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EUROPEAN CENTRAL BANK

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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 2 February 2006, the Governing Council of the ECB decided, on the basis of its regular economic and monetary analyses, to leave the key ECB interest rates unchanged. It also concluded that the most recent information from the economic analysis broadly underpins its assessment of the outlook for price developments and the euro area economy, and that monetary and credit growth remains strong and liquidity ample. Against this background, the Governing Council will exercise vigilance so as to ensure the solid anchoring of long-term inflation expectations at levels in line with price stability. Such vigilance is also warranted, given the historically low levels of both nominal and real interest rates across the whole maturity spectrum and the overall accommodative stance of monetary policy. In order for monetary policy to make an ongoing contribution towards supporting growth and employment in the euro area, inflation expectations must be firmly anchored.

As regards the economic analysis, recent data continue to lend support to the scenario for economic activity embodied in the December 2005 Eurosystem staff projections. Hence, the Governing Council's assessment of the outlook for growth in the euro area has been broadly confirmed. Economic activity started to improve and broaden in the second half of 2005 and, on the basis of the latest indicators and survey data, it appears that this process has basically continued, taking into account the usual degree of volatility of quarterly growth rates. Looking ahead, the conditions remain in place for economic growth to continue over the coming quarters. The external environment is favourable, providing support for euro area exports. Investment is expected to remain strong, benefiting from an extended period of very favourable financing conditions, balance sheet restructuring, and accumulated and ongoing gains in earnings and business efficiency. Consumption growth should also strengthen over time, in line with developments in real disposable income, as the labour market situation gradually improves. This outlook for economic activity is also confirmed by available forecasts.

Downside risks to economic growth, relating, in particular, to persistently high and volatile oil prices and concerns about global imbalances, still dominate on the external side.

In relation to price developments, annual HICP inflation was 2.2% in December, down from 2.3% in November and 2.5% in October. Over the short term, annual inflation rates may again increase somewhat, reflecting in particular renewed increases in energy prices and some base effects. Looking further ahead, indirect effects of past oil price rises on other components of the price index may gradually materialise, and already announced changes to administered prices and indirect taxes can be expected to have an upward impact on HICP inflation. Meanwhile, wage dynamics have remained moderate over recent quarters and are assumed to remain so for the time being, reflecting, in particular, global competitive pressure. All in all, currently available information is broadly in line with the scenario embodied in the December 2005 Eurosystem staff projections for HICP inflation over this year and next.

Risks to this outlook for price developments remain on the upside and include further rises in oil prices, a pass-through of oil prices into consumer prices stronger than currently envisaged, additional increases in administered prices and indirect taxes, and – more fundamentally – potential second-round effects on wage and price-setting behaviour. It is therefore crucial that the social partners continue to meet their responsibilities also in the context of a more favourable economic environment.

Turning to the monetary analysis, the annual growth rate of M3 remains robust, even though it moderated further in December. This moderation can be explained in part by an apparent resumption of the unwinding of past portfolio shifts, which exerts a dampening effect on headline M3 growth. However, the trend rate of monetary expansion remains strong, reflecting the stimulative impact of the prevailing low level of interest rates. In particular, growth in the most liquid components

of M3 continues to be very robust and the annual growth rate of loans to the private sector has increased further. Mortgage borrowing is particularly buoyant, implying a need to monitor developments in the housing market closely. Overall, strong monetary and credit growth in a context of already ample liquidity in the euro area points to risks to price stability over the medium to longer term.

To sum up, the economic analysis suggests that indirect effects stemming from past oil price rises and already announced changes to administered prices and indirect taxes can be expected to have an upward impact on annual HICP inflation over the coming years. It also indicates that risks to price stability over the medium term remain on the upside. Cross-checking the outcome of the economic analysis with that of the monetary analysis supports the case for vigilance to ensure that the risks to price stability over the medium to longer term do not materialise. It is indeed essential that such risks do not affect medium and long-term inflation expectations, which need to remain firmly anchored at levels consistent with price stability. This is a prerequisite for monetary policy to make an ongoing contribution to sustainable economic growth and job creation.

As regards fiscal policy, recent information points to somewhat better than expected outcomes for 2005 in a number of countries and for the euro area as a whole. With the improvements in economic growth, determined fiscal consolidation is now even more important. In particular, countries with excessive deficits must take this opportunity to reduce their fiscal imbalances in a decisive and sustainable manner. This would strongly support the European fiscal framework as established by the Stability and Growth Pact. Delaying consolidation would be both inappropriate in the short term and risky in the longer term. Adjustment efforts should be based on credible, fully specified measures as part of a comprehensive consolidation programme. Any windfall gains from higher than expected growth or other factors should be allocated to speeding up deficit reduction. This would help to prevent a repeat of past experiences, when complacency in good times contributed to persistent budgetary disequilibria.

With respect to structural reforms, the Governing Council discussed a range of issues relating to the euro area services sector. Services-related activities represent an important input for other sectors of the economy and account for a large, growing share of value added and employment in the euro area, standing, in both cases, at around 70% in recent years. Given the services sector's increasingly important role, the need to ensure a fully integrated internal market for services in the European Union is at the forefront of the European policy agenda. Structural reforms aimed at increasing competition in both EU and international services markets would allow firms to benefit from economies of scale and should be expected to increase economic efficiency. This would support both a higher level and stronger growth rate of labour productivity in the services sector, promote a more dynamic economy and create more jobs. Moreover, a higher level of competition in the services market should have a dampening impact on prices and would contribute to the reduction of price stickiness in some areas of the services sector. Overall, opening up the services sector to new entrants would tend to foster more efficient and flexible services markets, facilitate adjustment processes and increase the resilience of the euro area to economic shocks. This would support economic growth and employment in the longer run.

This issue of the Monthly Bulletin contains two articles. The first article reviews recent developments in euro area residential property prices, examining factors driving house price developments and assessing the current situation in the housing market. The second article addresses the role of financial markets in fostering fiscal discipline. It discusses the main channels through which fiscal policies may affect government bond spreads within the single currency area and looks at the extent to which non-fiscal factors may explain the low level of these spreads.

ECONOMIC AND MONETARY DEVELOPMENTS

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

Towards the end of 2005, the global economy continued to expand at a relatively robust pace and inflationary pressures generally receded. While the outlook for the external environment and euro area external demand remains positive, the recent rebound in oil prices, largely in response to geopolitical tensions, highlights the persistent risks from commodity markets to both global activity and prices.

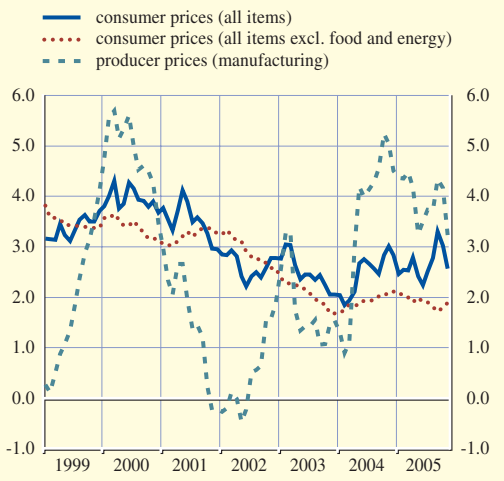
1.1 DEVELOPMENTS IN THE WORLD ECONOMY

In the second half of 2005, the global economy continued to expand at a relatively robust pace. Global industrial activity regained some momentum after a period of declining growth between mid-2004 and mid-2005. In October, industrial production in the OECD countries grew by 2.4% year on year, continuing the gradual upward trend which had prevailed since May. More recent survey evidence suggests that global activity remained fairly strong until December.

Inflationary pressures generally eased further towards the end of the year. For the OECD countries, annual CPI inflation receded to 2.6% in November, after a high of 3.3% in September. Excluding food and energy, it increased slightly to 1.9% in November (see Chart 1). According to survey evidence, input price pressures continued to moderate in December in both the manufacturing and services sectors.

Chart 1 Price developments in the OECD countries

(annual percentage changes; monthly data)



Source: OECD.

UNITED STATES

In the United States, economic activity, after expanding at a sound pace in the first three quarters of 2005, subsided in the fourth quarter. According to advance estimates, real GDP grew by an annualised rate of 1.1% in the fourth quarter, following a rise of 4.1% in the third quarter. This development primarily reflected a contraction in personal consumption (mostly due to a fall in the number of motor vehicles purchased), an acceleration in imports, a downturn in federal government spending and decelerations in both investment in equipment and software and residential fixed investment, which were partly offset by an upturn in private inventory investment. Nevertheless, annual GDP growth for 2005 remained robust at 3.5%.

Annual headline inflation declined slightly to 3.4% in December as energy prices continued to retreat, while consumer price inflation excluding energy and food increased slightly to 2.2%. While inflationary expectations appear to be contained and wage increases remain moderate at present, increasing capacity utilisation and possible shortages in the labour market may, in the future, feed into higher price pressures, especially if they were combined with further increases in energy prices.

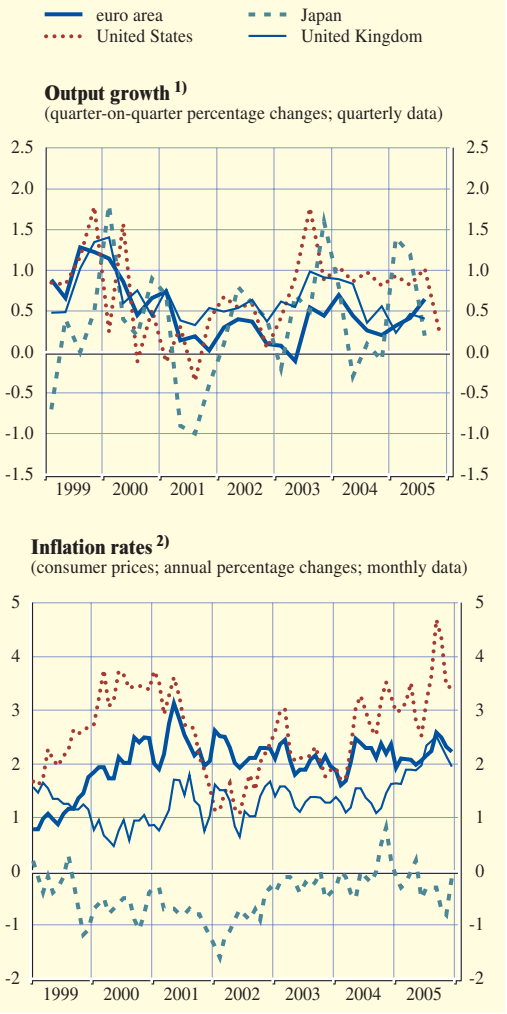
All in all, the outlook for real GDP growth remains positive. The expected slowdown in household spending in conjunction with the weakening housing market are likely to be partly offset by favourable developments in investment spending.

With regard to monetary policy, at its meeting on 31 January 2006, the US Federal Open Market Committee decided to raise its target for the federal funds rate by 25 basis points for the 14th consecutive time, bringing the policy rate to 4.5%. In the statement accompanying the meeting, the Committee noted that "some further policy firming may be needed."

JAPAN

In Japan, the economy is continuing to recover gradually, while consumer price deflation is abating. Various surveys and economic indicators point to more favourable cyclical conditions and improved business confidence. In line with these indicators, industrial production and export activity have gained momentum in recent months. The improvement in business confidence has also been accompanied by favourable developments in consumer sentiment. In December consumer confidence continued on an upward trend, reaching its highest level over the last decade. This recovery reflects ongoing gradual improvements in perceived employment and income conditions. Looking ahead, the Japanese economy is expected to continue its gradual recovery, supported by healthy domestic demand and the renewed strength of exports.

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.

Concerning consumer prices, in December the annual rate of change in the CPI excluding fresh food remained marginally positive (+0.1%) for the second consecutive month while headline CPI declined slightly (-0.1% on an annual basis). Producer prices – as measured by the domestic corporate goods price index – rose in December by 2.2% on an annual basis. Preliminary figures indicate that for 2005 as a whole this index recorded an annual increase of 1.7%, which compares with 1.3% in 2004. This pick-up in producer price inflation mainly reflects the significant rises in commodity and industrial raw material prices recorded last year.

At its meeting on 20 January 2006, the Bank of Japan decided to maintain its target for the outstanding balance of current accounts unchanged at around 30 to 35 trillion yen. At the same

time, it reiterated that when the demand for liquidity is exceptionally weak owing to technical factors, the balance may be allowed to fall below the lower bound of the target.

UNITED KINGDOM

In the United Kingdom, a modest recovery in economic growth appears to have taken place in the last quarter of 2005. According to the preliminary estimate, GDP increased by 0.6% quarter on quarter, driven mainly by the services sector. In the three months to December, retail sales grew by 1.6% compared with the previous quarter, suggesting that private consumption is strengthening. This positive development must be seen against the background of less favourable labour market data, as unemployment picked up and average wages (excluding bonuses) moderated. Export growth is estimated to have increased in the last quarter of 2005, resulting in a positive contribution of net exports over that period. Looking ahead, economic activity is expected to continue to maintain roughly the same growth momentum as in the last quarter of 2005.

In December, annual HICP inflation declined to 2.0%. This stemmed mainly from a fall in transport prices. The annual growth rate of residential property prices measured by the Halifax house price index increased to 5.5%, indicating stronger activity in the housing market.

OTHER EUROPEAN COUNTRIES

In most other non-euro area EU countries, output growth picked up or remained generally robust in the third quarter of last year. Short-term indicators also suggest that favourable domestic demand and export performance continued to prevail in the fourth quarter. HICP inflation in December declined further in most countries as pressures stemming from energy prices eased.

In Denmark and Sweden, real GDP growth strengthened in the third quarter (to 1.4% and 1.0% quarter on quarter, respectively), while available information on activity for the fourth quarter remained favourable. Although inflation picked up slightly in December (to 2.2% in Denmark and 1.3% in Sweden), intense competition in the retail sector, moderate wage increases and strong productivity growth should continue to exert downward pressures on inflation.

In the three largest new EU Member States, strong output growth continued in the third quarter, with export performance remaining favourable and domestic demand strengthening. Short-term indicators suggest that output growth also remained strong in the fourth quarter. Annual HICP inflation in the Czech Republic and Poland declined further in December (to 1.9% and 0.8% respectively), mainly on account of easing pressures from energy prices as well as currency appreciation. In Hungary, annual HICP inflation remained unchanged at 3.3% in December.

NON-JAPAN ASIA

In non-Japan Asia, output continued to expand at a rapid pace at the end of 2005. Both domestic demand and exports remained very robust in most major economies in the region. In December, inflationary pressures were generally rather moderate, although dispersion among countries increased owing to differentiated oil price pass-through to consumer price inflation.

In China, the economy continued to expand rapidly, driven increasingly by domestic demand, while exports decelerated. In the last quarter of 2005, real GDP rose by 9.9% year on year. Taking into account the upward revisions for the first three quarters, real GDP growth stood at 9.9% in 2005. In December, retail sales and industrial production continued to expand strongly, rising by 12.5% and 16.5% year on year respectively. Inflationary pressures continued to be rather muted,

with annual CPI inflation rising moderately to 1.6% in December. In 2005 CPI inflation stood at 1.8%, down from 3.9% in 2004. In Korea, year-on-year growth in real GDP increased to 5.2% in the fourth quarter of 2005, from 4.5% in the third quarter.

Economic prospects for non-Japan Asia remain favourable, underpinned by strong domestic demand and an improvement in the export outlook. However, increasing excess capacity in a number of sectors in China, such as steel and automobiles, constitutes a potential risk to the Chinese economy. Meanwhile, high oil prices remain a major downward risk to the region's benign outlook.

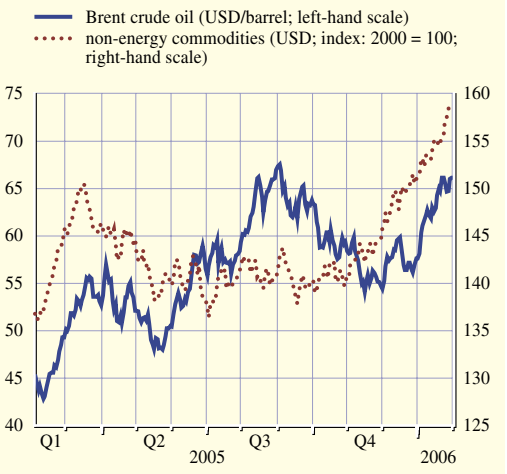
LATIN AMERICA

In Latin America, recent indicators point to a continued differentiation in the pace of economic activity in the major economies. In Brazil, industrial production remained sluggish, increasing by only 0.6% year on year in November 2005. Annual CPI inflation continued to decline to 5.7% in December. Against this background, the central bank decided to cut, for the fifth consecutive month, its key reference rate by 75 basis points to 17.25% at its meeting on 18 January. In Mexico, industrial output continued to recover, rising by 3.1% year on year in November. The central bank also cut its main interest rate by 50 basis points, to 7.75% at its meeting on 27 January, signalling that there would be limited room for further interest rate cuts in the future. In Argentina, economic growth continued to surprise on the upside, with the leading indicator on economic activity (EMAE) rising by 9.1% year on year in November. Annual CPI inflation continued to follow an upward trend, reaching 12.3% in December. Economic prospects for the region as a whole remain favourable in the near term, as domestic demand is expected to recover in Brazil and Mexico and growth, despite moderating somewhat, is expected to remain robust in Argentina.

1.2 COMMODITY MARKETS

Oil prices rose further in January, with the price of Brent crude oil reaching USD 66.1 per barrel on 1 February 2006. This is 14% higher than at the start of the year and only 2% below the peak levels reached in the immediate aftermath of the hurricanes in the Gulf of Mexico in early September 2005. Following relatively weak demand in the second half of 2005, the International Energy Agency (IEA) expects oil demand to rebound in 2006 and to continue to support prices. Although global oil supply increased towards the end of last year, this has not dampened prices, as market participants have become more concerned about the security of future oil supplies following heightened geopolitical tensions. Limited spare capacity throughout the oil supply chain, and therefore high sensitivity to unanticipated changes in the supply/demand balance, are likely to keep oil prices both relatively high and volatile in the near term.

Chart 3 Main developments in commodity markets



Sources: Bloomberg and HWWA.

Non-energy commodity prices have also risen considerably in recent months as industrial raw material and food prices have increased. Expressed in US dollars, non-energy commodity prices were approximately 14% higher in January than one year earlier.

1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Overall, the outlook for the external environment and thus for euro area external demand remains positive. A rather robust profit situation and favourable financing conditions, combined with structural improvement in corporate balance sheets in a number of countries, should benefit firms' investment spending in particular.

In line with this assessment, the six-month rate of change in the OECD composite leading indicator increased further in November, continuing the upward trend observed since mid-2005. Among the major economies, the increases were most pronounced for Japan, Canada and the United States, with the index for the latter having recovered fully from the temporary hurricane-related weakness.

The renewed increase in oil prices close to the historic highs of September 2005, largely in response to heightened geopolitical tensions, together with the recent upward pressure on non-energy commodity prices, highlights the ongoing risk to the global economy from commodity markets. Moreover, the persistence of economic imbalances at the global level remains a significant risk for the world economy.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

While remaining strong at 7.3%, annual M3 growth moderated somewhat further in December. The signs of the resumption of the unwinding of past portfolio shifts, which had been observed in October, were still evident. Underlying monetary and credit dynamics also remained strong, with the prevailing low level of interest rates continuing to be the main driver of monetary expansion. In an environment of already ample liquidity, strengthening confidence and economic recovery, the ongoing strong growth of money and credit points to increasing upside risks to price stability over medium- to longer-term horizons. Moreover, these developments imply a need to monitor asset price dynamics carefully, given the potential for price misalignments to emerge.

THE BROAD MONETARY AGGREGATE M3

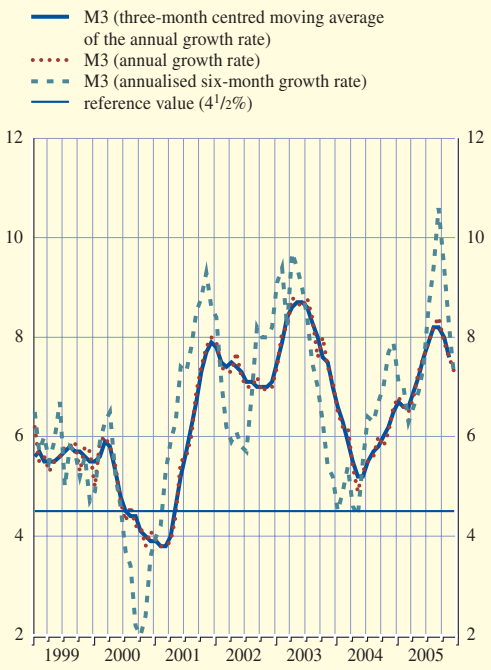
The annual growth rate of the broad monetary aggregate M3 declined further in December 2005, to 7.3% from 7.6% in November. The three-month average of the annual M3 growth rates decreased to 7.6% in the period between October and December 2005, from 8.0% in the period between September and November (see Chart 4). Shorter-term dynamics of M3 – as, for instance, measured by the annualised six-month rate of growth – also continued to decline, although the month-on-month rise of 0.5% in December represented an increase over the very low monthly expansion seen in October and November.

Despite the recent declines, annual M3 growth remained at a high level. Moreover, the December data continue to suggest that the prevailing low level of interest rates was still the main driving factor behind strong underlying M3 growth. This assessment is supported by the continued large contribution to the annual growth rate of M3 stemming from the narrow aggregate M1 and by the further strengthening of the robust demand for MFI loans by the private sector. At the same time, the signs of a resumption of the unwinding of past portfolio shifts first observed in October remained evident in the December data. Such an unwinding, which was witnessed in the period between mid-2003 and mid-2004, would exert a dampening effect on M3 growth, causing the official M3 series to understate the pace of underlying monetary expansion.[1]

Given the robust growth in M3 over the past few quarters, liquidity in the euro area remains ample. Strong money and credit growth in a context of already ample liquidity implies risks to price stability over the medium to longer

Chart 4 M3 growth and the reference value

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

1 See the box entitled "Approaches to identifying and estimating portfolio shifts into and out of M3" in the January 2005 issue of the Monthly Bulletin for further information.

term, especially if a significant part of the ample liquidity were to be transformed into transaction balances in an environment of strengthening confidence and real economic activity. In addition, such growth also implies a need to monitor asset price dynamics carefully, given the potential for price misalignments to emerge.

MAIN COMPONENTS OF M3

The decline in the annual growth rate of M3 in December mainly reflects a lower contribution from marketable instruments, while the more liquid components – in particular, overnight deposits – expanded strongly. As a result, the contribution of M1 to annual M3 growth increased further, remaining by far the largest driver of M3 dynamics. The strong increase in the annual growth rate of overnight deposits more than offset the continued gradual decline in the annual rate of growth of currency in circulation observed over the past few months. The annual rate of growth of short-term deposits other than overnight deposits decreased somewhat further in December (see Table 1). Overall, however, the demand for short-term deposits remained robust, reflecting the low opportunity cost of holding these assets in an environment of low interest rates.

The annual growth rate of marketable instruments included in M3 declined substantially in December, largely on account of a fall in the annual rate of growth of holdings of money market fund shares/units, which turned negative for the first time since the introduction of the euro. The increasingly subdued developments over recent months in money market fund shares/units – assets which are held by households and firms to "park" liquidity at times of heightened uncertainty – support the view that there may have been a resumption of the unwinding of past portfolio shifts.

The annual growth rate of short-term deposits and repurchase agreements held by the private sector with MFIs (excluding the Eurosystem), the broadest aggregation of M3 components for which information by holding sector is available, decreased further in December. The decrease in the rate of growth of this asset aggregation observed since September reflects to a large extent a declining contribution from financial intermediaries other than MFIs, suggesting that the earlier

Table 1 Summary table of monetary variables

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

	Outstanding amount as a percentage of M3 [1]	Annual growth rates					
		2005 Q1	2005 Q2	2005 Q3	2005 Q4	2005 Nov.	2005 Dec.
M1	**48.4**	**9.6**	**9.8**	**11.2**	**10.9**	**10.4**	**11.3**
Currency in circulation	7.3	18.0	17.3	16.0	14.8	14.6	13.7
Overnight deposits	41.1	8.2	8.5	10.4	10.2	9.7	10.9
M2 - M1 (= other short-term deposits)	37.5	4.5	5.0	5.5	5.9	5.9	5.3
Deposits with an agreed maturity of up to two years	15.7	0.5	2.6	4.5	6.6	6.7	6.6
Deposits redeemable at notice of up to three months	21.8	7.1	6.6	6.0	5.3	5.2	4.2
M2	**86.0**	**7.1**	**7.5**	**8.4**	**8.5**	**8.2**	**8.4**
M3 - M2 (= marketable instruments)	14.0	4.0	4.4	5.6	3.8	3.8	0.9
M3	**100.0**	**6.7**	**7.0**	**8.0**	**7.8**	**7.6**	**7.3**
Credit to euro area residents		**6.5**	**6.6**	**7.0**	**7.9**	**8.2**	**8.4**
Credit to general government		3.4	2.2	1.2	2.7	3.4	4.5
Loans to general government		-0.3	-0.7	-0.9	0.4	-0.2	2.0
Credit to the private sector		7.3	7.8	8.6	9.4	9.4	9.5
Loans to the private sector		7.3	7.6	8.4	8.9	9.0	9.1
Longer-term financial liabilities (excluding capital and reserves)		**9.5**	**9.7**	**10.0**	**9.4**	**9.5**	**8.8**

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

upward dynamics recorded for this sector were of a temporary nature. In December, there was also a declining contribution from non-financial corporations, while the upward trend in the contribution from households continued.

MAIN COUNTERPARTS OF M3

On the counterparts side, the annual growth rate of MFI loans to the private sector strengthened further, to 9.1% in December from 9.0% in November. The strengthening was broadly based across the non-financial private sectors. While overall credit supply conditions remained broadly unchanged (see Box 1 for the results of the January 2006 bank lending survey), demand for loans was supported by the stimulative impact of the low level of interest rates and possibly improved confidence in some sectors of the economy.

Developments in MFI loans to households continued to be driven mainly by the dynamism of loans for house purchase, which grew at an annual rate of 11.5% in December, after 11.1% in November (see Table 2). The strong borrowing for house purchase reflects the environment of low mortgage lending rates in the euro area as a whole and robust housing market dynamics in many regions. Growth in MFI loans to non-financial corporations, which has strengthened since early 2004, increased further in December. This was mainly attributable to an increase in the demand for loans with a maturity of up to one year.

Among the other counterparts of M3, the annual growth rate of MFI longer-term financial liabilities (excluding capital and reserves) declined to 8.8% in December, from 9.5% in November (see Table 1), which can be partly explained by a dampening base effect resulting from a strong monthly inflow in December 2004. The decline in growth in longer-term financial liabilities in December 2005 was broadly based across the components, although the dynamics of both debt securities issued with a maturity of over two years and deposits with an agreed maturity of over two years continue to point to robust demand for this asset class. This supports the view that there is an inclination within the euro area money-holding sector to invest in longer-term euro area financial instruments.

Table 2 MFI loans to the private sector

(quarterly figures are averages; not adjusted for seasonal and calendar effects)

	Outstanding amount as a percentage of the total [1]	Annual growth rates					
		2005 Q1	2005 Q2	2005 Q3	2005 Q4	2005 Nov.	2005 Dec.
Non-financial corporations	**41.1**	**5.7**	**6.1**	**7.0**	**7.5**	**7.5**	**8.0**
Up to one year	30.5	3.2	4.6	5.7	5.3	4.8	5.9
Over one and up to five years	17.4	6.7	6.5	6.4	8.0	8.3	8.6
Over five years	52.2	6.9	7.0	7.9	8.6	8.9	9.1
Households [2]	**50.6**	**8.1**	**8.2**	**8.6**	**9.1**	**9.2**	**9.4**
Consumer credit [3]	13.2	6.4	6.7	6.9	7.7	8.1	7.5
Lending for house purchase [3]	69.6	10.1	10.2	10.7	11.1	11.1	11.5
Other lending	17.2	2.2	2.1	2.2	2.9	3.0	2.8
Insurance corporations and pension funds	**0.8**	**23.0**	**14.4**	**16.5**	**29.3**	**37.3**	**30.7**
Other non-monetary financial intermediaries	**7.6**	**10.5**	**11.3**	**15.5**	**14.4**	**12.9**	**12.3**

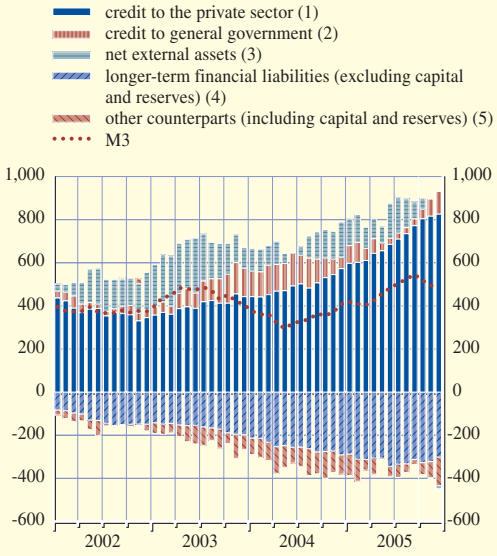
Source: ECB.
Notes: MFI sector including the Eurosystem; sectoral classification based on the ESA 95. For further details, see the relevant technical notes.
1) As at the end of the last month available. Sector loans as a percentage of total MFI loans to the private sector; maturity breakdown and breakdown by purpose as a percentage of MFI loans to the respective sector. Figures may not add up due to rounding.
2) As defined in the ESA 95.
3) The definitions of consumer credit and lending for house purchase are not fully consistent across the euro area.

The annual flow in the net external asset position of MFIs declined further in December 2005, with a net outflow of €14 billion after a net outflow of €2 billion in the twelve months to November (see Chart 5). This decline reflects a series of monthly net outflows between August and November, which dampened annual M3 growth. The monthly net flow turned positive again in December, which may have been driven by the slight appreciation of the euro as well as a narrowing in the interest rate differential vis-à-vis other major currencies. However, short-term movements in this indicator should not be overemphasised on account of the volatility of the series on a monthly basis.

Summing up the information from the counterparts, the prevailing low level of interest rates fostered the increasing dynamism of MFI loans to the private sector, which continued to support strong annual M3 growth. At the same time, the strong demand for MFI longer-term financial liabilities and the recent developments in the MFI net external asset position have contributed to the moderation in monetary dynamics.

Chart 5 Counterparts of M3

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



Source: ECB.
Notes: 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.

Box 1

THE RESULTS OF THE JANUARY 2006 BANK LENDING SURVEY FOR THE EURO AREA

This box describes the main results of the January 2006 bank lending survey for the euro area carried out by the Eurosystem.[1] Overall, credit standards changed little for all categories of loans. In particular, the results showed a slight net easing[2] of credit standards for loans to enterprises in the fourth quarter of 2005, compared with the slight net tightening recorded in the previous quarter. At the same time, banks slightly tightened the credit standards applied to loans to households for house purchase, while credit standards for consumer credit and other loans to households remained broadly unchanged. During the fourth quarter of 2005, banks reported a strong increase in net demand[3] for loans to enterprises and households. For the first quarter of 2006, reporting banks expected that the credit standards applied to corporate loans

1 A comprehensive assessment of the results of the January 2006 bank lending survey for the euro area was released on 3 February 2006 and can be found on the ECB's website (www.ecb.int/stats/money/lend/html/index.en.html).
2 The net percentage refers to the difference between the proportion of banks reporting that credit standards have been tightened and the proportion of banks reporting that they have eased. A positive net percentage would indicate that banks have tended to tighten credit standards ("net tightening"), whereas a negative net percentage would indicate that banks have tended to ease credit standards ("net easing").
3 The term "net demand" refers to the difference between the proportion of banks reporting an increase in loan demand and the proportion of banks reporting a decline.

and loans for house purchase would remain unchanged in net terms, while they expected a slight net easing of credit standards applied to consumer credit and other lending to households.

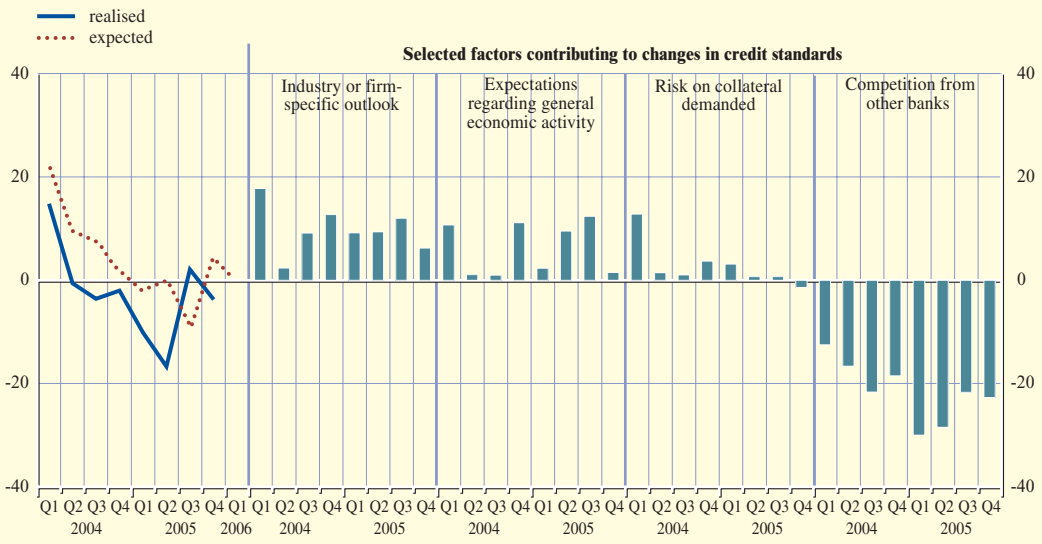
Loans or credit lines to enterprises

Credit standards: For the fourth quarter of 2005, banks reported a slight net easing of credit standards for loans or credit lines to enterprises (of -4%, following a net tightening of 2% in the previous quarter; see Chart A, first panel). This development reflected perceptions of decreased risk concerning the industry-specific outlook and, more significantly, concerning general economic activity, even though these factors still contributed marginally towards a net tightening (see Chart A, second and third panels). At the same time, competition from other banks and risk on collateral demanded contributed to a net easing (see Chart A, fourth and fifth panels). As regards the terms and conditions of credit, the net easing of credit standards was mainly attributable to a decrease in margins on average loans, as well as to a lengthening of the maturity of loans or credit lines. In terms of the borrower's size, banks reported a net easing of credit standards on loans to both small and medium-sized enterprises and to large enterprises. Regarding the maturity of loans, banks confirmed the net easing of credit standards applied to short-term loans and reported unchanged credit standards for long-term loans.

Loan demand: Net demand for loans to enterprises increased further to reach its highest level since the introduction of this survey (to 23% in January, from 17% in October; see Chart B, first panel). This development reflected, in particular, the strong increase in net demand for loans to small and medium-sized enterprises.

Chart A Changes in the credit standards applied to the approval of loans or credit lines to enterprises

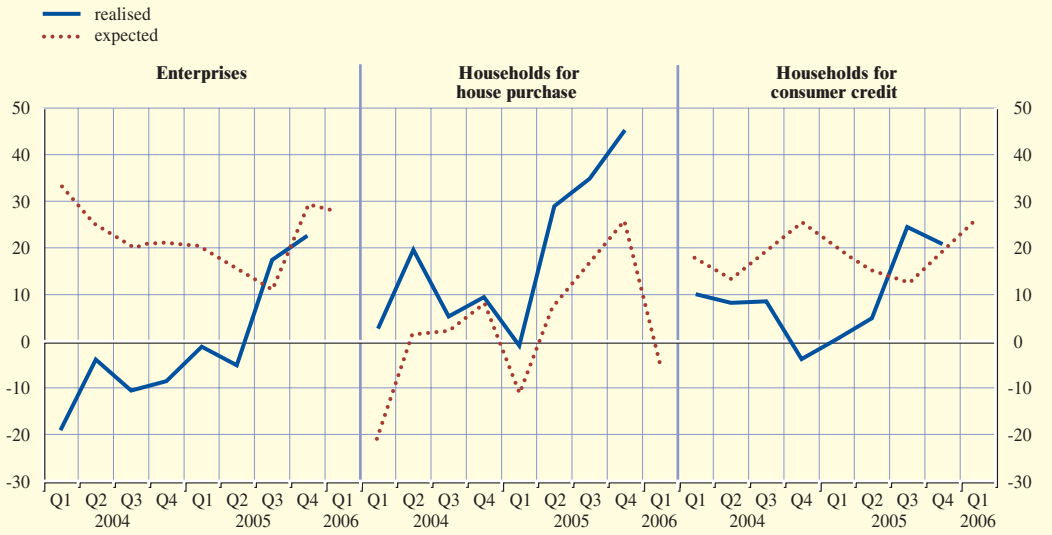
(net percentages)



Notes: The net percentages refer to the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably". The net percentages for the questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to tightening and the percentage reporting that it contributed to easing. "Realised" values refer to the period in which the survey was conducted. "Expected" values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, "expected" values for the first quarter of 2006 were reported by banks in the January 2006 survey.

Chart B Changes in the demand for loans or credit lines to enterprises and households

(net percentages)



Notes: The net percentage refers to the difference between the sum of the percentages for "increased considerably" and "increased somewhat" and the sum of the percentages for "decreased somewhat" and "decreased considerably". "Realised" values refer to the period in which the survey was conducted. "Expected" values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, "expected" values for the first quarter of 2006 were reported by banks in the January 2006 survey.

Factors contributing to the increase in net demand included, according to the responding banks, firms' increased financing needs for fixed investment, inventories and working capital. Mergers and acquisitions, and corporate restructuring activities, also continued to contribute to the increase in net demand. A lesser availability of internal finance to enterprises and lower equity issuance also contributed to the recent developments in the net demand for loans.

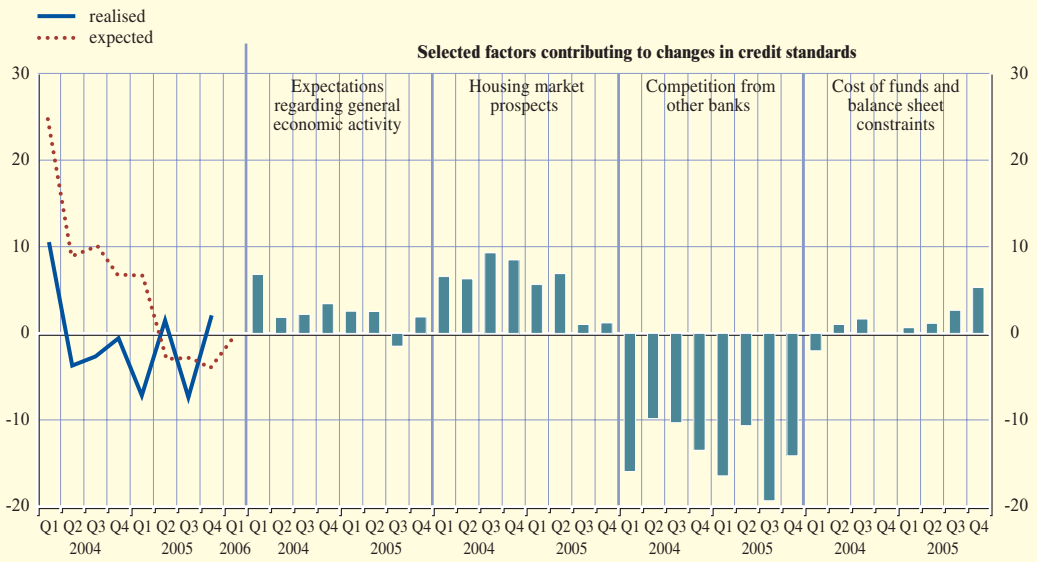
Expectations: Overall, for the first quarter of 2006, banks expected unchanged credit standards to be applied to the approval of loans or credit lines to enterprises (see Chart A, first panel), but a general improvement in those applied to loans to small and medium-sized enterprises. At the same time, banks expected a positive net demand for loans to enterprises (see Chart B, first panel), in particular to small and medium-sized enterprises.

Loans to households for house purchase

Credit standards: Banks reported a slight net tightening of the credit standards applied to households for the approval of loans for house purchase in the fourth quarter of 2005 (2% in January, from -7% in October; see Chart C, first panel). This development mainly reflected a smaller contribution to a net easing by competition and an increase in the contribution to a tightening by the cost of funds and balance sheet constraints (see Chart C, fourth and fifth panels). At the same time, housing market prospects contributed slightly to the tightening, as in the previous quarter (see Chart C, third panel). As regards the terms and conditions of credit, banks reported that the slight net tightening of credit standards applied to housing loans was achieved predominantly via an increase of margins on riskier loans. Developments in the loan-to-value ratio and margins on average loans contributed less to an easing of credit standards than in previous quarters.

Chart C Changes in the credit standards applied to the approval of loans to households for house purchase

(net percentages)



Notes: The net percentages refer to the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably". The net percentages for the questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to tightening and the percentage reporting that it contributed to easing. "Realised" values refer to the period in which the survey was conducted. "Expected" values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, "expected" values for the first quarter of 2006 were reported by banks in the January 2006 survey.

Loan demand: Net demand for housing loans to households continued to increase sharply in the fourth quarter of 2005 (to 45% in January, from 35% in October; see Chart B, second panel). This increase was considerably higher than what banks had expected in the October 2005 survey for the fourth quarter of 2005. The main factor underpinning this development was a significant improvement in the consumer confidence reported by banks. Another factor was the positive contribution from housing market prospects, which was broadly unchanged from the previous quarter. Furthermore, for the first time since the start of the survey, banks reported a positive impact of non-housing-related consumption expenditure on net demand.

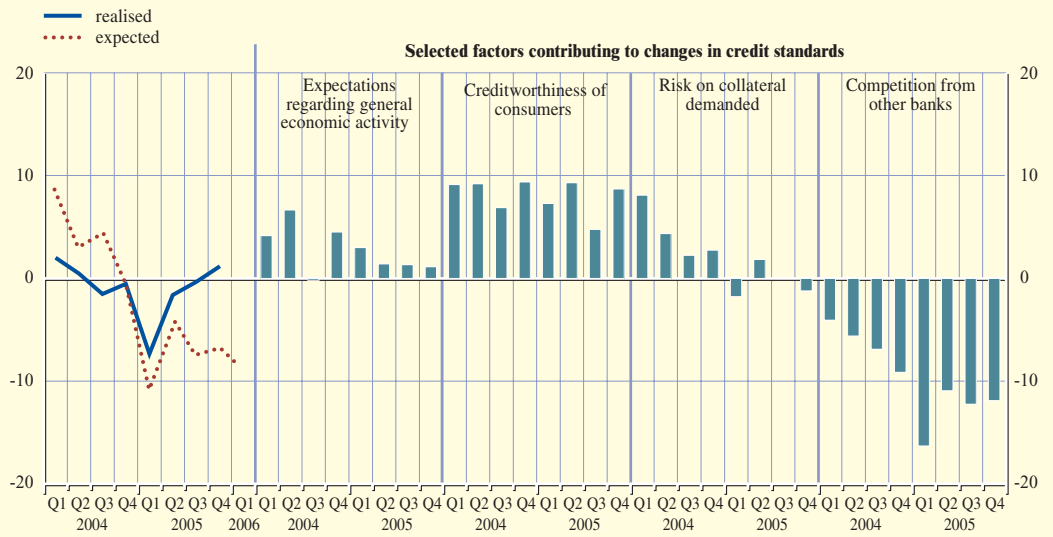
Expectations: For the first quarter of 2006, respondent banks expected broadly unchanged credit standards for housing loans (see Chart C, first panel) and a strong decrease in the net demand for such loans (see Chart B, second panel).

Loans for consumer credit and other lending to households

Credit standards: For loans to households for consumer credit, credit standards remained basically unchanged compared with the previous quarter (see Chart D, first panel). Banks reported that the contribution to net tightening from risks stemming from lower creditworthiness of consumers increased in comparison with the previous quarter and that competition from other banks contributed less to a net easing (see Chart D, third and fifth panels). As regards the terms and conditions of consumer credit, margins on riskier loans contributed to a tightening, while other factors such as collateral requirements and loan maturity contributed marginally to a net easing.

Chart D Changes in the credit standards applied to the approval of loans for consumer credit and other lending to households

(net percentages)



Notes: The net percentages refer to the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably". The net percentages for the questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to tightening and the percentage reporting that it contributed to easing. "Realised" values refer to the period in which the survey was conducted. "Expected" values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, "expected" values for the first quarter of 2006 were reported by banks in the January 2006 survey.

Loan demand: According to responding banks, net demand for consumer credit and other lending to households remained strong in the fourth quarter of 2005 (at 21%, after 25% in the previous quarter; see Chart B, third panel). The main factors behind this result were an improvement in consumer confidence and strong spending on durable consumer goods.

Expectations: For the first quarter of 2006, banks expected a net easing of credit standards (see Chart D, first panel) and an increase in the net demand for consumer credit and other lending to households (see Chart B, third panel).

2.2 SECURITIES ISSUANCE

In November 2005 the annual growth rate of debt securities issued by euro area residents remained high at 7.6%, broadly unchanged from the previous month. There were some indications of an increasing preference of borrowers for new long-term funds at fixed rather than at variable rates. While the annual growth of debt securities issued by MFIs and non-monetary financial institutions was strong, issuance by non-financial corporations continued to be subdued. The annual rate of growth of quoted shares issued by euro area residents picked up somewhat, although this is likely, to some extent, to reflect large-scale privatisations.

DEBT SECURITIES

The annual growth rate of debt securities issued by euro area residents remained broadly unchanged at 7.6% in November 2005 (see Table 3). The high level of growth continued to be driven largely

Table 3 Securities issued by euro area residents

Issuing sector	Amount outstanding (EUR billions) 2005 Nov.	Annual growth rates [1] 2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Oct.	2005 Nov.
Debt securities:	**10,254**	**7.2**	**7.6**	**7.7**	**7.6**	**7.5**	**7.6**
MFIs	4,120	9.9	10.1	9.8	10.0	9.4	9.4
Non-monetary financial corporations	878	9.9	11.6	17.2	19.5	21.8	21.4
Non-financial corporations	623	3.1	2.8	4.6	2.2	4.0	2.9
General government	4,633	5.3	5.5	4.9	4.5	4.1	4.5
of which:							
Central government	4,354	4.8	5.1	4.5	4.0	3.6	4.0
Other general government	279	14.5	13.7	12.0	11.9	11.8	11.7
Quoted shares:	**4,873**	**1.1**	**1.1**	**1.0**	**2.7**	**3.1**	**3.1**
MFIs	809	2.1	2.7	2.2	2.7	3.2	1.3
Non-monetary financial corporations	506	1.5	1.0	1.0	1.2	1.9	2.0
Non-financial corporations	3,558	0.8	0.8	0.7	2.9	3.3	3.7

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

by robust growth in issuance of long-term debt securities – which increased somewhat further to 8.2% in November – while the annual growth rate in issuance of short-term debt securities remained relatively low at 2.1%. As in previous months, the relatively high annual growth rate in issuance of long-term debt securities was mainly driven by the strong issuance of long-term debt securities at variable rates, although the rate of growth has decreased over the past two months (from 20.8% in September to 18.5% in November). While remaining moderate, the rate of growth of fixed-rate long-term debt securities recovered somewhat in the same period (from 4.2% in September to 4.9% in November), which may indicate that there was an increasing preference of borrowers for long-term funds at fixed rates.

As regards the sectoral breakdown of issuance activity, the annual growth rate of debt securities issued by non-financial corporations decreased to 2.9% in November, down from 4.0% in October, and thus remained close to the low levels observed over the past two years (see Chart 6). Subdued net issuance in November is also indicated by a decrease in the growth rate based on seasonally-adjusted data. The relatively low recourse to debt securities by non-financial corporations was possibly due to the availability of internal financing and, most probably, to the favourable conditions for obtaining bank credit (see Box 1 entitled "The results of the January 2006 bank lending survey for the euro area), including syndicated loans. At the same time, the rate of growth of variable-rate long-term debt securities issued by non-financial corporations continued to increase.

The annual growth rate of debt securities issued by MFIs remained at a relatively high level of 9.4% in November, unchanged from the preceding month. This robust level of growth was mainly due to persistently strong issuance of both short-term and long-term debt securities at variable rates – which represented around two-thirds of total net issues – while issuance of securities at fixed rates remained subdued. The strong growth in issuance of variable-rate debt is likely to reflect the financing needs of MFIs caused by the rather robust growth of MFI loans to the private sector, in particular in those countries that are experiencing a high growth of loans to households for house purchase. After several years of strong growth, variable-rate long-term debt securities

accounted for around one-third of the outstanding debt securities issued by MFIs at the end of November 2005, compared with less than 20% of the total at the end of December 1998.

Non-financial corporations and MFIs also use non-monetary financial corporations to raise external funds indirectly. Although decreasing slightly to 21.4% in November (from 21.8% in October), the annual growth rate of debt securities issued by non-monetary financial corporations remained strong, possibly reflecting some securitisation of mortgage loans. The annual growth rate was particularly high for the issuance of long-term debt securities at variable rates (44.8% in November). After several years of very strong growth, variable-rate long-term debt securities accounted for half of the outstanding debt securities issued by non-monetary financial corporations at the end of November 2005, compared with just 7% of the total at the end of December 1998.

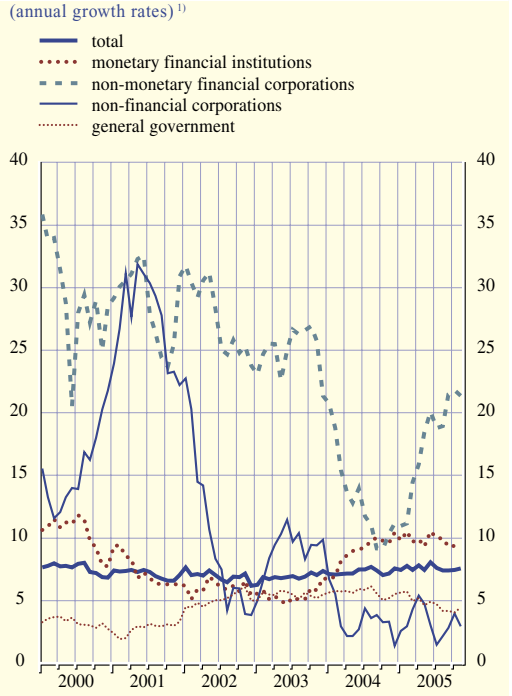
The annual growth rate of debt securities issued by the general government increased slightly to 4.5% in November, from 4.1% in October.

QUOTED SHARES

The annual growth rate of quoted shares issued by euro area residents, which remained unchanged at 3.1% in November, was influenced by statistical effects. Excluding these effects, the level of net issuance was relatively high in November 2005. As regards non-financial corporations, which

Chart 6 Sectoral breakdown of debt securities issued by euro area residents

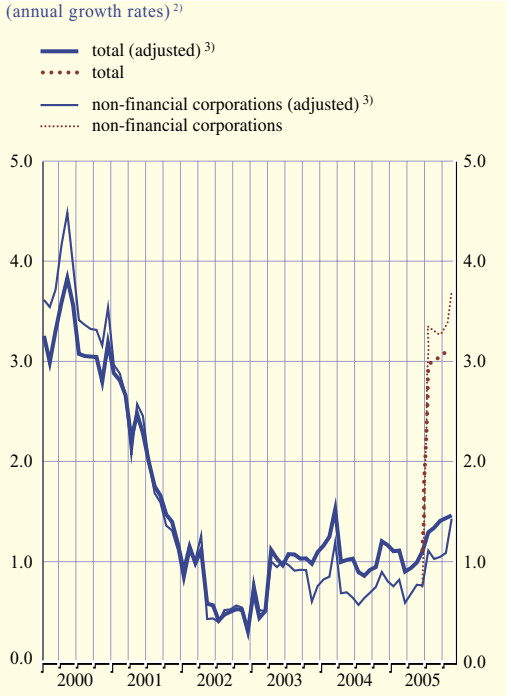
(annual growth rates) [1]



Source: ECB.
1) For a description of the calculation of growth rates, see the technical notes for Tables 4.3 and 4.4 of the "Euro area statistics" section.

Chart 7 Sectoral breakdown of quoted shares issued by euro area residents [1]

(annual growth rates) [2]



Source: ECB.
1) For annual growth rates of other sectors, see Chart C17 in the "Euro area statistics" section.
2) For a description of the calculation of growth rates, see the technical notes for Tables 4.3 and 4.4 of the "Euro area statistics" section.
3) The adjusted series exclude the effect of significant corporate restructuring involving a euro area resident entity and a non-euro area entity.

account for around three-quarters of all quoted shares outstanding, the annual growth rate of quoted shares issued increased to 3.7% in November, from 3.3% in October. Adjusted for the statistical effect brought about by a case of corporate restructuring involving a euro area resident entity and a non-resident entity in July 2005, the annual growth rate of quoted shares issued by non-financial corporations would have increased to 1.4% in November, from 1.1% in October, which is the highest growth rate observed since the end of 2001 (see Chart 7). These recent increases may also be related to large-scale privatisations. The decrease in the annual growth rate of quoted shares issued by MFIs, to 1.3% in November (from 3.2% in October), reflects a base effect resulting from the acquisition of a non-resident entity by a euro area resident in the second half of 2004.

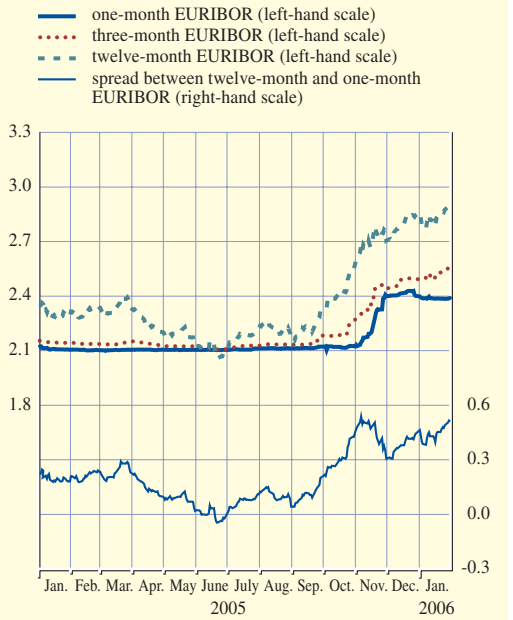
2.3 MONEY MARKET INTEREST RATES

In January 2006, money market interest rates with a maturity of one month decreased slightly, while longer-term money market rates increased. As a result, the slope of the money market yield curve steepened over the month.

Over the period from the end of December 2005 to 1 February 2006, money market rates with a maturity of one month fell by 1 basis point, while money market rates at the three-, six- and twelve-month maturities rose by 7, 6 and 6 basis points respectively. On 1 February, the one-, three-, six- and twelve-month EURIBOR rates stood at 2.39%, 2.55%, 2.69% and 2.90% respectively. Consequently, the slope of the money market yield curve steepened over the review period. The difference between the twelve- and the one-month EURIBOR increased from 44 basis points at the end of December to 51 basis points on 1 February.

Chart 8 Short-term money market interest rates

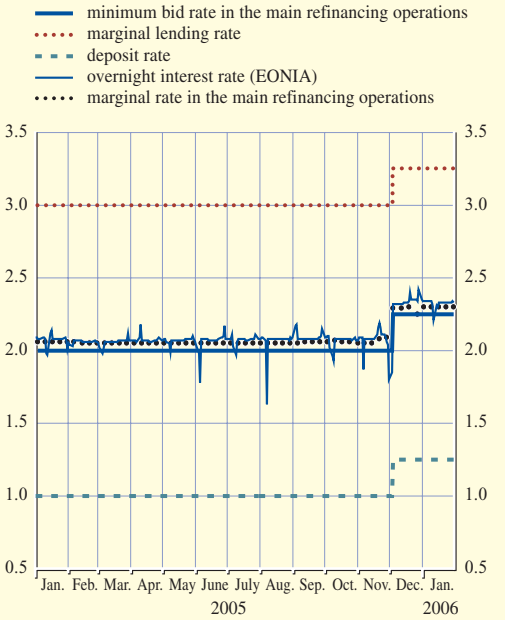
(percentages per annum; daily data)



Sources: ECB and Reuters.

Chart 9 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

The interest rates implied by the prices of three-month EURIBOR futures contracts maturing in March, June and September 2006 stood at 2.69%, 2.91% and 3.07% respectively on 1 February. Compared with the levels observed at the end of December 2005, this represented a decrease of 1 basis point for the March contract, an increase of 1 basis point for the June contract and an increase of 6 basis points for the September contract.

At the beginning of January 2006, the EONIA rate stayed at 2.34%, implying a spread over the minimum bid rate in the Eurosystem's main refinancing operations slightly above that observed before Christmas. Towards the end of the maintenance period ending on 17 January 2006, the EONIA drifted lower, amidst some volatility, as market participants perceived prevailing liquidity conditions to be ample. On 13 January the EONIA declined to 2.21%. However, it rose to 2.31% on 16 January after the publication of liquidity data, which showed that – in contrast to market perceptions – the ECB's liquidity projections anticipated tight conditions at the end of the maintenance period. The ECB conducted a liquidity-providing fine-tuning operation of €7 billion on 17 January to balance liquidity conditions. From the first day of the new maintenance period ending on 7 February, the EONIA stabilised at 2.33%, although it rose to 2.34% on 31 January owing to end-of-month effects. Hence, excluding the end-of-month effects, the spread between the EONIA and the minimum bid rate decreased to 8 basis points, slightly lower than that observed after the turn of the year.

During January 2006 the marginal and average rates in the Eurosystem's main refinancing operations remained stable. Liquidity was provided at a marginal rate of 2.30% and an average rate of 2.31%. In the Eurosystem's longer-term refinancing operation conducted on 25 January, which was the first such operation with a higher allotment volume of €40 billion, the marginal and the weighted average rates rose to 2.47% and 2.48% respectively, i.e. 2-3 basis points higher than in the previous operation. Compared with the three-month EURIBOR prevailing on that date, tender rates were lower by 5 and 4 basis points respectively.

2.4 BOND MARKETS

Long-term government bond yields increased both in the euro area and in the United States between the end of December 2005 and early February 2006. All in all, recent developments in the euro area bond market seem to confirm indications of an ongoing improvement in economic activity, while inflation expectations may have been revised upwards somewhat in the wake of the renewed increase in oil prices.

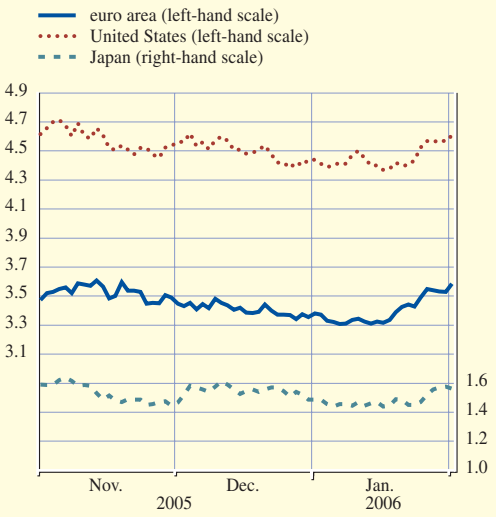
Ten-year government bond yields in both the euro area and the United States rose between the end of December 2005 and 1 February 2006, to 3.6% and 4.6% respectively (see Chart 10). Long-term bond yields, however, still remained at fairly low levels by historical standards on both sides of the Atlantic. As a result, the differential between US and euro area ten-year government bond yields changed little, standing at 100 basis points at the end of the period under review. Japanese ten-year government bond yields increased slightly over the same period, standing at 1.55% on 1 February 2006. Market participants' uncertainty about near-term developments in the ten-year segment of the bond market, as indicated by the implied volatility extracted from bond options, increased slightly in the euro area and in Japan in January, while it remained broadly unchanged in the United States.

Overall, long-term government bond yields in the United States increased across the whole maturity spectrum between the end of December 2005 and 1 February 2006. The recent increase in oil prices – which, as measured by Brent crude, again climbed back to over USD 60 per barrel – seems to have put upward pressure on bond yields through higher inflation expectations among investors. This view is supported by the fact that break-even inflation rates in the United States, particularly on shorter maturities, have increased since end-December 2005. US bond yields were also supported by a strong supply of US Treasury notes.

The upward pressure on bond yields was partly offset by a number of macroeconomic data releases that were less favourable than expected. In addition, the minutes of the December 2005 meeting of the Federal Open Market Committee (FOMC) were perceived by investors to be indicating that the Federal Reserve had come

Chart 10 Long-term government bond yields

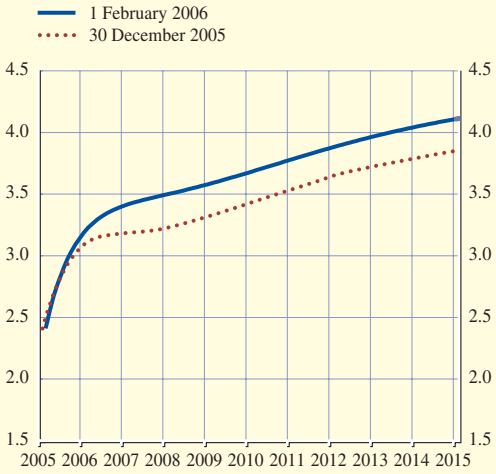
(percentages per annum; daily data)



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

Chart 11 Implied forward euro area overnight interest rates

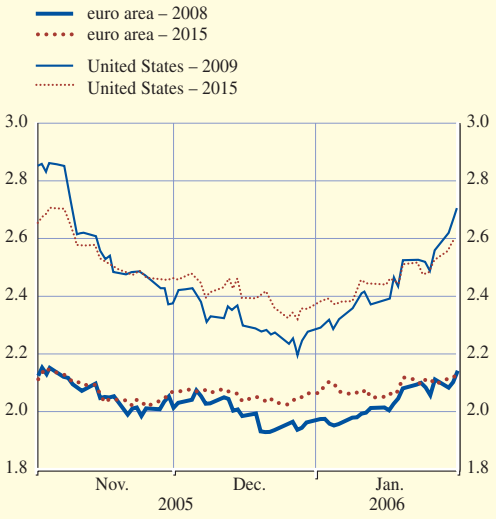
(percentages per annum; daily data)



Source: ECB estimate.
Notes: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 the January 1999 issue of the Monthly Bulletin. The data used in the estimate are derived from swap contracts.

Chart 12 Break-even inflation rates in the euro area and in the United States

(percentages)



Sources: Reuters and ECB calculations.

closer to the end of its tightening cycle, which led to a scaling back of interest rate expectations. The real yields on inflation-linked bonds – which tend to be related to market participants' assessments of growth prospects for the economy – remained broadly unchanged for longer maturities but fell for shorter maturities. This suggests heightened concerns among market participants regarding the future strength of the US economy. The slope of the US yield curve remained flat in January, a situation which tended in the past to signal an increased likelihood of lower future economic growth (see Box 2).

Developments in the euro area bond markets in January generally support the view that market participants expected the expansion of economic activity in the euro area to continue. The increase in euro area long term government bond yields mirrored generally favourable macroeconomic data releases in January. All in all, the implied forward overnight yield curve, which showed sharp swings in the course of the period under review, shifted upwards, with a more pronounced increase at longer maturities (see Chart 11). The yields offered on long-term index-linked bonds maturing in 2015 rose in the first weeks of the year and stood around 40 basis points higher by early-February than the lows reached in September 2005. Apparently, market participants' long-term inflation expectations in the euro area did not change much, as indicated by an only slightly higher ten-year break-even inflation rate, which stood at 2.15% on 1 February (see Chart 12). As in the United States, break-even inflation rates in the euro area increased for shorter maturities, probably as a result of the increase in oil prices. Implied bond market volatility in the euro area rose slightly in January, but still remained at rather low levels by historical standards.

Box 2

DOES THE FLATTENING OF THE US YIELD CURVE SIGNAL LOWER GROWTH AHEAD?

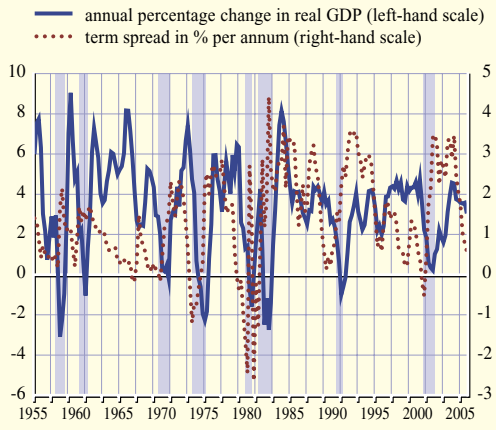
Since the start of the latest US monetary policy tightening cycle in June 2004, the Federal Reserve has thus far gradually raised its federal funds target rate by 350 basis points, the most recent rise having taken place at the end of January. In contrast to what happened in previous tightening cycles, long-term interest rates declined slightly over the same period, which has led to a flat yield curve. In December 2005, the average value of the differential between the yield on US ten-year constant-maturity government bonds and the three-month Treasury bill rate (hereinafter referred to as the "term spread") reached 50 basis points, a huge drop from the 350 basis points it had stood at in June 2004. The ten-year government bond yield has even been below the three-month money market interest rate since the end of 2005. Such a development in the term spread has typically been a forerunner of a slowdown in the United States.[1]

Chart A plots quarterly data for the term spread, together with the annual growth rate of real GDP, with the shaded areas indicating recessionary phases as defined by the National Bureau of Economic Research (NBER). The chart illustrates that a sizeable drop in the steepness of the yield curve, making it become flat or even inverted, has been followed – after periods of between two and four quarters – by a recession. The only clear case of a false signal is in 1967, a year in which the United States experienced a marked slowdown in economic growth that was, however, not classified as a recession by the NBER. Hence, a flat and, in particular, an inverted US yield curve has in the past always indicated a future slowdown in economic growth, in most cases setting the stage for a recession.

1 For empirical evidence, see, among others, A. Estrella, "The yield curve as a leading indicator: frequently asked questions", www.newyorkfed.org, 2005, and A. Estrella, A. P. Rodrigues and S. Schich, "How stable is the predictive power of the yield curve? Evidence from Germany and the United States", Review of Economics and Statistics 85(3), 2003, pp. 629-644.

Chart A Term spread, real GDP growth and recessions in the United States

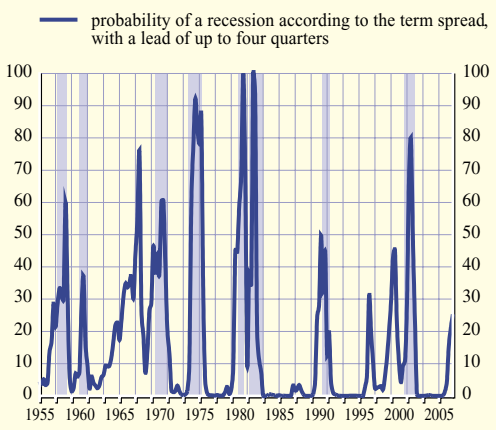
(quarterly data)



Sources: Federal Reserve Economic Data (FRED) and NBER.
Notes: Shaded areas refer to NBER-defined recessions. Annual percentage change in real GDP is calculated over the corresponding quarter of the previous year.

Chart B Probability of a US recession according to the term spread

(quarterly data; probability in %)



Sources: Federal Reserve Economic Data (FRED), NBER and ECB calculations.
Notes: Shaded areas refer to NBER-defined recessions. The probabilities are based on probit regression outcomes which are explained in footnote 2.

Applying a probit regression analysis on quarterly data, whereby the likelihood that the current quarter will belong to a recessionary phase is explained by the preceding four values of the term spread, it is found that, at present, the probability of an imminent US recession is not negligible. According to Chart B, which plots the estimated probabilities of a US recession according to the term spread, the likelihood of a recession in the United States in 2006 is about one-fourth.[2] The results reported by Estrella (see Footnote 1), based on monthly data, indicate that, when the term spread is nil, there is a one-third probability of experiencing a recession after 12 months.

The evidence reported above is cause for wondering whether history will again repeat itself or whether things will evolve differently this time.

The first reason why things could differ from the past is that this time the nearly inverted US yield curve seems to reflect particularly low long-term interest rates. The current historically low level of long-term interest rate in the United States may reflect exceptionally low risk premia that are driven by an unusually high demand for long-term bonds rather than by fundamental macroeconomic factors.[3] In particular, the United States has witnessed a surge in foreign investment in US government bonds since the last recession in 2001.

Second, looking at survey evidence, the recently perceived likelihood of a US recession over the next four quarters is significantly lower than that derived from the aforementioned probit

2 These probabilities are probit regression outcomes with an NBER-defined recession dummy as a dependent variable and four-quarter lagged term spreads as independent variables. They refer to in-sample one-step-ahead probabilities between the first quarter of 1955 and the fourth quarter of 2005 and to out-of-sample probabilities between the first and fourth quarters of 2006, with it being assumed that the term spread throughout 2006 is the same as the level recorded in December 2005.

3 For example, see the Box entitled "Recent developments in long-term real interest rates" in the April 2005 issue of the Monthly Bulletin.

model with the term spread as the single explanatory variable. For example, according to the so-called "anxious index" published in the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters in December 2005, 14% of all the panellists covered foresaw negative quarter-on-quarter real GDP growth at the end of 2006. According to the January 2006 Merrill Lynch Global Fund Manager Survey, 9% of the global fund managers responding shared the view that the US economy would be fairly or very likely to experience a recession over the next 12 months.

All in all, it is important to bear in mind that, at the current juncture, the US term spread could be distorted by a strong demand for long-term government bonds, the precise impact of which is rather difficult to quantify. More than just usual caution therefore seems warranted when interpreting recent developments in the US yield curve as an indicator of lower economic growth.

2.5 INTEREST RATES ON LOANS AND DEPOSITS

All in all, MFI interest rates changed only little in November 2005, although short-term rates tended to increase, while long-term rates presented a somewhat more mixed picture.

In November 2005 most short-term deposit and lending rates to households and non-financial corporations edged up slightly in comparison with the preceding month. An exception was the rate on loans to non-financial corporations of over €1 million with a floating rate and an initial rate fixation of up to one year, which rose somewhat more, namely by around 15 basis points (see Table 4 and Chart 13). The rate on loans to households for consumption with a floating rate and an initial rate fixation of up to one year was one of the few short-term rates that decreased. Generally, however, this rate is relatively volatile over the short term, and the decline in November was probably related to a further unwinding of the increases recorded in the summer. Overall, the increases in most short-term MFI interest rates in November remained below the average monthly increase of around 15 basis points in the three-month money market rate between October and November.

Taking a somewhat longer perspective, most short-term rates on deposits from both households and non-financial corporations have risen somewhat since November 2004. By contrast, most short-term lending rates declined by at least 10 basis points over the same period, with the notable exception of the rate on loans to non-financial corporations of over €1 million with a floating rate and an initial rate fixation up to one year, which increased by around 10 basis points. These developments thus tended to narrow the spread between short-term MFI interest rates and comparable market rates, given that the average monthly three-month money market interest rate, for example, rose by around 20 basis points in the 12 months up to November 2005.

In November 2005 most of the long-term MFI interest rates applied to households remained broadly unchanged, the exception being the rate on deposits from households with an agreed maturity of over two years, which increased by around 10 basis points (see Table 4 and Chart 14). Long-term MFI interest rates for non-financial corporations presented a somewhat more mixed

Table 4 MFI interest rates on new business

(percentages per annum; basis points; weight-adjusted[1), 2)])

							Change in basis points up to Nov. 2005		
	2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Oct.	2005 Nov.	2004 Nov.	2005 Aug.	2005 Oct.
MFI interest rates on deposits									
Deposits from households									
with an agreed maturity of up to one year	1.95	1.92	1.94	1.97	1.97	2.01	8	6	4
with an agreed maturity of over two years	2.31	2.38	2.21	2.06	2.16	2.24	-24	15	9
redeemable at notice of up to three months	2.01	1.96	2.17	2.02	1.96	1.99	-3	-4	3
redeemable at notice of over three months	2.52	2.47	2.38	2.29	2.27	2.27	-24	-4	0
Overnight deposits from non-financial corporations	0.91	0.94	0.92	0.96	0.97	0.99	9	3	2
Deposits from non-financial corporations									
with an agreed maturity of up to one year	2.08	2.00	2.01	2.04	2.04	2.08	4	5	4
with an agreed maturity of over two years	3.46	3.34	3.63	2.98	3.37	3.31	-22	27	-6
MFI interest rates on loans									
Loans to households for consumption									
with a floating rate and an initial rate fixation of up to one year	6.74	6.62	6.61	6.96	6.73	6.66	-11	-30	-7
Loans to households for house purchase									
with a floating rate and an initial rate fixation of up to one year	3.44	3.42	3.35	3.32	3.33	3.38	-10	5	5
with an initial rate fixation of over five and up to ten years	4.50	4.35	4.15	3.99	3.99	3.97	-68	-4	-2
Bank overdrafts to non-financial corporations	5.27	5.26	5.13	5.13	5.10	5.09	-28	-3	-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	3.98	3.91	3.88	3.81	3.88	3.92	-9	3	4
with an initial rate fixation of over five years	4.44	4.33	4.20	4.04	4.04	3.99	-56	-14	-5
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	3.04	3.01	2.94	2.94	2.91	3.07	12	11	16
with an initial rate fixation of over five years	4.06	4.04	3.89	3.87	3.78	3.98	-17	19	20
Memo items									
Three-month money market interest rate	2.17	2.14	2.11	2.14	2.20	2.36	19	23	16
Two-year government bond yield	2.36	2.49	2.07	2.21	2.45	2.73	32	49	28
Five-year government bond yield	2.93	3.08	2.58	2.60	2.85	3.10	3	40	25

Source: ECB.
1) The weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. 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.
2) Quarterly data refer to the end of the quarter.

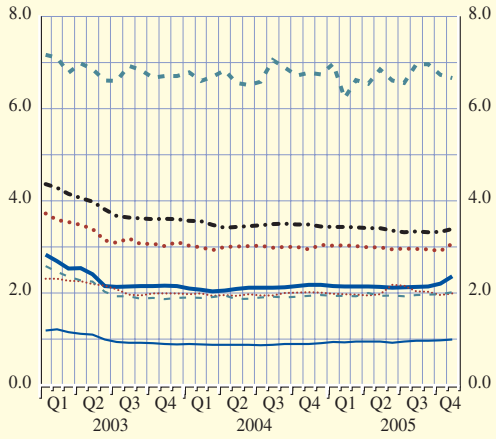
picture. The rate on deposits with an agreed maturity of over two years, which decreased slightly, nevertheless remained within the usual range of fluctuation observed in earlier periods. The rate on loans to non-financial corporations of up to €1 million with an initial rate fixation of over five years continued its downward trend and declined by a few basis points in November. At the same time, the corresponding rate on loans of over €1 million rose by 20 basis points, thereby eliminating any interest rate difference that is related to the loan size. These developments reflected that larger-sized loans (i.e. loans of more than €1 million) tend to be more sensitive to market interest rates. By comparison, the average monthly yields on two-year and five-year government bonds rose by around 25 to 30 basis points between October and November.

Since November 2004, most long-term lending rates to households and non-financial corporations have fallen markedly in the range between 20 and 70 basis points. The most noticeable declines were recorded for rates on loans to households for house purchase with an initial rate fixation of

Chart 13 Short-term MFI interest rates and a short-term market rate

(percentages per annum; rates on new business; weight-adjusted[1])

- three-month money market rate
- loans to non-financial corporations of over €1 million with a floating rate and an initial rate fixation of up to one year
- loans to households for consumption with a floating rate and an initial rate fixation of up to one year
- overnight deposits from non-financial corporations
- deposits from households redeemable at notice of up to three months
- deposits from households with an agreed maturity of up to one year
- loans to households for house purchase with a floating rate and an initial rate fixation of up to one year

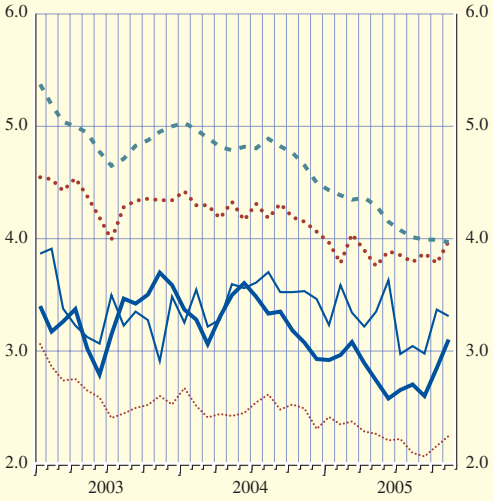


Source: ECB.
1) For the period from December 2003 onwards, the weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. For the preceding period, from January to November 2003, the weight-adjusted MFI interest rates are 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 14 Long-term MFI interest rates and a long-term market rate

(percentages per annum; rates on new business; weight-adjusted[1])

- five-year government bond yield
- loans to non-financial corporations of over €1 million with an initial rate fixation of over five years
- loans to households for house purchase with an initial rate fixation of over five and up to ten years
- deposits from non-financial corporations with an agreed maturity of over two years
- deposits from households with an agreed maturity of over two years



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.

over five and up to ten years and for those on loans to non-financial corporations of up to €1 million with an initial rate fixation of over five years. Over the same period, most long-term rates on deposits declined by around 20 to 25 basis points. These developments were broadly consistent with the decreases observed in the average monthly yields on two-year and five-year government bonds between November 2004 and September 2005, although the increases recorded more recently in October and November do not yet seem to be fully reflected in the long-term MFI interest rates.

2.6 EQUITY MARKETS

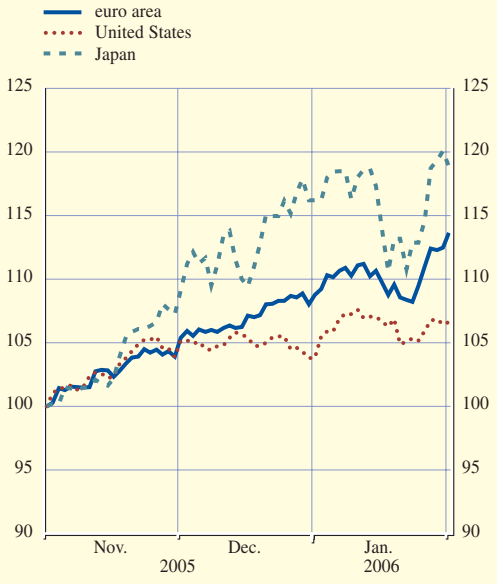
Stock prices rose in the major markets between end-December 2005 and early February 2006. Generally strong economic data and expectations of continued robust corporate earnings growth supported the stock markets. Stock market uncertainty increased in the euro area and in Japan and remained virtually unchanged in the United States.

In January 2006 equity prices increased in both the euro area and the United States. Overall, after strong declines in the early part of the review period, stock prices also increased in Japan (see Chart 15). Stock prices in the euro area and the United States, as measured by the Dow Jones EURO STOXX and the Standard & Poor's 500 indices respectively, increased by around 5% and 3% between the end of December 2005 and 1 February 2006. Japanese stock prices, as measured by the Nikkei 225 index, increased by around 2% over the same period.

Stock market uncertainty, as measured by the implied volatility extracted from stock options, rose in the euro area and Japan, and remained stable in United States (see Chart 16). In the case of Japan, it was the second month in a row with a sharp increase in perceived stock market uncertainty. Japanese stock prices dropped sharply in the early part of the review period in the wake of investigations of alleged market manipulation by top executives of a Japanese internet company that triggered the Tokyo stock market's largest single-day fall in nine months on 17 January 2006. Later on, the Japanese equity market recovered after economic and earnings news that was perceived to be favourable by market participants.

Chart 15 Stock price indices

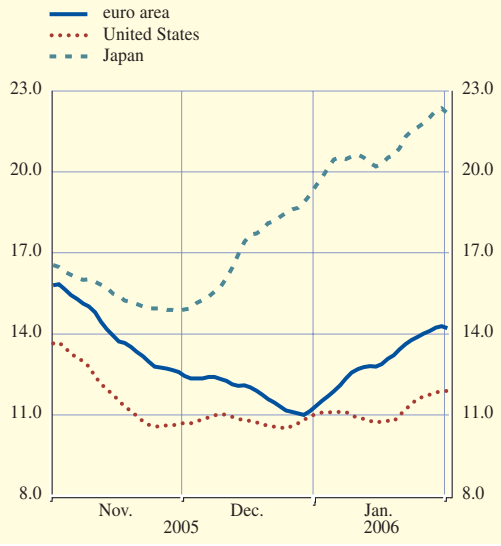
(index: 1 October 2005 = 100; daily data)



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 16 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.

US stock prices increased in the first month of 2006 following, in the eyes of investors, relatively favourable earnings. US stock prices thereby remained resilient to the rise in oil prices and heightened geopolitical tensions. Investors still believed that US corporate earnings will continue to grow at a robust pace. Thomson Financial Datastream, for instance, reported in January that analysts expected 12% growth in earnings per share for corporations included in the Standard & Poor's 500 index over the next 12 months.

In the euro area, stock prices increased over the period under review, supported by a persistently strong growth of both actual and expected corporate profits. This seemed to offset the potential downward pressures on stock prices resulting from the appreciation of the euro vis-à-vis the US dollar, heightened geopolitical tensions and the increase in oil prices. Thomson Financial Datastream reported in January that analysts expected 10% growth in earnings per share for corporations included in the Dow Jones EURO STOXX index over the next 12 months. The same source reported a growth rate of around 19% in actual annual earnings for corporations included in the Dow Jones EURO STOXX index in January. Stock market uncertainty, as extracted from options on the Dow Jones EURO STOXX index, increased strongly, which may have triggered an increase in the equity risk premia demanded by investors, which should, when considered in isolation, have depressed stock prices.

As regards sectoral stock price performance, the industrial, the basic materials and the utility sectors outperformed the overall Dow Jones EURO STOXX index. The telecommunications sector was the worst performer. Investors apparently became concerned about the future profitability of this sector after a sales warning from one leading company.

3 PRICES AND COSTS

Energy price fluctuations continue to dominate short-term movements in euro area inflation. However, looking beyond this, domestic price pressures have so far remained contained. According to the available euro area labour cost indicators, moderate wage growth continued up to the third quarter of 2005. In addition, strong global competition has helped to contain price increases in the euro area. Looking ahead, the indirect effects of past oil price increases may gradually materialise on other components of the price index and the already announced changes to administered prices and indirect taxes can be expected to have an upward impact on HICP inflation. Risks to this outlook for price developments remain on the upside and include further oil price increases and more substantial indirect or second-round effects. Lastly, further increases in administered prices and indirect taxes could also have an upward effect on HICP inflation.

3.1 CONSUMER PRICES

HICP INFLATION UP TO DECEMBER 2005

Overall euro area HICP inflation decreased slightly in December – the latest month for which data are available – to 2.2%, down from 2.3% in November (see Table 5). This decline, which was in line with Eurostat's flash estimate released at the beginning of January, was due mainly to a decline in the annual rate of growth in processed food prices. The latter reflected a base effect from the increase in tobacco taxes in December 2004. This base effect also influenced the annual rate of growth in the HICP excluding unprocessed food and energy, which edged down slightly to 1.4% from 1.5%.

The HICP outcome in December 2005 implied that inflation averaged 2.2% in 2005, after 2.1% in 2004. This slight increase was due entirely to energy price developments, the annual rate of change of which increased significantly to 10.1%, from 4.5% the previous year. The impact of energy price developments on headline inflation in 2005 is underscored by the fact that the annual rate of change in the HICP excluding energy declined markedly to 1.4% in 2005, from 1.9% in 2004. This decline was visible in the prices of each of its components: processed food, unprocessed food, non-energy industrial goods and services. The decline in the rate of growth of processed food prices was due mainly to smaller increases in tobacco taxes over the previous year, but also to moderate developments in processed food prices more generally. The latter may partly mirror relatively subdued developments in unprocessed food prices, which remained moderate for the

Table 5 Price developments

(annual percentage changes, unless otherwise indicated)

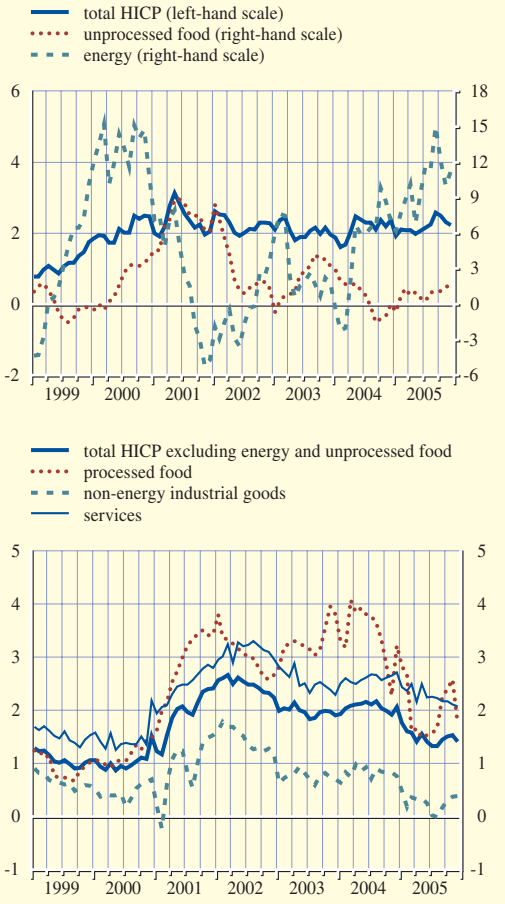
	2004	2005	2005 Aug.	2005 Sep.	2005 Oct.	2005 Nov.	2005 Dec.	2006 Jan.
HICP and its components								
Overall index	2.1	2.2	2.2	2.6	2.5	2.3	2.2	.
Energy	4.5	10.1	11.5	15.0	12.1	10.0	11.2	.
Unprocessed food	0.6	0.8	1.0	1.0	1.1	1.5	1.5	.
Processed food	3.4	2.0	1.7	2.3	2.4	2.6	1.8	.
Non-energy industrial goods	0.8	0.3	0.0	0.2	0.3	0.4	0.4	.
Services	2.6	2.3	2.2	2.2	2.2	2.1	2.1	.
Other price indicators								
Industrial producer prices	2.3	.	4.0	4.4	4.2	4.2	.	.
Oil prices (EUR per barrel)	30.5	44.6	52.0	52.2	49.3	47.9	48.5	52.5
Non-energy commodity prices	10.8	9.4	11.9	13.2	17.4	22.5	29.8	22.8

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

second consecutive year. The annual rate of change in non-energy industrial goods prices also declined, partly reflecting the dropping-out of some increases in administered health care-related prices in 2004 and a combination of other factors, including the impact of trade liberalisation on clothing and footwear, global competitive pressures and subdued consumer demand. The latter factors may have also served to counteract any possible upward pressure arising from the indirect effects of commodity price increases. Lastly, the annual rate of change in services prices also eased in 2005 to 2.3%, down from 2.6% in 2004. Again, this decline partly reflected the dropping-out of some increases in administered health care services prices in 2004, but may also have resulted from the moderate wage developments.

Chart 17 Breakdown of HICP inflation: main sub-components

(annual percentage changes; monthly data)



Source: Eurostat.

Looking in more detail at the December 2005 outcome, developments in energy prices remained volatile (see Chart 17). Owing to a base effect, the annual rate of change increased in December, despite a slight decline in energy prices during that month. Looking ahead, the increase in oil prices observed since mid-December 2005 will most likely result in a further upward movement in the annual rate of change in consumer energy prices. In this context, Box 3 examines the pass-through of global energy prices to the euro area HICP energy components. Turning to unprocessed food prices, the upward movement in the annual rate of change observed since the summer levelled off in December. However, in the context of base effects from subdued developments last year and in view of the cold temperatures recently recorded in some euro area countries, further upward movements in the annual rate of change in unprocessed food prices are likely over the short term.

The fall in the annual rate of change in the HICP excluding the volatile components unprocessed food and energy to 1.4% in December was due entirely to developments in processed food prices, as the annual rates of change in non-energy industrial goods and services prices remained unchanged. The decline in the annual rate of change in processed food prices was a result of a base effect from the increase in tobacco taxes in Germany in December 2004. The annual rate of growth of tobacco prices in the euro area fell to 4.3% in December 2005, considerably lower than the 13.8% recorded in December 2004. The relatively low rate of growth of non-energy industrial goods prices suggests that there is still no evidence of significant indirect effects from commodity price increases on consumer prices. Lastly, notwithstanding some downward movement in the

annual rates of change in the sub-components linked to air transport and package holidays, the annual rate of change in services prices remained at 2.1% in December 2005.

Box 3

THE PASS-THROUGH OF GLOBAL ENERGY PRICES TO THE EURO AREA HICP ENERGY COMPONENTS

Energy prices contributed 1.0 percentage point to the overall HICP inflation rate of 2.2% in December 2005 (see table). This relatively high contribution reflects developments in primary energy prices, in particular those of oil and natural gas, which have risen significantly over the past year. In this context, this box investigates the relationship between developments in primary energy prices and developments in the energy components of the HICP.

Recent developments in primary energy prices

The prices of crude oil and natural gas rose considerably in 2005, the effect of which was magnified by the appreciation of the US dollar over the same period (see Chart A, which shows the evolution of prices in euro). In euro terms, the price of Brent crude oil stood 62% higher in December 2005 than one year earlier. The current crude oil price shock differs from previous oil price shocks. While the latest increase has been sizeable, it has also been more gradual and persistent, as unexpectedly strong growth in demand in 2004 triggered capacity constraints throughout the oil supply chain. Geopolitical concerns over the security of future crude oil supplies added further upward pressure.

Contribution of energy prices to overall inflation in December 2005

	Rates of change/ contributions	Weight in the HICP (%)
Overall inflation *(year on year rate)*	2.2	
Energy		8.6
contribution to overall inflation	1.0	
year on year rate	11.2	
Of which (contribution to energy year on year rate):		
Electricity	0.7	2.0
Gas	2.1	1.4
Liquid fuels	2.3	0.8
Solid fuels	0.0	0.1
Heat energy	1.0	0.4
Fuels and lubricants for personal transport equipment	5.1	3.9

Sources: Eurostat and ECB calculations.

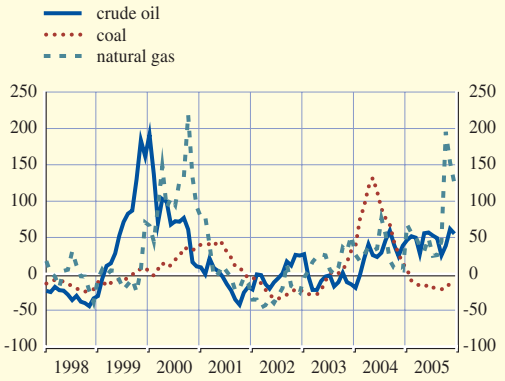
Historically, natural gas prices tend to follow developments in crude oil prices. However, in the fourth quarter of 2005, there was a noticeable decoupling between the prices of these two sources of primary energy as a result of the damage caused by the hurricanes in the US Gulf of Mexico, which had a greater impact on natural gas prices than on crude oil prices. In December 2005, the price of natural gas as measured by the one-month forward contract traded on the Intercontinental Exchange stood 153% above its level one year earlier. The behaviour of coal prices has been historically different from that of crude oil and natural gas prices. Indeed, the price of coal fell by 13% in the course of 2005.

The response of HICP components to developments in primary energy prices

There is a strong direct correlation between the prices of liquid fuel and petrol, which together represent more than half of consumer expenditure on energy items, and developments in the price of crude oil. However, the pass-through factor from oil prices to final consumer prices is relatively low. In the case of liquid fuel, it was approximately one-quarter in 2000, when the

Chart A Primary energy prices

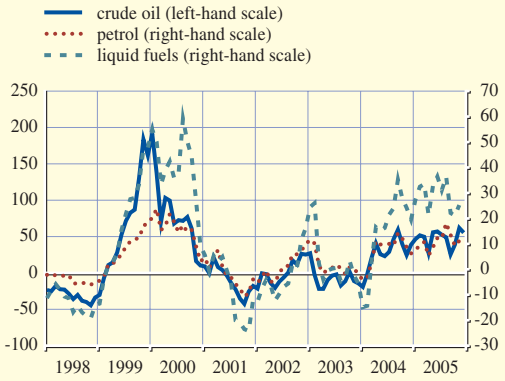
(annual percentage changes)



Sources: Eurostat, Datastream and HWWA.
Note: Prices are in euro terms.

Chart B Consumer prices: petrol and liquid fuel

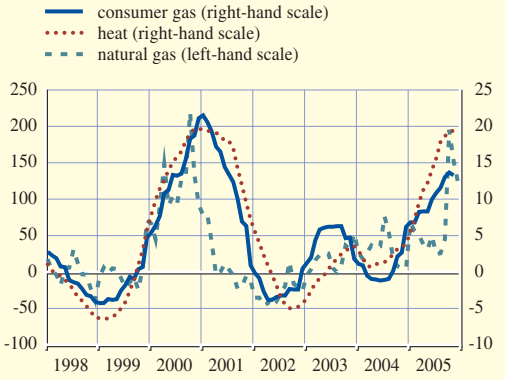
(annual percentage changes)



Sources: Eurostat and Datastream.
Note: Prices are in euro terms.

Chart C Consumer prices: gas and heat

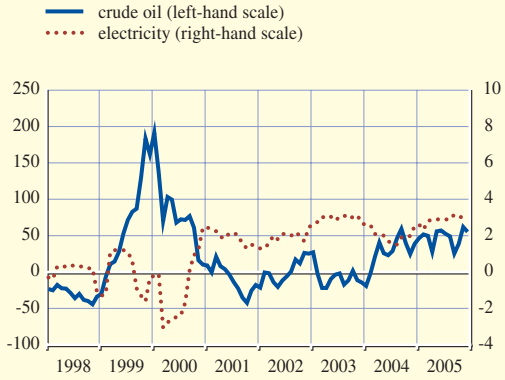
(annual percentage changes)



Sources: Eurostat and Datastream.
Note: Prices are in euro terms.

Chart D Consumer prices: electricity

(annual percentage changes)



Sources: Eurostat and Datastream.
Note: Prices are in euro terms.

200% increase in oil prices translated into a 50% rise in liquid fuel prices. The pass-through to petrol prices was even lower (see Chart B). Obviously, the precise magnitude of the pass-through may also vary in time. However, most of the impact occurs very quickly, within a few weeks of the rise in crude oil prices.

By contrast, the correlation of consumer gas prices and heating energy (hot water and steam) with developments in natural gas prices is less direct (see Chart C). Developments in consumer gas prices are generally smoother than developments in primary energy prices. They also react with a significant lag. In 2000, a pass-through factor of only one-tenth applied.

Last, electricity appears to be a special case, as no obvious short-term correlation can be made between its price at the consumer level and primary energy prices (see Chart D).

Possible factors influencing the responsiveness of consumer energy prices

There are several factors explaining the various degrees of elasticity of consumer price developments to primary energy prices. From a general point of view, the pass-through factor depends first on the production structure of the energy delivering companies: the final impact of a change in primary energy prices is moderated by the weights of fixed costs (for instance infrastructure) or variable costs (such as wages), and by the margin behaviour. An additional reason is that the final price at consumer level – as reported by the HICP indices for gas or electricity for instance – has a fixed component that is not linked to the volume of energy consumed. Such a fixed charge is often paid for the connection to the delivering infrastructure.

Turning to institutional factors, the tax structure – notably the weight of excise taxes – is also a decisive factor in explaining the only partial pass-through of primary energy prices to energy prices for consumers. A high level of excise tax, which is fixed per unit of consumption, lowers the proportional impact of primary energy prices on the price paid by consumers. Given the relatively high share of excise taxes on energy in the euro area, this factor is particularly relevant in explaining the limited responsiveness of petrol and gas prices at the consumer level to changes in primary energy prices.

In addition, in several euro area countries, consumer gas and electricity prices for households can be considered as "regulated" or "administered". Such direct regulation of consumer prices can certainly also contribute to a reduction in the volatility of consumer price developments or at least delay the impact on consumer energy prices. In particular, regulatory arrangements often entail legal contracts that define periods during which no adjustment of final prices to developments in primary energy prices can take place. Moreover, gas and electricity markets in many euro area countries are concentrated, creating additional scope for incumbent operators to influence prices and possibly disconnect them further from input prices.

Finally, institutional choices may have also led to a supply structure in which there is a relatively low sensitivity of electricity prices to primary energy prices. In particular, the electricity produced in the euro area mainly depends on energy sources whose prices are not directly or immediately linked to volatile oil and gas prices. According to the International Energy Agency, oil and gas only represented 6% and 17%, respectively, of the sources used for the production of electricity in euro area countries in 2003. The weight of coal represented 27% of the electricity produced, whereas the weight of inputs whose prices were independent of all three primary energies was close to 50% (34% for nuclear energy, 11% for hydroelectricity and 4% for other energy sources). In addition, for the purpose of electricity generation and residential and commercial heating, oil, natural gas and coal are, to a certain degree, substitutes for each other as the primary energy source. This substitution therefore diminishes the impact on electricity prices of a shock that would be specific to one of the three primary energy sources.

To summarise this information in a quantified way, a commonly used rule of thumb suggests that a 10% increase in oil prices in euro terms leads to a rise of 1½ percentage points in the annual rate of change in energy consumer prices within approximately six months. As energy has a weight of roughly 8-9% in the overall HICP, this translates into a direct increase in total consumer price inflation of 0.1-0.2 percentage point (see the article entitled "Oil prices and the euro area economy" in the November 2004 issue of the Monthly Bulletin). Of course, in addition

to this initial direct effect, when assessing the overall impact on the inflation outlook, lagged indirect effects through the impact on non-energy consumer prices as well as possible second-round effects on wage and price-setting behaviour must also be taken into account.

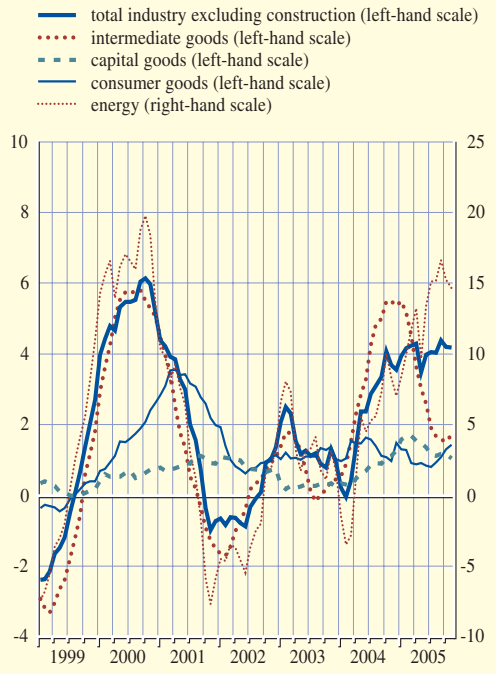
3.2 INDUSTRIAL PRODUCER PRICES

At the time of writing, no new euro area producer price data had become available since the last Monthly Bulletin, which reported on the data up to November 2005. These data showed that the annual rate of change in industrial producer prices excluding construction remained at 4.2%, despite a slight decrease in the contribution of energy prices (see Chart 18). The annual growth rate of industrial producer prices excluding construction and energy also remained low. Thus it appears that so far there have only been limited indirect effects from commodity price increases on other prices at the latter stages of the production chain. Available country data for December 2005 confirm this picture.

Price-related survey data for January 2006 for the manufacturing sector suggest ongoing upward pressure on firms' input prices while increases in selling prices remained more moderate (see Chart 19). The Eurozone Manufacturing Input Price Index increased slightly to 63.0, as did the

Chart 18 Breakdown of industrial producer prices

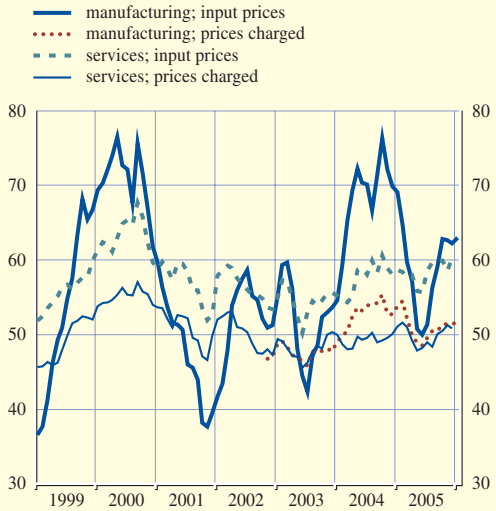
(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

Chart 19 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.

selling price index (but to a lower level of 51.8). This indicates that, although firms are reluctant to pass on increases in input costs to their customers in full, the sustained increase in commodity prices has given rise to some modest indirect effects on manufacturing producer prices. At the time of writing, no new price survey data for firms in the services sector have been made available since the last Monthly Bulletin. The latest data for December 2005 indicate that, while the input price index remained relatively high, the output price index stood at a more moderate level. Thus, the evidence available suggests that firms in the services sector were also unable or reluctant to pass on increases in input costs to their customers in full.

3.3 LABOUR COST INDICATORS

For the third quarter of 2005, data on euro area compensation per employee, derived from the national accounts, indicate that, notwithstanding a slight increase in the annual growth rate, labour cost developments in the euro area have remained moderate. The annual rate of growth of euro area compensation per employee increased by 0.2 percentage point to 1.6% in the third quarter (see Table 6). The growth rate has now been fluctuating around this level since the third quarter of 2004 (see Chart 20). It should, however, be noted that the existing data for 2005 may be subject to revision when data become available for the complete calendar year.

At the sector level, increases in the annual rate of growth of compensation per employee were most pronounced in industry and construction (see Chart 21). There was also a slight increase in the services sector; however, this masks a fall in the market-related services sector, although wage growth in this component of services has remained above that in non-market services. At the current juncture, the rate of increase in compensation per employee in the services sector is clearly lower than in the industrial sector, continuing a pattern observed since mid-2002.

Thus, with all indicators of euro area labour costs (i.e. compensation per employee, hourly labour costs and negotiated wages) now available for the third quarter of 2005, the overall assessment remains that inflationary pressures from wage developments were modest throughout the first three quarters of 2005. The pick-up in labour productivity, in line with output developments, reinforces this assessment, as it has helped to reduce the annual rate of growth in unit labour costs to 0.7% in the third quarter, substantially below levels observed between 2001 and 2003.

Table 6 Labour cost indicators

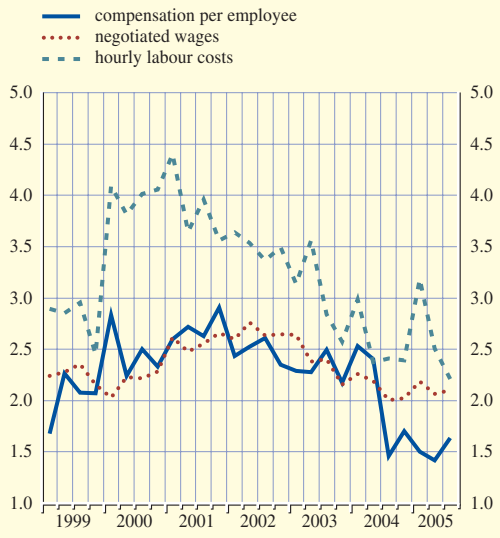
(annual percentage changes, unless otherwise indicated)

	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	3.0	2.5	2.4	2.4	3.2	2.5	2.2
Compensation per employee	2.3	2.0	1.5	1.7	1.5	1.4	1.6
Memo items:							
Labour productivity	0.5	1.1	1.1	0.7	0.4	0.5	0.9
Unit labour costs	1.8	0.9	0.4	1.0	1.1	0.9	0.7

Sources: Eurostat, national data and ECB calculations.

Chart 20 Selected labour cost indicators

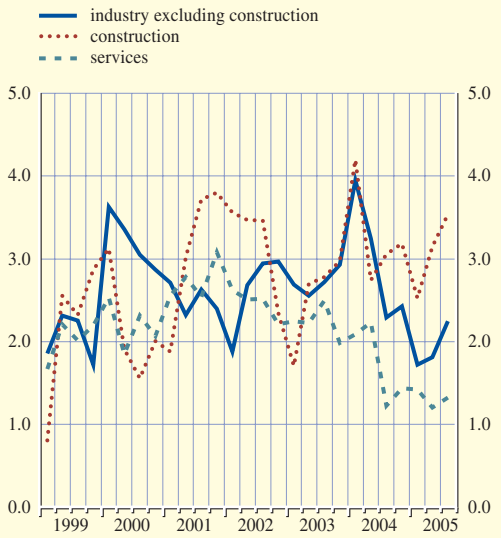
(annual percentage changes)



Sources: Eurostat, national data and ECB calculations.

Chart 21 Sectoral compensation per employee

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

3.4 EURO AREA RESIDENTIAL PROPERTY PRICES

Euro area residential property prices continued to rise in 2005, increasing by 7.7% (year on year) in the first half of 2005 compared with 7.0% in 2004. However, this strong overall growth masks considerable diversity at the country level. The recent dynamism largely reflects buoyant residential property markets in Spain, France and Italy. Available quarterly data for the second half of 2005 continued to show strong price increases in the case of Spain and France, albeit at a slightly more moderate pace than before. For a more detailed overview of developments in euro area residential property prices, see the article entitled "Assessing house price developments in the euro area" in this issue of the Monthly Bulletin.

3.5 THE OUTLOOK FOR INFLATION

Over the short term, annual inflation rates may again increase somewhat, reflecting in particular renewed increases in energy prices and some base effects. Looking further ahead, indirect effects of past oil price rises on other components of the price index may gradually materialise, and already announced changes to administered prices and indirect taxes can be expected to have an upward impact on HICP inflation. Meanwhile, wage dynamics have remained moderate over recent quarters and it is assumed that they will remain so for the time being, reflecting global competitive pressure in particular. All in all, the information currently available is broadly in line with the baseline scenario embodied in the December 2005 Eurosystem staff projections for HICP inflation over this year and next. This assessment of the baseline scenario is broadly shared by private sector forecasters too (see the box entitled "Private sector expectations for the euro area: results of the ECB Survey of Professional Forecasters for the first quarter of 2006").

Risks to this outlook for price developments remain on the upside and include further increases in oil prices, a pass-through of oil prices to consumer prices which is stronger than that currently envisaged, additional increases in administered prices and indirect taxes, and – more fundamentally – potential second-round effects on wage and price-setting behaviour.

Box 4

PRIVATE SECTOR EXPECTATIONS FOR THE EURO AREA: RESULTS OF THE ECB SURVEY OF PROFESSIONAL FORECASTERS FOR THE FIRST QUARTER OF 2006

This box reports the results of the 30th ECB Survey of Professional Forecasters (SPF), conducted between 19 and 23 January 2006.[1] The SPF gathers expectations for euro area inflation, economic activity and unemployment from experts affiliated to financial and non-financial institutions based in the European Union. It is important to bear in mind that, given the diversity of the panel of participants, aggregate SPF results can reflect a relatively heterogeneous set of subjective views and assumptions. Whenever possible, SPF results are compared with other indicators of private sector expectations for the same horizons.

Inflation expectations for 2006 and 2007

Inflation expectations for 2006 have remained at 2.0%, as in the previous SPF. This reflects only slight revisions to the assumptions and still implies that broadly stable oil prices are expected, albeit at relatively high levels, as well as moderate wage developments and broadly stable growth dynamics. By contrast, inflation expectations for 2007 have been revised upwards from the 2005 Q4 SPF, by 0.2 percentage point to 2.0%. A strong majority of respondents

Results from the SPF, Consensus Economics and the Euro Zone Barometer

(annual percentage changes, unless otherwise indicated)

		Survey horizon			
HICP inflation	**Dec. 2006**	**2006**	**Dec. 2007**	**2007**	**Longer term [2]**
2006 Q1 SPF	1.9	2.0	1.9	2.0	1.9
Previous SPF (2005 Q4)	-	*2.0*	-	*1.8*	*1.9*
Consensus Economics (Jan. 2006)	-	2.0	-	2.0	1.9
Euro Zone Barometer (Jan. 2006)	-	2.0	-	2.0	1.9
Real GDP growth	**2006 Q3**	**2006**	**2007 Q3**	**2007**	**Longer term [2]**
2006 Q1 SPF	1.9	2.0	1.9	1.9	2.1
Previous SPF (2005 Q4)	-	*1.7*	-	*2.0*	*2.1*
Consensus Economics (Jan. 2006)	-	1.9	-	1.8	1.9
Euro Zone Barometer (Jan. 2006)	-	1.9	-	1.7	1.8
Unemployment rate [1]	**Nov. 2006**	**2006**	**Nov. 2007**	**2007**	**Longer term [2]**
2006 Q1 SPF	8.1	8.2	7.8	8.0	7.2
Previous SPF (2005 Q4)	-	*8.5*	-	*8.2*	*7.5*
Consensus Economics (Jan. 2006)	-	8.3	-	8.1	-
Euro Zone Barometer (Jan. 2006)	-	8.3	-	8.2	7.6

1) As a percentage of the labour force.
2) In the current and previous SPF rounds and in the Euro Zone Barometer, longer-term expectations refer to 2010. The Consensus Economics forecast refers to the period 2011-15 (data published in the October 2005 Consensus Economics Survey).

1 Additional data are available on the ECB's website (www.ecb.int/stats/prices/indic/forecast/html/index.en.html).

justified this upward revision on the basis of the planned VAT increase in Germany as of January 2007. As a result, the SPF average forecasts for HICP inflation in 2006 and 2007 are in line with those from both Consensus Economics and the Euro Zone Barometer published in mid-January (see table).

SPF participants are also asked to assign a probability distribution to their forecasts. This distribution provides information on the probability, expressed as a percentage, of the future outcome being within a specific interval. The probability distribution resulting from the aggregation of responses also helps to assess how, on average, survey participants gauge the risk of the actual outcome being above or below the most likely range. Several references were made by SPF forecasters in January 2006 to oil prices as a source of upward risk to the inflation outlook. At the same time, the probability distribution of inflation for 2006 from the latest SPF indicates a further upside shift in the risks (see Chart A). SPF respondents now believe that there is a 49% probability that inflation in 2006 may stand between 2.0% and 2.4% (compared with a 44% probability in the previous round). As regards 2007, the probability of inflation in this range is now seen to be 40%, compared with 30% in the 2005 Q4 SPF.

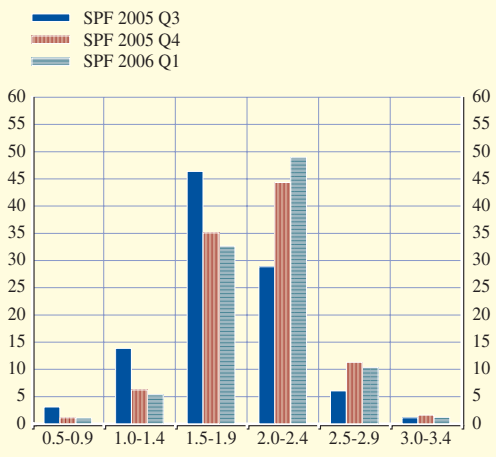
Indicators of longer-term inflation expectations

Inflation expectations five years ahead have remained unchanged, at 1.9%, for the 17th consecutive round, in line with the recently published estimates from Consensus Economics and the Euro Zone Barometer. However, as shown in Chart B, the probability that inflation five years ahead stands at or above 2.0% rose slightly in the first quarter of 2006, pointing to a small increase in the perception of upward risks to long-term inflation.

SPF survey results can also be compared with the so-called "break-even inflation rate", an indicator of long-term inflation expectations among market participants (calculated as the yield spread between nominal and inflation-linked bonds). The break-even inflation rates derived

Chart A Probability distribution for average inflation in 2006 in the last three rounds of the SPF [1)]

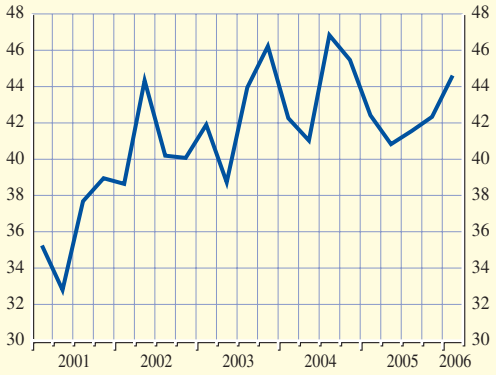
(percentages)



1) Corresponds to the aggregation of each individual probability distribution provided by SPF forecasters.

Chart B Probability of five-year ahead inflation being at or above 2%

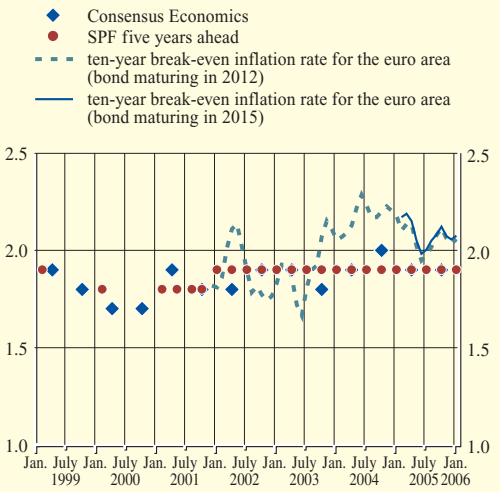
(percentages)



from the French government inflation-linked bonds (linked to the euro area HICP excluding tobacco) maturing in 2012 and 2015 have both remained broadly stable since October 2005 (see Chart C).[2] However, break-even inflation rates should not be interpreted as direct measures of inflation expectations as they may also incorporate various risk premia (such as inflation uncertainty and liquidity premia). Consequently, their level and development may partly reflect uncertainty among investors about future inflation and a resulting willingness to pay a premium for a hedge.

Chart C Indicators of long-term inflation expectations

(average annual percentage changes)



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

Expectations for real GDP growth and unemployment in the euro area

SPF forecasters have, since October 2005, revised upwards their expectations for real GDP growth in 2006 by 0.3 percentage point to 2.0%. This upward revision mainly reflects improved expectations for domestic demand, in part associated with improving labour market conditions that should support stronger consumption growth. According to several respondents, in the second half of 2006 consumption growth should also benefit from spending brought forward by consumers ahead of the planned VAT increase in Germany in January 2007. However, the latter factor is expected to have a dampening effect on growth in 2007, which largely explains the slight downward revision (by 0.1 percentage point to 1.9%) for that year in the latest survey. The main downward risks for the outlook for real GDP growth in 2006 are still assessed to be represented by oil prices and a renewed appreciation of the euro. Upward risks to real GDP growth are also mentioned, as favourable financing conditions, price stability and improvements in profitability are seen as key factors likely to support an upswing in investment. Longer-term growth expectations (five years ahead) are unchanged at 2.1%. The SPF forecasts for real GDP growth are slightly more optimistic than those reported most recently by Consensus Economics and the Euro Zone Barometer across all time horizons considered (see table).

Unemployment rate expectations have been revised downwards for all forecast horizons. The unemployment rate is now expected to stand at 8.2% in 2006 and 8.0% in 2007. The main factors mentioned to account for this decline are stronger growth in the short term and the impact of recent labour market reforms, both in the short and long run, in some countries. However, the revisions to the average point estimates are also explained by statistical revisions to the unemployment data in recent months. The expected rate of unemployment in 2010 now stands at 7.2%, but it is assessed to be very uncertain and conditional on further labour market reforms.

2 It should be noted that the break-even inflation rate reflects average expected inflation over the (residual) maturity of the bonds used in its construction and is not a point estimate for a precise year (as is the case for some of the survey indicators of long-term inflation expectations). For a description of the conceptual nature of the break-even inflation rate, refer to the article entitled "Extracting information from financial asset prices" in the November 2004 issue of the Monthly Bulletin.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

The pattern of a strengthening of economic activity in the second half of 2005 is confirmed by the latest releases of economic indicators. The positive results from surveys, together with industrial production data in particular, point to sustained growth and a gradual improvement in the labour market at the start of 2006. However, this positive economic outlook is still subject to downside risks, especially those resulting from uncertainties surrounding oil price developments and global imbalances.

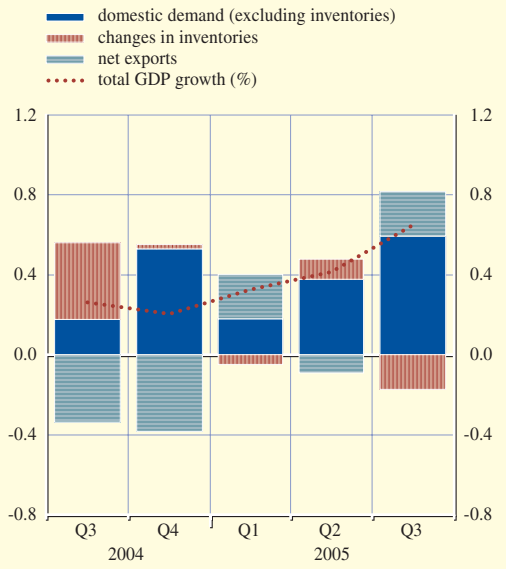
4.1 OUTPUT AND DEMAND DEVELOPMENTS

REAL GDP AND EXPENDITURE COMPONENTS

Eurostat's second estimate of national accounts data for the third quarter of 2005 confirmed robust growth of euro area real GDP, at 0.6% quarter on quarter. Following growth rates of 0.3% in the first quarter and 0.4% in the second quarter (see Chart 22), this suggests a pick-up in activity in the second half of 2005, in line with expectations of a gradual recovery of the euro area economy.

Chart 22 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

As regards the composition of euro area real GDP growth, the picture is largely unchanged compared with the first release. Domestic demand (excluding inventories) provided the strongest contribution to the increase in real GDP mainly on account of strong investment growth (revised slightly downwards to 1.3% quarter on quarter) and moderate growth of private consumption (0.3% quarter on quarter). The contribution of inventories was negative in the third quarter, although this component of expenditure was marginally revised upwards with the second release. The contribution of net trade to real GDP growth was revised downwards slightly, reflecting somewhat lower export growth, but was nevertheless positive.

The breakdown of investment has also become available for the third quarter of 2005, showing positive quarterly growth rates for all components. Construction investment (roughly 50% of total investment) increased by 0.2% quarter on quarter, reflecting a slowdown compared with the second quarter. Among non-construction investment, growth strengthened in the third quarter, especially for investment in metal products and machinery (some 30% of the total) and transport equipment (about 10% of the total). The former increased by 2.9% quarter on quarter after being unchanged in the second quarter, whereas the latter registered an increase of 3.6% following a decline in the previous quarter.

SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

The pick-up in activity in the third quarter of 2005 resulted from somewhat diverging developments in the main sectors. Both the industrial and the services sectors contributed positively to growth. While real value added in the industrial sector increased at a slower rate than in the second quarter

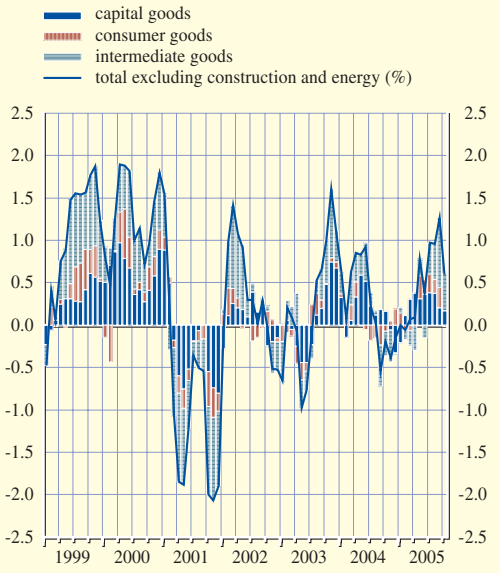
(rising by 0.7% quarter on quarter), the growth rate of real value added in the services sector (0.5%) exceeded that of the second quarter. In agriculture, real value added remained stable in the third quarter, representing an improvement compared with the declines of the previous two quarters.

Industrial production (excluding construction) increased by 1.3% month on month in November 2005 in the euro area, following monthly decreases in October and September (see Chart 23). In terms of three-month moving averages, the growth rate decreased in November, but was still positive, and the strongest growth continued to be recorded in the intermediate goods sector.

Industrial new orders in the euro area increased in November 2005, by 4.9% month on month. In terms of three-month moving averages, the latest results show a rise of 2.5% in November. From a longer-term perspective, industrial new orders continued the upward trend observed since the beginning of last year, which supports a positive outlook for industrial activity.

Chart 23 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.

SURVEY DATA FOR THE MANUFACTURING AND SERVICES SECTORS

Survey results in both the manufacturing and services sectors continue to support expectations of sustained economic expansion. For the manufacturing sector, the European Commission's industrial confidence indicator recorded a further rise in January, reaching the level last seen at the end of 2004. The Purchasing Managers' Index (PMI) for the manufacturing sector was broadly stable in January, after having increased in recent months. Its level clearly signals an expansion (for the seventh consecutive month) and is above the average level of the fourth quarter of 2005. Overall, the latest developments in both the industrial confidence indicator and the PMI suggest that conditions are also in place for an ongoing recovery in industrial activity at the start of 2006 (see Chart 24).

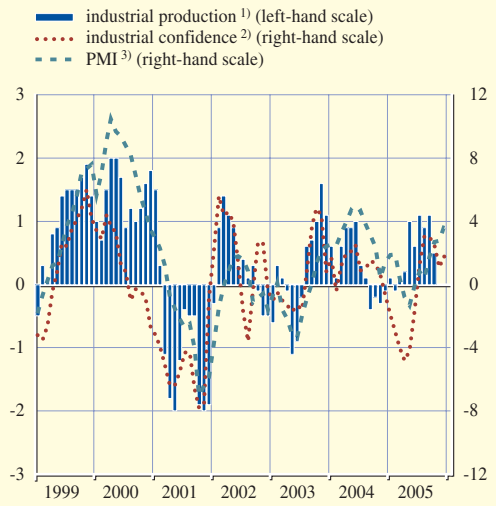
As regards the services sector, the European Commission's services confidence indicator rose in January to its highest level since August 2001. Moreover, the PMI business activity index for the services sector (only available up to December 2005) also seems to have recovered in recent months and currently signals a significant expansion of activity. In December 2005, all components of the survey registered a rise, including outstanding and incoming new business, business expectations and employment. Therefore, the survey information available also provides a positive signal for the services sector around the turn of the year.

INDICATORS OF HOUSEHOLD SPENDING

Private consumption continued to improve in the third quarter of 2005, but at a moderate pace. For the time being there are no signs of a further significant strengthening in the fourth quarter, although only very limited information is available.

Chart 24 Industrial production, industrial confidence and the PMI

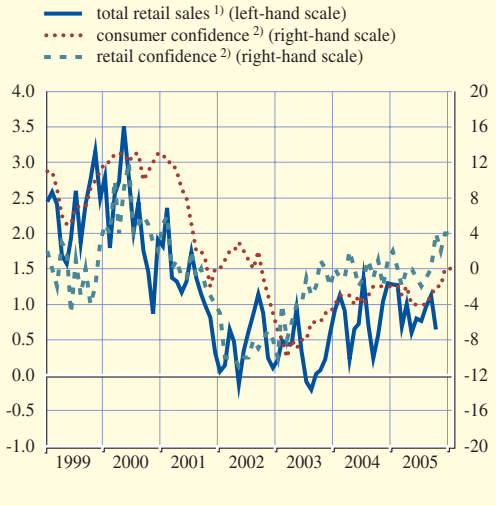
(monthly data; seasonally adjusted)



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.

Chart 25 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.

Retail sales volumes remained stable in November 2005, as a result of declining sales of food products and increasing sales volumes of non-food products. This led to a slight decline in terms of three-month moving averages. As regards other indicators of household spending, new passenger car registrations fell by 1% month on month in December, following decreases of a similar magnitude in the previous two months. As a result, new passenger car registrations decreased by 1% in the fourth quarter, following positive (but declining) growth rates in both the second and third quarters of 2005.

Although the contributions to private consumption from retail trade and new passenger car registrations are likely to be lower in the fourth quarter of 2005 than in the third quarter, consumer confidence is slowly recovering. The European Commission's consumer confidence indicator remained unchanged in January, standing at around its long-term average, after having gradually improved in the second half of 2005 (see Chart 25).

4.2 LABOUR MARKET

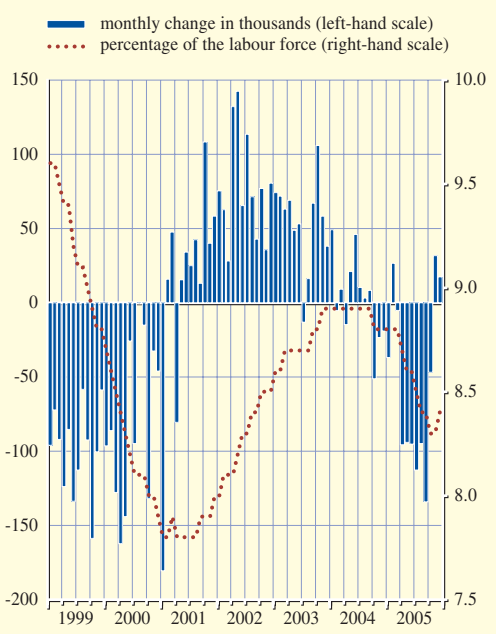
The latest data available suggest that conditions in the euro area labour market continue to improve gradually. In particular, employment expectations for both the industrial and services sectors point to ongoing positive developments in underlying labour market conditions at the start of 2006.

UNEMPLOYMENT

The euro area unemployment rate increased by 0.1 percentage point to 8.4% in December 2005, after having remained unchanged in November (see Chart 26). However, this upward movement reflected in the headline figure is partly due to rounding. The number of unemployed increased by about 17,000 (roughly half the increase seen in November). As in previous months, unemployment data are largely affected by recent methodological and institutional changes in some countries, which have increased the volatility of the figures, especially in Germany. This makes the underlying trend difficult to assess. Excluding Germany, the total number of unemployed in the euro area declined in December.

Chart 26 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

EMPLOYMENT

Employment grew by 0.2% quarter on quarter in the euro area in the third quarter of 2005. This was a continuation of the improvement in employment growth evident in the second quarter, at 0.1%, compared with an unchanged level of employment in the first quarter (see Table 7). The increase in the third quarter resulted from stronger growth in employment in the services sector, while employment in industry remained stable for the second consecutive quarter.

The robust pace of economic activity in the third quarter of 2005 clearly outpaced the increase in employment, resulting in an increase in labour productivity in the euro area (see Chart 27). The annual rate of increase in labour productivity was 0.9% in the third quarter of 2005, following

Table 7 Employment growth

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

	Annual rates		Quarterly rates				
	2003	2004	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3
Whole economy	0.3	0.7	0.3	0.2	0.0	0.1	0.2
of which:							
Agriculture and fishing	-2.0	-0.8	0.1	-0.4	-1.1	-0.2	-0.8
Industry	-1.0	-0.9	0.0	0.0	-0.6	0.0	0.0
Excluding construction	-1.5	-1.6	-0.5	0.1	-0.8	-0.1	-0.2
Construction	0.2	1.0	1.1	-0.3	0.0	0.3	0.3
Services	0.9	1.4	0.4	0.4	0.4	0.2	0.4
Trade and transport	0.3	0.9	0.4	0.2	0.1	0.1	0.2
Finance and business	1.3	2.6	0.6	0.5	0.7	0.3	0.6
Public administration	1.3	1.2	0.3	0.5	0.4	0.2	0.5

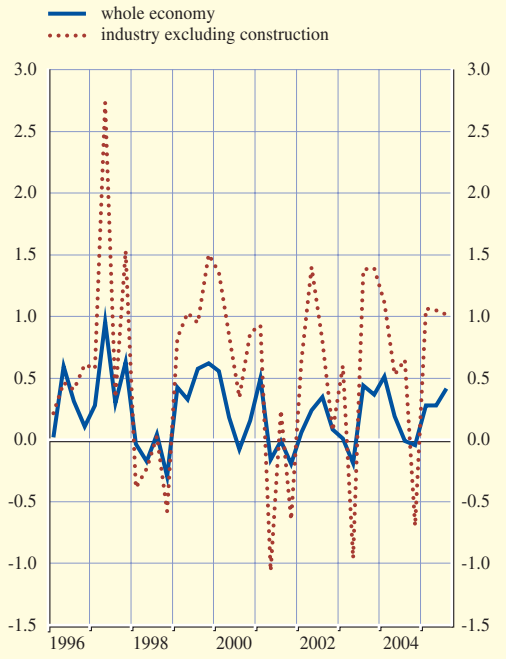
Sources: Eurostat and ECB calculations.

rates of 0.4% and 0.5% in the first and second quarters respectively. The increase resulted mainly from an improvement in annual labour productivity growth in construction and also, to a lesser extent, the services sector. Overall, annual labour productivity growth for the whole economy in the third quarter remained below the average rate recorded for 2004.

The latest survey data provide mixed signals regarding underlying labour market conditions. Although the employment index from the PMI for the services sector reached its highest level in more than four years in December 2005, the employment index for the manufacturing sector declined in January 2006, to stand slightly below the 50 no-change mark. Employment expectations from the European Commission's confidence indicator declined for both the industrial and services sectors in January, while still staying close to their highest levels for about four years.

Chart 27 Labour productivity

(quarterly percentage changes; seasonally adjusted)



Sources: Eurostat and ECB calculations.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

The latest data releases support the view that the strengthening and broadening of economic activity in the second half of 2005 is likely to be sustained in 2006. The external environment is favourable, providing support for euro area exports. Investment is expected to remain strong, benefiting from an extended period of very favourable financing conditions, balance sheet restructuring, and accumulated and ongoing gains in earnings and business efficiency. Consumption growth should also strengthen over time, in line with developments in real disposable income, as the labour market situation gradually improves. The expectations for sustained growth in 2006 are in line with forecasts by international and private sector organisations and also with the Eurosystem staff macroeconomic projections of last December. This outlook is still subject, however, to downside risks stemming mainly from uncertainties surrounding oil price developments and global imbalances.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

Following a period of relative stability in December, the euro appreciated moderately in January. The strengthening of the euro in nominal effective terms over this period was largely driven by its rise against the US dollar and, to a lesser extent, against the Japanese yen and the Chinese renminbi, which was only partially offset by its depreciation vis-à-vis the pound sterling and some of the new Member States' currencies.

US DOLLAR/EURO

Following a relatively stable period in December 2005, the euro appreciated against the US dollar in January 2006 (see Chart 28). Market expectations about the future course of monetary policy in the United States and the euro area seem to have contributed to this development. In addition, the sizeable US external imbalances continue to be seen as a key risk factor for the US currency by a number of markets participants. Overall, on 1 February, the euro stood at USD 1.21, i.e. 2.5% above its end-December level, but still 2.8% lower than its 2005 average.

JAPANESE YEN/EURO

Following a relatively strong and broad-based appreciation of the Japanese yen in December 2005, the euro strengthened against the Japanese currency. Favourable news on the outlook for the euro area economy seems to have contributed to the strength of the euro against the yen. On 1 February 2006, the euro stood at JPY 142.2, i.e. 2.4% above its end-December level and 3.9% above its 2005 average (see Chart 28).

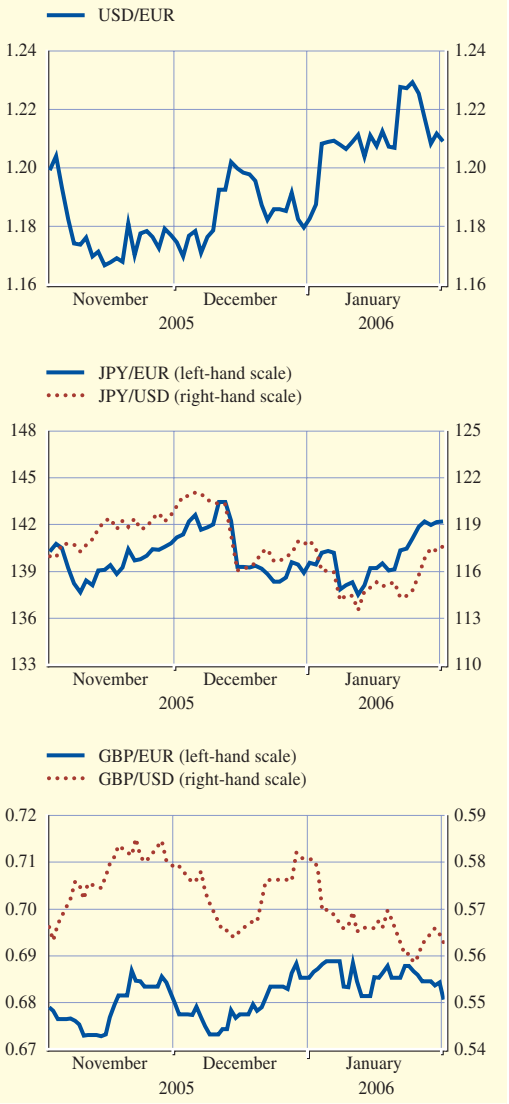
EU MEMBER STATES' CURRENCIES

In January most currencies in ERM II were trading at or close to their respective central parities (see Chart 29). An exception was the Slovak koruna, which appreciated by 1.6% vis-à-vis the euro in January, to trade 3.1% above parity at the stronger end of the ERM II fluctuation band on 1 February.

With regard to the currencies of other EU Member States, the euro depreciated vis-à-vis the pound sterling, to be quoted on 1 February at GBP 0.68, i.e. 0.7% below its end-December level and 0.5% below its 2005 average. The euro depreciated by 1.6% against the Swedish krona which experienced a rather broad-based recovery in the period under review. The euro fell against the Czech koruna (2.1%), the Hungarian

Chart 28 Patterns in exchange rates

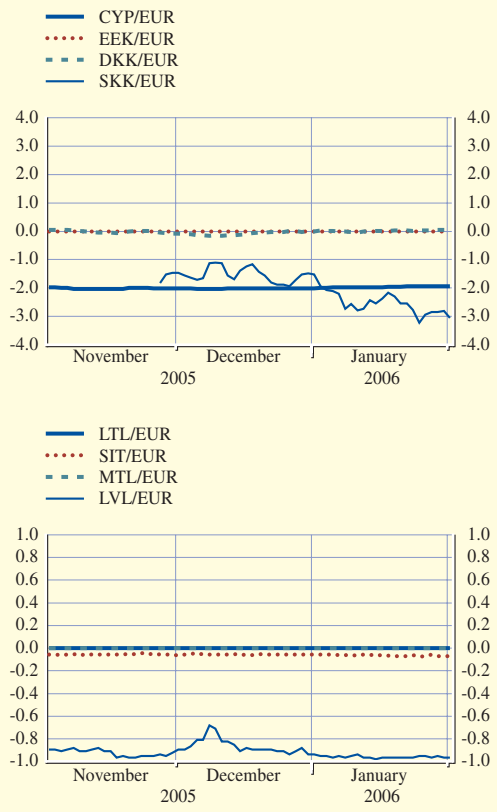
(daily data)



Source: ECB.

Chart 29 Patterns in exchange rates in ERM II

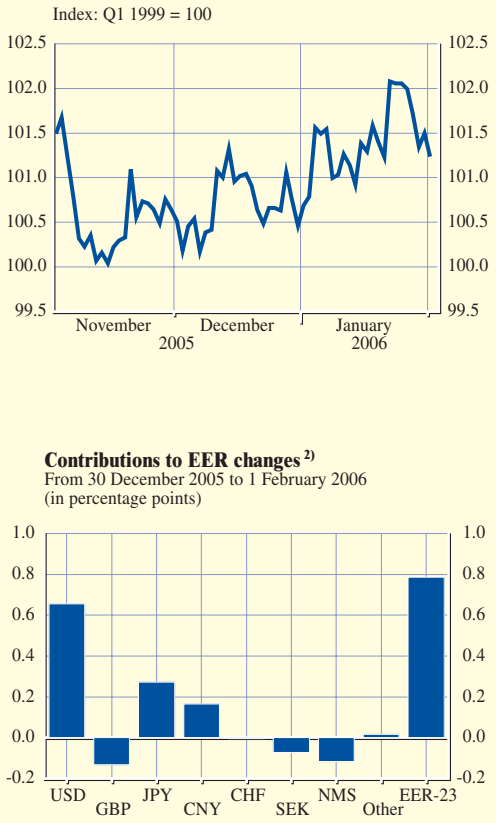
(daily data; deviation from the central parity in percentage points)



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 ±2.25%; for all other currencies the standard fluctuation band of ±15% applies.

Chart 30 Euro effective exchange rate and its decomposition [1]

(daily data)



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.

forint (0.6%) and the Polish zloty (1.2%). The strengthening of the central and eastern European currencies may have been partly influenced by recent domestic political events in Poland, which reportedly had a positive bearing on market sentiment for the Polish zloty and other currencies in the region.

OTHER CURRENCIES

Since end-December the euro has been broadly stable vis-à-vis the Swiss franc. In January it appreciated against the Norwegian krone (0.9%) and several Asian currencies, while it was stable against the Canadian and Australian dollars.

EFFECTIVE EXCHANGE RATE OF THE EURO

On 1 February 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% above its end-December level, but 1.7% below its average in 2005 (see Chart 30). The strengthening of the euro in nominal effective terms over this period was largely driven by its rise against the US dollar and, to a lesser extent, against the Japanese yen and the Chinese renminbi, which was only partially offset by its depreciation vis-à-vis the pound sterling and some of the new Member States' currencies.

5.2 BALANCE OF PAYMENTS

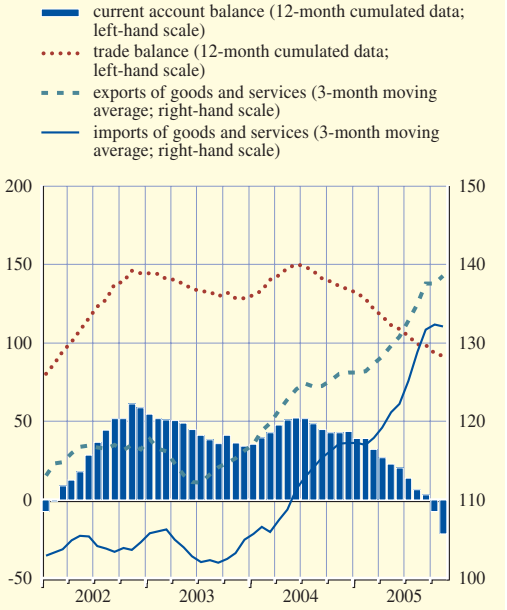
In November 2005, the 12-month cumulated euro area current account recorded a deficit of €21.7 billion (or 0.3% of GDP), compared with a surplus of €42.6 billion the year before. This development was mostly the result of a significant decline in the goods surplus, which was in turn largely due to the rise in oil imports. In the financial account, cumulated net inflows in combined direct and portfolio investment continued to contract, reaching €56.7 billion in the 12-month period ending in November. This development largely reflected gradually declining net inflows in equity portfolio investment since the summer of 2005.

TRADE AND THE CURRENT ACCOUNT

The latest balance of payments data for November 2005 show that the values of extra-euro area imports and exports of goods and services remain on an upward trend (see Chart 31). The three-month moving average of export values continues to grow at a sustained pace, albeit decelerating somewhat. It increased by 2.7% in November compared with the corresponding figures in August (see Table 8), reflecting a rise in goods exports of 3.5%, while export values of services remained rather flat. Over the same period, import growth slowed down somewhat to 2.5%, owing to a decline in the growth of imports of goods and negative growth in imports of services.

Chart 31 The euro area current account and trade balances

(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

Taking a longer-term view, the breakdown of extra-euro area trade in goods into volumes and prices provided by Eurostat shows that high export volumes of capital goods largely explain the robust growth in export volumes since the early months of 2005 (see Chart 32). This seems to correspond with evidence of buoyant capital expenditure across many of the euro area's major export markets. In terms of destinations, strong growth in export volumes to Asia (especially China) and the new EU Member States seems to be the main factor explaining the sustained pace of euro area export volumes over most of this period (see Chart 33). However, more recently, export volumes to Asia have weakened somewhat (corresponding with a slowdown in imports in

Table 8 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 Oct.	2005 Nov.	2005 Feb.	2005 May	2005 Aug.	2005 Nov.	2004 Nov.	2005 Nov.
Current account	-7.4	-10.7	2.1	0.4	-3.0	-6.8	42.6	-21.7
Goods balance	1.1	3.1	7.2	6.2	3.9	3.5	107.0	62.5
Exports	103.2	107.7	95.8	98.4	102.2	105.8	1,118.6	1,206.4
Imports	102.1	104.6	88.6	92.2	98.3	102.3	1,011.7	1,144.0
Services balance	3.2	3.4	2.3	2.3	2.3	3.0	29.5	29.3
Exports	32.5	32.6	30.6	31.2	32.8	32.8	357.7	382.6
Imports	29.3	29.2	28.4	28.9	30.6	29.8	328.3	353.2
Income balance	-7.3	-10.1	-1.8	-3.3	-4.5	-7.2	-38.0	-50.5
Current transfers balance	-4.4	-7.2	-5.5	-4.8	-4.7	-6.1	-55.8	-63.0
Financial account [1]	-9.9	-2.8	17.0	2.9	5.8	5.0	-23.4	91.9
Combined direct and portfolio investment	-13.0	-43.7	11.9	-2.8	19.2	-9.4	-41.7	56.7
Direct investment	-6.4	-12.2	-4.5	-3.5	-34.6	-6.8	-51.7	-148.3
Portfolio investment	-6.6	-31.5	16.4	0.7	53.8	-2.6	10.0	204.9
Equities	-12.7	-6.5	8.9	-7.7	54.2	-3.0	-4.7	157.5
Debt instruments	6.1	-24.9	7.5	8.3	-0.4	0.4	14.7	47.5
Bonds and notes	-9.1	-13.8	-0.5	3.7	-1.4	-7.3	76.4	-16.3
Money market instruments	15.2	-11.2	8.0	4.7	1.0	7.6	-61.7	63.8

Source: ECB.
Note: 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.

this region), which may help explain the slower pace of euro area export volume growth in recent months.

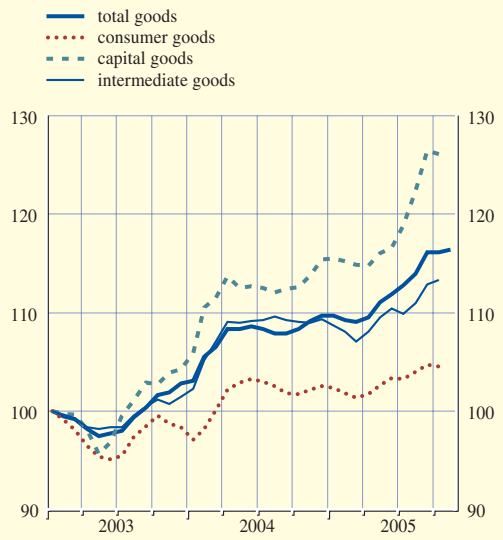
Meanwhile, the recent decline in the growth of the value of goods imports reflects developments in import volumes as import prices continue to rise. The increase in manufacturing import prices might be linked to both the depreciation of the euro and higher production costs for euro area import suppliers following the hike in oil prices. Developments in imports of capital goods explain the moderate slowdown in euro area import volumes in recent months, while the growth in import volumes of intermediate and consumer goods remained broadly stable.

In November the 12-month cumulated goods surplus was €62.5 billion, a decline of about €45 billion compared with one year earlier, largely as a result of the higher cost of imports owing to the rise in oil prices. Meanwhile, the income deficit rose by €12.5 billion over the same period, reflecting a larger increase in income payments than in income receipts. The rise in income payments was due partly to the significant increase in recent years in the stock of euro area equities held by non-residents. Given the above developments, and with the services surplus remaining virtually flat and the deficit for current transfers increasing by €7.2 billion, the 12-month cumulated current account deficit continued to widen and stood at €21.7 billion (around 0.3% of GDP) in November 2005, compared with a surplus of €42.6 billion a year earlier.

The geographical breakdown of the 12-month cumulated euro area current account up to the third quarter of 2005 shows that the surplus with the United States remained roughly unchanged, while the surplus with the non-euro area EU Member States increased somewhat and the deficit with Japan decreased slightly. Therefore, the overall decrease in the cumulated current account surplus

Chart 32 Extra-euro area export volumes for selected commodities

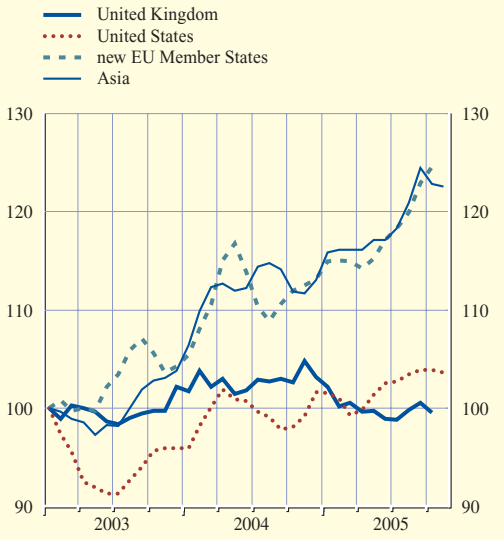
(indices: January 2003 = 100; seasonally adjusted; three-month moving averages)



Sources: Eurostat and ECB calculations.
Note: The latest observations are for October 2005, except for exports of total goods (November 2005).

Chart 33 Euro area export volumes to selected trading partners

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



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

of the euro area over the same period (by €44.3 billion compared with a year earlier) was mostly accounted for by an increase in the deficit with "other countries" and in particular with oil-exporting countries.

FINANCIAL ACCOUNT

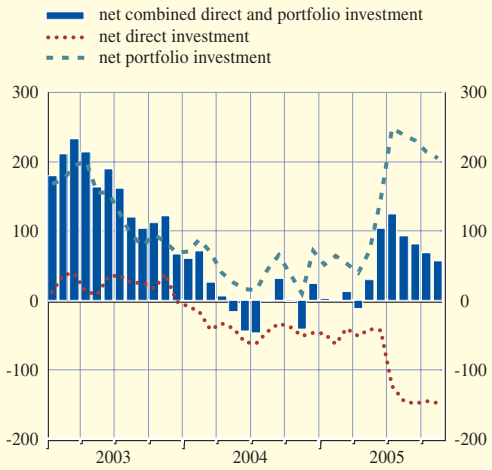
There were net average monthly outflows of €9.4 billion in euro area combined direct and portfolio investment over the three-month period to November 2005 (see Table 8), reflecting net outflows in direct investment (€6.8 billion) and equity portfolio investment (€3.0 billion). The net outflows in equity portfolio investment contrasted with the net average monthly inflows recorded in the three-month period to August 2005 (€54.2 billion). Lower annual corporate earnings growth in the euro area relative to other major economic regions in the second half of 2005 might partly explain the switch from net inflows to net outflows in equity portfolio investment during this period.

From a longer-term perspective, net inflows in combined direct and portfolio investment, although remaining sizeable at €56.7 billion in the 12-month period to November 2005, have been gradually contracting since the summer of 2005 (see Chart 34). This development stems from the decline in portfolio investment in euro area equity securities, which has been the main driving force behind capital inflows into the euro area for most of 2005. At the same time, the euro area recorded net inflows in debt instruments, as net outflows in bonds and notes, which coincided with the widening of the long-term yield differential between US and euro area government bonds, were more than offset by net inflows in money market instruments.

In the 12-month period to November 2005, the net outflows in direct investment rose by €97 billion compared with the year earlier on account of both higher investment abroad by euro area residents and lower investment in the euro area by non-residents (see Chart 34). The economic recovery in the euro area in the course of 2005 might have acted as a stimulus for euro area multinational firms to expand abroad to enhance their competitive position through foreign affiliates. In the context of robust economic growth in other regions of the world in 2005, foreign multinational enterprises might have partly diverted their investment away from the euro area.

Chart 34 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.

The geographical breakdown of the euro area financial account indicates that in the 12-month period to September 2005, euro area direct investment in the United Kingdom and in the new EU Member States increased compared with the same period one year earlier. As for euro area portfolio investment abroad, the largest increase occurred in bonds and notes issued by offshore financial centres and the new EU Member States.

ARTICLES

ASSESSING HOUSE PRICE DEVELOPMENTS IN THE EURO AREA

Euro area residential property prices have been relatively dynamic on average over the last five years, although the pattern has differed significantly across countries. The strong demand for housing has in part been related to the decline in interest rates which, in many countries, accompanied the introduction of the single currency and significantly increased the affordability of higher-priced housing. At the same time, the rise in demand for housing has met with only a gradual increase in supply.

The rise in house prices and the associated increased levels of household borrowing and indebtedness have occurred in conjunction with tentative signs of a growing risk of overvaluation in some regions of the euro area. This calls for a close monitoring of house price developments, in particular in an environment in which the dynamism of house prices has been accompanied by strong increases in housing loans.

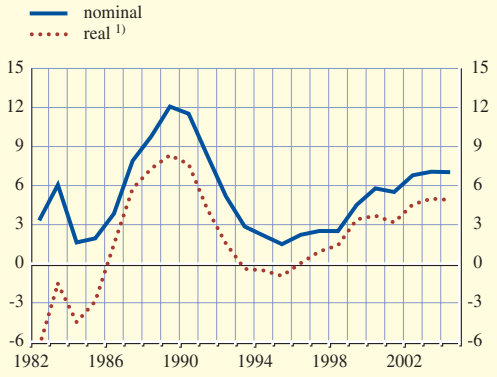
1 INTRODUCTION

Developments in residential property prices are an important factor underlying monetary policy decisions aimed at maintaining price stability in the euro area over the medium term. For example, changes in residential property prices may affect households' consumption behaviour, in particular through wealth effects, as well as residential investment.[1] Typically, house price developments are also closely associated with credit developments. While residential property prices are not included in the HICP, they can have an indirect impact on the rent sub-component.[2] The importance of residential property price developments from a monetary policy perspective also reflects the high economic costs which can be associated with the formation and subsequent bursting of house price bubbles.[3]

From a monetary policy point of view, it is essential to understand the factors that drive house prices, given their importance for the economy. This article assesses the current situation in the euro area housing market, drawing on two approaches to monitoring house price developments. The first approach combines information from factors influencing both housing demand and supply. Demand and supply need to be analysed separately, since the supply side of the housing market is relatively inert in the short term, implying that house price developments over this horizon are mostly driven by demand factors. The second approach assesses house price developments on the basis of a comparison of the returns on housing investment with alternative, comparable investment opportunities.

Chart 1 Residential property prices in the euro area

(annual percentage changes)



Source: ECB calculations based on national data.
1) Deflated by the HICP.

Section 2 reviews recent developments in residential property prices at the euro area and country levels. Section 3 examines the demand side of the housing market, while Section 4 considers the supply side. Section 5 presents

1 See the article entitled "Recent trends in residential property prices in the euro area" in the May 2003 issue of the Monthly Bulletin. See also F. Altissimo et al., "Wealth and asset price effects on economic activity", ECB Occasional Paper No 29, June 2005.
2 See Box 2 in the article entitled "The harmonised index of consumer prices: concept, properties and experience to date" in the July 2005 issue of the Monthly Bulletin.
3 See the article entitled "Asset price bubbles and monetary policy" in the April 2005 issue of the Monthly Bulletin.

Residential property prices in the euro area countries

(annual percentage changes)

	1997-2000	2001	2002	2003	2004	2005	2005		
						H1	Q1	Q2	Q3
Belgium [1]	5.0	5.3	7.7	7.8	6.8	.	.	.	.
Germany [2]	-0.5	0.1	-1.2	-0.9	-2.1	-	-	-	-
Greece [2]	10.5	14.5	13.0	5.7	2.6	.	7.3	.	.
Spain [2]	6.2	9.9	15.7	17.6	17.4	14.8	15.7	13.9	13.4
France [1]	4.5	7.9	8.3	11.7	15.2	15.5	15.7	15.3	14.7
Ireland [2]	21.1	8.1	10.1	15.2	11.4	10.8	11.1	10.5	11.5
Italy [2]	2.1	8.0	12.9	10.0	9.0	11.6	-	-	-
Luxembourg [3]	3.8	13.8	11.9	13.3	.	-	-	-	-
Netherlands [1]	14.6	11.2	8.4	4.7	3.9	4.2	4.3	4.1	3.8
Austria [2], [4]	-1.9	-3.6	-1.0	0.9	-0.6	.	-	-	-
Portugal [2]	5.8	3.6	1.1	1.6	0.4	1.9	0.5	3.2	.
Finland [2]	10.7	-0.5	7.4	6.3	7.3	4.1	3.8	4.5	6.0
Euro area [2]	3.8	5.5	6.8	7.1	7.0	7.7	-	-	-

Sources: National data and ECB calculations.
Notes: The euro area estimate for H1 2005 is based on available country data and ECB estimates. The semi-annual estimate is partly derived from annual results; therefore, the accuracy of the semi-annual data is lower than that of the annual data.
1) Existing dwellings.
2) All dwellings.
3) Houses.
4) Up to 2000, Vienna only.

the asset pricing approach to valuing housing and Section 6 concludes.

2 DEVELOPMENTS IN EURO AREA RESIDENTIAL PROPERTY PRICES

Euro area residential property prices recorded their fifth year of strong dynamism in 2004, increasing by an estimated 7.0% (4.9% in real terms when deflated by the HICP), after an increase of 7.1% (5.0% in real terms) in 2003 (see Chart 1). This strong overall growth, however, masks considerable diversity at the country level; the recent dynamism largely reflects buoyant residential property markets in Spain, France and Italy, whereas in Germany residential property prices have shown a slight decline (see table above). Available quarterly data for 2005 continue to show strong increases in the case of Spain, France and Ireland, albeit at a slightly more moderate pace than in 2004. In the Netherlands and Portugal, the moderate trends recently observed appear to be continuing. Based on available country data, the annual rate of growth in residential property prices in the euro area is estimated at 7.7% for the first half of 2005. Owing to the non-harmonised underlying national data, euro area data provide only a broad indicator of price developments and should therefore be interpreted with caution. Box 1 presents the indicators of residential property prices and, more broadly, the structural housing indicators compiled by the ECB and the NCBs.

Box 1

AVAILABILITY OF KEY NON-FINANCIAL HOUSING MARKET INDICATORS

Given the intensified debate on asset prices and their impact on the economy, comprehensive housing statistics have become increasingly important. However, officially published euro area housing statistics are still far from being complete. This box presents key non-financial statistics for the housing market in the euro area.

Residential property price statistics

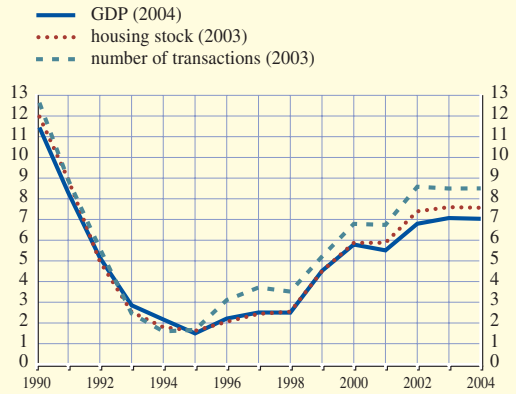
The ECB compiles and publishes a semi-annual indicator of euro area residential property prices, which is based on non-harmonised national data. Given that official house price indices for most euro area countries do not exist, the ECB, in close cooperation with the NCBs, also exploits a range of different data sources provided by real estate agencies, mortgage banks and notary organisations. Though very useful for monitoring price trends on the housing market, they have several shortcomings such as an incomplete coverage in terms of region and dwelling type, different price recording practices (e.g. offer prices versus purchaser prices) and different methods for adjusting price data for varying dwelling characteristics. Moreover, the national data differ as regards frequency and timeliness.[1]

To calculate the euro area aggregate, national results are weighted using national GDP shares in the euro area. In principle, house price statistics can be aggregated using either transaction or housing stock-based weights, but this information is not available for some of the countries. However, test calculations using estimates indicate that applying these alternative weighting schemes would lead to a similar trend for a euro area residential property price indicator (see Chart A). For recent years, however, the GDP-weighted indicator shows lower price increases.

The statistical quality of the euro area indicator has improved recently owing to amendments in national data. Additionally, the ECB has started compiling estimates of annual rates of change for the euro area aggregate from 1982 onwards, whereas the former series started only in 1991. However, further improvements are still required. A promising project is the Eurostat pilot study on a price index for owner-occupied housing, which is expected to deliver first results for the euro area by the first half of 2007.[2]

Chart A Euro area residential property prices using different weights

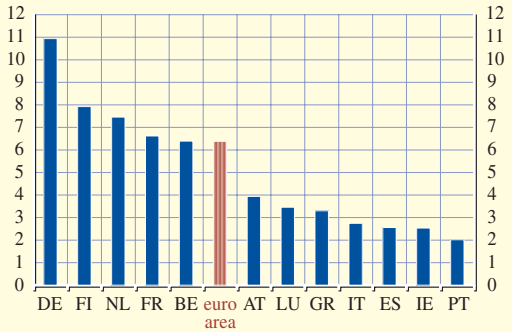
(annual percentage changes)



Sources: ECB calculations based on Eurostat and national data.
Notes: Reference year for weights in brackets. Estimates for missing country weights for the number of transactions and for the housing stock.

Chart B Share of rent expenditure in the HICP in euro area countries

(percentage of total HICP coverage in 2005)



Source: Eurostat.

1 For the statistical background, see the box entitled "Residential property price developments in the euro area" in the December 2003 issue of the Monthly Bulletin.

2 See Box 2 in the article entitled "The harmonised index of consumer prices: concept, properties and experience to date" in the July 2005 issue of the Monthly Bulletin.

Rent price statistics

Rent price indices are included in the HICP for all euro area countries and are based on harmonised statistical methods. These indices are published on a monthly basis around two weeks after the end of the reporting period. The impact of rent price developments on HICP inflation in euro area countries exhibits significant structural differences, as expenditure on rents varies markedly between countries. For instance, the share of rents in the HICP in Germany is more than four times higher than in Spain, Ireland, Italy and Portugal (see Chart B). This reflects the differences in the share of owner-occupiers across countries.

Structural housing indicators

Long-term structural factors are important for assessing housing market developments. The ECB, in cooperation with the EU national central banks, compiles a set of structural housing indicators covering the number of private households, number of dwellings, vacancy rates, number of housing starts and completions, number of housing transactions and type of tenure (broken down into owner-occupied and rented).

Although fully harmonised definitions for these indicators do not exist across European countries, target definitions have been developed and national data take account of these target definitions as far as possible. The availability and timeliness of these indicators vary across countries. Euro area aggregates are compiled by the ECB if country coverage rates exceed a threshold of 80%. Most of the euro area aggregates begin in the early 1990s. The structural indicators for the euro area are of annual frequency. Where national data are available at less than annual frequency (e.g. from a ten-year census), data gaps have been filled by interpolating between existing observations for the purpose of calculating euro area aggregates. Up-to-date national data for the years 2003 and 2004 are only partially available.

For a set of structural housing indicators, the table below presents the first and most recent observations for the euro area. It shows a broadly stable number of dwellings per private household and an increasing vacancy rate. There was almost no change in the share of housing completions and the share of housing transactions in periods for which euro area aggregates have been compiled. The increase in the share of owner-occupiers from 58.2% in 1991 to 60.9% in 2003 is mirrored in the decreasing share of rented accommodation, from 38.1% to 36.1%.

Structural housing indicators for the euro area

Number of dwellings per private household	1.16 (1991)	1.17 (2003)
Vacancy rate	11.4% (1993)	12.4% (2001)
Share of housing completions in the number of dwellings	1.17% (1991)	1.13% (2003)
Share of housing transactions in the number of dwellings	2.12% (1998)	2.17% (2003)
Share of rented accommodation [1]	38.1% (1991)	36.1% (2003)
Share of owner-occupied accommodation [1]	58.2% (1991)	60.9% (2003)

Source: ECB calculations based on national data.
Notes: The number of dwellings and vacancies partly includes secondary and tourist accommodation. The beginning and end of the euro area series are indicated in brackets.
1) Shares of rented and owner-occupied accommodation do not add up to 100% as other types of tenure are excluded (e.g. accommodation let free of charge).

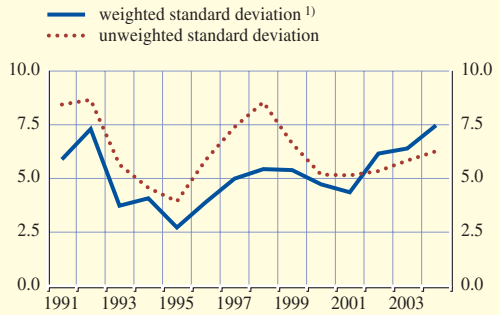
Some caution is warranted when making use of the euro area aggregates, which, in part, include heterogeneous national data; in addition, the country coverage differs over time and across indicators. Further work on this dataset will concentrate on improved country coverage, better timeliness and the provision of longer time series.

Annual rates of growth in residential property prices have been hovering around 6% to 7% since 2000. From a historical perspective, however, the real rates of growth of house prices recorded recently are not excessive compared with the rates observed in past housing market booms. Indeed, in real terms, the recent increase in residential property prices, of around 5%, is less pronounced than that seen in the boom of the late 1980s/early-1990s (around 8%). In addition, the increase observed in the annual rates of growth of residential property prices since the mid-1990s has been much more gradual than the increase observed in the second half of the 1980s.

Finally, it should be noted that measures of residential property price inflation dispersion do not at present suggest that the degree of dispersion across the euro area countries is atypical (see Chart 2). The degree of dispersion according to the unweighted measure seems to be close to its average over the period 1991-2004 and the increase in the weighted measure of dispersion observed since the mid-1990s mainly reflects the subdued developments in residential property prices in Germany. Geographical diversity can be attributed to differences in a number of factors, such as demographics, households' disposable income, the provision and cost of financing for the purchase of properties, fiscal incentives, transaction costs, availability of land, the cost of construction and the rate of owner-occupancy.

Chart 2 Dispersion of residential property price growth rates in the euro area

(percentage points)



Sources: National data and ECB calculations.
Note: Owing to data limitations, Greece is excluded from the computations. Missing data for Luxembourg in 2004 has been extrapolated assuming constant growth in its residential property prices.
1) Based on 2004 GDP weights.

3 ANALYSING HOUSING DEMAND AND ITS DETERMINANTS

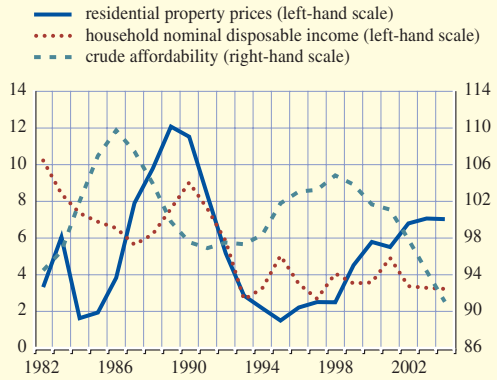
A number of important economic variables can influence the demand for housing and, hence, house price developments. They can be divided into two groups: the non-financial and the financial determinants of housing demand. In the first group, there is much evidence to suggest that housing demand is influenced by residential property prices, household income – both current and expected – and demographic developments. In the second group, as house purchase is often financed with a loan, both the price and availability of mortgage finance can have an impact on housing demand. Developments in measures of affordability, which combine elements of household income and financing conditions, could also help to explain changes in housing demand.

HOUSEHOLD INCOME

A key non-financial factor affecting housing demand is the level of income per household (both current and expected). As the period covered by the series for the number of households in the euro area is still limited (see below), the analysis is often conducted using the series for total household disposable

Chart 3 Residential property prices, household nominal disposable income and crude affordability in the euro area

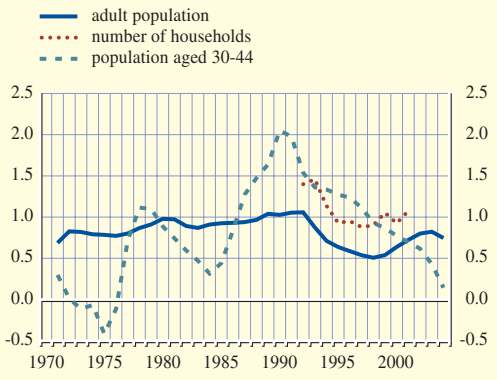
(annual percentage changes; index 100 = average)



Source: ECB calculations based on national data.

Chart 4 Adult population, population aged 30-44 and number of households

(annual percentage changes)



Sources: Eurostat and ECB.

income. In addition, as it is difficult to assess future developments in income, the analysis mostly relies on current developments in income. Since the early 1980s, the annual rate of change in residential property prices has hovered around the annual growth rate in household nominal disposable income (see Chart 3). This suggests that, in the long term, they tend to move together. However, in certain periods, residential property price developments might deviate from household nominal disposable income developments.

Since 1999, the annual rate of change in residential property prices has been systematically above the annual rate of growth in household nominal disposable income. However, this may, in part, be a correction of the developments seen in the period between 1994 and 1998, when household nominal disposable income grew at a higher rate than residential property prices. As a result, one "crude" measure of affordability – the ratio of the level of household nominal disposable income to the level of residential property prices[4] – has continuously declined since 1999, after increasing between 1994 and 1998. Hence, changes in household nominal disposable income might not fully account for the recent dynamism in residential property prices.

DEMOGRAPHY

Another important non-financial determinant of housing demand is demography. For example, an increase in the number of households is likely to put upward pressure on housing demand and, hence, on house prices. As shown in Chart 4, the number of households has grown considerably more than the adult population over the last fifteen years, reflecting a structural shift towards smaller households. This development might have contributed to the dynamism of housing demand. In addition, migration flows may recently have played an important role in supporting housing demand in a number of countries, such as Spain, Ireland and Italy.

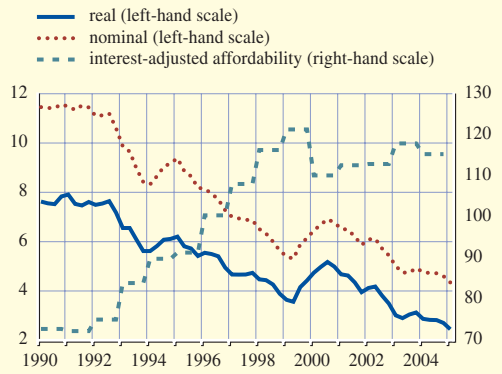
Looking ahead, if such developments in household size and migration flows were to continue, they could partly dampen the potentially negative impact resulting from an expected decline in the growth rate of the population[5] and, in particular, of the purchasing age group – typically persons in their early 30s to mid-40s.

4 This is the inverse of what is commonly labelled the (house) price-to-(household)earnings ratio.

5 As embedded, for example, in Eurostat population projections. For more details, see Eurostat News Release (48/2005), "EU25 population rises until 2025, then falls", 8 April 2005.

Chart 5 Nominal and real bank lending rates for house purchase and interest-adjusted affordability

(percentage points; index 100 = average)



Sources: Consensus Economics and ECB.
Notes: The interest rate data are deflated by Consensus Economics long-term inflation expectations. MFI interest rates have been aggregated using amounts outstanding whenever available. Otherwise, aggregated new business volumes for 2003 have been used. In January 2003 there was a statistical break in the interest rate series. To take this into account, past levels of previous interest rate statistics were adjusted on the basis of the difference between the old and the new interest rate statistics levels in January 2003.

LENDING RATES AND THE USER COST OF HOUSING CAPITAL

Turning to the financial determinants of housing demand, the decline in real bank lending rates for house purchase has supported housing demand over the period of recent strong dynamism in house prices (see Chart 5). This decline has been common, to differing extents, to all maturities. This is important for the euro area, since the share of fixed and flexible mortgage rates varies significantly across euro area countries. Overall, all countries have benefited from the favourable financing conditions.

The decline in mortgage rates has made buying a property more affordable. In order to quantify this effect, a measure of interest-adjusted affordability can be computed as the ratio of household nominal disposable income to the income that households would need in order to buy a house under the prevailing borrowing conditions.[6] When adjusted to account for changes in nominal mortgage rates, affordability has remained broadly stable over the last five years, after showing a continuous increase in the 1990s. This contrasts sharply with the measure of "crude" affordability presented previously, which has declined continuously over the last five years. This indicates that, from an affordability point of view, the very low levels of interest rates compensated for the strong increase in residential property prices.

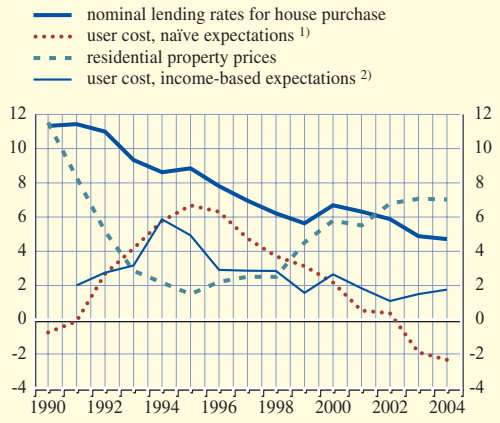
Mortgage rates are only one component of the costs borne when investing in housing. Costs related to the maintenance and repair of the house, the depreciation of the house and the possible tax payable on housing capital gains should also be considered. All these costs, adjusted to take into account the potential capital gain/loss that can arise when investing in a house, constitute the user cost of housing capital. This measure provides an estimate of the expected cost of holding housing capital for a given period and, as such, is an important factor to consider when analysing the demand for housing. As the impact of some of these costs is difficult to evaluate, in particular at the euro area level, the most commonly used measure of the user cost of housing capital combines the lending rate for house purchase and the expected gain/loss resulting from changes in residential property prices over the given period.

Chart 6 shows two measures of the user cost. In the first measure, it is assumed that households form expectations of house price increases simply by extrapolating last year's house price increases. In the second measure, house price expectations are based on an extrapolation of last year's disposable income growth. The intuition behind the second measure is that since households are aware that, in the long

6 The borrowing conditions also include, inter alia, the length of the mortgage loan, the loan-to-value ratio (the part of the house price that is covered by the mortgage loan) and the qualifying ratio (the maximum percentage of household income that can be used to pay the monthly mortgage repayment). In the following, the length of the mortgage loan, the loan-to-value ratio and the qualifying ratio are assumed to be 20 years, 70% and 25% respectively. These are assumed to be "typical" values for the euro area.

Chart 6 Residential property prices and nominal user costs of housing capital

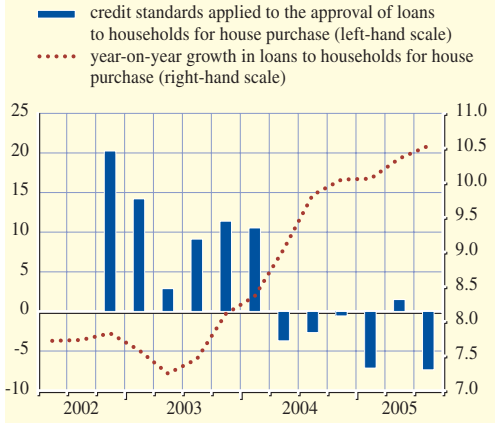
(percentage points; annual percentage changes)



Sources: ECB and ECB calculations based on national data.
1) Households form expectations of house price increases by simply extrapolating last year's house price increases.
2) House price expectations are based on an extrapolation of last year's disposable income growth.

Chart 7 Banks' credit standards and loans for house purchase

(net percentages; annual percentage changes)



Source: ECB.
Note: The net percentage for the question on credit standards in the bank lending survey for the euro area is defined as the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably".

term, house prices and disposable income typically move together, they might not perceive house price increases as permanent when these increases far exceed those in income. These two examples are only illustrative, and caution is warranted in interpreting developments in these two measures, as other factors may also influence the formation of expectations.

Although the two measures suggest that the user cost of housing capital was low in 2004, their developments over the last fifteen years have differed significantly. This emphasises the importance of expectations of future house price increases in determining the user cost. Chart 6 indicates that the two measures are close to their lowest level since the early 1990s. However, while the first measure has displayed a clear downward trend over recent years, the second measure has been broadly stable over the last five to six years. Given the nature of the expectations included in the first measure, the downward trend in this measure could be seen as indicating potentially excessive optimism about future house price developments. By assuming that in the future house prices will grow at the same high rate as in the recent past, investors might perceive the user cost of housing capital to be very low, prompting them to invest more in housing. This extra demand will push house prices higher and, through the expectation mechanism, will give rise to the perception of a lower user cost of capital. This self-fulfilling price dynamic, if not countervailed by other factors, could give rise to substantial price misalignments, which, in the end, could entail substantial price corrections and balance sheet problems for the households concerned.

CREDIT AND NON-INTEREST RATE FINANCING CONDITIONS

In addition to interest rates and the user cost of housing capital, overall financing conditions faced by homebuyers also depend on credit availability and credit terms and conditions. These can have an additional impact on the demand for housing (in particular in the presence of credit market imperfections, such as borrowing constraints). Both interest rate and non-interest rate components of overall lending conditions for housing are, inter alia,

analysed regularly by the ECB in the context of the bank lending survey for the euro area.

As shown in Chart 7, there has been a progressive easing of credit standards applied by banks for the approval of loans to households for house purchase since the inception of the survey in 2002 and a swing from net tightening towards net easing in most of the more recent period. This has been associated with a noticeable pick-up in the year-on-year growth of housing loans since the second quarter of 2003, reaching double-digit levels in recent quarters. More favourable credit supply conditions may thus have been a factor behind dynamic growth in mortgage loans and may have contributed to stronger housing demand. The easing of credit standards has been reflected in a narrowing of margins on loans as well as in non-price terms and conditions, such as changes in the loan-to-value ratio and a lengthening of the maturity of new loans over this period.[7] At the same time, the bank lending survey indicates that banks perceive housing market prospects to be one of the main factors underpinning the demand for housing loans. Thus, the buoyancy of housing markets may in part be fuelled by strong loan dynamics and, at the same time, may be feeding back into stronger mortgage lending.

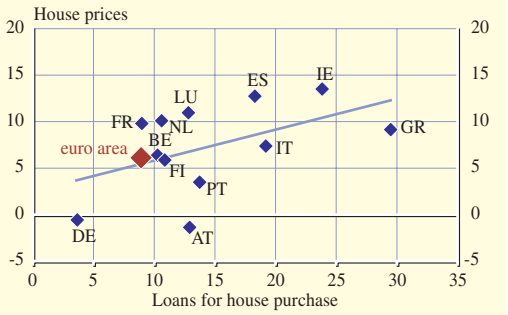
One possible source of feedback from house prices into loan dynamics is the impact of the level of house prices on the net wealth of households and, in particular, the availability and value of collateral. Greater availability and a higher value of collateral encourage additional borrowing, as they reduce the risks perceived by lenders (thereby diminishing the problems of moral hazard and adverse selection associated, in particular, with unsecured lending). Such credit or collateral channels of monetary policy transmission are of particular relevance in the interplay between housing and mortgage markets in the context of financial cycles.[8]

Against this background, an analysis of money and credit developments in conjunction with house price dynamics may offer additional indications regarding the sustainability of house price movements, as in the case of other asset valuations. In particular, ample liquidity conditions may have spillover effects on the prices of non-monetary assets such as bonds, equities and housing, and, empirically, episodes of strong money and credit growth tend to be associated with boom-bust cycles in asset valuations.[9] In this context, the analysis of household balance sheets is also important from the perspective of financial stability.[10]

Chart 8 shows that, since the inception of Monetary Union, growth in mortgage lending and house price dynamics have tended to be broadly in line with one another. Euro area countries with buoyant property markets have also seen the strongest growth in mortgage lending over the past five years. However, it

Chart 8 Growth in house prices and mortgage lending

(average annual percentage changes for the period 1999-2004)



Source: ECB.
Note: Data for Luxembourg up to 2003.

7 For the results of the most recent survey, see the box entitled "The results of the January 2006 bank lending survey for the euro area" in this issue of the Monthly Bulletin, and the ECB's website (http://www.ecb.int/stats/money/lend/html/index.en.html).

8 See, for example, M. Iacoviello, "House prices, borrowing constraints and monetary policy in the business cycle", American Economic Review, 95 (3), pp. 739-64, June 2005, and K. Aoki, J. Proudman and J. Vlieghe, "House prices, consumption, and monetary policy: a financial accelerator approach", Bank of England Working Paper No 169, 2002.

9 See the article entitled "Asset price bubbles and monetary policy" in the April 2005 issue of the Monthly Bulletin and C. Detken and F. Smets, "Asset price booms and monetary policy", ECB Working Paper No 364, May 2004.

10 See, for example, the December 2005 issue of the ECB's Financial Stability Review.

remains difficult to determine the extent to which credit growth is a passive reflection of house price developments, as opposed to itself contributing to fuelling housing market dynamics. Moreover, both variables tend to be driven by a number of additional factors.

The evidence of significant cross-country differences in house price and credit developments shown in Chart 8 – despite the single monetary policy and improvements in financing conditions since 1999 – points to the continued importance of national determinants. At the same time, divergent growth rates in house prices and credit over the last five years may also be consistent with a process of convergence, taking into account the rather different starting levels of house prices and mortgage debt. Box 2 reviews a number of structural features of euro area housing finance systems that could explain the differences in loan growth and the dispersion of mortgage debt-to-GDP ratios.

Box 2

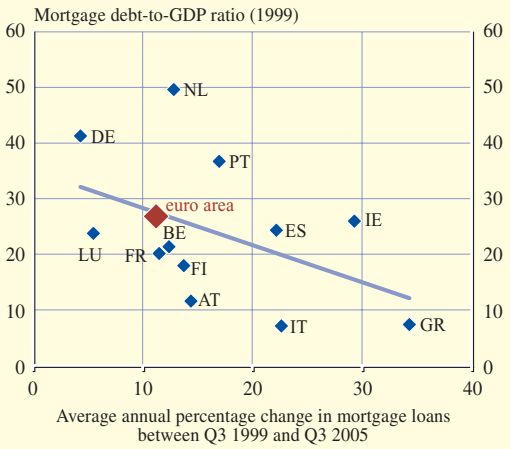
STRUCTURAL FEATURES OF EURO AREA MORTGAGE MARKETS

The mortgage debt-to-GDP ratio in the euro area has been rising rapidly in recent years. In terms of the outstanding amounts of MFI loans to households for house purchase, this ratio increased to around 35% in mid-2005, from 25% in 1999. This increase reflects to a large extent the strong borrowing dynamics in an environment of lower interest rates in several euro area countries following the introduction of the single monetary policy. In addition, it could also be related to financial liberalisation and improved efficiency and competition in some euro area countries' mortgage markets.

Countries with initially lower mortgage debt ratios on average experienced stronger mortgage loan growth than countries with initially higher debt ratios (see Chart A). This may be an indication of an ongoing catching-up process. However, in 2005, debt ratios continued to differ

Chart A Mortgage loan growth and the mortgage debt-to-GDP ratio

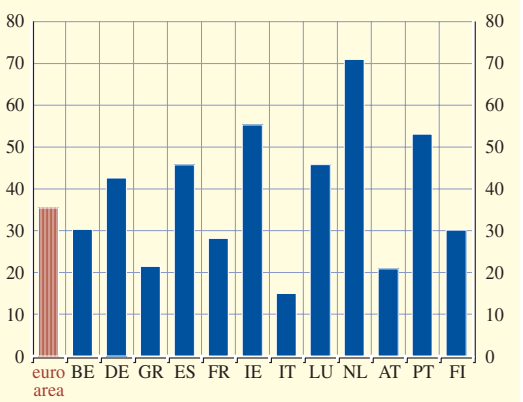
(percentages)



Source: ECB.
Note: Debt and loan growth are based on MFI data.

Chart B Mortgage debt-to-GDP ratio

(percentages; Q3 2005)



Source: ECB.
Note: Debt levels are based on MFI data.

significantly across member countries (see Chart B). A number of country-specific structural features in mortgage markets could help to explain such differences. The remainder of this box looks into some of these features. When interpreting these features, it should be borne in mind that they can change over time.[1]

First, the demand for housing loans in a given country depends on demographic factors and national customs. These include, for example, the share of the population in the house purchasing age group, which typically comprises persons in their early 30s to mid-40s. Another factor might be the share of double-income households, which could favour higher loan-to-value (LTV) ratios and thus result in higher levels of mortgage debt. Further important factors include differences in the average size of households and in the home-ownership ratio. For instance, anecdotal evidence suggests that it is more common in some countries than in others to share residential property across different generations of a family and/or to finance a house purchase directly through inter-generational transfers and bequests, limiting the demand for mortgage loans. At the same time, a lower degree of private home ownership (for instance because a country has a large public housing sector) should, in principle, be associated with lower levels of household indebtedness.

Second, differences in mortgage debt ratios might also reflect specific features of the housing market, such as differences in the average price or cost of a house. At first sight, it may be argued that high absolute prices/costs for residential property make it difficult for households to accumulate the savings necessary for the required down-payments and are thus consistent with low ownership and mortgage debt ratios. However, more fundamentally, it can be assumed that the level of house prices/costs should be related to a country's level of development, as measured by per capita income, and thus also to mortgage debt levels.

Third, differences in household indebtedness may also be related to financial sector characteristics and the ease with which households have access to credit. One factor in this respect is, for instance, the range of available mortgage products and its impact on the amount of mortgage debt taken out by households. The relevant characteristics include variations in the maximum loan size and in the availability of loans to borrowers with poor credit records. Typically, national practices differ with respect to the length of time over which loans are repaid, which tends to be shorter in southern Europe (with a typical loan term of around 15 years) than in other European countries (in which 25 to 30-year loan terms are the norm). The average size of a loan may also be higher if the underlying LTV ratio applied by banks in granting loans is higher. The positive correlation of LTV ratios and the amount of outstanding mortgage debt is confirmed at the macroeconomic level. Differences in the LTV ratios are likely to be all the more important in the presence of mortgage equity withdrawal (MEW), e.g. if mortgages can be refinanced for larger amounts than the outstanding debt and can be used for consumption or investment in financial assets.[2]

1 See Box 1 entitled "Features of mortgage contracts in the euro area" in the November 2004 issue of the Monthly Bulletin for a discussion on the prevalence of fixed versus variable rate contracts. This structural feature of mortgage markets is crucial for the strength of monetary transmission, but bears less of a relation to mortgage debt levels.

2 More broadly, MEW refers to any household borrowing that is secured on the housing stock but not invested in it. To date, MEW has been uncommon in most euro area economies, with the notable exception of the Netherlands. It could, however, potentially be a driving force behind mortgage debt and may also affect the sensitivity of consumption to changes in interest rates and house price valuations.

Finally, differences in household indebtedness across countries may also reflect fiscal measures. Such measures include tax deductibility of interest payments and capital gains taxes on housing gains. For example, in some countries in which there is interest deductibility and/or where mortgages do not need to involve the payment of principal over the life of the mortgage, the tax advantage of borrowing can be exploited. The structure of marginal tax rates also influences the attractiveness of the deductibility of mortgage interest payments. The higher the marginal tax rate, the greater the benefit of interest deductibility. Differential tax treatment of the purchase of housing versus the purchase of other assets will also affect households' decisions about whether to use their own house as an investment vehicle.

To conclude, there appears to have been some convergence of mortgage debt ratios in recent years, fostered by the convergence of interest rates and, possibly, by financial deregulation in a number of mortgage markets. However, household indebtedness still varies considerably across euro area countries, reflecting a number of structural features which continue to differ in euro area mortgage markets.

4 ANALYSING THE SUPPLY SIDE OF THE HOUSING MARKET

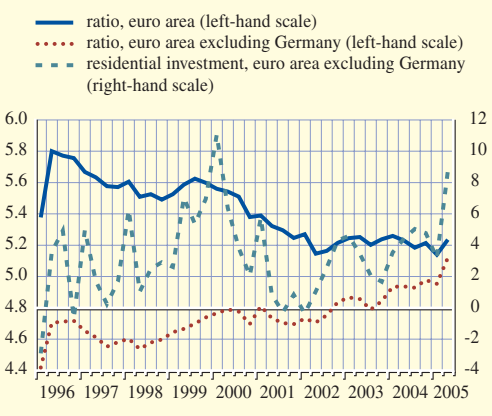
The relative inertia of housing supply in the short run implies that demand factors are prominent in explaining residential property price developments at this horizon. In the long run, supply can adjust to a potential disequilibrium and become the main determinant of housing stocks. Hence, when assessing house price trends, it is also important to monitor developments in housing investment and factors that can influence it, such as costs and output prices in the construction sector. In addition, it should be borne in mind that local policy initiatives aiming at, for instance, facilitating building permit procedures or increasing access to land or the supply of social housing all play a role in shaping the supply side reaction to the strong house price increases seen in some countries.

On the supply side, euro area residential investment as a percentage of GDP has been on a downward path since 1996 (see Chart 9). However, this reflects, to a large extent, developments in Germany, which has witnessed a declining residential investment-to-GDP ratio since 1995, after a period of strong residential investment in the early 1990s following German unification and immigration from eastern Europe. Excluding Germany, the residential investment-to-GDP ratio in the euro area appears to have increased slightly since 1999. At the country level, residential investment has proved particularly strong in Spain and Ireland over the last ten years on average.

Other supply-side indicators, such as building permits granted and the number of housing completions, confirm that the supply side of the housing market has in part responded to the

Chart 9 Ratio of residential investment to GDP and residential investment in the euro area

(percentage points; annual percentage changes)

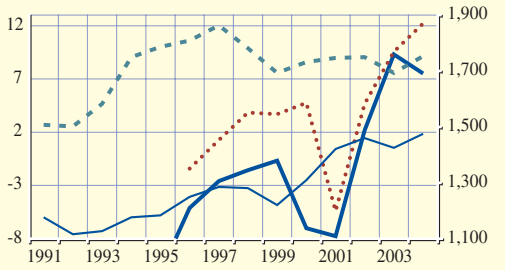


Sources: Eurostat and ECB calculations.

strong increase in housing demand. It should be noted that building permits granted can be interpreted as a leading indicator of changes on the supply side, while the number of housing completions measures the most recent changes in supply conditions. In order to focus attention on countries that have experienced strong house price developments and would thus be expected to show some supply-side response, the indicators have also been computed for the euro area excluding Germany. As shown in Chart 10, after a sharp decline in 2001 the annual rate of growth of building permits granted in the euro area excluding Germany resumed an upward path, peaking at the end of 2004. The number of housing completions has also increased substantially since house prices accelerated at the end of the 1990s.

Chart 10 Building permits granted and housing completions in the euro area

(annual percentage changes; level)



Sources: Eurostat and ECB calculations based on national data.

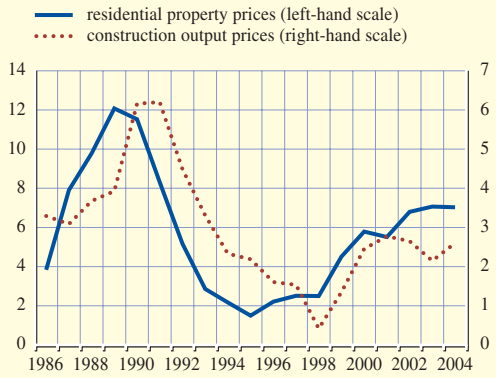
Finally, vacant accommodation can constitute an additional source of supply that could quickly become available and in some cases be a source of instability for the housing market. As shown in Box 1, approximately one residential property in eight was vacant in the euro area in 2001. It could be that a part of this vacant accommodation is owned by investors for speculation purposes and that they might keep them in the expectation that prices will continue to increase. Were house price expectations to become more pessimistic, it cannot be excluded that these investors would put their property on the market in order to realise their gain (or minimise their loss), thus providing an additional and destabilising impetus to the price correction. However, information about the share of vacant properties owned for speculative purposes is unavailable, while secondary and tourist accommodation is also partially included in the vacancy statistics. It is therefore difficult to assess the associated risks with a high degree of precision.

Overall, if the recent favourable developments in the supply indicators were to continue, they could play a role in alleviating some pressure in the market and contribute towards lower house price increases in countries which have experienced strong house price increases in the recent past.

Among the factors that may affect the response on the housing supply side, the costs faced by the construction sector play an important role, as they have a direct impact on the expected return on the investment. These costs are mainly of two types: costs connected with the acquisition of the land and costs connected with the construction of the property. The latter, measured by construction output prices – which exclude land prices – are shown in Chart 11, together with the growth rate of residential property prices. Although the two series show a certain degree of correlation, they grow at very different rates. In 2004, for example, while residential property prices grew at an annual rate of 7.0%, construction output prices grew at an annual rate of 2.6%. The recent increase in residential property prices cannot therefore be explained in terms of pressures from costs connected with the construction of the property. However, caution is warranted, since the construction output price series does not include land prices. The impact of land prices on the overall cost faced by housebuilders is rather difficult to

Chart 11 Construction output prices and residential property prices

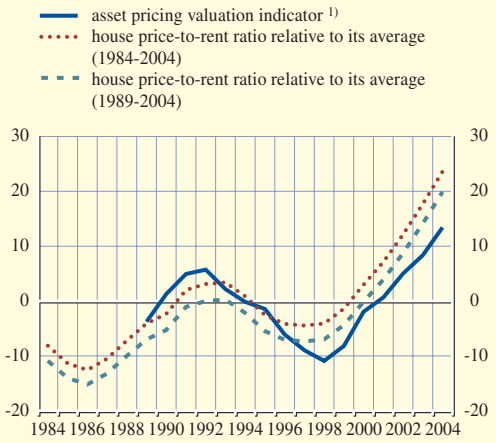
(annual percentage changes)



Sources: Eurostat and ECB calculations based on national data.

Chart 12 House price valuation for the euro area

(percentage points)



Sources: Eurostat and ECB calculations.
1) This indicator is the unexplained part of the regression of the house price-to-rent ratio on real ten-year government interest rates.

assess for the euro area owing to a lack of data. However, in the light of past episodes of strong dynamism in house prices in countries where such data are available, such as Japan in the early 1990s,[11] it is possible that land prices have contributed to the current dynamism observed in euro area residential property prices.

5 ASSET PRICING APPROACH TO HOUSING MARKET VALUATION

House price developments can also be assessed using an "asset pricing approach". This approach focuses on the role of housing as an investment.[12] The rationale behind this approach is that the price of a house should not be very different from the discounted flow of all its future rents. In addition, the return on a housing investment – approximated by the rent-to-house price ratio – should be equal to the returns on alternative investment opportunities bearing the same risk. In a simple version of the asset pricing approach to valuing house prices, the house price-to-rent ratio can be regressed on real ten-year government interest rates. The idea behind this regression is that the rental returns from housing investment should not deviate too far from the returns generated from an investment in government bonds. The unexplained part of the regression of the house price-to-rent ratio on the real ten-year government interest rates can thus be seen as a rough indicator of housing market valuation. For example, when rental returns are low relative to bond yields, this may be suggestive of some overvaluation in house prices, and vice versa.

Chart 12 shows this indicator together with a simpler valuation measure, namely the deviation of house price-to-rent ratios from their historical average (calculated for the periods 1984 to 2004 and 1989 to 2004). The three valuation measures appear to indicate that there has been a positive valuation gap since 2001. According to these simple gauges, residential property prices are currently 15%

11 See Box 2 entitled "Approaches to assessing house price valuations" of the April 2005 Monthly Bulletin article entitled "Asset price bubbles and monetary policy".

12 This approach is described in detail in Box 2, ibid.

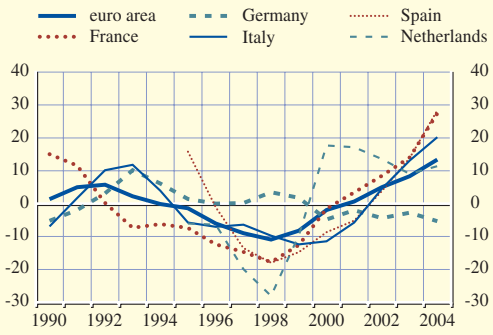
to 25% above their historical average. By comparison with the last episode of strong residential property price increases in the early 1990s, the positive valuation gap is today significantly larger.

However, caution is warranted in interpreting these results, since there are three main caveats attached to these approaches. First, in the theoretical asset pricing model, other elements enter the relationship between the house price-to-rent ratio and interest rates, such as the housing risk premium – i.e. the additional return over the risk-free rate that investors require to bear the risks related to the housing investment – or the expected growth rate of rents, which, in the simple version used here, are taken as constant. As a result, in using the regression, there is an implicit hypothesis that the relationship between the house price-to-rent ratio and real ten-year government interest rates has not changed over time. Second, as shown in Chart 12, the level of the historical average will depend on the period used to analyse this relationship. Third, euro area rental markets are highly regulated, implying that rents may not adjust quickly to price/rent misalignments. Nevertheless, keeping these caveats in mind, the levels reached by these valuation measures might be seen as a tentative sign of increasing risks of "overvaluation" in the euro area housing markets in recent years.

At the country level (see Chart 13), among the five largest euro area countries the asset pricing valuation measure – i.e. the unexplained part of the regression of the house price-to-rent ratio on real ten-year government interest rates – would point to increasing deviations from historical averages in Spain and France and, to a lesser extent, in Italy. In the Netherlands the indicator has recently shown some signs of moderation. In Germany, the measure has remained broadly stable at a level close to its 1990-2004 average. Other studies on Spain also conclude that the housing market may be overvalued, albeit to a lesser extent than suggested in Chart 13.[13] By contrast, in the case of Italy, France and the Netherlands, overvaluation is generally not confirmed by studies available for these countries.[14]

Chart 13 Valuation indicator following the asset pricing approach in large euro area countries

(percentage points)



Sources: BIS, Eurostat and ECB calculations.
Note: The valuation indicator shows the unexplained part from an equation linking the house price-to-rent ratio to real ten-year government interest rates.

It is noteworthy that the increase in the measure of overvaluation based on the house price-to-rent ratio does not stem from a decrease in rents. In recent years, rents have shown no sign of significant acceleration, either at the euro area level or in many of the large euro area countries, by contrast with the significant growth in house prices. Only in Germany have rents shown some tendency to decrease over time in line with the decline in house prices.

6 CONCLUSION

This article assesses house price developments on the basis of two widely used approaches. The first approach is based on a structural model of the housing market which combines

13 See J. Pagés and L. Maza, "Analysis of house prices in Spain", Banco de España Working Paper No 0307, 2003, and J. Ayuso and F. Restoy, "House prices and rents: an equilibrium asset pricing approach", Banco de España Working Paper No 0304, 2003.

14 In the case of France, see for example A.-J. Bessone, B. Heitz and J. Boissinot, "Are we seeing a bubble on the French housing market", Conjoncture in France, March 2005, and G. Moec, "Is there a risk of a property bubble in France?", Banque de France Bulletin Digest, October 2004.

both demand and supply factors, while the second approach relies on the asset pricing framework for valuing house prices. At the current juncture, it would appear that the dynamism of residential property prices may be attributable to a combination of strong housing demand – partly reflecting the very favourable financing conditions enjoyed by households when taking out a mortgage – and a gradual response on the supply side.

The current situation in the euro area housing market remains subject to several risks. Euro area house price valuation measures continue to be above their historical averages, which, bearing in mind all the caveats attached to this approach, can be seen as a tentative sign of a growing risk of overvaluation in the euro area housing market. In particular, some regions of the euro area might have experienced unsustainable residential property price developments of late. This calls for continued vigilance, in particular in an environment in which the dynamism of house prices has been accompanied by a strong increase in housing loans.

Finally, a thorough assessment of the housing market is dependent on the quality and availability of the relevant data. In this respect, significant improvements are still necessary with particular regard to data frequency, timeliness and quality.

FISCAL POLICIES AND FINANCIAL MARKETS

In the run-up to the introduction of the euro in 1999, interest rate spreads between euro area government bonds declined substantially. This is a normal feature of the creation of the single currency area and mainly reflects the progressive elimination of exchange rate risk and the decline in inflation risk. Other factors that have an impact on the interest rates on government bonds include financial market participants' assessment of the future sustainability of public finances. Monitoring by the financial markets can therefore have a disciplinary effect on the behaviour of fiscal policy-makers. The low level of interest rate spreads in the euro area despite continuing large differences in fiscal positions raises the question of whether this reflects fiscal factors or whether non-fiscal factors are also playing a role. This article finds that preconditions for market discipline, such as open capital markets and adequate fiscal statistics, are broadly in place in the euro area. Statistical analysis and econometric studies generally support the proposition that fiscal policies have an effect on interest rates. The fact that interest rate spreads are now relatively small despite substantial differences in fiscal positions may reflect low long-term interest rates prompting a search for yield and, in combination with this, changes in supervisory and accounting regulations concerning institutional investors. Statistical evidence on collateral use does not support the view that Eurosystem collateral policy has any significant effects on interest rate spreads on government bonds. As neither the financial markets nor governments always react in a timely and adequate manner to unsustainable public finances, a strict implementation of the European fiscal framework is indispensable to ensuring sound public finances.

1 INTRODUCTION

Public finances and financial markets are closely interwoven. Government bonds play an important role in the financial markets not least because they define a benchmark for interest rates that others have to pay when issuing bonds. They also tend to dominate capital markets in quantitative terms as a consequence of the size of government debt. As a result, government debt can enhance the breadth and depth of financial markets, and it plays a significant role in the provision of collateral in private and public transactions. At the same time, investors in government debt assess the health of public finances, and translate this into a financial judgement. This in principle has an impact on the interest rates that governments have to pay to finance expenditure that exceeds their revenue. An increase in the perceived risk of a government not being able to meet its financial obligations in full can push up the interest rate it has to pay, as the credit risk component of the rate rises. In addition, increased deficit spending may lead investors to demand a higher compensation for increases in perceived risks of inflation and exchange rate depreciation. In more severe cases, market participants may even restrict the government's access to financing by refusing to take up new long-term issues.

By differentiating between interest rates according to the degree of fiscal prudence shown by a country, markets financially "punish" and "reward" governments. This contributes to fiscal discipline, which is a vital element of EMU. However, given the currently high and persistent deficit and debt levels in many euro area countries, and marked differences in the extent to which ageing populations will soon begin to exert pressure on their spending levels, it is striking that there is little differentiation between interest rates governments have to pay. Budget balances for 2005, broadly ranging between a 2% of GDP surplus and a 5% deficit, and debt ratios varying from 7% to 108% of GDP are accompanied by differences in the interest rates on government bonds of around 30 basis points at most.[1] Ten years before, when spreads still included substantial exchange rate risk premia, they exceeded 600 basis points, with

1 All budgetary data in this article are taken from the European Commission's autumn 2005 economic forecasts.

budget balances ranging from a 3% of GDP surplus to a 10% deficit, and debt ratios varying from 7% to 133% of GDP. Little differentiation between interest rate spreads raises the question of whether spreads fully reflect differences in current budgetary positions and the outlook for fiscal sustainability, or whether other factors conceal such influences.

This article addresses the role of financial markets in fostering fiscal discipline, with a particular focus on their willingness to discriminate among governments in the euro area. After discussing the main channels through which fiscal policies may affect interest rates and some conditions which must be met for these effects to produce effective market discipline (Section 2), the article takes a closer look at interest rate spread statistics and econometric evidence of fiscal policy effects on interest rates (Section 3). Section 4 discusses some non-fiscal factors which may explain why current long-term interest rate spreads are relatively low when considered in historical perspective. Section 5 concludes.

2 MARKET REACTIONS AND MARKET DISCIPLINE

Market discipline in general refers to financial markets inducing governments to ensure the sustainability of public finances. This is achieved by markets demanding interest rates that increase with credit risk and – ultimately – denying access to finance. Credit risk is also referred to as default risk, although a government in financial trouble, unlike a private corporation, cannot go into liquidation. However, it may decide to stop paying interest and/or repaying the principal of part or all of its outstanding debt. Since this is very unlikely to happen in the euro area, financial markets price in a very small risk. Changes in fiscal policies may slightly increase or decrease this risk, and with it the possibility of a downgrade or upgrade by a rating agency, which is reflected in changes in interest rates.

In addition to a credit risk premium, investors may also demand higher interest rates to compensate for increased inflation or exchange rate depreciation that could accompany or follow from a fiscal relaxation. The exchange rate risk premium, which is believed to have been a major determinant of interest rates before the introduction of the euro, has now disappeared. This channel from fiscal policies to interest rates will therefore not be discussed below. The inflation risk premium diminished in importance with the start of Monetary Union. In principle, high government debt levels could be seen as potentially undermining a monetary policy aimed at price stability. If outstanding debt is mostly not indexed to inflation, governments may be tempted to press for higher inflation to reduce its real value. Investors in well functioning financial markets would then demand a higher inflation risk premium to compensate for this risk. However, the high degree of independence of the ECB combined with a price stability-oriented policy has reduced inflation fears and the accompanying risk premium.

For financial markets to play a disciplinary role, certain conditions regarding governments' access to the capital markets, the preclusion of a bailout and fiscal information provision need to be fulfilled. Furthermore, financial markets have to react in a timely manner and fully in line with fiscal sustainability requirements, and governments must see the need to respond to higher interest rates by improving their financial position. These elements of market discipline are discussed below (Section 2.2), following a description of the main channels through which fiscal positions may affect interest rates (Section 2.1).

2.1 MARKET REACTIONS

Increasing government deficits and debt may have an upward impact on interest rates in euro area financial markets via a "crowding out" effect and via default risk, while a downward impact may come from a liquidity effect.

Deteriorating fiscal positions may affect the level of the risk-free real interest rate in the euro area, as higher budget deficits cause lower saving, driving up the interest rate level. Higher interest rates in integrated financial markets may spill over to other issuers, including other euro area governments, and can also crowd out private investment. This perspective assumes that neither capital inflows nor private savings fully compensate increased public dissaving (for instance because consumers do not fully anticipate future tax increases to pay for higher public spending now, and therefore do not sufficiently increase their savings). Acknowledgement of this crowding-out effect was one factor behind the inclusion in the Maastricht Treaty of rules requiring sound public finances – delineated by reference values for the government deficit (3% of GDP) and for government debt (60% of GDP) – as a condition for adopting the euro and a prerequisite for the proper functioning of EMU once the euro had been introduced. These rules, if implemented appropriately and credibly, reduce the risk of cross-border interest rate spillovers and of governments running into financial problems.

Fiscal policies may also affect interest rate spreads, i.e. the interest premium a country has to pay relative to other countries, reflecting its credit status. A larger supply of bonds due to an increase in the deficit of a particular government with already high debt may heighten markets' perception of the risk that the government may default, either partially or totally. This may cause investors to demand a higher premium to compensate for the increased risk of financial loss.

Liquidity effects may mitigate the upward impact of budget deficits and debt on interest rates and spreads. Market participants value being able to sell large quantities of bonds quickly at any moment, without this having a major impact on their price. A higher deficit ratio results in increased borrowing on the market, and higher debt usually implies a more active secondary market, although the link is not one-to-one in either case. Thus, countries with a large fiscal deficit or debt relative to the size of the euro area market pay a lower liquidity premium. This gives rise to adverse incentive effects from the viewpoint of market discipline.

2.2 MARKET DISCIPLINE

For the market mechanism to operate effectively as a disciplining device, certain institutional and informational conditions need to be fulfilled, while financial markets and governments must make adequate responses.

Financial markets can only price government bonds correctly if a government has access to the capital markets on the same terms as other borrowers. Governments should not have preferential access to financing opportunities. There should thus be no compulsion or pressure to buy government bonds, and such bonds should not be given a more favourable tax treatment than bonds issued by other parties. Indirect pressure, for instance via government regulations providing incentives to favour public debt securities for specific purposes, might also reduce the role of market forces.

The Maastricht Treaty includes a number of articles that have the effect of enhancing market discipline by placing limits on preferential access for governments to capital market financing. In particular, the Treaty precludes any direct financing of public entities by the ESCB (Article 101) as well as any privileged access for such entities to financial institutions (Article 102). As a consequence, government financing in capital markets is in many respects subject to the same limitations and scrutiny as private borrowing.

A further condition is that each country must bear itself the full financial consequences of any default risk, which means that financial markets' assessment of the sustainability of that country's public finances must be fully reflected in the required interest rate. The

possibility of a debt takeover or bailout by another institution or a guarantee issued by other countries increases the expected recovery rate (i.e. the payout in the event of such problems). In a monetary union, the participating countries may be seen as having an incentive to bail out a country experiencing a severe worsening of its financial situation, for example because of the disruption this would cause in the financial markets. In such a case, the risk of debt service payment problems would not be fully incorporated in the interest rate that this country would have to pay for its public borrowing.

The Maastricht Treaty therefore contains a "no bailout" clause (Article 103), stipulating that neither the Community as a whole nor Member States are liable for the commitments of other Member States, nor should they assume such liabilities.

Market discipline also depends crucially on the availability of timely and accurate budgetary statistics on which financial markets can base their assessment of sustainability. Given the forward-looking nature of such an assessment, budgetary information should include unbiased projections of medium and long-term fiscal trends, even though such projections are inevitably more uncertain than shorter-term forecasts.

The EU Member States have made significant headway in harmonising the budgetary statistics they deliver in the context of the biannual excessive-deficit notifications and the annual updates of their stability and convergence programmes. Further work is ongoing, for instance regarding harmonised quarterly government finance statistics. Despite the progress achieved, however, one-off measures, creative accounting, overly optimistic economic growth assumptions and even statistical misreporting sometimes conceal underlying budgetary developments. In addition, long-term fiscal projections, as included in stability and convergence programmes, are not always fully transparent and comparable.

While fulfilment of the conditions regarding governments' access to the capital markets, the preclusion of a bailout and the provision of adequate fiscal information facilitates the exercise of market discipline on EU governments, it may not be sufficient to generate an adequate response from the financial markets. Market reactions to a continuous deterioration of fiscal sustainability may be subdued within particular ranges of deficit and debt but then sizeable and abrupt in the aftermath of "trigger events" such as a rating agency's decision to downgrade a country's debt or a general change in risk attitudes. While higher interest rates after a trigger event help to discipline governments, sudden and sharp changes in financial conditions may entail large macroeconomic costs. Other (private) issuers may be faced with higher financing costs too, as interest rates on government debt set the benchmark interest rate at which corporations can borrow on the capital markets. Furthermore, the government may have to take drastic measures to restore confidence and reverse the unfavourable financing conditions. A more gradual development of interest rates, fully reflecting fiscal sustainability at any given point in time, would provide a more steadily advancing warning signal to the government concerned. This would provide more leeway for quality-enhancing consolidation measures without adverse economic or financial consequences.

Even if interest rates develop fully and in a timely manner in line with fiscal sustainability requirements, it is also essential that governments see the need to respond effectively to these market signals. Higher interest rates should lead governments to address sustainability concerns by improving current and/or future budgetary balances via tax increases or expenditure cuts. Nevertheless, short-term considerations or budgetary procedures may lead governments

Table 1 Euro area government debt characteristics, 1999-2004

(percentage of total debt unless indicated otherwise)

	General government debt (percentage of GDP)	Debt securities	Fixed-rate debt with an initial maturity of over one year	Non-domestic holders	Debt issued in currencies other than the euro
1999	72.4	76.7	81.9	31.9	2.8
2000	69.9	77.5	83.5	36.0	2.6
2001	68.6	78.4	84.7	38.0	2.2
2002	68.5	79.4	83.9	41.6	1.9
2003	69.8	79.9	84.0	43.4	1.4
2004	70.2	80.5	84.5	44.5	1.4

Source: ECB.

to ignore financial market signals, or at least to postpone the budgetary action they need to take. Consolidation measures may have negative income consequences for (groups of) citizens, which may induce governments to postpone adjustment. Upcoming elections tend to delay consolidation, as such measures risk making the electorate less eager to vote in favour of the ruling party. The timing and magnitude of the budgetary response also depends on the characteristics of national institutions. Econometric studies on the determinants of fiscal policies generally support the notion that governments strive for budgetary improvements when debt ratios and interest rates are high but that their reactions in other circumstances tend to be small.

Debt management plays an important role in determining the speed and magnitude of the transmission of interest rate effects on government finances. The sensitivity of government interest expenditure to changes in interest rates is related to the debt level, the debt maturity and the proportion of longer-term debt at floating interest rates (where interest payments are regularly revised in line with current interest conditions) or for which the fixed stream of interest payment obligations is exchanged against variable interest payments via interest-rate swap transactions. Regarding debt maturity, issuing long-term debt at fixed rates largely isolates the budget from short-term interest rate swings but usually costs more – given upward sloping yield curves – than short-term financing. Issuing short-term debt, on the other hand, heightens refinancing risks and creates more volatility in interest payments.

Governments took advantage of the decline in long-term interest rates associated with the run-up to Monetary Union and expectations of price stability to improve the management of their interest payment obligations. For the euro area as a whole, the share of fixed-rate debt with an initial maturity of over one year in total debt has increased slightly since the introduction of the euro (see Table 1). In parallel, the proportion of debt bearing floating rates has been declining in several euro area countries since 1999. An increasing part of countries' government debt is held across national borders, while the share of foreign-currency denominated debt has declined since the introduction of the euro.[2]

Slightly lower debt levels than at the introduction of the euro and increased maturities have made interest payments on government debt in most countries somewhat less sensitive to changes in interest rates. Estimates suggest that the mechanical impact of a 1 percentage point upward shift in short-term and long-term interest rates on the average net interest payments of euro area governments would be around 0.1% of GDP after one year and 0.3% after two years.

2 More information on debt management developments in the euro area can be found in G. Wolswijk and J. de Haan, "Government debt management in the euro area – recent theoretical developments and changes in practices", ECB Occasional Paper No 25, March 2005.

In summary, while the technical conditions for market discipline in EMU are largely fulfilled, inertia in the reactions of both financial markets and governments may prevail. Budgetary responses to bring public finances into line with sustainability requirements may therefore be delayed beyond the point which may be seen as prudent from a long-term point of view. In combination with an increased risk of adverse cross-border effects of a lack of fiscal discipline in one country, this suggests that a determined implementation of the fiscal rules remains indispensable.

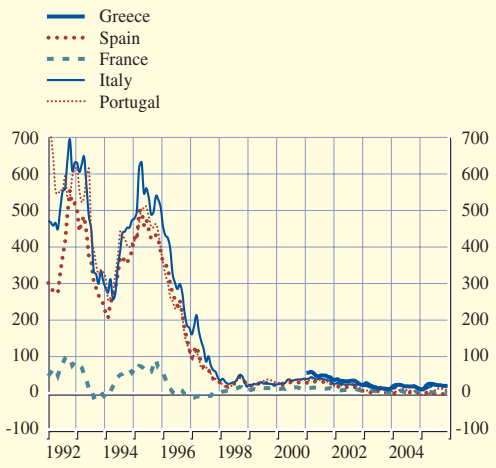
3 BOND SPREADS AND FISCAL DEVELOPMENTS IN THE EURO AREA

This section examines government bond market trends in the euro area in recent years and their link with fiscal developments. It subsequently presents a short overview of relevant econometric literature.

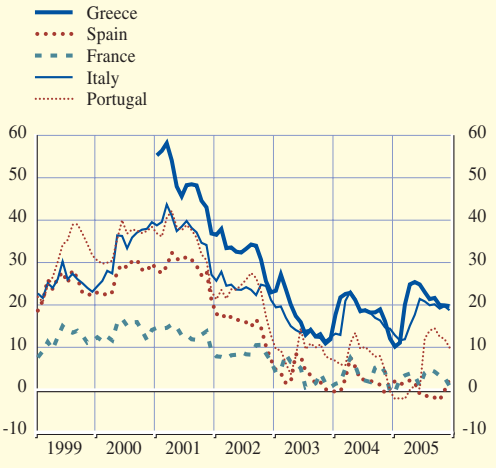
Chart 1 plots the development of interest rates on ten-year government bonds of selected countries relative to interest rates on German ten-year government bonds, which are the benchmark in the European long-term bond market. Several factors contributed to the narrowing of spreads in the second half of the 1990s. By far the most important was the progressive elimination of the exchange rate risk premium. To a large extent, therefore, the fact that spreads between interest rates paid by different euro area countries are currently just a fraction of those prevailing in the first half of the 1990s should not come as a surprise. In addition, since countries were to give up full control over monetary policy, repayment of their debt through monetisation by the central bank (a "monetary bailout") would no longer be a possibility. This should have reduced the inflation risk premium, although it may have had an upward effect on the credit risk premium to reflect a decrease in the availability of options for avoiding default. Changes in debt management practices, such as the harmonisation of issuing conventions, sustained efforts to improve the liquidity of secondary markets and the use of primary dealers in the distribution of government bonds, may also have played a role, as may the lengthening of the maturity of debt in several countries.

Chart 1 Ten-year government bond spreads against Germany

(basis points; monthly data)



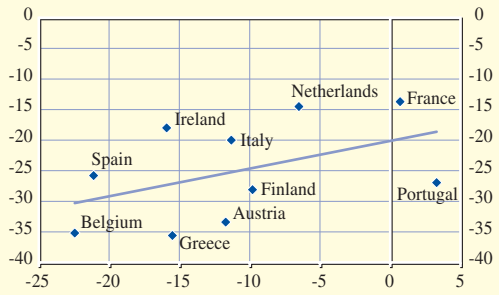
Sources: National data, Reuters and ECB calculations.



Sources: National data, Reuters and ECB calculations.

Chart 2 Changes in debt-to-GDP ratios relative to Germany[1] and changes in yield spreads against Germany, 2001-05

(x-axis: percentage points; y-axis: basis points)



Sources: European Commission, Reuters and ECB calculations.
1) X-axis: difference between the change in the debt-to-GDP ratio and the change in Germany's debt ratio between 2001 and 2005 (figures for 2005 refer to the European Commission's autumn 2005 economic forecasts). Y-axis: change in the yield spread against German ten-year government bonds between January 2001 and December 2005.

Interest rate spreads have narrowed further somewhat since the introduction of the euro (see Chart 1). Although they increased slightly for some countries, spreads were more or less stable in most cases until early 2001, when a downward trend set in. In the course of 2005, interest rate spreads again increased somewhat in Greece, Italy and Portugal.

Fiscal factors may account for part of the observed reduction in spreads. The average deficit in the euro area declined from 5.0% of GDP in 1995 to 0.9% in 2000, but subsequently returned to higher levels (2.9% in 2005). The average debt ratio decreased from 73.5% of GDP in 1995 to 68.5% in 2002, but resumed its increase thereafter, to 71.7% of GDP in 2005. Thus, the most recent years have seen a deterioration in public finances, with five euro area countries in excessive deficit at the end of 2005 (Germany, Greece, France, Italy and Portugal).

Chart 2 gives a broad idea of the extent to which changes in interest rate spreads can be attributed to fiscal developments. It shows changes in interest rate spreads versus ten-year German bonds between 2001 and 2005 and compares them with changes in government debt ratios relative to the change in the German debt ratio in that period. For instance, the decline in the Belgian debt ratio between 2001 and 2005 was 22 percentage points of GDP larger than the change in the German debt ratio, while the interest rate spread between Belgian and German ten-year government bonds decreased by 35 basis points over the same period.

The upward-sloping line in Chart 2, reflecting the outcome of a simple regression, indeed indicates that improvements in a country's debt ratio relative to the change in the German debt ratio are accompanied by decreases in interest rate spreads against Germany.

Focusing more particularly on the default risk premium contained in the interest rates paid by governments, which of all premia is most closely connected to the concept of market discipline, credit default swap rate statistics may provide useful information.[3] These swap rates provide an absolute measure of default risk, thus allowing the problem of changes in the credit standing of the reference country to be circumvented. However, this approach also has clear limitations: low market liquidity means that data are not available for all euro area countries, while limited trading reduces the information content of the swap rates that are available. Reliable data are not available before 2004, preventing a longer-term perspective from being taken.

For the period covered by the data (January 2004 to December 2005), credit default swap spreads show a similar trend as interest rate spreads, indicating a high degree of

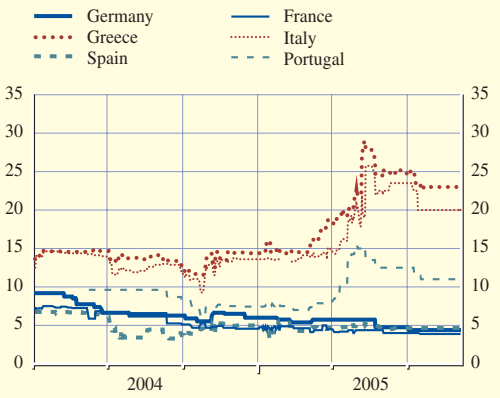
3 In credit default swap (CDS) contracts, a protection seller promises to buy a reference bond at its par value should a pre-defined credit event occur. In return, the protection buyer makes periodic payments to the seller until the CDS matures or the credit event is triggered. The periodic payments are determined as a certain percentage of the principal of the underlying contract. This rate of payment, measured in annualised terms and in basis points, is called a CDS spread. In theory, the CDS spread should approximately equal the corresponding yield spread between the reference bond and a risk-free bond. For more information see the box entitled "Recent developments in government bond yield spreads in euro area countries" in the September 2005 issue of the Monthly Bulletin.

consistency between the two markets (see Chart 3). Some swap spreads increased markedly in the second quarter of 2005 and remained at higher levels thereafter. This coincides with new information on fiscal setbacks in some of these countries, steps being taken against certain countries in the excessive deficit procedure, and negative assessments by rating agencies. The chart furthermore shows that the credit default swap spread for Germany has recently been slightly higher than that for France. This could be an indication that some of the decline in interest rate spreads against Germany, the benchmark country, may have been induced by a relative deterioration of the fiscal position in Germany.

Yield differentials may also be influenced by features of the euro area bond markets which still vary from country to country, such as the national regulatory and institutional environment and tax rules, as well as by a home bias in demand. The liquidity of government bonds is another factor that could help to explain the observed variance among spreads. Table 2 shows that bid-ask spreads, which serve as an approximation of liquidity, have declined since 1999 and stand now at broadly comparable levels across countries. Developments that may have contributed to the narrowing include the publication of auction calendars and the growth of electronic pan-European exchanges for debt securities.

Chart 3 Credit default swap spreads for selected euro area countries, January 2004-December 2005

(basis points)



Sources: The Dutch State Treasury Agency and Bloomberg.

While these statistical facts provide some indication of fiscal policy effects on interest rates, a thorough assessment of these effects needs to rely on econometric analysis. Most empirical studies in this area provide evidence of fiscal factors affecting interest rates, although the effect is usually not very large (see Box 1), at least for low to moderate government deficit and debt ratios. Non-linearity in market behaviour may mean that there is little reaction up to certain deficit and debt levels, while beyond a certain fiscal threshold the magnitude of responses may quickly increase.

Table 2 Bid-ask spreads for prices of long-term government bonds

(percentages of bond prices; annual averages)

	1999	2000	2001	2002	2003	2004	2005
Belgium	9.9	9.6	7.6	6.8	7.7	6.3	5.3
Germany	6.1	6.2	6.3	6.0	5.5	4.6	5.6
Greece	-	-	10.9	9.3	7.0	5.8	6.1
Spain	8.6	8.6	7.3	6.9	6.6	5.3	4.6
France	10.4	9.6	6.9	6.8	6.5	4.3	5.5
Italy	-	-	-	6.5	6.2	5.2	4.4
Netherlands	9.6	9.4	6.7	6.5	6.7	6.4	4.6
Austria	10.3	9.9	9.1	8.6	7.4	5.0	4.7
Portugal	13.9	9.7	8.1	7.1	7.5	7.6	5.3

Source: Reuters.

Box 1

STUDIES ON THE LINK BETWEEN FISCAL POLICIES AND INTEREST RATES IN THE EURO AREA

The link between government fiscal positions and interest rate spreads is extensively examined in the empirical economic literature. However, many studies focus on other economic areas, notably the United States, which has characteristics that do not allow a one-to-one translation of the results to the situation in the euro area. US states or municipalities are often restricted in their ability to raise taxes (e.g. tax increases are subject to voter approval or a qualified majority in parliament), legislation usually contains formal bounds on governments' borrowing requirements, and factor mobility is much larger, which makes it more difficult for governments to raise taxes when in financial need. On account of these factors, interest rate spreads in the United States are larger than those observed in the euro area countries. Ideally, studies in a European context should take into account the changed institutional and market settings resulting from the Maastricht Treaty and the introduction of the euro, such as the elimination of intra-euro area exchange rates, increasing financial market integration and the "no bailout" clause.

Comparing outcomes of studies on this topic is hampered by differences in periods and countries covered, as well as differences in methodology (e.g. macroeconomic models, vector-autoregressions, single-equations) and data frequency (ranging from daily to annual). There is also considerable variety in the specification of the fiscal variables. Ratios of the deficit, debt and/or debt service to GDP are used to explain interest rate developments. The inclusion of the deficit can be motivated by its relevance for the annual net amount that a government needs to borrow, while debt levels should be a more appropriate measure for assessing the impact of fiscal policies on the default risk premium. Debt service payments as percentage of government income is somewhat similar to the debt service to cash flow ratio common in corporate finance. Interactions between deficit and debt variables have been included on the basis of the argument that deficits are only significant for interest rates once indebtedness is already high. Quadratic specifications of fiscal variables have been tested on the ground that financial market reactions may be non-linear: subdued when deficits and debt start to rise from low levels but more pronounced once higher levels have been reached. The forward-looking nature of financial markets has also led researchers to adopt expectations of government deficits and debt as variables driving interest rates, rather than ex-post outcomes. Part of the reason for these widely differing specifications is the limited use of formal models in this literature.

There is also substantial variety in other factors included as explanatory variables. Cyclical factors are sometimes included, on the basis of the expectation that spreads may increase in economic downturns. Some studies consider a measure of risk appetite/risk aversion, arguing that otherwise similar fiscal conditions may give rise to different market reactions depending on the markets' willingness to run risks. In periods of heightened uncertainty or of financial crisis, investors seek safe and liquid havens for their funds, usually bonds issued by governments of large countries.

The large majority of studies do find evidence of a statistically significant, although usually small, effect of the government deficit and/or debt on interest rate spreads for euro area countries.[1]

1 Useful overview studies on interest rate effects of fiscal balances are provided by the OECD (A.-M. Brook, "Recent and prospective trends in real long-term interest rates: Fiscal policy and other drivers", Economics Department Working Paper No 367, September 2003) and the European Commission (2004, Public Finances in EMU).

Although the differences in methodology and in coverage of countries and periods call for considerable caution, the available econometric literature indicates that, roughly speaking, a 1 percentage point of GDP increase in a deficit of a euro area country relative to the German deficit increases its spread versus German ten-year bonds by between 15 and 35 basis points. Effects of debt ratios on interest rate spreads are usually much smaller. Bernoth, von Hagen and Schuknecht (2004) examined yield spreads of selected countries versus Germany and the United States, correcting for exchange rate effects. They concluded that fiscal effects on credit default risk premia have not weakened with the advent of EMU, pointing to increasing effects of debt service on interest rate spreads.[2] Another approach, adopted by Afonso and Strauch (2004), is to use high-frequency data. They consider market reactions in 2002 following news of deteriorating public finances in a number of countries and conclude that while some specific events had a temporary and limited impact on daily interest rate swap spreads, there were no strong and persistent effects.[3]

2 K. Bernoth, J. von Hagen and L. Schuknecht, "Sovereign risk premia in the European Government bond market", ECB Working Paper No 369, June 2004.
3 A. Afonso and R. Strauch, "Fiscal policy events and interest rate swap spreads: evidence from the EU", ECB Working Paper No 303, February 2004.

4 THE ROLE OF NON-FISCAL FACTORS IN INTEREST RATE SPREADS

While financial market indicators (interest rate spreads and credit default swap rates) and econometric studies generally support the idea that higher public deficits and debt translate into higher interest rates, low spreads between euro area sovereign issuers currently coincide with substantial divergence in public balances and debt ratios. This may partially reflect effects from some non-fiscal factors that so far have not been discussed in this article. This section highlights selected factors cited by financial market participants. The list is neither complete nor ranks the factors in order of importance.

Before discussing these factors, it is worth mentioning that the narrowing of interest rate spreads is not limited to the market for sovereign bonds in the euro area. As shown in Chart 4, corporate bond spreads declined in late 2001 and – more significantly – from 2003 until the beginning of 2005. A similar pattern was also observed in emerging economies.

LOW LONG-TERM INTEREST RATE LEVEL

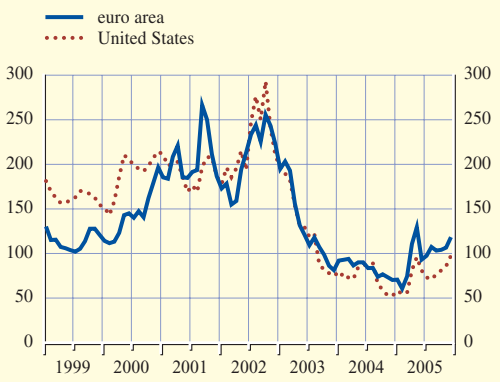
The historically very low level of the average long-term interest rate currently prevailing in the euro area affects interest rate spreads. In search of higher returns, financial market participants are investing in government bonds that deliver a slightly higher yield.

REGULATORY CHANGES FOR INSTITUTIONAL INVESTORS

Regulatory changes may also affect interest rate spreads, to the extent that investor demand is addressed towards the slightly higher-yielding government bonds. Institutional investors such as pension funds and insurance companies are major participants in capital

Chart 4 BBB-rated corporate bond spreads in the euro area and the United States

(monthly data; basis points)



Sources: Thomson Financial Datastream and ECB calculations.

markets, so changes in their portfolios can have a substantial impact on interest rate developments. These investors are now confronted with a number of regulatory changes that could have a profound effect on financial conditions in the euro area.

Recently, proposals have been made in certain countries for new rules on the valuation of assets and liabilities for supervision purposes. Some countries plan to change the basis on which pension liabilities are valued from (semi-) fixed interest rates to a market-based valuation. In the Netherlands, for instance, the euro area country with the highest pension assets as a percentage of GDP (around 94%), the liabilities of pension funds will from 2007 onwards be valued on the basis of a long-term market interest rate in place of a fixed 4% discount rate. For insurance companies, a similar trend is taking root. This change makes the liability side of the balance sheets of these institutional investors considerably more volatile. As a consequence, pension funds and insurance companies are undertaking a strategic asset benchmark reorientation. They are tending to put more emphasis on (long-term) bonds and on hedging liabilities via swaps. This is aimed at reducing the "duration mismatch" (i.e. the much longer maturity of liabilities than of assets, causing interest rate changes to affect liabilities more strongly) and also the risk of supervisory objections.

The introduction of International Accounting Standards (IAS) for companies listed in the EU in 2005 is another regulatory change that affects institutional investors. These new standards require both realised and unrealised surpluses and deficits to be incorporated into companies' profit and loss accounts. Thus, a foreseen pension deficit requires a firm to make a provision on its balance sheet. Companies are looking for ways to diminish the volatile impact of pension funds on profits. Among the measures contemplated is the shifting of a larger part of pension fund assets into long-term bonds, reducing balance sheet volatility by diminishing the duration mismatch.

The factors described above have contributed to a substantial shift in the portfolios of institutional investors from equity to bonds. Between December 2000 and March 2005, pension funds and insurance companies in the euro area invested €535 billion in bonds, which includes euro area government bonds but also corporate bonds and bonds issued by non-euro area governments. This represents an increase in the share of bonds in the total assets of these institutional investors of about 7½ percentage points, mainly accounted for by a decrease in the share of equity and of loans. To put the amounts involved into perspective, bond purchases by pension funds and insurance companies over this period represent 6½% of euro area GDP, which compares, for instance, with a cumulative euro area budget deficit of 10% over the 2001-04 period. While no detailed information is available on the type of bonds that have been purchased, anecdotal evidence suggests that government bonds with higher yields may have benefited more, thus contributing to a compression of interest rate spreads. Factors supporting such a shift towards higher-yielding government bonds include the search for yield in the current low-interest rate environment and funding gaps in some pension schemes, as well as a limited, although increasing, supply of very long-term government bonds.

EUROSYSTEM COLLATERAL POLICY

Some observers have argued that the collateral policy of the Eurosystem contributes to a narrowing of interest rate spreads. The collateral policy defines the assets that the Eurosystem accepts as collateral for the credit it provides to MFIs. It is argued that the Eurosystem does not sufficiently differentiate among the bonds of the euro area governments. Treating all government bonds equally is seen as favouring bonds of lower-rated governments, which would contribute to keeping interest rate spreads low.

Without discussing this policy in detail, it is worth noting that a number of risk mitigation measures are in place to protect the Eurosystem from incurring financial losses.

These measures, which apply equally to private and public collateral, take financial market assessments fully into account. First, to be accepted by the Eurosystem as collateral, all assets offered by MFIs have to meet a number of criteria including high credit standards based on assessments made by leading credit rating agencies. The minimum credit rating threshold is at least A- from Standard and Poor's or Fitch Ratings or at least A3 from Moody's. Second, collateral supplied to the Eurosystem is valued on a daily basis using market prices. Thus, changes in the private sector's assessment of a government leading to a drop in bond prices will reduce the collateral value of those bonds. MFIs will then have to provide more collateral in return for a given amount of central bank financing.

One implication of the argument that the Eurosystem collateral framework contributes to a narrowing of interest rate spreads is that lower-rated government bonds should be over-represented in the pool of assets that is used as collateral for Eurosystem monetary policy operations: bonds with the highest ratings should be used more frequently in private-sector market operations, while lower-rated debt should be used more often as collateral for central bank credit. Box 2 provides some statistical information on the use of collateral, which shows that government bonds of the lower-rated countries are under-represented compared with their share in the total pool of public and private sector collateral, and are proportionally represented compared with their share in the pool of public collateral.

Box 2

THE USE OF GOVERNMENT DEBT AS COLLATERAL IN EUROSYSTEM CREDIT OPERATIONS

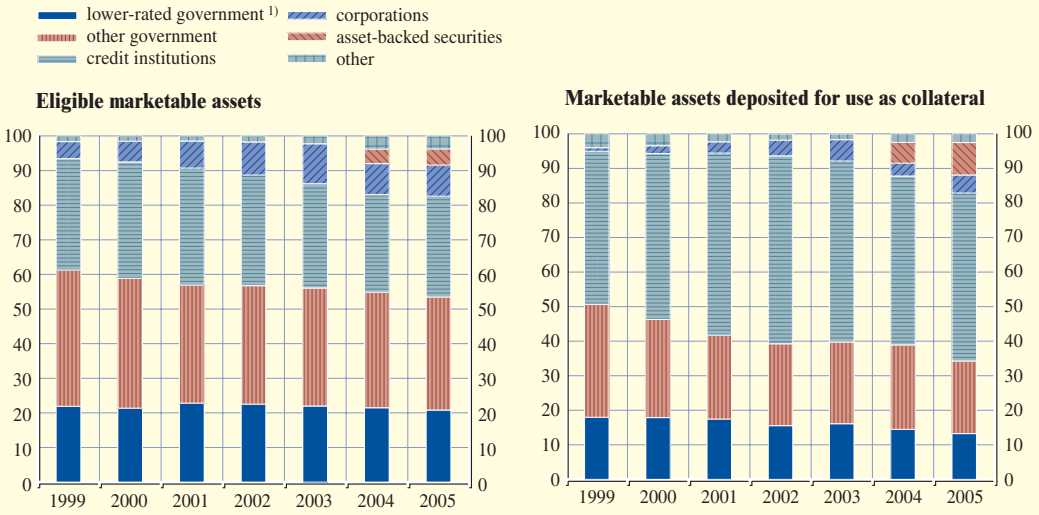
Article 18.1 of the Statute of the ESCB requires all Eurosystem credit operations (i.e. liquidity-providing open market operations and the provision of intraday credit) to be based on adequate collateral. In order to protect the Eurosystem from incurring losses, the collateral assets have to fulfil certain eligibility criteria which are defined by the Eurosystem, and the list of assets which fulfil these criteria is published daily on the ECB's website. The Eurosystem accepts a very broad range of collateral, not only euro area government debt instruments but also many other types of euro-denominated debt instrument issued by other governments and by the private sector (such as bank bonds, corporate bonds and asset-backed securities). In 2005 the total outstanding amount of available collateral was approximately €8.2 trillion,[1] of which 54% (or €4.4 trillion) was EU Member States' general government debt (see chart). Government debt of the four euro area countries which do not have an AAA rating from any of the three international rating agencies (Belgium, Greece, Italy and Portugal) accounted for 21% of the total outstanding amount of available collateral (or 39% of the pool of government debt). Most of the remaining 46% of the total collateral pool consisted of the debt of private-sector issuers: covered and uncovered bank bonds (30%), corporate bonds (8%) and asset-backed securities (5%). Other issuers, such as supranational organisations, made up the remainder.

The amount of collateral deposited for use in the Eurosystem's credit operations during 2005 was on average €853 billion, approximately 10% of the total amount of eligible assets. Government bonds accounted for 34% of the collateral deposited (see chart). Using the percentage share of government bonds in the total pool of eligible assets as a benchmark, government bonds are under-represented by 20 percentage points. The bonds of the four lower-

1 All figures for available and deposited collateral are annual averages. For 2005, the average is calculated over the first three quarters only.

Marketable assets eligible and deposited for use as collateral in Eurosystem credit operations, by issuing sector

(percentages of total)



Source: ECB.
Note: Data for 2005 refer to the first three quarters of that year.
1) Lower-rated government debt refers to debt of Belgium, Greece, Italy and Portugal.

rated governments, which represented 21% of the total pool of available collateral in 2005, comprise only 13% of the total collateral deposited for use and are therefore under-represented by 8 percentage points. Furthermore, data for the last six years show that there has been a shift away from using government bonds, including the bonds of the lower-rated governments, towards private sector issuers. The decrease was strongest from 1999 to 2002, when the share of government bonds deposited for use as collateral declined from 50% to 39%; between 2002 and 2004 it remained relatively stable, before declining further in 2005. The use of private sector issuers has expanded in parallel to this decline. For example, the share of asset-backed securities rose from practically zero in 1999 to 9% by 2005. These assets are therefore more than proportionally used compared with their nominal outstanding amount.

Thus, contrary to the arguments put forward by some commentators, there is no evidence that government bonds of the lower-rated countries are more than proportionally represented: in fact, the data suggest the opposite. Furthermore, looking solely at the €291 billion of euro area central government bonds deposited for use as collateral on average in 2005, the four lower-rated euro area governments account for 39%. As the bonds of these four governments also account for 39% of all available central government debt, this shows that, even within the pool of euro area government bonds, there is no substitution of higher-rated by lower-rated bonds. The fact that counterparties are indifferent between using the debt of the lower-rated governments and that of higher-rated governments could be partially attributed to common practice in the private-sector repo market (for example, in Eurepo transactions), whereby all euro area government debt is equally acceptable as "general collateral". This market practice has tended to equalise the opportunity cost for counterparties – in terms of the alternative uses in the private-sector market – of using different euro area government debt as collateral in Eurosystem transactions.

5 CONCLUSION

Market forces can in principle play a useful role in encouraging euro area governments to act in line with fiscal sustainability, supplementing the fiscal framework in place. As recognised by the designers of the Maastricht Treaty, these forces are not necessarily strong and timely enough to preserve sound public finances and thereby facilitate the attainment of the monetary policy objective of price stability. A credible fiscal framework and its strict implementation are therefore essential to achieving sound public finances in EMU, as a means to strengthening the conditions for price stability and providing a stable macroeconomic environment. Moreover, measures that negatively affect conditions for market discipline, for instance by reducing the credibility of the Maastricht Treaty's "no bailout" clause, should be avoided.

Interest rate spreads in euro area countries decreased very substantially in the run-up to the introduction of the euro, driven by the progressive elimination of the exchange rate risk between the national currencies concerned and the decline in inflation risk. Spreads after the introduction of the euro in January 1999 seem to capture mainly the credit default risk premium, which markets are pricing at a relatively low level for all countries even though fiscal positions differ significantly from country to country. Still, it is clear, on the basis of present observations, that any deterioration or improvement in the credit standing of a public bond issuer is incorporated in this premium, as reflected in the credit default swap market and in the spreads observed in the bond markets. Additional factors may have contributed to the current low level of interest rate spreads, including the desire of investors to buy higher-yielding government bonds and changes in supervisory and accounting rules for pension funds and insurance companies. Statistics on collateral use indicate that Eurosystem collateral policy does not have any significant effects on interest rate spreads.

EURO AREA STATISTICS

CONTENTS[1]

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

Conventions used in the tables

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

EURO AREA OVERVIEW

Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

1. Monetary developments and interest rates

	M1 [1]	M2 [1]	M3 [1], [2]	M3 [1], [2] 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government [1]	Securities other than shares issued in euro by non-financial and non-monetary financial corporations [1]	3-month interest rate (EURIBOR, % per annum, period averages)	10-year government bond yield (% per annum, period averages)
	1	2	3	4	5	6	7	8
2004	10.0	6.3	5.8	-	6.1	9.9	2.11	4.14
2005	10.4	7.9	7.4	-	8.1	.	2.19	3.44
2005 Q1	9.6	7.1	6.7	-	7.3	8.9	2.14	3.67
Q2	9.8	7.5	7.0	-	7.6	13.2	2.12	3.41
Q3	11.2	8.4	8.0	-	8.4	13.3	2.13	3.26
Q4	10.9	8.5	7.8	-	8.9	.	2.34	3.42
2005 Aug.	11.6	8.6	8.2	8.2	8.5	13.1	2.13	3.32
Sep.	11.1	8.8	8.4	8.2	8.8	14.4	2.14	3.16
Oct.	11.2	8.6	7.9	8.0	8.9	15.1	2.20	3.32
Nov.	10.4	8.2	7.6	7.6	9.0	14.3	2.36	3.53
Dec.	11.3	8.4	7.3	.	9.1	.	2.47	3.41
2006 Jan.	.	.	.	.	.	.	2.51	3.39

2. Prices, output, demand and labour markets

	HICP	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2004	2.1	2.3	2.5	2.1	2.0	81.6	0.7	8.9
2005	2.2	.	.	.	.	81.2	.	8.6
2005 Q1	2.0	4.1	3.2	1.2	0.6	81.5	0.9	8.8
Q2	2.0	3.9	2.5	1.2	0.6	81.0	0.8	8.6
Q3	2.3	4.2	2.2	1.6	1.5	81.0	0.7	8.4
Q4	2.3	.	.	.	.	81.4	.	8.3
2005 Aug.	2.2	4.0	-	-	2.7	-	-	8.4
Sep.	2.6	4.4	-	-	1.3	-	-	8.4
Oct.	2.5	4.2	-	-	0.3	81.1	-	8.3
Nov.	2.3	4.2	-	-	2.7	-	-	8.3
Dec.	2.2	.	-	-	.	-	-	8.4
2006 Jan.	.	.	-	-	.	81.7	-	.

3. Balance of payments, reserve assets and exchange rates

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: EER-23 [3] (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
	1	2	3	4	5	6	7	8
2004	63.0	106.7	-46.8	71.2	280.7	103.8	105.9	1.2439
2005	.	.	.	.	320.2	103.0	105.2	1.2441
2005 Q1	4.6	15.6	-20.0	3.8	285.0	105.7	107.9	1.3113
Q2	-9.7	18.4	-11.6	103.3	302.3	103.4	105.6	1.2594
Q3	-0.9	16.3	-97.6	92.6	310.9	101.9	104.2	1.2199
Q4	.	.	.	.	320.2	100.9	103.2	1.1884
2005 Aug.	-2.0	0.8	-12.2	-12.9	295.7	102.3	104.6	1.2292
Sep.	-1.1	5.7	-1.7	30.3	310.9	101.8	104.1	1.2256
Oct.	-6.8	3.2	-6.4	-6.6	310.5	101.4	103.7	1.2015
Nov.	-7.6	1.9	-12.2	-31.5	322.7	100.7	103.0	1.1786
Dec.	.	.	.	.	320.2	100.7	103.1	1.1856
2006 Jan.	.	.	.	.	.	101.4	103.9	1.2103

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

	2006 6 Jan.	2006 13 Jan.	2006 20 Jan.	2006 27 Jan.
Gold and gold receivables	163,804	163,797	163,797	163,779
Claims on non-euro area residents in foreign currency	155,332	156,182	156,702	155,424
Claims on euro area residents in foreign currency	22,780	22,160	22,907	23,096
Claims on non-euro area residents in euro	8,895	9,234	9,447	9,086
Lending to euro area credit institutions in euro	406,239	399,115	414,105	416,036
Main refinancing operations	316,000	308,998	324,000	316,000
Longer-term refinancing operations	90,017	90,017	90,017	100,017
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	211	100	73	19
Credits related to margin calls	11	0	15	0
Other claims on euro area credit institutions in euro	3,735	4,085	3,880	4,041
Securities of euro area residents in euro	92,987	93,244	93,749	95,225
General government debt in euro	40,113	40,113	40,113	40,113
Other assets	144,729	145,328	146,480	148,386
Total assets	1,038,614	1,033,258	1,051,180	1,055,186

2. Liabilities

	2006 6 Jan.	2006 13 Jan.	2006 20 Jan.	2006 27 Jan.
Banknotes in circulation	560,253	553,846	549,377	546,654
Liabilities to euro area credit institutions in euro	153,127	152,814	155,942	159,972
Current accounts (covering the minimum reserve system)	153,097	152,775	155,926	159,882
Deposit facility	29	38	5	79
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	1	1	11	11
Other liabilities to euro area credit institutions in euro	207	207	155	155
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	49,468	50,404	68,107	72,067
Liabilities to non-euro area residents in euro	12,609	12,452	12,687	12,837
Liabilities to euro area residents in foreign currency	402	334	290	299
Liabilities to non-euro area residents in foreign currency	10,133	10,998	12,335	10,666
Counterpart of special drawing rights allocated by the IMF	5,920	5,920	5,920	5,922
Other liabilities	68,969	68,757	67,920	68,151
Revaluation accounts	119,113	119,113	119,113	119,113
Capital and reserves	58,413	58,413	59,334	59,350
Total liabilities	1,038,614	1,033,258	1,051,180	1,055,186

Source: ECB.

1.2 Key ECB interest rates

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

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

(EUR millions; interest rates in percentages per annum)

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

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Variable rate tenders			Running for (...) days
				Minimum bid rate	Marginal rate [4)]	Weighted average rate	
	1	2	3	4	5	6	7
	Main refinancing operations						
2005 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
6 Dec.	354,476	300	333,500	2.25	2.29	2.31	8
14	378,799	345	308,500	2.25	2.29	2.30	7
21	391,591	393	314,000	2.25	2.30	2.31	8
29	315,797	386	315,000	2.25	2.25	2.42	6
2006 4 Jan.	359,312	353	316,000	2.25	2.30	2.31	7
11	378,353	368	309,000	2.25	2.30	2.31	7
18	400,188	409	324,000	2.25	2.30	2.31	7
25	392,854	408	316,000	2.25	2.30	2.31	7
1 Feb.	387,275	389	290,000	2.25	2.30	2.31	7
	Longer-term refinancing operations						
2005 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
22 [5)]	89,877	165	12,500	-	2.45	2.46	98
23 [5)]	45,003	127	17,500	-	2.44	2.45	97
2006 26 Jan.	69,438	168	40,000	-	2.47	2.48	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders	Variable rate tenders			Running for (...) days
					Fixed rate	Minimum bid rate	Marginal rate [4)]	Weighted average rate	
	1	2	3	4	5	6	7	8	9
2002 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
5 Dec.	Collection of fixed-term deposits	21,240	18	7,500	2.00	-	-	-	1
2006 17 Jan.	Reverse transaction	24,900	28	7,000	-	2.25	2.27	2.28	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.
5) An exceptional operation based on longer-term refinancing operation (LTRO) procedures was carried out because an erroneous bid had prevented the ECB from executing its LTRO in the full amount on the previous day.

1.4 Minimum reserve and liquidity statistics

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

1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at [1]:	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
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
Q2	13,328.1	7,021.1	488.2	1,676.0	1,027.9	3,114.9
2005 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
Oct.	13,712.6	7,184.5	503.4	1,712.0	1,127.0	3,185.8
Nov.	13,972.9	7,250.1	508.2	1,721.2	1,286.6	3,206.8

2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions' current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
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
Q3	149.7	150.2	0.6	0.0	2.05
2005 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	153.0	1.0	0.0	2.07
2006 17 Jan.	153.3	154.1	0.8	0.0	2.29
7 Feb.	154.6	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money
		Monetary policy operations of the Eurosystem										
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility	Other liquidity-absorbing operations	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	1	2	3	4	5	6	7	8	9	10	11	12
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
Q3	304.8	303.5	90.0	0.0	0.3	0.1	0.0	531.5	63.1	-46.2	150.2	681.8
2005 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
5 Dec.	313.2	301.3	90.0	0.0	0.0	0.1	0.3	539.8	51.0	-39.6	153.0	692.9
2006 17 Jan.	317.6	316.4	89.6	0.2	0.2	0.1	0.0	559.2	44.2	-33.5	154.1	713.3

Source: ECB.

1) End of period.

MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/ units [1]	Holdings of shares/ other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Eurosystem													
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.	1,370.1	630.5	21.2	0.6	608.6	184.2	166.4	2.1	15.7	-	14.4	326.9	13.3	200.8
Nov.	1,386.9	630.8	21.2	0.6	608.9	184.3	167.7	2.0	14.6	-	14.4	339.0	13.4	204.9
Dec. [p]	1,403.8	635.6	20.7	0.6	614.3	185.7	165.6	4.6	15.6	-	14.8	337.0	13.2	217.5
	MFIs excluding the Eurosystem													
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	22,026.5	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	1,297.7
Q2	22,769.9	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	1,477.6
2005 July	22,883.5	13,326.7	809.0	7,976.7	4,541.0	3,396.6	1,378.7	506.5	1,511.5	75.1	999.9	3,444.4	164.3	1,476.7
Aug.	22,826.0	13,305.3	809.9	7,979.7	4,515.6	3,386.5	1,371.1	505.1	1,510.3	80.6	999.5	3,436.8	164.3	1,453.1
Sep.	23,052.8	13,431.5	816.0	8,068.1	4,547.4	3,373.5	1,360.6	505.8	1,507.1	81.4	1,013.6	3,517.9	164.4	1,470.6
Oct.	23,294.4	13,590.9	812.2	8,133.3	4,645.4	3,434.5	1,399.9	522.0	1,512.5	83.7	990.1	3,577.3	165.2	1,452.9
Nov.	23,762.6	13,697.6	805.6	8,217.4	4,674.7	3,551.3	1,483.9	543.5	1,523.9	87.1	1,009.4	3,716.9	165.3	1,534.9
Dec. [p]	23,604.6	13,684.2	831.1	8,291.3	4,561.9	3,505.3	1,439.7	551.1	1,514.5	84.9	1,008.6	3,642.7	165.6	1,513.4

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/ units [2]	Debt securities issued [3]	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/ other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
	Eurosystem										
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.	1,370.1	554.7	413.6	46.3	17.5	349.7	-	0.6	184.2	27.3	189.8
Nov.	1,386.9	558.9	409.6	47.9	17.9	343.8	-	0.6	194.1	28.1	195.7
Dec. [p]	1,403.8	582.7	385.5	24.4	14.5	346.6	-	0.1	202.1	27.6	205.8
	MFIs excluding the Eurosystem										
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	22,026.5	-	11,653.2	126.3	6,706.2	4,820.7	687.6	3,614.8	1,213.5	3,085.6	1,771.7
Q2	22,769.9	-	11,848.9	135.1	6,920.5	4,793.3	696.4	3,761.9	1,258.7	3,228.0	1,976.0
2005 July	22,883.5	-	11,895.0	142.3	6,949.9	4,802.7	710.1	3,775.9	1,268.7	3,264.1	1,969.7
Aug.	22,826.0	-	11,813.3	110.2	6,929.3	4,773.9	720.3	3,788.7	1,274.0	3,254.4	1,975.3
Sep.	23,052.8	-	11,905.5	135.1	6,986.7	4,783.7	712.9	3,806.6	1,277.9	3,354.3	1,995.7
Oct.	23,294.4	-	12,058.9	133.1	7,029.7	4,896.1	712.6	3,843.8	1,277.1	3,418.5	1,983.6
Nov.	23,762.6	-	12,130.7	137.2	7,056.4	4,937.2	716.7	3,872.2	1,295.3	3,609.2	2,138.4
Dec. [p]	23,604.6	-	12,200.2	150.2	7,191.2	4,858.7	699.2	3,858.5	1,308.9	3,508.5	2,029.2

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	16,259.8	8,498.1	828.1	7,669.9	1,993.2	1,510.4	482.8	683.9	3,483.3	169.0	1,432.4
Q2	17,038.8	8,748.7	829.6	7,919.2	2,051.5	1,542.7	508.9	713.7	3,723.8	176.4	1,624.6
2005 July	17,125.4	8,807.5	830.1	7,977.4	2,046.5	1,538.3	508.2	710.6	3,757.1	177.5	1,626.1
Aug.	17,096.7	8,811.5	831.1	7,980.4	2,040.9	1,533.9	507.0	711.6	3,750.1	177.6	1,605.1
Sep.	17,318.8	8,905.9	837.2	8,068.7	2,033.9	1,526.2	507.7	726.7	3,846.8	177.7	1,627.8
Oct.	17,452.7	8,967.4	833.4	8,133.9	2,090.4	1,566.3	524.1	702.7	3,904.2	178.5	1,609.5
Nov.	17,880.4	9,044.8	826.8	8,218.0	2,197.2	1,651.6	545.6	708.3	4,056.0	178.7	1,695.5
Dec. (p)	17,852.2	9,143.7	851.7	8,291.9	2,160.9	1,605.2	555.7	708.1	3,979.6	178.9	1,681.1
	Transactions										
2003	794.4	384.0	12.1	371.8	170.4	116.3	54.1	19.3	224.8	-3.8	-0.2
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	448.3	107.9	-5.5	113.4	82.5	66.2	16.4	15.7	187.2	-4.1	59.2
Q2	533.0	207.8	0.9	206.9	39.7	15.8	23.8	25.2	126.4	1.0	133.0
2005 July	98.3	61.9	0.6	61.3	-1.5	-0.7	-0.8	-8.3	44.6	1.1	0.5
Aug.	-24.0	6.2	1.1	5.1	-7.4	-5.7	-1.8	0.3	-1.3	0.1	-21.8
Sep.	182.9	92.2	6.2	86.0	-5.7	-6.2	0.5	11.0	64.4	0.0	21.1
Oct.	134.7	61.3	-3.8	65.1	32.1	16.1	15.9	7.9	56.0	0.9	-23.5
Nov.	218.2	76.5	-6.7	83.2	63.4	44.5	18.9	1.4	25.2	0.2	51.6
Dec. (p)	-40.2	97.1	23.4	73.7	-35.7	-45.8	10.1	-3.7	-82.1	0.3	-16.1

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units [1]	Debt securities issued [2]	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
	1	2	3	4	5	6	7	8	9	10
	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	16,259.8	471.8	187.4	6,723.8	614.5	2,145.5	1,062.9	3,110.5	1,943.0	0.4
Q2	17,038.8	496.6	211.5	6,939.3	621.3	2,242.9	1,132.6	3,252.4	2,156.5	-14.2
2005 July	17,125.4	506.4	210.8	6,963.7	635.1	2,249.4	1,135.0	3,288.0	2,151.8	-14.9
Aug.	17,096.7	500.9	166.8	6,942.7	639.7	2,263.1	1,143.3	3,279.6	2,158.8	1.9
Sep.	17,318.8	507.2	182.4	7,002.0	631.5	2,283.7	1,162.6	3,381.7	2,185.4	-17.8
Oct.	17,452.7	510.5	179.4	7,047.2	629.0	2,316.1	1,159.5	3,445.8	2,173.4	-8.2
Nov.	17,880.4	514.5	185.1	7,074.2	629.7	2,334.3	1,173.9	3,637.3	2,334.1	-2.6
Dec. (p)	17,852.2	532.9	174.6	7,205.8	614.3	2,328.6	1,195.8	3,536.1	2,235.0	29.1
	Transactions									
2003	794.4	79.0	15.1	313.7	56.7	133.5	36.8	130.8	-31.5	60.3
2004	1,268.0	70.5	6.1	377.4	22.3	197.1	50.5	276.8	229.4	37.7
2005 Q1	448.3	3.3	25.0	57.3	9.7	65.3	13.1	212.0	107.1	-44.4
Q2	533.0	24.8	24.1	175.2	6.7	80.3	24.6	61.4	169.0	-33.2
2005 July	98.3	9.9	-0.7	28.2	12.9	6.8	2.9	43.9	-7.3	1.7
Aug.	-24.0	-5.5	-44.3	-19.4	4.1	14.8	6.2	-3.0	5.7	17.4
Sep.	182.9	6.2	15.7	57.3	-6.9	15.6	10.5	87.3	20.5	-23.3
Oct.	134.7	3.4	-3.0	44.9	-6.0	31.4	2.9	61.5	-11.5	11.1
Nov.	218.2	4.0	5.7	24.7	-9.3	10.4	4.6	69.4	106.4	2.4
Dec. (p)	-40.2	18.4	-10.5	120.3	-15.7	-5.8	17.0	-97.6	-99.1	32.7

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

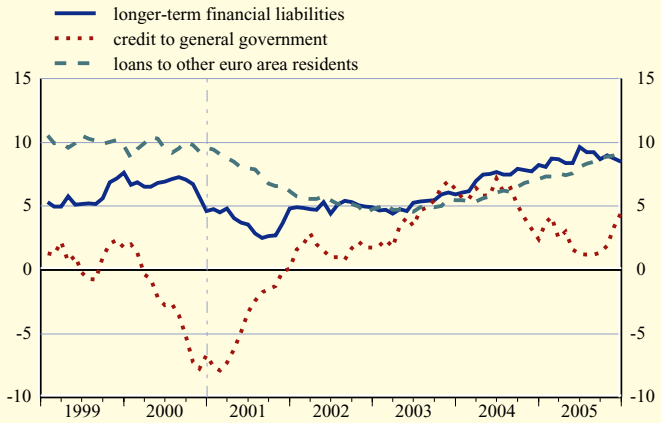
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

1. Monetary aggregates [1] and counterparts

	M1	M2-M1	M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets [2]
										Loans	
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2003	2,680.6	2,553.3	5,233.9	907.2	6,141.1	-	4,133.3	2,226.1	8,149.6	7,093.4	230.6
2004	2,912.7	2,661.0	5,573.6	960.6	6,534.2	-	4,454.5	2,297.0	8,681.9	7,545.2	375.8
2005 Q1	3,006.7	2,675.4	5,682.1	944.9	6,627.0	-	4,579.5	2,328.5	8,830.0	7,673.6	387.5
Q2	3,257.5	2,557.9	5,815.3	981.1	6,796.4	-	4,797.2	2,353.5	9,114.6	7,893.9	469.8
2005 July	3,302.0	2,572.2	5,874.2	994.6	6,868.8	-	4,805.3	2,364.6	9,189.4	7,960.5	472.5
Aug.	3,329.3	2,584.9	5,914.2	1,005.2	6,919.4	-	4,833.7	2,375.9	9,245.9	8,010.5	466.6
Sep.	3,348.4	2,629.8	5,978.2	1,001.5	6,979.8	-	4,866.4	2,370.4	9,335.9	8,084.1	454.1
Oct.	3,369.1	2,635.6	6,004.8	990.1	6,994.8	-	4,902.9	2,407.1	9,391.5	8,148.3	437.9
Nov.	3,379.7	2,638.5	6,018.2	1,001.6	7,019.7	-	4,943.9	2,477.4	9,477.0	8,213.2	398.2
Dec. (p)	3,417.1	2,648.4	6,065.6	991.2	7,056.8	-	4,984.6	2,485.6	9,545.5	8,277.7	425.3
	Transactions										
2003	259.4	113.4	372.9	32.2	405.1	-	234.3	131.9	442.9	370.1	96.0
2004	240.4	111.8	352.3	56.0	408.3	-	340.8	53.5	572.5	504.2	163.0
2005 Q1	91.3	8.2	99.4	-20.5	78.9	-	107.1	26.4	146.8	128.6	8.9
Q2	86.3	38.7	125.0	36.5	161.5	-	126.0	8.2	235.6	178.1	48.6
2005 July	45.0	14.7	59.8	12.5	72.3	-	11.8	14.8	72.5	69.7	5.6
Aug.	28.4	13.1	41.5	10.1	51.7	-	27.4	10.0	57.4	52.1	-5.6
Sep.	18.4	43.9	62.3	-1.6	60.7	-	17.9	-3.9	83.2	71.3	-30.0
Oct.	21.1	5.1	26.2	-15.4	10.8	-	42.0	12.7	87.6	64.1	-15.0
Nov.	9.6	2.0	11.6	-2.6	9.0	-	27.0	29.5	77.6	64.1	-44.1
Dec. (p)	37.5	10.3	47.8	-10.2	37.6	-	23.6	7.3	64.8	64.3	17.6
	Growth rates										
2003 Dec.	10.6	4.6	7.6	3.8	7.1	7.0	5.9	6.3	5.7	5.5	96.0
2004 Dec.	9.0	4.4	6.7	6.2	6.6	6.5	8.2	2.4	7.0	7.1	163.0
2005 Mar.	9.3	4.8	7.1	2.8	6.5	6.6	8.7	2.5	7.4	7.5	98.2
June	10.9	5.1	8.1	5.1	7.6	7.6	9.6	1.2	8.2	8.1	160.3
2005 July	11.1	5.3	8.3	5.5	7.9	7.9	9.2	1.2	8.4	8.3	162.8
Aug.	11.6	5.3	8.6	5.8	8.2	8.2	9.2	1.2	8.7	8.5	134.4
Sep.	11.1	6.5	8.8	6.1	8.4	8.2	8.7	1.4	9.1	8.8	77.7
Oct.	11.2	6.0	8.6	4.0	7.9	8.0	8.9	1.9	9.4	8.9	51.2
Nov.	10.4	5.9	8.2	3.8	7.6	7.6	8.7	3.4	9.4	9.0	-2.1
Dec. (p)	11.3	5.3	8.4	0.9	7.3	.	8.5	4.5	9.5	9.1	-14.1

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

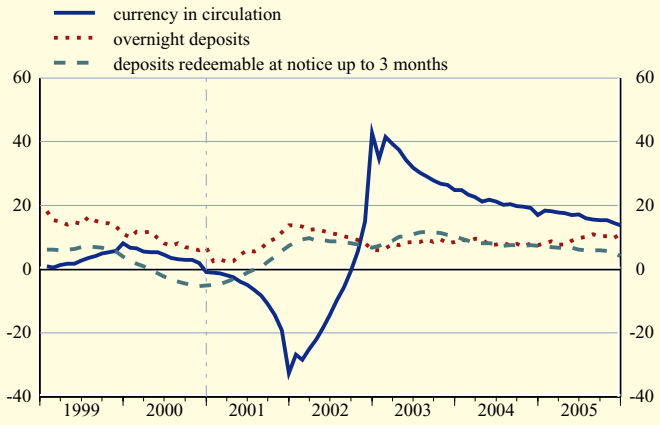
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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	2,529.1	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	1,039.2	1,518.7	239.7	622.9	118.5	2,122.6	91.6	1,449.2	1,133.8
2005 July	494.7	2,807.3	1,045.1	1,527.0	243.0	632.3	119.2	2,126.1	90.8	1,453.9	1,134.5
Aug.	501.5	2,827.8	1,047.8	1,537.1	252.6	631.8	120.7	2,146.2	89.8	1,455.4	1,142.3
Sep.	507.4	2,841.0	1,083.9	1,545.9	244.9	636.7	120.0	2,157.8	87.8	1,464.1	1,156.7
Oct.	515.0	2,854.2	1,087.0	1,548.7	237.2	631.3	121.5	2,186.6	87.0	1,473.7	1,155.6
Nov.	519.6	2,860.1	1,089.6	1,548.9	237.8	633.7	130.0	2,196.9	86.7	1,484.3	1,176.0
Dec. (p)	514.9	2,902.3	1,109.1	1,539.4	232.4	627.9	130.9	2,202.4	86.3	1,502.7	1,193.2
	Transactions										
2003	77.5	181.9	-29.7	143.1	-10.3	57.6	-15.1	149.2	-13.2	61.9	36.3
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	66.4	-13.2	21.4	-13.7	-5.7	-1.0	62.4	0.8	28.9	15.0
Q2	16.2	70.1	14.3	24.4	13.7	9.7	13.0	66.2	0.0	34.0	25.8
2005 July	1.0	44.1	6.3	8.4	3.3	8.5	0.7	3.8	-0.8	7.6	1.2
Aug.	6.8	21.6	3.0	10.1	9.6	-1.1	1.6	21.2	-1.0	1.6	5.6
Sep.	6.0	12.5	35.1	8.7	-7.8	6.2	0.0	5.9	-2.0	8.4	5.6
Oct.	7.5	13.6	2.3	2.8	-7.6	-8.8	1.1	28.3	-0.7	9.5	4.9
Nov.	4.7	4.9	1.9	0.2	0.5	-7.6	4.5	6.5	-0.3	10.2	10.6
Dec. (p)	-4.8	42.3	19.8	-9.5	-5.4	-6.2	1.4	4.9	-0.4	6.7	12.4
	Growth rates										
2003 Dec.	24.9	8.6	-2.8	10.4	-4.6	11.0	-14.9	8.9	-12.7	5.2	3.7
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	9.4	6.7
2005 July	16.0	10.2	4.0	6.0	6.7	3.7	13.5	11.2	0.3	9.3	6.4
Aug.	15.6	10.9	4.3	6.0	11.0	2.6	13.5	11.3	-0.9	8.8	6.6
Sep.	15.3	10.4	7.2	5.9	8.8	3.7	14.6	10.2	-2.3	8.8	6.6
Oct.	15.3	10.4	6.2	5.7	5.0	1.4	17.6	11.0	-3.8	8.7	6.6
Nov.	14.6	9.7	6.7	5.2	6.6	0.5	17.0	10.9	-4.5	8.3	6.5
Dec. (p)	13.7	10.9	6.6	4.2	-3.1	-0.8	20.1	10.0	-4.8	7.8	7.5

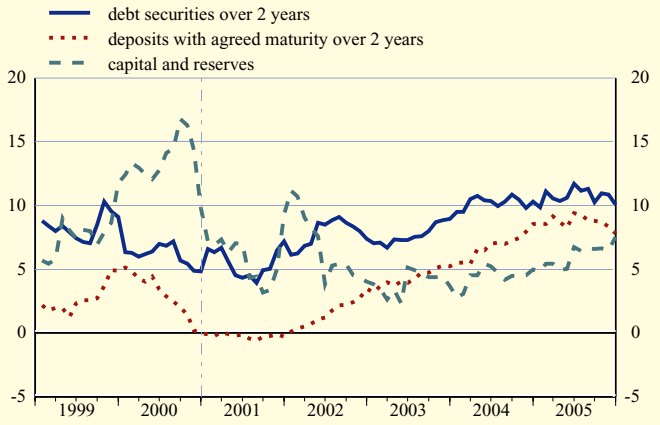
C3 Components of monetary aggregates

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities

(annual growth rates; seasonally adjusted)



Source: ECB.

2.4 MFI loans, breakdown [1]

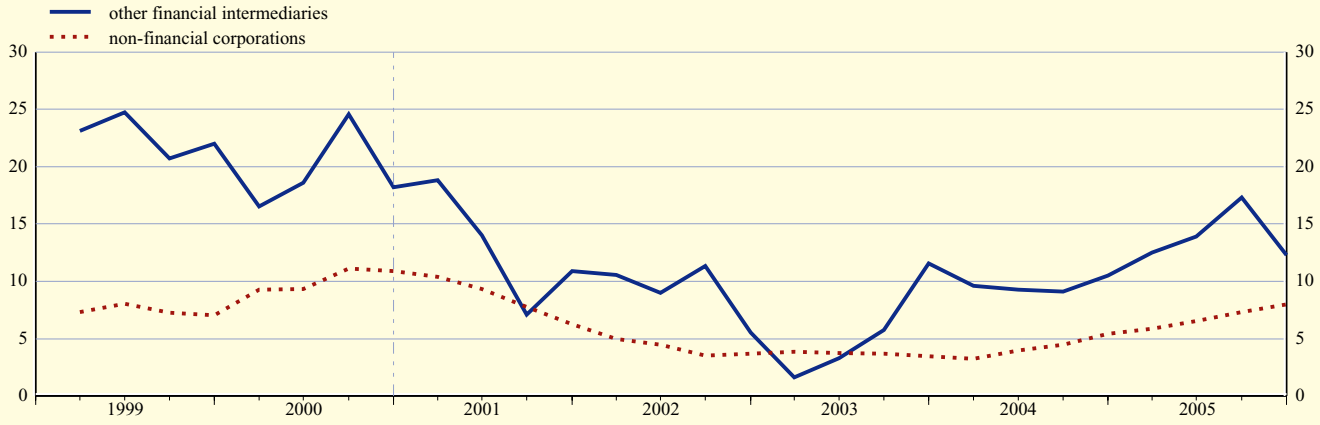
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds		Other financial intermediaries [2]		Non-financial corporations			
	Total	Up to 1 year	Total	Up to 1 year	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8
	Outstanding amounts							
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	560.8	351.1	3,189.9	983.8	555.2	1,650.9
Q2	63.8	43.9	581.1	362.9	3,282.3	1,025.1	564.4	1,692.7
2005 July	63.7	43.3	579.1	357.1	3,309.0	1,024.8	573.5	1,710.7
Aug.	64.4	42.7	571.0	348.0	3,295.9	1,002.3	571.3	1,722.3
Sep.	65.2	42.8	601.0	372.8	3,322.5	1,011.2	576.4	1,734.8
Oct.	68.9	45.6	601.6	369.2	3,342.6	1,018.2	586.4	1,738.0
Nov.	75.4	50.7	617.0	377.5	3,373.8	1,027.5	589.5	1,756.7
Dec. [p]	64.7	41.8	627.8	377.0	3,407.7	1,037.8	592.1	1,777.8
	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	10.9	14.9	37.7	8.0	8.1	21.5
Q2	5.5	4.2	16.5	9.5	82.4	35.0	9.8	37.6
2005 July	-0.1	-0.6	-1.4	-5.5	27.6	0.2	9.1	18.3
Aug.	0.7	-0.5	-8.4	-9.0	-11.0	-21.5	-2.0	12.4
Sep.	0.7	0.1	29.2	24.4	25.1	8.0	5.0	12.2
Oct.	3.7	2.8	-1.9	-5.3	22.0	8.1	10.2	3.8
Nov.	6.5	5.1	13.3	7.7	31.7	9.6	3.6	18.4
Dec. [p]	-10.7	-8.9	9.7	-0.5	37.5	10.7	3.3	23.5
	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	12.5	17.5	5.9	3.8	6.7	6.9
June	17.5	9.8	13.9	18.8	6.5	5.6	6.2	7.2
2005 July	11.3	3.1	14.9	19.1	7.1	6.0	7.0	7.7
Aug.	18.3	9.1	16.0	21.0	6.9	5.6	5.9	8.0
Sep.	22.7	13.3	17.3	22.9	7.3	5.6	6.6	8.6
Oct.	24.0	15.8	15.5	19.1	7.3	5.5	8.2	8.1
Nov.	37.3	33.0	12.9	12.7	7.5	4.8	8.3	8.9
Dec. [p]	30.7	31.7	12.3	10.7	8.0	5.9	8.6	9.1

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 [1]

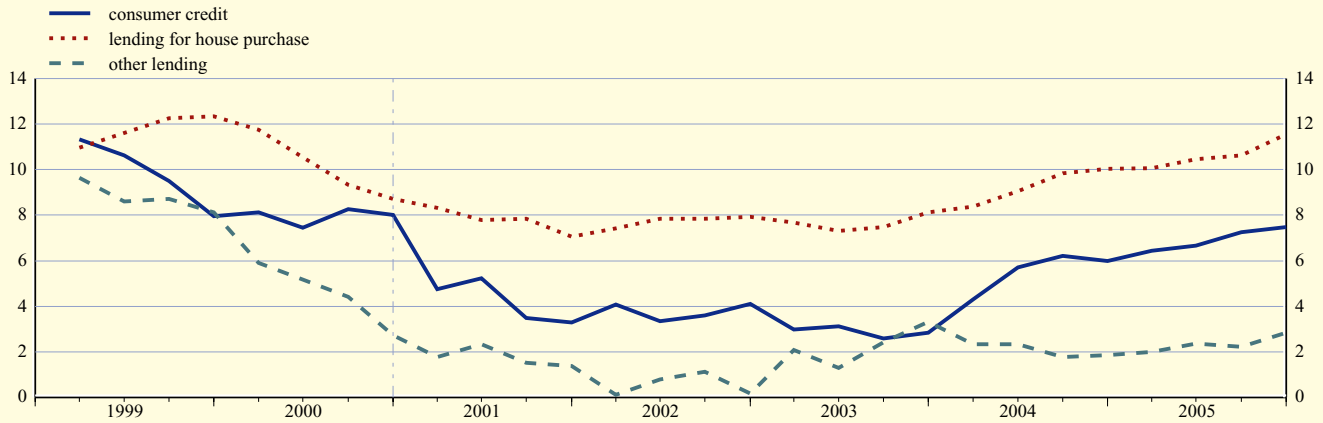
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households [2]

	Total	Consumer credit				Lending for house purchase				Other lending			
		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
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	700.9	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	539.1	122.3	199.1	217.7	2,772.9	14.8	66.8	2,691.2	712.9	145.2	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	143.6	101.3	467.8
Sep.	4,079.5	544.7	125.8	199.0	220.0	2,819.8	15.1	67.6	2,737.1	714.9	145.4	101.3	468.2
Oct.	4,120.2	548.7	126.9	200.0	221.8	2,850.8	14.9	67.8	2,768.1	720.7	145.3	101.8	473.6
Nov.	4,151.2	550.1	126.4	200.7	223.0	2,877.1	15.0	68.3	2,793.9	724.0	147.8	102.4	473.8
Dec. (p)	4,191.1	552.0	127.7	201.3	223.0	2,917.4	15.2	68.2	2,834.0	721.8	147.3	99.8	474.6
	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	102.5	15.7	4.0	6.0	5.7	75.6	0.5	0.5	74.5	11.3	5.6	0.5	5.1
2005 July	35.2	2.4	-1.9	1.9	2.3	35.9	0.0	0.5	35.3	-3.1	-4.5	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.	30.9	4.3	2.4	0.5	1.4	25.1	0.5	0.4	24.2	1.5	1.4	-0.1	0.3
Oct.	41.2	4.4	1.3	1.1	2.0	31.0	-0.2	0.3	31.0	5.8	-0.1	0.5	5.4
Nov.	31.7	2.7	-0.5	0.7	2.5	26.2	0.1	0.5	25.7	2.8	2.8	0.6	-0.6
Dec. (p)	37.2	2.6	1.6	0.8	0.3	34.9	0.8	-0.1	34.2	-0.3	1.3	-2.5	0.9
	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	6.7	6.6	5.8	7.5	10.4	4.1	4.6	10.6	2.4	3.8	0.6	2.3
2005 July	8.5	6.7	6.1	6.0	7.8	10.7	5.4	4.7	10.9	2.1	3.1	0.9	2.0
Aug.	8.6	6.9	6.4	6.1	8.0	10.8	4.3	4.7	11.0	2.2	3.1	1.2	2.1
Sep.	8.6	7.2	7.7	6.2	8.0	10.6	6.7	4.8	10.8	2.2	2.4	1.2	2.4
Oct.	9.0	7.8	9.1	6.4	8.3	10.9	1.7	4.7	11.1	3.1	2.9	0.8	3.6
Nov.	9.2	8.1	8.8	6.6	9.1	11.1	5.0	6.4	11.3	3.0	2.6	1.6	3.4
Dec. (p)	9.4	7.5	6.4	6.5	9.0	11.5	8.8	5.9	11.7	2.8	4.3	-1.1	3.2

C6 Loans to households

(annual growth rates)



Source: ECB.

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

2) Including non-profit institutions serving households.

2.4 MFI loans, breakdown [1]

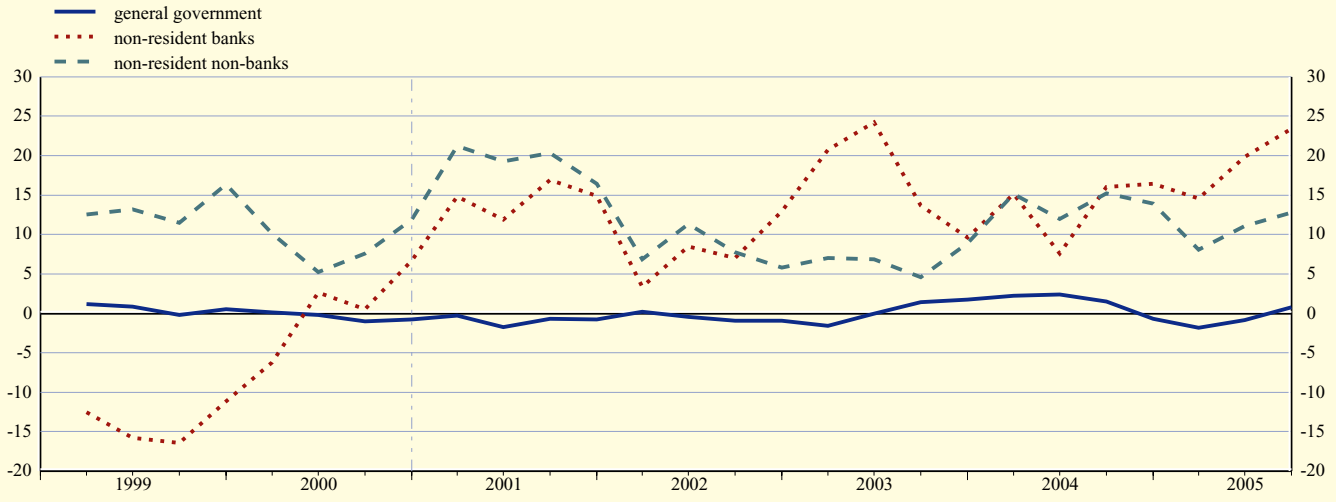
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [2]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
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	247.5	407.3	28.6	2,292.5	1,582.4	710.1	62.1	648.0
Q3 [p]	816.0	124.8	247.1	414.5	29.6	2,376.2	1,638.8	737.0	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	0.5	-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 [p]	7.8	-0.1	-0.5	7.3	1.1	85.7	57.5	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. [p]	0.8	1.5	-2.4	5.0	-23.5	19.9	23.4	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 [1]

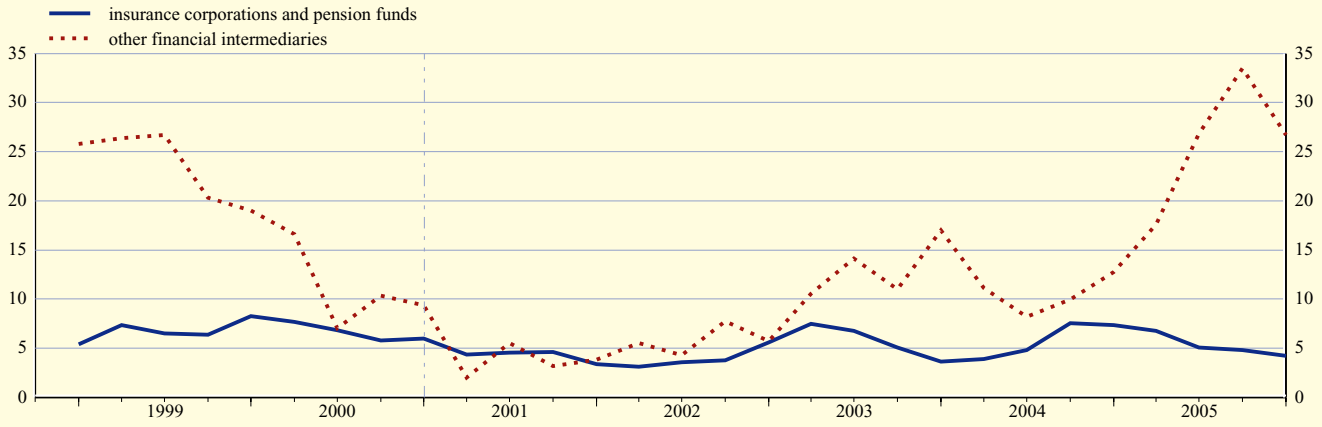
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries [2]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
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	61.2	48.3	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	157.5	268.1	11.4	0.1	143.2
Sep.	602.9	60.0	50.8	466.9	1.1	1.6	22.4	833.3	242.7	169.8	275.6	10.6	0.1	134.4
Oct.	609.9	66.6	48.1	468.5	1.1	1.5	24.1	847.3	232.5	176.6	285.5	11.0	0.1	141.7
Nov.	605.4	67.9	42.1	469.7	1.2	1.5	23.1	852.6	225.8	180.2	298.4	11.1	0.1	137.0
Dec. [p]	611.0	67.1	51.9	469.2	1.2	1.4	20.2	865.4	224.4	186.4	323.3	10.5	0.1	120.6
	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	-5.3	-0.5	2.7	0.2	0.0	0.8	66.3	10.7	11.9	31.0	0.8	0.0	11.9
2005 July	8.1	3.2	3.6	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.	-1.3	0.8	-0.1	0.8	0.0	0.0	-2.9	35.3	25.3	12.1	7.4	-0.8	0.0	-8.8
Oct.	6.9	6.7	-2.9	1.5	0.0	0.0	1.6	9.9	-10.3	6.6	6.0	0.4	0.0	7.2
Nov.	-4.6	1.2	-6.0	1.2	0.0	0.0	-0.9	4.6	-7.0	3.7	12.5	0.2	0.0	-4.7
Dec. [p]	4.8	-1.0	9.3	-0.5	0.0	0.0	-2.9	1.0	-1.6	6.5	13.1	-0.6	0.0	-16.4
	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	1.8	15.3	4.8	18.1	31.3	-3.0	26.8	16.5	15.1	52.5	50.1	-	21.0
2005 July	6.2	15.1	13.2	4.9	13.7	32.1	-8.3	28.6	19.8	19.6	51.8	56.2	-	18.6
Aug.	6.3	10.0	9.1	5.1	11.3	32.6	13.8	29.6	23.1	16.7	48.4	55.3	-	25.2
Sep.	4.8	-2.8	7.9	5.1	26.4	33.0	12.0	33.5	27.4	33.4	49.5	46.3	-	18.9
Oct.	5.0	13.3	-2.0	4.6	22.4	2.8	5.5	29.7	22.8	25.2	51.0	45.9	-	14.6
Nov.	3.2	6.0	-12.1	4.1	18.3	2.9	10.9	27.8	13.1	33.9	48.0	27.1	-	13.9
Dec. [p]	4.2	11.4	-1.2	4.2	36.3	3.1	-2.9	26.7	22.1	26.8	46.4	14.5	-	0.4

C8 Deposits by financial intermediaries

(annual growth rates)



Source: ECB.

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

2) This category includes investment funds.

2.5 Deposits held with MFIs, breakdown [1]

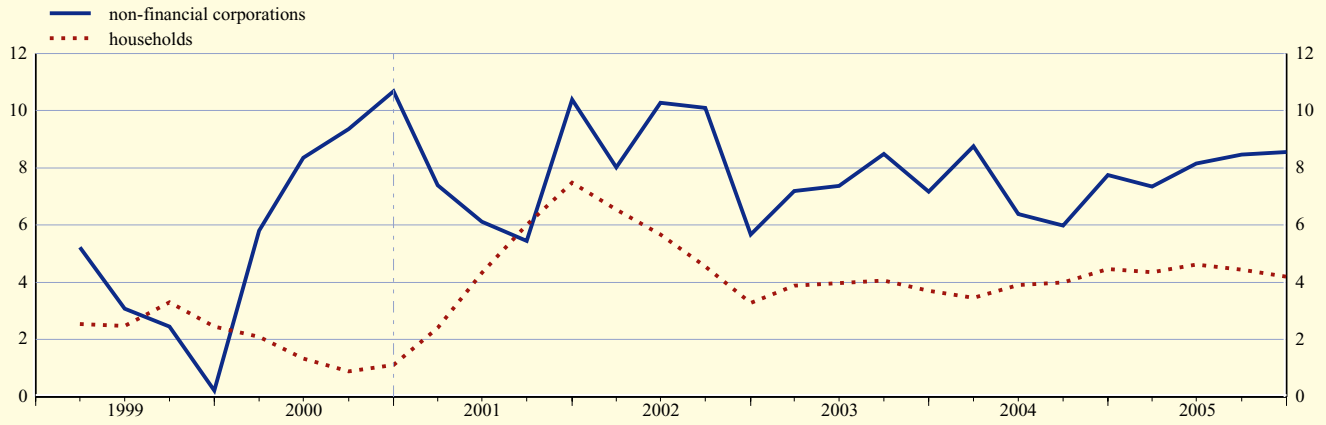
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations							Households [2]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
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	4,176.4	1,408.6	513.2	632.8	1,481.9	88.7	51.2
Q2	1,133.5	722.2	274.1	71.9	41.6	1.5	22.1	4,246.0	1,629.3	511.2	630.8	1,336.3	87.2	51.2
2005 July	1,134.0	719.8	278.9	70.8	42.2	1.4	21.1	4,264.8	1,642.5	512.8	630.0	1,339.5	86.4	53.6
Aug.	1,138.6	715.3	287.2	70.7	41.8	1.3	22.3	4,237.8	1,609.8	515.6	630.2	1,342.3	85.5	54.4
Sep.	1,152.6	719.5	296.8	68.8	43.9	1.2	22.4	4,245.6	1,626.2	515.2	626.9	1,341.8	83.9	51.6
Oct.	1,169.3	734.4	302.8	65.6	44.5	1.2	20.7	4,246.4	1,629.2	517.5	625.4	1,339.8	83.4	51.2
Nov.	1,177.8	742.8	299.1	66.7	44.8	1.2	23.3	4,259.2	1,642.4	520.5	623.3	1,336.8	83.7	52.5
Dec. [p]	1,210.6	768.1	304.4	67.9	44.5	1.2	24.4	4,340.0	1,685.4	532.6	630.2	1,354.1	84.5	53.2
	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	6.6	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	14.2	4.9	-2.0	-0.1	15.8	0.2	-4.5
Q2	33.3	41.3	-7.7	0.2	1.1	-0.1	-1.5	67.1	63.3	-3.6	-2.3	11.1	-1.4	0.0
2005 July	0.9	-2.3	4.9	-1.1	0.6	-0.2	-1.0	19.0	13.2	1.8	-0.8	3.2	-0.8	2.5
Aug.	6.1	-3.4	8.7	0.0	-0.4	-0.1	1.3	-26.8	-32.6	2.8	0.2	2.9	-1.0	0.8
Sep.	13.2	3.9	9.2	-1.9	2.0	0.0	0.1	7.0	16.2	-0.8	-3.5	-0.5	-1.5	-2.9
Oct.	20.7	15.0	6.0	0.8	0.6	0.0	-1.7	0.9	3.5	1.9	-1.5	-2.1	-0.5	-0.3
Nov.	7.4	7.9	-4.2	0.9	0.3	0.0	2.5	12.2	13.0	2.7	-2.0	-3.0	0.2	1.3
Dec. [p]	34.2	25.9	5.9	1.4	-0.3	0.0	1.2	80.8	43.0	12.0	6.9	17.3	0.9	0.7
	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	4.3	15.2	68.0	-8.3	4.4	6.6	-2.7	3.8	5.6	0.1	-1.3
June	8.1	10.6	4.4	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	4.7	8.2	-0.9	2.6	4.7	0.1	2.0
Aug.	8.8	11.7	7.0	1.0	12.5	-24.5	-22.5	4.5	7.7	0.0	2.3	4.7	-0.9	-0.3
Sep.	8.5	9.0	10.7	-1.7	16.5	-26.5	-12.7	4.4	7.8	0.5	1.8	4.6	-2.4	-4.0
Oct.	9.8	12.7	7.1	0.4	18.2	-28.2	-20.0	4.0	7.1	1.1	1.1	4.2	-3.5	-5.8
Nov.	9.4	11.7	6.8	1.6	16.2	-29.8	-9.0	4.0	7.5	1.6	0.6	3.8	-4.1	-3.5
Dec. [p]	8.6	12.9	3.6	-1.0	8.9	-29.0	-17.9	4.2	8.5	2.9	-0.5	3.2	-4.5	-4.4

C9 Deposits by non-financial corporations and households

(annual growth rates)



Source: ECB.

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

2) Including non-profit institutions serving households.

2.5 Deposits held with MFIs, breakdown [1]

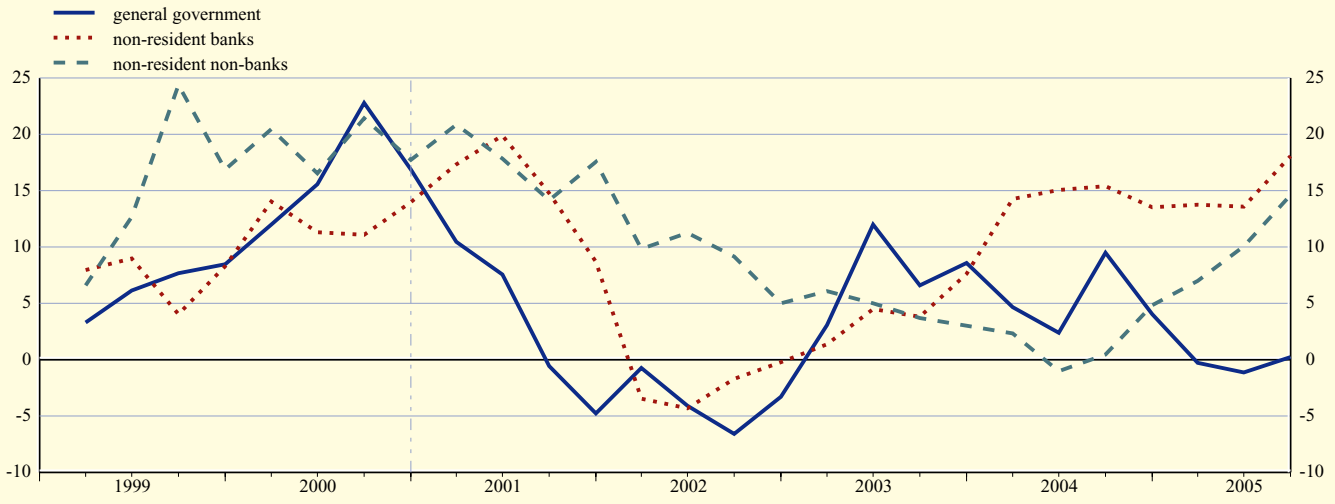
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [2]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
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 [p]	287.5	135.1	35.9	71.4	44.9	2,907.8	2,109.8	795.1	124.3	670.8
	Transactions									
2003	21.5	23.3	-0.5	-2.3	1.0	138.7	117.5	21.1	-1.1	22.3
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 [p]	-0.9	-0.3	0.9	1.8	-3.5	123.1	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	-1.2	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. [p]	0.2	-7.9	14.0	8.1	5.2	17.2	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.

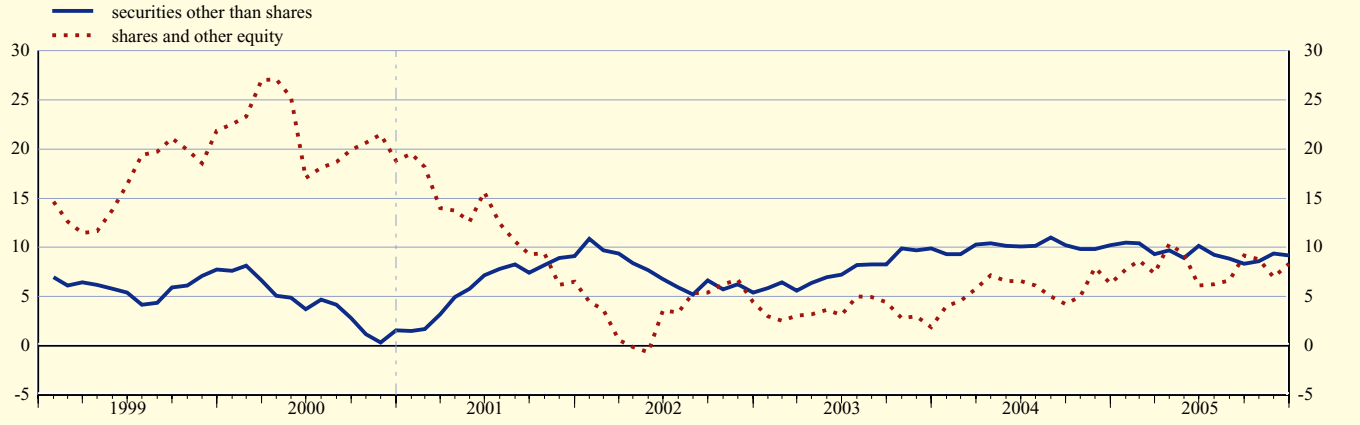
2.6 MFI holdings of securities, breakdown [1)]

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
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	295.3	704.1	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	299.3	700.6	241.3
Aug.	4,281.2	1,443.0	67.3	1,355.0	16.1	484.7	20.4	894.6	1,241.5	297.9	701.6	242.0
Sep.	4,269.9	1,439.3	67.9	1,344.0	16.6	486.1	19.7	896.4	1,257.6	297.5	716.2	244.0
Oct.	4,345.3	1,442.8	69.7	1,383.1	16.9	499.6	22.4	910.8	1,228.0	297.3	692.7	238.0
Nov.	4,470.2	1,452.6	71.3	1,466.5	17.4	519.1	24.5	918.9	1,250.1	311.1	698.3	240.7
Dec. [p]	4,436.7	1,450.0	64.5	1,422.7	17.0	527.3	23.8	931.4	1,252.7	310.9	697.7	244.1
	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	5.0	25.2	-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.	7.0	-2.1	0.1	-8.7	0.2	-2.5	0.6	19.5	-1.9	-1.8	0.2	-0.3
Sep.	-15.4	-4.4	0.0	-9.5	0.4	1.2	-0.7	-2.3	8.7	-1.0	10.8	-1.1
Oct.	49.4	4.7	1.7	13.8	0.3	13.1	2.6	13.2	1.9	0.2	7.9	-6.2
Nov.	79.0	7.3	1.0	42.9	-0.1	17.1	1.8	9.0	20.0	13.1	1.5	5.3
Dec. [p]	-32.7	-2.3	-6.8	-42.8	-0.4	8.0	-0.5	12.1	-3.7	-0.7	-3.9	0.9
	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	1.4	6.5	11.6
2005 July	9.2	10.5	9.4	1.5	-6.7	12.2	15.9	19.7	6.2	3.5	6.7	8.6
Aug.	8.9	9.9	7.3	0.9	-2.9	11.7	20.9	19.9	6.7	3.2	8.3	6.3
Sep.	8.3	8.9	5.9	-0.1	2.6	12.6	10.6	20.3	9.2	4.7	10.2	12.2
Oct.	8.6	7.6	8.3	1.5	-19.2	14.9	22.9	19.8	8.8	4.6	10.9	8.1
Nov.	9.4	7.4	9.1	4.3	-14.2	17.3	31.4	17.3	6.9	7.1	9.1	0.5
Dec. [p]	9.2	6.4	-1.0	4.8	-4.4	16.5	33.1	17.9	8.3	9.9	7.5	8.7

C11 MFI holdings of securities

(annual growth rates)



Source: ECB.

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

2.7 Revaluation of selected MFI balance sheet items [1]

(EUR billions)

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

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
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
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
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
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
Oct.	-0.3	-0.2	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.3	-0.1	0.0	-0.2
Nov.	-0.2	0.0	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.6	-0.2	0.0	-0.4
Dec. (p)	-0.5	-0.2	-0.1	-0.1	-1.0	-0.5	0.0	-0.5	-2.4	-1.8	0.0	-0.6

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
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
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
Aug.	-0.5	-0.2	-0.1	-0.2	-0.1	0.0	0.0
Sep.	-0.8	-0.4	-0.1	-0.3	-0.1	-0.1	0.0
Oct.	-1.4	-1.1	-0.1	-0.2	0.0	0.0	0.0
Nov.	-0.7	-0.4	0.0	-0.2	0.0	0.0	0.0
Dec. (p)	-5.1	-3.4	-0.2	-1.5	-0.2	-0.1	-0.1

3. Revaluation of securities held by MFIs

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
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
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
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
Sep.	-1.0	0.1	0.1	-1.5	0.0	0.2	-0.1	0.3	7.0	0.6	3.7	2.7
Oct.	-3.1	-0.6	-0.1	-1.4	0.0	-0.4	0.1	-0.7	-0.9	-0.3	-0.8	0.2
Nov.	4.6	-0.7	0.0	0.7	0.5	0.0	0.0	4.0	7.9	1.0	3.5	3.4
Dec. (p)	-0.1	-0.5	0.2	-1.0	0.0	0.2	-0.2	1.2	6.0	0.6	2.9	2.5

Source: ECB.

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

2) Including non-profit institutions serving households.

2.8 Currency breakdown of selected MFI balance sheet items [1]

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

1. Deposits

	MFIs [2]							Non-MFIs						
	All currencies (outstanding amount)	Euro [3]	Non-euro currencies					All currencies (outstanding amount)	Euro [3]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	By euro area residents													
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	6,832.5	97.0	3.0	1.9	0.3	0.1	0.4
Q2	4,793.3	90.9	9.1	5.5	0.4	1.4	1.1	7,055.6	96.9	3.1	1.9	0.3	0.1	0.4
Q3 (p)	4,783.7	90.6	9.4	5.7	0.5	1.5	1.1	7,121.8	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 (p)	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 [3]	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 (p)	3,993.9	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 [1]

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

3. Loans

	MFIs [2]							Non-MFIs						
	All currencies (outstanding amount)	Euro [3]	Non-euro currencies					All currencies (outstanding amount)	Euro [3]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	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 [p]	4,547.4	-	-	-	-	-	-	8,884.1	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	9.2	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	8.7	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	9.2	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	9.0	710.1	41.0	59.0	43.1	1.1	4.4	7.2
Q3 [p]	1,638.8	49.3	50.7	30.1	4.3	2.0	9.6	737.0	39.8	60.2	43.0	1.6	3.9	8.3

4. Holdings of securities other than shares

	Issued by MFIs [2]							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro [3]	Non-euro currencies					All currencies (outstanding amount)	Euro [3]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	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	1.3	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	1.3	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	1.5	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	1.5	1,890.8	98.2	1.8	1.0	0.4	0.1	0.3
Q3 [p]	1,507.1	95.5	4.5	2.0	0.3	0.4	1.5	1,866.4	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	15.4	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	17.0	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	16.5	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	17.8	477.3	41.1	58.9	34.0	7.9	0.8	9.9
Q3 [p]	404.8	49.6	50.4	29.1	0.8	0.5	17.1	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 [1)]

(EUR billions; outstanding amounts at end of period)

1. Assets

	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
2004 Q2	3,631.6	263.7	1,540.5	75.7	1,464.7	1,206.9	299.8	151.0	169.7
Q3	3,652.8	265.6	1,585.6	78.5	1,507.1	1,179.2	302.5	155.5	164.3
Q4	3,790.0	259.4	1,617.6	78.1	1,539.5	1,250.5	317.3	158.6	186.7
2005 Q1	4,013.0	286.9	1,687.3	79.2	1,608.1	1,324.7	342.4	163.3	208.5
Q2	4,263.4	294.9	1,778.7	91.3	1,687.4	1,404.9	379.1	167.7	238.1
Q3 [p]	4,572.2	301.4	1,856.0	100.7	1,755.2	1,556.6	417.0	170.4	270.8

2. Liabilities

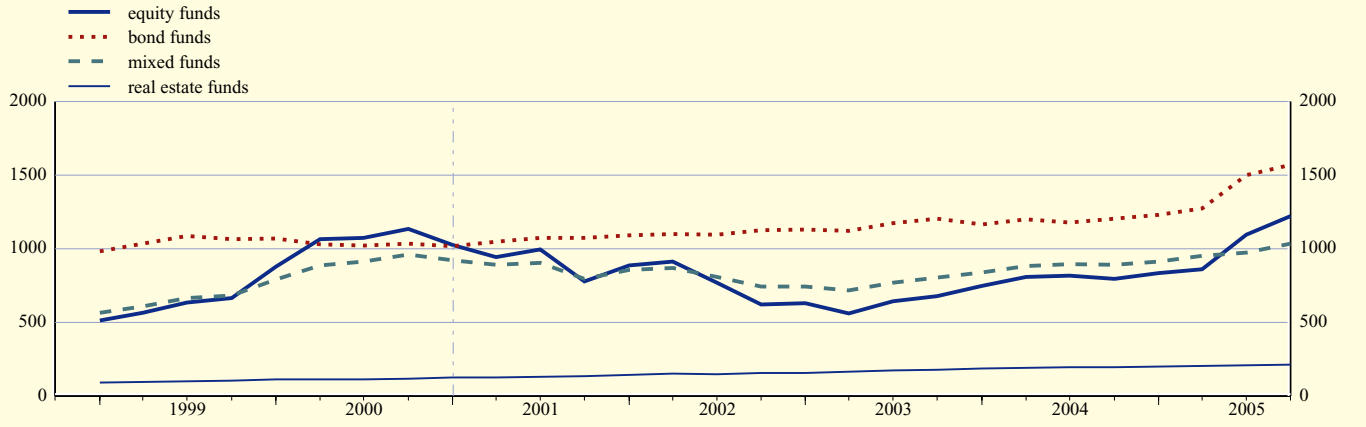
	Total	Deposits and loans taken	Investment fund shares	Other liabilities
	1	2	3	4
2004 Q2	3,631.6	54.2	3,441.1	136.3
Q3	3,652.8	53.3	3,463.1	136.4
Q4	3,790.0	52.3	3,588.4	149.2
2005 Q1	4,013.0	60.5	3,764.0	188.5
Q2	4,263.4	57.8	3,996.9	208.6
Q3 [p]	4,572.2	59.5	4,306.0	206.7

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

	Total	Funds by investment policy					Funds by type of investor	
		Equity funds	Bond funds	Mixed funds	Real estate funds	Other funds	General public funds	Special investors' funds
	1	2	3	4	5	6	7	8
2004 Q2	3,631.6	814.5	1,178.1	893.6	193.5	552.0	2,669.4	962.2
Q3	3,652.8	796.8	1,204.8	889.1	196.4	565.8	2,686.6	966.2
Q4	3,790.0	834.3	1,229.8	912.0	196.9	617.0	2,795.5	994.4
2005 Q1	4,013.0	861.9	1,274.8	951.7	201.2	723.4	2,981.1	1,032.0
Q2	4,263.4	1,094.4	1,498.4	974.6	207.2	488.8	3,179.6	1,083.8
Q3 [p]	4,572.2	1,221.8	1,568.9	1,032.2	211.8	537.6	3,448.0	1,124.2

C12 Total assets of investment funds

(EUR billions)



Source: ECB.

1) Other than money market funds. 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 Q2	814.5	33.9	34.0	3.5	30.5	692.1	27.2	-	27.2
Q3	796.8	33.9	35.5	4.0	31.5	673.3	27.0	-	27.1
Q4	834.3	30.8	36.7	4.0	32.6	705.8	30.2	-	30.8
2005 Q1	861.9	33.7	36.7	4.0	32.7	729.8	31.3	-	30.5
Q2	1,094.4	44.8	41.2	4.5	36.8	936.6	37.9	-	33.9
Q3 (p)	1,221.8	48.0	42.8	4.9	37.9	1,045.1	50.2	-	35.8
	Bond funds								
2004 Q2	1,178.1	85.2	979.7	39.5	940.2	35.5	23.5	-	54.2
Q3	1,204.8	87.0	1,003.8	42.1	961.8	34.4	25.2	-	54.4
Q4	1,229.8	83.7	1,016.9	43.3	973.6	39.9	25.1	-	64.2
2005 Q1	1,274.8	97.5	1,042.1	44.7	997.4	39.4	28.1	-	67.7
Q2	1,498.4	110.2	1,225.8	58.4	1,167.4	38.4	32.6	-	91.3
Q3 (p)	1,568.9	110.0	1,285.7	67.0	1,218.7	38.4	35.0	-	99.8
	Mixed funds								
2004 Q2	893.6	56.3	366.1	24.0	342.1	300.3	123.7	0.3	46.8
Q3	889.1	56.3	374.5	23.7	350.8	291.2	124.4	0.3	42.4
Q4	912.0	54.5	374.7	21.7	353.0	304.1	131.0	0.3	47.4
2005 Q1	951.7	60.4	387.6	22.4	365.2	314.1	134.8	0.2	54.7
Q2	974.6	64.9	417.3	21.2	396.2	276.6	146.5	0.2	69.0
Q3 (p)	1,032.2	66.3	425.1	21.6	403.5	300.0	160.2	0.2	80.4
	Real estate funds								
2004 Q2	193.5	16.1	9.2	0.7	8.6	0.7	8.3	149.8	9.3
Q3	196.4	15.5	9.2	0.7	8.5	0.8	8.1	154.1	8.7
Q4	196.9	15.7	7.6	0.7	6.9	1.0	7.5	156.4	8.7
2005 Q1	201.2	14.3	8.4	0.7	7.7	1.1	7.5	160.9	9.0
Q2	207.2	14.0	8.2	0.8	7.5	1.1	7.6	167.2	9.0
Q3 (p)	211.8	15.2	8.7	1.2	7.6	1.3	8.1	169.8	8.7

2. Funds by type of investor

	Total	Deposits	Holdings of securities other than shares	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
	1	2	3	4	5	6	7
	General public funds						
2004 Q2	2,669.4	217.6	1,018.3	958.4	227.2	129.7	118.2
Q3	2,686.6	221.5	1,049.0	939.5	229.6	133.5	113.6
Q4	2,795.5	217.3	1,072.4	1,000.1	239.2	137.6	128.9
2005 Q1	2,981.1	241.3	1,129.5	1,058.7	259.5	141.2	150.7
Q2	3,179.6	247.2	1,202.2	1,124.9	284.0	144.9	176.3
Q3 (p)	3,448.0	250.8	1,256.1	1,257.8	320.9	145.2	217.3
	Special investors' funds						
2004 Q2	962.2	46.1	522.2	248.5	72.6	21.3	51.5
Q3	966.2	44.1	536.6	239.7	72.9	22.0	50.8
Q4	994.4	42.0	545.2	250.3	78.1	21.0	57.8
2005 Q1	1,032.0	45.5	557.7	266.0	82.9	22.0	57.8
Q2	1,083.8	47.6	576.5	280.0	95.1	22.8	61.8
Q3 (p)	1,124.2	50.6	599.9	298.9	96.2	25.2	53.4

Source: ECB.

3 FINANCIAL AND NON-FINANCIAL ACCOUNTS

3.1 Main financial assets of non-financial sectors

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

	Total	Currency and deposits									Memo: deposits of non-banks with banks outside the euro area
		Total	Currency	Deposits of non-financial sectors other than central government with euro area MFIs					Deposits of central government with euro area MFIs	Deposits with non-MFIs [1]	
				Total	Overnight	With agreed maturity	Redeemable at notice	Repos			
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
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	396.9
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	16,026.9	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	16,362.0	6,241.7	413.7	5,435.0	2,165.2	1,577.9	1,603.7	88.2	162.4	230.7	385.4
2005 Q1	16,669.9	6,257.1	408.4	5,432.8	2,174.3	1,560.0	1,620.0	78.5	187.4	228.5	429.8
Q2	17,135.4	6,423.7	430.8	5,550.1	2,448.6	1,552.8	1,471.1	77.7	211.5	231.3	446.0
	Transactions										
2004 Q1	146.6	27.8	-1.6	-5.0	-7.6	-15.8	22.4	-3.9	28.1	6.3	44.4
Q2	295.2	139.2	21.4	86.1	82.0	-14.7	20.7	-1.9	39.4	-7.8	-0.2
Q3	118.6	29.4	11.3	24.8	4.6	5.5	11.3	3.4	-19.7	13.0	1.7
Q4	152.1	168.5	30.2	159.4	65.2	49.9	38.9	5.4	-41.7	20.7	2.0
2005 Q1	153.6	14.9	-5.2	-4.0	7.4	-17.4	15.7	-9.7	25.0	-0.9	37.7
Q2	297.9	160.2	22.3	111.0	111.0	-10.1	11.0	-0.9	24.1	2.8	5.5
	Growth rates										
2004 Q1	4.4	5.3	20.9	4.3	8.8	-1.3	6.5	-23.0	5.9	8.0	26.2
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	13.8
2005 Q1	4.6	5.9	16.4	5.1	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	1.8	4.9	-2.1	-5.5	18.1	11.8

	Securities other than shares			Shares [2]				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	3,969.4	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	4,020.5	3,642.1	378.4
Q3	1,931.5	172.8	1,758.7	3,926.8	1,977.7	1,949.2	423.7	4,086.7	3,704.5	382.2
Q4	1,904.7	160.5	1,744.2	4,056.2	2,094.3	1,961.9	406.6	4,159.4	3,774.9	384.6
2005 Q1	1,938.4	161.6	1,776.8	4,204.1	2,191.6	2,012.5	414.9	4,270.3	3,876.8	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	68.3	58.7	9.6
Q2	40.2	17.5	22.6	58.2	56.5	1.7	-0.4	57.6	53.2	4.4
Q3	16.1	0.1	16.0	10.9	7.1	3.8	-2.0	62.2	58.4	3.8
Q4	-21.2	-16.1	-5.2	-56.2	-45.1	-11.0	-15.5	60.9	58.5	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	61.4	57.6	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)

	Total	Loans taken from euro area MFIs and other financial corporations by											Memo: loans taken from banks outside the euro area by non-banks
		Total		General government			Non-financial corporations			Households [1]			
			Taken from euro area MFIs	Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
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	289.3
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	284.2
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	290.6
2005 Q1	18,121.4	9,009.3	7,879.0	924.3	77.5	846.8	3,812.9	1,192.7	2,620.2	4,272.1	294.6	3,977.5	332.8
Q2	18,636.4	9,214.9	8,103.8	923.8	82.4	841.5	3,905.7	1,240.6	2,665.1	4,385.3	305.1	4,080.3	359.8
	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	-2.9
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	-1.9
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	15.8
2005 Q1	233.1	90.0	88.3	-4.3	-3.4	-0.9	29.3	5.4	23.9	65.1	1.0	64.1	35.2
Q2	315.3	195.0	185.8	-1.1	4.9	-5.9	86.3	38.9	47.4	109.9	10.4	99.4	18.3
	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	22.0
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	29.2
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	13.7
Q2	4.7	5.8	6.6	-0.9	-10.0	0.0	4.6	4.4	4.7	8.5	5.4	8.7	23.3

	Securities other than shares issued by							Quoted shares issued by non-financial corporations	Deposit liabilities of central government	Pension fund reserves of non-financial corporations
	Total	General government			Non-financial corporations					
		Total	Short-term	Long-term	Total	Short-term	Long-term			
	14	15	16	17	18	19	20	21	22	23
	Outstanding amounts									
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	61.2	511.3	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	-5.3	2.2	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	6.7	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	1.8	5.7	23.8	-3.0	-7.4	-6.9	-7.5	10.5	0.0	11.0

	Main financial assets					Main liabilities							
	Shares [1]				Prepayments of insurance premiums and reserves for outstanding claims	Total	Loans taken from euro area MFIs and other financial corporations		Securities other than shares	Quoted shares	Insurance technical reserves		
	Total	Quoted shares	Mutual fund shares	Money market fund shares/ 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	15	16	17	18	19	20	21	22	23	24	25
	Outstanding amounts												
2004 Q1	1,363.7	657.2	706.5	66.0	134.4	4,176.3	84.5	46.3	23.8	191.5	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	4,370.9	79.5	48.6	23.8	207.9	4,059.8	3,461.9	597.9
2005 Q1	1,488.9	715.0	773.9	70.3	142.4	4,512.3	90.0	58.2	23.7	220.3	4,178.3	3,564.1	614.2
Q2	1,557.6	745.6	812.0	90.4	144.6	4,626.7	92.7	63.8	23.9	223.7	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	84.0	9.6	8.6	0.4	0.0	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	4.7	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	1.2	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	1.4	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 [1]	Non-produced assets	Total	Monetary gold and SDRs	Currency and deposits	Securities other than shares [2]	Loans	Shares and other equity	Insurance technical reserves	Other investment (net) [3]
	1	2	3	4	5	6	7	8	9	10	11	12	13
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	3,341.8	-2.2	361.6	343.3	780.7	1,549.6	252.7	56.0
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 [4]				Net incurrence of liabilities					
	Total	Gross saving	Consumption of fixed capital (-)	Net capital transfers receivable	Total	Currency and deposits	Securities other than shares [2]	Loans	Shares and other equity	Insurance technical reserves
	14	15	16	17	18	19	20	21	22	23
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	3,307.1	502.7	466.3	874.1	1,205.8	257.9
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 [4]		Net incurrence of liabilities			
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares [2]	Loans	Shares and other equity	Total	Gross saving	Total	Securities other than shares [2]	Loans	Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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	971.7	73.7	68.7	245.2	546.1	83.3	556.7	1,199.1	66.9	615.5	505.0
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 [5]

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth [4]		Net incurrence of liabilities		Memo:	
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares [2]	Shares and other equity	Insurance technical reserves	Total	Gross saving	Total	Loans	Disposable income	Gross saving ratio [6]
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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	441.0	67.0	45.3	124.7	246.9	418.9	608.4	223.1	221.1	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.

4 FINANCIAL MARKETS

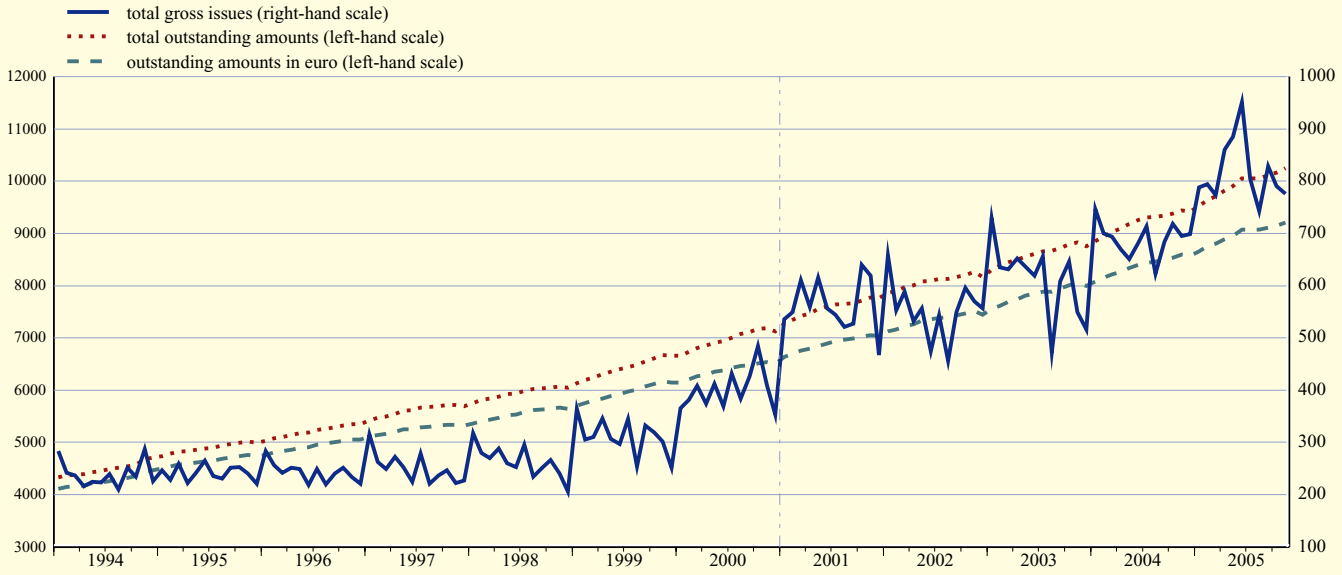
4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

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

	Total in euro [1]			By euro area residents								
				In euro			In all currencies					
	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted [2]	
											Net issues	6-month growth rates
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2004 Nov.	10,028.3	724.7	85.8	8,597.6	656.8	56.6	9,441.8	695.0	59.5	7.1	62.8	6.9
Dec.	10,032.1	725.0	3.8	8,575.5	666.5	-22.3	9,414.3	698.8	-23.6	7.6	76.2	6.9
2005 Jan.	10,097.5	791.4	61.9	8,653.2	740.6	74.2	9,526.8	787.7	90.4	7.5	52.4	7.2
Feb.	10,217.5	818.1	119.2	8,760.7	752.0	106.8	9,640.4	794.6	116.9	7.8	81.6	7.9
Mar.	10,326.0	822.2	107.4	8,806.3	728.0	44.4	9,709.1	774.0	54.7	7.4	36.1	7.6
Apr.	10,383.9	861.6	58.0	8,892.9	814.5	86.6	9,820.1	861.0	102.8	7.8	87.7	8.6
May	10,449.0	899.6	66.3	8,953.4	844.7	61.5	9,910.5	884.4	66.1	7.5	36.4	8.0
June	10,640.3	1,024.6	191.5	9,076.5	900.9	123.6	10,049.2	950.6	133.2	8.1	136.4	9.2
July	10,612.5	813.4	-28.0	9,079.3	762.7	2.8	10,055.5	804.1	5.9	7.6	2.9	8.1
Aug.	10,619.2	756.7	3.0	9,071.2	704.0	-11.9	10,056.5	743.2	-3.6	7.4	34.3	7.0
Sep.	10,720.3	895.4	102.5	9,108.0	787.0	38.0	10,111.4	828.2	46.8	7.4	46.1	7.2
Oct.	.	.	.	9,144.8	744.4	37.1	10,165.9	790.9	53.8	7.5	52.4	6.4
Nov.	.	.	.	9,203.8	731.0	60.6	10,253.7	776.1	75.3	7.6	76.1	7.2
	Long-term											
2004 Nov.	9,087.0	171.3	71.9	7,749.8	140.8	51.9	8,494.8	157.7	61.3	7.6	65.4	7.3
Dec.	9,111.8	149.5	24.5	7,766.3	125.6	15.9	8,502.2	137.0	15.8	7.8	62.1	7.3
2005 Jan.	9,181.5	205.4	65.7	7,827.5	181.7	57.1	8,589.6	201.9	67.7	8.0	68.3	8.0
Feb.	9,297.2	224.1	115.4	7,924.6	183.8	96.9	8,692.5	203.0	105.6	8.2	75.8	8.8
Mar.	9,372.2	204.9	74.9	7,975.1	165.3	50.2	8,759.9	185.7	58.1	8.2	48.0	8.7
Apr.	9,426.8	185.9	54.9	8,035.7	166.8	60.6	8,839.5	184.7	72.0	8.4	67.8	9.4
May	9,497.1	183.4	70.8	8,096.9	153.9	61.5	8,927.8	169.4	67.8	8.0	40.9	8.7
June	9,678.8	304.1	181.7	8,241.7	236.9	145.2	9,092.3	259.5	155.3	8.9	142.9	10.6
July	9,673.4	155.2	-5.7	8,235.0	131.5	-6.9	9,088.8	146.1	-2.3	8.4	-2.6	8.8
Aug.	9,671.3	85.9	-5.6	8,221.0	62.7	-17.6	9,085.4	76.2	-10.1	8.1	21.1	7.4
Sep.	9,741.4	190.4	70.9	8,264.6	144.0	44.2	9,146.1	163.4	55.6	8.0	48.5	7.4
Oct.	.	.	.	8,282.9	137.9	19.2	9,181.3	159.8	32.4	8.0	42.6	6.7
Nov.	.	.	.	8,346.9	130.2	64.8	9,270.1	151.0	79.8	8.2	82.5	7.7

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	592	3,923	219	7,349	4,626	245	912	1,479	87
2004	9,414	3,714	735	595	4,120	250	8,276	5,480	222	1,028	1,464	83
2004 Q4	9,414	3,714	735	595	4,120	250	2,112	1,496	84	228	284	20
2005 Q1	9,709	3,850	755	607	4,238	259	2,356	1,621	50	248	412	25
Q2	10,049	3,994	830	619	4,342	266	2,696	1,884	109	281	399	23
Q3	10,111	4,045	843	617	4,337	270	2,375	1,731	50	251	323	21
2005 Aug.	10,056	4,031	826	619	4,313	268	743	573	8	81	77	4
Sep.	10,111	4,045	843	617	4,337	270	828	582	28	82	126	9
Oct.	10,166	4,088	858	627	4,321	273	791	564	26	85	108	7
Nov.	10,254	4,120	878	623	4,354	279	776	556	29	87	95	10
	Short-term											
2003	861	390	6	94	367	3	5,452	3,817	41	796	768	29
2004	912	447	7	90	362	5	6,338	4,574	44	931	756	33
2004 Q4	912	447	7	90	362	5	1,657	1,278	12	205	155	7
2005 Q1	949	457	8	105	374	5	1,766	1,327	12	229	188	9
Q2	957	462	7	105	377	5	2,082	1,628	11	258	178	8
Q3	965	475	7	99	379	5	1,990	1,560	12	234	175	9
2005 Aug.	971	481	7	102	376	5	667	528	4	77	56	3
Sep.	965	475	7	99	379	5	665	518	4	76	63	3
Oct.	985	490	7	102	380	5	631	489	4	75	61	3
Nov.	984	496	7	99	377	5	625	488	3	79	53	2
	Long-term [1]											
2003	7,890	2,963	658	498	3,556	216	1,897	809	203	115	711	58
2004	8,502	3,266	728	505	3,758	245	1,938	905	179	97	708	49
2004 Q4	8,502	3,266	728	505	3,758	245	456	218	72	24	129	13
2005 Q1	8,760	3,393	747	502	3,863	254	591	293	37	19	224	16
Q2	9,092	3,531	822	513	3,965	260	614	256	98	24	221	14
Q3	9,146	3,570	835	518	3,957	265	386	171	38	17	148	12
2005 Aug.	9,085	3,550	820	516	3,938	262	76	46	4	4	22	1
Sep.	9,146	3,570	835	518	3,957	265	163	64	24	6	63	6
Oct.	9,181	3,597	851	525	3,941	267	160	76	23	10	47	4
Nov.	9,270	3,624	872	524	3,976	274	151	68	26	8	42	8
	Of which long-term fixed rate											
2003	6,118	1,885	406	422	3,240	165	1,287	415	114	91	626	41
2004	6,381	1,929	416	414	3,436	186	1,193	408	69	61	620	36
2004 Q4	6,381	1,929	416	414	3,436	186	259	93	26	15	117	9
2005 Q1	6,518	1,968	426	409	3,518	196	386	137	21	15	199	15
Q2	6,675	2,003	445	416	3,608	203	343	101	28	15	187	12
Q3	6,674	2,014	436	415	3,602	207	235	80	8	8	133	8
2005 Aug.	6,651	2,003	437	416	3,589	205	46	24	2	2	17	1
Sep.	6,674	2,014	436	415	3,602	207	97	32	3	1	56	4
Oct.	6,692	2,032	439	420	3,592	209	106	44	8	8	43	3
Nov.	6,733	2,035	441	416	3,627	215	83	27	6	3	40	7
	Of which long-term variable rate											
2003	1,579	959	249	59	261	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	290	58	168	130	16	3	17	2
Q2	2,115	1,292	374	83	308	57	236	128	70	7	28	3
Q3	2,162	1,309	396	86	312	58	123	75	30	6	8	5
2005 Aug.	2,130	1,301	379	85	308	57	23	17	2	1	2	0
Sep.	2,162	1,309	396	86	312	58	57	27	21	3	4	3
Oct.	2,170	1,313	408	87	304	58	46	25	14	2	3	1
Nov.	2,208	1,326	427	90	305	59	57	30	20	4	2	1

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

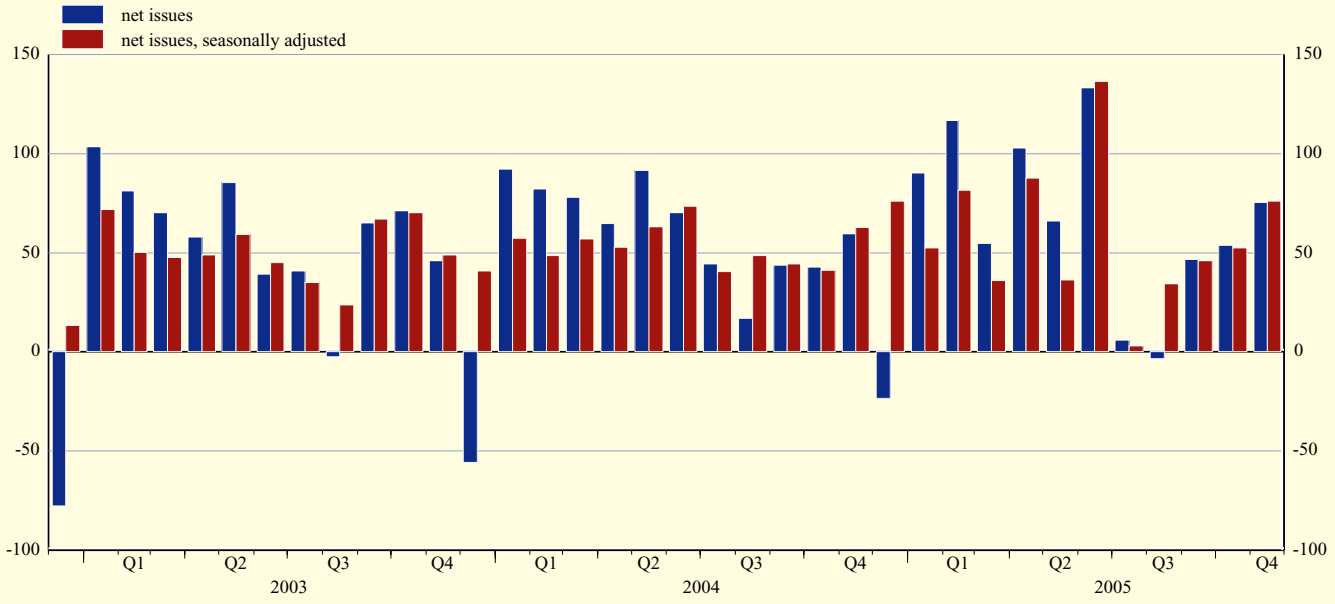
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

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	602.0	213.5	118.1	53.7	176.7	39.9	607.9	214.9	115.6	53.8	183.4	40.2
2004	662.5	350.8	74.3	8.3	197.6	31.5	666.5	353.6	72.4	8.0	200.8	31.7
2004 Q4	78.7	72.3	50.5	-4.8	-47.6	8.4	180.2	100.6	36.5	0.6	34.6	7.9
2005 Q1	261.9	114.8	13.2	13.7	111.3	9.0	170.1	72.3	29.3	10.2	50.0	8.3
Q2	302.1	118.1	71.2	8.8	98.1	6.0	260.5	122.5	64.1	4.9	63.5	5.5
Q3	49.0	36.8	13.4	-0.8	-4.8	4.5	83.4	48.3	19.5	1.0	8.3	6.3
2005 Aug.	-3.6	10.4	-3.2	0.8	-11.1	-0.5	34.3	28.4	7.1	2.8	-4.9	0.8
Sep.	46.8	6.6	16.6	-1.4	22.6	2.3	46.1	9.5	19.4	3.0	12.1	2.2
Oct.	53.8	42.0	15.1	9.6	-15.4	2.6	52.4	32.3	18.1	7.5	-6.6	1.1
Nov.	75.3	21.4	19.8	-3.1	30.9	6.3	76.1	22.7	15.9	-3.0	34.8	5.7
	Long-term											
2003	546.3	202.4	118.8	51.3	133.3	40.5	547.4	203.1	116.4	51.2	135.9	40.8
2004	615.1	298.2	72.9	11.9	202.4	29.7	618.3	299.2	71.1	11.8	206.2	30.0
2004 Q4	105.4	47.6	49.2	4.9	-5.4	9.1	164.1	74.4	35.3	3.7	41.8	8.9
2005 Q1	231.4	111.8	12.8	-1.2	99.3	8.7	192.1	85.5	29.1	3.1	66.8	7.5
Q2	295.1	112.9	71.5	8.7	96.0	6.1	251.6	111.0	64.1	3.5	67.3	5.8
Q3	43.2	26.7	13.7	5.9	-7.6	4.5	67.0	27.7	19.8	7.8	5.5	6.2
2005 Aug.	-10.1	2.0	-2.6	1.6	-10.7	-0.5	21.1	13.0	7.9	4.1	-4.4	0.5
Sep.	55.6	15.7	16.3	2.3	19.0	2.3	48.5	12.9	18.6	4.6	10.5	2.0
Oct.	32.4	24.2	15.6	6.2	-16.3	2.7	42.6	24.1	18.6	5.5	-6.7	1.2
Nov.	79.8	19.5	19.8	0.2	33.7	6.5	82.5	26.9	16.1	-0.8	34.4	6.0

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

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



Source: ECB.

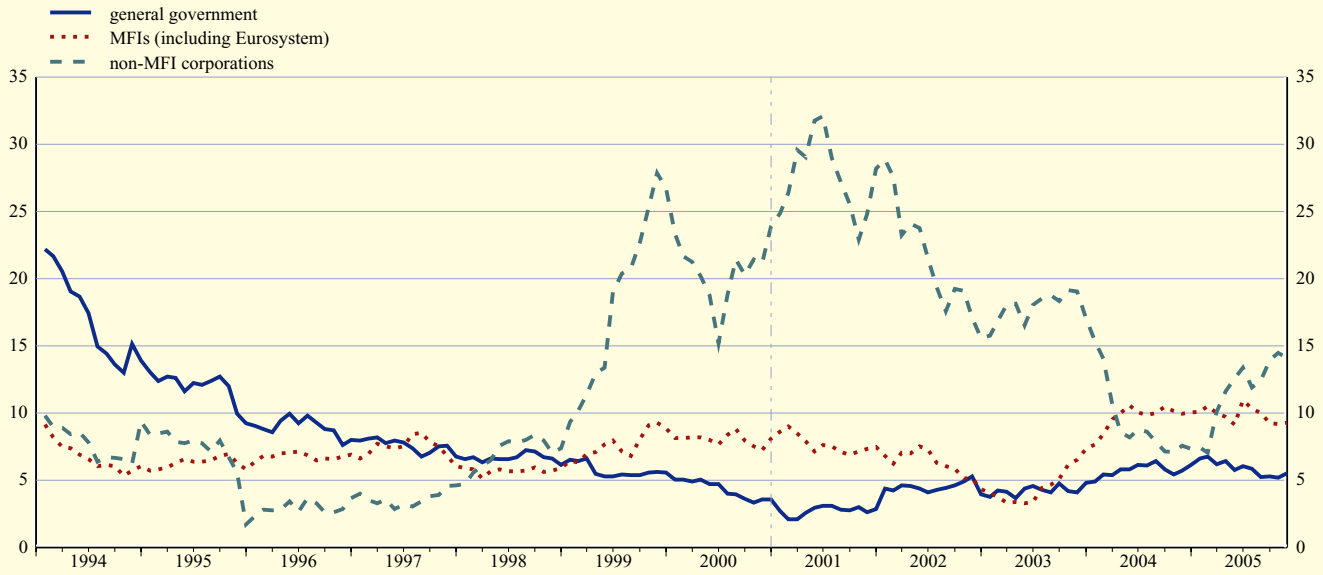
4.3 Growth rates of securities, other than shares, issued by euro area residents [1)]

(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 Nov.	7.1	9.6	10.3	3.3	4.7	14.5	6.9	8.8	17.0	4.1	3.8	13.0
Dec.	7.6	10.4	11.2	1.4	5.0	14.4	6.9	10.4	13.4	0.9	3.6	10.7
2005 Jan.	7.5	9.8	11.0	2.6	5.1	15.1	7.2	9.4	15.2	0.4	4.4	16.1
Feb.	7.8	10.5	11.2	2.9	5.3	13.0	7.9	10.2	15.9	2.6	4.9	15.6
Mar.	7.4	9.7	14.4	4.3	4.6	11.9	7.6	9.7	19.9	3.6	4.1	13.7
Apr.	7.8	9.9	15.9	5.4	4.7	12.7	8.6	10.4	19.6	6.0	5.3	15.6
May	7.5	9.3	18.4	4.7	4.2	11.7	8.0	9.8	19.8	5.3	4.6	10.4
June	8.1	10.5	20.1	3.0	4.6	11.1	9.2	10.6	27.2	5.1	5.5	11.3
July	7.6	10.0	18.8	1.5	4.3	12.7	8.1	10.7	22.6	2.5	4.1	9.4
Aug.	7.4	10.0	18.9	2.2	3.7	11.8	7.0	9.8	22.3	1.8	2.7	8.3
Sep.	7.4	9.3	21.5	2.8	3.8	11.5	7.2	9.1	23.2	2.0	3.4	9.3
Oct.	7.5	9.4	21.8	4.0	3.6	11.8	6.4	8.4	24.2	2.0	2.0	8.2
Nov.	7.6	9.4	21.4	2.9	4.0	11.7	7.2	8.8	22.9	0.7	3.5	13.1
	Long-term											
2004 Nov.	7.6	9.9	10.4	3.9	5.2	13.5	7.3	8.5	16.9	7.9	4.2	12.1
Dec.	7.8	10.0	11.1	2.4	5.7	13.8	7.3	9.7	12.8	5.9	4.2	10.9
2005 Jan.	8.0	10.1	10.9	2.8	6.1	14.8	8.0	9.8	14.7	2.6	5.5	16.0
Feb.	8.2	10.5	10.9	1.8	6.4	12.6	8.8	10.8	15.5	2.6	6.3	15.6
Mar.	8.2	10.0	14.2	4.6	5.8	11.5	8.7	10.2	19.7	2.7	5.9	14.3
Apr.	8.4	9.7	15.6	6.1	6.0	12.6	9.4	10.0	19.2	3.0	7.5	16.2
May	8.0	9.1	18.3	4.9	5.4	11.7	8.7	9.8	19.6	1.8	6.6	11.3
June	8.9	11.0	19.9	4.3	5.7	11.1	10.6	12.2	27.4	2.7	7.2	11.1
July	8.4	10.3	18.6	2.7	5.4	13.0	8.8	10.8	22.8	2.7	5.2	10.0
Aug.	8.1	10.0	19.0	3.5	4.8	12.1	7.4	9.2	22.8	4.4	3.4	8.8
Sep.	8.0	9.2	21.5	3.6	4.8	12.0	7.4	8.3	23.5	4.5	3.8	9.7
Oct.	8.0	9.2	21.9	4.2	4.7	12.2	6.7	8.3	24.8	5.4	2.0	8.4
Nov.	8.2	9.3	21.5	3.6	5.1	12.4	7.7	8.8	23.4	5.4	3.6	13.5

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.

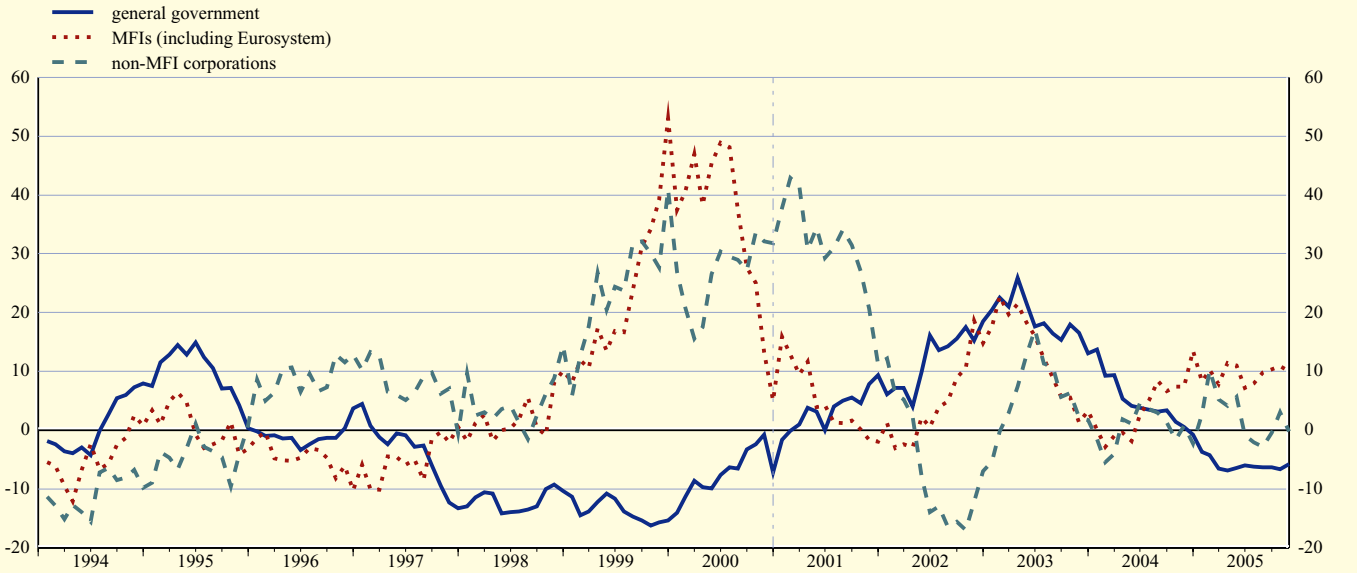
4.3 Growth rates of securities, other than shares, issued by euro area residents [1] (cont'd)

(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	8.4	8.3	51.4	-13.4	-9.6	43.1
2004	5.1	3.1	6.4	3.3	5.8	14.7	16.3	18.5	27.2	8.6	0.6	26.4
2004 Q4	4.3	2.4	2.6	0.7	5.7	12.3	17.8	20.2	22.6	29.8	2.3	18.7
2005 Q1	4.7	2.8	3.9	-1.2	6.3	13.7	18.3	19.4	23.8	27.8	7.7	12.3
Q2	4.8	2.5	6.1	1.3	5.8	14.7	19.4	19.0	34.9	26.6	8.5	3.1
Q3	4.5	3.0	6.6	0.6	5.0	15.6	20.6	19.6	38.8	17.7	11.3	1.6
2005 June	4.8	3.1	7.5	0.7	5.5	14.6	22.0	21.5	39.1	26.3	10.8	0.2
July	4.6	3.0	6.3	0.3	5.2	16.4	20.6	20.4	37.2	15.2	10.1	2.0
Aug.	4.5	3.1	6.4	0.9	5.0	15.7	19.9	19.1	38.0	16.0	10.2	0.8
Sep.	4.2	3.0	6.7	0.3	4.5	14.6	20.8	17.3	43.5	18.4	16.2	3.5
Oct.	4.7	4.1	7.0	1.1	4.7	15.3	18.7	15.1	43.6	17.9	11.3	2.3
Nov.	4.9	4.3	5.2	0.0	5.2	16.1	18.5	14.6	44.8	19.4	10.2	0.9
	In euro											
2003	4.6	0.1	20.5	12.5	4.2	21.3	8.5	7.6	51.4	-8.9	-9.6	43.6
2004	4.8	1.3	10.4	2.0	5.9	14.7	15.7	17.8	27.3	8.9	0.5	25.3
2004 Q4	4.0	0.3	6.3	-0.9	5.8	12.5	17.2	19.7	22.8	27.4	2.3	18.1
2005 Q1	4.3	0.5	7.8	-2.5	6.2	13.7	17.5	18.3	24.1	26.8	7.8	12.9
Q2	4.4	0.3	10.1	0.8	5.8	15.1	18.9	18.0	34.9	24.7	8.9	3.7
Q3	4.2	1.0	10.2	0.3	4.9	16.0	20.4	18.9	38.4	18.5	11.8	2.5
2005 June	4.5	0.9	11.6	0.5	5.4	15.1	21.9	21.2	38.9	24.2	11.4	1.3
July	4.2	0.9	10.0	-0.2	5.0	17.0	20.5	19.8	37.0	16.3	10.6	3.0
Aug.	4.1	1.0	9.9	0.7	4.8	16.2	19.7	18.3	37.8	17.3	10.6	1.7
Sep.	3.8	1.0	9.9	0.1	4.3	14.8	20.2	15.9	41.7	19.8	16.9	4.3
Oct.	4.3	2.2	9.7	1.4	4.6	15.6	18.0	13.9	41.1	19.3	11.8	2.5
Nov.	4.5	2.2	7.2	-0.1	5.1	16.5	17.7	13.0	42.4	21.0	10.7	1.0

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 [1)]

(EUR billions, unless otherwise indicated; market values)

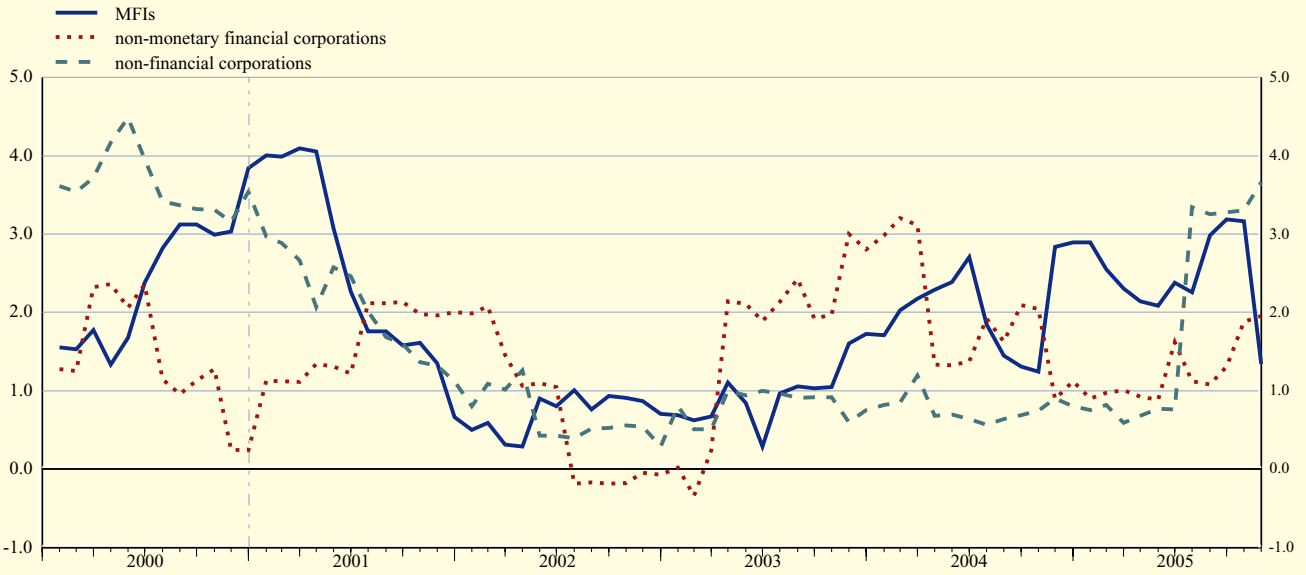
1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Non-monetary financial corporations		Non-financial corporations	
	Total	Index Dec. 01 = 100	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2003 Nov.	3,546.9	101.3	1.0	549.5	1.6	340.0	3.0	2,657.4	0.6
Dec.	3,647.4	101.4	1.1	569.5	1.7	351.0	2.8	2,726.9	0.8
2004 Jan.	3,788.6	101.5	1.2	584.1	1.7	375.1	3.0	2,829.4	0.8
Feb.	3,852.1	101.5	1.2	587.9	2.0	377.1	3.2	2,887.1	0.8
Mar.	3,766.5	101.8	1.5	571.9	2.2	357.7	3.1	2,836.9	1.2
Apr.	3,748.5	102.0	1.0	579.4	2.3	363.7	1.3	2,805.4	0.7
May	3,687.9	101.9	1.0	568.1	2.4	353.0	1.3	2,766.8	0.7
June	3,790.1	102.0	1.0	582.5	2.7	364.4	1.4	2,843.2	0.6
July	3,679.8	102.1	0.9	562.3	1.8	356.2	1.9	2,761.3	0.6
Aug.	3,621.2	102.0	0.9	562.5	1.4	355.3	1.6	2,703.4	0.6
Sep.	3,707.9	102.1	0.9	579.6	1.3	364.2	2.1	2,764.1	0.7
Oct.	3,787.6	102.2	0.9	598.0	1.2	374.6	2.0	2,815.0	0.7
Nov.	3,906.5	102.5	1.2	623.9	2.8	388.6	0.9	2,894.1	0.9
Dec.	4,033.8	102.6	1.2	643.7	2.9	407.7	1.1	2,982.4	0.8
2005 Jan.	4,138.0	102.6	1.1	662.6	2.9	414.2	0.9	3,061.3	0.8
Feb.	4,254.5	102.7	1.1	681.1	2.6	434.1	1.0	3,139.2	0.8
Mar.	4,242.4	102.7	0.9	677.7	2.3	424.0	1.0	3,140.7	0.6
Apr.	4,094.7	102.9	0.9	656.0	2.1	403.9	0.9	3,034.8	0.7
May	4,272.7	103.0	1.0	678.1	2.1	417.1	0.9	3,177.4	0.8
June	4,381.7	103.1	1.1	698.0	2.4	434.0	1.6	3,249.7	0.8
July	4,631.7	105.1	3.0	727.9	2.3	460.1	1.1	3,443.7	3.3
Aug.	4,606.4	105.1	3.0	723.4	3.0	450.3	1.1	3,432.6	3.3
Sep.	4,818.7	105.2	3.1	764.1	3.2	475.8	1.3	3,578.8	3.3
Oct.	4,651.0	105.4	3.1	752.4	3.2	473.0	1.9	3,425.7	3.3
Nov.	4,873.1	105.7	3.1	809.2	1.3	506.0	2.0	3,557.8	3.7

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 [1]

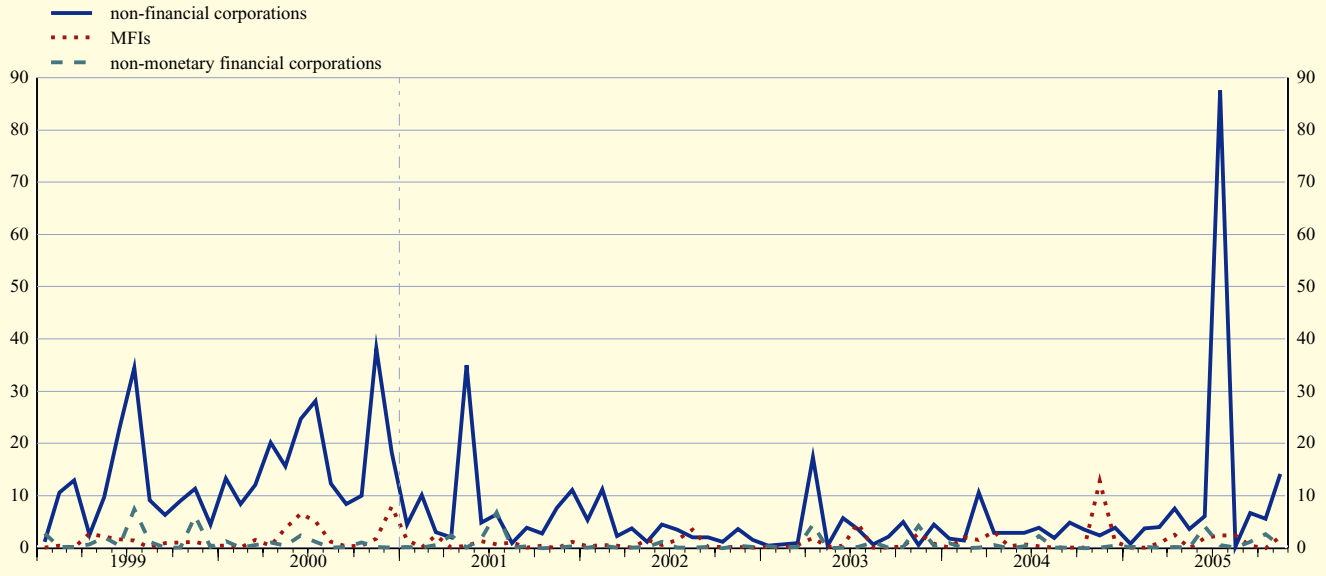
(EUR billions; market values)

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 Nov.	7.5	5.6	1.9	2.7	0.0	2.7	4.2	0.3	3.9	0.6	5.3	-4.6
Dec.	5.7	1.4	4.2	0.8	0.1	0.8	0.4	0.9	-0.5	4.5	0.5	4.0
2004 Jan.	2.9	1.0	1.8	0.1	0.0	0.1	0.9	0.0	0.9	1.8	1.0	0.8
Feb.	3.5	0.6	2.9	2.0	0.0	2.0	0.0	0.2	-0.2	1.4	0.3	1.1
Mar.	12.1	1.5	10.6	1.5	0.0	1.5	0.0	0.1	-0.1	10.6	1.3	9.3
Apr.	6.6	0.7	5.8	3.1	0.1	3.1	0.6	0.1	0.5	2.9	0.6	2.3
May	3.3	4.2	-0.9	0.3	0.0	0.3	0.0	0.0	0.0	2.9	4.2	-1.2
June	3.9	2.2	1.6	0.7	1.6	-0.9	0.3	0.0	0.2	2.9	0.6	2.3
July	6.4	3.9	2.5	0.4	0.0	0.4	2.2	0.0	2.2	3.8	3.9	0.0
Aug.	2.0	2.9	-0.9	0.1	2.2	-2.1	0.0	0.0	0.0	1.9	0.7	1.1
Sep.	5.0	2.3	2.7	0.1	0.9	-0.8	0.0	0.0	0.0	4.8	1.4	3.4
Oct.	3.5	0.8	2.8	0.1	0.0	0.1	0.0	0.0	0.0	3.5	0.8	2.7
Nov.	15.2	3.5	11.8	12.8	0.3	12.5	0.1	0.0	0.1	2.4	3.1	-0.8
Dec.	5.5	2.3	3.2	1.2	0.0	1.2	0.4	0.1	0.3	3.9	2.2	1.7
2005 Jan.	1.1	1.5	-0.4	0.1	0.0	0.1	0.2	0.0	0.2	0.8	1.5	-0.7
Feb.	4.0	0.7	3.4	0.1	0.0	0.1	0.2	0.1	0.1	3.8	0.6	3.2
Mar.	5.0	2.0	3.0	0.9	0.8	0.1	0.1	0.1	0.0	3.9	1.1	2.9
Apr.	10.3	2.3	8.1	2.5	0.0	2.5	0.2	0.0	0.2	7.6	2.2	5.3
May	3.7	2.5	1.2	0.0	0.0	0.0	0.0	0.2	-0.2	3.6	2.2	1.4
June	12.1	5.4	6.7	1.9	1.0	0.9	4.1	0.7	3.3	6.1	3.6	2.5
July	90.5	7.3	83.2	2.4	2.9	-0.4	0.5	0.0	0.5	87.5	4.4	83.1
Aug.	2.8	1.9	0.9	2.5	0.0	2.5	0.0	0.2	-0.1	0.4	1.8	-1.4
Sep.	8.2	1.8	6.5	0.4	0.0	0.4	1.1	0.0	1.1	6.7	1.7	5.0
Oct.	8.3	1.3	6.9	0.0	0.1	-0.1	2.7	0.0	2.7	5.6	1.2	4.4
Nov.	16.7	2.9	13.8	2.1	0.0	2.1	0.5	0.0	0.5	14.1	2.9	11.2

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 [1]	With agreed maturity			Redeemable at notice [1), 2)]		Overnight [1]	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2004 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	2.04	2.02	2.29	0.96	2.04	2.23	2.97	2.04
Oct.	0.69	1.98	2.28	2.16	1.96	2.27	0.97	2.04	2.58	3.44	2.02
Nov.	0.70	2.01	2.34	2.18	1.99	2.27	0.99	2.08	2.18	3.43	2.03

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

	Bank overdrafts [1]	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge [3]	By initial rate fixation				Annual percentage rate of charge [3]	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 and up to 10 years	Over 10 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
2004 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	6.50	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.	9.61	7.04	6.43	7.94	7.85	3.31	3.68	3.98	3.96	3.82	3.85	4.51	4.25
Oct.	9.64	6.82	6.36	7.99	7.75	3.33	3.67	3.99	3.95	3.82	3.89	4.50	4.28
Nov.	9.69	6.74	6.33	7.84	7.62	3.38	3.69	3.97	3.96	3.85	4.00	4.29	4.33

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

	Bank overdrafts [1]	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation		
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7
2004 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	3.29	4.10
Feb.	5.30	3.91	4.76	4.36	3.01	3.33	3.81
Mar.	5.28	3.90	4.50	4.32	3.02	3.47	4.11
Apr.	5.22	3.88	4.51	4.34	3.00	3.53	3.99
May	5.14	3.91	4.45	4.24	2.99	3.60	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	3.57	3.77
Aug.	5.04	3.91	4.45	4.13	2.87	3.52	3.81
Sep.	5.14	3.81	4.36	4.03	2.90	3.39	3.87
Oct.	5.10	3.88	4.43	4.01	2.88	3.58	3.80
Nov.	5.09	3.91	4.44	3.99	3.08	3.58	3.98

Source: ECB.

1) For this instrument category, new business and outstanding amounts coincide. End-of-period.

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

3) The annual percentage rate of charge covers the total cost of a loan. The total cost comprises an interest rate component and a component of other (related) charges, such as the cost of inquiries, administration, preparation of documents, guarantees, etc.

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

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

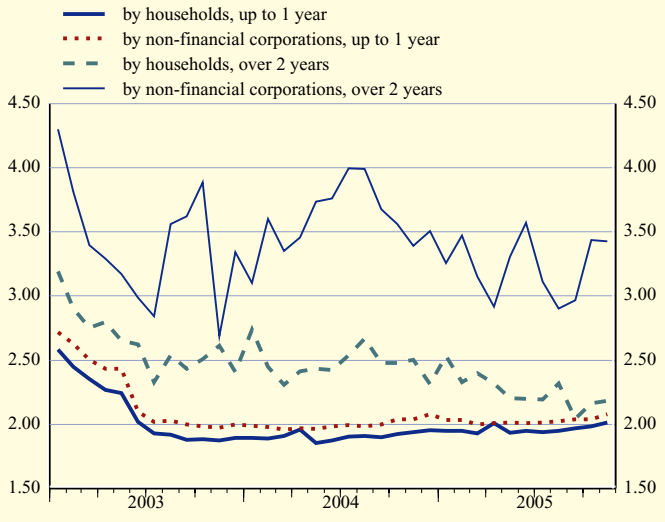
4. Interest rates on deposits (outstanding amounts)

	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight [1]	With agreed maturity		Redeemable at notice [1,2]		Overnight [1]	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2004 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	3.71	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	2.11	3.50	2.00
June	0.69	1.92	3.22	2.17	2.38	0.91	2.10	3.54	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
Oct.	0.69	1.93	3.17	1.96	2.27	0.97	2.12	3.48	2.03
Nov.	0.70	1.96	3.15	1.99	2.27	0.99	2.16	3.46	2.06

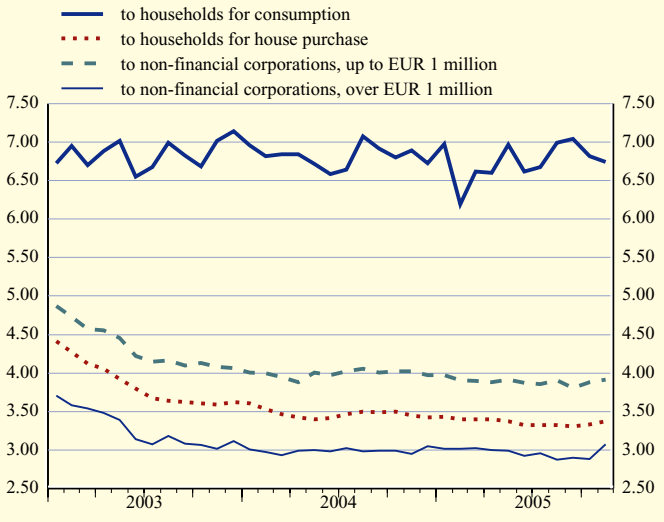
5. Interest rates on loans (outstanding amounts)

	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 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	4.32	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	4.59	7.94	6.85	5.70	4.25	3.78	4.26
Oct.	4.50	4.19	4.58	7.95	6.80	5.70	4.24	3.77	4.25
Nov.	4.51	4.17	4.53	7.88	6.77	5.70	4.29	3.79	4.25

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)

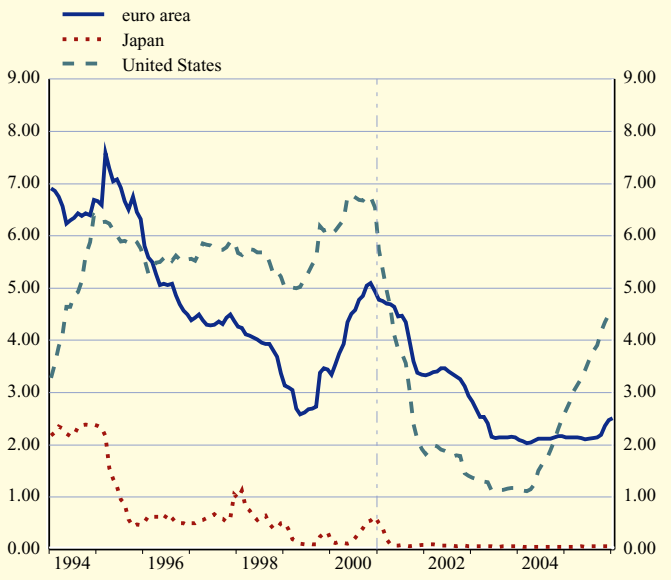
	Euro area [1]					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2003	2.32	2.35	2.33	2.31	2.34	1.22	0.06
2004	2.05	2.08	2.11	2.15	2.27	1.62	0.05
2005	2.09	2.14	2.19	2.24	2.33	3.56	0.06
2004 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
Q4	2.14	2.25	2.34	2.46	2.63	4.34	0.06
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	2.33	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
Dec.	2.28	2.41	2.47	2.60	2.78	4.49	0.07
2006 Jan.	2.33	2.39	2.51	2.65	2.83	4.60	0.07

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.

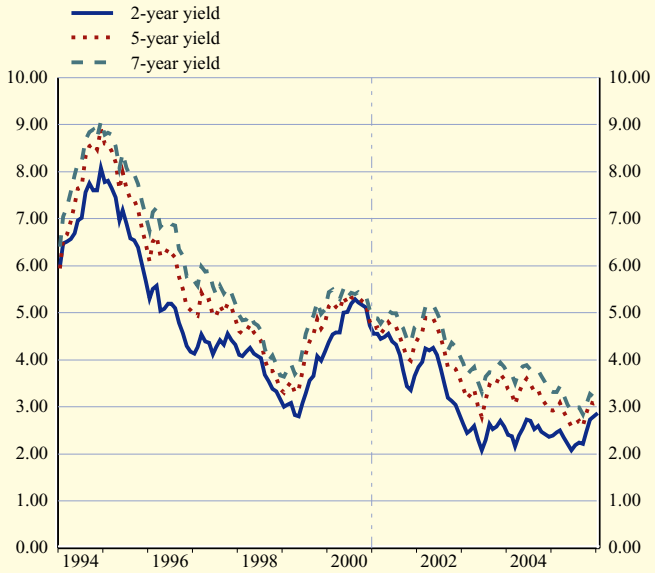
4.7 Government bond yields

(percentages per annum; period averages)

	Euro area [1]					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
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
2005	2.38	2.55	2.85	3.14	3.44	4.28	1.39
2004 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
Q4	2.66	2.79	3.01	3.18	3.42	4.48	1.53
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
Dec.	2.80	2.88	3.07	3.21	3.41	4.46	1.54
2006 Jan.	2.86	2.94	3.10	3.21	3.39	4.41	1.47

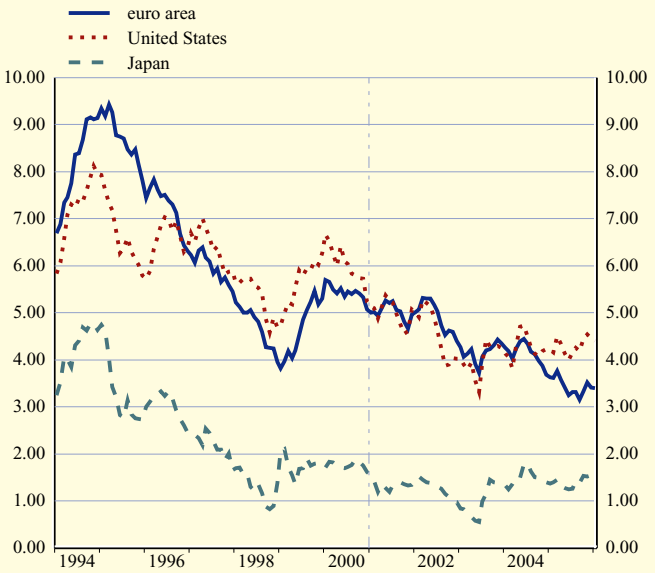
C23 Euro area government bond yields

(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.

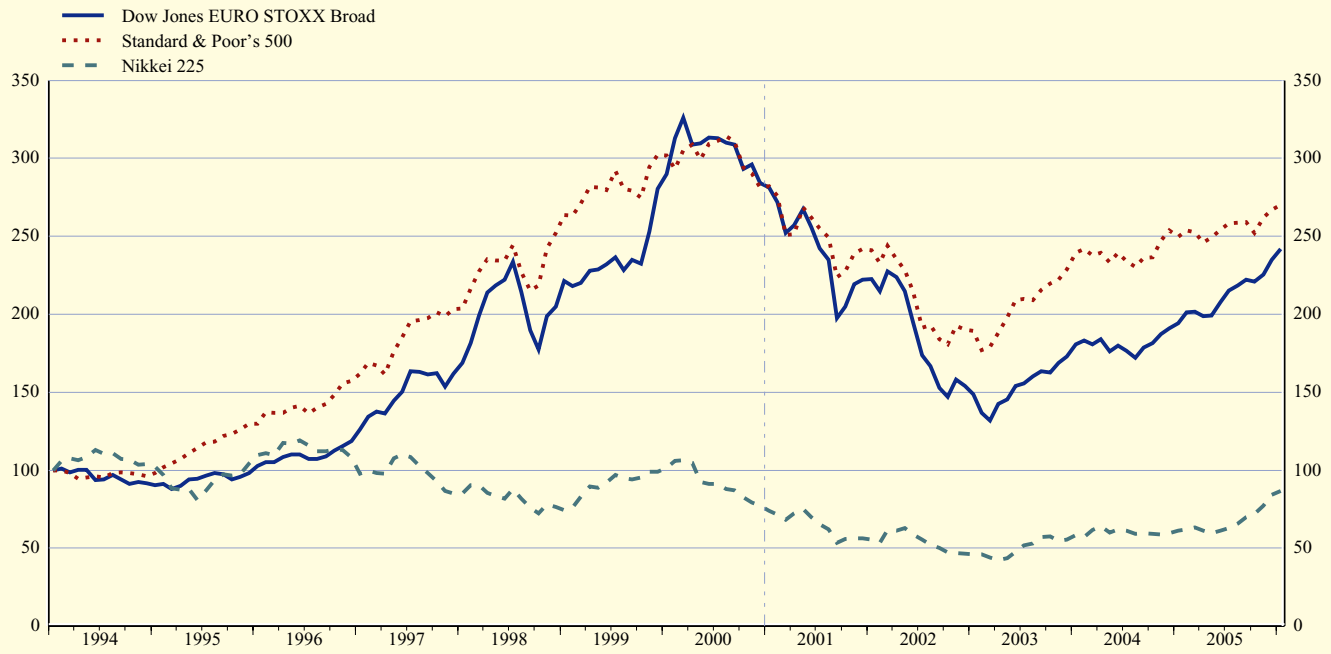
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices												United States	Japan
	Benchmark		Main industry indices											
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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
2005	293.8	3,208.6	307.0	181.3	245.1	378.6	287.7	307.3	297.2	334.1	433.1	457.0	1,207.4	12,421.3
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
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
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
Q4	315.2	3,433.1	334.0	185.5	262.8	411.8	316.8	327.6	325.0	358.6	423.4	478.3	1,231.6	14,487.0
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
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
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
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
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
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
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
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
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
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
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
Dec.	325.7	3,550.1	348.4	190.8	268.4	418.5	330.8	342.7	339.2	373.5	418.5	496.1	1,262.4	15,664.0
2006 Jan.	335.5	3,626.9	356.5	196.1	276.1	429.6	340.6	361.4	344.6	391.3	414.6	519.2	1,277.7	16,103.4

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 [1]	100.0	100.0	83.9	59.2	40.8	100.0	12.0	7.5	31.0	8.6	40.8
	1	2	3	4	5	6	7	8	9	10	11
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	-	-	-	-	-	-
2005	118.2	2.2	1.5	2.1	2.3	-	-	-	-	-	-
2004 Q4	116.6	2.3	2.0	2.1	2.7	0.5	0.3	0.1	0.1	1.8	0.6
2005 Q1	116.7	2.0	1.7	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	0.2	0.1	4.5	0.5
Q3	118.6	2.3	1.4	2.4	2.2	0.8	0.6	-0.2	0.0	5.6	0.6
Q4	119.3	2.3	1.5	2.5	2.1	0.5	0.7	0.7	0.3	0.4	0.5
2005 July	118.2	2.2	1.3	2.1	2.3	0.3	0.2	-0.5	-0.1	2.7	0.2
Aug.	118.5	2.2	1.3	2.2	2.2	0.3	0.2	0.4	0.0	1.3	0.2
Sep.	119.1	2.6	1.4	2.9	2.2	0.4	0.5	-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.	119.1	2.3	1.5	2.4	2.1	-0.2	0.1	0.5	0.1	-3.0	0.1
Dec.	119.5	2.2	1.4	2.4	2.1	0.1	0.2	0.7	0.0	-0.7	0.1

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy		Rents				
% of total [1]	19.6	12.0	7.5	39.6	31.0	8.6	10.3	6.4	6.3	2.9	14.6	6.6
	12	13	14	15	16	17	18	19	20	21	22	23
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
2005	1.5	2.0	0.8	2.4	0.3	10.1	2.6	2.0	2.7	-2.2	2.3	3.1
2004 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	1.2	1.6	0.8	2.1	0.3	8.8	2.7	2.1	2.4	-2.0	2.3	3.4
Q3	1.4	1.8	0.8	2.8	0.1	12.7	2.5	2.1	2.6	-2.2	2.3	3.0
Q4	1.9	2.2	1.4	2.7	0.4	11.1	2.4	1.9	2.7	-2.7	2.3	2.8
2005 July	1.1	1.6	0.3	2.6	0.0	11.7	2.5	2.1	2.7	-2.1	2.4	3.0
Aug.	1.4	1.7	1.0	2.5	0.0	11.5	2.6	2.1	2.6	-2.1	2.4	3.1
Sep.	1.8	2.3	1.0	3.4	0.2	15.0	2.5	2.1	2.6	-2.2	2.3	2.9
Oct.	1.9	2.4	1.1	2.9	0.3	12.1	2.5	1.9	2.9	-2.8	2.4	2.7
Nov.	2.2	2.6	1.5	2.5	0.4	10.0	2.4	1.9	2.8	-2.7	2.2	2.7
Dec.	1.7	1.8	1.5	2.7	0.4	11.2	2.5	2.0	2.6	-2.7	2.2	2.8

Sources: Eurostat and ECB calculations.

1) Referring to the index period 2005.

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										Construction [1]	Residential property prices [2]	World market prices of raw materials [3]		Oil prices [4] (EUR per barrel)
	Total (index 2000 = 100)	Total		Industry excluding construction and energy						Energy			Total		
			Manufacturing	Total	Intermediate goods	Capital goods	Consumer goods							Total excluding energy	
							Total	Durable	Non-durable						
% of total [5]	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
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	7.0	18.4	10.8	30.5
2005	.	.	.	.	.	.	.	.	.	.	.	.	28.5	9.4	44.6
2004 Q4	107.2	3.8	4.0	2.8	5.5	1.2	1.2	1.1	1.2	8.5	3.5	7.2 [6]	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	7.7 [6]	22.4	2.2	42.2
Q3	110.8	4.2	3.0	1.3	1.7	1.2	0.9	1.2	0.9	15.7	.	-	33.5	11.6	50.9
Q4	.	.	.	.	.	.	.	.	.	.	.	.	34.2	23.2	48.6
2005 Aug.	110.8	4.0	2.9	1.3	1.7	1.1	0.9	1.2	0.9	15.2	-	-	32.4	11.9	52.0
Sep.	111.3	4.4	3.2	1.3	1.6	1.2	1.1	1.2	1.1	16.6	-	-	33.9	13.2	52.2
Oct.	112.0	4.2	2.8	1.4	1.5	1.2	1.3	1.3	1.3	15.2	-	-	23.1	17.4	49.3
Nov.	111.7	4.2	2.7	1.5	1.7	1.0	1.4	1.2	1.5	14.7	-	-	33.0	22.5	47.9
Dec.	.	.	.	.	.	.	.	.	.	.	-	-	48.6	29.8	48.5
2006 Jan.	.	.	.	.	.	.	.	.	.	.	-	-	42.9	22.8	52.5

3. Hourly labour costs [7]

	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 [5]	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	3.9	4.0	3.7	3.7	3.9	4.0	2.6
2002	107.5	3.5	3.3	4.5	3.2	4.3	3.6	2.7
2003	110.7	3.0	2.8	3.8	3.0	3.9	2.8	2.4
2004	113.6	2.5	2.3	3.0	2.8	3.3	2.3	2.1
2004 Q3	114.0	2.4	2.3	2.7	2.4	3.3	2.3	2.0
Q4	114.7	2.4	1.9	4.0	2.8	2.9	2.1	2.0
2005 Q1	115.5	3.2	2.6	4.6	3.3	3.1	3.2	2.2
Q2	116.1	2.5	2.2	3.2	2.7	2.2	2.4	2.1
Q3	116.8	2.2	2.1	2.7	2.5	1.5	2.1	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					
			Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
	Unit labour costs [1]							
2001	102.3	2.3	1.6	1.4	2.3	1.4	4.0	2.6
2002	104.5	2.2	1.5	1.1	3.0	1.6	3.0	2.9
2003	106.4	1.8	2.8	1.0	1.6	1.6	1.8	2.8
2004	107.4	0.9	-7.4	-0.2	2.3	0.5	2.0	1.7
2004 Q3	107.3	0.4	-8.8	-1.4	3.5	0.8	2.3	0.4
Q4	107.9	1.0	-5.6	0.8	3.1	0.3	1.9	1.3
2005 Q1	108.2	1.1	0.7	0.2	3.9	0.7	1.6	1.5
Q2	108.3	0.9	3.3	-0.3	2.4	0.9	2.3	1.3
Q3	108.1	0.7	1.0	-0.2	1.2	0.2	2.0	1.7
	Compensation per employee							
2001	102.7	2.7	1.3	2.5	3.1	2.5	2.6	3.0
2002	105.3	2.5	3.1	2.6	3.2	2.2	1.9	2.9
2003	107.7	2.3	0.9	2.7	2.5	2.0	1.8	2.6
2004	109.9	2.0	0.5	3.0	3.3	1.5	1.3	2.1
2004 Q3	109.9	1.5	0.4	2.3	3.1	1.6	1.6	0.8
Q4	110.3	1.7	1.8	2.4	3.2	1.6	1.1	1.5
2005 Q1	111.0	1.5	2.7	1.7	2.5	1.9	1.6	1.0
Q2	111.5	1.4	2.6	1.8	3.1	2.0	2.0	0.3
Q3	111.7	1.6	1.3	2.2	3.5	1.9	1.8	0.7
	Labour productivity [2]							
2001	100.5	0.5	-0.2	1.1	0.8	1.1	-1.4	0.4
2002	100.7	0.2	1.5	1.5	0.2	0.6	-1.1	0.0
2003	101.2	0.5	-1.8	1.7	0.9	0.4	0.0	-0.2
2004	102.3	1.1	8.5	3.2	1.0	1.0	-0.7	0.4
2004 Q3	102.3	1.1	10.0	3.7	-0.5	0.8	-0.7	0.4
Q4	102.3	0.7	7.8	1.6	0.1	1.3	-0.8	0.1
2005 Q1	102.6	0.4	2.0	1.5	-1.3	1.2	0.0	-0.5
Q2	102.9	0.5	-0.7	2.1	0.8	1.1	-0.3	-1.0
Q3	103.3	0.9	0.3	2.4	2.3	1.6	-0.1	-1.0

5. Gross domestic product deflators

	Total (s.a. index 2000 = 100)	Total	Domestic demand				Exports [3]	Imports [3]
			Total	Private consumption	Government consumption	Gross fixed capital formation		
	1	2	3	4	5	6	7	8
2001	102.4	2.4	2.2	3.0	2.5	1.5	1.2	0.8
2002	104.9	2.5	2.0	1.9	2.7	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	1.9	2.1	2.4	1.2	1.5
2004 Q3	109.2	1.7	2.0	2.0	1.1	2.9	2.1	3.0
Q4	109.7	1.8	2.2	1.9	2.0	3.1	2.4	3.8
2005 Q1	110.1	1.9	2.1	1.8	1.9	3.0	2.9	3.6
Q2	110.6	1.6	1.8	1.7	1.3	2.5	2.2	3.1
Q3	110.9	1.5	2.1	2.0	1.8	2.4	2.3	4.2

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 [1]		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories [2]	Total	Exports [1]	Imports [1]
	1	2	3	4	5	6	7	8	9
	Current prices (EUR billions, seasonally adjusted)								
2001	6,996.6	6,885.0	4,028.9	1,388.0	1,465.0	3.1	111.6	2,587.3	2,475.8
2002	7,240.2	7,050.8	4,146.2	1,462.5	1,455.6	-13.5	189.4	2,622.7	2,433.3
2003	7,439.2	7,275.9	4,273.1	1,520.5	1,483.2	-0.9	163.3	2,625.5	2,462.2
2004	7,714.1	7,552.2	4,418.4	1,569.4	1,546.0	18.4	161.9	2,815.0	2,653.1
2004 Q3	1,936.9	1,898.3	1,106.8	393.3	389.2	9.0	38.7	714.8	676.2
Q4	1,948.7	1,916.8	1,120.0	394.5	393.8	8.5	31.9	721.6	689.7
2005 Q1	1,962.9	1,926.9	1,124.8	398.3	394.6	9.3	36.0	719.6	683.6
Q2	1,979.6	1,949.1	1,133.6	403.0	401.6	10.9	30.6	738.3	707.8
Q3	1,997.9	1,970.9	1,145.5	406.3	409.9	9.2	27.0	769.4	742.4
	percentage of GDP								
2004	100.0	97.9	57.3	20.3	20.0	0.2	2.1	-	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [3])								
	quarter-on-quarter percentage changes								
2004 Q3	0.3	0.6	0.2	0.2	0.3	-	-	1.1	2.0
Q4	0.2	0.6	0.8	-0.1	0.6	-	-	0.4	1.4
2005 Q1	0.3	0.1	0.1	0.3	0.1	-	-	-0.7	-1.3
Q2	0.4	0.5	0.2	0.6	0.9	-	-	2.2	2.5
Q3	0.6	0.4	0.3	0.7	1.3	-	-	3.3	2.8
	annual percentage changes								
2001	1.9	1.2	1.3	2.3	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	1.7	0.8	-	-	1.2	3.0
2004	2.1	2.0	1.6	1.2	2.3	-	-	6.5	6.6
2004 Q3	1.9	2.3	1.2	1.1	2.0	-	-	6.2	7.7
Q4	1.6	2.0	1.9	0.7	1.7	-	-	5.9	7.2
2005 Q1	1.2	1.6	1.3	0.8	1.3	-	-	3.3	4.5
Q2	1.2	1.8	1.3	1.0	1.9	-	-	3.0	4.6
Q3	1.6	1.6	1.5	1.4	2.9	-	-	5.2	5.4
	contributions to quarter-on-quarter percentage changes of GDP in percentage points								
2004 Q3	0.3	0.6	0.1	0.0	0.1	0.3	-0.3	-	-
Q4	0.2	0.5	0.5	0.0	0.1	0.0	-0.3	-	-
2005 Q1	0.3	0.1	0.1	0.1	0.0	0.0	0.2	-	-
Q2	0.4	0.5	0.1	0.1	0.2	0.1	-0.1	-	-
Q3	0.6	0.4	0.2	0.1	0.3	-0.2	0.2	-	-
	contributions to annual percentage changes of GDP in percentage points								
2001	1.9	1.2	0.8	0.4	0.1	-0.1	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	0.5	0.4	0.1	-	-
2004 Q3	1.9	2.2	0.7	0.2	0.4	0.9	-0.3	-	-
Q4	1.6	1.9	1.1	0.1	0.3	0.4	-0.3	-	-
2005 Q1	1.2	1.6	0.7	0.2	0.3	0.5	-0.3	-	-
Q2	1.2	1.7	0.8	0.2	0.4	0.4	-0.5	-	-
Q3	1.6	1.6	0.9	0.3	0.6	-0.1	0.0	-	-

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.

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
	Current prices (EUR billions, seasonally adjusted)							
2001	6,283.2	157.9	1,364.6	356.3	1,332.4	1,673.6	1,398.4	713.4
2002	6,504.1	153.1	1,376.9	369.2	1,383.2	1,750.4	1,471.3	736.1
2003	6,679.6	152.7	1,385.7	386.3	1,413.7	1,813.1	1,528.0	759.6
2004	6,919.6	153.4	1,428.1	410.6	1,460.2	1,884.3	1,583.0	794.5
2004 Q3	1,737.6	38.1	359.9	103.0	366.8	474.4	395.5	199.3
Q4	1,746.5	38.4	359.0	104.7	368.6	477.3	398.4	202.2
2005 Q1	1,761.0	37.5	362.4	104.9	371.0	482.9	402.3	201.9
Q2	1,775.9	37.3	367.6	107.6	373.7	486.4	403.2	203.8
Q3	1,788.5	37.3	369.3	109.8	376.5	490.3	405.3	209.5
	percentage of value added							
2004	100.0	2.2	20.6	5.9	21.1	27.2	22.9	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [1])							
	quarter-on-quarter percentage changes							
2004 Q3	0.2	-0.1	0.2	-0.4	0.3	0.4	0.1	0.6
Q4	0.2	0.7	-0.6	0.7	0.4	0.2	0.4	0.5
2005 Q1	0.3	-1.7	0.2	-0.3	0.5	0.9	0.1	0.2
Q2	0.5	-1.1	0.9	1.9	0.6	0.4	-0.3	0.0
Q3	0.5	0.0	0.9	0.3	0.6	0.5	0.4	1.5
	annual percentage changes							
2001	2.0	-1.3	1.1	1.3	2.8	2.7	1.7	0.7
2002	1.0	-0.2	-0.2	0.1	1.2	1.4	2.0	0.0
2003	0.7	-4.0	0.2	1.0	0.6	1.3	1.1	0.8
2004	2.2	7.4	2.3	2.1	2.3	2.0	1.7	1.2
2004 Q3	2.0	9.2	2.0	1.2	1.8	1.9	1.7	1.1
Q4	1.7	6.9	0.7	1.4	2.3	1.9	1.5	0.8
2005 Q1	1.4	0.4	0.5	-0.1	2.2	2.2	0.9	0.1
Q2	1.2	-2.2	0.7	1.8	1.9	1.9	0.3	1.4
Q3	1.5	-2.1	1.4	2.6	2.1	2.0	0.6	2.3
	contributions to quarter-on-quarter percentage changes of value added in percentage points							
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	0.0	0.0	0.0	0.1	0.2	0.0	-
Q2	0.5	0.0	0.2	0.1	0.1	0.1	-0.1	-
Q3	0.5	0.0	0.2	0.0	0.1	0.1	0.1	-
	contributions to annual percentage changes of value added in percentage points							
2001	2.0	0.0	0.3	0.1	0.6	0.7	0.4	-
2002	1.0	0.0	0.0	0.0	0.3	0.4	0.4	-
2003	0.7	-0.1	0.0	0.1	0.1	0.4	0.3	-
2004	2.2	0.2	0.5	0.1	0.5	0.5	0.4	-
2004 Q3	2.0	0.2	0.4	0.1	0.4	0.5	0.4	-
Q4	1.7	0.2	0.1	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	1.5	0.0	0.3	0.2	0.5	0.5	0.1	-

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
		Total (s.a. index 2000 = 100)	Total		Industry excluding construction and energy						Energy	
				Manufacturing	Total	Intermediate goods	Capital goods	Consumer goods				
								Total	Durable	Non-durable		
% of total [1]	100.0	82.9	82.9	75.0	74.0	30.0	22.4	21.5	3.6	17.9	8.9	17.1
	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	1.4
2003	0.2	100.2	0.3	0.0	0.0	0.4	-0.2	-0.5	-4.6	0.2	2.9	-0.1
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	-3.5	0.4	3.0	-0.8
2005 Q1	-0.4	102.2	0.6	0.4	0.2	0.8	2.1	-1.0	-3.9	-0.5	1.1	-4.2
Q2	1.1	102.9	0.6	0.8	0.3	-0.4	2.0	0.5	-1.8	0.9	1.2	-0.1
Q3	1.2	103.8	1.5	1.5	1.3	1.2	2.8	1.6	-0.3	2.0	0.0	0.9
2005 June	0.8	103.2	0.6	0.5	-0.1	-1.2	2.4	0.5	-0.5	0.7	2.6	0.6
July	0.7	103.3	0.7	0.2	-0.2	-0.5	2.8	0.0	-1.9	0.4	1.9	0.6
Aug.	1.9	104.2	2.7	3.1	3.0	3.6	2.6	3.4	2.5	3.5	-0.5	2.4
Sep.	1.2	103.9	1.3	1.7	1.5	1.1	3.0	1.8	-0.3	2.2	-1.4	-0.1
Oct.	.	103.2	0.3	0.8	0.5	1.4	0.4	0.9	-0.5	1.1	-2.2	.
Nov.	.	104.5	2.7	3.3	3.1	3.7	4.5	0.8	2.8	0.5	0.9	.
	month-on-month percentage changes (s.a.)											
2005 June	0.1	-	0.5	0.6	0.5	-0.3	1.3	0.1	1.5	-0.2	2.1	0.9
July	0.1	-	0.2	0.0	0.1	0.9	0.3	-0.1	-0.3	0.0	-0.4	-0.1
Aug.	0.6	-	0.8	1.4	1.5	2.0	-0.1	1.2	1.0	1.3	-2.3	0.3
Sep.	-0.2	-	-0.2	-0.3	-0.3	-1.0	0.9	-0.5	-1.3	-0.4	-0.1	-1.4
Oct.	.	-	-0.7	-0.8	-0.8	0.1	-1.3	-0.6	-0.3	-0.7	-1.7	.
Nov.	.	-	1.3	1.2	1.3	1.5	1.4	-0.1	1.4	-0.3	3.2	.

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 [2] (current prices)		Manufacturing (current prices)		Current prices	Constant prices							
	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			Total (s.a., thousands) [3]	Total
										Textiles, clothing, footwear	Household equipment		
% of total [1]	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8		
	1	2	3	4	5	6	7	8	9	10	11	12	13
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	-0.3	-2.7	0.2	911	-1.5
2004	105.2	7.3	105.9	4.9	1.7	102.9	0.9	0.8	0.8	0.9	2.8	922	1.1
2005 Q1	106.1	3.1	106.7	2.5	2.0	104.0	1.3	1.2	1.2	0.5	0.8	921	0.4
Q2	108.8	3.4	110.3	4.2	1.6	103.6	0.6	0.3	0.6	0.8	0.5	937	1.0
Q3	110.3	5.0	110.9	3.9	2.0	103.8	1.0	0.3	1.5	1.2	1.7	941	4.6
Q4	.	.	.	.	.	.	.	.	.	.	.	931	-1.2
2005 July	109.6	1.7	106.7	0.3	0.5	103.4	-0.2	-1.0	0.3	0.0	0.5	938	3.0
Aug.	109.7	7.9	112.7	7.3	3.2	104.4	2.2	0.9	3.4	4.2	3.3	932	7.4
Sep.	111.5	6.1	113.2	4.8	2.3	103.7	1.0	1.1	0.9	-0.1	1.6	952	4.5
Oct.	110.9	4.3	106.5	1.5	1.4	103.9	0.3	0.3	0.2	0.9	1.0	941	0.1
Nov.	116.4	9.3	113.3	4.7	1.9	103.9	0.6	0.1	1.0	1.7	1.3	931	-2.0
Dec.	.	.	.	.	.	.	.	.	.	.	.	921	-1.8
	month-on-month percentage changes (s.a.)												
2005 July	-	-1.4	-	-5.0	-0.5	-	-0.6	-0.8	-0.3	0.1	-0.4	-	-4.2
Aug.	-	0.1	-	5.6	1.1	-	1.0	0.5	1.3	1.9	1.3	-	-0.7
Sep.	-	1.7	-	0.5	-0.4	-	-0.7	0.0	-1.1	-3.6	-0.7	-	2.1
Oct.	-	-0.5	-	-5.9	0.3	-	0.2	0.4	0.0	1.2	-0.2	-	-1.2
Nov.	-	4.9	-	6.3	0.1	-	0.0	-0.2	0.3	0.9	0.1	-	-1.1
Dec.	-	.	-	.	.	-	.	.	.	.	.	-	-1.0

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, [1] unless otherwise indicated; seasonally adjusted)

5. Business and Consumer Surveys

	Economic sentiment indicator [2] (long-term average = 100)	Manufacturing industry					Consumer confidence indicator [3]				
		Industrial confidence indicator				Capacity utilisation [4] (percentages)	Total [5]	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total [5]	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
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
2005	98.2	-7	-17	11	6	81.2	-14	-4	-15	28	-8
2004 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	81.0	-15	-4	-17	29	-8
Q4	100.2	-6	-15	10	7	81.4	-12	-4	-15	22	-9
2005 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	81.1	-13	-5	-15	23	-9
Nov.	99.9	-7	-16	9	6	-	-13	-5	-17	23	-8
Dec.	100.6	-5	-13	10	8	-	-11	-4	-12	19	-9
2006 Jan.	101.8	-4	-12	9	9	81.7	-11	-3	-11	19	-9

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total [5]	Order books	Employment expectations	Total [5]	Present business situation	Volume of stocks	Expected business situation	Total [5]	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
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
2005	-10	-15	-4	-7	-12	14	3	11	6	10	17
2004 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
Q4	-5	-11	0	-5	-8	15	10	14	10	13	18
2005 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
Dec.	-6	-11	0	-4	-5	16	9	13	9	13	18
2006 Jan.	-4	-8	1	-4	-5	14	7	15	12	16	17

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

1) Difference between the percentages of respondents giving positive and negative replies.
2) The economic sentiment indicator is composed of the industrial, 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 [1]

(annual percentage changes, unless otherwise indicated)

1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total [2]	100.0	100.0	84.4	15.6	4.5	18.1	7.2	24.9	15.3	30.0
	1	2	3	4	5	6	7	8	9	10
2001	134.494	1.5	1.7	0.2	-0.8	0.1	0.7	1.8	4.2	1.3
2002	135.466	0.7	0.8	0.1	-1.6	-1.6	0.1	0.5	2.6	2.0
2003	135.842	0.3	0.3	0.3	-2.0	-1.5	0.2	0.3	1.3	1.3
2004	136.817	0.7	0.6	1.2	-0.8	-1.6	1.0	0.9	2.6	1.2
2004 Q3	136.891	0.8	0.6	1.5	-0.4	-1.8	2.0	0.9	2.4	1.3
Q4	137.228	1.0	0.9	1.5	-0.7	-0.9	1.5	1.1	2.5	1.4
2005 Q1	137.292	0.9	0.8	1.0	-1.5	-1.1	1.5	1.0	2.2	1.4
Q2	137.479	0.8	0.7	0.9	-1.4	-1.3	1.4	0.8	2.3	1.4
Q3	137.797	0.7	0.8	0.3	-2.0	-1.1	1.4	0.3	2.3	1.5
	quarter-on-quarter percentage changes (s.a.)									
2004 Q3	0.366	0.3	0.1	1.4	0.1	-0.5	1.1	0.4	0.6	0.3
Q4	0.337	0.2	0.3	0.0	-0.4	0.1	-0.3	0.2	0.5	0.5
2005 Q1	0.064	0.0	0.3	-1.1	-1.1	-0.8	0.0	0.1	0.7	0.4
Q2	0.187	0.1	0.0	0.7	-0.2	-0.1	0.3	0.1	0.3	0.2
Q3	0.318	0.2	0.2	0.5	-0.8	-0.2	0.3	0.2	0.6	0.5

2. Unemployment

(seasonally adjusted)

	Total		By age [3]				By gender [4]			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total [2]	100.0		75.5		24.5		48.6		51.4	
	1	2	3	4	5	6	7	8	9	10
2002	11.760	8.3	8.740	7.0	3.020	16.8	5.515	6.9	6.245	10.1
2003	12.548	8.7	9.420	7.5	3.128	17.6	5.975	7.4	6.573	10.5
2004	12.900	8.9	9.751	7.6	3.149	18.0	6.188	7.6	6.712	10.5
2005	12.530	8.6	9.460	7.3	3.070	17.8	6.088	7.4	6.442	10.0
2004 Q4	12.885	8.8	9.748	7.6	3.138	18.0	6.265	7.6	6.620	10.3
2005 Q1	12.844	8.8	9.626	7.5	3.219	18.4	6.216	7.6	6.628	10.3
Q2	12.659	8.6	9.590	7.4	3.069	17.7	6.151	7.5	6.508	10.1
Q3	12.343	8.4	9.378	7.3	2.965	17.3	6.032	7.4	6.312	9.8
Q4	12.202	8.3	9.209	7.1	2.993	17.5	5.894	7.2	6.308	9.8
2005 July	12.451	8.5	9.486	7.3	2.966	17.3	6.065	7.4	6.386	9.9
Aug.	12.357	8.4	9.396	7.3	2.960	17.3	6.047	7.4	6.310	9.8
Sep.	12.222	8.4	9.252	7.2	2.970	17.3	5.984	7.3	6.238	9.7
Oct.	12.175	8.3	9.191	7.1	2.985	17.5	5.927	7.2	6.249	9.7
Nov.	12.207	8.3	9.212	7.1	2.995	17.5	5.891	7.2	6.316	9.8
Dec.	12.225	8.4	9.226	7.1	2.999	17.6	5.864	7.2	6.361	9.9

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) Employment in 2004; unemployment 2005.
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.

6 GOVERNMENT FINANCE

6.1 Revenue, expenditure and deficit/surplus [1]

(as a percentage of GDP)

1. Euro area – revenue

	Total	Current revenue										Capital revenue		Memo: fiscal burden [2]
			Direct taxes			Indirect taxes		Social contributions			Sales		Capital taxes	
				Households	Corporations		Received by EU institutions		Employers	Employees				
	1	2	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 [3]
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments	Subsidies	Paid by EU institutions		Investment	Capital transfers	Paid by EU institutions	
	1	2	3	4	5	6	7	8	9	10	11	12	13	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 [4]							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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 (+) [5]

	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 [1]

(as a percentage of GDP)

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

	Total	Financial instruments				Holders				
		Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [2]				Other creditors [3]
						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 [4]				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 [5]	Other currencies
	1	2	3	4	5	6	7	8	9	10	11	12	13
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 [6]

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
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 [1]

(as a percentage of GDP)

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

	Total	Source of change				Financial instruments				Holders			
		Borrowing requirement [2]	Valuation effects [3]	Other changes in volume [4]	Aggregation effect [5]	Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [6]	MFIs	Other financial corporations	Other creditors [7]
	1	2	3	4	5	6	7	8	9	10	11	12	13
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 (+) [8]	Deficit-debt adjustment [9]											
			Total	Transactions in main financial assets held by general government							Valuation effects		Other changes in volume	Other [10]
				Total	Currency and deposits	Securities [11]	Loans	Shares and other equity	Privatisations	Equity injections		Exchange rate effects		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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. [debt(t) - debt(t-1)] ÷ 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 [1]

(as a percentage of GDP)

1. Euro area – quarterly revenue

	Total	Current revenue						Capital revenue		Memo: fiscal burden [2]
			Direct taxes	Indirect taxes	Social contributions	Sales	Property income		Capital taxes	
	1	2	3	4	5	6	7	8	9	10
1999 Q3	44.6	44.2	11.7	13.0	15.9	2.0	0.8	0.4	0.3	40.9
Q4	50.6	49.9	14.2	14.4	16.7	2.8	0.8	0.7	0.3	45.6
2000 Q1	43.5	42.9	11.0	13.1	15.4	1.9	0.7	0.5	0.3	39.8
Q2	47.5	47.1	13.8	13.4	15.7	2.1	1.2	0.5	0.3	43.2
Q3	44.3	43.9	11.9	12.6	15.7	2.0	0.8	0.4	0.2	40.5
Q4	49.7	49.2	13.9	14.1	16.6	2.8	0.9	0.5	0.3	44.8
2001 Q1	42.4	42.0	10.5	12.8	15.3	1.8	0.8	0.4	0.2	38.8
Q2	46.9	46.5	13.4	13.0	15.6	2.0	1.7	0.4	0.2	42.2
Q3	43.6	43.3	11.7	12.4	15.6	1.9	0.9	0.3	0.3	39.9
Q4	49.1	48.6	13.5	13.9	16.3	3.0	1.1	0.5	0.3	44.0
2002 Q1	42.1	41.7	10.2	12.8	15.4	1.7	0.8	0.4	0.2	38.6
Q2	45.7	45.2	12.6	12.7	15.5	2.0	1.6	0.5	0.3	41.1
Q3	43.7	43.3	11.3	12.8	15.5	2.0	0.8	0.4	0.3	39.8
Q4	49.1	48.5	13.4	14.1	16.2	3.0	0.9	0.6	0.3	44.1
2003 Q1	42.1	41.7	9.9	12.9	15.6	1.8	0.7	0.4	0.2	38.5
Q2	46.2	44.7	12.1	12.7	15.8	2.0	1.3	1.5	1.3	41.9
Q3	43.0	42.6	10.9	12.7	15.6	1.9	0.7	0.5	0.2	39.4
Q4	49.4	48.3	13.1	14.3	16.3	2.9	0.8	1.0	0.3	43.9
2004 Q1	41.7	41.2	9.6	12.9	15.4	1.7	0.7	0.5	0.3	38.2
Q2	45.1	44.3	12.2	13.0	15.4	2.0	0.9	0.9	0.6	41.2
Q3	42.8	42.3	10.7	12.7	15.4	1.9	0.7	0.5	0.3	39.1
Q4	49.4	48.4	13.0	14.5	16.2	2.9	0.8	1.0	0.4	44.1
2005 Q1	42.6	42.1	10.0	13.1	15.5	1.7	0.7	0.6	0.3	38.8
Q2	44.7	44.1	11.9	13.0	15.3	2.0	0.9	0.6	0.3	40.6
Q3	43.5	42.9	11.1	12.9	15.4	1.9	0.7	0.6	0.3	39.7

2. Euro area – quarterly expenditure and deficit/surplus

	Total	Current expenditure							Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social benefits	Subsidies		Investment	Capital transfers		
	1	2	3	4	5	6	7	8	9	10	11	12	13
1999 Q3	47.1	43.5	10.2	4.5	4.0	24.8	21.2	1.6	3.6	2.5	1.1	-2.5	1.5
Q4	50.4	45.6	11.0	5.3	3.7	25.7	22.1	1.6	4.8	3.1	1.7	0.2	3.9
2000 Q1	46.0	42.7	10.2	4.5	4.1	24.0	20.9	1.2	3.2	2.0	1.3	-2.5	1.6
Q2	46.4	43.0	10.3	4.6	3.9	24.2	20.9	1.4	3.4	2.3	1.1	1.2	5.0
Q3	43.1	42.8	10.1	4.5	4.0	24.2	20.9	1.5	0.3	2.5	1.0	1.2	5.1
Q4	49.4	45.6	11.0	5.2	3.7	25.7	21.8	1.6	3.8	3.1	1.5	0.2	4.0
2001 Q1	45.6	42.2	10.1	4.1	4.0	24.0	20.9	1.2	3.4	1.9	1.5	-3.2	0.8
Q2	46.5	43.0	10.3	4.6	3.9	24.2	20.8	1.4	3.5	2.4	1.1	0.4	4.3
Q3	46.4	42.7	10.0	4.6	3.9	24.3	20.9	1.5	3.7	2.5	1.2	-2.8	1.1
Q4	51.0	46.0	10.9	5.6	3.6	25.9	22.0	1.6	4.9	3.2	1.8	-1.9	1.7
2002 Q1	46.1	42.6	10.3	4.2	3.7	24.4	21.2	1.2	3.4	1.9	1.5	-4.0	-0.3
Q2	46.8	43.3	10.4	4.9	3.6	24.6	21.2	1.4	3.5	2.3	1.1	-1.2	2.4
Q3	47.1	43.3	10.1	4.7	3.5	25.1	21.4	1.4	3.7	2.5	1.2	-3.3	0.2
Q4	50.8	46.4	11.0	5.6	3.4	26.4	22.6	1.6	4.4	2.8	1.6	-1.7	1.6
2003 Q1	46.8	43.3	10.4	4.4	3.6	24.9	21.6	1.2	3.5	1.9	1.6	-4.7	-1.1
Q2	47.6	44.1	10.5	4.7	3.4	25.4	21.8	1.4	3.6	2.4	1.2	-1.4	2.0
Q3	47.2	43.5	10.3	4.7	3.3	25.2	21.7	1.4	3.7	2.6	1.1	-4.2	-0.9
Q4	51.2	46.3	10.9	5.7	3.1	26.6	22.8	1.5	4.9	3.3	1.6	-1.8	1.3
2004 Q1	46.5	43.1	10.4	4.5	3.3	24.9	21.5	1.1	3.4	2.0	1.4	-4.8	-1.5
Q2	46.8	43.4	10.5	4.8	3.2	25.0	21.6	1.3	3.4	2.4	1.0	-1.7	1.5
Q3	46.2	42.8	10.0	4.6	3.2	25.0	21.5	1.3	3.4	2.5	0.9	-3.4	-0.2
Q4	50.6	45.7	10.8	5.6	3.0	26.2	22.5	1.4	4.9	3.1	1.8	-1.1	1.9
2005 Q1	46.7	43.3	10.3	4.4	3.2	25.3	21.6	1.1	3.4	1.9	1.5	-4.1	-0.9
Q2	46.4	43.0	10.3	4.8	3.1	24.8	21.5	1.2	3.4	2.3	1.1	-1.8	1.3
Q3	45.9	42.5	10.0	4.6	3.1	24.9	21.4	1.3	3.4	2.4	1.0	-2.5	0.6

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)

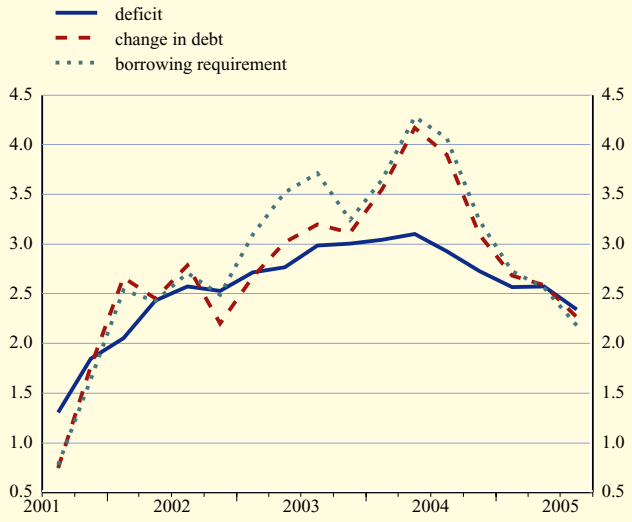
1. Euro area – Maastricht debt by financial instrument [1)]

	Total	Financial instruments			
		Coins and deposits	Loans	Short-term securities	Long-term securities
	1	2	3	4	5
2002 Q4	68.5	2.7	11.8	4.5	49.5
2003 Q1	69.7	2.7	11.7	5.2	50.0
Q2	70.2	2.7	11.6	5.7	50.2
Q3	70.4	2.7	11.6	5.5	50.6
Q4	69.8	2.0	12.4	4.9	50.4
2004 Q1	71.2	2.0	12.5	5.5	51.2
Q2	71.9	2.2	12.4	5.7	51.6
Q3	71.7	2.2	12.2	5.7	51.7
Q4	70.2	2.2	11.9	4.7	51.4
2005 Q1	71.4	2.2	11.9	4.9	52.4
Q2	72.2	2.4	11.7	5.2	53.0
Q3	71.8	2.4	11.7	5.0	52.7

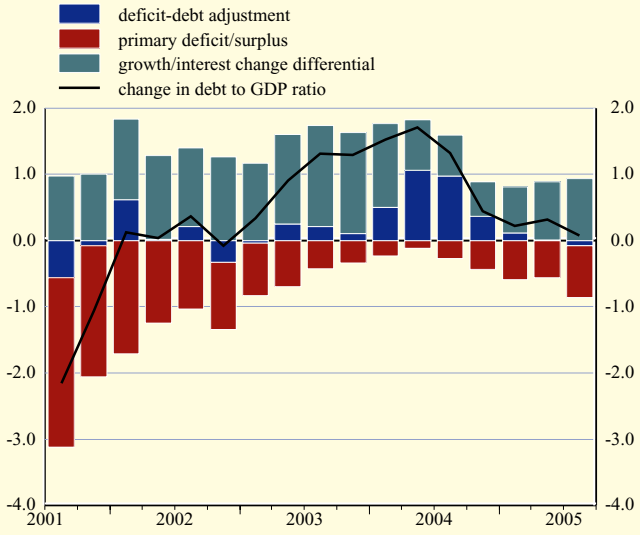
2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment								Memo: Borrowing requirement
			Total	Transactions in main financial assets held by general government					Valuation effects and other changes in volume	Other	
				Total	Currency and deposits	Securities	Loans	Shares and other equity			
	1	2	3	4	5	6	7	8	9	10	11
2002 Q4	-1.1	-1.7	-2.9	0.1	0.2	-0.1	0.1	-0.1	-1.8	-1.2	0.7
2003 Q1	7.8	-4.7	3.1	2.4	1.8	0.2	0.1	0.3	0.0	0.8	7.9
Q2	3.5	-1.4	2.1	2.9	2.0	0.0	0.1	0.9	-0.2	-0.6	3.8
Q3	2.8	-4.2	-1.4	-1.2	-1.3	-0.1	0.1	0.1	0.1	-0.3	2.7
Q4	-1.3	-1.8	-3.2	-3.4	-2.1	-0.2	-0.3	-0.8	-0.3	0.5	-1.0
2004 Q1	9.4	-4.8	4.6	2.1	1.4	0.2	0.5	0.0	0.1	2.5	9.3
Q2	6.0	-1.7	4.3	3.7	3.4	0.3	0.0	0.1	-0.3	0.8	6.2
Q3	1.8	-3.4	-1.7	-0.9	-1.2	0.2	0.1	0.1	-0.2	-0.6	1.9
Q4	-4.2	-1.1	-5.3	-3.6	-2.6	-0.2	0.0	-0.7	-0.2	-1.6	-4.0
2005 Q1	7.6	-4.1	3.5	1.7	1.5	0.3	-0.2	0.1	0.5	1.3	7.1
Q2	5.5	-1.8	3.7	3.4	2.7	0.3	0.3	0.1	0.0	0.3	5.5
Q3	0.5	-2.5	-2.0	-2.3	-2.7	0.3	0.2	-0.1	0.1	0.2	0.4

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.

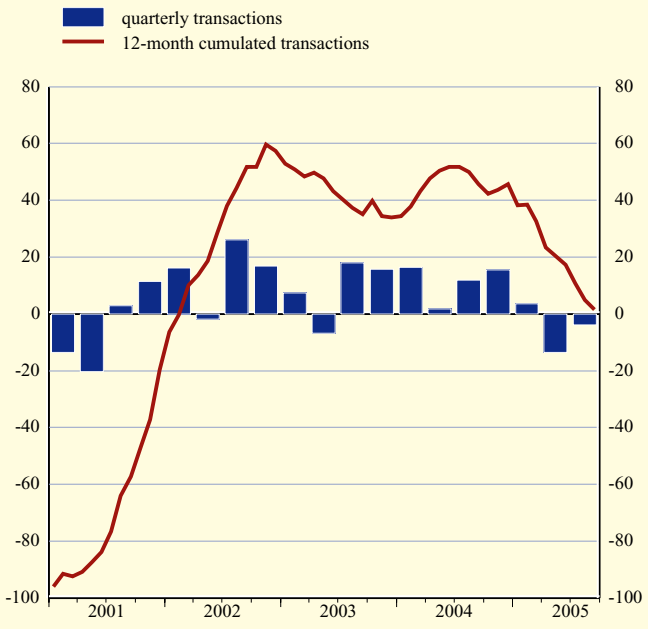
7 EXTERNAL TRANSACTIONS AND POSITIONS

7.1 Balance of payments
(EUR billions; net transactions)

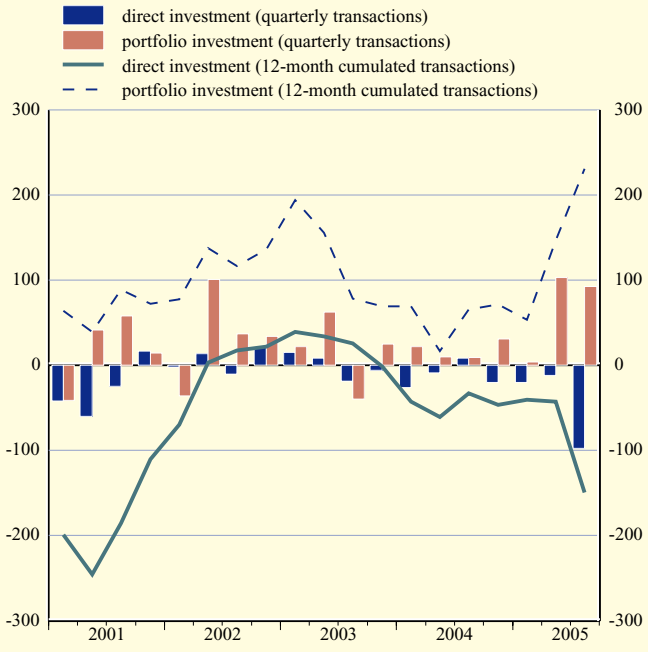
1. Summary balance of payments

	Current account					Capital account	Net lending/ borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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	-13.6	18.4	10.2	-26.0	-16.1	3.9	-9.7	43.4	-11.6	103.3	3.3	-54.7	3.1	-33.7
Q3	-3.8	16.3	8.1	-9.0	-19.3	3.0	-0.9	29.8	-97.6	92.6	-8.7	41.3	2.2	-29.0
2004 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.	-11.0	3.8	2.5	-13.0	-4.3	0.2	-10.8	-11.2	-11.6	-14.0	-0.5	15.6	-0.8	22.0
May	-3.0	6.0	3.2	-7.0	-5.3	1.6	-1.5	39.4	7.9	18.2	0.7	10.0	2.6	-38.0
June	0.4	8.5	4.4	-6.0	-6.5	2.1	2.5	15.3	-7.9	99.1	3.0	-80.3	1.4	-17.8
July	1.4	9.8	3.8	-6.5	-5.6	0.8	2.2	3.4	-83.7	75.3	0.9	8.4	2.6	-5.6
Aug.	-2.8	0.8	1.6	0.4	-5.7	0.8	-2.0	-1.3	-12.2	-12.9	-7.0	30.9	-0.1	3.3
Sep.	-2.4	5.7	2.7	-2.8	-8.0	1.4	-1.1	27.7	-1.7	30.3	-2.6	2.0	-0.3	-26.6
Oct.	-7.5	3.2	4.2	-9.4	-5.5	0.8	-6.8	-9.9	-6.4	-6.6	-1.5	4.3	0.2	16.7
Nov.	-8.5	1.9	2.1	-5.6	-6.8	0.9	-7.6	-2.8	-12.2	-31.5	1.6	38.1	1.2	10.5
	12-month cumulated transactions													
2005 Nov.	-22.2	62.8	29.1	-50.1	-64.1	13.8	-8.4	91.9	-148.3	204.9	-14.6	36.9	13.0	-83.5

C28 B.o.p. current account balance
(EUR billions)



C29 B.o.p. net direct and portfolio investment
(EUR billions)



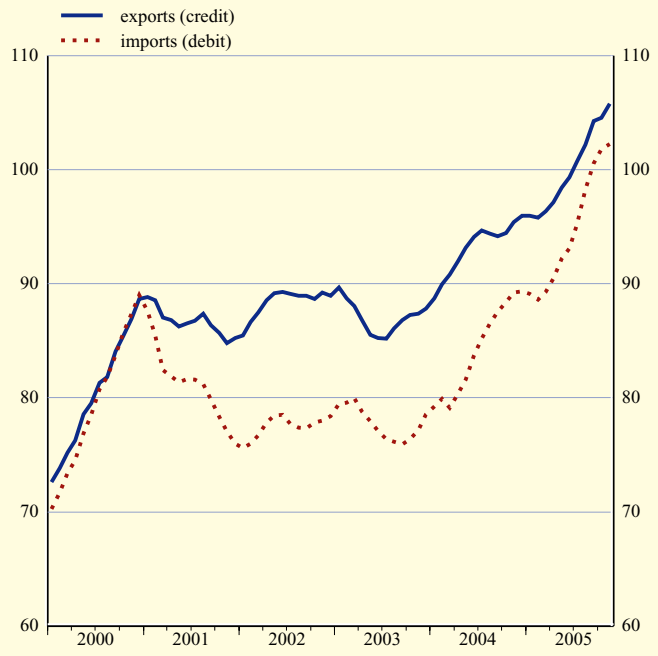
Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

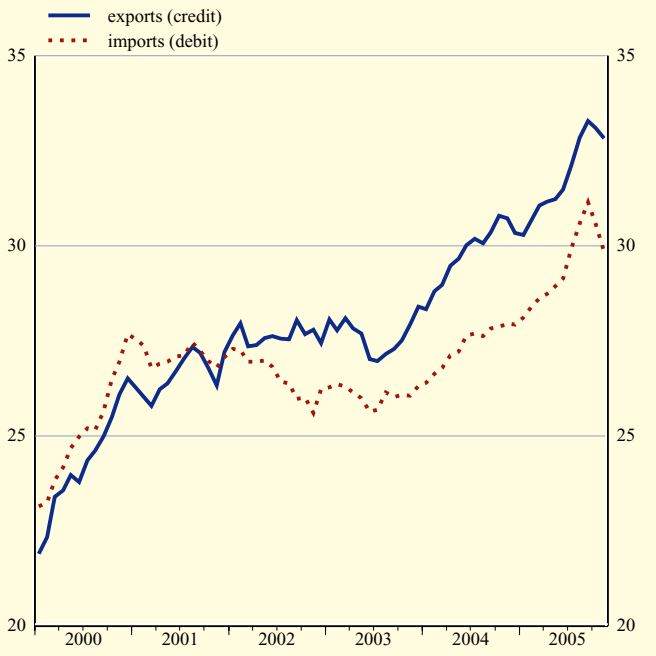
2. Current and capital accounts

	Current account											Capital account	
	Total			Goods		Services		Income		Current transfers			
	Credit	Debit	Net	Credit	Debit	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	498.7	512.3	-13.6	304.9	286.5	96.1	86.0	81.0	107.1	16.7	32.8	5.7	1.8
Q3	505.6	509.4	-3.8	309.2	292.8	107.1	99.0	73.9	82.8	15.4	34.7	4.8	1.8
2005 Sep.	173.3	175.7	-2.4	108.6	102.9	35.0	32.3	25.1	27.9	4.7	12.7	2.0	0.6
Oct.	169.3	176.8	-7.5	108.3	105.0	33.6	29.4	23.3	32.7	4.2	9.7	1.7	0.9
Nov.	176.1	184.6	-8.5	112.9	111.0	30.5	28.5	28.2	33.8	4.5	11.4	1.5	0.6
	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	487.8	487.6	0.3	298.0	279.3	94.4	87.4	73.9	86.2	21.5	34.6	.	.
Q3	509.6	521.2	-11.6	312.8	301.7	99.8	93.4	77.0	90.0	20.0	36.1	.	.
2005 Mar.	160.1	158.8	1.3	97.3	90.4	31.2	28.8	24.6	27.0	7.0	12.7	.	.
Apr.	162.0	162.5	-0.5	98.3	92.2	31.2	28.7	25.0	30.1	7.5	11.5	.	.
May	162.7	162.3	0.4	99.7	94.0	31.3	29.4	24.8	27.3	6.9	11.6	.	.
June	163.2	162.8	0.4	100.0	93.1	32.0	29.4	24.1	28.8	7.1	11.5	.	.
July	168.2	171.3	-3.1	102.4	98.6	33.1	31.0	25.7	30.6	6.9	11.1	.	.
Aug.	170.1	176.4	-6.3	104.1	103.1	33.4	31.3	25.7	29.6	7.0	12.3	.	.
Sep.	171.3	173.5	-2.2	106.3	100.0	33.3	31.0	25.6	29.8	6.1	12.7	.	.
Oct.	167.7	175.0	-7.4	103.2	102.1	32.5	29.3	25.5	32.8	6.5	10.8	.	.
Nov.	173.6	184.3	-10.7	107.7	104.6	32.6	29.2	27.9	38.0	5.3	12.5	.	.

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											
			Total		Direct investment				Portfolio investment				Other investment	
					Equity		Debt		Equity		Debt			
	Credit	Debit	Credit	Debit	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 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	1.8	77.3	105.3	23.9	24.4	3.2	3.6	9.8	30.0	21.7	24.1	18.7	23.1
Q3	3.8	1.9	70.1	80.9	16.5	20.8	2.8	3.0	7.4	15.4	23.6	19.3	19.7	22.4

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
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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	-25.9	-20.5	-1.8	-18.6	-5.4	0.0	-5.5	14.4	4.6	0.4	4.2	9.8	-0.1	10.0
Q3	-102.6	-78.3	-4.8	-73.5	-24.3	0.1	-24.4	4.9	-8.8	0.9	-9.6	13.7	0.4	13.3
2004 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.	-15.6	2.1	-1.8	3.9	-17.7	0.0	-17.7	4.1	7.8	-0.2	8.0	-3.7	0.1	-3.9
May	8.0	-4.5	-0.5	-4.0	12.5	0.0	12.5	-0.1	-2.1	0.2	-2.3	2.0	0.0	1.9
June	-18.3	-18.0	0.5	-18.5	-0.3	0.0	-0.3	10.4	-1.2	0.4	-1.5	11.6	-0.3	11.9
July	-83.5	-75.6	-3.2	-72.3	-7.9	0.1	-8.0	-0.2	0.9	0.2	0.7	-1.2	0.0	-1.2
Aug.	-7.4	-1.9	-0.6	-1.4	-5.5	0.0	-5.5	-4.7	-4.9	0.2	-5.1	0.2	0.1	0.1
Sep.	-11.6	-0.8	-1.0	0.2	-10.8	0.0	-10.9	9.9	-4.8	0.4	-5.2	14.7	0.3	14.4
Oct.	-9.4	6.9	0.6	6.3	-16.3	0.0	-16.3	3.0	5.9	0.1	5.8	-3.0	0.0	-2.9
Nov.	-20.8	-4.7	0.5	-5.2	-16.1	0.0	-16.1	8.6	0.0	-1.7	1.7	8.6	-0.1	8.7

Source: ECB.

7.1 Balance of payments

(EUR billions; transactions)

5. Portfolio investment by instrument and sector of holder

	Equity					Debt instruments										
						Bonds and notes					Money market instruments					
	Assets				Liabilities	Assets				Liabilities	Assets				Liabilities
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		
				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	-22.2	-0.6	26.7	-0.7	-40.4	-33.2	-0.1	151.2	-0.4	-9.1	-5.0	-2.4	14.7
Q3	-0.1	-5.1	-26.4	-1.0	149.7	-0.4	-21.6	-53.6	0.1	28.5	0.1	-7.3	5.1	0.2	23.7
2004 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	-5.2	-	-47.4	-0.9	-13.3	-10.6	-	51.8	-0.3	-10.5	1.3	-	11.2
May	0.0	6.7	-15.4	-	22.9	-0.1	-16.1	-5.5	-	27.5	0.0	-2.2	-6.0	-	6.4
June	0.0	5.1	-1.6	-	51.3	0.2	-11.1	-17.1	-	72.0	0.0	3.5	-0.2	-	-3.0
July	-0.1	-3.5	-14.6	-	109.0	0.2	-4.3	-16.0	-	0.5	-0.6	0.0	-0.4	-	5.1
Aug.	0.0	2.0	-8.9	-	23.9	-0.5	-5.6	-15.2	-	-7.4	0.3	-11.5	1.0	-	8.9
Sep.	0.0	-3.5	-3.0	-	16.8	-0.2	-11.6	-22.4	-	35.3	0.4	4.2	4.5	-	9.7
Oct.	0.0	4.9	-7.7	-	-9.8	0.6	-16.0	-13.4	-	19.7	0.0	7.0	5.2	-	3.0
Nov.	0.0	-6.6	-16.2	-	16.3	0.1	-3.8	-12.4	-	2.3	0.0	-6.1	1.2	-	-6.2

6. Other investment by sector

	Total		Eurosystem		General government			MFIs (excluding Eurosystem)						Other sectors		
								Total		Long-term		Short-term				
	Assets	Liabilities	Assets	Liabilities	Assets		Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets		Liabilities
						Currency and deposits									Currency and deposits	
	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	-162.6	107.9	-1.3	0.3	-7.4	-8.5	-1.8	-97.5	45.6	-18.7	22.4	-78.8	23.2	-56.4	11.5	63.8
Q3	-104.0	145.3	0.4	4.3	7.3	4.7	1.2	-85.5	125.0	-21.9	15.9	-63.6	109.2	-26.2	-16.8	14.7
2004 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.	-120.5	136.1	0.1	-0.2	-5.2	-5.3	-2.1	-98.1	94.6	-9.1	0.1	-89.0	94.5	-17.4	11.5	43.8
May	-12.7	22.7	-0.8	-0.2	0.2	2.3	0.5	17.5	21.1	-3.4	11.0	20.9	10.1	-29.6	-3.7	1.4
June	-29.4	-50.9	-0.7	0.7	-2.5	-5.5	-0.2	-16.8	-70.1	-6.2	11.4	-10.7	-81.4	-9.4	3.7	18.6
July	-42.2	50.6	0.3	-1.1	-0.7	-4.5	0.9	-39.1	47.3	-6.5	4.8	-32.7	42.5	-2.7	-1.5	3.5
Aug.	20.7	10.2	0.2	0.8	6.0	8.4	0.5	20.5	-0.3	-0.7	4.3	21.2	-4.6	-6.0	-5.7	9.2
Sep.	-82.5	84.5	-0.1	4.6	2.0	0.9	-0.2	-66.9	78.0	-14.7	6.8	-52.2	71.2	-17.5	-9.6	2.0
Oct.	-52.9	57.3	0.0	-1.0	0.3	-0.6	2.0	-49.1	51.5	-5.0	0.6	-44.1	50.9	-4.1	2.6	4.8
Nov.	-124.3	162.4	-0.7	1.7	0.2	0.8	0.2	-114.0	170.1	-1.7	-3.4	-112.3	173.5	-9.9	-8.0	-9.6

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 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	0.3	0.0	0.0	-6.9	1.6	-8.5	-0.5	0.0	-1.8	0.0
Q3	0.4	0.0	4.3	0.0	0.0	7.5	2.8	4.7	-0.3	0.0	1.3	-0.1

	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
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 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	-97.3	-0.2	44.5	1.2	-5.2	-49.2	-60.8	11.5	-2.0	1.1	61.4	1.3
Q3	-83.5	-2.0	122.1	2.9	2.3	-21.7	-4.9	-16.8	-6.8	0.5	17.1	-2.9

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 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	0.9	2.9	0.0	0.0
Q3	2.2	0.5	0.0	2.6	-1.0	1.6	0.9	0.0	-4.4	1.0	-0.1	0.0

Source: ECB.

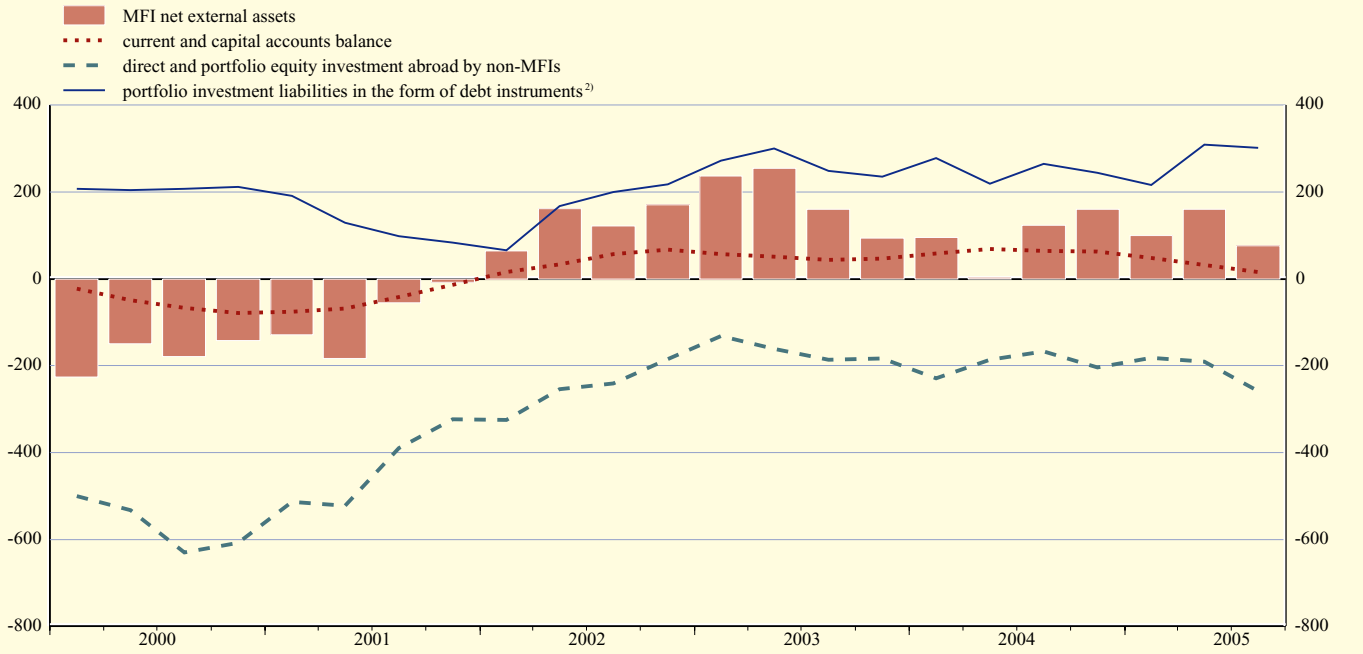
7.2 Monetary presentation of the balance of payments

(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non-resident units in the euro area	Assets	Liabilities		Assets	Liabilities				
				Non-MFIs	Equity [1]	Debt instruments [2]	Non-MFIs	Non-MFIs				
	1	2	3	4	5	6	7	8	9	10	11	12
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	160.7
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	-9.7	-24.1	14.5	-60.3	0.9	171.6	-63.8	62.0	3.3	-33.7	60.5	65.0
Q3	-0.9	-97.9	4.5	-75.0	154.3	45.4	-18.9	16.0	-8.7	-29.0	-10.0	-20.6
2004 Nov.	5.7	-16.8	20.6	-15.0	26.5	-3.4	-7.0	10.0	1.8	-18.9	3.5	10.3
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	-15.8
Feb.	6.9	-4.8	3.1	-22.0	16.4	35.8	-4.8	7.6	1.3	-34.0	5.5	13.7
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.	-10.8	-13.8	3.9	-14.6	-57.8	60.1	-22.5	41.6	-0.5	22.0	7.7	2.3
May	-1.5	8.5	-0.1	-26.9	11.2	31.9	-29.4	1.9	0.7	-38.0	-41.6	-39.5
June	2.5	-18.8	10.7	-18.9	47.5	79.6	-11.9	18.4	3.0	-17.8	94.5	102.2
July	2.2	-80.3	-0.3	-31.1	116.0	3.8	-3.4	4.4	0.9	-5.6	6.7	0.6
Aug.	-2.0	-6.9	-4.8	-23.0	25.5	0.4	0.0	9.7	-7.0	3.3	-4.8	1.7
Sep.	-1.1	-10.7	9.6	-20.8	12.8	41.1	-15.5	1.8	-2.6	-26.6	-11.9	-22.9
Oct.	-6.8	-10.0	3.0	-15.8	-10.6	16.8	-3.8	6.8	-1.5	16.7	-5.2	-5.5
Nov.	-7.6	-21.3	8.7	-27.4	16.3	-3.4	-9.6	-9.4	1.6	10.5	-41.7	-44.2
	12-month cumulated transactions											
2005 Nov.	-8.4	-193.7	48.2	-257.7	233.2	299.6	-126.7	80.6	-14.6	-83.5	-23.2	-3.8

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)

2004 Q4 to 2005 Q3	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions					
	1	2	3	4	5	6	7	8	9	10	11	12
	Credits											
Current account	1,949.7	716.6	40.4	64.3	386.0	166.7	59.2	26.5	50.2	132.1	330.8	693.6
Goods	1,192.8	415.6	27.8	44.3	206.8	136.4	0.2	15.3	33.3	68.1	178.8	481.8
Services	379.7	136.2	7.4	10.3	96.1	18.3	4.1	5.4	10.9	36.6	73.9	116.7
Income	294.7	104.5	4.7	9.1	74.1	10.7	5.9	5.2	5.7	21.1	71.7	86.6
of which: investment income	279.6	99.3	4.6	9.0	72.5	10.5	2.6	5.1	5.6	14.9	70.3	84.4
Current transfers	82.4	60.4	0.4	0.5	9.1	1.3	49.1	0.6	0.2	6.3	6.4	8.6
Capital account	22.9	20.3	0.0	0.0	0.9	0.1	19.2	0.0	0.1	0.4	0.4	1.6
	Debits											
Current account	1,948.2	629.6	34.2	59.8	305.3	142.1	88.3	19.4	79.2	124.2	296.7	799.1
Goods	1,121.0	327.9	25.5	39.8	149.5	113.1	0.0	8.9	50.6	55.4	115.6	562.6
Services	351.9	110.7	6.1	8.3	73.4	22.7	0.2	5.6	7.3	30.0	74.7	123.5
Income	330.9	97.2	2.3	10.8	74.5	4.8	4.8	3.3	21.0	33.8	97.7	78.0
of which: investment income	324.2	93.9	2.2	10.7	73.5	2.6	4.8	3.2	20.9	33.2	96.8	76.2
Current transfers	144.4	93.8	0.4	0.9	7.8	1.5	83.3	1.6	0.3	5.0	8.6	35.0
Capital account	9.0	1.1	0.0	0.1	0.6	0.2	0.2	0.1	0.0	0.4	0.6	6.8
	Net											
Current account	1.5	87.0	6.2	4.5	80.8	24.6	-29.1	7.0	-29.0	7.9	34.1	-105.5
Goods	71.8	87.7	2.4	4.5	57.3	23.3	0.2	6.4	-17.2	12.7	63.1	-80.9
Services	27.8	25.4	1.3	2.0	22.7	-4.5	3.9	-0.2	3.6	6.7	-0.8	-6.8
Income	-36.2	7.3	2.4	-1.7	-0.5	5.9	1.1	1.9	-15.3	-12.7	-26.0	8.7
of which: investment income	-44.7	5.4	2.4	-1.7	-1.0	7.9	-2.2	1.9	-15.2	-18.3	-26.5	8.1
Current transfers	-62.0	-33.4	0.0	-0.4	1.3	-0.1	-34.2	-1.1	0.0	1.2	-2.2	-26.5
Capital account	14.0	19.2	0.0	0.0	0.3	-0.1	19.0	-0.1	0.1	0.0	-0.1	-5.1

2. Balance of payments: direct investment

(cumulated transactions)

2004 Q4 to 2005 Q3	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						
	1	2	3	4	5	6	7	8	9	10	11	12	13
Direct investment	-149.1	-108.3	2.0	-1.9	-107.9	-0.5	0.0	-5.2	1.0	9.6	-7.3	-7.4	-31.4
Abroad	-226.0	-159.2	0.3	-5.2	-134.4	-19.8	0.0	-1.5	-1.2	-0.7	-10.8	-12.1	-40.7
Equity/reinvested earnings	-182.9	-133.2	-2.8	-1.8	-106.0	-22.5	0.0	-0.7	-0.5	-5.7	-12.2	-6.7	-23.9
Other capital	-43.1	-26.0	3.1	-3.4	-28.4	2.7	0.0	-0.8	-0.6	5.0	1.5	-5.4	-16.7
In the euro area	76.9	50.9	1.7	3.3	26.5	19.3	0.0	-3.7	2.1	10.3	3.4	4.7	9.2
Equity/reinvested earnings	44.3	36.2	-0.9	3.6	31.7	1.8	0.0	-4.4	0.8	1.9	-0.6	5.3	5.1
Other capital	32.6	14.7	2.6	-0.3	-5.2	17.5	0.0	0.7	1.3	8.4	4.0	-0.6	4.1

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 Q4 to 2005 Q3	1	2	3	4	5	6	7	8	9	10	11	12	13
Portfolio investment assets	-400.6	-185.1	-8.2	-12.0	-126.8	-23.8	-14.4	-5.7	-23.2	-3.1	-62.7	-58.1	-62.6
Equity	-105.0	-25.1	0.1	-2.9	-18.2	-4.0	0.0	-3.9	-14.6	-2.0	-14.0	-16.2	-29.2
Debt instruments	-295.6	-160.0	-8.3	-9.1	-108.5	-19.7	-14.3	-1.8	-8.7	-1.1	-48.7	-41.9	-33.5
Bonds and notes	-271.9	-124.7	-6.1	-9.2	-74.4	-20.3	-14.6	-2.0	-15.8	0.4	-69.3	-30.6	-29.9
Money market instruments	-23.7	-35.3	-2.1	0.1	-34.2	0.6	0.3	0.2	7.2	-1.5	20.6	-11.3	-3.5

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 Q4 to 2005 Q3	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Other investment	24.4	-38.7	-9.9	8.3	-38.5	-9.1	10.5	-4.7	15.3	-11.8	35.4	-4.3	6.3	26.8
Assets	-509.0	-351.9	-16.0	2.0	-312.2	-23.4	-2.3	-7.2	3.5	-19.5	-35.5	-51.0	-1.8	-45.5
General government	6.9	1.1	0.0	-0.3	0.8	1.4	-0.8	-0.1	0.0	-0.1	-0.1	0.0	-1.7	7.7
MFIs	-382.5	-245.6	-13.4	2.7	-210.5	-22.9	-1.6	-6.4	4.2	-16.2	-42.6	-35.2	0.2	-40.8
Other sectors	-133.4	-107.4	-2.5	-0.4	-102.6	-1.9	0.1	-0.7	-0.7	-3.2	7.1	-15.9	-0.3	-12.3
Liabilities	533.3	313.2	6.0	6.3	273.8	14.2	12.9	2.5	11.9	7.7	70.9	46.8	8.1	72.3
General government	-1.9	0.6	0.0	0.0	-1.3	0.0	1.9	0.0	-0.1	0.0	-1.0	0.0	-0.4	-1.0
MFIs	438.1	231.0	6.0	5.2	198.3	13.0	8.5	2.0	11.0	4.9	60.9	41.9	8.6	77.8
Other sectors	97.1	81.6	0.0	1.0	76.8	1.3	2.5	0.5	1.0	2.8	10.9	4.9	-0.1	-4.5

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
Direct investment	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
Portfolio investment assets	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
Other investment	-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	-9.7	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	-12.2	33.1	-1,049.4	-14.8	-196.1	280.8
2005 Q2	-1,007.3	-12.6	110.8	-1,217.4	-18.1	-184.9	302.3
Q3	-1,049.4	-13.2	224.2	-1,349.6	-23.0	-212.0	310.9
	Outstanding assets						
2001	7,758.3	110.9	2,086.0	2,513.0	129.9	2,636.7	392.7
2002	7,429.3	102.7	2,008.7	2,292.7	136.0	2,625.9	366.1
2003	7,934.3	106.7	2,152.0	2,634.6	158.0	2,683.1	306.6
2004	8,632.6	111.7	2,265.1	2,984.0	162.3	2,940.3	280.8
2005 Q2	9,687.9	121.6	2,386.0	3,353.2	194.3	3,452.2	302.3
Q3	10,156.4	127.5	2,516.7	3,545.2	217.6	3,566.0	310.9
	Outstanding liabilities						
2001	8,147.3	116.5	1,663.1	3,347.8	127.4	3,009.0	-
2002	8,132.9	112.4	1,824.3	3,230.2	147.9	2,930.5	-
2003	8,743.6	117.6	2,108.9	3,548.6	166.3	2,919.8	-
2004	9,579.0	123.9	2,231.9	4,033.4	177.2	3,136.4	-
2005 Q2	10,695.2	134.3	2,275.1	4,570.6	212.4	3,637.0	-
Q3	11,205.9	140.7	2,292.4	4,894.8	240.6	3,778.0	-

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 Q2	1,910.2	151.8	1,758.3	475.8	1.2	474.6	1,664.7	48.1	1,616.6	610.5	3.7	606.8
Q3	2,007.6	159.4	1,848.2	509.1	1.0	508.1	1,667.1	51.5	1,615.6	625.3	4.1	621.2

3. Portfolio investment assets by instrument and sector of holder

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Assets				Liabilities	Assets				Liabilities	Assets				Liabilities
	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 Q2	2.5	87.8	18.8	1,265.0	1,993.8	6.9	641.7	10.2	1,007.6	2,290.0	0.9	242.5	6.5	62.7	286.8
Q3	2.9	96.7	21.1	1,375.9	2,292.4	7.3	661.5	10.1	1,056.7	2,282.9	0.8	249.3	6.3	56.7	319.5

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 Q2	4.8	0.2	79.0	0.2	1.4	62.3	47.7	14.6	42.3	0.0	41.7	3.0
Q3	4.4	0.2	83.3	0.3	1.4	55.8	44.9	10.9	42.5	0.0	42.4	2.9

	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 Q2	2,276.9	66.3	2,780.4	70.0	184.6	685.6	329.6	356.0	127.8	116.5	484.3	62.0
Q3	2,362.8	61.5	2,905.5	66.0	182.7	717.5	334.7	382.8	137.3	121.5	495.4	60.8

5. International reserves

	Reserve assets														Memo	
															Assets	Liabilities
	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															
2001	392.7	126.1	401.876	5.5	25.3	235.8	8.0	25.9	201.5	1.2	144.4	55.9	0.4	0.0	24.7	-28.5
2002	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
Q3	310.9	149.4	380.258	4.2	13.8	143.5	10.8	27.3	105.7	0.5	66.1	39.0	-0.3	0.0	24.0	-19.5
2005 Nov.	322.7	158.8	377.023	4.3	13.4	146.2	8.8	27.8	109.7	-	-	-	-0.1	0.0	23.6	-19.4
Dec.	320.2	163.4	375.861	4.3	10.6	141.8	12.7	21.3	107.8	-	-	-	0.0	0.0	25.6	-17.9
	of which held by the European Central Bank															
2001	49.3	7.8	24.656	0.1	0.0	41.4	0.8	7.0	33.6	0.0	23.5	10.1	0.0	0.0	3.6	-5.9
2002	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
Q3	41.1	9.1	23.145	0.2	0.0	31.8	4.7	5.1	22.0	0.0	8.9	13.1	0.0	0.0	2.3	-1.5
2005 Nov.	42.3	9.7	23.145	0.2	0.0	32.3	2.2	6.4	23.8	-	-	-	0.0	0.0	3.1	-2.3
Dec.	41.5	10.1	23.145	0.2	0.0	31.2	5.1	2.5	23.6	-	-	-	0.0	0.0	2.9	-0.9

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.)					
			Total				Memo:	Total				Memo:	
	Exports	Imports		Intermediate	Capital	Consumption	Manufactures		Intermediate	Capital	Consumption	Manufactures	Oil
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Values (EUR billions; annual percentage changes for columns 1 and 2)												
2001	6.1	-0.7	1,062.7	506.1	235.1	289.2	932.5	1,015.4	579.2	178.8	228.6	740.9	107.7
2002	2.0	-3.0	1,083.7	512.4	227.8	309.6	949.3	984.8	559.4	163.1	234.5	717.4	105.2
2003	-2.3	0.5	1,059.9	501.3	222.8	300.5	925.2	990.7	553.9	164.1	240.9	716.4	109.0
2004	8.9	9.3	1,147.2	547.4	246.9	313.3	997.3	1,074.6	604.2	183.5	255.9	769.9	129.5
2004 Q2	12.6	10.0	288.3	137.1	61.8	80.0	249.6	265.1	147.9	46.5	63.7	189.8	29.8
Q3	9.1	14.5	288.0	138.6	61.7	78.4	250.2	275.7	157.4	46.1	63.9	195.5	36.6
Q4	8.8	12.6	291.8	139.2	62.7	78.1	253.8	278.9	158.8	47.4	64.9	199.6	36.7
2005 Q1	3.4	8.5	291.8	137.6	62.3	77.5	255.7	278.2	154.9	44.8	63.2	197.8	36.1
Q2	6.1	10.7	302.1	143.2	63.7	80.1	258.7	291.5	165.0	49.0	64.8	201.3	40.5
Q3	9.5	14.2	317.7	148.2	69.5	83.5	273.5	315.4	180.1	51.4	68.1	216.5	51.1
2005 June	6.6	8.0	101.0	47.7	21.5	27.1	85.9	97.0	54.6	16.7	21.7	66.7	13.7
July	2.8	9.5	103.5	47.9	22.3	27.1	88.9	102.7	57.3	16.6	22.0	71.0	14.7
Aug.	14.0	19.8	106.7	49.9	23.4	28.0	92.1	107.6	62.5	17.9	23.0	73.4	18.2
Sep.	12.6	13.6	107.5	50.4	23.8	28.4	92.5	105.0	60.3	16.9	23.1	72.0	18.2
Oct.	6.4	11.1	104.4	49.0	22.1	27.5	89.7	105.4	59.2	17.2	22.7	72.0	17.3
Nov.	11.3	16.5	108.6	51.1	22.9	29.0	91.8	108.5	60.9	19.1	23.5	73.1	16.0
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2001	5.1	-0.8	104.9	102.1	108.6	107.8	105.4	98.9	99.3	96.3	100.6	97.8	99.4
2002	2.9	-0.7	107.9	105.0	106.2	115.0	108.2	98.2	98.8	89.5	104.2	96.3	101.4
2003	1.0	3.7	109.0	105.9	108.1	114.8	109.3	102.0	100.4	95.2	110.4	100.0	104.9
2004	8.8	6.6	117.9	115.2	121.0	119.8	118.2	107.9	103.8	108.3	118.3	107.3	105.7
2004 Q2	12.1	6.8	118.4	115.7	120.7	121.6	118.3	106.9	102.8	108.9	117.7	105.9	100.4
Q3	7.7	8.3	117.6	115.9	120.4	119.5	118.0	108.8	105.4	108.1	117.6	108.0	114.7
Q4	7.5	6.1	119.6	115.9	123.5	119.5	120.1	109.4	104.2	113.5	119.8	110.8	106.1
2005 Q1	1.3	2.4	118.9	113.5	123.0	118.1	120.2	109.5	102.5	108.5	116.5	109.7	105.8
Q2	4.4	4.5	122.0	117.0	124.9	121.0	121.1	111.0	103.8	117.0	118.6	110.8	102.7
Q3	6.8	4.4	126.6	119.6	135.4	124.5	127.1	113.9	105.0	119.8	122.7	117.4	109.1
2005 June	4.4	1.7	121.3	115.9	126.2	122.0	120.1	108.6	100.5	117.4	118.6	109.0	99.0
July	0.3	1.0	123.9	115.9	130.7	121.8	124.1	112.2	101.4	116.4	119.6	115.9	97.1
Aug.	11.5	9.2	127.5	121.1	136.4	124.8	128.3	116.2	108.9	123.4	124.0	119.0	117.5
Sep.	9.5	3.6	128.3	121.9	139.1	126.8	128.9	113.5	104.8	119.6	124.5	117.4	112.6
Oct.	2.5	2.7	123.8	117.4	129.7	121.6	124.3	113.5	102.9	119.6	121.6	116.7	108.9
Nov.	7.6	4.5	128.6	.	.	.	127.1	114.9	.	.	.	117.8	103.0
	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	99.5
2004 Q2	0.4	3.0	97.1	96.2	94.7	100.0	96.3	96.8	97.4	93.4	97.9	96.2	96.5
Q3	1.3	5.8	97.6	97.2	94.8	99.8	96.8	98.9	101.0	93.2	98.4	97.1	103.8
Q4	1.2	6.1	97.2	97.6	93.9	99.4	96.5	99.5	103.1	91.3	98.1	96.7	112.7
2005 Q1	2.1	5.9	97.8	98.5	93.8	99.9	97.1	99.1	102.3	90.3	98.3	96.8	111.2
Q2	1.7	5.9	98.7	99.4	94.3	100.7	97.5	102.5	107.6	91.6	98.8	97.5	128.8
Q3	2.5	9.3	100.0	100.6	94.9	102.0	98.2	108.0	116.0	93.8	100.4	98.9	152.4
2005 June	2.1	6.2	99.5	100.2	94.4	101.5	97.9	104.6	110.4	93.0	99.5	98.5	135.4
July	2.5	8.4	99.8	100.7	94.8	101.4	98.1	107.1	114.6	93.4	100.0	98.7	147.8
Aug.	2.2	9.8	100.1	100.4	95.0	102.5	98.3	108.5	116.6	95.2	100.5	99.3	151.4
Sep.	2.8	9.6	100.2	100.8	94.8	102.3	98.3	108.4	116.7	92.9	100.7	98.8	158.0
Oct.	3.8	8.2	100.8	101.7	94.7	103.1	98.8	108.7	116.9	94.2	101.2	99.3	155.0
Nov.	3.4	11.4	101.0	.	.	.	98.8	110.6	.	.	.	99.9	151.9

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
	Exports (f.o.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	1,083.7	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	194.9	117.6	29.2	63.4	24.9	166.3	35.2	31.3	135.5	59.5	37.9	100.7
2004	1,147.2	25.7	41.8	203.8	128.1	35.6	66.1	31.8	173.8	40.3	33.1	149.9	63.8	40.3	113.3
2004 Q2	288.3	6.3	10.4	50.9	32.4	9.0	16.3	8.2	44.1	10.7	8.0	36.9	16.0	9.9	29.0
Q3	288.0	6.5	10.5	51.3	31.8	9.3	17.1	7.9	43.3	9.8	8.4	38.3	16.6	10.3	27.1
Q4	291.8	6.7	10.7	51.3	32.7	9.2	17.1	7.7	43.8	10.1	8.2	37.8	16.0	10.5	30.1
2005 Q1	291.8	6.7	10.9	49.9	33.3	9.8	17.4	8.0	43.5	10.3	8.5	39.0	17.1	11.0	26.5
Q2	302.1	7.0	11.2	49.8	34.0	10.6	16.9	8.2	45.5	10.0	8.4	40.5	17.1	11.2	31.8
Q3	317.7	7.3	11.4	51.2	36.0	11.3	17.8	8.9	47.0	11.3	8.5	43.7	19.1	12.2	31.9
2005 June	101.0	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	11.2
July	103.5	2.4	3.8	16.8	11.7	3.4	5.7	2.8	15.2	3.7	2.8	14.5	6.0	4.1	10.7
Aug.	106.7	2.5	3.8	17.5	11.9	4.0	6.2	3.0	15.9	3.7	2.9	14.4	6.6	4.0	10.3
Sep.	107.5	2.5	3.8	16.9	12.4	3.9	5.9	3.1	15.9	3.8	2.8	14.8	6.5	4.1	11.0
Oct.	104.4	2.4	3.7	16.5	12.3	3.6	5.8	3.0	15.6	3.7	2.8	13.8	6.1	4.0	11.0
Nov.	108.6	.	.	.	.	3.9	5.8	2.9	16.0	3.8	2.9	14.1	6.4	4.2	.
	% share of total exports														
2004	100.0	2.2	3.6	17.8	11.2	3.1	5.8	2.8	15.1	3.5	2.9	13.1	5.6	3.5	9.9
	Imports (c.i.f.)														
2001	1,015.4	22.0	35.6	154.6	88.9	42.8	52.9	16.7	138.7	57.2	58.6	150.9	74.0	41.0	81.6
2002	984.8	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	81.2
2003	990.7	23.7	36.9	138.9	102.1	47.4	50.4	19.3	110.3	74.6	52.2	141.2	68.9	39.8	85.1
2004	1,074.6	25.3	39.7	143.8	107.2	56.4	53.5	22.8	113.8	92.1	53.9	163.1	72.8	45.1	85.3
2004 Q2	265.1	6.1	9.9	35.2	26.8	13.6	13.2	5.7	29.8	22.6	13.1	40.7	17.3	11.0	20.4
Q3	275.7	6.4	10.1	37.3	26.1	14.5	13.6	6.0	28.7	23.5	13.7	42.4	19.1	11.6	22.7
Q4	278.9	6.5	10.2	36.5	27.3	15.9	13.8	6.1	28.9	25.4	13.5	43.2	19.9	11.8	20.1
2005 Q1	278.2	6.1	10.0	35.9	27.0	16.7	13.5	6.2	29.1	26.3	13.0	41.4	20.2	12.1	20.8
Q2	291.5	6.4	10.3	36.6	28.8	17.5	14.4	5.9	29.9	27.6	12.5	46.1	21.9	11.9	21.7
Q3	315.4	6.3	10.6	38.6	29.9	18.7	14.9	6.1	30.5	30.9	13.5	48.7	26.7	13.7	26.2
2005 June	97.0	2.0	3.4	11.9	9.7	5.8	4.9	1.8	10.0	9.1	4.1	16.4	7.2	4.0	6.7
July	102.7	2.1	3.6	12.8	9.8	5.7	4.9	2.0	10.1	10.3	4.3	15.2	7.8	4.1	10.1
Aug.	107.6	2.2	3.6	13.0	9.9	6.7	5.0	2.1	10.3	10.5	4.7	17.1	9.8	4.9	8.1
Sep.	105.0	2.1	3.5	12.9	10.2	6.4	5.0	2.0	10.1	10.2	4.4	16.4	9.1	4.7	7.9
Oct.	105.4	2.2	3.6	12.6	10.1	6.4	4.9	2.1	10.0	10.2	4.3	15.6	8.3	4.8	10.5
Nov.	108.5	.	.	.	.	6.4	4.9	2.2	10.0	10.7	4.6	16.9	9.1	4.9	.
	% share of total imports														
2004	100.0	2.4	3.7	13.4	10.0	5.2	5.0	2.1	10.6	8.6	5.0	15.2	6.8	4.2	7.9
	Balance														
2001	47.3	2.3	1.4	47.9	17.0	-18.1	13.5	1.2	41.5	-31.9	-24.1	-10.5	-13.6	8.9	11.8
2002	98.8	2.3	1.5	56.1	18.6	-14.9	12.0	3.8	58.4	-31.8	-19.7	-2.3	-8.3	4.0	19.2
2003	69.3	1.1	1.7	56.0	15.5	-18.2	13.0	5.5	56.0	-39.3	-20.9	-5.7	-9.4	-1.8	15.6
2004	72.5	0.4	2.1	60.0	20.9	-20.7	12.6	8.9	60.0	-51.8	-20.8	-13.2	-9.0	-4.8	28.0
2004 Q2	23.2	0.3	0.5	15.7	5.6	-4.5	3.2	2.6	14.3	-11.9	-5.1	-3.8	-1.3	-1.1	8.7
Q3	12.3	0.1	0.4	14.0	5.7	-5.3	3.5	1.9	14.6	-13.7	-5.3	-4.1	-2.5	-1.3	4.4
Q4	12.9	0.2	0.5	14.8	5.4	-6.7	3.3	1.6	14.9	-15.3	-5.3	-5.4	-3.9	-1.3	10.0
2005 Q1	13.6	0.6	0.9	14.0	6.3	-6.9	4.0	1.7	14.4	-16.0	-4.5	-2.4	-3.1	-1.1	5.7
Q2	10.6	0.6	0.9	13.2	5.2	-6.9	2.5	2.3	15.5	-17.6	-4.1	-5.6	-4.7	-0.7	10.0
Q3	2.3	1.0	0.8	12.5	6.1	-7.4	2.9	2.8	16.5	-19.7	-5.0	-5.0	-7.5	-1.5	5.7
2005 June	4.0	0.3	0.3	4.5	1.9	-2.1	0.6	0.9	5.3	-5.8	-1.3	-3.1	-1.7	-0.4	4.6
July	0.8	0.3	0.2	4.0	1.9	-2.3	0.8	0.8	5.2	-6.6	-1.6	-0.8	-1.8	0.0	0.5
Aug.	-0.9	0.3	0.3	4.5	1.9	-2.7	1.1	1.0	5.6	-6.7	-1.8	-2.6	-3.1	-0.8	2.1
Sep.	2.4	0.4	0.3	4.0	2.2	-2.5	0.9	1.0	5.8	-6.3	-1.6	-1.6	-2.6	-0.6	3.1
Oct.	-1.0	0.3	0.2	3.9	2.2	-2.8	0.9	0.9	5.6	-6.5	-1.5	-1.8	-2.2	-0.8	0.6
Nov.	0.1	.	.	.	.	-2.5	0.9	0.8	5.9	-6.9	-1.7	-2.8	-2.7	-0.8	.

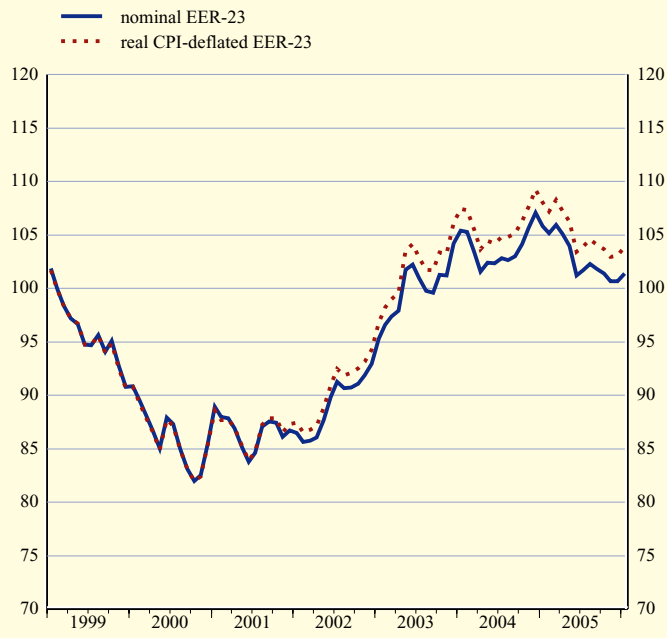
Sources: Eurostat and ECB calculations based on Eurostat data (balance and columns 5, 12 and 15).

8 EXCHANGE RATES

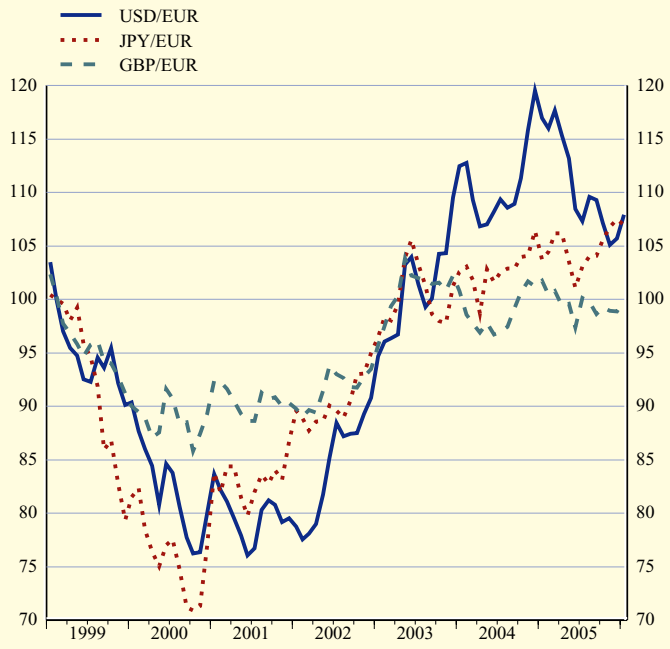
8.1 Effective exchange rates [1]
(period averages; index 1999 Q1=100)

	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
2003	99.9	101.7	102.2	101.2	97.8	98.6	106.6	101.6
2004	103.8	105.9	105.2	105.0	103.2	102.8	111.0	105.4
2005	102.9	105.2	103.6	.	.	.	109.5	103.6
2004 Q4	105.7	107.7	106.6	106.6	105.2	104.2	113.0	107.1
2005 Q1	105.7	107.9	106.9	106.8	103.9	103.6	112.6	106.6
Q2	103.4	105.6	104.2	104.5	100.8	101.6	110.1	104.1
Q3	101.9	104.2	102.4	102.7	99.5	100.2	108.3	102.4
Q4	100.9	103.2	101.0	.	.	.	107.2	101.2
2005 Jan.	105.8	108.0	107.1	-	-	-	112.9	106.9
Feb.	105.1	107.2	106.4	-	-	-	111.9	105.9
Mar.	106.0	108.3	107.3	-	-	-	112.9	106.9
Apr.	105.1	107.3	105.8	-	-	-	111.9	105.8
May	104.0	106.2	104.6	-	-	-	110.6	104.6
June	101.2	103.4	102.1	-	-	-	107.6	101.8
July	101.7	103.9	102.3	-	-	-	108.0	102.1
Aug.	102.3	104.6	102.9	-	-	-	108.7	102.8
Sep.	101.8	104.1	102.0	-	-	-	108.2	102.4
Oct.	101.4	103.7	101.4	-	-	-	107.8	101.8
Nov.	100.7	103.0	100.8	-	-	-	106.9	100.9
Dec.	100.7	103.1	100.7	-	-	-	106.9	100.9
2006 Jan.	101.4	103.9	101.4	-	-	-	107.5	101.5
	% change versus previous month							
2006 Jan.	0.7	0.8	0.7	-	-	-	0.6	0.6
	% change versus previous year							
2006 Jan.	-4.2	-3.8	-5.3	-	-	-	-4.8	-5.1

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 krone	Swedish krona	Pound sterling	US dollar	Japanese yen	Swiss franc	South Korean won	Hong Kong dollar	Singapore dollar	Canadian dollar	Norwegian krone	Australian dollar
	1	2	3	4	5	6	7	8	9	10	11	12
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	7.4518	9.2822	0.68380	1.2441	136.85	1.5483	1,273.61	9.6768	2.0702	1.5087	8.0092	1.6320
2005 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
Q4	7.4586	9.4731	0.67996	1.1884	139.41	1.5472	1,231.69	9.2157	2.0065	1.3956	7.8785	1.5983
2005 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
Dec.	7.4541	9.4316	0.67922	1.1856	140.58	1.5479	1,212.30	9.1927	1.9855	1.3778	7.9737	1.5979
2006 Jan.	7.4613	9.3111	0.68598	1.2103	139.82	1.5494	1,190.02	9.3851	1.9761	1.4025	8.0366	1.6152
	% change versus previous month											
2006 Jan.	0.1	-1.3	1.0	2.1	-0.5	0.1	-1.8	2.1	-0.5	1.8	0.8	1.1
	% change versus previous year											
2006 Jan.	0.3	2.9	-1.8	-7.7	3.1	0.2	-12.6	-8.2	-8.1	-12.7	-2.1	-5.8

	Czech koruna	Estonian kroon	Cyprus pound	Latvian lats	Lithuanian litas	Hungarian forint	Maltese lira	Polish zloty	Slovenian tolar	Slovak koruna	Bulgarian lev	New Romanian leu [1]
	13	14	15	16	17	18	19	20	21	22	23	24
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	29.782	15.6466	0.57683	0.6962	3.4528	248.05	0.4299	4.0230	239.57	38.599	1.9558	3.6209
2005 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
Q4	29.304	15.6466	0.57339	0.6965	3.4528	251.84	0.4293	3.9152	239.51	38.494	1.9558	3.6379
2005 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
Dec.	28.972	15.6466	0.57346	0.6967	3.4528	252.68	0.4293	3.8501	239.51	37.872	1.9558	3.6589
2006 Jan.	28.722	15.6466	0.57376	0.6960	3.4528	250.71	0.4293	3.8201	239.49	37.492	1.9558	3.6449
	% change versus previous month											
2006 Jan.	-0.9	0.0	0.1	-0.1	0.0	-0.8	0.0	-0.8	0.0	-1.0	0.0	-0.4
	% change versus previous year											
2006 Jan.	-5.2	0.0	-1.4	0.0	0.0	1.7	-0.7	-6.4	-0.1	-2.8	0.0	-

	Chinese yuan renminbi [2]	Croatian kuna [2]	Icelandic krona	Indonesian rupiah [2]	Malaysian ringgit [2]	New Zealand dollar	Philippine peso [2]	Russian rouble [2]	South African rand	Thai baht [2]	New Turkish lira [3]
	25	26	27	28	29	30	31	32	33	34	35
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	10.1955	7.4008	78.23	12,072.83	4.7119	1.7660	68.494	35.1884	7.9183	50.068	1.6771
2005 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
Q4	9.6057	7.3831	73.86	11,875.37	4.4881	1.7124	64.821	34.1294	7.7706	48.780	1.6132
2005 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
Dec.	9.5746	7.3882	75.36	11,675.40	4.4796	1.7072	63.454	34.1538	7.5439	48.731	1.6038
2006 Jan.	9.7630	7.3772	74.58	11,472.89	4.5425	1.7616	63.590	34.3284	7.3811	47.965	1.6158
	% change versus previous month										
2006 Jan.	2.0	-0.1	-1.0	-1.7	1.4	3.2	0.2	0.5	-2.2	-1.6	0.7
	% change versus previous year										
2006 Jan.	-10.1	-2.3	-9.2	-5.0	-8.9	-5.4	-13.0	-6.4	-5.8	-5.7	-

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
	HICP												
2004	2.6	0.9	3.0	1.9	6.2	1.2	6.8	2.7	3.6	3.6	7.5	1.0	1.3
2005	1.6	1.7	4.1	2.0	6.9	2.7	3.5	2.5	2.2	2.5	2.8	0.8	2.1
2005 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
Q4	2.2	2.0	4.0	1.9	7.5	3.0	3.2	3.6	1.2	2.6	3.7	1.1	2.1
2005 Aug.	1.4	2.3	4.2	1.5	6.3	2.3	3.5	2.5	1.8	1.8	2.1	1.1	2.4
Sep.	2.0	2.4	4.9	2.1	7.4	2.5	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
Nov.	2.2	1.9	4.0	2.0	7.5	2.8	3.3	4.3	1.1	2.1	3.6	1.2	2.1
Dec.	1.9	2.2	3.6	1.4	7.1	3.0	3.3	3.4	0.8	2.4	3.9	1.3	2.0
	General government deficit (-)/surplus (+) as a % of GDP [1]												
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
	General government gross debt as a % of GDP [1]												
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
	Long-term government bond yield as a % per annum, period average												
2005 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
Nov.	3.76	3.46	-	4.22	3.56	3.64	6.81	4.39	5.38	3.62	3.70	3.39	4.37
Dec.	3.61	3.35	-	4.09	3.59	3.79	6.89	4.39	5.16	3.69	3.62	3.37	4.27
	3-month interest rate as a % per annum, period average												
2005 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
Nov.	2.24	2.39	2.32	3.51	2.84	2.42	6.20	3.19	4.64	4.01	3.19	1.72	4.62
Dec.	2.17	2.48	2.59	3.47	3.16	2.53	6.21	3.22	4.62	4.00	3.12	1.89	4.64
	Real GDP												
2004	4.7	2.1	7.8	3.8	9.8	7.0	4.6	0.1	5.4	4.2	5.5	3.7	3.2
2005	.	.	.	.	.	.	.	.	.	.	.	.	1.8
2005 Q1	5.0	2.1	7.0	3.9	7.3	6.3	4.3	0.2	2.1	2.9	5.1	2.3	2.0
Q2	5.2	3.1	10.2	3.7	11.4	7.6	4.3	1.9	2.8	5.0	5.1	2.3	1.6
Q3	4.9	4.7	10.4	3.9	11.4	8.5	4.4	2.9	3.7	4.2	6.2	2.8	1.7
	Current and capital accounts balance as a % of GDP												
2003	-6.3	3.3	-11.6	-2.4	-7.5	-6.4	-8.7	-5.5	-2.1	-1.0	-0.5	7.4	-1.3
2004	-5.7	2.4	-11.9	-4.9	-11.8	-6.4	-8.5	-8.7	-3.8	-2.5	-3.1	8.2	-1.8
2005 Q1	3.0	3.4	-9.5	-13.5	-9.3	-3.7	-6.8	-7.9	-1.0	-1.7	-2.2	8.3	-1.7
Q2	-4.1	5.3	-10.9	1.5	-9.8	-6.7	-7.2	-10.4	-0.8	0.4	-11.9	6.2	-1.1
Q3	-4.4	5.2	-6.6	3.1	-11.1	-6.7	-7.1	-0.6	-1.4	0.6	-4.7	7.8	-3.1
	Unit labour costs												
2003	7.6	1.6	4.9	-	5.6	1.5	7.2	-	.	4.7	3.5	1.0	3.2
2004	1.1	1.1	3.0	-	7.3	.	4.2	-	.	3.8	2.1	-0.6	2.0
2005 Q1	-0.3	1.9	3.1	-	-	4.0	-	-	.	-	5.7	2.6	4.3
Q2	0.4	2.6	2.4	-	-	1.2	-	-	.	-	3.6	0.1	3.3
Q3	2.0	-1.1	4.1	-	-	3.4	-	-	.	-	4.1	0.9	.
	Standardised unemployment rate as a % of labour force (s.a.)												
2004	8.3	5.5	9.7	5.2	10.4	11.4	6.1	7.7	19.0	6.3	18.2	6.4	4.7
2005	7.9	4.9	7.8	6.0	9.1	8.2	7.1	8.0	17.8	6.3	16.4	.	.
2005 Q2	8.0	5.1	8.1	5.8	9.4	8.7	7.1	8.1	18.0	6.1	16.4	.	4.6
Q3	7.8	4.6	7.4	6.1	9.1	7.8	7.3	7.9	17.7	6.4	16.2	.	4.7
Q4	7.9	4.5	7.0	5.9	8.5	6.8	7.3	7.8	17.3	6.4	16.3	.	.
2005 Aug.	7.8	4.6	7.5	6.1	9.1	7.8	7.3	7.8	17.7	6.4	16.0	.	4.6
Sep.	7.9	4.5	7.2	6.2	8.9	7.4	7.3	7.8	17.6	6.4	16.5	.	4.8
Oct.	7.9	4.5	7.2	6.1	8.7	7.0	7.3	7.8	17.4	6.4	16.5	.	4.9
Nov.	7.9	4.5	6.9	5.9	8.5	6.7	7.3	7.7	17.3	6.5	16.3	.	.
Dec.	7.8	4.4	6.7	5.8	8.3	6.8	7.3	7.9	17.2	6.4	16.1	.	.

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

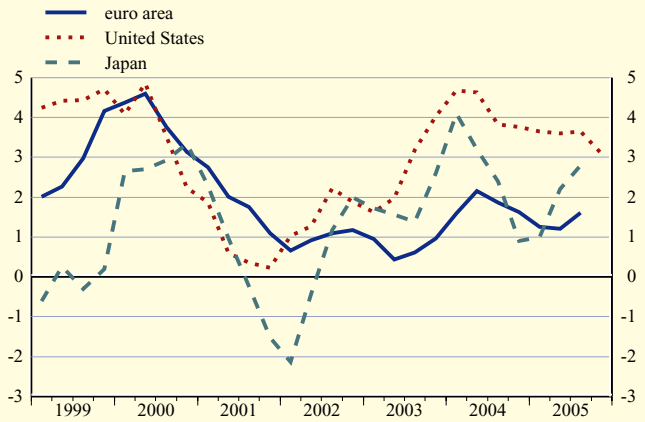
(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Consumer price index	Unit labour costs [1] (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money [2]	3-month interbank deposit rate [3] as a % per annum	10-year government bond yield [3] as a % per annum	Exchange rate [4] as national currency per euro	Fiscal deficit (-)/ surplus (+) as a % of GDP	Gross public debt [5] as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
	United States										
2002	1.6	-0.6	1.6	0.3	5.8	8.0	1.80	4.60	0.9456	-3.8	45.2
2003	2.3	2.2	2.7	0.7	6.0	6.4	1.22	4.00	1.1312	-5.0	47.9
2004	2.7	-3.1	4.2	5.0	5.5	5.1	1.62	4.26	1.2439	-4.7	48.6
2005	3.4	.	3.5	3.8	5.1	6.0	3.56	4.28	1.2441	.	.
2004 Q4	3.3	-1.6	3.8	5.2	5.4	5.8	2.30	4.17	1.2977	-4.3	48.6
2005 Q1	3.0	2.3	3.6	4.8	5.2	5.9	2.84	4.30	1.3113	-3.7	49.5
Q2	2.9	3.1	3.6	3.4	5.1	4.9	3.28	4.16	1.2594	-3.5	48.6
Q3	3.8	1.7	3.6	3.1	5.0	5.9	3.77	4.21	1.2199	-4.5	48.5
Q4	3.7	.	3.1	4.1	4.9	7.5	4.34	4.48	1.1884	.	.
2005 Sep.	4.7	-	-	2.9	5.1	6.4	3.91	4.19	1.2256	-	-
Oct.	4.3	-	-	3.8	4.9	7.2	4.17	4.45	1.2015	-	-
Nov.	3.5	-	-	4.4	5.0	7.4	4.35	4.53	1.1786	-	-
Dec.	3.4	-	-	4.1	4.9	7.8	4.49	4.46	1.1856	-	-
2006 Jan.	.	-	-	.	.	.	4.60	4.41	1.2103	-	-
	Japan										
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	.	.
2005	-0.3	.	.	1.3	4.4	1.9	0.06	1.39	136.85	.	.
2004 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	0.3	2.8	0.1	4.3	1.8	0.06	1.36	135.62	.	.
Q4	-0.5	.	.	3.4	4.5	2.0	0.06	1.53	139.41	.	.
2005 Sep.	-0.3	-0.6	-	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.	-0.8	.	-	3.4	4.6	2.1	0.06	1.52	139.59	-	-
Dec.	-0.1	.	-	3.7	4.4	2.0	0.07	1.54	140.58	-	-
2006 Jan.	.	.	-	.	.	.	0.07	1.47	139.82	-	-

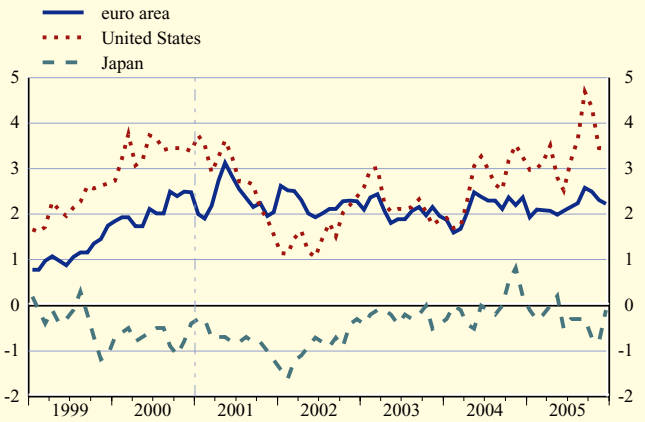
C35 Real gross domestic product

(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).

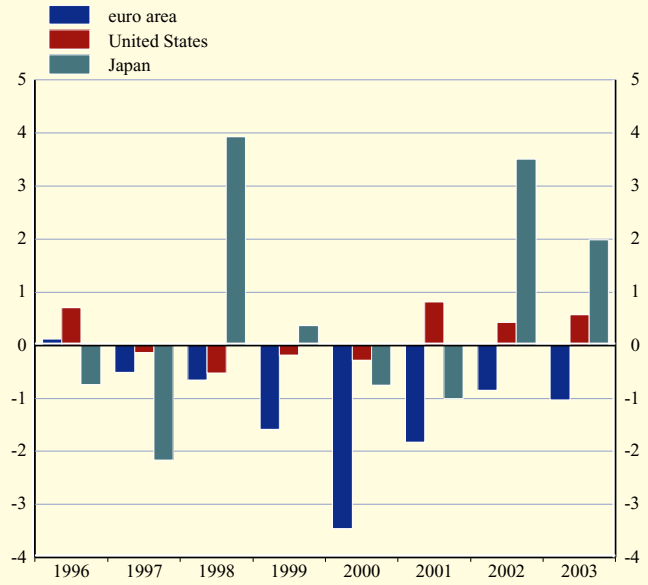
1) Data for the United States are seasonally adjusted.
2) Average-of-period values; M3 for US, M2+CDs for Japan.
3) For more information, see Sections 4.6 and 4.7.
4) For more information, see Section 8.2.
5) Gross consolidated general government debt (end of period).

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

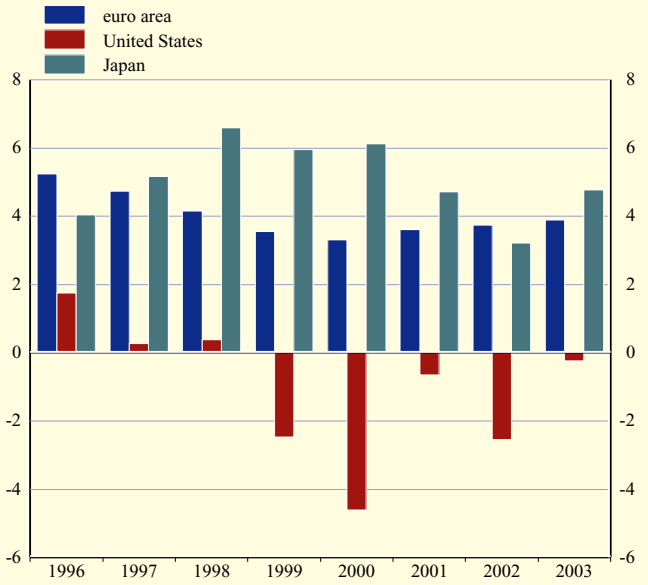
2. Saving, investment and financing

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households [1]			
	Gross saving	Gross capital formation	Net lending to the rest of the world	Gross capital formation	Gross fixed capital formation	Net acquisition of financial assets	Gross saving	Net incurrence of liabilities	Securities and shares	Capital expend-itures [2]	Net acquisition of financial assets	Gross saving [3]	Net incurrence of liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13
	United States												
2001	16.4	19.1	-3.7	7.9	8.3	1.8	7.5	0.9	1.7	12.8	4.9	10.8	5.5
2002	14.2	18.4	-4.4	7.0	7.0	1.2	7.7	0.8	-0.2	13.0	4.1	11.4	6.6
2003	13.4	18.5	-4.6	6.8	6.8	0.8	8.0	0.3	0.8	13.3	7.7	11.3	7.9
2004	13.4	19.6	-5.6	7.3	7.0	4.0	8.0	3.0	0.9	13.5	6.7	11.0	9.4
2003 Q4	13.9	18.8	-4.3	7.0	6.9	1.2	8.3	0.4	0.0	13.5	5.6	11.2	4.0
2004 Q1	13.4	19.0	-5.0	7.1	6.8	5.0	8.2	3.7	1.1	13.3	6.9	11.0	9.7
Q2	13.3	19.8	-5.6	7.4	7.0	3.3	8.1	2.0	-0.2	13.6	5.2	10.7	8.9
Q3	13.5	19.8	-5.5	7.3	7.1	3.3	8.4	1.9	0.5	13.6	6.7	10.9	8.9
Q4	13.5	19.9	-6.2	7.5	7.2	4.6	7.3	4.3	2.1	13.6	7.8	11.4	10.2
2005 Q1	13.4	20.2	-6.4	7.6	7.2	3.0	7.7	2.5	0.8	13.7	5.1	10.0	7.8
Q2	13.2	19.8	-6.0	7.2	7.3	2.7	8.1	1.3	0.6	13.9	3.7	9.4	9.3
Q3	13.3	19.9	-6.0	7.2	7.4	2.5	8.5	0.7	-0.7	13.9	5.5	9.7	9.6
	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 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
Q2	.	23.0	.	.	.	-13.7	.	-11.2	0.6	.	8.0	.	-6.2
Q3	.	23.8	.	.	.	7.1	.	0.7	0.2	.	-2.1	.	1.5
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
Q2	.	23.7	.	.	.	-17.0	.	-16.4	0.9	.	7.6	.	-6.7
Q3	.	23.5	.	.	.	5.7	.	4.3	-1.5	.	-4.0	.	3.3

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



C38 Net lending of households [1]
(as a percentage of GDP)



Sources: ECB, Federal Reserve Board, Bank of Japan and Economic and Social Research Institute.
1) Including non-profit institutions serving households.
2) Gross capital formation in Japan. Capital expenditures in the United States include purchases of consumer durable goods.
3) Gross saving in the United States is increased by expenditures on consumer durable goods.

LIST OF CHARTS

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

The base of the index (of the non-seasonally adjusted series) is currently set as December 2001 = 100. Time series of the index of adjusted outstanding amounts are available on the ECB's website (www.ecb.int) under the "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) $$a_t = \left[\prod_{i=0}^{11} \left(1 + F_{t-i}^M / L_{t-1-i} \right) - 1 \right] \times 100$$

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

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

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

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

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:

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

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

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS[1]

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

The seasonal adjustment procedures are first applied to the index of adjusted outstanding amounts.[3] The resulting estimates of the seasonal factors are then applied to the levels and to the adjustments arising from reclassifications and revaluations, in turn yielding seasonally adjusted transactions. Seasonal (and trading day) factors are revised at annual intervals or as required.

RELATING TO SECTIONS 3.1 TO 3.3

CALCULATION OF GROWTH RATES

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

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

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

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

1 For details, see "Seasonal adjustment of monetary aggregates and HICP for the euro area", ECB (August 2000) and the "Statistics" section of the ECB's website (www.ecb.int), under the "Money, banking and financial markets" sub-section.

2 For details, see Findley, D., Monsell, B., Bell, W., Otto, M., and Chen, B. C. (1998), "New Capabilities and Methods of the X-12-ARIMA Seasonal Adjustment Program", Journal of Business and Economic Statistics, 16, 2, pp.127-152, or "X-12-ARIMA Reference Manual", Time Series Staff, Bureau of the Census, Washington, D.C.
For internal purposes, the model-based approach of TRAMO-SEATS is also used. For details on TRAMO-SEATS, see Gomez, V. and Maravall, A. (1996), "Programs TRAMO and SEATS: Instructions for the User", Banco de España, Working Paper No. 9628, Madrid.

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

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

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) $$a_t = \left[\prod_{i=0}^{11}\left(1 + N^M_{t-i} / L_{t-1-i}\right) - 1\right] \times 100$$

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

The method used to calculate the growth rates for securities other than shares is the same as that used for the monetary aggregates, the only difference being that an "N" is used rather than an "F". The reason for this is to distinguish between the different ways of obtaining "net issues" for securities issues statistics 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) $$\left(\frac{0.5I_t + \sum_{i=1}^{2} I_{t-i} + 0.5I_{t-3}}{0.5I_{t-12} + \sum_{i=1}^{2} I_{t-i-12} + 0.5I_{t-15}} - 1\right) \times 100$$

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

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

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[4]

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) $$a_t = \left[\prod_{i=0}^{5}\left(1 + N^M_{t-i} / L_{t-1-i}\right) - 1\right] x100$$

q) $$a_t = \left(I_t / I_{t-6} - 1\right) x100$$

4 For details, see "Seasonal adjustment of monetary aggregates and HICP for the euro area", ECB (August 2000) and the "Statistics" section of the ECB's website (www.ecb.int), under the "Money, banking and financial markets" sub-section.

RELATING TO TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP[4]

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

RELATING TO TABLE 2 IN SECTION 7.1

SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

The approach relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The raw data for goods, 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). 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.

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 1 February 2006.

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[1], as last amended by Regulation ECB/2003/10[2].

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

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

FINANCIAL AND NON-FINANCIAL ACCOUNTS

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

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.

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

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

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

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999 column 1 of Section 4.6 shows 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[3]. 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[4]. 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[5] and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003[6]. 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[7] 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 OJ L 69, 13.3.2003, p. 1.
6 OJ L 169, 8.7.2003, p. 37.
7 OJ L 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[8] 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)[9], 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 2005), 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). 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.

8 OJ L 179, 9.7.2002, p. 1.
9 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[1]

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

1 The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2003 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, on pages 234 to 235 of the ECB's Annual Report 2002 and on pages 217 to 218 of the ECB's Annual Report 2003 respectively.

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.

16 DECEMBER 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 2006 from €30 billion to €40 billion. This increased amount takes two aspects into consideration. First, the liquidity needs of the euro area banking system are expected to increase further in the year 2006. Second, the Eurosystem has decided to increase slightly the share of the liquidity needs satisfied by the longer-term refinancing operations. 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 2007.

12 JANUARY AND 2 FEBRUARY 2006

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 2.25%, 3.25% and 1.25% respectively.

DOCUMENTS PUBLISHED BY THE EUROPEAN CENTRAL BANK SINCE 2005

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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).

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 (BLS): 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.

Borrowing requirement (general government): net incurrence of debt by general government.

Central parity (or central rate): 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 gross debt (deposits, loans and debt securities excluding financial derivatives) 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-debt adjustment (general government): the difference between the general government deficit and the change in general government debt.

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.

Deflation: a decline in the general price level, e.g. in the consumer price index.

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.

Euro area: the area formed by those EU Member States in which the euro has been adopted as the single currency in accordance with the Treaty.

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 industries, 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).

Eurosystem: the central banking system made up of the European Central Bank and the national central banks of those EU Member States that have already adopted the euro.

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).

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 (in cash and in kind, including bonuses) and other labour costs (employers' social contributions plus employment-related taxes paid by the employer minus subsidies received by the employer), per hour actually worked (including overtime).

Implied volatility: the expected volatility (i.e. standard deviation) in the rates of change of the price of an asset (e.g. a share or a bond). It can be derived from the asset's price, maturity date and exercise price of its options, as well as from a riskless rate of return, using an option pricing model such as the Black-Scholes model.

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: an increase in the general price level, e.g. in the consumer price index.

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 reserves: external assets readily available to and controlled by monetary authorities for directly financing or regulating the magnitude of payments imbalances through intervention in exchange markets. The international reserves of the euro area comprise non-euro denominated claims on non-euro area residents, gold, special drawing rights (SDRs) and the reserve positions in the IMF which are held by the Eurosystem.

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 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 labour productivity (defined as 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 graphical representation of 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.

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