



EUROPEAN CENTRAL BANK

MONTHLY BULLETIN
APRIL

01 | 2004

02 | 2004

03 | 2004

04 | 2004

05 | 2004

06 | 2004

07 | 2004

08 | 2004

09 | 2004

10 | 2004

11 | 2004

12 | 2004





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CONTENTS

EDITORIAL	5
ECONOMIC AND MONETARY DEVELOPMENTS	7
The external environment of the euro area	7
Monetary and financial developments	9
Prices and costs	26
Output, demand and the labour market	32
Exchange rate and balance of payments developments	39
Boxes:	
1 Publication of the benchmark allotment in the main refinancing operations	16
2 Stock market reactions to the terrorist attacks in Madrid on 11 March 2004	23
3 Recent developments in long-term inflation expectations	29
4 First estimates of retail trade turnover in the euro area	37
ARTICLES	
Fiscal policy influences on macroeconomic stability and prices	45
Future developments in the TARGET system	59
The Barcelona partner countries and their relations with the euro area	67
EURO AREA STATISTICS	SI
Chronology of monetary policy measures of the Eurosystem	I
Documents published by the European Central Bank since January 2003	V
GLOSSARY	XI

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
HWWA	Hamburg Institute of International Economics
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 1 April 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.

On the basis of its regular economic and monetary analysis, the Governing Council maintained its assessment that the current stance of monetary policy is in line with the maintenance of price stability over the medium term. Accordingly, the key ECB interest rates were left unchanged. The low level of interest rates provides ongoing support to the economic recovery in the euro area. The Governing Council will continue to monitor carefully all developments that could affect its assessment of risks to price stability over the medium term.

Starting with the economic analysis, it appears that the recovery of real GDP growth in the euro area has continued into 2004, following quarter-on-quarter growth rates of 0.3-0.4% in the second half of 2003. Recently released economic indicators have been mixed, implying some short-term uncertainty. At the same time, preliminary information available after the terrorist attacks in Madrid on 11 March does not suggest a major impact on the economic outlook. Overall, there is currently no evidence to challenge the assessment of continued, albeit modest, real GDP growth in the euro area over the short term.

Looking further ahead, the conditions remain in place for the recovery to continue in 2004 and to strengthen over time. First, global economic growth is robust and broadly based, both geographically and across sectors, thereby providing a positive external environment for the euro area. In this context, euro area exports are expected to grow significantly this year and next, despite some past losses in price competitiveness.

Second, on the domestic side, investment should be supported by favourable financing

conditions, an improvement in corporate earnings and spillover effects from global demand trends. Some signs of an improvement in fixed capital investment were already discernible in the fourth quarter of last year. With regard to private consumption, growth in real disposable income should lead to increased spending at a time when there are no financial constraints on households which would pose obstacles to higher expenditure. Over time, private consumption should also be fostered by an improvement in employment and employment expectations.

This assessment is supported by the available forecasts and projections. Any such forward-looking evaluation is clearly conditional and subject to risks. At this juncture, risks are primarily related to the persistent imbalances in some regions of the world and the weakness of private consumption in the euro area. In respect of private consumption, euro area citizens who still perceive inflation to be high should rest assured that the official measures are accurate and that the Governing Council will continue to maintain price stability in the future. Moreover, the prevailing uncertainties surrounding fiscal policies and structural reforms in some euro area countries may have had a negative impact on consumer sentiment. Ensuring clarity in respect of the content and timing of these reforms and a better understanding of their benefits to all citizens would make a very important contribution towards supporting confidence.

With regard to price developments, according to Eurostat's flash estimate, the annual HICP inflation rate was 1.6% in March, unchanged from February and down from 1.9% in January. However, over the coming months, annual inflation rates could edge up again, mainly on account of base effects (related to energy prices) and increases in indirect taxes.

Looking beyond these short-term fluctuations, price developments are expected to remain in line with price stability. Given the anticipated gradual pace of the economic recovery, wage

developments should remain moderate. The latest data on wage growth in the fourth quarter of 2003 lend support to this view. Moreover, the past appreciation of the euro exchange rate will continue to alleviate import price pressures. It should also dampen the inflationary impact of the rise in commodity prices, which is partly related to strong demand at the global level.

While this outlook for price developments is in line with available forecasts and projections, the conditional nature of such exercises should be borne in mind. Hence, the Governing Council will continue to monitor all indicators closely. In particular, the increase in commodity prices and the evolution of long-term inflation expectations deserve close attention.

Turning to the monetary analysis, annual M3 growth has been moderating since the summer of 2003, albeit only slowly. At the same time, the growth of loans to the private sector has been edging up. Both monetary and credit growth seem to be supported by the low level of interest rates prevailing in the euro area and may also reflect the improvement in the economic environment since the summer of 2003.

Given the strong M3 growth over the past few years, there is currently more liquidity in the euro area than is needed to finance non-inflationary growth. The effects of this high liquidity on inflation over the medium term will greatly depend on future developments in the economy and financial markets. Should excess liquidity persist, it could lead to inflationary pressures over the medium term.

To sum up, the economic analysis continues to indicate that the outlook for price developments in the medium term is in line with price stability. Cross-checking with the monetary analysis does not alter this picture.

Regarding fiscal policies, the Governing Council sees continued reasons for concern. Recent information indicates that significant

imbalances are emerging in a growing number of countries and that current policies would not be sufficient to attain the consolidation objectives specified in the latest stability programmes. All governments concerned are urged to take corrective action in a timely and sustained fashion.

With regard to structural reforms, the Governing Council welcomed the Presidency conclusions of the Brussels European Council held on 26 March 2004. Structural reforms are necessary to ensure higher sustainable growth and employment. As pointed out by the European Council, the pace of reform needs to be significantly stepped up and the critical issue now is the need for a better implementation of the commitments already made. Ending the political uncertainty and delays surrounding the implementation of sustainable fiscal policies and effective structural reforms would support private sector confidence, which would add momentum to the economic recovery in the euro area, given the supportive stance of monetary policy.

This issue of the Monthly Bulletin contains three articles. The first explores the main influences of fiscal policies on macroeconomic stability and price developments. The second article takes stock of the achievements of TARGET (the real-time gross settlement payment system of the Eurosystem) and describes the transition from the current system to the next generation (TARGET2). The third article reviews the structural and macroeconomic features of the 12 partner countries of the “Barcelona Process”, which seeks to establish a free-trade area between the European Union and a number of Mediterranean countries by 2010.

ECONOMIC AND MONETARY DEVELOPMENTS

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

The global outlook has improved further over the past few months, with world real GDP growth expected in 2004 to reach its highest annual rate since 2000. At the same time, there are both upside and downside risks to the outlook for global economic activity. The terrorist attacks in Madrid on 11 March underline the fact that geopolitical risks continue to be present, although the attacks are not expected to have a significant effect on the global economic recovery.

DEVELOPMENTS IN THE WORLD ECONOMY

Various data releases in recent months underline the robust performance of the world economy and confirm the positive global outlook.

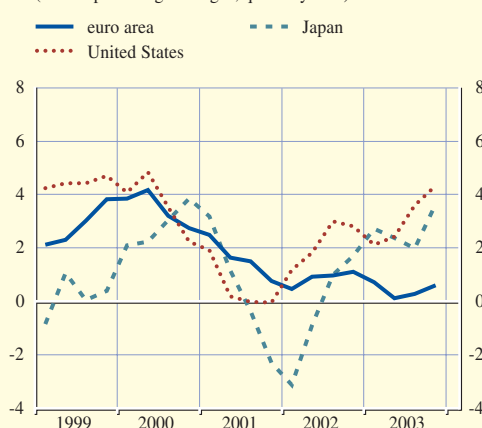
In the United States, data releases in the last few weeks have confirmed that economic activity remains buoyant while inflationary pressures remain limited. In February 2004 industrial production increased by 0.8% (month on month) following a 0.6% increase in January. Over the short term, further personal income tax refunds and favourable developments in US firms' internal liquidity and external financing are expected to support private domestic demand. Business confidence in both the manufacturing and service sectors, although moderating somewhat, continues to point to further expansion over the medium term. However, developments in the labour market have continued to spur market concerns about the sustainability of the economic recovery. CPI inflation excluding food and energy increased moderately to 1.2% (year on year) in February, having been on a downward trend since late 2001. As regards monetary policy, the Federal Open Market Committee (FOMC) decided on 16 March 2004 to maintain its target for the federal funds rate at 1%.

In Japan, GDP growth increased strongly in the fourth quarter of 2003. Robust activity in the export sector, with particularly strong contributions from exports to China and the rest of Asia, is gradually spilling over into the domestic sector. As a result, investment spending has increased considerably and private consumption growth is picking up, the latter being supported by a slight improvement in labour market conditions. Looking ahead, the economic expansion, which is likely to slow somewhat from the fast pace witnessed at the end of 2003, is expected to remain highly dependent on the performance of the export sector. In particular, continued strong global investment growth should remain a supporting factor for export-oriented Japanese firms, especially those trading in capital goods. As regards price developments,

Chart I Main developments in major industrialised economies

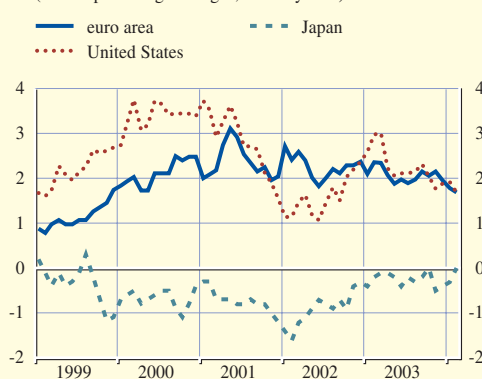
Output growth ¹⁾

(annual percentage changes; quarterly data)



Inflation rates ²⁾

(annual percentage changes; monthly data)



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.

deflationary pressures continue to abate: the CPI declined by 0.3% (year on year) in January, while the CPI excluding fresh food decreased by 0.1%. However, an exception to this trend has been the GDP deflator, which signals more pronounced deflationary pressures.

In the United Kingdom, economic activity remains strong, supported by renewed strength in the housing market. Short-term indicators suggest that buoyant private consumption growth may have continued in the first quarter of 2004. The growth outlook remains favourable, with investment and exports expected to pick up. Annual HICP inflation stood at 1.3% in February, down from 1.4% in January. Looking ahead, the strength of demand may gradually put upward pressure on inflation, depending on the degree of spare capacity in the economy.

In non-Japan Asia and Latin America, the robust expansion in economic activity has continued in recent months. In addition to China, other major non-Japan Asian economies, in particular India, also witnessed an increase in GDP growth at the beginning of 2004. In Latin America, the Argentinian economy is still growing at a brisk pace despite current uncertainty about the country's external debt negotiations. Finally, the EU acceding countries also continued to grow at a robust rate in early 2004.

COMMODITY MARKETS

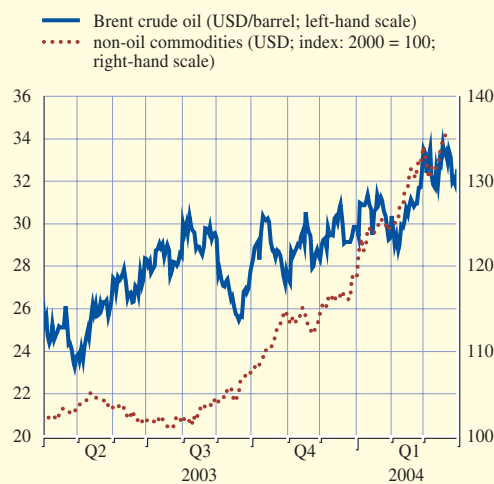
Oil prices (in US dollar terms) rose in March to their highest level since March 2003. On 31 March the price of Brent crude oil reached USD 32.3 (€26.4). Oil prices have strengthened since OPEC's decision, taken on 10 February, to restrict production in order to pre-empt an expected seasonal fall in demand in the second quarter of 2004. Prices have also been supported by relatively strong demand for oil, low commercial inventories and concerns regarding the security of oil supplies. Moreover, the relatively sharp increase in US dollar terms in other commodity prices, observed since mid-2003, continued in early 2004. In US dollar terms, non-energy commodity prices were 26.0% higher in February than a year earlier (see Chart 2).

OUTLOOK FOR THE EXTERNAL ENVIRONMENT

The global outlook has improved further over the past few months, with world real GDP growth expected in 2004 to reach its highest annual rate since 2000. It appears in particular that, as a result of revitalised domestic demand worldwide, the recovery of the global economy has both broadened and strengthened. Non-Japan Asia and the United States, which have recorded exceptionally high growth rates since the second half of 2003, are expected to remain the principal contributors to global growth.

There are upside as well as downside risks to the global economic outlook. On the upside, growth could be stronger than anticipated if productivity growth continues. On the downside, risks are mainly related to the persistent imbalances in some regions of the world. Moreover, inflationary pressures may increase as a result of higher commodity prices and substantial global excess liquidity. Finally, the recent terrorist attacks in Madrid underline the fact that geopolitical risks are still present, although these attacks are not expected to have a significant effect on the global economic recovery.

Chart 2 Main developments in commodity markets



Sources: Datastream and HWWA.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

Annual M3 growth declined in February 2004, continuing the downward trend that started in the summer of 2003. The developments in some of the main components and counterparts of M3 confirm that euro area investors are gradually shifting the structure of their portfolios towards longer-term and riskier assets outside M3. At the same time, the low level of interest rates continued to fuel the demand for, in particular, the most liquid monetary assets included in M1. In this environment, the rate of expansion of MFI loans to the private sector remained robust, mainly reflecting the strong demand for loans by households, in particular for house purchase. By contrast, non-financial corporations' demand for MFI loans remained subdued. Despite the gradual moderation in M3 growth, there remains significantly more liquidity in the euro area than is needed to finance non-inflationary economic growth.

THE BROAD MONETARY AGGREGATE M3

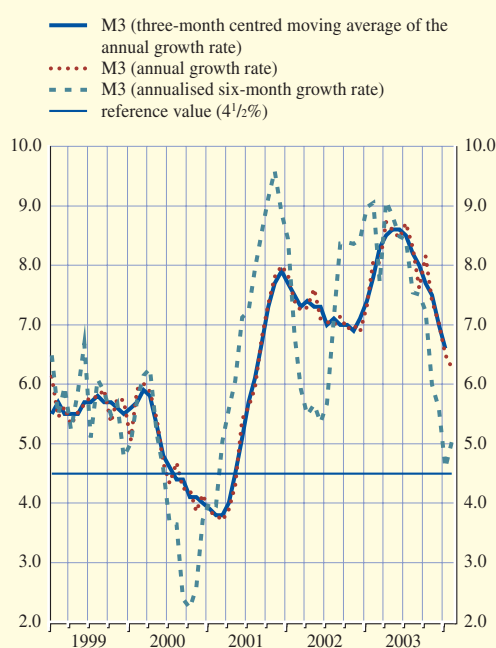
The annual growth rate of the broad monetary aggregate M3 declined to 6.3% in February, from 6.5% in January, thereby continuing the downward trend that began in the summer of 2003 (see Chart 3). While monthly M3 growth was relatively strong in February, this was largely due to the development of repurchase agreements – a very volatile component of M3 – and should therefore not be overemphasised. In fact, the growth patterns of the components and counterparts of M3 confirm earlier evidence that euro area investors are changing the structure of their portfolios in favour of longer-term and riskier financial assets outside M3, following the significant improvement in financial market conditions between the spring of 2003 and February 2004.

Overall, however, the moderation in M3 growth has been progressing relatively slowly so far. This indicates that the restructuring of portfolios is proceeding rather cautiously and that, to date, households do not seem to have substantially reduced their precautionary demand for safe and liquid financial assets. In addition, the low level of short-term interest rates and hence the low opportunity costs of holding money continued to fuel the demand for, in particular, the most liquid monetary assets included in the narrow aggregate M1.

Despite the gradual moderation in annual M3 growth since the summer of last year, there remains significantly more liquidity in the euro area than is needed to finance non-inflationary economic growth. Whether or not this excess liquidity will translate into inflationary pressures over the medium to long term depends largely on the extent and speed of the reversal of past portfolio shifts and on the strength of the economic recovery. It is therefore crucial to monitor carefully the future development of

Chart 3 M3 growth and the reference value

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



Source: ECB.

excess liquidity, in conjunction with the incoming information on economic activity in the euro area. Should excess liquidity persist, it could lead to inflationary pressures over the medium term.

MAIN COMPONENTS OF M3

The annual growth rate of the narrow monetary aggregate M1 moderated in February to 10.7%, from 11.1% in January, reflecting a decline in the growth of both its sub-components (currency and overnight deposits) (see Table 1). However, the annual growth rate of currency in circulation remained very high, reflecting the continued robust demand for euro banknotes both inside and outside the euro area. Overnight deposits also continued to expand strongly, with demand being fuelled by the low opportunity costs of holding such assets.

The annual growth rate of total short-term deposits other than overnight deposits also decreased in February, to 3.1% from 3.7% in January. This decline mirrored the development of both short-term time deposits (i.e. deposits with an agreed maturity of up to and including two years) and short-term savings deposits (i.e. deposits redeemable at a period of notice of up to and including three months). Euro area economic agents continued to reduce their holdings of short-term time deposits, reflecting their relatively low remuneration compared with more liquid kinds of deposit. The annual rate of expansion of short-term savings deposits also continued to moderate, although it remained high.

Finally, the annual growth rate of marketable instruments included in M3 increased to 2.9% in February, from 1.5% in January. This rise reflected, in particular, the increase in the annual rate of change of repurchase agreements, instruments that often reflect temporary portfolio management decisions and therefore develop in a very volatile way. By contrast, the annual rate of growth of money market fund shares/units continued its downward trend in line with the recovery in stock prices and the decline in stock market volatility between early 2003 and February 2004. The development of money market fund shares/units is consistent with euro area investors unwinding

Table 1 Summary table of monetary variables

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

	Outstanding amount as a percentage of M3 ¹⁾	Annual growth rates						
		2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Jan.	2004 Feb.
M1	44.1	8.8	10.1	11.3	11.5	11.2	11.1	10.7
Currency in circulation	6.5	12.9	39.1	35.7	29.6	26.2	25.0	23.5
Overnight deposits	37.6	8.2	6.6	8.1	8.9	9.1	9.1	8.8
M2 - M1 (= other short-term deposits)	41.1	4.8	4.3	5.5	5.7	4.7	3.7	3.1
Deposits with agreed maturity of up to and including two years	16.4	1.5	0.4	0.0	-1.5	-3.2	-3.7	-4.6
Deposits redeemable at notice of up to and including three months	24.7	7.6	7.5	9.9	11.4	10.9	9.4	8.9
M2	85.2	6.7	7.1	8.3	8.5	7.9	7.4	6.9
M3 - M2 (= marketable instruments)	14.8	8.5	10.5	9.8	7.4	6.0	1.5	2.9
M3	100.0	7.0	7.6	8.5	8.3	7.6	6.5	6.3
Credit to euro area residents	169.1	4.1	4.2	4.8	5.4	5.9	5.8	5.9
Credit to general government	36.4	2.0	2.1	3.5	4.8	6.6	6.1	6.0
Loans to general government	13.3	-1.1	-1.1	-0.4	1.0	1.5	1.4	0.6
Credit to the private sector	132.7	4.7	4.8	5.1	5.5	5.7	5.8	5.8
Loans to the private sector	115.4	4.8	5.0	4.6	4.9	5.3	5.4	5.5
Longer-term financial liabilities (excluding capital and reserves)	51.3	5.2	5.1	5.2	5.6	6.4	7.2	7.3

Source: ECB.

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

past portfolio shifts, since these instruments, in particular, had been used to “park” funds in safe and liquid financial assets.

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 stood at 5.5% in February compared with 5.4% in January. It appears that the continuing low level of bank lending rates and the improved economic outlook compared with the first half of 2003 are the main factors driving the relatively robust loan dynamics of recent months.

The breakdown of MFI loans to the private sector shows that MFI loans to households continued to expand at a strong pace in February (see Table 2). In particular, the annual growth rate of lending to households for house purchase remained high, at 8.5%. This probably reflected both the continuing low level of mortgage interest rates in the euro area and the strong house price increases in some euro area countries. The annual rate of growth of consumer credit continued to increase in February. This recent recovery in consumer credit could tentatively be seen as a positive indication for consumption in the first quarter of 2004. Finally, the annual rate of growth of other lending declined.

The annual rate of growth of MFI loans to non-financial corporations remained subdued. However, non-financial corporations appear to have increased their recourse to other sources of finance. In this respect, the continued rise in the annual rate of expansion of MFI loans to other non-monetary financial intermediaries (excluding insurance corporations and pension funds) could be related to non-financial corporations increasingly financing themselves indirectly via these intermediaries.

The annual growth rate of the broader aggregate of MFI credit to the private sector (which, in addition to MFI loans, includes MFI holdings of securities issued by the private sector) remained broadly unchanged in February, at 5.8%. The same applies to the annual growth rate of MFI credit to general government, which stood at 6.0%. Despite the decline since the end of 2003, the growth

Table 2 MFI loans to the private sector

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

	Outstanding amount as a percentage of total ¹⁾	Annual growth rates						
		2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Jan.	2004 Feb.
Non-financial corporations	42.6	3.4	3.7	3.6	3.6	3.5	2.8	2.7
Up to one year	31.4	-2.6	-1.0	0.5	-0.8	-0.9	-3.3	-3.5
Over one and up to five years	17.5	6.3	5.8	2.4	4.5	3.7	5.4	4.7
Over five years	51.1	6.8	6.4	6.2	6.4	6.3	6.1	6.2
Households ²⁾	49.6	5.8	5.8	5.5	5.8	6.3	6.7	6.6
Consumer credit ³⁾	13.6	3.9	3.0	3.3	2.3	3.0	3.9	5.0
Lending for house purchase ³⁾	67.4	7.7	7.6	7.3	7.5	7.9	8.6	8.5
Other lending	19.0	1.2	2.4	1.2	2.7	3.6	2.2	1.5
Insurance corporations and pension funds	0.7	-11.1	7.2	4.7	10.4	14.2	12.8	7.1
Other non-monetary financial intermediaries	7.2	5.9	1.9	3.8	6.0	11.1	12.5	14.7

Source: ECB.

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

2) 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.

of MFI credit to general government has remained high, probably reflecting the strains put on government finances by subdued economic activity in the euro area.

Among the other counterparts of M3, the annual rate of growth of MFI longer-term financial liabilities (excluding capital and reserves) remained robust in February, reflecting investors' ongoing interest in longer-term deposits and bank bonds. This provides further evidence of investors shifting the structure of their portfolios towards longer-term financial assets, in line with the rather steep yield curve and low bond market volatility.

Finally, the annual flow of the net external assets of the euro area MFI sector declined in February. Euro area balance of payments data to the end of January suggest that the general trend of lower annual increases in MFI net external assets mainly reflected euro area investors' growing demand for foreign shares and bonds.

Summing up the information from the counterparts of M3, the continued moderation in annual M3 growth over recent months has been accompanied by rising growth rates of MFI longer-term financial liabilities (excluding capital and reserves) and by declining annual increases in MFI net external assets (see Chart 4). Both factors support the hypothesis that euro area investors are changing the structure of their portfolios in favour of longer-term and riskier financial assets outside M3. At the same time, the robust annual growth of MFI credit to euro area residents has continued to fuel M3 growth.

2.2 SECURITIES ISSUANCE

The annual rate of growth in debt securities issued by euro area residents declined slightly in January 2004. In the same month, the annual growth rate of quoted shares issued by euro area residents remained unchanged at a relatively subdued level.

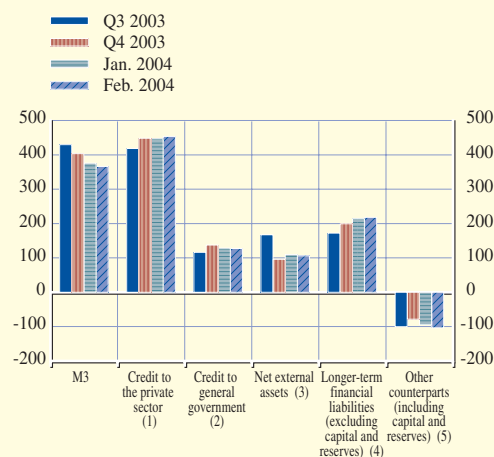
DEBT SECURITIES

The annual rate of growth in debt securities issued by euro area residents declined slightly to 7.0% in January 2004, from 7.3% in December 2003 (see Chart 5). Underlying the overall decline in January was a strong decrease in short-term debt securities issuance. In general, issuers appear to have taken advantage over recent months of the favourable long-term financing conditions to lengthen the average maturity of their debt.

Turning to the sectoral breakdown, the annual growth rate of debt securities issued by MFIs decreased slightly to 5.8% in January (see Table 3). In the non-MFI corporate sector, which includes both non-monetary financial corporations and non-financial corporations, the annual

Chart 4 Movements in M3 and its counterparts

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



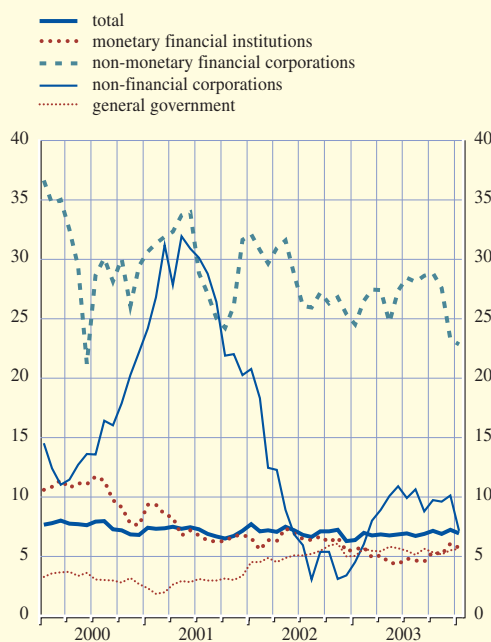
Source: ECB.
M3 = 1 + 2 + 3 - 4 + 5

growth rate of debt securities issuance decreased by 1.8 percentage points between December 2003 and January 2004, to 15.0% in the latter month. This decrease was mainly due to a decline in the annual growth rate of debt securities issued by non-financial corporations. This notwithstanding, the annual growth rate of issuance in this sector remained fairly high as many issuers tried to take advantage of the low level of interest rates. The annual growth rate of debt securities issued by non-monetary financial corporations also remained high, partly reflecting the widespread use of financial subsidiaries by non-financial corporations to issue debt securities on their behalf.

Regarding the government sector, the annual growth rate of debt securities issued by central government increased marginally to 4.9% in January. The other general government sector, which is mainly composed of local governments, continued to issue debt securities at a very fast pace. The ongoing strong expansion in issuance activity in this sector reflects the high financing needs of local authorities in a few euro area countries.

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.

QUOTED SHARES

The annual growth rate of quoted shares issued by euro area residents stood at 1.2% in January. It has remained broadly stable at this relatively low level since July 2003 (see Chart 6 and Table 3).

Table 3 Securities issuance by euro area residents

Issuing sector	Amount outstanding (€ billions) 2003 Q4	Annual growth rates (annual percentage changes ¹⁾)					
		2003 Q1	2003 Q2	2003 Q3	2003 Q4	2003 Dec.	2004 Jan.
Debt securities issuance:	8,707	6.7	6.8	6.9	7.1	7.3	7.0
MFIs	3,300	5.4	4.6	4.7	5.6	6.1	5.8
Non-monetary financial corporations	681	26.2	26.5	28.4	26.6	23.3	22.8
Non-financial corporations	593	6.2	10.0	9.8	9.8	10.2	7.2
General government	4,131	5.4	5.7	5.4	5.4	5.5	5.7
<i>of which:</i>							
Central government	3,913	4.4	4.7	4.7	4.6	4.7	4.9
Other general government	218	31.4	28.8	22.0	22.2	22.3	21.8
Quoted share issuance:	3,647	0.7	1.1	1.1	1.1	1.2	1.2
MFIs	569	0.6	0.7	1.0	1.4	1.7	1.7
Non-monetary financial corporations	348	0.1	1.9	2.1	2.6	2.8	3.0
Non-financial corporations	2,729	0.7	1.1	1.0	0.9	0.8	0.9

Source: ECB.

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

Looking at the sectoral breakdown, the annual growth rate of quoted shares issued by non-financial corporations, which account for about three-quarters of total amounts outstanding, remained unchanged (at 0.9%), as did the annual growth rate of quoted shares issued by MFIs (at 1.7%). The rate of growth in issuance of quoted shares by non-monetary financial corporations increased slightly to 3.0%. Overall, the comparatively subdued equity market issuance might be indicative of a still high cost of equity relative to other forms of finance for corporates. In addition, it may reflect uncertainty on the part of issuers as to whether there is sufficient interest from investors to acquire new capital.

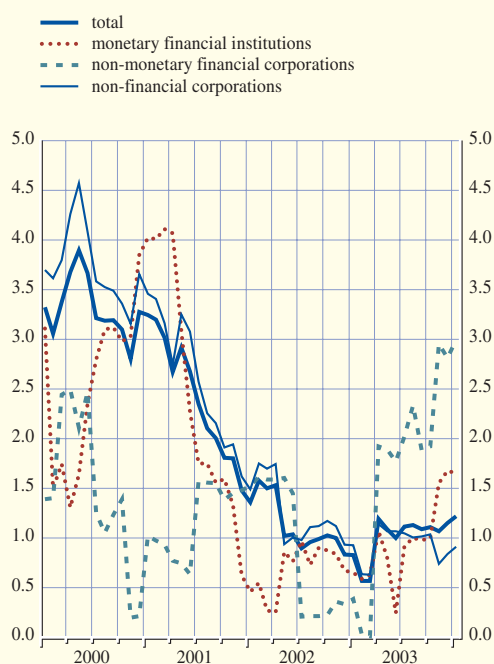
2.3 MONEY MARKET INTEREST RATES

The downward trend in longer-term money market interest rates seen since early December 2003 continued in March 2004. The slope of the money market yield curve turned negative in March for the first time since July 2003.

Interest rates at the very short end of the money market yield curve remained broadly unchanged in March 2004, in line with key ECB interest rates. Longer-term money market rates, on the other hand, continued to fall in March, extending the overall decline recorded since December 2003 (see Chart 7). For example, the twelve-month EURIBOR declined by 11 basis points between the end of

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

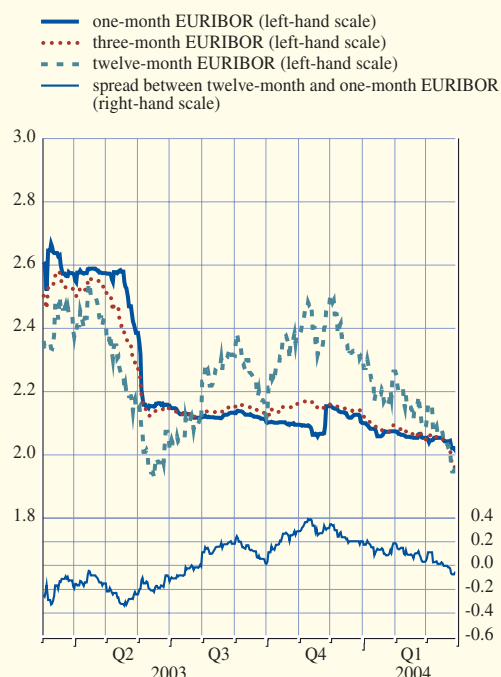
(annual percentage changes)



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.

Chart 7 Short-term market interest rates

(percentages per annum; percentage points; daily data)



Source: Reuters.

February and 31 March. The slope of the money market yield curve turned negative for the first time since last summer, with the spread between the twelve-month and the one-month EURIBOR standing at -4 basis points on 31 March.

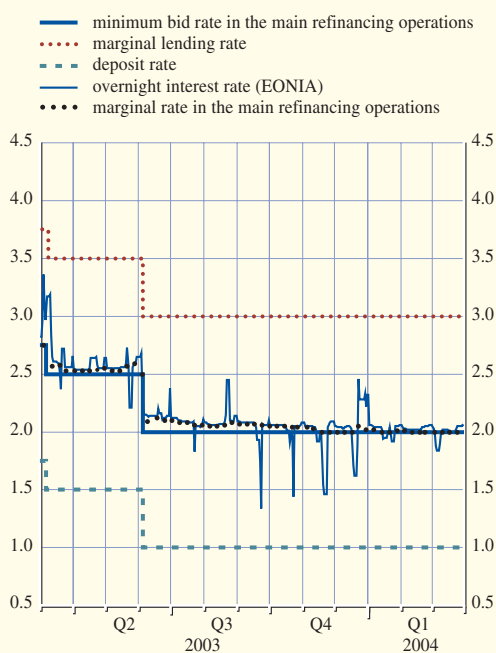
The fall in longer-term money market interest rates was reflected in the development of the implied three-month EURIBOR futures rates. In the course of March the implied futures rate for December 2004 fell by 16 basis points, while the implied futures rates for June and September 2004 declined by a somewhat smaller amount. In March the developments in implied futures rates suggest that market participants revised downwards their expectations for short-term interest rates during the course of 2004. On 31 March the trough in futures rates was at the September 2004 maturity, while futures rates for December 2004 and March 2005 indicated a gradual increase in the market's expected level of short-term interest rates from this trough.

In the last week of the reserve maintenance period ending on 9 March 2004, the overnight rate fluctuated at levels slightly below the 2.0% minimum bid rate in the Eurosystem's main refinancing operations, reflecting market participants' perception of ample liquidity prevailing in the market (see Chart 8). The changes to the Eurosystem's operational framework for monetary policy, relating to the maturity of the Eurosystem's main refinancing operations and the timing of the reserve maintenance periods, took effect from the maintenance period which started on 10 March 2004, amid very calm conditions in the short-term money market (see the article entitled "Changes to the Eurosystem's operational framework for monetary policy" in the August 2003 issue of the Monthly Bulletin). From the start of the new reserve maintenance period on 10 March, the EONIA overnight interest rate hovered slightly above the 2.0% minimum bid rate in the Eurosystem's main refinancing operations.

The introduction of the changes to the operational framework went well (see also Box 1 on the publication of the benchmark allotment in the main refinancing operations). The liquidity provision in the Eurosystem's main refinancing operations has generally been smooth over the past month. In the main refinancing operation of 23 March the total bid amount fell marginally short of the benchmark allotment amount, i.e. the amount allowing for a smooth fulfilment of reserve requirements. However, this had little impact on the EONIA. The allotment rates in the Eurosystem's main refinancing operations in March 2004 were very close to the minimum bid rate. The Eurosystem conducted a longer-term refinancing operation on 31 March.

Chart 8 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

PUBLICATION OF THE BENCHMARK ALLOTMENT IN THE MAIN REFINANCING OPERATIONS

Since June 2000 the ECB has published its forecast of the average autonomous factors (i.e. factors comprising those items on the consolidated balance sheet of the Eurosystem that are normally not related to monetary policy operations, but that affect the liquidity position of credit institutions) on each main refinancing operation (MRO) announcement day (i.e. one day before the allotment decision on an MRO is taken). This has facilitated counterparties' preparation of bids and their interpretation of the ECB's allotment decision in these operations. Since 8 March 2004 the ECB has improved its communication further by publishing its updated forecast of autonomous liquidity factors on the MRO allotment day to take account of changes in the forecast. In addition, it has started to publish its calculation of the "benchmark allotment" (on both days) in the MROs.

This box introduces the benchmark allotment concept and explains the reasons for its publication.¹ It also presents how to calculate the benchmark allotment.

The benchmark allotment concept

To determine how much liquidity to supply in the MROs, the ECB first makes an assessment of the banking system's liquidity needs and then calculates the benchmark allotment. This allotment is defined as the amount that allows counterparties to smoothly fulfil their reserve requirements until the settlement of the next MRO, taking into account the liquidity already supplied via the longer-term refinancing operations or other open market operations and the following liquidity needs:

- liquidity imbalances that have occurred previously in the same reserve maintenance period;
- the ECB forecast of autonomous factors;
- the ECB forecast of excess reserves.

The benchmark allotment is the allotment normally required to establish balanced conditions in the short-term money market, given the ECB's complete liquidity forecast. Balanced liquidity conditions should normally result in an overnight rate close to the minimum bid rate.²

The benchmark allotment constitutes a baseline for the ECB when making its actual allotment decision. Sometimes, however, the ECB may deviate from the benchmark amount, for example, if it wishes to address a divergence of the short-term money market interest rates from the MRO minimum bid rate, or if there are exceptional factors hampering the smooth distribution of liquidity in the money market (e.g. during the euro cash changeover or after the terrorist attacks of 11 September 2001).

The main purpose of the changes to the communication policy is to eliminate misperceptions as to whether the ECB is aiming at balanced liquidity conditions. For example, in the past, there were often changes in the liquidity forecast between the MRO announcement day and the day on which

1 See the article entitled "The liquidity management of the ECB" in the May 2002 issue of the Monthly Bulletin, and Box 2 entitled "Autonomous liquidity factors in the euro area and the use of the forecasts of liquidity needs provided by the ECB" in the July 2001 issue.

2 See the box in the article entitled "Changes to the Eurosystem's operational framework for monetary policy" in the August 2003 issue of the Monthly Bulletin.

the MRO allotment decision was taken. As a consequence, the ECB took its allotment decision on the basis of a liquidity forecast that was different from that available to the market. This difference implied some uncertainty for market participants over whether the allotment decision was due to a change in the forecast or a deliberate policy choice. With the release of the updated forecast on the MRO allotment day, the ECB reduces such uncertainty. In addition, the publication of the ECB's updated autonomous factors forecast on the allotment day permits counterparties to observe directly any change in the most important factors underlying the calculation of the benchmark allotment amount.

The changes to the communication policy came into effect at the same time (8 March 2004) as several important amendments to the operational framework of the ECB.³ These changes are:

- the maintenance period for minimum reserves always starts on the settlement day of the MRO following the Governing Council meeting at which the monthly assessment of the monetary policy stance is pre-scheduled;
- changes in the standing facility interest rates are, as a rule, implemented on the first day of the maintenance period following the Governing Council meeting at which these changes are decided;
- the maturity of the MROs has been shortened from two weeks to one week;
- the longer-term refinancing operations are allotted on the last Wednesday of each calendar month.

How to calculate the benchmark allotment

The benchmark allotment, M_t^{bench} , can be calculated as follows on the basis of the information available on day t . Day t can either denote the announcement day or the allotment day of the MRO for which the benchmark is calculated.

$$M_t^{\text{bench}} = \frac{1}{H_t - X_t} \left[\underbrace{D_t \cdot (RR + ER - \overline{CA}_t)}_{\text{Accumulated liquidity imbalance}} + \underbrace{H_t \cdot (\overline{AF}_t + RR + ER)}_{\text{Future liquidity needs}} - \underbrace{H_t \cdot L - X_t \cdot M^{\text{mat}}}_{\text{Liquidity already provided}} \right]$$

where:

- H_t = number of days from (and including) day t to (and including) the day before the settlement of the next MRO. In the case of a “regular” tender schedule, H_t is equal to 9 (8) when calculating the benchmark allotment on the MRO announcement day (MRO allotment day).
- X_t = number of days from (and including) day t to (and including) the day before the settlement of the MRO for which the benchmark is calculated. According to the “regular” tender schedule, X_t is equal to 2 (1) on the MRO announcement day (MRO allotment day).
- D_t = number of days from (and including) the start of the reserve maintenance period to (and including) day $t-1$.
- RR = daily average required reserves of the relevant reserve maintenance period.
- ER = daily average excess reserves for the relevant reserve maintenance period.
- \overline{CA}_t = average current account holdings since the beginning of the reserve maintenance period until (and including) day $t-1$.

³ See the article entitled “Changes to the Eurosystem’s operational framework for monetary policy” in the August 2003 issue of the Monthly Bulletin.

\overline{AF}_t = estimate of average autonomous factors for the period covered by H_t . On the MRO announcement day this estimate is simply given as the one published by the ECB, $\overline{AF}^{\text{publ}}$, which always covers the period from (and including) the MRO announcement day to (and including) the day before the settlement of the next MRO. However, on the MRO allotment day, the updated forecast published by the ECB, $\overline{AF}^{\text{rev}}$ covers the day on which the ex post autonomous factors are known (i.e. the autonomous factors, AF_{t-1} , on the MRO announcement day). These ex post autonomous factors need to be subtracted from $\overline{AF}^{\text{rev}}$, so that \overline{AF}_t only covers days on which the autonomous factors are not yet known.

$$\overline{AF}_t = \begin{cases} \overline{AF}^{\text{publ}} & \text{for } t = \text{MRO announcement day} \\ (H_{t-1}\overline{AF}^{\text{rev}} - (X_t - X_{t-1})AF_{t-1})/H_t & \text{for } t = \text{MRO allotment day} \end{cases}$$

L = expected daily average liquidity supplied by the longer-term refinancing operations in the period covered by H_t .

M^{mat} = size of the maturing MRO.

All items required to calculate the benchmark allotment – apart from the forecast of excess reserves – are provided by the ECB via newswire services. The benchmark allotment published by the ECB is rounded to the nearest €500 million.

The following example shows the computation of the benchmark allotment, using the MRO announced and allotted on 15 and 16 March 2004 respectively. By using information made available by the ECB on newswire services on 15 March, the MRO announcement day, including the forecast for the average daily autonomous factors for the period 15 to 23 March of €144.1 billion, and applying a forecast of daily average excess reserves of €0.7 billion, the benchmark allotment was:

$$M_{\text{announcement day}}^{\text{bench}} = \frac{1}{9-2} \left[\underbrace{5 \cdot (134.6 + 0.7 - 134.3)}_{\text{Accumulated liquidity imbalance}} + \underbrace{9 \cdot (144.1 + 134.6 + 0.7)}_{\text{Future liquidity needs}} - \underbrace{9 \cdot 65 - 2 \cdot 212.5}_{\text{Liquidity already provided}} \right] = 215.7$$

On that day, the ECB published a benchmark allotment corresponding to the rounded amount of €215.5 billion. On the next day, when the MRO was allotted, the estimate of average autonomous factors for the same period (15 to 23 March) was revised upwards to €144.8 billion and the realised autonomous factors on 15 March amounted to €140.9 billion. Therefore, on the MRO allotment day, the relevant autonomous factors forecast was:

$$\overline{AF}_{\text{allotment day}} = (9 \cdot 144.8 - (2 - 1) \cdot 140.9) / 8 = 145.3$$

and

$$M_{\text{allotment day}}^{\text{bench}} = \frac{1}{8-1} \left[\underbrace{6 \cdot (134.6 + 0.7 - 134.7)}_{\text{Accumulated liquidity imbalance}} + \underbrace{8 \cdot (145.3 + 134.6 + 0.7)}_{\text{Future liquidity needs}} - \underbrace{8 \cdot 65 - 1 \cdot 212.5}_{\text{Liquidity already provided}} \right] = 216.6$$

The rounded amount of €216.5 billion corresponded to the benchmark allotment that was eventually decided and published on the MRO allotment day.

In this example, the benchmark allotment was €1 billion higher on the MRO allotment day than on the announcement day. Without the publication of the updated figures on the allotment day, market participants could possibly have misinterpreted the allotment. This highlights the usefulness of publishing the updated figures on the MRO allotment day.

2.4 BOND MARKETS

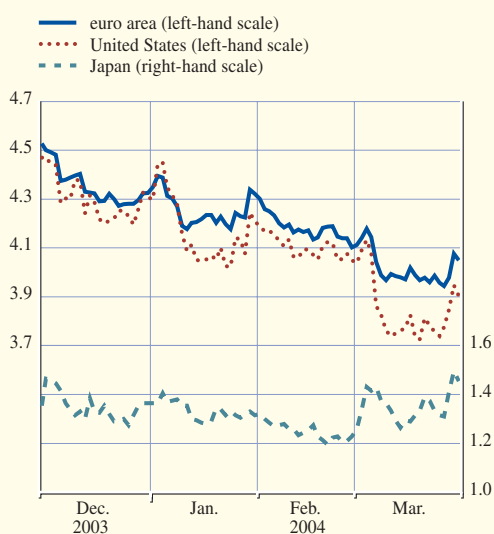
Long-term government bond yields in the euro area and the United States continued their decline in March 2004. Most of the decline took place early in the month following some economic data releases perceived as disappointing by market participants. The terrorist attacks in Madrid on 11 March had little impact on bond market developments. Implied bond market volatility, an indicator of market participants' uncertainty about future bond yield developments, remained 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 February and 31 March. Most of the decline took place in early March amid market participants' concerns about US labour market developments. The decline in bond yields was reinforced by the market reaction to the statement by the Federal Open Market Committee on 16 March, which was interpreted by market participants as a signal that monetary policy rates in the United States would be kept low for longer than previously expected. In this context, investors' long-term average inflation expectations in the United States changed little, as suggested by the broadly stable ten-year break-even inflation rate measured as the yield differential between comparable nominal and inflation-indexed government bonds. Finally, there was little change in market participants' perception of uncertainty in the US bond market. In fact, implied bond market volatility remained broadly unchanged and on 31 March stood at a level around the average since 1999 (see Chart 10).

Chart 9 Long-term government bond yields

(percentages per annum; daily data)

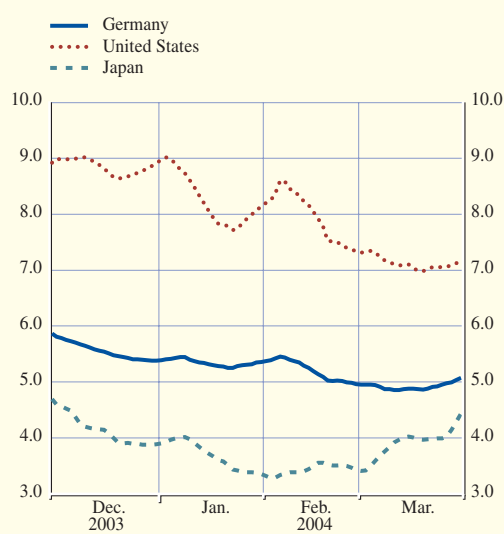


Source: Reuters.

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.

JAPAN

In Japan, long-term government bond yields increased by 20 basis points between end-February and 31 March and stood at 1.4% on the latter date. The increase seemed to reflect a generally more optimistic market assessment of future economic activity in Japan following better than expected macroeconomic data releases. Market participants' uncertainty about future bond yield developments, as measured by implied bond market volatility, increased slightly overall and ended the period at a level around the average since January 1999.

EURO AREA

In the euro area, government bond yields moved broadly in tandem with US government bond yields in March, although they declined by less. Overall, ten-year government bond yields in the euro area decreased by 5 basis points between end-February and 31 March and ended the period at 4%. The decrease seems to be related to some spillover effects from the United States, but also to market participants' perception of a less optimistic outlook for the euro area economy following some data releases. At the same time, there was little reaction on the euro area bond markets to the terrorist attacks in Madrid. Chart 11 shows that the decline in bond yields was associated with a downward shift of implied forward interest rates across the whole maturity spectrum.

The yields on ten-year index-linked government bonds (indexed on the euro area HICP excluding tobacco) decreased by around 20 basis points between the end of February and 31 March to a level of 1.6%. The break-even inflation rate – calculated as the difference between the yields on ten-year nominal and index-linked government bonds – edged up somewhat and stood at 2.1% on 31 March. The degree of uncertainty prevailing in the euro area bond markets – as measured by implied bond market volatility – remained broadly unchanged throughout the period and, on 31 March, stood at a level slightly below the average since January 1999.

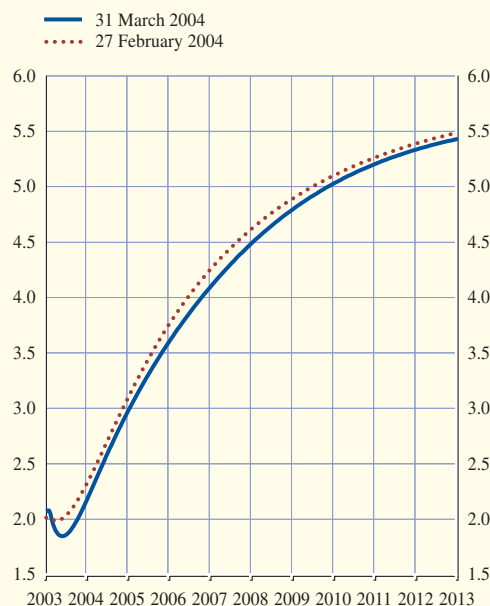
2.5 INTEREST RATES ON LOANS AND DEPOSITS

Between June 2003 and January 2004, most short-term MFI interest rates on new business decreased slightly, while some long-term MFI interest rates increased moderately.

Most short-term MFI interest rates on new business remained broadly unchanged in January 2004, following slight declines in the previous months (see Chart 12). Overall, between June 2003 and January 2004 the rate on short-term savings deposits from households (i.e. redeemable at notice of

Chart 11 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



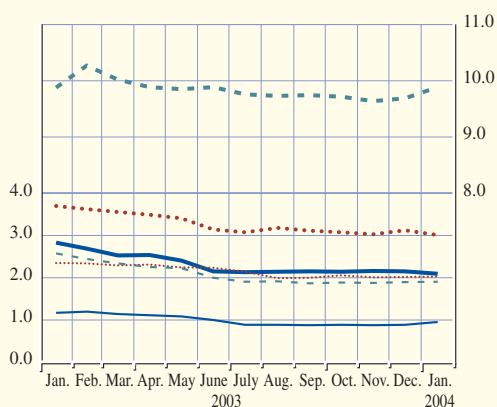
Source: ECB estimate.

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.

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

(percentages per annum; rates on new business)

- three-month money market rate (left-hand scale)
- short-term loans to non-financial corporations ¹⁾ (left-hand scale)
- - - overdrafts to households (right-hand scale)
- overnight deposits from non-financial corporations (left-hand scale)
- short-term savings deposits from households ²⁾ (left-hand scale)
- - - short-term time deposits from households ³⁾ (left-hand scale)



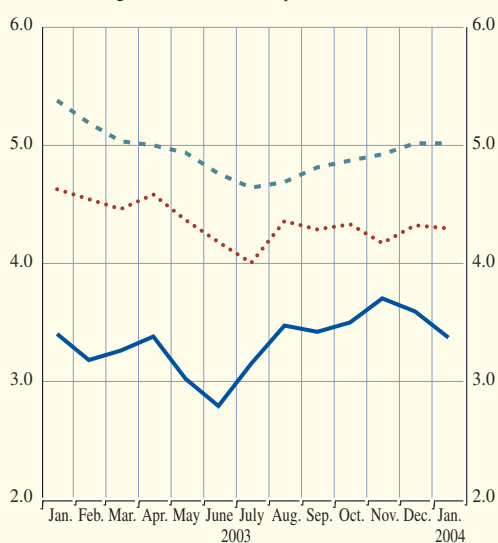
Source: ECB.

- 1) Loans to non-financial corporations over €1 million with a floating rate or with up to one year initial rate fixation.
- 2) Deposits from households redeemable at notice of up to three months.
- 3) 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)

- five-year government bond yields
- long-term loans to non-financial corporations ¹⁾
- - - long-term loans for house purchase ²⁾



Source: ECB.

- 1) Loans to non-financial corporations over €1 million with over five years' initial rate fixation.
- 2) Loans to households with over five and up to ten years' initial rate fixation.

up to three months) fell by around 20 basis points, while the rates on short-term time deposits from households (with an agreed maturity of up to one year) and on loans to non-financial corporations over €1 million with a floating rate or with up to one year initial rate fixation both declined by about 10 basis points. Over the same period, the rates on overnight deposits from non-financial corporations and on bank overdrafts to households remained unchanged. For comparison, the three-month money market rate fell by around 10 basis points overall during this period.

Most long-term MFI rates on new business were unchanged in January 2004 (see Chart 13). Looking at longer periods, long-term MFI lending rates have slightly increased since June 2003 when government bond yields started to adjust upwards. Between June 2003 and January 2004, the rate on long-term loans to households for house purchase with over five and up to ten years' initial rate fixation increased by around 30 basis points, while the rate on loans to non-financial corporations over €1 million with over five years' initial rate fixation went up by 10 basis points. For comparison, the five-year government bond yield increased by around 60 basis points between June 2003 and January 2004.

2.6 EQUITY MARKETS

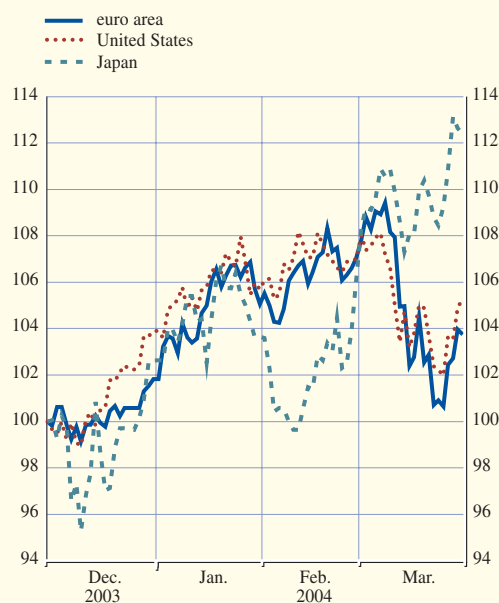
In March 2004, there was a halt in the upward trend in stock prices in the euro area and the United States. The most recent decreases partly reflected heightened stock market uncertainty following the Madrid terrorist attacks on 11 March.

UNITED STATES

In the United States, stock prices, as measured by the Standard & Poor's 500 index, decreased by around 2% between the end of February and 31 March 2004 (see Chart 14). To some extent, this development reflected increased market uncertainty following the Madrid terrorist attacks on 11 March (see Box 2). In addition, macroeconomic data releases, especially for the labour market, were somewhat weaker than expected by market participants and contributed to an increase in investors' uncertainty about the pace of the economic recovery. By contrast, stock prices were supported by recent surveys indicating a marked improvement in market participants' expectations for corporate earnings for the first quarter of 2004. The increase in stock market uncertainty was reflected in the ten-day moving average of implied volatility derived from options on the Standard & Poor's 500 index, which rose by 3 percentage points between end-February and 31 March and stood at 16% on the latter date, a level last seen in October 2003 (see Chart 15).

Chart 14 Stock price indices

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

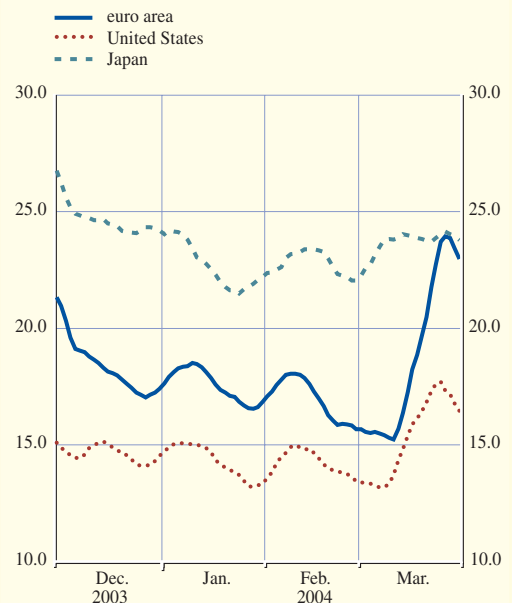


Source: Reuters.

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.

JAPAN

In Japan, stock prices rose by 6% overall in March 2004. The overall stock price increase seemed to result from the growing optimism of market participants about the economic outlook in Japan. In this respect, market concerns about the potential downward pressure on the Japanese economy resulting from exchange rate movements appear to have been mitigated by recent export data. Uncertainty in the Japanese stock market, as measured by the ten-day moving average of implied volatility extracted from options on the Nikkei 225 index, increased by 2 percentage points between end-February and 31 March, but remained at a level somewhat lower than its average since 1999.

EURO AREA

In the euro area, stock prices, as measured by the Dow Jones EURO STOXX index, declined by about 3% in March. Stock prices were adversely affected by the market reactions to the terrorist attacks in Madrid on 11 March (see Box 2). Following the terrorist attacks, stock prices fell to the levels recorded at the end of 2003, thus wiping out the significant gains recorded earlier this year. The terrorist attacks also contributed to heightened stock market uncertainty in the euro area, as measured by the ten-day moving average of implied volatility extracted from options on the Dow Jones EURO STOXX 50 index, which increased by 7 percentage points between end-February and 31 March. Nevertheless, implied stock market volatility in the euro area remained well below its average since 1999, standing at 23% on 31 March.

Regarding the recent sectoral developments in the euro area, most of the economic sectors in the Dow Jones EURO STOXX index recorded a decrease in share prices in March. This broad-based decline indicated that stock markets were mainly driven by a change in general investor sentiment. The only sector with a positive performance was healthcare, where specific corporate news drove prices up.

Box 2

STOCK MARKET REACTIONS TO THE TERRORIST ATTACKS IN MADRID ON 11 MARCH 2004

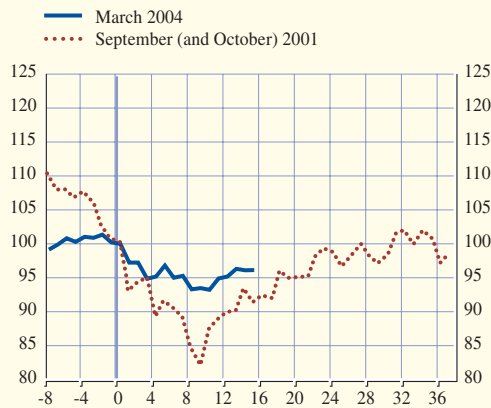
The effects of the terrorist attacks in Madrid on 11 March 2004 on global financial markets were rather muted, with the exception of the stock market reactions. This box looks in more detail at the developments in stock markets in the euro area and the United States in the aftermath of the terrorist attacks on 11 March, and makes some comparisons with the reactions following the 11 September 2001 attacks in the United States.

In the euro area, the Dow Jones EURO STOXX index fell by about 3% on 11 March and continued to fall during the following days before stabilising somewhat. On 31 March 2004 it stood at a level which was around 4% lower than the level on 10 March 2004 (see Chart A). By way of comparison, in 2001 the fall in the Dow Jones EURO STOXX index on the day of the terrorist attacks was larger (around 7%) and the extent of the overall decline before recovering was also greater (around 17%).¹ All in all, between 10 September and end-September 2001 the Dow Jones EURO STOXX fell by around 7%, i.e. by around 3 percentage points more than in March 2004.

¹ It should be noted that the stock market in the United States was closed for several days following the 11 September 2001 attacks. When the US market opened again on 17 September 2001, its downward trend had some spillover effects on European stock markets.

Chart A Dow Jones EURO STOXX index

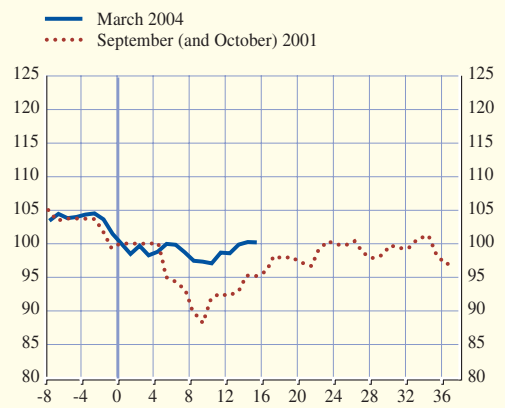
(index: 10 September 2001=100 and 10 March 2004=100; daily data)



Sources: Reuters and ECB calculations.
Note: The horizontal axis shows the number of working days. "0" marks 10 March 2004 and 10 September 2001.

Chart B Standard & Poor's 500 index

(index: 10 September 2001=100 and 10 March 2004=100; daily data)



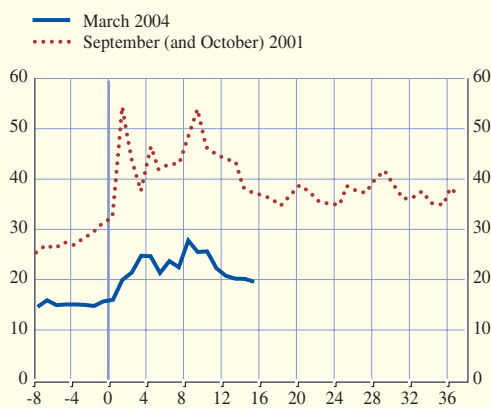
Sources: Reuters and ECB calculations.
Note: The horizontal axis shows the number of working days. "0" marks 10 March 2004 and 10 September 2001.

A difference could also be seen in the stock market reaction in the United States (see Chart B). Following the Madrid terrorist attacks, the US stock market fell by much less than it did in September 2001 and the Standard & Poor's 500 index stood at about the same level on 31 March as on 10 March 2004.

A similarity to the 11 September 2001 attacks was the significant rise in implied stock market volatility in the aftermath of the Madrid terrorist attacks both in the euro area and the US equity markets. This reflected the increase in perceived uncertainty brought about by the Madrid terrorist attacks, which was also seen in the aftermath of the 11 September 2001 events. Despite this increase, the level of implied volatility in stock markets remained much lower than the level recorded in September 2001 (see Charts C and D).

Chart C Implied stock market volatility, Dow Jones EURO STOXX 50 index

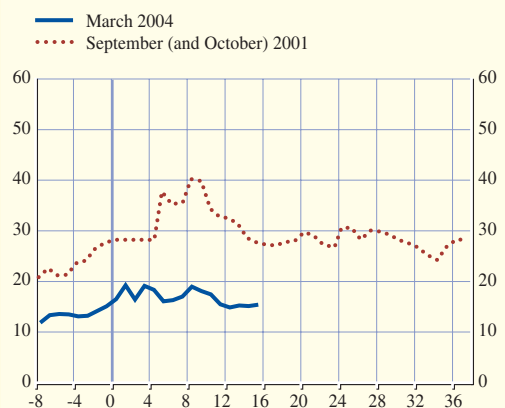
(percentages per annum; daily data)



Sources: Reuters and ECB calculations.
Note: The horizontal axis shows the number of working days. "0" marks 10 March 2004 and 10 September 2001.

Chart D Implied stock market volatility, Standard & Poor's 500 index

(percentages per annum; daily data)



Sources: Reuters and ECB calculations.
Note: The horizontal axis shows the number of working days. "0" marks 10 March 2004 and 10 September 2001.

It is also noticeable that the decline in euro area stock prices after the Madrid terrorist attacks was broadly based across sectors (see table below). This stands in contrast to the developments after 11 September 2001 when there were considerable variations among sectors. The consumer cyclical sector, which includes airlines and hotels, showed a substantially larger decline than the broad index after 11 September 2001 in both the euro area and the United States, possibly reflecting expectations of lower air traffic and less tourism following the attacks. The financial sector, including the insurance sector, was also significantly affected in 2001 as fears about future claims on insurance coverage due to terrorism rose. By contrast, the low divergence of sectoral stock market variations after 11 March 2004 instead suggests that stock price developments reflected mainly a general increase in uncertainty among market participants, i.e. an increase in the market risk premia demanded by investors, but not a particular concern relating to clearly identifiable problems in individual sectors.

There are several possible explanations for the differences in stock market behaviour after 11 September 2001 and 11 March 2004. Some relate to the differences in the form of the terrorist attacks, which in the case of 11 September 2001 caused great concern about the future profitability of the air travel and tourism industries and of the insurance sector. Regarding the latter sector, it should be recalled that following the 11 September 2001 attacks some changes were made to insurance contracts to limit the exposure of insurance companies to the risk of future terrorist attacks. This may partly explain why these companies were not so negatively affected after the terrorist attacks on 11 March 2004. Moreover, while market participants appeared to perceive the 11 September 2001 attacks as a global shock, the rather muted stock market reaction in the United States after 11 March 2004 may indicate that the market regarded the recent attacks as having implications mainly for Europe and not particularly for the United States. Finally, the Madrid terrorist attacks also occurred at a time when the world economy has been growing strongly, while the events of 11 September 2001 occurred during an economic downturn. In this respect, the relatively low level of implied stock market volatility after 11 March 2004 reflects the better general economic environment.

Price changes in the Dow Jones EURO STOXX and in the Dow Jones Industrial Average economic sector indices

(percentage changes; daily data)

	Dow Jones EURO STOXX		Dow Jones Industrial Average	
	From 10 March to end-March 2004	From 10 September to end-September 2001	From 10 March to end-March 2004	From 10 September to end-September 2001
Basic materials	-5.1	-9.4	3.2	-6.8
Consumer cyclical	-3.2	-13.3	1.5	-7.3
Consumer non-cyclical	-4.2	-4.9	-0.6	-3.6
Energy	-3.4	-7.4	-0.4	-9.3
Financial	-4.8	-8.0	0.0	-0.8
Healthcare	-0.7	1.7	-2.0	0.0
Industrial	-2.6	-11.2	2.1	-7.7
Technology	-4.5	-2.0	1.6	-15.2
Telecommunications	-4.0	7.4	0.0	5.8
Utility	-3.1	-1.9	0.9	-8.1
Overall index	-3.9	-6.3	0.4	-5.3
Memorandum item:				
standard deviation of sectoral changes	1.3	6.3	1.5	5.8

Sources: STOXX and ECB calculations.

3 PRICES AND COSTS

Lower annual price increases in energy –on account of a base effect –and unprocessed food brought euro area inflation down to 1.6% in February 2004, compared with 1.9% in the previous month. According to Eurostat's flash estimate, inflation remained unchanged at 1.6% in March. At earlier stages of the pricing chain, producer price pressures remained moderate. However, commodity price developments since early February may put some upward pressure on producer prices in the near future. On the other hand, labour cost increases have levelled off and the past appreciation of the euro will continue to alleviate import price pressures. Barring any further price shocks, price developments should remain in line with price stability, although, over the short term, inflation rates may display some volatility due to less favourable base effects in energy prices and indirect tax increases.

3.1 CONSUMER PRICES

FLASH ESTIMATE FOR MARCH 2004

According to Eurostat's flash estimate, euro area HICP inflation remained unchanged in March 2004 at 1.6% (see Table 4). Although no detailed information is available as yet, it is likely that counteracting factors were at work. More specifically, the recent rise in oil prices in euro terms could have put upward pressure on energy prices. Moreover, processed food prices seem to have been affected by higher tobacco prices following further tax increases. However, these factors seem to have been largely offset by a downward base effect in energy prices stemming from the strong oil price increase observed one year earlier. Given the preliminary nature of the information, the estimate is surrounded by the usual uncertainty.

HICP INFLATION IN FEBRUARY 2004

Euro area inflation declined to 1.6% in February 2004, down from 1.9% in January (see Chart 16). In contrast to overall inflation, the annual rate of change in the HICP excluding unprocessed food and energy rose slightly – by 0.1 percentage point – to 2.0%.

The main factor behind the decline in overall inflation was a strong downward base effect in HICP energy prices, resulting from the marked increase in oil prices early last year. In addition, the

Table 4 Price developments

(annual percentage changes, unless otherwise indicated)

	2002	2003	2003 Oct.	2003 Nov.	2003 Dec.	2004 Jan.	2004 Feb.	2004 Mar.
HICP and its components								
Overall index ¹⁾	2.3	2.1	2.0	2.2	2.0	1.9	1.6	1.6
Energy	-0.6	3.0	0.7	2.2	1.8	-0.4	-2.3	.
Unprocessed food	3.1	2.1	3.8	3.8	3.2	2.9	1.9	.
Processed food	3.1	3.3	3.5	4.0	3.8	3.3	3.2	.
Non-energy industrial goods	1.5	0.8	0.8	0.7	0.7	0.6	0.8	.
Services	3.1	2.5	2.5	2.4	2.3	2.5	2.6	.
Other price indicators								
Industrial producer prices	-0.1	1.6	0.9	1.4	1.0	0.3	.	.
Oil prices (EUR per barrel)	26.5	25.1	24.7	24.6	24.0	24.2	24.1	26.7
Non-energy commodity prices	-0.9	-4.5	-3.7	0.2	-0.2	5.1	7.2	.

Sources: Eurostat, Thomson Financial Datastream and HWWA.

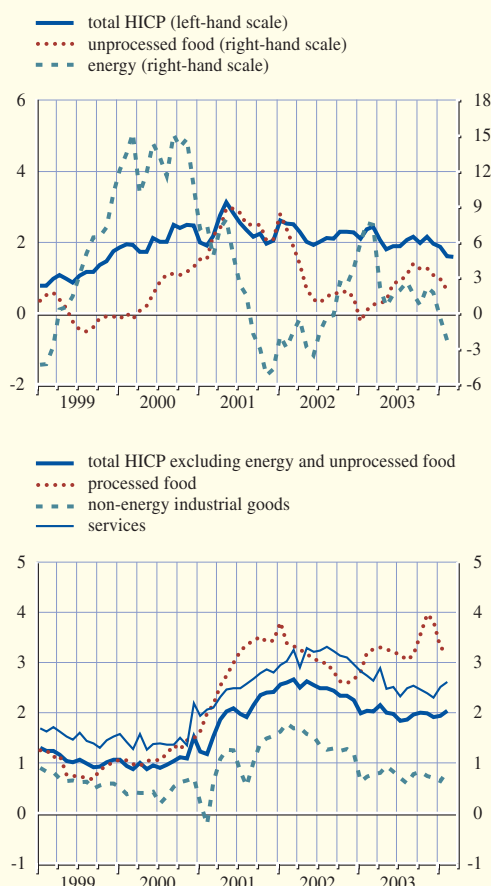
1) HICP inflation in March 2004 refers to Eurostat's flash estimate.

annual rate of change in unprocessed food prices declined further in February. This development was mainly due to a large decline in the annual rate of change in vegetable prices. The month-on-month changes in vegetable prices have been below historical averages for some months now, suggesting that the impact of last summer's heatwave shock to food prices has been gradually unwinding.

The increase in the annual rate of change in the HICP excluding unprocessed food and energy was the result of developments in both non-energy industrial goods and services prices. The rise in the annual rate of change in the non-energy industrial goods component – from 0.6% in January to 0.8% in February – reflected an upward adjustment in the prices of clothing and footwear in February after the strong decline in January linked to the winter sales. The increase in clothing prices in February this year is in contrast to developments in February 2003 when clothing prices fell on a month-on-month basis from January. Increases in the prices of passenger air transport and package holidays were the main factors behind the increase in the annual rate of change in services prices, from 2.5% in January to 2.6% in February. Given the historical volatility in prices for these items, this should not be interpreted as a signal of further increases in services prices. The annual rate of change in processed food prices declined slightly in February. However, further increases in tobacco taxes are likely to push up the annual rate of increase in processed food prices again.

Chart 16 Breakdown of HICP inflation: main sub-components

(annual percentage changes; monthly data)



Source: Eurostat.

3.2 INDUSTRIAL PRODUCER PRICES

Price pressures at earlier stages of the production chain remained subdued in January (see Chart 17). As was mentioned in the previous issue of the Monthly Bulletin, the annual rate of change in the euro area Producer Price Index (PPI) excluding construction declined to 0.3% in January 2004, from 1.0% in December 2003. This decline was mainly due to base effects stemming from energy prices. When excluding energy, the annual rate of increase in the PPI remained unchanged in January at 0.6%.

Price developments in all sub-components of the PPI remained relatively subdued in January. The annual rate of increase in producer prices of intermediate goods rose slightly to 0.5% in January, possibly reflecting upward pressure from non-energy commodity prices. The annual rate of growth

in consumer goods prices continued to ease and reached 0.5% in January 2004. The rate of increase in producer prices of capital goods also remained low in January at 0.5%.

Looking ahead, oil price increases since early February 2004, both in US dollar and euro terms, are likely to put upward pressure on producer prices. Moreover, respondents to the Purchasing Managers' Survey – which is used to construct the Eurozone Input Price Index (EPI) for manufacturing – have cited the increase in non-energy commodity prices as a source of cost pressures. As was mentioned in the previous issue of the Monthly Bulletin, the EPI increased further in February 2004, to 59.4, from 54.6 in January. The index has been above the “no change” threshold of 50 since October 2003.

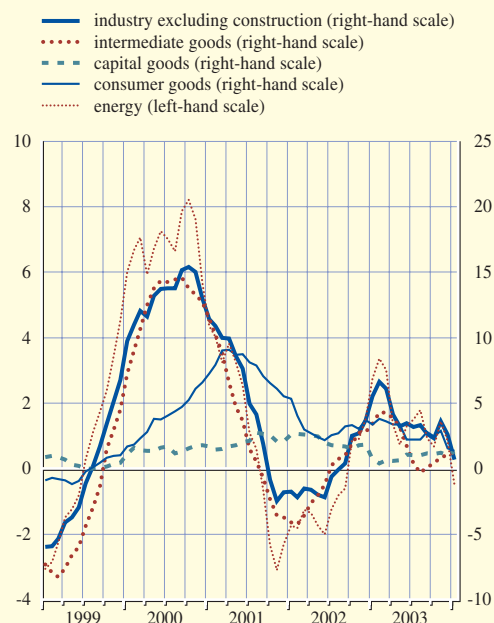
3.3 LABOUR COST INDICATORS

The most recent data for the fourth quarter of 2003 provide further evidence that labour cost growth moderated in the course of last year. For example, the annual rate of change in total hourly labour costs was 2.5% in the fourth quarter of 2003, down from 2.8% in the previous quarter (see Table 5). For 2003 as a whole, total hourly labour costs increased on average by 2.9%, compared with 3.5% in 2002. Data on negotiated wages also confirm that wage growth moderated in 2003 (see Chart 18). Considering 2003 as a whole, the average annual rate of increase in negotiated wages declined to 2.4%, from 2.7% in 2002.

For other labour cost indicators, the most recently available evidence still refers to the third quarter of 2003. Annual unit labour cost growth, albeit having declined, remained relatively high at 2.4% in the third quarter, reflecting continually low rates of productivity growth. However, in the context of moderate net job creation, the recovery in activity in the second half of last year resulted

Chart 17 Breakdown of industrial producer prices

(annual percentage changes; monthly data)



Source: Eurostat.

Table 5 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

	2002	2003	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Q4
Negotiated wages	2.7	2.4	2.6	2.7	2.4	2.4	2.2
Total hourly labour costs	3.5	2.9	3.5	3.1	3.2	2.8	2.5
Gross monthly earnings	3.0	.	3.1	2.9	2.8	2.6	.
Compensation per employee	2.5	.	2.3	2.4	2.6	2.5	.
<i>Memo items:</i>							
Labour productivity	0.3	0.3	0.8	0.6	0.0	0.1	0.4
Unit labour costs	2.2	.	1.5	1.9	2.6	2.4	.

Sources: Eurostat, national data and ECB calculations.

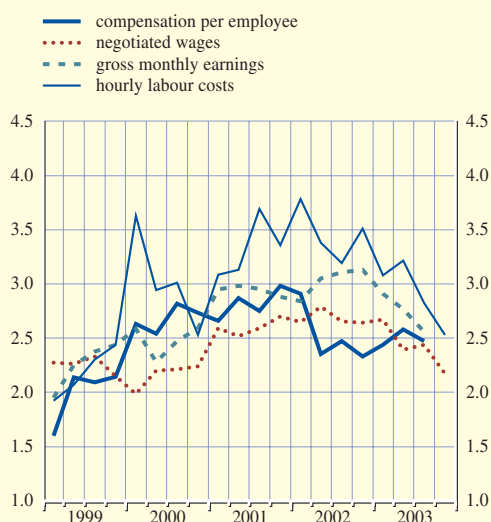
in a slight increase in labour productivity. Thus, in the fourth quarter of 2003, with country evidence suggesting that growth in compensation per employee may have continued to moderate, unit labour cost growth is also expected to show a decline.

3.4 THE OUTLOOK FOR INFLATION

In the short term, tobacco tax increases, together with less favourable base effects in energy prices will have an upward impact on annual inflation rates, particularly in the second quarter of this year. However, taking account of wage movements, past exchange rate developments and the anticipated gradual pace of economic recovery, and assuming no further shocks to prices, euro area HICP inflation is expected to remain in line with price stability over the medium term. Factors which deserve close monitoring are, in particular, the increase in commodity prices – both oil and non-oil – and the evolution of long-term inflation expectations (see Box 3).

Chart 18 Selected labour cost indicators

(annual percentage changes)



Sources: Eurostat, national data and ECB calculations.

Box 3

RECENT DEVELOPMENTS IN LONG-TERM INFLATION EXPECTATIONS

Attention has focused recently on developments in long-term inflation expectation indicators. These are of interest as they may provide insight into economic agents' assessment of longer-term price developments. These opinions may impact on wage and price-setting behaviour. Thus, longer-term inflation expectations inconsistent with the ECB's definition of price stability would be a cause for concern.

This box describes information concerning long-term inflation expectations from a number of different sources. In particular, survey measures of expectations from forecasters of euro area developments (the euro area Survey of Professional Forecasters (SPF), Consensus Economics and the Euro Zone Barometer) are considered alongside developments in the break-even inflation rate extracted from nominal and index-linked bonds.

Chart A presents long-term inflation expectations from different surveys of forecasters as well as the evolution of the ten-year break-even inflation rate for the euro area, which is calculated as the difference between the yields on ten-year nominal and index-linked government bonds.¹ It should be noted that the periods referred to in the various surveys differ, as does the time period

¹ For further information on the break-even inflation rate, see the box entitled "Deriving long-term euro area inflation expectations from index-linked bonds issued by the French Treasury" in the February 2002 issue of the Monthly Bulletin.

Chart A Long-term inflation expectations from surveys of forecasters and the break-even inflation rate

(annual percentage changes)

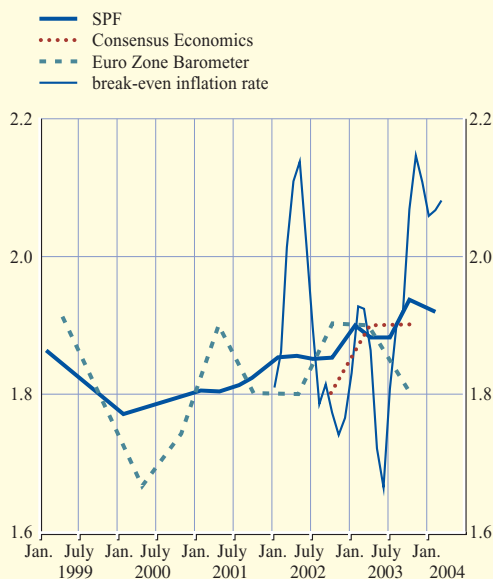
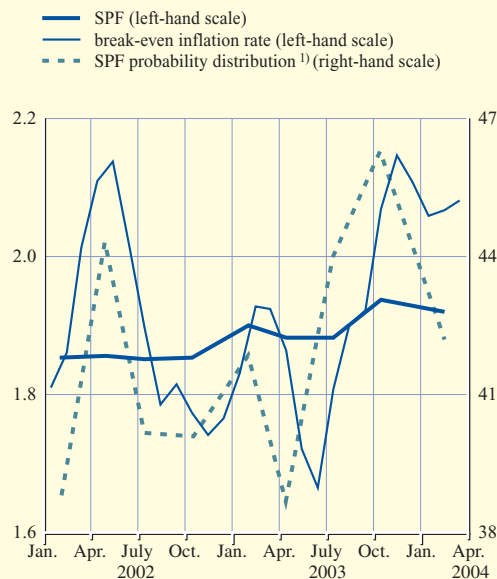


Chart B Long-term inflation expectations from the SPF (forecasts and probability distribution) and the break-even inflation rate

(annual percentage changes, percentages)



Sources: ECB, French Treasury, Consensus Economics and MJEconomics (Euro Zone Barometer).

Note: The SPF refers to expectations five years ahead, Consensus Economics to those six to ten years ahead and the Euro Zone Barometer to those four years ahead, while the break-even inflation rate covers a period of approximately ten years. The latter is calculated as the difference between the yields on ten-year nominal and index-linked government bonds.

1) Probability associated with an inflation outcome five years ahead at 2% or above.

covered by the break-even inflation rate. The SPF refers to expectations five years ahead, Consensus Economics to those six to ten years ahead and the Euro Zone Barometer to those four years ahead, while the break-even inflation rate covers a period of approximately ten years.

Notwithstanding the different time periods referred to in the surveys, survey-based expectations have been broadly similar over the past three years, fluctuating within a relatively narrow band of around 1.8% to 1.9%. The break-even inflation rate has been more volatile. However, it is important to note that the break-even inflation rate may reflect factors other than expected long-term inflation rates.² These factors, some of which may be time-varying, include a positive premium related to inflation uncertainty, a negative premium related to the higher liquidity of the nominal bonds used to calculate the break-even inflation rate, maturity differences, tax issues and technical market factors. In addition, forecasters are usually asked in surveys for their expectations of overall HICP inflation, whereas the break-even inflation rate is linked to the HICP excluding tobacco. However, over longer-term horizons this difference in coverage should have only a limited impact.

In the SPF respondents are asked not just for their specific point forecast of inflation but also for the probability distribution underlying the forecast. This probability distribution is expressed as percentages falling within specific intervals. The probability distribution resulting

² For a detailed discussion of factors other than long-term inflation expectations that may affect the break-even inflation rate, see the box entitled "Recent developments in the market for index-linked bonds in the euro area" in the December 2003 issue of the Monthly Bulletin.

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. Comparing the probability distribution over time also makes it possible to consider any possible change in the perceived risks or uncertainty.

Chart B presents the point forecast of longer-term inflation as well as the probability associated with a longer-term inflation outcome being 2% or higher. The probability associated with the outcome being at 2% or above was chosen as it represents an outcome inconsistent with the definition of price stability over the medium term. This chart suggests that movements in the ten-year break-even inflation rate may be related to those in the probability of inflation being at 2% or above. For example, in the second quarter of 2003 both the break-even inflation rate and the probability associated by SPF respondents with an outcome at 2% or above declined, although the longer-term point forecast remained broadly unchanged. Similarly, the increase in the break-even inflation rate in the second half of 2003 was paralleled by an increase in the probability associated with an outcome at 2% or above, although the point forecast increased by considerably less. More recently, there has been some decline in the break-even inflation rate as well as in the probability reported by SPF respondents in the first quarter of 2004 associated with an outcome at 2% or above.

One may therefore conclude that recent movements in the break-even inflation rate were more influenced by changes in inflation uncertainty and less by changes in average long-run inflation expectations. This underscores the need to cross-check across a range of indicators when assessing developments in long-term inflation expectations.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Latest data releases support the view that the modest pace of the recovery in the euro area has continued into 2004, following quarter-on-quarter real GDP growth of 0.3% to 0.4% in the second half of 2003. However, recent conjunctural indicators have been mixed, implying some short-term uncertainty, while so far the terrorist attacks in Madrid on 11 March have not had a major impact on the economic outlook. Survey results in the manufacturing sector were either stable or improved slightly in March and remain consistent with a moderate expansion in industrial activity, despite relatively weak industrial production data around the turn of the year. Confidence in services has not strengthened further in the last few months, but continues to point to ongoing growth in this sector. Short-term indicators of households' expenditure remain mixed, although the significant rise in retail trade in January may provide a tentative indication of an upturn in consumer spending. Looking ahead, domestic and external conditions remain in place in order for the recovery to continue in 2004 and to strengthen over time.

4.1 OUTPUT AND DEMAND

REAL GDP AND EXPENDITURE COMPONENTS

National accounts data show that real GDP growth was 0.3% in the fourth quarter of 2003, compared with 0.4% in the third quarter (see Chart 19).

With the exception of an upturn in capital spending, the composition of demand in the fourth quarter did not appear to be particularly favourable. The impulse from export growth, which was the key factor driving stronger activity in the third quarter, diminished. Moreover, consumer spending remained broadly unchanged from the third quarter. Despite weak domestic demand, imports accelerated strongly. As a result, the net trade contribution turned significantly negative in the fourth quarter.

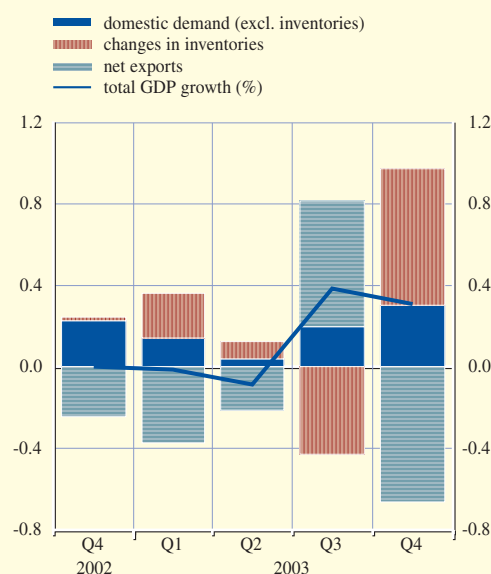
Reconciling reasonably positive supply side indicators on the one hand and subdued demand and strong import growth on the other, the first release of national accounts data for the fourth quarter of 2003 features an unusually high positive contribution from inventory changes (see Chart 19). However, the inventory data are used in euro area national accounts as a balancing item and may therefore also reflect statistical discrepancies or measurement errors in different components of GDP. Hence the inventory data could be revised down in subsequent releases as more precise estimates of other demand components become available.

SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

Real GDP growth in the fourth quarter of 2003 was mainly supported by industrial activity. The contribution of real value added in services was also positive, albeit lower than in industry

Chart 19 Contributions to real GDP growth

(quarterly percentage point contributions; seasonally adjusted)



Sources: Eurostat and ECB calculations.

and below its contribution in the third quarter. The deceleration in services sector activity was driven mainly by a contraction in trade and transport output, which may partly reflect weak consumption.

Industrial production data (excluding construction) point to a more restrained pace of activity in industry around the turn of the year. Following a strong rise in October, industrial production broadly stabilised in the last two months of 2003, and actually fell in January 2004. This decline reflected a contraction in the production of all main industrial groupings. However, measured on a three-month moving average basis, a favourable base effect from the strong rise in production in October continues to support the momentum in industrial production (see Chart 20). Data on actual new orders contracted significantly in January, offsetting a strong rise in December. Beyond the monthly volatility, new orders data indicate ongoing demand for industrial products, albeit at a slower pace than in the fourth quarter of 2003.

SURVEY DATA FOR MANUFACTURING AND SERVICES SECTORS

Survey results in the manufacturing sector were either stable or improved slightly in March 2004 (see Chart 21). Overall, they suggest that activity in industry continued to expand in the first quarter of the year, albeit at a moderate pace.

The European Commission's industrial confidence indicator was unchanged in March, despite a slight decrease in production expectations. Confidence was stable in the intermediate and capital goods industry but declined somewhat for producers of consumer goods. Overall, the terrorist attacks in Madrid on 11 March seem to have had only limited effects on survey results for that month. This may, in part, reflect the timing of the surveys, as respondents were mostly polled before the attacks.

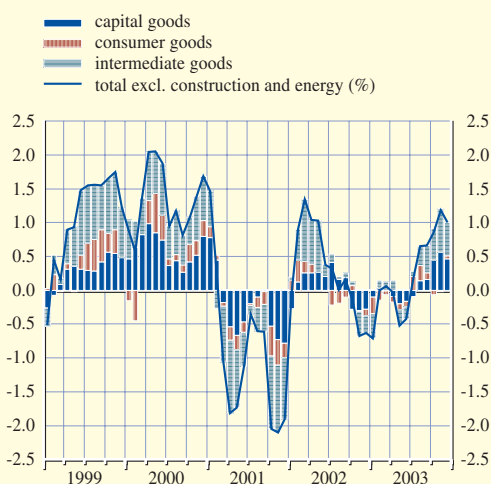
In contrast to the European Commission's survey results, the Purchasing Managers' Index (PMI) for the manufacturing sector improved slightly in March, reflecting a broadly based increase across its components. Responses were collected after the Madrid bombings. However, the PMI is geared towards an assessment of current business conditions, and should be less affected by changes in expectations.

The European Commission's confidence indicator in the services sector was unchanged in March. This conceals an improvement in demand expectations, which offset a deterioration in the assessment of the overall business climate and less favourable demand conditions in recent months.

More generally, survey results provide tentative indications concerning developments in the first quarter of 2004. The European Commission's surveys for this period show on average a further

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.

improvement in the outlook for future production in manufacturing and for future demand in services. This contrasts with a broadly unchanged assessment of past production trends in manufacturing and a slight deterioration of recent demand developments in services. Overall, the forward-looking components of the surveys would support a positive outlook for euro area activity beyond the short term. However, the more backward-looking components may also indicate that the recovery did not strengthen in the first quarter of the year.

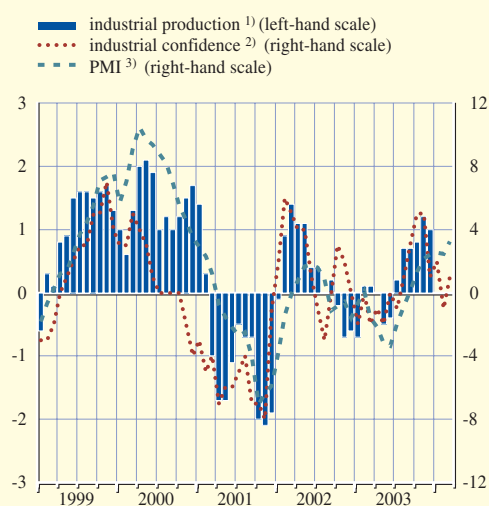
INDICATORS OF HOUSEHOLD SPENDING

The latest data send mixed signals concerning the underlying strength of consumer spending, though there are also tentative indications of an upturn at the beginning of 2004.

Euro area retail sales increased strongly in January, following declines in both November and December. Eurostat released an early estimate of monthly retail sales for the first time, thereby significantly reducing the delay in the availability of retail sales data (see Box 4 entitled “First estimates for euro area retail trade turnover aggregates” for a description of the data methodology). This first estimate points to a monthly increase of around 2¼% in January, which was broadly based across available countries and in both food and non-food components. Despite the volatility of the data, the rise in January provides a positive indication for private consumption. Partial country information available for February, together with an increase in consumer credit growth, complements the more positive signal given by retail trade data in January. By contrast, new passenger car registrations have remained weak, despite a moderate rise in February.

Chart 21 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)

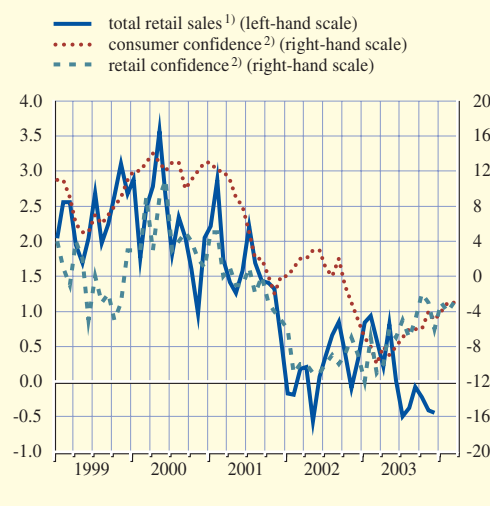


Sources: Eurostat, European Commission Business and Consumer Surveys, Reuters and ECB calculations.

- 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.

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 from January 2004 onwards are not fully comparable with previous figures due to changes in the questionnaire used for the French survey.

The European Commission's consumer confidence indicator was stable in March (see Chart 22), even though the perception of the general economic outlook declined slightly. Available country information for that month does not suggest a significant decline in confidence following the terrorist attacks in Madrid. For the first quarter as a whole, improved prospects for the economy and for the labour market in particular have supported a rise in consumer confidence, confirming a continued upward movement from the low levels reached in early 2003. However, confidence remains low by historical standards and the recent gains only recoup part of the losses in confidence witnessed during the second half of 2002 and the first quarter of 2003.

4.2 LABOUR MARKET

UNEMPLOYMENT

At the beginning of 2004 labour market conditions remained stable at a low level.

February unemployment data showed a slight increase in the number of unemployed, following a more significant rise in January. However, the unemployment rate has remained unchanged for twelve consecutive months, at 8.8% (see Chart 23). In terms of age breakdown, the unemployment rates of those below the age of 25 and those aged 25 and over were also unchanged in February, at 16.8% and 7.8% respectively.

EMPLOYMENT

Employment growth in the whole economy was slightly positive in the fourth quarter of 2003 (see Table 6). This development again conceals diverging trends between positive job creation in the services sector and a significant decline in industrial employment. The sectoral divergence was particularly marked at the end of last year. This was also reflected in diverse productivity trends in both sectors: in the fourth quarter of 2003 productivity increased by more than 1% in industry (excluding construction), while it declined in the services sector. For the economy as a whole, and in a context of moderate net job creation, the recovery in activity in the second half of last year was accompanied by a slight rise in labour productivity.

Looking ahead, employment expectations, despite continuing to improve in the first quarter of 2004, are still at a relatively low level. These expectations would eventually point to a gradual improvement in labour market conditions should the recovery develop further, as is currently expected by firms.

Chart 23 Unemployment

(monthly data; seasonally adjusted)

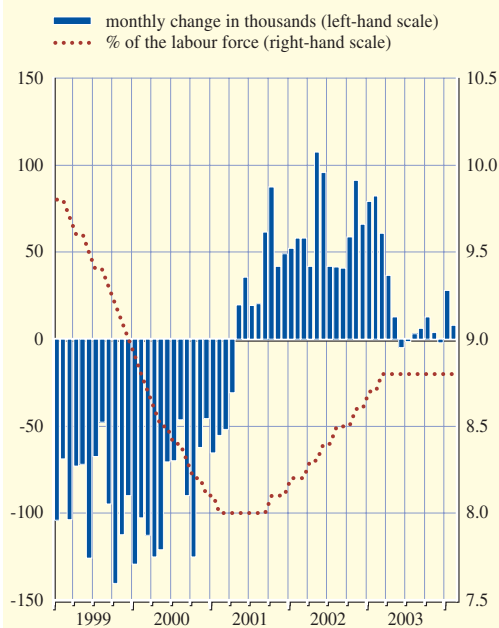


Table 6 Employment growth

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

	Annual rates		Quarterly rates				
	2002	2003	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Q4
Whole economy	0.5	0.2	0.0	0.0	0.1	0.0	0.1
<i>of which:</i>							
Agriculture and fishing	-2.1	-1.9	-0.7	-0.9	-0.2	0.1	0.0
Industry	-1.2	-1.5	-0.5	-0.3	-0.2	-0.5	-0.5
Excluding construction	-1.4	-1.9	-0.6	-0.4	-0.5	-0.5	-0.6
Construction	-0.6	-0.2	-0.1	0.1	0.4	-0.7	-0.3
Services	1.4	0.9	0.2	0.2	0.3	0.2	0.3
Trade and transport	0.4	0.5	0.0	0.1	0.3	0.4	0.2
Finance and business	2.4	1.3	0.4	0.2	0.2	0.3	0.5
Public administration	1.8	1.1	0.4	0.3	0.2	0.0	0.2

Sources: Eurostat and ECB calculations.

4.3 OUTLOOK FOR ECONOMIC ACTIVITY

The modest pace of recovery in the euro area seems to have continued in the first quarter of 2004. However, recently released conjunctural indicators have been mixed, implying some short-term uncertainty, while so far the events in Madrid on 11 March have not had a major impact on the economic outlook.

Looking ahead, conditions remain conducive to a gradual strengthening of growth in the course of 2004 and beyond. The recovery in the rest of the world is progressing and dynamic euro area foreign demand should ensure a significant increase in exports, despite the dampening impact on export price competitiveness related to the appreciation of the euro over the last two years. On the domestic side, following an initial increase in investment in the fourth quarter of 2003, firms are expected to continue to gear up capital spending. The upturn in investment should be encouraged by improved demand prospects, favourable financing conditions and higher corporate earnings. Private consumption should benefit from stronger real income growth, supported in the short term by lower import prices and direct tax cuts and later in the year by a gradual improvement in labour market conditions. The assessment of a continued recovery in real GDP growth is also supported by available forecasts and projections.

Box 4

FIRST ESTIMATES OF RETAIL TRADE TURNOVER IN THE EURO AREA

Eurostat released an estimate of the retail trade turnover in the euro area for January 2004 on 5 March 2004, labelling the results as first estimates. This significant improvement in timeliness from around 65 days to around 35 days after the reference period is the result of a gentleman's agreement between Eurostat and the national statistical institutes (NSIs). It also reflects the implementation of new statistical methods for producing euro area statistics. This box describes the methods and features of these first estimates for the euro area.¹

New procedures for estimating retail trade aggregates in the euro area

In November 2001 the Statistical Programme Committee² decided that Member States should – within two years – be in a position to provide the retail sales index within 30 days of the end of the reference period by using new sampling techniques. Until now, no euro area country has been able to publish this kind of retail trade data in such a timely fashion. The basic idea behind the proposal was that by using existing national samples, smaller sub-samples for each euro area country could be identified, which, combined, would provide a reliable estimate for the euro area. The NSIs would first deal with the required data from the sub-sample. The second step would be to publish the results based on all of the national data (which could potentially lead to a revision of the euro area figures).

The first estimate for the euro area includes the total retail trade turnover in constant prices, broken down into retail sales of food, beverages and tobacco and retail sales of non-food products. Full details of the aggregates are published together with the release of the first estimate for the next reference period, i.e. around 60-65 days after the end of the reference period.

All euro area countries have implemented measures to improve the timeliness of their results. For example, Belgium, Greece, Ireland, Italy, Luxembourg and Finland use reduced sample sizes for their first estimates. Spain and Portugal have been able to bring forward their releases, while nonetheless maintaining the full sample size. Two other countries use different methods to improve the timeliness of their results. Germany uses data from the six largest Länder and France provides estimates based on monthly data collected from supermarkets and results from the Banque de France's monthly retail trade business survey.

Not all euro area countries are currently included in these first estimates for the euro area (see table). However, the country coverage of the euro area aggregate is over 80% and further improvements are expected. For example, the Netherlands will be able to contribute to the first estimates for the euro area from the reporting period February 2004 onwards.

1 For more details, see also the relevant Eurostat news release and the article entitled "Retail trade: volume of sales", Statistics in Focus, Theme 4 - 8/2004, Eurostat 2004, both available at www.europa.eu.int/comm/eurostat.

2 The Statistical Programme Committee co-ordinates the work carried out by Eurostat and the NSIs for the collection and compilation of non-financial euro area statistics.

Timeliness of first estimates of retail trade turnover in the euro area

(Number of days after the reference period)

Reference period	euro area	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
June 2001	64	54	43	79	46	60	60	60	117	38	60	59	58
January 2004	35	n.a.	32 ¹⁾	n.a.	42 ¹⁾	32 ¹⁾	46 ¹⁾	53 ¹⁾	n.a.	55	60	31 ¹⁾	42 ¹⁾

Source: Eurostat.

1) Included in the first estimate.

Data quality and future developments

It is too early to make a firm assessment of the quality of these first estimates. The compilation of first estimates on the basis of partial, incomplete data could lead to more substantial revisions. This may reflect a higher rate of non-response to the surveys, the selection of large retail units in a reduced sample or time constraints for quality checks owing to faster data processing. However, tests carried out in 2003 by Eurostat did not produce any evidence indicating that this improved timeliness had led to more substantial revisions to euro area aggregates. Some caution is nonetheless warranted, as euro area retail trade aggregates have always been relatively volatile and revisions have often been substantial.

The production of a first estimate of retail trade turnover was used as a pilot project with the aim of providing more timely results at euro area level, while restricting the additional burden for the NSIs. Thus, the successful implementation of the new method is important for the future development of other euro area statistics.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

The nominal effective exchange rate of the euro weakened in the course of March 2004. Much of this decline reflected a depreciation of the euro against the Japanese yen, which experienced a broad-based strengthening against all major currencies, and, to a lesser extent, against the US dollar. The terrorist attacks in Madrid on 11 March do not seem to have had a lasting effect on developments in foreign exchange markets.

US DOLLAR/EURO

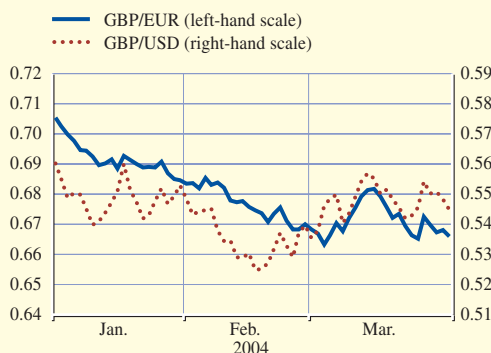
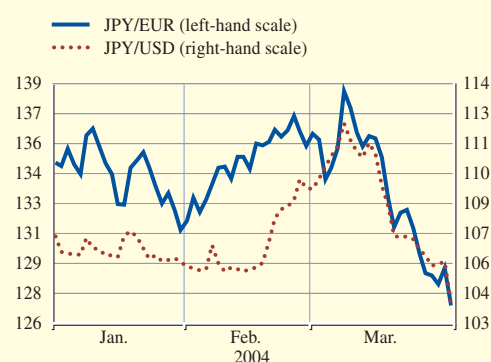
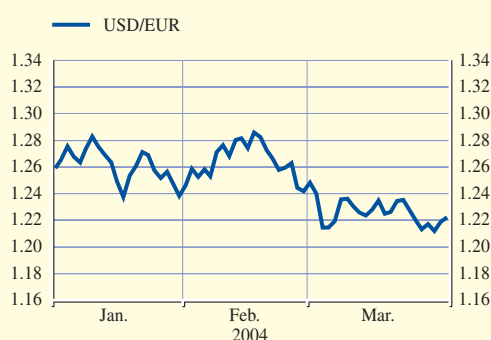
At the beginning of March 2004 the euro first declined markedly against the US dollar but then rebounded to some extent, as foreign exchange markets reacted strongly to conflicting data on US labour market conditions (see Chart 24). For the remainder of the month, the euro was broadly stable against the US currency, fluctuating within a range of USD 1.21 to USD 1.24. This stability seems to have been the result of mixed signals stemming mainly from US data releases. On the one hand, further evidence of sustained growth in the United States coming from buoyant industrial production figures for February supported the US currency. Moreover, a data release suggesting that the United States continued to attract large net portfolio capital inflows for the third consecutive month in January helped to ease market concerns over the financing of the US current account deficit. On the other hand, the persistence of the US trade deficit in January weighed on the dollar. On 31 March, the euro stood at USD 1.22, 1.6% lower than its end-February level and 8.1% stronger than its 2003 average.

JAPANESE YEN/EURO

Following a period of relative strength in February and early March 2004, the euro depreciated significantly against the Japanese yen for the rest of the month (see Chart 24). Over the same period the Japanese currency also gained ground against all other major currencies. This broad-based strengthening seems to mainly reflect a firming of the Japanese economic recovery, as robust activity in the export sector appears to be gradually spilling over into the domestic economy. Another factor reportedly contributing to the

Chart 24 Patterns in exchange rates

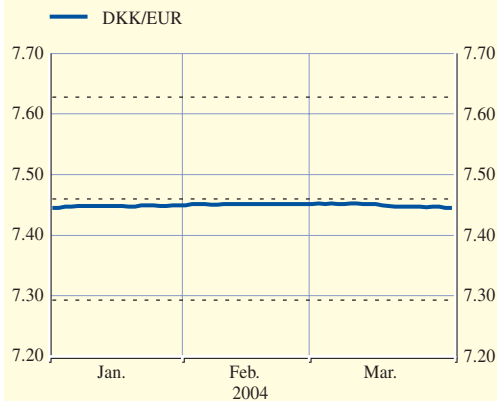
(daily data)



Source: ECB.

Chart 25 Patterns in exchange rates within ERM II

(daily data)



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

yen's strength was intense market speculation that the Japanese authorities might have suspended their foreign exchange market operations in March. On 31 March the euro was quoted at JPY 127.0, 6.4% weaker than its end-February level and 3.1% below its 2003 average.

POUND STERLING/EURO

In the first half of March 2004 the euro appreciated against the pound sterling, as foreign exchange markets reacted to worse than expected UK trade figures for January (see Chart 24). In the second half of the month, however, the pound recovered its earlier losses, supported by continued evidence of buoyant private consumption underpinning a positive outlook for the UK economy. On 31 March, the euro traded against the pound sterling at GBP 0.67, slightly weaker than its level at the end of February and 3.8% lower relative to its 2003 average.

OTHER EUROPEAN CURRENCIES

In ERM II, the Danish krone continued to fluctuate in a very narrow range close to its central parity (see Chart 25). Turning to other European currencies, the euro remained broadly unchanged against the Swedish krona, while it depreciated against the Swiss franc and, more strongly, against the Norwegian krone.

EFFECTIVE EXCHANGE RATE OF THE EURO

On 31 March the euro stood in nominal effective terms – as measured against the currencies of 12 major trading partners of the euro area – 2.1% below its end-February level and 1.5% above its average level in 2003 (see Chart 26). The decline in the euro in effective terms was mainly a

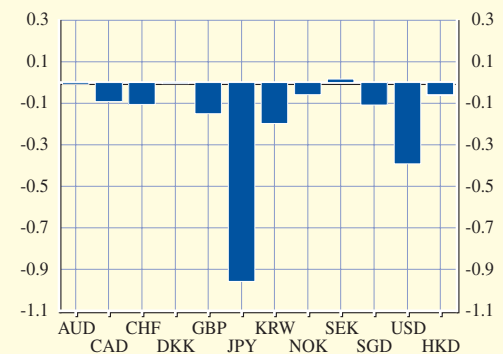
Chart 26 The effective euro exchange rate and its decomposition¹⁾

(daily data)



Contributions to EER changes²⁾

From 27 Feb. 2004 to 31 Mar. 2004
(in percentage points)



Source: ECB.
1) An upward movement of the index represents an appreciation of the euro against the currencies of 12 major trading partners.
2) Changes are calculated, using trade weights, against 12 major trading partners.

reflection of its weakening against the Japanese yen and, to a lesser extent, against the US dollar. Developments in foreign exchange markets do not seem to have been influenced lastingly by the events in Madrid.

5.2 BALANCE OF PAYMENTS

In January 2004 the surplus in the seasonally adjusted current account balance declined compared with the month before, owing to an increase in the income and current transfers deficits as well as a reduction in the services surplus. These developments were partly counterbalanced by a rise in the goods surplus –reflecting lower imports and higher exports –suggesting that the export recovery observed since the second half of 2003 continued amid robust foreign demand. In the financial account, combined direct and portfolio investment experienced net outflows. Net outflows in direct investment and equity portfolio investment were not fully compensated by net inflows in debt instruments.

CURRENT ACCOUNT AND TRADE

The seasonally adjusted current account of the euro area recorded a surplus of €2.5 billion in January 2004. This reflected surpluses in both the goods and, to a lesser extent, the services balance that were partly offset by deficits in the income and current transfers balances (see Table 7.1 in the “Euro area statistics” section).

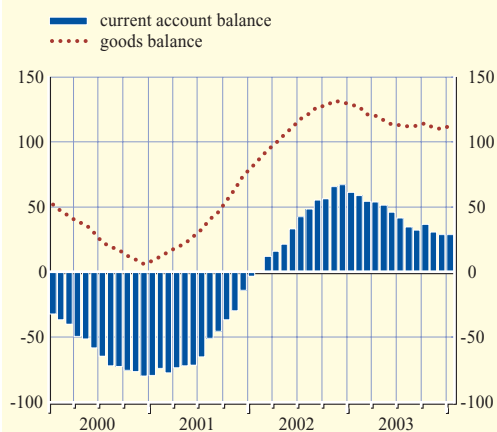
Compared with the revised data for December 2003, the seasonally adjusted current account surplus decreased by €0.7 billion in January 2004. This development stemmed from an increase in the income and current transfers deficits as well as from a reduction in the services surplus, which were partly counterbalanced by an increase in the goods surplus. The rise in the goods surplus over this period, by €4.1 billion, was the result of the combined effect of higher export and lower import values. In more detail, the value of euro area exports of goods grew by roughly 2.2% in seasonally adjusted terms compared with the month before. Accordingly, the export recovery observed since the second half of 2003 continued in January, with robust foreign demand remaining its main driving factor. Over the same period, the value of goods imports fell by 2.8%.

Taking a longer-term perspective, the 12-month cumulated current account surplus was €28.9 billion in January 2004, €32.6 billion below the level recorded a year earlier (see Chart 27). This decrease was mainly due to a fall in the goods surplus and an increase in the income and current transfers deficits. In turn, the fall in the goods surplus mostly reflected a decrease in the value of euro area exports by about 2.3% over the same period. The fall in the value of exports resulted primarily from the effect of the euro appreciation and weak foreign demand in the first half of 2003. Although the recovery in foreign demand since the middle of 2003 contributed to a pick-up in export growth between July 2003 and January 2004, this was not sufficient to offset the decline recorded in the first half of 2003. Turning to imports, their cumulated value over the 12-month period to January 2004 decreased marginally with respect to the same period a year earlier. The strong rise in euro area imports in the fourth quarter of 2003 did not fully compensate for the decline observed in the second and third quarters of last year.

According to Eurostat’s External Trade Statistics, which provide import volume and price data up to December 2003, the higher value of euro area imports in the last quarter of 2003 reflected rising import volumes, as import prices remained virtually flat compared with the quarter before. A strengthening of demand in the euro area seems to have been the primary factor behind the increase

Chart 27 The euro area current account and goods balances

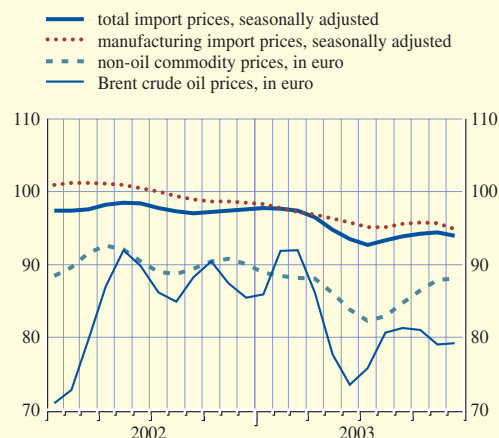
(EUR billions; monthly data; seasonally adjusted; 12-month cumulated figures)



Source: ECB.

Chart 28 Extra-euro area import prices

(Index: 2000 = 100; three-month moving averages)



Sources: Eurostat, HWWA and ECB calculations.
Note: The total import price index does not correspond to the weighted average of its components due to the use of different data sources.

in import volumes. The overall stability of import prices concealed offsetting movements in their different components (see Chart 28). In the second half of 2003 a decline in manufacturing goods prices – amid a lagged impact of the euro appreciation – was broadly offset by a significant rise in the prices of non-oil commodities (in euro terms).

FINANCIAL ACCOUNT

Euro area combined direct and portfolio investment recorded net outflows of €22.4 billion in January 2004. This reflected net outflows in both direct investment (€11.0 billion) and equity portfolio investment (€15.7 billion), which were only partly offset by net inflows in debt instruments (€4.2 billion).

Net outflows in the category “other capital (mostly inter-company loans)” were the main driver of developments in direct investment, with non-residents reducing inter-company loans granted to affiliates in the euro area by €9.2 billion.

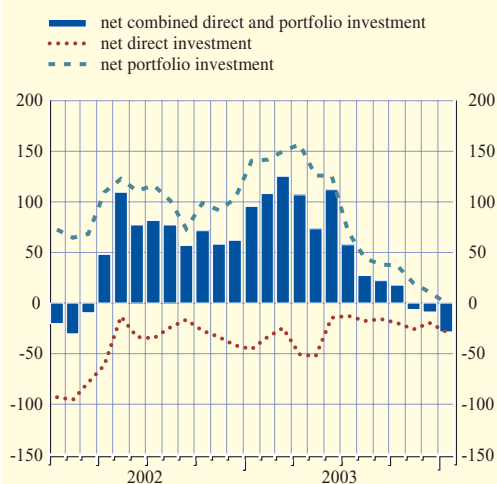
Net outflows in equity portfolio investment largely reflected the net acquisition of non-euro area equity securities by euro area residents (€14.2 billion), although there was also some net disposal of euro area equity securities by non-residents (€1.4 billion). The strengthening and broadening of the global recovery and expectations of improved corporate profitability in other major economic areas may have influenced euro area residents’ decisions to invest in foreign equity securities in January. The net inflows in debt instruments may have been partly related to yield considerations.

With regard to “other investment”, short-term operations of euro area MFIs (excluding the Eurosystem) recorded sizeable net inflows, which were largely counterbalanced by net outflows in other items under this account.

From a longer-term perspective, in the 12-month period up to January 2004, combined direct and portfolio investment recorded cumulated net outflows of €28.3 billion, as compared with cumulated net inflows of €95.3 billion a year earlier. This resulted mainly from a fall in net inflows in portfolio investment, which was only partly offset by lower net outflows in foreign direct investment. The decline in net portfolio investment inflows accelerated in the second half of 2003 (see Chart 29). Much of this decline was related to money market instruments switching from net inflows in the 12-month period up to January 2003 (€28.8 billion) to net outflows one year later (€44.4 billion), mainly owing to a sharp fall in net foreign purchases of euro area money market securities. In addition, a rise in net euro area purchases of equity securities abroad over the same period (from €24.4 to €92.2 billion) also contributed to the overall decline in net portfolio investment inflows.

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.

ARTICLES

FISCAL POLICY INFLUENCES ON MACROECONOMIC STABILITY AND PRICES

This article explores the main influences of fiscal policies on macroeconomic stability and price developments. It discusses a number of reasons why a fiscal policy orientation towards preserving stable economic conditions, both in the short and long term, is the most suitable one. The European fiscal framework provides an appropriate institutional setting for achieving these conditions.

As to the short term, fiscal policies that allow the operation of automatic stabilisers normally contribute to smoothing economic fluctuations. Macroeconomic stability can also be promoted by tax and benefit systems which provide the right incentives for agents to adapt flexibly to changing economic circumstances, and by expenditure policies that facilitate an efficient economic structure. In contrast, discretionary fiscal fine-tuning has often proven to have pro-cyclical effects and led to higher fiscal deficits over time. As to the longer term, sound fiscal policies guarantee the sustainability of public finances and thus enhance a macroeconomic environment that promotes higher economic growth and price stability. In this respect, a rules-based framework is conducive to maintaining fiscal discipline while also supporting economic stabilisation. Such a framework also makes fiscal policy predictable for economic actors.

The ECB's monetary policy takes the influences of fiscal policies into account, primarily in its economic analysis but also in its monetary analysis. Ultimately, the conduct of a stability-oriented monetary policy is very much facilitated by sound fiscal policies.

I INTRODUCTION

It is a fundamental economic principle that macroeconomic policies should be assigned those objectives that they can attain best. Monetary policy and fiscal policy both have an impact on key macroeconomic variables. It is now widely recognised that, given the neutrality of monetary impulses for economic growth in the longer term, monetary policy cannot increase real output beyond the level that is determined by technological progress and the fundamental factors underlying economic decisions. At the same time, an environment of price stability fosters the workings of the mechanism determining relative prices, which favours allocation efficiency. By anchoring inflation expectations, such an environment also reduces market uncertainty and the risk premium included in long-term nominal contracts. Price stability is regarded as the foundation of a well-functioning market economy, and the best contribution that monetary policy can make to economic prosperity.

From the perspective of a central bank whose primary objective is to maintain price stability,

the focus of the analysis of fiscal policies is naturally on their influence on macroeconomic stability, because this defines the environment in which monetary policy has to operate. In the short term, fiscal policies can contribute to macroeconomic and price stability, particularly through their stabilising impact on the disposable income of households via taxes and unemployment benefits, and through their effect on the price level and price formation. In the longer term, fiscal policies that guarantee the sustainability of public finances, and thus enhance macroeconomic stability, also contribute to an economic policy environment that is conducive to price stability.

In the course of the last few decades, there has been a shift in the prevailing views in Europe about how fiscal policy should contribute to macroeconomic and price stability. Thirty years ago the prevailing opinion was that fiscal policy could be fine-tuned to steer the course of the economy in the short term and, consequently, maintain macroeconomic stability in the long term. At present, the consensus is that such fiscal policies can fail on both accounts. They can destabilise the economy in

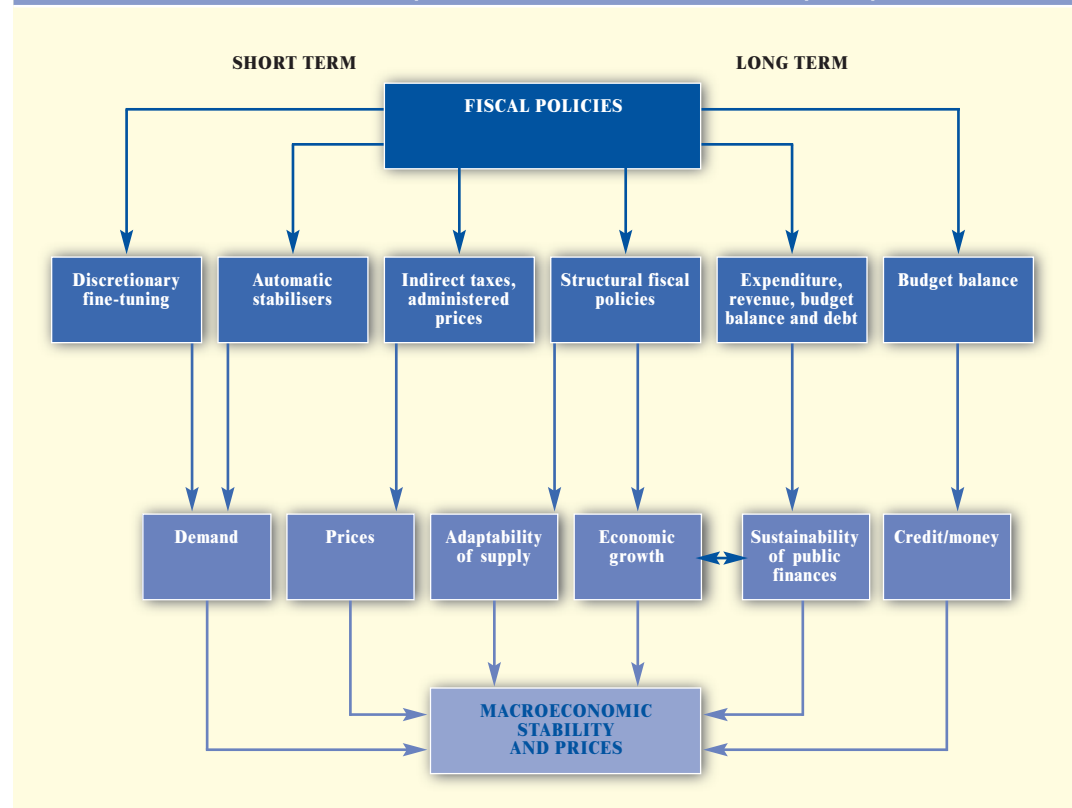


the short term and erode the sustainability of public finances and undermine macroeconomic stability in the long term. In contrast, the prevailing view now leaves the smoothing of income fluctuations in the short term to the operation of the automatic stabilisers. Automatic stabilisers are changes in government revenue and expenditure that arise automatically, without discretionary policy intervention, from the impact of cyclical fluctuations. Discretionary measures, on the other hand, are active changes to government revenue or expenditure. Such measures nowadays are not considered useful for the purpose of managing aggregate demand but rather are justified by the need to preserve the sustainability of public finances in the long term and by the necessity of raising potential economic growth. Both automatic stabilisation and sustainability-oriented discretionary fiscal policies provide a predictable and stable

environment for economic agents to implement welfare-improving actions. Moreover, an appropriate set of fiscal policy rules and institutions is seen as essential to generate a favourable fiscal policy environment, notably in a monetary union with decentralised fiscal policy-making. The chart below contains a simplified presentation of the main channels from fiscal policies to macroeconomic stability and prices that will be explored further in the text.

In the next two sections of this article, the influences of fiscal policies on macroeconomic stability and prices in the short and long term are examined. The role of fiscal rules and a discussion of the main features of the EU fiscal framework are presented in Section 4. The conduct of monetary policy in this framework is explained in Section 5, while the last section summarises the main conclusions.

Chart 1 Main channels from fiscal policies to macroeconomic stability and prices



2 SHORT-TERM FISCAL INFLUENCES

Macroeconomic stability improves social and economic welfare by reducing fluctuations in income and consumption. There are three main channels through which fiscal policies can affect the short-term environment for monetary policy. First, fiscal policies may affect economic growth and prices via discretionary fine-tuning measures, i.e. active changes to government revenue or expenditure aimed at stabilising the economy. Second, the free operation of automatic stabilisers can contribute to reducing short-term volatility. Third, governments have some instruments at their disposal that have a quick or even immediate effect on price developments, such as rates of value added tax.

Turning first to discretionary fine-tuning measures, standard theory suggests that deficit-increasing measures will have a positive effect on macroeconomic growth and price developments in the short term. A loosening budget stance due to stimulating measures may, under certain assumptions, increase aggregate demand and result in upward pressure on prices. The effects on activity and prices depend on various factors, including the precise measures taken, the degree of capacity utilisation, the level of competition, and expectations about fiscal sustainability.

Attempts by governments to use the demand effects of fiscal measures to reduce output volatility have, however, had disappointing results. Lags between identifying the need for measures and their effective operation are long, causing measures aimed at boosting economic activity to be effective often in economic upturns, and vice versa. Thus, discretionary demand management may be a source of destabilisation rather than moderating economic fluctuations. More pronounced business cycles due to pro-cyclical fiscal policies may, in turn, be reflected in larger price fluctuations. Moreover, the conduct of fiscal policy over the cycle often turns out to be asymmetrical. A policy of increasing deficits in a recession by introducing stimulative measures is usually easily adopted, but policy reversals in

periods of above-average economic growth are more difficult to implement. As a result, government deficit and debt ratios are generally at a higher level after a full business cycle, reducing the sustainability of public finances. Thus, while benefits to short-term macroeconomic stabilisation may be limited, fine-tuning may turn out to have adverse longer-term consequences.

The usefulness of anti-cyclical demand management is further put in doubt by the recognition of the non-Keynesian expansionary impact of consolidation efforts (see Box 1). It has long been known that fiscal multipliers – measuring real GDP effects of a one percentage point change in a government budget item – vary depending on circumstances. The literature on non-Keynesian effects highlights even more the difficulty of predicting demand effects of fiscal policies.

The free operation of automatic stabilisers is the second channel through which fiscal policies can contribute to short-term macroeconomic stability. In a recession, deficits increase automatically on account of lower tax revenues and higher unemployment benefit expenditure. Automatic stabilisers help to dampen cyclical demand fluctuations, and thus contribute to reducing price volatility.

Compared with a discretionary policy aimed at economic stabilisation, a major advantage of relying on automatic stabilisers is that flexibility of government revenues and expenditures is built into the fiscal structure. Automatic stabilisers are thus timely as no active decisions have to be taken that could delay the implementation of measures and their stabilising effects. For the same reason, they are also more predictable than discretionary fine-tuning, allowing agents to better form expectations. Furthermore, the stabilisation properties of the budget operate symmetrically over the cycle. Also, the changes in the automatic stabilisers are proportionate; the larger the economic fluctuations, the larger the induced changes in the budget. Finally, relying on automatic stabilisers reduces the need for

NON-KEYNESIAN EFFECTS OF STRONG FISCAL CONSOLIDATIONS

The prescriptions of the traditional Keynesian model are sometimes at odds with historical experiences. The debate on non-Keynesian effects started when fiscal consolidation processes, such as in Denmark (1983-1986) and Ireland (1987-1989), suggested that contractionary policies might prompt expansionary effects on economic activity which outweigh the potential recessive effects triggered by a reduction in public spending or an increase in taxes.¹

Expansionary effects of fiscal consolidation

Academic literature has highlighted a number of channels through which fiscal consolidation might lead to less detrimental or even favourable effects of budget retrenchment on economic activity.

On the demand side, contractionary fiscal policies might reduce the risk premia paid on interest rates by increasing confidence in government solvency, particularly in countries with high debt ratios. A decline in interest rates would directly stimulate aggregate demand via investment. Expansionary effects on private consumption via so-called Ricardian effects are also possible. Large fiscal consolidations could signal future lower tax burdens, which would lead to an increase in the expected lifetime income of economic agents. Therefore, when governments are committed to fiscal discipline in a credible way, economic agents may expect higher wealth over their life cycle, which may also spur demand in the short term.

On the supply side, expansionary effects are also possible when fiscal contractions contribute to improving the economy's competitiveness. In particular, if fiscal consolidation can induce moderating effects on wage demands, relative unit labour costs might fall, with positive medium-term effects on GDP growth via higher profits and exports. A reduction in social benefits may also have expansionary supply-side effects via enhanced incentives to work.

Main empirical results

A large body of literature has examined the experiences of fiscal consolidation that have taken place in OECD countries over the past three decades in order to determine the size and sign of fiscal multipliers. The approach adopted usually focuses on specific episodes of fiscal consolidation in various countries, so as to identify the transmission channels of potentially expansionary fiscal retrenchment. This approach has a number of limitations, such as some arbitrariness in defining a "fiscal episode" and not taking into account the effects of non-fiscal factors, like devaluations and accommodating monetary policies.

Several studies provide evidence suggesting that fiscal consolidation may have non-Keynesian effects.² Crucial aspects of budgetary adjustments for determining possible expansionary effects on economic activity are their size, persistence, composition, the speed of

1 See F. Giavazzi and M. Pagano (1990), "Can Severe Contractions be Expansionary? Tales of Two Small European Countries", NBER Macroeconomic Annual, 5, pp. 75-111.
2 An overview of this literature is given in European Commission (2003), "Can Fiscal Consolidation in EMU be Expansionary?", Report on Public Finances in EMU, Brussels.

implementation, and the initial state of public finances. However, conclusions differ as to the relative importance of the various aspects of a budgetary adjustment. There is broad agreement that an expenditure-based adjustment tends to be more growth-friendly and lasting than a tax-based adjustment without expenditure retrenchment. Large initial fiscal imbalances and sizeable adjustments may contribute to the expansionary effects of a fiscal tightening.

frequent changes to tax rates, and thus may foster the predictability of the tax system and, thereby, also long-term growth.¹ Studies covering European countries indicate that, on average, automatic stabilisers reduce output fluctuations in the euro area by around 25% to 35%.² Therefore, automatic stabilisation has many advantages over discretionary fine-tuning.

Finally, some government measures have a direct impact on price developments in the short term. They do not primarily operate via changes in aggregate demand, although they may affect real macroeconomic developments via second-round effects. Changes in indirect tax rates, such as value-added, tobacco or energy taxes, feed quickly into prices. The size and timing of the effect on prices depends on a possible shifting of the burden and on second-round effects. For example, an increase in rates of value-added tax may not affect the price level by the full magnitude in a weak economic environment, where it may not be fully passed on to consumers. Adverse second-round effects on inflation could arise if price changes are not perceived as having a one-off effect on the price level but raise inflationary expectations and create upward pressure on wages and on prices. Governments also set administered prices, especially in areas with a public service character.³

While changes in indirect taxes and administered prices represent important channels running from fiscal policies directly to prices, other fiscal measures can also have an impact on prices and price formation. For instance, price liberalisation in previously government-controlled sectors, such as energy, water and telecommunications, have often

caused downward changes in prices, reflecting the introduction of competition. Other examples include wage increases in the government sector that may indirectly affect prices because of their impact on private wage negotiations, and changes in direct tax rates or social security contributions that feed into unit labour costs and prices.

3 LONG-TERM FISCAL INFLUENCES

The main longer-term effects of fiscal policies on macroeconomic stability occur via their impact on the sustainability of public finances and on potential economic growth.

Fiscal sustainability denotes a government's ability to pay for its outstanding obligations. A measure which is commonly applied to gauge sustainability is the ratio of public debt (possibly including contingent liabilities) to GDP. An alternative measure that is sometimes applied is the ratio of debt service costs to total revenue. The higher these ratios and the less favourable the expected future dynamics are, the more significant the concerns about fiscal sustainability are.

Fiscal sustainability impacts favourably on expected macroeconomic stability, as economic

1 More information on automatic stabilisers can be found in the article entitled "The operation of automatic fiscal stabilisers in the euro area" in the April 2002 issue of the ECB's Monthly Bulletin.

2 See, for instance, P. van den Noord (2000), "The Size and Role of Automatic Stabilisers in the 1990s and Beyond", OECD Economics Department Working Paper, No. 230.

3 The box entitled "The impact of developments in indirect taxes and administered prices on inflation" in the January 2004 issue of the ECB's Monthly Bulletin provides some quantitative information on the importance of these factors for euro area inflation in recent years.

agents will not expect the government to raise taxes or default on its obligations. A stable macroeconomic environment provides a proper framework to enhance confidence and facilitate long-term decision-making among economic agents in the private sector. This applies in particular to private investment decisions.

Concerns about the sustainability of current fiscal policies may be reflected in the general level of interest rates in the economy. While current fiscal policies may affect interest rates through increased demand for funds, an additional effect may arise from anticipated deficits and debts. These can give rise to increases in credit, inflation and exchange rate risk premia which will, in turn, worsen the financing conditions for government debt, and thus the deficit and debt dynamics. In an extreme case, financial instability could arise from a lack of fiscal discipline and lead to concerns about government solvency, with potentially more devastating effects on macroeconomic stability.

Unsustainable public finances may also reduce the scope and strength of the short-term stabilising effects of fiscal policy. High government deficits and debts reduce the fiscal room for manoeuvre of governments to take action when needed, such as in a severe economic recession. Furthermore, private agents take into account longer-term developments in current decisions. Concerns about unsustainable public finances may lead consumers to offset anticipated tax increases through their saving behaviour. As a result, a fiscal stimulus may lead to a lower than expected rise in aggregate demand and could even be fully offset by additional private savings. By contrast, increased trust in the sustainability of public finances may be reflected in greater economic confidence, boosting the economy via higher private consumption and investment.

Turning to the second channel through which fiscal policies may affect the longer-term macroeconomic environment, fiscal measures

have the potential to increase the trend economic growth rate compatible with price stability. Higher economic growth can be promoted by improving the quality of public finances. Tax rates and the tax structure have an impact on incentives to work, save, invest and innovate. Lower tax rates may increase after-tax returns on these economic activities, thus providing incentives to economic agents to increase the supply of such activities. Government expenditure on physical and human capital can improve the quality of production factors.⁴

Structural reforms of government finances can not only raise the potential growth rate of the economy, but can also contribute to reducing short-term fluctuations. This is particularly the case for reforms that intensify competition in product and labour markets, and reduce potentially harmful distortions caused by various forms of government intervention (taxes, subsidies, capital transfers, loans, guarantees, public procurement, etc.). Such reforms therefore reduce nominal and real rigidities, which facilitate the absorption of economic shocks. As a result, the amplitude and persistence of economic fluctuations may decrease. Quicker and stronger adjustment in product and labour markets can also contribute to lower inflation volatility and lower inflation persistence.

Long-term growth and fiscal sustainability are closely intertwined and can reinforce each other. Sustainable public finances create a macroeconomic environment in which uncertainty about long-term macroeconomic developments is reduced and confidence increases. This can have favourable effects on interest rates and financing conditions which, in turn, contribute to longer-term decision-making and lift the growth potential of the economy. At the same time, a higher economic growth

⁴ For a comprehensive discussion of the role of fiscal policies in promoting growth, see the article entitled "Fiscal policies and economic growth" in the August 2001 issue of the ECB's Monthly Bulletin.

rate raises the financing basis of government activities, thus reducing sustainability concerns about public finances.

Short-term stabilisation and sustainability considerations are also closely interlinked and provide some guidance for the design of fiscal reform. Discretionary measures aimed at improving fiscal sustainability and macroeconomic stability in the longer term, be they via budgetary consolidation measures or reforms to improve economic efficiency, need proper financing to maximise their effect. Expenditure restraint is more likely to be growth-friendly and to produce lasting budgetary improvements than tax increases, as mentioned in Box 1. Expenditure-based measures boost confidence in sound public finances and favourable economic and financing conditions in the future which, in turn, also positively affect demand in the short term. The packaging of fiscal measures aimed at enhancing growth is also important. Financing tax-reducing measures through lower non-productive expenditure is the consolidation strategy most likely to produce favourable medium-term macroeconomic effects. It may improve the quality of public finances while avoiding increases in distortive taxes. Attempts to boost fiscal sustainability through tax increases are likely to be detrimental to potential growth, given the distortive nature of taxes and the already high level of taxes in the euro area. As a result, the financing base for government operations may increase less in the case of tax-based consolidation, thus not contributing as much to restoring fiscal sustainability as would be possible via expenditure restraint.

4 THE ROLE OF FISCAL RULES

While achieving long-term sustainability of public finances and allowing for a free play of automatic stabilisers is key to macroeconomic and price stability, the approach used to attain these objectives also matters. After presenting the main benefits of a rules-based strategy in fiscal policies, this section discusses the strategy adopted for the EU fiscal framework.

From the government's intertemporal budget constraint, it follows that sustainability requires all debt to be covered by future primary (i.e. excluding interest expenditure) surpluses. However, this condition is not sufficiently specific to anchor expectations about the future course of fiscal policies, as governments can promise to cover current high debts with large primary surpluses in an ever more distant future. This leaves agents with much uncertainty as to whether, by the time required, action will be taken as promised.

Setting fiscal policy according to a rule (or set of rules) gives agents more certainty that fiscal policy will remain on the "right" course, and thus facilitates longer-term planning in the private sector. Fiscal policy that is set according to a pre-determined rule gives the fiscal authorities a clear mandate, discouraging short-sighted behaviour that could lead to short-term gains but longer-term costs. It gives guidance to governments on how to act in the face of inevitable changes in the economic environment, and on how to keep current policies in line with the longer-term policy objective. As a consequence, the rules also give the public a basis on which to set expectations about government behaviour. If this behaviour is in line with the rule, it will foster trust in sound policies in the future and promote an economic climate of stability and confidence. Fiscal institutions can thus play a major role in supporting the medium-term orientation of budgetary policies. Via the design of rules, the focus on fiscal sustainability issues can be institutionalised.

The benefit of fiscal policies along such lines is even greater in a monetary union such as EMU, with a single centralised monetary policy and decentralised fiscal policies, than in a single country case. In the context of a monetary union among sovereign states, distortions in fiscal incentives can be exacerbated. The impact of an increase in the debt level of any individual member on its own refinancing conditions is much smaller than it would be in the absence of a monetary union. Indeed, while such spillover

effects from high debt levels to interest rates in other countries are also possible between independent currency areas, they are more direct within a monetary union, given the single currency and the higher degree of integration between national financial markets. This raises incentive problems for fiscal authorities which cannot be countered fully through market mechanisms.

While potentially constraining fiscal activism, a rules-based fiscal policy does not imply that discretionary fiscal policy measures are no longer necessary. Such measures may still be needed in order to achieve fiscal sustainability. Pursuing a rules-based fiscal policy provides a predictable and stable environment for economic agents to take their preferred course of action, leaving intact the principle of smoothing of income fluctuations in the short term by the operation of automatic stabilisers. Thus, instead of fiscal activism focusing on current developments, discretionary measures should aim primarily to improve the long-term soundness of public finances. As mentioned before, in order to achieve strong and lasting effects, measures should be expenditure-based.

Market forces by themselves are not sufficiently strong to ensure fiscal sustainability. A country with a non-sustainable fiscal policy will be faced with higher interest rates, which encourage it to restore sound public finances. However, uncertainty about the size and timing of interest rate increases raises serious doubts about the strength of this mechanism (see Box 2). Thus, market forces cannot be seen as a substitute for a rules-based fiscal framework, but they could complement and reinforce its working.

The need for an appropriate fiscal framework in Economic and Monetary Union is reflected in many provisions in the Maastricht Treaty. These rules are aimed at ensuring that fiscal policies remain sound, both over the business cycle and in the long term.

The fundamental fiscal rule of the Treaty is that Member States shall avoid excessive deficits.

Compliance with this rule for budgetary discipline is examined on the basis of government deficit-to-GDP and debt-to-GDP ratios. The deficit ratio should not exceed the reference value of 3% of GDP, unless it is expected to be temporary and has occurred under exceptional circumstances. In any case, the deficit has to remain close to the reference value. The government debt-to-GDP ratio should not exceed the reference value of 60% of GDP, unless the ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace. While sustainability is related ultimately to developments in the debt ratio, close monitoring of, and setting limits on, the deficit-to-GDP ratio provides an additional safeguard against unsustainable policies. Examining both budgetary variables provides a useful cross-check of budgetary trends, as they are closely related but do not always provide the same information. Privatisations, for example, are not reflected in the officially recorded deficit according to European System of Accounts (ESA 95) standards, but do affect officially recorded debt.

In the Stability and Growth Pact, Member States have committed themselves to achieving a medium-term budgetary position of close to balance or in surplus.⁵ The medium-term nature of this goal allows for short-term fluctuations around that level (reflecting automatic fiscal stabilisers) without substantial risks of breaching the 3% of GDP reference value. It also leaves room for unforeseen adverse developments that are a source of variability and uncertainty in budgets. If a country has not yet reached a medium-term budgetary position of close to balance, automatic stabilisers can still be allowed to operate, provided that the medium-term consolidation path is appropriate and the free operation does not result in deficits above 3% of GDP.

⁵ The Stability and Growth Pact is described in more detail in the article entitled "The implementation of the Stability and Growth Pact" in the May 1999 issue of the ECB's Monthly Bulletin.

Box 2

FISCAL POLICIES AND MARKET DISCIPLINE

A basic issue in the policy debate on EMU has been whether monetary union requires a fiscal framework or whether capital markets exert sufficient disciplinary power on governments to allow for the proper functioning of a single monetary policy. It is generally assumed that capital markets put a default premium on government bond yields which rises in parallel with government debt, all else being equal. This premium is the price investors demand for possible losses from partial or total default, both on interest payments and principal repayment. Eventually, markets could even deny access to issuers for whom the credit risk becomes too high. Rising borrowing costs and the threat of losing market access should provide incentives for governments to exercise fiscal prudence.

The Maastricht Treaty contains various articles that are conducive to the operation of market discipline. These articles subject governments to clear restrictions limiting any preferred access to financing on capital markets. In particular, the Treaty precludes any direct financing of public entities by the ESCB (Art. 101), excludes any privileged access to financial institutions (Art. 102), and establishes a no-bail-out clause (Art. 103). The latter provision stipulates that neither the Community as a whole nor governments in Member States are liable for the commitments of other Member States, nor should they assume such liabilities. As a consequence, government financing in capital markets is in many respects subject to the same limitations and scrutiny as private borrowing.

Given these provisions, it has been questioned whether an EU fiscal framework based on fiscal rules is necessary to preclude excessive borrowing and possibly sovereign default. Although there is empirical evidence suggesting that government bond yields indeed tend to react to changes in expected future deficits and indebtedness, this reaction is not necessarily smooth and predictable. Risk premia may remain small as long as credit risk remains within a certain range, and then be abruptly readjusted when new information is forthcoming or the market view on the sustainability of a country's public finances changes. Under these circumstances, the sudden increase in borrowing costs can even contribute to the unfolding of a crisis and create a self-fulfilling prophecy. The occurrence of actual sovereign defaults indicates that markets have not always been able to operate as a pre-emptive force.

Policy-makers may have more immediate domestic concerns which distort their view of borrowing costs or default risk. They may also operate in an environment that creates stalemates and inertia which complicate a timely adjustment to a looming default crisis. Pre-empting such a situation may therefore be necessary. The EU fiscal framework includes such a pre-emptive device. Compliance with the commitments under the Stability and Growth Pact would foreclose any deficit bias in budgetary decision-making and would reassure markets that the long-term sustainability of public finances is safeguarded.

The medium-term orientation of the EU fiscal framework is also clearly present in the stability programmes that euro area countries have to prepare annually. Budgetary plans in these programmes should be specified with a horizon of at least three years. Furthermore, Member States need to provide summary information on the impact of demographic developments on public finances over a longer period in the annual updates of the programmes, whereas more detailed information should be included at least every three years. Although inevitably subject to considerable uncertainty, the exercise helps to focus on the need to preserve fiscal sustainability in the longer term.

5 MONETARY POLICY AND FISCAL POLICIES

All channels through which fiscal policies may affect inflation and economic growth need to be systematically taken into account by a monetary policy that focuses on price stability. In the framework of its monetary policy strategy, the ECB bases its policy decisions on a comprehensive analysis of risks to price stability, comprising an economic analysis and a monetary analysis.⁶

Obviously, monetary policy actions are always conditional on the overall prevailing economic environment and on the nature and magnitude of economic shocks that are expected to affect price stability. Thus, any statement about the monetary policy response to any such shock must always be subject to an “all other things being equal” qualification, and there can never be a one-to-one response pattern of monetary policy to any new development in isolation. However, the ECB’s mandate and strategy provide a clear framework within which policy responses have to be framed and pursued.

In the context of its monetary policy strategy, the ECB assesses the impact of fiscal policies on real interest rates, risk premia, aggregate demand conditions, long-term growth, monetary developments and, ultimately, risks to price stability. The fiscal stance is also taken

into account in the ECB’s assessment and the Eurosystem staff macroeconomic projections. The ECB also assesses direct pressure on price developments exerted by fiscal policy, for example, via indirect taxes and administered prices. Monetary policy cannot control such short-term price developments, but it has to closely monitor the risk that they may lead to second-round effects on wages and inflation expectations, making the impact on inflation more intrinsic. All other things being equal, expected pressures on inflation coming from these sources may imply temporarily higher short-term policy rates to maintain price stability over the medium term.

Longer-term fundamental trends in budgetary positions are crucial for the environment in which a central bank operates. Unsustainable public finances can create pressure on the central bank to ease the public debt burden. As this would create uncertainties among the public, it may complicate the conduct of monetary policy. One specific channel through which fiscal deficits may impact on monetary growth is illustrated in Box 3.

Monetary policy has to take into account the possible effects of fiscal policies. For example, non-disciplined fiscal policies can undermine confidence and thus reduce potential output and longer-term growth. Such an adverse effect on potential output can also be brought about by the distortionary effects which taxes may have on decisions concerning investment in physical and human capital, on saving and consumption, on labour supply and demand, and on the process of technological innovation.

The same applies in the opposite case, i.e. fiscal reforms that lead to lower current and future taxes in the euro area help to increase aggregate supply and thus potential output. With a higher level of sustainable long-term economic growth and lower public debt, the task of monetary

⁶ See the article entitled “The outcome of the ECB’s evaluation of its monetary policy strategy” in the June 2003 issue of the ECB’s Monthly Bulletin.

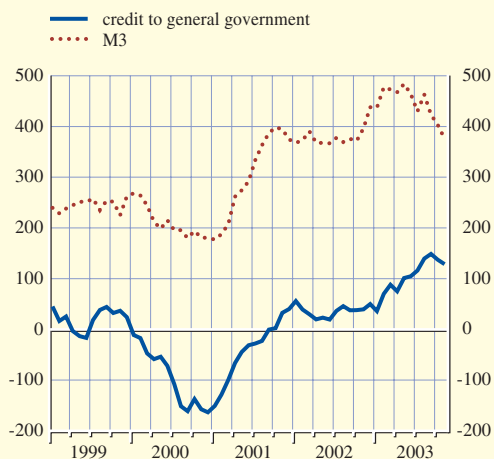
Box 3

THE RELATIONSHIP BETWEEN MFI CREDIT TO GENERAL GOVERNMENT AND BROAD MONEY

In its monetary policy strategy the ECB assigns a prominent role to money. Consequently, the ECB closely analyses developments in monetary and credit aggregates with a view to extracting information relevant for the conduct of a monetary policy that serves the objective of price stability. Particular emphasis is placed on developments in the broad monetary aggregate M3. Over the medium term, M3 growth has demonstrated a stable relationship with price inflation, subject to developments in other macroeconomic variables such as output and interest rates.

Chart Credit to general government

(annual flows in EUR billions)



Since the second half of 2001, M3 has expanded at a strong pace in the euro area. This was largely due to portfolio shifts from longer-term riskier assets into monetary assets in an environment of heightened economic and financial market uncertainties. In recent months, M3 growth declined, reflecting a gradual reversal of the portfolio shifts.

As regards credit to general government, a strong *prima facie* correlation appears to exist between credit extended by monetary financial institutions (MFIs) to general government and developments in M3. On the basis that monetary dynamics are associated with inflationary pressures over the medium term, this relationship suggests that larger fiscal deficits, and thus increased government borrowing from MFIs, might imply risks to

price stability through their impact on monetary developments and liquidity conditions.

The relationship between MFI credit to general government and M3 can be illustrated in the context of the consolidated MFI balance sheet. An increase in the credit extended to general government by MFIs (either in the form of loans or as purchases of government debt securities) will expand the asset side of the MFI balance sheet. All other things being equal, the accounting identity underlying the balance sheet implies that either another item on the asset side must shrink or the liabilities side of the MFI balance sheet must also expand, for instance, through an increase in M3 (which represents the largest component of MFI liabilities). In practice, most but not all increases in MFI credit to general government are – directly or indirectly – associated with a corresponding rise in M3. If MFIs buy government securities from resident households or firms, both credit to general government and M3 would rise by the same amount. In cases where MFIs grant loans to the central government, the link is more indirect. First, central government deposits which are not included in M3 would increase. However, as soon as these funds are used to pay the private sector (e.g. via wages or transfers), M3 will be affected. By contrast, if MFIs buy government securities from non-residents, M3 will not be affected at all. Instead, the increase in credit to general government will be associated with a decline in net external assets.

Of course, other counterparts of M3 on the MFI balance sheet will also change, so that the link between credit to government and M3 can be masked by other factors. For example, an increase in MFI credit to general government may be accompanied by a corresponding decline in credit to the private sector, leaving M3 unchanged. Alternatively, MFIs might fund their purchase of government securities by issuing long-term bank bonds, with the overall result being a rise in longer-term financial liabilities rather than an increase in M3.

The consequent absence of a mechanical link between credit to general government and M3 is also illustrated in the chart above. In the second half of 2000, the government sector repaid credit obtained from MFIs while M3 remained relatively stable. In recent months, the growth of M3 has moderated despite increased government borrowing from MFIs. Thus, over the short term, the correlation between MFI credit to general government and M3 is not always strong.

Looking beyond accounting identities, it is important to evaluate the behavioural relationships underlying the correlation between MFI credit to general government and M3. In some circumstances, MFI credit to general government and M3 may exhibit co-movement, as they both respond to a common stimulus. One example is the response to the slowdown in economic activity and the rise in economic and financial uncertainty in the second half of 2001. Government borrowing from MFIs increased as fiscal deficits rose, but the sharp increase in M3 growth was also due to portfolio shifts into safer and more liquid monetary assets. In other circumstances, MFI credit to general government may be the main driver of M3 growth. For example, a persistent and rising fiscal deficit financed by a trend increase in government borrowing from MFIs is likely to have an impact on M3 dynamics over the medium term.

As this box illustrates, the accounting and behavioural relationships between monetary dynamics and government borrowing from MFIs are complex. Overcoming these complexities to pick up the signals offered by monetary developments about the outlook for price developments over the medium term is central to the regular monetary analysis undertaken at the ECB. While shorter-term relationships may be hard to interpret, persistent large government borrowing from MFIs is likely to increase M3 growth and create excess liquidity which, on the basis of past experience, may pose risks to price stability over the medium term.

policy – to maintain price stability – would be easier and the economy as a whole would be able to enjoy prolonged periods of non-inflationary high growth.

6 CONCLUSION

The most important way in which fiscal policies can improve the environment in which the ECB operates is by supporting macroeconomic stability. In the short term, automatic stabilisers rather than discretionary fiscal measures are likely to have a stabilising effect on the

aggregate level of activity and on prices. In the longer term, both fiscal sustainability and supply-side oriented reform measures have the potential to lift the non-inflationary growth rate of the economy and improve the macroeconomic environment for monetary policy.

Views on how to achieve macroeconomic stability in the short and long term, and on the actual fiscal policies needed for this, have changed markedly over time. The emphasis in discretionary fiscal policy-making until some 20 years ago was on fine-tuning, with a view to stabilising short-term economic fluctuations. However, this produced

unsatisfactory results, both from a macroeconomic and from a budgetary point of view. Therefore, the current consensus is that discretionary measures need to be focused more on longer-term considerations. Preserving the sustainability of public finances plays a key role, while short-term stabilisation is left to the operation of automatic stabilisers.

A medium-term oriented framework is appropriate to take both stabilisation and sustainability considerations into account. The EU fiscal institutions have rightly incorporated these considerations into a rules-based framework. The reference values for the government deficit and government debt are ways to enhance responsible fiscal behaviour. The medium-term budgetary position of close to balance or in surplus, as required under the Stability and Growth Pact, contributes to short-term economic stabilisation via the free operation of automatic stabilisers without breaching the 3% of GDP reference value under normal circumstances. At the same time, it ensures improvements in the sustainability of public finances by inducing lower debt ratios.

The emphasis on short-term stabilisation and longer-term sustainability in the EU fiscal framework is also appropriate from a monetary policy perspective. The ECB assesses the shorter-term impact of fiscal policies, as well as the impact that longer-term fiscal trends may have on the euro area economy and prices, mainly on the basis of its economic analysis but also on the basis of its monetary analysis. Increasing macroeconomic stability and sound fiscal policies facilitate the maintenance of price stability.



FUTURE DEVELOPMENTS IN THE TARGET SYSTEM

At the same time as the introduction of the euro and the single monetary policy in 1999, the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) system commenced live operations. TARGET, the large-value payment system for the euro, has contributed to the rapid integration of the euro money market and has since successfully served the needs of the monetary policy of the ECB.

Over the past few years, the environment in which TARGET operates has changed and still continues to change. Technical developments as well as the fast-moving process of European integration have triggered requests from system users for further and more harmonised services. In addition, TARGET will need to cope with the forthcoming EU enlargement process.

Against this backdrop, the Governing Council of the ECB decided in October 2002 to revamp the TARGET system. This article describes the transition stage from the current system to the next generation of TARGET (TARGET2). Section 1 provides a brief history of the current system, taking stock of the achievements made so far. Section 2 examines the driving forces behind the changes in TARGET. Section 3 outlines the cornerstones of the TARGET2 system and Section 4 discusses the envisaged time scale for the project.

I TARGET – THE LARGE-VALUE PAYMENT SYSTEM OF THE EUROSISTEM

The existence of efficient and robust large-value payment systems is of key importance for the smooth functioning of the economy. A large-value payment system should be efficient in order to ensure the uniform distribution of liquidity and a homogeneous level of short-term interest rates across a monetary area. This is a prerequisite for the efficient conduct of monetary policy operations. A large-value payment system should also be robust in order to cushion systemic risk and to contribute to financial stability. If a payment system for large-value transfers lacks robustness, not only could it cause disruptions in the financial sector, but it could also allow these to spread from one market participant to another.

In recognition of the important role played by payment systems in general and large-value transfer systems in particular, the Eurosystem has – in accordance with the Treaty – been assigned the task of promoting the smooth functioning of such systems. The Eurosystem carries out this task through the operation of payment facilities, as well as by overseeing the euro payment and settlement systems. These two functions are distinct in concept, but are

both geared towards fostering the secure and efficient transfer of payments.

With regard to the operational side of large-value payment systems, the Eurosystem manages the TARGET system.

THE HISTORY AND FEATURES OF TARGET

Prior to the introduction of the euro and the launch of a single monetary policy in 1999, payments between EU countries mainly relied on correspondent banking. Correspondent banking is an arrangement under which one bank (correspondent) holds deposits owned by other banks (respondents) and provides payment and other services to those respondent banks. In view of the needs of the new monetary area, such arrangements were no longer considered appropriate and the establishment of an efficient and robust payment system for the euro area as a whole was required. Against this background, the Eurosystem decided to create TARGET, a large-value payment system for the euro. The main objectives of TARGET were the contribution to the singleness of the euro money market in order to serve the needs of the single monetary policy, and the improvement of the soundness and efficiency of payment transfers in the euro area.

Given the scope of the project, TARGET was developed under considerable time pressure. It was therefore designed on the basis of the current infrastructure in place at the national level. Thus TARGET became a decentralised system, consisting of 15 national payment systems and the ECB payment mechanism (EPM), which are interlinked. Harmonisation was only introduced for those features whose conformity was necessary to ensure the singleness of monetary policy and a level playing-field amongst credit institutions.

TARGET is a real-time gross settlement (RTGS) system that provides immediate intraday finality and settlement in central bank money. Security and business continuity has always been one of its key features. TARGET can be used for all credit transfers in euro, both interbank and customer payments, and furthermore there is no upper or lower value limit for payment transfers. In order to meet the needs of the financial market in general and its customers in particular, TARGET has daily operating hours starting at 7 a.m. and ending at 6 p.m. C.E.T., as well as common closing days. Liquidity is also widely accessible in TARGET. Minimum reserve holdings are available for settlement purposes during the day and the Eurosystem provides unlimited intraday credit free of interest (but collateralised) to its counterparties.

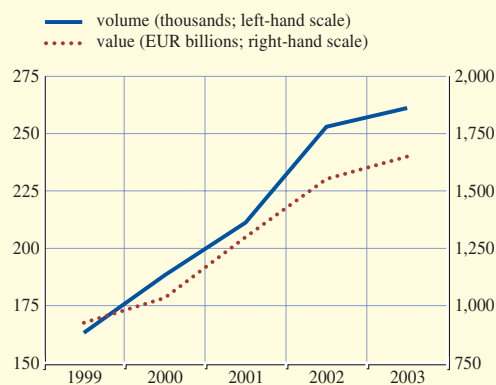
TARGET plays a key role in the financial system since it is the compulsory channel for monetary policy operations, and also due to the fact that all large-value net settlement systems in the euro area settle in central bank money via TARGET. Furthermore, TARGET is used for achieving delivery versus payment in securities settlement systems and for realising payment versus payment in the field of foreign exchange settlement.

THE ACHIEVEMENTS OF TARGET

The TARGET system has contributed to the high degree of liquidity in the euro money market. With the launch of live operations in 1999, the national money markets were successfully integrated into an efficient single euro money market practically overnight.

Chart 1 TARGET traffic – volumes and values

(daily averages)



Source: ECB.

TARGET has been the market's preferred system for large-value payments in euro from the outset. In its first year of operations, the number of payments processed in TARGET amounted to a daily average of more than 163,000 payments, representing a value of €925 billion. Four years later, in 2003, around 261,000 payments with a value of €1,650 billion were transferred on average per business day (see Chart 1). This represents a share in overall large-value payments made in euro of almost 87%, in terms of value, and 58%, in terms of volume. Together with the Fedwire Funds Service in the United States, TARGET belongs to the two biggest large-value payment systems in the world.

The preferred use of TARGET is also attributable to the network externalities it offers. Today, more than 43,400 banks – including branches and subsidiaries – are accessible through TARGET worldwide, while more than 3,300 credit institutions participate in the system. The broad market coverage of TARGET has also facilitated the harmonisation of market business practices in the European Union (e.g. with regard to the operating days of the euro money market and foreign exchange transactions involving the euro). In order to be aware of and respond to participants' needs, the Eurosystem attaches high importance to

maintaining an ongoing dialogue with TARGET users.

TARGET is widely utilised for liquidity shifts across credit institutions. In particular, multi-country banks and banking groups use TARGET for their centralised treasury management. This has brought about the high average value of TARGET inter-Member State interbank transfers, which stood at €17 million in 2003. It is worth noting that TARGET is also increasingly used for retail (customer) transfers at the inter-Member State level. In 2003 customer payments accounted for 48% of the total inter-Member State volume, but only 5% of the inter-Member State value (compared with 23% and 2% in 1999, respectively). Because correspondent banking activities within the euro area have substantially declined since the introduction of the euro, to a certain extent, retail traffic has been shifted to TARGET. This development may, however, only be of a temporary nature since the banking community is currently taking measures to create an efficient Single Euro Payment Area (SEPA), which include work on pan-European infrastructures for retail payments.

Theoretically, in an RTGS system where transfers are settled individually throughout the day, there is an intrinsic tendency amongst banks to wait for incoming payment flows before initiating their own payments. This tendency not only complicates banks' treasury management, but also means that there is a risk that not all payment transactions can be completed before the system shuts down. In TARGET, however, credit institutions follow the guidelines on liquidity management published by the European Banking Federation, which, inter alia, promote the early submission of payments. Furthermore, unrestricted provision of intraday credit by the Eurosystem, backed by a collateral policy based on a wide list of eligible assets, has contributed to the timely processing of payments. Nearly 50% of the inter-Member State volume is settled in the first three hours of TARGET operations (i.e. between 7 a.m. and 10 a.m. C.E.T.).

The use and acceptance of a payment system largely depends on its safety and reliability. In this respect, TARGET has proven to be robust and resilient. In spite of the decentralised structure of TARGET the level of availability stood at 99.79% in 2003. Temporary service interruptions in TARGET were bridged by special contingency arrangements aimed at ensuring the smooth and timely processing of specific payments, whose delayed processing could have potentially triggered systemic risk. Almost 96% of the inter-Member State traffic was processed in less than 5 minutes. Owing to exceptional service disruptions, the processing time exceeded 30 minutes for 0.28% of inter-Member State payments in TARGET.

2 THE NEED FOR CHANGES IN TARGET

Experience gained over the past five years of operation shows that the TARGET system has clearly met its objectives, by contributing to the reduction of systemic risk and enhancing financial stability, and has therefore become the preferred system for large-value processing in euro. However, there are changes in the field of payment systems, both in terms of technology and business practice, with which TARGET must keep pace. For example, payment system users are increasingly demanding enhanced services, particularly in the field of liquidity management. This inter alia has triggered a movement towards hybrid systems, which seek to be more liquidity-efficient by combining elements of both gross and net settlement systems. Furthermore, Continuous Linked Settlement, a relatively new system for settling foreign exchange transactions, has led to an increased time-criticality of payments.

The need to develop the next generation of TARGET also derives from the ongoing process towards the integration and consolidation of the European financial system. The TARGET system has contributed significantly to the acceleration of this process. As European integration gains momentum, market participants' needs are becoming

increasingly alike. The next generation of TARGET will need to accommodate the strong demand from TARGET users for a more harmonised service at the European level.

The EU enlargement process brings an additional dimension to the process of financial integration. Even today, the decentralised structure of TARGET, with one payment processing platform per EU country plus the ECB's platform, generates cost-related problems (for example, each software modification has to be implemented in 16 platforms in 16 different ways). If the decentralised structure of TARGET were to be kept, the accession of ten acceding countries could lead to an extremely complex system composed of a total of 26 platforms. The economic logic behind such a fragmented infrastructure, as well as its overall operational reliability, are highly debatable.

In the light of the above developments, it can be concluded that the existing TARGET system – with its fully decentralised and heterogeneous infrastructure – is no longer in keeping with today's needs. The future generation of TARGET will need to be geared towards technical consolidation and service harmonisation in line with the principle of cost-efficiency.

3 TARGET2 – THE NEXT GENERATION OF TARGET

On 24 October 2002, the Governing Council of the ECB defined the strategic direction for the next generation of TARGET (TARGET2) with the aim of overcoming the shortcomings of the current system which could render it incapable of meeting future challenges. The main objective of the Eurosystem is to ensure that TARGET develops into a system that (i) better meets customers' needs by providing a harmonised level of service; (ii) ensures cost-efficiency; and (iii) is prepared for swift adaptation to future developments, including the enlargement of the EU and the Eurosystem.

CONSOLIDATION OF THE TECHNICAL INFRASTRUCTURE

In TARGET2, it will no longer be necessary for each national central bank to maintain a payment processing platform of its own. All central banks will be able to share one technical platform, the Single Shared Platform (SSP), thus supporting the RTGS services that they offer to their banks. However, the settlement account relationship and the intraday credit extension would continue to belong to the

Table Distribution of payment flows in TARGET (2003)¹

	Value ²⁾	Percentage	Volume	Percentage
ELLIPS (BE)	13,558.2	3.2	1,752,802	2.6
KRONOS (DK)	3,207.5	0.8	102,560	0.2
RTGSplus (DE)	128,543.7	30.6	32,792,174	49.2
HERMES euro (GR)	3,343.1	0.8	1,324,274	2.0
SLBE (ES)	70,208.3	16.7	3,345,946	5.0
TBF (FR)	96,326.9	22.9	3,863,830	5.8
IRIS (IE)	5,502.1	1.3	802,875	1.2
BI-REL (IT)	24,760.7	5.9	9,423,103	14.1
LIPS-Gross (LU)	4,754.7	1.1	383,323	0.6
TOP (NL)	21,365.4	5.1	4,716,842	7.1
ARTIS (AT)	5,177.3	1.2	2,380,100	3.6
SPGT (PT)	3,254.8	0.8	1,021,046	1.5
BOF-RTGS (FI)	3,645.4	0.9	268,746	0.4
Euro RIX (SE)	1,897.0	0.5	96,994	0.1
CHAPS Euro (UK)	31,180.4	7.4	4,292,282	6.4
EPM (ECB)	4,023.8	1.0	41,103	0.1
Total	420,749.3	100.0	66,608,000	100.0

Source: ECB.

1) When interpreting the figures on the volumes and values of payment transactions which are provided in this table, consideration should be given to the fact that they are affected by certain characteristics particular to each individual payment system.

2) EUR billions.

business relationship between each central bank and its national banking community.

By sharing their technical infrastructure, central banks can, for the benefit of the TARGET user community, reduce the costs per transaction through economies of scale. The exploitation of scale economies clearly supports the agreed principle of cost-efficiency in TARGET2. The potential positive effects of consolidation on costs in TARGET can be corroborated by the uneven distribution of payment flows across the existing payment processing platforms today. The five biggest platforms process almost 83% of the total TARGET volume, whereas the five smallest systems account for less than 1.5% of TARGET traffic (see the table).

The Deutsche Bundesbank, the Banque de France and the Banca d'Italia have made a joint proposal to both develop and operate the SSP for the Eurosystem. The overall concept put forward by the three central banks is currently being examined by the Eurosystem and

TARGET2 will most likely become a single platform system.

HARMONISATION OF SERVICE

The provision of a harmonised level of service is considered one of the focal points of the TARGET2 project. In the light of the increasing congruence of user needs across Europe, identical services are regarded as a prerequisite for maintaining a level playing-field amongst the TARGET user community and will, furthermore, contribute to an efficient use of the TARGET2 infrastructure.

This harmonised level of service in TARGET2 will be based on the views, obtained by public consultation, of the entire community of TARGET users (see the box). In this context, measures will be taken to ensure that future TARGET2 services and functions are compliant with the Core Principles for Systemically Important Payment Systems, which the BIS Committee on Payment and Settlement Systems developed. The Governing Council of the ECB

Box

PUBLIC CONSULTATION ON TARGET2 USER REQUIREMENTS

The views of the entire community of TARGET users on the approach chosen for TARGET2, as well as on its level of service, were obtained by means of a public consultation. The consultation was launched in December 2002 and 14 responses from various banking and financial market associations in Europe were received. A summary of all the replies, together with the individual contributions, were made available on the ECB's website¹ on 14 July 2003.

All respondents welcomed the initiative of the Eurosystem to improve the functionality and performance of TARGET. At the same time, the responses indicated that the benefits of full harmonisation and integration, such as efficiency and effectiveness, could only be achieved by means of a single platform system. In addition, respondents indicated which services they thought should be included in the list of TARGET2 services. Services relating to effective liquidity management, as well as the provision of solid measures for business continuity, featured prominently in their comments. Furthermore, the banking industry stressed the importance of users being further involved in the TARGET2 project.

The Eurosystem will continue to consult TARGET users in the course of the TARGET2 project in order to ensure that the level of service meets the needs of the user community.

¹ www.ecb.int/pub/cons/target2/pctarget2sum_en.pdf.

has included these Core Principles in the set of standards used to evaluate the safety and efficiency of large-value euro payment systems. In addition, the specific role played by the TARGET system as a vehicle for the single monetary policy and as facilitator of the euro money market will be reflected in the level of service of TARGET2.

TARGET2 will be a system for the settlement of large-value euro payments in central bank money. Nevertheless, as is the case at present, there will be no de jure or de facto minimum limits set by the Eurosystem on any payments that users may wish to process in real time in central bank money.

Efficiency and robustness will be the guiding principles for the design of the harmonised TARGET2 services. In particular, the next generation of TARGET will provide services for a more efficient use of liquidity and will, for example, offer enhanced facilities supporting treasury management by TARGET users. In the wake of the tragic events of 11 September 2001, emphasis will be placed on a wide range of security aspects in order to strengthen business continuity measures in line with the high systemic importance of the TARGET infrastructure. TARGET2 will also centre on high performance, particularly with regard to the payment processing speed as well as processing capacity. Neutrality will be ensured by providing broad and open access to the system. TARGET2 users will gain access to the system through a uniform interface.

Despite the increasingly common service needs of the TARGET user community, specific requirements at the national level may vary somewhat. Against this background, the use of some services in TARGET2 may be optional. A single price structure, which will be determined in line with the cost-recovery principle, will be applicable to the harmonised services offered in TARGET2.

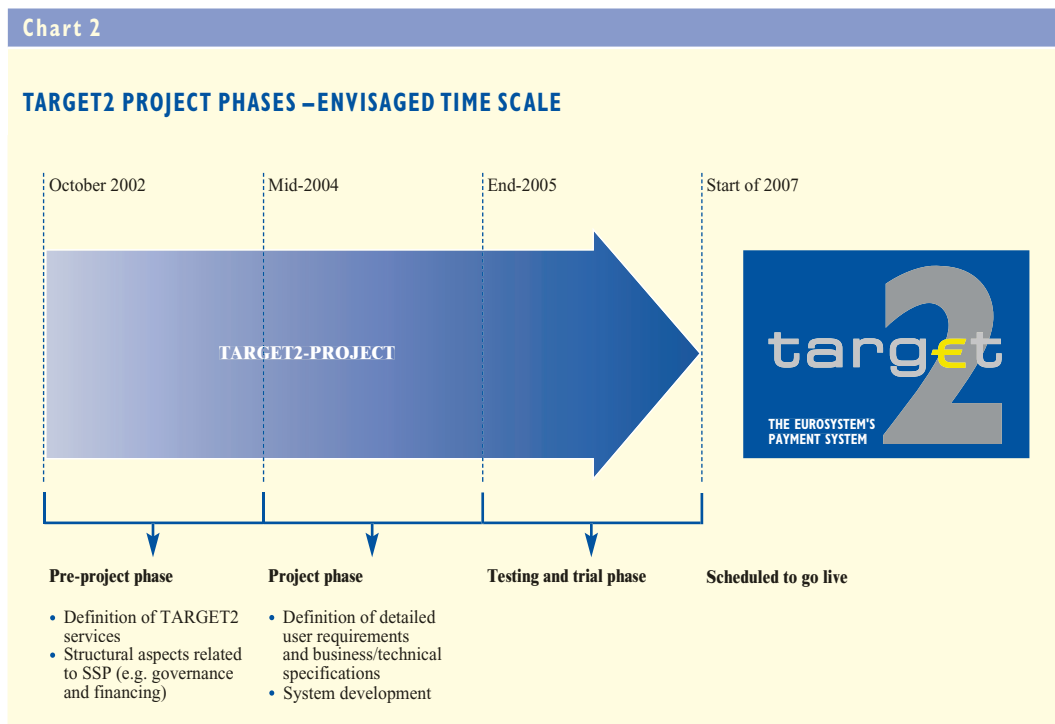
4 ENVISAGED TIME SCALE FOR THE TARGET2 PROJECT

The further preparation of the next TARGET generation can be divided into three phases, namely the pre-project phase, the project phase and the testing and trial phase. The ECB will perform any type of coordination function that may be necessary in the course of the three phases of the TARGET2 project.

The pre-project phase began immediately after the Governing Council of the ECB agreed upon the strategic direction of TARGET2 in October 2002. The phase will come to an end once the work on a harmonised level of service has been completed following further confirmation by TARGET users. This phase also comprises work on the structural aspects of the SSP, such as budgetary matters and issues relating to the appropriate governance employed by the central banks joining the SSP.

The subsequent project phase will involve drawing up detailed specifications and developing the new system. The third phase will be devoted to intensive testing and pre-production trial runs. Throughout all phases of the project, work on a sound cost methodology for TARGET2 will be carried out. It will serve as a basis for the determination of the TARGET2 price structure and ensure that the principle of cost-recovery is observed.

Given the large scale and resulting complexity of the project, there is an element of uncertainty in the time scale of the project. On the assumption that central banks join the SSP offered by the Deutsche Bundesbank, the Banque de France and the Banca d'Italia, the pre-project phase should be completed by mid-2004. The project phase would then be likely to go on until the end of 2005, and the subsequent testing and trial phase would take up the whole of 2006. On the basis of this tight time frame, and subject to further feasibility studies, TARGET2 is scheduled to commence live operations at the beginning of 2007 (see Chart 2).



In this context, it is worth mentioning a work stream, which is closely related to the TARGET2 project, and which focuses on the possible temporary connection of acceding countries to the existing TARGET system. Ten countries from central and eastern Europe and the Mediterranean (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia) will join the EU on 1 May 2004. Accession country central banks will have the possibility – but will be under no obligation – to connect to the TARGET system from the date on which they join the EU. Participation in TARGET will only become compulsory once they adopt the euro, as this is a prerequisite for participation in the single monetary policy.

5 CONCLUSION

Operational since the introduction of the euro, the TARGET system is the backbone of the euro payment systems infrastructure. In order to meet its objectives and at the same time live up to users' expectations, TARGET has been

subject to continuous enhancements over the past five years of operation. However, converging user needs due to financial integration in combination with forthcoming challenges, such as EU enlargement, have brought about the need for a comprehensive transformation of the TARGET system.

Technical consolidation and service harmonisation are at the forefront of the development of the TARGET system. As a result of this, the next generation of TARGET will continue to provide a firm foundation for safe and efficient payment processing across Europe.

The development of the TARGET2 system gives expression to the Eurosystem's firm commitment to contribute to financial stability and the reduction of systemic risk. In order to comply with future market needs and to provide an attractive payment service in the long term, the Eurosystem will continue to seek input and feedback from TARGET users.



THE BARCELONA PARTNER COUNTRIES AND THEIR RELATIONS WITH THE EURO AREA

On 15 January 2004 the Eurosystem held its first high-level seminar with the central banks of the 12 partner countries of the 'Barcelona Process'. The Barcelona Process seeks to establish a free-trade area between the European Union and a number of Mediterranean countries by 2010.¹ The high-level seminar between the central banks of the two regions inaugurated a multilateral dialogue on issues of common interest, in parallel with –but distinct from –the Barcelona Process.

Participants in the seminar agreed to monitor a set of indicators measuring the progress made in developing links between the euro area and the Barcelona partner countries. Against this background, this article reviews the economies of the Barcelona partner countries and highlights macroeconomic and structural features that are of potential relevance to the development of relations between these countries and the euro area.

I INTRODUCTION

In recent years the Eurosystem has established bilateral contacts with several central banks of the Barcelona partner countries. These contacts range from policy discussions on macroeconomic issues to technical assistance on specific central banking issues. The high-level seminar, which took place in Naples in January 2004 and was organised jointly by the ECB and the Banca d'Italia, embedded these contacts in a multilateral framework to discuss issues of common interest between the Eurosystem and the Barcelona partner countries' central banks. The Eurosystem initiative for a multilateral dialogue sought to create a permanent forum for central bankers spanning the Mediterranean in order to promote a better understanding of the common issues and help participants learn from each other's experiences. The initiative helps to build a central banking dialogue that runs in parallel to the Barcelona Process while remaining distinct from the process itself.

The Eurosystem and the central banks of the Barcelona partners will regularly review the financial and economic links between the two regions. To this end, participants in the Naples seminar agreed to monitor the closeness of economic relations between the euro area and the Barcelona partner countries using a set of indicators covering the four dimensions of movement of people, goods, finance and services. Against this background, this article examines the

macroeconomic setting and financial structures of the Barcelona partner countries and reviews economic and financial links with the euro area.

2 MACROECONOMIC CONTEXT OF THE BARCELONA PARTNER COUNTRIES

The Barcelona partner countries are highly heterogeneous from the point of view of both population and economic conditions. In terms of population, with almost 250 million inhabitants the region is almost as large as the euro area; but more than half of those people live in Egypt and Turkey (see Table 1). In 2002 total GDP was €610 billion, or 8% of that of the euro area; but some two-thirds of this was generated in Egypt, Israel and Turkey alone. Finally, in 2002 GDP per capita averaged over €4,800 in terms of purchasing power parity; but the actual figures varied widely, from only €440 per head in West Bank and Gaza, to almost €17,500 in Cyprus, more than three-quarters of the euro area's GDP per capita figure.

¹ In 1995 the Conference of EU and Mediterranean Foreign Ministers in Barcelona marked the start of a new phase of the Euro-Mediterranean partnership, including bilateral and multilateral cooperation, subsequently known as the Barcelona Process. The Barcelona partner countries are Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Syria, Tunisia, Turkey and West Bank and Gaza (represented by the Palestinian National Authority). Libya has observer status. The Barcelona Process was given fresh impetus in June 2003 when the European Council in Thessaloniki endorsed the European Commission's communication on a Wider Europe, according to which the Barcelona partner countries are to be economically more closely integrated with the EU.

Table 1 General economic indicators

	Population (millions)	GDP, nominal (EUR billions)	Per capita GDP at PPP (EUR)	Unemployment (percentage)	Average annual real GDP growth (1993-2002)	Average annual population growth (1993-2002)	Average annual inflation (1997-2002)
<i>memorandum</i>							
euro area	307.8	7,447.9	22,331	8.4	2.0	0.3	1.8
Algeria	31.3	62.4	4,828	26.8	2.5	1.6	2.7
Cyprus	0.8	11.3	17,491	3.2	3.8	1.0	2.6
Egypt	70.5	95.5	3,446	9.0	4.1	1.7	3.2
Israel	6.3	114.7	16,348	10.3	3.4	2.3	3.7
Jordan	5.3	10.4	3,515	14.3	3.6	3.3	1.6
Lebanon	3.6	19.3	7,305	-	3.0	2.0	1.1
Malta	0.4	4.3	14,295	5.2	3.4	0.6	2.4
Morocco	30.1	40.3	3,665	12.8	3.0	1.5	1.8
Syria	17.4	24.7	3,156	-	3.9	2.3	-0.2
Tunisia	9.7	23.5	5,996	14.9	4.0	1.2	2.7
Turkey	70.3	199.0	5,967	8.5	2.1	1.4	60.2
West Bank and Gaza	3.5	79.5	439	26.0	-	-	1.8
Total	249.2	610.1	4,834	11.9	2.9	1.7	21.4

Sources: Eurostat, ECB, IMF.

Note: Data refer to 2002, unless otherwise indicated. The real GDP growth and inflation aggregates are weighted by nominal GDP in 2002.

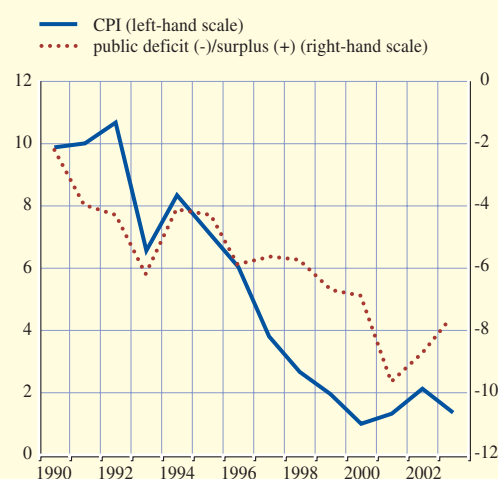
Most Barcelona partner countries are characterised by a stable monetary environment: over the last two decades, stability-oriented monetary policies have contributed to bringing down the rate of inflation in most countries. Excluding Turkey, average inflation has decreased from 20% in the early 1980s to below 2% in 2003 (see Chart 1). Inflation in Turkey has also decreased considerably over the last two years.

While these figures are encouraging, risks may arise from a lack of fiscal discipline in the region, since most governments have run a continuous, and sometimes sizeable, public deficit over the last decade.² The aggregate public deficit of the Barcelona partners has deteriorated considerably, from around 2% of GDP in 1990 to almost 8% of GDP in 2003. Accordingly, the debt-to-GDP ratio stood at approximately 70% for the region as a whole in 2003.

Most countries suffer from insufficient growth and structural difficulties. While real GDP growth has exceeded population growth in most of the countries over the last decade, it has not been sufficient to generate new jobs. This is particularly troubling in view of the high

Chart 1 CPI inflation and public deficit developments in the Barcelona partner countries

(annual percentage change; percentage of GDP)



Source: IMF.

Note: Average inflation excludes Turkey.

unemployment rates as well as the young age structure of the population in the Barcelona partner countries, which will put additional pressure on the labour market over the coming years.

² The notable exception is Algeria, although only central government data are available for that country.

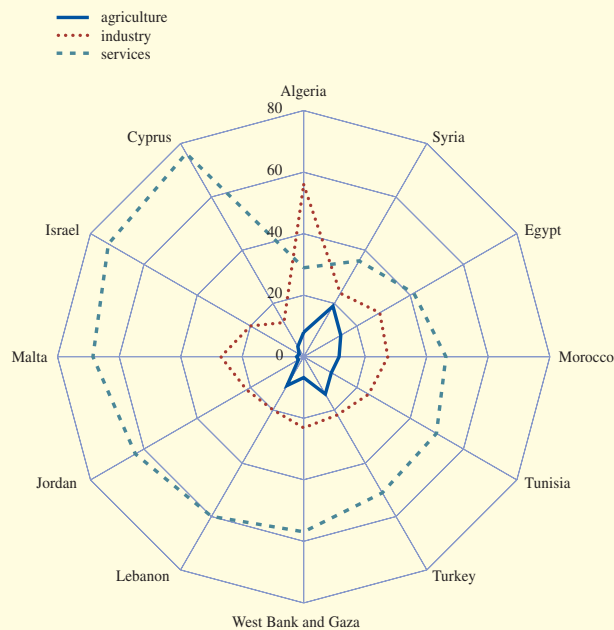
Box

STRUCTURE OF THE BARCELONA PARTNERS' ECONOMIES

The structure of the Barcelona partners' economies differs widely, as shown in the chart below. Services are important in several economies, contributing more than half of total value added in all but four countries. The large share of services is primarily a result of tourism, which is an important source of income for the region. In addition, banking services rank high for the acceding countries, Cyprus and Malta, and for Lebanon. By contrast, Algeria and Syria are net oil exporters, while Israel has emerged as a high-tech producer. Agriculture contributes almost 20% to the gross value added in Syria.

Sector contributions to gross value added

(percentage)



Sources: World Bank, Eurostat.
Note: Data refer to 2000.

Possible tools for increasing the growth potential of these Mediterranean countries while preserving stable macroeconomic conditions include consolidating their legal frameworks, improving their education systems and strengthening intra-regional links. Authorities in the region have acknowledged the challenge of enhancing their growth potential, and several of the Barcelona partner countries have embarked upon processes of structural reform in recent years. This has

included the liberalisation of international trade and foreign direct investment (FDI), more flexible exchange rates, and fiscal and institutional reforms.

One area of institutional reform has been monetary policy, several countries having taken steps to modernise the operational framework and improve the efficiency of their money markets. To this end, interest rates, which had been regulated in many countries, have been

Table 2 IMF exchange rate regime classification

Country	Exchange rate regime	Pegging to	Target of monetary policy	Capital controls	
				Portfolio and credit operations	FDI and real estate transactions
Algeria	Managed floating	–	No explicit anchor; monitoring various indicators	Yes	Yes
Cyprus	Peg within a horizontal band	EUR	Exchange rate anchor	Yes	Yes
Egypt	Peg within a horizontal band ²⁾	USD	Exchange rate anchor	Capital market securities and commercial credits only	FDI and real estate transactions
Israel	Crawling band	Basket	More than one anchor: exchange rate and inflation targeting	No	FDI
Jordan	Peg to a single currency ¹⁾	SDR	Exchange rate anchor	No	FDI and real estate transactions
Lebanon	Peg to a single currency	USD	Exchange rate anchor	Yes	Real estate transactions
Malta	Peg to a basket	Basket	Exchange rate anchor	Yes	Yes
Morocco	Peg to a basket	Basket	Exchange rate anchor	Yes	Yes, except liquidation of FDI
Syria	Peg to a single currency ²⁾	USD	Exchange rate anchor	Yes	Yes
Tunisia	Crawling peg	–	Monetary aggregate	Yes	Yes, except liquidation of FDI
Turkey	Independently floating	–	Inflation targeting	Yes	Yes, except liquidation of FDI

Source: IMF.

Note: Data refer to December 2002.

1) The currency is de jure pegged to the special drawing right (SDR), but has de facto been pegged to the US dollar since late 1995.

2) The regime shown is that maintained in the major market. Other markets use different regimes.

liberalised. This development has been accompanied by a gradual liberalisation of capital accounts.

In most countries, monetary policy has remained oriented towards stabilising the exchange rate vis-à-vis either the euro or the US dollar, or against a basket of currencies (see Table 2). Most exchange rate arrangements can be classified as intermediate, as only the Turkish lira floats independently and no country in the region has established a hard peg. To ensure consistency between the features of the exchange rate arrangements and the external trade and financial flow patterns, regimes have at times been modified. Aligning the exchange rate system with trade structures continues to represent a particular challenge for those countries in the region in which currency mismatches exist between import payments and

export receipts. Over recent years the Mediterranean region has witnessed some movement towards more flexible exchange rates as the authorities have progressively reduced their involvement in the daily determination of exchange rates.

3 THE BANKING AND FINANCIAL SECTORS OF THE BARCELONA PARTNER COUNTRIES

The structure of the banking and financial sectors across the Barcelona partners varies widely (see Table 3). Bank assets as a share of GDP are as low as 40% in Algeria, while Lebanon and the two EU acceding countries, Cyprus and Malta, display ratios comparable to the euro area average. Nonetheless, an analysis of the data over time shows that the role of banks is generally expanding. Over the last

Table 3 Selected indicators of financial development in the Barcelona partner countries

(percentage)

	Bank assets/GDP	Claims on public sector/total claims	Stock market capitalisation/GDP ¹⁾
<i>memorandum</i>			
euro area	235	20	68
Algeria ¹⁾	39	80	-
Cyprus	228	15	67
Egypt	112	37	25
Israel	132	9	53
Jordan	201	18	72
Lebanon	290	54	7
Malta	394	21	37
Morocco	92	23	27
Syria	98	77	-
Tunisia	72	8	12
Turkey	56	67	32
West Bank and Gaza	143	18	19

Sources: IMF and World Bank.

Note: Data refer to 2002, unless otherwise indicated.

1) Data refer to 2001.

decade both the level of bank penetration in the economy, as measured by bank assets to GDP, and the level of bank intermediation, as measured by the ratio of domestic credit to GDP, have been on an upward trend. Other quantitative indicators confirm a rising level of financial development and a growing role for the banking sector in many Barcelona partner countries. Specifically, the ratio of currency in circulation to GDP has declined over the last decade, showing a reduced use of cash for transactions, while the ratio of bank deposits to GDP has increased, which may reflect increasing confidence in the banking sector.

The financial systems in all the Barcelona partner countries appear to be bank-focused, since the assets of other financial intermediaries are small compared with those held by the banks. Similarly, the capital markets are less developed than the banking systems (see Table 3). Financial deepening, in conjunction with the structural reform of the banking sector, is one potential avenue for diversification and appears necessary as a basis for sustained growth. The development of capital markets would also assist in improving the scope and quality of price information for financial services.

Banking sectors tend to be relatively concentrated, although the largest banks are small by European standards. In the Barcelona partner countries only seven banks show a balance sheet of more than €20 billion, with substantial off-balance sheet activities in some cases. While overall bank profitability is relatively low, this varies widely across countries. Similarly, interest rate and commission income are of varying importance for banks in the different countries.

In many Barcelona partner countries, banking is still closely linked with the public sector. Indeed, in four countries the public sector absorbs more than half of total bank lending (see Table 3). This focus on public sector lending may imply the crowding-out of private sector investment. While state ownership of banks was reduced in many countries in the 1990s, most of the biggest banks in the region are still publicly controlled. In addition, the banking system in most of the North African countries is largely part of the public sector, as is the entire Syrian banking system.

Recently, authorities have opened financial markets up to the private sector and to foreign operators. Foreign bank entry may enhance the

efficiency of the domestic system by transferring know-how, technology and capital. A growing awareness that banking thrives more easily if deposit and lending rates are determined by the market has led to the abolition of interest rate regulations in most countries. In the same spirit, banks have expanded their range of activities and introduced new financial instruments.

Adequate supervisory standards are necessary if international capital flows are not to become a potential threat to financial stability. In some Barcelona partner countries the quality of supervision has been improved to the point where it is now almost – if not fully – compliant with international standards. However, the close links between the public sector and the banks do raise concerns about potential conflicts of interest. Moreover, further improvements with regard to cooperation with international fora are particularly desirable. In this regard, it is worth noting that Egypt, Israel and Lebanon were recently recognised as cooperating jurisdictions by the Financial Action Task Force on Money Laundering, leaving none of the Barcelona partner countries listed as non-cooperative.

4 ECONOMIC AND FINANCIAL LINKS WITH THE EURO AREA

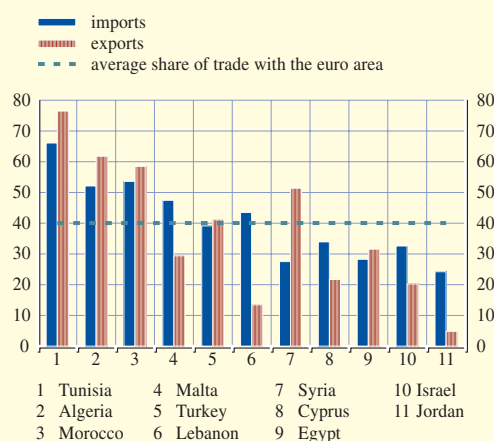
The EU and the Barcelona partner countries intend to use the Euro-Mediterranean partnership as an instrument for enhancing growth and entrenching reforms in the region by strengthening economic and financial links. This section takes stock of the current state of integration.

For most Barcelona partner countries, trade with the euro area is significant, reflecting their geographic proximity and their complementary production structures. By contrast, the degree of integration with the rest of the world and each other is low.³

Financial links include euro area bank lending to the Barcelona partner countries, FDI, and

Chart 2 Barcelona partner countries' trade with the euro area

(percentage of total trade)



Source: IMF Direction of Trade Statistics.
Note: Data are for 2002.

financial flows related to the movement of people, i.e. workers' remittances and income from tourism. With the exception of an increase in bank lending from the euro area, links between the two areas appear to have stagnated over recent years.

Trade relations are close, especially from a Mediterranean perspective. On average, trade with the euro area accounts for some 40% of total trade (see Chart 2). However, while Malta, Turkey and the Maghreb countries are very open with regard to the euro area, the Mashrek countries are more oriented towards the United States or the Gulf states.⁴ Overall, the euro area has constantly registered a trade surplus with the Barcelona partner countries. Imports from the euro area consist mostly of machinery, manufactured goods and chemicals, while exports are agricultural products, textiles and fuels.

³ In 2002 the Barcelona partners' openness (the average ratio of exports and imports to GDP) was 34%, compared with 57% for the Asean-4 countries, 50% for the acceding countries, 29% for Russia and 21% for the Andean countries.

⁴ The Maghreb, as used here, refers to Algeria, Morocco and Tunisia, while Mashrek refers to Egypt, Israel, Jordan, Lebanon, Syria, and West Bank and Gaza.

By contrast, trade among the Barcelona partners accounts for only about 5% of total trade, since several countries produce similar goods and because inadequate infrastructure, together with tariff and non-tariff barriers, prevents greater intra-regional trade. Even though Jordan, Lebanon and Syria are relatively more open to the region than the other countries, their trade share with the other Barcelona partners never exceeds 15% of their total trade. Authorities in the region, recognising the obstacles to trade, have launched initiatives for regional integration, with financial support from the European Union and the European Investment Bank.

From a euro area perspective, trade with the Barcelona partners accounts for some 3% of total external trade. Trade with this region is higher for Spain, Italy and, in particular, Greece than for the central and northern European countries.

Using the development of trade as an indicator for integration between the euro area and the Barcelona partners, it appears that the full effect of the Barcelona agreement has yet to materialise. It is true that overall trade has increased substantially since the conclusion of the Barcelona agreement in 1995, and more than doubled over the last decade. However, seen in relation to global trends, the euro area's share in the total trade of the Barcelona partners has stagnated in the last decade.

Bank lending from the euro area is important from a Mediterranean perspective, and has gained in importance over the last decade. Bank claims from the euro area account for more than half of total foreign bank claims in the region, while representing less than 2% of the total claims of euro area banks abroad. However, almost half of the total claims on the Barcelona partners are on Turkey alone. The euro area provides two-thirds of all foreign bank lending to the Maghreb countries and Lebanon, but this share is considerably lower in the other countries. With regard to exposure, Germany and France account for more than two-thirds of

euro area banks' total claims. As an indicator of strengthened ties, bank lending to the Barcelona partners has increased over the last decade by over two-thirds. Viewed from a global perspective, it is notable that euro area banks' cross-border lending to the Barcelona partners increased as a share of their lending to developing countries from 15% in 1993 to 24% in 2002.

While bank lending from the euro area is relatively important for the Barcelona partners, the picture is more mixed with regard to FDI. Since 1995, FDI inflows from the euro area have on average been around 20% of total FDI, with large variations from country to country. In addition, the sector allocation of FDI varies widely across the region. While in Algeria, Egypt and Syria the fuel sector attracts most FDI, in Cyprus the largest share goes to offshore banking and in Jordan it goes to business in the free-trade zone. Meanwhile, the privatisation of public sector companies has been prominent in moving investment into Morocco and Tunisia. FDI from the euro area has stagnated as a percentage of the total FDI allocated in the Barcelona partner countries, reflecting a lack of dynamism in economic integration between the two areas. However, as FDI is subject to large variations over time, this has to be treated with caution.

Investment among the Barcelona partner countries is rather limited, since few local banks focus on investing in the Mediterranean region, and information on investment opportunities in other countries in the region is not readily available. Many economies are dominated by small family-run enterprises that do not adhere to internationally recognised accounting standards and are consequently unattractive to investment from abroad.

Although migration to the euro area is economically and socially important given the geographic proximity and average income differentials between the two regions, this appears to have reached a plateau. Some 4.7 million people from the Barcelona partner

countries now live permanently in the euro area; almost half of them came from Turkey and live in Germany, and another 30% came from the Maghreb countries and live in France.⁵ A major obstacle to raising human capital in the region is the low return rate of students studying in Europe.

Workers' remittances account for a considerable share of several Barcelona partner countries' current account receipts. In 2001 workers' remittances accounted for 2% of the Barcelona partners' aggregate GDP and totalled €12.5 billion. In particular, receipts in the Maghreb countries and Turkey stem primarily from the euro area, while most of the other countries receive remittances predominantly from the United States and the Gulf states.

Also as a result of geographic proximity and income differentials, tourism from the euro area contributes 2% to the GDP of the Barcelona partner countries. They receive more than 18 million tourists a year from the European Union, including a considerable number from the euro area. An increasing share of these tourists are migrant workers returning home for the summer, especially to Turkey and Morocco.

In sum, the Barcelona partners' economies have been – and will continue to be – quite closely linked to economic developments in Europe. While these links are more important for these countries than for the euro area as a whole, a closer inspection of the data shows that the importance of these relations varies from country to country. Turkey and the Maghreb countries, as well as the two acceding countries, Cyprus and Malta, have especially tight links with the euro area, while links are less intense for the Mashrek countries. On the euro area side, France, Germany, Italy and Greece have the closest links with the Barcelona partner countries. With regard to developments over time, the evidence so far appears to indicate stagnation in most areas of economic and financial integration between the two areas over the last few years. While the creation of a free-trade area by 2010 between the EU and the

Barcelona partner countries is expected to increase trade and financial integration, this needs to be supported by the appropriate policies.

5 CONCLUSION

While monetary developments in most Barcelona partner countries have been stable in recent years, growth has not been strong enough to generate jobs. Fiscal discipline has also been a problem in several countries.

One way of entrenching reforms and increasing growth potential is to proceed towards regional integration, both among the Barcelona partners themselves and with the euro area. Further economic and financial integration between the euro area and the Barcelona partner countries should prove beneficial by increasing competition in the latter region, thereby increasing its growth potential. However, this result will only be possible if the economies in the region make headway on structural progress and both sides intensify efforts to integrate the two regions economically and financially.

The individual Barcelona partner countries vary considerably in terms of both economic structures and the intensity of their economic links with the euro area. Links are especially close for Turkey and the Maghreb countries, but less so for the Mashrek countries. In view of insufficient growth and structural difficulties, the authorities have initiated reforms in some fields. However, there appears to be considerable scope for further improvement, in particular by consolidating legal frameworks, enhancing education systems, strengthening intra-regional links and improving fiscal discipline.

While the structure of the financial sector varies widely across those countries, all of their financial systems appear to be bank-centred,

⁵ However, these figures must be treated with caution, as they depend on the nationality laws of the respective countries.

relatively concentrated and closely linked with the public sector. Recently, authorities have opened up the financial markets to the private sector and to foreign operators. Adequate supervisory standards are necessary if international capital flows are not to become a potential threat to financial stability. In this regard, choosing an adequate exchange rate system represents a particular challenge.

With regard to trade, most Barcelona partner countries are very open towards the euro area. However, while trade relations between the two areas are close, especially from a Mediterranean perspective, trade does not appear to be intensifying over time.

Moreover, while bank lending from the euro area is quite important for the Barcelona partners and has gained importance over the last decade, the picture is more mixed with regard to FDI. Migration to and tourism from the euro area are other economically and socially important mechanisms that forge links across the Mediterranean.

EURO AREA STATISTICS



CONTENTS¹

	EURO AREA OVERVIEW	
	Summary of economic indicators for the euro area	S5
I	MONETARY POLICY STATISTICS	
	1.1 Consolidated financial statement of the Eurosystem	S6
	1.2 Key ECB interest rates	S7
	1.3 Eurosystem monetary policy operations allotted through tenders	S8
	1.4 Minimum reserve and liquidity statistics	S9
2	MONEY, BANKING AND INVESTMENT FUNDS	
	2.1 Aggregated balance sheet of euro area MFIs	S10
	2.2 Consolidated balance sheet of euro area MFIs	S11
	2.3 Monetary statistics	S12
	2.4 MFI loans, breakdown	S14
	2.5 Deposits held with MFIs, breakdown	S17
	2.6 MFI holdings of securities, breakdown	S20
	2.7 Revaluation of selected MFI balance sheet items	S21
	2.8 Currency breakdown of selected MFI balance sheet items	S22
	2.9 Aggregated balance sheet of euro area investment funds	S24
	2.10 Assets of euro area investment funds broken down by investment policy and type of investor	S25
3	FINANCIAL AND NON-FINANCIAL ACCOUNTS	
	3.1 Main financial assets of non-financial sectors	S26
	3.2 Main liabilities of non-financial sectors	S27
	3.3 Main financial assets and liabilities of insurance corporations and pension funds	S28
	3.4 Annual saving, investment and financing	S29
4	FINANCIAL MARKETS	
	4.1 Securities issues other than shares by original maturity, residency of the issuer and currency	S31
	4.2 Securities other than shares issued by euro area residents by original maturity and sector of the issuer	S32
	4.3 Annual growth rates of securities other than shares issued by euro area residents	S34
	4.4 Quoted shares issued by euro area residents	S36
	4.5 MFI interest rates on euro-denominated deposits and loans by euro area residents	S38
	4.6 Money market interest rates	S40
	4.7 Government bond yields	S41
	4.8 Stock market indices	S42
5	PRICES, OUTPUT, DEMAND AND LABOUR MARKETS	
	5.1 HICP, other prices and costs	S43
	5.2 Output and demand	S46
	5.3 Labour markets	S50

1) For further information, please contact us at: statistics@ecb.int. See the ECB's website (www.ecb.int) for longer runs and more detailed data.

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

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	21.4	3.32	4.92
2003	11.0	8.0	8.0	-	4.9	20.3	2.33	4.16
2003 Q2	11.3	8.3	8.5	-	4.6	20.3	2.37	3.96
Q3	11.5	8.5	8.3	-	4.9	22.1	2.14	4.16
Q4	11.2	7.9	7.6	-	5.3	21.5	2.15	4.36
2004 Q1 ^(p)	.	.	.	-	.	.	2.06	4.15
2003 Oct.	12.2	8.3	8.1	7.7	5.1	22.6	2.14	4.31
Nov.	10.6	7.6	7.4	7.5	5.6	21.6	2.16	4.44
Dec.	10.5	7.5	7.0	7.0	5.5	19.1	2.15	4.36
2004 Jan.	11.1	7.4	6.5	6.6	5.4	16.9	2.09	4.26
Feb.	10.7	6.9	6.3	.	5.5	.	2.07	4.18
Mar. ^(p)	.	.	.	.	.	.	2.03	4.02

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	0.5	8.4
2003	2.1	1.6	2.9	0.4	0.3	80.9	0.2	8.8
2003 Q2	1.9	1.5	3.2	0.1	-0.8	80.8	0.2	8.8
Q3	2.0	1.2	2.8	0.3	-0.2	81.0	0.2	8.8
Q4	2.0	1.1	2.5	0.6	1.5	81.0	0.2	8.8
2004 Q1	.	.	.	.	.	.	.	.
2003 Oct.	2.0	0.9	-	-	1.4	81.2	-	8.8
Nov.	2.2	1.4	-	-	1.0	-	-	8.8
Dec.	2.0	1.0	-	-	2.2	-	-	8.8
2004 Jan.	1.9	0.3	-	-	0.9	80.7	-	8.8
Feb.	1.6	.	-	-	.	-	-	.
Mar.	1.6	.	-	-	.	-	-	.

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)	
							7	
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	39.8	109.6	-19.5	10.8	306.5	99.9	103.6	1.1312
2003 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	24.6	32.2	-9.8	14.7	306.5	101.8	105.9	1.1890
2004 Q1	.	.	.	.	.	104.0	108.2	1.2497
2003 Oct.	10.4	14.5	-10.6	26.7	332.4	101.0	104.8	1.1692
Nov.	6.0	8.9	0.9	-2.3	321.9	100.9	104.9	1.1702
Dec.	8.2	8.8	-0.1	-9.6	306.5	103.7	108.1	1.2286
2004 Jan.	-4.9	4.2	-11.0	-11.5	309.7	104.7	109.0	1.2613
Feb.	.	.	.	.	298.5	104.4	108.7	1.2646
Mar.	.	.	.	.	.	102.8	107.0	1.2262

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 5 Mar.	2004 12 Mar.	2004 19 Mar.	2004 26 Mar.
Gold and gold receivables	130,343	130,343	130,343	130,342
Claims on non-euro area residents in foreign currency	168,097	167,024	166,587	167,046
Claims on euro area residents in foreign currency	17,541	17,265	17,223	16,594
Claims on non-euro area residents in euro	7,189	7,435	7,206	7,192
Lending to euro area credit institutions in euro	285,903	277,698	281,509	289,539
Main refinancing operations	220,659	212,499	216,501	224,530
Longer-term refinancing operations	64,999	64,999	64,999	64,999
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	231	15	6	3
Credits related to margin calls	14	185	3	7
Other claims on euro area credit institutions in euro	1,179	1,162	1,258	1,239
Securities of euro area residents in euro	67,968	68,884	69,049	68,855
General government debt in euro	42,604	42,616	42,617	42,617
Other assets	105,968	107,262	107,053	106,925
Total assets	826,792	819,689	822,845	830,349

2. Liabilities

	2004 5 Mar.	2004 12 Mar.	2004 19 Mar.	2004 26 Mar.
Banknotes in circulation	423,682	424,125	423,804	423,840
Liabilities to euro area credit institutions in euro	137,728	135,206	133,167	131,911
Current accounts (covering the minimum reserve system)	137,638	135,173	133,132	131,849
Deposit facility	80	30	34	62
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	10	3	1	0
Other liabilities to euro area credit institutions in euro	256	257	258	257
Debt certificates issued	1,054	1,054	1,054	1,054
Liabilities to other euro area residents in euro	56,617	51,822	57,360	66,653
Liabilities to non-euro area residents in euro	10,006	9,114	8,958	8,971
Liabilities to euro area residents in foreign currency	477	456	428	429
Liabilities to non-euro area residents in foreign currency	8,942	9,692	9,263	9,256
Counterpart of special drawing rights allocated by the IMF	5,757	5,757	5,757	5,757
Other liabilities	51,026	50,959	51,548	51,450
Revaluation accounts	69,141	69,141	69,141	69,141
Capital and reserves	62,106	62,106	62,107	61,630
Total liabilities	826,792	819,689	822,845	830,349

Source: ECB.

1.2 Key ECB interest rates

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

With effect from ^{b)}	Deposit facility		Main refinancing operations			Marginal lending facility	
	Level	Change	Fixed rate tenders	Variable rate tenders	Change	Level	Change
			Fixed rate	Minimum bid rate			
	1	2	3	4	5	6	7
1999 1 Jan.	2.00	-	3.00	-	-	4.50	-
4 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 refers to the deposit and marginal lending facilities and to the main refinancing operations (changes effective from the first 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 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
11	147,492	137,000	2.00	2.00	2.01	12
18	104,015	83,000	2.00	2.00	2.01	14
23	135,659	135,659	2.00	2.00	2.00	16
3 Mar.	100,586	85,000	2.00	2.00	2.01	14
10	147,204	127,500	2.00	2.00	2.01	7
17	224,149	216,500	2.00	2.00	2.01	7
24	224,531	224,531	2.00	2.00	2.00	7
31	257,167	218,000	2.00	2.00	2.01	7
Longer-term refinancing operations						
2003 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
26 Feb.	34,597	25,000	-	2.01	2.03	91
1 Apr.	44,153	25,000	-	1.85	1.90	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Allotment (amount)	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
Q3	11,396.7	6,173.3	405.1	1,433.2	791.7	2,593.3
2003 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.	11,538.7	6,283.8	412.9	1,459.1	759.5	2,623.5
2004 Jan.	11,691.2	6,328.2	428.0	1,461.4	825.3	2,648.3

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
Q4	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.	133.4	134.1	0.7	0.0	2.00
6 Apr.	134.6				

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions current accounts	Base money
	Eurosystem's net assets in gold and foreign currency	Monetary policy operations of the Eurosystem				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.	309.2	232.6	45.0	0.3	0.0	0.1	0.0	427.6	37.0	-11.2	133.6	561.4
9 Mar.	303.3	219.4	56.7	0.4	0.0	0.2	0.0	418.0	48.6	-21.1	134.1	552.3

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 ¹⁾	Holdings of shares/other equity issued by euro area residents	External assets	Fixed assets	Remaining assets	
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents						MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Eurosysteem														
2001	998.6	412.7	25.7	0.6	386.4	107.0	101.8	1.3	3.8	-	13.8	399.0	11.9	54.3
2002	1,042.8	416.2	24.2	0.6	391.3	94.5	86.0	0.8	7.6	-	13.2	374.1	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
Q3	1,089.1	462.5	23.7	0.6	438.1	121.7	110.5	1.1	10.1	-	12.4	341.8	12.3	138.4
2003 Oct.	1,081.5	449.6	23.7	0.6	425.2	123.0	111.6	1.2	10.2	-	12.7	341.5	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.	1,085.8	471.3	22.6	0.6	448.0	134.0	122.0	1.2	10.8	-	12.8	317.5	12.4	137.7
2004 Jan.	1,090.0	469.7	22.6	0.7	446.4	136.9	124.4	1.3	11.2	-	12.9	321.2	13.0	136.3
Feb. ^(p)	1,091.3	474.4	22.6	0.6	451.1	141.2	127.9	1.3	11.9	-	13.1	308.3	13.9	140.4
MFIs excluding the Eurosysteem														
2001	18,226.3	11,134.7	822.0	6,518.7	3,794.0	2,535.9	1,077.4	335.6	1,122.9	38.5	810.8	2,408.8	168.1	1,129.5
2002	18,857.9	11,611.4	813.0	6,780.6	4,017.8	2,671.5	1,135.0	366.2	1,170.4	62.4	827.6	2,465.5	167.6	1,051.8
2003 Q1	19,184.0	11,733.1	804.8	6,854.1	4,074.2	2,830.6	1,210.0	385.9	1,234.7	66.8	818.3	2,545.0	160.8	1,029.4
Q2	19,530.2	11,881.4	794.2	6,944.0	4,143.2	2,886.6	1,239.4	405.1	1,242.1	69.0	853.4	2,624.2	157.9	1,057.7
Q3	19,571.5	11,949.9	797.4	6,996.8	4,155.7	2,929.0	1,262.6	410.5	1,255.9	69.4	881.1	2,546.7	158.6	1,036.8
2003 Oct.	19,609.9	11,922.5	797.2	7,025.6	4,099.6	2,959.0	1,274.7	418.2	1,266.2	71.2	880.4	2,610.7	158.4	1,007.7
Nov.	19,806.5	12,048.2	806.8	7,070.5	4,170.9	2,987.9	1,291.9	423.0	1,273.1	71.6	890.1	2,622.3	158.5	1,028.0
Dec.	19,787.5	12,111.8	819.5	7,093.0	4,199.4	2,950.4	1,252.1	425.1	1,273.2	67.4	895.8	2,565.1	159.9	1,037.1
2004 Jan.	20,026.7	12,128.8	816.8	7,105.4	4,206.6	2,995.5	1,276.6	425.3	1,293.6	76.4	910.1	2,693.3	159.2	1,063.4
Feb. ^(p)	20,148.3	12,151.6	808.2	7,137.2	4,206.1	3,042.0	1,298.2	431.4	1,312.4	77.4	909.5	2,723.2	159.5	1,085.0

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents			Money market fund shares/units ²⁾	Debt securities issued ²⁾	Capital and reserves	External liabilities	Remaining liabilities	
			Total	Central government	Other general government/other euro area residents						MFIs
	1	2	3	4	5	6	7	8	9	10	11
Eurosysteem											
2001	998.6	285.9	391.9	35.1	14.4	342.4	-	4.6	209.8	35.6	70.8
2002	1,042.8	392.9	328.4	29.5	15.6	283.3	-	3.6	165.9	32.9	119.1
2003 Q1	1,015.4	365.4	345.8	50.7	16.2	279.0	-	2.7	149.5	28.7	123.3
Q2	1,074.6	391.4	379.4	52.6	18.9	307.9	-	2.6	143.1	29.8	128.3
Q3	1,089.1	406.4	362.1	55.0	17.4	289.8	-	2.6	151.2	32.4	134.4
2003 Oct.	1,081.5	412.3	345.6	35.0	18.5	292.1	-	2.6	150.6	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.	1,085.8	450.5	324.0	21.3	16.9	285.8	-	1.6	139.9	27.5	142.2
2004 Jan.	1,090.0	430.0	345.9	42.7	15.5	287.6	-	1.6	140.8	29.4	142.2
Feb. ^(p)	1,091.3	433.4	349.4	48.9	16.5	283.9	-	1.6	142.2	24.3	140.2
MFIs excluding the Eurosysteem											
2001	18,226.3	0.0	9,696.6	103.9	5,763.1	3,829.6	436.5	2,882.9	1,041.9	2,687.4	1,480.9
2002	18,857.9	0.0	10,197.6	106.9	5,954.1	4,136.6	532.9	2,992.8	1,108.7	2,594.1	1,431.7
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
Q3	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
2003 Oct.	19,609.9	0.0	10,532.0	130.8	6,158.6	4,242.5	653.4	3,172.3	1,142.9	2,656.5	1,452.9
Nov.	19,806.5	0.0	10,666.1	132.1	6,203.9	4,330.1	656.3	3,185.7	1,147.5	2,655.9	1,495.0
Dec.	19,787.5	0.0	10,770.4	132.4	6,271.9	4,366.2	649.1	3,159.6	1,148.2	2,606.6	1,453.7
2004 Jan.	20,026.7	0.0	10,761.1	131.4	6,265.3	4,364.4	667.7	3,206.7	1,150.9	2,718.2	1,522.1
Feb. ^(p)	20,148.3	0.0	10,803.4	144.2	6,286.4	4,372.7	676.1	3,237.1	1,151.2	2,740.1	1,540.5

Source: ECB.

1) Amounts issued by euro area residents. Amounts issued by non-euro area residents are included in external assets.

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.

2.2 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	7,618.5	837.2	6,781.2	1,588.0	1,221.0	367.0	572.7	2,839.6	179.5	1,132.9
2003 Q1	14,124.7	7,683.6	828.9	6,854.8	1,691.8	1,305.1	386.7	566.6	2,894.2	172.7	1,115.7
Q2	14,383.3	7,762.5	817.9	6,944.6	1,748.7	1,342.5	406.2	594.1	2,958.5	169.9	1,149.6
Q3	14,412.8	7,818.6	821.1	6,997.5	1,784.7	1,373.1	411.6	616.6	2,888.5	170.8	1,133.6
2003 Oct.	14,498.7	7,847.2	821.0	7,026.3	1,805.7	1,386.3	419.4	613.8	2,952.1	170.7	1,109.2
Nov.	14,611.6	7,901.6	830.5	7,071.1	1,828.7	1,404.5	424.1	623.5	2,954.7	170.8	1,132.3
Dec.	14,538.2	7,935.8	842.2	7,093.6	1,800.4	1,374.1	426.3	624.9	2,882.6	172.3	1,122.4
2004 Jan.	14,753.1	7,945.5	839.4	7,106.1	1,827.6	1,401.0	426.5	634.4	3,014.5	172.2	1,159.0
Feb. ^(p)	14,852.5	7,968.7	830.9	7,137.9	1,858.8	1,426.1	432.7	634.5	3,031.5	173.4	1,185.5
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	-9.4	308.6	75.9	45.7	30.2	5.5	241.8	-1.3	-19.9
2003 Q1	220.9	87.1	-0.7	87.8	63.0	46.4	16.6	0.2	92.3	-3.6	-18.2
Q2	323.3	98.3	-8.6	106.9	52.0	37.9	14.1	21.2	122.2	-2.5	32.2
Q3	2.2	60.4	3.3	57.1	39.3	32.6	6.7	-4.5	-71.6	0.8	-22.3
2003 Oct.	80.6	29.2	-0.1	29.3	26.2	18.2	8.0	-4.2	51.2	0.0	-21.9
Nov.	154.7	60.6	9.8	50.9	19.2	13.7	5.5	9.0	44.2	-0.1	21.8
Dec.	-0.7	48.8	11.9	36.8	-26.2	-29.8	3.6	1.9	-14.6	1.6	-12.1
2004 Jan.	181.9	19.7	-2.9	22.6	15.4	16.5	-1.1	7.9	112.1	-0.2	27.1
Feb. ^(p)	102.9	27.8	-8.4	36.3	29.0	24.0	5.0	1.0	23.0	1.2	20.7

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	
Q3	14,412.8	364.8	183.9	6,145.4	576.8	1,865.1	1,016.6	2,639.0	1,616.5	4.6	
2003 Oct.	14,498.7	371.3	165.8	6,177.2	582.3	1,898.6	1,014.1	2,688.5	1,591.2	9.8	
Nov.	14,611.6	379.2	180.4	6,224.4	584.7	1,903.9	1,014.3	2,683.9	1,635.3	5.7	
Dec.	14,538.2	398.1	153.7	6,288.7	581.7	1,877.1	1,004.3	2,634.1	1,595.9	4.6	
2004 Jan.	14,753.1	389.2	174.1	6,280.8	591.3	1,903.5	1,003.2	2,747.6	1,664.3	-0.9	
Feb. ^(p)	14,852.5	393.6	193.2	6,303.0	598.7	1,914.4	1,005.4	2,764.4	1,680.7	-0.6	
Transactions											
2001	906.6	-116.4	-26.9	385.4	91.0	107.7	81.2	338.4	97.0	-50.7	
2002	601.3	101.4	-5.8	221.7	70.1	105.1	39.2	75.8	-92.9	86.7	
2003 Q1	220.9	7.7	32.8	50.8	35.8	24.9	2.6	59.6	-18.2	24.9	
Q2	323.3	23.8	24.1	110.8	19.7	36.8	0.5	25.9	61.8	19.8	
Q3	2.2	14.4	-13.7	-1.1	3.5	37.7	24.0	-20.9	-34.3	-7.5	
2003 Oct.	80.6	6.4	-18.0	30.7	5.7	30.1	2.3	39.5	-22.1	5.9	
Nov.	154.7	7.9	14.6	50.7	-4.3	14.8	4.0	26.6	33.5	7.0	
Dec.	-0.7	19.0	-26.7	71.7	-2.7	-10.9	-4.7	-1.5	-53.0	8.1	
2004 Jan.	181.9	-8.9	20.5	-9.4	9.2	22.0	0.9	87.2	70.0	-9.6	
Feb. ^(p)	102.9	4.3	19.0	22.9	7.2	12.4	1.0	16.5	17.2	2.4	

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

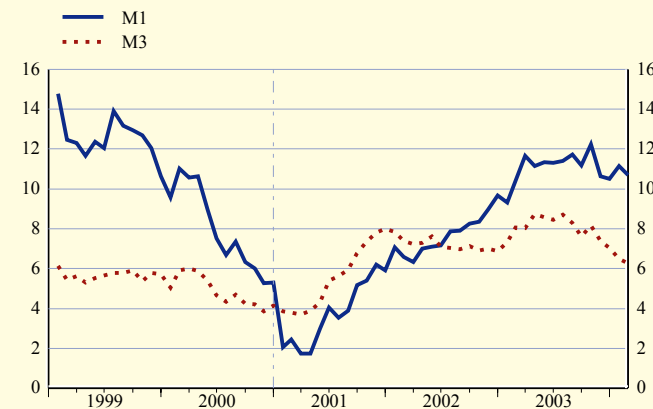
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

1. Monetary aggregates¹⁾ and counterparts

	M1		M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets ²⁾
	1	2	3	4	5	6	7	8	Loans		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	54.7
2002	2,439.3	2,474.3	4,913.6	854.5	5,768.1	-	3,994.1	2,073.7	7,723.9	6,780.6	184.6
2003 Q1	2,510.2	2,493.0	5,003.2	857.8	5,861.0	-	4,005.5	2,120.9	7,788.3	6,847.2	224.1
Q2	2,553.5	2,534.8	5,088.3	887.8	5,976.0	-	4,031.2	2,143.2	7,913.7	6,913.9	279.5
Q3	2,623.1	2,545.6	5,168.7	889.3	6,058.0	-	4,109.2	2,204.7	8,049.8	7,007.7	237.6
2003 Oct.	2,667.1	2,548.6	5,215.7	914.4	6,130.1	-	4,136.4	2,219.0	8,081.7	7,040.4	244.4
Nov.	2,658.1	2,556.7	5,214.8	917.5	6,132.4	-	4,160.2	2,235.4	8,148.9	7,086.0	241.7
Dec.	2,673.7	2,551.6	5,225.2	911.6	6,136.8	-	4,141.2	2,235.0	8,149.1	7,094.7	221.7
2004 Jan.	2,712.3	2,545.8	5,258.2	900.1	6,158.3	-	4,155.8	2,247.3	8,172.9	7,111.3	266.1
Feb. ^(p)	2,728.9	2,547.9	5,276.8	915.2	6,191.9	-	4,180.1	2,254.6	8,214.6	7,148.4	274.7
Transactions											
2001	121.4	158.3	279.7	118.7	398.4	-	178.2	2.5	467.0	377.4	-6.7
2002	214.6	88.4	303.0	68.7	371.7	-	187.8	38.1	346.3	312.6	168.0
2003 Q1	69.3	46.2	115.5	-8.0	107.5	-	29.9	16.6	81.9	80.9	84.6
Q2	58.9	45.2	104.1	27.1	131.3	-	40.1	25.2	130.8	83.6	64.9
Q3	72.6	10.4	82.9	1.5	84.5	-	87.4	63.5	114.4	98.1	-55.1
2003 Oct.	43.6	2.4	46.0	25.2	71.2	-	28.7	19.3	31.3	33.3	4.4
Nov.	-7.2	10.3	3.2	-4.0	-0.9	-	37.1	12.1	73.2	51.7	7.7
Dec.	18.2	-2.3	15.9	-6.0	9.9	-	4.4	0.5	16.4	23.0	-10.7
2004 Jan.	38.2	-7.3	30.9	-9.3	21.7	-	10.3	1.6	30.9	26.6	50.9
Feb. ^(p)	17.8	1.5	19.3	15.9	35.1	-	23.5	6.4	45.9	41.7	14.8
Growth rates											
2001 Dec.	5.9	7.1	6.5	17.6	8.0	7.9	4.8	0.1	6.7	6.1	-6.7
2002 Dec.	9.7	3.7	6.6	8.7	6.9	7.1	4.9	1.8	4.7	4.8	168.0
2003 Mar.	11.7	4.7	8.1	8.0	8.0	8.3	4.4	1.7	4.8	4.7	230.5
June	11.3	5.7	8.4	8.7	8.5	8.6	5.1	3.7	5.2	4.6	247.5
Sept.	11.2	5.2	8.2	4.5	7.6	8.0	5.4	5.6	5.5	4.9	167.3
2003 Oct.	12.2	4.4	8.3	7.6	8.1	7.7	5.8	6.7	5.5	5.1	147.0
Nov.	10.6	4.7	7.6	6.1	7.4	7.5	6.0	7.1	6.0	5.6	128.5
Dec.	10.5	4.6	7.5	4.2	7.0	7.0	5.7	6.6	5.8	5.5	95.7
2004 Jan.	11.1	3.7	7.4	1.5	6.5	6.6	5.8	6.1	5.8	5.4	109.7
Feb. ^(p)	10.7	3.1	6.9	2.9	6.3	.	6.0	6.0	5.8	5.5	106.3

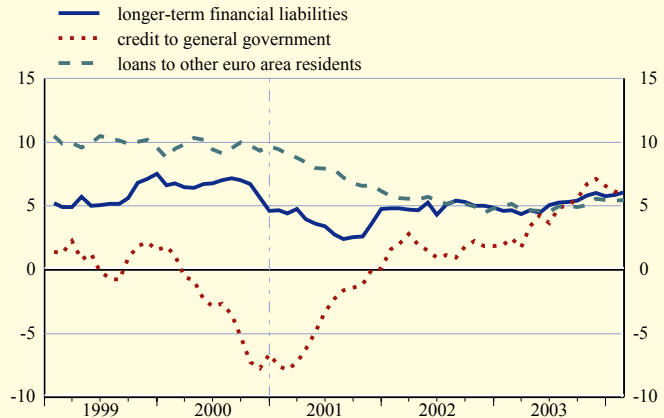
C1 Monetary aggregates

(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

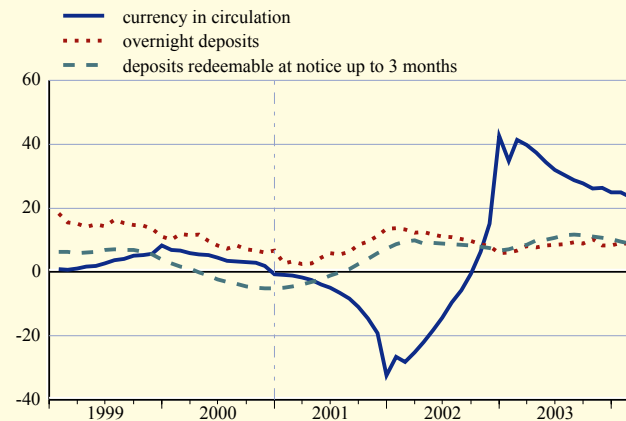
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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	2,178.3	1,071.5	1,421.4	209.4	549.1	99.4	1,702.8	100.2	1,203.3	999.2
Q2	347.1	2,206.4	1,074.1	1,460.7	220.9	569.2	97.6	1,730.8	96.2	1,211.1	993.1
Q3	366.9	2,256.2	1,051.4	1,494.2	215.6	582.0	91.7	1,773.3	90.9	1,231.1	1,014.0
2003 Oct.	371.7	2,295.4	1,047.0	1,501.6	225.4	587.5	101.6	1,794.6	91.1	1,236.6	1,014.1
Nov.	379.7	2,278.4	1,047.2	1,509.6	227.7	588.7	101.1	1,799.0	90.7	1,247.8	1,022.7
Dec.	388.7	2,285.0	1,042.5	1,509.1	219.8	601.8	89.9	1,794.3	90.5	1,252.5	1,003.8
2004 Jan.	396.7	2,315.7	1,029.1	1,516.7	212.1	595.2	92.8	1,813.3	90.3	1,256.4	995.8
Feb. ^(p)	400.1	2,328.8	1,018.2	1,529.6	225.4	594.8	94.9	1,818.4	90.2	1,265.5	1,006.1
Transactions											
2001	-112.5	233.9	69.3	88.9	26.8	93.9	-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	48.3	-5.9	52.1	-21.7	17.4	-3.7	20.2	-3.5	12.4	0.9
Q2	15.2	43.7	5.8	39.5	11.6	19.7	-4.2	37.7	-4.0	8.7	-2.3
Q3	20.4	52.2	-23.1	33.5	-4.0	10.5	-4.9	47.8	-5.3	19.0	25.9
2003 Oct.	4.8	38.7	-4.9	7.3	9.8	5.7	9.7	18.2	0.2	5.4	4.9
Nov.	8.0	-15.1	2.2	8.1	1.3	-5.5	0.2	13.2	-0.4	11.8	12.5
Dec.	9.0	9.1	-2.0	-0.3	-7.8	13.4	-11.6	11.8	-0.2	6.5	-13.6
2004 Jan.	8.0	30.2	-14.8	7.6	-6.7	-7.0	4.5	13.0	-0.1	3.5	-6.0
Feb. ^(p)	3.4	14.4	-11.4	12.9	13.3	-0.6	3.2	5.5	-0.2	9.1	9.1
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	8.5	-0.5	10.7	-0.9	19.3	-13.7	7.2	-10.7	3.9	4.5
Sep.	27.8	8.8	-2.5	11.4	-6.7	14.4	-15.5	8.0	-15.2	4.8	4.0
2003 Oct.	26.1	10.2	-3.9	11.0	-0.3	15.0	-8.4	8.7	-14.4	5.1	4.1
Nov.	26.3	8.4	-3.0	10.8	1.5	10.8	-6.3	8.7	-13.7	5.4	4.3
Dec.	25.0	8.4	-2.6	10.2	-4.8	11.6	-14.5	8.9	-12.7	5.4	2.8
2004 Jan.	25.0	9.1	-3.7	9.4	-7.8	8.9	-15.0	9.5	-11.9	5.7	1.7
Feb. ^(p)	23.5	8.8	-4.6	8.9	-1.5	7.8	-11.8	9.5	-11.1	5.8	2.3

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⁾

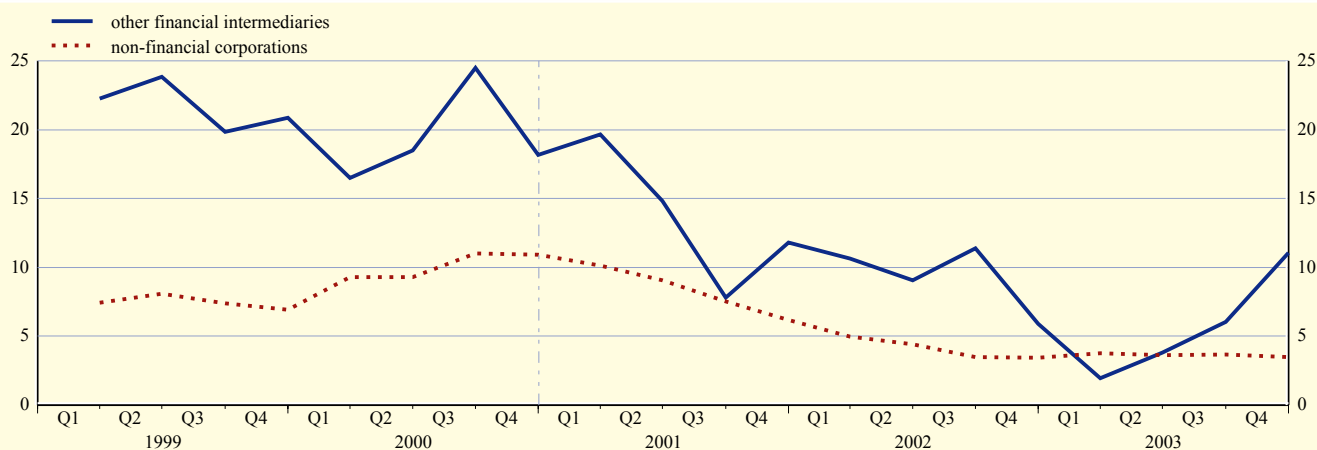
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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
Q3	44.3	28.3	478.2	295.0	3,017.4	973.2	518.8	1,525.3
2003 Oct.	49.8	33.8	480.0	294.2	3,020.1	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.	35.9	22.4	503.4	314.3	3,042.7	959.8	528.6	1,554.4
2004 Jan.	47.5	34.2	496.8	305.2	3,036.1	959.0	529.9	1,547.2
Feb. ^(p)	47.0	33.3	511.5	317.2	3,038.9	954.1	530.6	1,554.3
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
Q3	-0.4	-3.0	1.2	-8.8	2.7	-26.0	10.2	18.6
2003 Oct.	5.5	5.5	1.6	-1.0	2.5	-10.7	3.7	9.6
Nov.	-0.9	-0.9	18.6	20.4	18.8	5.1	2.8	10.9
Dec.	-13.1	-10.6	10.4	3.2	13.3	-2.6	3.6	12.4
2004 Jan.	11.6	11.8	-0.2	-2.3	-4.9	0.4	1.4	-6.7
Feb. ^(p)	-0.5	-0.9	14.8	13.4	5.1	-4.1	0.9	8.3
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	-0.8	4.5	6.4
2003 Dec.	14.2	14.2	11.1	8.0	3.5	-0.9	3.7	6.3
2004 Jan.	12.8	15.6	12.5	10.8	2.8	-3.3	5.4	6.1
Feb. ^(p)	7.1	5.8	14.7	13.6	2.7	-3.5	4.7	6.2

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⁾

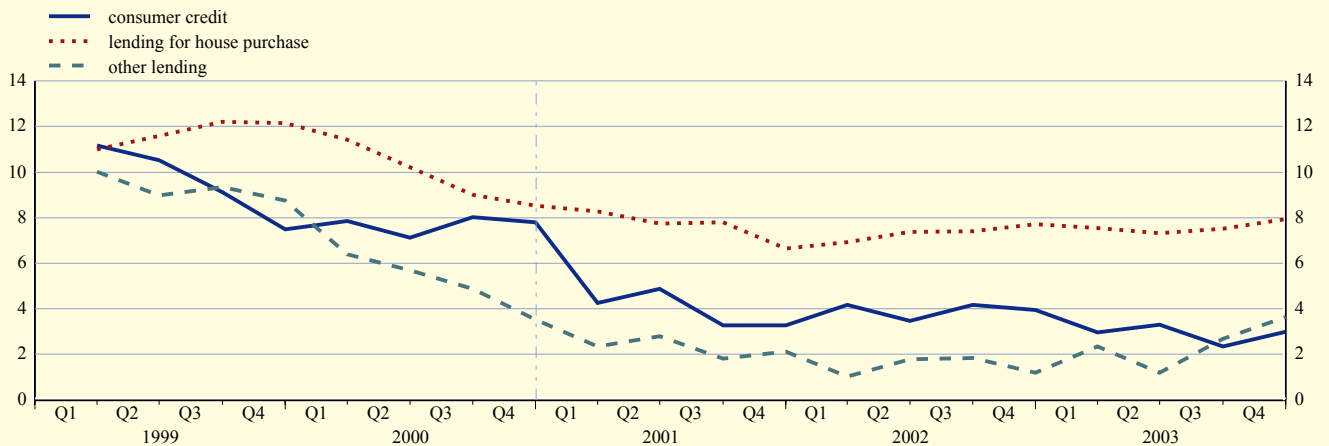
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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	3,350.3	492.3	111.5	176.6	204.2	2,219.2	16.3	68.2	2,134.7	638.8	144.9	94.8	399.1	
Q2	3,404.4	500.8	115.3	179.3	206.2	2,259.0	16.6	68.5	2,173.9	644.6	145.2	92.5	406.9	
Q3	3,457.0	476.8	110.0	178.3	188.5	2,306.3	16.9	70.1	2,219.3	673.9	144.3	97.0	432.5	
2003 Oct.	3,475.7	480.4	110.8	179.3	190.3	2,325.0	16.7	70.9	2,237.3	670.3	141.8	96.7	431.9	
Nov.	3,488.5	478.9	107.9	180.5	190.5	2,333.9	15.9	70.8	2,247.2	675.7	144.3	96.3	435.1	
Dec.	3,510.9	484.2	111.2	182.0	191.0	2,350.8	16.2	67.1	2,267.5	676.0	144.8	96.3	434.9	
2004 Jan.	3,525.0	480.7	109.6	180.0	191.0	2,372.2	15.9	66.1	2,290.2	672.1	142.3	95.5	434.2	
Feb. ^(p)	3,539.8	481.1	108.6	181.0	191.4	2,384.7	15.8	66.0	2,302.9	673.9	141.1	95.6	437.2	
Transactions														
2001	154.4	15.9	-0.3	3.6	12.6	125.2	0.3	-1.8	126.7	13.2	-2.0	3.0	12.3	
2002	183.2	19.7	6.1	4.8	8.7	156.2	0.7	2.8	152.7	7.4	-1.8	1.8	7.4	
2003 Q1	35.1	-5.7	6.0	-3.1	-8.6	37.6	-6.9	2.5	41.9	3.2	-6.5	-2.4	12.1	
Q2	58.3	8.8	1.9	4.6	2.3	43.2	0.3	-0.2	43.2	6.4	2.8	-2.9	6.4	
Q3	53.8	3.0	-1.1	2.1	1.9	48.2	0.5	1.6	46.1	2.7	-4.4	1.4	5.7	
2003 Oct.	19.7	3.3	0.9	1.0	1.4	18.3	-0.2	0.9	17.7	-1.9	-2.5	-0.3	1.0	
Nov.	14.3	-1.2	-2.9	1.3	0.3	9.6	-0.7	-0.1	10.5	5.9	2.7	-0.3	3.5	
Dec.	26.2	7.2	3.8	1.5	1.9	17.5	0.4	-3.7	20.7	1.4	1.3	0.0	0.2	
2004 Jan.	16.0	-3.0	-1.4	-1.9	0.2	21.8	-0.3	-1.0	23.0	-2.7	-2.0	-0.7	0.0	
Feb. ^(p)	16.9	0.9	-0.9	1.1	0.7	13.2	-0.1	0.0	13.3	2.8	-0.9	0.1	3.6	
Growth rates														
2001 Dec.	5.2	3.3	-0.6	2.2	6.0	6.6	1.5	-2.8	7.0	2.1	-1.3	2.9	3.4	
2002 Dec.	5.8	3.9	5.9	2.8	3.9	7.7	2.9	4.6	7.9	1.2	-1.2	1.8	2.0	
2003 Mar.	5.8	3.0	16.8	0.3	-0.9	7.6	-28.7	9.3	7.9	2.4	-4.3	-0.4	5.9	
June	5.5	3.3	15.6	2.5	-1.4	7.3	-29.4	8.9	7.7	1.2	-6.9	-6.0	6.7	
Sept.	5.8	2.3	12.5	2.6	-2.2	7.5	-30.1	11.3	7.8	2.7	-6.0	-1.5	7.2	
2003 Dec.	6.3	3.0	8.4	4.2	-0.5	7.9	-34.7	1.3	8.7	3.6	-4.5	-4.6	9.1	
2004 Jan.	6.7	3.9	1.6	7.0	2.7	8.6	-0.6	-1.1	8.9	2.2	-2.8	-3.7	5.5	
Feb. ^(p)	6.6	5.0	-0.1	8.0	5.3	8.5	-2.3	-1.8	8.9	1.5	-2.4	-5.5	4.5	

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⁾

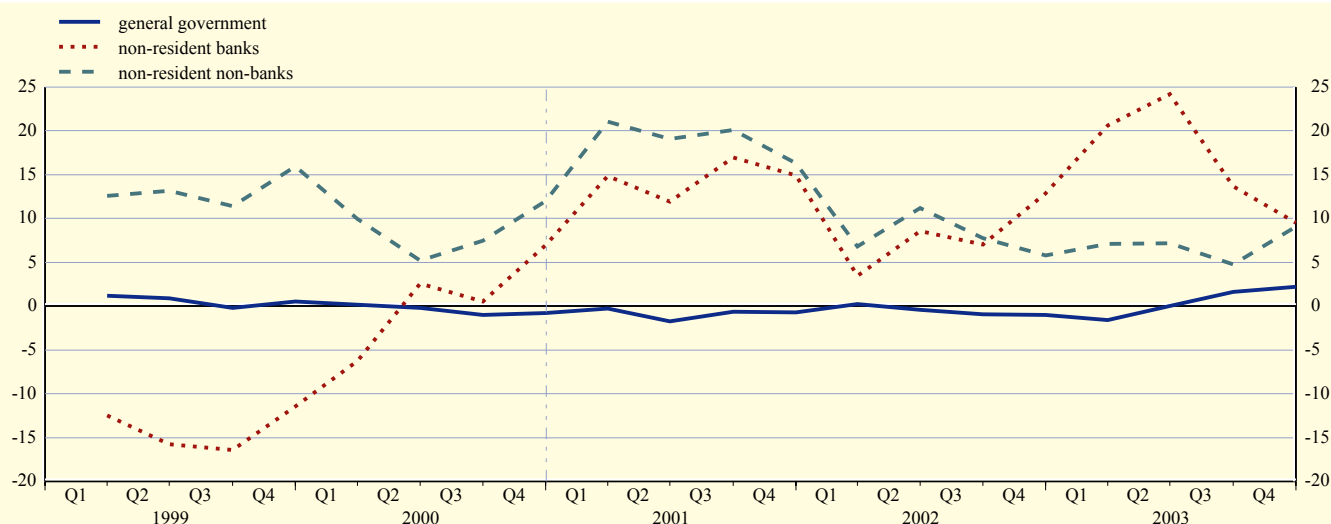
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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	134.8	267.2	379.0	23.9	1,767.0	1,173.0	594.0	59.0	535.0
Q2	794.2	126.9	263.5	375.4	28.3	1,833.1	1,242.2	590.9	59.2	531.7
Q3	797.4	128.4	262.5	376.0	30.6	1,741.2	1,157.4	583.7	59.8	523.9
Q4 ^(p)	819.5	128.5	265.2	392.6	32.6	1,761.2	1,181.3	579.9	58.9	521.0
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	-12.0	-21.1	19.9	4.9	169.3	134.8	34.5	-1.2	35.7
2003 Q1	-0.2	1.0	-10.2	4.8	4.1	66.8	43.8	23.0	-5.5	28.5
Q2	-8.2	-7.4	-3.8	-1.6	4.5	105.9	93.1	12.8	0.3	12.5
Q3	3.3	1.5	-1.0	0.5	2.2	-86.8	-82.9	-3.9	0.6	-4.4
Q4 ^(p)	22.7	0.7	2.8	16.5	2.0	74.1	54.2	19.9	-0.9	20.7
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	-8.3	-7.1	5.5	33.2	10.4	12.9	5.7	-1.9	6.7
2003 Mar.	-1.6	-13.5	-9.2	7.1	60.3	15.7	20.6	7.1	-13.9	9.9
June	0.0	-8.8	-6.3	5.3	57.5	18.0	24.1	7.2	-8.3	9.1
Sep.	1.6	-3.4	-4.3	5.1	50.1	10.4	13.6	4.8	-10.5	6.7
Dec. ^(p)	2.2	-3.1	-4.4	5.4	64.9	9.3	9.5	9.1	-8.6	11.3

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⁾

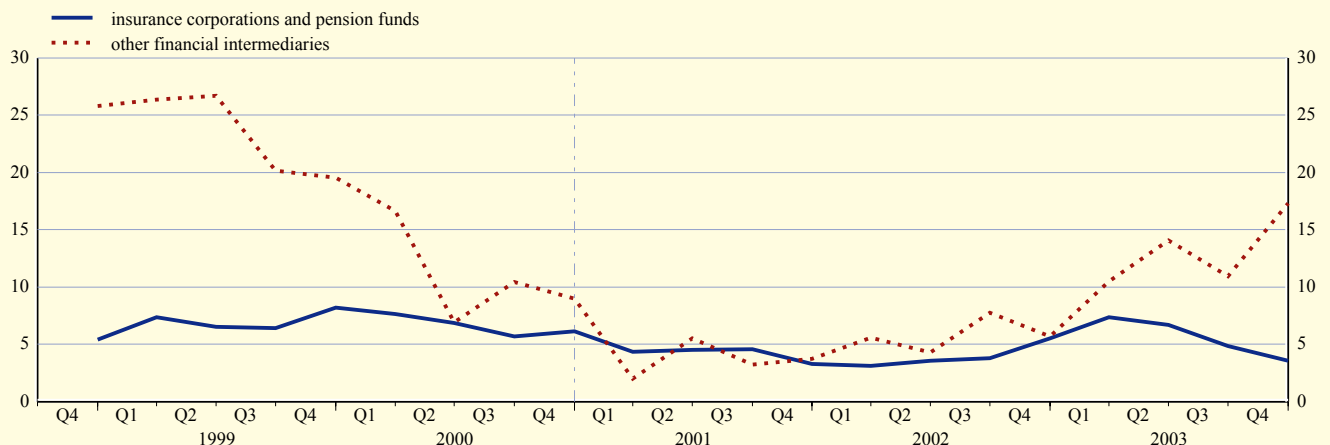
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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	61.7	39.2	414.8	0.9	0.6	18.3	526.4	168.2	133.5	119.6	5.3	0.1	99.6
Q2	537.6	63.8	38.1	412.1	1.0	0.3	22.3	546.6	180.3	132.6	129.8	5.8	0.1	98.0
Q3	532.4	57.3	33.0	422.1	1.1	0.3	18.7	540.3	177.2	125.2	129.2	5.0	0.1	103.6
2003 Oct.	533.8	52.6	37.8	423.6	1.2	0.3	18.3	558.1	175.1	128.2	132.4	5.7	0.1	116.5
Nov.	533.6	51.9	36.7	424.1	1.3	0.3	19.3	565.7	176.1	129.5	137.7	5.7	0.1	116.6
Dec.	542.5	59.2	41.7	420.9	1.3	0.3	19.1	562.6	179.9	129.4	142.7	6.1	0.1	104.4
2004 Jan.	554.5	65.4	43.2	422.5	1.3	0.3	21.7	566.8	177.9	130.5	140.6	6.9	0.1	110.8
Feb. ^(p)	556.6	62.9	42.4	424.6	1.3	0.3	25.0	578.7	183.9	122.9	143.8	8.5	0.1	119.4
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	4.2	-6.7	14.5	-0.1	-0.1	0.5	42.1	12.8	2.4	13.7	2.3	0.0	11.0
Q2	2.3	2.2	-1.0	-2.9	0.0	0.0	3.9	22.6	13.2	-0.2	10.8	0.5	0.0	-1.6
Q3	-6.5	-6.6	-5.1	8.9	0.1	0.0	-3.8	-7.2	-3.1	-8.1	-0.8	-0.8	0.0	5.7
2003 Oct.	1.3	-4.8	4.8	1.6	0.2	0.0	-0.4	17.6	-2.2	2.9	3.1	0.8	0.0	13.0
Nov.	0.0	-0.6	-1.0	0.5	0.1	0.0	1.1	9.2	1.7	1.6	5.8	-0.1	0.0	0.1
Dec.	9.2	7.4	5.2	-3.2	0.0	0.0	-0.2	-0.1	4.7	0.5	6.5	0.5	0.0	-12.2
2004 Jan.	11.8	6.2	1.4	1.6	0.0	0.0	2.6	5.1	-1.5	0.8	-2.3	0.8	0.0	7.3
Feb. ^(p)	2.1	-2.6	-0.8	2.2	0.0	0.0	3.3	11.1	6.1	-8.5	3.2	1.6	0.0	8.6
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.	7.4	37.0	-	-	-	-	3.3	10.5	5.2	-	-	-	-	17.7
June	6.7	28.7	-	-	-	-	17.4	14.1	9.2	-	-	-	-	16.3
Sep.	4.9	11.5	-	-	-	-	28.2	10.9	11.6	-	-	-	-	8.8
2003 Dec.	3.6	3.4	-8.3	4.8	40.9	-12.5	6.0	17.3	17.5	-0.8	36.9	70.7	-	17.2
2004 Jan.	4.4	15.2	5.5	3.0	50.0	-9.7	-0.3	13.5	11.3	3.8	24.1	58.0	-	15.1
Feb. ^(p)	4.9	15.5	6.1	2.8	58.0	-7.7	15.0	14.7	18.3	-7.0	27.0	78.6	-	20.2

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⁾

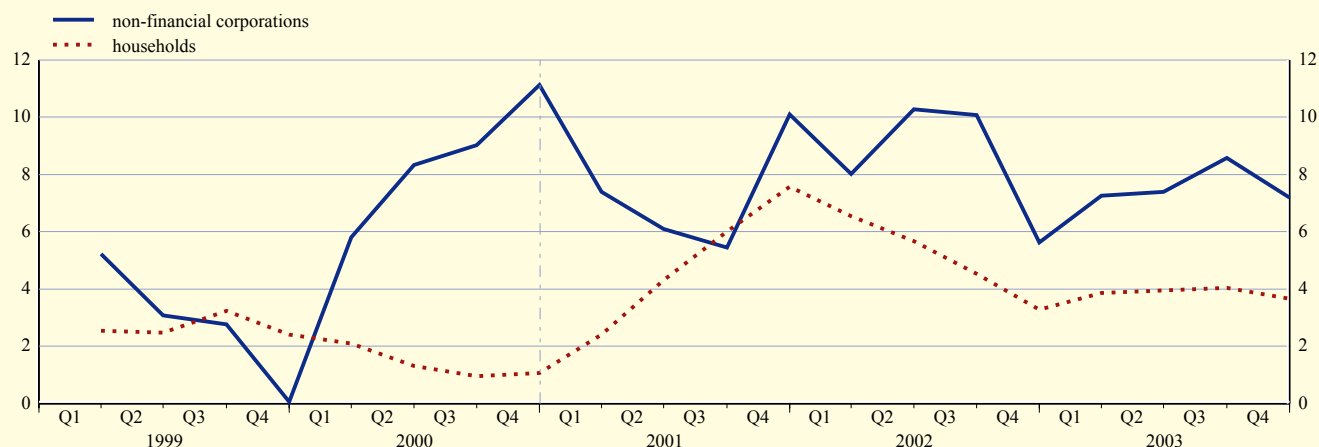
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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	567.2	271.0	61.8	27.0	1.1	32.3	3,834.3	1,195.9	580.2	586.7	1,302.2	98.6	70.6
Q2	1,001.1	600.5	279.1	61.0	29.2	1.4	29.8	3,867.6	1,236.6	562.8	585.5	1,327.7	93.0	61.9
Q3	1,018.4	609.8	282.1	65.7	29.9	1.5	29.4	3,901.8	1,270.8	555.1	586.8	1,344.1	88.6	56.3
2003 Oct.	1,025.5	607.9	290.6	64.9	30.3	1.5	30.3	3,905.6	1,274.2	552.0	587.9	1,346.8	88.7	56.0
Nov.	1,040.5	623.0	289.1	66.7	30.9	1.5	29.3	3,928.6	1,297.2	547.6	587.8	1,351.5	88.9	55.6
Dec.	1,050.9	639.5	282.3	66.1	31.6	1.5	30.0	3,977.0	1,311.3	545.2	601.1	1,376.6	89.9	52.9
2004 Jan.	1,011.4	612.5	270.8	67.7	33.5	1.5	25.4	3,994.4	1,315.3	539.9	604.5	1,391.8	88.8	54.1
Feb. ^(p)	1,018.8	604.0	283.2	69.1	33.6	1.7	27.2	3,995.6	1,317.6	532.3	607.1	1,396.0	88.4	54.2
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	-27.5	-34.2	39.7	-35.2	4.4	0.3	-2.4	26.0	9.9	-38.4	22.3	41.2	-5.0	-4.1
Q2	43.4	34.6	9.2	-0.2	2.2	0.0	-2.4	35.0	41.0	-16.2	-1.2	25.6	-5.5	-8.7
Q3	19.4	9.5	3.6	4.6	0.7	0.1	1.1	2.0	2.8	-8.0	0.8	16.4	-4.4	-5.6
2003 Oct.	6.8	-2.0	8.3	-0.7	0.4	0.0	0.9	3.5	3.3	-3.4	1.1	2.7	0.1	-0.3
Nov.	15.6	16.0	-0.7	1.7	0.6	0.0	-2.1	24.0	23.2	-3.7	0.0	4.8	0.2	-0.4
Dec.	13.0	17.7	-5.7	-0.3	0.7	0.0	0.7	49.8	14.5	-1.5	13.4	25.1	1.0	-2.7
2004 Jan.	-40.8	-27.6	-12.0	1.5	1.9	0.0	-4.6	16.6	3.7	-5.8	3.4	15.1	-1.1	1.2
Feb. ^(p)	8.5	-7.5	12.5	1.4	0.1	0.1	1.8	1.5	2.4	-7.4	2.6	4.2	-0.4	0.2
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.	7.2	8.1	-	-	-	-	-3.5	3.9	7.3	-	-	-	-	-12.4
June	7.4	7.9	-	-	-	-	-18.0	4.0	7.2	-	-	-	-	-19.6
Sep.	8.6	8.5	-	-	-	-	-15.0	4.0	8.2	-	-	-	-	-28.2
2003 Dec.	7.2	6.8	23.4	-31.0	37.3	49.5	-12.4	3.7	7.9	-11.5	6.4	9.2	-13.2	-29.2
2004 Jan.	7.1	9.4	2.7	12.2	37.4	38.3	-27.1	4.1	9.5	-9.0	3.6	8.7	-12.4	-28.5
Feb. ^(p)	8.2	8.9	6.1	14.4	30.1	18.0	-15.6	3.7	8.7	-8.8	3.2	8.1	-11.6	-28.3

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⁾

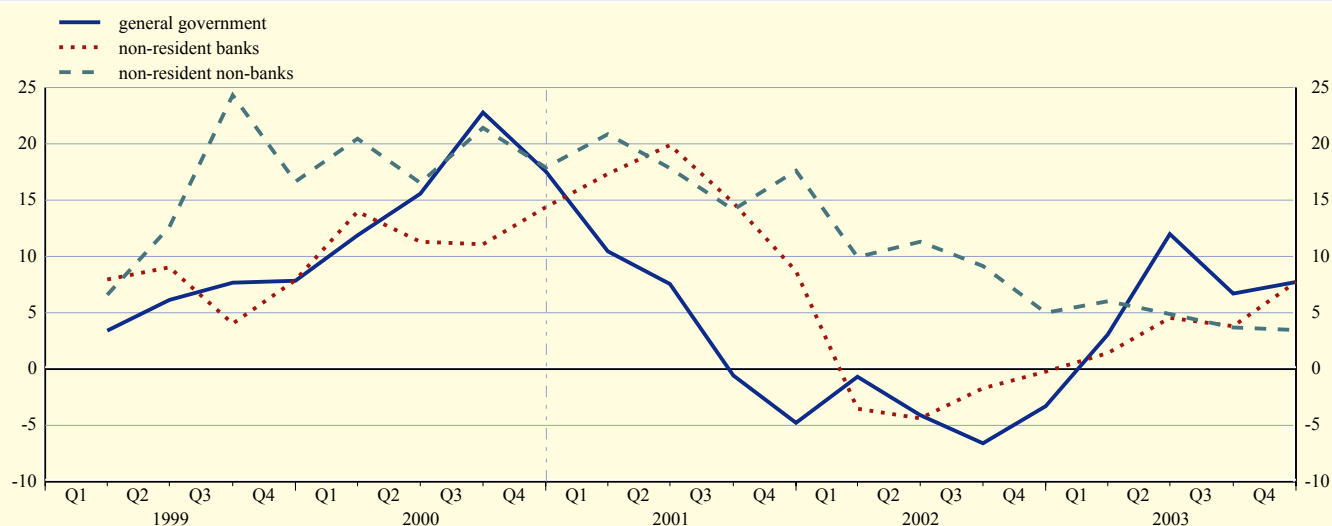
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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	264.1	128.9	32.3	64.2	38.7	2,256.1	1,562.4	693.7	93.4	600.3
Q4 ^(p)	271.2	132.4	30.2	67.9	40.8	2,249.1	1,582.2	667.0	95.9	571.0
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	-23.4	-16.0	-1.9	-0.4	-5.0	-6.6	-7.9	1.3	-1.2	2.5
Q4 ^(p)	7.2	3.5	-2.0	3.7	2.1	57.4	69.0	-11.7	2.6	-14.2
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.	6.7	18.9	-5.7	0.7	-5.3	3.8	3.8	3.7	-7.8	5.7
Dec. ^(p)	7.7	19.4	-4.4	-2.0	2.4	6.4	7.7	3.4	-1.5	4.2

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.

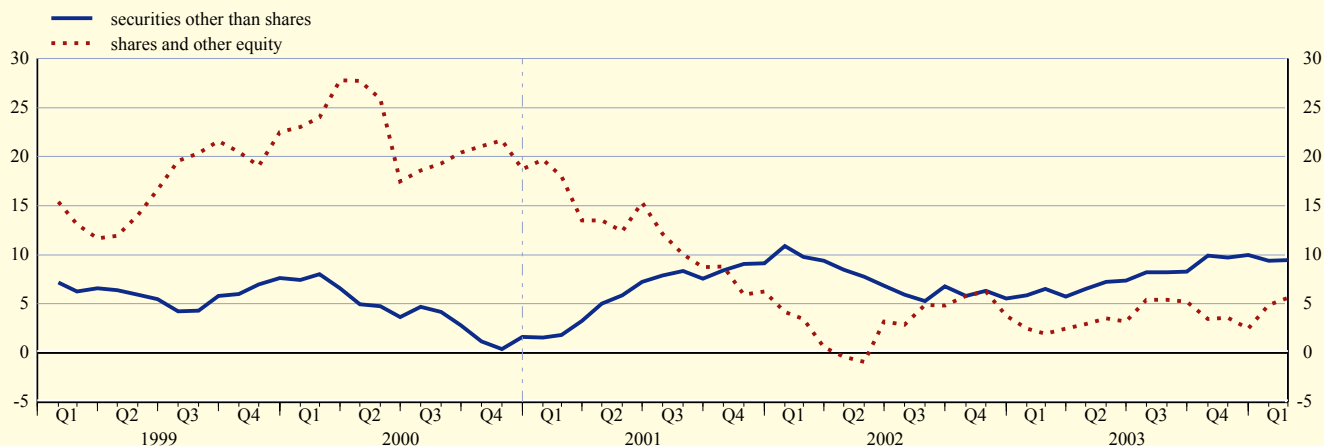
2.6 MFI holdings of securities, breakdown ¹⁾

(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
Q3	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
2003 Oct.	3,595.4	1,207.1	59.0	1,258.4	16.2	398.9	19.2	636.4	1,062.6	274.9	605.5	182.1
Nov.	3,626.9	1,214.6	58.4	1,275.7	16.1	403.9	19.0	639.0	1,069.5	275.1	615.1	179.4
Dec.	3,579.1	1,216.1	57.1	1,236.5	15.6	406.3	18.8	628.7	1,069.8	279.3	616.5	174.0
2004 Jan.	3,664.1	1,232.9	60.7	1,260.5	16.1	407.5	17.8	668.6	1,090.5	284.2	625.9	180.4
Feb. ^(p)	3,715.2	1,254.8	57.6	1,282.2	16.0	413.3	18.1	673.2	1,094.9	283.7	625.8	185.4
Transactions												
2001	258.2	82.4	-4.2	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	1.4	-3.0	0.7	3.8
Q2	87.7	16.5	-0.4	30.9	-0.7	14.0	0.2	27.2	19.7	5.8	21.0	-7.1
Q3	55.2	14.7	-1.9	24.0	0.4	5.8	0.9	11.3	1.2	1.9	-4.7	3.9
2003 Oct.	44.5	10.0	0.8	16.8	-0.6	7.9	0.0	9.5	-1.6	1.5	-4.3	1.2
Nov.	38.4	7.1	0.6	12.0	0.4	5.2	0.4	12.8	6.6	-0.5	9.0	-1.8
Dec.	-30.9	0.9	0.2	-38.8	-0.1	3.0	0.6	3.3	-2.5	1.9	1.9	-6.3
2004 Jan.	62.0	14.5	2.4	14.2	0.1	0.3	-1.4	32.0	17.5	3.2	7.9	6.4
Feb. ^(p)	48.2	20.7	-3.2	21.1	0.1	4.4	0.5	4.5	6.6	1.1	1.0	4.5
Growth rates												
2001 Dec.	9.2	8.2	-7.3	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	2.5	1.0	2.3	5.6
June	7.4	4.3	-9.4	4.9	7.2	15.3	15.9	16.3	3.2	-0.1	5.8	0.4
Sep.	8.3	6.0	-8.4	6.6	8.4	15.3	18.5	13.9	5.3	3.4	6.3	4.9
2003 Oct.	9.9	6.8	3.9	8.4	5.5	16.8	11.3	16.1	3.5	3.2	3.6	3.8
Nov.	9.7	5.9	0.8	9.0	8.9	17.1	12.9	15.4	3.6	2.8	4.7	1.2
Dec.	10.0	8.1	7.0	7.1	6.0	14.8	11.3	17.1	2.5	2.9	4.2	-3.5
2004 Jan.	9.4	7.3	3.2	6.6	2.0	13.2	9.8	18.0	4.9	7.0	5.4	0.5
Feb. ^(p)	9.4	8.1	-1.7	7.2	-3.7	12.4	10.8	16.5	5.6	7.5	5.9	1.9

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	-	-	-	-0.6	-	-	-	-5.3	-	-	-
2002	-0.9	-	-	-	-1.4	-	-	-	-3.4	-	-	-
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
Q3	-0.4	-0.1	-0.1	-0.2	-0.6	-0.1	0.0	-0.5	-1.2	-0.3	-0.1	-0.8
2003 Oct.	-0.1	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.	-0.6	-0.3	-0.1	-0.2	-0.9	-0.1	0.0	-0.8	-1.5	-0.8	-0.1	-0.7
2004 Jan.	-0.6	-0.3	-0.1	-0.2	-0.6	0.0	0.0	-0.5	-1.3	-0.5	-0.1	-0.8
Feb. ^(p)	-0.4	-0.1	-0.1	-0.2	-0.5	0.0	0.0	-0.4	-0.8	-0.2	0.0	-0.6

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	-13.1	-0.7	-8.1	-4.3	-1.0	-	-
2002	-10.6	-2.0	-3.7	-5.0	-7.2	-	-
2003 Q1	-7.5	-4.1	-0.6	-2.8	-0.1	0.0	-0.1
Q2	-2.3	-1.1	-0.1	-1.1	-0.3	-0.3	-0.1
Q3	-2.1	-0.5	-0.2	-1.4	-0.2	-0.1	-0.1
2003 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.	-4.1	-2.4	-0.3	-1.4	-0.3	0.0	-0.3
2004 Jan.	-3.5	-1.8	-0.4	-1.4	-0.5	-0.2	-0.2
Feb. ^(p)	-1.4	-0.5	-0.1	-0.8	-0.2	-0.1	-0.1

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	-8.3	-1.1	-7.2	0.0
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
Q3	-2.1	0.1	0.0	-2.1	0.0	-0.1	-0.1	0.1	5.0	4.5	0.2	0.3
2003 Oct.	-3.5	-0.2	0.0	-3.0	0.0	-0.2	0.0	-0.1	3.5	0.7	1.4	1.4
Nov.	-1.6	0.4	-0.1	-0.8	0.0	0.0	0.0	-1.0	0.3	0.7	0.5	-0.9
Dec.	-1.1	0.2	-0.1	-0.4	0.1	-0.1	-0.1	-0.8	0.6	0.1	-0.4	0.9
2004 Jan.	9.7	1.5	0.2	7.8	0.1	0.0	0.0	0.2	3.2	1.5	1.7	-0.1
Feb. ^(p)	3.7	1.1	0.0	0.4	0.0	1.4	0.0	0.8	-2.2	-1.6	-1.1	0.5

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						Total					
			USD	JPY	CHF	GBP			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	4,308.7	91.0	9.0	5.6	0.5	1.5	0.9	6,256.9	97.1	2.9	1.7	0.4	0.1	0.3
Q4 ^(p)	4,363.7	91.2	8.8	5.5	0.5	1.5	0.9	6,404.3	97.3	2.7	1.7	0.3	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	1,562.4	46.4	53.6	35.9	1.7	4.1	8.9	693.7	52.9	47.1	30.3	2.4	2.3	9.2
Q4 ^(p)	1,582.2	47.0	53.0	35.4	1.7	3.6	9.5	667.0	50.9	49.1	32.2	2.1	2.2	9.6

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	3,263.9	85.3	14.7	8.2	1.5	1.7	2.1
Q4 ^(p)	3,304.0	85.4	14.6	7.9	1.5	1.7	2.2

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	-	-	-	-	-	7,658.9	96.2	3.8	1.8	0.5	1.1	0.3	
Q2	4,143.2	-	-	-	-	-	7,738.1	96.3	3.7	1.7	0.4	1.1	0.3	
Q3	4,155.7	-	-	-	-	-	7,794.3	96.4	3.6	1.7	0.4	1.2	0.3	
Q4 ^(p)	4,202.7	-	-	-	-	-	7,912.5	96.5	3.5	1.6	0.3	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	1,157.4	49.7	50.3	30.4	5.6	2.4	8.7	583.7	38.3	61.7	45.9	2.1	4.4	6.3
Q4 ^(p)	1,181.3	50.3	49.7	28.9	5.2	2.3	9.3	579.9	38.3	61.7	44.2	2.4	4.6	6.9

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	1,255.9	95.4	4.6	1.5	0.5	0.3	1.1	1,673.1	97.9	2.1	1.1	0.6	0.1	0.2
Q4 ^(p)	1,275.9	95.5	4.5	1.4	0.5	0.3	1.3	1,674.5	97.9	2.1	1.1	0.6	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	261.3	43.0	57.0	32.4	3.5	2.8	14.6	362.9	45.0	55.0	34.7	9.4	0.7	5.7
Q4 ^(p)	271.2	44.7	55.3	30.4	3.8	2.0	15.2	357.5	46.1	53.9	33.2	9.1	0.7	6.1

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.

2.9 Aggregated balance sheet of euro area investment funds ¹⁾

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
2002 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

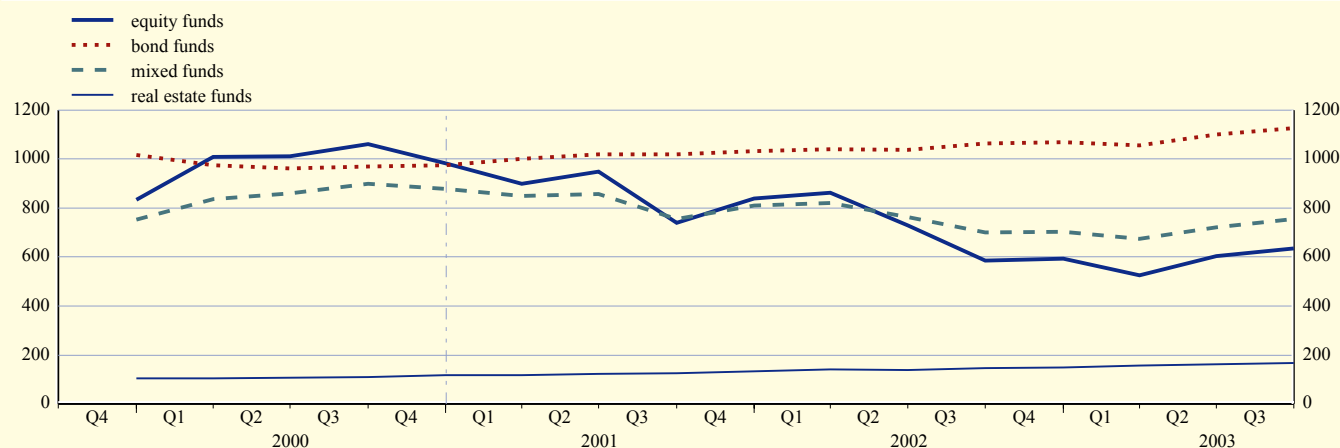
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
2002 Q2	3,034.1	39.1	2,919.5	75.5
Q3	2,846.2	38.9	2,731.9	75.3
Q4	2,862.4	40.2	2,745.2	76.9
2003 Q1	2,748.8	41.1	2,629.3	78.5
Q2	2,959.5	41.8	2,825.8	91.9
Q3 ^(p)	3,083.0	43.2	2,915.1	124.7

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

	Total 1	Funds by investment policy					Funds by type of investor		
		Equity funds 2	Bond funds 3	Mixed funds 4	Real estate funds 5	Other funds 6	General public funds 7	Special investors' funds 8	
2002 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 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
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 1	Deposits 2	Holdings of securities other than shares 3	Holdings of shares/ other equity 4	Holdings of investment fund shares 5	Fixed assets 6	Other assets 7
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.



FINANCIAL AND NON-FINANCIAL ACCOUNTS

3.1 Main financial assets of non-financial sectors

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

	Total		Currency and deposits							Memo: deposits of non-banks with banks outside the euro area	
	Total	Currency	Deposits of non-financial sectors other than central government with euro area MFIs					Deposits of central government with euro area MFIs	Deposits with non-MFIs ¹⁾		
			Total	Overnight	With agreed maturity	Redeemable at notice	Repos				
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2002 Q2	14,798.9	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	14,344.4	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	14,636.2	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	14,606.4	5,635.1	295.2	4,948.2	1,837.7	1,572.4	1,432.0	106.1	176.2	215.4	323.9
Q2	15,071.3	5,753.8	319.1	5,029.8	1,919.8	1,560.8	1,454.5	94.7	200.3	204.7	329.8
Q3	15,208.8	5,762.8	332.9	5,071.6	1,958.4	1,556.6	1,467.3	89.3	183.9	174.4	344.6
Transactions											
2002 Q2	170.2	97.3	24.5	73.2	73.7	0.9	0.2	-1.7	-2.5	2.1	-10.0
Q3	156.9	7.2	17.2	0.6	-3.1	-7.3	9.4	1.7	-12.5	1.8	9.1
Q4	184.4	169.3	30.8	133.9	82.6	11.8	46.4	-6.9	-9.9	14.5	10.1
2003 Q1	175.5	41.9	7.7	-3.3	-28.0	-10.6	41.0	-5.7	32.8	4.8	32.3
Q2	222.2	136.4	23.8	86.0	83.7	-8.6	22.3	-11.4	24.1	2.5	11.4
Q3	143.1	16.7	14.4	12.6	7.2	-3.6	12.8	-3.9	-13.7	3.4	16.5
Growth rates											
2002 Q2	4.5	4.7	-18.1	6.4	12.3	0.6	6.7	1.8	-6.0	13.8	3.3
Q3	4.8	4.6	-6.4	5.3	10.3	0.0	6.4	-2.6	-3.2	14.0	5.3
Q4	4.4	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	7.1	-10.6	5.1	12.1	13.7
Q2	5.0	6.5	30.4	4.5	7.7	-0.9	8.8	-19.0	22.3	12.1	22.6
Q3	5.1	6.7	27.5	4.7	8.3	-0.7	9.0	-23.5	22.8	12.8	24.3
Securities other than shares											
			Shares²⁾				Insurance technical reserves				
Total		Short-term	Long-term	Total	Quoted shares	Mutual fund shares	Money market fund shares	Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims	
	12	13	14	15	16	17	18	19	20	21	
Outstanding amounts											
2002 Q2	1,928.4	224.7	1,703.7	4,010.4	2,249.5	1,760.9	297.2	3,422.0	3,086.7	335.3	
Q3	2,021.5	251.2	1,770.3	3,426.5	1,701.1	1,725.4	313.4	3,448.0	3,109.9	338.1	
Q4	2,021.5	244.9	1,776.6	3,487.7	1,779.0	1,708.7	308.2	3,519.1	3,174.7	344.4	
2003 Q1	2,035.8	243.5	1,792.2	3,359.2	1,621.1	1,738.0	392.0	3,576.4	3,226.4	350.0	
Q2	2,001.0	220.4	1,780.6	3,667.9	1,835.7	1,832.2	398.1	3,648.6	3,295.4	353.1	
Q3	2,020.6	220.5	1,800.1	3,718.4	1,856.7	1,861.7	403.2	3,707.0	3,351.3	355.7	
Transactions											
2002 Q2	-12.2	-42.4	30.1	35.1	21.3	13.7	-1.8	50.0	46.0	4.0	
Q3	46.6	27.5	19.1	55.4	31.3	24.1	13.6	47.7	43.7	4.0	
Q4	-20.1	-15.6	-4.5	-23.1	-22.8	-0.3	-8.5	58.2	56.6	1.6	
2003 Q1	-1.7	-4.6	2.9	72.4	10.8	61.6	29.6	62.9	56.0	6.8	
Q2	-38.4	-23.1	-15.2	70.6	35.6	34.9	3.5	53.6	48.8	4.9	
Q3	23.4	1.6	21.8	52.5	32.7	19.8	2.7	50.5	47.1	3.4	
Growth rates											
2002 Q2	4.7	-12.0	7.3	2.7	0.7	5.6	17.8	6.7	6.7	6.4	
Q3	5.6	1.3	6.2	3.1	1.1	5.8	16.2	6.7	6.7	6.0	
Q4	4.2	2.4	4.4	2.4	1.0	4.3	11.3	6.5	6.6	5.7	
2003 Q1	0.7	-13.1	2.9	3.2	1.6	5.3	11.2	6.4	6.6	5.0	
Q2	-0.7	-7.0	0.1	4.4	2.4	6.8	12.9	6.5	6.6	5.1	
Q3	-1.8	-16.6	0.3	5.0	3.3	6.7	8.7	6.5	6.7	4.9	

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 Q2	15,919.3	7,903.8	7,017.3	874.3	53.4	820.9	3,546.5	1,206.7	2,339.8	3,483.0	287.7	3,195.2	247.3
Q3	15,361.6	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	15,592.9	8,061.7	7,131.8	880.4	60.6	819.8	3,593.9	1,172.5	2,421.3	3,587.4	286.5	3,300.9	242.6
2003 Q1	15,543.0	8,113.1	7,170.7	872.3	68.3	803.9	3,622.2	1,188.7	2,433.5	3,618.7	276.6	3,342.1	255.9
Q2	16,092.5	8,214.8	7,239.4	859.7	69.6	790.1	3,669.4	1,212.6	2,456.8	3,685.7	281.0	3,404.7	253.3
Q3	16,180.7	8,303.5	7,296.1	865.4	70.6	794.8	3,679.8	1,188.9	2,491.0	3,758.3	275.4	3,482.9	274.6
Transactions													
2002 Q2	186.8	112.6	82.3	-25.3	0.1	-25.4	63.8	-3.8	67.5	74.1	10.7	63.4	-18.0
Q3	111.4	43.2	34.6	-7.6	1.3	-8.9	2.3	-17.7	20.0	48.5	-3.9	52.4	-7.1
Q4	145.6	122.7	96.0	14.0	5.9	8.1	46.1	-11.2	57.4	62.6	3.6	59.0	7.5
2003 Q1	247.0	80.9	66.3	-0.2	8.0	-8.3	42.1	15.7	26.3	39.0	-7.6	46.7	5.6
Q2	238.3	116.3	85.6	-10.3	3.3	-13.6	56.2	29.6	26.6	70.5	5.0	65.4	2.6
Q3	144.1	85.8	59.9	5.7	1.0	4.7	6.2	-20.7	26.9	73.9	-4.8	78.7	22.4
Growth rates													
2002 Q2	4.2	5.0	4.3	-0.7	26.7	-2.1	5.3	-3.7	10.6	6.2	1.0	6.7	-9.1
Q3	4.1	4.4	4.0	-0.8	20.9	-2.0	3.7	-3.9	8.0	6.4	1.2	6.9	-4.5
Q4	3.9	4.4	4.0	-2.0	21.2	-3.4	3.8	-3.3	7.6	6.6	1.9	7.0	-2.9
2003 Q1	4.3	4.6	4.0	-2.1	28.6	-4.1	4.4	-1.4	7.5	6.6	1.0	7.1	-4.3
Q2	4.7	4.6	4.0	-0.5	34.6	-2.8	4.1	1.4	5.6	6.3	-1.0	7.0	3.5
Q3	5.0	5.1	4.4	1.1	33.3	-1.1	4.2	1.1	5.8	7.0	-1.3	7.7	15.7
Securities other than shares issued by													
	Total	General government			Non-financial corporations			Quoted shares issued by non-financial corporations	Deposit liabilities of central government	Pension fund reserves of non- financial corporations			
		Total	Short-term	Long-term	Total	Short-term	Long-term						
	14	15	16	17	18	19	20	21	22	23			
Outstanding amounts													
2002 Q2	4,530.1	4,008.3	481.6	3,526.7	521.8	130.3	391.5	3,034.8	191.3	259.3			
Q3	4,667.1	4,130.1	479.8	3,650.2	537.1	137.7	399.4	2,289.2	193.0	263.1			
Q4	4,678.3	4,134.3	480.0	3,654.3	544.0	144.7	399.3	2,379.9	207.5	265.7			
2003 Q1	4,836.9	4,265.7	529.7	3,736.0	571.3	167.1	404.2	2,111.5	212.4	269.1			
Q2	4,956.1	4,365.4	563.4	3,802.0	590.6	165.5	425.1	2,447.6	201.6	272.5			
Q3	4,958.1	4,369.0	557.5	3,811.5	589.1	164.5	424.7	2,471.4	171.3	276.5			
Transactions													
2002 Q2	61.0	62.0	33.9	28.1	-1.0	-14.5	13.6	7.8	2.1	3.3			
Q3	56.9	46.5	-0.9	47.4	10.4	7.5	2.9	5.8	1.7	3.8			
Q4	3.6	-0.3	-8.3	8.1	3.8	6.9	-3.1	2.4	14.5	2.5			
2003 Q1	158.1	129.1	50.8	78.3	29.0	22.3	6.7	-0.2	4.9	3.4			
Q2	100.7	83.8	33.9	49.9	16.9	-1.5	18.4	15.5	2.4	3.4			
Q3	46.4	46.7	-5.2	52.0	-0.3	-1.0	0.7	4.5	3.4	3.9			
Growth rates													
2002 Q2	5.2	4.6	9.6	4.0	9.7	3.8	11.8	0.9	14.1	4.7			
Q3	5.2	5.0	7.3	4.7	7.2	-1.6	10.7	1.2	14.1	4.9			
Q4	5.1	5.2	10.6	4.5	4.3	3.8	4.5	0.7	11.4	5.2			
2003 Q1	6.3	6.1	16.9	4.7	8.0	15.3	5.3	0.4	12.2	5.1			
Q2	7.0	6.5	15.6	5.2	11.5	27.0	6.3	0.8	12.3	5.1			
Q3	6.6	6.3	14.8	5.2	9.2	19.4	5.7	1.0	13.1	5.1			

Source: ECB.

1) Including non-profit institutions serving households.

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

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

	Main financial assets											
	Total	Deposits with euro area MFIs					Loans			Securities other than shares		
		Total	Overnight	With agreed maturity	Redeemable at notice	Repos	Total	Short-term	Long-term	Total	Short-term	Long-term
1	2	3	4	5	6	7	8	9	10	11	12	
	Outstanding amounts											
2002 Q2	3,458.0	503.9	48.4	432.9	3.7	19.0	331.7	65.2	266.5	1,248.2	40.5	1,207.7
Q3	3,385.5	506.3	50.1	437.9	3.9	14.4	334.3	69.2	265.1	1,309.8	51.5	1,258.3
Q4	3,480.6	522.8	55.9	445.6	3.5	17.9	336.9	70.5	266.4	1,356.5	54.1	1,302.4
2003 Q1	3,496.3	535.6	61.7	454.0	1.6	18.3	341.4	71.7	269.7	1,410.4	63.7	1,346.7
Q2	3,638.2	537.6	63.8	450.3	1.3	22.3	345.4	73.5	271.9	1,438.3	58.9	1,379.4
Q3	3,700.5	532.4	57.3	455.1	1.4	18.7	345.3	73.0	272.3	1,472.0	61.7	1,410.3
	Transactions											
2002 Q2	25.7	5.3	4.5	-0.1	-0.3	1.2	5.5	4.3	1.3	-6.2	-12.3	6.2
Q3	56.8	2.5	1.7	5.1	0.3	-4.6	1.1	2.5	-1.4	40.8	9.7	31.1
Q4	65.6	16.5	5.8	7.7	-0.4	3.5	3.1	1.5	1.6	35.0	2.2	32.7
2003 Q1	92.2	12.3	4.2	7.8	-0.2	0.5	7.6	3.8	3.9	58.0	10.5	47.5
Q2	47.4	2.3	2.2	-3.9	0.0	3.9	7.1	4.3	2.8	16.4	-5.0	21.4
Q3	42.4	-6.5	-6.6	3.7	0.1	-3.8	3.1	2.1	1.0	33.0	2.8	30.1
	Growth rates											
2002 Q2	7.4	3.6	17.0	2.0	-5.0	12.2	4.6	19.0	1.8	7.6	-28.6	9.4
Q3	8.2	3.8	27.6	2.6	4.5	-19.6	4.8	21.8	1.4	10.1	-2.6	10.6
Q4	7.3	5.5	16.3	4.2	1.9	8.5	4.1	16.7	1.3	10.6	17.4	10.4
2003 Q1	6.7	7.4	37.0	4.7	-17.1	3.3	5.4	20.2	2.0	10.2	19.2	9.8
Q2	7.6	6.7	28.8	3.9	-9.1	17.4	5.7	18.5	2.6	12.0	43.1	11.0
Q3	7.3	4.9	11.3	3.5	-12.1	28.2	6.3	16.8	3.5	10.9	20.5	10.5

	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	Money market fund shares			Total	Taken from euro area MFIs			Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims		
														13	14	15	16	17	18	19	20	21	22	23	24	25
	Outstanding amounts														
2002 Q2	1,266.6	673.7	593.0	51.3	107.6	3,550.2	56.0	42.5	10.7	226.5	3,257.0	2,758.8	498.2		
Q3	1,124.9	564.5	560.3	50.4	110.3	3,477.6	56.5	42.1	10.8	127.2	3,283.2	2,778.4	504.8		
Q4	1,152.7	584.8	567.9	57.3	111.6	3,514.1	43.5	33.0	10.9	113.3	3,346.4	2,839.5	506.9		
2003 Q1	1,094.7	535.5	559.2	60.9	114.2	3,577.8	55.5	42.4	11.1	103.3	3,408.0	2,892.4	515.5		
Q2	1,200.9	605.9	594.9	65.3	116.1	3,685.4	58.1	44.8	11.2	136.5	3,479.5	2,958.4	521.1		
Q3	1,233.2	628.3	604.9	61.5	117.6	3,745.2	59.8	44.3	11.6	135.8	3,538.0	3,012.7	525.3		
	Transactions														
2002 Q2	18.8	7.0	11.8	2.6	2.3	51.1	2.9	3.3	0.4	0.1	47.8	41.9	6.0		
Q3	9.7	7.0	2.7	-1.4	2.6	43.7	-2.0	-2.5	0.0	0.0	45.7	39.3	6.4		
Q4	9.5	-3.6	13.1	7.1	1.4	44.4	-11.5	-9.2	0.0	0.4	55.4	53.4	2.1		
2003 Q1	11.6	-0.1	11.7	2.0	2.6	79.1	13.8	11.3	-0.1	-0.1	65.5	55.5	9.9		
Q2	19.6	5.3	14.3	4.6	2.0	61.1	2.8	2.6	0.1	4.5	53.7	46.4	7.3		
Q3	11.4	6.2	5.2	-4.3	1.5	54.2	1.8	-0.4	0.5	1.3	50.7	45.6	5.0		
	Growth rates														
2002 Q2	8.2	7.1	9.6	7.8	22.4	7.0	9.4	17.3	13.3	2.3	7.4	7.0	9.8		
Q3	8.0	6.1	10.2	6.3	21.6	6.8	2.3	5.9	13.0	0.3	7.3	6.9	9.5		
Q4	5.5	3.9	7.4	20.7	11.3	6.0	-14.4	-12.6	6.1	0.3	6.7	6.8	6.2		
2003 Q1	3.6	1.3	6.4	21.0	8.5	6.1	5.9	7.5	3.1	0.2	6.6	6.9	5.0		
Q2	4.0	1.3	7.0	23.9	8.1	6.4	5.4	5.0	0.9	2.1	6.8	7.1	5.2		
Q3	4.6	1.4	7.9	18.5	6.8	6.9	12.1	10.2	4.8	4.8	6.9	7.2	4.8		

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	339.9	1,122.4	-783.9	1.1	0.4	1,730.6	-3.0	395.3	397.7	383.7	313.2	193.6	50.2
1997	352.3	1,139.3	-797.1	10.1	0.0	1,913.3	-0.2	394.4	332.2	449.8	485.7	222.0	29.3
1998	413.2	1,203.5	-823.6	33.2	0.2	2,398.0	11.0	422.7	357.5	522.9	844.7	215.9	23.4
1999	449.7	1,292.4	-863.7	20.8	0.2	3,062.0	1.3	557.7	427.3	881.5	905.1	261.1	28.0
2000	488.0	1,391.2	-913.1	26.6	-16.7	2,801.8	1.3	349.6	267.7	809.1	1,126.4	252.9	-5.3
2001	464.7	1,443.7	-973.6	-7.4	1.9	2,583.5	-0.5	575.8	430.5	730.3	630.8	243.1	-26.5
2002	404.7	1,430.5	-1,014.4	-12.8	1.4	2,158.8	0.9	581.3	325.3	519.1	485.1	228.6	18.4

	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	486.5	1,299.1	-823.6	11.1	2,324.7	648.4	323.0	482.4	649.3	221.5
1999	498.0	1,352.0	-863.7	9.7	3,013.7	929.1	502.9	759.7	557.5	264.5
2000	514.9	1,419.4	-913.1	8.6	2,774.8	532.3	416.1	851.1	722.3	253.0
2001	485.4	1,449.4	-973.6	9.6	2,562.8	661.4	492.4	608.3	550.1	250.7
2002	496.3	1,499.1	-1,014.4	11.6	2,067.1	528.9	452.8	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	131.4	567.3	-438.0	258.5	54.1	-13.9	55.1	87.5	119.5	514.5	270.5	7.0	143.5	112.4
1997	150.4	592.0	-453.3	239.7	25.3	-13.0	46.3	97.0	105.2	521.5	285.0	12.1	153.7	109.7
1998	193.8	635.2	-470.6	424.7	45.7	-9.9	96.3	203.1	147.8	569.2	470.7	22.8	252.8	184.4
1999	212.0	684.5	-490.9	604.7	26.9	88.9	169.1	299.1	107.7	548.7	709.0	47.2	423.3	222.0
2000	309.7	750.3	-522.9	829.4	71.8	89.0	193.0	457.7	84.4	560.4	1,054.7	61.6	559.6	425.5
2001	219.2	774.3	-554.8	626.6	101.2	39.7	142.1	246.5	88.2	583.5	757.6	102.5	324.0	319.6
2002	172.9	758.1	-579.2	368.9	19.2	14.8	46.7	264.7	115.4	634.1	426.4	22.3	204.9	185.4

3. Households⁵⁾

	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	168.3	384.7	-216.8	438.4	146.2	25.1	93.0	189.0	445.3	646.9	161.3	160.1	3,789.8	17.1
1997	166.6	377.9	-211.8	426.3	70.4	-19.0	193.7	215.8	424.3	617.3	168.5	167.1	3,818.0	16.2
1998	178.4	389.8	-216.4	442.5	96.3	-118.8	288.0	210.7	408.2	594.6	212.6	211.3	3,925.4	15.1
1999	189.5	418.7	-231.6	471.0	119.2	-24.0	189.7	247.6	392.9	581.9	267.6	266.1	4,088.4	14.2
2000	196.5	441.2	-241.3	421.3	65.6	41.7	114.1	247.0	396.0	598.0	221.8	220.1	4,278.4	14.0
2001	186.0	454.1	-263.8	408.5	175.3	86.8	59.4	223.6	425.1	652.2	169.4	167.5	4,573.7	14.3
2002	183.0	463.9	-275.2	493.5	219.7	63.0	-4.2	215.7	465.7	704.6	210.8	208.6	4,737.5	14.9

Source: ECB.

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

FINANCIAL MARKETS

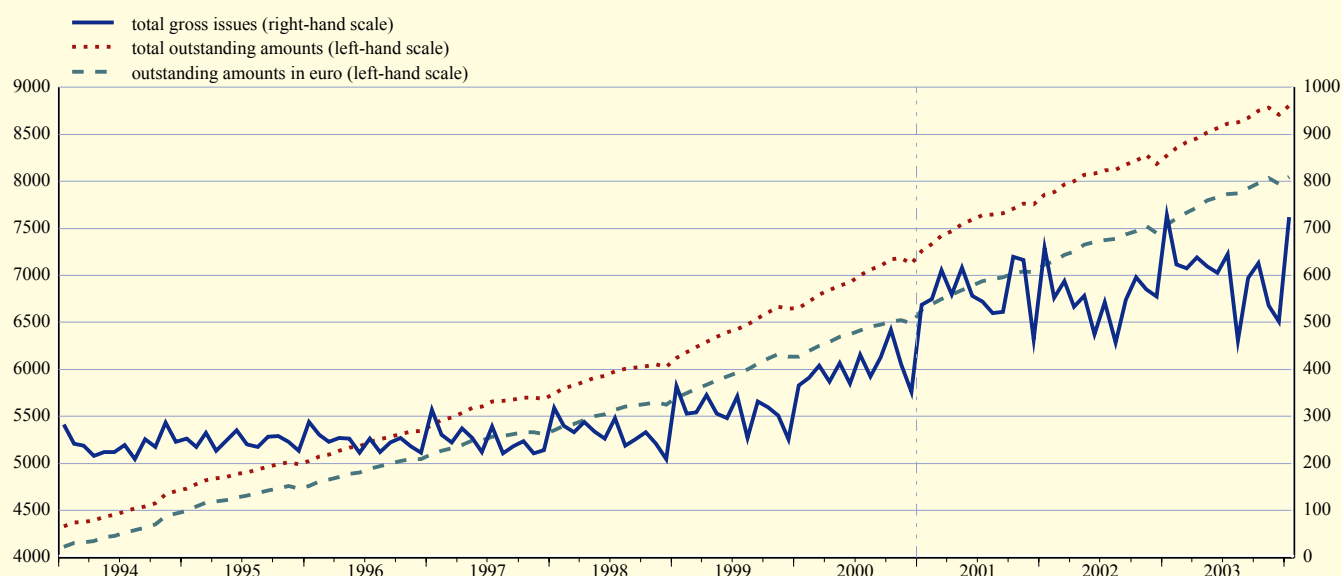
4.1 Securities issues other than shares by original maturity, residency of the issuer and currency

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

	Total in euro ¹⁾				By euro area residents							
	Outstanding amounts	Gross issues	Redemptions	Net issues	Total				Of which in euro			
					Outstanding amounts	Gross issues	Redemptions	Net issues	Outstanding amounts (%)	Gross issues (%)	Redemptions (%)	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
Total												
2003 Jan.	8,588.5	717.1	632.0	85.2	8,272.4	727.5	624.5	103.1	91.1	93.1	94.5	86.8
Feb.	8,671.7	627.5	544.5	83.0	8,352.7	622.5	541.7	80.8	91.1	93.3	94.6	68.2
Mar.	8,775.1	641.8	538.6	103.3	8,414.1	614.7	547.5	67.2	91.1	94.3	94.9	60.5
Apr.	8,817.1	635.9	593.7	42.2	8,456.1	637.5	582.2	55.2	91.3	94.4	94.2	53.2
May	8,912.0	624.7	529.1	95.6	8,515.4	619.0	536.3	82.7	91.5	93.4	93.6	76.0
June	8,992.2	636.3	556.5	79.9	8,568.2	606.0	565.3	40.7	91.4	93.7	93.9	36.9
July	9,024.8	648.4	616.2	32.1	8,616.0	644.7	601.6	43.1	91.3	93.1	94.3	32.7
Aug.	9,030.3	470.2	465.3	4.9	8,629.4	461.5	463.7	-2.2	91.2	93.9	92.6	3.8
Sep.	9,121.3	615.5	523.7	91.9	8,674.7	594.8	530.0	64.8	91.4	93.4	94.2	56.0
Oct.	9,177.0	632.7	577.9	54.8	8,746.4	626.1	560.2	65.9	91.3	93.8	94.8	56.1
Nov.	9,242.7	555.4	492.3	63.1	8,783.4	536.1	490.8	45.3	91.4	93.1	92.4	45.6
Dec.	9,206.3	519.8	552.6	-32.8	8,707.6	502.1	556.2	-54.1	91.5	93.7	94.6	-55.6
2004 Jan.	.	.	.	.	8,800.2	724.4	638.9	85.5	91.5	94.5	94.8	79.1
Long-term												
2003 Jan.	7,787.9	180.5	132.7	47.8	7,428.9	180.7	135.0	45.7	91.3	86.7	93.0	31.2
Feb.	7,840.2	172.5	120.9	51.6	7,483.8	164.8	112.2	52.7	91.2	88.6	92.0	42.8
Mar.	7,910.6	175.3	105.2	70.1	7,535.8	162.4	106.2	56.2	91.3	90.2	90.1	50.9
Apr.	7,951.3	165.4	125.1	40.3	7,561.2	159.7	125.1	34.6	91.4	91.3	92.5	30.1
May	8,039.4	186.9	98.7	88.2	7,615.1	174.9	99.7	75.1	91.7	92.2	90.4	71.0
June	8,109.5	185.1	115.7	69.4	7,687.9	170.6	110.0	60.6	91.5	91.0	91.6	54.4
July	8,161.5	197.7	146.3	51.4	7,736.5	184.9	140.6	44.4	91.3	88.1	95.0	29.4
Aug.	8,173.9	86.4	75.6	10.8	7,763.2	79.0	69.8	9.1	91.1	88.0	90.2	6.5
Sep.	8,251.1	179.8	101.9	77.9	7,815.5	173.3	101.9	71.4	91.4	91.7	90.1	67.0
Oct.	8,304.1	176.4	124.6	51.8	7,866.1	164.9	119.1	45.8	91.3	91.9	94.4	39.1
Nov.	8,354.1	143.0	94.5	48.6	7,901.3	136.3	91.0	45.3	91.4	89.4	88.1	41.8
Dec.	8,347.5	118.7	120.4	-1.7	7,876.4	111.7	114.5	-2.8	91.6	90.2	93.0	-5.7
2004 Jan.	.	.	.	.	7,927.3	179.2	138.3	40.9	91.5	92.0	90.9	39.1

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)

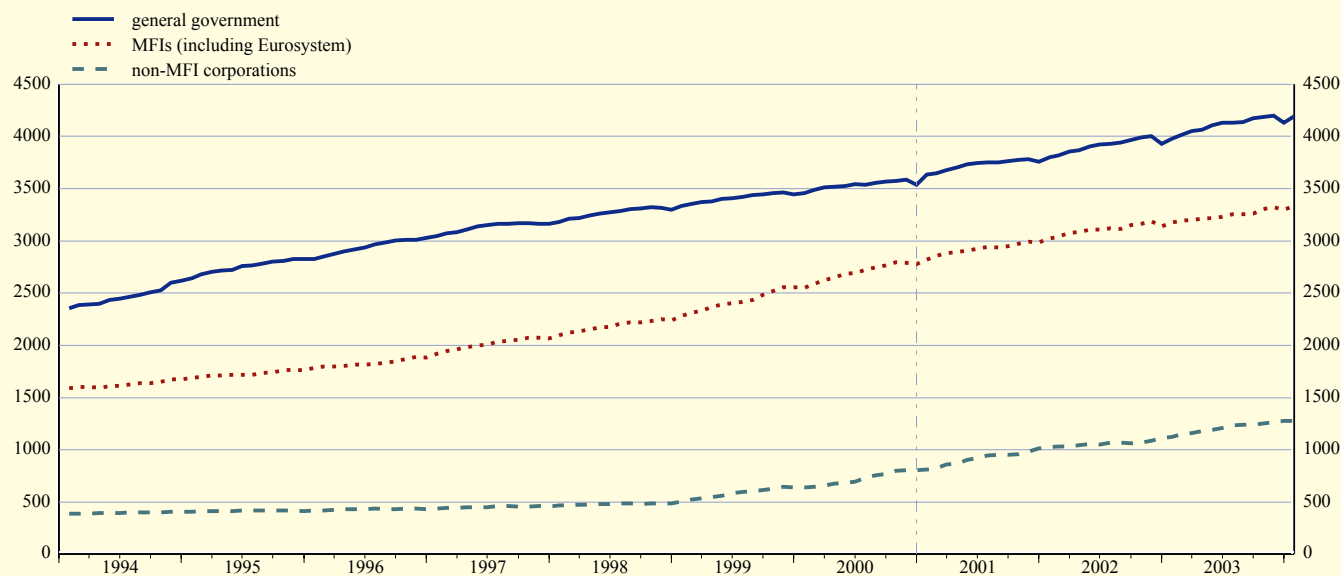
1. Outstanding amounts

(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											
2003 Jan.	8,272.4	3,172.6	563.4	559.5	3,794.3	182.6	91.1	85.6	83.8	87.1	97.2	95.8
Feb.	8,352.7	3,192.9	577.2	567.8	3,825.9	188.9	91.1	85.5	83.8	87.1	97.2	95.9
Mar.	8,414.1	3,202.6	585.9	576.6	3,857.2	191.7	91.1	85.4	84.2	87.7	97.2	96.0
Apr.	8,456.1	3,213.3	598.9	581.2	3,867.1	195.7	91.3	85.6	84.9	87.8	97.3	95.7
May	8,515.4	3,215.9	600.8	589.4	3,910.6	198.6	91.5	85.9	85.5	88.2	97.4	95.7
June	8,568.2	3,227.8	618.3	591.2	3,927.8	203.0	91.4	85.6	85.6	88.3	97.3	95.7
July	8,616.0	3,255.7	637.1	593.8	3,925.0	204.5	91.3	85.5	85.5	88.1	97.3	95.5
Aug.	8,629.4	3,256.4	641.4	596.8	3,930.5	204.3	91.2	85.5	85.2	87.9	97.2	95.4
Sep.	8,674.7	3,262.1	649.6	589.1	3,964.8	209.0	91.4	85.4	86.3	88.2	97.4	95.5
Oct.	8,746.4	3,302.8	659.8	594.6	3,976.6	212.6	91.3	85.2	86.6	88.0	97.4	95.5
Nov.	8,783.4	3,324.6	667.7	594.8	3,979.2	217.1	91.4	85.4	86.9	88.2	97.5	95.6
Dec.	8,707.6	3,300.1	681.8	594.0	3,913.7	218.1	91.5	85.4	87.8	88.3	97.7	95.4
2004 Jan.	8,800.2	3,332.7	682.7	593.4	3,969.9	221.6	91.5	85.3	87.6	88.1	97.6	95.5
	Long-term											
2003 Jan.	7,428.9	2,779.5	556.2	462.2	3,451.7	179.4	91.3	86.4	83.6	85.4	97.1	96.1
Feb.	7,483.8	2,795.3	568.4	466.4	3,468.6	185.2	91.2	86.3	83.6	85.5	97.0	96.0
Mar.	7,535.8	2,809.1	576.9	473.0	3,488.8	188.1	91.3	86.2	84.0	86.1	97.0	96.1
Apr.	7,561.2	2,817.7	590.2	476.8	3,484.5	192.0	91.4	86.2	84.7	86.3	97.2	95.8
May	7,615.1	2,824.3	592.3	482.8	3,521.1	194.6	91.7	86.6	85.3	86.7	97.3	95.9
June	7,687.9	2,848.1	609.6	490.4	3,540.8	199.0	91.5	86.2	85.4	86.9	97.2	95.9
July	7,736.5	2,878.5	628.4	492.8	3,536.8	200.0	91.3	86.0	85.3	86.7	97.2	95.7
Aug.	7,763.2	2,894.4	632.7	495.6	3,540.0	200.4	91.1	85.7	85.1	86.5	97.1	95.5
Sep.	7,815.5	2,905.4	641.6	491.7	3,571.3	205.5	91.4	85.8	86.1	86.9	97.2	95.7
Oct.	7,866.1	2,937.1	651.8	494.9	3,573.1	209.2	91.3	85.6	86.4	86.7	97.3	95.6
Nov.	7,901.3	2,951.2	659.4	497.9	3,579.1	213.7	91.4	85.7	86.8	87.0	97.4	95.8
Dec.	7,876.4	2,940.1	672.9	502.0	3,546.8	214.6	91.6	85.8	87.7	87.3	97.5	95.5
2004 Jan.	7,927.3	2,958.6	673.9	496.0	3,581.2	217.6	91.5	85.6	87.5	86.9	97.4	95.6

C14 Outstanding amounts of securities other than shares by sector

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



Source: ECB.

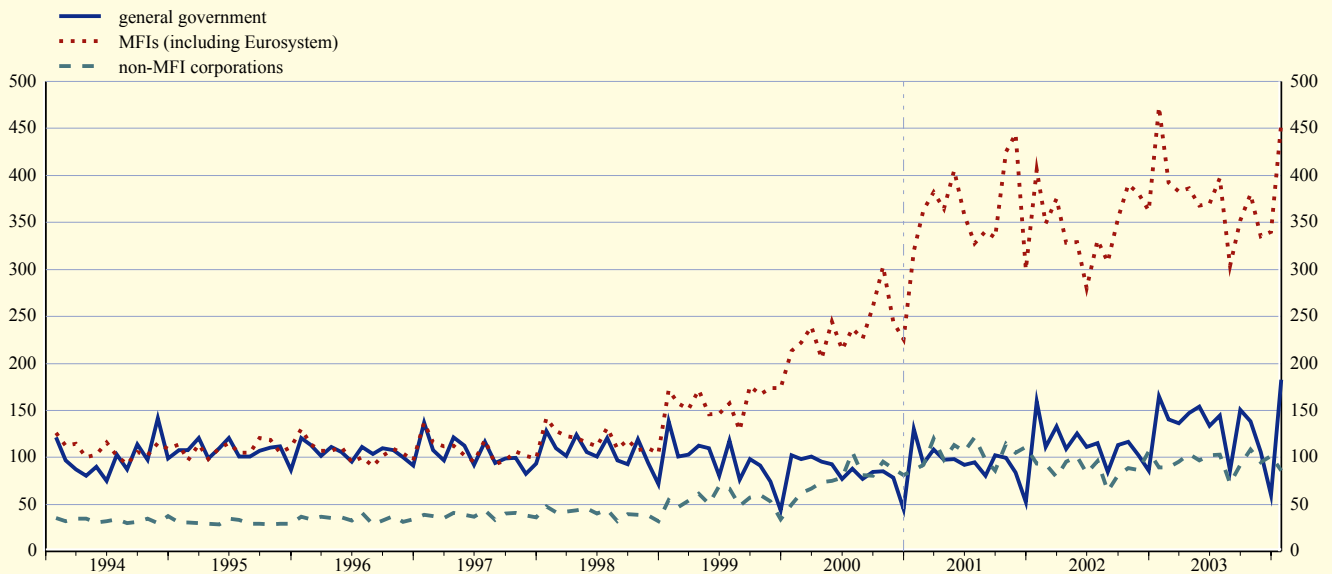
4.2 Securities other than shares issued by euro area residents by original maturity and sector of the issuer
(EUR billions unless otherwise indicated; nominal values)

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												
2003 Jan.	727.5	472.9	11.7	77.7	156.3	8.9	93.1	91.8	90.6	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	74.9	129.9	6.4	94.3	92.8	87.6	98.0	97.6	99.1
Apr.	637.5	386.5	22.7	81.0	140.9	6.5	94.4	92.9	94.9	96.4	97.5	86.3
May	619.0	367.6	14.8	82.2	148.5	5.9	93.4	92.2	84.3	94.6	96.8	90.5
June	606.0	370.0	23.5	79.1	125.2	8.2	93.7	91.8	96.1	97.0	96.8	94.9
July	644.7	397.1	26.6	76.6	138.6	5.8	93.1	92.1	83.2	94.5	96.9	91.2
Aug.	461.5	303.6	8.7	63.5	82.3	3.4	93.9	92.3	91.8	96.6	97.7	93.1
Sep.	594.8	351.9	22.1	70.2	140.7	9.9	93.4	90.3	98.7	96.5	98.5	96.5
Oct.	626.1	379.8	20.3	87.9	130.1	8.0	93.8	91.6	95.6	96.3	98.1	94.0
Nov.	536.1	335.2	20.5	74.4	98.0	7.8	93.1	91.9	85.8	95.9	96.2	98.2
Dec.	502.1	339.8	28.0	73.8	54.7	5.8	93.7	92.6	97.1	94.7	99.3	77.1
2004 Jan.	724.4	455.5	7.2	79.0	173.6	9.1	94.5	93.2	89.8	96.5	97.1	97.5
Long-term												
2003 Jan.	180.7	75.7	8.0	10.0	80.2	6.8	86.7	77.1	86.2	89.2	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.	159.7	61.3	19.9	8.4	65.7	4.5	91.3	82.6	94.2	85.3	100.0	81.9
May	174.9	61.6	11.8	13.1	85.0	3.5	92.2	87.8	80.3	84.8	98.2	91.8
June	170.6	68.7	20.1	12.8	63.0	5.9	91.0	81.8	95.4	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	79.8	97.0	87.5
Aug.	79.0	44.8	6.2	3.4	23.0	1.6	88.0	82.3	88.5	98.7	97.2	91.3
Sep.	173.3	64.9	19.0	3.6	78.8	7.1	91.7	79.6	98.6	97.8	99.0	98.8
Oct.	164.9	74.0	16.5	10.6	58.3	5.5	91.9	84.8	95.9	89.5	100.0	94.5
Nov.	136.3	62.5	16.9	9.6	41.5	5.8	89.4	87.0	84.1	90.8	93.6	99.6
Dec.	111.7	62.8	24.7	10.3	10.6	3.4	90.2	88.5	97.6	83.1	98.5	64.3
2004 Jan.	179.2	74.5	5.0	6.4	86.9	6.3	92.0	84.8	88.7	86.7	98.2	99.4

C15 Gross issues of securities other than shares by sector
(EUR billions, transactions during the month, nominal values)



Source: ECB.

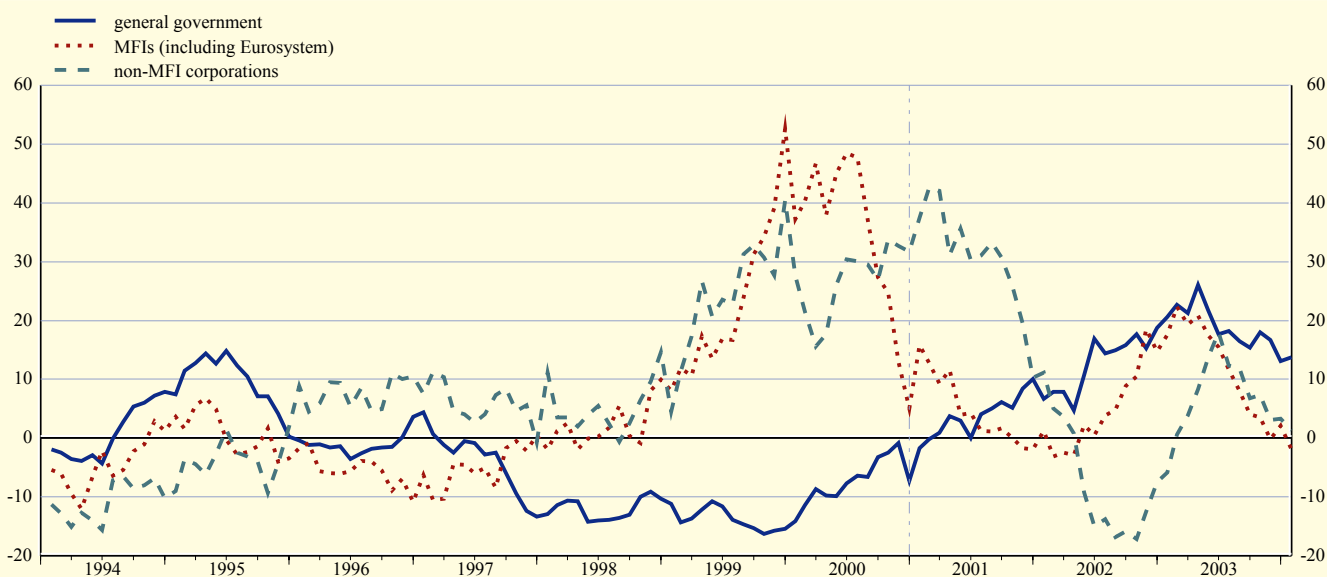
4.3 Annual growth rates of securities other than shares issued by euro area residents ¹⁾

(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														
2003 Jan.	6.4	107.6	5.6	13.8	24.6	4.5	5.0	4.1	28.6	15.2	121.2	17.6	-5.9	16.1
Feb.	7.0	108.7	5.8	15.6	26.5	6.1	5.7	4.6	33.7	19.2	125.2	22.4	0.6	29.9
Mar.	6.8	109.6	4.9	17.1	27.5	8.0	5.5	4.5	31.8	17.9	126.8	19.4	3.8	28.4
Apr.	6.9	110.3	5.1	17.7	27.4	8.9	5.5	4.4	30.6	21.2	129.8	20.9	8.3	20.1
May	6.8	111.4	4.5	17.1	24.7	10.1	5.8	4.9	27.5	18.8	130.9	17.4	13.7	31.0
June	6.9	111.9	4.3	18.8	27.4	10.9	5.7	4.7	28.3	16.8	128.0	15.5	18.0	29.0
July	6.9	112.5	4.8	18.8	28.4	9.9	5.5	4.7	21.9	14.6	127.8	11.7	12.3	22.9
Aug.	6.8	112.4	4.7	19.1	28.1	10.6	5.1	4.4	21.0	12.2	126.2	8.0	11.8	18.6
Sep.	6.9	113.3	4.6	18.4	28.6	8.8	5.7	4.9	23.2	9.4	125.2	4.0	6.8	17.0
Oct.	7.1	114.1	5.4	19.0	28.8	9.8	5.4	4.6	21.4	10.3	128.1	3.6	7.3	14.0
Nov.	6.9	114.7	5.2	18.5	27.6	9.6	5.2	4.4	23.0	7.3	128.1	-0.2	3.0	9.9
Dec.	7.3	114.0	6.1	16.8	23.3	10.2	5.5	4.7	22.3	6.8	120.7	2.1	3.2	20.9
2004 Jan.	7.0	115.1	5.8	15.0	22.8	7.2	5.7	4.9	21.8	4.9	127.2	-1.9	1.4	20.4
In euro														
2003 Jan.	6.0	107.2	4.4	16.1	30.2	4.9	4.9	4.0	28.0	16.0	122.9	20.5	-6.7	14.4
Feb.	6.5	108.2	4.4	17.6	31.7	6.3	5.4	4.3	33.1	20.0	127.0	25.8	-0.5	28.3
Mar.	6.3	109.0	3.5	19.4	32.5	8.8	5.3	4.3	31.0	18.4	128.6	21.5	2.7	26.6
Apr.	6.5	109.8	3.8	20.3	33.0	9.7	5.3	4.4	29.3	23.1	132.4	26.1	7.3	18.4
May	6.5	110.9	3.4	19.9	30.3	11.0	5.6	4.7	26.3	20.3	133.2	20.9	13.7	29.1
June	6.5	111.4	3.0	22.3	33.9	12.3	5.4	4.5	27.0	18.1	130.3	18.4	17.5	29.2
July	6.7	111.9	3.7	22.0	34.7	11.1	5.2	4.5	20.4	16.7	130.9	15.8	12.1	23.0
Aug.	6.5	111.9	3.6	22.4	34.6	11.8	4.9	4.2	19.5	14.7	130.4	13.4	11.0	18.6
Sep.	6.6	112.7	3.2	21.7	35.4	9.8	5.5	4.8	21.7	11.4	128.6	8.4	6.0	16.9
Oct.	6.9	113.5	4.1	22.6	36.1	10.6	5.3	4.6	20.8	12.5	131.4	7.6	6.9	14.3
Nov.	6.7	114.2	4.1	21.6	33.9	10.4	5.1	4.3	22.3	9.3	132.0	3.0	2.3	9.6
Dec.	7.0	113.4	4.9	19.1	27.4	10.9	5.5	4.7	21.2	8.8	123.9	5.5	2.8	19.2
2004 Jan.	6.8	114.5	4.8	16.9	26.7	7.4	5.7	5.0	21.0	6.1	130.4	-0.7	0.7	18.7

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)



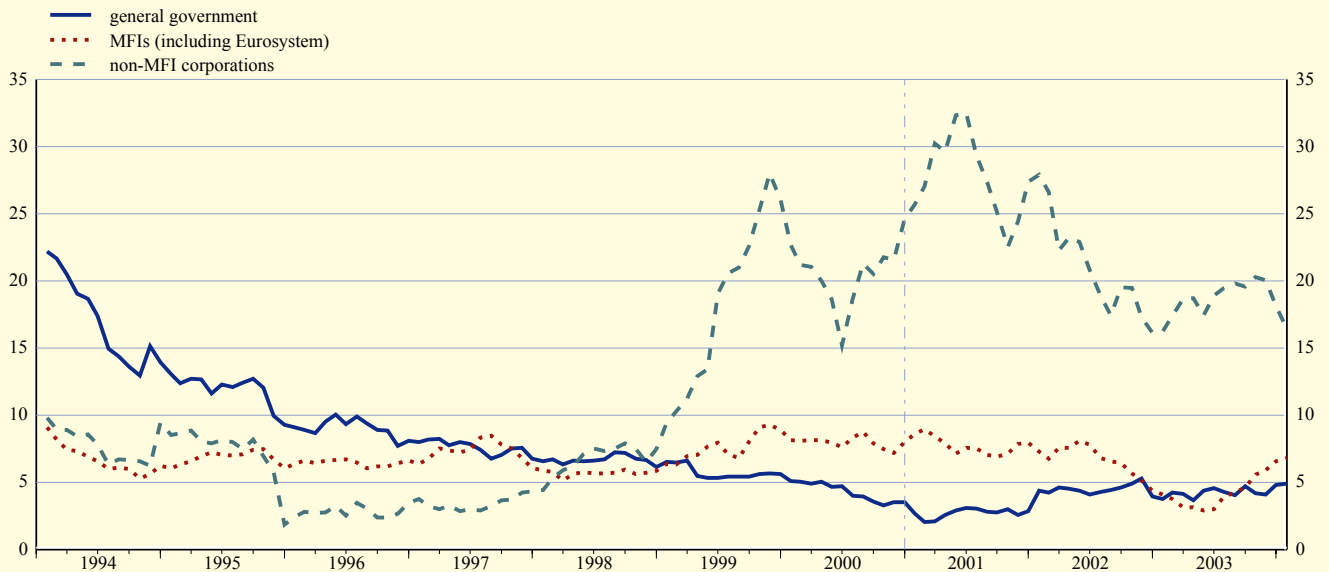
Source: ECB.

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				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													
-7.2	20.6	21.1	-15.2	5.5	106.3	4.1	16.2	24.7	7.3	3.8	2.7	29.8	2003 Jan.
-1.3	22.7	23.0	0.6	5.7	107.0	3.8	17.4	26.5	7.8	4.2	3.0	34.6	Feb.
2.1	21.2	21.4	5.7	5.6	107.8	3.2	18.7	27.4	9.4	4.1	3.0	32.4	Mar.
7.4	26.0	26.1	18.1	5.4	108.3	3.2	18.7	27.5	9.2	3.7	2.5	30.9	Apr.
12.5	21.7	21.7	22.5	5.5	109.4	2.9	17.4	24.6	9.6	4.4	3.3	27.7	May
17.1	17.7	17.7	18.7	5.8	110.3	3.0	18.9	27.4	9.7	4.6	3.5	28.5	June
11.5	18.2	18.2	18.9	6.1	110.9	4.0	19.5	28.5	9.6	4.3	3.4	22.0	July
11.2	16.5	16.6	2.5	6.2	111.1	4.2	19.8	28.3	10.5	4.1	3.2	21.4	Aug.
6.0	15.4	15.4	14.5	6.6	112.1	4.6	19.6	28.8	9.4	4.7	3.8	23.4	Sep.
6.8	18.0	18.2	-2.9	6.8	112.7	5.6	20.3	29.0	10.4	4.2	3.3	21.9	Oct.
2.5	16.7	16.9	-3.7	6.9	113.4	5.9	20.1	27.9	11.1	4.1	3.1	23.5	Nov.
1.8	13.1	13.3	-5.6	7.3	113.3	6.6	18.2	23.3	11.8	4.8	3.9	22.9	Dec.
0.0	13.7	13.6	27.2	7.2	113.9	6.8	16.4	22.9	8.7	4.9	4.0	21.7	2004 Jan.
In euro													
-8.1	20.5	21.1	-27.0	5.0	105.7	2.6	19.4	30.5	8.4	3.6	2.5	29.5	2003 Jan.
-2.5	22.3	22.7	-9.0	5.1	106.4	2.1	20.2	31.8	8.7	4.0	2.7	34.2	Feb.
0.9	21.0	21.3	-2.7	5.1	107.2	1.5	21.8	32.6	10.9	3.9	2.8	31.8	Mar.
6.4	25.8	26.0	8.9	4.9	107.6	1.4	22.0	33.3	10.5	3.5	2.4	29.7	Apr.
12.6	21.8	21.9	17.6	5.1	108.7	1.5	20.6	30.4	10.6	4.1	3.1	26.5	May
16.5	17.9	18.0	14.4	5.4	109.6	1.4	22.8	34.0	11.4	4.3	3.2	27.3	June
11.2	18.7	18.7	14.4	5.6	110.0	2.3	23.2	34.9	11.1	4.0	3.2	20.5	July
10.4	16.8	17.0	1.1	5.6	110.1	2.5	23.7	34.9	12.1	3.7	3.0	19.9	Aug.
5.1	15.4	15.4	14.5	6.1	111.2	2.6	23.6	35.7	10.8	4.5	3.7	21.9	Sep.
6.3	18.1	18.3	-5.1	6.3	111.8	3.6	24.5	36.5	11.6	4.0	3.2	21.2	Oct.
1.7	16.9	17.1	-7.0	6.5	112.4	4.2	23.9	34.3	12.4	4.0	3.1	22.9	Nov.
1.4	13.3	13.5	-4.7	6.8	112.4	4.8	20.9	27.5	13.0	4.7	3.9	21.7	Dec.
-0.7	13.9	13.7	35.6	6.9	113.0	5.5	18.8	26.9	9.3	4.9	4.1	20.7	2004 Jan.

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)

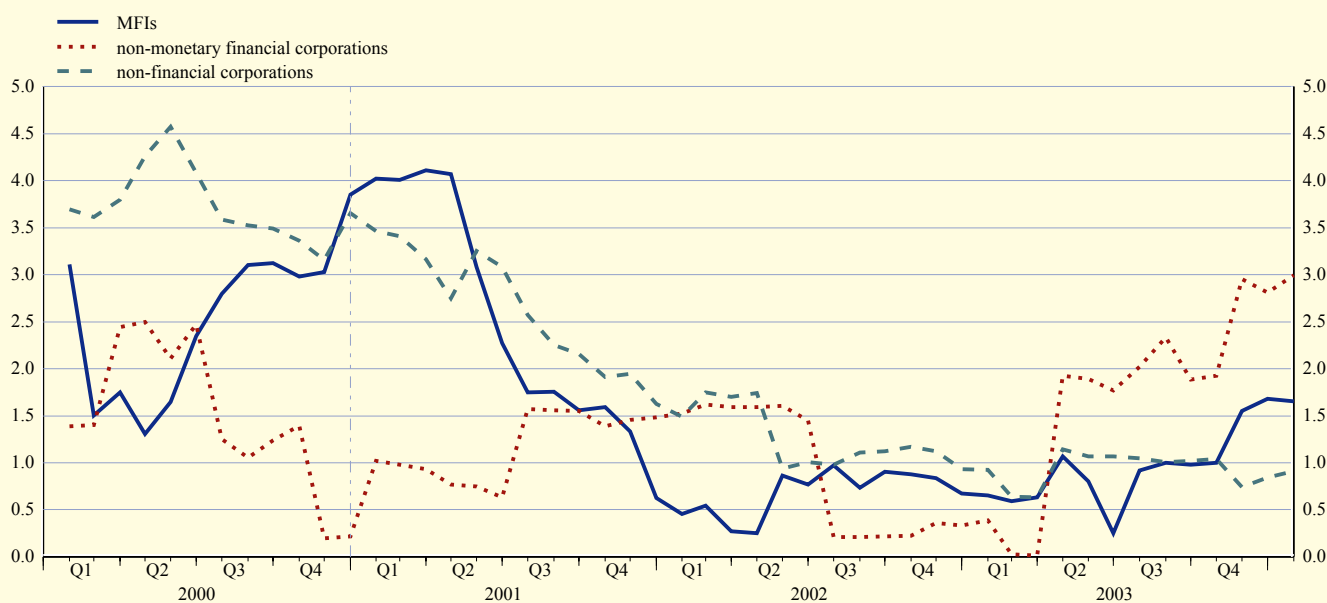
1. Outstanding amounts and annual growth rates

(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
2002 Jan.	4,575.1	100.0	1.4	623.9	0.5	518.8	1.5	3,432.4	1.5
Feb.	4,545.5	100.2	1.6	622.5	0.5	509.8	1.6	3,413.2	1.7
Mar.	4,753.8	100.3	1.5	665.3	0.3	536.6	1.6	3,551.8	1.7
Apr.	4,570.1	100.3	1.5	678.1	0.2	517.4	1.6	3,374.6	1.7
May	4,432.3	100.4	1.0	666.3	0.9	484.8	1.6	3,281.2	0.9
June	4,118.1	100.5	1.0	614.9	0.8	463.4	1.5	3,039.9	1.0
July	3,709.7	100.6	0.9	515.7	1.0	394.6	0.2	2,799.5	1.0
Aug.	3,520.1	100.6	1.0	521.7	0.7	371.0	0.2	2,627.4	1.1
Sep.	2,981.7	100.7	1.0	412.6	0.9	276.3	0.2	2,292.8	1.1
Oct.	3,251.5	100.7	1.0	446.9	0.9	321.2	0.2	2,483.3	1.2
Nov.	3,435.4	100.8	1.0	487.4	0.8	346.0	0.4	2,602.0	1.1
Dec.	3,118.2	100.8	0.8	450.7	0.7	283.6	0.3	2,383.9	0.9
2003 Jan.	2,978.3	100.8	0.8	425.8	0.7	261.1	0.4	2,291.4	0.9
Feb.	2,884.9	100.8	0.6	425.3	0.6	270.8	0.0	2,188.8	0.6
Mar.	2,763.4	100.8	0.6	413.0	0.6	236.2	0.0	2,114.2	0.6
Apr.	3,112.9	101.5	1.2	471.4	1.1	291.8	1.9	2,349.7	1.1
May	3,145.6	101.5	1.1	476.7	0.8	291.3	1.9	2,377.5	1.1
June	3,256.1	101.5	1.0	504.2	0.2	300.6	1.8	2,451.3	1.1
July	3,366.4	101.7	1.1	528.0	0.9	330.9	2.0	2,507.5	1.0
Aug.	3,413.3	101.7	1.1	506.5	1.0	325.5	2.3	2,581.3	1.0
Sep.	3,276.6	101.8	1.1	494.8	1.0	307.1	1.9	2,474.6	1.0
Oct.	3,483.9	101.8	1.1	535.2	1.0	333.2	1.9	2,615.5	1.0
Nov.	3,546.8	101.9	1.1	549.5	1.6	337.9	3.0	2,659.5	0.7
Dec.	3,647.4	102.0	1.2	569.5	1.7	348.6	2.8	2,729.3	0.8
2004 Jan.	3,788.6	102.0	1.2	584.1	1.7	372.4	3.0	2,832.2	0.9

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

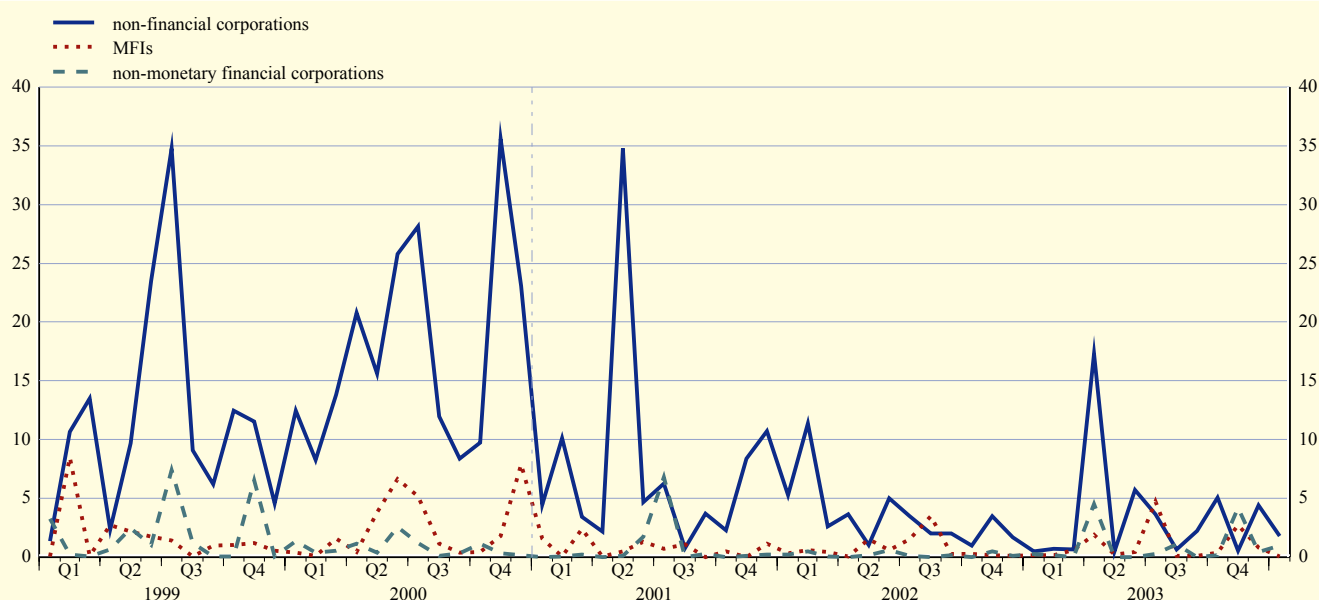
(EUR billions; market values)

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
2002 Jan.	5.8	6.4	-0.6	0.3	0.0	0.3	0.2	0.0	0.2	5.3	6.4	-1.1
Feb.	12.4	1.1	11.3	0.6	0.0	0.6	0.5	0.0	0.5	11.3	1.1	10.2
Mar.	3.1	2.3	0.8	0.4	0.0	0.4	0.0	0.0	0.0	2.6	2.2	0.4
Apr.	3.7	0.5	3.2	0.0	0.1	-0.1	0.0	0.0	0.0	3.7	0.3	3.3
May	2.7	0.3	2.4	1.5	0.0	1.5	0.2	0.0	0.2	1.0	0.3	0.8
June	6.1	0.5	5.6	0.6	0.0	0.6	0.6	0.0	0.6	5.0	0.5	4.5
July	5.0	1.3	3.7	1.5	0.1	1.4	0.1	0.9	-0.8	3.5	0.3	3.1
Aug.	5.5	5.1	0.3	3.5	3.9	-0.4	0.0	0.0	0.0	2.0	1.3	0.7
Sep.	2.4	0.5	1.9	0.3	0.1	0.1	0.2	0.0	0.2	2.0	0.4	1.7
Oct.	1.2	0.2	1.0	0.3	0.0	0.2	0.0	0.0	0.0	0.9	0.1	0.8
Nov.	4.1	0.8	3.3	0.2	0.4	-0.2	0.5	0.0	0.5	3.5	0.4	3.1
Dec.	1.9	0.6	1.3	0.1	0.0	0.1	0.1	0.1	0.0	1.7	0.5	1.2
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	0.4	0.0	0.0	0.0	0.6	0.5	0.1
Apr.	23.7	4.7	19.0	1.9	0.2	1.7	4.5	0.0	4.5	17.3	4.5	12.8
May	0.7	2.1	-1.5	0.2	0.4	-0.2	0.0	0.0	0.0	0.5	1.7	-1.2
June	6.1	5.0	1.1	0.4	2.7	-2.2	0.0	0.0	0.0	5.7	2.4	3.3
July	8.6	1.8	6.8	4.7	0.2	4.5	0.2	0.0	0.2	3.6	1.6	2.0
Aug.	1.8	1.1	0.7	0.1	0.1	0.1	1.1	0.1	1.0	0.6	1.0	-0.3
Sep.	2.3	1.7	0.6	0.1	0.1	0.0	0.0	1.3	-1.3	2.2	0.3	1.9
Oct.	5.5	3.7	1.8	0.4	0.0	0.3	0.1	0.0	0.1	5.0	3.7	1.3
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
Dec.	5.6	1.4	4.2	0.8	0.1	0.8	0.4	0.8	-0.4	4.4	0.5	3.9
2004 Jan.	2.8	0.9	1.9	0.0	0.0	0.0	0.9	0.0	0.9	1.8	0.9	0.9

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 Feb.	0.91	2.44	2.65	2.90	2.34	3.23	1.19	2.63	2.90	3.72	2.68
Mar.	0.87	2.34	2.52	2.74	2.29	3.19	1.14	2.50	2.48	3.41	2.57
Apr.	0.84	2.25	2.54	2.80	2.31	3.14	1.11	2.43	2.37	3.29	2.48
May	0.84	2.23	2.38	2.64	2.24	3.10	1.08	2.43	2.31	2.94	2.46
June	0.76	2.00	2.21	2.61	2.23	3.01	0.99	2.10	2.18	3.05	2.14
July	0.68	1.91	2.10	2.32	2.14	2.93	0.88	2.02	2.14	2.73	2.03
Aug.	0.68	1.91	2.12	2.51	1.99	2.88	0.88	2.03	2.27	3.56	1.97
Sep.	0.69	1.87	2.12	2.43	2.00	2.85	0.87	2.00	2.29	3.63	2.00
Oct.	0.69	1.89	2.16	2.51	2.05	2.73	0.88	1.98	2.23	3.71	1.99
Nov.	0.70	1.87	2.24	2.61	2.01	2.70	0.87	1.97	2.33	2.77	1.97
Dec.	0.69	1.89	2.40	2.41	2.01	2.68	0.88	2.00	2.42	3.35	1.99
2004 Jan.	0.69	1.91	2.37	2.74	2.02	2.65	0.95	1.99	2.06	3.11	1.95

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 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years				
	1	2	3	4	5	6	7	8	9	10	11	12	13
2003 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	7.28	7.00	8.28	8.06	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	7.62	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	7.09	6.94	8.28	8.01	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	4.42	4.15	5.25	5.17
Dec.	9.69	7.66	6.43	7.63	7.71	3.63	4.16	5.02	4.95	4.46	3.84	5.00	5.08
2004 Jan.	9.89	7.64	7.04	8.49	8.23	3.64	4.28	5.02	4.92	4.49	4.06	5.12	5.16

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 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.		5.41	4.10	4.94	4.71	3.02	3.30	4.17
Dec.		5.57	4.04	4.84	4.81	3.12	3.41	4.32
2004 Jan.		5.66	4.06	4.85	4.81	3.01	3.37	4.29

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 covers the total cost of a loan. The total cost comprises 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)

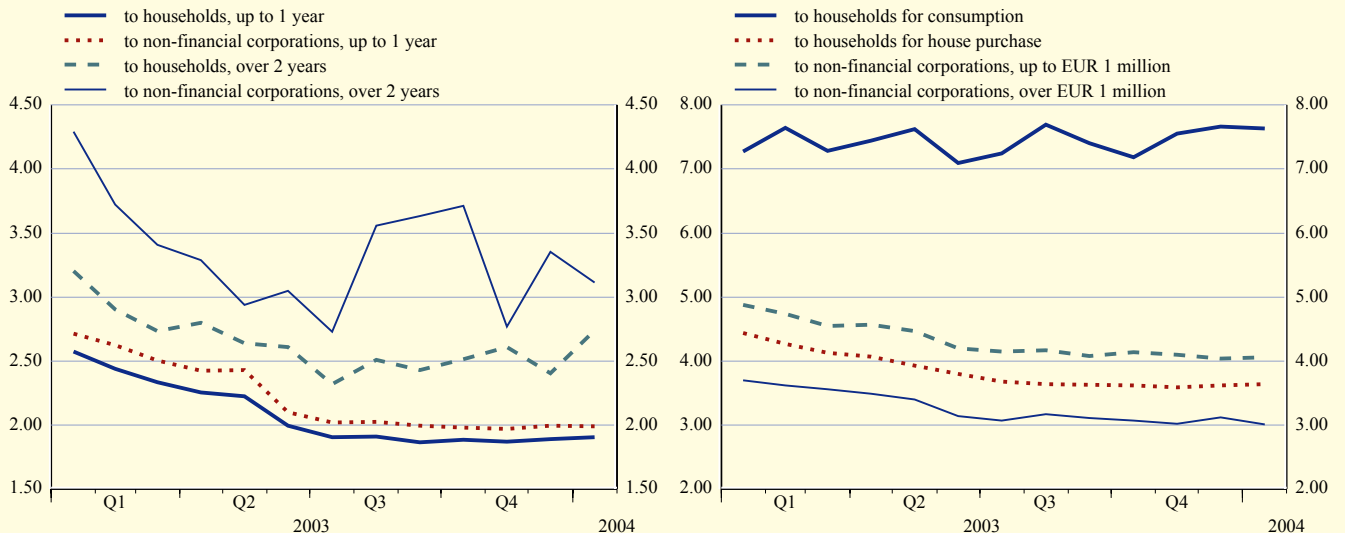
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight ¹⁾	With agreed maturity		Redeemable at notice ^{1,2)}		Overnight ¹⁾	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2003 Feb.	0.91	2.56	3.68	2.34	3.23	1.19	2.73	4.73	2.69
Mar.	0.87	2.45	3.54	2.29	3.19	1.14	2.61	4.66	2.52
Apr.	0.84	2.39	3.54	2.31	3.14	1.11	2.53	4.62	2.44
May	0.84	2.34	3.47	2.24	3.10	1.08	2.50	4.50	2.42
June	0.76	2.18	3.47	2.23	3.01	0.99	2.26	4.45	2.19
July	0.68	2.08	3.43	2.14	2.93	0.88	2.24	4.40	2.08
Aug.	0.68	2.04	3.42	1.99	2.88	0.88	2.20	4.26	2.05
Sep.	0.69	2.01	3.44	2.00	2.85	0.87	2.23	4.32	2.04
Oct.	0.69	1.97	3.47	2.05	2.73	0.88	2.12	4.33	2.03
Nov.	0.70	1.98	3.44	2.01	2.70	0.87	2.13	4.43	1.98
Dec.	0.69	1.97	3.53	2.01	2.68	0.88	2.15	4.25	1.98
2004 Jan.	0.69	1.94	3.36	2.02	2.65	0.95	2.09	4.24	1.95

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 Feb.	5.48	5.43	5.62	8.69	7.53	6.23	5.18	4.82	5.25
Mar.	5.45	5.36	5.55	8.64	7.42	6.17	5.00	4.68	5.11
Apr.	5.39	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	8.34	7.26	6.00	4.55	4.19	4.75
Oct.	5.04	4.92	5.20	8.17	7.12	5.85	4.55	4.12	4.70
Nov.	4.96	4.90	5.17	7.98	7.09	5.82	4.51	4.17	4.67
Dec.	4.96	4.88	5.14	8.04	7.04	6.00	4.53	4.23	4.66
2004 Jan.	4.90	4.89	5.11	8.16	7.02	5.92	4.55	4.07	4.57

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)

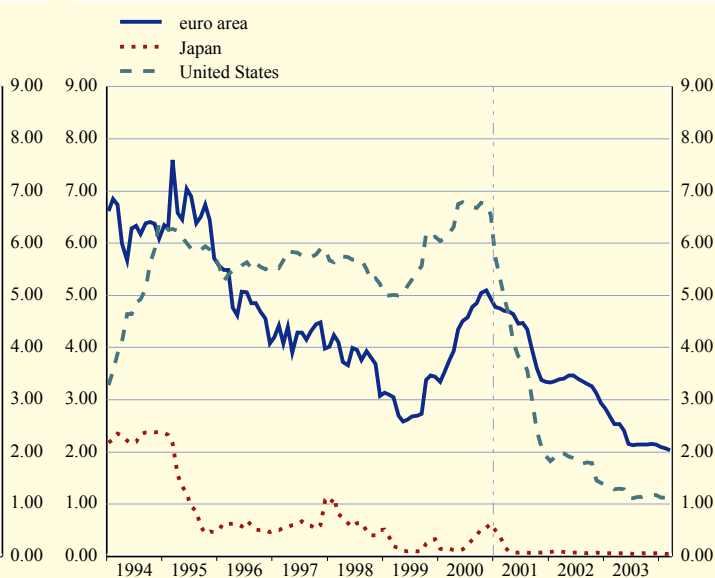
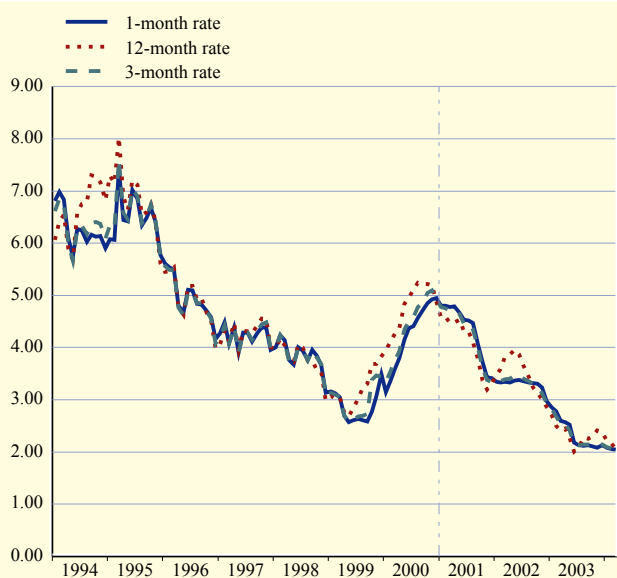
	Euro area ¹⁾					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2001	4.39	4.33	4.26	4.16	4.09	3.78	0.15
2002	3.29	3.30	3.32	3.35	3.49	1.80	0.08
2003	2.32	2.35	2.33	2.31	2.34	1.22	0.06
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
2004 Q1 ^(p)	2.02	2.06	2.06	2.08	2.15	1.12	0.05
2003 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
Feb.	2.03	2.06	2.07	2.09	2.16	1.12	0.05
Mar. ^(p)	2.00	2.04	2.03	2.02	2.06	1.11	0.05

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.

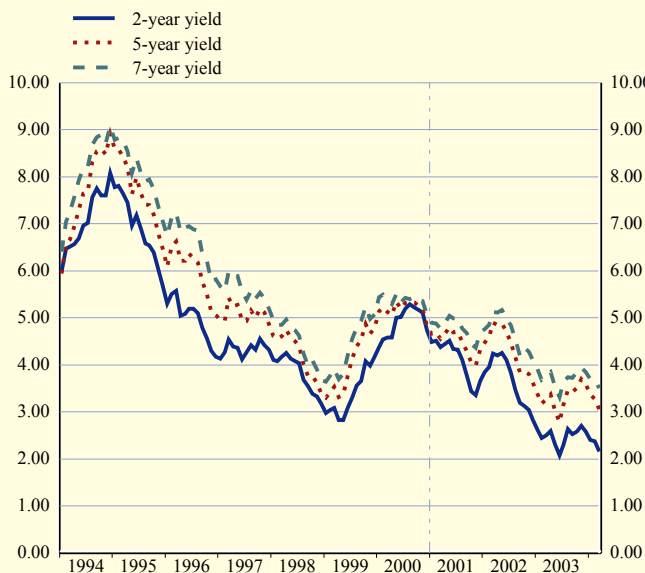
4.7 Government bond yields

(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
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
2004 Q1 ^(p)	2.31	2.63	3.24	3.63	4.15	4.00	1.31
2003 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
Feb.	2.38	2.71	3.28	3.69	4.18	4.06	1.25
Mar. ^(p)	2.16	2.48	3.06	3.51	4.02	3.81	1.35

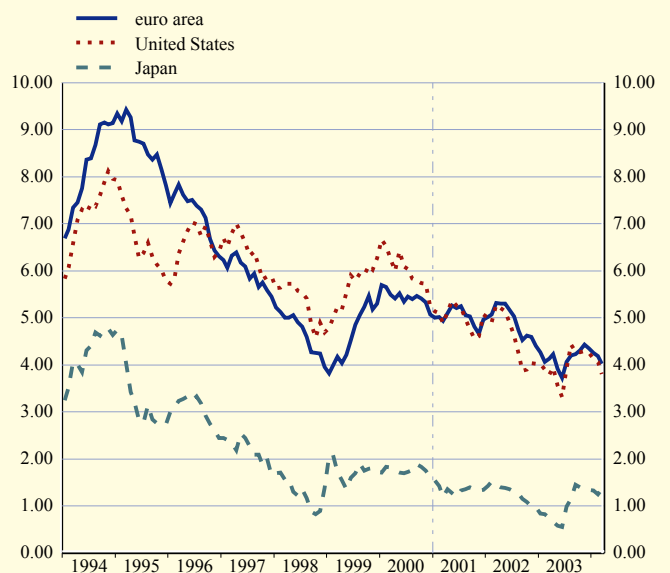
C24 Euro area government bond yields

(monthly; percentages per annum)



C25 10-year government bond yields

(monthly; percentages per annum)



Source: ECB.

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

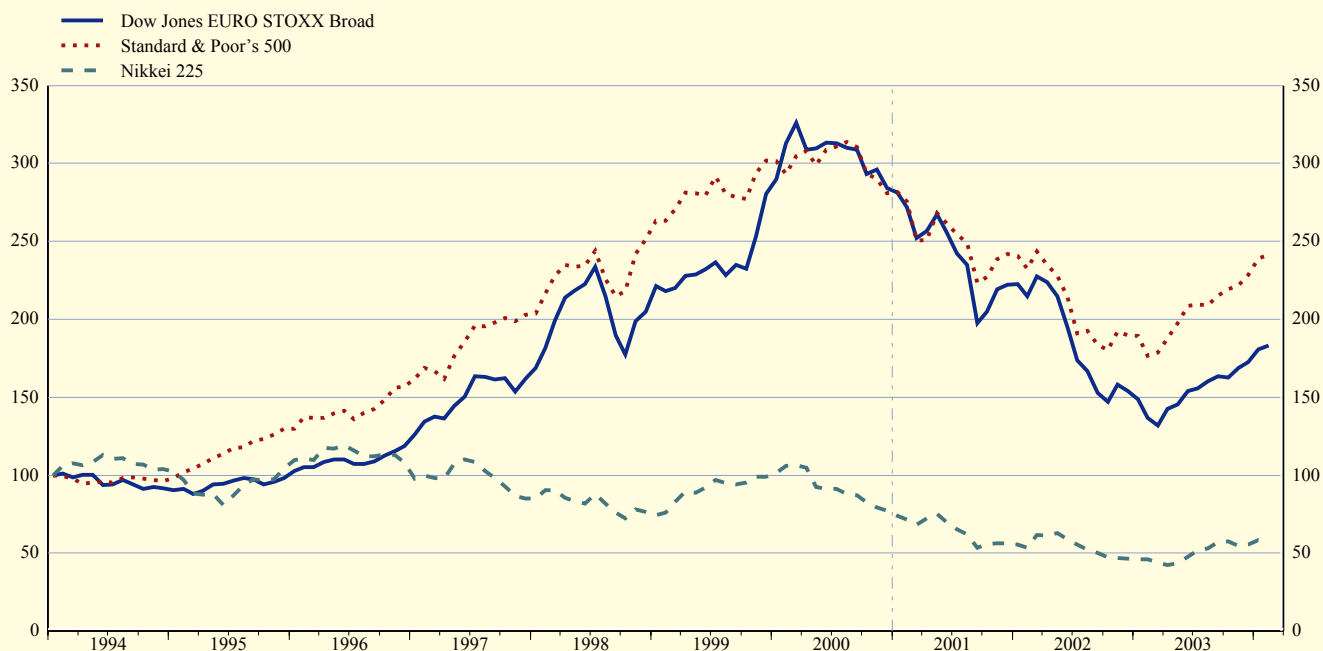
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices												United States	Japan
	Benchmark		Main economic sector indices										Standard & Poor's 500	Nikkei 225
	Broad	50	Basic materials	Consumer cyclical	Consumer non-cyclical	Energy	Financial	Industrial	Technology	Utilities	Telecom.	Healthcare		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2001	336.3	4,049.4	296.0	228.2	303.3	341.4	321.6	310.0	530.5	309.6	541.2	540.1	1,193.8	12,114.8
2002	259.9	3,023.4	267.5	175.0	266.5	308.9	243.3	252.4	345.1	255.5	349.2	411.8	995.4	10,119.3
2003	213.3	2,404.5	212.5	137.5	209.7	259.5	199.3	213.5	275.1	210.7	337.5	304.4	964.8	9,312.9
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
2004 Q1 ^(p)	252.2	2,856.9	247.5	165.0	225.7	276.4	242.9	258.8	354.1	245.9	408.7	360.2	1,137.7	10,747.5
2003 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
Feb.	253.9	2,874.8	244.7	165.1	229.5	275.6	243.7	260.1	359.0	252.1	412.3	370.0	1,143.8	10,618.6
Mar. ^(p)	250.3	2,827.4	240.2	161.6	229.1	286.2	236.0	253.9	351.2	254.1	399.0	378.9	1,123.7	11,425.2

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	58.7	41.3	100.0	11.8	7.7	31.0	8.1	41.3
	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	0.4	0.3	0.3	0.7
2003 Q1	112.5	2.3	2.0	2.7	0.8	1.2	0.9	0.1	4.4	0.5
Q2	113.2	1.9	1.5	2.6	0.2	0.8	0.5	0.2	-2.9	0.6
Q3	113.4	2.0	1.7	2.4	0.5	0.6	1.5	0.1	0.5	0.6
Q4	114.0	2.0	1.8	2.4	0.5	1.1	0.6	0.2	-0.2	0.7
2003 Oct.	113.8	2.0	1.7	2.5	0.1	0.5	-0.4	0.1	-0.4	0.2
Nov.	113.9	2.2	2.0	2.4	0.1	0.5	0.1	0.0	-0.2	0.2
Dec.	114.2	2.0	1.8	2.3	0.1	0.2	-0.4	0.1	-0.2	0.3
2004 Jan.	114.0	1.9	1.3	2.5	0.2	0.2	0.0	0.0	0.9	0.2
Feb.	114.2	1.6	1.0	2.6	0.1	0.1	-0.4	0.1	-0.1	0.3
Mar. ³⁾	.	1.6	.	.	.	.	.	.	.	.

	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⁾	19.5	11.8	7.7	39.1	31.0	8.1	10.4	6.4	6.4	2.9	15.0	6.6
	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	2.1	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	3.6	0.9	0.8	1.6	2.3	1.9	2.8	-0.7	2.5	3.3
2003 Oct.	3.6	3.5	3.8	0.8	0.8	0.7	2.3	1.9	2.9	-0.8	2.7	3.4
Nov.	3.9	4.0	3.8	1.1	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	2.3	1.9	2.7	-0.7	2.3	3.2
2004 Jan.	3.1	3.3	2.9	0.4	0.6	-0.4	2.3	1.9	2.3	-0.8	2.4	4.8
Feb.	2.7	3.2	1.9	0.2	0.8	-2.3	2.4	1.9	2.4	-1.0	2.5	4.9

Sources: Eurostat and ECB calculations.

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

2) Referring to the index period 2004. Due to rounding, component weights might not add up to the total.

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

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

2. Industry and commodity prices

	Industrial producer prices										World market prices of raw materials ¹⁾	Oil prices ²⁾ (EUR per barrel)		
	Industry excluding construction									Construction ³⁾			Manufacturing	
	Total (index 2000 = 100)	Total	Industry excluding construction and energy						Energy	Total	Total excluding energy			
			Total	Intermediate goods	Capital goods	Consumer goods								
						Total	Durable	Non-durable						
% of total 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	2.2	1.0	-4.0	-4.5	25.1
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	0.6	0.0	0.4	1.0	0.4	1.0	3.5	2.1	0.5	-6.5	-5.8	25.1
Q4	103.6	1.1	0.7	0.3	0.4	0.9	0.3	1.0	2.5	2.3	0.5	-4.2	-1.2	24.5
2004 Q1	.	.	.	.	.	.	.	.	.	.	.	.	.	25.0
2003 Oct.	103.6	0.9	0.6	0.2	0.4	1.0	0.4	1.1	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	1.3	3.6	-	0.9	1.1	0.2	24.6
Dec.	103.6	1.0	0.6	0.4	0.4	0.6	0.3	0.7	2.1	-	0.4	-5.0	-0.2	24.0
2004 Jan.	103.8	0.3	0.6	0.5	0.5	0.5	0.1	0.6	-1.2	-	0.2	-5.5	5.1	24.2
Feb.	.	.	.	.	.	.	.	.	.	-	.	-8.4	7.2	24.1
Mar.	.	.	.	.	.	.	.	.	.	-	.	.	.	26.7

3. Hourly labour costs⁵⁾

	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
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
2003	110.0	2.9	2.8	3.3	3.2	3.3	2.7	2.4
2002 Q4	108.2	3.5	3.4	3.9	3.5	3.1	3.4	2.6
2003 Q1	108.9	3.1	2.9	3.7	3.2	3.0	2.6	2.7
Q2	109.7	3.2	3.1	3.7	3.8	3.9	3.2	2.4
Q3	110.4	2.8	2.7	3.0	3.1	3.1	2.7	2.4
Q4	111.0	2.5	2.5	2.7	2.7	3.0	2.4	2.2

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

- 1) Refers to the prices expressed in euro.
- 2) Brent Blend (for one-month forward delivery).
- 3) Residential buildings, based on non-harmonised data.
- 4) In 2000.
- 5) Hourly labour costs for the whole economy, excluding agriculture, public administration, education, health and services not elsewhere classified. Owing to differences in coverage, components are not consistent with the total.

5.1 HICP, other prices and costs

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

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

	Total (index 2000 = 100)	Total	By economic activity						
			Agriculture, hunting, forestry and fishing	Mining, manufacturing, and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services		
	1	2	3	4	5	6	7	8	
Unit labour costs ¹⁾									
1999	98.7	1.0	-3.1	0.7	1.3	-0.4	3.7	2.2	
2000	100.0	1.4	1.7	-0.2	1.9	-0.4	4.6	1.7	
2001	102.6	2.6	2.7	2.8	4.2	1.0	2.6	2.8	
2002	104.8	2.2	-0.3	1.2	3.4	2.0	3.2	2.2	
2002 Q3	105.0	1.9	-3.1	1.0	3.2	1.6	3.2	2.2	
Q4	105.5	1.5	4.0	-0.1	3.1	1.2	3.1	1.5	
2003 Q1	106.3	1.9	4.9	0.7	4.0	1.6	2.7	2.1	
Q2	107.1	2.6	10.2	2.2	3.9	2.7	3.1	2.3	
Q3	107.4	2.4	9.2	1.4	3.3	1.8	1.6	3.2	
Compensation per employee									
1999	97.4	2.0	2.0	2.0	1.9	1.8	1.5	2.3	
2000	100.0	2.7	3.2	3.2	2.5	1.6	3.1	2.6	
2001	102.8	2.8	2.5	2.9	3.1	2.8	1.6	3.2	
2002	105.4	2.5	2.6	3.0	3.1	2.6	2.0	2.4	
2002 Q3	105.8	2.5	-0.5	3.1	2.8	2.6	2.0	2.3	
Q4	106.3	2.3	3.9	3.2	2.5	2.6	2.1	1.6	
2003 Q1	107.1	2.4	5.0	3.3	2.6	2.3	2.1	2.0	
Q2	107.7	2.6	8.8	3.2	3.4	2.6	2.4	2.0	
Q3	108.4	2.5	6.3	2.8	3.1	1.7	1.4	3.2	
Labour productivity ²⁾									
2000	100.0	1.3	1.4	3.5	0.6	2.0	-1.5	0.9	
2001	100.2	0.2	-0.2	0.1	-1.0	1.8	-1.0	0.3	
2002	100.6	0.3	2.9	1.7	-0.3	0.6	-1.2	0.1	
2003	100.8	0.3	-1.2	1.9	-0.5	0.0	-0.4	0.0	
2002 Q4	100.8	0.8	-0.1	3.3	-0.6	1.4	-1.0	0.1	
2003 Q1	100.7	0.6	0.1	2.6	-1.4	0.7	-0.6	-0.1	
Q2	100.5	0.0	-1.2	0.9	-0.5	0.0	-0.6	-0.3	
Q3	100.9	0.1	-2.7	1.4	-0.2	-0.1	-0.1	0.0	
Q4	101.1	0.4	-0.9	2.6	0.2	-0.7	-0.4	0.4	

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
2000	100.0	1.4	2.6	2.2	2.7	2.7	4.9	8.5
2001	102.4	2.4	2.3	2.4	2.4	2.0	1.4	0.8
2002	105.0	2.5	2.1	2.8	2.2	1.9	-0.3	-1.4
2003	107.2	2.1	1.9	1.9	2.2	1.5	-0.5	-1.2
2002 Q4	105.7	2.2	2.2	2.7	2.2	2.0	0.1	0.1
2003 Q1	106.3	1.9	2.0	2.3	2.1	1.5	0.3	0.5
Q2	106.8	2.1	1.8	1.8	2.2	1.5	-0.7	-1.6
Q3	107.6	2.2	2.1	1.7	2.7	1.5	-0.8	-1.5
Q4	108.1	2.2	1.8	1.8	1.8	1.5	-0.8	-2.0

Sources: ECB calculations based on Eurostat data.

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

5.2 Output and demand

1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance 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	
<i>Current prices (EUR billions, seasonally adjusted)</i>									
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	6,842.6	6,729.1	3,921.5	1,371.3	1,443.7	-7.4	113.5	2,564.6	2,451.2
2002	7,073.3	6,891.6	4,032.9	1,441.0	1,430.5	-12.8	181.7	2,595.4	2,413.7
2003	7,254.0	7,093.7	4,149.4	1,501.3	1,434.9	8.1	160.4	2,582.4	2,422.0
2002 Q4	1,785.3	1,741.4	1,020.4	365.3	359.6	-3.9	43.9	656.4	612.5
2003 Q1	1,794.3	1,760.1	1,031.3	368.8	357.4	2.6	34.2	646.5	612.4
Q2	1,802.2	1,765.9	1,032.7	373.1	357.5	2.7	36.2	635.1	598.8
Q3	1,822.3	1,773.1	1,039.5	379.1	358.0	-3.5	49.2	648.8	599.6
Q4	1,835.3	1,794.5	1,045.9	380.3	362.0	6.3	40.7	652.0	611.2
<i>percentage of GDP</i>									
2003	100.0	97.8	57.2	20.7	19.8	0.1	2.2	-	-
<i>Constant prices (ECU billions at 1995 prices, seasonally adjusted)</i>									
<i>quarter-on-quarter percentage changes</i>									
2002 Q4	0.0	0.3	0.3	0.1	0.3	-	-	-0.4	0.3
2003 Q1	0.0	0.4	0.4	0.5	-0.9	-	-	-1.5	-0.6
Q2	-0.1	0.1	0.0	0.6	-0.4	-	-	-0.9	-0.4
Q3	0.4	-0.2	0.2	0.6	-0.2	-	-	2.3	0.8
Q4	0.3	1.0	0.1	0.6	0.6	-	-	0.2	2.1
<i>annual percentage changes</i>									
2000	3.5	2.9	2.7	2.1	4.9	-	-	12.3	11.0
2001	1.6	1.0	1.7	2.5	-0.3	-	-	3.4	1.7
2002	0.9	0.3	0.1	2.9	-2.8	-	-	1.5	-0.1
2003	0.4	1.0	1.0	1.9	-1.2	-	-	0.0	1.5
2002 Q4	1.1	0.9	0.6	2.2	-1.6	-	-	3.6	3.3
2003 Q1	0.7	1.3	1.3	1.9	-1.9	-	-	1.9	3.6
Q2	0.1	1.0	1.0	1.7	-0.8	-	-	-1.5	0.8
Q3	0.3	0.5	0.9	1.8	-1.2	-	-	-0.5	0.0
Q4	0.6	1.3	0.7	2.3	-0.8	-	-	0.1	1.8
<i>contributions to annual percentage changes of GDP in percentage points</i>									
2000	3.5	2.9	1.5	0.4	1.1	-0.1	0.6	-	-
2001	1.6	0.9	1.0	0.5	-0.1	-0.5	0.7	-	-
2002	0.9	0.3	0.0	0.6	-0.6	0.2	0.6	-	-
2003	0.4	1.0	0.5	0.4	-0.2	0.3	-0.6	-	-
2002 Q4	1.1	0.9	0.3	0.4	-0.3	0.5	0.2	-	-
2003 Q1	0.7	1.2	0.7	0.4	-0.4	0.5	-0.5	-	-
Q2	0.1	1.0	0.5	0.3	-0.2	0.2	-0.8	-	-
Q3	0.3	0.5	0.5	0.4	-0.2	-0.1	-0.2	-	-
Q4	0.6	1.2	0.4	0.5	-0.2	0.5	-0.6	-	-

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
<i>Current prices (EUR billions, seasonally adjusted)</i>									
2000	6,087.6	145.8	1,369.1	337.0	1,281.2	1,655.0	1,299.6	212.6	701.1
2001	6,351.7	151.2	1,409.0	351.3	1,350.7	1,729.9	1,359.6	222.1	712.9
2002	6,561.7	149.4	1,425.7	362.7	1,386.6	1,810.2	1,427.0	226.5	738.1
2003	6,724.1	152.6	1,437.0	373.4	1,413.1	1,866.5	1,481.5	231.8	761.7
2002 Q4	1,654.9	37.2	357.1	91.5	349.9	457.3	361.9	57.3	187.7
2003 Q1	1,663.1	37.4	359.4	91.7	348.9	460.5	365.3	57.4	188.6
Q2	1,670.4	37.9	355.1	92.7	352.4	464.1	368.2	58.0	189.8
Q3	1,691.3	38.6	360.0	93.7	355.7	469.5	373.9	58.3	189.2
Q4	1,699.3	38.8	362.6	95.3	356.2	472.5	374.0	58.1	194.0
<i>percentage of value added</i>									
2003	100.0	2.3	21.4	5.6	21.0	27.8	22.0	-	-
<i>Constant prices (ECU billions at 1995 prices, seasonally adjusted)</i>									
<i>quarter-on-quarter percentage changes</i>									
2002 Q4	0.0	-1.4	-0.6	0.0	0.1	0.2	0.3	0.7	0.5
2003 Q1	0.0	-1.2	0.3	-0.6	-0.3	0.1	0.2	-0.2	-0.4
Q2	-0.1	-1.0	-0.8	0.1	0.1	0.1	0.2	0.2	0.2
Q3	0.5	-0.7	0.5	0.0	0.8	0.6	0.3	1.7	0.1
Q4	0.3	1.1	0.7	0.1	-0.3	0.1	0.5	-0.5	0.5
<i>annual percentage changes</i>									
2000	3.8	-0.3	4.0	2.5	5.2	4.3	2.5	7.1	1.8
2001	1.9	-1.2	0.5	-0.6	3.3	2.8	1.7	4.6	0.2
2002	0.9	0.6	0.2	-1.1	1.0	1.2	2.0	0.1	-0.2
2003	0.4	-3.1	-0.1	-0.8	0.5	0.8	1.2	1.7	0.8
2002 Q4	1.1	-2.4	1.4	-1.5	1.3	0.9	1.9	0.5	0.8
2003 Q1	0.7	-2.7	0.7	-2.0	0.7	1.0	1.4	1.4	1.1
Q2	0.1	-3.7	-1.0	-0.4	0.3	0.5	1.1	1.9	1.5
Q3	0.4	-4.3	-0.6	-0.4	0.7	1.0	1.0	2.4	0.4
Q4	0.6	-1.9	0.7	-0.4	0.3	0.9	1.2	1.2	0.4
<i>contributions to annual percentage changes of value added in percentage points</i>									
2000	3.8	0.0	0.9	0.1	1.1	1.1	0.5	-	-
2001	1.9	0.0	0.1	0.0	0.7	0.7	0.4	-	-
2002	0.9	0.0	0.1	-0.1	0.2	0.3	0.4	-	-
2003	0.4	-0.1	0.0	0.0	0.1	0.2	0.2	-	-
2002 Q4	1.1	-0.1	0.3	-0.1	0.3	0.2	0.4	-	-
2003 Q1	0.7	-0.1	0.2	-0.1	0.2	0.3	0.3	-	-
Q2	0.1	-0.1	-0.2	0.0	0.1	0.1	0.2	-	-
Q3	0.4	-0.1	-0.1	0.0	0.2	0.3	0.2	-	-
Q4	0.6	0.0	0.2	0.0	0.1	0.2	0.2	-	-

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
2000	4.8	100.1	5.2	5.4	6.2	8.1	1.8	6.1	0.9	1.9	2.4	5.5
2001	0.4	100.5	0.4	0.2	-0.5	1.6	0.3	-2.1	0.8	1.4	0.7	0.3
2002	-0.5	99.9	-0.5	-0.8	0.0	-1.5	-0.5	-5.7	0.5	1.0	0.6	-0.7
2003	0.2	100.3	0.3	0.0	0.5	0.1	-0.7	-4.9	0.0	3.0	0.0	0.1
2002 Q4	0.8	99.8	1.3	1.4	2.8	1.2	0.5	-4.3	1.4	-0.4	-1.0	1.5
2003 Q1	0.5	100.1	0.8	0.3	1.1	0.8	-1.3	-6.0	-0.3	4.6	-1.9	0.5
Q2	-0.5	99.7	-0.8	-1.4	-0.6	-1.8	-1.7	-6.8	-0.8	2.1	0.8	-1.3
Q3	-0.3	100.3	-0.2	-0.6	-0.4	-1.2	0.1	-4.5	0.7	2.3	0.4	-0.5
Q4	1.1	101.2	1.5	1.5	1.9	2.2	0.0	-2.2	0.4	2.8	0.5	1.6
2003 Aug.	-0.7	100.2	-0.2	-1.1	0.8	-3.5	-0.2	-6.0	0.6	3.8	-0.3	-1.0
Sep.	-1.0	99.8	-1.1	-1.3	-1.9	-1.6	-0.7	-5.3	-0.1	1.3	-0.6	-1.1
Oct.	0.7	101.2	1.4	1.2	1.6	1.6	-0.3	-2.3	0.1	3.6	-1.2	1.3
Nov.	0.5	101.1	1.0	1.2	1.3	2.1	-0.7	-3.6	-0.2	2.8	-2.1	1.3
Dec.	2.3	101.3	2.2	2.1	2.9	3.0	1.1	-0.2	1.3	2.2	5.5	2.4
2004 Jan.		101.0	0.9	1.0	1.6	0.6	0.1	0.1	0.2	1.5		1.0
<i>month-on-month percentage changes (s.a.)</i>												
2003 Aug.	-0.9	-	-0.5	-0.7	0.3	-1.8	-0.7	-3.0	-0.4	1.0	-2.4	-0.7
Sep.	-0.1	-	-0.4	-0.2	-1.1	0.4	-0.3	1.2	-0.5	-2.6	0.5	-0.3
Oct.	0.9	-	1.4	1.4	1.6	1.9	0.2	1.1	0.3	3.1	-0.4	1.4
Nov.	0.0	-	0.0	0.4	0.4	0.6	-0.1	-0.5	0.1	-3.2	0.0	0.3
Dec.	0.5	-	0.1	-0.2	0.3	0.0	0.5	0.1	0.3	0.7	5.1	0.0
2004 Jan.		-	-0.3	-0.3	-0.2	-1.0	-0.5	0.6	-0.4	1.1		-0.4

4. Retail sales and passenger car registrations

	Retail sales (s.a.)								New passenger car registrations	
	Current prices		Constant prices						Total (s.a. thousands ²⁾)	Total
	Total (index 2000 = 100)	Total	Total (index 2000 = 100)	Total	Food, beverages, tobacco	Non-food				
						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	2.2	1.7	1.9	1.2	4.2	977	-1.8
2001	104.0	4.1	101.8	1.8	1.9	1.6	0.9	-0.2	968	-0.8
2002	106.1	1.9	101.8	0.0	0.9	-0.4	-2.0	-1.8	925	-4.4
2003	107.7	1.5	102.0	0.2	1.3	-0.6	-3.2	-0.3	912	-1.4
2002 Q4	106.9	1.8	102.1	0.1	1.7	-0.7	-1.6	-2.3	948	0.2
2003 Q1	107.6	2.5	102.2	0.9	2.3	0.4	-2.0	0.1	898	-2.6
Q2	107.5	1.7	102.1	0.8	1.6	-0.3	-2.0	0.1	898	-1.8
Q3	107.7	1.0	102.0	-0.4	1.3	-1.7	-5.0	-1.0	928	1.5
Q4	107.9	1.0	101.7	-0.3	0.0	-0.7	-3.6	-0.2	925	-2.4
2003 Sep.	107.9	1.2	102.1	0.3	1.8	-1.0	-4.4	0.0	938	1.9
Oct.	108.5	1.2	103.0	0.7	1.0	-0.2	-1.4	0.2	927	-0.2
Nov.	107.7	1.0	101.0	-1.5	-1.6	-1.3	-5.4	-1.0	932	0.0
Dec.	107.6	0.7	101.2	-0.1	0.6	-0.4	-4.1	0.1	916	-7.4
2004 Jan.	109.3	1.7	103.5	0.5	1.7	-0.2			904	1.1
Feb.									916	2.5

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 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
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	-26	11	4	81.0	-17	-4	-20	38	-8
Q4	95.7	-7	-21	9	8	81.0	-16	-5	-17	34	-9
2004 Q1	96.0	-7	-21	10	10	.	-14	-4	-13	30	-9
2003 Oct.	95.6	-8	-22	10	8	81.2	-17	-5	-18	36	-9
Nov.	96.0	-6	-21	8	10	-	-15	-4	-16	33	-8
Dec.	95.6	-8	-21	10	7	-	-16	-5	-16	32	-10
2004 Jan.	96.0	-6	-20	9	10	80.7	-15	-5	-14	31	-9
Feb.	95.9	-7	-21	10	11	-	-14	-4	-12	30	-9
Mar.	96.0	-7	-21	10	10	-	-14	-4	-13	30	-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
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	5	11	15
2004 Q1	-20	-29	-10	-10	-16	15	0	11	6	6	20
2003 Oct.	-22	-29	-14	-9	-16	12	0	9	3	9	15
Nov.	-20	-27	-13	-10	-13	16	-1	11	6	11	16
Dec.	-19	-28	-9	-13	-17	16	-5	11	7	12	15
2004 Jan.	-19	-28	-10	-10	-16	16	1	10	5	8	18
Feb.	-21	-32	-9	-11	-16	14	-3	11	7	6	21
Mar.	-19	-27	-10	-10	-17	14	1	11	5	5	22

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) Owing to changes in the questionnaire used for the French survey, euro area results from January 2004 onwards are not fully comparable with previous results.
- 4) Data are collected in January, April, July and October each year. The quarterly figures shown are averages of two successive surveys. Annual data are derived from quarterly averages. The results for January 2004 do not cover France on account of changes to the French questionnaire and are therefore not fully comparable with previous results.
- 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	19.2	7.1	25.1	14.4	29.5
	1	2	3	4	5	6	7	8	9	10
2000	131.409	2.2	2.5	0.7	-1.6	0.5	2.0	3.1	5.9	1.6
2001	133.238	1.4	1.6	0.2	-0.8	0.4	0.6	1.6	3.8	1.4
2002	133.943	0.5	0.7	-0.2	-2.1	-1.4	-0.6	0.4	2.4	1.8
2003	134.159	0.2	0.2	0.1	-1.9	-1.9	-0.2	0.5	1.3	1.1
2002 Q4	133.887	0.2	0.3	-0.1	-2.2	-1.9	-0.8	-0.3	1.9	1.9
2003 Q1	133.928	0.1	0.1	0.0	-2.7	-1.9	-0.6	-0.2	1.6	1.5
Q2	134.089	0.2	0.2	0.3	-2.3	-1.9	0.3	0.4	1.2	1.3
Q3	134.107	0.2	0.2	0.2	-1.8	-2.0	-0.1	0.8	1.1	0.9
Q4	134.180	0.2	0.2	0.0	-0.9	-1.9	-0.3	1.0	1.2	0.7
	<i>quarter-on-quarter changes (s.a.)</i>									
2002 Q4	0.019	0.0	0.0	0.1	-0.7	-0.6	-0.1	0.0	0.4	0.4
2003 Q1	0.041	0.0	0.0	0.1	-0.9	-0.4	0.1	0.1	0.2	0.3
Q2	0.161	0.1	0.1	0.2	-0.2	-0.5	0.4	0.3	0.2	0.2
Q3	0.018	0.0	0.0	-0.1	0.1	-0.5	-0.7	0.4	0.3	0.0
Q4	0.073	0.1	0.0	0.4	0.0	-0.6	-0.3	0.2	0.5	0.2

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		78.4		21.6		49.9		50.1	
	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	12.283	8.8	9.624	7.7	2.659	16.8	6.134	7.7	6.149	10.1
2002 Q4	11.966	8.6	9.343	7.6	2.623	16.4	5.943	7.5	6.023	10.0
2003 Q1	12.201	8.7	9.525	7.7	2.676	16.8	6.079	7.7	6.122	10.1
Q2	12.306	8.8	9.635	7.8	2.672	16.8	6.137	7.7	6.170	10.2
Q3	12.310	8.8	9.662	7.8	2.648	16.7	6.148	7.7	6.162	10.1
Q4	12.317	8.8	9.697	7.8	2.620	16.7	6.170	7.8	6.148	10.1
2003 Aug.	12.310	8.8	9.662	7.8	2.648	16.7	6.147	7.7	6.163	10.1
Sep.	12.315	8.8	9.677	7.8	2.637	16.7	6.161	7.7	6.154	10.1
Oct.	12.320	8.8	9.694	7.8	2.626	16.7	6.171	7.8	6.149	10.1
Nov.	12.318	8.8	9.700	7.8	2.618	16.7	6.170	7.8	6.148	10.1
Dec.	12.314	8.8	9.698	7.8	2.617	16.7	6.167	7.8	6.147	10.1
2004 Jan.	12.321	8.8	9.704	7.8	2.618	16.7	6.171	7.8	6.151	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		Sales	Capital taxes			
	2	3						4	5			6	7		8	9	10	11	12	13
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 ³⁾	
			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
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
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 ¹	DE ²	GR ³	ES ⁴	FR ⁵	IE ⁶	IT ⁷	LU ⁸	NL ⁹	AT ¹⁰	PT ¹¹	FI ¹²
2000	0.2	1.3	-2.0	-0.9	-1.4	4.4	-0.6	6.3	2.2	-1.5	-2.8	7.1
2001	0.5	-2.8	-1.4	-0.4	-1.5	1.1	-2.6	6.3	0.0	0.2	-4.4	5.2
2002	0.1	-3.5	-1.4	0.0	-3.2	-0.2	-2.3	2.7	-1.9	-0.2	-2.7	4.3
2003	0.2	-3.9	-1.7	0.3	-4.1	0.2	-2.4	-0.1	-3.0	-1.1	-2.8	2.3

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

- 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.
- Data prior to 2001 refer to the Euro 11.
- The fiscal burden comprises taxes and social contributions.
- Comprises total expenditure minus interest expenditure.
- Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
- 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				Other creditors ⁴⁾
		Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors ³⁾				
						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	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currency ⁶⁾	Non-domestic currency	Other currencies
1993	67.3	55.2	5.2	6.3	0.6	11.9	55.4	6.6	18.4	24.4	24.4	65.6	2.9	1.7
1994	70.0	57.9	5.4	6.1	0.5	11.2	58.8	7.4	16.5	26.8	26.7	68.1	3.0	1.9
1995	74.2	61.7	5.7	6.0	0.8	10.6	63.6	6.8	17.6	26.4	30.2	72.5	2.9	1.7
1996	75.4	62.9	6.1	5.9	0.5	10.2	65.2	6.3	19.2	25.4	30.8	73.7	2.7	1.8
1997	74.9	62.3	6.3	5.6	0.6	8.8	66.0	6.0	18.6	25.4	30.8	73.0	2.8	1.9
1998	73.2	61.1	6.3	5.4	0.4	7.7	65.4	5.5	16.4	26.1	30.7	71.6	3.2	1.5
1999	72.1	60.2	6.2	5.3	0.3	6.4	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
2000	109.1	60.2	106.2	61.2	57.2	38.4	111.2	5.5	55.9	67.0	53.3	44.6
2001	108.1	59.4	106.9	57.5	56.8	36.1	110.6	5.5	52.9	67.1	55.6	43.9
2002	105.8	60.8	104.7	54.6	58.6	32.3	108.0	5.7	52.6	66.6	58.1	42.6
2003	100.5	64.2	102.4	50.8	63.0	32.0	106.2	4.9	54.8	65.0	59.4	45.3

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			Other creditors ⁸⁾
		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	
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⁾											Other ¹²⁾
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	
				Total	Currency and deposits	Securities ¹¹⁾	Loans	Shares and other equity	Privatisations	Equity injections					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. $[\text{debt}(t) - \text{debt}(t-1)] \div \text{GDP}(t)$.
- 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).



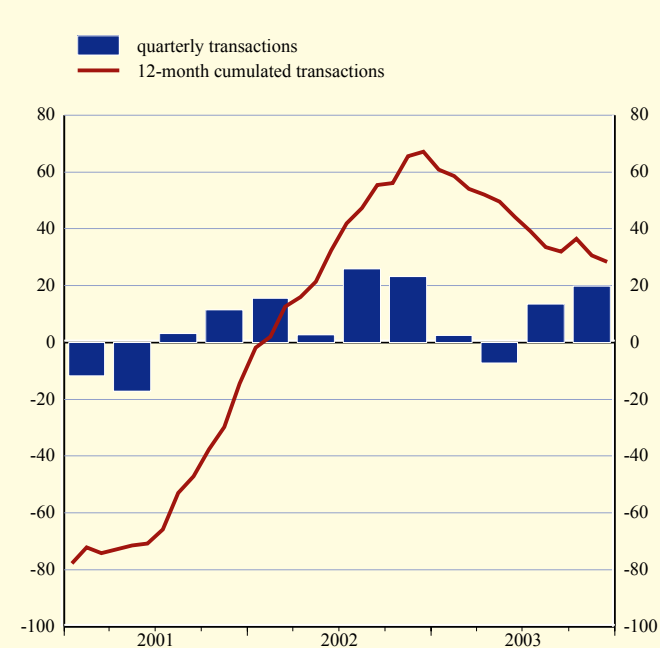
EXTERNAL TRANSACTIONS AND POSITIONS

7.1 Balance of payments (EUR billions; net transactions)

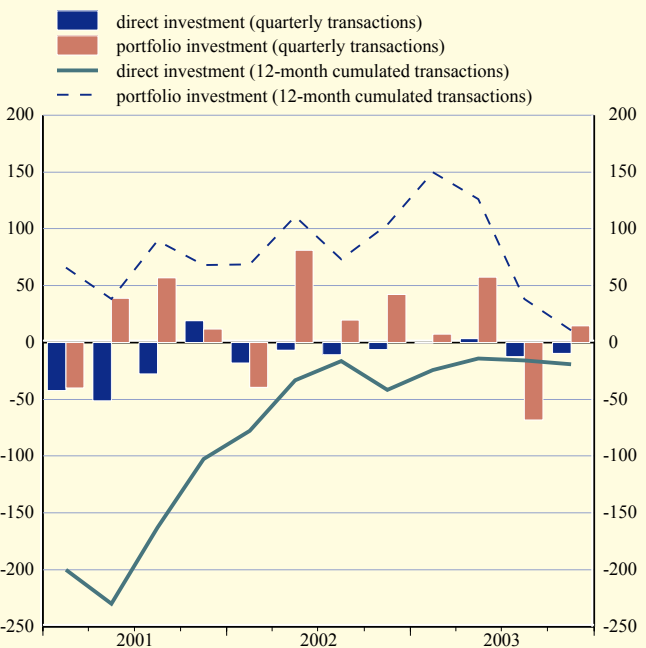
1. Summary balance of payments

	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
2003	28.5	109.6	17.9	-44.8	-54.2	11.3	39.8	-70.9	-19.5	10.8	-12.9	-78.0	28.7	31.1
2002 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
Q4	19.7	32.2	6.6	-6.3	-12.8	4.9	24.6	-3.9	-9.8	14.7	-4.4	-17.5	13.1	-20.6
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.	4.7	8.9	1.5	0.6	-6.3	1.3	6.0	-3.5	0.9	-2.3	0.5	-8.0	5.5	-2.5
Dec.	5.7	8.8	2.5	-2.3	-3.3	2.5	8.2	3.9	-11.0	-9.6	-6.8	13.1	7.3	-12.2
2004 Jan.	-5.3	4.2	-1.2	-9.6	1.4	0.4	-4.9	-24.6	-11.0	-11.5	-0.6	1.7	-3.2	29.5
<i>12-month cumulated transactions</i>														
2004 Jan.	28.4	112.3	17.2	-45.1	-56.0	9.6	38.0	-83.3	-28.2	-0.1	-12.0	-66.9	23.9	45.3

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



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



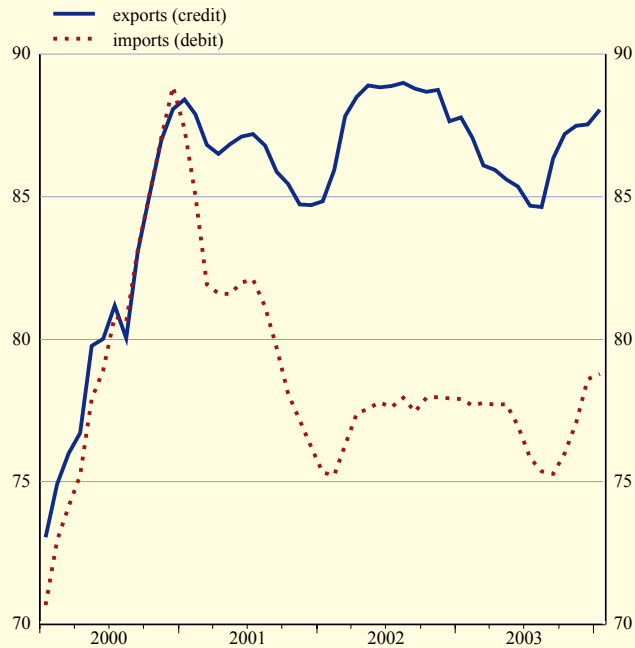
Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

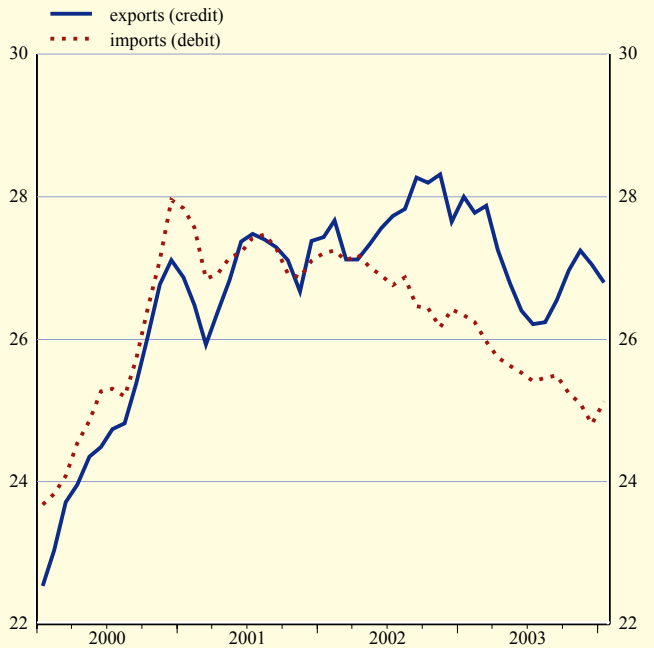
2. Current account
(seasonally adjusted)

	Total			Goods		Services		Income		Current transfers	
	Credit 1	Debit 2	Net 3	Credit 4	Debit 5	Credit 6	Debit 7	Credit 8	Debit 9	Credit 10	Debit 11
2002 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
Q4	419.5	406.2	13.2	262.6	235.8	81.1	74.4	54.7	64.7	21.0	31.3
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.	139.1	137.0	2.1	86.7	79.1	27.0	25.3	18.8	20.2	6.6	12.3
Dec.	140.6	137.3	3.2	87.8	79.7	26.6	24.5	18.1	22.2	8.0	10.9
2004 Jan.	141.4	138.9	2.5	89.7	77.5	26.7	25.5	17.8	23.1	7.1	12.7

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
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	
2001	1,714.4	1,728.9	-14.5	1,033.8	960.3	324.5	325.6	277.3	313.0	78.8	130.0	17.4	10.7
2002	1,728.8	1,661.8	67.0	1,059.6	929.0	332.2	320.8	251.3	279.6	85.7	132.4	18.9	8.0
2003	1,668.1	1,639.6	28.5	1,036.4	926.8	323.4	305.6	226.7	271.5	81.5	135.8	20.4	9.1
2002 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
Q4	431.7	412.0	19.7	273.0	240.8	82.7	76.1	57.2	63.5	18.9	31.7	6.7	1.8
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.	135.0	130.3	4.7	87.3	78.4	25.0	23.5	17.1	16.4	5.7	12.0	1.8	0.5
Dec.	148.1	142.4	5.7	87.7	78.8	29.0	26.5	23.0	25.3	8.5	11.8	3.4	0.9
2004 Jan.	139.3	144.6	-5.3	81.6	77.4	23.5	24.7	16.7	26.3	17.6	16.2	0.8	0.4

4. Income account

	Total		Compensation of employees		Investment income							
	Credit	Debit	Credit	Debit	Total		Direct investment					
					Credit	Debit	Total		Equity		Debt	
							Credit	Debit	Credit	Debit	Credit	Debit
1	2	3	4	5	6	7	8	9	10	11	12	
2001	277.3	313.0	14.7	5.9	262.6	307.1	60.6	59.0	50.4	49.8	10.2	9.2
2002	251.3	279.6	14.7	6.0	236.7	273.6	67.0	57.1	59.1	51.2	7.9	5.9
2002 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	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
2003	-131.5	-93.7	2.0	-95.7	-37.8	-0.3	-37.5	112.0	100.7	2.8	97.9	11.3	-0.6	11.9
2002 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
Q4	-28.6	-17.9	-0.4	-17.6	-10.7	0.0	-10.7	18.9	26.3	-0.5	26.8	-7.4	-0.1	-7.3
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.	-3.7	1.3	-4.0	5.3	-5.0	0.0	-4.9	4.6	5.2	0.0	5.2	-0.6	-0.1	-0.5
Dec.	-13.1	-12.5	1.6	-14.1	-0.6	0.0	-0.6	13.0	15.8	-0.4	16.2	-2.8	-0.1	-2.7
2004 Jan.	-8.0	-3.5	-0.8	-2.7	-4.5	0.0	-4.5	-2.9	6.2	0.1	6.1	-9.2	0.0	-9.2

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
2003	-294.2	305.0	-75.7	113.6	-218.6	-171.8	-46.8	191.5	195.2	-3.7
2002 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
Q4	-76.6	91.3	-30.0	59.1	-46.6	-23.1	-23.5	32.2	40.5	-8.3
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.	-26.5	24.2	-5.5	14.4	-21.0	-15.0	-6.0	9.7	9.6	0.1
Dec.	-15.9	6.2	-10.1	17.1	-5.8	2.3	-8.1	-10.8	13.2	-24.0
2004 Jan.	-48.3	36.8	-14.2	-1.4	-34.1	-16.8	-17.2	38.2	21.7	16.5

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				
	Eurosysteem	MFIs excluding Eurosysteem	Non-MFIs			Eurosysteem	MFIs excluding Eurosysteem	Non-MFIs			Eurosysteem	MFIs excluding Eurosysteem	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
2003	-0.3	-14.0	-61.3	.	.	-1.9	-65.2	-104.6	.	.	-0.2	-25.3	-21.3	.	.
2002 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
Q4	0.0	-4.8	-25.1	.	.	0.1	-7.9	-15.2	.	.	-0.1	-15.6	-7.9	.	.
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	-6.9	-	-	0.0	-8.9	-6.1	-	-	-0.1	-2.7	-3.2	-	-
Dec.	0.0	-1.3	-8.8	-	-	0.0	3.3	-1.0	-	-	0.0	-7.6	-0.5	-	-
2004 Jan.	0.0	-1.4	-12.8	-	-	0.0	-11.3	-5.6	-	-	0.1	-16.6	-0.8	-	-

8. Other investment by sector

	Total		Eurosysteem		General government		MFIs (excluding Eurosysteem)						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
2003	-224.8	146.8	-0.7	-3.1	-0.9	-4.0	-151.8	134.7	-62.7	69.3	-89.1	65.4	-71.3	19.3
2002 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
Q4	-71.5	53.9	-0.8	-4.0	3.2	-4.3	-70.9	55.0	-23.0	30.5	-47.8	24.5	-3.0	7.2
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.	-36.5	28.5	0.4	-3.9	0.9	1.6	-36.2	29.9	-7.1	8.2	-29.1	21.7	-1.6	0.9
Dec.	13.0	0.2	-0.9	0.2	0.6	-4.0	5.1	0.5	-7.5	15.3	12.7	-14.8	8.1	3.4
2004 Jan.	-66.4	68.1	-0.2	1.4	-1.4	-4.9	-61.6	75.4	-3.3	-2.2	-58.3	77.6	-3.2	-3.9

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.

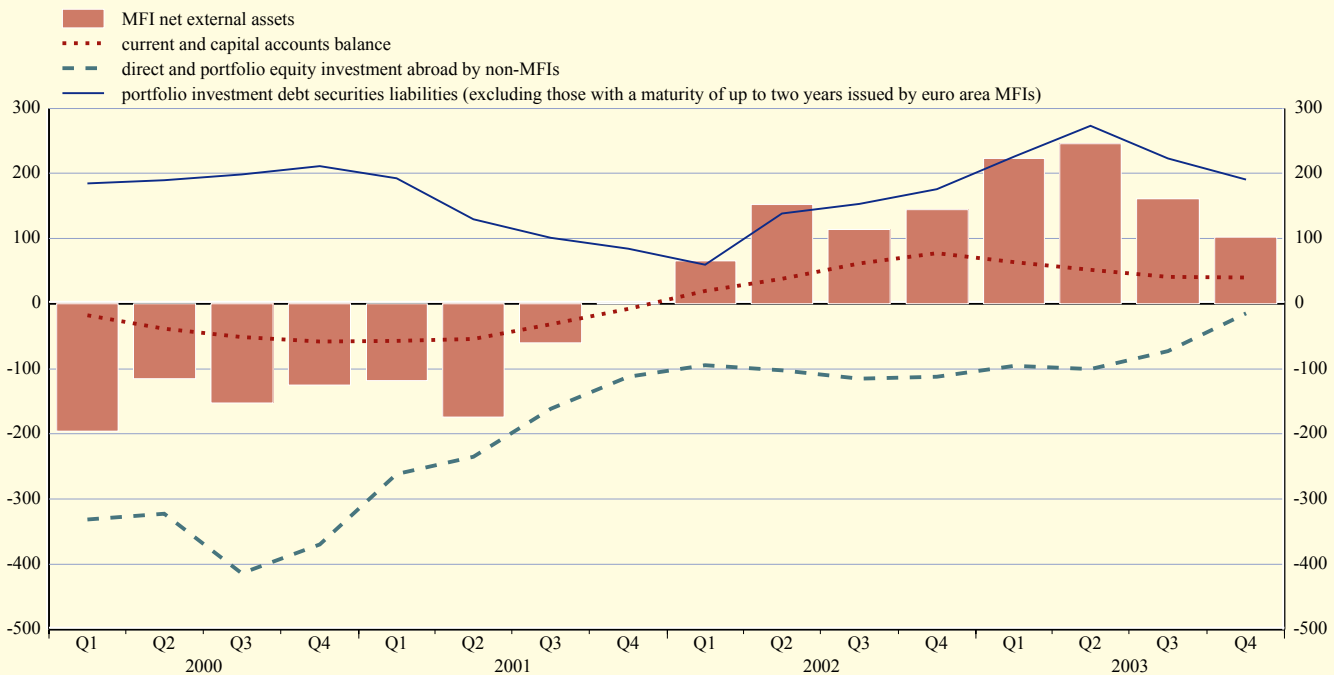
7.2 Monetary presentation of the balance of payments

(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⁾						
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
2003	39.8	-133.1	112.6	-187.2	118.4	190.5	-72.3	15.2	-12.9	31.1	102.2	94.4
2002 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	32.7
Q2	-5.4	-42.1	40.4	-77.3	32.9	133.2	-20.5	0.0	-1.5	38.4	98.1	96.3
Q3	16.2	-28.2	17.5	-50.3	23.5	-7.3	-3.3	-5.8	-4.5	-7.3	-49.4	-50.7
Q4	24.6	-28.3	18.9	-48.2	55.2	18.9	0.2	2.9	-4.4	-20.6	19.1	16.2

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.)					
	Exports	Imports	Total			Memo: Manufactures	Total			Memo: Manufactures	Oil		
			Intermediate	Capital	Consumption		Intermediate	Capital	Consumption				
	1	2	3	4	5	6	7	8	9	10	11	12	13
Values (EUR billions; annual percentage changes for columns 1 and 2)													
2000	21.7	29.4	1,001.1	480.1	217.4	261.4	874.7	1,023.8	589.4	183.0	220.8	744.8	122.5
2001	6.1	-0.9	1,063.6	492.7	236.6	287.8	932.1	1,012.5	576.1	178.4	226.5	738.6	107.9
2002	2.1	-2.7	1,085.5	513.1	228.2	309.9	948.9	985.3	559.7	163.6	234.5	717.4	105.1
2003	-2.8	-0.4	1,056.5	495.9	219.3	297.2	915.6	983.1	547.3	159.8	237.4	707.6	107.9
2002 Q3	3.8	-1.4	272.1	127.7	57.4	78.5	237.9	245.7	139.3	41.7	58.2	180.5	26.4
2002 Q4	2.3	2.5	269.6	127.7	56.8	76.9	235.1	247.1	139.7	40.8	59.4	178.1	27.6
2003 Q1	-1.1	3.4	266.3	125.7	54.8	75.2	230.4	250.3	143.2	41.0	58.5	177.5	29.9
2003 Q2	-5.9	-3.0	259.5	122.9	53.2	72.8	225.5	244.1	134.4	39.3	59.6	177.0	25.5
2003 Q3	-2.6	-2.0	264.6	124.6	55.9	74.5	230.0	241.4	134.3	38.7	59.0	174.8	26.3
2003 Q4	-1.3	0.2	266.1	122.7	55.4	74.6	229.8	247.3	135.5	40.8	60.3	178.3	26.1
2003 Aug.	-5.9	-5.4	88.5	42.2	17.9	24.9	76.8	81.1	45.0	12.9	19.7	57.5	8.8
2003 Sep.	1.5	1.9	88.9	41.8	19.3	25.1	77.7	80.4	45.4	12.7	19.7	58.6	8.9
2003 Oct.	-1.9	-2.1	88.9	40.3	18.2	25.2	76.7	81.3	43.9	13.7	20.2	59.6	8.2
2003 Nov.	-5.7	-2.4	88.1	41.1	18.2	24.8	76.5	83.3	45.4	13.9	20.1	59.3	8.6
2003 Dec.	4.2	5.6	89.1	41.4	18.9	24.6	76.6	82.7	46.1	13.2	20.0	59.4	9.3
2004 Jan.	-3.3	-6.4	89.4	41.5	18.9	24.4	76.6	81.8	45.3	13.1	19.9	59.4	8.3
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
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	108.6	108.1	105.6	98.8	99.1	96.0	99.9	97.6	98.9
2002	3.0	-0.2	108.4	107.9	105.3	116.1	108.4	98.6	99.4	90.3	104.6	96.6	100.8
2003	.	2.8	.	107.3	105.1	.	108.1	101.5	99.5	93.7	109.2	99.2	.
2002 Q3	6.0	2.3	109.3	108.0	106.7	118.5	109.3	99.0	99.3	93.2	104.7	98.0	102.2
2002 Q4	3.5	2.0	108.3	107.6	105.7	115.9	108.3	99.0	98.6	91.6	106.9	97.1	101.2
2003 Q1	1.6	3.6	108.2	107.3	103.8	115.2	107.5	100.5	99.9	95.0	106.8	98.1	97.2
2003 Q2	-2.4	2.0	107.1	106.3	102.4	112.3	106.4	102.1	99.7	92.7	109.6	99.3	103.4
2003 Q3	0.4	1.3	109.6	108.6	107.8	115.0	109.1	100.5	99.2	90.8	108.2	98.3	107.0
2003 Q4	.	4.1	.	106.9	106.5	.	109.4	103.0	99.2	96.2	112.1	101.0	.
2003 Aug.	-2.9	-2.4	110.2	110.1	104.0	115.7	109.5	101.3	99.4	90.9	108.6	97.1	104.1
2003 Sep.	4.5	4.4	110.2	109.1	111.9	116.2	110.5	99.6	99.8	88.6	107.3	98.0	108.3
2003 Oct.	1.6	1.6	110.7	104.9	105.2	116.9	109.7	101.6	97.2	96.2	111.1	100.5	97.2
2003 Nov.	-2.8	0.8	109.4	107.4	105.8	114.6	109.3	103.4	99.0	98.0	111.7	100.4	99.8
2003 Dec.	.	10.5	.	108.4	108.5	.	109.3	104.0	101.4	94.4	113.6	102.0	.
2004 Jan.	.	.	.	.	.	.	.	.	.	.	.	.	.
Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)													
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	100.9	100.7	100.2	101.9	100.9	100.2	98.7	101.5	102.7	101.6	89.1
2002	-0.9	-2.5	100.1	99.1	99.7	102.1	100.0	97.6	95.7	99.0	101.6	99.8	85.2
2003	.	-3.1	.	96.3	95.9	.	96.8	94.7	93.4	93.2	98.5	95.9	.
2002 Q3	-2.0	-3.6	99.5	98.5	99.0	101.4	99.5	97.1	95.3	97.9	100.7	98.9	84.5
2002 Q4	-1.1	0.4	99.5	98.9	98.8	101.5	99.3	97.6	96.3	97.3	100.7	98.5	89.0
2003 Q1	-2.7	-0.2	98.3	97.6	97.2	99.9	98.0	97.4	97.3	94.3	99.3	97.2	100.5
2003 Q2	-3.6	-5.0	96.9	96.3	95.5	99.2	96.9	93.5	91.7	92.8	98.5	95.7	80.5
2003 Q3	-3.0	-3.3	96.5	95.7	95.4	99.1	96.4	93.9	92.0	93.2	98.8	95.6	80.3
2003 Q4	.	-3.7	.	95.7	95.7	.	96.0	93.9	92.8	92.7	97.4	94.9	.
2003 Aug.	-3.1	-3.1	96.3	95.8	94.9	98.9	96.2	93.9	92.2	92.9	98.4	95.4	82.3
2003 Sep.	-2.8	-2.4	96.7	95.8	95.1	99.3	96.4	94.7	92.6	94.1	99.7	96.3	80.1
2003 Oct.	-3.4	-3.7	96.2	95.9	95.6	99.0	95.9	94.0	92.1	93.2	98.9	95.6	82.8
2003 Nov.	-3.0	-3.1	96.5	95.7	95.0	99.2	96.0	94.5	93.5	93.1	97.9	95.2	84.4
2003 Dec.	.	-4.4	.	95.5	96.3	.	96.1	93.3	92.7	91.7	95.5	93.8	.
2004 Jan.	.	.	.	.	.	.	.	.	.	.	.	.	.

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.)												
2000	1,001.1	189.2	39.2	23.6	97.2	63.9	173.2	34.3	153.7	56.5	47.1	126.2
2001	1,063.6	202.1	37.0	24.3	105.9	66.4	180.1	34.5	165.5	60.4	49.9	135.5
2002	1,085.5	205.9	37.1	25.3	112.1	64.0	184.2	33.1	170.4	59.4	43.4	148.5
2003	1,056.5	192.7	38.3	24.8	117.0	63.1	167.1	31.1	170.3	59.2	37.9	.
2002 Q3	272.1	51.4	9.2	6.3	28.2	16.3	46.0	8.4	43.3	15.0	10.5	37.7
Q4	269.6	49.9	9.4	6.4	28.3	15.6	45.3	8.3	42.6	14.4	10.5	37.7
2003 Q1	266.3	48.7	9.6	6.4	28.4	16.5	43.3	7.8	42.2	14.5	10.3	37.9
Q2	259.5	46.9	9.5	6.1	29.2	15.6	41.3	7.6	41.6	14.5	9.6	37.8
Q3	264.6	48.1	9.6	6.3	30.2	15.3	41.6	7.8	43.6	15.2	9.1	39.4
Q4	266.1	49.0	9.7	6.1	29.2	15.7	40.8	8.0	42.9	15.0	8.9	.
2003 Aug.	88.5	16.0	3.2	2.2	10.3	5.1	13.9	2.5	14.7	4.8	2.9	12.7
Sep.	88.9	16.1	3.2	2.1	9.9	5.0	14.3	2.6	15.1	5.2	3.3	13.4
Oct.	88.9	16.1	3.2	2.0	9.8	5.2	13.6	2.7	14.4	5.2	2.9	13.2
Nov.	88.1	16.0	3.2	2.0	9.5	5.4	13.4	2.6	14.4	4.8	3.1	.
Dec.	89.1	16.9	3.2	2.0	9.9	5.2	13.9	2.7	14.1	5.0	2.9	.
2004 Jan.	89.4	.	.	.	.	.	.	.	.	.	.	.
% share of total exports												
2003	100.0	18.2	3.6	2.4	11.1	6.0	15.8	2.9	16.1	5.6	3.6	.
Imports (c.i.f.)												
2000	1,023.8	159.4	38.9	22.2	78.8	50.8	143.6	67.5	217.4	73.7	40.3	133.4
2001	1,012.5	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	204.7	67.8	39.4	140.2
2003	983.1	136.5	36.3	22.8	102.0	50.6	110.8	52.0	214.9	68.7	39.3	.
2002 Q3	245.7	37.1	9.0	5.8	23.5	13.2	31.0	13.4	51.6	16.4	9.8	34.6
Q4	247.1	35.9	9.1	5.9	23.9	12.8	30.4	13.4	52.7	16.8	9.7	35.9
2003 Q1	250.3	35.0	9.1	5.9	24.8	13.2	28.0	13.4	53.2	18.4	9.8	38.3
Q2	244.1	33.9	9.1	5.7	25.1	12.6	28.2	13.1	53.7	16.9	9.7	36.4
Q3	241.4	33.7	9.0	5.6	25.1	12.5	27.7	12.5	53.6	16.8	9.7	36.2
Q4	247.3	34.0	9.1	5.7	27.0	12.3	26.9	12.9	54.5	16.6	10.2	.
2003 Aug.	81.1	11.5	3.0	1.9	7.9	4.2	9.1	4.2	17.6	5.3	3.2	12.1
Sep.	80.4	11.0	3.0	1.9	8.5	4.1	9.3	4.1	18.2	5.7	3.2	12.4
Oct.	81.3	11.3	3.0	1.9	8.8	4.1	9.1	4.2	18.2	5.5	3.3	12.2
Nov.	83.3	11.3	3.1	1.9	9.0	4.1	9.1	4.3	18.0	5.5	3.5	.
Dec.	82.7	11.4	3.0	1.9	9.2	4.1	8.7	4.5	18.3	5.6	3.5	.
2004 Jan.	81.8	.	.	.	.	.	.	.	.	.	.	.
% share of total imports												
2003	100.0	13.9	3.7	2.3	10.4	5.1	11.3	5.3	21.9	7.0	4.0	.
Balance												
2000	-22.8	29.8	0.3	1.5	18.4	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	-4.9
2002	100.3	56.1	1.5	2.4	18.6	11.9	58.5	-19.7	-34.2	-8.4	4.0	8.4
2003	73.4	56.1	1.9	2.0	15.0	12.6	56.3	-21.0	-44.6	-9.5	-1.4	.
2002 Q3	26.4	14.3	0.2	0.5	4.7	3.1	15.1	-5.0	-8.2	-1.4	0.7	3.1
Q4	22.5	14.0	0.3	0.6	4.4	2.8	14.9	-5.1	-10.2	-2.4	0.7	1.8
2003 Q1	15.9	13.6	0.5	0.5	3.6	3.3	15.3	-5.6	-11.0	-4.0	0.5	-0.4
Q2	15.4	13.0	0.4	0.4	4.1	3.0	13.1	-5.6	-12.0	-2.3	-0.1	1.4
Q3	23.2	14.4	0.5	0.7	5.1	2.8	13.9	-4.8	-10.0	-1.6	-0.5	3.2
Q4	18.8	15.0	0.6	0.4	2.2	3.4	14.0	-5.0	-11.6	-1.6	-1.3	.
2003 Aug.	7.4	4.5	0.1	0.3	2.3	0.9	4.8	-1.6	-2.9	-0.5	-0.3	0.6
Sep.	8.5	5.2	0.2	0.2	1.4	0.9	5.1	-1.5	-3.2	-0.5	0.0	1.0
Oct.	7.5	4.8	0.2	0.1	1.0	1.0	4.5	-1.5	-3.8	-0.3	-0.4	1.0
Nov.	4.9	4.7	0.2	0.1	0.5	1.3	4.3	-1.7	-3.6	-0.7	-0.4	.
Dec.	6.4	5.5	0.2	0.1	0.7	1.1	5.2	-1.8	-4.1	-0.6	-0.5	.
2004 Jan.	7.6	.	.	.	.	.	.	.	.	.	.	.

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

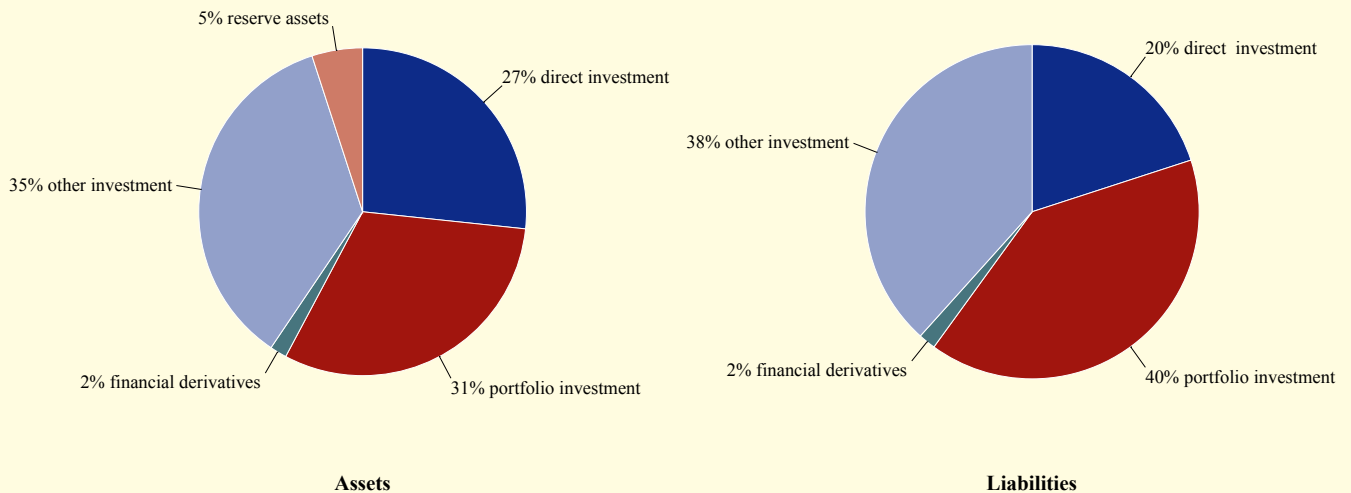
7.4 International investment position

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

1. Summary international investment position

	Total 1	Total as a % of GDP 2	Direct investment 3	Portfolio investment 4	Financial derivatives 5	Other investment 6	Reserve assets 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	110.2	1,897.0	2,521.3	108.4	2,617.9	392.7
2002	7,277.9	102.9	1,937.5	2,270.4	122.6	2,581.3	366.1
Outstanding liabilities							
1999	6,115.1	97.6	804.9	2,950.8	95.1	2,264.3	-
2000	7,138.0	108.5	1,174.0	3,137.5	103.7	2,722.7	-
2001	7,726.8	112.9	1,400.6	3,212.7	106.9	3,006.7	-
2002	7,567.5	107.0	1,512.5	3,026.7	130.7	2,897.6	-

C32 International investment position by item at end-2002



Source: ECB.

7.4 International investment position

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

2. Direct investment

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

3. Portfolio investment by instrument

	Equity		Debt instruments					
	Assets	Liabilities	Assets			Liabilities		
			Total	Bonds and notes	Money market instruments	Total	Bonds and notes	Money market instruments
1	2	3	4	5	6	7	8	
1999	1,013.7	1,698.9	1,044.4	937.1	107.2	1,251.9	1,146.5	105.4
2000	1,183.7	1,606.7	1,167.4	1,045.3	122.2	1,530.8	1,365.5	165.4
2001	1,122.4	1,582.0	1,399.0	1,222.0	176.9	1,630.7	1,460.8	169.9
2002	862.2	1,328.3	1,408.3	1,168.7	239.6	1,698.5	1,518.5	179.9

4. Portfolio investment assets by instrument and sector of holder

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

5. Other investment

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

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

Source: ECB.

7.5 International reserves

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

	Reserve assets													Memo		
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims	Assets	Liabilities	
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities			Financial derivatives		Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency	
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes					Money market instruments
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Eurosysteem																
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 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	-17.5
Dec.	306.5	130.0	393.543	4.4	23.3	148.9	10.0	30.4	107.8	-	-	-	0.7	0.0	20.3	-16.3
2004 Jan.	309.7	127.0	393.542	4.5	23.5	154.7	10.2	32.5	111.7	-	-	-	0.3	0.0	19.3	-17.1
Feb.	298.5	125.4	393.540	4.5	23.3	145.2	10.1	32.6	102.4	-	-	-	0.1	0.0	20.8	-10.9
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 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
2004 Jan.	38.3	8.0	24.656	0.2	0.0	30.1	1.3	6.9	21.9	-	-	-	0.0	0.0	2.5	-2.0
Feb.	36.1	7.9	24.656	0.2	0.0	28.0	1.1	7.7	19.2	-	-	-	0.0	0.0	2.8	-0.4

Source: ECB.



EXCHANGE RATES

8.1 Effective exchange rates

(period averages; index 1999 Q1=100)

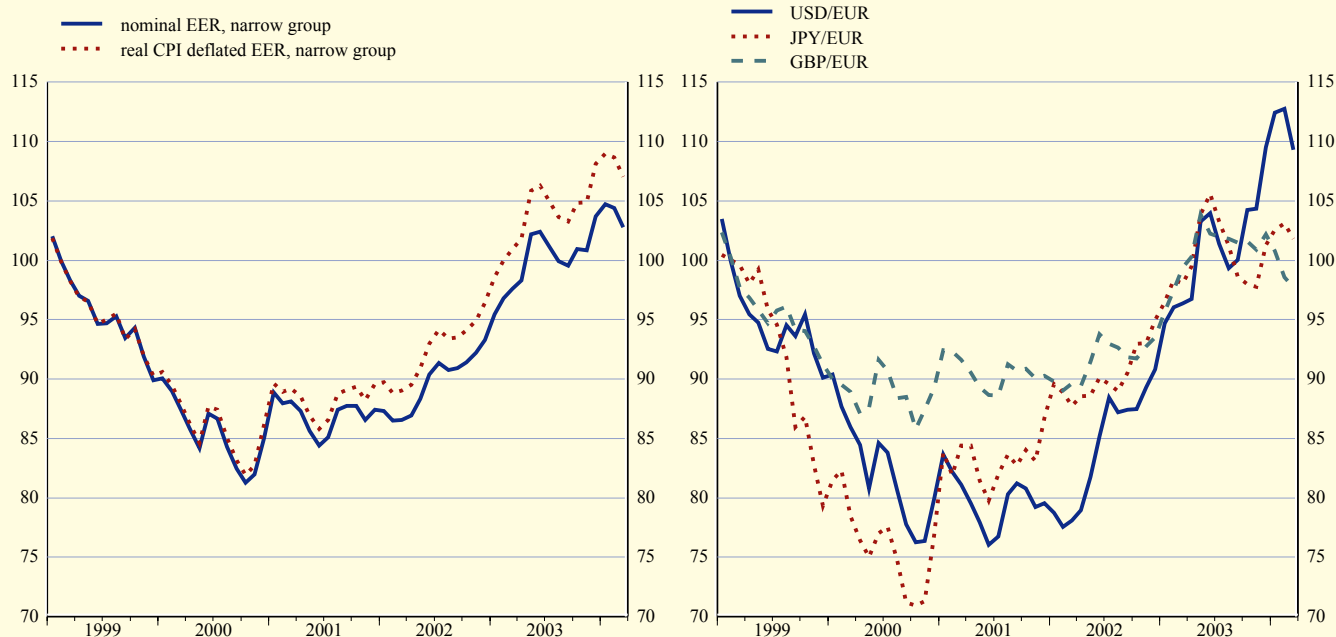
	Narrow group						Broad group	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2001	87.0	88.4	89.6	88.2	88.4	87.2	90.8	87.7
2002	89.7	92.3	93.1	92.0	92.0	91.5	95.4	91.6
2003	99.9	103.6	103.3	103.4	103.6	103.3	106.8	102.0
2003 Q1	96.6	99.8	100.3	99.4	99.0	99.6	103.9	99.1
Q2	101.0	104.7	104.5	104.4	104.7	104.2	107.6	102.8
Q3	100.2	103.9	103.4	103.9	104.0	103.9	106.7	101.9
Q4	101.8	105.9	105.1	106.0	106.6	105.6	109.1	104.3
2004 Q1	103.9	108.2	107.4	-	-	-	111.5	105.9
2003 Mar.	97.6	100.9	101.0	-	-	-	104.8	100.1
Apr.	98.3	101.8	101.7	-	-	-	105.0	100.3
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	101.5
Sep.	99.5	103.3	102.6	-	-	-	106.1	101.4
Oct.	101.0	104.8	104.0	-	-	-	108.0	103.2
Nov.	100.9	104.9	104.2	-	-	-	108.1	103.2
Dec.	103.7	108.1	107.0	-	-	-	111.2	106.4
2004 Jan.	104.7	109.0	108.1	-	-	-	112.3	106.7
Feb.	104.4	108.7	107.9	-	-	-	112.1	106.4
Mar.	102.8	107.0	106.2	-	-	-	110.1	104.6
	<i>% change versus previous month</i>							
2004 Mar.	-1.6	-1.5	-1.5	-	-	-	-1.8	-1.7
	<i>% change versus previous year</i>							
2004 Mar.	5.3	6.1	5.2	-	-	-	5.0	4.5

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
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
2004 Q1	1.2497	0.67987	133.97	1.5686	9.1843	1,464.18	9.7201	7.4495	2.1179	1.6482	8.6310	1.6337	87.22	1.8532	8.4768
2003 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
Feb.	1.2646	0.67690	134.78	1.5734	9.1763	1,474.74	9.8314	7.4511	2.1323	1.6817	8.7752	1.6260	86.72	1.8262	8.5555
Mar.	1.2262	0.67124	133.13	1.5670	9.2346	1,429.40	9.5547	7.4493	2.0838	1.6314	8.5407	1.6370	87.23	1.8566	8.1326
	% change versus previous month														
2004 Mar.	-3.0	-0.8	-1.2	-0.4	0.6	-3.1	-2.8	0.0	-2.3	-3.0	-2.7	0.7	0.6	1.7	-4.9
	% change versus previous year														
2004 Mar.	13.5	-1.7	3.9	6.6	0.1	7.0	13.4	0.3	9.9	2.3	8.9	-8.8	3.5	-4.8	-6.5
	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		
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		
2004 Q1	0.58615	32.860	15.6466	260.00	3.4530	0.6664	0.4283	4.7763	237.6479	40.556	1.9517	40,550	1,665,395		
2003 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		
Feb.	0.58601	32.857	15.6466	263.15	3.4532	0.6698	0.4284	4.8569	237.5123	40.551	1.9535	40,563	1,682,658		
Mar.	0.58598	32.985	15.6466	253.33	3.4528	0.6596	0.4266	4.7642	238.0683	40.400	1.9465	40,029	1,620,374		
	% change versus previous month														
2004 Mar.	0.0	0.4	0.0	-3.7	0.0	-1.5	-0.4	-1.9	0.2	-0.4	-0.4	-1.3	-3.7		
	% change versus previous year														
2004 Mar.	0.5	3.9	0.0	3.1	0.0	5.5	0.8	9.9	2.7	-3.2	-0.2	11.7	-10.2		

Source: ECB.



DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other European countries

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Other EU Member States			Acceding countries									
	Denmark	Sweden	United Kingdom	Czech Republic	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Slovenia	Slovakia
	1	2	3	4	5	6	7	8	9	10	11	12	13
HICP													
2002	2.4	2.0	1.3	1.4	3.6	2.8	2.0	0.4	5.2	.	1.9	7.5	3.5
2003	2.0	2.3	1.4	-0.1	1.4	4.0	2.9	-1.1	4.7	.	0.7	5.7	8.5
2003 Q2	2.2	2.1	1.3	-0.2	0.8	4.7	2.9	-0.6	3.9	.	0.3	5.7	7.9
Q3	1.6	2.3	1.4	-0.2	1.3	2.7	3.5	-0.8	4.7	.	0.7	5.6	8.9
Q4	1.3	1.9	1.3	0.8	1.2	3.2	3.5	-1.2	5.4	.	1.4	5.0	9.4
2003 Sep.	1.7	2.3	1.4	0.0	1.5	3.3	3.2	-0.8	4.6	.	0.7	5.1	9.3
Oct.	1.1	2.0	1.4	0.5	1.2	3.7	3.3	-1.3	4.8	.	1.0	4.9	9.5
Nov.	1.4	2.0	1.3	0.9	1.2	3.8	3.7	-0.9	5.6	.	1.5	5.3	9.5
Dec.	1.2	1.8	1.3	1.0	1.2	2.2	3.5	-1.3	5.6	.	1.6	4.7	9.3
2004 Jan.	1.0	1.3	1.4	2.0	0.6	1.6	4.0	-1.2	6.7	.	1.8	4.0	8.2
Feb.	0.7	0.2	1.3	2.0	0.6	1.4	4.3	-1.2	7.0	.	1.8	3.6	8.4
General government deficit (-)/surplus (+) as a % of GDP													
2001	3.1	2.8	0.8	-	-	-	-	-	-	-	-	-	-
2002	1.7	0.0	-1.5	-	-	-	-	-	-	-	-	-	-
2003	1.5	0.7	-3.3	-	-	-	-	-	-	-	-	-	-
General government gross debt as a % of GDP													
2001	47.8	54.4	38.9	-	-	-	-	-	-	-	-	-	-
2002	47.2	52.6	38.5	-	-	-	-	-	-	-	-	-	-
2003	45.0	51.8	39.3	-	-	-	-	-	-	-	-	-	-
Long-term government bond yield as a % per annum, period average													
2003 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	4.66	4.84	-	-	-	-	-	-	-	-	-	-
Feb.	4.30	4.55	4.88	-	-	-	-	-	-	-	-	-	-
Mar.	4.10	4.32	4.76	-	-	-	-	-	-	-	-	-	-
Real GDP													
2002	1.0	2.1	1.6	2.0	6.0	2.0	6.1	6.8	3.5	1.7	1.3	2.9	4.4
2003	0.0	1.6	2.2	2.9	.	2.0	7.4	.	.	.	.	2.3	4.2
2003 Q2	-0.1	0.6	2.2	2.6	3.5	1.3	6.2	6.7	2.4	0.7	3.8	2.1	3.8
Q3	-0.4	1.7	2.2	3.4	4.6	2.0	7.3	8.8	2.9	1.9	3.9	2.3	4.2
Q4	0.3	2.3	2.7	3.1	.	2.5	7.4	.	.	.	.	2.5	4.7
Current and capital accounts as a % of GDP													
2002	2.1	4.7	-1.6	-6.0	-11.9	-5.4	-7.4	-4.9	-3.7	-1.2	-2.6	1.4	-7.6
2003	3.0	6.5	.	.	-13.2	.	.	.	.	.	.	0.1	.
2003 Q2	3.2	5.8	-3.5	-7.1	-11.0	-3.8	-10.2	-7.3	-8.4	-6.2	-2.0	-0.4	-0.8
Q3	4.6	6.6	-2.6	-7.8	-9.9	11.0	-10.0	-5.3	-6.0	3.2	-1.0	1.9	2.1
Q4	1.8	7.1	.	.	-16.2	.	.	.	.	.	.	-0.7	.
Unit labour costs													
2002	2.0	0.2	2.8	-	2.0	-	0.0	-9.4	8.2	-	-	.	4.4
2003	2.2	1.0	.	-	6.4	-	.	.	.	-	-	.	6.5
2003 Q2	2.2	-	2.9	-	7.4	-	-	-	-	-	-	-	-
Q3	2.7	-	.	-	5.8	-	-	-	-	-	-	-	-
Q4	2.8	-	.	-	.	-	-	-	-	-	-	-	-
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	7.5	19.8	6.1	18.7
2003	5.6	5.6	5.0	7.8	10.1	4.5	10.5	12.7	5.8	8.2	19.2	6.5	17.1
2003 Q2	5.6	5.5	5.0	7.8	10.4	4.5	10.4	13.0	5.8	8.1	19.2	6.5	17.2
Q3	5.8	5.6	4.9	8.0	10.1	4.6	10.4	12.5	5.7	8.4	19.2	6.6	16.8
Q4	6.0	6.0	4.9	8.1	9.7	4.6	10.5	12.0	5.8	8.6	19.1	6.5	16.6
2003 Sep.	5.8	5.7	4.9	8.0	10.0	4.6	10.4	12.4	5.8	8.5	19.2	6.7	16.7
Oct.	5.9	5.9	4.9	8.1	9.8	4.6	10.4	12.2	5.8	8.6	19.1	6.6	16.6
Nov.	6.0	6.0	4.9	8.1	9.7	4.6	10.5	12.1	5.8	8.7	19.1	6.5	16.6
Dec.	6.1	6.0	4.8	8.1	9.6	4.7	10.5	11.9	5.9	8.7	19.1	6.4	16.6
2004 Jan.	6.1	6.0	.	8.2	9.5	4.8	10.5	11.7	5.9	8.8	19.1	6.4	16.7
Feb.	.	6.4	.	8.2	9.4	4.8	10.6	11.6	5.9	.	19.1	6.4	16.7

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

9.2 In the United States and Japan

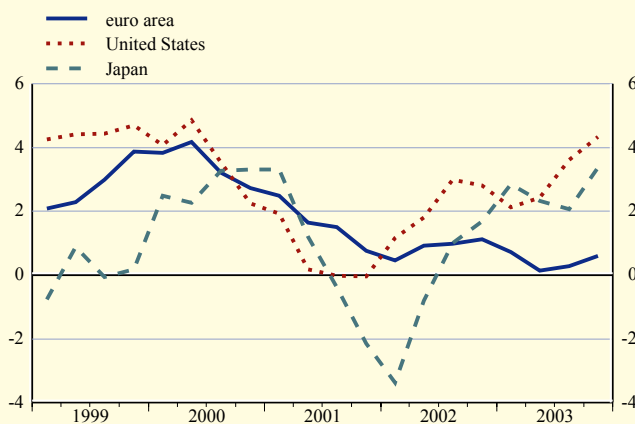
(annual percentage changes, unless otherwise indicated)

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	4.3	3.7	4.8	4.0	9.4	6.53	6.03	0.9236	1.4	44.2
2001	2.8	0.1	0.5	-3.9	4.8	11.4	3.78	5.01	0.8956	-0.5	43.6
2002	1.6	-3.0	2.2	-0.5	5.8	8.0	1.80	4.60	0.9456	-3.4	45.7
2003	2.3	0.4	3.1	0.1	6.0	6.2	1.22	4.00	1.1312	.	.
2003 Q1	2.9	0.4	2.1	0.7	5.8	6.4	1.33	3.90	1.0731	-4.2	46.2
Q2	2.1	1.1	2.4	-1.3	6.1	6.9	1.24	3.61	1.1372	-4.7	47.1
Q3	2.2	0.5	3.6	-0.6	6.1	7.2	1.13	4.22	1.1248	-5.2	47.7
Q4	1.9	-0.6	4.3	1.8	5.9	4.5	1.17	4.27	1.1890	.	.
2004 Q1 ^(p)	.	.	.	.	.	.	1.12	4.00	1.2497	.	.
2003 Nov.	1.8	.	.	1.8	5.9	4.2	1.17	4.29	1.1702	.	.
Dec.	1.9	.	.	2.7	5.7	3.2	1.17	4.26	1.2286	.	.
2004 Jan.	1.9	.	.	2.2	5.6	3.7	1.13	4.13	1.2613	.	.
Feb.	1.7	.	.	3.4	5.6	4.0	1.12	4.06	1.2646	.	.
Mar. ^(p)	.	.	.	.	.	.	1.11	3.81	1.2262	.	.
Japan											
2000	-0.7	-6.0	2.8	5.7	4.7	2.1	0.28	1.76	99.47	-7.4	126.1
2001	-0.7	5.1	0.4	-6.8	5.0	2.8	0.15	1.34	108.68	-6.1	134.6
2002	-0.9	-3.2	-0.4	-1.2	5.4	3.3	0.08	1.27	118.06	.	.
2003	-0.3	-4.1	2.7	3.2	5.3	1.7	0.06	0.99	130.97	.	.
2003 Q1	-0.2	-6.8	2.8	5.5	5.4	1.9	0.06	0.80	127.59	.	.
Q2	-0.2	-3.2	2.3	2.2	5.4	1.6	0.06	0.60	134.74	.	.
Q3	-0.2	-1.8	2.1	0.9	5.2	1.8	0.05	1.20	132.14	.	.
Q4	-0.3	-4.5	3.4	4.1	4.9	1.5	0.06	1.38	129.45	.	.
2004 Q1 ^(p)	.	.	.	.	.	.	0.05	1.31	133.97	.	.
2003 Nov.	-0.5	-3.1	.	2.6	5.2	1.6	0.06	1.38	127.84	.	.
Dec.	-0.4	-6.0	.	5.8	4.5	1.5	0.06	1.35	132.43	.	.
2004 Jan.	-0.3	.	.	4.9	4.9	1.6	0.06	1.33	134.13	.	.
Feb.	0.0	.	.	6.9	5.0	.	0.05	1.25	134.78	.	.
Mar. ^(p)	.	.	.	.	.	.	0.05	1.35	133.13	.	.

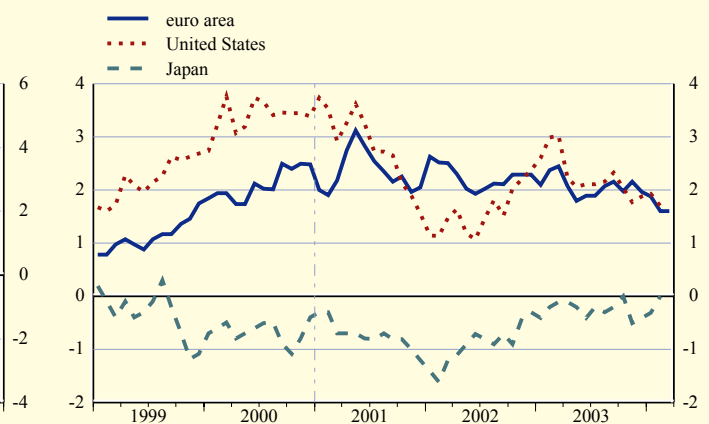
C35 Real gross domestic product

(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

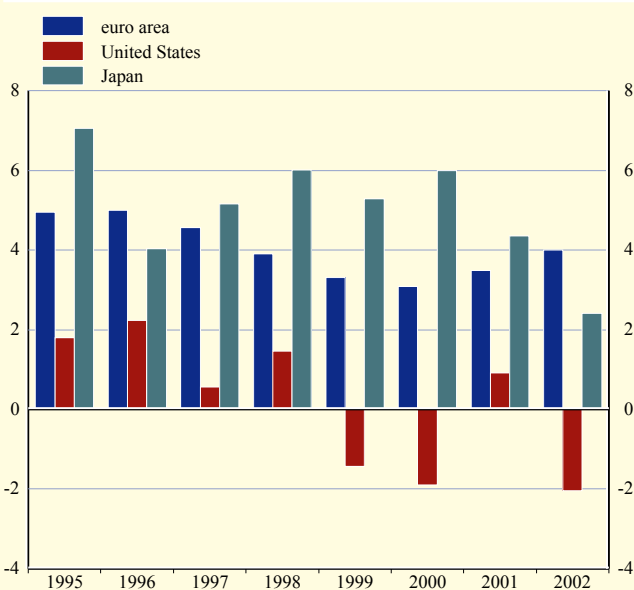
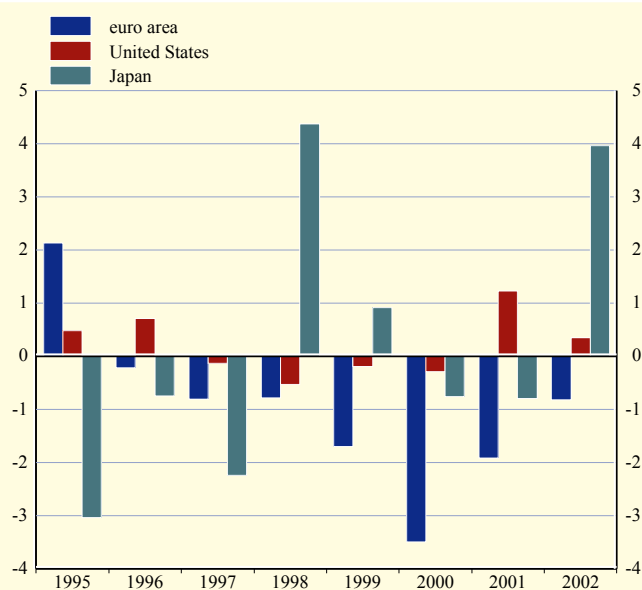
(as a percentage of GDP)

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	Capital expenditures ²⁾	Net acquisition of financial assets	Gross saving ³⁾	Net incurrence of liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13
United States													
2000	18.0	20.8	-4.0	9.4	8.9	12.3	7.5	12.6	2.5	12.7	4.0	11.1	5.9
2001	16.4	19.1	-3.8	7.9	8.3	1.9	7.6	0.6	1.7	13.2	7.0	11.1	6.0
2002	14.7	18.4	-4.4	7.5	7.4	2.3	8.2	1.9	0.0	13.0	5.0	11.3	7.0
2003	13.3	18.4	-4.8	7.3	7.2	5.5	8.6	4.4	0.8	13.2	6.3	11.0	8.4
2002 Q1	15.4	18.3	-4.0	7.3	7.6	1.6	8.1	1.3	0.2	12.9	6.0	11.4	7.1
Q2	15.1	18.4	-4.6	7.4	7.4	2.5	8.2	1.8	0.4	12.9	4.9	11.6	5.8
Q3	14.5	18.5	-4.5	7.6	7.3	2.2	8.1	2.0	-1.6	13.2	4.2	11.3	6.5
Q4	13.8	18.4	-4.7	7.5	7.2	2.8	8.3	2.5	0.9	12.9	4.9	10.8	8.6
2003 Q1	12.9	18.1	-4.9	7.2	7.2	5.7	7.9	5.4	0.7	12.8	5.5	10.6	8.4
Q2	13.2	18.2	-5.0	7.2	7.2	5.5	8.5	4.6	2.1	13.1	12.6	11.3	12.8
Q3	13.2	18.4	-4.7	7.2	7.3	5.2	8.9	3.8	0.2	13.5	5.1	11.5	7.3
Q4	13.8	18.9	-4.7	7.5	7.3	5.5	9.1	4.0	0.4	13.2	2.4	10.6	5.2
Japan													
2000	27.8	26.3	2.3	15.4	15.5	0.9	14.5	-1.0	0.2	5.2	3.9	10.5	-0.1
2001	26.4	25.8	2.0	15.3	15.3	-2.8	14.3	-6.3	0.2	4.9	2.8	8.6	0.2
2002	25.7	23.9	2.8	13.7	14.0	-2.9	15.7	-7.0	-0.9	4.8	0.7	8.5	-2.1
2003	.	24.0	.	.	.	2.6	.	-4.9	-0.5	.	-0.5	.	-0.6
2002 Q1	30.5	23.0	3.4	.	.	9.1	.	-4.9	-3.1	.	-6.6	.	2.5
Q2	24.1	23.4	2.8	.	.	-27.9	.	-23.7	0.8	.	5.8	.	-8.5
Q3	24.5	23.9	2.7	.	.	1.2	.	-9.7	-2.4	.	-6.8	.	-0.6
Q4	24.2	25.2	2.2	.	.	5.9	.	9.2	0.7	.	9.5	.	-1.5
2003 Q1	28.2	23.4	2.8	.	.	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	.	.	.	9.3	.	-2.9	-3.0	.	-5.4	.	1.6
Q4	.	24.9	.	.	.	10.3	.	8.6	1.4	.	9.4	.	-1.2

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

C38 Net lending of households¹⁾
(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.

2) Gross capital formation in Japan. Capital expenditures in the United States include purchases of consumer durable goods.

3) Gross saving in the United States is increased by expenditures on consumer durable goods.

LIST OF CHARTS

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



TECHNICAL NOTES

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

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

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

where I_t is the index of adjusted outstanding amounts as at month t (see also below). Likewise, for the year ending in month t , the average growth rate is calculated as:

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

RELATING TO SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

Monthly transactions are calculated from monthly differences in outstanding amounts adjusted for reclassifications, other revaluations, exchange rate variations and any other changes which do not arise from transactions.

If L_t represents the outstanding amount at the end of month t , C_t^M the reclassification adjustment in month t , E_t^M the exchange rate adjustment and V_t^M the other revaluation adjustments, the transactions F_t^M in month t are defined as:

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

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

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

where L_{t-3} is the amount outstanding at the end of month $t-3$ (the end of the previous quarter)

and, for example, C_t^Q is the reclassification adjustment in the quarter ending in month t .

For those quarterly series for which monthly observations are now available (see below), the quarterly transactions can be derived as the sum of the three monthly transactions in the quarter.

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

Growth rates may be calculated from transactions or from the index of adjusted outstanding amounts. If F_t^M and L_t are defined as above, the index I_t of adjusted outstanding amounts in month t is defined as:

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

The base of the index (of the non-seasonally adjusted series) is currently set as December 2001 = 100. Time series of the index of adjusted outstanding amounts are available on the ECB's website (www.ecb.int) under the "Monetary statistics" sub-section of the "Statistics" section.

The annual growth rate a_t for month t – i.e. the change in the 12 months ending in month t – may be calculated using either of the following two formulae:

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

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

Unless otherwise indicated, the annual growth rates refer to the end of the indicated period. For example, the annual percentage change for the year 2002 is calculated in g) by dividing the index of December 2002 by the index of December 2001.

Growth rates for intra-annual periods may be derived by adapting formula g). For example, the month-on-month growth rate a_t^M may be calculated as:

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

Finally, the three-month moving average for the annual growth rate of M3 is obtained as $(a_t + a_{t-1} + a_{t-2})/3$, where a_t is defined as in f) or g) above.

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

Following the entry into force on 1 January 2003 of ECB Regulation ECB/2001/13, a number of breakdowns of MFI balance-sheet data, previously reported at a quarterly frequency, are now available monthly – thus providing monthly data on, for example, loans to households. However, for the time being and until at least a full year of monthly data becomes available, growth rates will continue to be calculated on the basis of the quarterly data.

If F_t^Q and L_{t-3} are defined as above, the index I_t of adjusted outstanding amounts for the quarter ending in month t is defined as:

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

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

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS¹

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:

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

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:

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

As a base, the index is set equal to 100 on December 2001. The growth rate a_t for month t corresponding to the change in the 12 months ending in month t , may be calculated using either of the following two formulae:

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

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

The method used to calculate the growth rates for securities other than shares is the same as that used for the monetary aggregates, the only difference being that an “N” is used rather than an “F”. The reason for this is to distinguish between the different ways of obtaining “net issues” for securities issues statistics, where the ECB collects information on gross issues and redemptions separately, and “transactions” used for the monetary aggregates.

The calculation formula used for Section 4.3 is also used for Section 4.4 and is likewise based on that used for the monetary aggregates. Section 4.4 is based on market values and the basis for the calculation are financial transactions, which exclude reclassifications,

revaluations or any other changes that do not arise from transactions. Exchange rate variations are not included as all quoted shares covered are denominated in euro.

RELATING TO TABLE I IN SECTION 5.1**SEASONAL ADJUSTMENT OF THE HICP⁴**

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” subsection include a browser interface with search facilities, subscription to different datasets and a facility for downloading data directly as compressed Comma Separated Value (CSV) files. For further information, please contact us at: statistics@ecb.int.

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 31 March 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.

In the tables, the term “up to (x) years” means “up to *and including* (x) years”.

OVERVIEW

Developments in key indicators for the euro area are summarised in an overview table.

MONETARY POLICY STATISTICS

Section 1.4 shows statistics on minimum reserve and liquidity factors. 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 sector¹, as last amended by Regulation ECB/2003/10².

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

1 OJL 356, 30.12.1998, p. 7.

2 OJL 250, 2.10.2003, p. 19.

the ESA 95). The data cover non-seasonally adjusted amounts outstanding and financial transactions classified according to the ESA 95 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 95³. 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 statistics⁴. 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 2001⁵. 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 OJL 162, 5.6.1998, p. 1.

⁵ OJL 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 2000⁶ 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). The difference for imports accounted for around 5% in the recent years (ECB estimate), a significant part of which relates to the inclusion of insurance and freight services in the external trade data (c.i.f. basis).

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, updated on 8 March 2004. 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 EUROSYSTEM¹

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 €20 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 €20 billion to €15 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 180 of the ECB's Annual Report 1999, on pages 205 to 208 of the ECB's Annual Report 2000 and on pages 219 to 220 of the ECB's Annual Report 2001 respectively.

improve the operational framework for monetary policy:

First, 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.

Second, 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 €15 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 €15 billion to €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, 4 MARCH 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.

10 MARCH 2004

In accordance with the Governing Council's decision of 23 January 2003, the maturity of the Eurosystem's main refinancing operations is reduced from two weeks to one week and the maintenance period for the Eurosystem's required reserve system is redefined to start on the settlement day of the main refinancing operation following the Governing Council meeting at which the monthly assessment of the monetary policy stance is pre-scheduled, rather than on the 24th day of the month.

1 APRIL 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 JANUARY 2003

This list is designed to inform readers about selected documents published by the European Central Bank since January 2003. For Working Papers, the list only refers to publications released between January and March 2004. The publications are available to interested parties free of charge from the Press and Information Division. Please submit orders in writing to the postal address given on the back of the title page.

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

ANNUAL REPORT

"Annual Report 2002", April 2003.

MONTHLY BULLETIN ARTICLES

- "The demand for currency in the euro area and the impact of the euro cash changeover", January 2003.
- "CLS – purpose, concept and implications", January 2003.
- "The relationship between monetary policy and fiscal policies in the euro area", February 2003.
- "Exchange rate regimes for emerging market economies", February 2003.
- "The need for comprehensive reforms to cope with population ageing", April 2003.
- "Developments in general economic statistics for the euro area", April 2003.
- "A bank lending survey for the euro area", April 2003.
- "Recent trends in residential property prices in the euro area", May 2003.
- "Electronification of payments in Europe", May 2003.
- "The adjustment of voting modalities in the Governing Council", May 2003.
- "The outcome of the ECB's evaluation of its monetary policy strategy", June 2003.
- "Trends in euro area gross fixed capital formation", July 2003.
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- "Changes to the Eurosystem's operational framework for monetary policy", August 2003.
- "Recent developments in the euro area banking sector", August 2003.
- "Developments in the euro area's international cost and price competitiveness", August 2003.
- "Recent developments in financial structures of the euro area", October 2003.
- "The integration of Europe's financial markets", October 2003.
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- "Crisis resolution in emerging market economies – challenges for the international community", November 2003.
- "The international role of the euro: main developments since the inception of Stage Three of Economic and Monetary Union", November 2003.
- "EMU and the conduct of fiscal policies", January 2004.
- "Opinion survey on activity, prices and labour market developments in the euro area: features and uses", January 2004.
- "Measuring and analysing profit developments in the euro area", January 2004.
- "The acceding countries' economies on the threshold of the European Union", February 2004.
- "Developments in private sector balance sheets in the euro area and the United States", February 2004.
- "The impact of fair value accounting on the European banking sector – a financial stability perspective", February 2004.

- “Fiscal policy influences on macroeconomic stability and prices”, April 2004.
- “Future developments in the TARGET system”, April 2004.
- “The Barcelona partner countries and their relations with the euro area”, April 2004.

OCCASIONAL PAPER SERIES

- 8 “An introduction to the ECB’s survey of professional forecasters” by J. A. Garcia, September 2003.
- 9 “Fiscal adjustment in 1991-2002: stylised facts and policy implications” by M. G. Briotti, February 2004.
- 10 “The acceding countries’ strategies towards ERM II and the adoption of the euro: an analytical review” by a staff team led by P. Backé and C. Thimann and including O. Arratibel, O. Calvo-Gonzalez, A. Mehl and C. Nerlich, February 2004.
- 11 “Official dollarisation/euroisation: motives, features and policy implications of current cases” by A. Winkler, F. Mazzaferro, C. Nerlich and C. Thimann, February 2004.
- 12 “Understanding the impact of the external dimension on the euro area: trade, capital flows and other international macroeconomic linkages” by R. Anderton, F. di Mauro and F. Moneta, March 2004.

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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.

