



EUROPEAN CENTRAL BANK

MONTHLY BULLETIN 06 | 2006

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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 8 June the Governing Council of the ECB decided to increase the minimum bid rate of the main refinancing operations of the Eurosystem by 25 basis points to 2.75%. The interest rates on the marginal lending facility and the deposit facility were also increased by 25 basis points to 3.75% and 1.75% respectively. This decision reflects the upside risks to price stability over the medium term that have been identified through both the Governing Council's economic and monetary analyses. The further withdrawal of monetary accommodation will thus contribute to ensuring that longer-term inflation expectations in the euro area remain solidly anchored at levels consistent with price stability. Such anchoring is a prerequisite for monetary policy to make an ongoing contribution towards supporting economic growth and job creation in the euro area. Overall, after this increase, the key ECB interest rates are still low by historical standards, liquidity is ample and monetary policy remains accommodative. Given the outlook for price developments and the dynamism of money and credit growth in the euro area, the Governing Council will continue to monitor closely all developments to ensure price stability over the medium and longer term.

Turning first to the economic analysis, all the main indicators of economic activity that have recently become available are positive. According to Eurostat's first estimate, on a quarter-on-quarter basis, real GDP grew by 0.6% in the euro area in the first quarter of 2006, compared with 0.3% in the previous quarter, with domestic demand making a significant contribution. The expected re-acceleration of real GDP growth in the first months of 2006 has thus materialised, confirming the Governing Council's view that economic growth is broadening and becoming more sustained. This assessment is further supported by information on activity in the second quarter – such as various confidence surveys and indicator-based estimates – which continues to be encouraging.

Looking further ahead, the conditions are in place for growth in the euro area to remain close to its trend potential rate, despite the impact of the rise in oil prices. Growth in the economies of the euro area's main trading partners remains robust, providing support for euro area exports. Investment growth is expected to continue to benefit from favourable financing conditions, corporate balance sheet restructuring, and gains in earnings and business efficiency. Consumption growth should continue to strengthen gradually over time, in line with developments in real disposable income, as the labour market situation gradually improves.

This outlook is also reflected in the June Eurosystem staff macroeconomic projections, which provide additional input into the Governing Council's analysis of the prospects for economic activity. The projections foresee average annual real GDP growth in a range between 1.8% and 2.4% in 2006, and between 1.3% and 2.3% in 2007. The growth projections for 2006 are broadly unchanged from the ECB staff projections of March 2006, while those for 2007 are slightly lower, reflecting mainly the recent rise in oil prices. Most recent forecasts by international organisations and private sector institutions give a broadly similar picture. It is the Governing Council's view that risks to these projections for economic growth are broadly balanced over the shorter term, while longer-term downside risks relate mainly to potential further oil price rises, global imbalances and protectionism.

Turning to price developments, according to Eurostat's flash estimate, annual HICP inflation increased to 2.5% in May, compared with 2.4% in April and 2.2% in March. Although no detailed information is available as yet, this increase probably stems from energy price developments. In the months to come and in 2007, inflation rates are likely to remain above 2%, the precise levels depending on future energy price developments. While the moderate evolution of labour costs in the euro area is expected to continue in 2007 – also reflecting ongoing global competitive pressures,

particularly in the manufacturing sector – indirect effects of past oil price increases and the announced changes in indirect taxes are expected to have a significant upward effect on inflation. Against this background, it is crucial that the social partners continue to meet their responsibilities.

Further input into the Governing Council's assessment of the outlook for price developments is provided by the June Eurosystem staff projections. Annual HICP inflation is projected to lie between 2.1% and 2.5% in 2006, and between 1.6% and 2.8% in 2007. Compared with the March 2006 ECB staff projections, these ranges imply a slight upward shift to the profile for HICP inflation in 2006, largely reflecting the assumption of higher oil prices.

In the view of the Governing Council, risks to the outlook for price developments remain on the upside and include further increases in oil prices, a stronger pass-through of past oil price rises into consumer prices than currently anticipated, additional increases in administered prices and indirect taxes, and – more fundamentally – stronger than expected wage developments due to second-round effects of past oil price increases.

Turning to the monetary analysis, the Governing Council again had a thorough discussion of underlying developments in money and credit. In a context of already ample liquidity and very strong monetary and credit growth, the annual growth rate of loans to the private sector has increased further in recent months to reach double-digit levels. Credit growth has also been broadly based across sectors. Borrowing by households – especially for house purchase – and by non-financial corporations has been growing very strongly. At the same time, monetary growth has risen further over the past few months, with the annual growth rate of M3 standing at 8.8% in April.

The rapid rate of monetary growth continues to be driven mainly by the expansion of its most liquid components. Thus, the latest developments

confirm that the stimulative impact of the low level of interest rates remains the dominant factor behind the current high trend rate of monetary expansion, which signals inflationary risks over the medium to longer term. The further acceleration of monetary and credit growth in this environment of already ample liquidity points to increased upside risks to price stability at longer horizons. Monetary developments, therefore, require careful monitoring, in particular in the light of strong dynamics in housing markets.

To sum up, annual inflation rates are projected to remain elevated in 2006 and 2007, with risks to this outlook on the upside. Given the strength of monetary and credit growth and the ample liquidity situation, a cross-check of the outcome of the economic analysis with that of the monetary analysis confirms that upside risks to price stability over the medium term prevail. A further adjustment of interest rates was therefore warranted. By acting in a timely fashion, the Governing Council is helping to keep medium and long-term inflation expectations in line with price stability, thereby making an ongoing contribution to sustainable economic growth and job creation. Overall, monetary policy remains accommodative and the Governing Council will continue to monitor closely all developments to ensure that risks to price stability do not materialise.

With regard to fiscal policies, the forecasts published recently by the Commission point to a broadly unchanged situation in the euro area in 2006 and 2007. Deficit ratios are expected to remain at around the 2005 level of 2.4%, while debt ratios, after declining only marginally, are forecast at levels still above 70% of GDP. This is disappointing against the background of the economic outlook. Most countries with an excessive deficit have not corrected their position in a timely manner. Furthermore, there is a risk of consolidation delays in other countries. It is crucial to avoid the mistakes of the past, when many countries failed to consolidate sufficiently in good times. The Governing Council considers that more

determined progress is required towards sound public finances in a number of countries, that concrete and credible measures should be implemented swiftly as part of a medium-term-oriented strategy, and that it is vital to consolidate confidence in the revised Stability and Growth Pact by ensuring the sustainability of public finances in the euro area.

In terms of structural reforms, the Governing Council reiterates its call for the implementation of firm measures to ensure open, competitive and well-functioning product and labour markets, so as to foster an attractive environment for investment and innovation and to promote flexibility in wages and prices. There is a broad and firm consensus that such reforms are beneficial in promoting growth and employment and in enhancing the resilience of the euro area economy to external shocks. At the same time, these reforms would further facilitate intra-euro area adjustments by reducing rigidities which, in some economies, contribute to wage developments that lead to high and persistent unit labour cost growth, higher inflationary pressure and losses in competitiveness. Examples of such rigidities are low productivity growth due to a lack of competition in some sectors and an explicit or de facto indexation of nominal wages to prices. All in all, a comprehensive set of reforms is essential to strengthen the foundations for sustained growth in output and employment across the euro area, to underpin the ongoing economic recovery and to further smoothen the functioning of adjustment mechanisms in the euro area, thereby facilitating the conduct of the single monetary policy.





# ECONOMIC AND MONETARY DEVELOPMENTS

## I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

The global economy continued to expand at a robust pace in the first few months of 2006, with inflation broadly following energy price developments. Overall, the outlook for the external environment remains positive, supported by relatively favourable financing conditions. However, the main risks to this outlook remain related to the impact of oil prices on global inflation and activity, and to global imbalances.

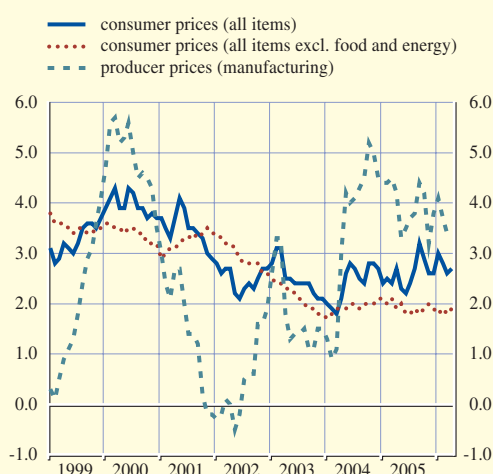
### I.1 DEVELOPMENTS IN THE WORLD ECONOMY

Survey evidence suggests a fairly broad-based strengthening of global growth momentum since the beginning of the year, affecting both the manufacturing and services sectors. Box 1 discusses the sensitivity of measures of global real GDP growth to the choice of weighting scheme for the different regions of the world. Industrial production growth in the OECD countries increased in February and March, having subsided temporarily in January.

With regard to price developments, annual consumer price inflation moderated slightly in many countries during the first three months of 2006, largely reflecting the decline in the rate of increase in oil prices over the same period. Annual CPI inflation excluding food and energy also remained relatively subdued in many countries, standing at 1.9% in April for the OECD countries (see Chart 1). However, following the rise in oil prices since April, headline inflation rates have again edged up somewhat in many countries.

Chart 1 Price developments in the OECD countries

(annual percentage changes; monthly data)



Source: OECD.

### UNITED STATES

In the United States, economic activity rebounded strongly in early 2006 following the slowdown in the fourth quarter of 2005 caused partly by hurricane Katrina. Preliminary data for the first quarter of 2006 indicate that real GDP grew by 5.3% on a quarter-on-quarter annualised basis, reflecting strong domestic demand. In particular, personal consumption expenditure and business investment spending both increased robustly, while the personal saving rate remained negative at -1.3% of disposable income. At the same time, net exports continued to make a negative contribution to GDP growth. Recent data on industrial production and total capacity utilisation also indicate sustained growth, with the latter increasing to 81.9% in April, its highest rate since 2000. Durable goods orders, business confidence indices and regional surveys continue to point to a sustained expansion in both the manufacturing and services sectors.

Looking ahead, the pace of expansion in US activity is expected to moderate from its very strong rate in the first quarter. In particular, private consumption growth is expected to slow down, given the higher interest rates and potential cooling of the housing market. The impact of these factors, however, may be partly offset by further improvements in non-farm payroll employment and labour income. Growth in private business investment spending is expected to remain strong in the light of continued favourable financing conditions and robust corporate profitability.

Price pressures have remained high, with annual headline inflation rising to 3.6% in April 2006, up from 3.4% in March. Excluding food and energy, annual inflation was 2.3% in April. Energy costs were the primary cause of the increase in the headline CPI in April, while the increase in the index for shelter accounted for about half of the increase in the price index excluding food and energy in the same month.

With regard to monetary policy, at its meeting on 10 May 2006, the US Federal Open Market Committee decided to raise its target for the federal funds rate by 25 basis points for the 16th consecutive time, bringing the policy rate to 5.00%. In its statement, the Committee noted that “some further policy firming may yet be needed”, but emphasised that “the extent and timing of any such firming will depend importantly on the evolution of the economic outlook as implied by incoming information”.

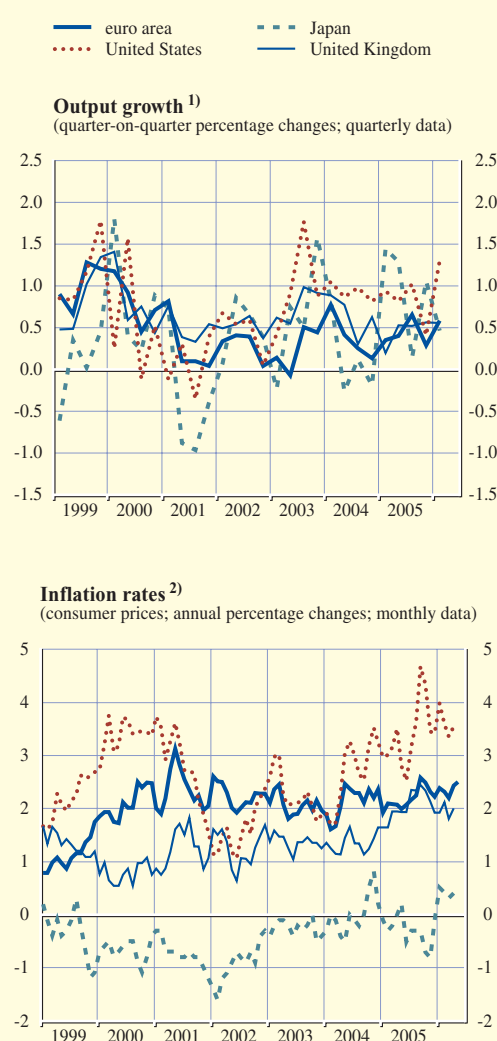
## JAPAN

In Japan, the economic recovery continues. According to the official business cycle dating of the Cabinet Office, the current recovery has now lasted over four years and is the second longest period of expansion since the end of the Second World War. Although it was originally export driven, the current recovery has broadened in recent quarters and is now supported by robust growth in private domestic demand.

According to preliminary estimates, real GDP rose by 0.5% on a quarterly basis in the first quarter of 2006. Although this represented a decline from the growth rate recorded in the fourth quarter of 2005 (1.1% on a quarterly basis), the data confirmed that strong domestic demand has been the main driver of the current recovery.

Looking forward, the outlook for the economy is favourable, bolstered by progress in structural reforms in the labour market, as well as in the banking and non-financial corporate sectors. Based on the April 2006 “Outlook for Economic Activity and Prices”, the members of the Bank of Japan’s Policy Board expect the economy to grow over the fiscal years 2006 and 2007 at rates in line with or above potential growth, which was recently revised upwards by the Bank of Japan, from 1% to 1.5-2% on an annual basis.

**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.

As regards price developments, consumer prices continued to increase moderately, though the GDP deflator is still falling. In April, the headline CPI rose by 0.4% on an annual basis and the CPI excluding fresh food increased by 0.5%. By contrast, the GDP deflator fell by 1.3% on an annual basis in the first quarter of 2006.

At its meeting on 18-19 May 2006, the Bank of Japan decided to leave its policy rate – the overnight uncollateralised call rate – unchanged at zero.

#### UNITED KINGDOM

In the United Kingdom, economic activity has grown at around its long-term trend over past quarters. According to the latest estimate, the quarterly growth rate of real GDP was 0.6% in the first quarter of 2006 – unchanged from the previous quarter. As expected, household consumption moderated in the first three months of 2006, growing by 0.2% compared with the previous quarter. Changes in inventories had a large positive contribution to GDP growth while growth in investment increased. Both exports and imports recorded exceptionally high quarterly rates of growth, at 4.7% and 5.5% respectively, implying a negative contribution of net trade to output growth. Labour market trends remained broadly unchanged. In the three months to March 2006, the unemployment rate rose somewhat to 5.2% on average and annual growth in earnings excluding bonuses was 3.8% on average. Looking ahead, real GDP growth is expected to strengthen in the second half of the year, driven primarily by private consumption and exports.

HICP inflation oscillated around 2.0% in recent months. In April it stood at 2.0%, with significant upward effects coming from the higher prices of transport, gas and electricity, and food and non-alcoholic beverages. According to the Halifax index, annual growth in house prices increased further, reaching 9.9% in April. The Nationwide house price index, however, pointed to less buoyant growth.

At its meeting on 7 and 8 June 2006, the Bank of England's Monetary Policy Committee voted to maintain the repo rate at 4.5%.

#### OTHER EUROPEAN COUNTRIES

In most other non-euro area EU countries, short-term indicators suggest that output growth remained strong in early 2006, with domestic demand being the main driver in many countries. Average HICP inflation moderated somewhat in the first few months of the year, although there were marked differences across countries. HICP inflation has been relatively high in some fast-growing economies. In many countries, earlier increases in energy prices do not yet appear to have triggered any major second-round effects on wages, although it cannot be ruled out that these may arise in the future.

In Denmark and Sweden, short-term indicators remain favourable and suggest continued dynamic economic activity. In Sweden, the quarterly rate of real GDP growth strengthened to 1.1% in the first quarter of 2006. In both countries, the pick-up in economic activity seems to have been fuelled by domestic and external demand. HICP inflation stood at an annual rate of 1.8% in both countries in April. Whereas HICP inflation in Denmark has fluctuated around that rate since late 2005, it picked up gradually in Sweden in the first few months of 2006. Looking ahead, growth is expected to remain robust in both countries.



In Poland, the Czech Republic and Hungary, output growth continued to be strong in the first quarter of 2006. In Hungary, real GDP growth remained unchanged compared with the previous quarter, at a quarterly rate of 1.0%, whereas in Poland it declined slightly to 1.2%. In all three countries, the expansion of industrial production continued to be underpinned by strong exports. Buoyant retail sales suggest that private consumption remained robust. Annual HICP inflation remained broadly stable in these countries during the first four months of the year, although at a more subdued level in Poland than in the other two countries. Inflation developments in Poland seem to be associated with the appreciation of the Polish zloty in 2005, past monetary policy decisions and declining food and fuel prices (the latter resulting from reduced excise duties on petrol and lower distribution margins). Looking ahead, economic growth is expected to remain strong in these countries, with domestic demand being a key driver.

In the other EU Member States, economic activity remains robust, particularly in the Baltic States, where inflation is also relatively high. Overall, the prospects for economic activity continue to be favourable, despite risks related to the impact of oil prices.

Turning to European countries outside the EU, in Switzerland real GDP grew by 0.9% on a quarterly basis in the first quarter of 2006, resulting in particular from a sharp increase in exports. Owing to further improvements in household consumption and business investment, the contribution of domestic demand to growth also increased significantly. Recent survey data confirm that economic activity has strengthened further. Annual inflation was 1.4% in May, up from 1.1% in April.

In Russia, economic activity remains robust. Industrial production growth increased further to 4.8% year on year in April. Inflation stood at 9.8% year on year in April. The Central Bank of Russia continued to intervene in the foreign exchange market to mitigate appreciation pressures on the rouble, leading to a further accumulation of official reserves to USD 243 billion at the end of May. Domestic money supply continued to grow quickly, with M2 growth standing at 38% year on year in March.

#### **EMERGING ASIA**

In emerging Asia, short-term business indicators continue to point to a rapid expansion in economic activity. Net exports together with domestic demand maintained a fairly strong momentum in most major economies in the region. At the same time, a modest pick-up in CPI inflation was evident in several countries, although inflationary pressures remained broadly moderate throughout the region.

In China, the economy continued to expand briskly. Retail sales growth increased further, while fixed asset investment and industrial production remained robust. High export growth combined with declining import growth over recent months resulted in a sharp increase in the trade surplus, which rose to a cumulative USD 33.6 billion in the first four months of 2006 compared with USD 20.9 billion in the same period of 2005. According to the most recent official figures, the current account surplus rose to 7.2% of GDP in 2005 from 3.6% of GDP a year earlier. Loan and money supply growth also increased recently. In particular, M2 grew by 18.9% year on year in April, which was above the central bank's official target of 16%. Inflationary pressures have been relatively subdued so far, with annual CPI inflation standing at 1.2% in April.

In South Korea, GDP growth increased to 6.2% year on year in the first quarter of 2006 from 5.3% in the previous quarter on the back of strong export performance. The latest data for April indicate



that the trade surplus, driven by export growth, widened further in that month and that annual CPI inflation remained stable at 2%.

Looking forward, the economic prospects remain favourable for emerging Asia, supported by the continued improvement in domestic demand. However, further increases in oil prices and excessive investment in certain sectors in China constitute significant downside risks to this outlook.

### LATIN AMERICA

Economic activity continues to strengthen in the major Latin American economies. In Mexico, real GDP expanded by 5.5% year on year during the first quarter of 2006, underpinned by the positive momentum in the industrial sector, where production rose by 9.7% year on year in March. Annual inflation remained on a downward trend, declining to 3.2% in April. In Brazil, industrial production rose by 5.2% in March compared with a year earlier. Retail sales and consumer confidence indicators suggest that consumer spending continues to firm up. Annual inflation continued to decline, edging down to 4.6% in April. In Argentina, economic activity remained robust, with industrial production rising by 7.7% in April compared with a year earlier. However, inflationary pressures persisted, with annual inflation rising to 11.6% over the same period.

Prospects for the region as a whole remain favourable in the near term amid a positive external environment.

#### Box 1

### MEASURING WORLD GROWTH: DO WEIGHTS MATTER?

This box discusses the sensitivity of measures of global economic growth to the choice of weighting scheme for the different regions of the world. The rate of global real output growth is usually computed as a weighted average of real GDP growth across the main regions of the world, with the weights reflecting the relative importance of each region in the world economy (i.e. its share in the total value of world GDP). In order to compute this share, national data, initially expressed in the national currency, are converted into a common currency using an exchange rate measure.

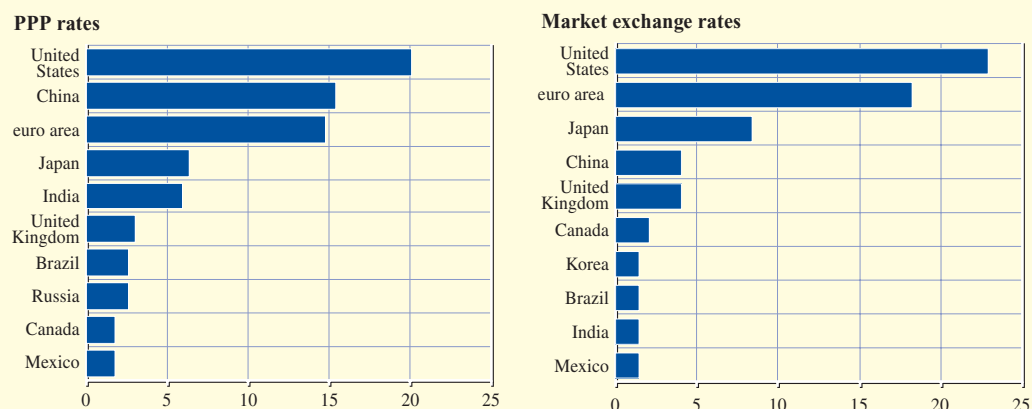
The most common approach (which is also used by the ECB) uses exchange rates based on purchasing power parities (PPPs). PPP rates are defined as the exchange rates that equalise the purchasing power of different currencies, given the prices of goods and services in the corresponding economies.<sup>1</sup> The preference for using PPP rates instead of other conversion factors, notably market exchange rates, has been extensively discussed in the literature.<sup>2</sup> In fact, when comparing national outputs and incomes in nominal terms, it is important to take account of differences in national price levels to ensure that the regional weights correctly reflect each region's share in world output. For this reason, weights based on PPPs are generally believed to yield more accurate (and less volatile) measures of the relative weight of countries and regions than those based on market exchange rates.

1 See, for example, Dornbusch, R., "Purchasing Power Parity", *The New Palgrave: A Dictionary of Economics*, in Eatwell, J., Milgate, M. and Newman, P. (eds.), Macmillan, London, 1987, pp. 1075-85; and Krugman, P.R. and Obstfeld, M., *International Economics: Theory and Policy*, 7th Edition, Addison-Wesley, Boston, 2005, Chapter 15.

2 See, for example, Gulde, A.M. and Schulze-Ghattas, M., *Purchasing power parity based weights for the World Economic Outlook*, IMF Staff Studies for the WEO, December 1993.

**Chart A Ten largest economies in terms of GDP under alternative conversion rates**

(share of world GDP, 2005)



Source: IMF's World Economic Outlook, April 2006.

Nevertheless, the preference for using PPP rates instead of market exchange rates is not irrelevant, as it can result in a different distribution of the world output across regions. To illustrate this point, Chart A shows the ten largest individual economies in the world in terms of GDP in 2005, as measured by PPP rates and market exchange rates. Interestingly, the position of the euro area changes depending on the conversion rate used; from second (after the United States) when the weight is derived from market exchange rates to third (after both the United States and China) when it is derived from PPP rates. The differences are particularly pronounced for China and India, whose shares are around four times larger when based on PPP rates rather than on market exchange rates.

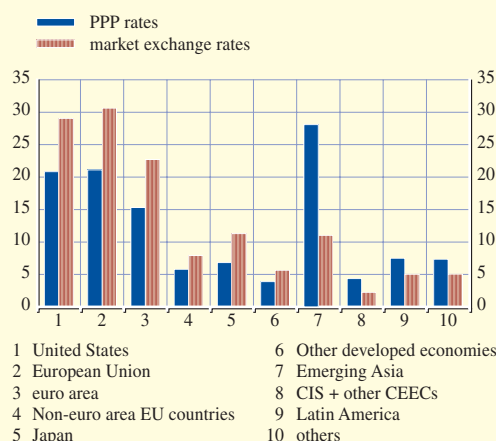
Chart B shows the average weights of the various regions according to the conversion rates used for the period 2003-2005. The weights of the main developed economies – the United States, Japan and the euro area – are significantly lower when PPP rates are used than when market exchange rates are used; in particular, the weight of the euro area declines from about 23% to 15%. By contrast, the weights of the emerging regions are much higher when PPP rates are used. The difference is particularly pronounced for emerging Asia, for which the weight is 28% when derived from PPP rates and 11% when derived from market exchange rates.

Given the growth differentials across regions, the choice of weighting scheme has a significant influence on aggregate world growth. In particular, weights derived from PPP rates that typically assign a comparatively larger importance to fast-growing emerging economies tend to result in higher world growth rates. Indeed, Chart C shows that, since 1995, the rates of world real GDP growth computed using PPP-based weights have been consistently above those computed using weights based on market exchange rates. Consequently, the gap between the growth rates derived from different weighting schemes has increased over time, from an average of around ½ percentage point in the second half of the 1990s to 1¼ percentage point in the first half of this decade. Therefore, depending on the weighting scheme used, world output grew by either 4.5% or 3.3% in 2005.

The importance of the choice of exchange rate measure can be further illustrated by looking at how the regional contributions to world GDP growth vary under different weighting schemes

**Chart B Shares of main regions in world GDP under alternative conversion rates**

(percentages, average shares over period 2003-2005)

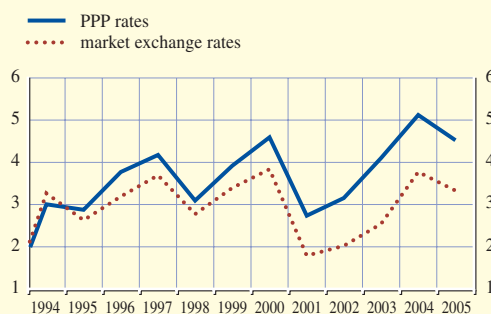


Sources: IMF's World Economic Outlook, April 2006; ECB calculations.

Notes: European Union refers to EU25; other developed economies include Australia, Canada, New Zealand, Norway and Switzerland; emerging Asia refers to Asian economies excluding Japan; CIS: Commonwealth of Independent States; CEECs: Central and Eastern European Countries.

**Chart C World real GDP growth**

(annual percentage changes)



Source: ECB calculations.

(see Table). According to PPP-based weights, world GDP growth has been predominantly driven by emerging economies in recent years. When the weights are computed using market exchange rates, however, the picture is quite different, with developed and emerging economies, on average, contributing broadly equally to world growth.

To sum up, the choice of weighting scheme is important in the measurement of world growth. In particular, the most common approach using PPP-based weights results in a comparatively larger weight for fast-growing emerging economies, and ultimately yields higher world growth rates than the alternative approach based on market exchange rates.

**Regional contributions to world real GDP growth under alternative conversion rates**

(percentage points)

	(1) PPP rates			(2) Market rates			(1) - (2)		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
<b>World</b>	<b>4.1</b>	<b>5.1</b>	<b>4.5</b>	<b>2.5</b>	<b>3.8</b>	<b>3.3</b>	<b>1.6</b>	<b>1.3</b>	<b>1.2</b>
United States	0.6	0.9	0.7	0.8	1.2	1.0	-0.2	-0.3	-0.3
European Union	0.4	0.6	0.3	0.0	0.5	0.3	0.3	0.1	0.0
euro area	0.1	0.3	0.2	0.1	0.4	0.3	0.0	-0.1	-0.1
Non-euro area EU countries	0.3	0.3	0.1	-0.1	0.1	0.0	0.4	0.3	0.1
of which: United Kingdom	0.1	0.1	0.1	0.1	0.2	0.1	0.0	-0.1	0.0
Japan	0.1	0.2	0.2	0.2	0.3	0.3	-0.1	-0.1	-0.1
Other developed economies	0.1	0.1	0.1	0.1	0.2	0.2	0.0	0.0	0.0
Emerging Asia	2.1	2.2	2.1	0.7	0.8	0.8	1.3	1.4	1.3
CIS + other CEECs	0.3	0.4	0.3	0.3	0.3	0.3	0.0	0.0	0.0
Latin America	0.2	0.4	0.3	0.1	0.2	0.2	0.1	0.1	0.1
others	0.4	0.4	0.4	0.2	0.3	0.3	0.1	0.2	0.1
Developed economies	1.2	1.7	1.3	1.2	2.1	1.7	0.0	-0.4	-0.4
Emerging economies	2.9	3.4	3.2	1.4	1.7	1.6	1.6	1.7	1.6

Notes: European Union refers to EU25; other developed economies include Australia, Canada, New Zealand, Norway and Switzerland; emerging Asia refers to Asian economies excluding Japan; CIS: Commonwealth of Independent States; CEECs: Central and Eastern European Countries.

## 1.2 COMMODITY MARKETS

Oil prices reached a new all-time high of USD 74.4 per barrel of Brent crude oil on 3 May 2006. Unlike the rise observed in 2004, when the rise in oil prices was mainly driven by unexpectedly high demand and the consequent erosion of spare capacity all along the oil supply chain, the recent surge in prices stemmed mainly from supply-side concerns at a time when oil market fundamentals were already tight. A significant worsening in the geopolitical climate was the primary contributor to the upward pressure on prices. In particular, developments relating to Iran's nuclear plans and speculation about sanctions against the country have fuelled concerns over the security of future oil supplies. Oil prices eased somewhat in May due to a downward revision of expected demand growth in 2006 by the International Energy Agency and growing petrol inventories in the United States. Brent crude oil traded at USD 70.6 per barrel on 7 June 2006, still more than USD 10 higher than at the start of the year. Given the limited spare capacity along the entire oil supply chain, oil prices are likely to remain sensitive to unexpected changes in the supply-demand balance and the geopolitical environment.

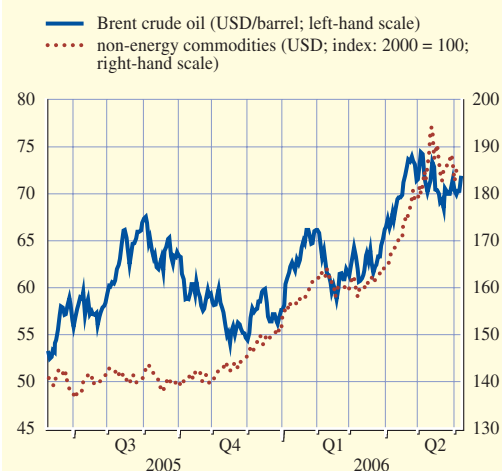
The prices of non-energy commodities have also risen considerably in recent months, driven mainly by metals prices, which, in turn, have been fuelled by continued solid demand, limited production growth and low inventory levels. Expressed in US dollar terms, non-energy commodity prices were approximately 33% higher in May than one year earlier.

## 1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Overall, the outlook for the external environment, and thus for euro area foreign demand, remains positive. The relatively favourable financing conditions should continue to bolster the global economy. In the short term, this relatively benign outlook is supported by the ongoing robustness of new order flows in many countries. In addition, the further increase in the six-month rate of change in the OECD composite leading indicator in March, the 11th consecutive increase, also signals a relatively positive growth outlook.

The risks to the global outlook remain tilted somewhat to the downside, owing mainly to the high volatility of oil prices and the uncertainty regarding their impact on growth and inflation. The recent increases in US consumer prices have, in fact, directed market attention to the associated – and possibly lagged – inflationary risks arising from the increasing capacity utilisation. Concerns about global economic imbalances and the risks associated with protectionism continue to prevail in the long term.

Chart 3 Main developments in commodity markets



Sources: Bloomberg and HWWA.

## 2 MONETARY AND FINANCIAL DEVELOPMENTS

### 2.1 MONEY AND MFI CREDIT

The first four months of 2006 saw a renewed strengthening of monetary growth which more than reversed the moderation observed in the fourth quarter of 2005. The low level of interest rates has remained the main factor driving monetary dynamics, as reflected on the components side of the MFI balance sheet by the large contribution to M3 dynamics from the most liquid instruments of M3 contained in M1, and on the counterparts side by the continued strengthening of growth in loans to the private sector. Overall, monetary and credit developments continue to point to upside risks to price stability at medium to longer-term horizons, particularly in an environment of improved economic sentiment.

#### THE BROAD MONETARY AGGREGATE M3

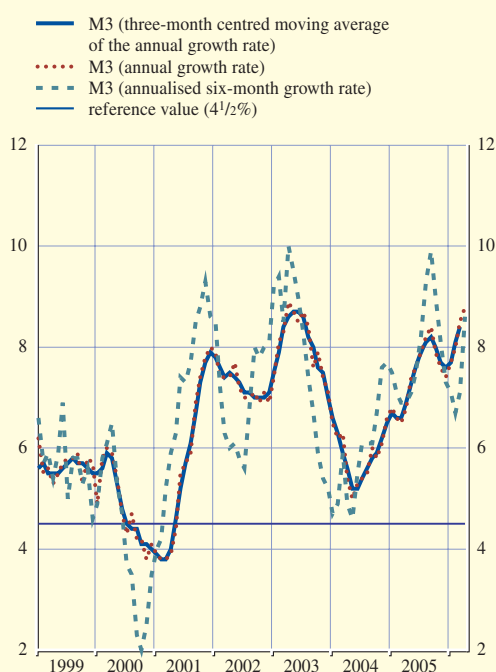
Monetary dynamics strengthened in the first few months of 2006. At 7.9%, annual M3 growth in the first quarter of 2006 was broadly unchanged compared with the fourth quarter of 2005, but this conceals a pattern of moderation in the course of the fourth quarter and a subsequent reversal in the course of the first quarter to 8.5% in March. In April, annual M3 growth rose further to 8.8%, a level that was last recorded in mid-2003 at the end of a protracted period of high economic and financial uncertainty (see Chart 4). The recent strength of monetary dynamics is also visible in the shorter-term dynamics, as measured, for example, by the six-month annualised rate of growth of M3, which increased by a further 1.3 percentage points over the course of the first few months of 2006 to stand at 8.6% in April.

The continued strong monetary dynamics suggest that the key factor driving monetary growth is the low level of interest rates. This view is supported by the fact that the largest contribution to the annual growth of M3 continues to come from the expansion of its most liquid components included in the narrow monetary aggregate M1. Further support is provided by the ongoing strengthening of growth in loans to the private sector.

The strength in the underlying rate of monetary expansion is visible in the high level of growth of the M3 series corrected for the estimated impact of portfolio shifts. The growth rate continues to exceed the annual growth rate of the official M3 series which was in the fourth quarter of 2005 influenced by some further unwinding of past portfolio shifts (see Chart 5). This unwinding did not continue in the first quarter of 2006. It should however be noted that, given the uncertainties inevitably surrounding the estimation of the magnitude of portfolio shifts, caution should be exercised in interpreting this corrected measure.

Chart 4 M3 growth and the reference value

(percentage changes; adjusted for seasonal and calendar effects)

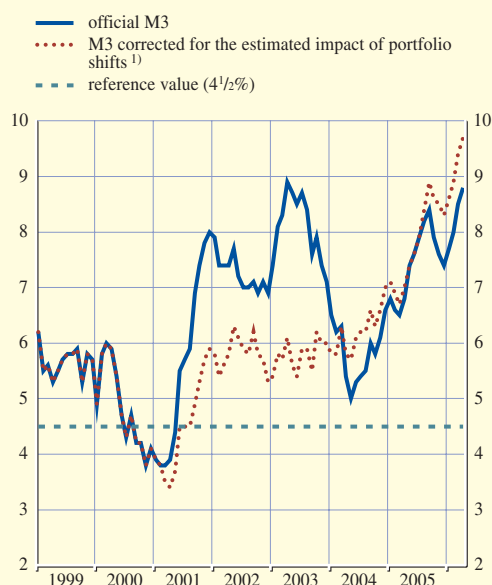


Source: ECB.



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

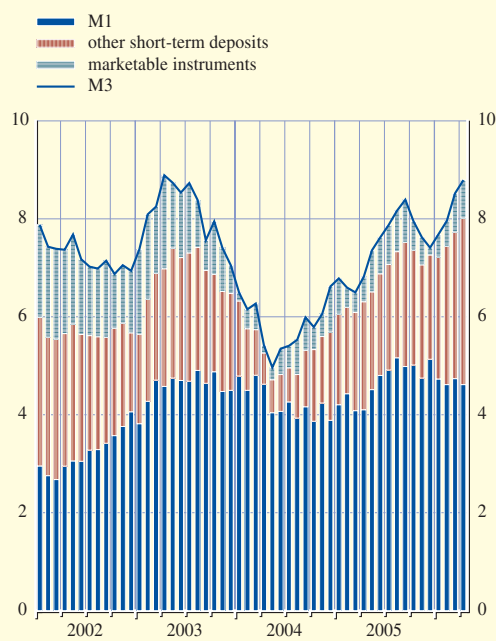
(annual percentage changes; adjusted for seasonal and calendar effects)



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

**Chart 6 Contributions to annual M3 growth**

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



Source: ECB.

**MAIN COMPONENTS OF M3**

Despite some further moderation, robust M1 growth remained the main contributor to strong M3 dynamics in the first quarter of 2006 (see Chart 6). The annual growth rate of M1 was 9.8% in April 2006, after averages of 10.3% and 10.9% in the first quarter of 2006 and the fourth quarter of 2005 respectively (see Table 1).

The moderation in the annual growth rate of M1 in April reflects a slight decline in annual growth rates of its two components. The annual growth rate of currency in circulation declined to 12.2% in April, after averaging 13.4% and 14.8% in the first quarter of 2006 and the fourth quarter of 2005 respectively. Annual growth in overnight deposits also decreased, to 9.4% in April from 9.8% and 10.2% in the first quarter of 2006 and the fourth quarter of 2005 respectively.

The strengthening in annual M3 growth in recent months reflects largely a stronger accumulation of short-term deposits other than overnight deposits in an environment where the remuneration of these deposits has risen. Annual growth of other short-term deposits was 9.0% in April, after averaging 6.8% and 5.9% in the first quarter of 2006 and the fourth quarter of 2005 respectively. This upward movement conceals divergent developments in the components of these deposits: while the annual growth rate of time deposits (i.e. deposits with an agreed maturity of up to two years) continued to increase significantly, the annual growth rate of savings deposits (i.e. deposits redeemable at notice of up to three months) moderated, continuing the downward trend seen over recent quarters.

The annual rate of growth of marketable instruments – which tends to be characterised by considerable short-term volatility – increased to 5.4% in April, compared with 3.4% in the first quarter of 2006 and 3.8% in the fourth quarter of 2005. Again, this overall decline conceals somewhat different developments in the underlying components.

On the one hand, the annual growth rate of money market fund shares/units, assets which are often held by households and firms as a safe haven from financial market volatility in periods of heightened uncertainty, remained subdued. In April 2006 the annual rate of growth was -1.1%, after rates of -0.8% and +1.1% in the first quarter of 2006 and the fourth quarter of 2005 respectively. Repurchase agreements showed a more volatile pattern, with annual growth increasing to 9.9% in April after 2.2% in the first quarter of 2006 and 4.9% in the fourth quarter of 2005.

On the other hand, demand for debt securities with a maturity of up to two years was very strong in the first few months of 2006, possibly reflecting in part the purchase of structured products which combine these securities with derivative instruments linked to equity prices and offering caps on losses. In an environment where equity prices have tended to increase but investors have remained reluctant to take risks, given the experience of capital losses in 2000-2003, such instruments may have been especially attractive.

The sectoral breakdown of short-term deposits and repurchase agreements indicates that the strong accumulation of deposits included in M3 is broadly based across the private money-holding sector. Households have remained the main contributors to the strong growth of these instruments over recent months. The annual growth rate of deposits included in M3 held by non-financial corporations continued on its upward trend during the first quarter of 2006, reaching 10.4% in April 2006. At the same time, the contribution of other financial intermediaries, after declining in the last quarter of 2005, increased again in the first quarter of 2006 and rose strongly further in April 2006. Standing at 29%, the annual growth rate of the deposits of OFIs now exceeds the previous peak

**Table 1 Summary table of monetary variables**

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

	Outstanding amount as a percentage of M3 <sup>1)</sup>	Annual growth rates					
		2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Mar.	2006 Apr.
<b>M1</b>	<b>48.2</b>	<b>9.8</b>	<b>11.2</b>	<b>10.9</b>	<b>10.3</b>	<b>10.1</b>	<b>9.8</b>
Currency in circulation	7.4	17.3	16.0	14.8	13.4	12.4	12.2
Overnight deposits	40.8	8.5	10.4	10.2	9.8	9.8	9.4
<b>M2 - M1 (= other short-term deposits)</b>	<b>37.9</b>	<b>5.1</b>	<b>5.5</b>	<b>5.9</b>	<b>6.8</b>	<b>7.8</b>	<b>9.0</b>
Deposits with an agreed maturity of up to two years	16.5	2.7	4.6	6.6	9.9	12.8	16.2
Deposits redeemable at notice of up to three months	21.5	6.6	6.0	5.3	4.6	4.4	3.9
<b>M2</b>	<b>86.1</b>	<b>7.5</b>	<b>8.4</b>	<b>8.5</b>	<b>8.6</b>	<b>9.0</b>	<b>9.4</b>
<b>M3 - M2 (= marketable instruments)</b>	<b>13.9</b>	<b>4.4</b>	<b>5.5</b>	<b>3.8</b>	<b>3.4</b>	<b>5.6</b>	<b>5.4</b>
<b>M3</b>	<b>100.0</b>	<b>7.1</b>	<b>8.0</b>	<b>7.8</b>	<b>7.9</b>	<b>8.5</b>	<b>8.8</b>
<b>Credit to euro area residents</b>		<b>6.6</b>	<b>7.0</b>	<b>7.9</b>	<b>8.7</b>	<b>9.4</b>	<b>9.5</b>
Credit to general government		2.1	1.2	2.6	2.5	1.5	0.9
Loans to general government		-0.8	-1.0	0.4	1.2	1.5	0.9
Credit to the private sector		7.8	8.6	9.4	10.3	11.5	11.8
Loans to the private sector		7.6	8.4	8.9	10.0	10.8	11.3
<b>Longer-term financial liabilities (excluding capital and reserves)</b>		<b>9.6</b>	<b>10.0</b>	<b>9.4</b>	<b>8.6</b>	<b>8.4</b>	<b>8.8</b>

Source: ECB.

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

registered in September 2005 and points to a resumption in the strong dynamics of deposit holdings observed in the second and third quarters of 2005.

### MAIN COUNTERPARTS OF M3

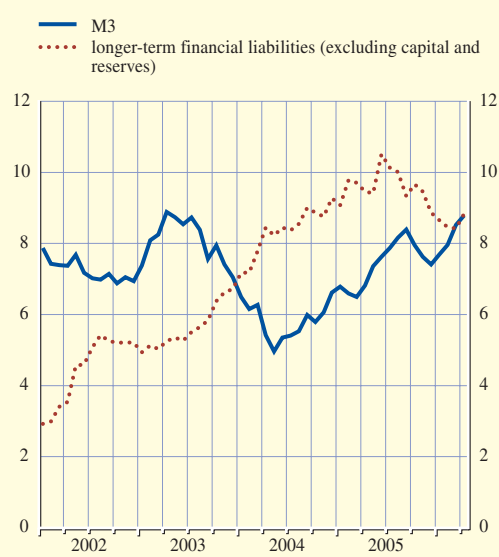
On the counterparts side, the annual growth rate of total MFI credit to euro area residents increased to 9.5% in April 2006, after growth rates of 8.7% and 7.9% in the first quarter of 2006 and the fourth quarter of 2005 respectively. This strengthening of credit growth was mainly driven by a continued upward trend in the growth of credit to the private sector, while the dynamics of credit to the general government sector slowed further (see Table 1).

In April the annual growth rate of credit to the private sector increased to 11.8%, from 10.3% in the first quarter of 2006. The continued upward trend in the growth of credit to the private sector is broadly based across types of credit and reflects both the low level of interest rates and improved confidence in the economy. In particular, over the past few months, the pace of acquisition of shares and other equity by MFIs has increased notably. The annual growth rate of MFI loans to the private sector rose to 11.3% in April, from 10.0% in the first quarter, with the rise being broadly based across sectors (see Sub-sections 2.6 and 2.7 for sectoral developments in loans to the private sector).

The annual growth rate of credit to the general government sector declined to 0.9% in April, from 2.5% in the first quarter of 2006 and 2.6% in the previous quarter. This recent decline masks

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

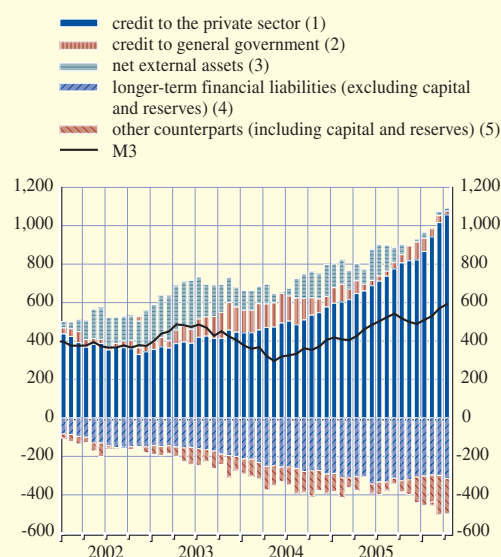
(annual percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

**Chart 8 Counterparts of M3**

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



Source: ECB.

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.

divergent developments in the components of credit to general government: while the demand for MFI loans by the general government has tended to increase moderately, MFIs have reduced the pace of accumulation of securities issued by the general government.

Among the other counterparts of M3, the dynamics of MFI longer-term financial liabilities (excluding capital and reserves) held by the money-holding sector remained robust (see Chart 7). The annual rate of growth of these instruments stood at 8.8% in April 2006, after 8.6% and 9.8% in the first quarter of 2006 and the fourth quarter of 2005 respectively. Their ongoing strong growth points to a continued inclination on the part of the euro area money-holding sector to invest in longer-term euro area assets and has a dampening impact on M3 dynamics.

The annual flow in the net external asset position of MFIs was positive in April, standing at €16 billion, after €22 billion in March (see Chart 8). Notwithstanding this decline, the dampening impact from the pronounced declines in the net external asset position of MFIs observed up to the end of 2005 seems to have faded out in the first few months of 2006. In an environment characterised by the appreciation of the euro, the recent developments in the net external asset position could be a reflection of a stronger appetite for euro area assets by both euro area residents and non-residents.

In conclusion, in the first four months of 2006 developments in the counterparts of M3 broadly confirmed previous assessments. The dynamics of credit to the private sector have strengthened further, driven by the low level of interest rates, and have continued to fuel monetary growth. At the same time, the robust demand for longer-term financial liabilities continued to exert a dampening impact on M3 dynamics, while this ceased to be the case for the net external asset position where the decline observed up to the end of 2005 seems to have faded out.

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

In the first quarter of 2006 both the nominal money gap constructed on the basis of the official M3 series and that constructed on the basis of the M3 series corrected for portfolio shifts continued the upward trend observed from the second half of 2004, to reach new peaks since the start of Stage Three of EMU. As there were no signs of a further unwinding of past portfolio shifts, the two money gap measures moved in parallel in the first quarter of 2006. The two gaps remained at very different levels, with the money gap constructed on the basis of the corrected M3 series being substantially lower (see Chart 9).

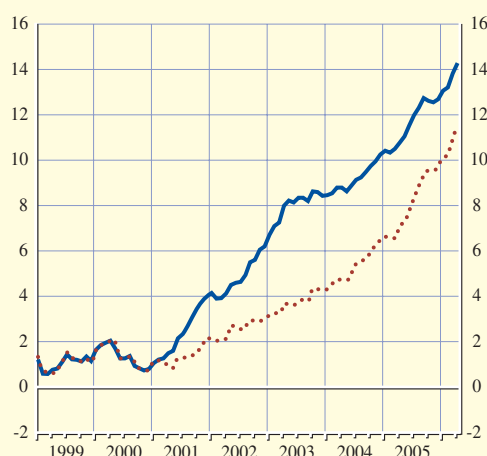
The real money gaps take into account that part of the accumulated liquidity has been absorbed by higher prices, reflecting upward deviations in inflation from the ECB's definition of price stability. The real money gaps constructed on the basis of the official M3 series and of the measure of M3 corrected for the estimated impact of portfolio shifts are both lower than the respective nominal money gap measures (see Charts 9 and 10).

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

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

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

— nominal money gap based on official M3  
 ..... nominal money gap based on M3 corrected for the estimated impact of portfolio shifts<sup>2)</sup>



Source: ECB.

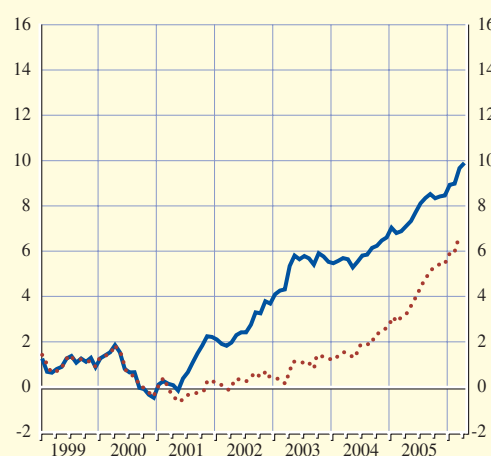
1) The measure of the nominal money gap is defined as the difference between the actual level of M3 and the level of M3 that would have resulted from constant M3 growth at its reference value of 4½% since December 1998 (taken as the base period).

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

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

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

— real money gap based on official M3  
 ..... real money gap based on M3 corrected for the estimated impact of portfolio shifts<sup>2)</sup>



Source: ECB.

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

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

Nonetheless, although the estimates are uncertain, the overall picture displayed by these measures points to liquidity conditions in the euro area being ample. Strong growth in money and credit in a context of already ample liquidity implies upside risks to price stability over the medium to longer term. Moreover, these developments entail a need to monitor asset price dynamics closely, given the potential for price misalignments to emerge. Box 2 illustrates the risks to price stability associated with developments in monetary indicators on the basis of simple leading indicator models.

**Box 2**

**INFLATION FORECASTS DERIVED FROM MONETARY INDICATORS**

This box presents an update of ECB staff inflation forecasts derived from monetary indicators and discusses the performance of the relevant models in recent quarters. It is thereby a follow-up on the information provided in a box published in the March 2005 Monthly Bulletin. Essentially, the assessment of risks to price stability derived from monetary analysis is based on the close empirical relationship between inflation and the "low frequency" or more persistent components of monetary growth. One way of using this relationship for forecasting future price developments in real time is to employ simple leading indicator models for HICP inflation



based on various monetary variables.<sup>1</sup> Obviously this is very much “work in progress” and further analysis will need to be carried out.

The leading indicator models forecast average inflation over a specific horizon using past values of inflation and past values of a monetary indicator. In practice, a number of such models are employed, each drawing on the information of a specific monetary indicator. The monetary indicators considered are: M1 growth, M2 growth, M3 growth, the growth of M3 corrected for the estimated impact of portfolio shifts, the growth of MFI loans to the private sector, a P-star measure of excess liquidity based on M3 and a P-star measure of excess liquidity based on M3 corrected for the estimated impact of portfolio shifts.

There are two elements in this approach that can be seen as reflecting in a simple way the need to look at underlying trend dynamics of monetary growth when assessing inflationary risks. First, the models focus on the average inflation rate over the next six or twelve quarters. Such averaging smoothes out the short-term noise contained in quarter-by-quarter developments. Second, looking at a variety of monetary indicators rather than only headline M3 reflects, albeit in a stylised way, the broad analysis of the components and counterparts of M3 that is regularly undertaken to help extract the signals from monetary developments relevant for risks to price stability. In this respect, some attention has been paid to the simultaneous strengthening of growth in M3 and in loans to the private sector since mid-2004, which is suggestive of more fundamental driving factors being at work. In practice, emphasis has been placed on a measure of M3 that is corrected for estimates of portfolio shifts which are assumed to have no immediate bearing on inflation.<sup>2</sup>

### Risks to price stability implied by monetary indicators have remained on the upside

Charts A and B present the forecasts of annualised inflation over the coming six and twelve quarters respectively, derived on the basis of the various monetary indicators. The six-quarter horizon is relatively short for capturing the relationship between the more persistent components of monetary growth and inflation, but it has the advantage of being comparable to that of other forecasting frameworks while at the same time still capturing the notion of smoothed and thus more underlying developments. The charts show the minimum, maximum and median of the forecasts for successive vintages of forecasts, where the forecasts shown are those made in real time (i.e. on the basis of the data and models available then and not once revisions have been incorporated and estimations updated). This representation can be seen as a simple illustration of how the risks to price stability derived from monetary analysis have evolved over recent quarters.

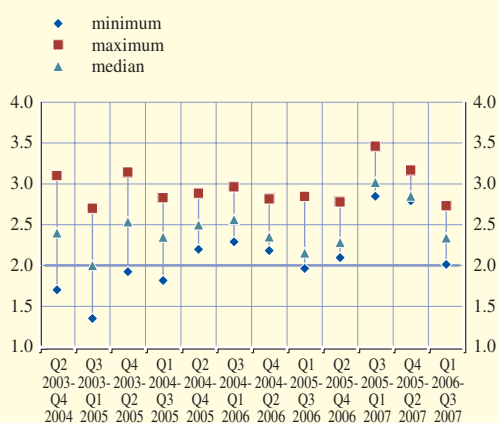
Two observations can be made with regard to this representation. First, the medians of both the six and twelve quarter-ahead inflation forecasts have more or less consistently been above 2% in the period since mid-2003. In the case of the twelve-quarter horizon, this indication of risks to price stability has been rather stable, with median inflation forecasts in a band of between 2½% and 3%. In this respect, it has to be noted that the more elevated forecasts pertaining to

1 For a description of the approach see S. Nicoletti-Altimari, “Does money lead inflation in the euro area?”, ECB Working Paper No 63, May 2001. These and other approaches used in the ECB to forecast inflation have been discussed in the article entitled “Monetary analysis in real time” in the October 2004 issue of the Monthly Bulletin.

2 For a description of the construction of this measure 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. Further small corrections for past outliers and certain volatile components have also been introduced in the estimation procedure.

**Chart A The range of annualised inflation forecasts over the next six quarters from bivariate leading indicator models**

(annualised percentage growth rates; real-time results of the various forecast vintages)

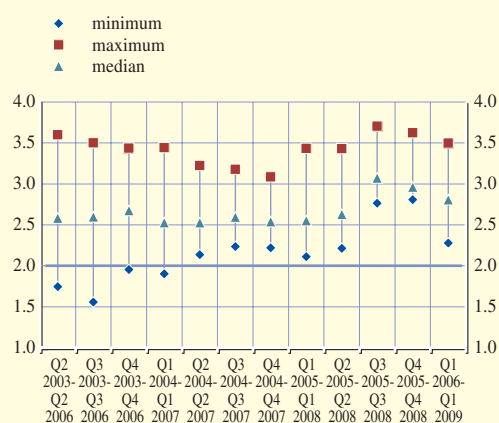


Source: ECB estimates.

Note: The chart shows the range of the annualised inflation forecasts from seven bivariate leading indicator models of inflation. Each forecast is based on information available at the time the forecast was made. For example, the forecast for Q1 2006 to Q3 2007 contains information on money and inflation up to and including Q1 2006. For the methodology underlying the inflation forecasts of the seven models, see the references in footnote 1 of this box.

**Chart B The range of annualised inflation forecasts over the next twelve quarters from bivariate leading indicator models**

(annualised percentage growth rates; real-time results of the various forecast vintages)



Source: ECB estimates.

Note: The chart shows the range of the annualised inflation forecasts from seven bivariate leading indicator models of inflation. Each forecast is based on information available at the time the forecast was made. For example, the forecast for Q1 2006 to Q1 2009 contains information on money and inflation up to and including Q1 2006. For the methodology underlying the inflation forecasts of the seven models, see the references in footnote 1 of this box.

the second half of 2005 reflect the impact of the hurricane-related surge in oil prices on HICP inflation, which entered the model forecasts via temporarily higher lagged inflation values. Such an effect can be seen as a distortion to the price series which somewhat obscures the underlying signal coming from monetary developments.

Second, in the period since mid-2004, even the minimum forecast values have typically been above 2%, and the breadth of the range of forecasts (measured as the distance between maximum and minimum forecasts) has on average been smaller than in the period before mid-2004. This reflects a stronger co-movement of money growth and loan growth, and a stronger co-movement of growth in headline M3 and growth in M3 corrected for the estimated impact of portfolio shifts. These co-movements point to strong dynamics in the underlying or low frequency component of monetary growth.

Taken together, these observations suggest that the risks to price stability stemming from monetary indicators have remained on the upside and that this signal has become clearer in the period since mid-2004. However, when interpreting the results of this exercise, the simplicity of the indicator models and the high uncertainty surrounding the forecasts need to be kept in mind.

**Inflation forecasts based on underlying monetary trends have performed relatively well**

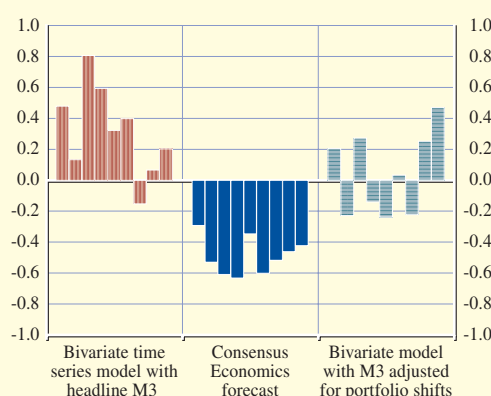
The uncertainties associated with a narrowly focused assessment of the inflationary risks implied by monetary analysis can be illustrated with the forecasts of the indicator model based on growth in headline M3. Chart C shows that in retrospect, these forecasts have mostly

overstated actual HICP inflation, in line with the assessment that the high level of monetary growth in past years reflected to a large extent the impact of heightened uncertainty rather than underlying monetary dynamics. On the other hand, macroeconomic forecasts, such as those by Consensus Economics, have consistently understated actual HICP inflation, reflecting most likely the succession of upward price shocks in recent years (e.g. the rise in food and oil prices as well as administered prices).

By contrast, forecasts derived from a monetary indicator model based on growth in M3 corrected for portfolio shifts have been relatively unbiased and witnessed smaller forecast errors. While the sample is obviously too short to speak of statistical significance, this confirms that monetary analysis has proved to be a reliable complement to the economic analysis and emphasises the need for an encompassing monetary analysis in order to extract the signals in monetary trends that are relevant for price stability.

**Chart C Forecast errors of real-time HICP inflation forecasts over six quarters**

(percentage points; quarterly forecast vintages in the period from the third quarter of 2002 to the third quarter of 2004)



Source: ECB estimates and calculations.

Notes: Forecast errors are defined as the difference between the forecast and the actual outcome. The annual inflation rates provided by Consensus Economics are used to construct a real-time forecasted HICP index. This constructed series is then seasonally adjusted in order to allow the calculation of annualised rates of growth.

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

*In the fourth quarter of 2005 the annual growth rate of financial investment by the non-financial sector increased to 5.1%, reflecting higher growth in both short-term and long-term investments. Data on institutional investors suggest that the non-financial sector strengthened its investment in riskier financial instruments via institutional investors.*

### NON-FINANCIAL SECTOR

In the fourth quarter of 2005 (the most recent quarter for which data are available), the annual growth rate of financial investment by the non-financial sector increased to 5.1%, from 4.4% in the third quarter (see Table 2). This development reflects a similar rise in the growth rates of both short-term and long-term investments. The magnitude of growth has remained considerably higher for short-term financial investment and the narrowing of the gap with growth of longer-term investment observed in the first three quarters of 2005 did not continue (see Chart 11).

In the case of long-term investment, the upturn in the annual rate of growth, to 4.3% in the fourth quarter of 2005 from 3.5% in the third quarter, was broadly based across all asset categories, although the largest contribution came from investment in quoted shares. The level of growth in long-term investment reflects to a large extent the robust investment in insurance and pension products in recent quarters, which grew at annual rates of around 7%. As regards short-term financial investment, the annual growth rate increased to 6.4%, from 5.7% in the third quarter, essentially driven by a stronger accumulation of short-term deposits. Moreover, the decline in the

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

	Outstanding amount as a percentage of financial assets <sup>1)</sup>	Annual growth rates									
		2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Q4	
<b>Financial investment</b>	<b>100</b>	<b>4.4</b>	<b>4.2</b>	<b>4.7</b>	<b>4.8</b>	<b>4.8</b>	<b>4.8</b>	<b>4.6</b>	<b>4.4</b>	<b>5.1</b>	
Currency and deposits	37	5.6	5.4	5.6	6.0	6.2	6.0	6.1	5.6	6.2	
Securities other than shares	11	-4.3	-3.9	0.2	1.2	3.8	4.6	3.6	2.2	2.8	
<i>of which: short-term</i>	1	-29.6	-17.3	6.7	11.2	31.4	15.4	4.1	0.0	-6.2	
<i>of which: long-term</i>	10	-2.0	-2.5	-0.3	0.3	0.8	3.2	3.5	2.5	4.2	
Mutual fund shares	12	7.3	5.2	3.3	2.3	1.7	1.9	2.5	3.9	4.6	
<i>of which: mutual fund shares, excluding money market fund shares/units</i>	10	6.8	5.8	3.8	2.9	2.5	3.3	4.1	5.5	5.8	
<i>of which: money market fund shares/units</i>	2	9.5	3.0	1.6	0.1	-1.6	-3.3	-3.4	-1.9	0.0	
Quoted shares	15	1.9	2.0	3.8	3.0	1.1	0.9	-1.1	-1.9	1.1	
Insurance technical reserves	25	6.9	7.0	6.8	6.7	6.8	6.6	6.7	6.9	7.0	
M3 <sup>2)</sup>		7.1	6.3	5.3	6.0	6.6	6.5	7.6	8.4	7.4	
Annual gains and losses on the securities holdings of the non-financial sector (as a percentage of GDP)		5.6	9.7	5.1	4.4	2.5	2.6	4.4	7.8	6.9	

Source: ECB.

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

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

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

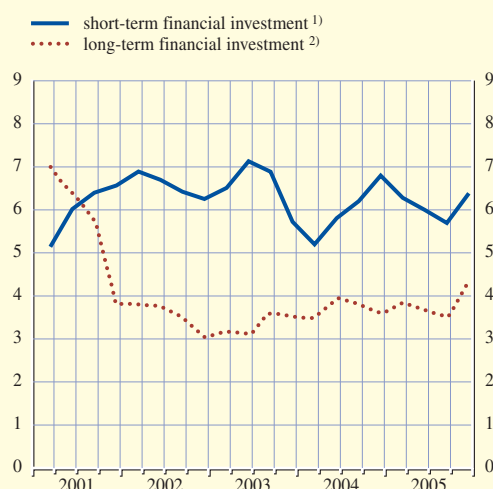
growth of money market fund shares/units observed since 2003 appears to have faded out in the second half of 2005, with an annual growth rate of zero in the fourth quarter after -1.9% and -3.4% in the previous two quarters. However, while investments in money market fund shares/units provide some indication of the risk attitude of investors, their share in overall short-term investment of the non-financial sector is rather small.

#### INSTITUTIONAL INVESTORS

The annual rate of growth in the value of the total assets of investment funds stood at 25.1% in the fourth quarter of 2005, broadly unchanged from the previous quarter. This primarily reflected developments in the value of holdings of shares, the annual growth rate of which rose to 60.1% in the fourth quarter of 2005 from 53.3% in the third quarter. At the same time, the annual growth rate of the value of holdings of bond funds declined to 24.3% in the last quarter of 2005 from 30.6% in the previous quarter. However, the changes in the value of the stock of total assets include valuation effects caused

**Chart 11 Financial investment of the non-financial sector**

(annual percentage changes)

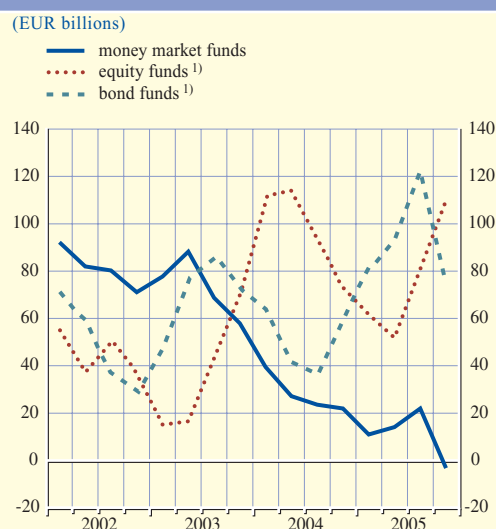


Source: ECB.

1) Includes currency, short-term deposits, short-term debt securities, money market fund shares/units and prepayments of insurance premiums and reserves for outstanding claims.

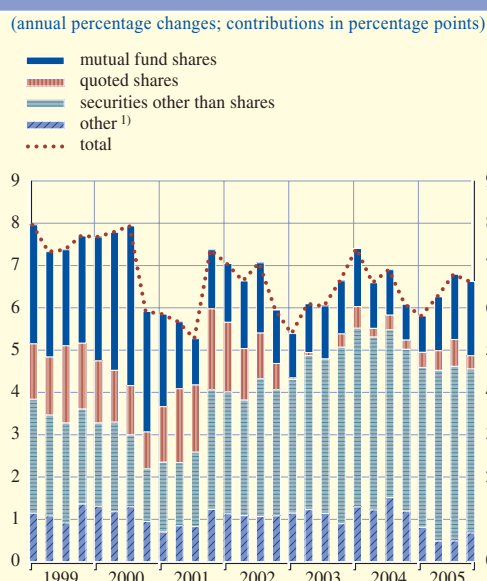
2) Includes long-term deposits, long-term debt securities, quoted shares, mutual fund shares excluding money market fund shares/units and net equity of households in life insurance reserves and pension fund reserves.

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



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

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



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

by changes in asset prices and may therefore provide incomplete information on investment behaviour. In this respect, flow data provided by EFAMA<sup>1</sup> show that net annual sales of investment funds (excluding money market funds) decreased in the fourth quarter of 2005 compared with the third quarter. This reflects a strong decline in the net annual sales of bond funds, partly reversing the upward movement observed since the third quarter of 2004, which more than offset the further increase in the net annual flows into equity funds (see Chart 12). At the same time, the net annual flow into money market funds also declined, resuming the downward trend observed since mid-2003.

Almost two-thirds of the annual growth in financial investment of insurance corporations and pension funds in recent quarters is explained by investment in securities other than shares (see Chart 13). The decrease in the annual growth rate of total financial investment to 6.6% in the fourth quarter of 2005, from 6.8% in the third quarter, mainly reflected a decline in the contributions from investment in quoted shares and in securities other than shares, while the contribution from investment in mutual fund shares increased. Valuation gains on overall holdings of securities decreased in the fourth quarter of 2005 relative to the previous quarter.

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

## 2.3 MONEY MARKET INTEREST RATES

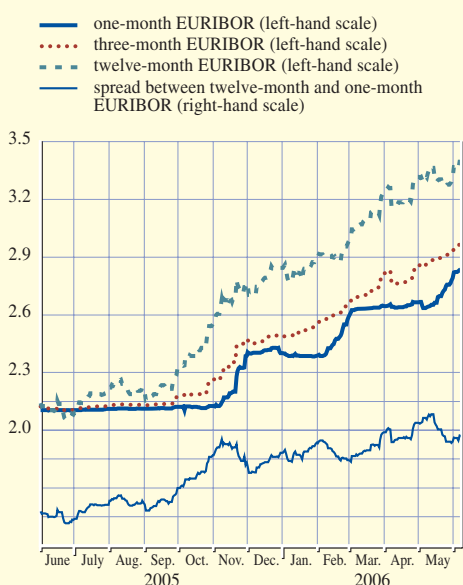
Between March and May 2006 money market interest rates at all maturities increased in the context of strengthening market expectations of further rises in key ECB interest rates. Since the increases at longer maturities were more pronounced than those at shorter maturities, the slope of the money market yield curve slightly steepened over the three-month period as a whole.

The rise in money market interest rates observed since October 2005 continued between the beginning of March and the end of May. In March and April, interest rates at the one-month maturity remained broadly stable, while interest rates at the three-month and twelve-month maturities rose amid market expectations of further rises in key ECB interest rates in June and during the second half of the year. Given the firmness of the expectations of a rise in key ECB interest rates in June, the one-month rate also began to increase significantly in May, with more modest rises in the three-month and twelve-month rates. On 7 June the one-month, three-month, six-month and twelve-month rates stood at 2.84%, 2.97%, 3.15% and 3.40% respectively, 25, 31, 37 and 42 basis points higher than the levels observed at the end of February 2006.

As a result of these developments, the slope of the money market yield curve, which had steepened in the course of March and April, flattened in May. Over the past three months as a whole, the slope of the yield curve has become slightly steeper. The spread between the twelve-month and the one-month EURIBOR was 56 basis points on 7 June 2006, compared with 39 basis points on 28 February 2006 (see Chart 14).

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

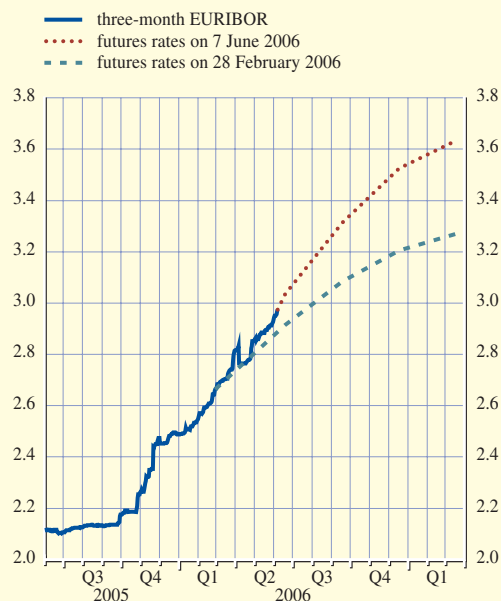
(percentages per annum; percentage points; daily data)



Source: Reuters.

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

(percentages per annum; daily data)

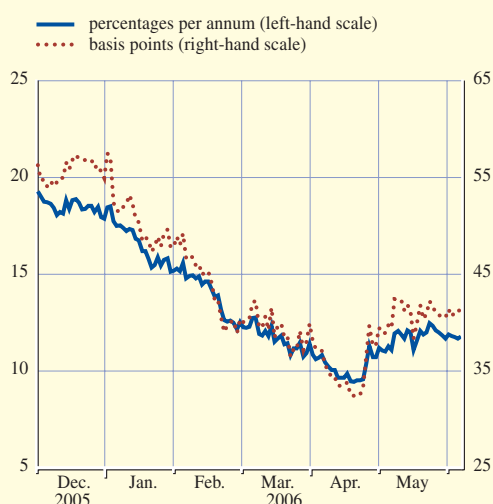


Source: Reuters.

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

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

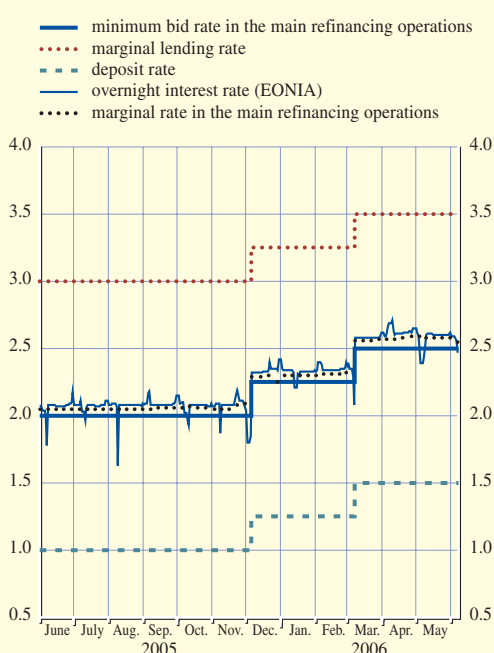
(percentages per annum; basis points; daily data)



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

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

(percentages per annum; daily data)



Sources: ECB and Reuters.

Since the end of February 2006, market participants have adjusted upwards their expectations regarding the developments in short-term interest rates covering the second half of 2006 and the first quarter of 2007. These developments are reflected in the interest rates implied by the three-month EURIBOR futures contracts maturing in September 2006, December 2006 and March 2007, which stood at 3.32%, 3.53% and 3.64% respectively on 7 June 2006, 23, 32 and 37 basis points higher than the respective levels at end-February 2006 (see Chart 15).

The implied volatility derived from options on three-month EURIBOR futures continued to decrease in March and reached historically low levels in the first half of April. Towards the end of April and in May implied volatility increased somewhat to levels close to those observed in early March. The evolution of implied volatility over the past three months continues to suggest that uncertainty among market participants with regard to the expected developments in short-term interest rates in the second half of 2006 remains relatively low (see Chart 16).

In March 2006 interest rates at the very short end of the money market yield curve rose to reflect the decision on 2 March to increase key ECB interest rates by 25 basis points. With the exception of the last week of the maintenance period ending on 11 April, when the EONIA increased somewhat due to unusually tight liquidity conditions, the EONIA was stable at 2.58%. In the maintenance period ending on 9 May the EONIA gradually increased to around 2.63%, implying a widening of the spread over the minimum bid rate in the Eurosystem’s main refinancing operations (MROs). To counter this widening of the spread, in the last two main refinancing operations of this maintenance period the ECB increased the amount allotted above the published benchmark to €2 billion from €1 billion. In the following maintenance period, which ends on 14 June, the



EONIA has been stable at 2.60%, except for a few days at the beginning of this period when the EONIA was 2.61% and towards the end of the maintenance period when the EONIA decreased somewhat due to loose liquidity conditions.

In March and April liquidity was provided in the MROs at marginal and weighted average rates which gradually increased from 2.56% and 2.57% respectively in the earliest tender auctions in March, to 2.59% and 2.60% respectively in the tender auction at the end of April. In the tender auctions in the maintenance period which ends on 14 June, the marginal and weighted average rates have been stable at 2.58% and 2.59% respectively, except for the last MRO in the maintenance period where they decreased to 2.55% and 2.57% respectively (see Chart 17). Further information on short-term interest rates and liquidity conditions for the maintenance periods ending on 7 March, 11 April and 9 May 2006 is presented in Box 3. In the three longer-term refinancing operations settled on 30 March, 27 April and 1 June, the marginal rates were 8, 7 and 7 basis points respectively below the three-month EURIBOR prevailing on those dates.

### Box 3

#### LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS FROM 8 FEBRUARY TO 9 MAY 2006

This box reviews the ECB's liquidity management during the three reserve maintenance periods ending on 7 March, 11 April and 9 May 2006.

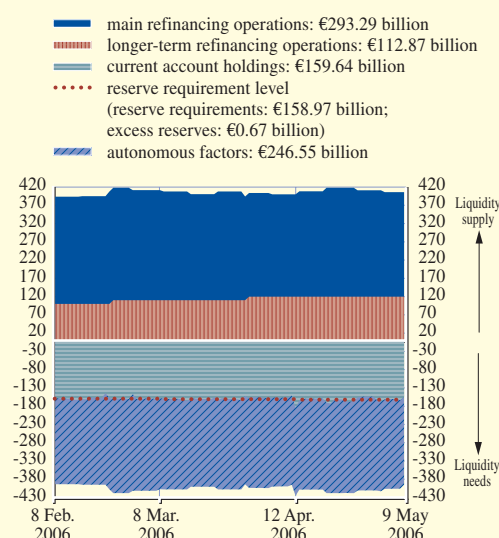
#### Liquidity needs of the banking system

Banks' liquidity needs increased moderately over the period under review mainly due to an increase in reserve requirements (see Chart A). A small decline in the level of autonomous factors was observed. However, banknotes in circulation, which represent the largest "autonomous factor" (i.e. a factor which does not stem from the use of monetary policy instruments), reached a historical high of €572.7 billion on 5 May. Overall, autonomous factors contributed €246.5 billion on average to the liquidity deficit of the Eurosystem in the period under review. Reserve requirements, the other major source of liquidity needs, increased by €6.6 billion to €159.6 billion over the same period. Daily average excess reserves (i.e. the daily average of current account holdings in excess of reserve requirements) contributed €0.67 billion on average to the liquidity deficit in the Eurosystem over the period considered.

Average excess reserves declined in the reserve maintenance periods ending on 7 March and 11 April to €0.63 billion and €0.62 billion respectively, before increasing again to €0.78 billion

Chart A Liquidity needs of the banking system and liquidity supply

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



Source: ECB.

in the last maintenance period of the period under review (see Chart B).

### Liquidity supply and interest rates

The volume of open market operations increased (see Chart A) in parallel with the moderate increase in the demand for liquidity. On average, the liquidity provided via main refinancing operations amounted to €293.3 billion. The ratio between bids submitted by counterparties and satisfied bids (the bid-cover ratio) varied between 1.20 and 1.45. The average bid-cover ratio over the period was 1.32.

In line with the decision of the Governing Council of the ECB on 16 December 2005 to increase the allotment amount of the longer-term refinancing operations (LTROs) from €30 billion to €40 billion, the liquidity provided by LTROs increased from €100 billion to €120 billion in the period under review, with all outstanding LTROs having reached the new target amount by the end of the observation period.

In October 2005 the ECB had communicated to market participants its uneasiness about the observed upward trend in the spread between the EONIA (euro overnight index average) and the minimum bid rate. Consequently, it had decided to allot €1 billion above the benchmark amount in all but the last MRO of a maintenance period. This allotment policy was prolonged during the maintenance periods ending on 7 March and 11 April, while, as explained below, it was modified in the maintenance period ending on 9 May.

#### Maintenance period ending on 7 March

The period started with marginal and weighted average MRO rates of 2.31%, while the EONIA stood at 2.34%. In the last MRO allotment, the marginal and weighted average rates increased by 1 and 3 basis points respectively, whereas the EONIA increased to 2.40% on the last day of February, before easing towards the end of the maintenance period, as the aggregate liquidity situation turned out to be slightly loose.

On the last day of the maintenance period, the ECB intended to absorb the expected liquidity surplus of €5 billion via a fine-tuning operation. However, the operation only attracted bids amounting to €2.6 billion. This was the main reason why the maintenance period ended with a net recourse to the deposit facility of €1.64 billion and the EONIA at 2.08%.

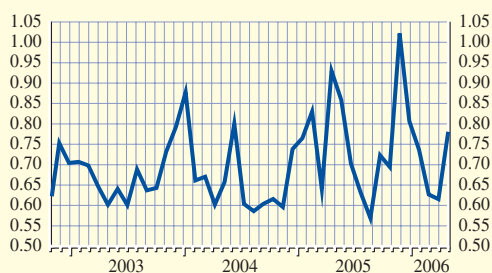
#### Maintenance period ending on 11 April

On 2 March the Governing Council decided to increase the key ECB interest rates by 25 basis points. These decisions became effective with the beginning of the new maintenance period starting on 8 March and ending on 11 April.

During the first three weeks of the maintenance period, the marginal and weighted average MRO rates stood at 2.56% and 2.57% respectively, while the EONIA was 2.58%. The last two

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

(EUR billions, average level in each maintenance period)



Source: ECB.

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

MRO allotments in March saw both the marginal and weighted average MRO rates 1 basis point higher, with some upward pressure on the EONIA. Unusually large liquidity-absorbing forecast revisions in autonomous factors after the final MRO allotment pushed the EONIA further up to 2.71%. However, on 11 April, the final day of the maintenance period, the ECB conducted a liquidity-providing fine-tuning operation of €26 billion. The maintenance period ended with almost balanced liquidity conditions (i.e. a net recourse to the deposit facility of €0.43 billion) and the EONIA at 2.63%.

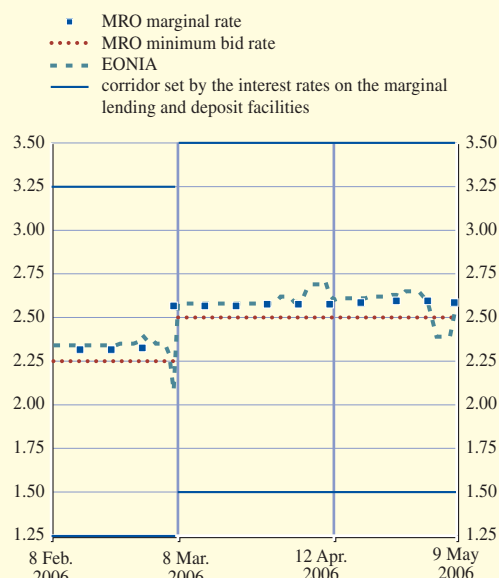
#### Maintenance period ending on 9 May

During the first three weeks of the period, the marginal and weighted average MRO rates crept up further to 2.59% and 2.60% respectively. A similar evolution was observed in the EONIA, which increased from 2.60% on the first day of the period to a level of around 2.63%. The ECB therefore increased the allotment above the benchmark amount to €2 billion in the penultimate MRO allotment of the period. In parallel, the ECB expressed its concerns about the recent developments in the spread between very short-term market rates and the minimum bid rate.

As a new measure, the ECB also allotted €2 billion more than the benchmark amount in the last MRO of the reserve maintenance period. In addition, the ECB stated that, if needed to counter an elevated spread between the EONIA and the minimum bid rate, it would consider continuing allotting more than the benchmark amount in all MROs of upcoming reserve maintenance periods (including the last MRO), but that it still aimed at balanced liquidity conditions on the last day of the maintenance period. The EONIA declined in the following days, reaching a low of 2.39% on the third to last trading day of the maintenance period. On the last day of the maintenance period, the ECB launched a fine-tuning operation in order to absorb the excess liquidity of €11.5 billion, which arose mainly as a result of the ample allotment in the previous MRO. Again, the maintenance period ended with almost balanced liquidity conditions, this time with a minimal net recourse to the marginal lending facility of €0.36 billion, and the EONIA at 2.52%.

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

(daily interest rates in percentages)



Source: ECB.

## 2.4 BOND MARKETS

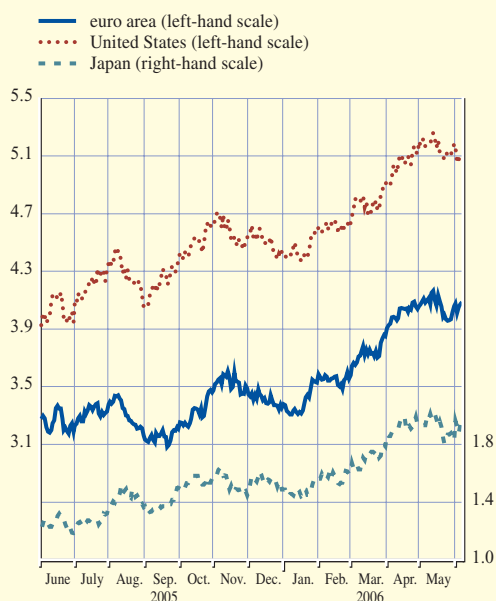
Long-term government bond yields in the major markets have risen markedly over the past three months. Although they declined somewhat from mid-May, the overall increase probably reflected both the favourable growth outlook perceived by market participants and somewhat higher inflation expectations. At the same time, market participants' uncertainty about near-term global bond market developments, as indicated by implied bond market volatility, has increased somewhat.

Developments in nominal long-term interest rates have been broadly similar across the major global markets over the past three months. Between the end of February and 7 June ten-year government bond yields increased by around 50 basis points in the United States and by around 55 basis points in the euro area (see Chart 18). As a result, the differential between US and euro area ten-year government bond yields decreased slightly, to stand at 100 basis points on 7 June. Ten-year government bond yields in Japan also increased over the same period, by around 30 basis points. The upturn in global long-term bond yields seemed to reflect both market participants' view that global growth prospects were robust and somewhat higher inflation expectations. Higher risk premia embedded in bond yields, having previously stood at low levels, probably also played a role in the rise in bond yields. At the same time, market participants' uncertainty about near-term global bond market developments seems to have increased somewhat, as indicated by developments in implied bond market volatility.

In the United States the yield curve has steepened over the past three months, reflecting a larger increase in long-term than in shorter-term bond yields. Yields on bonds over shorter maturities

Chart 18 Long-term government bond yields

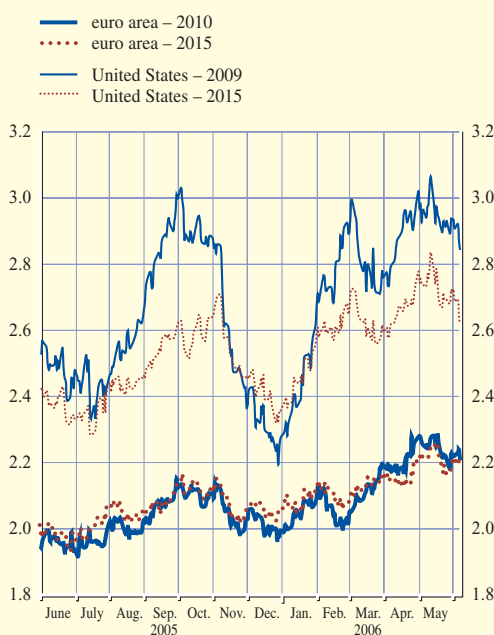
(percentages per annum; daily data)



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

Chart 19 Break-even inflation rates

(percentages per annum; daily data)



Source: Reuters and ECB calculations.

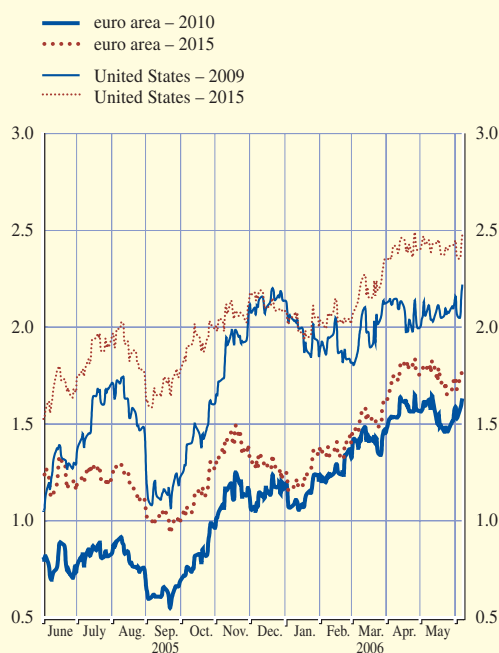
were supported by the decision of the Federal Reserve to raise the federal funds rate by 25 basis points at its meetings of 28 March and 10 May respectively. From mid-May onwards, long-term government bond yields declined somewhat, reflecting the fact that government bonds tend to act as a “safe haven” at times when other asset prices, such as stock prices, fall sharply.

Over the period as a whole, inflation expectations in the United States, as reflected in break-even inflation rates, increased at all horizons (see Chart 19). The rise in US break-even inflation rates may have been favoured by data releases on prices which were higher than expected by the markets and by persistently high commodity prices. Real yields on long-term index-linked bonds increased significantly over the review period across all horizons (see Chart 20). These increases have been especially strong at longer maturities and may to some extent be related to an unwinding of factors that contributed to previously low levels of risk premia embedded in real yields.

Over the past three months euro area long-term government bond yields have also increased. This upturn in long-term interest rates in the euro area mainly reflects market reactions to data releases on economic activity and business sentiment, which investors have generally interpreted as pointing to higher growth prospects for the euro area economy. Real yields offered on index-linked bonds, a financial market-based measure to gauge market participants’ perceptions of future economic activity, suggest that investors have become more positive about the growth outlook, especially at longer horizons. Reflecting this, the real yield on the index-linked Italian government bond (linked to the euro area HICP excluding tobacco) maturing in 2010 increased by around 30 basis points, whereas the real yield on the comparable index-linked French government bond

**Chart 20 Real bond yields**

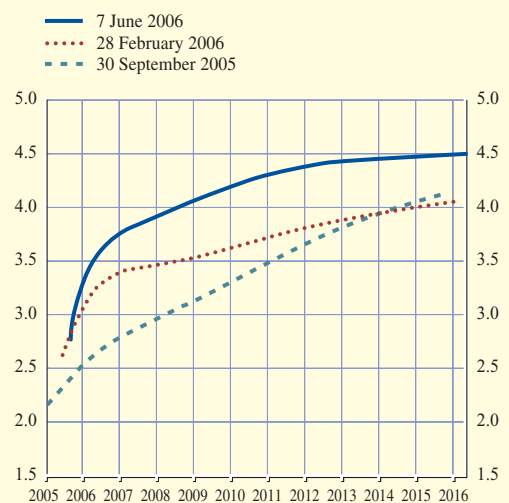
(percentages per annum; daily data)



Sources: Reuters and ECB calculations.

**Chart 21 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 Box 4 of the January 1999 issue of the Monthly Bulletin. The data used in the estimate are derived from swap contracts.

maturing in 2015 rose to a larger extent, by around 40 basis points, between the end of February and 7 June (see Chart 20).

Over the review period as a whole, the future path of the key ECB interest rates as perceived by market participants moved upwards, as indicated by the upward shift in the implied forward overnight interest rate curve for the euro area, especially at longer horizons (see Chart 21).

Measures of inflation expectations in the euro area, such as break-even inflation rates, increased between the end of February and 7 June. The long-term euro area break-even inflation rate, as derived from the difference between the yields on nominal and index-linked French government bonds maturing in 2015, increased by around 10 basis points to stand at 2.2% at the end of the review period (see Chart 19). Overall, break-even inflation rates in the euro area were less volatile than in the United States.

## 2.5 EQUITY MARKETS

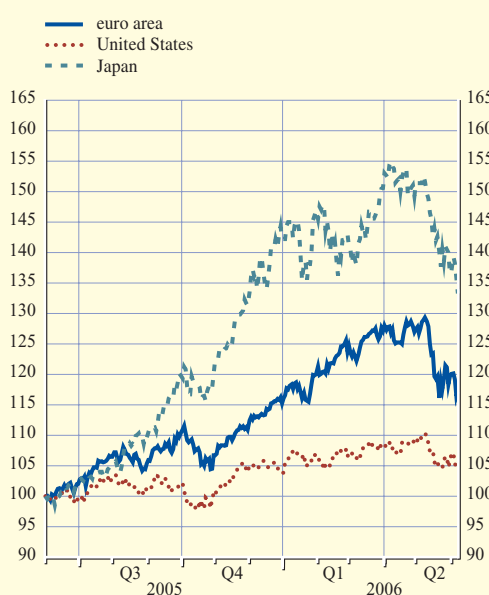
*Looking at the past three-month period, global stock prices first continued to rise against the background of a solid corporate earnings outlook, but then declined sharply in the course of May and early June. Uncertainty among market participants about the future path of policy interest rates in major economies and increases in risk aversion have been among the major factors behind the recent fall. At the same time, global stock market uncertainty increased significantly at the end of the review period.*

Over the past three months, despite undergoing large swings, stock prices in major economies declined somewhat overall (see Chart 22). Stock prices in the euro area, as measured by the Dow Jones EURO STOXX index, and in the United States, as measured by the Standard & Poor's 500 index, decreased by 5% and 2% respectively between the end of February and 7 June. In Japan stock prices, as measured by the Nikkei 225 index, declined by 7% over the same period. At the same time, stock market uncertainty, as measured by the implied volatility extracted from stock options, rose sharply in the major markets in the course of May (see Chart 23).

In the United States, two discernible trends have been observed in stock prices over the past three months. In the early part – between end of February and early May – US stock prices increased to levels not observed since early 2001. The positive sentiment in the US stock markets during this period may be largely attributable to a continued solid corporate earnings outlook (see Chart 24). Between mid-May and early June, US stock prices fell. These

Chart 22 Stock price indices

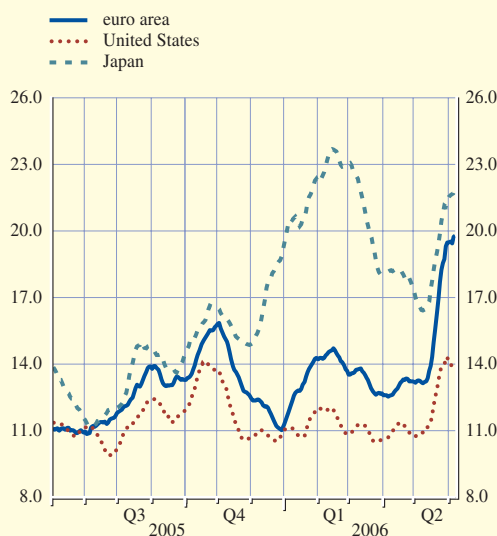
(index: 1 June 2005 = 100; daily data)



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 23 Implied stock market volatility**

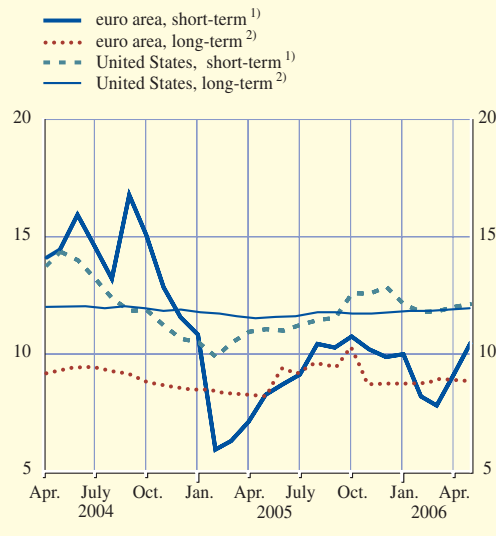
(percentages per annum; ten-day moving average of daily data)



Source: Bloomberg.  
 Note: The implied volatility series reflects the expected standard deviation of percentage stock price changes over a period of up to three months, as implied in the prices of options on stock price indices. The equity indices to which the implied volatilities refer are the Dow Jones EURO STOXX 50 for the euro area, the Standard & Poor's 500 for the United States and the Nikkei 225 for Japan.

**Chart 24 Expected growth in corporate earnings per share in the United States and the euro area**

(percentages per annum; monthly data)



Sources: Thomson Financial Datastream and ECB calculations.  
 Notes: Expected earnings growth of the Dow Jones EURO STOXX index for the euro area and Standard & Poor's 500 index for the United States.  
 1) Short-term refers to analysts' earnings expectations twelve months ahead (annual growth rates).  
 2) Long-term refers to analysts' earnings expectations three to five years ahead (annual growth rates).

declines were mainly triggered by the rise in inflation expectations and the associated uncertainty among market participants about further near-term interest rate increases by the Federal Reserve. The downward movements may also have been amplified by higher equity risk premia demanded by investors, which seemed to have triggered portfolio shifts from the stock markets to the bond markets. The latter tend to have acted as a “safe haven” in times of uncertainty. Higher risk premia may have been associated with the sharp increase in perceived uncertainty, as reflected in the implied volatility extracted from stock options, at the end of the review period.

Overall, movements in euro area stock markets have broadly mirrored those in the United States. While euro area stock prices also recorded five-year highs in early May, they have since declined sharply, towards levels observed in the early part of the year. This occurred despite the fact that analysts and listed companies have revised their earnings estimates upwards significantly overall over the past three months. The rise in bond yields and the recent appreciation of the euro against the US dollar were generally perceived by market participants as unfavourable for stock prices, since they tend to erode euro area corporate profitability. Indeed, the decline in stock prices in the euro area in May was more pronounced than in the United States. Furthermore, higher long-term interest rates, which act as discount factor for future cash flows, and increased risk aversion among investors also depressed stock prices.

Viewed across sectors, performances were mixed, with the health care sector strongly outperforming the broad-based Dow Jones EURO STOXX index over the past three months (see Table 3). This suggests that investors may have become somewhat more inclined to invest in stocks which are



**Table 3 Price changes and historical volatility in the Dow Jones EURO STOXX economic sector indices**

(price changes as percentages of end-of-period prices; end-of-period data)

	Basic materials	Consumer services	Consumer goods	Oil and gas	Financial	Health-care	Industrial	Tech-nology	Tele-communi-cations	Utility	EURO STOXX
<b>Share of sector in market capitalisation</b>	5.7	6.8	11.0	7.4	33.5	4.2	10.5	5.2	6.7	9.1	100.0
<b>Price changes</b>											
2005 Q1	6.0	7.5	6.3	9.7	4.7	0.1	5.3	-1.2	-4.0	3.7	4.3
2005 Q2	-0.8	1.8	2.6	11.4	2.8	5.6	5.2	10.1	-0.3	8.2	4.4
2005 Q3	12.5	1.7	11.8	14.1	9.8	4.5	7.0	4.8	1.3	6.5	8.1
2005 Q4	6.2	4.3	0.6	-6.3	9.0	6.5	7.1	7.0	-4.1	5.7	4.5
2006 Q1	11.5	5.6	11.3	2.7	12.5	11.3	14.8	11.2	-0.1	12.9	10.3
April	3.0	1.1	-0.5	1.3	-1.0	-2.7	1.3	-0.5	-1.1	-0.2	-0.1
May	-6.3	-4.8	-6.4	-5.9	-6.3	-1.5	-7.1	-7.2	-4.5	-3.2	-5.7
End-Feb. 2006 to 7 June 2006	-1.2	-2.3	-6.9	-5.0	-8.1	4.4	-6.1	-4.0	-1.0	-3.5	-5.2

Sources: Thomson Financial Datastream and ECB calculations.

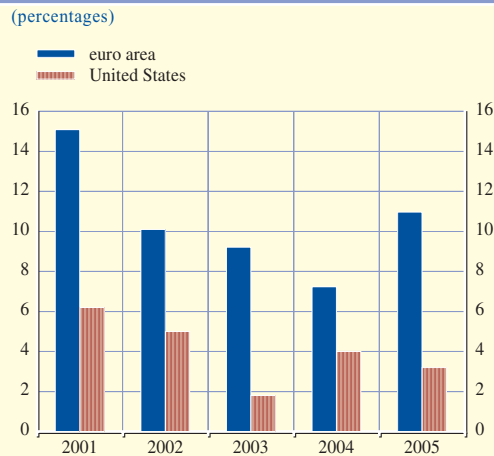
generally less influenced by the state of the business cycle and relatively unaffected by changes in risk appetite. At the same time, the stock prices of financial corporations, which tend to react strongly to swings in risk appetite, were among those that underperformed vis-à-vis the overall index. The relative performance of the health care vis-à-vis the financial sector is supportive of the view that investors in euro area stocks have become more risk-averse over the past three months. From a more structural point of view, Box 4 examines potential factors behind the changes in the composition of the broad-based euro area and US stock market indices over the past few years.

**Box 4****DEVELOPMENTS IN THE COMPOSITION OF EURO AREA AND US STOCK MARKET INDICES**

Since the capital stock of a large part of the economy is traded on the stock market, developments in the composition of stock market indices can provide indications of structural change in the economy – such as the process of consolidation or the ability to take advantage of possibilities offered by new technology. This box illustrates how developments in the composition of stock market indices may shed some light on the structural changes that are taking place in the economy.

The decision as to which firms are to be included in stock market indices is usually determined on the basis of their market capitalisation (calculated on a firm-level basis as the price of the stock multiplied by the number of outstanding shares). Thus, firms whose value is boosted as a result of mergers or new technology, for example, will tend to replace other firms previously included in the index. Large companies which go public because of, say, privatisation, may also contribute to the turnover in the index. Changes in the composition of these stock market indices can be measured by the number of firms entering these indices over a certain period of time; for the purposes of this box, this shall be referred to as stock market turnover.

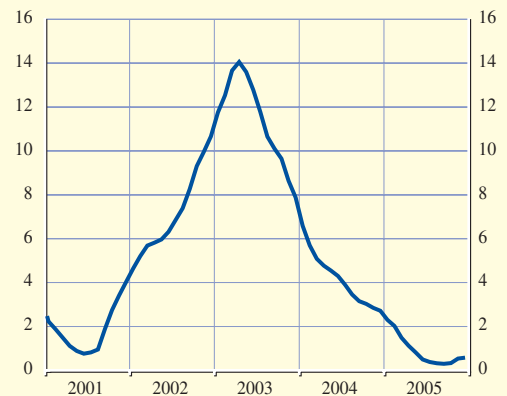
**Chart A Stock market turnover in the euro area and in the United States**



Sources: EURO STOXX, Standard & Poor's 500 index and ECB estimate.  
Notes: Stock market turnover defined as the percentage of firms entering the indices on an annual basis.

**Chart B Difference between implied stock market volatility in the euro area and in the United States**

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



Sources: ECB estimate and Reuters.  
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 and the Standard & Poor's 500 for the United States.

In order to ensure that comparisons between stock market indices are accurate, the indices should contain a sufficient number of firms. Consequently, the EURO STOXX broad index (including around 300 corporations) is used for the euro area and the Standard & Poor's 500 index for the United States. Chart A shows the annual turnover (as a percentage) of corporations in the two broad-based stock market indices from 2001 to date.

As illustrated by the chart, over the past few years the stock market turnover in the euro area has been higher than in the United States. It would, therefore, appear that the economic and financial landscape of the euro area has experienced comparatively pronounced changes over the past few years. It is interesting to note that the stock market turnover in the euro area does not seem to have been dominated by a few individual sectors, but has been fairly broad-based, particularly over the past few years. Factors behind the relatively high stock market turnover in the euro area include developments in deregulation, privatisation, technology and globalisation, which have played an important role in encouraging the restructuring and consolidation of the euro area corporate sector. The introduction of the euro has probably also acted as a catalyst for these developments. For example, these driving forces can be seen to be reshaping the market for financial services, making firms more competitive and also more integrated both within the euro area and at the global level. In fact, financial institutions (banks, insurance corporations, and other financial institutions) have contributed significantly towards the increase in the turnover seen in the euro area. It is also worth mentioning that the weight of the financial sector in the EURO STOXX broad index increased from 28% at the end of 2000 to 33% at the end of 2005. Hence, the high turnover may be seen as reflecting the various efforts made by euro area firms to adapt to a changing environment.

There are, however, some important caveats to be borne in mind. First, this general pattern may also partly reflect the fact that the prices of technology stocks in the euro area have undergone

a more pronounced boom-and-bust cycle than in the United States over the past few years. This is illustrated by the fact that the share of the technology sector in the EURO STOXX broad index declined from 15% at the end of 2000 to around 5% at the end of 2005.

Second, it cannot be excluded that slightly more volatile stock market developments in the euro area than in the United States may also have contributed to the higher turnover (see Chart B). In this respect, the probability that the relative ranking of the firms making up the index will vary is greater in an environment of high volatility than in an environment of low volatility.

Overall, the fairly marked developments in the stock market composition of the euro area may indicate that, reflecting structural changes, the industrial and financial landscape of the euro area has been evolving significantly over the past few years.

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

*The real cost of non-financial corporations' external financing remained low by historical standards in the first quarter of 2006. Over the same period, non-financial corporations increased their loan financing further, while issuance of debt securities remained modest and that of quoted shares slowed down slightly. As a result of the ongoing rise in the growth of debt financing, the sector's debt-to-GDP ratio rose further in the first quarter of 2006.*

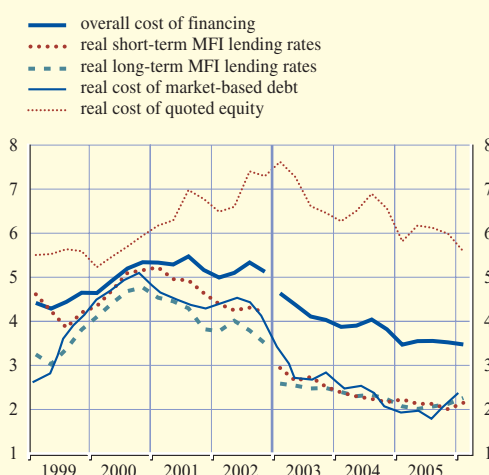
### FINANCING COSTS

The real cost of external financing for non-financial corporations in the euro area, as calculated by weighting the cost of different financing sources on the basis of their amounts outstanding (corrected for valuation effects), remained broadly unchanged in the first quarter of 2006, at a low level by historical standards (Chart 25).<sup>2</sup> While the real cost of debt financing increased somewhat, the real cost of issuing quoted equity decreased slightly in the same period.

The real cost of bank lending increased slightly in the first quarter. As regards the breakdown by maturity, short-term MFI interest rates on loans (with a floating rate and an initial rate fixation of up to one year) to non-financial corporations increased by around 30 basis points with respect to December 2005 by the end of the first quarter of 2006, thus reflecting

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

(percentages per annum)



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

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

<sup>2</sup> For a detailed description of the measure of the real cost of external financing of euro area non-financial corporations, see Box 4 in the March 2005 issue of the Monthly Bulletin.

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

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

							Change in basis points up to Mar. 2006 <sup>2)</sup>		
	2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Feb.	2006 Mar.	2005 Sep.	2005 Dec.	2006 Feb.
<b>MFI interest rates on loans</b>									
Bank overdrafts to non-financial corporations	5.26	5.13	5.13	5.13	5.28	5.29	16	16	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	3.91	3.88	3.81	3.99	4.14	4.23	42	24	9
with an initial rate fixation of over five years	4.33	4.20	4.04	4.07	4.13	4.17	13	10	3
Loans to non-financial corporations of over €1 million with a floating rate and an initial rate fixation of up to one year	3.01	2.94	2.94	3.20	3.24	3.49	55	29	25
with an initial rate fixation of over five years	4.04	3.89	3.87	3.96	4.00	4.21	34	25	21
<b>Memo items</b>									
Three-month money market interest rate	2.14	2.11	2.14	2.47	2.60	2.72	58	25	12
Two-year government bond yield	2.49	2.07	2.21	2.80	2.97	3.22	101	42	25
Five-year government bond yield	3.08	2.58	2.60	3.07	3.26	3.47	87	40	22

Source: ECB.

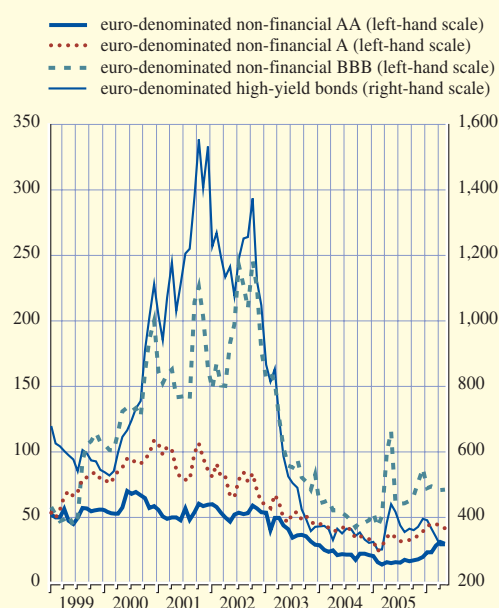
1) For the period from December 2003 onwards, the weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. For the preceding period, from January to November 2003, the weight-adjusted MFI interest rates are calculated 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.

2) Figures may not add up due to rounding.

the rise in money market rates over the same period (see Table 4). Long-term MFI interest rates on loans (with an initial rate fixation of over five years) to non-financial corporations rose by 10 to 25 basis points in the same period. This mainly reflected the sluggish pass-through of the significantly higher increase in corresponding government bond yields to long-term bank lending rates in recent months. Consistently, the declining trend of spreads on bank lending rates to market interest rates of comparable maturity observed since the beginning of 2003 continued in the first quarter of 2006. Taking a longer-term perspective, the downward overall trend in bank spreads on loans to non-financial corporations over the past few years supports the assessment that there was a general easing of bank credit conditions during 2005 and early 2006. Notably, the narrowing of bank spreads was more pronounced with regard to small than large loans. This indicates that banks have recently become somewhat less discriminative in their pricing of risks, as smaller-sized loans are typically granted with a higher premium than large loans.

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

(basis points; monthly averages)



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

The real cost of market-based debt financing for non-financial corporations increased in the first quarter as a result of higher nominal yields, although it remained at a low level by historical standards (see Chart 25). At the same time, corporate bond spreads remained broadly unchanged. In particular, the slight upward trend for borrowers of lower credit quality observed in the fourth quarter of 2005 came to a halt. This development points to a benign overall assessment of credit risks surrounding the non-financial corporate sector in the euro area up to March 2006. More recently, spreads on BBB corporate bond yields have increased slightly. It is too early to say whether this reflects a shift in the perception of credit risk.

The real cost of equity for non-financial corporations decreased slightly in the first quarter of 2006, largely reflecting favourable stock market developments. At the same time, the real cost of equity remained significantly higher than the real cost of debt financing.

#### FINANCING FLOWS

With regard to the internal source of financing, the profitability of non-financial corporations in the euro area – as measured in terms of operating and net income in relation to sales – remained strong throughout 2005 on the basis of aggregated financial statement data of listed non-financial enterprises in the euro area. Profit ratios reached their highest levels for the past 20 years in all main economic sectors in 2005, with the exception of the construction sector, where the recovery in profitability has been weaker (see Box 5).

#### Box 5

##### PROFITABILITY AND LEVERAGE DEVELOPMENTS OF LISTED NON-FINANCIAL CORPORATIONS IN THE EURO AREA

This box analyses profitability and leverage developments of listed non-financial corporations in the euro area during recent years, based on aggregated firm-level data from annual financial statements (profit and loss account and balance sheet).

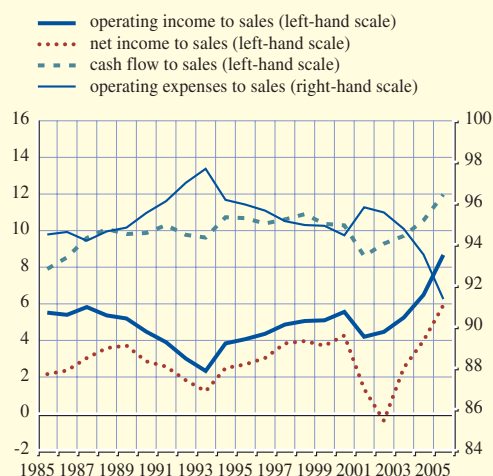
Overall, the profitability of listed non-financial corporations in the euro area, measured as a percentage of sales, continued to increase in 2005, reaching its highest level for the last 20 years. In addition, the net indebtedness of listed non-financial corporations, measured by the ratio of debt to assets, declined further in 2005, albeit at a somewhat slower pace than in previous years.

The annual sample of listed non-financial corporations in the euro area, which has been constructed on the basis of the Thomson Financial DataStream database, contained a total of approximately 2,000 firms in 2004 (mainly large enterprises, which accounted for 75% of the sample).<sup>1</sup> By contrast, small and medium-sized enterprises (SMEs) in the euro area are underrepresented in the sample, as, for the most part, they are not listed.

<sup>1</sup> The sample size increases over time and varies across indicators. The breakdown into large enterprises and small and medium-sized enterprises follows the definition by the European Commission. Broadly in line with this definition, large firms have been defined as firms with more than 250 employees and either total assets or a turnover of above €50 million. See European Commission, Enterprise and industry publications, "The new SME definition: user guide and model declaration", based on the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (2003/361/EC).

**Chart A Profit and cost developments of listed euro area non-financial corporations**

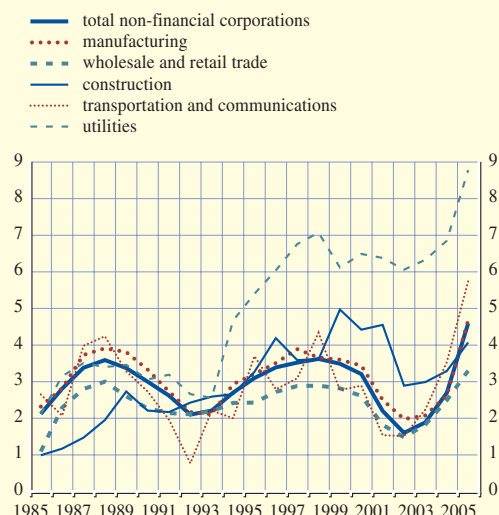
(percentages)



Sources: Thomson Financial Datastream and ECB calculations.  
Notes: The calculation is based on aggregated annual financial statements of listed non-financial corporations in the euro area. Data for 2005 are preliminary.

**Chart B Net income to sales developments of listed euro area non-financial corporations across sectors**

(percentages)



Sources: Thomson Financial Datastream and ECB calculations.  
Notes: The calculation is based on aggregated annual financial statements of listed non-financial corporations in the euro area. Figures show the median value. Data for 2005 are preliminary.

## Profitability developments

Corporate profitability developments can be measured by a variety of indicators, focusing either on the operating income or, more comprehensively, on the net income or cash flow of a firm.<sup>2</sup> Compared with operating income, which is defined as sales minus operating expenses, net income refers to operating and non-operating income after taxation and extraordinary items. Cash flow is defined as net income before depreciation.

The profitability of listed non-financial corporations in the euro area, measured as a percentage of sales, continued to increase in 2005, reaching its highest level for the last 20 years (see Chart A). At the same time, the annual results for 2005 need to be interpreted with some caution as a result of their limited coverage so far.

Listed non-financial enterprises cut their operating expenses in relation to sales further in 2005, and this goes a long way to explaining the rise in profitability. The main components of operating expenses are material cost and employment cost. While the ratio of material costs to sales stood broadly at the same level in 2005 as in 2002, the ratio of employment costs to sales has declined considerably since 2002. Accordingly, some of the decline in the ratio of operating expenses to sales resulted from reductions in employment costs, driven by moderate wage growth and rationalisation of the production process. In addition, depreciation of listed non-financial

<sup>2</sup> Another profitability indicator would be the ratio of earnings before interest, taxation and depreciation (EBITDA) to sales. Compared with net income, EBITDA can be more meaningful in the case of cross-country comparisons, as the effects of national taxation and depreciation rules are excluded. However, the ratio of EBITDA to sales is less meaningful as regards the amount of internally generated funds available to an enterprise for investment.

corporations declined considerably from 2003 to 2005. This might be related to low investment during this period.<sup>3</sup> A further factor contributing to the rise in net income to sales was the decline in interest payments from 2002 to 2004.

Compared with the ratio of net income to sales, the ratio of cash flow to sales of listed non-financial corporations has increased less sharply in recent years. This has been a result of the above-mentioned decline in depreciation. Nonetheless, according to the available preliminary data, the cash flow-to-sales ratio in 2005 also reached its highest level for the past 20 years.

Looking at profitability developments across sectors, the ratio of net income to sales of listed non-financial corporations has increased in all main sectors of the euro area economy (see Chart B). It is interesting to note that since the early 1990s profitability in the utilities sector has risen particularly sharply. In addition, from its trough in 2002, the recovery has been particularly pronounced in the transportation and communications sector. While the profitability of listed non-financial corporations in the manufacturing sector has developed broadly in line with the euro area average, profitability has been somewhat weaker for listed non-financial corporations in the wholesale and retail trade sector.

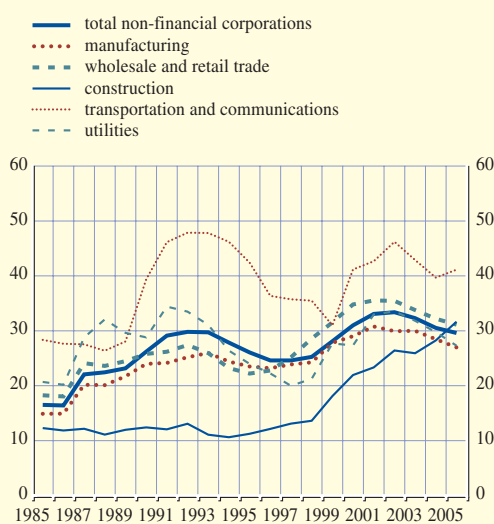
### Leverage developments

After a reduction in the amount outstanding of debt of listed non-financial corporations from 2002 to 2004, listed non-financial enterprises increased their debt in 2005. This rise in debt has occurred in all main economic sectors.

At the same time, the ratio of debt to assets of the total listed non-financial corporations in the euro area, which indicates their net indebtedness, declined further in 2005, albeit at a somewhat slower pace than in the previous year (see Chart C). This reflects the considerable rise in assets of non-financial corporations, partly related to an increase in mergers and acquisitions activity. By contrast with net indebtedness, the debt-to-GDP ratio of all non-financial corporations in the euro area increased in 2005. However, it should be noted that this debt-to-assets ratio only reflects the developments of listed, i.e. mainly large, non-financial corporations, which might differ from the overall developments of non-financial corporations.<sup>4</sup>

**Chart C Debt-to-assets developments of listed euro area non-financial corporations across sectors**

(percentages)



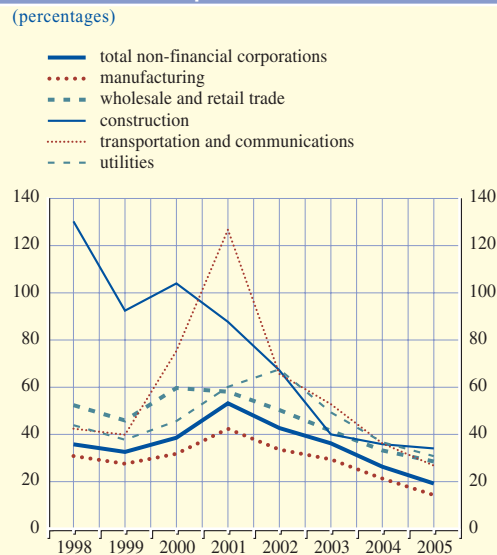
Sources: Thomson Financial Datastream and ECB calculations.  
Notes: The calculation is based on aggregated annual financial statements of listed non-financial corporations in the euro area. Data for 2005 are preliminary.

<sup>3</sup> It should be borne in mind that the evolution of the depreciation-to-sales ratio is also driven by decisions at the firm level with respect to the choice of the depreciation pattern, which could, for instance, be related to tax reasons.

<sup>4</sup> Data on total assets of non-financial corporations in the euro area are not available in the euro area financial accounts.

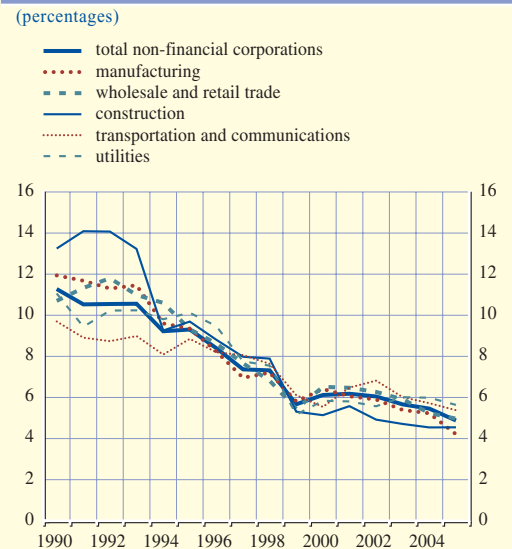


**Chart D Interest payments on debt to operating income of listed euro area non-financial corporations across sectors**



Sources: Thomson Financial Datastream and ECB calculations.  
Notes: The calculation is based on aggregated annual financial statements of listed non-financial corporations in the euro area. Data for 2005 are preliminary.

**Chart E Average interest rate on debt of listed euro area non-financial corporations across sectors**



Sources: Thomson Financial Datastream and ECB calculations.  
Notes: Interest payments on debt to amount of debt outstanding. The calculation is based on aggregated annual financial statements of listed non-financial corporations in the euro area. Data for 2005 are preliminary.

A common measure which is monitored when assessing the financial situation of non-financial corporations is the interest payment burden, such as the ratio of interest payments on debt to operating income. This reflects the share of the operating income firms need to use for interest payments. Another measure is the ratio of interest payments on debt to the total amount of debt outstanding, reflecting an average interest rate on debt which listed non-financial corporations have to pay.

The ratio of interest payments on debt to operating income of the total listed non-financial corporations increased considerably in 2000 and 2001, a development which was driven especially by a sharp increase in debt and interest payments as well as a lower operating income at that time in a few telecommunication companies. Thus, the interest payment burden has decreased significantly for listed non-financial corporations in all the main economic sectors in the euro area (see Chart D). This reflects the lower interest payments of listed non-financial corporations and the reduction in debt from 2002 to 2004, as well as the rise in the operating income from 2002 to 2005. In 2005, according to preliminary figures, the ratio of interest payments on debt to operating income continued to decline, despite a slight increase in interest payments and a rise in the debt of listed non-financial corporations. This further decline was a result of a further considerable rise in the operating income.

The average interest rate on debt of listed non-financial corporations also continued to decline in 2005, owing to a sharper rise in debt than in interest payments (see Chart E). Taking a longer perspective, from the start of the 1990s the average interest rate on debt of listed non-financial corporations declined significantly until 1999. After an increase in 2000 and 2001, it resumed its downward trend from 2002 to 2005, whereupon it stood at historically low levels.

Stock market-based profitability measures indicate that the profitability growth of large listed corporations is expected to increase further (see Chart 24) over the next 12 months.<sup>3</sup>

In addition to having made recourse to abundantly available internal funds, non-financial corporations increased their demand for external financing further in the first quarter of 2006 (see Chart 27). The real annual growth rate of external financing of non-financial corporations rose to 3.3% in the first quarter of 2006, from 2.5% in the fourth quarter. This development was driven primarily by a further strong increase in the contribution of MFI loans to non-financial corporations and by a fairly high contribution of quoted shares issued by non-financial corporations. The contribution of debt securities issued by non-financial corporations, by contrast, remained modest.

The annual growth rate of MFI loans to non-financial corporations increased to 10.4% at the end of the first quarter of 2006, from 8.2% in the fourth quarter (see Table 5), and continued to increase in April, reaching 10.9%. The use of bank loans for financing was driven by the low real cost of bank lending, favourable bank credit standards and improved confidence in the economy. As regards the breakdown by maturity, the annual growth rate of long-term MFI loans rose further, to 10.5% at the end of the first quarter, from 9.3% in the previous quarter. Meanwhile, the annual growth rate of short-term loans increased strongly to 7.8% at the end of the first quarter, from 5.6% in the fourth quarter, in line with the increased working capital needs of non-financial corporations. The rise in the annual growth rate of long-term MFI loans has been supported by the recovery of fixed capital formation in the euro area, though in recent months the acceleration

3 In addition to non-financial corporations, the measure of corporate earnings based on the Dow Jones EURO STOXX index includes financial corporations.

Table 5 Financing of non-financial corporations

	Outstanding amount at the end of the last quarter available (EUR billions)	Annual growth rates (percentage changes; end of quarter)				
		2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Q1
<b>MFI loans</b>	3,525	5.9	6.5	7.3	8.2	10.4
up to 1 year	1,066	3.9	5.7	5.6	5.6	7.8
over 1 and up to 5 years	629	6.6	6.1	6.5	9.8	14.7
over 5 years	1,830	6.9	7.2	8.6	9.3	10.5
<b>Debt securities issued</b>	625	4.3	3.0	2.8	3.6	3.3
short-term	98	3.0	-2.9	-1.3	-0.5	-6.9
long-term, of which: <sup>1)</sup>	527	4.6	4.3	3.6	4.3	5.4
fixed rate	410	0.6	0.7	0.3	0.3	0.7
variable rate	97	27.3	26.2	18.2	22.9	24.3
<b>Quoted shares issued</b>	4,089	0.6	0.6	0.5	1.0	0.7
<b>Memo items<sup>2)</sup></b>						
Total financing	8,715	3.1	3.1	4.3	5.4	6
Loans to non-financial corporations	4,055	4.5	4.9	5.5	7.6	9 1/4
Pension fund reserves of non-financial corporations	313	4.5	4.5	4.5	4.2	4 1/8

Source: ECB.

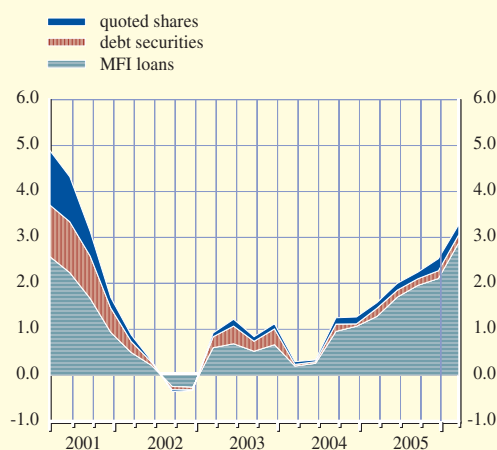
Note: Data shown in this table (with the exception of the memo items) are reported in money and banking statistics and securities issues statistics. Small differences with data reported in financial accounts statistics may arise mainly as a result of differences in valuation methods.

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

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

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

(annual percentage changes)

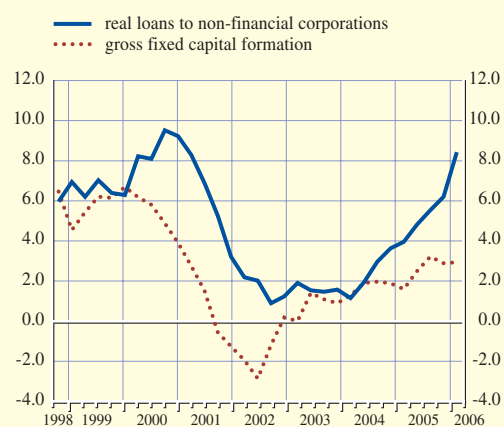


Source: ECB.

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

**Chart 28 Real loans to non-financial corporations and investment**

(annual percentage changes)



Sources: ECB and Eurostat.

Notes: Loans have been deflated with the GDP deflator. Latest observation: 2006 Q1.

of credit has clearly outpaced the growth of investment (see Chart 28). An additional factor relates to the upward trend in mergers and acquisitions (M&A) activity, which has recently involved, to a large extent, the payment of cash or debt to the shareholders of the acquired companies. In parallel with MFI loans, the annual growth rate of non-MFI loans granted to non-financial corporations continued to increase strongly according to evidence available up to the end of the fourth quarter of 2005.

The annual growth rate of debt securities issued by non-financial corporations remained modest at 3.3% at the end of the first quarter of 2006, having stood at 3.6% in the fourth quarter. Possible factors behind this moderate growth in a period of favourable real costs of market-based debt financing include the abundant availability of internal funds, the strong growth of bank loans to non-financial corporations and a relatively high level of debt security redemptions. Direct issuance of debt securities by non-financial corporations may to some extent also have been replaced by indirect financing through non-monetary financial corporations such as special-purpose vehicles, the debt securities issuance of which showed an annual growth rate of 27.1% at the end of the first quarter of 2006, after 23.8% at the end of 2005. While the annual rates of change in short-term debt securities and long-term fixed-rate debt securities issued by non-financial corporations declined further, being continuously negative for almost a year, the annual growth rate of long-term debt securities financed at variable rates remained high in the first quarter of 2006.

The annual growth rate of quoted shares issued by non-financial corporations decreased slightly to 0.7% at the end of the first quarter of 2006, from 1% in the fourth quarter of 2005. This notwithstanding, the small recovery in equity issuance by non-financial corporations, in an environment of increased confidence and M&A activity, seems to be supported by the increase in gross issuance via both initial and secondary public offerings.

## FINANCIAL POSITION

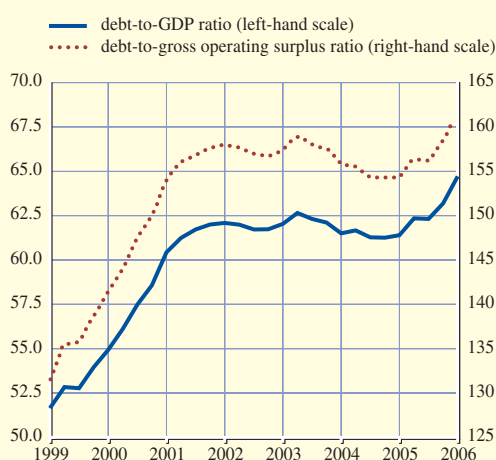
After a decline during 2003 and 2004, an ongoing rise in the annual growth of debt financing of non-financial corporations since early 2005 resulted in an overall rise in the sector's debt-to-GDP ratio in the first quarter of 2006, to 64.7%, a figure higher than in the previous peak during mid-2003 (see Chart 29). However, that peak in 2003 was reached after a strong increase in debt in the second half of the 1990s, whereas the current rise in debt growth rates has been considerably milder than observed during that period.

Both the low cost of debt financing and the improvement in economic growth prospects have apparently prompted firms to assume more debt and to invest. Moreover, it seems that non-financial corporations have tended to increase their cash holdings (see Box 3). In this respect, the recent strong growth in deposits of non-financial corporations may reflect their intention to keep liquid funds in order to have some flexibility to make future financial acquisitions. At the same time, the ratio of debt to total assets of listed non-financial corporations has declined somewhat, while the debt-to-GDP ratios for the whole corporate sector has increased. This was due largely to the strong rise in assets of listed companies, partly related to the increase in M&A activity (see Box 5, Chart C).

Debt developments more than interest rate developments seem to have determined the recent increase in the interest burden of non-financial corporations in the first quarter of 2006 (see Chart 30). Measured against profitability, according to figures from financial statements up to 2005, the interest payment burden of listed non-financial corporations remained at low levels by historical standards, on account of both the strong rise in their operating income and declining average interest rate costs (see Box 5, Charts D and E).

**Chart 29 Debt ratios of the non-financial corporate sector**

(percentages)

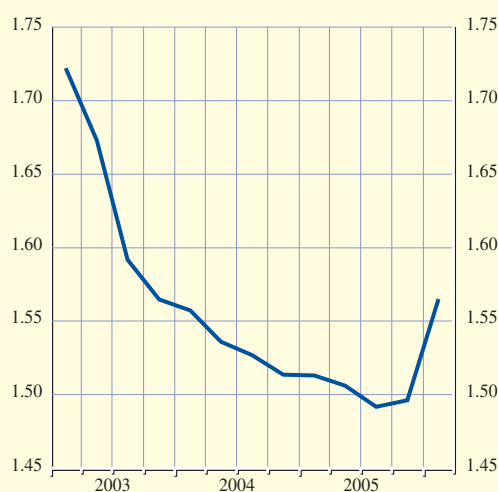


Sources: ECB and Eurostat.

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

**Chart 30 Net interest payments of non-financial corporations**

(as a percentage of GDP)



Sources: ECB and Eurostat.

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

Overall, despite the recent peak in debt ratios and net interest payments, the financial situation of non-financial corporations appears to be generally favourable at the current time, mainly on account of the robust level of corporate profits and the low cost of financing.

## 2.7 FINANCING AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

*The strength of household borrowing appears to have become more broadly based across different loan categories, despite continuing to be driven mainly by robust demand for loans for house purchase. Loan demand continued to be underpinned by favourable financing conditions and buoyant housing activity in many regions of the euro area. As a result, the indebtedness of euro area households, measured as a proportion of GDP, increased further, but remained at levels relatively moderate by international standards.*

### FINANCING CONDITIONS

In the first quarter of 2006 information from MFI interest rate statistics and the April 2006 bank lending survey<sup>4</sup> points to continued favourable conditions for the euro area household sector, even though the cost of borrowing increased somewhat.

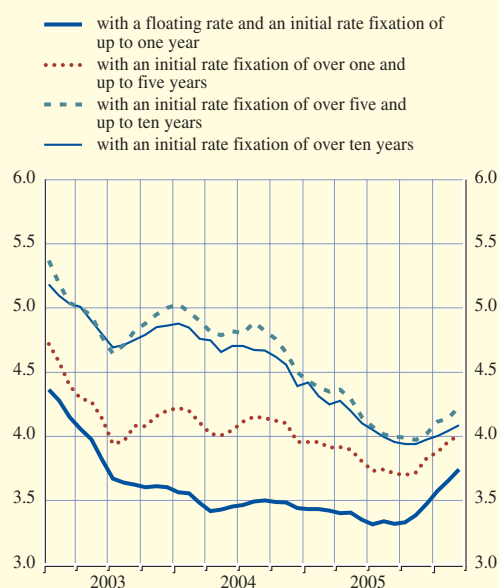
MFI lending rates on loans for house purchase increased further across all maturities during the first quarter of 2006 (see Chart 31). On a quarterly average basis, they were between 10 and 25 basis points higher than in the previous quarter. The implied spread between rates on loans with a shorter maturity and those on loans with a longer maturity was compressed to the lowest level observed since the beginning of the series in early 2003. MFI lending rates for consumer credit at different maturities were on average between 10 and 25 basis points higher in the first quarter of 2006 than in the last quarter of 2005. However, in March 2006 rates on consumer credit decreased strongly across all maturities.

In the April 2006 bank lending survey, banks on balance reported an easing of credit standards for the approval of both loans to households for house purchase and for consumer credit and other loans, after the slight net tightening recorded in the January 2006 survey. In the case of credit standards for housing loans, housing market prospects are seen by banks as a factor contributing to a slight net easing for the first

4 See Box 2 entitled “The results of the April 2006 bank lending survey for the euro area” in the May 2006 issue of the Monthly Bulletin.

**Chart 31 MFI interest rates on loans to households for house purchase**

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

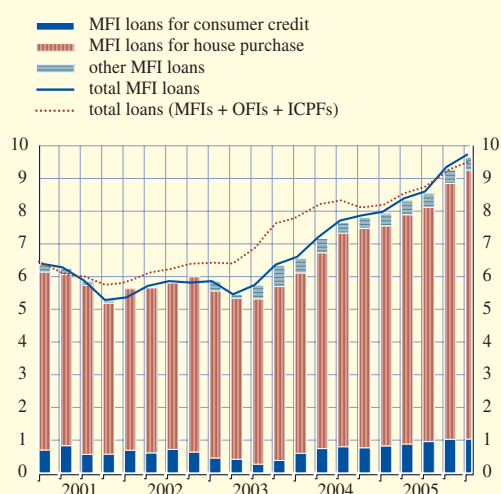


Source: ECB.

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

Chart 32 Total loans granted to households

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

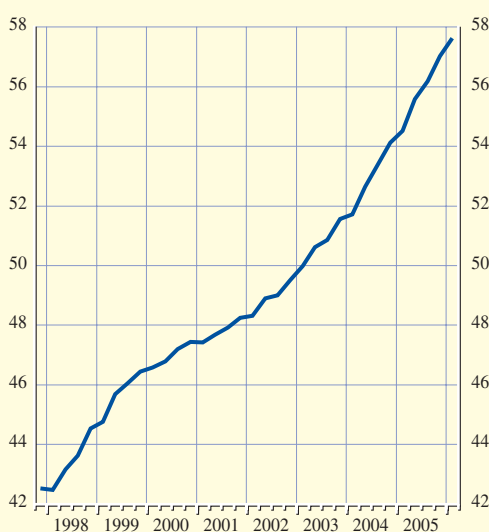


Source: ECB.

Note: Total loans (MFIs + OFIs + ICPFs) for the first quarter of 2006 have been estimated on the basis of transactions reported in money and banking statistics. For information on differences in the calculation of growth rates, see the relevant technical notes.

Chart 33 Ratio of household debt to GDP

(in percentages)



Source: ECB.

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

time since the launch of the survey. In the case of credit standards for consumer credit, the net easing mainly reflected banks' more favourable expectations regarding general economic activity, as well as stronger competitive pressure from other banks. In the case of both housing and consumer credit loans, the changes in credit standards were mainly implemented by changing pricing conditions; in particular, margins on average loans were eased, while margins on riskier loans were tightened further.

## FINANCING FLOWS

The annual growth rate of total loans granted to the household sector by all financial institutions – as measured by quarterly financial accounts data – increased to 9.2% in the fourth quarter of 2005 (the most recent period for which data are available), from 8.7% in the third quarter. The further strengthening of growth in household financing was mainly driven by a higher contribution from loans granted by euro area MFIs, while the contribution from loans granted by non-monetary financial institutions, comprising other financial intermediaries (OFIs) and insurance corporations and pension funds (ICPFs), has fallen considerably in recent quarters (see Chart 32).

Looking at the MFI data available up to April 2006, the strength of household borrowing appears to have become more broadly based across different loan categories, despite continuing to be driven mainly by robust demand for loans for house purchase. The annual growth rate of housing loans was 12.1% in April, after averages of 11.7% and 11.0% in the first quarter of 2006 and the fourth quarter of 2005 respectively, close to the peak rates of somewhat more than 12% observed at the turn of the century. The ongoing strength of demand for housing loans reflects the low levels of interest rates and buoyant housing market activity in many regions of the euro area. However,

in the April 2006 bank lending survey, banks report a slight decline in the net demand for mortgages, related to a stronger recourse to savings on the part of households.

The annual growth rate of consumer credit was 7.8% in April, following averages of 8.1% and 7.8% in the first quarter of 2006 and the fourth quarter of 2005 respectively. According to the results of the April 2006 bank lending survey, the reported positive demand for consumer credit is supported by a significant increase in the contribution of spending on durable consumer goods, but partially offset by a less positive contribution by consumer confidence and an increase in the use of alternative finance. The annual growth rate of other lending to households was 2.3% in April, following averages of 2.1% and 2.3% in the first quarter of 2006 and the fourth quarter of 2005 respectively.

#### FINANCIAL POSITION

The continued strong dynamics in household borrowing triggered a further rise in the ratio of household debt to GDP, to around 57.5% in the first quarter of 2006 (see Chart 33). Despite the continued rise, the level of indebtedness has remained relatively moderate by international standards. The household sector debt servicing ratio (i.e. interest payments plus principal repayments as a percentage of disposable income) has remained broadly stable over the past five years. This is mostly explained by the decline in nominal bank lending rates to historically low levels, which contained interest payments and thereby offset the rise in principal repayments. Box 6 shows that despite the sustained increase in indebtedness, banks' write-offs of household debt have remained relatively subdued.

#### Box 6

##### NATURE OF AND DEVELOPMENTS IN WRITE-OFFS/WRITE-DOWNS OF HOUSEHOLD LOANS IN THE EURO AREA

As part of a broad assessment of monetary and credit conditions, it is interesting to consider banks' write-offs and write-downs of loans (hereafter referred to jointly as write-offs).<sup>1</sup> First, they provide information on how the gross and net lending flows recorded in the consolidated MFI balance sheet which underlies the monetary data are reconciled. Second, they may provide an indication of debtors' financial conditions. The ECB regularly publishes write-offs in Table 2.7 of the "Euro area statistics" section of its Monthly Bulletin. This box reviews the nature of these data for the household sector and describes their developments in recent years.

Write-offs are typically a lagging indicator of financial conditions in the household sector. The final write-off of non-performing debt in the MFI balance sheet may occur long after the event that caused the loan to default. For instance, a bank may decide to maintain a potentially "bad" loan with specific provisions on its balance sheet as long as the debtor is in a position to redeem part of the loan, be it capital or purely interest. The bank is therefore likely to record a loan as "non-performing" (loans that are in arrears for some months) before it finally writes it off. It is only when the bank actually removes all or part of this bad debt from its balance sheet that the loan is deemed a write-off. In principle, write-offs can also occur in the context of

<sup>1</sup> A loan is written off when it is considered to be totally unrecoverable, while a loan is written down when it is considered to be partly unrecoverable.



securitisation activities, whereby banks sell off their bad loans to third parties as a mean of financial restructuring. The decision to write off a debt depends on both regulations and corporate policies. Thus, there can be differences between banks and between countries in terms of the speed with which loans are written off. Cross-country comparisons should therefore be treated with caution.

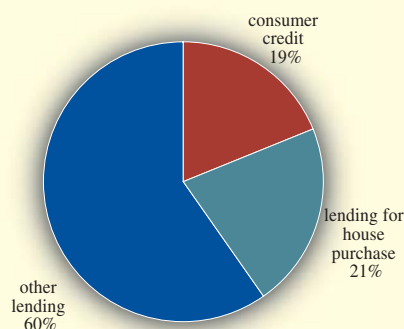
The breakdown of write-offs by the different categories of household borrowing, namely lending for house purchase, consumer credit and other lending, is quite different to the breakdown of outstanding amounts of loans to households by the same categories. In March 2006 lending for house purchase accounted for 70% of the outstanding amount of total loans to households, followed by other lending (17%) and consumer credit (13%). By contrast, as shown in Chart A, write-offs of other lending account for the largest share of write-offs of MFI loans to households, at around 60%, followed by write-offs of lending for house purchase (21%) and write-offs of consumer credit (19%).

In the period since 2001 (for which these data are available), write-offs have been relatively small in relation to the loan stock. Chart B shows the annual sum of write-offs as a percentage of the outstanding amount of loans, displaying clear differences in the level and the pattern of write-off rates across household loan categories.<sup>2</sup> The write-off rate for total loans increased somewhat between 2002 and mid-2003 but has since remained fairly stable at around 0.4%. This reflects to a large extent the pattern of write-off rates for lending for house purchase, which have remained fairly stable since 2004 and are the lowest among the different loan categories. This can be explained by the fact that loans for house purchase tend to be collateralised and banks may thus tend to keep non-performing loans on their balance sheets, especially in

<sup>2</sup> The cumulative annual sums conceal the clear seasonal pattern in write-offs, with peaks at the end of each calendar year. This may be related to accounting practices whereby banks use their discretion to record write-offs in the context of compiling their annual accounts, often around the turn of the year, for subsequent approval by shareholders.

**Chart A Breakdown of write-offs by loan category**

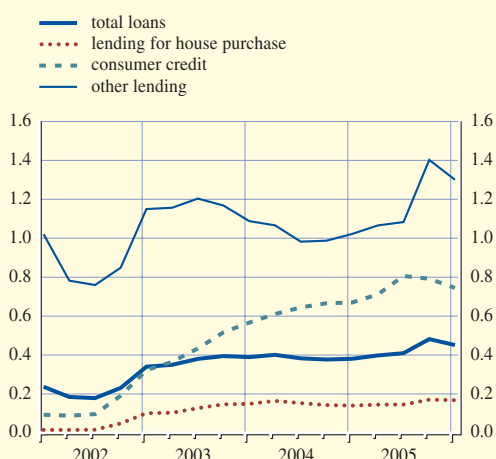
(cumulative data for January 2001-March 2006)



Source: ECB and ECB calculations.

**Chart B Annual write-off rates**

(cumulative annual rates as a percentage of the respective amounts outstanding at the beginning of the period; quarterly data)



Source: ECB and ECB calculations.

an environment of strong house price dynamics. The write-off rate for consumer credit has shown a steady increase since 2002, possibly reflecting the strong growth in consumer credit in the period 1999-2000 and subdued income growth in recent years. The write-off rates for other lending are far higher than the rates for the other categories, and display a more volatile pattern.

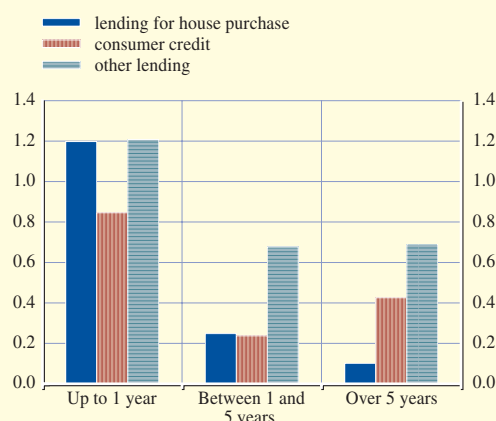
By international standards, the write-off rates for lending to households reported in this box are somewhat lower than those reported for the United Kingdom and the United States, although it has to be borne in mind that the numbers may not be fully comparable due to conceptual differences. For instance, since 2001 annual write-off rates for lending to individuals in the United Kingdom (excludes data for unincorporated businesses) have, on average, been around 0.6%, compared with around 0.3% in the case of the euro area.<sup>3</sup> Data for the United States show an average rate of somewhat less than 0.2% (“charge-off rate”, reported as annualised percentages of outstanding amounts) on mortgage loans in the period since 2001, while in the case of the euro area the average write-off rate for loans for house purchase in the same period is 0.1%. At the same time, the US rate for consumer credit stands at around 2.8% for the period since 2001, compared with a write-off rate of slightly less than 0.5% in the case of the euro area.<sup>4</sup> This might be a reflection of the more pervasive use of credit card debt in the United States.

As seen in Chart C, the highest write-off rates are recorded for short-term loans with a maturity of up to one year. This may reflect both economic and statistical factors. On the one hand, banks may have a tendency to limit the maturities of riskier loans. On the other hand, write-off data are as yet only available for five years, which may not fully reflect the amount of loans issued in the lending boom of 1999-2000 with an original maturity of more than five years that have become bad loans.

To conclude, while write-off rates have remained low in recent years, it should be borne in mind that interest rate levels have also been very low, thus facilitating debt servicing. Moreover, in a number of euro area countries house price developments have been very dynamic and may have led to fewer write-offs. This implies that write-off rates might be sensitive to rising interest rates or declining house prices. Close monitoring of these data as a useful indicator of the vulnerability of households and their creditors is warranted.

**Chart C Write-off rates by original loan maturity**

(as a percentage of the outstanding amount of loans; average ratio between December 2001 and March 2006)



Source: ECB and ECB calculations.

<sup>3</sup> Excluding write-offs for “other lending”, as a rough proxy for unincorporated businesses, the euro area write-off rate would have been around 0.2% for the same period.

<sup>4</sup> See the Federal Reserve System’s website (<http://www.federalreserve.gov/releases/chargeoff/chgallnsa.htm>).

## 3 PRICES AND COSTS

*Euro area inflation rose to 2.5% in May 2006. Since autumn 2005, inflation has been fluctuating between 2.2% and 2.5%, largely driven by sustained energy price pressures. There have also been some signs of pass-through of energy price increases to prices of non-energy industrial goods, but labour cost pressures have remained contained. While the moderate evolution of labour costs in the euro area is expected to continue, indirect effects of past oil price increases, as well as announced increases in indirect taxes, are expected to keep inflation above 2% for some time to come.*

### 3.1 CONSUMER PRICES

#### FLASH ESTIMATE FOR MAY 2006

According to Eurostat's flash estimate, HICP inflation increased to 2.5% in May, from 2.4% in April (see Table 6). A detailed breakdown of the HICP components in May will only become available in mid-June. The partial information on hand suggests that the increase observed in inflation in May could be due mainly to higher energy prices, but the sectoral breakdown currently remains subject to considerable uncertainty.

#### HICP INFLATION UP TO APRIL 2006

Looking back over a longer period of time, after fluctuating around 2.0% in the first half of 2005, headline HICP inflation picked up significantly in autumn 2005, and has fluctuated between 2.2% and 2.5% since then. In April 2006 HICP inflation stood at 2.4%. These trends conceal diverse patterns of development in the main components of the HICP, especially in services and energy prices (see Table 6).

Energy prices have been one of the main factors shaping the evolution of the HICP. The contribution of energy prices to HICP inflation has been gradually on the rise throughout 2005, and has stabilised at high levels since early 2006 (see Chart 34). Oil prices were the main factor determining this pattern, but since early 2005 the contribution of gas prices, although relatively limited, has also been increasing steadily. In contrast to energy prices, the annual rate of change in prices of unprocessed food has been subdued in recent months.

**Table 6 Price developments**

(annual percentage changes, unless otherwise indicated)

	2004	2005	2005 Dec.	2006 Jan.	2006 Feb.	2006 Mar.	2006 Apr.	2006 May
<b>HICP and its components</b>								
Overall index <sup>1)</sup>	2.1	2.2	2.2	2.4	2.3	2.2	2.4	2.5
Energy	4.5	10.1	11.2	13.6	12.5	10.5	11.0	.
Unprocessed food	0.6	0.8	1.5	2.0	1.7	0.6	1.2	.
Processed food	3.4	2.0	1.8	1.9	1.9	2.3	2.2	.
Non-energy industrial goods	0.8	0.3	0.4	0.2	0.3	0.5	0.6	.
Services	2.6	2.3	2.1	2.0	2.0	1.9	2.2	.
<b>Other price indicators</b>								
Industrial producer prices	2.3	4.1	4.7	5.3	5.4	5.1	5.4	.
Oil prices (EUR per barrel)	30.5	44.6	48.5	52.5	51.8	52.6	57.6	55.7
Non-energy commodity prices	10.8	9.4	29.8	25.5	25.5	20.0	25.4	31.5

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

1) HICP inflation in May 2006 refers to Eurostat's flash estimate.

The annual rate of change in the HICP excluding unprocessed food and energy declined in the first half of 2005, and has fluctuated around 1.5% since then. However, there were some signs of upward pressure in the first four months of 2006. The more subdued rate of increase in the HICP excluding unprocessed food and energy, as compared with that in overall HICP inflation, reflects the fact that domestic cost pressures have remained relatively contained. At the same time, the rise in the annual growth rate of the HICP excluding unprocessed food and energy since the beginning of this year may reflect the gradual impact of indirect effects of higher energy costs on prices for non-energy goods.

Since 2005, the contribution of services prices to overall inflation has gradually been decreasing. This has helped to keep headline inflation contained as services prices are the biggest component of the HICP. The increase in the annual growth rate of services prices observed in April 2006 is largely explained by the change in the timing of the Easter holidays in 2005 and 2006 and may thus not necessarily represent a discontinuation of the underlying trend observed since early 2005.

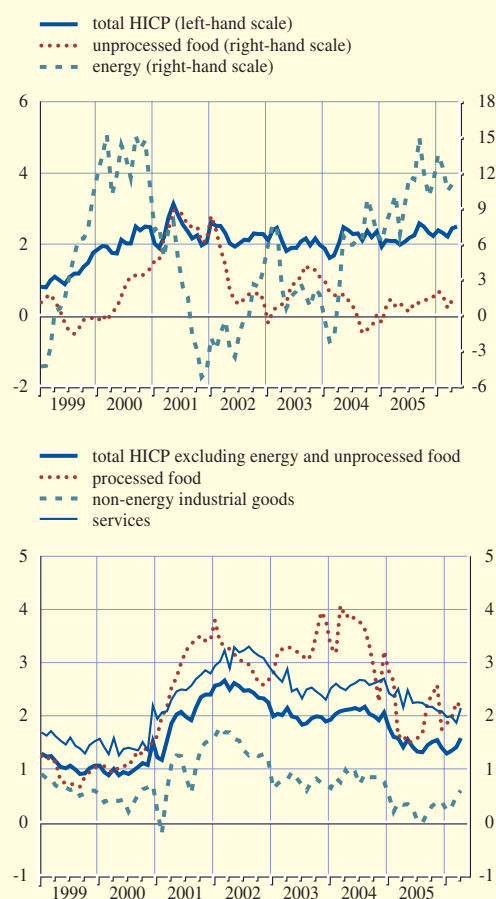
As regards the other less volatile components of the HICP, the contribution of prices of processed food to overall inflation has remained broadly stable since 2005, but that of non-energy industrial goods prices has gradually been rising since the middle of last year. This upward movement may be increasingly attributable to indirect effects of high energy costs on consumer prices. At the same time, however, such effects have thus far been kept contained by, among other factors, strong international competition.

### 3.2 INDUSTRIAL PRODUCER PRICES

Recent figures for industrial producer prices suggest that higher input costs are being passed through to prices further down along the production chain. In April 2006 the annual rate of change in industrial producer prices (excluding construction) picked up again to 5.4%, after having eased temporarily in the month before. Taking a longer perspective, industrial producer prices (excluding construction) continued to rise in early 2006, following the upward trend observed since mid-2005. In recent months, increases in the annual rate of change in industrial producer prices have been driven mainly by surging intermediate goods prices and sustained increases in energy prices (see Chart 35). Energy price changes still provide the main contribution to overall industrial

**Chart 34 Breakdown of HICP inflation: main components**

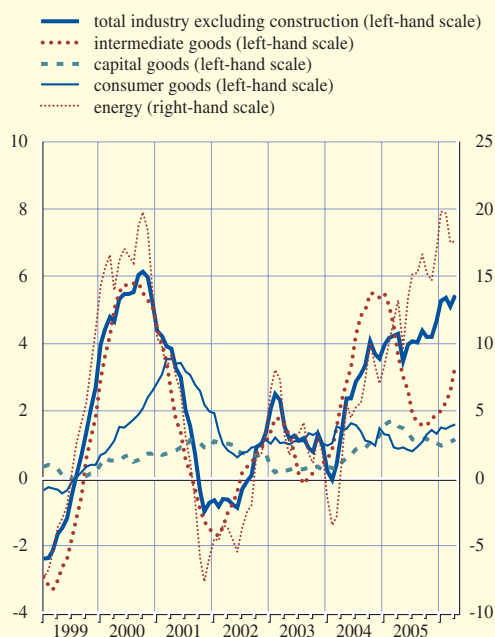
annual percentage changes; monthly data



Source: Eurostat.

**Chart 35 Breakdown of industrial producer prices**

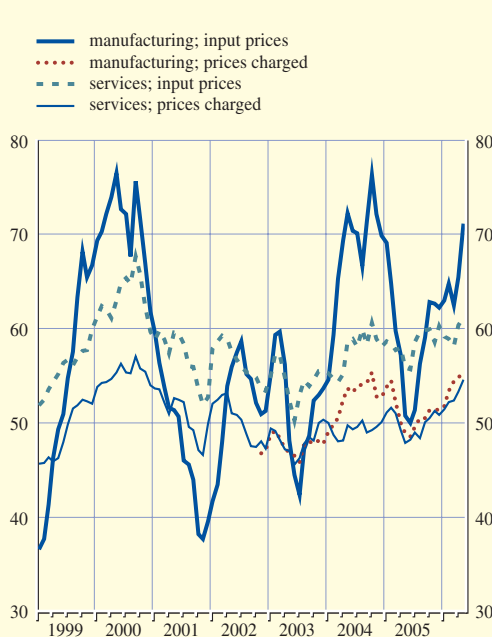
(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

**Chart 36 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.

producer prices. However, some signs of a stabilisation could be observed in recent months, albeit at high levels. These developments were largely shaped by oil price changes. Intermediate goods prices, by contrast, have risen at a significant pace in the first four months of 2006, mainly reflecting sharp increases in non-energy commodity prices, which were spread across both precious and non-precious metal products. In addition, the steady rise in this component is also likely to reflect an indirect impact of persistently high energy costs.

In contrast to the development of prices for energy and intermediate goods, the annual rates of change in producer prices for consumer and capital goods have remained relatively more subdued. However, the annual growth rate of consumer goods prices has gradually been picking up since mid-2005, a pattern that continued in the course of April 2006. This is also likely to reflect the gradual impact of higher energy and raw material input costs. Overall, the latest developments tend to support the assessment of an upward pressure on non-energy prices that is linked to the indirect effects of energy price increases.

Price-related survey indicators suggest that inflationary pressures continued to build up at the firm level in May 2006, both in the manufacturing and in the services sectors. According to NTC Economics, the input price index in the manufacturing sector increased to stand at 71.1 in May its highest level since November 2004 and clearly above the levels reached in 2005 and early 2006 (see Chart 36). The latest rise was driven primarily by higher prices for energy and raw materials, but supply shortages also played a role. At the same time, the indicator of prices charged in the manufacturing sector has risen to its highest level since the start of the series in September 2002. This may reflect an increase in pricing power, which allows firms to pass on higher input costs.

In the services sector, the input price index also increased in May, although to a lesser extent than in manufacturing. At a level of 61.2, it now points to the fastest increase in input prices for services in the last five-and-a-half years and confirms the view of a broad-based strengthening of input cost pressures, which is largely explained by developments in energy prices. In the case of services, this is probably to some extent counterbalanced by the still moderate developments in labour costs (which are included in the input price index for services, but excluded from that for manufacturing firms). Nevertheless, some services firms are reporting that rising staff costs are pushing up their input costs, in addition to high energy-related costs. The indicator of firms' prices charged also continued its upward path, to reach its highest level since the end of 2000, at 54.6, as firms' pricing power also increased in services, along with their desire to pass on higher input costs to their customers.

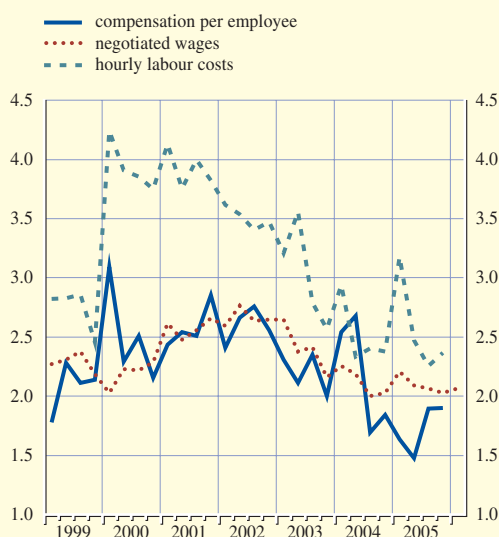
### 3.3 LABOUR COST INDICATORS

Following the subdued trends in 2005, available indicators suggest that wage dynamics in the euro area remained moderate in early 2006.

Although the average annual growth of compensation per employee in the second half of 2005 was higher than in the first half, recent developments point to a broad stabilisation of wage growth dynamics at moderate levels (see Table 7). This picture is also in line with indications from other labour cost indicators. In particular, the annual rates of increase in both hourly labour costs in the non-agricultural business sector and negotiated wages have stabilised in the more recent quarters (see Chart 37). Moreover, data on negotiated wages in the first quarter of 2006 suggest that wage developments may have continued to be moderate. Although data on negotiated wages can only be regarded as a rough indicator of actual wage developments, in particular on account of the potential for wage drift, the likelihood that the latter exerted a significant upward impact on wage

**Chart 37 Selected labour cost indicators**

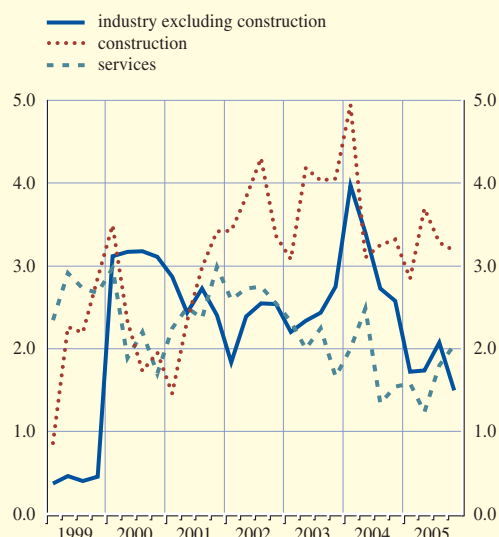
(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.

**Chart 38 Sectoral compensation per employee**

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

**Table 7 Labour cost indicators**

(annual percentage changes, unless otherwise indicated)

	2004	2005	2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Q1
Negotiated wages	2.1	2.1	2.2	2.1	2.1	2.0	2.1
Total hourly labour costs	2.5	2.6	3.2	2.5	2.3	2.4	.
Compensation per employee	2.2	1.7	1.6	1.5	1.9	1.9	.
<i>Memo items:</i>							
Labour productivity	1.2	0.6	0.3	0.4	0.9	1.0	.
Unit labour costs	1.0	1.1	1.3	1.1	1.0	0.9	.

Sources: Eurostat, national data and ECB calculations.

growth in the first few months of 2006 seems to be low. Overall, available data suggest that there have been no second-round effects of significance emanating from the previous rise in energy prices on euro area wages in the period up to the first quarter.

Developments in compensation per employee differ across sectors and, looking beyond the short-term volatility that is typically displayed by sectoral data on compensation per employee, the most recent data seem to be consistent with a continuation of the trends observed since at least early 2004. More precisely, while growth in compensation per employee in industry (excluding construction) seems to have been on a decreasing trend since early 2004, signs of a stabilisation are visible in corresponding data for both the construction and the services sectors (see Chart 38). These indications may be associated with the different degrees of exposure of the various sectors to international competition. In particular, the greater openness of the industrial sector and, especially, increasing international competition from low-cost countries imply that downward pressures on wages in this sector are more significant than in the construction and/or services sectors. As a consequence, while growth in compensation per employee in industry (excluding construction) has exceeded that in services in recent years, the latest data point to the former decreasing to levels below the latter.

All in all, although recent revisions to data on compensation per employee imply that the assessment of labour cost developments on the basis of this indicator remains surrounded by significant uncertainty, the pattern observed in these data from a medium-term perspective seem to be consistent with the assessment of relatively contained inflationary pressures emanating from the labour market.

According to the latest estimates, the average growth of unit labour costs in 2005 was slightly higher than in 2004, although its quarterly profile points to a gradual decline in the annual growth rate in the course of last year. This downturn was largely associated with gradually increasing labour productivity growth, the development of which are explained in more detail in Section 4.

### 3.4 EURO AREA RESIDENTIAL PROPERTY PRICES

As reported in more detail in Box 7, euro area residential property prices rose further in 2005. However, according to data available with quarterly or half-yearly frequency, there were some signs of slower growth as from the second half of last year. At the country level, developments continued to diverge considerably in 2005. In particular, the recent dynamism of house prices largely reflects buoyant residential property markets in Belgium, Spain, France and Italy, while residential property prices declined further in Germany.



## RECENT TRENDS IN RESIDENTIAL PROPERTY PRICES IN THE EURO AREA

Residential property prices at the euro area level are an important indicator in the overall analytical framework used for the conduct of the single monetary policy. House price changes can have a notable impact on both economic activity and price developments, in particular by affecting the borrowing and consumption decisions of households. The sustained dynamic development of euro area house prices has enhanced their importance in recent years, with some indicators pointing to a risk of overvaluation in a number of Member States.<sup>1</sup> Against this background, this box reviews the latest developments in residential property prices in the euro area.

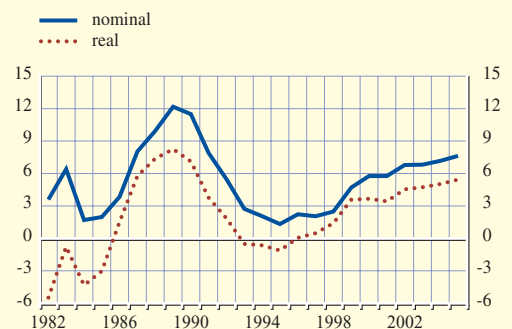
Although, from a methodological point of view, there has been some improvement regarding the quality and timeliness of data on residential property prices, house price indicators in the euro area continue to be marked by considerable uncertainty. For example, house price data may be subject to significant revisions. Part of this uncertainty also relates to the still heterogeneous nature of the national indicators included in the euro area estimate. The main indicators for some countries still refer only to prices of houses, as opposed to those for all dwellings (houses and flats). In other countries, only existing dwellings are covered, instead of new and existing dwellings. Therefore, developments in the national and aggregated indicators should be interpreted with caution.

Data available suggest that the rate of increase in euro area residential property prices may have risen to 7.6% in 2005, after 7.2% in 2004 (see chart). Estimates of semi-annual developments suggest that a slowdown may have taken place in the second half of 2005. While these figures should not be viewed as a precise measure of short-term changes in house prices, and may be subject to substantial revisions, they still provide an indication of the general direction of house price developments in the euro area. Nevertheless, recent data clearly point towards persistently strong dynamism. Also, when considered in real terms, i.e. deflated by the HICP, house price increases are close to the highest observed over the last two decades.

Aggregate euro area residential property price developments mask substantial disparities across individual countries, as shown in the table. On average since 1999, Belgium, Greece, Spain, France, Ireland, Italy, Luxembourg and the Netherlands have experienced residential property price increases substantially above the euro area aggregate. In Germany, Austria and Portugal,

### Residential property prices in the euro area

(annual percentage changes; annual data)



Source: ECB calculations on the basis of non-harmonised national data.

Note: Real residential property prices are obtained by using the HICP (and estimated backdata) as a deflator.

<sup>1</sup> See the article entitled "Assessing house price developments in the euro area" in the February 2006 issue of the Monthly Bulletin.

by contrast, residential property prices have, on average, risen at rates below the euro area aggregate since 1999. In Finland, residential property price changes were broadly in line with euro area-wide developments.

Regarding more recent developments, according to available annual data for 2005, the sharpest increases in residential property prices were observed in Belgium, Spain, France and Italy. In the case of Belgium, residential property prices rose substantially in 2005, while the rate of increase in Spain, although remaining high, decelerated somewhat. It should be noted with regard to the former that the latest data release entailed a change in the definition of the residential property price series. The new indicator for Belgium tends to show stronger developments than the previous indicator, as evidenced by the substantial upward revision of past figures. In 2005 developments close to the euro area average were observed in the Netherlands, Austria and Finland, while Germany posted its fourth consecutive annual decline in residential property prices.

In countries for which annual data for 2005 are not yet available, quarterly residential property price data up to the second quarter of 2005 point towards a significant picking-up in the case of Greece and to further subdued developments in the case of Portugal. For Ireland, data available up to the third quarter suggest a broadly stable high pace of residential property price increases in comparison with 2004. In the case of Finland, the quarterly figures show a recent acceleration.

Overall, the continued strong dynamism in residential property price increases observed in some regions of the euro area warrants ongoing monitoring.

### Residential property prices in the euro area countries

(annual percentage changes; in nominal terms)

	1999-2005	2001	2002	2003	2004	2005	2005		2005				2006
							H1	H2	Q1	Q2	Q3	Q4	Q1
Belgium <sup>1)</sup>	9.1	6.7	7.6	6.2	10.7	17.1	18.3	16.1	17.7	18.8	16.1	16.0	-
Germany <sup>2)</sup>	-0.6	0.2	-1.2	-1.3	-1.5	-1.6	-	-	-	-	-	-	-
Greece <sup>2)</sup>	9.1	14.5	13.0	5.7	2.6	-	8.9	-	7.3	10.4	-	-	-
Spain <sup>2)</sup>	15.2	15.6	16.7	17.6	17.3	13.9	14.8	13.1	15.7	13.9	13.4	12.8	12.0
France <sup>3)</sup>	10.5	7.9	8.3	11.7	15.2	15.2	15.5	14.9	15.7	15.3	15.5	14.2	-
Ireland <sup>2)</sup>	13.5	8.1	10.1	15.2	11.4	-	-	-	11.1	10.5	11.5	-	-
Italy <sup>2)</sup>	7.7	8.0	13.0	9.9	9.1	9.9	11.6	8.4	-	-	-	-	-
Luxembourg <sup>1)</sup>	11.0	13.8	11.9	13.3	-	-	-	-	-	-	-	-	-
Netherlands <sup>3)</sup>	9.4	11.2	8.5	5.0	4.3	4.8	5.0	4.6	5.1	4.9	4.7	4.4	4.4
Austria <sup>2),4)</sup>	0.3	2.1	0.2	0.3	-2.1	5.2	6.9	3.6	9.5	4.3	4.1	3.1	-
Portugal <sup>2)</sup>	3.5	3.6	1.1	1.6	0.4	-	1.9	-	0.5	3.2	-	-	-
Finland <sup>2)</sup>	5.9	-0.5	7.4	6.2	7.1	6.1	4.4	7.9	4.0	4.7	6.7	9.0	11.5
Euro area	6.4	5.8	6.8	6.8	7.2	7.6	8.0	7.2	-	-	-	-	-

Sources: National sources and ECB calculations.

- 1) New and existing houses; whole country.
- 2) All dwellings (new and existing houses and flats); whole country.
- 3) Existing dwellings (houses and flats); whole country.
- 4) Up to 2000 data for Vienna only.

### 3.5 THE OUTLOOK FOR INFLATION

In the short run, the outlook for inflation is very much shaped by energy price developments. Looking beyond the short term, although a continuation of moderate labour cost developments appears likely, reflecting ongoing global competitive pressures, particularly in the manufacturing sector, indirect effects of past oil price increases and announced increases in indirect taxes are expected to have a significant upward effect on inflation. Against this background, the Eurosystem staff macroeconomic projections indicate that HICP inflation will be between 2.1% and 2.5% in 2006 and between 1.6% and 2.8% in 2007 (see the section entitled “Eurosystem Staff Macroeconomic Projections for the euro area”).

These projections are subject to upward risks. In particular, the risks relate to possible further stronger increases in both oil and non-energy commodity prices. In addition, a stronger pass-through than currently anticipated of past oil price rises to consumer prices, additional increases in administered prices and indirect taxes, and – more fundamentally – stronger wage developments than expected are relevant upside risks to the projections.

## 4 OUTPUT, DEMAND AND THE LABOUR MARKET

Euro area real GDP growth strengthened to 0.6% quarter on quarter in the first quarter of 2006, following more moderate growth in the previous quarter. That rebound in the first quarter resulted from a strengthening in the contributions of both domestic demand (excluding inventories) and net exports. Available survey indicators point to ongoing robust growth in both the industrial and services sectors in the course of the second quarter of 2006. Conditions in euro area labour markets also appear to have continued to gradually improve over recent months. Overall, these data confirm that the recovery has gained momentum. Looking ahead, the conditions remain in place for an ongoing economic expansion in the euro area supported by both domestic and external forces. While risks to this outlook are broadly balanced over the short term, over the longer run downside risks relate mainly to potential further oil price increases, global imbalances and protectionism.

### 4.1 OUTPUT AND DEMAND DEVELOPMENTS

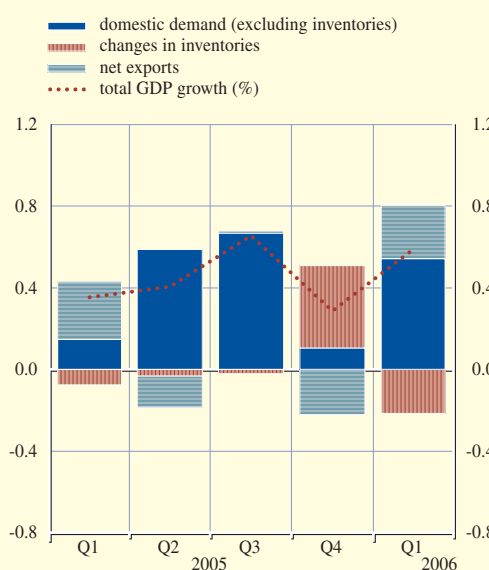
#### REAL GDP AND EXPENDITURE COMPONENTS

The pace of the recovery that started in the third quarter of 2003 has long been relatively subdued compared with other upturns. The recovery lost momentum in the second half of 2004, before gaining strength again in the third quarter of 2005. Eurostat's first estimate of euro area national accounts confirmed that real GDP growth strengthened further in the first quarter of 2006. Euro area real GDP growth is estimated to have expanded at a rate of 0.6% quarter on quarter, following growth of 0.3% in the previous quarter (see Chart 39). These developments support the view that the slowdown in activity in the fourth quarter of 2005 was temporary and that, overall, the recovery has gained momentum over recent quarters.

Growth in the first quarter of 2006 was driven by domestic demand and external forces. The contributions of both domestic demand (excluding inventories) and net exports strengthened significantly compared with the previous quarter, while that of changes in inventories, which was the main driver of growth in the fourth quarter of 2005, turned negative. The contribution of domestic demand (excluding inventories) rose to 0.5 percentage point in the first quarter of 2006, from 0.1 percentage point in the previous quarter. That increase was mainly on account of a significant rebound in private consumption growth. Private consumption grew by 0.7% in the first quarter, following meagre growth of 0.1% in the previous quarter. To some extent, the strong pick-up in private consumption growth is likely to be compensating for the weaker developments in the previous quarter. Growth in real gross fixed capital formation remained subdued. The estimates indicate 0.3% growth for this component in the first quarter, following a downwardly revised 0.2% in the

Chart 39 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

fourth quarter of 2005. The much lower than expected outcome might be partly related to unusually cold and long winter weather holding down residential investment, especially in Germany. The contribution of net exports also rebounded significantly in the first quarter of this year as compared with the fourth quarter of 2005, increasing from -0.2 percentage point to 0.3 percentage point. This reflects a more pronounced rebound in export growth than in import growth. Box 8 analyses the reliability of Eurostat's first estimates of euro area GDP growth and its expenditure components.

## Box 8

### THE RELIABILITY OF ESTIMATES OF EURO AREA GDP GROWTH AND ITS COMPONENTS

This box analyses the reliability of Eurostat's first estimates of euro area GDP growth and its expenditure components. The analysis focuses on seasonally and working-day-adjusted quarter-on-quarter volume growth rates. The period under investigation extends from the first quarter of 2000 to the fourth quarter of 2005.<sup>1</sup> Reliability is measured as the proximity of the latest available (current) results to the initial estimate. Three aspects are distinguished: the stability of the first releases (measured by the average absolute difference between the latest and the first releases), the potential bias (the average size of revisions) and the volatility of the first releases (the range of revisions).

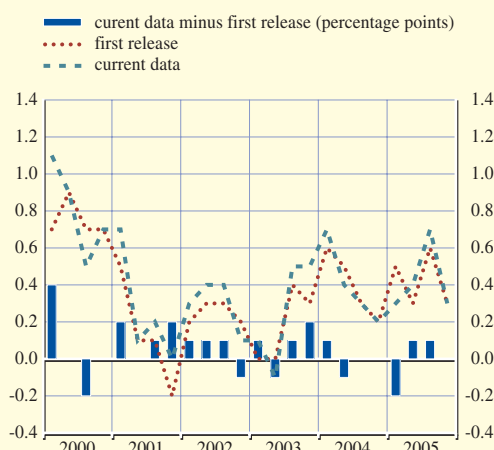
The first "flash" estimates of quarter-on-quarter euro area GDP growth – which were introduced by Eurostat in May 2003 – currently have a country coverage of around 96% of euro area GDP and are released some 41 to 46 days after the end of the reference quarter. Expenditure breakdowns are published around 63 and 103 days after the quarter. Regular revisions are due to the incorporation of improved quarterly or annual source data, while benchmark revisions every five years reflect improved multi-year source data or methodological improvements. The last benchmark revision of GDP data based on the ESA 95 was in 2005. Revisions are also due to regular updates of the factors for the correction of seasonal and working-day variations.

The revision analysis leads to a relatively favourable assessment of the reliability of the first estimates of quarterly euro area GDP growth. From 2000 to 2005, the average absolute revision of the first euro area estimates was 0.11 percentage point. These estimates exhibit a small bias of 0.05 percentage point (i.e. there have been slightly more positive than negative revisions), which

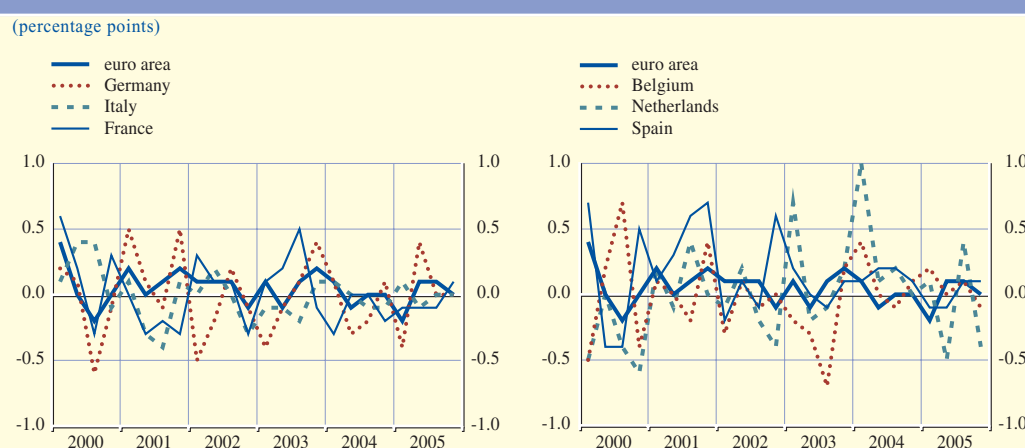
<sup>1</sup> GDP figures based on the current European System of Accounts (ESA 95) have been released since 1999. Revisions to 1999 data are not considered in the analysis as these were influenced by one-off effects due to the staggered introduction of the ESA 95 in the Member States. For more information on 1999/2000 revisions, see Box 4 – "Revisions to quarterly national accounts for the euro area" – in the August 2001 issue of the Monthly Bulletin.

Chart A Euro area GDP

(quarter-on-quarter percentage changes, unless otherwise indicated)



Source: ECB calculations based on Eurostat data.

Chart B GDP growth revisions in the euro area and selected countries<sup>1)</sup>

Source: ECB calculations based on Eurostat data.  
1) Current data minus first release; quarterly volume growth.

should be seen in comparison with an average GDP growth rate of 0.4% in this period. The range of total revisions is relatively wide (between -0.2 percentage point and +0.4 percentage point). However, a revision exceeding 0.2 percentage point has occurred only once (in the first quarter 2000). Moreover, the data for 18 of 24 quarters have either not been revised or have been revised by not more than 0.1 percentage point. This may partly be due to the high country coverage of the more recent first estimates compared with the coverage of such first estimates around the turn of the century. At that time, the coverage of the first release some 75 days after the reference quarter was around 77% of euro area GDP.

The implementation of benchmark revisions and introduction of new methods by national statistical institutes and Eurostat in 2005 have not led to significant changes in the quarterly growth pattern of euro area GDP. On average, the quarterly results for 2005 have not been revised more than those for earlier quarters. Regular and benchmark revisions have been somewhat more pronounced at the level of individual countries, but national revisions tend to cancel one another out at the euro area level. The higher reliability of euro area data, as compared with national data, is illustrated in Chart B, which compares revisions of quarterly GDP growth for the euro area with those for the six largest euro area economies.

The results for the euro area compare favourably with the United States, for which first estimates of GDP growth are somewhat less stable (an average absolute revision of 0.3 percentage point). However, the average quarterly GDP growth is higher in the United States (0.6%) and first estimates there are released around 30 days after the reference quarter.<sup>2</sup>

A revision analysis of the expenditure components provides further insight into the reliability of GDP growth estimates (see the table below). The first estimates of the expenditure components are less stable and more volatile than those of GDP. This is most pronounced for gross fixed capital formation (an average absolute revision of 0.6 percentage point) and for exports and imports (including trade between euro area countries). The highest bias is observed for gross

<sup>2</sup> Source: ECB calculations for the period from the first quarter of 2000 to the second quarter of 2005, based on data from the OECD Quarterly National Accounts (QNA) – Main Economic Indicators (MEI) Revisions Database, September 2005.

## Revision indicators of euro area GDP growth and its expenditure components <sup>1)</sup>

(percentage points)

	Average revision <sup>2)</sup>	Average absolute revision	Range of total revisions	Average quarterly volume growth (%)
GDP	0.05	0.11	-0.2 to 0.4	0.40
Private consumption	0.10	0.23	-0.3 to 0.9	0.37
Government consumption	0.11	0.27	-0.5 to 0.6	0.47
Gross fixed capital formation	0.30	0.57	-0.7 to 1.7	0.35
Changes in inventories <sup>3)</sup>	-0.05	0.19	-0.4 to 0.4	-
Exports	-0.09	0.59	-1.4 to 2.1	1.07
Imports	-0.06	0.59	-1.4 to 1.3	1.08

Source: ECB calculations based on Eurostat data.

1) Quarterly volume growth, observations from the first quarter of 2000 to the fourth quarter of 2005.

2) Positive (negative) revision indicates upward (downward) revision of the first release.

3) Contributions to growth.

fixed capital formation (0.3 percentage point). The large revisions of some of these expenditure components have to be seen against the background of the high quarterly growth rates for those components. Moreover, the higher uncertainty that surrounds the expenditure components is cancelled out at the aggregate GDP level.

In summary, the first estimates of quarterly euro area GDP growth have been quite reliable and have only shown a small positive bias. GDP expenditure components, in particular gross fixed capital formation, as well as exports and imports, have been subject to larger revisions than total GDP. However, the lower reliability with respect to the expenditure components tends to cancel out at the aggregate GDP level, as do the revisions of national data in the euro area aggregates. Furthermore, it can be concluded that the introduction of the GDP flash estimates by Eurostat in 2003 has brought an improvement in timeliness, but not at the expense of any reduced reliability of euro area statistics.

## SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

The subdued growth during the current recovery period that started in mid-2003 has been broadly shared across the sectors of the euro area economy. The first estimate of euro area national accounts for the first quarter of 2006 also provided estimates of the sectoral breakdown of growth. Following weaker growth in the fourth quarter of 2005, value added growth in both industry (excluding construction) and services recovered in the first quarter of 2006. Value added growth in industry (excluding construction) rose to 0.6% quarter on quarter in the first quarter, after 0.4% growth in the previous quarter. Services sector growth increased even more strongly, from 0.3% to 0.7%. At the same time, value added in the construction sector contracted in the first quarter of this year, following strong growth at the end of last year. Overall, these developments confirm the picture of a relatively broad-based recovery across the economy.

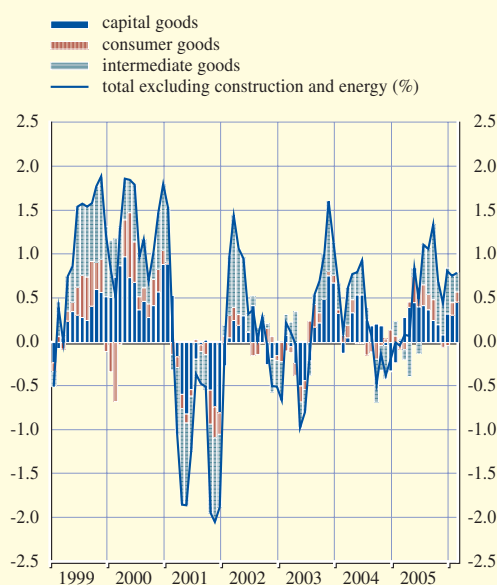
The pick-up in activity in the industrial sector is also reflected in developments in industrial production (excluding construction) in the first quarter of 2006. Production rose in all main industrial groupings, but particularly in the energy and capital goods sectors (see Chart 40).

In the first quarter as a whole, industrial new orders rose only slightly quarter on quarter, compared with a substantial increase in the fourth quarter of 2005 and solid growth in previous quarters. The decline in the growth of new orders in the first quarter of 2006 appears, to a significant extent,



**Chart 40 Industrial production growth and contributions**

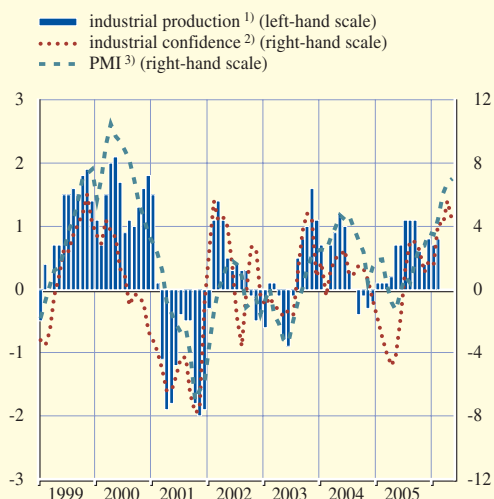
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



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

**Chart 41 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.

to be due to the very volatile component “other transport equipment”. When this is excluded, new orders rose more strongly in the first quarter of 2006 (despite declining in March).

### SURVEY DATA FOR THE INDUSTRIAL AND SERVICES SECTORS

Survey indicators for the industrial and services sectors have risen strongly since mid-2005. They also point to a continued positive outlook for activity in these sectors in the second quarter of 2006. As regards the industrial sector, both the European Commission's confidence indicator and the Purchasing Managers' Index (PMI) for the manufacturing sector rose further in May. The increase in the Commission's indicator of industrial confidence was attributable to improvements in the assessment of stocks of finished products and production expectations. By contrast, the index on order books deteriorated slightly but remained at a very high level. Among the main industrial groupings, increases were recorded for both intermediate and consumer goods industries, whereas confidence in capital goods industries was unchanged. The PMI for the manufacturing sector reached the highest level recorded since 2000, well above the theoretical no-change threshold. The improvement in the PMI in May was apparent in most of the sub-indices. Notably, the indices on output and employment improved further, as did those relating to suppliers' delivery times and stocks purchased. However, in line with the results of the Commission's industrial survey, the index on new orders declined slightly, albeit from a relatively high level.

Survey data also bode well for services sector activity in the second quarter of 2006. The European Commission's indicator of confidence in the services sector edged up further in May to levels last seen around five years ago. The increase in May resulted in particular from further improvements

in the assessment of the business climate and in expected demand, while the index on past demand remained unchanged.

The business activity index of the PMI for the services sector increased further in May, sustaining the upward trend that began in mid-2005. Overall, recent developments in the PMI activity index and the European Commission's confidence indicator for the services sector point to a further strengthening of economic activity in the second quarter of 2006.

#### INDICATORS OF HOUSEHOLD SPENDING

Private consumption in the euro area has remained relatively subdued for the past three years. This has been the outcome mainly of low increases in real disposable income, reflecting in part relatively moderate growth in employment, the rise in energy prices and higher indirect taxes and administered prices. Recent data, however, provide a slightly more positive outlook. Euro area private consumption rose in the first quarter of 2006 by 0.7%, thereby rebounding from the weak growth in the fourth quarter of 2005. With the combined contribution of retail sales and new passenger car registrations

below its average historical level in the first quarter, most of the increase in private consumption growth came from consumption components for which no short-term indicators are readily available. The strong rise in these consumption components, which include items such as housing, restaurants and hotels, and education, might in turn to some extent be compensating for the particularly weak developments observed in these components in the previous quarter.

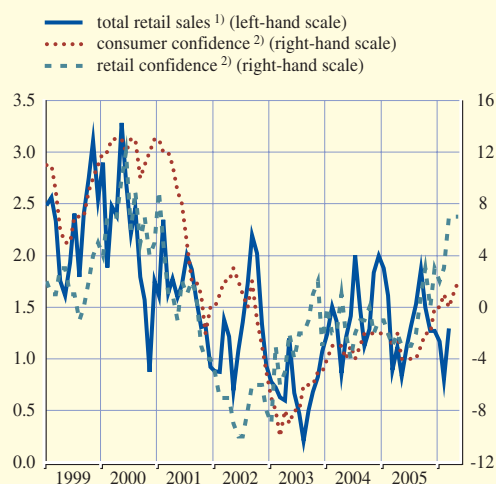
Household spending indicators provide some first tentative positive indications of private consumption growth at the start of the second quarter. Retail sales grew by 1.4% month on month in April, following a decline of 0.7% in March (see Chart 42). New passenger car registrations increased further in April (by 0.4%).

A positive signal as regards the underlying trend of private consumption comes from the European Commission's indicator of consumer confidence, which has risen substantially since mid-2005. This indicator continued its upward movement in May 2006, reaching a level slightly above its long-term average (see Chart 42). The increase in consumer confidence in May resulted mainly from significantly improved unemployment expectations. The index on savings also rose slightly, while that on the financial situation remained unchanged. At the same time, expectations concerning the general economic situation over the next 12 months deteriorated somewhat.

Overall, bearing in mind the strong volatility in month-on-month figures, the latest data on retail sales – taken together with new car registrations and other signals from surveys and labour market indicators – provide a positive indication for consumption at the start of the second quarter of 2006.

**Chart 42 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.

## 4.2 LABOUR MARKET

Available information points to ongoing gradual improvements in euro area labour market conditions. This view is supported by the significant fall observed in the unemployment rate for the euro area over the past one and a half years, the gradual strengthening in employment growth in the course of 2005 and the further improvements in employment expectations since the start of this year.

### UNEMPLOYMENT

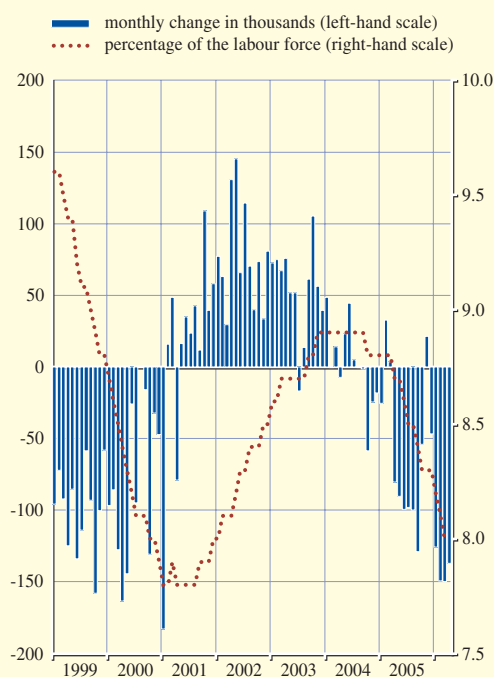
The unemployment rate in the euro area has declined by almost one percentage point over the past two years, from 8.9% in mid-2004 to 8% in April 2006 (see Chart 43). This reduction is partly of a cyclical nature but also reflects the impact of labour market reforms in some euro area countries (see the box entitled “A longer-term perspective on structural unemployment in the euro area” in the August 2005 issue of the Monthly Bulletin). The number of unemployed persons in the euro area fell in April by almost 140,000 to 11.6 million. This decline followed even larger falls in each of the two previous months.

### EMPLOYMENT

Employment growth in the euro area continued to improve during 2005 compared with 2004, although the pace remained moderate when compared with the high employment growth at the end of the 1990s and early years of this century. Employment growth was 0.3% quarter on quarter

Chart 43 Unemployment

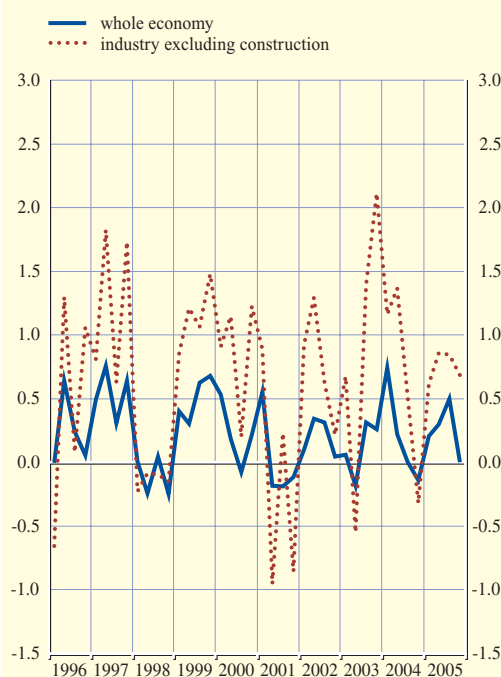
(monthly data; seasonally adjusted)



Source: Eurostat.

Chart 44 Labour productivity

(quarterly percentage changes; seasonally adjusted)



Sources: Eurostat and ECB calculations.

**Table 8 Employment growth**

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

	Annual rates		Quarterly rates				
	2004	2005	2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Q4
Whole economy	0.6	0.8	0.3	0.1	0.1	0.2	0.3
<i>of which:</i>							
Agriculture and fishing	-0.6	-1.3	-1.2	-1.3	0.2	-0.3	-0.1
Industry	-1.1	-0.6	-0.1	-0.2	-0.2	-0.1	0.0
Excluding construction	-1.8	-1.3	-0.1	-0.4	-0.3	-0.1	-0.3
Construction	0.7	1.2	0.1	0.3	0.2	-0.1	0.6
Services	1.3	1.4	0.5	0.4	0.2	0.3	0.4
Trade and transport	0.9	0.8	0.1	0.4	0.1	0.0	0.2
Finance and business	2.1	2.2	0.8	0.4	0.1	0.7	1.0
Public administration	1.4	1.4	0.7	0.3	0.3	0.3	0.3

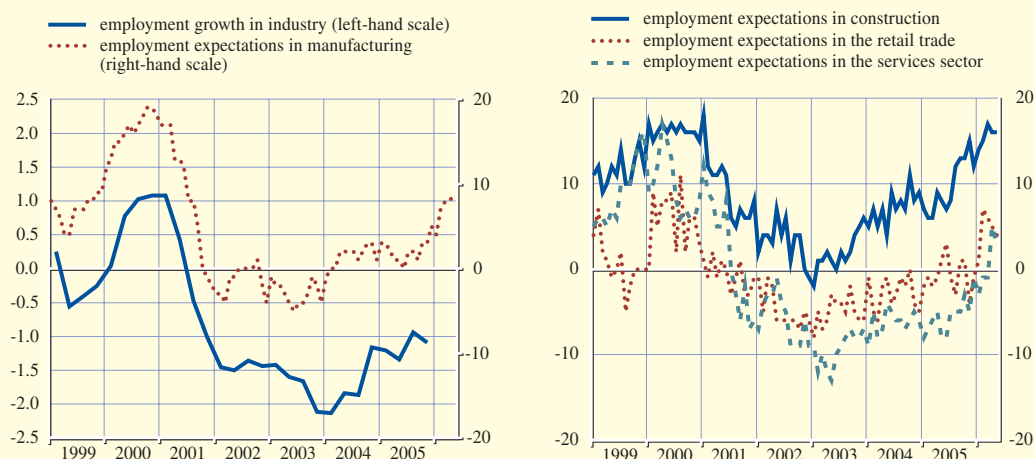
Sources: Eurostat and ECB calculations.

in the fourth quarter, after 0.2% and 0.1% in the third and second quarters respectively (see Table 8). The employment growth figures for the second and third quarters have both been revised downwards by 0.1 percentage point. On a sectoral level, employment growth strengthened in the fourth quarter of 2005 in construction and services, particularly in financial and business services. However, employment continued to contract in industry (excluding construction).

Following a cyclical recovery in labour productivity in early 2004, labour productivity growth (per person employed) in the euro area declined in the latter half of 2004 and even further in the first half of 2005 (see Chart 44). However, annual labour productivity growth strengthened somewhat in the course of 2005, to stand at 1.0% in the fourth quarter. From a longer-term perspective, this growth rate remains well below the average of the early 1990s and well below growth rates recorded in the United States over recent years. As regards recent sectoral developments, annual

**Chart 45 Employment growth and employment expectations**

(annual percentage changes; percentage balances; seasonally adjusted)



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

labour productivity growth increased in industry (excluding construction) and services in the fourth quarter, and declined in construction and agriculture.

Employment expectations have continued to rise significantly in recent months, suggesting further improvements in euro area labour markets. Employment expectations in industry as indicated by the European Commission surveys increased further in May, resulting in an improved outlook for labour market conditions in this sector. This picture is confirmed by the employment index of the PMI, which also continued its upward movement in May, reaching a level in line with employment gains in this sector in the first half of 2006. The European Commission surveys also indicate a further significant increase since the start of this year in employment expectations in the services sector, although these fell slightly in May. The employment index of the PMI for the services sector continued to improve in May to reach its highest value since the first quarter of 2001.

#### 4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

The latest data releases confirm that euro area real GDP growth strengthened in the first quarter of 2006, following moderate growth in the fourth quarter of 2005. Available information also suggests continued strong growth in the second quarter of this year. This view is in line with forecasts by private sector and international organisations, as well as the latest Eurosystem staff macroeconomic projections. According to the latter, euro area real GDP growth is projected to be between 1.8% and 2.4% in 2006 and between 1.3% and 2.3% in 2007 (see the section entitled “Eurosystem staff macroeconomic projections for the euro area”). Exports are expected to benefit from robust growth in the economies of the euro area’s main trading partners. Strong foreign demand, favourable financing conditions, large profits and robust business confidence are expected to support real gross fixed capital formation. Private consumption should continue to strengthen gradually over time in line with real disposable income growth and improvements in the euro area labour markets. While risks to this outlook are broadly balanced over the shorter term, over the longer run downside risks relate mainly to potential further oil price increases, global imbalances and protectionism.

## 5 FISCAL DEVELOPMENTS

*The most recent European Commission forecasts suggest hardly any improvement in the fiscal situation in the euro area in 2006-07, despite the favourable growth outlook. The deficit and public debt ratios are expected to decline marginally while temporary measures are mostly phased out. Modest tax cuts and expenditure restraint are likely to offset one another, leading to a broadly neutral fiscal stance. The outlook for many countries is unsatisfactory, with consolidation shortfalls or even setbacks putting at risk the commitments to correct excessive deficits and attain sound budgetary positions. More progress with consolidation and structural reform is needed to strengthen the sustainability of public finances in the euro area.*

### FISCAL DEVELOPMENTS IN 2006 AND 2007

Large fiscal imbalances are expected to persist in the euro area, despite a favourable growth outlook. According to the spring 2006 forecasts published by the European Commission, the average general government deficit ratio in the euro area, at 2.4% of GDP, will not show an improvement in 2006, and will decline only marginally to 2.3% of GDP in 2007 (see Table 9). Public finances will remain in a fragile situation in a number of countries. In 2006 Germany, Italy and Portugal are expected to record deficit ratios above 3% of GDP, while in 2007, in the absence of additional measures, deficit ratios will be above 3% in Greece, France, Italy and Portugal. At the end of 2007, only four euro area member countries are expected to report sound budgetary positions.

Compared with the targets set in the latest round of updated stability programmes, which were submitted by member countries at the end of 2005 and the beginning of 2006, the European Commission forecasts point to less favourable fiscal developments for the euro area average and for a number of countries. The 2006 and 2007 average deficit ratios in the euro area are, respectively, 0.1 and 0.5 percentage point of GDP higher than the average of targets in the latest stability programmes. In both years the largest deviations are anticipated for some of the countries currently subject to an excessive deficit procedure (Greece, Italy and Portugal). The less positive forecast

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

(as a percentage of GDP)

	2002	2003	2004	2005	2006	2007
<b>European Commission economic forecasts, spring 2006</b>						
a. Total revenue	45.1	45.1	44.7	45.1	45.0	44.8
b. Total expenditure	47.7	48.2	47.5	47.5	47.4	47.1
<i>of which:</i>						
c. Interest expenditure	3.5	3.3	3.1	3.0	2.9	2.9
d. Primary expenditure (b - c)	44.2	44.9	44.4	44.5	44.4	44.2
Budget balance (a - b)	-2.6	-3.0	-2.8	-2.4	-2.4	-2.3
Primary budget balance (a - d)	0.9	0.3	0.3	0.6	0.6	0.6
Cyclically adjusted budget balance	-2.8	-2.8	-2.6	-1.9	-2.0	-1.9
Gross debt	68.1	69.3	69.8	70.8	70.5	70.1
Memo item: real GDP (annual percentage change)	0.9	0.7	2.0	1.3	2.1	1.8
<b>Euro area averages based on 2005-06 updated stability programmes<sup>1)</sup></b>						
Budget balance			-2.5	-2.5	-2.3	-1.8
Primary budget balance			.	0.6	0.7	1.2
Cyclically adjusted budget balance			-2.5	-2.1	-1.9	-1.4
Gross debt			70.1	71.0	70.8	69.6
Memo item: real GDP (annual percentage change)			-	1.4	2.1	2.0

Sources: European Commission, updated stability programmes 2005-06 and ECB calculations.

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

1) Data available as at May 2006.

by comparison with national targets is driven by the slightly less favourable growth envisaged for 2007 and significant shortfalls in expected adjustment. A number of countries have not yet spelled out sufficient and fully credible budget measures with which to attain their consolidation targets and to replace previous one-off measures, particularly with regard to 2007.

Following three years of increase, the government debt ratio for the euro area as a whole will diminish again, although very slowly, to 70.1% of GDP in 2007. Nevertheless, it will continue to rise in four of the countries in excessive deficit (Germany, France, Italy and Portugal). Seven euro area member countries will still record debt ratios above 60% in 2007.

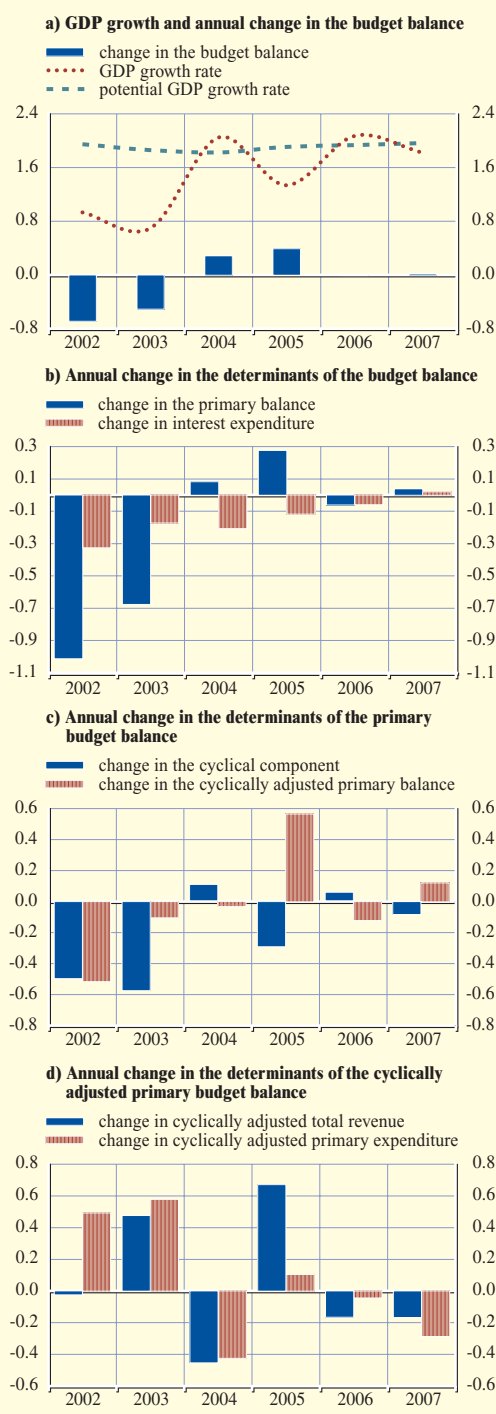
#### FACTORS UNDERLYING BUDGETARY DEVELOPMENTS

The marginal improvement in the budget balance at the euro area level over the forecasting horizon reflects the expectation of virtually no change in the primary balance and small savings on interest expenditure (see Charts 46a and b). On average over 2006-07, GDP growth will hover around potential and the fiscal stance will be broadly neutral, with very small cyclical and structural effects in both years offsetting one another (see Chart 46c). Net of the effects of temporary measures, the picture of structural adjustments looks slightly more favourable. This is because some structural adjustments are expected to compensate for the fading effect of previous temporary measures. In Belgium, Greece, France and Italy temporary measures will still be sizeable in 2006 and are expected to be virtually eliminated in 2007.

There is no strong trend as regards revenue and expenditure policies for the euro area (see Chart 46d). The marginally loosening stance expected in 2006 will result from a slight reduction in cyclically adjusted revenue, with cyclically adjusted primary expenditure remaining broadly constant. In 2007, however, primary expenditure cuts will slightly outweigh further tax cuts.

**Chart 46 Determinants of budgetary developments in the euro area**

(in percentage points of GDP; percentage changes)



Sources: European Commission (spring 2006 economic forecasts) and ECB calculations.



At the euro area level, the average revenue ratio, adjusted for the effects of the cycle, is forecast to decline by almost 0.4 percentage point over the two-year forecasting horizon, on account of, among other things, waning temporary measures, which in the past have boosted capital revenues. The revenue decline is the net effect of further tax reductions, planned mostly by countries in sound budgetary positions, and tax increases planned by some of the countries with excessive deficits or notable fiscal imbalances.

A reduction of the primary expenditure ratio, adjusted for the effects of the cycle, of approximately 0.3 percentage point of GDP is forecast for 2007. This modest decline in the expenditure ratio mainly concerns social security expenditure, with various pension reforms entering into force and growth of public consumption (mainly compensation of employees) remaining contained.

#### **ASSESSMENT**

The main challenge in the euro area is to attain quick progress with fiscal consolidation and debt reduction. In this regard, euro area countries have specified target dates for the correction of excessive deficits and defined a broadly appropriate medium-term objective for their budgetary positions, which in most cases is a balanced budget or a small surplus. However, rather than demonstrating full commitment to the timely and sustainable correction of excessive deficits and imbalances, euro area developments and prospects point to significant shortcomings in many countries' strategies in the coming years, despite the expected "good times". Germany will bring the deficit below 3% in 2007 in line with its commitment, according to the European Commission forecasts. In Italy and Portugal, the adjustment path and timetable for the planned correction of the excessive deficit are at risk, while Greece and France are expected to post a deficit of exactly 3% in 2006 before breaching this reference value again in 2007. The cyclically adjusted balance is not expected to improve in Germany, France or Italy in 2006, nor in Greece, France or Italy in 2007, while it is also likely to fall short of the required change in Portugal in 2007.

This rather worrying outlook is compounded by the prospect of unambitious adjustment efforts in the medium-term plans. Of the five euro area member countries currently in excessive deficit, only France has specified a date (2010) for attaining its medium-term objective, while for Germany, Greece, Italy and Portugal, fiscal plans suggest that the medium-term objective will not be achieved until the next decade.

In Luxembourg and Austria, which are not in excessive deficit but have not yet attained their medium-term objectives, no consolidation – and even some loosening – is expected to take place in 2006, before some fiscal adjustment is pursued again in 2007. Belgium is projected to move away from its medium-term objective as temporary measures fade and further tax cuts are implemented. European Commission fiscal forecasts, therefore, suggest that, in the absence of additional and well-specified measures, fiscal targets and sound budgetary positions are unlikely to be reached or maintained.

Looking at the four countries that are in sound budgetary positions, some loosening of the fiscal stance is nevertheless expected. Such a bias cannot be considered appropriate, especially against a background of strong demand pressures and very fast public expenditure growth, as is the case in Spain and Ireland.

In summary, ambition for consolidation and reform is lacking, with the result that progress towards sound public finances is likely to be slow. Deficit and debt ratios are deemed to be falling too slowly in a number of countries and in the euro area as a whole. Furthermore, fiscal adjustments

have not been sufficiently adapted for sustainability risks in a number of countries, particularly those in which a high debt persists and the significant budgetary costs of population ageing will soon become evident. This is apparent in the fact that ongoing or planned progress with fiscal structural reform towards enhancing growth prospects and the financial outlook of social security systems is very limited.

### STRATEGIES TOWARDS SUSTAINABILITY

The present economic upswing must be used to progress towards sound public finances in the euro area and in all member countries as part of a comprehensive, medium-term strategy. This would underpin expectations of sound public finances in the medium term and enhance confidence in the sustainability of public finances, while also strengthening the credibility of member countries' commitment to the revised Stability and Growth Pact.

Countries in excessive deficit should strengthen their efforts to meet their commitments and to correct the situation within the target dates. If existing implementation risks are not eliminated as required, a move towards subsequent procedural steps should be envisaged in line with the revised Pact in order to prevent a further deterioration of the fiscal outlook for the euro area. Countries with modest to significant imbalances, as well as those in safe positions, should not backtrack on their commitments or achievements, and undue expansionary policies and expenditure growth must be avoided.

There is clear evidence that, in order to maximise the beneficial effects of consolidation, a comprehensive strategy that relies on expenditure restraint and increases the incentives to work, invest and innovate has produced the best results (see the article entitled "The importance of public expenditure reform for economic growth and stability" in the April 2006 issue of the Monthly Bulletin). Expenditure restraint and reform in the area of social security are particularly necessary as risks to the sustainability of public finances emanate not only from the persistently high deficit and debt levels in some countries, but also with growing urgency from the financial pressures arising from social security systems. The ECOFIN Council has expressed much concern in this regard in its opinions on countries' stability programmes (see Box 9).

#### Box 9

### FISCAL SUSTAINABILITY IN STABILITY PROGRAMMES: ASSESSMENT IN ECOFIN COUNCIL OPINIONS

ECOFIN Council opinions released in 2006 state that most euro area member countries are subject to medium or high sustainability risks. Population ageing will lead to higher pension, health care and long-term care expenditure as early as the next decade. Additional public expenditure in these three categories is expected to amount to about 3% of GDP on average for the euro area by 2030, and in some countries to significantly more, according to the report on population ageing by the European Commission and the EU's Economic Policy Committee (see Box 9 in the March 2006 issue of the Monthly Bulletin). Moreover, existing fiscal imbalances and high debt ratios increase the risk to fiscal sustainability. All these factors together point to significant adjustment needs in most euro area countries in the medium term so as to secure the sustainability of public finances.

The ECOFIN Council opinions, therefore, rightly emphasise the need to address the risks to sustainability and the issue of ageing-induced expenditure (see table). Reforms in the area of

pensions, health care and long-term care are needed in many countries. As mentioned above and confirmed in the Council opinions, such reforms must be accompanied by determined action to implement adequate and lasting adjustments of the budget balance and to ensure a sufficiently declining debt ratio. The current growth outlook and the shrinking window of opportunity before ageing-induced expenditure builds up underpin the need to strengthen consolidation and implement reform without delay.

#### Fiscal sustainability in stability programmes: assessment in ECOFIN Council opinions

	Risk to sustainability			Advice on long-term challenge
	Overall risk assessment	Debt	Budget position	
Belgium	Medium risk due to budgetary costs of ageing population	Debt far above 60% but diminishing sufficiently and at a rapid pace	Sound	Maintain primary surpluses in coming years.
Germany	Medium risk due to budgetary costs of ageing population	Debt above 60% and may not be diminishing sufficiently	High structural deficit	Rigorously implement strong budgetary consolidation.
Greece	High risk due to budgetary costs of ageing population, mainly from pension system	Debt far above 60% but diminishing sufficiently	Broadly on track to correct its excessive deficit	Rigorously implement the planned consolidation and pension reform and carry out additional structural reforms.
Spain	Medium risk due to budgetary costs of ageing population, mainly from pension system	Debt well below 60%	Sound	Implement the announced social welfare reform to contain the budgetary cost of ageing.
France	Medium risk due to budgetary costs of ageing population	Debt above 60% and may not be diminishing sufficiently	High structural deficit	Ensure structural adjustment of the budget balance.
Ireland	Medium risk due to budgetary costs of ageing population, mainly from pension system	Debt well below 60%	Sound	Continue to implement measures to address long-term budgetary implications of population ageing.
Italy	Medium risk due to budgetary costs of ageing population, mainly from pension system	High level of debt, above 60%	Weak budgetary position	Achieve the structural efforts envisaged so as to correct excessive deficit and ensure that debt declines at a more rapid pace.
Luxembourg	Medium risk due to budgetary costs of ageing population, mainly from pension system	Very low debt	Achieve medium-term objective by 2008	Strengthen the effort of budgetary adjustment and improve long-term sustainability via pension system reform.
The Netherlands	Medium risk due to budgetary costs of ageing population, mainly from pension system	Debt below 60%	Sound	Maintain a strong budgetary position in 2006 and thereafter.
Austria	Low risk due to budgetary costs of ageing population	Debt above 60%, seems to be diminishing sufficiently	Achievement of medium-term objective in 2008 is at risk	Implement budget consolidation.
Portugal	High risk due to budgetary costs of ageing population, from pension and health care system	High level of debt, above 60%	Weak budgetary position	Adopt and implement the structural measures envisaged in the programme and further reforms in the area of pensions and health care.
Finland	Low risk due to budgetary costs of ageing population	Debt below 60%	Sound	Budgetary strategy is in line with the Stability and Growth Pact.

Source: ECOFIN Council opinions on the stability programmes, 2006.

## 6 EUROSISTEM STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

*On the basis of the information available up to 19 May 2006, Eurosysteem staff have prepared projections for macroeconomic developments in the euro area.<sup>1</sup> Average annual real GDP growth is projected to be between 1.8% and 2.4% in 2006, and between 1.3% and 2.3% in 2007. The average rate of increase in the overall Harmonised Index of Consumer Prices (HICP) is projected to range between 2.1% and 2.5% in 2006, and between 1.6% and 2.8% in 2007.*

### Box 10

#### TECHNICAL ASSUMPTIONS

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

The technical assumptions about interest rates and both oil and non-energy commodity prices are based on market expectations in the two-week period ending 11 May. The assumptions about short-term interest rates as measured by the three-month EURIBOR are based on forward rates,<sup>1</sup> reflecting a snapshot of the yield curve at that point in time. These assumptions imply a rising profile, from an average of 3.1% in 2006 to an average of 3.9% in 2007. Market expectations for euro area ten-year nominal government bond yields imply a slightly rising profile, from an average of 4.0% in 2006 to an average of 4.3% in 2007. Based on the path implied by futures markets, annual average oil prices are assumed to be USD 70.3 per barrel in 2006 and USD 73.9 per barrel in 2007. The annual average increase in non-energy commodity prices in US dollars is assumed to be 27.6% in 2006 and 5.4% in 2007.

The technical assumption is made that bilateral exchange rates remain unchanged over the projection horizon at the levels prevailing in the two-week period ending 11 May. This implies a EUR/USD exchange rate of 1.27 and an effective exchange rate of the euro that is 0.7% higher than the average for 2005.

Fiscal policy assumptions are based on national budget plans in the individual euro area countries. They include all policy measures that have already been approved by parliament or that have been specified in detail and are likely to pass the legislative process. The cut-off date for updating the fiscal assumptions was 11 May 2006.

<sup>1</sup> For the first time, the Eurosysteem projections are based on the technical assumption that short-term market interest rates move in line with market expectations rather than, as previously assumed, remain constant over the projection horizon. This change is of a purely technical nature. It was introduced in order to further improve the quality and the internal consistency of the macroeconomic projections and does not imply any change in the ECB's monetary policy strategy or in the role of projections within that strategy.

<sup>1</sup> The Eurosysteem staff projections are produced jointly by experts from both the ECB and the euro area NCBs. They are a biannual input into the Governing Council's assessment of economic developments and the risks to price stability. More information on the procedures and techniques used is given in "A guide to Eurosysteem staff macroeconomic projection exercises", ECB, June 2001. To reflect the uncertainty surrounding the projections, ranges are used to present the results for each variable. The ranges are based on the differences between actual outcomes and previous projections carried out over a number of years. The width of the ranges is twice the average absolute value of these differences.

## THE INTERNATIONAL ENVIRONMENT

The external environment of the euro area is expected to remain favourable over the projection horizon. Real GDP growth in the United States is projected to remain robust, although at slightly declining rates. While slightly lower than in recent years, real GDP growth in non-Japan Asia is expected to remain well above the global average. Growth in most other large economies is also projected to remain dynamic. In addition, the countries that joined the European Union on 1 May 2004 are expected to continue to record strong growth rates.

Overall, following an annual growth rate of 5.1% in 2005, *world real GDP outside the euro area* is projected to average about 5.0% in 2006 and 4.5% in 2007. Growth in *euro area foreign demand* is projected to be about 7.6% in 2006 and 6.7% in 2007, after a rate of 7.7% in 2005.

## REAL GDP GROWTH PROJECTIONS

Following a rate of 0.3% in the fourth quarter of last year, Eurostat's first estimate for euro area real GDP in the first quarter of 2006 indicates quarter-on-quarter growth of 0.6%. This rebound is in line with the positive signals from survey indicators. Over the horizon, quarterly growth in GDP is expected to remain roughly at around 0.5 percentage point, except in the first quarter of 2007, when growth is projected to be dampened by significant increases in indirect taxes. Against this background, it is projected that average annual real GDP growth will be between 1.8% and 2.4% in 2006, and between 1.3% and 2.3% in 2007. Over the projection horizon, export growth is expected to continue to support economic activity on the back of the assumed continued strength in foreign demand. With the exception of the temporary effect from the increase in indirect taxes, growth in domestic demand should remain broadly stable.

Among the domestic expenditure components of GDP, average annual growth in *private consumption* is projected to range between 1.4% and 1.8% in 2006, and between 0.5% and 1.7% in 2007. In 2006, household purchasing power has been subjected to dampening effects from higher energy prices. The expected increases in indirect taxes in 2007 are projected to lead to a moderation in consumption growth in that year, while, in 2006, anticipation effects are expected to result in slightly higher consumption growth. Households' disposable income is projected to be supported by some progress in employment and continued strong capital income, but real income growth will remain moderate. The saving ratio is expected to remain broadly stable over the horizon.

The average annual rate of growth in *total fixed investment* is projected to be between 2.3% and 4.5% in 2006, and between 1.6% and 4.8% in 2007. *Business investment* should continue to benefit

Table 10 Macroeconomic projections for the euro area

(average annual percentage changes) <sup>1)</sup>	2005	2006	2007
HICP	2.2	2.1-2.5	1.6-2.8
Real GDP	1.4	1.8-2.4	1.3-2.3
Private consumption	1.4	1.4-1.8	0.5-1.7
Government consumption	1.4	1.3-2.3	0.7-1.7
Gross fixed capital formation	2.5	2.3-4.5	1.6-4.8
Exports (goods and services)	4.1	5.2-8.0	3.3-6.5
Imports (goods and services)	5.0	5.3-8.7	2.8-6.2

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

from strong external demand, favourable financing conditions and robust corporate profits. At the same time, *residential private investment* is projected to grow at moderate rates over the projection horizon.

The average annual rate of change in *total exports*, which includes intra-euro area trade, is projected to be between 5.2% and 8.0% in 2006, and between 3.3% and 6.5% in 2007. Extra-euro area export market shares are expected to decline slightly over the projection horizon, owing to increased global competition, while price competitiveness is expected to remain broadly stable. The average annual rate of growth in *total imports* is expected to be somewhat above that in exports in 2006 and to fall below it in 2007, reflecting the pattern of domestic demand. On balance, net trade is projected to make a roughly neutral contribution to GDP growth, on average, over the two years.

*Total employment* is projected to continue to grow steadily, in line with recent developments. At the same time, labour supply is expected to increase as a result of improved job prospects and structural labour market reforms in a number of euro area countries. The unemployment rate is projected to decline further over the projection horizon.

### PRICE AND COST PROJECTIONS

The average rate of increase in the overall HICP is projected to be between 2.1% and 2.5% in 2006, and between 1.6% and 2.8% in 2007. The price projections reflect a significant contribution in 2006 from higher energy and non-oil commodity prices. While this contribution is expected to decline in 2007, based on current futures prices, HICP inflation will be significantly affected by higher indirect taxes in that year. At the same time, the growth in nominal compensation per employee is assumed to remain moderate over the horizon. The price projections thus embody the expectation of limited second-round effects from oil price increases on wages. They also embed a projection of a relatively steady growth rate in productivity, which leads overall to broadly stable unit labour cost growth over the horizon. Finally, the HICP projections are based on the expectation that there are no major price pressures from non-commodity imports.

### COMPARISON WITH THE ECB STAFF MACROECONOMIC PROJECTIONS OF MARCH 2006

In the new projections,<sup>2</sup> the range projected for real GDP growth in 2006 is within the range of the March 2006 projections. For 2007, the range projected has been adjusted slightly downwards. This revision reflects, in particular, the effects of higher oil prices and a stronger exchange rate.

With regard to HICP inflation, the current range projected for 2006 is within the upper part of the range of the March 2006 projections. The range projected for 2007 remains unchanged.

<sup>2</sup> The new methodology for the short-term interest rate assumption (see previous footnote) has a very limited impact on the projections for both GDP growth and HICP inflation, reflecting that this change implies greater consistency with the other assumptions, which remained unchanged.

**Table II Comparison with the March 2006 projections**

(average annual percentage changes)

	2005	2006	2007
Real GDP – March 2006	1.4	1.7-2.5	1.5-2.5
Real GDP – June 2006	1.4	1.8-2.4	1.3-2.3
HICP – March 2006	2.2	1.9-2.5	1.6-2.8
HICP – June 2006	2.2	2.1-2.5	1.6-2.8

### FORECASTS BY OTHER INSTITUTIONS

A number of forecasts for the euro area are available from both international organisations and private sector institutions. However, these forecasts are not strictly comparable with one another or with the Eurosystem staff macroeconomic projections, as they were finalised at different points in time and are therefore partly outdated. Additionally, they use different (partly unspecified) methods to derive assumptions for fiscal, financial and external variables, including oil prices.

In the forecasts currently available from other institutions, there is a consensus that euro area annual GDP growth will average between 2.0% and 2.2% in 2006. The forecasts for GDP growth in 2007 are between 1.8% and 2.1%. At the same time, the forecasts anticipate annual average HICP inflation to be between 2.1% and 2.2% in 2006, and between 2.0% and 2.2% in 2007. All of these rates fall within the ranges of the Eurosystem projections.

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

(average annual percentage changes)

	Date of release	GDP growth			HICP inflation		
		2005	2006	2007	2005	2006	2007
European Commission	May 2006	1.3	2.1	1.8	2.2	2.2	2.2
IMF	Apr. 2006	1.3	2.0	1.9	2.2	2.1	2.2
OECD	May 2006	1.4	2.2	2.1	2.2	2.1	2.0
Consensus Economics Forecasts	May 2006	1.4	2.1	1.8	2.2	2.1	2.1
Survey of Professional Forecasters	Apr. 2006	1.3	2.1	1.9	2.2	2.1	2.1

Sources: European Commission Economic Forecasts, Spring 2006; IMF World Economic Outlook, April 2006; OECD Economic Outlook No 79, Preliminary Edition; Consensus Economics Forecasts; and the ECB's Survey of Professional Forecasters. The Eurosystem staff macroeconomic projections and the OECD forecasts both report working-day-adjusted annual growth rates, whereas the European Commission and the IMF report annual growth rates that are not adjusted for the number of working days per annum. Other forecasts do not specify whether they report working-day-adjusted or non-working-day-adjusted data.



## 7 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

### 7.1 EXCHANGE RATES

*The appreciation of the euro since March 2006 broadly continued in May and early June, driven primarily by its rise against the US dollar and several Asian currencies.*

#### US DOLLAR/EURO

The euro has been appreciating against the US dollar since March 2006 (see Chart 47) mostly as a result of a broadly based weakening of the US dollar, amid renewed market attention at the size of the US current account deficit and revised market expectations over the future course of monetary policy in the United States. Accumulating evidence of an improving euro area economic outlook appears to have also supported the euro during this period. The euro reached a peak of USD 1.30 on 5 June and subsequently stabilised at a slightly lower level following a global reassessment of risks and the associated increased volatility in global financial markets. On 7 June the euro stood at USD 1.28, 2.0% above its end-April level and 2.8% above its 2005 average.

#### JAPANESE YEN/EURO

After appreciating against the Japanese yen in March, the euro stabilised to trade within a range of JPY 140-145 in April and May (see Chart 47). Some of the main factors accounting for this development seem to be the improving economic outlook in Japan – as also evidenced by more recent improvements in the sovereign rating of the Japanese economy – coupled with market expectations over the future course of monetary policy in both Japan and the euro area. On 7 June the euro stood at JPY 144.9, i.e. very close to its end-April level and 5.9% above its 2005 average.

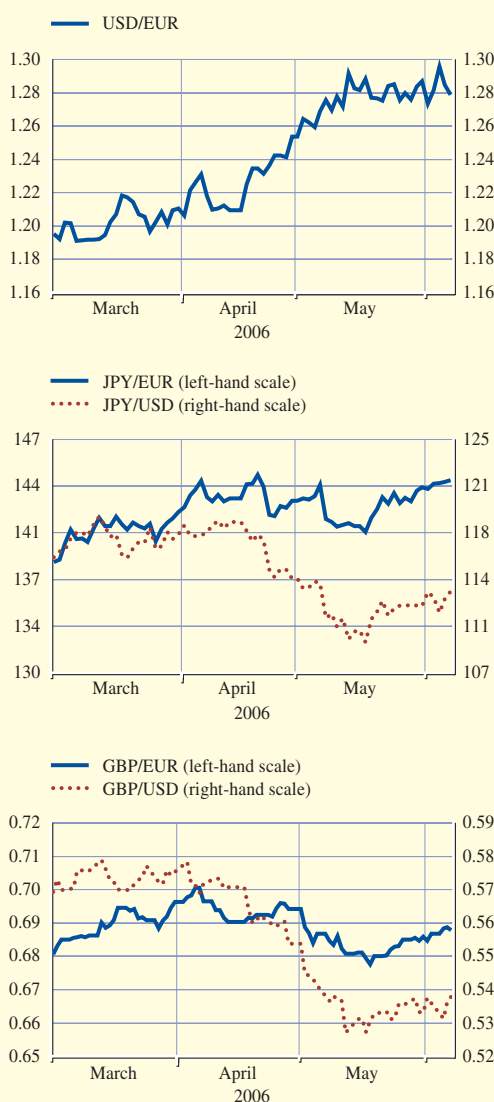
#### EU MEMBER STATES' CURRENCIES

Most currencies participating in ERM II remained stable and continued to trade at or close to their respective central rates (see Chart 48). An exception was the Slovak koruna, which depreciated gradually against the euro, thereby reabsorbing its upward deviation from its ERM II central parity from about 4% in early March to below 2.5% on 7 June.

Regarding the currencies of other EU Member States, the euro, after appreciating against the pound sterling in March, weakened in April and

Chart 47 Patterns in exchange rates

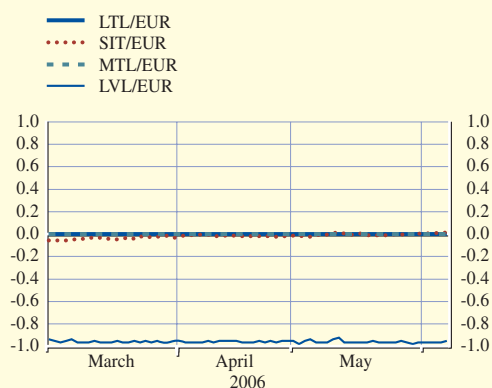
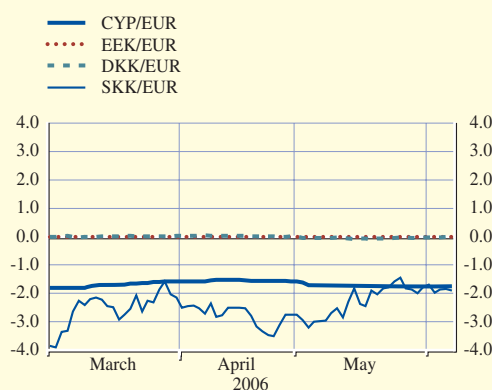
(daily data)



Source: ECB.

**Chart 48 Patterns in exchange rates in ERM II**

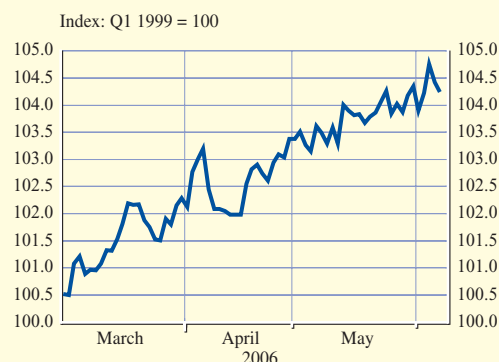
(daily data; deviation from the central parity in percentage points)



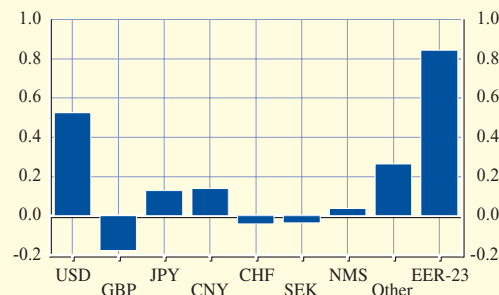
Source: ECB.  
Note: A positive (negative) deviation from the central parity against the euro implies that the currency is on the weak (strong) side of the band. For the Danish krone, the fluctuation band is  $\pm 2.25\%$ ; for all other currencies, the standard fluctuation band of  $\pm 15\%$  applies.

**Chart 49 Euro effective exchange rate and its decomposition<sup>1)</sup>**

(daily data)



**Contributions to EER changes<sup>2)</sup>**  
From 28 April 2006 to 7 June 2006  
(in percentage points)



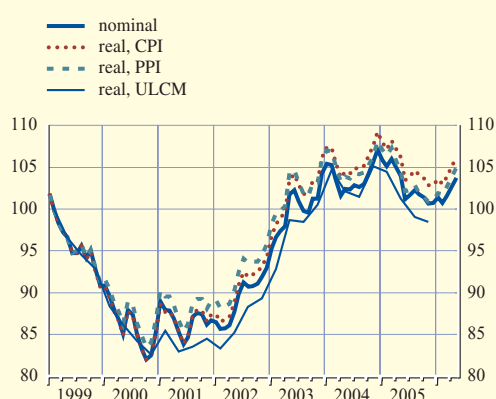
Source: ECB.  
1) An upward movement of the index represents an appreciation of the euro against the currencies of the most important trading partners of the euro area and all non-euro area EU Member States.  
2) Contributions to EER-23 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category "NMS" refers to the aggregate contribution of the currencies of the ten new Member States that 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.

early May to trade thereafter around the level of GBP 0.68 (see Chart 47). The single currency depreciated against the Swedish krona over the same period.

Developments in the currencies of the three largest new EU Member States – Czech Republic, Hungary and Poland – were rather diverse. The euro weakened vis-à-vis the Czech koruna over most of the three-month period to 7 June. By contrast, the euro appreciated against the Hungarian forint in March and then fluctuated around HUF 264. The single currency also strengthened against the Polish zloty, amid rather wide fluctuations. Compared to the 2005 average, on 7 June, the euro stood 5.3% lower against the Czech koruna, 6% higher vis-à-vis the Hungarian forint and 1.7% lower against the Polish zloty.

**Chart 50 Euro nominal and real effective exchange rates <sup>1)</sup>**

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



Source: ECB.

1) An upward movement of the EER-23 indices represents an appreciation of the euro. The latest observations for monthly data are for May 2006. In the case of the ULCM-based real EER-23, the latest observation is for the fourth quarter of 2005 and is partly based on estimates.

## OTHER CURRENCIES

After appreciating against the Swiss franc in March and April, the euro lost ground in May to trade broadly around its 2005 average on 7 June. Over the same period, the single currency gradually depreciated against the Norwegian krone, but gained in strength vis-à-vis the Australian and Canadian dollars and, to a greater extent, against several Asian currencies.

## EFFECTIVE EXCHANGE RATE OF THE EURO

In nominal effective terms – as measured against the currencies of 23 of the euro area's important trading partners – the euro continued to strengthen in May and June to stand on 7 June 1.3% above its average level in 2005 (see Chart 49). The appreciation of the euro over this period was primarily driven by its rise against the US dollar, the Chinese renminbi and several other Asian currencies.

With regard to indicators of the international price and cost competitiveness of the euro area, in May 2006, the euro real effective exchange rate index was less than 1.5% higher than its 2005 average, based on developments in both consumer and producer prices (see Chart 50).

## 7.2 BALANCE OF PAYMENTS

According to the latest balance of payments data, export and import values rebounded significantly in the first quarter of 2006 following weak growth in the fourth quarter of last year. The 12-month cumulated current account registered a deficit in March, compared with a surplus a year earlier, primarily due to a decline in the goods surplus resulting from a rising oil deficit. In the financial account, the 12-month cumulated combined direct and portfolio investment recorded higher net inflows in March 2006 as compared with March 2005. This increase resulted from higher net inflows in portfolio investment – mainly as a result of larger net purchases of euro area equity securities by non-residents – which were only partly offset by increased net outflows in direct investment.

### TRADE AND THE CURRENT ACCOUNT

The value of exports of goods and services rebounded strongly in the first quarter of 2006, increasing by 3.7% compared with the previous quarter (see Table 12 and Chart 51). This was the result of strong growth in exports of goods (5.3%), while exports of services fell (-1.3%). Imports of goods and services, in value terms, also grew robustly, rising by 4.3%, with growth in imports of goods outstripping growth in imports of services (at 5.0% and 1.9% respectively).

The breakdown of extra-euro area trade in goods into volumes and prices (available up to February 2006) shows that export prices started to pick up somewhat from the second half of 2005. However,

the strength of export volumes has been more significant in underpinning robust growth in export values over the same period.

Export volumes of capital goods increased strongly over most of 2005 (see Chart 52). After some weakening towards the end of 2005, recent data suggest a rebound in the first quarter of 2006. The strength in capital goods exports is likely to be related to the ongoing global investment recovery. Meanwhile, exports of consumer goods have been much more subdued over the past few years, in the context of strong competition from low-cost countries in the consumer goods sector.

Turning to imports, the sharp rises in the prices of both oil and non-oil commodities at the beginning of this year partly explain the rebound in the growth of import values in the first quarter of 2006. Overall, import prices have risen significantly over the past year, largely on account of increases in commodity prices, which were only partly counterbalanced by the appreciation of the euro effective exchange rate. In addition, rising import volumes of comparatively cheaper products

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

(seasonally adjusted, unless otherwise indicated)

	2006		Three-month moving average figures ending			12-month cumulated figures ending		
	Feb.	Mar.	2005 June	2005 Sep.	2005 Dec.	2006 Mar.	2005 Mar.	2006 Mar.
<i>EUR billions</i>								
<b>Current account</b>	-4.0	-3.2	0.3	-3.0	-6.9	-2.7	37.8	-36.8
Goods balance	1.1	2.4	6.0	3.6	1.1	1.4	90.8	35.9
Exports	111.6	112.1	99.0	104.2	105.3	110.9	1,137.9	1,258.2
Imports	110.5	109.7	93.1	100.6	104.2	109.5	1,047.1	1,222.3
Services balance	3.3	1.9	2.4	2.6	3.6	2.5	30.8	33.4
Exports	34.7	33.0	32.0	33.6	34.2	33.8	368.4	400.7
Imports	31.5	31.1	29.6	30.9	30.7	31.3	337.6	367.3
Income balance	-2.6	-2.7	-3.4	-3.6	-5.8	-1.8	-23.5	-43.7
Current transfers balance	-5.8	-4.7	-4.6	-5.7	-5.8	-4.7	-60.2	-62.3
<b>Financial account <sup>1)</sup></b>	13.2	35.0	16.5	11.5	-4.3	12.4	16.1	108.4
Combined direct and portfolio investment	-4.9	56.7	31.0	-2.6	-17.1	6.5	10.6	53.4
Direct investment	-25.4	7.5	-4.9	-32.5	-3.1	-4.3	-42.9	-134.7
Portfolio investment	20.5	49.2	35.9	29.9	-14.0	10.9	53.5	188.1
Equities	10.2	40.2	7.9	39.6	1.5	14.0	35.9	189.2
Debt instruments	10.3	9.0	28.0	-9.7	-15.6	-3.1	17.6	-1.1
Bonds and notes	-5.5	11.1	27.9	-15.6	-9.9	-10.0	24.7	-23.0
Money market instruments	15.8	-2.0	0.1	6.0	-5.7	6.9	-7.1	21.9
<i>Percentage changes over previous period</i>								
<b>Goods and services</b>								
Exports	2.7	-0.8	2.2	5.1	1.3	3.7	9.0	10.1
Imports	1.7	-0.7	3.7	7.2	2.6	4.3	11.4	14.8
<b>Goods</b>								
Exports	2.5	0.5	2.7	5.2	1.1	5.3	8.7	10.6
Imports	1.9	-0.7	4.1	8.1	3.6	5.0	12.7	16.7
<b>Services</b>								
Exports	3.3	-5.0	0.7	5.0	1.9	-1.3	9.9	8.8
Imports	0.9	-1.0	2.4	4.6	-0.9	1.9	7.4	8.8

Source: ECB.

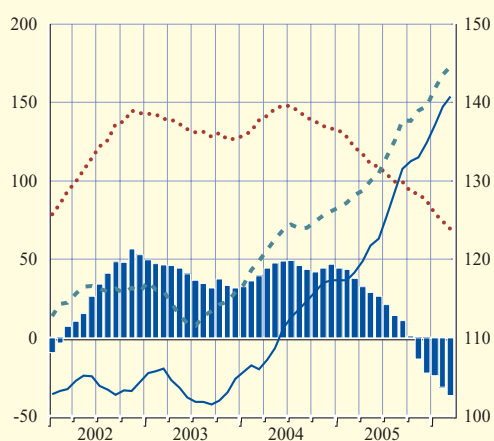
Note: Figures may not add up due to rounding.

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

**Chart 51 The euro area current account and trade balances**

(EUR billions; monthly data; seasonally adjusted)

- current account balance (12-month cumulated data; left-hand scale)
- ..... trade balance (12-month cumulated data; left-hand scale)
- - - exports of goods and services (3-month moving average; right-hand scale)
- imports of goods and services (3-month moving average; right-hand scale)

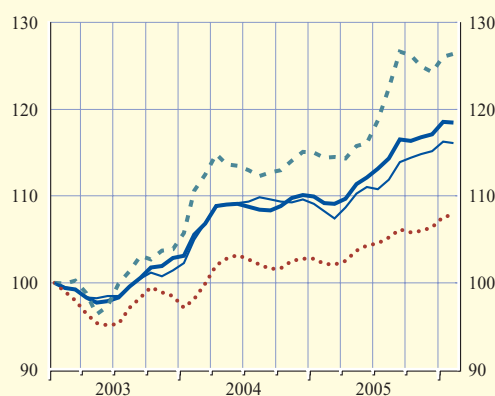


Source: ECB.

**Chart 52 Extra-euro area export volumes for selected commodities**

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

- total goods
- ..... consumer goods
- - - capital goods
- intermediate goods



Sources: Eurostat and ECB calculations.  
Note: The latest observations are for February 2006.

from low-cost countries, such as China, are also having a longer-term dampening effect on import prices. Meanwhile, rising import volumes may also partly explain the increase in import values in the first quarter, reflecting the strengthening of economic activity in the euro area.

From a longer-term perspective, the 12-month cumulated current account up to March 2006 registered a deficit of €36.8 billion (around 0.5% of GDP), compared with a surplus of €37.8 billion a year earlier. This was largely the result of a fall in the goods surplus by around €55 billion, which was almost entirely due to the increased cost of oil imports. In addition, the income deficit rose by around €20 billion, reflecting higher income payments, which were only partly offset by an increase in income receipts. By contrast, the balances for services and current transfers remained broadly unchanged.

### FINANCIAL ACCOUNT

In the first quarter of 2006, the combined direct and portfolio investment of the euro area showed net inflows of €6.5 billion (see Table 12). This was mostly explained by net inflows in portfolio investment (€10.9 billion), while direct investment recorded net outflows (€4.3 billion).

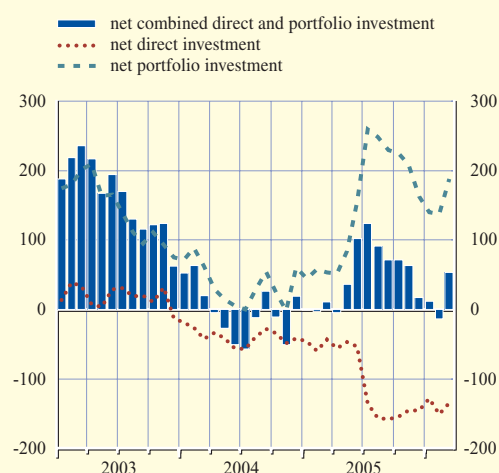
Looking at 12-month cumulated data, net inflows in combined direct and portfolio investment have gradually contracted since the summer of 2005, switching to small net outflows in February 2006. Much of the decline observed over this period reflected falling net inflows in portfolio investment. In the 12-month period up to March 2006, however, net inflows in combined direct and portfolio investment were recorded again (see Chart 53).

In the first quarter of this year, net portfolio investment flows turned positive again, primarily due to a renewed interest on the part of overseas investors in euro area equity securities. Growing evidence of an improving economic outlook in the euro area may have been a key factor in this development. At the same time, there has also been a notable rise in net foreign purchases of euro area money market instruments, possibly reflecting the narrower interest rate differentials between the euro area and other major economies. Against this background, in March 2006, the 12-month cumulated net inflows in portfolio investment were €134.6 billion higher than in the same period a year earlier.

Net outflows in direct investment – measured in 12-month cumulative terms – have remained fairly stable since July 2005, with the 12-month cumulated direct investment deficit standing at €134.7 billion in March 2006.

**Chart 53 Net direct and portfolio investment flows**

(EUR billions; 12-month cumulated data)



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

# EURO AREA STATISTICS







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

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#### Conventions used in the tables

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



# EURO AREA OVERVIEW

Summary of economic indicators for the euro area  
(annual percentage changes, unless otherwise indicated)

## 1. Monetary developments and interest rates

	M1 <sup>1)</sup>	M2 <sup>1)</sup>	M3 <sup>1),2)</sup>	M3 <sup>1),2)</sup> 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government <sup>1)</sup>	Securities other than shares issued in euro by non- financial and non- monetary financial corporations <sup>1)</sup>	3-month interest rate (EURIBOR, % per annum, period averages)	10-year government bond yield (% per annum, period averages)
	1	2	3	4	5	6	7	8
2004	10.0	6.3	5.9	-	6.1	10.0	2.11	4.14
2005	10.4	7.9	7.4	-	8.1	12.6	2.18	3.44
2005 Q2	9.8	7.5	7.1	-	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	14.7	2.34	3.42
2006 Q1	10.3	8.6	7.9	-	10.0	16.3	2.61	3.56
2005 Dec.	11.4	8.5	7.4	7.6	9.2	15.8	2.47	3.41
2006 Jan.	10.3	8.4	7.7	7.7	9.7	15.8	2.51	3.39
Feb.	9.9	8.7	8.0	8.1	10.4	16.8	2.60	3.55
Mar.	10.1	9.0	8.5	8.4	10.8	16.6	2.72	3.73
Apr.	9.8	9.4	8.8	.	11.3	.	2.79	4.01
May	.	.	.	.	.	.	2.89	4.06

## 2. Prices, output, demand and labour markets

	HICP <sup>1)</sup>	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	0.6	8.9
2005	2.2	4.1	2.6	1.3	1.2	81.3	0.8	8.6
2005 Q2	2.0	3.9	2.5	1.1	0.7	81.0	0.7	8.7
Q3	2.3	4.2	2.3	1.6	1.5	81.0	0.7	8.5
Q4	2.3	4.4	2.4	1.7	2.1	81.5	0.7	8.3
2006 Q1	2.3	5.2	.	1.9	3.3	82.2	.	8.1
2005 Dec.	2.2	4.7	-	-	2.9	-	-	8.3
2006 Jan.	2.4	5.3	-	-	2.9	82.0	-	8.2
Feb.	2.3	5.4	-	-	3.2	-	-	8.1
Mar.	2.2	5.1	-	-	3.7	-	-	8.0
Apr.	2.4	5.4	-	-	.	82.4	-	8.0
May	2.5	.	-	-	.	-	-	.

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

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: EER-23 <sup>3)</sup> (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
2004	67.3	105.3	-41.2	60.3	280.7	103.8	105.9	1.2439
2005	-10.1	53.0	-145.5	162.5	320.3	103.0	105.2	1.2441
2005 Q2	-7.2	18.1	-14.7	107.8	302.3	103.4	105.6	1.2594
Q3	1.5	16.0	-97.6	89.8	311.7	101.9	104.2	1.2199
Q4	-7.6	3.8	-9.4	-42.0	320.3	100.9	103.1	1.1884
2006 Q1	-8.7	-3.9	-13.0	32.6	327.1	101.2	103.5	1.2023
2005 Dec.	3.0	1.3	0.6	-5.2	320.3	100.7	102.9	1.1856
2006 Jan.	-8.7	-6.4	4.9	-37.1	332.1	101.4	103.6	1.2103
Feb.	0.6	0.3	-25.4	20.5	332.1	100.7	103.0	1.1938
Mar.	-0.6	2.3	7.5	49.2	327.1	101.5	103.8	1.2020
Apr.	.	.	.	.	336.8	102.7	105.1	1.2271
May	.	.	.	.	.	103.8	106.2	1.2770

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.

- 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.
- 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.
- 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 12 May	2006 19 May	2006 26 May	2006 2 June
<b>Gold and gold receivables</b>	179,573	179,547	179,496	179,484
<b>Claims on non-euro area residents in foreign currency</b>	147,022	148,163	146,999	148,030
<b>Claims on euro area residents in foreign currency</b>	25,349	25,916	25,349	26,060
<b>Claims on non-euro area residents in euro</b>	12,744	12,782	13,256	13,517
<b>Lending to euro area credit institutions in euro</b>	404,012	403,291	411,510	410,505
Main refinancing operations	284,000	282,999	291,501	290,500
Longer-term refinancing operations	120,002	120,002	120,003	120,001
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	8	290	0	3
Credits related to margin calls	2	0	6	1
<b>Other claims on euro area credit institutions in euro</b>	5,384	5,825	5,777	5,616
<b>Securities of euro area residents in euro</b>	94,953	93,559	93,544	93,290
<b>General government debt in euro</b>	40,568	40,568	40,568	40,551
<b>Other assets</b>	166,089	166,758	167,595	167,433
<b>Total assets</b>	<b>1,075,694</b>	<b>1,076,409</b>	<b>1,084,094</b>	<b>1,084,486</b>

### 2. Liabilities

	2006 12 May	2006 19 May	2006 26 May	2006 2 June
<b>Banknotes in circulation</b>	570,351	568,565	570,269	575,906
<b>Liabilities to euro area credit institutions in euro</b>	167,076	160,049	162,499	160,404
Current accounts (covering the minimum reserve system)	167,067	159,984	162,470	160,389
Deposit facility	8	65	21	11
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	1	0	8	4
<b>Other liabilities to euro area credit institutions in euro</b>	114	166	166	166
<b>Debt certificates issued</b>	0	0	0	0
<b>Liabilities to other euro area residents in euro</b>	47,957	55,327	59,946	55,718
<b>Liabilities to non-euro area residents in euro</b>	14,127	14,293	14,781	14,538
<b>Liabilities to euro area residents in foreign currency</b>	226	197	197	154
<b>Liabilities to non-euro area residents in foreign currency</b>	9,201	10,632	8,939	10,594
<b>Counterpart of special drawing rights allocated by the IMF</b>	5,825	5,825	5,825	5,825
<b>Other liabilities</b>	65,577	66,115	66,232	65,940
<b>Revaluation accounts</b>	132,437	132,437	132,437	132,437
<b>Capital and reserves</b>	62,803	62,803	62,803	62,804
<b>Total liabilities</b>	<b>1,075,694</b>	<b>1,076,409</b>	<b>1,084,094</b>	<b>1,084,486</b>

Source: ECB.

## 1.2 Key ECB interest rates

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

With effect from <sup>1)</sup>	Deposit facility		Main refinancing operations			Marginal lending facility	
	Level	Change	Fixed rate tenders	Variable rate tenders		Level	Change
			Fixed rate	Minimum bid rate			
	1	2	3	4	5	6	7
1999 1 Jan.	2.00	-	3.00	-	-	4.50	-
4 <sup>2)</sup>	2.75	0.75	3.00	-	...	3.25	-1.25
22	2.00	-0.75	3.00	-	...	4.50	1.25
9 Apr.	1.50	-0.50	2.50	-	-0.50	3.50	-1.00
5 Nov.	2.00	0.50	3.00	-	0.50	4.00	0.50
2000 4 Feb.	2.25	0.25	3.25	-	0.25	4.25	0.25
17 Mar.	2.50	0.25	3.50	-	0.25	4.50	0.25
28 Apr.	2.75	0.25	3.75	-	0.25	4.75	0.25
9 June	3.25	0.50	4.25	-	0.50	5.25	0.50
28 <sup>3)</sup>	3.25	...	-	4.25	...	5.25	...
1 Sep.	3.50	0.25	-	4.50	0.25	5.50	0.25
6 Oct.	3.75	0.25	-	4.75	0.25	5.75	0.25
2001 11 May	3.50	-0.25	-	4.50	-0.25	5.50	-0.25
31 Aug.	3.25	-0.25	-	4.25	-0.25	5.25	-0.25
18 Sep.	2.75	-0.50	-	3.75	-0.50	4.75	-0.50
9 Nov.	2.25	-0.50	-	3.25	-0.50	4.25	-0.50
2002 6 Dec.	1.75	-0.50	-	2.75	-0.50	3.75	-0.50
2003 7 Mar.	1.50	-0.25	-	2.50	-0.25	3.50	-0.25
6 June	1.00	-0.50	-	2.00	-0.50	3.00	-0.50
2005 6 Dec.	1.25	0.25	-	2.25	0.25	3.25	0.25
2006 8 Mar.	1.50	0.25	-	2.50	0.25	3.50	0.25
15 June	1.75	0.25	-	2.75	0.25	3.75	0.25

Source: ECB.

- 1) From 1 January 1999 to 9 March 2004, the date refers to the deposit and marginal lending facilities. For main refinancing operations, changes in the rate are effective from the first operation following the date indicated. The change on 18 September 2001 was effective on that same day. From 10 March 2004 onwards, the date refers to the deposit and marginal lending facilities and to the main refinancing operations (changes effective from the first main refinancing operation following the Governing Council discussion), unless otherwise indicated.
- 2) On 22 December 1998 the ECB announced that, as an exceptional measure between 4 and 21 January 1999, a narrow corridor of 50 basis points would be applied between the interest rates for the marginal lending facility and the deposit facility, aimed at facilitating the transition to the new monetary regime by market participants.
- 3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.

### 1.3 Eurosystem monetary policy operations allotted through tenders <sup>1), 2)</sup>

(EUR millions; interest rates in percentages per annum)

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

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Variable rate tenders			Running for (...) days
				Minimum bid rate	Marginal rate <sup>4)</sup>	Weighted average rate	
1	2	3	4	5	6	7	
Main refinancing operations							
2006 8 Feb.	421,394	384	293,500	2.25	2.31	2.31	7
15	414,904	394	295,000	2.25	2.31	2.31	7
22	402,410	393	308,000	2.25	2.31	2.32	6
28	370,255	346	301,500	2.25	2.32	2.34	8
8 Mar.	379,105	393	298,000	2.50	2.56	2.57	7
15	366,649	411	290,500	2.50	2.56	2.57	7
22	395,001	419	298,000	2.50	2.56	2.57	7
29	362,447	391	284,000	2.50	2.57	2.58	7
5 Apr.	380,014	397	280,000	2.50	2.57	2.58	7
12	404,763	408	288,500	2.50	2.57	2.58	7
19	395,069	414	298,000	2.50	2.58	2.58	8
27	372,454	394	291,000	2.50	2.59	2.60	7
4 May	372,850	380	286,000	2.50	2.59	2.60	6
10	372,864	381	284,000	2.50	2.58	2.59	7
17	376,580	392	283,000	2.50	2.58	2.59	7
24	372,247	401	291,500	2.50	2.58	2.59	7
31	371,542	381	290,500	2.50	2.58	2.59	7
7 June	339,282	357	286,000	2.50	2.55	2.57	8
Longer-term refinancing operations							
2005 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 <sup>5)</sup>	89,877	165	12,500	-	2.45	2.46	98
23 <sup>5)</sup>	45,003	127	17,500	-	2.44	2.45	97
2006 26 Jan.	69,438	168	40,000	-	2.47	2.48	91
23 Feb.	63,980	164	40,000	-	2.57	2.57	98
30 Mar.	56,708	170	40,000	-	2.73	2.75	91
27 Apr.	63,596	188	40,000	-	2.76	2.78	91
1 June	59,771	161	40,000	-	2.87	2.88	91

#### 2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders	Variable rate tenders			Running for (...) days
					Fixed rate	Minimum bid rate	Marginal rate <sup>4)</sup>	Weighted average rate	
1	2	3	4	5	6	7	8	9	
2004 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
7 Feb.	Reverse transaction	28,260	28	6,500	-	2.25	2.31	2.32	1
7 Mar.	Collection of fixed-term deposits	2,600	3	2,600	2.25	-	-	-	1
11 Apr.	Reverse transaction	47,545	29	26,000	-	2.50	2.55	2.58	1
9 May	Collection of fixed-term deposits	15,810	16	11,500	2.50	-	-	-	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 <sup>1)</sup> :	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
2003	11,538.7	6,283.8	412.9	1,459.1	759.5	2,623.5
2004	12,415.9	6,593.7	458.1	1,565.2	913.7	2,885.3
2005 Q1	12,866.9	6,783.2	472.3	1,599.3	1,010.8	3,001.1
Q2	13,328.1	7,021.1	488.2	1,676.0	1,027.9	3,114.9
Q3	13,562.1	7,125.7	498.5	1,697.7	1,085.4	3,154.9
Q4	14,040.7	7,409.5	499.2	1,753.5	1,174.9	3,203.6
2006 Jan.	14,165.7	7,451.5	517.8	1,766.1	1,215.4	3,215.0
Feb.	14,353.6	7,511.1	534.2	1,804.6	1,241.7	3,262.0
Mar.	14,500.2	7,604.7	550.2	1,825.1	1,241.5	3,278.8

#### 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
2004	137.9	138.5	0.6	0.0	2.05
2005	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.	154.7	155.4	0.7	0.0	2.30
7 Mar.	157.7	158.3	0.6	0.0	2.31
11 Apr.	158.9	159.5	0.6	0.0	2.56
9 May	160.4	161.2	0.8	0.0	2.58
14 June	162.6	.	.	.	.

#### 3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money
	Eurosystem's net assets in gold and foreign currency	Monetary policy operations of the Eurosystem				Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)				
1		2	3	4	5				6	7	8	9
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	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
7 Feb.	325.2	310.0	96.2	0.0	0.3	0.1	0.0	548.4	56.6	-28.7	155.4	703.9
7 Mar.	324.7	299.3	104.7	0.1	0.0	0.2	0.1	550.8	53.3	-34.0	158.3	709.2
11 Apr.	327.9	290.1	113.7	0.1	0.7	0.3	0.0	556.4	51.6	-35.2	159.5	716.2
9 May	337.0	291.3	120.0	0.2	0.0	0.2	0.4	569.1	51.1	-33.5	161.2	730.5

Source: ECB.

1) End of period.



## MONEY, BANKING AND INVESTMENT FUNDS

### 2.1 Aggregated balance sheet of euro area MFIs

(EUR billions; outstanding amounts at end of period)

#### 1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/units <sup>1)</sup>	Holdings of shares/other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Eurosysteem														
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	1,404.8	635.5	20.7	0.6	614.2	185.7	165.6	2.1	18.1	-	14.8	337.0	14.7	217.1
2006 Jan.	1,445.6	664.4	20.7	0.6	643.1	187.5	167.6	2.2	17.6	-	14.9	349.5	14.8	214.6
Feb.	1,445.2	657.6	20.7	0.6	636.3	187.1	167.2	2.2	17.8	-	15.1	353.6	14.7	217.2
Mar.	1,431.3	636.9	20.7	0.6	615.6	188.2	168.0	2.3	18.0	-	15.8	348.9	14.7	226.7
Apr. <sup>(p)</sup>	1,468.7	661.0	20.7	0.6	639.7	189.9	168.6	2.3	19.0	-	16.8	360.7	14.7	225.6
MFIs excluding the Eurosysteem														
2004	21,351.8	12,825.3	811.9	7,555.6	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	23,651.3	13,687.8	831.9	8,287.5	4,568.4	3,493.8	1,429.3	550.5	1,514.0	83.1	1,004.7	3,678.5	165.7	1,537.7
2006 Jan.	24,003.6	13,810.9	826.8	8,386.0	4,598.1	3,536.3	1,448.5	554.2	1,533.6	87.0	1,033.1	3,779.6	164.8	1,591.9
Feb.	24,180.1	13,895.6	817.4	8,468.5	4,609.7	3,575.1	1,455.4	566.0	1,553.7	85.4	1,048.5	3,820.3	165.0	1,590.3
Mar.	24,398.3	14,021.5	821.0	8,543.7	4,656.8	3,572.7	1,428.7	573.6	1,570.4	83.4	1,089.6	3,886.2	166.2	1,578.7
Apr. <sup>(p)</sup>	24,741.9	14,221.8	821.1	8,638.4	4,762.2	3,583.6	1,423.9	584.2	1,575.6	82.7	1,147.7	3,924.1	166.4	1,615.6

#### 2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/units <sup>2)</sup>	Debt securities issued <sup>3)</sup>	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
Eurosysteem											
2004	1,197.3	517.3	346.6	24.7	15.0	306.8	-	0.5	138.4	27.2	167.4
2005	1,404.8	582.7	385.4	24.4	14.5	346.5	-	0.1	201.9	27.6	207.2
2006 Jan.	1,445.6	564.4	438.8	57.9	17.6	363.3	-	0.1	208.2	30.7	203.4
Feb.	1,445.2	568.6	429.2	56.5	19.7	353.0	-	0.1	210.8	29.7	206.8
Mar.	1,431.3	574.7	405.0	45.0	15.0	345.0	-	0.1	214.5	30.3	206.6
Apr. <sup>(p)</sup>	1,468.7	586.6	425.9	45.8	17.4	362.6	-	0.1	218.3	28.4	209.4
MFIs excluding the Eurosysteem											
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	23,651.3	-	12,210.7	149.2	7,210.6	4,850.9	698.9	3,858.3	1,313.8	3,516.8	2,052.9
2006 Jan.	24,003.6	-	12,225.1	133.7	7,216.3	4,875.1	695.4	3,888.8	1,345.8	3,614.7	2,233.8
Feb.	24,180.1	-	12,271.0	143.1	7,237.7	4,890.3	695.6	3,952.7	1,360.5	3,695.3	2,205.0
Mar.	24,398.3	-	12,407.8	148.0	7,313.3	4,946.5	686.7	3,989.6	1,367.8	3,739.3	2,207.1
Apr. <sup>(p)</sup>	24,741.9	-	12,609.7	136.7	7,428.2	5,044.8	695.7	4,008.2	1,363.2	3,792.3	2,272.8

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											
2004	15,719.1	8,389.6	833.4	7,556.3	1,906.8	1,439.9	466.9	666.2	3,236.9	173.6	1,345.9
2005	17,894.3	9,140.6	852.5	8,288.1	2,147.4	1,594.8	552.6	705.3	4,015.5	180.4	1,705.0
2006 Jan.	18,199.6	9,234.1	847.5	8,386.6	2,172.5	1,616.1	556.4	721.3	4,129.0	179.5	1,763.1
Feb.	18,356.3	9,307.2	838.0	8,469.2	2,190.8	1,622.6	568.2	741.2	4,173.9	179.6	1,763.7
Mar.	18,514.9	9,386.0	841.7	8,544.3	2,172.6	1,596.7	575.9	777.4	4,235.2	181.0	1,762.9
Apr. <sup>(p)</sup>	18,748.8	9,480.9	841.9	8,639.0	2,178.9	1,592.4	586.5	828.1	4,284.9	181.1	1,794.9
Transactions											
2004	1,270.8	499.7	-6.7	506.5	91.9	58.1	33.8	37.2	437.7	2.7	201.5
2005	1,594.5	710.2	16.2	694.0	151.6	72.7	78.9	47.5	456.1	1.2	227.9
2006 Jan.	314.6	80.3	-4.9	85.2	31.7	26.1	5.6	12.9	127.0	-1.2	63.8
Feb.	118.0	71.6	-9.6	81.2	18.2	6.4	11.8	16.7	11.8	0.1	-0.4
Mar.	209.5	86.5	3.8	82.7	-6.1	-15.6	9.5	35.7	97.4	0.8	-4.8
Apr. <sup>(p)</sup>	284.3	99.9	0.3	99.5	12.7	1.2	11.5	50.8	90.0	0.2	30.7

## 2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/other euro area residents	Money market fund shares/units <sup>1)</sup>	Debt securities issued <sup>2)</sup>	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
Outstanding amounts										
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	17,894.3	532.8	173.6	7,225.2	615.8	2,326.2	1,201.5	3,544.4	2,260.1	14.7
2006 Jan.	18,199.6	520.9	191.6	7,233.9	608.4	2,337.7	1,227.3	3,645.4	2,437.2	-2.7
Feb.	18,356.3	524.9	199.6	7,257.3	610.2	2,381.3	1,248.9	3,725.0	2,411.8	-2.7
Mar.	18,514.9	532.3	193.0	7,328.3	603.3	2,401.4	1,254.2	3,769.7	2,413.7	19.1
Apr. <sup>(p)</sup>	18,748.8	540.3	182.5	7,445.6	613.1	2,413.7	1,245.2	3,820.6	2,482.2	5.6
Transactions										
2004	1,270.8	70.5	6.1	377.4	22.3	197.1	50.5	276.8	232.1	37.7
2005	1,594.5	64.4	10.8	497.4	-3.0	217.2	84.9	443.8	328.9	-49.8
2006 Jan.	314.6	-11.9	18.0	13.0	6.6	8.1	1.5	124.9	160.5	-6.0
Feb.	118.0	4.0	8.0	19.5	3.2	34.0	18.8	45.0	-14.3	-0.2
Mar.	209.5	7.4	-6.6	71.1	-0.7	30.1	4.6	79.3	-10.2	34.5
Apr. <sup>(p)</sup>	284.3	8.0	-10.5	122.5	9.9	21.7	-9.9	92.4	53.9	-3.9

Source: ECB.

1) Amounts held by euro area residents.

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

## 2.3 Monetary statistics

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

### 1. Monetary aggregates<sup>1)</sup> and counterpart parts

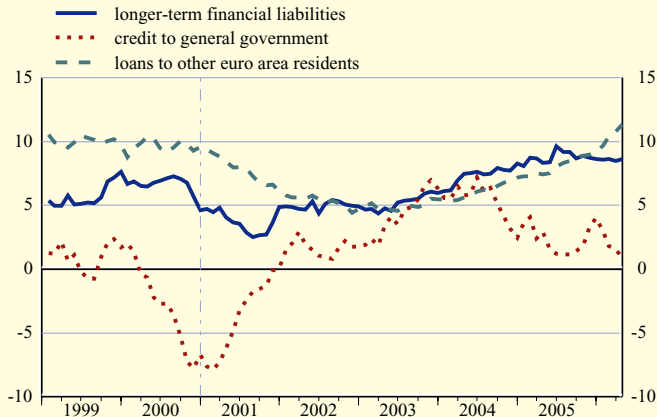
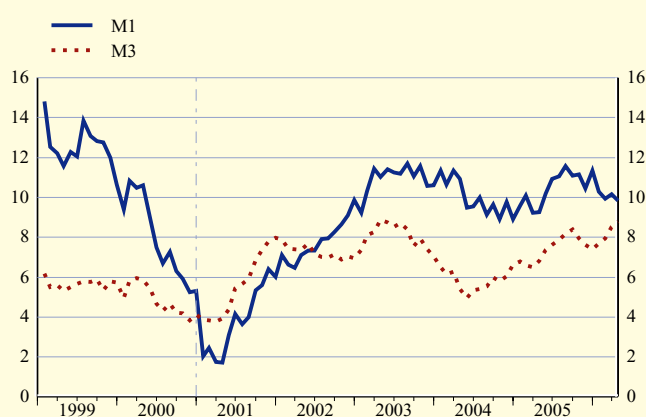
	M1		M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets <sup>2)</sup>
	1	2	3	4	5	6	7	8	Loans		11
									9	10	
Outstanding amounts											
2004	2,908.7	2,660.5	5,569.2	963.8	6,533.0	-	4,460.8	2,294.6	8,686.1	7,548.8	385.4
2005	3,423.4	2,651.6	6,075.0	996.1	7,071.1	-	5,002.1	2,472.8	9,544.1	8,281.4	463.5
2006 Jan.	3,447.5	2,673.5	6,121.0	995.8	7,116.8	-	5,041.7	2,470.2	9,651.3	8,375.7	483.2
Feb.	3,468.3	2,696.7	6,164.9	992.1	7,157.0	-	5,103.2	2,462.0	9,779.9	8,476.9	448.4
Mar.	3,496.8	2,722.2	6,219.0	1,005.2	7,224.2	-	5,131.3	2,432.0	9,894.5	8,553.8	472.4
Apr. <sup>(p)</sup>	3,509.8	2,763.1	6,272.9	1,013.5	7,286.4	-	5,158.3	2,423.7	10,020.7	8,637.6	481.1
Transactions											
2004	238.6	110.7	349.3	57.2	406.5	-	342.7	54.5	577.0	506.1	166.1
2005	338.6	140.5	479.1	9.7	488.8	-	391.2	93.4	822.3	695.0	14.0
2006 Jan.	25.6	23.9	49.5	7.6	57.1	-	18.8	2.4	92.7	81.0	9.2
Feb.	19.3	21.4	40.7	-2.8	37.9	-	48.7	-8.3	124.1	99.8	-33.3
Mar.	30.3	27.7	58.0	19.3	77.3	-	33.7	-19.5	123.4	84.4	25.5
Apr. <sup>(p)</sup>	14.8	43.3	58.1	8.1	66.1	-	36.8	-2.7	131.9	88.6	7.5
Growth rates											
2004 Dec.	8.9	4.3	6.7	6.3	6.6	6.5	8.3	2.4	7.1	7.2	166.1
2005 Dec.	11.4	5.5	8.5	1.0	7.4	7.6	8.6	4.0	9.4	9.2	14.0
2006 Jan.	10.3	6.5	8.4	3.2	7.7	7.7	8.6	3.0	9.9	9.7	30.4
Feb.	9.9	7.4	8.7	3.6	8.0	8.1	8.6	1.8	10.7	10.4	-17.9
Mar.	10.1	7.8	9.0	5.6	8.5	8.4	8.5	1.5	11.5	10.8	21.7
Apr. <sup>(p)</sup>	9.8	9.0	9.4	5.4	8.8	.	8.6	0.9	11.8	11.3	15.9

### 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

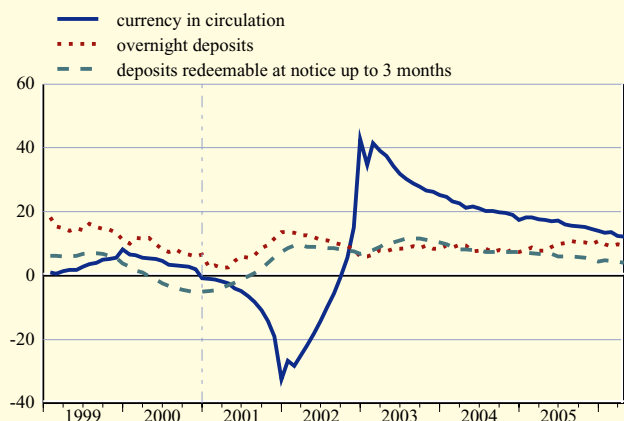
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

### 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											
2004	456.4	2,452.3	1,024.5	1,636.0	241.4	620.1	102.3	1,964.9	90.2	1,359.5	1,046.3
2005	520.4	2,903.0	1,108.5	1,543.1	235.5	630.8	129.8	2,203.9	87.0	1,510.7	1,200.5
2006 Jan.	528.3	2,919.2	1,119.3	1,554.2	240.2	611.7	144.0	2,207.8	88.0	1,518.4	1,227.5
Feb.	535.2	2,933.1	1,138.0	1,558.7	227.6	611.2	153.4	2,234.3	87.9	1,531.6	1,249.4
Mar.	535.5	2,961.3	1,158.8	1,563.3	238.8	603.7	162.7	2,239.0	88.4	1,551.0	1,252.9
Apr. <sup>(p)</sup>	540.5	2,969.3	1,199.4	1,563.6	239.5	605.6	168.4	2,246.2	89.2	1,572.6	1,250.2
Transactions											
2004	67.7	170.9	-2.2	112.9	24.1	21.9	11.2	185.8	-0.9	107.2	50.5
2005	64.0	274.6	70.9	69.6	-7.0	-3.2	20.0	199.2	-4.3	111.6	84.7
2006 Jan.	7.9	17.6	12.8	11.1	4.7	-5.1	7.9	6.8	1.0	8.3	2.7
Feb.	6.9	12.4	17.0	4.4	-12.7	1.0	9.0	17.3	-0.1	12.5	19.1
Mar.	0.4	29.9	23.0	4.8	11.3	-1.3	9.2	14.8	0.6	15.6	2.8
Apr. <sup>(p)</sup>	5.0	9.8	42.9	0.4	0.7	2.0	5.3	17.0	0.8	22.6	-3.5
Growth rates											
2004 Dec.	17.4	7.5	-0.2	7.4	11.1	3.7	12.3	10.3	-1.0	8.6	5.0
2005 Dec.	14.0	10.9	6.7	4.4	-3.0	-0.5	19.0	10.0	-4.7	8.1	7.8
2006 Jan.	13.5	9.7	8.7	4.8	3.5	-1.4	30.8	9.5	-3.8	8.4	8.1
Feb.	13.6	9.3	11.3	4.6	2.8	-0.5	27.4	8.9	-4.1	8.6	9.1
Mar.	12.4	9.8	12.8	4.4	3.8	-0.5	43.3	8.6	-3.2	8.9	8.7
Apr. <sup>(p)</sup>	12.2	9.4	16.2	3.9	9.9	-1.1	30.0	8.6	-2.4	9.8	8.1

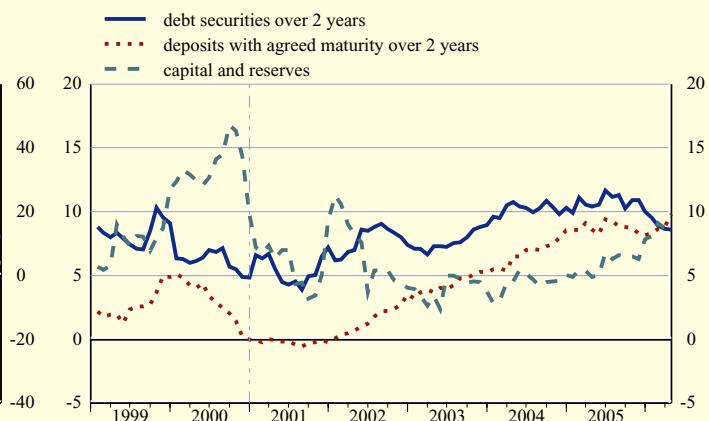
### C3 Components of monetary aggregates

(annual growth rates; seasonally adjusted)



### C4 Components of longer-term financial liabilities

(annual growth rates; seasonally adjusted)



Source: ECB.

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

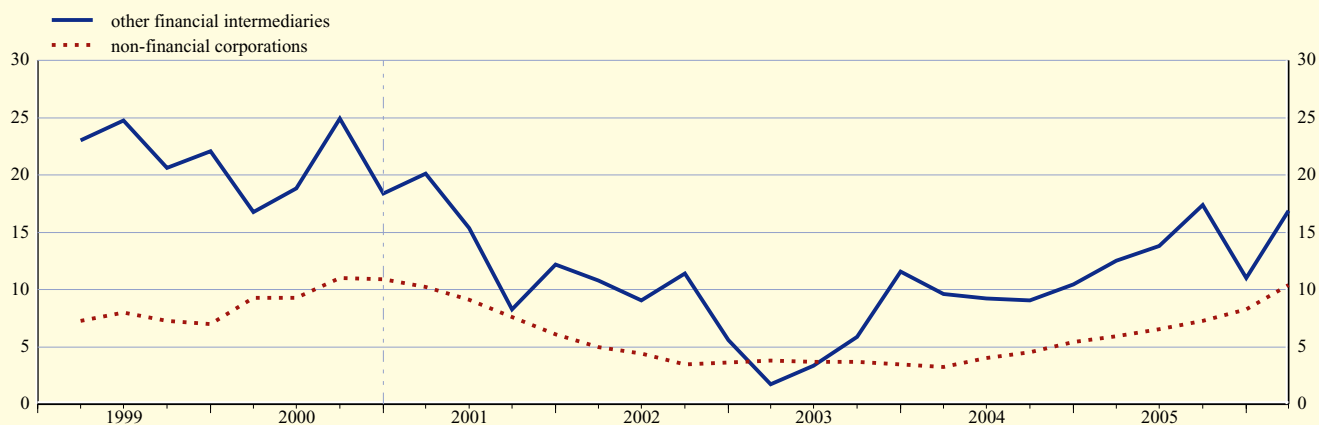
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 1. Loans to financial intermediaries and non-financial corporations <sup>2)</sup>

	Insurance corporations and pension funds		Other financial intermediaries <sup>3)</sup>		Non-financial corporations			
	Total		Total		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	Up to 1 year 2	3	Up to 1 year 4	5	6	7	8
Outstanding amounts								
2004	48.6	31.4	546.3	334.4	3,152.2	973.8	547.3	1,631.2
2005	64.6	41.6	620.4	370.2	3,409.1	1,037.7	594.0	1,777.3
2006 Jan.	76.5	52.9	641.1	392.2	3,444.6	1,045.6	601.9	1,797.1
Feb.	75.7	51.8	665.7	414.7	3,483.9	1,055.8	614.1	1,814.1
Mar.	82.2	57.8	661.1	412.0	3,524.8	1,065.4	628.9	1,830.5
Apr. <sup>(p)</sup>	87.3	62.6	677.1	428.4	3,568.2	1,087.0	636.9	1,844.4
Transactions								
2004	13.1	9.1	52.1	27.7	163.9	24.5	31.1	108.3
2005	15.0	9.8	60.8	29.2	260.9	55.0	54.3	151.6
2006 Jan.	11.9	11.3	25.3	25.1	26.9	8.5	8.0	10.4
Feb.	-1.0	-1.3	23.2	21.7	38.8	10.2	12.0	16.6
Mar.	6.5	6.0	-2.7	-1.6	43.3	10.8	14.9	17.6
Apr. <sup>(p)</sup>	5.1	4.9	17.6	17.6	46.1	22.5	9.0	14.6
Growth rates								
2004 Dec.	36.9	41.5	10.5	9.1	5.4	2.6	6.0	7.0
2005 Dec.	30.6	31.2	11.0	8.7	8.3	5.6	9.9	9.3
2006 Jan.	36.2	36.5	15.7	14.7	8.5	5.8	9.6	9.8
Feb.	27.4	26.4	18.9	18.8	9.7	7.0	12.6	10.3
Mar.	40.8	45.1	16.9	16.8	10.4	7.8	14.7	10.6
Apr. <sup>(p)</sup>	46.3	52.9	20.6	24.0	10.9	9.1	15.0	10.6

### 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) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.

3) This category includes investment funds.

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

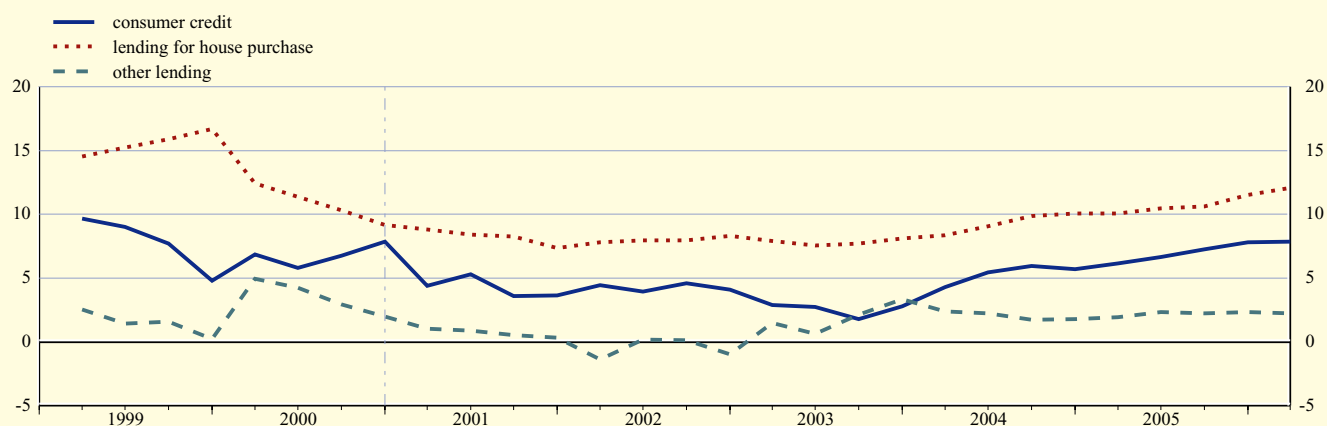
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 2. Loans to households <sup>2), 3)</sup>

	Total		Consumer credit			Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	
	1	2	3	4	5	6	7	8	9	10	11	12	13
Outstanding amounts													
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	4,193.3	554.1	129.2	200.7	224.2	2,917.6	15.2	67.5	2,834.9	721.6	147.3	99.9	474.4
2006 Jan.	4,223.8	554.6	128.5	200.3	225.9	2,949.9	15.1	67.4	2,867.4	719.3	146.4	97.3	475.6
Feb.	4,243.2	555.9	127.5	201.2	227.2	2,969.8	15.1	67.7	2,887.1	717.5	145.8	97.9	473.7
Mar.	4,275.5	556.3	126.9	200.5	228.9	2,999.8	15.1	67.9	2,916.7	719.4	146.5	98.7	474.2
Apr. <sup>4)</sup>	4,305.8	560.2	127.7	202.0	230.5	3,025.0	15.0	67.7	2,942.3	720.6	146.1	98.2	476.2
Transactions													
2004	277.4	27.7	6.4	8.4	12.9	237.4	0.8	2.7	233.9	12.3	-0.9	2.0	11.1
2005	357.3	40.3	9.1	11.6	19.7	300.5	0.8	4.8	294.9	16.4	3.8	1.4	11.2
2006 Jan.	21.2	1.2	-0.5	-0.3	2.0	19.8	-0.1	-0.1	20.0	0.2	-0.5	-0.6	1.3
Feb.	20.2	1.6	-0.9	1.0	1.4	20.1	0.0	0.2	19.8	-1.4	-0.5	0.6	-1.5
Mar.	35.6	2.2	-0.4	0.1	2.5	30.5	0.1	0.2	30.2	2.8	0.9	0.9	1.1
Apr. <sup>4)</sup>	30.8	4.1	0.8	1.2	2.0	25.5	-0.2	0.0	25.7	1.2	-0.3	-0.5	1.9
Growth rates													
2004 Dec.	7.9	5.7	5.8	4.6	6.7	10.1	5.3	4.4	10.3	1.8	-0.6	2.1	2.5
2005 Dec.	9.4	7.8	7.6	6.1	9.6	11.5	5.6	7.5	11.7	2.3	2.7	1.4	2.4
2006 Jan.	9.4	8.1	6.9	6.4	10.4	11.6	7.6	7.7	11.7	2.3	2.3	1.5	2.4
Feb.	9.5	8.4	7.0	6.8	10.7	11.7	8.6	7.9	11.8	1.9	1.9	2.2	1.8
Mar.	9.7	7.9	6.3	5.6	10.8	12.1	7.4	6.0	12.3	2.3	1.7	2.8	2.3
Apr. <sup>4)</sup>	9.8	7.8	7.3	5.3	10.3	12.1	6.1	7.1	12.3	2.3	2.7	2.2	2.2

### C6 Loans to households

(annual growth rates)



Source: ECB.

- 1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
- 2) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.
- 3) Including non-profit institutions serving households.



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

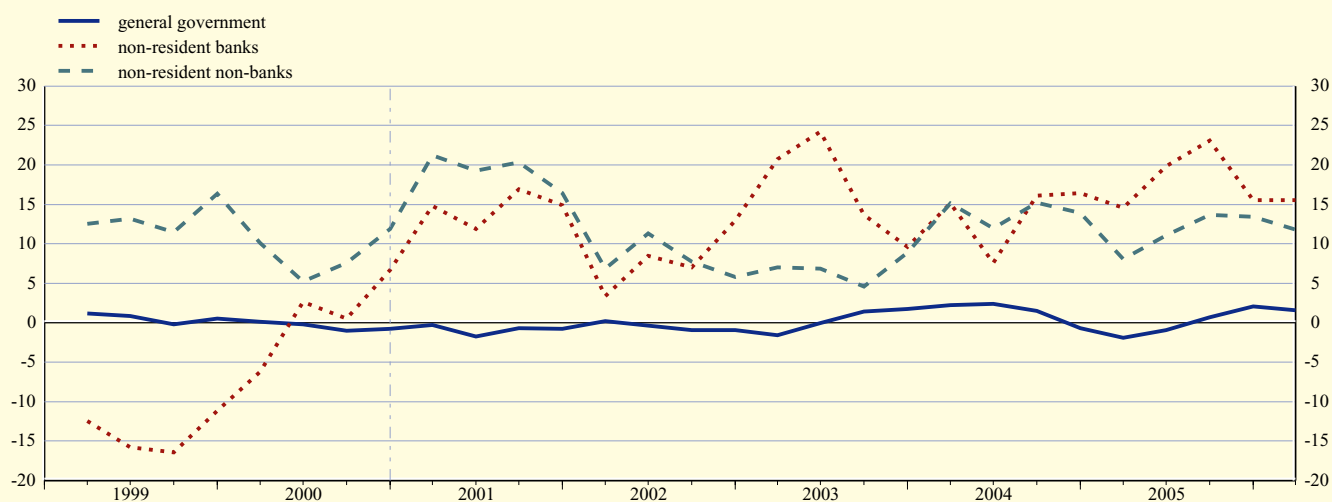
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>2)</sup>	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2003	817.5	128.4	265.1	388.9	35.0	1,757.9	1,182.2	575.7	59.3	516.4
2004	811.9	130.1	252.3	405.7	23.8	1,974.7	1,342.2	632.5	61.3	571.1
2005 Q1	806.0	128.7	248.1	406.6	22.5	2,136.5	1,463.8	672.7	62.0	610.7
Q2	807.8	124.3	247.5	407.3	28.6	2,292.5	1,582.4	710.1	62.1	648.0
Q3	815.4	124.6	247.1	411.0	32.7	2,376.2	1,633.8	742.5	64.1	678.4
Q4	831.9	130.1	246.8	425.8	29.2	2,485.3	1,723.6	761.6	66.0	695.6
2006 Q1 <sup>(p)</sup>	821.0	123.9	240.9	427.6	28.6	2,610.9	1,838.4	772.5	65.2	707.4
Transactions										
2003	13.7	-5.9	-12.2	16.6	15.3	159.4	109.2	50.1	-5.0	55.0
2004	-5.6	2.2	-13.9	17.3	-11.2	275.6	194.9	80.4	1.8	78.6
2005 Q1	-6.6	-1.6	-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	7.8	0.3	-0.5	3.8	4.1	86.0	52.8	33.4	2.0	31.5
Q4	14.7	3.8	-2.7	17.0	-3.4	-6.4	-21.5	15.1	2.0	13.1
2006 Q1 <sup>(p)</sup>	-10.7	-5.9	-5.9	1.8	-0.7	147.3	126.9	20.4	-0.8	21.2
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	1.7	-5.2	4.4	-32.1	15.6	16.4	13.9	3.1	15.2
2005 Mar.	-1.9	-2.3	-5.5	4.6	-42.1	12.4	14.6	8.0	1.1	8.8
June	-0.9	-1.1	-2.6	4.0	-34.7	17.0	19.9	11.0	2.1	12.0
Sep.	0.7	1.2	-2.4	4.1	-15.6	20.0	23.0	13.6	5.3	14.5
Dec.	2.1	-1.7	-3.2	5.4	22.9	14.9	15.5	13.4	7.7	14.0
2006 Mar. <sup>(p)</sup>	1.6	-5.0	-3.9	5.7	27.0	14.4	15.5	11.8	5.4	12.4

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

(annual growth rates)



Source: ECB.

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

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

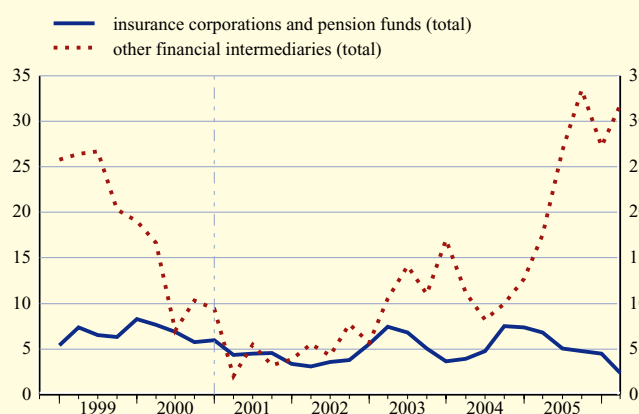
## 2.5 Deposits held with MFIs, breakdown <sup>1)</sup>

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

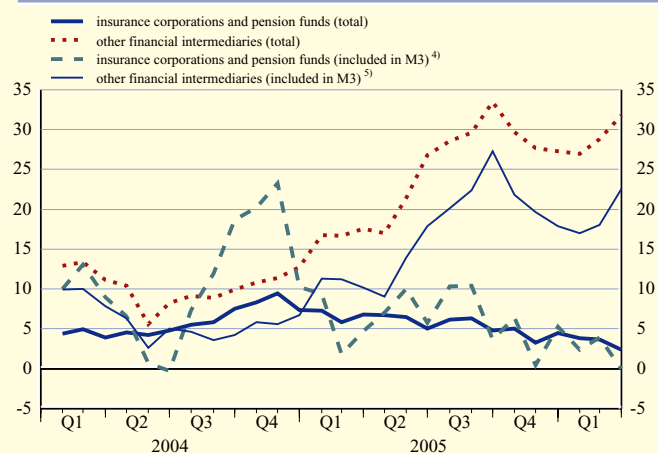
### 1. Deposits by financial intermediaries <sup>2)</sup>

	Insurance corporations and pension funds							Other financial intermediaries <sup>3)</sup>						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
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	612.6	67.8	51.9	469.7	1.2	1.4	20.6	879.2	233.9	185.6	328.0	10.5	0.1	121.1
2006 Jan.	621.1	72.5	49.8	471.5	1.2	1.4	24.6	911.9	259.5	178.8	333.2	10.0	0.1	130.4
Feb.	614.8	68.8	47.4	473.4	1.2	1.4	22.6	938.2	256.8	191.5	346.6	10.2	0.1	133.0
Mar.	612.9	65.6	50.3	474.8	1.1	1.4	19.7	982.0	271.5	195.4	368.7	11.0	0.1	135.4
Apr. <sup>4)</sup>	627.0	68.0	49.3	479.5	1.1	1.4	27.7	1,036.9	275.4	223.7	384.7	10.5	0.1	142.6
Transactions														
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	26.3	7.4	-0.6	19.2	0.4	0.0	-0.2	177.7	40.1	38.9	96.9	1.5	0.0	0.4
2006 Jan.	8.6	4.8	-2.0	1.8	0.0	0.0	4.0	34.6	26.1	-6.2	5.7	-0.5	0.0	9.4
Feb.	-6.4	-3.7	-2.5	1.8	0.0	0.0	-2.0	24.4	-3.3	12.0	12.9	0.2	0.0	2.6
Mar.	-1.7	-3.1	3.0	1.4	-0.1	0.0	-2.9	41.4	15.5	4.6	18.1	0.8	0.0	2.4
Apr. <sup>4)</sup>	14.3	2.5	-0.9	4.8	0.0	0.0	8.0	57.2	4.6	29.1	16.7	-0.5	0.0	7.3
Growth rates														
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 Dec.	4.5	12.4	-1.2	4.3	36.1	2.9	-0.8	27.3	22.2	26.2	48.4	14.3	-	0.4
2006 Jan.	3.8	6.0	-3.7	4.2	18.3	1.3	4.4	27.0	16.7	30.4	51.3	-4.5	-	3.9
Feb.	3.6	11.6	-5.1	3.6	27.3	1.0	1.6	28.8	13.4	40.0	54.8	-1.7	-	3.8
Mar.	2.4	-1.7	2.0	3.1	11.4	0.9	-0.3	31.8	20.7	43.0	52.1	6.1	-	4.8
Apr. <sup>4)</sup>	3.8	2.1	-4.0	3.6	12.7	0.7	31.2	37.2	25.0	53.3	54.9	-10.8	-	11.7

### C8 Total deposits by sector (annual growth rates)



### C9 Total deposits and deposits included in M3 by sector (annual growth rates)



Source: ECB.

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

2) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.

3) This category includes investment funds.

4) Covers deposits in columns 2, 3, 5 and 7.

5) Covers deposits in columns 9, 10, 12 and 14.

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

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

### 2. Deposits by non-financial corporations and households <sup>2)</sup>

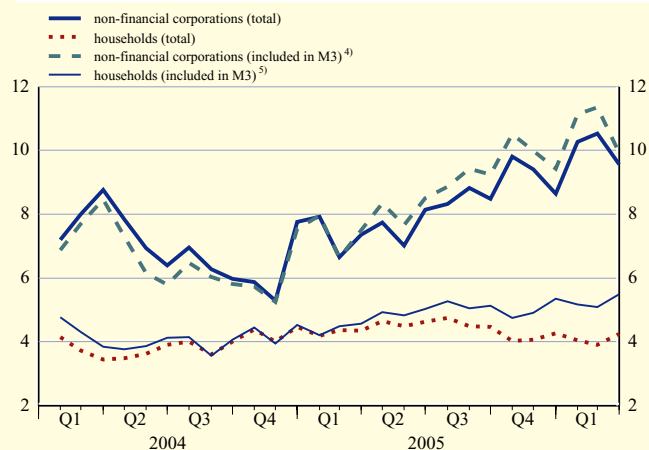
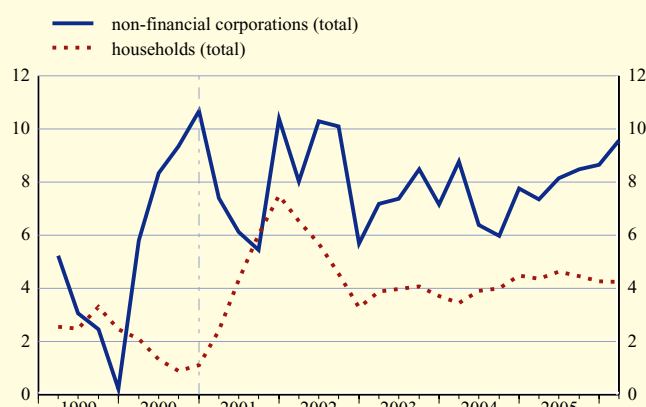
	Non-financial corporations							Households <sup>3)</sup>						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
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	1,211.8	769.2	305.1	67.2	44.5	1.2	24.6	4,343.1	1,685.9	534.0	631.3	1,354.6	84.5	52.8
2006 Jan.	1,183.3	740.6	302.0	66.7	47.2	1.2	25.5	4,338.1	1,668.6	535.5	629.3	1,366.2	85.2	53.2
Feb.	1,179.4	737.3	304.6	67.4	46.8	1.2	22.0	4,342.6	1,667.1	542.4	626.4	1,367.6	85.5	53.7
Mar.	1,198.5	745.7	312.3	71.2	46.4	1.2	21.6	4,355.9	1,673.9	549.4	623.2	1,368.0	86.3	55.1
Apr. <sup>(p)</sup>	1,212.1	752.6	318.9	71.9	45.6	1.3	21.7	4,384.0	1,703.3	552.6	620.8	1,366.8	86.5	54.1
Transactions														
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	96.6	88.9	11.4	-1.6	3.7	-0.4	-5.4	177.7	125.1	16.3	-2.8	45.9	-4.0	-2.9
2006 Jan.	-27.1	-28.0	-2.3	-0.4	2.7	0.0	0.9	-4.2	-17.1	2.1	-2.0	11.7	0.7	0.4
Feb.	-5.0	-3.9	2.1	0.7	-0.4	0.0	-3.5	3.8	-1.7	6.4	-2.9	1.3	0.3	0.5
Mar.	20.5	9.0	8.5	3.8	-0.4	0.0	-0.4	14.1	7.0	7.5	-3.1	0.5	0.8	1.4
Apr. <sup>(p)</sup>	15.5	7.7	7.5	0.9	-0.8	0.1	0.1	29.1	29.6	3.8	-2.4	-1.2	0.2	-1.0
Growth rates														
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 Dec.	8.6	13.1	3.8	-2.0	9.0	-29.0	-18.2	4.3	8.5	3.2	-0.4	3.3	-4.5	-5.1
2006 Jan.	10.3	11.9	9.1	-1.0	18.8	-27.9	1.2	4.0	7.6	3.7	-1.0	3.4	-3.4	1.9
Feb.	10.5	11.7	11.3	0.1	15.9	-27.7	-4.7	3.9	7.2	4.6	-1.5	3.3	-3.7	4.0
Mar.	9.6	9.8	11.3	5.5	14.2	-27.5	-9.7	4.2	7.4	6.7	-1.7	3.2	-2.7	7.6
Apr. <sup>(p)</sup>	10.4	10.4	12.1	11.4	10.5	-20.1	-8.7	4.2	7.4	7.1	-2.2	2.9	-1.9	6.6

### C10 Total deposits by sector

(annual growth rates)

### C11 Total deposits and deposits included in M3

by sector (annual growth rates)



Source: ECB.

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

2) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.

3) Including non-profit institutions serving households.

4) Covers deposits in columns 2, 3, 5 and 7.

5) Covers deposits in columns 9, 10, 12 and 14.

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

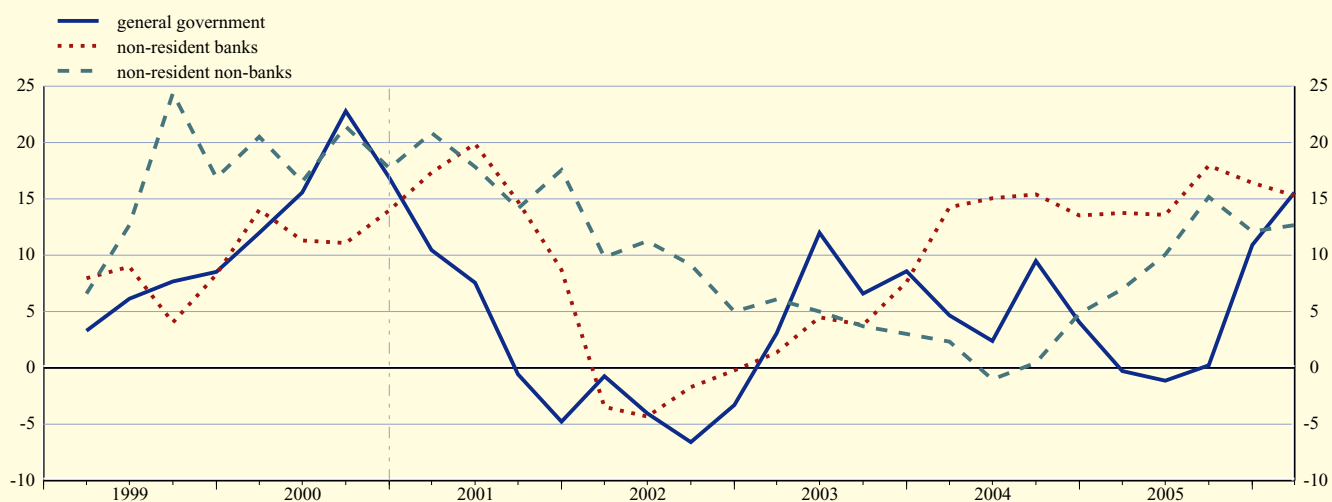
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>2)</sup>	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2003	273.3	134.4	31.1	66.9	40.9	2,245.1	1,580.8	664.3	96.1	568.2
2004	282.2	137.7	30.5	69.6	44.3	2,428.9	1,748.0	680.9	103.4	577.5
2005 Q1	269.9	126.3	33.4	67.5	42.7	2,669.0	1,935.6	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	287.5	135.1	36.0	71.3	45.2	2,907.1	2,108.2	798.9	125.2	673.7
Q4	313.1	149.2	38.3	80.9	44.7	3,049.1	2,250.4	798.6	125.8	672.8
2006 Q1 <sup>(p)</sup>	312.0	148.0	38.1	77.2	48.7	3,246.0	2,403.2	842.8	128.6	714.3
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	188.1	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	-0.9	-0.3	0.9	1.7	-3.2	122.7	74.9	47.8	6.7	41.2
Q4	25.6	14.1	2.4	9.7	-0.5	23.6	28.1	-4.4	0.6	-5.0
2006 Q1 <sup>(p)</sup>	-1.1	-1.1	-0.2	-3.7	4.0	217.8	165.4	52.4	2.8	49.5
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.	0.2	-7.9	14.1	7.9	5.9	17.2	18.0	15.1	18.7	14.5
Dec.	10.9	8.1	25.4	16.6	0.7	15.2	16.4	12.1	21.6	10.4
2006 Mar. <sup>(p)</sup>	15.5	17.0	14.1	14.6	14.0	14.6	15.3	12.6	22.0	11.0

## C12 Deposits by government and non-euro area residents

(annual growth rates)



Source: ECB.

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

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

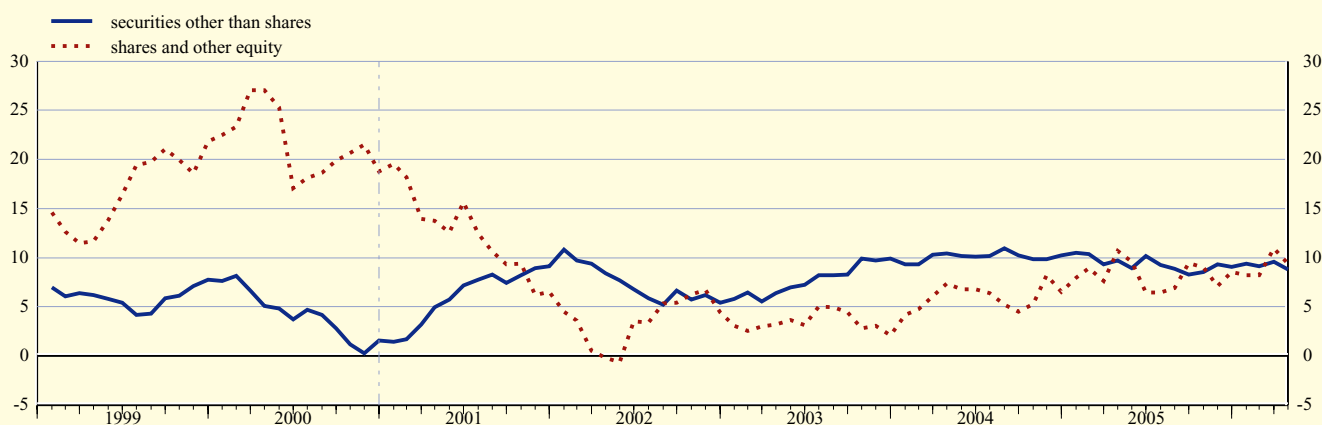
## 2.6 MFI holdings of securities, breakdown <sup>1)</sup>

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
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	4,436.9	1,450.2	63.8	1,412.3	17.0	526.5	24.1	943.0	1,253.7	309.7	695.0	249.0
2006 Jan.	4,515.3	1,470.9	62.7	1,431.6	16.8	528.5	25.7	979.0	1,294.0	322.3	710.8	260.8
Feb.	4,564.3	1,487.0	66.8	1,437.9	17.6	539.7	26.2	989.2	1,317.8	318.0	730.5	269.3
Mar.	4,573.0	1,501.7	68.6	1,412.1	16.6	546.5	27.1	1,000.4	1,363.3	323.7	765.9	273.7
Apr. <sup>(p)</sup>	4,587.3	1,506.2	69.4	1,407.3	16.6	556.1	28.1	1,003.7	1,419.0	331.9	815.8	271.3
Transactions												
2004	368.4	148.1	4.9	40.3	1.3	34.8	-1.3	140.4	70.3	2.2	37.1	31.0
2005	359.2	85.5	-1.4	48.8	-0.9	72.7	5.9	148.7	98.7	27.0	47.6	24.1
2006 Jan.	102.4	27.9	-0.1	22.8	0.3	3.4	2.1	46.1	29.9	10.1	12.9	6.9
Feb.	39.9	16.6	3.2	6.4	0.4	11.7	0.1	1.6	18.7	-5.4	16.7	7.4
Mar.	33.4	15.0	3.2	-17.3	-0.5	7.9	1.5	23.6	43.9	5.1	35.0	3.9
Apr. <sup>(p)</sup>	35.9	5.3	1.9	-0.7	0.3	9.9	1.6	17.6	55.5	8.2	49.8	-2.5
Growth rates												
2004 Dec.	10.2	12.2	8.4	3.3	7.7	8.4	-7.3	22.0	6.5	0.8	6.0	17.4
2005 Dec.	9.1	6.3	-1.7	3.9	-4.5	16.2	33.8	19.2	8.5	9.5	7.2	11.1
2006 Jan.	9.4	8.1	-7.8	2.9	-16.1	15.7	49.1	19.9	8.2	10.7	7.3	7.5
Feb.	9.1	8.1	-2.6	1.1	-10.6	15.5	52.0	21.4	8.2	8.9	9.8	2.7
Mar.	9.6	8.3	0.2	0.5	-0.5	16.8	59.2	22.9	11.0	9.4	14.2	3.8
Apr. <sup>(p)</sup>	8.8	6.9	6.4	-0.3	-9.9	16.8	56.3	22.2	9.4	6.2	11.9	6.0

## C13 MFI holdings of securities

(annual growth rates)



Source: ECB.

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

2.7 Revaluation of selected MFI balance sheet items <sup>1)</sup>  
(EUR billions)

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

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
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	-4.1	-1.7	-0.9	-1.5	-4.4	-0.3	-1.1	-3.0	-9.8	-2.7	-3.2	-3.9
2006 Jan.	-0.6	-0.2	-0.1	-0.2	-0.9	-0.1	0.0	-0.8	-1.0	-0.3	-0.1	-0.6
Feb.	-0.3	-0.1	0.0	-0.1	-0.2	0.0	0.0	-0.2	-0.5	-0.1	-0.1	-0.3
Mar.	-0.2	-0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.5	-0.1	-0.1	-0.3
Apr. <sup>(p)</sup>	-0.2	-0.1	-0.1	-0.1	0.2	0.1	0.0	0.1	-0.3	-0.1	-0.1	-0.2

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2004	-16.1	-8.8	-0.8	-6.5	-1.6	-0.5	-1.1
2005	-19.3	-7.4	-5.6	-6.2	-1.2	-0.3	-0.9
2006 Jan.	-1.7	-0.8	-0.2	-0.7	-0.1	0.0	-0.1
Feb.	-0.7	-0.3	-0.1	-0.3	0.0	0.0	0.0
Mar.	-1.1	-0.2	-0.4	-0.6	-0.1	0.0	-0.1
Apr. <sup>(p)</sup>	-0.4	-0.1	-0.1	-0.2	-0.1	0.0	0.0

3. Revaluation of securities held by MFIs

	Securities other than shares							Shares and other equity				
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2004	13.5	1.5	-0.1	10.8	-0.2	0.9	-0.1	0.6	5.4	1.3	0.8	3.3
2005	24.7	3.4	0.5	7.5	0.7	1.6	0.3	10.7	40.4	4.7	18.7	17.1
2006 Jan.	-2.0	-0.9	-0.1	-0.5	-0.1	0.0	0.0	-0.4	9.8	2.2	2.9	4.7
Feb.	2.4	0.1	0.0	0.1	0.0	-0.3	0.1	2.4	5.2	1.1	3.0	1.1
Mar.	-5.5	-0.3	-0.1	-3.7	-0.1	-0.4	-0.1	-0.9	2.0	0.6	0.8	0.5
Apr. <sup>(p)</sup>	-8.6	-0.7	-0.1	-4.0	-0.1	-0.3	-0.1	-3.3	0.2	0.1	0.1	0.0

Source: ECB.

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

2) Including non-profit institutions serving households.

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

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

### 1. Deposits

	MFIs <sup>2)</sup>							Non-MFIs						
	All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies				All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies					
			Total	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	4,820.8	91.0	9.0	5.4	0.5	1.4	1.1	6,832.4	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	4,783.0	90.6	9.4	5.7	0.5	1.5	1.1	7,122.5	96.7	3.3	2.0	0.3	0.1	0.4
Q4	4,850.9	90.9	9.1	5.6	0.4	1.5	1.0	7,359.8	96.8	3.2	2.0	0.3	0.1	0.5
2006 Q1 <sup>3)</sup>	4,946.5	89.8	10.2	6.1	0.5	1.5	1.3	7,461.3	96.6	3.4	2.0	0.3	0.1	0.6
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	1,935.6	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	2,108.2	46.8	53.2	34.3	2.5	3.0	9.7	798.9	51.9	48.1	31.1	1.8	2.0	9.9
Q4	2,250.4	46.2	53.8	35.4	2.7	2.8	10.0	798.6	51.9	48.1	32.0	1.7	2.2	9.2
2006 Q1 <sup>3)</sup>	2,403.2	47.4	52.6	34.4	2.8	2.6	9.7	842.8	52.1	47.9	32.6	1.3	2.1	9.0

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

	All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies				
			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7
2003	3,304.0	85.4	14.6	7.9	1.5	1.7	2.3
2004	3,653.9	84.6	15.4	7.6	1.7	1.9	2.7
2005 Q1	3,795.0	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	3,994.3	81.9	18.1	9.0	1.8	2.0	3.2
Q4	4,051.7	81.2	18.8	9.6	1.8	1.9	3.2
2006 Q1 <sup>3)</sup>	4,203.8	81.2	18.8	9.6	1.8	1.9	3.2

Source: ECB.

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



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

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

**3. Loans**

	MFIs <sup>2)</sup>							Non-MFIs						
	All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies				All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
To euro area residents														
2003	4,193.9	-	-	-	-	-	7,919.3	96.5	3.5	1.6	0.3	1.2	0.3	
2004	4,457.8	-	-	-	-	-	8,367.5	96.6	3.4	1.4	0.2	1.3	0.4	
2005 Q1	4,575.4	-	-	-	-	-	8,474.8	96.5	3.5	1.5	0.2	1.3	0.4	
Q2	4,529.4	-	-	-	-	-	8,725.8	96.4	3.6	1.6	0.2	1.3	0.4	
Q3	4,546.7	-	-	-	-	-	8,883.1	96.3	3.7	1.6	0.2	1.3	0.4	
Q4	4,568.4	-	-	-	-	-	9,119.3	96.3	3.7	1.6	0.2	1.3	0.5	
2006 Q1 <sup>(p)</sup>	4,656.8	-	-	-	-	-	9,364.6	96.3	3.7	1.7	0.2	1.2	0.5	
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	1,633.8	49.3	50.7	29.5	4.3	2.0	10.1	742.5	40.1	59.9	42.4	1.6	3.9	8.4
Q4	1,723.6	48.5	51.5	30.5	4.3	2.0	10.1	761.6	38.2	61.8	43.6	1.8	4.2	8.6
2006 Q1 <sup>(p)</sup>	1,838.4	49.9	50.1	30.2	3.5	2.2	9.4	772.5	39.2	60.8	43.6	1.6	3.9	8.2

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

	Issued by MFIs <sup>2)</sup>							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies				All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Issued by euro area residents														
2003	1,273.6	95.5	4.5	1.7	0.3	0.9	1.3	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	1,507.2	95.5	4.5	2.0	0.3	0.4	1.5	1,866.4	98.1	1.9	1.0	0.3	0.1	0.4
Q4	1,514.0	95.8	4.2	2.0	0.3	0.4	1.3	1,979.8	97.9	2.1	1.1	0.3	0.1	0.5
2006 Q1 <sup>(p)</sup>	1,570.4	95.6	4.4	2.0	0.2	0.4	1.4	2,002.3	97.8	2.2	1.1	0.3	0.2	0.6
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	359.5	48.9	51.1	30.3	1.0	0.5	16.6	438.4	43.8	56.2	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	407.2	49.5	50.5	29.1	0.8	0.6	17.0	489.2	40.2	59.8	36.0	6.1	0.9	11.1
Q4	401.9	48.7	51.3	29.8	0.8	0.6	16.5	541.2	36.1	63.9	36.3	8.6	0.8	12.6
2006 Q1 <sup>(p)</sup>	433.1	50.9	49.1	27.8	0.8	0.5	16.5	567.2	38.1	61.9	35.3	7.0	0.8	13.3

Source: ECB.

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

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

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

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

(EUR billions; outstanding amounts at end of period)

### 1. Assets

	Total 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
2004 Q3	3,688.2	266.5	1,588.9	78.8	1,510.1	1,179.8	325.6	155.4	172.2
Q4	3,830.2	260.5	1,622.4	78.6	1,543.8	1,251.1	342.2	158.5	195.5
2005 Q1	4,058.7	287.8	1,692.2	79.3	1,612.9	1,325.5	371.3	163.1	218.8
Q2	4,314.0	295.9	1,783.6	91.4	1,692.2	1,405.7	412.1	167.5	249.2
Q3	4,631.9	302.9	1,861.7	101.0	1,760.7	1,559.5	454.0	171.6	282.2
Q4 <sup>(p)</sup>	4,793.3	291.9	1,849.7	109.3	1,740.4	1,690.6	498.5	176.0	286.5

### 2. Liabilities

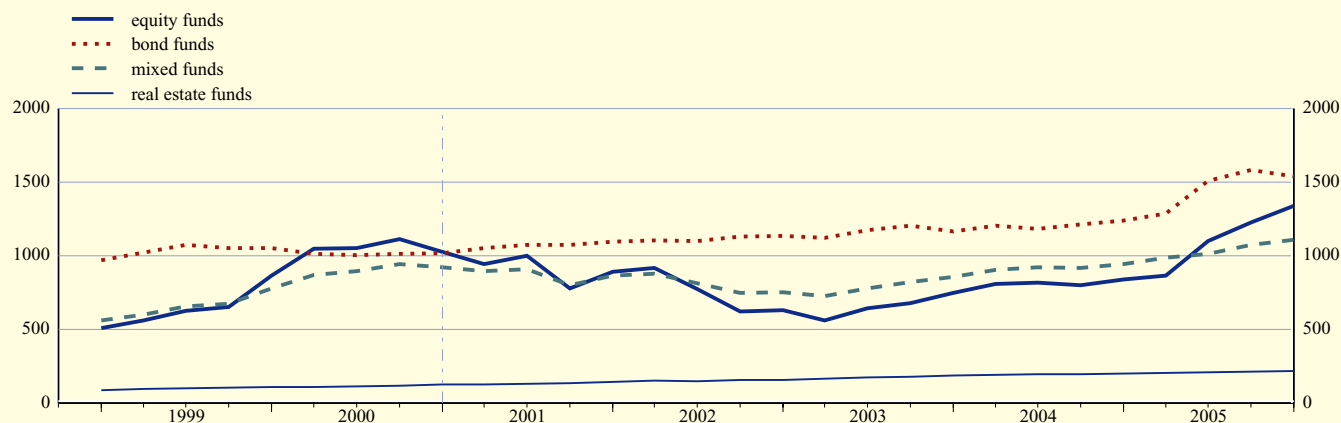
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
2004 Q3	3,688.2	53.7	3,490.7	143.9
Q4	3,830.2	53.1	3,619.6	157.5
2005 Q1	4,058.7	61.7	3,798.9	198.2
Q2	4,314.0	58.7	4,035.4	219.8
Q3	4,631.9	60.5	4,352.9	218.6
Q4 <sup>(p)</sup>	4,793.3	61.6	4,520.3	211.4

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

	Total 1	Funds by investment policy				Funds by type of investor		
		Equity funds 2	Bond funds 3	Mixed funds 4	Real estate funds 5	Other funds 6	General public funds 7	Special investors' funds 8
2004 Q3	3,688.2	798.9	1,211.2	916.5	196.2	565.4	2,739.4	948.9
Q4	3,830.2	836.8	1,238.7	941.4	196.8	616.6	2,850.9	979.2
2005 Q1	4,058.7	864.6	1,285.7	984.4	201.1	722.8	3,041.4	1,017.3
Q2	4,314.0	1,097.2	1,510.1	1,011.1	207.1	488.5	3,245.6	1,068.3
Q3	4,631.9	1,224.8	1,581.9	1,071.1	213.2	541.0	3,507.5	1,124.4
Q4 <sup>(p)</sup>	4,793.3	1,339.7	1,539.1	1,107.9	215.8	590.8	3,663.0	1,130.2

## C14 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
<b>Equity funds</b>									
2004 Q3	798.9	34.0	35.8	4.0	31.8	673.2	28.7	-	27.2
2004 Q4	836.8	30.9	37.0	4.1	32.9	705.8	32.2	-	30.9
2005 Q1	864.6	33.8	37.0	4.0	33.0	729.9	33.3	-	30.6
2005 Q2	1,097.2	45.0	41.6	4.5	37.1	936.5	40.0	-	34.1
2005 Q3	1,224.8	48.3	43.4	4.9	38.5	1,044.8	52.4	-	35.9
2005 Q4 <sup>(p)</sup>	1,339.7	52.2	45.9	5.7	40.2	1,146.5	60.3	-	34.9
<b>Bond funds</b>									
2004 Q3	1,211.2	87.1	1,006.4	42.4	964.0	34.4	28.8	-	54.5
2004 Q4	1,238.7	84.1	1,020.9	43.6	977.3	39.9	29.4	-	64.3
2005 Q1	1,285.7	97.8	1,046.0	44.8	1,001.2	39.4	34.5	-	68.0
2005 Q2	1,510.1	110.5	1,229.4	58.4	1,171.1	38.4	40.1	-	91.7
2005 Q3	1,581.9	110.3	1,289.1	67.0	1,222.1	38.4	43.8	-	100.2
2005 Q4 <sup>(p)</sup>	1,539.1	100.3	1,252.9	67.7	1,185.2	38.6	46.3	-	101.0
<b>Mixed funds</b>									
2004 Q3	916.5	57.0	375.0	23.7	351.3	291.9	142.2	0.3	50.1
2004 Q4	941.4	55.2	375.4	21.8	353.5	304.9	149.7	0.3	55.9
2005 Q1	984.4	61.1	388.4	22.5	365.9	315.0	155.3	0.2	64.5
2005 Q2	1,011.1	65.5	418.3	21.2	397.0	277.6	170.1	0.2	79.4
2005 Q3	1,071.1	67.0	426.0	21.7	404.3	301.2	185.5	0.2	91.3
2005 Q4 <sup>(p)</sup>	1,107.9	60.9	439.7	26.8	412.9	315.5	201.9	0.1	89.8
<b>Real estate funds</b>									
2004 Q3	196.2	15.5	9.2	0.7	8.5	0.8	8.1	154.0	8.7
2004 Q4	196.8	15.7	7.6	0.7	6.9	1.0	7.5	156.3	8.7
2005 Q1	201.1	14.3	8.4	0.7	7.7	1.1	7.5	160.8	9.0
2005 Q2	207.1	14.0	8.2	0.8	7.5	1.1	7.5	167.1	9.0
2005 Q3	213.2	15.2	8.8	1.2	7.6	1.3	8.1	171.0	8.7
2005 Q4 <sup>(p)</sup>	215.8	14.2	7.8	1.5	6.3	1.4	6.9	175.1	10.4

**2. Funds by type of investor**

	Total	Deposits	Holdings of securities other than shares	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
<b>General public funds</b>							
2004 Q3	2,739.4	221.6	1,051.9	939.0	249.8	133.4	143.7
2004 Q4	2,850.9	217.9	1,077.4	999.7	261.0	137.5	157.6
2005 Q1	3,041.4	241.7	1,134.4	1,058.3	285.7	141.1	180.2
2005 Q2	3,245.6	247.7	1,207.1	1,125.1	313.6	144.8	207.3
2005 Q3	3,507.5	251.6	1,260.9	1,257.8	353.3	146.5	237.4
2005 Q4 <sup>(p)</sup>	3,663.0	244.1	1,277.9	1,372.1	380.9	150.1	237.8
<b>Special investors' funds</b>							
2004 Q3	948.9	44.9	537.0	240.8	75.8	22.0	28.5
2004 Q4	979.2	42.6	545.0	251.4	81.2	21.0	37.9
2005 Q1	1,017.3	46.1	557.8	267.1	85.6	22.0	38.6
2005 Q2	1,068.3	48.2	576.5	280.6	98.5	22.8	41.9
2005 Q3	1,124.4	51.3	600.7	301.7	100.8	25.2	44.8
2005 Q4 <sup>(p)</sup>	1,130.2	47.8	571.8	318.4	117.6	25.9	48.7

Source: ECB.



## FINANCIAL AND NON-FINANCIAL ACCOUNTS

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

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

	Currency and deposits											Memo: deposits of non-MFIs 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	2	3	Total	Overnight	With agreed maturity	Redeemable at notice	Repos	8	9	10	
Outstanding amounts												
2004 Q3	16,340.6	6,191.5	383.5	5,284.3	2,104.2	1,532.2	1,565.1	82.8	204.1	319.6	354.7	
2004 Q4	16,705.4	6,343.4	413.7	5,435.0	2,165.2	1,577.9	1,603.7	88.2	162.4	332.4	336.1	
2005 Q1	16,989.7	6,355.0	408.4	5,432.8	2,174.3	1,560.0	1,620.0	78.5	187.4	326.3	371.9	
2005 Q2	17,445.5	6,526.4	430.8	5,550.1	2,448.6	1,552.8	1,471.1	77.7	211.5	334.1	369.0	
2005 Q3	17,780.5	6,527.0	439.5	5,565.7	2,440.3	1,572.3	1,475.5	77.6	182.4	339.4	396.6	
2005 Q4	18,229.4	6,727.1	467.6	5,732.3	2,559.1	1,604.0	1,489.0	80.3	173.6	353.7	392.3	
Transactions												
2004 Q3	126.9	29.8	11.3	24.8	4.6	5.5	11.3	3.4	-19.7	13.3	11.0	
2004 Q4	157.1	163.1	30.2	159.4	65.2	49.9	38.9	5.4	-41.7	15.2	-16.3	
2005 Q1	156.0	14.0	-5.2	-4.0	7.4	-17.4	15.7	-9.7	25.0	-1.8	26.7	
2005 Q2	301.9	168.1	22.3	111.0	111.0	-10.1	11.0	-0.9	24.1	10.7	-9.5	
2005 Q3	96.4	4.2	8.7	16.4	-7.4	19.5	4.4	-0.1	-29.4	8.4	14.2	
2005 Q4	301.3	209.2	28.1	170.1	119.2	34.3	14.2	2.4	-8.9	19.9	-5.7	
Growth rates												
2004 Q3	4.7	6.0	18.8	4.4	8.1	-1.1	6.2	-8.5	10.7	16.4	5.8	
2004 Q4	4.8	6.2	17.4	5.1	7.1	1.6	6.2	3.6	3.9	12.2	3.8	
2005 Q1	4.8	6.0	16.4	5.1	7.9	1.5	5.6	-3.3	1.7	10.9	5.1	
2005 Q2	4.6	6.1	15.7	5.5	9.0	1.8	4.9	-2.1	-5.5	12.1	3.5	
2005 Q3	4.4	5.6	14.6	5.4	8.4	2.7	4.5	-6.3	-10.8	10.2	4.3	
2005 Q4	5.1	6.2	13.0	5.4	10.6	1.7	2.8	-9.3	6.7	11.2	7.6	
Securities other than shares												
			Shares <sup>1)</sup>					Insurance technical reserves				
Total	Short-term	Long-term	Total	Quoted shares	Mutual fund shares	Money market fund shares/units	Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims			
12	13	14	15	16	17	18	19	20	21			
Outstanding amounts												
2004 Q3	2,011.0	240.5	1,770.5	4,033.2	2,064.8	1,968.4	421.6	4,104.8	3,725.9	378.9		
2004 Q4	2,017.5	260.8	1,756.8	4,148.1	2,165.5	1,982.6	405.0	4,196.4	3,814.4	382.0		
2005 Q1	2,023.7	255.5	1,768.2	4,302.7	2,269.9	2,032.8	411.2	4,308.4	3,917.4	391.0		
2005 Q2	2,069.8	256.4	1,813.4	4,436.2	2,347.0	2,089.2	408.4	4,413.1	4,019.5	393.5		
2005 Q3	2,054.7	251.4	1,803.3	4,692.1	2,520.6	2,171.5	409.5	4,506.7	4,109.1	397.6		
2005 Q4	2,049.6	240.4	1,809.2	4,839.2	2,656.3	2,182.9	399.8	4,613.5	4,212.6	400.9		
Transactions												
2004 Q3	20.5	9.8	10.7	14.8	7.4	7.4	-3.2	61.8	58.0	3.8		
2004 Q4	-6.3	3.2	-9.5	-62.6	-51.6	-10.9	-16.4	62.9	59.8	3.2		
2005 Q1	31.2	-5.5	36.7	36.8	1.8	35.0	6.3	74.0	65.1	9.0		
2005 Q2	25.8	2.0	23.8	37.8	19.6	18.3	-1.0	70.2	67.5	2.7		
2005 Q3	-5.8	0.4	-6.1	26.3	-8.6	34.9	3.0	71.7	67.8	4.0		
2005 Q4	5.7	-12.9	18.6	14.7	11.9	2.8	-8.3	71.7	68.6	3.2		
Growth rates												
2004 Q3	1.2	11.2	0.3	2.6	3.0	2.3	0.1	6.6	6.8	5.3		
2004 Q4	3.8	31.4	0.8	1.4	1.1	1.7	-1.6	6.7	6.8	5.9		
2005 Q1	4.6	15.4	3.2	1.4	0.9	1.9	-3.3	6.5	6.6	5.5		
2005 Q2	3.6	4.1	3.5	0.7	-1.1	2.5	-3.4	6.6	6.8	5.0		
2005 Q3	2.2	0.0	2.5	1.0	-1.9	3.9	-1.9	6.8	7.0	5.0		
2005 Q4	2.8	-6.2	4.2	2.8	1.1	4.6	0.0	6.9	7.0	4.9		

Source: ECB.

1) Excluding unquoted shares.

## 3.2 Main liabilities of non-financial sectors

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

	Loans taken from euro area MFIs and other financial corporations by												Memo: loans taken from outside the euro area by non-MFIs
	Total			General government			Non-financial corporations			Households <sup>1)</sup>			
	Total	Taken from euro area MFIs		Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	
1	2	3	4	5	6	7	8	9	10	11	12	13	
Outstanding amounts													
2004 Q3	17,495.7	8,812.5	7,671.3	930.7	90.1	840.6	3,743.4	1,172.0	2,571.4	4,138.5	287.8	3,850.7	426.2
2004 Q4	17,859.6	8,939.7	7,794.7	929.7	80.8	848.9	3,784.5	1,192.2	2,592.3	4,225.4	292.3	3,933.2	435.0
2005 Q1	18,216.3	9,027.6	7,877.9	924.3	77.4	846.9	3,815.2	1,191.4	2,623.8	4,288.1	292.1	3,996.0	451.3
2005 Q2	18,758.1	9,238.5	8,103.2	924.3	82.2	842.1	3,909.5	1,239.9	2,669.6	4,404.6	302.6	4,102.0	518.3
2005 Q3	19,232.6	9,373.1	8,238.6	933.6	87.5	846.1	3,941.0	1,222.8	2,718.3	4,498.4	300.1	4,198.3	527.8
2005 Q4	19,515.5	9,620.8	8,455.6	947.2	79.9	867.3	4,055.5	1,265.1	2,790.3	4,618.2	306.6	4,311.6	587.6
Transactions													
2004 Q3	142.1	80.9	86.1	-5.2	-1.4	-3.8	4.9	-11.3	16.1	81.2	-2.6	83.8	2.0
2004 Q4	106.9	147.6	139.7	1.9	-9.2	11.1	58.1	23.1	35.1	87.5	5.8	81.7	1.7
2005 Q1	229.3	89.9	87.2	-6.2	-3.4	-2.7	31.1	5.9	25.1	65.0	0.7	64.3	7.6
2005 Q2	333.1	202.7	186.2	-0.6	4.8	-5.4	90.1	40.6	49.5	113.1	10.4	102.7	60.9
2005 Q3	216.3	132.0	139.0	9.6	5.3	4.2	26.5	-16.3	42.8	95.9	-2.5	98.5	23.4
2005 Q4	280.7	267.3	222.0	13.2	-7.3	20.5	139.0	42.6	96.4	115.2	6.7	108.5	46.1
Growth rates													
2004 Q3	4.4	4.9	5.7	1.0	24.0	-1.0	2.3	-1.3	4.0	8.3	0.9	8.9	5.5
2004 Q4	4.3	5.1	5.9	-0.9	-1.7	-0.8	3.4	2.0	4.0	8.1	1.9	8.6	2.3
2005 Q1	4.5	5.5	6.0	-2.0	-10.1	-1.1	4.5	3.1	5.2	8.2	3.9	8.5	1.7
2005 Q2	4.7	6.0	6.6	-1.1	-10.1	-0.1	4.9	4.9	4.9	8.5	4.9	8.8	16.7
2005 Q3	5.1	6.5	7.2	0.5	-2.8	0.9	5.5	4.5	5.9	8.7	5.0	9.0	21.9
2005 Q4	5.9	7.7	8.1	1.7	-0.7	2.0	7.6	6.1	8.2	9.2	5.2	9.5	31.7
Securities other than shares issued by													
	Total			General government			Non-financial corporations			Quoted shares issued by non-financial corporations	Deposit liabilities of general government	Pension fund reserves of non- financial corporations	
	Total			Total	Short-term	Long-term	Total	Short-term	Long-term				
	14	15	16	17	18	19	20	21	22	23			
Outstanding amounts													
2004 Q3	5,370.8	4,716.4	615.5	4,100.9	654.4	225.5	428.9	2,763.8	250.8	297.7			
2004 Q4	5,380.6	4,728.9	590.8	4,138.0	651.7	221.3	430.4	2,980.4	257.9	300.9			
2005 Q1	5,498.3	4,834.9	601.3	4,233.6	663.4	235.5	428.0	3,138.6	248.1	303.7			
2005 Q2	5,709.1	5,031.3	622.8	4,408.5	677.8	240.7	437.1	3,243.6	259.9	307.0			
2005 Q3	5,705.9	5,026.8	610.7	4,416.1	679.1	237.2	441.9	3,580.2	263.0	310.4			
2005 Q4	5,627.1	4,956.5	586.5	4,369.9	670.7	235.6	435.1	3,676.1	278.2	313.3			
Transactions													
2004 Q3	47.1	39.8	0.7	39.2	7.3	-3.4	10.7	6.3	4.6	3.2			
2004 Q4	-54.3	-44.9	-25.2	-19.7	-9.4	-7.3	-2.1	2.8	6.8	4.0			
2005 Q1	140.4	123.7	9.1	114.7	16.7	15.4	1.3	4.8	-8.5	2.8			
2005 Q2	117.0	111.3	22.7	88.5	5.7	5.0	0.7	-1.7	11.9	3.3			
2005 Q3	-1.4	-1.6	-12.0	10.5	0.2	-3.6	3.7	79.3	3.1	3.4			
2005 Q4	-23.5	-20.5	-24.0	3.5	-3.0	-4.4	1.4	19.9	13.9	3.1			
Growth rates													
2004 Q3	5.2	5.2	6.7	5.0	5.2	12.7	1.8	0.5	7.2	4.9			
2004 Q4	4.8	5.2	6.2	5.1	2.0	8.4	-1.0	0.5	8.2	4.6			
2005 Q1	4.8	4.8	1.0	5.3	5.6	8.4	4.1	0.6	4.3	4.5			
2005 Q2	4.7	5.0	1.2	5.5	3.1	4.3	2.5	0.4	6.0	4.5			
2005 Q3	3.8	4.0	-0.9	4.7	2.0	4.2	0.9	3.1	5.3	4.5			
2005 Q4	4.3	4.5	-0.7	5.2	3.0	5.6	1.6	3.4	7.9	4.2			

Source: ECB.

1) Including non-profit institutions serving households.

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

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

	Main financial assets											
	Total	Deposits with euro area MFIs					Loans			Securities other than shares		
		Total	Overnight	With agreed maturity	Redeemable at notice	Repos	Total	Short-term	Long-term	Total	Short-term	Long-term
1	2	3	4	5	6	7	8	9	10	11	12	
	Outstanding amounts											
2004 Q3	4,116.0	573.6	61.5	489.8	2.3	20.0	369.9	64.0	305.9	1,652.2	67.7	1,584.5
Q4	4,229.5	583.2	59.2	500.8	2.5	20.8	361.4	63.4	297.9	1,716.6	80.0	1,636.7
2005 Q1	4,354.0	597.0	65.7	508.8	2.7	19.8	359.9	64.0	295.9	1,761.5	78.3	1,683.2
Q2	4,487.8	595.7	61.2	511.3	2.7	20.5	354.6	65.6	288.9	1,826.5	78.2	1,748.4
Q3	4,653.0	602.9	60.0	517.7	2.7	22.4	360.2	71.4	288.8	1,869.9	75.4	1,794.5
Q4	4,729.4	612.6	67.8	521.6	2.6	20.6	362.9	77.4	285.5	1,893.7	79.7	1,814.0
	Transactions											
2004 Q3	51.1	8.2	1.6	7.8	-0.1	-1.1	-0.2	-0.2	0.0	27.0	-0.4	27.4
Q4	61.7	9.9	-1.7	10.6	0.2	0.7	-8.6	-0.6	-8.0	49.3	3.4	45.8
2005 Q1	86.4	12.5	6.4	6.9	0.2	-1.0	-3.3	0.9	-4.3	50.7	-1.6	52.3
Q2	54.9	-2.1	-5.3	2.2	0.2	0.8	-5.5	1.6	-7.1	36.9	-1.1	38.1
Q3	76.6	7.2	-1.2	6.4	0.1	1.9	1.1	1.3	-0.2	33.0	-2.8	35.8
Q4	62.3	8.7	7.4	3.1	0.0	-1.9	0.9	5.5	-4.7	43.2	3.4	39.8
	Growth rates											
2004 Q3	6.9	7.5	6.8	7.7	-12.8	6.7	5.2	-0.5	6.4	9.9	3.0	10.2
Q4	6.1	7.4	1.2	8.2	-12.0	7.8	-0.2	3.0	-0.8	9.6	8.9	9.7
2005 Q1	5.8	6.8	2.2	8.3	-11.6	-10.5	-3.5	1.8	-4.6	9.5	3.4	9.8
Q2	6.3	5.1	1.8	5.7	23.8	-3.0	-4.8	2.7	-6.3	10.2	0.4	10.6
Q3	6.8	4.8	-2.8	5.3	30.1	12.0	-4.4	5.0	-6.4	10.3	-3.1	10.9
Q4	6.6	4.5	12.5	3.7	18.4	-0.8	-1.9	14.7	-5.4	9.5	-2.6	10.1

	Main financial assets					Main liabilities									
	Shares <sup>1)</sup>				Prepayments of insurance premiums and reserves for outstanding claims	Total	Loans taken from euro area MFIs and other financial corporations		Securities other than shares	Quoted shares	Insurance technical reserves				
	Total	Quoted shares	Mutual fund shares	Money market fund shares/units			Total	Taken from euro area MFIs			Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims		
13	14	15	16	17	18	19	20	21	22	23	24	25			
	Outstanding amounts														
2004 Q3	1,392.9	657.9	735.0	62.2	127.5	4,274.0	90.7	52.5	21.1	186.4	3,975.8	3,386.1	589.7		
Q4	1,439.9	688.7	751.2	67.4	128.5	4,371.7	79.5	48.6	21.2	207.9	4,063.2	3,469.7	593.4		
2005 Q1	1,503.5	716.5	787.0	67.1	132.0	4,511.3	90.1	58.2	21.4	220.3	4,179.5	3,573.4	606.0		
Q2	1,576.8	747.4	829.4	87.2	134.2	4,633.0	92.8	63.8	21.5	223.3	4,295.3	3,685.8	609.5		
Q3	1,683.5	816.0	867.5	88.1	136.6	4,726.8	92.4	65.2	22.2	251.2	4,361.0	3,774.1	586.9		
Q4	1,721.5	833.5	888.0	80.8	138.7	4,874.8	66.3	64.6	22.2	285.9	4,500.4	3,872.5	627.9		
	Transactions														
2004 Q3	14.0	9.2	4.8	-0.6	2.1	61.3	1.7	-1.1	-1.9	2.1	59.5	53.9	5.6		
Q4	10.0	2.7	7.3	5.1	1.1	43.3	-11.0	-3.6	0.0	0.1	54.3	50.5	3.8		
2005 Q1	23.0	5.5	17.6	-0.2	3.5	83.1	9.7	8.6	0.6	0.0	72.7	60.2	12.6		
Q2	23.6	1.4	22.2	6.7	2.0	72.6	2.8	5.5	0.0	0.5	69.3	65.6	3.7		
Q3	32.9	16.5	16.4	1.0	2.4	73.8	-0.4	1.4	0.5	1.1	72.6	65.9	6.7		
Q4	8.0	-10.0	18.0	-8.2	1.6	76.9	-0.5	-0.6	0.1	4.6	72.7	66.6	6.2		
	Growth rates														
2004 Q3	4.3	2.2	6.2	3.0	-0.7	6.4	6.1	17.5	0.2	4.8	6.5	6.8	4.5		
Q4	3.1	1.3	4.8	4.8	6.1	6.2	5.5	36.9	-9.1	1.6	6.5	6.8	4.8		
2005 Q1	3.6	2.2	4.8	6.4	6.3	6.0	5.4	23.7	-6.5	1.2	6.3	6.6	4.7		
Q2	5.1	2.8	7.1	17.4	6.9	6.2	3.5	17.6	-5.6	1.4	6.5	6.9	4.4		
Q3	6.4	4.0	8.6	20.3	7.1	6.4	1.2	22.8	5.4	0.9	6.8	7.2	4.5		
Q4	6.1	1.9	9.9	-1.1	7.4	7.0	14.5	30.8	6.2	3.0	7.1	7.4	4.9		

Source: ECB.

1) Excluding unquoted shares.

## 3.4 Annual saving, investment and financing

(EUR billions, unless otherwise indicated)

## 1. All sectors in the euro area

	Net acquisition of non-financial assets					Net acquisition of financial assets							
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Changes in inventories <sup>1)</sup>	Non-produced assets	Total	Monetary gold and SDRs	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Insurance technical reserves	Other investment (net) <sup>3)</sup>
	1	2	3	4	5	6	7	8	9	10	11	12	13
1999	508.0	1,353.7	-871.5	25.7	0.1	3,313.5	-1.3	566.5	499.5	879.5	1,090.1	264.7	14.4
2000	565.4	1,456.0	-927.2	36.3	0.3	3,282.1	-1.3	369.1	334.9	797.9	1,506.6	251.4	23.5
2001	517.6	1,483.0	-976.7	10.6	0.6	2,797.7	0.5	583.2	578.4	693.8	727.1	254.4	-39.6
2002	453.0	1,481.8	-1,013.9	-15.3	0.5	2,545.7	-0.9	802.0	376.5	520.7	599.7	226.2	21.5
2003	464.0	1,507.3	-1,043.4	-0.3	0.4	2,756.8	-1.7	737.8	576.0	613.6	577.0	240.9	13.2
2004	509.7	1,573.2	-1,086.0	22.6	-0.2	3,148.8	-1.6	1,007.4	647.0	710.5	520.3	257.7	7.6

	Changes in net worth <sup>4)</sup>				Net incurrence of liabilities						
	Total	Gross saving	Consumption of fixed capital (-)	Net capital transfers receivable	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Insurance technical reserves	
	14	15	16	17	18	19	20	21	22	23	
1999	488.6	1,347.3	-871.5	12.8	3,333.0	842.5	554.4	773.5	894.5	268.0	
2000	505.3	1,419.7	-927.2	12.8	3,342.1	507.7	474.0	903.2	1,200.7	256.6	
2001	481.8	1,451.1	-976.7	7.4	2,833.4	614.0	512.4	673.2	773.1	260.7	
2002	517.9	1,521.3	-1,013.9	10.6	2,480.7	637.8	437.7	565.4	610.0	229.8	
2003	500.3	1,528.8	-1,043.4	14.9	2,720.5	672.9	587.1	581.0	629.1	250.4	
2004	538.9	1,608.4	-1,086.0	16.5	3,119.5	1,120.9	684.5	548.1	506.5	259.5	

## 2. Non-financial corporations

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth <sup>4)</sup>		Net incurrence of liabilities			
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Total	Gross saving	Total	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1999	257.5	728.5	-489.2	619.9	29.9	79.6	187.4	319.4	96.6	529.8	780.8	46.8	433.4	289.7
2000	380.8	803.4	-524.2	938.4	68.2	68.5	244.2	543.7	83.4	557.3	1,235.8	70.3	632.6	521.1
2001	279.6	821.3	-554.9	623.3	106.5	45.6	183.2	234.3	95.6	587.9	807.3	104.1	381.0	310.8
2002	219.8	810.8	-576.9	408.8	24.9	22.1	65.5	256.7	123.2	639.8	505.3	17.8	268.5	206.5
2003	218.6	814.5	-592.0	378.0	91.2	-26.0	150.5	202.1	116.3	663.2	480.2	72.5	210.4	183.5
2004	254.8	850.6	-614.2	267.5	83.5	-48.6	85.2	164.9	156.0	714.6	366.3	16.8	165.9	170.5

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

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth <sup>4)</sup>		Net incurrence of liabilities		Memo:	
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Shares and other equity	Insurance technical reserves	Total	Gross saving	Total	Loans	Gross disposable income	Gross saving ratio <sup>6)</sup>
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1999	199.1	427.4	-232.9	472.0	116.6	-60.7	190.4	250.0	400.9	608.5	270.3	268.8	4,230.0	14.2
2000	201.4	445.2	-245.1	422.5	78.7	28.8	119.8	245.5	392.7	612.0	231.3	229.3	4,436.0	13.7
2001	184.8	443.9	-257.6	433.2	168.1	59.4	35.7	234.2	435.9	675.6	182.1	180.4	4,667.4	14.3
2002	185.9	455.4	-267.9	493.2	219.6	16.2	0.1	216.3	458.1	719.0	221.0	218.9	4,824.2	14.7
2003	190.1	465.1	-278.6	531.0	217.5	-45.6	92.3	240.0	470.7	735.9	250.4	248.3	4,958.7	14.7
2004	202.5	491.4	-291.9	601.6	237.3	62.8	18.9	246.4	485.9	761.9	318.1	315.8	5,128.9	14.7

Source: ECB.

- Including net acquisition of valuables.
- Excluding financial derivatives.
- Financial derivatives and other accounts receivable/payable.
- Arising from saving and net capital transfers receivable, after allowance for consumption of fixed capital (-).
- Including non-profit institutions serving households.
- Gross saving divided by gross disposable income and net increase in claims on pension funds reserves.



## FINANCIAL MARKETS

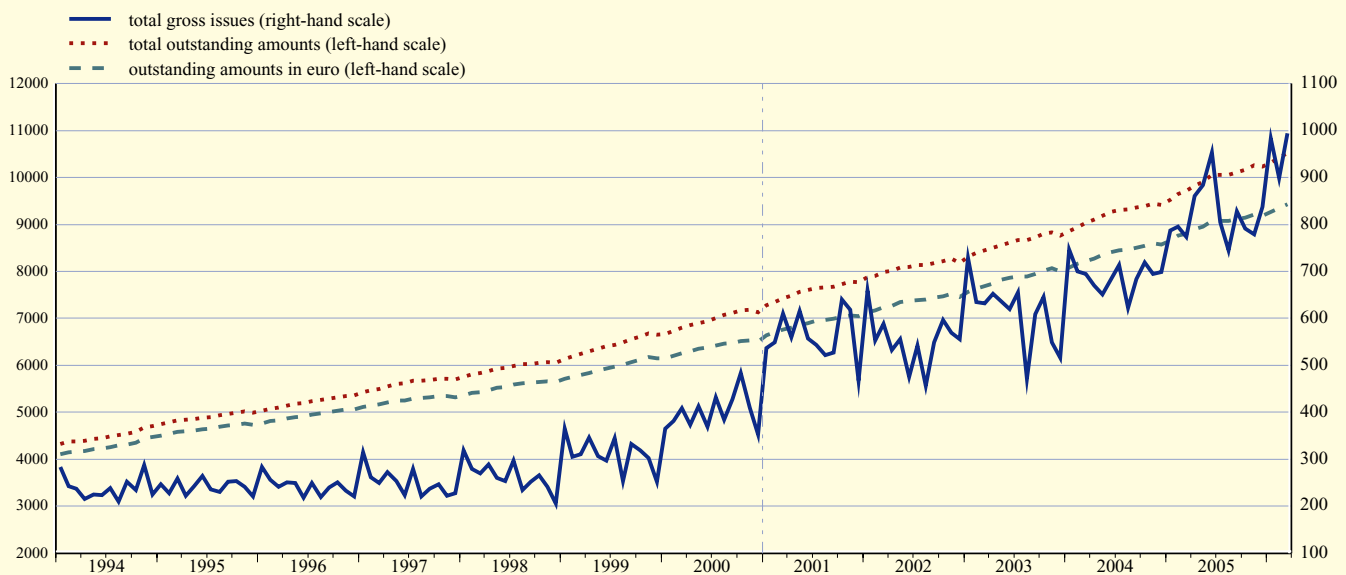
### 4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

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

	Total in euro <sup>1)</sup>			By euro area residents								
	Outstanding amounts	Gross issues	Net issues	In euro			In all currencies					
				Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted <sup>2)</sup>	
	1	2	3	4	5	6	7	8	9	10	Net issues 11	6-month growth rates 12
<b>Total</b>												
2005 Mar.	10,326.7	821.5	107.7	8,807.9	727.3	44.7	9,710.5	773.3	55.0	7.4	36.4	7.6
Apr.	10,382.8	861.7	56.1	8,892.8	814.6	84.8	9,819.8	861.1	101.1	7.8	85.8	8.6
May	10,447.4	899.0	65.8	8,952.6	844.0	60.9	9,909.6	883.7	65.5	7.4	35.7	7.9
June	10,641.0	1,026.9	193.7	9,077.6	902.8	125.5	10,050.2	952.5	135.1	8.1	138.3	9.2
July	10,618.2	818.5	-23.0	9,080.5	762.7	2.8	10,056.5	804.1	5.9	7.6	2.9	8.1
Aug.	10,625.6	757.8	3.7	9,073.2	705.2	-11.1	10,058.3	744.4	-2.7	7.4	35.2	7.0
Sep.	10,724.7	893.6	100.6	9,109.5	786.8	37.6	10,112.7	828.0	46.4	7.4	45.8	7.2
Oct.	10,739.2	797.4	14.8	9,145.6	744.0	36.2	10,166.6	790.6	53.1	7.5	51.7	6.4
Nov.	10,817.3	801.5	79.8	9,206.3	734.4	62.3	10,255.9	779.4	76.7	7.6	77.5	7.2
Dec.	10,831.6	870.4	13.1	9,183.6	794.2	-23.8	10,238.1	838.0	-24.7	7.6	77.1	5.9
2006 Jan.	10,880.9	974.8	55.2	9,262.6	930.4	84.9	10,320.1	982.9	101.6	7.6	63.7	7.1
Feb.	10,984.1	910.3	101.6	9,342.8	844.4	78.5	10,427.7	898.1	90.9	7.3	54.0	7.5
Mar.	11,137.5	1,050.3	152.4	9,422.8	934.9	79.2	10,511.2	993.4	95.4	7.6	78.1	8.1
<b>Long-term</b>												
2005 Mar.	9,372.9	204.2	75.2	7,976.7	164.6	50.5	8,761.3	185.0	58.4	8.2	48.4	8.7
Apr.	9,425.7	186.0	52.9	8,035.5	166.9	58.7	8,839.3	184.7	70.1	8.4	65.9	9.4
May	9,495.5	182.9	70.2	8,096.1	153.3	60.9	8,926.9	168.7	67.2	8.0	40.3	8.7
June	9,679.4	306.3	183.9	8,242.9	238.8	147.1	9,093.2	261.3	157.1	8.9	144.8	10.6
July	9,678.8	160.1	-0.9	8,236.0	131.4	-7.0	9,089.6	146.1	-2.4	8.4	-2.7	8.8
Aug.	9,677.5	86.9	-4.9	8,222.9	63.8	-16.8	9,087.1	77.3	-9.3	8.1	22.0	7.4
Sep.	9,745.5	188.5	68.8	8,266.1	143.8	43.8	9,147.4	163.2	55.2	8.0	48.1	7.4
Oct.	9,777.1	166.4	32.5	8,283.6	137.4	18.4	9,181.8	159.3	31.6	8.0	41.7	6.7
Nov.	9,859.4	168.3	83.3	8,348.6	131.9	65.8	9,271.3	152.6	80.4	8.2	83.2	7.7
Dec.	9,903.2	178.1	41.9	8,375.7	146.9	25.4	9,304.0	165.7	27.6	8.3	75.8	6.0
2006 Jan.	9,946.6	199.0	48.5	8,415.4	176.6	44.8	9,344.6	198.6	57.1	8.1	59.0	7.4
Feb.	10,029.6	208.8	82.5	8,475.9	170.2	59.9	9,429.2	195.8	72.1	7.6	39.7	7.8
Mar.	10,129.3	244.5	99.3	8,547.6	192.8	71.4	9,499.1	218.3	80.0	7.8	70.4	8.3

### C15 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											
2004	9,416	3,713	737	595	4,120	250	8,277	5,480	223	1,028	1,464	83
2005	10,238	4,109	927	614	4,306	283	9,837	6,983	324	1,031	1,404	95
2005 Q2	10,050	3,993	831	619	4,342	266	2,697	1,883	109	281	400	23
Q3	10,113	4,046	843	617	4,337	271	2,377	1,732	49	251	323	21
Q4	10,238	4,109	927	614	4,306	283	2,408	1,747	116	250	270	26
2006 Q1	10,511	4,258	968	625	4,370	289	2,874	2,109	78	258	407	22
2005 Dec.	10,238	4,109	927	614	4,306	283	838	626	59	78	67	8
2006 Jan.	10,320	4,144	926	618	4,347	285	983	709	13	94	159	8
Feb.	10,428	4,210	953	622	4,353	289	898	664	35	80	110	9
Mar.	10,511	4,258	968	625	4,370	289	993	736	29	84	138	6
	Short-term											
2004	912	447	7	90	362	5	6,338	4,574	44	931	756	33
2005	934	482	7	90	350	5	7,769	6,046	45	942	702	33
2005 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	235	175	9
Q4	934	482	7	90	350	5	1,930	1,531	10	221	160	8
2006 Q1	1,012	539	7	98	363	5	2,262	1,816	11	242	185	8
2005 Dec.	934	482	7	90	350	5	672	554	2	67	46	3
2006 Jan.	975	501	7	96	368	5	784	613	4	88	76	3
Feb.	998	522	7	96	368	5	702	569	3	76	52	2
Mar.	1,012	539	7	98	363	5	775	634	3	78	57	3
	Long-term <sup>1)</sup>											
2004	8,503	3,266	730	505	3,758	245	1,939	905	179	97	708	49
2005	9,304	3,627	920	524	3,956	278	2,069	937	279	89	702	61
2005 Q2	9,093	3,531	823	513	3,965	261	615	256	98	24	222	15
Q3	9,147	3,571	835	518	3,958	265	387	172	38	17	148	12
Q4	9,304	3,627	920	524	3,956	278	478	216	105	29	109	18
2006 Q1	9,499	3,720	961	527	4,007	285	613	293	67	16	222	14
2005 Dec.	9,304	3,627	920	524	3,956	278	166	72	57	11	20	5
2006 Jan.	9,345	3,643	919	523	3,979	280	199	96	9	5	83	5
Feb.	9,429	3,688	946	526	3,984	284	196	95	32	4	58	6
Mar.	9,499	3,720	961	527	4,007	285	218	102	26	6	81	3
	Of which long-term fixed rate											
2004	6,380	1,929	416	414	3,435	186	1,193	408	70	61	620	36
2005	6,713	2,016	459	413	3,607	217	1,227	413	91	54	620	48
2005 Q2	6,673	2,003	445	416	3,606	203	342	101	27	15	187	12
Q3	6,672	2,014	436	415	3,600	207	235	80	8	8	133	8
Q4	6,713	2,016	459	413	3,607	217	263	96	35	16	103	14
2006 Q1	6,821	2,067	473	410	3,645	225	407	163	29	9	195	12
2005 Dec.	6,713	2,016	459	413	3,607	217	74	24	21	5	20	3
2006 Jan.	6,749	2,043	456	408	3,622	220	149	68	3	1	72	4
Feb.	6,777	2,056	465	410	3,622	225	119	46	11	2	54	5
Mar.	6,821	2,067	473	410	3,645	225	139	48	15	5	68	2
	Of which long-term variable rate											
2004	1,870	1,148	310	77	276	59	620	404	110	32	60	14
2005	2,258	1,343	457	94	303	61	714	429	187	28	58	12
2005 Q2	2,117	1,292	375	83	310	57	238	128	71	7	29	3
Q3	2,165	1,310	396	86	315	58	124	76	30	6	8	5
Q4	2,258	1,343	457	94	303	61	185	95	70	11	4	4
2006 Q1	2,323	1,376	484	97	307	60	166	104	38	4	18	3
2005 Dec.	2,258	1,343	457	94	303	61	82	39	36	5	0	2
2006 Jan.	2,258	1,335	458	96	308	60	35	20	6	2	6	1
Feb.	2,306	1,362	477	97	310	60	66	41	21	1	2	1
Mar.	2,323	1,376	484	97	307	60	65	42	11	1	10	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

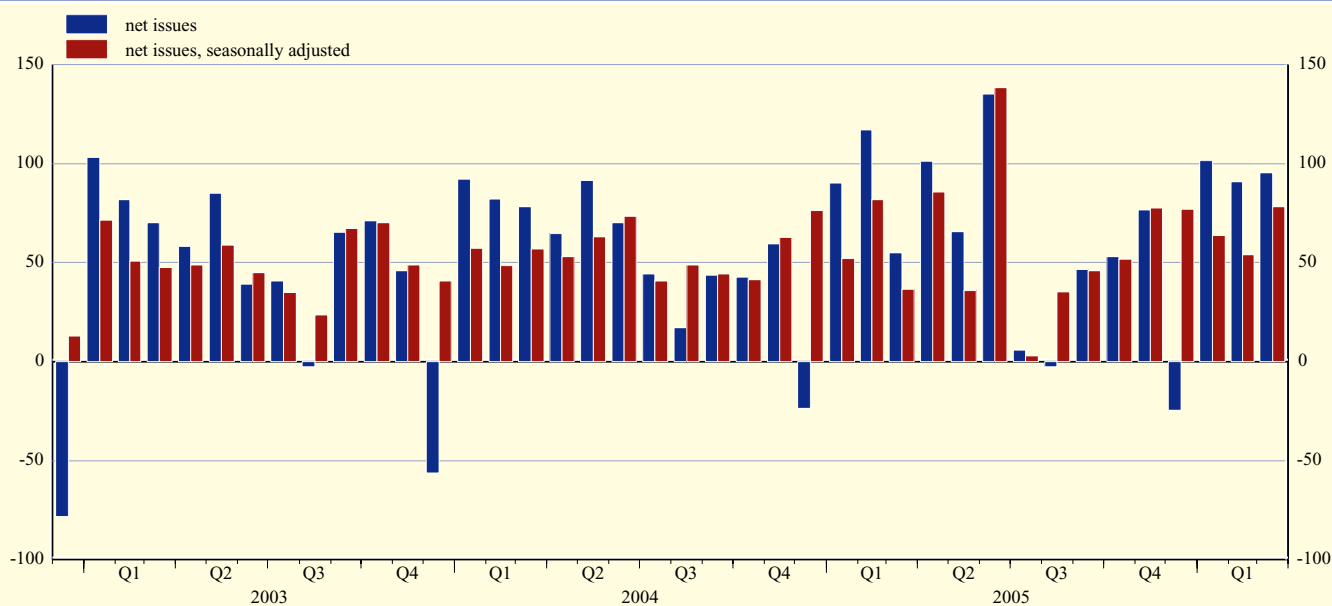
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

### 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											
2004	662.5	350.4	75.2	8.2	197.3	31.5	666.4	353.1	73.3	7.9	200.4	31.7
2005	718.4	315.4	177.3	21.1	172.1	32.3	720.2	317.9	173.7	21.2	174.9	32.6
2005 Q2	301.6	117.8	69.1	8.8	99.2	6.5	259.8	122.2	62.0	4.9	64.6	6.1
Q3	49.5	38.3	12.4	-0.8	-4.8	4.5	83.9	49.8	18.5	1.0	8.3	6.3
Q4	105.1	44.7	81.2	-0.6	-32.6	12.4	206.3	73.8	62.6	5.0	52.9	12.0
2006 Q1	288.0	158.1	43.8	12.7	66.6	6.9	195.7	112.2	65.3	9.4	3.1	5.7
2005 Dec.	-24.7	-18.6	46.8	-7.5	-48.1	2.7	77.1	18.8	29.1	0.1	24.8	4.4
2006 Jan.	101.6	50.0	0.5	5.2	43.4	2.5	63.7	37.5	13.4	2.5	8.5	1.8
Feb.	90.9	53.8	26.0	3.3	3.7	4.1	54.0	36.3	29.5	3.3	-18.8	3.6
Mar.	95.4	54.3	17.2	4.2	19.4	0.3	78.1	38.4	22.4	3.6	13.4	0.4
	Long-term											
2004	615.1	297.8	73.8	11.8	202.0	29.7	618.2	298.8	72.0	11.6	205.8	30.0
2005	709.3	292.8	177.7	21.6	184.6	32.6	711.4	294.4	174.2	21.5	188.5	32.8
2005 Q2	294.4	112.6	69.4	8.7	97.1	6.6	250.9	110.7	62.0	3.5	68.4	6.3
Q3	43.6	28.1	12.8	5.8	-7.6	4.5	67.4	29.1	18.9	7.7	5.5	6.2
Q4	139.6	40.5	81.4	8.2	-3.4	12.8	200.8	69.3	62.9	7.2	48.7	12.7
2006 Q1	209.1	100.5	43.6	4.6	53.5	6.9	169.1	71.8	65.3	9.1	17.4	5.4
2005 Dec.	27.6	-3.1	46.7	1.9	-20.9	2.9	75.8	18.4	29.0	2.6	20.9	4.9
2006 Jan.	57.1	28.1	0.7	-0.2	25.9	2.6	59.0	34.5	13.5	2.6	6.5	1.8
Feb.	72.1	36.5	25.6	3.0	2.9	4.0	39.7	17.7	29.3	5.1	-16.2	3.7
Mar.	80.0	35.9	17.3	1.8	24.6	0.3	70.4	19.6	22.5	1.4	27.1	-0.1

### C16 Net issues of securities, other than shares, seasonally adjusted and non-seasonally adjusted

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

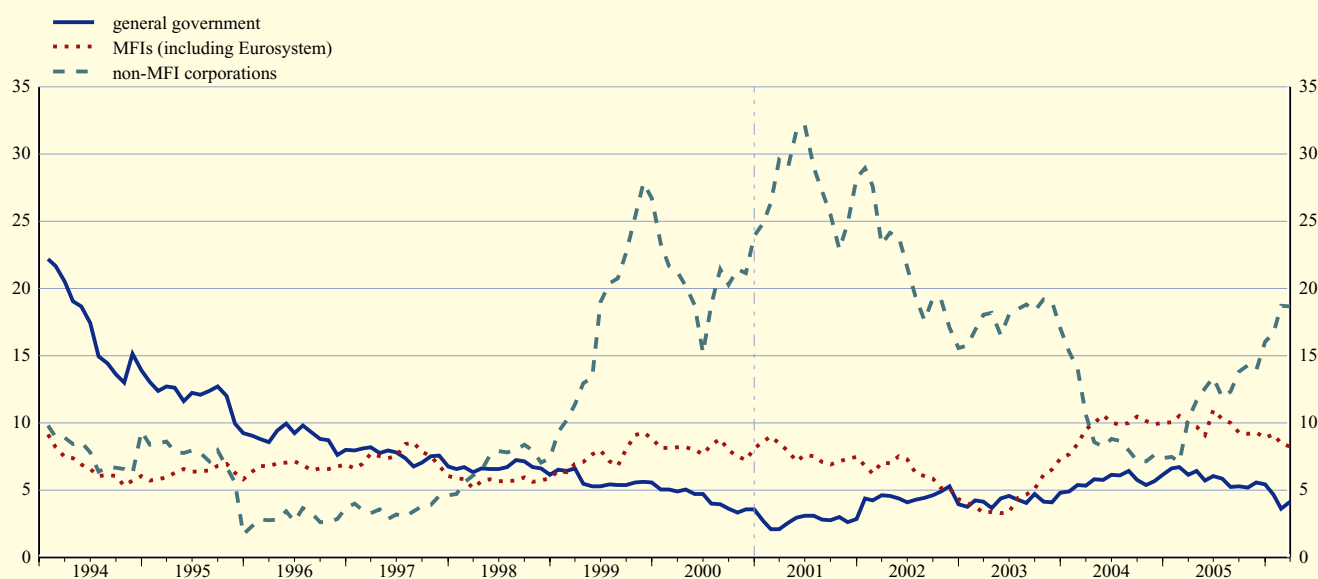


Source: ECB.

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

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2005 Mar.	7.4	9.7	14.7	4.3	4.5	11.9	7.6	9.7	20.4	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	5.9	5.2	15.6
May	7.4	9.3	18.4	4.7	4.2	11.7	7.9	9.8	19.6	5.2	4.6	10.4
June	8.1	10.5	20.0	3.0	4.6	11.3	9.2	10.6	26.9	5.1	5.5	11.8
July	7.6	10.0	18.8	1.5	4.3	12.9	8.1	10.6	22.3	2.6	4.1	9.8
Aug.	7.4	10.0	18.8	2.2	3.7	12.1	7.0	9.8	21.7	1.8	2.7	8.7
Sep.	7.4	9.4	21.2	2.8	3.8	11.7	7.2	9.1	22.2	2.0	3.5	9.7
Oct.	7.5	9.4	21.5	4.0	3.6	12.1	6.4	8.5	23.5	2.1	2.1	8.8
Nov.	7.6	9.4	21.1	3.0	4.0	12.3	7.2	8.9	22.5	0.9	3.5	14.2
Dec.	7.6	8.4	23.8	3.6	4.2	12.9	5.9	6.3	20.5	2.0	2.9	14.2
2006 Jan.	7.6	9.1	24.3	3.5	3.7	11.3	7.1	7.6	26.2	4.4	3.2	12.8
Feb.	7.3	8.9	26.9	3.2	2.7	11.9	7.5	7.9	32.3	4.6	2.6	15.0
Mar.	7.6	9.2	27.1	3.3	3.0	11.6	8.1	9.4	32.4	4.7	2.6	13.5
	Long-term											
2005 Mar.	8.2	10.0	14.5	4.6	5.8	11.5	8.7	10.2	20.2	2.7	5.8	14.3
Apr.	8.4	9.7	15.7	6.1	6.0	12.6	9.4	10.0	19.2	3.0	7.5	16.2
May	8.0	9.1	18.2	4.8	5.4	11.7	8.7	9.7	19.4	1.8	6.5	11.3
June	8.9	10.9	19.9	4.3	5.7	11.4	10.6	12.2	27.1	2.7	7.2	11.6
July	8.4	10.3	18.6	2.6	5.4	13.2	8.8	10.8	22.5	2.7	5.3	10.4
Aug.	8.1	10.0	18.8	3.4	4.8	12.3	7.4	9.3	22.3	4.3	3.4	9.2
Sep.	8.0	9.3	21.3	3.6	4.8	12.2	7.4	8.4	22.5	4.5	3.9	10.1
Oct.	8.0	9.2	21.6	4.2	4.7	12.5	6.7	8.4	24.1	5.4	2.1	8.9
Nov.	8.2	9.3	21.2	3.5	5.1	12.9	7.7	8.8	22.9	5.3	3.6	14.6
Dec.	8.3	8.9	24.1	4.3	4.9	13.3	6.0	5.6	20.9	5.9	2.8	15.1
2006 Jan.	8.1	9.1	24.6	5.0	4.2	11.8	7.4	7.5	26.6	7.3	3.1	13.3
Feb.	7.6	8.5	27.3	6.0	3.0	12.6	7.8	7.7	32.5	7.7	2.5	15.9
Mar.	7.8	8.2	27.5	5.4	3.6	12.1	8.3	8.1	32.8	6.4	3.4	14.1

C17 Annual growth rates of long-term debt securities, by sector of the issuer, in all currencies combined  
(annual percentage changes)



Source: ECB.

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

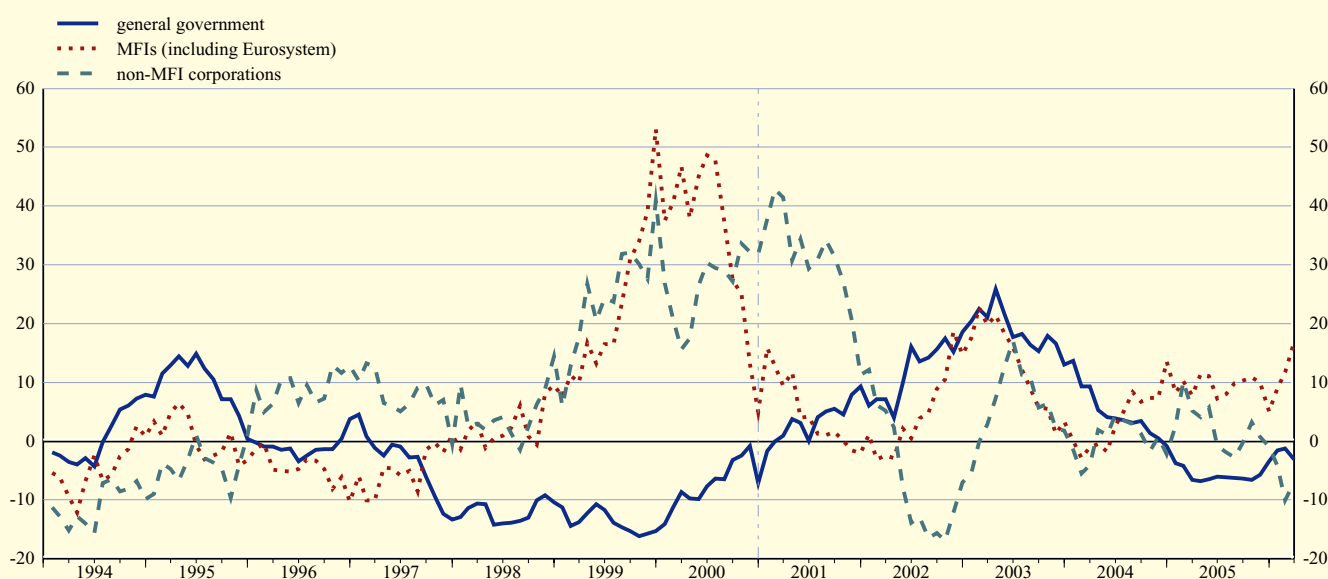
#### 4.3 Growth rates of securities, other than shares, issued by euro area residents <sup>1)</sup> (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
13	14	15	16	17	18	19	20	21	22	23	24	
	In all currencies combined											
2004	5.1	3.1	6.5	3.3	5.8	14.7	16.2	18.5	27.1	8.6	0.3	26.4
2005	4.7	3.1	5.7	0.3	5.5	15.0	19.4	18.3	35.8	22.4	9.9	4.6
2005 Q2	4.7	2.5	6.0	1.2	5.8	14.8	19.4	18.9	35.0	26.5	8.5	3.1
Q3	4.5	3.0	6.4	0.6	5.0	15.6	20.7	19.7	38.8	17.5	11.5	1.6
Q4	4.7	3.9	6.4	0.4	4.8	15.9	19.1	15.3	43.9	19.2	11.8	1.9
2006 Q1	4.4	4.5	8.9	0.8	3.6	15.6	18.7	13.8	48.8	23.9	7.9	1.1
2005 Oct.	4.7	4.1	6.8	1.1	4.7	15.4	18.7	15.2	43.0	17.7	11.7	2.3
Nov.	4.9	4.3	5.1	-0.1	5.1	16.5	18.5	14.8	44.2	19.2	10.5	0.9
Dec.	4.7	3.7	8.1	0.3	4.7	16.8	19.1	14.8	45.6	22.9	9.7	1.5
2006 Jan.	4.6	4.9	8.1	0.4	3.9	14.9	19.0	14.5	47.1	23.7	8.7	1.1
Feb.	4.0	4.5	9.6	1.4	2.7	16.2	18.7	13.4	51.0	24.6	7.7	0.0
Mar.	4.5	4.8	10.0	0.7	3.6	14.5	17.6	12.1	51.2	24.3	5.0	3.2
	In euro											
2004	4.8	1.3	10.5	2.0	5.9	14.7	15.6	17.8	27.2	8.9	0.2	25.3
2005	4.3	0.9	9.2	-0.2	5.4	15.3	18.8	17.2	35.2	22.4	10.3	5.2
2005 Q2	4.4	0.3	10.1	0.8	5.8	15.1	18.9	18.0	35.1	24.6	8.9	3.7
Q3	4.1	1.0	10.0	0.3	4.9	16.0	20.5	18.9	38.3	18.3	12.1	2.5
Q4	4.2	1.9	8.6	0.5	4.7	16.2	18.3	13.9	41.6	20.7	12.3	2.2
2006 Q1	3.8	2.7	9.1	0.7	3.5	16.1	17.9	12.3	46.1	25.8	8.3	1.1
2005 Oct.	4.3	2.1	9.5	1.3	4.5	15.7	18.0	14.0	40.5	19.1	12.2	2.5
Nov.	4.4	2.2	7.1	-0.1	5.1	16.9	17.7	13.2	41.8	20.9	11.0	1.0
Dec.	4.2	1.8	9.0	0.4	4.5	17.2	18.3	13.3	43.3	24.4	10.2	1.7
2006 Jan.	4.1	3.1	8.6	0.1	3.9	15.4	18.2	13.1	44.6	25.5	9.1	1.3
Feb.	3.4	2.7	9.7	1.3	2.6	16.7	17.9	11.9	47.9	26.6	8.1	-0.2
Mar.	3.9	3.1	8.8	0.7	3.5	15.1	16.8	10.7	48.1	26.2	5.1	3.0

#### C18 Annual growth rates of short-term debt securities, by sector of the issuer, in all currencies combined

(annual percentage changes)



Source: ECB.

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

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

(EUR billions, unless otherwise indicated; market values)

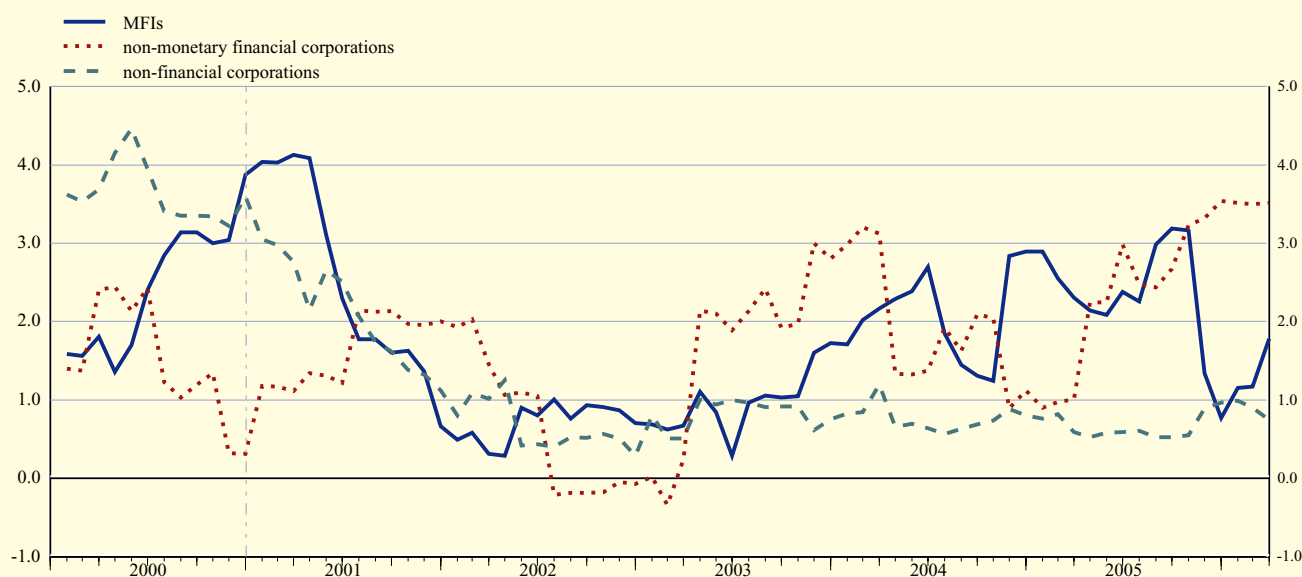
##### 1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Non-monetary financial corporations		Non-financial corporations	
	Total	Index Dec. 01 = 100	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2004 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	101.9	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	102.6	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	1.0	656.0	2.1	409.4	2.2	3,029.3	0.5
May	4,272.7	102.9	1.0	678.1	2.1	424.0	2.2	3,170.5	0.6
June	4,381.7	103.1	1.1	698.0	2.4	441.5	3.0	3,242.1	0.6
July	4,631.7	103.1	1.1	727.9	2.3	466.7	2.5	3,437.1	0.6
Aug.	4,606.4	103.2	1.1	723.4	3.0	457.1	2.4	3,425.9	0.5
Sep.	4,827.7	103.3	1.2	764.1	3.2	483.7	2.7	3,579.9	0.5
Oct.	4,659.9	103.4	1.2	752.4	3.2	480.5	3.2	3,427.1	0.6
Nov.	4,882.5	103.7	1.2	809.2	1.3	513.6	3.3	3,559.8	0.9
Dec.	5,056.8	103.8	1.2	836.4	0.8	540.8	3.5	3,679.6	1.0
2006 Jan.	5,289.7	103.9	1.3	884.8	1.2	535.8	3.5	3,869.1	1.0
Feb.	5,429.8	103.9	1.2	938.8	1.2	561.8	3.5	3,929.2	0.9
Mar.	5,630.4	104.0	1.2	962.3	1.8	579.1	3.5	4,089.0	0.7

#### C19 Annual growth rates for quoted shares issued by euro area residents

(annual percentage changes)



Source: ECB.

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

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

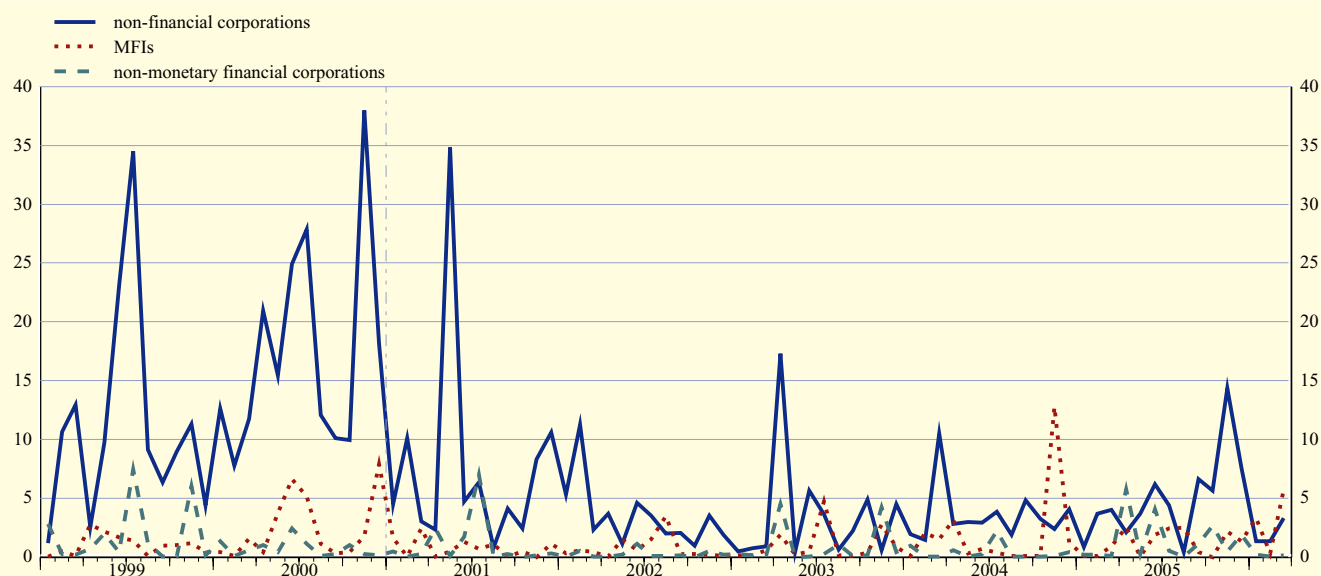
(EUR billions; market values)

### 2. Transactions during the month

	Total			MFIs			Non-monetary financial corporations			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2004 Mar.	12.0	1.1	10.9	1.5	0.0	1.5	0.0	0.1	-0.1	10.5	1.0	9.5
Apr.	6.5	1.3	5.2	3.1	0.1	3.1	0.6	0.1	0.5	2.8	1.2	1.6
May	3.3	3.7	-0.4	0.3	0.0	0.3	0.0	0.0	0.0	3.0	3.6	-0.6
June	3.9	2.2	1.7	0.7	1.6	-0.9	0.3	0.0	0.2	2.9	0.6	2.4
July	6.4	3.8	2.6	0.4	0.0	0.4	2.2	0.0	2.2	3.9	3.8	0.1
Aug.	2.0	3.1	-1.1	0.1	2.2	-2.1	0.0	0.0	0.0	1.9	1.0	0.9
Sep.	4.9	2.2	2.8	0.1	0.9	-0.8	0.0	0.0	0.0	4.8	1.3	3.5
Oct.	3.3	0.7	2.6	0.1	0.0	0.1	0.0	0.0	0.0	3.2	0.7	2.5
Nov.	15.3	3.6	11.7	12.8	0.3	12.5	0.1	0.0	0.1	2.4	3.3	-0.9
Dec.	5.7	2.2	3.5	1.2	0.0	1.2	0.4	0.1	0.3	4.1	2.1	2.0
2005 Jan.	1.1	1.2	0.0	0.1	0.0	0.1	0.2	0.0	0.2	0.9	1.2	-0.3
Feb.	4.0	1.3	2.7	0.1	0.0	0.1	0.2	0.1	0.1	3.7	1.2	2.5
Mar.	5.0	1.8	3.2	0.9	0.8	0.1	0.1	0.1	0.0	4.0	0.8	3.2
Apr.	10.4	2.3	8.1	2.5	0.0	2.5	5.8	0.0	5.7	2.1	2.3	-0.2
May	3.9	2.9	1.0	0.0	0.0	0.0	0.2	0.2	0.0	3.7	2.7	1.0
June	12.1	4.9	7.2	1.9	1.0	0.9	4.1	0.7	3.3	6.2	3.2	3.0
July	7.4	6.6	0.8	2.4	2.9	-0.4	0.5	0.0	0.5	4.4	3.7	0.7
Aug.	2.9	2.2	0.7	2.5	0.0	2.5	0.0	0.2	-0.1	0.4	2.0	-1.6
Sep.	8.2	2.2	5.9	0.4	0.0	0.4	1.1	0.0	1.1	6.6	2.2	4.4
Oct.	8.3	1.6	6.7	0.0	0.1	-0.1	2.7	0.0	2.7	5.6	1.4	4.2
Nov.	17.0	3.8	13.2	2.1	0.0	2.1	0.5	0.0	0.5	14.4	3.8	10.6
Dec.	10.8	7.3	3.5	1.3	4.3	-3.0	1.9	0.4	1.5	7.6	2.6	5.0
2006 Jan.	4.8	0.8	4.1	3.3	0.0	3.3	0.2	0.0	0.2	1.3	0.7	0.6
Feb.	1.7	1.7	0.0	0.3	0.1	0.2	0.0	0.0	0.0	1.3	1.6	-0.3
Mar.	9.1	5.4	3.7	5.7	0.0	5.7	0.1	0.0	0.1	3.3	5.4	-2.1

#### C20 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

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

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

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

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

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight <sup>1)</sup>	With agreed maturity			Redeemable at notice <sup>1),2)</sup>		Overnight <sup>1)</sup>	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2005 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	2.02	2.34	2.18	1.99	2.27	0.99	2.08	2.18	3.44	2.03
Dec.	0.71	2.15	2.25	2.21	1.98	2.30	1.01	2.25	2.48	3.53	2.22
2006 Jan.	0.73	2.21	2.47	2.56	1.99	2.32	1.04	2.27	2.40	3.52	2.25
Feb.	0.74	2.24	2.52	2.36	1.99	2.34	1.07	2.31	2.67	3.37	2.26
Mar.	0.76	2.37	2.60	2.45	1.98	2.37	1.14	2.48	2.93	3.27	2.44

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

	Bank overdrafts <sup>3)</sup>	Consumer credit				Annual percentage rate of charge <sup>3)</sup>	Lending for house purchase				Annual percentage rate of charge <sup>3)</sup>	Other lending by initial rate fixation			
		By initial rate fixation			Annual percentage rate of charge <sup>3)</sup>		By initial rate fixation					Annual percentage rate of charge <sup>3)</sup>	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years			Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years					
	1	2	3	4	5	6	7	8	9	10	11	12	13		
2005 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	4.67	4.60		
June	9.61	6.62	6.50	7.90	7.72	3.32	3.76	4.13	4.09	3.89	3.84	4.59	4.49		
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	7.84	3.31	3.69	3.98	3.96	3.82	3.85	4.51	4.25		
Oct.	9.65	6.82	6.36	7.99	7.74	3.33	3.67	3.99	3.95	3.82	3.88	4.50	4.28		
Nov.	9.70	6.74	6.33	7.84	7.61	3.38	3.69	3.97	3.96	3.85	4.00	4.29	4.33		
Dec.	9.67	6.75	6.36	7.42	7.45	3.49	3.84	4.03	4.01	3.98	4.06	4.57	4.37		
2006 Jan.	9.81	6.94	6.50	8.12	7.87	3.61	3.91	4.14	4.06	4.09	4.15	4.59	4.34		
Feb.	9.61	6.95	6.50	8.01	7.77	3.65	3.97	4.16	4.08	4.08	4.24	4.63	4.33		
Mar.	9.90	6.79	6.28	7.89	7.65	3.73	4.00	4.23	4.10	4.15	4.33	4.72	4.50		

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

	Bank overdrafts <sup>3)</sup>	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	
								1
2005 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
Dec.		5.12	3.98	4.50	4.10	3.22	3.57	3.94
2006 Jan.		5.23	4.07	4.59	4.13	3.18	3.72	3.98
Feb.		5.29	4.12	4.69	4.17	3.24	4.34	4.00
Mar.		5.30	4.23	4.59	4.16	3.50	3.84	4.18

Source: ECB.

- 1) For this instrument category, new business and outstanding amounts coincide. End-of-period.
- 2) For this instrument category, households and non-financial corporations are merged and allocated to the household sector, since the outstanding amounts of non-financial corporations are negligible compared with those of the household sector in all participating Member States combined.
- 3) The annual percentage rate of charge covers the total cost of a loan. The total cost comprises an interest rate component and a component of other (related) charges, such as the cost of inquiries, administration, preparation of documents, guarantees, etc.

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

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

#### 4. Interest rates on deposits (outstanding amounts)

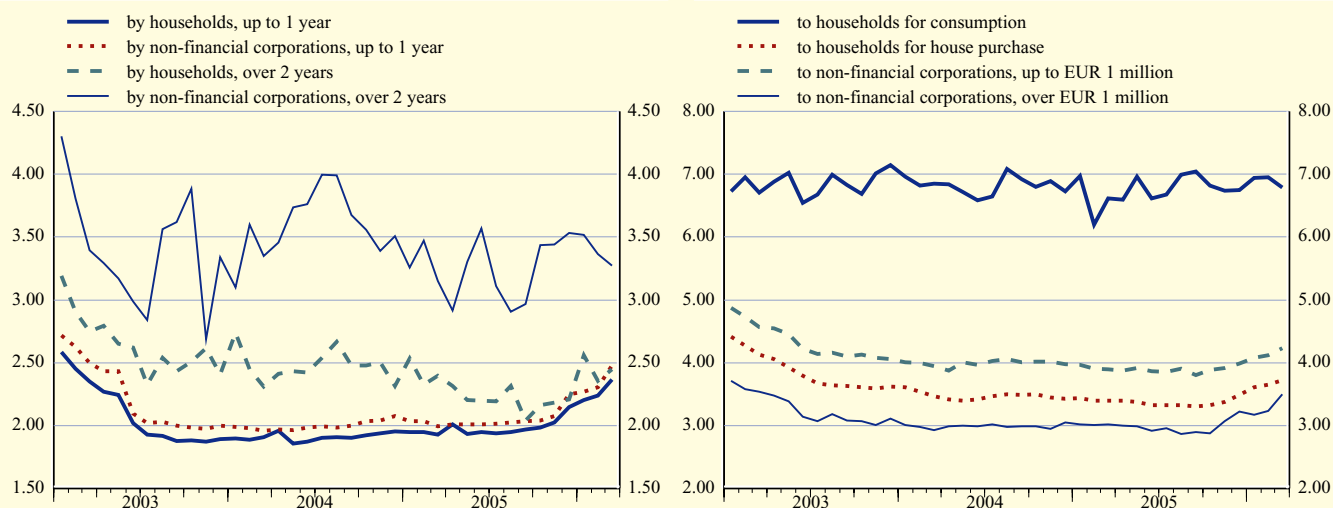
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight <sup>1)</sup>	With agreed maturity		Redeemable at notice <sup>1)2)</sup>		Overnight <sup>1)</sup>	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
2005 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	3.51	2.00
June	0.69	1.92	3.22	2.17	2.38	0.91	2.10	3.55	2.01
July	0.68	1.91	3.18	2.15	2.34	0.94	2.11	3.50	1.98
Aug.	0.69	1.92	3.18	2.03	2.31	0.96	2.10	3.52	2.00
Sep.	0.69	1.91	3.19	2.02	2.29	0.96	2.11	3.50	2.01
Oct.	0.69	1.93	3.17	1.96	2.27	0.97	2.12	3.45	2.03
Nov.	0.70	1.96	3.15	1.99	2.27	0.99	2.16	3.43	2.06
Dec.	0.71	2.01	3.15	1.98	2.30	1.01	2.30	3.41	2.16
2006 Jan.	0.73	2.05	3.10	1.99	2.32	1.04	2.32	3.48	2.21
Feb.	0.74	2.09	3.21	1.99	2.34	1.07	2.38	3.36	2.27
Mar.	0.76	2.16	3.00	1.98	2.37	1.14	2.48	3.34	2.38

#### 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
2005 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.	4.51	4.23	4.59	7.94	6.85	5.71	4.25	3.78	4.26
Oct.	4.49	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
Dec.	4.54	4.14	4.52	7.93	6.77	5.67	4.35	3.84	4.24
2006 Jan.	4.63	4.14	4.50	7.99	6.78	5.66	4.42	3.88	4.26
Feb.	4.61	4.16	4.54	7.97	6.79	5.69	4.49	3.95	4.31
Mar.	4.60	4.15	4.52	8.06	6.80	5.73	4.53	3.98	4.31

**C21 New deposits with agreed maturity**  
(percentages per annum excluding charges; period averages)

**C22 New loans at floating rate and up to 1 year initial rate fixation**  
(percentages per annum excluding charges; period averages)



Source: ECB.



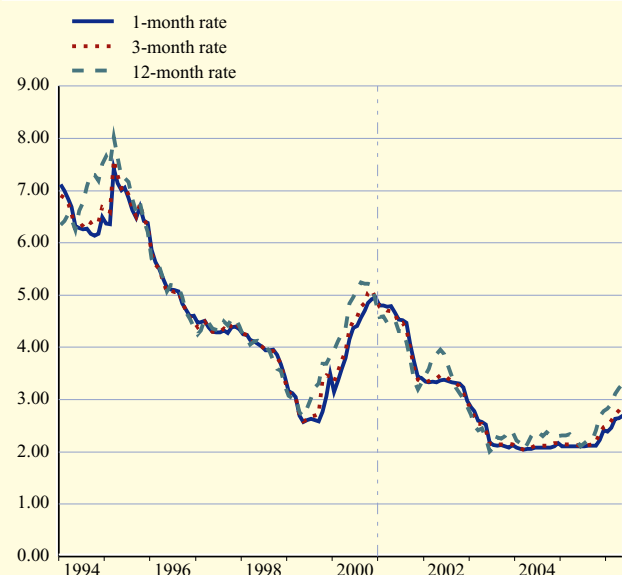
#### 4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area <sup>1)</sup>					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
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	2.18	2.23	2.33	3.56	0.06
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
2006 Q1	2.40	2.50	2.61	2.75	2.95	4.76	0.08
2005 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
Feb.	2.35	2.46	2.60	2.72	2.91	4.76	0.07
Mar.	2.52	2.63	2.72	2.87	3.11	4.92	0.10
Apr.	2.63	2.65	2.79	2.96	3.22	5.07	0.11
May	2.58	2.69	2.89	3.06	3.31	5.18	0.19

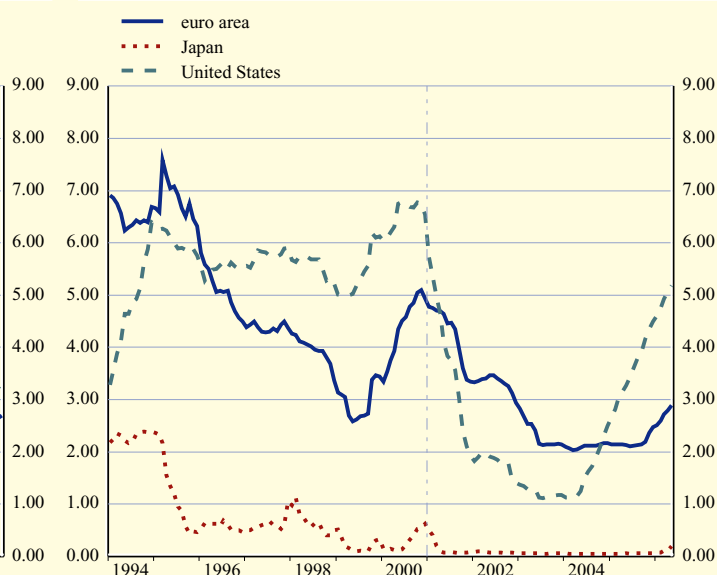
#### C23 Euro area money market rates

(monthly; percentages per annum)



#### C24 3-month money market rates

(monthly; percentages per annum)



Source: ECB.

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

## 4.7 Government bond yields

(percentages per annum; period averages)

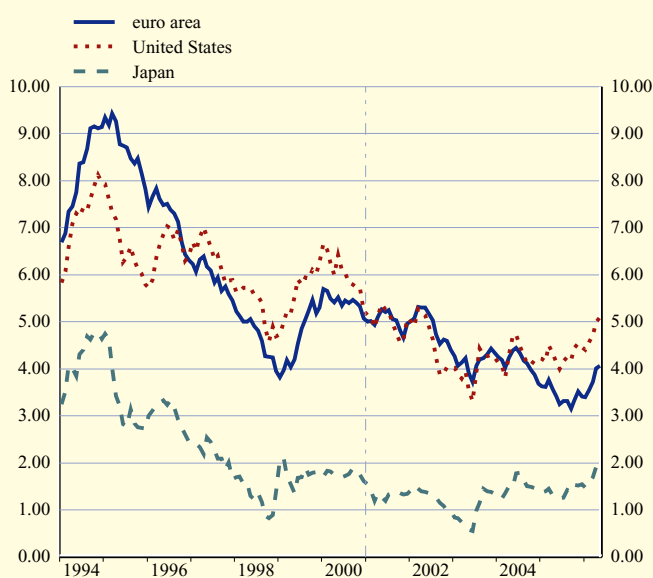
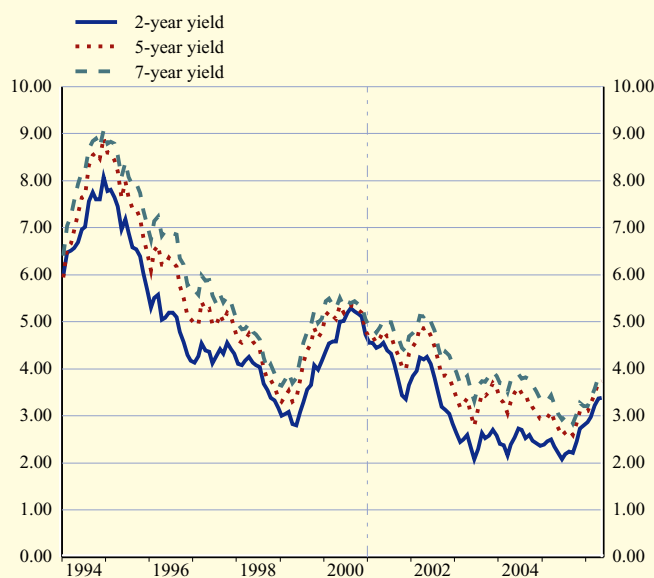
	Euro area <sup>1)</sup>					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
2003	2.49	2.74	3.32	3.74	4.16	4.00	0.99
2004	2.47	2.77	3.29	3.70	4.14	4.26	1.50
2005	2.38	2.55	2.85	3.14	3.44	4.28	1.39
2005 Q1	2.45	2.66	2.99	3.36	3.67	4.30	1.41
Q2	2.21	2.40	2.73	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
2006 Q1	3.02	3.11	3.28	3.39	3.56	4.57	1.58
2005 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
Feb.	2.97	3.07	3.26	3.37	3.55	4.56	1.57
Mar.	3.22	3.30	3.47	3.57	3.73	4.72	1.70
Apr.	3.37	3.49	3.71	3.83	4.01	4.99	1.91
May	3.38	3.52	3.74	3.89	4.06	5.10	1.91

### C25 Euro area government bond yields

(monthly; percentages per annum)

### C26 10-year government bond yields

(monthly; percentages per annum)



Source: ECB.

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

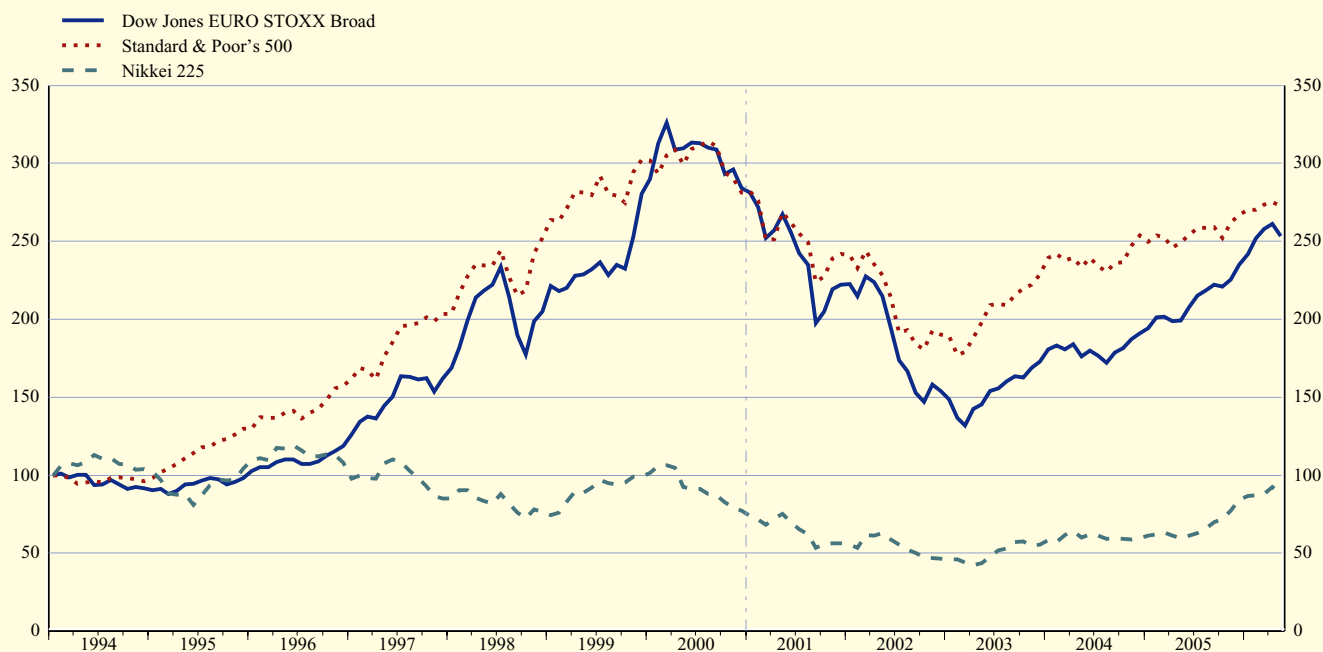
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices												United States	Japan
	Benchmark		Main industry indices										Standard & Poor's 500	Nikkei 225
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
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
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	12,310.9
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
2006 Q1	347.6	3,729.4	373.1	199.2	286.5	423.6	358.4	379.7	354.5	413.3	415.8	522.4	1,283.2	16,207.8
2005 May	276.1	3,023.5	285.7	175.4	228.7	344.1	267.1	285.2	283.8	319.4	421.3	460.5	1,179.2	11,071.4
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	11,402.8
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
Feb.	349.0	3,743.8	375.9	198.0	288.5	424.3	361.7	383.9	351.7	417.8	409.1	513.8	1,277.2	16,187.6
Mar.	358.0	3,814.9	386.5	203.1	294.9	417.4	372.5	393.6	366.3	430.4	422.7	532.9	1,293.7	16,325.2
Apr.	362.3	3,834.6	399.0	204.8	299.9	433.6	372.9	404.0	381.1	429.3	415.8	545.4	1,301.5	17,233.0
May	351.7	3,726.8	392.2	200.9	287.9	415.8	362.7	394.5	358.9	420.4	401.0	542.2	1,289.6	16,430.7

C27 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 2005 = 100	Total			Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services
		Total excl. unprocessed food and energy										
% of total <sup>1)</sup>	100.0	100.0	83.4	59.2	40.8	100.0	11.8	7.4	30.7	9.2	40.8	
	1	2	3	4	5	6	7	8	9	10	11	
2002	93.9	2.2	2.5	1.7	3.1	-	-	-	-	-	-	
2003	95.8	2.1	2.0	1.8	2.5	-	-	-	-	-	-	
2004	97.9	2.1	2.1	1.8	2.6	-	-	-	-	-	-	
2005	100.0	2.2	1.5	2.1	2.3	-	-	-	-	-	-	
2005 Q1	98.8	2.0	1.7	1.8	2.4	0.4	0.7	0.5	0.0	0.3	0.5	
Q2	99.9	2.0	1.5	1.8	2.3	0.7	0.3	0.3	0.1	4.5	0.5	
Q3	100.3	2.3	1.4	2.4	2.2	0.8	0.6	0.0	0.0	5.6	0.6	
Q4	101.0	2.3	1.5	2.4	2.1	0.4	0.7	0.6	0.2	0.4	0.5	
2006 Q1	101.0	2.3	1.4	2.6	1.9	0.4	0.5	0.6	0.1	1.3	0.4	
2005 Dec.	101.1	2.2	1.4	2.4	2.1	0.1	0.2	0.5	0.0	-0.7	0.1	
2006 Jan.	100.7	2.4	1.3	2.7	2.0	0.3	0.1	0.1	0.0	2.4	0.1	
Feb.	100.9	2.3	1.3	2.6	2.0	0.2	0.1	0.3	0.0	0.4	0.2	
Mar.	101.5	2.2	1.4	2.4	1.9	0.1	0.3	-0.4	0.1	0.5	0.1	
Apr.	102.2	2.4	1.6	2.6	2.2	0.4	0.0	0.2	0.1	2.8	0.2	
May <sup>2)</sup>	.	2.5	.	.	.	.	.	.	.	.	.	

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing	Transport	Communication	Recreation and personal	Miscellaneous	
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy						
% of total <sup>1)</sup>	19.3	11.8	7.4	39.9	30.7	9.2	10.3	6.3	6.4	2.9	14.5	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	2.4	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	1.6	2.0	0.8	2.4	0.3	10.1	2.6	2.0	2.7	-2.2	2.3	3.1
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	2.5	1.9	2.7	-2.7	2.3	2.7
2006 Q1	1.8	2.0	1.4	3.0	0.3	12.2	2.5	2.0	2.4	-3.3	2.2	2.3
2005 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
2006 Jan.	1.9	1.9	2.0	3.1	0.2	13.6	2.5	2.0	2.3	-2.9	2.2	2.4
Feb.	1.8	1.9	1.7	3.0	0.3	12.5	2.6	2.1	2.6	-3.4	2.3	2.2
Mar.	1.6	2.3	0.6	2.7	0.5	10.5	2.6	2.1	2.3	-3.5	2.1	2.3
Apr.	1.8	2.2	1.2	2.9	0.6	11.0	2.6	2.1	3.1	-3.7	2.7	2.1

Sources: Eurostat and ECB calculations.

1) Referring to the index period 2006.

2) Estimate based on provisional national releases covering around 95% of the euro area, as well as on early information on energy prices.

**5.1 HICP, other prices and costs**

(annual percentage changes, unless otherwise indicated)

**2. Industry, construction, residential property and commodity prices**

	Industrial producer prices excluding construction										Construct- ion <sup>1)</sup>	Residential property prices <sup>2)</sup>	World market prices of raw materials <sup>3)</sup>	Oil prices <sup>4)</sup> (EUR per barrel)		
	Total (index 2000 = 100)	Total	Industry excluding construction and energy							Energy					Total	Total excluding energy
			Manu- facturing	Total	Interme- diate goods	Capital goods	Consumer goods									
							Total	Durable	Non-durable							
% of total <sup>5)</sup>	100.0	100.0	89.5	82.5	31.6	21.3	29.5	4.0	25.5	17.5			100.0	32.8		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
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	6.8	-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	7.2	18.4	10.8	30.5	
2005	110.1	4.1	3.2	1.8	2.9	1.3	1.1	1.3	1.0	13.4	3.1	7.6	28.5	9.4	44.6	
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	3.0	8.0 <sup>6)</sup>	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	3.0	-	33.5	11.6	50.9	
Q4	111.9	4.4	2.8	1.4	1.7	1.1	1.4	1.2	1.4	15.6	2.9	7.2 <sup>6)</sup>	34.2	23.2	48.6	
2006 Q1	113.9	5.2	3.2	1.7	2.3	1.0	1.5	1.4	1.5	19.0	.	-	36.4	23.6	52.3	
2005 Dec.	112.0	4.7	3.0	1.5	1.9	1.0	1.3	1.3	1.3	17.0	-	-	48.6	29.8	48.5	
2006 Jan.	113.4	5.3	3.3	1.6	2.0	1.0	1.5	1.3	1.5	19.8	-	-	44.1	25.5	52.5	
Feb.	113.9	5.4	3.3	1.7	2.3	1.0	1.5	1.4	1.5	19.7	-	-	38.7	25.5	51.8	
Mar.	114.4	5.1	3.0	1.8	2.6	1.1	1.5	1.4	1.6	17.5	-	-	27.4	20.0	52.6	
Apr.	115.3	5.4	3.4	2.2	3.4	1.2	1.6	1.5	1.6	17.6	-	-	35.0	25.4	57.6	
May	.	.	.	.	.	.	.	.	.	.	-	-	36.2	31.5	55.7	

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

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total <sup>5)</sup>	100.0	100.0	73.1	26.9	34.6	9.1	56.3	
	1	2	3	4	5	6	7	8
2002	107.5	3.5	3.2	4.5	3.2	4.3	3.6	2.7
2003	110.8	3.0	2.8	3.8	3.0	3.9	2.9	2.4
2004	113.6	2.5	2.3	3.0	2.8	3.2	2.2	2.1
2005	116.5	2.6	2.3	2.9	2.6	2.5	2.6	2.1
2005 Q1	115.4	3.2	2.7	4.0	3.2	3.2	3.2	2.2
Q2	116.2	2.5	2.2	2.7	2.6	2.3	2.4	2.1
Q3	116.8	2.3	2.2	2.4	2.3	2.0	2.2	2.1
Q4	117.5	2.4	2.1	2.5	2.2	2.6	2.5	2.0
2006 Q1	.	.	.	.	.	.	.	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		
	1	2	3	4	5	6	7	8	
Unit labour costs <sup>1)</sup>									
2002	104.5	2.3	1.5	0.8	3.6	1.9	3.2	3.0	
2003	106.3	1.8	5.2	0.1	3.6	2.4	1.2	2.9	
2004	107.3	1.0	-8.7	-1.3	2.2	0.7	2.6	2.3	
2005	108.5	1.1	4.1	-0.5	3.5	0.3	2.2	1.9	
2004 Q4	107.8	1.0	-8.0	-0.2	3.1	-0.2	2.0	2.3	
2005 Q1	108.3	1.3	2.1	-0.5	5.2	0.8	2.1	1.6	
Q2	108.5	1.1	6.2	0.1	4.0	0.4	2.5	1.3	
Q3	108.4	1.0	3.4	0.1	2.3	0.0	2.2	2.1	
Q4	108.8	0.9	4.7	-1.5	2.5	-0.1	2.0	2.5	
Compensation per employee									
2002	105.3	2.6	3.2	2.3	3.7	2.6	2.3	2.9	
2003	107.6	2.2	2.7	2.4	3.8	2.2	1.5	2.2	
2004	109.9	2.2	1.6	3.2	3.6	1.6	2.0	1.9	
2005	111.8	1.7	1.4	1.8	3.3	1.8	2.1	1.4	
2004 Q4	110.4	1.8	2.1	2.6	3.3	1.5	1.6	1.5	
2005 Q1	111.1	1.6	2.6	1.7	2.8	2.0	2.0	1.1	
Q2	111.6	1.5	2.3	1.7	3.7	1.5	2.4	0.5	
Q3	112.0	1.9	0.7	2.1	3.3	1.9	2.2	1.5	
Q4	112.5	1.9	0.3	1.5	3.2	1.7	1.9	2.4	
Labour productivity <sup>2)</sup>									
2002	100.8	0.3	1.7	1.5	0.1	0.7	-0.9	-0.1	
2003	101.2	0.4	-2.4	2.3	0.2	-0.3	0.3	-0.6	
2004	102.4	1.2	11.2	4.6	1.4	0.9	-0.6	-0.4	
2005	103.0	0.6	-2.6	2.2	-0.2	1.5	-0.1	-0.5	
2004 Q4	102.3	0.8	11.0	2.7	0.2	1.6	-0.4	-0.7	
2005 Q1	102.6	0.3	0.5	2.2	-2.2	1.1	-0.1	-0.5	
Q2	102.9	0.4	-3.7	1.7	-0.3	1.1	-0.1	-0.8	
Q3	103.4	0.9	-2.6	2.0	1.0	1.9	-0.1	-0.5	
Q4	103.4	1.0	-4.3	3.0	0.6	1.8	-0.1	-0.2	

### 5. Gross domestic product deflators

	Total (s.a. index 2000 = 100)	Total	Domestic demand			Exports <sup>3)</sup>	Imports <sup>3)</sup>	
			Total	Private consumption	Government consumption			Gross fixed capital formation
	1	2	3	4	5	6	7	8
2002	105.0	2.6	2.0	1.9	3.1	1.4	-0.3	-2.1
2003	107.1	2.1	1.9	2.1	2.3	1.1	-1.2	-1.8
2004	109.2	1.9	2.0	2.0	2.4	2.6	1.1	1.5
2005	111.2	1.9	2.3	2.1	2.2	2.3	2.6	3.7
2005 Q1	110.4	2.0	2.2	2.0	2.0	2.8	2.9	3.7
Q2	110.9	1.7	2.0	1.9	1.5	2.2	2.3	3.1
Q3	111.3	1.8	2.4	2.1	2.1	2.0	2.3	3.9
Q4	112.3	2.1	2.5	2.3	3.0	2.3	2.8	4.0
2006 Q1	112.6	2.0	2.8	2.4	3.7	2.7	3.3	5.7

Sources: ECB calculations based on Eurostat data.

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

## 5.2 Output and demand

## 1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance <sup>1)</sup>		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories <sup>2)</sup>	Total	Exports <sup>1)</sup>	Imports <sup>1)</sup>
1	2	3	4	5	6	7	8	9	
	Current prices (EUR billions, seasonally adjusted)								
2002	7,250.8	7,062.6	4,144.9	1,465.5	1,465.9	-13.7	188.3	2,624.3	2,436.1
2003	7,458.9	7,298.8	4,280.3	1,524.0	1,495.2	-0.7	160.1	2,624.5	2,464.4
2004	7,737.8	7,579.0	4,428.3	1,575.8	1,561.5	13.4	158.9	2,814.8	2,655.9
2005	7,992.7	7,880.1	4,583.4	1,630.1	1,638.5	28.1	112.5	3,001.7	2,889.2
2005 Q1	1,969.9	1,934.2	1,129.4	400.1	399.7	5.0	35.7	722.2	686.6
Q2	1,986.0	1,955.1	1,139.0	405.0	407.5	3.6	30.8	737.8	707.0
Q3	2,006.9	1,982.9	1,153.6	408.5	413.8	6.9	23.9	764.4	740.5
Q4	2,030.0	2,007.9	1,161.4	416.5	417.4	12.6	22.1	777.3	755.1
2006 Q1	2,048.0	2,031.1	1,175.3	422.2	422.7	10.9	16.8	808.2	791.4
	<i>percentage of GDP</i>								
2005	100.0	98.6	57.3	20.4	20.5	0.4	1.4	-	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted <sup>3)</sup> )								
	<i>quarter-on-quarter percentage changes</i>								
2005 Q1	0.4	0.0	0.1	0.3	0.2	-	-	-0.2	-1.0
Q2	0.4	0.6	0.3	0.6	1.4	-	-	1.5	2.0
Q3	0.7	0.7	0.5	0.7	1.0	-	-	2.8	2.9
Q4	0.3	0.5	0.1	0.0	0.2	-	-	0.7	1.3
2006 Q1	0.6	0.3	0.7	0.5	0.3	-	-	3.1	2.5
	<i>annual percentage changes</i>								
2002	0.9	0.4	0.9	2.4	-1.5	-	-	1.7	0.3
2003	0.8	1.4	1.2	1.7	0.8	-	-	1.2	3.0
2004	2.1	2.0	1.6	1.0	2.3	-	-	6.6	6.6
2005	1.3	1.6	1.3	1.2	2.3	-	-	3.8	4.7
2005 Q1	1.2	1.5	1.3	0.8	1.6	-	-	3.5	4.5
Q2	1.1	1.8	1.5	1.1	2.5	-	-	2.7	4.4
Q3	1.6	1.7	1.8	1.5	3.2	-	-	4.9	5.4
Q4	1.7	1.9	1.0	1.6	2.9	-	-	4.8	5.3
2006 Q1	1.9	2.2	1.7	1.8	2.9	-	-	8.3	9.0
	<i>contributions to quarter-on-quarter percentage changes of GDP in percentage points</i>								
2005 Q1	0.4	0.1	0.0	0.1	0.0	-0.1	0.3	-	-
Q2	0.4	0.6	0.2	0.1	0.3	0.0	-0.2	-	-
Q3	0.7	0.6	0.3	0.2	0.2	0.0	0.0	-	-
Q4	0.3	0.5	0.1	0.0	0.1	0.4	-0.2	-	-
2006 Q1	0.6	0.3	0.4	0.1	0.1	-0.2	0.3	-	-
	<i>contributions to annual percentage changes of GDP in percentage points</i>								
2002	0.9	0.4	0.5	0.5	-0.3	-0.3	0.5	-	-
2003	0.8	1.4	0.7	0.3	0.2	0.2	-0.6	-	-
2004	2.1	1.9	0.9	0.2	0.5	0.4	0.1	-	-
2005	1.3	1.5	0.8	0.2	0.5	0.0	-0.2	-	-
2005 Q1	1.2	1.4	0.7	0.2	0.3	0.2	-0.3	-	-
Q2	1.1	1.7	0.8	0.2	0.5	0.1	-0.5	-	-
Q3	1.6	1.6	1.0	0.3	0.6	-0.3	-0.1	-	-
Q4	1.7	1.8	0.6	0.3	0.6	0.3	-0.1	-	-
2006 Q1	1.9	2.1	1.0	0.4	0.6	0.2	-0.1	-	-

Sources: Eurostat and ECB calculations.

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

2) Including acquisitions less disposals of valuables.

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

## 5.2 Output and demand

### 2. Value added by economic activity

	Gross value added (basic prices)							Taxes less subsidies on products
	Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities	Public administration, education, health and other services	
	1	2	3	4	5	6	7	8
	<i>Current prices (EUR billions, seasonally adjusted)</i>							
2002	6,517.3	152.1	1,377.3	373.0	1,392.1	1,749.7	1,473.1	733.5
2003	6,702.1	150.8	1,381.4	388.8	1,425.5	1,827.1	1,528.4	756.8
2004	6,945.4	151.9	1,434.5	414.3	1,474.5	1,893.4	1,576.8	792.4
2005	7,161.1	141.7	1,471.6	434.5	1,525.4	1,963.9	1,624.0	831.5
2005 Q1	1,767.4	35.9	364.0	105.5	376.2	484.5	401.3	202.4
Q2	1,781.6	35.4	367.3	107.5	379.9	488.1	403.5	204.3
Q3	1,796.3	35.0	368.2	109.6	384.2	493.5	405.7	210.6
Q4	1,815.8	35.4	372.0	111.9	385.1	497.8	413.5	214.2
2006 Q1	1,833.0	35.3	372.6	112.9	386.3	509.5	416.4	215.0
	<i>percentage of value added</i>							
2005	100.0	2.0	20.5	6.1	21.3	27.4	22.7	-
	<i>Chain-linked volumes (prices of the previous year, seasonally adjusted <sup>1)</sup>)</i>							
	<i>quarter-on-quarter percentage changes</i>							
2005 Q1	0.4	-4.3	0.2	-0.8	0.6	0.9	0.6	-0.2
Q2	0.4	-1.9	0.5	1.6	0.7	0.4	-0.1	0.3
Q3	0.5	0.4	0.8	0.1	0.6	0.6	0.3	1.6
Q4	0.3	0.1	0.4	0.8	0.6	0.2	0.1	-0.1
2006 Q1	0.6	0.1	0.6	-0.9	0.4	1.1	0.4	0.9
	<i>annual percentage changes</i>							
2002	1.0	-0.3	0.0	0.0	1.1	1.5	1.7	0.2
2003	0.7	-5.1	0.6	0.2	0.3	1.5	1.0	1.5
2004	2.2	10.5	2.7	2.1	2.1	1.9	1.5	0.8
2005	1.3	-4.2	1.1	0.8	2.2	1.9	0.8	1.1
2005 Q1	1.4	-1.0	0.9	-0.7	2.2	2.0	1.0	-0.8
Q2	1.1	-4.8	0.3	0.8	1.9	2.0	0.8	1.4
Q3	1.5	-5.1	1.0	1.5	2.5	2.0	0.9	2.1
Q4	1.7	-5.7	1.9	1.7	2.5	2.2	1.0	1.6
2006 Q1	1.9	-1.4	2.3	1.6	2.3	2.4	0.8	2.6
	<i>contributions to quarter-on-quarter percentage changes of value added in percentage points</i>							
2005 Q1	0.4	-0.1	0.0	0.0	0.1	0.3	0.1	-
Q2	0.4	0.0	0.1	0.1	0.2	0.1	0.0	-
Q3	0.5	0.0	0.2	0.0	0.1	0.2	0.1	-
Q4	0.3	0.0	0.1	0.0	0.1	0.1	0.0	-
2006 Q1	0.6	0.0	0.1	-0.1	0.1	0.3	0.1	-
	<i>contributions to annual percentage changes of value added in percentage points</i>							
2002	1.0	0.0	0.0	0.0	0.2	0.4	0.4	-
2003	0.7	-0.1	0.1	0.0	0.1	0.4	0.2	-
2004	2.2	0.2	0.5	0.1	0.4	0.5	0.3	-
2005	1.3	-0.1	0.2	0.0	0.5	0.5	0.2	-
2005 Q1	1.4	0.0	0.2	0.0	0.5	0.6	0.2	-
Q2	1.1	-0.1	0.1	0.0	0.4	0.5	0.2	-
Q3	1.5	-0.1	0.2	0.1	0.5	0.6	0.2	-
Q4	1.7	-0.1	0.4	0.1	0.5	0.6	0.2	-
2006 Q1	1.9	0.0	0.5	0.1	0.5	0.7	0.2	-

Sources: Eurostat and ECB calculations.

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



## 5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

## 3. Industrial production

	Total		Industry excluding construction								Construction	
	% of total <sup>1)</sup>	Total (s.a. index 2000 = 100)	Total		Industry excluding construction and energy					Energy		
			Manu- facturing	Total	Intermedi- ate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
1	2	3	4	5	6	7	8	9	10	11	12	
	100.0	82.9	82.9	75.0	74.0	30.0	22.4	21.5	3.6	17.9	8.9	17.1
2003	0.4	100.3	0.3	0.0	0.0	0.3	-0.1	-0.4	-4.5	0.3	3.0	0.7
2004	2.2	102.3	2.0	2.1	1.9	2.2	3.2	0.5	0.1	0.6	2.0	0.2
2005	1.1	103.6	1.2	1.3	1.1	0.9	2.7	0.6	-0.9	0.8	1.2	-0.2
2005 Q2	1.2	103.2	0.7	0.8	0.5	-0.3	2.3	0.7	-1.5	1.1	1.1	0.3
Q3	1.3	104.2	1.5	1.6	1.5	0.9	3.0	1.6	-0.1	1.9	0.4	1.1
Q4	1.8	104.7	2.1	2.2	2.3	2.4	3.1	0.9	1.8	0.8	1.8	0.6
2006 Q1	.	105.7	3.3	3.4	3.3	2.9	4.9	1.8	2.7	1.7	4.2	.
2005 Oct.	0.2	103.7	0.4	0.8	0.7	1.0	0.5	0.5	-0.9	0.8	-1.0	-1.1
Nov.	2.6	105.2	3.1	3.5	3.4	3.7	4.9	0.9	3.3	0.5	2.1	-0.7
Dec.	2.9	105.4	2.9	2.5	2.8	2.7	4.1	1.4	3.4	1.1	3.8	4.4
2006 Jan.	.	105.6	2.9	2.4	2.3	2.1	4.2	0.8	3.0	0.5	5.9	.
Feb.	.	105.6	3.2	3.2	3.0	2.1	5.7	2.3	2.4	2.3	3.1	.
Mar.	.	106.0	3.7	4.5	4.4	4.5	4.6	2.3	2.7	2.2	3.3	.
<i>month-on-month percentage changes (s.a.)</i>												
2005 Oct.	-0.8	-	-0.6	-0.7	-0.7	-0.1	-1.2	-0.7	-0.7	-0.7	-1.1	-1.9
Nov.	1.2	-	1.4	1.3	1.3	1.7	1.6	0.2	1.9	-0.1	2.9	0.9
Dec.	0.8	-	0.2	-0.1	0.0	-0.4	-0.4	0.7	0.0	0.8	3.1	2.8
2006 Jan.	.	-	0.2	0.3	0.1	0.3	0.9	-0.4	0.4	-0.5	-0.8	.
Feb.	.	-	0.1	0.1	0.0	-0.7	0.6	0.5	-0.5	0.7	0.3	.
Mar.	.	-	0.3	0.3	0.7	1.0	0.0	-0.1	-0.1	-0.1	0.0	.

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

	Industrial new orders		Industrial turnover		Current prices	Retail sales						New passenger car registrations	
	Manufacturing <sup>2)</sup> (current prices)		Manufacturing (current prices)			Constant prices						Total (s.a., thousands) <sup>3)</sup>	Total
	Total (s.a. index 2000 = 100)	Total	Total (s.a. index 2000 = 100)	Total		Total (s.a. index 2000 = 100)	Total	Food, beverages, tobacco	Non-food				
									Textiles, clothing, footwear	Household equipment			
1	2	3	4	5	6	7	8	9	10	11	12	13	
% of total <sup>1)</sup>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8		
2003	98.4	0.2	101.3	-0.2	2.2	103.7	0.7	1.3	0.2	-1.8	0.6	911	-1.5
2004	105.3	7.3	106.5	5.1	2.3	105.2	1.5	1.2	1.7	1.8	3.3	922	1.1
2005	110.8	4.6	110.5	3.7	2.2	106.7	1.3	0.7	1.8	2.0	1.2	934	1.3
2005 Q2	109.0	3.3	110.8	4.2	1.7	106.1	0.8	0.3	1.1	1.6	0.5	938	1.2
Q3	110.7	5.0	111.6	3.9	2.6	106.9	1.5	0.5	2.3	2.4	2.0	942	4.6
Q4	117.0	7.2	112.5	4.2	2.3	107.2	1.3	0.6	1.8	2.6	1.6	932	-1.2
2006 Q1	117.4	12.0	115.7	8.2	2.2	107.4	0.8	0.2	1.2	1.5	2.1	946	2.0
2005 Nov.	116.8	9.8	115.3	5.8	2.6	107.3	1.5	0.7	2.1	3.2	1.4	932	-2.0
Dec.	123.0	7.3	115.0	5.1	2.0	107.2	1.0	0.1	1.8	2.6	1.7	923	-1.8
2006 Jan.	115.7	9.6	114.7	8.1	2.9	107.8	1.4	0.7	1.8	4.0	1.9	945	2.1
Feb.	119.7	14.0	114.6	6.9	2.7	107.6	1.2	1.1	1.5	2.6	2.3	941	2.6
Mar.	116.9	12.2	117.7	9.5	1.1	106.8	-0.1	-0.9	0.5	-1.9	2.2	951	1.5
Apr.	.	.	.	.	3.8	108.3	2.8	1.9	3.2	.	.	955	1.7
<i>month-on-month percentage changes (s.a.)</i>													
2005 Nov.	-	5.0	-	7.5	0.1	-	0.1	-0.3	0.5	1.2	-0.1	-	-1.0
Dec.	-	5.3	-	-0.3	0.0	-	-0.1	-0.3	0.1	-0.3	0.7	-	-1.0
2006 Jan.	-	-5.9	-	-0.2	0.7	-	0.5	0.9	0.2	0.6	0.2	-	2.3
Feb.	-	3.4	-	-0.2	0.0	-	-0.2	0.0	-0.2	-1.3	-0.2	-	-0.4
Mar.	-	-2.3	-	2.7	-0.4	-	-0.7	-1.1	-0.3	-1.5	0.0	-	1.1
Apr.	-	.	-	.	1.0	-	1.4	1.1	1.5	.	.	-	0.4

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

1) In 2000.

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

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

## 5.2 Output and demand

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

### 5. Business and Consumer Surveys

	Economic sentiment indicator <sup>2)</sup> (long-term average = 100)	Manufacturing industry					Consumer confidence indicator <sup>3)</sup>				
		Industrial confidence indicator				Capacity utilisation <sup>5)</sup>	Total <sup>5)</sup>	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total <sup>5)</sup>	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2002	94.5	-11	-25	11	3	81.2	-11	-1	-12	27	-3
2003	93.6	-11	-25	10	3	81.0	-18	-5	-21	38	-9
2004	99.4	-5	-16	8	10	81.6	-14	-4	-14	30	-8
2005	98.1	-7	-17	11	6	81.3	-14	-4	-15	28	-8
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	97.7	-8	-18	11	6	81.0	-15	-4	-17	29	-8
Q4	100.1	-6	-15	10	7	81.5	-12	-4	-15	22	-9
2006 Q1	102.6	-2	-9	9	11	82.2	-11	-3	-11	20	-8
2005 Dec.	100.5	-5	-13	10	8	-	-11	-4	-12	19	-9
2006 Jan.	101.5	-4	-12	10	9	82.0	-11	-3	-11	19	-9
Feb.	102.7	-2	-10	8	11	-	-10	-3	-11	19	-8
Mar.	103.6	-1	-6	8	12	-	-11	-3	-12	21	-7
Apr.	105.7	1	-1	7	13	82.4	-10	-3	-8	22	-8
May	106.7	2	-2	6	14	-	-9	-3	-10	14	-7

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total <sup>5)</sup>	Order books	Employment expectations	Total <sup>5)</sup>	Present business situation	Volume of stocks	Expected business situation	Total <sup>5)</sup>	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2002	-17	-25	-10	-15	-18	17	-11	2	-3	-4	14
2003	-18	-25	-11	-11	-14	17	-2	4	-5	3	14
2004	-14	-22	-6	-9	-14	14	0	11	7	8	17
2005	-9	-15	-3	-9	-14	14	2	11	6	10	17
2005 Q1	-11	-15	-6	-10	-15	12	-2	11	8	7	17
Q2	-11	-18	-5	-10	-16	13	-1	9	0	9	17
Q3	-9	-16	-2	-9	-15	15	1	11	6	10	17
Q4	-5	-11	0	-6	-11	16	9	14	10	13	18
2006 Q1	-4	-10	2	-4	-5	16	8	15	11	14	19
2005 Dec.	-6	-11	-1	-5	-7	17	9	13	9	13	18
2006 Jan.	-4	-9	1	-6	-7	17	5	15	13	17	17
Feb.	-5	-12	2	-5	-5	16	7	14	8	13	21
Mar.	-3	-10	4	-1	-1	14	11	15	11	13	21
Apr.	-3	-9	3	-1	-1	16	15	18	14	17	23
May	-3	-8	3	-1	-1	15	14	19	17	17	24

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

- 1) Difference between the percentages of respondents giving positive and negative replies.
- 2) The economic sentiment indicator is composed of the industrial, services, consumer, construction and retail trade confidence indicators; the industrial confidence indicator has a weight of 40%, the services confidence indicator a weight of 30%, the consumer confidence indicator a weight of 20% and the two other indicators a weight of 5% each. Values of the economic sentiment indicator above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period from January 1985.
- 3) Owing to changes in the questionnaire used for the French survey, euro area results from January 2004 onwards are not fully comparable with previous results.
- 4) Data are collected in January, April, July and October each year. The quarterly figures shown are averages of two successive surveys. Annual data are derived from quarterly averages.
- 5) The confidence indicators are calculated as simple averages of the components shown; the assessments of stocks (columns 4 and 17) and unemployment (column 10) are used with inverted signs for the calculation of confidence indicators.

5.3 Labour markets <sup>1)</sup>

(annual percentage changes, unless otherwise indicated)

## 1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total <sup>2)</sup>	100.0	100.0	84.5	15.5	4.4	17.6	7.3	25.0	15.4	30.3
	1	2	3	4	5	6	7	8	9	10
2002	135.263	0.7	0.8	0.2	-1.7	-1.5	0.0	0.5	2.4	1.9
2003	135.772	0.4	0.3	0.7	-2.4	-1.7	0.3	0.6	1.2	1.6
2004	136.637	0.6	0.6	1.0	-0.6	-1.8	0.7	0.9	2.1	1.4
2005	137.674	0.8	0.9	-0.1	-1.3	-1.3	1.2	0.8	2.2	1.4
2004 Q4	137.016	0.8	0.8	0.9	-0.8	-0.8	1.1	0.7	1.9	1.5
2005 Q1	137.216	0.9	0.9	0.6	-1.3	-1.2	1.6	1.1	2.1	1.4
Q2	137.363	0.7	0.8	0.2	-1.0	-1.7	1.1	0.9	2.1	1.6
Q3	137.575	0.7	0.9	-0.5	-2.0	-1.0	0.7	0.6	2.2	1.5
Q4	137.967	0.7	1.0	-0.7	-1.0	-1.1	1.2	0.6	2.3	1.1
	<i>quarter-on-quarter percentage changes (s.a.)</i>									
2004 Q4	0.375	0.3	0.3	0.4	-1.2	-0.1	0.1	0.1	0.8	0.7
2005 Q1	0.200	0.1	0.2	-0.4	-1.3	-0.4	0.3	0.4	0.4	0.3
Q2	0.147	0.1	0.1	0.0	0.2	-0.3	0.2	0.1	0.1	0.3
Q3	0.212	0.2	0.3	-0.5	-0.3	-0.1	-0.1	0.0	0.7	0.3
Q4	0.392	0.3	0.3	0.2	-0.1	-0.3	0.6	0.2	1.0	0.3

## 2. Unemployment

*(seasonally adjusted)*

	Total		By age <sup>3)</sup>				By gender <sup>4)</sup>			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total <sup>2)</sup>	100.0		75.6		24.4		48.5		51.5	
	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	12.899	8.9	9.751	7.6	3.149	18.0	6.186	7.6	6.713	10.5
2005	12.543	8.6	9.484	7.3	3.058	17.7	6.085	7.4	6.458	10.0
2005 Q1	12.847	8.8	9.628	7.5	3.219	18.4	6.217	7.6	6.630	10.3
Q2	12.686	8.7	9.609	7.4	3.078	17.7	6.165	7.5	6.522	10.1
Q3	12.382	8.5	9.406	7.3	2.976	17.3	6.043	7.4	6.340	9.8
Q4	12.207	8.3	9.211	7.1	2.996	17.5	5.879	7.2	6.329	9.8
2006 Q1	11.908	8.1	8.922	6.9	2.986	17.4	5.729	7.0	6.179	9.6
2005 Nov.	12.230	8.3	9.232	7.1	2.998	17.5	5.881	7.2	6.348	9.8
Dec.	12.183	8.3	9.183	7.1	3.000	17.6	5.831	7.1	6.352	9.9
2006 Jan.	12.058	8.2	9.061	7.0	2.996	17.4	5.777	7.1	6.281	9.7
Feb.	11.908	8.1	8.914	6.9	2.994	17.5	5.732	7.0	6.176	9.6
Mar.	11.759	8.0	8.791	6.8	2.968	17.3	5.678	6.9	6.081	9.5
Apr.	11.621	8.0	8.692	6.7	2.930	17.1	5.622	6.9	5.999	9.3

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

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

2) In 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.



## GOVERNMENT FINANCE

### 6.1 Revenue, expenditure and deficit/surplus <sup>1)</sup> (as a percentage of GDP)

#### 1. Euro area – revenue

	Total		Current revenue								Capital revenue		Memo: fiscal burden <sup>2)</sup>	
	1	2	Direct taxes		Indirect taxes	Received by EU institutions		Social contributions		Sales	Capital taxes			
			Households	Corporations		Employers	Employees							
	3	4	5	6	7	8	9	10	11	12	13	14		
1997	47.1	46.6	11.9	9.0	2.6	13.3	0.7	17.2	8.6	5.4	2.3	0.5	0.3	42.7
1998	46.6	46.3	12.2	9.5	2.3	13.9	0.6	16.2	8.3	4.9	2.3	0.3	0.3	42.6
1999	47.1	46.8	12.6	9.7	2.5	14.2	0.6	16.1	8.3	4.9	2.3	0.3	0.3	43.1
2000	46.7	46.4	12.7	9.8	2.7	13.9	0.6	15.9	8.2	4.8	2.2	0.3	0.3	42.8
2001	45.8	45.6	12.3	9.6	2.4	13.6	0.6	15.7	8.2	4.7	2.2	0.2	0.3	41.8
2002	45.2	44.9	11.9	9.4	2.2	13.5	0.4	15.7	8.2	4.6	2.1	0.3	0.3	41.3
2003	45.2	44.5	11.5	9.1	2.1	13.5	0.4	15.8	8.3	4.7	2.1	0.6	0.5	41.3
2004	44.7	44.3	11.4	8.8	2.3	13.6	0.3	15.6	8.2	4.6	2.1	0.5	0.4	40.9
2005	45.1	44.7	11.6	8.9	2.5	13.7	0.3	15.6	8.2	4.5	2.2	0.5	0.3	41.2

#### 2. Euro area – expenditure

	Total		Current expenditure						Capital expenditure			Memo: primary expenditure <sup>3)</sup>		
	1	2	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments		Subsidies	Paid by EU institutions	Investment		Capital transfers	Paid by EU institutions
							7	8						
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	49.7	46.1	10.9	4.8	5.0	25.4	22.6	2.1	0.6	3.6	2.4	1.2	0.1	44.7
1998	48.9	45.1	10.6	4.6	4.6	25.2	22.2	2.1	0.5	3.8	2.4	1.3	0.1	44.2
1999	48.5	44.6	10.6	4.8	4.1	25.2	22.2	2.1	0.5	3.9	2.5	1.4	0.1	44.4
2000	47.7	43.9	10.4	4.8	3.9	24.8	21.8	2.0	0.5	3.8	2.5	1.3	0.0	43.8
2001	47.7	43.8	10.3	4.8	3.8	24.9	21.8	1.9	0.5	3.9	2.5	1.4	0.0	43.9
2002	47.8	44.0	10.4	4.9	3.5	25.2	22.2	1.9	0.5	3.8	2.4	1.4	0.0	44.3
2003	48.2	44.3	10.5	4.9	3.3	25.5	22.6	1.8	0.5	3.9	2.5	1.4	0.1	44.9
2004	47.5	43.7	10.4	5.0	3.1	25.2	22.4	1.8	0.5	3.8	2.4	1.4	0.0	44.4
2005	47.5	43.8	10.4	5.0	3.0	25.3	22.5	1.7	0.5	3.8	2.4	1.3	0.0	44.5

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

	Deficit (-)/surplus (+)					Primary deficit (-)/surplus (+)	Government consumption <sup>4)</sup>							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
1997	-2.6	-2.4	-0.4	0.1	0.1	2.4	20.1	10.9	4.8	4.9	1.9	2.3	8.2	11.9
1998	-2.3	-2.2	-0.2	0.1	0.1	2.3	19.8	10.6	4.6	4.8	1.9	2.3	8.0	11.7
1999	-1.4	-1.7	-0.1	0.1	0.4	2.7	19.9	10.6	4.8	4.9	1.9	2.3	8.1	11.8
2000	-1.0	-1.4	-0.1	0.1	0.5	2.9	19.8	10.4	4.8	4.9	1.8	2.2	8.0	11.8
2001	-1.9	-1.7	-0.4	0.1	0.4	2.0	19.8	10.3	4.8	5.0	1.8	2.2	7.9	11.9
2002	-2.6	-2.1	-0.5	-0.2	0.2	0.9	20.2	10.4	4.9	5.1	1.8	2.1	8.0	12.2
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.3	20.4	10.5	4.9	5.2	1.8	2.1	8.0	12.4
2004	-2.8	-2.4	-0.3	-0.3	0.1	0.3	20.3	10.4	5.0	5.2	1.8	2.1	8.0	12.4
2005	-2.4	-2.1	-0.3	-0.2	0.2	0.6	20.4	10.4	5.0	5.2	1.8	2.2	8.0	12.4

#### 4. Euro area countries – deficit (-)/surplus (+)<sup>5)</sup>

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2002	0.0	-3.7	-4.9	-0.3	-3.2	-0.4	-2.9	2.0	-2.0	-0.5	-2.9	4.1
2003	0.1	-4.0	-5.8	0.0	-4.2	0.2	-3.4	0.2	-3.1	-1.5	-2.9	2.5
2004	0.0	-3.7	-6.9	-0.1	-3.7	1.5	-3.4	-1.1	-1.9	-1.1	-3.2	2.3
2005	0.1	-3.3	-4.5	1.1	-2.9	1.0	-4.1	-1.9	-0.3	-1.5	-6.0	2.6

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

- Revenue, expenditure and deficit/surplus are based on the ESA 95, but the figures exclude proceeds from the sale of UMTS licences in 2000 (the euro area deficit/surplus including those proceeds is equal to 0.0% of GDP). Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.
- The fiscal burden comprises taxes and social contributions.
- Comprises total expenditure minus interest expenditure.
- Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
- Includes proceeds from the sale of UMTS licences and settlements under swaps and forward rate agreements.

6.2 Debt <sup>1)</sup>

(as a percentage of GDP)

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

	Total	Financial instruments				Holders				Other creditors <sup>3)</sup>
		Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>2)</sup>			Other sectors	
						Total	MFIs	Other financial corporations		
1	2	3	4	5	6	7	8	9	10	
1996	75.1	2.8	17.0	7.9	47.4	58.7	32.5	10.0	16.1	16.4
1997	74.2	2.8	16.0	6.5	48.9	56.2	31.1	11.8	13.3	18.0
1998	72.8	2.7	15.0	5.6	49.4	53.0	29.3	12.8	10.9	19.8
1999	72.1	2.9	14.2	4.3	50.7	48.4	27.4	9.8	11.3	23.7
2000	69.6	2.7	13.1	3.7	50.1	43.9	24.0	8.9	11.0	25.6
2001	68.3	2.8	12.3	4.0	49.2	42.0	22.9	8.0	11.1	26.3
2002	68.1	2.7	11.7	4.6	49.2	40.0	21.6	7.6	10.8	28.2
2003	69.3	2.1	12.3	5.1	49.9	39.1	21.6	8.3	9.2	30.3
2004	69.8	2.2	11.9	5.1	50.6	37.9	20.7	8.2	8.9	31.9
2005	70.7	2.4	11.7	4.9	51.7	36.9	20.3	8.2	8.4	33.8

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

	Total	Issued by <sup>4)</sup>				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies <sup>5)</sup>	Other currencies
1996	75.1	63.0	5.9	5.7	0.5	11.6	63.5	7.1	19.1	26.3	29.8	72.5	2.6
1997	74.2	62.2	6.1	5.4	0.6	9.9	64.3	6.8	18.1	26.0	30.1	71.4	2.8
1998	72.8	61.2	6.1	5.2	0.4	8.9	64.0	6.3	15.6	27.0	30.3	70.1	2.7
1999	72.1	60.6	6.0	5.1	0.4	7.7	64.4	5.6	13.4	28.3	30.5	70.1	2.0
2000	69.6	58.3	5.9	4.9	0.4	6.8	62.8	4.9	13.2	28.9	27.4	67.8	1.8
2001	68.3	57.1	6.1	4.8	0.4	7.2	61.2	3.7	13.6	27.5	27.2	66.8	1.5
2002	68.1	56.7	6.3	4.8	0.4	8.2	59.9	3.9	15.2	25.8	27.2	66.8	1.3
2003	69.3	57.0	6.6	5.1	0.6	8.6	60.7	4.0	14.4	26.6	28.3	68.3	1.0
2004	69.8	57.5	6.7	5.2	0.4	8.5	61.3	3.9	14.4	27.4	28.0	68.8	1.0
2005	70.7	58.1	6.8	5.3	0.5	8.7	62.0	3.8	14.4	28.0	28.3	69.7	1.1

## 3. Euro area countries

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2002	103.2	60.3	110.7	52.5	58.2	32.1	105.5	6.5	50.5	66.0	55.5	41.3
2003	98.5	63.8	107.8	48.9	62.4	31.1	104.2	6.3	51.9	64.4	57.0	44.3
2004	94.7	65.5	108.5	46.4	64.4	29.4	103.8	6.6	52.6	63.6	58.7	44.3
2005	93.3	67.7	107.5	43.2	66.8	27.6	106.4	6.2	52.9	62.9	63.9	41.1

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.

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

(as a percentage of GDP)

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

	Source of change												
	Source of change					Financial instruments				Holders			
	Borrowing requirement <sup>2)</sup>	Valuation effects <sup>3)</sup>	Other changes in volume <sup>4)</sup>	Aggregation effect <sup>5)</sup>	Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>6)</sup>	MFIs	Other financial corporations	Other creditors <sup>7)</sup>	
1	2	3	4	5	6	7	8	9	10	11	12	13	
1997	1.9	2.3	0.0	-0.2	-0.2	0.0	-0.3	-1.1	3.3	-0.3	-0.2	2.1	2.2
1998	1.8	2.3	-0.3	-0.1	-0.1	0.1	-0.3	-0.6	2.6	-0.8	-0.4	1.5	2.5
1999	2.0	1.6	0.4	0.1	-0.1	0.2	-0.2	-1.2	3.1	-2.6	-0.9	-2.5	4.6
2000	1.0	1.1	0.0	0.0	-0.1	0.0	-0.5	-0.4	1.9	-2.1	-2.0	-0.4	3.1
2001	1.9	1.9	-0.1	0.1	0.0	0.2	-0.2	0.5	1.3	0.0	-0.1	-0.5	1.8
2002	2.1	2.7	-0.5	0.0	0.0	0.0	-0.2	0.7	1.6	-0.6	-0.5	-0.2	2.7
2003	3.1	3.3	-0.2	0.0	0.0	-0.6	0.9	0.6	2.1	0.2	0.6	0.9	2.9
2004	3.1	3.2	-0.1	0.0	0.0	0.2	0.1	0.2	-2.6	0.3	0.0	0.3	2.8
2005	3.1	3.0	0.0	0.1	0.0	0.3	0.2	0.0	2.6	0.2	0.2	0.2	2.9

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

	Change in debt	Deficit (-) / surplus (+) <sup>9)</sup>	Deficit-debt adjustment <sup>9)</sup>											
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	Other <sup>10)</sup>
				Total	Currency and deposits	Securities <sup>11)</sup>	Loans	Shares and other equity	Privatisations	Equity injections				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1997	1.9	-2.6	-0.7	-0.6	0.1	0.0	-0.2	-0.5	-0.7	0.1	0.0	0.2	-0.2	0.1
1998	1.8	-2.3	-0.5	-0.3	0.2	0.0	0.0	-0.4	-0.7	0.2	-0.3	0.0	-0.1	0.1
1999	2.0	-1.4	0.6	0.0	0.4	0.0	0.1	-0.5	-0.8	0.1	0.4	0.2	0.1	0.2
2000	1.0	0.0	1.0	1.1	0.7	0.2	0.2	0.0	-0.4	0.2	0.0	0.1	0.0	0.0
2001	1.9	-1.8	0.0	-0.4	-0.6	0.1	0.1	-0.1	-0.3	0.2	-0.1	0.0	0.1	0.5
2002	2.1	-2.6	-0.5	0.1	0.0	0.0	0.0	0.0	-0.3	0.1	-0.5	-0.1	0.0	0.0
2003	3.1	-3.1	0.0	0.1	0.1	0.0	0.0	0.1	-0.4	0.1	-0.2	-0.1	0.0	0.1
2004	3.1	-2.8	0.3	0.4	0.2	0.1	0.1	0.0	-0.4	0.2	-0.1	0.0	0.0	0.1
2005	3.1	-2.4	0.6	0.7	0.3	0.2	0.1	0.1	-0.3	0.2	0.0	0.0	0.1	-0.1

Source: ECB.

- 1) Data are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e.  $[\text{debt}(t) - \text{debt}(t-1)] \div \text{GDP}(t)$ .
- 2) The borrowing requirement is by definition equal to transactions in debt.
- 3) Includes, in addition to the impact of foreign exchange movements, effects arising from measurement at nominal value (e.g. premia or discounts on securities issued).
- 4) Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.
- 5) The difference between the changes in the aggregated debt, resulting from the aggregation of countries' debt, and the aggregation of countries' change in debt is due to variations in the exchange rates used for aggregation before 1999.
- 6) Holders resident in the country whose government has issued the debt.
- 7) Includes residents of euro area countries other than the country whose government has issued the debt.
- 8) Including proceeds from sales of UMTS licences.
- 9) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
- 10) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
- 11) Excluding financial derivatives.

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

(as a percentage of GDP)

### 1. Euro area – quarterly revenue

	Total		Current revenue					Capital revenue		Memo: fiscal burden <sup>2)</sup>
	1	2	Direct taxes	Indirect taxes	Social contributions	Sales	Property income	8	Capital taxes	
1999 Q4	51.1	50.4	14.3	14.6	16.8	2.9	0.9	0.7	0.3	45.9
2000 Q1	43.6	43.1	11.1	13.1	15.5	1.9	0.7	0.5	0.3	39.9
Q2	47.7	47.2	13.9	13.4	15.8	2.1	1.2	0.5	0.3	43.3
Q3	44.2	43.8	11.9	12.6	15.7	2.0	0.8	0.4	0.2	40.4
Q4	49.9	49.4	14.0	14.1	16.6	2.8	1.0	0.5	0.3	45.0
2001 Q1	42.4	41.9	10.5	12.7	15.3	1.8	0.9	0.4	0.2	38.7
Q2	46.9	46.5	13.4	13.0	15.6	2.0	1.6	0.4	0.2	42.2
Q3	43.5	43.1	11.6	12.4	15.5	1.9	0.9	0.4	0.3	39.7
Q4	49.2	48.7	13.6	13.9	16.3	2.9	1.1	0.5	0.3	44.0
2002 Q1	42.1	41.6	10.1	12.8	15.5	1.7	0.8	0.4	0.2	38.6
Q2	45.6	45.1	12.5	12.7	15.5	2.0	1.5	0.5	0.3	41.0
Q3	43.5	43.0	11.2	12.7	15.4	2.0	0.8	0.4	0.3	39.6
Q4	49.1	48.5	13.4	14.1	16.2	2.9	0.9	0.6	0.3	44.0
2003 Q1	42.0	41.5	9.8	12.8	15.6	1.7	0.7	0.4	0.2	38.5
Q2	45.9	44.4	12.1	12.7	15.8	2.0	1.3	1.5	1.2	41.7
Q3	42.9	42.4	10.8	12.7	15.5	1.9	0.7	0.5	0.2	39.2
Q4	49.3	48.3	13.1	14.2	16.2	2.9	0.8	1.0	0.3	43.8
2004 Q1	41.6	41.1	9.6	12.9	15.4	1.7	0.7	0.5	0.3	38.1
Q2	44.9	44.1	12.1	12.9	15.4	2.0	0.9	0.8	0.6	41.0
Q3	42.7	42.2	10.7	12.7	15.4	1.9	0.7	0.5	0.3	38.9
Q4	49.4	48.3	13.0	14.5	16.2	2.9	0.8	1.0	0.4	44.1
2005 Q1	42.4	41.9	10.0	13.1	15.4	1.7	0.6	0.6	0.3	38.7
Q2	44.7	44.1	11.9	13.1	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
Q4	49.3	48.5	13.4	14.4	16.1	2.9	0.8	0.8	0.3	44.2

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

	Total		Current expenditure						Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
	1	2	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social		Investment	Capital transfers		
								benefits	Subsidies			9	10
1999 Q4	50.9	46.0	11.1	5.3	3.7	25.9	22.2	1.7	4.9	3.1	1.7	0.2	3.9
2000 Q1	46.3	43.0	10.2	4.6	4.1	24.2	20.9	1.3	3.3	2.0	1.3	-2.7	1.3
Q2	46.4	43.0	10.3	4.6	3.9	24.2	20.9	1.4	3.4	2.3	1.1	1.3	5.2
Q3	43.0	42.7	10.1	4.5	4.0	24.1	20.8	1.5	0.3	2.5	1.0	1.2	5.2
Q4	49.7	45.9	11.1	5.3	3.8	25.8	21.9	1.6	3.8	3.1	1.5	0.2	4.0
2001 Q1	45.7	42.4	10.1	4.2	4.0	24.1	20.9	1.3	3.4	1.9	1.5	-3.4	0.6
Q2	46.3	42.8	10.3	4.6	3.9	24.1	20.8	1.3	3.5	2.3	1.1	0.6	4.5
Q3	46.1	42.4	10.0	4.6	3.8	24.1	20.8	1.4	3.7	2.5	1.2	-2.6	1.2
Q4	51.1	46.2	11.0	5.7	3.6	25.9	22.1	1.7	4.9	3.2	1.7	-1.9	1.7
2002 Q1	46.2	42.8	10.3	4.3	3.7	24.5	21.2	1.3	3.4	1.9	1.5	-4.2	-0.5
Q2	46.7	43.3	10.3	4.9	3.6	24.4	21.1	1.3	3.4	2.3	1.1	-1.1	2.4
Q3	46.8	43.1	10.0	4.7	3.5	24.9	21.4	1.4	3.7	2.5	1.2	-3.3	0.2
Q4	50.8	46.4	11.0	5.7	3.3	26.4	22.6	1.6	4.4	2.8	1.6	-1.7	1.6
2003 Q1	46.9	43.4	10.4	4.5	3.5	25.0	21.6	1.3	3.5	1.9	1.6	-4.9	-1.4
Q2	47.4	43.8	10.4	4.8	3.4	25.2	21.7	1.3	3.5	2.4	1.2	-1.5	1.9
Q3	46.9	43.3	10.2	4.8	3.3	25.1	21.6	1.3	3.6	2.5	1.1	-4.1	-0.8
Q4	51.2	46.3	11.0	5.7	3.1	26.6	22.8	1.5	4.8	3.2	1.6	-1.9	1.2
2004 Q1	46.5	43.1	10.3	4.6	3.2	25.0	21.5	1.2	3.4	2.0	1.4	-4.9	-1.7
Q2	46.7	43.3	10.4	4.9	3.1	24.8	21.5	1.2	3.4	2.3	1.0	-1.7	1.4
Q3	46.0	42.6	10.0	4.6	3.2	24.9	21.4	1.3	3.3	2.4	0.9	-3.3	-0.2
Q4	50.7	45.8	10.9	5.7	3.0	26.1	22.5	1.4	4.9	3.1	1.8	-1.3	1.7
2005 Q1	46.7	43.4	10.3	4.7	3.1	25.3	21.6	1.2	3.3	1.9	1.4	-4.3	-1.2
Q2	46.3	43.0	10.3	5.0	3.1	24.6	21.5	1.1	3.3	2.3	1.0	-1.6	1.4
Q3	45.7	42.4	9.9	4.8	3.0	24.7	21.4	1.2	3.3	2.4	0.9	-2.2	0.8
Q4	50.8	45.9	11.1	5.7	2.9	26.2	22.6	1.4	4.9	3.1	1.7	-1.5	1.3

Source: ECB calculations based on Eurostat and national data.

1) Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions involving the EU budget are not included. Otherwise, and except for different data transmission deadlines, the quarterly data are consistent with the annual data. The data are not seasonally adjusted.

2) The fiscal burden comprises taxes and social contributions.

## 6.5 Quarterly debt and change in debt

(as a percentage of GDP)

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

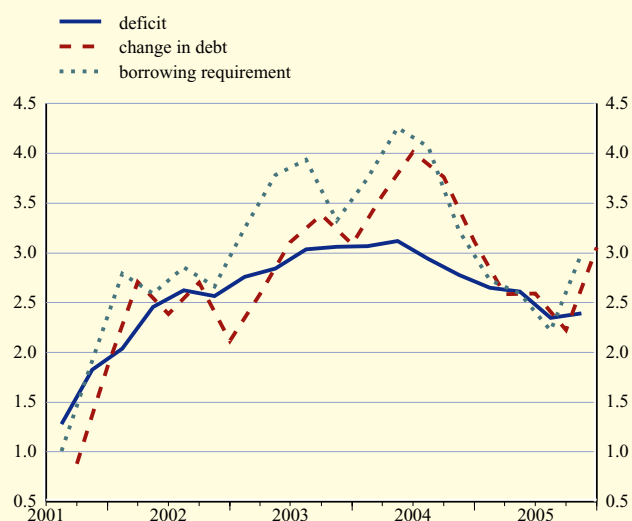
	Total 1	Financial instruments			
		Coins and deposits 2	Loans 3	Short-term securities 4	Long-term securities 5
2003 Q1	69.5	2.6	11.7	5.2	50.0
Q2	70.1	2.7	11.6	5.5	50.3
Q3	70.5	2.7	11.6	5.6	50.6
Q4	69.3	2.1	12.3	5.1	49.9
2004 Q1	71.0	2.1	12.4	5.5	50.9
Q2	71.7	2.2	12.4	5.5	51.5
Q3	71.6	2.2	12.3	5.6	51.5
Q4	69.8	2.2	11.9	5.1	50.6
2005 Q1	71.1	2.2	11.9	5.2	51.8
Q2	72.0	2.4	11.7	5.4	52.6
Q3	71.6	2.4	11.7	5.2	52.2
Q4	70.7	2.4	11.7	4.9	51.7

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

	Change in debt 1	Deficit (-)/ surplus (+) 2	Deficit-debt adjustment							Memo: Borrowing requirement 11	
			Total 3	Transactions in main financial assets held by general government				Valuation effects and other changes in volume 9	Other 10		
				Total 4	Currency and deposits 5	Securities 6	Loans 7				Shares and other equity 8
2003 Q1	7.7	-4.9	2.7	3.1	2.0	0.2	0.4	0.4	-0.1	-0.2	7.8
Q2	4.1	-1.5	2.7	3.1	2.2	-0.1	-0.2	1.2	-0.3	-0.2	4.4
Q3	3.2	-4.1	-0.9	-1.6	-1.5	-0.1	-0.1	0.2	0.4	0.3	2.7
Q4	-2.2	-1.9	-4.1	-3.8	-2.3	-0.1	-0.1	-1.3	-1.0	0.7	-1.3
2004 Q1	9.4	-4.9	4.6	2.1	1.4	0.2	0.0	0.5	0.1	2.4	9.3
Q2	5.8	-1.7	4.1	3.9	3.3	0.3	0.1	0.3	-0.5	0.7	6.4
Q3	2.2	-3.3	-1.1	-0.8	-1.2	0.2	0.0	0.1	0.2	-0.5	2.0
Q4	-4.5	-1.3	-5.8	-3.5	-2.7	-0.2	0.1	-0.7	-0.2	-2.1	-4.3
2005 Q1	7.1	-4.3	2.8	2.5	1.4	0.4	0.3	0.4	0.0	0.3	7.1
Q2	5.8	-1.6	4.2	3.7	2.7	0.3	0.2	0.4	0.1	0.4	5.7
Q3	0.7	-2.2	-1.5	-2.5	-2.5	0.3	-0.1	-0.3	0.2	0.8	0.6
Q4	-1.1	-1.5	-2.6	-0.8	-0.3	-0.4	-0.2	0.0	0.0	-1.8	-1.1

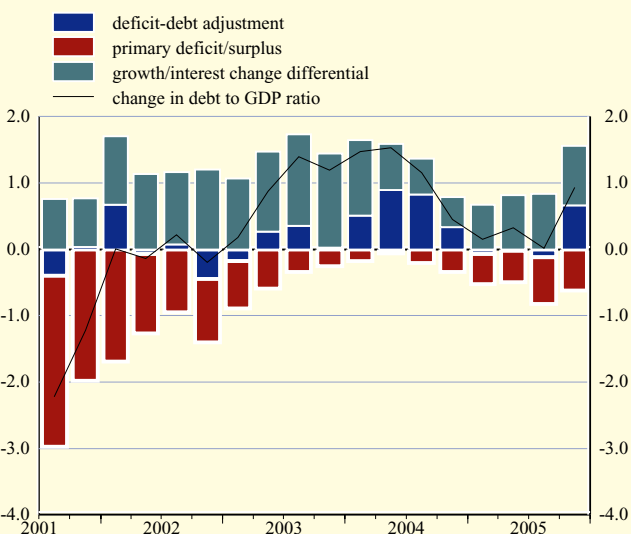
### C28 Deficit, borrowing requirement and change in debt

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



### C29 Maastricht debt

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



Source: ECB calculations based on Eurostat and national data.

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



## EXTERNAL TRANSACTIONS AND POSITIONS

### 7.1 Balance of payments

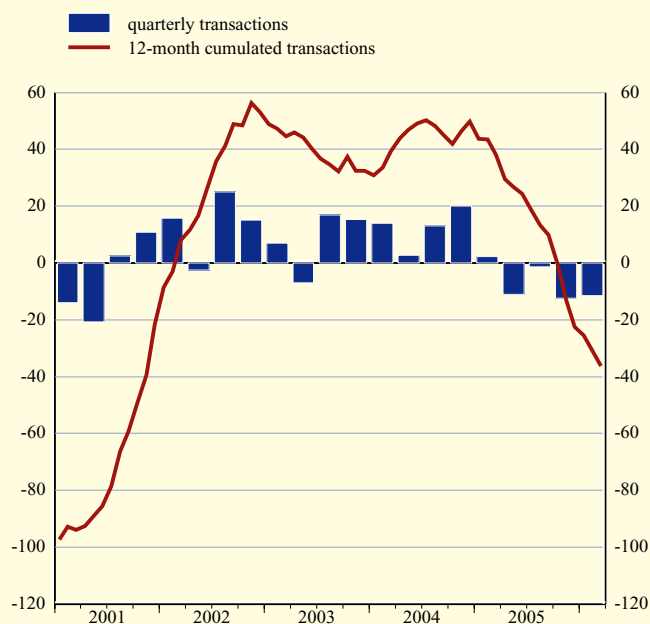
(EUR billions; net transactions)

#### 1. Summary balance of payments

	Current account					Capital account	Net lending/borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2003	32.4	106.1	19.5	-37.2	-56.0	12.9	45.4	-1.3	-12.3	74.9	-13.0	-79.1	28.2	-44.1
2004	49.9	105.3	29.0	-28.0	-56.4	17.5	67.3	-10.9	-41.2	60.3	-5.0	-37.5	12.5	-56.4
2005	-22.6	53.0	34.3	-41.5	-68.3	12.5	-10.1	90.0	-145.5	162.5	-13.6	67.8	18.7	-79.9
2005 Q1	2.2	15.1	4.0	-0.7	-16.2	1.0	3.2	18.8	-23.7	7.0	-7.3	38.1	4.8	-22.1
Q2	-11.2	18.1	10.3	-23.6	-16.0	4.0	-7.2	49.5	-14.7	107.8	1.3	-48.0	3.1	-42.3
Q3	-1.4	16.0	9.6	-7.1	-19.8	2.8	1.5	34.6	-97.6	89.8	-0.4	40.8	2.0	-36.0
Q4	-12.3	3.8	10.3	-10.1	-16.3	4.7	-7.6	-12.9	-9.4	-42.0	-7.2	36.9	8.8	20.5
2006 Q1	-11.4	-3.9	2.5	0.7	-10.7	2.7	-8.7	37.2	-13.0	32.6	-7.6	19.7	5.5	-28.5
2005 Mar.	4.3	8.1	1.5	0.7	-6.0	0.7	5.0	-21.3	-8.8	-1.6	-5.1	-7.2	1.5	16.3
Apr.	-10.5	3.5	2.3	-12.2	-4.1	0.3	-10.2	-5.5	-13.7	-7.9	-0.4	17.4	-0.8	15.7
May	-2.9	5.7	3.3	-6.3	-5.5	1.6	-1.3	41.5	6.7	19.0	0.8	12.5	2.6	-40.3
June	2.2	8.8	4.7	-5.0	-6.4	2.1	4.3	13.5	-7.7	96.7	1.0	-77.9	1.4	-17.7
July	3.0	9.5	4.5	-5.5	-5.5	0.8	3.8	1.0	-85.1	77.1	1.4	5.0	2.6	-4.8
Aug.	-2.7	1.0	1.5	1.0	-6.2	0.8	-2.0	0.4	-12.0	-13.3	-0.7	26.5	-0.1	1.6
Sep.	-1.6	5.5	3.6	-2.6	-8.1	1.2	-0.4	33.2	-0.5	26.0	-1.2	9.3	-0.5	-32.8
Oct.	-6.5	1.5	4.6	-7.2	-5.4	0.6	-5.9	-6.5	-8.0	2.4	-4.3	3.1	0.2	12.4
Nov.	-5.6	1.0	2.7	-4.4	-5.0	0.9	-4.7	5.8	-2.0	-39.2	-0.4	46.2	1.2	-1.1
Dec.	-0.2	1.3	3.0	1.4	-5.9	3.2	3.0	-12.2	0.6	-5.2	-2.5	-12.4	7.3	9.2
2006 Jan.	-9.7	-6.4	0.1	-1.0	-2.3	1.0	-8.7	-11.0	4.9	-37.1	-2.3	25.8	-2.3	19.7
Feb.	-0.4	0.3	1.8	1.0	-3.5	1.0	0.6	13.2	-25.4	20.5	-3.0	19.2	1.9	-13.8
Mar.	-1.3	2.3	0.6	0.7	-4.8	0.6	-0.6	35.0	7.5	49.2	-2.3	-25.4	6.0	-34.4
<i>12-month cumulated transactions</i>														
2006 Mar.	-36.2	34.0	32.8	-40.1	-62.9	14.1	-22.1	108.4	-134.7	188.1	-13.8	49.3	19.4	-86.3

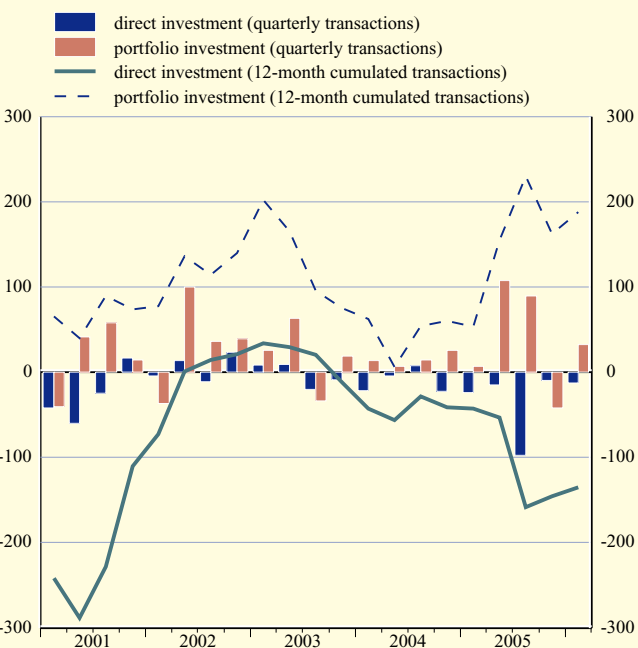
#### C30 B.o.p. current account balance

(EUR billions)



#### C31 B.o.p. net direct and portfolio investment

(EUR billions)



Source: ECB.

## 7.1 Balance of payments

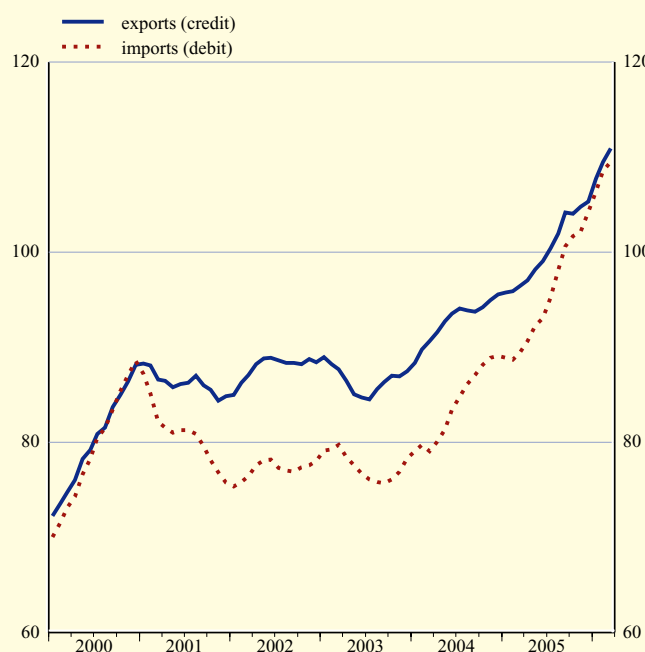
(EUR billions; transactions)

### 2. Current and capital accounts

	Current account										Capital account		
	Total			Goods		Services		Income		Current transfers		Credit	Debit
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	
2003	1,693.2	1,660.8	32.4	1,036.0	929.9	331.8	312.3	243.3	280.5	82.1	138.1	23.7	10.8
2004	1,843.0	1,793.2	49.9	1,128.2	1,022.9	362.1	333.1	270.9	298.9	81.9	138.3	24.1	6.6
2005	2,018.1	2,040.7	-22.6	1,218.6	1,165.6	395.5	361.1	320.7	362.2	83.4	151.7	23.4	10.9
2005 Q1	460.8	458.6	2.2	278.5	263.4	85.3	81.2	68.0	68.8	29.0	45.2	4.9	3.8
Q2	503.4	514.5	-11.2	305.2	287.1	97.3	87.0	83.8	107.3	17.1	33.1	5.8	1.8
Q3	509.7	511.1	-1.4	309.0	293.0	108.9	99.3	76.5	83.6	15.3	35.1	4.6	1.8
Q4	544.2	556.5	-12.3	325.9	322.1	103.9	93.6	92.4	102.5	21.9	38.3	8.1	3.5
2006 Q1	531.6	543.0	-11.4	327.2	331.1	92.0	89.5	79.5	78.8	32.9	43.5	4.7	2.0
2006 Jan.	164.3	174.0	-9.7	100.7	107.1	30.0	30.0	24.0	25.0	9.6	11.9	1.7	0.7
Feb.	175.4	175.9	-0.4	104.8	104.5	30.1	28.2	24.2	23.3	16.3	19.8	1.4	0.4
Mar.	191.8	193.1	-1.3	121.7	119.4	31.9	31.3	31.3	30.6	7.0	11.8	1.6	0.9
	Seasonally adjusted												
2005 Q1	478.7	472.6	6.1	289.3	268.3	95.2	86.7	74.2	79.1	20.0	38.6	.	.
Q2	491.6	490.6	1.0	297.1	279.2	95.9	88.7	77.0	87.3	21.5	35.4	.	.
Q3	513.5	522.6	-9.1	312.5	301.8	100.7	92.8	80.2	91.0	20.0	37.0	.	.
Q4	527.6	548.3	-20.6	316.0	312.7	102.7	92.0	87.3	104.5	21.7	39.0	.	.
2006 Q1	546.9	554.9	-8.0	332.6	328.5	101.4	93.8	84.9	90.4	28.0	42.2	.	.
2005 July	169.4	171.4	-2.0	102.1	98.8	33.7	30.9	26.6	30.3	7.0	11.4	.	.
Aug.	171.2	176.5	-5.4	103.9	102.5	33.5	31.1	27.0	30.1	6.8	12.8	.	.
Sep.	172.9	174.7	-1.8	106.5	100.5	33.6	30.9	26.7	30.6	6.1	12.8	.	.
Oct.	170.5	176.5	-6.0	101.8	101.9	33.8	30.7	27.9	32.1	7.0	11.8	.	.
Nov.	177.7	188.9	-11.2	106.1	104.0	35.2	31.1	29.4	40.8	7.0	13.0	.	.
Dec.	179.4	182.9	-3.4	108.1	106.8	33.7	30.2	29.9	31.6	7.8	14.2	.	.
2006 Jan.	174.3	175.0	-0.7	108.9	108.4	33.6	31.2	27.6	27.6	4.2	7.8	.	.
Feb.	191.3	195.3	-4.0	111.6	110.5	34.7	31.5	27.4	30.1	17.5	23.3	.	.
Mar.	181.4	184.6	-3.2	112.1	109.7	33.0	31.1	29.9	32.6	6.3	11.1	.	.

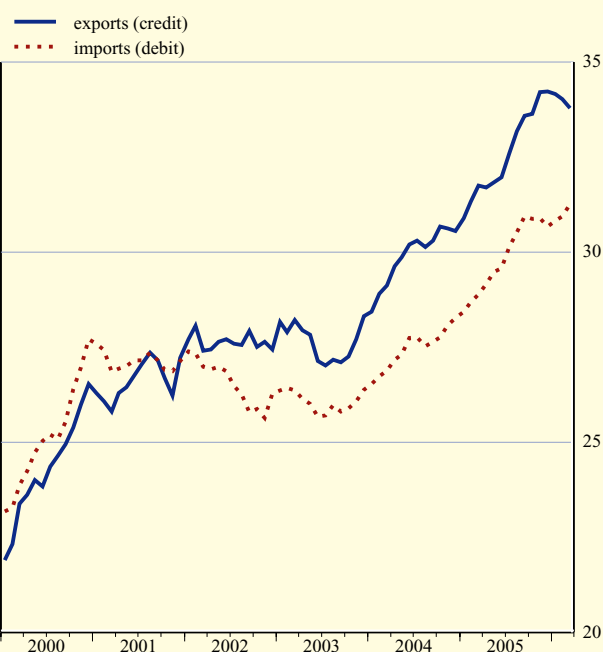
### C32 B.o.p. goods

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



### C33 B.o.p. services

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



Source: ECB.

## 7.1 Balance of payments

(EUR billions)

## 3. Income account

(transactions)

	Compensation of employees		Investment income											
	Credit	Debit	Total		Direct investment				Portfolio investment				Other investment	
			Credit	Debit	Equity		Debt		Equity		Debt		Credit	Debit
					Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2003	14.8	7.2	228.5	273.3	66.3	56.3	10.0	10.2	18.6	53.5	65.5	80.7	68.1	72.6
2004	15.3	7.7	255.6	291.1	87.0	72.0	12.1	11.8	23.8	56.9	67.5	79.0	65.2	71.5
2005	15.3	9.2	305.3	353.0	97.1	95.6	12.9	13.0	30.8	71.1	79.8	78.9	84.7	94.3
2004 Q4	4.0	1.9	72.6	70.9	28.4	16.3	3.3	3.4	5.4	10.5	17.6	20.9	18.0	19.9
2005 Q1	3.7	1.6	64.3	67.1	18.7	14.8	2.9	2.8	6.1	11.3	17.5	17.3	19.1	20.9
Q2	3.8	2.3	80.0	105.0	27.4	26.1	3.3	3.5	9.9	30.2	19.5	22.0	19.9	23.1
Q3	3.8	2.8	72.6	80.7	19.9	22.3	2.9	2.9	7.6	15.8	21.5	17.0	20.7	22.7
Q4	4.0	2.4	88.4	100.1	31.1	32.4	3.8	3.8	7.3	13.8	21.3	22.6	24.9	27.5

## 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
2003	-147.2	-130.0	-1.9	-128.2	-17.1	0.0	-17.1	134.9	124.4	3.1	121.3	10.5	0.1	10.5
2004	-141.7	-152.0	-17.3	-134.7	10.3	0.1	10.2	100.5	86.5	1.2	85.3	14.0	0.6	13.4
2005	-216.1	-155.5	-9.2	-146.3	-60.7	0.4	-61.1	70.7	43.6	-0.1	43.7	27.1	1.1	26.0
2005 Q1	-41.2	-23.3	-2.3	-21.0	-17.9	0.1	-17.9	17.4	18.0	0.3	17.6	-0.5	0.3	-0.9
Q2	-28.4	-23.6	-1.9	-21.8	-4.7	0.0	-4.8	13.7	4.2	0.4	3.8	9.5	-0.1	9.6
Q3	-115.9	-92.0	-4.9	-87.1	-23.9	0.1	-24.0	18.3	5.5	0.9	4.7	12.8	0.4	12.3
Q4	-30.7	-16.5	-0.1	-16.5	-14.1	0.2	-14.3	21.3	15.9	-1.7	17.6	5.3	0.4	4.9
2006 Q1	-37.8	-32.6	-1.7	-30.9	-5.2	0.0	-5.2	24.8	15.4	0.5	14.8	9.4	-0.4	9.8
2005 Mar.	-17.0	-10.3	-0.6	-9.7	-6.7	0.1	-6.8	8.2	7.4	-0.1	7.5	0.8	0.1	0.6
Apr.	-16.4	1.1	-1.8	3.0	-17.5	0.0	-17.5	2.7	6.5	-0.2	6.7	-3.8	0.1	-3.9
May	6.8	-5.7	-0.5	-5.3	12.5	0.0	12.5	-0.1	-1.9	0.2	-2.1	1.9	0.0	1.8
June	-18.8	-19.0	0.4	-19.4	0.3	0.0	0.3	11.0	-0.4	0.4	-0.8	11.4	-0.3	11.8
July	-93.1	-85.9	-3.3	-82.6	-7.1	0.1	-7.2	8.0	10.4	0.2	10.1	-2.4	0.0	-2.4
Aug.	-11.7	-4.7	-0.5	-4.1	-7.0	0.0	-7.0	-0.4	-0.8	0.2	-1.0	0.4	0.1	0.3
Sep.	-11.2	-1.4	-1.0	-0.3	-9.8	0.0	-9.9	10.7	-4.1	0.4	-4.5	14.7	0.3	14.4
Oct.	-11.4	-0.8	0.3	-1.1	-10.6	0.1	-10.6	3.4	6.4	0.2	6.2	-3.0	0.2	-3.3
Nov.	-6.2	-4.4	0.3	-4.7	-1.7	0.1	-1.8	4.2	4.6	-1.7	6.3	-0.4	0.2	-0.6
Dec.	-13.1	-11.3	-0.6	-10.7	-1.8	0.0	-1.9	13.7	4.9	-0.2	5.2	8.8	0.0	8.7
2006 Jan.	0.8	6.4	-0.6	7.0	-5.5	-0.2	-5.4	4.1	6.4	0.1	6.2	-2.3	-0.1	-2.2
Feb.	-33.6	-28.7	-1.1	-27.6	-4.9	0.2	-5.1	8.2	5.0	0.3	4.7	3.1	0.1	3.1
Mar.	-5.0	-10.2	0.1	-10.3	5.2	-0.1	5.3	12.5	4.0	0.1	3.9	8.6	-0.4	9.0

Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

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

	Equity				Debt instruments										
	Assets				Liabilities	Bonds and notes					Money market instruments				
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		Eurosystem	MFIs excluding Eurosystem	Non-MFIs		Liabilities	
				General gov.				General gov.				General gov.			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2003	-0.3	-13.9	-64.4	-2.6	110.3	-2.4	-45.0	-128.3	-0.2	198.9	0.2	-45.9	23.7	0.6	42.2
2004	0.0	-22.4	-81.0	-3.4	128.1	1.2	-81.8	-97.1	-2.1	254.9	-0.1	-43.2	-13.7	0.1	15.4
2005	-0.1	-15.6	-124.7	-3.9	280.2	-0.7	-121.0	-161.6	-0.5	260.3	0.1	-15.1	-4.2	0.1	65.2
2005 Q1	0.0	-27.5	-21.2	-1.1	41.2	-0.1	-35.7	-41.0	-0.4	46.7	0.3	5.8	-6.0	-3.6	44.5
Q2	0.0	21.7	-22.8	-0.8	25.0	-0.7	-39.5	-34.3	-0.1	158.1	-0.4	-9.1	-5.2	-2.4	14.9
Q3	-0.1	-4.9	-26.9	-1.1	150.7	-0.4	-21.3	-49.7	0.1	24.5	0.1	-7.1	1.6	0.2	23.4
Q4	0.0	-4.8	-53.8	-0.9	63.2	0.6	-24.5	-36.6	-0.1	31.0	0.1	-4.9	5.4	5.9	-17.5
2006 Q1	0.0	-17.6	-44.3	.	103.8	-0.1	-53.9	-34.7	.	58.6	0.3	0.2	-6.2	.	26.3
2005 Mar.	0.0	-1.8	-9.8	-	18.0	0.2	-4.6	-21.3	-	2.9	0.0	-7.3	1.3	-	20.7
Apr.	0.0	9.9	-5.4	-	-47.3	-0.9	-12.4	-11.4	-	58.0	-0.3	-10.5	1.2	-	11.0
May	0.0	6.7	-15.6	-	22.4	-0.1	-16.1	-5.8	-	28.7	0.0	-2.1	-6.1	-	7.0
June	0.0	5.1	-1.8	-	49.9	0.2	-11.0	-17.1	-	71.4	0.0	3.5	-0.3	-	-3.1
July	-0.1	-3.5	-14.8	-	111.4	0.2	-4.1	-14.5	-	-2.4	-0.6	0.0	-1.6	-	7.0
Aug.	0.0	2.0	-8.8	-	23.4	-0.5	-5.7	-13.8	-	-6.9	0.3	-11.5	-0.1	-	8.2
Sep.	0.0	-3.4	-3.4	-	15.9	-0.2	-11.5	-21.4	-	33.7	0.4	4.4	3.3	-	8.2
Oct.	0.0	4.6	-10.6	-	-3.9	0.6	-17.2	-14.8	-	26.9	0.1	7.1	3.7	-	5.9
Nov.	0.0	-6.7	-21.5	-	11.5	0.1	-3.7	-15.7	-	7.4	0.0	-4.6	-0.3	-	-5.7
Dec.	0.0	-2.7	-21.7	-	55.6	-0.1	-3.6	-6.1	-	-3.3	0.0	-7.3	1.9	-	-17.8
2006 Jan.	0.0	-5.2	-23.7	-	20.4	0.2	-31.7	-2.4	-	-1.7	0.4	1.6	-6.1	-	11.0
Feb.	0.0	-3.8	-17.6	-	31.6	-0.2	-7.8	-15.5	-	18.0	-0.1	1.2	-1.0	-	15.8
Mar.	0.0	-8.6	-3.0	-	51.8	-0.1	-14.3	-16.8	-	42.3	0.0	-2.5	1.0	-	-0.5

### 6. Other investment by sector

	Total		Eurosystem		General government		MFIs (excluding Eurosystem)						Other sectors			
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Total		Long-term		Short-term		Assets	Liabilities		
							Assets	Liabilities	Assets	Liabilities	Assets	Liabilities				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2003	-253.1	174.1	-0.8	10.0	-0.4	-	-3.4	-152.6	134.8	-50.7	52.3	-101.9	82.5	-99.3	-	32.7
2004	-312.5	275.0	-0.2	6.9	-2.3	-2.0	-3.6	-259.4	246.9	-20.1	-3.6	-239.3	250.5	-50.6	-10.5	24.7
2005	-565.5	633.3	-1.7	6.1	5.1	-2.3	-2.4	-385.7	477.0	-102.9	47.0	-282.9	430.0	-183.2	-23.4	152.6
2005 Q1	-178.2	216.3	0.5	4.9	7.3	2.7	0.3	-126.7	195.8	-21.5	10.3	-105.2	185.5	-59.4	-29.4	15.3
Q2	-156.6	108.5	-1.3	0.3	-7.6	-8.6	-1.9	-97.1	45.0	-18.5	22.5	-78.6	22.5	-50.5	18.0	65.2
Q3	-108.4	149.2	0.4	4.3	7.7	4.7	1.2	-87.8	122.9	-21.9	14.6	-65.8	108.3	-28.9	-18.9	20.8
Q4	-122.3	159.2	-1.3	-3.4	-2.3	-1.1	-2.0	-74.2	113.3	-40.9	-0.3	-33.2	113.6	-44.4	6.9	51.3
2006 Q1	-229.5	249.2	-3.7	8.9	4.8	2.8	-3.5	-149.1	225.2	-12.6	10.4	-136.5	214.8	-81.5	-30.4	18.6
2005 Mar.	-58.4	51.1	-0.2	4.3	5.4	3.7	2.0	-32.1	41.6	-4.3	-4.2	-27.8	45.8	-31.4	-11.4	3.3
Apr.	-119.0	136.4	0.1	-0.2	-5.4	-5.3	-2.1	-98.0	94.6	-9.0	0.1	-89.0	94.5	-15.7	13.4	44.1
May	-10.1	22.6	-0.8	-0.2	0.3	2.3	0.4	17.6	21.0	-3.4	11.0	21.0	10.0	-27.3	-1.4	1.4
June	-27.5	-50.5	-0.7	0.7	-2.5	-5.5	-0.2	-16.7	-70.6	-6.1	11.4	-10.6	-82.1	-7.5	6.1	19.7
July	-43.6	48.6	0.3	-1.1	-0.7	-4.6	0.9	-38.6	48.2	-6.3	5.5	-32.3	42.7	-4.5	-3.3	0.6
Aug.	19.6	6.9	0.2	0.8	6.3	8.4	0.5	20.1	-2.0	-1.4	3.1	21.4	-5.1	-7.0	-6.5	7.6
Sep.	-84.4	93.7	-0.1	4.6	2.1	0.9	-0.2	-69.2	76.6	-14.3	6.0	-54.9	70.7	-17.3	-9.0	12.6
Oct.	-53.8	57.0	-0.2	-1.0	0.7	-0.3	1.8	-47.0	53.1	-5.1	2.1	-42.0	51.0	-7.4	4.1	3.0
Nov.	-148.3	194.5	-1.1	1.7	-1.2	1.2	0.2	-112.2	172.7	-0.9	-2.3	-111.4	175.1	-33.7	-6.3	19.8
Dec.	79.9	-92.3	-0.1	-4.1	-1.8	-2.1	-4.1	85.1	-112.5	-35.0	-0.1	120.1	-112.4	-3.3	9.1	28.5
2006 Jan.	-103.9	129.7	-0.2	8.0	1.2	1.8	-2.4	-71.1	117.9	6.8	-1.8	-77.9	119.7	-33.7	-18.0	6.2
Feb.	-24.7	43.9	-4.4	0.2	1.0	0.8	-1.0	-1.6	35.7	-6.5	10.0	4.9	25.7	-19.7	-7.5	9.0
Mar.	-101.0	75.6	0.9	0.7	2.6	0.3	-0.1	-76.4	71.6	-12.9	2.2	-63.5	69.4	-28.0	-4.8	3.4

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	
2003	-0.8	0.0	10.0	0.0	-0.1	0.7	-0.3	0.9	-1.0	0.0	-3.7	0.3
2004	0.1	-0.3	6.9	0.1	0.0	-0.6	1.4	-2.0	-1.7	0.0	-3.5	0.0
2005	-1.6	-0.1	6.1	0.0	0.0	6.6	8.9	-2.3	-1.5	0.0	-2.2	-0.3
2004 Q4	1.7	-0.3	3.4	0.0	0.0	0.0	-3.6	3.6	-0.2	0.0	-2.2	-0.1
2005 Q1	0.5	0.0	4.9	0.0	0.0	7.8	5.0	2.7	-0.5	0.0	0.6	-0.3
Q2	-1.2	-0.1	0.3	0.0	0.0	-7.1	1.5	-8.6	-0.5	0.0	-2.0	0.0
Q3	0.4	0.0	4.3	0.0	0.0	8.0	3.3	4.7	-0.3	0.0	1.3	-0.1
Q4	-1.3	0.0	-3.4	0.0	0.0	-2.1	-1.0	-1.1	-0.2	0.0	-2.1	0.0

	MFIs (excluding Eurosystem)				Other sectors							
	Assets		Liabilities		Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
13	14	15	16	17	18	19	20	21	22	23	24	
2003	-152.1	-0.5	134.8	-0.1	-1.2	-95.8	-9.6	-86.3	-2.3	4.2	28.4	0.2
2004	-256.3	-3.1	244.0	2.9	-6.0	-39.5	-29.0	-10.5	-5.1	8.6	13.4	2.7
2005	-381.6	-4.1	475.0	2.0	-6.8	-164.0	-140.6	-23.4	-12.4	8.6	140.2	3.9
2004 Q4	-75.6	1.8	59.0	-0.3	-0.2	1.3	-11.4	12.6	-1.9	2.4	3.9	-0.1
2005 Q1	-124.8	-1.9	193.0	2.8	-2.7	-53.9	-24.5	-29.4	-2.7	3.0	7.0	5.2
Q2	-97.0	-0.1	43.8	1.2	-5.4	-43.1	-61.1	18.0	-2.1	1.1	62.8	1.3
Q3	-82.5	-5.2	120.2	2.7	2.0	-24.3	-5.4	-18.9	-6.6	0.5	22.1	-1.7
Q4	-77.4	3.2	118.0	-4.7	-0.7	-42.7	-49.6	6.9	-1.0	4.0	48.2	-0.9

## 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	
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	0.4	18.3	-11.9	-0.1	0.0
2005	18.7	3.9	-0.2	8.6	6.5	0.1	7.8	0.0	-4.8	3.5	0.0	0.0
2004 Q4	2.4	0.8	0.5	1.1	0.0	-3.9	3.4	0.0	3.1	-2.6	-0.1	0.0
2005 Q1	4.8	0.8	0.0	1.6	2.4	5.2	-1.1	0.0	1.3	-2.9	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	2.0	0.5	0.0	2.6	-1.1	1.6	0.9	0.0	-4.9	1.4	-0.1	0.0
Q4	8.8	1.2	-0.1	3.0	4.6	-2.3	6.9	0.0	-2.0	2.1	0.0	0.0

Source: ECB.

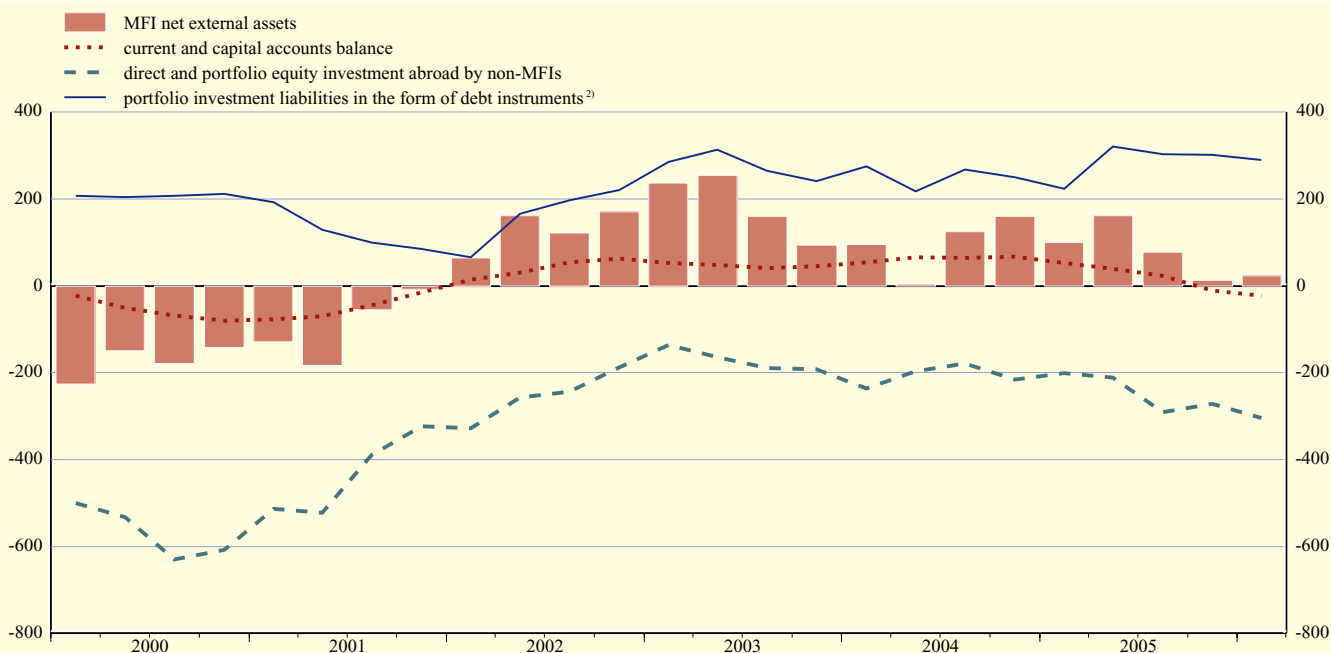
## 7.2 Monetary presentation of the balance of payments

(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non- resident units in the euro area	Assets Non-MFIs	Liabilities		Assets Non-MFIs	Liabilities Non-MFIs				
					Equity <sup>1)</sup>	Debt instruments <sup>2)</sup>						
1	2	3	4	5	6	7	8	9	10	11	12	
2003	45.4	-145.3	134.8	-169.0	114.5	241.3	-99.7	29.3	-13.0	-44.1	94.2	94.2
2004	67.3	-124.5	99.9	-191.9	118.0	250.4	-52.9	21.2	-5.0	-56.4	126.2	160.9
2005	-10.1	-207.3	69.6	-290.6	236.7	301.4	-178.1	150.2	-13.6	-79.9	-21.7	12.2
2005 Q1	3.2	-38.9	17.1	-68.3	34.0	72.0	-52.1	15.6	-7.3	-22.1	-46.7	-24.6
Q2	-7.2	-26.5	13.8	-62.2	-0.8	178.6	-58.1	63.3	1.3	-42.3	59.9	65.0
Q3	1.5	-111.1	17.9	-75.0	155.3	41.1	-21.1	22.0	-0.4	-36.0	-6.1	-19.9
Q4	-7.6	-30.8	20.8	-85.0	48.2	9.7	-46.8	49.3	-7.2	20.5	-28.8	-8.2
2006 Q1	-8.7	-36.0	25.2	-85.2	98.8	61.4	-76.6	15.1	-7.6	-28.5	-42.1	-13.0
2005 Mar.	5.0	-16.5	8.0	-29.8	6.7	13.2	-26.0	5.3	-5.1	16.3	-23.0	-22.6
Apr.	-10.2	-14.5	2.5	-15.5	-57.6	66.1	-21.1	41.9	-0.4	15.7	6.8	2.4
May	-1.3	7.2	-0.1	-27.5	10.7	33.7	-26.9	1.9	0.8	-40.3	-41.8	-39.6
June	4.3	-19.2	11.4	-19.2	46.2	78.8	-10.0	19.5	1.0	-17.7	94.9	102.2
July	3.8	-89.8	8.0	-31.0	118.4	2.8	-5.3	1.5	1.4	-4.8	5.1	1.1
Aug.	-2.0	-11.1	-0.4	-22.6	25.0	0.2	-0.7	8.1	-0.7	1.6	-2.6	1.9
Sep.	-0.4	-10.2	10.3	-21.5	11.9	38.0	-15.2	12.4	-1.2	-32.8	-8.5	-22.9
Oct.	-5.9	-11.7	3.2	-21.6	-4.6	26.9	-6.7	4.9	-4.3	12.4	-7.4	-6.5
Nov.	-4.7	-6.5	4.0	-37.5	11.5	2.2	-35.0	20.1	-0.4	-1.1	-47.5	-43.8
Dec.	3.0	-12.6	13.7	-25.9	41.4	-19.4	-5.1	24.4	-2.5	9.2	26.1	42.1
2006 Jan.	-8.7	1.6	4.2	-32.2	17.0	1.7	-32.5	3.8	-2.3	19.7	-27.7	2.1
Feb.	0.6	-32.6	8.1	-34.1	26.7	27.8	-18.7	8.0	-3.0	-13.8	-31.0	-33.3
Mar.	-0.6	-5.0	12.9	-18.9	55.1	31.9	-25.4	3.3	-2.3	-34.4	16.6	18.1
	<i>12-month cumulated transactions</i>											
2006 Mar.	-22.1	-204.5	77.7	-307.5	301.5	290.8	-202.6	149.7	-13.8	-86.3	-17.1	23.8

## C34 Main b.o.p. transactions underlying the developments in MFI net external assets

(EUR billions; 12-month cumulated transactions)



Source: ECB.

1) Excluding money market fund shares/units.

2) Excluding debt securities with a maturity of up to two years issued by euro area MFIs.

**7.3 Geographical breakdown of the balance of payments and international investment position**  
 (EUR billions)

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

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions					
2005 Q1 to 2005 Q4	1	2	3	4	5	6	7	8	9	10	11	12
<b>Credits</b>												
<b>Current account</b>	2,018.1	740.3	42.4	65.1	394.6	178.7	59.5	25.6	51.1	135.0	345.7	720.5
Goods	1,218.6	421.9	28.7	44.5	206.2	142.4	0.2	15.5	33.6	68.4	181.8	497.4
Services	395.5	141.4	7.8	10.5	98.4	19.6	5.0	5.4	11.2	38.7	76.4	122.4
Income	320.7	115.3	5.6	9.5	80.4	14.6	5.3	4.2	5.5	21.7	80.8	93.1
of which: investment income	305.3	110.0	5.5	9.3	78.7	14.4	2.2	4.1	5.4	15.7	79.3	90.7
Current transfers	83.4	61.7	0.4	0.6	9.5	2.1	49.0	0.5	0.8	6.2	6.7	7.6
<b>Capital account</b>	23.4	20.4	0.0	0.0	0.9	0.1	19.4	0.0	0.1	0.5	0.5	1.8
<b>Debits</b>												
<b>Current account</b>	2,040.7	658.9	35.4	62.2	318.5	148.8	94.0	19.7	78.9	127.5	315.5	840.1
Goods	1,165.6	336.7	25.4	40.8	152.9	117.6	0.0	9.2	51.1	59.1	114.6	594.8
Services	361.1	114.5	6.3	8.6	76.2	23.2	0.2	5.4	7.4	30.0	78.5	125.3
Income	362.2	107.8	3.2	11.9	81.3	6.4	5.0	3.6	20.1	33.1	113.6	83.9
of which: investment income	353.0	102.8	3.1	11.8	80.2	2.6	5.0	3.5	20.0	32.4	112.6	81.6
Current transfers	151.7	99.8	0.4	0.9	8.2	1.5	88.8	1.5	0.3	5.3	8.8	36.1
<b>Capital account</b>	10.9	1.1	0.0	0.1	0.7	0.2	0.1	0.1	0.0	0.5	0.5	8.6
<b>Net</b>												
<b>Current account</b>	-22.6	81.4	7.0	2.9	76.0	29.9	-34.5	5.8	-27.8	7.5	30.2	-119.6
Goods	53.0	85.1	3.2	3.7	53.3	24.8	0.2	6.3	-17.6	9.2	67.2	-97.4
Services	34.3	26.8	1.4	1.9	22.3	-3.6	4.8	0.0	3.9	8.7	-2.1	-2.9
Income	-41.5	7.5	2.4	-2.5	-0.9	8.1	0.3	0.6	-14.6	-11.3	-32.8	9.2
of which: investment income	-47.7	7.3	2.3	-2.5	-1.5	11.7	-2.8	0.6	-14.6	-16.7	-33.3	9.1
Current transfers	-68.3	-38.1	0.0	-0.3	1.4	0.6	-39.7	-1.1	0.5	0.9	-2.1	-28.5
<b>Capital account</b>	12.5	19.3	0.0	0.0	0.2	0.0	19.2	-0.1	0.1	0.0	0.0	-6.8

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

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2005 Q1 to 2005 Q4	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>Direct investment</b>	-145.5	-109.6	-0.6	8.6	-113.1	-4.6	0.0	0.0	1.4	1.7	-0.2	-0.6	-38.2
Abroad	-216.1	-147.5	-1.8	1.7	-128.5	-18.8	0.0	-5.3	-0.2	-6.8	-2.7	-8.0	-45.6
Equity/reinvested earnings	-155.5	-122.1	-5.1	-3.1	-93.4	-20.5	0.0	-4.3	-0.7	-7.3	13.7	-4.4	-30.4
Other capital	-60.7	-25.4	3.3	4.8	-35.1	1.7	0.0	-1.0	0.4	0.5	-16.4	-3.6	-15.2
In the euro area	70.7	37.9	1.2	7.0	15.4	14.2	0.0	5.3	1.6	8.5	2.5	7.4	7.4
Equity/reinvested earnings	43.6	25.7	0.4	4.3	20.7	0.3	0.0	4.0	1.0	0.6	1.1	6.8	4.5
Other capital	27.1	12.2	0.9	2.6	-5.3	14.0	0.0	1.3	0.6	7.9	1.5	0.6	2.9

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						
2005 Q1 to 2005 Q4	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>Portfolio investment assets</b>	-443.1	-179.9	-11.6	-11.2	-128.1	-18.9	-10.0	-9.2	-36.2	-5.5	-71.2	-60.5	-80.7
Equity	-140.4	-43.6	-1.9	-5.0	-33.5	-3.2	0.0	-3.5	-21.0	-4.4	-14.4	-16.2	-37.4
Debt instruments	-302.7	-136.3	-9.8	-6.2	-94.6	-15.7	-10.0	-5.7	-15.2	-1.1	-56.8	-44.2	-43.3
Bonds and notes	-283.4	-110.4	-8.7	-5.7	-69.5	-16.1	-10.4	-6.0	-15.5	0.9	-77.6	-36.7	-38.2
Money market instruments	-19.3	-26.0	-1.1	-0.5	-25.1	0.4	0.4	0.3	0.3	-2.0	20.8	-7.6	-5.1

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

(cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisations	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2005 Q1 to 2005 Q4	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Other investment</b>	67.8	35.9	-5.5	20.7	20.3	-13.8	14.1	-3.3	13.4	-4.8	15.4	-7.2	1.9	16.4
Assets	-565.5	-385.6	-15.2	14.9	-356.1	-27.4	-1.9	-6.3	0.1	-20.8	-26.0	-58.5	-2.8	-65.6
General government	5.1	-1.3	1.1	-0.3	-3.5	1.3	0.0	-0.1	0.0	-0.1	0.3	0.0	-1.6	7.7
MFIs	-387.4	-231.1	-15.1	14.8	-202.7	-26.6	-1.5	-5.2	4.2	-15.6	-39.9	-43.2	-0.8	-55.9
Other sectors	-183.2	-153.2	-1.1	0.4	-150.0	-2.1	-0.4	-1.1	-4.1	-5.1	13.5	-15.3	-0.4	-17.5
Liabilities	633.3	421.4	9.7	5.9	376.4	13.5	15.9	3.0	13.3	16.0	41.4	51.3	4.7	82.0
General government	-2.4	-1.0	0.0	0.0	-2.8	0.0	1.8	0.0	-0.1	0.0	0.0	-0.1	-0.4	-0.8
MFIs	483.1	300.0	9.1	4.5	265.9	12.3	8.2	3.1	12.8	11.2	22.9	48.3	5.3	79.5
Other sectors	152.6	122.4	0.6	1.3	113.3	1.3	5.9	-0.1	0.6	4.8	18.6	3.1	-0.2	3.4

### 5. International investment position

(end-of-period outstanding amounts)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisations	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2004	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Direct investment</b>	33.1	-273.1	-10.4	-11.8	-361.5	110.8	-0.2	22.7	-4.0	35.3	-63.5	-30.9	0.0	346.7
Abroad	2,265.1	759.8	26.1	71.1	537.6	125.1	0.0	66.8	55.9	220.3	486.6	272.2	0.0	403.5
Equity/reinvested earnings	1,825.7	608.4	22.9	43.8	432.7	108.9	0.0	58.3	50.5	171.0	377.2	255.7	0.0	304.8
Other capital	439.3	151.4	3.1	27.2	104.9	16.2	0.0	8.5	5.4	49.4	109.4	16.5	0.0	98.7
In the euro area	2,231.9	1,032.9	36.5	82.8	899.1	14.3	0.2	44.1	59.8	185.1	550.2	303.0	0.1	56.8
Equity/reinvested earnings	1,642.1	814.3	23.0	67.4	719.4	4.4	0.1	40.4	48.8	129.6	387.7	177.0	0.0	44.2
Other capital	589.9	218.6	13.4	15.4	179.8	9.9	0.1	3.7	11.1	55.4	162.4	126.1	0.0	12.6
<b>Portfolio investment assets</b>	2,984.0	941.1	45.1	100.8	680.8	56.8	57.6	63.4	174.3	91.9	1,050.2	310.3	28.4	324.4
Equity	1,238.7	315.3	6.6	32.9	261.4	14.4	0.0	12.6	109.5	82.3	483.3	106.8	0.9	128.0
Debt instruments	1,745.3	625.8	38.5	67.9	419.4	42.4	57.6	50.8	64.8	9.7	566.9	203.5	27.5	196.3
Bonds and notes	1,458.6	513.8	34.4	58.7	322.5	41.1	57.1	48.7	39.9	8.5	463.5	185.9	27.1	171.2
Money market instruments	286.7	112.1	4.1	9.2	96.9	1.3	0.5	2.1	25.0	1.2	103.4	17.6	0.3	25.1
<b>Other investment</b>	-195.9	34.7	26.1	30.2	90.7	20.8	-133.0	3.6	20.0	-68.9	-42.6	-232.8	-13.4	103.4
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	3,136.2	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	377.5
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	2,539.5	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	284.2
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	-946.2	-12.2	33.1	-1,049.4	-14.8	-195.9	280.8
2005 Q3	-1,105.2	-13.8	216.2	-1,387.3	-22.4	-223.3	311.6
Q4	-1,048.5	-13.1	233.4	-1,308.6	-17.6	-276.0	320.3
Outstanding assets							
2001	7,758.3	110.8	2,086.0	2,513.0	129.9	2,636.7	392.7
2002	7,429.3	102.5	2,008.7	2,292.7	136.0	2,625.9	366.1
2003	7,934.3	106.4	2,152.0	2,634.6	158.0	2,683.1	306.6
2004	8,632.6	111.4	2,265.1	2,984.0	162.3	2,940.3	280.8
2005 Q3	10,139.3	126.8	2,520.9	3,547.6	218.1	3,541.1	311.6
Q4	10,544.6	131.8	2,560.8	3,761.1	230.5	3,672.0	320.3
Outstanding liabilities							
2001	8,147.3	116.4	1,663.1	3,347.8	127.4	3,009.0	-
2002	8,132.9	112.2	1,824.3	3,230.2	147.9	2,930.5	-
2003	8,743.6	117.3	2,108.9	3,548.6	166.3	2,919.8	-
2004	9,578.8	123.6	2,231.9	4,033.4	177.2	3,136.2	-
2005 Q3	11,244.6	140.6	2,304.7	4,934.8	240.6	3,764.4	-
Q4	11,593.1	144.9	2,327.3	5,069.7	248.1	3,948.1	-

## 2. Direct investment

	By resident units abroad						By non-resident units in the euro area					
	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
	Total	MFI excluding Eurosystem	Non- MFIs	Total	MFI excluding Eurosystem	Non- MFIs	Total	MFI excluding Eurosystem	Non- MFIs	Total	MFI 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 Q3	2,021.8	158.4	1,863.4	499.1	1.0	498.1	1,668.4	51.5	1,616.9	636.3	4.2	632.1
Q4	2,045.4	159.2	1,886.2	515.3	0.9	514.5	1,688.6	49.3	1,639.3	638.7	4.6	634.1

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

	Equity					Debt instruments													
	Assets				Liabilities	Bonds and notes					Money market instruments								
	Eurosystem		MFI excluding Eurosystem			Non-MFI		Eurosystem		MFI excluding Eurosystem		Non-MFI		Eurosystem		MFI excluding Eurosystem		Non-MFI	
			General gov.	Other sectors					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 Q3	2.9	96.6	22.0	1,377.6	2,307.5	7.3	661.7	9.8	1,057.4	2,300.5	0.8	249.3	6.2	56.0	326.9				
Q4	2.9	105.4	24.0	1,517.0	2,440.4	6.7	694.9	9.9	1,084.8	2,313.5	0.8	255.1	0.3	59.4	315.7				

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		
2002	3.6	0.1	57.2	0.2	1.3	59.4	54.7	4.7	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	73.0	0.2	1.4	57.6	51.0	6.7	39.6	0.0	40.1	3.5	
2005 Q3	4.4	0.2	83.3	0.3	1.4	54.9	45.1	9.8	42.3	0.0	42.4	2.4	
Q4	5.3	0.2	80.1	0.2	1.3	57.1	46.2	10.9	42.9	0.0	40.6	2.5	

	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	1,686.3	60.8	2,251.1	48.5	174.5	492.6	204.4	288.1	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 Q3	2,360.4	64.9	2,903.2	66.1	184.3	693.2	306.4	386.8	135.0	120.6	485.4	60.8	
Q4	2,447.7	58.3	3,037.7	54.6	184.7	737.3	355.9	381.4	137.3	122.9	547.0	62.5	

### 5. International reserves

	Reserve assets													Memo		
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency	
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities			Financial derivatives				
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes					Money market instruments
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
<b>Eurosystem</b>																
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 Q2	302.3	138.2	382.323	4.2	16.5	143.4	12.4	28.3	103.0	0.5	62.4	40.1	-0.3	0.0	23.4	-17.7
Q3	311.6	149.4	380.258	4.2	13.8	144.1	10.8	27.3	106.3	0.5	66.8	39.0	-0.2	0.0	24.0	-19.5
Q4	320.3	163.4	375.861	4.3	10.6	141.9	12.7	21.4	107.9	0.6	69.6	37.7	0.0	0.0	25.6	-17.9
2006 Feb.	332.1	175.5	374.888	4.4	7.2	145.1	7.0	26.8	111.3	-	-	-	0.0	0.0	24.7	-19.7
Mar.	327.1	179.7	373.695	4.3	6.9	136.3	6.5	26.0	103.7	-	-	-	0.1	0.0	27.7	-19.4
Apr.	336.8	191.7	373.166	4.2	6.7	134.1	5.5	25.5	102.8	-	-	-	0.4	0.0	25.0	-17.0
<b>of which held by the European Central Bank</b>																
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 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
Q4	41.5	10.1	23.145	0.2	0.0	31.2	5.1	2.5	23.6	0.0	10.6	12.9	0.0	0.0	2.9	-0.9
2006 Feb.	43.1	10.8	23.145	0.2	0.0	32.1	1.5	5.3	25.3	-	-	-	0.0	0.0	2.3	-1.2
Mar.	40.5	11.1	23.145	0.2	0.0	29.2	2.6	3.6	23.1	-	-	-	0.0	0.0	3.9	-0.5
Apr.	41.7	11.9	23.145	0.2	0.0	29.7	2.2	5.8	21.7	-	-	-	-0.1	0.0	2.4	-0.5

Source: ECB.

## 7.5 Trade in goods

(seasonally adjusted, unless otherwise indicated)

## 1. Values, volumes and unit values by product group

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
	Exports	Imports	Total			Memo: Manufactures	Total			Memo: Manufactures	Oil		
			Intermediate	Capital	Consumption		Intermediate	Capital	Consumption				
	1	2	3	4	5	6	7	8	9	10	11	12	13
Values (EUR billions; annual percentage changes for columns 1 and 2)													
2002	2.0	-3.0	1,083.4	512.4	227.8	309.5	949.1	984.4	559.4	163.0	234.5	717.3	105.2
2003	-2.3	0.5	1,060.1	501.3	222.8	300.5	925.0	990.7	554.0	164.1	240.9	716.3	109.0
2004	8.9	9.4	1,147.4	547.5	246.9	313.4	997.4	1,075.0	604.5	183.5	256.1	769.9	129.5
2005	7.3	12.3	1,236.0	585.8	265.2	329.3	1,068.1	1,212.7	692.3	201.4	271.8	841.9	180.9
2004 Q4	8.9	12.7	291.8	139.3	62.6	78.1	253.3	278.6	158.8	47.3	65.0	198.8	36.7
2005 Q1	3.4	8.6	292.0	138.2	62.4	77.9	255.6	279.0	157.4	44.5	64.1	198.1	36.1
Q2	6.2	10.8	302.5	144.0	63.8	80.7	259.0	292.1	165.9	49.3	66.1	202.0	40.5
Q3	9.9	14.4	318.5	149.9	70.0	84.8	274.6	316.2	182.3	52.8	69.8	217.4	51.3
Q4	9.4	14.9	323.0	153.7	69.0	85.9	278.9	325.5	186.7	54.8	71.8	224.3	52.9
2006 Q1	15.7	22.3	331.6	157.3	70.4	88.5	283.9	335.2	195.2	51.1	73.0	221.8	.
2005 Oct.	6.6	12.0	104.4	49.6	22.4	27.8	90.1	105.8	59.9	17.6	23.3	72.4	17.7
Nov.	10.8	14.7	108.5	51.7	22.9	29.0	93.2	107.4	61.8	19.3	24.0	74.3	17.9
Dec.	11.0	18.2	110.1	52.4	23.8	29.1	95.6	112.3	65.0	17.9	24.5	77.6	17.2
2006 Jan.	14.7	23.6	110.3	52.0	23.7	29.1	94.9	111.4	64.4	17.2	24.4	74.2	18.1
Feb.	15.1	23.1	110.0	52.4	23.3	29.3	94.8	112.8	65.5	17.2	24.1	74.9	17.9
Mar.	17.1	20.6	111.4	52.9	23.3	30.1	94.2	111.1	65.3	16.8	24.5	72.8	.
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2002	2.9	-0.7	107.9	105.0	106.2	115.0	108.2	98.2	98.9	89.5	104.1	96.3	101.4
2003	1.0	3.8	109.1	105.9	108.0	114.9	109.2	101.9	100.5	95.3	110.4	100.0	104.9
2004	9.1	6.7	118.3	115.4	121.2	119.8	118.3	108.0	104.2	107.8	118.5	107.5	105.7
2005	4.3	4.2	123.8	118.6	128.6	123.2	124.0	113.0	105.9	119.1	122.7	115.1	107.3
2004 Q4	7.8	6.3	119.9	116.2	122.9	119.4	119.8	109.3	104.8	112.1	120.5	110.3	106.0
2005 Q1	1.0	2.2	118.8	113.9	122.3	118.4	120.0	109.4	103.9	106.5	118.3	109.8	105.4
Q2	4.1	5.0	122.1	117.8	124.0	121.7	121.0	111.7	105.0	118.1	121.4	111.7	103.2
Q3	6.7	4.8	126.9	120.8	135.2	125.9	127.0	114.5	107.2	123.8	124.7	118.2	110.1
Q4	5.2	4.6	127.6	122.1	132.8	126.6	128.1	116.2	107.6	128.2	126.4	120.8	110.7
2006 Q1	.	.	.	.	.	.	.	.	.	.	.	.	.
2005 Oct.	2.6	3.5	124.1	118.8	129.7	122.5	124.5	114.5	105.0	123.1	123.6	117.6	112.3
Nov.	7.2	5.0	128.9	123.4	131.9	129.1	128.8	115.5	107.3	135.1	127.8	120.4	115.0
Dec.	5.8	5.3	129.7	124.0	136.7	128.1	131.0	118.8	110.4	126.4	127.7	124.5	104.6
2006 Jan.	9.2	7.8	128.8	122.2	135.2	127.3	129.5	116.1	108.1	116.8	127.3	117.8	108.4
Feb.	10.2	8.5	128.5	123.2	133.1	128.6	129.6	116.5	107.7	118.6	125.7	119.1	99.6
Mar.	.	.	.	.	.	.	.	.	.	.	.	.	.
Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)													
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	84.5
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	-0.2	2.4	96.7	96.3	94.2	99.5	96.2	97.1	98.1	93.0	97.8	96.1	99.5
2005	2.8	7.7	99.4	100.2	95.3	101.7	98.2	104.6	110.5	92.4	100.2	98.1	136.9
2004 Q4	1.0	6.0	97.0	97.3	94.2	99.5	96.5	99.5	102.6	92.2	97.7	96.7	112.8
2005 Q1	2.3	6.2	98.0	98.5	94.4	100.1	97.2	99.5	102.6	91.5	98.1	96.8	111.6
Q2	2.0	5.5	98.7	99.3	95.1	100.9	97.7	102.0	107.0	91.4	98.5	97.1	128.2
Q3	3.0	9.2	100.1	100.8	95.7	102.4	98.7	107.8	115.1	93.2	101.3	98.8	151.9
Q4	4.0	9.9	100.9	102.3	96.2	103.2	99.4	109.3	117.5	93.4	102.9	99.7	155.8
2006 Q1	.	.	.	.	.	.	.	.	.	.	.	.	.
2005 Oct.	3.9	8.2	100.7	101.7	95.8	103.5	99.1	108.2	115.8	93.8	102.5	99.2	154.2
Nov.	3.3	9.2	100.7	102.1	96.2	102.5	99.1	108.8	117.0	93.5	102.1	99.4	152.3
Dec.	4.9	12.2	101.5	103.0	96.5	103.8	99.9	110.7	119.6	92.9	104.1	100.4	161.1
2006 Jan.	5.0	14.7	102.4	103.6	97.4	104.3	100.3	112.3	121.1	96.4	104.1	101.5	163.6
Feb.	4.4	13.5	102.4	103.6	97.2	104.2	100.1	113.3	123.5	94.9	104.1	101.2	175.5
Mar.	.	.	.	.	.	.	.	.	.	.	.	.	.

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	Switzerland	Turkey	United States	Asia			Africa	Latin America	Other countries
		Denmark	Sweden	United Kingdom	Other EU countries					China	Japan	Other Asian countries			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Exports (f.o.b.)</b>															
2002	1,083.4	25.3	37.1	205.7	112.1	27.1	64.0	21.4	184.1	29.9	33.1	140.5	59.5	43.4	100.3
2003	1,060.1	24.9	38.7	194.8	117.6	29.2	63.4	24.9	166.3	35.2	31.3	135.4	59.5	37.9	100.9
2004	1,147.4	25.7	41.8	203.9	128.0	35.6	66.1	31.8	173.8	40.3	33.1	149.9	63.8	40.3	113.4
2005	1,236.0	28.6	44.8	202.5	142.0	42.9	70.1	34.6	184.8	43.5	34.0	165.6	72.7	46.7	123.0
2004 Q4	291.8	6.7	10.7	51.2	32.7	9.2	17.1	7.7	43.8	10.0	8.2	37.8	15.9	10.5	30.3
2005 Q1	292.0	6.7	10.9	49.7	33.1	9.8	17.4	8.0	43.4	10.3	8.5	39.0	17.1	11.0	27.1
Q2	302.5	7.0	11.2	49.9	34.0	10.6	16.9	8.2	45.5	10.0	8.4	40.5	17.2	11.2	31.9
Q3	318.5	7.3	11.4	51.3	36.1	11.3	17.9	9.0	47.1	11.4	8.5	43.9	19.3	12.3	31.6
Q4	323.0	7.6	11.4	51.6	38.8	11.2	18.0	9.4	48.7	11.8	8.6	42.2	19.2	12.2	32.3
2006 Q1	331.6	.	.	.	.	12.0	18.0	9.8	50.5	12.5	8.8	43.5	18.9	13.2	.
2005 Oct.	104.4	2.5	3.7	16.6	12.5	3.6	5.8	3.0	15.7	3.8	2.8	13.8	6.1	4.0	10.4
Nov.	108.5	2.6	3.8	17.6	12.8	3.9	5.9	2.9	16.3	3.9	2.9	14.1	6.4	4.2	11.3
Dec.	110.1	2.5	3.9	17.4	13.5	3.7	6.2	3.4	16.7	4.2	3.0	14.3	6.7	4.0	10.6
2006 Jan.	110.3	2.5	3.8	17.6	13.4	4.0	6.2	3.2	16.8	4.1	3.0	14.4	6.2	4.7	10.4
Feb.	110.0	2.5	3.8	17.3	13.6	4.0	5.9	3.3	16.7	4.2	3.0	14.8	6.5	4.4	10.0
Mar.	111.4	.	.	.	.	4.0	5.9	3.3	17.0	4.2	2.8	14.3	6.2	4.2	.
<i>% share of total exports</i>															
2005	100.0	2.3	3.6	16.4	11.5	3.5	5.7	2.8	14.9	3.5	2.8	13.4	5.9	3.8	9.9
<b>Imports (c.i.f.)</b>															
2002	984.4	23.0	35.6	149.7	93.5	42.0	52.0	17.7	125.6	61.7	52.7	142.8	67.8	39.4	80.9
2003	990.7	23.7	36.9	138.9	102.1	47.4	50.4	19.3	110.3	74.5	52.1	141.2	68.9	39.8	85.1
2004	1,075.0	25.3	39.6	144.0	107.2	56.4	53.4	22.8	113.8	92.1	53.9	163.1	72.8	45.1	85.5
2005	1,212.7	25.3	42.0	150.4	116.7	73.1	57.9	24.8	120.6	117.7	52.8	187.7	95.0	52.8	96.1
2004 Q4	278.6	6.5	10.2	36.6	27.3	16.0	13.8	6.1	28.9	25.2	13.5	43.0	19.8	11.7	20.1
2005 Q1	279.0	6.1	10.0	35.8	27.0	16.6	13.5	6.2	28.9	26.3	12.9	41.3	20.2	12.1	22.0
Q2	292.1	6.4	10.3	36.7	28.9	17.5	14.4	5.9	30.0	27.8	12.5	46.3	21.8	12.1	21.5
Q3	316.2	6.3	10.6	38.6	29.9	18.9	15.0	6.1	30.7	31.1	13.6	49.3	26.8	13.8	25.3
Q4	325.5	6.5	11.1	39.2	30.9	20.1	15.0	6.6	30.9	32.5	13.8	50.7	26.2	14.8	27.3
2006 Q1	335.2	.	.	.	.	24.0	15.0	6.6	31.8	33.5	13.8	53.0	26.7	15.5	.
2005 Oct.	105.8	2.2	3.6	12.8	10.1	6.6	5.0	2.1	10.1	10.2	4.3	15.8	8.3	4.8	9.8
Nov.	107.4	2.1	3.7	13.2	10.2	6.5	5.0	2.2	10.2	10.7	4.6	17.4	9.1	4.9	7.5
Dec.	112.3	2.2	3.7	13.2	10.6	7.0	5.0	2.3	10.6	11.5	4.8	17.5	8.8	5.1	10.0
2006 Jan.	111.4	2.3	3.8	13.3	10.5	7.8	5.0	2.1	10.6	11.2	4.6	17.9	8.5	5.1	8.5
Feb.	112.8	2.1	3.8	13.4	10.9	8.0	5.0	2.2	10.7	11.1	4.7	17.7	9.2	5.2	8.7
Mar.	111.1	.	.	.	.	8.3	5.0	2.3	10.5	11.2	4.4	17.4	9.0	5.2	.
<i>% share of total imports</i>															
2005	100.0	2.1	3.5	12.4	9.6	6.0	4.8	2.0	10.0	9.7	4.4	15.5	7.8	4.3	7.9
<b>Balance</b>															
2002	99.0	2.3	1.5	56.0	18.6	-14.9	12.0	3.8	58.5	-31.8	-19.7	-2.3	-8.3	4.0	19.4
2003	69.4	1.1	1.7	56.0	15.5	-18.2	12.9	5.5	56.0	-39.3	-20.9	-5.7	-9.4	-1.8	15.8
2004	72.3	0.4	2.2	59.9	20.9	-20.8	12.6	8.9	60.0	-51.8	-20.8	-13.2	-9.0	-4.8	27.9
2005	23.3	3.3	2.9	52.1	25.3	-30.1	12.3	9.8	64.2	-74.1	-18.8	-22.1	-22.3	-6.1	26.9
2004 Q4	13.2	0.2	0.5	14.7	5.4	-6.7	3.3	1.6	14.9	-15.2	-5.3	-5.1	-3.9	-1.2	10.1
2005 Q1	13.0	0.6	0.9	13.9	6.1	-6.8	3.9	1.8	14.5	-16.1	-4.5	-2.3	-3.1	-1.1	5.1
Q2	10.4	0.6	0.9	13.2	5.1	-6.8	2.5	2.3	15.5	-17.8	-4.1	-5.8	-4.6	-0.9	10.4
Q3	2.3	1.1	0.8	12.7	6.2	-7.6	2.9	2.9	16.4	-19.7	-5.1	-5.4	-7.5	-1.5	6.3
Q4	-2.5	1.0	0.3	12.4	7.9	-8.9	3.0	2.8	17.8	-20.6	-5.2	-8.5	-7.0	-2.6	5.1
2006 Q1	-3.6	.	.	.	.	-12.0	3.0	3.1	18.7	-21.0	-5.0	-9.5	-7.7	-2.3	.
2005 Oct.	-1.4	0.3	0.1	3.9	2.4	-3.0	0.9	1.0	5.6	-6.5	-1.6	-2.1	-2.2	-0.7	0.6
Nov.	1.1	0.4	0.1	4.3	2.6	-2.6	0.9	0.7	6.1	-6.9	-1.8	-3.2	-2.7	-0.7	3.8
Dec.	-2.3	0.3	0.1	4.2	2.9	-3.3	1.2	1.1	6.2	-7.3	-1.8	-3.2	-2.1	-1.1	0.7
2006 Jan.	-1.1	0.2	0.0	4.4	2.8	-3.8	1.2	1.1	6.2	-7.1	-1.6	-3.4	-2.3	-0.5	1.9
Feb.	-2.8	0.4	0.0	3.9	2.7	-3.9	1.0	1.1	6.0	-6.9	-1.7	-3.0	-2.7	-0.8	1.2
Mar.	0.3	.	.	.	.	-4.2	0.9	1.0	6.5	-6.9	-1.6	-3.1	-2.8	-1.0	.

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

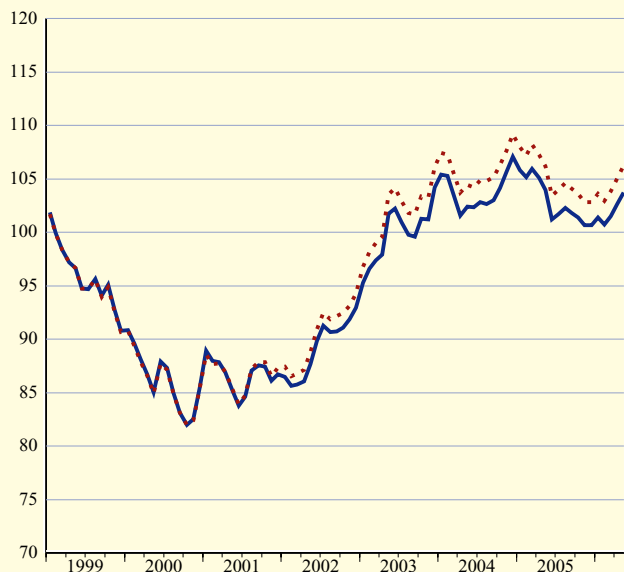
# EXCHANGE RATES

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

	EER-23						EER-42		
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI	
	1	2	3	4	5	6	7	8	
2003	99.9	101.7	102.2	101.4	97.6	99.0	106.6	101.6	
2004	103.8	105.9	105.2	105.2	103.3	103.7	111.0	105.4	
2005	102.9	105.2	103.6	104.3	100.8	101.8	109.5	103.5	
2005 Q1	105.7	107.8	106.9	107.2	104.4	104.6	112.6	106.6	
Q2	103.4	105.6	104.2	104.8	101.2	102.6	110.1	104.1	
Q3	101.9	104.2	102.4	103.2	99.1	100.6	108.3	102.5	
Q4	100.9	103.1	101.1	102.1	98.4	99.4	107.2	101.1	
2006 Q1	101.2	103.5	102.1	.	.	.	107.2	101.0	
2005 May	104.0	106.2	104.6	-	-	-	110.6	104.6	
June	101.2	103.4	102.1	-	-	-	107.6	101.9	
July	101.7	104.0	102.3	-	-	-	108.0	102.1	
Aug.	102.3	104.6	102.8	-	-	-	108.7	102.8	
Sep.	101.8	104.1	101.9	-	-	-	108.2	102.4	
Oct.	101.4	103.6	101.5	-	-	-	107.8	101.8	
Nov.	100.7	102.9	100.9	-	-	-	106.9	100.8	
Dec.	100.7	102.9	101.0	-	-	-	106.9	100.7	
2006 Jan.	101.4	103.6	101.9	-	-	-	107.5	101.3	
Feb.	100.7	103.0	101.8	-	-	-	106.6	100.4	
Mar.	101.5	103.8	102.6	-	-	-	107.4	101.2	
Apr.	102.7	105.1	103.8	-	-	-	108.6	102.4	
May	103.8	106.2	105.0	-	-	-	110.3	103.9	
	<i>% change versus previous month</i>								
2006 May	1.1	1.1	1.2	-	-	-	1.5	1.5	
	<i>% change versus previous year</i>								
2006 May	-0.2	0.0	0.4	-	-	-	-0.3	-0.7	

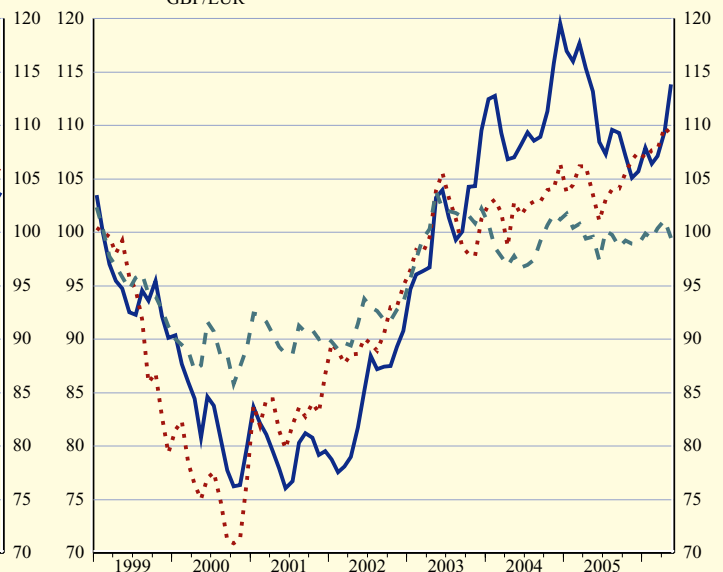
### C35 Effective exchange rates (monthly averages; index 1999 Q1=100)

— nominal EER-23  
- - - real CPI-deflated EER-23



### C36 Bilateral exchange rates (monthly averages; index 1999 Q1=100)

— USD/EUR  
- - - JPY/EUR  
- - - GBP/EUR



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 1	Swedish krona 2	Pound sterling 3	US dollar 4	Japanese yen 5	Swiss franc 6	South Korean won 7	Hong Kong dollar 8	Singapore dollar 9	Canadian dollar 10	Norwegian krone 11	Australian dollar 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 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
2006 Q1	7.4621	9.3525	0.68625	1.2023	140.51	1.5590	1,173.72	9.3273	1.9567	1.3894	8.0227	1.6274
2005 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
Feb.	7.4641	9.3414	0.68297	1.1938	140.77	1.5580	1,157.96	9.2640	1.9448	1.3723	8.0597	1.6102
Mar.	7.4612	9.4017	0.68935	1.2020	140.96	1.5691	1,171.84	9.3270	1.9486	1.3919	7.9775	1.6540
Apr.	7.4618	9.3346	0.69463	1.2271	143.59	1.5748	1,168.67	9.5182	1.9643	1.4052	7.8413	1.6662
May	7.4565	9.3310	0.68330	1.2770	142.70	1.5564	1,202.04	9.9019	2.0133	1.4173	7.7988	1.6715
	% change versus previous month											
2006 May	-0.1	0.0	-1.6	4.1	-0.6	-1.2	2.9	4.0	2.5	0.9	-0.5	0.3
	% change versus previous year											
2006 May	0.2	1.5	-0.1	0.6	5.4	0.7	-5.5	0.1	-4.0	-11.1	-3.5	0.9
	Czech koruna 13	Estonian kroon 14	Cyprus pound 15	Latvian lats 16	Lithuanian litas 17	Hungarian forint 18	Maltese lira 19	Polish zloty 20	Slovenian tolar 21	Slovak koruna 22	Bulgarian lev 23	New Roman- ian leu <sup>1)</sup> 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 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
2006 Q1	28.599	15.6466	0.57449	0.6961	3.4528	254.56	0.4293	3.8346	239.51	37.456	1.9558	3,5638
2005 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
Feb.	28.407	15.6466	0.57436	0.6961	3.4528	251.57	0.4293	3.7941	239.49	37.390	1.9558	3,5393
Mar.	28.650	15.6466	0.57530	0.6961	3.4528	260.85	0.4293	3.8837	239.55	37.478	1.9558	3,5074
Apr.	28.501	15.6466	0.57613	0.6960	3.4528	265.47	0.4293	3.9177	239.60	37.374	1.9558	3,4892
May	28.271	15.6466	0.57510	0.6960	3.4528	262.37	0.4293	3.8954	239.63	37.578	1.9558	3,5072
	% change versus previous month											
2006 May	-0.8	0.0	-0.2	0.0	0.0	-1.2	0.0	-0.6	0.0	0.5	0.0	0.5
	% change versus previous year											
2006 May	-6.4	0.0	-0.5	0.0	0.0	4.1	0.0	-6.7	0.0	-3.7	0.0	-
	Chinese yuan renminbi <sup>2)</sup> 25	Croatian kuna <sup>2)</sup> 26	Icelandic krona 27	Indonesian rupiah <sup>2)</sup> 28	Malaysian ringgit <sup>2)</sup> 29	New Zealand dollar 30	Philippine peso <sup>2)</sup> 31	Russian rouble <sup>2)</sup> 32	South African rand 33	Thai baht <sup>2)</sup> 34	New Turkish lira <sup>3)</sup> 35	
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 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	
2006 Q1	9.6793	7.3426	78.43	11,178.36	4.4814	1.8128	62.292	33.8349	7.4067	47.273	1,6026	
2005 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	
Feb.	9.6117	7.3191	76.57	11,048.98	4.4487	1.7741	61.776	33.6802	7.3079	47.014	1,5830	
Mar.	9.6581	7.3300	83.74	11,009.15	4.4514	1.8956	61.499	33.4973	7.5171	46.836	1,6071	
Apr.	9.8361	7.3111	91.94	10,956.51	4.4918	1.9733	63.077	33.7987	7.4656	46.619	1,6381	
May	10.2353	7.2731	91.69	11,536.41	4.6107	2.0240	66.622	34.5386	8.0859	48.534	1,8400	
	% change versus previous month											
2006 May	4.1	-0.5	-0.3	5.3	2.6	2.6	5.6	2.2	8.3	4.1	12.3	
	% change versus previous year											
2006 May	-2.6	-0.7	11.3	-4.1	-4.4	14.6	-3.4	-2.6	0.4	-4.0	5.8	

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	3.7	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 Q3	1.6	2.2	4.3	1.7	6.7	2.2	3.5	2.1	1.8	2.3	2.2	0.9	2.4
2005 Q4	2.2	2.0	4.0	1.9	7.5	3.0	3.2	3.5	1.2	2.6	3.7	1.1	2.1
2006 Q1	2.4	2.0	4.4	2.3	7.0	3.3	2.4	2.5	0.9	2.3	4.2	1.2	2.0
2005 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	1.9
2006 Jan.	2.4	2.0	4.7	2.0	7.6	3.5	2.5	2.4	0.9	2.6	4.1	1.1	1.9
Feb.	2.4	2.1	4.5	2.3	7.0	3.4	2.3	2.3	0.9	2.3	4.3	1.1	2.0
Mar.	2.4	1.8	4.0	2.6	6.6	3.1	2.4	2.9	0.9	2.0	4.3	1.5	1.8
Apr.	2.3	1.8	4.3	2.5	6.1	3.4	2.4	3.5	1.2	2.8	4.4	1.8	2.0
General government deficit (-)/surplus (+) as a % of GDP <sup>1)</sup>													
2003	-6.6	1.0	2.4	-6.3	-1.2	-1.2	-6.4	-10.2	-4.7	-2.8	-3.7	0.1	-3.3
2004	-2.9	2.7	1.5	-4.1	-0.9	-1.5	-5.4	-5.1	-3.9	-2.3	-3.0	1.8	-3.3
2005	-2.6	4.9	1.6	-2.4	0.2	-0.5	-6.1	-3.3	-2.5	-1.8	-2.9	2.9	-3.6
General government gross debt as a % of GDP <sup>1)</sup>													
2003	30.0	44.4	6.0	69.7	14.4	21.2	56.7	71.3	43.9	29.1	42.7	51.8	39.0
2004	30.6	42.6	5.4	71.7	14.6	19.5	57.1	76.2	41.9	29.5	41.6	50.5	40.8
2005	30.5	35.8	4.8	70.3	11.9	18.7	58.4	74.7	42.5	29.1	34.5	50.3	42.8
Long-term government bond yield as a % per annum, period average													
2005 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
2006 Jan.	3.39	3.31	-	3.96	3.60	3.62	6.66	4.39	4.95	3.73	3.59	3.33	3.97
Feb.	3.41	3.48	-	3.96	3.60	3.53	6.71	4.38	4.79	3.72	3.75	3.42	4.05
Mar.	3.58	3.70	-	3.97	3.60	3.75	7.00	4.35	4.79	3.80	4.01	3.55	4.19
Apr.	3.85	3.98	-	4.07	3.60	3.92	7.00	4.19	5.03	3.73	4.27	3.84	4.37
3-month interest rate as a % per annum, period average													
2005 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
2006 Jan.	2.14	2.52	2.61	3.42	4.03	2.56	6.02	3.20	4.49	4.00	3.17	2.03	4.60
Feb.	2.00	2.66	2.62	3.24	4.03	2.61	-	3.18	4.26	3.84	3.34	2.11	4.58
Mar.	2.08	2.85	2.87	3.19	3.97	2.75	-	3.20	4.12	3.53	3.75	2.23	4.59
Apr.	2.11	2.92	2.91	3.22	3.91	2.84	6.26	3.24	4.14	3.50	3.86	2.27	4.63
Real GDP													
2004	4.7	1.9	7.8	3.9	8.5	7.0	4.6	-1.5	5.3	4.2	5.4	3.7	3.1
2005	6.0	3.1	9.8	3.8	10.2	7.5	4.1	2.5	3.3	3.9	6.1	2.7	1.8
2005 Q3	5.8	4.4	10.4	4.0	11.4	8.1	4.4	5.4	3.6	4.0	6.3	2.9	1.9
Q4	6.9	3.4	11.5	3.6	10.5	8.1	4.2	2.5	4.7	5.1	7.4	3.1	1.8
2006 Q1	.	.	.	.	.	7.9	4.3	.	4.6	.	6.3	3.9	2.2
Current and capital accounts balance as a % of GDP													
2004	-6.6	2.4	-11.9	-4.9	-11.9	-6.4	-8.3	-8.0	-3.9	-2.5	-3.1	6.9	-1.9
2005	-1.9	3.0	-9.4	-5.3	-11.3	-5.6	-6.5	-9.3	-1.1	-1.5	-8.8	6.2	-2.4
2005 Q2	-3.7	4.2	-10.9	3.2	-9.9	-6.8	-7.0	-10.6	-0.8	0.1	-11.7	5.8	-1.4
Q3	-4.1	4.6	-8.3	4.9	-11.2	-6.4	-7.4	-0.6	-1.3	0.6	-4.7	6.8	-3.7
Q4	-2.5	1.9	-9.0	-19.7	-13.9	-5.2	-5.2	-18.4	-1.3	-4.9	-14.9	5.4	-2.6
Unit labour costs													
2004	1.1	0.2	3.0	-	7.2	1.0	3.7	-	.	3.8	0.6	-0.6	2.1
2005	.	1.2	3.7	-	5.4	3.8	.	-	.	.	2.2	1.4	.
2005 Q2	-0.1	2.3	2.4	-	-	1.3	-	-	.	-	3.3	0.1	3.5
Q3	2.0	-1.1	4.1	-	-	2.8	-	-	.	-	4.0	0.6	.
Q4	.	1.0	5.6	-	-	6.9	-	-	.	-	1.0	2.6	.
Standardised unemployment rate as a % of labour force (s.a.)													
2004	8.3	5.5	9.7	4.7	10.4	11.4	6.1	7.3	19.0	6.3	18.2	7.7	4.7
2005	7.9	4.8	7.9	5.3	8.9	8.2	7.2	7.3	17.7	6.5	16.3	7.8	4.7
2005 Q3	7.8	4.6	7.5	5.4	8.9	7.8	7.3	7.3	17.7	6.5	16.1	7.8	4.7
Q4	7.8	4.1	7.3	5.3	8.0	7.0	7.5	7.5	17.2	6.8	15.8	7.7	5.0
2006 Q1	7.8	4.3	5.6	5.6	8.0	6.5	7.5	8.1	16.9	6.6	15.3	7.8	.
2005 Dec.	7.8	4.0	7.1	5.2	7.9	7.0	7.5	7.8	17.0	6.8	15.6	7.8	4.9
2006 Jan.	7.8	4.4	5.8	5.6	8.1	6.8	7.6	8.0	17.1	6.5	15.4	7.8	5.0
Feb.	7.8	4.4	5.6	5.6	8.0	6.5	7.6	8.1	16.9	6.6	15.3	7.7	5.1
Mar.	7.7	4.3	5.3	5.6	7.8	6.4	7.4	8.3	16.8	6.6	15.3	7.8	.
Apr.	7.5	.	5.1	6.3	7.8	6.0	7.4	8.5	16.5	7.0	15.5	.	.

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

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

## 9.2 In the United States and Japan

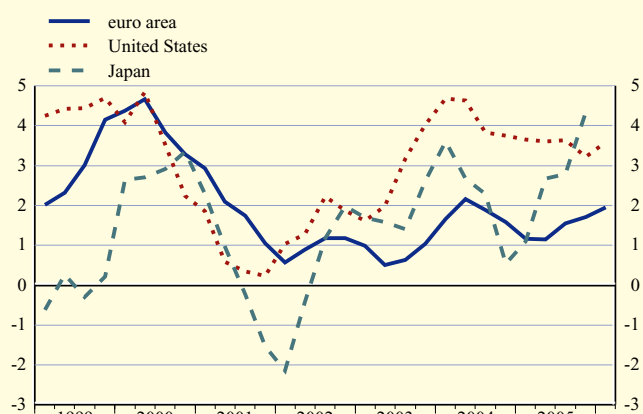
(annual percentage changes, unless otherwise indicated)

### 1. Economic and financial developments

	Consumer price index	Unit labour costs <sup>1)</sup> (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money <sup>2)</sup>	3-month interbank deposit rate <sup>3)</sup> as a % per annum	10-year government bond yield <sup>3)</sup> as a % per annum	Exchange rate <sup>4)</sup> as national currency per euro	Fiscal deficit (-)/surplus (+) as a % of GDP	Gross public debt <sup>5)</sup> as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
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	2.5	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	1.7	3.5	3.9	5.1	6.0	3.56	4.28	1.2441	-3.8	49.0
2005 Q1	3.0	2.3	3.6	4.8	5.2	5.8	2.84	4.30	1.3113	-3.7	49.5
Q2	2.9	3.0	3.6	3.4	5.1	4.9	3.28	4.16	1.2594	-3.5	48.6
Q3	3.8	2.2	3.6	3.1	5.0	5.8	3.77	4.21	1.2199	-4.4	48.6
Q4	3.7	-0.8	3.2	4.3	4.9	7.4	4.34	4.48	1.1884	-3.6	49.0
2006 Q1	3.6	-1.8	3.6	4.8	4.7	8.2	4.76	4.57	1.2023	.	.
2006 Jan.	4.0	-	-	5.0	4.7	8.0	4.60	4.41	1.2103	-	-
Feb.	3.6	-	-	4.2	4.8	8.1	4.76	4.56	1.1938	-	-
Mar.	3.4	-	-	5.2	4.7	8.5	4.92	4.72	1.2020	-	-
Apr.	3.5	-	-	5.9	4.7	8.7	5.07	4.99	1.2271	-	-
May	.	-	-	.	4.6	.	5.18	5.10	1.2770	-	-
Japan											
2002	-0.9	-3.2	0.1	-1.2	5.4	3.3	0.08	1.27	118.06	-8.4	143.9
2003	-0.3	-3.8	1.8	3.2	5.2	1.7	0.06	0.99	130.97	-7.8	151.3
2004	0.0	-5.2	2.3	5.5	4.7	1.9	0.05	1.50	134.44	-5.6	157.9
2005	-0.3	-0.5	2.6	1.1	4.4	1.9	0.06	1.39	136.85	.	.
2005 Q1	-0.2	-1.0	1.1	1.2	4.6	2.0	0.05	1.41	137.01	.	.
Q2	-0.1	0.9	2.7	0.3	4.4	1.7	0.05	1.28	135.42	.	.
Q3	-0.3	0.3	2.7	-0.2	4.3	1.8	0.06	1.36	135.62	.	.
Q4	-0.5	-2.1	4.0	3.0	4.5	2.0	0.06	1.53	139.41	.	.
2006 Q1	0.4	.	3.0	3.2	4.2	1.7	0.08	1.58	140.51	.	.
2006 Jan.	0.5	-1.1	-	2.6	4.5	1.8	0.07	1.47	139.82	-	-
Feb.	0.4	-2.2	-	3.9	4.1	1.8	0.07	1.57	140.77	-	-
Mar.	0.3	.	-	3.1	4.1	1.5	0.10	1.70	140.96	-	-
Apr.	0.4	.	-	3.8	4.1	1.7	0.11	1.91	143.59	-	-
May	.	.	-	.	.	.	0.19	1.91	142.70	-	-

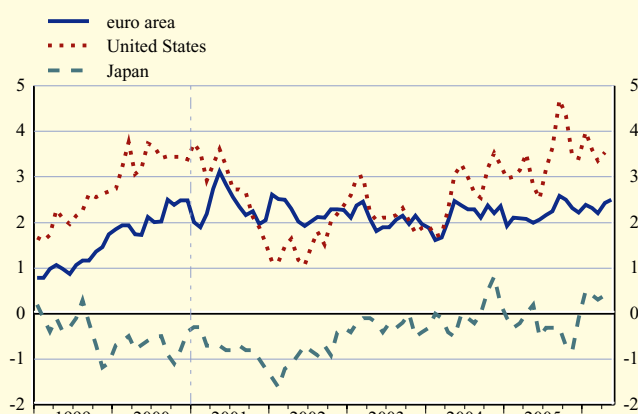
### C37 Real gross domestic product

(annual percentage changes; quarterly)



### C38 Consumer price indices

(annual percentage changes; monthly)



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

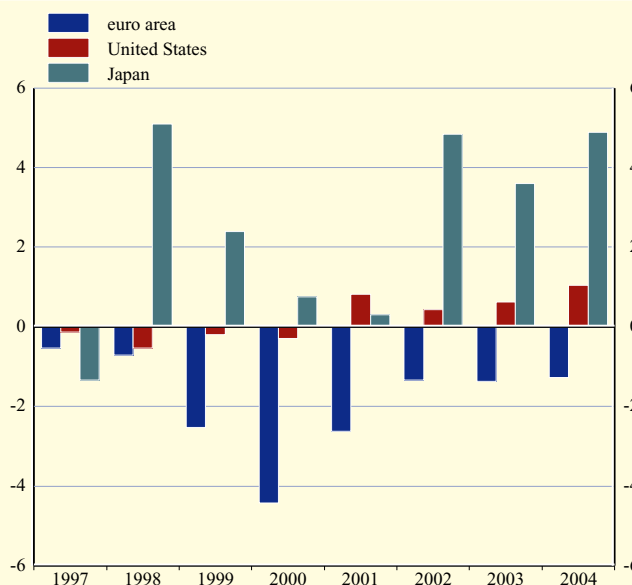
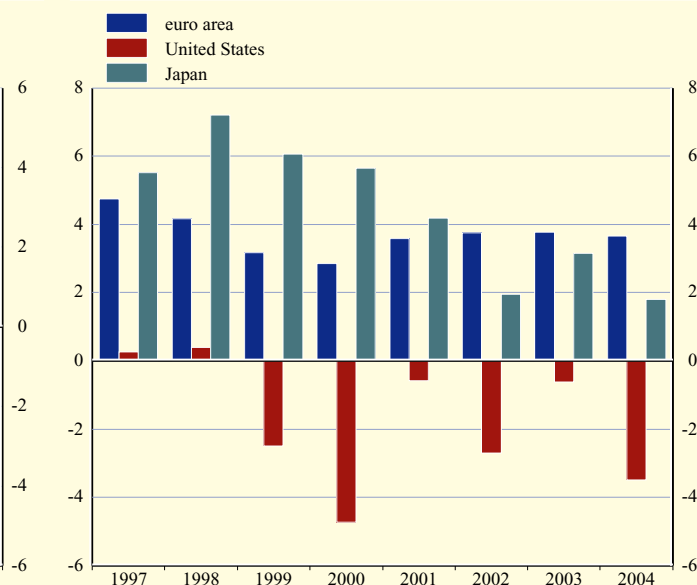
- 1) Data for the United States are seasonally adjusted.
- 2) Average-of-period values; M3 for US, M2+CDs for Japan.
- 3) For more information, see Sections 4.6 and 4.7.
- 4) For more information, see Section 8.2.
- 5) Gross consolidated general government debt (end of period).



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

## 2. Saving, investment and financing

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households <sup>1)</sup>			
	Gross saving	Gross capital formation	Net lending to the rest of the world	Gross capital formation	Gross fixed capital formation	Net acquisition of financial assets	Gross saving	Net incurrence of liabilities	Securities and shares	Capital expenditures <sup>2)</sup>	Net acquisition of financial assets	Gross saving <sup>3)</sup>	Net incurrence of liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13
United States													
2002	14.2	18.4	-4.4	7.0	7.0	1.2	7.7	0.8	-0.2	13.0	3.9	11.4	6.6
2003	13.4	18.5	-4.6	6.8	6.8	0.8	8.0	0.1	0.2	13.3	8.4	11.3	9.0
2004	13.4	19.6	-5.6	7.3	7.0	4.3	8.0	3.2	0.3	13.5	6.0	11.0	9.5
2005	13.3	20.1	-6.3	7.4	7.3	2.5	8.2	1.2	-0.6	13.7	4.2	9.6	9.5
2004 Q1	13.4	19.0	-5.0	7.1	6.8	5.0	8.2	3.6	1.0	13.3	6.0	11.0	9.5
Q2	13.3	19.8	-5.6	7.4	7.0	3.3	8.1	2.0	-0.5	13.6	5.1	10.7	9.1
Q3	13.5	19.8	-5.5	7.3	7.1	4.0	8.4	-2.6	-0.1	13.6	6.3	10.9	8.8
Q4	13.5	19.9	-6.2	7.5	7.2	4.8	7.3	4.6	0.8	13.6	6.7	11.4	10.6
2005 Q1	13.4	20.2	-6.4	7.6	7.2	3.2	7.7	2.7	0.5	13.7	4.3	10.0	8.3
Q2	13.2	19.8	-6.0	7.2	7.3	2.8	8.1	1.5	-0.4	13.9	4.3	9.4	10.0
Q3	13.6	19.9	-5.9	7.2	7.4	1.6	8.6	-0.3	-1.9	13.8	4.2	9.9	10.5
Q4	13.2	20.5	-6.7	7.6	7.4	2.2	8.3	1.1	-0.5	13.5	3.8	9.1	9.0
Japan													
2002	25.3	23.3	2.8	12.8	13.2	-1.7	16.0	-7.5	-0.9	4.9	-0.3	7.7	-2.2
2003	25.6	22.9	3.1	13.3	13.4	2.4	17.0	-5.4	0.2	4.7	0.3	7.1	-0.7
2004	25.5	22.9	3.7	13.3	13.6	4.2	17.7	-0.5	1.0	4.7	3.1	6.6	-1.0
2005	.	23.2	.	.	.	4.4	.	2.0	1.2	.	2.8	.	0.7
2004 Q1	28.7	25.5	3.9	.	.	12.5	.	-1.9	-0.6	.	-7.2	.	2.6
Q2	21.4	20.2	3.6	.	.	-13.7	.	-11.2	0.6	.	8.0	.	-6.2
Q3	23.9	23.0	3.9	.	.	10.2	.	0.0	0.1	.	-1.3	.	1.9
Q4	26.1	21.4	3.0	.	.	11.7	.	14.0	2.6	.	9.7	.	-0.6
2005 Q1	31.5	25.4	3.7	.	.	10.3	.	-3.4	-1.7	.	-12.1	.	2.9
Q2	.	23.7	.	.	.	-15.4	.	-13.8	2.2	.	8.9	.	-6.3
Q3	.	23.5	.	.	.	6.3	.	6.2	0.8	.	-2.4	.	2.8
Q4	.	23.9	.	.	.	15.8	.	18.2	3.3	.	15.5	.	3.4

C39 Net lending of non-financial corporations  
(as a percentage of GDP)C40 Net lending of households<sup>1)</sup>  
(as a percentage of GDP)

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

1) Including non-profit institutions serving households.

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

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



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## TECHNICAL NOTES

### RELATING TO THE EURO AREA OVERVIEW

#### CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

### RELATING TO SECTIONS 2.1 TO 2.6

#### CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

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

#### CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

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

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

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

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

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

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

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

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

#### CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

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

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

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

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

#### RELATING TO SECTIONS 3.1 TO 3.3

#### CALCULATION OF GROWTH RATES

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

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

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

#### RELATING TO SECTION 4.3 AND 4.4

#### CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

Growth rates are calculated on the basis of financial transactions and therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. They may be calculated from transactions or from the index of notional stocks. If  $N_t^M$  represents the transactions (net

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The calculation formula used for Section 4.3 is also used for Section 4.4 and is likewise based on that used for the monetary aggregates. Section 4.4 is based on market values and the basis for the calculation are financial transactions, which exclude reclassifications, revaluations or any other changes that do not arise from transactions. Exchange rate variations are not included as all quoted shares covered are denominated in euro.

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

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

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

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

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

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

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

## **RELATING TO TABLE 1 IN SECTION 5.1**

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

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

## **RELATING TO TABLE 2 IN SECTION 7.1**

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

The approach relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The raw data for goods, services, income and current transfers are pre-adjusted to take a working-day effect into account. For goods, services and income, the working-day adjustment is corrected for national public holidays. Data on goods credits are also pre-adjusted for Easter. The seasonal adjustment for these items is carried out using these pre-adjusted series. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal (and trading day) factors are revised at semi-annual intervals or as required.



## GENERAL NOTES

The “Euro area statistics” section of the Monthly Bulletin focuses on statistics for the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available in the “Statistics” section of the ECB’s website ([www.ecb.int](http://www.ecb.int)). Services available under the “Data services” sub-section include a browser interface with search facilities, subscription to different datasets and a facility for downloading data directly as compressed Comma Separated Value (CSV) files. For further information, please contact us at: [statistics@ecb.int](mailto:statistics@ecb.int).

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the Governing Council. For this issue, the cut-off date was 7 June 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<sup>1</sup>, as last amended by Regulation ECB/2003/10<sup>2</sup>.

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

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

## FINANCIAL AND NON-FINANCIAL ACCOUNTS

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

<sup>1</sup> OJ L 356, 30.12.1998, p. 7.

<sup>2</sup> 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 issuer's own shares. Transactions include the quotation of an issuer on a stock exchange for the first time and the creation or deletion of new instruments. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes which do not arise from transactions.

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

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

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999 column 1 of Section 4.6 shows the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999 interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

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

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

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

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities.

Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on hourly labour costs, GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger car registrations are adjusted for the variations in the number of working days.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown by goods and services components is derived from the Classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure on final consumption by households on the economic territory of the euro area. The table includes seasonally adjusted HICP data which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics<sup>3</sup>. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001<sup>4</sup>. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

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

3 OJ L 162, 5.6.1998, p. 1.

4 OJ L 86, 27.3.2001, p. 11.

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

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

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

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

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

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

## GOVERNMENT FINANCE

Sections 6.1 to 6.5 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The annual euro area aggregates in Sections 6.1 to 6.3 are compiled by the ECB from harmonised data provided by the NCBs, which are regularly updated. The deficit and debt data for the euro area countries may therefore differ from those used by the European Commission within the excessive deficit procedure. The quarterly euro area aggregates in Sections 6.4 and 6.5 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000<sup>7</sup> amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. The deficits/surpluses presented for the individual euro area countries correspond to EDP B.9 as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002

5 OJL 69, 13.3.2003, p. 1.

6 OJL 169, 8.7.2003, p. 37.

7 OJL 172, 12.7.2000, p. 3.

amending Council Regulation (EC) No 3605/93 as regards references to the ESA 95. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in the Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002<sup>8</sup> on quarterly non-financial accounts for general government. Section 6.5 presents quarterly figures on gross consolidated government debt, the deficit-debt adjustment and the government borrowing requirement. These figures are compiled using data provided by the Member States under Regulations (EC) No 501/2004 and 1222/2004 and data provided by the National Central Banks.

## EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)<sup>9</sup>, and Eurostat documents. Additional references about the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled “European Union balance of payments/international investment position statistical methods” (November 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](http://www.cmfb.org)). The annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force’s recommendations, is available on the ECB’s website.

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

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

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

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

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



Section 7.2 contains a monetary presentation of the b.o.p.: the b.o.p. transactions mirroring the transactions in the external counterpart of M3. The data follow the sign conventions of the b.o.p., except for the transactions in the external counterpart of M3 taken from money and banking statistics (column 12), where a positive sign denotes an increase of assets or a decrease of liabilities. In portfolio investment liabilities (columns 5 and 6), the b.o.p. transactions include sales and purchases of equity and debt securities issued by MFIs in the euro area, apart from shares of money market funds and debt securities with a maturity of up to two years. A methodological note on the monetary presentation of the euro area b.o.p. is available in the “Statistics” section of the ECB’s website. See also Box 1 in the June 2003 issue of the Monthly Bulletin.

Section 7.3 presents a geographical breakdown of the euro area b.o.p. (Tables 1 to 4) and i.i.p. (Table 5) vis-à-vis main partner countries individually or as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which, apart from the ECB, are treated statistically as outside the euro area, regardless of their physical location) and for some purposes also offshore centres and international organisations. Tables 1 to 4 show cumulative b.o.p. transactions in the latest four quarters; Table 5 shows a geographical breakdown of the i.i.p. for the latest end-year. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives and international reserves. The geographical breakdown is described in the article entitled “Euro area balance of payments and international investment position vis-à-vis main counterparts” in the February 2005 issue of the Monthly Bulletin.

The data on the euro area i.i.p. in Section 7.4 are based on positions vis-à-vis non-residents of the euro area, considering the euro area as a single economic entity (see also Box 9 in the

December 2002 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used to a large extent. The quarterly i.i.p. is compiled on the basis of the same methodological framework as the annual i.i.p. As some data sources are not available on a quarterly basis (or are available with a delay), the quarterly i.i.p. is partly estimated on the basis of financial transactions and asset prices and foreign exchange developments.

The outstanding amounts of the Eurosystem’s international reserves and related assets and liabilities are shown in Section 7.4, Table 5, together with the part held by the ECB. These figures are not fully comparable with those of the Eurosystem’s weekly financial statement owing to differences in coverage and valuation. The data in Table 5 are in line with the recommendations for the IMF/BIS template on international reserves and foreign currency liquidity. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, updated on 8 March 2004. More information on the statistical treatment of the Eurosystem’s international reserves can be found in a publication entitled “Statistical treatment of the Eurosystem’s international reserves” (October 2000), which can be downloaded from the ECB’s website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

Section 7.5 shows data on euro area external trade in goods. The main source is Eurostat. The ECB derives volume indices from Eurostat value and unit value indices, and performs seasonal adjustment of unit value indices, while value data are seasonally and working-day adjusted by Eurostat.

The breakdown by product group in columns 4 to 6 and 9 to 11 of Table 1 in Section 7.5 is in line with the classification by Broad Economic Categories. Manufactured goods (columns 7

and 12) and oil (column 13) are in line with the SITC Rev. 3 definition. The geographical breakdown (Table 2 in Section 7.5) shows main trading partners individually or in regional groups. Mainland China excludes Hong Kong.

Owing to differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the balance of payments statistics (Sections 7.1 to 7.3). The difference for imports has been around 5% in recent years (ECB estimate), a significant part of which relates to the inclusion of insurance and freight services in the external trade data (c.i.f. basis).

## EXCHANGE RATES

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

For more detailed information on the calculation of the EERs, see Box 10 entitled "Update of the overall trade weights for the effective exchange rates of the euro and computation of a new set of euro indicators" in the September 2004 issue of the Monthly Bulletin and the ECB's Occasional Paper No 2 ("The effective exchange rates of the euro" by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies.

## DEVELOPMENTS OUTSIDE THE EURO AREA

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



## ANNEXES

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



### 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

<sup>1</sup> 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.

#### **2 MARCH 2006**

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 2.50%, starting from the operation to be settled on 8 March 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 3.50% and 1.50% respectively, both with effect from 8 March 2006.

#### **6 APRIL AND 4 MAY 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 2.50%, 3.50% and 1.50% respectively.

#### **8 JUNE 2006**

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 2.75%, starting from the operation to be settled on 15 June 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 3.75% and 1.75% respectively, both with effect from 15 June 2006.

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



## PAYMENT FLOWS IN TARGET

In the first quarter of 2006 TARGET processed a daily average of 306,721 payments with a daily average value of €2,005 billion, the highest value since the launch of TARGET. Compared with the previous quarter, this represented a decrease of 4% in terms of volume but an increase of 1% in terms of value. The decrease in volume is seasonal and has been observed in previous years. When compared with the same period last year, an increase of 10% in terms of volume and 7% in value is observed. TARGET's overall market share in terms of value remained at the high level of 90% and its market share in terms of volume increased by 1%, to stand at 59%. The highest TARGET traffic was recorded on 31 March, the last day of the quarter, when a total of 408,127 payments were processed.

## INTRA-MEMBER STATE PAYMENTS

TARGET processed on average 235,303 intra-Member State payments with a total daily average value of €1,317 billion per business day in the first quarter of 2006. This represented a decrease of 6% in volume whereas the value increased only marginally (by 0.4%) compared with the previous quarter. In comparison with the corresponding period in 2005, the volume increased by 12% and the value by 6%. Intra-Member State traffic accounted for 76.7% of the total volume and 65.6% of the total value of TARGET payments in the quarter. The average value of an intra-Member State payment increased from €5.3 million to €5.4 million. 62% of intra-Member State payments were below €50,000, while 11% were above €1 million. On average, there were 151 intra-Member State payments each with a value above €1 billion per day. The highest intra-Member State traffic was recorded on 31 March, when a total of 311,607 payments were processed.

## INTER-MEMBER STATE PAYMENTS

At the inter-Member State level, TARGET processed a daily average of 71,418 payments with a total daily average value of €688 billion in the first quarter of 2006. Compared with the previous quarter, this represented a decrease of 0.5% in terms of volume but an increase of 3% in value. Interbank payments increased by 4% in terms of volume and 1% in value compared with the previous quarter. As regards customer payments, a decrease of 7% was observed in terms of volume and one of 2% was recorded in value compared with the previous quarter. The proportion of interbank payments in average daily inter-Member State traffic was 48% in terms of volume and 95% in value. The average value of an interbank payment increased from €18.7 million to €19.2 million and that of a customer payment decreased from €901,000 to €858,700 compared with the previous quarter. 64% of inter-Member State payments had a value below €50,000, while 14% had a value above €1 million. On average, there were 56 inter-Member State payments each with a value above €1 billion per day. The highest inter-Member State traffic was recorded on 31 March, when a total of 96,520 payments were processed.

## TARGET AVAILABILITY AND BUSINESS PERFORMANCE

In the first quarter of 2006 TARGET achieved an overall availability of 99.88%, compared with 99.92% in the previous quarter. The number of incidents with an effect on TARGET's availability was 14, which is two less than in the previous quarter. Incidents used for the calculation of TARGET's availability are those that prevent the processing of payments for ten minutes or more. During the first quarter of 2006 there were two incidents that lasted more than two hours. Table 3 shows the availability figures for each national TARGET component and the ECB payment mechanism (EPM). In the quarter under review 94.64% of inter-Member State payments were

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

(number of payments)	2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Q1
<b>TARGET</b>					
All TARGET payments					
Total volume	17,219,984	18,952,096	19,441,665	19,774,574	19,949,738
Daily average	277,741	291,541	295,161	320,888	306,721
Inter-Member State TARGET payments					
Total volume	4,183,482	4,518,137	4,389,389	4,592,102	4,646,007
Daily average	67,476	69,515	66,650	71,752	71,418
Intra-Member State TARGET payments					
Total volume	13,036,502	14,433,959	15,052,276	15,944,755	15,303,728
Daily average	210,266	222,025	228,511	249,136	235,303
<b>Other systems</b>					
EURO 1 (EBA)					
Total volume	10,883,591	11,856,745	11,590,400	12,132,235	11,600,246
Daily average	175,542	182,452	175,942	189,665	178,399
Paris Net Settlement (PNS)					
Total volume	1,681,581	1,760,484	1,677,545	1,716,063	1,672,785
Daily average	27,122	27,098	25,481	26,847	25,738
Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)					
Total volume	127,802	183,226	148,838	135,414	133,846
Daily average	2,061	2,811	2,258	2,117	2,058

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

(EUR billions)	2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Q1
<b>TARGET</b>					
All TARGET payments					
Total value	116,318	124,726	121,300	126,557	130,350
Daily average	1,876	1,919	1,841	1,977	2,005
Inter-Member State TARGET payments					
Total value	39,152	41,846	41,140	42,675	44,730
Daily average	631	644	624	668	688
Intra-Member State TARGET payments					
Total value	77,166	82,881	80,160	83,883	85,621
Daily average	1,245	1,275	1,217	1,311	1,317
<b>Other systems</b>					
EURO 1 (EBA)					
Total value	10,483	10,850	10,787	10,820	11,142
Daily average	169	167	164	169	171
Paris Net Settlement (PNS)					
Total value	3,922	4,102	3,864	3,760	3,629
Daily average	63	63	59	59	56
Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)					
Total value	122	117	106	109	122
Daily average	2	2	2	2	2

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

National TARGET component	Availability Q1 2006
Belgium	99.59%
Denmark	99.94%
Germany	99.94%
Greece	99.91%
Spain	100.00%
France	99.79%
Ireland	99.84%
Italy	100.00%
Luxembourg	100.00%
The Netherlands	100.00%
Austria	99.91%
Poland	100.00%
Portugal	99.43%
Finland	99.94%
Sweden	100.00%
United Kingdom	99.86%
ECB payment mechanism (EPM)	99.76%
Overall TARGET availability	99.88%

processed in less than five minutes, 4.20% needed between five minutes and 15 minutes and 0.47% required between 15 minutes and 30 minutes. On average the processing time exceeded 30 minutes only for 64 payments per day, which should be seen in the context of the 71,418 inter-Member State payments processed on average every day.





## DOCUMENTS PUBLISHED BY THE EUROPEAN CENTRAL BANK SINCE 2005

This list is designed to inform readers about selected documents published by the European Central Bank since January 2005. For Working Papers, the list only refers to publications released between March and May 2006. The publications are available to interested parties free of charge from the Press and Information Division. Please submit orders in writing to the postal address given on the back of the title page.

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### ANNUAL REPORT

"Annual Report 2004", April 2005.

"Annual Report 2005", April 2006.

### CONVERGENCE REPORT

"Convergence Report May 2006".

### MONTHLY BULLETIN ARTICLES

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"Financial flows to emerging market economies: changing patterns and recent developments", January 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](http://www.ecb.int/home/glossary/html/index.en.html)).

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

**Bank lending survey (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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