



EUROPEAN CENTRAL BANK

MONTHLY BULLETIN 12 | 2005

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DECEMBER

EUROPEAN CENTRAL BANK





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## MONTHLY BULLETIN DECEMBER 2005

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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 1 December 2005, the Governing Council of the ECB decided to increase the minimum bid rate on the main refinancing operations of the Eurosystem by 25 basis points to 2.25%. The interest rates on the marginal lending facility and the deposit facility were also increased by 25 basis points to 3.25% and 1.25% respectively. In line with the changes in the ECB's monetary policy framework in March 2004, these decisions came into effect at the start of the new reserve maintenance period on 6 December.

On the basis of its regular economic and monetary analyses, the Governing Council decided to increase the key ECB interest rates by 25 basis points after two and a half years of maintaining rates at historically low levels. The decision to increase interest rates was warranted so as to adjust the accommodative stance of the ECB's monetary policy and thus take into account the risks to price stability identified in the economic analysis and confirmed by cross-checking with the monetary analysis. The Governing Council's decision will contribute to keeping medium to long-term inflation expectations in the euro area solidly anchored at levels consistent with price stability. Such anchoring of inflation expectations is a prerequisite for monetary policy to make an ongoing contribution towards supporting economic growth in the euro area. In fact, interest rates across the entire maturity spectrum continue to remain very low in both nominal and real terms. Thus, the monetary policy of the ECB remains accommodative and continues to lend considerable support to sustainable economic activity and job creation. The Governing Council will continue to monitor closely all developments with respect to risks to price stability.

Starting with the economic analysis underlying the Governing Council's assessment, recent data and survey evidence indicate that economic activity has strengthened in the second half of this year. According to Eurostat's first estimate, real GDP growth was 0.6% quarter on quarter in the third quarter of 2005, after 0.3%

in the first and 0.4% in the second quarter. Moreover, the information on business confidence broadly remains consistent with continued economic growth towards the end of the year. Looking ahead, on the external side, ongoing growth in global demand should support euro area exports, while on the domestic side, investment should benefit from continued favourable financing conditions and the robust growth of corporate earnings. Private consumption should grow broadly in line with expected developments in real disposable income. At the same time, the outlook for economic activity remains subject to downward risks, relating mainly to higher than expected oil prices, concerns about global imbalances and weak consumer confidence.

This assessment is broadly consistent with the December 2005 Eurosystem staff projections. Euro area real GDP is projected to grow at rates of between 1.2% and 1.6% in 2005, and between 1.4% and 2.4% in 2006 and 2007. Most recent forecasts by international organisations give a similar picture. In comparison with the September 2005 ECB staff projections, the ranges projected for real GDP growth in 2005 and 2006 have been revised slightly upwards.

Turning to price developments, recent increases – mainly in energy prices – have lifted headline inflation rates to levels significantly in excess of 2%. According to Eurostat's flash estimate, annual HICP inflation was 2.4% in November 2005, compared with 2.6% and 2.5% in the two preceding months. It is likely that annual HICP inflation rates will remain elevated in the short term.

In interpreting current inflation rates, it is important to make a clear distinction between temporary, short-term factors, on the one hand, and factors of a more lasting nature, on the other. In that respect, it is of crucial importance to take a strictly forward-looking perspective, which does not allow much comfort to be drawn from the current, comparatively lower rates for measures of inflation that exclude certain

components, such as energy or certain categories of food. Such measures of “core” inflation have, at least in the past, been shown to lag behind, rather than lead, the developments in headline inflation. In addition, the increase in energy prices to a large extent reflects higher global demand for energy. While it is difficult to quantify precisely this effect, it would appear inappropriate to exclude energy from the price index and at the same time retain other items, such as internationally traded manufactured goods. Owing to the same forces of globalisation, these goods currently exhibit little upward movement in prices and even suggest a downward trend. All in all, in line with the monetary policy strategy of the ECB, a comprehensive and forward-looking analysis of the main underlying developments driving the outlook for price stability is warranted. This comprehensive assessment encompasses the information contained in various measures of inflation.

An important input into the Governing Council’s analysis is provided by the Eurosystem staff projections. The projections indicate average HICP inflation to lie between 2.1% and 2.3% in 2005, and between 1.6% and 2.6% in 2006. These results constitute an upward revision to the ECB staff projections of September 2005. They mainly reflect the fact that the effects of the statistical treatment of the 2006 health reform in the Netherlands are no longer expected to distort the inflation figures for 2006. For 2007 an average inflation rate of between 1.4% and 2.6% is projected. Underlying these projections is the assumption that wage increases will remain contained, as has been the case over recent quarters. Most recent forecasts by international organisations give a broadly similar picture.

In the view of the Governing Council, the main scenario for price stability emerging from the economic analysis remains subject to upside risks. Such risks relate to uncertainties arising from oil market developments, the pass-through of previous oil price increases to consumers via the domestic production chain, the possibility

of second-round effects in wage and price-setting behaviour, as well as further increases in administered prices and indirect taxes.

Evidence pointing to increased upside risks to price stability over the medium to longer term comes from the monetary analysis. Liquidity in the euro area is ample by all plausible measures. The strengthening of monetary growth observed since mid-2004 has gained further momentum over the past months. Growth in the monetary aggregate M3 has been driven by its most liquid components, confirming the increasingly dominant impact of the low level of interest rates. Furthermore, the growth of borrowing – especially mortgage loans – remains very robust. In this context, price dynamics in a number of housing markets need to be monitored closely.

To sum up, increased risks to price stability identified by the economic analysis have been confirmed by cross-checking with the monetary analysis. An adjustment of the ECB’s monetary policy stance was therefore warranted. The decision of 1 December will contribute to keeping medium and long-term inflation expectations in line with price stability. Keeping inflation expectations firmly anchored at levels consistent with price stability will permit monetary policy to continue to make a significant contribution towards a sustainable recovery in economic growth and job creation in the euro area. To this end, the Governing Council will continue to monitor closely all developments relevant to the medium-term outlook for price stability.

As regards fiscal policies, euro area countries are now finalising their 2006 budgets and stability programmes. Plans in some countries to foster sound public finances and to undertake fiscal reforms that boost economic growth and prepare for the challenges related to population ageing are welcome. However, in countries with fiscal imbalances, the speed of consolidation is disappointingly slow and there is a high risk that commitments are not being met. It is, therefore, essential that fiscal consolidation is

prioritised again as part of a comprehensive and growth-friendly reform programme. This would build confidence in the proper functioning of the Stability and Growth Pact and be the best way in which fiscal policies in the euro area can underpin economic growth.

With respect to structural reforms, the Governing Council welcomed the 2005-2008 Lisbon National Reform Programmes that were submitted by EU Member States in October and November 2005, in line with the renewed Lisbon Strategy. These programmes present key country-specific challenges and structural reform measures to increase growth and employment. A parallel Community Lisbon Programme was adopted by the Commission in July 2005 to complement the national programmes with actions to be taken at the European level. Taken together, the programmes show a welcome political commitment on the part of the Member States and the Community, which could give renewed impetus to the implementation of structural reforms. To this end, it is important to match ambitious objectives with concrete policy measures and take new reform initiatives, and to monitor, evaluate and communicate the reform process effectively. Achieving the goals of the Lisbon Strategy is critical in the face of the triple challenge of accelerating globalisation, rapid technological change and ageing populations.





# ECONOMIC AND MONETARY DEVELOPMENTS

## I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

*The global economy is continuing to expand at a relatively robust pace, supported in particular by activity in the United States and Asia. While the rise in energy prices has continued to push up headline inflation, underlying inflationary pressures remain generally contained. The outlook for the external environment of the euro area remains fairly favourable.*

### I.1 DEVELOPMENTS IN THE WORLD ECONOMY

The global economy is continuing to expand at a relatively robust pace. Global activity is being supported in particular by growth in the United States and Asia, with the Japanese economy continuing its expansion. World trade appears to have regained some momentum, after a temporary slowdown at the beginning of 2005. Although headline consumer prices continue to increase in many countries as a result of the rise in energy prices, underlying global inflationary pressures remain contained overall. For the OECD countries, annual CPI inflation rose to 3.3% in September, the highest increase in four years (see Chart 1). In contrast, annual CPI inflation excluding food and energy continued to decline, standing at 1.7% in September, compared with 2.1% at the beginning of the year.

#### UNITED STATES

In the United States, economic activity expanded at a brisk pace in the third quarter. According to preliminary estimates, real GDP growth increased to an annualised rate of 4.3%, up from 3.3% in the second quarter. Personal consumption, fixed residential and non-residential investment, and federal government spending were the main contributors to the increase in real GDP. Small negative contributions came from private inventory investment and also from net trade, since real exports decelerated while real imports picked up.

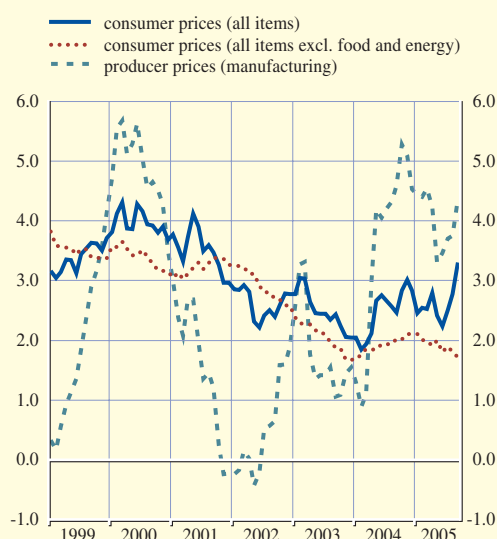
A number of recent economic activity indicators have shown significant improvement. Industrial production rebounded in October after a sharp drop mostly related to disruptions to production in the regions hit by the recent hurricanes. Similarly, manufacturing output has more than recovered the previous losses, underscoring the strong momentum of manufacturing activity. Notwithstanding some signs of weakness mainly owing to the negative effect of the hurricanes, the overall employment situation remains firm.

Consumption spending has continued to be robust despite the elevated energy prices and the significant decline in confidence. Likewise, business fixed investment has remained high and contributed to strong productivity gains.

Annual consumer price inflation excluding energy and food increased slightly to 2.1% in October, while annual headline inflation declined to 4.3% due to a slight moderation in energy prices.

Chart 1 Price developments in the OECD countries

(annual percentage changes; monthly data)



Source: OECD.

The near-term prospects for economic activity remain benign, although more uncertain prospects for private consumption spending may affect the outlook. Business fixed investment is likely to continue to grow at a rapid pace, boosting productivity growth and thus providing a solid basis for a sustained expansion of economic activity. Price pressures partly due to the temporary negative effects of the hurricanes are likely to ease, provided that inflation expectations remain well contained and productivity continues to advance at a rapid pace.

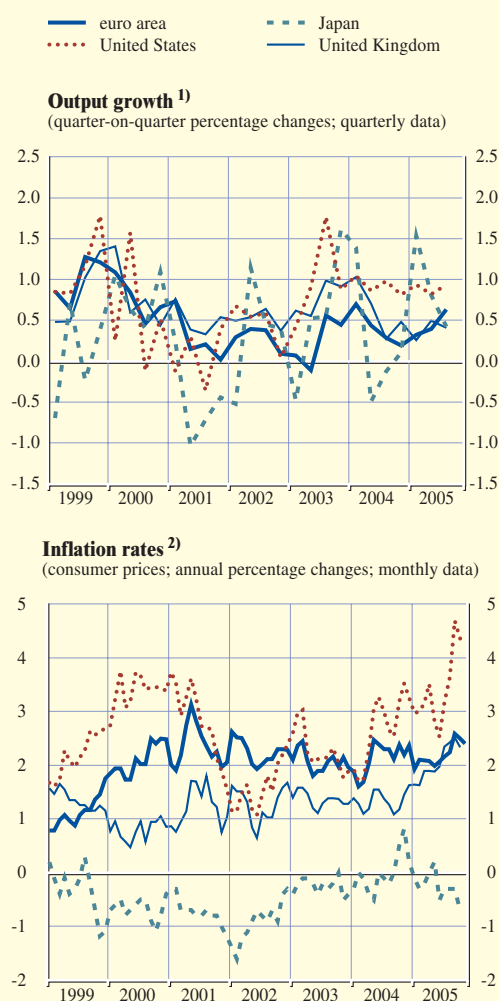
### JAPAN

In Japan, the economy is continuing on a path of gradual recovery, while consumer price deflation remains mild. Nevertheless, in recent months economic activity seems to have moderated, compared with the very fast rates of expansion observed in the first half of 2005. According to the first estimate of national accounts, in the third quarter of 2005 real GDP rose by 0.4% on a quarterly basis, equivalent to an annualised rate of growth of 1.7%. This figure compares with annualised rates of 6.3% and 3.3% in the first and second quarters of this year respectively. The moderation in GDP growth was mainly determined by lower contributions from private consumption and non-residential investment, the main engines of the ongoing domestic demand-driven economic recovery.

Looking ahead, the Japanese economy is expected to continue recovering at a sustained pace, supported by favourable developments in labour markets and robust corporate investment activity. The Bank of Japan's October 2005 Outlook for Economic Activity and Prices report shows that the members of the Policy Board have significantly revised upwards their forecasts for GDP growth and inflation for the fiscal years 2005 and 2006.

With regard to price developments, downward pressures on consumer prices have recently weakened. In October the CPI excluding fresh food remained stable on an annual basis. Although headline CPI continued to decline on an annual basis (-0.7%), this was mainly a reflection of a base effect. Meanwhile, producer prices – as measured by the domestic corporate goods price index (DCGPI) – continued to rise, on account of the elevated prices of oil products and raw materials. In October the DCGPI rose by 1.9% year on year. Higher producer prices have so far not been passed on to consumers, partly reflecting limited pricing power.

**Chart 2 Main developments in major industrialised economies**



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

At its meeting on 18 November, the Bank of Japan decided to keep its target for the outstanding balance of current accounts unchanged at around JPY 30 to 35 trillion. At the same time, it indicated that – should economic developments over the next few quarters conform to its Policy Board members' projections – it might, in the course of the fiscal year 2006, end its quantitative easing monetary policy that has been in place since March 2001.

### UNITED KINGDOM

In the United Kingdom, economic activity remains subdued. According to the latest figures on national accounts, real GDP rose at a quarterly rate of 0.4% in the third quarter of 2005, broadly unchanged from the first two quarters of the year (0.3% and 0.5% respectively), but significantly weaker than throughout 2004. Household consumption accelerated moderately in the third quarter but still remains lacklustre compared with previous years. In the last two quarters business investment also picked up somewhat on the back of the sound corporate financial position and low interest rates. Meanwhile, exports slackened compared with the extraordinarily strong growth observed in the second quarter, which was deemed erratic. Consequently, the contribution of net exports to growth was negative. Looking ahead, economic activity is expected to regain momentum as domestic demand recovers.

In October annual HICP inflation fell for the first time in more than a year, reaching 2.3%. After an extended period of decline, there are some indications (e.g. the Halifax House Price Index) of a modest increase in the annual growth rate of residential property prices.

### OTHER EUROPEAN COUNTRIES

Available activity indicators suggest that in most of the other non-euro area EU countries output growth has remained rather robust and the economic outlook continues to be favourable. As for HICP inflation, the October figures confirm that inflation developments are following somewhat different trends across countries.

In Denmark, real GDP growth remained robust in the third quarter (1.4% quarter on quarter). Private consumption and investment remained the main drivers of the economy, while the contribution of external demand to output growth continued to be slightly positive. In Sweden, most activity indicators point to the maintenance of relatively robust output growth in the same period. Annual HICP inflation decreased in October to 1.9% in Denmark and 0.9% in Sweden. Overall, strong competition in food and clothing retailing, moderate wage increases and high productivity growth indicate a favourable inflation outlook in these two economies.

In the three largest new EU Member States, activity indicators suggest that output growth remained rather strong in the third quarter. In the Czech Republic, where real GDP grew by 5.1% in annual terms in the second quarter, industrial production and construction output continued to increase vigorously in September. Moreover, export growth has remained relatively robust. In Hungary, annual output growth, which was 4.0% in the second quarter, is likely to have maintained momentum in the third quarter, based on the robustness of industrial and manufacturing output. Finally, in Poland, improved developments in manufacturing output and export growth are expected to have contributed to an increase in real GDP growth in the third quarter. Annual HICP inflation declined in October in Hungary and Poland (to 3.1% and 1.6% respectively), partly reflecting favourable developments in food prices and lower growth in transport prices. In the Czech Republic, however, annual HICP inflation increased to 2.5% in October, mainly on account of administered price changes.

In most of the other non-euro area EU countries, the outlook for output growth remains very favourable. This is particularly true for the Baltic States, where annual real GDP increased at rates close to or above 10% in the second quarter of this year, and for Slovakia, where the corresponding figure was 6.2%. Annual HICP inflation picked up in many of these countries in October and remains particularly high in Latvia.

Turning to European countries outside the EU, in Switzerland the economic situation has improved gradually since the beginning of the year. Recent survey data indicate that economic activity is currently accelerating further, supported in particular by solid growth in exports, which are benefiting from an improved global and regional economic situation. Annual inflation was 1.3% in October, slightly down from 1.4% in September.

In Russia, economic activity continues to expand at a fairly robust rate. In the third quarter of 2005 industrial production grew by 4.1% year on year, unchanged from the previous quarter, supported in particular by manufacturing activity. Consumer price inflation, while easing somewhat, remained at elevated levels, reflecting especially strong service price increases. In October annual CPI inflation stood at 11.7%, compared with the temporary peak of 13.8% reached in April-May of this year.

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

In non-Japan Asia, economic growth continued at a robust pace in the third quarter of 2005. In most major economies in the region, export growth showed further upward momentum, owing partly to a pick-up in IT product exports. Meanwhile, domestic demand continued to strengthen. High oil prices and a reduction in government fuel subsidies in some South-East Asian countries have pushed up consumer price inflation.

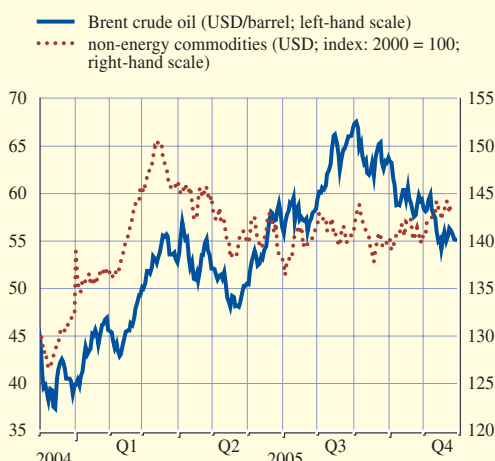
In China, the economy continues to expand rapidly, with GDP growing by 9.4% year on year in the third quarter of 2005, after 9.5% in the first half of the year. Both robust domestic demand and rising exports contributed to this performance. Exports continued to expand rapidly, growing by 29.7% year on year in October 2005, while imports rose by 23.4%. Year-on-year growth in industrial production and retail sales remained high, at 16.1% and 12.8% respectively in October. With regard to price developments, inflationary pressures continued to be subdued, with annual consumer price inflation rising slightly to 1.2% in October.

In South Korea, the economy expanded robustly in the third quarter of the year. Real GDP grew by 4.4% year on year in that quarter, up from 3.3% in the second quarter. Growth in industrial production rose to 8% year on year in October. The expansion in economic activity can be attributed to some improvement in domestic demand and exports.

Economic prospects for non-Japan Asia remain favourable, bolstered by steady growth in domestic demand and a further revival in export growth. Strong growth in the Chinese economy is likely to support regional trade, while high oil prices remain a major risk to the region.

#### **LATIN AMERICA**

In Latin America, the latest data releases indicate that the economic expansion is continuing, although probably at a slower pace than in previous months. Real output growth remains driven by exports, while domestic demand has gained some momentum. The increase in industrial production moderated in September to 0.2% and 1.0% (year on year) in Brazil and Mexico respectively. In contrast, industrial production remained buoyant in Argentina, where it rose by 9.5% (year on year)

**Chart 3 Main developments in commodity markets**

Sources: Bloomberg and HWWA.

during October. Economic prospects for the region are favourable. Domestic demand is expected to firm over the rest of the year and into 2006, offsetting a possible reduction in foreign demand dynamism.

## 1.2 COMMODITY MARKETS

In October and November oil prices retreated significantly from their hurricane-induced all-time highs, following signs of weakening oil demand growth and rising US oil inventories. According to the International Energy Agency's latest assessment of oil market conditions, OECD oil demand weakened in September and October. This appears to reflect the unusually warm weather as well as hurricane-related disruptions to economic activity in the US Gulf

Coast region. Strong demand growth in China has only partly offset weakened OECD demand growth. Increasing global oil production and rising oil inventories in the United States added to the downward pressure on prices in October and November. On 30 November the price of Brent crude oil stood at USD 54.7, 19% lower than the peak of early September but still 37% higher than at the start of 2005. Nonetheless, limited spare capacity all along the oil supply chain, and therefore high sensitivity to unanticipated changes in the supply-demand balance, are bound to keep oil prices both relatively high and volatile in the near term. By 30 November futures contracts for December 2007 delivery were being traded at around USD 57.

After remaining broadly stable over the previous six months, non-energy commodity prices rose in November as the prices of both industrial raw materials and food increased. Expressed in US dollar terms, non-energy commodity prices were approximately 11% higher in November than one year earlier.

## 1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

The outlook for the external environment and for euro area external demand remains fairly favourable, as global activity should continue to benefit from low financing costs and a relatively robust profit situation. This assessment is supported by the further increase in the six-month rate of change of the OECD composite leading indicator in September, which reached a one-year high. While the most recent increase mainly reflects improvements in the indicators for some euro area countries, it also reflects improvements for a number of important euro area trading partners, with a particularly strong rise in the case of Japan. At the same time, the decreases in the indicators for the United States and Canada are likely to be hurricane-related and, thus, temporary. Although the prices of oil and refined products remain at elevated levels, the recent price decline may reduce the risks of more pronounced negative effects on global prices and activity. Nonetheless, the risks to the global outlook emanating from oil markets and from global imbalances remain substantial.

## 2 MONETARY AND FINANCIAL DEVELOPMENTS

### 2.1 MONEY AND MFI CREDIT

Monetary dynamics continued to strengthen in the period up to October 2005, before showing some signs of moderation in that month. The low level of interest rates remained the dominant force driving M3 developments, reflected on the components side in the dynamism of the most liquid components of M3 contained in M1 and, on the counterparts side, in the further strengthening of credit growth. The normalisation of portfolio allocation behaviour by euro area residents, which has a dampening impact on M3 growth, slowed over recent quarters, although it showed signs of having possibly regained some momentum in October. Overall, the available evidence suggests that the stock of liquidity in the euro area remains more than ample, thereby confirming the assessment of upside risks to price stability over the medium to longer term.

#### THE BROAD MONETARY AGGREGATE M3

Over recent months monetary growth has generally continued the upward trend observed since the middle of 2004. In the third quarter of 2005 the annual growth rate of M3 stood at 8.0%, up from 7.1% in the second quarter. However, in October the annual growth rate decreased somewhat, for the first time since March 2005, to 8.0%, from 8.4% in September. The three-month moving average of the annual growth rates of M3 over the period from August to October stood at 8.2%, unchanged from that observed in the period from July to September (see Chart 4).

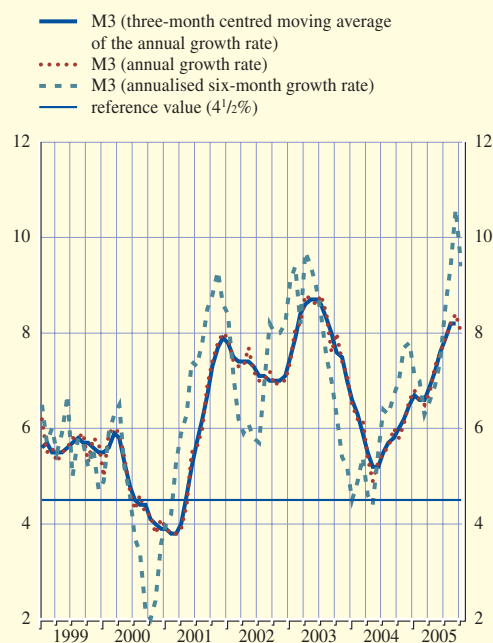
The decline in the annual rate of growth in October reflects a fall in the month-on-month rate of growth, to 0.2%, after a succession of relatively strong monthly increases over the summer. As a result, the annualised six-month rate of growth of M3, which in September had reached its highest level since the start of Stage Three of EMU, moderated somewhat in October but nonetheless remained at a high level.

Notwithstanding the moderation of annual M3 growth in October, the prevailing low level of interest rates, which implies a low opportunity cost of holding money, remains the main factor driving monetary developments. The impact of low interest rates remains visible both in the continued strong growth of the most liquid components of M3, which are included in the narrow monetary aggregate M1, and in the further strengthening of annual growth in loans to the private sector.

The normalisation of the portfolio allocation behaviour of euro area economic agents – which had dampened monetary growth in the aftermath of the exceptional preference for liquidity observed between 2001 and mid-

Chart 4 M3 growth and the reference value

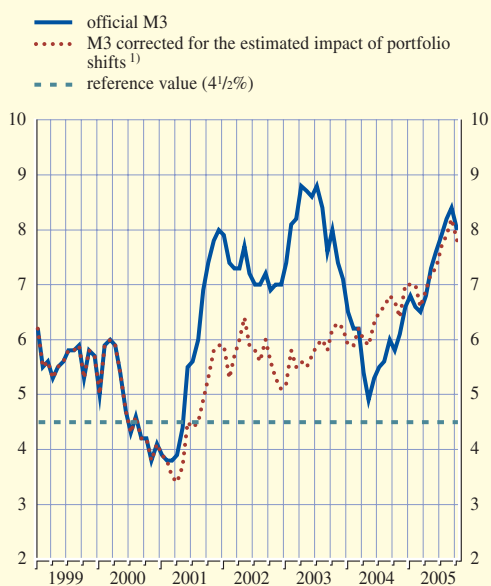
(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

**Chart 5 M3 and M3 corrected for the estimated impact of portfolio shifts**

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

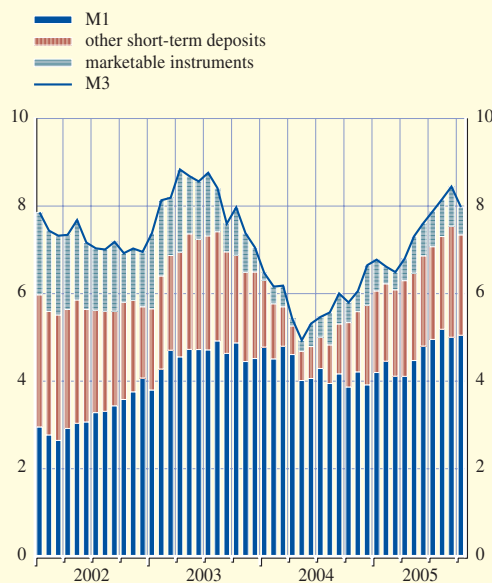


Source: ECB.

1) Estimates of the magnitude of portfolio shifts into M3 are constructed using the approach discussed in Section 4 of the article entitled "Monetary analysis in real time" in the October 2004 issue of the Monthly Bulletin.

**Chart 6 Contributions to annual M3 growth**

(contributions in percentage points; M3 growth in percentages; adjusted for seasonal and calendar effects)



Source: ECB.

2003 – appeared to lose some momentum in recent months, in particular as euro area residents demonstrated a continued reluctance to invest in foreign assets by comparison with foreigners' investment in euro area assets. This loss of momentum is reflected in the convergence, from the second quarter of 2005, of the annual growth rates of official M3 and a measure of M3 corrected for the estimated impact of portfolio shifts (see Chart 5).<sup>1</sup> However, it should be noted that, given the uncertainties inevitably surrounding estimates of the magnitude of portfolio shifts, some caution is required in interpreting the corrected measure and its recent convergence with the official series. At the same time, the October data point to a possible renewal of the normalisation process, although developments in a single month should not be over-emphasised.

### MAIN COMPONENTS OF M3

Robust annual M1 growth continued to be the main source of strong M3 dynamics in October 2005, with a broadly unchanged contribution of 5.0 percentage points to the 8.0% annual growth rate of M3 (see Chart 6). The annual rate of growth of M1 was 11.2% in October, after averages of 11.3% and 9.8% in the third and second quarters respectively (see Table 1).

The continued robust annual growth rate of M1 over the past few months conceals some differences in the development of its two components. Whereas the annual growth rate of

<sup>1</sup> For further details of the construction of the corrected measure, see the article entitled "Monetary analysis in real time" in the October 2004 issue of the Monthly Bulletin.



**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					
		2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Sep.	2005 Oct.
<b>M1</b>	<b>48.2</b>	<b>9.3</b>	<b>9.6</b>	<b>9.8</b>	<b>11.3</b>	<b>11.1</b>	<b>11.2</b>
Currency in circulation	7.4	19.1	18.0	17.3	16.0	15.3	15.3
Overnight deposits	40.8	7.7	8.2	8.5	10.4	10.4	10.5
<b>M2 - M1 (= other short-term deposits)</b>	<b>37.7</b>	<b>3.5</b>	<b>4.5</b>	<b>5.0</b>	<b>5.4</b>	<b>6.4</b>	<b>5.8</b>
Deposits with an agreed maturity of up to two years	15.5	-2.4	0.5	2.6	4.4	7.0	5.9
Deposits redeemable at notice of up to three months	22.1	7.4	7.1	6.6	6.0	5.9	5.6
<b>M2</b>	<b>85.9</b>	<b>6.4</b>	<b>7.1</b>	<b>7.5</b>	<b>8.4</b>	<b>8.8</b>	<b>8.6</b>
<b>M3 - M2 (= marketable instruments)</b>	<b>14.1</b>	<b>3.9</b>	<b>4.0</b>	<b>4.4</b>	<b>5.6</b>	<b>6.2</b>	<b>4.4</b>
<b>M3</b>	<b>100.0</b>	<b>6.1</b>	<b>6.7</b>	<b>7.1</b>	<b>8.0</b>	<b>8.4</b>	<b>8.0</b>
<b>Credit to euro area residents</b>		<b>6.0</b>	<b>6.5</b>	<b>6.6</b>	<b>6.9</b>	<b>7.3</b>	<b>7.7</b>
Credit to general government		3.7	3.4	2.2	1.2	1.4	1.9
Loans to general government		0.4	-0.3	-0.7	-0.9	0.7	0.1
Credit to the private sector		6.7	7.3	7.8	8.5	8.9	9.3
Loans to the private sector		6.9	7.3	7.5	8.3	8.6	8.8
<b>Longer-term financial liabilities (excluding capital and reserves)</b>		<b>8.9</b>	<b>9.5</b>	<b>9.6</b>	<b>9.8</b>	<b>9.1</b>	<b>9.5</b>

Source: ECB.

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

currency in circulation moderated somewhat to stand at 15.3% in October (after averaging 16.0% in the third quarter and 17.3% in the second quarter), that of overnight deposits increased, standing at 10.5% in October, up from 10.4% and 8.5% in the third and second quarters respectively.

The continued strengthening of annual M3 growth in recent months and its subsequent moderation in October are primarily explained by developments in short-term deposits other than overnight deposits and in marketable instruments. The annual growth rate of other short-term deposits edged up further in the third quarter of 2005, to 5.4%, from 5.0% in the preceding quarter, but after a strong rise to 6.4% in September it declined to 5.8% in October. This decline reflected weaker demand for both deposits with an agreed maturity of up to two years (time deposits) and deposits redeemable at notice of up to three months (savings deposits).

The annual rate of growth of marketable instruments – which tends to be characterised by considerable short-term volatility – declined to 4.4% in October, having gradually edged up over the summer months to 6.2% in September (with averages of 5.6% in the third quarter and 4.4% in the second quarter). This decline conceals somewhat different developments in the underlying components.

On the one hand, the annual growth rate of money market fund shares/units strongly decreased to 1.6% in October, from 3.7% in September and an average of 3.1% in the third quarter of 2005. The growth rate of these assets, which are held by households and firms to park liquidity in times of heightened uncertainty, has thus reverted to a relatively subdued level, suggesting further normalisation of portfolio allocation behaviour and pointing to the possibility of renewed dampening of M3 dynamics. The annual growth rate of repurchase agreements also fell in October, but investments in these products are often of a short-term nature and can display considerable month-to-month volatility.

On the other hand, demand for debt securities with a maturity of up to two years has tended to strengthen in recent months, possibly reflecting in part the emergence of new structured products which combine these securities with derivative instruments linked to equity prices.

The sectoral breakdown of short-term deposits and repurchase agreements indicates that households have remained the main contributors to the strong growth of these instruments over recent months. At the same time, the strengthening of growth in short-term deposits (including repurchase agreements) over the course of 2005, as well as the subsequent moderation in October, is to a large extent explained by developments in the contributions of other financial intermediaries. Growth in holdings by non-financial corporations has strengthened somewhat; these holdings are typically concentrated in the most liquid types of deposit, which suggests that they are generally held for transaction purposes and are associated with short-term financing and working capital needs.

### MAIN COUNTERPARTS OF M3

On the counterparts side, the annual growth rate of total MFI credit to euro area residents increased to 7.7% in October 2005, after growth rates of 6.9% and 6.6% in the third and second quarters respectively. This strengthening of credit growth was driven by a continued upward trend in the growth of credit to the private sector, whereas the dynamics of credit to the general government sector have tended to moderate further in recent quarters (see Table 1).

The upward trend in the growth of credit to the private sector reflects both the prevailing low level of interest rates and improvements in credit supply conditions over the past year (as reported by the Eurosystem's bank lending survey). In October the annual growth rate of credit to the private sector increased to 9.3%, from 8.9% in September. This reflected a further pick-up in the annual growth rate of MFI loans to the private sector, which stood at 8.8% in October, up from 8.6% in the previous month (see sub-sections 2.6 and 2.7 for sectoral developments in loans to the private sector).

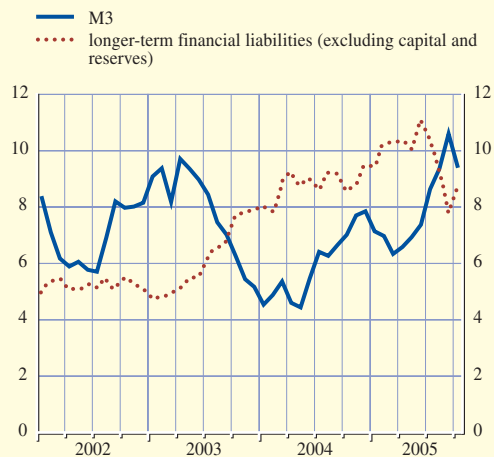
The annual growth rate of credit to the general government sector fell to 1.2% in the third quarter of 2005, from 2.2% in the previous quarter. However, it has risen again somewhat in the past few months. This recent pick-up has mainly been due to developments in the growth of MFI holdings of government securities, while growth in loans to general government has remained subdued.

Among the other counterparts of M3, the dynamics of MFI longer-term financial liabilities (excluding capital and reserves) held by the money-holding sector have remained robust (see Chart 7). The annual rate of growth of these instruments stood at 9.5% in October 2005, following averages of 9.8% and 9.6% in the third and second quarters respectively (see Table 1). This robustness points to a continued inclination on the part of the euro area money-holding sector to invest in longer-term financial instruments.

The annual flow in the net external asset position of MFIs has, on average, remained positive in 2005, standing at €48 billion in October, which suggests that the euro area money-holding sector continues to be reluctant to invest in foreign assets, by comparison with the interest of foreigners in euro area assets (see Chart 8). This reluctance has been hindering a substantial unwinding of the portfolio shifts accumulated during the period of heightened economic and financial uncertainty between 2001 and mid-2003. However, the annual flows have declined over recent months, reflecting a succession of net outflows of funds observed since August and suggesting that investment abroad by euro area residents may have regained some momentum in recent months.

**Chart 7 M3 and MFI longer-term financial liabilities (excluding capital and reserves)**

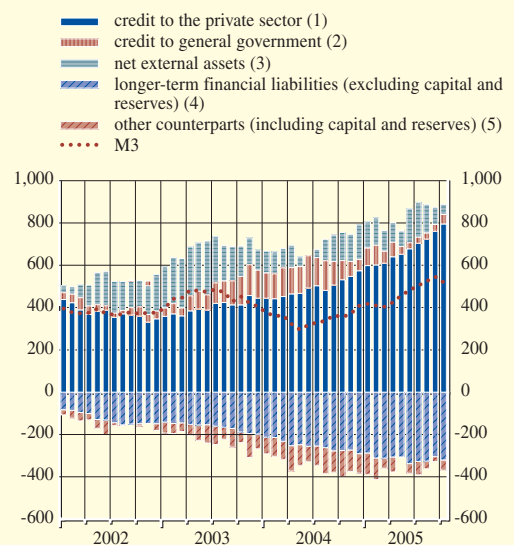
(annualised six-month percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

**Chart 8 Counterparts of M3**

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



Source: ECB.

Note: M3 is shown for reference only ( $M3 = 1+2+3-4+5$ ). Longer-term financial liabilities (excluding capital and reserves) are shown with an inverted sign, since they are liabilities of the MFI sector.

In conclusion, developments in the counterparts of M3 have, in the course of 2005, been broadly in line with previous trends. The dynamics of credit to the private sector have strengthened further, driven by the low level of interest rates, and have continued to fuel monetary growth. At the same time, the money-holding sector has continued to display a high level of demand for longer-term assets. However, the dampening effect that this entails for M3 growth, all other things being equal, has not been strong enough to compensate for the strengthening in credit growth.

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

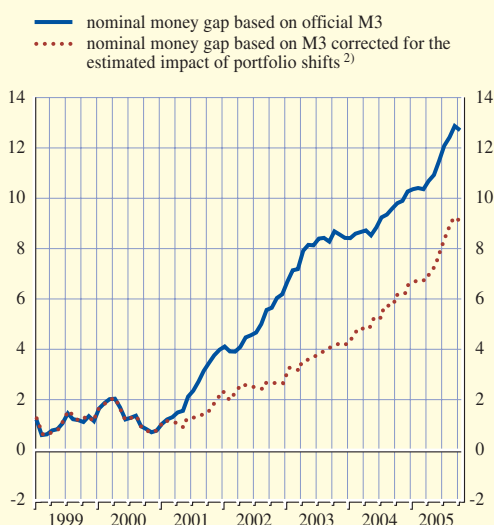
In the third quarter of 2005 both the nominal money gap constructed on the basis of the official M3 series and that constructed on the basis of the M3 series corrected for portfolio shifts continued the upward trend observed from the second half of 2004, before stabilising at a high level in October 2005.

However, the two gaps remained at very different levels, with the money gap constructed on the basis of the corrected M3 series being substantially lower (see Chart 9). The continued but relatively stable difference between the two measures over the past few quarters illustrates the assessment that, while past portfolio shifts have not been reversed, the distribution of new investment by the money-holding sector has returned to more normal patterns.

The real money gaps take account of the fact that part of the accumulated liquidity has been absorbed by higher prices, reflecting upward deviations in inflation rates from the ECB's objective of price stability. The real money gaps constructed on the basis of the official M3 series

**Chart 9 Estimates of the nominal money gap<sup>1)</sup>**

(as a percentage of the stock of M3; adjusted for seasonal and calendar effects; December 1998 = 0)



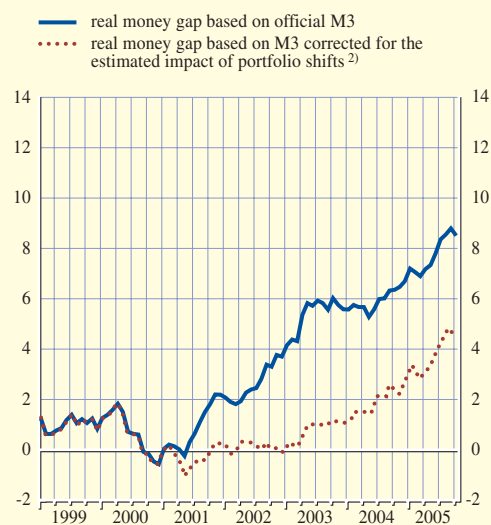
Source: ECB.

1) The measure of the nominal money gap is defined as 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).

2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the approach discussed in Section 4 of the article entitled “Monetary analysis in real time” in the October 2004 issue of the Monthly Bulletin.

**Chart 10 Estimates of the real money gap<sup>1)</sup>**

(as a percentage of the stock of real M3; adjusted for seasonal and calendar effects; December 1998 = 0)



Source: ECB.

1) The measure of the real money gap is defined as 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, taking December 1998 as the base period.

2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the approach discussed in Section 4 of the article entitled “Monetary analysis in real time” in the October 2004 issue of the Monthly Bulletin.

and the measure of M3 corrected for the estimated impact of portfolio shifts are both lower than the respective nominal money gap measures (see Charts 9 and 10).

However, these mechanical measures are only imperfect estimates of the liquidity situation. Because the choice of the base period is to some extent arbitrary, the levels of these measures are surrounded by considerable uncertainty and should thus be treated with caution. This uncertainty is well illustrated by the broad range of estimates derived from the four measures discussed above.

Nonetheless, although the estimates are uncertain, the overall picture painted by these measures points to liquidity conditions in the euro area being more than ample. Viewed from a medium to longer-term perspective, more than ample liquidity poses risks to price stability. Moreover, the strong monetary and credit growth observed in a context of more than ample liquidity implies a need to monitor asset price dynamics and their potential consequences.

## 2.2 FINANCIAL INVESTMENT OF THE NON-FINANCIAL SECTOR AND INSTITUTIONAL INVESTORS

*In the second quarter of 2005 (the most recent period for which data are available) the annual growth rate of financial investment by the non-financial sector remained broadly stable, albeit with some further signs that the earlier strengthening in the growth of longer-term financial investment had faded in recent quarters.*

## NON-FINANCIAL SECTOR

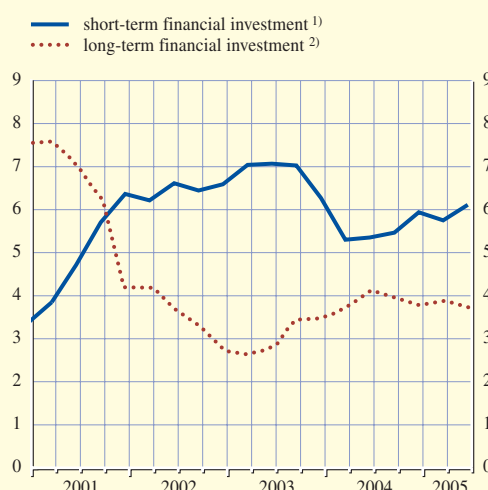
In the second quarter of 2005, the most recent quarter for which these data are available, the annual growth rate of financial investment by the non-financial sector was 4.5%, broadly unchanged from the first quarter (see Table 2). This development reflected a moderate decline in the annual growth rate of long-term financial investment, while the annual growth rate of short-term financial investment increased somewhat (see Chart 11).

The decline in the annual rate of growth of long-term investment was mainly driven by a substantial further decrease in the annual growth rate of investment in quoted shares. At the same time, the annual growth rate of investment in mutual funds and long-term debt securities strengthened, suggesting that investors' reluctance to invest in longer-term assets relates mainly to higher-risk assets such as equity.

As regards short-term financial investment, the annual growth rate of short-term deposits held by the non-financial sector increased, driven by households and non-financial corporations,

Chart 11 Financial investment of the non-financial sector

(annual percentage changes)



Source: ECB.

1) Includes currency, short-term deposits, short-term debt securities and money market fund shares/units. It excludes holdings of central government.

2) Includes longer-term deposits, long-term debt securities, mutual fund shares excluding money market fund shares/units, quoted shares and insurance technical reserves. It excludes holdings of central government.

Table 2 Financial investment of the euro area non-financial sector

	Outstanding amount as a percentage of financial assets <sup>1)</sup>	Annual growth rates									
		2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Q2	
<b>Financial investment</b>	<b>100</b>	<b>4.5</b>	<b>5.0</b>	<b>4.6</b>	<b>4.4</b>	<b>4.7</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>	<b>4.5</b>	
Currency and deposits	37	6.4	6.5	5.6	5.3	5.3	5.6	6.2	6.0	6.2	
Securities other than shares	12	-1.7	-1.0	-1.3	-1.2	2.5	2.6	2.6	3.6	4.1	
of which: short-term	1	-6.6	-2.6	-3.2	-1.9	15.9	10.2	6.9	0.8	-6.3	
of which: long-term	11	-1.1	-0.8	-1.1	-1.1	1.3	1.9	2.2	3.9	5.2	
Mutual fund shares	12	6.6	7.0	7.0	5.1	3.0	2.0	1.3	1.3	2.4	
of which: mutual fund shares, excluding money market fund shares/units	10	5.1	6.4	6.6	5.7	3.3	2.3	1.9	2.3	3.3	
of which: money market fund shares/units	2	14.0	9.6	8.6	3.0	1.8	0.7	-0.7	-2.2	-0.8	
Quoted shares	13	0.9	2.0	1.2	1.8	3.6	2.8	1.3	0.9	-1.8	
Insurance technical reserves	26	6.2	6.5	6.7	6.6	6.3	6.2	6.4	6.4	6.4	
M3 <sup>2)</sup>		8.6	7.6	7.1	6.2	5.3	6.0	6.6	6.5	7.6	
Annual gains and losses in the securities holdings of the non-financial sector (as a percentage of GDP)		-7.4	1.3	4.1	8.0	3.7	3.2	2.3	2.8	4.7	

Source: ECB.

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

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

2) 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.

while the annual rate of growth of that sector's investment in money market funds also increased (to -0.8%, from -2.2% in the first quarter of 2005), but remained negative. Taken together, the data up to and including the second quarter of 2005 confirmed that the normalisation of portfolio allocation behaviour, previously associated with a stronger shift towards longer-term financial assets, had lost some of its earlier momentum.

### INSTITUTIONAL INVESTORS

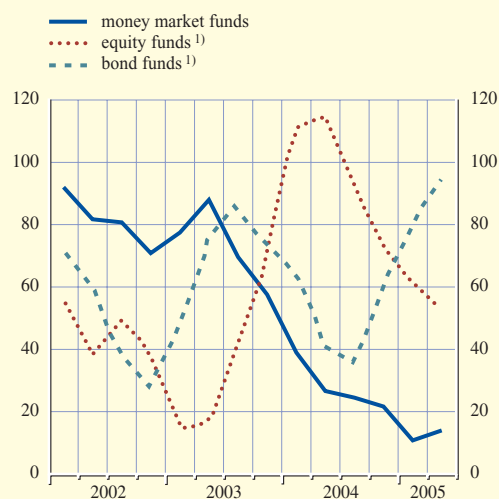
The annual rate of growth of the value of the total assets of investment funds rose to 16.5% in the second quarter of 2005, up from 10.7% in the first quarter. While this reflected a continuation of the strong increases in asset values observed from the end of 2004, the increase in the second quarter of 2005 was particularly strong, primarily owing to a rise in the value of holdings of securities other than shares. Those changes in the value of the stock of total assets include valuation effects caused by changes in asset prices. Flow data provided by EFAMA<sup>2</sup> for the second quarter of 2005 show that net annual sales of investment funds (excluding money market funds) increased in that quarter compared with the first quarter, as the demand for bond funds strengthened further – to the highest level observed since 2001 – and offset the ongoing decline in net annual inflows into equity funds (see Chart 12). At the same time, the net annual flow into money market funds remained subdued. Taken together, this points to an ongoing inclination to invest in longer-term assets, but also to some reluctance to invest in riskier financial instruments.

The net quarterly flows in the second quarter of 2005 indicate that the net flow into bond and equity funds declined from the high levels observed in the previous quarter, while the net inflow into balanced funds continued to strengthen somewhat.

2 The European Fund and Asset Management Association (EFAMA) provides information on net sales (or net inflows) of publicly offered open-ended equity and bond funds for Germany, Greece, Spain, France, Italy, Luxembourg, Austria, Portugal and Finland. See the box entitled "Recent developments in the net flows into euro area equity and bond funds" in the June 2004 issue of the Monthly Bulletin for further information.

**Chart 12 Net annual flows into investment funds (by category)**

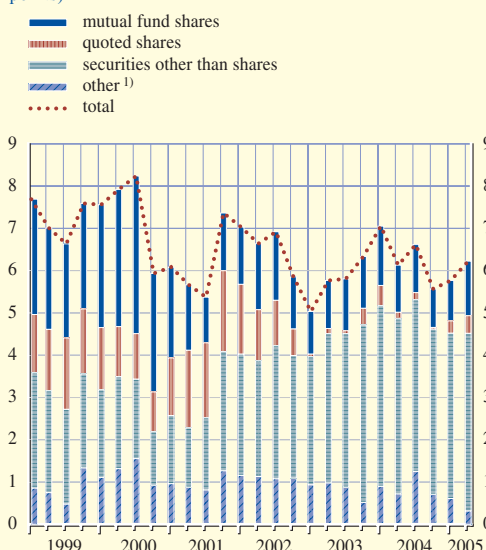
(EUR billions)



Sources: ECB and EFAMA.  
1) ECB calculations on the basis of national data provided by EFAMA.

**Chart 13 Financial investment of insurance corporations and pension funds**

(annual percentage changes; contributions in percentage points)



Source: ECB.  
1) Includes loans, deposits and insurance technical reserves.

The annual growth rate of total financial investment by insurance corporations and pension funds in the euro area increased to 6.2% in the second quarter of 2005, up from 5.8% in the previous quarter (see Chart 13). This reflected a pick-up in investment activity for asset classes with shorter and longer-term maturities. In particular, the annual growth rate of investment in securities other than shares strengthened further, to 10.5%, from 9.8% in the previous quarter. The strength of investment in this asset class was mainly driven by purchases of long-term securities. As regards assets with shorter maturities, insurance corporations and pension funds seemed to have increased in particular their holdings of money market funds. At the same time, while the return on equity holdings improved, insurance corporations and pension funds remained cautious about investment in equity: the annual growth rate of holdings of quoted shares increased to 2.6%, from 1.8% in the first quarter of 2005, although this was in part a result of equity sales in the second quarter of 2004. Valuation gains on overall holdings of securities improved markedly in the second quarter of 2005 as compared with the first quarter of this year.

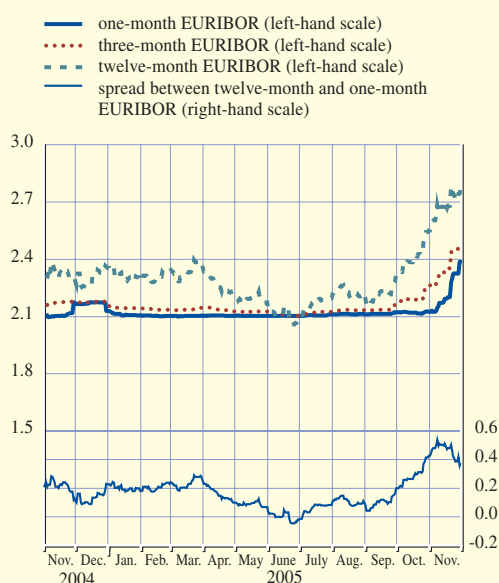
## 2.3 MONEY MARKET INTEREST RATES

*Between September and November 2005 money market interest rates increased markedly, especially for longer maturities. As a result, the slope of the money market yield curve has noticeably steepened over the past three months.*

After remaining broadly stable in September 2005, money market interest rates with maturities of between three and twelve months rose markedly in October and November. By contrast, one-

**Chart 14 Short-term money market interest rates**

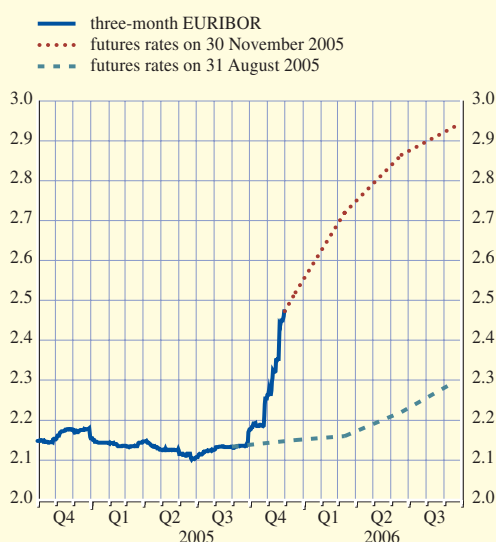
(percentages per annum; percentage points; daily data)



Source: Reuters.

**Chart 15 Three-month interest rates and futures rates in the euro area**

(percentages per annum; daily data)



Source: Reuters.

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

month interest rates remained broadly stable throughout October and started rising only after the first week of November. The one-month, three-month, six-month and twelve-month rates stood at 2.39%, 2.47%, 2.60% and 2.76% respectively on 30 November, 28, 34, 44 and 56 basis points higher than the levels observed at the beginning of September. As a result, the slope of the money market yield curve has steepened noticeably over the past three months. The spread between the twelve-month and the one-month EURIBOR rose from 9 basis points on 1 September to 40 basis points on 30 November (see Chart 14).

Since the beginning of September market participants have significantly revised upwards their expectations regarding developments in short-term interest rates at the end of 2005 and during the first three quarters of 2006. Interest rates implied by three-month EURIBOR futures contracts maturing in March 2006, June 2006 and September 2006 stood at 2.72%, 2.86% and 2.93% respectively on 30 November, 56, 64 and 63 basis points higher than at the beginning of September (see Chart 15).

The implied volatility derived from options on three-month EURIBOR futures increased between September and mid-November, before declining towards the end of the month. The evolution of implied volatility over the past three months suggests a rise in uncertainty among market participants from September until mid-November with regard to developments in short-term interest rates. Implied volatility declined in the second half of November, suggesting relatively little uncertainty among market participants concerning the evolution of short-term interest rates in the coming months (see Chart 16).

**Chart 16 Implied volatilities derived from options on three-month EURIBOR futures maturing in June 2006**

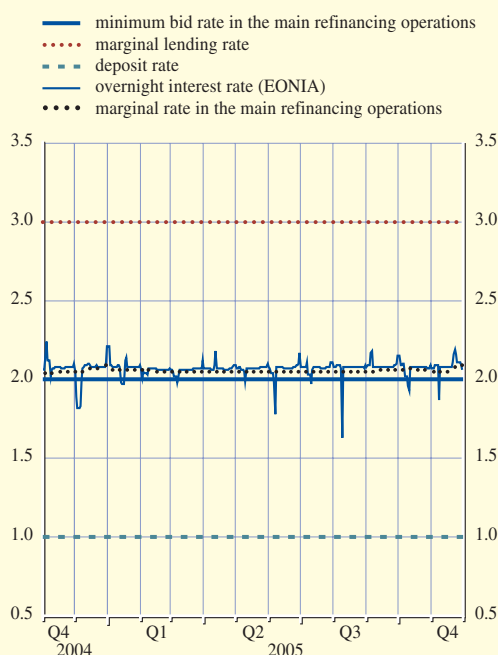
(percentages per annum; basis points; daily data)



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" in the May 2002 issue of the Monthly Bulletin).

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

(percentages per annum; daily data)



Sources: ECB and Reuters.



Between the beginning of September and the end of October interest rates at the shortest end of the money market curve remained broadly stable, particularly after the ECB's decision to conduct slightly loose allotments in the weekly main refinancing operations (MROs), a decision which was communicated to market participants on 11 October. However, rates at the shortest end of the yield curve increased noticeably in November, particularly as market expectations emerged of an increase in key ECB interest rates at the December meeting of the Governing Council of the ECB. The EONIA rose from 2.07% on 1 November to 2.19% on 23 November. The rise in the EONIA was to some extent surprising given that the changes made to the operational framework in March 2004 were intended (and expected) to avoid market expectations of changes in key ECB interest rates affecting very short-term rates within the maintenance period prior to the implementation of any rate change.<sup>3</sup> A similar rise was observed in marginal and weighted average rates in the weekly MROs, which rose from 2.05% and 2.06% respectively in the first MRO of November to 2.09% and 2.11% in the MRO conducted on 29 November. The EONIA, however, declined in the following days to reach 2.06% on the last day of the month, on expectations of loose liquidity conditions at the end of the maintenance period (see Chart 17). Further information on interest rates and liquidity for the three most recent maintenance periods is presented in Box 1.

In the longer-term refinancing operations (LTROs) of the Eurosystem conducted on 28 September and 27 October the marginal rates stood at 2.09% and 2.17% respectively, 8 and 7 basis points below the three-month EURIBOR prevailing on those dates. In the LTRO conducted on 30 November, marginal and weighted average rates rose to 2.40% and 2.41% respectively, 7 and 8 basis points lower than the three-month EURIBOR prevailing on that day. The sharp increase in rates mainly reflected market participants' expectations of higher policy rates in the forthcoming three months.

<sup>3</sup> See the article entitled "Changes to the Eurosystem's operational framework for monetary policy" in the August 2003 issue of the Monthly Bulletin.

#### Box 1

### LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS FROM 10 AUGUST TO 8 NOVEMBER 2005

This box reviews the ECB's liquidity management during the three reserve maintenance periods ending on 6 September, 11 October and 8 November 2005.

#### Liquidity needs of the banking system

Banks' liquidity needs decreased slightly in the period under review (see Chart A), mainly owing to the evolution of government deposits. Banknotes, which represent the largest "autonomous factor" (i.e. a factor which does not normally stem from the use of monetary policy instruments), continued to increase, reaching a historical high of €539.7 billion on 4 November. Overall, autonomous factors contributed an average of €234 billion to the liquidity deficit of the Eurosystem in the period under review. Reserve requirements, which are the other major source of liquidity needs, increased to €150 billion over the same period. Daily average excess reserves (i.e. the daily average of current account holdings in excess of reserve requirements) contributed an average of €0.67 billion to the liquidity deficit of the Eurosystem

over the period considered. In the reserve maintenance period ending on 6 September, average excess reserves were €0.57 billion, the lowest figure since 1999. In the following two maintenance periods, which ended on 11 October and 8 November, average excess reserves increased to €0.72 billion and €0.69 billion respectively (see Chart B). These higher levels might have been related to public holidays in some parts of the euro area during the last week of both maintenance periods.

### Liquidity supply and interest rates

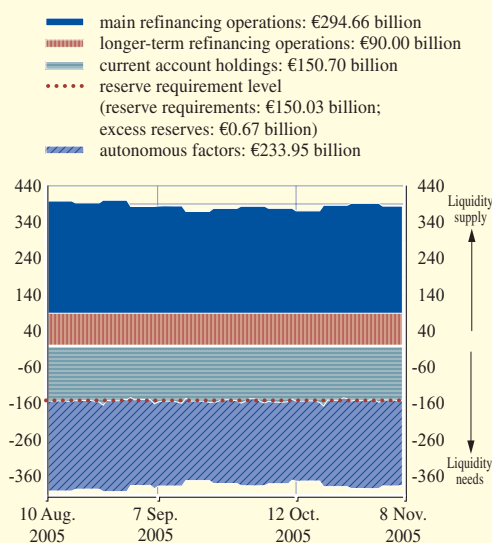
In line with the slight decrease observed in demand for liquidity, the volume of open market operations was reduced (see Chart A). On average, the liquidity provided via main refinancing operations (MROs) amounted to €294.7 billion. The ratio between bids submitted by counterparties and satisfied bids (the bid-cover ratio) increased at the beginning of the period under review, reaching values near 1.50, before decreasing afterwards to more usual levels. The average bid-cover ratio over the period under review was 1.38.

In the maintenance periods that ended on 6 September and 11 October, the ECB allotted the benchmark amount in all MROs. The difference between the marginal and the weighted average rates in the weekly tenders was either zero or one basis point, with the marginal rate, however, increasing slightly from 2.05% to 2.07% over this period. The EONIA (euro overnight index average) was relatively stable during these two maintenance periods, with its spread versus the minimum bid rate remaining at 8 basis points with the usual few exceptions, namely at month-ends and in the final days of the maintenance periods.

There was, in spite of the balanced liquidity conditions in the money market, some upward drift in September and October in the spread between, on the one hand, very short-term market rates and the tender rates and, on the other hand, the minimum bid rate. To address this upward drift, on 11 October the ECB communicated to market participants its uneasiness about the level of short-term spreads and started a slightly loose allotment policy in the maintenance period ending on 8 November. This policy did not, however, change the objective of aiming at balanced

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

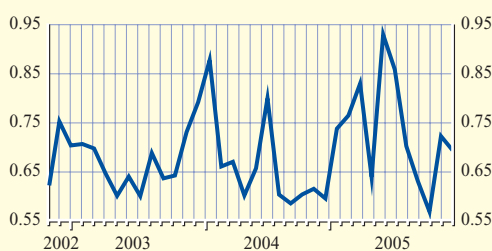
(EUR billions; daily averages for the whole period are shown next to each item)



Source: ECB.

**Chart B Excess reserves<sup>1)</sup>**

(EUR billions; average level in each maintenance period)



Source: ECB.

1) Banks' current account holdings in excess of reserve requirements.

liquidity conditions at the end of the reserve maintenance period. In this context, the ECB allotted €1 billion above the benchmark amount in all MROs, with the exception of the last operation in the maintenance period. The marginal and weighted average tender rates decreased by 2 and 1 basis points respectively over the maintenance period.

### Liquidity conditions and the overnight interest rate in the final weeks of the three maintenance periods

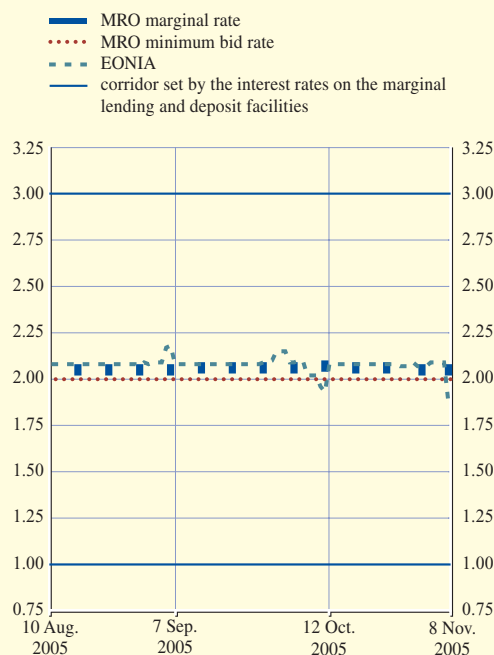
As the end of the maintenance period ending on 6 September was approaching, market participants perceived liquidity conditions to be tight. As a result, the EONIA increased, reaching 2.17% on the penultimate day of the period. On the following day, the ECB conducted a fine-tuning operation in order to compensate for the expected €9.5 billion liquidity shortage. The bid amount was fairly high (€51 billion) and the marginal and weighted average rates in the fine-tuning operation were set at 2.09% and 2.10% respectively. By the end of the day, there was a net recourse to the deposit facility of €0.26 billion and the EONIA rose to 2.18%.

In the following maintenance period, which ended on 11 October, liquidity conditions loosened after the last MRO allotment. The EONIA declined to 2.02% on 7 October and to 1.96% on 10 October, the penultimate day of the maintenance period. On the last day of that period, a liquidity surplus of €8.5 billion was expected. To drain the excess liquidity, a fine-tuning operation was conducted, which attracted bids for an amount of €24 billion. The maintenance period ended with a net recourse to the deposit facility of €1.3 billion and the EONIA at 1.93%.

In the maintenance period ending on 8 November, market participants perceived liquidity conditions to be slightly tight following the last MRO. The EONIA rose to 2.09% on 4 November and remained at that level until the penultimate day of the maintenance period. However, on the last day of that period, liquidity conditions were fairly balanced and no fine-tuning operation was necessary. The maintenance period ended with only marginally loose liquidity conditions. There was a net recourse to the deposit facility of €1.4 billion and the EONIA declined to 1.87%.

Chart C The EONIA and the ECB interest rates

(daily interest rates in percentages)



Source: ECB.

## 2.4 BOND MARKETS

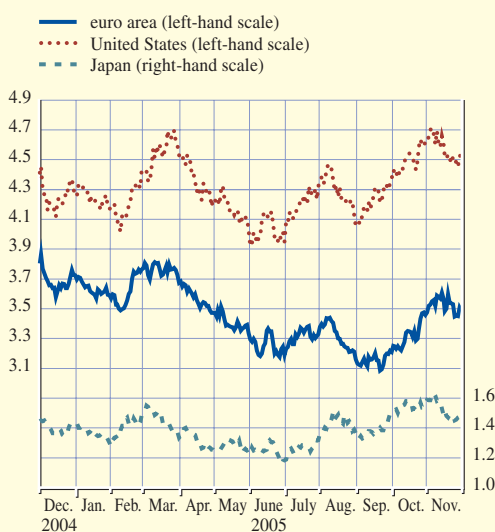
All in all, long-term interest rates in major bond markets increased over the past three months. In September euro area long-term government bond yields first reached the lowest levels seen in a century before rebounding swiftly in October and November. Real bond yields in both the euro area and the United States rose significantly over the review period, most notably at short maturities. By contrast, long-term break-even inflation rates stood at similar levels at the end of November to those seen at the end of August in both economic areas. Bond market volatility extracted from options prices remained at a fairly low level.

In the last three months, euro area and US long-term interest rates rose significantly, starting in early September in the United States and at the end of September in the euro area (see Chart 18). These developments were associated with the view among market participants that economic growth prospects were improving. In this regard, the decline in oil prices, albeit from a high level, may have contributed. Other factors explaining bond yield movements were market participants' perceptions of ongoing monetary policy tightening in the United States and, subsequently, the emergence of market expectations of a possible upward adjustment of monetary policy interest rates in the euro area. Furthermore, a rise in the risk premium demanded on long-term bonds from its low level may have also contributed to the increase in bond yields.<sup>4</sup> Between end-August and 30 November, ten-year government bond yields in the euro area rose by 30 basis points to a level

<sup>4</sup> See the box entitled "Recent developments in long-term real interest rates" in the April 2005 issue of the Monthly Bulletin.

Chart 18 Long-term government bond yields

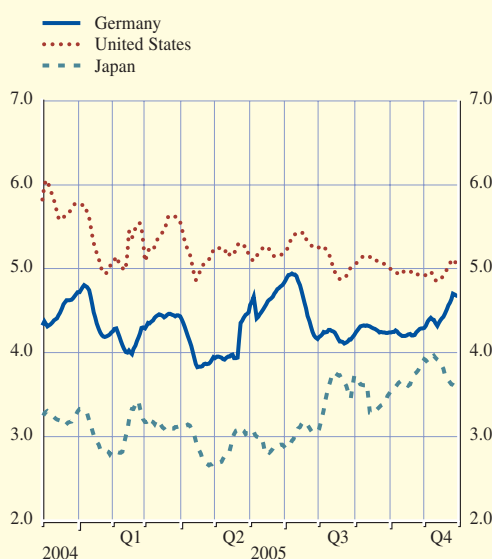
(percentages per annum; daily data)



Sources: Bloomberg and Reuters.  
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.

of 3.5% on the latter date. Ten-year government bond yields in the United States rose by 50 basis points over the same period to 4.5%. Consequently, the differential between US and euro area ten-year government bond yields increased, to stand at 105 basis points on 30 November. Japanese ten-year government bond yields rose by about 10 basis points over the past three months, to stand at about 1.5% at the end of November. This development may reflect improving growth prospects for the Japanese economy.

Market participants' uncertainty about near-term developments in the ten-year bond market segment, as indicated by implied volatility extracted from bond options, remained broadly unchanged at fairly low levels in the major markets over the past three months (see Chart 19). However, it should be borne in mind that bond market volatility may differ according to the maturity of the underlying fixed income instrument and the time to expiration of the respective options (see Box 2).

## Box 2

### THE TERM STRUCTURE OF IMPLIED INTEREST RATE VOLATILITIES

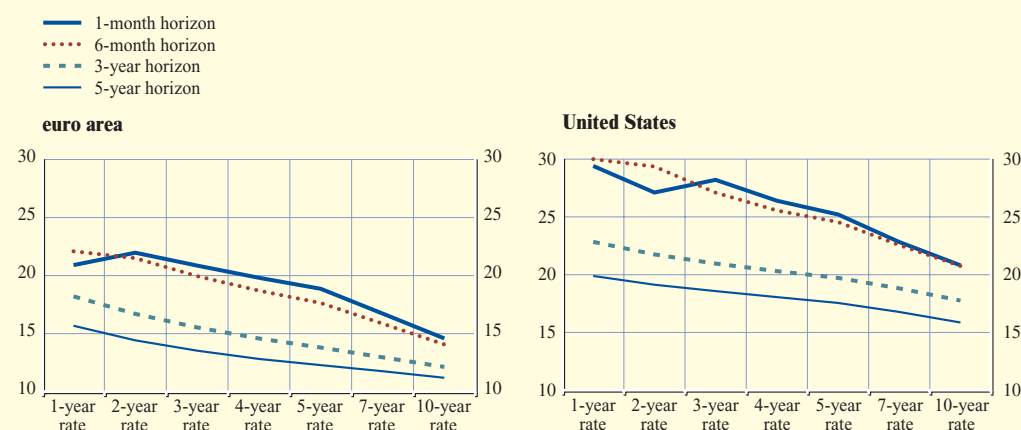
Over the last decade, a number of new interest rate derivatives have been developed. Strong rates of growth in turnover provide evidence that contracts such as interest rate swaptions have become widely used tools to hedge adverse movements in interest rates.<sup>1</sup> Interest rate swaptions are quoted in terms of the implied volatilities of the forward swap or LIBOR rates which are their underlying assets. Implied volatilities express the market's expectations about future volatility in these forward rates over the life of the option and are thus useful indicators to gauge market participants' degree of uncertainty.

This box looks at implied volatilities from swaptions, which are available over a wide range of both interest rate maturities and times to expiration. This feature makes swaptions a particularly interesting analytical tool, because it enables the derivation of a broad family of

<sup>1</sup> Swaptions are options on forward swap rates. Hence, for a given swap rate, they can be seen as options on a portfolio of forward (three-month or six-month) LIBOR rates, namely all those LIBOR forward rates included in the interval spanned by the maturity of the swaption plus the life of the swap.

### Chart A Term structure of implied forward swap rate volatilities in the euro area and the United States

(percentages per annum; averages of daily data between January 1999 and November 2005)



Sources: Bloomberg and ECB calculations.

term structures of implied volatilities which provide indications of the market's near- and long-term uncertainty about future short- and long-term interest rates. Specifically, the swaptions employed in this box refer to swap rates denominated in US dollars and in euro with maturities between one and ten years as well as to options on such rates expiring in between one month and ten years,<sup>2</sup> although results are reported for a sub-set of these instruments only.

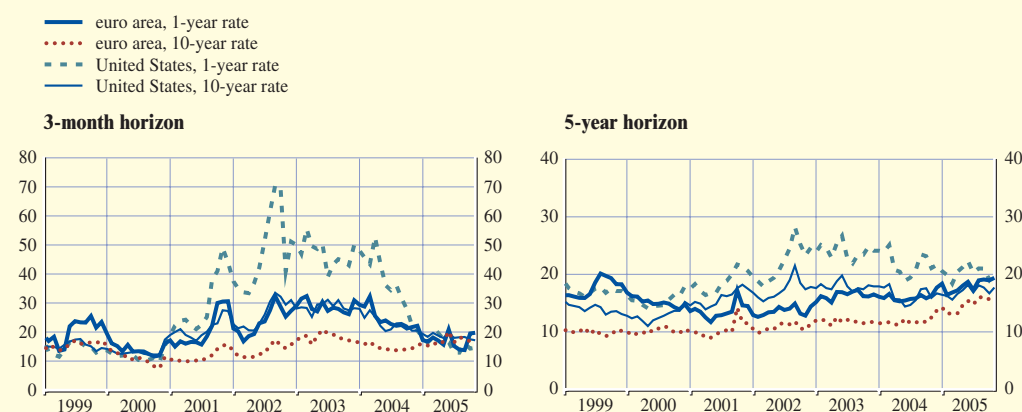
Chart A shows the average daily term structure of implied interest rate volatilities in the United States and in the euro area between January 1999 (when the euro was introduced) and November 2005. The curves shown in the chart refer to different times to expiration and thus to different expectations horizons, and there are some stylised facts which can be inferred. First, the term structure of implied volatilities has, for each horizon, been higher in the United States than in the euro area. Second, almost all curves, for both economic areas, have typically been downward-sloping, suggesting that uncertainty has decreased with the interest rate maturity. Third, for every swap rate, the whole volatility term structure decreases with the time to expiration of the swaptions; hence uncertainty has been lower the longer the expectations horizon.

Chart B shows the time series of implied volatilities of the one-year and ten-year interest rates over two horizons, three months (left panel) and five years (right panel), for both the euro area and the United States. The time profiles of these implied volatilities suggest again that uncertainty has been nearly always higher in the United States than in the euro area. In addition, they reveal that the differences in average volatilities reported in Chart A derive almost entirely from the period between September 2001 and April 2004. In this sub-sample, near-term implied volatilities of US swap rates surged to extremely high levels. At the peak recorded in August 2002, implied volatility exceeded 70% for the one-year US swap rate over the three-month horizon, and was around 30% for the corresponding euro area rate; the gap was sizeable also over the five-year horizon, with US and euro area implied volatility at roughly 30% and 15%, respectively. From May 2004, the differences in implied volatilities between the two economic areas declined and in 2005 there has been no evidence of sizeable differences in expected interest rate volatilities between the two areas.

2 All swaptions are at-the-money contracts, i.e. their exercise price equals the forward interest rate prevailing at the inception of the contract.

**Chart B Implied volatilities of one-year and ten-year forward swap rates at the three-month and five-year horizons in the euro area and the United States**

(percentages per annum; end-of-month data up to November 2005)



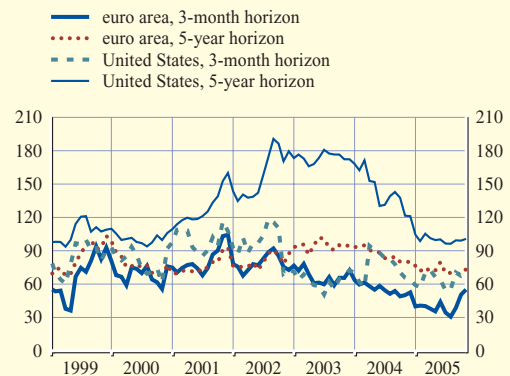
Source: Bloomberg.

Such developments raise the question as to why implied volatility was so high between September 2001 and April 2004. The timing of the rise and subsequent fall in volatilities, which were particularly sharp in the United States, seems to suggest that a number of factors may have played a role. Uncertainty related to the US macroeconomic outlook may have had relatively more influence than in other periods, given the occurrence of mixed signals about the solidity of the business cycle. In addition, in the later part of the sample, monetary policy may have had some influence on volatilities, as economic agents were concerned about the timing and the intensity of the Federal Reserve tightening cycle. This conjecture seems to be reinforced when one observes that, alongside the progressive tightening carried out by the Federal Reserve since end-June 2004, implied volatilities have noticeably declined, especially over short horizons. Furthermore, geopolitical tensions in the aftermath of the terrorist attacks in the United States on 11 September 2001 may have raised the global perception of risk. In addition to these factors, the volatility gap between US and euro area yields may have been related, especially in 2003 and in early 2004, to the intense hedging activity in the US mortgage-backed securities market.<sup>3</sup>

While implied interest rate volatilities are typically expressed as a percentage of the level of the underlying forward rates, it might be advantageous to convert them into basis points.<sup>4</sup> This measure can in fact be straightforwardly used to draw a confidence band around a given term structure of forward rates. Chart C displays volatilities, measured in basis points, for the US and the euro area one-year swap rate over the three-month and five-year horizons. The chart first shows that even when measured in basis points, volatilities have been on average higher for US than for euro area rates, although the largest gap occurs for the longer expectations horizon rather than for the shorter one. It also shows that the conversion into basis points has the drawback of making volatilities explicitly dependent on the level of forward rates, and hence on the slope of the yield curve<sup>5</sup> and the size of the associated risk premia.<sup>6</sup> As an example of this, the volatility of the US one-year forward swap rate has been much higher for the longer horizon, while in the euro area the volatilities have been closer to each other. This could be taken as a sign that, between mid-2002 and mid-2004, markets were discounting a much sharper tightening cycle in the United States than in the euro area over the subsequent five years. However, this period was also characterised by an extremely steep yield curve in the United States, which possibly reflected not only expectations of solid growth but also high compensation for risk, which would be inevitably embodied in volatility expressed in basis points.

**Chart C Implied volatilities of the one-year forward swap rate at the three-month and five-year horizons in the euro area and the United States**

(end-of-month data up to November 2005; in basis points)



Sources: Bloomberg and ECB calculations.

<sup>3</sup> Movements in interest rates often induce significant changes in the average life of a mortgage-backed security (MBS). Investors in such instruments typically hedge interest rate movements and the associated changes in the duration of MBSs through Treasuries, swaps or related derivatives, exacerbating the movements of their prices. See also Bank for International Settlements, Quarterly Review, September 2003.

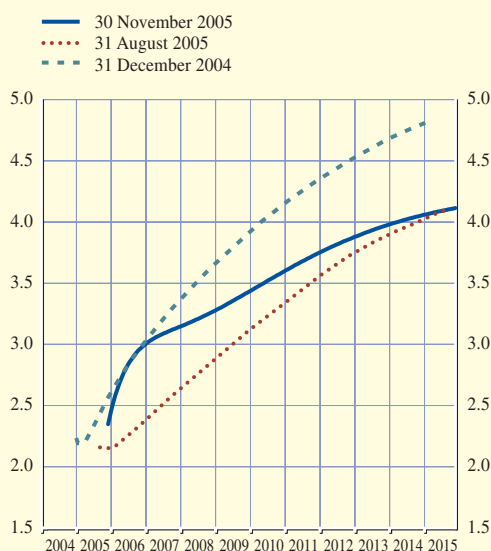
<sup>4</sup> The basis point measure is obtained as the product of implied volatility as a percentage and the corresponding forward swap rate.

<sup>5</sup> For example, the one-year rate forward five years can be obtained by combining the six-year and the one-year spot rates.

<sup>6</sup> Forward rates not only reflect expectations of future spot rates, but also the presence of time-varying risk premia.

**Chart 20 Implied forward euro area overnight interest rates**

(percentages per annum; daily data)

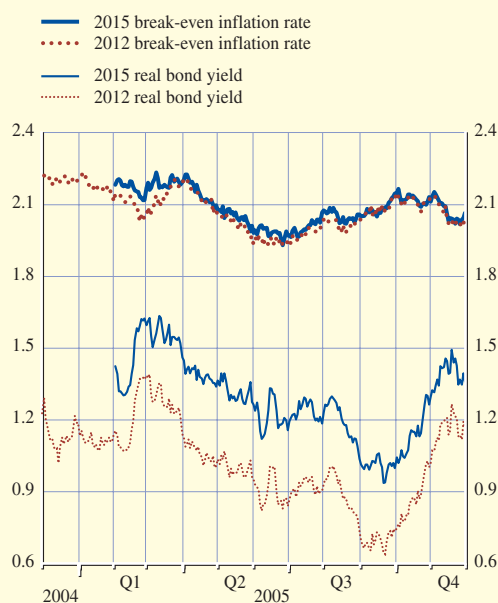


Source: ECB estimate.

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 in Box 4 of the January 1999 issue of the Monthly Bulletin. The data used in the estimate are derived from swap contracts.

**Chart 21 Euro area real bond yield and break-even inflation rate**

(percentages per annum; excluding charges; daily data)



Sources: Reuters and ECB calculations.

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). The method used to calculate the break-even inflation rate was outlined in Box 2 of the February 2002 issue of the Monthly Bulletin.

In the United States, the yield curve experienced a pronounced parallel upward shift over the past three months and thus broadly retained its shape in terms of slope and curvature. Yields on shorter-maturity bonds were supported by the decision of the Federal Reserve to raise the federal funds target rate by 25 basis points at the meetings of 20 September and 1 November respectively. With macroeconomic data releases reassuring investors in their view of robust economic growth in an environment of heightened inflationary pressures, US long-term bond yields moved upwards over the review period. Upward revisions in market participants' outlook for economic activity in the United States are also reflected in the rise in long-term index-linked bond yields, probably also supported by the decline in oil prices from their 2005 highs. In addition, a rise in the risk premium demanded on index-linked and nominal long-term bonds from its low level may have contributed to the increases in yields. At the same time, longer-term inflation expectations, as reflected in corresponding break-even inflation rates, stood at similar levels at the end of November to those at the end of August, notwithstanding a significant rise in headline inflation in the review period.

In the euro area, movements in long-term government bond yields broadly mirrored those seen in the US market during the past three months. In September, however, long-term government bond yields in the euro area first continued to fall to the lowest levels seen in a century.<sup>5</sup> Since the end

<sup>5</sup> See the box entitled "Long-term and short-term nominal interest rates in the largest euro area countries from a historical perspective" in the August 2005 issue of the Monthly Bulletin.



of September, these yields have increased gradually on the back of overall positive macroeconomic data releases. The implied forward overnight interest rate curve shifted upwards significantly at short to medium maturities over the review period, while yields at the long end of the curve remained basically unchanged (see Chart 20). The increases in shorter-maturity rates reflected emerging market expectations that the ECB would increase policy rates earlier than previously anticipated.

The rise in nominal long-term bond yields in the euro area over the review period can be almost entirely explained by higher corresponding real yields. The yields on French index-linked government bonds maturing in 2015 rose by about 30 basis points to around 1.4% between the end of August and 30 November (see Chart 21). At the same time, three-year yields on Italian index-linked bonds (maturing in 2008) increased by 55 basis points, suggesting that growth prospects for the euro area as perceived by market participants improved particularly over short- to medium-term horizons.

The long-term break-even inflation rate – calculated as the yield differential between French nominal and index-linked government bonds maturing in 2015 – increased slightly in September and early October, but stood at similar levels at the end of November to those at the end of August. On 30 November this rate stood at 2.1% (see Chart 21), suggesting that market participants' concerns about the risks to price stability in the euro area remained contained despite headline inflation significantly above 2% in recent months.

## 2.5 EQUITY MARKETS

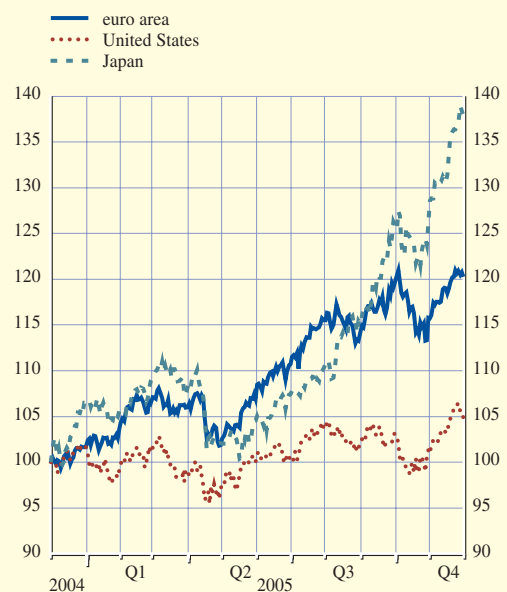
*Stock price indices for major equity markets continued to increase over the last three months despite rising long-term interest rates. Stock prices continued to be supported by solid corporate earnings growth. The Japanese broad stock price index clearly outperformed the broad indices of the euro area and the United States over the review period.*

Equity prices continued to increase in major stock markets in the last three months (see Chart 22), with ongoing strong corporate profitability and perceptions of a brighter economic outlook among the main driving forces.

The level of uncertainty prevailing in global equity markets, as measured by the implied volatility derived from stock options, ended the review period at a level close to that observed at the end of August 2005, although it has shown substantial swings in recent months. Implied volatility in these markets has remained at relatively low levels historically, suggesting

Chart 22 Stock price indices

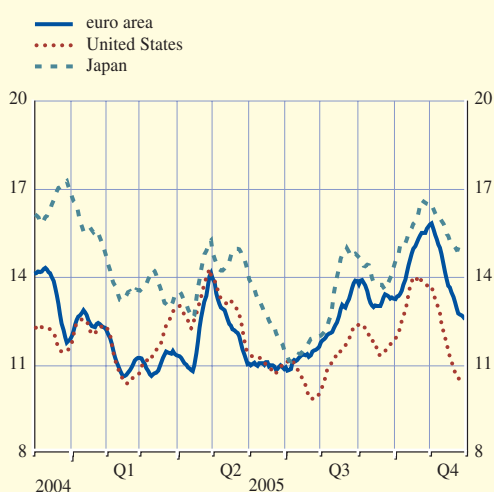
(index: 1 December 2004 = 100; daily data)



Sources: Reuters and Thomson Financial Datastream.  
Note: The indices used are 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 23 Implied stock market volatility

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

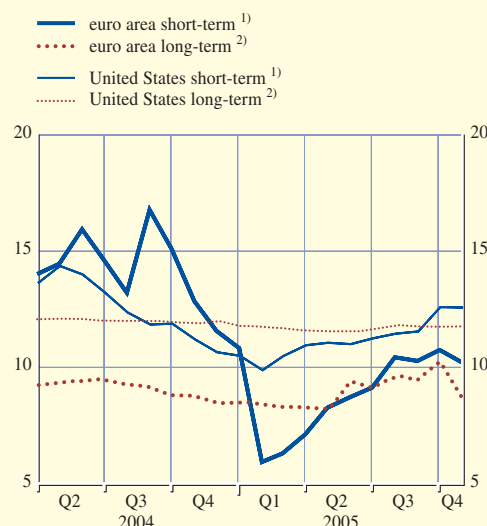


Source: Bloomberg.

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.

Chart 24 Expected growth in corporate earnings per share

(percentages per annum; monthly data)



Sources: Thomson Financial Datastream and ECB calculations.

Notes: Expected earnings growth of the Dow Jones EURO STOXX index for the euro area and Standard and Poor's 500 index for the United States.

1) Short-term refers to analysts' earnings expectations twelve months ahead (annual growth rates).

2) Long-term refers to analysts' earnings expectations three to five years ahead (annual growth rates).

comparatively low uncertainty among investors about near-term price developments in the major equity markets (see Chart 23).

In the United States, stock prices continued to move higher over the last three months, despite an increase in long-term interest rates. Between end-August and 30 November stock prices, as measured by the Standard and Poor's 500 index, rose by 2%. Two main factors contributed to these developments. First, oil prices fell below their 2005 peaks, thereby dampening market concerns about the adverse economic impact of high oil prices and most likely increasing investors' appetite for riskier equity. Second, stock market analysts on balance revised upwards their earnings estimates for the next twelve months (see Chart 24).

As regards the Japanese stock market, the Nikkei 225 index increased strongly over the review period, by 20% between end-August and 30 November, supported by the improved outlook for the Japanese economy. As suggested by survey responses from global equity fund managers, investors appeared to view the outlook for Japanese corporate profits more favourably compared with other major economies.

In the euro area, stock prices followed the global upward trend in equity prices over the past three months, somewhat outperforming US broad indices but underperforming Japanese broad indices. Between end-August and 30 November, the Dow Jones EURO STOXX index increased by 5%.

**Table 3 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 services	Consumer goods	Oil and gas	Financial	Health-care	Industrial	Technology	Telecommunications	Utility	EURO STOXX
<b>Share of sector in market capitalisation</b> (end-of-period data)	5.2	6.9	11.3	8.3	33.1	3.9	10.1	5.6	7.4	8.2	100.0
<b>Price changes</b> (end-of-period data)											
2004 Q3	1.5	-6.4	-9.0	3.3	-0.8	6.0	0.1	-13.0	-1.4	0.8	-2.1
2004 Q4	9.9	6.3	5.0	1.6	11.2	1.8	6.6	6.6	17.0	11.1	8.3
2005 Q1	6.0	7.5	6.3	9.7	4.7	0.1	5.3	-1.2	-4.0	3.7	4.3
2005 Q2	-0.8	1.8	2.6	11.4	2.8	5.6	5.2	10.1	-0.3	8.2	4.4
2005 Q3	12.5	1.7	11.8	14.1	9.8	4.5	7.0	4.8	1.3	6.5	8.1
September	7.4	1.3	5.2	6.4	6.1	0.9	3.3	8.4	0.6	4.0	4.7
October	-3.2	-2.6	-4.7	-8.6	-1.0	-2.8	-4.5	-2.2	-3.7	-4.0	-3.3
End-Aug. 2005 to 30 Nov. 2005	9.4	0.3	2.8	-0.9	11.0	1.0	3.3	12.3	-4.2	5.0	5.3
<b>Volatilities</b> (period averages)											
2004 Q3	13.1	13.6	12.7	12.8	11.6	12.4	11.7	25.3	11.7	8.6	11.2
2004 Q4	12.8	10.4	11.5	10.9	10.1	15.5	9.8	19.2	12.9	9.8	10.1
2005 Q1	10.6	8.4	8.5	11.6	8.8	16.5	9.3	14.7	9.9	13.0	8.2
2005 Q2	13.1	10.1	11.0	13.8	10.7	14.9	11.8	17.1	12.1	12.3	10.3
2005 Q3	12.8	8.4	12.2	15.9	11.2	12.0	9.4	18.0	10.9	12.3	10.0
September	14.2	9.0	13.6	12.1	12.4	11.3	10.0	14.3	10.6	12.6	10.4
October	17.0	12.6	14.4	23.8	12.2	14.9	14.4	18.1	12.9	11.2	12.5
End-Aug. 2005 to 30 Nov. 2005	14.6	10.4	13.2	20.2	11.8	13.1	12.0	15.8	11.7	12.1	11.1

Sources: Thomson Financial Datastream 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.

The continued strong stock market performance in the euro area over the past three months took place despite a simultaneous increase in long-term bond yields. These developments appear to be in line with the interpretation that the increase in bond yields signals improved prospects for economic activity in the euro area, which have more than offset the negative impact of higher interest rates (through their role as a discount factor) on expected future earnings. A similar picture emerges from the fact that earnings estimates by stock market analysts were on balance revised upwards over the past three months. Moreover, analysts consistently expected further double-digit earnings growth twelve months ahead for the companies listed in the Dow Jones EURO STOXX index (see Chart 24). In this regard, it should be borne in mind that euro area broad indices reflect profit expectations for firms that operate not only inside but also outside the euro area.

Finally, all economic sectors, except the telecommunications and oil and gas sectors, recorded stock price increases over the review period (see Table 3). The consumer goods and services and healthcare sectors also clearly underperformed the total stock market over the past three months. The underperformance of the consumer sectors suggests that the earnings outlook of companies more dependent on private consumption in the euro area continued to be comparatively weak. The developments in the oil and gas sectors relate, to a large extent, to the decline in oil prices from their peaks in 2005. In contrast, a rather strong contribution to the increase in the broad Dow Jones EURO

STOXX index originated from corporations in the basic materials, financial and technology sector sub-indices, in line with the relative sector performance in the United States.

## 2.6 FINANCING AND FINANCIAL POSITION OF NON-FINANCIAL CORPORATIONS

The real cost of external financing of non-financial corporations remained at low levels in the third quarter of 2005. Over the same period, non-financial corporations increased further their debt financing, related to the low cost of debt financing and a favourable credit risk assessment by banks and investors. By contrast, the issuance of quoted shares by non-financial corporations increased only slightly. While debt ratios of non-financial corporations have increased somewhat during 2005, their financial situation has generally improved during recent quarters, as indicated by favourable profitability developments.

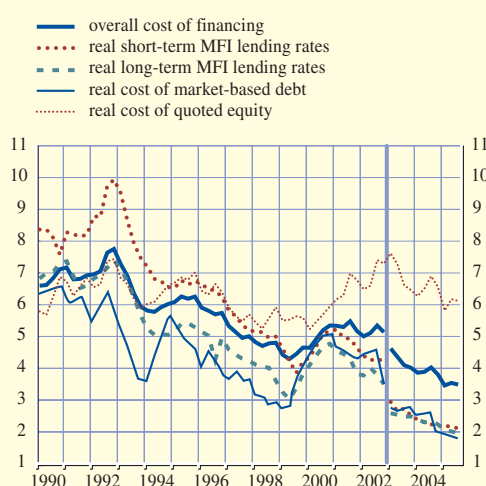
### FINANCING COSTS

The overall real cost of external financing of non-financial corporations in the euro area, as calculated by weighting the cost of different financing sources on the basis of their amounts outstanding (corrected for valuation effects), continued to be low by historical standards up to the end of the third quarter of 2005 (see Chart 25).<sup>6</sup> There was a slight decline in the real cost of external financing in the third quarter, which was related to a slight decrease in both the real cost of debt financing and the real cost of equity during that period.

The real cost of bank lending of non-financial corporations remained broadly unchanged in the third quarter at a low level (see Table 4). This reflects both low market interest rates, although they increased somewhat during that period, and an overall positive credit risk assessment by banks. As regards the breakdown by maturity, both short- and long-term interest rates on lending to non-financial corporations changed little overall over the three-month period up to September. Short-term rates on lending to non-financial corporations have been broadly constant since the end of the second quarter, while long-term lending rates have tended to decline somewhat overall. Consequently, while medium-term government bond yields increased somewhat in the third quarter, corresponding rates on loans to non-financial corporations continued to decline or remained broadly constant, reflecting a sluggish pass-through of market interest rates by banks.

Chart 25 Real cost of the external financing of euro area non-financial corporations

(percentages per annum)



Sources: ECB, Thomson Financial Datastream, Merrill Lynch and Consensus Economics forecast.

Notes: The real cost of the external financing of non-financial corporations is calculated as a weighted average of the cost of bank lending, the cost of debt securities and the cost of equity, based on their respective amounts outstanding and deflated by inflation expectations (see Box 4 in the March 2005 issue of the Monthly Bulletin). The introduction of the harmonised MFI lending rates at the beginning of 2003 led to a break in the statistical series.

<sup>6</sup> For a detailed description of the measure of the real cost of the external financing of euro area non-financial corporations, see Box 4 in the March 2005 issue of the Monthly Bulletin.

**Table 4 MFI interest rates on new loans to non-financial corporations**

(percentages per annum; basis points; weight-adjusted<sup>1)</sup>)

							Change in basis points up to Sep. 2005		
	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Aug.	2005 Sep.	2004 Sep.	2005 June	2005 Aug.
<b>MFI interest rates on loans</b>									
Bank overdrafts to non-financial corporations	5.38	5.27	5.26	5.13	5.12	5.13	-25	-1	1
Loans to non-financial corporations of up to €1 million with a floating rate and an initial rate fixation of up to one year	3.99	3.98	3.91	3.88	3.89	3.81	-18	-7	-8
Loans to non-financial corporations of up to €1 million with an initial rate fixation of over five years	4.70	4.44	4.33	4.20	4.13	4.04	-66	-16	-10
Loans to non-financial corporations of over €1 million with a floating rate and an initial rate fixation of up to one year	3.00	3.04	3.01	2.94	2.96	2.94	-6	0	-2
Loans to non-financial corporations of over €1 million with an initial rate fixation of over five years	4.31	4.06	4.04	3.89	3.79	3.85	-46	-3	6
<b>Memo items</b>									
Three-month money market interest rate	2.12	2.17	2.14	2.11	2.13	2.14	2	3	1
Two-year government bond yield	2.60	2.36	2.49	2.07	2.24	2.21	-38	14	-3
Five-year government bond yield	3.35	2.93	3.08	2.58	2.70	2.60	-75	2	-11

Source: ECB.

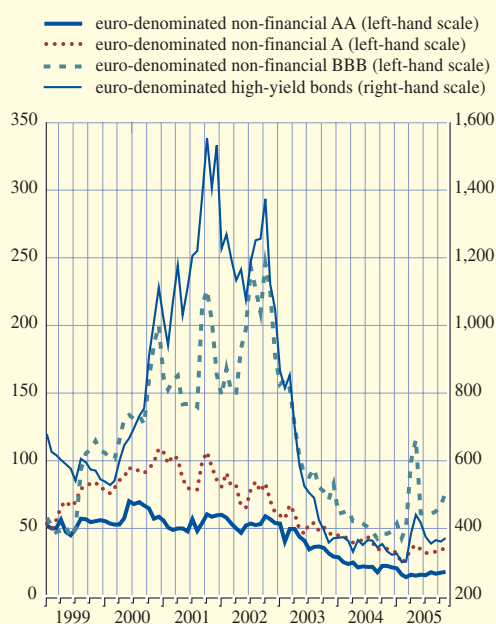
1) For the period from December 2003 onwards, the weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. For the preceding period, from January to November 2003, the weight-adjusted MFI interest rates are calculated using country weights constructed from the average of new business volumes in 2003. For further information, see the box entitled "Analysing MFI interest rates at the euro area level" in the August 2004 issue of the Monthly Bulletin.

The real cost of market-based debt of non-financial corporations decreased somewhat in the third quarter of 2005. This was mainly related to a partial reversal of the rise in corporate bond spreads which took place in the second quarter and was mainly driven by a series of firm-specific events affecting primarily the automobile industry.

More recently, corporate bond spreads across the different rating categories of corporate borrowers increased slightly, especially for lower-rated segments (see Chart 26). This led to a level of the real cost of market-based debt that was broadly similar to that at the beginning of the year. Hence, the overall increase in corporate bond spreads, in particular in the lower-rated segments, since mid-February was broadly offset by the decrease in government bond yields during that period. Overall, the real cost of market-based debt of non-financial corporations remained at low levels. This reflected both low market interest rates and a fairly benign credit risk assessment of investors. In addition, some "search for yields" may also have contributed to keeping the cost of market-based debt at low levels.

**Chart 26 Corporate bond spreads of non-financial corporations**

(basis points; monthly averages)



Sources: Thomson Financial Datastream and ECB calculations.  
Note: Non-financial bond spreads are calculated against the AAA government bond yields.

The real cost of equity continued to be considerably higher than the real cost of debt financing in the third quarter of 2005, slightly above its average over the period from 1999 to 2005. In the third quarter of 2005, the real cost of equity declined somewhat, in line with favourable stock market developments.

## FINANCING FLOWS

Non-financial corporations continued to increase their external financing in the third quarter of 2005 (see Chart 27). This rise was mainly due to an increase in the contribution of debt financing during that period, whereas the contribution of equity financing by non-financial corporations rose only slightly. These developments reflect the differences in the levels of the cost of external financing as described previously. In particular, non-financial corporations continued to show relatively strong demand for external funds despite favourable profitability developments. According to information from aggregated corporate financial statements, profitability of listed non-financial corporations stood at a favourable level in the first three quarters of 2005, having recovered significantly in 2003 and 2004.<sup>7</sup> This evidence is in line with the rise in gross saving of non-financial corporations in 2004. At the same time, stock market-based profitability measures indicate that profitability growth of large listed corporations is expected to moderate over the next twelve months, albeit remaining relatively high (see Chart 24).<sup>8</sup>

<sup>7</sup> See the article entitled "Developments in corporate finance in the euro area" in the November 2005 issue of the Monthly Bulletin.

<sup>8</sup> In addition to non-financial corporations, the measure of corporate earnings based on the Dow Jones EURO STOXX index also includes financial corporations.

Table 5 Financing of non-financial corporations

	Outstanding amount at the end of the last quarter available (EUR billions)	Annual growth rates (percentage changes; end of quarter)				
		2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3
<b>MFI loans</b>	3,321	4.5	5.4	5.9	6.3	7.0
up to 1 year	1,015	-0.7	2.4	3.8	4.9	5.3
over 1 year and up to 5 years	572	6.1	6.0	6.6	6.1	5.8
over 5 years	1,734	7.2	7.0	6.9	7.2	8.5
<b>Debt securities issued</b>	617	3.9	1.5	4.4	3.1	2.8
short-term	98	1.0	-3.9	3.0	-2.9	-1.8
long-term, of which: <sup>1)</sup>	518	4.4	2.5	4.7	4.4	3.7
fixed rate	415	1.4	-1.1	0.5	0.7	0.3
variable rate	86	25.8	31.6	28.0	26.9	18.9
<b>Quoted shares issued</b> <sup>2)</sup>	3,583	0.8	0.9	0.7	0.8	3.4
<b>Memo items</b> <sup>3)</sup>						
Total financing	8,119	1.9	2.2	2.9	2.8	4½
Loans to non-financial corporations	3,905	2.2	3.2	4.2	4.4	5½
Pension fund reserves of non-financial corporations	306	4.8	4.7	4.5	4.6	4½

Source: ECB.

Note: Data shown in this table (with the exception of the memo items) are reported in money and banking statistics and securities issues statistics. Small differences with data reported in financial accounts statistics may arise mainly as a result of differences in valuation methods.

1) The sum of fixed rate and variable rate may not add up to total long-term debt securities because zero-coupon long-term debt securities, which include valuation effects, are not shown separately in this table.

2) The annual growth rate includes the effect of significant corporate restructuring involving a euro area and a non-euro area resident entity in the third quarter of 2005.

3) Data are reported from financial accounts statistics. Total financing of non-financial corporations includes loans, debt securities issued, quoted shares issued and pension fund reserves. Loans to non-financial corporations comprise loans granted by MFIs and other financial corporations. The latest quarter is estimated using data from money and banking statistics and securities issues statistics.

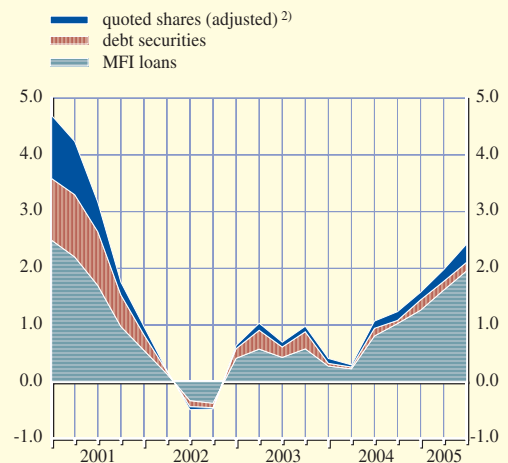
The further increase in the debt financing of non-financial corporations in the third quarter of 2005 was exclusively caused by a continued rise in the annual growth rate of MFI loans to non-financial corporations, to 7% in the third quarter from 6.3% in the second (see Table 5). Non-financial corporations may have wished to take advantage of a combination of low financing costs for bank loans and relatively accommodative credit standards of banks for possible future expenditures. Therefore, the high loan growth may incorporate some elements of frontloading. As regards the maturity breakdown, the annual growth rate of short-term MFI loans to non-financial corporations, which are often used to finance working capital, continued to increase in the third quarter of 2005, to 5.3% from 4.9% in the second quarter. At the same time, the annual growth rate of long-term MFI loans to non-financial corporations rose further in the third quarter, to 8.5% from 7.2% in the second quarter. This development was in line with recent, more positive developments in real economic activity. In addition, the October 2005 bank lending survey (BLS) indicated that fixed investment, which is generally likely to be financed partly by long-term loans, was a factor contributing positively to an increase in the net demand for bank loans by enterprises in the third quarter of 2005, for the first time since the start of the BLS in January 2003. In contrast to MFI loans, according to evidence up to the end of the second quarter, the annual rate of change of non-MFI loans granted to non-financial corporations remained negative. This might still be linked to fiscal factors, which induced a substitution of inter-company loans by unquoted equity financing in 2004 (see Box 3).

In contrast to loan developments, the annual growth rate of debt securities issued by non-financial corporations remained modest in the third quarter of 2005, at 2.8% after 3.1% in the second quarter. The relatively low growth might be related to substitution effects with loan financing, as well as a relatively limited number of M&A deals by non-financial corporations that were settled during the summer period, although M&A activity has generally picked up in 2005. The annual rate of change of short-term debt securities issued by non-financial corporations continued to be negative, at -1.8% in the third quarter after -2.9% in the second quarter, whereas the annual growth rate of long-term debt securities stood at 3.7% in the third quarter after 4.4% in the second quarter. Non-financial corporations increased in particular their issuance of long-term debt securities financed at variable rates, while the net issuance of short-term and long-term debt securities at fixed rates was negative in the third quarter.

The annual growth rate of quoted shares issued by non-financial corporations increased only slightly during the past few months, when excluding the effect of a significant corporate restructuring. In July 2005, the restructuring of Royal Dutch Shell led to the unification of a euro area resident entity and a non-euro area resident entity, which formed a single parent company

**Chart 27 Breakdown of the real annual rate of growth of financing to non-financial corporations<sup>1)</sup>**

(annual percentage changes)



Source: ECB.

1) The real annual growth rate is defined as the difference between the actual annual growth rate and the growth rate of the GDP deflator.

2) The adjusted series excludes the effect of significant corporate restructuring involving a euro area and a non-euro area resident entity in the third quarter of 2005.

domiciled in the euro area. Although this restructuring did not lead to new funds being raised, its overall effect on the net issues by euro area residents was positive, reflecting the amount of the new shares that were exchanged for the outstanding shares of the non-resident entity. The slight pick-up in equity issuance was supported by the increase in the gross issuance of initial and secondary public offerings. Overall, however, the issuance of quoted shares by non-financial corporations remained relatively low up to the end of the third quarter of 2005.

### FINANCIAL POSITION

The ongoing growth in overall debt financing by non-financial corporations in the euro area resulted in a slight rise of their debt ratios in the first three quarters of 2005, to 63% of GDP at the end of the third quarter (see Chart 28). While it is difficult to provide a firm assessment at present, recent debt developments might indicate that the period of intense balance sheet restructuring of non-financial corporations, which may have dampened investment in the past, has come to an end in 2005. At the same time, the situation is likely to vary considerably at the individual firm level.

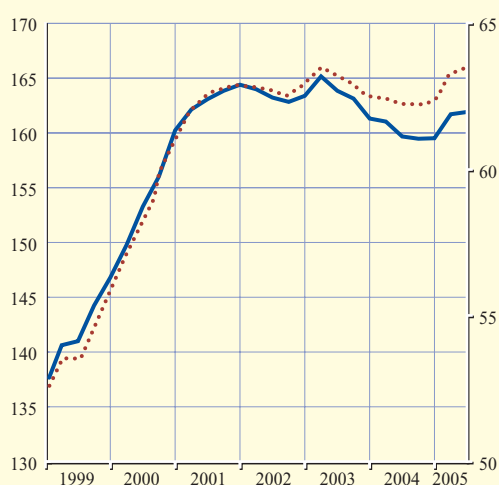
Net interest payments of non-financial corporations on their MFI loans and deposits (measured as a percentage of GDP) continued to decline in the third quarter of 2005 and thus remained at a low level (see Chart 29).<sup>9</sup> In addition to the information on net interest payments to MFIs, the annual financial accounts, available up to 2004, also include net interest payments by non-financial corporations to non-MFIs. This shows that net interest payments to both MFIs and non-MFIs had probably decreased further in 2004 compared with 2003 (see Chart E in Box 3).

<sup>9</sup> See Box 4 entitled "Interest rate sensitivity of debt raised by non-financial corporations in the euro area" in the June 2005 issue of the ECB's Financial Stability Review.

**Chart 28 Debt ratios of the non-financial corporate sector**

(percentages)

— debt-to-gross operating surplus ratio (left-hand scale)  
 ..... debt-to-GDP ratio (right-hand scale)

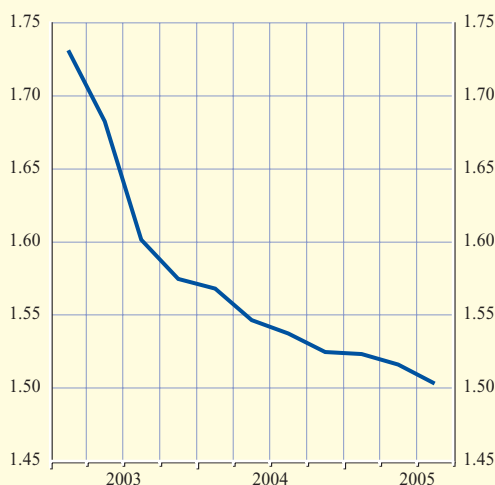


Sources: ECB and Eurostat.

Notes: The gross operating surplus relates to gross operating surplus plus mixed income for the whole economy. Debt is reported from financial account statistics. It includes loans, debt securities issued and pension fund reserves. The last available quarter is estimated.

**Chart 29 Net interest payments of non-financial corporations**

(as a percentage of GDP)



Sources: ECB and Eurostat.

Note: Net interest payments relate to interest payments on euro-denominated MFI loans minus interest received on euro-denominated MFI deposits.



Overall, while the debt ratio of non-financial corporations has increased slightly, their financial situation has generally improved during recent quarters. This is supported, in particular, by the rise in profitability during the past few years. In addition, developments in credit standards for loans to enterprises highlighted by the BLS, as well as developments in credit ratings of non-financial corporations, have been favourable overall.

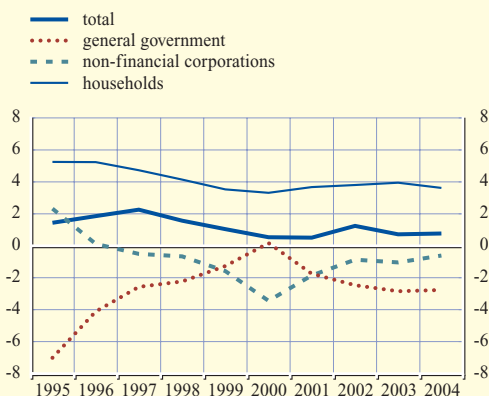
### Box 3

## SAVING, FINANCING AND INVESTMENT OF EURO AREA HOUSEHOLDS AND NON-FINANCIAL CORPORATIONS IN 2004

Euro area annual financial accounts data for 2004 have recently become available.<sup>1</sup> These data supplement the information provided in the quarterly national accounts, as they allow for a more comprehensive analysis of the financial positions and developments in the individual euro area sectors. Overall, the net lending positions of the respective sectors changed only slightly in 2004 compared with the previous year. The combined net balance of the domestic sectors vis-à-vis the rest of the world remained positive, essentially reflecting a continued large net lending position on the part of households, while non-financial corporations and general government maintained a net borrowing position (see Chart A). This box discusses developments in saving, financing and financial investment underlying these net lending/borrowing positions, focusing on households and non-financial corporations.

**Chart A Net lending/net borrowing of sectors<sup>1)</sup>**

(as a percentage of GDP)

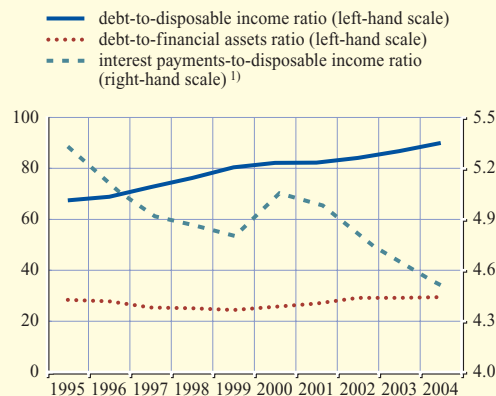


Source: ECB.

1) Net lending/net borrowing is defined as gross saving and net capital transfers received minus gross capital formation and net acquisition of valuables.

**Chart B Debt and interest payment burden of households**

(percentages)



Source: ECB.

1) Interest payments for 2004 are an ECB estimate.

### Households

The net lending position of households receded slightly in 2004, mainly reflecting an increase in gross fixed capital expenditure, which was to a large extent due to the net acquisition of

<sup>1</sup> See Section 3.4 of the "Euro area statistics" section of this issue of the Monthly Bulletin. Euro area financial accounts data are compiled by the ECB and are based on national financial accounts.

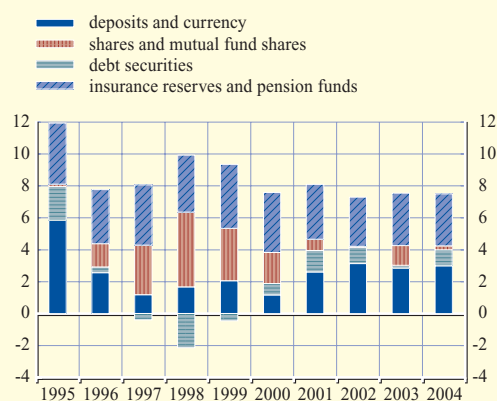
housing property. Households' gross savings as a percentage of GDP remained broadly unchanged at around 10%.

In 2004 households further increased their demand for loans for house purchase,<sup>2</sup> resulting in a further rise in the ratio of household debt to disposable income (see Chart B). When assessing this rising indebtedness, a number of factors should be taken into account. For instance, the debt-to-disposable income ratio in the euro area remained far below that in other industrialised countries such as the United States, the United Kingdom or Japan. Moreover, the debt-to-financial assets ratio remained stable, as the value of deposits and currency, as well as assets held in pension funds (insurance technical reserves), also increased. In addition, the rise in mortgage debt was accompanied by a rise in house prices. Despite the rise in indebtedness, the overall gross interest payment burden of euro area households decreased further in 2004 in a context of low interest rates.

The financial investment of households as a percentage of GDP remained broadly stable in 2004, but this conceals somewhat different movements in the underlying components (see Chart C). The contribution of investment in insurance reserves and pension funds, which tends to display only relatively small movements over time, was unchanged. The contribution of flows into deposits and currency was also broadly similar to that observed in previous years, although there was a slight increase compared with 2003. At the same time, there were more or less offsetting movements in terms of a rising contribution from the net acquisition of debt securities and a declining contribution from the purchase of shares and mutual fund shares. In each case these movements implied a reversal of developments observed in 2003.

**Chart C Financial investment of households<sup>1)</sup>**

(as a percentage of GDP)



Source: ECB.

1) Excluding financial derivatives and other accounts receivable.

### Non-financial corporations

The net borrowing position of non-financial corporations – an indicator of the investment spending that needs to be financed out of external rather than internal funds – decreased to -0.6% of GDP in 2004, compared with -1.0% in 2003. This development was essentially driven by the fact that, in an environment of solid corporate profits and relatively subdued non-financial investment activity, the increase in gross savings outpaced the increase in gross capital formation between 2003 and 2004.

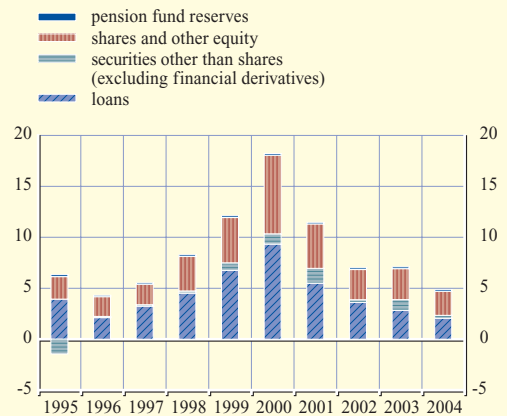
Reflecting the fact that the borrowing needs of non-financial corporations were dampened by their strong profits, the net incurrence of liabilities by non-financial corporations as a

<sup>2</sup> It should be noted that a large percentage of housing transactions financed by loans do not translate into an increase in net capital formation (which has been subdued or negative since the mid-1990s) because it takes place on the secondary market, mainly as transactions between households.

percentage of GDP decreased between 2003 and 2004. This decrease largely reflected a decline in all three main types of liabilities: loans, debt securities and equity (see Chart D). The reduced contribution of loans to non-financial corporations was mainly caused by a sharp drop in lending by non-MFIs, which counteracted the increase in loans granted by MFIs. Some of the decrease in these non-MFI loans may be attributable to changes in the tax regulations of one euro area country, which gave rise to some replacement of inter-company loans with unquoted equity. However, the contribution of the overall issuance of equity decreased in 2004, largely driven – as in previous years – by the contribution of unquoted shares and other equity. Furthermore, it is worth noting that the contribution of quoted shares issuance increased in 2004, reinforcing the upward trend observed since 2002.

**Chart D Financing of non-financial corporations<sup>1)</sup>**

(as a percentage of GDP)



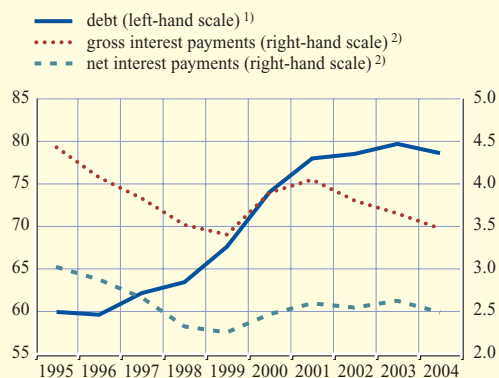
Source: ECB.

1) Excluding financial derivatives and other accounts payable.

The debt-to-GDP ratio for non-financial corporations decreased slightly in 2004 for the first time since the late 1990s (see Chart E). According to the latest estimates, the burden of gross

**Chart E Debt and interest payments of non-financial corporations**

(as a percentage of GDP)



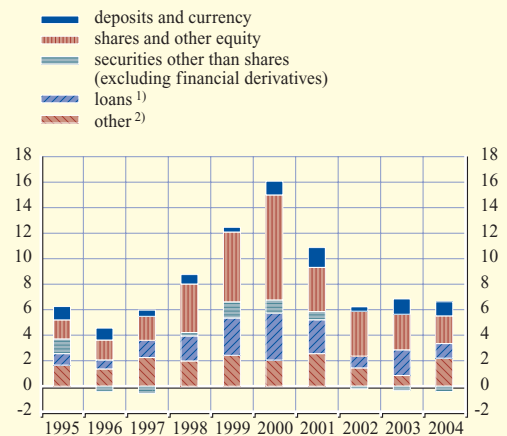
Source: ECB.

1) Debt includes loans, securities other than shares (excluding financial derivatives) and pension fund reserves. These data, compiled on the basis of the annual financial accounts, show the ratio of debt to GDP as being somewhat higher than would be the case were they based on the quarterly financial accounts, mainly because of the inclusion here of both loans granted by banks outside the euro area and a higher coverage of loans granted by non-financial sectors.

2) Interest payments for 2004 are an ECB estimate.

**Chart F Financial investment of non-financial corporations**

(as a percentage of GDP)



Source: ECB.

1) "Loans" comprise mainly inter-company loans.

2) "Other" financial investment includes net other accounts receivable, net financial derivatives and insurance technical reserves.

interest payments to MFIs and non-MFIs as a percentage of GDP declined further in 2004 owing to the low level of interest rates. The interest payment burden also decreased on a net basis in 2004, which reflects the fact that the interest received by non-financial corporations as a percentage of GDP remained unchanged between 2003 and 2004.

While the financial investment of non-financial corporations as a percentage of GDP remained broadly unchanged in 2004, there were some changes in its composition (see Chart F). Continuing the broad downward trend observed since 2000, the contributions of inter-company loans and of shares and other equity decreased, the latter possibly reflecting subdued mergers and acquisitions activity in 2004. Moreover, non-financial corporations remained net sellers of debt securities. These decreases in loans and securities were offset by an increase in the contribution of other financial investment in 2004, notably other accounts receivable such as trade credits and advances. The contribution of holdings of deposits and currency remained broadly unchanged at the relatively high level of the previous year, probably an indication that the demand for overnight deposits continued to be supported by the very low opportunity cost of holding these liquid instruments.

## 2.7 FINANCING AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

*Household borrowing continued to strengthen in the third quarter of 2005, reflecting robust growth in both loans for house purchase and consumer credit. Loan demand continued to be fostered by favourable financing conditions and buoyant housing market developments in several euro area countries. As a result of the strong growth of borrowing, the indebtedness of euro area households, measured as a proportion of GDP, increased further, but remained low by international standards.*

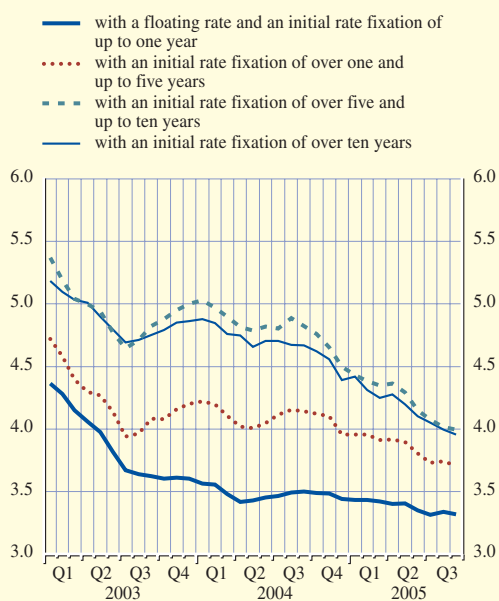
### FINANCING CONDITIONS

Information from bank interest rate statistics and the October 2005 bank lending survey<sup>10</sup> point to continued favourable financing conditions for the euro area household sector in the third quarter of 2005. MFI lending rates on loans for house purchase declined further in the third quarter of 2005 (on a quarterly average basis), continuing their past downward trend. Rates on loans with a longer maturity declined somewhat more strongly than those on loans with a shorter maturity, compressing the implied spread between the rates on longer and shorter maturities to the lowest level observed since the beginning of the series in early 2003 (see Chart 30). MFI lending rates for consumer credit remained broadly unchanged for loans with a longer maturity and rose somewhat for loans with a shorter maturity. In the October 2005 bank lending survey banks reported a net easing of credit standards for the approval of loans for house purchase, while credit standards for consumer credit and other lending were largely unchanged. The easing of credit standards for housing loans was reflected, in particular, in an increase in loan-to-value ratios and a further lengthening of maturities. Notably, housing market prospects were, by comparison with previous quarters, significantly less important as a factor encouraging banks to tighten credit standards.

<sup>10</sup> See Box 2, entitled "The results of the October 2005 bank lending survey for the euro area", in the November 2005 issue of the Monthly Bulletin.

**Chart 30 MFI interest rates on loans to households for house purchase**

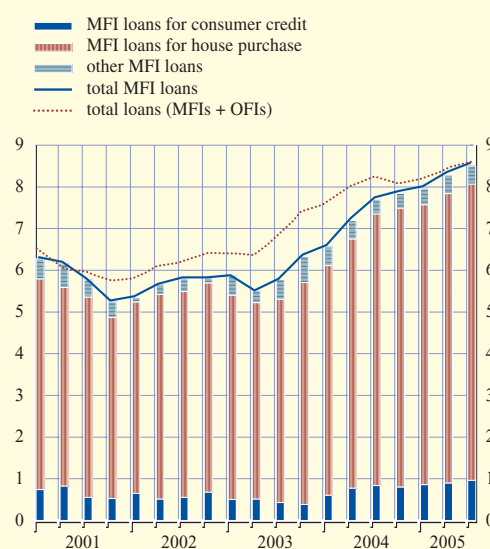
(percentages per annum; excluding charges; rates on new business; weight-adjusted<sup>1)</sup>)



Source: ECB.  
 1) For the period from December 2003 onwards, the weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. For the preceding period, from January to November 2003, the weight-adjusted MFI interest rates are calculated using country weights constructed from the average of new business volumes in 2003. For further information, see the box entitled "Analysing MFI interest rates at the euro area level" in the August 2004 issue of the Monthly Bulletin.

**Chart 31 Total loans granted to households**

(annual growth rates in percentages; contributions in percentage points; end of quarter)



Source: ECB.  
 Note: Total loans (MFIs + OFIs) for the third quarter of 2005 have been estimated on the basis of transactions reported in money and banking statistics. For information on differences in calculation of growth rates, see the relevant technical notes.

## FINANCING FLOWS

The annual growth rate of total loans to the household sector – as measured by quarterly financial accounts data – increased to 8.4% in the second quarter of 2005 (the most recent period for which data are available), from 8.2% in the preceding quarter. Data on MFI loans, which represent around 90% of total outstanding household loans, suggest that this strengthening continued in the third quarter of 2005. Since mid-2003, the annual rate of growth of loans to households from other financial intermediaries (OFIs) has declined considerably, leading to a convergence of the annual growth rate of total household loans with that of MFI loans (see Chart 31).

Looking at the MFI data available up to October 2005, the strength of household borrowing appears to have become more broadly based across different loan categories, despite continuing to be driven mainly by robust demand for loans for house purchase. The annual growth rate of this component was 10.8% in October, after averaging 10.6% and 10.1% in the third and second quarters of 2005 respectively. According to the October 2005 bank lending survey, demand for mortgages is being underpinned by households' favourable assessment of housing market prospects, but also by a slight improvement in consumer confidence and a reduction in household savings.

The annual growth rate of consumer credit strengthened further in October, to 7.8%, following average rates of 7.0% and 6.7% in the third and second quarters respectively. This strengthening is in line with the results of the bank lending survey, which showed banks reporting substantially higher net demand for consumer credit, motivated by spending on durable consumer goods. As in the case of demand for loans for house purchase, a reduction in household savings and a slight improvement in consumer confidence also contributed to the increased net demand. The annual growth rate of other lending to households was 3.2% in October, following averages of around 2.2% in the third and second quarters.

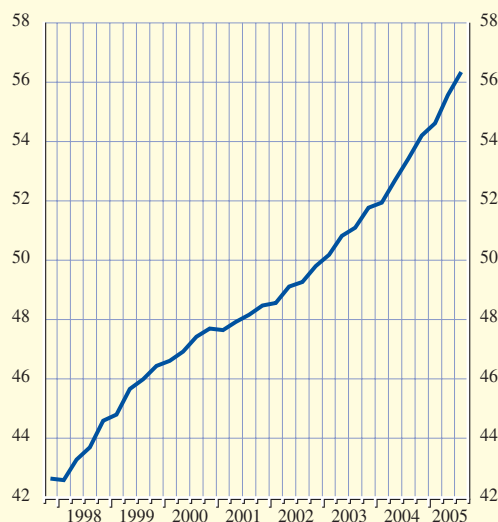
#### FINANCIAL POSITION

As a result of the continued strong growth in household borrowing, the ratio of household debt to GDP rose further, to more than 56% in the third quarter of 2005 (see Chart 32), mainly reflecting long-term debt. This is still relatively low by international standards.

Moreover, despite the rise in indebtedness, the total debt servicing burden of the household sector (interest payments plus repayments of principal as a percentage of disposable income) has remained relatively stable in recent years, owing to the prevailing low level of interest rates. Box 4 discusses the macro- and microeconomic evidence on households' debt servicing burden.

Chart 32 Ratio of household debt to GDP

(in percentages)



Source: ECB.

Note: These data, compiled on the basis of the quarterly financial accounts, show the ratio of household debt to GDP as being somewhat lower than would be the case were they based on the annual financial accounts, mainly because loans granted by banks outside the euro area are not included. Data for the last quarter shown have been partly estimated.

#### Box 4

##### THE DEBT SERVICING BURDEN OF EURO AREA HOUSEHOLDS – SOME MACROECONOMIC AND MICROECONOMIC EVIDENCE

Euro area households' mortgage debt has increased rapidly as a percentage of their income over the past few years, raising concerns about the sustainability of debt positions. For a central bank this issue is of relevance with regard to any detailed investigation of the transmission mechanism and from the point of view of financial stability. For example, the sensitivity of consumption to interest rate changes is likely to depend crucially on the magnitude and structure of households' outstanding debt, of which mortgage debt is the largest share.

The "debt service ratio" – calculated as the amount of debt service payments relative to disposable income – is a measure that is frequently used to assess the financial obligations of mortgage-indebted households and their ability to repay debt. For the purposes of this box, debt service payments are defined as including both interest payments and principal repayments.

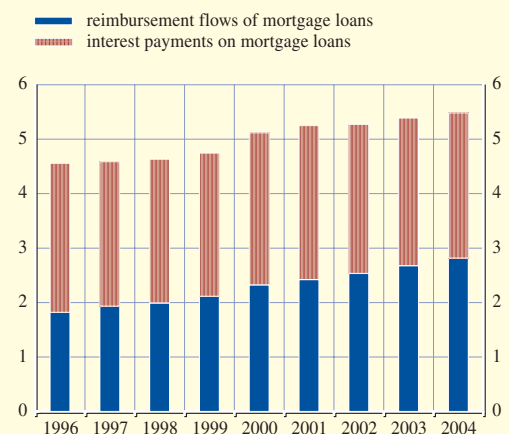
All other things being equal, a higher debt ratio implies a higher debt servicing burden and increased risks for debt sustainability in the case of adverse shocks to income and interest rates. This box reviews the main macroeconomic and microeconomic evidence available on the euro area debt servicing burden associated with mortgage debt.

### Macroeconomic evidence based on national accounts and interest rate statistics

Data on the debt servicing burden of the euro area household sector are not directly available in the official statistics. The ECB's estimates for this burden are based on specific assumptions relating to the average maturity of households' loans, the structure of debt in terms of mortgage loans and other loans, and the interest paid on different kinds of household loans. These assumptions are based on information available from national accounts, banking and interest rate statistics. The data suggest that the aggregate mortgage debt service ratio of euro area households has remained broadly unchanged in recent years at somewhat more than 5% of disposable income (see Chart A). Among other factors, this might primarily reflect the decline in interest rates in the euro area to historically low levels. Indeed, the higher debt repayment burden associated with the strong loan growth observed in past years has been more or less offset by the lower share of income devoted to interest payments.

**Chart A Mortgage debt service-to-income ratio**

(as a percentage of disposable income)



Sources: ECB and ECB estimates.

When assessing these aggregate figures it needs to be borne in mind that they are calculated as a ratio of the disposable income of the household sector as a whole, i.e. also including households that do not have mortgage debt. According to the survey data presented below, just over 20% of households had outstanding mortgage debt in 2001. This implies that the debt service ratio for the households that do have an outstanding mortgage must be higher.

In practice, however, there are a number of factors – such as longer loan maturities, “payment holidays” or amortisation-free loans – which can lead to a decoupling of rising mortgage debt ratios from the associated debt servicing burdens and default risks. To assess the risks and vulnerabilities implied by the household sector's debt position, it is therefore useful to complement the analysis of macroeconomic data with that of microeconomic data.

### Microeconomic evidence based on the European Community Household Panel

The European Community Household Panel (ECHP) provides information that allows an assessment of developments in the debt servicing burden across households. The ECHP is a survey based on a standardised questionnaire that involves the annual interviewing of a

representative panel of households and individuals in a number of European countries, covering a wide range of topics including income and housing characteristics. The broad range of topics, the standardised methodology and the longitudinal panel design – in which information on the same set of households is gathered over time – make the ECHP an important and unique source of information at the microeconomic level. The total duration of the ECHP was eight years, running from 1994 to 2001. Data are available for all euro area countries, although in the case of Austria and Finland the survey only started in 1995 and 1996 respectively. To ensure the comparability of the analysis for the euro area over time, the analysis presented in this box is restricted to a sample ranging from 1996 to 2001, when all countries participated in the survey.<sup>1</sup>

Debt service ratios are constructed for those households in the sample that do actually have outstanding mortgage debt and debt servicing obligations.<sup>2</sup> These ratios can then be condensed along several lines. First, the mean of the debt service ratios fluctuated around the level of 23% in the period 1996-2001 and thus implies a considerably higher debt servicing burden for households with mortgage debt payment obligations than is suggested by macroeconomic data. Given the fact, however, that the distribution of the individual debt service ratios can be skewed, the median may provide a more appropriate picture of the “typical” debt servicing burden of the households in the sample. The median was generally lower than the mean in the period under review, at levels of slightly above 20%, implying some skewness in the distribution towards higher debt service ratios (see Chart B).

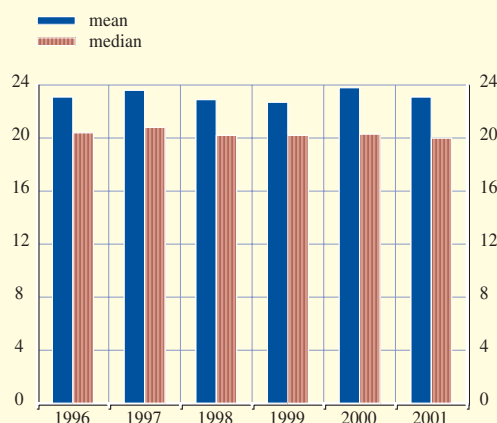
The use of microeconomic data allows for the quantification of other interesting aspects. For instance, it is possible to investigate more closely the distribution of debt service ratios across

1 Luxembourg is excluded for the purposes of the analysis in this box owing to missing data.

2 The mortgage debt service ratio is calculated from the responses to questions on the monthly amount paid for outstanding loans or mortgages for accommodation and the total amount of net household income. The sample includes only households that actually provided a figure in response to the question on their payments (i.e. excluding those households that answered “do not know” or “no debt”).

**Chart B Debt service-to-income ratio**

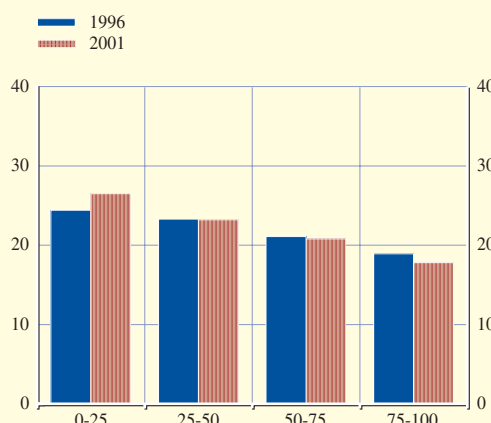
(as a percentage of disposable income)



Source: ECB calculations based on the ECHP.

**Chart C Distribution of mortgage debt service-to-income ratio**

(as a percentage of disposable income; median values; percentiles of income distribution)



Source: ECB calculations based on the ECHP.



the income spectrum. More precisely, in order to further assess the macroeconomic and financial risks implied by the mortgage debt servicing burden, it is instructive to consider different income categories. For example, for households in lower income categories, income and interest rate shocks may imply stronger financial risks as these households tend to have lower saving ratios and will probably also have less collateral or financial reserves. Chart C shows the median debt service ratio for the years 1996 and 2001 for various percentiles of income. The burden is highest for households in the lowest income quartile and tends to decline for households in the higher income quartiles. This general pattern seems to have remained broadly unchanged over the sample period. If anything, a slight increase in the difference between the debt service ratio in the lower quartile and that in the higher quartile can be detected.

To summarise, microeconomic data suggest that for those households that do have a mortgage, the debt servicing burden is considerably higher than is implied by macroeconomic data. Moreover, the burden is higher for households in lower income categories. These differences between macroeconomic and microeconomic data need to be taken into account when assessing the financial risks associated with possible income and interest rate shocks. However, the figures presented in this box should be viewed with the necessary caution: in the case of the macroeconomic data, they are based on a number of assumptions; and in the case of the microeconomic data, they are not corrected for outliers. Against this background, further analysis is needed, which is currently being carried out within the ECB.

## 3 PRICES AND COSTS

Having risen significantly in September 2005, HICP inflation eased somewhat in October and November but remained at an elevated level. When compared with August, this rise in inflation is primarily due to energy price developments, but it also reflects a slight increase in the annual growth rate of non-energy prices. Overall annual inflation rates could remain high for some time, and thereafter the outlook is surrounded by several upside risks, in particular those relating to oil price developments, second-round effects and a potential upward impact from administered prices and indirect taxes changes.

### 3.1 CONSUMER PRICES

#### FLASH ESTIMATE FOR NOVEMBER 2005

According to Eurostat's flash estimate, HICP inflation eased slightly to 2.4% in November from 2.5% in October (see Table 6). Although a breakdown is not yet available, this slight decrease could be related to a moderation in the annual rate of change in energy prices.

#### HICP INFLATION UP TO OCTOBER 2005

Over the past few months, consumer price developments have been characterised by a marked rise in overall HICP inflation. Between January and June 2005, HICP inflation remained broadly stable, fluctuating between 1.9% and 2.1%. In July and August, it rose slightly to 2.2%, and then shot up to 2.6% in September. Since then, HICP inflation has eased somewhat.

The latest pick-up in inflation was due primarily to energy price developments. Crude oil and natural gas prices went up significantly in September. At the consumer level, petrol prices increased sharply in September before subsiding in October. Gas prices in the HICP, however, rose markedly in October. Consequently, the annual rate of growth in overall consumer energy prices rose from 11.6% in August to 15.2% in September, before easing to 12.2% in October.

The pace of increase in prices of other consumer goods also rose, albeit only slightly, between August and October 2005 (see Chart 33). HICP inflation excluding energy rose from 1.3% in August to 1.5% in October, while HICP inflation excluding energy and unprocessed food rose from 1.4% to 1.5% over the same period. This slight rise reflects two factors, namely an increase

**Table 6 Price developments**

(annual percentage changes, unless otherwise indicated)

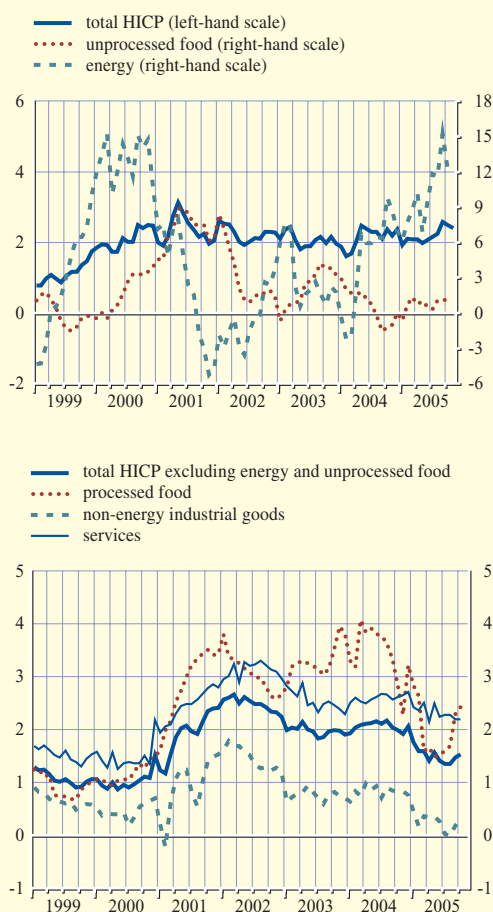
	2003	2004	2005 June	2005 July	2005 Aug.	2005 Sep.	2005 Oct.	2005 Nov.
<b>HICP and its components</b>								
Overall index <sup>1)</sup>	2.1	2.1	2.1	2.2	2.2	2.6	2.5	2.4
Energy	3.0	4.5	9.4	11.8	11.6	15.2	12.2	.
Unprocessed food	2.1	0.6	0.6	0.3	1.1	1.1	1.2	.
Processed food	3.3	3.4	1.5	1.6	1.7	2.3	2.4	.
Non-energy industrial goods	0.8	0.8	0.3	0.0	0.0	0.2	0.3	.
Services	2.5	2.6	2.2	2.3	2.3	2.2	2.2	.
<b>Other price indicators</b>								
Industrial producer prices	1.4	2.3	4.0	4.1	4.0	4.3	.	.
Oil prices (EUR per barrel)	25.1	30.5	45.7	48.3	52.0	52.2	49.3	47.9
Non-energy commodity prices	-4.5	10.8	7.6	9.6	11.9	13.2	17.4	22.3

Sources: Eurostat, HWWA and ECB calculations based on Thomson Financial Datastream.

1) HICP inflation in November 2005 refers to Eurostat's flash estimate.

**Chart 33 Breakdown of HICP inflation: main sub-components**

(annual percentage changes; monthly data)



Source: Eurostat.

in tobacco prices in September and a moderate rise in the annual rate of change in non-energy industrial goods prices, albeit from a relatively low level. In general, several sectors make particularly low contributions to overall price growth (e.g. high-tech equipment and, to a lesser extent, textiles), but even without taking the particular developments of these sectors into account, price changes for non-energy industrial goods have remained muted. This suggests that, so far, indirect effects of oil prices on non-energy goods prices have been limited.

The annual rate of change in consumer services prices decreased slightly from 2.3% in August to 2.2% in October. Among the services items, prices for passenger air transportation went up during this period, most likely reflecting a possible pass-through of crude oil price increases to this component. However, there has so far been no evidence of more generalised indirect effects in services prices.

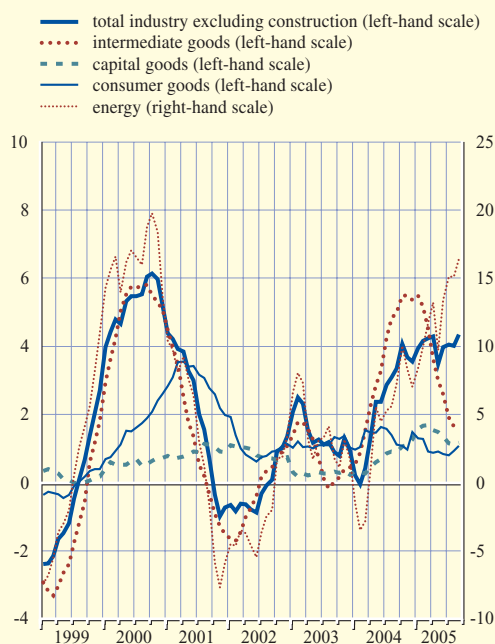
To sum up, the main feature of the past three months has been a notable rise in overall inflation stemming from a pick-up in energy prices, with developments in the non-energy components being considerably more subdued.

### 3.2 INDUSTRIAL PRODUCER PRICES

Prices at the earlier stages of the production chain so far indicate only a very limited

**Chart 34 Breakdown of industrial producer prices**

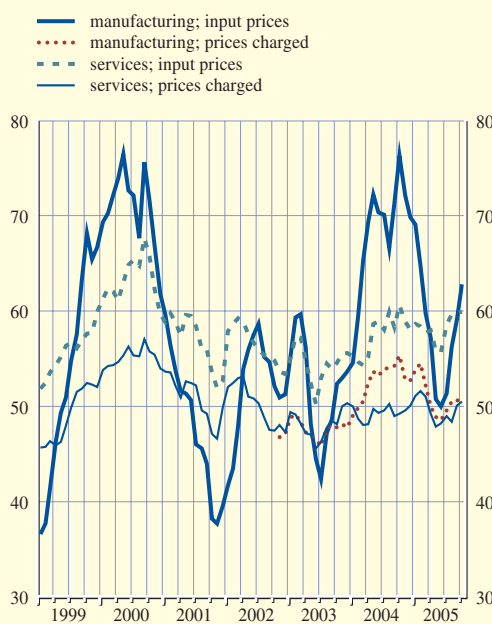
(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

**Chart 35 Producer input and output price surveys**

(diffusion indices; monthly data)



Source: NTC Economics.  
Note: An index value above 50 indicates an increase in prices, whereas a value below 50 indicates a decrease.

While producer price developments have so far remained muted, the most recent survey indicators have confirmed a strengthening of energy price pressures on overall input prices. The input price indexes from the Purchasing Managers' Surveys of both the services and manufacturing sectors (see Chart 35) have been rising from a low in June 2005, when they stood at 50.0 for the manufacturing sector and 55.7 for the services sector. In October, they rose to 62.8 and 59.9 respectively, well over 50.0, the level above which prices are generally deemed to have increased. These input price indexes, however, show that although pressures on input costs have been strengthening, they have remained clearly beneath the record high levels reached in October 2004 (76.4 for the manufacturing sector and 60.7 for the services sector). Developments, albeit more subdued, are broadly similar for the prices charged indexes in these two sectors. The prices charged indexes have also been rising since June 2005 but have thus far remained below their previous peaks. However, in the case of the services sector, the index is now close to its previous peak (50.5 in October 2005 against 51.6 in February 2005). Overall, these indicators suggest that the pressure on both input and selling prices at the producer level could persist in the near future.

### 3.3 LABOUR COST INDICATORS

Following an increase in the fourth quarter of 2004, the annual rate of change in compensation per employee eased in the first half of 2005 (see Chart 36 and Table 7). This pattern is reflected in both the industrial and services sectors, with a pick-up in wage growth being reported only in the construction sector (see Chart 37). Available information suggests that wage growth in the euro

**Table 7 Labour cost indicators**

(annual percentage changes, unless otherwise indicated)

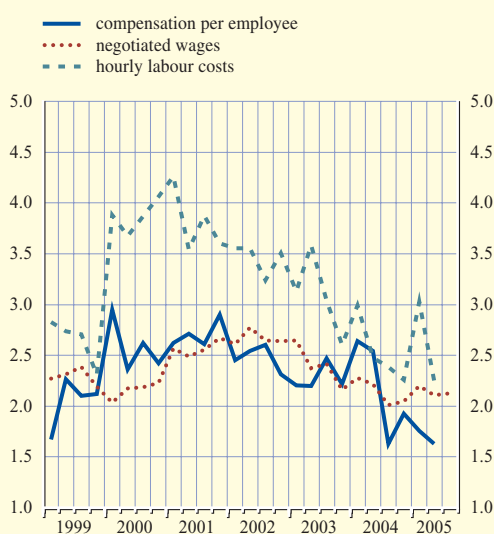
	2003	2004	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3
Negotiated wages	2.4	2.1	2.0	2.0	2.2	2.1	2.1
Total hourly labour costs	3.1	2.5	2.4	2.3	3.0	2.3	.
Compensation per employee	2.3	2.2	1.6	1.9	1.8	1.6	.
<i>Memo items:</i>							
Labour productivity	0.5	1.3	1.3	0.8	0.6	0.6	.
Unit labour costs	1.8	0.9	0.4	1.1	1.2	1.0	.

Sources: Eurostat, national data and ECB calculations.

area also remained moderate in the third quarter. In particular, the annual rate of growth in negotiated wages – the first indicator available for the third quarter – has been stable at 2.1%. Although this indicator may not entirely reflect actual wage developments, it is a reliable signal of wage pressures. Recent data therefore confirm that, throughout most of 2005, wages have been levelling off at a moderate rate. In the third quarter of 2005, given that nominal wage developments are likely to have been subdued and that labour productivity growth could have been higher, unit labour costs can also be expected to have remained moderate. For the whole of 2005, the average rate of change in unit labour costs could be slightly above that in 2004 (0.9%), but well below that in 2003 (1.8%). Looking forward, wage developments are expected to remain subdued in the near future.

**Chart 36 Selected labour cost indicators**

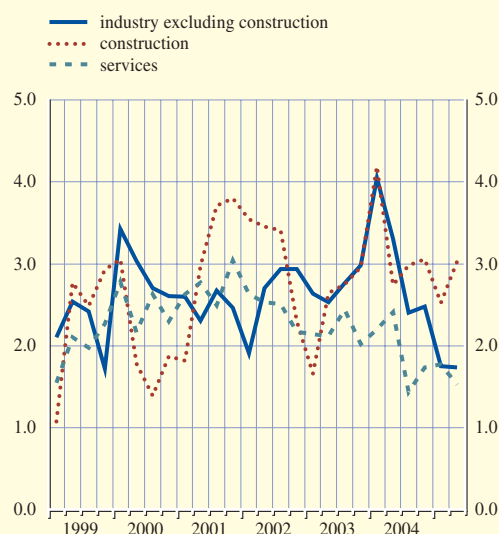
(annual percentage changes)



Sources: Eurostat, national data and ECB calculations.

**Chart 37 Sectoral compensation per employee**

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

### 3.4 THE OUTLOOK FOR INFLATION

Recent price developments have led to a deterioration in the short-term outlook for overall inflation. It is likely that annual inflation rates will remain elevated over the next few months. On average, the Eurosystem staff macroeconomic projections (see the section entitled “Eurosystem staff macroeconomic projections for the euro area”) indicate HICP inflation to lie between 1.6% and 2.6% in 2006. These results constitute an upward revision to the ECB staff projections of September 2005, mainly reflecting that the effects of the statistical treatment of the 2006 health care reform in the Netherlands are no longer expected to influence the inflation figures for 2006. For 2007, an average inflation rate of between 1.4% and 2.6% is projected. Underlying these projections is the assumption that wage increases will remain contained, as has been the case in recent quarters. In addition, the projections take into account the expectation of a significant upward impact of indirect tax increases on consumer prices in 2007.

The projections are subject to upside risks. Such risks relate to uncertainties surrounding oil market developments, the pass-through of previous oil price increases to consumers via the domestic production chain, potential second-round effects in wage and price setting, as well as further increases in administered prices and indirect taxes.

## 4 OUTPUT, DEMAND AND THE LABOUR MARKET

*There was a strong increase in real GDP in the third quarter, following moderate growth in preceding quarters. This pick-up in activity was due to an improvement in both domestic demand and net exports. The latest economic indicators point to a continuation of the recovery in the fourth quarter of 2005. In particular, survey data show further signs of improvement, consistent with stronger activity. While difficult to interpret, labour market developments also signal some improvement in underlying conditions. Looking ahead, economic activity is expected to continue to be supported by favourable fundamentals. However, this outlook remains subject to some downside risks, mainly relating to oil prices.*

### 4.1 OUTPUT AND DEMAND DEVELOPMENTS

#### REAL GDP AND EXPENDITURE COMPONENTS

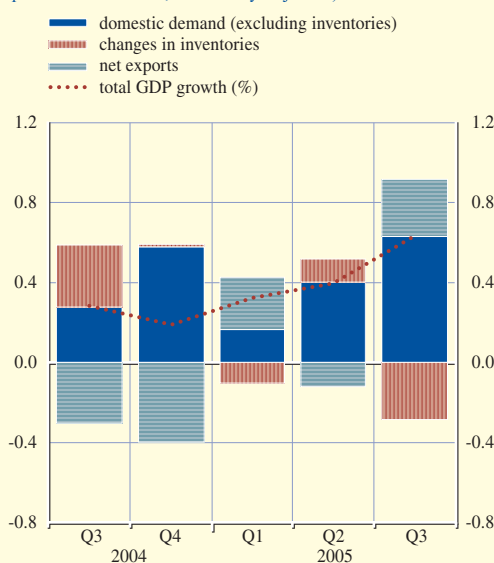
In the third quarter of 2005, euro area real GDP growth was substantially higher following four quarters of moderate growth owing to high oil prices, a temporary deceleration in world trade and lagged effects of the past appreciation of the euro. According to Eurostat's first estimate, euro area real GDP rose by 0.6% quarter on quarter in the third quarter of 2005. This followed increases of 0.3% (revised downwards by 0.1 percentage point) and 0.4% (revised upwards by 0.1 percentage point) in the first and second quarters respectively. The quarter-on-quarter growth rate remained broadly stable at around this low level between mid-2004 and mid-2005 (see Chart 38). The latest data therefore suggest that economic activity has strengthened, and this is in line with the previous expectations for stronger growth from the second half of 2005 onwards.

The stronger pace of economic activity in the third quarter reflects an improvement in both domestic demand and net exports. In fact, the contribution from domestic demand (excluding inventories) provided the strongest impetus to quarter-on-quarter growth, stemming from stronger investment growth (which increased to 1.6% quarter on quarter in the third quarter) and slightly higher private consumption growth than in the second quarter. At the same time, the contribution of net trade turned positive, reflecting a more marked rebound in export growth than in import growth. However, inventories made a negative contribution to GDP growth in the third quarter.

Statistical improvements have been implemented in euro area national accounts by Eurostat in its first release for the third quarter. These relate in particular to a new treatment of financial services indirectly measured (FISIM) and the introduction of chain-linked volume measures in annual and quarterly series. Box 5, entitled "Improvements to euro area GDP and national accounts" discusses these changes in more detail and assesses their impact on national

**Chart 38 Real GDP growth and contributions**

(quarter-on-quarter growth rate and quarterly percentage point contributions; seasonally adjusted)



Sources: Eurostat and ECB calculations.

## Box 5

**IMPROVEMENTS TO EURO AREA GDP AND NATIONAL ACCOUNTS**

On 30 November 2005, in the first regular release for the third quarter of 2005, Eurostat introduced important changes in euro area annual and quarterly national account statistics. These changes relate to the introduction of chain-linked volume measures in annual and quarterly series and a new treatment of financial services indirectly measured (FISIM). The purpose of these changes is to improve the quality of euro area and EU national accounts and to enhance international comparability. In the course of 2005, many Member States carried out a general revision of national accounts, incorporating improved source data and implementing improved measures for government output. In many cases, it is not possible to clearly distinguish the effect of these changes on total GDP revisions.<sup>1</sup>

In the compilation of the euro area volume growth of GDP and components, Eurostat has introduced annually changing country weights, based on Member States' data in prices of the previous year. In addition, for data before 1999, country weights are established using the exchange rates of the previous year. Previously, euro area results had been compiled using country weights from a fixed price and exchange rate base year (i.e. 1995). The country data on volume growth underlying the euro area estimate are compiled by the respective national statistical institutes using either an annually changing weighting structure or a fixed base year weighting structure, depending on the country (see below).

The new volume measures are presented in three ways:

- (i) as a chained index series, with the index equal to 100 in the new reference year 2000;
- (ii) as a chained level series (i.e. the chained index series is multiplied by the current price figure for the reference year 2000); and
- (iii) as quarterly or annual growth rates.

The introduction of chain-linking in euro area national accounts has not led to large revisions. This is because the source data used for estimating European aggregates consists of the most recent, officially published national data. Several countries (e.g. Germany, Spain and the Netherlands) had already introduced chain-linking of quarterly data earlier in 2005 or even before that. Consequently, prior to 30 November 2005, the effects of revisions of national data due to the introduction of chain-linking have been gradually reflected in releases of EU and euro area national accounts. However, some other countries (e.g. France and Italy) will not introduce chain-linking of quarterly data until 2006, which may lead to further revisions of euro area national account statistics.

In parallel, Eurostat has introduced a new treatment of the imputed output of financial intermediaries, FISIM. Previously, FISIM was recorded as intermediate consumption by a nominal (sector or) branch of activity. In the new treatment of FISIM, the value added by branch of economic activity changes through the allocation of part of FISIM to intermediate consumption, and GDP increases through the allocation of part of FISIM to final consumption and exports. Before 30 November 2005, there was no such allocation in the European

<sup>1</sup> For further information see Box 6 "Major changes in euro area and Member States' national accounts" in the June 2005 issue of the Monthly Bulletin, and Eurostat's website.

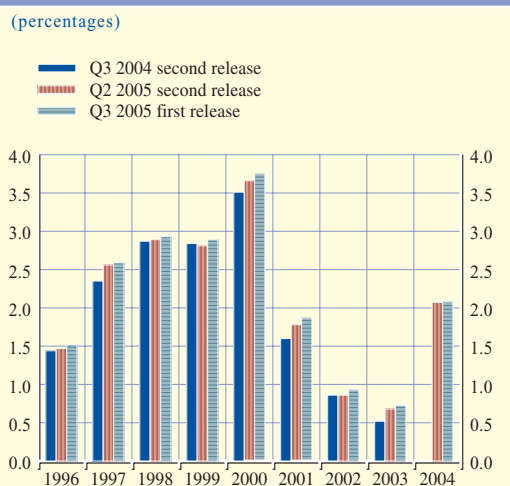


aggregates, which were therefore not fully consistent with the data published for the Member States (which in several cases already included allocated FISIM). The allocation of FISIM led to a considerable revision of euro area GDP levels by +1.2% on average. The effect on GDP volume growth rates is negligible.

Chart A shows that annual euro area GDP volume growth did not change significantly when compared with the second release for the second quarter of 2005 in October, which already included the introduction of chain-linking or other benchmark revisions for Germany, Spain, France, the Netherlands, Ireland, Luxembourg, Austria and Portugal. When compared with the second release for the third quarter of 2004, which did not include the changes in most of the above countries, revisions range between 0.1 percentage point and 0.3 percentage point. Chart B shows that the profile of seasonally and working-day-adjusted GDP volume growth is only slightly revised.

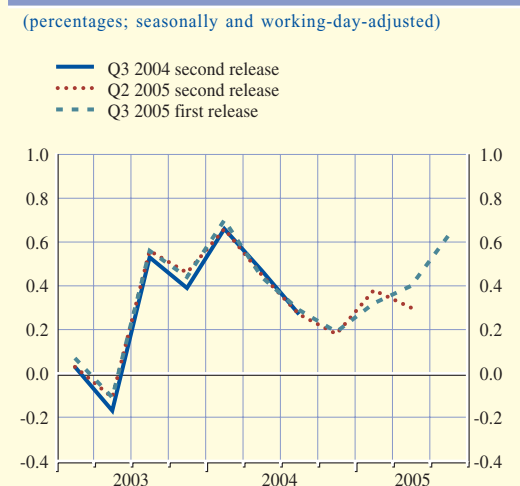
It should be noted that, for purely mathematical reasons, chain-linked volume measures are not additive: the sum of components does not equal total GDP. The residual between GDP and the sum of the components tends to increase over time for periods before and after the new reference year, ranging from -0.1% of GDP in 2004 to 0.3% in 1995. Components are, however, additive in the unchained series in prices of the previous year.

**Chart A Annual euro area GDP volume growth**



Sources: Eurostat and ECB calculations.

**Chart B Quarter-on-quarter euro area GDP volume growth**



Sources: Eurostat and ECB calculations.

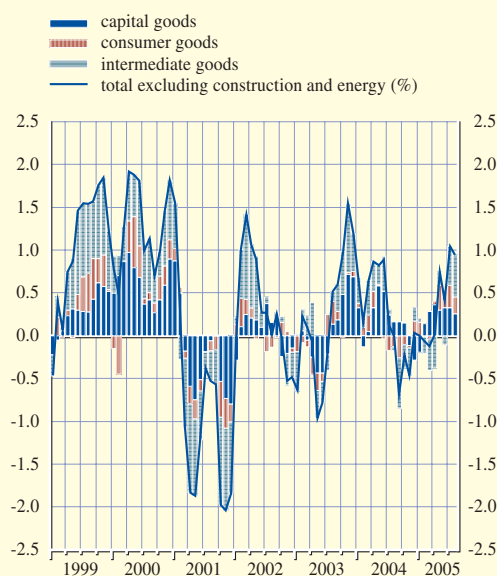
accounts data. Although GDP levels were considerably revised, GDP volume growth rates did not change significantly.

### SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

Looking at the sectoral composition of growth, the data for real value added in the third quarter of 2005 point to a positive contribution to growth by both the industrial and the services sectors, suggesting that the recovery is broad-based.

**Chart 39 Industrial production growth and contributions**

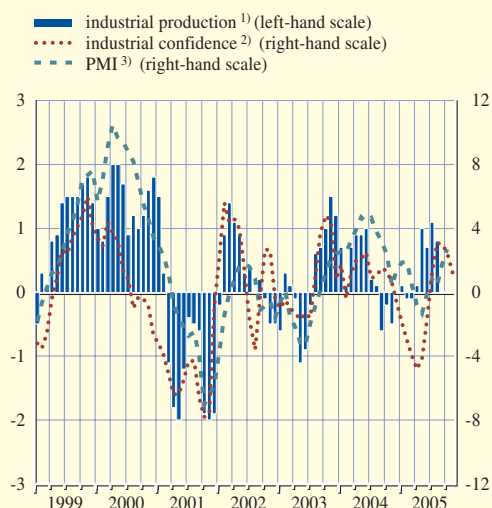
(growth rate and percentage point contributions; seasonally adjusted)



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

**Chart 40 Industrial production, industrial confidence and the PMI**

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, NTC Economics 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.

Industrial activity continued to strengthen in the third quarter (see Chart 39). Although industrial production decreased month on month in September, this followed increases in both July and August. The growth rate therefore remained broadly stable, at 0.8%, in the third quarter compared to the second quarter. The second quarter was already an improvement on the zero growth rates observed from the third quarter of 2004 onwards. The gradual improvement in industrial activity seems to be broad-based, as all the main sectors (intermediate goods, capital goods, consumer and energy goods) recorded an increase in the third quarter.

Industrial new orders rose strongly in September, by 1.1% month on month, following a decline in July and a broadly unchanged level in August. This resulted in a quarterly growth rate of 1% for the third quarter, below that of the second quarter. Overall, the index of industrial new orders clearly shows an upward trend from the beginning of 2005, supporting the positive outlook for activity.

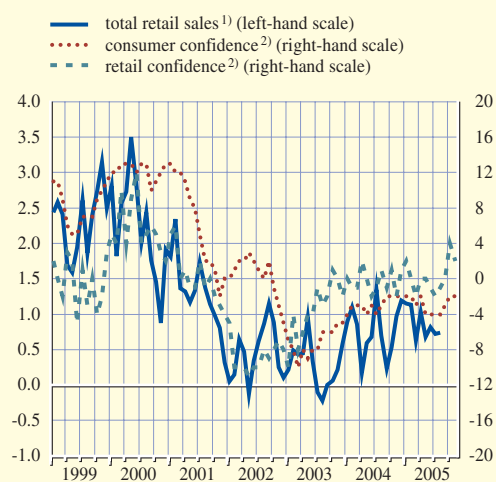
#### SURVEY DATA FOR THE MANUFACTURING AND SERVICES SECTORS

Survey data for the manufacturing and services sectors in the euro area point to a further improvement in the fourth quarter, in line with a continued recovery.

With regard to the manufacturing sector, the European Commission's industrial confidence indicator remained unchanged in November at a level above its average of the third quarter. The Purchasing Managers' Index (PMI) increased in October, continuing the improvement that started in May. All components of the index contributed to the increase in October. Recent developments in both indicators therefore point to continued favourable conditions for industrial activity in the fourth quarter (see Chart 40).

**Chart 41 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.

expenditure on housing, water, electricity, gas and other fuels, restaurants and hotels, communication, health etc.).

Retail sales volumes in the euro area increased by 0.1% quarter on quarter in the third quarter, following a decrease of 0.4% in the second quarter, pointing to some improvement in the contribution to private consumption. From a longer term perspective, the index of euro area retail sales has fluctuated around the same level since November of last year. New passenger car registrations decreased in October. However, this left the growth rate in three-month moving average terms unchanged at 0.5% compared to the third quarter. This followed a higher quarterly growth rate of 1.8% in the second quarter.

The European Commission's consumer confidence indicator was unchanged in November, following increases in the previous two months. Overall, although consumer confidence is below its long-term average, it has returned to its level at the beginning of the year, thereby showing some signs of a gradual improvement (see Chart 41).

#### 4.2 LABOUR MARKET

Labour market conditions in the euro area continue to gradually improve, in line with developments since the first quarter of 2005. In general, employment expectations for both the industrial and services sectors improved in October and November, and point to an ongoing improvement in underlying labour market conditions.

As regards the services sector, the European Commission's services confidence indicator for the euro area was unchanged in November, at its highest value since the summer of 2001. The business activity index of the PMI for the services sector, available up to October, also supports an ongoing improvement in the fourth quarter. In October it reached its highest level in more than a year, clearly signalling a significant expansion in activity. Overall, survey data point to a strengthening in services activity compared with the first half of this year. However, it should be noted that for this sector, the link between surveys and value-added is not as strong as it is for manufacturing.

#### INDICATORS OF HOUSEHOLD SPENDING

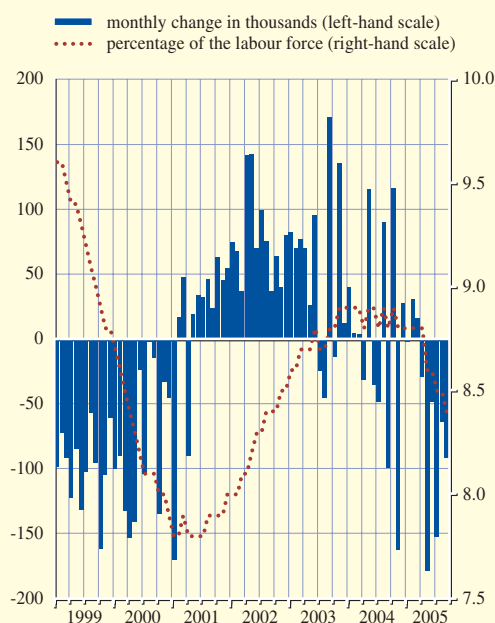
In the third quarter, quarter-on-quarter private consumption growth was stronger than on average in the first half of 2005. Although the contribution to private consumption from retail sales and new car registrations was larger in the third quarter than in the second, the improvement reflects developments in the other parts of consumption (including

## UNEMPLOYMENT

The euro area standardised unemployment rate decreased to 8.4% in September, from 8.5% in August (revised down by 0.1 percentage point). The number of unemployed in the euro area fell by around 92,000 in September (see Chart 42). The release of unemployment figures for September also entailed a revision of data for August, with a decrease in the number of unemployed of about 64,000 instead of the relatively large increase reported last month. Thus, the number of unemployed declined for the sixth consecutive month in September. However, the interpretation of these data is subject to uncertainty, as recent methodological and institutional changes increased the volatility of unemployment figures in Germany. Nevertheless, overall the data for the euro area point to an ongoing gradual decline in unemployment in September, reinforcing the underlying positive developments in the labour market conditions as suggested by the survey results.

Chart 42 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

## EMPLOYMENT

Employment increased by 0.2% quarter on quarter in the second quarter of 2005, up from a broadly unchanged level in the first quarter (revised down by 0.1 percentage point; see Table 8). The increase in the growth in employment in the second quarter compared with the first quarter resulted from some improvement in industry, especially construction, whereas employment growth in the services sector declined somewhat. When interpreting employment figures, possible impacts of recent labour market policy measures have to be borne in mind. These are aimed at boosting employment, in particular, by means of expanding part-time work and self-employment, and may thus lead to a change in the composition of employment.

Table 8 Employment growth

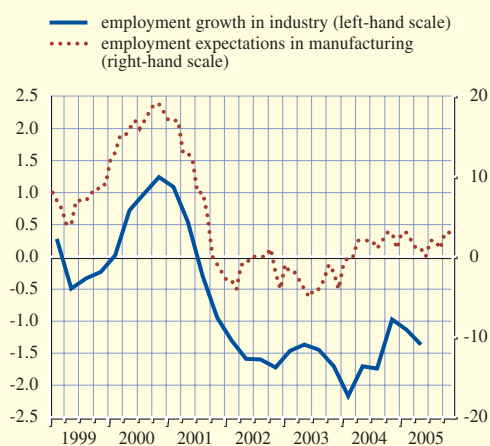
(percentage changes compared with the previous period; seasonally adjusted)

	Annual rates		Quarterly rates				
	2003	2004	2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Q2
Whole economy	0.3	0.6	0.2	0.2	0.2	0.0	0.2
<i>of which:</i>							
Agriculture and fishing	-2.0	-0.9	-0.3	0.1	-0.3	-1.2	-0.2
Industry	-1.0	-0.9	0.2	0.0	0.0	-0.6	0.0
Excluding construction	-1.5	-1.7	0.1	-0.5	0.1	-0.8	-0.1
Construction	0.2	1.1	0.5	1.2	-0.3	0.0	0.3
Services	0.9	1.2	0.2	0.3	0.3	0.4	0.2
Trade and transport	0.3	0.8	0.3	0.4	0.1	0.1	0.2
Finance and business	1.3	2.5	0.2	0.6	0.5	0.7	0.3
Public administration	1.3	0.9	0.2	0.1	0.3	0.4	0.2

Sources: Eurostat and ECB calculations.

**Chart 43 Employment growth and employment expectations**

(annual percentage changes; percentage balances; seasonally adjusted)



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

Survey data support the indications that labour market conditions are gradually improving in both the manufacturing and services sectors. In the industrial sector, employment expectations from the European Commission's confidence indicator remained unchanged in November, at around the level seen at the beginning of the year (see Chart 43). The assessment of employment developments in manufacturing based on the PMI (only available up to October) points to broadly stable employment in this sector. Turning to the services sector, while according to the EC survey there was some deterioration concerning employment expectations, the assessment of employment in recent months has become much more favourable. The PMI index signals an expansion of employment for the services sector. Overall, the indices from the European Commission and the PMI are currently both above their average for the third quarter, indicating continued favourable employment conditions in the industrial and services sectors for the fourth quarter of 2005.

According to the EC survey, employment expectations in construction improved considerably this year. The index reached its highest level in four years in November. In contrast, in the retail sector, employment expectations fell in November to the lowest level in 2005. However, the series is rather volatile, and overall there has been no clear trend in the employment index over the past two years in this sector.

More generally, while survey data on employment and employment expectations can provide some guide as to developments in the euro area labour market, this area of statistics still needs to be improved considerably to facilitate the assessment of economic developments. Labour market data form an important part of the Principal European Economic Indicators (PEEIs, a list of major euro area and EU economic statistics), which were adopted by the ECOFIN Council and the European Commission in February 2003. The Economic and Financial Committee (EFC) regularly monitored progress regarding the publication of these indicators (see Box 6, entitled "Further progress on the Principal European Economic Indicators").

Box 6

**FURTHER PROGRESS ON THE PRINCIPAL EUROPEAN ECONOMIC INDICATORS**

The Principal European Economic Indicators (PEEIs), adopted by the ECOFIN Council and the European Commission in February 2003, consist of a list of major euro area and EU economic statistics, which will be published according to an agreed timeliness. The ECOFIN Council invited the Economic and Financial Committee (EFC), with the assistance of Eurostat and the ECB, to regularly monitor progress.<sup>1</sup> In particular, this year's report<sup>2</sup> addressed the progress made on the availability and quality of PEEIs and on the benchmarking of the PEEIs against corresponding indicators for the United States (US PEIs).

Since the launch of these indicators in 2003, progress has been made on the availability of new PEEIs and on the timeliness of existing PEEIs. However, the overall aim to fully implement all requirements on PEEIs by 2005 has not been met. In sum, nine out of a total nineteen PEEIs

**Principal European Economic Indicators**

(situation as at November 2005)

<b>Euro area indicator</b>	<b>Periodicity (m=monthly; q=quarterly)</b>	<b>Release target for euro area indicators</b>	<b>Current release of euro area indicators</b>	<b>Current release of US indicators</b>	<b>Memo: Release of euro area indicators as at summer 2004</b>
<b>Consumer price indicators</b>					
HICP flash estimate	m	0	0	n.a.	0
HICP actual indices	m	17	17	14-23	17
<b>Quarterly national accounts</b>					
First GDP (flash) estimate	q	45	45	28	43
First GDP release with more breakdowns	q	60	61	28	69
Accounts for households and corporations	q	90	n.a.	56-60	n.a.
Government finance statistics <sup>1)</sup>	q	90	n.a.	56-60	n.a.
<b>Business indicators</b>					
Industrial production index	m	40	49	14-17	47
Industrial producer price index (domestic)	m	35	33	13-20	33
Industrial new orders index	m	50/40 <sup>2)</sup>	54	23-28	54
Industrial import price index	m	45	n.a.	9-18	n.a.
Production in construction	m	45	74	31	77
Turnover index for retail trade and repair	m	30	34	11-15	35
Turnover index for other services	q	60	67	75	n.a.
Corporate output price index for services	q	60	n.a.	17	n.a.
<b>Labour market indicators</b>					
Unemployment rate	m	30	33	3	32
Job vacancy rate	q	45	75	40	92
Employment	q	45	104 [75]	1-8	100
Labour cost index	q	70	81	29	76
<b>External trade indicators</b>					
External trade balance	m	46	51	42	50

Notes: n.a. = not available; [ ] = available but not released.

Releases refer to the number of calendar days after the end of the reporting period. The position of weekends and public holidays within a month may cause small changes in the number of calendar days after the end of the reporting period.

1) Released by the ECB in Table 6.4 of the "Euro area statistics" section of the Monthly Bulletin.

2) Long-term release target of 40 days.

1 See the box entitled "Principal European Economic Indicators: progress up to September 2004" in the September 2004 issue of the Monthly Bulletin.

2 ECOFIN Council conclusions on the 2005 EFC Status Report on Information Requirements in EMU and on EU statistical governance, 8 November 2005.

fulfil or are close to the PEEI timeliness targets. Indicators for *services* and labour markets, in particular, *employment* data, should be improved as a matter of priority. The timeliness of most PEEIs is still lagging far behind that achieved for the US PEIs.

Overall, some progress has been made since mid-2004. One additional new indicator has become available since last year, namely the *turnover index for other services*, although the timeliness of its release still needs to be shortened. Improved timeliness is identified for the *job vacancy rate* and for *GDP and its breakdowns* (see Table). This progress notwithstanding, important challenges remain. European results for *quarterly accounts for the household and corporations*, *industrial import price index* and *output price index for services* are not yet available. As for short-term business statistics, the availability of timely and high-coverage indicators for services is currently inadequate, which represents a major weakness given the importance of *services* in the euro area and the EU. Finally, the timeliness of *employment*, *job vacancy* and *labour cost* data should be improved to enable a timely assessment of the labour market situation in Europe.

The findings of the benchmarking of the PEEIs against corresponding indicators released in the United States underline the need for the EU to catch up in a number of respects. In most cases, euro area PEEIs still lag well behind US statistics in terms of timeliness, and comparisons for selected indicators suggest that timely US data are not subject to more extensive revisions than euro area data. The lack of common practices for seasonal and working day adjustment of euro area data and across euro area countries is a further shortcoming.

Against this background, the 2005 EFC Status Report proposes that several ways to improve the PEEIs further should be explored. One important approach is the coordination of release, revision and dissemination practices across European countries. Uncoordinated release calendars and revision practices among Member States often create volatility in European aggregates, which may hamper economic analysis. Successful efforts to harmonise release calendars for the *quarterly GDP flash estimate* may be extended to other PEEIs, namely the *HICP*, the *industrial production index* and *quarterly employment*. Harmonisation of seasonal and working day adjustment is another priority. An approach involving the compilation of timely first releases for the euro area based on partial information collected in the euro area countries for this purpose has been advocated as an efficient way to increase the timeliness of euro area results. For euro area *retail trade turnover*, this approach, called European sampling, was first introduced in 2004 and accelerated the timeliness considerably from 64 to 34 days.<sup>3</sup> The 2005 EFC Status Report proposes to extend the European sampling approach to other PEEIs, namely the monthly *industrial production index* and *new orders* statistics. The ECOFIN Council also invited the European Statistical System to study best practices in the EU for each indicator and to propose ways to apply these more widely in the 2006 EFC Status Report.

<sup>3</sup> See Box 4 entitled "First estimates of retail trade turnover in the euro area" in the April 2004 issue of the Monthly Bulletin.

### 4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

The latest data have confirmed the strengthening of economic activity in the second half of 2005. Growth in real GDP increased strongly in the third quarter and available evidence also points to favourable developments in the fourth quarter. Beyond the short term, the recovery in activity is expected to continue as it is supported by favourable conditions. The latest Eurosystem staff macroeconomic projections foresee real GDP growth to be between 1.4% and 2.4% in 2006 and 2007 (see the “Eurosystem staff macroeconomic projections for the euro area” section). This assessment of continued growth at levels around potential growth is also in line with recent forecasts by international and private sector organisations. On the external side, ongoing growth in global demand should support euro area exports. On the domestic side, very favourable financing conditions and robust growth in corporate earnings are likely to be conducive to investment growth. Consumption should grow broadly in line with the anticipated moderate growth in real disposable income.

However, the outlook for economic activity remains subject to downward risks, relating mainly to oil prices, concerns about global imbalances and weak consumer confidence.



## 5 FISCAL DEVELOPMENTS

*This year and next will see little progress towards sound public finances in the euro area, according to the European Commission's autumn 2005 forecasts. The average budget deficit is expected to change little in either year, resulting in a further increase in the average debt-to-GDP ratio. The five euro area countries in excessive deficit in 2005 are forecast to record a deficit above the reference value in 2006 also.*

*In the light of this outlook, significant additional efforts must be made in the countries with excessive deficits to bring them below 3% of GDP within the deadlines they have committed to respect. Other countries with fiscal imbalances need to avoid the risk of an excessive deficit and make adequate progress towards sound budgetary positions. In addition, euro area governments should base their stability programmes on comprehensive reforms which are ambitious enough to comply fully and in a timely manner with commitments under the revised Stability and Growth Pact and country-specific ECOFIN Council recommendations.*

### FISCAL DEVELOPMENTS IN 2005

There has been little progress towards achieving sound public finances in the euro area in 2005. According to the European Commission's autumn forecasts, published in mid-November 2005, the average general government deficit ratio in the euro area will increase slightly, to 2.9% of GDP, in 2005 (see Table 9). The primary surplus is also expected to worsen by 0.2 percentage point. Deficits at or above the 3% of GDP reference value are expected in five countries (Germany, Greece, France, Italy and Portugal). This would mean that all of these countries except Portugal have recorded a deficit above the reference value for most of the period since the introduction of the euro in 1999. Deficits of around 2% of GDP are foreseen in Luxembourg, the Netherlands and Austria, while smaller deficits or surpluses are expected in Belgium, Spain, Ireland and Finland.

**Table 9 Fiscal developments in the euro area**

(as a percentage of GDP)

	2001	2002	2003	2004	2005	2006
<b>European Commission economic forecasts, autumn 2005</b>						
a. Total revenue	46.2	45.8	45.9	45.4	45.5	45.2
b. Total expenditure	48.1	48.4	48.8	48.2	48.3	48.0
of which:						
c. interest expenditure	3.9	3.6	3.4	3.2	3.2	3.1
d. primary expenditure (b - c)	44.2	44.8	45.4	45.0	45.2	45.0
Budget balance (a - b)	-1.9	-2.5	-3.0	-2.7	-2.9	-2.8
Primary budget balance (a - d)	2.0	1.0	0.4	0.5	0.3	0.2
Cyclically adjusted budget balance	-2.7	-2.8	-2.7	-2.5	-2.4	-2.4
Gross debt	69.3	69.2	70.4	70.8	71.7	71.7
Memo item: real GDP (annual percentage change)	1.9	0.9	0.7	2.1	1.3	1.9
<b>Stability programmes: euro area averages based on 2004-05 stability programmes<sup>1)</sup></b>						
Budget balance			-2.7	-2.8	-2.3	-1.8
Primary budget balance			0.7	0.6	1.0	1.5
Cyclically adjusted budget balance				-2.2	-1.9	-1.4
Gross debt			70.7	71.1	70.7	69.7
Memo item: real GDP (annual percentage change)			0.6	2.1	2.2	2.3

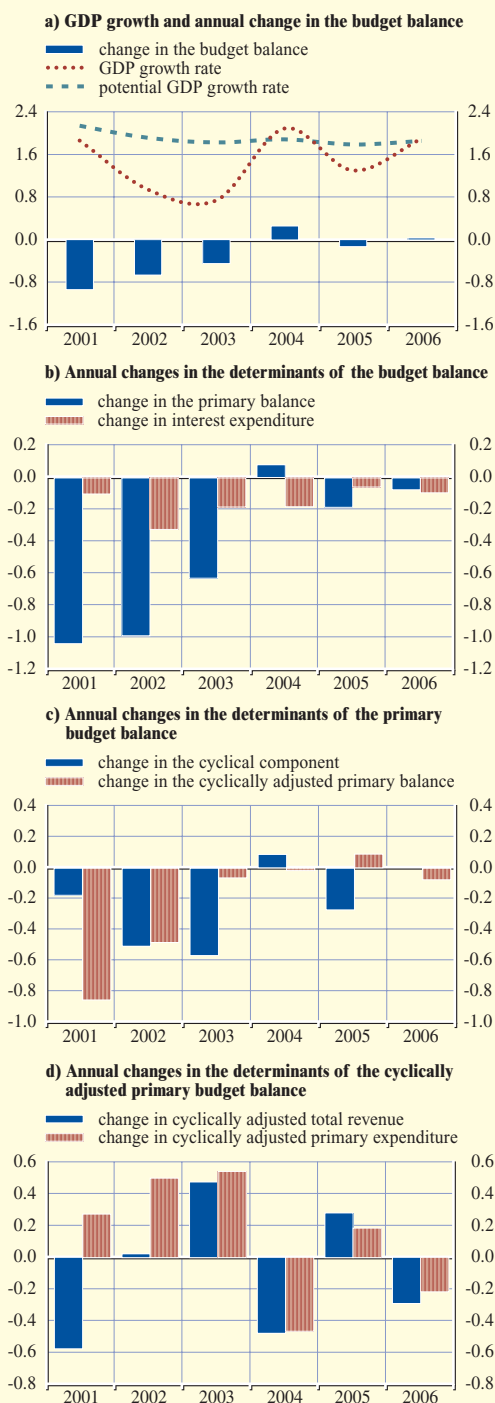
Sources: European Commission, updated stability programmes 2004-05 and ECB calculations.

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

1) Data available as at June 2005.

**Chart 44 Determinants of budgetary developments in the euro area**

(in percentage points of GDP; percentage changes)



Sources: European Commission (autumn 2005 economic forecasts) and ECB calculations.

A comparison of the Commission's fiscal forecasts with the budget targets set in the updated stability programmes of end-2004 and the first half of 2005 reveals a disappointing picture: the average deterioration is 0.6 percentage point of GDP. The shortfall is particularly pronounced in some countries that already had large deficits. Another indication of the unsatisfactory development of budgetary positions in 2005 is the increase in the number of countries with a deficit above 3% from two as foreseen in the stability programmes to five in the forecasts.

As to developments in the average government debt ratio in the euro area, the Commission forecasts indicate an increase of 0.9 percentage point, to 71.7% of GDP in 2005, reflecting high budget deficits and low economic growth. A majority of euro area countries are expected to record debt ratios above 60% of GDP, and in many of them – including Italy, the country with the highest debt ratio – the debt ratio is expected to have increased.

#### FACTORS UNDERLYING BUDGETARY DEVELOPMENTS IN 2005

The small increase in the average euro area deficit forecast by the European Commission for 2005 reflects the modest economic growth this year. With estimated real GDP growth (1.3%) below potential growth, the business cycle is expected to have had a slightly negative impact on budget balances. The fiscal stance, as measured by the change in the cyclically adjusted primary balance, is tightening slightly. The forecast deterioration in the nominal primary balance would contribute to a rising debt ratio for the euro area as a whole, despite historically low interest rates and the favourable financial environment. Interest payments are seen remaining stable, with increasing payments due to new debt being offset by lower interest rates on rolled-over debt.

Developments across euro area countries show considerable differences, with cyclically adjusted fiscal balances ranging between a

surplus of 2.5% of GDP and a deficit of 5.1% of GDP. Consolidation efforts also differ greatly across countries. However, their measurement is somewhat hampered by the inclusion of a number of deficit-reducing temporary measures and one-off effects, which – by definition – do not lead to sustained improvements in public finances. The intensive use of such measures distorts the picture of the fiscal situation, particularly in some of the countries with excessive deficits.

Government expenditure and government revenue are expected to have increased slightly as a percentage of GDP in 2005, both in nominal and in cyclically adjusted terms. Restrained expenditure growth and increases in indirect taxes are forecast to be broadly offset by cuts in direct taxes and social contributions.

#### **PROSPECTS FOR PUBLIC FINANCES IN 2006**

For 2006, the Commission's forecasts indicate a small decline (0.1 percentage point) in the average euro area deficit, to 2.8% of GDP. The business cycle is expected to exert a neutral effect on fiscal developments in that year, with economic growth close to potential. A small decrease in interest payments at the euro area level is likely to be almost fully offset by a slight fiscal relaxation. The average debt ratio is expected to stabilise at 71.7% of GDP, mainly reflecting an increase in the growth rate of GDP and a small deterioration in the primary surplus.

All countries seen recording deficits above 3% of GDP in 2005 are expected to continue to do so in 2006 if no additional measures are taken beyond those included in the Commission forecasts. Two of these countries (Greece and France) would even show deficits moving further away from the reference value.

Revenue and expenditure are forecast to decline in tandem as a proportion of GDP in 2006, reflecting some expenditure restraint and tax reforms. Budget plans point to a decreasing use of one-off measures; in some instances one-off measures are intended to be replaced by structural measures to avoid an upward impact on the budget deficit.

#### **ASSESSMENT OF PUBLIC FINANCE DEVELOPMENTS**

The prospective fiscal developments indicated by the Commission's forecasts raise serious concerns. Particularly worrying aspects are the number and size of the countries with fiscal imbalances, the magnitude of the imbalances, and the length of time that some of these countries have already been in excessive deficit. Without additional measures, none of the countries in excessive deficit would meet their nominal consolidation objectives in either 2005 or 2006, putting the credibility of the Stability and Growth Pact at risk only a short time after its reform.

A decreasing reliance on one-off and temporary measures, as foreseen by some governments, would be a very welcome development. It would also be in line with the revised Pact, which places increased emphasis on budget balances net of one-off and other temporary measures in the assessment of underlying developments. The structural budgetary problems that many countries in the euro area face cannot be resolved with temporary measures. Indeed, many of such measures focus on making short-term gains which may cause a deterioration of public finances in the years to come, aggravating problems for future governments and generations. Fiscal developments in 2005 and the outlook for 2006 confirm the trend away from unfinanced tax cuts and, in some cases, towards expenditure-based adjustment.

## STRATEGY FOR FISCAL POLICIES

All euro area countries are in the process of finalising the annual updates of their stability programmes and will submit them to the ECOFIN Council and the Commission. If fiscal policies are to develop in line with commitments under the Pact and country-specific ECOFIN Council recommendations, these programmes will need to be more ambitious than the fiscal plans that were known when the Commission prepared the forecasts.

As regards countries currently in excessive deficit, the expected fiscal developments of 2005 and 2006 are not at all satisfactory and are bound to put the revised Pact to a new test. All parties involved must live up to their commitments and responsibilities if the credibility of the revised Pact is to increase. Significant additional efforts need to be made so that excessive deficits are corrected as soon as possible and no later than the date that the governments committed to respect. Undue delay in achieving this target should lead the ECOFIN Council to implement the next procedural steps.

Other countries with fiscal imbalances need to avoid the risk of an excessive deficit by ensuring that they have sufficiently large safety margins below the 3% of GDP ceiling and making adequate progress towards sound budgetary positions. This would allow them to safely absorb any disappointing economic developments, less favourable results than expected from adopted measures, or other unanticipated events that would produce budgetary headwind. Such a strategy would require consolidation equivalent to at least 0.5% of GDP per year, net of one-off and other temporary measures, in the countries that have not yet reached a budgetary position in line with the medium-term objectives.

Most euro area countries are in need of a comprehensive and growth-friendly reform strategy, which must include the pursuit of fiscal consolidation. Given that many countries want to reduce effective rates of tax on labour and capital income as part of such a strategy, the development and control of government expenditure hold the key. Structural expenditure reforms are essential for healthy and growth-promoting public finances. To help promote investment, innovation and employment, expenditure needs to be directed towards productive goals. At the same time, expenditure control mechanisms may need strengthening to avoid spending overruns, which often lead to upward adjustment of budget deficit targets. But, in many cases, it will also be essential to review government commitments, especially their less productive elements. This will allow countries to attain sound public finances while adequately financing the core tasks of government.

## 6 EUROSISTEM STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

*On the basis of the information available up to 21 November 2005, Eurosystem staff have prepared projections for macroeconomic developments in the euro area.<sup>1</sup> Average annual real GDP growth is estimated at between 1.2% and 1.6% in 2005. It is projected to be between 1.4% and 2.4% in both 2006 and 2007. The average rate of increase in the overall Harmonised Index of Consumer Prices (HICP) is estimated to amount to between 2.1% and 2.3% in 2005. It is projected to range between 1.6% and 2.6% in 2006, and between 1.4% and 2.6% in 2007.*

### Box 7

#### TECHNICAL ASSUMPTIONS

The Eurosystem staff projections are based on a series of assumptions about interest rates, exchange rates, oil prices and fiscal policies.

The technical assumption is made that short-term market interest rates and bilateral exchange rates remain unchanged over the projection horizon at the levels prevailing in the first half of November. Short-term interest rates as measured by the three-month EURIBOR are therefore assumed to remain constant at 2.28%. The technical assumption of constant exchange rates implies a EUR/USD exchange rate of 1.19 and an effective exchange rate of the euro that is 2% lower than the average for 2004.

The technical assumptions about long-term interest rates and both oil and non-energy commodity prices are based on market expectations in the first half of November. Market expectations for euro area ten-year nominal government bond yields imply a slightly rising profile, from an average of 3.5% in 2005 to an average of 3.7% in 2007. The increase in annual average non-energy commodity prices in US dollars is assumed to be 5.8% in 2005, 3.8% in 2006 and 5.2% in 2007. Based on the path implied by futures markets, annual average oil prices are assumed to be USD 60.0 per barrel in 2006 and USD 59.5 per barrel in 2007.

Fiscal policy assumptions are based on national budget plans in the individual euro area countries. They include all policy measures that have already been approved by parliament or that have been specified in detail and are likely to pass the legislative process. The cut-off date for updating the fiscal assumptions was 21 November 2005. This implies that the measures recently agreed in Germany have been taken into account in these projections.

#### THE INTERNATIONAL ENVIRONMENT

The external environment of the euro area is expected to remain favourable over the projection horizon. Real GDP growth in the United States is projected to remain robust, although at somewhat lower rates than in 2004. Real GDP growth in non-Japan Asia is expected to remain well above the global average, albeit slightly lower than in recent years. Growth in most other

<sup>1</sup> The Eurosystem staff projections are produced jointly by experts from both the ECB and the euro area NCBs. 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 Eurosystem staff macroeconomic projection exercises", ECB, June 2001. To reflect 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 over a number of years. The width of the ranges is twice the average absolute value of these differences.

large economies is also projected to remain dynamic. In addition, the countries that joined the European Union on 1 May 2004 are expected to continue to record strong growth rates.

Overall, annual growth in *world real GDP outside the euro area* is estimated to average about 4.9% in 2005, while it is projected to average about 4.8% in 2006 and 4.5% in 2007. Growth in the *euro area's external export markets* is estimated at 7.2% in 2005 and projected to be about 7.1% in both 2006 and 2007.

**Table 10 Macroeconomic projections**

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

	2004	2005	2006	2007
HICP	2.1	2.1-2.3	1.6-2.6	1.4-2.6
Real GDP	1.8	1.2-1.6	1.4-2.4	1.4-2.4
Private consumption	1.4	1.1-1.5	0.9-1.9	0.6-2.2
Government consumption	1.1	0.4-1.6	1.1-2.1	0.5-1.5
Gross fixed capital formation	1.6	1.4-2.4	1.6-4.6	1.5-4.7
Exports (goods and services)	6.1	2.6-5.4	4.3-7.5	4.1-7.3
Imports (goods and services)	6.3	3.4-6.0	4.2-7.6	3.5-6.9

1) For each variable and horizon, ranges are based on the average absolute difference between the 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.

## REAL GDP GROWTH PROJECTIONS

Eurostat's first estimate for euro area real GDP in the third quarter of this year indicates quarter-on-quarter growth of 0.6%, following rates of 0.3% and 0.4% in the first and second quarters respectively. Looking ahead, quarter-on-quarter growth rates are projected to stabilise at levels around 0.5%. As a result, average annual real GDP growth is estimated to range between 1.2% and 1.6% in 2005, while it is projected to range between 1.4% and 2.4% in both 2006 and 2007. Over the projection horizon, export growth is expected to continue to support economic activity on the back of the assumed continued strength in foreign demand and domestic demand should firm.

Among the domestic expenditure components of GDP, average annual growth in *private consumption* is estimated to range between 1.1% and 1.5% in 2005, partly reflecting the dampening effects of restrained income growth and high energy prices on household purchasing power. Consumption is projected to grow at a rate of between 0.9% and 1.9% in 2006, and 0.6% and 2.2% in 2007. Households' disposable income is projected to be supported by some progress in employment and continued strong capital income, but real income growth will remain moderate. The saving ratio is expected to remain broadly stable over the horizon.

The average annual rate of growth in *total fixed investment* is estimated to be between 1.4% and 2.4% in 2005, while it is projected to be between 1.6% and 4.6% in 2006, and between 1.5% and 4.7% in 2007. *Business investment* should benefit from strong external demand, favourable financing conditions and robust corporate profits. At the same time, *residential private investment* is projected to continue to grow at moderate rates over the projection horizon.

The average annual rate of change in *total exports*, which includes intra-euro area trade, is estimated to range between 2.6% and 5.4% in 2005, and is projected to be between 4.3% and 7.5%

in 2006, and between 4.1% and 7.3% in 2007. Extra-euro area export market shares are expected to remain relatively stable over the projection horizon owing, on the one hand, to increased global competition and, on the other hand, to some price-competitiveness gains. The average annual rate of growth in *total imports* is expected to be somewhat above that in exports in 2005 and to fall below it in the course of the projection horizon. On balance, net trade is projected to make a small positive contribution to GDP growth.

Growth in *total employment* is projected to rise somewhat over the horizon, in line with more favourable developments than recently observed. At the same time, labour supply is expected to increase as a result of improved job prospects and structural labour market reforms in a number of euro area countries. The unemployment rate is projected to decline further over the projection horizon.

## PRICE AND COST PROJECTIONS

The average rate of increase in the overall HICP is estimated to be between 2.1% and 2.3% in 2005, while it is projected to be between 1.6% and 2.6% in 2006, and between 1.4% and 2.6% in 2007. The price projections are conditional on a number of assumptions. First, oil prices, which have implied a significant positive contribution from the energy component to HICP inflation in recent years, are assumed to be roughly stable over the projection period. Second, the growth in nominal compensation per employee is assumed to remain moderate over the horizon. The price projections thus embody the expectation of limited second-round effects from oil price increases on wages. They also embed a projection of a small pick-up in productivity, which contributes to maintaining unit labour cost growth broadly stable over the horizon. Third, the projections incorporate only those changes in indirect taxes that were known with sufficient certainty before 21 November 2005.<sup>2</sup> Finally, they are based on the expectation that price pressures from non-commodity imports remain low.

## COMPARISON WITH THE ECB STAFF MACROECONOMIC PROJECTIONS OF SEPTEMBER 2005

**Table II Comparison with September 2005 projections**

(average annual percentage changes)

	2004	2005	2006
Real GDP – September 2005	1.8	1.0-1.6	1.3-2.3
Real GDP – December 2005	1.8	1.2-1.6	1.4-2.4
HICP – September 2005	2.1	2.1-2.3	1.4-2.4
HICP – December 2005	2.1	2.1-2.3	1.6-2.6

In the new projections, the range projected for real GDP growth in 2005 is within the upper part of the range of the September 2005 projections. For 2006 the range projected has been adjusted slightly upwards. With regard to HICP inflation, the current range projected for 2005 is unchanged from the September 2005 projections. For 2006 the range projected has been adjusted upwards. This revision is due mainly to the fact that the distorting statistical impact of the Dutch health care reform in 2006, which was estimated to contribute -0.2 percentage point to the September 2005 projections, is no longer incorporated in the December projections.

<sup>2</sup> In the case of Germany, the assumption of a VAT increase of 3 percentage points in 2007 is taken into account.

## Box 8

## FORECASTS BY OTHER INSTITUTIONS

A number of forecasts for the euro area are available from both international organisations and private sector institutions. 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 are therefore partly outdated. Additionally, they use different (partly unspecified) methods to derive assumptions for fiscal, financial and external variables, including oil prices.

In the forecasts currently available from other institutions, euro area annual GDP growth averages between 1.2% and 1.4% in 2005, between 1.7% and 2.1% in 2006, and between 2.0% and 2.2% in 2007. At the same time, the forecasts anticipate annual average HICP inflation to be between 2.1% and 2.3% in 2005, between 1.8% and 2.2% in 2006, and between 1.6% and 1.9% in 2007. All of these rates fall within the ranges of the Eurosystem projections.

## Comparison of forecasts for euro area real GDP growth and HICP inflation

(average annual percentage changes)

	Date of release	GDP growth			HICP inflation		
		2005	2006	2007	2005	2006	2007
European Commission	Oct. 2005	1.3	1.9	2.1	2.3	2.2	1.8
IMF	Sep. 2005	1.2	1.8	2.2	2.1	1.8	1.9
OECD	Nov. 2005	1.4	2.1	2.2	2.2	2.1	1.6
Consensus Economics Forecasts	Nov. 2005	1.3	1.7	n.a.	2.2	1.9	n.a.
Survey of Professional Forecasters	Oct. 2005	1.3	1.7	2.0	2.2	2.0	1.8

Sources: European Commission Economic Forecasts, Autumn 2005; IMF World Economic Outlook, September 2005; OECD Economic Outlook No 78; Consensus Economics Forecasts; and the ECB's Survey of Professional Forecasters. The Eurosystem staff macroeconomic projections and the OECD forecasts both report working-day-adjusted annual growth rates, whereas the European Commission and the IMF report annual growth rates that are not adjusted for the number of working days per annum. Other forecasts do not specify whether they report working-day-adjusted or non-working-day-adjusted data. For 2004, the non-working-day-adjusted average annual growth rate of euro area GDP was around  $\frac{1}{4}$  percentage point higher than the working-day-adjusted growth rate, owing to the greater number of working days that year.



# 7 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

## 7.1 EXCHANGE RATES

After a period of relative stability in October, the effective exchange rate of the euro depreciated moderately in November. The decline vis-à-vis the US dollar and, to a lesser extent, several Asian currencies contributed to this development. The euro strengthened moderately against the Japanese yen and the pound sterling.

### US DOLLAR/EURO

Having broadly stabilised in October, the euro depreciated against the US dollar in November (see Chart 45). The widening interest rate differential in favour of the United States relative to other major economic regions appears to have continued to be a supporting factor for the US currency. News of a further rise in portfolio investment inflows into the United States in September 2005 was reportedly a further factor that may have contributed to a favourable market sentiment towards the US dollar in November. In contrast, the importance attached by market participants to the sizeable current account deficit of the United States appears to have somewhat diminished lately. Against this background, the euro stood at USD 1.18 on 30 November, which is 2.1% below its end-October levels and 5.4% lower than its 2004 average.

### JAPANESE YEN/EURO

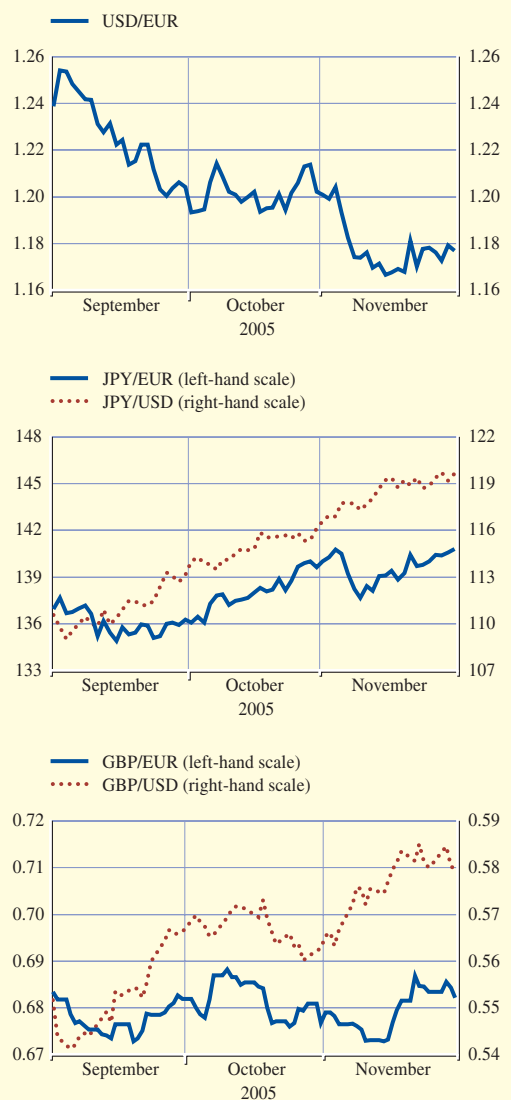
The euro appreciated moderately vis-à-vis the Japanese yen in November reaching a level close to its historical peak. Although the euro depreciated against the yen in early November, it more than reversed its losses later in the month (see Chart 45). On 30 November the euro was quoted at JPY 140.8, i.e. 0.8% above its end-October level and 4.7% above its 2004 average.

### EU MEMBER STATES' CURRENCIES

In ERM II fluctuations were very small with most currencies trading at or close to their respective central parity rates (see Chart 46). On 25 November it was decided that the Slovak koruna would become part of the mechanism (see Box 9). After its entry into ERM II, the Slovak currency strengthened vis-à-vis the euro and on 30 November 2005 was about 1.5% above its central parity of SKK 38.4550. With regard to the other EU Member States, in mid-November the euro appreciated vis-à-vis the

Chart 45 Patterns in exchange rates

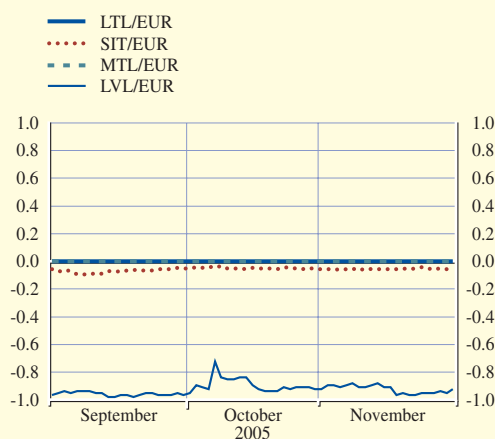
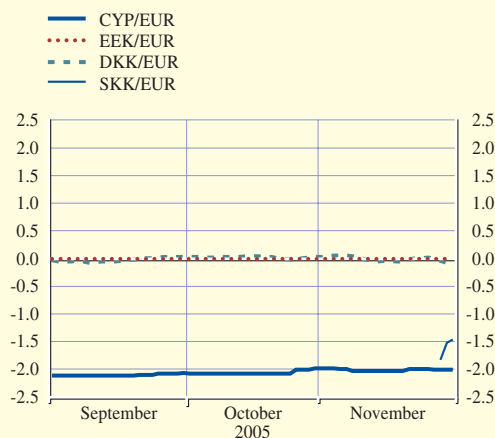
(daily data)



Source: ECB.

**Chart 46 Patterns in exchange rates within ERM II**

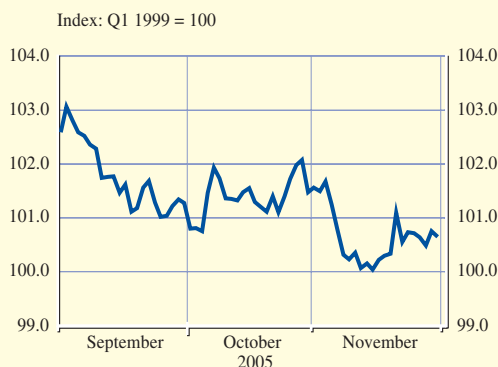
(daily data; deviation from central parity in percentage points)



Source: ECB.  
Note: A positive/negative deviation from the central parity against the euro implies that the currency is at the weak/strong side of the band. For the Danish krone the fluctuation band is  $\pm 2.25\%$ ; for all other currencies the standard fluctuation band of  $\pm 15\%$  applies.

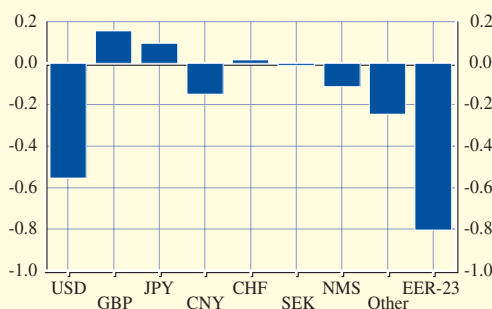
**Chart 47 Euro effective exchange rate and its decomposition <sup>1)</sup>**

(daily data)



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

From 31 October to 30 November 2005  
(in percentage points)



Source: ECB.  
1) An upward movement of the index represents an appreciation of the euro against the currencies of the most important trading partners of the euro area and all non-euro area EU Member States.  
2) Contributions to EER-23 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category 'NMS' refers to the aggregate contribution of the currencies of the ten new Member States which joined the EU on 1 May 2004. The category 'Other' refers to the aggregate contribution of the remaining seven trading partners of the euro area in the EER-23 index. Changes are calculated using the corresponding overall trade weights in the EER-23 index.

pound sterling, possibly due to a favourable change in market perceptions of inflationary developments. Later in the month the pound sterling reversed part of its earlier losses. On 30 November the euro traded at a level of GBP 0.68, that is 0.8% above its end-October level and close to its 2004 average. The euro weakened vis-à-vis the Czech koruna and the Polish zloty (by 2.2% and 1.8% respectively), but strengthened against the Hungarian forint (by 0.9%).

### OTHER CURRENCIES

In November the euro appreciated by about 2.1% vis-à-vis the Norwegian krone and depreciated by 3.0% against the Canadian dollar, by 2.2% against the Chinese renminbi and by 2.7% against the South Korean won.

**Box 9**
**ENTRY OF THE SLOVAK KORUNA INTO THE EXCHANGE RATE MECHANISM II (ERM II)**

At the request of the Slovak authorities, the finance ministers of the euro area Member States of the EU, the President of the ECB and the finance ministers and the central bank governors of Cyprus, Denmark, Estonia, Latvia, Lithuania, Malta, Slovenia and Slovakia decided on 25 November 2005, by mutual agreement, following a common procedure involving the European Commission and after consultation with the Economic and Financial Committee, to include the Slovak koruna in the Exchange Rate Mechanism II (see communiqués of the EU of the same date).

The central rate for the Slovak koruna has been set at SKK/EUR 38.4550. The standard fluctuation band of  $\pm 15\%$  will be observed around the central rate of the koruna. Accordingly, the compulsory intervention rates for the Slovak koruna have been established with effect from 28 November 2005 as set out in Table A below. The euro central rate and compulsory intervention rates for the Danish krone, the Estonian kroon, the Cyprus pound, the Latvian lats, the Lithuanian litas, the Maltese lira and the Slovenian tolar remain unchanged. For the Danish krone only, a fluctuation band of  $\pm 2.25\%$  applies.

**Table A Euro central rates and compulsory intervention rates for the currencies of the Member States participating in ERM II, in force as of 28 November 2005 (EUR 1 =)**

	Upper rate	Central rate	Lower rate
Danish krone	7.62824	7.46038	7.29252
Estonian kroon	17.9936	15.6466	13.2996
Cyprus pound	0.673065	0.585274	0.497483
Latvian lats	0.808225	0.702804	0.597383
Lithuanian litas	3.97072	3.45280	2.93488
Maltese lira	0.493695	0.429300	0.364905
Slovak koruna	44.2233	38.4550	32.6868
Slovenian tolar	275.586	239.640	203.694

The agreement on the participation of the Slovak koruna in ERM II is based on a firm commitment by the Slovak authorities to promote wage developments that remain in line with productivity growth, thereby contributing to achieving price stability in a sustainable manner, and to pursue sound fiscal policies which are essential for preserving macroeconomic stability,

**Table B Main economic indicators for Slovakia**

(annual percentage changes, unless otherwise indicated)

	2001-2003 (average)	2004
Real economic growth	4.3	5.5
HICP inflation	6.4	7.5
Current account balance (% of GDP)	-5.7	-3.5
Fiscal deficit (% of GDP)	-6.0	-3.1
Government debt (% of GDP)	45.4	42.5
Long-term interest rate	6.7	5.0
Short-term interest rate	7.2	4.7
Exchange rate (per EUR)	42.5	40.0

Sources: ECB and Eurostat.

Note: Data refer to annual averages.

including low inflation, and for ensuring the sustainability of the convergence process. The Slovak government's medium-term fiscal consolidation strategy requires a high degree of budgetary discipline and needs to be implemented decisively through measures of a permanent nature. Strict monitoring of budget execution will be required, aimed at the timely detection and correction of slippages.

The authorities, together with the responsible EU bodies, committed to closely monitor macroeconomic developments. The authorities also committed to strengthening the fiscal stance, if warranted. They announced that they would remain vigilant concerning risks of strong domestic credit growth. They also committed to implement structural reforms aimed at further enhancing the economy's flexibility and adaptability in a timely fashion so as to strengthen domestic adjustment mechanisms, reduce unemployment and maintain the overall competitiveness of the economy.

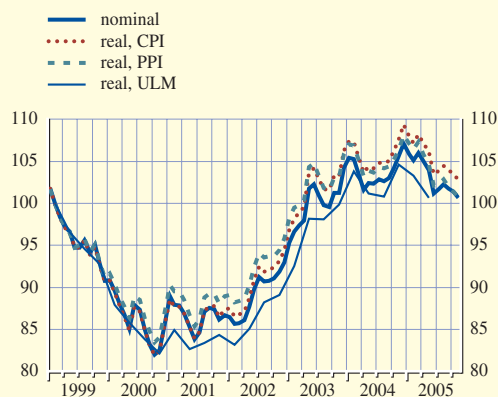
### EFFECTIVE EXCHANGE RATE OF THE EURO

On 30 November the nominal effective exchange rate of the euro – as measured against the currencies of 23 of the euro area's important trading partners – was 0.8% below its end-October level and 3.1% weaker than its average in 2004. The moderate depreciation of the euro in November resulted from its decline vis-à-vis the US dollar and several Asian currencies being partly offset by its strengthening against the pound sterling and the Japanese yen (see Chart 47).

As regards indicators of the international price and cost competitiveness of the euro area, the real effective exchange rate of the euro was markedly weaker in November 2005 compared with the previous year's average, suggesting a rise in the euro area's price competitiveness. In November, the real effective exchange rate index based on developments in consumer prices was 2.9% below its average level in 2004, while the index based on developments in producer prices was 4.3% below its average level in 2004 (see Chart 48).

Chart 48 Euro nominal and real effective exchange rates <sup>1)</sup>

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



Source: ECB.

1) An upward movement of the EER-23 indices represents an appreciation of the euro. The latest observations for monthly data are for November 2005. In the case of the ULM-based real EER-23, the latest observation is for Q2 2005 and is partly based on estimates.

### 7.2 BALANCE OF PAYMENTS

*Balance of payments data up to September 2005 indicate that the pick-up in the value of extra-euro area exports that had started in the second quarter strengthened in the third quarter. Meanwhile, import values grew at an even faster pace than export values in the third quarter, partly due to higher oil prices. In the financial account, the euro area recorded net inflows of €65 billion in combined direct and portfolio investment in the 12-month period to September.*

## TRADE AND THE CURRENT ACCOUNT

The combined value of exports of goods and services continued its upward trend in the third quarter, increasing by 4.5% compared with the previous quarter (see Table 12), largely owing to robust exports of goods (rising by 5.4%), while services grew more moderately (by 1.5%). Meanwhile, imports of goods and services grew by 7.0% in the third quarter, reflecting an 8.7% rise in the value of goods imports and a 1.8% increase in the value of services imports (see Chart 49).

The breakdown of extra-euro area exports into volumes and prices provided by Eurostat up to August 2005 (up to September for some of the trading partners) suggests that the ongoing pick-up in the value of goods exports mostly stems from strong growth in export volumes to Asia (especially China) and to a lesser extent the new EU Member States (see Chart 50). Strong economic growth in these countries and improvements in price competitiveness may partly account for these developments. Moreover, exports to oil-exporting countries rose robustly in the third quarter (especially OPEC countries and Russia, which together account for almost 9% of euro area exports), which may be related to the higher import-spending power of these destinations related to increasing oil revenues. By contrast, exports to the United Kingdom have remained weak since the beginning of 2005, in spite of a strong pick-up in August.

The strong rise in the value of imported goods that took place in the second and third quarters of 2005 may be partly related to higher import prices, which in turn can be associated to some extent with the depreciation of the euro over this period. In addition, it also reflects the rise in oil prices, which increased by around 11% and 17% in these two quarters (in US dollar terms). However, the rise in import values recorded in the third quarter also appears to reflect rising import volumes, consistent with the increase in euro area demand suggested by the pick-up in GDP growth in the third quarter. In addition, imports may have also been boosted by the recent robust growth of exports. Calculations based on input-output tables for the euro area countries indicate that the

**Table 12 Main items of the euro area balance of payments**

(EUR billions; seasonally adjusted, unless otherwise indicated)

			Three-month moving average figures ending				12-month cumulated figures ending	
	2005 Aug.	2005 Sep.	2004 Dec.	2005 Mar.	2005 June	2005 Sep.	2004 Sep.	2005 Sep.
<b>Current account</b>	-5.0	-4.5	3.3	1.5	0.2	-4.3	44.9	2.1
Goods balance	2.3	4.7	6.6	7.1	6.4	3.7	113.8	71.2
Exports	105.0	106.1	95.9	96.3	99.1	104.5	1,100.8	1,187.7
Imports	102.7	101.3	89.3	89.3	92.8	100.8	987.0	1,116.5
Services balance	2.2	1.9	2.4	2.5	2.1	2.1	27.5	27.2
Exports	31.4	31.6	30.3	31.1	31.1	31.6	353.2	372.2
Imports	29.2	29.7	27.9	28.6	29.0	29.5	325.6	345.0
Income balance	-4.3	-4.9	-1.1	-2.2	-4.0	-4.8	-41.6	-36.3
Current transfers balance	-5.2	-6.2	-4.6	-5.8	-4.4	-5.2	-54.9	-59.9
<b>Financial account<sup>1)</sup></b>	-5.3	22.8	0.8	8.6	15.3	5.2	2.8	89.8
Combined net direct and portfolio investment	-34.5	16.0	3.6	-5.4	31.7	-8.1	32.1	65.4
Direct investment	-15.0	2.1	-6.6	-6.7	-3.9	-31.4	-33.1	-145.6
Portfolio investment	-19.5	13.9	10.2	1.3	35.6	23.3	65.1	211.0
Equities	20.2	5.6	19.4	-3.9	8.9	38.7	-6.5	189.6
Debt instruments	-39.7	8.3	-9.2	5.2	26.6	-15.5	71.7	21.4

Source: ECB.

Notes: Figures may not add up due to rounding.

1) Figures refer to balances (net flows). A positive (negative) sign indicates a net inflow (outflow). Not seasonally adjusted.

import content of euro area exports rose from approximately 38% in 1995 to around 44% in 2000<sup>1</sup>. The increase in the import-intensity of exports may be partly related to globalisation and the associated growing trend in the internationalisation of production, and suggests that an external impulse, propagated by exports, may trigger a stronger rise in imports. Turning to the breakdown of imports by trading partners, imports from Asian countries and oil-exporting countries seem to explain most of the strength in aggregate imports in recent months. Meanwhile, imports from the United States have been rather weak over this period (see Chart 51).

From a longer-term perspective, the 12-month cumulated surplus in the goods balance was nearly €43 billion lower in September 2005 compared with a year earlier. Import values grew more strongly than exports, with the rise in imports largely driven by the rising cost of oil. In addition, a reduction in the income account deficit (of €5 billion) was entirely offset by an increase in the current transfers deficit (of €5 billion) and a moderate fall in the services surplus. These developments resulted, compared with September 2004, in a fall of nearly €43 billion in the 12-month cumulated current account surplus, which stood at around €2 billion in September 2005, representing less than 0.1% of GDP.

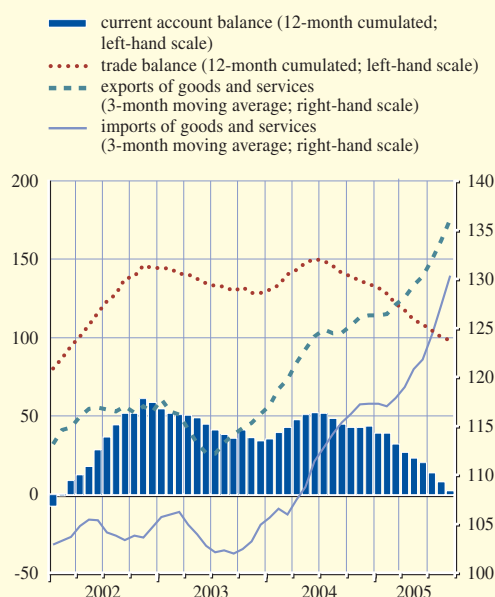
## FINANCIAL ACCOUNT

In the third quarter of 2005, and in contrast to the previous quarter, the euro area recorded net outflows of €24.3 billion in combined direct and portfolio investment. This resulted from a sharp increase in net outflows in direct investment and debt instruments, partly counterbalanced by large net inflows in equity securities. The underlying relatively large net outflows in euro area

1 See Box 6 of the ECB Occasional Paper No 30 "Competitiveness and the export performance of the euro area".

**Chart 49 The euro area current account and trade balances**

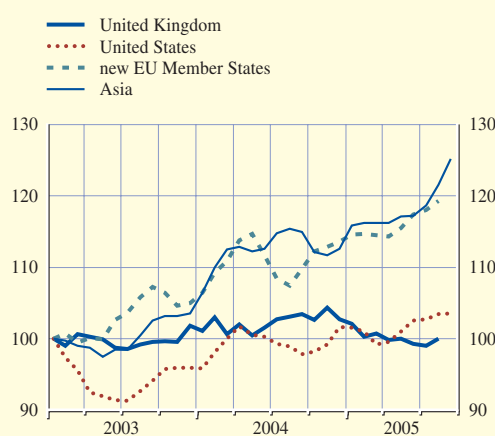
(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

**Chart 50 Euro area export volumes to selected trading partners**

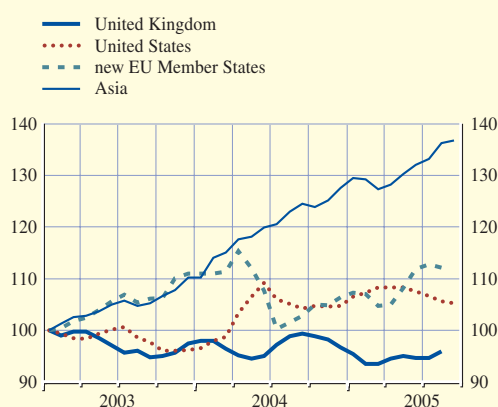
(indices: January 2003 = 100; seasonally adjusted; three-month moving average)



Sources: Eurostat and ECB calculations.  
Note: The latest observations are for September 2005, except for the United Kingdom and the new EU Member States (August 2005).

**Chart 51 Euro area import volumes from selected trading partners**

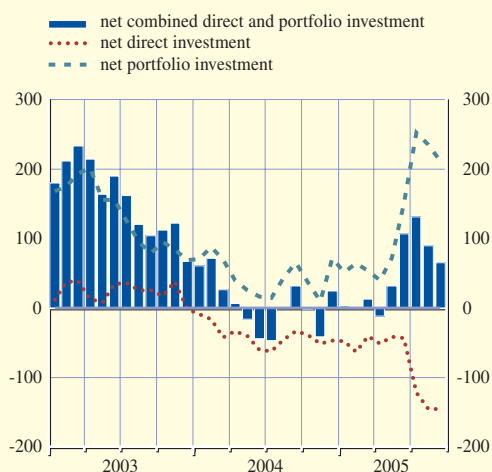
(indices: January 2003 = 100; seasonally adjusted; three-month moving average)



Sources: Eurostat and ECB calculations based on Eurostat data.  
Note: The latest observations are for September 2005, except for the United Kingdom and the new EU Member States (August 2005).

**Chart 52 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.

direct investment and net purchases of euro area equity securities mostly reflect one exceptional operation. Turning to debt instruments, the exceptionally high net purchases of foreign debt instruments by euro area residents seem to mainly reflect the widening of the yield differential between US and euro area government debt securities.

A similar picture emerges when looking at the euro area combined direct and portfolio investment in the 12-month period up to September 2005. The sizeable net inflows in equity portfolio investment in the second and third quarters of 2005 largely contributed to a switch from a balanced position as of May 2005 to net inflows of €65 billion as of September 2005 (see Chart 52 and Table 12). This switch can in large part be attributed to the strong rise in the net purchases of euro area equity securities by non-residents. At the same time, outward direct investment recorded a steady increase.

Revised data on the international investment position of the euro area vis-à-vis the rest of the world indicate that the euro area recorded net liabilities of €946 billion (representing 12.4% of GDP) at the end of 2004 compared with net liabilities of €809 billion (11.0% of GDP) at the end of 2003. The higher net liabilities resulted mainly from the appreciation of the euro, as euro area assets are mostly denominated in foreign currencies. As for the stock of euro area direct investment abroad at the end of 2004, 24% was invested in the United Kingdom and 21% in the United States. For the stock of euro area portfolio investment abroad, the corresponding shares were 23% and 35%, respectively. The United Kingdom and the United States were the most important destinations for euro area direct and portfolio investment. These two countries were also the most important investors of direct investment in 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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#### 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
2003	10.9	8.0	8.1	-	4.9	19.3	2.33	4.16
2004	10.0	6.3	5.8	-	6.1	9.9	2.11	4.14
2004 Q4	9.3	6.4	6.1	-	6.9	7.7	2.16	3.84
2005 Q1	9.6	7.1	6.7	-	7.3	9.0	2.14	3.67
Q2	9.8	7.5	7.1	-	7.5	13.2	2.12	3.41
Q3	11.3	8.4	8.0	-	8.3	13.3	2.13	3.26
2005 June	10.9	8.0	7.6	7.6	8.0	14.1	2.11	3.25
July	11.1	8.3	7.9	7.9	8.3	12.7	2.12	3.32
Aug.	11.6	8.6	8.2	8.2	8.4	13.1	2.13	3.32
Sep.	11.1	8.8	8.4	8.2	8.6	14.0	2.14	3.16
Oct.	11.2	8.6	8.0	.	8.8	.	2.20	3.32
Nov.	.	.	.	.	.	.	2.36	3.53

## 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
2003	2.1	1.4	3.1	0.7	0.3	81.0	0.3	8.7
2004	2.1	2.3	2.5	2.1	2.0	81.6	0.6	8.9
2004 Q4	2.3	3.8	2.3	1.6	1.1	82.0	0.8	8.8
2005 Q1	2.0	4.1	3.0	1.2	0.5	81.5	0.7	8.8
Q2	2.0	3.9	2.3	1.2	0.5	81.0	0.7	8.7
Q3	2.3	4.1	.	1.6	1.3	81.1	.	8.5
2005 June	2.1	4.0	-	-	0.6	-	-	8.6
July	2.2	4.1	-	-	0.6	80.9	-	8.5
Aug.	2.2	4.0	-	-	2.7	-	-	8.5
Sep.	2.6	4.3	-	-	1.0	-	-	8.4
Oct.	2.5	.	-	-	.	81.2	-	.
Nov.	2.4	.	-	-	.	-	-	.

## 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: EER-23 <sup>3)</sup> (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
2003	46.8	108.2	-1.7	68.9	306.6	99.9	101.7	1.1312
2004	63.0	106.7	-46.8	71.2	280.7	103.8	105.8	1.2439
2004 Q4	21.4	21.6	-19.9	30.7	280.7	105.7	107.7	1.2977
2005 Q1	4.6	15.6	-20.0	3.8	285.0	105.7	107.8	1.3113
Q2	-9.4	18.8	-11.6	106.7	302.3	103.4	105.6	1.2594
Q3	-2.2	16.2	-94.1	69.8	311.6	101.9	104.1	1.2199
2005 June	2.3	8.7	-8.2	101.5	302.3	101.2	103.5	1.2165
July	2.2	9.9	-81.2	75.3	296.3	101.7	103.8	1.2037
Aug.	-0.9	2.1	-15.0	-19.5	295.7	102.3	104.5	1.2292
Sep.	-3.6	4.2	2.1	13.9	311.6	101.8	103.9	1.2256
Oct.	.	.	.	.	310.5	101.4	103.5	1.2015
Nov.	.	.	.	.	.	100.7	102.8	1.1786

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.
- 3) For the definition of the trading partner groups and other information, please refer to the General notes.



# MONETARY POLICY STATISTICS

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

### 1. Assets

	2005 4 Nov.	2005 11 Nov.	2005 18 Nov.	2005 25 Nov.
<b>Gold and gold receivables</b>	149,086	149,034	148,808	148,659
<b>Claims on non-euro area residents in foreign currency</b>	161,218	159,176	159,790	159,707
<b>Claims on euro area residents in foreign currency</b>	20,803	20,076	20,098	20,234
<b>Claims on non-euro area residents in euro</b>	8,173	8,542	9,245	9,099
<b>Lending to euro area credit institutions in euro</b>	384,469	385,006	383,504	401,048
Main refinancing operations	294,000	295,000	293,500	311,000
Longer-term refinancing operations	90,002	90,002	90,002	90,002
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	466	3	0	1
Credits related to margin calls	1	1	2	45
<b>Other claims on euro area credit institutions in euro</b>	2,824	3,073	3,653	3,460
<b>Securities of euro area residents in euro</b>	92,936	93,221	92,811	92,622
<b>General government debt in euro</b>	40,757	40,757	40,758	40,758
<b>Other assets</b>	138,349	139,416	140,482	141,652
<b>Total assets</b>	<b>998,615</b>	<b>998,301</b>	<b>999,149</b>	<b>1,017,239</b>

### 2. Liabilities

	2005 4 Nov.	2005 11 Nov.	2005 18 Nov.	2005 25 Nov.
<b>Banknotes in circulation</b>	539,661	538,931	537,651	538,179
<b>Liabilities to euro area credit institutions in euro</b>	149,055	152,455	158,213	153,531
Current accounts (covering the minimum reserve system)	148,920	152,441	158,202	153,467
Deposit facility	127	10	11	63
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	8	4	0	1
<b>Other liabilities to euro area credit institutions in euro</b>	152	152	203	242
<b>Debt certificates issued</b>	0	0	0	0
<b>Liabilities to other euro area residents in euro</b>	56,325	53,875	48,169	70,164
<b>Liabilities to non-euro area residents in euro</b>	11,352	11,511	11,319	11,383
<b>Liabilities to euro area residents in foreign currency</b>	608	318	300	315
<b>Liabilities to non-euro area residents in foreign currency</b>	9,907	8,891	9,306	9,317
<b>Counterpart of special drawing rights allocated by the IMF</b>	5,885	5,885	5,885	5,885
<b>Other liabilities</b>	63,513	64,123	65,939	66,057
<b>Revaluation accounts</b>	103,749	103,749	103,749	103,749
<b>Capital and reserves</b>	58,408	58,411	58,415	58,417
<b>Total liabilities</b>	<b>998,615</b>	<b>998,301</b>	<b>999,149</b>	<b>1,017,239</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		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
2005 6 Dec.	1.25	0.25	-	2.25	0.25	3.25	0.25

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							
2005 3 Aug.	414,656	336	314,000	2.00	2.05	2.06	7
10	432,277	345	308,000	2.00	2.05	2.05	7
17	445,746	354	303,000	2.00	2.05	2.06	7
24	474,374	367	310,000	2.00	2.05	2.06	7
31	433,707	339	293,000	2.00	2.05	2.06	7
7 Sep.	447,874	332	294,500	2.00	2.05	2.06	7
14	435,111	356	279,500	2.00	2.06	2.06	7
21	396,280	402	287,500	2.00	2.06	2.06	7
28	364,417	361	293,500	2.00	2.06	2.07	7
5 Oct.	382,662	348	288,000	2.00	2.06	2.07	7
12	380,299	372	281,000	2.00	2.07	2.07	7
19	383,949	397	296,000	2.00	2.06	2.07	7
26	371,445	384	301,500	2.00	2.06	2.07	8
3 Nov.	354,563	340	294,000	2.00	2.05	2.06	6
9	366,131	350	295,000	2.00	2.05	2.06	7
16	401,859	393	293,500	2.00	2.05	2.06	7
23	403,121	434	311,000	2.00	2.08	2.10	7
30	361,548	379	306,500	2.00	2.09	2.11	6
Longer-term refinancing operations							
2004 25 Nov.	51,095	174	25,000	-	2.13	2.14	91
23 Dec.	34,466	155	25,000	-	2.12	2.14	98
2005 27 Jan.	58,133	164	30,000	-	2.09	2.10	91
24 Feb.	40,340	145	30,000	-	2.08	2.09	91
31 Mar.	38,462	148	30,000	-	2.09	2.10	91
28 Apr.	47,958	148	30,000	-	2.08	2.09	91
26 May	48,282	140	30,000	-	2.08	2.08	98
30 June	47,181	141	30,000	-	2.06	2.07	91
28 July	46,758	166	30,000	-	2.07	2.08	92
1 Sep.	62,563	153	30,000	-	2.08	2.09	91
29	52,795	142	30,000	-	2.09	2.10	84
28 Oct.	51,313	168	30,000	-	2.17	2.19	90
1 Dec.	52,369	152	30,000	-	2.40	2.41	84

#### 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
2001 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
8 Nov.	Reverse transaction	33,175	42	6,500	-	2.00	2.06	2.07	1
7 Dec.	Collection of fixed-term deposits	18,185	16	15,000	2.00	-	-	-	1
2005 18 Jan.	Reverse transaction	33,065	28	8,000	-	2.00	2.05	2.05	1
7 Feb.	Reverse transaction	17,715	24	2,500	-	2.00	2.05	2.05	1
8 Mar.	Collection of fixed-term deposits	4,300	5	3,500	2.00	-	-	-	1
7 June	Collection of fixed-term deposits	3,708	6	3,708	2.00	-	-	-	1
12 July	Collection of fixed-term deposits	9,605	11	9,605	2.00	-	-	-	1
9 Aug.	Collection of fixed-term deposits	500	1	500	2.00	-	-	-	1
6 Sep.	Reverse transaction	51,060	41	9,500	-	2.00	2.09	2.10	1
11 Oct.	Collection of fixed-term deposits	23,995	22	8,500	2.00	-	-	-	1

Source: ECB.

1) The amounts shown may differ slightly from those in Section 1.1 due to operations allotted but not settled.

2) With effect from April 2002, split tender operations, i.e. operations with one-week maturity conducted as standard tenders in parallel with a main refinancing operation, are classified as main refinancing operations. For split tender operations conducted before this month, see Table 2 in Section 1.3.

3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.

4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.

### 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
2003	11,538.7	6,283.8	412.9	1,459.1	759.5	2,623.5
2004	12,415.9	6,593.7	458.1	1,565.2	913.7	2,885.3
2005 Q1	12,866.9	6,783.2	472.3	1,599.3	1,010.8	3,001.1
2005 Apr.	13,081.7	6,888.4	496.7	1,607.3	1,067.3	3,022.1
May	13,224.8	6,988.9	494.8	1,616.4	1,069.5	3,055.3
June	13,328.1	7,021.1	488.2	1,676.0	1,027.9	3,114.9
July	13,431.5	7,064.6	496.2	1,682.8	1,068.0	3,119.9
Aug.	13,388.1	7,003.0	499.9	1,689.2	1,066.0	3,130.1
Sep.	13,562.1	7,125.7	498.5	1,697.7	1,085.4	3,154.9

#### 2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions' current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2003	131.8	132.6	0.8	0.0	2.00
2004	137.9	138.5	0.6	0.0	2.05
2005 Q1	140.5	141.3	0.8	0.0	2.05
Q2	144.6	145.5	0.9	0.0	2.05
2005 12 July	147.2	147.9	0.7	0.0	2.05
9 Aug.	149.2	149.8	0.6	0.0	2.05
6 Sep.	149.7	150.2	0.6	0.0	2.05
11 Oct.	150.7	151.4	0.7	0.0	2.05
8 Nov.	149.5	150.2	0.7	0.0	2.06
5 Dec.	152.0	.	.	.	.

#### 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				Other liquidity-absorbing operations		
1	2	3	4	5	6	7	8	9	10	11	12	
2003	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	298.0	265.7	75.0	0.1	0.0	0.1	0.5	475.4	60.2	-36.0	138.5	614.1
2005 Q1	280.2	277.8	82.2	0.1	0.0	0.1	0.1	489.5	68.5	-59.2	141.3	630.9
Q2	286.8	273.1	90.0	0.1	0.0	0.2	0.1	512.8	53.5	-62.0	145.5	658.5
2005 12 July	293.3	297.6	90.0	0.1	0.0	0.2	0.3	522.6	67.4	-57.3	147.9	670.6
9 Aug.	305.5	309.5	90.0	0.0	0.0	0.3	0.0	532.6	67.4	-45.0	149.8	682.7
6 Sep.	304.8	303.5	90.0	0.0	0.3	0.1	0.0	531.5	63.1	-46.2	150.2	681.8
11 Oct.	307.9	288.6	90.0	0.1	0.0	0.1	0.2	531.6	47.9	-44.6	151.4	683.1
8 Nov.	315.1	293.4	90.0	0.1	0.0	0.1	0.0	535.6	50.4	-37.9	150.2	686.0

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														
2003	1,086.8	471.3	22.6	0.6	448.0	133.6	121.5	1.3	10.8	-	12.8	317.9	12.4	138.8
2004	1,197.3	546.5	21.5	0.6	524.3	154.8	140.0	1.7	13.1	-	14.2	294.1	14.0	173.8
2005 Q1	1,274.5	599.9	21.5	0.6	577.8	167.8	151.9	1.6	14.4	-	14.0	301.0	12.5	179.3
Q2	1,353.6	638.4	21.2	0.6	616.6	176.9	158.8	2.0	16.1	-	14.1	319.6	13.3	191.3
2005 July	1,353.4	642.4	21.2	0.6	620.6	176.8	159.6	1.8	15.5	-	14.4	312.8	13.3	193.7
Aug.	1,327.9	610.7	21.2	0.6	588.9	180.6	162.8	1.9	15.9	-	14.4	313.4	13.3	195.5
Sep.	1,351.1	609.8	21.2	0.6	588.0	183.8	165.6	1.9	16.3	-	14.9	328.9	13.3	200.4
Oct. <sup>(p)</sup>	1,370.1	630.5	21.2	0.6	608.6	184.2	166.4	2.1	15.7	-	14.4	322.4	13.3	205.2
MFIs excluding the Eurosysteem														
2003	19,795.4	12,113.1	817.5	7,101.8	4,193.9	2,944.0	1,242.6	427.7	1,273.6	67.3	894.9	2,567.8	161.8	1,046.4
2004	21,351.8	12,825.3	811.4	7,556.1	4,457.8	3,187.7	1,299.9	465.2	1,422.6	72.5	942.9	2,942.9	159.6	1,220.9
2005 Q1	22,027.0	13,051.3	806.6	7,669.3	4,575.4	3,295.2	1,358.5	481.2	1,455.5	73.1	970.5	3,182.3	156.5	1,298.3
Q2	22,770.4	13,256.3	808.4	7,918.5	4,529.4	3,394.2	1,383.9	506.9	1,503.5	75.1	999.3	3,404.2	163.1	1,478.1
2005 July	22,874.4	13,326.7	808.9	7,976.8	4,541.0	3,396.6	1,378.7	506.5	1,511.5	75.1	999.9	3,444.4	164.3	1,467.6
Aug.	22,826.7	13,305.3	809.9	7,979.7	4,515.6	3,386.7	1,371.1	505.2	1,510.3	80.6	999.5	3,436.8	164.3	1,453.7
Sep.	23,058.5	13,434.5	816.0	8,067.1	4,551.4	3,375.2	1,360.4	504.5	1,510.3	81.4	1,012.6	3,517.6	164.5	1,472.8
Oct. <sup>(p)</sup>	23,312.3	13,592.1	811.7	8,133.0	4,647.5	3,407.5	1,374.1	520.4	1,513.0	83.7	1,020.1	3,573.6	165.3	1,470.0

#### 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											
2003	1,086.8	450.5	324.0	21.3	16.9	285.8	-	1.6	143.8	27.5	139.4
2004	1,197.3	517.3	346.6	24.7	15.0	306.8	-	0.5	138.4	27.2	167.4
2005 Q1	1,274.5	516.4	411.5	61.1	17.6	332.7	-	0.5	149.9	24.9	171.3
Q2	1,353.6	540.9	433.6	76.4	18.7	338.5	-	0.6	173.6	24.4	180.5
2005 July	1,353.4	550.7	426.2	68.5	13.8	344.0	-	0.6	170.0	23.9	182.0
Aug.	1,327.9	544.4	402.6	56.6	13.4	332.6	-	0.6	171.6	25.2	183.5
Sep.	1,351.1	550.3	396.5	47.4	15.3	333.9	-	0.6	186.6	27.4	189.7
Oct. <sup>(p)</sup>	1,370.1	554.7	413.6	46.3	17.5	349.7	-	0.6	184.2	27.3	189.8
MFIs excluding the Eurosysteem											
2003	19,795.4	-	10,774.8	134.4	6,275.5	4,364.9	648.8	3,161.4	1,145.0	2,606.4	1,458.9
2004	21,351.8	-	11,487.5	137.7	6,640.9	4,709.0	677.4	3,496.9	1,199.5	2,815.0	1,675.6
2005 Q1	22,027.0	-	11,653.8	126.3	6,706.7	4,820.7	687.6	3,614.8	1,213.5	3,085.6	1,771.7
Q2	22,770.4	-	11,849.5	135.1	6,921.2	4,793.2	696.4	3,761.9	1,258.7	3,228.0	1,976.0
2005 July	22,874.4	-	11,895.5	142.3	6,950.6	4,802.6	710.1	3,775.9	1,268.7	3,264.1	1,960.1
Aug.	22,826.7	-	11,813.9	110.2	6,930.0	4,773.7	720.3	3,788.7	1,274.2	3,254.4	1,975.3
Sep.	23,058.5	-	11,913.5	134.6	6,987.7	4,791.2	712.9	3,807.5	1,271.8	3,350.6	2,002.2
Oct. <sup>(p)</sup>	23,312.3	-	12,064.0	132.7	7,031.2	4,900.1	710.1	3,847.0	1,270.6	3,415.2	2,005.4

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	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											
2003	14,551.8	7,942.6	840.1	7,102.5	1,793.1	1,364.1	429.0	623.6	2,885.7	174.2	1,132.6
2004	15,719.1	8,389.6	832.9	7,556.8	1,906.8	1,439.9	466.9	666.2	3,236.9	173.6	1,345.9
2005 Q1	16,260.4	8,498.1	828.1	7,669.9	1,993.2	1,510.4	482.8	683.9	3,483.3	169.0	1,432.9
Q2	17,039.6	8,748.7	829.6	7,919.2	2,051.5	1,542.7	508.9	713.9	3,723.8	176.4	1,625.2
2005 July	17,112.5	8,807.5	830.0	7,977.5	2,046.5	1,538.3	508.2	706.8	3,757.1	177.5	1,617.0
Aug.	17,091.8	8,811.5	831.1	7,980.4	2,041.0	1,533.9	507.1	705.9	3,750.1	177.6	1,605.7
Sep.	17,317.6	8,904.9	837.2	8,067.7	2,032.4	1,526.0	506.4	726.0	3,846.5	177.8	1,630.0
Oct. <sup>(p)</sup>	17,468.3	8,966.5	832.9	8,133.6	2,063.0	1,540.5	522.6	733.1	3,896.0	178.6	1,631.1
Transactions											
2003	766.2	384.0	12.1	371.8	170.4	116.3	54.1	19.3	224.8	-3.6	-28.6
2004	1,268.0	499.7	-7.0	506.7	91.9	58.1	33.8	34.6	437.6	2.7	201.5
2005 Q1	448.9	107.9	-5.5	113.4	82.5	66.2	16.4	15.7	187.2	-4.1	59.7
Q2	525.5	200.1	0.9	199.2	39.7	15.8	23.8	25.4	126.4	1.0	133.0
2005 July	88.6	61.9	0.5	61.4	-1.5	-0.7	-0.8	-8.3	44.6	1.1	-9.2
Aug.	-16.1	6.2	1.2	5.0	-7.3	-5.7	-1.6	-1.6	-1.3	0.1	-12.1
Sep.	182.3	91.1	6.2	84.9	-7.4	-6.4	-0.9	11.7	64.1	0.1	22.6
Oct. <sup>(p)</sup>	150.3	61.5	-4.3	65.8	33.8	17.3	16.5	8.5	49.8	0.8	-4.1

**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>1)</sup>	Debt securities issued <sup>2)</sup>	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
Outstanding amounts										
2003	14,551.8	397.9	155.7	6,292.3	581.5	1,878.5	1,004.7	2,634.0	1,598.3	8.9
2004	15,719.1	468.4	162.4	6,655.9	604.9	2,061.7	1,047.0	2,842.2	1,842.9	33.6
2005 Q1	16,260.4	471.8	187.4	6,724.4	614.5	2,145.5	1,062.9	3,110.5	1,943.0	0.4
Q2	17,039.6	496.6	211.5	6,940.0	621.3	2,242.9	1,132.8	3,252.4	2,156.5	-14.3
2005 July	17,112.5	506.4	210.8	6,964.4	635.1	2,249.4	1,131.3	3,288.0	2,142.1	-15.0
Aug.	17,091.8	500.9	166.8	6,943.4	639.7	2,263.1	1,137.8	3,279.6	2,158.8	1.8
Sep.	17,317.6	507.1	181.9	7,003.0	631.4	2,281.5	1,157.0	3,378.0	2,192.0	-14.3
Oct. <sup>(p)</sup>	17,468.3	510.5	179.0	7,048.7	626.4	2,318.8	1,153.5	3,442.5	2,195.2	-6.3
Transactions										
2003	766.2	79.0	15.1	313.7	56.7	133.5	38.6	130.8	-60.8	59.8
2004	1,268.0	70.5	6.1	377.4	22.3	197.1	50.5	276.8	229.5	37.7
2005 Q1	448.9	3.3	25.0	57.8	9.7	65.3	13.1	212.0	107.1	-44.4
Q2	525.5	24.8	24.1	167.7	6.7	80.3	24.8	61.4	169.0	-33.3
2005 July	88.6	9.9	-0.7	28.2	12.9	6.8	2.9	43.9	-16.9	1.7
Aug.	-16.1	-5.5	-44.3	-19.4	4.1	14.8	4.4	-3.0	15.4	17.5
Sep.	182.3	6.2	15.2	57.6	-7.0	13.4	5.3	83.6	27.1	-19.1
Oct. <sup>(p)</sup>	150.3	3.4	-2.9	45.4	-4.9	34.6	2.5	61.9	4.3	6.0

Source: ECB.

1) Amounts held by euro area residents.

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

## 2.3 Monetary statistics

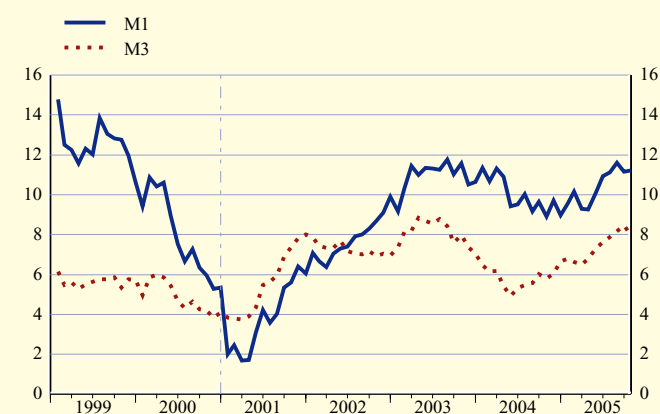
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

### 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
									9	10	
Outstanding amounts											
2003	2,680.6	2,553.3	5,233.9	907.2	6,141.1	-	4,133.3	2,226.1	8,154.1	7,097.8	230.6
2004	2,912.7	2,661.0	5,573.6	960.6	6,534.2	-	4,454.5	2,297.0	8,688.3	7,551.6	375.8
2005 Q1	3,007.2	2,675.4	5,682.7	944.9	6,627.5	-	4,579.5	2,328.5	8,826.6	7,670.2	387.5
Q2	3,257.5	2,558.6	5,816.0	981.1	6,797.1	-	4,797.4	2,353.5	9,113.8	7,893.0	469.8
2005 July	3,302.6	2,572.3	5,874.9	994.6	6,869.5	-	4,801.5	2,364.5	9,190.3	7,965.3	472.5
Aug.	3,329.9	2,585.0	5,914.9	1,005.2	6,920.1	-	4,828.1	2,375.9	9,236.7	8,006.9	466.6
Sep.	3,349.4	2,629.5	5,978.9	1,002.0	6,980.9	-	4,859.5	2,370.1	9,334.2	8,084.3	457.5
Oct. <sup>(p)</sup>	3,370.9	2,633.4	6,004.3	989.5	6,993.8	-	4,899.4	2,380.7	9,424.7	8,152.0	433.0
Transactions											
2003	259.4	113.4	372.9	32.2	405.1	-	236.1	131.9	444.7	371.9	96.0
2004	240.4	111.8	352.2	56.0	408.3	-	340.8	53.5	574.5	506.2	163.0
2005 Q1	91.8	8.2	99.9	-20.5	79.5	-	107.1	26.4	137.0	118.8	8.9
Q2	85.8	38.4	124.2	36.5	160.6	-	119.4	8.2	230.6	172.9	48.6
2005 July	45.6	14.2	59.8	12.5	72.3	-	11.8	14.7	78.2	75.4	5.6
Aug.	28.4	13.1	41.5	10.1	51.7	-	25.6	10.1	47.3	43.8	-5.6
Sep.	18.7	43.5	62.2	-1.2	61.0	-	11.5	-4.2	86.2	74.9	-26.6
Oct. <sup>(p)</sup>	21.9	3.1	25.1	-12.4	12.7	-	43.3	13.4	92.2	67.5	-21.6
Growth rates											
2003 Dec.	10.6	4.6	7.6	3.8	7.1	7.0	6.0	6.3	5.8	5.5	96.0
2004 Dec.	9.0	4.4	6.7	6.2	6.6	6.5	8.2	2.4	7.1	7.2	163.0
2005 Mar.	9.3	4.8	7.1	2.8	6.5	6.6	8.7	2.5	7.4	7.5	98.3
June	10.9	5.1	8.0	5.1	7.6	7.6	9.5	1.2	8.1	8.0	160.4
2005 July	11.1	5.3	8.3	5.5	7.9	7.9	9.1	1.2	8.3	8.3	162.9
Aug.	11.6	5.3	8.6	5.8	8.2	8.2	9.0	1.2	8.5	8.4	134.5
Sep.	11.1	6.4	8.8	6.2	8.4	8.2	8.3	1.4	8.9	8.6	81.2
Oct. <sup>(p)</sup>	11.2	5.8	8.6	4.4	8.0	.	8.6	1.9	9.3	8.8	48.1

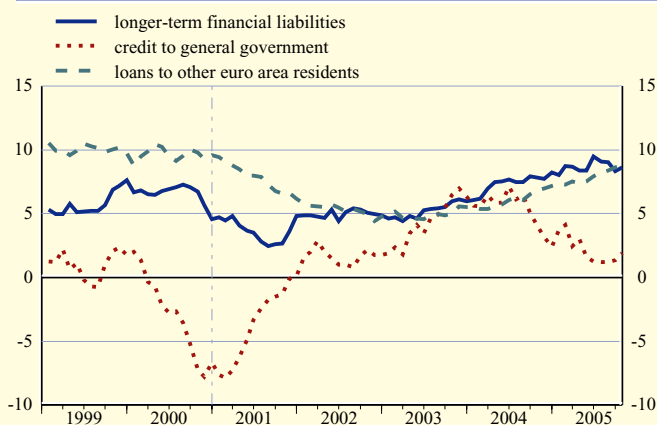
### C1 Monetary aggregates

(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 the section "growth rates" are sums of the transactions during the 12 months ending in the period indicated.

## 2.3 Monetary statistics

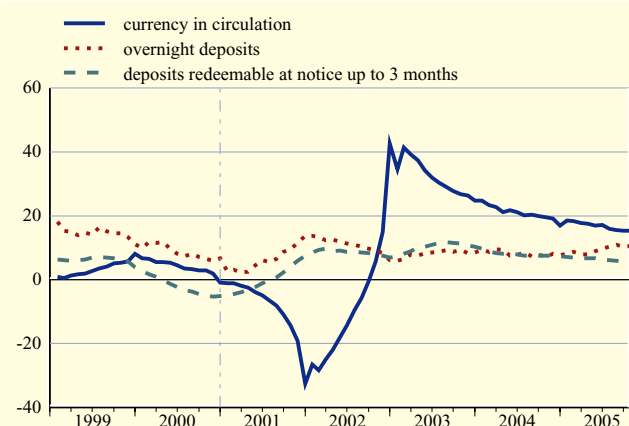
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

### 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											
2003	386.9	2,293.7	1,031.0	1,522.3	218.4	596.1	92.7	1,789.6	90.7	1,250.0	1,003.1
2004	452.7	2,460.0	1,026.5	1,634.5	239.4	618.9	102.3	1,962.6	89.6	1,357.3	1,044.9
2005 Q1	477.6	2,529.7	1,019.3	1,656.1	225.8	613.1	106.1	2,038.7	90.9	1,387.1	1,062.8
Q2	493.7	2,763.7	1,039.9	1,518.7	239.7	622.9	118.5	2,122.6	91.6	1,449.2	1,134.0
2005 July	494.7	2,807.9	1,045.2	1,527.0	243.0	632.3	119.2	2,126.1	90.8	1,453.9	1,130.8
Aug.	501.5	2,828.4	1,047.9	1,537.1	252.6	631.8	120.7	2,146.2	89.8	1,455.4	1,136.7
Sep.	507.4	2,842.0	1,083.6	1,545.9	244.9	636.6	120.5	2,155.2	87.8	1,465.4	1,151.1
Oct. <sup>(a)</sup>	514.9	2,855.9	1,085.5	1,547.9	237.2	628.8	123.5	2,187.4	87.0	1,475.5	1,149.5
Transactions											
2003	77.5	181.9	-29.7	143.1	-10.3	57.6	-15.1	149.2	-13.2	61.9	38.1
2004	65.8	174.7	-0.8	112.6	23.1	21.7	11.2	185.2	-1.1	106.6	50.1
2005 Q1	24.9	66.9	-13.2	21.4	-13.7	-5.7	-1.0	62.4	0.8	28.9	15.0
Q2	16.2	69.6	14.0	24.4	13.7	9.7	13.0	66.2	0.0	27.3	26.0
2005 July	1.0	44.6	5.8	8.4	3.3	8.5	0.7	3.8	-0.8	7.6	1.3
Aug.	6.8	21.6	3.0	10.1	9.6	-1.1	1.6	21.2	-1.0	1.6	3.8
Sep.	5.9	12.8	34.7	8.8	-7.8	6.2	0.5	3.2	-2.0	9.8	0.5
Oct. <sup>(a)</sup>	7.5	14.4	1.2	2.0	-7.6	-7.7	3.0	29.6	-0.7	9.9	4.4
Growth rates											
2003 Dec.	24.9	8.6	-2.8	10.4	-4.6	11.0	-14.9	8.9	-12.7	5.2	3.9
2004 Dec.	17.0	7.6	-0.1	7.4	10.7	3.6	12.3	10.3	-1.2	8.5	5.0
2005 Mar.	17.8	7.8	1.7	6.8	4.0	1.8	6.5	10.6	0.5	9.1	5.4
June	17.2	9.8	3.4	6.1	10.3	2.3	10.5	11.7	1.4	8.9	6.7
2005 July	16.0	10.3	4.0	6.0	6.7	3.7	13.5	11.2	0.3	8.8	6.4
Aug.	15.6	10.9	4.2	6.0	11.0	2.6	13.5	11.3	-0.9	8.3	6.5
Sep.	15.3	10.4	7.0	5.9	8.8	3.7	15.0	10.1	-2.3	8.4	5.9
Oct. <sup>(a)</sup>	15.3	10.5	5.9	5.6	5.0	1.6	19.9	10.9	-3.8	8.3	6.0

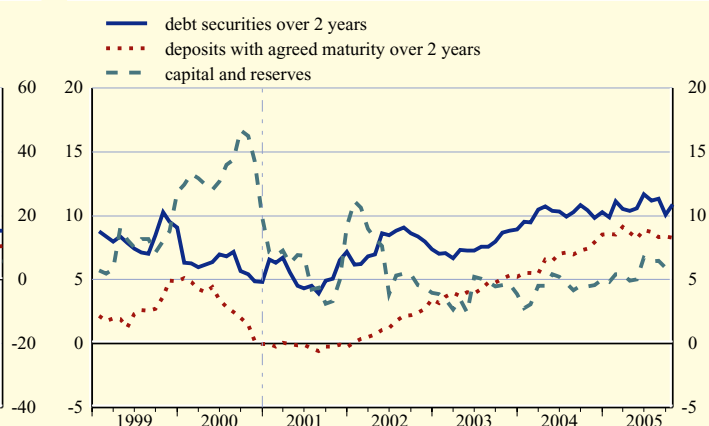
### C3 Components of monetary aggregates

(annual growth rates; seasonally adjusted)



### C4 Components of longer-term financial liabilities

(annual growth rates; seasonally adjusted)



Source: ECB.

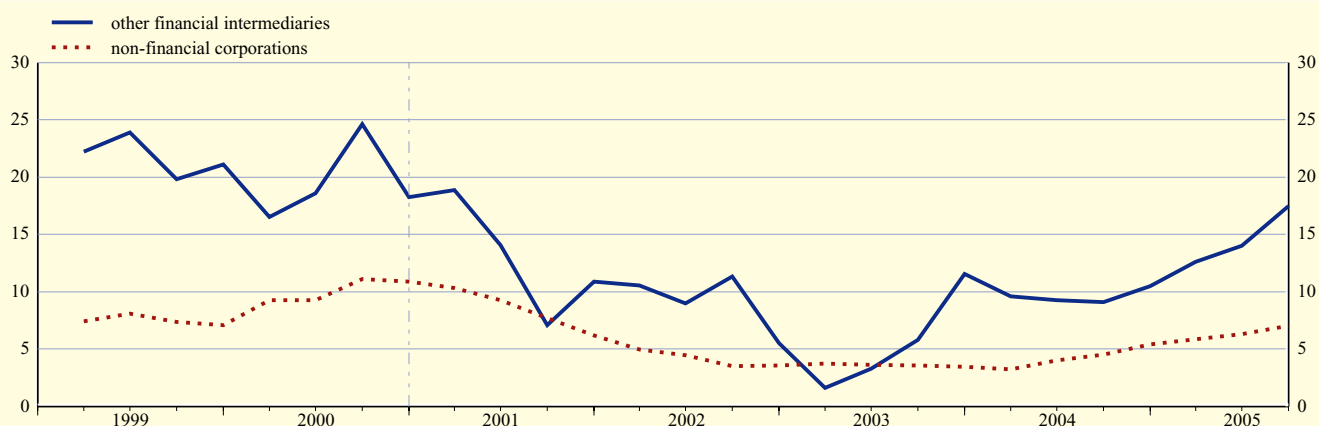
## 2.4 MFI loans, breakdown <sup>1)</sup>

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

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

	Insurance corporations and pension funds		Other financial intermediaries <sup>2)</sup>		Non-financial corporations			
	Total		Total		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	Up to 1 year 2	3	Up to 1 year 4	5	6	7	8
Outstanding amounts								
2003	35.4	22.1	511.4	325.0	3,034.3	961.5	524.1	1,548.8
2004	48.6	31.4	546.3	334.4	3,152.7	973.8	547.8	1,631.2
2005 Q1	58.2	39.7	561.3	351.1	3,189.5	983.8	554.7	1,650.9
2005 Q2	63.8	43.9	581.5	362.9	3,281.9	1,025.1	564.1	1,692.7
2005 July	63.7	43.3	579.5	357.1	3,308.7	1,024.9	573.1	1,710.7
2005 Aug.	64.4	42.7	572.6	349.2	3,294.3	1,001.1	571.0	1,722.3
2005 Sep.	65.2	42.6	601.7	373.1	3,320.8	1,014.4	572.6	1,733.8
2005 Oct. <sup>(p)</sup>	68.6	45.3	602.0	368.8	3,342.2	1,022.1	582.7	1,737.5
Transactions								
2003	4.2	2.2	53.4	26.2	102.6	-7.9	15.9	94.7
2004	13.1	9.1	52.1	27.7	162.9	23.2	31.2	108.5
2005 Q1	8.6	7.9	11.3	14.9	37.2	8.0	7.7	21.5
2005 Q2	5.5	4.2	16.4	9.5	75.8	28.4	9.8	37.6
2005 July	-0.1	-0.6	-1.4	-5.5	27.7	0.3	9.1	18.3
2005 Aug.	0.7	-0.5	-7.1	-7.8	-12.4	-22.8	-2.0	12.4
2005 Sep.	0.7	-0.2	28.4	23.5	24.8	12.3	1.3	11.1
2005 Oct. <sup>(p)</sup>	3.4	2.7	-2.2	-5.9	23.3	8.8	10.4	4.2
Growth rates								
2003 Dec.	11.8	11.6	11.6	8.8	3.5	-0.8	3.1	6.5
2004 Dec.	36.9	41.5	10.5	9.1	5.4	2.4	6.0	7.0
2005 Mar.	23.7	21.8	12.6	17.5	5.9	3.8	6.6	6.9
2005 June	17.5	9.8	14.0	18.8	6.3	4.9	6.1	7.2
2005 July	11.3	3.1	15.0	19.1	6.8	5.3	7.0	7.7
2005 Aug.	18.3	9.1	16.4	21.4	6.6	4.8	5.8	8.0
2005 Sep.	22.7	12.6	17.5	23.0	7.0	5.3	5.9	8.5
2005 Oct. <sup>(p)</sup>	23.5	15.0	15.6	19.0	7.1	5.2	7.5	8.1

### 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>

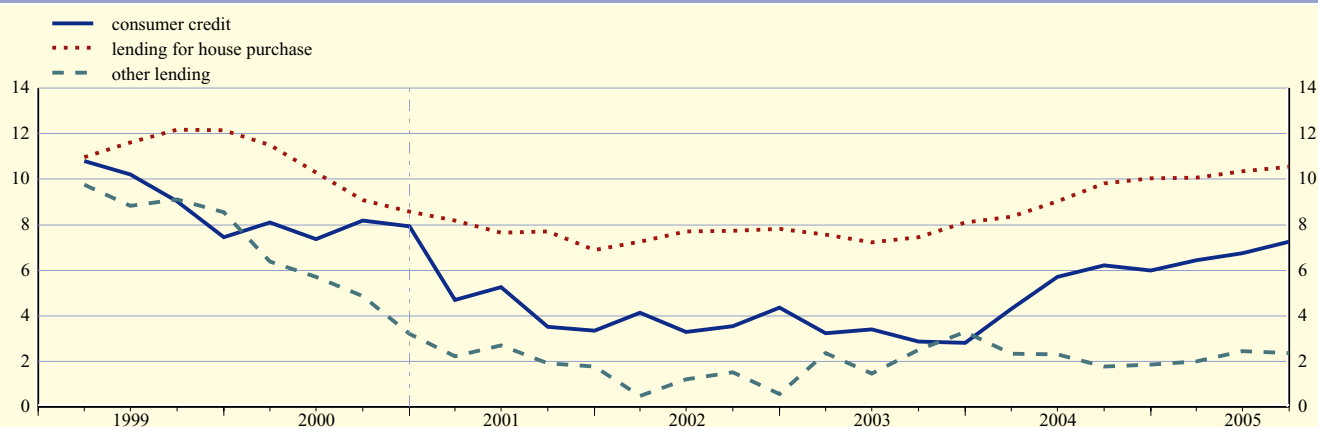
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	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													
2003	3,520.6	484.5	112.0	181.0	191.5	2,360.5	14.4	63.3	2,282.7	675.6	145.0	95.5	435.1
2004	3,808.4	515.4	120.3	189.6	205.6	2,591.5	14.6	65.8	2,511.1	701.5	144.1	99.2	458.2
2005 Q1	3,860.4	519.3	120.2	191.1	208.0	2,640.3	14.3	67.1	2,558.9	700.8	144.4	98.7	457.8
Q2	3,991.3	537.3	124.4	197.3	215.6	2,737.2	14.8	66.2	2,656.1	716.8	149.9	101.0	465.9
2005 July	4,024.9	539.2	122.3	199.1	217.8	2,772.9	14.8	66.8	2,691.2	712.9	145.1	101.2	466.5
Aug.	4,048.3	540.6	123.2	198.8	218.6	2,795.1	14.6	67.2	2,713.3	712.6	143.5	101.3	467.8
Sep.	4,079.4	544.4	126.2	198.6	219.6	2,820.1	15.0	67.6	2,737.5	714.9	145.7	101.1	468.0
Oct. <sup>(p)</sup>	4,120.1	548.3	127.2	199.6	221.4	2,851.0	14.7	67.9	2,768.4	720.8	145.7	101.6	473.5
Transactions													
2003	211.6	13.3	8.4	6.3	-1.4	177.3	-5.9	1.7	181.4	21.0	-6.3	-4.9	32.2
2004	278.6	29.0	7.1	8.6	13.3	236.9	0.9	2.9	233.1	12.7	-0.8	2.0	11.6
2005 Q1	56.2	4.4	-0.3	1.6	3.1	49.5	-0.2	1.3	48.4	2.2	1.3	-0.4	1.3
Q2	101.4	16.2	4.2	6.0	6.0	73.2	0.5	0.5	72.2	12.0	5.8	0.5	5.6
2005 July	35.2	2.4	-1.8	1.9	2.3	35.9	0.0	0.5	35.3	-3.2	-4.6	0.2	1.2
Aug.	23.8	2.1	1.0	-0.3	1.3	22.1	-0.2	0.4	21.9	-0.3	-1.5	0.1	1.1
Sep.	31.1	3.9	2.7	0.1	1.1	25.4	0.4	0.5	24.5	1.7	1.8	-0.2	0.2
Oct. <sup>(p)</sup>	41.3	4.3	1.3	1.1	1.9	31.0	-0.2	0.3	31.0	5.9	-0.1	0.5	5.5
Growth rates													
2003 Dec.	6.4	2.8	8.1	3.6	-0.2	8.1	-26.3	2.6	8.6	3.3	-4.1	-5.0	8.5
2004 Dec.	7.9	6.0	6.3	4.8	6.9	10.0	6.0	4.6	10.2	1.9	-0.5	2.0	2.6
2005 Mar.	8.0	6.4	7.7	4.6	7.5	10.1	5.0	8.1	10.1	2.0	2.0	1.1	2.2
June	8.4	6.8	6.8	5.8	7.7	10.4	4.1	4.6	10.5	2.5	3.9	0.6	2.4
2005 July	8.5	6.8	6.3	6.0	7.9	10.6	5.4	4.7	10.8	2.2	3.3	0.9	2.1
Aug.	8.6	7.0	6.6	6.1	8.1	10.7	4.3	4.7	10.9	2.3	3.2	1.2	2.2
Sep.	8.6	7.3	8.2	6.0	7.9	10.5	5.7	4.9	10.7	2.4	2.8	1.2	2.5
Oct. <sup>(p)</sup>	9.0	7.8	9.6	6.2	8.2	10.8	0.9	4.8	11.1	3.2	3.4	0.7	3.7

### 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>

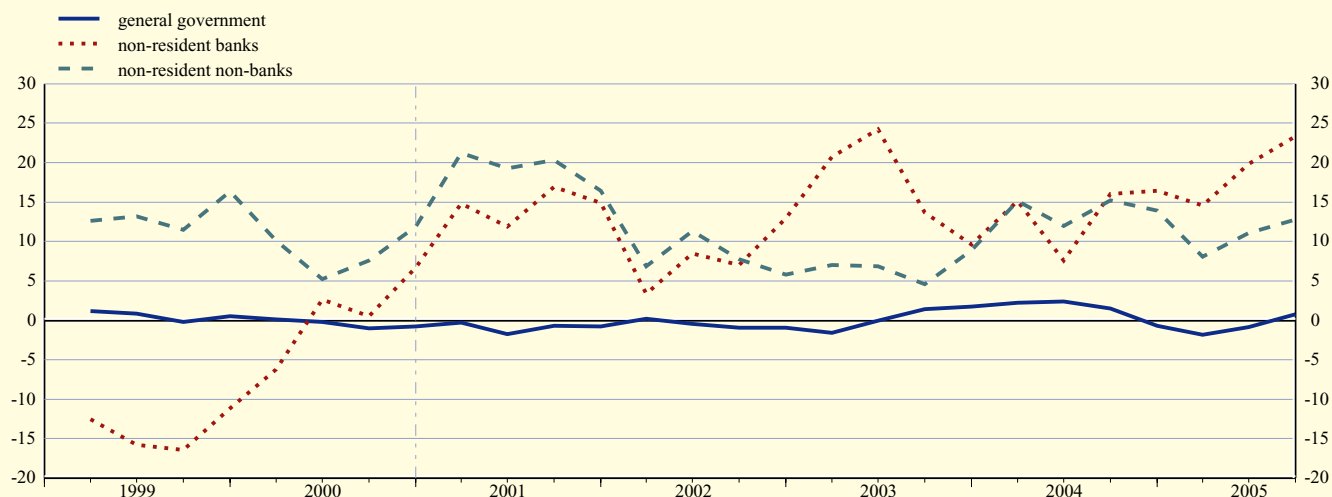
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 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										
2003	817.5	128.4	265.1	388.9	35.0	1,757.9	1,182.2	575.7	59.3	516.4
2004	811.4	129.6	252.3	405.7	23.8	1,974.7	1,342.2	632.5	61.3	571.1
2005 Q1	806.6	129.3	248.1	406.6	22.5	2,136.5	1,463.8	672.7	62.0	610.7
Q2	808.4	125.0	247.6	407.3	28.6	2,292.5	1,582.4	710.1	62.1	648.0
Q3 <sup>(p)</sup>	816.0	124.8	247.1	414.5	29.6	2,375.6	1,638.7	736.9	64.2	672.7
Transactions										
2003	13.7	-5.9	-12.2	16.6	15.3	159.4	109.2	50.1	-5.0	55.0
2004	-5.9	2.0	-13.9	17.3	-11.2	275.6	194.9	80.4	1.8	78.6
2005 Q1	-5.5	-0.5	-4.2	0.4	-1.3	124.8	98.6	26.2	0.6	25.5
Q2	1.2	-4.7	-0.8	0.6	6.0	93.9	81.1	12.9	0.2	12.7
Q3 <sup>(p)</sup>	7.8	-0.1	-0.5	7.3	1.1	85.2	56.6	27.9	2.1	25.7
Growth rates										
2003 Dec.	1.7	-4.4	-4.4	4.4	77.5	9.3	9.6	8.8	-7.7	11.0
2004 Dec.	-0.7	1.5	-5.2	4.4	-32.1	15.6	16.4	13.9	3.1	15.2
2005 Mar.	-1.8	-1.6	-5.5	4.6	-42.1	12.4	14.6	8.0	1.1	8.8
June	-0.8	-0.4	-2.6	4.0	-34.7	17.0	19.9	11.0	2.1	12.0
Sep. <sup>(p)</sup>	0.8	1.5	-2.4	5.0	-23.5	19.9	23.3	12.8	5.5	13.6

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

(annual growth rates)



Source: ECB.

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

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

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

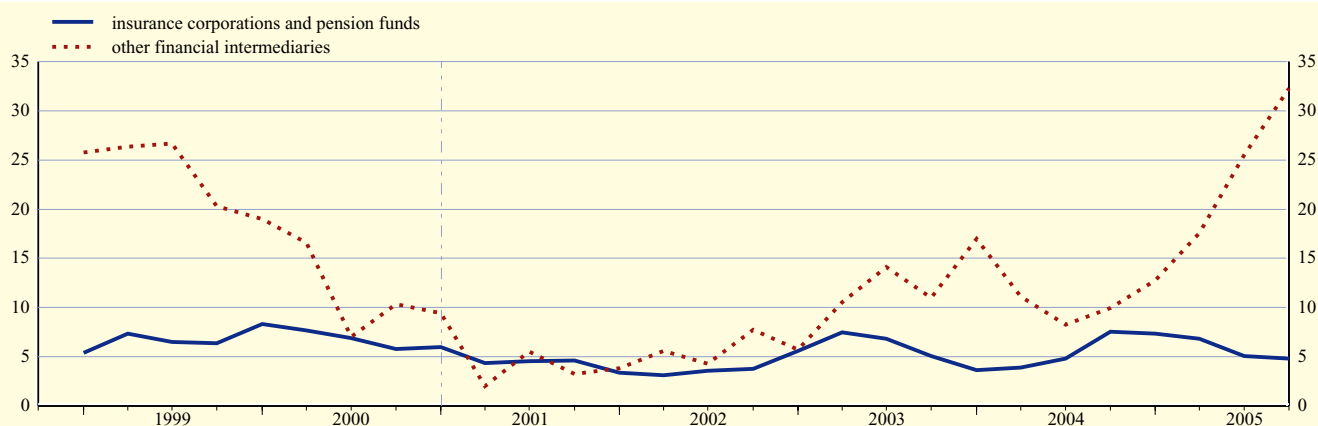
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries <sup>2)</sup>						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
2003	542.4	58.9	41.7	420.5	1.3	0.8	19.1	565.6	180.9	130.8	143.3	6.1	0.1	104.4
2004	583.2	59.2	51.4	449.4	1.2	1.3	20.8	636.6	180.3	139.0	187.3	10.1	0.1	119.8
2005 Q1	597.0	65.7	48.5	460.3	1.3	1.3	19.8	692.9	213.3	134.2	205.2	11.5	0.1	128.7
Q2	595.7	61.1	48.4	463.0	1.1	1.6	20.5	792.2	226.7	149.1	264.3	11.1	0.1	140.7
2005 July	603.7	64.3	51.9	464.8	1.1	1.6	20.1	799.4	223.5	155.8	267.7	11.6	0.1	140.5
Aug.	604.1	59.1	50.8	466.1	1.1	1.6	25.4	797.4	217.2	157.4	268.1	11.4	0.1	143.2
Sep.	602.9	60.0	50.8	466.9	1.1	1.6	22.4	834.4	242.6	169.9	276.8	10.6	0.1	134.4
Oct. <sup>(p)</sup>	609.9	66.7	48.1	468.5	1.1	1.5	24.1	848.3	232.6	176.7	286.3	11.0	0.1	141.7
Transactions														
2003	19.0	1.6	3.9	11.8	0.3	0.4	1.1	82.8	25.3	-0.2	38.5	3.2	0.1	16.0
2004	39.9	0.7	10.3	27.7	-0.1	-0.1	1.5	72.2	0.9	5.8	43.7	4.1	0.0	17.7
2005 Q1	12.5	6.4	-3.1	10.0	0.1	0.0	-1.0	48.8	32.1	-9.4	16.0	1.3	0.0	8.7
Q2	-2.1	-5.4	-0.4	2.7	0.2	0.0	0.8	58.6	10.6	10.9	24.3	0.8	0.0	11.9
2005 July	8.1	3.3	3.5	1.8	-0.1	0.0	-0.4	10.4	-3.0	6.8	6.2	0.5	0.0	-0.2
Aug.	0.5	-5.2	-1.0	1.3	0.0	0.1	5.3	-2.1	-6.3	1.5	0.4	-0.3	0.0	2.7
Sep.	-1.4	0.9	-0.1	0.7	0.0	0.0	-2.9	36.4	25.2	12.2	8.6	-0.8	0.0	-8.8
Oct. <sup>(p)</sup>	7.0	6.7	-2.9	1.5	0.0	0.0	1.6	9.7	-10.1	6.6	5.7	0.4	0.0	7.2
Growth rates														
2003 Dec.	3.6	2.8	9.9	2.9	41.3	58.8	6.0	17.0	16.3	-0.2	36.4	70.4	-	17.1
2004 Dec.	7.4	1.2	24.6	6.6	-8.0	-43.1	7.9	12.7	0.5	4.3	30.4	67.6	-	17.1
2005 Mar.	6.8	2.3	16.4	7.5	1.7	-51.5	-10.4	17.6	8.5	9.3	40.1	50.0	-	11.4
June	5.1	1.6	15.6	4.8	18.3	31.3	-3.0	25.5	16.5	14.3	48.2	50.1	-	21.0
2005 July	6.2	15.0	13.2	4.9	13.8	32.1	-8.3	27.3	19.8	18.8	47.5	56.2	-	18.6
Aug.	6.3	10.0	9.1	5.1	11.4	32.6	13.8	28.3	23.1	15.9	44.2	55.2	-	25.2
Sep.	4.8	-2.7	7.9	5.1	26.4	33.0	12.0	32.3	27.3	32.6	45.9	46.2	-	18.8
Oct. <sup>(p)</sup>	5.0	13.4	-2.1	4.6	22.1	2.8	5.5	28.5	22.8	24.4	47.2	45.9	-	14.6

### 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>

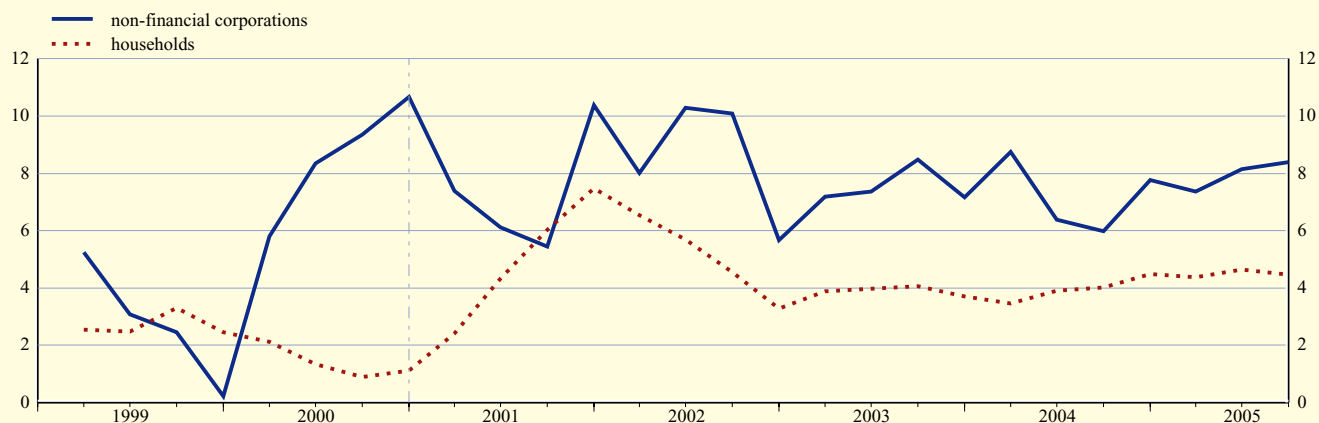
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 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														
2003	1,050.1	633.3	280.2	67.6	38.1	1.0	30.0	3,978.6	1,311.8	544.0	600.8	1,379.2	89.9	52.9
2004	1,114.6	674.7	291.1	73.8	44.2	1.1	29.7	4,162.0	1,403.1	515.0	634.3	1,466.1	88.0	55.6
2005 Q1	1,096.3	675.3	280.2	72.1	44.0	1.1	23.6	4,177.0	1,409.1	513.2	632.8	1,481.9	88.7	51.2
Q2	1,133.6	721.8	274.7	71.9	41.6	1.5	22.1	4,246.6	1,629.9	511.2	630.8	1,336.3	87.2	51.2
2005 July	1,134.2	719.8	279.0	70.8	42.2	1.4	21.1	4,265.3	1,643.0	512.8	630.0	1,339.5	86.4	53.6
Aug.	1,138.7	715.3	287.3	70.7	41.8	1.3	22.3	4,238.4	1,610.4	515.6	630.2	1,342.3	85.5	54.4
Sep.	1,152.0	719.1	296.7	68.7	43.9	1.2	22.4	4,246.3	1,626.9	515.0	627.1	1,341.9	83.9	51.6
Oct. <sup>(p)</sup>	1,168.9	734.4	302.5	65.5	44.5	1.2	20.8	4,247.7	1,630.4	516.4	626.4	1,339.8	83.4	51.2
Transactions														
2003	70.4	40.9	20.3	3.3	10.2	0.0	-4.2	141.9	95.3	-45.4	10.0	117.4	-13.7	-21.8
2004	80.8	48.5	17.1	6.7	8.0	0.7	-0.2	178.1	90.5	-29.6	31.1	85.2	-1.9	2.7
2005 Q1	-20.0	-0.5	-12.1	-1.1	-0.2	0.0	-6.1	14.8	5.4	-2.0	-0.1	15.8	0.2	-4.5
Q2	33.4	40.9	-7.1	0.2	1.1	-0.1	-1.5	67.1	63.4	-3.6	-2.3	11.1	-1.4	0.0
2005 July	0.9	-1.8	4.4	-1.1	0.6	-0.2	-1.0	19.0	13.2	1.8	-0.8	3.2	-0.8	2.5
Aug.	6.0	-3.4	8.7	0.0	-0.4	-0.1	1.3	-26.7	-32.6	2.8	0.2	2.9	-1.0	0.8
Sep.	12.4	3.4	8.9	-2.0	2.0	0.0	0.1	7.2	16.3	-0.9	-3.2	-0.5	-1.5	-2.9
Oct. <sup>(p)</sup>	20.8	15.4	5.8	0.7	0.6	0.0	-1.6	1.4	4.0	1.0	-0.7	-2.1	-0.5	-0.3
Growth rates														
2003 Dec.	7.2	6.7	7.7	5.3	41.5	-3.9	-12.4	3.7	7.9	-7.7	1.7	9.3	-13.2	-29.2
2004 Dec.	7.8	7.7	6.2	9.9	21.2	72.2	-0.8	4.5	6.9	-5.4	5.2	6.2	-2.1	5.2
2005 Mar.	7.4	9.3	3.7	4.4	15.2	68.0	-8.3	4.4	6.6	-2.7	3.8	5.6	0.1	-1.3
June	8.2	10.6	4.6	3.3	14.9	-5.8	-13.4	4.6	7.8	-1.3	2.9	4.8	1.1	1.5
2005 July	8.3	11.7	4.1	1.1	14.9	-17.5	-20.5	4.8	8.3	-0.9	2.6	4.7	0.1	2.0
Aug.	8.8	11.7	7.1	1.0	12.5	-24.5	-22.5	4.5	7.8	0.0	2.3	4.7	-0.9	-0.3
Sep.	8.4	9.0	10.6	-1.7	16.5	-26.5	-12.6	4.5	7.9	0.4	1.8	4.6	-2.4	-4.0
Oct. <sup>(p)</sup>	9.7	12.7	6.9	0.2	18.2	-28.2	-19.9	4.0	7.1	0.9	1.2	4.2	-3.5	-5.8

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

(annual growth rates)



Source: ECB.

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

2) Including non-profit institutions serving households.

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

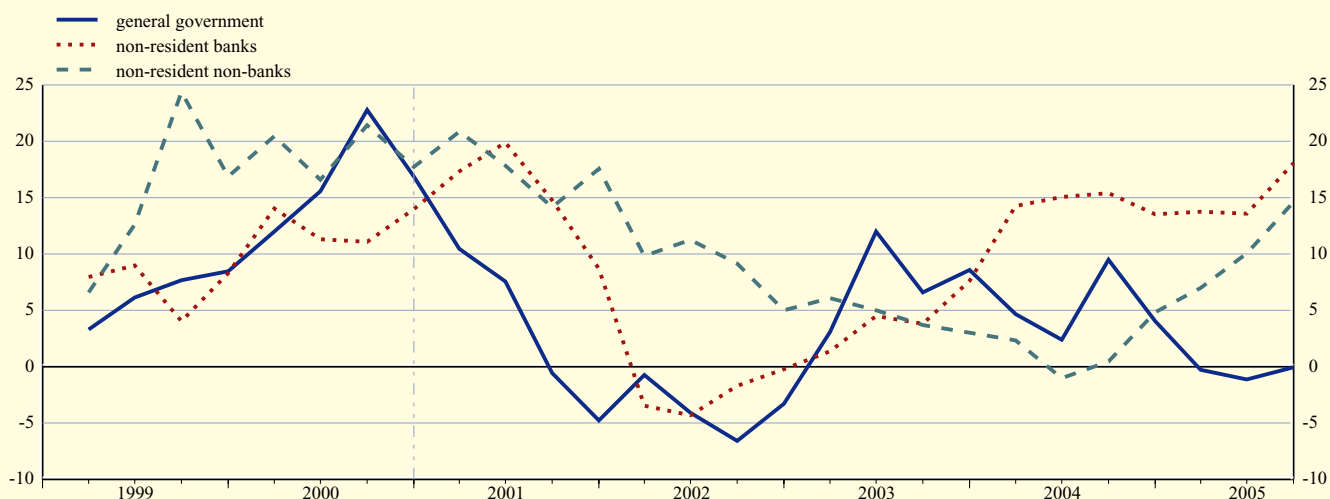
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>2)</sup>	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2003	273.3	134.4	31.1	66.9	40.9	2,245.1	1,580.8	664.3	96.1	568.2
2004	282.2	137.7	30.5	69.6	44.3	2,428.9	1,748.0	680.9	103.4	577.5
2005 Q1	269.9	126.3	33.4	67.5	42.7	2,669.1	1,935.7	733.4	105.4	628.0
Q2	288.3	135.1	35.1	69.7	48.4	2,784.9	2,034.1	750.8	118.6	632.3
Q3 <sup>(p)</sup>	286.8	134.6	35.9	71.4	44.9	2,904.9	2,109.8	795.1	124.3	670.8
Transactions										
2003	21.5	23.3	-0.5	-2.3	1.0	138.6	117.5	21.1	-1.3	22.4
2004	11.0	2.7	1.8	2.8	3.8	247.1	214.8	32.0	6.9	25.1
2005 Q1	-12.2	-11.4	2.8	-2.1	-1.6	188.2	147.1	41.0	2.0	39.1
Q2	18.3	8.8	1.7	2.2	5.7	42.2	42.7	-0.5	13.2	-13.7
Q3 <sup>(p)</sup>	-1.6	-0.8	0.9	1.8	-3.5	120.3	76.3	44.0	5.7	38.3
Growth rates										
2003 Dec.	8.6	21.3	-1.5	-3.4	2.6	6.2	7.6	3.0	-1.3	3.7
2004 Dec.	4.0	2.0	5.6	4.1	9.2	11.0	13.5	4.8	7.2	4.4
2005 Mar.	-0.3	-10.5	19.6	8.3	8.6	11.8	13.7	7.0	4.1	7.5
June	-1.2	-13.8	19.3	8.3	16.9	12.6	13.5	10.1	15.8	9.0
Sep. <sup>(p)</sup>	-0.1	-8.3	14.0	8.1	5.2	17.1	18.0	14.6	17.8	14.0

## 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.

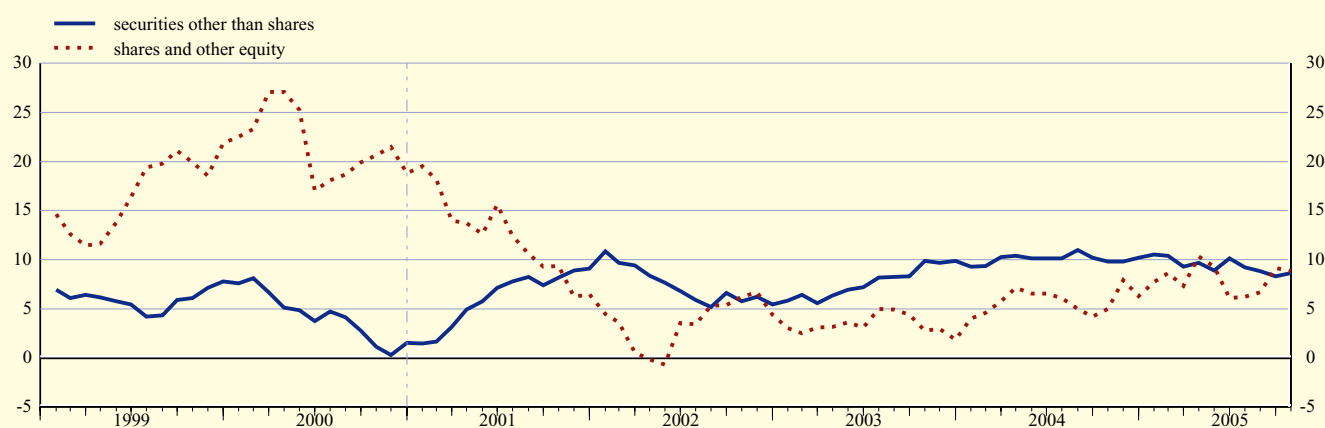
## 2.6 MFI holdings of securities, breakdown <sup>1)</sup>

(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												
2003	3,576.3	1,216.2	57.4	1,227.1	15.6	409.1	18.6	632.3	1,071.4	279.7	615.3	176.4
2004	3,939.5	1,362.7	59.9	1,284.1	15.8	449.0	16.3	751.7	1,158.1	286.4	656.4	215.2
2005 Q1	4,093.1	1,388.9	66.6	1,342.8	15.8	464.9	16.3	797.9	1,217.0	296.1	674.4	246.5
Q2	4,269.0	1,435.8	67.7	1,368.1	15.8	488.0	18.9	874.7	1,234.8	295.1	704.2	235.5
2005 July	4,272.4	1,444.3	67.2	1,362.8	15.9	486.8	19.7	875.8	1,241.2	303.0	696.8	241.3
Aug.	4,281.3	1,443.0	67.3	1,355.0	16.1	484.7	20.5	894.6	1,241.5	303.6	695.9	242.0
Sep.	4,271.4	1,442.5	67.8	1,343.7	16.7	484.9	19.6	896.2	1,256.9	297.1	715.5	244.4
Oct. <sup>(p)</sup>	4,315.9	1,443.2	69.7	1,357.2	16.9	498.1	22.3	908.4	1,258.4	296.9	723.2	238.3
Transactions												
2003	324.6	90.8	4.1	79.0	0.8	52.3	1.7	95.9	18.8	7.2	19.3	-7.8
2004	368.4	148.1	4.9	40.3	1.3	34.8	-1.3	140.4	67.6	2.2	34.5	30.8
2005 Q1	137.7	29.1	4.7	55.3	-0.5	17.0	-0.5	32.5	57.1	9.4	16.1	31.6
Q2	128.9	46.2	-1.8	11.6	-1.0	21.9	1.6	50.3	14.5	4.8	25.4	-15.7
2005 July	9.6	8.3	0.1	-2.3	0.4	-1.6	1.0	3.7	-0.1	3.9	-8.3	4.3
Aug.	7.1	-2.1	0.1	-8.7	0.2	-2.5	0.7	19.5	-1.9	0.1	-1.8	-0.3
Sep.	-14.0	-1.2	0.0	-9.8	0.4	0.0	-0.9	-2.5	8.1	-2.7	11.6	-0.7
Oct. <sup>(p)</sup>	49.8	3.6	1.8	15.1	0.3	13.7	2.6	12.7	2.4	0.2	8.5	-6.3
Growth rates												
2003 Dec.	9.9	8.1	8.7	6.9	5.0	14.8	8.2	17.2	1.9	2.7	3.4	-4.2
2004 Dec.	10.2	12.2	8.4	3.3	7.7	8.4	-7.3	22.0	6.3	0.8	5.6	17.2
2005 Mar.	9.3	9.1	14.1	3.9	-4.1	11.1	-4.6	19.1	7.3	1.9	4.0	26.4
June	10.2	11.4	8.1	1.4	-9.9	12.7	4.2	24.2	6.1	1.3	6.5	11.6
2005 July	9.2	10.5	9.4	1.5	-6.7	12.2	15.9	19.7	6.2	3.4	6.7	8.6
Aug.	8.9	9.9	7.3	0.9	-2.9	11.7	21.7	19.9	6.7	3.9	8.1	6.3
Sep.	8.3	9.1	5.8	-0.1	2.9	12.3	10.3	20.3	9.1	4.7	10.1	12.4
Oct. <sup>(p)</sup>	8.6	7.7	8.3	1.6	-19.2	14.8	22.3	19.7	8.8	4.7	10.9	8.2

## 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
2003	-2.7	-1.1	-0.5	-1.1	-3.2	-0.3	-0.1	-2.8	-7.2	-2.8	-0.3	-4.1
2004	-3.2	-1.3	-0.7	-1.3	-3.4	-0.3	-0.1	-3.0	-6.7	-2.3	-0.3	-4.1
2005 Q1	-1.3	-0.6	-0.2	-0.5	-1.2	-0.1	0.0	-1.1	-2.7	-1.1	-0.1	-1.6
2005 Q2	-0.8	-0.3	-0.2	-0.3	-0.8	0.0	0.0	-0.7	-1.6	-0.8	-0.1	-0.8
2005 July	-0.4	-0.2	0.0	-0.1	-0.2	0.0	0.0	-0.2	-0.3	-0.1	0.0	-0.1
2005 Aug.	-0.2	-0.1	0.0	-0.1	-0.1	0.0	0.0	-0.1	-0.3	-0.1	0.0	-0.1
2005 Sep.	-0.3	-0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.4	-0.2	0.0	-0.2
2005 Oct. <sup>(p)</sup>	-0.3	-0.2	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.3	-0.1	0.0	-0.2

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2003	-17.5	-8.8	-1.3	-7.4	-1.1	-0.3	-0.7
2004	-16.1	-8.8	-0.8	-6.5	-1.6	-0.5	-1.1
2005 Q1	-5.1	-2.5	-0.7	-1.9	-0.3	-0.1	-0.3
2005 Q2	-3.8	-1.9	-0.2	-1.8	-0.3	0.0	-0.3
2005 July	-0.5	-0.3	-0.1	-0.2	-0.1	0.0	-0.1
2005 Aug.	-0.5	-0.2	-0.1	-0.2	-0.1	0.0	0.0
2005 Sep.	-0.8	-0.4	-0.1	-0.3	-0.1	-0.1	0.0
2005 Oct. <sup>(p)</sup>	-1.4	-1.1	-0.1	-0.2	0.0	0.0	0.0

### 3. Revaluation of securities held by MFIs

	Securities other than shares							Shares and other equity				
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2003	-1.2	-0.8	-0.3	3.0	0.0	-1.1	-0.1	-1.9	19.4	8.0	5.0	6.4
2004	13.5	1.5	-0.1	10.8	-0.2	0.9	-0.1	0.6	8.1	1.3	3.4	3.5
2005 Q1	5.9	1.0	0.1	3.8	0.1	-0.7	0.1	1.6	4.6	0.5	2.7	1.4
2005 Q2	17.2	2.9	0.2	7.8	0.2	1.6	0.1	4.4	9.8	0.9	4.3	4.6
2005 July	-3.1	-0.1	0.0	-3.0	-0.1	0.0	0.0	0.2	5.0	1.0	2.4	1.6
2005 Aug.	1.0	0.2	0.1	0.9	0.0	0.1	0.1	-0.5	2.3	0.2	1.0	1.0
2005 Sep.	-1.0	0.1	0.1	-1.5	0.0	0.2	-0.1	0.3	6.9	0.6	3.5	2.7
2005 Oct. <sup>(p)</sup>	-3.6	-1.0	-0.1	-1.4	0.0	-0.5	0.1	-0.7	-0.9	-0.3	-0.8	0.2

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													
2003	4,364.9	91.3	8.7	5.4	0.5	1.5	0.9	6,409.9	97.3	2.7	1.7	0.3	0.1	0.3
2004	4,709.0	91.4	8.6	5.0	0.5	1.5	1.1	6,778.5	97.2	2.8	1.7	0.3	0.1	0.4
2005 Q1	4,820.7	91.0	9.0	5.4	0.5	1.4	1.1	6,833.0	97.0	3.0	1.9	0.3	0.1	0.4
Q2	4,793.2	90.9	9.1	5.5	0.4	1.4	1.1	7,056.3	96.9	3.1	1.9	0.3	0.1	0.4
Q3 <sup>3)</sup>	4,791.2	90.6	9.4	5.7	0.5	1.5	1.1	7,122.3	96.7	3.3	2.0	0.3	0.1	0.4
	By non-euro area residents													
2003	1,580.8	46.9	53.1	35.6	1.8	3.6	9.4	664.3	51.0	49.0	32.1	2.1	2.2	9.6
2004	1,748.0	46.7	53.3	35.8	2.1	3.2	9.5	680.9	55.4	44.6	28.9	1.5	2.2	9.3
2005 Q1	1,935.7	46.9	53.1	35.2	2.4	2.9	9.7	733.4	54.6	45.4	29.4	1.5	2.0	9.2
Q2	2,034.1	45.8	54.2	36.0	2.4	3.1	9.5	750.8	52.5	47.5	30.6	1.5	2.3	9.9
Q3 <sup>3)</sup>	2,109.8	46.7	53.3	35.0	2.5	3.0	9.5	795.1	52.3	47.7	30.6	1.8	2.2	10.0

### 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	
2003	3,304.0	85.4	14.6	7.9	1.5	1.7	2.3
2004	3,653.9	84.6	15.4	7.6	1.7	1.9	2.7
2005 Q1	3,794.9	83.4	16.6	8.2	1.7	1.9	2.9
Q2	3,942.7	82.4	17.6	9.0	1.8	1.9	3.0
Q3 <sup>3)</sup>	3,994.0	81.8	18.2	9.2	1.9	1.9	3.1

Source: ECB.

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

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

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

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

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

**3. Loans**

	MFIs <sup>2)</sup>							Non-MFIs						
	All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies				All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
To euro area residents														
2003	4,193.9	-	-	-	-	-	7,919.3	96.5	3.5	1.6	0.3	1.2	0.3	
2004	4,457.8	-	-	-	-	-	8,367.5	96.6	3.4	1.4	0.2	1.3	0.4	
2005 Q1	4,575.4	-	-	-	-	-	8,475.9	96.5	3.5	1.5	0.2	1.3	0.4	
Q2	4,529.4	-	-	-	-	-	8,726.9	96.4	3.6	1.6	0.2	1.3	0.4	
Q3 <sup>(p)</sup>	4,551.4	-	-	-	-	-	8,883.1	96.3	3.7	1.7	0.2	1.2	0.4	
To non-euro area residents														
2003	1,182.2	50.2	49.8	29.3	4.7	2.5	575.7	38.8	61.2	43.6	2.4	4.6	7.0	
2004	1,342.2	51.4	48.6	29.9	3.7	2.2	632.5	42.2	57.8	40.1	2.6	4.5	7.2	
2005 Q1	1,463.8	51.8	48.2	29.2	3.4	2.1	672.7	41.8	58.2	42.1	1.4	4.3	7.1	
Q2	1,582.4	49.3	50.7	31.0	4.2	2.0	710.1	41.0	59.0	43.1	1.1	4.4	7.2	
Q3 <sup>(p)</sup>	1,638.7	49.3	50.7	30.1	4.3	2.0	736.9	39.8	60.2	43.0	1.6	3.9	8.3	

**4. Holdings of securities other than shares**

	Issued by MFIs <sup>2)</sup>							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies				All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Issued by euro area residents														
2003	1,273.6	95.5	4.5	1.7	0.3	0.9	1,670.3	98.0	2.0	1.0	0.5	0.3	0.2	
2004	1,422.6	95.8	4.2	1.8	0.3	0.5	1,765.1	98.2	1.8	0.9	0.5	0.1	0.3	
2005 Q1	1,455.5	95.4	4.6	2.1	0.4	0.4	1,839.7	98.3	1.7	0.9	0.4	0.1	0.3	
Q2	1,503.5	95.5	4.5	2.1	0.3	0.4	1,890.8	98.2	1.8	1.0	0.4	0.1	0.3	
Q3 <sup>(p)</sup>	1,510.3	95.5	4.5	2.0	0.3	0.4	1,864.9	98.1	1.9	1.0	0.4	0.1	0.4	
Issued by non-euro area residents														
2003	276.9	45.1	54.9	30.6	1.2	4.9	355.5	45.8	54.2	31.1	5.8	5.8	6.4	
2004	341.3	50.3	49.7	28.6	1.0	0.5	410.4	44.8	55.2	30.5	8.6	0.7	9.2	
2005 Q1	359.8	48.9	51.1	30.3	1.0	0.5	438.0	43.7	56.3	32.7	7.2	0.8	9.1	
Q2	397.4	47.9	52.1	30.3	0.8	0.5	477.3	41.1	58.9	34.0	7.9	0.8	9.9	
Q3 <sup>(p)</sup>	404.9	49.6	50.4	29.1	0.8	0.5	491.3	40.2	59.8	35.4	7.3	0.8	10.6	

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				
2004 Q1	3,356.2	266.5	1,434.5	70.4	1,364.1	1,103.9	263.2	136.9	151.2
Q2	3,373.2	244.9	1,430.8	69.4	1,361.5	1,121.1	278.5	140.3	157.6
Q3	3,392.8	246.7	1,472.8	72.1	1,400.6	1,095.3	281.0	144.4	152.6
Q4	3,509.0	240.1	1,497.6	71.9	1,425.7	1,157.8	293.7	146.9	172.9
2005 Q1	3,714.2	265.5	1,561.6	72.8	1,488.9	1,226.1	316.9	151.1	193.0
Q2 <sup>(p)</sup>	3,929.2	272.1	1,642.1	83.3	1,558.8	1,294.5	346.5	154.7	219.3

### 2. Liabilities

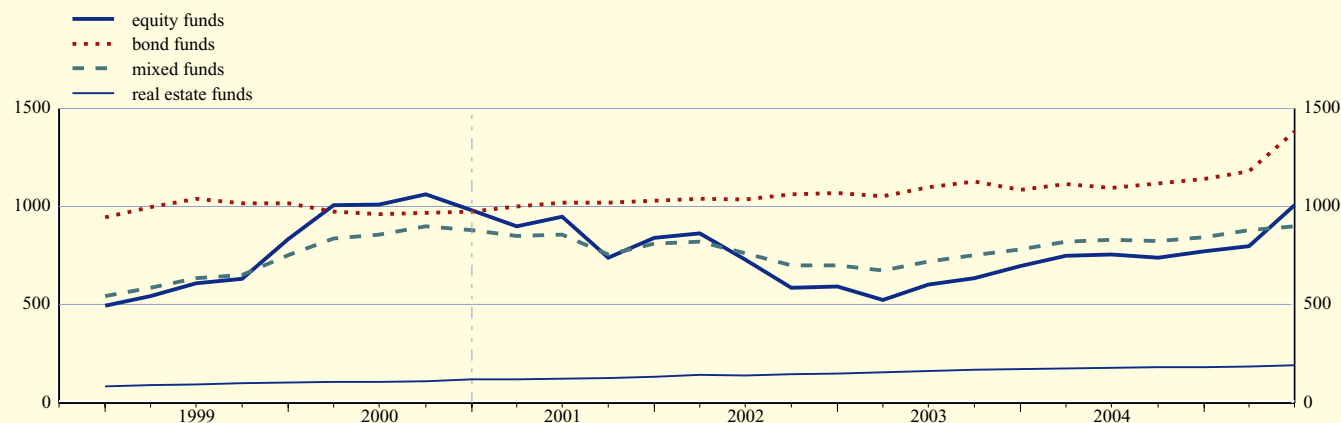
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
Q2	3,373.2	50.4	3,196.2	126.6
Q3	3,392.8	49.5	3,216.6	126.7
Q4	3,509.0	48.5	3,322.4	138.2
2005 Q1	3,714.2	56.0	3,483.8	174.4
Q2 <sup>(p)</sup>	3,929.2	53.3	3,683.6	192.2

### 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
2004 Q1	3,356.2	750.4	1,116.3	820.6	176.2	492.8	2,469.8	886.4
Q2	3,373.2	756.5	1,094.2	830.0	179.7	512.7	2,479.5	893.7
Q3	3,392.8	740.1	1,119.0	825.8	182.4	525.5	2,495.4	897.4
Q4	3,509.0	772.4	1,140.9	844.4	182.3	568.9	2,588.3	920.7
2005 Q1	3,714.2	797.8	1,179.9	880.9	186.2	669.5	2,759.1	955.1
Q2 <sup>(p)</sup>	3,929.2	1,007.1	1,381.9	898.7	191.2	450.3	2,929.7	999.5

## C12 Total assets of investment funds

(EUR billions)



Source: ECB.

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

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

(EUR billions; outstanding amounts at end of period)

## 1. Funds by investment policy

	Total	Deposits	Holdings of securities other than shares			Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
			Total	Up to 1 year	Over 1 year				
	1	2	3	4	5	6	7	8	9
Equity funds									
2004 Q1	750.4	32.8	32.2	3.0	29.2	635.6	23.4	-	26.5
Q2	756.5	31.5	31.6	3.2	28.3	642.8	25.3	-	25.3
Q3	740.1	31.5	33.0	3.7	29.3	625.3	25.1	-	25.1
Q4	772.4	28.5	33.9	3.7	30.2	653.4	28.0	-	28.6
2005 Q1	797.8	31.2	33.9	3.7	30.2	675.5	28.9	-	28.2
Q2 <sup>(p)</sup>	1,007.1	41.4	38.8	4.0	34.8	862.5	33.4	-	31.0
Bond funds									
2004 Q1	1,116.3	97.3	918.4	35.3	883.1	32.6	21.4	-	46.6
Q2	1,094.2	79.1	910.0	36.3	873.7	33.0	21.8	-	50.3
Q3	1,119.0	80.8	932.4	38.8	893.6	31.9	23.4	-	50.5
Q4	1,140.9	77.5	943.6	39.9	903.7	36.9	23.4	-	59.5
2005 Q1	1,179.9	90.3	964.5	41.2	923.3	36.4	26.0	-	62.6
Q2 <sup>(p)</sup>	1,381.9	101.7	1,130.5	53.4	1,077.1	35.4	30.0	-	84.3
Mixed funds									
2004 Q1	820.6	52.9	333.7	21.2	312.5	286.6	107.2	0.3	39.9
Q2	830.0	52.3	340.1	22.3	317.7	278.9	114.9	0.3	43.5
Q3	825.8	52.3	347.8	22.0	325.9	270.5	115.6	0.3	39.4
Q4	844.4	50.4	347.0	20.1	326.8	281.6	121.3	0.2	43.9
2005 Q1	880.9	55.9	358.7	20.7	338.0	290.7	124.8	0.1	50.6
Q2 <sup>(p)</sup>	898.7	59.8	385.7	19.5	366.2	255.1	134.2	0.2	63.6
Real estate funds									
2004 Q1	176.2	14.7	9.1	0.6	8.5	0.7	7.7	135.9	8.0
Q2	179.7	15.0	8.6	0.6	7.9	0.7	7.7	139.2	8.7
Q3	182.4	14.4	8.5	0.6	7.9	0.7	7.5	143.1	8.0
Q4	182.3	14.6	7.1	0.7	6.4	0.9	6.9	144.8	8.0
2005 Q1	186.2	13.3	7.8	0.7	7.1	1.0	6.9	148.9	8.3
Q2 <sup>(p)</sup>	191.2	13.0	7.6	0.7	6.9	1.0	7.0	154.3	8.4

## 2. Funds by type of investor

	Total	Deposits	Holdings of securities other than shares	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
General public funds							
2004 Q1	2,469.8	219.2	948.7	877.3	198.8	117.8	107.9
Q2	2,479.5	202.1	945.8	890.2	211.0	120.5	109.8
Q3	2,495.4	205.7	974.3	872.6	213.2	124.0	105.5
Q4	2,588.3	201.2	992.9	926.0	221.4	127.4	119.4
2005 Q1	2,759.1	223.4	1,045.4	979.8	240.2	130.7	139.5
Q2 <sup>(p)</sup>	2,929.7	228.1	1,110.0	1,036.4	259.2	133.7	162.5
Special investors' funds							
2004 Q1	886.4	47.3	485.8	226.5	64.4	19.1	43.3
Q2	893.7	42.8	485.0	230.8	67.5	19.8	47.8
Q3	897.4	41.0	498.4	222.7	67.7	20.4	47.2
Q4	920.7	38.9	504.7	231.8	72.3	19.5	53.5
2005 Q1	955.1	42.1	516.2	246.2	76.7	20.4	53.5
Q2 <sup>(p)</sup>	999.5	43.9	532.1	258.2	87.3	21.0	56.8

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)

	Currency and deposits											Memo: deposits of non-banks with banks outside the euro area
	Total	Total	Currency	Deposits of non-financial sectors other than central government with euro area MFIs					Deposits of central government with euro area MFIs	Deposits with non-MFIs <sup>1)</sup>		
				Total	Overnight	With agreed maturity	Redeemable at notice	Repos				
	1	2	3	4	5	6	7	8	9	10	11	
Outstanding amounts												
2004 Q1	15,701.6	5,920.1	350.8	5,180.6	2,020.6	1,545.0	1,533.9	81.2	183.8	204.8	396.7	
Q2	15,963.4	6,056.9	372.3	5,263.9	2,101.2	1,529.5	1,553.9	79.4	223.7	197.0	397.2	
Q3	16,026.8	6,081.9	383.5	5,284.3	2,104.2	1,532.2	1,565.1	82.8	204.1	210.0	394.9	
Q4	16,361.8	6,241.7	413.7	5,435.0	2,165.2	1,577.9	1,603.7	88.2	162.4	230.7	386.8	
2005 Q1	16,670.2	6,257.7	408.4	5,433.3	2,174.8	1,560.0	1,620.0	78.5	187.4	228.5	428.7	
Q2	17,136.1	6,424.4	430.8	5,550.8	2,448.7	1,553.4	1,471.1	77.7	211.5	231.3	.	
Transactions												
2004 Q1	146.5	27.8	-1.6	-5.0	-7.6	-15.8	22.4	-3.9	28.1	6.3	44.2	
Q2	295.2	139.2	21.4	86.1	82.0	-14.7	20.7	-1.9	39.4	-7.8	0.0	
Q3	118.5	29.4	11.3	24.8	4.6	5.5	11.3	3.4	-19.7	13.0	1.7	
Q4	152.0	168.5	30.2	159.4	65.2	49.9	38.9	5.4	-41.7	20.7	4.4	
2005 Q1	154.1	15.4	-5.2	-3.5	7.9	-17.4	15.7	-9.7	25.0	-0.9	35.1	
Q2	298.3	160.3	22.3	111.1	110.6	-9.6	11.0	-0.9	24.1	2.8	.	
Growth rates												
2004 Q1	4.4	5.3	20.9	4.3	8.8	-1.3	6.5	-23.0	5.9	8.0	26.1	
Q2	4.7	5.3	19.5	4.2	8.3	-1.7	6.3	-15.7	12.8	3.9	21.9	
Q3	4.6	5.6	18.8	4.4	8.1	-1.1	6.2	-8.5	10.7	10.7	16.5	
Q4	4.6	6.2	17.4	5.1	7.1	1.6	6.2	3.6	3.9	16.2	14.5	
2005 Q1	4.6	6.0	16.4	5.2	7.9	1.5	5.6	-3.3	1.7	12.2	10.4	
Q2	4.5	6.2	15.7	5.5	9.0	1.9	4.9	-2.1	-5.5	18.1	.	
Securities other than shares												
Shares <sup>2)</sup>												
Insurance technical reserves												
	Total	Short-term	Long-term	Total	Quoted shares	Mutual fund shares	Money market fund shares/units	Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims		
	12	13	14	15	16	17	18	19	20	21		
Outstanding amounts												
2004 Q1	1,894.8	157.0	1,737.8	3,917.4	1,957.7	1,959.7	419.6	3,969.3	3,595.4	373.9		
Q2	1,918.4	174.2	1,744.2	3,967.6	2,014.3	1,953.3	423.1	4,020.4	3,642.0	378.4		
Q3	1,931.5	172.8	1,758.7	3,926.8	1,977.7	1,949.2	423.7	4,086.5	3,704.4	382.2		
Q4	1,904.7	160.5	1,744.2	4,056.2	2,094.3	1,961.9	406.6	4,159.2	3,774.6	384.6		
2005 Q1	1,938.4	161.6	1,776.8	4,204.1	2,191.6	2,012.5	414.9	4,270.1	3,876.6	393.5		
Q2	2,016.1	167.9	1,848.2	4,321.9	2,250.2	2,071.7	416.2	4,373.7	3,976.7	397.0		
Transactions												
2004 Q1	13.1	8.5	4.6	37.4	6.7	30.8	15.1	68.2	58.6	9.6		
Q2	40.2	17.5	22.6	58.2	56.5	1.7	-0.4	57.7	53.2	4.4		
Q3	16.1	0.1	16.0	10.9	7.1	3.8	-2.0	62.1	58.3	3.8		
Q4	-21.2	-16.1	-5.2	-56.2	-45.1	-11.0	-15.5	60.9	58.4	2.5		
2005 Q1	33.9	-0.2	34.1	31.1	-0.3	31.4	8.8	73.7	64.8	8.9		
Q2	50.6	5.3	45.3	25.8	2.5	23.2	5.2	61.6	57.8	3.8		
Growth rates												
2004 Q1	-1.2	-1.9	-1.1	3.6	1.8	5.1	3.0	6.6	6.7	5.3		
Q2	2.5	15.9	1.3	3.3	3.6	3.0	1.8	6.3	6.4	5.1		
Q3	2.6	10.2	1.9	2.4	2.8	2.0	0.7	6.2	6.4	5.0		
Q4	2.6	6.9	2.2	1.3	1.3	1.3	-0.7	6.4	6.5	5.6		
2005 Q1	3.6	0.8	3.9	1.1	0.9	1.3	-2.2	6.4	6.5	5.2		
Q2	4.1	-6.3	5.2	0.3	-1.8	2.4	-0.8	6.4	6.6	5.0		

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)

	Loans taken from euro area MFIs and other financial corporations by												Memo: loans taken from banks outside the euro area by non-banks
	Total			General government			Non-financial corporations			Households <sup>1)</sup>			
	Total	Taken from euro area MFIs		Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	
1	2	3	4	5	6	7	8	9	10	11	12	13	
Outstanding amounts													
2004 Q1	17,078.1	8,570.8	7,463.0	938.9	86.1	852.8	3,693.0	1,178.2	2,514.8	3,938.9	280.1	3,658.8	338.5
Q2	17,275.4	8,714.2	7,593.6	932.8	91.5	841.3	3,736.5	1,187.8	2,548.7	4,044.9	291.9	3,753.0	335.8
Q3	17,388.4	8,795.1	7,671.3	928.5	90.1	838.4	3,740.4	1,171.5	2,568.9	4,126.1	289.5	3,836.6	309.1
Q4	17,755.2	8,919.0	7,794.7	927.9	80.9	847.0	3,781.8	1,193.6	2,588.2	4,209.4	294.6	3,914.8	317.9
2005 Q1	18,121.0	9,008.9	7,878.6	924.3	77.5	846.8	3,812.5	1,192.7	2,619.8	4,272.1	294.6	3,977.5	331.8
Q2	18,636.0	9,214.5	8,103.4	923.8	82.4	841.5	3,905.3	1,240.6	2,664.7	4,385.3	305.1	4,080.3	.
Transactions													
2004 Q1	205.5	51.5	74.3	3.9	3.9	0.0	-8.8	-3.7	-5.1	56.4	-4.3	60.7	66.7
Q2	266.1	150.2	134.5	-9.2	5.4	-14.6	69.8	16.7	53.0	89.6	8.6	81.1	-2.8
Q3	153.9	78.5	86.1	-5.2	-1.4	-3.8	0.0	-16.8	16.8	83.8	-1.9	85.7	-23.3
Q4	114.7	141.7	139.6	1.8	-9.2	11.0	56.0	24.8	31.2	83.9	6.3	77.6	18.5
2005 Q1	232.6	89.6	87.9	-4.3	-3.4	-0.9	28.9	5.4	23.5	65.1	1.0	64.1	31.6
Q2	307.6	187.4	178.1	-1.1	4.9	-5.9	79.7	32.3	47.4	108.8	10.8	97.9	.
Growth rates													
2004 Q1	4.4	4.5	4.7	1.7	25.6	-0.4	2.0	-1.6	3.8	7.6	-0.8	8.3	35.4
Q2	4.4	4.9	5.3	1.7	28.1	-0.7	2.4	-2.3	4.8	8.0	0.8	8.7	33.6
Q3	4.5	4.8	5.7	0.9	24.6	-1.2	2.2	-1.5	3.9	8.3	1.9	8.8	14.2
Q4	4.4	4.9	5.9	-0.9	-1.6	-0.9	3.2	1.8	3.8	8.1	3.0	8.5	22.2
2005 Q1	4.5	5.4	6.0	-1.8	-10.0	-1.0	4.2	2.6	5.0	8.2	5.0	8.4	7.1
Q2	4.7	5.7	6.5	-0.9	-10.0	0.0	4.4	3.8	4.7	8.4	5.5	8.7	.
Securities other than shares issued by													
	Total									Quoted shares issued by non-financial corporations	Deposit liabilities of central government	Pension fund reserves of non- financial corporations	
	General government			Non-financial corporations									
	Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	21	22	23	
	14	15	16	17	18	19	20						
Outstanding amounts													
2004 Q1	5,193.5	4,566.5	594.7	3,971.9	627.0	214.3	412.7	2,834.5	189.0	290.3			
Q2	5,242.9	4,599.4	618.5	3,980.9	643.5	228.3	415.2	2,843.1	181.9	293.4			
Q3	5,338.8	4,688.3	620.1	4,068.2	650.4	224.7	425.8	2,763.8	194.0	296.6			
Q4	5,342.4	4,698.1	587.6	4,110.5	644.3	216.4	427.9	2,980.4	213.5	299.9			
2005 Q1	5,459.1	4,802.6	597.0	4,205.6	656.5	231.7	424.8	3,138.4	212.0	302.7			
Q2	5,660.3	4,992.6	618.0	4,374.6	667.7	237.0	430.7	3,240.5	214.7	306.0			
Transactions													
2004 Q1	140.6	145.3	40.1	105.2	-4.7	14.0	-18.7	3.0	7.3	3.0			
Q2	118.1	98.4	23.3	75.1	19.7	14.1	5.6	1.8	-7.1	3.1			
Q3	53.2	45.0	3.4	41.6	8.1	-2.6	10.8	6.8	12.1	3.2			
Q4	-52.7	-44.2	-32.7	-11.6	-8.5	-7.5	-1.0	2.3	19.4	4.0			
2005 Q1	135.8	119.8	7.9	111.9	16.0	16.7	-0.8	4.7	-0.2	2.8			
Q2	115.6	110.6	22.2	88.4	5.0	4.8	0.2	-1.4	2.6	3.4			
Growth rates													
2004 Q1	5.5	5.6	10.4	4.9	4.8	13.8	0.8	1.0	7.5	4.9			
Q2	5.4	5.7	7.2	5.5	3.5	15.9	-2.1	0.4	4.8	4.8			
Q3	5.7	5.8	9.0	5.3	5.2	12.9	1.5	0.5	11.3	4.8			
Q4	5.2	5.6	6.2	5.5	2.3	9.1	-0.8	0.5	17.5	4.7			
2005 Q1	4.9	4.8	0.3	5.5	5.6	9.7	3.5	0.6	12.8	4.5			
Q2	4.8	5.0	0.1	5.8	3.2	5.0	2.2	0.4	18.7	4.6			

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											
2004 Q1	4,017.2	557.3	64.7	468.3	2.3	22.0	354.2	63.5	290.7	1,607.6	64.7	1,543.0
Q2	4,038.2	565.4	59.9	482.0	2.3	21.2	347.6	61.8	285.8	1,612.8	65.7	1,547.1
Q3	4,100.9	573.6	61.5	489.8	2.3	20.0	353.2	64.6	288.6	1,656.5	65.3	1,591.1
Q4	4,195.6	583.2	59.2	500.8	2.5	20.8	332.7	57.4	275.3	1,715.4	66.0	1,649.4
2005 Q1	4,329.2	597.0	65.7	508.8	2.7	19.8	335.1	59.3	275.9	1,765.7	66.2	1,699.5
Q2	4,454.6	595.7	61.1	511.4	2.7	20.5	324.5	57.6	266.9	1,832.2	67.2	1,765.0
	Transactions											
2004 Q1	80.2	14.6	-5.7	5.9	0.2	2.8	1.2	-1.9	-0.8	47.2	1.0	46.2
Q2	30.4	7.2	-4.9	13.7	-0.6	-0.9	-6.6	-1.7	-4.9	26.2	1.0	25.3
Q3	54.8	8.2	1.6	7.8	-0.1	-1.1	5.6	2.8	2.7	28.3	-0.5	28.8
Q4	51.6	9.9	-1.7	10.6	0.2	0.7	-20.6	-7.3	-13.3	50.3	0.5	49.8
2005 Q1	94.9	12.5	6.4	6.9	0.2	-1.0	0.2	1.9	-1.7	52.2	-0.1	52.2
Q2	50.1	-2.1	-5.4	2.3	0.2	0.8	-10.8	-1.7	-9.2	39.0	0.1	38.9
	Growth rates											
2004 Q1	7.1	3.9	5.0	3.0	38.5	18.7	3.3	6.8	2.5	10.5	8.2	10.6
Q2	6.1	4.8	-6.4	6.9	6.5	-6.3	0.6	0.3	0.6	10.4	4.4	10.6
Q3	6.6	7.5	6.8	7.7	-12.8	7.7	2.1	7.4	1.0	10.2	1.6	10.5
Q4	5.6	7.4	1.2	8.2	-12.0	7.8	-5.8	-6.9	-5.6	9.8	3.2	10.1
2005 Q1	5.8	6.8	2.2	8.3	-11.6	-10.5	-6.0	-6.8	-5.9	9.8	1.4	10.1
Q2	6.2	5.1	1.6	5.7	23.9	-3.0	-7.4	-6.9	-7.5	10.5	0.0	11.0

	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/units			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														
2004 Q1	1,363.7	657.2	706.5	66.0	134.4	4,176.1	84.5	46.3	23.8	191.3	3,876.5	3,292.5	584.0		
Q2	1,376.7	661.9	714.8	65.8	135.6	4,232.5	89.0	53.7	24.4	193.9	3,925.1	3,335.8	589.3		
Q3	1,380.0	656.6	723.5	65.1	137.7	4,292.2	90.7	52.5	23.1	186.4	3,992.0	3,396.3	595.7		
Q4	1,425.5	687.6	737.8	70.3	138.8	4,370.8	79.5	48.6	23.8	207.8	4,059.8	3,461.9	597.9		
2005 Q1	1,488.9	715.0	773.9	70.3	142.4	4,512.2	90.0	58.2	23.7	220.2	4,178.3	3,564.1	614.2		
Q2	1,557.6	745.6	812.0	90.4	144.6	4,626.6	92.7	63.8	23.9	223.6	4,286.4	3,674.2	612.2		
	Transactions														
2004 Q1	13.5	-3.8	17.3	-0.9	3.7	79.1	9.2	10.8	0.6	0.8	68.5	55.2	13.3		
Q2	2.4	-3.2	5.6	-0.5	1.2	60.1	4.2	7.0	0.6	0.1	55.3	50.0	5.2		
Q3	10.5	5.2	5.4	-0.6	2.2	63.3	1.7	-1.1	-1.2	2.1	60.7	55.2	5.5		
Q4	10.7	3.4	7.3	5.3	1.2	43.4	-10.9	-3.6	0.5	0.1	53.7	50.3	3.3		
2005 Q1	26.5	6.4	20.1	0.1	3.5	83.9	9.6	8.6	0.4	-0.1	74.0	61.2	12.8		
Q2	21.3	1.9	19.3	6.8	2.8	63.7	2.7	5.5	0.1	0.5	60.3	56.0	4.3		
	Growth rates														
2004 Q1	6.0	3.3	8.4	6.7	0.1	6.7	8.5	8.5	27.1	8.3	6.5	6.8	4.9		
Q2	3.8	1.0	6.5	-2.0	-0.5	6.1	3.3	18.8	25.7	3.5	6.2	6.5	4.5		
Q3	3.9	1.1	6.6	3.7	-0.1	6.1	6.1	17.5	12.4	4.8	6.2	6.5	4.4		
Q4	2.8	0.3	5.3	5.0	6.3	6.1	5.6	36.9	2.3	1.6	6.3	6.6	4.8		
2005 Q1	3.7	1.8	5.4	6.5	6.0	6.0	5.4	23.7	1.3	1.1	6.3	6.6	4.6		
Q2	5.0	2.6	7.3	17.6	7.1	6.0	3.5	17.6	-0.8	1.3	6.3	6.7	4.4		

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
1998	403.1	1,203.4	-823.6	23.2	0.3	2,812.4	10.5	479.9	487.6	516.4	1,050.4	219.6	48.0
1999	444.7	1,293.4	-863.7	14.8	0.2	3,360.5	-0.1	564.8	550.4	797.6	1,155.7	264.3	27.8
2000	492.4	1,396.5	-913.1	17.3	-8.2	3,414.1	-2.3	372.2	346.1	793.0	1,582.0	255.1	68.1
2001	461.8	1,452.1	-973.6	-18.8	2.1	2,893.7	1.7	588.0	574.1	694.5	809.5	257.0	-31.0
2002	407.2	1,442.1	-1,004.8	-31.3	1.1	2,591.5	-0.1	801.9	384.6	521.9	615.5	228.5	39.3
2003	431.5	1,471.3	-1,033.2	-7.1	0.5	2,835.6	-1.5	729.1	584.7	634.5	628.6	241.8	18.3
2004	492.0	1,538.9	-1,069.5	23.0	-0.5	3,087.4	-2.1	962.5	609.2	697.8	543.5	260.3	16.3

	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
1998	497.3	1,299.1	-823.6	21.9	2,718.6	670.8	376.3	514.6	933.3	224.6
1999	509.8	1,352.0	-863.7	21.5	3,295.9	836.9	557.3	760.8	874.1	267.6
2000	527.7	1,419.4	-913.1	21.4	3,379.4	527.6	477.2	876.0	1,238.0	260.3
2001	496.4	1,449.4	-973.6	20.6	2,859.7	616.4	493.8	651.1	822.0	263.2
2002	496.2	1,480.9	-1,004.8	20.1	2,502.8	634.5	450.5	541.0	638.7	232.1
2003	483.9	1,486.1	-1,033.2	31.1	2,783.4	676.7	574.0	590.9	690.2	251.4
2004	550.0	1,592.2	-1,069.5	27.2	3,029.9	1,045.9	638.0	525.7	562.0	262.2

## 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
1998	184.5	632.5	-468.3	464.7	45.6	16.2	119.3	231.6	145.0	563.1	504.2	13.1	274.5	206.0
1999	207.6	684.0	-489.4	670.8	23.6	80.3	186.3	348.0	108.4	546.5	770.0	46.8	429.1	282.9
2000	310.7	756.1	-522.1	990.7	72.5	68.9	246.5	550.3	83.3	556.7	1,218.1	66.9	623.6	515.9
2001	214.8	784.8	-558.4	671.9	108.4	45.2	185.3	241.1	87.1	585.7	799.5	101.5	382.4	304.1
2002	151.7	765.0	-581.5	443.3	25.1	-15.7	66.5	253.8	90.1	614.6	504.9	18.3	260.2	213.9
2003	150.9	760.0	-598.4	449.5	89.7	-26.3	148.9	206.5	74.6	626.2	525.8	77.9	209.5	224.6
2004	180.9	771.5	-610.1	323.8	85.8	-32.7	88.4	167.1	134.5	702.9	370.2	21.9	157.9	181.5

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
1998	178.8	392.2	-217.2	462.7	93.4	-130.2	277.4	211.9	428.2	604.9	213.7	212.3	3,971.6	15.2
1999	190.3	419.8	-231.3	489.8	122.5	-30.1	201.2	249.7	412.3	587.6	268.2	266.5	4,116.9	14.3
2000	200.4	439.3	-240.3	445.0	76.9	46.4	129.1	249.1	418.9	608.4	227.1	225.2	4,337.4	14.0
2001	187.9	449.7	-257.8	431.1	178.7	92.4	48.8	236.7	440.8	652.6	178.9	177.2	4,630.2	14.1
2002	201.1	461.1	-260.7	483.5	223.0	71.5	5.8	218.5	472.2	695.0	212.8	210.6	4,789.7	14.5
2003	217.8	483.6	-268.2	537.1	207.8	13.4	90.7	240.8	507.0	737.2	248.1	245.9	4,953.9	14.9
2004	245.7	530.5	-287.1	564.3	227.8	76.3	19.3	248.7	522.0	751.8	288.2	285.8	5,112.5	14.7

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

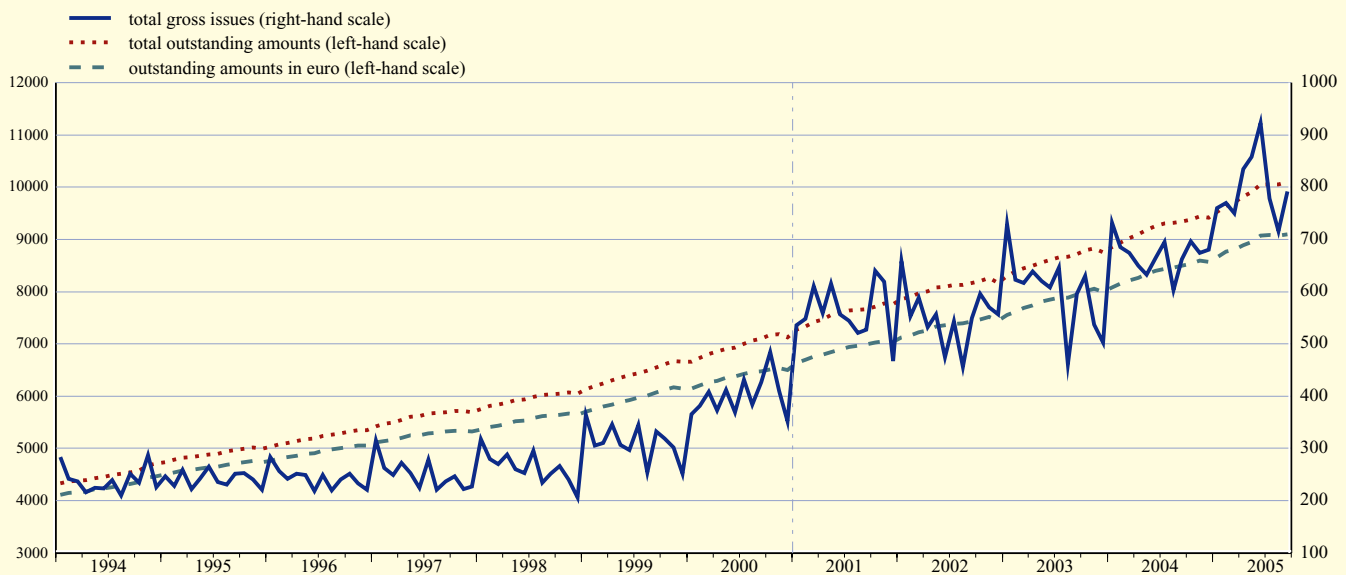
### 4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

(EUR billions and period growth rates; seasonally adjusted; transactions during the month and end-of-period outstanding amounts; nominal values)

	Total in euro <sup>1)</sup>			By euro area residents								
	Outstanding amounts	Gross issues	Net issues	In euro			In all currencies					
				Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted <sup>2)</sup>	
											Net issues	Net issues
1	2	3	4	5	6	7	8	9	10	11	12	
<b>Total</b>												
2004 Sep.	9,911.7	725.3	108.8	8,502.7	627.7	40.5	9,348.6	661.4	39.9	7.0	40.5	6.9
Oct.	9,937.2	712.2	21.7	8,535.7	652.7	30.2	9,385.1	696.7	40.3	6.6	38.9	6.6
Nov.	10,028.4	703.7	84.8	8,597.7	635.9	55.7	9,441.7	674.0	58.6	6.7	61.8	6.5
Dec.	10,032.6	706.6	4.8	8,575.9	648.1	-21.4	9,414.5	680.4	-22.6	7.2	77.1	6.6
2005 Jan.	10,098.0	763.3	52.8	8,653.7	712.5	65.1	9,527.0	759.5	81.3	7.0	43.3	6.7
Feb.	10,218.0	792.9	116.8	8,761.1	726.7	104.4	9,640.7	769.3	114.5	7.4	79.2	7.5
Mar.	10,326.3	798.6	107.3	8,806.6	704.4	44.3	9,709.1	750.4	54.6	7.1	36.0	7.3
Apr.	10,384.3	835.5	54.6	8,893.4	788.4	83.1	9,820.3	834.9	99.4	7.4	84.3	8.3
May	10,449.5	873.1	65.7	8,953.9	818.2	60.9	9,910.8	857.9	65.5	7.1	35.7	7.7
June	10,640.6	996.5	189.1	9,076.7	872.7	121.2	10,049.2	922.5	130.9	7.7	134.1	8.8
July	10,613.0	788.1	-28.2	9,079.8	737.3	2.6	10,055.9	778.6	5.6	7.3	2.7	7.9
Aug.	10,620.0	729.8	1.4	9,072.0	677.0	-13.5	10,057.0	716.2	-5.3	7.1	32.6	6.8
Sep.	10,716.2	859.2	96.2	9,103.8	750.8	31.6	10,106.9	791.8	40.4	7.1	39.7	6.9
<b>Long-term</b>												
2004 Sep.	8,974.5	191.6	89.7	7,676.9	143.8	50.7	8,419.7	157.0	52.4	7.3	47.5	7.3
Oct.	9,011.2	174.0	33.8	7,694.2	139.2	15.3	8,440.5	158.0	25.8	7.0	34.2	7.0
Nov.	9,087.1	168.7	70.1	7,749.9	138.3	50.1	8,494.7	155.1	59.5	7.1	63.6	6.9
Dec.	9,112.2	148.5	24.8	7,766.7	124.6	16.2	8,502.4	136.0	16.1	7.4	62.4	6.9
2005 Jan.	9,182.0	198.5	59.8	7,828.0	174.9	51.3	8,589.8	195.0	61.9	7.7	62.4	7.6
Feb.	9,297.6	220.6	113.2	7,925.1	180.3	94.7	8,692.8	199.5	103.4	7.8	73.6	8.4
Mar.	9,372.5	203.0	74.3	7,975.4	163.4	49.6	8,759.9	183.8	57.5	7.8	47.5	8.3
Apr.	9,427.2	182.9	53.1	8,036.1	163.9	58.8	8,839.8	181.7	70.2	8.1	66.0	9.1
May	9,497.7	180.5	69.0	8,097.4	151.1	59.7	8,928.1	166.5	66.0	7.7	39.1	8.4
June	9,679.0	299.1	177.6	8,242.0	232.0	141.1	9,092.3	254.5	151.2	8.6	138.8	10.2
July	9,673.7	154.2	-5.7	8,235.3	130.4	-6.8	9,089.0	145.1	-2.2	8.1	-2.6	8.5
Aug.	9,671.7	85.4	-5.0	8,221.4	62.2	-17.0	9,085.6	75.7	-9.5	7.8	21.7	7.2
Sep.	9,736.9	183.7	65.9	8,260.2	137.3	39.2	9,141.5	156.7	50.6	7.7	43.5	7.1

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

(EUR billions)



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

- 1) Total euro-denominated securities, other than shares, issued by euro area residents and non-euro area residents.
- 2) For the calculation of the growth rates, see the Technical notes. The 6-month growth rates have been annualised.

## 4.2 Securities, other than shares, issued by euro area residents, by sector of the issuer and instrument type

(EUR billions ; transactions during the month and end-of-period outstanding amounts; nominal values)

### 1. Outstanding amounts and gross issues

	Outstanding amounts						Gross issues					
	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	8,751	3,353	665	591	3,923	219	7,209	4,487	245	911	1,479	87
2004	9,415	3,714	735	595	4,120	250	8,049	5,252	222	1,028	1,464	83
2004 Q4	9,415	3,714	735	595	4,120	250	2,051	1,434	84	228	284	20
2005 Q1	9,709	3,850	755	608	4,238	259	2,279	1,544	50	248	412	25
Q2	10,049	3,994	830	619	4,341	266	2,615	1,803	109	281	399	23
Q3	10,107	4,046	837	617	4,337	270	2,287	1,649	44	251	323	21
2005 June	10,049	3,994	830	619	4,341	266	922	632	48	99	133	11
July	10,056	4,015	830	618	4,325	268	779	550	14	88	119	7
Aug.	10,057	4,031	827	619	4,313	268	716	546	8	81	77	4
Sep.	10,107	4,046	837	617	4,337	270	792	553	21	82	126	9
	Short-term											
2003	861	390	6	94	367	3	5,333	3,698	41	796	768	29
2004	912	447	7	90	362	5	6,147	4,383	44	931	756	33
2004 Q4	912	447	7	90	362	5	1,602	1,223	12	205	155	7
2005 Q1	949	457	8	105	374	5	1,701	1,262	12	229	188	9
Q2	957	462	7	105	377	5	2,013	1,558	11	258	178	8
Q3	965	475	7	98	379	5	1,909	1,480	11	234	175	9
2005 June	957	462	7	105	377	5	668	519	3	86	57	3
July	967	475	7	103	376	5	634	490	4	81	56	3
Aug.	971	481	7	102	376	5	640	501	4	77	56	3
Sep.	965	475	7	98	379	5	635	490	3	76	63	3
	Long-term <sup>1)</sup>											
2003	7,890	2,962	659	497	3,556	216	1,876	788	203	115	711	58
2004	8,502	3,266	728	505	3,758	245	1,902	869	179	97	708	49
2004 Q4	8,502	3,266	728	505	3,758	245	449	211	72	24	129	13
2005 Q1	8,760	3,393	747	503	3,863	254	578	281	37	19	224	16
Q2	9,092	3,531	822	513	3,965	260	603	245	98	24	221	14
Q3	9,141	3,571	830	518	3,957	265	377	168	33	17	148	12
2005 June	9,092	3,531	822	513	3,965	260	255	113	45	13	76	8
July	9,089	3,540	822	515	3,949	263	145	60	10	7	63	5
Aug.	9,086	3,550	819	516	3,937	262	76	45	4	4	22	1
Sep.	9,141	3,571	830	518	3,957	265	157	63	19	6	63	6
	Of which long-term fixed rate											
2003	6,118	1,885	406	422	3,240	165	1,287	415	114	91	626	41
2004	6,380	1,929	416	414	3,436	186	1,193	408	69	61	620	36
2004 Q4	6,380	1,929	416	414	3,436	186	259	93	26	15	117	9
2005 Q1	6,517	1,968	426	409	3,517	196	387	137	21	15	199	15
Q2	6,675	2,004	445	416	3,607	203	343	101	28	15	187	12
Q3	6,674	2,015	436	415	3,601	207	236	80	8	8	133	8
2005 June	6,675	2,004	445	416	3,607	203	140	46	15	9	63	7
July	6,651	1,999	440	416	3,590	205	93	24	3	4	59	3
Aug.	6,650	2,003	437	416	3,589	205	46	24	2	2	17	1
Sep.	6,674	2,015	436	415	3,601	207	97	32	3	1	56	4
	Of which long-term variable rate											
2003	1,579	959	249	59	262	51	508	337	90	12	53	16
2004	1,869	1,149	309	77	275	59	619	404	109	32	60	14
2004 Q4	1,869	1,149	309	77	275	59	175	105	47	7	12	4
2005 Q1	1,957	1,212	317	79	291	58	167	129	16	3	17	2
Q2	2,115	1,292	374	83	308	57	236	128	70	7	28	2
Q3	2,157	1,309	391	86	313	58	118	75	25	6	8	5
2005 June	2,115	1,292	374	83	308	57	105	60	30	3	11	1
July	2,129	1,302	379	84	307	57	44	31	7	2	2	1
Aug.	2,131	1,301	379	85	309	57	23	17	2	1	2	0
Sep.	2,157	1,309	391	86	313	58	51	27	15	3	4	3

Source: ECB.

1) The residual difference between total long-term debt securities and fixed and variable rate long-term debt securities consists of zero coupon bonds and revaluation effects.

## 4.2 Securities, other than shares, issued by euro area residents, by sector of the issuer and instrument type

(EUR billions unless otherwise indicated; transactions during the period; nominal values)

### 2. Net issues

	Non-seasonally adjusted						Seasonally adjusted					
	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	582.7	194.4	118.1	53.7	176.7	39.9	588.9	195.9	115.6	53.7	183.4	40.3
2004	630.2	318.0	74.3	8.8	197.6	31.5	634.2	320.7	72.4	8.5	200.8	31.7
2004 Q4	76.3	69.5	50.5	-4.5	-47.6	8.4	177.8	97.9	36.5	0.9	34.6	7.9
2005 Q1	250.4	103.2	13.2	13.7	111.3	9.0	158.5	60.7	29.3	10.2	50.0	8.3
Q2	295.7	112.0	70.9	8.7	98.1	6.0	254.1	116.4	63.8	4.9	63.5	5.5
Q3	40.7	34.0	8.2	-1.2	-4.8	4.5	75.0	45.4	14.3	0.7	8.3	6.3
2005 June	130.9	51.4	36.8	-5.1	44.2	3.5	134.1	64.6	32.4	-3.4	37.0	3.5
July	5.6	19.5	0.1	-0.3	-16.3	2.6	2.7	10.1	-6.9	-4.9	1.1	3.3
Aug.	-5.3	8.4	-2.8	0.7	-11.1	-0.5	32.6	26.4	7.6	2.7	-4.9	0.8
Sep.	40.4	6.1	10.9	-1.6	22.6	2.3	39.7	9.0	13.7	2.9	12.1	2.2
	Long-term											
2003	529.6	185.8	118.8	51.2	133.3	40.5	530.7	186.4	116.4	51.1	135.9	40.8
2004	587.5	270.0	72.9	12.4	202.3	29.8	590.6	271.0	71.1	12.3	206.1	30.1
2004 Q4	101.5	43.3	49.2	5.3	-5.4	9.1	160.2	70.1	35.3	4.1	41.8	8.9
2005 Q1	222.8	103.1	12.8	-1.2	99.3	8.7	183.4	76.8	29.1	3.1	66.8	7.5
Q2	287.4	105.4	71.2	8.6	96.0	6.1	243.9	103.5	63.8	3.4	67.4	5.8
Q3	38.9	27.6	8.4	5.9	-7.6	4.5	62.6	28.6	14.5	7.8	5.5	6.2
2005 June	151.2	60.5	37.1	4.2	45.9	3.5	138.8	65.8	32.4	1.0	36.1	3.4
July	-2.2	8.9	0.1	1.9	-15.9	2.7	-2.6	1.7	-6.6	-0.9	-0.6	3.8
Aug.	-9.5	2.6	-2.5	1.6	-10.7	-0.5	21.7	13.6	7.9	4.1	-4.4	0.5
Sep.	50.6	16.1	10.8	2.4	19.0	2.3	43.5	13.3	13.2	4.6	10.5	2.0

### C14 Net issues of securities, other than shares, seasonally adjusted and non-seasonally adjusted

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

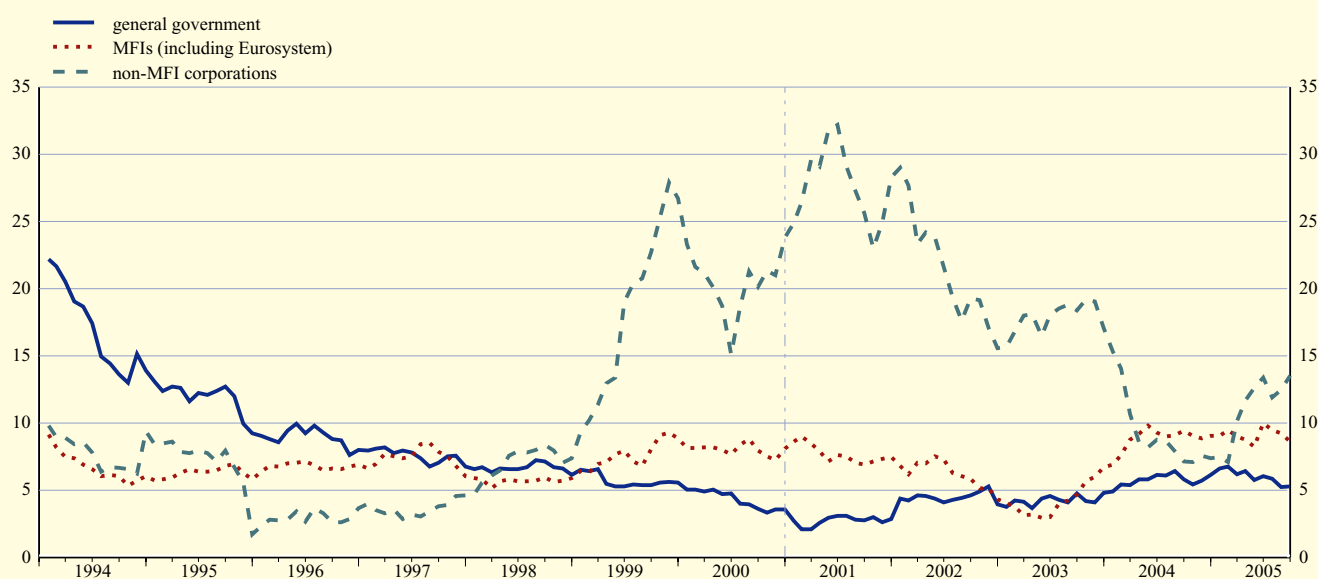


Source: ECB.

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

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	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											
2004 Sep.	7.0	9.0	9.2	3.9	5.0	15.4	6.9	8.6	9.3	5.1	5.1	10.2
Oct.	6.6	8.8	9.1	3.3	4.5	14.2	6.6	8.3	12.1	4.8	4.3	9.9
Nov.	6.7	8.6	10.4	3.3	4.7	14.5	6.5	7.8	17.0	4.1	3.8	13.0
Dec.	7.2	9.4	11.2	1.5	5.0	14.4	6.6	9.6	13.3	1.1	3.6	10.7
2005 Jan.	7.0	8.7	11.0	2.7	5.1	15.1	6.7	8.3	15.2	0.5	4.4	16.1
Feb.	7.4	9.4	11.1	3.0	5.3	13.0	7.5	9.1	15.9	2.7	4.9	15.6
Mar.	7.1	8.7	14.4	4.4	4.6	11.9	7.3	8.9	19.9	3.7	4.1	13.7
Apr.	7.4	8.9	15.9	5.4	4.7	12.7	8.3	9.5	19.6	6.1	5.3	15.6
May	7.1	8.4	18.4	4.8	4.2	11.7	7.7	9.0	19.8	5.4	4.6	10.5
June	7.7	9.6	20.0	3.1	4.6	11.1	8.8	9.6	27.1	5.1	5.5	11.3
July	7.3	9.2	18.8	1.5	4.3	12.7	7.9	10.2	22.5	2.5	4.1	9.4
Aug.	7.1	9.2	19.0	2.2	3.7	11.8	6.8	9.3	22.3	1.7	2.7	8.3
Sep.	7.1	8.7	20.7	2.8	3.8	11.5	6.9	8.6	21.6	1.8	3.4	9.3
	Long-term											
2004 Sep.	7.3	9.4	9.2	4.4	5.3	14.6	7.3	8.6	9.0	6.5	5.8	8.7
Oct.	7.0	9.1	9.2	4.4	4.9	13.5	7.0	8.2	12.0	9.5	4.6	9.2
Nov.	7.1	8.8	10.4	3.9	5.2	13.5	6.9	7.5	16.8	7.9	4.2	12.1
Dec.	7.4	9.0	11.1	2.5	5.7	13.8	6.9	8.8	12.8	6.1	4.2	10.9
2005 Jan.	7.7	9.0	10.9	2.9	6.1	14.8	7.6	8.8	14.7	2.8	5.5	16.0
Feb.	7.8	9.5	10.9	2.0	6.4	12.6	8.4	9.8	15.4	2.7	6.3	15.6
Mar.	7.8	9.0	14.2	4.7	5.8	11.5	8.3	9.3	19.7	2.9	5.9	14.3
Apr.	8.1	8.7	15.6	6.2	6.0	12.6	9.1	9.2	19.2	3.1	7.5	16.2
May	7.7	8.2	18.3	4.9	5.4	11.7	8.4	9.0	19.6	2.0	6.6	11.3
June	8.6	10.0	19.9	4.4	5.7	11.1	10.2	11.2	27.3	2.6	7.2	11.1
July	8.1	9.5	18.6	2.7	5.4	13.0	8.5	10.2	22.7	2.7	5.2	10.0
Aug.	7.8	9.2	19.0	3.5	4.8	12.1	7.2	8.7	22.8	4.3	3.4	8.8
Sep.	7.7	8.6	20.7	3.7	4.8	12.0	7.1	7.9	21.8	4.5	3.8	9.7

C15 Annual growth rates of long-term debt securities, by sector of the issuer, in all currencies combined  
(annual percentage changes)



Source: ECB.

1) For the calculation of the growth rates, see the Technical notes. The 6-month growth rates have been annualised.



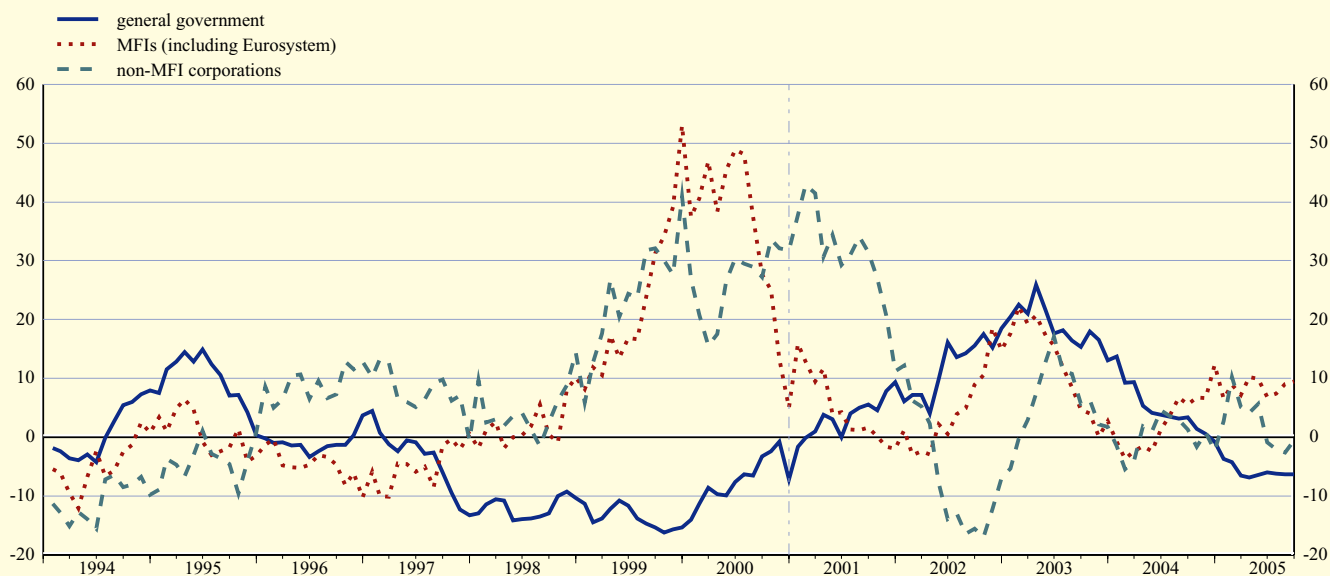
#### 4.3 Growth rates of securities, other than shares, issued by euro area residents <sup>1)</sup> (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	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
13	14	15	16	17	18	19	20	21	22	23	24	
In all currencies combined												
2003	5.2	2.2	15.3	12.2	4.4	22.6	8.5	8.3	51.2	-13.4	-9.2	43.2
2004	5.1	3.1	6.4	3.4	5.8	14.7	16.3	18.5	27.2	8.5	0.6	26.4
2004 Q4	4.3	2.4	2.6	0.8	5.7	12.3	17.8	20.2	22.6	29.7	2.3	18.7
2005 Q1	4.7	2.8	3.9	-1.2	6.3	13.7	18.3	19.4	23.8	28.4	7.7	12.4
Q2	4.8	2.5	6.1	1.2	5.8	14.8	19.4	18.9	34.8	27.2	8.5	3.0
Q3	4.5	3.1	6.6	0.6	5.0	15.7	20.6	19.6	38.4	18.2	11.2	1.3
2005 Apr.	5.1	2.5	5.4	2.3	6.3	15.1	18.8	18.6	32.6	27.3	7.8	5.2
May	4.6	2.2	6.2	0.9	5.6	15.1	18.9	17.7	38.0	26.8	7.7	1.5
June	4.8	3.1	7.5	0.7	5.5	14.7	22.0	21.5	38.9	26.9	10.8	0.0
July	4.6	3.0	6.3	0.2	5.2	16.5	20.6	20.4	37.1	15.7	10.1	1.8
Aug.	4.5	3.1	6.3	0.9	5.0	15.8	19.9	19.1	37.9	16.5	10.1	0.6
Sep.	4.2	3.0	6.7	0.3	4.5	14.7	20.5	17.3	41.4	18.9	16.2	3.2
In euro												
2003	4.6	0.1	20.5	12.5	4.2	21.3	8.6	7.6	51.2	-8.9	-9.3	43.7
2004	4.8	1.3	10.4	2.0	5.9	14.7	15.7	17.8	27.3	8.8	0.5	25.3
2004 Q4	4.0	0.3	6.3	-0.9	5.8	12.5	17.2	19.7	22.8	27.3	2.3	18.1
2005 Q1	4.3	0.5	7.9	-2.5	6.2	13.7	17.6	18.3	24.0	27.5	7.8	12.9
Q2	4.4	0.3	10.1	0.8	5.8	15.1	18.9	18.0	34.9	25.3	8.9	3.7
Q3	4.2	1.0	10.2	0.3	4.9	16.1	20.3	18.9	38.0	19.1	11.8	2.2
2005 Apr.	4.8	0.2	9.2	1.8	6.4	15.4	18.1	17.5	32.8	25.4	8.2	5.4
May	4.3	0.1	10.3	0.5	5.6	15.5	18.6	17.0	38.1	24.5	8.1	2.6
June	4.5	0.9	11.6	0.5	5.4	15.2	21.9	21.2	38.8	24.8	11.4	1.0
July	4.2	0.9	10.0	-0.2	5.0	17.1	20.5	19.8	36.9	16.9	10.6	2.7
Aug.	4.1	1.0	9.9	0.7	4.8	16.3	19.7	18.3	37.7	17.9	10.6	1.4
Sep.	3.8	1.1	9.9	0.1	4.3	14.9	19.8	15.9	39.7	20.4	16.9	4.0

#### C16 Annual growth rates of short-term debt securities, by sector of the issuer, in all currencies combined

(annual percentage changes)



Source: ECB.

1) For the calculation of the growth rates, see the Technical notes.

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

(EUR billions, unless otherwise indicated; market values)

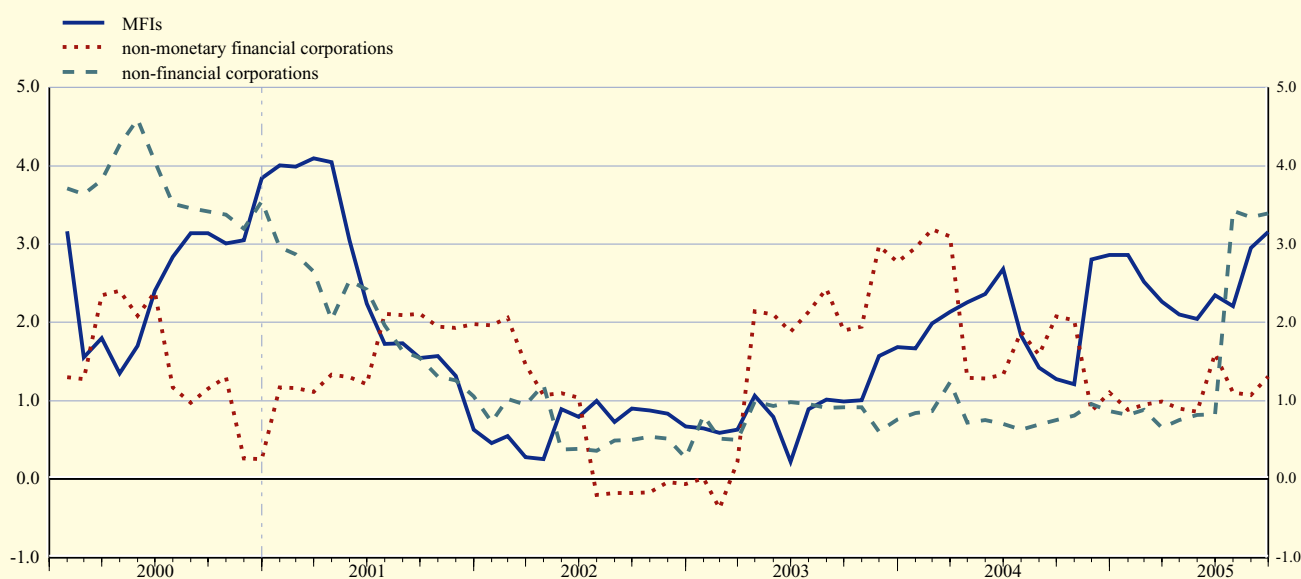
1. Outstanding amounts and annual growth rates

(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
2003 Sep.	3,276.7	101.1	1.0	494.8	1.0	307.1	1.9	2,474.7	0.9
Oct.	3,484.0	101.2	1.0	535.2	1.0	333.2	1.9	2,615.6	0.9
Nov.	3,546.9	101.3	1.0	549.5	1.6	337.9	3.0	2,659.6	0.6
Dec.	3,647.4	101.4	1.1	569.5	1.7	348.6	2.8	2,729.3	0.8
2004 Jan.	3,788.6	101.4	1.2	584.1	1.7	372.3	3.0	2,832.2	0.8
Feb.	3,852.1	101.5	1.3	587.9	2.0	374.3	3.2	2,889.9	0.9
Mar.	3,766.5	101.8	1.5	571.9	2.1	355.0	3.1	2,839.6	1.2
Apr.	3,748.5	102.0	1.0	579.4	2.3	361.1	1.3	2,808.0	0.7
May	3,687.9	101.9	1.1	568.1	2.4	350.6	1.3	2,769.2	0.8
June	3,790.1	102.0	1.1	582.5	2.7	362.0	1.3	2,845.7	0.7
July	3,679.8	102.1	0.9	562.3	1.8	354.0	1.9	2,763.5	0.6
Aug.	3,621.2	102.0	0.9	562.5	1.4	353.1	1.6	2,705.6	0.7
Sep.	3,707.9	102.1	1.0	579.6	1.3	362.3	2.1	2,766.1	0.8
Oct.	3,787.6	102.2	1.0	598.0	1.2	372.6	2.0	2,817.1	0.8
Nov.	3,906.5	102.5	1.2	623.9	2.8	386.5	0.9	2,896.2	1.0
Dec.	4,033.8	102.6	1.2	643.7	2.9	405.6	1.1	2,984.5	0.9
2005 Jan.	4,138.0	102.6	1.1	662.6	2.9	412.2	0.9	3,063.3	0.8
Feb.	4,254.5	102.7	1.2	681.1	2.5	431.8	1.0	3,141.5	0.9
Mar.	4,242.4	102.8	0.9	677.7	2.3	421.8	1.0	3,142.9	0.7
Apr.	4,094.7	103.0	1.0	656.0	2.1	400.6	0.9	3,038.1	0.8
May	4,272.6	103.0	1.0	678.1	2.0	414.0	0.9	3,180.5	0.8
June	4,381.7	103.2	1.1	698.0	2.4	430.7	1.6	3,253.0	0.8
July	4,631.7	105.1	3.0	727.9	2.2	456.4	1.1	3,447.4	3.4
Aug.	4,606.4	105.2	3.1	723.4	3.0	447.1	1.1	3,435.9	3.3
Sep.	4,819.7	105.3	3.2	764.1	3.2	472.2	1.3	3,583.4	3.4

C17 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 <sup>1)</sup>

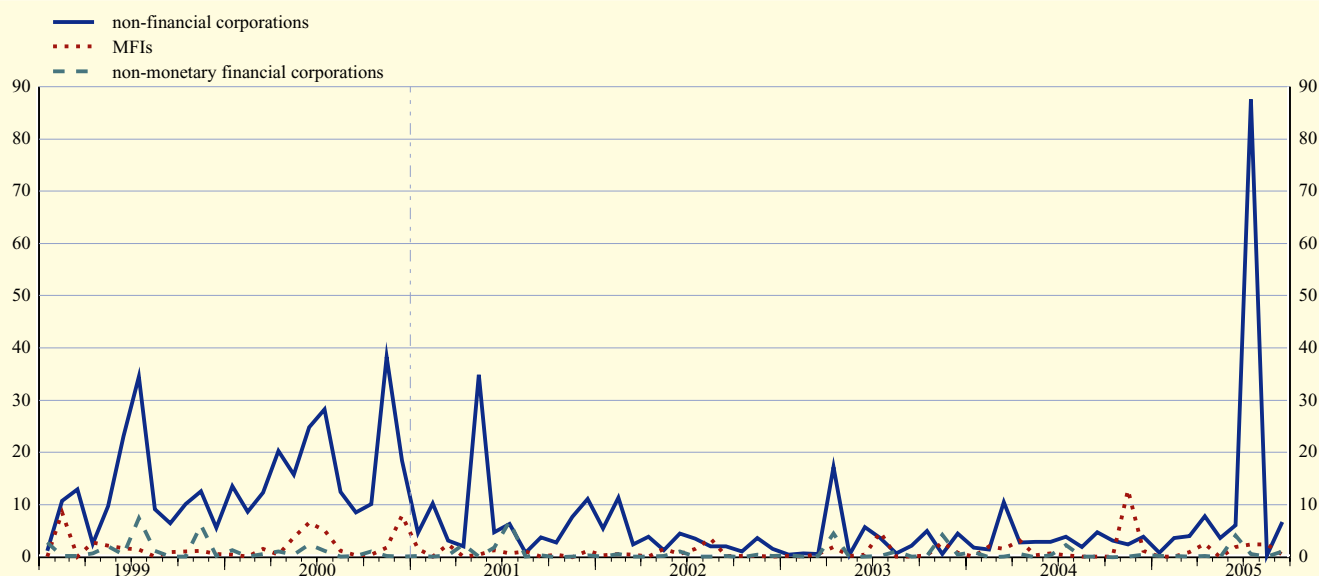
(EUR billions; market values)

### 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
2003 Sep.	2.3	2.0	0.4	0.1	0.1	0.0	0.1	1.6	-1.5	2.2	0.3	1.9
Oct.	5.4	3.8	1.6	0.4	0.0	0.4	0.2	0.0	0.1	4.9	3.8	1.1
Nov.	7.5	5.5	2.1	2.7	0.0	2.7	4.2	0.3	3.9	0.6	5.1	-4.5
Dec.	5.7	1.5	4.2	0.8	0.1	0.8	0.4	0.9	-0.5	4.4	0.5	4.0
2004 Jan.	2.9	0.9	2.0	0.1	0.0	0.1	0.9	0.0	0.9	1.8	0.8	1.0
Feb.	3.5	0.5	3.0	2.0	0.0	2.0	0.0	0.2	-0.2	1.4	0.3	1.2
Mar.	12.0	1.1	10.8	1.5	0.0	1.5	0.0	0.1	-0.1	10.5	1.0	9.5
Apr.	6.5	0.6	5.8	3.1	0.1	3.1	0.6	0.1	0.5	2.8	0.5	2.3
May	3.3	3.6	-0.4	0.3	0.0	0.3	0.0	0.0	0.0	2.9	3.6	-0.6
June	3.8	2.2	1.6	0.7	1.6	-1.0	0.3	0.0	0.2	2.9	0.5	2.4
July	6.4	3.6	2.8	0.4	0.0	0.4	2.2	0.0	2.2	3.8	3.6	0.2
Aug.	2.0	2.9	-0.9	0.1	2.2	-2.2	0.0	0.0	0.0	1.9	0.7	1.2
Sep.	4.9	2.2	2.7	0.1	0.9	-0.8	0.0	0.0	0.0	4.8	1.3	3.5
Oct.	3.2	0.4	2.8	0.1	0.0	0.1	0.0	0.0	0.0	3.1	0.4	2.7
Nov.	15.2	3.4	11.8	12.8	0.3	12.5	0.1	0.0	0.1	2.4	3.0	-0.7
Dec.	5.5	2.3	3.2	1.2	0.0	1.2	0.4	0.1	0.3	3.9	2.1	1.7
2005 Jan.	1.1	1.1	0.0	0.1	0.0	0.1	0.2	0.0	0.2	0.8	1.1	-0.3
Feb.	3.9	0.6	3.3	0.1	0.0	0.1	0.2	0.1	0.1	3.7	0.5	3.2
Mar.	5.0	1.8	3.2	0.9	0.9	0.0	0.1	0.1	0.0	3.9	0.8	3.1
Apr.	10.6	2.3	8.3	2.5	0.0	2.5	0.2	0.0	0.2	7.8	2.3	5.5
May	3.6	2.4	1.3	0.0	0.0	0.0	0.0	0.2	-0.2	3.6	2.1	1.5
June	12.1	5.0	7.1	1.9	1.0	0.9	4.1	0.8	3.3	6.1	3.2	2.9
July	90.5	6.6	83.9	2.4	3.0	-0.5	0.5	0.0	0.5	87.5	3.7	83.9
Aug.	2.8	1.5	1.3	2.5	0.0	2.5	0.0	0.1	-0.1	0.4	1.4	-1.0
Sep.	8.2	0.7	7.5	0.4	0.0	0.4	1.1	0.0	1.1	6.7	0.7	6.0

### C18 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

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

## 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
2004 Oct.	0.72	1.92	2.29	2.48	2.00	2.52	0.89	2.04	2.34	3.56	2.00
Nov.	0.73	1.94	2.20	2.50	2.01	2.51	0.90	2.04	2.23	3.39	2.02
Dec.	0.73	1.95	2.19	2.31	2.00	2.52	0.90	2.08	2.70	3.51	2.02
2005 Jan.	0.74	1.95	2.29	2.54	1.98	2.49	0.93	2.04	2.25	3.26	2.05
Feb.	0.74	1.95	2.19	2.33	1.97	2.49	0.93	2.03	2.25	3.47	2.03
Mar.	0.74	1.93	2.16	2.40	1.96	2.47	0.94	2.00	2.35	3.15	1.99
Apr.	0.74	2.01	2.09	2.32	1.95	2.45	0.95	2.01	2.23	2.92	2.00
May	0.75	1.94	2.01	2.20	1.97	2.43	0.95	2.01	2.12	3.31	2.00
June	0.69	1.95	2.21	2.20	2.17	2.38	0.91	2.01	2.05	3.57	2.00
July	0.68	1.94	2.01	2.19	2.15	2.34	0.94	2.02	2.21	3.11	2.00
Aug.	0.69	1.95	2.07	2.32	2.03	2.31	0.96	2.02	2.22	2.90	2.01
Sep.	0.69	1.97	2.05	2.05	2.02	2.29	0.96	2.04	2.23	3.02	2.04

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

	Bank overdrafts <sup>1)</sup>	Consumer credit				Annual percentage rate of charge <sup>3)</sup>	Lending for house purchase				Annual percentage rate of charge <sup>3)</sup>	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		
2004 Oct.	9.53	6.80	6.87	8.34	7.87	3.50	4.12	4.77	4.64	4.18	4.08	4.87	4.92		
Nov.	9.48	6.89	6.84	8.23	7.85	3.45	4.07	4.66	4.58	4.09	3.97	4.89	4.82		
Dec.	9.53	6.73	6.60	7.67	7.59	3.43	3.95	4.49	4.41	4.07	3.82	4.59	4.65		
2005 Jan.	9.60	6.97	6.83	8.33	8.01	3.44	3.97	4.43	4.45	4.07	3.96	4.64	4.62		
Feb.	9.65	6.20	6.83	8.18	7.77	3.40	3.94	4.39	4.33	3.98	4.00	4.73	4.49		
Mar.	9.60	6.62	6.72	8.12	7.83	3.40	3.89	4.35	4.27	3.97	3.84	4.60	4.57		
Apr.	9.62	6.60	6.64	8.19	7.81	3.40	3.89	4.36	4.28	3.95	3.97	4.71	4.62		
May	9.64	6.96	6.56	8.00	7.82	3.38	3.85	4.28	4.20	3.93	3.86	4.68	4.61		
June	9.61	6.62	6.49	7.90	7.72	3.32	3.76	4.13	4.09	3.89	3.84	4.60	4.50		
July	9.52	6.67	6.61	7.96	7.80	3.33	3.70	4.06	4.05	3.87	3.89	4.54	4.29		
Aug.	9.58	6.99	6.70	8.10	7.99	3.32	3.72	4.00	3.99	3.89	3.80	4.59	4.41		
Sep.	9.60	7.04	6.43	7.94	7.85	3.31	3.69	3.98	3.96	3.82	3.85	4.51	4.25		

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

	Bank overdrafts <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
2004 Oct.		5.39	4.02	4.87	4.64	2.99	3.30	4.27
Nov.		5.37	4.02	4.79	4.55	2.95	3.41	4.31
Dec.		5.26	3.97	4.67	4.46	3.05	3.55	4.10
2005 Jan.		5.38	3.97	4.69	4.47	3.02	3.30	4.10
Feb.		5.30	3.91	4.76	4.36	3.02	3.34	3.81
Mar.		5.28	3.89	4.51	4.32	3.02	3.48	4.11
Apr.		5.22	3.88	4.51	4.34	3.00	3.54	3.99
May		5.14	3.91	4.45	4.24	2.99	3.61	3.80
June		5.12	3.87	4.45	4.14	2.92	3.44	3.88
July		5.12	3.86	4.40	4.11	2.96	3.56	3.77
Aug.		5.04	3.91	4.45	4.13	2.87	3.53	3.81
Sep.		5.06	3.81	4.37	4.03	2.90	3.35	3.84

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)

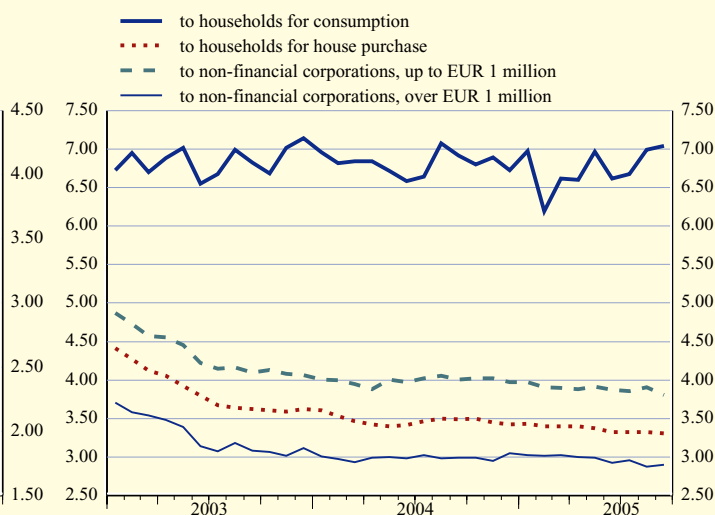
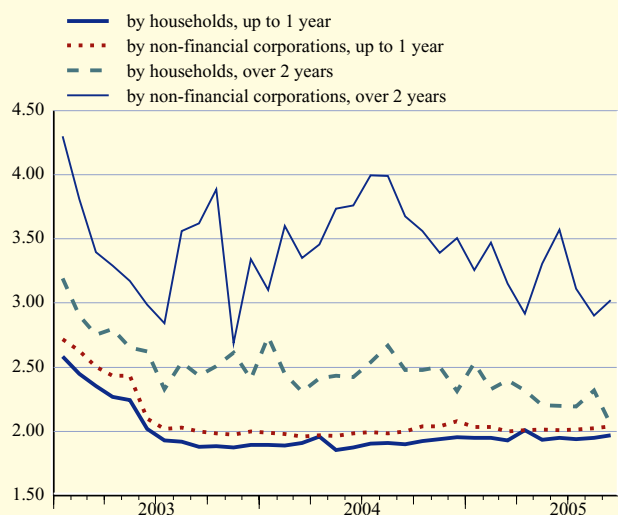
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight <sup>1)</sup>	With agreed maturity		Redeemable at notice <sup>1,2)</sup>		Overnight <sup>1)</sup>	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2004 Oct.	0.72	1.90	3.27	2.00	2.52	0.89	2.10	3.89	1.98
Nov.	0.73	1.90	3.26	2.01	2.51	0.90	2.12	3.86	2.00
Dec.	0.73	1.92	3.24	2.00	2.52	0.90	2.16	3.77	2.02
2005 Jan.	0.74	1.91	3.23	1.98	2.49	0.93	2.12	3.73	2.01
Feb.	0.74	1.92	3.26	1.97	2.49	0.93	2.11	3.70	2.00
Mar.	0.74	1.92	3.22	1.96	2.47	0.94	2.09	3.70	1.99
Apr.	0.74	1.93	3.22	1.95	2.45	0.95	2.10	3.57	1.99
May	0.75	1.92	3.19	1.97	2.43	0.95	2.10	3.50	2.00
June	0.69	1.92	3.22	2.17	2.38	0.91	2.10	3.55	2.01
July	0.68	1.91	3.18	2.15	2.34	0.94	2.11	3.49	1.98
Aug.	0.69	1.92	3.18	2.03	2.31	0.96	2.10	3.51	2.00
Sep.	0.69	1.91	3.19	2.02	2.29	0.96	2.11	3.53	2.01

#### 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
2004 Oct.	4.69	4.54	4.88	8.05	7.07	5.80	4.41	3.97	4.48
Nov.	4.67	4.52	4.86	7.94	6.98	5.82	4.40	3.96	4.48
Dec.	4.78	4.50	4.83	7.94	7.01	5.80	4.35	3.97	4.44
2005 Jan.	4.78	4.45	4.79	8.07	6.97	5.77	4.41	3.90	4.41
Feb.	4.74	4.45	4.76	8.06	7.03	5.76	4.39	3.92	4.46
Mar.	4.75	4.41	4.78	8.07	6.97	5.77	4.38	3.91	4.40
Apr.	4.69	4.38	4.74	8.02	6.94	5.76	4.34	3.86	4.37
May	4.63	4.36	4.71	8.00	6.87	5.74	4.33	3.85	4.35
June	4.62	4.33	4.67	7.92	6.93	5.72	4.31	3.85	4.35
July	4.57	4.29	4.63	7.89	6.86	5.70	4.30	3.82	4.29
Aug.	4.54	4.24	4.60	7.96	6.86	5.73	4.25	3.80	4.28
Sep.	4.52	4.23	4.60	7.94	6.85	5.70	4.25	3.78	4.26

**C19 New deposits with agreed maturity**  
(percentages per annum excluding charges; period averages)

**C20 New loans at floating rate and up to 1 year initial rate fixation**  
(percentages per annum excluding charges; period averages)



Source: ECB.

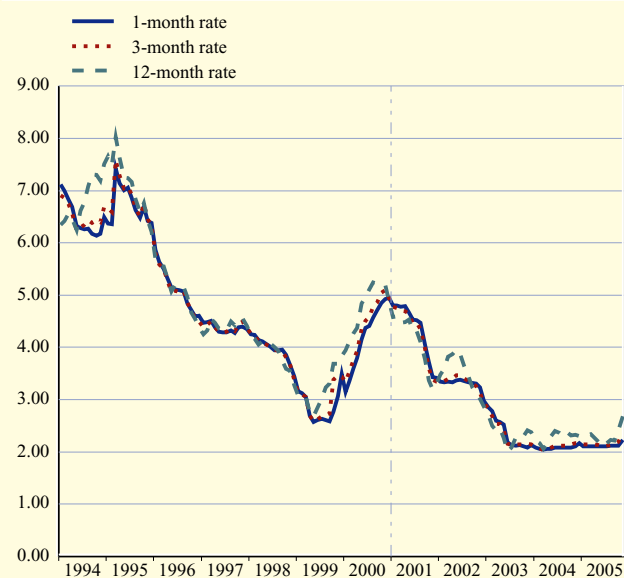
4.6 Money market interest rates

(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
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
2004	2.05	2.08	2.11	2.15	2.27	1.62	0.05
2004 Q3	2.05	2.08	2.12	2.19	2.35	1.75	0.05
Q4	2.08	2.12	2.16	2.20	2.32	2.30	0.05
2005 Q1	2.06	2.11	2.14	2.19	2.32	2.84	0.05
Q2	2.07	2.10	2.12	2.14	2.19	3.28	0.05
Q3	2.08	2.11	2.13	2.15	2.20	3.77	0.06
2004 Nov.	2.09	2.11	2.17	2.22	2.33	2.31	0.05
Dec.	2.05	2.17	2.17	2.21	2.30	2.50	0.05
2005 Jan.	2.08	2.11	2.15	2.19	2.31	2.66	0.05
Feb.	2.06	2.10	2.14	2.18	2.31	2.82	0.05
Mar.	2.06	2.10	2.14	2.19	2.34	3.03	0.05
Apr.	2.08	2.10	2.14	2.17	2.27	3.15	0.05
May	2.07	2.10	2.13	2.14	2.19	3.27	0.05
June	2.06	2.10	2.11	2.11	2.10	3.43	0.05
July	2.07	2.11	2.12	2.13	2.17	3.61	0.06
Aug.	2.06	2.11	2.13	2.16	2.22	3.80	0.06
Sep.	2.09	2.12	2.14	2.17	2.22	3.91	0.06
Oct.	2.07	2.12	2.20	2.27	2.41	4.17	0.06
Nov.	2.09	2.22	2.36	2.50	2.68	4.35	0.06

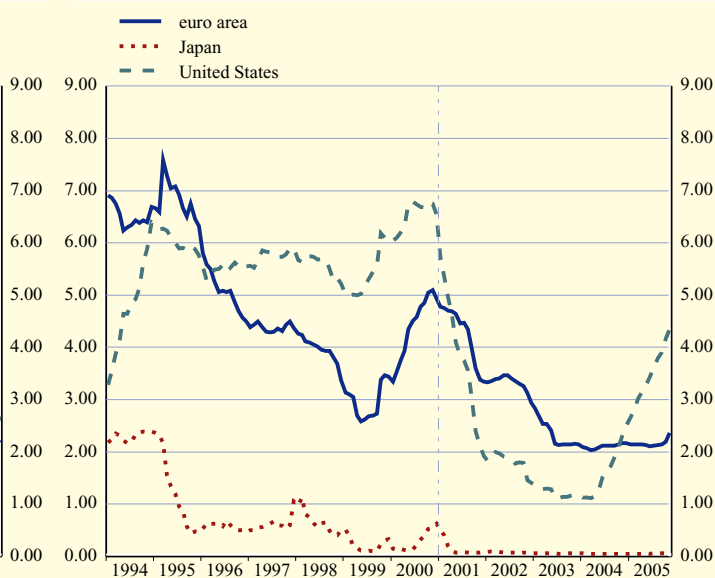
C21 Euro area money market rates

(monthly; percentages per annum)



C22 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 the General notes.

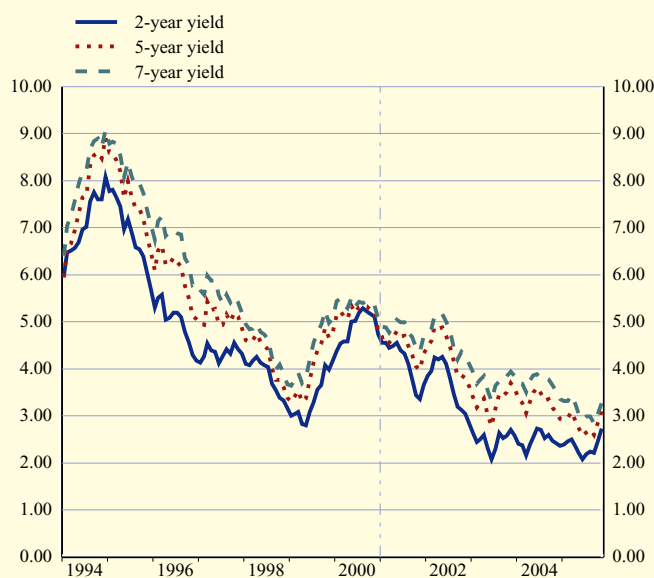
## 4.7 Government bond yields

(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
2002	3.67	3.94	4.35	4.69	4.92	4.60	1.27
2003	2.49	2.74	3.32	3.74	4.16	4.00	0.99
2004	2.47	2.77	3.29	3.70	4.14	4.26	1.50
2004 Q3	2.61	2.89	3.39	3.80	4.21	4.29	1.64
Q4	2.41	2.62	3.06	3.51	3.84	4.17	1.45
2005 Q1	2.45	2.66	2.99	3.36	3.67	4.30	1.41
Q2	2.21	2.40	2.73	3.07	3.41	4.16	1.28
Q3	2.21	2.36	2.65	2.94	3.26	4.21	1.36
2004 Nov.	2.41	2.62	3.08	3.53	3.87	4.19	1.46
Dec.	2.36	2.53	2.93	3.35	3.69	4.23	1.40
2005 Jan.	2.39	2.57	2.92	3.31	3.63	4.21	1.37
Feb.	2.45	2.67	2.97	3.32	3.62	4.16	1.40
Mar.	2.49	2.74	3.08	3.44	3.76	4.49	1.45
Apr.	2.34	2.55	2.89	3.25	3.57	4.34	1.32
May	2.22	2.41	2.74	3.05	3.41	4.14	1.27
June	2.07	2.24	2.58	2.93	3.25	4.00	1.24
July	2.19	2.34	2.66	2.99	3.32	4.16	1.26
Aug.	2.24	2.40	2.70	2.99	3.32	4.26	1.43
Sep.	2.21	2.34	2.60	2.84	3.16	4.19	1.38
Oct.	2.45	2.61	2.85	3.05	3.32	4.45	1.54
Nov.	2.73	2.86	3.10	3.28	3.53	4.53	1.52

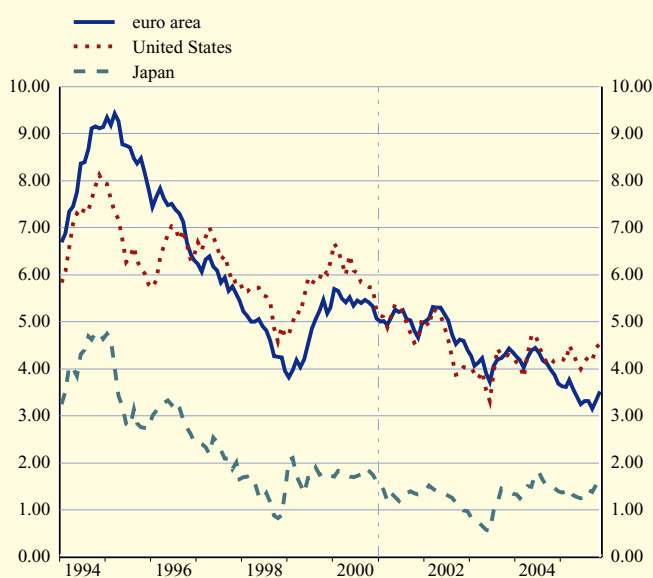
### C23 Euro area government bond yields

(monthly; percentages per annum)



### C24 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.

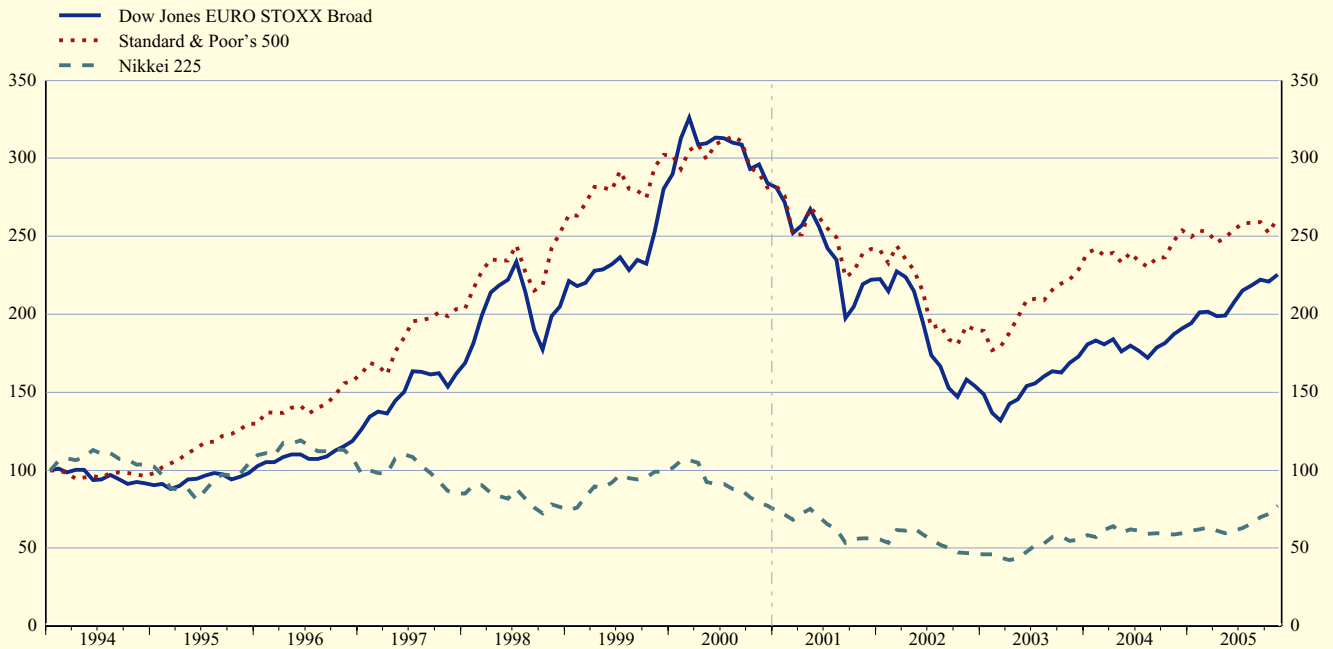
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices												United States	Japan
	Benchmark		Main industry indices										Standard & Poor's 500	Nikkei 225
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2002	260.0	3,052.5	267.5	194.8	239.0	309.0	243.4	252.4	345.2	255.5	349.2	411.9	995.3	10,119.3
2003	213.3	2,422.7	212.5	144.9	193.8	259.5	199.3	213.5	275.2	210.7	337.5	304.5	964.9	9,312.9
2004	251.1	2,804.8	251.4	163.4	219.9	300.5	238.2	258.6	298.3	266.3	399.2	395.9	1,131.1	11,180.9
2004 Q3	244.0	2,708.7	246.8	159.3	216.4	305.0	228.7	253.1	259.9	266.8	379.8	402.6	1,104.4	11,152.3
2004 Q4	259.2	2,869.7	268.9	162.7	215.0	315.7	249.1	268.0	281.8	287.3	423.5	419.1	1,163.7	11,027.1
2005 Q1	276.2	3,025.3	290.4	177.0	227.9	335.8	269.0	290.9	274.8	309.6	446.5	427.0	1,191.7	11,594.1
2005 Q2	280.1	3,063.7	291.1	177.7	232.4	354.5	271.2	291.7	284.8	321.7	423.0	455.7	1,182.2	11,282.4
2005 Q3	303.4	3,308.0	311.9	185.0	256.7	411.3	293.4	318.6	303.8	346.0	439.7	466.5	1,223.6	12,310.8
2004 Nov.	260.0	2,882.7	269.5	163.8	215.6	317.3	249.4	267.7	290.3	287.4	421.1	422.3	1,169.5	10,963.5
2004 Dec.	264.8	2,926.0	277.2	166.5	217.7	314.4	256.8	273.2	281.3	295.0	446.2	419.6	1,199.7	11,086.3
2005 Jan.	269.4	2,957.0	277.0	172.0	221.6	318.1	262.8	284.2	270.4	302.9	450.6	423.8	1,181.6	11,401.1
2005 Feb.	279.0	3,050.4	294.2	179.5	230.0	338.5	270.1	295.1	277.4	317.5	453.8	428.7	1,199.7	11,545.7
2005 Mar.	279.8	3,065.8	299.4	179.3	232.0	349.5	273.7	293.5	276.5	308.7	436.3	428.6	1,193.9	11,812.4
2005 Apr.	275.9	3,013.7	290.0	176.7	227.9	345.5	269.0	287.6	268.5	314.2	426.1	443.1	1,164.4	11,377.2
2005 May	276.1	3,023.5	285.7	175.4	228.7	344.1	267.1	285.2	283.8	319.4	421.3	460.5	1,179.2	11,071.4
2005 June	288.2	3,151.7	297.7	181.0	240.4	373.4	277.4	302.0	301.5	331.2	421.7	462.8	1,202.3	11,402.7
2005 July	298.4	3,267.1	302.0	184.9	249.5	398.3	288.2	313.8	308.6	336.8	437.5	463.4	1,220.9	11,718.9
2005 Aug.	303.1	3,303.3	311.5	185.7	257.1	405.8	293.4	318.9	297.6	343.9	444.7	473.0	1,224.3	12,205.0
2005 Sep.	308.4	3,351.8	321.7	184.4	263.0	429.3	298.5	322.9	305.7	357.0	436.5	462.5	1,225.6	12,986.6
2005 Oct.	306.8	3,340.1	322.4	182.4	260.6	405.3	302.6	317.3	312.4	347.7	434.0	466.8	1,192.0	13,384.9
2005 Nov.	312.7	3,404.9	330.8	183.2	259.3	411.2	316.4	322.3	322.9	354.0	418.2	471.6	1,238.7	14,362.0

C25 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

	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
		Total excl. unprocessed food and energy									
% of total <sup>1)</sup>	100.0	100.0	83.8	59.0	41.0	100.0	12.0	7.6	30.8	8.6	41.0
	1	2	3	4	5	6	7	8	9	10	11
2001	108.5	2.3	1.9	2.3	2.5	-	-	-	-	-	-
2002	110.9	2.3	2.5	1.7	3.1	-	-	-	-	-	-
2003	113.2	2.1	2.0	1.8	2.5	-	-	-	-	-	-
2004	115.7	2.1	2.1	1.8	2.6	-	-	-	-	-	-
2004 Q3	115.9	2.2	2.1	2.0	2.6	0.5	0.3	-0.2	0.2	1.9	0.7
Q4	116.6	2.3	2.0	2.1	2.7	0.5	0.4	0.1	0.1	1.8	0.6
2005 Q1	116.7	2.0	1.6	1.8	2.4	0.3	0.6	0.7	-0.1	0.3	0.5
Q2	118.1	2.0	1.5	1.8	2.3	0.7	0.3	0.3	0.1	4.5	0.5
Q3	118.6	2.3	1.4	2.4	2.3	0.8	0.6	-0.2	0.0	5.7	0.6
2005 June	118.3	2.1	1.4	1.9	2.2	0.1	0.1	-0.2	0.0	1.6	0.0
July	118.2	2.2	1.4	2.1	2.3	0.3	0.2	-0.4	-0.1	2.8	0.3
Aug.	118.5	2.2	1.4	2.2	2.3	0.3	0.1	0.4	0.0	1.4	0.2
Sep.	119.1	2.6	1.5	2.9	2.2	0.4	0.6	-0.1	0.2	3.0	0.1
Oct.	119.4	2.5	1.5	2.6	2.2	0.2	0.1	0.0	0.1	0.2	0.2
Nov. <sup>2)</sup>	.	2.4	.	.	.	.	.	.	.	.	.

	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>1)</sup>	19.6	12.0	7.6	39.4	30.8	8.6	10.4	6.4	6.4	2.8	14.8	6.6
	12	13	14	15	16	17	18	19	20	21	22	23
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
2004	2.3	3.4	0.6	1.6	0.8	4.5	2.4	1.9	2.8	-2.0	2.4	5.1
2004 Q3	2.0	3.6	-0.3	2.0	0.8	6.3	2.5	2.0	2.8	-2.6	2.5	5.3
Q4	1.4	2.8	-0.7	2.4	0.8	8.5	2.6	2.1	3.0	-2.6	2.4	5.3
2005 Q1	1.6	2.4	0.5	1.9	0.3	7.6	2.6	2.1	3.1	-1.9	2.4	3.5
Q2	1.3	1.6	0.8	2.1	0.3	8.8	2.7	2.1	2.4	-2.0	2.3	3.4
Q3	1.5	1.9	0.8	2.9	0.1	12.9	2.5	2.1	2.6	-2.2	2.4	3.0
2005 May	1.3	1.5	1.0	1.8	0.4	6.9	2.7	2.2	2.5	-2.2	2.8	3.5
June	1.2	1.5	0.6	2.2	0.3	9.4	2.7	2.2	2.5	-2.1	2.2	3.2
July	1.1	1.6	0.3	2.6	0.0	11.8	2.5	2.1	2.7	-2.1	2.4	3.0
Aug.	1.5	1.7	1.1	2.6	0.0	11.6	2.6	2.1	2.6	-2.1	2.5	3.0
Sep.	1.8	2.3	1.1	3.5	0.2	15.2	2.5	2.1	2.6	-2.3	2.3	2.9
Oct.	1.9	2.4	1.2	3.0	0.3	12.2	2.5	2.0	2.9	-2.8	2.4	2.7

Sources: Eurostat and ECB calculations.

1) Referring to the index period 2005.

2) Estimate based on first releases by Germany, Spain 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, construction, residential property and commodity prices

	Industrial producer prices excluding construction										Construct- ion <sup>1)</sup>	Residential property prices <sup>2)</sup>	World market prices of raw materials <sup>3)</sup>	Oil prices <sup>4)</sup> (EUR per barrel)		
	Total (index 2000 = 100)	Total	Industry excluding construction and energy							Energy					Total	Total excluding energy
			Manu- facturing	Total	Intermedi- ate goods	Capital goods	Consumer goods									
							Total	Durable	Non-durable							
% of total <sup>5)</sup>	100.0	100.0	89.5	82.5	31.6	21.3	29.5	4.0	25.5	17.5			100.0	32.8		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2001	102.0	2.0	1.2	1.7	1.2	0.9	3.0	1.9	3.1	2.6	2.8	6.0	-8.3	-8.1	27.8	
2002	101.9	-0.1	0.3	0.5	-0.3	0.9	1.0	1.3	1.0	-2.3	2.7	6.8	-4.1	-0.9	26.5	
2003	103.4	1.4	0.9	0.8	0.8	0.3	1.1	0.6	1.2	3.8	2.1	7.1	-4.0	-4.5	25.1	
2004	105.7	2.3	2.5	2.0	3.5	0.7	1.3	0.7	1.4	3.9	2.6	7.3	18.4	10.8	30.5	
2004 Q3	106.4	3.1	3.5	2.5	4.7	0.9	1.4	0.8	1.5	6.1	3.0	-	26.9	11.9	33.3	
Q4	107.2	3.8	4.0	2.8	5.5	1.2	1.2	1.1	1.2	8.5	3.5	7.5 <sup>6)</sup>	22.9	1.3	34.5	
2005 Q1	108.2	4.1	3.8	2.8	5.1	1.6	1.2	1.4	1.1	10.0	3.5	-	22.9	1.9	36.6	
Q2	109.4	3.9	3.1	1.9	3.1	1.5	0.9	1.4	0.8	12.1	3.1	-	22.4	2.2	42.2	
Q3	110.8	4.1	3.0	1.3	1.7	1.2	0.9	1.2	0.9	15.6	-	-	33.5	11.6	50.9	
2005 June	109.7	4.0	3.1	1.7	2.6	1.4	0.8	1.4	0.7	13.4	-	-	31.9	7.6	45.7	
July	110.3	4.1	3.0	1.3	1.9	1.2	0.8	1.2	0.7	15.1	-	-	34.1	9.6	48.3	
Aug.	110.7	4.0	2.9	1.3	1.7	1.1	0.9	1.2	0.9	15.1	-	-	32.4	11.9	52.0	
Sep.	111.3	4.3	3.2	1.3	1.6	1.2	1.1	1.2	1.1	16.4	-	-	33.9	13.2	52.2	
Oct.	.	.	.	.	.	.	.	.	.	.	-	-	23.1	17.4	49.3	
Nov.	.	.	.	.	.	.	.	.	.	.	-	-	33.4	22.3	47.9	

3. Hourly labour costs<sup>7)</sup>

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total <sup>5)</sup>	100.0	100.0	73.3	26.7	36.8	8.9	54.4	
	1	2	3	4	5	6	7	8
2001	103.8	3.8	4.0	3.2	3.8	3.6	3.7	2.6
2002	107.4	3.5	3.3	4.1	3.3	4.1	3.5	2.7
2003	110.7	3.1	2.9	3.8	3.1	3.7	3.0	2.4
2004	113.5	2.5	2.3	3.0	2.8	2.7	2.3	2.1
2004 Q3	113.9	2.4	2.3	2.7	2.5	2.7	2.4	2.0
Q4	114.6	2.3	1.9	3.3	2.7	2.1	2.0	2.0
2005 Q1	115.4	3.0	2.5	4.6	3.2	2.4	3.1	2.2
Q2	116.0	2.3	2.0	3.1	2.3	1.5	2.4	2.1
Q3	.	.	.	.	.	.	.	2.1

Sources: Eurostat, HWWA (columns 13 and 14 in Table 2 in Section 5.1), ECB calculations based on Thomson Financial Datastream data (column 15 in Table 2 in Section 5.1), ECB calculations based on Eurostat data (column 6 in Table 2 in Section 5.1 and column 7 in Table 3 in Section 5.1) and ECB calculations (column 12 in Table 2 in Section 5.1 and column 8 in Table 3 in Section 5.1).

- 1) Residential buildings, based on non-harmonised data.
- 2) Residential property price indicator for the euro area, based on non-harmonised sources.
- 3) Refers to the prices expressed in euro.
- 4) Brent Blend (for one-month forward delivery).
- 5) In 2000.
- 6) The quarterly data for the second (fourth) quarter refer to semi-annual averages of the first (second) half of the year, respectively. Since some national data are only available at annual frequency, the semi-annual estimate is partially derived from annual results; therefore, the accuracy of semi-annual data is lower than the accuracy of annual data.
- 7) Hourly labour costs for the whole economy, excluding agriculture, public administration, education, health and services not elsewhere classified. Owing to differences in coverage, the estimates for the components may not be consistent with the total.

## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

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

(seasonally adjusted)

	Total (index 2000 = 100)	Total	By economic activity					Public administration, education, health and other services
			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>								
2001	102.3	2.3	1.8	1.3	2.3	1.4	4.0	2.6
2002	104.5	2.2	1.7	1.1	3.1	1.6	3.1	2.9
2003	106.4	1.8	3.1	0.9	1.6	1.7	1.8	2.7
2004	107.4	0.9	-7.2	-0.3	2.4	0.5	2.1	1.6
2004 Q2	107.3	0.9	-8.3	-1.4	0.9	-0.1	1.9	2.6
Q3	107.3	0.4	-8.7	-1.5	3.6	0.8	2.3	0.4
Q4	107.9	1.1	-5.4	0.7	3.3	0.4	2.0	1.3
2005 Q1	108.3	1.2	0.9	-0.1	4.0	0.7	1.9	1.6
Q2	108.4	1.0	3.4	-0.3	2.6	1.1	2.8	1.3
Compensation per employee								
2001	102.7	2.7	1.4	2.5	3.1	2.5	2.6	3.0
2002	105.3	2.5	3.2	2.6	3.2	2.2	1.9	2.9
2003	107.7	2.3	1.1	2.7	2.5	2.0	1.8	2.5
2004	110.0	2.2	0.7	3.1	3.2	1.7	1.4	2.4
2004 Q2	110.0	2.5	0.5	3.3	2.7	1.4	1.4	3.6
Q3	110.0	1.6	0.6	2.4	3.0	1.8	1.6	1.1
Q4	110.6	1.9	1.9	2.5	3.1	1.7	1.2	2.0
2005 Q1	111.3	1.8	3.0	1.7	2.5	2.0	1.9	1.6
Q2	111.8	1.6	2.8	1.7	3.0	2.1	2.4	0.7
Labour productivity <sup>2)</sup>								
2001	100.5	0.5	-0.3	1.2	0.8	1.1	-1.4	0.4
2002	100.7	0.2	1.5	1.5	0.1	0.6	-1.1	0.0
2003	101.2	0.5	-1.9	1.8	0.9	0.3	-0.1	-0.2
2004	102.4	1.3	8.5	3.4	0.8	1.1	-0.7	0.7
2004 Q2	102.5	1.7	9.6	4.7	1.8	1.5	-0.5	1.0
Q3	102.5	1.3	10.1	4.0	-0.6	1.0	-0.7	0.7
Q4	102.6	0.8	7.7	1.8	-0.2	1.4	-0.8	0.6
2005 Q1	102.8	0.6	2.1	1.8	-1.4	1.2	-0.1	0.0
Q2	103.1	0.6	-0.6	2.1	0.5	1.0	-0.4	-0.6

### 5. Gross domestic product deflators

	Total (s.a. 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
2001	102.4	2.4	2.2	2.4	2.5	1.5	1.2	0.8
2002	104.9	2.5	2.0	1.9	2.8	1.3	-0.4	-2.1
2003	107.0	2.0	1.8	1.9	2.2	1.1	-1.2	-1.8
2004	109.0	1.8	2.0	2.0	2.1	2.4	1.1	1.4
2004 Q3	109.3	1.7	2.0	2.1	1.0	2.8	2.0	3.1
Q4	109.7	1.7	2.1	1.9	1.9	3.0	2.4	3.9
2005 Q1	110.1	1.9	2.2	1.8	2.0	2.8	2.7	3.9
Q2	110.6	1.6	1.9	1.7	1.2	2.2	2.1	3.1
Q3	110.9	1.4	2.9	1.2	4.4	4.9	2.8	6.9

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>1)</sup>		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories <sup>2)</sup>	Total	Exports <sup>1)</sup>	Imports <sup>1)</sup>
1	2	3	4	5	6	7	8	9	
	Current prices (EUR billions, seasonally adjusted)								
2001	6,971.0	6,859.1	4,021.2	1,381.1	1,453.4	3.4	112.0	2,595.4	2,483.5
2002	7,213.6	7,023.7	4,138.0	1,455.3	1,443.6	-13.3	189.9	2,630.6	2,440.7
2003	7,411.8	7,248.5	4,264.6	1,511.5	1,471.3	1.2	163.3	2,633.2	2,469.9
2004	7,686.1	7,522.7	4,409.6	1,560.7	1,532.8	19.6	163.4	2,821.9	2,658.5
2004 Q3	1,930.4	1,891.8	1,104.5	391.2	386.5	9.6	38.7	717.0	678.3
Q4	1,941.3	1,911.2	1,118.9	392.3	391.0	8.9	30.1	720.0	689.9
2005 Q1	1,955.3	1,922.0	1,124.5	396.8	392.1	8.6	33.4	720.0	686.7
Q2	1,972.6	1,946.4	1,133.8	401.3	398.6	12.7	26.3	736.8	710.5
Q3	1,988.9	1,962.9	1,145.2	402.8	408.5	6.4	26.1	770.8	744.7
	<i>percentage of GDP</i>								
2004	100.0	97.9	57.4	20.3	19.9	0.3	2.1	-	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted <sup>3)</sup> )								
	<i>quarter-on-quarter percentage changes</i>								
2004 Q3	0.3	0.6	0.2	0.3	0.4	-	-	1.2	2.0
Q4	0.2	0.6	0.8	-0.1	0.6	-	-	0.3	1.3
2005 Q1	0.3	0.1	0.1	0.3	0.1	-	-	-0.8	-1.5
Q2	0.4	0.5	0.2	0.6	0.8	-	-	2.2	2.6
Q3	0.6	0.3	0.3	0.6	1.6	-	-	3.4	2.8
	<i>annual percentage changes</i>								
2001	1.9	1.2	1.9	2.2	0.4	-	-	3.7	1.8
2002	0.9	0.4	0.9	2.6	-2.0	-	-	1.7	0.2
2003	0.7	1.4	1.1	1.6	0.8	-	-	1.2	3.0
2004	2.1	2.1	1.5	1.2	2.2	-	-	6.5	6.6
2004 Q3	1.9	2.3	1.1	1.2	2.0	-	-	6.3	7.6
Q4	1.6	2.0	1.8	0.7	1.6	-	-	5.9	7.1
2005 Q1	1.2	1.6	1.3	0.9	1.3	-	-	3.2	4.2
Q2	1.2	1.8	1.4	1.1	1.9	-	-	2.9	4.5
Q3	1.6	1.5	1.5	1.4	3.1	-	-	5.2	5.2
	<i>contributions to quarter-on-quarter percentage changes of GDP in percentage points</i>								
2004 Q3	0.3	0.5	0.1	0.1	0.1	0.3	-0.3	-	-
Q4	0.2	0.5	0.5	0.0	0.1	0.0	-0.4	-	-
2005 Q1	0.3	0.1	0.1	0.1	0.0	-0.1	0.2	-	-
Q2	0.4	0.5	0.1	0.1	0.2	0.1	-0.1	-	-
Q3	0.6	0.3	0.2	0.1	0.3	-0.3	0.3	-	-
	<i>contributions to annual percentage changes of GDP in percentage points</i>								
2001	1.9	1.2	1.1	0.4	0.1	-0.5	0.7	-	-
2002	0.9	0.4	0.5	0.5	-0.4	-0.2	0.5	-	-
2003	0.7	1.3	0.6	0.3	0.2	0.2	-0.6	-	-
2004	2.1	2.0	0.9	0.2	0.4	0.4	0.1	-	-
2004 Q3	1.9	2.2	0.6	0.2	0.4	0.9	-0.3	-	-
Q4	1.6	1.9	1.0	0.1	0.3	0.4	-0.3	-	-
2005 Q1	1.2	1.5	0.8	0.2	0.3	0.3	-0.3	-	-
Q2	1.2	1.7	0.8	0.2	0.4	0.3	-0.5	-	-
Q3	1.6	1.5	0.9	0.3	0.6	-0.3	0.1	-	-

Sources: Eurostat and ECB calculations.

1) Exports and imports cover goods and services and include cross-border intra-euro area trade. They are not fully consistent with Table 1 in Section 7.3.

2) Including acquisitions less disposals of valuables.

3) Annual data are not adjusted for the variations in the number of working days.

## 5.2 Output and demand

### 2. Value added by economic activity

	Gross value added (basic prices)							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
<i>Current prices (EUR billions, seasonally adjusted)</i>								
2001	6,256.8	156.8	1,354.8	352.8	1,327.0	1,681.1	1,384.3	714.2
2002	6,476.6	151.9	1,366.8	365.5	1,377.6	1,758.3	1,456.6	736.9
2003	6,651.6	151.6	1,375.6	382.6	1,408.8	1,821.7	1,511.3	760.3
2004	6,891.0	152.1	1,418.0	406.6	1,456.8	1,892.2	1,565.3	795.0
2004 Q3	1,730.7	37.7	357.5	101.9	366.5	476.2	390.8	199.8
Q4	1,739.1	38.1	356.6	103.7	367.6	479.0	394.0	202.2
2005 Q1	1,753.5	37.3	359.9	104.1	369.7	484.2	398.4	201.8
Q2	1,769.5	37.1	363.8	106.7	372.0	490.4	399.5	203.1
Q3	1,779.3	37.2	364.8	108.9	374.9	493.7	399.8	209.7
<i>percentage of value added</i>								
2004	100.0	2.2	20.6	5.9	21.1	27.5	22.7	-
<i>Chain-linked volumes (prices of the previous year, seasonally adjusted<sup>1)</sup>)</i>								
<i>quarter-on-quarter percentage changes</i>								
2004 Q3	0.2	-0.2	0.2	-0.4	0.4	0.4	0.1	0.6
Q4	0.2	0.8	-0.6	0.6	0.4	0.2	0.4	0.5
2005 Q1	0.3	-1.8	0.3	-0.3	0.4	0.7	0.2	0.4
Q2	0.4	-1.0	0.7	1.9	0.6	0.4	-0.2	0.2
Q3	0.5	-0.3	0.7	0.3	0.7	0.4	0.6	1.4
<i>annual percentage changes</i>								
2001	2.0	-1.4	1.2	1.2	2.8	2.7	1.8	0.8
2002	1.0	-0.3	-0.1	0.0	1.2	1.4	2.0	0.1
2003	0.7	-4.1	0.2	1.0	0.5	1.3	1.1	0.9
2004	2.2	7.3	2.4	2.0	2.3	1.9	1.7	1.4
2004 Q3	2.0	9.2	2.2	1.2	1.8	1.8	1.6	1.2
Q4	1.7	6.8	0.8	1.3	2.3	1.7	1.5	0.9
2005 Q1	1.4	0.3	0.7	-0.1	2.1	2.0	0.9	0.2
Q2	1.2	-2.2	0.7	1.7	1.8	1.8	0.5	1.7
Q3	1.4	-2.3	1.2	2.4	2.0	1.7	0.9	2.5
<i>contributions to quarter-on-quarter percentage changes of value added in percentage points</i>								
2004 Q3	0.2	0.0	0.0	0.0	0.1	0.1	0.0	-
Q4	0.2	0.0	-0.1	0.0	0.1	0.1	0.1	-
2005 Q1	0.3	-0.1	0.1	0.0	0.1	0.2	0.0	-
Q2	0.4	0.0	0.1	0.1	0.1	0.1	0.0	-
Q3	0.5	0.0	0.1	0.0	0.1	0.1	0.1	-
<i>contributions to annual percentage changes of value added in percentage points</i>								
2001	2.0	0.0	0.3	0.1	0.6	0.7	0.4	-
2002	1.0	0.0	0.0	0.0	0.2	0.4	0.4	-
2003	0.7	-0.1	0.1	0.1	0.1	0.4	0.3	-
2004	2.2	0.1	0.5	0.1	0.5	0.5	0.4	-
2004 Q3	2.0	0.2	0.5	0.1	0.4	0.5	0.4	-
Q4	1.7	0.1	0.2	0.1	0.5	0.5	0.4	-
2005 Q1	1.4	0.0	0.1	0.0	0.5	0.6	0.2	-
Q2	1.2	-0.1	0.1	0.1	0.4	0.5	0.1	-
Q3	1.4	-0.1	0.3	0.2	0.4	0.5	0.2	-

Sources: Eurostat and ECB calculations.

1) Annual data are not adjusted for the variations in the number of working days.

## 5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

## 3. Industrial production

	Total		Industry excluding construction								Construction	
	% of total <sup>1)</sup>	Total (s.a. index 2000 = 100)	Total		Industry excluding construction and energy					Energy		
			Manu- facturing	Total	Intermedi- ate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
1	2	3	4	5	6	7	8	9	10	11	12	
2002	-0.2	99.9	-0.5	-0.8	-0.7	-0.1	-1.7	-0.3	-5.5	0.7	1.1	1.3
2003	0.2	100.2	0.3	0.0	0.0	0.4	-0.2	-0.5	-4.6	0.2	2.9	-0.2
2004	2.1	102.1	2.0	2.0	1.9	1.8	3.0	0.5	-0.1	0.6	2.5	-0.2
2004 Q4	1.1	102.3	1.1	0.7	0.5	1.0	1.7	-0.2	-3.4	0.4	3.0	-0.8
2005 Q1	-0.5	102.2	0.5	0.2	0.0	0.5	2.1	-1.0	-3.9	-0.5	1.1	-4.4
Q2	0.9	102.9	0.5	0.6	0.1	-0.7	2.1	0.5	-1.8	0.9	1.2	-0.6
Q3	.	103.7	1.3	1.2	1.1	1.2	2.1	1.6	-0.6	2.0	0.4	.
2005 Apr.	2.0	103.0	1.1	1.9	1.7	0.2	3.2	0.6	-0.5	0.9	0.2	-1.7
May	0.1	102.6	-0.2	-0.5	-1.1	-0.9	0.5	0.4	-4.2	1.2	0.8	-1.1
June	0.8	103.1	0.6	0.5	-0.1	-1.4	2.4	0.5	-0.5	0.7	2.6	0.8
July	.	103.2	0.6	0.0	-0.2	-0.5	2.4	0.1	-1.9	0.4	2.1	.
Aug.	.	104.1	2.7	2.9	3.0	3.8	2.3	3.5	2.6	3.6	-0.4	.
Sep.	.	103.7	1.0	1.2	1.1	1.0	1.8	1.6	-1.2	2.1	-0.4	.
<i>month-on-month percentage changes (s.a.)</i>												
2005 Apr.	2.5	-	0.9	2.1	2.0	1.3	0.2	1.7	2.7	1.6	-5.0	3.7
May	-0.6	-	-0.4	-1.0	-1.2	-0.6	-0.2	-0.3	-2.1	0.0	1.8	0.4
June	0.2	-	0.5	0.7	0.6	-0.1	1.2	0.1	1.5	-0.1	2.2	1.6
July	.	-	0.1	-0.1	0.1	0.9	0.0	0.0	-0.3	0.1	-0.3	.
Aug.	.	-	0.8	1.4	1.5	2.1	0.0	1.3	1.0	1.3	-2.4	.
Sep.	.	-	-0.4	-0.5	-0.6	-1.3	0.4	-0.6	-1.9	-0.4	0.7	.

## 4. Industrial new orders and turnover, retail sales and new passenger car registrations

	Industrial new orders		Industrial turnover		Retail sales							New passenger car registrations	
	Manufacturing <sup>2)</sup> (current prices)		Manufacturing (current prices)		Current prices	Constant prices						Total (s.a., thousands) <sup>3)</sup>	Total
	Total (s.a. index 2000 = 100)	Total	Total (s.a. index 2000 = 100)	Total	Total	Total (s.a. index 2000 = 100)	Total	Food, beverages, tobacco	Non-food				
									Textiles, clothing, footwear	Household equipment			
1	2	3	4	5	6	7	8	9	10	11	12	13	
% of total <sup>1)</sup>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8		
2002	98.4	-0.4	101.4	-0.6	1.9	101.7	0.3	1.2	-0.4	-1.9	-1.9	925	-4.4
2003	98.4	0.1	101.0	-0.3	1.8	102.1	0.4	1.1	-0.4	-2.8	0.2	911	-1.5
2004	106.1	8.1	105.9	4.9	1.6	102.9	0.8	0.8	0.7	0.8	2.6	922	1.1
2004 Q4	110.7	9.7	107.2	5.1	1.7	103.1	1.0	1.2	0.6	1.2	2.2	941	3.6
2005 Q1	106.1	3.1	106.7	2.5	1.9	103.9	1.1	1.2	1.0	0.4	0.3	921	0.4
Q2	108.4	1.3	110.4	4.2	1.6	103.6	0.7	0.3	0.8	0.6	0.8	938	1.0
Q3	109.6	4.3	110.5	3.5	1.8	103.6	0.7	-0.2	1.4	1.3	1.8	942	4.6
2005 May	107.3	-3.5	107.8	4.9	3.2	104.1	2.3	2.0	2.3	1.8	2.0	894	-4.2
June	110.7	5.4	112.3	3.6	1.3	103.9	0.4	0.7	0.0	-0.5	0.7	980	6.1
July	109.1	1.5	106.7	0.3	0.4	103.3	-0.3	-1.6	0.5	-0.2	0.9	940	3.0
Aug.	109.2	7.5	112.6	7.2	3.2	104.3	2.1	0.8	3.5	4.4	3.5	933	7.4
Sep.	110.4	4.6	112.3	3.8	1.8	103.3	0.5	0.3	0.5	0.1	1.1	954	4.5
Oct.	.	.	.	.	.	.	.	.	.	.	.	943	0.1
<i>month-on-month percentage changes (s.a.)</i>													
2005 May	-	0.0	-	-2.8	0.9	-	1.3	2.2	0.7	-1.3	0.7	-	-4.7
June	-	3.2	-	4.2	0.0	-	-0.1	-0.3	-0.1	1.0	0.4	-	9.6
July	-	-1.5	-	-5.0	-0.6	-	-0.7	-1.1	-0.2	0.1	-0.3	-	-4.1
Aug.	-	0.1	-	5.5	1.1	-	1.0	0.7	1.2	2.1	1.2	-	-0.8
Sep.	-	1.1	-	-0.3	-0.6	-	-0.9	-0.3	-1.3	-3.6	-1.1	-	2.2
Oct.	-	.	-	.	.	-	.	.	.	.	.	-	-1.1

Sources: Eurostat, except columns 12 and 13 in Table 4 in Section 5.2 (ECB calculations based on data from the ACEA, European Automobile Manufacturers' Association).

1) In 2000.

2) Includes manufacturing industries working mainly on the basis of orders, representing 62.6% of total manufacturing in 2000.

3) 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>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
2001	100.8	-9	-15	13	1	82.7	-5	2	-9	14	2
2002	94.4	-11	-25	11	3	81.2	-11	-1	-12	27	-3
2003	93.5	-11	-25	10	3	81.0	-18	-5	-21	38	-9
2004	99.5	-5	-16	8	10	81.6	-14	-4	-14	30	-8
2004 Q3	100.2	-4	-13	8	9	82.1	-14	-4	-14	30	-8
Q4	100.5	-3	-12	8	9	82.0	-13	-3	-14	29	-6
2005 Q1	98.7	-6	-15	11	6	81.5	-13	-3	-13	30	-8
Q2	96.1	-10	-20	13	3	81.0	-14	-3	-16	31	-7
Q3	97.8	-8	-18	11	6	81.1	-15	-4	-17	29	-8
2005 June	96.1	-10	-21	12	4	-	-15	-4	-17	33	-7
July	97.3	-8	-18	11	4	80.9	-15	-4	-19	30	-9
Aug.	97.6	-8	-18	11	6	-	-15	-4	-17	29	-8
Sep.	98.4	-7	-16	10	7	-	-14	-5	-16	28	-9
Oct.	100.2	-6	-16	10	8	81.2	-13	-5	-15	23	-9
Nov.	99.9	-6	-16	9	6	-	-13	-5	-17	23	-8

	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
2001	-9	-15	-4	-8	-5	17	-1	15	16	9	21
2002	-18	-25	-11	-17	-20	18	-12	2	-3	-4	14
2003	-19	-26	-13	-12	-16	17	-3	4	-5	3	14
2004	-15	-23	-7	-8	-12	14	1	11	7	8	17
2004 Q3	-14	-22	-6	-8	-10	14	0	12	7	10	18
Q4	-12	-19	-5	-8	-14	13	3	11	9	9	16
2005 Q1	-12	-16	-7	-8	-12	12	1	11	8	7	17
Q2	-12	-18	-6	-8	-13	13	1	9	0	9	17
Q3	-9	-16	-3	-9	-13	14	1	11	6	10	17
2005 June	-13	-19	-6	-9	-16	14	2	9	-1	9	18
July	-12	-18	-5	-10	-14	15	-3	12	5	11	19
Aug.	-9	-16	-2	-9	-14	13	1	10	3	10	15
Sep.	-8	-14	-1	-8	-12	15	5	11	8	10	15
Oct.	-8	-14	-1	-4	-9	13	12	14	10	13	19
Nov.	-3	-7	1	-6	-11	16	9	14	11	13	18

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 a weight of 30%, the consumer confidence indicator a weight of 20% and the two other indicators a weight of 5% each. Values of the economic sentiment indicator above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period from January 1985.
- 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 assessments 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	84.4	15.6	4.5	18.1	7.2	24.9	15.3	29.9
	1	2	3	4	5	6	7	8	9	10
2001	134.488	1.5	1.7	0.2	-0.7	0.1	0.7	1.8	4.2	1.3
2002	135.461	0.7	0.8	0.1	-1.6	-1.6	0.1	0.5	2.6	2.0
2003	135.837	0.3	0.3	0.3	-2.0	-1.5	0.2	0.3	1.3	1.3
2004	136.611	0.6	0.5	1.1	-0.9	-1.7	1.1	0.8	2.5	0.9
2004 Q2	136.348	0.5	0.4	1.1	-1.0	-1.7	0.5	0.8	2.7	0.8
Q3	136.652	0.6	0.5	1.3	-0.4	-1.8	2.1	0.8	2.4	0.9
Q4	136.886	0.8	0.7	1.3	-0.7	-1.7	1.7	1.0	2.4	0.9
2005 Q1	136.948	0.7	0.7	0.9	-1.4	-1.1	1.8	1.0	2.1	1.0
Q2	137.158	0.7	0.6	0.8	-1.6	-1.4	1.6	0.8	2.2	1.1
	<i>quarter-on-quarter percentage changes (s.a.)</i>									
2004 Q2	0.287	0.2	0.1	0.7	-0.3	0.1	0.5	0.3	0.2	0.2
Q3	0.304	0.2	0.0	1.2	0.1	-0.5	1.2	0.4	0.6	0.1
Q4	0.234	0.2	0.2	0.1	-0.3	0.1	-0.3	0.1	0.5	0.3
2005 Q1	0.062	0.0	0.3	-1.1	-1.2	-0.8	0.0	0.1	0.7	0.4
Q2	0.210	0.2	0.1	0.6	-0.2	-0.1	0.3	0.2	0.3	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		75.6		24.4		48.0		52.0	
	1	2	3	4	5	6	7	8	9	10
2001	11.017	7.9	8.093	6.6	2.924	16.1	5.037	6.3	5.980	9.9
2002	11.747	8.3	8.729	7.0	3.018	16.8	5.513	6.9	6.233	10.1
2003	12.534	8.7	9.413	7.5	3.120	17.6	5.971	7.4	6.562	10.5
2004	12.869	8.9	9.731	7.6	3.137	17.9	6.174	7.6	6.695	10.5
2004 Q3	12.880	8.8	9.744	7.6	3.137	17.9	6.155	7.5	6.726	10.5
Q4	12.862	8.8	9.759	7.6	3.103	17.9	6.274	7.7	6.587	10.3
2005 Q1	12.851	8.8	9.597	7.5	3.254	18.5	6.222	7.6	6.628	10.3
Q2	12.707	8.7	9.621	7.4	3.086	17.7	6.182	7.5	6.525	10.1
Q3	12.389	8.5	9.433	7.3	2.956	17.2	6.076	7.4	6.313	9.8
2005 Apr.	12.842	8.8	9.668	7.5	3.174	18.1	6.239	7.6	6.603	10.2
May	12.663	8.6	9.653	7.5	3.010	17.4	6.178	7.5	6.486	10.1
June	12.615	8.6	9.542	7.4	3.073	17.7	6.130	7.5	6.485	10.1
July	12.463	8.5	9.550	7.4	2.913	17.0	6.048	7.4	6.415	10.0
Aug.	12.399	8.5	9.396	7.3	3.002	17.3	6.106	7.4	6.293	9.8
Sep.	12.307	8.4	9.354	7.3	2.953	17.2	6.075	7.4	6.232	9.7

Sources: ECB calculations based on Eurostat data (in Table 1 in Section 5.3) and Eurostat (Table 2 in Section 5.3).

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 2004.

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 – revenue

	Total		Current revenue								Capital revenue		Memo: fiscal burden <sup>2)</sup>	
	1	2	Direct taxes		Indirect taxes	Received by EU institutions		Social contributions		Sales	Capital taxes			
			Households	Corporations		Employers	Employees							
	3	4	5	6	7	8	9	10	11	12	13	14		
1996	47.0	46.6	11.7	9.1	2.3	13.2	0.7	17.3	8.5	5.5	2.4	0.3	0.2	42.5
1997	47.2	46.7	11.9	9.1	2.5	13.4	0.7	17.3	8.6	5.5	2.3	0.5	0.3	42.9
1998	46.7	46.4	12.2	9.6	2.3	14.0	0.6	16.2	8.4	4.9	2.3	0.3	0.3	42.7
1999	47.2	47.0	12.6	9.7	2.5	14.2	0.6	16.2	8.4	4.9	2.3	0.3	0.3	43.3
2000	46.9	46.6	12.8	9.8	2.6	14.0	0.6	16.0	8.3	4.8	2.2	0.3	0.3	43.0
2001	46.1	45.8	12.4	9.6	2.4	13.6	0.6	15.7	8.2	4.7	2.2	0.2	0.3	42.0
2002	45.5	45.2	11.9	9.4	2.2	13.6	0.4	15.7	8.2	4.6	2.2	0.3	0.3	41.5
2003	45.5	44.8	11.6	9.2	2.1	13.6	0.4	15.9	8.3	4.7	2.2	0.7	0.5	41.6
2004	45.0	44.5	11.5	8.8	2.3	13.7	0.3	15.7	8.2	4.6	2.1	0.5	0.4	41.2

### 2. Euro area – 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
							7	8						
	3	4	5	6	7	8	9	10	11	12	13	14		
1996	51.3	47.4	11.1	4.8	5.6	25.9	22.9	2.2	0.6	3.8	2.6	1.3	0.0	45.6
1997	49.9	46.3	10.9	4.7	5.0	25.6	22.8	2.1	0.6	3.6	2.4	1.2	0.1	44.9
1998	49.0	45.2	10.6	4.6	4.6	25.4	22.3	2.1	0.5	3.8	2.4	1.4	0.1	44.4
1999	48.6	44.7	10.6	4.7	4.1	25.3	22.3	2.1	0.5	3.9	2.5	1.4	0.1	44.5
2000	47.9	44.1	10.5	4.7	3.9	25.0	21.9	2.0	0.5	3.8	2.5	1.3	0.0	44.0
2001	48.0	44.0	10.4	4.8	3.8	25.0	21.9	1.9	0.5	4.0	2.5	1.4	0.0	44.1
2002	48.1	44.2	10.5	4.9	3.6	25.3	22.4	1.9	0.5	3.8	2.4	1.4	0.0	44.5
2003	48.5	44.5	10.6	4.9	3.4	25.7	22.8	1.9	0.5	4.0	2.6	1.4	0.1	45.2
2004	47.7	43.9	10.5	4.9	3.2	25.3	22.6	1.8	0.5	3.8	2.5	1.4	0.0	44.6

### 3. Euro area – deficit/surplus, primary deficit/surplus and government consumption

	Deficit (-)/surplus (+)					Primary deficit (-)/surplus (+)	Government consumption <sup>4)</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
1996	-4.3	-3.7	-0.4	0.0	-0.1	1.3	20.3	11.1	4.8	4.9	1.9	2.4	8.5	11.9
1997	-2.7	-2.4	-0.4	0.1	0.1	2.4	20.1	10.9	4.7	4.9	1.9	2.3	8.4	11.7
1998	-2.3	-2.2	-0.2	0.1	0.1	2.4	19.7	10.6	4.6	4.9	1.8	2.3	8.1	11.6
1999	-1.3	-1.7	-0.1	0.1	0.4	2.7	19.9	10.6	4.7	4.9	1.8	2.3	8.2	11.6
2000	-1.0	-1.4	-0.1	0.1	0.5	2.9	19.8	10.5	4.7	4.9	1.8	2.2	8.1	11.7
2001	-1.9	-1.7	-0.4	0.0	0.3	2.0	19.8	10.4	4.8	5.0	1.8	2.2	8.0	11.8
2002	-2.6	-2.1	-0.5	-0.2	0.2	1.0	20.2	10.5	4.9	5.1	1.8	2.2	8.1	12.1
2003	-3.0	-2.3	-0.4	-0.2	0.0	0.3	20.4	10.6	4.9	5.2	1.8	2.2	8.1	12.3
2004	-2.7	-2.3	-0.3	-0.3	0.1	0.4	20.3	10.5	4.9	5.2	1.8	2.1	8.0	12.3

### 4. Euro area countries – deficit (-)/surplus (+)<sup>5)</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
2001	0.6	-2.9	-6.1	-0.5	-1.5	0.8	-3.2	6.5	-0.2	0.1	-4.2	5.2
2002	0.0	-3.8	-4.9	-0.3	-3.2	-0.4	-2.7	2.1	-2.0	-0.4	-2.8	4.3
2003	0.1	-4.1	-5.7	0.0	-4.1	0.2	-3.2	0.2	-3.2	-1.2	-2.9	2.5
2004	0.0	-3.7	-6.6	-0.1	-3.7	1.4	-3.2	-1.2	-2.1	-1.0	-3.0	2.1

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

- 1) 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 0.0% of GDP). Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.
- 2) The fiscal burden comprises taxes and social contributions.
- 3) Comprises total expenditure minus interest expenditure.
- 4) Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
- 5) Ratios are computed using GDP excluding financial intermediation services indirectly measured (FISIM). Includes proceeds from the sale of UMTS licences and settlements under swaps and forward rate agreements.

6.2 Debt <sup>1)</sup>

(as a percentage of GDP)

## 1. Euro area – by financial instrument and sector of the holder

	Total	Financial instruments				Holders				Other creditors <sup>3)</sup>
		Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>2)</sup>				
						Total	MFIs	Other financial corporations	Other sectors	
1	2	3	4	5	6	7	8	9	10	
1995	74.0	2.8	17.6	8.0	45.7	58.6	30.3	10.3	18.0	15.4
1996	75.4	2.8	17.1	7.9	47.5	59.1	30.9	12.0	16.1	16.3
1997	74.5	2.8	16.1	6.6	49.1	56.7	29.4	13.3	14.0	17.8
1998	73.1	2.7	15.1	5.6	49.6	53.3	27.6	14.2	11.5	19.7
1999	72.4	2.9	14.3	4.3	50.9	49.4	26.5	11.4	11.6	22.9
2000	69.9	2.7	13.2	3.7	50.3	44.8	23.3	10.3	11.1	25.1
2001	68.6	2.7	12.5	3.9	49.5	42.6	21.9	9.8	11.0	25.9
2002	68.5	2.7	11.8	4.5	49.5	40.2	20.4	8.9	10.9	28.3
2003	69.8	2.0	12.4	4.9	50.4	39.7	21.0	9.4	9.3	30.1
2004	70.2	2.2	11.9	4.7	51.4	39.3	20.1	9.8	9.4	30.9

## 2. Euro area – by issuer, maturity and currency denomination

	Total	Issued by <sup>4)</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>5)</sup>	Other currencies
1995	74.0	61.8	5.6	5.9	0.8	11.5	62.5	7.5	18.6	26.7	28.8	71.8	2.2
1996	75.4	63.1	5.9	5.8	0.5	11.2	64.2	7.0	20.0	26.1	29.2	73.1	2.2
1997	74.5	62.4	6.1	5.4	0.6	9.7	64.8	6.8	19.4	25.9	29.3	72.3	2.2
1998	73.1	61.3	6.1	5.3	0.4	8.5	64.6	6.4	16.7	27.0	29.4	71.0	2.1
1999	72.4	60.9	6.1	5.1	0.3	7.3	65.0	5.7	15.1	27.9	29.3	70.4	1.9
2000	69.9	58.7	5.9	4.9	0.3	6.5	63.4	5.0	15.0	28.4	26.5	68.1	1.8
2001	68.6	57.4	6.1	4.8	0.3	6.8	61.7	3.6	15.6	26.4	26.6	67.1	1.5
2002	68.5	57.0	6.3	4.8	0.3	7.6	60.9	3.4	16.4	25.2	26.8	67.2	1.3
2003	69.8	57.4	6.6	5.2	0.6	7.7	62.1	3.5	15.3	26.4	28.1	68.8	1.0
2004	70.2	57.9	6.7	5.2	0.4	7.5	62.7	3.4	15.5	26.8	27.9	69.3	0.9

3. Euro area countries <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
2001	108.3	59.6	114.4	56.3	56.8	35.9	110.9	6.7	51.5	67.0	53.6	43.6
2002	105.8	61.2	111.6	53.2	58.8	32.4	108.3	6.8	51.3	66.7	56.1	42.3
2003	100.4	64.8	108.8	49.4	63.2	31.5	106.8	6.7	52.6	65.1	57.7	45.2
2004	96.2	66.4	109.3	46.9	65.1	29.8	106.5	6.6	53.1	64.3	59.4	45.1

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) Holders resident in the country whose government has issued the debt.
- 3) Includes residents of euro area countries other than the country whose government has issued the debt.
- 4) Excludes debt held by general government in the country whose government has issued it.
- 5) Before 1999, this comprises debt in ECU, in domestic currency and in the currencies of other Member States which have adopted the euro.
- 6) Ratios are computed using GDP excluding financial intermediation services indirectly measured (FISIM).

## 6.3 Change in debt <sup>1)</sup> (as a percentage of GDP)

### 1. Euro area – by source, financial instrument and sector of the holder

	Total	Source of change				Financial instruments				Holders			Other creditors <sup>7)</sup>
		Borrowing requirement <sup>2)</sup>	Valuation effects <sup>3)</sup>	Other changes in volume <sup>4)</sup>	Aggregation effect <sup>5)</sup>	Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>6)</sup>	MFIs	Other financial corporations	
1996	3.9	4.2	0.0	0.0	-0.4	0.1	0.1	0.2	3.4	2.5	1.7	2.0	1.4
1997	2.0	2.2	0.4	-0.4	-0.1	0.0	-0.3	-1.1	3.3	-0.1	-0.4	1.8	2.1
1998	1.8	2.0	0.0	0.0	-0.1	0.1	-0.3	-0.6	2.7	-1.0	-0.5	1.5	2.8
1999	2.0	1.6	0.5	0.0	-0.1	0.2	-0.2	-1.2	3.1	-1.9	-0.1	-2.3	3.9
2000	1.0	0.9	0.2	0.0	0.0	0.0	-0.4	-0.4	1.9	-2.2	-1.8	-0.5	3.3
2001	1.8	1.6	0.0	0.1	0.0	0.2	-0.1	0.4	1.4	-0.2	-0.5	-0.1	2.0
2002	2.2	2.5	-0.4	0.1	0.0	0.1	-0.2	0.8	1.6	-1.0	-0.7	-0.6	3.2
2003	3.1	3.3	-0.1	0.0	0.0	-0.6	0.9	0.5	-2.3	0.6	1.1	0.8	2.5
2004	3.1	3.2	0.0	-0.1	0.0	0.2	0.0	0.0	2.9	1.1	-0.1	0.7	2.0

### 2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) <sup>8)</sup>	Deficit-debt adjustment <sup>9)</sup>											Other <sup>10)</sup>
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	
				Total	Currency and deposits	Securities <sup>11)</sup>	Loans	Shares and other equity	Privatisations	Equity injections				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	3.9	-4.3	-0.4	-0.1	0.0	0.0	-0.1	-0.1	-0.2	0.2	0.0	-0.1	0.0	-0.3
1997	2.0	-2.7	-0.7	-0.5	0.1	-0.1	0.0	-0.5	-0.7	0.2	0.4	0.2	-0.4	-0.2
1998	1.8	-2.3	-0.5	-0.4	0.1	0.0	-0.1	-0.4	-0.6	0.2	0.0	0.0	0.0	0.0
1999	2.0	-1.3	0.7	0.0	0.5	0.0	0.1	-0.6	-0.7	0.0	0.5	0.3	0.0	0.2
2000	1.0	0.0	1.1	1.0	0.7	0.1	0.2	0.0	-0.4	0.2	0.2	0.1	0.0	-0.1
2001	1.8	-1.9	-0.1	-0.5	-0.6	0.1	0.1	-0.1	-0.3	0.1	0.0	0.0	0.1	0.2
2002	2.2	-2.5	-0.3	0.1	0.0	0.0	0.1	0.0	-0.3	0.1	-0.4	0.0	0.1	-0.1
2003	3.1	-3.0	0.1	0.1	0.0	0.0	0.0	0.1	-0.4	0.1	-0.1	-0.1	0.0	0.1
2004	3.1	-2.7	0.4	0.3	0.2	0.1	0.2	-0.1	-0.3	0.1	0.0	0.0	-0.1	0.2

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) The borrowing requirement is by definition equal to transactions in debt.
- 3) 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).
- 4) Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.
- 5) 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.
- 6) Holders resident in the country whose government has issued the debt.
- 7) Includes residents of euro area countries other than the country whose government has issued the debt.
- 8) Including proceeds from sales of UMTS licences.
- 9) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
- 10) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
- 11) Excluding financial derivatives.

## 6.4 Quarterly revenue, expenditure and deficit/surplus <sup>1)</sup>

(as a percentage of GDP)

### 1. Euro area – quarterly revenue

	Total		Current revenue					Capital revenue		Memo: fiscal burden <sup>2)</sup>
	1	2	Direct taxes	Indirect taxes	Social contributions	Sales	Property income	8	Capital taxes	
1999 Q2	47.8	47.2	13.4	13.5	16.0	2.1	1.4	0.6	0.3	43.1
Q3	44.9	44.3	11.8	13.0	16.0	2.0	0.8	0.5	0.3	41.0
Q4	50.8	50.1	14.2	14.5	16.7	2.8	0.9	0.7	0.3	45.8
2000 Q1	43.7	43.1	11.1	13.1	15.5	1.9	0.7	0.6	0.3	39.9
Q2	47.8	47.2	13.9	13.4	15.8	2.1	1.2	0.6	0.3	43.3
Q3	44.5	44.0	12.0	12.7	15.8	2.0	0.8	0.5	0.2	40.7
Q4	50.0	49.4	13.9	14.1	16.6	2.9	0.9	0.6	0.3	44.9
2001 Q1	42.6	42.1	10.5	12.8	15.3	1.8	0.9	0.5	0.2	38.9
Q2	47.1	46.7	13.5	13.0	15.6	2.0	1.7	0.5	0.2	42.4
Q3	43.8	43.4	11.7	12.4	15.6	1.9	0.9	0.4	0.3	40.0
Q4	49.3	48.8	13.6	13.9	16.3	3.0	1.1	0.5	0.3	44.1
2002 Q1	42.3	41.8	10.2	12.8	15.5	1.7	0.8	0.5	0.2	38.8
Q2	45.9	45.3	12.6	12.8	15.5	2.0	1.6	0.6	0.3	41.2
Q3	43.9	43.4	11.3	12.9	15.5	2.0	0.8	0.5	0.3	40.0
Q4	49.3	48.7	13.5	14.1	16.3	3.0	0.9	0.6	0.3	44.2
2003 Q1	42.3	41.8	9.9	12.9	15.6	1.8	0.7	0.5	0.2	38.7
Q2	46.4	44.8	12.2	12.8	15.8	2.0	1.3	1.6	1.3	42.0
Q3	43.3	42.7	10.9	12.8	15.6	1.9	0.7	0.5	0.2	39.6
Q4	49.6	48.5	13.2	14.3	16.3	2.9	0.8	1.1	0.3	44.1
2004 Q1	41.9	41.3	9.7	13.0	15.4	1.7	0.7	0.5	0.3	38.4
Q2	45.2	44.3	12.2	13.0	15.4	2.0	0.9	0.9	0.6	41.3
Q3	43.0	42.5	10.8	12.8	15.5	1.9	0.7	0.5	0.3	39.3
Q4	49.7	48.6	13.1	14.6	16.3	2.9	0.8	1.1	0.4	44.3
2005 Q1	42.6	42.0	10.1	13.1	15.5	1.7	0.7	0.6	0.2	38.9
Q2	44.6	43.9	11.9	13.0	15.3	2.0	0.9	0.7	0.3	40.5

### 2. Euro area – quarterly expenditure and deficit/surplus

	Total		Current expenditure						Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
	1	2	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social		Investment	Capital transfers		
								benefits	Subsidies			9	10
1999 Q2	47.4	43.8	10.5	4.6	4.1	24.5	21.3	1.5	3.6	2.4	1.2	0.4	4.5
Q3	47.4	43.7	10.3	4.6	4.0	24.9	21.2	1.6	3.7	2.5	1.2	-2.5	1.5
Q4	50.5	45.8	11.0	5.3	3.7	25.8	22.2	1.7	4.7	3.1	1.7	0.3	4.0
2000 Q1	46.2	42.9	10.2	4.5	4.1	24.1	20.9	1.2	3.4	2.0	1.4	-2.6	1.5
Q2	46.6	43.2	10.4	4.6	3.9	24.3	21.0	1.4	3.5	2.4	1.2	1.2	5.0
Q3	43.3	42.9	10.1	4.5	4.0	24.3	20.9	1.5	0.4	2.5	1.1	1.2	5.2
Q4	49.6	45.8	11.0	5.2	3.7	25.8	21.9	1.6	3.9	3.1	1.6	0.3	4.1
2001 Q1	45.8	42.4	10.1	4.1	4.0	24.1	21.0	1.2	3.4	2.0	1.5	-3.2	0.8
Q2	46.7	43.1	10.3	4.6	3.9	24.3	20.9	1.4	3.5	2.4	1.2	0.4	4.3
Q3	46.7	42.9	10.1	4.6	3.9	24.3	21.0	1.5	3.8	2.5	1.3	-2.8	1.1
Q4	51.1	46.0	10.9	5.5	3.6	25.9	22.1	1.6	5.0	3.2	1.8	-1.8	1.8
2002 Q1	46.3	42.8	10.4	4.2	3.7	24.5	21.3	1.2	3.5	1.9	1.5	-4.0	-0.3
Q2	47.0	43.5	10.4	4.9	3.6	24.6	21.3	1.4	3.5	2.3	1.2	-1.1	2.5
Q3	47.3	43.5	10.1	4.7	3.6	25.1	21.5	1.4	3.8	2.5	1.3	-3.4	0.2
Q4	51.0	46.5	11.0	5.5	3.4	26.5	22.7	1.6	4.5	2.8	1.7	-1.7	1.7
2003 Q1	47.0	43.5	10.4	4.4	3.6	25.1	21.7	1.2	3.5	1.9	1.6	-4.7	-1.1
Q2	47.8	44.1	10.5	4.7	3.5	25.5	21.9	1.4	3.6	2.4	1.2	-1.4	2.1
Q3	47.5	43.7	10.3	4.7	3.3	25.4	21.8	1.4	3.8	2.6	1.2	-4.2	-0.9
Q4	51.4	46.5	11.0	5.7	3.1	26.7	22.9	1.5	4.9	3.3	1.7	-1.8	1.3
2004 Q1	46.7	43.3	10.4	4.4	3.3	25.1	21.6	1.1	3.4	2.0	1.4	-4.8	-1.5
Q2	46.9	43.5	10.5	4.7	3.2	25.0	21.6	1.3	3.4	2.4	1.1	-1.7	1.5
Q3	46.5	43.0	10.1	4.5	3.2	25.1	21.6	1.3	3.5	2.5	1.0	-3.5	-0.2
Q4	50.9	45.9	10.9	5.6	3.0	26.3	22.6	1.4	5.0	3.1	1.9	-1.2	1.9
2005 Q1	46.8	43.3	10.3	4.4	3.3	25.3	21.6	1.1	3.5	1.9	1.6	-4.2	-0.9
Q2	46.5	43.0	10.3	4.8	3.1	24.8	21.4	1.3	3.4	2.3	1.1	-1.9	1.3

Source: ECB calculations based on Eurostat and national data.

- 1) Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions involving the EU budget are not included. Including these transactions would increase both revenue and expenditure by, on average, about 0.2% of GDP. Otherwise, and except for different data transmission deadlines, the quarterly data are consistent with the annual data. The data are not seasonally adjusted.
- 2) The fiscal burden comprises taxes and social contributions.

## 6.5 Quarterly debt and change in debt

(as a percentage of GDP)

### 1. Euro area – Maastricht debt by financial instrument<sup>1)</sup>

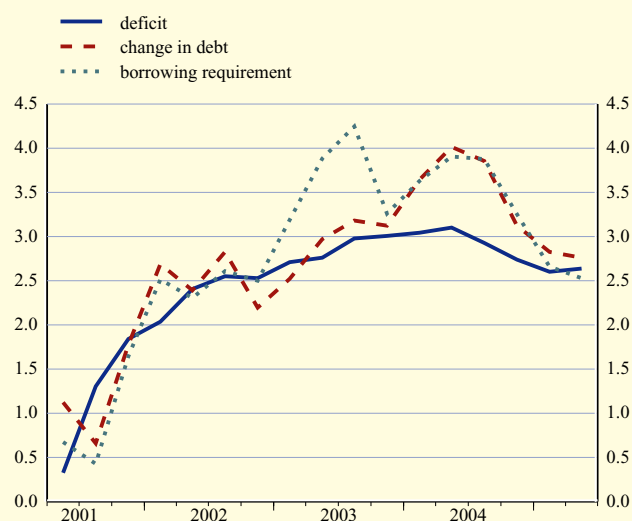
	Total 1	Financial instruments			
		Coins and deposits 2	Loans 3	Short-term securities 4	Long-term securities 5
2002 Q3	69.2	2.6	11.9	4.5	50.3
Q4	68.5	2.7	11.8	4.5	49.4
2003 Q1	69.7	2.6	11.9	5.2	50.1
Q2	70.2	2.6	11.7	5.7	50.2
Q3	70.5	2.7	11.7	5.5	50.6
Q4	69.8	2.0	12.4	4.9	50.4
2004 Q1	71.4	2.0	12.5	5.4	51.5
Q2	71.8	2.1	12.3	5.7	51.7
Q3	71.8	2.2	12.1	5.5	51.9
Q4	70.2	2.2	11.9	4.7	51.4
2005 Q1	71.7	2.1	12.0	4.9	52.7
Q2	72.3	2.3	11.7	5.1	53.2

### 2. Euro area – deficit-debt adjustment

	Change in debt 1	Deficit (-)/ surplus (+) 2	Deficit-debt adjustment								Memo: Borrowing requirement 11
			Total 3	Transactions in main financial assets held by general government					Valuation effects and other changes in volume 9	Other 10	
				Total 4	Currency and deposits 5	Securities 6	Loans 7	Shares and other equity 8			
2002 Q3	2.1	-3.4	-1.2	-2.4	-2.5	-0.1	0.0	0.2	0.7	0.5	1.5
Q4	-0.7	-1.7	-2.4	0.6	0.3	0.0	0.4	-0.1	-2.8	-0.2	2.1
2003 Q1	7.1	-4.7	2.4	2.8	1.9	0.2	0.5	0.3	-0.7	0.3	7.8
Q2	3.5	-1.4	2.2	3.1	2.2	0.0	0.1	0.9	-0.7	-0.3	4.3
Q3	3.0	-4.2	-1.2	-1.6	-1.6	-0.1	0.0	0.1	0.0	0.4	3.0
Q4	-0.8	-1.8	-2.6	-3.6	-2.2	-0.1	-0.6	-0.7	0.8	0.1	-1.6
2004 Q1	9.0	-4.8	4.2	1.9	1.2	0.2	0.5	0.0	-0.1	2.4	9.1
Q2	5.0	-1.7	3.3	3.8	3.4	0.3	0.0	0.1	-0.3	-0.2	5.3
Q3	2.4	-3.5	-1.0	-0.8	-1.2	0.1	0.1	0.1	-0.5	0.3	2.9
Q4	-3.4	-1.2	-4.6	-3.5	-2.6	-0.2	0.1	-0.7	0.4	-1.5	-3.8
2005 Q1	7.6	-4.2	3.5	2.2	1.7	0.4	0.1	0.0	1.1	0.2	6.6
Q2	4.7	-1.9	2.8	3.3	2.7	0.4	0.1	0.1	-0.1	-0.4	4.7

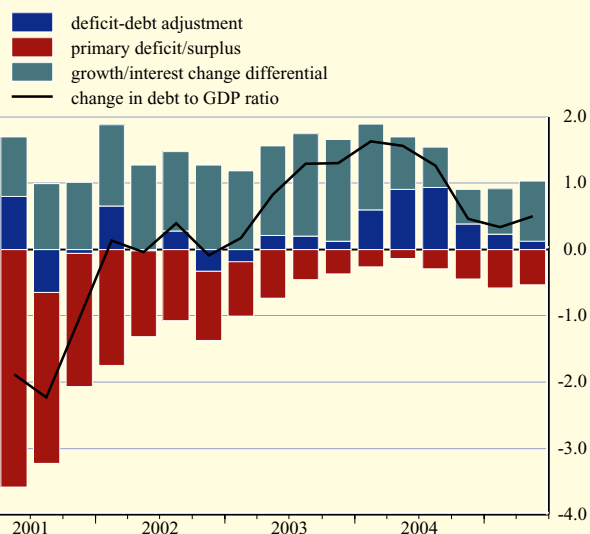
### C26 Deficit, borrowing requirement and change in debt

(four-quarter moving sum as a percentage of GDP)



### C27 Maastricht debt

(annual change in the debt to GDP ratio and underlying factors)



Source: ECB calculations based on Eurostat and national data.

1) The stock data in quarter t are expressed as a percentage of the sum of GDP in t and the previous three quarters.



# EXTERNAL TRANSACTIONS AND POSITIONS

## 7.1 Balance of payments

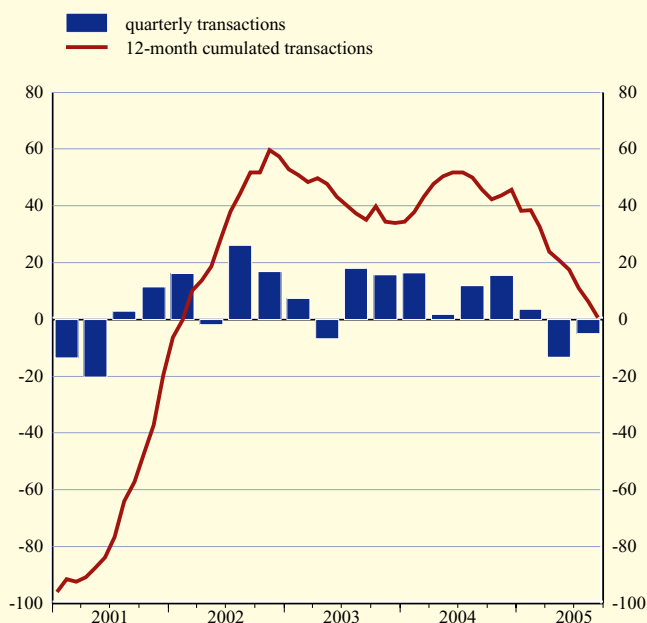
(EUR billions; net transactions)

### 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
2002	57.3	130.2	13.7	-37.6	-49.0	10.2	67.6	-15.2	21.9	136.3	-11.0	-159.9	-2.6	-52.3
2003	33.9	108.2	19.5	-37.4	-56.4	12.9	46.8	4.1	-1.7	68.9	-11.2	-80.2	28.2	-50.9
2004	45.6	106.7	28.3	-33.1	-56.3	17.4	63.0	-8.3	-46.8	71.2	-4.8	-40.4	12.5	-54.7
2004 Q3	11.9	24.5	9.2	-4.0	-17.8	4.1	15.9	1.0	8.4	8.8	-2.3	-17.4	3.5	-16.9
Q4	15.5	21.6	6.3	1.9	-14.3	5.9	21.4	2.3	-19.9	30.7	-4.1	-6.8	2.4	-23.7
2005 Q1	3.5	15.6	3.2	-3.0	-12.2	1.1	4.6	25.9	-20.0	3.8	-7.2	44.5	4.8	-30.5
Q2	-13.3	18.8	9.5	-25.5	-16.1	3.9	-9.4	46.0	-11.6	106.7	3.2	-55.3	3.1	-36.6
Q3	-5.1	16.2	7.8	-10.3	-18.8	2.9	-2.2	15.5	-94.1	69.8	-7.7	45.5	2.0	-13.3
2004 Sep.	1.0	5.4	3.2	-1.7	-5.9	1.2	2.1	3.6	1.9	38.0	2.5	-38.3	-0.5	-5.7
Oct.	3.2	8.9	4.1	-4.1	-5.7	0.7	3.8	-16.4	-10.4	9.8	-3.7	-13.1	0.9	12.6
Nov.	4.6	5.2	0.8	3.1	-4.5	1.1	5.7	13.2	-9.1	-22.4	1.8	42.9	0.0	-18.9
Dec.	7.7	7.5	1.4	3.0	-4.1	4.1	11.9	5.6	-0.4	43.3	-2.1	-36.6	1.5	-17.4
2005 Jan.	-5.8	1.4	0.5	-4.1	-3.6	-0.8	-6.6	18.3	-10.5	-17.3	-3.4	51.0	-1.6	-11.7
Feb.	5.9	5.9	1.2	1.4	-2.6	1.1	6.9	27.1	-2.7	23.3	1.3	0.4	4.9	-34.0
Mar.	3.5	8.3	1.5	-0.4	-6.0	0.8	4.3	-19.4	-6.8	-2.1	-5.0	-7.0	1.5	15.1
Apr.	-10.7	4.0	2.6	-13.0	-4.3	0.2	-10.5	-11.5	-11.6	-14.5	-0.4	15.8	-0.8	22.0
May	-2.8	6.1	3.0	-6.7	-5.3	1.6	-1.2	39.5	8.2	19.7	0.6	8.5	2.6	-38.3
June	0.2	8.7	3.9	-5.8	-6.5	2.1	2.3	18.0	-8.2	101.5	3.0	-79.7	1.3	-20.3
July	1.3	9.9	3.8	-6.8	-5.6	0.9	2.2	-1.9	-81.2	75.3	0.7	0.8	2.4	-0.3
Aug.	-1.7	2.1	1.8	0.0	-5.6	0.8	-0.9	-5.3	-15.0	-19.5	-6.3	35.6	-0.1	6.2
Sep.	-4.8	4.2	2.3	-3.6	-7.6	1.2	-3.6	22.8	2.1	13.9	-2.1	9.2	-0.3	-19.2
<i>12-month cumulated transactions</i>														
2005 Sep.	0.5	72.1	26.9	-37.0	-61.4	13.8	14.4	89.8	-145.6	211.0	-15.8	27.9	12.3	-104.2

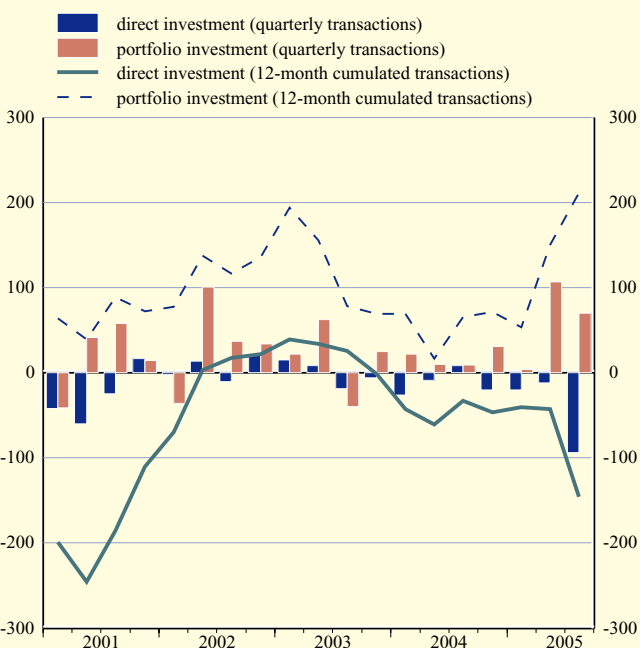
### C28 B.o.p. current account balance

(EUR billions)



### C29 B.o.p. net direct and portfolio investment

(EUR billions)



Source: ECB.

## 7.1 Balance of payments

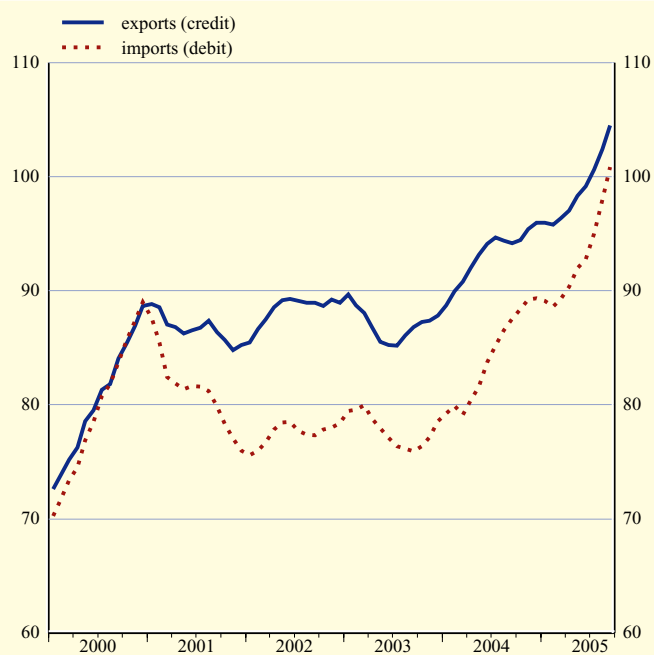
(EUR billions; transactions)

### 2. 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	
2002	1,723.5	1,666.2	57.3	1,061.6	931.4	331.1	317.4	245.7	283.3	85.1	134.1	19.1	8.9
2003	1,691.0	1,657.1	33.9	1,041.2	933.0	331.9	312.3	236.3	273.6	81.7	138.1	23.7	10.8
2004	1,840.7	1,795.1	45.6	1,133.1	1,026.4	360.3	332.0	266.2	299.3	81.0	137.3	24.0	6.6
2004 Q3	458.4	446.5	11.9	280.7	256.2	98.0	88.8	63.7	67.8	15.9	33.7	5.8	1.7
Q4	485.0	469.5	15.5	299.9	278.3	92.6	86.2	74.5	72.6	18.0	32.3	7.6	1.7
2005 Q1	460.5	457.0	3.5	278.9	263.3	83.9	80.7	65.3	68.4	32.3	44.5	4.8	3.7
Q2	496.7	510.0	-13.3	304.3	285.5	95.0	85.5	80.8	106.3	16.6	32.7	5.7	1.8
Q3	497.1	502.2	-5.1	309.8	293.6	101.6	93.8	70.5	80.8	15.2	34.0	4.4	1.5
2005 July	167.2	165.9	1.3	103.5	93.7	35.3	31.5	23.3	30.0	5.1	10.7	1.3	0.5
Aug.	160.0	161.7	-1.7	97.9	95.7	33.2	31.4	23.4	23.4	5.6	11.1	1.4	0.6
Sep.	169.8	174.6	-4.8	108.4	104.2	33.1	30.8	23.8	27.4	4.6	12.1	1.7	0.5
	Seasonally adjusted												
2004 Q3	460.3	454.8	5.4	282.5	262.7	91.1	83.4	66.1	73.5	20.6	35.3	.	.
Q4	470.3	460.4	9.9	287.8	268.0	91.0	83.8	71.4	74.8	20.1	33.9	.	.
2005 Q1	473.7	469.2	4.5	289.0	267.8	93.2	85.8	70.7	77.4	20.8	38.2	.	.
Q2	485.9	485.4	0.5	297.4	278.3	93.3	87.0	73.7	85.6	21.5	34.6	.	.
Q3	501.4	514.2	-12.8	313.5	302.5	94.7	88.5	73.5	87.9	19.7	35.3	.	.
2005 Jan.	156.5	157.6	-1.1	95.8	88.6	30.9	28.3	22.8	25.9	6.9	14.8	.	.
Feb.	157.1	152.8	4.3	95.8	88.8	31.1	28.7	23.3	24.6	6.9	10.7	.	.
Mar.	160.1	158.8	1.3	97.3	90.4	31.2	28.8	24.6	27.0	7.0	12.7	.	.
Apr.	161.2	161.5	-0.3	98.0	91.8	30.9	28.3	24.9	30.0	7.5	11.4	.	.
May	162.3	161.7	0.6	99.6	93.8	31.0	29.4	24.7	27.1	6.9	11.6	.	.
June	162.4	162.2	0.2	99.9	92.8	31.4	29.3	24.1	28.6	7.1	11.5	.	.
July	165.3	168.5	-3.2	102.4	98.4	31.7	29.6	24.3	29.5	6.8	11.0	.	.
Aug.	168.3	173.3	-5.0	105.0	102.7	31.4	29.2	24.9	29.2	7.0	12.2	.	.
Sep.	167.8	172.4	-4.5	106.1	101.3	31.6	29.7	24.3	29.2	5.9	12.1	.	.

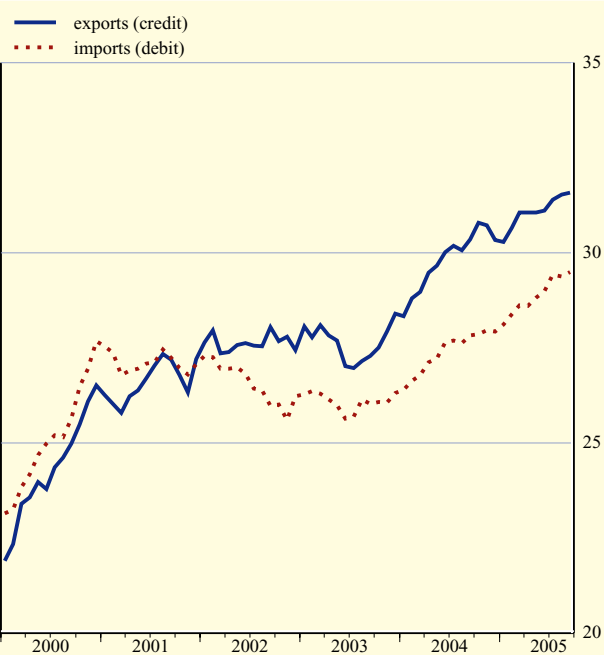
### C30 B.o.p. goods

(EUR billions, seasonally adjusted; three-month moving average)



### C31 B.o.p. services

(EUR billions, seasonally adjusted; three-month moving average)



Source: ECB.

## 7.1 Balance of payments

(EUR billions)

## 3. Income account

(transactions)

	Compensation of employees		Investment income											
	Credit	Debit	Total		Direct investment				Portfolio investment				Other investment	
			Credit	Debit	Equity		Debt		Equity		Debt		Credit	Debit
					Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2002	15.1	6.2	230.6	277.1	54.9	55.2	7.5	7.1	19.9	52.1	65.4	71.9	83.0	90.8
2003	14.8	6.1	221.4	267.5	59.4	52.6	10.0	9.7	18.6	53.5	65.7	79.1	67.8	72.6
2004	15.2	6.2	251.0	293.1	77.8	67.5	11.7	12.3	24.0	57.3	74.6	84.3	63.0	71.6
2004 Q2	3.7	1.6	64.8	90.7	20.2	20.0	3.1	3.1	8.2	26.2	17.8	23.9	15.4	17.5
Q3	3.8	1.8	59.9	66.0	16.5	16.3	2.5	2.9	5.7	11.3	19.3	17.6	15.9	17.8
Q4	4.0	1.6	70.5	71.0	25.5	15.1	3.0	3.5	5.4	10.4	19.5	22.7	17.1	19.4
2005 Q1	3.7	1.4	61.7	67.0	15.6	13.2	2.8	2.9	6.1	11.2	19.2	19.1	18.0	20.5
Q2	3.7	1.7	77.1	104.5	24.2	23.8	3.1	3.5	9.6	30.2	21.7	24.1	18.5	22.8

## 4. Direct investment

(net transactions)

	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
2002	-170.1	-175.9	-22.8	-153.2	5.9	0.0	5.9	192.0	141.4	2.1	139.3	50.5	0.5	50.1
2003	-139.7	-122.6	-2.3	-120.3	-17.1	0.0	-17.1	138.0	120.4	3.1	117.4	17.6	0.1	17.5
2004	-130.8	-141.6	-18.5	-123.0	10.8	0.1	10.7	84.0	76.6	1.2	75.5	7.4	0.7	6.7
2004 Q3	-15.4	-26.9	-1.2	-25.7	11.4	0.0	11.4	23.9	19.6	0.6	19.0	4.3	0.4	3.9
Q4	-65.2	-68.6	-8.6	-60.0	3.4	0.1	3.3	45.4	36.4	1.0	35.4	9.0	-0.1	9.1
2005 Q1	-32.3	-15.5	-2.4	-13.0	-16.9	0.1	-16.9	12.3	12.2	0.3	11.8	0.1	0.3	-0.2
Q2	-27.0	-21.4	-2.1	-19.3	-5.7	0.0	-5.7	15.4	4.6	0.6	4.0	10.9	-0.1	11.0
Q3	-104.0	-80.4	-3.8	-76.6	-23.6	0.0	-23.6	9.9	-2.7	0.5	-3.2	12.6	0.1	12.4
2004 Sep.	-6.4	-4.4	-1.2	-3.2	-2.0	0.0	-2.0	8.4	9.6	0.2	9.4	-1.3	0.1	-1.3
Oct.	-29.6	-23.0	-0.2	-22.7	-6.6	0.0	-6.7	19.3	11.0	0.3	10.7	8.3	-0.1	8.4
Nov.	-29.9	-25.7	-13.2	-12.5	-4.2	0.1	-4.3	20.8	11.4	0.2	11.2	9.5	0.2	9.2
Dec.	-5.7	-20.0	4.8	-24.8	14.3	0.0	14.3	5.3	14.0	0.6	13.5	-8.8	-0.2	-8.6
2005 Jan.	-13.9	-7.7	-0.5	-7.2	-6.2	0.0	-6.2	3.4	4.7	0.1	4.7	-1.3	0.1	-1.4
Feb.	-5.9	-2.1	-1.2	-0.9	-3.9	0.0	-3.9	3.2	2.9	0.3	2.6	0.3	0.1	0.2
Mar.	-12.5	-5.7	-0.8	-4.9	-6.8	0.1	-6.9	5.7	4.5	-0.1	4.6	1.2	0.2	1.0
Apr.	-16.0	1.5	-1.9	3.4	-17.5	0.0	-17.5	4.4	7.8	-0.1	7.9	-3.4	0.1	-3.5
May	8.5	-4.3	-0.6	-3.7	12.9	0.0	12.9	-0.4	-2.6	0.3	-2.9	2.2	0.0	2.2
June	-19.6	-18.5	0.4	-18.9	-1.1	0.0	-1.1	11.4	-0.6	0.4	-1.0	12.0	-0.3	12.3
July	-82.6	-74.8	-2.7	-72.0	-7.8	0.0	-7.8	1.4	3.6	0.2	3.4	-2.2	0.0	-2.2
Aug.	-11.7	-4.0	-0.5	-3.5	-7.8	0.0	-7.7	-3.3	-3.2	0.1	-3.3	-0.1	-0.1	0.0
Sep.	-9.6	-1.6	-0.6	-1.0	-8.0	0.0	-8.0	11.7	-3.1	0.2	-3.3	14.8	0.2	14.6

Source: ECB.



## 7.1 Balance of payments

(EUR billions; transactions)

### 5. Portfolio investment by instrument and sector of holder

	Equity				Debt instruments										
	Assets				Liabilities	Bonds and notes					Money market instruments				
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		Eurosystem	MFIs excluding Eurosystem	Non-MFIs		Liabilities	
			General gov.		General gov.			General gov.							
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2002	-0.4	-7.4	-31.2	-4.4	85.4	-0.6	-17.4	-70.7	-0.9	167.4	2.0	-31.9	-18.8	-1.1	59.8
2003	-0.3	-13.9	-63.1	-2.6	111.6	-2.4	-45.0	-129.4	-0.2	197.5	0.2	-45.9	21.6	0.6	38.0
2004	0.0	-22.4	-80.4	-3.4	137.5	1.2	-81.4	-94.7	-2.1	255.8	-0.1	-43.3	-9.7	0.1	8.6
2004 Q3	0.0	-2.5	-7.3	-1.0	39.5	0.7	-23.3	-20.4	-0.4	51.7	0.0	-14.7	-4.8	-0.7	-10.1
Q4	0.0	-0.9	-23.8	-0.2	82.9	0.6	-20.9	-27.2	-0.5	41.3	-0.1	-12.2	5.6	4.3	-14.6
2005 Q1	0.0	-27.5	-20.6	-0.9	36.5	-0.1	-35.4	-38.9	-0.3	45.3	0.3	5.9	-6.6	-3.7	45.1
Q2	0.0	21.7	-22.4	-0.6	27.6	-0.7	-40.5	-33.1	-0.1	155.7	-0.4	-9.7	-4.6	-2.3	13.1
Q3	-0.1	-5.8	-15.6	.	137.6	-0.4	-19.6	-55.7	.	24.4	0.1	-7.4	-8.4	.	20.8
2004 Sep.	0.0	10.6	1.5	-	12.7	0.6	1.9	-17.6	-	41.3	-0.2	7.5	-3.8	-	-16.4
Oct.	0.0	-3.7	-10.7	-	22.1	0.2	-13.4	-6.8	-	18.0	-0.1	0.7	0.0	-	3.6
Nov.	0.0	-9.1	-7.2	-	22.7	0.3	-5.9	-12.5	-	8.0	0.2	-14.3	4.7	-	-9.2
Dec.	0.0	11.9	-5.9	-	38.2	0.1	-1.5	-7.9	-	15.3	-0.2	1.5	0.9	-	-9.0
2005 Jan.	0.0	-9.2	-7.7	-	10.5	-0.1	-27.0	-2.1	-	4.9	0.2	-4.1	-5.9	-	23.1
Feb.	0.0	-16.5	-3.7	-	9.2	-0.2	-4.0	-16.4	-	37.5	0.1	17.2	-1.9	-	1.9
Mar.	0.0	-1.8	-9.3	-	16.8	0.2	-4.5	-20.4	-	2.9	0.0	-7.3	1.2	-	20.1
Apr.	0.0	9.9	-5.3	-	-47.5	-0.9	-13.3	-10.6	-	51.9	-0.3	-10.6	2.0	-	10.1
May	0.0	6.7	-15.5	-	22.8	-0.1	-16.1	-5.3	-	27.8	0.0	-2.4	-6.2	-	8.0
June	0.0	5.1	-1.6	-	52.3	0.2	-11.1	-17.2	-	75.9	0.0	3.4	-0.4	-	-5.1
July	-0.1	-3.5	-11.1	-	105.0	0.3	-1.8	-17.6	-	2.6	-0.6	0.4	-0.1	-	1.8
Aug.	0.0	2.0	-4.8	-	23.0	-0.5	-5.2	-15.9	-	-10.7	0.3	-11.6	-1.6	-	5.6
Sep.	0.0	-4.2	0.3	-	9.5	-0.2	-12.6	-22.1	-	32.4	0.4	3.8	-6.8	-	13.4

### 6. Other investment by sector

	Total		Eurosystem		General government		MFIs (excluding Eurosystem)						Other sectors			
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Total		Long-term		Short-term		Assets	Liabilities		
							Assets	Liabilities	Assets	Liabilities	Assets	Liabilities				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
2002	-225.4	65.5	-0.9	19.3	-0.1	-	-8.0	-168.0	25.8	-34.9	52.5	-133.1	-26.7	-56.4	-	28.4
2003	-254.1	173.9	-0.8	10.0	-0.4	-	-3.4	-152.4	134.8	-50.7	52.3	-101.7	82.5	-100.5	-	32.6
2004	-314.3	273.9	-0.2	7.1	-2.2	-2.0	-2.6	-259.6	246.9	-20.0	-3.3	-239.6	250.2	-52.4	-13.2	22.5
2004 Q3	-32.8	15.4	-1.5	3.2	0.2	-0.2	2.3	-23.8	6.5	-7.9	-6.0	-15.9	12.4	-7.7	-12.9	3.4
Q4	-71.8	65.0	1.4	3.5	3.1	3.7	-1.6	-73.8	58.8	0.9	-0.9	-74.6	59.7	-2.5	10.3	4.4
2005 Q1	-170.6	215.1	0.5	4.7	4.0	2.7	0.3	-126.8	195.8	-21.5	10.3	-105.2	185.6	-48.3	-19.0	14.2
Q2	-160.4	105.1	-1.3	0.4	-7.4	-8.4	-1.8	-97.4	45.2	-18.7	22.2	-78.7	23.0	-54.3	13.2	61.3
Q3	-81.8	127.3	0.4	4.2	7.9	5.3	1.1	-75.1	118.7	-37.2	15.1	-37.9	103.6	-15.0	-12.0	3.3
2004 Sep.	-52.4	14.1	-0.8	1.6	0.8	0.7	2.8	-39.7	0.7	-7.6	5.3	-32.0	-4.7	-12.8	-9.3	9.2
Oct.	-15.9	2.9	0.0	1.2	2.0	2.3	0.1	-9.6	-0.5	8.4	7.0	-18.0	-7.6	-8.3	-1.3	2.0
Nov.	-66.1	109.0	0.8	2.0	-0.7	-0.8	1.0	-59.9	97.1	-0.3	3.2	-59.5	94.0	-6.3	-0.9	9.0
Dec.	10.2	-46.9	0.7	0.3	1.8	2.2	-2.7	-4.3	-37.9	-7.2	-11.2	2.9	-26.7	12.1	12.5	-6.7
2005 Jan.	-50.4	101.4	0.7	3.9	0.2	-1.3	2.6	-33.8	95.4	-9.0	12.9	-24.9	82.5	-17.4	-16.1	-0.5
Feb.	-65.5	65.9	0.1	-3.5	-1.8	0.3	-4.3	-60.8	61.8	-8.2	4.6	-52.6	57.2	-3.0	5.2	11.9
Mar.	-54.7	47.8	-0.2	4.3	5.5	3.7	2.0	-32.1	38.6	-4.4	-7.2	-27.8	45.8	-27.9	-8.0	2.9
Apr.	-120.3	136.1	0.1	-0.2	-5.1	-5.2	-2.1	-98.0	94.5	-9.1	0.0	-89.0	94.5	-17.2	11.6	43.9
May	-13.0	21.5	-0.8	-0.2	0.2	2.3	0.5	17.5	20.9	-3.4	10.9	20.9	10.0	-30.0	-4.2	0.4
June	-27.1	-52.6	-0.7	0.8	-2.5	-5.5	-0.2	-16.8	-70.2	-6.2	11.3	-10.6	-81.5	-7.1	5.8	17.0
July	-40.4	41.2	0.0	-1.1	-0.6	-4.3	0.8	-34.4	42.0	-10.3	3.4	-24.1	38.6	-5.4	-5.5	-0.5
Aug.	28.3	7.3	0.2	0.8	6.3	8.6	0.5	24.1	0.7	-6.4	4.1	30.6	-3.4	-2.3	-1.9	5.3
Sep.	-69.7	78.9	0.2	4.5	2.2	1.0	-0.2	-64.8	76.0	-20.4	7.6	-44.4	68.4	-7.3	-4.6	-1.5

Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

## 7. Other investment by sector and instrument

	Eurosystem				General government							
	Assets		Liabilities		Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
1	2	3	4	5	6	7	8	9	10	11	12	
2002	-0.9	0.0	19.3	0.0	1.5	-0.4	-	-	-1.1	0.0	-7.8	-0.3
2003	-0.8	0.0	10.0	0.0	-0.1	0.7	-	-	-1.0	0.0	-3.7	0.3
2004	0.1	-0.3	7.1	0.1	0.0	-0.3	1.8	-2.0	-2.0	0.0	-2.6	0.0
2004 Q2	0.8	0.0	1.5	0.2	0.0	-4.6	0.3	-4.9	-0.4	0.0	2.9	0.2
Q3	-1.5	0.0	3.3	-0.1	0.0	0.5	0.7	-0.2	-0.3	0.0	2.2	0.1
Q4	1.7	-0.3	3.5	0.0	0.0	3.6	-0.1	3.7	-0.5	0.0	-1.6	-0.1
2005 Q1	0.5	0.0	4.7	0.0	0.0	4.4	1.7	2.7	-0.5	0.0	0.6	-0.2
Q2	-1.2	-0.1	0.4	0.0	0.0	-6.8	1.6	-8.4	-0.5	0.0	-1.8	0.0

	MFIs (excluding Eurosystem)				Other sectors							
	Assets		Liabilities		Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
13	14	15	16	17	18	19	20	21	22	23	24	
2002	-163.0	-5.0	27.9	-2.1	-1.9	-51.0	-	-	-3.5	-3.7	25.5	6.6
2003	-151.9	-0.5	134.8	-0.1	-1.2	-97.1	-	-	-2.3	4.1	28.3	0.1
2004	-256.5	-3.1	244.0	2.9	-6.0	-41.3	-28.1	-13.2	-5.0	8.6	11.7	2.2
2004 Q2	-4.8	-0.6	22.5	0.1	-4.9	-8.9	-16.9	8.0	-0.9	3.3	-6.4	-2.2
Q3	-22.1	-1.7	4.9	1.5	1.8	-8.7	4.2	-12.9	-0.8	0.0	-0.3	3.7
Q4	-75.6	1.8	59.1	-0.3	-0.1	-0.8	-11.2	10.3	-1.6	2.5	2.4	-0.5
2005 Q1	-124.8	-1.9	193.0	2.8	-2.8	-42.7	-23.8	-19.0	-2.8	2.9	6.2	5.2
Q2	-97.2	-0.2	44.0	1.2	-5.0	-47.3	-60.5	13.2	-2.0	1.1	58.6	1.6

## 8. 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	
2002	-2.6	0.7	0.2	-2.0	-1.5	-1.7	-17.1	0.0	8.5	8.9	-0.2	0.0
2003	28.2	1.7	0.0	-1.6	28.1	-2.5	1.9	-0.1	22.1	6.7	0.1	0.0
2004	12.5	1.2	0.5	4.0	6.9	-3.8	4.0	0.3	18.7	-12.2	-0.1	0.0
2004 Q2	-2.8	0.5	0.1	0.6	-4.0	-3.3	2.2	0.0	5.4	-8.3	0.1	0.0
Q3	3.5	0.0	-0.1	1.5	2.1	2.6	-3.6	0.1	1.4	1.7	0.0	0.0
Q4	2.4	0.8	0.5	1.1	0.0	-3.9	3.4	-0.1	3.4	-2.8	-0.1	0.0
2005 Q1	4.8	0.8	0.0	1.6	2.4	5.2	-1.1	0.0	1.1	-2.7	0.0	0.0
Q2	3.1	1.3	0.0	1.3	0.5	-4.4	1.1	0.0	0.8	3.0	0.0	0.0

Source: ECB.

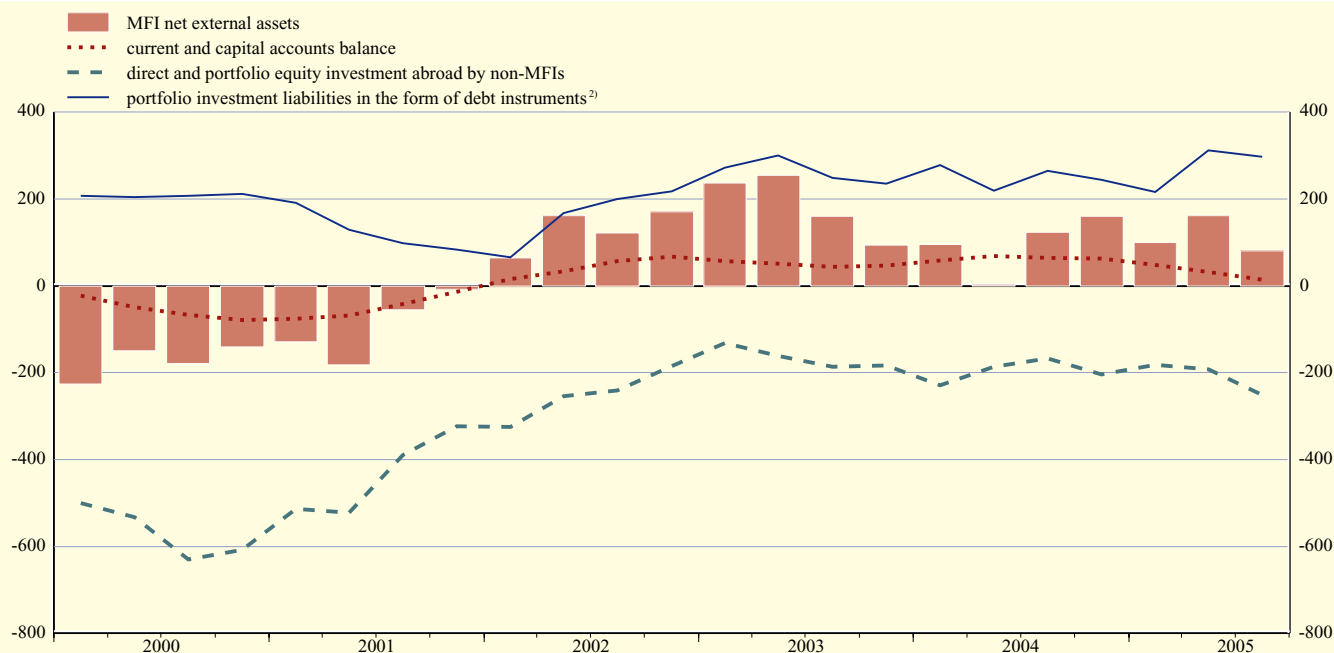
## 7.2 Monetary presentation of the balance of payments

(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 Non-MFIs	Liabilities		Assets Non-MFIs	Liabilities Non-MFIs				
					Equity <sup>1)</sup>	Debt instruments <sup>2)</sup>						
1	2	3	4	5	6	7	8	9	10	11	12	
2002	67.6	-147.3	191.5	-120.6	49.1	217.5	-56.5	20.3	-11.0	-52.3	158.2	170.4
2003	46.8	-137.4	137.9	-170.9	115.9	235.8	-100.9	29.2	-11.2	-50.9	94.3	94.1
2004	63.0	-112.4	83.3	-184.8	127.5	244.5	-54.6	19.9	-4.8	-54.7	127.0	160.8
2004 Q3	15.9	-14.3	23.5	-32.5	38.6	53.2	-7.5	5.8	-2.3	-16.9	63.4	63.7
Q4	21.4	-56.7	45.4	-45.4	90.3	13.3	0.6	2.7	-4.1	-23.7	43.9	57.2
2005 Q1	4.6	-30.0	12.0	-66.2	29.3	71.2	-44.4	14.6	-7.2	-30.5	-46.6	-24.8
Q2	-9.4	-25.0	15.6	-60.2	1.8	174.4	-61.7	59.5	3.2	-36.6	61.6	65.0
Q3	-2.2	-100.1	9.8	-79.7	142.2	39.2	-7.1	4.4	-7.7	-13.3	-14.6	-17.2
2004 Sep.	2.1	-5.3	8.3	-19.9	16.2	34.1	-12.0	11.9	2.5	-5.7	32.2	34.8
Oct.	3.8	-29.4	19.4	-17.5	20.8	18.7	-6.3	2.1	-3.7	12.6	20.5	20.5
Nov.	5.7	-16.8	20.6	-15.0	26.5	-3.4	-7.0	10.0	1.8	-18.9	3.5	10.4
Dec.	11.9	-10.5	5.4	-12.9	43.0	-2.0	13.9	-9.4	-2.1	-17.4	19.8	26.4
2005 Jan.	-6.6	-13.4	3.3	-15.7	7.4	22.9	-17.2	2.1	-3.4	-11.7	-32.2	-15.7
Feb.	6.9	-4.8	3.1	-22.0	16.4	35.8	-4.8	7.6	1.3	-34.0	5.5	13.6
Mar.	4.3	-11.8	5.5	-28.6	5.5	12.5	-22.4	4.9	-5.0	15.1	-19.9	-22.7
Apr.	-10.5	-14.1	4.3	-13.9	-57.9	59.2	-22.4	41.8	-0.4	22.0	8.1	2.3
May	-1.2	9.1	-0.4	-27.0	11.1	33.8	-29.7	0.8	0.6	-38.3	-41.2	-39.5
June	2.3	-20.0	11.7	-19.3	48.6	81.4	-9.6	16.8	3.0	-20.3	94.7	102.2
July	2.2	-79.9	1.4	-28.8	112.0	2.6	-6.0	0.3	0.7	-0.3	4.3	0.6
Aug.	-0.9	-11.2	-3.2	-22.3	24.7	-6.2	3.9	5.7	-6.3	6.2	-9.6	1.7
Sep.	-3.6	-9.0	11.5	-28.6	5.5	42.8	-5.1	-1.6	-2.1	-19.2	-9.3	-19.5
	<i>12-month cumulated transactions</i>											
2005 Sep.	14.4	-211.8	82.7	-251.5	263.6	298.1	-112.6	81.1	-15.8	-104.2	44.2	80.2

## C32 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 Geographical breakdown of the balance of payments and international investment position (EUR billions)

#### 1. Balance of payments: current and capital accounts (cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions					
2004 Q3 to 2005 Q2	1	2	3	4	5	6	7	8	9	10	11	12
<b>Credits</b>												
<b>Current account</b>	1,900.5	701.5	39.0	62.8	378.7	161.3	59.6	25.5	49.5	129.6	324.4	670.1
Goods	1,163.8	406.9	26.8	43.4	205.1	131.5	0.2	14.9	33.3	67.3	174.9	466.4
Services	369.5	133.8	7.3	10.3	94.3	17.7	4.2	5.1	10.5	35.6	74.0	110.5
Income	284.4	100.4	4.6	8.7	70.5	10.8	5.8	5.0	5.4	20.5	69.2	84.0
of which: investment income	269.2	95.3	4.5	8.6	69.0	10.6	2.5	4.9	5.3	14.4	67.6	81.7
Current transfers	82.9	60.4	0.4	0.5	8.7	1.3	49.4	0.5	0.2	6.2	6.3	9.2
<b>Capital account</b>	23.9	21.3	0.0	0.1	0.8	0.1	20.3	0.0	0.1	0.3	1.1	1.1
<b>Debits</b>												
<b>Current account</b>	1,883.0	615.2	34.0	59.1	296.8	137.3	88.0	18.7	79.4	120.8	285.2	763.7
Goods	1,083.3	321.2	25.4	39.4	147.0	109.4	0.0	8.6	51.1	53.9	113.7	534.8
Services	341.3	106.6	6.0	7.9	71.0	21.6	0.1	5.1	7.3	29.5	73.4	119.4
Income	315.1	93.8	2.3	10.9	71.3	4.7	4.6	3.3	20.7	32.2	89.7	75.3
of which: investment income	308.5	90.6	2.2	10.9	70.3	2.6	4.5	3.2	20.6	31.7	88.8	73.6
Current transfers	143.3	93.6	0.3	0.9	7.6	1.6	83.3	1.6	0.3	5.2	8.5	34.2
<b>Capital account</b>	8.9	1.0	0.0	0.1	0.6	0.2	0.1	0.1	0.0	0.4	0.6	6.8
<b>Net</b>												
<b>Current account</b>	17.5	86.3	5.0	3.7	81.9	24.0	-28.4	6.8	-29.9	8.8	39.2	-93.7
Goods	80.4	85.7	1.3	4.0	58.1	22.1	0.2	6.3	-17.8	13.4	61.3	-68.4
Services	28.2	27.2	1.3	2.3	23.4	-3.9	4.1	0.0	3.2	6.1	0.6	-8.9
Income	-30.7	6.6	2.3	-2.2	-0.8	6.1	1.2	1.7	-15.3	-11.7	-20.5	8.7
of which: investment income	-39.3	4.7	2.3	-2.3	-1.3	8.0	-2.0	1.7	-15.3	-17.3	-21.2	8.2
Current transfers	-60.4	-33.2	0.1	-0.3	1.2	-0.3	-33.8	-1.1	0.0	1.0	-2.1	-25.0
<b>Capital account</b>	15.0	20.3	0.0	0.0	0.3	-0.1	20.2	-0.1	0.1	-0.1	0.5	-5.7

#### 2. Balance of payments: direct investment (cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2004 Q3 to 2005 Q2	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>Direct investment</b>	-43.1	-27.0	5.1	-0.7	-31.7	0.4	0.0	-2.0	1.3	20.3	10.1	-14.2	-31.6
Abroad	-140.0	-77.9	-0.1	-5.8	-52.3	-19.7	0.0	1.5	-1.5	7.5	-10.3	-20.7	-38.6
Equity/reinvested earnings	-132.3	-65.1	-2.6	-2.4	-36.9	-23.2	0.0	2.1	-1.3	1.1	-22.0	-22.1	-25.2
Other capital	-7.7	-12.8	2.6	-3.4	-15.4	3.4	0.0	-0.6	-0.3	6.4	11.7	1.4	-13.4
In the euro area	96.9	50.9	5.2	5.1	20.5	20.1	0.0	-3.5	2.8	12.8	20.4	6.5	7.0
Equity/reinvested earnings	72.7	41.8	-1.1	4.0	36.5	2.4	0.0	-4.5	1.1	7.5	15.1	10.1	1.6
Other capital	24.2	9.1	6.2	1.1	-15.9	17.7	0.0	1.0	1.7	5.3	5.3	-3.5	5.4

Source: ECB.

## 7.3 Geographical breakdown of the balance of payments and international investment position

(EUR billions)

### 3. Balance of payments: portfolio investment assets by instrument

(cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2004 Q3 to 2005 Q2	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>Portfolio investment assets</b>	-364.0	-157.1	-5.3	-6.0	-116.4	-20.2	-9.2	-3.6	-36.9	0.2	-54.6	-57.6	-54.3
Equity	-83.4	-23.9	0.5	-1.4	-20.4	-2.5	-0.1	-2.3	-11.7	-0.1	-7.9	-19.6	-17.8
Debt instruments	-280.6	-133.2	-5.8	-4.5	-96.1	-17.7	-9.1	-1.3	-25.3	0.3	-46.7	-38.0	-36.4
Bonds and notes	-239.4	-109.1	-4.0	-6.6	-71.4	-18.1	-8.9	-1.7	-16.6	0.5	-55.9	-23.3	-33.4
Money market instruments	-41.2	-24.1	-1.7	2.1	-24.6	0.4	-0.2	0.3	-8.6	-0.2	9.2	-14.8	-3.1

### 4. Balance of payments: other investment by sector

(cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisations	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2004 Q3 to 2005 Q2	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Other investment</b>	-35.0	-73.1	3.6	-0.4	-71.9	-11.1	6.7	-2.5	12.8	-2.0	33.7	-27.5	1.9	21.6
Assets	-435.6	-320.1	-9.6	-4.3	-282.7	-21.4	-2.1	-3.5	7.3	-10.1	-32.3	-46.4	-3.2	-27.4
General government	-0.1	-1.1	-1.3	-0.1	-0.4	1.4	-0.6	-0.3	0.0	-0.1	0.0	0.0	-1.8	3.2
MFIs	-322.7	-232.1	-6.2	-1.8	-200.4	-22.0	-1.5	-2.8	8.8	-8.3	-35.8	-30.2	-1.4	-20.9
Other sectors	-112.9	-86.9	-2.0	-2.3	-81.8	-0.8	0.0	-0.3	-1.5	-1.8	3.5	-16.2	0.0	-9.7
Liabilities	400.6	247.0	13.2	3.8	210.8	10.3	8.8	0.9	5.5	8.2	66.0	18.9	5.1	49.0
General government	-0.8	0.6	0.0	0.1	-0.6	0.0	1.1	0.0	-0.5	0.0	-0.8	0.0	-0.4	0.3
MFIs	318.1	176.1	13.0	3.0	147.0	8.4	4.7	0.6	5.1	8.1	49.0	15.6	5.6	58.0
Other sectors	83.3	70.3	0.2	0.8	64.4	1.9	3.0	0.3	1.0	0.1	17.8	3.2	-0.1	-9.3

### 5. International investment position

(end-of-period outstanding amounts)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisations	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2004	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Direct investment</b>	33.1	-273.1	-10.4	-11.8	-361.5	110.8	-0.2	22.7	-4.0	35.3	-63.5	-30.9	0.0	346.7
Abroad	2,265.1	759.8	26.1	71.1	537.6	125.1	0.0	66.8	55.9	220.3	486.6	272.2	0.0	403.5
Equity/reinvested earnings	1,825.7	608.4	22.9	43.8	432.7	108.9	0.0	58.3	50.5	171.0	377.2	255.7	0.0	304.8
Other capital	439.3	151.4	3.1	27.2	104.9	16.2	0.0	8.5	5.4	49.4	109.4	16.5	0.0	98.7
In the euro area	2,231.9	1,032.9	36.5	82.8	899.1	14.3	0.2	44.1	59.8	185.1	550.2	303.0	0.1	56.8
Equity/reinvested earnings	1,642.1	814.3	23.0	67.4	719.4	4.4	0.1	40.4	48.8	129.6	387.7	177.0	0.0	44.2
Other capital	589.9	218.6	13.4	15.4	179.8	9.9	0.1	3.7	11.1	55.4	162.4	126.1	0.0	12.6
<b>Portfolio investment assets</b>	2,984.0	941.1	45.1	100.8	680.8	56.8	57.6	63.4	174.3	91.9	1,050.2	310.3	28.4	324.4
Equity	1,238.7	315.3	6.6	32.9	261.4	14.4	0.0	12.6	109.5	82.3	483.3	106.8	0.9	128.0
Debt instruments	1,745.3	625.8	38.5	67.9	419.4	42.4	57.6	50.8	64.8	9.7	566.9	203.5	27.5	196.3
Bonds and notes	1,458.6	513.8	34.4	58.7	322.5	41.1	57.1	48.7	39.9	8.5	463.5	185.9	27.1	171.2
Money market instruments	286.7	112.1	4.1	9.2	96.9	1.3	0.5	2.1	25.0	1.2	103.4	17.6	0.3	25.1
<b>Other investment</b>	-196.1	34.7	26.1	30.2	90.7	20.8	-133.0	3.6	20.0	-68.9	-42.6	-232.8	-13.4	103.3
Assets	2,940.3	1,472.4	53.8	67.1	1,261.0	85.5	5.0	14.5	85.0	174.1	415.3	258.2	39.8	481.0
General government	98.6	10.4	1.1	0.0	4.1	2.2	3.1	0.0	0.2	0.1	2.8	1.2	34.3	49.6
MFIs	2,004.7	1,136.1	45.0	54.2	971.8	64.0	1.1	7.4	67.1	106.8	244.4	171.5	4.8	266.7
Other sectors	837.0	325.9	7.8	12.9	285.2	19.3	0.8	7.1	17.7	67.2	168.1	85.6	0.7	164.6
Liabilities	3,136.4	1,437.6	27.7	36.9	1,170.3	64.8	138.0	10.9	65.0	243.0	457.9	491.1	53.2	377.7
General government	43.6	24.0	0.0	0.2	5.3	0.0	18.5	0.0	0.9	0.1	4.1	0.3	2.9	11.3
MFIs	2,539.6	1,143.3	23.9	20.5	955.2	52.2	91.6	6.9	44.5	207.0	355.4	449.5	48.7	284.4
Other sectors	553.2	270.2	3.8	16.2	209.8	12.5	27.9	4.0	19.6	35.9	98.4	41.3	1.6	82.1

Source: ECB.

## 7.4 International investment position (including international reserves)

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

## 1. Summary international investment position

	Total	Total as a % of GDP	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets
	1	2	3	4	5	6	7
Net international investment position							
2001	-389.0	-5.6	422.9	-834.8	2.5	-372.3	392.7
2002	-703.6	-9.8	184.5	-937.6	-12.0	-304.6	366.1
2003	-809.3	-10.9	43.1	-914.0	-8.3	-236.8	306.6
2004	-946.4	-12.3	33.1	-1,049.4	-14.8	-196.1	280.8
2005 Q1	-956.7	-12.1	89.2	-1,071.1	-21.3	-238.5	285.0
Q2	-1,009.2	-12.7	113.5	-1,226.1	-13.5	-185.4	302.3
Outstanding assets							
2001	7,758.3	111.3	2,086.0	2,513.0	129.9	2,636.7	392.7
2002	7,429.3	103.1	2,008.7	2,292.7	136.0	2,625.9	366.1
2003	7,934.3	107.1	2,152.0	2,634.6	158.0	2,683.1	306.6
2004	8,632.6	112.1	2,265.1	2,984.0	162.3	2,940.3	280.8
2005 Q1	9,118.1	114.9	2,324.0	3,141.0	174.3	3,193.8	285.0
Q2	9,684.6	122.0	2,378.1	3,355.3	197.7	3,451.2	302.3
Outstanding liabilities							
2001	8,147.3	116.9	1,663.1	3,347.8	127.4	3,009.0	-
2002	8,132.9	112.8	1,824.3	3,230.2	147.9	2,930.5	-
2003	8,743.6	118.1	2,108.9	3,548.6	166.3	2,919.8	-
2004	9,579.0	124.4	2,231.9	4,033.4	177.2	3,136.4	-
2005 Q1	10,074.8	126.9	2,234.8	4,212.2	195.6	3,432.3	-
Q2	10,693.8	134.7	2,264.6	4,581.4	211.2	3,636.6	-

## 2. Direct investment

	By resident units abroad						By non-resident units in the euro area					
	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
	Total	MFIs excluding Eurosystem	Non- MFIs	Total	MFIs excluding Eurosystem	Non- MFIs	Total	MFIs excluding Eurosystem	Non- MFIs	Total	MFIs excluding Eurosystem	Non- MFIs
1	2	3	4	5	6	7	8	9	10	11	12	
2001	1,557.6	124.1	1,433.5	528.4	2.1	526.3	1,165.5	43.9	1,121.6	497.6	2.8	494.8
2002	1,547.4	133.3	1,414.1	461.4	1.6	459.7	1,293.1	42.1	1,251.0	531.2	2.9	528.3
2003	1,702.8	125.9	1,577.0	449.2	1.4	447.8	1,526.9	46.6	1,480.3	582.0	2.9	579.1
2004	1,825.7	139.9	1,685.9	439.3	1.2	438.1	1,642.1	46.1	1,596.0	589.9	3.4	586.5
2005 Q1	1,858.6	145.3	1,713.3	465.3	1.2	464.2	1,640.0	46.1	1,593.9	594.7	3.7	591.0
Q2	1,908.5	152.1	1,756.4	469.6	1.2	468.4	1,655.1	47.2	1,608.0	609.5	3.7	605.8

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

	Equity					Debt instruments									
	Assets				Liabilities	Bonds and notes				Liabilities	Money market instruments				
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		
			General gov.	Other sectors	General gov.			Other sectors	General gov.	Other sectors					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2001	0.6	38.5	6.7	1,068.8	1,643.9	2.0	424.8	8.2	783.5	1,517.4	2.8	135.1	0.2	41.8	186.5
2002	0.7	43.6	8.3	799.2	1,364.3	6.4	402.9	8.0	784.6	1,654.4	1.2	189.4	1.3	47.1	211.5
2003	1.7	53.6	11.5	1,008.2	1,555.0	8.3	459.2	8.0	842.5	1,744.1	1.1	191.5	0.6	48.4	249.5
2004	2.1	74.1	15.8	1,146.7	1,782.6	6.2	538.4	9.7	904.3	2,011.2	1.0	231.6	0.5	53.7	239.6
2005 Q1	2.1	104.2	17.1	1,180.5	1,862.5	6.1	582.4	10.1	950.3	2,078.1	0.5	223.9	4.1	59.7	271.6
Q2	2.5	88.1	18.8	1,266.5	2,002.9	6.9	643.4	10.2	1,006.5	2,283.8	0.9	242.0	6.5	63.0	294.6

Source: ECB.

## 7.4 International investment position (including international reserves)

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

### 4. Other investment by instrument

	Eurosystem				General government								
	Assets		Liabilities		Assets					Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
1	2	3	4	5	6	7	8	9	10	11	12		
2001	2.3	0.8	40.2	0.2	3.1	70.1	-	-	55.8	0.2	44.7	12.3	
2002	3.6	0.1	57.2	0.2	1.3	59.4	-	-	54.5	0.1	42.2	13.8	
2003	4.4	0.6	65.3	0.2	1.4	54.2	50.1	4.1	39.1	0.0	40.2	3.8	
2004	4.5	0.1	73.2	0.2	1.4	57.6	51.0	6.7	39.6	0.0	40.1	3.5	
2005 Q1	3.8	0.1	77.5	0.2	1.4	55.3	49.1	6.2	40.8	0.0	43.7	2.4	
Q2	5.0	0.2	78.9	0.2	1.4	62.2	47.7	14.5	42.3	0.0	42.0	3.1	

	MFIs (excluding Eurosystem)				Other sectors								
	Assets		Liabilities		Assets					Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
13	14	15	16	17	18	19	20	21	22	23	24		
2001	1,666.4	48.8	2,362.1	49.3	176.4	511.7	-	-	101.2	109.7	349.7	40.7	
2002	1,686.3	60.8	2,251.1	48.5	174.5	492.6	-	-	92.7	104.4	365.2	47.8	
2003	1,739.6	38.4	2,242.9	30.9	170.3	538.4	208.7	329.8	96.7	106.6	383.5	46.3	
2004	1,955.8	44.3	2,424.3	42.0	172.3	558.6	227.5	331.1	106.2	109.5	394.7	48.9	
2005 Q1	2,117.3	58.5	2,662.9	60.8	177.6	627.5	259.7	367.9	111.4	116.7	411.6	56.4	
Q2	2,277.6	66.4	2,780.1	72.5	184.4	683.0	325.8	357.1	128.6	116.4	480.5	62.8	

### 5. International reserves

	Reserve assets													Memo		
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency	
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities			Financial derivatives				
							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	
Eurosystem																
2002	366.1	130.4	399.022	4.8	25.0	205.8	10.3	35.3	159.8	1.0	120.2	38.5	0.4	0.0	22.4	-26.3
2003	306.6	130.0	393.543	4.4	23.3	148.9	10.0	30.4	107.7	1.0	80.2	26.5	0.9	0.0	20.3	-16.3
2004	280.8	125.4	389.998	3.9	18.6	132.9	12.5	25.5	94.7	0.5	58.5	35.6	0.2	0.0	19.1	-12.8
2005 Q1	285.0	127.7	387.359	4.0	17.4	135.8	7.7	27.8	100.4	0.5	59.8	40.1	-0.1	0.0	21.4	-15.1
Q2	302.3	138.2	382.323	4.2	16.5	143.4	12.4	28.3	103.0	0.5	62.8	39.7	-0.4	0.0	23.4	-17.7
2005 Aug.	295.7	135.2	380.520	4.2	14.2	142.1	9.1	29.1	104.2	-	-	-	-0.3	0.0	24.0	-18.1
Sep.	311.6	149.4	380.258	4.2	13.8	144.2	10.8	27.3	106.3	-	-	-	-0.2	0.0	24.0	-19.5
Oct.	310.5	148.1	378.357	4.2	13.6	144.5	8.7	28.8	107.1	-	-	-	-0.1	0.0	23.6	-20.4
of which held by the European Central Bank																
2002	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	36.9	8.1	24.656	0.2	0.0	28.6	1.4	5.0	22.2	0.0	14.9	7.3	0.0	0.0	2.8	-1.5
2004	35.1	7.9	24.656	0.2	0.0	27.0	2.7	3.3	21.1	0.0	9.7	11.3	0.0	0.0	2.6	-1.3
2005 Q1	36.2	8.1	24.656	0.2	0.0	27.9	1.1	4.2	22.6	0.0	7.7	14.9	0.0	0.0	2.7	-0.9
Q2	39.7	8.4	23.145	0.2	0.0	31.2	3.8	5.1	22.3	0.0	8.2	14.1	0.0	0.0	2.6	-1.4
2005 Aug.	39.5	8.2	23.145	0.2	0.0	31.1	2.3	6.7	22.0	-	-	-	0.0	0.0	2.3	-1.2
Sep.	41.0	9.1	23.145	0.2	0.0	31.8	4.7	5.1	22.0	-	-	-	0.0	0.0	2.3	-1.5
Oct.	41.0	9.1	23.145	0.2	0.0	31.7	2.3	6.9	22.6	-	-	-	0.0	0.0	2.3	-1.5

Source: ECB.

## 7.5 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)													
2001	6.1	-0.7	1,062.7	505.9	235.1	289.2	932.5	1,016.8	579.0	178.9	228.4	740.9	107.7
2002	2.0	-3.0	1,083.6	512.4	227.8	309.5	949.2	984.5	559.5	163.2	234.3	717.4	105.2
2003	-2.3	0.5	1,059.9	500.8	222.8	300.4	925.2	989.9	554.1	164.2	240.9	716.4	109.0
2004	8.7	9.1	1,144.9	546.9	246.6	313.1	995.2	1,073.1	603.1	183.4	255.9	768.3	129.2
2004 Q2	12.1	9.7	287.3	136.8	61.6	79.9	248.5	264.4	148.0	46.5	63.7	189.2	29.7
Q3	8.9	14.3	287.8	138.6	61.7	78.6	250.6	275.2	157.2	46.0	64.0	195.2	36.5
Q4	8.8	12.4	291.2	139.2	62.8	77.8	252.9	278.9	158.1	47.5	65.0	199.3	36.6
2005 Q1	3.6	8.8	292.1	137.7	62.0	77.4	255.6	279.4	155.1	44.9	63.2	197.9	36.1
Q2	6.5	10.9	302.1	143.3	63.8	80.4	258.7	292.2	165.2	48.9	64.7	201.0	40.5
Q3	9.3	14.1	316.9	147.8	69.2	83.4	271.9	314.2	178.1	51.0	67.5	214.1	48.5
2005 Apr.	5.1	10.9	99.6	47.7	21.2	26.5	85.9	96.9	54.6	16.4	21.1	66.4	13.6
May	7.3	13.5	101.2	47.7	21.2	26.7	86.9	98.1	55.7	15.8	21.8	68.0	13.2
June	7.0	8.4	101.2	47.8	21.5	27.3	86.0	97.3	54.9	16.7	21.7	66.7	13.7
July	2.9	9.4	103.2	47.6	22.3	27.0	88.9	101.9	56.5	16.4	21.9	70.8	14.6
Aug.	13.7	19.6	106.7	50.0	23.3	28.2	92.1	106.5	62.4	17.9	22.9	73.0	17.5
Sep.	12.0	13.5	107.0	50.3	23.6	28.3	90.9	105.8	59.2	16.7	22.8	70.4	16.3
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2001	5.1	-0.8	104.9	102.1	108.6	107.9	105.4	99.1	99.3	96.3	100.5	97.8	99.3
2002	2.9	-0.7	107.9	105.0	106.2	115.1	108.2	98.3	98.9	89.5	104.1	96.3	101.4
2003	1.0	3.7	109.0	105.9	108.0	114.9	109.3	102.0	100.5	95.2	110.4	100.1	104.8
2004	8.6	6.4	117.7	115.2	120.8	119.8	118.0	107.8	103.6	108.2	118.3	107.1	105.4
2004 Q2	11.6	6.5	118.0	115.5	120.4	121.7	117.8	106.8	102.9	108.6	117.8	105.5	100.9
Q3	7.6	8.1	117.6	115.9	120.3	120.1	118.3	108.5	105.1	108.0	117.8	108.0	114.2
Q4	7.4	5.9	119.3	115.9	123.5	119.2	119.6	109.5	103.9	113.5	119.9	110.6	104.7
2005 Q1	1.5	2.6	119.1	113.7	122.1	118.0	120.1	110.2	102.6	108.5	116.3	109.7	106.2
Q2	4.7	4.7	122.1	117.2	125.1	121.7	121.2	111.5	104.0	116.5	118.4	110.6	103.4
Q3	.	.	.	.	.	.	.	.	.	.	.	.	.
2005 Apr.	3.1	4.0	120.9	117.2	124.0	120.7	120.5	111.7	103.7	118.3	116.7	110.3	104.0
May	6.1	8.3	123.4	117.9	125.0	121.4	122.6	113.8	107.2	113.7	120.0	112.5	107.1
June	5.0	2.0	121.8	116.5	126.4	123.0	120.3	109.1	101.0	117.3	118.6	109.0	99.2
July	0.4	0.9	123.6	115.3	130.4	121.6	124.1	111.4	100.1	114.3	118.8	115.4	97.7
Aug.	11.3	9.0	127.6	121.3	136.2	125.8	128.6	114.8	108.8	123.5	123.7	118.3	113.4
Sep.	.	.	.	.	.	.	.	.	.	.	.	.	.
Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2001	1.1	0.3	101.0	100.7	100.1	102.1	100.9	100.2	98.7	101.4	102.8	101.7	88.6
2002	-0.9	-2.3	100.1	99.1	99.2	102.4	100.1	97.8	95.8	99.6	101.9	100.0	84.6
2003	-3.2	-3.1	96.9	96.1	95.4	99.5	96.6	94.8	93.3	94.2	98.8	96.1	85.0
2004	0.1	2.5	96.9	96.4	94.4	99.5	96.2	97.2	98.4	92.6	97.9	96.2	99.6
2004 Q2	0.4	3.0	97.1	96.2	94.6	100.0	96.3	96.7	97.3	93.5	97.9	96.3	95.9
Q3	1.3	5.8	97.6	97.2	94.8	99.7	96.7	99.0	101.2	93.0	98.3	97.0	103.9
Q4	1.2	6.1	97.3	97.5	93.9	99.5	96.5	99.5	103.0	91.3	98.1	96.7	113.8
2005 Q1	2.1	6.0	97.8	98.5	93.8	99.9	97.1	99.1	102.3	90.3	98.4	96.9	110.7
Q2	1.6	5.9	98.7	99.3	94.3	100.7	97.4	102.4	107.6	91.6	98.9	97.6	127.8
Q3	.	.	.	.	.	.	.	.	.	.	.	.	.
2005 Apr.	1.9	6.7	98.6	99.3	94.6	100.2	97.5	101.7	106.9	90.8	98.3	96.9	128.0
May	1.1	4.7	98.1	98.7	93.9	100.3	97.0	101.0	105.5	91.1	98.8	97.3	120.5
June	2.0	6.2	99.4	100.1	94.3	101.4	97.8	104.5	110.3	93.0	99.5	98.4	135.0
July	2.5	8.4	99.8	100.6	94.8	101.3	98.1	107.2	114.6	94.0	99.9	98.7	146.4
Aug.	2.1	9.7	100.0	100.4	94.9	102.3	98.1	108.7	116.4	94.8	100.5	99.4	151.0
Sep.	.	.	.	.	.	.	.	.	.	.	.	.	.

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



## 7.5 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

### 2. Geographical breakdown

	Total	European Union (outside the euro area)				Russia	Switzer-land	Turkey	United States	Asia			Africa	Latin America	Other countries
		Denmark	Sweden	United Kingdom	Other EU countries					China	Japan	Other Asian countries			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Exports (f.o.b.)</b>															
2001	1,062.7	24.4	37.0	202.5	105.8	24.7	66.4	17.9	180.2	25.2	34.5	140.3	60.4	49.9	93.4
2002	1,083.6	25.3	37.1	205.8	112.1	27.1	64.0	21.4	184.1	29.9	33.1	140.5	59.5	43.4	100.3
2003	1,059.9	24.9	38.7	194.8	117.6	29.2	63.4	24.9	166.3	35.2	31.3	135.4	59.5	37.9	100.7
2004	1,144.9	25.7	41.7	202.7	127.1	35.6	66.1	31.8	173.5	40.3	33.1	149.9	63.7	40.3	113.6
2004 Q2	287.3	6.3	10.4	50.7	31.7	9.1	16.3	8.3	43.9	10.7	8.0	36.9	16.0	9.9	29.2
Q3	287.8	6.5	10.5	51.4	31.4	9.3	17.1	7.9	43.3	9.8	8.4	38.6	16.6	10.3	26.8
Q4	291.2	6.7	10.7	51.1	32.7	9.2	17.1	7.7	43.8	10.0	8.2	37.6	16.0	10.5	30.1
2005 Q1	292.1	6.7	10.9	49.9	33.1	9.8	17.4	8.0	43.4	10.3	8.5	39.0	17.1	11.0	27.0
Q2	302.1	7.0	11.2	49.9	34.0	10.6	16.8	8.1	45.4	10.0	8.4	40.5	17.1	11.2	31.8
Q3	316.9	.	.	.	.	11.3	17.8	8.9	46.9	11.4	8.4	43.9	19.1	12.2	.
2005 Apr.	99.6	2.3	3.7	16.5	11.3	3.4	5.6	2.8	15.0	3.3	2.9	13.8	5.6	3.9	9.5
May	101.2	2.4	3.7	16.9	11.2	3.5	5.7	2.7	15.1	3.3	2.7	13.3	6.1	3.7	10.9
June	101.2	2.4	3.7	16.5	11.5	3.7	5.5	2.7	15.3	3.4	2.8	13.3	5.5	3.6	11.4
July	103.2	2.4	3.8	16.7	11.6	3.4	5.7	2.8	15.1	3.7	2.8	14.5	6.0	4.1	10.6
Aug.	106.7	2.4	3.8	17.5	11.7	4.0	6.2	3.1	15.8	3.8	2.9	14.5	6.6	4.0	10.2
Sep.	107.0	.	.	.	.	3.8	5.9	3.1	15.9	3.9	2.7	14.8	6.5	4.1	.
<i>% share of total exports</i>															
2004	100.0	2.2	3.6	17.7	11.1	3.1	5.8	2.8	15.2	3.5	2.9	13.1	5.6	3.5	9.9
<b>Imports (c.i.f.)</b>															
2001	1,016.8	22.0	35.6	154.6	88.8	42.8	52.9	16.7	138.7	57.5	58.6	150.5	74.0	41.0	82.9
2002	984.5	23.0	35.6	149.7	93.5	42.0	52.1	17.7	125.6	61.8	52.7	142.7	67.9	39.4	80.8
2003	989.9	23.7	36.9	138.9	102.1	47.4	50.4	19.3	110.3	74.4	52.2	141.4	68.9	39.8	84.2
2004	1,073.1	25.1	39.6	142.9	106.6	56.3	53.4	22.8	113.7	92.0	53.9	163.1	72.7	45.0	85.9
2004 Q2	264.4	6.0	9.8	35.0	26.6	13.6	13.2	5.7	29.8	22.5	13.1	40.8	17.3	11.0	20.1
Q3	275.2	6.4	10.1	37.3	25.9	14.6	13.6	6.0	28.7	23.6	13.7	42.6	19.0	11.6	22.2
Q4	278.9	6.4	10.2	36.3	27.2	15.8	13.8	6.1	28.7	25.2	13.5	43.0	19.8	11.7	21.0
2005 Q1	279.4	6.2	10.0	35.8	27.0	16.6	13.4	6.2	29.0	26.6	13.0	40.7	20.2	12.1	22.4
Q2	292.2	6.4	10.3	36.7	28.9	17.5	14.4	5.8	29.9	27.8	12.5	45.9	21.9	11.8	22.4
Q3	314.2	.	.	.	.	18.8	15.0	6.1	30.6	30.5	13.3	49.5	26.5	13.6	.
2005 Apr.	96.9	2.1	3.4	12.5	9.3	5.7	4.6	2.0	10.0	8.9	4.1	14.8	7.1	4.0	8.3
May	98.1	2.3	3.4	12.2	9.9	6.0	4.8	2.1	9.9	9.5	4.2	15.0	7.6	3.9	7.3
June	97.3	2.0	3.4	12.0	9.7	5.8	4.9	1.8	10.0	9.4	4.1	16.1	7.2	4.0	6.8
July	101.9	2.0	3.5	12.7	9.7	5.7	4.9	1.9	10.1	10.0	4.3	15.6	7.7	4.1	9.5
Aug.	106.5	2.2	3.5	12.9	9.8	6.7	5.0	2.1	10.3	10.2	4.7	17.5	9.7	4.9	7.0
Sep.	105.8	.	.	.	.	6.3	5.0	2.0	10.2	10.3	4.3	16.3	9.1	4.6	.
<i>% share of total imports</i>															
2004	100.0	2.3	3.7	13.3	10.0	5.2	5.0	2.1	10.6	8.6	5.0	15.2	6.8	4.2	8.0
<b>Balance</b>															
2001	46.0	2.3	1.4	47.9	17.0	-18.1	13.5	1.2	41.5	-32.3	-24.1	-10.2	-13.6	8.9	10.5
2002	99.1	2.3	1.5	56.1	18.6	-14.9	12.0	3.8	58.4	-31.9	-19.7	-2.2	-8.3	4.0	19.4
2003	70.0	1.1	1.7	56.0	15.5	-18.2	12.9	5.5	56.0	-39.1	-20.9	-5.9	-9.3	-1.8	16.5
2004	71.8	0.5	2.1	59.8	20.5	-20.7	12.6	8.9	59.8	-51.8	-20.8	-13.2	-8.9	-4.8	27.6
2004 Q2	22.9	0.3	0.6	15.7	5.1	-4.5	3.1	2.6	14.1	-11.8	-5.1	-3.8	-1.3	-1.0	9.0
Q3	12.6	0.1	0.4	14.2	5.5	-5.3	3.5	1.9	14.6	-13.8	-5.3	-4.0	-2.5	-1.3	4.6
Q4	12.3	0.2	0.5	14.7	5.6	-6.6	3.3	1.6	15.0	-15.2	-5.3	-5.5	-3.8	-1.3	9.1
2005 Q1	12.8	0.5	0.9	14.2	6.1	-6.8	4.0	1.7	14.4	-16.3	-4.5	-1.8	-3.1	-1.1	4.6
Q2	9.9	0.5	0.9	13.3	5.2	-6.9	2.5	2.3	15.5	-17.8	-4.1	-5.4	-4.7	-0.7	9.3
Q3	2.7	.	.	.	.	-7.5	2.8	2.9	16.3	-19.1	-4.9	-5.5	-7.4	-1.4	.
2005 Apr.	2.7	0.2	0.3	4.0	2.0	-2.3	1.0	0.8	5.0	-5.7	-1.2	-0.9	-1.5	-0.1	1.1
May	3.2	0.1	0.3	4.7	1.3	-2.4	0.9	0.7	5.2	-6.2	-1.5	-1.7	-1.5	-0.2	3.6
June	4.0	0.3	0.3	4.5	1.9	-2.1	0.6	0.9	5.3	-6.0	-1.3	-2.8	-1.7	-0.4	4.6
July	1.3	0.3	0.3	4.0	1.9	-2.3	0.8	0.9	5.1	-6.3	-1.5	-1.1	-1.8	0.0	1.0
Aug.	0.2	0.3	0.3	4.6	1.9	-2.7	1.2	1.0	5.5	-6.4	-1.8	-2.9	-3.1	-0.9	3.2
Sep.	1.2	.	.	.	.	-2.5	0.9	1.0	5.7	-6.4	-1.6	-1.5	-2.6	-0.5	.

Sources: Eurostat and ECB calculations based on Eurostat data (balance and columns 5, 12 and 15).

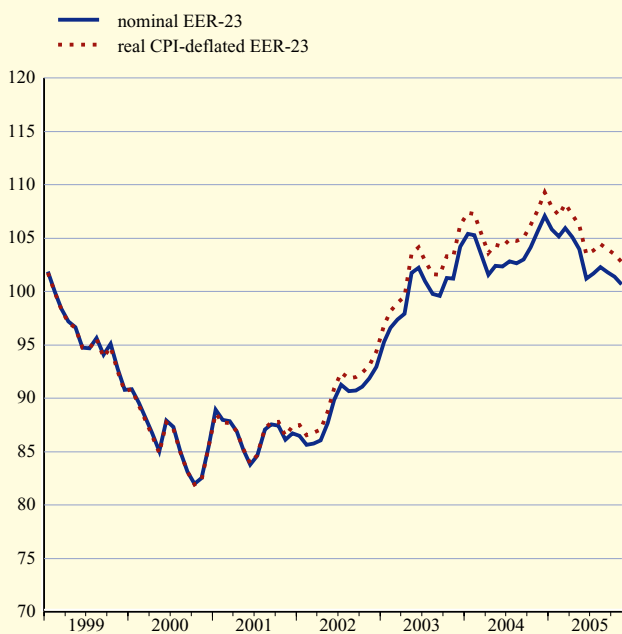


# EXCHANGE RATES

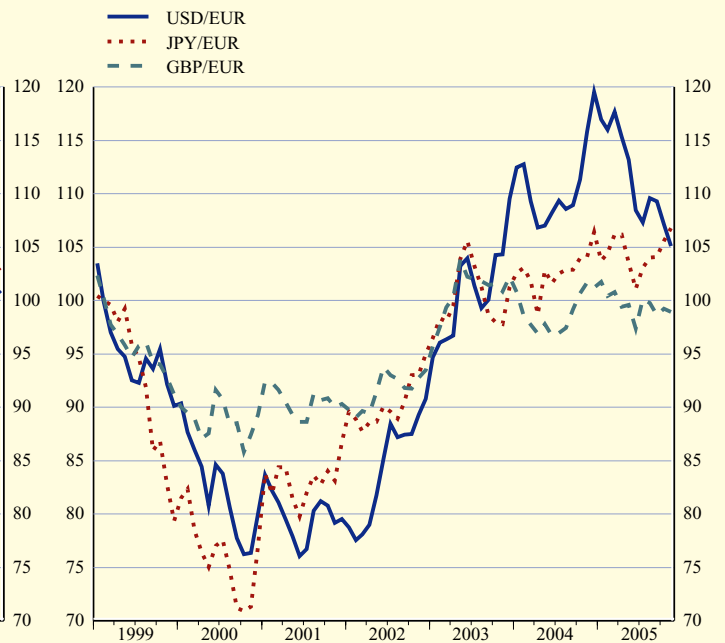
## 8.1 Effective exchange rates <sup>1)</sup> (period averages; index 1999 Q1=100)

	EER-23						EER-42	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2002	89.2	90.3	91.9	90.2	86.4	87.9	94.8	90.8
2003	99.9	101.7	102.2	101.5	97.2	99.0	106.6	101.6
2004	103.8	105.8	105.2	105.4	102.6	103.1	111.0	105.4
2004 Q3	102.8	104.9	104.3	104.5	100.8	102.2	110.1	104.5
Q4	105.7	107.7	106.6	107.0	104.6	104.6	113.0	107.1
2005 Q1	105.7	107.8	106.9	107.0	103.3	104.3	112.6	106.5
Q2	103.4	105.6	104.2	104.8	100.7	102.7	110.1	104.1
Q3	101.9	104.1	102.4	-	-	-	108.3	102.3
2004 Nov.	105.6	107.6	106.4	-	-	-	113.1	107.1
Dec.	107.1	109.3	108.1	-	-	-	114.4	108.5
2005 Jan.	105.8	107.9	107.1	-	-	-	112.9	106.9
Feb.	105.1	107.1	106.4	-	-	-	111.9	105.8
Mar.	106.0	108.2	107.3	-	-	-	112.9	106.8
Apr.	105.1	107.2	105.9	-	-	-	111.9	105.8
May	104.0	106.2	104.6	-	-	-	110.6	104.6
June	101.2	103.5	102.1	-	-	-	107.6	101.9
July	101.7	103.8	102.3	-	-	-	108.0	102.0
Aug.	102.3	104.5	102.9	-	-	-	108.7	102.7
Sep.	101.8	103.9	102.0	-	-	-	108.2	102.2
Oct.	101.4	103.5	101.4	-	-	-	107.8	101.7
Nov.	100.7	102.8	100.7	-	-	-	106.9	100.8
	<i>% change versus previous month</i>							
2005 Nov.	-0.7	-0.7	-0.7	-	-	-	-0.8	-0.9
	<i>% change versus previous year</i>							
2005 Nov.	-4.7	-4.5	-5.4	-	-	-	-5.5	-5.9

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



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



Source: ECB.

1) For the definition of the trading partner groups and other information, please refer to the General notes.

## 8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	Danish kroner 1	Swedish krona 2	Pound sterling 3	US dollar 4	Japanese yen 5	Swiss franc 6	South Korean won 7	Hong Kong dollar 8	Singapore dollar 9	Canadian dollar 10	Norwegian kroner 11	Australian dollar 12
2002	7.4305	9.1611	0.62883	0.9456	118.06	1.4670	1,175.50	7.3750	1.6912	1.4838	7.5086	1.7376
2003	7.4307	9.1242	0.69199	1.1312	130.97	1.5212	1,346.90	8.8079	1.9703	1.5817	8.0033	1.7379
2004	7.4399	9.1243	0.67866	1.2439	134.44	1.5438	1,422.62	9.6881	2.1016	1.6167	8.3697	1.6905
2005 Q1	7.4433	9.0736	0.69362	1.3113	137.01	1.5488	1,340.74	10.2257	2.1452	1.6083	8.2388	1.6878
Q2	7.4463	9.2083	0.67856	1.2594	135.42	1.5437	1,269.53	9.8090	2.0885	1.5677	8.0483	1.6389
Q3	7.4588	9.3658	0.68344	1.2199	135.62	1.5533	1,255.21	9.4782	2.0436	1.4668	7.8817	1.6054
2005 May	7.4443	9.1931	0.68399	1.2694	135.37	1.5449	1,272.34	9.8900	2.0962	1.5942	8.0814	1.6571
June	7.4448	9.2628	0.66895	1.2165	132.22	1.5391	1,231.12	9.4597	2.0342	1.5111	7.8932	1.5875
July	7.4584	9.4276	0.68756	1.2037	134.75	1.5578	1,248.53	9.3590	2.0257	1.4730	7.9200	1.6002
Aug.	7.4596	9.3398	0.68527	1.2292	135.98	1.5528	1,255.33	9.5529	2.0439	1.4819	7.9165	1.6144
Sep.	7.4584	9.3342	0.67760	1.2256	136.06	1.5496	1,261.46	9.5138	2.0603	1.4452	7.8087	1.6009
Oct.	7.4620	9.4223	0.68137	1.2015	138.05	1.5490	1,256.66	9.3191	2.0326	1.4149	7.8347	1.5937
Nov.	7.4596	9.5614	0.67933	1.1786	139.59	1.5449	1,226.38	9.1390	2.0017	1.3944	7.8295	1.6030
% change versus previous month												
2005 Nov.	0.0	1.5	-0.3	-1.9	1.1	-0.3	-2.4	-1.9	-1.5	-1.4	-0.1	0.6
% change versus previous year												
2005 Nov.	0.4	6.3	-2.8	-9.3	2.6	1.5	-13.1	-9.5	-6.7	-10.3	-3.8	-5.0
	Czech koruna 13	Estonian kroon 14	Cyprus pound 15	Latvian lats 16	Lithuanian litas 17	Hungarian forint 18	Maltese lira 19	Polish zloty 20	Slovenian tolar 21	Slovak koruna 22	Bulgarian lev 23	New Roma- nian leu <sup>1)</sup> 24
2002	30.804	15.6466	0.57530	0.5810	3.4594	242.96	0.4089	3.8574	225.98	42.694	1.9492	31,270
2003	31.846	15.6466	0.58409	0.6407	3.4527	253.62	0.4261	4.3996	233.85	41.489	1.9490	37,551
2004	31.891	15.6466	0.58185	0.6652	3.4529	251.66	0.4280	4.5268	239.09	40.022	1.9533	40,510
2005 Q1	30.012	15.6466	0.58267	0.6962	3.4528	245.01	0.4316	4.0267	239.74	38.294	1.9559	37,069
Q2	30.129	15.6466	0.57824	0.6960	3.4528	249.75	0.4295	4.1301	239.54	38.919	1.9558	36,195
Q3	29.688	15.6466	0.57328	0.6960	3.4528	245.57	0.4293	4.0186	239.49	38.672	1.9558	3,5250
2005 May	30.220	15.6466	0.57806	0.6960	3.4528	251.95	0.4293	4.1749	239.51	39.004	1.9561	36,175
June	30.034	15.6466	0.57405	0.6960	3.4528	249.04	0.4293	4.0606	239.47	38.535	1.9558	36,136
July	30.180	15.6466	0.57367	0.6961	3.4528	246.47	0.4293	4.0986	239.48	38.886	1.9558	3,5647
Aug.	29.594	15.6466	0.57321	0.6960	3.4528	244.49	0.4293	4.0436	239.51	38.681	1.9557	3,5034
Sep.	29.317	15.6466	0.57296	0.6961	3.4528	245.83	0.4293	3.9160	239.47	38.459	1.9558	3,5097
Oct.	29.675	15.6466	0.57319	0.6965	3.4528	251.85	0.4293	3.9229	239.53	38.923	1.9559	3,5997
Nov.	29.266	15.6466	0.57351	0.6963	3.4528	251.04	0.4293	3.9701	239.51	38.678	1.9557	3,6543
% change versus previous month												
2005 Nov.	-1.4	0.0	0.1	0.0	0.0	-0.3	0.0	1.2	0.0	-0.6	0.0	1.5
% change versus previous year												
2005 Nov.	-6.5	0.0	-0.8	2.4	0.0	2.3	-0.6	-6.7	-0.1	-2.2	0.0	-
	Chinese yuan renminbi <sup>2)</sup> 25	Croatian kuna <sup>2)</sup> 26	Icelandic krona 27	Indonesian rupiah <sup>2)</sup> 28	Malaysian ringgit <sup>2)</sup> 29	New Zealand dollar 30	Philippine peso <sup>2)</sup> 31	Russian rouble <sup>2)</sup> 32	South African rand 33	Thai baht <sup>2)</sup> 34	New Turkish lira <sup>3)</sup> 35	
2002	7.8265	7.4130	86.18	8,785.12	3.5933	2.0366	48.837	29.7028	9.9072	40.637	1,439,680	
2003	9.3626	7.5688	86.65	9,685.54	4.2983	1.9438	61.336	34.6699	8.5317	46.923	1,694,851	
2004	10.2967	7.4967	87.14	11,127.34	4.7273	1.8731	69.727	35.8192	8.0092	50.077	1,777,052	
2005 Q1	10.8536	7.5081	80.67	12,165.35	4.9835	1.8299	72.084	36.5154	7.8793	50.622	1,7412	
Q2	10.4232	7.3443	80.79	12,032.61	4.7858	1.7597	68.847	35.3733	8.0799	50.497	1,7193	
Q3	9.9250	7.3728	77.64	12,216.99	4.6008	1.7640	68.335	34.7864	7.9392	50.375	1,6372	
2005 May	10.5062	7.3272	82.36	12,033.61	4.8237	1.7665	68.966	35.4730	8.0500	50.562	1,7396	
June	10.0683	7.3169	79.30	11,716.31	4.6234	1.7175	67.214	34.6951	8.2194	49.793	1,6560	
July	9.8954	7.3090	78.40	11,803.89	4.5590	1.7732	67.394	34.5513	8.0790	50.199	1,6133	
Aug.	9.9589	7.3684	78.37	12,283.08	4.6216	1.7675	68.768	35.0119	7.9508	50.604	1,6534	
Sep.	9.9177	7.4384	76.15	12,542.23	4.6190	1.7515	68.782	34.7750	7.7936	50.305	1,6430	
Oct.	9.7189	7.3822	73.29	12,118.09	4.5330	1.7212	66.777	34.3262	7.9139	49.153	1,6331	
Nov.	9.5273	7.3791	72.98	11,834.55	4.4534	1.7088	64.258	33.9184	7.8502	48.469	1,6033	
% change versus previous month												
2005 Nov.	-2.0	0.0	-0.4	-2.3	-1.8	-0.7	-3.8	-1.2	-0.8	-1.4	-1.8	
% change versus previous year												
2005 Nov.	-11.4	-2.4	-16.3	0.9	-9.8	-7.8	-12.1	-8.6	-0.1	-7.4	-	

Source: ECB.

1) Data prior to July 2005 refer to the Romanian leu; 1 new Romanian leu is equivalent to 10,000 old Romanian lei.

2) For these currencies the ECB computes and publishes euro reference exchange rates as from 1 April 2005. Previous data are indicative.

3) Data prior to January 2005 refer to the Turkish lira; 1 new Turkish lira is equivalent to 1,000,000 old Turkish liras.



## DEVELOPMENTS OUTSIDE THE EURO AREA

### 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
<b>HICP</b>													
2003	-0.1	2.0	1.4	4.0	2.9	-1.1	4.7	1.9	0.7	5.7	8.4	2.3	1.4
2004	2.6	0.9	3.0	1.9	6.2	1.1	6.8	2.7	3.6	3.6	7.5	1.0	1.3
2005 Q1	1.4	1.0	4.5	2.5	6.7	3.1	3.5	2.3	3.6	2.8	2.8	0.7	1.7
Q2	1.2	1.6	3.6	2.1	6.7	2.4	3.6	2.2	2.2	2.2	2.6	0.5	1.9
Q3	1.6	2.2	4.3	1.7	6.7	2.2	3.5	2.1	1.7	2.3	2.2	0.9	2.4
2005 June	1.3	1.7	3.2	1.5	6.6	2.0	3.7	2.1	1.4	1.7	2.6	0.8	2.0
July	1.4	1.9	3.9	1.3	6.3	1.9	3.6	1.7	1.5	2.0	2.1	0.7	2.3
Aug.	1.4	2.3	4.2	1.5	6.3	2.3	3.5	2.5	1.8	1.8	2.1	1.0	2.4
Sep.	2.0	2.4	4.9	2.1	7.4	2.6	3.6	2.0	1.9	3.2	2.3	1.1	2.5
Oct.	2.5	1.9	4.5	2.2	7.7	3.0	3.1	3.0	1.6	3.2	3.5	0.9	2.3
<b>General government deficit (-)/surplus (+) as a % of GDP<sup>1)</sup></b>													
2002	-6.8	1.4	1.5	-4.5	-2.3	-1.4	-8.5	-5.8	-3.3	-2.7	-7.8	-0.3	-1.7
2003	-12.5	1.2	2.6	-6.3	-1.2	-1.2	-6.5	-10.4	-4.8	-2.7	-3.8	0.2	-3.3
2004	-3.0	2.9	1.7	-4.1	-0.9	-1.4	-5.4	-5.1	-3.9	-2.1	-3.1	1.6	-3.2
<b>General government gross debt as a % of GDP<sup>1)</sup></b>													
2002	29.8	47.6	5.8	65.2	14.2	22.4	55.5	63.2	41.2	29.8	43.7	52.4	38.2
2003	36.8	45.0	6.0	69.8	14.6	21.4	57.4	72.8	45.3	29.4	43.1	52.0	39.7
2004	36.8	43.2	5.5	72.0	14.7	19.6	57.4	75.9	43.6	29.8	42.5	51.1	41.5
<b>Long-term government bond yield as a % per annum, period average</b>													
2005 May	3.49	3.39	-	5.84	3.87	3.87	7.00	4.66	5.35	3.92	3.54	3.34	4.45
June	3.31	3.16	-	5.13	3.87	3.78	6.59	4.56	4.91	3.90	3.36	3.11	4.31
July	3.35	3.21	-	4.84	3.87	3.61	6.13	4.55	4.72	3.78	3.22	3.06	4.31
Aug.	3.37	3.24	-	4.84	3.87	3.50	5.85	4.43	4.88	3.79	3.24	3.14	4.34
Sep.	3.26	3.05	-	4.81	3.87	3.50	5.64	4.41	4.57	3.74	3.13	2.98	4.25
Oct.	3.46	3.22	-	4.22	3.87	3.50	6.49	4.41	4.91	3.62	3.25	3.17	4.40
<b>3-month interest rate as a % per annum, period average</b>													
2005 May	1.78	2.18	2.39	4.67	2.85	2.42	7.52	3.25	5.48	4.05	2.75	2.05	4.89
June	1.75	2.16	2.34	4.11	2.81	2.36	6.59	3.27	5.22	4.05	2.88	1.82	4.84
July	1.78	2.16	2.33	3.92	2.71	2.32	6.50	3.28	4.68	4.04	2.89	1.64	4.66
Aug.	1.79	2.17	2.33	3.85	2.76	2.33	6.35	3.26	4.67	4.02	2.94	1.67	4.59
Sep.	1.80	2.18	2.32	3.80	2.82	2.32	5.65	3.26	4.51	4.03	2.93	1.67	4.60
Oct.	1.91	2.22	2.32	3.59	2.78	2.31	6.15	3.24	4.55	4.01	3.03	1.72	4.59
<b>Real GDP</b>													
2003	3.2	0.6	6.7	1.9	7.2	10.5	2.9	-1.9	3.8	2.5	4.5	1.5	2.5
2004	4.4	2.1	7.8	3.7	8.3	7.0	4.2	0.4	5.4	4.6	5.5	3.6	3.2
2005 Q1	4.7	2.1	6.9	3.8	7.4	6.0	3.8	0.0	3.8	2.8	5.1	2.2	1.7
Q2	5.1	3.1	10.2	3.5	11.6	7.2	4.0	2.3	1.0	4.7	5.1	2.1	1.5
Q3	.	4.7	.	.	.	8.2	.	2.7	.	.	6.2	.	1.7
<b>Current and capital accounts balance as a % of GDP</b>													
2003	-6.3	3.3	-11.6	-2.4	-7.5	-6.4	-8.7	-5.7	-2.2	-1.0	-0.5	7.4	-1.4
2004	-5.7	2.4	-11.9	-4.9	-12.0	-6.4	-8.5	-8.6	-4.0	-2.5	-3.1	8.2	-1.8
2004 Q4	-7.8	0.5	-16.3	-17.4	-9.5	-3.5	-7.5	-17.1	-1.6	-3.8	-3.6	7.0	-0.9
2005 Q1	2.9	3.4	-9.5	-13.6	-9.4	-3.7	-6.9	-8.2	-1.1	-1.7	-2.2	8.5	-2.0
Q2	-4.0	5.3	-9.2	1.5	-10.0	-6.7	-7.2	-10.9	-0.8	0.4	-11.3	7.2	-1.7
<b>Unit labour costs</b>													
2003	7.6	1.6	4.9	-	5.6	1.5	7.2	-	.	4.7	3.5	1.0	3.2
2004	1.2	1.1	3.0	-	8.8	.	4.2	-	.	3.8	2.1	-0.6	2.0
2005 Q1	-0.2	1.9	3.1	-	-	4.1	-	-	.	-	5.7	2.6	5.0
Q2	0.7	2.6	2.4	-	-	1.3	-	-	.	-	3.6	0.0	3.1
Q3	.	-1.1	.	-	-	.	-	-	.	-	.	.	.
<b>Standardised unemployment rate as a % of labour force (s.a.)</b>													
2003	7.8	5.6	10.2	4.5	10.4	12.7	5.8	8.0	19.2	6.5	17.5	5.6	4.9
2004	8.3	5.4	9.2	5.2	9.8	10.9	6.0	7.6	18.8	6.0	18.2	6.4	4.7
2005 Q1	8.0	5.1	8.0	6.0	9.5	9.2	6.9	8.0	18.2	5.7	16.9	6.3	4.6
Q2	7.8	5.0	7.8	5.9	9.1	8.6	7.1	8.2	18.0	5.8	16.5	.	4.6
Q3	.	4.8	7.3	6.2	8.8	7.9	7.2	7.8	17.7	5.8	16.3	.	.
2005 June	7.8	4.9	7.7	6.2	9.0	8.4	7.1	8.0	17.9	5.8	16.4	.	4.6
July	7.7	4.9	7.5	6.1	8.9	8.2	7.1	7.9	17.8	5.8	16.3	.	4.6
Aug.	7.7	4.8	7.3	6.2	8.8	7.9	7.2	7.8	17.7	5.8	16.2	.	4.6
Sep.	.	4.7	7.1	6.3	8.8	7.6	7.2	7.8	17.7	5.8	16.3	.	.
Oct.	.	.	6.9	6.3	8.7	.	7.3	7.7	17.6	5.8	16.2	.	.

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

1) Ratios are computed using GDP excluding financial intermediation services indirectly measured (FISIM).

## 9.2 In the United States and Japan

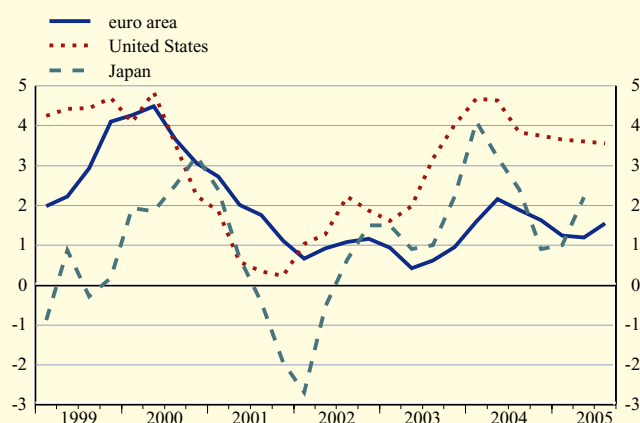
(annual percentage changes, unless otherwise indicated)

### 1. Economic and financial developments

	Consumer price index	Unit labour costs <sup>1)</sup> (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money <sup>2)</sup>	3-month interbank deposit rate <sup>3)</sup> as a % per annum	10-year government bond yield <sup>3)</sup> as a % per annum	Exchange rate <sup>4)</sup> as national currency per euro	Fiscal deficit (-)/surplus (+) as a % of GDP	Gross public debt <sup>5)</sup> as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
2001	2.8	0.2	0.8	-4.1	4.8	11.4	3.78	5.01	0.8956	-0.4	43.0
2002	1.6	-0.2	1.6	0.3	5.8	8.0	1.80	4.60	0.9456	-3.8	45.2
2003	2.3	2.9	2.7	0.7	6.0	6.4	1.22	4.00	1.1312	-5.0	47.9
2004	2.7	-2.9	4.2	5.0	5.5	5.1	1.62	4.26	1.2439	-4.7	48.6
2004 Q3	2.7	-2.2	3.8	5.8	5.4	4.6	1.75	4.29	1.2220	-4.8	48.4
Q4	3.3	-1.5	3.8	5.2	5.4	5.8	2.30	4.17	1.2977	-4.3	48.6
2005 Q1	3.0	2.5	3.6	4.8	5.3	5.8	2.84	4.30	1.3113	-3.7	49.5
Q2	2.9	4.1	3.6	3.4	5.1	5.0	3.28	4.16	1.2594	-3.4	48.6
Q3	3.8	2.4	3.6	3.0	5.0	6.1	3.77	4.21	1.2199	.	.
2005 July	3.2	-	-	3.2	5.0	5.4	3.61	4.16	1.2037	-	-
Aug.	3.6	-	-	3.1	4.9	6.1	3.80	4.26	1.2292	-	-
Sep.	4.7	-	-	2.7	5.1	6.6	3.91	4.19	1.2256	-	-
Oct.	4.3	-	-	3.3	5.0	7.3	4.17	4.45	1.2015	-	-
Nov.	.	-	-	.	.	.	4.35	4.53	1.1786	-	-
Japan											
2001	-0.7	4.4	0.2	-6.8	5.0	2.8	0.15	1.34	108.68	-6.1	134.7
2002	-0.9	-3.2	-0.3	-1.2	5.4	3.3	0.08	1.27	118.06	-7.9	141.5
2003	-0.3	-3.8	1.4	3.2	5.2	1.7	0.06	0.99	130.97	-7.7	149.2
2004	0.0	-5.2	2.7	5.5	4.7	1.9	0.05	1.50	134.44	.	.
2004 Q3	-0.1	-5.7	2.4	6.4	4.8	1.8	0.05	1.64	134.38	.	.
Q4	0.5	-1.5	0.9	1.8	4.6	2.0	0.05	1.45	137.11	.	.
2005 Q1	-0.2	-1.0	1.0	1.4	4.6	2.0	0.05	1.41	137.01	.	.
Q2	-0.1	0.9	2.2	0.3	4.4	1.7	0.05	1.28	135.42	.	.
Q3	-0.3	.	.	0.1	4.3	1.8	0.06	1.36	135.62	.	.
2005 July	-0.3	2.8	-	-2.3	4.4	1.7	0.06	1.26	134.75	-	-
Aug.	-0.3	.	-	1.5	4.3	1.7	0.06	1.43	135.98	-	-
Sep.	-0.3	.	-	1.1	4.2	2.0	0.06	1.38	136.06	-	-
Oct.	-0.7	.	-	3.0	4.5	2.0	0.06	1.54	138.05	-	-
Nov.	.	.	-	.	.	.	0.06	1.52	139.59	-	-

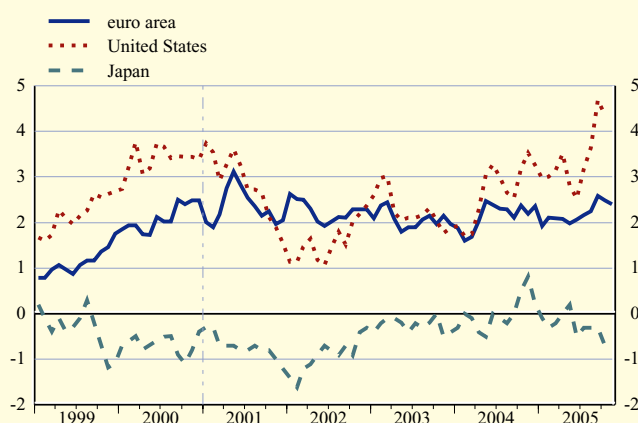
### C35 Real gross domestic product

(annual percentage changes; quarterly)



### C36 Consumer price indices

(annual percentage changes; monthly)



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

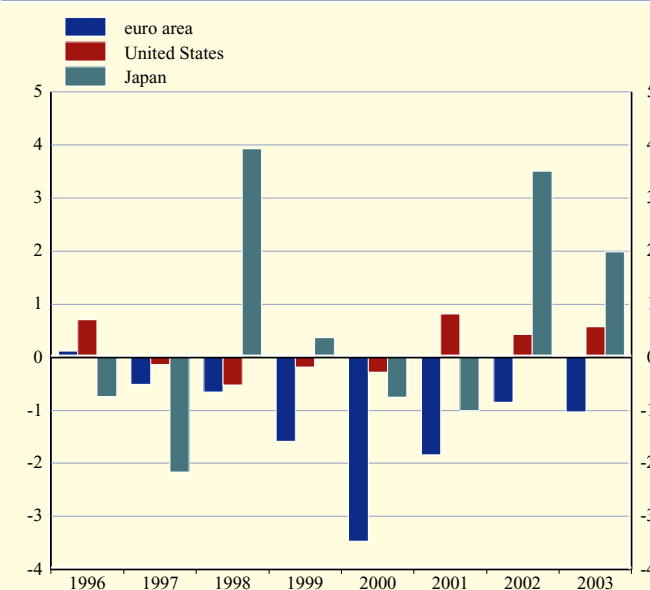
- 1) Data for the United States are seasonally adjusted.
- 2) Average-of-period values; M3 for US, M2+CDs for Japan.
- 3) For more information, see Sections 4.6 and 4.7.
- 4) For more information, see Section 8.2.
- 5) Gross consolidated general government debt (end of period).

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

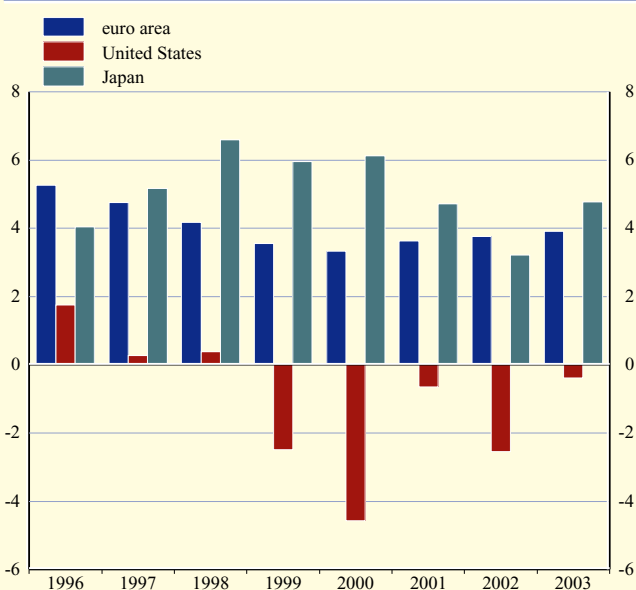
2. Saving, investment and financing

	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													
2001	16.4	19.1	-3.7	7.9	8.3	1.8	7.5	0.9	1.7	12.8	5.0	10.8	5.7
2002	14.2	18.4	-4.4	7.0	7.0	1.2	7.7	0.8	-0.1	13.0	4.2	11.4	6.7
2003	13.4	18.5	-4.6	6.8	6.8	0.8	8.0	0.3	0.8	13.3	7.8	11.3	8.1
2004	13.4	19.6	-5.6	7.3	7.0	4.4	8.0	3.4	0.7	13.5	6.6	11.0	9.4
2003 Q3	13.3	18.6	-4.5	6.8	6.9	-0.1	8.1	-0.6	0.3	13.5	8.7	11.7	7.6
2003 Q4	13.9	18.8	-4.3	7.0	6.9	1.2	8.3	0.4	0.1	13.5	5.1	11.2	4.3
2004 Q1	13.4	19.0	-5.0	7.1	6.8	5.3	8.2	4.0	1.0	13.3	7.2	11.0	10.0
2004 Q2	13.3	19.8	-5.6	7.4	7.0	3.7	8.1	2.4	-0.5	13.6	4.8	10.7	8.6
2004 Q3	13.5	19.8	-5.5	7.3	7.1	3.7	8.4	2.3	0.5	13.6	7.1	10.9	9.1
2004 Q4	13.5	19.9	-6.2	7.5	7.2	5.1	7.3	4.8	1.8	13.6	7.5	11.4	9.8
2005 Q1	13.4	20.2	-6.4	7.6	7.2	3.5	7.7	3.0	1.2	13.7	5.8	10.0	8.3
2005 Q2	13.8	20.0	-6.2	7.4	7.3	3.5	8.1	2.5	0.5	13.8	2.8	9.7	8.4
Japan													
2001	26.6	25.8	2.0	15.3	15.3	-2.8	14.4	-6.4	0.2	4.9	2.8	8.6	0.2
2002	25.7	24.2	2.8	13.8	14.1	-1.7	15.4	-7.4	-0.8	4.8	-0.2	9.1	-2.1
2003	26.4	23.9	3.1	14.3	14.4	2.3	16.1	-5.3	0.2	4.6	0.3	9.2	-0.6
2004	.	23.9	.	.	.	4.6	.	0.8	0.8	.	1.9	.	-0.7
2003 Q3	25.9	24.0	3.7	.	.	9.2	.	-5.6	-0.6	.	-3.7	.	1.4
2003 Q4	27.9	24.8	2.9	.	.	10.5	.	5.5	1.1	.	9.5	.	-1.4
2004 Q1	31.0	24.0	3.9	.	.	12.5	.	-1.9	-0.6	.	-7.2	.	2.6
2004 Q2	.	23.0	.	.	.	-13.7	.	-11.2	0.6	.	8.0	.	-6.2
2004 Q3	.	23.8	.	.	.	7.1	.	0.7	0.2	.	-2.1	.	1.5
2004 Q4	.	24.6	.	.	.	12.1	.	14.6	2.8	.	8.3	.	-0.5
2005 Q1	.	24.4	.	.	.	8.6	.	-2.3	-2.9	.	-8.1	.	3.3
2005 Q2	.	23.7	.	.	.	-17.9	.	-16.5	1.0	.	7.5	.	-6.6

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

#### CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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 "Money, banking and financial markets" 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 (centred) for the annual growth rate of M3 is obtained as  $(a_{t+1} + a_t + a_{t-1})/3$ , 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 from transactions or from the index of notional stocks. If  $N_t^M$  represents the transactions (net

<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 "Money, banking and financial markets" 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.

issues) in month  $t$  and  $L_t$  the level outstanding at the end of the month  $t$ , the index  $I_t$  of notional stocks in month  $t$  is defined as:

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

As a base, the index is set equal to 100 on December 2001. The 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:

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

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

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 and the equivalent “transactions” calculated used for the monetary aggregates.

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

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

where  $I_t$  is the index of notional stocks as at month  $t$ . Likewise, for the year ending in month  $t$ , the average growth rate is calculated as:

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

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.

#### SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS<sup>4</sup>

The approach used relies on a multiplicative decomposition through X-12-ARIMA. The seasonal adjustment for the securities issues total is carried out indirectly by means of a linear combination of sector and maturity component breakdowns.

The seasonal adjustment procedures are applied to the index of notional stocks. The resulting estimates of the seasonal factors are then applied to the outstanding amounts, from which seasonally adjusted net issues are derived. Seasonal factors are revised at annual intervals or as required.

Similar as depicted in formula l) and m), the growth rate  $a_t$  for month  $t$  corresponding to the change in the 6 months ending in month  $t$ , may be calculated using either of the following two formulae:

$$p) \quad a_t = \left[ \prod_{i=0}^5 \left( 1 + \frac{N_{t-i}^M}{L_{t-1-i}} \right) - 1 \right] \times 100$$

$$q) \quad a_t = \left( \frac{I_t}{I_{t-6}} - 1 \right) \times 100$$

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

## **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, services, income and current transfers are pre-adjusted to take a working-day effect into account. For goods, services and income, the working-day adjustment is corrected for national public holidays. Data on goods credits are also pre-adjusted for Easter. The seasonal adjustment for these items is carried out using these pre-adjusted series. 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 (and trading day) factors are revised at semi-annual intervals or as required.



## 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 “Data services” sub-section include a browser interface with search facilities, subscription to different datasets and a facility for downloading data directly as compressed Comma Separated Value (CSV) files. 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 30 November 2005.

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, and include positions of non-MFIs resident in the euro area held with MFIs resident in the euro area; 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

1 OJ L 356, 30.12.1998, p. 7.

2 OJ L 250, 2.10.2003, p. 19.

corporations (S.11 in the ESA 95), and households (S.14 in the ESA 95) including non-profit institutions serving households (S.15 in the ESA 95). The data cover non-seasonally adjusted amounts outstanding and financial transactions classified according to the ESA 95 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”. Long-term debt securities issued by euro area residents are further broken down into fixed and variable rate issues. Fixed rate issues consist of issues where the coupon rate does not change during the life of the issues. Variable rate issues include all issues where the coupon is periodically refixed by reference to an independent interest rate or index. 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 other than shares, by original maturity, residency of the issuer and currency. The section presents outstanding amounts, gross issues and net issues of

securities other than shares denominated in euro and securities other than shares issued by euro area residents in euro and in all currencies for total and long-term debt securities. Net issues differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments. This section also presents seasonally adjusted statistics including annualised six-month seasonally adjusted growth rates for total and long-term debt securities. The latter are calculated from the seasonally adjusted index of notional stocks from which the seasonal effects have been removed. See the Technical notes for details.

Section 4.2 contains a sectoral breakdown of outstanding amounts, gross issues and net issues for issuers resident in the euro area in line with the ESA 95. The ECB is included in the Eurosystem.

The total outstanding amounts for total and long-term debt securities in column 1 of table 1 in Section 4.2, corresponds to the data on outstanding amounts for total and long-term debt securities issued by euro area residents in column 7 of Section 4.1. The outstanding amounts for total and long-term debt securities issued by MFIs in column 2 of table 1, Section 4.2 are broadly comparable with data for debt securities issued as shown on the liabilities side of the aggregated MFI balance sheet in column 8 of table 2, Section 2.1. The total net issues for total debt securities in column 1 of table 2 in Section 4.2 correspond to the data on total net issues by euro area residents in column 9 of Section 4.1. The residual difference between long-term debt securities and total fixed and variable rate long-term debt securities in table 1, Section 4.2 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows non-seasonally and seasonally adjusted growth rates for debt securities issued by euro area residents (broken down by maturity, type of instrument, sector of the issuer and currency), which are based on financial transactions that occur when an

institutional unit incurs or redeems liabilities. The growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. The seasonally adjusted growth rates have been annualised for presentational purposes. See the Technical notes for details.

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 issuer's own shares. Transactions include the quotation of an issuer on a stock exchange for the first time and the creation or deletion of new instruments. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes which do not arise from transactions.

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

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



Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999 column 1 of Section 4.6 shows 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 hourly labour costs, 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, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics<sup>3</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>4</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.

3 OJ L 162, 5.6.1998, p. 1.

4 OJ L 86, 27.3.2001, p. 11.

The labour cost indices (Table 3 in Section 5.1) measure the changes in labour costs per hour worked in industry (including construction) and market services. Their methodology is laid down in Regulation (EC) No 450/2003 of the European Parliament and of the Council of 27 February 2003 concerning the labour cost index<sup>5</sup> and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003<sup>6</sup>. A breakdown of hourly labour costs for the euro area is available by labour cost component (wages and salaries, and employers' social contributions plus employment-related taxes paid by the employer less subsidies received by the employer) and by economic activity. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised, national-definition data.

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2 in Section 5.2), GDP deflators (Table 5 in Section 5.1) and employment statistics (Table 1 in Section 5.3) are results of the ESA 95 quarterly national accounts.

Industrial new orders (Table 4 in Section 5.2) measure the orders received during the reference period and cover industries working mainly on the basis of orders – in particular textile, pulp and paper, chemical, metal, capital goods and durable consumer goods industries. The data are calculated on the basis of current prices.

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes with the exception of VAT, invoiced during the reference period. Retail trade turnover covers 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 6.5 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The annual euro area aggregates in Sections 6.1 to 6.3 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. The quarterly euro area aggregates in Sections 6.4 and 6.5 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000<sup>7</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. The deficits/surpluses presented for the individual euro area countries correspond to EDP B.9 as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002

5 OJL 69, 13.3.2003, p. 1.

6 OJL 169, 8.7.2003, p. 37.

7 OJL 172, 12.7.2000, p. 3.

amending Council Regulation (EC) No 3605/93 as regards references to the ESA 95. 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. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in the Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002<sup>8</sup> on quarterly non-financial accounts for general government. Section 6.5 presents quarterly figures on gross consolidated government debt, the deficit-debt adjustment and the government borrowing requirement. These figures are compiled using data provided by the Member States under Regulations (EC) No 501/2004 and 1222/2004 and data provided by the National Central Banks.

## 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 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)<sup>9</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 2004), and in the following task force reports: “Portfolio investment collection systems” (June 2002), “Portfolio investment income” (August 2003) and “Foreign direct investment” (March 2004), which can be downloaded from the ECB’s website. In addition, the report of the ECB/Commission (Eurostat) Task Force on Quality of balance of payments and international

investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics ([www.cmfb.org](http://www.cmfb.org)). The first annual quality report on the euro area b.o.p./i.i.p. (January 2005), which is based on the Task Force’s recommendations, is available on the ECB’s website.

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

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

In Section 7.1, Table 2 contains seasonally adjusted data for the current account. Where appropriate, the adjustment covers also working-day, leap year and/or Easter effects. Table 5 provides a sectoral breakdown of euro area purchasers of securities issued by non-residents of the euro area. It is not yet possible to show a sectoral breakdown of euro area issuers of securities acquired by non-residents. In Tables 6 and 7 the breakdown between “loans” and “currency and deposits” is based on the sector of the non-resident counterpart, i.e. assets vis-à-vis non-resident banks are classified as deposits, whereas assets vis-à-vis other non-resident sectors are classified as loans. This breakdown follows the distinction made in other statistics, such as the MFI consolidated balance sheet, and conforms to the IMF Balance of Payments Manual.

<sup>8</sup> OJ L 179, 9.7.2002, p. 1.

<sup>9</sup> OJ L 354, 30.11.2004, p. 34.

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 portfolio investment liabilities (columns 5 and 6), the b.o.p. transactions include sales and purchases of equity and debt securities issued by MFIs in the euro area, apart from shares of money market funds and debt securities with a maturity of up to two years. A 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 presents a geographical breakdown of the euro area b.o.p. (Tables 1 to 4) and i.i.p. (Table 5) vis-à-vis main partner countries individually or as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which, apart from the ECB, are treated statistically as outside the euro area, regardless of their physical location) and for some purposes also offshore centres and international organisations. Tables 1 to 4 show cumulative b.o.p. transactions in the latest four quarters; Table 5 shows a geographical breakdown of the i.i.p. for the latest end-year. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives and international reserves. The geographical breakdown is described in the article entitled “Euro area balance of payments and international investment position vis-à-vis main counterparts” in the February 2005 issue of the Monthly Bulletin.

The data on the euro area i.i.p. in Section 7.4 are based on positions vis-à-vis non-residents of the euro area, considering the euro area as a single economic entity (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 quarterly i.i.p. is compiled on the basis of the same methodological framework as the annual i.i.p. As some data sources are not available on a quarterly basis (or are available with a delay), the quarterly i.i.p. is partly estimated on the basis of financial transactions and asset prices and foreign exchange developments.

The outstanding amounts of the Eurosystem’s international reserves and related assets and liabilities are shown in Section 7.4, Table 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 Table 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.

Section 7.5 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 1 in Section 7.5 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 (Table 2 in Section 7.5) shows main trading partners individually or in regional groups. Mainland China excludes Hong Kong.

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 to 7.3). The difference for imports has been around 5% in 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).

## EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate (EER) indices for the euro calculated by the ECB on the basis of weighted averages of bilateral exchange rates of the euro against the currencies of the euro area's trading partners. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with the trading partners in the periods 1995-1997 and 1999-2001, and are calculated to account for third-market effects. The EER indices result from the linking at the beginning of 1999 of the indices based on 1995-1997 weights to those based on 1999-2001 weights. The EER-23 group of trading partners is composed of the 13 non-euro area EU Member States, Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-42 group includes, in addition to the EER-23, the following countries: Algeria, Argentina, Brazil, Bulgaria, Croatia, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Romania, Russia, South Africa, Taiwan, Thailand and Turkey. Real EERs are calculated using consumer price indices, producer price indices, gross domestic product deflators, unit labour costs in manufacturing and unit labour costs in the total economy.

For more detailed information on the calculation of the EERs, see Box 10 entitled "Update of the overall trade weights for the effective exchange rates of the euro and computation of a new set of euro indicators" in the September 2004 issue of the Monthly Bulletin and the ECB's Occasional Paper No 2 ("The effective exchange rates of the euro" by 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.

## ANNEXES

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



### 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 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.

<sup>1</sup> The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2002 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, on pages 219 to 220 of the ECB's Annual Report 2001 and on pages 234 to 235 of the ECB's Annual Report 2002 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, 1 JULY,  
5 AUGUST, 2 SEPTEMBER, 7 OCTOBER,  
4 NOVEMBER, 2 DECEMBER 2004 AND  
13 JANUARY 2005**

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.

**14 JANUARY 2005**

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 2005 from €25 billion to €30 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated in 2005. 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 2006.

**3 FEBRUARY, 3 MARCH, 7 APRIL,  
4 MAY, 2 JUNE, 7 JULY, 4 AUGUST,  
1 SEPTEMBER, 6 OCTOBER AND  
3 NOVEMBER 2005**

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.

**1 DECEMBER 2005**

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 0.25 percentage point to 2.25%, starting from the operation to be settled on 6 December 2005. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 0.25 percentage point, to 3.25% and 1.25% respectively, both with effect from 6 December 2005.







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



## PAYMENT FLOWS IN TARGET

In the third quarter of 2005 TARGET processed a daily average of 295,161 payments with a value of €1,841 billion. Compared with the previous quarter, this represented an increase of 1% in terms of volume and a decrease of 4% in terms of value. The increase in volume is noteworthy as it breaks with the pattern of decreasing volumes in the traditionally slower summer period. Moreover, it is the highest average quarter-on-quarter rise since the start of TARGET in January 1999. TARGET's overall market share remained at the same high levels in terms of both value (89%) and volume (59%). When compared with the same period last year, the market share increased by 2% in terms of volume and by 2.5% in terms of value.

## INTRA-MEMBER STATE PAYMENTS

TARGET processed on average 228,511 intra-Member State payments with a value of €1,217 billion per business day in the third quarter of 2005. This represented an increase of 3% in volume and a decrease of 5% in value as compared with the previous quarter. Compared with the corresponding period in 2004, the volume increased by 18% and the value by 11%. Intra-Member State traffic accounted for 77.4% of the total volume and 66.1% of the total value of TARGET payments. The average value of an intra-Member State payment decreased from €5.7 million to €5.3 million in the third quarter. At the intra-Member State level, 63% of payments were below €50,000, while 10% were above €1 million. On average, there were 139 intra-Member State payments with a value above €1 billion per day. The highest intra-Member State traffic was recorded on 30 September, the last day of the quarter, when a total of 424,805 payments with a total value of €2,439 billion were processed.

## INTER-MEMBER STATE PAYMENTS

At the inter-Member State level, TARGET processed a daily average of 66,650 payments with a total value of €624 billion in the third quarter of 2005. Compared with the second quarter, this represented a decrease of 4% in terms of volume and 3% in value. Interbank payments decreased by 4% in both volume and value as compared with the previous quarter. For customer payments, a decrease of 4% was observed in terms of volume and one of 12% was recorded in value. The proportion of interbank payments in average daily inter-Member State traffic was 48% in volume and 95% in value. The average value of interbank payments increased from €18.3 million to €18.6 million and that of customer payments fell from €902,000 to €850,300 as compared with the second quarter. 64% of the inter-Member State payments had a value below €50,000, while 14% had a value above €1 million. On average, there were 48 inter-Member State payments with a value above €1 billion per day. The highest inter-Member State traffic was recorded on 30 September, the last day of the quarter, when a total of 94,470 payments with a total value of €829 billion were processed.

## TARGET AVAILABILITY AND BUSINESS PERFORMANCE

In the third quarter of 2005 TARGET achieved the same high overall availability of 99.81% as in the preceding quarter. The number of incidents with an effect on TARGET's availability was 22, which was 3 more than in the previous quarter. Incidents considered for the calculation of TARGET's availability are those that prevent the processing of payments for ten minutes or more. During the third quarter of 2005 there were three incidents that lasted more than two hours. Table 3 shows the availability figures for each national TARGET component and the ECB payment mechanism (EPM). In the third quarter 96.04% of inter-Member State payments were processed in less than five minutes, 3.31% needed between

**Table 1 Payment instructions processed by TARGET and other selected interbank funds transfer systems: volume of transactions**

(number of payments)	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3
<b>TARGET</b>					
<b>All TARGET payments</b>					
Total volume	16,871,971	18,033,316	17,219,984	18,952,096	19,441,665
Daily average	255,636	273,232	277,741	291,541	295,161
<b>Inter-Member State TARGET payments</b>					
Total volume	4,068,531	4,305,815	4,183,482	4,518,137	4,389,389
Daily average	61,644	65,240	67,476	69,515	66,650
<b>Intra-Member State TARGET payments</b>					
Total volume	12,803,440	13,727,501	13,036,502	14,433,959	15,052,276
Daily average	193,992	207,992	210,266	222,025	228,511
<b>Other systems</b>					
<b>EURO 1 (EBA)</b>					
Total volume	10,831,383	11,382,418	10,883,591	11,856,745	11,590,400
Daily average	164,112	172,420	175,542	182,452	175,942
<b>Paris Net Settlement (PNS)</b>					
Total volume	1,700,070	1,766,831	1,681,581	1,760,484	1,677,545
Daily average	25,759	26,770	27,122	27,098	25,481
<b>Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)</b>					
Total volume	128,745	119,693	127,802	183,226	148,838
Daily average	1,951	1,813	2,061	2,811	2,258
<b>Servicio Español de Pagos Interbancarios (SPI)</b>					
Total volume	237,482	139,269			
Daily average	3,598	2,360			

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

(EUR billions)	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3
<b>TARGET</b>					
<b>All TARGET payments</b>					
Total value	107,592	116,389	116,318	124,726	121,300
Daily average	1,630	1,763	1,876	1,919	1,841
<b>Inter-Member State TARGET payments</b>					
Total value	35,378	38,226	39,152	41,846	41,140
Daily average	536	579	631	644	624
<b>Intra-Member State TARGET payments</b>					
Total value	72,214	78,163	77,166	82,881	80,160
Daily average	1,094	1,184	1,245	1,275	1,217
<b>Other systems</b>					
<b>EURO 1 (EBA)</b>					
Total value	10,487	11,005	10,483	10,850	10,787
Daily average	159	167	169	167	164
<b>Paris Net Settlement (PNS)</b>					
Total value	4,217	4,215	3,922	4,102	3,864
Daily average	64	64	63	63	59
<b>Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)</b>					
Total value	117	113	122	117	106
Daily average	2	2	2	2	2
<b>Servicio Español de Pagos Interbancarios (SPI)</b>					
Total value	110	37			
Daily average	2	1			

**Table 3 TARGET availability for each national component and the ECB payment mechanism (EPM)**

National TARGET component	Availability Q3 2005
Belgium	99.46%
Denmark	100.00%
Germany	99.85%
Greece	100.00%
Spain	100.00%
France	98.78%
Ireland	99.87%
Italy	99.68%
Luxembourg	100.00%
The Netherlands	100.00%
Austria	99.72%
Poland	100.00%
Portugal	99.89%
Finland	100.00%
Sweden	100.00%
United Kingdom	99.89%
ECB payment mechanism	99.54%
Overall TARGET availability	99.81%

5 minutes and 15 minutes and 0.32% required between 15 minutes and 30 minutes. On average, the processing time exceeded 30 minutes for 220 payments per day, which should be seen in the context of the 66,506 inter-Member State payments processed on average every day.





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#### **INFORMATION BROCHURES**

“TARGET2 – the future TARGET system”, September 2004.

“TARGET – the current system”, September 2004.

“TARGET – the current system” (update 2005), August 2005.

“TARGET 2 – the future TARGET system” (update 2005), August 2005.

“The euro area at a glance”, August 2005.



## GLOSSARY

This glossary contains selected items that are frequently used in the Monthly Bulletin. A more comprehensive and detailed glossary can be found on the ECB's website ([www.ecb.int/home/glossary/html/index.en.html](http://www.ecb.int/home/glossary/html/index.en.html)).

**Autonomous liquidity factors:** liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

**Bank lending survey:** a quarterly survey on lending policies that has been conducted by the Eurosystem since January 2003. It addresses qualitative questions on developments in credit standards, terms and conditions of loans and loan demand for both enterprises and households to a predefined sample group of banks in the euro area.

**Central parity:** the exchange rate of each ERM II member currency vis-à-vis the euro, around which the ERM II fluctuation margins are defined.

**Compensation per employee:** the total remuneration, in cash or in kind, that is payable by employers to employees, i.e. gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions, divided by the total number of employees.

**Consolidated balance sheet of the MFI sector:** a balance sheet obtained by netting out inter-MFI positions (e.g. inter-MFI loans and deposits) in the aggregated MFI balance sheet. It provides statistical information on the MFI sector's assets and liabilities vis-à-vis residents of the euro area not belonging to this sector (i.e. general government and other euro area residents) and vis-à-vis non-euro area residents. It is the main statistical source for the calculation of monetary aggregates, and it provides the basis for the regular analysis of the counterparts of M3.

**Debt (financial accounts):** loans, deposit liabilities, debt securities issued and pension fund reserves of non-financial corporations (resulting from employers' direct pension commitments on behalf of their employees), valued at market value at the end of the period. However, due to data limitations, the debt given in the quarterly financial accounts does not include loans granted by non-financial sectors (e.g. inter-company loans) or by banks outside the euro area, whereas these components are included in the annual financial accounts.

**Debt (general government):** the total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government.

**Debt security:** 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. Such securities 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.

**Debt-to-GDP ratio (general government):** the ratio of general government debt to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104 (2) of the Treaty establishing the European Community to define the existence of an excessive deficit.

**Deficit (general government):** the general government's net borrowing, i.e. the difference between total government revenue and total government expenditure.

**Deficit ratio (general government):** the ratio of the general government deficit to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104 (2) of the Treaty establishing the European Community to define the existence of an excessive deficit. 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 for the purpose of obtaining a lasting interest in an enterprise resident in another economy (assumed, in practice, for ownership of at least 10% of the ordinary shares or voting power). Included are equity capital, reinvested earnings and other capital associated with inter-company operations. The direct investment account records net transactions/positions in assets abroad by euro area residents (as "direct investment abroad") and net transactions/positions in euro area assets by non-residents (as "direct investment in the euro area").

**Effective exchange rates (EERs) of the euro (nominal/real):** weighted averages of bilateral euro exchange rates against the currencies of the euro area's main trading partners. The ECB publishes nominal EER indices for the euro against two groups of trading partners: the EER-23 (comprising the 13 non-euro area EU Member States and the 10 main trading partners outside the EU) and the EER-42 (composed of the EER-23 and 19 additional countries). The weights used reflect the share of each partner country in euro area trade and account for competition in third markets. 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.

**EONIA (euro overnight index average):** a measure of the effective interest rate prevailing in the euro interbank overnight market. It is calculated as a weighted average of the interest rates on unsecured overnight lending transactions denominated in euro, as reported by a panel of contributing banks.

**Equities:** securities representing ownership of a stake in a corporation. They 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 that 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.

**European Commission surveys:** harmonised surveys of business and/or consumer sentiment conducted on behalf of the European Commission in each of the EU Member States. Such questionnaire-based surveys are addressed to managers in the manufacturing, construction,

retail and services sectors, as well as to consumers. From each monthly survey, composite indicators are calculated that summarise the replies to a number of different questions in a single indicator (confidence indicators).

**Eurozone Purchasing Managers' Surveys:** surveys of business conditions in manufacturing and in services industries 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 services sector survey asks questions on business activity, expectations of future business activity, the amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated by combining the results from the manufacturing and services sector surveys.

**External trade in goods:** exports and imports of goods with countries outside the euro area, measured in terms of value and as indices of volume and unit value. External trade statistics are not comparable with the exports and imports recorded in the national accounts, as the latter include both intra-euro area and extra-euro area transactions, and also combine goods and services. Nor are they fully comparable with the goods item in b.o.p. statistics. Besides methodological adjustments, the main difference is to be found in the fact that imports in external trade statistics are recorded including insurance and freight services, whereas they are recorded free on board in the goods item in the b.o.p. statistics.

**Fixed rate tender:** a tender procedure in which the interest rate is specified in advance by the central bank and in which participating counterparties bid the amount of money they wish to transact at the fixed interest rate.

**General government:** a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

**Gross domestic product (GDP):** the value of an economy's total 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 that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

**Gross monthly earnings:** gross monthly wages and salaries of employees, including employees' social security contributions.

**Harmonised Index of Consumer Prices (HICP):** a measure of consumer prices that is compiled by Eurostat and harmonised for all EU Member States.



**Hourly labour cost index:** a measure of labour costs, including gross wages and salaries (as well as bonuses of all kinds), employers' social security contributions and other labour costs (such as vocational training costs, recruitment costs and employment-related taxes), net of subsidies, per hour actually worked. Hourly costs are obtained by dividing the sum total of these costs for all employees by the sum total of 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:** 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:** the gross value added created by industry at constant prices.

**Inflation-indexed government bonds:** debt securities issued by the general government, the coupon payments and principal of which 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.

**Job vacancies:** a collective term covering 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 total of persons in employment and the number of unemployed.

**Labour productivity:** the output that can be produced with a given input of labour. It can be measured in several ways, but is commonly measured as GDP at constant prices divided by either total employment or total hours worked.

**Longer-term refinancing operation:** a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months.

**M1:** a narrow monetary aggregate that comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

**M2:** an intermediate monetary aggregate that comprises M1 plus 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:** a broad monetary aggregate that comprises M2 plus marketable instruments, in particular repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

**Main refinancing operation:** a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

**Marginal lending facility:** a standing facility of the Eurosystem which counterparties may use to receive overnight credit from a national central bank at a pre-specified interest rate against eligible assets.

**MFI credit to euro area residents:** MFI loans granted to non-MFI euro area residents (including the general government and the private sector) and MFI holdings of securities (shares, other equity and debt securities) issued by non-MFI euro area residents.

**MFI interest rates:** the interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area.

**MFI longer-term financial liabilities:** deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued by euro area MFIs with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

**MFI net external assets:** the external assets of the euro area MFI sector (such as gold, foreign currency banknotes and coins, securities issued by non-euro area residents and loans granted to non-euro area residents) minus the external liabilities of the euro area MFI sector (such as non-euro area residents' deposits and repurchase agreements, as well as their holdings of money market fund shares/units and debt securities issued by MFIs with a maturity of up to and including two years).

**MFIs (monetary financial institutions):** financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business 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 credit and/or invest in securities. The latter group consists predominantly of money market funds.

**Portfolio investment:** euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (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 ordinary shares or voting power.

**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 that is 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.

**Survey of Professional Forecasters (SPF):** a quarterly survey that has been conducted by the ECB since 1999 to collect macroeconomic forecasts on euro area inflation, real GDP growth and unemployment from a panel of experts affiliated to financial and non-financial organisations based in the EU.

**Unit labour costs:** a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation per employee to GDP at constant prices per person employed.

**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.

**Yield curve:** a curve describing the relationship between the interest rate or yield and the maturity at a given point in time for debt securities with the same credit risk but different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates at two selected maturities.

