



EUROPEAN CENTRAL BANK

MONTHLY BULLETIN  
JUNE

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## ABBREVIATIONS

### COUNTRIES

BE	Belgium	HU	Hungary
CZ	Czech Republic	MT	Malta
DK	Denmark	NL	Netherlands
DE	Germany	AT	Austria
EE	Estonia	PL	Poland
GR	Greece	PT	Portugal
ES	Spain	SI	Slovenia
FR	France	SK	Slovakia
IE	Ireland	FI	Finland
IT	Italy	SE	Sweden
CY	Cyprus	UK	United Kingdom
LV	Latvia	JP	Japan
LT	Lithuania	US	United States
LU	Luxembourg		

### OTHERS

BIS	Bank for International Settlements
b.o.p.	balance of payments
BPM5	IMF Balance of Payments Manual (5th edition)
CD	certificate 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
MFI	monetary financial institution
NACE Rev. 1	Statistical classification of economic activities in the European Community
NCB	national central bank
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 3 June 2004, the Governing Council of the ECB decided to leave the minimum bid rate on the main refinancing operations of the Eurosystem unchanged at 2.0%. The interest rates on the marginal lending facility and the deposit facility were also left unchanged at 3.0% and 1.0% respectively.

The decision to leave the key ECB interest rates unchanged reflects the Governing Council's assessment that the medium-term outlook remains in line with price stability. The low level of interest rates continues to support the economic recovery. Over recent months, the economic recovery has strengthened. At the same time, stronger inflationary pressures have been witnessed over the short term. The Governing Council will remain vigilant with regard to all developments which could affect the risks to price stability over the medium term.

As regards the economic analysis underlying the Governing Council's assessment, the latest data releases confirm that the economic recovery in the euro area is under way. According to Eurostat, real GDP grew by 0.6% quarter on quarter in the first quarter of this year, and the rate of growth for the fourth quarter of last year was revised upwards from 0.3% to 0.4%. The more pronounced pace of real GDP growth at the beginning of 2004 mainly reflected stronger private consumption and buoyant exports. Latest survey data still provide mixed signals with regard to the underlying strength of the recovery but remain fully consistent with ongoing growth in the current quarter.

Looking ahead, the conditions for a continuation of the recovery remain in place. Economic growth outside the euro area continues to be strong and should promote euro area export growth. On the domestic side, investment should benefit from the positive global environment as well as from the favourable financing conditions and higher profits. Moreover, private consumption should gradually recover from the stagnation witnessed

during most of 2003, broadly in line with growth in real disposable income, which should be further underpinned by an increase in employment growth later on.

Against this background, the recovery in euro area economic growth is expected to continue over the coming quarters, leading to a broader and stronger upswing in the course of next year. This view is also reflected in the Eurosystem staff projections, which envisage euro area real GDP growth of between 1.4% and 2.0% on average in 2004, rising to between 1.7% and 2.7% in 2005. Available forecasts from international and private organisations convey a broadly similar picture.

Risks and uncertainties surrounding this scenario exist in both directions. On the one hand, the rather robust pace of economic growth outside the euro area, the recent development in private consumption, as well as some survey data imply a potential for stronger growth dynamics, particularly in the short term. On the other hand, high oil prices could pose a downside risk. Over a longer horizon, concerns remain about the persistence of global imbalances.

Concerning prices, recent oil price developments have created considerable upward pressure on consumer prices. According to Eurostat's flash estimate, annual HICP inflation was 2.5% in May, partly due to base effects, after standing at 2.0% in April. If oil prices were to remain at their recent high levels, it is to be expected that inflation rates would continue to be higher than previously anticipated and stay above 2% for longer than just a few months ahead. When assessing price trends over the medium term, however, the outlook remains favourable. In particular, overall import price developments should remain moderate, as should inflationary pressure from wages and unit labour costs. These factors should help to bring annual rates of consumer price inflation back to below 2% in 2005.

These views are in line with the Eurosystem staff projections, which put average annual HICP inflation at between 1.9% and 2.3% in 2004 and between 1.1% and 2.3% in 2005. They are also broadly consistent with recently released forecasts by international and private organisations.

These forecasts and projections are subject to a number of risks and uncertainties. Concerns relate in particular to oil price developments. Moreover, there is insufficient knowledge today about future changes in indirect taxes and administered prices; information on these items typically becomes available only towards the end of the year. In addition, the potential risk of second-round effects via wages needs to be monitored closely. Finally, there has been an increase in measures of long-term inflation expectations derived from financial market indicators. While these measures should be interpreted with caution, the recent upward trend calls for particular vigilance.

Moving on to the monetary analysis, there is increasing evidence of a normalisation of the portfolio behaviour of private investors. As a consequence, annual M3 growth has fallen quite significantly over recent quarters. Still, the low level of interest rates continues to fuel monetary growth and the amount of excess liquidity remains high in the euro area. In an economic upswing, the persistence of excess liquidity could lead to inflationary pressures over the medium term.

In summary, the economic analysis indicates that the main scenario for the outlook for price developments over the medium term remains in line with price stability. However, short-term inflationary pressures have increased recently and some upside risks need to be taken into account. Cross-checking with the monetary analysis also supports the case for vigilance with regard to the materialisation of risks to price stability.

Given the signs that the economic recovery will continue, it is particularly important that fiscal

policies and structural reforms play their part in improving the economic fundamentals of the euro area. It is regretful that recent fiscal developments have not been helpful in this respect. A growing number of countries are reporting significant imbalances and fiscal consolidation efforts fall disappointingly short of commitments. In order to strengthen confidence in a sustainable upswing, it is now essential that clarity about the future course of consolidation of fiscal policies is re-established in all countries concerned. This requires credible measures with an emphasis on structural expenditure reform so that imbalances are redressed, tax/benefit systems become more growth-friendly and social security systems are put on a sound financial footing. These measures, together with a revived momentum towards effectively implementing structural reforms in labour and product markets, would provide very valuable support to the current economic upswing.

At its meeting on 3 June 2004, the Governing Council decided that, in addition to the Eurosystem staff projections published in the June and December issues of the Monthly Bulletin, the interim ECB staff projections would be published in the March and September issues from September 2004 onwards. This decision reflects the positive experience gained over the past few years with the publication of macroeconomic projections, but does not change the role of these projections as only one of the inputs into the Governing Council's deliberations. The Governing Council continues to base its monetary policy decisions on a comprehensive economic analysis, which is cross-checked with the monetary analysis.



# THE EUROSISTEM AND THE EUROPEAN SYSTEM OF CENTRAL BANKS



The Treaty establishing the European Community (EC Treaty) and the Statute of the European System of Central Banks and of the European Central Bank, which is annexed as a protocol to the EC Treaty, confer several tasks on the European System of Central Banks (ESCB). These tasks have to be carried out by the European Central Bank (ECB) and the national central banks (NCBs) of all Member States of the European Union (EU). Under the acronym “ESCB” referred to in the EC Treaty two realities coexist. On the one hand, “ESCB” refers to the ECB and the NCBs of all the EU Member States. On the other hand, and by the effect of other provisions, “ESCB” also refers to the ECB and the central banks of only those EU Member States that have adopted the euro.

## THE EUROSISTEM

To enhance transparency and facilitate public understanding of the structure of the central banking system of the euro area, the Governing Council of the ECB has adopted the term “Eurosystem” in its communication with the public. The term Eurosystem denotes the ECB and the NCBs of those Member States that have adopted the euro in Stage Three of Economic and Monetary Union (EMU). There are currently 12 NCBs in the Eurosystem (the “euro area NCBs”).<sup>1</sup>

<sup>1</sup> The NCBs of Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland.



## THE EUROPEAN SYSTEM OF CENTRAL BANKS (ESCB)

If and for as long as there are Member States that have not yet adopted the euro (which is currently the case for Denmark, Sweden, the United Kingdom and the ten Member States that joined the EU on 1 May 2004), it will be necessary to make a distinction between the Eurosystem and the ESCB. If and when all EU Member States join the euro area, the term “Eurosystem” will become a synonym for the ESCB. For the time being, there are 13 “non-euro area” NCBs.<sup>2</sup>

## DECISION-MAKING BODIES

The Eurosystem is governed by the Governing Council and the Executive Board of the ECB (see Articles 8 and 9.3 of the Statute of the ESCB). The *Governing Council* comprises all the members of the Executive Board and the governors of the NCBs of the Member States that have adopted the euro. The *Executive Board* comprises the President and Vice-President of the ECB and four other members appointed by the Heads of State or Government of the Member States that have adopted the euro.

The ESCB is governed by the Governing Council, the Executive Board and the General Council. The *General Council* has been constituted as a third decision-making body of the ECB, if and for as long as there are Member States which have not yet adopted the euro (see Article 45.1 of the Statute of the ESCB). It comprises the President and Vice-President of the ECB and the governors of the NCBs of all the current 25 EU Member States.

<sup>2</sup> Following the enlargement of the European Union, the ESCB was joined by the ten NCBs of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia.

# ECONOMIC AND MONETARY DEVELOPMENTS

## I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

*Latest data releases confirm the strength of the recovery in the global economy over recent months. However, the rise in oil prices, if sustained, could raise concerns about growth prospects and inflationary pressures.*

### I.1 DEVELOPMENTS IN THE WORLD ECONOMY

Growth has continued to strengthen and to extend across regions and sectors above earlier expectations, supported by a strong recovery of private consumption, investment and trade. At the same time, however, oil prices in particular increased, driven partly by buoyant demand. A continuation of this trend may weigh on inflation expectations and growth prospects. Conditions in financial markets have remained favourable, although long-term interest rates increased and stock markets corrected some of the sharp increases recorded in 2003, mainly reflecting market uncertainty regarding future interest rate and oil price developments.

#### UNITED STATES

In the United States, economic growth continued to be robust and has been becoming increasingly broad-based. Preliminary data for the first quarter of 2004 indicate that real GDP grew by 4.4% (quarter on quarter annualised), reflecting strong domestic demand. Net exports continued to subtract from GDP growth. Indications of sustained growth were also given by industrial production, which rose by 4.8% in the year to April, and total capacity utilisation, which increased to 76.9% in April, almost three percentage points higher than in April 2003 but still well below its average value of the last three decades.

Looking ahead, growth in private business investment spending is expected to remain strong following favourable financing conditions, robust corporate profitability and the need to replace and upgrade fixed capital given weak investment in the period from 2001 to 2003. Furthermore, durable goods orders, indices of business confidence and regional surveys continue to point towards a sustained expansion in both the manufacturing and services sectors. Private consumption is expected to continue to expand, albeit at a slower pace than in recent quarters. The effect of the fiscal stimulus and the returns from mortgage refinancing on disposable income is diminishing, but in the near future it will be partly offset by favourable developments in non-farm payroll employment and labour income.

Annual CPI inflation rose to 2.3% in April 2004, up from 1.7% in March. Excluding food and energy, annual CPI inflation increased by 0.2 percentage point to 1.8% in April. The personal consumption expenditures price index excluding food and energy rose to 1.4% (year on year) in March, up from 1.2% in February.

#### JAPAN

In Japan, the growth momentum remains robust. In the first quarter of 2004, real GDP grew by 1.4% quarter on quarter, after 1.7% in the previous quarter. The GDP figures confirmed that the strength of external demand has fed into the domestic sector. Private consumption expenditure grew robustly, by 1% quarter on quarter, despite a fall in real compensation per employee. Non-residential investment spending, a main contributor to growth in the previous quarter, slowed somewhat in the first quarter of 2004. At the same time, public investment further declined, reflecting continued efforts by the Japanese government towards fiscal consolidation. Turning to external demand, export growth decreased, to 3.9% (quarter on quarter) in the first quarter, with relative growth contributions of exports to Europe, Asia and the United States becoming more balanced. Despite a simultaneous

slowdown in import growth, the contribution from net exports declined slightly to 0.3 percentage point.

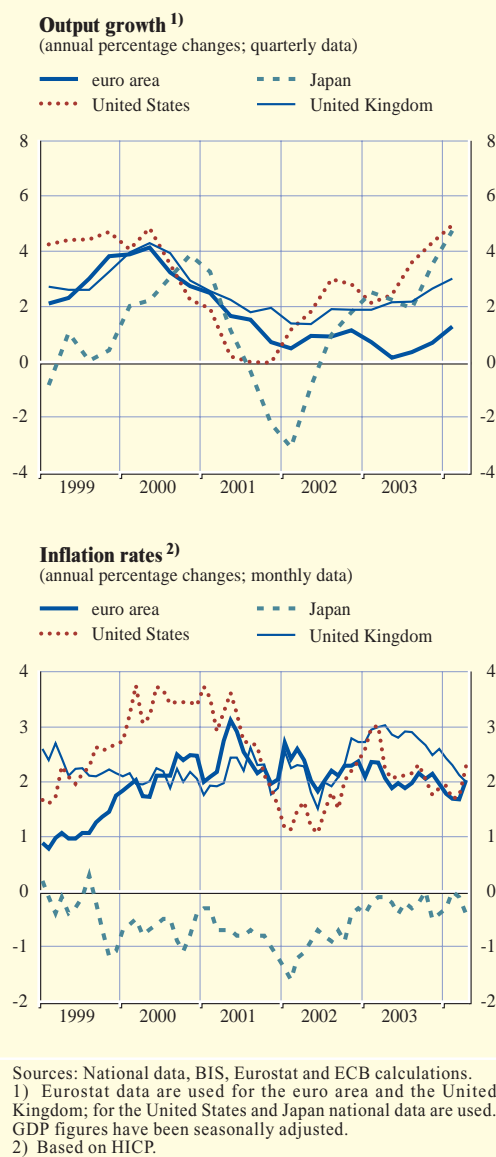
The Japanese economy is expected to continue its expansion, albeit at a more moderate rate than that observed in the two most recent quarters. Exports are expected to benefit from robust global activity, while a gradual improvement in the labour market and income situation should benefit domestic demand. Private investment is expected to remain relatively strong, as suggested by solid growth in corporate profits and improving business sentiment. The improving economic situation is likely to spill over increasingly to the household sector. However, ongoing efforts by companies to contain labour costs, highlighted by sluggish compensation per employee and a high growth of part-time employment relative to full-time employment, resulting in smaller income gains, may dampen private consumption.

As for price developments, some deflationary pressures still prevail. In April 2004 the annual rate of change of the CPI stood at -0.4%, while the CPI excluding fresh food was -0.2%. The GDP deflator, which declined by 2.6% year on year in the first quarter, signalled more pronounced deflationary pressures. In the March semi-annual outlook for output and prices, the Bank of Japan's median forecast for the rate of change of the CPI excluding fresh food in the 2004 fiscal year was revised upwards to -0.2% from -0.3% in October. Against this background, the Bank of Japan left its target for the outstanding balance of the current accounts unchanged at JPY 30-35 trillion at its meeting on 20 May.

### UNITED KINGDOM

In the United Kingdom, the economy continued to grow in the first quarter of 2004, with real GDP increasing at a quarterly rate of 0.6%, compared with 0.5% in the fourth quarter of 2003. In the first quarter of 2004, growth was mainly driven by domestic demand, in particular household spending (0.9% quarter on quarter) reflecting stronger income growth, robust labour market conditions, buoyant household borrowing and a strong housing market. Significant growth was also recorded in gross fixed capital formation (1.1% quarter on quarter) – driven by increased investment in all broad asset types except transport equipment – and in government consumption. Net exports contributed negatively to real GDP growth in the first quarter of 2004. GDP growth is expected to remain vigorous and above trend in the near term.

**Chart I Main developments in major industrialised economies**



Annual HICP inflation remained well below the 2% target based on the harmonised EU inflation index (1.2% in April after 1.3% in the first quarter of 2004). House price inflation has picked up again since the autumn and indicators of housing market activity point to continuing buoyancy in the near term. Annual growth in whole economy earnings was 5.2% in the year to March 2004, reflecting a strong increase in bonuses. Excluding bonuses, growth in pay also increased but remained low compared with productivity growth.

On 6 May 2004, the Bank of England's Monetary Policy Committee (MPC) raised the repo rate by 0.25 percentage point to 4.25%. The MPC justified its decision by referring to the strong macroeconomic performance of the UK economy, with growth at or above trend and business surveys consistent with a further strengthening. In the light of the inflationary pressure likely to accumulate as a result of a diminishing margin of spare capacity and high earnings growth, the MPC considered it necessary to increase the repo rate in order to keep inflation on track and thereby meet the medium-term target.

#### OTHER EUROPEAN COUNTRIES

In Denmark, real GDP growth picked up to a quarterly rate of 0.6% in the first quarter of 2004, implying a year-on-year increase of 1.1%. Private consumption and an increase in inventories were the principal driving forces during the first quarter. However, gross fixed capital formation, most notably non-residential building and transport investments, deteriorated significantly and contributed negatively to domestic demand. The annual rate of HICP inflation declined slightly to 0.5% in April 2004 compared with 0.7% in the first quarter of 2004, mainly as a result of a base effect from energy prices and low import prices. Looking ahead, real GDP growth is expected to further increase, supported by strengthening investment and private consumption.

In Sweden, quarter-on-quarter real GDP rose by 0.7% in the fourth quarter of 2003 (2.3% year on year), compared with 0.6% in the third quarter. Household consumption and changes in stocks were the main contributors to output growth, while net exports had a negative impact. Annual HICP inflation stood at 1.1% in April 2004, up from an average of 0.6% in the first quarter of 2004, largely resulting from a base effect of rising energy prices in early 2003. At its meeting on 31 March, Sveriges Riksbank lowered the repo rate from 2.5% to 2.0%, based on the assessment that CPI inflation will remain below the bank's target of 2%  $\pm$  1 percentage point over the forecast period as a result of lower domestic and international cost pressures. At the same time, real GDP is expected to strengthen in line with a recovery in investment owing to low interest rates, higher capacity utilisation and growing confidence.

In the new EU Member States, the economic picture seems to have strengthened over the past few months. In Poland, the economy continued to recover with real GDP growing by 4.7% (year on year) in the fourth quarter of 2003. Growth was mainly driven by a strong performance of the export sector and more recently by improving domestic demand. Short-term indicators suggest that the economy further accelerated in the first quarter of 2004. Annual HICP inflation stood at 2.3% in April 2004, up from an average of 1.8% in the first quarter of 2004. This increase was largely the result of developments in food and energy prices.

In the Czech Republic, real GDP grew by 3.1% (year on year) in the fourth quarter of 2003. Annual real GDP growth in the fourth quarter of 2003 was driven by private consumption and gross fixed capital formation, whereas the contribution of net exports was negative. Activity indicators in early 2004 remained positive, underpinned by robust construction and industrial output growth as well as by booming exports. Annual HICP inflation, broadly stable

since January 2004 when changes in indirect taxes and increases in regulated prices caused a rise in inflation, stood at 2.0% in April.

In Hungary, the recovery that had begun in the third quarter of 2003 continued in the fourth quarter, with annual real GDP growth reaching 3.6%. The key driver was private consumption, but investment and export growth picked up as well. Preliminary data suggest that GDP growth has continued to increase in the first quarter of 2004, reaching 4.2% (year on year), supported by strong investment. In the first quarter of 2004, annual HICP inflation rose to 6.8%, increasing further to 7.0% in April. Increases in VAT and other indirect taxes at the beginning of the year were the main factors behind these developments. Since early March, Magyar Nemzeti Bank has reduced its policy rate in three steps by a total of one percentage point to 11.50%.

In the smaller new EU Member States, output growth remained generally robust around the turn of the year and during the first few months of 2004, with industrial production growth particularly buoyant in the Baltic States and Slovakia. The recovery seems to be more moderate in Slovenia, Malta and Cyprus. Inflation picked up in some of the smaller new EU Member States, including Latvia, mostly reflecting VAT changes or rises in import prices. In some other smaller new Member States, inflation slowed, for example in Slovenia where inflation has gradually declined since November 2003 to 3.6% in April this year. Some moderation of inflation was also recorded in Slovakia, although HICP inflation, standing at 7.8% in April, was still the highest among the new EU Member States (largely owing to earlier changes to regulated prices and indirect taxes).

In Switzerland, quarter-on-quarter real GDP rose by 0.4 % in the first quarter of 2004, confirming the strengthening of the economic recovery observed since the second half of last year. Owing to the increased confidence of households and businesses, domestic demand contributed positively to growth. The improved world economy also led to a robust increase in exports. Looking ahead, recent leading indicators support a continuation of growth momentum. With regard to price developments, annual CPI inflation was 0.5% in April, compared with -0.1% in March. Although part of this increase was a result of specific factors, the disinflationary trend observed since the end of last year seems to have come to an end.

Finally, in Russia, the economy has continued to expand rapidly. GDP rose by 8.0% (year on year) in the first quarter of 2004 in a context of high oil prices, strong investment and private consumption.

#### **NON-JAPAN ASIA**

In non-Japan Asia (NJA), economic activity accelerated further in the first quarter of 2004. Benefiting from a recovery in global demand for ICT-related products and strong US and Chinese demand, exports grew rapidly in almost all major NJA economies. Domestic demand was buoyant, particularly in China, India, Singapore, Taiwan and Thailand. Inflation was generally subdued, except in China and Thailand, where inflationary pressures were building.

In China, the economy continued to grow strongly in the first quarter of 2004. GDP growth reached 9.8% (year on year), much higher than the government's target of 7% for 2004. In the first quarter of 2004, fixed assets investment surged to 47.8%, and industrial value added grew 17.7%. In the first four months of 2004, imports grew faster than exports, resulting in a trade deficit of USD 10.7 billion. CPI inflation surged to 3.8% in April, the highest in seven years. Various agencies of the Chinese government appeared to reach a consensus in diagnosing the economy as "overheated" in March, and have adopted a

series of corrective measures including tighter control of land use and stricter lending to the steel, cement, aluminium and property sectors. Against this background, the People's Bank of China raised the reserve requirement ratio for commercial banks by another 50 basis points to 7.5% (8% to some smaller banks with a low capital adequacy ratio) at the end of April.

In South Korea, economic activity continued to accelerate, with GDP growing by 5.3% (year on year) in the first quarter of 2004. This positive performance could be almost entirely attributed to net exports, whereas domestic demand remained very weak. Private consumption shrunk again on an annual basis in the first quarter of 2004. Core CPI inflation remained below the 3% target by the central bank.

Turning to the outlook, economic prospects remained favourable in non-Japan Asia, reflecting internal growth dynamics. In particular private consumption is expected to continue to improve in major economies of the region.

## LATIN AMERICA

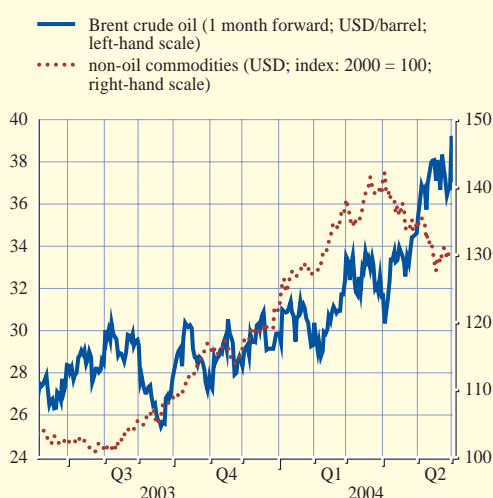
In Latin America, the latest information shows further evidence of economic recovery. The Mexican economy has made a considerable improvement in recent months. In the first quarter of 2004, industrial production exhibited the largest (year-on-year) expansion in more than three years. In Brazil, industrial production continued to be above the levels of a year ago for the seventh consecutive month in March 2004. Export and business investment activity has remained buoyant while consumer expenditures have remained subdued. The Argentinean economy is still growing at a very rapid pace. This favourable performance has taken place amid ongoing uncertainty about the country's external debt negotiations, and is expected to slow down somewhat in light of the recent outbreak of an energy shortfall.

## 1.2 COMMODITY MARKETS

Oil prices increased in May, driven partly by strong demand. The escalation of violence in the Middle East, in particular heightened concerns over the security of oil supplies, put upward pressure on prices. The price of Brent crude oil reached USD 36.65 (€30) on 1 June. Market participants expect oil prices to remain high throughout the year, although fundamental supply and demand conditions appear to work in the direction of lower prices.

In other commodity markets demand for raw materials picked up following improved global economic conditions, bringing non-energy commodity prices to their highest level in many years at the beginning of April 2004. Since then, prices have retracted somewhat. In US dollar terms, non-energy commodity prices in May 2004 were 26% higher than a year earlier.

Chart 2 Main developments in commodity markets



Sources: Datastream and HWWA.



### **I.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT**

The outlook for the global economy has improved further over recent months. The risks to the world economic outlook continue to be balanced. Still rather favourable financing conditions and relatively robust expansion of world trade may create the conditions for stronger than expected growth. At the same time, however, the rapid increase in oil prices has given rise to concerns about possible negative repercussions for the global recovery. Moreover, worries about geopolitical risks persist and market expectations about less expansionary policies have intensified somewhat in the past few months.

## 2 MONETARY AND FINANCIAL DEVELOPMENTS

### 2.1 MONEY AND MFI CREDIT

The annual rate of growth of M3 continued its downward trend in April 2004, reflecting an ongoing normalisation of the portfolio behaviour of money holders, involving a further cautious shift towards long-term financial assets. Nonetheless, M3 growth remained relatively high, in part because of the stimulating effect of the low level of interest rates on the demand for liquid assets. The annual growth rate of MFI loans to the private sector continued to be relatively robust, reflecting strong demand by households, even though demand by non-financial corporations was more subdued. Owing to the slow pace of the correction of past portfolio shifts, there remains more liquidity than needed to finance non-inflationary economic growth in the euro area.

#### THE BROAD MONETARY AGGREGATE M3

The annual rate of growth of M3 declined to 5.6% in April 2004, from 6.3% in the previous month and a peak of 8.5% in the second quarter of 2003 (see Chart 3). The decline in M3 growth since the middle of 2003 is even more evident in the shorter-term dynamics. The annualised six-month rate of growth of M3 was 4.5% in April.

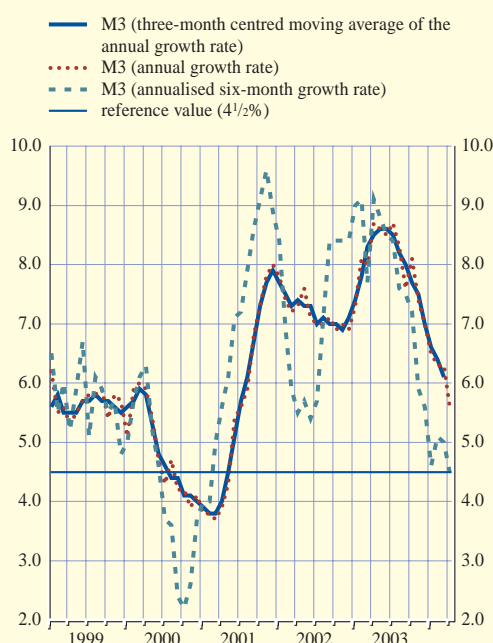
The moderation of M3 growth continues a trend which has been apparent since the summer of 2003, and suggests a slow normalisation of household and firm portfolio behaviour as financial market conditions have improved. However, the moderation of M3 growth is progressing relatively slowly by historical standards, reflecting the very cautious nature of the portfolio readjustment. In addition, the low level of interest rates and hence of the opportunity cost of holding monetary assets may also be having an upward impact on monetary growth, in particular by fuelling the demand for the most liquid instruments included in the narrow aggregate M1. Furthermore, in the light of the still low level of consumer confidence it cannot be excluded that economic uncertainty has continued to support the demand for money for precautionary reasons.

Notwithstanding the moderation of M3 growth, the accumulated excess liquidity stemming from past portfolio shifts remained substantial, and there remains substantially more liquidity in the euro area than needed to finance non-inflationary growth. This is illustrated by the development of measures of nominal and real money gaps, which show the cumulative deviation of M3 growth from the reference value since the beginning of 1999.<sup>1</sup> These measures have stabilised over recent

<sup>1</sup> The measure of the nominal money gap is the difference between the actual level of M3 and the level of M3 that would have resulted from constant M3 growth at its reference value of 4½% since December 1998 (taken as the base period). The measure of the real money gap is the difference between the actual level of M3 deflated by the HICP and the deflated level of M3 that would have resulted from constant nominal M3 growth at its reference value of 4½% and HICP inflation in line with the ECB's definition of price stability, again using December 1998 as the base period.

Chart 3 M3 growth and the reference value

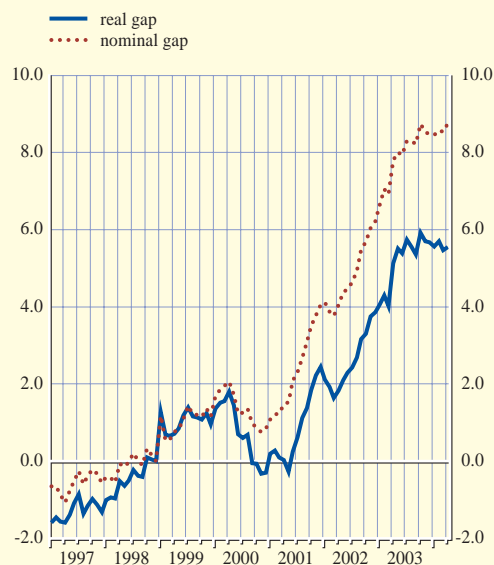
(annual percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

**Chart 4 Estimates of the nominal and real money gaps**

(as percentages of the stock of M3; adjusted for seasonal and calendar effects)



Source: ECB.  
 Note: For details, see footnote 1 above.

months (see Chart 4), but they remain at high levels. Although the absolute level of these measures should be interpreted with some caution since it depends crucially on the choice of the base period, it suggests the continued existence of substantial excess liquidity in the euro area.

The continued excess liquidity in the euro area is primarily due to portfolio shifts which occurred in the past, especially in the period of heightened stock market volatility and stock price declines between 2001 and 2003. The extraordinary nature of the portfolio allocation behaviour during that period can be seen from

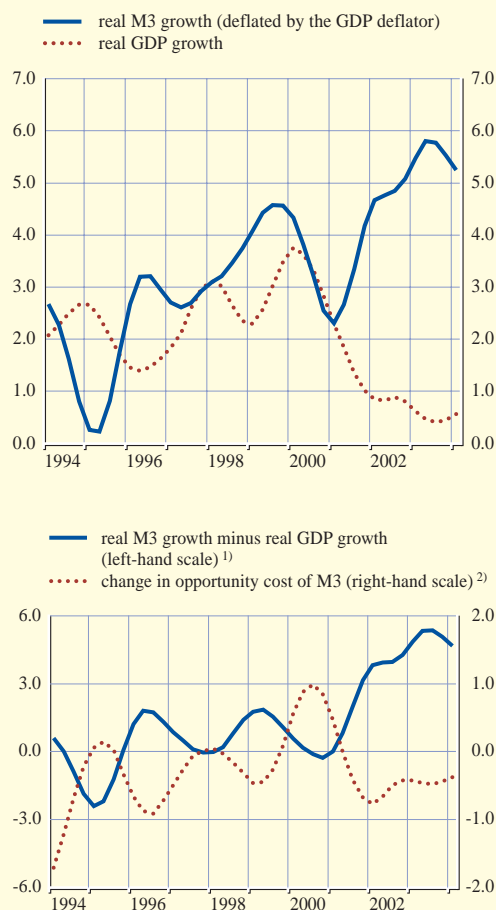
Chart 5, which compares annual M3 growth in real terms with real GDP growth (upper part) and the spread between these two variables with the change in opportunity cost of M3 (lower part). As is evident from the chart, the higher level of annual growth of M3 in real terms compared with that of real GDP cannot be explained only by the decline in the opportunity cost of M3.

#### MAIN COMPONENTS OF M3

The downward trend of M3 growth since the middle of 2003 has been driven by all of its main components. Although the annual rate of growth of the narrow monetary aggregate M1 declined to 10.9% in April, from 11.4% in the previous month, it nonetheless remained relatively high (see Table 1). The strength of M1 reflected the buoyant growth of both of its components, currency in

**Chart 5 Real M3, real GDP and opportunity costs of M3**

(four-quarter moving averages of annual percentage changes)



Source: ECB.  
 Note: The annual growth rates of GDP and the GDP deflator in the first quarter of 2004 are assumed to be equal to those in the fourth quarter of 2003. Data for M3, GDP and the GDP deflator are seasonally adjusted.  
 1) Calculated as the difference between M3 growth deflated by the GDP deflator and real GDP growth.  
 2) The opportunity cost of M3 is defined as the difference between the three-month money market rate and the own rate of return on M3.

Table I Summary table of monetary variables

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

	Outstanding amount as a percentage of M3 <sup>1)</sup>	Annual growth rates							
		2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Mar.	2004 Apr.	
<b>M1</b>	<b>44.5</b>	<b>10.1</b>	<b>11.3</b>	<b>11.4</b>	<b>11.0</b>	<b>11.0</b>	<b>11.4</b>	<b>10.9</b>	
Currency in circulation	6.5	38.9	35.7	29.6	26.5	24.0	22.7	21.1	
Overnight deposits	38.0	6.5	8.1	8.8	8.7	9.0	9.6	9.3	
<b>M2 - M1 (= other short-term deposits)</b>	<b>40.9</b>	<b>4.4</b>	<b>5.5</b>	<b>5.8</b>	<b>4.8</b>	<b>3.5</b>	<b>2.4</b>	<b>1.8</b>	
Deposits with agreed maturity of up to and including two years	15.9	0.4	0.0	-1.4	-3.0	-4.3	-6.2	-7.3	
Deposits redeemable at notice of up to and including three months	24.9	7.7	10.0	11.6	11.0	9.5	8.9	8.6	
<b>M2</b>	<b>85.4</b>	<b>7.1</b>	<b>8.3</b>	<b>8.5</b>	<b>7.9</b>	<b>7.2</b>	<b>6.9</b>	<b>6.4</b>	
<b>M3 - M2 (= marketable instruments)</b>	<b>14.6</b>	<b>10.5</b>	<b>9.8</b>	<b>7.4</b>	<b>5.8</b>	<b>2.4</b>	<b>3.2</b>	<b>1.4</b>	
<b>M3</b>	<b>100.0</b>	<b>7.6</b>	<b>8.5</b>	<b>8.3</b>	<b>7.6</b>	<b>6.5</b>	<b>6.3</b>	<b>5.6</b>	
<b>Credit to euro area residents</b>	<b>169.1</b>	<b>4.3</b>	<b>4.7</b>	<b>5.3</b>	<b>5.9</b>	<b>5.9</b>	<b>6.1</b>	<b>6.1</b>	
Credit to general government	36.4	2.1	3.5	4.9	6.6	6.0	6.7	6.3	
Loans to general government	13.4	-1.1	-0.4	1.0	1.5	1.2	2.3	2.1	
Credit to the private sector	132.7	4.8	5.1	5.5	5.7	5.9	5.9	6.0	
Loans to the private sector	115.3	5.0	4.6	4.9	5.3	5.5	5.5	5.6	
<b>Longer-term financial liabilities (excluding capital and reserves)</b>	<b>52.0</b>	<b>5.0</b>	<b>5.3</b>	<b>5.5</b>	<b>6.4</b>	<b>7.2</b>	<b>7.8</b>	<b>8.5</b>	

Source: ECB.

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

circulation and overnight deposits. The strong annual growth rate of currency in circulation reflected both the continued rebuilding of currency hoarding by domestic residents after the euro cash changeover and strong demand from abroad. The demand for overnight deposits continued to be fuelled by the very low opportunity costs of holding these very liquid instruments.

The annual rate of growth of short-term deposits other than overnight deposits declined significantly in the second half of 2003 and in the first few months of 2004, to stand at 1.8% in April. This reflected a more pronounced annual rate of decline in deposits with an agreed maturity up to and including two years and a slower annual increase in deposits redeemable at notice of up to and including three months. A major determinant of the slowdown in the demand for these instruments appears to be their low remuneration, which makes overnight deposits somewhat more attractive on account of their higher liquidity.

The annual rate of growth of marketable instruments included in M3 has declined relatively sharply since early 2003, to stand at 1.4% in April 2004 (against 9.8% in the second quarter of 2003). This primarily reflects the fall in the annual growth rate of money market fund shares and units (to 6.9% in April 2004, from 17.5% in the second quarter of 2003), resulting from the diminishing demand for these safe but low-remuneration assets amid gradually improving financial market conditions. The decline in the demand for marketable instruments by euro area households and firms is even more evident when looking at shorter-term dynamics. For instance, the six-month annualised growth rate of the marketable instruments included in M3 turned negative in April.

### 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 has stabilised in recent months, to stand at a relatively robust level of 5.6% in April (against 4.6% in the second quarter of 2003). It is likely that the stabilisation of loan growth at somewhat higher levels than those prevailing in the first half

**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 <sup>1)</sup>	Annual growth rates					
		2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Apr.
<b>Non-financial corporations</b>	<b>42.5</b>	<b>3.7</b>	<b>3.6</b>	<b>3.6</b>	<b>3.4</b>	<b>3.3</b>	<b>3.5</b>
Up to one year	31.3	-1.0	0.5	-1.0	-0.8	-2.1	-1.8
Over one and up to five years	17.2	5.8	2.4	4.4	3.0	3.7	4.2
Over five years	51.5	6.4	6.2	6.4	6.4	6.7	6.9
<b>Households <sup>2)</sup></b>	<b>49.7</b>	<b>5.8</b>	<b>5.4</b>	<b>5.7</b>	<b>6.4</b>	<b>6.7</b>	<b>6.8</b>
Consumer credit <sup>3)</sup>	13.6	3.2	3.4	2.8	3.1	4.6	4.9
Lending for house purchase <sup>3)</sup>	67.4	7.6	7.2	7.4	8.0	8.2	8.5
Other lending	19.0	1.0	1.1	2.1	3.7	2.8	2.5
<b>Insurance corporations and pension funds</b>	<b>0.7</b>	<b>8.3</b>	<b>5.0</b>	<b>10.4</b>	<b>12.8</b>	<b>9.5</b>	<b>10.9</b>
<b>Other non-monetary financial intermediaries</b>	<b>7.1</b>	<b>1.6</b>	<b>3.3</b>	<b>5.7</b>	<b>11.6</b>	<b>10.6</b>	<b>9.4</b>

Source: ECB.

Notes: MFI sector including Eurosystem; sectoral classification based on the ESA 95. For further details, see footnote 2 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 2003 reflects the improved economic outlook and the low level of bank lending rates in the euro area.

The relatively high overall annual rate of growth of MFI loans to the private sector masks significant sectoral differences. On the one hand, the demand for loans by households remained buoyant, as the annual rate of growth of these loans was close to 7% in April. This was mainly due to the strong demand for lending for house purchase as a result of the low level of mortgage lending rates and strong house price increases in some euro area countries. On the other hand, the demand for bank lending by non-financial firms remained relatively subdued (the annual rate of growth was 3.5% in April), although at levels which, in real terms, are not exceptionally low by historical standards once the business cycle position is taken into account (see Box 1, which discusses recent developments in loans to non-financial corporations in more detail).

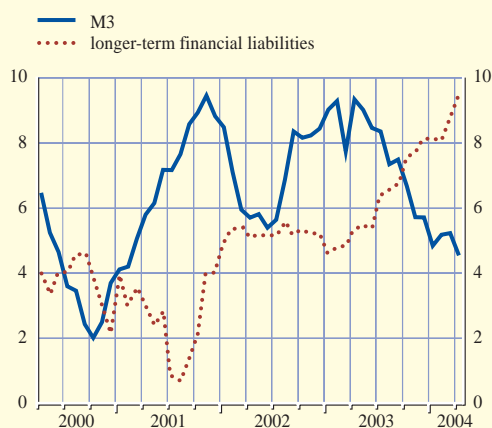
The annual growth rate of the broader aggregate MFI credit to euro area residents was 6.1% in April. Among the components of this aggregate, credit to the general government continued to increase at a relatively fast pace on an annual basis (6.3% in April), probably reflecting the increased public borrowing needs in some euro area countries.

Among the other counterparts of M3, the annual growth rate of longer-term financial liabilities (excluding capital and reserves) rose significantly in the first few months of 2004, to stand at 8.5% in April (up from 7.8% in the previous month and from 5.3% in the second quarter of 2003). The stronger demand for these instruments probably reflects a portfolio readjustment from monetary towards longer-term assets (see Chart 6) and is thus one part of the overall normalisation of portfolio behaviour amid improved financial market conditions in recent months. It probably also reflects the relatively steep yield curve, which made longer-term assets more attractive to investors. (See also Box 2 on recent developments in euro area equity and bond funds.)

Finally, the annual increase in MFI net external assets was relatively small in absolute terms in the three months up to April, after recording a very large monthly increase in January. The

**Chart 6 M3 and MFI longer-term financial liabilities (excluding capital and reserves)**

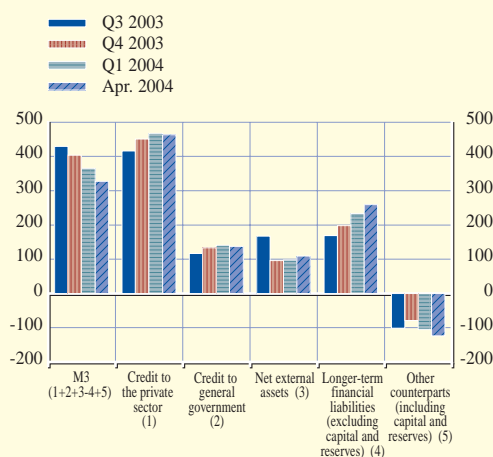
(annualised six-month percentage changes)



Source: ECB.

**Chart 7 Movements in M3 and its counterparts**

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



Source: ECB.

developments in the first few months of 2004 interrupted a downward trend which had been visible in the second half of 2003. Since developments in MFI net external assets reflect transactions between euro area and non-euro area residents that are settled via the euro area MFI sector, this evidence tentatively suggests a stabilisation of the demand for foreign equity and bonds by euro area investors in the first few months of this year.

Summarising the information from the counterparts of M3, the ongoing moderation of M3 growth mirrors the stronger expansion of MFI longer-term financial liabilities (excluding capital and reserves), which suggests a portfolio reallocation in favour of the latter. At the same time, the relatively robust expansion of MFI credit to euro area residents continued to have a strong positive impact on M3 growth.

### GENERAL ASSESSMENT OF LIQUIDITY CONDITIONS IN THE EURO AREA

The moderation of M3 growth seen since the summer of 2003 appears to be continuing, albeit at a still modest pace. Given the slow nature of portfolio adjustment, there remains significantly more liquidity in the euro area than needed to finance non-inflationary economic growth. Whether or not this excess liquidity translates into inflationary pressures over the medium term depends largely on the speed of the portfolio readjustment and on the strength of the economic upswing in the euro area. At a time of cyclical upswing, excess liquidity might imply upward risks to price stability over the medium term. It therefore remains very important to monitor future developments in excess liquidity carefully, in conjunction with evidence on the strength of the economic recovery in the euro area.



Box I

**RECENT DEVELOPMENTS IN LOANS TO NON-FINANCIAL CORPORATIONS**

MFI loans have traditionally represented the main source of external financing for euro area non-financial corporations, constituting around 85% of their total debt outstanding at end-2003. Given the particular importance of MFI loans for the financing of euro area firms, developments in such loans may have important implications for euro area-wide economic activity.

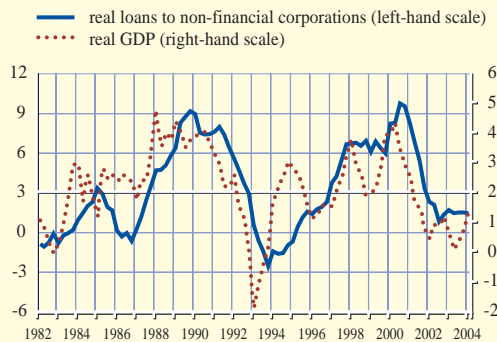
In recent years the annual growth rate of MFI loans to non-financial corporations has remained rather subdued, especially when compared with the growth rates observed between 1999 and 2001. Since mid-2002 the annual growth rate of nominal MFI loans to non-financial corporations has fluctuated in a range between 3 and 4%.

Given the business cyclical position, the current pace of loan growth is not exceptionally low by historical standards. Chart A suggests that when real GDP growth falls below its long-term average, real loan growth to non-financial corporations also tends to grow at below-average rates (with some exceptions, such as in the mid-1990s). This empirical regularity appears to have held during the period of economic weakness experienced over the past few years. The chart also suggests that corporate loan growth tends to lag behind economic growth in the euro area, which implies that current loan developments might still be reflecting past subdued economic activity.

The cross-country analysis presented in Chart B confirms the effect of business cycle conditions on developments in loans to non-financial corporations in recent years. The chart plots the average annual growth rate of nominal GDP between 2001 and 2003 against the average annual growth rate of loans to non-financial corporations over the same period. A positive overall correlation between the growth of loans to non-financial corporations and economic growth is visible.

**Chart A Real loans to non-financial corporations and real GDP**

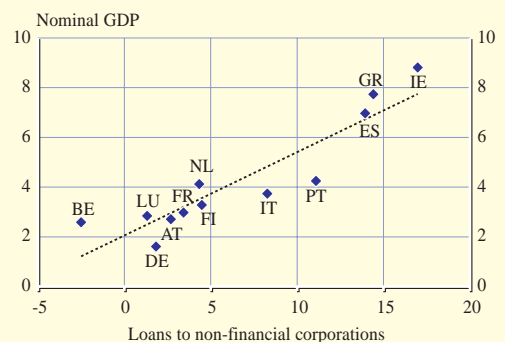
(annual percentage changes)



Source: ECB.  
Note: The horizontal line indicates the average rate of growth of real loans to non-financial corporations (deflated by the GDP deflator) and real GDP over the period Q1 1982 - Q1 2004 (3.1% and 2.1%, respectively).

**Chart B Loans to non-financial corporations and GDP in the period 2001-2003**

(annual percentage changes, period average)



Source: ECB.  
Note: The dotted line denotes a linear interpolation. The chart plots the average annual growth rate of nominal GDP between 2001 and 2003 against the average annual growth rate of loans to non-financial corporations over the same period.

It is important to bear in mind that the analyses presented in Charts A and B do not take into account the effect of other variables likely to influence loan developments, notably the real cost of financing. Following the shift to a regime of low and stable inflation, bank lending interest rates in the euro area have over recent years fallen – in real terms – to their lowest levels since the early 1980s. A permanent decrease in the average real cost of loans may be expected to be accompanied by a structural rise in the volume of real loans to non-financial corporations.

At the same time, in recent years a number of factors are also likely to have had a moderating influence on corporate loan growth. First, the persistence of a sizeable debt overhang accumulated during the 1999-2001 period may have weighed down loan growth in more recent years. However, the overall magnitude of the impact of debt overhang on loan growth remains unclear. While its impact may be relevant for the financially weakest small and medium-sized enterprises and for highly leveraged firms in some specific sectors, the fact that non-financial corporations as a whole are continuing to accumulate liquid assets at a high pace (see Chart C9 in the appendix on “Euro area statistics”) would not indicate that firms are constrained at the aggregate level in their access to financing.

Second, it cannot be ruled out that some firms may have taken advantage of the relatively low cost of issuing debt throughout 2003 to “pre-fund” their financing needs via debt securities issuance (see Chart 8 of the main text).

Third, improving corporate profitability in recent quarters (as indicated, for instance, by the actual earning per share for corporations included in the Dow Jones EURO STOXX broad index) suggest that the availability of internal funds to firms may have increased, thereby reducing their demand for bank loans.

Fourth, it needs to be kept in mind that the emergence of an area-wide corporate bond market and the rapid growth of financial intermediation via non-monetary financial institutions over the past few years have led to the debt of non-financial corporations becoming more diversified.<sup>1</sup> Indeed, over the last few years, the growth of total debt financing of the non-financial corporate sector has always been higher than the rate of loan growth (see Table 4 in the main text).

To sum up, various factors may explain the current subdued growth of loans to non-financial corporations. These include, first of all, the current business cycle position. More recently, the increased availability of internal funds may have also contributed to a reduction in the demand for loans – and financing in general – by non-financial corporations. In this respect, the fact that non-financial corporations have continued to accumulate liquid assets at a rapid rate indicates that the sector as a whole is not constrained in its funding for new investment projects in the current climate of economic upswing. This rapid accumulation of liquid holdings would instead seem to indicate that, on average, the corporate sector has decided to “wait and see”, waiting for higher demand before starting again to invest more in fixed capital. Seen from a longer-term perspective, the current growth rates of loans may also reflect the emergence of alternative forms of debt financing.

<sup>1</sup> See the article entitled “Developments in the debt financing of the euro area private sector” in the November 2003 issue of the Monthly Bulletin.

## 2.2 SECURITIES ISSUANCE

The annual rate of growth of debt securities issued by euro area residents remained broadly unchanged in the first quarter of 2004. Underlying this was an increase in the rate of growth of debt securities issued by MFIs, which was offset by a significant decline in the growth rate of debt securities issued by non-financial corporations. During the same quarter, the annual growth rate of quoted shares issued by euro area residents increased slightly but remained subdued.

### DEBT SECURITIES

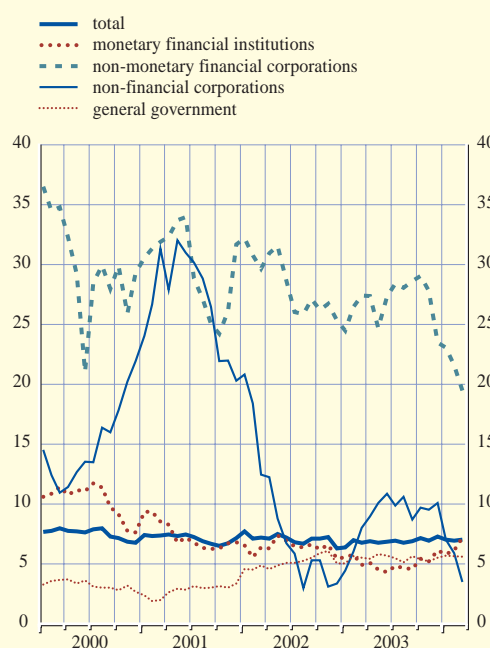
The annual rate of growth of debt securities issued by euro area residents remained broadly unchanged at 7.0% in the first quarter of 2004 (7.1% in the last quarter of 2003, see Chart 8). Underlying this was a substantial decline in the annual growth rate of short-term debt securities to 3.3% in the first quarter of 2004, which was almost completely offset by a moderate increase in the annual growth rate of long-term debt securities to 7.5% during the same period. One possible explanation for this differential is that issuers have taken advantage of the (by historical standards) still favourable long-term financing conditions to lengthen the average maturity of their debt over recent months, despite the steep differential between long and short-term interest rates.

Looking at the sectoral breakdown, the annual growth rate of debt securities issued by MFIs increased by 0.9 percentage point to 6.2% in the first quarter of 2004 (see Table 3). This may have been partly related to the improved financing and credit conditions for MFIs, as reflected in a downward trend in spreads of bonds issued by MFIs and a more positive overall assessment of institutions in this sector by credit rating agencies. At the same time, the increase in the annual growth rate of debt securities issued by this sector could probably be related to the decline in the annual rate of growth of short-term deposits during the same period (see Section 2.1).

Turning to the non-MFI corporate sector, which incorporates both non-monetary financial corporations and non-financial corporations, the annual growth rate of debt securities issued by this sector decreased by 4.1 percentage points in the first quarter of 2004 to 14.4%. This decline was partly due to a steep decrease in the annual growth rate of debt securities issued by non-financial corporations by 3.0 percentage points to 6.5% in the first quarter of 2004. This development may (among other factors, such as higher internal financing, see Box 1) be due to base effects as firms may have, in part, taken advantage of the low level of corporate bond yields prevailing in 2003 to pre-fund part of their financing needs for the current year. Indeed, the annual rate of growth of debt securities issued by this sector in 2003 was a strong 8.6%. As regards

Chart 8 Sectoral breakdown of debt securities issued by euro area residents

(annual growth rates)



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.

Table 3 Securities issued by euro area residents

Issuing sector	Amount outstanding, (EUR billions) 2004 Q1	Annual growth rates <sup>1)</sup>				
		2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1
<b>Debt securities:</b>	<b>8,951</b>	<b>6.6</b>	<b>6.8</b>	<b>6.9</b>	<b>7.1</b>	<b>7.0</b>
MFIs	3,395	5.5	4.7	4.7	5.3	6.2
Non-monetary financial corporations	695	25.8	26.5	28.2	27.6	22.0
Non-financial corporations	587	5.4	9.5	10.1	9.5	6.5
General government	4,272	5.3	5.6	5.4	5.4	5.6
<i>of which:</i>						
Central government	4,041	4.3	4.7	4.7	4.6	4.9
Other general government	231	30.9	29.5	23.0	22.5	21.5
<b>Quoted shares:</b>	<b>3,766</b>	<b>0.7</b>	<b>1.0</b>	<b>1.1</b>	<b>1.1</b>	<b>1.3</b>
MFIs	571	0.6	0.8	0.8	1.3	1.8
Non-monetary financial corporations	354	0.2	1.6	2.1	2.4	3.1
Non-financial corporations	2,839	0.8	1.0	1.0	0.9	1.0

Source: ECB.

1) For details, see the technical notes for Tables 4.3 and 4.4 of the "Euro area statistics" section.

securities issued by non-monetary financial corporations, the annual growth rate decreased by 5.6 percentage points to 22.0% in the first quarter of 2004. The continued high issuance by this sector partly reflects indirect debt issuance by non-financial corporations via financial subsidiaries and special purpose vehicles. In addition, issuance by non-monetary financial corporations also reflects the securitisation process in the euro area, namely the process of issuing new negotiable securities backed by existing assets such as mortgages, credit card debt, or other assets (including accounts receivable). A large portion of such issuance activity originates in the MFI sector.

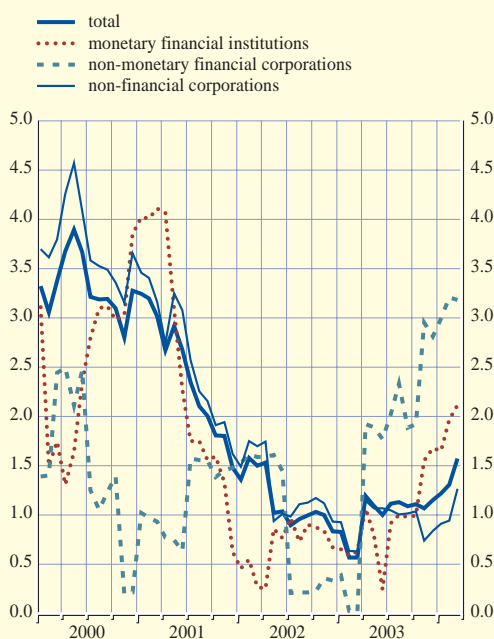
Regarding the government sector, the annual growth rate of debt securities issued by general government increased to 5.6% in the first quarter of 2004, from 5.4% in the previous quarter. The annual growth rate of debt securities issued by the central government increased by 0.3 percentage point to 4.9% in the first quarter of 2004, while the annual growth rate of debt securities issued by other parts of general government, which includes mainly state and local governments, decreased slightly but remained high.

#### QUOTED SHARES

The annual growth rate of quoted shares issued by euro area residents increased slightly from 1.1% in the last quarter of 2003 to 1.3% in the first quarter of 2004 (see Chart 9 and Table 3).

Chart 9 Sectoral breakdown of quoted shares issued by euro area residents

(annual growth rates)



Source: ECB.

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

As regards the sectoral breakdown, the annual growth rate of quoted shares issued by non-financial corporations, which accounts for almost three-quarters of total amounts outstanding, increased slightly to 1.0% in the first quarter of 2004. The annual growth rate of quoted shares issued by MFIs increased from 1.3% in the last quarter of 2003 to 1.8% in the first quarter of 2004, continuing an upward trend for this sector that started in the first quarter of 2003, while the annual growth rate of quoted shares issued by non-monetary financial corporations increased by 0.7 percentage point to 3.1% in the first quarter of 2004. Overall, quoted share issuance by euro area residents has remained subdued in recent quarters. However there is anecdotal evidence from data on announced issues suggesting a strengthening in equity issuance in the coming months.

## 2.3 INSTITUTIONAL INVESTORS

*Data on financial investments by investment funds, insurance corporations and pension funds in the fourth quarter of 2003 confirm institutional investors' renewed interest for equities.*

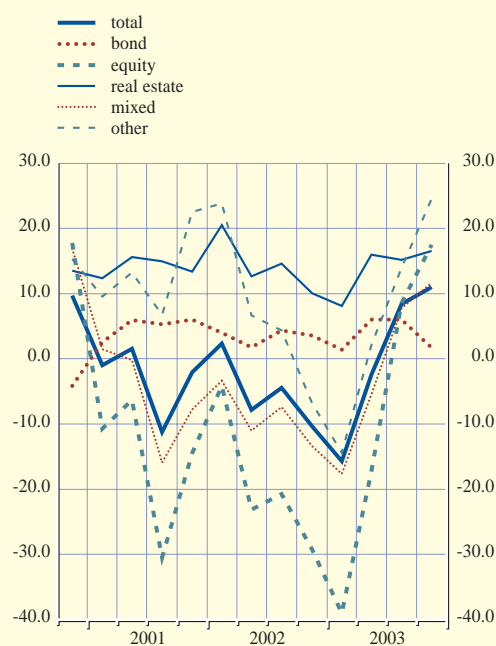
### INVESTMENT FUNDS

The annual rate of change in the value of the total assets of euro area investment funds increased further during the fourth quarter of 2003 (see Chart 10). Overall, the annual rate of change increased from -16% at the beginning of 2003 to 11% at the end of the fourth quarter. Underlying the changes in the value of total investment fund assets was a strong increase in the annual rate of change in the value of total assets held by equity funds, which rose from -39% in the first quarter of 2003 to 17% in the fourth quarter 2003. By comparison, the annual rate of change in the value of total assets held by bond funds fluctuated in a much less pronounced manner. After increasing from 1% in the first quarter of 2003 to 6% in the second and third quarters, it subsequently declined again to 2% in the fourth quarter of 2003.

The developments in equity funds were largely driven by strongly rising stock prices and net cash flows into equity funds. The Dow Jones EURO STOXX Broad Index rose by around 20% between the first and the fourth quarter of 2003. Data from the *Fédération Européenne des Fonds et Sociétés d'Investissement* show increases in the net flows into equity funds between the second and the fourth quarter of 2003, while net flows into bond funds decreased (see Box 2).

**Chart 10 Total assets of investment funds (by investment policy)**

(annual percentage changes)



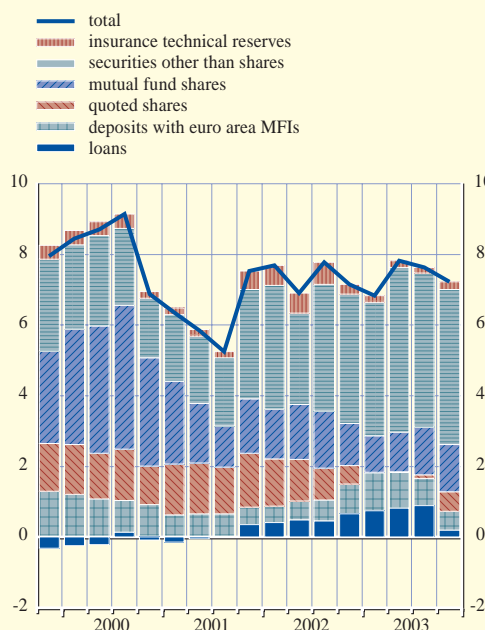
Source: ECB.

**INSURANCE CORPORATIONS AND PENSION FUNDS**

The annual growth rate in the financial investment of insurance corporations and pension funds (ICPFs) in the euro area decreased somewhat from 7.6% in the third quarter of 2003 to 7.2% in the fourth quarter (see Chart 11). Underlying this were lower contributions from loans granted by ICPFs and deposits made by ICPFs to the annual growth rate of their overall financial investments, which were partly counteracted by a higher contribution from net acquisitions by ICPFs of quoted shares. The higher contribution of quoted shares is consistent with the picture of renewed interest in the equities market observed in the investment funds sector in 2003.

**Chart 11 Financial investment of insurance corporations and pension funds**

(annual growth rates; contributions in percentage points)



Source: ECB.

**Box 2****RECENT DEVELOPMENTS IN THE NET FLOWS INTO EURO AREA EQUITY AND BOND FUNDS**

As yet, ECB statistics on investment funds do not distinguish between balance sheet changes arising, on the one hand, from valuation changes stemming from, for instance, asset price changes and, on the other, from changes in transaction data. Since the latter are of particular interest for studying the portfolio behaviour of the private sector, this box focuses on recent developments in transactions in euro area equity and bond funds on the basis of statistics made available by the *Fédération Européenne des Fonds et Sociétés d'Investissement* (FEFSI), the European investment fund sector association. These data provide information on net sales (or net flows) of publicly offered open-ended equity and bond funds.<sup>1</sup> Although FEFSI statistics are not fully comparable with available ECB statistics relating to end-of-period amounts outstanding, both datasets indicate that the assets of euro area bond and equity funds amounted to around €1,800 billion at the end of 2003. The following analysis uses FEFSI data as from the first quarter of 2001.

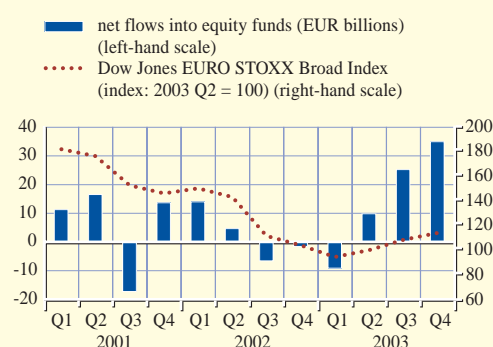
Developments since 2001 illustrate that net flows into equity funds have been closely associated with changes in stock prices as measured by the Dow Jones EURO STOXX Broad Index,

<sup>1</sup> The countries included in FEFSI statistics on net flows of equity and bond funds are Germany, Greece, Spain, Italy, Luxembourg, Austria, Portugal, Finland and, as from 2003 Q3, also France.

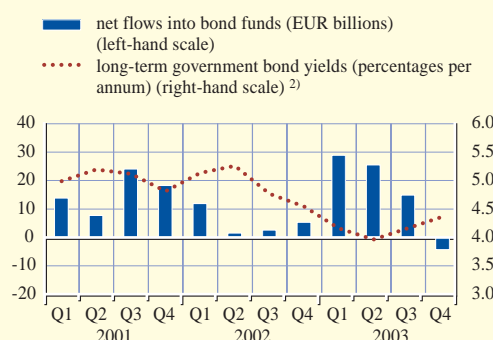


## Net flows into equity and bond funds in the euro area<sup>1)</sup>

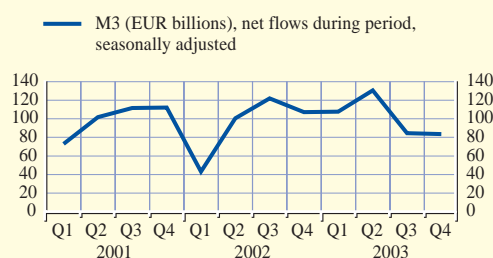
### (a) Equity funds



### (b) Bond funds



### (c) M3



Sources: ECB, FEFSI, Reuters.

1) Data for equity funds, bond funds and M3 are quarterly sums; stock prices and bond yields are quarterly averages.

2) Bond yields refer to ten-year bonds or the closest available bond maturity.

financial assets outside M3 in the portfolio structure of euro area investors, in particular towards equity funds, partly explains the moderation in M3 growth during the latter half of 2003.

i.e. strong demand for equity funds is correlated with rising stock prices and vice versa (see Chart, upper panel). Net flows into bond funds have often developed in an opposite direction to flows into equity funds (see Chart, middle panel). This suggests some existence of “flight-to-safety” portfolio shifts in the period under review. It is notable that between the second and the fourth quarter of 2002 the demand for both equity and bond funds remained very low. This period was characterised by high volatility in the bond market and especially in the stock market. Investors appeared to direct funds to the safest and most liquid financial assets such as short-term deposits. This was reflected in the high level of M3 flows in this period (see Chart, lower panel).

More recent developments, since the second quarter of 2003, indicate a renewed interest on the part of investors for equities, probably reflecting the declining stock market volatility observed after the end of the Iraq war. Net flows into equity funds rose considerably to reach €35 billion in the fourth quarter of 2003. At the same time, net flows into bond funds decreased considerably and reached negative levels in the fourth quarter of 2003 (-€4 billion). This may have partly reflected a reversal of earlier “flight-to-safety” portfolio shifts out of the stock market. In addition, the improved outlook for economic activity may have led to market expectations of possible capital losses on bond holdings stemming from future increases in bond yields.

The increases in net flows into equity funds since the second quarter of 2003 provide further evidence that investors may have started to unwind past portfolio shifts. This gradual shift towards longer-term and riskier

## 2.4 FINANCING AND FINANCIAL INVESTMENT OF THE NON-FINANCIAL SECTOR

Taking an overall look at financing and financial investment developments over recent quarters, the financing of non-financial corporations has moderated and the corporate debt-to-earnings ratio has begun to decline. By contrast, the steady growth of loans for house purchase has contributed to a continued rise in household debt ratios. While government debt issuance has remained relatively strong, pre-funding in the middle of last year may have led to more subdued government borrowing in the third quarter of 2003 and the first quarter of 2004. On the investment side, a cautious shift in wealth portfolios continued towards longer-term financial assets.

### FINANCING OF THE NON-FINANCIAL SECTOR

Having stood at 4.5% in the last quarter of 2003, the annual growth of financing of the non-financial sector (i.e. households, non-financial corporations and general government) is estimated to have declined further, to 4¼%, in the first quarter of 2004 (see Table 4). The debt financing of the non-financial sector is estimated to have increased at an annual rate of 4¾% in the first quarter of 2004, from 5.2% in the fourth quarter of 2003. The issuance of quoted shares remained subdued in the first quarter of 2004, despite tentative signs of a rebound in equity issuance.

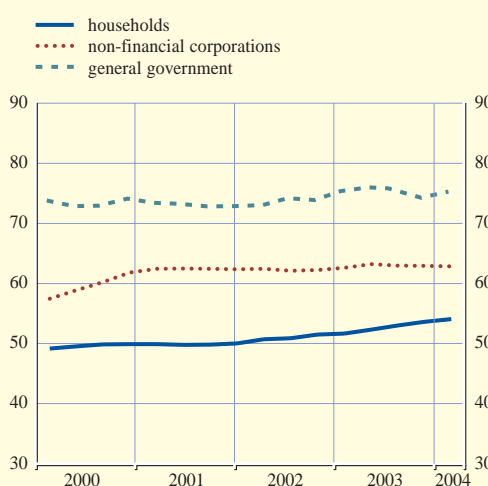
As regards households, given continued strong growth of borrowing, in particular for house purchase, the debt-to-GDP ratio is estimated to have increased further during the last quarter of 2003 and the first quarter of 2004 (see Chart 12).

By contrast, despite the historically low cost of debt financing and an ongoing economic recovery, the growth in overall debt financing of non-financial corporations in the euro area is estimated to have declined in the first quarter of 2004, to 3%, from 4.1% in the fourth quarter of 2003. As is explained in Box 1 entitled “Recent developments in loans to non-financial corporations”, the main reasons for the subdued debt financing of non-financial corporations appear to be a correction of the debt overhang accumulated between 1998 and 2001, an improvement in corporate earnings (which may have reduced recourse to external funds) and the only gradual pace of economic recovery. In addition, a change in corporate tax law in Germany led some non-resident firms to substitute loans to their euro area subsidiaries with non-quoted equity in the fourth quarter of 2003.

The debt-to-GDP ratio of non-financial corporations is estimated to have remained stable in the first quarter of 2004, at broadly the same level as observed since the second quarter

**Chart 12 Ratio of debt to GDP of the non-financial sector**

(in percentages)



Source: ECB.

Note: For details, see Table 4. Compared with the annual financial accounts, the ratio of debt to GDP is somewhat lower on the basis of the quarterly financial accounts, mainly due to the fact that loans granted by non-financial sectors and by banks outside the euro area are not included. The debt-to-GDP ratio of general government differs somewhat from the public debt definition set out in the excessive deficit procedure, owing to differences in valuation, coverage and treatment of accrued interest.

**Table 4 Financing of the euro area non-financial sector**

	Outstanding amount as a percentage of (sector) financing <sup>1)</sup>	Annual growth rates									
		2001 Q4	2002 Q1	2002 Q2	2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1 <sup>2)</sup>
<b>Non-financial sector</b>	<b>100</b>	<b>4.5</b>	<b>4.4</b>	<b>4.1</b>	<b>4.0</b>	<b>3.8</b>	<b>4.3</b>	<b>4.7</b>	<b>5.1</b>	<b>4.5</b>	<b>4%</b>
<i>of which: long-term financing<sup>3)</sup></i>	85.5	4.4	4.8	4.6	4.6	4.2	4.1	4.3	4.9	4.4	4½%
Debt financing <sup>4)</sup>	83.4	5.6	5.3	5.0	4.6	4.7	5.4	5.7	5.8	5.2	4%
<i>of which: short-term debt financing</i>	14.5	5.5	2.1	1.1	0.2	1.5	5.5	7.1	6.3	5.0	2%
<i>of which: long-term debt financing</i>	68.9	5.6	6.0	5.9	5.6	5.4	5.4	5.3	5.7	5.2	5½%
<b>Households<sup>4),5)</sup></b>	<b>23.3</b>	<b>5.8</b>	<b>5.8</b>	<b>6.2</b>	<b>6.5</b>	<b>6.8</b>	<b>6.8</b>	<b>6.5</b>	<b>7.1</b>	<b>7.2</b>	<b>7%</b>
<i>of which: short-term debt financing</i>	7.2	-0.9	-0.8	0.5	0.6	1.4	0.4	-1.2	-1.4	-1.1	½%
<i>of which: long-term debt financing</i>	92.8	6.4	6.4	6.8	7.0	7.3	7.4	7.2	7.8	7.9	8
<b>Non-financial corporations</b>	<b>43.9</b>	<b>5.0</b>	<b>4.0</b>	<b>3.2</b>	<b>2.6</b>	<b>2.3</b>	<b>2.9</b>	<b>3.3</b>	<b>3.6</b>	<b>2.9</b>	<b>2%</b>
<i>of which: long-term financing</i>	81.9	5.0	4.9	4.7	4.3	3.6	3.3	3.2	3.7	3.3	3%
Debt financing <sup>4)</sup>	62.3	8.7	6.2	5.2	3.6	3.7	4.9	5.1	4.9	4.1	3
<i>of which: short-term debt financing</i>	18.1	4.8	-0.4	-4.0	-4.7	-3.4	0.8	3.8	2.8	1.5	-¾%
<i>of which: long-term debt financing</i>	44.1	10.6	9.5	9.9	7.6	7.1	6.8	5.7	5.9	5.2	4½%
<i>of which: loans</i>	50.2	7.0	5.0	4.7	3.0	3.5	4.4	4.1	4.2	3.1	2½%
<i>of which: securities other than shares</i>	8.1	24.1	15.6	8.9	6.8	4.1	8.0	11.5	9.2	9.8	4
<i>of which: pension fund reserves</i>	3.9	4.6	4.6	4.6	4.9	5.3	5.6	5.9	6.0	6.2	6%
Quoted shares	37.7	1.5	1.7	0.9	1.2	0.7	0.4	0.8	1.0	0.9	1½%
<b>General government<sup>4)</sup></b>	<b>32.7</b>	<b>2.9</b>	<b>4.1</b>	<b>4.0</b>	<b>4.3</b>	<b>4.1</b>	<b>4.9</b>	<b>5.5</b>	<b>5.6</b>	<b>4.7</b>	<b>4%</b>
<i>of which: short-term debt financing</i>	14.9	9.8	8.6	12.1	10.2	11.6	16.8	16.3	15.7	13.5	9%
<i>of which: long-term debt financing</i>	85.1	1.8	3.5	2.8	3.4	3.0	3.0	3.7	4.0	3.3	3½%
<i>of which: loans</i>	16.5	-0.6	0.3	-0.7	-0.9	-2.0	-2.1	-0.4	1.2	1.7	2%
<i>of which: securities other than shares</i>	80.2	3.2	4.6	4.6	5.0	5.2	6.1	6.5	6.2	5.1	4½%
<i>of which: central government deposit liabilities</i>	3.4	13.0	14.7	14.9	15.2	11.4	13.9	13.2	13.2	9.2	8%
<b>Debt-to-GDP ratios</b>											
Households		49	49	50	50	51	51	52	52	53	54
Non-financial corporations		62	62	62	62	62	62	63	62	62	62
General government		73	73	73	74	74	75	76	75	74	75

Source: ECB.

Note: See also Table 3.2 in the "Euro area statistics" section of the Monthly Bulletin.

1) As at the end of the fourth quarter of 2003. Short-term and long-term (debt) financing and sector financing as a percentage of financing. Sector short-term and long-term (debt) financing and financing instruments as a percentage of sector financing. Figures may not add up due to rounding.

2) Figures for the most recent quarter shown in the table have been estimated on the basis of transactions reported in money and banking statistics and in securities issues statistics.

3) Long-term financing with an original maturity of over one year includes long-term loans, long-term debt securities issued, quoted shares issued and pension fund reserves of non-financial corporations.

4) Debt financing includes loans, debt securities issued, pension fund reserves of non-financial corporations and deposit liabilities of central government. Short-term debt financing with an original maturity of up to one year includes short-term loans, short-term debt securities issued and deposit liabilities of central government. Long-term debt financing equals long-term financing excluding quoted shares issued.

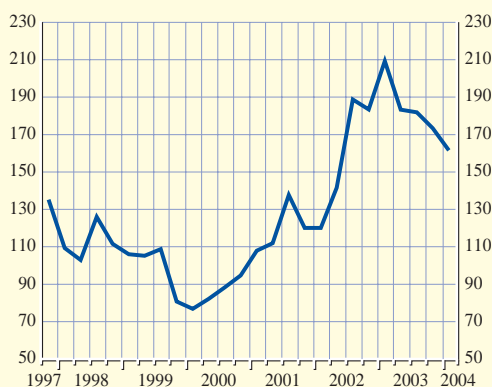
5) Including non-profit institutions serving households.

of 2001 (see Chart 12). By contrast, the ratio of debt to corporate earnings (as measured by the operating surplus) has been declining since mid-2003. With the rise in equity prices in the first quarter of 2004, the debt-to-equity ratio also declined markedly (see Chart 13), implying an improvement in the leverage position of the non-financial corporations.

The annual growth of debt financing of general government is estimated to have been 4½% in the first quarter of 2004, against 4.7% in the fourth quarter of 2003 and 5.6% in the third quarter of 2003. Mirroring fiscal developments in the euro area, government borrowing needs remain relatively high. The more subdued growth of government financing in the fourth quarter of 2003

Chart 13 Debt to equity ratio of the non-financial corporations

(in percentages)



Source: ECB.

and the first quarter of 2004 may mirror large pre-funding operations in 2003, driven by governments' attempts to take advantage of the particularly low long-term interest rates. The growth of short-term government debt financing remained relatively strong in early 2004, reflecting the relative attractiveness of short-term debt financing on account of the relatively steep slope of the yield curve.

#### FINANCIAL INVESTMENT OF THE NON-FINANCIAL SECTOR

Data on financial investment are available only up to the fourth quarter of 2003. The annual growth rate of financial investment by the non-financial sector in the fourth quarter of 2003 declined slightly, to 4.4% (see Table 5). This was the result of a fall in the annual rate of growth of short-term

financial investment and a slight increase in the annual purchase of longer-term financial assets.

Table 5 Financial investment of the euro area non-financial sector

	Outstanding amount as a percentage of financial investment <sup>1)</sup>	Annual growth rates									
		2001 Q4	2002 Q1	2002 Q2	2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1
<b>Financial investment</b>	<b>100</b>	<b>4.7</b>	<b>4.3</b>	<b>4.1</b>	<b>4.3</b>	<b>3.9</b>	<b>4.2</b>	<b>4.6</b>	<b>4.6</b>	<b>4.4</b>	<b>.</b>
<i>of which: short-term financial investment<sup>2)</sup></i>	43.3	5.9	3.8	4.1	4.4	4.4	5.0	5.5	5.1	5.0	.
<i>of which: long-term financial investment<sup>3)</sup></i>	55.7	4.3	4.5	4.3	4.4	3.6	3.7	3.6	3.9	3.8	.
Currency and deposits	38.2	4.6	4.7	4.7	4.7	4.9	5.8	6.4	6.5	5.5	.
Securities other than shares	12.5	7.6	1.8	1.1	1.6	0.6	-0.7	-2.5	-3.8	-2.9	.
<i>of which: short-term</i>	1.1	4.9	-27.4	-29.4	-21.0	-21.9	-22.9	-19.3	-24.9	-14.0	.
<i>of which: long-term</i>	11.4	8.0	7.4	6.0	5.1	3.9	2.1	-0.7	-1.4	-1.7	.
Mutual fund shares	12.2	5.7	5.6	6.1	6.3	4.7	5.6	7.0	6.7	6.9	.
<i>of which: mutual fund shares, excluding money market fund shares</i>	9.6	3.8	3.4	4.3	4.5	3.4	4.4	5.7	6.2	6.5	.
<i>of which: money market fund shares</i>	2.6	21.4	21.0	18.1	16.6	12.1	11.8	13.5	9.2	8.4	.
Quoted shares	12.6	-0.2	0.6	0.2	0.1	0.2	0.8	1.4	2.5	2.2	.
Insurance technical reserves	24.5	7.3	7.2	7.1	7.1	6.4	6.3	6.3	6.3	6.5	.
M3 <sup>4)</sup>		8.0	7.2	7.1	7.1	6.9	8.0	8.5	7.6	7.0	6.3
Annual gains and losses in the holdings of securities by the non-financial sector (as a percentage of GDP)		-8.6	-2.8	-9.7	-8.4	-12.9	-15.8	-5.7	-1.9	-2.6	

Source: ECB.

Note: See also Table 3.1 in the "Euro area statistics" section of the Monthly Bulletin.

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

2) Short-term financial investment includes currency and deposits (excluding central government deposits), short-term debt securities (with an original maturity of up to one year) and money market fund shares. Owing to the exclusion of central government deposits, short-term and long-term financial investment do not add up to 100%. When interpreting these figures, it should be kept in mind that both short-term and long-term deposits are included in short-term investment.

3) Long-term financial investment includes long-term debt securities (with an original maturity of over one year), mutual fund shares excluding money market fund shares, quoted shares and insurance and pension products.

4) End of quarter. The monetary aggregate M3 includes monetary instruments held by euro area non-MFIs (i.e. the non-financial sector and non-monetary financial institutions) with euro area MFIs and central government.

Financial account data thus confirm that, from the summer of 2003, economic agents began to cautiously shift their portfolios away from short-term assets towards longer-term and riskier assets. In particular, there was a recovery in the demand for non-monetary mutual fund shares (essentially equity-linked bonds) and in investment in insurance reserves. By contrast, direct investment of the non-financial sectors in quoted shares remained moderate and non-financial sectors were net sellers of debt securities. Finally, it should be noted that the continuing recovery in the equity market led to positive holding gains on securities held by the non-financial sectors.

## 2.5 MONEY MARKET INTEREST RATES

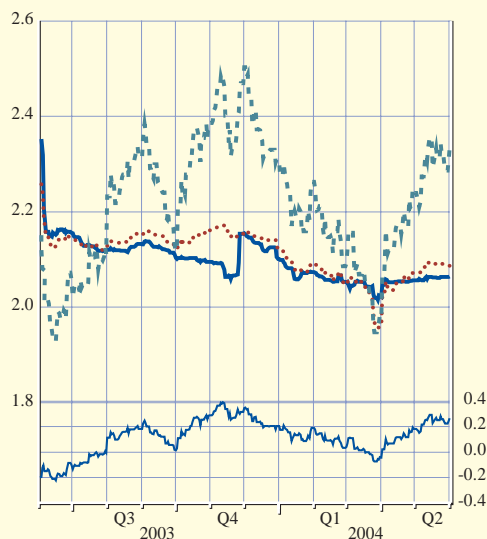
*Longer-term money market interest rates, after declining in the first quarter of 2004, reached a turning point at the end of March 2004 and have increased since then. As a result, the slope of the money market yield curve has steepened over the past three months.*

Short-term money market interest rates have remained broadly unchanged over the past few months, in line with the minimum bid rate in the Eurosystem's main refinancing operations of 2.0% (see Chart 14). Longer-term money market rates have increased since reaching a low in the second half of March 2004. Consequently, the slope of the money market yield curve has steepened. The spread between the twelve-month and the one-month EURIBOR, which was negative in late March, was 27 basis points on 2 June 2004 (see Chart 14).

**Chart 14 Money market interest rates**

(percentages per annum; percentage points; daily data)

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

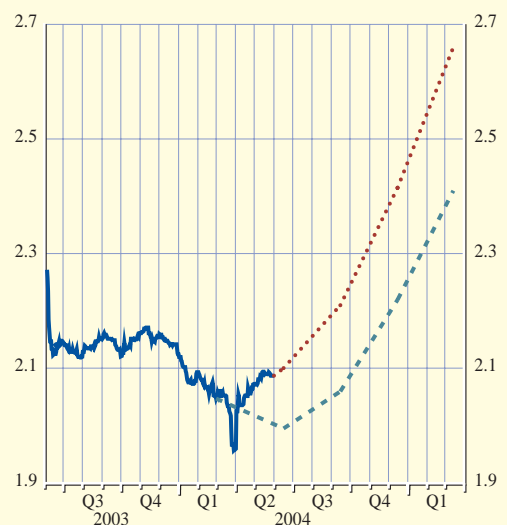


Source: Reuters.

**Chart 15 Three-month interest rates and futures rates**

(percentages per annum; daily data)

— three-month EURIBOR  
 ..... futures rates on 1 June 2004  
 - - - futures rates on 1 March 2004

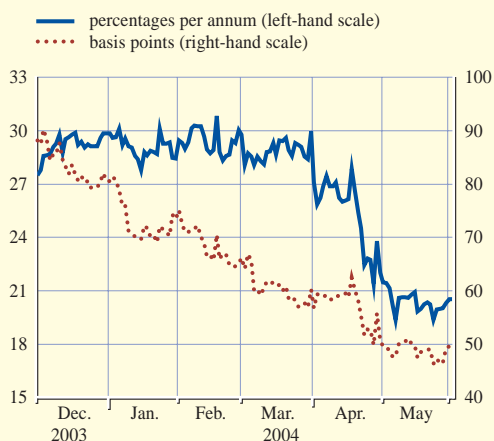


Source: Reuters.

Note: Three-month futures contracts for delivery at the end of the current and next three quarters as quoted on Liffe.

**Chart 16 Implied volatilities derived from options on three-month EURIBOR futures maturing in December 2004**

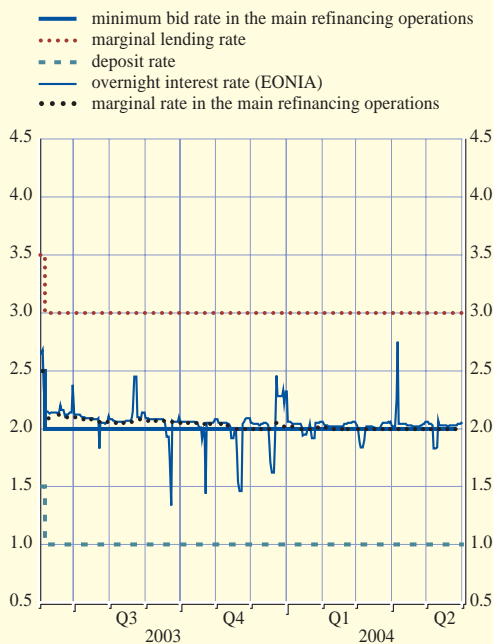
(percentages per annum; basis points; daily data)



Sources: Bloomberg and ECB calculations.  
 Note: The basis point measure is obtained as the product of implied volatility in percentages and the corresponding interest rate (see also the box entitled "Measures of implied volatility derived from options on short-term interest rate futures" on pages 13-16 of the May 2002 issue of the ECB's Monthly Bulletin).

**Chart 17 ECB interest rates and the overnight interest rate**

(percentages per annum; daily data)



Sources: ECB and Reuters.

The increase in the longer-term money market interest rates was also reflected in the development of three-month EURIBOR futures rates (see Chart 15). In recent months the futures rates for September and December 2004 have risen, to stand at 2.20% and 2.40% on 2 June 2004. These developments indicate that market participants have revised upwards their expectations for the course of short-term interest rates during the remainder of 2004.

The uncertainty among market participants with regard to the development of short-term interest rates in the coming months is relatively low at the current juncture. This is suggested by the implied volatility of three-month EURIBOR futures rates (see Chart 16).

For most of the period between early March and 2 June 2004, the EONIA (euro overnight index average) fluctuated slightly above the 2.0% minimum bid rate in the Eurosystem's main refinancing operations (see Chart 17 and Box 3). The marginal tender rate has been the same as the minimum bid rate in all of the main refinancing operations of the past three months and the weighted average rate has generally been one basis point above. In the three longer-term refinancing operations of the Eurosystem settled in April and May 2004, the average allotment rate was slightly below the then prevailing three-month EURIBOR, and it remained below the rates in the longer-term refinancing operations settled in the second half of 2003.



### LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS FROM 24 JANUARY 2004 TO 11 MAY 2004

This box reviews the ECB's liquidity management during the three reserve maintenance periods ending on 9 March, 6 April and 11 May 2004. The reserve maintenance period ending on 6 April 2004 was the first under the amended operational framework for monetary policy<sup>1</sup>.

#### Liquidity needs of the banking system

Banks' liquidity needs increased over the period under review (see Chart A), mainly owing to larger net autonomous factors (i.e. the liquidity factors which do not normally stem from the use of monetary policy instruments), which on average absorbed €147.5 billion, more than in any other period since the start of 1999. This increase was mainly related to the continued growth in banknotes in circulation, which reached a historic high of €441.4 billion over the Easter holidays. Reserve requirements and excess reserves (i.e. current account holdings in excess of reserve requirements) were relatively stable. The former increased by €1 billion between the first and third maintenance periods under review, while the latter fluctuated moderately around an average value of €0.64 billion per day.

#### Liquidity supply and interest rates

In line with growing liquidity demand, the volume of open market operations also increased over the period under review. Counterparties' bidding behaviour adapted smoothly to the adjusted operational framework, which, from 9 March onwards, led to a doubling of the average size of the allotment in the main refinancing operations (MROs) because of the shortening of the maturity of these operations from two weeks to one week. The smooth adaptation is confirmed by the continued high concentration of bids as reflected in the small difference between the marginal and average MRO rate, which remained within one basis point in the period under review. Moreover, counterparties quickly adjusted their bid volumes to the increased allotment amounts. The ratio of submitted bids to satisfied bids (the bid-cover ratio) stabilised at a level of around 1.25 after the first two MROs with a one-week maturity. Only in the second of these MROs, which was allotted on 23 March with a then historic high benchmark allotment amount of € 224.5 billion, did bids fall marginally short of the benchmark allotment amount.

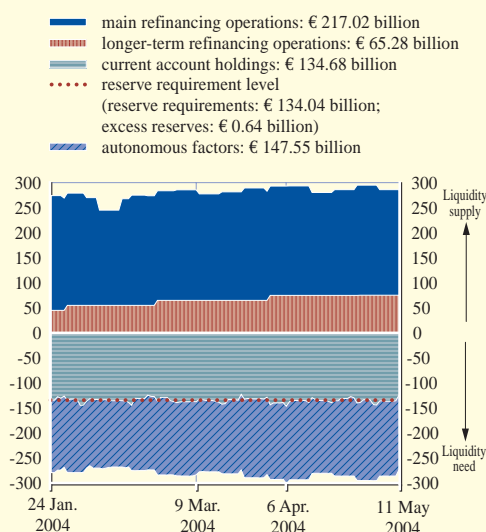
The amount of outstanding longer-term refinancing operations increased from €45 to €75 billion in the course of the period under review, reflecting the Governing Council's decision of 8 January 2004 to increase the pre-announced allotment amount in each of these operations from €15 to €25 billion. This decision took into consideration the higher liquidity needs of the euro area banking system anticipated for the year 2004.

In the first weeks of the reserve maintenance period which ended on 9 March, the EONIA (euro overnight index average) hovered slightly above the minimum bid rate of 2.00% (see Chart B). A minor underbidding episode took place in the MRO allotted on Friday 20 February. This was probably related to the unusual allotment day (MROs are normally allotted on Tuesdays), to the

<sup>1</sup> See the article entitled "Changes to the Eurosystem's operational framework for monetary policy" in the August 2003 issue of the Monthly Bulletin and the box entitled "Publication of the benchmark allotment in the main refinancing operations" in the April 2004 issue of the Monthly Bulletin.

**Chart A Liquidity needs of the banking system and liquidity supply**

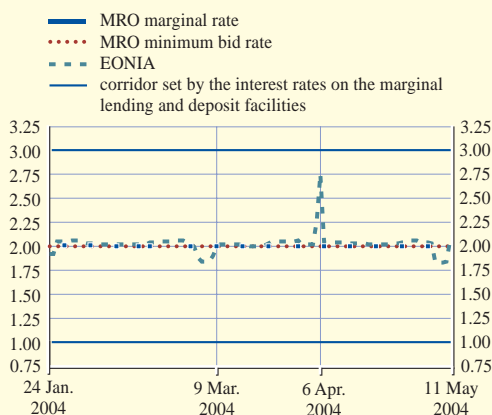
(EUR billions; daily averages for the whole period are shown next to each item)



marginal temporary increase in the EONIA. Second, on the penultimate day of the reserve maintenance period, when market participants started to perceive the liquidity conditions as being tight, the EONIA moved sharply upwards. On the last day of the reserve maintenance period a net recourse to the marginal lending facility of €8.2 billion was recorded and the EONIA rose to 2.75%.

**Chart B The EONIA and the ECB interest rates**

(daily interest rates in percentages)



operation took the form of a collection of fixed-term overnight deposits. It succeeded in re-establishing balanced liquidity conditions, and the reserve maintenance period ended with a net recourse to the marginal lending facility of only €0.1 billion and the EONIA at 2.07%.

prevailing money market rates, which were very close to the minimum bid rate, and to the increase in the benchmark allotment amount in that MRO. The underbidding triggered only a slight temporary increase in the EONIA of a couple of basis points. After the allotment of the last MRO of that reserve maintenance period, the EONIA declined, reaching a low of 1.84% on 5 March, as market participants apparently perceived the liquidity conditions to be loose. However, on 9 March, the last day of the reserve maintenance period, the EONIA rose to 1.99%, consistent with the fact that the liquidity conditions turned out to be almost balanced, with a small net recourse to the deposit facility of €2.1 billion on that day.

For most of the following reserve maintenance period ending on 6 April, the EONIA remained at a level slightly above the minimum bid rate. There were two exceptions: first, the above-mentioned underbidding event on 23 March resulted in a

In the following reserve maintenance period, the ECB again allotted its benchmark amount in all MROs and the EONIA was stable at a level slightly above that of the minimum bid rate until the last few days of the period. On 7 May, the third last trading day of the period, market participants started to discount loose liquidity conditions and the EONIA fell to 1.83%. In the morning of the following trading day, the ECB announced that its liquidity forecasts pointed towards an extreme liquidity imbalance and that it stood ready to counter this imbalance through a fine-tuning operation on the following day, should it not be reversed by other liquidity shocks. Such a reversal was not observed and, accordingly, the ECB absorbed €13.0 billion through a fine-tuning operation on 11 May, the last day of the reserve maintenance period. The

## 2.6 BOND MARKETS

Long-term government bond yields in global markets have increased significantly since the end of March. The main factors behind this increase seem to be the improvement in global economic growth prospects and, more recently, some concerns about the inflation outlook. Implied market volatility, an indicator of market participants' uncertainty about future bond yield developments, has remained roughly unchanged over the last few months in the euro area.

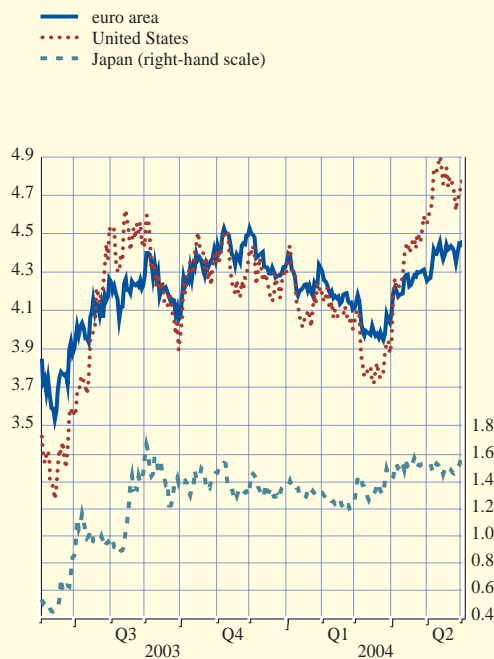
### UNITED STATES

In the United States, long-term bond yields have increased sharply since the end of March 2004 and reversed the downward trend that started in late 2003 (see Chart 18). In early 2004 bond yields declined amid concerns surrounding the sustainability of the US economic recovery on the back of some labour data releases that undershot market expectations, and which in turn triggered downward revisions in the market's view of the future path of US interest rates.<sup>2</sup> In contrast, after a better than expected non-farm payroll data release in early April, markets started pricing in

<sup>2</sup> For a more detailed analysis of the impact of US non-farm payroll data releases, see the Box entitled "The impact of recent employment data releases in the United States on global bond markets" on pages 23-24 of the May 2004 issue of the Monthly Bulletin.

**Chart 18 Long-term government bond yields**

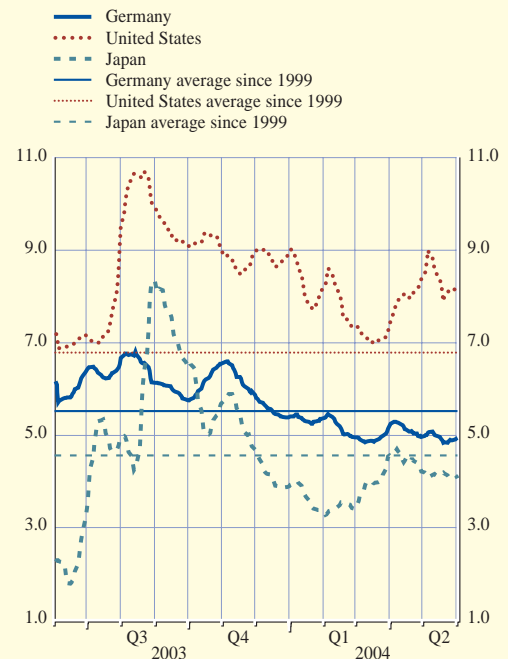
(percentages per annum; daily data)



Sources: Reuters and Thomson Financial Datastream.  
Note: Long-term government bond yields refer to ten-year bonds or to the closest available bond maturity.

**Chart 19 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.

expectations of higher short-term interest rates. From then onwards, US bond yields have increased steadily, against the background of US macroeconomic data that have been interpreted by market participants as a further confirmation of an ongoing economic recovery. Real bond yields, as measured by yields on ten-year index-linked government bonds, have also increased significantly since the end of March.

More recently, in May 2004, market participants seemed to have become more concerned by the outlook for US inflation, possibly linked to the rise in oil prices. Ten-year nominal bond yields continued to rise, and by early June they stood at around 4.8%, some 20 basis points higher than at the end of April. Over the same period ten-year real bond yields fell slightly, to around 1.6%. This led to a significant rise in the ten-year break-even inflation rate – measured as the yield differential between comparable nominal and inflation-indexed government bonds – of about 25 basis points during May. On 2 June 2004 this rate stood at 2.7%. Market participants' uncertainty about future bond yield developments in the United States, as measured by implied bond market volatility, has increased over the last three months as a whole, and by 2 June it stood at a level somewhat higher than the average since 1999 (see Chart 19).

## JAPAN

In Japan, long-term government bond yields increased by around 30 basis points between the beginning of March and the end of April. This increase was supported by some macroeconomic data releases that were interpreted by market participants as pointing to a strengthening of economic activity in Japan. In May, however, concerns about the potential impact of high oil prices on Japanese economic activity and doubts as to the sustainability of the mainly export-led economic recovery in Japan may have prevented Japanese bond yields from following the upward trend in other major markets. Overall long-term bond yields moved little in May, staying at around 1.5%. As a result, by early June Japanese long-term bond yields stood at a slightly higher level than at the end of 2003.

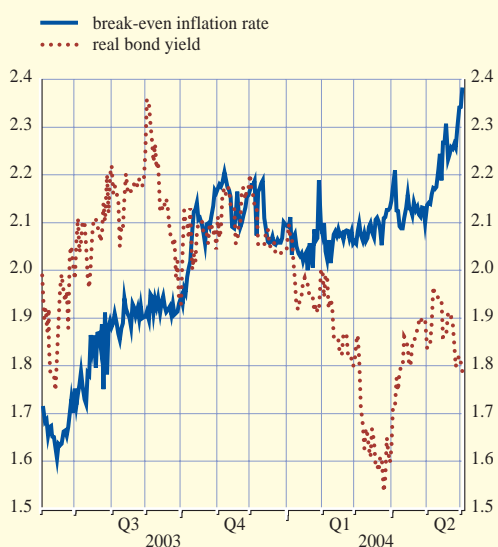
Market participants' uncertainty about future bond yield developments, as measured by implied bond market volatility, has remained roughly unchanged during the last three months. In early June 2004 it was at a level slightly below the average implied volatility since January 1999.

## EURO AREA

Long-term bond yields in the euro area have tended to move in tandem with US bond yields in the first few months of 2004. After having moved downwards in early 2004, from the end of March onwards euro area bond yields also rose significantly, although at a much slower pace than US bond yields. As a consequence, the differential between euro area and US long-term bond yields closed quickly and from early April it turned negative, standing at around to -30 basis points on 2 June.

Chart 20 Euro area real bond yield and break-even inflation rate

(percentages per annum; daily data)



Source: Reuters.

Note: Real bond yields are derived from the market prices of French government bonds which are indexed to the euro area HICP (excluding tobacco prices) and which mature in 2012. The method used to calculate the break-even inflation rate was outlined on page 16 of the February 2002 issue of the Monthly Bulletin.

As was the case in the United States, the increase in nominal bond yields from the end of March was initially supported by a steady increase in real bond yields, as measured by yields on ten-year index-linked government bonds (indexed to the euro area HICP excluding tobacco). This reflected market participants' perception of a gradual improvement in the euro area economic outlook in recent months. More recently, between the end of April and 2 June, long-term nominal bond yields in the euro area continued their upward movement and increased by around 15 basis points to stand at around 4.5% on the latter date. In contrast, real bond yields declined slightly over the same period, and this led the ten-year break-even inflation rate in the euro area to rise by more than 25 basis points, to stand at around 2.4% on 2 June (see Chart 20). Movements in this indicator should be interpreted with some caution owing to the presence of various premia that may distort its information content. In this regard, recent increases in oil prices may have raised inflation uncertainty among market participants, leading to higher risk premia being embedded in the break-even inflation rates.

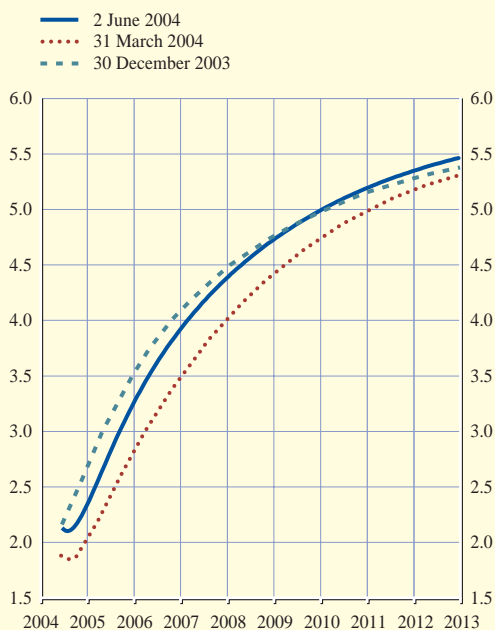
Box 4 below describes the recently introduced financial derivatives on data releases for the euro area HICP (excluding tobacco). These new instruments provide an indicator of market participants' short-term inflation expectations.

The increase in nominal bond yields over the last three months has been mirrored by an upward shift in the implied forward overnight interest rate curve. While market participants' expectations for future interest rates have shifted upwards since the end of March for the next few years, they still remain below the levels expected at the end of 2003 (see Chart 21). At the same time, the degree of uncertainty prevailing in the euro area bond markets (as measured by implied bond market volatility) has remained roughly unchanged during the last three months, and at the end of May stood at a level slightly below the average since January 1999.

In the euro area corporate bond market, the financing conditions have continued to be very favourable over the last three months. The level of corporate bond spreads remains low (see Chart 22). This indicates that credit risk is perceived to be low by market participants, which is in line with credit rating agencies' tendency to reduce the number of downgrades of corporations. Corporate bond spreads measured as the differential between the yields on bonds issued by BBB-rated corporations and on comparable government bonds in the euro area, remained at a low level and stood at around 90 basis points on 2 June 2004, broadly the same level as in October 2003. Yields on bonds issued by BBB-rated corporations in the euro area stood at 5.2% on 2 June 2004, a level similar to that of October 2003.

**Chart 21 Implied forward euro area overnight interest rates**

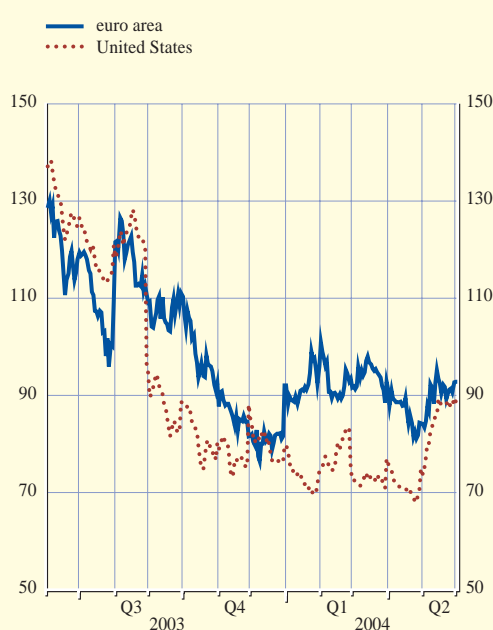
(percentages per annum; daily data)



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 22 Corporate bond spreads in the euro area and the United States**

(in basis points; daily data; BBB rating)



Sources: Bloomberg and ECB calculations.  
Note: Corporate bond spreads are calculated as the difference between seven to ten-year corporate bond yields and seven to ten-year government bond yields.

**Box 4**

**USING FINANCIAL DERIVATIVES TO ASSESS MARKET PARTICIPANTS' SHORT-TERM INFLATION EXPECTATIONS FOR THE EURO AREA**

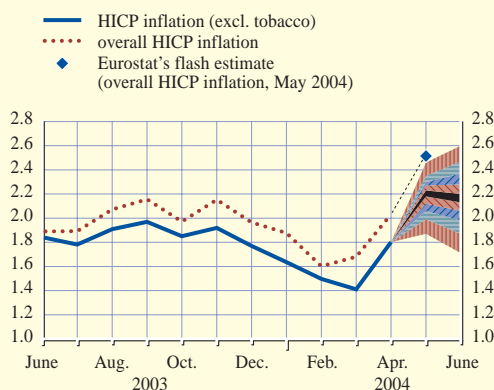
Financial derivatives can provide an important source of information about market participants' macroeconomic expectations. By using information contained in option prices it is possible to extract the uncertainty surrounding the expected future mean value of the asset.<sup>1</sup> This box looks at recently introduced financial derivatives based on data releases for euro area inflation.

In 2003 two large financial institutions organised the trade of options on the euro area harmonised index of consumer prices (HICP) excluding tobacco. This followed the introduction of similar trades of options on key macroeconomic data releases for the United States, such as the ISM Purchasing Managers' Index (PMI) or changes in non-farm payroll data. Derivatives based on inflation statistics provide, among other things, a means for investors with a portfolio exposed to substantial inflation risk to hedge directly against that risk.

<sup>1</sup> For a general description of derivatives and options, see the article in the May 2000 issue of the Monthly Bulletin entitled "The information content of interest rates and their derivatives for monetary policy".



### Implied distribution of market participants' expectations for May and June HICP inflation (excluding tobacco)



Sources: Deutsche Bank, Goldman Sachs and ECB calculations. Notes: The fan chart depicts the implied distribution of market expectations on 19 May 2004 of HICP (excluding tobacco) inflation outcomes in May and June 2004. The darkest band includes the central (single most likely) outcome and covers 10% of the probability. Each successive pair of bands is drawn to cover a further 10% of probability, until 90% of the probability distribution is covered. The bands widen as the time horizon is extended, indicating an increasing uncertainty about outcomes.

Trades on euro area HICP (excluding tobacco) releases take place once a month, in an auction-based framework. They concern inflation outcomes for the month in which the auction takes place and for the following month. The auction occurs between the last official euro area HICP release by Eurostat and the first publication of any of the (preliminary) country estimates for the current month's inflation. As a result, trades are based solely on auction participants' private assessments.<sup>2</sup> From the observed prices of the inflation derivatives the organisers report the probabilities surrounding market participants' central expectations for the various possible outcomes of future inflation rates.

The chart displays the results of the auction that took place on 19 May 2004 where the outcomes for the May and June 2004 inflation data were traded.<sup>3</sup> Three main conclusions can be drawn from the chart.

First, regarding their central (baseline) scenario, market participants expected the year-on-year rate of change of HICP (excluding tobacco) to rise significantly, from 1.8% in April to around 2.2% in May, and to stay marginally below that level in June 2004.

Second, in terms of the uncertainty surrounding those expectations, the width of the bands for less likely outcomes makes it possible to gauge market participants' assessment of the balance of risks. As can be seen in the fan chart, the width of the bands below the central (darkest) range is greater than that of the bands above the central range, and this is the case for both May and June 2004. This suggests that market participants perceive the likelihood of actual HICP (excluding tobacco) inflation turning out below 2.2% as being somewhat higher than it turning out above 2.2% in May. A similar pattern emerges for the expected inflation rate of 2.1% in June.

Finally, an estimate for overall HICP inflation in May and June can be constructed on the basis of these expectations for HICP inflation (excluding tobacco). Assuming that the contribution from tobacco prices to overall inflation will be similar to that in April 2004 in the following two months, the 19 May 2004 auction results would then suggest that overall HICP inflation was expected to rise from 2.0% in April to about 2.4% in May. This expectation was slightly lower than the HICP flash estimate for May 2004 of 2.5%, published by Eurostat on 28 May. Similarly, market participants' expectation for HICP inflation in June can be calculated to be around 2.3% as of 19 May 2004.

Overall, therefore, these newly introduced instruments offer an interesting additional source of information complementing surveys of market participants' expectations regarding very short-term inflation expectations.

<sup>2</sup> Eurostat's flash estimate for euro area HICP inflation is usually published by the end of each month. By that time, preliminary figures are available for Germany, Italy, Belgium and (since very recently) Spain.

<sup>3</sup> Trade in these derivatives is based on the expected level of the HICP (excluding tobacco) index. However, for the sake of clarity this box focuses on the year-on-year inflation rates implied by the results of the options as reported by the organisers. For further details, visit [www.deutsche-bank.de](http://www.deutsche-bank.de) and [www.gs.com](http://www.gs.com).

## 2.7 INTEREST RATES ON LOANS AND DEPOSITS

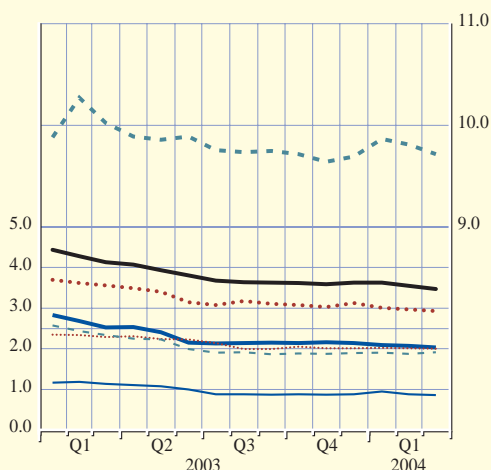
Between June 2003 and March 2004, short-term MFI interest rates on new business declined slightly, while long-term MFI rates increased moderately or remained broadly unchanged.

Most short-term MFI interest rates on new business remained broadly unchanged in March 2004 (see Chart 23). Looking at longer periods, short-term MFI interest rates declined somewhat between June 2003 and March 2004, in line with developments in money market rates. Overall, during this period the rate on loans to households for house purchase with a floating rate and up to one year initial rate fixation declined by about 35 basis points, while the rates on both loans to non-financial corporations over €1 million with a floating rate and up to one year initial rate fixation and on short-term saving deposits from households (i.e. redeemable at notice of up to three months) both declined by around 20 basis points. During the same period the rates on overnight deposits from non-financial corporations and on bank overdrafts to households both decreased by around 15 basis points, while the rate on short-term time deposits from households (i.e. with an agreed maturity of up to one year) declined by about 10 basis points. In comparison, the three-month money-market rate fell by around 10 basis points between June 2003 and March 2004.

**Chart 23 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)
- ..... loans to non-financial corporations over €1 million with a floating rate and up to one year initial rate fixation (left-hand scale)
- - - bank overdrafts to households (right-hand scale)
- overnight deposits from non-financial corporations (left-hand scale)
- ..... deposits from households redeemable at notice of up to three months (left-hand scale)
- - - deposits from households with an agreed maturity of up to one year (left-hand scale)
- loans to households for house purchase with a floating rate and up to one year initial rate fixation (left-hand scale)



Source: ECB.

**Chart 24 Long-term MFI interest rates and a long-term market rate**

(percentages per annum; rates on new business)

- five-year government bond yield
- ..... loans to non-financial corporations over €1 million with over five years' initial rate fixation
- - - loans to households with over five and up to ten years' initial rate fixation



Source: ECB.

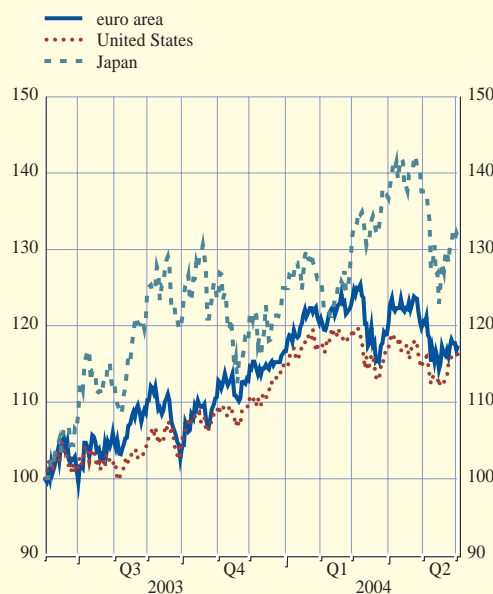
As regards long-term rates, in March 2004 the rate on loans to non-financial corporations over €1 million with over five years' initial rate fixation remained broadly unchanged, while the rate on loans to households for house purchase with over five and up to ten years' initial rate fixation decreased slightly (see Chart 24). Looking at the period from June 2003 to March 2004, the rate on loans to households for house purchase with over five and up to ten years' initial rate fixation remained broadly unchanged while the rate on loans to non-financial corporations over €1 million with over five years' initial rate fixation increased by around 20 basis points. Chart 24 illustrates that over recent quarters developments in long-term MFI interest rates have fluctuated much more moderately than comparable market rates. Such a pattern has also been observed in the past.

## 2.8 EQUITY MARKETS

*Stock prices in the major economies declined slightly between early March and early June. These declines partly reflect the impact of higher long-term interest rates. In addition, concerns about high oil prices had a dampening effect on stock prices, whereas a series of better than expected economic data releases worked in the opposite direction.*

**Chart 25 Stock price indices**

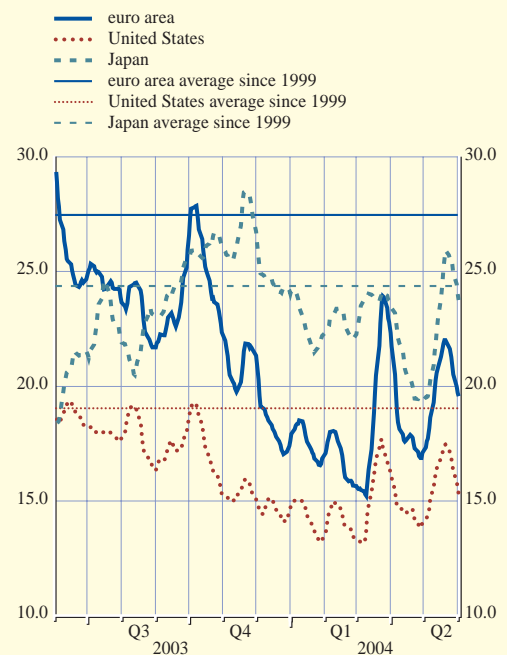
(index: 1 June 2003 = 100; daily data)



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 26 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.

## UNITED STATES

Stock prices in the United States declined overall between early March and early June, against a backdrop of increased volatility, thereby breaking the upward trend which lasted for most of 2003 and early 2004 (see Chart 25). On the one hand, indications of improved corporate profitability, such as better than expected earnings figures and market perceptions of generally favourable macroeconomic data releases, have exerted upward pressure on US stock prices. On the other hand, the sharp increases in US long-term interest rates have exerted countervailing downward pressure on stock prices as they play a crucial role in determining the discount factor for future earnings arising from investment in stock markets. In addition, the overall decline may also have mirrored investors' concerns about the economic impact of higher oil prices. Finally, heightened stock market uncertainty may also have contributed to the decline. Implied volatility derived from options on the Standard & Poor's 500 index increased by 2 percentage points between the end of February and 2 June, when it stood at 15%. This was, however, still below its average since 1999 (see Chart 26). More recently, between the end of April and 2 June, the broad-based Standard & Poor's 500 index and the technology-dominated Nasdaq Composite index increased by 1.5% and 2% respectively.

## JAPAN

In Japan, stock prices remained broadly unchanged between early March and early June in a rather volatile environment. Japanese stock prices had previously increased significantly between mid-2003 and early 2004, reflecting market participants' optimism about the economic outlook. This upward trend came to a halt when investors apparently became concerned about higher global long-term interest rates. More recently, between end-April and 2 June, the Nikkei 225 index fell by 4%. Implied volatility, a measure of uncertainty in the Japanese stock market, stood on the latter date at 23%, a level somewhat lower than its average since 1999.

## EURO AREA

In the euro area, stock prices declined between early March and early June. Part of the decline can be explained by a marked increase in stock market uncertainty. Implied volatility extracted from options on the Dow Jones EURO STOXX 50 index, increased over the period and on 2 June stood at 20%. However, this is still lower than its average since 1999 (see Chart 26). In addition, market perceptions of global factors such as high oil prices also contributed to dampen stock prices. In contrast, other factors had opposite effects, such as a continued improvement in actual earnings and upward revisions in market analysts' short-term earnings expectations for euro area corporations. More recently, stock prices, as measured by the Dow Jones EURO STOXX index, fell by about 2% between the end of April and 2 June.

Regarding recent sectoral developments within the euro area, stock prices in eight out of the ten economic sectors of the Dow Jones EURO STOXX index declined between the end of February and 2 June (see Table 6). Technology and telecommunications stocks, which increased sharply in the early part of the year, recorded the largest losses.

**Table 6 Price changes and historical volatility in the Dow Jones EURO STOXX economic sector indices**

(price changes as percentages of end-of-period prices; historical volatility as percentages per annum)

	Basic materials	Consumer cyclical	Consumer non-cyclical	Energy	Financial	Health-care	Industrial	Technology	Telecommunications	Utility	EURO STOXX
<b>Share of sector in market capitalisation</b> (end-of-period data)	5.0	11.7	7.4	11.8	28.8	4.6	9.0	6.4	8.4	6.9	100.0
<b>Price changes</b> (end-of-period data)											
2003 Q1	-19.6	-15.8	-16.0	-12.9	-14.9	-16.4	-9.0	-9.4	-4.1	-7.8	-12.9
2003 Q2	18.0	21.1	7.6	10.3	25.4	15.3	15.6	19.0	17.7	16.8	18.2
2003 Q3	4.4	4.4	5.1	-2.9	0.5	-2.1	6.2	5.9	-3.1	-3.6	1.1
2003 Q4	15.5	13.7	2.1	12.0	16.8	13.2	13.6	12.6	13.1	15.1	13.5
2004 Q1	-4.7	0.6	2.7	0.4	-0.9	11.6	1.3	10.1	4.0	7.2	1.9
April	5.0	3.2	0.9	3.8	1.3	3.5	2.6	-15.9	0.2	1.4	0.7
May	-2.1	-1.8	0.4	-0.3	-2.4	2.3	-2.9	-1.2	-4.5	-0.3	-1.7
End-February to 2 June 2004	-0.8	-2.8	-3.6	5.0	-6.1	8.6	-3.2	-21.0	-8.6	-0.2	-4.3
<b>Volatilities</b> (period averages)											
2003 Q1	36.1	37.2	29.2	31.2	38.8	35.4	24.8	43.0	34.1	32.5	32.5
2003 Q2	24.8	28.0	19.8	22.8	26.8	25.4	18.0	35.3	21.5	20.8	23.0
2003 Q3	23.3	19.9	12.1	18.3	18.6	17.8	15.1	33.4	14.7	13.5	16.6
2003 Q4	17.5	17.5	11.6	13.9	14.5	17.2	12.8	23.9	13.2	11.2	14.0
2004 Q1	15.2	18.4	12.5	16.6	15.6	16.4	15.3	26.9	18.3	14.3	14.3
April	14.3	15.0	11.3	15.0	14.2	20.6	15.1	40.6	11.8	13.1	13.3
May	21.7	22.4	13.5	15.8	20.7	15.2	20.4	29.5	19.8	16.2	18.4
End-February to 2 June 2004	18.6	20.8	13.4	16.4	18.3	17.2	18.6	33.1	17.9	15.9	16.9

Sources: STOXX and ECB calculations.

Notes: Historical volatilities are calculated as the annualised standard deviation of daily index level changes over the period. Sector indices are shown in the "Euro area statistics" section of this issue of the Monthly Bulletin.

## 3 PRICES AND COSTS

*Euro area HICP inflation increased noticeably in recent months, from 1.6% in February to 2.5% in May 2004, according to the flash estimate produced by Eurostat. This partly reflected a significant base effect in energy prices which, as expected, pushed up the year-on-year rate. In addition, the recent surge in oil prices, together with increases in tobacco taxes, contributed to the rise in inflation. These factors, combined with increases in non-oil commodity prices, also brought upward pressure to bear on prices in earlier stages of the production chain. According to recently released labour cost data for the first quarter of 2004, annual wage growth in the euro area appears to have stabilised at a level between 2% and 2½%. Looking ahead, developments in energy prices may continue to exert upward pressure on inflation in the short term, with inflation rates likely to remain above 2% for longer than was expected just a few months ago. However, provided that commodity prices do not rise further, inflation should fall below 2% in 2005, reflecting moderate domestic price pressures.*

### 3.1 CONSUMER PRICES

#### FLASH ESTIMATE FOR MAY 2004

According to Eurostat's flash estimate, euro area inflation rose to 2.5% in May 2004 (see Table 7). Although no detailed breakdown is available as yet, it is likely that energy price developments accounted for most of the rise. This was partly due to the fact that the decline in energy prices one year ago has fallen out of the annual comparison, but also reflects the recent increases in oil prices. Given the preliminary nature of the information, however, the estimate is surrounded by the usual uncertainty.

#### HICP INFLATION IN APRIL 2004

Inflation in the euro area rose to 2.0% in April 2004, from 1.7% in March, mainly on account of developments in energy prices (see Chart 27). At the same time, the annual rate of change in the HICP excluding unprocessed food and energy remained unchanged at 2.1%.

Table 7 Price developments

(annual percentage changes, unless otherwise indicated)

	2002	2003	2003 Dec.	2004 Jan.	2004 Feb.	2004 Mar.	2004 Apr.	2004 May
<b>HICP and its components</b>								
Overall index <sup>1)</sup>	2.3	2.1	2.0	1.9	1.6	1.7	2.0	2.5
Energy	-0.6	3.0	1.8	-0.4	-2.2	-2.0	2.0	.
Unprocessed food	3.1	2.1	3.2	2.9	1.9	1.7	1.6	.
Processed food	3.1	3.3	3.8	3.3	3.2	4.1	3.9	.
Non-energy industrial goods	1.5	0.8	0.7	0.6	0.8	0.7	1.0	.
Services	3.1	2.5	2.3	2.5	2.6	2.5	2.5	.
<b>Other price indicators</b>								
Industrial producer prices	-0.1	1.6	1.0	0.3	0.0	0.4	1.4	.
Oil prices (EUR per barrel)	26.5	25.1	24.0	24.2	24.1	26.7	27.6	30.9
Non-energy commodity prices	-0.9	-4.5	-0.2	5.1	7.2	17.2	19.7	21.1

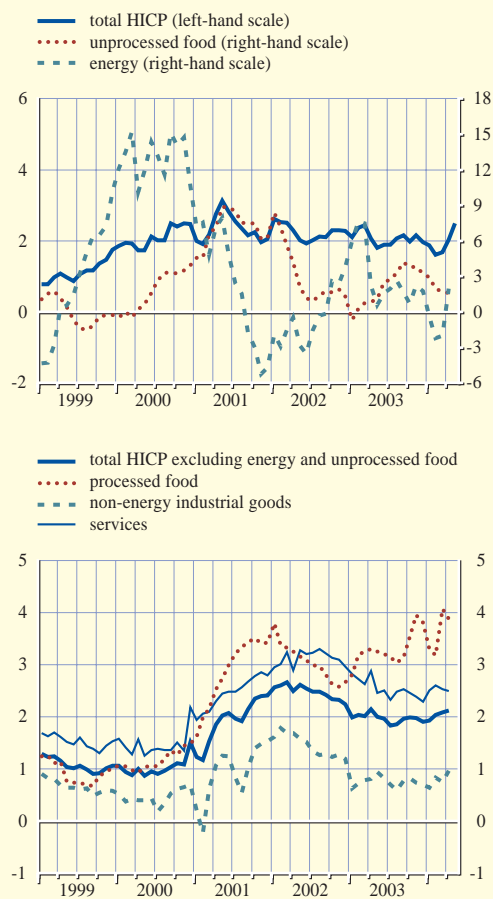
Sources: Eurostat, Thomson Financial Datastream and HWWA.

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



**Chart 27 Breakdown of HICP inflation: main sub-components**

(annual percentage changes; monthly data)



Source: Eurostat.

The annual rate of change in energy prices rose markedly from -2.0% in March to 2.0% in April. This primarily reflects a base effect associated with the fall in energy prices in the aftermath of the war in Iraq one year ago. The upward impact on the annual rate of change was reinforced by a monthly rise in energy prices in April 2004, in the wake of the strong increase in oil prices since February of this year. As a result, energy prices for the first time this year contributed positively to HICP inflation in April. The annual rate of change in unprocessed food prices declined only slightly in April, as was the case in the previous month, suggesting that the impact of last summer's heat wave has more or less unwound. Overall, this shock had a longer lasting effect than most of the weather-related shocks experienced in the euro area in recent years. For example, the effect of the harsh winter weather at the turn of the year 2001/2002 faded away almost completely within about four months, compared with about eight months in the case of the shock of summer 2003.

The annual rate of change in the HICP excluding energy and unprocessed food remained unchanged at 2.1% in April, concealing counteracting movements across its components. Non-energy industrial goods prices increased by 1.0% year-on-year, compared with 0.7% year-on-year in March. The recent rise seems mainly to reflect country-specific one-off developments in a limited

number of items. Prices of pharmaceutical products rose significantly on a monthly basis in April, following the further implementation of the reform in the German health care system. In France and Spain, strong seasonal movements in clothing prices played a role. This kind of more volatile behaviour in seasonal patterns has been observed for some time now and has complicated the evaluation of developments in annual rates of change in HICP items and components (see Box 5 below). Against this background, recent developments in non-energy industrial goods prices should not be seen as a signal of further increases in this component, which should – all in all – still benefit from the past appreciation of the euro. The annual rate of change in processed food prices declined slightly in April, following a strong rise as a result of tobacco tax increases in March. Services price inflation remained unchanged at 2.5% in April, continuing – to a significant extent – to reflect increases in administered prices at the beginning of this year.

Box 5

**SEASONAL PATTERNS AND VOLATILITY IN THE EURO AREA HICP**

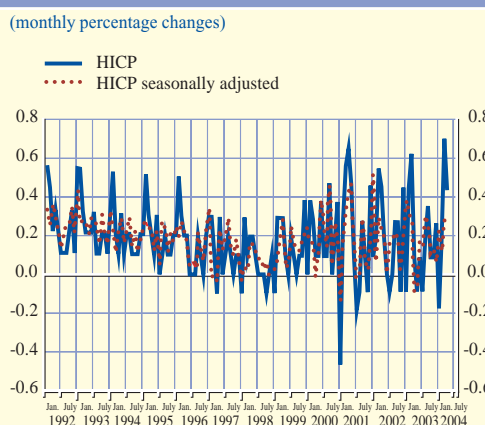
Annual HICP inflation rates are unaffected by seasonal patterns, as long as these patterns remain stable over time. Any irregularities and changing seasonal patterns will, however, also affect movements in the annual rate of change. Knowledge about the seasonal pattern in prices of the goods and services included in the HICP is therefore crucial when judging, for instance, whether an increase in the annual HICP inflation rate means that inflationary pressures have increased, or whether it is just a result of irregular or changing seasonal patterns. In this box the seasonal and higher volatility in the HICP in recent years is highlighted, and can be partly explained by a more significant seasonal pattern in some components of the HICP.

Furthermore, it is sometimes useful to supplement the analysis of developments in the annual rate of change with the analysis of short-term dynamics in the HICP. The most important reason for this is that the annual rate for a given month reflects development in prices over a period of 12 months. Changes in the annual rate are therefore affected not only by the most recent price dynamics, but possibly also by so-called base effects. Analysis of rates of changes for shorter periods than a year requires seasonally adjusted time series. The quality of such a series, however, is dependent on how regular and stable the seasonal patterns are over time, as seasonal adjustment can only correct for the regular movements in a time series occurring every year during the same period and to a comparable extent.

In its analysis of price developments in the Monthly Bulletin, the ECB usually focuses on data for the overall HICP and a breakdown into five main components (energy, unprocessed food, processed food, non-energy industrial goods and services). For the purpose of analysing short-term developments, the ECB also regularly calculates a seasonally adjusted HICP for the euro area (see Table 5.1 in the Euro Area Statistics section). The seasonally adjusted HICP is compiled as the aggregate of seasonally adjusted series for unprocessed food, processed food, non-energy industrial goods and services and the unadjusted series for energy, since no clear seasonal pattern could be found in the energy component.

Chart A shows the evolution of the monthly changes in the overall rate of HICP inflation in the euro area in both seasonally adjusted and unadjusted terms. From the chart, a clear increase in the amplitude of the seasonal variation is evident in the unadjusted series since the beginning of 2001. To help quantify the evidence of this greater volatility, the table below reports the standard deviation in the monthly rates of change over different periods since 1996 for both the unadjusted and the seasonally adjusted series. The standard deviation provides a useful measure of historical variability that captures the average

**Chart A Monthly rate of change in the HICP and in the seasonally adjusted HICP**



Sources: Eurostat and ECB calculations.  
 Note: Data before 1996 are estimates based on the non-harmonised national CPIs.

## Standard deviation of the monthly rate of change of sub-components in the euro area HICP

(seasonally adjusted series in brackets)

	Weight 2004 (%)	Standard deviation (percentage points) 1996-2000	Standard deviation (percentage points) 2001-2004
HICP	100	0.14 (0.09)	0.25 (0.14)
Energy	8.1	0.83 (-)	1.43 (-)
Unprocessed food	7.7	0.74 (0.41)	0.86 (0.58)
Processed food	11.8	0.12 (0.09)	0.23 (0.19)
Non-energy industrial goods	31.0	0.26 (0.06)	0.69 (0.12)
Services	41.3	0.28 (0.09)	0.37 (0.12)

Sources: Eurostat and ECB calculations.

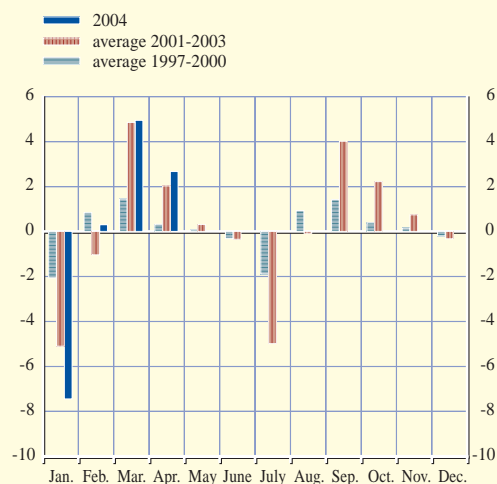
departure of a single month's rate of change from the average rate during the chosen period. The shift in 2001 is also reflected in an increased standard deviation in both the original and the seasonally adjusted series from 2001 onwards.

Analysis of the components in the HICP seems to indicate that there are two main factors that can help explain the higher volatility in recent years. The first factor is that developments in the euro area HICP have been significantly influenced by movements in its more volatile components in recent years, in particular energy and unprocessed food prices. This is partly due to different shocks affecting prices of meat, fruit, vegetables and oil (see also the box entitled "Sources of short-term volatility in HICP inflation" in the September 2003 issue of the Monthly Bulletin). A second explanation is that statistical factors together with changes in indirect taxation and administrative prices may have led to a more significant seasonal pattern in some components of the HICP. More specifically, at least four factors can be highlighted.

- Some countries, such as Italy and Spain, introduced sales prices in their respective HICP measures as from 2001. This factor is most significant for non-energy industrial goods, since the main contributors to the seasonal pattern in this group are prices of clothes and shoes, which are usually subject to substantial end-of-season sales. In addition to this methodological change, seasonal sales in many euro area countries seem to have become larger since 2001, with more substantial price discounts during sales periods being followed by higher price increases in subsequent months. As an example, prices of clothes and shoes showed a monthly rate of increase of 4.9% in March 2004. This is in line with the pattern in recent years, but a great deal higher than the historic average for the period from 1997 to 2000 (see Chart B). Looking forward over the year, we should expect to see high negative price changes in July and high positive price changes in September, in line with the new seasonal pattern.

Chart B Prices of clothes and shoes

(monthly percentage changes)



Sources: Eurostat and ECB calculations.

- A new method for measuring prices of package holidays was introduced in some countries' HICP as from 2000. In the German HICP, for example, the new method implied that prices of holidays booked for the Christmas holidays were affecting the index in December. This has affected the seasonal pattern in the service component.
- Increases in indirect taxes on tobacco have led to higher-than-usual price changes on tobacco in recent years. This has affected the seasonal pattern in the processed food component, given high price changes in January, when changes in indirect taxes are typically introduced.
- In recent years effects from administered prices on the euro area HICP have gained importance (see, for example, the box entitled "The impact of developments in indirect taxes and administered prices on inflation" in the January 2004 issue of the Monthly Bulletin). Since administered prices often change in January, this could also be a factor behind the altered seasonal pattern.

Overall, the combined effect of the above factors is a more significant seasonal pattern in recent years. Shifting seasonal patterns suggest a need for caution when analysing year-on-year changes and seasonally adjusted data, particularly around the period when the shift occurs.

### 3.2 INDUSTRIAL PRODUCER PRICES

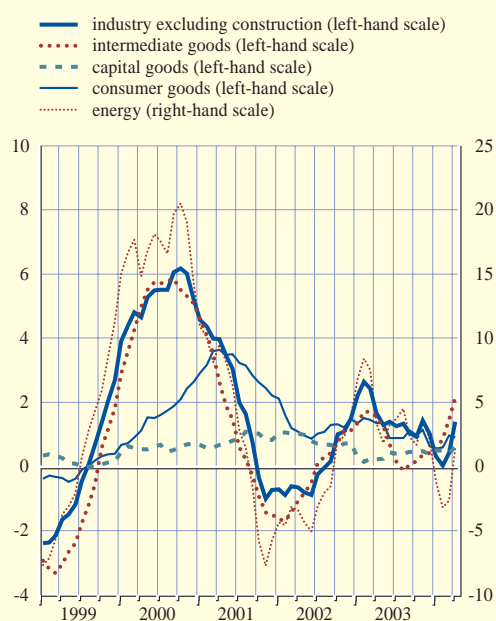
The strong increase in both oil and non-energy commodity prices is currently exerting upward pressure on euro area producer prices (see Chart 28). The annual rate of change in the overall index of producer prices (PPI) excluding construction rose further to 1.4% in April, compared with 0.4% in March.

A further increase in the annual rate of change in energy producer prices was the main factor behind this rise. This partly reflected developments between the same months last year when oil prices had dropped significantly. However, the increase in the annual rate of change also reflects the fact that oil prices in euro terms have been increasing since early February 2004.

Moreover, the annual rate of change in most producer prices increased in April. Even when excluding energy, the annual rate of increase in the PPI excluding construction rose, albeit only by 0.2 percentage point to 1.4% in April. This was mainly due to a further strong increase in producer prices of intermediate goods, which was related to the rise in non-energy commodity prices.

**Chart 28 Breakdown of industrial producer prices**

(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

**Table 8 Labour cost indicators**

(annual percentage changes, unless otherwise indicated)

	2002	2003	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1
Negotiated wages	2.7	2.4	2.7	2.4	2.4	2.2	2.3
Total hourly labour costs	3.5	2.9	3.1	3.2	2.8	2.6	.
Gross monthly earnings	3.0	2.7	2.9	2.8	2.6	2.5	.
Compensation per employee	2.5	2.3	2.5	2.5	2.4	2.0	.
<i>Memo items:</i>							
Labour productivity	0.3	0.3	0.6	0.0	0.2	0.5	.
Unit labour costs	2.2	2.0	1.9	2.5	2.2	1.5	.

Sources: Eurostat, national data and ECB calculations.

Looking ahead, despite the appreciation of the euro, the recent increases in both oil and non-energy commodity prices should continue to exert upward pressure on euro area producer prices. In that respect, the Eurozone Input Price Index for manufacturing rose further in May, suggesting that producer prices will continue to increase.

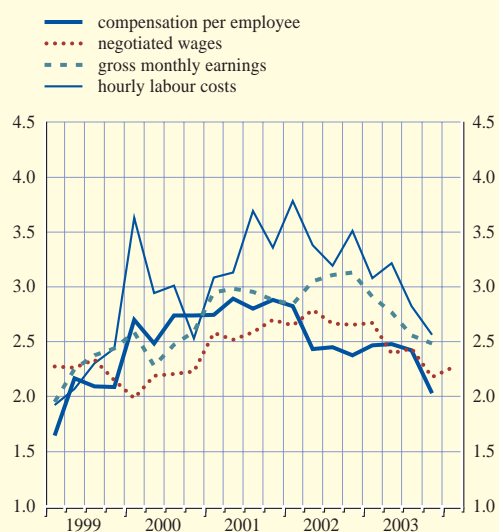
### 3.3 LABOUR COST INDICATORS

According to the first release of labour cost data for the first quarter of 2004, annual wage growth in the euro area appears to have stabilised between 2% and 2½%. This is at least signalled by latest developments in the indicator of negotiated wages. The annual growth of negotiated wages increased slightly in the first quarter of 2004, after having fallen in the fourth quarter of 2003 largely reflecting a one-off effect in Germany owing to reduced Christmas bonus payments. Looking through these short-term movements, negotiated wage growth in the euro area has remained unchanged at a level of 2.3% since the second quarter of 2003. This follows growth rates of around 2.7% in 2002 (see Table 8). The latest data support the assessment of the current lower wage growth, particularly in comparison with early 2002.

Other labour cost indicators are thus far available only until the fourth quarter of 2003. However, they are in line with a picture of a moderation in wage growth since early 2002, albeit to various degrees and with different dynamics (see Chart 29). For example, the annual rate of growth in hourly labour costs gradually declined by more than 1 percentage point between the beginning of 2002 and the last quarter of 2003. The annual growth rate in compensation per employee fell by around ¾ of a percentage point over the same period, with a particularly strong decline at the end of 2003. While this fall, combined with a slight improvement in labour productivity growth,

**Chart 29 Selected labour cost indicators**

(annual percentage changes)



Sources: Eurostat, national data and ECB calculations.

led to a decrease in unit labour cost growth at the end of 2003, unit labour costs still rose by 2.0% on average in 2003. Looking forward, stable labour cost growth, together with an expected continuation of the cyclical recovery in labour productivity growth, should lead to a moderation of annual growth rates in unit labour costs over the course of 2004.

### 3.4 THE OUTLOOK FOR INFLATION

Future commodity price developments, particularly those for oil, are crucial for the short-term inflation outlook. Oil prices in euro terms are currently about 30% higher than the level recorded in early February 2004 and about 40% above the level a year ago. Hence, in the short term, it is likely that energy price developments will exert further upward pressure on inflation, and inflation rates may remain above 2% for longer than was expected just a few months ago. This might also result in an average rate of inflation above 2% in 2004. However, domestic price pressures remain moderate, as is reflected in broadly stable wage developments. Overall, inflation should stand below 2% in 2005, provided that no further direct or indirect upward pressure arises from commodity prices, in particular oil. In addition, there is little knowledge at the current juncture about future changes in indirect taxes and administered prices, which typically only becomes available towards the end of the year. For further information on the economic outlook, see the section entitled “Eurosysteem staff macroeconomic projections for the euro area”.

## 4 OUTPUT, DEMAND AND THE LABOUR MARKET

According to Eurostat's first estimate, quarter-on-quarter real GDP growth was 0.6% in the first quarter of 2004. In the first few months of this year, economic growth, which was broadly based across sectors, was driven mainly by a strong expansion of private consumption and exports. Available short-term indicators suggest that the recovery is likely to continue in the second quarter of this year, supported by sustained growth in both the services and the industrial sectors. Looking ahead, external and domestic conditions remain supportive of growth, which can be expected to strengthen over time.

### 4.1 OUTPUT AND DEMAND DEVELOPMENTS

#### REAL GDP AND EXPENDITURE COMPONENTS

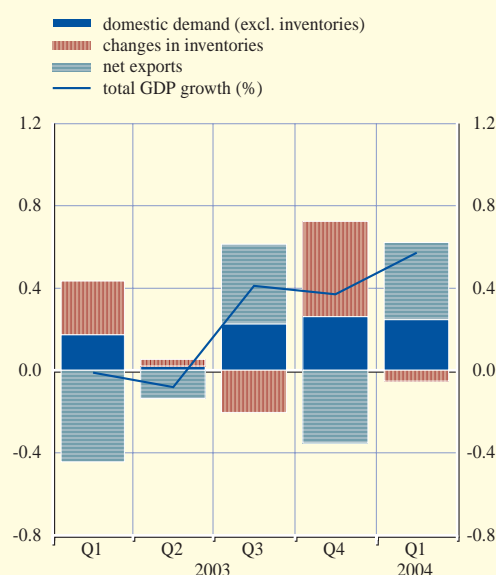
The recovery in economic activity which started in the second half of 2003 continued in the first quarter of 2004 (see Chart 30).

According to Eurostat's first estimate, quarter-on-quarter real GDP growth was 0.6% in the first quarter of 2004. This represents a further improvement after the positive growth rates recorded in the third and fourth quarters of 2003. Stronger growth in early 2004 was accounted for by the contribution from net exports, which turned positive, while the contribution of domestic demand was still positive, but declined. The decline in the contribution of domestic demand resulted from negative growth in all domestic demand components except private consumption, growth of which was strong. However, special factors affected gross fixed capital formation negatively in the first quarter of 2004 (reflected, in particular, in a marked downturn in construction investment in Germany). By contrast, robust investment growth was recorded in the other countries for which detailed estimates of the expenditure components of growth are available. Insofar as the significant decline in German construction investment was partly accounted for by temporary factors, the weaker-than-expected outcome for euro area investment does not seem to change the earlier assessment that investment will continue to recover in the quarters ahead. The contribution of net exports to growth was positive in the first quarter of 2004, reversing a negative contribution of similar magnitude in the previous quarter. This reflects a marked increase in export growth, together with slightly weaker import growth.

When assessing national accounts data for 2004, it should be borne in mind that quarterly euro area data for real GDP and its components that are released by Eurostat are adjusted for both seasonal and working-day variations. Since the number of working days in 2004 is larger than usual, it is particularly important at the current juncture to take into account the adjustment for calendar effects in order to correctly assess macroeconomic developments (see the Box 6 below for more details on the impact of the adjustment for variations in working days on euro area real GDP in 2004).

Chart 30 Contributions to real GDP growth

(quarterly percentage point contributions; seasonally adjusted)



Sources: Eurostat and ECB calculations.

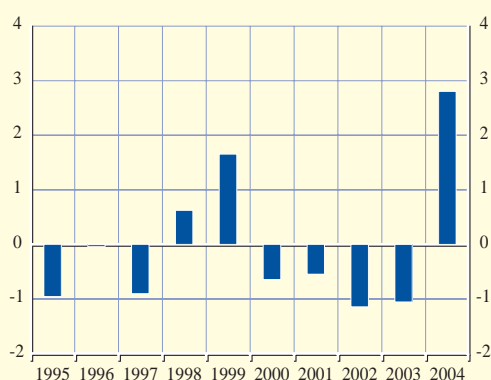


## Box 6

## THE IMPACT OF THE NUMBER OF WORKING DAYS ON EURO AREA GDP IN 2004

The number of working days in 2004 is unusually large since 2004 is a leap year and several public holidays fall on weekends (e.g. 1 May, as well as 25 and 26 December). As output varies with the number of days worked, this calendar constellation will have a marked impact on this year's unadjusted growth of GDP and its components. The number of working days in 2004 is 2.8 days larger than the average from 1990 to 2004, while it was 1.1 days smaller in 2003 (see chart below). Thus, the unadjusted annual growth rate of GDP will be particularly affected in 2004, since that year has nearly four working days more than 2003, which is the highest working-day difference in recent years.

Deviation of the number of working days in the euro area from the long-term average (1990-2004)



Source: ECB calculations.

The ECB estimates that this calendar effect will contribute around  $\frac{1}{4}$  of a percentage point to the euro area's annual GDP growth in 2004. This number is obtained by aggregating estimations of the calendar impact made separately for Belgium, Germany, Spain, France, Italy and the Netherlands. These six countries account for over 90% of euro area GDP. The estimated size of the calendar effect differs across countries. While the estimated calendar effect for Germany in 2004, for instance, accounts for about  $\frac{1}{2}$  a percentage point of annual GDP growth, the effect for France is about 0.2 to 0.3 percentage point, and the effect for other euro area countries is likely to be even smaller. Reasons for this fairly wide range of estimates are the different number of public holidays, additional days of leave granted in some countries when public holidays fall on weekends and different value added shares of sectors whose activities are strongly affected by varying numbers of working days. But there might also be variations in the statistical calculation of quarterly GDP figures that could lead to less pronounced calendar effects in the raw data. Differences across countries, as well as the sizeable impact of the working-day situation in 2004 on euro area GDP, support the view that, for many economic analyses, adjustment for calendar effects is necessary. The quarterly euro area GDP and its components published by Eurostat and used in the ECB's Monthly Bulletin are therefore adjusted for both seasonal and working-day variations.

In estimating the working-day effects, the fact is taken into account that most economic activity depends on a week of five working days, excluding public holidays. An upper limit of the working-day effect may be obtained by assuming that each working day's production is proportional to the annual number of official working days. As the average number of working days in the euro area is about 250 days per annum, the potential effect of one working day more or less on annual output is, at maximum, about 0.4%. However, there are many reasons why the actual working-day impact on GDP is less than proportional. This is due, for example, to industries with continuous production, as well as to retail trade turnover on weekends. Moreover, opposite effects may be observed in branches whose activity is high on weekends and holidays (tourism). On balance, the available estimates suggest that each extra working day in the euro area increases annual GDP by 0.05% to 0.1%.

## SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

In terms of the sectoral composition of growth, the increase in total value added in the first quarter of this year was driven by higher growth in both the services and the industrial sectors. The expansion of total value added in industry (including energy) was particularly strong in the first quarter of 2004. Despite its smaller weight in the total value added, it provided a similar contribution to total output growth as growth in the services sector. In the first quarter of this year, strong activity in the primary sector also contributed significantly to the increase in total value added, while the contribution from the construction sector was broadly zero.

Industrial production data provide indications that are not fully in line with value added data for the first quarter of 2004. In particular, data on industrial production (excluding construction), which are available up to March, suggest that, after having contributed significantly to output growth in the second half of 2003, the industrial sector was not among the main driving forces behind the expansion of economic activity in the first quarter of 2004. Indeed, industrial production (excluding construction) was broadly unchanged in the first quarter of 2004 as a whole (see Chart 31). Short-term indications on the industrial sector from different sources vary occasionally, although increased coverage and, more generally, data revisions subsequently often tend to reduce the gap. At the current juncture, taking into account available manufacturing survey data as well as the strong rise in export growth, value added data seem to provide a more accurate picture of developments in industry in the first quarter of 2004 than industrial production data.

From a more disaggregated perspective, developments were diverse in the first few months of the year. In particular, production in the capital goods sector decreased strongly in the first quarter of 2004 as a whole. This contrasted with a sharp increase in the production of energy, while production of intermediate and consumption goods was broadly unchanged. After growing strongly in the fourth quarter of 2003, the number of new orders placed with the manufacturing industry remained broadly unchanged in the first quarter of 2004. However, there are signs that demand for industrial products may have been improving gradually during the first few months of this year, with new orders growing markedly in March.

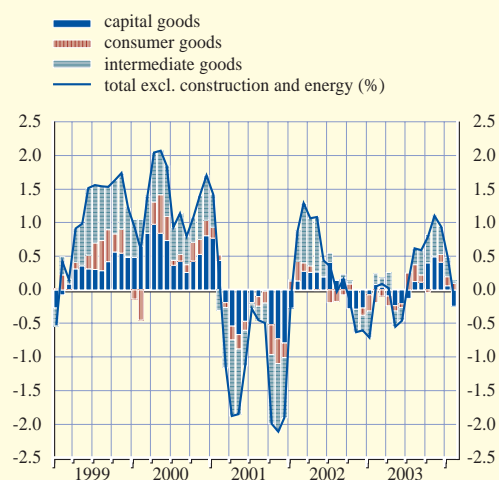
## SURVEY DATA FOR MANUFACTURING AND SERVICES SECTORS

Survey data in April and May are consistent with ongoing growth in both the industrial and the services sector.

The European Commission's industrial confidence indicator declined marginally in May, after a significant increase in April (see Chart 32). The fall in May is most likely a reflection of very short-term volatility which should not be interpreted as an interruption of the general increase recorded in the index since mid-2003. As regards the components, the assessment of both order books and production expectations in the next three months worsened

**Chart 31 Contributions to growth in industrial production**

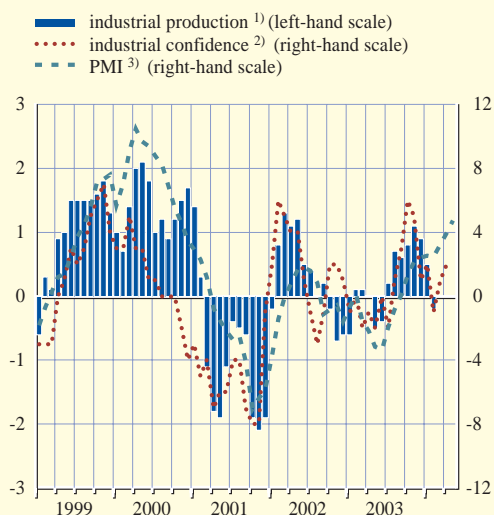
(percentage point contributions; seasonally adjusted)



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

**Chart 32 Industrial production, industrial confidence and the PMI**

(monthly data; seasonally adjusted)



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

1) Manufacturing; three-month on three-month percentage changes.

2) Percentage balances; changes compared with three months earlier.

3) Purchasing Managers' Index; deviations from an index value of 50.

the previous three months, did not change significantly. Similar indications are provided by the Purchasing Managers' Survey for the services sector. Among the indicators of the latter survey, the business activity index increased markedly in May, after remaining broadly unchanged in April. The index of expectations of business activity and the index on incoming new business rose significantly in May, after having fallen or remained broadly stable since January 2004.

Overall, survey data are broadly consistent with a positive economic outlook for both the services and the industrial sectors. First, the indications point to sustained growth in these sectors in the second quarter of 2004. Furthermore, improved expectations regarding the business climate suggest that growth may strengthen further later in the year.

### INDICATORS OF HOUSEHOLD SPENDING

Short-term indicators of household spending, while mixed, suggest that private consumption growth may remain robust in the second quarter of 2004.

Few indications are as yet available for the second quarter of 2004, especially from actual spending data. New passenger car registrations rose strongly in April, after having fallen throughout the first quarter. Given the high volatility of this indicator, it is too early to assess whether a significant recovery can be expected in this sector in the second quarter of this year. Retail sales volumes increased markedly in the first quarter of 2004 as a whole (see Chart 33). This increase conceals different developments across countries, and reflects strong growth in January, while retail sales were subdued in February and March. Thus, growth in retail sales does not yet seem to be broadly based and appears to have been particularly volatile in the first few months of this year.

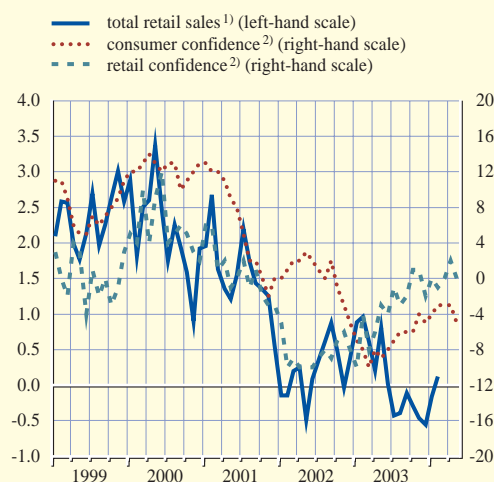
slightly in May. This was only partly offset by a small improvement in the assessment of stocks of finished products. The assessment of production observed over the past three months, as reported in the Commission's Business and Consumer Surveys, decreased markedly in May, after a very strong increase in the previous month.

Indications for the manufacturing sector gained from the Purchasing Managers' index (PMI) for the second quarter of 2004 are also consistent with an ongoing recovery. The PMI increased further in May 2004, largely due to significant increases in the components relating to changes in output and to new orders, both of which recorded the strongest increase since November 2003.

After having remained broadly unchanged in the previous two months, the Commission's indicator for services sector confidence also improved in May. This rise was mainly due to a significant increase in expected demand. By contrast, the assessment of the business situation, and of demand developments in the

**Chart 33 Retail sales and confidence in the retail trade and household sectors**

(monthly data)



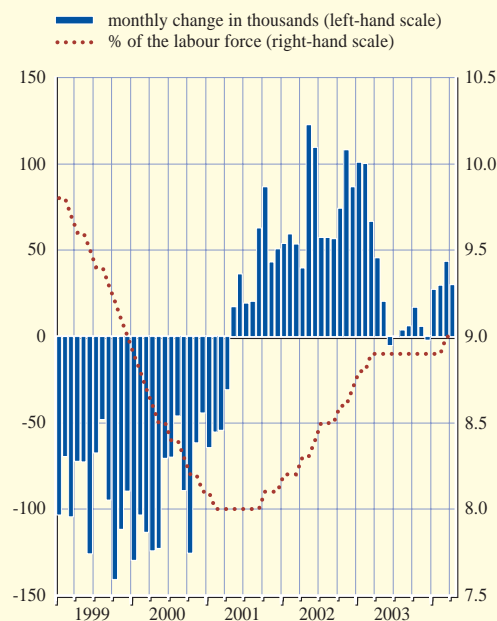
Sources: European Commission Business and Consumer Surveys and Eurostat.

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.

**Chart 34 Unemployment**

(monthly data; seasonally adjusted)



Source: Eurostat.

According to the European Commission's indicator, consumer confidence declined in May, after having remained stable in March and April. Consumer confidence has been on a gradually rising but somewhat volatile path since mid-2003. The data for April and May of 2004 suggest that uncertainty continued to prevail among consumers in the second quarter of this year. The decline in May reflected less optimistic expectations regarding both households' own future financial situation and the future general economic situation, which were only partially compensated for by slightly more positive views regarding future saving and future unemployment. Developments in retail trade sector confidence provided a similar picture.

## 4.2 LABOUR MARKET

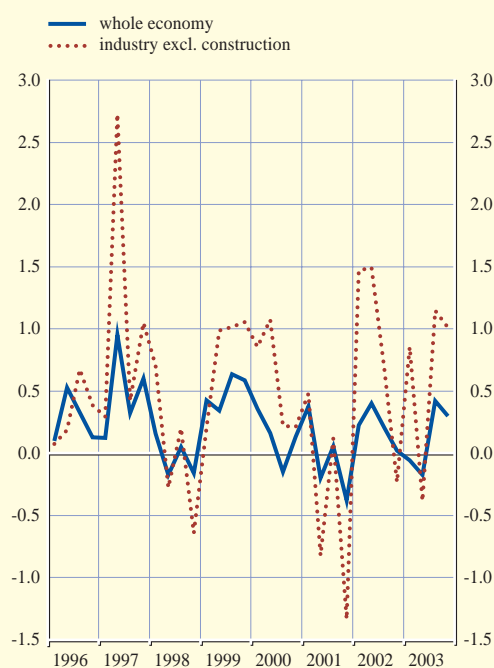
### UNEMPLOYMENT

Labour market conditions remained subdued in the first four months of 2004. In April 2004 the unemployment rate was 9.0%, unchanged against March and marginally higher than in February (see Chart 34). The incorporation of revised data for Germany has led to an upward revision of the euro area unemployment rate for the past two years, by 0.1 percentage point on average. However, the profile of the unemployment rate has not changed significantly, with only marginal changes recorded from March 2003 onwards. In addition, no significant change in unemployment rates by age and gender groups has occurred since March 2003.

The number of unemployed persons has continued to increase. In April 2004 the increase, by about 30,000 persons, in the seasonally adjusted number of unemployed was slightly smaller than in the

**Chart 35 Labour productivity**

(quarterly percentage changes; seasonally adjusted)



Source: Eurostat.

previous month, but is very similar to the average increase recorded since January 2003. However, the average increase in the number of unemployed from January to April 2004 was higher than in the second half of 2003.

### EMPLOYMENT

The level of employment increased slightly in the fourth quarter of 2003, after having been broadly stable since mid-2002 (see Table 9). The recovery in economic activity recorded since mid-2003 explains why labour productivity growth was significantly positive during the second half of last year, both in the economy as a whole and in the industrial sector (see Chart 35).

According to the European Commission's indicator, employment expectations in manufacturing improved on balance from January to March and, albeit to a lesser extent, between April and May 2004 (see Chart 36). By contrast, the manufacturing employment index in the PMI points to broadly stable employment conditions in the manufacturing sector since the end of 2003. As regards the services sector, employment expectations reported by the

Commission were broadly stable in the first quarter of 2004 and improved somewhat in both April and May. The employment index of the Purchasing Managers' Survey for the services sector rose slightly further in May, for the third consecutive month, and is now consistent with a stabilisation of the employment level in the services sector. The sustained growth of real GDP recorded in the first quarter of 2004 and the expected moderate increase in employment growth over the same period suggest that labour productivity is likely to have improved further in early 2004.

**Table 9 Employment growth**

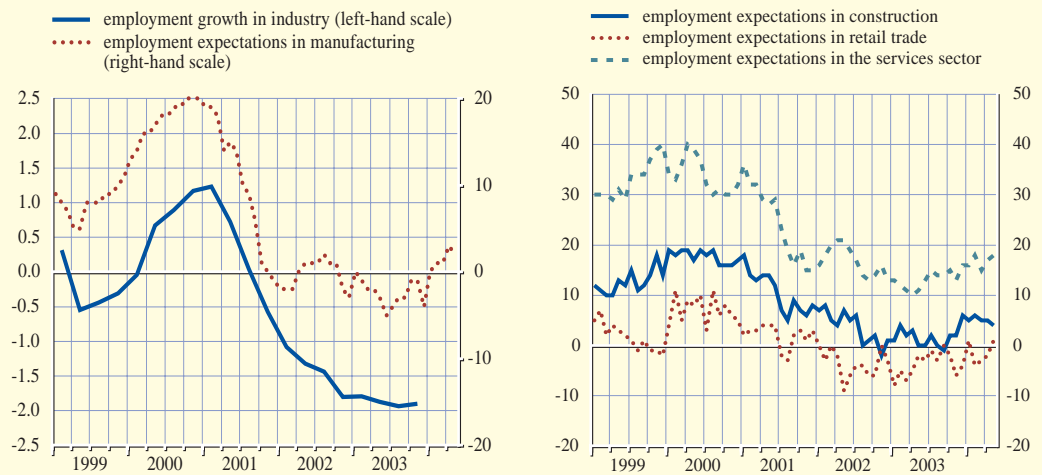
(percentage changes compared with the previous period; seasonally adjusted)

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

Sources: Eurostat and ECB calculations.

**Chart 36 Employment growth and employment expectations**

(annual percentage changes; percentage balances)



Sources: Eurostat and European Commission Business and Consumer Surveys.  
Note: Percentage balances are mean adjusted.

#### 4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Available conjunctural indicators suggest that growth is likely to be sustained in the second quarter of this year. Looking ahead, external and domestic conditions are such that the economic recovery in the euro area is likely to be sustained in the remainder of this year and to gather pace later on (for more details see the section entitled “Eurosystème staff macroeconomic projections for the euro area”). First, the robust and broad-based economic expansion elsewhere in the world is expected to support foreign demand for euro area goods and services. Second, euro area investment should gradually be supported by the strengthening of global demand, an improvement in corporate earnings and favourable financing conditions. Third, in the absence of any major financial constraints on households, growth in real disposable income should translate into more robust consumption than observed recently. Some sources of risk regarding growth remain. On the upside, the currently rather strong pace of economic growth outside the euro area, the recent developments in private consumption and some survey data imply a potential for stronger growth dynamics, particularly in the short term. On the downside, future developments in oil and commodity prices pose a risk. Moreover, concerns remain about the persistence of global imbalances.

## 5 FISCAL DEVELOPMENTS

The fiscal situation in the euro area is not expected to take a turn for the better in 2004 and 2005. Unchanged average deficits over the forecasting horizon reflect a neutral fiscal stance at the euro area level as tax cuts and expenditure restraint broadly offset each other. In most countries, insufficient fiscal consolidation will result in persistent fiscal imbalances. Fiscal policy strategies should be determined by three key challenges. Most importantly, credible fiscal consolidation as part of a comprehensive reform strategy is needed to redress imbalances. Furthermore, a strict implementation of fiscal rules is necessary to strengthen their credibility. Finally, the reliability and coverage of data reporting also warrant improvement to enhance fiscal transparency and surveillance.

### FISCAL DEVELOPMENTS IN 2004 AND 2005

Prospects for public finances in the euro area remain disappointing. According to the forecasts published by the European Commission in the spring, the average general government deficit ratio in the euro area will stay unchanged in 2004 at 2.7% of GDP (see Table 10). In 2005 the average deficit ratio will improve only marginally to 2.6% of GDP. Six countries – Germany, Greece, France, Italy, the Netherlands and Portugal – are expected to record a deficit ratio in excess of the 3% reference value for at least one year over the forecasting horizon. In addition to these countries, Luxembourg and Austria are not expected to report budgetary positions that are close to balance or in surplus.

The European Commission's fiscal forecasts depart significantly from the more optimistic targets set in the latest updated stability programmes, which were submitted by the member countries at the end of 2003 and the beginning of 2004. The figures deviate from the initial targets for most

**Table 10 Forecasts of fiscal developments in the euro area**

(as a percentage of GDP)

	2000	2001	2002	2003	2004	2005
<b>European Commission, Economic Forecasts, spring 2004</b>						
a. Total revenue	47.3	46.6	46.1	46.3	45.8	45.5
b. Total expenditure	48.2	48.2	48.4	49.0	48.6	48.1
of which:						
c. Interest expenditure	4.1	4.0	3.6	3.5	3.4	3.4
d. Primary expenditure (b - c)	44.1	44.2	44.7	45.5	45.2	44.7
Budget balance (a - b)	-0.9	-1.7	-2.3	-2.7	-2.7	-2.6
Primary budget balance (a - d)	3.2	2.3	1.4	0.8	0.7	0.8
Cyclically adjusted budget balance	-1.8	-2.3	-2.5	-2.2	-2.2	-2.2
Gross debt	70.4	69.4	69.2	70.4	70.9	70.9
Memo item: real GDP (annual percentage change)	3.5	1.6	0.9	0.4	1.7	2.3
<b>Stability programmes, European Commission figures on the basis of member countries' updated stability programmes, March 2004</b>						
Budget balance			-2.2	-2.7	-2.3	-1.8
Primary budget balance				0.8	1.0	1.5
Cyclically adjusted budget balance				-2.1	-1.8	-1.4
Gross debt			69.1	70.1	70.0	69.4
Memo item: real GDP (annual percentage change)			0.9	0.6	2.0	2.5

Sources: European Commission and ECB calculations.

Note: Figures exclude proceeds from the sale of UMTS licences and may not add up due to rounding.



countries, in particular those with significant fiscal imbalances. The 2004 and 2005 deficit ratios projected by the Commission for the euro area are, respectively, 0.4 and 0.8 percentage point of GDP higher than the deficit ratio targets set on average in the member countries' stability programmes. This less favourable budgetary evolution is only partly explained by worse than expected outcomes in 2003 and more cautious macroeconomic assumptions. The forecasts also foresee significant shortfalls in adjustment policies. In particular, many countries have not yet spelled out in detail the budget measures by which they intend to attain their expenditure targets or which will replace previous one-off measures. There is therefore a clear risk that they will make fewer consolidation efforts than initially planned.

High deficit ratios in the euro area will continue to have an adverse effect on public debt developments. The average public debt ratio will increase in 2004 for the second year in a row, to 70.9% of GDP, before stabilising in 2005. National debt ratios will be above 60% of GDP in seven countries in both 2004 and 2005 and will fall only slightly in two of the three countries that have very high debt ratios.

#### **FACTORS UNDERLYING BUDGETARY DEVELOPMENTS**

The budget policies of member countries are expected to result in a broadly unchanged fiscal balance at the euro area level over the forecasting horizon, with a small decline in interest expenditure and no improvement in the primary balance (Chart 37a and b). These developments, together with growth around potential over the period, also imply a broadly neutral fiscal stance in the euro area on average. This is illustrated by the very small effect that cyclical factors and consolidation efforts, as measured by the change in the cyclically adjusted primary balance, will have on the aggregate balance in 2004-05 (Chart 37c).

However, the unchanged primary balance masks a strategy of tax cuts financed via broadly equivalent savings in primary expenditure. This strategy is shown by the change in cyclically adjusted revenue and primary expenditure (Chart 37d). The average revenue ratio, adjusted for the effect of the cycle, will gradually decline by almost 1 percentage point over 2004-2005, mainly following cuts in direct taxes and social security contributions. Falling capital revenue, which in previous years had been boosted by significant one-off receipts in some countries, will also contribute to drive down the revenue ratio. By contrast, some indirect tax increases and a broadening of the tax bases will partly compensate for these revenue reducing measures.

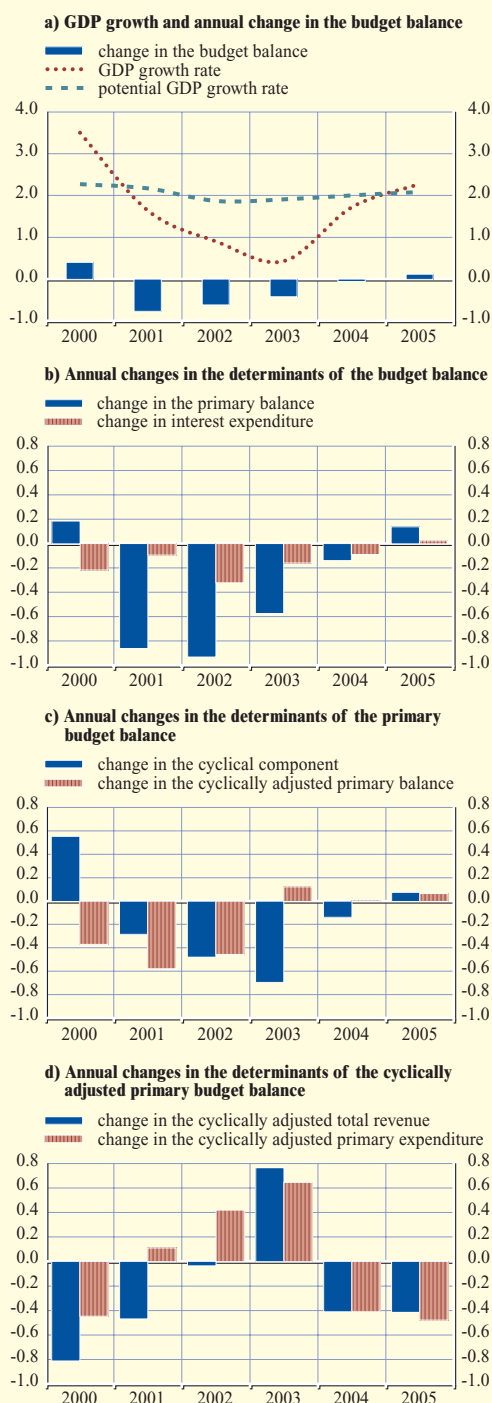
Restraint on primary expenditure is expected broadly to compensate for the planned revenue reduction, thereby producing the expected neutral fiscal effect on the budget balance. More specifically, the average primary expenditure ratio, net of the effects of the cycle and of interest expenditure, is projected to decline by almost 1 percentage point of GDP over 2004-2005, with most of the reduction in the area of public consumption and social benefits. Consolidation efforts from the expenditure side differ significantly across countries, with more ambitious efforts being envisaged by some of the countries with large fiscal imbalances. Moreover, in a context of gradual economic recovery, social payments and particularly unemployment-related outlays are expected to grow at lower rates in 2004 and 2005 than those recorded in the recent past.

#### **KEY CHALLENGES TO FISCAL POLICIES**

The main challenge for public finances in the euro area is the prevention and correction of significant imbalances in a growing number of countries. The Commission forecasts indicate that half of the countries may incur excessive deficits, while very few countries will record sound budgetary positions. Accordingly, budgetary adjustments in countries with fiscal imbalances will

**Chart 37 Determinants of budgetary developments**

(in percentage points of GDP; percentage changes)



Sources: European Commission, spring 2004 and ECB calculations.

not generally comply with the Eurogroup agreement of a structural consolidation of at least 0.5% of GDP per year, or with the specific and more stringent commitments made in compliance with Council conclusions. Moreover, a number of countries will not achieve a close-to-balance or in-surplus position within the horizon of their stability programmes if, as projected, the budgetary adjustments in most member countries fall short of the required fiscal efforts.

Persistent imbalances in budget positions will not only have adverse effects on fiscal sustainability but they will also put at risk the credibility of the European fiscal framework. A larger number of countries exceeding the 3% of GDP reference value or delaying the correction of excessive deficits could further increase concern regarding the implementation of the Stability and Growth Pact. This would compound the problems of the recent past, when peer pressure has at times been inadequate. Achieving sound budgetary positions and ensuring the adequate implementation of the European fiscal framework are therefore two closely interrelated challenges facing the euro area countries.

In addition, proper statistical recording in accordance with the Eurostat regulations is essential to allow consistent multilateral surveillance and the timely implementation of the required procedures. In a number of cases in the past, unsatisfactory compliance with data requirements has resulted in major data revisions. Off-budget operations have adversely affected debt developments and significantly slowed debt reduction. As the overall budget balance was left unchanged, these operations undermined its informational value. This has undoubtedly hampered budgetary surveillance.

#### STRATEGIES FOR CONSOLIDATION AND REFORM

At the current juncture, the prevalence of significant imbalances requires credible fiscal consolidation to be made a priority as part of a comprehensive structural reform agenda. More

progress is needed in this regard and the improving economic conditions should lower the political opportunity costs of pursuing this objective. Moreover, appropriate and credible fiscal policy strategies need to go hand in hand with a strict implementation of the EU fiscal framework. This requires that excessive deficits are corrected in line with Council conclusions and recommendations and that close-to-balance or in-surplus positions are attained consistent with the Eurogroup agreement. Peer pressure in the ECOFIN Council is essential in this regard and the preparation of Commission reports on the existence of excessive deficits in Greece and the Netherlands is appropriate. Finally, the timely reporting of high-quality data in conjunction with efforts by Eurostat and other EU institutions and fora to improve the information bases and fiscal transparency can significantly improve the operation of the surveillance process and the credibility of fiscal strategies.

The pursuit of such strategies would have considerable benefits. Consolidation and reform would facilitate the operation of automatic stabilisers while enhancing expectations of sound and sustainable public finances. Moreover, they would prevent a repeat of the mistakes of the past, when countries did not take advantage of relatively favourable economic conditions to make sufficient corrections to their underlying budget imbalances. Strict implementation of the rules would boost the credibility of the institutional underpinnings of EMU and, thereby, further enhance expectations of sound public finances and macroeconomic stability.

A credible strategy of fiscal consolidation combined with structural reform should also contribute to long-term fiscal sustainability and higher potential growth by improving supply conditions. In particular, reforms of tax-benefit systems could increase incentives to work and invest while reducing pressures on social budgets. Reforms of the pension and health care systems are urgently needed in many countries to raise labour force participation and prepare for the future fiscal costs of population ageing. Furthermore, reducing inefficient public spending can help to finance tax cuts.

Fiscal consolidation should be of “high quality” as outlined above for another reason: the wealth and confidence effects of such consolidation programmes might considerably reduce and even outweigh any potential unfavourable effects of fiscal consolidation on demand and activity in the short term. Three transmission channels are worth recalling. If the private sector perceives that public spending will be permanently lower in future years, households will revise their expected future income upwards in anticipation of lower future taxes. Therefore, current and planned consumption will also increase.

In addition, fiscal consolidation might improve long-term financing conditions because of less public borrowing (reducing crowding-out) and lower default risk premia on government paper. Hence, wealth effects prompted by lower market interest rates in nominal and real terms would support higher consumption. Furthermore, following on from more favourable financing conditions, private investment is also likely to increase.

Finally, if expected lower tax rates and more efficient public expenditure increase working and investment incentives, economic growth prospects would also improve. If such an environment is underpinned by consolidation, private investment and consumption spending is likely to respond much more favourably than if public deficits persist or even increase.

## 6 EUROSISTEM STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

*On the basis of the information available up to 17 May 2004, Eurosysteem staff have prepared projections for macroeconomic developments in the euro area.<sup>1</sup> Average annual real GDP growth is projected to be between 1.4% and 2.0% in 2004 and between 1.7% and 2.7% in 2005. The average rate of increase in the overall Harmonised Index of Consumer Prices (HICP) is projected to be between 1.9% and 2.3% in 2004 and between 1.1% and 2.3% in 2005.*

The staff projections are based on a series of assumptions with regard to interest rates, exchange rates, oil prices, world trade outside the euro area and fiscal policies. In particular, the technical assumption is made that short-term market interest rates and bilateral exchange rates will remain unchanged over the projection horizon. The technical assumptions with regard to long-term interest rates and both oil and non-energy commodity prices are based on market expectations.<sup>2</sup> Fiscal policy assumptions are based on national budget plans in the individual euro area countries. They include only those policy measures that have already been approved by parliament or that have been specified in detail and are likely to pass the legislative process.

To express the uncertainty surrounding the projections, ranges are used to present the results for each variable. The ranges are based on the differences between actual outcomes and previous projections carried out by euro area central banks over a number of years. The width of the ranges is twice the average absolute value of these differences.

### THE INTERNATIONAL ENVIRONMENT

The recovery in world economic activity has broadened and strengthened since autumn 2003, supported partly by expansionary economic policies and favourable financing conditions but also by improved corporate finances. On the assumption of a gradual decline in oil prices and moderate risk premia on financial markets, as embodied in the aforementioned assumptions, the recovery is expected to remain robust over the projection horizon.

The United States and non-Japan Asia are expected to remain the main contributors to global growth. In the United States, growth is expected to be driven by a pick-up in investment, while supported by robust private consumption in light of a continued improvement in the labour market. GDP growth in non-Japan Asia is expected to remain strong, reflecting internal growth dynamics. The picture for the other regions is more varied, although the strong demand from the United States and non-Japan Asia is expected to provide a boost to activity in most areas. The Japanese economy is expected to continue on its current recovery path, with domestic demand benefiting from ongoing structural reform measures and the easing of deflationary pressures. Real GDP growth in the UK is expected to remain dynamic over the projection horizon. In addition, the countries which joined the EU on 1 May 2004 and the transition economies are projected to continue to grow at a relatively strong pace. Overall, *world real GDP growth outside the euro area* is projected to increase to around 5.0% in both 2004 and 2005, from 4.5% in 2003.

1 The Eurosysteem staff projections are produced jointly by experts from both the ECB and the euro area national central banks. They are a biannual input into the Governing Council's assessment of economic developments and the risks to price stability. More information on the procedures and techniques used is given in "A guide to Eurosysteem staff macroeconomic projection exercises", ECB, June 2001.

2 Short-term interest rates as measured by the three-month Euribor are assumed to remain constant over the projection horizon at slightly above 2.0%. The technical assumption of constant exchange rates implies that the EUR/USD exchange rate stays at 1.19 over the horizon and that the effective exchange rate of the euro is 0.9% higher than the average for 2003. Market expectations for euro area ten-year nominal government bond yields imply a slightly rising profile from an average of 4.3% in 2004 to an average of 4.4% in 2005. Based on the path implied by futures markets, annual average oil prices are assumed to decline to USD 31.8 per barrel in 2005, from USD 34.6 per barrel in 2004. Non-energy commodity prices are assumed to increase by 18% in USD terms in 2004 and to remain broadly unchanged in 2005.

Growth in world trade is assumed to follow a pattern in line with that of world real GDP. Growth in the *euro area's external export markets* is expected to increase to about 8% in both 2004 and in 2005, from slightly below 6% in 2003.

### REAL GDP GROWTH PROJECTIONS

After the increase in the first quarter of this year, the quarter-on-quarter growth rates of euro area real GDP are projected to be relatively strong over the horizon, with possible volatility in the quarterly growth pattern in 2004. Average annual real GDP growth is projected to increase to between 1.4% and 2.0% in 2004 and be between 1.7% and 2.7% in 2005. The assumed strengthening in foreign demand is projected to lead to a pick-up in euro area export growth, despite some losses in market share due to the past appreciation of the euro. The recovery is also expected to become more broadly based over the horizon, with stronger growth in both investment and private consumption. Inventory investment and net exports are not projected to make significant positive contributions to real GDP growth.

In line with the usual cyclical pattern, *total employment* is projected to pick up slowly in 2004 before gaining strength in 2005. Labour supply is expected to rise as improved job prospects lead to increasing participation rates. The projections for labour supply and employment imply that the unemployment rate would start to decline towards the end of the horizon.

Among the domestic expenditure components of GDP, average annual growth in *private consumption* is projected to be between 1.0% and 1.4% in 2004 after the stagnation experienced for most of 2003. It is projected to increase to between 1.4% and 2.6% in 2005. Consumption expenditure is projected to develop broadly in line with households' real disposable income. The household saving ratio is projected to remain roughly constant over the two years. Concerns about the course of public finances and, in particular, the longer-term prospects for the public health care and pension systems are likely to continue to restrain a decline in the saving ratio over the horizon. However, consumer confidence is expected to gradually increase as economic activity picks up and the labour market conditions improve, which would tend to reduce precautionary saving. In 2004 the growth in households' real disposable income is projected to remain relatively subdued due to weak employment growth; in 2005, it should be supported by stronger employment growth and by higher real wage growth fostered by lower inflation. The positive impact of cuts in income taxes and social security contributions on households' real disposable income in 2004 will be largely counterbalanced by higher indirect taxes and administered prices (including health charges). Finally, on the basis of current budget plans, it is assumed that the contribution of *government consumption* to real GDP growth will decline over the projection horizon.

*Total fixed investment* returned to a positive quarter-on-quarter rate of change in the fourth quarter of 2003 and is projected to contribute to the recovery in euro area domestic demand over the horizon. The average annual rate of growth is projected to increase to between 0.7% and 2.9% in 2004 and to be between 1.9% and 5.1% in 2005. The recovery in total investment would result mainly from *business investment*, which is supported by the improvement in the global economic environment and by the low level of real interest rates. *Residential private investment* is projected to record moderate positive rates of growth over the horizon, following several years of decline.

Turning to trade, the average annual rate of change in total exports is projected to increase to between 3.2% and 6.0% in 2004 and to be in a range of 5.0% to 8.2% in 2005.<sup>3</sup> The growth of

<sup>3</sup> Trade projections are consistent with national account data. They therefore include intra-euro area trade.

extra-euro area exports would initially remain somewhat below that of the euro area's export markets, partially as a result of the past appreciation of the euro. The average annual rate of growth in total imports is projected to be between 2.8% and 6.2% in 2004 and between 5.0% and 8.4% in 2005. The projection for imports reflects the pattern of total final expenditure in the euro area, but also some delayed upward impact of the past appreciation of the euro.

### PRICE AND COST PROJECTIONS

The average rate of increase in the overall *Harmonised Index of Consumer Prices (HICP)* is projected to be between 1.9% and 2.3% in 2004 and between 1.1% and 2.3% in 2005. Based on the aforementioned assumptions for oil prices, the energy component is projected to make a significant positive contribution to HICP inflation in 2004 but to be largely neutral in 2005. Increases in indirect taxes and administered prices implemented in early 2004 will considerably raise the non-energy component of the HICP this year. In 2005, the rate of increase in the non-energy component is projected to decline, reflecting a reduction in domestic cost pressures and limited increases in import prices. In addition, the fiscal assumptions contain only a modest contribution from increases in indirect taxes and administered prices for 2005.

Import prices continued to decrease in 2003, as a consequence of the appreciation of the euro since spring 2002 and weak external inflationary pressures. They are projected to remain subdued in 2004, as the effect of higher oil prices is counterbalanced by the delayed impact of the past euro appreciation. Import prices are projected to increase only modestly in 2005.

Taking into account current wage settlements and the modest improvement in labour market conditions, the growth in nominal compensation per employee is assumed to remain broadly unchanged over the horizon. The projections for real GDP growth and employment imply that labour productivity growth would increase over the horizon, moving close to its long-term average in early 2005. As a result, *unit labour cost growth* is projected to decline in 2004 and 2005. The decline is projected to be accompanied by a moderate widening of *profit margins*, which in turn would support investment.

Table II Macroeconomic projections

(average annual percentage changes)<sup>1)</sup>

	2003	2004	2005
HICP	2.1	1.9-2.3	1.1-2.3
Real GDP	0.5	1.4-2.0	1.7-2.7
Private consumption	1.0	1.0-1.4	1.4-2.6
Government consumption	2.0	0.9-1.9	0.4-1.4
Gross fixed capital formation	-0.8	0.7-2.9	1.9-5.1
Exports (goods and services)	-0.2	3.2-6.0	5.0-8.2
Imports (goods and services)	1.7	2.8-6.2	5.0-8.4

1) For each variable and horizon, ranges are based on the average absolute difference between actual outcomes and past projections by euro area central banks. The projections for real GDP and its components refer to working-day-adjusted data. The projections for exports and imports include intra-euro area trade.



## Box 7

### COMPARISON WITH THE DECEMBER 2003 PROJECTIONS

The projections for euro area GDP growth have remained almost unchanged compared with the Eurosystem staff macroeconomic projections published in the Monthly Bulletin in December 2003. The small downward shift in the range projected for 2005 is a result of the changes to the quarterly growth pattern in 2004, which mechanically reduce the average annual growth rate for 2005.

The lower boundary of the range projected for the annual rate of increase in the overall HICP has been shifted upwards for 2004. This is largely explained by the upward shift in the assumptions for oil prices, which are higher for both 2004 and 2005 (by about 30% and 20% respectively). The impact of oil prices on the projections for euro area HICP inflation is, however, mitigated by various factors. First, the projections for the food price component of the HICP have been shifted downwards compared with the December 2003 projections, as the impact of weather-related food price increases in 2003 has unwound more rapidly than expected. Second, the tobacco tax increases implemented in early 2004 were somewhat lower than anticipated in the fiscal assumptions underlying the December 2003 projections. Third, the assumptions for growth in nominal compensation per employee over the horizon have been revised slightly downwards compared with the December 2003 projections. This also results in a small downward revision to unit labour cost growth in 2004.

### Comparison of macroeconomic projections

(average annual percentage changes)

	2003	2004	2005
HICP – June 2004	2.1	1.9-2.3	1.1-2.3
HICP – December 2003	2.0-2.2	1.3-2.3	1.0-2.2
Real GDP – June 2004	0.5	1.4-2.0	1.7-2.7
Real GDP – December 2003	0.2-0.6	1.1-2.1	1.9-2.9

## Box 8

### FORECASTS BY OTHER INSTITUTIONS

A number of forecasts for the euro area are available from various institutions, both international organisations and those in the private sector. However, these forecasts are not strictly comparable with one another or with the Eurosystem staff macroeconomic projections, as they were finalised at different points in time and use different methods to derive assumptions for fiscal, financial and external variables. The forecasts covered by the Consensus Economics Forecasts and the ECB Survey of Professional Forecasters use a variety of unspecified assumptions. In contrast to the Eurosystem staff projections, the other forecasts are typically not conditioned on the assumption that short-term interest rates will remain unchanged over the projection horizon.



Despite different assumptions, there is a consensus among the forecasts currently available from other institutions that euro area economic activity will gradually recover, leading to average annual GDP growth of slightly over 1½% in 2004 and between 2% and 2½% in 2005. The forecasts are very similar for 2004, but differ more for 2005. The forecasts made by the European Commission, the OECD and the IMF anticipate annual GDP growth of 2.3% or 2.4% in 2005, whereas the Consensus Economics Forecasts and the Survey of Professional Forecasters predict annual GDP growth of 2.0% and 2.1% respectively.

**Table A Comparison of forecasts for euro area real GDP growth**

(annual percentage changes)

	Date of release	2003	2004	2005
European Commission	Apr. 2004	0.4	1.7	2.3
IMF	Apr. 2004	0.4	1.7	2.3
OECD	Apr. 2004	0.5	1.6	2.4
Consensus Economics Forecasts	Apr. 2004	0.4	1.6	2.0
Survey of Professional Forecasters	Apr. 2004	0.5	1.6	2.1

Sources: European Commission Economic Forecasts Spring 2004; IMF World Economic Outlook April 2004; OECD Economic Outlook No 75; Consensus Economics Forecasts and the ECB's Survey of Professional Forecasters.

Note: The European Commission forecasts report non-working-day-adjusted annual growth rates, which, for 2004, are around ¼ percentage point higher than the working-day-adjusted growth rates used in the Eurosystem projections owing to the greater number of working days this year. The OECD forecasts report working-day adjusted annual growth rates, whereas the other forecasts do not specify whether they report working-day-adjusted or non-working-day-adjusted data.

The forecasts anticipate annual average HICP inflation to decline to between 1.7% and 1.8% in 2004. For 2005, the forecasts predict HICP inflation to be 1.6%, with the exception of the Survey of Professional Forecasters and the OECD, which show HICP inflation at 1.8% and 1.4% respectively.

**Table B Comparison of forecasts for euro area overall HICP inflation**

(annual percentage changes)

	Date of release	2003	2004	2005
European Commission	Apr. 2004	2.1	1.8	1.6
IMF	Apr. 2004	2.1	1.7	1.6
OECD	Apr. 2004	2.1	1.7	1.4
Consensus Economics Forecasts	Apr. 2004	2.1	1.7	1.6
Survey of Professional Forecasters	Apr. 2004	2.1	1.8	1.8

Sources: European Commission Economic Forecasts Spring 2004; IMF World Economic Outlook April 2004; OECD Economic Outlook No 75; Consensus Economics Forecasts and the ECB's Survey of Professional Forecasters.

## 7 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

### 7.1 EXCHANGE RATES

The euro strengthened in nominal effective terms in May and early June. This mostly reflected its appreciation vis-à-vis the US dollar and the Japanese yen, which was partly counterbalanced by its depreciation against the pound sterling and the Swiss franc. More generally, a notable development in exchange rate markets in May was the fairly broad-based depreciation of the Japanese yen. Regarding the new EU Member States' currencies – on which the Monthly Bulletin will report, starting in this issue – the most notable development was the depreciation of the euro vis-à-vis the Czech koruna and the Polish zloty.

#### US DOLLAR/EURO

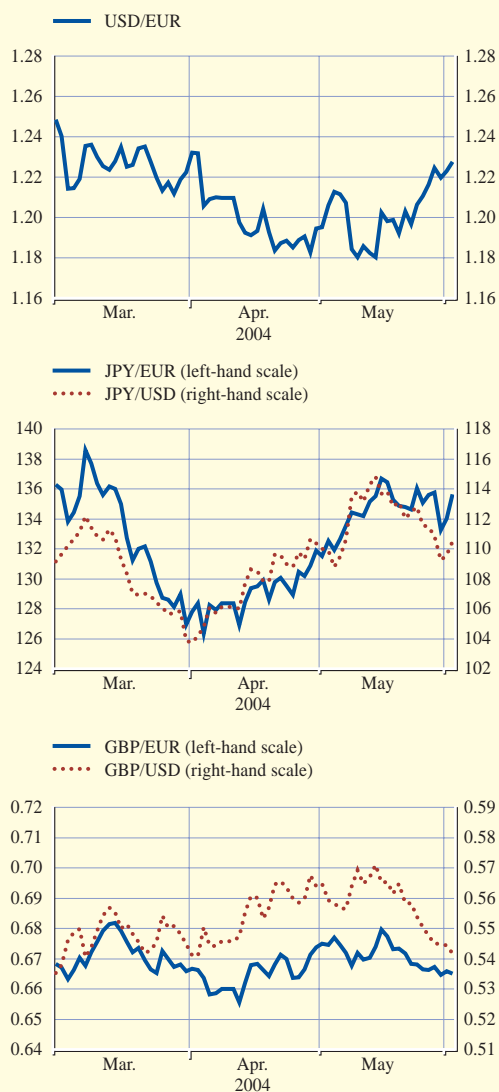
The euro was subject to relatively wide oscillations against the US dollar in May and early June, mostly in reaction to mixed data releases on economic activity in the United States and increased geopolitical uncertainty (see Chart 38). The euro initially appreciated against the US currency despite positive news on business conditions in the United States, before depreciating rather sharply in the second week of May. This temporary strengthening of the dollar seemed to be related to better than expected data on US labour market conditions and to the resulting steepening of the US yield curve. In the second half of May and early June, however, following US data releases showing a further widening of the current account deficit in March and weaker than expected consumer and business sentiment, the single currency more than regained its earlier losses. On 2 June the euro stood at USD 1.23, 2.8% higher than its end-April level and 8.5% higher than its 2003 average.

#### JAPANESE YEN/EURO

In the first half of May the Japanese yen depreciated against the euro before recovering part of its losses in the second half of the month and in early June (see Chart 38). Against the background of a data release suggesting strong portfolio inflows to Japan during the first quarter of 2004 and the sharp decline in Japanese equity prices in the first two weeks of May, the downward pressure on the yen could have been related to some portfolio reallocation by global investors. Moreover, concerns about the effect of rising energy costs on economic activity in Japan seem to have

Chart 38 Patterns in exchange rates

(daily data)



Source: ECB.

weighed on the Japanese currency in the first half of May. Later in the month and in early June, however, the yen received support from encouraging data releases on Japanese household spending and industrial production as well as a partial rebound in the stock market. On 2 June the euro was quoted at JPY 135.6, 2.9% higher than its end-April level and 3.6% higher than its 2003 average.

### EU MEMBER STATE CURRENCIES

In ERM II, the Danish krone continued to fluctuate in a very narrow range close to its central parity (see Chart 39).

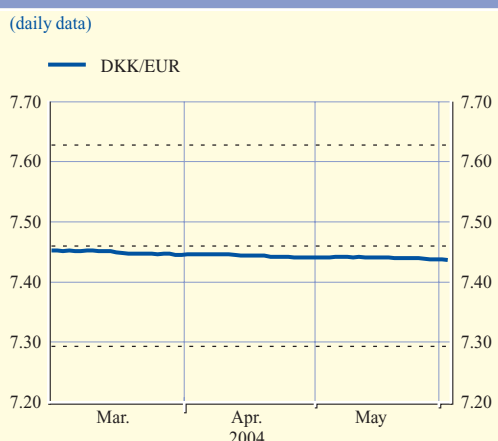
With regard to the currencies of other EU Member States, the euro depreciated against the pound sterling in early May, before appreciating quite sharply towards mid-May on news of contracting industrial production in the United Kingdom (see Chart 38). The euro subsequently lost its earlier gains amid indications that the outlook for the UK economic recovery remains robust. The decision by the Bank of England's Monetary Policy Committee on 6 May to raise the Bank's repo rate by 25 basis points to 4.25% was largely expected and did not appear to have noticeable effects on exchange rate markets. On 2 June the euro traded against the pound sterling at GBP 0.67, 1.3% lower than at the end of April and 3.9% below its 2003 average. Against the Swedish krona, in May the euro traded in a fairly narrow range between SEK/EUR 9.1 and 9.2.

Among the currencies of the new EU Member States – on which the Monthly Bulletin will report, starting in this issue – the most notable development has been the depreciation of the euro vis-à-vis the Czech koruna and the Polish zloty. Since the end of April, the euro has depreciated by 3.3% against the Czech koruna, seemingly in relation to market expectations of a prospective increase in yields on Czech assets. The decision taken by Česká Národní Banka on 27 May to keep interest rates unchanged did not have a noticeable effect on exchange rates. Against the Polish zloty, the euro has depreciated by 3.1%, compared with its level at the end of April, in view of data releases suggesting a rather favourable economic outlook and notwithstanding the political uncertainties. The decision by Narodowy Bank Polski on 26 May to leave rates unchanged similarly did not appear to affect exchange rate markets. The euro also depreciated vis-à-vis the Slovak koruna – by 1.4%. In contrast, it appreciated – by 1.3% – against the Latvian lats, while remaining broadly stable against the Hungarian forint, the Slovenian tolar, the Cyprus pound and the Maltese lira. The euro remained unchanged against the Estonian kroon and the Lithuanian litas, given the operation of a currency board arrangement vis-à-vis the euro in those countries.

### OTHER CURRENCIES

Turning to other currencies, the euro depreciated by 1.5% vis-à-vis the Swiss franc, while it remained broadly stable against the Norwegian krone. Another notable development was the euro's appreciation – by 5.6% – against the Australian dollar.

**Chart 39** Patterns in exchange rates within ERM II

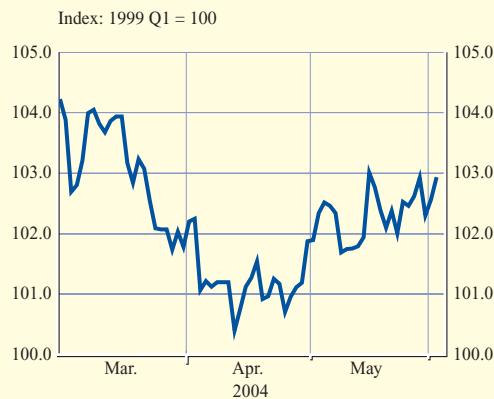


Source: ECB.

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

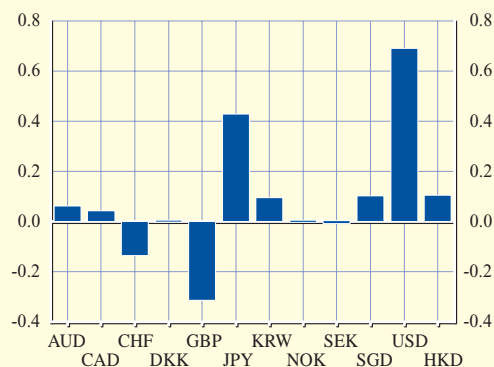
**Chart 40 The euro effective exchange rate and its decomposition <sup>1)</sup>**

(daily data)



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

From 30 Apr. 2004 to 2 June 2004  
(in percentage points)

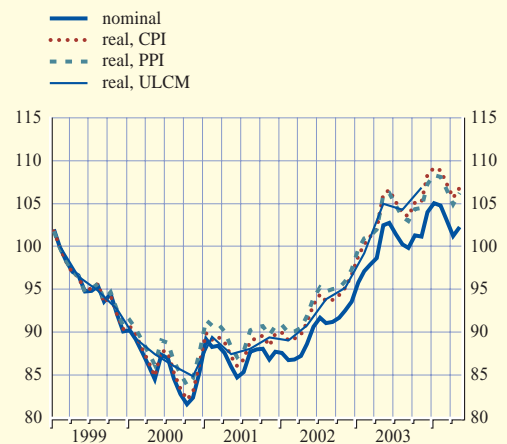


Source: ECB.

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.

**Chart 41 Euro nominal and real effective exchange rates <sup>1)</sup>**

(monthly/quarterly data; index: 1999 Q1 = 100)



Source: ECB.

1) An upward movement of the index represents an appreciation of the euro. The latest observations for monthly data are for May 2004. In the case of the ULCM-based real EER, the latest observation is for 2003 Q4 and is partly based on estimates.

**EFFECTIVE EXCHANGE RATE OF THE EURO**

On 2 June, in nominal effective terms – as measured against the currencies of 12 of the euro area’s major trading partners – the euro stood 1% above its end-April level and 2.7% higher than its average level in 2003 (see Chart 40). The moderate rise of the euro in effective terms was mainly a reflection of its appreciation against the US dollar and the Japanese yen, which was partly compensated by a weakening against the pound sterling and the Swiss franc. The level

of the euro nominal effective index in May 2004 was slightly lower than the level recorded in January 1999.

The real effective exchange rates of the euro – based on developments in the CPI, the PPI and ULCM – have followed developments in the nominal index quite closely over the past five years (see Chart 41). After appreciating strongly over the past two years, the euro has declined in real effective terms since the beginning of the year, according to the available indicators, thereby improving again the price competitiveness of euro area companies somewhat. In May 2004, however, the effect of the nominal effective appreciation of the euro is likely to have halted, at least temporarily, this process.

## 7.2 BALANCE OF PAYMENTS

*In the first quarter of 2004 the value of euro area goods exports increased by over 3% compared with the previous quarter, confirming that the recovery in exports recorded in the second half of 2003 is underway, supported by strong foreign demand. Over the same period the value of goods imports increased marginally, resulting in a higher goods surplus. While the 12-month cumulated seasonally adjusted current account surplus of the euro area was lower in March 2004, compared with a year earlier, in the latter part of this 12-month period it showed a tendency to increase, primarily owing to an increase in the goods surplus. In the financial account, based on 12-month cumulated figures to March 2004, combined direct and portfolio investment recorded net outflows as a result of net outflows in direct investment and equity portfolio investment.*

### CURRENT ACCOUNT AND TRADE

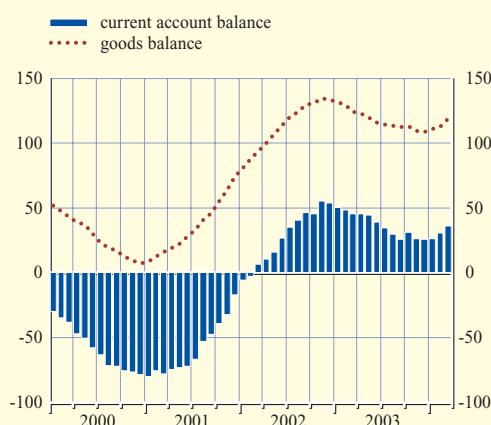
The seasonally adjusted current account of the euro area showed a surplus of €5.1 billion in March 2004 (€12.4 billion in non-seasonally adjusted terms). This reflected surpluses in both goods and, to a lesser extent, services, which were partly offset by deficits in income and current transfers (see Table 7.1 in the “Euro area statistics” section). Compared with the revised data for February 2004, the seasonally adjusted current account surplus remained virtually unchanged in March. This was the result of an increase in the goods surplus and a decrease in the deficit on current transfers being counterbalanced by a higher income deficit and a lower services surplus.

In terms of quarterly figures, the recovery in extra-euro area goods exports recorded in the second half of 2003 continued in the first quarter of 2004. The value of goods exports rose by 3.1% compared with the previous quarter, reflecting robust foreign demand and some fading-out of the lagged impact of the euro’s past appreciation. Meanwhile, the value of goods imports increased marginally over the same period, resulting in a €7.6 billion increase in the goods surplus. Overall, the euro area current account surplus decreased slightly in the first quarter of the year, as the rise in the goods surplus was more than compensated by a fall in the services surplus and by increases in the income and current transfers deficits.

Taking a longer-term perspective, the 12-month cumulated current account surplus of the euro area to March 2004 amounted to €36.0 billion, about 0.5% of GDP, compared with €45.6 billion a year earlier. This resulted mainly from a decline in the surpluses in goods (reflecting lower exports) and services. The rise in the current transfers deficit was almost offset by the contraction in the income deficit. More recently, however, the 12-month cumulated current account surplus has shown a tendency to increase, primarily due to an increase in the goods surplus (see Chart 42). This reflects, in particular, the robust export growth recorded since mid-2003, which stems especially from the pick-up in foreign demand over the same period. Meanwhile, 12-month cumulated goods imports have increased only moderately since the end of last year.

**Chart 42 The euro area current account and goods balances**

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



Source: ECB.

## FINANCIAL ACCOUNT

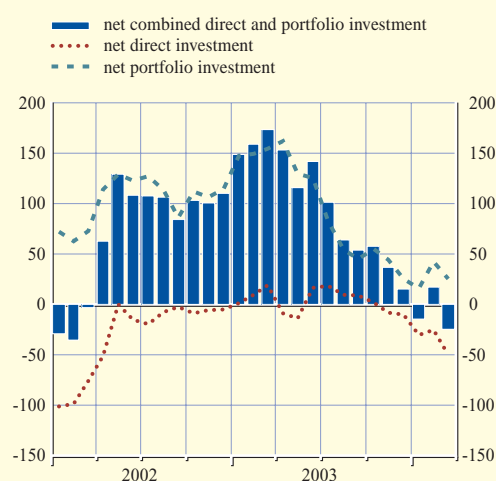
Euro area combined direct and portfolio investment recorded net outflows of €23.9 billion in March 2004. This reflected net outflows in both direct investment (€22.6 billion) and equity portfolio investment (€6.1 billion), which were only partly offset by net inflows in debt instruments (€4.8 billion). Net outflows in both equity capital/reinvested earnings and other capital (mostly inter-company loans) were responsible for driving developments in direct investment. As for the small net outflows in portfolio investment, these resulted from net outflows both in equity securities and in bonds and notes, which more than offset net inflows in money market instruments. In particular, developments in money market instruments were characterised by net sales of foreign securities by euro area residents.

From a longer-term perspective, in the 12-month period to March, euro area combined direct and portfolio investment recorded cumulated net outflows of €24.7 billion, compared with cumulated net inflows of €173.5 billion a year earlier. This resulted mainly from a strong decline in net inflows in portfolio investment and, to a lesser extent, a switch to net outflows in direct investment from the net inflows recorded a year earlier (see Chart 43). The fall in net portfolio investment inflows was gradual, although it seems to have accelerated in the second half of 2003. Much of this decline was related to developments in money market instruments and equity securities. On a 12-month cumulated basis, money market instruments recorded net outflows (of €30.3 billion) in March 2004 – mainly as a result of the sharp fall in the net foreign purchases of euro area securities – compared with net inflows (of €51.3 billion) a year earlier. Over the same period, net inflows in equity portfolio investment declined owing to the sharp rise in euro area purchases of equity securities abroad (from close to balance to €106.6 billion).

The dynamics in portfolio investment could relate to the strengthening and broadening of the global economic outlook since the second half of 2003. Higher corporate profitability and low levels of interest rates seem to have encouraged investors to become less risk-averse. Euro area residents have increased their investment in foreign equity securities and bonds and notes, while foreign investors have reduced their exposure in euro area short-term securities and increased their purchases of euro area equity securities and, to a lesser extent, longer-term instruments (bonds and notes).

Chart 43 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.

# EURO AREA STATISTICS









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

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#### WHAT'S NEW

The monetary presentation of the euro area balance of payments (b.o.p.), which appears in Section 7.2, is for the first time available on a monthly basis. For further information on this presentation please refer to the General notes and to Box 1 on page 15 of the June 2003 issue of the ECB Monthly Bulletin.

#### Conventions used in the tables

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



# EURO AREA OVERVIEW

## Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

### 1. Monetary developments and interest rates

	M1 <sup>1)</sup>	M2 <sup>1)</sup>	M3 <sup>1),2)</sup>	M3 <sup>1),2)</sup> 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government <sup>1)</sup>	Securities other than shares issued in euro by non- financial and non- monetary financial corporations <sup>1)</sup>	3-month interest rate (EURIBOR, % per annum, period averages)	10-year government bond yield (% per annum, period averages)
	1	2	3	4	5	6	7	8
2002	7.6	6.6	7.2	-	5.3	21.0	3.32	4.92
2003	10.9	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	11.4	8.5	8.3	-	4.9	22.1	2.14	4.16
Q4	11.0	7.9	7.6	-	5.3	21.6	2.15	4.36
2004 Q1	11.0	7.2	6.5	-	5.5	16.3	2.06	4.15
2003 Dec.	10.6	7.6	7.1	7.0	5.5	19.2	2.15	4.36
2004 Jan.	11.3	7.5	6.6	6.6	5.5	16.9	2.09	4.26
Feb.	10.6	6.9	6.3	6.4	5.5	15.9	2.07	4.18
Mar.	11.4	6.9	6.3	6.1	5.5	13.1	2.03	4.02
Apr.	10.9	6.4	5.6	.	5.6	.	2.05	4.24
May	.	.	.	.	.	.	2.09	4.39

### 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	81.5	0.5	8.4
2003	2.1	1.6	2.9	0.5	0.4	81.0	0.1	8.9
2003 Q2	1.9	1.5	3.2	0.1	-0.8	80.8	0.2	8.9
Q3	2.0	1.2	2.8	0.4	-0.1	81.1	0.1	8.9
Q4	2.0	1.1	2.6	0.7	1.4	81.0	0.1	8.9
2004 Q1	1.7	0.3	.	1.3	1.1	80.5	.	8.9
2003 Dec.	2.0	1.0	-	-	2.3	-	-	8.9
2004 Jan.	1.9	0.3	-	-	0.6	80.6	-	8.9
Feb.	1.6	0.0	-	-	1.0	-	-	8.9
Mar.	1.7	0.4	-	-	1.6	-	-	9.0
Apr.	2.0	1.4	-	-	.	80.4	-	9.0
May	2.5	.	-	-	.	-	-	.

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

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: narrow group (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
2002	65.4	133.6	-4.7	114.6	366.1	89.7	92.3	0.9456
2003	39.3	107.7	-9.9	25.3	306.5	99.9	103.6	1.1312
2003 Q2	-5.0	24.2	2.7	62.0	326.1	101.0	104.7	1.1372
Q3	14.3	36.8	-19.1	-59.1	332.9	100.2	103.9	1.1248
Q4	25.8	29.9	-6.4	18.2	306.5	101.8	105.9	1.1890
2004 Q1	16.7	28.4	-27.2	4.2	308.4	103.9	108.2	1.2497
2003 Dec.	11.5	8.3	-0.9	-24.9	306.5	103.7	108.1	1.2286
2004 Jan.	-4.1	4.2	-11.9	-14.9	309.7	104.7	108.9	1.2613
Feb.	7.7	9.4	7.3	20.4	298.5	104.4	108.6	1.2646
Mar.	13.1	14.7	-22.6	-1.3	308.4	102.8	107.1	1.2262
Apr.	.	.	.	.	302.8	100.9	105.4	1.1985
May	.	.	.	.	.	102.0	106.6	1.2007

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) Annual percentage changes of monthly data refer to the end of the month, whereas those of quarterly and yearly data refer to the annual change in the period average of the series. See the technical notes for details.

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 7 May	2004 14 May	2004 21 May	2004 28 May
<b>Gold and gold receivables</b>	136,528	136,160	136,160	136,160
<b>Claims on non-euro area residents in foreign currency</b>	175,010	174,198	174,441	172,979
<b>Claims on euro area residents in foreign currency</b>	17,385	17,273	17,206	16,675
<b>Claims on non-euro area residents in euro</b>	7,109	7,406	7,364	7,399
<b>Lending to euro area credit institutions in euro</b>	286,132	282,000	298,622	308,166
Main refinancing operations	210,999	206,998	223,501	232,499
Longer-term refinancing operations	75,001	75,001	75,001	75,000
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	121	1	120	643
Credits related to margin calls	11	0	0	24
<b>Other claims on euro area credit institutions in euro</b>	1,082	635	694	912
<b>Securities of euro area residents in euro</b>	71,832	72,482	73,552	72,833
<b>General government debt in euro</b>	42,560	42,554	42,554	42,557
<b>Other assets</b>	108,576	109,338	109,399	109,569
<b>Total assets</b>	<b>846,214</b>	<b>842,046</b>	<b>859,992</b>	<b>867,250</b>

### 2. Liabilities

	2004 7 May	2004 14 May	2004 21 May	2004 28 May
<b>Banknotes in circulation</b>	439,757	440,134	441,096	443,656
<b>Liabilities to euro area credit institutions in euro</b>	136,807	136,660	137,361	138,725
Current accounts (covering the minimum reserve system)	136,743	136,612	137,289	135,962
Deposit facility	60	43	66	2,758
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	4	5	6	5
<b>Other liabilities to euro area credit institutions in euro</b>	301	301	301	302
<b>Debt certificates issued</b>	1,054	1,054	1,054	1,054
<b>Liabilities to other euro area residents in euro</b>	46,077	43,309	58,330	64,046
<b>Liabilities to non-euro area residents in euro</b>	8,204	8,090	7,974	8,007
<b>Liabilities to euro area residents in foreign currency</b>	302	299	302	320
<b>Liabilities to non-euro area residents in foreign currency</b>	11,241	10,170	10,234	8,192
<b>Counterpart of special drawing rights allocated by the IMF</b>	5,924	5,924	5,924	5,924
<b>Other liabilities</b>	56,569	56,125	57,340	56,631
<b>Revaluation accounts</b>	80,604	80,604	80,604	80,604
<b>Capital and reserves</b>	59,374	59,376	59,472	59,789
<b>Total liabilities</b>	<b>846,214</b>	<b>842,046</b>	<b>859,992</b>	<b>867,250</b>

Source: ECB.

## 1.2 Key ECB interest rates

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

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

Source: ECB.

- 1) From 1 January 1999 to 9 March 2004, the date refers to the deposit and marginal lending facilities. For main refinancing operations, changes in the rate are effective from the first operation following the date indicated. The change on 18 September 2001 was effective on that same day. From 10 March 2004 onwards, the date 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 <sup>1), 2)</sup>

(EUR millions; interest rates in percentages per annum)

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

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Variable rate tenders			Running for (...) days
				Minimum bid rate	Marginal rate <sup>4)</sup>	Weighted average rate	
1	2	3	4	5	6	7	
Main refinancing operations							
2004 4 Feb.	112,763	276	76,000	2.00	2.01	2.02	14
11	147,492	313	137,000	2.00	2.00	2.01	12
18	104,015	285	83,000	2.00	2.00	2.01	14
23	135,659	268	135,659	2.00	2.00	2.00	16
3 Mar.	100,586	253	85,000	2.00	2.00	2.01	14
10	147,204	267	127,500	2.00	2.00	2.01	7
17	224,149	330	216,500	2.00	2.00	2.01	7
24	224,531	333	224,531	2.00	2.00	2.00	7
31	257,167	335	218,000	2.00	2.00	2.01	7
7 Apr.	255,399	317	218,500	2.00	2.00	2.01	7
14	265,103	341	205,500	2.00	2.00	2.01	7
21	267,511	371	211,000	2.00	2.00	2.01	7
28	270,499	366	220,000	2.00	2.00	2.01	7
5 May	267,916	349	211,000	2.00	2.00	2.01	7
12	273,449	344	207,000	2.00	2.00	2.01	7
19	275,403	371	223,500	2.00	2.00	2.01	7
26	280,155	371	232,500	2.00	2.00	2.01	7
2 June	269,747	337	236,000	2.00	2.00	2.01	7
Longer-term refinancing operations							
2003 29 May	30,218	120	15,000	-	2.25	2.27	91
26 June	28,694	124	15,000	-	2.11	2.12	91
31 July	25,416	134	15,000	-	2.08	2.10	91
28 Aug.	35,940	143	15,000	-	2.12	2.13	91
25 Sep.	28,436	106	15,000	-	2.10	2.12	84
30 Oct.	32,384	150	15,000	-	2.13	2.14	91
27 Nov.	25,402	128	15,000	-	2.12	2.13	91
18 Dec.	24,988	114	15,000	-	2.12	2.14	105
2004 29 Jan.	47,117	145	25,000	-	2.03	2.04	91
26 Feb.	34,597	139	25,000	-	2.01	2.03	91
1 Apr.	44,153	141	25,000	-	1.85	1.90	91
29	54,243	180	25,000	-	2.01	2.03	91
27 May	45,594	178	25,000	-	2.04	2.05	91

#### 2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders	Variable rate tenders			Running for (...) days
					Fixed rate	Minimum bid rate	Marginal rate <sup>4)</sup>	Weighted average rate	
1	2	3	4	5	6	7	8	9	
2000 5 Jan. <sup>5)</sup>	Collection of fixed-term deposits	14,420	43	14,420	-	-	3.00	3.00	7
21 June	Reverse transaction	18,845	38	7,000	-	-	4.26	4.28	1
2001 30 Apr.	Reverse transaction	105,377	329	73,000	-	4.75	4.77	4.79	7
12 Sep.	Reverse transaction	69,281	63	69,281	4.25	-	-	-	1
13	Reverse transaction	40,495	45	40,495	4.25	-	-	-	1
28 Nov.	Reverse transaction	73,096	166	53,000	-	3.25	3.28	3.29	7
2002 4 Jan.	Reverse transaction	57,644	61	25,000	-	3.25	3.30	3.32	3
10	Reverse transaction	59,377	63	40,000	-	3.25	3.28	3.30	1
18 Dec.	Reverse transaction	28,480	50	10,000	-	2.75	2.80	2.82	6
2003 23 May	Collection of fixed-term deposits	3,850	12	3,850	2.50	-	-	-	3
2004 11 May	Collection of fixed-term deposits	16,200	24	13,000	2.00	-	-	-	1

Source: ECB.

- The amounts shown may differ slightly from those in Table 1.1 due to operations allotted but not settled.
- 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.
- 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.
- In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
- This operation was conducted with a maximum rate of 3.00%.



**1.4 Minimum reserve and liquidity statistics**

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

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

Reserve base as at <sup>1)</sup> :	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
2001	10,910.1	6,226.1	389.7	1,315.2	605.1	2,374.0
2002	11,116.8	6,139.9	409.2	1,381.9	725.5	2,460.3
2003 Q1	11,229.9	6,117.2	427.4	1,404.1	782.7	2,498.5
Q2	11,381.7	6,217.9	415.4	1,421.4	781.0	2,545.9
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
Feb.	11,775.2	6,315.9	431.3	1,470.0	882.0	2,676.0
Mar.	11,926.7	6,404.7	442.5	1,483.2	867.7	2,728.6

**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	135.3	0.7	0.0	2.00
11 May	134.4	135.0	0.6	0.0	2.00
8 June	136.4	.	.	.	.

**3. Liquidity**

Maintenance period ending on:	Liquidity-providing factors						Liquidity-absorbing factors				Credit institutions current accounts	Base money
	Monetary policy operations of the Eurosystem						Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)			
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility						
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
Q4	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
6 Apr.	301.4	217.9	67.1	0.4	0.0	0.4	0.0	425.3	51.5	-25.7	135.3	561.0
11 May	310.7	213.2	75.0	0.1	0.0	0.1	0.4	436.4	46.0	-18.9	135.0	571.5

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 <sup>1)</sup>	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														
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	1,086.8	471.3	22.6	0.6	448.0	133.5	121.5	1.2	10.8	-	12.8	318.0	12.4	138.8
2004 Jan.	1,090.0	469.7	22.6	0.7	446.4	136.3	123.9	1.3	11.2	-	12.9	321.7	13.0	136.3
Feb.	1,091.3	474.4	22.6	0.6	451.1	140.4	127.1	1.3	11.9	-	13.1	309.1	13.9	140.4
Mar.	1,102.7	467.6	22.6	0.7	444.3	143.3	128.9	1.5	13.0	-	13.1	320.8	14.0	143.9
Apr. <sup>(p)</sup>	1,130.8	493.6	22.6	0.6	470.3	145.8	131.4	1.6	12.7	-	13.3	314.7	13.9	149.4
MFIs excluding the Eurosysteem														
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	19,795.6	12,106.4	819.0	7,093.8	4,193.6	2,947.5	1,246.0	425.6	1,275.9	67.3	894.9	2,567.0	162.1	1,050.4
2004 Jan.	20,038.4	12,130.0	816.8	7,108.9	4,204.3	2,992.3	1,271.4	425.0	1,295.9	76.2	909.6	2,694.6	159.3	1,076.4
Feb.	20,161.7	12,155.5	808.2	7,140.9	4,206.5	3,038.6	1,292.7	430.5	1,315.4	77.3	908.1	2,724.1	159.5	1,098.4
Mar.	20,423.1	12,227.9	823.1	7,171.7	4,233.1	3,080.5	1,304.1	431.6	1,344.8	77.8	928.2	2,829.8	160.0	1,118.9
Apr. <sup>(p)</sup>	20,718.2	12,395.6	817.2	7,227.9	4,350.5	3,102.0	1,312.9	435.1	1,354.0	80.9	955.1	2,914.1	160.6	1,109.9

#### 2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/units <sup>2)</sup>	Debt securities issued <sup>3)</sup>	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
Eurosysteem											
2002	1,042.8	392.9	328.4	29.5	15.6	283.3	-	3.6	165.9	32.9	119.1
2003	1,086.8	450.5	324.0	21.3	16.9	285.8	-	1.6	143.8	27.5	139.4
2004 Jan.	1,090.0	430.0	345.9	42.7	15.5	287.6	-	1.6	140.8	29.4	142.2
Feb.	1,091.3	433.4	349.4	48.9	16.5	283.9	-	1.6	142.3	24.3	140.2
Mar.	1,102.7	439.9	336.6	43.1	15.8	277.7	-	1.6	155.5	23.6	145.3
Apr. <sup>(p)</sup>	1,130.8	450.2	358.3	43.6	16.7	297.9	-	1.6	149.4	25.1	146.2
MFIs excluding the Eurosysteem											
2002	18,857.9	0.0	10,197.8	106.9	5,954.3	4,136.6	532.8	2,992.6	1,108.7	2,594.2	1,431.7
2003	19,795.6	0.0	10,769.0	132.3	6,274.1	4,362.6	649.1	3,158.8	1,151.1	2,609.6	1,457.9
2004 Jan.	20,038.4	0.0	10,764.5	131.3	6,267.7	4,365.5	667.8	3,206.0	1,153.7	2,720.1	1,526.3
Feb.	20,161.7	0.0	10,810.2	144.1	6,286.1	4,380.0	676.5	3,234.9	1,153.8	2,741.0	1,545.4
Mar.	20,423.1	0.0	10,857.9	140.7	6,307.8	4,409.4	678.3	3,303.8	1,160.3	2,836.5	1,586.4
Apr. <sup>(p)</sup>	20,718.2	0.0	11,009.1	136.0	6,350.7	4,522.4	690.1	3,338.9	1,166.6	2,913.8	1,599.7

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.
- 3) Amounts 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 <sup>1)</sup>	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	Total	General government	Other euro area residents				
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
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	14,550.0	7,936.1	841.7	7,094.4	1,794.3	1,367.4	426.9	623.6	2,885.0	174.5	1,136.5
2004 Jan.	14,763.8	7,949.0	839.4	7,109.6	1,821.6	1,395.3	426.3	632.9	3,016.3	172.3	1,171.8
Feb.	14,862.8	7,972.3	830.8	7,141.5	1,851.7	1,419.9	431.8	633.3	3,033.2	173.4	1,198.8
Mar.	15,080.1	8,018.2	845.7	7,172.5	1,866.0	1,433.0	433.0	649.0	3,150.5	174.0	1,222.4
Apr. <sup>(p)</sup>	15,243.3	8,068.3	839.8	7,228.6	1,881.1	1,444.3	436.7	672.1	3,228.9	174.6	1,218.4
Transactions											
2002	601.1	299.2	-9.4	308.6	75.8	45.7	30.2	5.5	241.8	-1.3	-19.9
2003	796.5	385.4	13.6	371.8	171.9	117.4	54.5	21.7	227.7	-3.5	-6.8
2004 Jan.	180.9	23.0	-2.4	25.4	15.5	17.4	-1.9	7.6	111.4	-2.4	25.8
Feb.	101.7	28.1	-8.5	36.6	26.8	22.2	4.6	1.6	22.8	1.2	21.2
Mar.	171.2	44.7	16.1	28.7	13.4	12.7	0.7	15.8	76.3	0.5	20.4
Apr. <sup>(p)</sup>	155.6	46.4	-7.1	53.5	18.8	14.5	4.3	22.2	72.4	0.6	-5.8

### 2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units <sup>2)</sup>	Debt securities issued <sup>3)</sup>	Capital and reserves	External liabilities <sup>1)</sup>	Remaining liabilities	Excess of inter-MFI liabilities
Outstanding amounts										
2002	13,931.2	341.2	136.4	5,969.9	470.5	1,818.1	1,006.4	2,627.0	1,550.9	10.8
2003	14,550.0	397.9	153.6	6,290.9	581.8	1,873.7	1,010.8	2,637.2	1,597.3	6.8
2004 Jan.	14,763.8	389.1	174.1	6,283.2	591.6	1,900.5	1,004.8	2,749.6	1,668.5	2.5
Feb.	14,862.8	393.5	193.0	6,302.7	599.2	1,909.3	1,008.0	2,765.3	1,685.7	6.3
Mar.	15,080.1	399.5	183.9	6,323.5	600.5	1,947.7	1,023.5	2,860.1	1,731.7	9.8
Apr. <sup>(p)</sup>	15,243.3	409.3	179.6	6,367.5	609.2	1,973.8	1,019.7	2,938.9	1,745.9	-0.6
Transactions										
2002	601.1	101.4	-5.8	222.0	70.0	104.5	39.1	75.9	-92.6	86.5
2003	796.5	79.0	12.9	315.7	57.8	131.9	35.7	132.4	-27.4	58.5
2004 Jan.	180.9	-8.8	20.5	-9.2	9.2	22.6	-3.9	86.0	72.8	-8.4
Feb.	101.7	4.3	18.9	20.2	7.5	9.6	2.2	15.5	17.7	5.8
Mar.	171.2	6.0	-9.1	17.6	3.3	29.2	6.5	74.2	45.7	-2.0
Apr. <sup>(p)</sup>	155.6	9.8	-4.2	42.6	8.5	23.3	2.4	63.3	25.2	-15.3

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.

3) Amounts issued with maturity up to two years held by non-euro area residents are included in external liabilities.

## 2.3 Monetary statistics

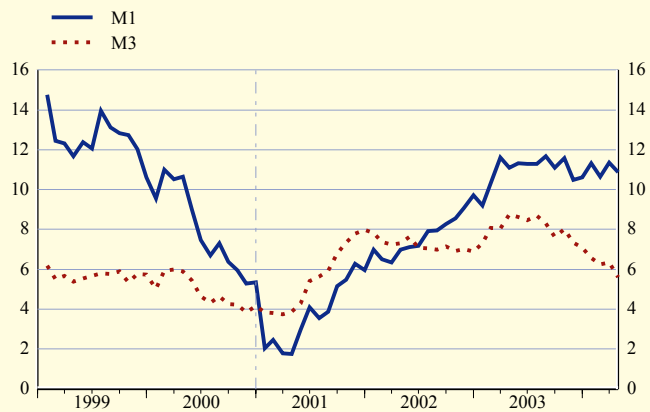
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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

	M1		M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets <sup>2)</sup>
	1	2	3	4	5	6	7	8	Loans		11
	Outstanding amounts										
2002	2,441.7	2,475.5	4,917.2	852.9	5,770.1	-	3,989.2	2,071.8	7,723.2	6,778.9	184.4
2003	2,679.1	2,555.2	5,234.3	907.6	6,142.0	-	4,140.8	2,225.3	8,147.6	7,092.9	220.7
2004 Jan.	2,711.6	2,553.0	5,264.5	899.0	6,163.5	-	4,161.2	2,235.8	8,174.7	7,114.8	268.2
Feb.	2,723.3	2,557.9	5,281.2	912.2	6,193.4	-	4,184.6	2,246.3	8,215.2	7,153.6	277.2
Mar.	2,770.7	2,551.6	5,322.3	891.8	6,214.1	-	4,239.4	2,263.5	8,240.2	7,166.6	315.8
Apr. <sup>(p)</sup>	2,783.6	2,555.2	5,338.7	914.5	6,253.2	-	4,277.0	2,277.5	8,296.6	7,209.0	330.8
Transactions											
2002	215.9	89.2	305.1	67.8	372.9	-	187.7	37.4	346.4	311.9	167.7
2003	258.4	114.8	373.2	33.2	406.4	-	234.5	133.3	448.4	372.7	96.3
2004 Jan.	32.0	-3.8	28.2	-6.4	21.8	-	16.2	-0.2	34.3	32.1	54.0
Feb.	12.9	4.4	17.3	14.1	31.3	-	22.3	8.2	45.4	43.5	15.2
Mar.	46.0	-7.8	38.2	-18.7	19.5	-	36.3	18.0	22.3	10.7	18.2
Apr. <sup>(p)</sup>	12.0	3.3	15.4	22.7	38.1	-	40.6	16.0	53.6	39.8	24.5
Growth rates											
2002 Dec.	9.7	3.7	6.6	8.6	6.9	7.1	4.9	1.8	4.7	4.8	167.7
2003 Dec.	10.6	4.7	7.6	3.9	7.1	7.0	5.9	6.4	5.8	5.5	96.3
2004 Jan.	11.3	3.8	7.5	1.3	6.6	6.6	5.9	5.8	5.8	5.5	112.4
Feb.	10.6	3.2	6.9	2.5	6.3	6.4	6.1	5.7	5.9	5.5	110.1
Mar.	11.4	2.4	6.9	3.2	6.3	6.1	6.9	6.7	5.9	5.5	97.2
Apr. <sup>(p)</sup>	10.9	1.8	6.4	1.4	5.6	.	7.4	6.3	6.0	5.6	109.4

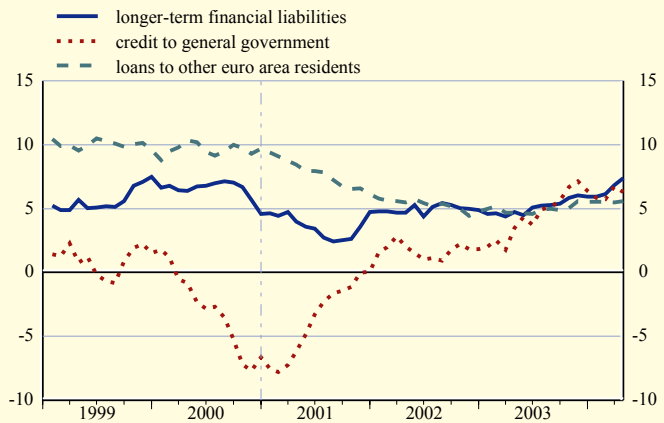
### C1 Monetary aggregates

(annual growth rates; seasonally adjusted)



### C2 Counterparts

(annual growth rates; seasonally adjusted)



Source: ECB.

- 1) Monetary liabilities of MFIs and central government (post office, treasury) vis-à-vis non-MFI euro area residents excluding central government (M1, M2, M3: see glossary).
- 2) Values in section 'growth rates' are sums of the transactions during the 12 months ending in the period indicated.

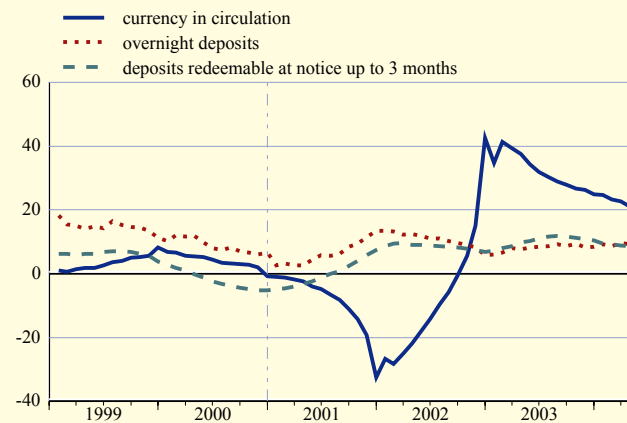
## 2.3 Monetary statistics

(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											
2002	332.3	2,109.4	1,077.0	1,398.5	239.4	485.9	127.7	1,694.0	103.8	1,186.6	1,004.8
2003	387.6	2,291.6	1,039.1	1,516.1	220.4	599.5	87.7	1,790.4	90.6	1,251.0	1,008.8
2004 Jan.	395.0	2,316.5	1,032.2	1,520.7	212.9	595.1	91.0	1,814.4	90.3	1,256.4	1,000.1
Feb.	399.0	2,324.3	1,020.6	1,537.3	226.8	594.2	91.2	1,821.5	90.1	1,264.2	1,008.9
Mar.	406.1	2,364.7	1,003.3	1,548.3	204.8	597.6	89.3	1,857.2	90.1	1,267.9	1,024.2
Apr. <sup>(p)</sup>	409.5	2,374.1	995.8	1,559.4	219.8	598.4	96.3	1,879.2	90.0	1,283.4	1,024.3
Transactions											
2002	99.3	116.7	-1.1	90.3	10.2	70.8	-13.2	117.9	-10.0	41.0	38.8
2003	77.8	180.6	-28.7	143.6	-9.7	59.8	-17.0	149.8	-13.2	62.5	35.3
2004 Jan.	7.5	24.5	-8.3	4.5	-6.5	-5.1	5.1	18.1	-0.3	5.0	-6.6
Feb.	3.9	9.0	-12.2	16.6	13.9	-0.9	1.1	7.0	-0.2	7.8	7.7
Mar.	7.1	38.9	-18.7	10.9	-22.0	5.3	-2.0	26.5	0.0	3.4	6.3
Apr. <sup>(p)</sup>	3.4	8.6	-7.7	11.1	15.0	0.6	7.1	19.1	-0.1	15.3	6.4
Growth rates											
2002 Dec.	42.6	5.9	-0.1	6.9	4.4	17.1	-9.5	7.3	-8.8	3.5	3.9
2003 Dec.	24.9	8.5	-2.7	10.4	-4.3	11.4	-16.8	9.0	-12.7	5.3	3.6
2004 Jan.	24.8	9.3	-3.6	9.5	-7.7	8.8	-16.6	9.6	-11.9	5.7	2.1
Feb.	23.3	8.7	-4.7	9.3	-1.3	7.8	-15.3	9.5	-11.2	5.8	2.6
Mar.	22.7	9.6	-6.2	8.9	-2.5	7.6	-8.4	10.4	-9.9	5.6	4.0
Apr. <sup>(p)</sup>	21.1	9.3	-7.3	8.6	-1.3	6.9	-17.8	10.7	-8.6	6.7	4.1

### C3 Components of monetary aggregates (annual growth rates; seasonally adjusted)



### C4 Components of longer-term financial liabilities (annual growth rates; seasonally adjusted)



Source: ECB.

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

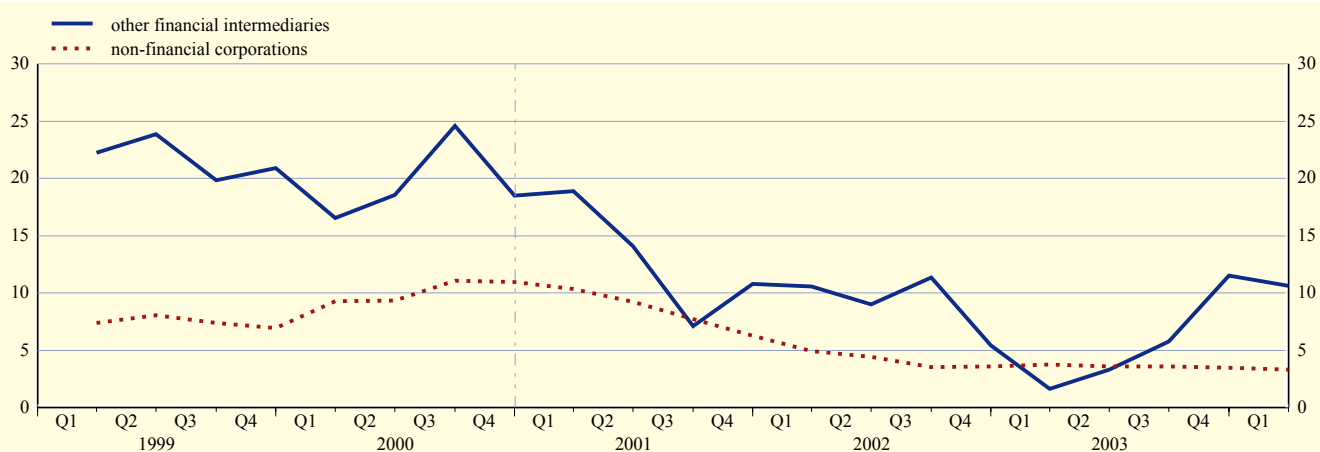
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	Insurance corporations and pension funds		Other financial intermediaries <sup>2)</sup>		Non-financial corporations			
	Total	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								
2002	33.0	19.7	455.2	289.3	2,965.6	980.1	514.8	1,470.6
2003	35.6	22.1	506.7	317.2	3,030.8	959.1	524.7	1,547.1
2004 Jan.	47.5	34.2	497.5	306.1	3,038.0	959.6	528.4	1,550.0
Feb.	47.0	33.2	513.8	318.6	3,040.7	954.7	529.2	1,556.7
Mar.	46.3	32.1	508.0	306.6	3,051.7	957.2	524.7	1,569.8
Apr. <sup>(p)</sup>	51.3	37.6	512.3	314.9	3,075.2	962.9	529.3	1,583.0
Transactions								
2002	-4.0	-7.3	23.6	16.2	104.0	-24.5	32.0	96.6
2003	4.5	2.5	53.2	25.4	101.7	-7.8	15.4	94.2
2004 Jan.	11.9	12.1	-2.7	-4.2	8.9	1.8	3.8	3.4
Feb.	-0.6	-1.0	16.0	13.8	5.5	-4.2	1.2	8.5
Mar.	-0.7	-1.1	-7.2	-12.5	10.0	2.4	-0.1	7.6
Apr. <sup>(p)</sup>	5.0	5.5	6.0	9.0	21.3	4.8	4.6	11.9
Growth rates								
2002 Dec.	-10.2	-26.4	5.4	5.9	3.6	-2.4	6.5	6.9
2003 Dec.	12.9	12.7	11.5	8.5	3.5	-0.8	3.1	6.5
2004 Jan.	12.6	15.6	12.4	10.7	3.3	-3.1	5.2	7.0
Feb.	6.7	5.4	14.9	13.6	3.2	-3.2	4.6	7.1
Mar.	9.5	7.0	10.6	5.7	3.3	-2.1	3.7	6.7
Apr. <sup>(p)</sup>	10.9	12.0	9.4	6.3	3.5	-1.8	4.2	6.9

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

(annual growth rates)



Source: ECB.

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

2) This category includes investment funds.

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

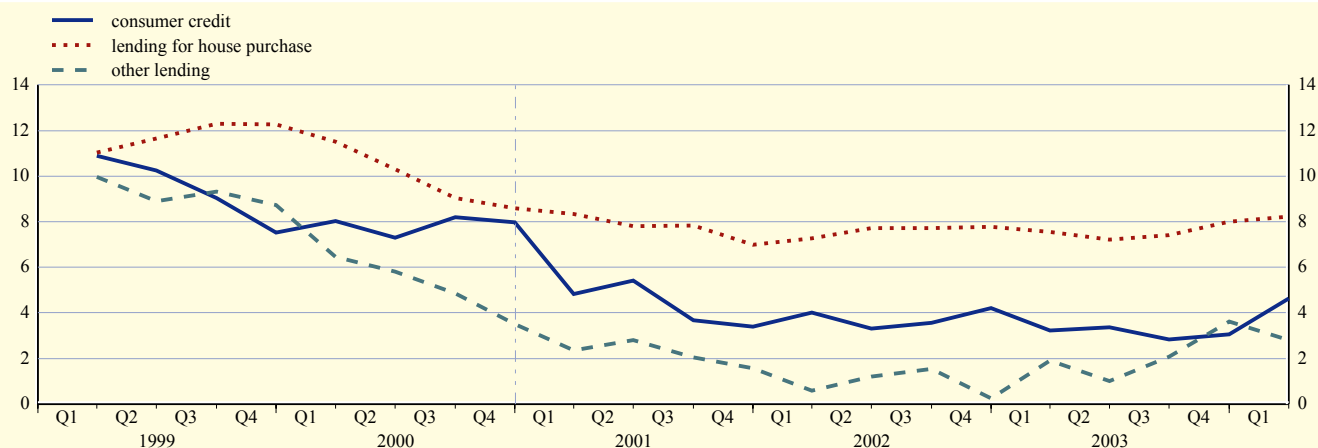
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	2. Loans to households <sup>2)</sup>												
	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													
2002	3,326.9	518.0	105.1	178.3	234.6	2,191.4	23.1	65.1	2,103.2	617.5	153.9	99.7	363.9
2003	3,520.7	484.4	112.0	181.0	191.5	2,360.4	16.1	67.3	2,277.0	675.8	144.8	95.9	435.2
2004 Jan.	3,525.9	481.2	110.3	179.3	191.7	2,372.6	15.8	66.3	2,290.5	672.1	142.4	95.1	434.6
Feb.	3,539.4	481.4	109.3	180.1	191.9	2,384.9	15.6	66.3	2,303.0	673.1	140.4	95.2	437.5
Mar.	3,565.7	484.8	110.2	181.8	192.7	2,400.1	15.9	65.8	2,318.4	680.8	141.6	94.5	444.7
Apr. <sup>(p)</sup>	3,589.1	488.5	110.8	183.0	194.8	2,419.1	15.9	66.2	2,337.0	681.5	141.2	95.1	445.3
Transactions													
2002	179.6	21.0	6.4	5.4	9.3	157.1	0.4	2.5	154.1	1.5	-3.0	2.2	2.2
2003	212.4	14.6	9.4	6.5	-1.3	174.9	-6.6	1.9	179.6	22.9	-6.8	-4.9	34.7
2004 Jan.	7.2	-2.8	-1.5	-1.6	0.3	12.6	-0.3	-1.0	13.8	-2.5	-2.0	-0.7	0.1
Feb.	15.8	0.7	-0.8	0.9	0.5	13.0	-0.1	0.0	13.1	2.1	-1.5	0.1	3.5
Mar.	26.5	4.4	0.9	2.0	1.5	19.2	0.3	0.5	18.5	2.8	1.3	0.0	1.5
Apr. <sup>(p)</sup>	22.4	2.9	0.5	1.0	1.4	18.9	0.0	0.4	18.5	0.7	-0.4	0.4	0.6
Growth rates													
2002 Dec.	5.7	4.2	6.2	3.1	4.2	7.8	1.9	4.2	8.0	0.2	-1.9	2.2	0.6
2003 Dec.	6.4	3.1	9.1	3.6	-0.2	8.0	-28.5	2.8	8.6	3.6	-4.5	-5.0	9.2
2004 Jan.	6.4	3.7	1.4	6.2	3.0	8.2	-1.6	-0.8	8.5	2.5	-2.0	-3.7	5.6
Feb.	6.3	4.8	-0.1	7.3	5.5	8.1	-3.3	-1.5	8.5	1.5	-2.4	-5.6	4.6
Mar.	6.7	4.6	1.1	6.0	5.5	8.2	0.2	-2.8	8.6	2.8	-1.3	-2.8	5.5
Apr. <sup>(p)</sup>	6.8	4.9	1.2	5.8	6.3	8.5	1.7	-2.8	8.9	2.5	-1.0	-2.7	4.9

**C6 Loans to households**

(annual growth rates)



Source: ECB.

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

2) Including non-profit institutions serving households.



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

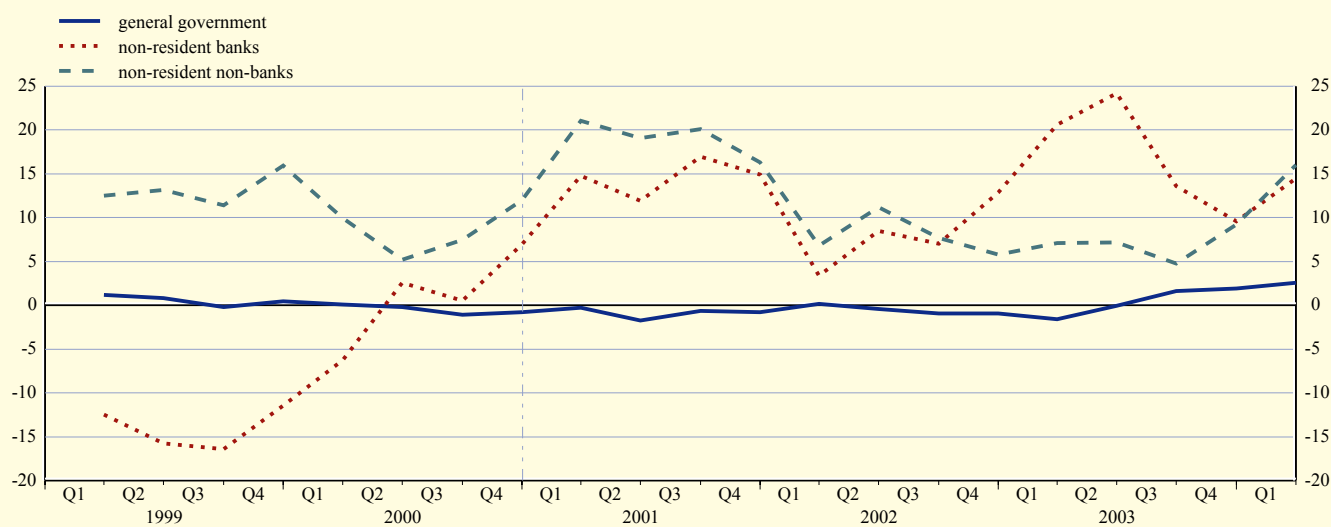
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>2)</sup>	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2001	822.0	145.6	298.3	362.9	15.2	1,704.3	1,095.6	608.7	69.9	538.8
2002	813.0	132.7	277.7	382.8	19.7	1,730.1	1,146.2	583.9	64.6	519.3
2003 Q1	805.0	134.7	267.2	379.2	23.9	1,767.0	1,173.0	594.0	59.0	535.0
Q2	794.3	127.1	263.5	375.3	28.3	1,833.2	1,242.2	590.9	59.2	531.7
Q3	797.7	128.6	262.7	375.9	30.6	1,741.1	1,157.4	583.7	59.8	523.9
Q4	819.0	130.6	265.1	388.3	35.0	1,762.9	1,182.3	580.6	59.3	521.2
2004 Q1 <sup>(p)</sup>	823.1	135.5	261.3	392.1	34.3	1,953.6	1,300.6	653.0	62.4	590.6
Transactions										
2001	-6.2	-18.7	1.1	9.9	1.7	225.2	140.1	84.6	4.3	80.3
2002	-7.9	-11.3	-21.1	19.9	4.6	169.1	134.8	34.5	-1.2	35.7
2003 Q1	-0.4	0.7	-10.2	4.9	4.1	66.3	43.8	22.9	-5.5	28.5
Q2	-8.3	-7.2	-3.8	-1.9	4.5	105.3	93.1	12.8	0.3	12.5
Q3	3.4	1.5	-0.7	0.5	2.2	-86.9	-82.9	-3.9	0.6	-4.4
Q4	20.4	1.2	2.4	12.3	4.5	75.0	55.4	20.7	-0.2	20.9
2004 Q1 <sup>(p)</sup>	5.2	5.9	-3.9	3.9	-0.8	161.3	100.0	60.2	3.1	57.2
Growth rates										
2001 Dec.	-0.8	-11.4	0.4	2.8	12.4	15.4	14.9	16.3	6.3	17.8
2002 Dec.	-1.0	-7.8	-7.1	5.5	30.0	10.3	12.9	5.7	-1.9	6.7
2003 Mar.	-1.6	-13.2	-9.2	7.2	56.3	15.6	20.6	7.1	-13.9	9.9
June	0.0	-8.4	-6.3	5.2	54.3	18.0	24.1	7.2	-8.3	9.1
Sep.	1.6	-3.1	-4.2	5.1	50.1	10.4	13.6	4.8	-10.5	6.7
Dec.	1.9	-2.8	-4.4	4.2	77.5	9.3	9.6	9.2	-7.5	11.3
2004 Mar. <sup>(p)</sup>	2.6	1.1	-2.2	3.9	43.7	14.9	14.5	16.0	6.4	17.1

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

(annual growth rates)



Source: ECB.

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

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

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

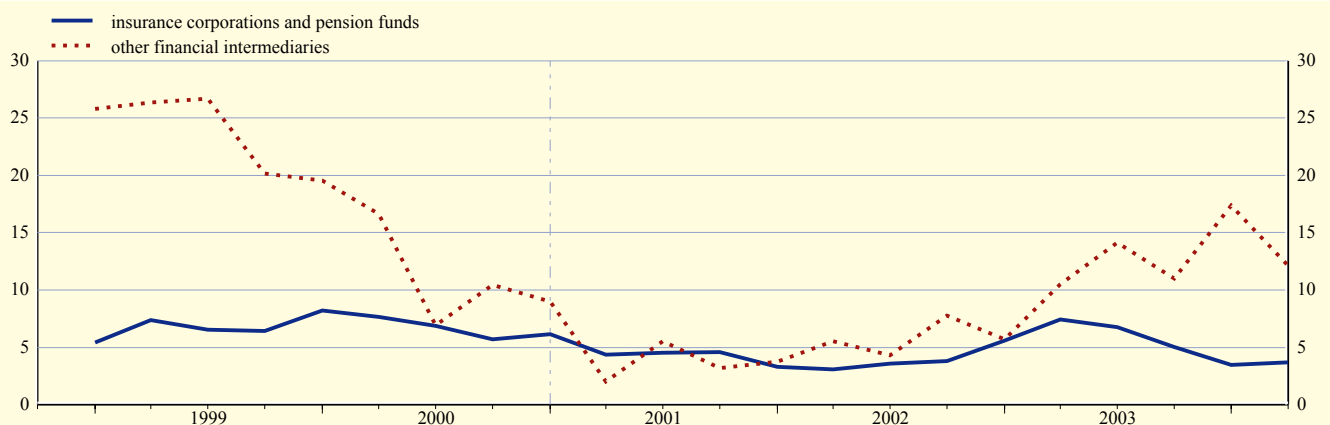
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

**1. Deposits by financial intermediaries**

	Insurance corporations and pension funds							Other financial intermediaries <sup>2)</sup>						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Outstanding amounts</b>														
2002	523.1	55.8	-	-	-	-	17.9	493.6	152.7	-	-	-	-	97.1
2003	541.9	58.8	41.7	420.5	1.3	0.3	19.1	562.9	180.2	129.6	142.4	6.1	0.1	104.4
2004 Jan.	554.1	65.4	43.2	422.2	1.3	0.3	21.7	567.1	178.3	130.7	140.4	6.9	0.1	110.8
Feb.	556.2	62.8	42.3	424.3	1.3	0.3	25.1	578.9	184.1	122.8	143.5	8.4	0.1	120.1
Mar.	556.5	64.6	42.2	426.1	1.3	0.3	22.0	585.5	196.5	119.8	146.7	7.8	0.1	114.7
Apr. <sup>6)</sup>	562.1	62.1	41.7	431.3	1.4	0.4	25.2	600.2	194.8	128.9	149.6	8.3	0.1	118.5
<b>Transactions</b>														
2002	27.6	7.8	-	-	-	-	1.4	26.7	-4.7	-	-	-	-	12.8
2003	18.1	1.6	-3.9	19.1	0.3	-0.1	1.1	84.6	27.4	-1.1	39.1	3.2	0.0	16.0
2004 Jan.	12.1	6.5	1.4	1.6	0.0	0.0	2.6	5.1	-1.5	0.8	-2.3	0.8	0.0	7.4
Feb.	2.0	-2.6	-0.9	2.2	0.0	0.0	3.4	11.1	5.9	-8.8	3.1	1.5	0.0	9.3
Mar.	0.2	1.8	-0.3	1.8	0.0	0.0	-3.1	5.1	12.0	-3.3	2.6	-0.7	0.0	-5.4
Apr. <sup>6)</sup>	5.5	-2.5	-0.5	5.2	0.1	0.0	3.2	14.1	-2.0	9.0	2.7	0.5	0.0	3.8
<b>Growth rates</b>														
2002 Dec.	5.6	16.3	-	-	-	-	8.5	5.7	-3.0	-	-	-	-	14.9
2003 Dec.	3.4	2.8	-8.4	4.8	40.8	-12.6	6.0	17.4	17.7	-0.9	37.1	70.8	-	17.1
2004 Jan.	4.3	15.2	5.4	2.8	50.0	-9.7	-0.3	13.6	11.6	4.0	23.9	58.0	-	15.3
Feb.	4.8	15.4	5.9	2.7	57.7	-7.7	15.2	14.9	18.4	-7.1	26.7	76.4	-	21.5
Mar.	3.7	5.0	8.0	2.4	40.3	1.8	18.6	12.1	18.6	-10.9	23.9	47.6	-	16.4
Apr. <sup>6)</sup>	4.4	8.2	-3.8	3.9	48.8	6.2	17.6	11.7	17.0	-11.3	26.3	64.5	-	15.3

**C8 Deposits by financial intermediaries**

(annual growth rates)



Source: ECB.

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

2) This category includes investment funds.

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

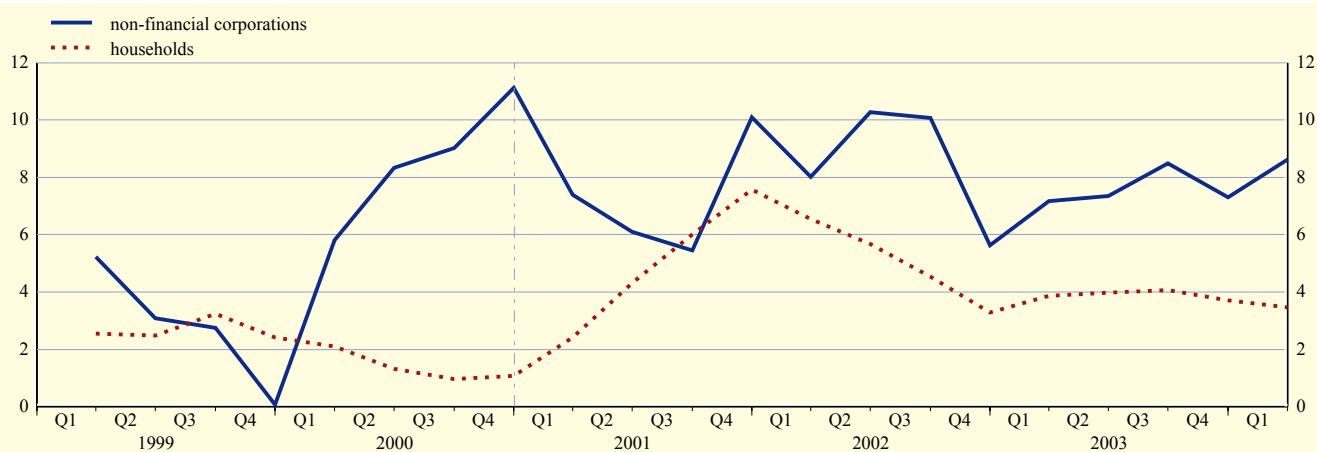
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	Non-financial corporations							Households <sup>2)</sup>						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
2002	989.6	595.5	-	-	-	-	34.7	3,806.1	1,173.0	-	-	-	-	74.7
2003	1,051.9	639.3	282.2	66.3	32.6	1.5	30.0	3,978.5	1,311.8	545.0	600.8	1,378.1	89.9	52.9
2004 Jan.	1,013.1	613.9	270.8	67.9	33.5	1.5	25.4	3,995.2	1,315.7	539.8	604.7	1,392.1	88.8	54.1
Feb.	1,018.7	605.4	277.0	69.3	39.3	1.6	26.0	3,995.8	1,317.7	532.3	607.0	1,396.1	88.4	54.2
Mar.	1,035.7	625.0	275.4	68.4	39.9	1.7	25.3	3,998.0	1,320.8	527.2	608.8	1,401.2	88.2	51.9
Apr. <sup>(p)</sup>	1,038.3	628.8	271.7	69.3	40.5	1.7	26.4	4,015.2	1,335.8	523.2	610.3	1,406.5	87.1	52.3
Transactions														
2002	53.9	28.9	-	-	-	-	-1.3	120.4	65.4	-	-	-	-	-1.9
2003	71.7	41.2	58.5	-34.1	10.0	0.4	-4.2	141.9	95.2	-75.0	39.8	117.3	-13.7	-21.8
2004 Jan.	-40.2	-26.0	-12.0	1.5	0.8	0.0	-4.6	15.9	3.7	-5.8	3.9	13.9	-1.1	1.2
Feb.	6.8	-7.5	6.3	1.3	5.8	0.1	0.6	0.8	2.1	-7.3	2.3	4.1	-0.4	0.1
Mar.	16.2	18.9	-2.2	-0.4	0.6	0.0	-0.7	1.3	2.8	-5.7	1.8	5.0	-0.2	-2.3
Apr. <sup>(p)</sup>	2.2	3.4	-3.6	0.8	0.6	0.0	1.1	17.0	15.0	-4.0	1.5	5.3	-1.1	0.4
Growth rates														
2002 Dec.	5.6	5.1	-	-	-	-	-3.5	3.3	6.0	-	-	-	-	-2.5
2003 Dec.	7.3	6.8	25.7	-33.7	40.8	44.2	-12.4	3.7	7.9	-12.1	7.1	9.3	-13.2	-29.2
2004 Jan.	7.3	9.9	2.7	12.7	32.2	38.3	-27.1	4.1	9.6	-9.0	3.7	8.7	-12.4	-28.5
Feb.	8.3	9.4	3.8	14.8	46.8	17.2	-19.3	3.7	8.7	-8.8	3.3	8.1	-11.6	-28.4
Mar.	8.6	11.0	2.5	12.8	42.7	21.6	-20.4	3.5	7.7	-8.9	3.7	7.5	-10.5	-26.5
Apr. <sup>(p)</sup>	7.8	10.1	0.4	15.1	41.5	21.3	-16.1	3.5	7.7	-9.0	4.1	7.3	-9.3	-25.5

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

(annual growth rates)



Source: ECB.

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

2) Including non-profit institutions serving households.

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

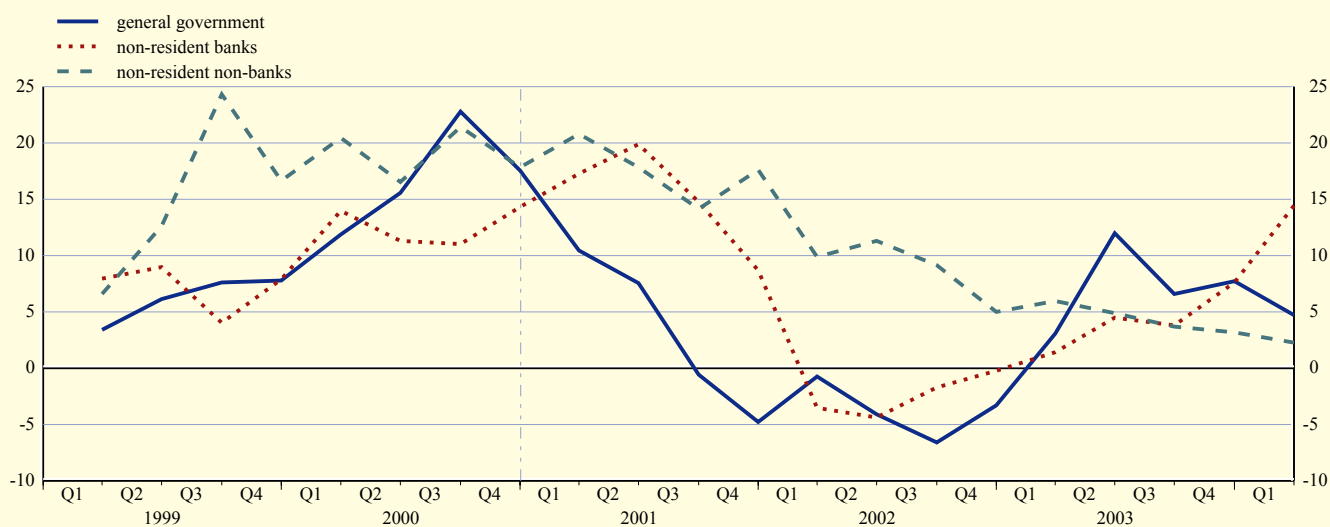
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>2)</sup>	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
<b>Outstanding amounts</b>										
2001	253.6	103.9	29.9	68.9	50.9	2,400.1	1,696.9	703.2	94.1	609.1
2002	248.4	106.9	31.6	69.2	40.7	2,271.0	1,585.3	685.7	97.4	588.3
2003 Q1	264.0	125.5	32.0	65.5	41.0	2,292.0	1,588.0	704.0	97.8	606.2
Q2	290.9	147.6	34.2	64.5	44.5	2,274.5	1,580.6	693.9	94.6	599.3
Q3	263.9	128.9	32.3	64.2	38.5	2,256.3	1,562.4	693.8	93.4	600.5
Q4	271.2	132.3	31.1	66.9	40.9	2,246.3	1,580.9	665.4	96.1	569.3
2004 Q1 <sup>(p)</sup>	272.8	140.7	30.0	62.4	39.6	2,446.6	1,745.3	701.3	100.8	600.5
<b>Transactions</b>										
2001	-12.5	-14.1	-0.8	-0.2	2.6	234.7	130.6	103.9	10.2	93.6
2002	-8.3	-0.2	1.8	0.4	-10.3	30.2	-4.9	35.2	3.6	31.6
2003 Q1	8.7	11.6	0.4	-3.7	0.3	61.5	30.2	31.4	0.5	30.8
Q2	26.9	22.1	2.2	-0.9	3.5	30.2	27.2	3.0	-3.3	6.3
Q3	-23.5	-16.0	-1.9	-0.4	-5.2	-6.5	-7.9	1.4	-1.2	2.6
Q4	7.3	3.4	-1.1	2.7	2.3	54.4	68.0	-13.5	2.7	-16.2
2004 Q1 <sup>(p)</sup>	1.6	8.4	-1.1	-4.4	-1.3	156.8	132.3	24.5	4.8	19.7
<b>Growth rates</b>										
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	0.0	6.9
June	12.0	29.9	0.4	-1.6	-3.0	4.6	4.5	4.9	-0.5	5.8
Sep.	6.6	18.9	-5.7	0.8	-5.7	3.8	3.8	3.7	-7.7	5.7
Dec.	7.7	19.3	-1.5	-3.4	2.6	6.3	7.6	3.2	-1.3	3.9
2004 Mar. <sup>(p)</sup>	4.7	14.5	-6.1	-4.6	-1.5	10.7	14.4	2.3	3.1	2.2

**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.

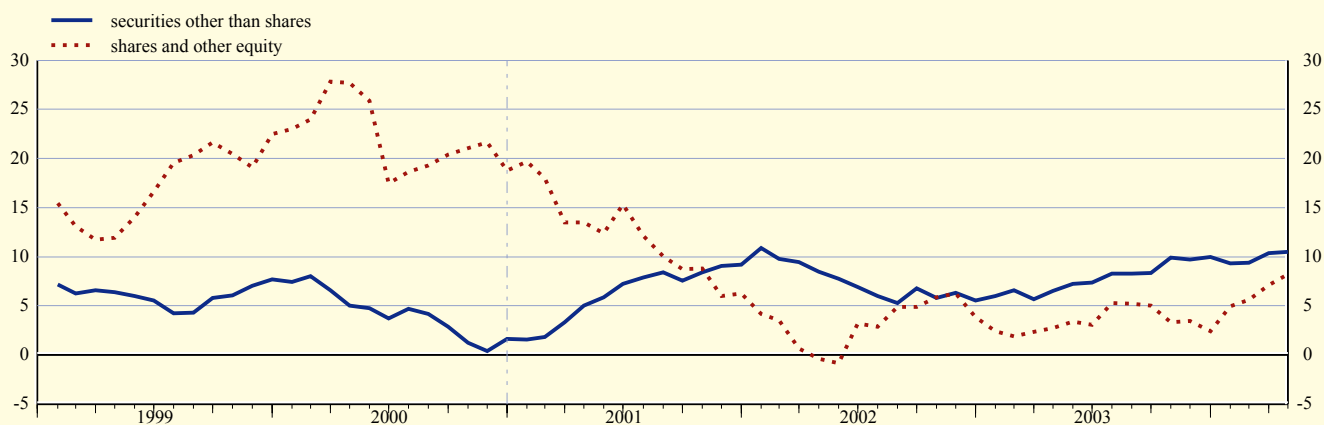
## 2.6 MFI holdings of securities, breakdown <sup>1)</sup>

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

	Securities other than shares							Shares and other equity				
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
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	3,576.8	1,218.5	57.4	1,230.4	15.6	407.1	18.6	629.3	1,068.6	279.7	615.2	173.7
2004 Jan.	3,661.7	1,235.0	60.9	1,255.3	16.1	407.3	17.7	669.4	1,089.7	285.4	624.3	180.1
Feb.	3,712.7	1,257.7	57.7	1,276.8	15.9	412.5	18.0	674.1	1,092.9	283.6	624.6	184.8
Mar.	3,766.1	1,284.0	60.8	1,286.4	17.7	413.4	18.2	685.6	1,117.6	287.9	640.3	189.4
Apr. <sup>(p)</sup>	3,809.1	1,292.0	62.0	1,295.6	17.3	416.6	18.5	707.1	1,146.5	291.9	663.2	191.4
Transactions												
2002	171.3	48.0	-0.6	40.9	-0.8	27.3	3.2	53.1	37.2	13.7	4.8	18.7
2003	327.1	91.8	3.4	79.9	1.0	52.4	2.0	96.6	24.0	8.0	21.8	-5.8
2004 Jan.	61.6	14.0	2.3	15.1	0.1	-0.7	-1.3	32.1	17.9	3.9	7.6	6.4
Feb.	48.2	22.1	-3.2	19.6	0.0	4.0	0.5	5.2	5.9	-0.1	1.6	4.4
Mar.	44.8	26.3	2.1	10.0	1.2	0.9	-0.3	4.6	24.7	4.7	15.8	4.3
Apr. <sup>(p)</sup>	43.2	8.1	1.0	11.5	-0.4	3.9	0.2	19.0	28.5	4.5	22.2	1.8
Growth rates												
2002 Dec.	5.6	4.5	-2.0	3.9	-4.3	8.5	21.9	10.0	3.8	5.4	0.9	11.6
2003 Dec.	10.0	8.1	7.3	7.0	5.8	14.9	10.1	17.3	2.4	3.0	3.8	-3.2
2004 Jan.	9.3	7.2	4.2	6.4	1.7	12.9	9.2	18.2	5.0	7.6	4.9	1.2
Feb.	9.4	8.2	-0.7	6.8	-4.2	12.0	10.1	16.9	5.6	7.7	5.6	2.6
Mar.	10.3	9.7	2.2	7.4	5.3	10.8	3.1	18.5	7.1	7.4	8.1	3.4
Apr. <sup>(p)</sup>	10.5	10.5	10.1	6.7	3.1	8.0	7.9	20.2	8.2	9.4	8.9	4.0

## C11 MFI holdings of securities

(annual growth rates)



Source: ECB.

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

## 2.7 Revaluation of selected MFI balance sheet items <sup>1)</sup>

(EUR billions)

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

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2002	-0.9	-	-	-	-1.3	-	-	-	-5.3	-	-	-
2003	-2.7	-1.1	-0.5	-1.0	-3.2	-0.3	-0.1	-2.8	-7.6	-2.8	-0.3	-4.6
2004 Jan.	-0.5	-0.3	-0.1	-0.2	-0.6	0.0	0.0	-0.5	-1.3	-0.5	-0.1	-0.8
Feb.	-0.4	-0.1	-0.1	-0.2	-0.5	0.0	0.0	-0.4	-0.9	-0.2	0.0	-0.6
Mar.	-0.2	-0.1	0.0	-0.1	-0.2	0.0	0.0	-0.2	-0.6	-0.2	0.0	-0.4
Apr. <sup>(p)</sup>	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	-0.1	-0.2	-0.1	0.0	-0.1

### 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 and up to 5 years
	1	2	3	4	5	6	7
2002	-9.7	-2.1	-2.7	-4.9	-7.2	-	-
2003	-17.7	-8.8	-1.3	-7.6	-1.0	-0.4	-0.6
2004 Jan.	-3.6	-1.8	-0.4	-1.5	-0.5	-0.2	-0.2
Feb.	-1.6	-0.5	-0.1	-0.9	-0.2	-0.1	-0.1
Mar.	-1.2	-0.7	-0.1	-0.5	-0.2	0.0	-0.2
Apr. <sup>(p)</sup>	-0.2	-0.2	0.0	-0.1	0.3	0.1	0.2

### 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
2002	35.2	9.8	0.6	11.1	-0.1	5.1	0.2	8.4	-6.8	-4.7	0.7	-2.7
2003	-3.1	-0.9	-0.4	3.4	0.0	-1.7	-0.1	-3.4	11.1	7.1	2.5	1.5
2004 Jan.	9.8	1.5	0.2	7.9	0.1	0.0	0.0	0.2	3.2	1.6	1.7	0.0
Feb.	3.7	0.6	0.0	1.7	0.0	1.1	0.0	0.2	-2.7	-1.6	-1.3	0.3
Mar.	2.4	0.2	0.1	1.2	0.1	0.2	0.0	0.6	-0.1	-0.3	-0.1	0.3
Apr. <sup>(p)</sup>	-4.2	-0.1	0.0	-2.9	0.0	-0.4	0.0	-0.9	0.4	-0.5	0.7	0.1

Source: ECB.

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

2) Including non-profit institutions serving households.

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

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

### 1. Deposits

	MFIs <sup>2)</sup>							Non-MFIs						
	All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies				All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies					
			Total						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	6,061.2	97.1	2.9	1.8	0.3	0.2	0.3
2003 Q1	4,196.4	90.5	9.5	6.1	0.7	1.5	0.8	6,120.8	97.1	2.9	1.8	0.3	0.2	0.3
Q2	4,296.7	91.0	9.0	5.8	0.6	1.4	0.8	6,244.1	97.0	3.0	1.8	0.3	0.2	0.4
Q3	4,309.4	91.0	9.0	5.6	0.5	1.5	0.9	6,257.1	97.1	2.9	1.7	0.4	0.1	0.3
Q4	4,362.6	91.2	8.8	5.4	0.5	1.5	0.9	6,406.4	97.3	2.7	1.7	0.3	0.1	0.3
2004 Q1 <sup>(p)</sup>	4,409.4	90.5	9.5	5.8	0.5	1.5	1.1	6,448.5	97.1	2.9	1.8	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	1,588.0	46.1	53.9	36.8	2.1	4.4	7.9	704.0	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	693.8	52.9	47.1	30.3	2.4	2.3	9.2
Q4	1,580.9	46.9	53.1	35.6	1.8	3.6	9.4	665.4	51.1	48.9	32.0	2.1	2.2	9.6
2004 Q1 <sup>(p)</sup>	1,745.3	46.3	53.7	35.4	1.7	3.4	10.5	701.3	53.3	46.7	30.0	2.1	1.9	9.6

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

	All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies				
			Total				
			USD	JPY	CHF	GBP	
1	2	3	4	5	6	7	
2001	3,030.2	85.1	14.9	8.2	2.2	1.4	2.2
2002	3,138.7	85.4	14.6	7.7	1.8	1.6	2.3
2003 Q1	3,197.1	85.2	14.8	8.1	1.6	1.6	2.3
Q2	3,226.5	85.6	14.4	8.1	1.4	1.6	2.1
Q3	3,261.6	85.3	14.7	8.2	1.5	1.7	2.1
Q4	3,303.2	85.4	14.6	7.9	1.5	1.7	2.3
2004 Q1 <sup>(p)</sup>	3,458.4	84.6	15.4	7.7	1.8	2.0	2.5

Source: ECB.

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



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

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

### 3. Loans

	MFIs <sup>2)</sup>							Non-MFIs						
	All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies				All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
To euro area residents														
2001	3,794.0	-	-	-	-	-	7,340.7	95.4	4.6	2.5	0.7	1.1	0.4	
2002	4,017.8	-	-	-	-	-	7,593.6	96.2	3.8	1.8	0.5	1.1	0.3	
2003 Q1	4,074.2	-	-	-	-	-	7,658.9	96.2	3.8	1.8	0.5	1.1	0.3	
Q2	4,143.3	-	-	-	-	-	7,736.1	96.3	3.7	1.7	0.4	1.1	0.3	
Q3	4,155.6	-	-	-	-	-	7,793.0	96.4	3.6	1.7	0.4	1.2	0.3	
Q4	4,193.6	-	-	-	-	-	7,912.8	96.5	3.5	1.6	0.3	1.2	0.3	
2004 Q1 <sup>(p)</sup>	4,233.1	-	-	-	-	-	7,994.8	96.4	3.6	1.6	0.3	1.2	0.4	
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	1,182.3	50.2	49.8	29.3	5.0	2.3	9.2	580.6	38.7	61.3	43.9	2.4	4.6	7.0
2004 Q1 <sup>(p)</sup>	1,300.6	49.1	50.9	31.1	4.7	2.3	9.2	653.0	40.0	60.0	42.0	2.5	4.3	8.1

### 4. Holdings of securities other than shares

	Issued by MFIs <sup>2)</sup>							Issued by non-MFIs						
	All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies				All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Issued by euro area residents														
2001	1,122.9	95.2	4.8	2.7	0.6	0.1	0.7	1,413.0	97.6	2.4	1.3	0.8	0.1	0.2
2002	1,170.4	95.9	4.1	1.7	0.4	0.2	0.9	1,501.2	97.9	2.1	1.0	0.7	0.1	0.4
2003 Q1	1,234.7	95.1	4.9	1.7	0.6	0.2	1.0	1,595.9	97.7	2.3	1.3	0.6	0.1	0.2
Q2	1,242.2	95.2	4.8	1.7	0.6	0.3	1.0	1,644.3	97.9	2.1	1.1	0.6	0.1	0.2
Q3	1,256.4	95.4	4.6	1.5	0.5	0.3	1.1	1,670.1	97.9	2.1	1.1	0.6	0.1	0.2
Q4	1,275.9	95.5	4.5	1.5	0.5	0.3	1.3	1,671.6	98.0	2.0	1.1	0.6	0.1	0.2
2004 Q1 <sup>(p)</sup>	1,344.8	95.5	4.5	2.1	0.3	0.4	1.4	1,735.7	97.9	2.1	1.2	0.5	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	256.7	39.8	60.2	36.3	3.7	3.4	12.0	339.1	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	355.5	44.2	55.8	35.4	8.5	0.7	6.0
Q3	261.5	43.0	57.0	32.3	3.5	2.8	14.5	363.2	45.0	55.0	34.7	9.4	0.7	5.7
Q4	275.6	44.9	55.1	30.5	3.8	2.0	15.1	353.7	45.8	54.2	33.3	9.2	0.8	6.3
2004 Q1 <sup>(p)</sup>	308.2	43.9	56.1	35.1	1.1	0.6	17.2	377.4	44.7	55.3	34.8	6.7	0.9	7.6

Source: ECB.

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

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

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

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

(EUR billions; outstanding amounts at end of period)

### 1. Assets

	Total 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
2002 Q3	2,846.2	236.7	1,337.4	74.3	1,263.0	844.8	203.4	121.0	102.9
Q4	2,860.6	242.2	1,335.0	72.0	1,263.1	853.4	203.1	120.5	106.4
2003 Q1	2,746.9	217.2	1,331.8	70.6	1,261.2	767.3	205.8	116.7	108.1
Q2	2,959.5	232.6	1,382.7	67.1	1,315.6	880.9	224.5	120.7	118.1
Q3	3,085.6	248.3	1,405.3	65.3	1,340.0	932.3	234.6	126.3	138.8
Q4 <sup>(p)</sup>	3,174.3	234.9	1,389.0	67.4	1,321.6	1,033.9	243.6	133.9	139.0

### 2. Liabilities

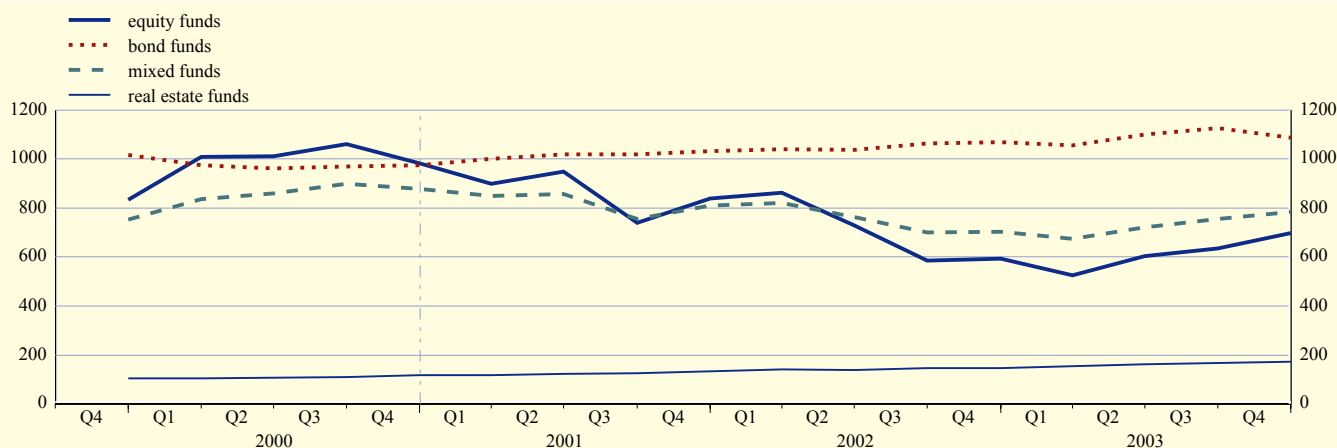
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
2002 Q3	2,846.2	38.9	2,731.9	75.3
Q4	2,860.6	39.3	2,744.3	76.9
2003 Q1	2,746.9	40.2	2,628.3	78.4
Q2	2,959.5	41.8	2,825.8	91.9
Q3	3,085.6	43.2	2,917.7	124.8
Q4 <sup>(p)</sup>	3,174.3	44.2	3,010.9	119.1

### 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 Q3	2,846.2	585.2	1,063.3	699.9	145.6	352.2	2,092.0	754.2
Q4	2,860.6	594.1	1,068.2	701.6	147.5	349.2	2,087.7	772.9
2003 Q1	2,746.9	525.9	1,054.1	675.3	153.9	337.7	1,975.5	771.4
Q2	2,959.5	603.3	1,099.5	720.8	161.4	374.4	2,140.4	819.1
Q3	3,085.6	635.4	1,127.0	754.2	167.7	401.4	2,249.0	836.6
Q4 <sup>(p)</sup>	3,174.3	697.8	1,086.2	783.3	171.9	435.1	2,318.1	856.2

## 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				
<b>Equity funds</b>									
2002 Q3	585.2	29.0	26.5	3.7	22.8	496.5	19.1	-	14.1
Q4	594.1	26.6	28.0	3.1	24.9	506.1	18.4	-	14.9
2003 Q1	525.9	24.5	30.2	2.8	27.5	438.5	16.5	-	16.1
Q2	603.3	27.9	31.6	2.9	28.7	506.5	18.5	-	18.8
Q3	635.4	29.5	27.8	2.4	25.4	536.4	19.5	-	22.1
Q4 <sup>(p)</sup>	697.8	29.3	31.3	2.9	28.4	593.9	20.8	-	22.5
<b>Bond funds</b>									
2002 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	1,127.0	93.6	934.7	30.7	904.1	29.1	21.7	-	47.9
Q4 <sup>(p)</sup>	1,086.2	82.5	905.6	31.6	874.0	31.0	21.6	-	45.5
<b>Mixed funds</b>									
2002 Q3	699.9	53.0	291.7	21.3	270.4	234.3	88.1	5.2	27.7
Q4	701.6	53.9	294.9	21.3	273.6	233.0	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	754.2	50.5	324.0	22.2	301.8	248.4	95.4	0.3	35.6
Q4 <sup>(p)</sup>	783.3	49.5	323.9	22.1	301.9	272.4	100.4	0.3	36.7
<b>Real estate funds</b>									
2002 Q3	145.6	13.3	10.7	0.6	10.1	0.8	5.1	109.5	6.2
Q4	147.5	10.9	9.5	0.5	8.9	0.7	7.0	112.6	6.8
2003 Q1	153.9	14.7	8.3	0.5	7.7	0.7	8.6	115.1	6.5
Q2	161.4	16.5	9.0	0.6	8.5	0.7	9.1	119.8	6.3
Q3	167.7	16.1	9.0	0.6	8.4	0.8	9.5	125.3	6.9
Q4 <sup>(p)</sup>	171.9	13.2	9.3	0.6	8.7	0.8	8.5	132.9	7.4

**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 Q3	2,092.0	187.9	917.6	654.4	156.0	107.9	68.2
Q4	2,087.7	191.0	904.8	663.5	153.2	105.8	69.6
2003 Q1	1,975.5	165.6	882.6	599.9	155.1	101.3	71.0
Q2	2,140.4	181.6	912.3	691.7	168.3	104.2	82.2
Q3	2,249.0	199.0	927.6	736.5	176.6	108.9	100.4
Q4 <sup>(p)</sup>	2,318.1	191.6	913.3	816.1	183.4	115.6	98.0
<b>Special investors' funds</b>							
2002 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	836.6	49.3	477.7	195.8	58.0	17.4	38.4
Q4 <sup>(p)</sup>	856.2	43.2	475.7	217.8	60.1	18.3	41.0

Source: ECB.



## FINANCIAL AND NON-FINANCIAL ACCOUNTS

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

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

	Total		Currency and deposits							Memo: deposits of non-banks with banks outside the euro area	
	Total	Currency	Deposits of non-financial sectors other than central government with euro area MFIs					Deposits of central government with euro area MFIs	Deposits with non-MFIs <sup>1)</sup>		
			Total	Overnight	With agreed maturity	Redeemable at notice	Repos				
	1	2	3	4	5	6	7	8	9	10	11
<b>Outstanding amounts</b>											
2002 Q3	14,308.2	5,450.2	278.4	4,827.5	1,757.3	1,585.8	1,365.7	118.8	146.3	198.0	289.0
Q4	14,597.6	5,609.9	309.2	4,951.7	1,846.7	1,581.4	1,411.7	111.9	136.4	212.7	293.2
2003 Q1	14,550.2	5,633.1	288.9	4,948.2	1,836.2	1,571.9	1,434.1	106.1	176.2	219.9	323.9
Q2	15,010.6	5,749.0	310.1	5,029.7	1,918.4	1,560.2	1,456.4	94.7	200.3	208.8	329.8
Q3	15,107.5	5,753.6	320.9	5,071.2	1,956.6	1,555.8	1,469.5	89.3	183.9	177.6	344.6
Q4	15,379.7	5,874.6	350.7	5,185.0	2,033.4	1,561.0	1,505.4	85.2	153.6	185.3	.
<b>Transactions</b>											
2002 Q3	142.5	7.7	17.2	0.6	-3.1	-7.3	9.4	1.7	-12.5	2.3	9.1
Q4	168.8	169.5	30.8	133.9	82.6	11.8	46.4	-6.9	-9.9	14.7	10.1
2003 Q1	152.2	38.0	1.3	-3.3	-29.5	-11.1	43.0	-5.7	32.8	7.2	32.3
Q2	209.9	133.4	21.2	85.9	83.8	-8.7	22.2	-11.4	24.1	2.2	11.4
Q3	126.2	12.4	11.4	12.2	6.8	-3.8	13.0	-3.9	-13.7	2.5	16.5
Q4	150.0	126.1	29.8	118.9	79.2	8.7	36.1	-5.2	-30.3	7.6	.
<b>Growth rates</b>											
2002 Q3	4.3	4.7	-6.4	5.3	10.3	0.0	6.4	-2.6	-3.2	15.1	5.3
Q4	3.9	4.9	33.8	3.5	5.7	0.1	5.3	-3.9	-4.2	11.3	4.0
2003 Q1	4.2	5.8	31.2	4.3	7.3	-0.4	7.3	-10.6	5.1	13.7	13.7
Q2	4.6	6.4	27.0	4.5	7.6	-1.0	8.9	-19.0	22.3	13.5	22.6
Q3	4.6	6.5	23.3	4.7	8.2	-0.7	9.1	-23.5	22.8	13.4	24.3
Q4	4.4	5.5	20.6	4.3	7.6	-0.9	8.1	-23.4	9.5	9.2	.
<b>Securities other than shares</b>											
			<b>Shares<sup>2)</sup></b>				<b>Insurance technical reserves</b>				
	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	
<b>Outstanding amounts</b>											
2002 Q3	1,966.1	200.9	1,765.2	3,427.5	1,696.7	1,730.9	313.9	3,464.5	3,125.0	339.4	
Q4	1,972.2	196.5	1,775.6	3,483.2	1,771.2	1,712.0	309.2	3,532.3	3,189.7	342.6	
2003 Q1	1,967.4	179.3	1,788.0	3,350.3	1,609.9	1,740.4	395.7	3,599.4	3,251.2	348.2	
Q2	1,933.0	162.9	1,770.1	3,655.4	1,818.5	1,836.8	401.9	3,673.3	3,322.2	351.1	
Q3	1,927.1	164.7	1,762.4	3,689.3	1,828.1	1,861.1	405.9	3,737.5	3,383.8	353.7	
Q4	1,921.1	172.3	1,748.8	3,818.5	1,942.9	1,875.6	404.4	3,765.5	3,410.0	355.5	
<b>Transactions</b>											
2002 Q3	33.9	17.0	16.9	48.9	24.1	24.8	13.9	52.0	47.8	4.2	
Q4	-13.3	-15.9	2.6	-24.9	-24.3	-0.6	-7.4	37.5	39.0	-1.6	
2003 Q1	-21.8	-20.4	-1.3	66.3	4.3	62.0	29.9	69.7	62.8	6.9	
Q2	-46.4	-16.1	-30.3	65.3	27.4	37.9	3.7	57.5	52.9	4.6	
Q3	7.2	2.5	4.7	51.5	34.2	17.3	2.6	55.1	51.7	3.4	
Q4	3.7	6.6	-2.8	-26.7	-26.8	0.1	-10.3	46.9	43.6	3.4	
<b>Growth rates</b>											
2002 Q3	1.6	-21.0	5.1	2.8	0.1	6.3	16.6	7.1	7.2	6.2	
Q4	0.6	-21.9	3.9	2.0	0.2	4.7	12.1	6.4	6.5	4.9	
2003 Q1	-0.7	-22.9	2.1	2.8	0.8	5.6	11.8	6.3	6.5	4.2	
Q2	-2.5	-19.3	-0.7	3.9	1.4	7.0	13.5	6.3	6.5	4.2	
Q3	-3.8	-24.9	-1.4	4.6	2.5	6.7	9.2	6.3	6.6	3.9	
Q4	-2.9	-14.0	-1.7	4.5	2.2	6.9	8.4	6.5	6.6	5.3	

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)

	<b>Loans taken from euro area MFIs and other financial corporations by</b>												<b>Memo: loans taken from banks outside the euro area by non-banks</b>
	<b>Total</b>	<b>General government</b>			<b>Non-financial corporations</b>			<b>Households<sup>1)</sup></b>					
		<b>Total</b>	<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>	<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>	<b>Short-term</b>	<b>Long-term</b>			
	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>Outstanding amounts</b>													
2002 Q3	15,348.3	7,926.2	7,053.0	867.3	54.7	812.6	3,527.1	1,173.9	2,353.2	3,531.8	283.5	3,248.2	241.7
2002 Q4	15,581.8	8,047.5	7,130.3	881.9	60.6	821.3	3,561.0	1,158.0	2,403.0	3,604.6	286.0	3,318.6	242.6
2003 Q1	15,540.6	8,098.8	7,169.1	874.1	68.4	805.7	3,582.5	1,173.2	2,409.3	3,642.2	276.5	3,365.7	255.9
2003 Q2	16,090.9	8,196.1	7,236.3	861.3	69.6	791.8	3,627.1	1,196.2	2,430.9	3,707.7	280.7	3,426.9	253.3
2003 Q3	16,186.4	8,279.1	7,292.9	867.3	70.7	796.5	3,634.3	1,170.4	2,463.8	3,777.6	275.1	3,502.4	274.6
2003 Q4	16,461.0	8,359.7	7,393.8	887.6	80.5	807.1	3,632.2	1,147.8	2,484.4	3,839.9	277.5	3,562.4	.
<b>Transactions</b>													
2002 Q3	106.8	38.5	34.6	-8.4	1.3	-9.6	-1.2	-18.3	17.0	48.1	-4.2	52.2	-7.1
2002 Q4	158.0	134.2	93.7	15.0	5.9	9.1	53.5	-9.8	63.4	65.6	3.3	62.3	7.5
2003 Q1	255.1	86.4	66.3	-0.2	8.0	-8.2	42.0	20.6	21.5	44.5	-7.3	51.9	5.6
2003 Q2	230.7	108.8	84.0	-10.3	3.2	-13.5	49.5	22.3	27.1	69.6	4.9	64.7	2.6
2003 Q3	135.2	80.7	59.0	5.9	1.1	4.8	3.7	-23.3	27.0	71.1	-4.8	75.9	22.4
2003 Q4	83.2	106.4	118.4	19.7	9.8	9.9	13.9	-19.1	33.0	72.8	4.2	68.7	.
<b>Growth rates</b>													
2002 Q3	4.0	4.1	4.0	-0.9	20.9	-2.1	3.0	-5.0	7.5	6.5	0.6	7.0	-4.5
2002 Q4	3.8	4.3	4.0	-2.0	21.3	-3.4	3.5	-4.3	7.8	6.8	1.4	7.3	-2.9
2003 Q1	4.3	4.7	4.0	-2.1	28.6	-4.0	4.4	-0.9	7.3	6.8	0.4	7.4	-4.3
2003 Q2	4.7	4.7	4.0	-0.4	34.4	-2.7	4.1	1.2	5.5	6.5	-1.2	7.2	3.5
2003 Q3	5.1	5.2	4.3	1.2	33.4	-1.0	4.2	0.8	5.9	7.1	-1.4	7.8	15.7
2003 Q4	4.5	4.8	4.6	1.7	36.6	-0.9	3.1	0.0	4.5	7.2	-1.1	7.9	.
<b>Securities other than shares issued by</b>													
	<b>Total</b>	<b>General government</b>			<b>Non-financial corporations</b>			<b>Quoted shares issued by non-financial corporations</b>	<b>Deposit liabilities of central government</b>	<b>Pension fund reserves of non- financial corporations</b>			
		<b>Total</b>	<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>	<b>Short-term</b>	<b>Long-term</b>						
	14	15	16	17	18	19	20	21	22	23			
<b>Outstanding amounts</b>													
2002 Q3	4,667.3	4,139.5	479.8	3,659.7	527.8	137.7	390.1	2,293.9	194.8	266.1			
2002 Q4	4,671.8	4,137.3	480.0	3,657.4	534.5	144.7	389.8	2,383.9	209.5	269.1			
2003 Q1	4,838.2	4,273.4	529.7	3,743.7	564.9	167.1	397.8	2,114.2	216.8	272.6			
2003 Q2	4,962.7	4,378.6	563.4	3,815.2	584.0	165.5	418.6	2,451.2	204.9	276.1			
2003 Q3	4,979.2	4,396.4	557.5	3,838.9	582.8	164.5	418.3	2,474.6	173.5	280.1			
2003 Q4	4,907.7	4,319.4	538.7	3,780.7	588.3	163.4	424.9	2,729.2	181.8	282.7			
<b>Transactions</b>													
2002 Q3	56.6	46.5	-0.9	47.4	10.2	7.3	2.8	5.6	2.2	3.9			
2002 Q4	3.8	-0.1	-8.3	8.2	3.9	6.9	-3.1	2.2	14.7	3.2			
2003 Q1	157.5	128.9	49.9	78.9	28.6	22.3	6.3	-0.2	7.3	4.2			
2003 Q2	100.7	84.4	33.9	50.5	16.3	-1.5	17.8	15.8	1.3	4.2			
2003 Q3	43.5	44.0	-5.3	49.2	-0.5	-1.0	0.5	4.5	2.4	4.2			
2003 Q4	-36.4	-44.2	-18.4	-25.8	7.8	-1.1	8.9	0.8	8.2	4.1			
<b>Growth rates</b>													
2002 Q3	5.2	5.0	7.3	4.7	6.8	-1.7	10.2	1.2	15.2	4.9			
2002 Q4	5.1	5.2	10.6	4.5	4.1	3.7	4.2	0.7	11.4	5.3			
2003 Q1	6.3	6.1	16.7	4.7	8.0	15.2	5.1	0.4	13.9	5.6			
2003 Q2	7.0	6.5	15.5	5.3	11.5	26.9	6.2	0.8	13.2	5.9			
2003 Q3	6.5	6.2	14.6	5.1	9.2	19.4	5.5	1.0	13.2	6.0			
2003 Q4	5.7	5.1	12.5	4.2	9.8	12.9	8.6	0.9	9.2	6.2			

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 Q3	3,290.1	506.3	50.1	437.9	3.9	14.4	335.2	69.1	266.1	1,326.9	45.9	1,281.0
Q4	3,374.7	523.1	55.9	445.9	3.5	17.9	346.8	70.5	276.4	1,363.4	48.7	1,314.7
2003 Q1	3,402.0	535.8	61.7	454.2	1.6	18.3	351.6	72.0	279.6	1,423.6	53.8	1,369.8
Q2	3,534.5	537.8	63.8	450.5	1.3	22.3	355.5	73.5	282.0	1,455.8	50.9	1,404.9
Q3	3,590.3	532.9	57.5	455.3	1.4	18.7	354.9	72.6	282.2	1,485.3	52.5	1,432.7
Q4	3,705.4	541.9	58.8	462.3	1.6	19.1	341.0	72.6	268.4	1,520.9	53.1	1,467.7
	Transactions											
2002 Q3	50.7	2.5	1.7	5.1	0.3	-4.6	0.2	2.4	-2.2	40.9	8.1	32.8
Q4	73.4	16.8	5.8	8.0	-0.4	3.5	12.1	1.5	10.6	35.4	2.2	33.2
2003 Q1	86.7	12.6	4.3	7.8	0.1	0.5	7.9	4.1	3.8	55.7	5.9	49.7
Q2	50.7	2.3	2.2	-3.9	0.0	3.9	7.0	4.0	3.0	23.6	-3.1	26.7
Q3	40.2	-6.3	-6.4	3.8	0.1	-3.8	2.5	1.7	0.8	28.3	1.7	26.6
Q4	66.1	9.4	1.5	7.2	0.2	0.5	-10.7	2.6	-13.2	40.4	0.7	39.8
	Growth rates											
2002 Q3	7.8	3.8	27.6	2.6	4.5	-19.6	4.6	21.7	1.1	9.7	-13.5	10.8
Q4	7.2	5.6	16.3	4.3	1.9	8.5	6.7	16.7	4.6	10.0	4.5	10.2
2003 Q1	6.8	7.5	37.1	4.8	-10.5	3.3	7.8	20.5	4.9	10.3	14.0	10.2
Q2	7.8	6.8	28.9	3.9	-1.9	17.4	8.1	18.5	5.6	12.4	36.0	11.6
Q3	7.6	5.0	11.7	3.6	-5.4	28.2	8.8	16.4	6.8	10.8	14.7	10.6
Q4	7.2	3.5	2.9	3.3	12.6	6.0	2.0	17.6	-2.0	10.9	10.7	10.9

	Main financial assets					Main liabilities									
	Shares <sup>1)</sup>				Prepayments of insurance premiums and reserves for outstanding claims	Total	Loans taken from euro area MFIs and other financial corporations		Securities other than shares	Quoted shares	Insurance technical reserves				
	Total	Quoted shares	Mutual fund shares	Money market fund shares			Total	Taken from euro area MFIs			Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims		
														13	14
	Outstanding amounts														
2002 Q3	1,011.4	456.1	555.3	50.0	110.3	3,490.1	56.5	42.1	10.9	125.7	3,297.0	2,790.6	506.4		
Q4	1,032.1	467.1	565.0	56.4	109.4	3,521.5	43.5	33.0	11.2	111.4	3,355.4	2,851.0	504.3		
2003 Q1	979.0	421.9	557.0	60.1	111.9	3,571.4	55.4	42.4	11.4	101.5	3,403.1	2,890.1	513.0		
Q2	1,071.6	481.7	589.9	64.4	113.9	3,677.8	58.1	44.8	11.6	134.3	3,473.9	2,955.6	518.2		
Q3	1,101.9	497.4	604.6	60.7	115.3	3,739.6	59.3	44.3	12.1	133.5	3,534.6	3,012.2	522.4		
Q4	1,185.0	548.8	636.2	64.4	116.6	3,793.3	49.5	35.6	12.4	153.8	3,577.6	3,051.9	525.7		
	Transactions														
2002 Q3	4.5	2.4	2.1	-1.6	2.6	48.0	-2.0	-2.5	0.0	0.0	49.9	43.2	6.7		
Q4	10.0	-4.3	14.3	6.7	-0.8	21.6	-11.5	-9.1	0.2	0.4	32.5	34.6	-2.1		
2003 Q1	7.9	-2.6	10.5	2.0	2.6	80.4	13.8	11.2	-0.1	-0.9	67.6	57.6	9.9		
Q2	15.8	5.1	10.7	4.6	2.0	62.5	2.8	2.6	0.1	4.5	55.1	48.1	7.0		
Q3	14.3	5.3	9.0	-4.2	1.5	53.6	1.2	-0.5	0.5	0.0	51.9	46.9	5.0		
Q4	25.5	10.5	15.0	4.3	1.4	36.2	-9.9	-8.8	0.4	3.9	41.8	36.9	4.9		
	Growth rates														
2002 Q3	7.3	5.4	9.0	4.5	21.5	7.2	3.0	6.8	9.0	0.3	7.8	7.5	9.4		
Q4	4.8	3.1	6.5	18.2	9.0	5.8	-13.6	-11.5	7.9	0.3	6.5	6.6	5.5		
2003 Q1	2.9	0.1	5.7	19.5	6.3	5.8	6.6	8.5	4.9	-0.2	6.3	6.6	4.2		
Q2	3.3	0.1	6.4	23.0	6.0	6.0	5.5	5.2	2.8	1.8	6.3	6.6	4.3		
Q3	4.7	0.8	8.0	18.2	4.8	6.2	11.2	10.1	6.6	3.2	6.3	6.7	3.9		
Q4	6.1	3.9	8.0	12.0	6.9	6.6	18.1	13.8	8.5	6.7	6.4	6.6	5.3		

Source: ECB.

1) Excluding unquoted shares.

## 3.4 Annual saving, investment and financing

(EUR billions, unless otherwise indicated)

## 1. All sectors in the euro area

	Net acquisition of non-financial assets					Net acquisition of financial assets							
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Changes in inventories <sup>1)</sup>	Non-produced assets	Total	Monetary gold and SDRs	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Insurance technical reserves	Other investment (net) <sup>3)</sup>
	1	2	3	4	5	6	7	8	9	10	11	12	13
1996	341.7	1,122.4	-783.9	2.9	0.4	1,728.9	-3.0	395.3	397.7	383.7	313.2	193.6	48.5
1997	354.1	1,139.3	-797.1	11.9	0.0	1,911.5	-0.2	394.4	332.2	449.9	485.7	222.0	27.5
1998	415.1	1,203.5	-823.6	35.0	0.2	2,396.0	11.0	422.7	357.3	523.4	844.8	215.4	21.4
1999	451.7	1,292.4	-863.7	22.8	0.2	3,061.0	1.3	557.7	427.6	881.2	905.2	261.5	26.5
2000	490.7	1,391.2	-913.1	29.3	-16.7	2,796.3	1.3	349.7	260.8	808.8	1,122.7	252.6	0.3
2001	467.6	1,443.7	-973.6	-4.5	1.9	2,578.0	-0.5	577.4	432.3	728.3	630.1	249.2	-38.8
2002	413.1	1,430.5	-1,014.4	-4.3	1.4	2,165.3	0.9	580.3	257.6	516.7	502.9	222.8	84.0

	Changes in net worth <sup>4)</sup>				Net incurrence of liabilities					
	Total	Gross saving	Consumption of fixed capital (-)	Net capital transfers receivable	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Insurance technical reserves
	14	15	16	17	18	19	20	21	22	23
1996	410.7	1,190.0	-783.9	4.6	1,659.9	472.5	383.4	334.9	272.8	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	2,324.6	648.4	323.0	482.5	649.4	221.2
1999	498.0	1,352.0	-863.7	9.7	3,014.7	929.3	503.8	759.4	557.6	264.6
2000	514.9	1,419.4	-913.1	8.6	2,772.1	532.1	414.6	850.1	722.3	253.0
2001	485.4	1,449.4	-973.6	9.6	2,560.3	663.2	490.3	606.1	549.6	251.2
2002	496.3	1,499.1	-1,014.4	11.6	2,082.1	527.5	455.4	460.5	395.2	243.6

## 2. Non-financial corporations

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth <sup>4)</sup>		Net incurrence of liabilities			
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Total	Gross saving	Total	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	131.4	567.3	-438.0	258.6	54.1	-13.7	55.1	87.4	119.5	514.5	270.5	7.0	143.6	112.4
1997	150.4	592.0	-453.3	239.8	25.3	-11.8	46.3	97.8	105.2	521.5	285.1	12.1	153.8	109.7
1998	193.8	635.2	-470.6	425.2	45.7	-12.0	96.3	203.4	147.8	569.2	471.2	22.8	252.9	184.5
1999	212.0	684.5	-490.9	604.9	26.9	91.3	169.1	302.2	107.7	548.7	709.2	47.3	423.3	222.1
2000	309.7	750.3	-522.9	826.8	71.8	83.8	193.0	448.6	84.4	560.4	1,052.1	58.8	559.3	425.5
2001	219.2	774.3	-554.8	622.1	101.3	34.8	142.1	250.4	88.2	583.5	753.2	99.7	322.8	319.2
2002	173.0	758.1	-579.2	383.3	20.4	-32.9	45.2	285.2	115.3	634.1	441.0	20.7	199.8	206.0

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

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth <sup>4)</sup>		Net incurrence of liabilities		Memo:	
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Shares and other equity	Insurance technical reserves	Total	Gross saving	Total	Loans	Disposable income	Gross saving ratio <sup>6)</sup>
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	170.0	384.6	-216.8	436.5	146.2	24.8	92.0	189.0	445.2	646.9	161.3	160.0	3,788.1	17.1
1997	168.3	377.5	-211.7	424.4	70.4	-19.8	192.7	215.8	424.2	617.3	168.4	167.0	3,816.2	16.2
1998	180.2	389.7	-216.4	440.6	96.3	-120.4	288.9	210.6	408.1	594.6	212.6	211.2	3,923.5	15.2
1999	191.4	418.5	-231.5	469.8	119.2	-24.0	189.2	247.4	392.9	582.0	268.3	266.8	4,086.5	14.2
2000	198.6	440.9	-241.7	419.7	65.6	35.2	120.2	246.5	396.1	598.3	222.2	220.5	4,276.1	14.0
2001	188.3	453.9	-264.1	405.1	175.1	90.7	61.7	229.3	425.3	653.0	168.2	166.3	4,571.6	14.3
2002	188.6	462.3	-275.4	487.8	218.5	48.2	-3.5	210.7	466.7	706.6	209.7	207.6	4,738.4	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.





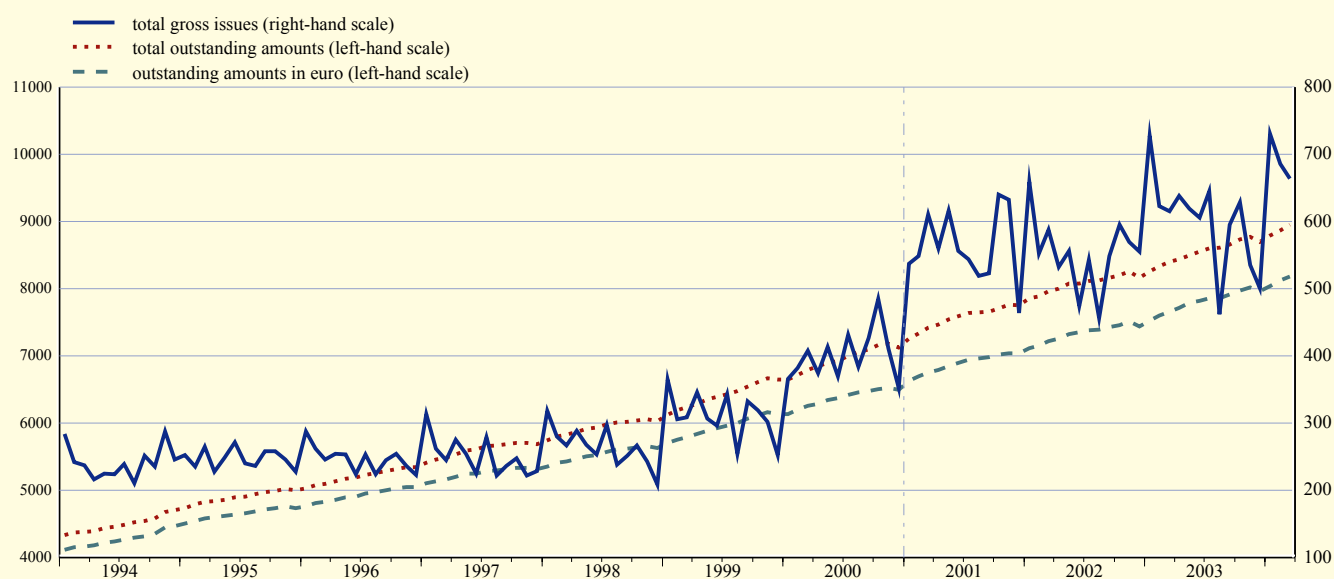
## FINANCIAL MARKETS

### 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; nominal values)

	Total in euro <sup>1)</sup>				By euro area residents							
	Outstanding amounts	Gross issues	Redemptions	Net issues	Total				Of which in euro			
					Outstanding amounts	Gross issues	Redemptions	Net issues	Outstanding amounts (%)	Gross issues (%)	Redemptions (%)	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
Total												
2003 Mar.	8,764.4	642.0	539.0	102.9	8,396.3	615.2	548.0	67.2	91.2	94.3	94.9	60.3
Apr.	8,807.2	636.6	593.6	42.9	8,439.2	638.1	582.2	55.9	91.4	94.4	94.2	53.9
May	8,901.9	624.9	529.4	95.5	8,498.6	619.2	536.6	82.5	91.6	93.4	93.6	75.8
June	8,982.4	636.5	556.3	80.2	8,550.7	606.1	566.1	40.0	91.5	93.7	93.9	36.2
July	9,015.3	648.8	616.3	32.5	8,598.7	645.1	601.7	43.4	91.4	93.1	94.3	33.0
Aug.	9,020.8	470.3	465.5	4.8	8,611.9	461.6	463.8	-2.2	91.3	93.9	92.6	3.8
Sep.	9,111.7	615.7	523.9	91.8	8,657.3	594.9	530.3	64.6	91.4	93.4	94.2	55.7
Oct.	9,169.1	635.3	578.8	56.5	8,730.8	628.7	561.0	67.7	91.3	93.8	94.8	57.9
Nov.	9,235.3	554.9	491.4	63.5	8,768.2	535.6	490.1	45.5	91.5	93.1	92.4	45.7
Dec.	9,199.0	519.1	551.8	-32.7	8,692.8	501.2	555.4	-54.2	91.6	93.7	94.6	-55.6
2004 Jan.	9,272.3	738.4	664.1	74.3	8,786.3	730.6	643.5	87.1	91.5	94.3	94.7	78.9
Feb.	9,348.2	698.4	622.8	75.7	8,862.9	685.6	605.4	80.2	91.6	94.6	94.2	77.9
Mar.	9,461.4	712.6	598.8	113.8	8,951.4	664.3	585.1	79.1	91.4	93.2	95.3	61.1
Long-term												
2003 Mar.	7,899.6	175.4	105.5	69.8	7,517.8	162.8	106.6	56.2	91.4	90.1	90.0	50.8
Apr.	7,941.0	166.0	125.0	40.9	7,544.0	160.3	125.0	35.3	91.5	91.4	92.5	30.8
May	8,028.9	187.1	99.1	88.0	7,598.0	175.0	100.1	74.9	91.7	92.2	90.5	70.8
June	8,099.4	185.3	115.4	69.9	7,670.1	170.7	110.7	60.0	91.6	91.0	91.7	53.8
July	8,151.8	198.0	146.3	51.7	7,718.9	185.2	140.7	44.5	91.4	88.1	95.0	29.6
Aug.	8,164.1	86.4	75.8	10.7	7,745.3	79.0	69.9	9.1	91.2	88.0	90.4	6.4
Sep.	8,241.3	179.9	101.9	78.0	7,797.9	173.4	102.0	71.4	91.4	91.7	90.2	66.9
Oct.	8,296.0	178.9	125.5	53.5	7,850.3	167.5	119.9	47.6	91.4	92.0	94.5	40.9
Nov.	8,346.2	142.4	93.6	48.9	7,885.7	135.7	90.3	45.4	91.5	89.4	88.0	41.7
Dec.	8,339.8	118.0	119.5	-1.5	7,861.2	110.7	113.5	-2.8	91.6	90.3	93.0	-5.6
2004 Jan.	8,400.1	195.9	136.3	59.6	7,913.7	180.8	137.8	43.0	91.6	91.7	90.9	40.6
Feb.	8,485.6	193.6	109.2	84.4	7,996.9	182.9	98.5	84.3	91.6	92.2	87.9	82.0
Mar.	8,552.9	210.4	142.1	68.4	8,065.8	182.8	122.1	60.8	91.4	88.2	94.2	46.3

### 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)

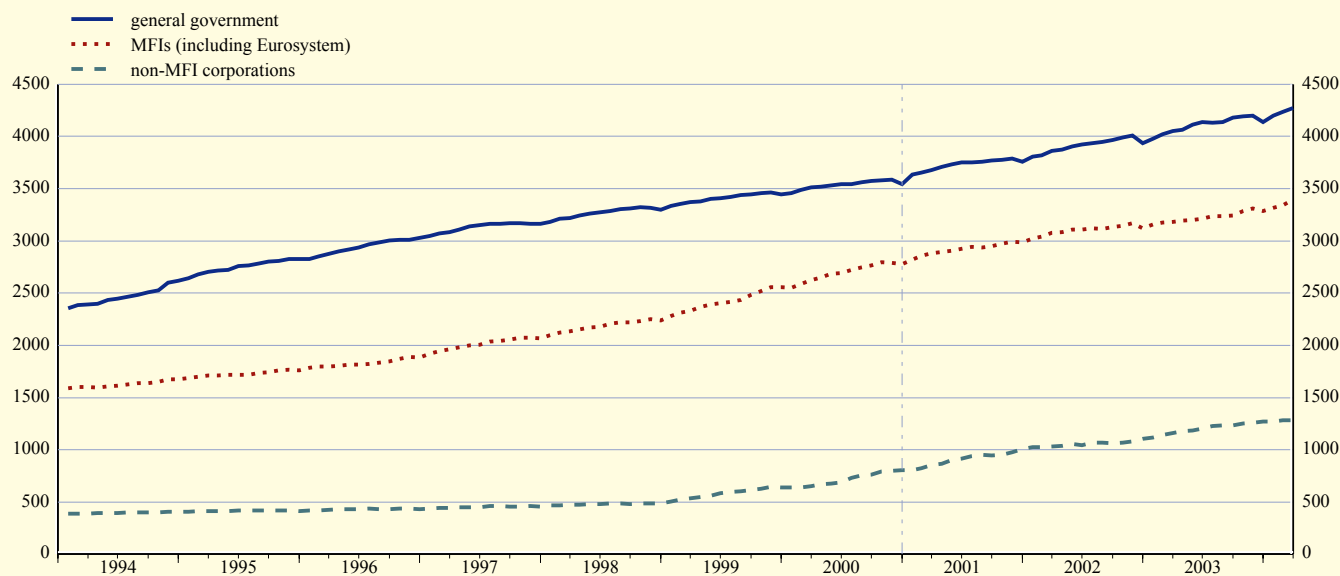
### 1. Outstanding amounts

(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 Mar.	8,396.3	3,184.4	587.6	571.5	3,860.9	192.0	91.2	85.6	84.2	87.6	97.2	96.0
Apr.	8,439.2	3,195.8	600.5	576.2	3,870.8	196.0	91.4	85.8	84.9	87.8	97.3	95.7
May	8,498.6	3,198.6	602.4	583.8	3,914.9	198.9	91.6	86.0	85.5	88.2	97.4	95.7
June	8,550.7	3,209.8	620.0	585.5	3,932.1	203.3	91.5	85.8	85.6	88.2	97.3	95.7
July	8,598.7	3,237.7	638.8	588.2	3,929.3	204.7	91.4	85.7	85.5	88.0	97.3	95.5
Aug.	8,611.9	3,238.2	643.1	591.4	3,934.8	204.5	91.3	85.6	85.2	87.8	97.2	95.4
Sep.	8,657.3	3,244.1	651.3	583.5	3,969.1	209.3	91.4	85.5	86.3	88.1	97.4	95.5
Oct.	8,730.8	3,285.4	662.7	588.9	3,980.9	212.9	91.3	85.3	86.6	88.0	97.4	95.5
Nov.	8,768.2	3,307.5	670.5	589.2	3,983.5	217.4	91.5	85.5	86.9	88.2	97.5	95.6
Dec.	8,692.8	3,283.0	685.0	588.1	3,918.4	218.4	91.6	85.5	87.8	88.3	97.7	95.4
2004 Jan.	8,786.3	3,316.3	685.9	587.4	3,974.6	222.1	91.5	85.4	87.7	87.9	97.6	95.5
Feb.	8,862.9	3,343.7	694.5	590.4	4,006.1	228.2	91.6	85.6	88.0	87.9	97.6	95.6
Mar.	8,951.4	3,395.9	695.7	587.5	4,041.3	231.1	91.4	85.2	87.8	87.7	97.4	95.5
	Long-term											
2003 Mar.	7,517.8	2,790.9	578.5	467.7	3,492.4	188.3	91.4	86.4	84.0	86.0	97.0	96.1
Apr.	7,544.0	2,800.3	591.8	471.5	3,488.2	192.2	91.5	86.4	84.7	86.2	97.2	95.8
May	7,598.0	2,807.0	594.0	476.8	3,525.4	194.8	91.7	86.7	85.3	86.6	97.3	95.9
June	7,670.1	2,830.1	611.3	484.4	3,545.1	199.3	91.6	86.4	85.4	86.8	97.2	95.9
July	7,718.9	2,860.5	630.1	486.8	3,541.1	200.3	91.4	86.1	85.3	86.6	97.2	95.7
Aug.	7,745.3	2,876.1	634.4	489.8	3,544.4	200.7	91.2	85.8	85.1	86.4	97.1	95.6
Sep.	7,797.9	2,887.4	643.3	485.9	3,575.7	205.8	91.4	85.9	86.1	86.8	97.2	95.7
Oct.	7,850.3	2,919.7	654.6	489.1	3,577.4	209.5	91.4	85.7	86.4	86.6	97.3	95.7
Nov.	7,885.7	2,934.1	662.2	492.0	3,583.4	214.0	91.5	85.8	86.8	86.9	97.4	95.8
Dec.	7,861.2	2,923.0	676.0	495.8	3,551.5	214.9	91.6	86.0	87.7	87.2	97.5	95.5
2004 Jan.	7,913.7	2,941.4	677.3	491.2	3,585.9	218.0	91.6	85.8	87.5	86.6	97.5	95.6
Feb.	7,996.9	2,976.7	686.4	493.8	3,616.4	223.7	91.6	86.0	87.9	86.6	97.5	95.7
Mar.	8,065.8	3,024.6	688.0	487.4	3,638.7	227.1	91.4	85.7	87.7	86.2	97.3	95.7

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

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



Source: ECB.

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

(EUR billions unless otherwise indicated; nominal values)

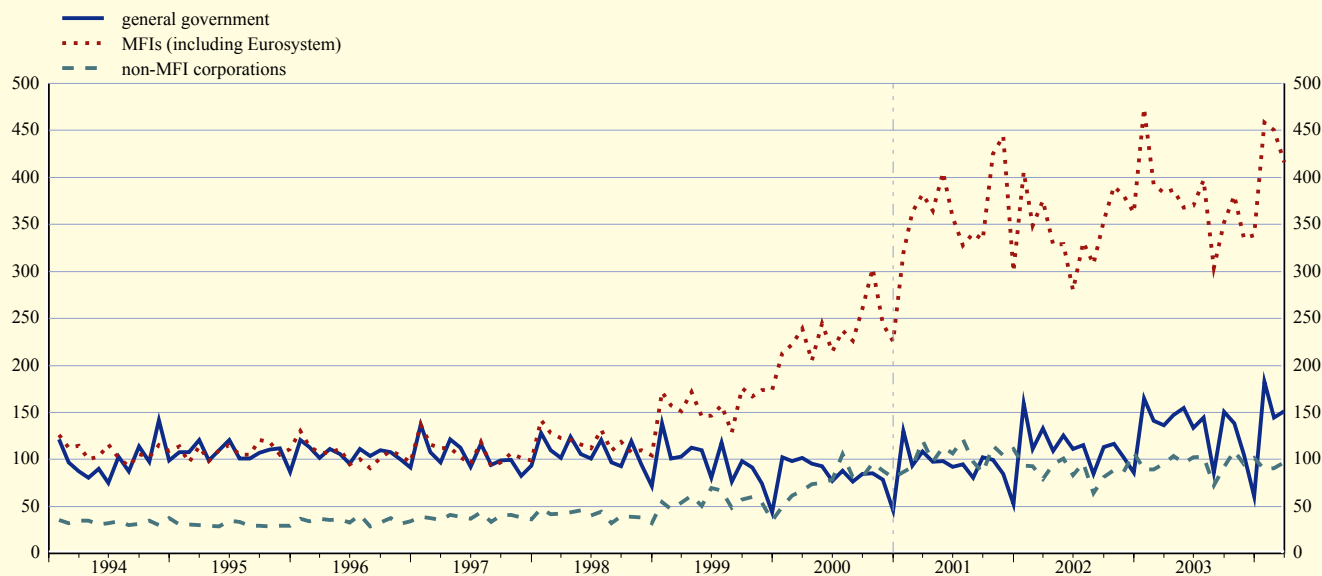
## 2. Gross issues

(transactions during the month)

	Total						Of which in euro (%)					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2003 Mar.	615.2	383.2	20.8	74.9	129.9	6.4	94.3	92.8	87.6	98.0	97.6	99.1
Apr.	638.1	387.1	22.7	81.0	140.9	6.5	94.4	92.9	94.9	96.4	97.5	86.3
May	619.2	367.7	14.8	81.6	149.2	5.9	93.4	92.2	84.4	94.6	96.8	90.5
June	606.1	370.2	23.5	79.1	125.2	8.2	93.7	91.8	96.1	97.0	96.8	94.9
July	645.1	397.4	26.6	76.7	138.6	5.8	93.1	92.1	83.2	94.5	96.9	91.2
Aug.	461.6	303.6	8.7	63.6	82.3	3.4	93.9	92.3	91.8	96.6	97.7	93.1
Sep.	594.9	352.0	22.1	70.3	140.7	9.9	93.4	90.3	98.7	96.5	98.5	96.5
Oct.	628.7	380.7	21.4	87.9	130.7	8.0	93.8	91.6	95.8	96.3	98.1	94.0
Nov.	535.6	335.2	20.5	74.7	97.4	7.8	93.1	91.9	85.7	95.8	96.2	98.2
Dec.	501.2	338.7	28.3	73.1	55.5	5.6	93.7	92.6	97.1	94.6	99.3	79.8
2004 Jan.	730.6	458.5	8.5	80.7	173.6	9.2	94.3	92.9	90.8	95.8	97.1	97.4
Feb.	685.6	450.0	18.4	72.6	136.1	8.5	94.6	93.3	95.8	96.1	97.5	97.8
Mar.	664.3	416.1	9.1	87.5	143.5	8.0	93.2	91.6	87.4	97.4	95.5	94.1
	Long-term											
2003 Mar.	162.8	65.8	18.2	10.6	64.4	3.8	90.1	81.9	85.8	98.3	97.9	99.0
Apr.	160.3	61.9	19.9	8.4	65.7	4.5	91.4	82.8	94.2	85.3	100.0	81.9
May	175.0	61.7	11.8	12.4	85.6	3.5	92.2	87.9	80.4	84.0	98.2	91.8
June	170.7	68.9	20.1	12.8	63.0	5.9	91.0	81.8	95.4	99.0	97.5	95.2
July	185.2	74.5	24.1	9.9	73.5	3.2	88.1	82.6	81.5	80.1	97.0	87.5
Aug.	79.0	44.8	6.2	3.4	23.0	1.6	88.0	82.4	88.5	98.7	97.2	91.3
Sep.	173.4	65.0	19.0	3.6	78.8	7.1	91.7	79.6	98.6	97.8	99.0	98.8
Oct.	167.5	74.9	17.6	10.6	58.9	5.5	92.0	85.0	96.1	89.5	100.0	94.5
Nov.	135.7	62.4	16.8	9.7	40.9	5.8	89.4	86.9	84.1	90.2	93.5	99.6
Dec.	110.7	61.7	25.0	9.5	11.4	3.2	90.3	88.3	97.6	81.3	98.6	68.1
2004 Jan.	180.8	75.1	5.0	7.4	86.9	6.3	91.7	84.8	88.7	80.6	98.2	99.4
Feb.	182.9	85.9	15.1	5.7	70.2	6.0	92.2	86.5	96.0	87.5	98.2	99.0
Mar.	182.8	94.5	7.2	3.3	72.3	5.6	88.2	82.0	86.7	97.6	95.4	95.7

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

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



Source: ECB.

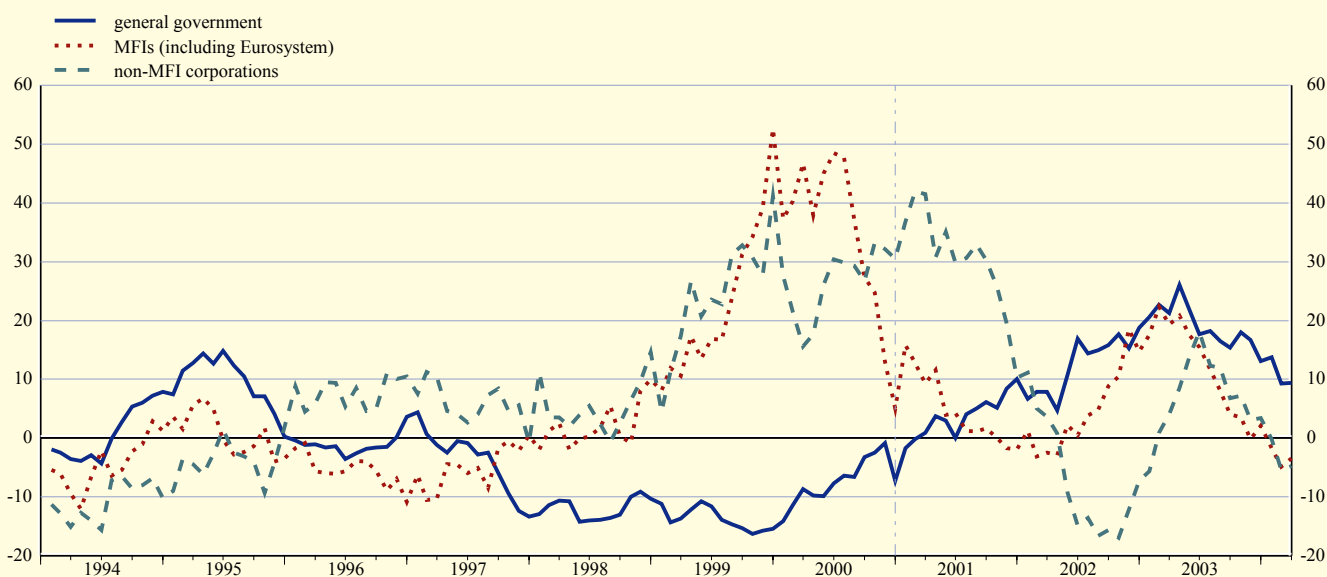
### 4.3 Annual growth rates of securities other than shares issued by euro area residents <sup>1)</sup>

(percentage changes)

	Total													
	Total		MFIs (including Eurosystem)	Non-MFI corporations			General government			Total		MFIs (including Euro- system)	Non-MFI	
	Total	Index Dec. 01 = 100		Total	Non- monetary financial corporations	Non- financial corporations	Total	Central gov.	Other general gov.	Total	Index Dec. 01 = 100		Total	Non- monetary financial corporations
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	In all currencies combined													
2003 Mar.	6.8	109.6	4.9	17.2	27.4	8.0	5.5	4.5	32.0	17.9	126.9	19.3	4.1	28.4
Apr.	6.9	110.3	5.1	17.7	27.4	9.0	5.5	4.4	30.8	21.3	129.8	20.9	8.5	20.1
May	6.8	111.4	4.5	17.1	24.7	10.1	5.8	4.9	27.7	18.8	130.9	17.4	14.0	31.0
June	6.9	111.9	4.3	18.8	27.4	10.9	5.7	4.7	28.4	16.8	128.0	15.5	18.1	29.0
July	7.0	112.5	4.8	18.8	28.4	9.9	5.5	4.7	22.1	14.6	127.9	11.7	12.4	22.9
Aug.	6.8	112.4	4.7	19.1	28.1	10.6	5.2	4.4	21.1	12.2	126.2	8.0	11.9	18.6
Sep.	6.9	113.3	4.6	18.4	28.6	8.7	5.7	4.9	23.4	9.3	125.2	4.0	6.7	17.0
Oct.	7.2	114.2	5.4	19.2	29.0	9.7	5.4	4.6	21.5	10.3	128.2	3.6	7.3	14.0
Nov.	7.0	114.8	5.2	18.6	27.8	9.5	5.2	4.4	23.1	7.3	128.2	-0.2	3.1	9.9
Dec.	7.3	114.1	6.1	16.9	23.5	10.1	5.5	4.7	22.4	6.9	120.7	2.1	3.4	20.8
2004 Jan.	7.0	115.2	5.8	15.1	23.1	7.0	5.7	4.9	21.9	4.9	127.1	-1.7	-0.2	16.8
Feb.	7.0	116.2	6.1	13.9	21.6	5.9	5.7	4.9	21.0	1.0	126.5	-4.9	-5.4	-8.1
Mar.	7.0	117.3	7.2	11.6	19.5	3.5	5.6	4.9	20.6	1.8	129.2	-3.4	-4.8	-16.5
	In euro													
2003 Mar.	6.3	109.0	3.5	19.4	32.3	8.7	5.3	4.3	31.2	18.4	128.7	21.5	2.9	26.6
Apr.	6.5	109.8	3.8	20.3	32.9	9.7	5.3	4.4	29.5	23.2	132.4	26.1	7.5	18.4
May	6.5	110.9	3.4	19.9	30.2	10.9	5.6	4.7	26.5	20.4	133.3	20.9	14.0	29.1
June	6.5	111.4	3.0	22.2	33.8	12.3	5.5	4.6	27.2	18.1	130.4	18.4	17.6	29.2
July	6.7	111.9	3.7	22.0	34.6	11.0	5.2	4.5	20.5	16.7	130.9	15.8	12.2	23.0
Aug.	6.5	111.9	3.6	22.4	34.5	11.7	4.9	4.2	19.7	14.8	130.5	13.4	11.2	18.6
Sep.	6.6	112.7	3.2	21.7	35.3	9.6	5.5	4.8	21.9	11.4	128.7	8.4	5.9	16.9
Oct.	6.9	113.5	4.1	22.7	36.3	10.5	5.3	4.6	20.9	12.5	131.5	7.6	6.8	14.3
Nov.	6.8	114.2	4.1	21.7	34.1	10.3	5.1	4.4	22.5	9.3	132.1	3.0	2.4	9.6
Dec.	7.0	113.4	4.9	19.2	27.6	10.8	5.5	4.7	21.4	8.8	123.9	5.5	3.0	19.2
2004 Jan.	6.8	114.5	4.8	16.9	27.0	7.1	5.7	5.0	21.2	5.9	130.2	-0.7	-0.9	16.5
Feb.	6.9	115.6	5.3	15.9	26.0	5.9	5.8	5.1	20.3	1.9	129.5	-3.8	-5.8	-8.6
Mar.	6.8	116.5	6.3	13.1	23.5	2.9	5.6	4.9	19.7	2.6	132.0	-2.4	-5.1	-17.6

### C16 Short-term debt securities by sector of the issuer in all currencies combined

(annual percentage changes)



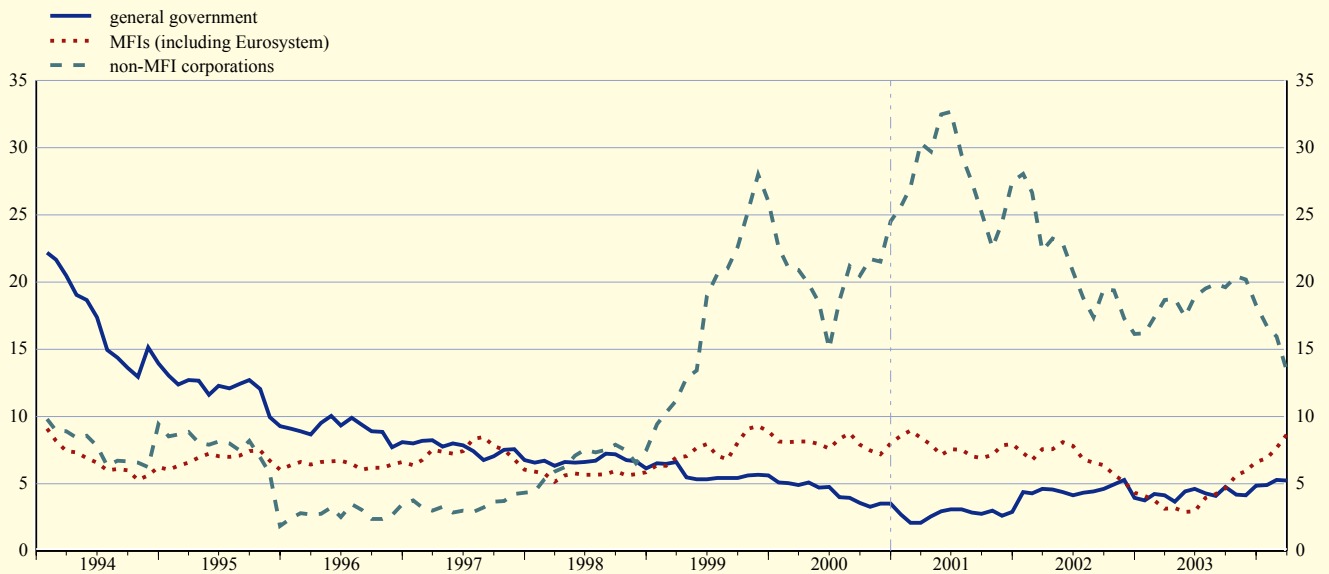
Source: ECB.

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

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

Short-term				Long-term										
corporations		General government			Total		MFIs (including Eurosystem)	Non-MFI corporations			General government			
Non-financial corporations	Total	Central gov.	Other general gov.	Total	Index Dec. 01 = 100	Total		Non-monetary financial corporations	Non-financial corporations	Total	Central gov.	Other general gov.		
15	16	17	18	19	20	21	22	23	24	25	26	27		
In all currencies combined														
2.3	21.2	21.4	5.7	5.6	107.9	3.1	18.7	27.4	9.3	4.2	3.0	32.6	2003 Mar.	
7.6	26.0	26.1	18.1	5.4	108.4	3.2	18.8	27.5	9.2	3.7	2.5	31.1	Apr.	
12.8	21.7	21.7	22.5	5.5	109.4	2.9	17.4	24.6	9.5	4.4	3.4	27.8	May	
17.3	17.7	17.7	18.7	5.8	110.3	3.0	18.9	27.3	9.7	4.6	3.5	28.7	June	
11.6	18.2	18.2	18.9	6.1	110.9	4.0	19.5	28.5	9.5	4.3	3.5	22.2	July	
11.4	16.5	16.6	2.5	6.2	111.1	4.2	19.8	28.2	10.5	4.1	3.2	21.6	Aug.	
6.0	15.4	15.4	14.5	6.6	112.1	4.6	19.6	28.8	9.3	4.8	3.8	23.6	Sep.	
6.7	18.0	18.2	-2.9	6.8	112.8	5.6	20.4	29.3	10.3	4.2	3.3	22.0	Oct.	
2.5	16.7	16.9	-3.7	6.9	113.4	6.0	20.2	28.1	11.0	4.1	3.2	23.7	Nov.	
1.9	13.1	13.3	-5.6	7.3	113.4	6.6	18.3	23.5	11.8	4.8	3.9	23.0	Dec.	
-1.4	13.8	13.6	31.3	7.3	114.0	6.9	16.7	23.1	8.9	4.9	4.0	21.8	2004 Jan.	
-5.2	9.3	9.2	21.1	7.6	115.2	7.7	16.0	22.1	8.4	5.3	4.5	21.0	Feb.	
-3.7	9.4	9.4	9.6	7.6	116.1	8.7	13.4	20.1	5.1	5.2	4.4	20.8	Mar.	
In euro														
1.2	21.0	21.3	-2.7	5.1	107.2	1.5	21.7	32.4	10.8	4.0	2.8	32.0	2003 Mar.	
6.7	25.8	26.0	8.9	4.9	107.6	1.4	22.0	33.1	10.4	3.5	2.4	29.9	Apr.	
12.9	21.8	21.9	17.6	5.1	108.7	1.5	20.6	30.3	10.5	4.1	3.1	26.7	May	
16.7	17.9	18.0	14.4	5.4	109.6	1.3	22.8	33.8	11.3	4.3	3.3	27.4	June	
11.3	18.7	18.7	14.4	5.6	110.0	2.3	23.2	34.8	11.0	4.0	3.2	20.7	July	
10.6	16.8	17.0	1.1	5.6	110.1	2.5	23.7	34.7	12.0	3.8	3.0	20.1	Aug.	
5.0	15.4	15.4	14.5	6.1	111.2	2.6	23.6	35.6	10.7	4.6	3.7	22.0	Sep.	
6.2	18.1	18.3	-5.1	6.3	111.8	3.7	24.6	36.6	11.5	4.1	3.2	21.4	Oct.	
1.8	16.9	17.1	-7.0	6.5	112.5	4.3	24.0	34.5	12.3	4.0	3.1	23.0	Nov.	
1.6	13.3	13.5	-4.7	6.8	112.4	4.8	21.0	27.7	12.9	4.7	3.9	21.9	Dec.	
-2.2	13.9	13.7	40.2	6.9	113.0	5.5	19.0	27.1	9.3	5.0	4.1	21.0	2004 Jan.	
-5.6	9.3	9.2	23.3	7.5	114.3	6.5	18.5	26.6	8.7	5.4	4.6	20.3	Feb.	
-4.0	9.0	9.1	4.1	7.3	115.0	7.4	15.4	24.3	4.6	5.3	4.5	20.0	Mar.	

C17 Long-term debt securities by sector of the issuer in all currencies combined  
(annual percentage changes)



Source: ECB.

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

(EUR billions unless otherwise indicated; market values)

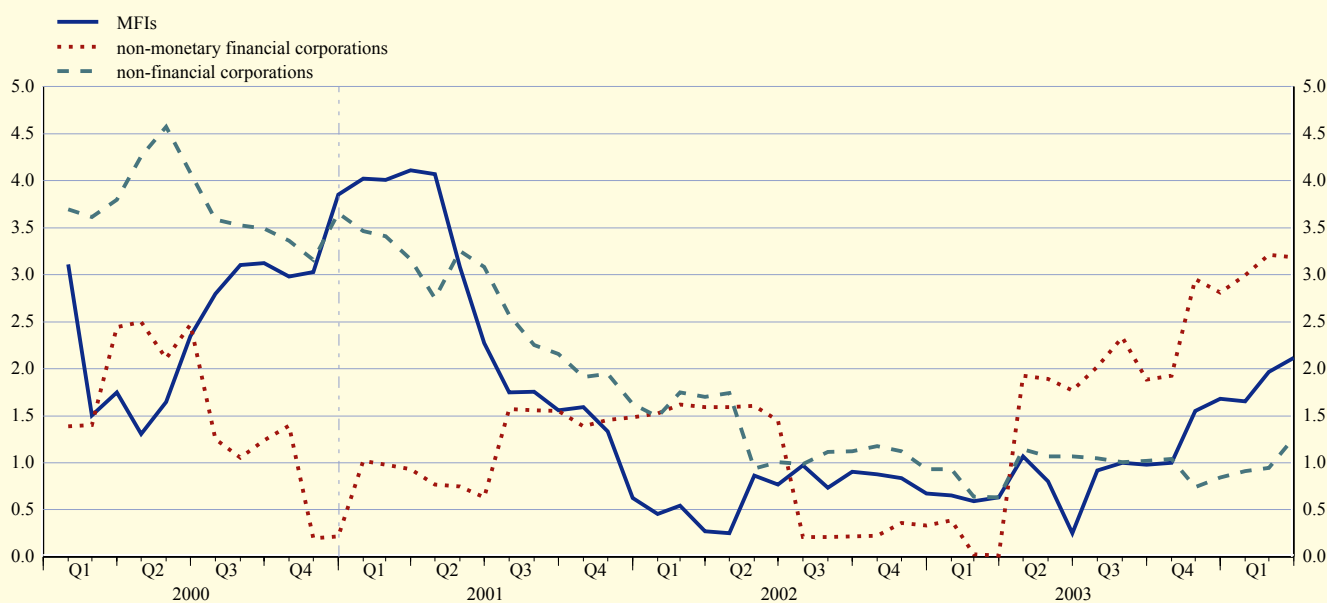
##### 1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Non-monetary financial corporations		Non-financial corporations	
	Total	Index Dec. 01 = 100 (%)	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2002 Mar.	4,754.7	100.3	1.5	665.3	0.3	536.6	1.6	3,552.8	1.7
Apr.	4,571.1	100.3	1.5	678.1	0.2	517.4	1.6	3,375.5	1.7
May	4,433.2	100.4	1.0	666.3	0.9	484.8	1.6	3,282.1	0.9
June	4,119.4	100.5	1.0	614.9	0.8	463.4	1.5	3,041.2	1.0
July	3,710.9	100.6	0.9	515.7	1.0	394.6	0.2	2,800.7	1.0
Aug.	3,521.3	100.6	1.0	521.7	0.7	371.1	0.2	2,628.6	1.1
Sep.	2,982.8	100.7	1.0	412.6	0.9	276.3	0.2	2,293.9	1.1
Oct.	3,252.7	100.7	1.0	446.9	0.9	321.2	0.2	2,484.5	1.2
Nov.	3,436.6	100.8	1.0	487.4	0.8	345.9	0.4	2,603.3	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.	3,647.3	102.0	1.2	569.5	1.7	348.6	2.8	2,729.2	0.8
2004 Jan.	3,788.5	102.0	1.2	584.1	1.7	372.3	3.0	2,832.0	0.9
Feb.	3,851.9	102.1	1.3	587.9	2.0	374.3	3.2	2,889.7	0.9
Mar.	3,766.4	102.4	1.6	571.9	2.1	355.0	3.2	2,839.5	1.3

#### 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.

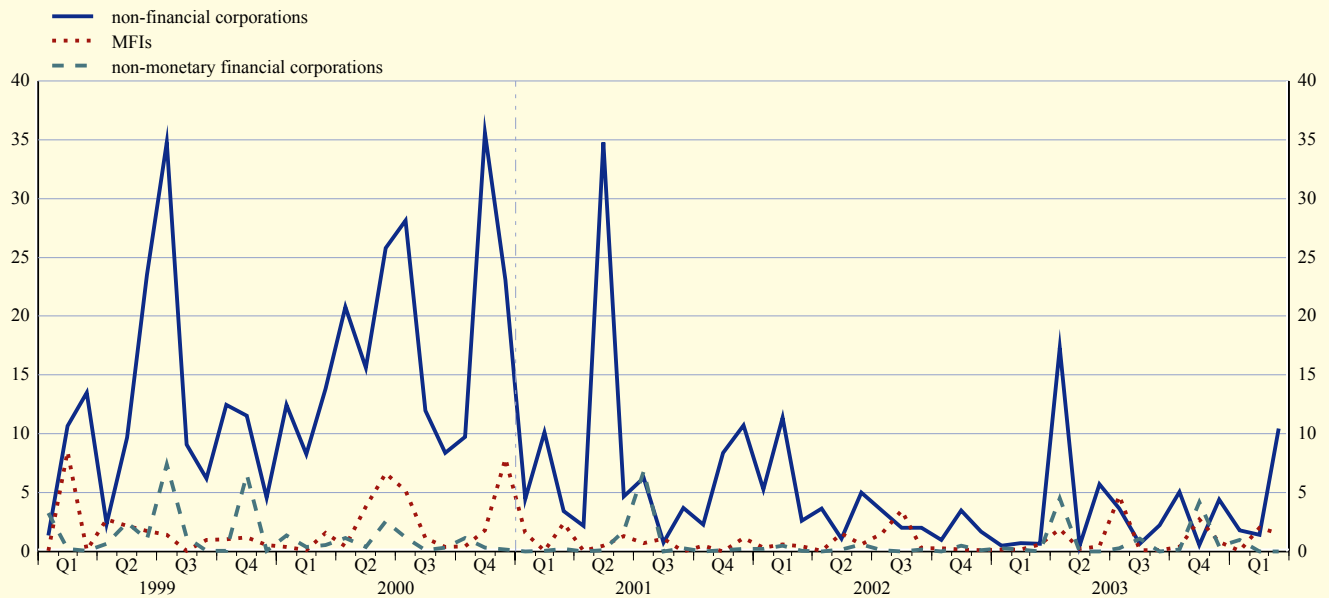


4.4 Quoted shares issued by euro area residents  
(EUR billions; market values)

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 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	1.1	0.3	0.8
June	6.2	0.5	5.6	0.6	0.0	0.6	0.6	0.0	0.6	5.0	0.5	4.5
July	5.1	1.3	3.8	1.5	0.1	1.4	0.1	0.9	-0.8	3.5	0.3	3.2
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
Feb.	3.4	0.6	2.9	2.0	0.0	2.0	0.0	0.2	-0.2	1.4	0.3	1.1
Mar.	12.0	1.2	10.8	1.5	0.0	1.5	0.0	0.2	-0.1	10.5	1.0	9.4

C19 Gross issues of quoted shares by sector of the issuer  
(EUR billions; transactions during the month; market values)



Source: ECB.

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

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

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

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight <sup>1)</sup>	With agreed maturity			Redeemable at notice <sup>1,2)</sup>		Overnight <sup>1)</sup>	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2003 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	2.65	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	2.80	2.03
Aug.	0.68	1.91	2.12	2.51	1.99	2.88	0.88	2.03	2.27	3.56	1.98
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	3.89	1.99
Nov.	0.70	1.87	2.24	2.61	2.01	2.70	0.87	1.97	2.33	2.70	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	2.07	3.12	1.95
Feb.	0.69	1.87	2.16	2.45	2.02	2.63	0.88	1.98	2.25	3.58	1.98
Mar.	0.70	1.92	2.14	2.33	2.00	2.59	0.86	1.96	2.11	3.30	1.98

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

	Bank overdraft <sup>1)</sup>	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge <sup>3)</sup>	By initial rate fixation				Annual percentage rate of charge <sup>3)</sup>	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years				
	1	2	3	4	5	6	7	8	9	10	11	12	13
2003 Apr.	9.89	7.46	6.99	8.32	8.16	4.07	4.32	5.00	5.03	4.67	4.71	5.30	5.33
May	9.86	7.63	6.98	8.34	8.16	3.93	4.29	4.94	4.91	4.56	4.44	5.35	5.32
June	9.89	7.11	6.94	8.28	8.02	3.80	4.16	4.76	4.78	4.42	4.12	4.97	4.91
July	9.76	7.24	7.04	8.20	7.92	3.68	3.92	4.64	4.68	4.33	4.10	4.95	4.98
Aug.	9.74	7.70	6.84	8.27	8.04	3.64	3.96	4.69	4.69	4.41	4.13	5.00	4.98
Sep.	9.75	7.44	6.89	8.04	8.02	3.63	4.10	4.81	4.75	4.41	3.98	5.00	5.11
Oct.	9.72	7.20	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	7.57	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	3.62	4.17	5.02	4.95	4.46	3.84	5.00	5.08
2004 Jan.	9.87	7.62	7.04	8.49	8.32	3.62	4.28	5.02	4.92	4.49	4.06	5.12	5.16
Feb.	9.81	7.43	6.91	8.44	8.16	3.55	4.21	4.97	4.84	4.35	4.10	5.07	5.05
Mar.	9.72	7.34	6.80	8.28	8.00	3.47	4.13	4.86	4.78	4.29	3.94	5.05	4.96

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

	Bank overdraft <sup>1)</sup>	Other loans up to EUR 1 million by initial 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 Apr.		5.85	4.57	4.89	5.04	3.50	3.69	4.59
May		5.82	4.47	4.86	4.96	3.40	3.57	4.39
June		5.68	4.20	4.60	4.89	3.14	3.39	4.18
July		5.56	4.16	4.58	4.73	3.08	3.15	4.01
Aug.		5.47	4.17	4.65	4.77	3.18	3.35	4.36
Sep.		5.46	4.08	4.79	4.76	3.11	3.32	4.29
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	4.23
Dec.		5.57	4.04	4.84	4.81	3.12	3.41	4.32
2004 Jan.		5.66	4.06	4.86	4.81	3.01	3.37	4.29
Feb.		5.62	4.02	4.94	4.78	2.97	3.19	4.30
Mar.		5.56	3.89	4.79	4.77	2.93	3.31	4.39

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)**

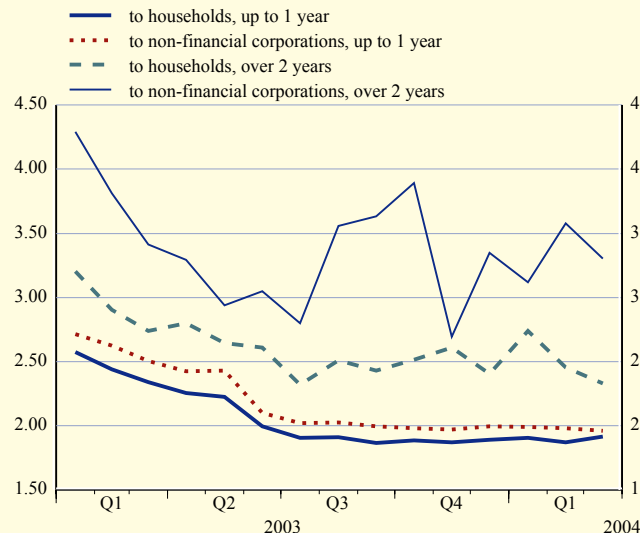
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight <sup>1)</sup>	With agreed maturity		Redeemable at notice <sup>1,2)</sup>		Overnight <sup>1)</sup>	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2003 Apr.	0.84	2.39	3.55	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	3.48	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	3.43	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	3.54	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	4.26	1.95
Feb.	0.69	1.94	3.42	2.02	2.63	0.88	2.08	4.20	1.97
Mar.	0.70	1.92	3.32	2.00	2.59	0.86	2.07	4.17	1.93

**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 Apr.	5.33	5.26	5.49	8.52	7.45	6.11	4.89	4.61	5.03
May	5.26	5.23	5.44	8.50	7.34	6.09	4.83	4.56	4.94
June	5.22	5.13	5.40	8.40	7.37	6.03	4.72	4.47	4.90
July	5.13	5.07	5.31	8.33	7.28	5.96	4.60	4.32	4.80
Aug.	5.03	4.99	5.25	8.29	7.23	6.07	4.54	4.21	4.74
Sep.	4.96	4.95	5.24	8.31	7.27	6.00	4.55	4.20	4.75
Oct.	4.96	4.92	5.20	8.13	7.13	5.85	4.55	4.12	4.71
Nov.	4.97	4.90	5.17	7.98	7.09	5.82	4.52	4.18	4.67
Dec.	4.96	4.88	5.14	8.04	7.05	6.00	4.53	4.23	4.66
2004 Jan.	4.90	4.89	5.11	8.15	7.02	5.92	4.55	4.07	4.56
Feb.	4.87	4.90	5.11	8.13	7.16	5.95	4.60	4.06	4.58
Mar.	4.84	4.76	5.04	8.05	7.16	5.89	4.56	3.96	4.61

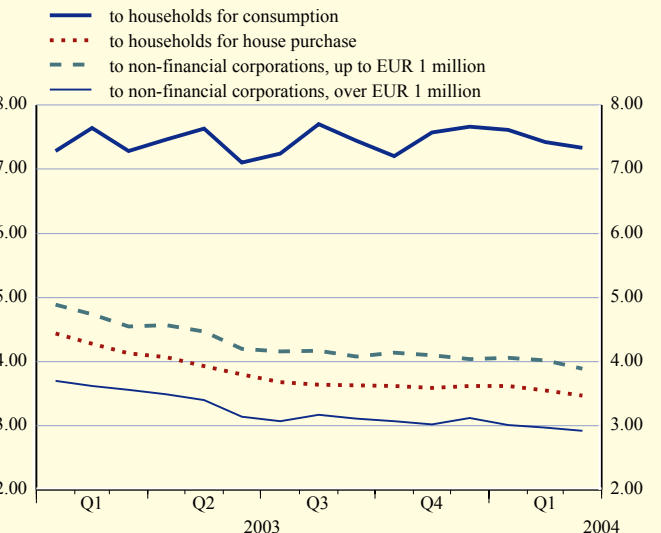
**C20 New deposits with agreed maturity**

(percentages per annum excluding charges; period averages)



**C21 New loans at floating rate and up to 1 year initial rate fixation**

(percentages per annum excluding charges; period averages)



Source: ECB.

## 4.6 Money market interest rates

(percentages per annum; period averages)

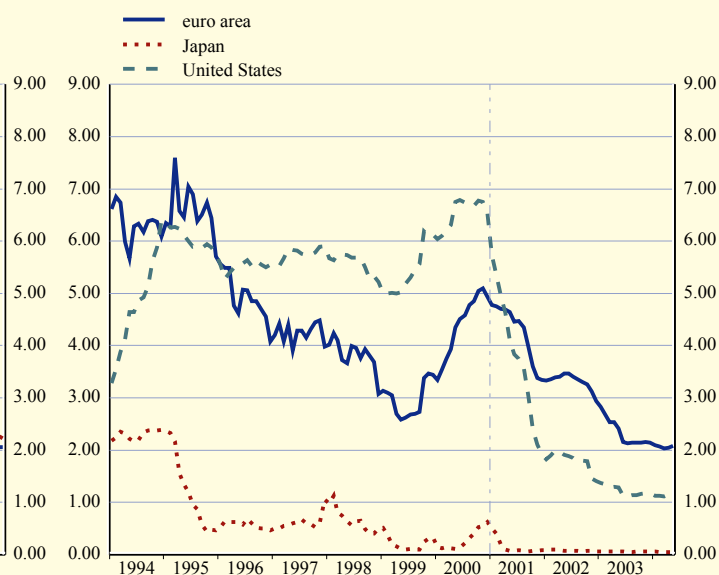
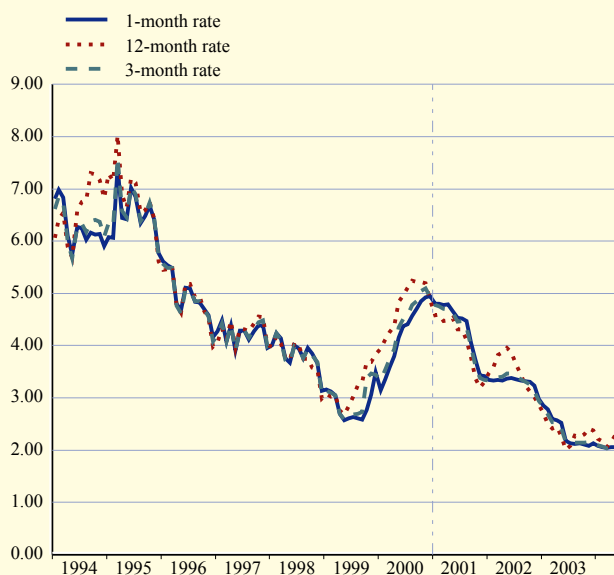
	Euro area <sup>1)</sup>					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2001	4.39	4.33	4.26	4.16	4.09	3.78	0.15
2002	3.29	3.30	3.32	3.35	3.49	1.80	0.08
2003	2.32	2.35	2.33	2.31	2.34	1.22	0.06
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	2.02	2.06	2.06	2.07	2.14	1.12	0.05
2003 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.	2.01	2.04	2.03	2.02	2.06	1.11	0.05
Apr.	2.08	2.05	2.05	2.06	2.16	1.15	0.05
May	2.02	2.06	2.09	2.14	2.30	1.25	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.

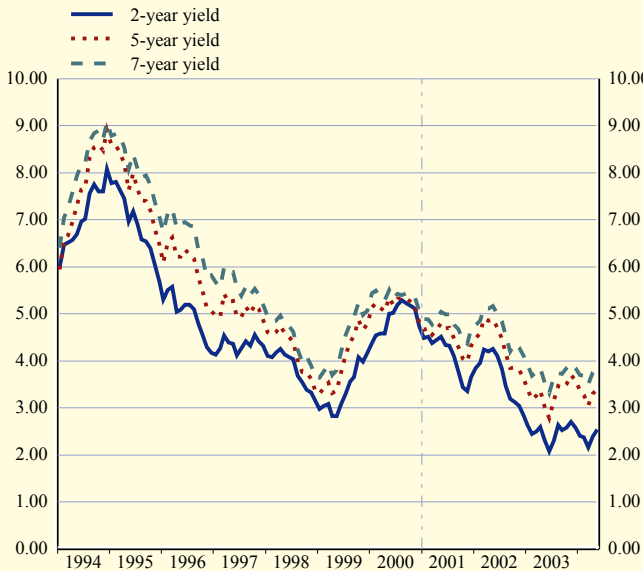
4.7 Government bond yields

(percentages per annum; period averages)

	Euro area <sup>1)</sup>					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	2.31	2.63	3.23	3.63	4.15	4.00	1.31
2003 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.	2.16	2.48	3.06	3.51	4.02	3.81	1.35
Apr.	2.39	2.75	3.31	3.75	4.24	4.32	1.51
May	2.55	2.89	3.40	3.87	4.39	4.70	1.49

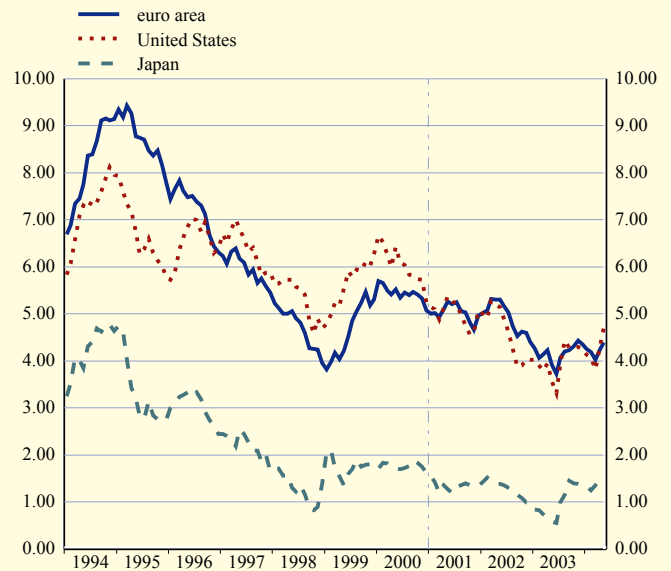
C24 Euro area government bond yields

(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.

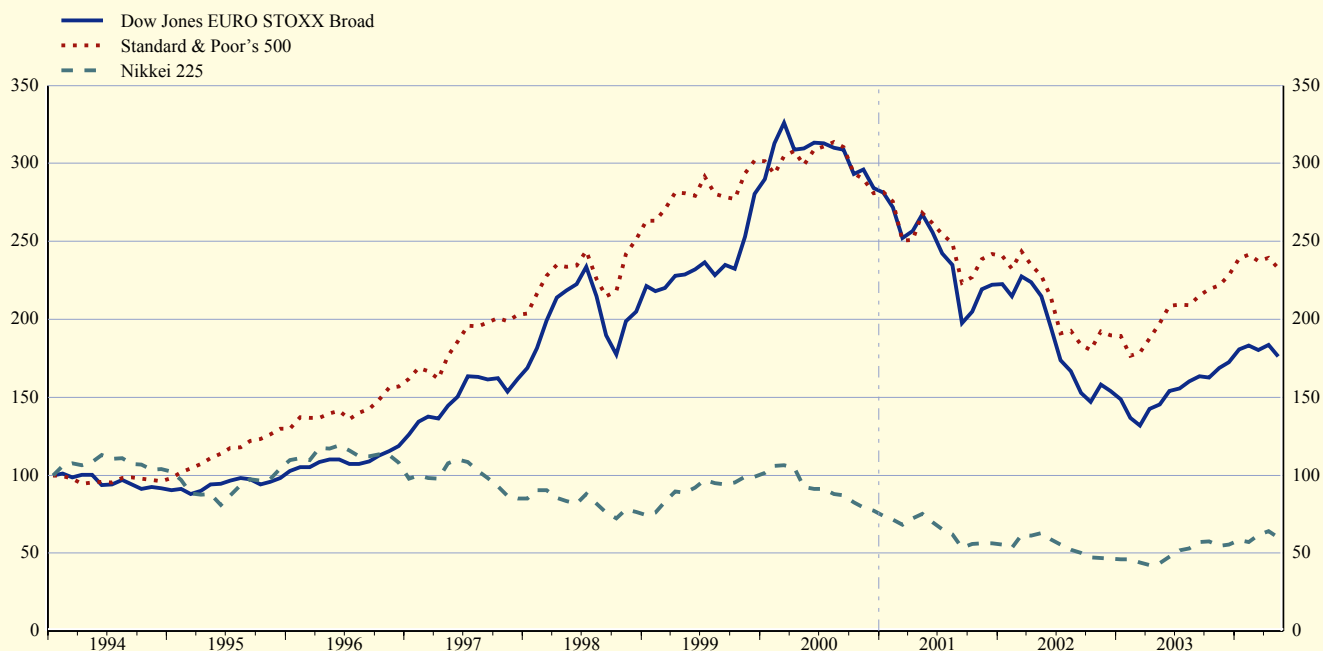
## 4.8 Stock market indices

(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	193.5	2,217.4	192.4	122.9	202.4	250.0	174.8	188.9	235.6	198.3	311.4	288.8	861.2	8,427.5
Q2	204.3	2,339.9	198.2	126.7	204.2	255.1	189.7	199.2	260.3	208.5	329.9	303.7	937.0	8,295.4
Q3	221.7	2,511.5	225.1	144.5	212.8	265.8	209.9	224.9	285.9	216.0	347.4	304.6	1,000.4	10,063.2
Q4	232.9	2,613.7	233.5	155.2	219.0	266.7	221.9	240.2	317.4	219.6	360.5	320.0	1,057.0	10,423.3
2004 Q1	251.5	2,845.3	244.9	163.8	226.7	279.9	240.3	257.0	352.9	248.6	405.1	366.5	1,132.6	10,995.7
2003 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.	250.2	2,825.6	240.0	161.6	228.9	286.2	235.8	253.8	351.0	254.2	398.8	379.0	1,124.0	11,437.8
Apr.	254.9	2,860.2	247.6	167.2	231.0	300.0	241.0	262.5	321.0	264.5	401.8	389.3	1,133.4	11,962.8
May	244.4	2,728.7	240.3	161.5	225.7	297.8	228.8	251.0	284.8	256.6	378.0	395.3	1,103.7	11,141.0

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

(January 1994 = 100; monthly averages)



Source: ECB.

# PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

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

	Total				Total (s.a., percentage change on previous period)					
	Index 1996 = 100	Total	Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services
% of total <sup>2)</sup>	100.0	100.0	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	-	-	-	-	-	-
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	2.5	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	0.6
2004 Q1	114.4	1.7	1.1	2.6	0.5	0.9	-0.5	0.2	1.2	0.7
2003 Dec.	114.2	2.0	1.8	2.3	0.1	0.2	-0.4	0.1	-0.2	0.2
2004 Jan.	114.0	1.9	1.3	2.5	0.2	0.2	0.0	0.0	0.9	0.3
Feb.	114.2	1.6	1.0	2.6	0.1	0.1	-0.4	0.1	-0.1	0.3
Mar.	115.0	1.7	1.1	2.5	0.3	1.2	0.0	0.0	1.3	0.2
Apr.	115.5	2.0	1.8	2.5	0.3	0.1	-0.2	0.3	1.1	0.2
May <sup>3)</sup>	.	2.5	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy		Rents				
% of total <sup>2)</sup>	19.5	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
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
2004 Q1	3.0	3.5	2.2	0.2	0.7	-1.5	2.3	1.9	2.5	-1.0	2.4	4.9
2003 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	-2.2	2.4	1.9	2.4	-1.0	2.5	4.9
Mar.	3.1	4.1	1.7	0.1	0.7	-2.0	2.3	1.9	2.7	-1.3	2.4	4.8
Apr.	3.0	3.9	1.6	1.2	1.0	2.0	2.3	1.8	3.0	-1.7	2.2	4.8

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 <sup>1)</sup>	Oil prices <sup>2)</sup> (EUR per barrel)		
	Industry excluding construction									Construction <sup>3)</sup>			Manufacturing	
	Total (index 2000 = 100)	Total	Industry excluding construction and energy						Energy	Total	Total excluding energy			
			Total	Intermediate goods	Capital goods	Consumer goods								
						Total	Durable	Non-durable						
% of total <sup>4)</sup>	100.0	100.0	82.5	31.6	21.3	29.5	4.0	25.5	17.5	89.5	100.0	32.8		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2000	100.0	5.3	2.6	5.0	0.6	1.6	1.4	1.6	17.2	2.5	4.8	51.9	20.4	31.0
2001	102.1	2.1	1.8	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	0.3	1.1	0.5	1.2	4.1	2.2	1.0	-4.0	-4.5	25.1
2003 Q1	103.9	2.4	1.2	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	1.0	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	104.2	0.3	0.8	0.9	0.5	0.7	0.2	0.8	-2.3	.	0.1	-2.5	9.8	25.0
2003 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.	103.9	0.3	0.6	0.5	0.5	0.6	0.1	0.6	-1.2	-	0.2	-5.5	5.1	24.2
Feb.	104.1	0.0	0.7	0.9	0.5	0.6	0.1	0.7	-3.2	-	-0.1	-8.4	7.2	24.1
Mar.	104.7	0.4	1.2	1.5	0.4	0.9	0.3	1.0	-2.6	-	0.3	6.8	17.2	26.7
Apr.	105.1	1.4	1.4	2.2	0.6	0.9	0.4	1.0	1.5	-	1.6	23.1	19.7	27.6
May	.	.	.	.	.	.	.	.	.	-	.	35.9	21.1	30.9

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

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo item: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
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
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	2.6	2.5	2.8	2.8	3.0	2.4	2.2
2004 Q1	.	.	.	.	.	.	.	2.3

Sources: Eurostat, HWWA (columns 12 and 13), Thomson Financial Datastream (column 14), ECB calculations based on Eurostat data (column 6 in table 5.1.2 and column 7 in table 5.1.3) and ECB calculations (column 8 in table 5.1.3).

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



## 5.1 HICP, other prices and costs

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

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

	Total (index 2000 = 100)	Total	By economic activity						
			Agriculture, hunting, forestry and fishing	Mining, manufacturing, and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services		
	1	2	3	4	5	6	7	8	
Unit labour costs <sup>1)</sup>									
2000	100.0	1.4	0.9	0.0	1.8	-0.2	3.9	1.8	
2001	102.6	2.6	2.8	2.6	4.2	0.8	3.4	2.7	
2002	104.8	2.2	-0.4	0.9	3.1	2.0	3.3	2.5	
2003	107.0	2.0	4.3	1.5	3.2	1.7	1.9	2.1	
2002 Q4	105.5	1.5	2.8	-0.2	3.0	1.1	3.0	1.7	
2003 Q1	106.4	1.9	1.2	0.7	3.7	1.5	2.6	2.1	
Q2	107.1	2.5	6.3	2.7	3.7	2.2	2.5	2.0	
Q3	107.3	2.2	5.5	2.0	3.0	1.2	1.0	2.9	
Q4	107.1	1.5	4.1	0.5	2.5	2.0	1.6	1.3	
Compensation per employee									
2000	100.0	2.7	2.2	3.4	2.5	1.8	2.2	2.7	
2001	102.8	2.8	2.3	2.7	3.1	2.6	2.4	3.1	
2002	105.4	2.5	2.5	2.6	2.9	2.6	2.1	2.7	
2003	107.9	2.3	2.3	3.5	3.1	1.8	1.8	2.2	
2002 Q4	106.3	2.4	2.6	3.2	2.7	2.5	2.1	1.8	
2003 Q1	107.1	2.5	1.1	3.6	2.6	2.1	2.1	2.1	
Q2	107.7	2.5	3.8	3.7	3.7	2.3	2.3	1.7	
Q3	108.3	2.4	1.8	3.5	3.2	1.3	1.3	3.1	
Q4	108.5	2.0	2.5	3.2	3.1	1.4	1.6	1.9	
Labour productivity <sup>2)</sup>									
2000	100.0	1.3	1.2	3.4	0.7	2.1	-1.6	0.9	
2001	100.2	0.2	-0.5	0.1	-1.0	1.8	-0.9	0.4	
2002	100.6	0.3	2.8	1.7	-0.2	0.6	-1.2	0.2	
2003	100.9	0.3	-1.9	1.9	-0.1	0.0	-0.1	0.1	
2002 Q4	100.8	0.9	-0.2	3.5	-0.4	1.3	-0.9	0.1	
2003 Q1	100.7	0.6	-0.1	2.8	-1.0	0.6	-0.5	0.0	
Q2	100.5	0.0	-2.4	0.9	-0.1	0.1	-0.2	-0.3	
Q3	101.0	0.2	-3.5	1.4	0.2	0.1	0.3	0.2	
Q4	101.3	0.5	-1.6	2.7	0.5	-0.6	0.0	0.5	

## 5. Gross Domestic Product deflators

	Total (index 2000 = 100)	Total	Domestic demand			Exports <sup>3)</sup>	Imports <sup>3)</sup>	
			Total	Private consumption	Government consumption			Gross fixed capital formation
	1	2	3	4	5	6	7	8
2000	100.0	1.4	2.6	2.2	2.7	2.7	4.9	8.5
2001	102.4	2.4	2.3	2.3	2.4	2.0	1.4	0.8
2002	105.1	2.6	2.2	2.4	2.1	1.9	-0.3	-1.6
2003	106.9	1.7	1.5	2.0	2.2	1.4	-0.5	-1.2
2003 Q1	106.1	1.7	1.7	2.3	2.1	1.7	0.0	0.1
Q2	106.6	1.7	1.4	1.9	2.1	1.5	-0.7	-1.8
Q3	107.2	1.7	1.5	1.9	2.8	1.4	-0.8	-1.5
Q4	107.7	1.8	1.5	1.9	1.6	1.1	-0.6	-1.4
2004 Q1	108.2	1.9	1.4	1.9	1.7	1.4	-0.3	-1.9

Sources: ECB calculations based on Eurostat data.

1) Compensation (at current prices) per employee divided by value added (at constant prices) per person employed.

2) Value added (at constant prices) per person employed.

3) Deflators for exports and imports refer to goods and services and include cross-border trade within the euro area.

## 5.2 Output and demand

### 1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance <sup>2)</sup>		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories <sup>1)</sup>	Total	Exports <sup>2)</sup>	Imports <sup>2)</sup>
1	2	3	4	5	6	7	8	9	
<i>Current prices (EUR billions, seasonally adjusted)</i>									
2000	6,576.1	6,519.5	3,762.6	1,306.9	1,420.2	29.7	56.6	2,448.9	2,392.2
2001	6,842.6	6,729.1	3,918.6	1,371.3	1,443.7	-4.5	113.4	2,564.6	2,451.2
2002	7,079.4	6,900.4	4,031.8	1,442.5	1,430.5	-4.3	179.0	2,596.5	2,417.5
2003	7,236.4	7,087.1	4,152.8	1,502.5	1,439.8	-8.0	149.3	2,585.2	2,435.9
2003 Q1	1,791.6	1,759.8	1,032.0	369.4	358.9	-0.5	31.8	646.2	614.4
Q2	1,798.4	1,762.7	1,033.7	373.5	358.7	-3.3	35.6	636.5	600.8
Q3	1,816.0	1,772.6	1,040.2	380.1	359.7	-7.4	43.5	649.6	606.2
Q4	1,830.4	1,792.0	1,046.8	379.5	362.5	3.2	38.4	652.9	614.5
2004 Q1	1,849.9	1,803.4	1,059.3	381.1	364.7	-1.6	46.4	664.9	618.5
<i>percentage of GDP</i>									
2003	100.0	97.9	57.4	20.8	19.9	-0.1	2.1	-	-
<i>Constant prices (ECU billions at 1995 prices, seasonally adjusted)</i>									
<i>quarter-on-quarter percentage changes</i>									
2003 Q1	0.0	0.4	0.4	0.4	-0.7	-	-	-1.4	-0.2
Q2	-0.1	0.1	-0.1	0.6	-0.3	-	-	-0.9	-0.5
Q3	0.4	0.0	0.1	0.7	0.0	-	-	2.3	1.3
Q4	0.4	0.7	0.1	0.4	0.6	-	-	0.1	1.1
2004 Q1	0.6	0.2	0.6	-0.2	-0.1	-	-	1.7	0.8
<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	1.8	2.5	-0.3	-	-	3.4	1.7
2002	0.9	0.4	0.5	3.0	-2.8	-	-	1.5	0.3
2003	0.5	1.2	1.0	2.0	-0.8	-	-	0.1	1.9
2003 Q1	0.7	1.5	1.6	2.0	-1.7	-	-	1.7	3.9
Q2	0.1	1.0	1.0	1.8	-0.5	-	-	-1.2	1.0
Q3	0.4	0.9	0.8	1.9	-0.6	-	-	-0.1	1.3
Q4	0.7	1.3	0.6	2.1	-0.4	-	-	0.1	1.7
2004 Q1	1.3	1.0	0.7	1.4	0.2	-	-	3.2	2.7
<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	0.4	0.3	0.6	-0.6	0.1	0.5	-	-
2003	0.5	1.1	0.6	0.4	-0.2	0.3	-0.7	-	-
2003 Q1	0.7	1.4	0.9	0.4	-0.3	0.5	-0.7	-	-
Q2	0.1	1.0	0.6	0.4	-0.1	0.2	-0.8	-	-
Q3	0.4	0.9	0.4	0.4	-0.1	0.1	-0.5	-	-
Q4	0.7	1.2	0.3	0.4	-0.1	0.6	-0.5	-	-
2004 Q1	1.3	1.0	0.4	0.3	0.0	0.2	0.3	-	-

Source: Eurostat.

1) Including acquisitions less disposals of valuables.

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

## 5.2 Output and demand

## 2. Value added by economic activity

	Gross value added (basic prices)							Intermediate consumption of FISIM <sup>1)</sup>	Taxes less subsidies on products
	Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities	Public administration, education, health and other services		
	1	2	3	4	5	6	7	8	9
<i>Current prices (EUR billions, seasonally adjusted)</i>									
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	351.4	1,350.6	1,729.9	1,359.7	222.1	712.9
2002	6,561.3	149.5	1,425.8	362.7	1,385.9	1,810.2	1,427.2	227.6	745.8
2003	6,733.3	152.4	1,439.9	373.9	1,413.9	1,873.5	1,479.7	234.1	737.2
2003 Q1	1,664.4	37.5	360.4	92.0	348.3	461.1	365.1	57.7	185.0
Q2	1,673.4	37.5	356.0	93.0	352.9	466.3	367.9	58.7	183.6
Q3	1,693.2	38.4	360.5	93.7	355.9	470.9	373.8	59.0	181.8
Q4	1,702.3	39.2	362.9	95.2	356.8	475.2	372.9	58.7	186.9
2004 Q1	1,718.6	38.3	366.9	96.2	358.3	481.7	377.1	58.5	189.8
<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>									
2003 Q1	0.0	-1.2	0.4	-0.4	-0.3	0.1	0.1	-0.4	-0.7
Q2	-0.1	-2.2	-0.9	0.1	0.3	0.3	0.2	0.8	0.1
Q3	0.5	-0.3	0.7	-0.1	0.7	0.6	0.3	1.4	-0.2
Q4	0.3	1.6	0.5	0.2	-0.3	0.3	0.5	-0.6	0.9
2004 Q1	0.5	2.4	1.0	-0.5	0.4	0.5	0.1	-0.8	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	1.0	0.8	0.3	-1.0	0.9	1.2	2.1	0.0	-0.6
2003	0.6	-3.4	0.0	-0.5	0.6	1.1	1.1	1.9	0.3
2003 Q1	0.8	-2.4	1.0	-1.7	0.7	1.1	1.4	1.6	0.3
Q2	0.2	-4.5	-1.0	-0.1	0.5	0.8	0.9	2.4	0.8
Q3	0.5	-4.7	-0.6	-0.2	0.9	1.3	1.0	2.6	0.0
Q4	0.8	-2.1	0.7	-0.1	0.5	1.3	1.1	1.1	0.1
2004 Q1	1.2	1.5	1.3	-0.2	1.1	1.6	1.1	0.7	1.3
<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	1.0	0.0	0.1	-0.1	0.2	0.3	0.4	-	-
2003	0.6	-0.1	0.0	0.0	0.1	0.3	0.2	-	-
2003 Q1	0.8	-0.1	0.2	-0.1	0.1	0.3	0.3	-	-
Q2	0.2	-0.1	-0.2	0.0	0.1	0.2	0.2	-	-
Q3	0.5	-0.1	-0.1	0.0	0.2	0.3	0.2	-	-
Q4	0.8	-0.1	0.2	0.0	0.1	0.3	0.2	-	-
2004 Q1	1.2	0.0	0.3	0.0	0.3	0.4	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 <sup>1)</sup>	100.0	82.9	82.9	74.0	30.0	22.4	21.5	3.6	17.9	8.9	17.1	75.0
	1	2	3	4	5	6	7	8	9	10	11	12
2000	4.8	100.1	5.2	5.4	6.2	8.1	1.7	6.1	0.8	1.9	2.5	5.6
2001	0.4	100.5	0.4	0.1	-0.6	1.6	0.3	-2.1	0.8	1.4	0.8	0.2
2002	-0.5	99.9	-0.5	-0.7	0.1	-1.5	-0.5	-5.7	0.5	1.0	0.6	-0.7
2003	0.2	100.3	0.4	0.0	0.4	0.0	-0.7	-4.1	-0.1	3.0	-0.1	0.1
2003 Q1	0.6	100.2	0.9	0.5	1.1	1.0	-1.2	-5.7	-0.3	4.6	-2.2	0.6
Q2	-0.6	99.7	-0.8	-1.3	-0.7	-1.8	-1.7	-6.1	-0.8	2.1	0.7	-1.2
Q3	-0.3	100.3	-0.1	-0.6	-0.6	-1.1	0.0	-3.3	0.6	2.3	0.3	-0.4
Q4	1.1	101.2	1.4	1.4	1.7	2.0	-0.1	-1.3	0.1	2.7	0.6	1.5
2004 Q1	.	101.2	1.1	1.1	1.3	0.5	1.0	0.8	1.0	1.9	.	1.1
2003 Oct.	0.8	101.1	1.3	1.0	1.5	1.3	-0.6	-1.4	-0.4	3.7	-0.2	1.2
Nov.	0.5	101.0	0.8	1.0	1.0	1.8	-0.6	-2.8	-0.2	2.6	-0.9	1.0
Dec.	1.9	101.3	2.3	2.2	2.8	2.9	1.0	0.6	1.1	1.8	3.3	2.5
2004 Jan.	1.1	100.9	0.6	0.7	1.0	0.1	0.3	0.7	0.2	1.4	3.1	0.6
Feb.	1.7	101.3	1.0	1.5	2.3	-0.1	0.7	0.4	0.8	0.4	5.9	1.4
Mar.	.	101.4	1.6	1.1	0.6	1.2	1.9	1.1	2.0	3.9	.	1.3
<i>month-on-month percentage changes (s.a.)</i>												
2003 Oct.	0.9	-	1.3	1.3	1.6	1.7	0.3	1.1	0.1	3.3	0.1	1.3
Nov.	0.0	-	-0.1	0.3	0.3	0.5	0.2	-0.7	0.4	-3.5	0.1	0.2
Dec.	0.4	-	0.3	0.0	0.4	0.2	0.1	0.1	0.1	0.6	2.5	0.2
2004 Jan.	-0.1	-	-0.4	-0.5	-0.6	-1.2	0.0	0.7	-0.2	1.4	-0.2	-0.7
Feb.	0.3	-	0.4	0.5	0.5	0.0	0.2	-0.5	0.3	2.5	0.9	0.4
Mar.	.	-	0.2	-0.2	-0.8	0.4	0.2	-0.2	0.3	-0.7	.	0.0

### 4. Retail sales and passenger car registrations

	Retail sales (s.a.)								New passenger car registrations	
	Current prices		Constant prices						Total (s.a. thousands <sup>2)</sup> )	Total
	Total (index 2000 = 100)	Total	Total (index 2000 = 100)	Total	Food, beverages, tobacco	Non-food				
						Textiles, clothing, footwear	Household equipment			
% of total <sup>1)</sup>	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8	9	10
	1	2	3	4	5	6	7	8	9	10
2000	99.9	4.0	100.0	2.1	1.7	2.1	0.9	4.1	977	-1.8
2001	104.0	4.1	101.7	1.7	1.7	1.6	0.8	-0.1	968	-0.8
2002	106.0	1.9	101.7	0.0	0.9	-0.5	-2.0	-1.9	925	-4.4
2003	107.6	1.5	102.0	0.2	1.3	-0.7	-3.1	-0.2	912	-1.4
2003 Q1	107.8	2.7	102.3	0.9	2.5	0.2	-1.9	0.0	899	-2.6
Q2	107.4	1.6	102.0	0.7	1.5	-0.4	-1.8	0.0	899	-1.8
Q3	107.6	0.9	101.9	-0.4	1.2	-1.8	-5.0	-0.9	926	1.4
Q4	107.8	0.9	101.7	-0.4	-0.1	-0.7	-3.7	-0.1	924	-2.4
2004 Q1	108.3	0.5	102.3	0.1	0.0	-0.4	-2.2	1.3	910	0.9
2003 Nov.	107.6	0.9	101.0	-1.5	-1.4	-1.6	-5.4	-1.1	931	0.0
Dec.	107.5	0.7	101.3	-0.1	0.3	-0.3	-3.9	0.4	916	-7.4
2004 Jan.	108.9	1.3	103.1	0.2	0.8	-0.4	-1.6	1.2	904	1.1
Feb.	107.9	-0.3	102.0	-0.5	-1.1	-0.9	-1.5	1.2	917	2.5
Mar.	108.2	0.6	101.8	0.5	0.4	0.0	-3.6	1.5	911	-0.6
Apr.	.	.	.	.	.	.	.	.	927	4.6

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

1) In 2000.

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

## 5.2 Output and demand

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

## 5. Business and Consumer Surveys

	Economic sentiment indicator <sup>2)</sup> (long-term average = 100)	Manufacturing industry					Consumer confidence indicator <sup>3)</sup>				
		Industrial confidence indicator				Capacity utilisation <sup>3),4)</sup>	Total <sup>5)</sup>	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total <sup>5)</sup>	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2000	114.2	4	2	4	16	84.5	1	4	1	1	2
2001	100.8	-9	-15	14	1	83.0	-5	2	-10	14	2
2002	94.4	-11	-25	11	3	81.5	-11	-1	-12	26	-3
2003	93.5	-10	-25	10	3	81.0	-18	-5	-21	38	-9
2003 Q1	90.5	-11	-24	10	0	81.2	-19	-5	-23	39	-9
Q2	91.3	-12	-28	9	0	80.8	-19	-4	-22	41	-9
Q3	94.2	-11	-27	11	4	81.1	-17	-4	-20	38	-8
Q4	97.8	-7	-22	9	8	81.0	-16	-5	-17	33	-9
2004 Q1	98.8	-7	-21	10	11	80.5	-14	-4	-13	30	-9
2003 Dec.	97.4	-8	-21	10	7	-	-16	-5	-16	31	-10
2004 Jan.	98.5	-6	-20	9	10	80.6	-15	-5	-14	31	-9
Feb.	98.9	-7	-21	10	11	-	-14	-4	-12	30	-9
Mar.	98.8	-7	-21	10	11	-	-14	-4	-13	30	-9
Apr.	100.2	-4	-16	9	12	80.4	-14	-3	-14	31	-7
May	100.3	-5	-18	7	11	-	-16	-4	-16	33	-9
	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total <sup>5)</sup>	Order books	Employment expectations	Total <sup>5)</sup>	Present business situation	Volume of stocks	Expected business situation	Total <sup>5)</sup>	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	11	30	36	23	33
2001	-11	-16	-4	-7	-5	17	-1	15	16	8	20
2002	-19	-27	-11	-16	-20	18	-12	1	-4	-6	13
2003	-21	-27	-13	-11	-15	17	-2	2	-6	1	11
2003 Q1	-20	-26	-13	-15	-20	17	-9	-6	-16	-11	11
Q2	-21	-27	-14	-12	-14	18	-5	-2	-12	0	6
Q3	-21	-28	-15	-10	-15	17	1	5	-1	4	13
Q4	-20	-27	-12	-8	-12	15	3	10	6	11	15
2004 Q1	-20	-29	-10	-8	-12	15	1	11	6	6	20
2003 Dec.	-19	-28	-9	-10	-16	16	2	11	7	12	15
2004 Jan.	-19	-28	-10	-8	-12	16	3	10	5	8	18
Feb.	-21	-32	-9	-9	-11	14	-1	11	7	6	21
Mar.	-19	-27	-10	-8	-12	14	1	11	5	5	22
Apr.	-17	-24	-10	-6	-7	15	3	11	6	11	16
May	-17	-23	-11	-8	-11	14	2	13	6	12	20

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, services, consumer, construction and retail trade confidence indicators; the industrial confidence indicator has a weight of 40%, the services confidence indicator has a weight of 30%, the consumer confidence indicator has a weight of 20% and the two other indicators have a weight of 5% each. Values of the economic sentiment indicator above (below) 100 indicate above (below) average economic sentiment.
- 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.
- 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 <sup>1)</sup>

(annual percentage changes, unless otherwise indicated)

### 1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing, and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total <sup>2)</sup>	100.0	100.0	84.2	15.8	4.7	18.8	7.1	25.2	14.5	29.8
	1	2	3	4	5	6	7	8	9	10
2000	131.427	2.2	2.5	0.7	-1.4	0.6	1.9	3.0	6.0	1.6
2001	133.241	1.4	1.6	0.2	-0.6	0.3	0.5	1.5	3.8	1.4
2002	133.958	0.5	0.7	-0.2	-1.9	-1.4	-0.6	0.3	2.4	1.8
2003	134.130	0.1	0.1	0.3	-1.5	-1.9	-0.3	0.5	1.2	0.9
2002 Q4	133.890	0.2	0.3	0.0	-1.9	-1.8	-0.8	-0.3	1.9	1.8
2003 Q1	133.952	0.1	0.1	0.1	-2.3	-1.9	-0.7	-0.2	1.6	1.4
Q2	134.077	0.2	0.1	0.5	-1.9	-1.9	0.2	0.4	1.1	1.2
Q3	134.066	0.1	0.1	0.3	-1.3	-2.0	-0.2	0.9	1.0	0.7
Q4	134.161	0.1	0.1	0.1	-0.4	-1.9	-0.5	1.0	1.1	0.5
	<i>quarter-on-quarter changes (s.a.)</i>									
2002 Q4	0.014	0.0	0.0	0.1	-0.6	-0.6	-0.1	0.0	0.4	0.4
2003 Q1	0.062	0.0	0.0	0.2	-0.7	-0.4	0.0	0.2	0.2	0.3
Q2	0.125	0.1	0.1	0.2	-0.1	-0.5	0.4	0.3	0.2	0.2
Q3	-0.011	0.0	0.0	0.0	0.2	-0.5	-0.7	0.4	0.3	-0.1
Q4	0.095	0.1	0.1	0.1	0.2	-0.5	-0.3	0.2	0.6	0.2

### 2. Unemployment

(seasonally adjusted)

	Total		By age <sup>3)</sup>				By gender <sup>4)</sup>			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total <sup>2)</sup>	100.0		78.3		21.7		50.0		50.0	
	1	2	3	4	5	6	7	8	9	10
2000	11.605	8.5	8.897	7.4	2.707	16.7	5.481	7.0	6.124	10.5
2001	11.072	8.0	8.541	7.0	2.531	15.7	5.317	6.8	5.755	9.7
2002	11.733	8.4	9.128	7.4	2.606	16.3	5.788	7.3	5.945	9.9
2003	12.474	8.9	9.768	7.8	2.706	17.1	6.239	7.8	6.235	10.2
2003 Q1	12.362	8.8	9.648	7.8	2.714	17.0	6.168	7.8	6.194	10.2
Q2	12.497	8.9	9.778	7.8	2.719	17.1	6.247	7.9	6.250	10.2
Q3	12.505	8.9	9.806	7.9	2.699	17.0	6.259	7.9	6.246	10.2
Q4	12.530	8.9	9.848	7.9	2.682	17.1	6.280	7.9	6.250	10.2
2004 Q1	12.593	8.9	9.880	7.9	2.712	17.2	6.315	7.9	6.277	10.2
2003 Nov.	12.533	8.9	9.854	7.9	2.679	17.0	6.282	7.9	6.251	10.2
Dec.	12.531	8.9	9.847	7.9	2.684	17.1	6.278	7.9	6.252	10.2
2004 Jan.	12.558	8.9	9.857	7.9	2.702	17.2	6.296	7.9	6.262	10.2
Feb.	12.588	8.9	9.876	7.9	2.712	17.2	6.310	7.9	6.278	10.2
Mar.	12.631	9.0	9.908	7.9	2.724	17.3	6.339	8.0	6.292	10.3
Apr.	12.661	9.0	9.931	7.9	2.730	17.3	6.356	8.0	6.306	10.3

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

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

2) In 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 <sup>1)</sup> (as a percentage of GDP)

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

	Total		Current revenue										Capital revenue		Memo: fiscal burden <sup>3)</sup>
	1	2	Direct taxes			Indirect taxes	Received by EU institutions	Social contributions			Sales	Capital taxes	13		
			Households	Corporations	Employers			Employees							
	3	4	5	6	7	8	9	10	11	12	13	14			
1995	47.2	46.7	11.6	9.2	2.0	13.3	0.9	17.4	8.4	5.6	2.4	0.5	0.3	42.6	
1996	48.0	47.5	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	9.8	2.3	14.1	0.7	16.5	8.5	5.0	2.4	0.4	0.3	43.4	
1999	48.1	47.7	12.8	9.9	2.5	14.4	0.6	16.4	8.5	5.0	2.4	0.4	0.3	43.9	
2000	47.8	47.4	13.0	10.0	2.7	14.2	0.6	16.2	8.4	4.9	2.3	0.4	0.3	43.7	
2001	47.1	46.7	12.6	9.8	2.5	13.9	0.6	16.0	8.4	4.8	2.2	0.4	0.3	42.8	
2002	46.5	46.1	12.2	9.6	2.3	13.8	0.4	16.0	8.4	4.7	2.3	0.4	0.3	42.3	
2003	46.6	45.8	11.8	9.3	2.2	13.8	0.4	16.2	8.5	4.8	2.3	0.8	0.5	42.4	

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

	Total		Current expenditure							Capital expenditure			Memo: primary expenditure <sup>3)</sup>	
	1	2	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments	Subsidies	Paid by EU institutions	Investment	Capital transfers	Paid by EU institutions		
														3
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1995	52.3	47.8	11.2	4.8	5.7	26.2	22.9	2.2	0.6	4.5	2.7	1.8	0.1	46.6
1996	52.3	48.3	11.2	4.8	5.7	26.7	23.4	2.2	0.6	4.0	2.6	1.4	0.0	46.6
1997	50.9	47.2	11.0	4.7	5.1	26.3	23.3	2.1	0.6	3.7	2.4	1.3	0.1	45.8
1998	49.9	46.0	10.7	4.6	4.7	26.0	22.8	2.0	0.5	3.9	2.4	1.5	0.1	45.2
1999	49.4	45.4	10.7	4.7	4.2	25.9	22.7	2.0	0.5	4.0	2.5	1.5	0.1	45.2
2000	48.7	44.8	10.5	4.7	4.0	25.6	22.3	1.9	0.5	3.9	2.5	1.4	0.1	44.7
2001	48.8	44.7	10.5	4.7	4.0	25.4	22.3	2.0	0.5	4.1	2.5	1.6	0.0	44.8
2002	48.8	44.9	10.6	4.9	3.7	25.7	22.8	1.9	0.5	3.9	2.4	1.5	0.0	45.1
2003	49.4	45.3	10.7	4.9	3.5	26.2	23.2	1.9	0.5	4.0	2.6	1.5	0.1	45.9

### 3. Euro area <sup>2)</sup> – deficit/surplus, primary deficit/surplus and government consumption

	Deficit (-)/surplus (+)					Primary deficit (-)/surplus (+)	Government consumption <sup>5)</sup>							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
1995	-5.1	-4.2	-0.5	-0.1	-0.3	0.6	20.5	11.2	4.8	5.1	1.9	2.4	8.6	11.9
1996	-4.3	-3.6	-0.4	-0.1	-0.2	1.4	20.6	11.2	4.8	5.2	1.9	2.5	8.6	12.0
1997	-2.6	-2.3	-0.4	0.1	0.0	2.5	20.3	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	20.0	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	20.0	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	19.9	10.5	4.7	5.2	1.8	2.3	8.1	11.8
2001	-1.7	-1.5	-0.4	0.0	0.3	2.3	20.0	10.5	4.7	5.2	1.8	2.2	8.2	11.9
2002	-2.3	-1.9	-0.5	-0.2	0.2	1.4	20.4	10.6	4.9	5.3	1.8	2.3	8.3	12.1
2003	-2.7	-2.2	-0.5	-0.1	0.0	0.8	20.7	10.7	4.9	5.4	1.8	2.3	8.4	12.3

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

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
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	0.3	-3.9	-3.2	0.3	-4.1	0.2	-2.4	-0.1	-3.2	-1.3	-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 are 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% of GDP). Transactions between countries and EU institutions are included and consolidated. Transactions among Member States' governments are not consolidated.
- Data prior to 2001 refer to the Euro 11 aggregate.
- 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 <sup>1)</sup>

(as a percentage of GDP)

### 1. Euro area <sup>2)</sup> – by financial instrument and sector of the holder

	Total	Financial instruments				Holders				
		Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>3)</sup>				Other creditors <sup>4)</sup>
						Total	MFIs	Other financial corporations	Other sectors	
1	2	3	4	5	6	7	8	9	10	
1994	70.0	2.9	16.1	10.3	40.7	55.9	29.9	9.8	16.3	14.1
1995	74.3	2.8	17.9	9.9	43.8	58.3	32.6	8.9	16.8	16.1
1996	75.5	2.9	17.4	9.9	45.4	58.6	32.5	10.4	15.7	17.0
1997	74.9	2.8	16.4	8.9	46.9	56.3	30.9	12.0	13.4	18.6
1998	73.2	2.8	15.1	7.9	47.4	52.8	28.4	13.0	11.3	20.5
1999	72.1	2.9	14.2	6.9	48.2	48.1	26.8	9.9	11.4	24.1
2000	69.7	2.7	13.1	6.2	47.7	43.9	23.0	9.4	11.6	25.8
2001	69.4	2.7	12.5	6.3	47.9	42.1	22.1	8.4	11.6	27.3
2002	69.2	2.7	11.8	6.7	47.9	39.0	20.5	7.0	11.4	30.2
2003	70.6	2.1	11.9	7.4	49.2	38.7	20.8	7.5	10.5	31.9

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

	Total	Issued by <sup>5)</sup>				Original maturity			Residual maturity			Currencies		
		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 currencies <sup>6)</sup>	Non-domestic currencies	Other currencies
1994	70.0	58.0	5.4	6.1	0.5	12.0	58.0	7.4	17.4	26.8	25.9	68.2	3.0	1.9
1995	74.3	61.8	5.7	6.0	0.8	12.6	61.7	5.7	18.5	26.5	29.3	72.6	2.9	1.7
1996	75.5	63.0	6.1	5.9	0.5	11.9	63.6	5.4	20.1	25.5	29.9	73.8	2.7	1.8
1997	74.9	62.4	6.3	5.6	0.6	11.1	63.8	4.7	19.6	25.4	29.9	73.1	2.8	1.9
1998	73.2	61.2	6.3	5.4	0.4	9.4	63.9	4.9	17.4	26.1	29.7	71.7	3.2	1.5
1999	72.1	60.3	6.2	5.3	0.3	9.3	62.8	3.3	15.6	26.9	29.6	70.4	-	1.7
2000	69.7	58.2	6.1	5.1	0.3	8.4	61.3	2.8	15.5	27.6	26.6	68.0	-	1.7
2001	69.4	58.0	6.2	4.9	0.3	8.8	60.6	1.5	16.0	26.3	27.1	67.9	-	1.5
2002	69.2	57.7	6.4	4.8	0.3	9.1	60.1	1.7	16.8	25.2	27.3	67.8	-	1.4
2003	70.6	58.2	6.7	5.2	0.6	9.2	61.4	1.5	15.5	26.3	28.7	69.6	-	1.0

### 3. Euro area countries

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



### 6.3 Change in debt <sup>1)</sup>

(as a percentage of GDP)

#### 1. Euro area <sup>2)</sup> – by source, financial instrument and sector of the holder

	Total	Source of change				Financial instrument				Holder			Other creditors <sup>5)</sup>
		Borrowing requirement <sup>3)</sup>	Valuation effects <sup>4)</sup>	Other changes in volume <sup>5)</sup>	Aggregation effect <sup>6)</sup>	Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>7)</sup>	MFIs	Other financial corporations	
	1	2	3	4	5	6	7	8	9	10	11	12	13
1995	7.8	5.1	0.4	2.4	-0.2	0.1	2.6	0.0	5.1	5.1	4.2	-0.4	2.6
1996	3.8	4.2	-0.2	0.1	-0.3	0.1	0.1	0.4	3.2	2.3	1.0	1.8	1.5
1997	2.3	2.2	0.5	-0.4	0.0	0.0	-0.4	-0.6	3.2	0.0	-0.4	2.1	2.3
1998	1.7	1.9	-0.2	0.0	0.0	0.1	-0.5	-0.6	2.7	-1.0	-1.0	1.5	2.7
1999	1.7	1.4	0.3	0.0	0.0	0.2	-0.4	-0.7	2.5	-2.7	-0.6	-2.6	4.4
2000	0.9	0.9	0.1	0.0	0.0	0.0	-0.4	-0.4	1.8	-2.0	-2.6	-0.1	2.9
2001	1.8	1.7	0.1	0.0	0.0	0.1	-0.2	0.4	1.4	-0.4	-0.4	-0.5	2.1
2002	2.1	2.4	-0.4	0.1	0.0	0.1	-0.3	0.7	1.6	-1.7	-0.8	-1.0	3.8
2003	3.1	2.9	0.3	0.0	0.0	-0.5	0.4	0.8	2.4	0.7	0.7	0.6	2.4

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

Change in debt	Deficit (-)/ surplus (+) <sup>9)</sup>	Deficit-debt adjustment <sup>10)</sup>												
		Total	Transactions in main financial assets held by general government								Valuation effects	Exchange rate effects	Other changes in volume	Other <sup>12)</sup>
			Total	Currency and deposits	Securities <sup>11)</sup>	Loans	Shares and other equity	Privatisations	Equity injections					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1995	7.8	-5.1	2.7	0.3	0.1	-0.1	0.4	-0.2	-0.4	0.2	0.4	-0.1	2.4	-0.5
1996	3.8	-4.3	-0.5	-0.2	0.0	0.0	-0.1	-0.1	-0.3	0.2	-0.2	-0.2	0.1	-0.2
1997	2.3	-2.6	-0.4	-0.4	0.2	0.0	0.0	-0.5	-0.7	0.2	0.5	0.2	-0.4	-0.1
1998	1.7	-2.3	-0.6	-0.5	0.1	0.0	-0.1	-0.6	-0.8	0.2	-0.2	0.0	0.0	0.1
1999	1.7	-1.3	0.4	-0.2	0.5	0.1	0.0	-0.8	-0.8	0.1	0.3	0.2	0.0	0.3
2000	0.9	0.2	1.1	0.6	0.8	0.1	0.2	-0.6	-0.4	0.1	0.1	0.0	0.0	0.5
2001	1.8	-1.6	0.1	-0.4	-0.6	0.0	0.2	0.0	-0.3	0.2	0.1	0.0	0.0	0.4
2002	2.1	-2.3	-0.2	-0.3	0.0	0.1	0.1	-0.5	-0.3	0.2	-0.4	0.0	0.1	0.4
2003	3.1	-2.7	0.4	-0.3	-0.1	0.0	0.0	-0.2	-0.4	0.1	0.3	-0.1	0.0	0.4

Source: ECB.

1) Data are partially estimated. Annual change in gross nominal consolidated debt is 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 aggregate.

3) The borrowing requirement is by definition equal to transactions in 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 is 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 credits, other receivables/payables and financial derivatives).



# EXTERNAL TRANSACTIONS AND POSITIONS

## 7.1 Balance of payments

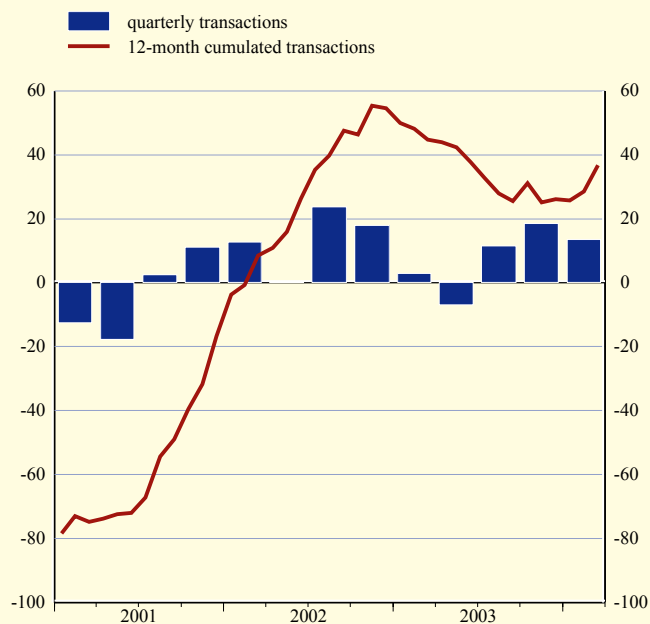
(EUR billions; net transactions)

### 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	-16.7	73.6	-0.4	-38.6	-51.4	6.6	-10.1	-34.2	-112.4	67.9	-0.9	-6.6	17.8	44.3
2002	54.5	133.6	13.1	-44.1	-48.1	11.0	65.4	-65.8	-4.7	114.6	-10.8	-162.7	-2.3	0.4
2003	26.1	107.7	17.3	-43.2	-55.8	13.3	39.3	-43.4	-9.9	25.3	-13.7	-75.0	29.8	4.1
2003 Q1	2.9	16.8	1.9	-12.0	-3.8	1.4	4.3	-14.3	13.0	4.2	-3.1	-40.3	11.9	10.0
Q2	-6.9	24.2	5.7	-17.0	-19.7	1.9	-5.0	-32.0	2.7	62.0	-1.4	-97.6	2.3	37.0
Q3	11.5	36.8	3.7	-9.4	-19.6	2.8	14.3	-0.6	-19.1	-59.1	-4.6	80.1	2.0	-13.6
Q4	18.5	29.9	6.0	-4.7	-12.6	7.2	25.8	3.5	-6.4	18.2	-4.7	-17.2	13.6	-29.2
2004 Q1	13.5	28.4	-0.7	-7.5	-6.6	3.2	16.7	-21.5	-27.2	4.2	1.1	-9.3	9.7	4.8
2003 Mar.	4.3	6.8	1.5	-1.1	-2.9	0.2	4.5	10.9	2.0	16.0	-0.8	-11.4	5.0	-15.4
Apr.	-7.4	6.6	1.4	-8.7	-6.7	0.1	-7.3	17.5	-11.6	27.6	-2.8	3.0	1.2	-10.1
May	-1.6	7.4	1.8	-5.0	-5.8	0.3	-1.4	-23.0	0.6	9.4	1.7	-35.1	0.4	24.4
June	2.1	10.1	2.5	-3.3	-7.2	1.6	3.7	-26.4	13.6	25.0	-0.2	-65.6	0.8	22.8
July	2.8	15.5	2.6	-8.8	-6.4	0.8	3.6	0.3	-4.0	-33.7	-2.4	38.6	1.8	-4.0
Aug.	3.0	10.5	-0.1	-1.4	-6.0	1.7	4.8	5.9	-5.6	-36.2	-2.6	50.0	0.3	-10.7
Sep.	5.6	10.9	1.2	0.7	-7.2	0.2	5.9	-6.9	-9.5	10.8	0.4	-8.5	-0.1	1.0
Oct.	8.1	13.1	2.3	-3.8	-3.5	1.1	9.3	7.8	-10.0	38.5	1.7	-23.1	0.7	-17.1
Nov.	3.9	8.5	1.3	0.6	-6.4	1.1	5.0	6.2	4.6	4.6	0.5	-9.0	5.5	-11.2
Dec.	6.5	8.3	2.4	-1.5	-2.8	5.0	11.5	-10.5	-0.9	-24.9	-6.9	14.9	7.3	-1.0
2004 Jan.	-4.4	4.2	-0.6	-9.4	1.3	0.4	-4.1	-25.6	-11.9	-14.9	0.6	3.8	-3.2	29.6
Feb.	5.6	9.4	0.1	0.7	-4.6	2.1	7.7	24.3	7.3	20.4	-0.2	-12.2	9.0	-32.0
Mar.	12.4	14.7	-0.2	1.2	-3.3	0.7	13.1	-20.2	-22.6	-1.3	0.8	-1.0	3.9	7.1
	<i>12-month cumulated transactions</i>													
2004 Mar.	36.7	119.2	14.6	-38.7	-58.6	15.1	51.8	-50.6	-50.0	25.3	-9.5	-44.0	27.6	-1.1

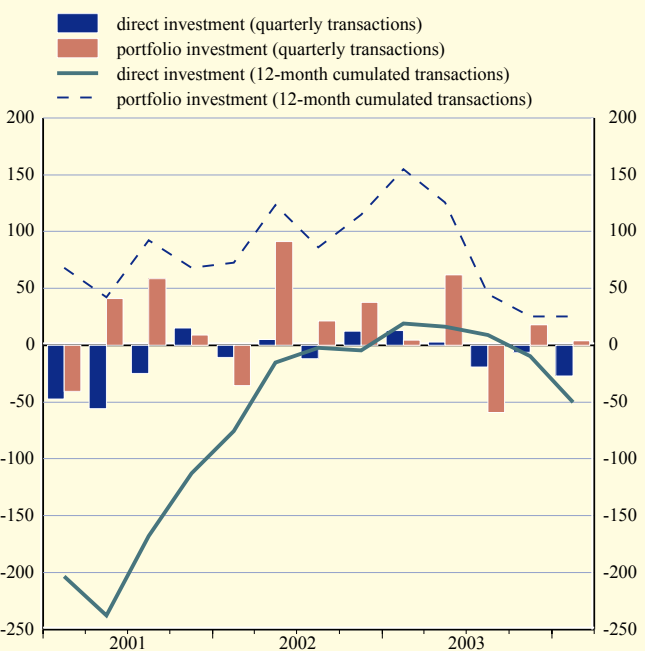
### C27 B.o.p. current account balance

(EUR billions)



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

(EUR billions)



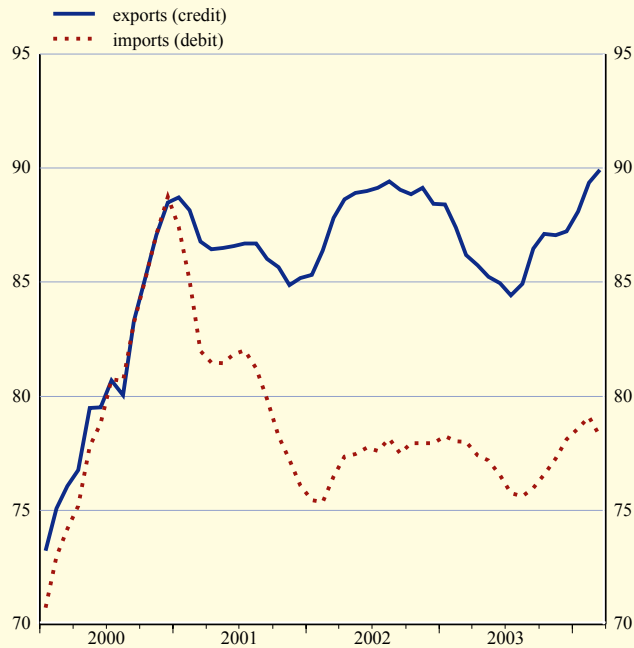
Source: ECB.

**7.1 Balance of payments**  
(EUR billions; transactions)

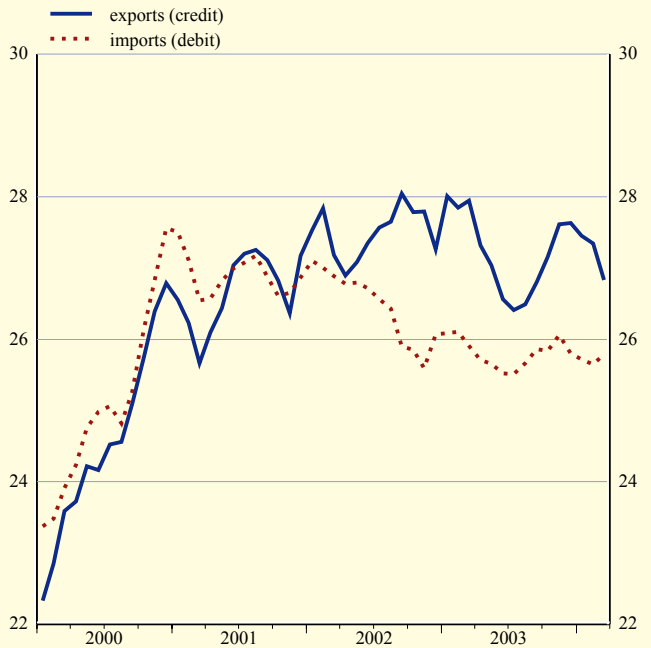
**2. Current account**  
(seasonally adjusted)

	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
2003 Q1	417.2	413.1	4.1	258.5	234.0	83.8	77.7	54.0	67.9	20.9	33.4
Q2	409.6	408.7	0.9	254.8	229.6	79.7	76.6	56.4	68.0	18.7	34.5
Q3	414.7	408.1	6.6	259.4	228.0	80.4	77.6	56.2	65.7	18.7	36.9
Q4	419.2	404.8	14.4	261.7	234.3	82.9	77.4	53.8	61.5	20.8	31.5
2004 Q1	427.3	413.2	14.1	269.8	234.7	80.5	77.4	56.8	65.9	20.2	35.3
2003 Mar.	135.9	135.8	0.1	83.4	77.3	27.7	25.8	17.6	21.7	7.2	11.0
Apr.	139.9	139.1	0.8	86.9	77.6	27.1	25.7	20.1	24.4	5.8	11.4
May	136.2	134.9	1.3	85.4	76.6	26.3	25.5	18.4	21.5	6.1	11.4
June	133.5	134.6	-1.1	82.5	75.4	26.2	25.4	17.9	22.1	6.9	11.7
July	137.0	135.7	1.3	85.3	75.3	26.7	25.6	18.6	22.5	6.4	12.3
Aug.	139.4	136.6	2.8	86.9	76.2	26.6	26.0	19.6	22.2	6.3	12.3
Sep.	138.3	135.8	2.5	87.1	76.5	27.2	26.0	18.0	21.0	6.0	12.3
Oct.	138.6	131.4	7.2	87.3	77.0	27.7	25.6	17.3	20.8	6.3	8.0
Nov.	139.5	136.3	3.2	86.8	78.3	27.9	26.6	18.3	19.2	6.5	12.2
Dec.	141.1	137.0	4.0	87.6	79.0	27.3	25.2	18.2	21.5	8.0	11.4
2004 Jan.	142.2	138.5	3.7	89.9	78.5	27.2	25.3	18.1	22.4	7.0	12.3
Feb.	143.4	138.2	5.2	90.6	79.8	27.6	26.4	19.0	20.2	6.2	11.8
Mar.	141.7	136.5	5.1	89.2	76.4	25.7	25.6	19.7	23.3	7.0	11.2

**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	1,710.2	1,726.9	-16.7	1,033.9	960.2	321.7	322.0	275.9	314.4	78.8	130.2	17.4	10.8
2002	1,714.5	1,660.1	54.5	1,063.2	929.7	329.8	316.7	236.1	280.3	85.3	133.4	19.0	8.1
2003	1,662.4	1,636.3	26.1	1,034.6	926.9	326.7	309.4	220.7	263.9	80.3	136.1	23.2	10.0
2003 Q1	412.3	409.3	2.9	253.3	236.4	75.7	73.7	51.4	63.5	31.9	35.7	5.4	4.0
Q2	407.6	414.5	-6.9	254.5	230.3	79.4	73.7	59.3	76.3	14.5	34.2	4.5	2.6
Q3	412.6	401.1	11.5	257.1	220.2	86.5	82.8	53.9	63.4	15.1	34.7	4.1	1.4
Q4	429.9	411.4	18.5	269.8	239.9	85.1	79.1	56.1	60.8	19.0	31.6	9.2	2.0
2004 Q1	424.7	411.2	13.5	266.4	238.1	72.8	73.5	54.3	61.8	31.2	37.8	5.2	2.0
2003 Mar.	138.3	134.0	4.3	87.4	80.6	26.6	25.1	17.2	18.3	7.1	10.0	1.2	1.0
Apr.	136.5	143.9	-7.4	85.6	79.0	26.2	24.8	20.2	29.0	4.6	11.2	0.5	0.4
May	133.7	135.3	-1.6	84.0	76.6	25.9	24.1	19.0	24.0	4.8	10.6	1.4	1.1
June	137.4	135.3	2.1	84.9	74.8	27.3	24.9	20.1	23.3	5.1	12.3	2.6	1.0
July	147.3	144.5	2.8	91.5	76.1	31.0	28.5	19.2	28.0	5.5	11.9	1.3	0.5
Aug.	125.4	122.3	3.0	76.4	65.9	27.5	27.6	16.6	18.0	4.8	10.8	2.1	0.4
Sep.	139.9	134.3	5.6	89.1	78.2	28.0	26.8	18.1	17.4	4.7	11.9	0.7	0.5
Oct.	147.1	138.9	8.1	96.6	83.5	29.0	26.7	16.9	20.7	4.4	7.9	1.6	0.5
Nov.	134.3	130.4	3.9	86.3	77.8	26.4	25.1	16.0	15.4	5.7	12.0	1.7	0.6
Dec.	148.5	142.0	6.5	86.8	78.5	29.7	27.3	23.1	24.6	8.9	11.6	5.9	0.9
2004 Jan.	139.9	144.4	-4.4	81.8	77.6	23.7	24.2	16.8	26.3	17.6	16.2	0.8	0.5
Feb.	132.4	126.8	5.6	85.1	75.7	23.5	23.5	17.0	16.2	6.8	11.4	2.6	0.4
Mar.	152.4	140.1	12.4	99.5	84.8	25.5	25.8	20.5	19.3	6.9	10.2	1.8	1.1

### 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	275.9	314.4	14.7	5.9	261.2	308.5	59.2	60.3	48.8	50.2	10.3	10.1
2002	236.1	280.3	14.7	6.0	221.5	274.3	52.5	57.9	44.4	50.7	8.1	7.2
2003	220.7	263.9	14.7	5.6	206.0	258.3	51.1	54.0	41.5	45.3	9.6	8.7
2002 Q4	61.8	68.1	3.9	1.6	58.0	66.5	16.3	17.4	13.8	14.6	2.5	2.8
2003 Q1	51.4	63.5	3.6	1.2	47.8	62.2	8.9	10.9	7.2	8.9	1.8	2.1
Q2	59.3	76.3	3.6	1.4	55.6	74.9	14.3	16.5	11.4	14.2	2.9	2.4
Q3	53.9	63.4	3.7	1.5	50.2	61.9	12.6	13.4	10.5	11.9	2.1	1.5
Q4	56.1	60.8	3.8	1.4	52.3	59.4	15.3	13.1	12.5	10.3	2.8	2.8

	Investment income							
	Portfolio investment				Other investment			
	Total		Equity		Debt		Credit	Debit
	Credit	Debit	Credit	Debit	Credit	Debit		
13	14	15	16	17	18	19	20	
2001	85.0	116.9	18.0	44.8	67.0	72.1	117.0	131.3
2002	85.7	123.3	19.7	52.4	66.0	70.9	83.2	93.1
2003	85.4	125.8	20.9	49.7	64.5	76.1	69.5	78.6
2002 Q4	21.2	26.3	4.5	9.2	16.7	17.1	20.5	22.7
2003 Q1	19.0	31.4	3.6	8.4	15.4	23.0	19.9	19.9
Q2	23.4	37.7	7.8	21.3	15.6	16.3	17.9	20.7
Q3	21.6	30.7	4.8	10.3	16.8	20.4	16.1	17.8
Q4	21.4	26.0	4.7	9.7	16.7	16.3	15.6	20.2

Source: ECB.

**7.1 Balance of payments**

(EUR billions; transactions)

**5. Direct investment**

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	-316.5	-237.9	-19.6	-218.3	-78.6	-0.1	-78.4	204.1	146.5	5.5	141.0	57.6	0.9	56.7
2002	-151.3	-136.4	-14.9	-121.4	-15.0	0.0	-14.9	146.6	111.9	3.1	108.8	34.7	0.5	34.3
2003	-115.5	-92.2	3.4	-95.6	-23.3	-0.1	-23.2	105.7	105.1	2.7	102.3	0.6	0.0	0.6
2003 Q1	-29.4	-18.0	-2.1	-15.9	-11.4	-0.1	-11.2	42.3	29.4	0.9	28.5	13.0	-0.1	13.1
Q2	-29.8	-22.4	5.1	-27.5	-7.4	0.0	-7.4	32.5	30.2	1.9	28.3	2.3	0.0	2.3
Q3	-32.2	-34.4	-1.2	-33.2	2.2	-0.1	2.4	13.1	15.9	-0.4	16.2	-2.8	-0.4	-2.4
Q4	-24.2	-17.4	1.6	-19.0	-6.8	0.2	-7.0	17.8	29.7	0.4	29.3	-11.9	0.5	-12.4
2004 Q1	-21.2	-16.9	-6.5	-10.4	-4.3	-0.2	-4.2	-6.0	6.6	-1.0	7.6	-12.5	0.0	-12.5
2003 Mar.	-7.1	-4.1	-0.8	-3.4	-2.9	-0.1	-2.8	9.1	9.0	-0.2	9.2	0.1	0.0	0.1
Apr.	-17.1	-8.3	-1.4	-6.9	-8.8	0.0	-8.8	5.5	7.9	0.2	7.7	-2.4	0.0	-2.4
May	-15.1	-15.7	-0.8	-14.9	0.6	0.0	0.6	15.8	15.4	0.2	15.2	0.3	-0.1	0.4
June	2.4	1.6	7.2	-5.6	0.8	0.0	0.9	11.2	6.9	1.5	5.4	4.3	0.1	4.3
July	-9.4	-8.5	-0.9	-7.7	-0.9	-0.1	-0.8	5.4	4.3	-0.8	5.2	1.0	-0.6	1.6
Aug.	-4.9	-10.3	-0.5	-9.7	5.3	-0.1	5.4	-0.6	-0.9	0.2	-1.2	0.3	0.1	0.2
Sep.	-17.9	-15.6	0.2	-15.8	-2.3	0.0	-2.2	8.3	12.4	0.2	12.2	-4.1	0.1	-4.2
Oct.	-10.6	-6.6	1.8	-8.4	-4.0	0.0	-4.1	0.5	5.9	0.1	5.8	-5.4	0.3	-5.7
Nov.	1.8	3.9	-1.3	5.2	-2.2	0.1	-2.2	2.8	5.0	0.4	4.6	-2.1	0.1	-2.2
Dec.	-15.4	-14.7	1.1	-15.8	-0.6	0.1	-0.7	14.4	18.8	-0.1	18.9	-4.4	0.1	-4.5
2004 Jan.	-8.4	-3.8	-0.8	-3.0	-4.6	0.0	-4.6	-3.5	6.3	0.1	6.2	-9.8	0.0	-9.9
Feb.	-5.6	-3.7	-1.1	-2.6	-1.9	0.0	-1.8	12.9	2.8	0.2	2.6	10.1	0.0	10.1
Mar.	-7.3	-9.4	-4.6	-4.8	2.1	-0.1	2.2	-15.3	-2.6	-1.3	-1.3	-12.7	0.0	-12.7

**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	-281.9	349.8	-101.6	232.6	-180.3	-155.9	-24.4	117.3	113.1	4.1
2002	-175.8	290.4	-40.4	88.9	-135.4	-89.6	-45.8	201.5	133.7	67.9
2003	-280.5	305.8	-65.6	105.5	-214.9	-172.0	-42.8	200.3	195.3	5.0
2003 Q1	-48.9	53.1	11.2	2.2	-60.0	-50.9	-9.1	50.8	40.4	10.4
Q2	-107.3	169.3	-33.2	30.5	-74.1	-59.3	-14.8	138.8	124.6	14.2
Q3	-63.3	4.2	-19.4	25.1	-43.9	-37.2	-6.8	-20.9	-7.8	-13.1
Q4	-61.0	79.2	-24.2	47.7	-36.8	-24.7	-12.1	31.6	38.1	-6.6
2004 Q1	-87.8	92.0	-29.7	23.5	-58.1	-42.2	-15.8	68.5	43.8	24.7
2003 Mar.	-9.0	25.0	7.6	-12.2	-16.6	-15.0	-1.6	37.2	35.8	1.4
Apr.	-23.2	50.8	-10.7	13.9	-12.5	-15.6	3.1	36.9	21.8	15.1
May	-36.7	46.1	-7.9	-6.2	-28.9	-19.6	-9.3	52.3	49.8	2.5
June	-47.4	72.4	-14.7	22.8	-32.7	-24.1	-8.6	49.6	53.0	-3.5
July	-27.1	-6.7	-8.6	10.9	-18.5	-22.0	3.5	-17.5	-13.3	-4.3
Aug.	-14.5	-21.7	-5.3	3.4	-9.2	-6.3	-2.9	-25.1	-8.8	-16.3
Sep.	-21.8	32.6	-5.6	10.8	-16.2	-8.8	-7.4	21.8	14.3	7.5
Oct.	-30.8	69.3	-13.5	22.4	-17.3	-11.3	-6.0	46.9	29.1	17.8
Nov.	-20.6	25.1	-3.3	11.8	-17.2	-15.1	-2.1	13.3	14.0	-0.6
Dec.	-9.7	-15.2	-7.4	13.4	-2.3	1.8	-4.1	-28.7	-5.0	-23.7
2004 Jan.	-49.1	34.2	-14.5	0.4	-34.6	-17.2	-17.4	33.8	21.4	12.3
Feb.	-13.2	33.6	-5.7	19.6	-7.6	-1.8	-5.8	14.0	14.7	-0.7
Mar.	-25.5	24.2	-9.6	3.4	-15.9	-23.3	7.3	20.7	7.7	13.0

Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

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

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	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	-105.2	-2.1	-103.2	0.2	-67.1	-89.0	-1.2	-87.8	-2.4	-40.7	18.6	-0.1	18.7
2002	-0.4	-7.6	-32.4	-4.4	-28.0	-0.6	-15.0	-74.1	-0.9	-73.2	2.0	-32.8	-15.0	-1.1	-14.0
2003	-0.3	-12.7	-52.6	-2.6	-50.0	-2.2	-45.5	-124.3	-0.2	-124.1	0.2	-42.4	-0.6	0.6	-1.2
2003 Q1	-0.1	-3.7	14.9	-0.6	15.6	-0.3	-4.4	-46.2	0.2	-46.5	-0.8	-26.9	18.6	-1.6	20.2
Q2	-0.2	0.7	-33.8	-0.8	-33.0	-0.2	-25.6	-33.5	0.0	-33.5	1.0	-1.6	-14.3	1.0	-15.3
Q3	-0.1	-6.2	-13.1	-0.8	-12.3	-1.4	-8.5	-27.3	-0.3	-27.0	0.1	-1.0	-5.9	-0.1	-5.8
Q4	0.0	-3.6	-20.6	-0.4	-20.2	-0.3	-7.0	-17.3	-0.1	-17.2	-0.2	-13.0	1.0	1.3	-0.3
2004 Q1	0.0	-2.6	-27.1	.	.	-0.4	-22.0	-19.9	.	.	-0.1	-13.8	-1.8	.	.
2003 Mar.	0.0	-3.8	11.5	-	-	-0.3	-2.2	-12.5	-	-	0.4	5.9	-7.9	-	-
Apr.	-0.1	0.6	-11.2	-	-	-0.1	-8.1	-7.4	-	-	0.5	3.2	-0.7	-	-
May	0.0	0.2	-8.1	-	-	-0.2	-2.7	-16.7	-	-	0.9	-6.4	-3.8	-	-
June	0.0	-0.1	-14.5	-	-	0.1	-14.9	-9.3	-	-	-0.4	1.6	-9.8	-	-
July	0.0	-2.0	-6.5	-	-	-0.1	-1.7	-20.2	-	-	0.2	-3.3	6.6	-	-
Aug.	0.0	-1.0	-4.2	-	-	-0.6	-2.3	-3.5	-	-	0.1	4.0	-7.0	-	-
Sep.	0.0	-3.2	-2.4	-	-	-0.7	-4.5	-3.6	-	-	-0.1	-1.7	-5.6	-	-
Oct.	0.0	-4.7	-8.8	-	-	-0.4	-1.5	-9.4	-	-	-0.1	-4.0	-2.0	-	-
Nov.	0.0	1.4	-4.7	-	-	0.0	-8.5	-6.6	-	-	-0.1	-2.6	0.6	-	-
Dec.	0.0	-0.3	-7.1	-	-	0.1	3.0	-1.3	-	-	0.0	-6.4	2.4	-	-
2004 Jan.	0.0	-1.4	-13.1	-	-	0.0	-11.4	-5.8	-	-	0.1	-16.7	-0.8	-	-
Feb.	0.1	-3.1	-2.6	-	-	0.0	0.4	-2.2	-	-	-0.2	-6.3	0.8	-	-
Mar.	0.0	1.8	-11.4	-	-	-0.4	-11.0	-11.9	-	-	0.0	9.2	-1.8	-	-

### 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	-268.2	261.6	0.6	4.4	3.0	-0.4	-229.1	232.4	-46.9	22.7	-182.3	209.7	-42.6	25.2
2002	-230.4	67.8	-1.2	19.3	0.1	-8.2	-166.0	27.8	-32.2	51.7	-133.8	-23.9	-63.4	28.8
2003	-240.7	165.7	-0.8	11.9	-1.3	-3.6	-152.9	133.7	-57.7	69.4	-95.2	64.2	-85.6	23.8
2003 Q1	-123.1	82.9	-0.6	2.0	-1.8	-8.3	-65.7	60.1	-14.9	10.5	-50.8	49.7	-55.1	29.0
Q2	-132.2	34.6	0.2	4.9	-2.0	3.9	-103.2	26.9	-11.5	11.8	-91.7	15.1	-27.2	-1.1
Q3	92.0	-11.9	0.3	5.8	-0.3	5.3	87.6	-7.1	-12.5	16.4	100.2	-23.4	4.4	-16.0
Q4	-77.4	60.2	-0.7	-0.8	2.7	-4.6	-71.6	53.7	-18.7	30.7	-52.9	23.0	-7.8	11.8
2004 Q1	-170.7	161.4	-0.4	-2.4	0.2	-6.9	-156.7	158.4	-18.1	-1.4	-138.6	159.8	-13.8	12.3
2003 Mar.	-28.3	16.9	-0.5	1.8	4.4	0.0	-13.8	4.6	-5.3	4.4	-8.5	0.2	-18.4	10.5
Apr.	-56.6	59.6	0.0	0.8	0.8	2.8	-32.7	52.1	-3.6	2.0	-29.1	50.1	-24.6	4.0
May	-46.1	11.0	0.7	1.9	-3.7	1.3	-35.1	3.7	-1.7	2.4	-33.4	1.3	-7.9	4.1
June	-29.5	-36.0	-0.5	2.1	0.9	-0.2	-35.3	-28.9	-6.2	7.4	-29.1	-36.3	5.4	-9.1
July	41.3	-2.7	0.1	2.6	-2.5	2.1	42.4	2.6	-4.6	8.3	47.0	-5.7	1.3	-9.9
Aug.	79.8	-29.8	0.3	1.5	0.5	0.5	73.4	-30.2	-2.0	2.7	75.4	-33.0	5.6	-1.6
Sep.	-29.1	20.6	-0.1	1.8	1.7	2.7	-28.1	20.6	-5.9	5.4	-22.2	15.2	-2.5	-4.4
Oct.	-53.1	29.9	-0.2	0.7	1.1	-2.0	-40.5	25.4	-8.2	7.7	-32.3	17.7	-13.4	5.9
Nov.	-36.4	27.4	0.4	-2.7	1.0	1.5	-34.8	27.4	-5.6	7.5	-29.1	20.0	-3.0	1.2
Dec.	12.1	2.8	-0.9	1.2	0.6	-4.0	3.7	0.9	-4.9	15.6	8.6	-14.7	8.7	4.8
2004 Jan.	-64.6	68.5	-0.2	1.4	-1.4	-4.6	-61.8	75.4	-3.3	-2.2	-58.5	77.6	-1.2	-3.8
Feb.	-26.5	14.4	-0.1	-4.3	1.8	-0.8	-25.4	18.0	-8.0	-0.2	-17.4	18.3	-2.8	1.4
Mar.	-79.6	78.6	-0.1	0.5	-0.3	-1.6	-69.4	65.0	-6.8	1.1	-62.6	63.9	-9.8	14.7

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	-0.4	-8.0	-8.4	-1.0	-0.2	-1.2
2003	-0.8	11.9	11.1	0.0	0.0	0.0	-0.1	0.0	0.0	-0.3	-3.9	-4.3	-0.9	0.3	-0.6
2002 Q4	-0.4	6.3	5.8	0.0	0.0	0.0	0.0	0.0	0.0	0.4	-0.8	-0.4	0.1	-0.1	-0.1
2003 Q1	-0.6	2.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	-1.2	-8.2	-9.5	-0.5	-0.1	-0.6
Q2	0.2	4.9	5.0	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	0.3	5.8	6.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	4.8	4.7	-0.2	0.5	0.4
Q4	-0.7	-0.8	-1.5	0.0	0.0	0.0	0.0	0.0	0.0	2.7	-4.1	-1.4	0.1	-0.4	-0.4

	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	-30.2	18.7	-11.5	-8.9	5.2	-3.8
2002	-162.2	30.6	-131.6	-3.8	-2.8	-6.6	-3.5	-3.0	-6.4	-58.4	25.9	-32.4	-1.5	5.9	4.4
2003	-150.8	136.4	-14.4	-2.1	-2.7	-4.8	-5.5	8.2	2.7	-64.2	14.4	-49.9	-15.9	1.2	-14.7
2002 Q4	-94.3	9.9	-84.5	5.0	-9.6	-4.6	0.2	-3.0	-2.8	-19.2	15.9	-3.4	-0.4	1.6	1.2
2003 Q1	-63.8	59.7	-4.1	-1.9	0.5	-1.5	-1.3	5.1	3.8	-47.9	22.7	-25.2	-5.8	1.2	-4.7
Q2	-103.9	28.5	-75.3	0.7	-1.6	-1.0	-1.1	-0.2	-1.4	-18.5	-7.2	-25.7	-7.5	6.4	-1.2
Q3	87.9	-5.7	82.1	-0.2	-1.3	-1.6	-1.3	0.9	-0.3	4.7	-11.5	-6.8	0.9	-5.4	-4.5
Q4	-71.0	53.9	-17.1	-0.6	-0.2	-0.8	-1.7	2.3	0.6	-2.6	10.4	7.8	-3.5	-0.9	-4.4

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
2003	29.8	1.7	0.0	-1.6	29.7	-1.8	1.6	0.0	21.1	8.8	0.1	0.0
2002 Q4	-1.3	0.4	-0.1	0.3	-1.9	2.3	-1.2	0.0	-2.3	-0.9	0.0	0.0
2003 Q1	11.9	0.5	0.0	-0.2	11.5	0.8	-0.6	0.0	9.6	1.7	0.0	0.0
Q2	2.3	0.5	0.0	-2.6	4.4	-0.5	0.0	-0.1	4.8	0.2	0.0	0.0
Q3	2.0	0.1	0.0	-0.7	2.6	-1.1	4.1	0.0	-4.7	4.3	0.0	0.0
Q4	13.6	0.6	0.0	1.8	11.1	-1.0	-1.9	0.0	11.5	2.6	0.0	0.0

Source: ECB.

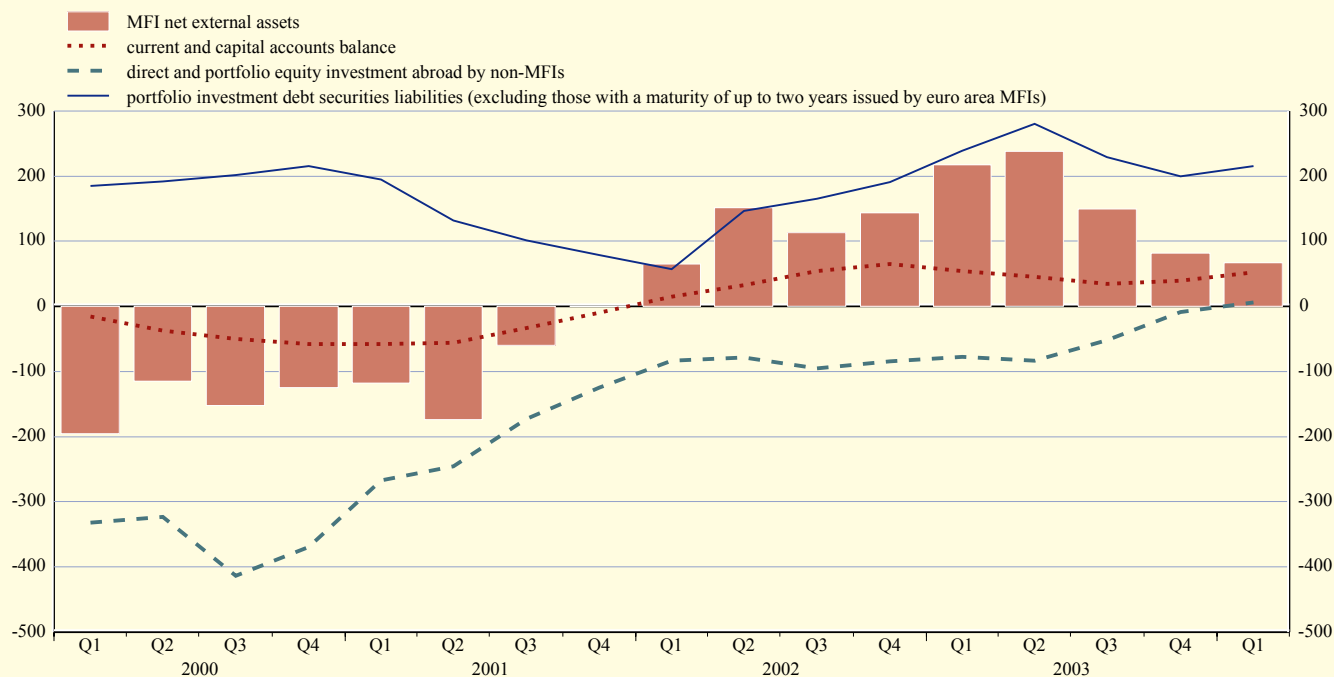
## 7.2 Monetary presentation of the balance of payments

(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3										Memo: Transactions in the external counterpart of M3	
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions		Total of columns 1 to 10
		By resident units abroad (non-MFIs)	By non- resident units in the euro area	Assets	Liabilities		Assets	Liabilities				
					Non-MFIs	Equity <sup>1)</sup>						
1	2	3	4	5	6	7	8	9	10	11	12	
2001	-10.1	-296.8	203.2	-175.6	172.3	78.4	-39.7	24.7	-0.9	44.3	-0.1	-7.3
2002	65.4	-136.4	146.2	-121.5	52.0	191.1	-63.3	20.6	-10.8	0.4	143.7	166.0
2003	39.3	-118.8	105.7	-177.5	110.4	199.3	-87.0	20.2	-13.7	4.1	82.0	95.3
2003 Q1	4.3	-27.2	42.4	-12.7	5.3	46.0	-56.8	20.7	-3.1	10.0	28.9	32.0
Q2	-5.0	-34.9	32.5	-81.5	34.2	140.4	-29.2	2.8	-1.4	37.0	94.9	97.4
Q3	14.3	-30.8	13.5	-46.3	27.2	-5.9	4.1	-10.7	-4.6	-13.6	-52.9	-50.4
Q4	25.8	-25.9	17.3	-36.9	43.8	18.9	-5.1	7.3	-4.7	-29.2	11.1	16.3
2004 Q1	16.7	-14.6	-6.0	-48.8	7.1	61.8	-13.7	5.4	1.1	4.8	13.9	34.9
2003 Mar.	4.5	-6.2	9.1	-8.9	-3.4	39.6	-14.0	10.5	-0.8	-15.4	15.1	13.2
Apr.	-7.3	-15.7	5.5	-19.3	21.0	39.2	-23.9	6.8	-2.8	-10.1	-6.7	-2.5
May	-1.4	-14.4	15.8	-28.6	2.8	48.1	-11.6	5.4	1.7	24.4	42.2	41.9
June	3.7	-4.8	11.1	-33.6	10.4	53.1	6.3	-9.3	-0.2	22.8	59.4	58.1
July	3.6	-8.5	5.9	-20.1	9.9	-14.6	-1.2	-7.8	-2.4	-4.0	-39.1	-37.9
Aug.	4.8	-4.3	-0.8	-14.7	-1.1	-11.4	6.1	-1.1	-2.6	-10.7	-35.7	-31.6
Sep.	5.9	-18.1	8.3	-11.5	18.5	20.1	-0.8	-1.7	0.4	1.0	21.9	19.1
Oct.	9.3	-12.4	0.3	-20.2	17.6	39.3	-12.3	3.8	1.7	-17.1	10.0	9.9
Nov.	5.0	3.0	2.7	-10.7	11.3	11.5	-2.0	2.7	0.5	-11.2	12.8	18.1
Dec.	11.5	-16.5	14.3	-6.0	14.8	-32.0	9.3	0.8	-6.9	-1.0	-11.7	-11.8
2004 Jan.	-4.1	-7.6	-3.5	-19.7	-7.4	31.7	-2.6	-8.4	0.6	29.6	8.6	25.4
Feb.	7.7	-4.5	12.9	-4.0	19.6	9.5	-1.0	0.6	-0.2	-32.0	8.7	7.4
Mar.	13.1	-2.5	-15.3	-25.1	-5.0	20.6	-10.1	13.1	0.8	7.1	-3.4	2.1

## 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	217.3	261.5	874.8	1,023.7	589.5	182.9	220.9	744.7	122.6
2001	6.1	-0.9	1,063.6	492.8	236.7	287.7	932.1	1,012.3	576.0	178.4	226.5	738.5	107.8
2002	2.1	-2.7	1,085.7	513.2	228.2	309.8	949.1	985.4	559.8	163.6	234.5	717.4	105.1
2003	-2.7	-0.2	1,057.2	497.1	220.2	297.7	915.8	984.4	548.6	160.5	238.2	708.7	107.9
2002 Q4	2.3	2.5	269.9	127.8	56.8	76.7	235.7	247.0	139.8	40.7	59.4	178.0	27.7
2003 Q1	-1.1	3.4	266.1	125.0	54.7	75.6	229.8	250.4	143.0	40.8	58.5	177.3	30.0
Q2	-5.9	-3.0	259.4	123.2	53.2	72.9	225.1	244.2	134.4	39.5	59.6	177.1	25.3
Q3	-2.6	-2.0	264.6	124.9	56.0	74.4	230.3	241.5	134.4	38.8	59.1	175.0	26.3
Q4	-1.1	0.6	267.2	124.0	56.2	74.8	230.7	248.3	136.7	41.4	61.0	179.3	26.3
2004 Q1	4.2	-0.2	271.6	125.8	59.4	73.8	239.0	246.8	134.3	38.5	62.5	180.2	26.0
2003 Oct.	-1.6	-1.2	89.0	40.6	18.5	25.4	77.1	82.0	44.8	13.9	20.4	60.1	8.3
Nov.	-5.5	-1.9	88.5	41.5	18.5	24.9	76.7	83.5	45.8	14.2	20.3	59.5	8.7
Dec.	4.3	5.6	89.7	41.9	19.2	24.6	76.9	82.8	46.2	13.3	20.3	59.6	9.3
2004 Jan.	-2.7	-6.4	90.1	41.9	19.1	24.3	78.9	81.9	44.5	12.7	20.8	59.9	8.1
Feb.	2.8	1.2	90.7	42.1	20.2	24.5	80.3	83.3	44.8	13.8	20.7	61.5	8.6
Mar.	11.9	4.6	90.8	41.8	20.0	24.9	79.8	81.5	45.0	12.0	21.0	58.8	9.3
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	99.9	99.9	100.0	100.0	99.9	100.1
2001	5.1	-1.0	105.3	101.9	108.7	108.0	105.6	98.7	99.0	96.1	99.8	97.6	99.0
2002	3.0	-0.2	108.4	107.9	105.4	116.0	108.5	98.6	99.3	90.4	104.6	96.6	100.9
2003	0.5	3.1	109.0	107.7	105.9	114.9	108.4	101.8	99.9	94.3	109.5	99.4	103.1
2002 Q4	3.5	2.0	108.5	108.0	105.9	115.8	108.7	99.0	98.7	91.8	106.6	97.1	101.0
2003 Q1	1.7	3.7	108.2	106.8	103.5	115.7	107.3	100.7	100.0	94.4	106.9	98.1	99.7
Q2	-2.3	2.3	107.1	106.6	102.5	112.7	106.4	102.2	99.8	93.4	109.7	99.5	103.5
Q3	0.5	1.5	109.6	108.8	108.3	115.2	109.5	100.6	99.2	91.4	108.5	98.5	106.0
Q4	2.1	4.7	111.0	108.4	109.1	116.1	110.3	103.6	100.6	98.0	113.0	101.5	103.2
2004 Q1	7.2	4.5	113.7	110.9	116.4	115.4	115.1	104.0	99.4	93.0	117.3	103.0	.
2003 Oct.	2.1	3.0	111.1	106.3	107.1	118.0	110.7	102.6	99.5	98.5	112.2	101.6	101.0
Nov.	-2.4	1.6	110.1	108.9	108.4	115.8	110.0	104.2	100.4	100.7	112.9	101.0	102.5
Dec.	7.2	10.1	111.8	110.0	111.9	114.4	110.3	103.8	101.8	94.8	113.9	101.9	106.2
2004 Jan.	0.1	-1.2	112.8	110.6	111.9	114.0	113.7	103.5	98.9	92.5	117.2	102.9	93.1
Feb.	6.3	6.4	114.2	111.4	119.0	115.3	116.3	105.5	99.5	99.9	116.2	105.5	102.3
Mar.	14.7	8.4	114.1	110.5	118.2	116.8	115.2	103.0	99.7	86.5	118.4	100.7	.
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	101.8	100.9	100.2	98.7	101.5	102.7	101.6	88.9
2002	-0.9	-2.5	100.1	99.1	99.6	102.1	100.0	97.7	95.7	99.0	101.6	99.8	85.2
2003	-3.2	-3.2	96.9	96.2	95.7	99.0	96.6	94.5	93.2	93.0	98.5	95.7	85.6
2002 Q4	-1.1	0.4	99.4	98.6	98.7	101.3	99.2	97.5	96.1	97.0	100.9	98.5	89.5
2003 Q1	-2.8	-0.4	98.2	97.6	97.3	99.9	97.9	97.1	97.0	94.4	99.2	97.1	98.4
Q2	-3.7	-5.2	96.8	96.3	95.5	98.9	96.7	93.4	91.4	92.5	98.3	95.6	79.9
Q3	-3.1	-3.4	96.5	95.6	95.2	98.8	96.2	93.8	92.0	92.8	98.6	95.4	81.0
Q4	-3.2	-3.9	96.2	95.2	94.9	98.6	95.6	93.7	92.2	92.5	97.8	94.9	83.0
2004 Q1	-2.8	-4.5	95.5	94.5	93.9	97.8	95.0	92.7	91.7	90.6	96.6	94.0	.
2003 Oct.	-3.6	-4.1	96.0	95.4	95.6	98.6	95.5	93.6	91.6	92.8	98.8	95.3	80.4
Nov.	-3.2	-3.5	96.3	95.2	94.5	98.7	95.7	94.0	92.8	92.6	97.6	95.0	83.3
Dec.	-2.7	-4.0	96.1	95.2	94.6	98.6	95.6	93.5	92.4	92.1	97.0	94.3	85.4
2004 Jan.	-2.8	-5.2	95.7	94.7	94.4	97.8	95.1	92.8	91.6	90.4	96.6	93.9	85.4
Feb.	-3.2	-4.8	95.2	94.4	93.9	97.7	94.8	92.6	91.6	90.5	96.7	93.9	82.4
Mar.	-2.4	-3.5	95.4	94.5	93.5	98.0	95.0	92.8	91.9	91.0	96.5	94.1	.

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	Other EU Member States				Switzerland	United States	Japan	Asia excl. Japan	Africa	Latin America	Other countries
		United Kingdom	Sweden	Denmark	Others							
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Exports (f.o.b.)</b>												
2000	1,001.1	189.2	39.2	23.6	97.2	63.9	173.2	34.3	153.7	56.8	47.1	126.3
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	1,085.7	205.9	37.1	25.3	112.1	64.0	184.2	33.1	170.4	59.5	43.4	148.6
2003	1,057.2	192.8	38.3	24.8	117.0	63.2	167.0	31.2	170.4	59.4	37.8	154.0
2002 Q4	269.9	49.8	9.4	6.5	28.3	15.6	45.5	8.3	42.6	14.4	10.4	37.7
2003 Q1	266.1	48.8	9.6	6.3	28.3	16.5	43.2	7.8	42.2	14.5	10.3	38.2
Q2	259.4	46.9	9.5	6.1	29.2	15.6	41.2	7.5	41.6	14.7	9.5	37.7
Q3	264.6	48.1	9.6	6.3	30.2	15.3	41.7	7.8	43.6	15.3	9.1	39.2
Q4	267.2	49.0	9.7	6.1	29.3	15.8	40.9	8.1	42.9	14.9	8.9	38.9
2004 Q1	271.6	.	.	.	.	.	.	.	.	.	.	.
2003 Oct.	89.0	16.1	3.2	2.1	9.8	5.2	13.7	2.7	14.4	5.2	2.9	13.2
Nov.	88.5	16.0	3.3	2.0	9.6	5.4	13.4	2.6	14.4	4.8	3.1	12.8
Dec.	89.7	16.9	3.2	2.0	9.9	5.2	13.7	2.7	14.1	4.9	2.9	12.9
2004 Jan.	90.1	16.1	3.3	2.1	10.1	5.2	13.3	2.8	15.3	5.1	3.3	.
Feb.	90.7	17.0	3.3	2.1	10.3	5.1	14.8	2.8	15.4	4.8	3.1	.
Mar.	90.8	.	.	.	.	.	.	.	.	.	.	.
<i>% share of total exports</i>												
2003	100.0	18.2	3.6	2.4	11.1	6.0	15.8	2.9	16.1	5.6	3.6	14.6
<b>Imports (c.i.f.)</b>												
2000	1,023.7	159.4	39.0	22.2	78.8	50.8	143.6	67.5	217.4	73.7	40.3	133.1
2001	1,012.3	154.3	34.4	21.3	88.8	53.0	138.0	58.6	208.3	74.0	40.9	140.4
2002	985.4	149.7	35.6	22.9	93.5	52.1	125.7	52.7	204.6	67.8	39.4	140.3
2003	984.4	136.6	36.4	22.8	102.0	50.6	110.7	52.1	215.9	68.5	39.5	148.3
2002 Q4	247.0	35.8	9.1	5.9	23.9	12.8	30.4	13.4	52.6	16.8	9.7	36.0
2003 Q1	250.4	35.2	9.1	5.9	24.8	13.2	28.1	13.4	53.3	18.5	9.8	38.2
Q2	244.2	33.9	9.1	5.7	25.1	12.6	28.2	13.1	53.8	16.8	9.7	36.5
Q3	241.5	33.6	9.1	5.6	25.1	12.5	27.7	12.6	53.8	16.7	9.7	36.2
Q4	248.3	34.0	9.2	5.7	27.0	12.3	26.7	13.0	55.0	16.5	10.4	37.4
2004 Q1	246.8	.	.	.	.	.	.	.	.	.	.	.
2003 Oct.	82.0	11.3	3.0	1.9	8.8	4.1	9.2	4.3	18.4	5.5	3.3	12.1
Nov.	83.5	11.3	3.1	1.9	9.0	4.1	9.0	4.3	18.2	5.5	3.5	11.9
Dec.	82.8	11.4	3.0	1.9	9.1	4.1	8.6	4.5	18.4	5.4	3.5	13.4
2004 Jan.	81.9	11.2	3.0	1.8	9.0	4.3	8.6	4.7	18.0	5.4	3.3	.
Feb.	83.3	11.4	3.1	2.0	9.1	4.3	8.8	4.5	18.3	5.2	3.5	.
Mar.	81.5	.	.	.	.	.	.	.	.	.	.	.
<i>% share of total imports</i>												
2003	100.0	13.9	3.7	2.3	10.4	5.1	11.2	5.3	21.9	7.0	4.0	15.1
<b>Balance</b>												
2000	-22.6	29.8	0.3	1.5	18.4	13.2	29.7	-33.2	-63.6	-16.9	6.8	-6.7
2001	51.3	47.8	2.6	3.1	17.0	13.4	42.1	-24.1	-42.8	-13.6	9.0	-4.8
2002	100.2	56.1	1.5	2.3	18.6	11.9	58.5	-19.7	-34.2	-8.3	4.0	8.3
2003	72.8	56.2	2.0	2.0	15.0	12.6	56.3	-21.0	-45.5	-9.1	-1.7	5.6
2002 Q4	23.0	14.0	0.3	0.6	4.5	2.9	15.1	-5.1	-10.0	-2.5	0.7	1.7
2003 Q1	15.7	13.6	0.5	0.4	3.5	3.3	15.2	-5.6	-11.1	-3.9	0.6	0.0
Q2	15.2	13.1	0.4	0.5	4.1	3.0	13.0	-5.6	-12.1	-2.1	-0.1	1.2
Q3	23.1	14.5	0.5	0.7	5.1	2.8	14.0	-4.8	-10.2	-1.5	-0.6	2.9
Q4	18.9	15.0	0.5	0.4	2.3	3.5	14.1	-5.0	-12.1	-1.5	-1.5	1.5
2004 Q1	24.8	.	.	.	.	.	.	.	.	.	.	.
2003 Oct.	7.1	4.8	0.2	0.1	1.0	1.1	4.6	-1.5	-4.0	-0.3	-0.4	1.1
Nov.	4.9	4.7	0.2	0.1	0.5	1.3	4.4	-1.7	-3.8	-0.7	-0.5	0.9
Dec.	6.9	5.4	0.2	0.1	0.8	1.1	5.2	-1.8	-4.3	-0.5	-0.6	-0.5
2004 Jan.	8.1	4.9	0.3	0.4	1.1	0.9	4.7	-1.9	-2.8	-0.3	-0.1	.
Feb.	7.4	5.6	0.2	0.1	1.2	0.8	6.0	-1.7	-2.9	-0.4	-0.4	.
Mar.	9.3	.	.	.	.	.	.	.	.	.	.	.

Sources: Eurostat and ECB calculations based on Eurostat data (balance and columns 5 and 12).

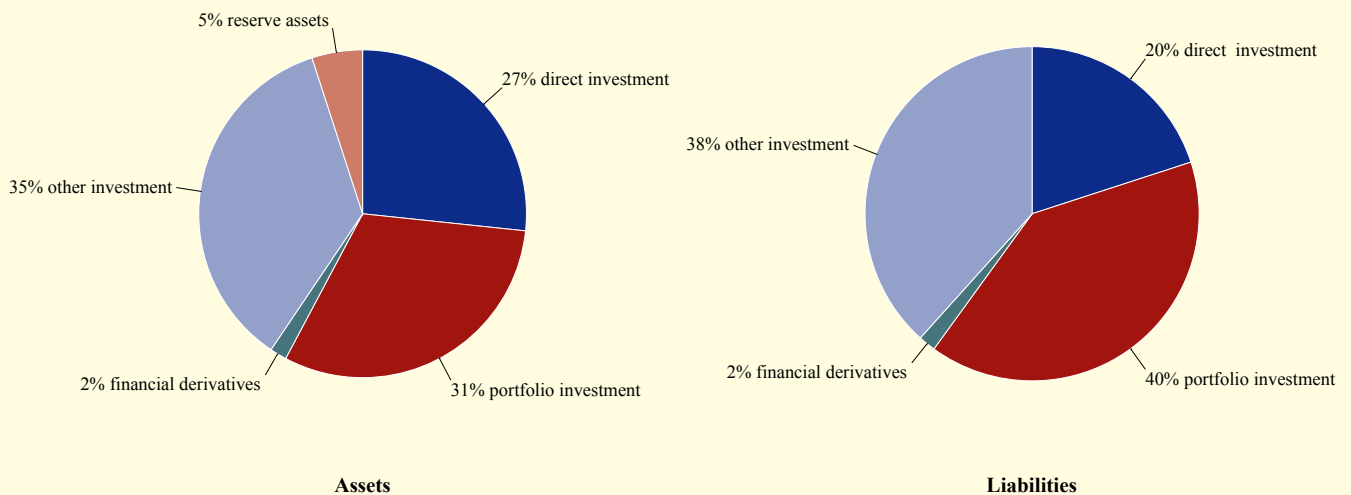
7.4 International investment position

(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	102.8	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	106.9	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	
Eurosystème																
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 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
Mar.	308.4	136.4	393.539	4.6	23.2	144.2	9.7	29.3	105.5	-	-	-	-0.2	0.0	20.4	-10.5
Apr.	302.8	128.0	393.536	4.7	23.7	146.5	9.5	26.5	110.8	-	-	-	-0.3	0.0	20.4	-12.7
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 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
Mar.	37.9	8.5	24.656	0.2	0.0	29.1	1.0	5.4	22.8	-	-	-	0.0	0.0	2.5	-0.4
Apr.	37.7	8.0	24.656	0.2	0.0	29.5	1.0	4.7	23.8	-	-	-	0.0	0.0	2.6	-0.5

Source: ECB.



## EXCHANGE RATES

### 8.1 Effective exchange rates

(period averages; index 1999 Q1=100)

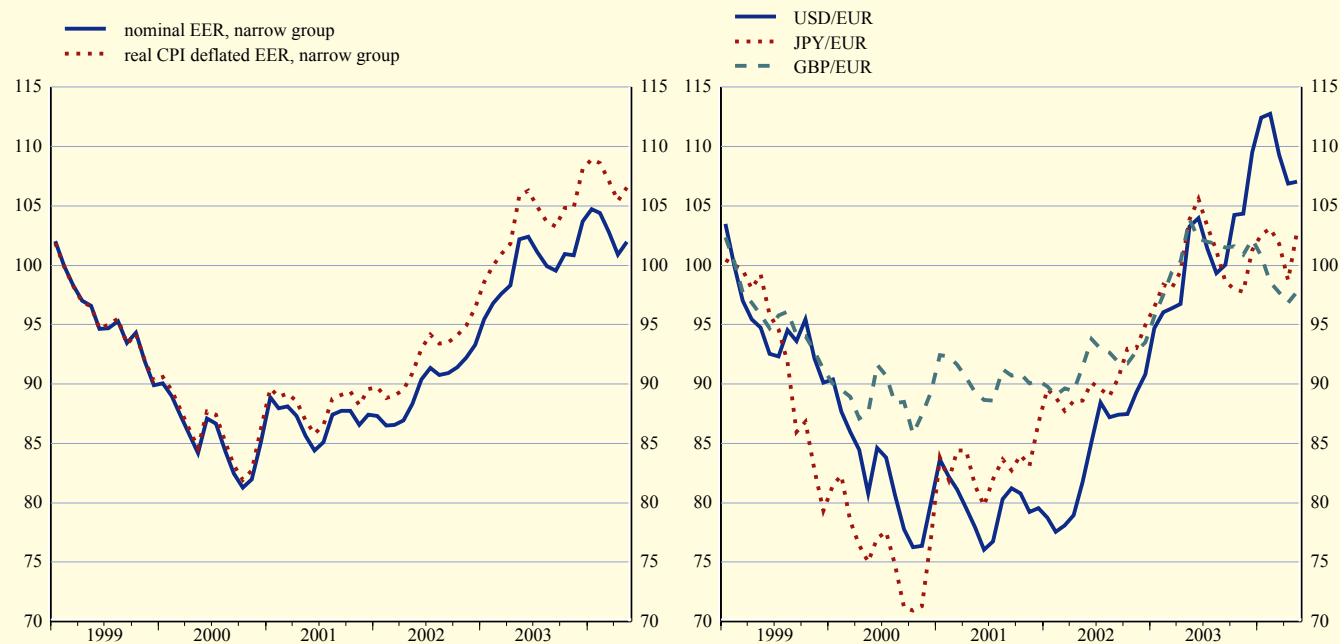
	Narrow group						Broad group		
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI	
	1	2	3	4	5	6	7	8	
2001	87.0	88.4	89.6	88.2	88.4	87.2	90.8	87.7	
2002	89.7	92.3	93.1	92.0	92.0	91.5	95.4	91.6	
2003	99.9	103.6	103.3	103.4	103.5	103.3	106.8	102.0	
2003 Q1	96.6	99.8	100.3	99.4	99.0	99.5	103.9	99.1	
Q2	101.0	104.7	104.4	104.4	104.6	104.2	107.6	102.8	
Q3	100.2	103.9	103.4	103.9	103.9	103.8	106.7	101.9	
Q4	101.8	105.9	105.1	106.1	106.5	105.6	109.1	104.3	
2004 Q1	103.9	108.2	107.4	.	.	.	111.5	106.0	
2003 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	102.7	-	-	-	106.1	101.4	
Oct.	101.0	104.8	104.1	-	-	-	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	108.9	108.0	-	-	-	112.3	106.7	
Feb.	104.4	108.6	107.8	-	-	-	112.1	106.5	
Mar.	102.8	107.1	106.4	-	-	-	110.1	104.9	
Apr.	100.9	105.4	104.6	-	-	-	108.2	103.3	
May	102.0	106.6	105.9	-	-	-	109.6	104.5	
	<i>% change versus previous month</i>								
2004 May	1.1	1.1	1.3	-	-	-	1.2	1.2	
	<i>% change versus previous year</i>								
2004 May	-0.2	0.7	0.2	-	-	-	0.7	0.6	

### 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 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
Apr.	1.1985	0.66533	129.08	1.5547	9.1653	1,381.58	9.3451	7.4436	2.0193	1.6068	8.2976	1.6142	87.59	1.8727	7.8890
May	1.2007	0.67157	134.48	1.5400	9.1277	1,412.29	9.3618	7.4405	2.0541	1.6541	8.2074	1.7033	87.97	1.9484	8.1432
	% change versus previous month														
2004 May	0.2	0.9	4.2	-0.9	-0.4	2.2	0.2	0.0	1.7	2.9	-1.1	5.5	0.4	4.0	3.2
	% change versus previous year														
2004 May	3.7	-5.8	-1.0	1.6	-0.3	1.6	3.7	0.2	2.3	3.3	4.3	-4.7	4.2	-3.0	-8.6
	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 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		
Apr.	0.58630	32.519	15.6466	250.41	3.4529	0.6502	0.4251	4.7597	238.4520	40.151	1.9465	40,683	1,637,423		
May	0.58589	31.976	15.6466	252.91	3.4528	0.6557	0.4259	4.7209	238.7400	40.164	1.9464	40,554	1,818,487		
	% change versus previous month														
2004 May	-0.1	-1.7	0.0	1.0	0.0	0.8	0.2	-0.8	0.1	0.0	0.0	-0.3	11.1		
	% change versus previous year														
2004 May	-0.2	1.9	0.0	2.9	0.0	0.7	-0.8	8.9	2.5	-2.3	0.0	7.8	5.7		

Source: ECB.

## 9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

### 1. Economic and financial developments

	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Slovenia	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13
HICP													
2002	1.4	2.4	3.6	2.8	2.0	0.4	5.2	3.1	1.9	7.5	3.5	2.0	1.3
2003	-0.1	2.0	1.4	4.0	2.9	-1.1	4.7	2.6	0.7	5.7	8.5	2.3	1.4
2003 Q3	-0.2	1.6	1.3	2.7	3.5	-0.8	4.7	2.4	0.7	5.6	8.9	2.3	1.4
Q4	0.8	1.3	1.2	3.2	3.5	-1.2	5.4	1.1	1.4	5.0	9.4	1.9	1.3
2004 Q1	2.0	0.7	0.6	1.0	4.3	-1.1	6.8	0.9	1.8	3.7	8.2	0.6	1.3
2003 Dec.	1.0	1.2	1.2	2.2	3.5	-1.3	5.6	0.7	1.6	4.7	9.3	1.8	1.3
2004 Jan.	2.0	1.0	0.6	1.6	4.0	-1.2	6.7	1.2	1.8	4.0	8.2	1.3	1.4
Feb.	2.0	0.7	0.6	1.4	4.3	-1.2	7.0	0.9	1.8	3.6	8.4	0.2	1.3
Mar.	2.1	0.4	0.7	0.1	4.7	-0.9	6.6	0.5	1.8	3.5	7.9	0.4	1.1
Apr.	2.0	0.5	1.5	0.1	5.0	-0.7	7.0	3.6	2.3	3.6	7.8	1.1	1.2
General government deficit (-)/surplus (+) as a % of GDP													
2001	-6.4	3.1	0.3	-2.4	-1.6	-2.1	-4.4	-6.4	-3.5	-2.7	-6.0	2.8	0.7
2002	-6.4	1.7	1.8	-4.6	-2.7	-1.4	-9.3	-5.7	-3.6	-1.9	-5.7	0.0	-1.6
2003	-12.9	1.5	2.6	-6.3	-1.8	-1.7	-5.9	-9.7	-4.1	-1.8	-3.6	0.7	-3.2
General government gross debt as a % of GDP													
2001	25.2	47.8	4.7	64.4	16.2	23.4	53.5	61.8	36.7	26.9	48.7	54.4	38.9
2002	28.9	47.2	5.7	67.1	15.5	22.8	57.1	61.7	41.2	27.8	43.3	52.6	38.5
2003	37.6	45.0	5.8	72.2	15.6	21.9	59.0	72.0	45.4	27.1	42.8	51.8	39.8
Long-term government bond yield as a % per annum, period average													
2003 Oct.	4.47	4.44	-	4.64	4.98	4.82	7.08	4.68	6.36	6.16	5.08	4.85	4.96
Nov.	4.75	4.57	-	4.75	5.01	4.81	7.82	4.70	6.90	5.54	5.36	4.98	5.10
Dec.	4.82	4.52	-	4.75	5.07	4.81	8.24	4.71	6.76	5.27	5.42	4.86	4.94
2004 Jan.	4.68	4.35	-	4.75	5.06	4.81	8.36	4.71	6.67	5.14	5.16	4.65	4.84
Feb.	4.80	4.30	-	4.79	5.05	4.81	8.65	4.70	6.82	5.01	5.11	4.55	4.88
Mar.	4.50	4.10	-	5.17	4.98	4.64	8.04	4.70	6.65	4.99	5.09	4.31	4.76
3-month interest rate as a % per annum, period average													
2003 Oct.	2.06	2.20	2.61	3.81	3.84	2.57	9.54	2.94	5.42	6.41	5.98	2.86	3.80
Nov.	2.07	2.21	2.61	3.81	3.99	2.50	10.59	2.95	5.68	6.22	6.00	2.85	3.98
Dec.	2.08	2.22	2.61	3.81	4.21	2.68	13.15	2.94	5.69	6.11	5.98	2.82	4.02
2004 Jan.	2.07	2.19	2.61	3.81	4.20	2.66	12.57	2.94	5.37	6.01	5.78	2.73	4.06
Feb.	2.06	2.18	2.61	3.84	4.18	2.66	12.58	2.95	5.46	5.80	5.79	2.55	4.17
Mar.	2.05	2.14	2.62	3.83	4.33	2.67	12.25	2.93	5.49	5.62	5.71	2.37	4.30
Real GDP													
2002	2.0	1.0	6.0	2.0	6.1	6.8	3.5	1.7	1.3	2.9	4.4	2.1	1.6
2003	2.9	0.4	4.7	2.0	7.4	9.0	2.9	.	.	2.3	4.2	1.6	2.2
2003 Q3	3.4	0.1	4.6	2.0	7.3	8.8	2.9	1.9	3.9	2.3	4.2	1.7	2.2
Q4	3.1	1.1	5.7	2.5	7.4	10.6	3.6	.	.	2.5	4.7	2.3	2.7
2004 Q1	.	1.1	.	.	.	.	.	.	.	.	.	.	3.0
Current and capital accounts balance as a % of GDP													
2002	-5.7	2.1	-11.9	-5.4	-7.4	-4.8	-6.8	-1.2	-2.6	1.4	-7.6	4.7	-1.6
2003	-6.5	2.9	-13.2	-2.1	-8.9	-6.2	-9.0	-5.1	-2.0	0.1	-0.5	6.5	-1.6
2003 Q2	-6.0	3.2	-11.0	-3.8	-10.0	-7.0	-9.9	-6.2	-2.0	-0.4	-1.2	5.8	-2.9
Q3	-7.9	4.3	-9.9	11.0	-10.2	-4.5	-7.7	3.2	-1.1	1.9	0.8	6.6	-1.9
Q4	-10.2	1.6	-16.2	-2.2	-9.7	-9.3	-9.1	.	-1.3	-0.7	-0.6	7.1	-1.7
Unit labour costs													
2002	-	1.8	2.0	-	0.0	-12.5	9.0	-	-	6.5	4.1	0.8	2.8
2003	-	1.9	6.1	-	.	0.2	.	-	-	.	7.2	0.5	.
2003 Q3	-	2.5	5.8	-	-	.	-	-	-	-	-	-	.
Q4	-	0.7	4.3	-	-	.	-	-	-	-	-	-	.
2004 Q1	-	2.4	.	-	-	.	-	-	-	-	-	-	.
Standardised unemployment rate as a % of labour force (s.a.)													
2002	7.3	4.6	9.5	3.9	12.5	13.6	5.6	7.5	19.8	6.1	18.7	4.9	5.1
2003	7.8	5.6	10.1	4.5	10.5	12.7	5.8	8.2	19.2	6.5	17.1	5.6	5.0
2003 Q3	8.0	5.8	10.1	4.6	10.4	12.5	5.7	8.5	19.2	6.6	16.8	5.6	4.9
Q4	8.1	5.9	9.7	4.6	10.5	12.1	5.8	8.6	19.1	6.5	16.6	6.0	4.9
2004 Q1	8.2	5.9	9.4	4.7	10.6	11.7	5.9	8.9	19.1	6.4	16.6	6.3	.
2003 Dec.	8.1	6.0	9.6	4.6	10.5	11.9	5.9	8.6	19.1	6.4	16.6	6.0	4.8
2004 Jan.	8.2	5.9	9.5	4.7	10.6	11.7	5.9	8.8	19.1	6.4	16.6	6.0	4.7
Feb.	8.2	5.9	9.4	4.7	10.6	11.7	5.9	9.0	19.1	6.4	16.6	6.4	4.7
Mar.	8.3	5.9	9.3	4.6	10.7	11.5	5.9	9.0	19.0	6.5	16.6	6.3	.
Apr.	8.5	.	9.2	4.4	10.7	11.5	5.9	9.0	18.9	6.4	16.6	6.3	.

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



## 9.2 In the United States and Japan

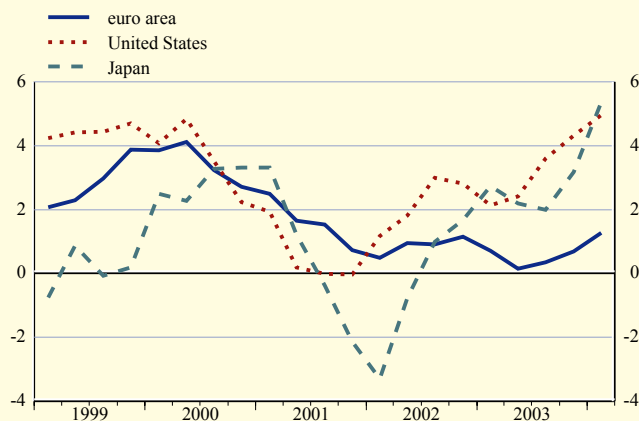
(annual percentage changes, unless otherwise indicated)

### 1. Economic and financial developments

	Consumer price index	Unit labour costs (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money <sup>1)</sup>	3-month interbank deposit rate <sup>2)</sup> as a % per annum	10-year government bond yield <sup>2)</sup> as a % per annum	Exchange rate <sup>3)</sup> as national currency per euro	Fiscal deficit (-)/surplus (+) as a % of GDP	Gross public debt <sup>4)</sup> as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
2000	3.4	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	0.6	3.6	-0.6	6.1	7.2	1.13	4.22	1.1248	-5.2	47.7
Q4	1.9	-0.4	4.3	1.7	5.9	4.5	1.17	4.27	1.1890	.	.
2004 Q1	1.8	-0.4	5.0	3.1	5.6	4.2	1.12	4.00	1.2497	.	.
2004 Jan.	1.9	-	-	2.1	5.6	3.8	1.13	4.13	1.2613	-	-
Feb.	1.7	-	-	3.4	5.6	4.1	1.12	4.06	1.2646	-	-
Mar.	1.7	-	-	3.8	5.7	4.6	1.11	3.81	1.2262	-	-
Apr.	2.3	-	-	5.2	5.6	4.9	1.15	4.32	1.1985	-	-
May	.	-	-	.	.	.	1.25	4.70	1.2007	-	-
Japan											
2000	-0.7	-6.7	2.8	5.7	4.7	2.1	0.28	1.76	99.47	-7.4	126.1
2001	-0.7	4.4	0.4	-6.8	5.0	2.8	0.15	1.34	108.68	-6.1	134.6
2002	-0.9	-3.2	-0.3	-1.2	5.4	3.3	0.08	1.27	118.06	.	.
2003	-0.3	-3.9	2.5	3.2	5.3	1.7	0.06	0.99	130.97	.	.
2003 Q1	-0.2	-6.4	2.7	5.5	5.4	1.9	0.06	0.80	127.59	.	.
Q2	-0.2	-3.0	2.2	2.2	5.4	1.6	0.06	0.60	134.74	.	.
Q3	-0.2	-1.5	2.0	1.0	5.2	1.8	0.05	1.20	132.14	.	.
Q4	-0.3	-4.3	3.2	4.2	5.1	1.5	0.06	1.38	129.45	.	.
2004 Q1	-0.1	.	5.4	6.8	4.9	.	0.05	1.31	133.97	.	.
2004 Jan.	-0.3	-5.3	-	5.3	5.0	1.6	0.06	1.33	134.13	-	-
Feb.	0.0	-6.5	-	6.6	5.0	1.7	0.05	1.25	134.78	-	-
Mar.	-0.1	-	-	8.3	4.7	.	0.05	1.35	133.13	-	-
Apr.	-0.4	-	-	8.5	4.7	.	0.05	1.51	129.08	-	-
May	.	-	-	.	.	.	0.05	1.49	134.48	-	-

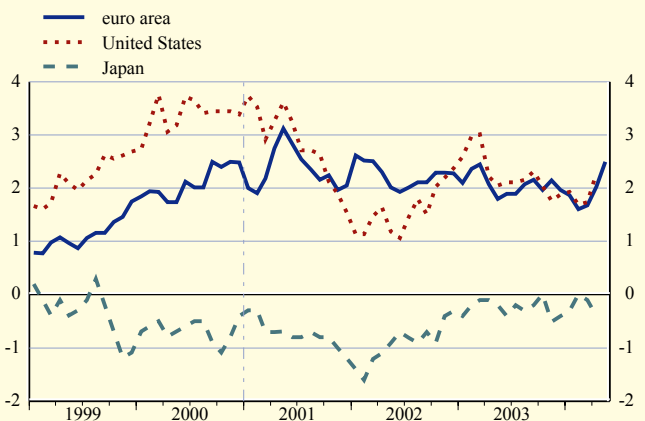
### C35 Real gross domestic product

(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

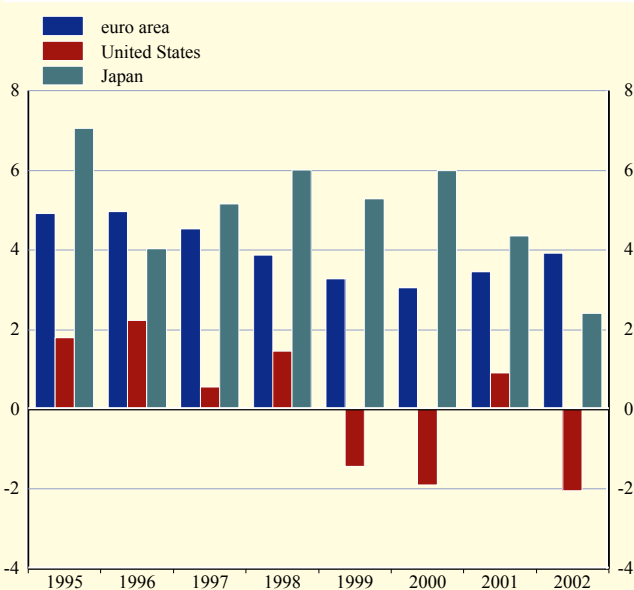
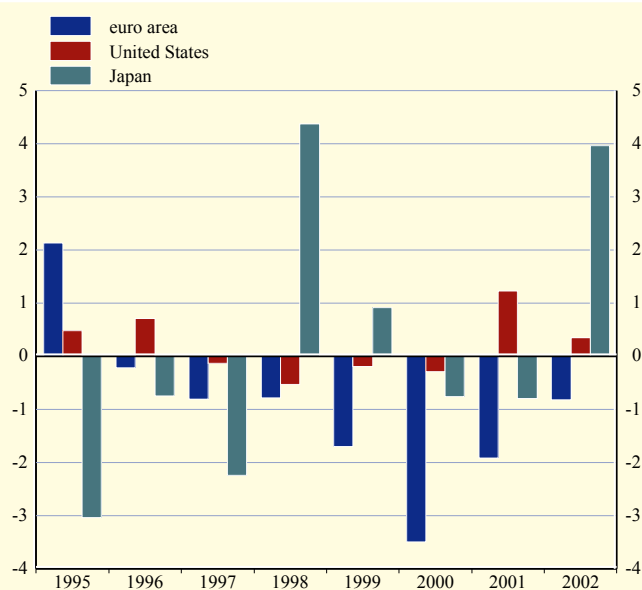
(as a percentage of GDP)

### 2. Saving, investment and financing

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households <sup>1)</sup>			
	Gross saving	Gross capital formation	Net lending to the rest of the world	Gross capital formation	Gross fixed capital formation	Net acquisition of financial assets	Gross saving	Net incurrence of liabilities	Securities and shares	Capital expenditures <sup>2)</sup>	Net acquisition of financial assets	Gross saving <sup>3)</sup>	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 households<sup>1)</sup>  
(as a percentage of GDP)



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

1) Including non-profit institutions serving households.

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.

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## TECHNICAL NOTES

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

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

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

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

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

### RELATING TO SECTIONS 2.1 TO 2.6

#### CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

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

#### CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

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

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

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

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

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

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

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

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

#### CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

#### SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS<sup>1</sup>

The approach used relies on a multiplicative decomposition through X-12-ARIMA.<sup>2</sup> The seasonal adjustment may include a day-of-the-week adjustment, and for some series is carried out indirectly by means of a linear combination of components. In particular, this is the case for M3, derived by aggregating the seasonally adjusted series for M1, M2 less M1, and M3 less M2.

The seasonal adjustment procedures are first applied to the index of adjusted outstanding amounts.<sup>3</sup> The resulting estimates of the seasonal factors are then applied to the levels and to the adjustments arising from reclassifications and revaluations, in turn yielding seasonally adjusted transactions.

Seasonal (and trading day) factors are revised at annual intervals or as required.

#### RELATING TO SECTIONS 3.1 TO 3.3

#### CALCULATION OF GROWTH RATES

Growth rates are calculated on the basis of financial transactions and therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions.

If  $T_t$  represents the transactions in quarter  $t$  and  $L_t$  represents the outstanding amount at the end of quarter  $t$ , then the growth rate for the quarter  $t$  is calculated as:

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

#### 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

<sup>1</sup> For details, see "Seasonal adjustment of monetary aggregates and HICP for the euro area", ECB (August 2000) and the "Statistics" section of the ECB's website ([www.ecb.int](http://www.ecb.int)), under the "Monetary statistics" sub-section.

<sup>2</sup> For details, see Findley, D., Monsell, B., Bell, W., Otto, M., and Chen, B. C. (1998), "New Capabilities and Methods of the X-12-ARIMA Seasonal Adjustment Program", *Journal of Business and Economic Statistics*, 16, 2, pp.127-152, or "X-12-ARIMA Reference Manual", Time Series Staff, Bureau of the Census, Washington, D.C.

For internal purposes, the model-based approach of TRAMO-SEATS is also used. For details on TRAMO-SEATS, see Gomez, V. and Maravall, A. (1996), "Programs TRAMO and SEATS: Instructions for the User", Banco de España, Working Paper No. 9628, Madrid.

<sup>3</sup> It follows that for the seasonally adjusted series, the level of the index for the base period, i.e. December 2001, generally differs from 100, reflecting the seasonality of that month.

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 1 IN SECTION 5.1

### SEASONAL ADJUSTMENT OF THE HICP<sup>4</sup>

The approach used relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The seasonal adjustment of the overall HICP for the euro area is carried out indirectly by aggregating the seasonally adjusted euro area series for processed food, unprocessed food, industrial goods excluding energy, and services. Energy is added without adjustment since there is no statistical evidence of seasonality. Seasonal factors are revised at annual intervals or as required.

## RELATING TO TABLE 2 IN SECTION 7.1

### SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

The approach relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). 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.

<sup>4</sup> For details, see “Seasonal adjustment of monetary aggregates and HICP for the euro area”, ECB (August 2000) and the “Statistics” section of the ECB’s website ([www.ecb.int](http://www.ecb.int)), under the “Monetary statistics” sub-section.







## GENERAL NOTES

The “Euro area statistics” section of the Monthly Bulletin focuses on statistics for the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available in the “Statistics” section of the ECB’s website ([www.ecb.int](http://www.ecb.int)). Services available under the “Statistics on-line” subsection include a browser interface with search facilities, subscription to different datasets and a facility for downloading data directly as compressed Comma Separated Value (CSV) files. For further information, please contact us at: [statistics@ecb.int](mailto: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 2 June 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 “Other EU Member States” comprises the Czech Republic, Denmark, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, Slovakia, Sweden and United Kingdom.

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 were implemented on 10 March 2004. As a result of these changes, maintenance periods 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 was defined to cover the period from 24 January to 9 March 2004.

Table 1 in Section 1.4 shows the components of the reserve base of credit institutions subject to reserve requirements. The liabilities vis-à-vis other credit institutions subject to the ESCB's minimum reserve system, the ECB and participating national central banks are excluded from the reserve base. When a credit institution cannot provide evidence of the amount of its issues of debt securities with a maturity of up to two years held by the institutions mentioned above, it may deduct a certain percentage of these liabilities from its reserve base. The percentage for calculating the reserve base was 10% until November 1999 and 30% thereafter.

Table 2 in Section 1.4 contains average data for completed maintenance periods. The amount of the reserve requirement of each individual credit institution is first calculated by applying the reserve ratio for the corresponding categories of liabilities to the eligible liabilities, using the balance sheet data from the end of each calendar month. Subsequently, each credit institution deducts from this figure a lump-sum allowance of €100,000. The resulting required reserves are then aggregated at the euro area level (column 1). The current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve the fulfilment of reserve requirements. The excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. The deficiencies (column 4) are defined as the average shortfalls of current account holdings from required reserves over the maintenance period, computed

on the basis of those credit institutions that have not fulfilled their reserve requirement. The interest rate on minimum reserves (column 5) is equal to the average, over the maintenance period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's main refinancing operations (see Section 1.3).

Table 3 in Section 1.4 shows the banking system's liquidity position, which is defined as the current account holdings in euro of credit institutions in the euro area with the Eurosystem. All amounts are derived from the consolidated financial statement of the Eurosystem. The other liquidity-absorbing operations (column 7) exclude the issuance of debt certificates initiated by national central banks in Stage Two of EMU. The net other factors (column 10) represent the netted remaining items in the consolidated financial statement of the Eurosystem. The credit institutions' current accounts (column 11) are equal to the difference between the sum of liquidity-providing factors (columns 1 to 5) and the sum of liquidity-absorbing factors (columns 6 to 10). The base money (column 12) is calculated as the sum of the deposit facility (column 6), the banknotes in circulation (column 8) and the credit institutions' current account holdings (column 11).

## **MONEY, BANKING AND INVESTMENT FUNDS**

Section 2.1 shows the aggregated balance sheet of the monetary financial institution (MFI) sector, i.e. the sum of the harmonised balance sheets of all MFIs resident in the euro area. MFIs are central banks, credit institutions as defined under Community law, money market funds and other institutions whose business it is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. A complete list of MFIs is published on the ECB's website.

Section 2.2 shows the consolidated balance sheet of the MFI sector, which is obtained by netting the aggregated balance sheet positions between MFIs in the euro area. Due to limited heterogeneity in recording practices, the sum of the inter-MFI positions is not necessarily zero; the balance is shown in column 10 of the liabilities side of Section 2.2. Section 2.3 sets out the euro area monetary aggregates and counterparts. These are derived from the consolidated MFI balance sheet; they also take account of some monetary assets/liabilities of central government. Statistics on monetary aggregates and counterparts are adjusted for seasonal and trading-day effects. The external liabilities item of Sections 2.1 and 2.2 shows the holdings by non-euro area residents of i) shares/units issued by money market funds located in the euro area and ii) debt securities issued with a maturity of up to two years by MFIs located in the euro area. In Section 2.3, however, these holdings are excluded from the monetary aggregates and contribute to the item “net external assets”.

Section 2.4 provides an analysis by sector, type and original maturity of loans granted by MFIs other than the Eurosystem (the banking system) resident in the euro area. Section 2.5 shows a sectoral and instrument analysis of deposits held with the euro area banking system. Section 2.6 shows the securities held by the euro area banking system, by type of issuer.

Sections 2.2 to 2.6 include transactions, which are derived as differences in outstanding amounts adjusted for reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. Section 2.7 shows selected revaluations which are used in the derivation of transactions. Sections 2.2 to 2.6 also provide growth rates in terms of annual percentage changes based on the transactions. Section 2.8 shows a quarterly currency breakdown of selected MFI balance sheet items.

Details of the sector definitions are set out in the “Money and Banking Statistics Sector

Manual – Guidance for the statistical classification of customers” (ECB, November 1999). The “Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics” (ECB, November 2002) explains practices recommended to be followed by the NCBs. Since 1 January 1999 the statistical information has been collected and compiled on the basis of Regulation ECB/1998/16 of 1 December 1998 concerning the consolidated balance sheet of the Monetary Financial Institutions sector<sup>1</sup>, as last amended by Regulation ECB/2003/10<sup>2</sup>.

In line with this Regulation, the balance sheet item “money market paper” has been merged with the item “debt securities” on both the assets and liabilities side of the MFI balance sheet.

Section 2.9 shows end-of-quarter outstanding amounts for the balance sheet of the euro area investment funds (other than money market funds). The balance sheet is aggregated and therefore includes, among the liabilities, holdings by investment funds of shares/units issued by other investment funds. Total assets/liabilities are also broken down by investment policy (equity funds, bond funds, mixed funds, real estate funds and other funds) and by type of investor (general public funds and special investors’ funds). Section 2.10 shows the aggregated balance sheet for each investment fund sector as identified by investment policy and type of investor.

## FINANCIAL AND NON-FINANCIAL ACCOUNTS

Sections 3.1 and 3.2 show quarterly data on financial accounts for non-financial sectors in the euro area, comprising general government (S.13 in the ESA 95), non-financial corporations (S.11 in the ESA 95), and households (S.14 in the ESA 95) including non-

1 OJL 356, 30.12.1998, p. 7.

2 OJL 250, 2.10.2003, p. 19.

profit institutions serving households (S.15 in the ESA 95). The data cover non-seasonally adjusted amounts outstanding and financial transactions classified according to the ESA 95 and show the main financial investment and financing activities of the non-financial sectors. On the financing side (liabilities), the data are presented by ESA 95 sector and original maturity (“short-term” refers to an original maturity of up to one year; “long-term” refers to an original maturity of over one year). Whenever possible, the financing taken from MFIs is presented separately. The information on financial investment (assets) is currently less detailed than that on financing, especially since a breakdown by sector is not possible.

Section 3.3 shows quarterly data on financial accounts for insurance corporations and pension funds (S.125 in the ESA 95) in the euro area. As in Sections 3.1 and 3.2, the data cover non-seasonally adjusted amounts outstanding and financial transactions, and show the main financial investment and financing activities of this sector.

The quarterly data in these three sections are based on quarterly national financial accounts data and MFI balance sheet and securities issues statistics. Sections 3.1 and 3.2 also refer to data taken from the BIS international banking statistics. Although all euro area countries contribute to the MFI balance sheet and securities issues statistics, Ireland and Luxembourg do not yet provide quarterly national financial accounts data.

Section 3.4 shows annual data on saving, investment (financial and non-financial) and financing for the euro area as a whole, and separately for non-financial corporations and households. These annual data provide, in particular, fuller sectoral information on the acquisition of financial assets and are consistent with the quarterly data in the two previous sections.

## FINANCIAL MARKETS

The series on financial market statistics for the euro area cover the EU Member States that had adopted the euro at the time to which the statistics relate.

Statistics on securities other than shares and quoted shares (Sections 4.1 to 4.4) are produced by the ECB using data from the ESCB and the BIS. Section 4.5 presents MFI interest rates on euro-denominated deposits and loans by euro area residents. Statistics on money market interest rates, long-term government bond yields and stock market indices (Sections 4.6 to 4.8) are produced by the ECB using data from wire services.

Statistics on securities issues cover securities other than shares (debt securities), which are presented in Sections 4.1, 4.2 and 4.3, and quoted shares, which are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. “Short-term” means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as “long-term”. The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. Euro-denominated securities indicated in Sections 4.1, 4.2 and 4.3 also include items expressed in national denominations of the euro.

Section 4.1 shows securities issued, redemptions, net issues and outstanding amounts for all maturities, with an additional breakdown of long-term maturities. Net issues differ from the change in outstanding amounts owing to valuation changes, reclassifications and other adjustments.

Columns 1 to 4 show the outstanding amounts, gross issues, redemptions and net issues for all euro-denominated issues. Columns 5 to 8 show

the outstanding amounts, gross issues, redemptions and net issues for all securities other than shares (debt securities) issued by euro residents. Columns 9 to 11 show the percentage share of the outstanding amounts, gross issues and redemptions of securities that have been issued in euro by euro area residents. Column 12 shows euro-denominated net issues by euro area residents.

Section 4.2 contains a sectoral breakdown of outstanding amounts and gross issues for euro area resident issuers which is in line with the ESA 95<sup>3</sup>. The ECB is included in the Eurosystem.

The total outstanding amounts in column 1 of Section 4.2 are identical to the data on outstanding amounts of Section 4.1, column 5. The outstanding amounts of securities issued by MFIs in Section 4.2, column 2, are broadly comparable with debt securities issued as shown on the liabilities side of the aggregated MFI balance sheet in Section 2.1, column 8.

Section 4.3 shows annual growth rates for debt securities issued by euro area residents (broken down by maturity and by sector of the issuer), which are based on financial transactions that occur when an institutional unit acquires or disposes of financial assets and incurs or repays liabilities. The annual growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions.

Section 4.4, columns 1, 4, 6 and 8, show the outstanding amounts of quoted shares issued by euro area residents broken down by issuing sector. The monthly data for quoted shares issued by non-financial corporations correspond to the quarterly series shown in Section 3.2 (main liabilities, column 21).

Section 4.4, columns 3, 5, 7 and 9, show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial

transactions that occur when an issuer sells or redeems shares for cash excluding investments in the issuers' own shares. Transactions include the quotation of an issuer on a stock exchange for the first time and the creation or deletion of new instruments. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes which do not arise from transactions.

Section 4.5 presents statistics on all the interest rates that MFIs resident in the euro area apply to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area. Euro area MFI interest rates are calculated as a weighted average (by corresponding business volume) of the euro area countries' interest rates for each category.

MFI interest rate statistics are broken down by type of business coverage, sector, instrument category and maturity, period of notice or initial period of interest rate fixation. The new MFI interest rate statistics replace the ten transitional statistical series on euro area retail interest rates that have been published in the ECB's Monthly Bulletin since January 1999.

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages.

<sup>3</sup> The code numbers in the ESA 95 for the sectors shown in tables in the Monthly Bulletin are: MFIs (including the Eurosystem), which comprises the ECB, the NCBs of the euro area countries (S.121) and other monetary financial institutions (S.122); non-monetary financial corporations, which comprises other financial intermediaries (S.123), financial auxiliaries (S.124) and insurance corporations and pension funds (S.125); non-financial corporations (S.11); central government (S.1311); and other general government, which comprises state government (S.1312), local government (S.1313) and social security funds (S.1314).

Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999 column 1 of Section 4.6 shows the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999 interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

Section 4.7 presents government bond yields for the euro area, the United States and Japan. Until December 1998, two-, three-, five- and seven-year euro area yields were end-of-period values and ten-year yields period averages. Thereafter, all yields are period averages. Until December 1998, euro area yields were calculated on the basis of harmonised national government bond yields weighted by GDP; thereafter, the weights are the nominal outstanding amounts of government bonds in each maturity band. For the United States and Japan, ten-year yields are period averages.

Section 4.8 shows stock market indices for the euro area, the United States and Japan.

## **PRICES, OUTPUT, DEMAND AND LABOUR MARKETS**

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities. Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger car registrations are adjusted for the variations in the number of working days.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Section 5.1) is

available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown by goods and services components is derived from the Classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure on final consumption by households on the economic territory of the euro area. The table includes seasonally adjusted HICP data which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics<sup>4</sup>. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001<sup>5</sup>. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

World market prices of raw materials (Table 2 in Section 5.1) measures price changes of euro-denominated euro area imports compared with the base period.

The Labour Cost Indices (Table 3 in Section 5.1) measure the average labour cost per hour worked. They do not, however, cover agriculture, fishing, public administration, education, health and services not elsewhere classified. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised national definition data.

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2

4 OJL 162, 5.6.1998, p. 1.

5 OJL 86, 27.3.2001, p. 11.



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.

Retail sales (Table 4 in Section 5.2) measures the turnover, including all duties and taxes with the exception of VAT, of all retail trade excluding sales of motor vehicles and motorcycles, and except repairs. New passenger car registrations covers registrations of both private and commercial passenger cars.

Qualitative business and consumer survey data (Table 5 in Section 5.2) draw on the European Commission Business and Consumer Surveys.

Unemployment rates (Table 2 in Section 5.3) conform to International Labour Organisation (ILO) guidelines. They refer to persons actively seeking work as a share of the labour force, using harmonised criteria and definitions. The labour force estimates underlying the unemployment rate are different from the sum of the employment and unemployment levels published in Section 5.3.

## GOVERNMENT FINANCE

Sections 6.1 to 6.3 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The euro area aggregates are compiled by the ECB from harmonised data provided by the NCBs, which are regularly updated. The deficit and debt data for the euro area countries may therefore differ from those used by the European Commission within the excessive deficit procedure.

Section 6.1 shows general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000<sup>6</sup> amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and

6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects.

## EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1, 7.2, 7.4 and 7.5) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 2 May 2003 on the statistical reporting requirements of the ECB (ECB/2003/7)<sup>7</sup>, and Eurostat documents. Additional references about the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled “European Union balance of payments/international investment position statistical methods” (November 2003), which can be downloaded from the ECB’s website.

The presentation of net transactions in the financial account follows the sign convention of the IMF Balance of Payments Manual: an increase of assets appears with a minus sign, while an increase of liabilities appears with a plus sign. In the current account and capital account, both credit and debit transactions are presented with a plus sign.

The euro area b.o.p. is compiled by the ECB. The recent monthly figures should be regarded as provisional. Data are revised when figures for the following month and/or the detailed quarterly b.o.p. are published. Earlier data are revised periodically or as a result of

<sup>6</sup> OJL 172, 12.7.2000, p. 3.

<sup>7</sup> OJL 131, 28.5.2003, p. 20.

methodological changes in the compilation of the source data.

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 (Section 9.1) follow the same principles as those for data relating to the euro area. Data for the United States and Japan contained in Section 9.2 are obtained from national sources.





## CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM<sup>1</sup>

### 3 JANUARY 2002

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.25%, 4.25% and 2.25% respectively.

The Governing Council also decides on an allotment amount of €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

<sup>1</sup> The chronology of monetary policy measures of the Eurosystem taken between 1999 and 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.

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, 6 MAY, 3 JUNE 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.

# THE TARGET (TRANS-EUROPEAN AUTOMATED REAL-TIME GROSS SETTLEMENT EXPRESS TRANSFER) SYSTEM



## PAYMENT FLOWS IN TARGET

In the first quarter of 2004 TARGET processed a daily average of 266,739 payments with a value of €1,704 billion. Compared with the previous quarter, this represents a decrease of 2% in terms of volume and an increase of 6% in terms of value. The decrease in volume was due to a fall in the number of intra-Member State payments processed in TARGET. The value of intra-Member State traffic increased. TARGET inter-Member State traffic grew in terms of both volume and value. TARGET's overall market share remained 87.0% in value terms and increased to 58.8% in volume terms.

## TARGET INTRA-MEMBER STATE

TARGET processed a daily average of 201,361 intra-Member State payments with a value of €1,134 billion, representing a decrease of 4% in volume and an increase of 6% in value as compared with the previous quarter. Compared with the corresponding period in 2003, the volume grew by 3% and the value decreased by 1%.

TARGET intra-Member State traffic accounted for 75.5% of the total volume and 66.5% of the total value of TARGET. The average value of an intra-Member State payment, at €5.6 million, was €0.5 million higher than in the previous quarter.

The highest intra-Member State volume was processed on 30 January 2004, with a total of 258,700 payments. At €1,538 billion, the highest value was recorded on 31 March 2004, the last day of the first quarter.

65% of all intra-Member State TARGET payments were less than or equal to €50,000, while 12% were higher than €1 million. On average there were 128 TARGET intra-Member State payments per day with a value above €1 billion.

## TARGET INTER-MEMBER STATE

At the inter-Member State level, TARGET processed a daily average of 65,378 payments with a value of €570 billion. Compared with the fourth quarter of 2003, this represents growth of 4% and 7% respectively. The inter-Member State figures went up by 14% in volume terms and 4% in value terms as compared with the first quarter of last year.

Interbank payments increased by 5% in terms of volume and 7% in terms of value as compared with the previous quarter. Customer payments showed an increase of 3% in both volume and value.

The ratio of interbank payments to the average daily TARGET inter-Member State traffic was 49.6% in terms of volume and 95.3% in terms of value. Compared with the fourth quarter of 2003, the average value of interbank payments rose from €16.4 million to €16.7 million and that of customer payments from €832,000 to €837,000.

During the first quarter the highest total value of TARGET inter-Member State payments in a single day was recorded on 15 March 2004, on which date €688 billion was processed. In terms of volume, the peak day was 30 January 2004, when 88,788 inter-Member State payments were processed in TARGET.

60% of the inter-Member State payments in TARGET had a value less than or equal to €50,000. 15% had a value above €1 million. On average there were 40 TARGET inter-Member State payments per day with a value above €1 billion.

## TARGET AVAILABILITY AND BUSINESS PERFORMANCE

TARGET operated smoothly in the first quarter of 2004 and achieved an overall availability of 99.87%. The number of incidents experienced in TARGET was the lowest since the start of TARGET operations. The adjacent table shows the figures for each national TARGET component and the ECB payment mechanism. In the first quarter 94.88% of the TARGET inter-Member State payments were processed in less than 5 minutes. 4.74% needed between 5 minutes and 15 minutes, and 0.23% required between 15 minutes and 30 minutes. Owing to incidents in TARGET, the processing time exceeded 30 minutes for an average of 105 of the 65,378 inter-Member State payments processed per day.

**Table 1 TARGET availability for each national component and the ECB payment mechanism**

National TARGET component	Availability Q1 2004
Belgium	99.92%
Denmark	100.00%
Germany	99.13%
Greece	99.85%
Spain	99.83%
France	100.00%
Ireland	100.00%
Italy	99.87%
Luxembourg	100.00%
The Netherlands	100.00%
Austria	99.90%
Portugal	99.87%
Finland	100.00%
Sweden	100.00%
United Kingdom	100.00%
ECB payment mechanism	99.61%
<b>Overall TARGET availability</b>	<b>99.87%</b>

**Table 2 Payment instructions processed by TARGET and other selected interbank funds transfer systems: volume of transactions**

(number of payments)

	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1
<b>TARGET</b>					
All TARGET payments					
Total volume	15,932,658	16,606,135	16,665,036	17,404,115	17,071,290
Daily average	252,899	267,841	252,501	271,939	266,739
Inter-Member State TARGET payments					
Total volume	3,626,612	3,790,098	3,813,244	4,023,122	4,184,179
Daily average	57,565	61,131	57,776	62,861	65,378
Intra-Member State TARGET payments					
Total volume	12,306,046	12,816,037	12,851,792	13,380,993	12,887,110
Daily average	195,334	206,710	194,724	209,078	201,361
<b>Other systems</b>					
Euro 1 (EBA)					
Total volume	9,175,565	9,752,646	9,835,244	10,088,174	9,669,240
Daily average	145,664	157,301	149,019	157,628	151,082
Paris Net Settlement (PNS)					
Total volume	1,848,463	1,860,345	1,790,113	1,833,104	1,772,742
Daily average	29,341	30,006	27,123	28,642	27,669
Servicio Español de Pagos Interbancarios (SPI)					
Total volume	475,698	461,878	419,123	423,513	365,097
Daily average	7,551	7,450	6,350	6,617	5,705
Pankkien On-line Pikasiirrot ja Sekit järjestelmä (POPS)					
Total volume	134,248	191,101	151,666	134,620	131,082
Daily average	2,131	3,082	2,298	2,103	2,048



**Table 3 Payment instructions processed by TARGET and other selected interbank funds transfer systems: value of transactions**

(EUR billions)

	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1
<b>TARGET</b>					
<b>All TARGET payments</b>					
Total value	106,869	105,978	105,216	102,686	109,062
Daily average	1,696	1,709	1,594	1,604	1,704
<b>Inter-Member State TARGET payments</b>					
Total value	34,636	33,545	34,570	34,128	36,487
Daily average	550	541	524	533	570
<b>Intra-Member State TARGET payments</b>					
Total value	72,233	72,433	70,646	68,558	72,575
Daily average	1,147	1,168	1,070	1,071	1,134
<b>Other systems</b>					
<b>Euro 1 (EBA)</b>					
Total value	11,431	11,074	11,331	10,898	11,647
Daily average	181	179	172	170	182
<b>Paris Net Settlement (PNS)</b>					
Total value	4,896	4,698	4,203	4,180	4,276
Daily average	78	76	64	65	67
<b>Servicio Español de Pagos Interbancarios (SPI)</b>					
Total value	79	78	75	74	60
Daily average	1	1	1	1	1
<b>Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)</b>					
Total value	115	111	96	104	120
Daily average	2	2	1	2	2





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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.

