.6	113.0	180.4	208.3	2,281.7	16.3	69.3	2,196.1	644.6	140.8	93.1	410.7
Aug.	3,439.8	485.7	108.1	178.1	199.5	2,296.4	16.5	69.7	2,210.3	657.7	141.7	94.1	421.8
Sep.	3,456.6	476.4	109.6	178.4	188.5	2,306.3	16.9	70.1	2,219.3	673.9	144.3	97.0	432.6
Oct.	3,475.3	480.1	110.4	179.4	190.3	2,325.0	16.7	70.9	2,237.3	670.3	141.8	96.7	431.9
Nov.	3,490.1	478.6	107.5	180.6	190.6	2,335.8	15.9	70.8	2,249.2	675.7	144.3	96.3	435.1
Dec. (p)	3,513.8	483.5	110.8	181.9	190.8	2,354.0	16.2	67.0	2,270.8	676.3	144.9	96.3	435.1
	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	19.7	6.1	4.8	8.7	156.2	0.7	2.8	152.7	8.9	-1.8	1.8	8.9
2003 Q1	35.2	-5.0	6.2	-3.2	-8.1	36.8	-7.1	2.5	41.3	3.4	-6.5	-2.3	12.2
Q2	58.2	7.8	1.7	4.5	1.6	44.0	0.4	-0.2	43.8	6.4	2.8	-2.9	6.4
2003 July	24.0	2.7	-1.9	1.5	3.2	22.3	-0.2	0.8	21.7	-1.0	-3.9	0.1	2.8
Aug.	11.2	-3.0	-1.5	-0.9	-0.5	14.3	0.2	0.4	13.7	-0.1	-2.6	-0.4	2.9
Sep.	18.7	3.5	2.5	1.6	-0.6	11.6	0.4	0.4	10.8	3.6	2.1	1.5	0.0
Oct.	19.6	3.2	0.8	1.0	1.4	18.3	-0.2	0.9	17.7	-1.9	-2.6	-0.3	0.9
Nov.	16.4	-1.1	-2.9	1.3	0.4	11.5	-0.7	-0.2	12.4	6.1	2.8	-0.3	3.6
Dec. (p)	25.6	6.3	3.5	1.4	1.4	18.1	0.4	-3.8	21.5	1.2	1.1	0.0	0.1
	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	3.9	5.9	2.8	3.9	7.7	2.9	4.6	7.9	1.4	-1.2	1.8	2.4
2003 Mar.	5.8	3.1	17.0	0.3	-0.7	7.5	-29.5	9.2	7.9	2.5	-4.3	-0.3	6.2
June	5.5	3.3	15.6	2.5	-1.5	7.3	-29.4	8.9	7.7	1.3	-6.9	-5.9	6.7
Sep.	5.8	2.3	12.4	2.6	-2.2	7.5	-30.1	11.3	7.8	2.7	-6.0	-1.5	7.3
2003 Dec. (p)	6.3	3.1	8.1	4.1	-0.2	7.8	-35.5	0.1	8.6	3.6	-4.5	-4.5	9.1

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 [1]

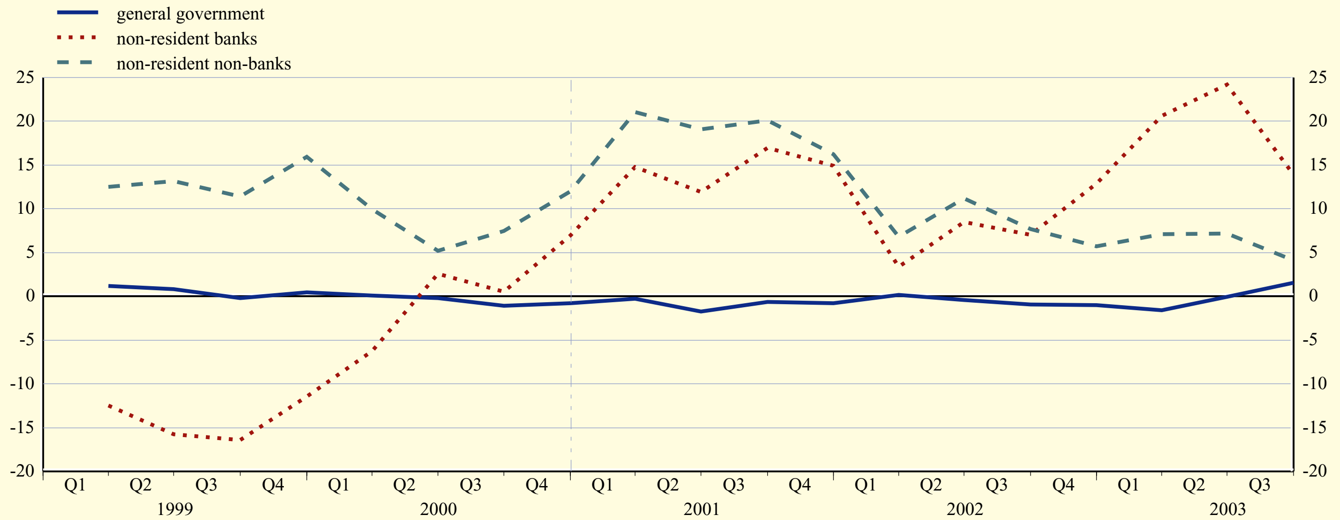
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [2]	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 (p)	797.4	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 (p)	3.3	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. (p)	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 [1]

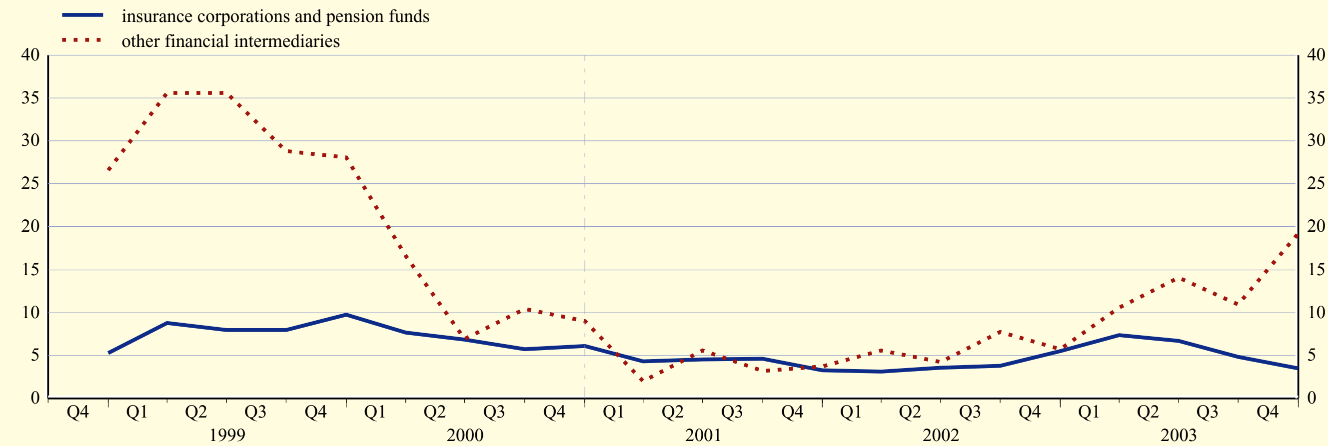
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries [2]						
	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	535.6	59.6	39.2	414.8	3.0	0.6	18.3	526.4	165.4	133.5	119.6	8.1	0.1	99.6
Q2	537.6	62.1	38.1	412.1	2.6	0.3	22.3	546.6	176.6	132.6	129.8	9.5	0.1	98.0
2003 July	535.6	53.6	39.6	418.5	2.8	0.3	20.8	541.4	167.3	131.7	128.2	9.5	0.1	104.6
Aug.	534.9	49.6	40.2	423.0	2.9	0.3	19.0	539.2	163.5	132.1	129.8	8.9	0.1	104.9
Sep.	532.4	55.7	33.0	422.1	2.7	0.3	18.6	540.2	172.9	125.2	129.2	9.2	0.1	103.5
Oct.	533.8	50.9	37.8	423.6	2.9	0.3	18.3	555.7	170.8	127.7	130.5	10.0	0.1	116.5
Nov.	533.3	50.4	36.7	423.8	2.8	0.3	19.3	562.2	172.0	129.5	134.2	9.7	0.1	116.6
Dec. (p)	542.6	57.9	41.8	420.8	2.6	0.3	19.1	558.7	175.8	129.7	138.6	10.0	0.1	104.5
							Transactions							
2001	15.8	7.6	-	-	-	-	-1.1	16.2	3.6	-	-	-	-	10.3
2002	27.4	7.8	-	-	-	-	1.4	26.7	-4.7	-	-	-	-	12.8
2003 Q1	12.3	3.9	-6.7	14.6	0.3	-0.1	0.5	42.2	13.4	8.4	18.9	1.7	0.0	11.0
Q2	2.3	2.7	-1.0	-2.9	-0.4	0.0	3.9	22.6	12.2	-0.2	10.8	1.5	0.0	-1.6
2003 July	-2.2	-8.5	1.4	6.2	0.2	0.0	-1.5	-5.1	-9.4	-0.9	-1.7	0.0	0.0	7.0
Aug.	-2.0	-4.2	0.5	3.6	0.1	0.0	-2.0	-4.3	-4.9	0.3	0.7	-0.7	0.0	0.3
Sep.	-2.4	6.2	-7.0	-0.9	-0.2	0.0	-0.4	2.2	10.6	-7.5	0.2	0.4	0.0	-1.5
Oct.	1.4	-4.8	4.8	1.6	0.2	0.0	-0.3	15.2	-2.2	2.5	1.2	0.8	0.0	13.0
Nov.	-0.2	-0.4	-1.0	0.2	-0.1	0.0	1.1	8.1	1.8	2.1	4.2	-0.2	0.0	0.1
Dec. (p)	9.6	7.6	5.3	-3.0	-0.1	0.0	-0.2	-0.5	4.7	0.8	5.8	0.4	0.0	-12.1
							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	14.1	9.1	-	-	-	-	16.3
Sep.	4.9	11.5	-	-	-	-	27.8	10.9	11.1	-	-	-	-	8.8
2003 Dec. (p)	3.5	4.2	-8.3	4.8	-4.2	-12.5	3.5	19.2	17.2	4.2	39.9	60.7	-	17.1

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 [1]

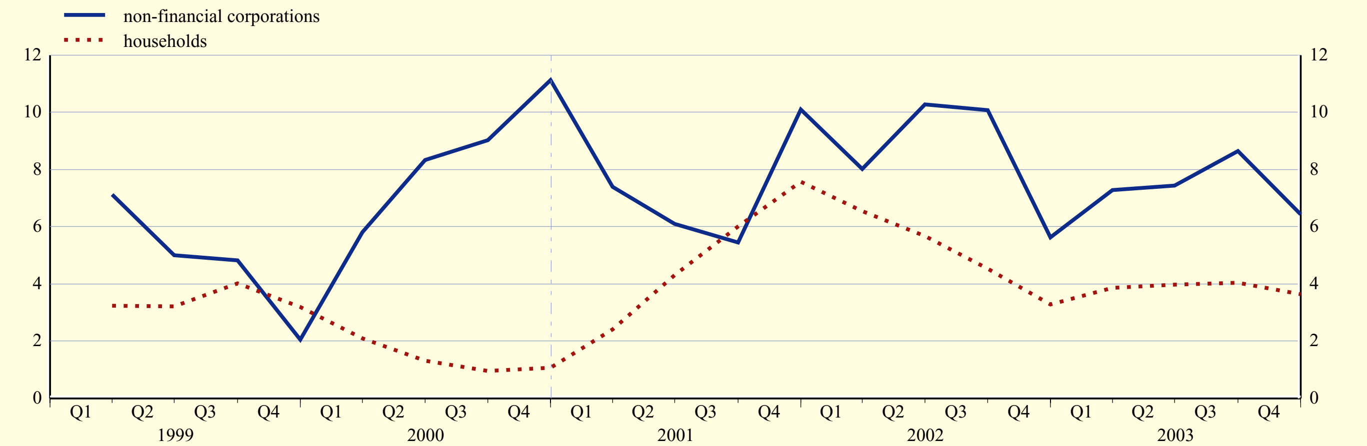
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations							Households [2]						
	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.	1,018.6	603.3	282.1	65.7	36.4	1.5	29.5	3,901.7	1,257.4	555.1	586.7	1,357.6	88.6	56.3
Oct.	1,027.5	601.4	290.6	66.8	36.9	1.5	30.3	3,905.6	1,260.7	552.0	587.9	1,360.3	88.7	56.0
Nov.	1,043.9	616.3	289.1	70.1	37.6	1.5	29.3	3,928.6	1,283.5	547.7	587.8	1,365.1	88.9	55.6
Dec. (p)	1,055.0	632.9	282.1	70.4	38.1	1.5	30.0	3,976.6	1,296.8	545.7	601.1	1,390.2	89.9	52.9
							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	-42.5	26.0	41.5	-5.0	-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.	18.4	24.0	-7.8	0.8	-0.1	0.1	1.5	-7.4	1.1	-3.6	0.5	0.0	-0.7	-4.7
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.	17.1	15.8	-0.7	3.3	0.8	0.0	-2.1	24.0	23.0	-3.6	0.0	4.9	0.2	-0.4
Dec. (p)	13.6	17.8	-6.0	0.5	0.6	0.0	0.7	49.5	13.7	-1.0	13.4	25.2	1.0	-2.7
							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.	8.6	8.7	-	-	-	-	-14.8	4.0	8.2	-	-	-	-	-28.2
2003 Dec. (p)	6.4	7.0	22.4	-32.8	29.7	50.0	-12.4	3.6	7.9	-12.0	7.1	9.1	-13.2	-29.2

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 [1)]

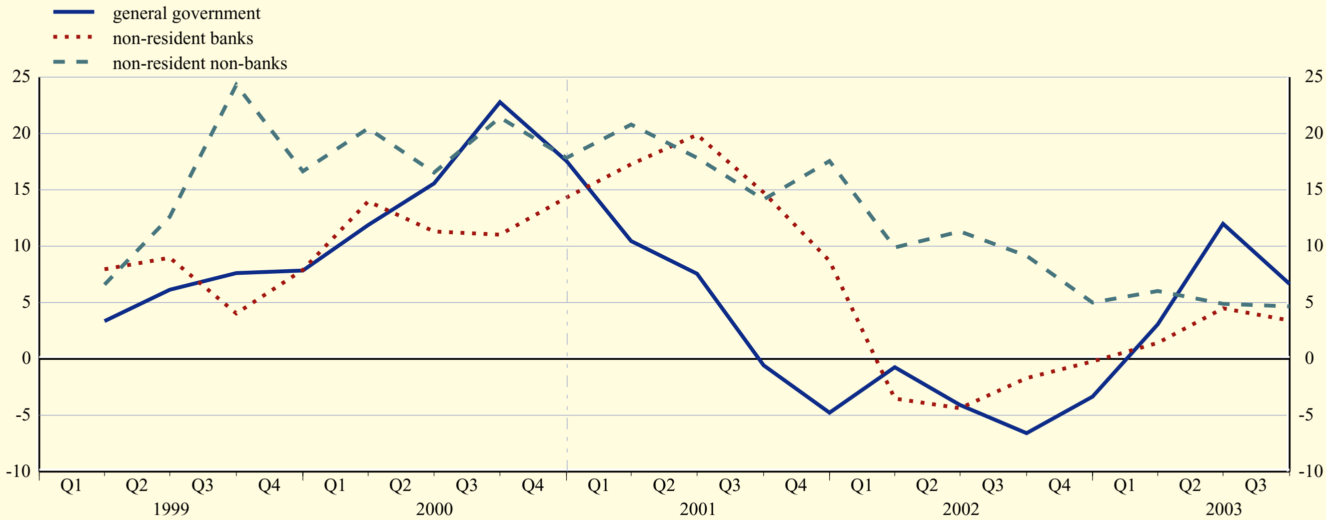
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [2)]	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	2,292.1	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 (p)	264.1	128.9	32.2	64.3	38.7	2,257.1	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 (p)	-23.4	-16.0	-2.0	-0.3	-5.0	-5.6	-13.4	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. (p)	6.7	18.9	-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.

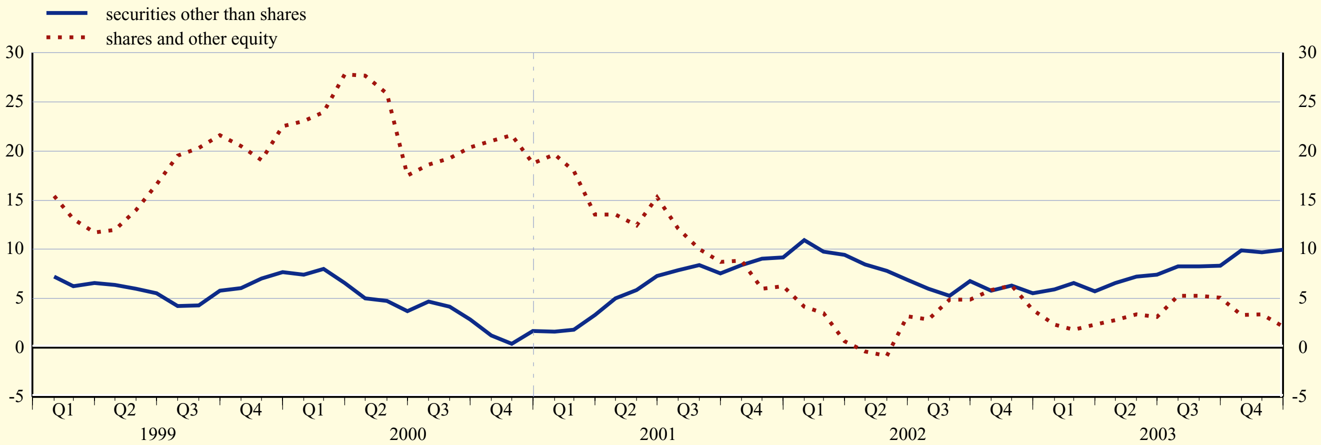
2.6 MFI holdings of securities, breakdown [1]

(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	1,119.5	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	3,501.5	1,182.6	59.5	1,223.2	16.1	386.8	18.3	614.8	1,028.2	267.3	586.1	174.8
2003 July	3,537.3	1,199.4	60.3	1,234.4	16.7	382.5	19.2	624.9	1,062.4	274.0	609.6	178.9
Aug.	3,542.1	1,199.3	59.2	1,226.3	17.1	384.8	19.5	635.8	1,070.1	274.5	612.6	183.0
Sep.	3,553.7	1,198.2	57.7	1,245.9	16.7	391.3	19.2	624.7	1,060.7	272.6	608.6	179.6
Oct.	3,595.4	1,207.1	59.0	1,258.4	16.2	398.9	19.2	636.4	1,062.6	274.7	605.7	182.1
Nov.	3,626.8	1,214.2	58.9	1,275.7	16.1	403.9	19.0	639.0	1,069.5	274.9	615.2	179.4
Dec. (p)	3,579.4	1,219.0	57.1	1,236.8	15.6	403.7	18.8	628.4	1,069.5	279.3	616.2	174.0
	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	87.7	16.5	-0.4	30.9	-0.7	13.9	0.2	27.2	19.7	5.8	21.0	-7.1
2003 July	31.4	15.4	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.	31.9	-1.0	0.2	20.8	0.3	6.7	0.5	4.5	-9.3	-2.0	-4.6	-2.7
Oct.	44.5	10.0	0.8	16.8	-0.6	7.9	0.0	9.6	-1.8	1.2	-4.2	1.2
Nov.	38.2	6.7	1.0	11.9	0.4	5.1	0.4	12.7	6.6	-0.6	9.0	-1.8
Dec. (p)	-31.0	4.2	-0.3	-38.9	-0.1	0.4	0.6	3.2	-4.5	0.0	1.3	-5.8
	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	4.3	-9.4	4.9	7.2	15.3	15.9	16.3	3.1	-0.1	5.8	-0.5
2003 July	8.3	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	6.4	-11.8	5.8	5.5	16.4	19.7	14.4	5.3	4.0	6.2	4.3
Sep.	8.3	6.0	-8.3	6.6	8.4	15.3	18.5	13.9	5.1	3.3	6.3	3.9
Oct.	9.9	6.8	3.9	8.4	5.4	16.8	11.2	16.1	3.3	3.1	3.6	2.8
Nov.	9.7	5.9	1.7	9.0	8.9	17.1	12.9	15.4	3.4	2.6	4.7	0.3
Dec. (p)	9.9	8.3	7.0	7.0	5.9	14.1	11.3	17.1	2.1	2.0	4.1	-4.1

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 [1]
(EUR billions)

1. Write-offs/write-downs of loans to households [2]

	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	-1.2	-0.3	0.0	-0.9
2003 July	-0.1	-0.1	0.0	0.0	-0.4	0.0	0.0	-0.3	-0.4	-0.1	0.0	-0.3
Aug.	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	-0.3	-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	-0.3
Oct.	-0.2	0.0	0.0	-0.1	-0.2	0.0	0.0	-0.1	-0.4	-0.1	0.0	-0.3
Nov.	-0.2	-0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.5	-0.1	0.0	-0.4
Dec. (p)	-0.1	0.0	-0.1	0.0	-0.1	0.0	0.0	-0.1	-0.8	-0.4	0.0	-0.4

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	-1.0	-	-
2002	-9.2	-1.8	-2.7	-4.7	-7.2	-	-
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.	-0.6	-0.1	-0.1	-0.4	-0.1	0.0	-0.1
Sep.	-1.0	-0.3	-0.1	-0.5	-0.1	-0.1	0.0
Oct.	-0.5	-0.1	0.0	-0.4	0.0	0.0	0.0
Nov.	-1.0	-0.5	-0.1	-0.5	-0.1	0.0	0.0
Dec. (p)	-1.7	-0.9	-0.1	-0.7	0.0	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	8.3	-6.8	-4.7	0.7	-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	0.8	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.	-1.5	0.4	-0.1	-0.7	0.0	0.0	0.0	-1.0	0.4	0.8	0.5	-0.9
Dec. (p)	-0.4	0.5	-0.1	0.0	0.1	-0.1	-0.1	-0.8	2.2	2.2	-0.3	0.4

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 [1)]
(percentages of total; outstanding amounts in EUR billions; end of period)

1. Deposits

	MFIs [2)]							Non-MFIs						
	All currencies outstanding amount	Euro [3)]	Non-euro currencies					All currencies outstanding amount	Euro [3)]	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	4,136.6	90.2	9.8	6.1	0.8	1.5	0.7	6,061.0	97.1	2.9	1.8	0.3	0.2	0.3
2003 Q1	4,196.3	90.5	9.5	6.1	0.7	1.5	0.8	6,120.7	97.1	2.9	1.8	0.3	0.2	0.3
Q2	4,296.9	91.0	9.0	5.8	0.6	1.4	0.8	6,243.3	97.0	3.0	1.8	0.3	0.2	0.4
Q3 (p)	4,308.7	91.0	9.0	5.6	0.5	1.4	0.9	6,256.9	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 (p)	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 [3)]	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	3,139.0	85.4	14.6	7.7	1.8	1.6	2.3
2003 Q1	3,197.3	85.2	14.8	8.1	1.6	1.6	2.3
Q2	3,228.8	85.6	14.4	8.1	1.4	1.6	2.1
Q3 (p)	3,263.9	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 [1)]

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

3. Loans

	MFIs [2)]							Non-MFIs						
	All currencies outstanding amount	Euro [3)]	Non-euro currencies					All currencies outstanding amount	Euro [3)]	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 (p)	4,155.7	-	-	-	-	-	-	7,793.9	96.4	3.6	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	8.4	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	9.1	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	8.6	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	7.9	590.9	39.3	60.7	46.2	1.5	4.2	5.7
Q3 (p)	1,160.9	50.0	50.0	30.4	5.2	2.4	8.8	579.9	37.7	62.3	46.5	2.1	4.4	6.3

4. Holdings of securities other than shares

	Issued by MFIs [2)]							Issued by non-MFIs						
	All currencies outstanding amount	Euro [3)]	Non-euro currencies					All currencies outstanding amount	Euro [3)]	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	1,242.1	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 (p)	1,255.9	95.4	4.6	1.6	0.5	0.3	1.1	1,673.1	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 (p)	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 [1)]

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Deposits	Holdings of securities other than shares: Total	Up to 1 year	Over 1 year	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
	1	2	3	4	5	6	7	8	9
2002 Q2	3,034.1	242.8	1,312.6	75.4	1,237.1	1,056.1	215.2	108.0	99.4
Q3	2,846.2	236.7	1,337.4	74.3	1,263.0	844.8	203.4	121.0	102.9
Q4	2,862.4	242.1	1,335.1	72.0	1,263.1	853.2	203.1	122.4	106.6
2003 Q1	2,748.8	217.1	1,331.8	70.6	1,261.2	767.3	205.8	118.6	108.2
Q2	2,959.5	232.5	1,382.7	67.1	1,315.6	880.9	224.5	120.7	118.3
Q3 (p)	3,083.0	248.3	1,404.8	65.2	1,339.6	931.3	234.3	125.3	138.9

2. Liabilities

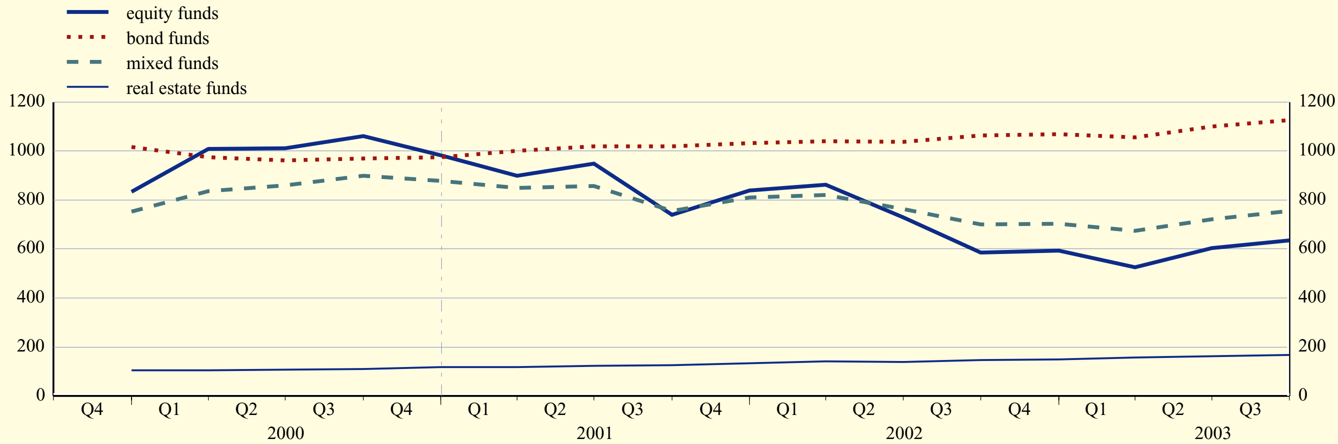
	Total	Deposits and loans taken	Investment fund shares	Other liabilities
	1	2	3	4
2002 Q2	3,034.1	39.1	2,919.5	75.5
Q3	2,846.2	38.9	2,731.9	75.3
Q4	2,862.4	40.2	2,745.2	76.9
2003 Q1	2,748.8	41.1	2,629.3	78.5
Q2	2,959.5	41.8	2,825.8	91.9
Q3 (p)	3,083.0	43.2	2,915.1	124.7

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

	Total	Funds by investment policy: Equity funds	Bond funds	Mixed funds	Real estate funds	Other funds	Funds by type of investor: General public funds	Special investors' funds
	1	2	3	4	5	6	7	8
2002 Q2	3,034.1	728.7	1,037.1	762.6	139.2	366.5	2,262.1	772.0
Q3	2,846.2	585.2	1,063.3	699.9	145.6	352.2	2,092.0	754.2
Q4	2,862.4	593.9	1,068.2	701.6	149.5	349.2	2,089.5	772.9
2003 Q1	2,748.8	525.9	1,054.1	675.3	155.9	337.7	1,977.5	771.4
Q2	2,959.5	603.3	1,099.5	720.8	161.5	374.4	2,140.4	819.1
Q3 (p)	3,083.0	635.4	1,127.0	754.2	166.6	399.7	2,248.0	835.0

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: Total	Holdings of securities other than shares: Up to 1 year	Holdings of securities other than shares: Over 1 year	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
	1	2	3	4	5	6	7	8	9
	Equity funds								
2002 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	30.2	2.8	27.5	438.6	16.5	-	16.1
Q2	603.3	27.9	31.6	2.9	28.7	506.5	18.5	-	18.8
Q3 (p)	635.4	29.5	27.8	2.4	25.4	536.4	19.5	-	22.1
	Bond funds								
2002 Q2	1,037.1	75.9	882.2	38.5	843.8	33.2	10.8	-	34.9
Q3	1,063.3	78.3	902.1	37.2	865.0	32.7	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	1,099.5	82.4	927.8	33.0	894.8	31.1	20.9	-	37.3
Q3 (p)	1,127.0	93.6	934.6	30.7	904.0	29.2	21.7	-	47.9
	Mixed funds								
2002 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	300.8	21.8	278.9	209.9	83.7	0.7	29.9
Q2	720.8	49.4	311.9	20.9	291.0	237.0	91.9	0.3	30.3
Q3 (p)	754.2	50.5	324.0	22.2	301.8	248.4	95.4	0.3	35.6
	Real estate funds								
2002 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	149.5	11.0	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	161.5	16.5	9.0	0.6	8.5	0.7	9.1	119.8	6.3
Q3 (p)	166.6	16.1	8.9	0.6	8.4	0.8	9.5	124.3	6.9

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
	1	2	3	4	5	6	7
	General public funds						
2002 Q2	2,262.1	199.2	915.7	818.4	166.7	96.1	66.0
Q3	2,092.0	187.9	917.6	654.4	156.0	107.9	68.2
Q4	2,089.5	190.9	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	71.1
Q2	2,140.4	181.5	912.3	691.7	168.3	104.3	82.3
Q3 (p)	2,248.0	198.9	927.5	736.5	176.6	107.9	100.5
	Special investors' funds						
2002 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	819.1	51.0	470.4	189.2	56.1	16.5	36.0
Q3 (p)	835.0	49.4	477.3	194.8	57.7	17.4	38.4

Source: ECB.

3 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: Total	Currency and deposits: Currency	Deposits of non-financial sectors other than central government with euro area MFIs: Total	Overnight	With agreed maturity	Redeemable at notice	Repos	Deposits of central government with euro area MFIs	Deposits with non-MFIs [1]	Memo: deposits of non-banks with banks outside the euro area
	1	2	3	4	5	6	7	8	9	10	11
					Outstanding amounts						
2002 Q1	15,141.2	5,360.8	236.7	4,774.3	1,692.3	1,604.8	1,358.1	119.1	157.5	192.3	301.7
Q2	14,811.9	5,438.1	261.2	4,827.6	1,759.9	1,593.8	1,356.2	117.6	155.0	194.3	278.1
Q3	14,346.9	5,448.4	278.4	4,827.5	1,757.3	1,585.8	1,365.7	118.8	146.3	196.1	289.0
Q4	14,623.3	5,607.9	309.2	4,951.7	1,846.7	1,581.4	1,411.7	111.9	136.4	210.7	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	5,751.2	319.1	5,029.8	1,899.2	1,560.8	1,475.1	94.7	200.3	202.1	329.6
					Transactions						
2002 Q1	165.8	-9.8	8.5	-40.2	-53.2	-4.1	14.8	2.3	19.0	2.9	2.7
Q2	169.5	97.3	24.5	73.2	73.7	0.9	0.2	-1.7	-2.5	2.1	-10.0
Q3	155.7	7.2	17.2	0.6	-3.1	-7.3	9.4	1.7	-12.5	1.8	9.1
Q4	187.3	169.3	30.8	133.9	82.6	11.8	46.4	-6.9	-9.9	14.5	10.1
2003 Q1	174.9	41.9	7.7	-3.3	-28.4	-10.6	41.5	-5.7	32.8	4.8	32.1
Q2	228.4	136.2	23.8	86.0	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	14.0	9.0
Q2	4.6	4.7	-18.1	6.4	12.3	0.6	6.7	1.8	-6.0	13.8	3.3
Q3	4.9	4.6	-6.4	5.3	10.3	0.0	6.4	-2.6	-3.2	14.0	5.3
Q4	4.5	4.9	33.8	3.5	5.7	0.1	5.3	-3.9	-4.2	11.3	4.0
2003 Q1	4.5	5.9	33.9	4.3	7.4	-0.3	7.2	-10.6	5.1	12.0	13.7
Q2	5.0	6.5	30.4	4.5	7.7	-0.9	8.8	-19.0	22.3	12.1	22.5

	Securities other than shares: Total	Short-term	Long-term	Shares [2]: Total	Quoted shares	Mutual fund shares	Money market fund shares	Insurance technical reserves: 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 [1]			
			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	16,240.6	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	15,924.6	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	15,364.9	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	15,609.3	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	16,112.1	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	178.2	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	187.4	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	110.0	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	143.9	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	247.1	81.6	66.2	-0.6	8.0	-8.6	42.5	15.7	26.7	39.7	-7.6	47.4	6.6
Q2	239.1	116.2	85.4	-10.3	3.3	-13.6	56.0	29.6	26.4	70.4	4.9	65.5	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	3.8	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	-1.0	7.0	3.8

	Securities other than shares issued by							Quoted shares issued by non-financial corporations	Deposit liabilities of central government	Pension fund reserves of non-financial corporations
	Total	General government			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	189.2	256.0
Q2	4,529.8	4,008.8	481.6	3,527.2	521.0	130.0	391.0	3,040.1	191.3	259.3
Q3	4,666.4	4,130.6	479.9	3,650.7	535.9	137.0	398.8	2,293.2	193.0	263.1
Q4	4,677.0	4,134.7	480.0	3,654.7	542.3	143.8	398.5	2,398.1	207.5	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	2.9	3.3
Q2	61.3	62.1	33.9	28.2	-0.8	-14.5	13.7	7.5	2.1	3.3
Q3	56.2	46.2	-0.9	47.1	10.0	7.1	2.9	5.5	1.7	3.8
Q4	3.0	-0.6	-8.4	7.8	3.6	6.7	-3.1	1.7	14.5	2.5
2003 Q1	157.4	128.8	50.0	78.8	28.6	22.1	6.6	-0.2	4.9	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	13.9	4.6
Q2	5.2	4.6	9.6	4.0	9.7	3.6	11.8	0.9	14.1	4.7
Q3	5.2	5.0	7.3	4.7	7.1	-2.1	10.7	1.2	14.1	4.9
Q4	5.1	5.2	10.6	4.5	4.2	3.2	4.5	0.7	11.4	5.2
2003 Q1	6.3	6.0	16.7	4.7	7.9	14.8	5.3	0.4	12.2	5.1
Q2	7.0	6.4	15.5	5.2	11.7	25.8	7.1	0.8	12.3	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	3,621.4	537.6	62.1	450.3	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 [1]				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				Total				Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims
				Money market fund shares				Taken from euro area MFIs					
	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 [1]	Non-produced assets	Total	Monetary gold and SDRs	Currency and deposits	Securities other than shares [2]	Loans	Shares and other equity	Insurance technical reserves	Other investment (net) [3]
	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	2,154.3	0.9	581.3	329.8	519.1	485.1	227.0	11.1

	Changes in net worth [4]				Net incurrence of liabilities					
	Total	Gross saving	Consumption of fixed capital (-)	Net capital transfers receivable	Total	Currency and deposits	Securities other than shares [2]	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	497.3	1,496.2	-1,011.4	12.4	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 [4]		Net incurrence of liabilities			
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares [2]	Loans	Shares and other equity	Total	Gross saving	Total	Securities other than shares [2]	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	215.7	771.8	-554.5	626.9	101.2	40.1	142.1	246.5	85.0	581.2	757.5	102.4	324.0	319.6
2002	180.3	758.3	-574.5	368.1	19.2	15.6	46.7	264.7	122.6	630.0	425.8	21.7	204.9	185.4

3. Households [5]

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth [4]		Net incurrence of liabilities		Memo:	
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares [2]	Shares and other equity	Insurance technical reserves	Total	Gross saving	Total	Loans	Disposable income	Gross saving ratio [6]
	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	3,789.9	17.1
1997	165.9	377.9	-213.1	425.7	70.4	-19.0	193.7	215.8	423.0	617.3	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	187.8	419.0	-233.6	471.6	119.2	-24.1	189.7	247.6	391.7	582.6	267.6	266.1	4,089.0	14.2
2000	196.7	442.9	-242.8	419.3	65.6	42.0	114.1	247.0	394.2	597.4	221.8	220.1	4,277.8	14.0
2001	190.9	457.7	-263.9	402.5	175.3	86.6	59.4	223.7	424.0	653.5	169.4	167.5	4,576.1	14.3
2002	181.1	462.9	-276.7	488.0	219.7	66.1	-4.2	214.2	458.3	704.3	210.8	208.6	4,739.2	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

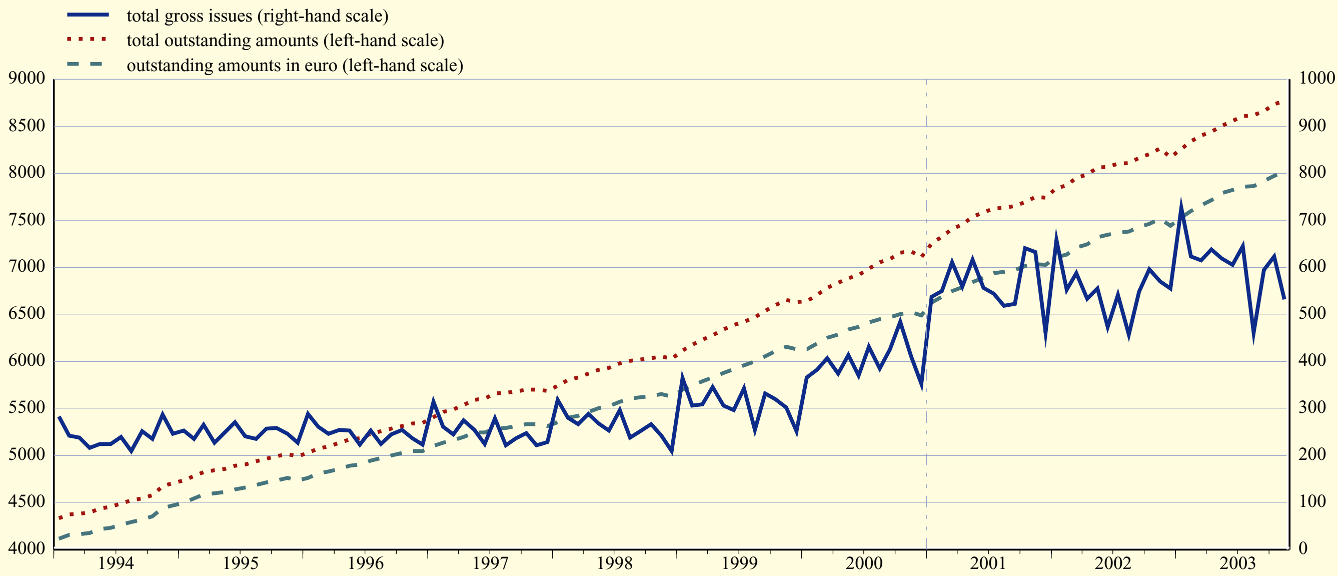
4.1 Securities issues other than shares by original maturity, residency of the issuer and currency

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

	Total in euro [1)]				By euro area residents							
					Total				Of which in euro			
	Outstanding amounts	Gross issues	Redemptions	Net issues	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
	Total											
2002 Nov.	8,545.2	562.0	508.7	53.3	8,264.9	569.5	510.2	59.3	90.9	93.7	94.0	54.0
Dec.	8,494.9	566.5	614.7	-48.2	8,167.9	555.4	631.6	-76.2	91.1	94.4	93.9	-68.8
2003 Jan.	8,579.6	717.0	632.0	85.0	8,257.6	726.8	624.5	102.3	91.2	93.1	94.5	86.7
Feb.	8,662.8	627.5	544.5	83.0	8,338.2	622.5	541.5	81.0	91.1	93.3	94.7	68.2
Mar.	8,766.2	641.8	538.6	103.2	8,399.9	614.7	547.2	67.5	91.2	94.3	94.9	60.5
Apr.	8,808.2	635.9	593.7	42.2	8,443.0	638.3	582.2	56.1	91.3	94.3	94.2	53.2
May	8,902.8	624.5	529.1	95.4	8,502.1	618.8	536.3	82.5	91.6	93.4	93.6	75.8
June	8,985.0	636.7	554.8	81.9	8,557.0	606.1	563.4	42.7	91.5	93.8	94.0	38.9
July	9,017.4	648.6	616.8	31.9	8,604.6	644.7	601.8	42.9	91.3	93.1	94.4	32.5
Aug.	9,022.9	470.6	465.7	5.0	8,617.7	461.7	463.8	-2.2	91.2	93.9	92.7	4.0
Sep.	9,114.1	616.1	524.0	92.1	8,662.2	594.0	530.0	64.0	91.4	93.4	94.3	55.2
Oct.	.	.	.	.	8,732.6	623.6	559.3	64.3	91.3	93.9	94.9	54.6
Nov.	.	.	.	.	8,768.7	532.5	488.4	44.1	91.5	93.2	92.6	44.3
	Long-term											
2002 Nov.	7,750.0	133.1	102.1	30.9	7,431.7	133.1	96.3	36.9	91.1	89.7	93.5	29.4
Dec.	7,730.4	155.2	173.6	-18.4	7,381.5	148.6	179.5	-30.9	91.4	92.2	90.7	-25.9
2003 Jan.	7,778.7	180.4	132.8	47.7	7,414.2	179.9	135.0	44.9	91.4	87.1	93.0	31.1
Feb.	7,831.0	172.5	120.9	51.6	7,469.4	164.8	111.9	52.9	91.3	88.6	92.2	42.8
Mar.	7,901.4	175.2	105.2	70.1	7,521.7	162.4	105.9	56.4	91.3	90.2	90.3	50.9
Apr.	7,942.1	165.3	125.1	40.2	7,548.0	160.6	125.0	35.5	91.4	90.8	92.6	30.1
May	8,030.0	186.7	98.7	88.0	7,601.8	174.7	99.7	75.0	91.7	92.2	90.5	70.8
June	8,101.3	185.2	114.5	70.7	7,676.7	170.7	108.1	62.6	91.6	91.0	92.2	55.6
July	8,153.1	197.6	146.5	51.2	7,725.1	184.9	140.8	44.1	91.4	88.1	95.0	29.2
Aug.	8,165.4	86.5	75.6	10.9	7,751.5	79.1	69.9	9.2	91.2	88.1	90.1	6.7
Sep.	8,242.9	180.1	102.0	78.1	7,803.1	172.5	101.9	70.6	91.4	91.6	90.2	66.1
Oct.	.	.	.	.	7,852.3	163.2	119.1	44.1	91.3	92.2	94.7	37.6
Nov.	.	.	.	.	7,886.1	133.4	89.3	44.0	91.5	89.7	87.9	41.1

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).

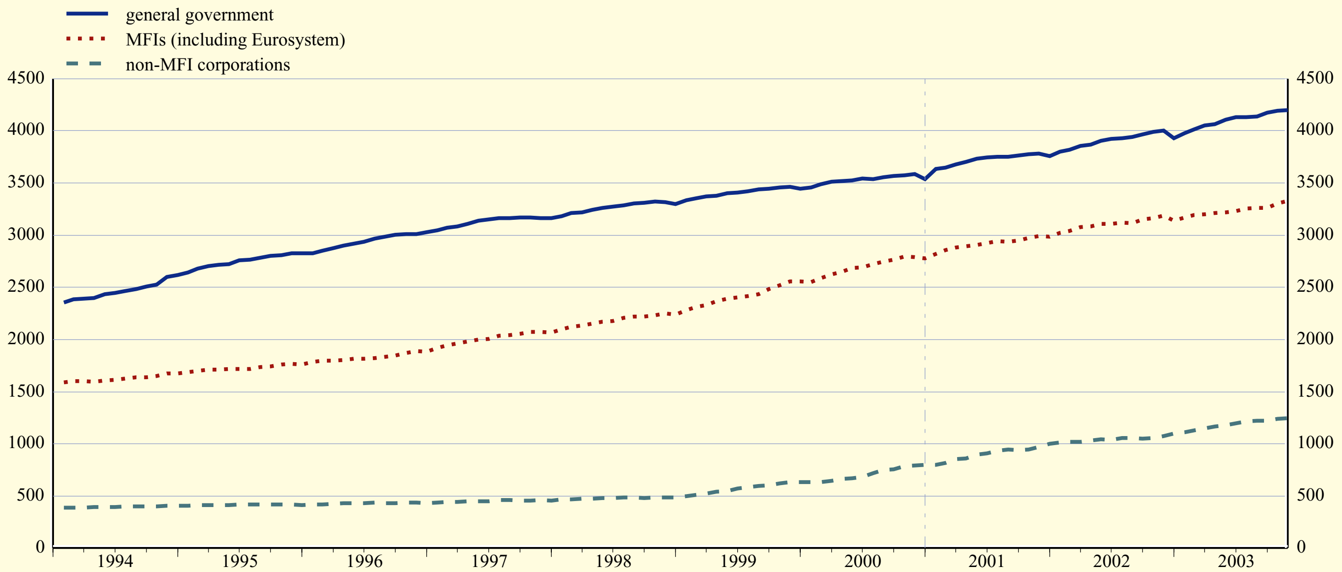
1) Total euro-denominated securities other than shares issued by euro area residents and non-euro area residents.

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 Nov.	8,264.9	3,188.1	531.9	540.6	3,827.0	177.2	90.9	85.5	80.9	87.1	97.2	95.7
Dec.	8,167.9	3,139.7	561.4	535.9	3,751.9	179.0	91.1	85.6	83.2	87.3	97.3	95.8
2003 Jan.	8,257.6	3,171.7	560.3	548.6	3,794.4	182.6	91.2	85.6	83.7	87.7	97.2	95.8
Feb.	8,338.2	3,192.1	574.0	557.1	3,826.1	188.9	91.1	85.5	83.7	87.8	97.1	95.9
Mar.	8,399.9	3,201.8	582.8	566.2	3,857.4	191.7	91.2	85.5	84.1	88.3	97.2	96.0
Apr.	8,443.0	3,213.3	595.7	571.0	3,867.2	195.7	91.3	85.6	84.8	88.4	97.3	95.7
May	8,502.1	3,216.0	597.6	579.1	3,910.7	198.6	91.6	85.9	85.4	88.8	97.4	95.7
June	8,557.0	3,229.9	615.1	580.9	3,928.0	203.0	91.5	85.7	85.5	88.8	97.3	95.7
July	8,604.6	3,257.9	633.8	583.3	3,925.1	204.5	91.3	85.6	85.4	88.6	97.3	95.5
Aug.	8,617.7	3,258.6	637.9	586.3	3,930.6	204.3	91.2	85.5	85.2	88.5	97.2	95.4
Sep.	8,662.2	3,264.2	646.1	577.9	3,965.0	209.0	91.4	85.4	86.2	88.7	97.4	95.5
Oct.	8,732.6	3,305.3	656.6	581.3	3,976.9	212.5	91.3	85.2	86.5	88.6	97.4	95.5
Nov.	8,768.7	3,326.2	665.2	580.9	3,979.5	216.8	91.5	85.3	86.8	88.8	97.5	95.6
						Long-term						
2002 Nov.	7,431.7	2,803.1	524.3	446.2	3,484.3	173.7	91.1	86.3	80.6	85.3	97.0	95.9
Dec.	7,381.5	2,778.9	554.0	445.7	3,427.6	175.3	91.4	86.6	83.0	85.8	97.1	96.0
2003 Jan.	7,414.2	2,778.6	553.0	451.3	3,451.9	179.4	91.4	86.4	83.5	86.2	97.1	96.1
Feb.	7,469.4	2,794.5	565.3	455.7	3,468.8	185.2	91.3	86.3	83.5	86.2	97.0	96.0
Mar.	7,521.7	2,808.3	573.7	462.6	3,488.9	188.1	91.3	86.2	83.9	86.8	97.0	96.1
Apr.	7,548.0	2,817.8	587.0	466.6	3,484.7	192.0	91.4	86.2	84.6	87.0	97.2	95.8
May	7,601.8	2,824.4	589.2	472.5	3,521.2	194.6	91.7	86.6	85.2	87.3	97.3	95.9
June	7,676.7	2,850.2	606.4	480.1	3,540.9	199.0	91.6	86.2	85.4	87.5	97.2	95.9
July	7,725.1	2,880.7	625.0	482.4	3,537.0	200.0	91.4	86.0	85.2	87.3	97.2	95.7
Aug.	7,751.5	2,896.5	629.2	485.2	3,540.2	200.4	91.2	85.7	85.0	87.2	97.1	95.5
Sep.	7,803.1	2,907.5	638.0	480.5	3,571.5	205.5	91.4	85.7	86.0	87.5	97.2	95.7
Oct.	7,852.3	2,939.6	648.5	481.7	3,573.3	209.1	91.3	85.5	86.3	87.4	97.3	95.7
Nov.	7,886.1	2,952.2	657.0	484.1	3,579.4	213.4	91.5	85.7	86.7	87.7	97.4	95.8

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)

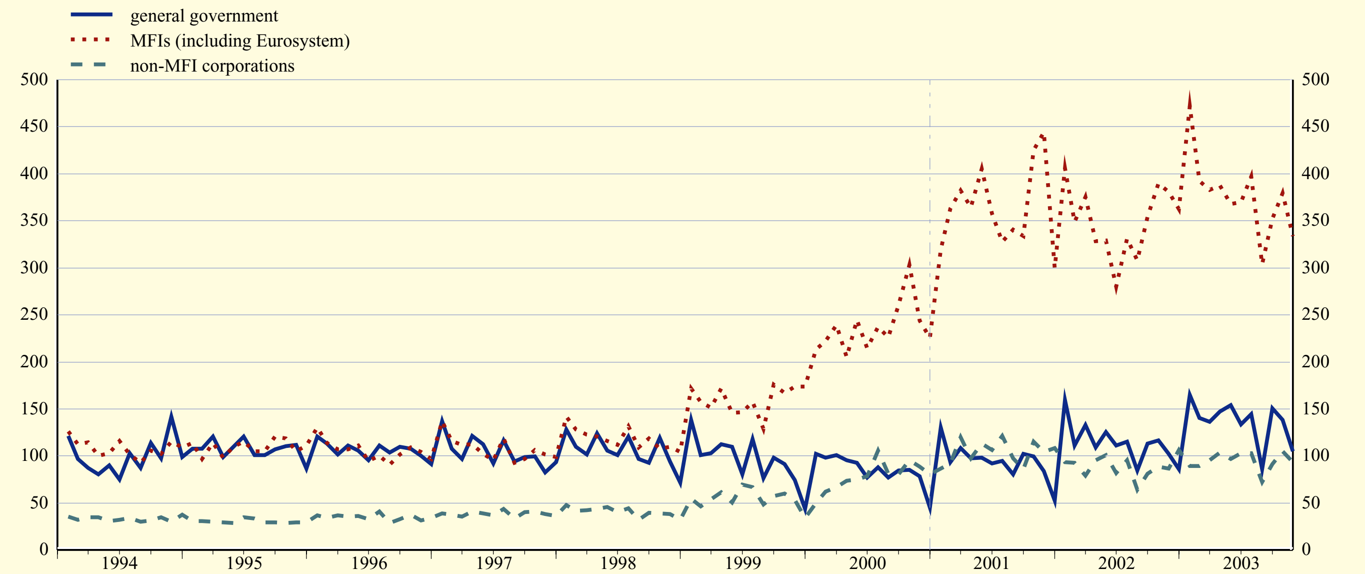
2. Gross issues

(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 Nov.	569.5	380.5	21.2	65.3	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.	726.8	472.2	11.7	77.7	156.3	8.9	93.1	91.9	90.5	96.4	95.5	92.7
Feb.	622.5	392.3	20.9	68.7	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	370.0	23.6	79.1	125.2	8.2	93.8	91.9	96.1	97.0	96.8	94.9
July	644.7	397.1	26.6	76.6	138.6	5.8	93.1	92.2	83.2	94.5	96.9	91.2
Aug.	461.7	303.6	8.7	63.7	82.3	3.4	93.9	92.4	91.8	96.6	97.7	93.1
Sep.	594.0	351.9	22.1	69.4	140.7	9.9	93.4	90.4	98.7	96.5	98.5	96.5
Oct.	623.6	379.7	19.6	85.7	130.7	7.9	93.9	91.7	95.4	96.8	98.1	95.1
Nov.	532.5	333.7	20.5	73.3	97.4	7.6	93.2	92.0	85.7	96.3	96.2	98.2
	Long-term											
2002 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	170.7	68.7	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.	79.1	44.7	6.2	3.6	23.0	1.6	88.1	82.3	88.5	98.8	97.2	91.3
Sep.	172.5	64.9	19.0	2.8	78.8	7.1	91.6	79.6	98.6	97.2	99.0	98.8
Oct.	163.2	74.0	16.6	8.4	58.9	5.4	92.2	84.8	95.9	92.6	100.0	96.2
Nov.	133.4	60.8	17.5	8.5	40.9	5.6	89.7	87.1	84.7	93.7	93.5	99.6

C15 Gross issues of securities other than shares by sector

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



Source: ECB.

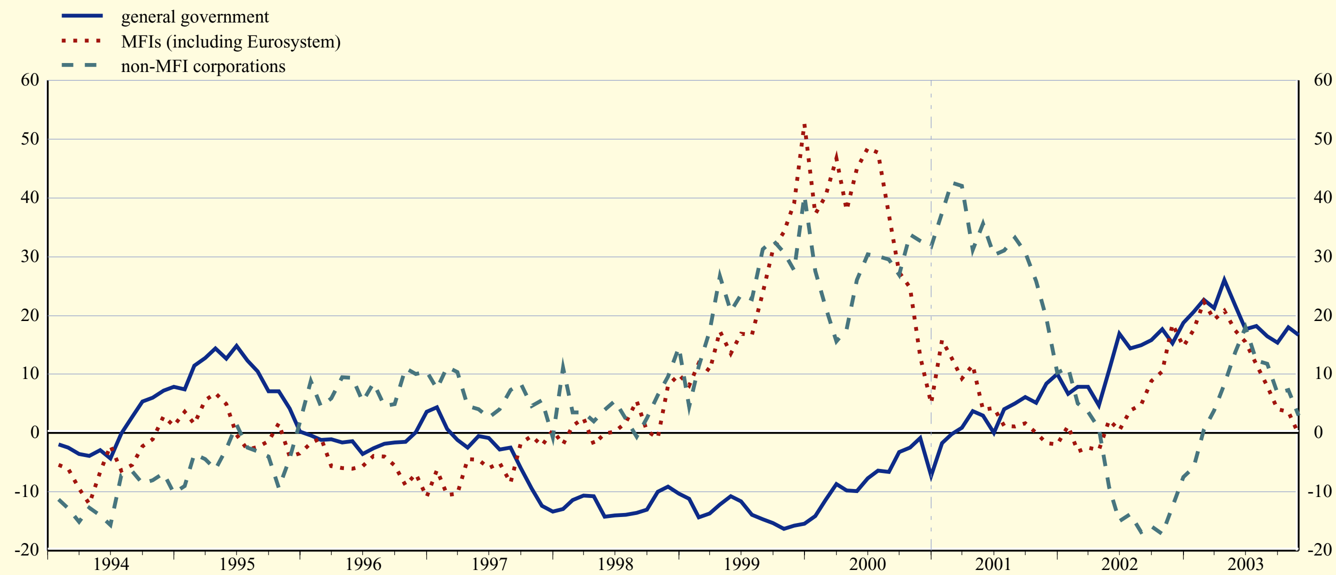
4.3 Annual growth rates of securities other than shares issued by euro area residents [1)]

(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 Nov.	7.2	107.3	6.6	13.6	26.1	3.1	6.1	5.2	28.1	12.4	119.4	18.6	-12.5	26.7
Dec.	6.3	106.3	5.4	13.8	25.4	3.5	5.0	4.1	28.0	12.9	112.9	14.7	-7.4	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	-5.9	16.0
Feb.	7.0	108.7	5.8	15.7	26.5	6.1	5.7	4.6	33.7	19.2	125.2	22.4	0.6	29.8
Mar.	6.7	109.6	4.9	17.3	27.4	8.2	5.5	4.5	31.8	17.9	126.8	19.4	3.8	28.2
Apr.	6.9	110.3	5.1	17.8	27.5	9.0	5.5	4.4	30.6	21.2	129.8	20.9	8.3	20.0
May	6.8	111.4	4.5	17.2	24.8	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	19.1	27.5	11.2	5.7	4.7	28.3	16.8	128.0	15.5	18.0	29.0
July	7.0	112.5	4.9	19.1	28.5	10.2	5.5	4.7	21.9	14.6	127.8	11.7	12.3	22.9
Aug.	6.8	112.5	4.7	19.3	28.2	10.9	5.1	4.4	21.0	12.2	126.2	8.0	11.8	18.6
Sep.	6.9	113.3	4.7	18.6	28.7	8.9	5.7	4.9	23.2	9.4	125.2	4.0	6.8	17.0
Oct.	7.2	114.1	5.5	19.1	29.0	9.5	5.4	4.6	21.3	10.3	128.1	3.6	7.3	14.3
Nov.	6.9	114.7	5.3	18.4	27.8	9.2	5.2	4.4	22.8	7.3	128.2	-0.1	3.0	9.7
	In euro													
2002 Nov.	6.8	106.9	5.3	15.1	30.7	3.4	6.1	5.3	28.0	12.4	120.8	20.4	-13.7	25.0
Dec.	6.0	106.0	4.2	16.1	31.0	4.1	5.0	4.1	27.7	13.8	113.8	16.6	-8.4	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	-6.7	14.3
Feb.	6.5	108.2	4.4	17.7	31.7	6.4	5.4	4.3	33.1	20.0	127.0	25.8	-0.5	28.2
Mar.	6.3	109.0	3.5	19.5	32.4	9.0	5.3	4.3	31.0	18.4	128.6	21.5	2.7	26.5
Apr.	6.5	109.8	3.8	20.4	33.1	9.8	5.3	4.4	29.3	23.1	132.4	26.1	7.3	18.3
May	6.5	110.9	3.4	20.0	30.4	11.2	5.6	4.7	26.3	20.3	133.2	20.9	13.7	29.0
June	6.6	111.4	3.1	22.5	34.1	12.5	5.4	4.5	27.0	18.2	130.5	18.7	17.5	29.2
July	6.7	111.9	3.8	22.2	34.8	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	22.5	34.7	11.9	4.9	4.2	19.5	14.9	130.6	13.7	11.0	18.6
Sep.	6.6	112.7	3.3	21.8	35.6	9.7	5.5	4.8	21.7	11.5	128.8	8.7	6.0	16.9
Oct.	6.9	113.5	4.1	22.5	36.3	10.2	5.3	4.6	20.8	12.6	131.5	7.9	6.9	14.6
Nov.	6.7	114.1	4.1	21.5	34.2	9.9	5.1	4.3	22.2	9.3	132.1	3.0	2.3	9.4

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.

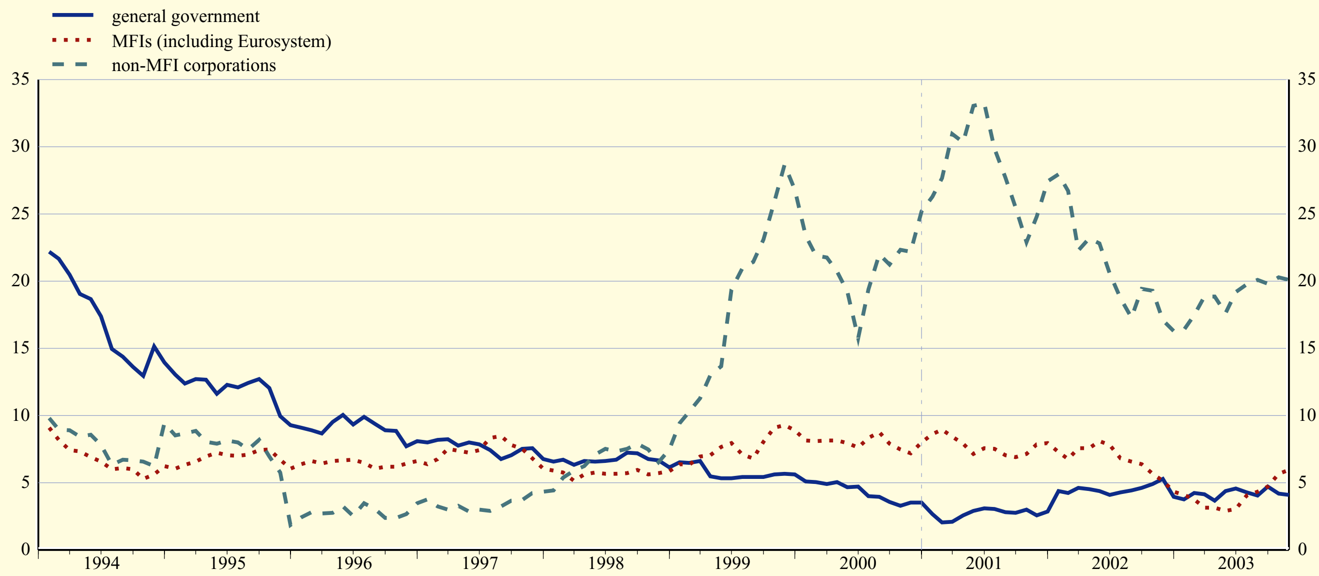
4.3 Annual growth rates of securities other than shares issued by euro area residents [1)]

(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.	Other general gov.	
15	16	17	18	19	20	21	22	23	24	25	26	27	
In all currencies combined													
-14.6	15.3	15.6	-5.3	6.7	106.1	5.1	17.1	26.1	7.8	5.3	4.3	29.1	2002 Nov.
-10.4	18.7	19.3	-14.3	5.6	105.6	4.4	16.3	25.1	6.8	3.9	2.9	29.4	Dec.
-7.2	20.6	21.1	-15.2	5.5	106.3	4.1	16.4	24.6	7.4	3.8	2.7	29.8	2003 Jan.
-1.3	22.7	23.0	0.6	5.7	107.0	3.7	17.5	26.4	7.8	4.2	3.0	34.6	Feb.
2.1	21.2	21.4	5.7	5.6	107.8	3.1	18.8	27.4	9.6	4.1	3.0	32.4	Mar.
7.4	26.0	26.1	18.1	5.4	108.4	3.2	18.9	27.6	9.3	3.7	2.5	30.9	Apr.
12.5	21.7	21.7	22.5	5.5	109.4	2.9	17.6	24.7	9.7	4.4	3.3	27.7	May
17.1	17.7	17.7	18.7	5.9	110.3	3.1	19.2	27.5	10.1	4.6	3.5	28.5	June
11.5	18.2	18.2	18.9	6.2	111.0	4.0	19.8	28.6	9.9	4.3	3.4	22.0	July
11.2	16.5	16.6	2.5	6.2	111.1	4.3	20.1	28.3	10.9	4.1	3.2	21.4	Aug.
6.0	15.4	15.4	14.5	6.7	112.1	4.7	19.8	28.9	9.5	4.7	3.8	23.4	Sep.
6.8	18.0	18.2	-2.9	6.8	112.7	5.7	20.3	29.2	10.1	4.2	3.3	21.8	Oct.
2.5	16.7	16.9	-3.7	6.9	113.4	6.0	20.1	28.1	10.7	4.1	3.1	23.3	Nov.
In euro													
-15.9	15.6	15.9	-14.0	6.2	105.6	3.7	19.8	30.8	9.3	5.3	4.3	29.1	2002 Nov.
-11.4	19.6	20.3	-23.4	5.2	105.2	2.9	19.6	30.8	8.2	3.8	2.8	29.3	Dec.
-8.1	20.5	21.1	-27.0	5.0	105.7	2.6	19.6	30.5	8.7	3.6	2.5	29.5	2003 Jan.
-2.5	22.3	22.7	-9.0	5.1	106.4	2.1	20.3	31.8	8.8	4.0	2.7	34.2	Feb.
0.9	21.0	21.3	-2.7	5.1	107.2	1.5	21.9	32.6	11.1	3.9	2.8	31.8	Mar.
6.4	25.8	26.0	8.9	4.9	107.6	1.4	22.1	33.4	10.6	3.5	2.4	29.7	Apr.
12.6	21.8	21.9	17.6	5.1	108.7	1.5	20.8	30.5	10.8	4.1	3.1	26.5	May
16.5	17.9	18.0	14.4	5.4	109.6	1.4	23.1	34.1	11.6	4.3	3.2	27.3	June
11.2	18.7	18.7	14.4	5.6	110.1	2.4	23.4	35.0	11.2	4.0	3.2	20.5	July
10.4	16.8	17.0	1.1	5.6	110.2	2.5	23.9	35.0	12.3	3.7	3.0	19.9	Aug.
5.1	15.4	15.4	14.5	6.1	111.2	2.7	23.7	35.9	10.8	4.5	3.7	21.9	Sep.
6.3	18.1	18.3	-5.1	6.3	111.8	3.7	24.4	36.7	11.1	4.0	3.2	21.2	Oct.
1.7	16.9	17.1	-7.0	6.4	112.4	4.3	23.9	34.7	11.8	4.0	3.1	22.7	Nov.

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 [1)]

(EUR billions unless otherwise indicated; market values)

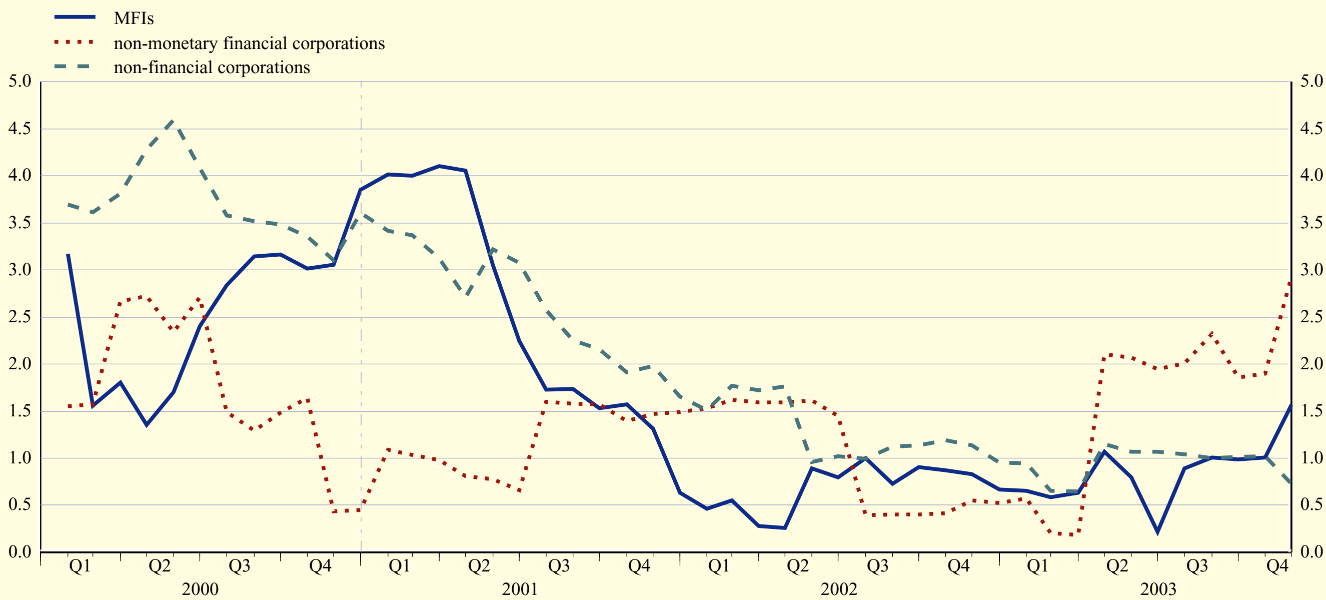
1. Outstanding amounts and annual growth rates

(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 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	0.8	346.0	0.5	2,602.1	1.1
Dec.	3,126.3	100.9	0.9	450.7	0.7	283.6	0.5	2,392.0	1.0
2003 Jan.	2,987.3	100.8	0.9	425.8	0.6	261.1	0.6	2,300.4	0.9
Feb.	2,894.8	100.8	0.6	425.3	0.6	270.8	0.2	2,198.7	0.7
Mar.	2,772.9	100.9	0.6	413.0	0.6	236.2	0.2	2,123.7	0.6
Apr.	3,122.7	101.5	1.2	471.4	1.1	291.8	2.1	2,359.5	1.1
May	3,155.5	101.5	1.1	476.7	0.8	291.3	2.1	2,387.4	1.1
June	3,268.9	101.5	1.0	504.2	0.2	300.6	1.9	2,464.1	1.1
July	3,379.4	101.7	1.1	528.0	0.9	330.9	2.0	2,520.6	1.0
Aug.	3,426.7	101.8	1.1	506.5	1.0	325.5	2.3	2,594.7	1.0
Sep.	3,286.7	101.8	1.1	494.8	1.0	307.1	1.9	2,484.7	1.0
Oct.	3,494.0	101.8	1.1	535.2	1.0	333.2	1.9	2,625.6	1.0
Nov.	3,558.3	101.9	1.1	549.5	1.6	337.9	2.9	2,671.0	0.7

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

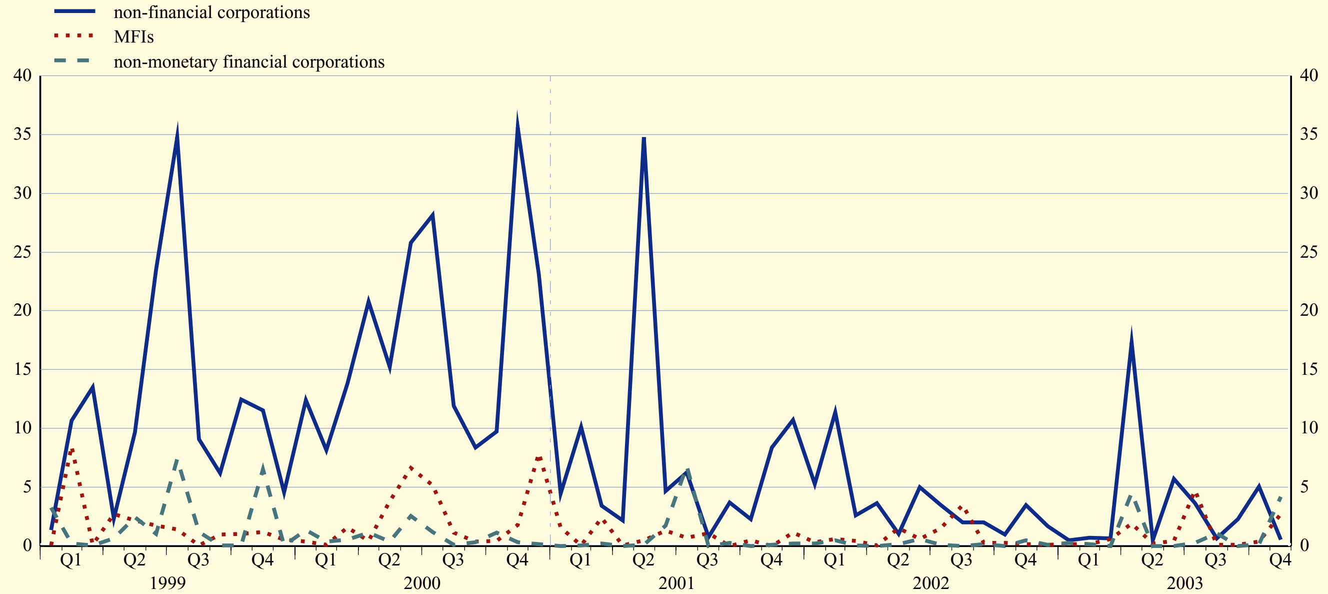
(EUR billions; market values)

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 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.	5.5	5.3	0.2	3.5	4.0	-0.5	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.	4.1	0.7	3.4	0.2	0.4	-0.2	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.	5.5	3.8	1.7	0.4	0.0	0.4	0.1	0.0	0.1	5.0	3.8	1.2
Nov.	7.5	5.3	2.1	2.7	0.1	2.7	4.2	0.3	3.9	0.6	5.0	-4.4

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 [1]	With agreed maturity			Redeemable at notice [1,2]		Overnight [1]	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 [1]	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge [3]	By initial rate fixation				Annual percentage rate of charge [3]			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
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 [1]	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation		
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7
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.

1) For this instrument category, new business and outstanding amounts coincide. End-of-period.
2) For this instrument category, households and non-financial corporations are merged and allocated to the household sector, since the outstanding amounts of non-financial corporations are negligible compared with those of the household sector in all participating Member States combined.
3) 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)

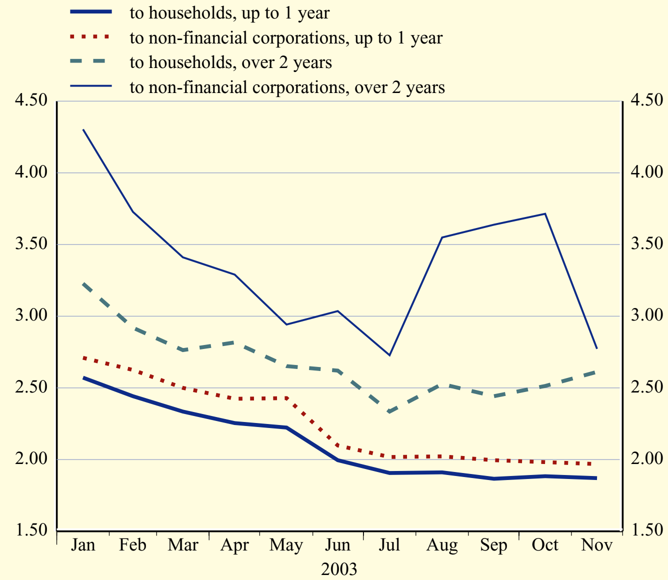
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight [1]	With agreed maturity		Redeemable at notice [1,2]		Overnight [1]	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2003 Jan.	0.89	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.	.	.	.	.	.	.	.	.	.

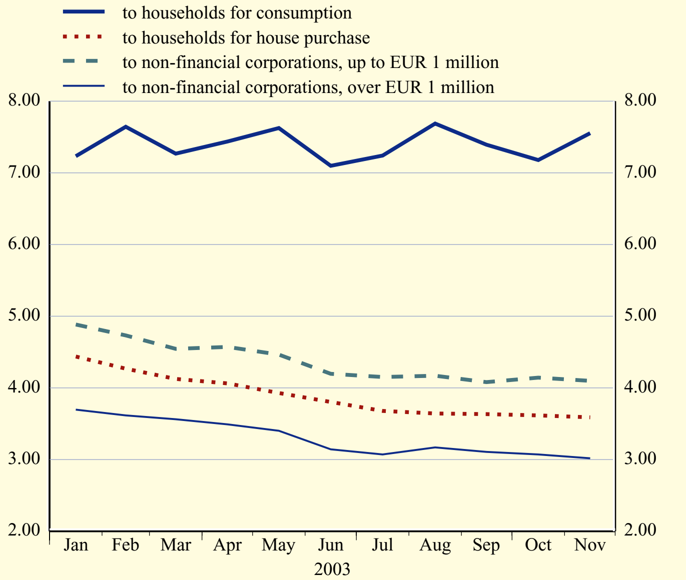
C20 New deposits with agreed maturity

(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)



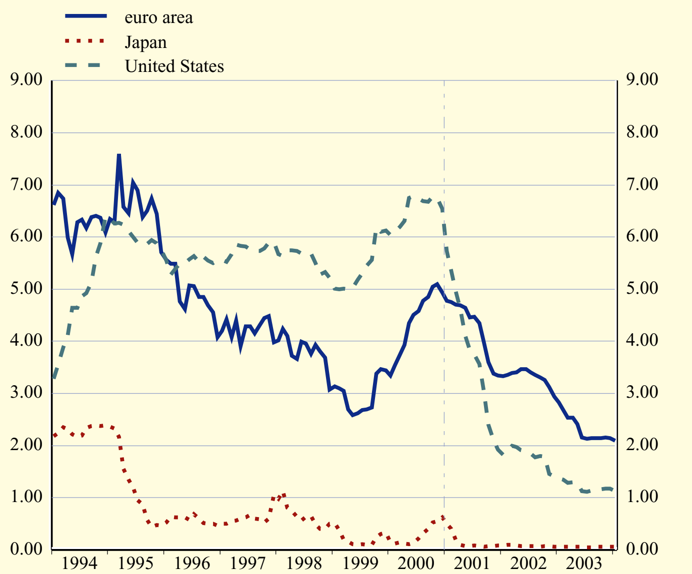
Source: ECB.

4.6 Money market interest rates
(percentages per annum; period averages)

	Euro area [1)]					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
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
2004 Jan.	2.02	2.08	2.09	2.12	2.22	1.13	0.06

C22 Euro area money market rates
(monthly; percentages per annum)

C23 3-month money market rates
(monthly; percentages per annum)

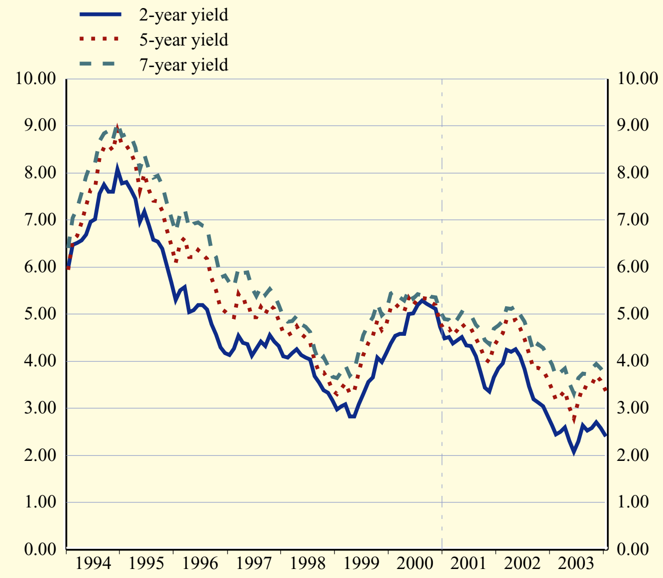


Source: ECB.
1) Before January 1999 synthetic euro area rates were calculated on the basis of national rates weighted by GDP. For further information, see general notes.

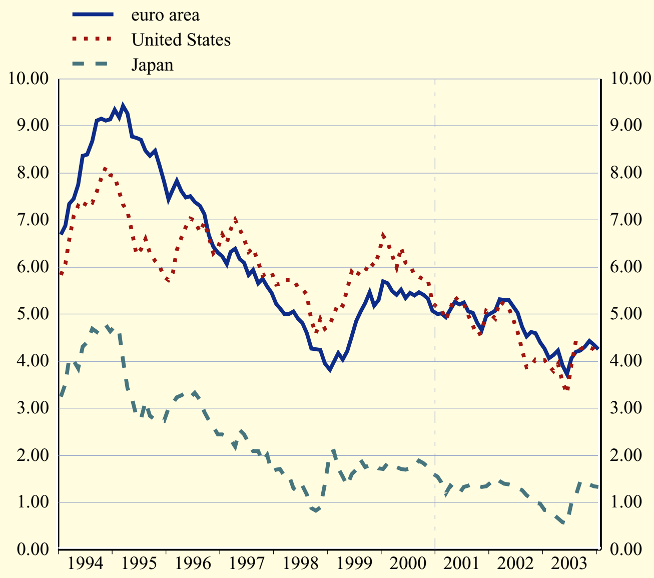
4.7 Government bond yields
(percentages per annum; period averages)

	Euro area [1]					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
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
2004 Jan.	2.41	2.71	3.37	3.70	4.26	4.13	1.33

C24 Euro area government bond yields
(monthly; percentages per annum)



C25 10-year government bond yields
(monthly; percentages per annum)

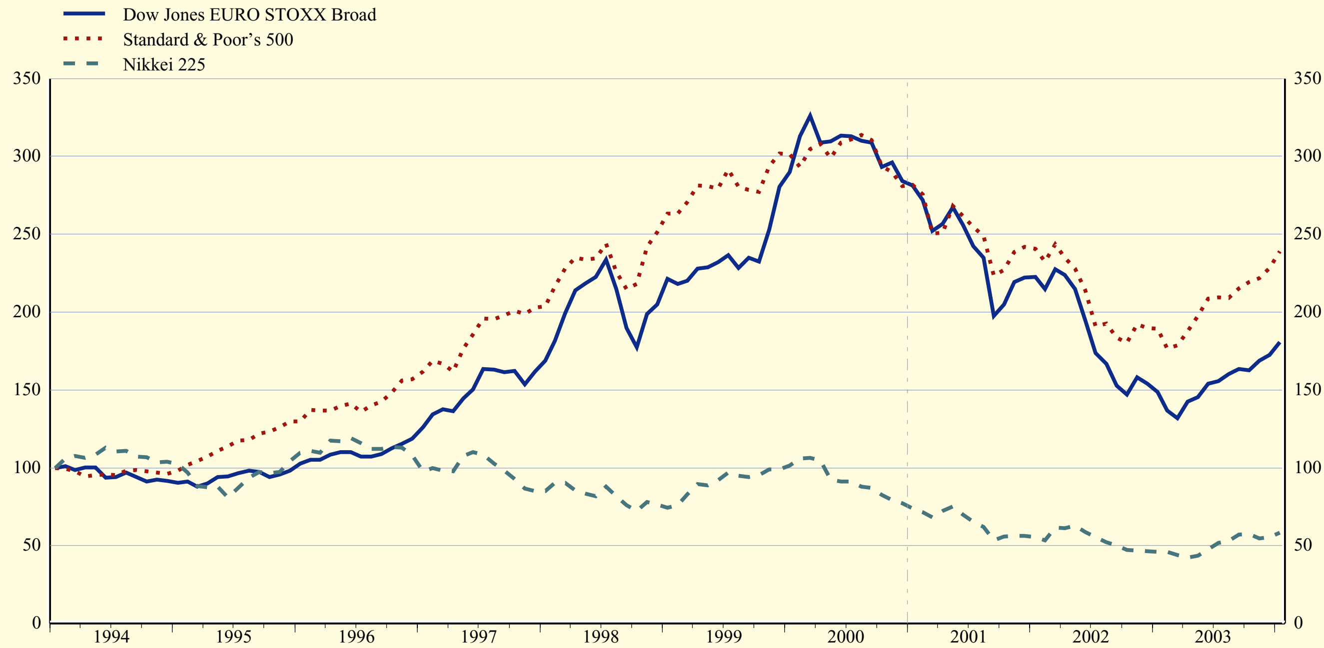


Source: ECB.
1) To December 1998, euro area yields are calculated on the basis of harmonised national government bond yields weighted by GDP. Thereafter, the weights are the nominal outstanding amounts of government bonds in each maturity band.

4.8 Stock market indices
(index levels in points; period averages)

	Dow Jones EURO STOXX indices												United States	Japan
	Benchmark		Main economic sector indices											
	Broad	50	Basic materials	Consumer cyclical	Consumer non-cyclical	Energy	Financial	Industrial	Technology	Utilities	Telecom.	Healthcare	Standard & Poor's 500	Nikkei 225
	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
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
2004 Jan.	250.6	2,839.1	250.3	164.8	222.0	277.2	242.0	257.5	349.2	239.6	405.1	350.3	1,131.6	10,876.4

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 [1)]

	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 [2)]	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
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	-	-	-	-	-	-
2003	113.2	2.1	1.8	2.5	-	-	-	-	-	-
2002 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	0.6
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
Q4	114.0	2.0	1.8	2.4	0.5	1.2	0.9	0.3	-0.2	0.6
2003 Aug.	113.3	2.1	1.7	2.5	0.3	0.2	0.9	0.0	1.0	0.3
Sep.	113.7	2.2	1.8	2.5	0.3	0.2	1.4	0.2	-0.1	0.2
Oct.	113.8	2.0	1.7	2.5	0.1	0.5	-0.1	0.1	-0.3	0.2
Nov.	113.9	2.2	2.0	2.4	0.1	0.6	0.1	0.0	-0.2	0.2
Dec.	114.2	2.0	1.8	2.3	0.0	0.2	-0.7	0.0	-0.1	0.1
2004 Jan. [3)]	.	2.0	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy		Rents				
% of total [2)]	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
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
2003	2.8	3.3	2.2	1.2	0.8	3.0	2.3	2.0	2.9	-0.6	2.7	3.4
2002 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
Q4	3.7	3.8	3.7	0.9	0.7	1.6	2.2	1.9	2.8	-0.7	2.5	3.3
2003 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.	3.6	3.8	3.2	0.9	0.7	1.8	2.2	1.9	2.7	-0.7	2.3	3.2
2004 Jan.	.	.	.	.	.	.	.	.	.	.	.	.

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.

2. Industry and commodity prices

	Industrial producer prices											World market prices of raw materials [1]		Oil prices [2] (EUR per barrel)
	Industry excluding construction									Construction [3]	Manufacturing	Total		
	Total (index 2000 = 100)	Total	Industry excluding construction and energy						Energy					
			Total	Intermediate goods	Capital goods	Consumer goods							Total excluding energy	
						Total	Durable	Non-durable						
% of total [4]	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	103.6	1.6	0.8	0.8	0.4	1.1	0.5	1.2	4.1	.	1.0	-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	1.0	0.4	1.0	3.5	2.3	0.5	-6.5	-5.8	25.1
Q4	103.6	1.1	0.7	0.3	0.5	0.9	0.3	1.0	2.5	.	0.5	-4.2	-1.2	24.5
2003 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	0.2	0.4	1.0	0.4	1.0	1.7	-	0.3	-8.2	-3.7	24.7
Nov.	103.7	1.4	0.8	0.4	0.5	1.1	0.3	1.2	3.6	-	0.8	1.1	0.2	24.6
Dec.	103.6	1.0	0.6	0.4	0.5	0.7	0.3	0.7	2.1	-	0.4	-5.0	-0.2	24.0
2004 Jan.	.	.	.	.	.	.	.	.	.	-	.	-5.5	5.1	24.2

3. Hourly labour costs [5]

	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	109.7	3.2	3.1	3.7	3.8	3.9	3.2	2.4
Q3	110.5	2.9	2.8	3.1	3.2	3.2	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	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
	Unit labour costs [1]							
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	7.9	2.3	4.4	3.0	3.2	1.7
Q3	107.3	2.4	6.6	1.2	2.8	2.4	2.3	2.3
	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	4.1	3.4	2.8	2.5	2.3	2.1
Q2	107.8	2.7	7.8	3.1	3.6	3.0	2.3	2.0
Q3	108.5	2.6	5.8	2.7	2.9	2.3	1.7	2.9
	Labour productivity [2]							
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	-1.2
Q4	100.9	0.9	-1.2	3.8	-0.7	1.3	-0.2	-0.6
2003 Q1	100.9	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	1.5	0.1	-0.2	-0.6	0.7

5. Gross Domestic Product deflators

	Total (index 2000 = 100)	Total	Domestic demand				Exports [3]	Imports [3]
			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.

1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance [2]		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories [1]	Total	Exports [2]	Imports [2]
	1	2	3	4	5	6	7	8	9
	Current prices (EUR billions, seasonally adjusted)								
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
	percentage of GDP								
2002	100.0	97.4	57.1	20.3	20.2	-0.2	2.6	-	-
	Constant prices (ECU billions at 1995 prices, seasonally adjusted)								
	quarter-on-quarter percentage changes								
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
	annual percentage changes								
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
	contributions to annual percentage changes of GDP in percentage points								
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 [1]	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
	Current prices (EUR billions, seasonally adjusted)								
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
	percentage of value added								
2002	100.0	2.3	21.8	5.5	21.1	27.5	21.8	-	-
	Constant prices (ECU billions at 1995 prices, seasonally adjusted)								
	quarter-on-quarter percentage changes								
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
	annual percentage changes								
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
	contributions to annual percentage changes of value added in percentage points								
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 1)	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	2.2	94.9	1.9	2.0	2.0	2.6	1.4	1.5	1.2	0.7	4.2	1.9
2000	5.0	100.1	5.4	5.5	6.1	8.7	1.9	6.3	0.9	1.9	2.5	5.8
2001	0.4	100.6	0.5	0.2	-0.6	1.7	0.4	-1.9	0.9	1.6	0.9	0.3
2002	-0.5	100.0	-0.5	-0.8	0.4	-2.0	-0.4	-5.3	0.7	1.0	0.8	-0.7
2002 Q3	0.1	100.4	0.2	-0.2	1.4	-1.1	-0.5	-4.1	0.4	1.8	0.6	0.1
Q4	0.8	100.0	1.2	1.3	2.8	0.7	0.9	-4.0	1.8	-0.4	-0.7	1.4
2003 Q1	0.4	100.2	0.8	0.4	1.3	1.0	-1.0	-5.3	-0.4	4.6	-2.6	0.5
Q2	-0.6	99.9	-0.7	-1.3	-0.5	-1.8	-1.4	-6.5	-0.3	2.2	-0.4	-1.2
Q3	-0.3	100.5	0.0	-0.5	-0.2	-0.6	0.3	-4.7	1.1	2.2	-0.6	-0.3
2003 June	-1.5	99.5	-1.5	-2.3	-0.8	-4.1	-1.3	-6.9	0.1	2.2	0.9	-1.9
July	0.9	101.0	1.1	0.6	0.5	1.8	1.3	-3.5	2.3	1.3	2.1	0.9
Aug.	-0.5	100.4	-0.2	-0.9	0.8	-3.2	0.4	-5.4	1.2	3.3	0.3	-0.9
Sep.	-1.3	100.1	-0.9	-1.2	-1.7	-1.0	-0.8	-5.4	-0.3	2.2	-3.6	-1.1
Oct.	.	101.4	1.5	1.3	1.5	2.5	-0.7	-2.8	-0.1	2.9	.	1.5
Nov.	.	101.5	1.2	1.6	1.6	3.3	-0.4	-4.4	-0.2	2.1	.	1.4
	month-on-month percentage changes (s.a.)											
2003 June	0.0	-	0.1	-0.1	0.4	-1.1	0.8	0.5	1.0	2.1	1.2	0.0
July	1.4	-	1.5	2.0	1.1	3.1	1.4	2.1	1.2	-0.5	1.5	2.0
Aug.	-0.8	-	-0.6	-0.7	0.2	-1.9	-0.6	-2.4	-0.4	1.0	-2.2	-0.9
Sep.	-0.4	-	-0.3	-0.5	-0.9	0.6	-0.8	0.7	-0.9	-1.5	-2.2	-0.3
Oct.	.	-	1.4	1.7	1.5	2.1	0.3	0.8	0.3	1.8	.	1.6
Nov.	.	-	0.0	0.6	0.7	0.8	0.2	-0.8	0.2	-3.2	.	0.4

4. Retail sales and passenger car registrations

	Retail sales (s.a.)								New passenger car registrations	
	Current prices		Constant prices							
	Total (index 2000 = 100)	Total	Total (index 2000 = 100)	Total	Food, beverages, tobacco	Non-food			Total (s.a. thousands 2))	Total
							Textiles, clothing, footwear	Household equipment		
% of total 1)	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8		
	1	2	3	4	5	6	7	8	9	10
2000	99.9	4.1	100.0	2.7	2.5	2.3	1.5	4.2	976	-1.8
2001	104.0	4.2	102.2	2.2	2.8	1.8	1.0	0.1	968	-0.8
2002	106.0	1.9	102.5	0.3	1.5	-0.2	-1.8	-1.7	926	-4.3
2003	.	.	.	.	.	.	.	.	910	-1.7
2002 Q4	106.9	1.8	103.0	0.5	2.3	-0.5	-1.6	-2.3	947	0.2
2003 Q1	107.9	2.7	103.4	1.3	3.0	0.7	-1.8	0.3	897	-2.6
Q2	107.5	1.7	103.1	1.1	2.1	-0.1	-1.9	0.2	891	-2.8
Q3	107.6	1.0	102.9	0.0	1.9	-1.7	-5.2	-0.9	929	1.4
Q4	.	.	.	.	.	.	.	.	924	-2.3
2003 July	107.8	1.5	103.2	0.2	1.8	-1.2	-3.2	-1.2	927	2.6
Aug.	107.2	0.2	102.6	-0.7	1.7	-2.8	-8.1	-1.6	923	-0.9
Sep.	107.8	1.2	103.1	0.4	2.3	-1.1	-4.3	0.2	939	1.8
Oct.	108.4	1.1	103.7	0.7	1.2	-0.2	-0.7	0.3	928	-0.1
Nov.	.	.	.	.	.	.	.	.	933	0.1
Dec.	.	.	.	.	.	.	.	.	910	-7.4

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, [1] unless otherwise indicated; seasonally adjusted)

5. Business and Consumer Surveys

	Economic sentiment indicator [2] (index 2000 = 100)	Manufacturing industry					Consumer confidence indicator [3]				
		Industrial confidence indicator				Capacity utilisation [3),4)] (percentages)	Total [5]	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total [5]	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
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	80.9	-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	81.0	-16	-5	-17	34	-9
2003 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	10	6	-	-16	-5	-16	32	-10
2004 Jan.	95.8	-7	-21	10	10	80.7	-16	-6	-16	32	-9

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total [5]	Order books	Employment expectations	Total [5]	Present business situation	Volume of stocks	Expected business situation	Total [5]	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
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	-29	-15	-13	-19	16	-3	5	-1	4	13
Q4	-20	-28	-12	-11	-15	15	-2	10	6	11	15
2003 Aug.	-23	-29	-16	-14	-18	18	-5	6	-1	4	14
Sep.	-23	-29	-17	-12	-19	14	-4	7	1	4	16
Oct.	-22	-29	-14	-9	-16	12	0	9	4	9	15
Nov.	-20	-27	-13	-10	-13	16	-1	11	6	11	16
Dec.	-19	-28	-9	-13	-17	16	-5	11	7	12	15
2004 Jan.	-19	-28	-10	-11	-17	16	0	10	5	7	17

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) Euro area results for January 2004 do not cover France due to changes in the questionnaires of the French surveys. The results are therefore not fully comparable with previous results.
4) 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.
5) 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 [1]

(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 [2]	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	133.725	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	133.762	0.0	-0.1	0.4	-2.2	-1.8	-0.8	0.0	1.3	1.1
Q2	133.876	0.1	0.1	0.5	-1.7	-1.8	0.1	0.4	1.0	1.1
Q3	133.837	0.1	0.0	0.3	-1.6	-2.0	-0.5	0.8	0.9	0.8
	quarter-on-quarter changes (s.a.)									
2002 Q3	0.004	0.0	0.0	-0.1	-0.6	-0.4	-0.3	0.0	0.2	0.3
Q4	0.010	0.0	-0.1	0.4	-0.4	-0.6	-0.1	0.0	0.4	0.3
2003 Q1	0.027	0.0	0.0	0.2	-0.7	-0.4	0.0	0.2	0.1	0.2
Q2	0.114	0.1	0.1	-0.2	-0.2	-0.5	0.4	0.2	0.3	0.2
Q3	-0.039	0.0	0.0	-0.1	-0.3	-0.5	-0.9	0.3	0.3	0.1

2. Unemployment

(seasonally adjusted)

	Total		By age [3]				By gender [4]			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total [2]	100.0	100.0	78.4	78.4	21.6	21.6	50.0	50.0	50.0	50.0
	1	2	3	4	5	6	7	8	9	10
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	11.688	8.4	9.094	7.4	2.594	16.2	5.763	7.3	5.925	9.9
2003	12.284	8.8	9.627	7.7	2.657	16.8	6.137	7.7	6.147	10.1
2002 Q4	11.969	8.6	9.346	7.6	2.623	16.4	5.946	7.5	6.023	10.0
2003 Q1	12.196	8.7	9.521	7.7	2.675	16.8	6.074	7.7	6.122	10.1
Q2	12.303	8.8	9.634	7.8	2.669	16.8	6.134	7.7	6.169	10.2
Q3	12.307	8.8	9.660	7.8	2.648	16.7	6.152	7.7	6.155	10.1
Q4	12.330	8.8	9.707	7.8	2.624	16.7	6.184	7.8	6.147	10.1
2003 July	12.298	8.8	9.640	7.7	2.658	16.8	6.138	7.7	6.160	10.1
Aug.	12.304	8.8	9.657	7.8	2.647	16.7	6.150	7.7	6.154	10.1
Sep.	12.319	8.8	9.681	7.8	2.639	16.7	6.169	7.8	6.150	10.1
Oct.	12.336	8.8	9.706	7.8	2.630	16.7	6.185	7.8	6.151	10.1
Nov.	12.336	8.8	9.713	7.8	2.623	16.7	6.186	7.8	6.149	10.1
Dec.	12.319	8.8	9.702	7.8	2.618	16.6	6.180	7.8	6.140	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) Employment: in 2002; unemployment: in 2003.
3) Adult: 25 years of age and over; youth: below 25 years of age; rates are expressed as a percentage of the labour force for the relevant age group.
4) Rates are expressed as a percentage of the labour force for the relevant gender.

GOVERNMENT FINANCE

6.1 Revenue, expenditure and deficit/surplus [1)]

(as a percentage of GDP)

1. Euro area [2)] − revenue

	Total	Current revenue										Capital revenue		Memo: fiscal burden [3)]
			Direct taxes	Households	Corporations	Indirect taxes	Received by EU institutions	Social contributions	Employers	Employees	Sales		Capital taxes	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1994	47.5	47.1	11.6	9.2	2.0	13.4	0.8	17.5	8.5	5.7	2.4	0.4	0.2	42.8
1995	47.1	46.6	11.6	9.2	2.0	13.3	0.9	17.3	8.4	5.6	2.4	0.5	0.3	42.6
1996	47.9	47.4	12.0	9.3	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	2.6	13.5	0.7	17.6	8.8	5.6	2.4	0.6	0.4	43.7
1998	47.6	47.2	12.5	9.6	2.5	14.1	0.7	16.5	8.5	5.0	2.4	0.4	0.3	43.4
1999	48.1	47.6	12.8	9.9	2.5	14.3	0.6	16.4	8.5	5.0	2.4	0.5	0.3	43.9
2000	47.8	47.3	13.0	10.0	2.7	14.2	0.6	16.2	8.4	4.9	2.3	0.5	0.3	43.7
2001	47.0	46.6	12.6	9.8	2.5	13.9	0.6	16.0	8.4	4.8	2.2	0.5	0.3	42.8
2002	46.4	45.9	12.1	9.5	2.4	13.9	0.5	16.0	8.4	4.7	2.2	0.5	0.3	42.3

2. Euro area [2)] − expenditure

	Total	Current expenditure								Capital expenditure				Memo: primary expenditure [4)]
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments	Subsidies	Paid by EU institutions		Investment	Capital transfers	Paid by EU institutions	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1994	52.7	48.3	11.3	4.9	5.5	26.5	23.0	2.4	0.6	4.3	2.9	1.5	0.0	47.1
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	52.2	48.2	11.2	4.8	5.7	26.5	23.3	2.2	0.6	4.0	2.6	1.4	0.0	46.5
1997	50.8	47.1	11.0	4.7	5.1	26.2	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	25.9	22.7	2.0	0.5	3.9	2.4	1.5	0.1	45.1
1999	49.4	45.3	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	1.5	0.1	44.6
2001	48.7	44.5	10.5	4.7	4.0	25.3	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	25.6	22.8	1.8	0.5	4.0	2.4	1.6	0.0	45.0

3. Euro area [2)] − deficit/surplus, primary deficit/surplus and government consumption

	Deficit (-)/surplus (+)					Primary deficit (-)/ surplus (+)	Government consumption [5)]							
	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
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1994	-5.1	-4.4	-0.5	-0.2	0.0	0.4	20.9	11.3	4.9	5.1	1.9	-2.4	8.7	12.1
1995	-5.1	-4.2	-0.5	-0.1	-0.3	0.6	20.6	11.2	4.8	5.1	1.9	-2.4	8.6	11.9
1996	-4.3	-3.6	-0.4	0.0	-0.2	1.4	20.7	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	-2.4	8.4	11.9
1998	-2.3	-2.2	-0.2	0.1	0.0	2.4	20.1	10.7	4.6	5.1	1.8	-2.4	8.2	11.8
1999	-1.3	-1.6	-0.1	0.1	0.4	2.9	20.1	10.7	4.7	5.1	1.8	-2.4	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	-2.3	8.1	11.9
2001	-1.7	-1.6	-0.4	0.0	0.3	2.3	20.1	10.5	4.7	5.2	1.8	-2.2	8.1	11.9
2002	-2.3	-1.9	-0.5	-0.1	0.2	1.4	20.4	10.6	4.8	5.3	1.8	-2.2	8.2	12.1

4. Euro area countries − deficit (-)/surplus (+) [6)]

	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) 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.
2) Data prior to 2001 refer to the Euro 11.
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 [1)]

(as a percentage of GDP)

1. Euro area [2)] − 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 [3)]				Other creditors [4)]
						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	8.7	16.2	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	13.4	17.9
1998	73.2	2.8	15.1	7.9	47.3	53.4	27.0	16.2	10.2	19.8
1999	72.1	2.9	14.2	6.9	48.1	49.8	25.2	14.9	9.7	22.2
2000	69.6	2.7	13.0	6.2	47.6	46.0	22.8	13.3	9.9	23.6
2001	69.2	2.6	12.5	6.3	47.8	44.7	22.5	12.5	9.7	24.5
2002	69.0	2.5	11.7	6.7	48.0	43.0	21.3	12.1	9.6	26.0

2. Euro area [2)] − government debt by issuer, maturity and currency denomination

	Total	Issued by [5)]				Original maturity			Residual maturity			Currency		
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year		Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currency [6)]		Other currencies
								Variable interest rate					Non-domestic currency	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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	6.4	65.6	4.8	14.4	26.9	30.7	70.3	-	1.7
2000	69.6	58.0	6.1	5.1	0.3	5.7	63.8	4.3	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	2.9	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	3.1	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 are partially estimated. General government gross consolidated debt at nominal value at the end of the year. Holdings by other governments are not consolidated.
2) Data prior to 2001 refer to the Euro 11.
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 [1]
(as a percentage of GDP)

1. Euro area [2] − change in government debt by source, financial instrument and sector of the holder

	Total	Source of change				Financial instrument				Holder			
		Borrowing requirement [3]	Valuation effects [4]	Other changes in volume [5]	Aggregation effect [6]	Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [7]	MFIs	Other financial corporations	Other creditors [8]
	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	0.3	0.1	0.0	1.4
2002	2.0	2.5	-0.5	0.0	0.0	0.0	-0.3	0.6	1.7	-0.3	-0.5	0.0	2.3

2. Euro area [2] − deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) [9]	Deficit-debt adjustment [10]											
			Total	Transactions in main financial assets held by general government							Valuation effects		Other changes in volume	Other [12]
				Total	Currency and deposits	Securities [11]	Loans	Shares and other equity	Privatisations	Equity injections		Exchange rate effects		
	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	0.2
2001	1.7	-1.6	0.1	-0.5	-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	0.2	0.1	0.1	0.1	-0.1	-0.3	0.1	-0.5	-0.1	0.0	0.0

Source: ECB.

1) Data are partially estimated. Annual change in gross nominal consolidated debt expressed as a percentage of GDP, i.e. [debt(t) - debt(t-1)] ÷ GDP(t).
2) Data prior to 2001 refer to the Euro 11.
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).

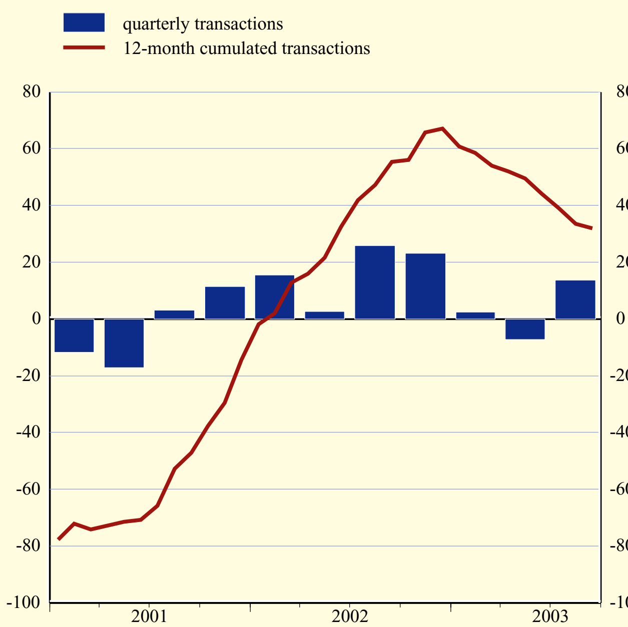
7 EXTERNAL TRANSACTIONS AND POSITIONS

7.1 Balance of payments
(EUR billions; net transactions)

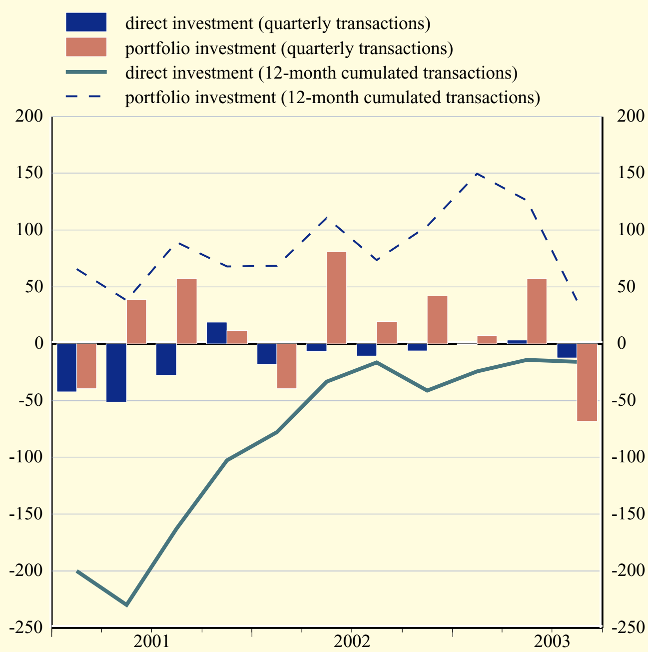
1. Summary balance of payments

	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	-7.3	23.4	4.9	-15.9	-19.7	1.9	-5.4	-33.0	3.5	57.4	-1.5	-94.3	1.9	38.4
Q3	13.6	37.3	4.7	-9.8	-18.6	2.6	16.2	-8.8	-12.4	-68.4	-4.5	74.5	1.9	-7.3
2002 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.	-7.6	6.3	0.7	-8.1	-6.6	0.1	-7.6	16.0	-16.1	26.8	-3.5	8.2	0.7	-8.5
May	-1.7	7.2	1.5	-4.8	-5.7	0.2	-1.4	-27.0	0.0	9.5	1.4	-38.2	0.4	28.5
June	2.0	9.9	2.7	-3.1	-7.4	1.6	3.6	-21.9	19.7	21.1	0.6	-64.2	0.8	18.3
July	3.1	15.5	2.6	-8.7	-6.2	0.8	3.9	-11.0	-4.2	-47.3	-2.4	41.0	1.8	7.1
Aug.	3.7	10.4	0.3	-1.3	-5.7	1.7	5.4	7.5	-3.4	-35.3	-2.3	48.3	0.3	-12.9
Sep.	6.8	11.5	1.9	0.1	-6.7	0.1	6.9	-5.4	-4.8	14.2	0.2	-14.7	-0.2	-1.5
Oct.	9.3	14.5	2.6	-4.7	-3.2	1.1	10.4	-4.4	-10.6	26.7	1.9	-22.7	0.2	-6.0
Nov.	4.4	9.2	0.9	0.7	-6.3	1.1	5.5	-0.3	6.5	-4.3	0.4	-8.3	5.5	-5.3
	12-month cumulated transactions													
2003 Nov.	30.4	110.7	16.0	-41.5	-54.7	9.5	39.8	-87.3	-20.2	17.8	-8.7	-96.4	20.3	47.5

C27 B.o.p. current account balance
(EUR billions)



C28 B.o.p. net direct and portfolio investment
(EUR billions)



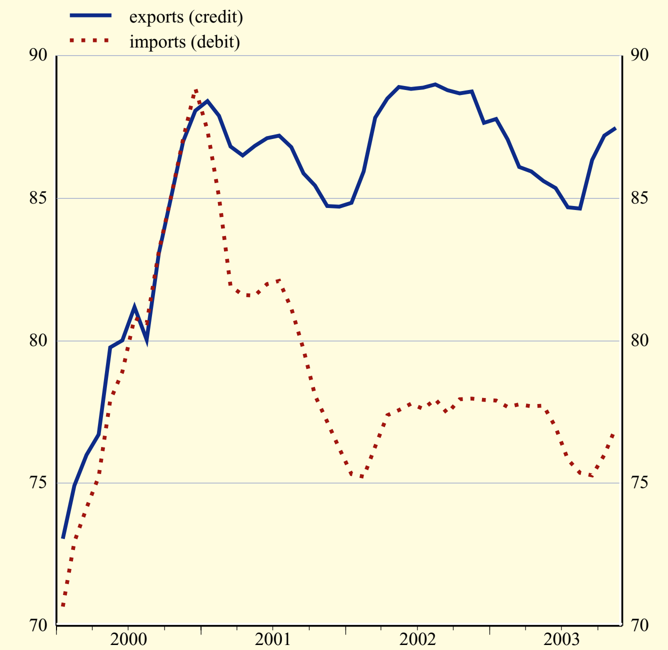
Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

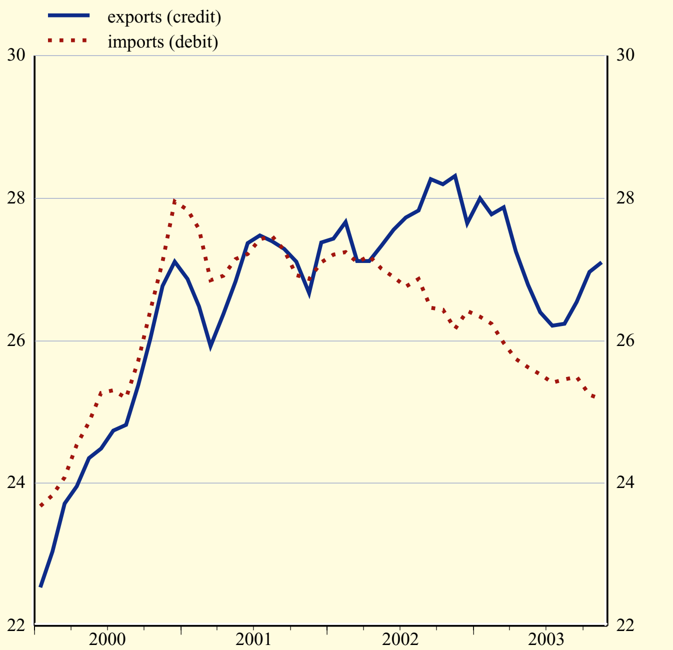
2. Current account
(seasonally adjusted)

	Total			Goods		Services		Income		Current transfers	
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11
2002 Q3	436.3	413.4	22.9	266.3	232.3	84.8	79.4	62.0	69.8	23.1	31.9
Q4	431.4	414.5	16.9	262.9	233.8	82.9	79.3	62.5	67.4	23.1	34.1
2003 Q1	419.0	414.8	4.2	258.2	233.3	83.6	77.9	55.9	69.9	21.1	33.7
Q2	413.1	411.0	2.1	256.1	230.9	79.2	76.6	58.7	69.2	19.1	34.4
Q3	415.1	405.8	9.3	259.0	225.8	79.6	76.5	57.5	67.0	18.9	36.5
2002 Nov.	147.6	139.8	7.8	89.1	77.9	28.2	26.2	22.0	24.3	8.3	11.4
Dec.	140.2	134.9	5.3	86.1	77.4	27.2	26.4	19.3	20.1	7.6	11.0
2003 Jan.	143.3	140.9	2.4	88.1	78.4	28.7	26.4	19.4	24.7	7.2	11.4
Feb.	139.6	137.9	1.8	87.0	77.3	27.5	25.9	18.5	23.4	6.7	11.3
Mar.	136.0	136.0	0.0	83.2	77.7	27.5	25.6	18.1	21.8	7.2	10.9
Apr.	141.6	140.3	1.3	87.7	78.2	26.8	25.7	21.1	25.1	6.0	11.3
May	137.3	136.0	1.4	85.9	77.3	26.1	25.6	19.0	21.8	6.3	11.3
June	134.2	134.8	-0.6	82.5	75.4	26.3	25.3	18.6	22.3	6.8	11.8
July	137.5	135.4	2.1	85.6	74.9	26.2	25.4	19.4	23.1	6.3	12.1
Aug.	138.4	136.5	1.8	85.8	75.9	26.2	25.7	19.9	22.8	6.5	12.2
Sep.	139.2	133.8	5.4	87.6	75.1	27.2	25.4	18.2	21.1	6.1	12.2
Oct.	139.8	131.9	8.0	88.1	77.0	27.5	24.6	17.8	22.2	6.4	8.1
Nov.	138.6	136.8	1.7	86.7	78.8	26.6	25.5	18.8	20.2	6.5	12.3

C29 B.o.p. goods
(EUR billions, seasonally adjusted; three-month moving average)



C30 B.o.p. services
(EUR billions, seasonally adjusted; three-month moving average)



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	Net	Credit	Debit	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	410.0	417.2	-7.3	254.4	231.0	79.2	74.3	61.6	77.6	14.7	34.4	4.5	2.6
Q3	412.1	398.5	13.6	256.3	219.0	85.8	81.1	54.5	64.4	15.4	34.0	3.9	1.4
2002 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.	137.3	144.9	-7.6	85.6	79.3	25.8	25.1	21.3	29.3	4.7	11.3	0.5	0.4
May	134.8	136.5	-1.7	84.2	76.9	25.9	24.4	19.7	24.5	5.0	10.6	1.4	1.2
June	137.9	135.8	2.0	84.7	74.8	27.5	24.8	20.7	23.8	5.0	12.4	2.6	1.0
July	146.9	143.8	3.1	91.3	75.8	30.7	28.1	19.6	28.2	5.3	11.6	1.3	0.5
Aug.	125.5	121.8	3.7	76.4	66.0	26.9	26.6	17.2	18.5	5.0	10.7	2.1	0.4
Sep.	139.7	132.9	6.8	88.7	77.2	28.2	26.3	17.8	17.7	5.0	11.8	0.6	0.5
Oct.	148.6	139.3	9.3	98.1	83.6	28.7	26.0	17.1	21.8	4.7	7.9	1.6	0.5
Nov.	134.6	130.2	4.4	87.3	78.1	24.6	23.8	17.1	16.4	5.6	11.9	1.7	0.6

4. Income account

	Total		Compensation of employees		Investment income							
					Total		Direct investment					
							Total		Equity		Debt	
	Credit	Debit	Credit	Debit	Credit	Debit	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 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	61.6	77.6	3.6	1.4	58.0	76.1	16.0	17.5	13.1	15.2	3.0	2.3
Q3	54.5	64.4	3.6	1.5	50.9	62.9	12.9	13.8	10.7	12.4	2.1	1.4

	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 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	23.5	37.6	7.9	21.1	15.6	16.6	18.5	21.0
Q3	21.5	31.0	4.8	10.3	16.7	20.7	16.6	18.1

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
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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	-36.9	-23.8	5.3	-29.1	-13.1	0.0	-13.1	40.4	30.1	1.9	28.2	10.3	0.0	10.3
Q3	-29.5	-32.7	-1.1	-31.6	3.2	-0.2	3.4	17.1	18.7	0.5	18.2	-1.6	-0.4	-1.2
2002 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.	-26.6	-8.3	-1.3	-7.0	-18.3	0.0	-18.4	10.5	7.7	0.2	7.5	2.8	0.0	2.8
May	-16.5	-16.4	-0.7	-15.7	-0.2	0.0	-0.1	16.5	15.5	0.2	15.3	1.0	-0.1	1.0
June	6.3	0.9	7.3	-6.4	5.4	0.0	5.4	13.5	6.9	1.5	5.5	6.5	0.1	6.4
July	-9.0	-7.8	-1.0	-6.8	-1.2	-0.1	-1.1	4.8	4.3	0.1	4.2	0.5	-0.6	1.1
Aug.	-2.5	-10.6	-0.4	-10.1	8.0	-0.1	8.1	-0.9	1.2	0.2	0.9	-2.0	0.1	-2.1
Sep.	-17.9	-14.3	0.3	-14.7	-3.6	0.0	-3.6	13.1	13.2	0.2	13.0	-0.1	0.1	-0.1
Oct.	-11.8	-6.7	2.0	-8.8	-5.1	0.0	-5.1	1.3	5.3	0.0	5.3	-4.0	0.1	-4.1
Nov.	1.7	4.1	-2.5	6.6	-2.4	0.0	-2.4	4.8	5.0	0.0	5.0	-0.2	-0.1	0.0

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
	1	2	3	4	5	6	7	8	9	10
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	-102.9	160.3	-32.9	29.3	-70.0	-59.7	-10.3	130.9	117.2	13.7
Q3	-67.5	-0.9	-23.6	21.4	-43.9	-39.1	-4.9	-22.2	-10.5	-11.8
2002 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.	-21.1	47.9	-10.4	14.1	-10.8	-15.5	4.7	33.8	17.1	16.7
May	-35.0	44.5	-7.8	-5.9	-27.2	-19.6	-7.6	50.4	48.3	2.1
June	-46.7	67.9	-14.7	21.2	-32.0	-24.6	-7.4	46.7	51.8	-5.1
July	-31.0	-16.3	-12.0	9.7	-19.0	-22.8	3.8	-26.0	-22.6	-3.4
Aug.	-14.4	-20.9	-6.0	0.8	-8.4	-7.0	-1.4	-21.7	-7.9	-13.9
Sep.	-22.2	36.3	-5.6	10.9	-16.5	-9.3	-7.2	25.5	20.0	5.5
Oct.	-34.2	60.9	-14.4	27.6	-19.8	-10.4	-9.4	33.3	17.8	15.5
Nov.	-26.8	22.5	-7.1	15.9	-19.7	-15.4	-4.3	6.6	7.6	-1.0

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		
			Total	General gov.	Other sectors			Total	General gov.	Other sectors			Total	General gov.	Other sectors
	1	2	3	4	5	6	7	8	9	10	11	12	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	-33.5	-0.8	-32.7	-0.2	-25.6	-33.8	0.0	-33.8	1.1	-1.4	-10.0	1.0	-11.0
Q3	-0.1	-6.2	-17.3	-0.8	-16.5	-1.4	-8.8	-28.9	-0.3	-28.6	0.1	-1.0	-4.0	-0.1	-3.9
2002 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	0.6	-10.9	-	-	-0.1	-8.0	-7.4	-	-	0.5	3.2	1.0	-	-
May	0.0	0.3	-8.0	-	-	-0.2	-2.7	-16.6	-	-	0.9	-6.2	-2.3	-	-
June	0.0	-0.2	-14.5	-	-	0.1	-14.8	-9.8	-	-	-0.4	1.6	-8.6	-	-
July	0.0	-2.0	-9.9	-	-	-0.1	-1.8	-20.9	-	-	0.2	-3.3	6.9	-	-
Aug.	0.0	-1.0	-5.0	-	-	-0.6	-2.3	-4.1	-	-	0.1	4.0	-5.4	-	-
Sep.	0.0	-3.2	-2.4	-	-	-0.7	-4.7	-3.9	-	-	-0.1	-1.7	-5.4	-	-
Oct.	0.0	-4.9	-9.5	-	-	0.1	-2.4	-8.1	-	-	0.0	-5.3	-4.1	-	-
Nov.	0.0	1.4	-8.5	-	-	0.0	-8.9	-6.4	-	-	-0.1	-2.7	-1.5	-	-

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	-123.5	29.2	0.2	2.3	-2.0	3.9	-103.1	27.0	-11.5	12.1	-91.7	14.9	-18.5	-3.9
Q3	84.7	-10.2	0.4	3.0	-0.3	4.8	87.6	-7.4	-13.2	16.6	100.8	-24.0	-3.0	-10.6
2002 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.	-46.0	54.2	0.0	-0.3	0.7	2.8	-32.7	52.1	-3.6	2.0	-29.1	50.1	-14.1	-0.4
May	-46.5	8.2	0.7	0.9	-3.7	1.3	-35.1	3.8	-1.7	2.7	-33.5	1.0	-8.3	2.3
June	-31.0	-33.2	-0.5	1.6	0.9	-0.2	-35.3	-28.9	-6.2	7.3	-29.1	-36.2	3.9	-5.8
July	38.5	2.5	0.1	1.7	-2.5	1.9	42.3	2.6	-4.6	8.6	47.0	-6.0	-1.4	-3.6
Aug.	77.9	-29.7	0.3	0.5	0.5	0.4	73.3	-30.3	-2.6	2.7	75.9	-33.0	3.8	-0.3
Sep.	-31.7	17.0	0.0	0.8	1.7	2.5	-28.0	20.3	-5.9	5.3	-22.1	15.0	-5.3	-6.6
Oct.	-47.9	25.3	-0.3	-0.3	1.7	-1.8	-39.8	24.6	-8.4	7.0	-31.4	17.6	-9.5	2.8
Nov.	-36.6	28.3	0.4	-3.9	1.0	1.6	-36.1	29.8	-7.1	8.1	-29.1	21.7	-1.8	0.8

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 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	-1.7	3.6	1.9	-0.3	0.3	0.0
Q3	0.4	3.0	3.4	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	4.7	4.6	-0.2	0.1	-0.1

	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 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	-103.8	28.6	-75.2	0.7	-1.6	-1.0	-1.1	-0.4	-1.5	-9.9	-9.8	-19.6	-7.5	6.2	-1.2
Q3	87.9	-6.1	81.8	-0.3	-1.3	-1.6	-1.4	0.5	-0.9	-2.7	-8.4	-11.1	1.1	-2.7	-1.5

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 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	1.9	0.0	0.0	-2.6	4.4	-0.5	0.0	-0.1	4.8	0.2	0.0	0.0
Q3	1.9	0.1	0.0	-0.7	2.5	-1.1	4.1	0.0	-4.7	4.1	0.0	0.0

Source: ECB.

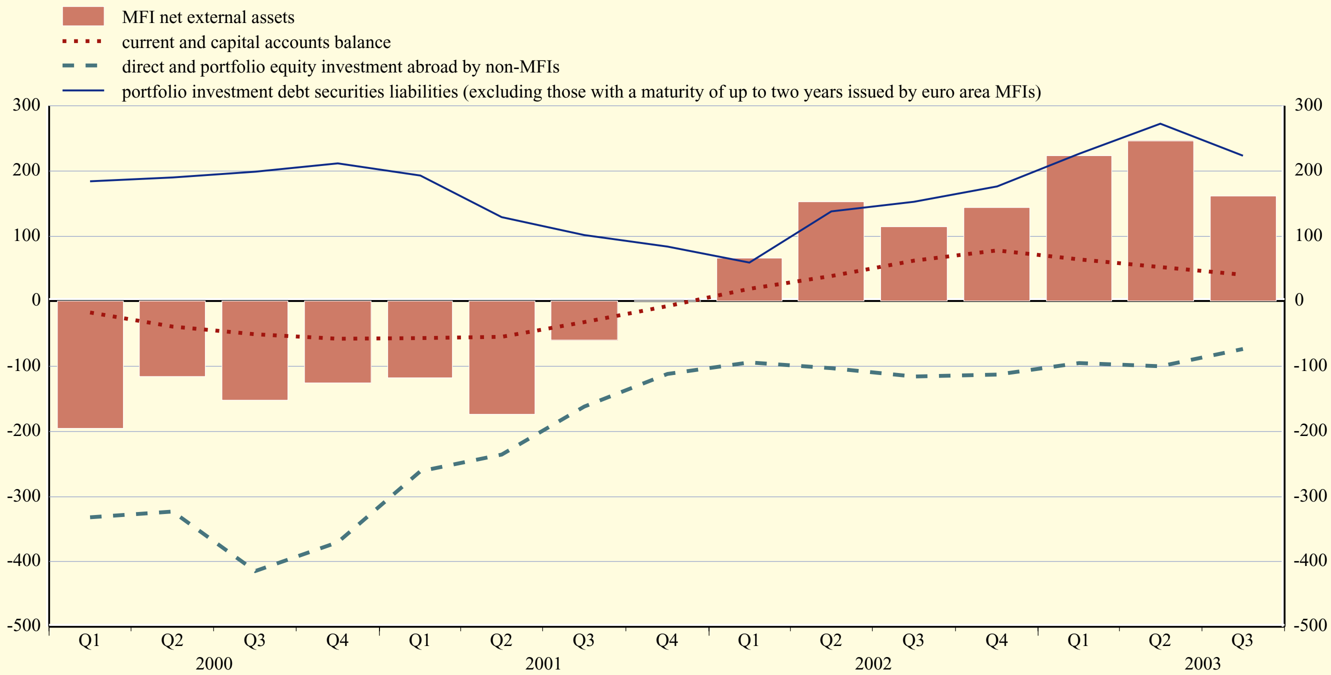
7.2 Monetary presentation of the balance of payments

(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 [1]	Debt instruments [2]	Non-MFIs	Non-MFIs				
	1	2	3	4	5	6	7	8	9	10	11	12
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	166.0
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	86.0
2003 Q1	4.4	-34.5	35.7	-11.4	6.7	45.7	-48.7	18.2	-2.5	20.7	34.4	30.7
Q2	-5.4	-42.1	40.4	-77.3	32.9	133.2	-20.5	0.0	-1.5	38.4	98.1	96.2
Q3	16.2	-28.2	17.5	-50.3	23.5	-7.3	-3.3	-5.8	-4.5	-7.3	-49.4	-50.6

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 product group

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
			Total				Memo:	Total				Memo:	
	Exports	Imports		Intermediate	Capital	Consumption	Manufactures		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	711.0	784.4	424.9	145.6	192.6	592.3	62.5
2000	21.7	29.4	1,001.2	480.1	217.5	261.4	874.8	1,024.0	589.5	183.0	220.9	744.9	122.6
2001	6.1	-0.9	1,063.8	492.7	236.5	287.7	932.1	1,012.6	576.1	178.3	226.6	738.7	107.8
2002	2.1	-2.7	1,085.9	500.7	230.3	308.4	948.9	985.3	557.4	163.5	233.6	717.4	105.2
2002 Q2	2.8	-3.3	273.6	126.8	57.7	77.2	239.3	248.6	141.7	40.0	58.3	180.4	27.0
Q3	3.8	-1.4	272.0	124.6	57.8	78.2	237.8	245.7	138.8	41.9	58.0	180.5	26.4
Q4	2.3	2.4	269.7	124.6	57.0	76.4	235.3	247.4	139.4	40.8	59.2	178.1	27.8
2003 Q1	-1.2	3.1	266.1	122.7	55.2	74.8	230.2	249.5	142.1	40.4	58.2	176.9	29.9
Q2	-6.0	-3.5	259.4	119.8	53.4	72.4	225.2	243.0	133.5	38.5	59.1	175.7	25.4
Q3	-2.8	-2.4	264.1	120.5	55.8	73.8	229.4	240.6	132.2	37.8	58.2	174.0	26.0
2003 June	-5.7	-2.8	86.0	39.2	18.3	23.6	74.6	80.0	43.2	12.8	19.9	58.6	8.0
July	-3.7	-3.1	87.2	39.2	18.8	24.2	75.4	79.6	43.4	12.7	19.4	58.5	8.6
Aug.	-6.1	-5.2	88.3	40.9	17.9	24.7	76.7	81.3	44.6	12.5	19.5	57.2	8.9
Sep.	1.1	0.9	88.7	40.4	19.1	24.9	77.3	79.7	44.2	12.6	19.4	58.2	8.5
Oct.	-2.7	-2.9	88.0	39.5	18.2	24.7	76.0	80.8	43.8	13.1	19.8	58.9	8.2
Nov.	-6.4	-2.3	87.4	40.1	17.5	24.4	76.0	83.1	44.5	14.6	19.5	59.6	8.1
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
1999	2.0	6.0	88.2	88.1	88.0	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	108.5	108.1	105.6	98.8	99.1	96.0	99.9	97.6	98.8
2002	2.8	-0.3	108.2	105.1	106.2	115.2	108.3	98.5	98.7	90.0	104.1	96.4	100.3
2002 Q2	3.5	-0.1	108.6	106.2	105.5	114.9	108.8	98.8	99.5	87.2	103.5	96.3	98.9
Q3	5.8	2.1	109.1	105.4	107.3	117.7	109.1	98.9	98.6	93.1	104.3	97.8	100.5
Q4	3.4	1.8	108.1	104.7	106.0	115.0	108.1	98.7	97.9	91.3	105.9	96.6	101.8
2003 Q1	1.4	3.0	108.0	104.5	104.2	114.2	107.2	99.8	98.9	93.4	106.3	97.6	96.3
Q2	-2.4	1.6	106.9	103.7	102.5	111.6	106.3	101.6	99.0	90.5	108.7	98.5	103.7
Q3	0.0	0.9	109.0	104.6	107.4	113.7	108.5	100.1	97.7	87.9	106.5	97.3	105.7
2003 June	-1.9	2.7	107.0	102.8	105.7	109.4	106.4	101.2	97.6	91.0	110.0	99.2	100.4
July	-0.9	1.3	108.0	102.5	107.5	111.8	106.7	100.4	97.2	89.4	107.0	98.8	108.0
Aug.	-3.2	-2.2	109.5	106.3	103.9	114.3	109.0	101.4	98.6	87.9	106.9	96.2	104.1
Sep.	3.8	3.3	109.6	105.1	110.7	114.9	109.7	98.4	97.3	86.3	105.6	96.9	105.1
Oct.	0.9	1.1	109.5	102.7	105.0	115.0	108.5	100.7	96.9	92.2	108.5	98.9	98.6
Nov.	.	.	.	.	.	.	.	.	.	.	.	.	.
	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	102.8	100.6	98.4	96.7	100.3	102.2	100.7	89.0
Q3	-1.9	-3.4	99.6	98.5	99.1	101.7	99.7	97.2	95.6	98.4	100.7	99.1	85.7
Q4	-1.1	0.6	99.7	99.1	98.8	101.7	99.6	98.0	96.7	97.8	101.3	99.0	89.0
2003 Q1	-2.6	0.1	98.5	97.8	97.4	100.2	98.2	97.7	97.6	94.7	99.1	97.3	101.3
Q2	-3.7	-5.0	97.0	96.3	95.7	99.3	96.8	93.5	91.6	93.1	98.6	95.9	80.0
Q3	-2.8	-3.3	96.8	96.0	95.5	99.4	96.7	94.0	91.9	94.1	99.0	96.1	80.2
2003 June	-3.9	-5.3	96.4	95.2	95.5	99.0	96.2	92.7	90.2	92.5	98.3	95.2	78.1
July	-2.8	-4.3	96.8	95.7	96.5	99.4	96.9	93.1	90.9	93.1	98.5	95.4	78.2
Aug.	-3.0	-3.1	96.7	96.2	94.8	99.2	96.6	94.0	92.1	93.4	98.9	95.8	83.3
Sep.	-2.6	-2.4	97.0	96.1	95.3	99.5	96.7	94.9	92.7	95.7	99.7	96.9	79.2
Oct.	-3.6	-4.0	96.4	96.1	95.6	98.8	96.1	94.2	92.0	93.4	99.2	96.0	81.7
Nov.	.	.	.	.	.	.	.	.	.	.	.	.	.

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
	Exports (f.o.b.)											
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	173.3	34.3	153.8	56.5	47.1	126.2
2001	1,063.8	202.1	36.9	24.3	105.8	66.4	180.2	34.5	165.5	60.4	49.9	135.5
2002	1,085.9	205.9	37.1	25.3	112.1	64.0	184.2	33.0	170.5	59.4	43.4	148.5
2002 Q2	273.6	51.9	9.2	6.4	28.1	16.1	45.9	8.3	42.8	15.2	11.5	37.3
Q3	272.0	51.4	9.2	6.3	28.3	16.3	46.1	8.4	43.3	15.0	10.5	37.7
Q4	269.7	49.8	9.4	6.4	28.1	15.7	45.4	8.3	42.5	14.5	10.4	37.6
2003 Q1	266.1	48.7	9.6	6.4	28.5	16.4	43.2	7.8	42.2	14.5	10.4	37.9
Q2	259.4	46.9	9.5	6.1	29.2	15.5	41.4	7.6	41.6	14.5	9.6	37.7
Q3	264.1	48.0	9.5	6.3	30.1	15.3	41.6	7.8	43.5	15.1	9.1	.
2003 June	86.0	15.5	3.1	2.0	9.6	5.1	13.3	2.4	13.8	4.7	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.	88.3	15.9	3.2	2.2	10.2	5.1	13.9	2.5	14.6	4.8	2.9	12.7
Sep.	88.7	16.1	3.2	2.1	10.0	4.9	14.3	2.6	15.1	5.2	3.2	.
Oct.	88.0	16.0	3.2	2.0	9.5	5.1	13.6	2.7	14.4	5.1	2.9	.
Nov.	87.4	.	.	.	.	.	.	.	.	.	.	.
	% share of total exports											
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
	Imports (c.i.f.)											
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	1,024.0	159.4	39.0	22.2	78.8	50.8	143.6	67.5	217.4	73.7	40.3	133.4
2001	1,012.6	154.3	34.4	21.3	88.9	53.0	138.0	58.6	208.3	74.0	40.9	140.3
2002	985.3	149.7	35.6	22.9	93.5	52.1	125.7	52.7	204.8	67.8	39.4	140.2
2002 Q2	248.6	38.8	9.0	5.7	23.4	13.4	31.6	13.0	50.3	17.2	9.7	36.2
Q3	245.7	37.1	9.0	5.8	23.5	13.2	31.1	13.4	51.6	16.4	9.8	34.5
Q4	247.4	35.8	9.2	5.9	24.0	12.7	30.4	13.4	52.7	16.8	9.8	35.9
2003 Q1	249.5	35.2	9.0	5.9	24.7	13.3	27.9	13.5	52.9	18.4	9.7	38.3
Q2	243.0	33.8	9.0	5.7	25.1	12.6	28.1	13.1	53.0	16.9	9.6	36.3
Q3	240.6	33.7	9.0	5.6	25.1	12.5	27.8	12.4	52.6	16.7	9.6	.
2003 June	80.0	11.4	2.9	1.9	8.2	4.1	9.1	4.3	17.7	5.3	3.1	11.9
July	79.6	11.2	2.9	1.8	8.6	4.2	9.4	4.2	17.5	5.7	3.2	11.8
Aug.	81.3	11.5	3.0	1.9	8.0	4.2	9.1	4.1	17.3	5.4	3.2	12.4
Sep.	79.7	11.0	3.1	1.9	8.5	4.1	9.3	4.0	17.8	5.6	3.2	.
Oct.	80.8	11.2	3.0	1.9	8.9	4.1	8.9	4.2	17.8	5.6	3.2	.
Nov.	83.1	.	.	.	.	.	.	.	.	.	.	.
	% share of total imports											
2002	100.0	15.2	3.6	2.3	9.5	5.3	12.8	5.3	20.8	6.9	4.0	14.2
	Balance											
1999	30.9	28.0	0.3	2.1	17.3	12.4	20.6	-27.9	-36.5	-0.7	8.4	6.9
2000	-22.8	29.8	0.2	1.5	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	100.6	56.2	1.5	2.3	18.6	12.0	58.5	-19.7	-34.3	-8.4	4.0	8.3
2002 Q2	25.0	13.1	0.2	0.7	4.7	2.7	14.3	-4.7	-7.5	-2.0	1.7	1.1
Q3	26.3	14.3	0.3	0.5	4.8	3.1	15.0	-4.9	-8.3	-1.4	0.7	3.2
Q4	22.3	14.0	0.3	0.5	4.1	2.9	15.0	-5.1	-10.2	-2.4	0.6	1.7
2003 Q1	16.7	13.6	0.5	0.6	3.8	3.2	15.3	-5.7	-10.6	-3.9	0.7	-0.4
Q2	16.4	13.1	0.4	0.4	4.1	3.0	13.3	-5.5	-11.4	-2.4	-0.1	1.4
Q3	23.5	14.3	0.5	0.7	5.0	2.8	13.8	-4.6	-9.1	-1.5	-0.5	.
2003 June	6.0	4.0	0.2	0.0	1.4	1.1	4.2	-2.0	-4.0	-0.6	0.2	0.8
July	7.5	4.8	0.2	0.2	1.3	1.0	4.0	-1.6	-3.7	-0.6	-0.2	1.5
Aug.	7.0	4.4	0.1	0.3	2.2	0.9	4.8	-1.6	-2.7	-0.5	-0.3	0.4
Sep.	9.0	5.1	0.1	0.2	1.5	0.9	5.0	-1.4	-2.7	-0.4	0.1	.
Oct.	7.2	4.9	0.2	0.1	0.6	1.0	4.7	-1.5	-3.4	-0.5	-0.3	.
Nov.	4.2	.	.	.	.	.	.	.	.	.	.	.

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

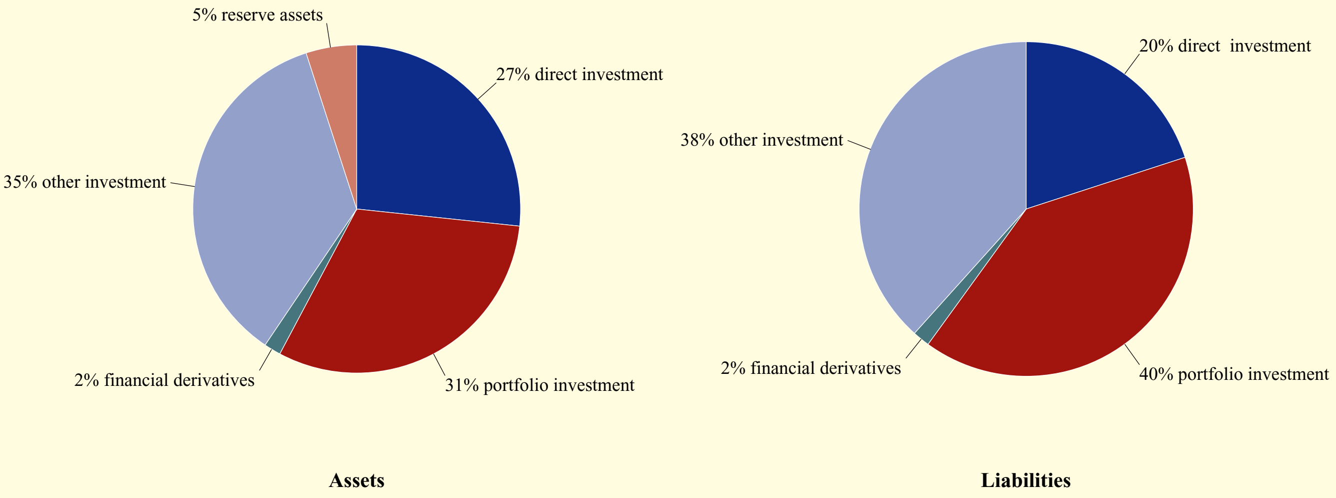
7.4 International investment position

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

1. Summary international investment position

	Total	Total as a % of GDP	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets
	1	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	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
	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									
						Bonds and notes					Money market instruments				
	Euro-system	MFIs excluding Eurosystem	Non-MFIs			Euro-system	MFIs excluding Eurosystem	Non-MFIs			Euro-system	MFIs excluding Eurosystem	Non-MFIs		
			Total	General gov.	Other sectors			Total	General gov.	Other sectors			Total	General gov.	Other sectors
	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

	MFIs (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: Assets	Memo: Liabilities
	Total	Monetary gold: In EUR billions	Monetary gold: In fine troy ounces (millions)	Special drawing rights	Reserve position in the IMF	Foreign exchange: Total	Currency and deposits: With monetary authorities and the BIS	Currency and deposits: With banks	Securities: Total	Securities: Equity	Securities: Bonds and notes	Securities: Money market instruments	Financial derivatives	Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Eurosystem															
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 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
Dec.	306.9	130.0	393.543	4.4	23.3	149.3	10.0	30.4	107.8	-	-	-	1.1	0.0	19.6	-15.6
	of which held by the European Central Bank															
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 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
Dec.	36.9	8.1	24.656	0.2	0.0	28.6	1.4	5.0	22.2	-	-	-	0.0	0.0	2.8	-1.5

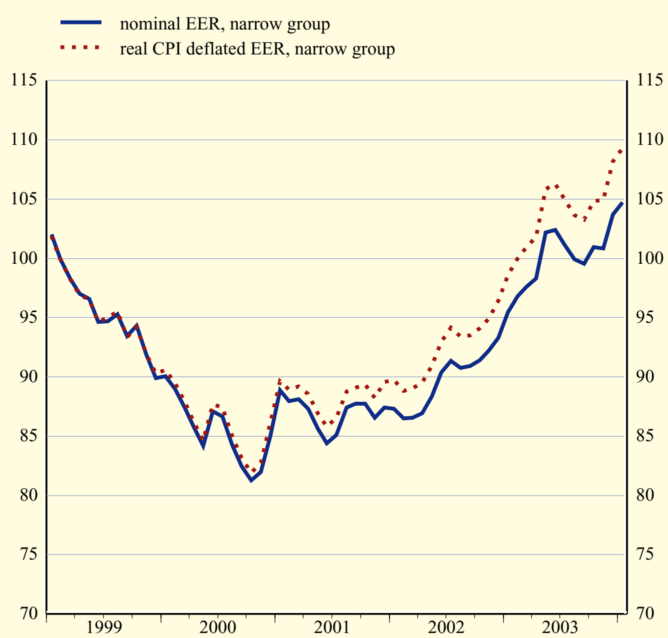
Source: ECB.

8 EXCHANGE RATES

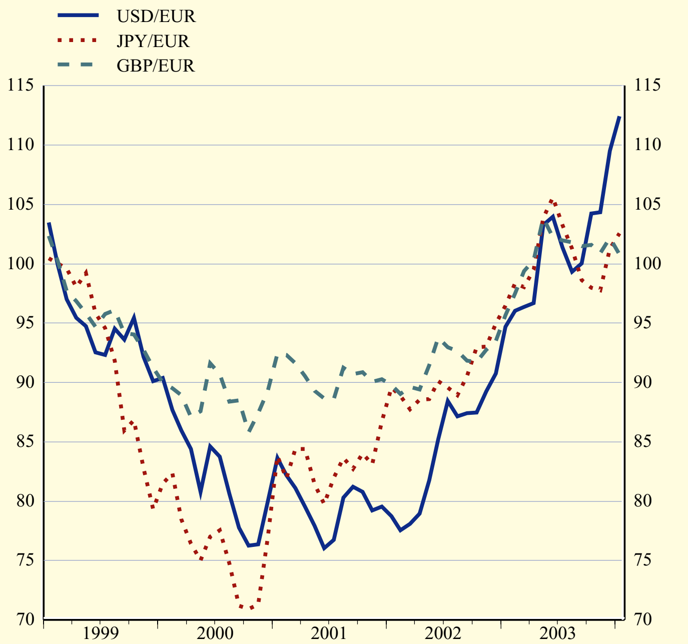
8.1 Effective exchange rates
(period averages; index 1999 Q1=100)

	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	103.3	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	105.2	.	.	.	109.1	104.2
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	103.1	-	-	-	106.4	101.6
Sep.	99.5	103.3	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	107.1	-	-	-	111.2	106.3
2004 Jan.	104.7	109.3	108.1	-	-	-	112.3	107.0
	% change versus previous month							
2004 Jan.	1.0	1.1	0.9	-	-	-	1.0	0.7
	% change versus previous year							
2004 Jan.	9.7	10.9	8.8	-	-	-	9.4	9.2

C33 Effective exchange rates
(monthly averages; index 1999 Q1=100)



C34 Bilateral exchange rates
(monthly averages; index 1999 Q1=100)



Source: ECB.

8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	US dollar	Pound sterling	Japanese yen	Swiss franc	Swedish krona	South Korean won	Hong Kong dollar	Danish krone	Singapore dollar	Canadian dollar	Norwegian krone	Australian dollar	Icelandic krona	New Zealand dollar	South African rand
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2001	0.8956	0.62187	108.68	1.5105	9.2551	1,154.83	6.9855	7.4521	1.6039	1.3864	8.0484	1.7319	87.42	2.1300	7.6873
2002	0.9456	0.62883	118.06	1.4670	9.1611	1,175.50	7.3750	7.4305	1.6912	1.4838	7.5086	1.7376	86.18	2.0366	9.9072
2003	1.1312	0.69199	130.97	1.5212	9.1242	1,346.90	8.8079	7.4307	1.9703	1.5817	8.0033	1.7379	86.65	1.9438	8.5317
2002 Q4	0.9994	0.63611	122.42	1.4667	9.0946	1,215.37	7.7941	7.4281	1.7671	1.5687	7.3192	1.7913	85.75	2.0171	9.6491
2003 Q1	1.0731	0.66961	127.59	1.4662	9.1822	1,288.92	8.3695	7.4305	1.8724	1.6203	7.5706	1.8095	84.16	1.9537	8.9600
Q2	1.1372	0.70169	134.74	1.5180	9.1425	1,373.83	8.8692	7.4250	1.9872	1.5889	7.9570	1.7742	84.71	1.9955	8.8217
Q3	1.1248	0.69888	132.14	1.5451	9.1631	1,321.05	8.7674	7.4309	1.9699	1.5533	8.2472	1.7089	88.40	1.9254	8.3505
Q4	1.1890	0.69753	129.45	1.5537	9.0093	1,404.56	9.2219	7.4361	2.0507	1.5659	8.2227	1.6622	89.16	1.9032	8.0159
2003 Jan.	1.0622	0.65711	126.12	1.4621	9.1733	1,250.06	8.2841	7.4324	1.8433	1.6364	7.3328	1.8218	84.45	1.9648	9.2343
Feb.	1.0773	0.66977	128.60	1.4674	9.1455	1,282.82	8.4022	7.4317	1.8803	1.6299	7.5439	1.8112	83.70	1.9457	8.9347
Mar.	1.0807	0.68255	128.16	1.4695	9.2265	1,335.44	8.4279	7.4274	1.8954	1.5943	7.8450	1.7950	84.31	1.9497	8.6966
Apr.	1.0848	0.68902	130.12	1.4964	9.1541	1,337.38	8.4605	7.4255	1.9282	1.5851	7.8317	1.7813	83.38	1.9700	8.3192
May	1.1582	0.71322	135.83	1.5155	9.1559	1,390.03	9.0321	7.4246	2.0074	1.6016	7.8715	1.7866	84.44	2.0083	8.9060
June	1.1663	0.70224	138.05	1.5411	9.1182	1,392.33	9.0955	7.4250	2.0233	1.5798	8.1619	1.7552	86.25	2.0069	9.2160
July	1.1372	0.70045	134.99	1.5476	9.1856	1,342.27	8.8689	7.4332	1.9956	1.5694	8.2893	1.7184	87.66	1.9386	8.5842
Aug.	1.1139	0.69919	132.38	1.5400	9.2378	1,312.67	8.6873	7.4322	1.9531	1.5570	8.2558	1.7114	88.79	1.9137	8.2375
Sep.	1.1222	0.69693	128.94	1.5474	9.0682	1,306.88	8.7377	7.4273	1.9591	1.5330	8.1952	1.6967	88.81	1.9227	8.2141
Oct.	1.1692	0.69763	128.12	1.5485	9.0105	1,364.70	9.0530	7.4301	2.0282	1.5489	8.2274	1.6867	89.17	1.9446	8.1540
Nov.	1.1702	0.69278	127.84	1.5590	8.9939	1,388.09	9.0836	7.4370	2.0233	1.5361	8.1969	1.6337	88.60	1.8608	7.8806
Dec.	1.2286	0.70196	132.43	1.5544	9.0228	1,463.90	9.5386	7.4419	2.1016	1.6131	8.2421	1.6626	89.68	1.8982	7.9934
2004 Jan.	1.2613	0.69215	134.13	1.5657	9.1368	1,492.23	9.7951	7.4481	2.1415	1.6346	8.5925	1.6374	87.69	1.8751	8.7788
	% change versus previous month														
2004 Jan.	2.7	-1.4	1.3	0.7	1.3	1.9	2.7	0.1	1.9	1.3	4.3	-1.5	-2.2	-1.2	9.8
	% change versus previous year														
2004 Jan.	18.7	5.3	6.4	7.1	-0.4	19.4	18.2	0.2	16.2	-0.1	17.2	-10.1	3.8	-4.6	-4.9

	Cyprus pound	Czech koruna	Estonian kroon	Hungarian forint	Lithuanian litas	Latvian lats	Maltese lira	Polish zloty	Slovenian tolar	Slovak koruna	Bulgarian lev	Romanian leu	Turkish lira
	16	17	18	19	20	21	22	23	24	25	26	27	28
2001	0.57589	34.068	15.6466	256.59	3.5823	0.5601	0.4030	3.6721	217.9797	43.300	1.9482	26,004	1,102,425
2002	0.57530	30.804	15.6466	242.96	3.4594	0.5810	0.4089	3.8574	225.9772	42.694	1.9492	31,270	1,439,680
2003	0.58409	31.846	15.6466	253.62	3.4527	0.6407	0.4261	4.3996	233.8493	41.489	1.9490	37,551	1,694,851
2002 Q4	0.57249	30.857	15.6466	239.47	3.4526	0.6002	0.4145	3.9970	229.3740	41.696	1.9493	33,444	1,617,344
2003 Q1	0.58001	31.624	15.6466	243.63	3.4527	0.6226	0.4214	4.1892	231.2825	41.786	1.9535	35,593	1,777,952
Q2	0.58653	31.470	15.6466	250.95	3.4528	0.6452	0.4274	4.3560	232.9990	41.226	1.9467	37,434	1,716,532
Q3	0.58574	32.168	15.6466	259.65	3.4528	0.6419	0.4268	4.4244	234.8763	41.747	1.9466	37,410	1,569,762
Q4	0.58404	32.096	15.6466	259.82	3.4526	0.6528	0.4287	4.6232	236.1407	41.184	1.9494	39,735	1,721,043
2003 Jan.	0.57691	31.489	15.6466	240.39	3.4529	0.6195	0.4194	4.0704	230.7055	41.638	1.9555	35,539	1,767,136
Feb.	0.58038	31.641	15.6466	245.12	3.4524	0.6231	0.4217	4.1656	231.3664	41.987	1.9540	35,403	1,762,350
Mar.	0.58292	31.751	15.6466	245.60	3.4528	0.6253	0.4234	4.3363	231.8070	41.749	1.9510	35,831	1,804,143
Apr.	0.58657	31.618	15.6466	245.59	3.4530	0.6286	0.4240	4.2971	232.3136	41.038	1.9473	36,569	1,767,550
May	0.58694	31.387	15.6466	245.78	3.4528	0.6513	0.4295	4.3343	232.9908	41.125	1.9464	37,632	1,720,476
June	0.58607	31.412	15.6466	261.21	3.4527	0.6549	0.4285	4.4339	233.6600	41.507	1.9463	38,059	1,664,000
July	0.58730	31.880	15.6466	263.73	3.4528	0.6473	0.4274	4.4368	234.4369	41.804	1.9465	37,148	1,596,957
Aug.	0.58616	32.287	15.6466	259.56	3.4527	0.6397	0.4264	4.3699	234.9962	41.955	1.9463	37,166	1,564,214
Sep.	0.58370	32.355	15.6466	255.46	3.4530	0.6383	0.4265	4.4635	235.2211	41.489	1.9469	37,918	1,546,627
Oct.	0.58418	31.989	15.6466	255.77	3.4525	0.6483	0.4281	4.5952	235.6663	41.304	1.9473	38,803	1,679,067
Nov.	0.58328	31.974	15.6466	259.31	3.4528	0.6471	0.4275	4.6174	236.1345	41.102	1.9476	39,927	1,726,781
Dec.	0.58459	32.329	15.6466	264.74	3.4525	0.6631	0.4304	4.6595	236.6662	41.132	1.9533	40,573	1,761,551
2004 Jan.	0.58647	32.724	15.6466	264.32	3.4531	0.6707	0.4301	4.7128	237.3167	40.731	1.9557	41,107	1,698,262
	% change versus previous month												
2004 Jan.	0.3	1.2	0.0	-0.2	0.0	1.2	-0.1	1.1	0.3	-1.0	0.1	1.3	-3.6
	% change versus previous year												
2004 Jan.	1.7	3.9	0.0	10.0	0.0	8.3	2.6	15.8	2.9	-2.2	0.0	15.7	-3.9

Source: ECB.

9 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
	HICP												
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	2.3	1.4	-0.1	1.4	4.0	2.9	-1.1	4.7	.	0.7	5.7	8.8
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	1.9	1.3	0.8	1.2	3.2	3.5	-1.2	5.4	.	1.4	5.0	9.9
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	1.8	1.3	1.0	1.2	2.2	3.5	-1.3	5.6	.	1.6	4.7	9.5
	General government deficit (-)/surplus (+) as a % of GDP												
2000	2.6	3.4	1.5	-	-	-	-	-	-	-	-	-	-
2001	3.1	4.5	0.8	-	-	-	-	-	-	-	-	-	-
2002	2.1	1.3	-1.5	-	-	-	-	-	-	-	-	-	-
	General government gross debt as a % of GDP												
2000	47.3	52.8	42.1	-	-	-	-	-	-	-	-	-	-
2001	45.4	54.4	38.9	-	-	-	-	-	-	-	-	-	-
2002	45.5	52.7	38.5	-	-	-	-	-	-	-	-	-	-
	Long-term government bond yield as a % per annum, period average												
2003 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	-	-	-	-	-	-	-	-	-	-
2004 Jan.	4.35	4.65	4.84	-	-	-	-	-	-	-	-	-	-
	Real GDP												
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
	Current and capital accounts as a % of GDP												
2001	3.1	3.8	-2.2	-5.4	-5.9	-4.3	-9.0	-4.8	-2.8	-4.4	-2.9	0.2	-8.0
2002	2.6	4.3	-1.6	-6.0	-11.9	-5.4	-7.4	-4.9	-3.7	-1.2	-2.6	1.4	-7.6
2003 Q1	2.2	5.4	-0.2	-2.5	-18.3	-14.9	-5.4	-3.5	-5.3	-11.0	-3.6	-0.4	-1.7
Q2	2.9	5.3	-3.5	-7.2	-12.4	.	-10.2	-7.3	-8.4	-6.2	-2.0	-0.4	-0.8
Q3	4.5	6.2	-2.6	-7.8	-12.5	.	-10.0	-5.3	-6.0	3.2	-1.0	1.9	2.1
	Unit labour costs												
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	-	-	.	-	-	-	-	-
	Standardised unemployment rate as a % of labour force (s.a.)												
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	5.6	5.6	.	7.6	10.1	4.5	10.5	12.7	5.8	7.8	.	6.5	17.1
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	6.0	6.0	.	7.6	9.8	4.7	10.4	12.0	5.8	8.1	.	6.5	16.6
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	4.9	7.6	9.9	4.6	10.4	12.1	5.8	8.1	19.1	6.6	16.6
Nov.	6.0	6.0	.	7.6	9.7	4.6	10.4	12.0	5.8	8.1	19.1	6.5	16.6
Dec.	6.1	6.0	.	7.6	9.7	4.8	10.5	11.8	5.9	8.1	.	6.4	16.6

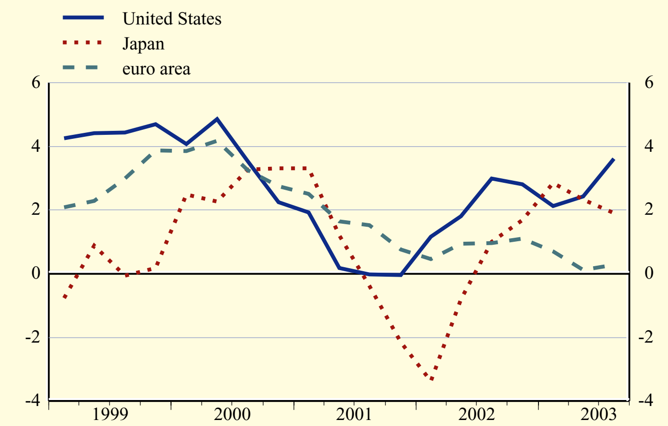
Sources: European Commission (Economic and Financial Affairs DG and Eurostat); national data and ECB calculations.

9.2 In the United States and Japan
(annual percentage changes, unless otherwise indicated)

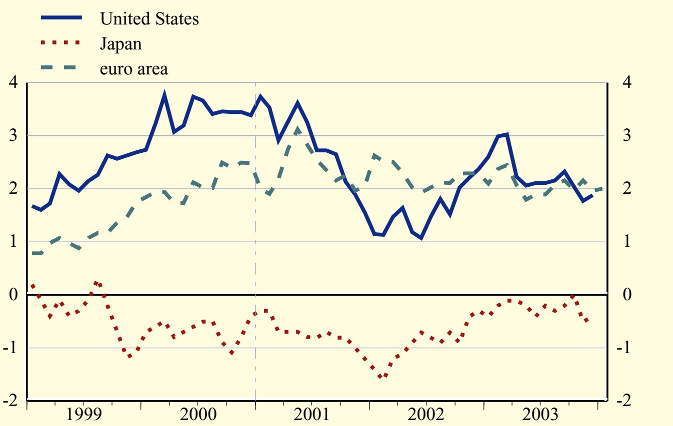
1. Economic and financial developments

	Consumer price index	Unit labour costs (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money [1]	3-month interbank deposit rate [2] as a % per annum	10-year government bond yield [2] as a % per annum	Exchange rate [3] as national currency per euro	Fiscal deficit (-)/ surplus (+) as a % of GDP	Gross public debt [4] 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	45.7
2003	2.3	.	3.1	0.1	6.0	6.5	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	45.7
2003 Q1	2.9	0.1	2.1	0.7	5.8	6.4	1.33	3.90	1.073	-4.2	46.2
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	7.8	1.13	4.22	1.125	-5.2	47.7
Q4	1.9	.	4.3	1.8	5.9	4.8	1.17	4.27	1.189	.	.
2003 Sep.	2.3	-	-	0.1	6.1	7.3	1.14	4.29	1.122	-	-
Oct.	2.0	-	-	0.9	6.0	6.5	1.16	4.27	1.169	-	-
Nov.	1.8	-	-	1.8	5.9	4.6	1.17	4.29	1.170	-	-
Dec.	1.9	-	-	2.7	5.7	3.4	1.17	4.26	1.229	-	-
2004 Jan.	.	-	-	.	.	.	1.13	4.13	1.261	-	-
					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	-0.3	.	.	3.1	.	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	5.2	1.8	0.05	1.20	132.1	.	.
Q4	-0.3	.	.	4.0	.	1.5	0.06	1.38	129.4	.	.
2003 Sep.	-0.2	-5.1	-	4.1	5.1	1.8	0.05	1.45	128.9	-	-
Oct.	0.0	-4.3	-	3.8	5.2	1.5	0.06	1.40	128.1	-	-
Nov.	-0.5	.	-	2.6	5.2	1.6	0.06	1.38	127.8	-	-
Dec.	-0.4	.	-	5.7	.	1.5	0.06	1.35	132.4	-	-
2004 Jan.	.	.	-	.	.	.	0.06	1.33	134.1	-	-

C35 Real gross domestic product
(annual percentage changes; quarterly)



C36 Consumer price indices
(annual percentage changes; monthly)



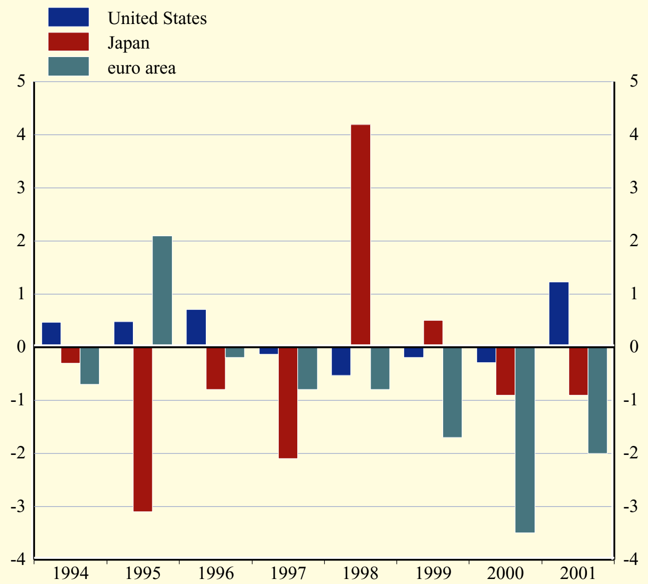
Sources: National data (columns 1, 2 (United States), 3, 4, 5, 6, 9 and 10); OECD (column 2 (Japan)); Eurostat (euro area chart data); Reuters (columns 7 and 8); ECB calculations (column 11).
1) Average-of-period values; M3 for US, M2+CDs for Japan.
2) For more information, see Sections 4.6 and 4.7.
3) For more information, see Section 8.2.
4) Gross consolidated general government debt (end of period).

9.2 In the United States and Japan
(as a percentage of GDP)

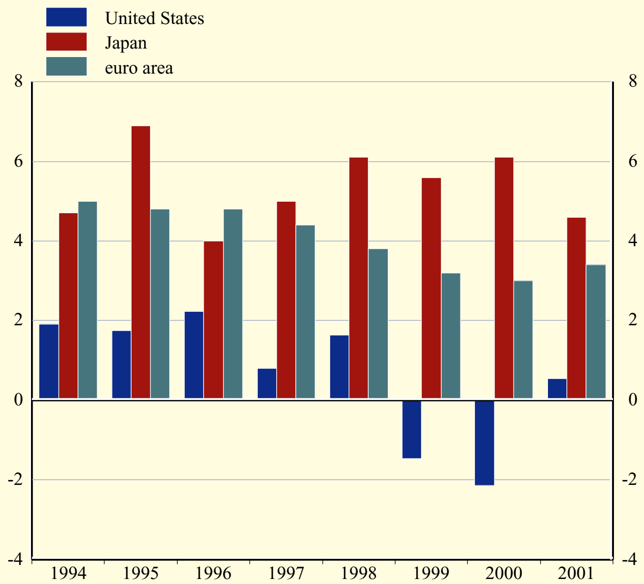
2. Saving, investment and financing

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households [1]			
	Gross saving	Gross capital formation	Net lending to the rest of the world	Gross capital formation	Gross fixed capital formation	Net acquisition of financial assets	Gross saving	Net incurrence of liabilities	Securities and shares	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	18.1	20.7	-3.0	9.4	8.6	10.5	8.0	10.7	2.9	12.6	4.7	11.0	6.2
2000	18.0	20.8	-4.0	9.4	8.9	12.3	7.5	12.6	2.6	12.7	3.7	11.1	5.9
2001	16.4	19.1	-3.8	7.9	8.3	1.9	7.6	0.6	1.8	13.2	6.5	11.1	6.0
2002	14.7	18.4	-4.4	7.5	7.4	2.3	8.2	1.9	0.2	13.0	5.1	11.3	7.0
2001 Q4	16.2	18.1	-3.2	7.1	7.7	0.7	8.5	-1.3	2.1	13.5	3.9	11.0	4.2
2002 Q1	15.4	18.3	-4.0	7.3	7.6	1.6	8.2	1.3	0.4	12.9	6.0	11.4	7.0
Q2	15.1	18.4	-4.6	7.4	7.4	2.5	8.2	1.8	0.7	12.9	5.1	11.6	5.8
Q3	14.5	18.5	-4.5	7.6	7.3	2.2	8.1	2.0	-1.5	13.2	4.9	11.3	6.4
Q4	13.8	18.4	-4.7	7.5	7.2	2.8	8.3	2.5	1.1	12.9	4.4	10.8	8.6
2003 Q1	12.9	18.1	-4.9	7.2	7.2	5.7	7.9	5.4	0.6	12.8	6.1	10.6	8.4
Q2	13.2	18.2	-5.0	7.2	7.2	5.5	8.5	4.6	1.7	13.1	13.0	11.3	12.9
Q3	13.2	18.4	-4.7	7.2	7.3	5.6	8.9	4.1	0.2	13.5	5.2	11.4	7.4
	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 [1]
(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.

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TECHNICAL NOTES

RELATING TO THE EURO AREA OVERVIEW (1. MONETARY DEVELOPMENTS AND INTEREST RATES)

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

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

where I_t is the index of 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:

$$\text{b)}\quad \left(\frac{0.5I_t+\sum_{i=1}^{11}I_{t-i}+0.5I_{t-12}}{0.5I_{t-12}+\sum_{i=1}^{11}I_{t-i-12}+0.5I_{t-24}}-1\right)\times 100$$

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:

$$\text{c)}\quad F_t^M = (L_t - L_{t-1}) - C_t^M - E_t^M - V_t^M$$

Similarly, the quarterly transactions F_t^Q for the quarter ending in month t are defined as:

$$\text{d)}\quad F_t^Q = (L_t - L_{t-3}) - C_t^Q - E_t^Q - V_t^Q$$

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:

$$\text{e)}\quad I_t = I_{t-1} \times \left(1+\frac{F_t}{L_{t-1}}\right)$$

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) 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:

$$\text{f)}\quad a_t = \left[\prod_{i=0}^{11}\left(1+F_{t-i}^M / L_{t-1-i}\right)-1\right]\times 100$$

$$\text{g)}\quad a_t = \left(I_t / I_{t-12} - 1\right)\times 100$$

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:

$$\text{h)}\quad a_t^M = \left(\frac{I_t}{I_{t-1}} - 1 \right) \times 100$$

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:

$$\text{i)}\quad I_t = I_{t-3} \times \left(1 + \frac{F_t^Q}{L_{t-3}} \right)$$

The annual growth rate in the four quarters ending in month t, i.e. a_t, may be calculated using formula g).

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS[1]

The approach used relies on a multiplicative decomposition through X-12-ARIMA.[2] 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.[3] 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:

$$\text{j)}\quad \frac{\sum_{i=0}^{3} T_{t-i}}{L_{t-4}} \times 100$$

1 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), under the "Monetary statistics" sub-section.

2 For details, see Findley, D., Monsell, B., Bell, W., Otto, M., and Chen, B. C. (1998), "New Capabilities and Methods of the X-12-ARIMA Seasonal Adjustment Program", Journal of Business and Economic Statistics, 16, 2, pp.127-152, or "X-12-ARIMA Reference Manual", Time Series Staff, Bureau of the Census, Washington, D.C.
For internal purposes, the model-based approach of TRAMO-SEATS is also used. For details 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.

3 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:

$$\text{k)} \quad I_t = I_{t-1} \times \left(1 + \frac{N_t}{L_{t-1}}\right)$$

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:

$$\text{l)} \quad a_t = \left[\prod_{i=0}^{11}\left(1 + N_{t-i}^M / L_{t-1-i}\right) - 1\right] \times 100$$

$$\text{m)} \quad a_t = \left(I_t / I_{t-12} - 1\right) \times 100$$

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 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP [4]

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). The raw data for goods and services are pre-adjusted to take "working day" and "Easter" effects into account. Data on income credits are subject to a "working day" pre-adjustment. The seasonal adjustment for these items is carried out using these pre-adjusted series. Income debits 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 semi-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), 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). Services available under the "Statistics on-line" sub-section 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 4 February 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[1], as last amended by Regulation ECB/2003/10[2].

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 OJ L 356, 30.12.1998, p. 7.
2 OJ L 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[3]. 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

3 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[4]. 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[5]. 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.

4 OJ L 162, 5.6.1998, p. 1.
5 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[6] 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)[7], 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.

6 OJ L 172, 12.7.2000, p. 3.
7 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 breakdown by product group 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. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999. 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[1]

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

1 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.

5 FEBRUARY 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.

DOCUMENTS PUBLISHED BY THE EUROPEAN CENTRAL BANK SINCE 2003

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ANNUAL REPORT

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MONTHLY BULLETIN ARTICLES

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"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.
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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.
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"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.
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"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.
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"Inflation differentials in the euro area: potential causes and policy implications", September 2003.
"Correspondent central banking model (CCBM): procedures for Eurosystem counterparties", September 2003.

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“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.
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“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.
“Assessment of accession countries’ securities settlement systems against the standards for the use of EU securities settlement systems in Eurosystem credit operations”, January 2004.
“The monetary policy of the ECB”, January 2004.
“The implementation of monetary policy in the euro area: General documentation on Eurosystem monetary policy instruments and procedures”, February 2004.

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.