



EUROPEAN CENTRAL BANK

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MONTHLY BULLETIN  
SEPTEMBER





EUROPEAN CENTRAL BANK



## MONTHLY BULLETIN SEPTEMBER 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 31 August 2006, the Governing Council decided to leave the key ECB interest rates unchanged. The information that had become available since the last meeting further underpinned the reasoning behind the Governing Council's decision of 3 August to increase interest rates. It also confirmed that strong vigilance remains of the essence so as to ensure that upside risks to price stability are contained. With key ECB interest rates at still low levels in both nominal and real terms, money and credit growth dynamic, and liquidity ample by all plausible measures, the ECB's monetary policy continues to be accommodative. If the assumptions and baseline scenario of the Governing Council continue to be confirmed, a progressive withdrawal of monetary accommodation will remain warranted. Indeed, acting in a timely manner to contain risks to price stability remains essential to ensure that inflation expectations in the euro area are kept solidly anchored at levels consistent with price stability. Such anchoring of inflation expectations is a prerequisite for monetary policy to make an ongoing contribution towards supporting sustainable economic growth and job creation in the euro area.

Turning first to the economic analysis, all the main indicators in the euro area that have recently become available for the first half of the year show a significant improvement in underlying economic activity and indicate that economic growth was stronger than previously projected by official and private forecasters. According to Eurostat, on a quarter-on-quarter basis, real GDP grew by 0.9% in the euro area in the second quarter of 2006, which was above the growth rate recorded in the previous quarter. In interpreting recent GDP data, due account needs to be taken of the degree of volatility of quarterly growth rates, but they generally confirm the view of the Governing Council that economic growth is broadening and becoming more sustained. The information on activity in the third quarter – coming from various confidence surveys and indicator-based estimates – continues to be favourable and supports the assessment of real GDP growing at

rates around potential. Looking forward, the conditions remain in place for the euro area economy to continue growing at around the potential rate. Global economic activity remains robust, providing support for euro area exports. Investment is expected to remain strong, benefiting from an extended period of very favourable financing conditions, balance sheet restructuring, accumulated and ongoing strong earnings, and gains in business efficiency. Consumption growth in the euro area should also strengthen further over time, in line with developments in real disposable income, as employment conditions improve further.

This outlook is also reflected in the new ECB staff macroeconomic projections, which for the first time include Slovenia as part of the euro area in the projections for 2007. The projections foresee average annual real GDP growth in a range between 2.2% and 2.8% in 2006, and between 1.6% and 2.6% in 2007. In comparison with the June 2006 Eurosystem staff projections, the ranges projected for real GDP growth in 2006 and 2007 have been revised upwards, mainly reflecting the stronger growth recorded in the first half of this year, along with continued positive signals from a number of other indicators.

Risks to these projections for economic growth are broadly balanced over the shorter term. Over the longer term, uncertainty has augmented and downside risks relate mainly to potential further oil price rises, global imbalances and protectionist pressures, especially after the suspension of the Doha round of trade talks.

With respect to price developments, according to Eurostat's flash estimate, annual HICP inflation was 2.3% in August 2006, compared with 2.4% in the previous month. During the second half of 2006, and on average also in 2007, inflation rates are likely to remain elevated at above 2%, with the precise levels depending mainly on future energy price developments. The moderate evolution of labour costs in the euro area is expected to continue in the remainder of 2006 and in 2007 – partly

reflecting ongoing global competitive pressures, particularly in the manufacturing sector. However, lagged indirect effects of past oil price increases and already announced increases in indirect taxes are expected to exert a significant upward effect on inflation in the course of next year.

In the new ECB staff projections, annual HICP inflation is projected to lie between 2.3% and 2.5% in 2006, and between 1.9% and 2.9% in 2007. Compared with the June 2006 Eurosystem staff projections, the range for 2006 is within the upper part of the previous range, while that for 2007 has been shifted slightly upwards, largely reflecting the assumption of higher oil prices.

Risks to this outlook for price developments remain on the upside. They 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.

Against this background, it is crucial that the social partners continue to meet their responsibilities, also in the context of a more favourable environment for economic activity and employment.

Regarding prospects for inflation over medium to longer horizons, the Governing Council's assessment that upside risks to price stability prevail continues to be confirmed by the monetary analysis. The rates of monetary and credit expansion remain rapid, reflecting the still low level of interest rates in the euro area. In particular, loans to the private sector continue to grow at double-digit rates on an annual basis, with this rapid growth remaining broadly based across the household and corporate sectors. The moderation of annual M3 growth observed in June (to 8.5%) and July (to 7.8%) may possibly reflect the impact of previous increases in interest rates. However, it also needs to be viewed against the high growth rate witnessed

in May, which represented one of the highest annual rates of M3 growth seen since the introduction of the euro. More generally, recent monetary developments should be assessed with the appropriate medium-term perspective, and thus against the background of the persistent upward trend in the underlying rate of monetary expansion observed since mid-2004. On this basis, liquidity in the euro area remains ample by all reasonable measures. Continued strong monetary and credit growth in the context of already ample liquidity points to upside risks to price stability over the medium to longer term. Monetary developments therefore require careful monitoring, especially against the background of improved economic conditions and strong property market developments in many parts of the euro area.

To sum up, annual inflation rates are projected to remain elevated in 2006 and 2007, with risks to this outlook continuing to be clearly on the upside. Given the ongoing dynamism of monetary and credit growth in an environment of already ample liquidity, a cross-check of the outcome of the economic analysis with that of the monetary analysis supports the assessment that upside risks to price stability prevail over the medium term. It is essential that inflation expectations remain firmly anchored at levels consistent with price stability. Accordingly, strong vigilance is warranted in order to ensure that risks to price stability are contained. If the assumptions and baseline scenario of the Governing Council continue to be confirmed, a progressive withdrawal of monetary accommodation remains warranted. Acting in a timely manner will make an ongoing contribution to sustainable economic growth and job creation.

As regards fiscal policy, in several Member States public finances appear to be on track to meet or even exceed this year's targets as the favourable economic situation, revenue windfalls and effective consolidation measures exert a positive influence on fiscal balances. However, in other countries, the current fiscal outlook suggests a shortfall in terms of the

required structural improvement in public finances. This is worrying in view of the objectives and commitments agreed under the revised Stability and Growth Pact. It is therefore essential that 2006 budgets are executed strictly during the remainder of this year, and that budget plans for 2007 and beyond are sufficiently ambitious. All countries should take advantage of the current economic recovery to consolidate fiscal balances. In particular countries in excessive deficit procedure and with a high debt-to-GDP ratio should use the current economic recovery to bring the public deficit ratio to below 3% within the agreed deadline, and more ambitious fiscal consolidation is essential to achieve the medium-term objectives. It is also crucial that comprehensive reform programmes strengthen economic incentives and enhance the sustainability of social security systems. This is the best contribution that fiscal policies can make towards building confidence in the outlook for growth and stability in the euro area and in the revised Stability and Growth Pact.

As regards structural reforms, the Governing Council stressed the need to raise the potential growth rate of the euro area, to foster incentives to work and to strengthen the euro area's capacity to absorb shocks. Comprehensive reform measures to ensure a fully operational internal market, a higher degree of wage and price flexibility, and a more favourable business environment would offer new opportunities for firms and workers and promote investment, innovation and job creation. Such structural reforms would not only help to underpin the momentum of the ongoing economic recovery, but would also safeguard the standard of living of euro area citizens in the longer run.





# ECONOMIC AND MONETARY DEVELOPMENTS

## I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

Despite some deceleration in the second quarter, the global economy has continued to expand at a robust pace. At the same time, consumer price inflation has been increasing in many countries, largely following developments in energy prices. Looking ahead, recent leading indicators suggest that a further moderate slowdown in economic activity worldwide towards levels closer to historical averages is likely. Risks to the global economic outlook continue to be related mainly to oil market developments in the context of heightened geopolitical concerns. Risks related to a disorderly unwinding of global economic imbalances and to increased protectionist pressures also continue to persist.

### I.1 DEVELOPMENTS IN THE WORLD ECONOMY

After growing strongly in the first quarter of 2006, the global economy decelerated somewhat in the second quarter, owing to some moderation in growth in the United States and Japan. The external environment of the euro area remained, however, favourable overall, with robust growth in Asian emerging economies, including China, and in most other European countries. Annual industrial production growth in the OECD countries (excluding the euro area) edged up slightly to 4.4% in May from 4.3% in April (see Chart 1). Survey evidence suggests some continuation of strong growth in the manufacturing sector, while activity in the services sector seems to be decelerating.

With regard to price developments, annual consumer price inflation has remained strongly influenced by energy price changes. For the OECD countries, the annual rate of change of consumer prices decreased slightly to 3.1% in July, from 3.2% in June. Over the same period, consumer price inflation excluding food and energy increased by 0.1 percentage point to reach 2.2% in July. Survey evidence suggests that both input and selling price inflation have remained at high levels in most OECD countries in recent months.

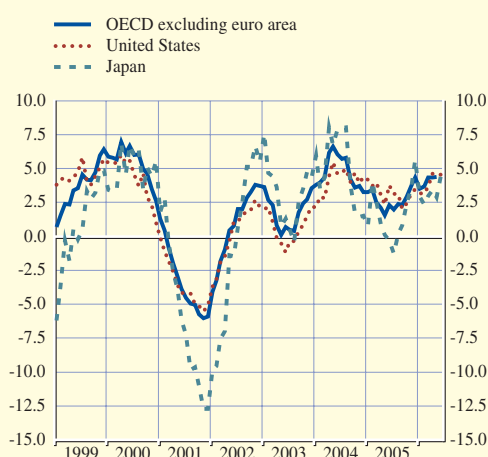
#### UNITED STATES

In the United States, preliminary estimates indicate that real GDP growth in the second quarter of 2006 moderated to 2.9% on a quarterly annualised basis. A downturn in household spending on durable goods constituted the prime factor behind the weakening of real GDP growth, partly offset by stronger household demand for services. The decline in growth in the second quarter also reflected a drop in fixed investment, which was only partially counterbalanced by a build-up of inventories. Residential investment declined sharply, indicating a slowdown in the US housing market.

While both export and import dynamics weakened considerably, net trade contributed slightly positively to growth. While export volume growth has been outpacing that of imports thus far this

Chart 1 Industrial production in OECD countries

(annual percentage changes; monthly data)



Sources: OECD and ECB calculations.  
Note: Last observation refers to June 2006 except for the OECD excluding euro area (May 2006).

year, the effects on the trade balance have been largely neutralised by deteriorating terms of trade as a result of strong increases in the price of imported energy.

The flattening-out of growth in the US economy is expected to continue in the second half of the year, given the anticipated moderation in household spending as a result of a weakening housing market, higher oil prices and the tightening of monetary policy in recent years. Increasing growth in wages may, however, help to reduce the downturn in household spending. Business investment spending is likely to remain a key contributor to growth, supported by continued high corporate profitability.

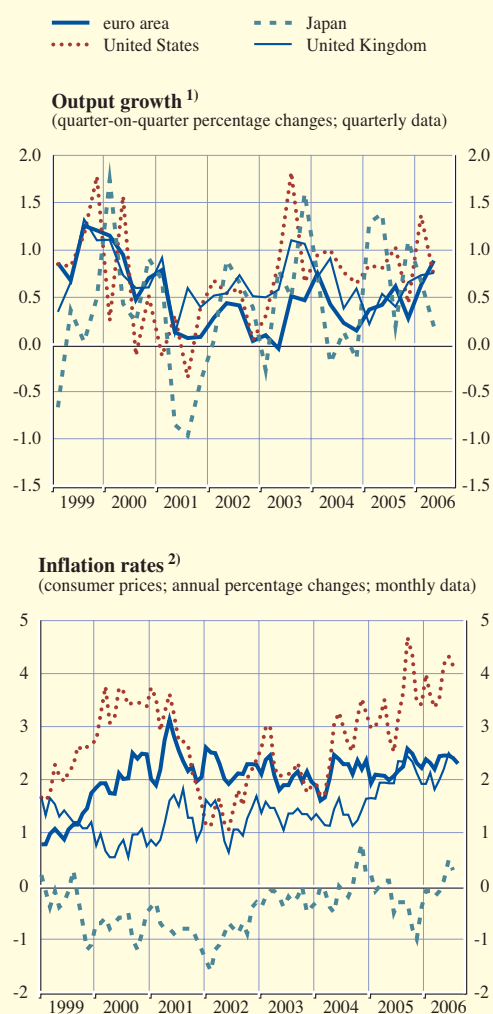
As for price developments, headline consumer price inflation abated somewhat in July because of milder increases in non-energy components. Sustained price pressures, driven by high levels of resource utilisation and commodity prices, should moderate over time given the envisaged slowing of economic growth and contained inflation expectations. On 8 August the US Federal Open Market Committee decided to keep its target for the federal funds rate unchanged at 5.25% for the first time in over two years.

### JAPAN

In Japan, economic activity continued to expand and consumer prices to move up. In the second quarter of 2006, according to preliminary data released by the Cabinet Office, real GDP rose by 0.2% on a quarterly basis, compared with 0.7% in the previous quarter. This deceleration is mainly the result of negative contributions from public demand and private inventory investment. Private domestic demand remained robust in the second quarter of 2006, having contributed 0.5 percentage point to GDP growth, owing to the increase in business investment and private consumption growth. In the second quarter of 2006, machinery orders (excluding volatile orders) increased by 8.9% on a quarterly basis. All in all, the latest data releases confirmed the role of private domestic demand as the main driving force of the economy. Looking ahead, the prospects for the Japanese economy remain favourable.

As regards price developments, consumer prices continued to increase. As in the previous month, the CPI excluding fresh food rose by 0.2% on an annual basis in July. The overall CPI

**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; national data are used for the United States and Japan. GDP figures have been seasonally adjusted.  
 2) HICP for the euro area and the United Kingdom; CPI for the United States and Japan.

increased by 0.3% in July on an annual basis after 0.5% in June. Producer prices – as measured by the domestic corporate goods price index – continued to increase on an annual basis by 3.4% in July. By contrast, in the second quarter of 2006, the GDP deflator continued to decrease on an annual basis (-0.8%), but by less than in the previous quarter (-1.2%). With regard to monetary policy, at its meeting on 11 August, the Bank of Japan decided to keep the target for the uncollateralised overnight call rate at 0.25%.

Since mid-2004 the Japanese trade surplus has trended downward, largely reflecting the higher cost of imported commodities, notably oil, and industrial raw materials. Nevertheless, the effect of this decline on the current account was largely offset by a significant rise in the net income balance, partly reflecting increased repatriation of profits from foreign subsidiaries. Looking at more recent trends, the Japanese current account surplus has been decreasing since the beginning of 2006, owing to a stable net income balance and a declining goods and services surplus.

#### UNITED KINGDOM

The quarterly growth rate of real GDP in the second quarter of 2006 increased to 0.8% from 0.7% in the previous quarter. Growth was driven primarily by private consumption, which accelerated significantly compared with the previous quarter. The contribution of net exports to GDP growth was negative. Business survey data indicate high foreign orders, also suggesting a positive export performance in the coming months.

The unemployment rate continued to increase, reaching 5.5% in the second quarter. This trend has been associated with the concomitant rise in the active workforce and participation rate. In the second half of 2006, the quarterly rate of GDP growth is expected to remain sustained, bolstered by robust export and investment growth. Annual HICP inflation, after increasing between March and June, fell by 0.1 percentage point in July to 2.4%. This moderation is explained largely by base effects for prices of furniture, furnishings and financial services. Growth in average earnings remained contained. Recent data confirm that the annual pace of house price increases was still robust.

At its meeting on 2-3 August, the Bank of England's Monetary Policy Committee decided to raise the repo rate by 25 basis points to 4.75%. The decision was taken against a background of firm economic growth, limited spare capacity, rapid growth of broad money and credit, and inflation which is expected to remain above the target for some time.

#### OTHER EUROPEAN COUNTRIES

In most other EU countries outside the euro area, output growth remained strong in the first quarter of 2006, with domestic demand being the main driver. In many new EU Member States, growth has been supported by strong export growth, largely related to past foreign direct investment inflows. In most countries, annual HICP inflation increased further in July, even though increases in the energy component of HICP generally eased. In August, Banka Slovenije, Danmarks Nationalbank and Sveriges Riksbank increased their key interest rate by 25 basis points, and Magyar Nemzeti Bank increased its key interest rate by 50 basis points.

In Denmark, the quarterly rate of real GDP growth remained fairly subdued, at 0.2% in the first quarter of 2006, while in Sweden it strengthened to 1.4% in the first and second quarters. In both countries, economic activity has been sustained by rather robust domestic demand and, in the case of Sweden, also by net exports. Annual HICP inflation eased somewhat in July, to 2.0% in Denmark and 1.8% in Sweden. Overall, the outlook for growth remains solid in both countries.



In Poland, the Czech Republic and Hungary, robust external and domestic demand continued to support output growth in the first quarter of 2006. In the Czech Republic and Hungary, real GDP growth remained unchanged compared with the previous quarter, at a quarterly rate of 2.0% and 1.0% respectively, whereas in Poland it declined to 1.2%. The activity indicators suggest that economic growth is likely to remain strong. Annual HICP inflation increased in the Czech Republic (to 2.4%) and Hungary (to 3.2%) in July, while it declined somewhat in Poland (to 1.4%). In all three countries, recent inflation has been largely influenced by energy and food prices. Moreover, annual HICP inflation excluding the energy component has been gradually rising in Hungary and Poland since the beginning of the year.

In the other EU Member States, economic activity has remained robust, particularly in the Baltic States and Slovakia, where inflation is also the highest. Overall, the prospects for economic activity continue to be favourable.

Turning to European countries outside the EU, economic activity in Switzerland has continued to expand at a solid pace, benefiting from strong growth in its main trading partners. Recent survey data indicate that economic activity is expected to remain strong. Annual inflation was 1.4% in July, down from 1.6% in June. In Russia, despite a decline in industrial production growth in July, the outlook for economic growth remains positive, with domestic demand expected to provide a supportive role for the remainder of the year. Annual inflation declined to 9% in June, to some extent reflecting a moderate appreciation of the rouble.

#### **EMERGING ASIA**

In emerging Asia, following robust real GDP growth in the first half of 2006, indicators of business activity suggest that growth softened somewhat in recent months. Domestic activity slowed in most major economies in the region, whereas exports generally continued to expand briskly. Inflation, which had picked up in several economies in the region in the first half of the year as a result of higher oil prices and falling spare capacity, eased in most countries recently.

In China, economic activity appears to have moderated somewhat in July from the peaks seen in the first half of 2006. The slowdown was most visible in industrial production data, which softened to 16.7% year on year in July, from 19.5% in June. Fixed asset investment also decelerated during the same period, although the ongoing rapid investment expansion is one reason given by the monetary authorities for the tightening measures. By contrast, retail sales growth continued in line with previous data, indicating continued solid consumer demand.

Turning to the external sector, the trade surplus rose to a record high in July on the back of continued strong export growth. As a result, the cumulative trade surplus in the first seven months of 2006 rose to USD 76 billion, significantly up from USD 50 billion in the same period of 2005. Inflation fell from 1.5% in June to 1% in July, a level comparable with that of March. Nevertheless, the central bank increased its policy interest rates by 27 basis points on 18 August, in order to further curb credit and investment dynamics in the country.

In Korea, short-term business indicators also point to a moderation in economic activity in the third quarter, with both industrial production and export growth easing somewhat in July. Annual inflation fell to 2.3% in July, from 2.6% in June. In August, the central bank decided to shift its three-year inflation target from core to headline inflation with effect from 2007, and raised interest rates by 25 basis points to 4.5%.



Overall, economic prospects remain favourable for emerging Asia. Higher energy prices and excess capacity in some sectors in China remain the main downside risks to this outlook.

## LATIN AMERICA

Economic activity remains robust in most Latin American economies. In Mexico, according to the latest estimates, real GDP expanded by 4.7% in the second quarter of 2006 on a year-on-year basis. The main factors behind this acceleration were oil and automobile exports, as well as domestic demand, stimulated by lower interest rates. Meanwhile, annual inflation stood at 3.1% in July. In Brazil, a number of indicators of economic activity, and in particular industrial production figures, signal a potential slowdown in economic growth. Against this background, annual inflation remained broadly stable at around 4%. In Argentina, recent indicators of economic activity point towards robust economic growth driven by domestic demand and commodity exports. Inflationary pressures continue to be the main downside risk in Argentina, although annual inflation declined to 10.6% in July. Looking ahead, the prospects for the region as a whole continue to be positive in a favourable external financial context.

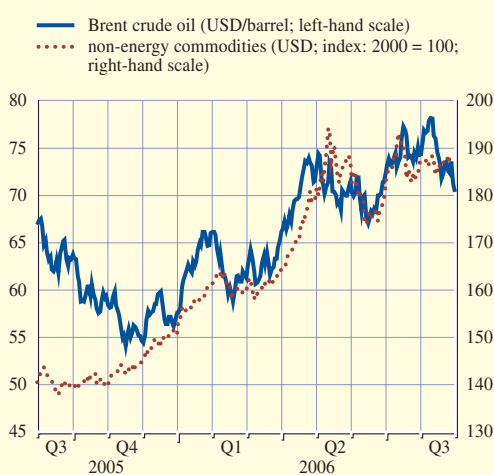
## 1.2 COMMODITY MARKETS

Oil prices rose further at the beginning of August, with the price of Brent crude reaching a historical high of USD 78.2 per barrel on 9 August. A substantial deterioration in supply-side fundamentals continued to underpin oil prices. Those factors included the limited progress in resolving the tensions in the Middle East, continued civil unrest in Nigeria (and the subsequent disruption of the country's high-quality crude oil production), the pending North Atlantic hurricane season and the shutdown of one of BP's main oil fields in North America. Prices have retreated significantly since early August, but remain high by historical standards. The main factor behind this recent decline was the announcement of a ceasefire in Lebanon, which eased concerns over a possible disruption of oil supplies in the region. On 30 August the price of Brent crude oil stood at USD 70.4 per barrel, about 10% below the latest peak but still approximately 22% higher than at the start of 2006 (see Chart 3).

Looking ahead, limited spare capacity throughout the oil supply chain, and therefore high sensitivity to unanticipated changes in the supply/demand balance, are likely to keep oil prices both relatively high and volatile in the near term. Market participants currently expect oil prices to remain at elevated levels, with the December 2008 oil future contract currently trading at USD 73.1.

After experiencing some correction at the end of July, non-energy commodity prices rebounded somewhat at the beginning of August, and have remained at elevated levels since then. Industrial raw materials, in particular non-ferrous metals, seem to be the main drivers of recent developments. Expressed in US dollar

Chart 3 Main developments in commodity markets



Sources: Bloomberg and HWWA.

terms, total non-energy commodity prices were approximately 25% higher towards the end of August than at the start of the year.

### **1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT**

Overall, the outlook for the external environment, and thus for foreign demand for goods and services from the euro area, remains favourable. Looking ahead, the six-month rate of change of the OECD composite leading indicator (CLI) in June points to some moderation in the global expansion, especially in the United States and Japan. However, the overall pace of global growth remains strong and above historical averages.

The risks to the outlook remain tilted somewhat to the downside. Oil prices remain one of the main sources of risk to the global outlook, owing to their possible impact on growth and inflation. The increases in consumer prices in many OECD countries and the high levels of input prices underline inflationary risks related to high oil prices in the context of high rates of capacity utilisation. Risks related to a disorderly unwinding of global economic imbalances and to increased protectionist pressures also continue to persist.

## 2 MONETARY AND FINANCIAL DEVELOPMENTS

### 2.1 MONEY AND MFI CREDIT

In the first half of 2006, monetary dynamics remained strong, driven by the strengthening of economic activity and the low level of interest rates as reflected in the continued strengthening of growth in loans to the private sector. More recently, some evidence points to an impact of recent rises in key ECB interest rates on monetary developments. In particular, overnight deposits have been shifted into more highly remunerated components within the broad monetary aggregate M3. 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 and activity.

#### THE BROAD MONETARY AGGREGATE M3

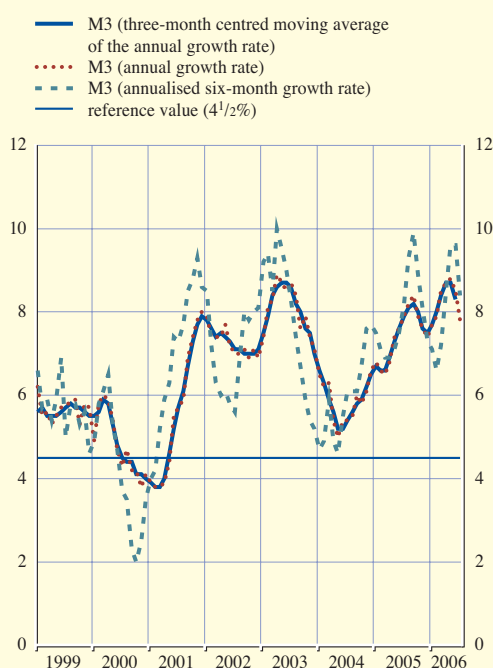
Monetary dynamics remained strong in the first half of 2006. In the second quarter of 2006, annual M3 growth increased to 8.7%, from 7.9% in the previous quarter, the highest growth rate observed since the middle of 2003 (see Chart 4). However, the quarterly data obscure some moderation in the past two months, with annual M3 growth declining to 7.8% in July, from 8.5% and 8.8% in June and May respectively. This moderation is also visible in the shorter-term dynamics, as measured, for example, by the six-month annualised rate of growth of M3, which declined to 8.4% in July from 9.6% in June. Notwithstanding this moderation, overall the rate of monetary expansion remains strong.

The latest monetary data support the assessment that the still high rate of M3 growth is largely a result of the still low level of interest rates and the strengthening of economic activity in the euro area. This interpretation is, in particular, supported by the ongoing strength of annual growth in loans to the private sector. At the same time, some evidence now points to an impact of recent rises in key ECB interest rates on monetary developments via shifts within the broad monetary aggregate M3, e.g. from overnight deposits to more highly remunerated instruments within other short-term deposits.

As there were no signs of a further unwinding of past portfolio shifts following the temporary resumption in the fourth quarter of 2005, both the official M3 series and the M3 series corrected for the estimated impact of portfolio shifts have followed a similar pattern (see Chart 5). However, the annual growth rate of the M3 series corrected for the estimated impact of portfolio shifts continues to exceed that of the official M3 series, reflecting the unwinding of past portfolio shifts in the fourth quarter of 2005. It should however be noted that, given the uncertainties inevitably surrounding the

Chart 4 M3 growth and the reference value

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

estimation of the magnitude of portfolio shifts, caution should be exercised in interpreting this corrected measure.

### MAIN COMPONENTS OF M3

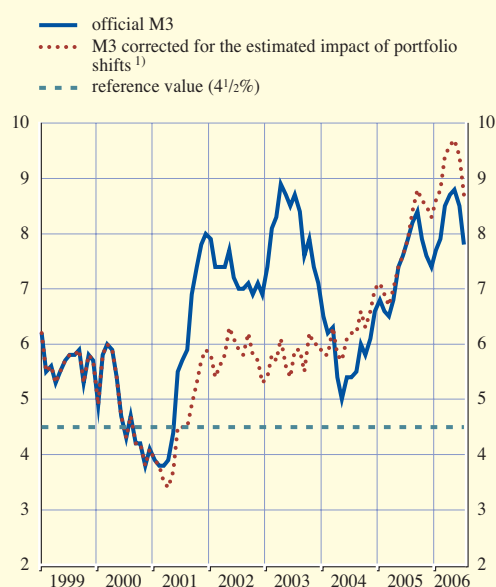
Despite some further moderation, robust M1 growth remained the largest contributor to strong M3 dynamics in the second quarter of 2006 (see Chart 6). The annual growth rate of M1 was 7.4% in July 2006, after 9.9% and 10.3% in the second and first quarters of 2006 respectively (see Table 1).

As regards developments in the components of M1, the annual growth rate of currency in circulation stood at 11.5% in July, after 11.9% in the second quarter of 2006 and 13.4% in the first quarter. Annual growth in overnight deposits decreased to 6.7% in July, from 9.5% in the second quarter of 2006 and 9.8% in the first quarter.

Annual growth in short-term deposits other than overnight deposits has strengthened over recent months, reaching 9.3% in July, after 8.4% in the second quarter and 6.8% in the first

**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.

**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 Q3	2005 Q4	2006 Q1	2006 Q2	2006 June	2006 July
<b>M1</b>	<b>48.0</b>	<b>11.2</b>	<b>10.9</b>	<b>10.3</b>	<b>9.9</b>	<b>9.3</b>	<b>7.4</b>
Currency in circulation	7.5	16.0	14.8	13.4	11.9	11.1	11.5
Overnight deposits	40.5	10.4	10.2	9.8	9.5	9.0	6.7
<b>M2 - M1 (= other short-term deposits)</b>	<b>38.0</b>	<b>5.5</b>	<b>5.9</b>	<b>6.8</b>	<b>8.4</b>	<b>8.8</b>	<b>9.3</b>
Deposits with an agreed maturity of up to two years	16.8	4.5	6.5	9.7	15.2	17.3	19.2
Deposits redeemable at notice of up to three months	21.2	6.0	5.3	4.6	3.7	3.0	2.5
<b>M2</b>	<b>86.0</b>	<b>8.4</b>	<b>8.5</b>	<b>8.6</b>	<b>9.2</b>	<b>9.1</b>	<b>8.2</b>
<b>M3 - M2 (= marketable instruments)</b>	<b>14.0</b>	<b>5.6</b>	<b>3.8</b>	<b>3.4</b>	<b>5.7</b>	<b>4.8</b>	<b>5.0</b>
<b>M3</b>	<b>100.0</b>	<b>8.0</b>	<b>7.8</b>	<b>7.9</b>	<b>8.7</b>	<b>8.5</b>	<b>7.8</b>
<b>Credit to euro area residents</b>		<b>7.0</b>	<b>7.9</b>	<b>8.7</b>	<b>9.4</b>	<b>9.1</b>	<b>9.2</b>
Credit to general government		1.1	2.5	2.3	0.8	0.1	-0.9
Loans to general government		-1.2	0.0	0.8	0.2	-0.2	-0.6
Credit to the private sector		8.6	9.4	10.4	11.7	11.5	11.8
Loans to the private sector		8.4	9.0	10.1	11.3	11.0	11.1
<b>Longer-term financial liabilities (excluding capital and reserves)</b>		<b>10.1</b>	<b>9.5</b>	<b>8.8</b>	<b>8.8</b>	<b>8.3</b>	<b>8.7</b>

Source: ECB.

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

quarter of 2006. This results from a further strengthening in the annual growth rate of time deposits (i.e. deposits with an agreed maturity of up to two years), whereas 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 divergent dynamics observed across the different types of short-term deposits are likely to reflect a widening gap between the respective remuneration. While the remuneration of time deposits has increased broadly in line with money market interest rates (reflecting, in turn, the increase in key ECB interest rates), the remuneration of overnight deposits and savings deposits has reacted only slightly to higher interest rates.

The annual rate of growth of marketable instruments – which tends to be characterised by considerable short-term volatility – stood at 5.0% in July, after 5.7% in the second quarter of 2006 and 3.4% in the first quarter.

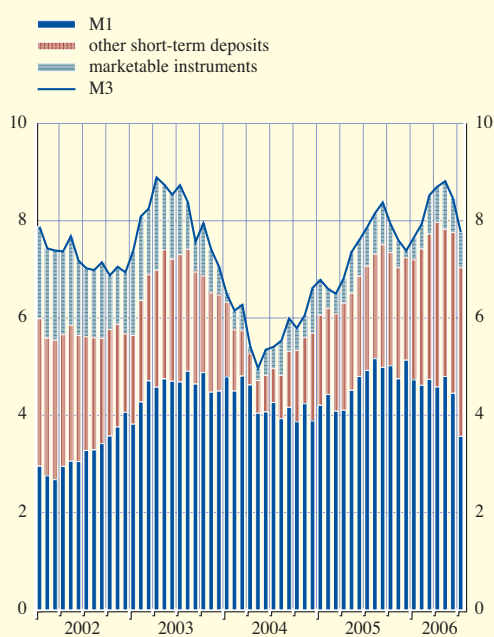
The annual growth rate of money market fund shares/units, assets which are often held by households and firms as a safe haven from financial market volatility in periods of heightened uncertainty, remained subdued. In July 2006 the annual rate of growth was 0.3%, after -0.6% and -0.8% in the second and first quarters of 2006 respectively.

By contrast, the demand for debt securities with a maturity of up to two years was very strong in the first half of 2006, possibly reflecting in part the emergence of new structured products which combine these securities with derivative instruments that are linked to equity prices and offer caps on possible capital losses, should equity prices fall. Furthermore, the annual growth rate of repurchase agreements, which tends to display a particularly volatile pattern, was 4.5% in July after 6.7% in the second quarter and 2.2% in the first quarter of 2006. In an environment where short-term interest rates are expected to rise, the liquidity, return and counterparty risk profiles of short-term debt securities and repurchase agreements make them attractive investments for investors, similar to time deposits.

The sectoral breakdown of short-term deposits and repurchase agreements indicates that the pattern of annual M3 growth since the end of 2005 largely reflects the contribution from other financial intermediaries (OFIs), which first rose strongly only to then decline in more recent months. The contributions from households and non-financial corporations have, on balance, been more stable, with households remaining the main contributors to the strong growth of short-term deposits and repurchase agreements.

Chart 6 Contributions to annual M3 growth

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



Source: ECB.



In July, a decline in the annual growth rates of short-term deposits and repurchase agreements was recorded for all private sectors but it was particularly visible in the case of OFIs, where the annual rate of growth decreased from 19.0% in June to 15.3% in July. The annual growth rate of deposits included in M3 held by non-financial corporations moderated to 9.6% in July, after 10.3% in the previous month. Lastly, the growth of household deposits slowed to 5.2% in July, from 5.5% in June. Some preliminary findings on the information content of sectoral money holdings – in particular those of households – for euro area inflation are presented in Box 1.

#### Box 1

### SECTORAL MONEY HOLDINGS AND THE INFORMATION CONTENT OF MONEY WITH RESPECT TO INFLATION

The link between longer-term or underlying developments in money and inflation is a robust empirical finding, which forms the cornerstone of the ECB's monetary analysis.<sup>1</sup> As discussed in the article entitled "Sectoral money holding: determinants and recent developments" in the August 2006 issue of the Monthly Bulletin, developments in sectoral money holdings can provide a major insight into whether current developments in M3 growth reflect the underlying rate of monetary expansion. Against this background, this box provides some preliminary findings on the information content of sectoral money holdings – in particular those of households – for euro area inflation. Data on sectoral money holdings are only available for the period from 1991 to mid-2006. Moreover, the sample is strongly affected by significant portfolio shifts into money between 2001 and mid-2003, a period of heightened geopolitical, financial and economic uncertainty. The results presented in this box are thus of a tentative nature and need to be interpreted with caution.

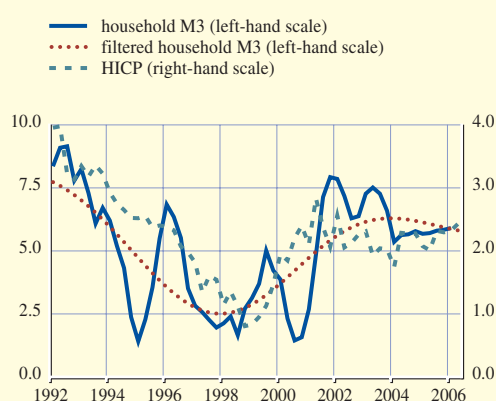
In assessing whether households' money holdings may exhibit better leading indicator properties with respect to euro area inflation than aggregate M3, two considerations need to be borne in mind. On the one hand, given the close connection between households' money holdings and their decisions on consumption spending, one might assume that households' money balances and consumer price inflation are more closely related than is the case for aggregate M3. On the other hand, by aggregating money holdings across different sectors to construct M3, idiosyncratic elements could be averaged out and substitution effects (e.g. between households' direct holdings of bank deposits and their indirect holdings through investment funds and other non-monetary financial intermediaries) might be internalised, such that the information content of money comes to the fore.

Chart A illustrates the link between the annual growth rate of households' M3 holdings and HICP inflation in the euro area. On the basis of the actual annual growth rates, the relationship between households' money holdings and inflation is not close. However, such measures of monetary dynamics are contaminated by "noise" in the quarter-by-quarter evolution of the monetary data. In order to evaluate the relationship between households' money holdings and inflation in a more meaningful way, the signal contained in the underlying dynamics of households' money holdings needs to be identified. For this purpose, a simple – albeit rather

<sup>1</sup> See Box 2 entitled "The use of simple structural filters to extract monetary signals concerning risks to price stability" in the article entitled "Monetary analysis in real time" in the October 2004 issue of the Monthly Bulletin.

Chart A Household M3 and inflation

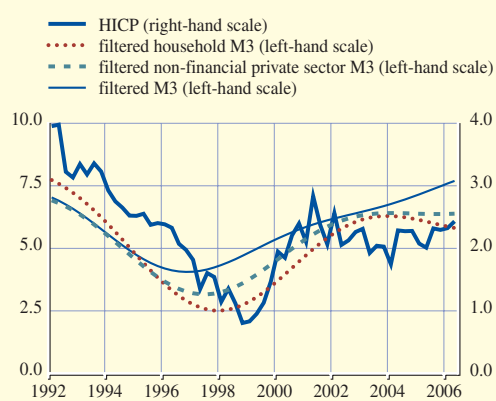
(annual percentage changes)



Sources: Eurostat and ECB estimates.  
Note: The filtered household M3 series represent the low-frequency component derived using a Christiano-Fitzgerald asymmetric bandpass filter, with cycles longer than seven years considered as trend developments.

Chart B Trend M3 and inflation

(annual percentage changes)



Sources: Eurostat and ECB estimates.  
Note: The filtered M3 series represent the low-frequency component derived using a Christiano-Fitzgerald asymmetric bandpass filter, with cycles longer than seven years considered as trend developments.

mechanical – measure of underlying growth of households' money holdings is constructed with the aid of a statistical filter. In empirical studies, the use of such statistical filtering techniques has proved a useful way to extract the underlying monetary dynamics relevant for price developments.<sup>2</sup> Comparing observed annual HICP inflation with the underlying developments in the growth of households' M3 holdings in this way demonstrates that the two series move together.

This simple analysis can be extended to the other sectoral contributions to M3 growth. Chart B shows similar measures of underlying monetary dynamics (labelled "filtered" money growth) for the household sector, the non-financial private sector (i.e. households plus non-financial corporations) and aggregate M3. All three series suggest a relationship between filtered money growth and inflation. In particular, the turning-point seen in these series in the late 1990s correlates with the rise in euro area inflation in the period from 1999 to 2002.

All three filtered money growth series shown in Chart B broadly demonstrate the same pattern. This reflects the dominant contribution of households' M3 balances to aggregate annual M3 growth. Filtered household money growth has the closest link with inflation. For example, the contemporaneous correlation coefficient of inflation and filtered household M3 is 0.76, compared with a coefficient of 0.61 in the case of filtered money growth for the non-financial private sector and a coefficient of 0.43 in the case of the filtered measure of aggregate M3. This would point to advantages in focusing on developments in households' M3 holdings in constructing a money-based assessment of the outlook for inflation.

2 The filter applied to derive the longer-term movements is the Christiano-Fitzgerald asymmetric bandpass filter, under which cycles longer than seven years are considered to be trend developments. For an application of this type of statistical filtering, see e.g. A. Bruggeman, G. Camba-Mendez, B. Fischer and J. Sousa, "Structural filters for monetary analysis: inflationary developments in the euro area", ECB Working Paper No 470, April 2005, and K. Assenmacher-Wesche and S. Gerlach, "Interpreting Euro Area Inflation at High and Low Frequencies", BIS Working Paper No 195, February 2006.

However, Chart B also shows that the turning-points in the filtered money growth series in the second half of the 1990s are not identical. Specifically, the turning-point in the series for the non-financial private sector leads that of underlying household M3 growth. Similarly, the turning-point in the filtered measure of aggregate M3 growth precedes that of the series of the non-financial private sector. Thus, the broader the sectoral coverage of the money series, the earlier the series predicted the upturn in euro area inflation. This observation would point to advantages in looking at aggregate money when using the monetary data as a leading indicator of inflationary pressures. At a conceptual level, traditional monetarist considerations suggest that the information content of monetary aggregates rests on the fact that they subsume the complex substitution processes that occur between a large variety of assets and have an impact on unobservable liquidity and risk premia.<sup>3</sup> Given the potential for substitution between households' money holdings and deposits of non-monetary financial intermediaries and/or non-financial corporations, aggregate M3 may capture some of these effects at an earlier stage than households' M3 holdings alone.

The analysis presented suggests that the link between longer-term developments in households' M3 holdings and HICP inflation may be stronger than that between longer-term developments in aggregate M3 and inflation. At the same time, however, aggregating the sectoral M3 holdings seems to improve the leading indicator properties of money in comparison with the household M3 series. These two results point to the need for comprehensive monetary analysis embodying both aggregate and sectoral approaches, as is currently conducted at the ECB. For example, this box suggests that the recent strength in the growth rate of non-monetary financial intermediaries' holdings of deposits in the euro area is difficult to interpret in terms of its implications for the outlook for price developments because of the volatility of the series. However, the analysis also suggests that developments in such sectoral deposit holdings should be carefully monitored because of their potentially important information content when assessed in the context of aggregate M3.

3 See e.g. K. Brunner and A. H. Meltzer, "Liquidity Traps for Money, Bank Credit, and Interest Rates," *Journal of Political Economy* 76, pages 1-37, 1968.

### MAIN COUNTERPARTS OF M3

On the counterparts side, the annual growth rate of total MFI credit to euro area residents was 9.2% in July 2006, after 9.4% and 8.7% in the second and first quarters of 2006. This development masks a continued decline in the annual growth rate of credit to general government, while growth in credit to the private sector has strengthened over recent quarters (see Table 1).

In July the annual growth rate of credit to the private sector increased to 11.8%, from 11.7% and 10.4% in the second and first quarters of 2006. At the same time, the annual growth rate of MFI loans to the private sector stabilised somewhat, at 11.1% in July after 11.3% in the second quarter of 2006. While the growth of loans to non-financial corporations remained on an upward trend, the annual growth rate of lending to households slowed for the second consecutive month, although nonetheless remaining robust (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 July, from 0.8% in the second quarter of 2006 and 2.3% in the previous quarter. This decline was broadly based as both the MFI loans granted to general government and the net purchases of securities issued by general government have decreased.

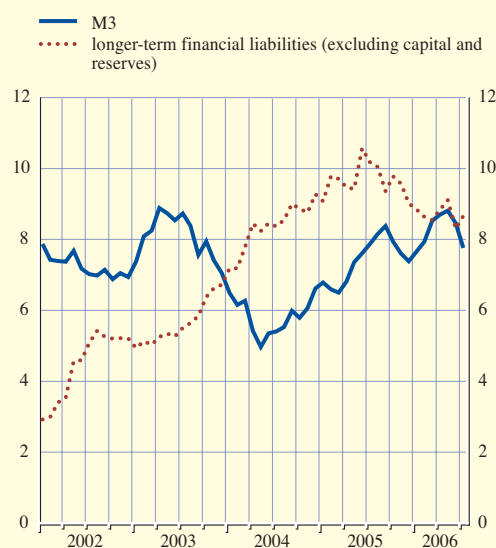
Among the other counterparts of M3, the dynamics of MFI longer-term financial liabilities (excluding capital and reserves) held by the money-holding sector remained robust (see Chart 7). The annual rate of growth of these instruments stood at 8.7% in July 2006, after 8.8% in the second and first quarters of 2006. 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.

The annual flow in the net external asset position of MFIs was positive in July, standing at €5 billion, after €10 billion in June (see Chart 8). Together with the developments in the first and second quarters of 2006, these data suggest that the dampening impact from the pronounced declines in the net external asset position of MFIs observed up to the end of 2005 has faded. In this respect, 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, money and credit growth remained at a high level, notwithstanding the recent moderation in the annual growth rate of M3. The dynamics of credit to the private sector are still strong, driven by the still low level of interest rates in the euro area and the strengthening of economic activity. At the same time, the robust demand for longer-term financial liabilities

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

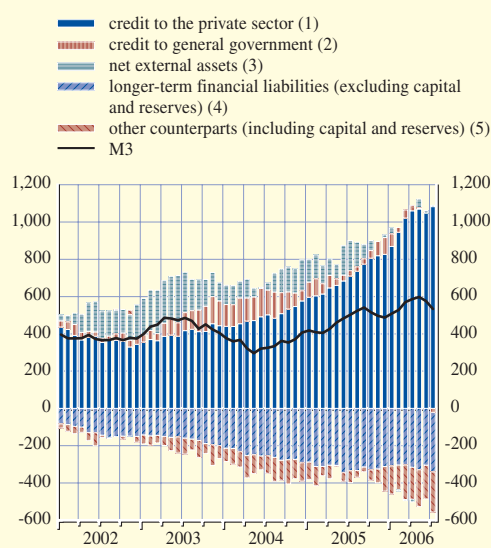
(annual percentage changes; adjusted for seasonal and calendar effects)



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.

continued to exert a dampening impact on M3 dynamics, while this has ceased to be the case for the net external asset position.

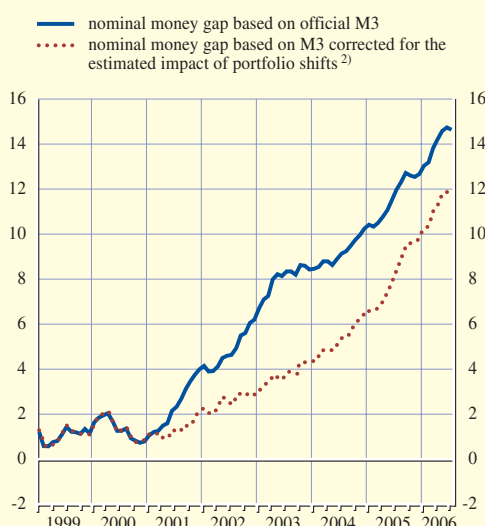
### GENERAL ASSESSMENT OF LIQUIDITY CONDITIONS IN THE EURO AREA

The slowdown in the most recent dynamics of M3, particularly in July, has led to a stabilisation in the expansion of liquidity – as indicated by the available money gap measures – albeit at the highest levels since the start of Stage Three of EMU. 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 levelled off. As there was no sign of a further unwinding of past portfolio shifts following the temporary resumption in the fourth quarter of last year, the two money gap measures moved in parallel in the first and second quarters 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 of 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).

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

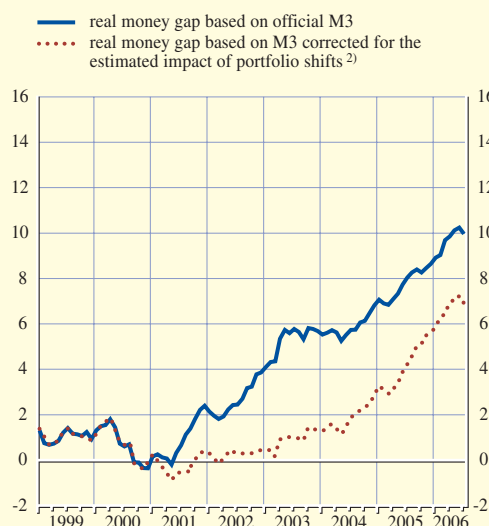
(as a percentage of the stock of M3; adjusted for seasonal and calendar effects; December 1998 = 0)



Source: ECB.  
 1) The measure of the nominal money gap is defined as the difference between the actual level of M3 and the level of M3 that would have resulted from constant M3 growth at its reference value of 4½% since December 1998 (taken as the base period).  
 2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the 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)



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.



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

Nonetheless, although the individual estimates are uncertain, the overall picture painted by these measures points to liquidity conditions in the euro area being ample. Strong monetary and credit growth in a context of already ample liquidity implies upside risks to price stability over the medium to longer term.

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

*In the first quarter of 2006 the annual growth rate of financial investment by the non-financial sector declined marginally, reflecting lower growth in long-term investment. Data on institutional investors point to rising inflows into mutual funds, which appear to reflect to a large extent investment by insurance corporations and pension funds.*

### NON-FINANCIAL SECTOR

In the first quarter of 2006 (the most recent quarter for which the quarterly financial accounts data are available), the annual growth rate of total financial investment by the non-financial sector in the euro area declined marginally to 5.0% from 5.1% in the fourth quarter of 2005 (see Table 2). This decline reflects a lower annual growth rate of long-term financial investment, while

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	2006 Q1
<b>Financial investment</b>	<b>100</b>	<b>4.5</b>	<b>4.3</b>	<b>4.8</b>	<b>4.9</b>	<b>4.8</b>	<b>4.7</b>	<b>4.5</b>	<b>4.4</b>	<b>5.1</b>	<b>5.0</b>
Currency and deposits	36	5.6	5.4	5.6	6.0	6.1	5.9	6.0	5.6	6.2	6.4
Securities other than shares	11	-3.0	-2.5	1.4	2.1	3.9	4.0	3.2	2.0	2.5	4.7
<i>of which: short-term</i>	1	-14.0	-2.1	22.5	25.4	36.4	17.8	8.6	4.7	-4.6	12.9
<i>of which: long-term</i>	10	-1.9	-2.6	-0.5	-0.1	0.8	2.6	2.6	1.7	3.4	3.7
Mutual fund shares	12	7.2	5.2	3.3	2.3	1.7	1.9	2.4	3.7	4.2	3.1
<i>of which: mutual fund shares, excluding money market fund shares/units</i>	10	6.7	5.8	3.8	2.9	2.6	3.3	4.0	5.3	5.3	4.0
<i>of which: money market fund shares/units</i>	2	9.5	3.0	1.6	0.1	-1.6	-3.3	-3.4	-2.0	-0.1	-0.5
Quoted shares	16	1.9	1.9	3.8	3.0	1.3	1.1	-0.9	-1.7	1.0	-1.4
Insurance technical reserves	25	6.8	6.8	6.7	6.7	6.7	6.5	6.7	6.9	7.1	7.3
M3 <sup>2)</sup>		7.1	6.3	5.4	6.0	6.6	6.5	7.6	8.4	7.4	8.5
Annual gains and losses on the securities holdings of the non-financial sector (as a percentage of GDP)		4.8	8.9	4.3	3.6	2.2	2.3	4.0	7.6	6.6	9.4

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.

the annual growth rate of short-term financial investment rose further (see Chart 11). As a result of these opposite developments, the gap between the annual growth rates of long-term and short-term financial investments widened in the first quarter of 2006, after having narrowed somewhat in previous quarters.

The decline in the annual growth rate of long-term financial investment by the non-financial sector, to 3.6% in the first quarter of 2006 from 4.1% in the fourth quarter of 2005, was due to more muted developments in investments in quoted shares and mutual fund shares (excluding money market fund shares). This was partly offset by stronger investment in long-term debt securities, as well as a further strengthening of investment in insurance and pension products. The rise in the annual growth rate of short-term financial investment, to 7.0% in the first quarter of 2006 from 6.6% in the previous quarter, was driven by a stronger accumulation of short-term deposits and debt securities.

Overall, the bulk of financial investment of the non-financial sector (3.6 percentage points of the 5% increase in the first quarter of 2006) continues to be explained by two categories that are typically on opposite sides of the investment horizon, namely short-term deposits and insurance and pension products.

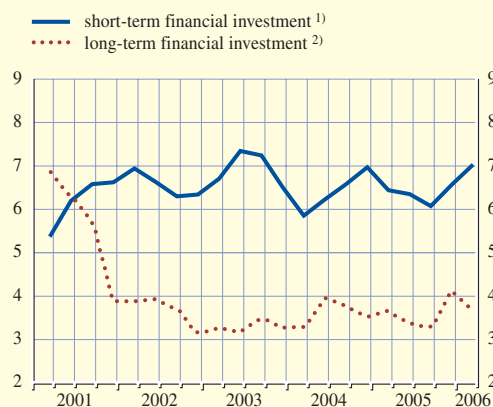
### INSTITUTIONAL INVESTORS

The annual rate of growth in the value of the total assets of investment funds in the euro area increased to 27.9% in the first quarter of 2006 from 25.0% in the fourth quarter of 2005. This primarily reflects stronger growth in the value of holdings of equity and mixed funds, while the annual rate of growth in the value of holdings of bond and real estate funds declined somewhat. These changes in the value of the stock of total assets include valuation effects caused by changes in asset prices and may therefore not give a full picture of the investment behaviour of institutional investors. Data provided by EFAMA<sup>1</sup> show that net annual sales of investment funds (excluding money market funds) increased in the first quarter of 2006 compared with the fourth quarter of 2005. This reflects a continued strong rise in net annual sales of equity funds – to the highest level observed since 2001 – which more than offset a further decline in net annual inflows into bond funds (see Chart 12). At the same time, net annual flows into money market funds remained slightly negative.

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

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

(annual percentage changes)



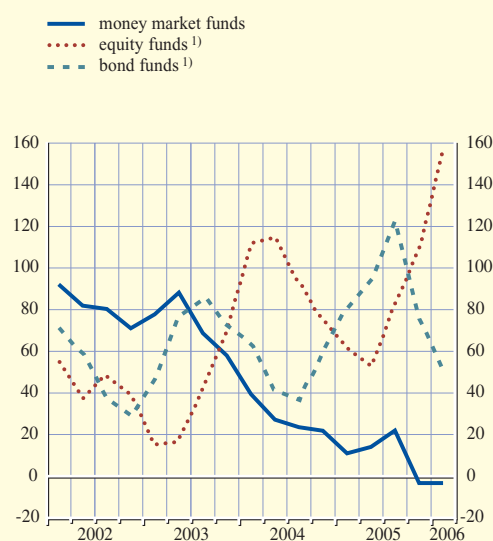
Source: ECB.

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)**

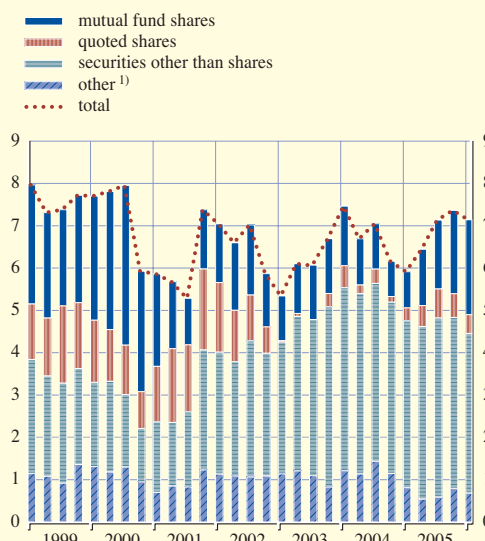
(EUR billions)



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

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

(annual percentage changes; contributions in percentage points)



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

The annual growth rate of total financial investment of insurance corporations and pension funds in the euro area declined slightly to 7.1% in the first quarter of 2006 from 7.4% in the fourth quarter of 2005 (see Chart 13). This development mostly reflects lower contributions from investments in deposits and in securities other than shares. The contribution from investment in shares increased somewhat in the first quarter of 2006, but this conceals lower growth of quoted shares and a further strengthening in the growth of mutual fund shares. Valuation gains on total holdings of financial assets increased strongly in the first quarter of 2006 relative to the previous quarter, as the valuation gains on shares exceeded by a sizeable margin the valuation losses on securities other than shares.

Overall, an interesting feature emerging from the latest data on the financial investment of the non-financial sector and on institutional investors appears to be that the non-financial sector has been investing strongly in insurance and pension products and that insurance corporations and pension funds have, in turn, invested these funds to an increasing extent in mutual funds (excluding money market funds).

### 2.3 MONEY MARKET INTEREST RATES

*Between June and August 2006 money market interest rates at all maturities rose in a context of strengthening market expectations of further increases in key ECB interest rates, in particular towards the end of 2006. After steepening until mid-July, the slope of the money market yield curve subsequently flattened, resulting in a slope comparable to that observed at the end of May.*

Money market interest rates have increased substantially since October 2005 and rose further between the beginning of June and the end of August. In August 2006 interest rates at the one-month maturity remained broadly stable, while rates at the three-month and twelve-month maturities rose amid market expectations of further increases in key ECB interest rates during the second half of the year. On 30 August the one-month, three-month, six-month and twelve-month rates stood at 3.09%, 3.26%, 3.44% and 3.62% respectively, i.e. 30, 33, 35 and 31 basis points higher than the levels observed at the end of May. After steepening between June and mid-July, the money market yield curve subsequently flattened such that its slope at the end of August was comparable to that observed at the end of May. The spread between the twelve-month and the one-month EURIBOR was 53 basis points on 30 August 2006, compared with 52 basis points on 31 May 2006 (see Chart 14).

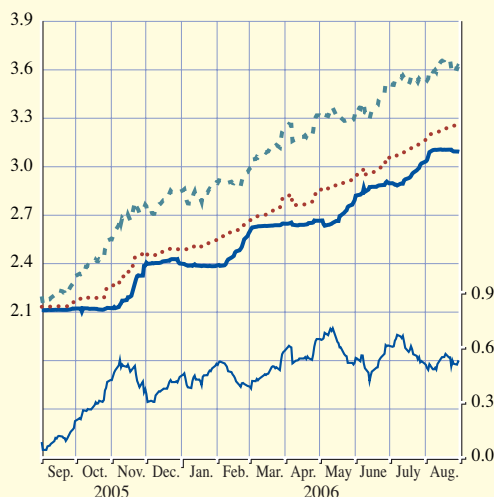
Since the end of May 2006, market participants have adjusted upwards their expectations regarding the developments in short-term interest rates in the final quarter of 2006 and the first half of 2007. The interest rates implied by the three-month EURIBOR futures contracts maturing in December 2006, March 2007 and June 2007 stood at 3.63%, 3.71% and 3.72% respectively on 30 August 2006, 15, 12 and 6 basis points higher than the respective levels at end-May 2006 (see Chart 15).

After rising slightly during May, implied volatility derived from options on three-month EURIBOR futures decreased to reach historically low levels towards the end of August. The evolution of implied volatility over the past three months continues to suggest that uncertainty among market

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

(percentages per annum; percentage points; daily data)

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

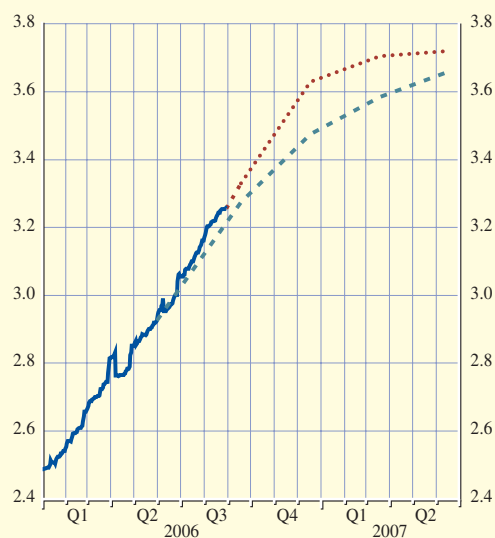


Source: ECB and Reuters.

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

(percentages per annum; daily data)

— three-month EURIBOR  
 ..... futures rates on 30 August 2006  
 - - - futures rates on 31 May 2006

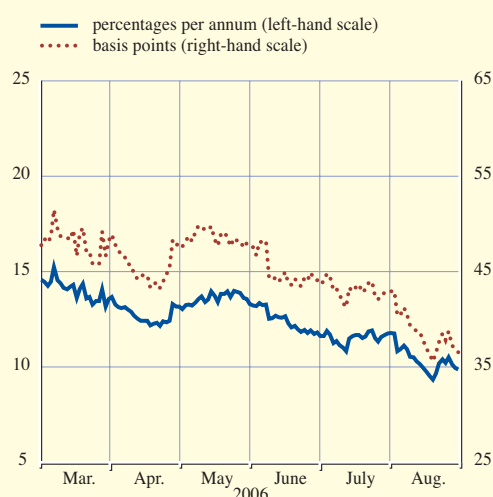


Source: Reuters.

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 March 2007**

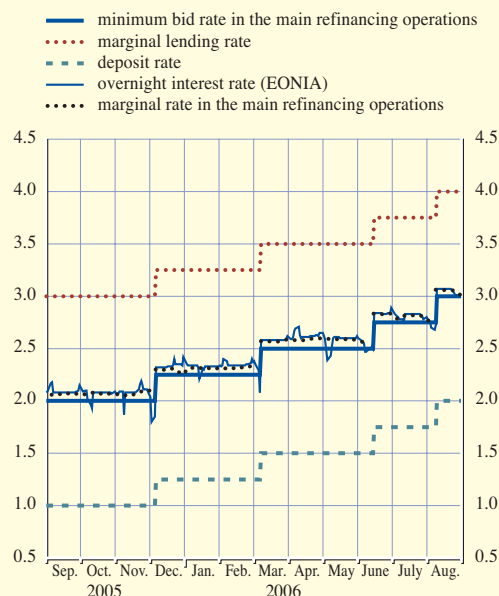
(percentages per annum; basis points; daily data)



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.

participants with regard to developments in short-term interest rates at the end of 2006 and in the first months of 2007 remains low (see Chart 16).

The Governing Council decided to raise key ECB interest rates by 25 basis points on 8 June and 3 August. Interest rates at the very short end of the money market yield curve rose following these decisions. In the three reserve maintenance periods ending respectively on 14 June, 11 July and 8 August 2006, the spread between the EONIA and the minimum bid rate progressively narrowed, largely reflecting the allotment of €2 billion liquidity more than the published benchmark amount in each of the Eurosystem's main refinancing operations during these three maintenance periods. The decision to allot an amount of liquidity €2 billion above the benchmark was made to counter the widening of the spread observed earlier in the year. A more detailed description of the developments in the EONIA in these three maintenance periods can be found in Box 2. For the first two weeks of the maintenance period starting on 9 August, the EONIA was stable at 3.07%, i.e. 7 basis points above the minimum bid rate. Towards the end of the month, however, the EONIA drifted downwards to reach 3.02% on 30 August in response to loose liquidity conditions prevailing in money markets and in anticipation of loose conditions at the end of the maintenance period resulting from the ECB's allotment policy (see Chart 17).

Somewhat mirroring the developments in the EONIA, the spreads between, on the one hand, marginal and weighted average interest rates in the weekly tenders of the Eurosystem's main refinancing operations and, on the other hand, the minimum bid rate decreased gradually between June and August. The spread between the marginal rate and the minimum bid rate declined from 7-8 basis points in the operations of the maintenance period ending on 14 June, to 6 basis points during the period ending on 11 July and around 5 basis points in the period starting on 9 August. In contrast, the



difference between the weighted average rate and the marginal rate remained very stable during these periods and was generally equal to 1 basis point. Exceptions were the outcomes of the last tenders of each maintenance period, when both the marginal rate and the weighted average rate were lower than observed in earlier tenders and the difference between the weighted average rate and the marginal rate exceeded the usual 1 basis point. Further information on short-term interest rates and liquidity conditions for the three most recent maintenance periods is also presented in Box 2.

In the three longer-term refinancing operations settled on 29 June, 27 July and 30 August, the marginal rates were respectively 6, 7 and 6 basis points below the three-month EURIBOR prevailing on those dates.

## Box 2

### LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS FROM 10 MAY 2006 TO 8 AUGUST 2006

This box reviews the ECB's liquidity management in the three reserve maintenance periods ending on 14 June, 11 July and 8 August 2006.

#### Liquidity needs of the banking system

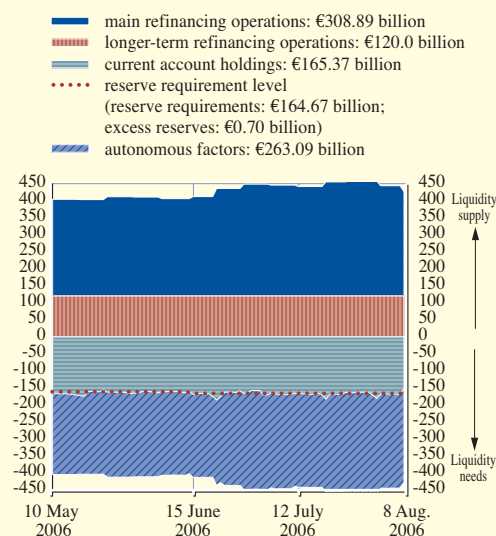
Over the period under review, banks' liquidity needs increased by €22.2 billion as a result of a greater impact of autonomous factors (€16.5 billion) and higher reserve requirements (€5.7 billion) (see Chart A). Banknotes in circulation, the largest autonomous factor, reached a historical high of €593.9 billion on 4 August. Overall, autonomous factors contributed €263.1 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 €5.7 billion to €164.7 billion over the same period. On average, daily average excess reserves (i.e. the daily average of current account holdings in excess of reserve requirements) contributed €0.70 billion to the liquidity deficit in the Eurosystem. Average excess reserves reached €0.73 and €0.74 billion in the reserve maintenance periods ending on 14 June and 11 July respectively, before decreasing to €0.61 billion in the maintenance period ending on 8 August (see Chart B).

#### Liquidity supply and interest rates

In parallel with the increase in the demand for liquidity, the volume of open market operations rose gradually (see Chart A). On average, the

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.

liquidity provided via main refinancing operations (MROs) amounted to €308.9 billion. The ratio between bids submitted by counterparties and satisfied bids (the bid-cover ratio) varied between 1.06 and 1.33, with an average bid-cover ratio of 1.19 over the period.

The liquidity provided by longer-term refinancing operations (LTROs) remained constant at €120 billion in the period under review.

On 3 May the ECB announced that, if needed to counter an elevated spread between the EONIA (euro overnight index average) and the minimum bid rate in the Eurosystem's MROs, it would consider continuing to allot more than the benchmark amount in all MROs (including the last MRO of the maintenance period), while still aiming at balanced liquidity conditions on the last day of the maintenance period. In line with its announcement, the ECB allotted €2 billion more than the benchmark amounts in all MROs in the period under review.

### Maintenance period ending on 14 June

The period started with marginal and weighted average MRO rates at 2.58% and 2.59% respectively, while the EONIA stood at 2.60%, i.e. 10 basis points above the minimum bid rate. The two tender rates remained unchanged for the three subsequent MROs. On 31 May the EONIA rose to 2.62%, due to the end-of-month effect. Over the next few days, the EONIA then declined to 2.57% as a result of growing expectations among market participants that the ECB would also allot more than the benchmark amount in the final MRO. As this was the case, the EONIA declined further to 2.55% on the last MRO allotment day, and the marginal and weighted average MRO rates decreased by 3 and 2 basis points respectively. On that and the subsequent day, the EONIA fell to 2.47%, remaining below or very close to the minimum bid rates on the following days as well. On the last day of the reserve maintenance period, the ECB had intended to absorb an expected liquidity surplus of €5 billion via a fine-tuning operation. However, the operation attracted bids for only €4.91 billion. Nevertheless, the maintenance period ended with a net recourse of €0.84 billion to the marginal lending facility and the EONIA came out in line with the minimum bid rate, i.e. 2.50%.

### Maintenance period ending on 11 July

On 8 June, the Governing Council of the ECB decided to increase the key ECB interest rates (the minimum bid rate and the rates on the deposit and marginal lending facilities) by 25 basis points to 2.75%, 1.75% and 3.75% respectively. The change became effective on 15 June, i.e. the start of the subsequent maintenance period.

In the first two weeks of the maintenance period, the marginal and weighted average MRO rates came out at 2.82% and 2.83% respectively, while the EONIA was stable at 2.83-2.84%,

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

(EUR billions, average level in each maintenance period)



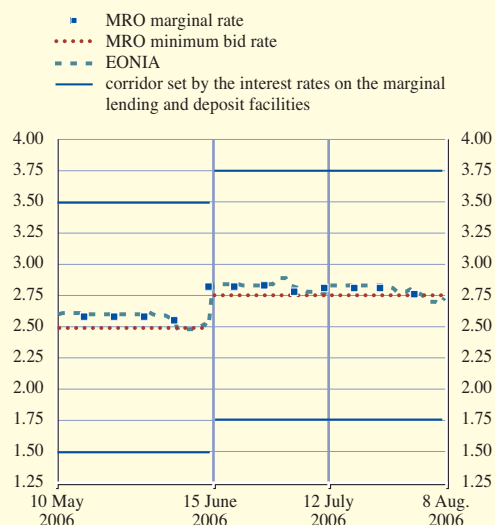
Source: ECB.

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

i.e. between 8 and 9 basis points above the new level of the minimum bid rate. The penultimate MRO allotment saw both the marginal and weighted average MRO rates 1 basis point higher, while the EONIA remained stable at 2.84%. On 30 June the EONIA rose to 2.89% as a result of the usual end-of-quarter effect, returning to 2.83% on the next day. Ahead of the allotment of the last MRO in the maintenance period, the EONIA declined in anticipation that the ECB would continue its policy of allotting €2 billion above the benchmark amount also in the last MRO of the period. The marginal and weighted average rates in the last MRO came out at 2.78% and 2.81% respectively. Given the comfortable liquidity conditions, the EONIA declined further in the following days, reaching 2.78% on 10 July. On the final day of the maintenance period, the ECB conducted a liquidity-absorbing fine-tuning operation of €8.5 billion. The maintenance period ended with a net recourse of €0.84 billion to the marginal lending facility, and the EONIA at 2.76%.

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

(daily interest rates in percentages)



Source: ECB.

### Maintenance period ending on 8 August

The maintenance period started with the EONIA at 2.83%, i.e. 8 basis points above the minimum bid rate. The EONIA remained unchanged for the first two weeks. Ahead of the last MRO allotment, the EONIA started to decline, reaching 2.78% on 28 July and rising to 2.80% on 31 July, due to the usual end-of-month effect. On 1 August, the allotment day of the last MRO of the period, the EONIA reverted back to 2.78%. The EONIA continued to decrease and reached 2.68% on the penultimate day of the maintenance period. On the last day of the maintenance period, the ECB launched a fine-tuning operation in order to absorb excess liquidity of €18 billion. The maintenance period ended with a net recourse of €1.2 billion to the marginal lending facility, and the EONIA at 2.73%.

## 2.4 BOND MARKETS

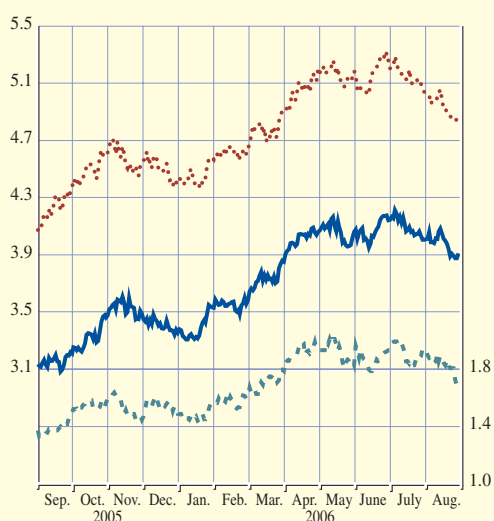
Long-term interest rates in major bond markets experienced significant swings over the last few months. Overall, long-term government bond yields in both the euro area and the United States declined somewhat between end-May and end-August, partly on account of lower real yields. These lower real long-term yields, in turn, seemed to result from the perception by investors that economic growth in the world's largest economy was weakening and from declining risk premia in the global bond market. Long-term break-even inflation rates remained broadly unchanged in the euro area, but declined noticeably in the United States. Bond market volatility in the major markets, which had picked up somewhat during the stock market sell-off in May, has eased gradually since mid-July.

Long-term interest rates in the euro area and the United States have moved along broadly similar lines over the past few months. In June, nominal long-term bond yields rose significantly in both economic areas, supported by the global recovery in stock prices after the sell-off in mid-May. From early July onwards, however, long-term yields declined amid market perceptions that the US economy might face a more protracted period of economic slowdown than previously envisaged (see Chart 18). Overall, euro area long-term government bond yields fell by 15 basis points between end-May and end-August, and stood at about 3.9% on 30 August. At the same time, US long-term bond yields fell by about 40 basis points and ended the review period at about 4.8%. As a result, the differential between US and euro area ten-year government bond yields narrowed to around 90 basis points on 30 August. In Japan, ten-year government bond yields stood at about 1.7% on 30 August, about 15 basis points lower than at end-May.

Chart 18 Long-term government bond yields

(percentages per annum; daily data)

- euro area (left-hand scale)
- ..... United States (left-hand scale)
- - - Japan (right-hand scale)

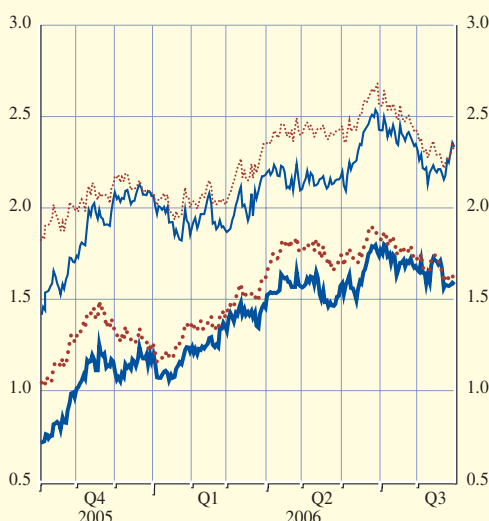


Sources: Bloomberg and Reuters.  
Note: Long-term government bond yields refer to ten-year bonds or to the closest available bond maturity.

Chart 19 Real bond yields

(percentages per annum; daily data)

- euro area – 2010
- ..... euro area – 2015
- United States – 2010
- ..... United States – 2015



Sources: Reuters and ECB calculations.

Market participants' uncertainty about short-term bond market developments – as indicated by implied bond market volatility – generally eased in the major markets after the high levels reached during the financial market turbulence in May.

In the United States, long-term government bond yields temporarily rebounded in June, rising from the low levels recorded after the stock market downturn in mid-May, when government bonds had acted as a “safe haven” for investors who reshuffled their portfolios. In July and August, however, the yields on long-term Treasuries declined gradually and ended the review period at around 4.8%, a level not observed since April. The main drivers behind this gradual fall in bond yields appeared to be emerging concerns among investors about weakening growth in the US economy, and about lower inflationary pressures. Against this background and in the light of the decision by the Federal Open Market Committee (FOMC) on 9 August to keep its federal funds target rate unchanged for the first time in the last two years, market participants revised their expectations about the future path of official interest rates markedly downwards. The increase of 25 basis points in the federal funds target rate decided at the FOMC meeting on 29 June had had no major impact on financial markets, as it had been anticipated. The developments over the past three months led to a further flattening of the US yield curve, with the spread between ten-year and two-year yields declining to zero by the end of August.

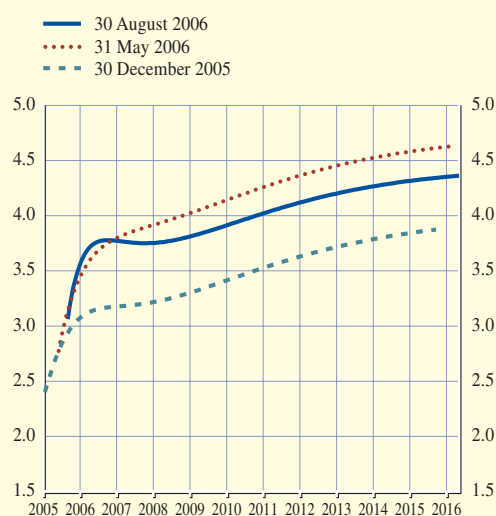
While more pessimistic views among investors about the growth prospects of the US economy were reflected in a downturn in longer-term index-linked bond yields between end-May and end-August (see Chart 19), market participants' inflation expectations over the same period, as measured by break-even inflation rates, declined noticeably at all horizons.

In the euro area, long-term government bond yields experienced a gradual upward movement in the earlier part of the period under review, in the context of an improvement in market expectations for euro area economic activity. Later on, the impact of further positive news about euro area economic activity on bond yields appeared to be outweighed both by heightened concern among investors about the potential economic consequences of the Middle East conflict and by the emergence, as already mentioned, of market pessimism about the growth prospects of the US economy.

The decisions of the Governing Council of the ECB to raise its key interest rates by 25 basis points each at its meetings of 8 June and 3 August were associated with an upward shift in the short-term segment of the implied forward overnight interest rate curve between the end of May and the end of August. At medium to long-term horizons, implied forward rates declined over the same period, probably reflecting, among other things, lower risk premia, in line with developments in the global bond market (see Chart 20).

**Chart 20 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.

Long-term real interest rates in the euro area, as measured by the yield on index-linked bonds, declined slightly over the period under review, developing more or less in parallel with nominal yields. Given both the decline in bond market risk premia at the long end of the yield curve and the fact that index-linked bond yields at shorter maturities have remained broadly unchanged over the past three months, it is likely that market participants did not revise their long-term growth expectations for the euro area economy to any significant extent.

The long-term break-even inflation rate – calculated as the differential between the yields on nominal and index-linked government bonds maturing in 2015 – remained broadly unchanged between the end of May and 30 August, despite relatively high HICP inflation readings. At the end of that period, the long-term break-even inflation rate stood at 2.2%. Break-even inflation rates at shorter horizons (2010 maturity) fluctuated somewhat over the period under consideration, and the levels recorded at the end of August were somewhat lower than those at end-May.

Further information about the horizons at which inflation expectations are changing can be obtained for the decomposition of ten-year zero-coupon break-even inflation rates into five-year break-even rates and five-year implied forward rates five years ahead from the estimation of zero-coupon term structures of break-even inflation rates (see Chart 21).<sup>2</sup> By providing measures of break-even inflation rates at constant maturities, this confirms the stability of euro area long-term inflation expectations and their low volatility in comparison with inflation expectations over shorter horizons. Moreover, the flattening of the euro area break-even inflation curve in the five to ten-year segment over the past year is also clearly visible in the chart.

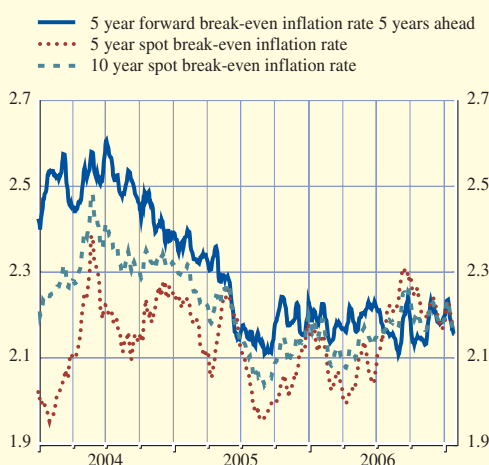
## 2.5 EQUITY MARKETS

*Developments in global stock prices showed significant volatility over the past three months. Following the decline as a result of a sharp increase in risk aversion between mid-May and mid-June, euro area and US stock prices recovered over the summer, against the background of relatively sound corporate earnings. Investors' uncertainty seemed to have eased, as indicated by the decline in market volatility from the peak recorded in mid-June.*

Despite undergoing large swings, stock prices in the major economies have increased somewhat over the past three months as a whole (see Chart 22). Stock prices in the euro area – as measured by the Dow Jones EURO STOXX index – rose by about 5% between end-May and 30 August 2006,

**Chart 21 Zero-coupon spot and forward break-even inflation rates**

(percentages per annum; five-day moving averages of daily data)

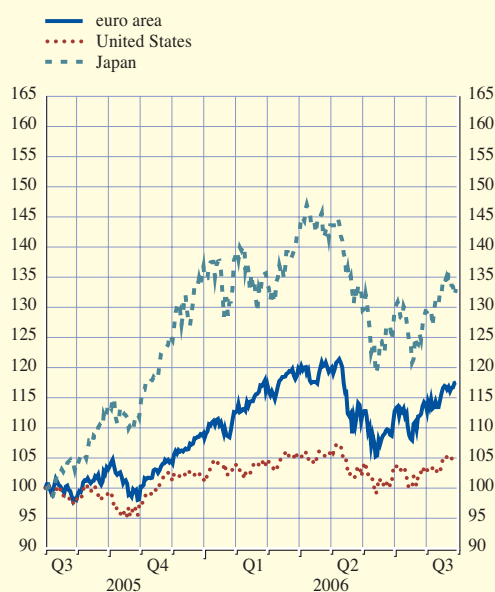


Sources: Reuters and ECB calculations.

<sup>2</sup> For details of the estimation, please see Box 3 in the July 2006 issue of the Monthly Bulletin.

**Chart 22 Stock price indices**

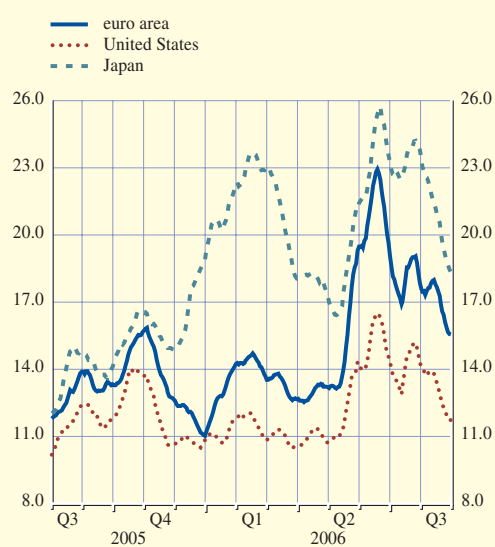
(index: 1 August 2005 = 100; daily data)



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.

while the increase in stock prices in the United States – as measured by the Standard and Poor's 500 index – was slightly lower at around 3% in the same period. In Japan, the Nikkei 225 index also rose by about 3%.

Stock market uncertainty, as measured by the implied volatility extracted from stock options, rose sharply in the major markets from mid-May to mid-June, reflecting a significant increase in market participants' risk aversion and risk perceptions. Subsequently, implied stock market volatility came down somewhat from the peak recorded around the middle of June, but was still higher at the end of August than in April (see Chart 23).

In the United States, stock prices fluctuated significantly over the past three months. In June, stock prices appeared to be affected by market concerns about inflation and the associated expectations about interest rate decisions by the Federal Reserve. This outlook, together with rising geopolitical tensions, led to investors demanding higher equity risk premia, and thus to declining stock prices. As uncertainty about geopolitical risks, inflation developments and the future path of US monetary policy rates eased subsequently, market volatility declined and stock prices rose gradually, enjoying further support from relatively solid actual and expected corporate earnings despite widespread expectations among market participants of a slowdown in the US economy in the second half of the year (see Chart 24).

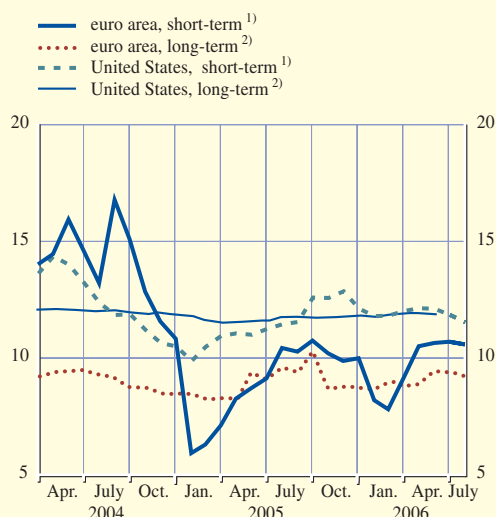


Developments in the euro area stock markets over the last three months were broadly similar to those in the United States. However, the decline in euro area stock prices at the beginning of the period under review was more pronounced than in the United States, and the gradual rise as from mid-July was somewhat stronger. Fairly sound earnings are likely to have supported the recovery in the latter part of the review period. In August, Thomson Financial Datastream reported that analysts expected an annual growth of 10% in earnings per share for corporations included in the Dow Jones EURO STOXX index over the next 12 months. Moreover, latest expectations for earnings over a longer-term horizon (three to five years ahead), as indicated by the same source, have also shown an improvement since June. Indeed, recent news confirming the strength of economic activity in the euro area in the first half of the year could also explain why euro area stock prices have benefited more strongly from the global decline in investors' risk aversion.

As regards developments in sectoral stock price indices in the euro area, the performance over the past three months was rather mixed, most probably on account of the changing appetite for risk in that period. For instance, stock prices of financial corporations, which tend to react strongly to swings in investors' willingness to accept risks, were among the worst performers in June, but among the best performers in the last few weeks, outperforming the overall index in the past three

**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 and Poor's 500 index for the United States.  
1) Short-term refers to analysts' earnings expectations twelve months ahead (annual growth rates).  
2) Long-term refers to analysts' earnings expectations three to five years ahead (annual growth rates).

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

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

	Basic materials	Consumer services	Consumer goods	Oil and gas	Financial	Health-care	Industrial	Tech-nology	Tele-communications	Utility	EURO STOXX
<b>Share of sector in market capitalisation</b> (end-of-period data)	5.6	6.5	11.1	7.4	34.8	3.7	10.5	5.1	6.1	9.2	100.0
<b>Price changes</b> (end-of-period data)											
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
2006 Q2	-1.2	-3.0	-7.5	-3.9	-7.1	-2.1	-5.4	-9.7	-5.8	-2.4	-5.6
June	2.3	0.9	-0.7	0.8	0.1	2.1	0.5	-2.2	-0.2	1.1	0.3
July	3.2	0.7	3.5	2.7	1.8	-1.1	-2.6	-6.8	-0.6	3.3	1.0
End-August 2006	8.4	4.0	5.7	3.4	7.7	-1.4	1.7	-2.3	0.8	8.2	5.0

Sources: Thomson Financial Datastream and ECB calculations.

months as a whole (see Table 3). The utility and basic materials sectors also outperformed the broad-based Dow Jones EURO STOXX index, while the technology sector showed weak results throughout the period under review.

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

*The real cost of non-financial corporations' external financing increased in the second quarter of 2006, although it remained low by historical standards. Over the same period, non-financial corporations increased their debt financing, mainly by boosting their loan financing significantly further and also by slightly raising their issuance of debt securities. As a result, the sector's debt-to-GDP ratio rose slightly in the second quarter.*

### FINANCING COSTS

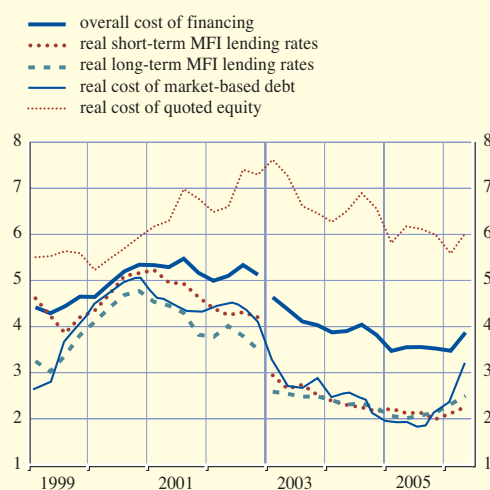
The real cost of external financing for non-financial corporations in the euro area, as calculated by weighting the cost of different sources of financing on the basis of the respective amounts outstanding (corrected for valuation effects), increased in the second quarter of 2006, but remained at a low level by historical standards (Chart 25).<sup>3</sup> This development resulted from significant increases in both the real cost of debt financing and the real cost of quoted equity over the same period.

The real cost of bank lending rose somewhat in the second quarter of 2006. 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 24 basis points from March to June, thus reflecting the upturn in money market rates over the same period (see Table 4). Since September 2005, when money market rates first started to rise, short-term lending rates to non-financial corporations have increased by around 66 to 77 basis points, slightly less than the corresponding market rates. Long-term MFI interest rates on loans (with an initial rate fixation of over five years) to non-financial corporations rose by 6 to 21 basis points in the same period, reflecting a rather sluggish pass-through of the increase in corresponding long-term market interest rates to long-term bank lending rates. In line with this, the declining trend of spreads between bank lending rates and market interest rates of

3 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.

**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.

**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 June 2006 <sup>2)</sup>		
	2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 May	2006 June	2005 Dec.	2006 Mar.	2006 May
<b>MFI interest rates on loans</b>									
Bank overdrafts to non-financial corporations	5.11	5.13	5.14	5.30	5.36	5.46	32	15	9
Loans to non-financial corporations of up to €1 million with a floating rate and an initial rate fixation of up to one year with an initial rate fixation of over five years	3.88 4.22	3.81 4.06	3.99 4.10	4.23 4.19	4.38 4.27	4.47 4.40	48 30	24 21	8 13
Loans to non-financial corporations of over €1 million with a floating rate and an initial rate fixation of up to one year with an initial rate fixation of over five years	2.94 3.87	2.97 3.88	3.24 3.98	3.50 4.22	3.58 4.34	3.74 4.28	50 30	24 6	16 -7
<b>Memo items</b>									
Three-month money market interest rate	2.11	2.14	2.47	2.72	2.89	2.99	51	26	10
Two-year government bond yield	2.07	2.21	2.80	3.22	3.38	3.47	67	25	10
Five-year government bond yield	2.58	2.60	3.07	3.47	3.74	3.78	71	31	4

Sources: Reuters, Bloomberg and Thomson Financial Datastream.

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.

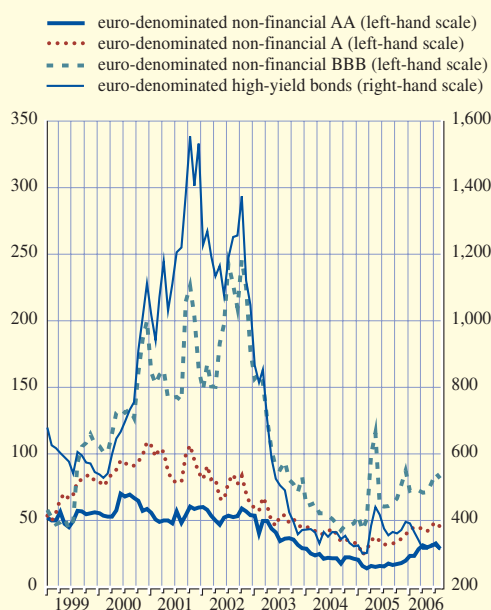
comparable maturity observed since the beginning of 2003 continued for medium-term and long-term loans in the second quarter of 2006, while the spreads on banks' short-term lending rates remained broadly stable.

The real cost of market-based debt financing for non-financial corporations continued to rise in the second quarter, as a consequence of the increase in long-term risk-free interest rates and a pick-up in corporate bond spreads (see Chart 26). In particular, the increase was evident for BBB-rated corporate bond spreads, which may also be a consequence of the upturn in indebtedness that has been observed more recently.

The real cost of equity for non-financial corporations increased somewhat in the second quarter of 2006, largely reflecting stock market developments, and remained significantly higher than the real cost of debt financing.

**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.

## FINANCING FLOWS

With regard to internal sources of financing, the profitability of non-financial corporations in the euro area – measured in terms of operating and net income in relation to sales – remained strong throughout 2005 and in the first quarter of 2006 according to the aggregated financial statement data of listed non-financial enterprises in the euro area. Profit ratios increased particularly strongly in the transportation and communications sectors, while profits in the wholesale and retail trade sectors were below average. The latter may reflect the moderate growth of private consumption in the euro area over the same period.

Looking ahead, stock market-based profitability measures indicate that the profitability growth of large listed corporations is expected to remain broadly stable over the next 12 months (see Chart 24).<sup>4</sup>

In addition to drawing on abundant internal funds, non-financial corporations increased their demand for external financing further in the second quarter of 2006 (see Chart 27). The real annual growth rate of the external financing of non-financial corporations rose to 4.0% in the second quarter, from 3.4% in the first quarter. This development was driven primarily by a further sharp increase in the contribution of MFI loans. The contribution of debt securities and quoted shares issued by non-financial corporations, by contrast, remained modest.

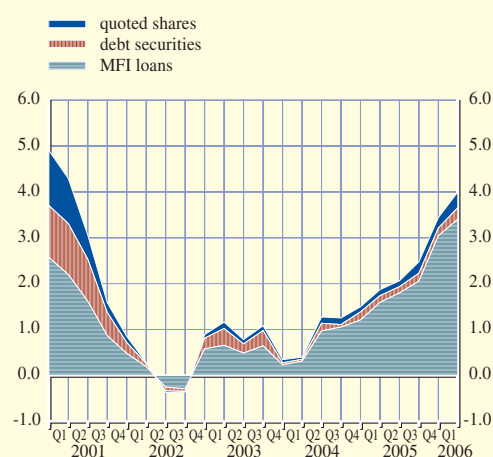
The annual growth rate of MFI loans to non-financial corporations rose to 11.5% at the end of the second quarter of 2006, from 10.5% in the first quarter (see Table 5), and continued to increase to 11.8% in July, mainly reflecting developments in loans with a maturity of between one and five years. As regards the breakdown by maturity, the annual growth rate of short-term loans picked up slightly in the second quarter to reach 8.1% in June. At the same time, the annual growth rate of long-term MFI loans (with a maturity of over five years) stabilised at around 11%, the level reached at the end of the previous quarter, while that of loans with a maturity of between one and five years continued to rise, reaching 17.8% in June.

The use of bank loans for financing was driven by the low real cost of bank lending, a favourable lending attitude of banks and improved

confidence. In particular, the persistently high pace of growth in loans to non-financial corporations may be seen as being related to the positive development of economic activity in the euro area in the first half of this year. Non-financial corporations may have used part of the funds obtained for real investment purposes, as indicated by the growth of gross fixed capital formation, which reached the highest level recorded for around five years in the first quarter of 2006.<sup>5</sup> The strong

**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.

<sup>4</sup> In addition to non-financial corporations, the measure of corporate earnings based on the Dow Jones EURO STOXX index includes financial corporations.

<sup>5</sup> See also Box 2 entitled "The results of the July 2006 bank lending survey for the euro area" in the August 2006 issue of the Monthly Bulletin.

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 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Q2	July 2006 <sup>3)</sup>
<b>MFI loans</b>	3,644	6.5	7.3	8.3	10.5	11.5	11.8
up to 1 year	1,099	5.5	5.4	5.8	7.7	8.1	9.0
over 1 and up to 5 years	653	6.3	6.7	9.9	14.9	17.8	19.0
over 5 years	1,891	7.2	8.6	9.3	10.7	11.4	11.0
<b>Debt securities issued</b>	631	3.1	2.9	3.7	3.1	4.5	-
short-term	98	-2.9	-1.3	-0.4	-6.8	-3.3	-
long-term, of which: <sup>1)</sup>	533	4.4	3.7	4.5	5.2	6.1	-
fixed rate	409	0.8	0.4	0.4	0.3	0.8	-
variable rate	107	26.1	18.2	23.4	25.0	30.1	-
<b>Quoted shares issued</b>	3,942	0.6	0.5	1.0	0.7	1.0	-
<b>Memo items<sup>2)</sup></b>							
Total financing	9,255	3.2	4.4	5.6	6.2	7	-
Loans to non-financial corporations	4,182	5.1	5.8	7.8	9.7	10 ¾	-
Pension fund reserves of non-financial corporations	317	4.5	4.5	4.2	4.4	4 ¼	-

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.

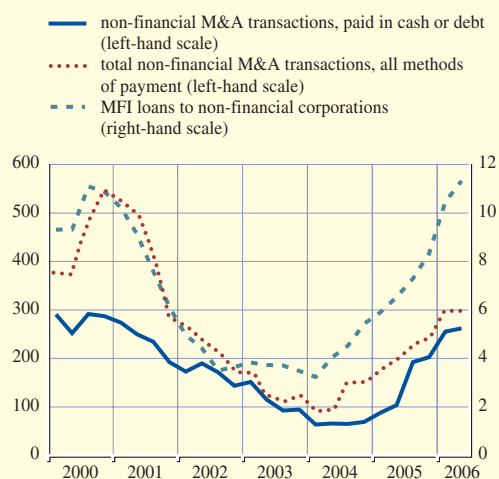
3) July 2006 data are available only for MFI loans.

growth of merger and acquisition (M&A) activity in the euro area may also have contributed to the rapid expansion of corporate borrowing (see Chart 28), in particular with regard to short-term loans that are often initially used as bridge loans which are subsequently converted into debt securities issues at a later stage (see the box entitled “Recent trends in merger and acquisition activity in the euro area” in the July 2006 issue of the Monthly Bulletin). To a large extent, recent M&A activity involved the payment of cash or debt to the shareholders of the companies acquired and may thus have required raising additional funds. In parallel with MFI loans, the annual growth rate of non-MFI loans granted to non-financial corporations continued to increase sharply according to evidence available up to the first quarter of 2006.

The annual growth rate of debt securities issued by non-financial corporations increased somewhat to reach 4.5% at the end of June. Possible factors behind this still 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 thus a possible substitution effect – and a relatively high level of debt security redemptions. In addition, indirect financing through non-monetary financial corporations such as special-purpose vehicles seems to have moderated, as the annual growth rate of debt securities issuance by this sector declined to 24.4% at the end of June, after having reached 27.1% at the end of the previous quarter. The overall increase in the annual growth rate of debt securities issued by non-financial corporations reflected a pick-up of the annual growth rate of issuance of long-term securities. By contrast, the

**Chart 28 Loan developments and mergers and acquisitions in the non-financial corporate sector in the euro area**

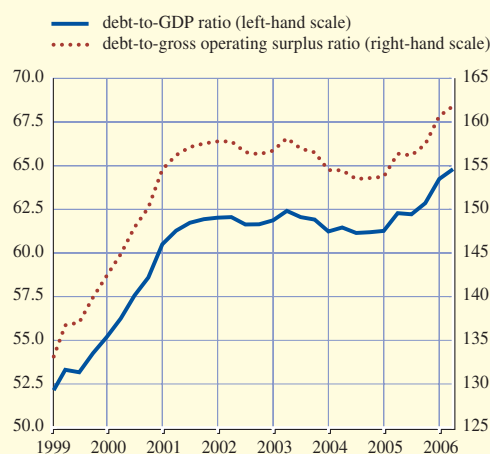
(value of completed deals in EUR billions; 12-month moving sum; euro area non-financial firms as acquirers)



Sources: Bureau van Dijk (Zephyr database).  
Notes: M&A transactions paid in cash or debt refer to M&A transactions that contain an element of cash or debt. The difference between the "total" and M&A transactions paid in cash or debt in the non-financial corporate sector is determined by those transactions that have been paid in forms other than cash or debt, mainly shares.

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

(percentages)



Sources: ECB and Eurostat.  
Notes: The gross operating surplus relates to the 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.

annual rate of change in short-term debt securities issuance by non-financial corporations remained negative in the second quarter of 2006, as was the case throughout most of the year before.

The annual growth rate of quoted shares issued by non-financial corporations rose slightly to 1% at the end of the second quarter of 2006, from 0.7% in the previous quarter. This development in equity issuance was partly due to increased M&A activity and seems to have been supported by the trend in gross issuance via both initial and secondary public offerings.

### FINANCIAL POSITION

Reflecting the further increase in debt financing of non-financial corporations, the sector's overall debt-to-GDP ratio rose to 65% in the second quarter of 2006 (see Chart 29). After a period of consolidation, the debt ratios of non-financial corporations are thus higher than those recorded at the previous peak in mid-2003, which had followed a sharp increase in debt in the second half of the 1990s.

The low cost of debt financing, as well as favourable economic growth prospects, has apparently prompted firms to assume more debt and to invest. Moreover, non-financial corporations have tended to increase their cash holdings (see Box 3), reflecting a preference for liquid funds in order to retain flexibility for future financial acquisitions. At the same time, the ratio of debt to the gross operating surplus rose as well, to reach 162% in the second quarter of 2006.

## Box 3

**WHY HAVE LISTED NON-FINANCIAL CORPORATIONS IN THE EURO AREA INCREASED THEIR CASH HOLDINGS OVER THE LAST THREE YEARS?**

Balance sheet data on listed non-financial corporations in the euro area point to a substantial increase of their cash holdings<sup>1</sup> over the last three years. On the one hand, this increase generally signalled an improvement in the financial soundness of euro area non-financial corporations, making them less susceptible to adverse financial shocks. On the other hand, holding large amounts of cash over a protracted period appears to run counter to the objective of a non-financial corporation. A proper assessment of high corporate cash levels thus requires an adequate understanding of the underlying motives of firms. In this box, several indications are given about why firms in the euro area have increased their cash holdings, based on information from a sample of listed corporations.

In theory, cash holdings are set at a level that equates their marginal cost and benefit so that the shareholder's wealth is maximised. The (opportunity) costs of holding cash are the lower expected return compared with alternative assets, while the benefits derive from the reduced probability of being short of financing if profits fail to meet expectations. This general reasoning appears to be applicable to all types of euro area firms, regardless of their general financing conditions.<sup>2</sup> Moreover, firms with more intangible assets, in particular, are likely to hold more cash given the higher cost of external finance for this type of uncollateralised and more volatile assets.<sup>3</sup> Furthermore, cash holdings could increase in anticipation of future real and financial investments, because internal finance is generally the cheapest form of finance. Finally, over a short-term horizon, firms may prefer to keep a fixed fraction of their profits in liquid assets as a kind of buffer before deciding on a more permanent allocation of funds to other investments or distributing them to shareholders.

**Developments in cash holdings**

Cash holdings have been relatively high in the last three years compared with the period from 2000 to 2002. The share of cash in total assets has increased from 8% in 2000 to slightly above 10% in 2005 (see Chart A). This level is similar to the average over the years from 1995 to 1999. A breakdown by sector reveals that the overall trend of an increasing cash-to-total assets ratio in the years from 2002 to 2005, following a drop in 1999-2000, was seen in several sectors. In 2004 and 2005, the services, transport and communication, and utilities sectors increased their shares of cash holdings, while the remaining sectors had a stagnant or even a decreasing share of cash.

**Cash flow, profitability and opportunity costs**

After substantial declines in the period from 2001 to 2002, profits and cash-flow generation picked up significantly from 2003 onwards.<sup>4</sup> To investigate to what extent increased cash

1 Cash holdings are defined as cash and cash equivalents (Source: Thomson Financial Datastream). This definition is broader than that underlying the monetary aggregate M3. See also the article entitled "Sectoral money holdings: Determinants and recent developments" in the August 2006 issue of the Monthly Bulletin for a discussion of the determinants of the non-financial corporate sector's money demand.

2 R. Pal and A. Ferrando, "Financing constraints and firms' cash policy in the euro area", ECB Working Paper No 642, 2006.

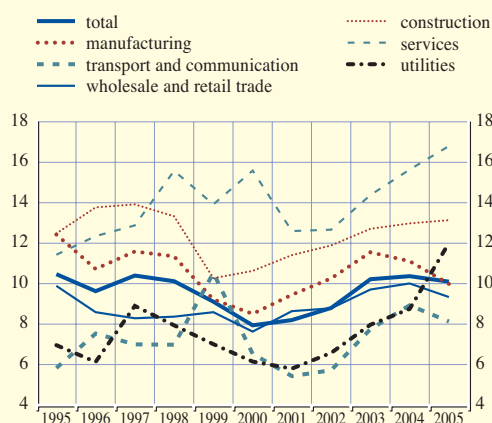
3 R. Passov, "How much cash does your company need?", Harvard Business Review, Harvard School of Business, November 2003.

4 See the box entitled "Profitability and leverage developments of listed non-financial corporations in the euro area" in the June 2006 issue of the Monthly Bulletin.



**Chart A Sectoral breakdown of the ratio of cash to total assets**

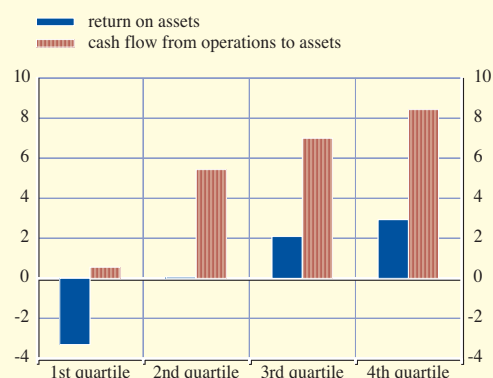
(percentages)



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. The sample has been cleaned of outliers.

**Chart B Cash flow and profitability**

(percentages; period 2003-2005)



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. Firms are placed in ascending order according to their level of cash accumulation over the period from 2003 to 2005; thus, the 1st quartile represents the 25% of firms with the lowest cash accumulation in the period.

holdings were associated with higher profits and cash flows, Chart B shows the average profitability and cash-flow generation of firms according to their level of cash accumulation. The relationship is seen to be monotone and positive, which shows that the accumulation of cash follows the increased profits, assuming that a part of the profits is retained in cash. The weighted average of the ratio of cash accumulation to profits was around 17% in the period from 2003 to 2005, although it decreased over time from 55% in 2003 to 8% in 2005.

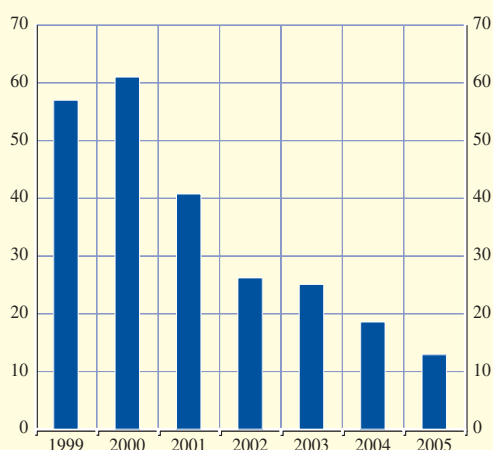
The opportunity cost of holding cash is determined by the expected return on alternative investments. As one of the possible measures of the return on alternative investments, long-term rates could be considered. The low level of interest rates that prevailed over the past few years may have favoured the accumulation of cash.

### Benefits of holding cash: avoiding illiquidity and credit constraints

One advantage of holding cash is that firms can avoid illiquidity. A cash reserve saves the company from the risk of having to recourse to expensive credit lines, or even from bankruptcy, in a situation where the cash flows generated by a company's overall operations are not sufficient to meet its obligations. Such a situation is more likely to occur in a more volatile business environment and hence higher volatility of sales should be associated with larger benefits from holding cash. Chart C shows, however, that the volatility of sales growth of euro area listed firms has decreased in recent years, reflecting a decline in the average sales growth. At the same time, as the realised level of volatility (which is backward-looking) may not be a perfect indicator of the level of perceived future volatility, it cannot be entirely ruled out that business uncertainty has contributed to increased cash holdings in the euro area.

**Chart C Sales volatility**

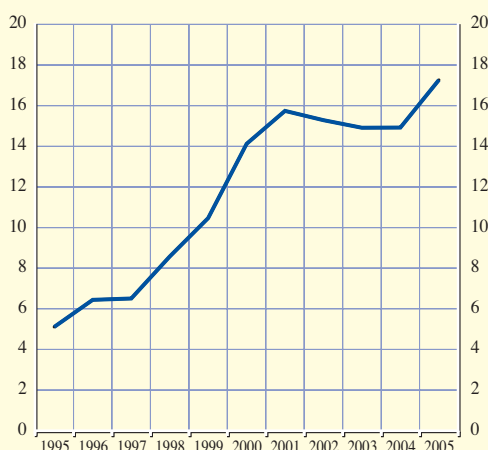
(standard deviation; annual data)



Sources: Thomson Financial Datastream and ECB calculations.  
Notes: The calculation is based on a balanced sample of about 800 listed non-financial corporations in the euro area. Standard deviations are calculated using firm-level sales growth over a four-year period and weighted by total assets.

**Chart D Ratio of intangible fixed assets to total assets**

(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. The sample has been cleaned of outliers.

Furthermore, firms will expect to benefit from stockpiling cash if they anticipate investments in the near term using cash holdings as a sort of prefunding. Merger and acquisition activity surged in 2005 and 2006, and this activity was increasingly financed with cash. This may be evidence that anticipated profitable investments were indeed the purpose of some of the higher cash holdings.<sup>5</sup>

Availability of collateral is another factor that will influence a firm's possibility of obtaining credit. In this respect, the significant increase in the intangible assets of listed firms in the euro area may have been a reason for firms to hold additional cash (see Chart D). By holding more cash, firms reduced the cost of external finance for this type of assets which cannot be easily used as collateral.

## Conclusions

The rise in cash holdings in the euro area seems to be closely related to higher profitability and larger cash flows of euro area listed firms in recent years, which may have chosen to invest in liquid assets in the short term to hoard the increase of funds. In addition, firms' cash holdings may be high in anticipation of future investments, for example in mergers and acquisitions. The increase in cash holdings by listed euro area non-financial corporations can moreover also be explained by low opportunity costs of holding cash compared with alternative financial investments over the past few years. In addition, firms may have increased their cash holdings as a larger part of their current and prospective assets is in the form of intangible assets.

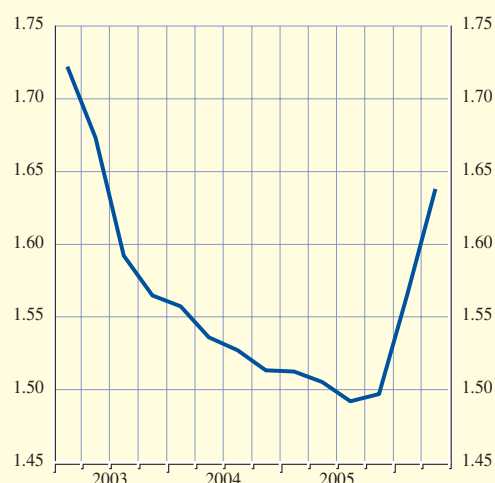
<sup>5</sup> See the box entitled "Recent trends in mergers and acquisition activity in the euro area" in the July 2006 issue of the Monthly Bulletin.

Debt developments, together with interest rate developments, seem to have driven the significant increase in the interest burden of non-financial corporations in the first half of 2006 (see Chart 30).

Overall, despite the recent pick-up of debt ratios and net interest payments, the financial situation of non-financial corporations remains favourable, mainly on account of strong profitability in combination with a still low cost of financing.

**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.

## 2.7 FINANCING AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

*Household borrowing remained robust in the second quarter of 2006, underpinned by favourable financing conditions, strong housing market dynamics and improved consumer confidence. Despite some moderation in recent months, growth of MFI loans for house purchase remained strong and continues to explain most of the strength in overall loan growth. Reflecting continued vigorous borrowing dynamics, the household debt-to-GDP ratio increased further in the second quarter of 2006.*

### FINANCING CONDITIONS

MFI interest rate statistics and the July 2006 bank lending survey<sup>6</sup> suggest that financing conditions for the euro area household sector remained favourable in the second quarter of 2006, even though the cost of borrowing increased somewhat further, in the context of rises in key ECB interest rates.

MFI lending rates on loans for house purchase continued to increase across all maturities in the second quarter of 2006 (see Chart 31). On a quarterly average basis, they were between 15 and 25 basis points higher than in the first quarter of 2006. Rates on loans with a shorter maturity rose somewhat more strongly than those on loans with a longer maturity, reducing the implied spread to its lowest level since the beginning of the series in early 2003. In the case of MFI lending rates for consumer credit, in the second quarter of 2006 rates on loans with a period of rate fixation of up to one year were on average 25 basis points higher than in the first quarter of 2006, while rates on loans with a period of rate fixation of more than one year were 10 basis points lower than in the previous quarter.

<sup>6</sup> See Box 2 entitled “The results of the July 2006 bank lending survey for the euro area” in the August 2006 issue of the Monthly Bulletin.

In the July 2006 bank lending survey, banks again reported, on balance, an easing of credit standards applied to the approval of loans to households, both for house purchase and for consumer credit. In the case of loans for house purchase, the net percentage of banks reporting an easing was somewhat smaller than in the April survey, while in the case of consumer credit it was slightly larger. Banks reported competition from other banks and non-banks as the main factor behind the easing of credit standards. A lower perception of risks in terms of both expectations regarding general economic activity and housing market prospects also contributed to these developments. The changes in credit standards were mostly implemented by reducing margins on average loans and, in the case of loans for house purchase, also by lengthening maturities.

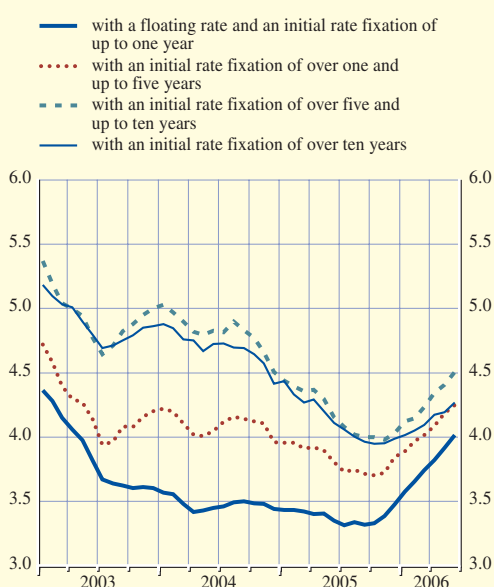
### FINANCING FLOWS

The annual growth rate of total loans granted to the euro area household sector by all financial institutions increased to 9.8% in the first quarter of 2006 (the most recent period for which data are available from the euro area quarterly financial accounts) from 9.4% in the fourth quarter of 2005 (see Chart 32). The further strengthening of growth in household financing was 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), remained broadly unchanged. In the second quarter of 2006, the annual growth of total loans to households is estimated to have declined slightly.

Looking at MFI data available up to July 2006, the annual growth of loans to households remained strong, but the continued strengthening observed in recent quarters appears to have ceased. This reflects in particular developments in the growth of loans for house purchase, which continues to explain most of the ongoing strong lending activity. The dynamics of household borrowing for house purchase moderated in recent months: in July the annual growth rate was 11.4%, after 11.8% in the previous month and an average of 12.1% in the second quarter. The results from the July 2006 bank lending survey suggest that the recent moderation in growth of loans for house purchase may partly be related to an increased use on the part of borrowers of alternative sources to finance house purchases, such as a greater recourse to savings and possibly also the sale of financial assets. Nonetheless, growth of loans for house purchase remains robust, reflecting favourable financing conditions, improved consumer confidence and strong housing market dynamics in many regions of the euro area.

**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>)

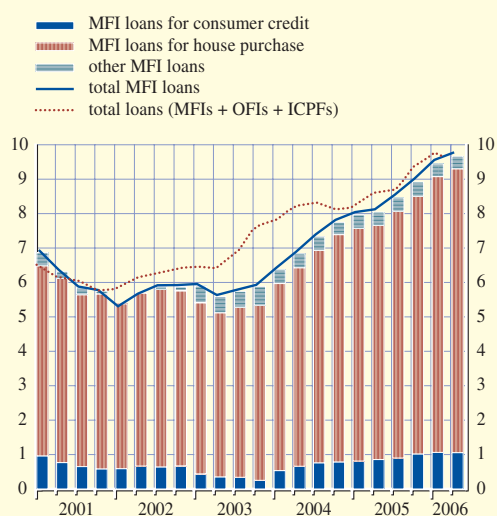


Source: ECB.

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)

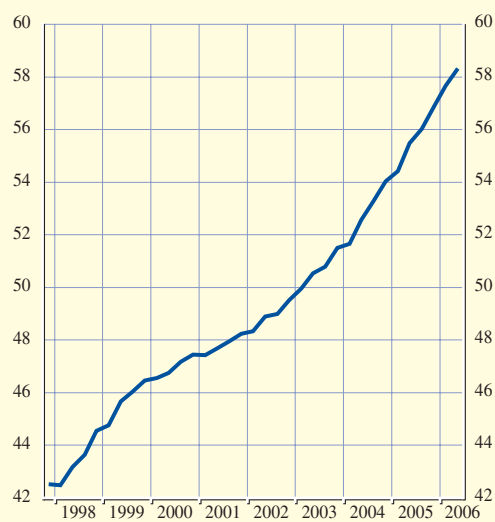


Source: ECB.

Note: Total loans (MFIs + OFIs + ICPFs) for the second 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.

The annual growth rate of consumer credit was 8.6% in July, the highest monthly rate since end-1999, following averages of 8.2% in both the second and first quarters of 2006. The annual growth rate of other lending to households was 2.3% in July, following averages of 2.1% in both the second and first quarters of 2006. According to the July 2006 bank lending survey, the reported positive net demand for loans for consumer credit and other lending was mostly related to an increase in spending on durable consumer goods and a rise in consumer confidence.

### FINANCIAL POSITION

Reflecting the continued strength of borrowing, the ratio of household debt to GDP in the euro area is estimated to have increased further in the second quarter of 2006, to close to 58.5% of GDP (see Chart 33). Despite the continued rise, the level of household indebtedness remains at a relatively moderate level by international standards. The household sector debt servicing burden (i.e. interest payments plus principal repayments as a percentage of disposable income) is estimated to have increased somewhat in 2005 and is projected to rise modestly further in 2006, owing to the vigorous loan growth and the rise in bank lending rates in the first half of this year.

## 3 PRICES AND COSTS

*Euro area consumer price inflation has remained above 2% throughout 2006, largely as a result of sustained upward pressure on energy prices. At the producer level, there is evidence of upward pressure from higher input costs, driven by increases in energy and raw material prices, and there are also signs that higher input costs are gradually being passed through to consumer prices. However, recent indicators suggest that wage pressures have so far remained moderate. According to the latest ECB staff macroeconomic projections, inflation is expected to remain elevated for the remainder of 2006 and in 2007 on average. The balance of risks to these projections is seen to be on the upside.*

### 3.1 CONSUMER PRICES

#### FLASH ESTIMATE FOR AUGUST 2006

According to Eurostat's flash estimate, overall HICP inflation was 2.3% in August, after 2.4% in July (see Table 6). This estimate is, however, surrounded by uncertainty, given the preliminary nature of the data. A detailed breakdown of the HICP components will be available in mid-September.

#### HICP INFLATION UP TO JULY 2006

Headline HICP inflation was 2.4% in July 2006, compared with 2.5% in June. From a longer-term perspective, overall HICP inflation has been fluctuating between 2.2% and 2.5% since November 2005, after rising significantly in the autumn of 2005, and has remained in the upper part of this range since April 2006.

Reflecting the strong dynamics of oil prices, the contribution of energy price increases has been a major driving force behind overall HICP inflation over the recent past. The annual growth rate of energy prices has been at high levels throughout the first half of 2006 (see Chart 34). However, the impact of the most recent month-on-month increases has partly been dampened by favourable base effects, reflecting the surge in oil prices in the same period last year.

The annual rate of change in unprocessed food prices, which had been rather subdued in the preceding years, rose in June and July 2006. The particularly strong increase in July was largely

**Table 6 Price developments**

(annual percentage changes, unless otherwise indicated)

	2004	2005	2006 Mar.	2006 Apr.	2006 May	2006 June	2006 July	2006 Aug.
<b>HICP and its components</b>								
Overall index <sup>1)</sup>	2.1	2.2	2.2	2.4	2.5	2.5	2.4	2.3
Energy	4.5	10.1	10.5	11.0	12.9	11.0	9.5	.
Unprocessed food	0.6	0.8	0.6	1.2	1.5	2.1	3.2	.
Processed food	3.4	2.0	2.3	2.2	2.2	2.2	2.3	.
Non-energy industrial goods	0.8	0.3	0.5	0.6	0.6	0.7	0.5	.
Services	2.6	2.3	1.9	2.2	1.8	2.0	2.1	.
<b>Other price indicators</b>								
Industrial producer prices	2.3	4.1	5.1	5.5	6.1	5.8	.	.
Oil prices (EUR per barrel)	30.5	44.6	52.6	57.6	55.7	55.4	58.8	58.1
Non-energy commodity prices	10.8	9.4	20.0	25.4	31.5	22.0	26.7	26.9

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

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

due to a surge in fruit prices and, to a lesser extent, vegetable prices. This was probably a consequence of the exceptionally hot and dry weather conditions in most parts of Europe during that month.

The annual rate of change in the HICP excluding energy and unprocessed food has been fluctuating around 1.5% since the second half of 2005, and stood at 1.6% in July 2006. These developments support the view that domestic cost pressures stemming from higher prices of energy and non-energy goods have so far remained contained. However, this overall stability masks contrasting developments among the components of the HICP excluding energy and unprocessed food.

Services price inflation has been relatively stable, at around 2.0%, since the beginning of 2006, reaching 2.1% in July. Over recent months, its short-term movements have been particularly affected by developments in the prices of package holidays and accommodation, influenced by the timing of holiday periods. By contrast, the annual growth rate of non-energy industrial goods prices has been more moderate. However, it has been on an upward trend since the middle of last year, and now stands above its average for 2005. This may reflect the gradual emergence of indirect effects at the consumer level due to past oil price increases. While the annual rate of growth of this component of the HICP declined to 0.5% in July, this decline was, however, largely due to the exceptional seasonal discounting of prices during the summer sales period and is therefore likely to prove short-lived. Meanwhile, the annual growth rate of processed food prices also increased over the second quarter of 2006.

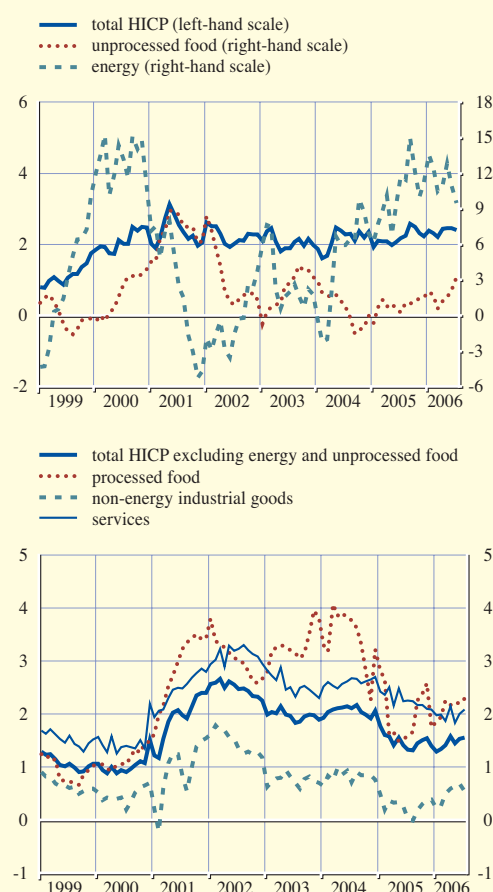
### 3.2 INDUSTRIAL PRODUCER PRICES

Having followed a clear upward trend over recent years, annual growth in industrial producer prices stood at levels close to 6.0% in May and June 2006. Although no new data on euro area producer prices has become available since the previous issue of the ECB's Monthly Bulletin, these strong price pressures at the producer level are likely to have continued in July.

Overall industrial producer price inflation has been driven by a surge in intermediate goods prices, as well as a strong contribution from energy prices (see Chart 35). The latter has moderated somewhat in 2006, in part on account of the impact of favourable base effects, although it still remains at elevated levels. By contrast, the annual rate of growth of intermediate goods prices

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

(annual percentage changes; monthly data)



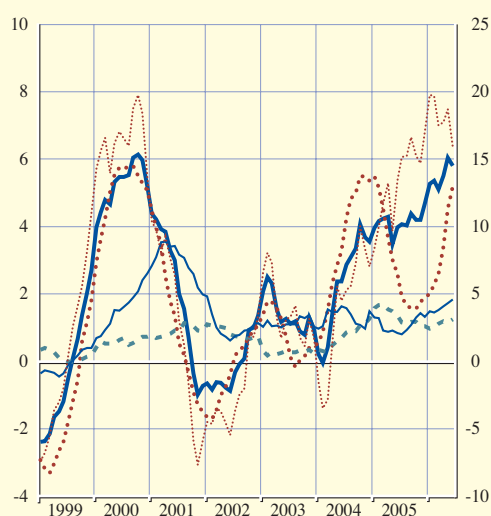
Source: Eurostat.



**Chart 35 Breakdown of industrial producer prices**

(annual percentage changes; monthly data)

- total industry excluding construction (left-hand scale)
- ..... intermediate goods (left-hand scale)
- - - capital goods (left-hand scale)
- consumer goods (left-hand scale)
- ..... energy (right-hand scale)

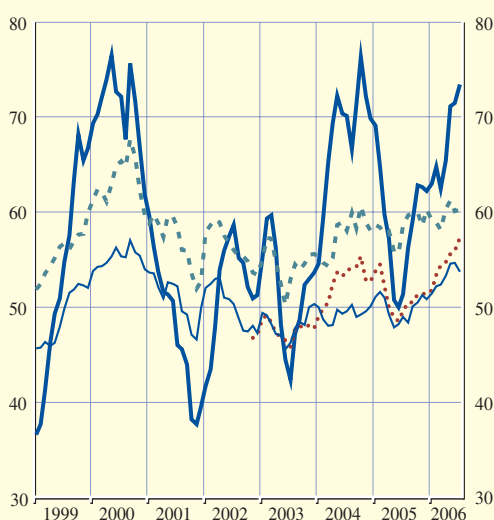


Sources: Eurostat and ECB calculations.

**Chart 36 Producer input and output price surveys**

(diffusion indices; monthly data)

- manufacturing; input prices
- ..... manufacturing; prices charged
- - - services; input prices
- services; prices charged



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

increased steadily throughout the first half of 2006, especially in the second quarter, to reach 5.2% in July (compared with an average of 1.7% in the last quarter of 2005). This upward movement was largely related to a rise in import prices of intermediate goods, which in turn may also reflect higher commodity prices (see Sections 1.2 and 6.2). As regards industrial producer prices for consumer goods, the gradual rise in their annual growth rate since mid-2005 suggests that higher input costs may have been gradually and partially passed through to prices at later stages of the production chain. Finally, the annual growth rate of capital goods prices increased slightly in June.

Overall, the latest industrial producer price developments support the assessment of continued cost pressures in the industrial sector, as well as an increased ability on the part of firms to pass on these higher input costs. This assessment is supported by the latest information about price-setting from business surveys. According to NTC Economics, in July both input and output price indices for the manufacturing sector stood at high levels by historical standards (see Chart 36). Against a background of high domestic demand and production capacity limitations, manufacturing firms reported an increase in their pricing power. The Purchasing Managers' Survey results for the services sector also continued to signal both stronger input price pressures and the ability of service providers to increase their selling prices. In addition to raw material input cost pressures, some signs of pressure from labour costs have also been reported in the service sector surveys in the period since May 2006.

**Table 7 Labour cost indicators**

(annual percentage changes, unless otherwise indicated)

	2004	2005	2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Q2
Negotiated wages	2.1	2.1	2.1	2.1	2.0	2.1	2.3
Total hourly labour costs	2.4	2.4	2.6	2.0	2.1	2.2	.
Compensation per employee	2.2	1.8	1.6	1.8	2.0	2.0	.
<i>Memo items:</i>							
Labour productivity	1.3	0.7	0.5	0.9	1.0	1.0	.
Unit labour costs	0.9	1.1	1.1	0.8	1.0	0.9	.

Sources: Eurostat, national data and ECB calculations.

### 3.3 LABOUR COST INDICATORS

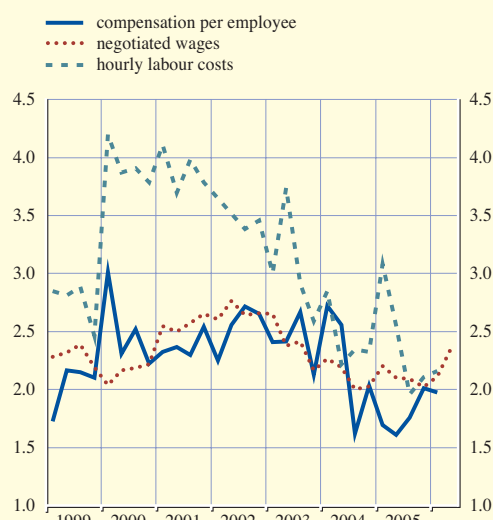
In the second quarter of 2006, the annual rate of growth of negotiated wages in the euro area increased to 2.3%, from 2.1% in the first quarter (Table 7). Although it was largely driven by the impact of a one-off payment in the German industrial sector, and therefore reflected some short-term volatility, this increase brought the indicator of negotiated wages slightly above the levels observed in 2004 and 2005 (2.1% on average). Owing to its different coverage and the potential for wage drift, the indicator of negotiated wages can only be seen as a rough indicator of actual wage developments. An assessment of this indicator needs to be complemented by other labour cost indicators which have yet to be published for the second quarter of 2006.

On the basis of data available up to the first quarter of 2006, the overall picture emerging from the latest developments in labour cost indicators supports the assessment of continued moderate wage developments. The annual growth rate of compensation per employee was 2.0% in the first quarter of 2006, slightly above the growth rates around which it has been hovering since mid-2004. From a longer-term perspective, recent rates of increase in compensation per employee have been markedly lower than their average over the period from 1999 to mid-2004 (see Chart 37). The annual rate of change in hourly labour costs in the non-agricultural business sector rose slightly, to 2.2%, in the first quarter of 2006. Despite some short-term volatility, this indicator of labour cost developments appears to be levelling off after following a persistent downward trend in preceding years.

Looking at available sectoral information, the annual growth rate of compensation per employee in the industry sector has been fluctuating around 2.0% since early 2005, following a strong decrease over the course of 2004 (see Chart 38). In market-related services, the annual growth rate of compensation per employee has been broadly stable and close to 2.0% since the second half of 2003.

**Chart 37 Selected labour cost indicators**

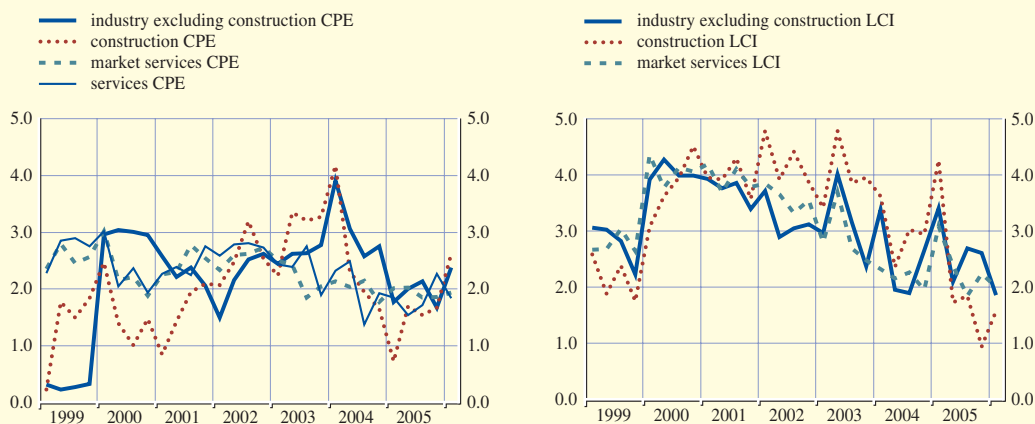
(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.

**Chart 38 Sectoral labour cost developments**

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.  
Note: CPE refers to compensation per employee and LCI to hourly labour cost index.

Given the moderate growth in compensation per employee, and combined with a stable annual growth rate of labour productivity, unit labour cost growth has remained at moderate levels in recent quarters. As a result, overall inflationary pressures from the labour market remained subdued in early 2006.

### 3.4 THE OUTLOOK FOR INFLATION

Euro area inflation is expected to remain above 2.0% for the remainder of 2006. In the short run, the development of overall HICP inflation is likely to be influenced considerably by developments in energy prices. In early 2007, euro area inflation is also expected to be affected by the planned increase in VAT in Germany; this factor also explains recent evidence of a rise in survey indicators of household inflation expectations (see Box 4 below). However, on the basis of current information, underlying domestic inflationary pressures are expected to rise only slowly, owing to continued wage moderation and the effects of heightened global competition. According to the latest ECB staff macroeconomic projections, HICP inflation is projected to stand at between 1.9% and 2.9% in 2007. For a further discussion of these projections see the box entitled “ECB Staff Macroeconomic Projections for the euro area”.

This outlook is, however, subject to a number of upward risks. HICP inflation could be affected by stronger than expected developments in energy and non-energy commodity prices, and by a stronger pass-through to consumer prices than currently anticipated. In addition, there is a risk of higher than expected increases in administered prices and indirect taxes. In the short run, some potential upside risk is also posed by the recent volatility in unprocessed food prices. Furthermore, against a background of an improving labour market and growth outlook, there is a risk of stronger wage and price pressures than contained in the projections.

### ASSESSING RECENT MOVEMENTS IN CONSUMERS' INFLATION EXPECTATIONS

The ECB monitors developments in consumers' inflation expectations, as these can provide information on how consumers perceive the nature of the shocks driving prices and may help to assess possible consumer reactions to these shocks. For example, consumers' inflation expectations may play a significant role in wage formation and can therefore be an important determinant of HICP inflation. According to the European Commission's Consumer Survey, short-term inflation expectations of private households have increased recently. This box discusses these developments.

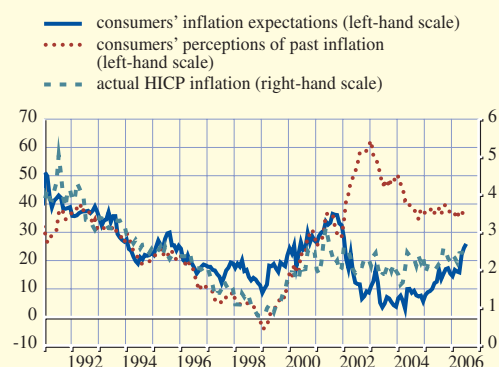
In the European Commission's monthly Consumer Survey,<sup>1</sup> around 20,000 consumers are asked the following question: "By comparison with the past 12 months, how do you expect consumer prices to develop in the next 12 months? Will they: (1) increase more rapidly, (2) increase at the same rate, (3) increase at a slower rate, (4) stay about the same, (5) fall, or (6) NA/don't know". The qualitative expectations are computed as a balance statistic, calculated as a difference between the weighted average of the percentage of those replying (1) or (2) and the weighted average of the percentage of those replying (4) or (5).<sup>2</sup>

While qualitative in nature, the European Commission's indicator provides some information on the direction and pace of price changes expected by consumers and can therefore be directly contrasted with actual developments in HICP inflation. As shown in the chart, historically consumers' perceptions of past inflation have moved broadly in line with actual inflation, but this close relationship broke down at the time of the introduction of the euro banknotes and coins in 2002. At that time, inflation expectations, which are linked in the survey to the question on the perceived prevailing level of inflation, declined and remained relatively low for some time.

In terms of more recent dynamics, the qualitative indicator of consumers' inflation expectations has been on a steady upward path since the beginning of 2005. The increase over the course of 2005 in all probability reflects the impact on inflation of increases in oil prices. More recently, since May 2006, there has been another strong increase in consumers' inflation expectations. This increase was almost entirely due to developments in Germany and in all likelihood reflects the significant impact on inflation expected from the 3 percentage point German VAT increase in January 2007.

#### Consumers' inflation expectations and perceptions and actual HICP inflation

(percentage balances; annual percentage changes)



Sources: European Commission and Eurostat.

1 For further information, see the article entitled "Measures of inflation expectations in the euro area" in the July 2006 issue of the Monthly Bulletin.

2 In the weighting procedure, the more extreme answers, i.e. (1) or (5), are given double the weight of the more moderate answers, i.e. (2) or (4).

In general, even though in Germany consumers have recently incorporated information on the future VAT increase, overall, at the aggregate euro area level, the qualitative measure of inflation expectations has tended to follow better past and contemporaneous inflation rather than to forecast, as the survey question might imply, one-year-ahead inflation developments. Indeed, among the correlations between changes in inflation expectations and changes in the annual inflation rate, only the contemporaneous correlation, with a value of around 0.3, is close to being statistically significant, while there has apparently been little correlation between future price developments and consumer inflation expectations. All this cautions against overinterpreting the forward-looking information content of this indicator.

## 4 OUTPUT, DEMAND AND THE LABOUR MARKET

Eurostat's flash estimate of euro area real GDP growth in the second quarter of 2006 confirmed that the euro area recovery gained further momentum in the course of the first half of 2006. At 0.9% in the second quarter of 2006, quarterly euro area real GDP growth was the strongest it had been for six years. Available information suggests that growth was broadly based across sectors in the second quarter and survey indicators point to robust growth at the start of the third quarter. Labour market conditions appear to have gradually improved further in the first half of 2006. Looking ahead, the economy is expected to continue to expand at a robust pace. While the risks to this outlook appear to be broadly balanced over the short term, longer-term risks appear to be on the downside and relate mainly to potential further increases in oil prices, a disorderly unwinding of global imbalances and protectionist pressures.

### 4.1 OUTPUT AND DEMAND DEVELOPMENTS

#### REAL GDP AND EXPENDITURE COMPONENTS

Following moderate real GDP growth over much of the past few years, growth momentum in the euro area picked up substantially in the first half of this year. Eurostat's flash estimate of euro area real GDP growth indicates that real GDP expanded by 0.9% quarter on quarter in the second quarter of 2006, following strong growth in the first quarter also (see Chart 39). The growth rate of 0.9% in the second quarter represents the highest quarterly growth rate in the euro area over the past six years. While in general the pace of activity in the first half of 2006 reflects the strengthening of the economic recovery, there were also some special factors which may have temporarily contributed to stronger growth in the second quarter. In particular, there is likely to have been a rebound in activity in the construction sector, following weak developments in this sector in the first quarter related to weather conditions.

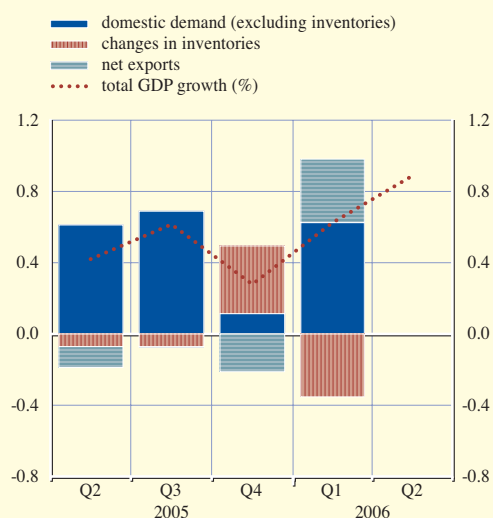
No official breakdown of expenditure components is available as yet for euro area real GDP growth in the second quarter of 2006. However, available information points to domestic demand (excluding inventories) continuing to make a large positive contribution in the second quarter of 2006, related in particular to strong growth in gross fixed capital formation. Changes in inventories are also likely to have contributed positively in the second quarter, while the contribution from net trade is likely to have declined compared with the first quarter.

#### SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

Both the industrial and the services sectors have seen relatively protracted subdued growth in recent years. The pick-up in value added growth observed in the first quarter of 2006 was broadly based across industry (excluding construction) and services, with both sectors displaying above average growth rates. By contrast, value added in the construction sector declined quarter on

Chart 39 Real GDP growth and contributions

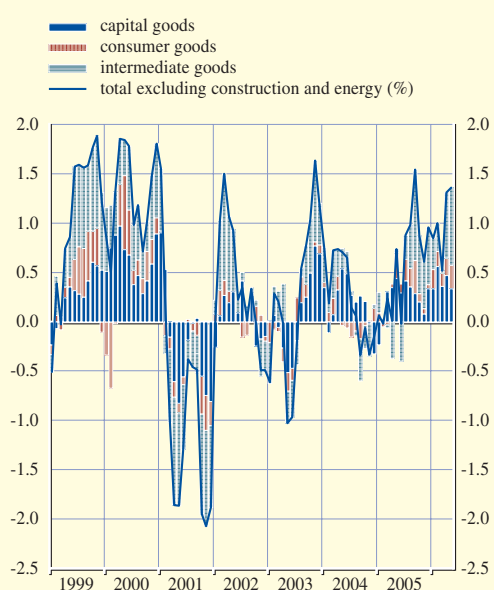
(quarter-on-quarter growth rate and quarterly percentage point contributions; seasonally adjusted)



Sources: Eurostat and ECB calculations.  
Note: The latest observation for total GDP growth refers to Eurostat's flash estimate.

**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.

quarter in the first quarter of this year on account of exceptionally cold weather conditions.

While no sectoral breakdown of value added has yet been released for the second quarter of 2006, available information points to robust growth in both the industrial and the services sectors in this quarter. Industrial production (excluding construction) rose by 1.0% quarter on quarter in the second quarter, suggesting a contribution to euro area real GDP growth of around 0.2 percentage point in this quarter, clearly above the average historical contribution of this sector since the mid-1990s, which stands at 0.1 percentage point (see Chart 40). Production rose strongly in the second quarter of 2006 in all main industrial groupings, with the exception of the energy sector, where it posted a significant decline. This quarterly decline in energy production in the second quarter might to some extent reflect a reversal of the particularly strong energy production observed in the first quarter, which is likely to be related to the exceptionally cold weather in some parts of the euro area during this period.

Overall, euro area industrial production (excluding construction) has expanded substantially (by more than 4%) over the past year, following marginal growth over the previous 12-month period.

Industrial new orders have risen strongly since the start of 2005, but the trend increase may have slowed somewhat recently. In the second quarter of 2006 new orders rose only marginally quarter on quarter. However, in that quarter the index excluding the particularly volatile item “other transport equipment” expanded at a more rapid pace than the total index, despite appearing to have slowed somewhat in the second quarter of 2006 compared with the first quarter.

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

Survey indicators have increased substantially since mid-2005, pointing to strong improvements in business conditions in both the industrial and the services sectors over that period. As regards the second quarter of 2006, surveys suggest that (as noted above) both industry and services contributed to the strong GDP growth. They also point to continued positive conditions in both sectors at the start of the third quarter, although some indicators may have peaked recently.

As regards the industrial sector, both the Purchasing Managers' Index (PMI) for the manufacturing sector and the European Commission's industrial confidence indicator have improved strongly over the past year, with both now standing at levels close to their historical highs. Following these substantial improvements, the PMI for the manufacturing sector posted a slight decline in July (see Chart 41). All components of the PMI, with the exception of the index of suppliers' delivery times, contributed to this decline. Suppliers' delivery times, by contrast, appear to have lengthened



further, pointing to rising capacity limitations in the manufacturing sector. Despite this decline, the PMI remains at a level well within the expansion zone. By contrast, the European Commission's industrial confidence indicator rose further in July on account of improvements in the assessment of order book levels and production expectations, while the index of stocks of finished products remained unchanged.

As regards services, the business activity index of the PMI and the European Commission's confidence indicator have both risen significantly since mid-2005. The two indicators point to robust growth in the services sector in the second quarter of 2006, but do not show further improvements in growth momentum in this sector at the start of the third quarter. In July the activity index of the PMI for the services sector declined from a very high level. This decline might partly reflect a reversal of a temporary favourable effect of the football World Cup in Germany. However, the level of the index in July is still in line with continued

robust growth momentum in the euro area services sector. The European Commission's confidence indicator for the services sector was broadly unchanged in July, following a decline in the previous month. Improvements in the assessment of the business climate and demand expectations were offset by a deterioration in the index of demand developments observed in recent months.

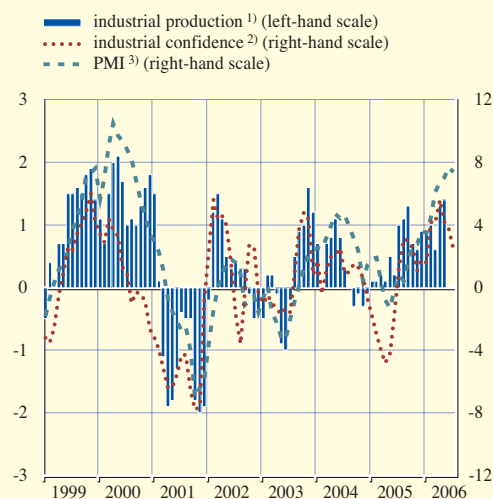
#### INDICATORS OF HOUSEHOLD SPENDING

Private consumption growth has been relatively subdued over the past few years. This was partly related to limited increases in real disposable income on account of both relatively moderate employment growth and increases in energy prices, indirect taxes and administered prices. In the first quarter of 2006 euro area private consumption expanded substantially. As regards the second quarter of 2006, household spending indicators suggest that the combined contribution of retail sales and cars to private consumption growth was an above average 0.3 percentage point. The volume of retail sales rose by 0.5% quarter on quarter in the second quarter, significantly above its growth rate in the first quarter. At the same time, new passenger car registrations posted an increase of 1.7%, following similarly strong growth in the first quarter.

Available household spending indicators, however, only account for around 50% of euro area private consumption. No short-term indicators are available as regards developments for the remainder of euro area private consumption, which includes, for instance, consumption related to housing, restaurants and hotels, and education. However, the large contribution made to private consumption growth by these components in the first quarter entails a risk of weaker developments in the second quarter. The European Commission's consumer confidence indicator continued to

**Chart 4I Industrial production, industrial confidence and the PMI**

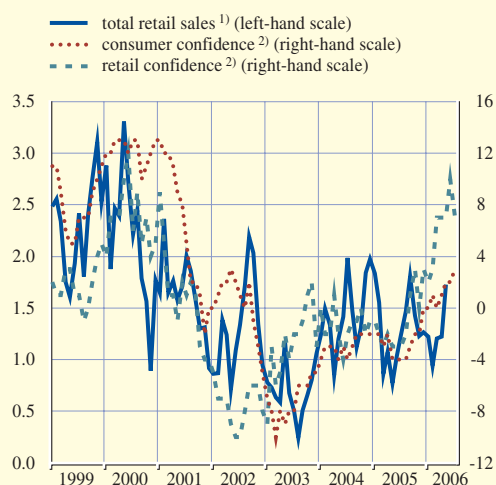
(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, NTC Economics and ECB calculations.  
 1) Manufacturing; three-month-on-three-month percentage changes.  
 2) Percentage balances; changes compared with three months earlier.  
 3) Purchasing Managers' Index; deviations from an index value of 50.

**Chart 42 Retail sales and confidence in the retail trade and household sectors**

(monthly data)



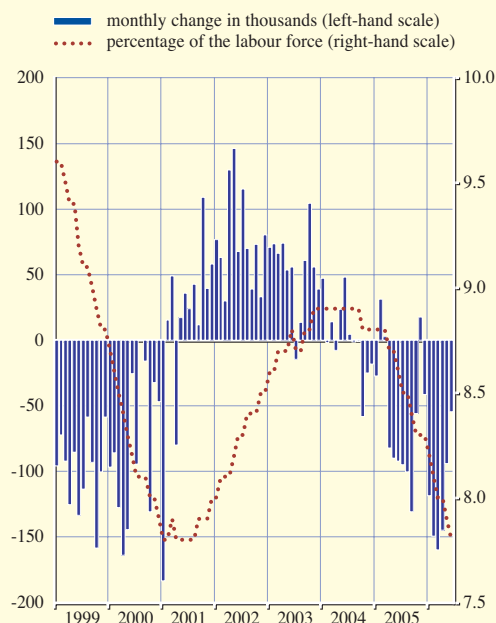
Sources: European Commission Business and Consumer Surveys and Eurostat.

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.

**Chart 43 Unemployment**

(monthly data; seasonally adjusted)



Source: Eurostat.

rise both in the second quarter of 2006 and at the start of the third quarter, following gradual improvements since mid-2005 (see Chart 42).

## 4.2 LABOUR MARKET

Available information points, overall, to improvements in euro area labour markets. The unemployment rate has fallen continuously since mid-2004 and employment growth has strengthened over the past year. Employment expectations have also posted strong increases since mid-2005, although they appear to have weakened somewhat in July.

### UNEMPLOYMENT

The unemployment rate in the euro area has declined substantially over the past two years, falling from 8.9% in mid-2004 to 7.8% in June 2006 (see Chart 43). The decline in the unemployment rate over this period was most pronounced for persons below the age of 25, for whom it fell by 1.6 percentage points to 16.5% in June 2006. The unemployment rate for persons aged 25 and over declined over this period, by 0.9 percentage point, to stand at 6.7% in June. The number of unemployed persons has declined by around 1.5 million since mid-2004 and stood at 11.5 million in June 2006. Focusing on recent developments, the decline in the unemployment rate in June 2006 compared with May 2006 was related to a further fall of 55,000 in the number of unemployed persons. This decline was, however, smaller than those observed over the previous months.

**Table 8 Employment growth**

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

	Annual rates		Quarterly rates				
	2004	2005	2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Q1
Whole economy	0.6	0.7	0.1	0.1	0.1	0.3	0.3
<i>of which:</i>							
Agriculture and fishing	-1.4	-1.0	-0.8	0.1	0.1	-0.3	-0.3
Industry	-0.8	-0.2	-0.1	-0.1	-0.1	0.1	0.2
Excluding construction	-1.7	-1.2	-0.5	-0.3	-0.1	-0.2	0.0
Construction	1.5	2.3	0.8	0.4	0.0	1.0	0.4
Services	1.2	1.1	0.3	0.2	0.2	0.4	0.4
Trade and transport	0.7	0.7	0.4	0.2	-0.1	0.2	0.3
Finance and business	1.7	1.8	0.3	0.2	0.6	0.9	0.6
Public administration	1.3	1.1	0.2	0.3	0.2	0.2	0.4

Sources: Eurostat and ECB calculations.

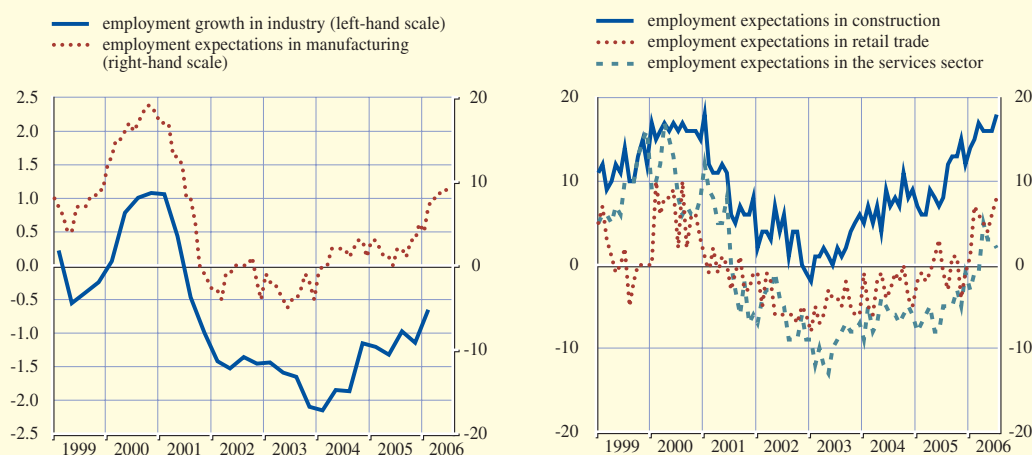
## EMPLOYMENT

Employment growth has gradually strengthened over the past year, increasing from 0.1% in each of the first three quarters of 2005 to 0.3% in both the last quarter of 2005 and the first quarter of this year (see Table 8). At the sectoral level, quarterly employment growth was 0.4% in the services sector in the first quarter of this year, unchanged from the last quarter of 2005, but up from the previous quarters. Employment growth in the industrial sector (excluding construction) was zero in the first quarter of this year. This also indicates some improvement, given the almost continuous employment losses in this sector in recent years.

Seen from a longer-term perspective, however, employment growth appears to have picked up only gradually during the recent recovery. This appears to be related to the fact that the current recovery has seen stronger cyclical adjustments in average hours worked than has been the case in the past. Another interesting feature is that employment growth in the euro area since the start of the

**Chart 44 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.

recovery in 2003 appears to have resulted almost entirely from gains in part-time employment, which probably reflects, to some extent, the impact of euro area labour market reforms aiming to increase the flexibility of the economy (see Box 5 below).

Employment expectations for both the industrial and the services sectors have improved strongly since mid-2005, but some indicators have moderated recently (see Chart 44). As regards the industrial sector, European Commission employment expectations were broadly unchanged over the three months to July and the employment index of the PMI fell in July, suggesting that the scope for employment gains in this sector may have declined. In the services sector, both the European Commission employment expectations and the PMI employment index deteriorated in July, but the PMI employment index remains well within the expansion zone in this sector.

**Box 5****RECENT DEVELOPMENTS IN TOTAL HOURS WORKED IN THE EURO AREA**

In recent years a number of structural changes have affected the euro area labour market. Some of these relate to the increased use of part-time work, but there has also been greater flexibility in the working hours of full-time workers. These changes should help to increase labour market participation rates, raise the level of potential growth and help the euro area economy to adjust more flexibly to shocks. However, the analysis of labour market trends has become more complicated following these structural changes, as an assessment of changes in labour input needs to take account not only of changes in employment, but also of changes in working hours. As a result, total hours worked are the preferred measure of labour input. By definition, developments in the total number of hours worked reflect changes in employment and in actual hours worked per person employed.

These two components of labour input might also behave quite differently over the business cycle. In particular, if labour turnover is costly and a downturn (or upturn) is expected to be short-lived, firms might prefer to adjust their labour input by adjusting hours worked, rather than employment, in order to match developments in product demand. Such adjustments can also include shifts from full-time to part-time employment or vice versa. The purpose of this box is to discuss euro area evidence on the recent developments in total hours worked.

An estimate of total hours worked can be constructed using annual data from the European Labour Force Survey (LFS) on hours worked per person in full-time or part-time employment, multiplied by the number of full-time and part-time employees (ascertained by combining data on employment from the national accounts with LFS information about the part-time/full-time ratio).<sup>1</sup> It should be noted that the resultant estimate may be affected by working day effects.<sup>2</sup> Nonetheless, the estimate is sufficiently robust for trend analysis. Developments in the estimate for total hours worked thus reflect changes in the number of persons employed full-time or part-time and the actual hours worked by persons working full-time or part-time.<sup>3</sup>

- 1 See also Box 1, entitled "Developments in total hours worked in the euro area", in the October 2004 issue of the Monthly Bulletin.
- 2 Prior to 2005 the "annual" LFS data for the euro area are data collected in the second quarter with the exception of data for France and Austria, which relate to the first quarter. From 2005 onwards the LFS data are true yearly averages, with data collected continuously throughout the year. The pre-2005 data are therefore more likely to be affected by working day effects, as Easter holidays may or may not be included in the data collection period.
- 3 Actual hours do not take into account absences owing to annual leave or sickness, while they do include information on overtime hours.

## Developments in total hours worked, employment and average hours worked per person

Chart A shows developments in total hours worked in the euro area over the period 1996-2005. Total hours worked increased strongly during the second half of the 1990s, but decreased during the period of weak economic activity in 2002 and 2003 (with growth rates of -0.5% and -0.7% respectively in those two years). As the economy gradually recovered, total hours moved in parallel with GDP, increasing again in 2004 and 2005, by 0.6% and 0.7% respectively. Employment growth displays a somewhat less pronounced cyclical pattern during this period. It too slowed in response to the slowdown in economic activity, but remained positive – with annual employment growth never falling below 0.4%. In addition, it appears to have picked up again only gradually during the recent recovery.

The more pronounced cyclical reaction of total hours worked is due to substantial changes in average hours worked per person, which fell by 1.1% on average during 2002 and 2003, followed by a slight increase during 2004 and 2005. This increase is exceptional, given the well-documented trend decline observed over longer horizons in average hours worked.<sup>4</sup> This deviation from the trend could be explained by increasing reutilisation of “hoarded labour” after a temporary slowdown in economic activity. To the extent that this is true, the growth rate of total hours worked can be expected to fall back below the level of employment growth as growth in average hours worked returns to its trend level. However, it is important to note that it is difficult to distinguish clearly between recent cyclical movements and other factors affecting average working hours.<sup>5</sup>

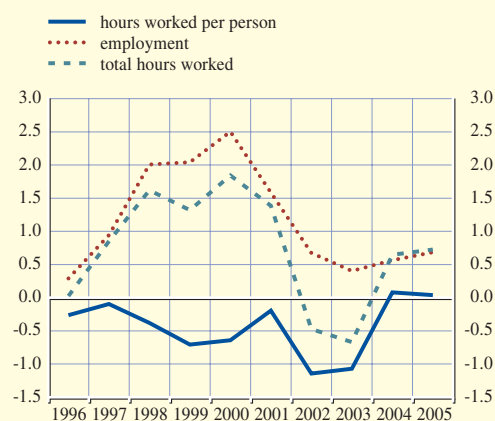
### Contributions to changes in total hours worked

Changes in total hours worked can be investigated further by studying the contributions from changes in employment and average hours broken down into part-time and full-time data. The year-on-year change in total hours can be decomposed into four separate components reflecting changes in part-time and full-time employment and changes in average hours worked by full-time and part-time employees.

Chart B indicates the overall change in total hours worked (the dashed line) together with the contributions to the annual change in total hours (the bars). For each year, the bar represents the contributions (in million hours) of the respective components. The sum of all the bars corresponds to the overall change in total hours worked.

Chart A Total hours worked, employment and hours worked per person employed

(annual percentage changes)



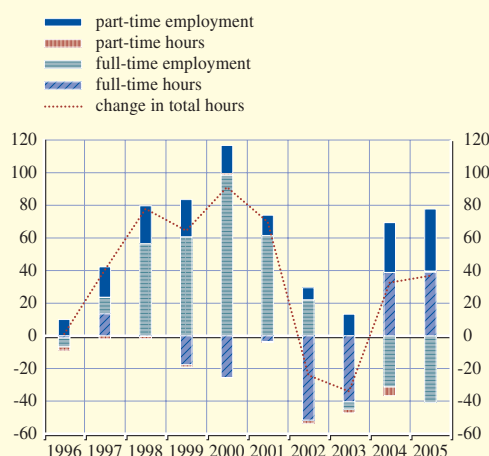
Sources: Eurostat and ECB calculations.

4 See also N. Leiner-Killinger, C. Madaschi and M. Ward-Warmedinger, “Trends and patterns in working time across euro area countries 1970-2004: causes and consequences”, ECB Occasional Paper No 41, December 2005.

5 Legal changes such as the introduction of the 35-hour week in France in February 2000 naturally have a key influence on working hours. The main conclusions of the analysis are, however, not affected qualitatively by this particular change in legislation.

**Chart B Contributions to change in total hours worked**

(million hours)



Sources: Eurostat and ECB calculations.

The chart reveals that the strong growth of total hours in the late 1990s was mainly driven by an increase in full-time employment. The chart shows that pro-cyclical changes in total hours since 2000 have to a large extent been driven by changes in average hours worked, while the contributions from employment have remained positive but small. Most interestingly, the observed increase in employment during the recent recovery seems to be characterised by a shift from full-time to part-time employment. In fact, full-time employment has decreased, thereby contributing negatively to growth in total hours. However, since 2003 this negative contribution has been more than offset by a strong positive contribution from part-time employment.

These developments do, of course, reflect both cyclical and structural changes. It appears that firms have made use of the possibilities provided by the institutional framework to minimise hiring and firing costs by adjusting hours worked by full-time employees to match product demand over the business cycle.<sup>6</sup> Recent developments in the estimate of average hours worked support this interpretation. Moreover, institutional changes may have affected the shape of the recent increase in employment, leading to the stronger creation of part-time employment. The share of part-time employment in the euro area has increased recently, from 16.9% in 2003 to 19% in 2005. This strong increase probably reflects the impact of labour market reforms in the euro area (such as the “Hartz reform” introducing one-euro jobs in Germany). However, statistical and methodological changes implemented in some euro area countries may also have played a role.<sup>7</sup>

Overall, developments in total hours worked in the euro area indicate that firms responded to the most recent slowdown by means of a pronounced downward adjustment of average hours. This was followed by an increase in average hours and somewhat stronger growth in employment during the subsequent recovery. However, the recent increase in total hours worked appears to have been driven entirely by growth in average hours worked by full-time employees and increasing part-time employment, while changes in full-time employment have contributed negatively to the growth of total hours worked in the euro area.

Looking ahead, the above-trend growth of hours worked by full-time employees can be expected to end at some point in time, which may leave scope for a pick-up in euro area employment growth, particularly as the economic environment is expected to remain favourable.

6 The institutional framework for annual hours worked in the euro area allows for agreements on details of specific work schemes at the company level. These agreements concern changes in weekly or annual working hours and the introduction of additional leave. Moreover, agreements such as allowing working time to be calculated and scheduled flexibly over the year are becoming more widely used.

7 For Spain and Italy, these changes resulted in discontinuities in the evolution of the share of part-time employment. The key conclusions, however, remain qualitatively unchanged, even if Spain and Italy are excluded. For an overview of recent labour market reforms and both statistical and methodological changes, see Box 5, entitled “Some country-specific factors behind recent euro area employment developments”, in the January 2006 issue of the Monthly Bulletin.

### 4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Euro area real GDP growth in the second quarter of 2006 confirmed the view of a strengthening in activity in the first half of 2006. Looking ahead, available information suggests continued robust growth at the start of the third quarter of 2006. This assessment is consistent with forecasts by private sector and international organisations. It is also in line with the latest ECB staff macroeconomic projections for the euro area, which point to average annual real GDP growth being between 2.2% and 2.8% in 2006 and between 1.6% and 2.6% in 2007 (see Box 6 below). Risks to this outlook appear to be broadly balanced over the short term, but lie on the downside over the longer term and are mainly related to potential further increases in oil prices, a disorderly unwinding of global imbalances and protectionist pressures.

#### Box 6

#### ECB STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

On the basis of the information available up to 18 August 2006, ECB staff have prepared projections for macroeconomic developments in the euro area.<sup>1</sup> Average annual real GDP growth is projected to be between 2.2% and 2.8% in 2006, and between 1.6% and 2.6% in 2007. The average rate of increase in the overall Harmonised Index of Consumer Prices (HICP) is projected to range between 2.3% and 2.5% in 2006, and between 1.9% and 2.9% in 2007.

#### Technical 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. With regard to short-term interest rates as measured by the three-month EURIBOR, market expectations are measured by forward rates as at 8 August, reflecting a snapshot of the yield curve at that point in time. This implies a rising profile, from an average of 3.1% in 2006 to an average of 3.9% in 2007. The market expectations for euro area ten-year nominal government bond yields as at 8 August imply a slightly rising profile, from an average of 3.9% in 2006 to an average of 4.1% in 2007. Based on the path implied by futures markets in the two-week period ending on 9 August, annual average oil prices are assumed to be USD 71.0 per barrel in 2006 and USD 77.6 per barrel in 2007. The annual average increase in non-energy commodity prices in US dollars is assumed to be 26.2% in 2006 and 8.4% 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 on 8 August. This implies a EUR/USD exchange rate of 1.28 and an effective exchange rate of the euro that is 1.2% higher than the average for 2005.

<sup>1</sup> The ECB staff macroeconomic projections complement the Eurosystem staff macroeconomic projections that are produced jointly by experts from the ECB and from euro area national central banks on a biannual basis. The techniques used are consistent with those of the Eurosystem staff projections as described in "A guide to Eurosystem staff macroeconomic projection exercises", ECB, June 2001. To reflect the uncertainty surrounding the projections, ranges are used to present the results for each variable. The ranges are based on the differences between actual outcomes and previous projections carried out over a number of years. The width of the ranges is twice the average absolute value of these differences.



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 very likely to pass the legislative process.

### Assumptions with regard to the international environment

The external environment of the euro area is expected to remain favourable over the projection horizon. While real GDP growth in the United States is projected to decline slightly compared with recent years, real GDP growth in emerging Asia is expected to remain well above the global average, and growth in most other large economies is also projected to remain dynamic.

Overall, annual growth in world real GDP outside the euro area is projected to average about 5.2% in 2006 and 4.9% in 2007. Growth in the euro area's external export markets is projected to be about 8.7% in 2006 and 6.6% in 2007.

### Real GDP growth projections

Eurostat's flash estimate for euro area real GDP in the second quarter of 2006 indicates a strong pick-up in quarter-on-quarter growth to 0.9%, following 0.6% in the first quarter of this year. This strengthening of GDP growth is in line with the favourable information from survey indicators. Over the horizon, quarterly growth in GDP is projected to remain at around 0.5%, with the exception of the first quarter of 2007, when significant increases in indirect taxes are expected to dampen growth somewhat.

Against this background, it is projected that average annual real GDP growth will be between 2.2% and 2.8% in 2006 and between 1.6% and 2.6% in 2007. Among the driving factors, export growth is expected to continue to support economic activity, despite some competitiveness losses, as foreign demand is assumed to continue to grow at a robust pace. Private consumption is projected to increase broadly in line with real disposable income, which is expected to benefit in particular from improvements in the labour market. However, rising energy prices in 2006 and increases in indirect taxes in 2007 are expected to have a dampening effect on consumption.

**Table A Macroeconomic projections for the euro area**

(average annual percentage changes)<sup>1),2)</sup>

	2005	2006	2007
HICP	2.2	2.3-2.5	1.9-2.9
Real GDP	1.5	2.2-2.8	1.6-2.6
Private consumption	1.5	1.8-2.2	0.9-2.1
Government consumption	1.3	1.0-2.0	0.7-1.7
Gross fixed capital formation	2.7	3.0-4.6	2.1-5.3
Exports (goods and services)	4.2	6.0-8.8	3.4-6.6
Imports (goods and services)	5.2	5.7-8.7	3.1-6.5

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

2) The September 2006 projections for the first time include Slovenia as part of the euro area in the euro area projections for 2007. The weight of Slovenia in euro area GDP in 2005 was 0.3%. The annual percentage changes for 2007 are based on a euro area composition that includes Slovenia already in 2006.

Total fixed investment growth has recently accelerated and is projected to grow at a robust pace, in a context of continued favourable financing conditions, high profits and favourable demand prospects. Residential private investment is projected to continue to grow at moderate rates over the projection horizon.

### Price and cost projections

The average rate of increase in the overall HICP is projected to be between 2.3% and 2.5% in 2006, and between 1.9% and 2.9% 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. The price projections embody the expectation of limited second-round effects from oil price increases on wages and of moderate improvements in the labour market, which should result in small increases in wage growth over the horizon. Given the projection of relatively steady growth in productivity, overall unit labour costs are expected to accelerate somewhat 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 June 2006 projections

Compared with the Eurosystem staff macroeconomic projections published in the June 2006 issue of the Monthly Bulletin, the ranges projected for real GDP growth in 2006 and 2007 have been adjusted upwards. This primarily reflects a better than expected outturn of growth in the first half of this year, along with continued positive signals from survey indicators and the labour market, and the resulting slightly more favourable outlook for euro area domestic demand over the projection horizon.

The new range projected for the annual rate of increase in the overall HICP in 2006 is within the upper part of the range of the June 2006 projections. The range projected for 2007 has been adjusted upwards. This mainly reflects an increase in the assumptions for energy prices, resulting in a larger contribution from the energy component to the overall HICP.

**Table B Comparison with the June 2006 projections**

(average annual percentage changes)

	2005	2006	2007
Real GDP – June 2006	1.4	1.8-2.4	1.3-2.3
Real GDP – September 2006	1.5	2.2-2.8	1.6-2.6
HICP – June 2006	2.2	2.1-2.5	1.6-2.8
HICP – September 2006	2.2	2.3-2.5	1.9-2.9

## 5 FISCAL DEVELOPMENTS

*Intra-annual data suggest that most countries are currently on course to achieve their stability programme targets for 2006, or, in some cases, even exceed them. While consolidation measures appear to show the results expected, they continue to be rather limited in scope and the favourable outcome is largely due to cyclical developments and revenue windfalls. This calls for a strict budget execution and the use of any budget windfalls for faster deficit reduction especially in the countries under an excessive deficit procedure. Given the supportive growth outlook and the likely positive carry-over effect from 2006, the budget plans for 2007 should be significantly more ambitious than the targets specified in the most recent stability programmes. Thus, “good times” should be used to speed up the process of attaining sound public finances. Plans should be based on comprehensive, expenditure-based strategies that also address shortcomings in budget institutions and statistical reporting.*

### FISCAL OUTLOOK IN 2006

The most recent information provided by governments on budgetary developments and policy measures is not harmonised across countries, as there are differences in the coverage and definition of data. Therefore, at this stage, an assessment of the short-term outlook for public finances in the euro area countries can only be tentative. The latest harmonised fiscal data on the euro area are the forecasts published by the European Commission in spring 2006 (presented in the June 2006 issue of the Monthly Bulletin) and the quarterly statistical indicators for the first quarter of 2006 (published in the “Euro area statistics” section of this issue of the Monthly Bulletin).

Intra-annual data suggest a somewhat better fiscal outlook for the euro area in 2006 than predicted in the European Commission’s spring forecasts and planned on average in the countries’ stability programmes. This reflects the fact that most countries are currently on track to achieve or even exceed the Commission forecasts and their stability programme targets for 2006. The fiscal stance for the euro area is nevertheless anticipated to remain broadly neutral as original targets were often unambitious and the expected improvement is largely due to a more favourable than expected growth outlook.

Structural budgetary adjustments that were undertaken seem to be showing the expected effects in containing expenditure and sustaining revenue, thereby offsetting the adverse impact on the deficit of the gradual elimination of some temporary measures. In some countries, unexpected revenue windfalls above those induced by the upswing phase of the cycle may well further improve fiscal outcomes. This effect probably has a predominantly transitory character and should not be mechanically interpreted as a fiscal tightening, taking into account that few further consolidation measures have been implemented since the budgets for 2006 were approved.

The euro area government debt ratio is expected to decline marginally on the back of lower deficit and higher growth figures. This implies the first drop in the euro area debt ratio since 2002. A debt ratio above the 60% – of GDP – limit will still be recorded in seven countries and it is expected to continue to increase in some of the countries in excessive deficit.

Budgetary developments remain of particular concern in the five countries currently subject to excessive deficit procedures (Germany, Greece, France, Italy and Portugal). In all these countries budget deficits are expected to be close to or even well above 3% of GDP.

In Germany, the government’s strategy to exercise expenditure restraint at all levels of government has so far proved effective, helped by more favourable macroeconomic developments and limited spending overruns in the social sphere. This strategy, together with very buoyant revenue,

especially from the corporate sector, is likely to bring the deficit below 3% in 2006, one year ahead of the stability programme target and the deadline set in the excessive deficit procedure.

In Greece, consolidation measures appear to be bearing some fruit in slowing expenditure growth. Together with the fiscal implications of strong growth and revenue-increasing measures – which, to a large extent, are of a temporary nature – this is expected to help Greece achieve its target of a deficit below 3% in 2006. Nevertheless, pending statistical issues concerning 2005 fiscal data and the accounting treatment of temporary measures introduced this year still need to be clarified. The continued problems with data reporting may be a factor behind the high deficit-debt adjustments that have been weighing on the evolution of the public debt ratio.

In France, the attainment of government budgetary plans of a deficit below 3% in 2006 has become more likely on the back of brisk economic growth boosting fiscal revenue. While expenditure growth so far remains contained, risks arise from possible overruns in health care and local administration expenses. Concerning the debt evolution, a substantial debt redemption in 2006 is expected to come from a reduction in government cash balances rather than an improved primary balance.

In Italy, in July, the government revised further upward its budget projections for 2006, indicating a deficit ratio of 4% of GDP, above the initial target of 3.5% contained in the stability programme submitted in December 2005, and only marginally below the deficit ratio in 2005. The revised figures already take into account the mini-budget adopted by the government at the end of June, with very small consolidation effects in 2006 and most of the implied adjustment intending to reduce the deficit in 2007. Buoyant revenues resulting from favourable cyclical conditions and, to a certain extent, continued efforts to fight tax evasion are having a positive impact on the budget. These figures imply little or no structural adjustment in 2006, once the effect of temporary measures is netted out, contrary to the commitment to a structural adjustment, net of one-off measures, of at least 0.8% of GDP.

In Portugal, while the authorities aim to achieve a decline in the deficit to 4.6% of GDP in 2006 (compared to a 6% deficit in 2005), there is only limited information available on actual progress towards this objective. At the central government level, the fiscal strategy which is focused on expenditure restraint with some tax increases appears to have brought the desired outcome during the first half of this year. However, there is still significant uncertainty regarding the effectiveness of measures for the general government for 2006 and in the light of the limited success that expenditure controls have had in the past.

In a number of other countries, there remain risks of insufficient progress towards sound budgetary positions or of expansionary fiscal policies, despite the supportive economic environment. Strong expenditure growth and/or tax cuts are underlying this outlook.

Overall, from a euro area perspective, the prospects are of a deficit in 2006 that is lower than that projected in the spring. While fiscal measures seem to have worked as planned, this improvement is likely to be the result of stronger growth and special factors rather than of tighter policy and more ambitious consolidation efforts, although adjustment shortfalls are still likely in some countries. There is therefore a continued need for rigorous budget execution in 2006 with any windfalls being used for faster deficit reduction. This will prevent unduly expansionary policies and allow the favourable economic environment to be used to make maximum headway towards achieving sound fiscal positions.

## BUDGETARY PLANS IN 2007

Most euro area member countries are currently in the process of preparing their draft budgets for 2007. Budgetary targets for 2007 included in the stability programmes submitted at the end of last year or the beginning of this year would suggest a euro area budget deficit of 1.8% of GDP in a less favourable growth environment than currently anticipated. Given the need for extra effort in “good times” and the carry-over effects from the 2006 acceleration of economic activity, 2007 budget targets in countries with fiscal imbalances should be significantly more ambitious, while other countries should avoid pro-cyclical policies. If targets are not adjusted upwards and windfalls are spent, budget consolidation will experience a setback rather than any progress.

Although concerning in their magnitude, fiscal strategies announced for 2007 appear to go in the right direction. Countries in need of fiscal adjustment indicate that budgetary corrections will mostly take place on the expenditure side, often including improvements in the institutional mechanisms in order to control spending. Some of these countries will also rely on tax increases. In addition, those countries which have in the past made large use of temporary measures, are gradually consolidating them into structural measures. The current fiscal outlook, however, indicates that there would be a need for major additional correction measures to be implemented with the 2007 budgets to attain targets commensurate with the requirements of the Stability and Growth Pact and the projected economic environment.

In the five countries subject to excessive deficit procedure, public finances are currently benefiting from positive cyclical effects. While in Germany, Greece and France, deficits may be falling (or staying) below 3% of GDP in 2006, progress towards sound public finances hinges on the continued implementation of lasting budget consolidation measures in 2007 and beyond. Furthermore, in Greece, the replacement of temporary measures and the improvement of fiscal reporting should take the highest priority to end the excessive deficit situation, as required by the EU Council. Italy and Portugal will have to make major adjustment efforts in order to meet their commitments and reduce their deficits below 3% in 2007 and 2008 at the latest, respectively. This will require the implementation of significant additional measures. The willingness of the Italian and Portuguese governments to stick to their commitments is welcome. Should fiscal outcomes and plans fall short of commitments in countries in excessive deficit, further steps in the excessive deficit procedure would need to be considered in line with a rigorous implementation of the Pact.

As to the countries that are not in excessive deficit but have not reached their medium-term objective, their budgets will have to ensure sufficient progress towards these objectives in 2007. In view of the relatively encouraging growth prospects, more progress should be attained than currently planned. Countries that have already reached their medium-term objectives need to avoid expansionary policies that would put their budgetary achievement at risk and give rise to a pro-cyclical stance. In particular, fast expenditure growth should be avoided to prevent an overheating of the economy.

Medium to long-term considerations also call for substantial consolidation to cope with high public debt ratios, low trend growth and large implicit liabilities stemming from population ageing. Budget plans for 2007 should, therefore, envisage consolidation as part of a comprehensive medium-term strategy that enhances the outlook for growth and fiscal sustainability. Improving the “quality of public finances” will indeed remain a major challenge for euro area countries, whereby the containment of spending commitments and the reform of social security systems should not only facilitate the attainment of debt and deficit targets but also improve incentives to work, invest and innovate. A number of countries have been requested to improve their policy

environment in this regard. Effective budget monitoring and reliable statistical information also play a crucial role in supporting fiscal discipline. In this respect, EU Council opinions on the most recent stability programmes invited the countries in excessive deficit to improve their budgetary processes by, among other things, increasing budget transparency and data collection mechanisms, improving the monitoring and control of expenditure and revenue, including government sub-sectors and notably social security expenditure. This would also be in line with steps towards improving the functioning of national fiscal rules and institutions, as is currently being discussed in European fora.

## 6 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

### 6.1 EXCHANGE RATES

The exchange rate of the euro was fairly stable in nominal effective terms between June and August. Its sizeable appreciation against the Japanese yen was largely offset by its depreciation against the pound sterling, while its level against the US dollar remained broadly unchanged.

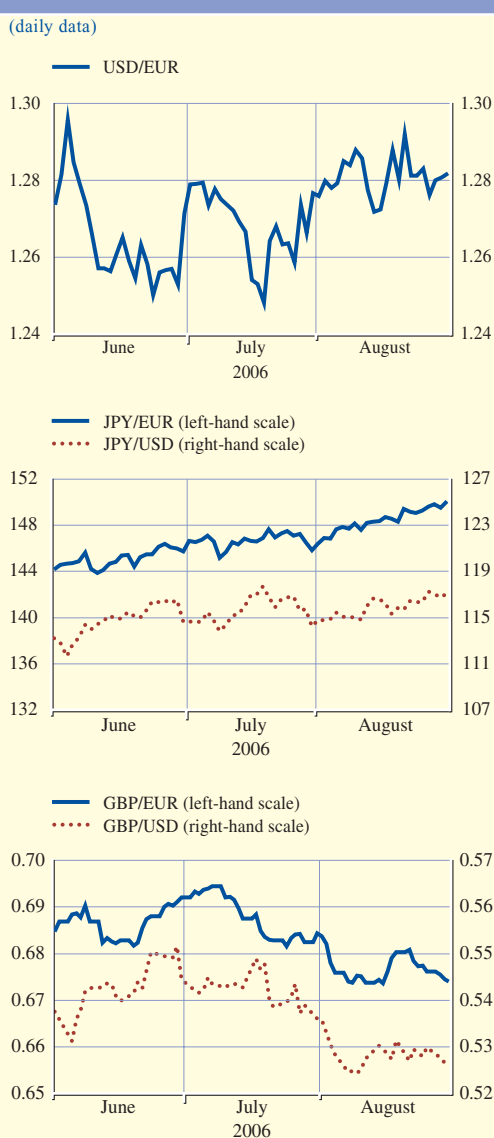
#### US DOLLAR/EURO

Over the three-month period to August 2006, the euro traded against the US dollar within a range of USD 1.25-1.30, notwithstanding some sizeable swings (see Chart 45). Throughout most of the period under review, the US dollar/euro exchange rate moved broadly in line with changes in the two-year interest rate differential between the United States and the euro area. In June the interest rate differential widened temporarily in favour of US assets against the backdrop of market concerns about inflation developments in the United States. However, in July and August it narrowed again, as indicators of economic growth became more favourable in the euro area and market perceptions of a decline in economic growth in the United States strengthened. The revised market assessment of the US economic outlook appears to have been based on signs of a slowdown in the housing market, the release of GDP estimates which were weaker than expected by the market, and indications of a moderation in the price dynamics. On 30 August the euro stood at USD 1.28, i.e. close to its end-May level and 3.0% above its 2005 average.

#### JAPANESE YEN/EURO

The euro recorded an almost uninterrupted appreciation against the Japanese yen between June and August. It reached a historical high of JPY 150.1 on 30 August, 4.0% above its end-May level and 9.7% above its 2005 average (see Chart 45). The depreciation of the yen took place despite the increase in the Bank of Japan's key monetary policy rate to 0.25% on 14 July, which brought an end to the five-year-old zero interest rate policy, and market perceptions of a more positive outlook for the Japanese economy, as indicated by recent surveys carried out by the Bank of Japan. Market participants seem to be linking the depreciation of the yen to the Bank of Japan's gradual approach to tightening monetary policy, which it has announced on several occasions.

Chart 45 Patterns in exchange rates



Source: ECB.



## EU MEMBER STATES' CURRENCIES

Most currencies participating in ERM II continued to trade at or close to their respective central rates over recent months (see Chart 46). The Cyprus pound and the Latvian lats were stable on the strong side of the fluctuation band around their respective ERM II central rate. By contrast, the Slovak koruna was more volatile during the period under review. In the course of June, it experienced a phase of downward pressure, triggered primarily by market concerns over the new government's economic programme and the future stance of fiscal policy. This led to the Slovak currency temporarily trading slightly below its central rate in mid-July. Národná banka Slovenska intervened in foreign exchange markets in support of the koruna and raised its two-week repo rate by 50 basis points on 25 July. Since then, the koruna has been appreciating, trading at SKK 37.75 to the euro on 30 August, i.e. almost 2% stronger than its ERM II central rate.

With regard to the currencies of other EU Member States, the euro depreciated vis-à-vis the pound sterling in the three-month period to August, notwithstanding some fluctuations. On 30 August the euro traded at GBP 0.67, i.e. 1.7% below its end-May level and 1.4% below its 2005 average (see Chart 45). During the period under review, the euro was broadly stable against the Swedish krona. It also remained essentially unchanged against the Polish zloty and the Czech koruna, although both exchange rates recorded sizeable swings. Between end-May and 30 August, the Hungarian forint depreciated by 5.4% against the euro, primarily reflecting market concerns about the fiscal outlook for Hungary.

## OTHER CURRENCIES

Between the end of May and 30 August, the euro appreciated against the Norwegian krone (3.2%), the Swiss franc (1.1%) and the Canadian dollar (0.6%), while it depreciated against the Australian dollar (1.0%) and the Chinese renminbi (1.1%). It did not record significant movements against most Asian currencies linked to the US dollar.

## 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 remained almost stable in the period under review. On 30 August the

Chart 46 Patterns in exchange rates in ERM II

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

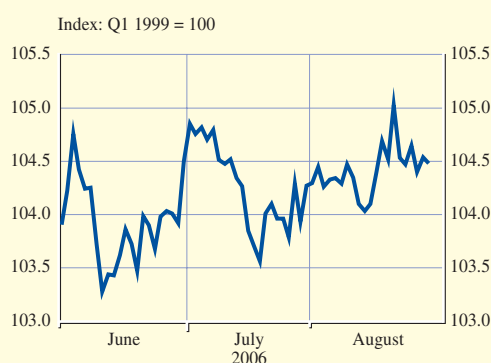


Source: ECB.

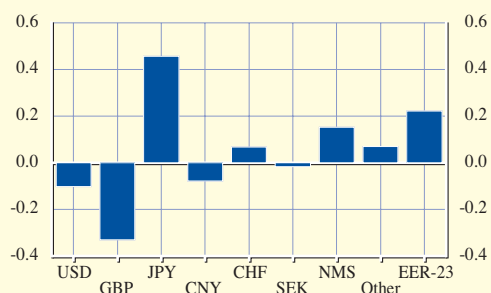
Note: A positive (negative) deviation from the central parity against the euro implies that the currency is at the weak (strong) side of the band. For the Danish krone, the fluctuation band is  $\pm 2.25\%$ ; for all other currencies, the standard fluctuation band of  $\pm 15\%$  applies.

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

(daily data)



**Contributions to EER changes<sup>2)</sup>**  
From 31 May 2006 to 30 August 2006  
(in percentage points)



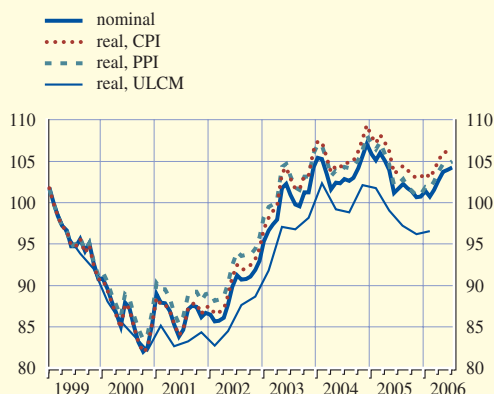
Source: ECB.

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.

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

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



Source: ECB.

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

effective exchange rate of the euro was 0.2% above its level at the end of May and 1.6% above its average level in 2005 (see Chart 47). The slight appreciation of the euro against the Japanese yen was largely offset by its depreciation against the pound sterling. In terms of the indicators of international price and cost competitiveness of the euro area, based on developments in both consumer and producer prices, in July 2006 the euro real effective exchange rate index was around 1.5% higher than its 2005 average (see Chart 48).

## 6.2 BALANCE OF PAYMENTS

The latest balance of payments data, up to June 2006, show a deceleration in the growth of imports and exports compared with developments earlier in the year. In June, the 12-month cumulated current account registered a deficit of around 0.5% of GDP, compared with a surplus a year earlier, primarily due to the rising cost of oil and non-oil commodity imports. In the financial account, combined direct and portfolio investment registered net inflows of €44.0 billion in the 12-month period to June as a result of net inflows in portfolio investment, which was only partially offset by net outflows in foreign direct investment.

### TRADE AND THE CURRENT ACCOUNT

After increasing robustly in the first quarter, the growth of extra-euro area imports and exports decelerated in the second quarter of 2006 (see Chart 49). The value of exports of goods and

**Table 9 Main items of the euro area balance of payments**

(seasonally adjusted, unless otherwise indicated)

			Three-month moving average figures ending				12-month cumulated figures ending	
	2006 May	2006 June	2005 Sep.	2005 Dec.	2006 Mar.	2006 June	2005 June	2006 June
<i>EUR billions</i>								
<b>Current account</b>	-7.6	4.0	-3.0	-7.2	-3.5	-0.9	26.4	-44.1
Goods balance	0.1	2.5	3.6	1.4	1.1	1.3	78.4	22.4
Exports	110.7	114.6	104.2	105.8	111.2	113.1	1,154.4	1,302.5
Imports	110.6	112.1	100.6	104.4	110.1	111.7	1,076.0	1,280.1
Services balance	2.6	2.3	2.6	3.7	3.5	2.7	30.6	37.9
Exports	35.1	35.3	33.6	34.8	35.3	35.0	373.7	416.2
Imports	32.5	33.1	30.9	31.1	31.8	32.3	343.1	378.3
Income balance	-5.2	2.2	-3.6	-6.6	-2.4	-0.3	-22.4	-38.7
Current transfers balance	-5.2	-3.0	-5.7	-5.7	-5.8	-4.7	-60.2	-65.7
<b>Financial account<sup>1)</sup></b>	37.1	15.1	11.5	-7.9	28.2	19.0	72.3	152.4
Combined net direct and portfolio investment	49.0	62.8	-2.6	-23.1	5.5	34.9	101.7	44.0
Net direct investment	-0.4	-8.7	-32.5	-6.7	-4.9	-3.6	-53.0	-143.4
Net portfolio investment	49.3	71.4	29.9	-16.4	10.4	38.5	154.7	187.4
Equities	5.5	65.8	39.6	1.3	7.8	19.7	102.8	205.0
Debt instruments	43.8	5.6	-9.7	-17.7	2.6	18.8	52.0	-17.6
Bonds and notes	43.5	16.0	-15.6	-12.5	-0.5	21.7	49.1	-21.2
Money market instruments	0.3	-10.4	6.0	-5.1	3.2	-2.9	2.8	3.5
<i>Percentage changes over previous period</i>								
<b>Goods and services</b>								
Exports	-1.8	2.8	5.1	2.1	4.1	1.1	7.8	12.5
Imports	-0.4	1.5	7.2	3.0	4.7	1.6	11.7	16.9
<b>Goods</b>								
Exports	-2.8	3.6	5.2	1.6	5.1	1.7	7.5	12.8
Imports	-1.6	1.4	8.1	3.7	5.5	1.5	13.3	19.0
<b>Services</b>								
Exports	1.2	0.6	5.0	3.7	1.3	-0.7	8.6	11.4
Imports	3.7	1.7	4.6	0.6	2.0	1.7	7.1	10.3

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.

services grew by 1.1% quarter on quarter in the second quarter, following growth of 4.1% in the first quarter (see Table 9). Meanwhile, imports of goods and services increased by 1.6% in the second quarter, compared with growth of 4.7% in the previous quarter. The slowdown in growth was evident for trade in both goods and services, with exports of services declining by 0.7% from the level seen in the first quarter.

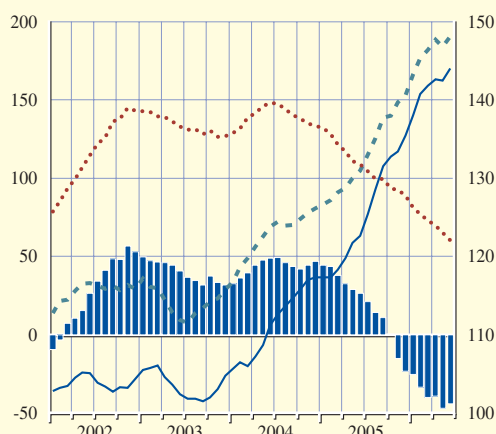
The value of exports of goods grew by 5.1% in the first quarter, but decelerated to 1.7% in the second quarter. This largely reflects the profile of foreign demand, which grew extremely robustly in the early part of the year due to strong imports by major euro area trading partners.

Prices of imported goods continued to rise in the first half of 2006. Sharp increases in oil and non-oil commodity prices have resulted in significant import price inflation, particularly for imports of intermediate products which contain many energy products (see Chart 50). Rising commodity prices have also driven up production costs for import suppliers, which are feeding through to higher import prices of consumer and capital goods.

**Chart 49 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)

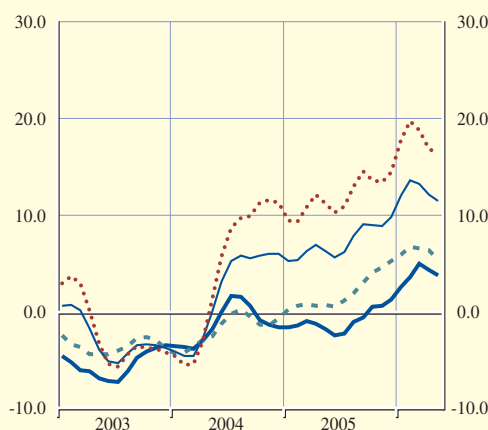


Source: ECB.

**Chart 50 Extra-euro area import prices of capital, intermediate and consumer goods**

(3-month moving average; annual percentage changes)

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



Sources: Eurostat and ECB calculations.  
Note: The latest observation refers to April 2006.

The value of imports of goods grew by 1.5% in the second quarter of 2006, down from 5.5% in the first quarter. While the upward pressure on import prices seems to be part of the reason for the high growth in the first quarter, the appreciation of the euro in the second quarter is expected to have dampened import price growth somewhat, helping to explain the decline in the growth of imports in value terms in the second quarter. In particular, the appreciation of the euro against the US dollar reduced the upward pressure on import prices by partly offsetting rises in dollar-denominated commodity prices. However, weaker import volumes also seem to be behind the slower import growth in the second quarter. Although this is ostensibly at odds with the robust GDP performance of the euro area in the same quarter, the deceleration of exports over the same period may have acted as a drag on imports due to the high import intensity of exports.

In the 12-month period to June 2006 the cumulated current account of the euro area registered a deficit of €44.1 billion (around 0.5% of GDP) compared with a surplus of €26.4 billion (0.3% of GDP) a year earlier. This shift was, to a large extent, due to rises in the prices of imported energy and raw materials and a consequent deterioration in the euro area terms of trade in goods. Indeed, the latest data show that the cumulated oil trade deficit increased to €168.4 billion in the 12-month period to May 2006, which is €47.8 billion larger than the deficit recorded a year earlier.

#### FINANCIAL ACCOUNT

In the second quarter of 2006, euro area combined direct and portfolio investment registered net inflows of €104.6 billion as a result of net purchases of euro area portfolio instruments by non-residents. Meanwhile, euro area direct investment recorded a net outflow of €10.9 billion.

On a 12-month cumulated basis, net inflows of combined direct and portfolio investment amounted to €44.0 billion as a result of net inflows in portfolio investment (of €187.4 billion), which were partly offset by net outflows in direct investment (see Chart 51). 12-month cumulated combined direct and portfolio investment, after recording net outflows at the beginning of the year, registered net inflows from March 2006, which were primarily driven by increasing net purchases of portfolio equity securities by non-residents.

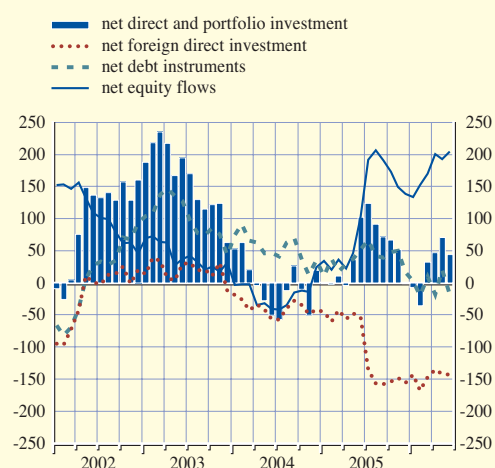
Net equity inflows amounted to €205.0 billion in the 12-month period to June 2006. Net equity inflows have shown a gradual increase following a brief decline at the beginning of 2006, a development which could be associated with the stronger rise in equity returns in the euro area than in the United States in the first half of the year. Conversely, 12-month cumulated net

portfolio debt flows have been fluctuating around a balanced position since end-2005 and recorded moderate net outflows (€17.6 billion) in the 12-month period to June 2006. However, the most recent monthly developments indicate rising net inflows in debt instruments due to increasing net purchases of euro area debt securities by non-residents, as a result of the stronger rise in total returns on bonds and notes in the euro area than in the United States.

Net outflows in direct investment amounted to €143.4 billion in the 12-month period to June 2006. This pattern of net outflows in direct investment has been quite stable since mid-2005.

**Chart 51 Euro area combined direct and portfolio investment**

(EUR billions; monthly data; 12-month cumulated flows)



Source: ECB.

# 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	12.7	2.18	3.44
2005 Q3	11.2	8.4	8.0	-	8.4	13.3	2.13	3.26
Q4	10.9	8.5	7.8	-	9.0	14.8	2.34	3.42
2006 Q1	10.3	8.6	7.9	-	10.1	16.3	2.61	3.56
Q2	9.9	9.2	8.7	-	11.3	16.1	2.90	4.05
2006 Mar.	10.1	9.0	8.5	8.4	10.9	16.7	2.72	3.73
Apr.	9.8	9.3	8.7	8.7	11.4	16.2	2.79	4.01
May	10.2	9.1	8.8	8.7	11.4	16.3	2.89	4.06
June	9.3	9.1	8.5	8.3	11.0	14.8	2.99	4.07
July	7.4	8.2	7.8	.	11.1	.	3.10	4.10
Aug. <sup>(p)</sup>	.	.	.	.	.	.	3.22	3.97

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

	HICP	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2004	2.1	2.3	2.4	2.1	2.0	81.6	0.6	8.9
2005	2.2	4.1	2.4	1.3	1.2	81.3	0.7	8.6
2005 Q3	2.3	4.2	2.0	1.6	1.4	81.0	0.6	8.5
Q4	2.3	4.4	2.1	1.7	2.1	81.5	0.6	8.3
2006 Q1	2.3	5.2	2.2	2.0	3.4	82.3	0.9	8.1
Q2	2.5	5.8	.	2.4	3.7	83.0	.	7.9
2006 Mar.	2.2	5.1	-	-	4.2	-	-	8.0
Apr.	2.4	5.5	-	-	1.6	82.5	-	8.0
May	2.5	6.1	-	-	5.2	-	-	7.9
June	2.5	5.8	-	-	4.4	-	-	7.8
July	2.4	.	-	-	.	83.6	-	.
Aug.	2.3	.	-	-	.	-	-	.

## 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	-10.6	54.1	-156.3	155.4	320.3	103.0	105.2	1.2441
2005 Q3	1.5	16.0	-97.6	89.8	311.7	101.9	104.2	1.2199
Q4	-8.1	4.9	-20.2	-49.1	320.3	100.9	103.1	1.1884
2006 Q1	-12.9	-4.6	-14.6	31.2	327.1	101.2	103.5	1.2023
Q2	-11.3	5.7	-10.9	115.5	323.8	103.5	105.7	1.2582
2006 Mar.	-2.5	2.2	11.4	46.4	327.1	101.5	103.8	1.2020
Apr.	-6.8	0.4	-1.9	-5.2	336.8	102.7	105.0	1.2271
May	-10.8	0.9	-0.4	49.3	333.2	103.8	106.0	1.2770
June	6.3	4.4	-8.7	71.4	323.8	103.9	106.1	1.2650
July	.	.	.	.	330.1	104.3	106.5	1.2684
Aug.	.	.	.	.	.	104.4	106.7	1.2810

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 4 August	2006 11 August	2006 18 August	2006 25 August
<b>Gold and gold receivables</b>	175,131	175,099	175,076	175,059
<b>Claims on non-euro area residents in foreign currency</b>	141,098	142,617	143,395	143,525
<b>Claims on euro area residents in foreign currency</b>	25,741	25,518	24,947	24,427
<b>Claims on non-euro area residents in euro</b>	13,661	13,138	13,064	12,382
<b>Lending to euro area credit institutions in euro</b>	444,007	438,150	431,012	437,511
Main refinancing operations	323,999	318,000	311,002	317,500
Longer-term refinancing operations	120,002	120,002	120,002	120,002
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	0	148	0	0
Credits related to margin calls	6	0	8	9
<b>Other claims on euro area credit institutions in euro</b>	6,324	6,588	6,601	7,552
<b>Securities of euro area residents in euro</b>	85,863	85,846	84,294	84,738
<b>General government debt in euro</b>	40,050	40,050	40,050	40,049
<b>Other assets</b>	182,752	185,696	185,473	187,782
<b>Total assets</b>	1,114,627	1,112,702	1,103,912	1,113,025

### 2. Liabilities

	2006 4 August	2006 11 August	2006 18 August	2006 25 August
<b>Banknotes in circulation</b>	593,865	594,160	590,682	584,865
<b>Liabilities to euro area credit institutions in euro</b>	167,863	167,427	169,172	166,133
Current accounts (covering the minimum reserve system)	167,818	167,421	169,147	166,099
Deposit facility	45	6	25	34
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	0	0	0	0
<b>Other liabilities to euro area credit institutions in euro</b>	101	100	99	99
<b>Debt certificates issued</b>	0	0	0	0
<b>Liabilities to other euro area residents in euro</b>	70,400	66,783	61,105	78,439
<b>Liabilities to non-euro area residents in euro</b>	15,327	15,707	15,971	16,183
<b>Liabilities to euro area residents in foreign currency</b>	110	112	105	106
<b>Liabilities to non-euro area residents in foreign currency</b>	9,131	10,314	10,274	9,860
<b>Counterpart of special drawing rights allocated by the IMF</b>	5,692	5,692	5,692	5,692
<b>Other liabilities</b>	67,246	67,514	64,424	65,258
<b>Revaluation accounts</b>	121,984	121,984	121,984	121,984
<b>Capital and reserves</b>	62,908	62,909	64,404	64,406
<b>Total liabilities</b>	1,114,627	1,112,702	1,103,912	1,113,025

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	
			Fixed rate tenders	Variable rate tenders			
	Level	Change	Fixed rate	Minimum bid rate	Change	Level	Change
			Level	Level			
	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
9 Aug.	2.00	0.25	-	3.00	0.25	4.00	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 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
15	350,472	374	292,000	2.75	2.82	2.83	6
21	391,122	395	316,000	2.75	2.82	2.83	7
28	371,979	394	328,500	2.75	2.83	2.84	7
5 July	376,624	381	326,000	2.75	2.78	2.81	7
12	367,223	377	321,500	2.75	2.81	2.82	7
19	388,712	399	335,000	2.75	2.81	2.82	6
25	359,208	335	338,000	2.75	2.81	2.82	8
2 Aug.	357,627	364	324,000	2.75	2.76	2.79	7
9	359,131	353	318,000	3.00	3.05	3.06	6
15	367,386	349	311,000	3.00	3.05	3.06	8
23	376,014	388	317,500	3.00	3.05	3.06	7
30	323,482	343	310,500	3.00	3.00	3.02	7
Longer-term refinancing operations							
2005 29 Sep.	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
29	57,185	167	40,000	-	3.00	3.01	91
27 July	54,824	158	40,000	-	3.08	3.09	91
31 Aug.	51,079	148	40,000	-	3.20	3.21	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	
2005 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
14 June	Collection of fixed-term deposits	4,910	8	4,910	2.50	-	-	-	1
11 July	Collection of fixed-term deposits	9,000	9	8,500	2.75	-	-	-	1
8 Aug.	Collection of fixed-term deposits	19,860	21	18,000	2.75	-	-	-	1

Source: ECB.

- The amounts shown may differ slightly from those in Section 1.1 due to operations allotted but not settled.
- With effect from April 2002, split tender operations, i.e. operations with one-week maturity conducted as standard tenders in parallel with a main refinancing operation, are classified as main refinancing operations. For split tender operations conducted before this month, see Table 2 in Section 1.3.
- 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.
- In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
- 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
2004	12,415.9	6,593.7	458.1	1,565.2	913.7	2,885.3
2005	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
Apr.	14,649.5	7,740.4	563.8	1,833.0	1,231.5	3,280.7
May	14,769.0	7,765.7	583.5	1,843.6	1,264.4	3,311.7
June	14,712.2	7,764.5	550.9	1,877.1	1,174.4	3,345.3

**2. Reserve maintenance**

Maintenance period ending on:	Required reserves	Credit institutions' current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2004	137.9	138.5	0.6	0.0	2.05
2005	152.0	153.0	1.0	0.0	2.07
2006 Q1	157.7	158.3	0.6	0.0	2.31
2006 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	163.3	0.7	0.0	2.57
11 July	165.6	166.3	0.8	0.0	2.81
8 Aug.	166.5	167.1	0.6	0.0	2.80
5 Sep.	165.8	.	.	.	.

**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	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility	Other liquidity-absorbing operations	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	1	2	3	4	5	6	7	8	9	10	11	12
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 Q1	324.7	299.3	104.7	0.1	0.0	0.2	0.1	550.8	53.3	-34.0	158.3	709.2
2006 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
14 June	336.9	287.0	120.0	0.1	0.0	0.1	0.1	572.0	45.5	-37.0	163.3	735.4
11 July	334.3	316.5	120.0	0.2	0.0	0.6	0.3	578.8	67.0	-42.1	166.3	745.7
8 Aug.	327.6	329.7	120.0	0.2	0.0	0.1	0.6	588.2	73.0	-51.5	167.1	755.4

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	1,404.9	635.5	20.7	0.6	614.2	185.7	165.6	2.1	18.1	-	14.8	337.0	14.7	217.2
2006 Q1	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
2006 Apr.	1,468.7	661.0	20.7	0.6	639.7	189.9	168.6	2.3	19.0	-	16.8	358.9	14.7	227.4
May	1,472.2	662.3	20.7	0.6	641.0	194.0	171.4	2.3	20.3	-	16.4	357.2	14.6	227.6
June	1,532.1	731.1	20.3	0.6	710.1	192.8	170.3	2.3	20.2	-	16.4	343.7	14.6	233.5
July <sup>(p)</sup>	1,555.1	741.4	20.3	0.6	720.4	197.9	173.6	2.1	22.1	-	16.4	352.6	14.8	232.0
MFIs excluding the Eurosysteem														
2004	21,355.4	12,825.3	811.9	7,555.6	4,457.8	3,188.1	1,299.9	465.5	1,422.7	72.6	945.5	2,943.4	159.6	1,220.9
2005	23,653.3	13,682.7	826.9	8,287.4	4,568.4	3,493.1	1,429.4	549.6	1,514.1	83.1	1,007.0	3,679.0	165.7	1,542.6
2006 Q1	24,361.1	14,022.4	815.5	8,552.3	4,654.6	3,582.6	1,440.5	571.7	1,570.4	83.6	1,092.3	3,854.2	166.3	1,559.9
2006 Apr.	24,698.7	14,221.3	816.0	8,644.9	4,760.5	3,593.2	1,434.6	582.7	1,575.9	82.9	1,151.2	3,893.9	166.5	1,589.7
May	24,908.8	14,362.1	805.5	8,708.7	4,847.9	3,601.7	1,407.5	591.7	1,602.6	85.4	1,157.1	3,927.4	166.8	1,608.3
June	24,747.2	14,341.3	808.2	8,787.7	4,745.5	3,593.4	1,407.3	600.7	1,585.4	87.5	1,103.7	3,882.7	167.6	1,570.9
July <sup>(p)</sup>	24,884.1	14,440.5	806.2	8,860.3	4,774.0	3,598.0	1,381.5	611.0	1,605.4	86.4	1,107.1	3,955.8	168.1	1,528.3

#### 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	1,404.9	582.7	385.4	24.4	14.5	346.5	-	0.1	202.9	27.6	206.2
2006 Q1	1,431.3	574.7	405.0	45.0	15.0	345.0	-	0.1	214.5	30.3	206.6
2006 Apr.	1,468.7	586.6	425.9	45.8	17.4	362.6	-	0.1	218.3	28.4	209.4
May	1,472.2	588.8	427.8	34.8	19.4	373.6	-	0.1	217.2	31.2	207.1
June	1,532.1	598.2	487.4	69.3	21.5	396.5	-	0.1	206.2	30.6	209.5
July <sup>(p)</sup>	1,555.1	607.7	490.1	64.7	19.3	406.1	-	0.1	214.0	31.0	212.2
MFIs excluding the Eurosysteem											
2004	21,355.4	-	11,487.5	137.7	6,640.9	4,709.0	677.4	3,496.9	1,203.1	2,815.0	1,675.6
2005	23,653.3	-	12,214.6	149.2	7,214.2	4,851.2	698.9	3,858.3	1,310.6	3,518.2	2,052.7
2006 Q1	24,361.1	-	12,419.7	148.1	7,322.1	4,949.5	686.7	3,991.5	1,368.4	3,733.7	2,161.0
2006 Apr.	24,698.7	-	12,615.3	136.8	7,430.5	5,048.0	696.0	4,007.5	1,368.5	3,790.3	2,221.2
May	24,908.8	-	12,708.7	132.4	7,455.3	5,120.9	706.3	4,060.7	1,373.8	3,815.0	2,244.2
June	24,747.2	-	12,737.4	138.6	7,515.9	5,083.0	703.3	4,063.0	1,380.1	3,704.0	2,159.3
July <sup>(p)</sup>	24,884.1	-	12,751.3	129.0	7,519.6	5,102.8	710.7	4,096.9	1,399.4	3,782.4	2,143.3

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	15,723.6	8,389.6	833.4	7,556.3	1,907.1	1,439.9	467.2	669.9	3,237.4	173.6	1,345.9
2005	17,897.4	9,135.6	847.5	8,288.1	2,146.6	1,595.0	551.6	708.8	4,016.0	180.4	1,709.9
2006 Q1	18,479.8	9,389.1	836.2	8,552.9	2,182.4	1,608.4	573.9	780.1	4,203.1	181.0	1,744.1
2006 Apr.	18,707.0	9,482.2	836.7	8,645.5	2,188.2	1,603.2	585.1	831.7	4,252.8	181.2	1,770.9
May	18,786.7	9,535.4	826.2	8,709.3	2,172.8	1,578.8	594.0	821.6	4,284.6	181.4	1,790.8
June	18,747.6	9,616.8	828.6	8,788.3	2,180.7	1,577.6	603.0	781.7	4,226.4	182.2	1,759.9
July <sup>(p)</sup>	18,850.7	9,687.5	826.5	8,861.0	2,168.3	1,555.2	613.1	788.4	4,308.4	182.9	1,715.3
Transactions											
2004	1,269.9	499.7	-6.7	506.4	92.1	58.1	33.9	36.5	437.7	2.7	201.3
2005	1,611.4	711.2	12.8	698.4	150.4	72.8	77.6	48.5	457.7	1.4	242.1
2006 Q1	597.3	240.5	-11.2	251.6	54.5	28.6	25.9	65.0	203.5	-0.2	34.1
2006 Apr.	279.1	98.1	0.7	97.4	12.2	0.2	12.0	52.2	89.9	0.2	26.4
May	91.6	56.9	-10.5	67.4	-8.2	-17.6	9.5	-4.8	50.5	0.3	-3.2
June	-35.3	82.4	2.4	80.0	11.6	1.7	9.9	-39.0	-58.1	0.8	-33.1
July <sup>(p)</sup>	97.8	71.7	-3.6	75.3	-10.3	-20.2	9.9	3.7	76.9	0.5	-44.8

## 2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units <sup>1)</sup>	Debt securities issued <sup>2)</sup>	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
Outstanding amounts										
2004	15,723.6	468.4	162.4	6,655.9	604.9	2,061.7	1,051.6	2,842.2	1,842.9	33.6
2005	17,897.4	532.8	173.6	7,228.8	615.8	2,326.2	1,200.6	3,545.8	2,258.9	15.0
2006 Q1	18,479.8	532.3	193.1	7,337.1	603.1	2,403.2	1,254.9	3,764.1	2,367.7	24.3
2006 Apr.	18,707.0	540.3	182.6	7,447.9	613.1	2,412.7	1,250.5	3,818.7	2,430.7	10.5
May	18,786.7	543.6	167.2	7,474.8	620.9	2,437.9	1,239.1	3,846.2	2,451.3	5.6
June	18,747.6	553.7	207.9	7,537.4	615.8	2,457.6	1,247.9	3,734.6	2,368.8	23.9
July <sup>(p)</sup>	18,850.7	562.7	193.6	7,538.9	624.4	2,469.4	1,278.4	3,813.5	2,355.5	14.5
Transactions										
2004	1,269.9	70.5	6.1	377.4	22.3	197.2	49.6	276.9	232.1	37.8
2005	1,611.4	64.4	10.8	501.1	-3.0	217.1	88.2	445.3	337.1	-49.5
2006 Q1	597.3	-0.5	19.6	103.0	9.0	74.1	26.8	241.4	90.2	34.0
2006 Apr.	279.1	8.1	-10.5	116.0	10.1	19.0	-5.1	95.9	49.6	-4.0
May	91.6	3.3	-15.4	29.2	9.3	34.3	-2.6	33.1	-1.2	1.6
June	-35.3	10.1	40.7	61.2	-5.2	10.0	15.7	-122.4	-61.3	15.9
July <sup>(p)</sup>	97.8	9.0	-13.3	3.1	10.4	16.2	21.3	82.3	-21.8	-9.4

Source: ECB.

1) Amounts held by euro area residents.

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

## 2.3 Monetary statistics

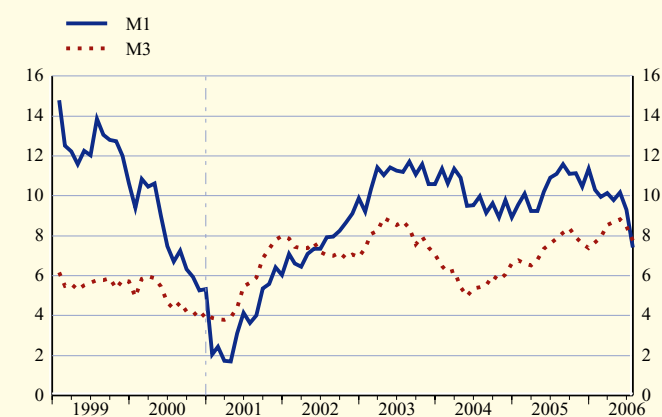
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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

	M1		M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets <sup>2)</sup>
	1	2	3	4	5	6	7	8	Loans		11
									9	10	
Outstanding amounts											
2004	2,908.7	2,660.5	5,569.2	963.7	6,532.9	-	4,465.3	2,294.6	8,690.1	7,548.8	385.9
2005	3,423.4	2,651.0	6,074.4	996.1	7,070.5	-	5,005.3	2,468.0	9,546.6	8,281.4	462.6
2006 Q1	3,496.6	2,723.0	6,219.6	1,006.0	7,225.6	-	5,141.1	2,438.3	9,903.9	8,562.4	445.9
2006 Apr.	3,507.6	2,763.2	6,270.8	1,010.4	7,281.3	-	5,168.7	2,429.3	10,029.2	8,644.0	450.9
May	3,549.0	2,744.2	6,293.2	1,039.7	7,332.9	-	5,185.7	2,387.6	10,088.3	8,704.6	463.7
June	3,565.4	2,779.6	6,345.0	1,030.6	7,375.6	-	5,226.8	2,394.8	10,139.0	8,758.8	488.4
July <sup>(p)</sup>	3,546.1	2,806.9	6,353.1	1,034.1	7,387.2	-	5,283.3	2,375.2	10,249.4	8,837.3	496.8
Transactions											
2004	238.6	110.7	349.3	57.3	406.6	-	341.7	54.5	576.4	506.1	166.0
2005	338.6	138.8	477.5	9.7	487.2	-	399.8	90.1	826.5	699.4	14.3
2006 Q1	74.9	74.5	149.4	24.9	174.3	-	102.4	-14.4	341.4	267.8	-23.4
2006 Apr.	12.8	42.6	55.4	4.3	59.7	-	37.9	-3.5	131.6	86.5	4.0
May	42.5	-17.3	25.1	33.1	58.2	-	32.1	-35.0	68.4	64.2	26.0
June	16.0	34.9	50.9	-10.5	40.4	-	39.0	10.0	53.6	55.3	35.5
July <sup>(p)</sup>	-19.2	27.4	8.2	10.1	18.4	-	48.5	-19.0	109.8	81.2	0.0
Growth rates											
2004 Dec.	8.9	4.3	6.7	6.3	6.6	6.5	8.2	2.4	7.1	7.2	166.0
2005 Dec.	11.4	5.4	8.5	1.0	7.4	7.5	8.8	3.9	9.5	9.2	14.3
2006 Mar.	10.1	7.8	9.0	5.6	8.5	8.4	8.7	1.9	11.5	10.9	-3.0
2006 Apr.	9.8	8.9	9.3	5.1	8.7	8.7	8.8	1.2	11.8	11.4	-12.6
May	10.2	8.0	9.1	6.9	8.8	8.7	8.9	0.3	11.8	11.4	47.7
June	9.3	8.8	9.1	4.8	8.5	8.3	8.1	0.1	11.5	11.0	10.2
July <sup>(p)</sup>	7.4	9.3	8.2	5.0	7.8	.	8.7	-0.9	11.8	11.1	5.2

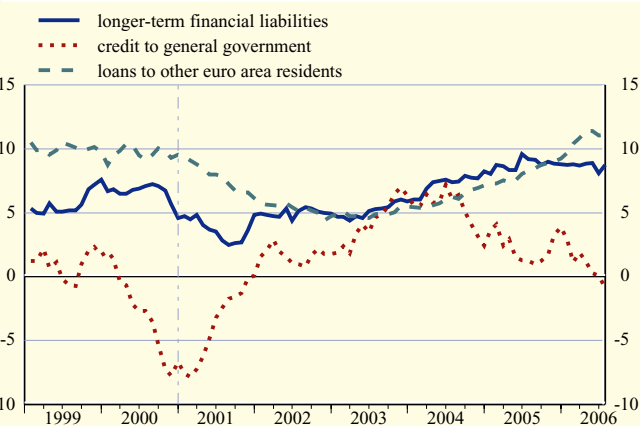
### C1 Monetary aggregates

(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

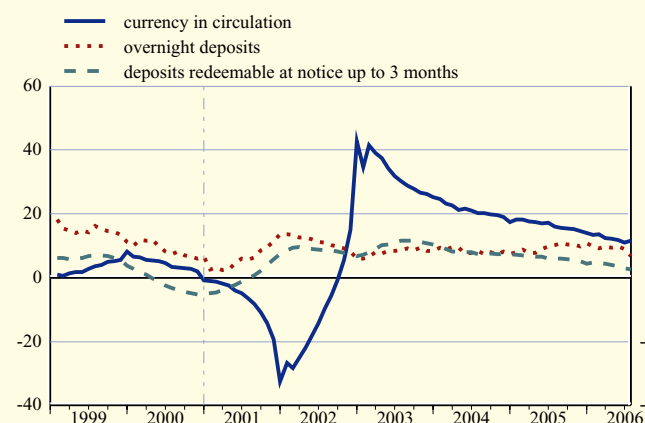
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

### 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	620.0	102.3	1,964.8	90.2	1,359.5	1,050.8
2005	520.4	2,903.0	1,107.9	1,543.1	235.5	630.8	129.8	2,203.8	87.0	1,514.9	1,199.6
2006 Q1	535.5	2,961.1	1,159.3	1,563.7	238.6	603.5	163.8	2,239.7	88.4	1,559.3	1,253.6
2006 Apr.	540.6	2,967.1	1,199.2	1,564.0	239.4	605.6	165.4	2,248.2	89.2	1,575.7	1,255.5
May	544.6	3,004.3	1,174.6	1,569.6	252.2	612.6	174.8	2,258.7	90.7	1,590.4	1,245.9
June	547.8	3,017.6	1,216.0	1,563.7	247.4	618.3	164.9	2,289.6	92.3	1,600.6	1,244.3
July <sup>(p)</sup>	552.3	2,993.8	1,244.4	1,562.5	251.4	620.4	162.4	2,301.9	93.8	1,610.9	1,276.7
Transactions											
2004	67.7	170.9	-2.2	112.9	24.1	21.9	11.3	185.9	-0.9	107.1	49.6
2005	64.0	274.7	69.3	69.5	-7.0	-3.2	20.0	199.1	-4.3	116.9	88.0
2006 Q1	15.2	59.8	53.8	20.7	3.2	-5.6	27.3	39.7	1.4	34.9	26.5
2006 Apr.	5.0	7.8	42.1	0.5	0.8	2.2	1.2	18.4	0.8	17.4	1.3
May	4.1	38.4	-23.0	5.7	12.1	8.5	12.5	16.5	1.5	14.9	-0.8
June	3.1	12.9	40.9	-6.0	-4.8	5.5	-11.2	22.5	1.5	9.7	5.2
July <sup>(p)</sup>	4.5	-23.7	28.6	-1.2	5.4	3.9	0.9	13.3	1.6	10.3	23.3
Growth rates											
2004 Dec.	17.4	7.5	-0.2	7.4	11.1	3.7	12.3	10.3	-1.0	8.6	4.9
2005 Dec.	14.0	10.9	6.6	4.4	-3.0	-0.5	19.0	10.0	-4.7	8.5	8.1
2006 Mar.	12.4	9.8	12.7	4.4	3.7	-0.5	44.3	8.7	-3.2	9.1	9.1
2006 Apr.	12.2	9.4	16.0	3.9	9.8	-1.1	27.6	8.7	-2.4	9.7	8.9
May	11.9	9.9	14.6	3.6	7.4	-0.8	46.4	8.6	-0.5	10.5	8.2
June	11.1	9.0	17.3	3.0	2.7	0.6	30.3	8.1	1.7	9.0	7.5
July <sup>(p)</sup>	11.5	6.7	19.2	2.5	4.5	0.3	30.2	8.5	4.2	9.2	9.0

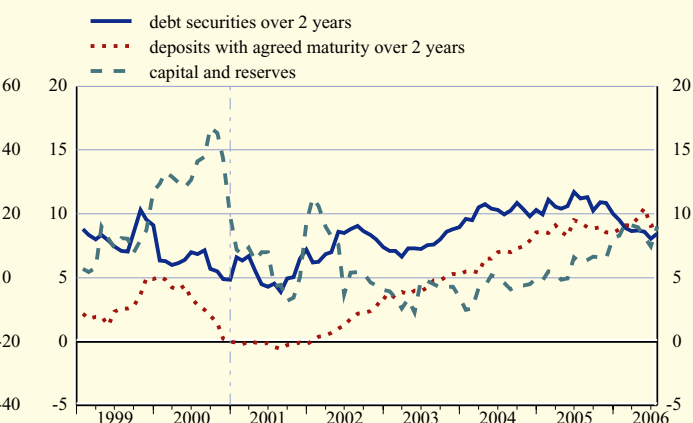
### C3 Components of monetary aggregates

(annual growth rates; seasonally adjusted)



### C4 Components of longer-term financial liabilities

(annual growth rates; seasonally adjusted)



Source: ECB.

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

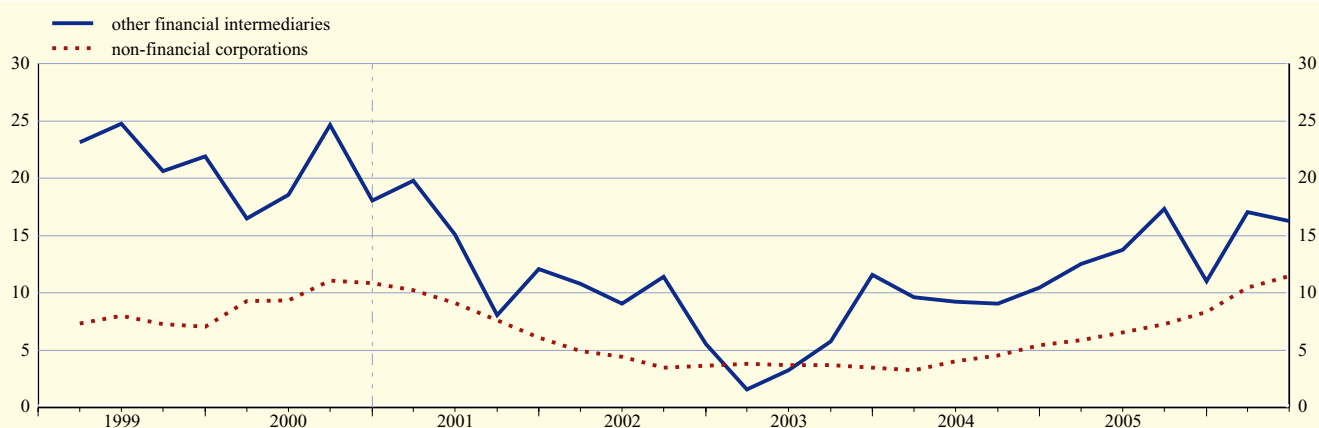
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 1. Loans to financial intermediaries and non-financial corporations <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	1,037.8	594.0	1,777.2
2006 Q1	81.9	57.1	661.9	412.0	3,525.9	1,060.9	626.7	1,838.2
2006 Apr.	88.1	63.0	677.2	428.5	3,568.6	1,080.6	634.3	1,853.7
May	86.9	61.7	682.5	433.9	3,596.2	1,078.1	644.4	1,873.7
June	84.8	59.5	674.1	420.3	3,643.2	1,099.2	653.3	1,890.8
July <sup>(p)</sup>	89.9	64.0	667.1	408.0	3,687.4	1,111.4	671.0	1,905.1
Transactions								
2004	13.1	9.1	52.1	27.7	163.9	24.5	31.1	108.2
2005	15.0	9.8	60.8	29.2	262.7	57.0	54.3	151.5
2006 Q1	17.2	15.7	46.6	45.2	109.6	26.9	35.8	46.9
2006 Apr.	6.2	5.9	17.0	17.7	45.4	20.5	8.6	16.2
May	-1.1	-1.2	5.8	5.5	30.2	-1.6	10.9	20.9
June	-2.1	-2.2	-8.7	-13.8	47.7	21.1	9.2	17.4
July <sup>(p)</sup>	5.1	4.5	-5.1	-9.7	43.5	12.4	16.8	14.3
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	5.8	9.9	9.3
2006 Mar.	40.3	44.2	17.0	16.8	10.5	7.7	14.9	10.7
2006 Apr.	47.7	54.6	20.7	24.0	11.0	8.8	15.2	10.8
May	39.8	44.2	19.8	23.1	11.3	8.6	16.2	11.3
June	32.7	36.1	16.2	16.8	11.4	8.1	17.8	11.4
July <sup>(p)</sup>	40.8	48.5	15.6	16.6	11.8	9.3	19.0	11.0

### 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>

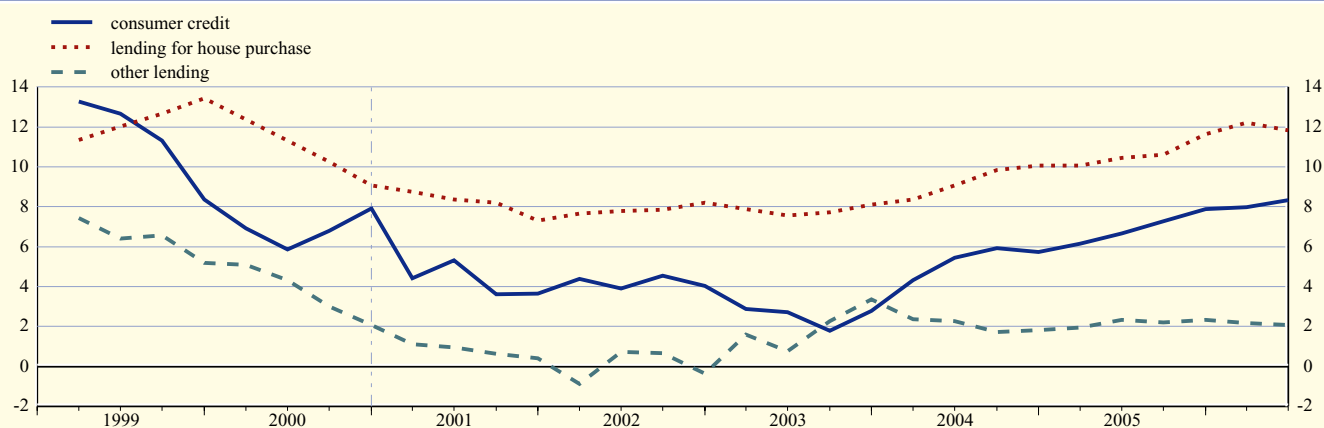
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

 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 Q1	4,282.5	557.1	126.2	200.9	230.0	3,006.3	15.1	67.9	2,923.3	719.1	146.5	98.1	474.5
2006 Apr.	4,311.0	561.5	127.0	202.5	232.0	3,029.5	15.0	67.7	2,946.8	720.0	146.0	97.7	476.3
May	4,343.0	568.9	129.1	204.8	235.0	3,053.2	15.1	68.5	2,969.7	720.9	144.6	97.6	478.7
June	4,385.6	575.7	129.8	207.1	238.7	3,081.6	15.5	69.1	2,997.0	728.3	150.8	97.6	480.0
July <sup>(p)</sup>	4,415.9	579.2	130.6	207.6	241.0	3,110.5	15.5	69.5	3,025.6	726.2	146.9	97.7	481.6
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	359.8	40.7	9.1	11.6	20.0	302.9	0.8	4.8	297.3	16.2	3.9	1.3	11.1
2006 Q1	78.3	5.2	-2.2	1.2	6.2	71.8	0.0	0.4	71.4	1.2	-0.2	0.4	1.1
2006 Apr.	29.0	4.6	0.8	1.3	2.4	23.4	-0.2	0.0	23.6	1.0	-0.3	-0.5	1.8
May	32.6	7.5	2.1	2.3	3.0	23.6	0.0	0.4	23.1	1.5	-1.4	0.3	2.5
June	43.2	6.8	0.8	2.2	3.7	28.5	0.4	0.6	27.5	7.9	6.2	0.1	1.6
July <sup>(p)</sup>	31.8	4.0	0.9	0.5	2.6	29.4	0.0	0.4	29.0	-1.6	-3.8	0.1	2.1
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	7.9	7.6	6.1	9.7	11.6	5.6	7.5	11.8	2.3	2.7	1.3	2.4
2006 Mar.	9.8	8.0	6.0	5.8	11.1	12.2	7.3	6.0	12.4	2.2	1.6	2.1	2.4
2006 Apr.	9.8	8.0	6.9	5.6	10.8	12.2	6.0	7.1	12.3	2.2	2.7	1.4	2.3
May	9.8	8.4	7.4	5.7	11.5	12.1	6.5	7.5	12.2	2.0	1.7	1.0	2.3
June	9.6	8.3	5.6	5.6	12.5	11.8	5.6	6.6	12.0	2.1	0.9	1.7	2.5
July <sup>(p)</sup>	9.4	8.6	7.9	4.8	12.5	11.4	5.3	6.5	11.6	2.3	1.4	1.6	2.7

## 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>

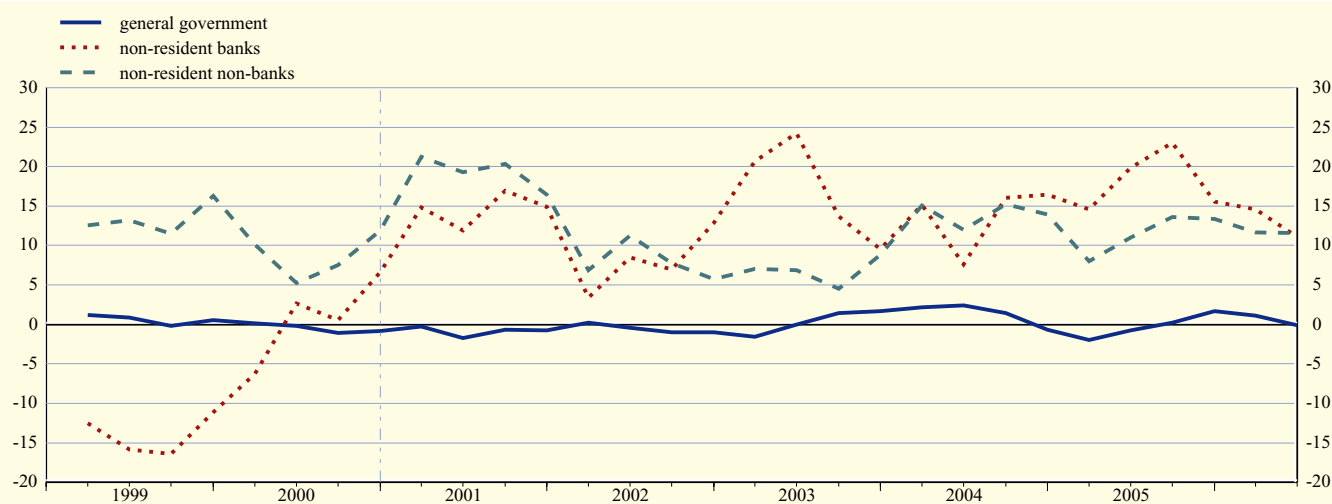
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 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										
2004	811.9	130.1	252.3	405.7	23.8	1,974.7	1,342.2	632.5	61.3	571.1
2005	826.9	125.1	246.8	425.8	29.2	2,485.3	1,723.6	761.6	66.0	695.6
2006 Q1	815.5	117.7	240.9	427.7	29.2	2,594.9	1,823.3	771.7	62.9	708.8
Q2 <sup>(p)</sup>	808.2	106.3	234.5	438.2	29.2	2,619.8	1,849.3	770.5	62.9	707.7
Transactions										
2004	-5.6	2.2	-13.9	17.3	-11.2	275.6	194.9	80.4	1.8	78.6
2005	13.7	-5.6	-8.1	21.9	5.5	298.4	210.9	87.6	4.7	82.9
2006 Q1	-11.2	-7.1	-5.9	1.9	-0.1	131.3	111.7	19.6	-3.0	22.6
Q2 <sup>(p)</sup>	-7.1	-11.2	-6.4	10.5	0.1	55.6	41.6	14.0	0.0	14.0
Growth rates										
2004 Dec.	-0.7	1.7	-5.2	4.4	-32.1	15.6	16.4	13.9	3.1	15.2
2005 Dec.	1.7	-4.3	-3.2	5.4	22.9	14.9	15.5	13.4	7.7	14.0
2006 Mar.	1.1	-8.6	-3.9	5.8	29.5	13.7	14.6	11.7	1.7	12.7
June <sup>(p)</sup>	-0.1	-14.2	-6.3	7.9	2.4	11.3	11.1	11.6	1.5	12.5

### 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.



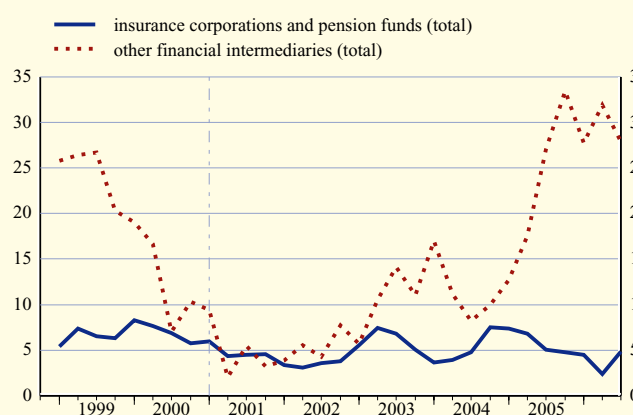
## 2.5 Deposits held with MFIs, breakdown <sup>1)</sup>

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

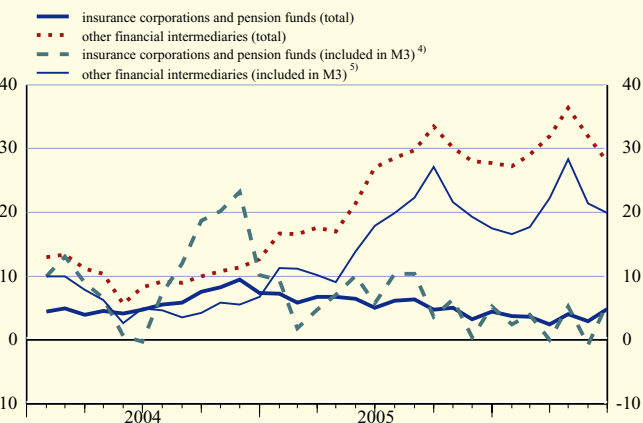
### 1. Deposits by financial intermediaries <sup>2)</sup>

	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	882.8	233.9	185.0	332.2	10.5	0.1	121.1
2006 Q1	613.0	65.6	50.4	474.8	1.1	1.4	19.7	989.2	271.5	195.1	376.3	11.0	0.1	135.2
2006 Apr.	628.3	67.9	50.4	479.5	1.1	1.4	28.0	1,036.9	275.4	221.3	387.2	10.5	0.1	142.5
May	621.1	66.2	45.9	481.1	1.1	1.4	25.6	1,036.8	273.6	206.7	397.4	11.7	0.2	147.2
June	625.4	68.3	47.9	484.7	1.0	1.4	22.1	1,051.1	279.6	213.3	407.0	10.8	0.2	140.2
July <sup>4)</sup>	633.1	65.4	51.9	488.6	1.0	1.4	24.9	1,037.4	263.5	213.0	415.4	9.9	0.2	135.4
Transactions														
2004	39.9	0.7	10.3	27.7	-0.1	-0.1	1.5	72.1	0.9	5.8	43.6	4.1	0.0	17.7
2005	26.3	7.4	-0.6	19.2	0.4	0.0	-0.2	181.4	40.1	37.3	102.2	1.5	0.0	0.4
2006 Q1	0.6	-2.0	-1.4	5.0	-0.1	0.0	-0.8	98.2	38.3	10.7	34.4	0.5	0.0	14.2
2006 Apr.	15.5	2.3	0.1	4.8	0.0	0.0	8.3	50.0	4.6	26.9	11.6	-0.5	0.0	7.3
May	-7.0	-1.6	-4.5	1.5	0.0	0.0	-2.5	-0.7	-1.4	-14.9	10.3	1.2	0.1	4.0
June	4.2	2.1	2.0	3.6	0.0	0.0	-3.4	13.9	5.8	6.5	9.3	-0.8	0.0	-7.0
July <sup>4)</sup>	7.7	-2.9	4.0	3.9	0.0	0.0	2.8	-12.2	-16.0	-0.3	8.5	-1.0	0.0	-3.4
Growth rates														
2004 Dec.	7.4	1.2	24.6	6.6	-8.0	-43.1	7.9	12.7	0.5	4.3	30.3	67.6	-	17.1
2005 Dec.	4.5	12.4	-1.2	4.3	36.0	2.9	-0.8	27.8	22.2	25.0	50.6	14.3	-	0.4
2006 Mar.	2.4	-1.7	2.2	3.1	11.3	0.9	-0.3	31.9	20.7	41.8	53.2	6.1	-	4.7
2006 Apr.	4.0	1.8	-1.9	3.6	12.5	0.7	32.8	36.3	25.0	50.6	53.8	-10.8	-	11.6
May	3.0	0.3	-9.7	4.1	-9.7	1.1	17.4	31.9	20.3	40.1	55.0	4.3	-	4.5
June	4.9	11.4	-1.7	4.6	-8.9	0.8	7.5	27.9	18.8	43.5	43.4	-1.8	-	-1.8
July <sup>4)</sup>	4.8	1.4	-0.9	5.1	-7.1	-0.7	24.0	25.0	13.5	37.0	43.2	-14.4	-	-3.5

### 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>

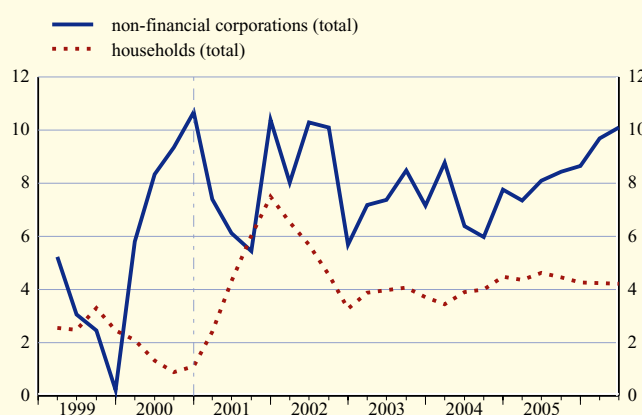
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

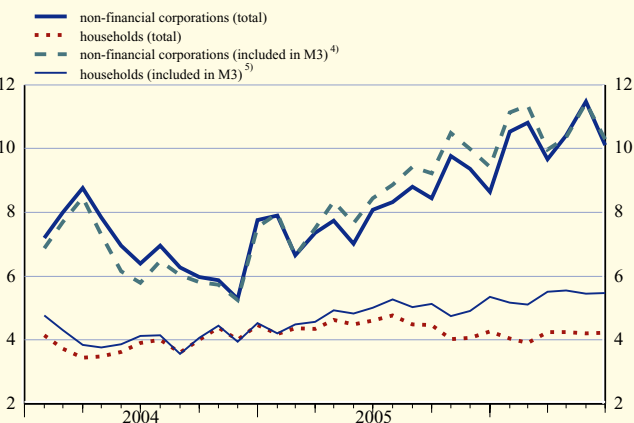
	Non-financial corporations							Households <sup>3)</sup>						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	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 Q1	1,199.7	745.5	313.0	71.9	46.4	1.2	21.6	4,356.2	1,673.8	549.3	623.2	1,368.4	86.3	55.1
2006 Apr.	1,212.0	751.3	319.8	72.5	45.6	1.3	21.4	4,385.2	1,703.9	552.7	620.7	1,367.2	86.5	54.1
May	1,230.2	772.4	314.2	72.7	45.3	1.4	24.3	4,390.6	1,702.1	560.5	618.6	1,365.1	87.7	56.6
June	1,237.0	783.4	313.5	73.0	43.3	1.4	22.4	4,423.2	1,725.6	569.3	616.3	1,364.5	89.0	58.5
July <sup>4)</sup>	1,231.7	775.2	316.9	72.3	42.5	1.4	23.4	4,435.2	1,718.6	587.3	613.8	1,362.5	90.1	63.0
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 Q1	-10.4	-23.0	8.9	4.8	2.0	0.0	-3.1	14.0	-11.9	16.0	-8.0	13.8	1.8	2.3
2006 Apr.	14.2	6.6	7.7	0.8	-0.8	0.1	-0.2	30.0	30.3	4.0	-2.5	-1.1	0.2	-1.0
May	20.2	21.6	-4.3	0.3	-0.3	0.0	2.9	6.1	-1.6	8.2	-2.1	-2.1	1.2	2.5
June	6.1	10.9	-0.9	0.0	-2.0	0.0	-1.9	32.5	23.4	8.7	-2.3	-0.6	1.3	1.9
July <sup>4)</sup>	-5.1	-8.2	3.5	-0.7	-0.8	0.0	1.1	12.1	-7.0	18.0	-2.6	-2.0	1.1	4.5
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 Mar.	9.7	9.8	11.5	6.6	14.2	-27.6	-9.8	4.2	7.4	6.6	-1.7	3.2	-2.7	7.6
2006 Apr.	10.4	10.2	12.4	12.4	10.4	-20.0	-9.9	4.2	7.4	7.1	-2.2	2.9	-1.9	6.6
May	11.5	11.4	12.1	13.1	8.0	-20.7	10.9	4.2	6.9	9.0	-2.0	2.4	-0.1	8.7
June	10.1	8.9	15.5	8.1	4.1	-11.3	2.8	4.2	6.0	11.5	-2.4	2.2	2.0	14.9
July <sup>4)</sup>	9.5	8.1	14.8	8.6	0.8	3.6	9.9	4.0	4.6	14.5	-2.7	1.8	4.3	17.5

### 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>

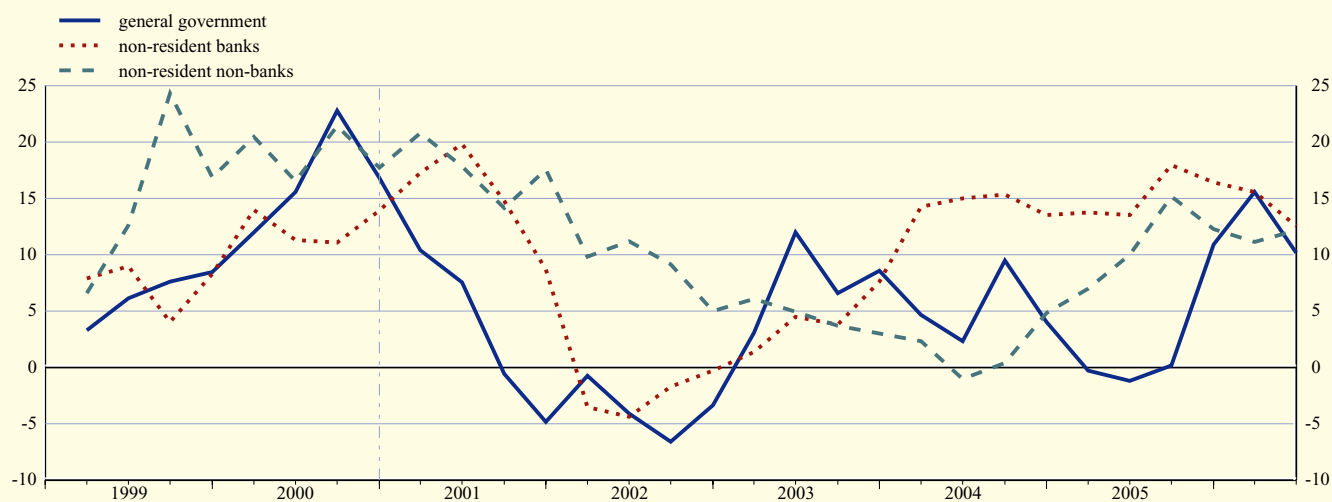
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

## 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										
2004	282.2	137.7	30.5	69.6	44.3	2,428.9	1,748.0	680.9	103.4	577.5
2005	313.1	149.2	38.3	80.9	44.7	3,050.5	2,250.5	800.0	125.8	674.2
2006 Q1	312.1	148.1	38.1	77.0	48.9	3,241.8	2,410.3	831.5	128.2	703.3
Q2 <sup>(p)</sup>	317.8	138.6	39.6	82.5	57.0	3,205.4	2,379.8	825.6	127.7	698.0
Transactions										
2004	11.0	2.7	1.8	2.8	3.8	247.1	214.9	32.0	6.9	25.0
2005	30.8	11.2	7.8	11.5	0.3	378.1	292.8	85.3	22.4	63.0
2006 Q1	-1.0	-1.1	-0.2	-3.9	4.3	211.3	171.8	39.5	2.4	37.1
Q2 <sup>(p)</sup>	5.7	-9.5	1.6	5.5	8.1	-4.7	-11.4	6.7	-0.5	7.2
Growth rates										
2004 Dec.	4.0	2.0	5.6	4.1	9.2	11.0	13.5	4.8	7.2	4.4
2005 Dec.	10.9	8.1	25.4	16.6	0.7	15.3	16.4	12.3	21.6	10.6
2006 Mar.	15.6	17.0	14.1	14.3	14.6	14.4	15.6	11.1	21.6	9.3
June <sup>(p)</sup>	10.2	2.4	13.1	18.6	17.8	12.5	12.6	12.2	7.7	13.0

## 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.

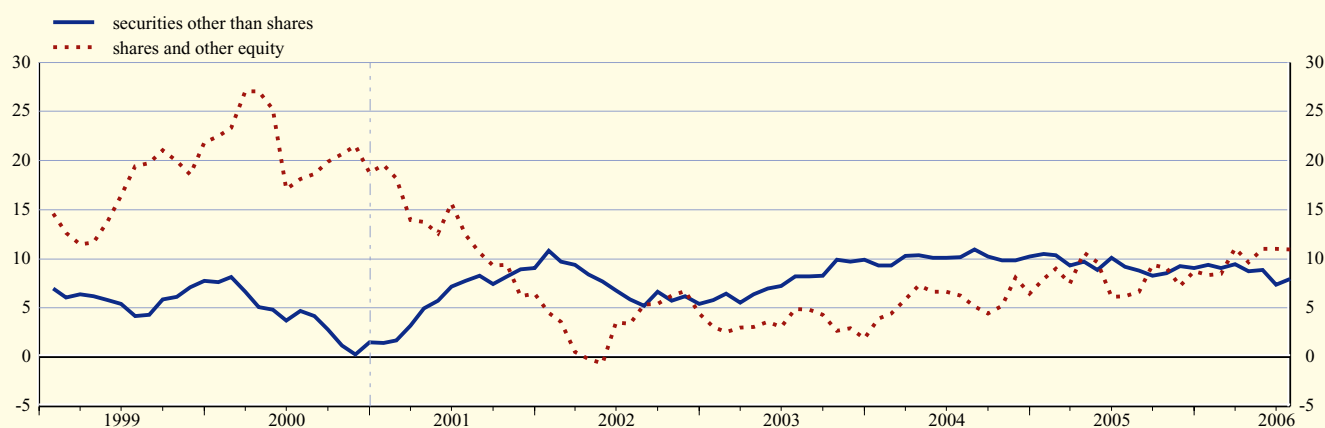
## 2.6 MFI holdings of securities, breakdown <sup>1)</sup>

(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	3,939.9	1,362.7	59.9	1,284.1	15.8	449.2	16.3	751.8	1,161.2	285.4	660.1	215.7
2005	4,436.2	1,450.3	63.8	1,412.5	17.0	525.5	24.1	943.1	1,256.4	308.5	698.4	249.4
2006 Q1	4,568.5	1,501.9	68.5	1,423.8	16.6	544.5	27.2	986.0	1,364.3	323.6	768.7	272.1
2006 Apr.	4,583.1	1,506.6	69.3	1,418.0	16.6	554.5	28.2	989.8	1,421.5	331.9	819.3	270.3
May	4,600.2	1,535.6	67.1	1,391.1	16.4	564.0	27.7	998.4	1,425.6	347.5	809.6	268.5
June	4,591.0	1,519.7	65.7	1,390.1	17.2	573.3	27.4	997.6	1,367.6	334.0	769.7	263.9
July <sup>(p)</sup>	4,624.0	1,534.5	71.0	1,363.9	17.6	583.1	27.9	1,026.0	1,372.1	330.7	776.4	265.0
Transactions												
2004	368.4	148.0	4.9	40.3	1.3	34.9	-1.3	140.3	69.7	2.3	36.4	30.9
2005	358.1	85.6	-1.5	48.9	-0.9	71.4	5.9	148.7	101.3	26.9	48.7	25.8
2006 Q1	171.9	59.5	6.2	23.5	0.2	21.9	3.7	56.9	91.1	10.7	64.3	16.1
2006 Apr.	35.7	5.3	1.9	-1.7	0.3	10.4	1.6	17.9	57.8	8.2	51.2	-1.6
May	26.5	26.0	-1.6	-20.2	0.0	9.6	-0.2	12.8	12.2	16.6	-4.8	0.4
June	-8.5	-16.3	-1.6	1.3	0.7	10.2	-0.3	-2.5	-56.2	-11.8	-39.0	-5.4
July <sup>(p)</sup>	34.4	13.2	4.9	-23.3	0.4	9.3	0.8	29.1	-0.6	-3.8	3.8	-0.5
Growth rates												
2004 Dec.	10.2	12.2	8.4	3.3	7.7	8.5	-7.2	22.0	6.5	0.9	5.9	17.3
2005 Dec.	9.0	6.3	-1.8	3.9	-4.5	15.9	33.6	19.2	8.7	9.5	7.3	11.9
2006 Mar.	9.4	8.3	0.0	1.3	-0.4	16.3	59.7	21.2	11.1	10.0	14.2	3.7
2006 Apr.	8.7	7.0	6.2	0.5	-9.8	16.4	57.2	20.6	9.7	6.9	12.1	6.0
May	8.9	9.0	3.0	-0.4	-7.8	17.2	47.7	19.2	11.0	11.1	12.0	8.2
June	7.4	5.9	0.8	-1.0	12.3	17.5	51.4	17.3	11.0	12.5	11.3	8.5
July <sup>(p)</sup>	8.0	6.2	8.2	-2.5	11.6	19.9	47.8	20.3	10.9	10.1	12.9	6.4

## 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 Q1	-1.1	-0.4	-0.2	-0.5	-1.3	-0.1	0.0	-1.2	-2.0	-0.5	-0.3	-1.2
2006 Apr.	-0.2	-0.1	-0.1	-0.1	0.1	0.1	0.0	0.1	-0.3	-0.1	-0.1	-0.2
May	-0.2	-0.1	0.0	-0.1	-0.1	0.0	0.0	-0.1	-0.6	0.0	-0.4	-0.2
June	-0.3	-0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.1	-0.5	0.0	-0.2	-0.3
July <sup>(p)</sup>	-0.3	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.3	0.0	-0.1	-0.1

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	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 Q1	-3.5	-1.2	-0.7	-1.6	-0.2	0.0	-0.2
2006 Apr.	-0.4	-0.1	-0.1	-0.2	-0.1	0.0	0.0
May	-1.1	-0.3	-0.6	-0.3	0.0	0.0	0.0
June	-1.1	-0.2	-0.4	-0.5	0.0	0.0	0.0
July <sup>(p)</sup>	-0.6	-0.1	-0.2	-0.3	0.0	0.0	0.0

## 3. Revaluation of securities held by MFIs

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
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	24.8	3.4	0.5	7.5	0.7	1.6	0.3	10.7	37.4	4.6	17.4	15.4
2006 Q1	-5.1	-1.1	-0.1	-4.1	-0.1	-0.8	0.0	1.2	17.1	3.9	6.8	6.3
2006 Apr.	-8.3	-0.4	-0.1	-4.1	-0.1	-0.3	-0.1	-3.2	-0.7	0.0	-0.6	-0.2
May	-1.3	0.3	-0.1	1.9	0.0	0.0	-0.1	-3.4	-10.2	-1.0	-5.0	-4.2
June	-3.2	0.3	0.1	-2.2	0.1	-1.0	0.0	-0.5	-1.4	-1.3	-0.9	0.8
July <sup>(p)</sup>	5.4	0.6	0.4	2.7	0.0	1.3	-0.3	0.7	5.1	0.5	2.9	1.7

Source: ECB.

- 1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.  
2) Including non-profit institutions serving households.

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

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

### 1. Deposits

	MFIs <sup>2)</sup>							Non-MFIs						
	All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies					All currencies (outstanding amount)	Euro <sup>3)</sup>	Non-euro currencies				
			Total							Total				
			USD	JPY	CHF	GBP				USD	JPY	CHF	GBP	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	By euro area residents													
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	4,851.2	90.9	9.1	5.6	0.4	1.5	1.0	7,363.4	96.8	3.2	1.9	0.3	0.1	0.5
2006 Q1	4,949.5	89.8	10.2	6.2	0.4	1.5	1.4	7,470.2	96.6	3.4	2.0	0.3	0.1	0.6
Q2 <sup>(p)</sup>	5,083.0	90.2	9.8	5.7	0.4	1.5	1.5	7,654.5	96.6	3.4	2.0	0.3	0.1	0.6
	By non-euro area residents													
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	2,250.5	46.2	53.8	35.4	2.7	2.8	10.0	800.0	51.8	48.2	32.1	1.7	2.2	9.2
2006 Q1	2,410.3	47.4	52.6	34.3	2.9	2.6	9.7	831.5	51.9	48.1	32.6	1.4	2.0	9.1
Q2 <sup>(p)</sup>	2,379.8	47.6	52.4	33.8	2.8	2.6	10.0	825.6	53.0	47.0	30.8	1.5	2.2	9.1

### 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	
2004	3,653.9	84.6	15.4	7.6	1.7	1.9	2.7
2005	4,051.7	81.2	18.8	9.6	1.8	1.9	3.2
2006 Q1	4,204.3	81.2	18.8	9.5	1.8	1.9	3.2
Q2 <sup>(p)</sup>	4,276.1	81.3	18.7	9.3	1.8	2.0	3.3

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.

**2.8 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														
2004	4,457.8	-	-	-	-	-	8,367.5	96.6	3.4	1.4	0.2	1.3	0.4	
2005	4,568.4	-	-	-	-	-	9,114.3	96.3	3.7	1.6	0.2	1.3	0.5	
2006 Q1	4,654.6	-	-	-	-	-	9,367.8	96.3	3.7	1.7	0.2	1.2	0.5	
2006 Q2 <sup>(p)</sup>	4,745.5	-	-	-	-	-	9,595.9	96.4	3.6	1.6	0.2	1.2	0.5	
To non-euro area residents														
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	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	1,823.3	49.6	50.4	30.3	3.8	2.4	9.2	771.7	39.0	61.0	44.0	1.7	3.9	7.8
2006 Q2 <sup>(p)</sup>	1,849.3	49.7	50.3	29.4	3.7	2.4	10.0	770.5	40.4	59.6	42.9	1.1	4.1	7.6

**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														
2004	1,422.7	95.8	4.2	1.8	0.3	0.5	1.3	1,765.4	98.2	1.8	0.9	0.5	0.1	0.3
2005	1,514.1	95.8	4.2	2.0	0.3	0.4	1.3	1,979.0	97.9	2.1	1.1	0.3	0.1	0.5
2006 Q1	1,570.4	95.6	4.4	2.0	0.2	0.4	1.4	2,012.1	97.8	2.2	1.1	0.3	0.1	0.6
2006 Q2 <sup>(p)</sup>	1,585.4	95.9	4.1	1.9	0.3	0.4	1.3	2,008.0	97.8	2.2	1.2	0.3	0.1	0.6
Issued by non-euro area residents														
2004	341.4	50.3	49.7	28.6	1.0	0.5	17.0	410.5	44.8	55.2	30.5	8.6	0.7	9.2
2005	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	428.6	50.3	49.7	28.4	0.8	0.6	16.6	557.3	37.3	62.7	35.3	6.1	0.8	14.9
2006 Q2 <sup>(p)</sup>	441.3	52.0	48.0	28.0	0.9	0.5	15.3	556.3	37.9	62.1	34.3	6.4	0.7	15.2

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.



## 2.9 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 Q4	3,830.1	260.8	1,622.8	78.5	1,544.2	1,246.3	346.2	158.5	195.5
2005 Q1	4,058.5	288.2	1,692.1	79.3	1,612.8	1,320.2	376.0	163.1	218.8
Q2	4,313.6	296.4	1,783.0	91.5	1,691.5	1,399.9	417.5	167.6	249.2
Q3	4,631.3	303.5	1,860.6	101.2	1,759.4	1,553.4	460.0	171.6	282.2
Q4	4,788.9	291.0	1,848.1	109.6	1,738.5	1,683.1	505.2	176.1	285.5
2006 Q1 <sup>(p)</sup>	5,190.4	315.0	1,904.6	139.2	1,765.4	1,894.1	567.7	177.4	331.7

### 2. Liabilities

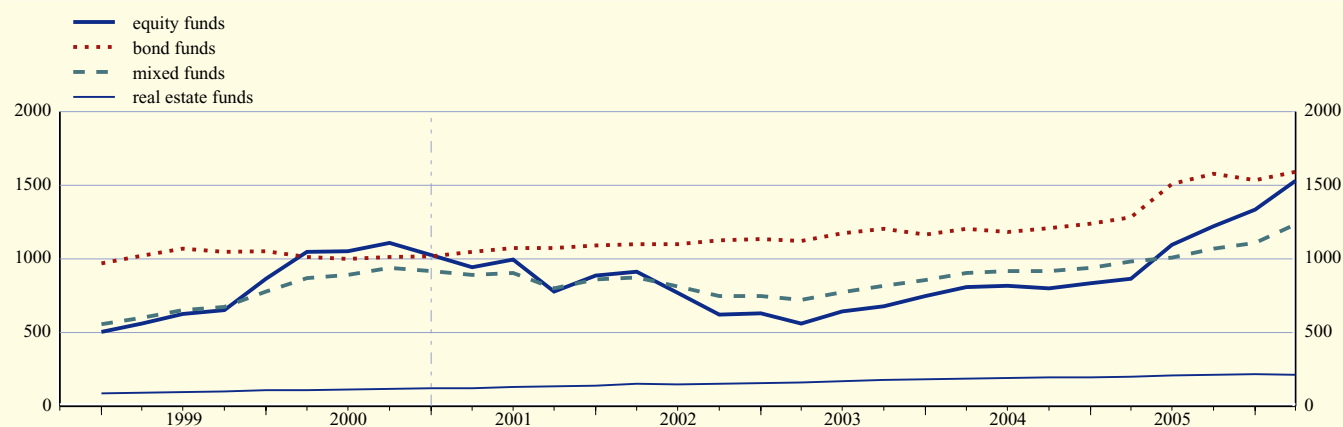
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
2004 Q4	3,830.1	53.1	3,618.9	158.1
2005 Q1	4,058.5	61.7	3,798.0	198.8
Q2	4,313.6	58.7	4,034.4	220.4
Q3	4,631.3	60.5	4,351.7	219.1
Q4	4,788.9	61.6	4,516.9	210.5
2006 Q1 <sup>(p)</sup>	5,190.4	73.1	4,863.7	253.7

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

	Total 1	Funds by investment policy					Funds by type of investor		
		Equity funds 2	Bond funds 3	Mixed funds 4	Real estate funds 5	Other funds 6	General public funds 7	Special investors' funds 8	
2004 Q4	3,830.1	836.8	1,238.7	941.4	196.8	616.5	2,851.0	979.1	
2005 Q1	4,058.5	864.6	1,285.8	984.4	201.1	722.6	3,041.4	1,017.0	
Q2	4,313.6	1,097.2	1,510.2	1,011.1	207.1	488.0	3,245.7	1,067.9	
Q3	4,631.3	1,224.8	1,581.9	1,071.1	213.2	540.3	3,507.6	1,123.8	
Q4	4,788.9	1,335.8	1,538.0	1,109.2	215.8	590.1	3,658.8	1,130.1	
2006 Q1 <sup>(p)</sup>	5,190.4	1,530.2	1,592.5	1,237.5	213.4	616.8	3,995.4	1,195.0	

### 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 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
Equity funds									
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
Q2	1,097.2	45.0	41.6	4.5	37.1	936.5	40.0	-	34.1
Q3	1,224.8	48.3	43.4	4.9	38.5	1,044.8	52.4	-	35.9
Q4	1,335.8	50.8	45.8	5.7	40.2	1,145.4	60.3	-	33.5
2006 Q1 <sup>(p)</sup>	1,530.2	55.0	51.4	6.3	45.1	1,308.2	71.0	-	44.6
Bond funds									
2004 Q4	1,238.7	84.1	1,020.9	43.6	977.3	39.9	29.4	-	64.3
2005 Q1	1,285.8	97.8	1,046.0	44.8	1,001.2	39.4	34.5	-	68.0
Q2	1,510.2	110.5	1,229.5	58.4	1,171.1	38.4	40.1	-	91.7
Q3	1,581.9	110.3	1,289.1	67.0	1,222.1	38.4	43.8	-	100.2
Q4	1,538.0	100.0	1,251.7	67.6	1,184.2	38.6	46.3	-	101.3
2006 Q1 <sup>(p)</sup>	1,592.5	108.9	1,286.2	82.6	1,203.6	41.1	49.3	-	107.0
Mixed funds									
2004 Q4	941.4	55.2	375.4	21.8	353.6	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
Q2	1,011.1	65.5	418.3	21.2	397.0	277.6	170.2	0.2	79.4
Q3	1,071.1	67.0	426.0	21.7	404.3	301.2	185.5	0.2	91.3
Q4	1,109.2	60.9	440.9	26.9	413.9	315.5	202.0	0.1	89.9
2006 Q1 <sup>(p)</sup>	1,237.5	68.0	464.8	38.1	426.7	349.2	238.4	0.1	117.0
Real estate funds									
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
Q2	207.1	14.0	8.2	0.8	7.5	1.1	7.6	167.1	9.0
Q3	213.2	15.2	8.8	1.2	7.6	1.3	8.1	171.0	8.7
Q4	215.8	14.2	7.8	1.5	6.3	1.4	6.9	175.1	10.4
2006 Q1 <sup>(p)</sup>	213.4	14.4	6.1	1.7	4.4	1.8	4.4	176.6	10.1

## 2. Funds by type of investor

	Total 1	Deposits 2	Holdings of securities other than shares 3	Holdings of shares/ other equity 4	Holdings of investment fund shares 5	Fixed assets 6	Other assets 7
2004 Q4	2,851.0	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
Q2	3,245.7	247.7	1,207.1	1,125.1	313.7	144.8	207.3
Q3	3,507.6	251.6	1,261.0	1,257.9	353.3	146.5	237.4
Q4	3,658.8	242.4	1,277.5	1,371.0	381.0	150.1	236.8
2006 Q1 <sup>(p)</sup>	3,995.4	262.6	1,334.8	1,549.5	427.5	150.3	270.7
Special investors' funds							
2004 Q4	979.1	42.9	545.4	246.7	85.3	21.0	37.9
2005 Q1	1,017.0	46.6	557.7	261.9	90.3	22.0	38.6
Q2	1,067.9	48.7	575.9	274.8	103.9	22.8	41.9
Q3	1,123.8	51.9	599.6	295.5	106.7	25.2	44.8
Q4	1,130.1	48.6	570.6	312.0	124.3	25.9	48.7
2006 Q1 <sup>(p)</sup>	1,195.0	52.4	569.8	344.6	140.2	27.1	61.0

Source: ECB.



## FINANCIAL AND NON-FINANCIAL ACCOUNTS

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

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

	Currency and deposits											Memo: deposits of non-MFIs with banks outside the euro area
	Total	Total	Currency	Deposits of non-financial sectors other than central government with euro area MFIs					Deposits of central government with euro area MFIs	Deposits with non-MFIs		
				Total	Overnight	With agreed maturity	Redeemable at notice	Repos				
	1	2	3	4	5	6	7	8	9	10	11	
Outstanding amounts												
2004 Q4	16,671.1	6,346.6	412.2	5,435.0	2,165.2	1,577.9	1,603.7	88.2	162.4	337.0	336.1	
2005 Q1	16,942.1	6,358.0	409.6	5,432.8	2,174.3	1,560.0	1,620.0	78.5	187.4	328.2	371.9	
Q2	17,391.6	6,528.6	431.8	5,549.2	2,448.4	1,552.8	1,471.1	76.8	211.5	336.1	369.0	
Q3	17,731.1	6,528.9	439.9	5,565.0	2,440.3	1,571.7	1,475.5	77.6	182.4	341.5	396.6	
Q4	18,163.8	6,730.1	465.5	5,732.3	2,559.1	1,604.0	1,489.0	80.3	173.6	358.8	369.2	
2006 Q1	18,648.2	6,751.9	459.7	5,733.8	2,517.7	1,628.9	1,506.3	80.9	193.1	365.3	377.7	
Transactions												
2004 Q4	162.6	160.1	28.0	159.4	65.2	49.9	38.9	5.4	-41.7	14.4	-16.3	
2005 Q1	148.8	16.3	-2.6	-4.0	7.4	-17.4	15.7	-9.7	25.0	-2.1	26.7	
Q2	303.0	166.7	22.2	110.0	110.9	-10.1	10.9	-1.7	24.1	10.4	-9.5	
Q3	95.1	3.5	8.1	16.7	-7.3	18.8	4.4	0.7	-29.4	8.1	14.2	
Q4	296.2	207.0	25.6	170.7	119.2	34.9	14.2	2.4	-8.9	19.6	-6.7	
2006 Q1	149.6	27.2	-5.8	4.2	-40.5	26.7	17.4	0.6	19.6	9.3	9.0	
Growth rates												
2004 Q4	4.8	6.1	17.2	5.1	7.1	1.6	6.2	3.6	3.9	11.6	3.8	
2005 Q1	4.7	5.9	16.5	5.1	7.9	1.5	5.6	-3.3	1.7	9.5	5.1	
Q2	4.5	6.0	15.8	5.5	9.0	1.8	4.9	-3.2	-5.5	11.3	3.5	
Q3	4.3	5.6	14.5	5.3	8.4	2.7	4.5	-6.3	-10.8	9.6	4.3	
Q4	5.1	6.2	12.9	5.4	10.6	1.7	2.8	-9.3	6.7	10.7	7.4	
2006 Q1	5.0	6.4	12.2	5.6	8.4	4.5	2.9	2.7	2.9	14.4	1.9	
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 Q4	1,967.2	230.1	1,737.1	4,161.0	2,182.6	1,978.4	405.0	4,196.3	3,814.4	381.9		
2005 Q1	1,952.8	226.7	1,726.1	4,322.0	2,290.0	2,032.0	411.1	4,309.3	3,918.8	390.5		
Q2	1,994.7	234.3	1,760.4	4,452.0	2,363.3	2,088.6	408.3	4,416.3	4,022.8	393.6		
Q3	1,980.7	229.0	1,751.6	4,709.7	2,540.4	2,169.3	409.2	4,511.9	4,114.1	397.8		
Q4	1,971.2	212.7	1,758.5	4,840.0	2,662.7	2,177.3	399.2	4,622.4	4,222.2	400.3		
2006 Q1	2,032.7	250.1	1,782.7	5,123.8	2,908.4	2,215.4	381.0	4,739.8	4,333.1	406.7		
Transactions												
2004 Q4	-0.3	3.6	-3.9	-60.2	-49.0	-11.2	-16.4	63.0	59.9	3.1		
2005 Q1	21.1	-3.0	24.1	36.4	1.8	34.6	6.3	75.1	66.5	8.6		
Q2	27.5	8.7	18.8	36.3	19.9	16.4	-1.1	72.5	69.3	3.2		
Q3	-7.8	0.7	-8.5	25.9	-7.7	33.6	3.0	73.5	69.4	4.1		
Q4	8.3	-17.1	25.4	5.5	6.9	-1.3	-8.7	75.3	72.9	2.4		
2006 Q1	64.5	36.9	27.7	-36.4	-50.3	13.9	4.8	94.2	87.3	6.9		
Growth rates												
2004 Q4	3.9	36.4	0.8	1.5	1.3	1.7	-1.6	6.7	6.8	5.8		
2005 Q1	4.0	17.8	2.6	1.5	1.1	1.9	-3.3	6.5	6.6	5.4		
Q2	3.2	8.6	2.6	0.7	-0.9	2.4	-3.4	6.7	6.9	5.0		
Q3	2.0	4.7	1.7	1.0	-1.7	3.7	-2.0	6.9	7.1	5.0		
Q4	2.5	-4.6	3.4	2.5	1.0	4.2	-0.1	7.1	7.3	4.8		
2006 Q1	4.7	12.9	3.7	0.7	-1.4	3.1	-0.5	7.3	7.6	4.3		

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 Q4	17,876.7	8,935.5	7,794.7	929.7	80.8	848.9	3,780.5	1,191.4	2,589.1	4,225.3	292.4	3,932.9	435.0
2005 Q1	18,241.5	9,023.3	7,877.9	924.3	77.4	846.9	3,811.0	1,190.4	2,620.6	4,287.9	292.1	3,995.8	451.3
Q2	18,792.7	9,240.4	8,110.3	925.7	82.2	843.5	3,907.2	1,239.2	2,668.0	4,407.4	302.7	4,104.7	518.3
Q3	19,255.7	9,365.9	8,240.1	929.9	87.5	842.4	3,938.2	1,221.8	2,716.4	4,497.7	300.2	4,197.5	527.8
Q4	19,520.9	9,590.3	8,450.6	936.8	79.8	857.1	4,039.9	1,262.2	2,777.8	4,613.5	306.6	4,306.9	586.0
2006 Q1	20,163.4	9,829.5	8,645.2	931.7	86.7	845.0	4,181.7	1,286.5	2,895.2	4,716.2	302.7	4,413.5	654.2
Transactions													
2004 Q4	107.7	145.0	139.7	1.9	-9.2	11.1	55.6	23.1	32.4	87.5	5.8	81.7	1.7
2005 Q1	237.8	102.2	87.2	-6.2	-3.4	-2.8	43.4	5.8	37.6	65.0	0.7	64.3	7.6
Q2	337.4	200.7	187.8	0.8	4.8	-4.0	84.8	39.3	45.5	115.1	10.4	104.6	60.9
Q3	212.6	130.5	133.4	4.4	5.3	-0.9	33.6	-16.6	50.2	92.4	-2.5	94.9	23.4
Q4	285.7	269.0	227.0	14.4	-7.5	21.9	132.0	46.1	85.9	122.7	6.6	116.0	53.9
2006 Q1	299.9	203.5	176.7	-5.9	6.9	-12.8	120.6	21.7	98.9	88.8	-2.3	91.1	50.6
Growth rates													
2004 Q4	4.3	5.0	5.9	-0.9	-1.7	-0.8	3.3	2.0	4.0	8.1	1.9	8.6	2.3
2005 Q1	4.5	5.6	6.0	-2.0	-10.1	-1.1	4.8	3.1	5.5	8.2	3.9	8.5	1.7
Q2	4.8	6.1	6.6	-0.9	-10.1	0.1	5.1	4.8	5.3	8.6	4.9	8.9	16.7
Q3	5.1	6.6	7.1	0.1	-2.8	0.4	5.8	4.4	6.5	8.7	5.0	9.0	21.9
Q4	6.0	7.9	8.2	1.4	-0.9	1.7	7.8	6.3	8.5	9.4	5.2	9.7	33.5
2006 Q1	6.2	8.9	9.2	1.5	12.4	0.5	9.7	7.6	10.7	9.8	4.2	10.2	41.8
Securities other than shares issued by													
	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 Q4	5,371.4	4,718.9	590.8	4,128.0	652.5	221.3	431.1	2,980.4	288.5	300.9			
2005 Q1	5,496.8	4,835.2	601.3	4,233.8	661.7	235.5	426.2	3,138.6	279.1	303.7			
Q2	5,708.2	5,031.5	622.8	4,408.7	676.7	240.7	436.0	3,243.6	293.6	307.0			
Q3	5,703.1	5,025.5	610.6	4,414.9	677.6	237.2	440.4	3,580.2	296.1	310.5			
Q4	5,629.7	4,960.4	586.5	4,373.9	669.3	235.6	433.7	3,675.5	311.7	313.7			
2006 Q1	5,614.3	4,941.1	595.9	4,345.1	673.3	246.9	426.4	4,082.8	319.6	317.1			
Transactions													
2004 Q4	-50.9	-41.6	-25.1	-16.5	-9.3	-7.3	-1.9	2.7	7.0	4.0			
2005 Q1	137.4	123.6	9.1	114.5	13.8	15.4	-1.6	4.7	-9.3	2.8			
Q2	117.4	111.1	22.7	88.4	6.3	5.0	1.3	1.4	14.5	3.3			
Q3	-3.2	-3.1	-12.1	9.0	-0.1	-3.6	3.4	79.3	2.6	3.4			
Q4	-21.4	-18.5	-24.0	5.5	-2.9	-4.4	1.5	20.5	14.4	3.2			
2006 Q1	87.7	79.3	9.7	69.6	8.4	11.3	-2.9	-2.5	7.9	3.4			
Growth rates													
2004 Q4	4.9	5.2	6.2	5.1	2.3	8.4	-0.6	0.5	8.4	4.6			
2005 Q1	4.8	4.8	1.0	5.3	5.5	8.4	4.0	0.5	4.6	4.5			
Q2	4.8	5.0	1.2	5.6	3.0	4.3	2.3	0.5	7.1	4.5			
Q3	3.7	4.0	-0.9	4.8	1.6	4.2	0.3	3.2	5.3	4.5			
Q4	4.3	4.5	-0.7	5.3	2.6	5.6	1.1	3.6	7.7	4.2			
2006 Q1	3.3	3.5	-0.6	4.1	1.8	3.5	0.8	3.1	14.1	4.4			

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 Q4	4,239.1	583.2	59.2	500.8	2.5	20.8	357.0	62.6	294.4	1,731.1	84.0	1,647.1
2005 Q1	4,361.1	597.0	65.7	508.8	2.7	19.8	356.6	63.1	293.5	1,774.7	83.4	1,691.3
Q2	4,497.5	595.8	61.2	511.3	2.7	20.6	352.6	64.7	287.9	1,840.3	83.8	1,756.5
Q3	4,673.2	602.9	60.0	517.7	2.7	22.4	359.6	70.6	289.1	1,889.0	81.9	1,807.2
Q4	4,765.8	612.6	67.8	521.6	2.6	20.6	363.3	76.6	286.7	1,918.9	85.7	1,833.2
2006 Q1	4,935.2	613.0	65.6	525.2	2.5	19.7	377.1	81.0	296.0	1,941.2	89.5	1,851.7
	Transactions											
2004 Q4	59.3	9.9	-1.7	10.6	0.2	0.7	-8.3	-0.6	-7.8	49.6	4.1	45.5
2005 Q1	89.0	12.5	6.4	6.9	0.2	-1.0	-2.3	0.9	-3.2	50.1	-0.5	50.6
Q2	60.7	-2.0	-5.3	2.2	0.2	0.8	-4.2	1.6	-5.8	36.2	-0.6	36.8
Q3	85.5	7.1	-1.2	6.4	0.1	1.8	2.4	1.3	1.1	38.8	-2.0	40.8
Q4	77.0	8.7	7.4	3.1	0.0	-1.9	1.7	5.5	-3.8	46.3	3.0	43.4
2006 Q1	88.4	0.6	-2.0	3.6	-0.1	-0.8	5.7	4.4	1.3	43.3	3.9	39.4
	Growth rates											
2004 Q4	6.2	7.4	1.2	8.2	-12.0	7.8	-0.7	2.4	-1.4	10.2	13.8	10.1
2005 Q1	5.9	6.8	2.2	8.3	-11.6	-10.5	-3.5	1.4	-4.5	9.9	8.4	9.9
Q2	6.4	5.1	1.8	5.7	23.8	-2.8	-4.2	2.6	-5.7	10.2	4.9	10.5
Q3	7.1	4.8	-2.8	5.3	30.1	12.0	-3.4	5.1	-5.2	10.5	1.5	10.9
Q4	7.4	4.5	12.5	3.7	18.4	-0.8	-0.7	14.9	-4.0	9.9	-0.1	10.4
2006 Q1	7.1	2.4	-1.7	3.0	7.2	-0.3	1.6	20.4	-2.5	9.3	5.1	9.5

	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
	Outstanding amounts													
2004 Q4	1,439.1	683.9	755.3	67.4	128.7	4,371.6	79.5	48.6	21.1	207.9	4,063.0	3,469.7	593.3	
2005 Q1	1,500.6	713.1	787.5	67.1	132.3	4,511.7	90.1	58.2	21.4	220.3	4,179.9	3,574.6	605.4	
Q2	1,574.3	745.1	829.3	87.1	134.4	4,635.8	92.8	63.8	21.5	223.3	4,298.1	3,688.8	609.3	
Q3	1,684.7	815.7	869.1	88.0	136.9	4,724.8	92.4	65.2	22.1	251.2	4,359.1	3,778.8	580.3	
Q4	1,732.0	837.5	894.5	81.0	139.0	4,874.8	65.0	64.6	22.1	285.9	4,501.8	3,881.4	620.3	
2006 Q1	1,865.0	911.3	953.7	80.2	139.0	5,027.3	82.4	81.9	22.2	298.7	4,623.9	3,993.0	631.0	
	Transactions													
2004 Q4	7.0	-0.2	7.2	5.1	1.1	43.2	-11.0	-3.6	-0.1	0.1	54.2	50.5	3.7	
2005 Q1	25.2	7.0	18.2	-0.3	3.5	84.0	9.7	8.6	0.6	0.0	73.6	61.6	12.0	
Q2	28.7	4.5	24.2	6.7	2.0	74.9	2.8	5.5	0.0	0.5	71.6	67.4	4.2	
Q3	34.6	17.1	17.6	1.0	2.5	75.5	-0.4	1.4	0.5	1.1	74.3	67.6	6.7	
Q4	18.8	-4.7	23.5	-8.0	1.5	79.6	-0.5	-0.6	0.1	4.0	76.0	70.8	5.2	
2006 Q1	35.0	2.4	32.6	-0.9	3.8	112.6	17.3	17.2	0.0	0.1	95.2	84.6	10.6	
	Growth rates													
2004 Q4	2.8	0.8	4.7	4.8	6.1	6.2	5.5	36.9	-9.1	1.6	6.5	6.8	4.7	
2005 Q1	3.4	1.9	4.8	6.3	6.3	6.0	5.4	23.7	-6.7	1.2	6.3	6.6	4.6	
Q2	5.3	3.1	7.4	17.3	7.0	6.2	3.5	17.6	-6.0	1.4	6.6	7.0	4.3	
Q3	6.8	4.3	9.1	20.2	7.1	6.5	1.2	22.8	5.0	0.9	6.9	7.3	4.5	
Q4	7.5	3.5	11.0	-0.9	7.4	7.2	14.5	30.8	6.2	2.7	7.3	7.7	4.7	
2006 Q1	7.8	2.7	12.4	-1.8	7.4	7.6	21.2	40.4	3.2	2.6	7.6	8.1	4.4	

Source: ECB.

1) Excluding unquoted shares.

## 3.4 Annual saving, investment and financing

(EUR billions, unless otherwise indicated)

## 1. All sectors in the euro area

	Net acquisition of non-financial assets					Net acquisition of financial assets							
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Changes in inventories <sup>1)</sup>	Non-produced assets	Total	Monetary gold and SDRs	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Insurance technical reserves	Other investment (net) <sup>3)</sup>
	1	2	3	4	5	6	7	8	9	10	11	12	13
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

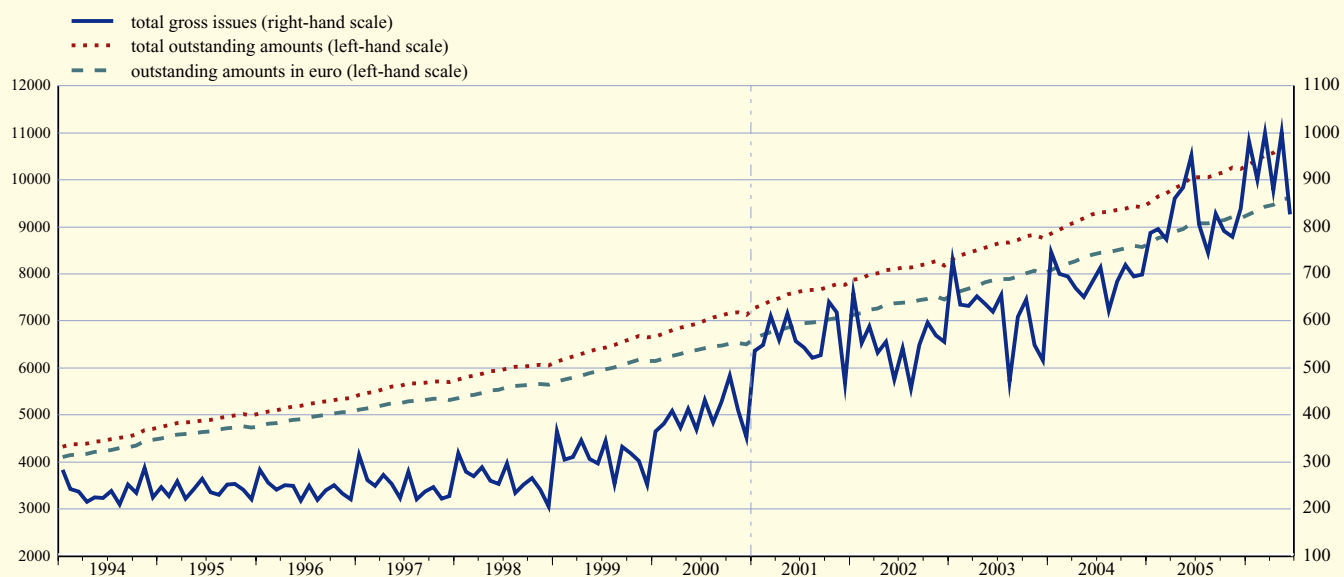
### 4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

(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	6-month growth rates	
<b>Total</b>												
2005 June	10,641.1	1,026.7	193.4	9,077.5	902.7	125.1	10,049.5	952.3	134.8	8.1	128.3	9.0
July	10,618.3	818.5	-23.0	9,080.4	762.7	2.8	10,055.8	804.1	5.9	7.6	14.2	8.1
Aug.	10,625.7	757.8	3.7	9,073.1	705.2	-11.1	10,057.6	744.4	-2.7	7.4	39.4	7.0
Sep.	10,724.6	893.7	100.3	9,109.1	786.9	37.3	10,111.7	828.1	46.1	7.4	45.9	7.3
Oct.	10,739.1	797.5	14.8	9,145.2	744.1	36.3	10,165.7	790.7	53.1	7.5	53.7	6.4
Nov.	10,817.3	801.5	79.8	9,206.0	734.4	62.3	10,255.0	779.4	76.7	7.6	73.5	7.3
Dec.	10,831.5	870.7	13.0	9,183.2	794.4	-23.9	10,237.1	838.3	-24.8	7.6	74.9	6.1
2006 Jan.	10,880.7	971.9	55.1	9,262.0	927.4	84.7	10,321.1	982.4	103.9	7.7	62.9	7.1
Feb.	10,988.4	917.5	105.1	9,340.8	845.8	76.1	10,428.5	900.7	89.6	7.3	62.0	7.5
Mar.	11,143.2	1,054.2	154.6	9,423.1	939.4	82.1	10,514.9	999.9	99.3	7.7	72.5	8.1
Apr.	11,164.5	872.7	18.0	9,474.5	821.1	48.3	10,573.3	878.8	67.9	7.3	56.1	8.1
May	11,290.6	1,019.2	126.1	9,588.3	950.7	113.7	10,695.6	1,000.4	127.1	7.8	90.0	8.3
June	11,341.5	876.9	56.6	9,602.5	778.6	19.7	10,719.8	826.9	27.6	6.7	20.0	7.2
<b>Long-term</b>												
2005 June	9,679.5	306.1	183.5	8,242.7	238.6	146.7	9,092.5	261.1	156.8	8.9	132.7	10.3
July	9,678.9	160.1	-0.9	8,235.8	131.4	-7.0	9,088.9	146.1	-2.4	8.4	8.1	8.8
Aug.	9,677.6	86.9	-4.9	8,222.8	63.8	-16.8	9,086.4	77.3	-9.3	8.1	28.3	7.4
Sep.	9,745.4	188.6	68.6	8,265.6	143.8	43.5	9,146.3	163.3	54.9	8.0	47.5	7.5
Oct.	9,776.9	166.5	32.5	8,283.2	137.4	18.4	9,180.7	159.3	31.6	8.0	44.8	6.8
Nov.	9,859.3	168.3	83.3	8,348.2	131.9	65.8	9,270.3	152.6	80.5	8.2	76.7	7.7
Dec.	9,902.9	178.3	41.8	8,375.1	147.1	25.2	9,302.8	165.9	27.4	8.3	72.1	6.2
2006 Jan.	9,945.8	195.9	48.2	8,414.3	173.5	44.5	9,342.9	195.4	56.9	8.1	57.3	7.3
Feb.	10,035.5	214.8	88.2	8,475.7	170.4	59.8	9,428.5	196.0	72.0	7.6	49.7	7.8
Mar.	10,134.4	246.9	99.2	8,547.4	195.9	72.1	9,498.1	221.7	80.5	7.8	61.0	8.1
Apr.	10,169.0	172.6	33.0	8,576.4	140.8	27.6	9,534.4	168.8	46.4	7.5	47.8	8.1
May	10,266.7	202.4	97.8	8,661.8	166.4	85.4	9,627.3	186.0	95.1	7.7	63.1	7.7
June	10,319.8	191.9	54.7	8,723.5	164.2	63.2	9,706.0	185.6	76.0	6.7	48.0	7.1

### 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	9,415	3,713	737	591	4,124	250	8,278	5,480	223	1,028	1,464	83
2005	10,237	4,109	927	610	4,309	283	9,838	6,983	324	1,032	1,404	95
2005 Q3	10,112	4,046	842	613	4,340	271	2,377	1,732	49	251	323	21
Q4	10,237	4,109	927	610	4,309	283	2,408	1,747	116	250	270	26
2006 Q1	10,515	4,260	969	620	4,377	289	2,883	2,108	83	258	412	22
Q2	10,720	4,333	1,031	631	4,426	298	2,706	1,985	102	248	348	22
2006 Mar.	10,515	4,260	969	620	4,377	289	1,000	738	33	84	139	6
Apr.	10,573	4,294	986	625	4,379	289	879	639	32	82	122	5
May	10,696	4,352	1,002	639	4,410	293	1,000	752	28	93	118	8
June	10,720	4,333	1,031	631	4,426	298	827	594	42	73	108	9
	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 Q3	965	475	7	99	379	5	1,990	1,560	12	235	175	9
Q4	934	482	7	90	350	5	1,931	1,531	10	221	160	8
2006 Q1	1,017	539	7	98	368	5	2,270	1,817	13	242	190	8
Q2	1,014	531	10	98	371	5	2,166	1,752	14	218	174	8
2006 Mar.	1,017	539	7	98	368	5	778	634	4	78	59	3
Apr.	1,039	557	8	101	368	5	710	568	5	74	60	3
May	1,068	579	8	107	370	5	814	675	5	78	54	3
June	1,014	531	10	98	371	5	641	509	4	66	59	3
	Long-term <sup>1)</sup>											
2004	8,503	3,266	729	501	3,762	245	1,939	905	179	97	708	49
2005	9,303	3,627	920	520	3,959	278	2,069	937	279	89	702	61
2005 Q3	9,146	3,571	835	514	3,961	265	387	172	38	17	148	12
Q4	9,303	3,627	920	520	3,959	278	478	216	106	29	109	18
2006 Q1	9,498	3,720	963	521	4,009	285	613	291	70	15	222	15
Q2	9,706	3,802	1,022	533	4,055	294	540	233	89	30	174	14
2006 Mar.	9,498	3,720	963	521	4,009	285	222	104	28	6	81	3
Apr.	9,534	3,737	979	524	4,011	284	169	71	27	8	61	2
May	9,627	3,774	994	532	4,040	288	186	77	24	15	64	5
June	9,706	3,802	1,022	533	4,055	294	186	85	38	7	49	7
	Of which long-term fixed rate											
2004	6,380	1,929	416	410	3,439	186	1,193	408	70	61	620	36
2005	6,711	2,016	458	409	3,610	217	1,227	413	91	54	620	48
2005 Q3	6,671	2,014	435	412	3,603	207	235	80	8	8	133	8
Q4	6,711	2,016	458	409	3,610	217	264	95	35	16	103	14
2006 Q1	6,812	2,060	475	404	3,648	225	402	156	31	8	195	12
Q2	6,906	2,080	500	409	3,685	232	329	109	42	18	150	10
2006 Mar.	6,812	2,060	475	404	3,648	225	140	49	16	5	68	2
Apr.	6,825	2,059	482	404	3,656	224	101	31	14	4	52	1
May	6,870	2,073	482	410	3,677	227	115	38	7	10	57	3
June	6,906	2,080	500	409	3,685	232	113	40	21	4	41	6
	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	304	60	715	429	188	28	58	12
2005 Q3	2,165	1,310	396	86	315	58	124	76	30	6	8	5
Q4	2,258	1,343	457	94	304	60	185	95	70	12	4	4
2006 Q1	2,331	1,383	483	98	307	60	172	108	39	4	18	3
Q2	2,425	1,419	518	107	319	61	170	91	47	12	15	4
2006 Mar.	2,331	1,383	483	98	307	60	67	43	12	1	10	1
Apr.	2,355	1,393	492	100	310	60	52	28	13	4	6	1
May	2,395	1,409	507	104	313	61	61	33	17	5	4	2
June	2,425	1,419	518	107	319	61	56	30	17	3	6	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

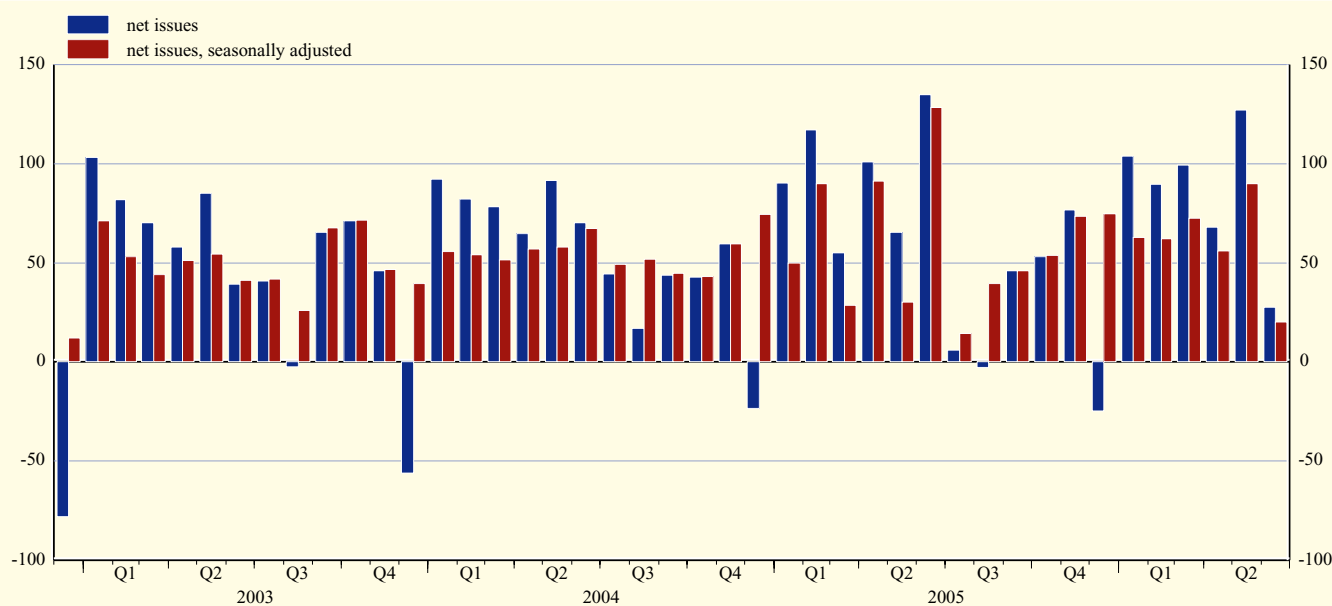
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

### 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	662.6	350.4	75.2	8.5	197.0	31.5	666.2	354.0	73.1	8.3	199.1	31.7
2005	717.8	315.6	177.1	21.9	170.9	32.2	719.6	319.0	172.9	22.1	173.2	32.4
2005 Q3	49.3	38.3	12.3	-0.8	-5.0	4.5	99.6	51.9	24.6	2.9	13.4	6.8
Q4	105.0	44.8	81.3	-0.2	-33.1	12.3	202.1	78.1	59.2	5.9	47.8	11.0
2006 Q1	292.8	158.9	44.9	11.0	71.1	6.9	197.4	107.1	65.0	7.6	11.6	6.1
Q2	222.6	80.4	64.1	17.6	51.5	9.1	166.1	84.8	51.6	10.9	10.3	8.5
2006 Mar.	99.3	54.9	18.5	2.7	22.9	0.3	72.5	36.3	22.5	2.4	10.4	0.9
Apr.	67.9	38.9	18.5	6.4	4.6	-0.4	56.1	30.7	18.9	4.2	2.4	-0.1
May	127.1	59.4	16.5	14.5	32.3	4.3	90.0	51.0	17.9	9.1	7.8	4.3
June	27.6	-17.9	29.1	-3.4	14.6	5.2	20.0	3.1	14.8	-2.4	0.2	4.4
	Long-term											
2004	615.2	297.8	73.8	12.1	201.7	29.8	617.8	299.1	71.7	12.0	205.1	30.0
2005	708.5	292.9	177.5	22.3	183.3	32.5	710.1	294.8	173.3	22.3	187.2	32.6
2005 Q3	43.3	28.1	12.7	5.8	-7.7	4.5	83.9	32.1	25.0	7.8	12.3	6.7
Q4	139.5	40.6	81.4	8.6	-3.9	12.7	193.6	68.7	59.4	7.9	45.9	11.6
2006 Q1	209.4	100.9	45.3	2.8	53.4	7.0	168.1	70.4	65.4	8.0	18.3	6.0
Q2	217.6	84.1	61.2	13.8	49.2	9.2	158.9	81.9	48.7	7.1	12.5	8.8
2006 Mar.	80.5	36.2	19.1	0.3	24.6	0.3	61.0	19.3	22.9	0.9	17.3	0.6
Apr.	46.4	21.8	17.2	3.7	4.3	-0.6	47.8	21.5	18.1	4.0	4.4	-0.2
May	95.1	35.3	16.3	9.2	29.9	4.5	63.1	25.6	17.5	5.7	9.7	4.6
June	76.0	27.0	27.7	0.9	15.0	5.3	48.0	34.8	13.0	-2.5	-1.6	4.4

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

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



Source: ECB.

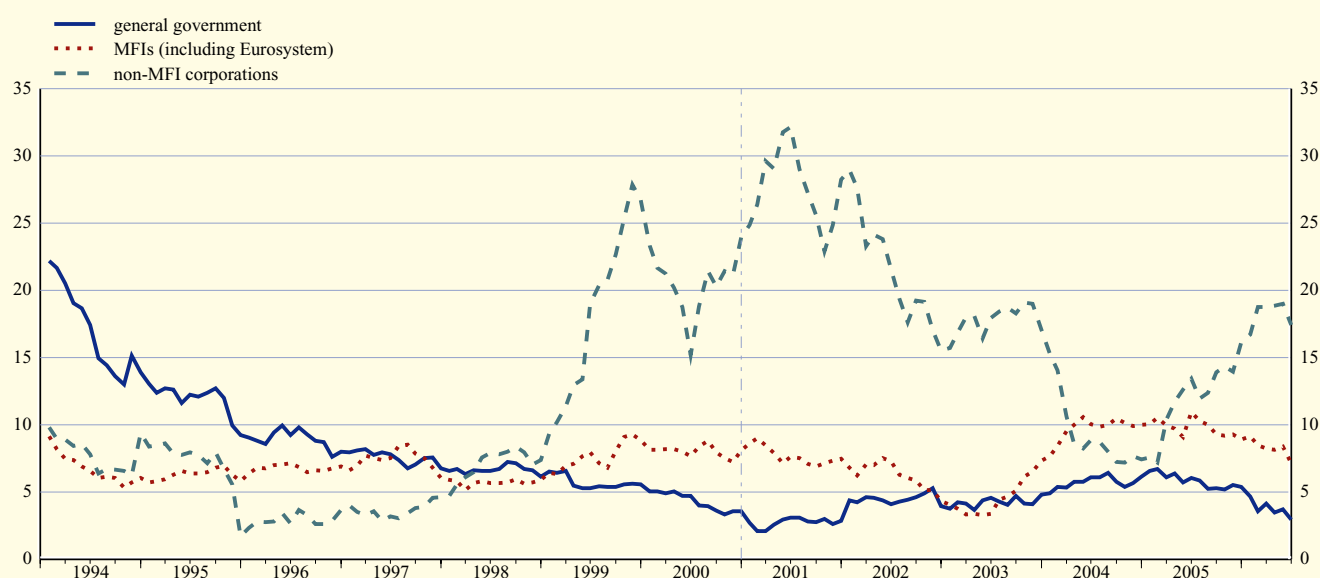
### 4.3 Growth rates of securities, other than shares, issued by euro area residents <sup>1)</sup>

(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 June	8.1	10.5	20.0	3.1	4.5	11.3	9.0	10.3	25.8	4.5	5.4	12.0
July	7.6	10.0	18.7	1.6	4.2	12.9	8.1	10.6	22.3	2.5	4.2	9.9
Aug.	7.4	10.0	18.8	2.3	3.7	12.1	7.0	9.6	22.9	1.9	2.5	9.4
Sep.	7.4	9.4	21.2	2.9	3.7	11.8	7.3	9.2	23.2	1.9	3.5	10.2
Oct.	7.5	9.4	21.4	4.1	3.6	12.2	6.4	8.4	23.5	2.0	2.2	9.0
Nov.	7.6	9.4	21.0	3.1	4.0	12.3	7.3	9.2	22.3	1.5	3.4	13.8
Dec.	7.6	8.4	23.7	3.7	4.1	12.9	6.1	6.6	21.4	2.9	2.9	13.9
2006 Jan.	7.7	9.1	24.3	3.6	3.7	11.3	7.1	7.7	26.2	4.6	3.2	12.7
Feb.	7.3	8.9	26.9	3.2	2.7	11.9	7.5	8.1	30.9	4.6	2.8	14.2
Mar.	7.7	9.3	27.3	3.1	3.1	11.6	8.1	9.3	31.4	4.5	2.8	13.0
Apr.	7.3	8.9	27.3	2.8	2.6	10.2	8.1	9.3	31.2	3.6	3.0	11.4
May	7.8	10.0	26.6	4.2	2.7	12.1	8.3	10.6	31.0	7.1	2.0	10.4
June	6.7	8.0	24.4	4.5	1.9	12.3	7.2	9.5	27.3	6.1	1.0	10.6
	Long-term											
2005 June	8.9	10.9	19.9	4.4	5.7	11.4	10.3	12.1	26.1	2.7	6.9	11.9
July	8.4	10.3	18.6	2.7	5.4	13.2	8.8	11.0	22.5	2.8	5.1	10.5
Aug.	8.1	10.0	18.8	3.5	4.8	12.4	7.4	9.3	23.4	4.6	3.0	9.9
Sep.	8.0	9.3	21.2	3.7	4.8	12.2	7.5	8.5	23.7	4.1	3.9	10.5
Oct.	8.0	9.2	21.5	4.3	4.7	12.5	6.8	8.4	24.0	5.0	2.3	9.1
Nov.	8.2	9.3	21.2	3.7	5.0	13.0	7.7	9.0	22.7	5.6	3.6	14.2
Dec.	8.3	8.9	24.0	4.5	4.9	13.2	6.2	5.8	21.8	6.3	3.0	14.6
2006 Jan.	8.1	9.1	24.6	5.1	4.2	11.8	7.3	7.3	26.5	7.4	3.2	13.1
Feb.	7.6	8.5	27.2	6.1	3.0	12.6	7.8	7.7	31.1	7.6	2.9	15.0
Mar.	7.8	8.2	27.7	5.2	3.6	12.1	8.1	7.9	31.8	6.3	3.3	13.6
Apr.	7.5	8.1	27.6	5.4	3.0	10.5	8.1	7.8	31.3	5.8	3.6	12.0
May	7.7	8.4	26.8	6.8	3.1	12.5	7.7	7.7	31.0	8.1	2.6	11.0
June	6.7	7.2	24.4	6.1	2.3	12.8	7.1	8.5	26.9	6.0	1.5	10.9

### 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.

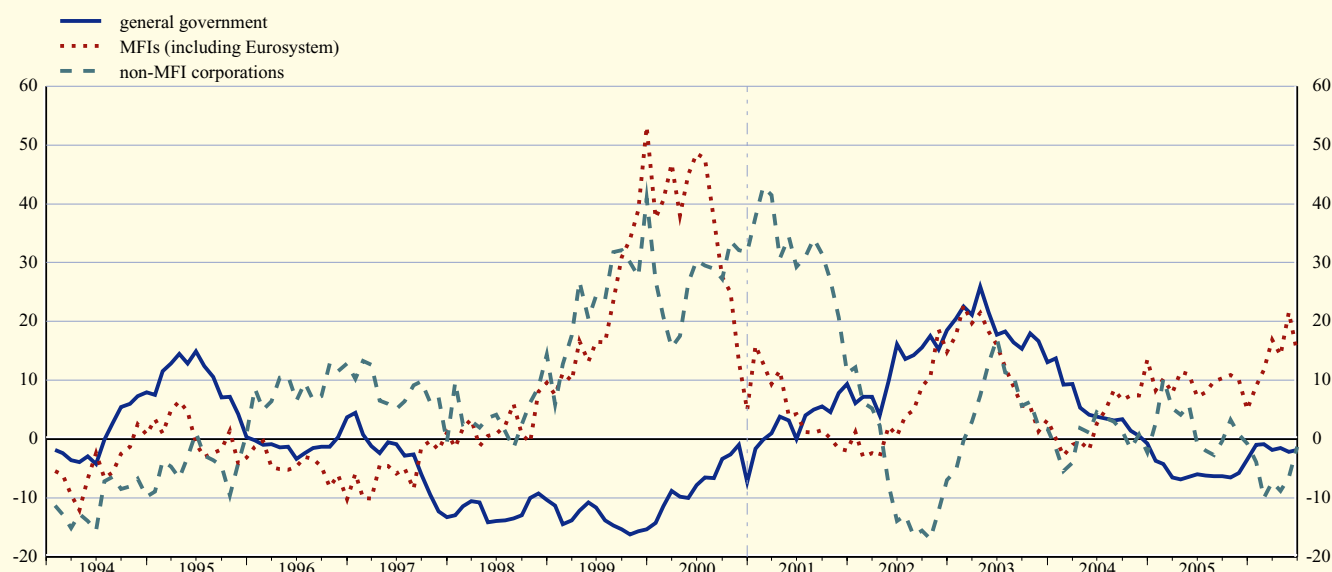
### 4.3 Growth rates of securities, other than shares, issued by euro area residents <sup>1)</sup> (cont'd)

(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	3.4	5.8	14.7	16.2	18.5	27.1	8.8	0.3	26.5
2005	4.7	3.1	5.7	0.4	5.4	15.0	19.4	18.3	35.8	22.4	9.8	4.7
2005 Q3	4.5	3.0	6.4	0.7	5.0	15.6	20.7	19.7	38.8	17.5	11.5	1.7
Q4	4.7	3.9	6.4	0.5	4.8	15.9	19.1	15.3	43.9	19.5	11.7	1.9
2006 Q1	4.3	4.3	8.9	0.7	3.5	15.6	19.0	14.3	48.8	24.5	7.8	1.1
Q2	4.2	4.4	11.7	0.8	3.0	13.6	16.9	11.9	46.1	28.0	3.6	5.1
2006 Jan.	4.5	4.6	8.0	0.3	3.9	14.9	19.3	15.1	47.1	24.2	8.6	1.0
Feb.	3.9	4.1	9.6	1.3	2.6	16.2	19.1	14.0	51.0	25.2	7.6	0.0
Mar.	4.4	4.4	10.3	0.3	3.6	14.5	18.0	12.7	51.3	25.0	4.9	3.2
Apr.	4.1	4.3	11.5	0.3	3.1	12.3	17.0	12.3	48.9	26.5	2.0	3.4
May	4.3	4.7	11.9	1.7	3.0	14.0	17.4	12.2	45.4	29.9	5.1	6.5
June	3.8	4.1	13.1	0.8	2.2	14.4	14.4	9.7	38.0	30.1	2.7	7.5
In euro												
2004	4.8	1.3	10.5	2.0	5.9	14.7	15.6	17.8	27.2	9.1	0.2	25.3
2005	4.3	0.9	9.1	-0.1	5.3	15.3	18.8	17.2	35.2	22.4	10.2	5.3
2005 Q3	4.1	1.0	9.9	0.4	4.9	16.0	20.5	18.9	38.4	18.3	12.1	2.6
Q4	4.2	1.9	8.5	0.6	4.6	16.2	18.3	13.9	41.6	21.1	12.2	2.2
2006 Q1	3.7	2.4	9.1	0.5	3.5	16.1	18.2	12.9	46.1	26.5	8.2	1.0
Q2	3.6	2.7	10.0	0.8	3.0	14.0	15.6	10.1	42.0	31.6	3.7	4.0
2006 Jan.	3.9	2.7	8.5	0.0	3.9	15.4	18.6	13.7	44.6	26.1	9.0	1.1
Feb.	3.3	2.3	9.6	1.3	2.6	16.7	18.3	12.6	47.9	27.3	8.0	-0.4
Mar.	3.8	2.7	9.2	0.2	3.5	15.1	17.3	11.5	48.1	27.0	5.0	2.8
Apr.	3.5	2.5	10.3	0.3	3.1	12.7	15.8	10.6	44.5	29.9	2.1	2.8
May	3.8	3.0	10.3	1.6	3.1	14.4	16.1	10.4	41.3	34.0	5.2	4.9
June	3.2	2.5	9.8	0.6	2.4	14.7	12.8	7.5	33.7	34.3	2.7	5.9

### 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)

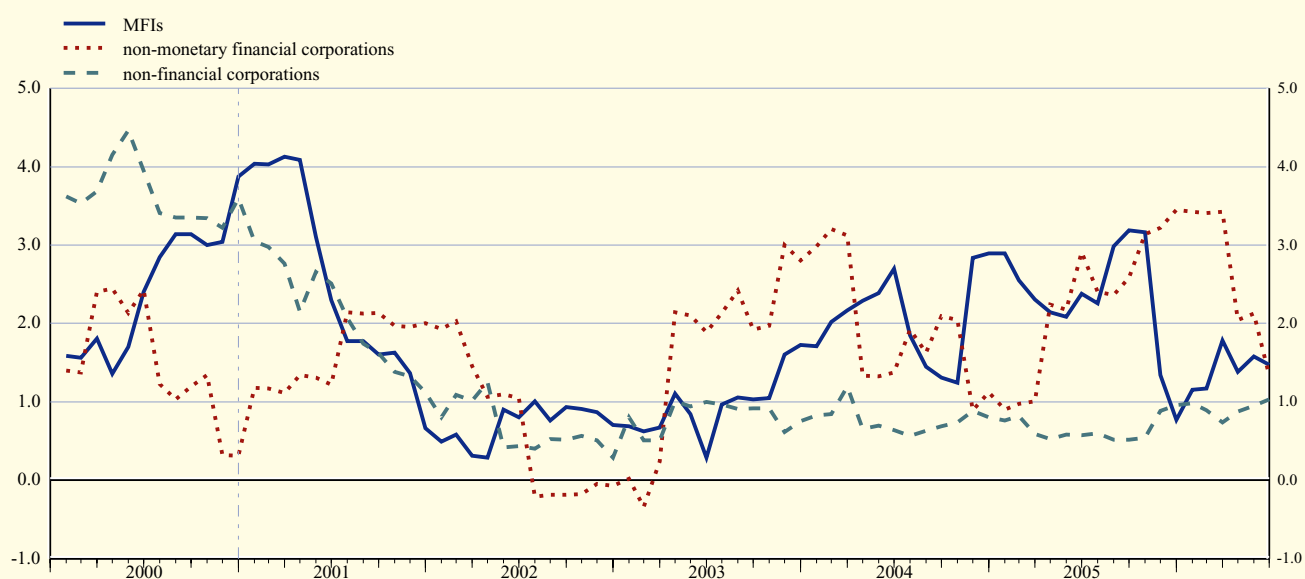
##### 1. Outstanding amounts and annual growth rates

(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 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	4,381.2	103.1	1.1	698.0	2.4	441.5	2.9	3,241.6	0.6
July	4,631.2	103.1	1.0	727.9	2.3	466.7	2.4	3,436.6	0.6
Aug.	4,605.9	103.1	1.1	723.4	3.0	457.1	2.4	3,425.4	0.5
Sep.	4,827.2	103.3	1.1	764.1	3.2	483.7	2.6	3,579.3	0.5
Oct.	4,659.4	103.4	1.2	752.4	3.2	480.5	3.1	3,426.6	0.5
Nov.	4,882.0	103.7	1.2	809.2	1.3	513.6	3.2	3,559.2	0.9
Dec.	5,056.2	103.8	1.2	836.4	0.8	540.8	3.4	3,679.1	1.0
2006 Jan.	5,289.1	103.9	1.3	884.8	1.2	535.8	3.4	3,868.5	1.0
Feb.	5,429.2	103.9	1.2	938.8	1.2	561.8	3.4	3,928.7	0.9
Mar.	5,629.8	103.9	1.2	962.3	1.8	579.1	3.4	4,088.4	0.7
Apr.	5,653.2	104.0	1.1	948.8	1.4	572.9	2.0	4,131.5	0.9
May	5,364.6	104.2	1.2	896.7	1.6	533.5	2.1	3,934.4	1.0
June	5,375.5	104.3	1.1	905.0	1.5	528.6	1.3	3,941.9	1.0

##### 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>

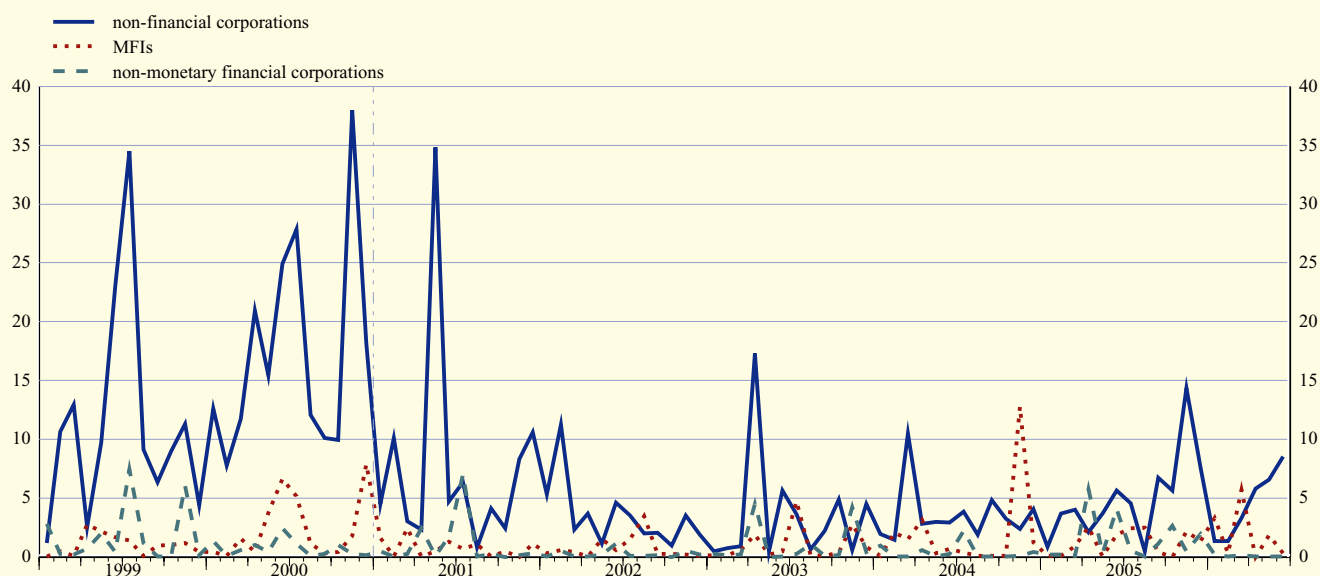
(EUR billions; market values)

### 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 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	4.0	3.2	0.7	0.0	0.0	0.0	0.3	0.6	-0.3	3.7	2.7	1.0
June	11.6	4.9	6.7	1.9	1.0	0.9	4.1	0.7	3.3	5.6	3.2	2.5
July	7.5	6.6	0.9	2.4	2.9	-0.4	0.5	0.0	0.5	4.5	3.7	0.8
Aug.	2.9	2.2	0.8	2.5	0.0	2.5	0.0	0.2	-0.1	0.4	2.0	-1.6
Sep.	8.2	2.3	5.9	0.4	0.0	0.4	1.1	0.1	1.0	6.7	2.2	4.5
Oct.	8.3	1.6	6.7	0.0	0.1	-0.1	2.6	0.0	2.6	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.	10.9	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
Apr.	5.8	0.4	5.4	0.0	0.2	-0.1	0.0	0.0	0.0	5.8	0.3	5.5
May	8.4	2.2	6.2	1.9	0.0	1.8	0.0	0.0	0.0	6.5	2.2	4.4
June	8.8	2.4	6.5	0.3	0.0	0.3	0.0	0.0	0.0	8.5	2.4	6.2

#### 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 July	0.68	1.93	2.01	2.18	2.10	2.34	0.94	2.02	2.21	3.12	2.00
Aug.	0.68	1.95	2.07	2.09	1.98	2.31	0.97	2.02	2.23	2.91	2.01
Sep.	0.69	1.97	2.05	2.04	1.98	2.29	0.97	2.04	2.23	2.97	2.03
Oct.	0.69	1.99	2.28	2.16	1.97	2.27	0.97	2.04	2.58	3.54	2.01
Nov.	0.70	2.02	2.34	2.18	2.00	2.27	1.00	2.08	2.18	3.52	2.02
Dec.	0.71	2.15	2.25	2.21	1.97	2.30	1.02	2.25	2.48	3.55	2.22
2006 Jan.	0.73	2.21	2.47	2.56	2.00	2.32	1.05	2.27	2.40	3.52	2.25
Feb.	0.74	2.24	2.52	2.36	1.97	2.34	1.08	2.31	2.69	3.37	2.26
Mar.	0.76	2.37	2.60	2.45	1.98	2.37	1.14	2.48	2.93	3.28	2.44
Apr.	0.79	2.40	2.81	2.49	2.00	2.42	1.16	2.51	2.92	3.71	2.49
May	0.79	2.45	2.86	2.48	2.00	2.48	1.18	2.58	3.11	3.38	2.48
June	0.81	2.57	2.88	2.57	2.03	2.52	1.22	2.70	3.28	3.27	2.65

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

	Bank overdrafts <sup>1)</sup>	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge <sup>3)</sup>	By initial rate fixation				Annual percentage rate of charge <sup>3)</sup>	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years				
	1	2	3	4	5	6	7	8	9	10	11	12	13
2005 July	9.52	6.70	6.59	8.01	7.82	3.33	3.71	4.07	4.06	3.85	3.89	4.54	4.38
Aug.	9.58	7.00	6.66	8.13	7.98	3.32	3.72	4.01	4.01	3.87	3.80	4.59	4.44
Sep.	9.61	7.03	6.43	7.94	7.83	3.31	3.69	3.99	3.97	3.82	3.85	4.51	4.29
Oct.	9.65	6.82	6.43	8.01	7.74	3.33	3.68	3.99	3.96	3.81	3.88	4.50	4.33
Nov.	9.70	6.75	6.40	7.85	7.61	3.38	3.71	3.98	3.98	3.84	4.00	4.28	4.37
Dec.	9.67	6.76	6.36	7.43	7.45	3.49	3.85	4.03	4.01	3.98	4.06	4.57	4.40
2006 Jan.	9.81	6.94	6.48	8.13	7.87	3.61	3.91	4.14	4.06	4.09	4.15	4.59	4.34
Feb.	9.61	6.88	6.34	7.95	7.76	3.66	3.97	4.14	4.06	4.08	4.24	4.66	4.35
Mar.	9.90	6.79	6.28	7.88	7.65	3.73	3.99	4.22	4.10	4.15	4.33	4.72	4.49
Apr.	9.76	7.06	6.31	7.92	7.76	3.84	4.07	4.33	4.17	4.29	4.30	4.85	4.62
May	9.78	7.23	6.23	7.89	7.77	3.90	4.15	4.40	4.19	4.34	4.43	5.05	4.76
June	9.84	7.05	6.30	7.81	7.73	4.00	4.20	4.48	4.25	4.43	4.51	5.09	4.71

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

	Bank overdrafts <sup>1)</sup>	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	
								1
2005 July		5.09	3.86	4.39	4.15	2.96	3.57	3.74
Aug.		5.10	3.91	4.45	4.16	3.00	3.53	3.80
Sep.		5.13	3.81	4.36	4.05	2.97	3.40	3.88
Oct.		5.11	3.88	4.43	4.04	2.94	3.58	3.80
Nov.		5.09	3.91	4.44	4.03	3.10	3.60	3.98
Dec.		5.12	3.99	4.50	4.12	3.25	3.58	3.96
2006 Jan.		5.23	4.07	4.59	4.13	3.18	3.72	3.96
Feb.		5.29	4.13	4.69	4.16	3.26	4.36	4.02
Mar.		5.30	4.23	4.59	4.16	3.50	3.83	4.18
Apr.		5.40	4.34	4.73	4.15	3.51	3.94	4.22
May		5.36	4.38	4.83	4.26	3.57	4.13	4.32
June		5.45	4.47	4.84	4.33	3.74	4.12	4.26

Source: ECB.

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



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

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

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

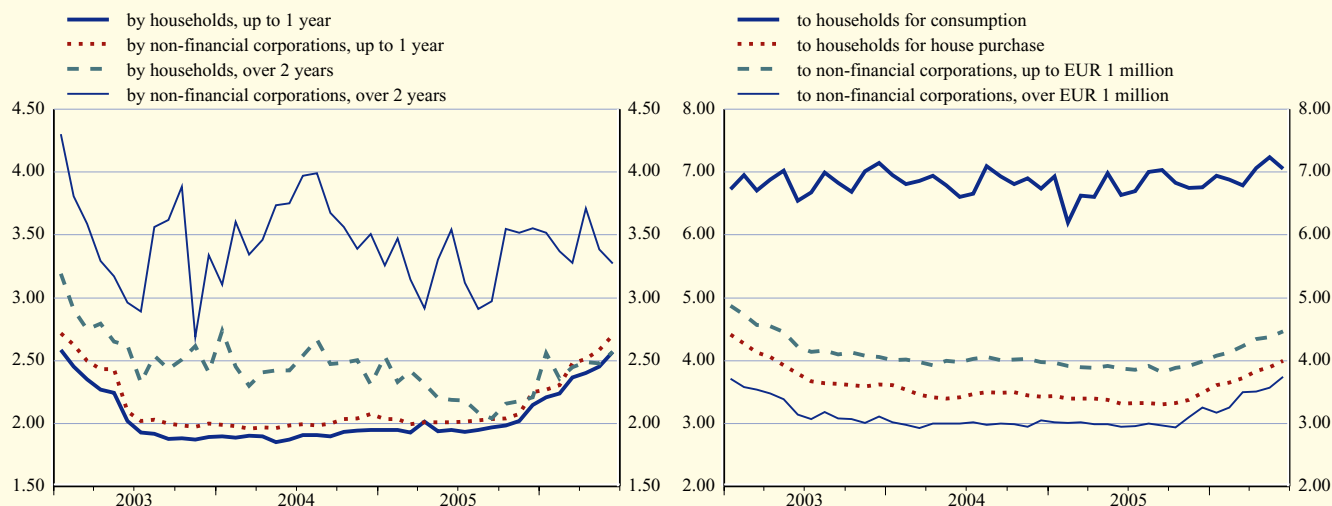
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight <sup>1)</sup>	With agreed maturity		Redeemable at notice <sup>1)2)</sup>		Overnight <sup>1)</sup>	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2005 July	0.68	1.91	3.18	2.10	2.34	0.94	2.11	3.57	1.98
Aug.	0.68	1.92	3.18	1.98	2.31	0.97	2.10	3.46	2.00
Sep.	0.69	1.92	3.19	1.98	2.29	0.97	2.12	3.56	2.01
Oct.	0.69	1.93	3.17	1.97	2.27	0.97	2.12	3.39	2.03
Nov.	0.70	1.96	3.15	2.00	2.27	1.00	2.16	3.43	2.06
Dec.	0.71	2.01	3.15	1.97	2.30	1.02	2.30	3.41	2.16
2006 Jan.	0.73	2.05	3.10	2.00	2.32	1.05	2.32	3.47	2.21
Feb.	0.74	2.09	3.12	1.97	2.34	1.08	2.38	3.37	2.27
Mar.	0.76	2.16	3.00	1.98	2.37	1.14	2.48	3.35	2.38
Apr.	0.79	2.21	3.01	2.00	2.42	1.16	2.53	3.40	2.42
May	0.79	2.27	3.04	2.00	2.48	1.18	2.59	3.41	2.49
June	0.81	2.34	3.07	2.03	2.52	1.22	2.72	3.53	2.63

#### 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 July	4.53	4.29	4.63	7.88	6.86	5.70	4.30	3.82	4.29
Aug.	4.52	4.24	4.59	7.92	6.86	5.60	4.25	3.80	4.28
Sep.	4.49	4.23	4.59	7.91	6.85	5.67	4.25	3.78	4.26
Oct.	4.49	4.19	4.57	7.92	6.80	5.64	4.24	3.77	4.24
Nov.	4.48	4.17	4.53	7.86	6.77	5.66	4.29	3.79	4.25
Dec.	4.54	4.14	4.52	7.89	6.77	5.62	4.35	3.84	4.24
2006 Jan.	4.62	4.14	4.50	7.99	6.78	5.60	4.42	3.88	4.26
Feb.	4.59	4.17	4.54	7.97	6.78	5.68	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
Apr.	4.63	4.16	4.52	8.10	6.73	5.75	4.59	4.05	4.34
May	4.63	4.16	4.52	8.10	6.70	5.71	4.64	4.10	4.36
June	4.69	4.21	4.55	8.10	6.75	5.73	4.72	4.19	4.40

**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.

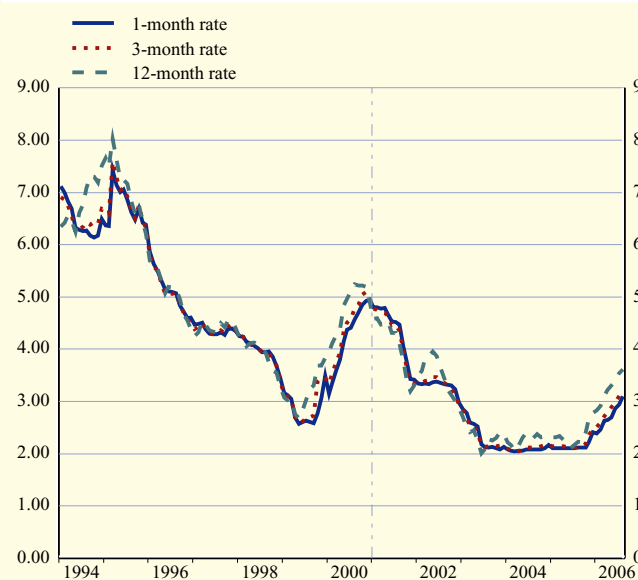
#### 4.6 Money market interest rates

(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 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
Q2	2.63	2.74	2.90	3.06	3.32	5.21	0.21
2005 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
June	2.70	2.87	2.99	3.16	3.40	5.38	0.32
July	2.81	2.94	3.10	3.29	3.54	5.50	0.40
Aug. <sup>(p)</sup>	2.97	3.09	3.22	3.41	3.61	5.42	0.41

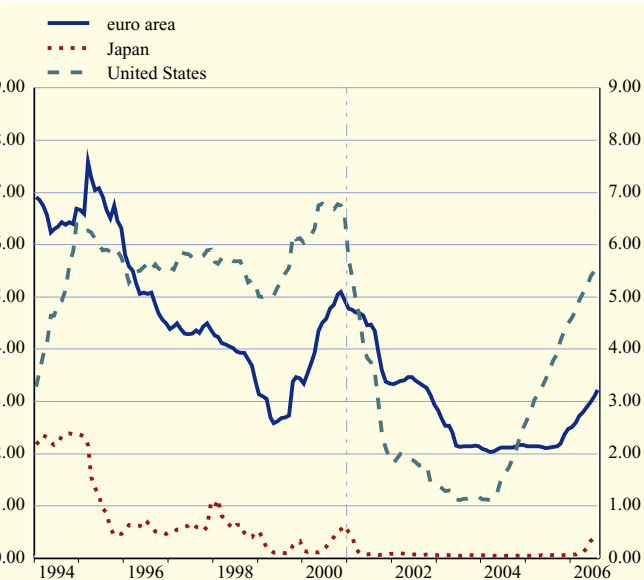
#### C23 Euro area money market rates

(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)

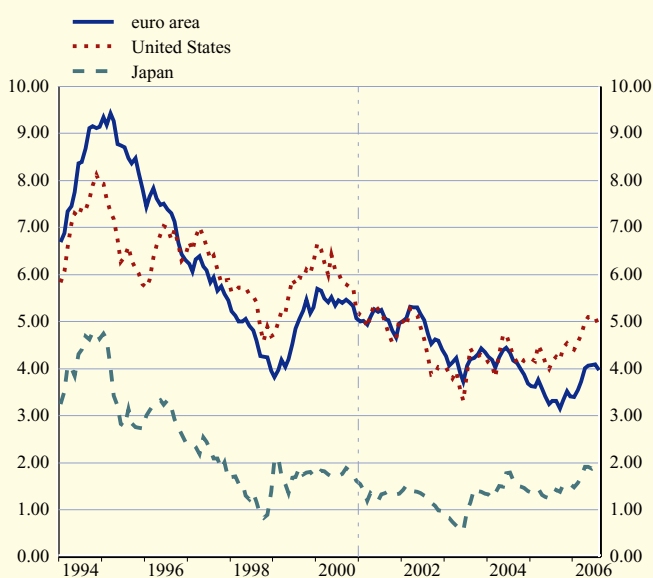
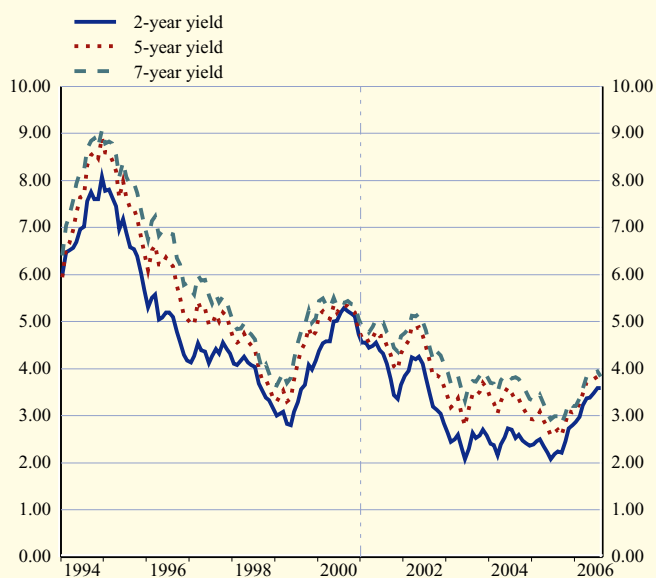
	Euro area <sup>1)</sup>					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
2003	2.49	2.74	3.32	3.74	4.16	4.00	0.99
2004	2.47	2.77	3.29	3.70	4.14	4.26	1.50
2005	2.38	2.55	2.85	3.14	3.44	4.28	1.39
2005 Q2	2.21	2.40	2.73	3.07	3.41	4.16	1.28
Q3	2.21	2.36	2.65	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
Q2	3.41	3.53	3.75	3.88	4.05	5.07	1.90
2005 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
June	3.47	3.59	3.78	3.91	4.07	5.10	1.87
July	3.58	3.69	3.84	3.94	4.10	5.10	1.91
Aug. <sup>(p)</sup>	3.58	3.65	3.75	3.84	3.97	4.89	1.82

### 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.

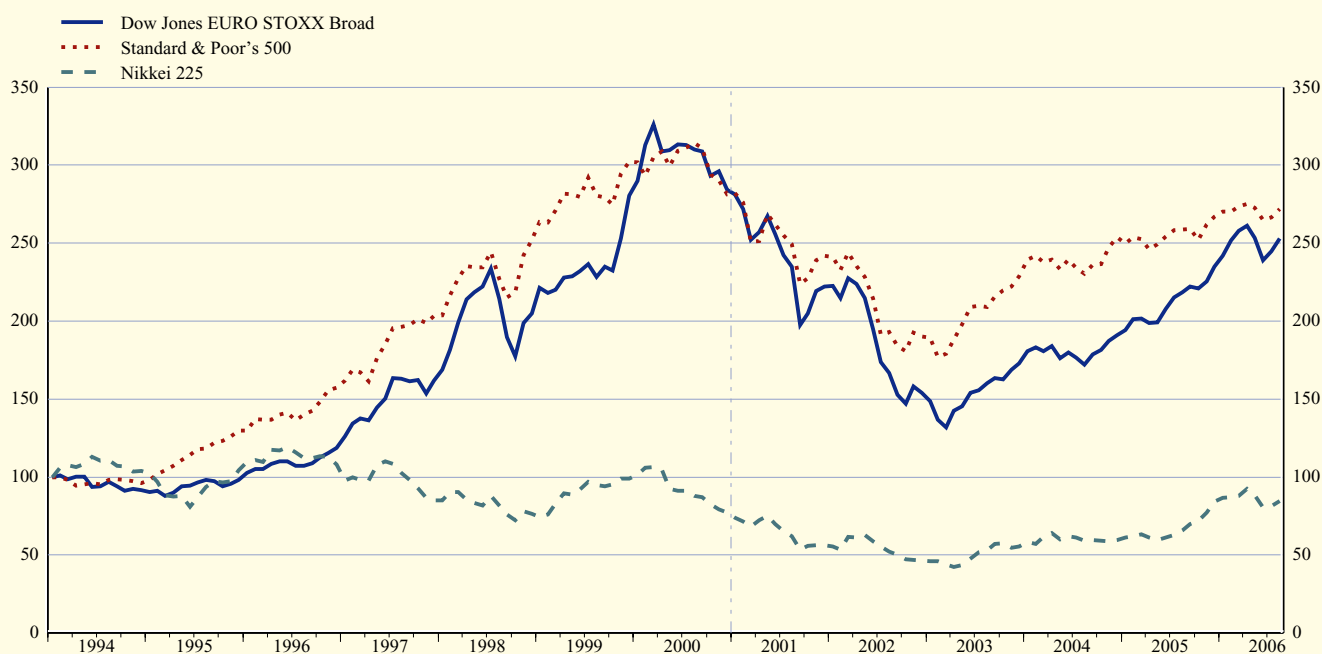
### 4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices												United States	Japan
	Benchmark		Main industry indices											
	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 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
Q2	348.2	3,692.9	386.0	199.6	285.5	412.8	357.5	387.5	358.0	417.7	403.5	539.1	1,280.9	16,190.0
2005 Aug.	303.1	3,303.3	311.5	185.7	257.1	405.8	293.4	318.9	297.6	343.9	444.7	473.0	1,224.3	12,205.0
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
June	331.8	3,528.7	367.8	193.6	269.8	390.7	338.2	365.2	336.0	404.4	394.8	530.2	1,253.1	14,990.3
July	339.6	3,617.3	389.0	196.6	277.0	409.5	348.2	369.8	321.7	415.7	393.3	548.6	1,261.2	15,133.2
Aug. <sup>(p)</sup>	350.7	3,740.9	399.3	200.7	289.0	418.4	366.1	375.5	323.8	442.1	394.8	525.0	1,286.4	15,770.7

### 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 Q2	99.9	2.0	1.5	1.8	2.3	0.7	0.3	0.2	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
Q2	102.4	2.5	1.5	2.7	2.0	0.8	0.4	0.4	0.3	3.9	0.5
2006 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	102.5	2.5	1.4	2.9	1.8	0.2	0.1	0.3	0.1	1.0	0.2
June	102.5	2.5	1.5	2.7	2.0	0.2	0.1	0.5	0.1	-0.1	0.2
July	102.4	2.4	1.6	2.6	2.1	0.3	0.2	0.9	-0.1	1.4	0.3
Aug. <sup>2)</sup>	.	2.3	.	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy	Rents					
% of total <sup>1)</sup>	19.3	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 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
Q2	2.0	2.2	1.6	3.1	0.6	11.6	2.5	2.1	2.8	-3.6	2.3	2.2
2006 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
May	2.0	2.2	1.5	3.4	0.6	12.9	2.5	2.1	2.6	-3.5	1.9	2.2
June	2.2	2.2	2.1	3.0	0.7	11.0	2.5	2.1	2.8	-3.6	2.2	2.3
July	2.7	2.3	3.2	2.6	0.5	9.5	2.5	2.1	2.8	-3.5	2.5	2.3

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	7.7	28.5	9.4	44.6	
2005 Q2	109.4	3.9	3.1	1.9	3.1	1.5	0.9	1.4	0.8	12.1	3.0	8.1 <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	3.0	7.3 <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	
Q2	115.8	5.8	3.9	2.7	4.4	1.2	1.7	1.6	1.8	17.4	.	-	30.0	26.2	56.2	
2006 Mar.	114.4	5.1	3.0	1.8	2.6	1.1	1.5	1.4	1.5	17.5	-	-	27.4	20.0	52.6	
Apr.	115.4	5.5	3.5	2.2	3.4	1.2	1.6	1.5	1.6	17.7	-	-	35.0	25.4	57.6	
May	115.8	6.1	4.3	2.7	4.5	1.1	1.7	1.7	1.7	18.7	-	-	36.2	31.5	55.7	
June	116.1	5.8	4.0	3.0	5.2	1.2	1.8	1.6	1.9	15.9	-	-	20.0	22.0	55.4	
July	.	.	.	.	.	.	.	.	.	.	-	-	21.6	26.7	58.8	
Aug.	.	.	.	.	.	.	.	.	.	.	-	-	15.8	26.9	58.1	

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	3.3	4.4	3.2	4.3	3.6	2.7
2003	110.8	3.1	2.9	3.9	3.0	4.0	2.9	2.4
2004	113.5	2.4	2.3	2.8	2.7	3.1	2.2	2.1
2005	116.3	2.4	2.2	2.7	2.6	2.1	2.4	2.1
2005 Q2	116.0	2.6	2.2	3.3	2.5	2.5	2.5	2.1
Q3	116.5	2.0	2.1	1.2	2.4	1.3	1.8	2.1
Q4	117.2	2.1	2.0	2.7	2.3	1.0	2.1	2.0
2006 Q1	117.8	2.2	2.5	1.2	2.5	2.1	2.0	2.1
Q2	.	.	.	.	.	.	.	2.3

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	104.3	2.3	2.0	1.0	3.4	1.5	3.1	3.0	
2003	106.4	2.0	5.8	0.5	3.8	2.6	1.2	3.1	
2004	107.4	0.9	-8.7	-1.3	1.9	0.6	2.6	2.3	
2005	108.5	1.1	4.9	-0.3	2.9	0.2	1.8	1.9	
2005 Q1	108.3	1.3	2.9	-0.4	4.3	0.8	1.5	1.6	
Q2	108.5	1.1	6.6	0.2	3.4	0.6	2.1	1.4	
Q3	108.2	0.8	4.8	0.1	1.7	-0.4	1.7	1.9	
Q4	109.0	1.0	5.4	-1.2	2.3	-0.3	1.8	2.8	
2006 Q1	109.3	0.9	0.9	-0.9	2.5	-0.4	2.5	2.4	
Compensation per employee									
2002	105.0	2.5	3.1	2.2	2.6	2.5	2.6	3.0	
2003	107.5	2.4	3.0	2.6	3.0	2.4	2.0	2.5	
2004	109.9	2.2	1.6	3.1	2.5	1.7	2.4	2.1	
2005	111.9	1.8	2.0	1.9	1.4	1.8	2.0	1.8	
2005 Q1	111.2	1.7	2.8	1.8	0.7	2.0	2.0	1.7	
Q2	111.6	1.6	2.3	2.0	1.7	1.7	2.4	1.1	
Q3	111.9	1.8	1.6	2.1	1.5	1.7	1.9	1.6	
Q4	112.7	2.0	1.2	1.7	1.7	1.7	1.9	2.8	
2006 Q1	113.3	2.0	-0.2	2.4	2.6	1.6	2.1	1.9	
Labour productivity <sup>2)</sup>									
2002	100.7	0.3	1.0	1.2	-0.8	0.9	-0.4	0.0	
2003	101.1	0.4	-2.6	2.1	-0.8	-0.2	0.8	-0.5	
2004	102.4	1.3	11.2	4.5	0.6	1.1	-0.2	-0.2	
2005	103.1	0.7	-2.8	2.2	-1.5	1.6	0.2	-0.1	
2005 Q1	102.6	0.4	-0.1	2.1	-3.5	1.2	0.4	0.0	
Q2	102.9	0.5	-4.0	1.8	-1.6	1.1	0.3	-0.3	
Q3	103.4	0.9	-3.0	2.0	-0.2	2.1	0.2	-0.3	
Q4	103.4	1.0	-4.0	2.9	-0.6	2.0	0.0	0.0	
2006 Q1	103.7	1.0	-1.1	3.3	0.1	2.0	-0.4	-0.5	

### 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	3.2	1.4	-0.4	-2.0
2003	107.1	2.1	2.0	2.1	2.3	1.2	-1.3	-1.8
2004	109.2	1.9	2.1	2.0	2.4	2.4	0.9	1.4
2005	111.2	1.9	2.3	2.1	2.3	2.4	2.5	3.8
2005 Q1	110.4	1.9	2.3	2.0	2.3	2.8	2.7	3.9
Q2	110.8	1.7	2.1	1.9	1.7	2.2	2.1	3.2
Q3	111.3	1.8	2.4	2.1	2.2	2.0	2.2	3.9
Q4	112.2	2.0	2.5	2.3	2.9	2.4	2.7	4.1
2006 Q1	112.4	1.8	2.7	2.3	2.1	2.8	3.0	5.5

Sources: ECB calculations based on Eurostat data.

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

2) Value added (volumes) 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	7,250.9	7,062.8	4,145.0	1,465.8	1,465.5	-13.5	188.1	2,624.5	2,436.3
2003	7,458.2	7,298.1	4,279.9	1,524.1	1,494.9	-0.8	160.1	2,624.3	2,464.2
2004	7,737.0	7,579.8	4,429.3	1,576.5	1,561.0	13.0	157.2	2,815.7	2,658.4
2005	7,991.7	7,878.9	4,584.4	1,631.2	1,637.3	26.0	112.8	3,009.9	2,897.1
2005 Q1	1,970.0	1,934.5	1,129.2	400.6	400.1	4.7	35.5	723.7	688.3
Q2	1,986.1	1,955.5	1,139.1	405.6	406.9	3.9	30.6	739.8	709.2
Q3	2,007.3	1,982.8	1,153.9	409.0	413.2	6.6	24.5	766.9	742.4
Q4	2,028.3	2,006.0	1,162.2	415.9	417.1	10.8	22.2	779.6	757.3
2006 Q1	2,044.4	2,026.7	1,174.8	417.3	424.9	9.7	17.7	814.1	796.4
	percentage of GDP								
2005	100.0	98.6	57.4	20.4	20.5	0.3	1.4	-	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted <sup>3)</sup> )								
	quarter-on-quarter percentage changes								
2005 Q2	0.4	0.6	0.3	0.9	1.2	-	-	1.7	2.2
Q3	0.6	0.6	0.6	0.7	1.1	-	-	2.7	2.9
Q4	0.3	0.5	0.2	0.0	0.1	-	-	0.7	1.3
2006 Q1	0.6	0.3	0.6	0.4	0.9	-	-	3.8	2.9
Q2	0.9	.	.	.	.	-	-	.	.
	annual percentage changes								
2002	0.9	0.4	0.9	2.3	-1.5	-	-	1.8	0.3
2003	0.8	1.4	1.2	1.6	0.8	-	-	1.3	3.0
2004	2.1	2.0	1.6	1.0	2.4	-	-	6.8	6.8
2005	1.3	1.5	1.4	1.2	2.3	-	-	4.1	4.8
2005 Q2	1.2	1.6	1.4	1.1	2.3	-	-	3.2	4.6
Q3	1.6	1.6	1.8	1.4	3.0	-	-	5.3	5.5
Q4	1.7	1.7	1.1	1.5	2.7	-	-	5.0	5.3
2006 Q1	2.0	2.0	1.7	2.0	3.4	-	-	9.2	9.6
Q2	2.4	.	.	.	.	-	-	.	.
	contributions to quarter-on-quarter percentage changes of GDP in percentage points								
2005 Q2	0.4	0.5	0.2	0.2	0.2	-0.1	-0.1	-	-
Q3	0.6	0.6	0.3	0.1	0.2	-0.1	0.0	-	-
Q4	0.3	0.5	0.1	0.0	0.0	0.4	-0.2	-	-
2006 Q1	0.6	0.3	0.3	0.1	0.2	-0.4	0.4	-	-
Q2	0.9	.	.	.	.	.	.	-	-
	contributions to annual percentage changes of GDP in percentage points								
2002	0.9	0.4	0.5	0.5	-0.3	-0.3	0.5	-	-
2003	0.8	1.3	0.7	0.3	0.2	0.2	-0.5	-	-
2004	2.1	1.9	0.9	0.2	0.5	0.3	0.2	-	-
2005	1.3	1.5	0.8	0.2	0.5	0.0	-0.2	-	-
2005 Q2	1.2	1.6	0.8	0.2	0.5	0.1	-0.4	-	-
Q3	1.6	1.5	1.0	0.3	0.6	-0.4	0.0	-	-
Q4	1.7	1.7	0.6	0.3	0.6	0.2	0.0	-	-
2006 Q1	2.0	2.0	1.0	0.4	0.7	-0.1	0.0	-	-
Q2	2.4	.	.	.	.	.	.	-	-

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	6,517.0	152.2	1,377.2	373.0	1,391.9	1,749.6	1,473.1	733.9
2003	6,701.4	150.8	1,381.1	389.0	1,425.5	1,826.4	1,528.6	756.7
2004	6,944.7	151.9	1,432.9	414.4	1,474.0	1,894.3	1,577.2	792.3
2005	7,160.3	142.3	1,468.8	434.6	1,524.6	1,965.1	1,624.9	831.4
2005 Q1	1,767.7	35.7	363.2	105.5	376.1	485.2	401.9	202.3
Q2	1,781.9	35.2	366.7	107.5	379.8	488.5	404.2	204.2
Q3	1,796.8	35.5	367.6	109.7	384.1	493.9	406.1	210.5
Q4	1,813.9	35.9	371.3	111.9	384.7	497.4	412.7	214.3
2006 Q1	1,829.7	35.7	374.0	113.3	386.0	507.8	412.9	214.7
<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	-3.8	0.1	-0.8	0.6	1.0	0.7	-0.3
Q2	0.4	-1.8	0.6	1.7	0.7	0.3	0.0	0.3
Q3	0.5	0.6	0.6	0.0	0.8	0.6	0.2	1.6
Q4	0.3	0.2	0.5	0.7	0.6	0.1	0.1	-0.1
2006 Q1	0.6	-0.4	1.0	-0.5	0.6	1.0	0.4	0.4
<i>annual percentage changes</i>								
2002	1.0	-0.4	-0.2	0.0	1.4	1.4	1.7	0.2
2003	0.7	-4.8	0.5	0.2	0.3	1.5	1.0	1.4
2004	2.2	10.1	2.6	2.2	2.0	2.0	1.6	0.8
2005	1.3	-4.1	1.0	0.8	2.2	1.9	0.8	1.0
2005 Q1	1.4	-1.0	0.8	-0.5	2.1	2.2	1.1	-0.8
Q2	1.1	-4.7	0.3	0.8	1.8	2.0	0.9	1.5
Q3	1.5	-4.5	1.0	1.4	2.6	2.0	1.0	2.1
Q4	1.7	-4.9	1.8	1.6	2.7	2.1	1.0	1.5
2006 Q1	1.9	-1.4	2.7	1.9	2.7	2.0	0.7	2.2
<i>contributions to quarter-on-quarter percentage changes of value added in percentage points</i>								
2005 Q1	0.4	-0.1	0.0	-0.1	0.1	0.3	0.1	-
Q2	0.4	0.0	0.1	0.1	0.1	0.1	0.0	-
Q3	0.5	0.0	0.1	0.0	0.2	0.2	0.1	-
Q4	0.3	0.0	0.1	0.0	0.1	0.0	0.0	-
2006 Q1	0.6	0.0	0.2	0.0	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	0.3	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	0.4	-
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	0.4	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	0.6	0.5	0.2	-
Q4	1.7	-0.1	0.4	0.1	0.6	0.6	0.2	-
2006 Q1	1.9	0.0	0.6	0.1	0.6	0.6	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	
2003	0.4	100.3	0.3	0.1	0.1	0.3	-0.1	-0.4	-4.4	0.4	2.8	0.6
2004	2.2	102.3	2.0	2.1	1.9	2.2	3.3	0.5	0.1	0.6	2.0	0.1
2005	1.0	103.6	1.2	1.2	1.1	0.7	2.6	0.6	-0.8	0.9	1.2	-0.4
2005 Q2	1.1	103.1	0.6	0.8	0.4	-0.5	2.3	0.6	-1.6	1.0	1.0	0.1
Q3	1.2	104.0	1.4	1.5	1.4	0.8	2.9	1.6	-0.1	1.8	0.4	1.0
Q4	1.8	104.7	2.1	2.2	2.2	2.2	2.9	1.3	2.1	1.2	1.8	0.6
2006 Q1	3.8	105.9	3.4	3.5	3.4	2.9	5.1	2.1	2.7	2.0	3.8	1.4
2006 Jan.	2.5	105.6	2.9	2.2	2.2	1.9	4.1	0.9	2.6	0.7	6.0	-0.9
Feb.	3.0	105.6	2.9	3.1	2.8	1.8	5.6	2.5	2.2	2.5	2.3	2.8
Mar.	5.7	106.4	4.2	5.1	5.0	4.8	5.6	2.9	3.4	2.8	3.1	4.6
Apr.	.	105.7	1.6	0.7	0.6	2.4	2.2	0.1	-1.0	0.3	1.3	.
May	.	107.6	5.2	5.9	6.2	6.4	7.6	3.9	7.7	3.3	-0.8	.
June	.	107.6	4.4	4.6	5.3	6.6	4.5	2.6	3.7	2.5	1.6	.
<i>month-on-month percentage changes (s.a.)</i>												
2006 Jan.	0.0	-	0.2	0.2	0.1	0.3	1.1	-0.5	0.1	-0.6	-0.7	-3.1
Feb.	-0.4	-	0.0	0.1	0.0	-0.6	0.6	0.6	-0.3	0.7	-0.5	1.0
Mar.	1.2	-	0.8	0.7	1.1	1.4	0.6	0.2	0.5	0.1	0.5	-0.5
Apr.	.	-	-0.7	-0.4	-1.0	-0.3	-1.0	-0.5	-1.1	-0.4	-2.5	.
May	.	-	1.8	2.1	2.5	2.2	2.8	1.7	4.3	1.3	-1.7	.
June	.	-	0.0	-0.2	0.0	0.2	-0.9	-0.4	-1.4	-0.2	3.2	.

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

	Industrial new orders		Industrial turnover		Retail sales							New passenger car registrations	
	Manufacturing <sup>2)</sup> (current prices)		Manufacturing (current prices)		Current prices	Constant prices						Total (s.a., thousands) <sup>3)</sup>	Total
	Total (s.a. index 2000 = 100)	Total	Total (s.a. index 2000 = 100)	Total	Total	Total (s.a. index 2000 = 100)	Total	Food, beverages, tobacco	Non-food				
									Textiles, clothing, footwear	Household equipment			
1	2	3	4	5	6	7	8	9	10	11	12	13	
% of total <sup>1)</sup>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8		
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	106.2	5.1	2.3	105.2	1.5	1.2	1.7	1.8	3.3	922	1.1
2005	110.8	4.6	110.7	3.7	2.2	106.6	1.3	0.7	1.7	2.1	1.2	935	1.4
2005 Q3	110.4	4.5	111.3	3.9	2.5	106.8	1.5	0.5	2.2	2.5	1.9	942	4.7
Q4	117.4	7.4	113.3	4.2	2.3	107.2	1.2	0.6	1.7	2.7	1.6	934	-1.2
2006 Q1	117.7	12.4	115.5	9.0	2.3	107.4	0.9	0.3	1.4	1.4	2.4	947	2.0
Q2	118.3	8.0	118.0	6.2	3.1	107.9	1.7	0.8	2.4	.	.	963	2.4
2006 Jan.	115.5	9.2	115.2	8.0	2.9	107.7	1.4	0.7	1.8	4.1	2.1	946	2.1
Feb.	119.6	14.1	115.3	7.2	2.8	107.5	1.3	1.2	1.5	2.3	2.4	942	2.6
Mar.	118.0	13.7	115.8	11.4	1.4	106.9	0.1	-0.9	1.0	-2.2	2.6	953	1.5
Apr.	117.1	3.9	116.4	-0.4	3.2	107.9	2.2	1.4	2.5	1.7	3.3	958	1.8
May	120.3	14.9	119.9	13.1	2.9	107.7	1.4	-0.4	3.0	4.1	4.7	972	8.9
June	117.4	5.3	117.9	6.1	3.1	108.1	1.6	1.4	1.6	.	.	959	-2.5
<i>month-on-month percentage changes (s.a.)</i>													
2006 Jan.	-	-6.7	-	-0.4	0.6	-	0.5	0.8	0.2	0.7	0.1	-	2.3
Feb.	-	3.6	-	0.1	0.0	-	-0.1	0.0	-0.3	-1.4	-0.1	-	-0.4
Mar.	-	-1.3	-	0.4	-0.4	-	-0.6	-1.1	-0.1	-1.6	0.2	-	1.1
Apr.	-	-0.8	-	0.5	0.7	-	0.9	0.9	0.9	2.7	0.6	-	0.5
May	-	2.7	-	3.0	0.2	-	-0.2	-0.7	0.2	0.9	1.1	-	1.5
June	-	-2.4	-	-1.7	0.4	-	0.4	1.0	-0.3	.	.	-	-1.4

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>4)</sup> (percentages)	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 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	82.3	-11	-3	-11	20	-8
Q2	106.5	2	-1	6	13	83.0	-9	-3	-10	16	-8
2006 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	82.5	-10	-3	-8	22	-8
May	106.7	2	-2	6	14	-	-9	-3	-10	14	-7
June	107.1	3	2	5	12	-	-9	-4	-11	13	-9
July	107.8	4	3	5	13	83.6	-8	-3	-10	13	-6
	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 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
Q2	-2	-8	3	0	0	14	15	19	15	18	23
2006 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	-2	-8	3	-1	-2	15	13	20	16	20	23
June	-2	-7	3	2	3	12	17	19	14	19	23
July	1	-3	5	-1	1	15	13	19	15	17	25

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

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

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

(annual percentage changes, unless otherwise indicated)

## 1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total <sup>2)</sup>	100.0	100.0	84.4	15.6	4.4	17.7	7.7	24.9	15.0	30.3
	1	2	3	4	5	6	7	8	9	10
2002	134.878	0.7	0.8	0.0	-1.3	-1.4	0.7	0.6	1.9	1.9
2003	135.375	0.4	0.1	1.9	-2.3	-1.6	1.1	0.5	0.8	1.5
2004	136.125	0.6	0.5	0.8	-1.4	-1.7	1.5	0.7	1.7	1.3
2005	137.067	0.7	0.8	-0.1	-1.0	-1.2	2.3	0.7	1.8	1.1
2005 Q1	136.720	0.9	0.9	0.5	-1.0	-1.1	3.4	1.0	1.8	1.1
Q2	136.920	0.7	0.7	0.3	-0.7	-1.7	2.4	0.8	1.7	1.2
Q3	137.121	0.6	0.8	-0.6	-1.4	-1.0	1.5	0.4	1.8	1.2
Q4	137.507	0.6	0.9	-0.8	-0.8	-1.1	2.1	0.6	2.0	0.9
2006 Q1	137.953	0.9	1.1	-0.4	-0.3	-0.5	1.9	0.4	2.5	1.1
	<i>quarter-on-quarter percentage changes (s.a.)</i>									
2005 Q1	0.168	0.1	0.2	-0.3	-0.8	-0.5	0.8	0.4	0.3	0.2
Q2	0.200	0.1	0.2	0.1	0.1	-0.3	0.4	0.2	0.2	0.3
Q3	0.201	0.1	0.3	-0.6	0.1	-1.0	0.0	-0.1	0.6	0.2
Q4	0.387	0.3	0.3	0.1	-0.3	-0.2	1.0	0.2	0.9	0.2
2006 Q1	0.446	0.3	0.3	0.3	-0.3	0.0	0.4	0.3	0.6	0.4

## 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	9.485	7.3	3.058	17.7	6.085	7.4	6.458	10.0
2005 Q2	12.685	8.7	9.607	7.4	3.078	17.7	6.164	7.5	6.521	10.1
Q3	12.388	8.5	9.411	7.3	2.977	17.3	6.046	7.4	6.342	9.9
Q4	12.210	8.3	9.213	7.1	2.996	17.5	5.879	7.2	6.330	9.8
2006 Q1	11.917	8.1	8.933	6.9	2.984	17.4	5.730	7.0	6.187	9.6
Q2	11.535	7.9	8.684	6.7	2.851	16.7	5.623	6.9	5.912	9.2
2006 Jan.	12.070	8.2	9.074	7.0	2.996	17.4	5.778	7.0	6.292	9.8
Feb.	11.920	8.1	8.926	6.9	2.995	17.4	5.732	7.0	6.189	9.6
Mar.	11.760	8.0	8.799	6.8	2.961	17.3	5.680	6.9	6.081	9.4
Apr.	11.616	8.0	8.717	6.8	2.899	17.0	5.644	6.9	5.971	9.3
May	11.521	7.9	8.678	6.7	2.844	16.7	5.621	6.9	5.901	9.2
June	11.467	7.8	8.657	6.7	2.809	16.5	5.603	6.8	5.864	9.1

Source: Eurostat.

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	45.3	45.0	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	44.6	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	44.8	44.3	11.4	8.8	2.3	13.6	0.3	15.6	8.2	4.6	2.1	0.5	0.4	41.0
2005	45.2	44.7	11.7	8.9	2.5	13.7	0.3	15.6	8.2	4.5	2.2	0.5	0.3	41.3

#### 2. Euro area – expenditure

	Total		Current expenditure						Capital expenditure			Memo: primary expenditure <sup>3)</sup>		
	1	2	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments		Subsidies	Paid by EU institutions	Investment		Capital transfers	Paid by EU institutions
							7	8						
	3	4	5	6	7	8	9	10	11	12	13	14		
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	48.4	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	22.3	1.9	0.5	3.8	2.4	1.4	0.0	44.3
2003	48.3	44.3	10.5	4.9	3.3	25.5	22.7	1.8	0.5	4.0	2.5	1.4	0.1	44.9
2004	47.6	43.8	10.4	5.0	3.1	25.3	22.5	1.8	0.5	3.8	2.5	1.3	0.0	44.5
2005	47.6	43.8	10.4	5.0	3.0	25.3	22.5	1.7	0.5	3.8	2.5	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	20.5	10.5	4.9	5.2	1.8	2.1	8.0	12.5
2004	-2.8	-2.4	-0.3	-0.2	0.1	0.3	20.4	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	12.5

#### 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>
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>2)</sup>				
						Total	MFIs	Other financial corporations	Other sectors	
1	2	3	4	5	6	7	8	9	10	
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	69.9	2.2	11.9	5.1	50.7	37.9	20.8	8.3	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	60.8	4.0	14.4	26.6	28.3	68.3	1.0
2004	69.9	57.5	6.7	5.2	0.4	8.5	61.4	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	28.4	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

	Total	Source of change				Financial instruments				Holders			Other creditors <sup>7)</sup>
		Borrowing requirement <sup>2)</sup>	Valuation effects <sup>3)</sup>	Other changes in volume <sup>4)</sup>	Aggregation effect <sup>5)</sup>	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>6)</sup>	MFIs	Other financial corporations	
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>8)</sup>	Deficit-debt adjustment <sup>9)</sup>											Other <sup>10)</sup>
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	
				Total	Currency and deposits	Loans	Securities <sup>11)</sup>	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	-0.2	0.0	-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	0.1	0.0	-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	-2.5	-0.4	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	0.0
2005	3.1	-2.4	0.7	0.7	0.3	0.1	0.2	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 2001.
- 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	
	1	2	3	4	5	6	7	8	9	10
2000 Q1	43.6	43.1	11.1	13.1	15.5	1.9	0.7	0.6	0.3	39.9
2000 Q2	47.8	47.3	13.9	13.4	15.8	2.1	1.2	0.5	0.3	43.4
2000 Q3	44.2	43.8	11.9	12.6	15.7	2.0	0.8	0.5	0.2	40.4
2000 Q4	50.0	49.5	14.0	14.2	16.6	2.9	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
2001 Q2	46.9	46.5	13.5	13.0	15.6	2.0	1.6	0.4	0.2	42.3
2001 Q3	43.5	43.1	11.6	12.3	15.5	1.9	0.9	0.4	0.3	39.7
2001 Q4	49.2	48.7	13.5	13.9	16.3	2.9	1.1	0.5	0.3	44.0
2002 Q1	42.1	41.6	10.1	12.7	15.5	1.7	0.8	0.5	0.2	38.6
2002 Q2	45.7	45.1	12.6	12.7	15.5	2.0	1.5	0.6	0.3	41.1
2002 Q3	43.6	43.0	11.2	12.7	15.4	2.0	0.8	0.5	0.3	39.6
2002 Q4	49.2	48.5	13.4	14.1	16.2	2.9	0.9	0.7	0.3	44.0
2003 Q1	42.1	41.5	9.8	12.8	15.6	1.7	0.7	0.5	0.2	38.5
2003 Q2	46.0	44.5	12.1	12.7	15.8	1.9	1.3	1.5	1.2	41.7
2003 Q3	43.0	42.4	10.8	12.7	15.5	1.9	0.7	0.6	0.2	39.2
2003 Q4	49.4	48.3	13.1	14.3	16.2	2.9	0.8	1.1	0.3	43.9
2004 Q1	41.6	41.0	9.6	12.8	15.4	1.7	0.7	0.6	0.3	38.1
2004 Q2	45.2	44.4	12.2	13.1	15.4	2.0	0.9	0.8	0.6	41.2
2004 Q3	42.8	42.2	10.7	12.6	15.4	1.9	0.7	0.6	0.3	39.0
2004 Q4	49.6	48.4	13.0	14.5	16.2	2.9	0.8	1.1	0.4	44.2
2005 Q1	42.5	41.8	10.0	13.0	15.4	1.7	0.6	0.7	0.3	38.7
2005 Q2	45.1	44.3	11.9	13.3	15.3	2.0	0.9	0.8	0.3	40.9
2005 Q3	43.7	42.9	11.1	12.9	15.4	1.9	0.8	0.8	0.3	39.7
2005 Q4	49.6	48.6	13.4	14.5	16.1	2.9	0.9	0.9	0.3	44.3
2006 Q1	42.9	42.3	10.4	13.2	15.3	1.6	0.9	0.6	0.3	39.2

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

	Total		Current expenditure					Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)	
	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social benefits	Subsidies	Investment	Capital transfers				
	1	2	3	4	5	6	7	8	9	10	11	12	13
2000 Q1	46.3	43.0	10.2	4.6	4.1	24.1	20.8	1.3	3.4	2.0	1.4	-2.7	1.4
2000 Q2	46.3	42.9	10.3	4.6	3.9	24.1	20.8	1.4	3.4	2.3	1.1	1.5	5.4
2000 Q3	43.2	42.8	10.1	4.6	4.0	24.2	20.9	1.5	0.4	2.5	1.1	1.0	5.0
2000 Q4	49.9	46.0	11.1	5.3	3.8	25.9	22.1	1.6	3.8	3.1	1.5	0.2	3.9
2001 Q1	45.8	42.4	10.1	4.2	4.0	24.1	20.9	1.3	3.4	1.9	1.5	-3.4	0.6
2001 Q2	46.3	42.8	10.3	4.6	3.9	24.1	20.8	1.3	3.5	2.3	1.2	0.6	4.5
2001 Q3	46.1	42.4	10.0	4.6	3.8	24.1	20.8	1.4	3.7	2.5	1.3	-2.7	1.2
2001 Q4	51.1	46.2	11.0	5.7	3.6	25.9	22.1	1.7	5.0	3.2	1.8	-1.9	1.7
2002 Q1	46.3	42.8	10.3	4.3	3.7	24.5	21.2	1.3	3.5	1.9	1.6	-4.2	-0.5
2002 Q2	46.8	43.3	10.3	5.0	3.6	24.4	21.2	1.3	3.5	2.3	1.2	-1.1	2.4
2002 Q3	46.9	43.2	10.0	4.7	3.5	24.9	21.4	1.4	3.8	2.5	1.3	-3.3	0.2
2002 Q4	50.9	46.4	11.0	5.7	3.3	26.4	22.6	1.6	4.5	2.8	1.7	-1.7	1.6
2003 Q1	47.1	43.5	10.4	4.5	3.5	25.1	21.6	1.3	3.6	1.9	1.7	-5.0	-1.5
2003 Q2	47.5	43.9	10.4	4.7	3.4	25.3	21.8	1.3	3.6	2.3	1.3	-1.5	1.9
2003 Q3	47.1	43.4	10.2	4.8	3.3	25.1	21.6	1.3	3.7	2.5	1.2	-4.1	-0.8
2003 Q4	51.2	46.3	11.0	5.7	3.1	26.5	22.8	1.5	4.9	3.2	1.7	-1.8	1.3
2004 Q1	46.6	43.1	10.3	4.6	3.2	25.0	21.5	1.2	3.4	1.9	1.5	-5.0	-1.8
2004 Q2	46.8	43.4	10.4	4.9	3.1	24.9	21.5	1.2	3.4	2.3	1.1	-1.6	1.5
2004 Q3	46.2	42.8	10.0	4.6	3.2	25.0	21.5	1.3	3.4	2.4	1.0	-3.4	-0.2
2004 Q4	50.9	45.9	10.9	5.7	3.0	26.2	22.6	1.4	5.0	3.1	1.9	-1.3	1.7
2005 Q1	47.0	43.5	10.3	4.6	3.2	25.4	21.6	1.2	3.5	1.9	1.6	-4.5	-1.3
2005 Q2	46.6	43.1	10.3	4.9	3.1	24.8	21.6	1.1	3.5	2.3	1.2	-1.5	1.6
2005 Q3	46.0	42.5	9.9	4.7	3.0	24.8	21.5	1.2	3.5	2.4	1.1	-2.4	0.7
2005 Q4	51.0	46.0	11.1	5.7	2.9	26.3	22.6	1.3	5.0	3.1	1.8	-1.4	1.5
2006 Q1	45.8	42.5	10.1	4.4	3.0	25.0	21.4	1.1	3.3	1.9	1.4	-2.9	0.1

Source: ECB calculations based on Eurostat and national data.

- 1) Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions between the EU budget and entities outside the government sector 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>

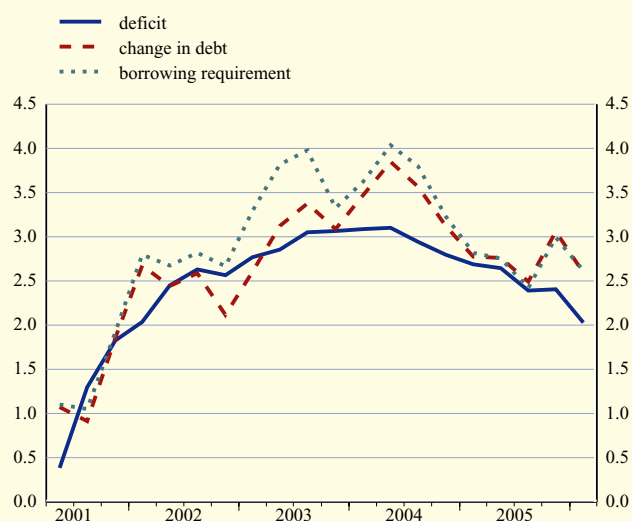
	Total 1	Financial instruments			
		Currency and deposits 2	Loans 3	Short-term securities 4	Long-term securities 5
2003 Q2	70.2	2.7	11.6	5.5	50.3
Q3	70.4	2.7	11.6	5.5	50.5
Q4	69.3	2.1	12.3	5.1	49.9
2004 Q1	70.8	2.1	12.4	5.5	50.9
Q2	71.6	2.2	12.3	5.5	51.6
Q3	71.4	2.3	12.1	5.6	51.5
Q4	69.9	2.2	11.9	5.1	50.7
2005 Q1	71.2	2.2	11.9	5.3	51.8
Q2	72.1	2.4	11.7	5.3	52.7
Q3	71.7	2.4	11.8	5.3	52.2
Q4	70.7	2.4	11.7	4.9	51.7
2006 Q1	71.3	2.5	11.7	5.1	52.0

### 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	Loans 6	Securities 7			Shares and other equity 8	
2003 Q2	4.5	-1.5	3.0	3.3	2.0	0.1	0.0	1.2	0.1	-0.4	4.4
Q3	2.7	-4.1	-1.4	-1.2	-1.3	0.0	-0.1	0.2	-0.1	-0.1	2.8
Q4	-1.9	-1.8	-3.8	-3.9	-2.1	-0.3	-0.1	-1.3	-0.5	0.7	-1.4
2004 Q1	8.8	-5.0	3.8	2.1	1.4	0.0	0.2	0.5	-0.1	1.9	8.9
Q2	6.0	-1.6	4.4	4.0	3.4	0.1	0.3	0.3	0.0	0.3	6.0
Q3	1.6	-3.4	-1.8	-1.0	-1.4	0.0	0.2	0.1	-0.3	-0.5	1.9
Q4	-3.4	-1.3	-4.7	-3.4	-2.6	0.1	-0.1	-0.7	0.0	-1.3	-3.4
2005 Q1	7.3	-4.5	2.8	2.5	1.4	0.3	0.4	0.4	0.2	0.1	7.1
Q2	5.8	-1.5	4.3	3.7	2.7	0.3	0.3	0.4	0.2	0.5	5.6
Q3	0.6	-2.4	-1.8	-2.5	-2.5	-0.1	0.3	-0.3	0.0	0.7	0.5
Q4	-1.1	-1.4	-2.5	-0.8	-0.3	-0.2	-0.4	0.0	-0.1	-1.6	-1.0
2006 Q1	5.2	-2.9	2.3	1.6	1.1	0.1	0.7	-0.3	-0.2	0.9	5.4

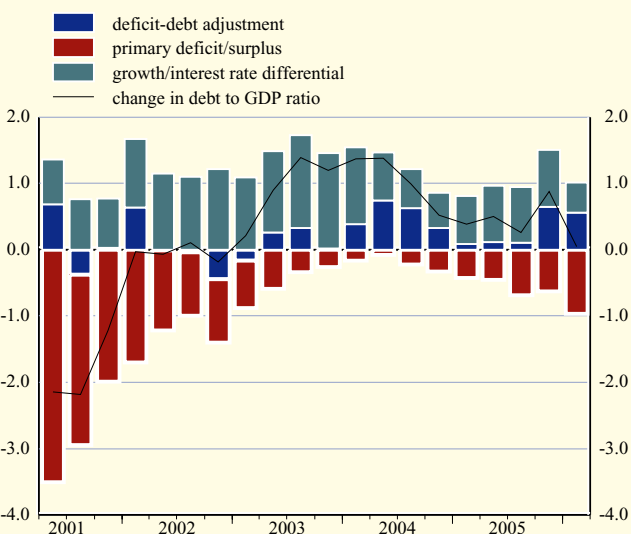
### C28 Deficit, borrowing requirement and change in debt

(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

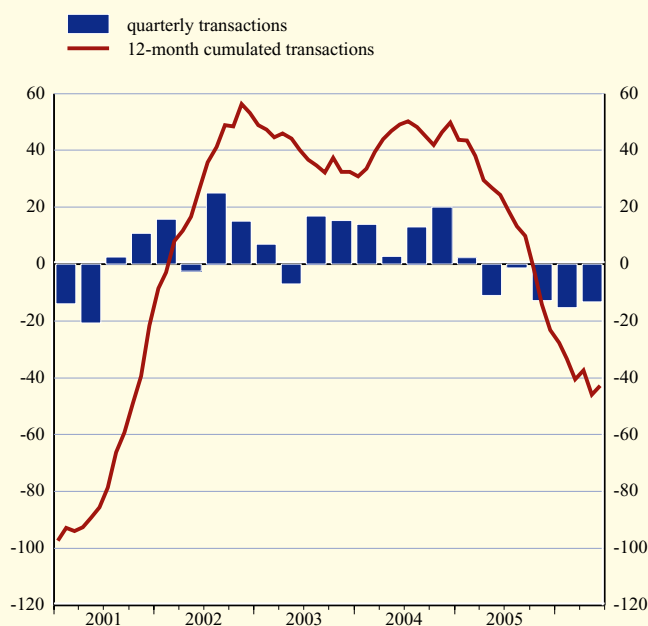
(EUR billions; net transactions)

### 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	-23.1	54.1	34.8	-43.8	-68.2	12.5	-10.6	79.1	-156.3	155.4	-15.2	76.5	18.8	-68.5
2005 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	-12.8	4.9	10.8	-12.3	-16.2	4.7	-8.1	-23.7	-20.2	-49.1	-8.8	45.6	8.8	31.9
2006 Q1	-15.2	-4.6	5.1	-0.7	-15.1	2.3	-12.9	84.6	-14.6	31.2	-8.5	69.9	6.6	-71.7
Q2	-13.3	5.7	11.8	-15.3	-15.6	2.0	-11.3	57.0	-10.9	115.5	-0.9	-45.3	-1.4	-45.7
2005 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.	-7.5	1.7	4.7	-8.5	-5.5	0.6	-6.9	-12.8	-7.9	-1.9	-4.3	1.0	0.2	19.7
Nov.	-5.6	1.5	2.9	-4.9	-5.0	0.9	-4.6	2.2	-3.9	-43.7	-0.3	48.9	1.2	2.4
Dec.	0.3	1.7	3.2	1.1	-5.7	3.2	3.4	-13.2	-8.5	-3.6	-4.2	-4.3	7.4	9.7
2006 Jan.	-11.4	-7.2	1.1	-0.9	-4.3	0.8	-10.6	4.0	0.9	-34.2	-2.8	42.3	-2.1	6.6
Feb.	-0.9	0.4	2.3	0.2	-3.8	1.0	0.1	14.0	-26.9	19.1	-3.3	23.0	2.1	-14.2
Mar.	-3.0	2.2	1.7	0.1	-6.9	0.5	-2.5	66.5	11.4	46.4	-2.4	4.6	6.6	-64.1
Apr.	-7.3	0.4	3.2	-5.1	-5.9	0.5	-6.8	4.9	-1.9	-5.2	-5.6	18.8	-1.2	1.9
May	-11.5	0.9	4.1	-11.3	-5.2	0.7	-10.8	37.1	-0.4	49.3	2.3	-12.6	-1.7	-26.2
June	5.5	4.4	4.5	1.2	-4.6	0.8	6.3	15.1	-8.7	71.4	2.4	-51.5	1.5	-21.4
<i>12-month cumulated transactions</i>														
2006 June	-42.8	22.0	37.4	-35.4	-66.7	11.8	-30.9	152.4	-143.4	187.4	-18.6	111.0	16.0	-121.5

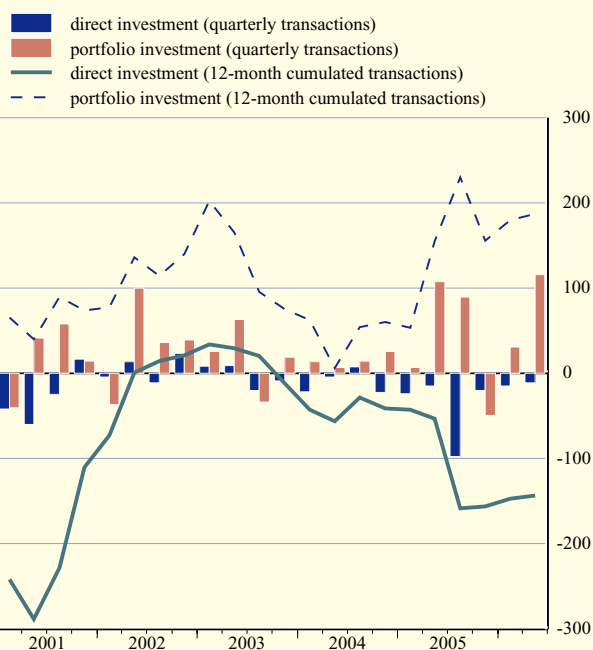
### C30 B.o.p. current account balance

(EUR billions)



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

(EUR billions)



Source: ECB.

## 7.1 Balance of payments

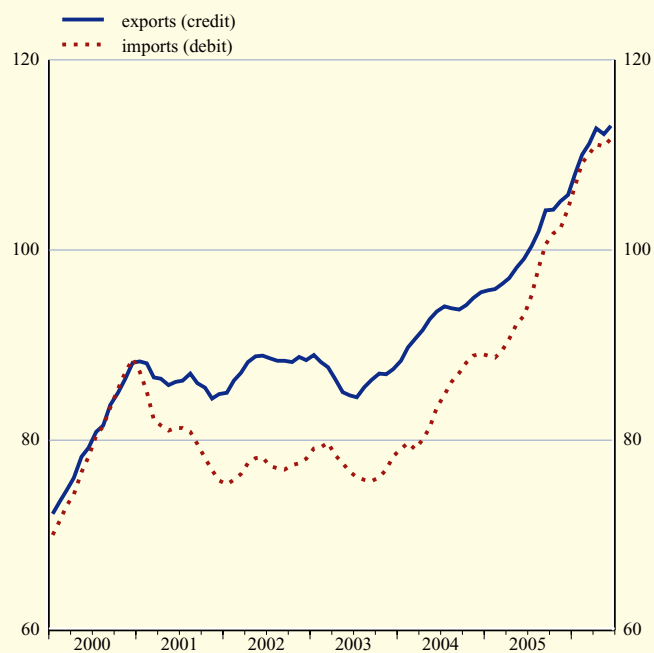
(EUR billions; transactions)

### 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	2,022.6	2,045.7	-23.1	1,220.0	1,166.0	397.3	362.5	321.6	365.4	83.6	151.8	23.4	10.9
2005 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	548.7	561.5	-12.8	327.4	322.4	105.8	95.0	93.3	105.7	22.2	38.4	8.1	3.5
2006 Q1	536.9	552.1	-15.2	328.1	332.7	96.0	90.9	83.6	84.3	29.2	44.3	5.3	3.0
Q2	572.9	586.3	-13.3	342.3	336.5	105.5	93.7	108.5	123.8	16.6	32.2	4.3	2.2
2006 Apr.	173.9	181.2	-7.3	107.4	107.0	32.3	29.1	29.3	34.4	4.9	10.8	1.1	0.6
May	196.6	208.1	-11.5	116.1	115.2	35.8	31.7	39.0	50.3	5.7	10.9	1.4	0.7
June	202.4	196.9	5.5	118.7	114.4	37.4	32.9	40.3	39.1	6.0	10.6	1.8	1.0
	Seasonally adjusted												
2005 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	531.8	553.4	-21.5	317.4	313.1	104.5	93.4	88.1	107.9	21.9	39.1	.	.
2006 Q1	554.3	564.9	-10.6	333.5	330.2	105.8	95.3	89.3	96.6	25.7	42.9	.	.
Q2	566.5	569.3	-2.8	339.2	335.1	105.1	96.9	101.4	102.3	20.8	34.9	.	.
2005 Oct.	171.3	178.4	-7.1	102.3	102.2	34.3	31.1	27.8	33.2	6.9	11.9	.	.
Nov.	179.6	191.0	-11.4	106.5	103.9	35.8	31.6	30.2	42.5	7.1	13.0	.	.
Dec.	181.0	184.0	-3.0	108.5	106.9	34.3	30.7	30.1	32.2	7.9	14.2	.	.
2006 Jan.	177.2	178.2	-1.0	109.0	109.3	35.6	32.0	29.4	29.2	3.2	7.7	.	.
Feb.	193.7	198.4	-4.7	112.5	111.2	36.2	32.3	28.1	31.9	16.9	23.0	.	.
Mar.	183.5	188.4	-4.9	112.1	109.7	34.0	31.0	31.8	35.4	5.6	12.3	.	.
Apr.	183.0	182.2	0.9	113.8	112.4	34.7	31.3	28.1	26.1	6.4	12.4	.	.
May	190.4	198.1	-7.6	110.7	110.6	35.1	32.5	37.6	42.8	7.0	12.2	.	.
June	193.0	189.0	4.0	114.6	112.1	35.3	33.1	35.7	33.4	7.4	10.4	.	.

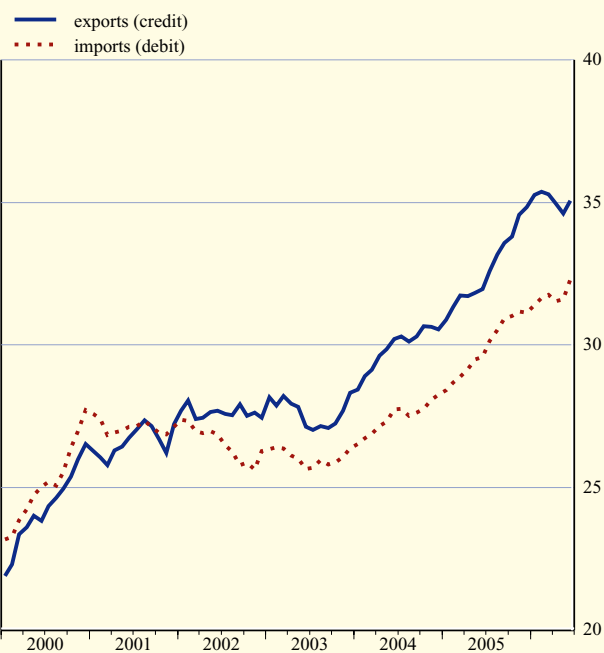
### C32 B.o.p. goods

(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	15.4	9.3	306.2	356.1	97.4	97.6	13.0	13.2	30.8	71.1	79.8	79.3	85.2	94.9
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	2.5	89.3	103.2	31.3	34.4	3.9	3.9	7.3	13.8	21.3	23.0	25.4	28.1
2006 Q1	4.0	1.7	79.6	82.5	18.5	13.7	4.3	3.3	7.9	15.9	22.6	20.2	26.3	29.5

## 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	-232.7	-171.9	-9.2	-162.7	-60.7	0.4	-61.1	76.4	45.7	-0.1	45.8	30.7	1.1	29.7
2005 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	-47.2	-33.0	-0.1	-32.9	-14.2	0.2	-14.4	27.0	18.0	-1.7	19.7	9.0	0.4	8.6
2006 Q1	-42.0	-34.6	-1.4	-33.2	-7.4	0.6	-8.0	27.4	23.3	0.6	22.7	4.1	-0.3	4.5
Q2	-38.4	-24.8	-5.0	-19.8	-13.5	-0.9	-12.6	27.4	16.3	0.7	15.6	11.1	0.5	10.6
2005 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.	-11.5	-0.7	0.3	-1.1	-10.8	0.0	-10.8	3.7	5.9	0.2	5.7	-2.2	0.3	-2.5
Nov.	-8.6	-5.9	0.2	-6.1	-2.7	0.0	-2.7	4.8	3.6	-1.7	5.2	1.2	0.2	1.0
Dec.	-27.0	-26.4	-0.7	-25.7	-0.7	0.2	-0.9	18.6	8.5	-0.2	8.7	10.0	0.0	10.1
2006 Jan.	-4.1	5.9	-0.5	6.4	-10.0	0.1	-10.1	5.0	6.3	0.2	6.2	-1.4	0.3	-1.7
Feb.	-36.0	-31.0	-1.3	-29.7	-5.0	0.3	-5.3	9.1	11.2	0.3	10.9	-2.1	0.2	-2.3
Mar.	-2.0	-9.6	0.3	-9.9	7.6	0.3	7.4	13.4	5.8	0.1	5.6	7.6	-0.9	8.4
Apr.	-12.8	-2.6	-1.6	-1.0	-10.2	-0.3	-9.9	10.8	3.9	0.2	3.8	6.9	0.1	6.8
May	-15.4	-13.7	-3.1	-10.7	-1.7	-0.3	-1.4	15.0	9.8	0.4	9.4	5.3	0.2	5.0
June	-10.2	-8.5	-0.4	-8.1	-1.7	-0.3	-1.4	1.5	2.6	0.1	2.5	-1.1	0.2	-1.3

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				
	Eurosystème	MFIs excluding Eurosystème	Non-MFIs	General gov.		Eurosystème	MFIs excluding Eurosystème	Non-MFIs	General gov.	Eurosystème	MFIs excluding Eurosystème	Non-MFIs	General gov.		
					1									2	3
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	-124.9	-3.9	279.5	-0.7	-124.6	-161.4	-0.5	255.8	0.1	-11.6	-3.8	0.1	62.9
2005 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	-53.9	-0.9	62.5	0.6	-28.1	-36.4	-0.1	26.4	0.1	-1.4	5.8	5.9	-19.8
2006 Q1	0.0	-17.8	-80.1	-0.6	121.3	-0.1	-52.4	-34.8	-0.2	85.6	0.7	2.0	-9.7	-3.8	16.6
Q2	0.0	11.5	1.9	.	45.6	-0.1	-19.8	-26.2	.	111.1	-2.2	-8.8	-1.0	.	3.5
2005 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	-10.8	-	-4.5	0.6	-17.4	-14.8	-	24.7	0.0	6.4	4.0	-	5.3
Nov.	0.0	-6.7	-21.4	-	10.6	0.1	-3.6	-15.7	-	5.5	0.1	-5.1	0.0	-	-7.4
Dec.	0.0	-2.7	-21.7	-	56.4	-0.2	-7.1	-5.9	-	-3.7	0.0	-2.7	1.8	-	-17.7
2006 Jan.	0.0	-5.4	-38.6	-	35.0	0.2	-31.3	-1.9	-	1.3	0.4	2.7	-7.2	-	10.7
Feb.	0.0	-3.7	-23.8	-	35.9	-0.2	-7.2	-17.2	-	23.1	0.3	1.5	-2.3	-	12.7
Mar.	0.0	-8.7	-17.7	-	50.3	-0.1	-13.9	-15.7	-	61.3	0.0	-2.2	-0.2	-	-6.7
Apr.	0.0	2.6	-6.0	-	-8.8	0.2	-4.8	-14.5	-	24.6	-0.8	-7.3	-0.8	-	10.4
May	0.0	3.4	9.5	-	-7.3	0.1	-10.0	-10.0	-	63.4	-1.3	-2.8	-1.7	-	6.0
June	0.0	5.5	-1.5	-	61.8	-0.4	-5.0	-1.7	-	23.0	-0.1	1.3	1.4	-	-13.0

### 6. Other investment by sector

	Total		Eurosystème		General government		MFIs (excluding Eurosystème)						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	-564.8	641.3	-1.2	6.1	5.1	-2.3	-2.4	-385.3	477.0	-99.6	50.6	-285.6	426.4	-183.4	-22.4	160.6
2005 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	-121.5	167.2	-0.8	-3.4	-2.3	-1.1	-2.0	-73.7	113.3	-37.7	3.2	-36.0	110.1	-44.7	7.9	59.3
2006 Q1	-222.2	292.0	-3.4	9.7	7.5	3.8	-3.6	-136.2	222.0	-13.3	12.5	-122.9	209.5	-90.1	-12.9	63.9
Q2	-125.3	80.0	0.5	1.8	-13.7	-13.9	-0.4	-63.3	13.5	-32.8	24.7	-30.5	-11.2	-48.8	2.8	65.1
2005 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.	-53.9	54.9	0.0	-1.0	0.7	-0.3	1.8	-46.4	50.7	-3.8	1.2	-42.7	49.5	-8.2	3.5	3.4
Nov.	-149.6	198.5	-0.9	1.7	-1.2	1.3	0.2	-113.3	170.9	-0.9	-3.2	-112.4	174.1	-34.2	-6.0	25.7
Dec.	82.0	-86.3	0.1	-4.1	-1.8	-2.1	-4.1	86.0	-108.3	-33.1	5.2	119.1	-113.5	-2.3	10.3	30.2
2006 Jan.	-103.6	145.9	0.1	8.1	3.8	2.3	-2.4	-71.1	117.7	6.6	-1.0	-77.7	118.8	-36.4	-16.3	22.5
Feb.	-46.8	69.8	-4.4	0.2	1.3	1.0	-1.2	-4.0	36.3	-7.4	9.9	3.4	26.4	-39.7	-5.7	34.4
Mar.	-71.8	76.3	1.0	1.3	2.4	0.5	0.0	-61.1	68.0	-12.5	3.7	-48.6	64.3	-14.0	9.2	7.0
Apr.	-92.5	111.3	0.2	-2.3	-5.4	-5.1	4.3	-65.7	83.1	-6.2	10.2	-59.5	72.8	-21.5	2.0	26.2
May	-78.5	66.0	0.0	5.5	-4.7	-5.1	-4.8	-46.4	42.0	-9.1	3.6	-37.3	38.4	-27.5	-6.9	23.3
June	45.7	-97.3	0.3	-1.4	-3.5	-3.7	0.1	48.7	-111.6	-17.5	10.8	66.3	-122.4	0.2	7.7	15.6

Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

## 7. Other investment by sector and instrument

	Eurosystème					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	-1.0	-0.1	6.1	0.0	0.0	6.6	8.9	-2.3	-1.5	0.0	-2.2	-0.3
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	-0.8	0.0	-3.4	0.0	0.0	-2.1	-1.0	-1.1	-0.2	0.0	-2.1	0.0
2006 Q1	-3.4	0.0	9.6	0.1	0.0	7.8	4.0	3.8	-0.3	0.0	-3.2	-0.4

	MFIs (excluding Eurosystème)				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	-381.2	-4.0	475.0	2.0	-7.8	-163.3	-140.9	-22.4	-12.3	9.0	147.9	3.7
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	-77.0	3.3	118.0	-4.7	-1.7	-42.1	-49.9	-7.9	-0.9	4.4	56.0	-1.1
2006 Q1	-132.3	-3.9	216.1	5.9	-3.4	-78.5	-65.7	-12.9	-8.1	4.9	53.8	5.2

## 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	18.8	3.9	-0.2	8.6	6.5	0.1	7.8	0.0	-4.8	3.5	0.0	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
2006 Q1	6.6	0.8	0.0	3.4	2.4	6.2	-4.8	0.0	-3.7	4.6	0.0	0.0

Source: ECB.

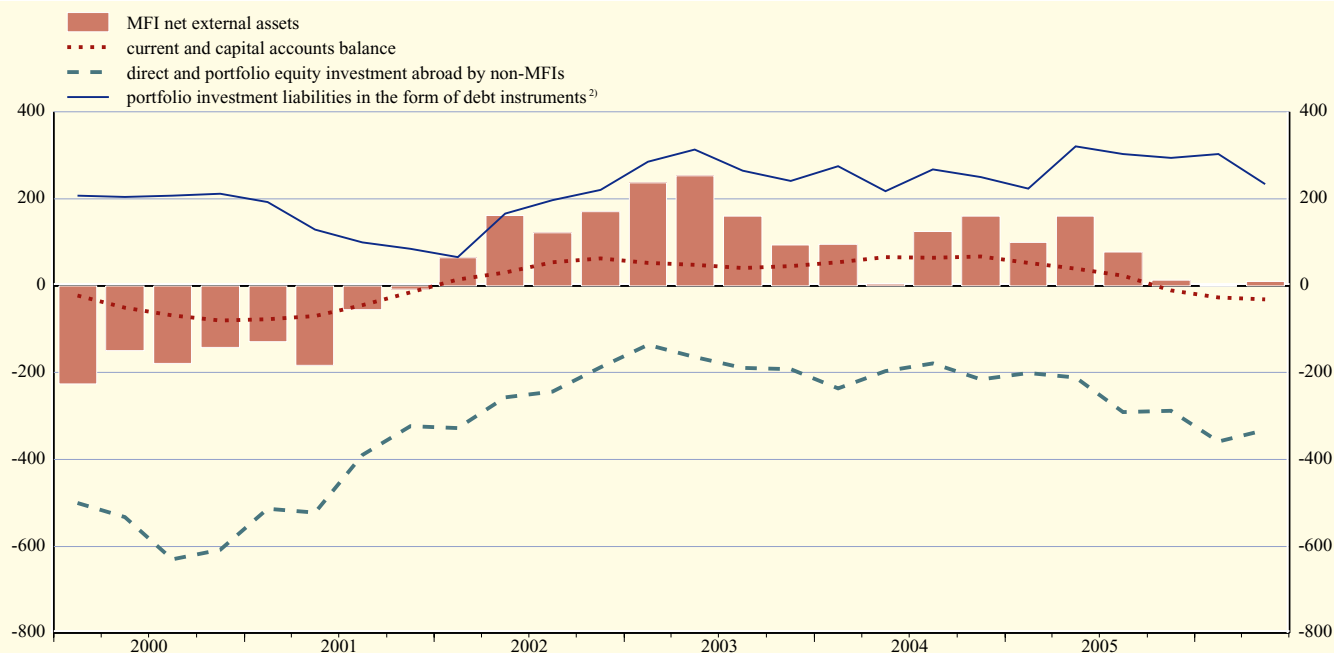
## 7.2 Monetary presentation of the balance of payments

(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non- resident units in the euro area	Assets 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	93.7
2004	67.3	-124.5	99.9	-191.9	118.0	250.4	-52.9	21.2	-5.0	-56.4	126.2	160.8
2005	-10.6	-223.8	75.3	-290.1	236.0	294.6	-178.4	158.2	-15.2	-68.5	-22.5	12.5
2005 Q2	-7.2	-26.5	13.8	-62.2	-0.8	178.6	-58.1	63.3	1.3	-42.3	59.9	64.4
Q3	1.5	-111.1	17.9	-75.0	155.3	41.1	-21.1	22.0	-0.4	-36.0	-6.0	-19.2
Q4	-8.1	-47.2	26.6	-84.5	47.5	2.8	-47.0	57.3	-8.8	31.9	-29.7	-8.2
2006 Q1	-12.9	-41.2	27.7	-124.6	116.2	80.2	-82.6	60.3	-8.5	-71.7	-57.1	-37.9
Q2	-11.3	-32.4	26.9	-25.4	39.2	110.3	-62.5	64.8	-0.9	-45.7	63.1	75.8
2005 June	4.3	-19.2	11.4	-19.2	46.2	78.9	-10.0	19.5	1.0	-17.7	94.9	100.7
July	3.8	-89.8	8.0	-31.0	118.4	2.8	-5.3	1.5	1.4	-4.8	5.1	0.0
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	-21.1
Oct.	-6.9	-11.9	3.4	-21.5	-5.3	24.0	-7.5	5.3	-4.3	19.7	-5.0	-5.2
Nov.	-4.6	-8.8	4.6	-37.2	10.6	-1.4	-35.4	25.9	-0.3	2.4	-44.4	-44.9
Dec.	3.4	-26.5	18.6	-25.8	42.2	-19.8	-4.1	26.1	-4.2	9.7	19.7	41.9
2006 Jan.	-10.6	-3.7	4.7	-47.7	31.5	4.4	-32.6	20.0	-2.8	6.6	-30.2	2.7
Feb.	0.1	-35.0	8.9	-43.2	31.1	29.8	-38.4	33.3	-3.3	-14.2	-31.0	-19.1
Mar.	-2.5	-2.6	14.2	-33.7	53.6	46.0	-11.6	7.0	-2.4	-64.1	4.0	-21.5
Apr.	-6.8	-10.9	10.8	-21.3	-13.0	25.4	-27.0	30.5	-5.6	1.9	-15.8	-6.0
May	-10.8	-12.0	14.8	-2.2	-9.8	65.3	-32.2	18.5	2.3	-26.2	7.5	17.4
June	6.3	-9.6	1.3	-1.8	62.0	19.6	-3.3	15.7	2.4	-21.4	71.4	64.3
	<i>12-month cumulated transactions</i>											
2006 June	-30.9	-232.0	99.1	-309.5	358.2	234.4	-213.2	204.4	-18.6	-121.5	-29.7	10.5

## 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 Q2 to 2006 Q1	1	2	3	4	5	6	7	8	9	10	11	12
Credits												
<b>Current account</b>	2,098.7	766.6	44.1	66.7	407.6	189.0	59.3	27.0	52.6	139.2	357.9	755.3
Goods	1,269.6	438.6	29.8	45.5	212.1	151.1	0.1	16.5	34.2	70.7	190.5	519.0
Services	408.0	144.9	8.0	10.9	100.6	20.4	4.9	5.6	11.5	39.7	77.0	129.3
Income	337.2	121.4	5.8	9.7	85.0	15.3	5.5	4.5	6.1	22.4	83.7	99.2
of which: investment income	321.6	116.0	5.7	9.6	83.2	15.1	2.3	4.4	6.0	16.3	82.1	96.7
Current transfers	83.8	61.8	0.4	0.6	9.9	2.1	48.8	0.4	0.8	6.3	6.7	7.8
<b>Capital account</b>	23.9	20.8	0.0	0.0	0.9	0.1	19.7	0.0	0.1	0.5	0.6	1.9
Debits												
<b>Current account</b>	2,139.2	682.0	36.6	63.9	333.4	155.7	92.3	20.5	80.9	132.3	332.7	890.8
Goods	1,235.2	352.4	26.2	42.5	160.0	123.7	0.0	9.8	52.0	62.8	120.9	637.4
Services	372.2	117.4	6.6	8.8	77.9	23.8	0.2	5.5	7.4	30.3	83.2	128.3
Income	380.9	114.1	3.4	11.8	86.8	6.7	5.3	3.8	21.2	33.8	120.1	87.9
of which: investment income	371.5	108.9	3.4	11.7	85.6	2.9	5.3	3.7	21.1	33.2	119.1	85.5
Current transfers	150.9	98.2	0.4	0.8	8.6	1.4	86.8	1.5	0.3	5.4	8.5	37.2
<b>Capital account</b>	10.1	1.3	0.0	0.1	0.9	0.2	0.1	0.1	0.1	0.5	1.2	6.9
Net												
<b>Current account</b>	-40.6	84.6	7.4	2.8	74.2	33.3	-33.0	6.5	-28.3	6.9	25.2	-135.5
Goods	34.4	86.2	3.6	3.0	52.0	27.4	0.1	6.7	-17.8	8.0	69.6	-118.4
Services	35.9	27.5	1.4	2.1	22.7	-3.4	4.7	0.1	4.1	9.4	-6.2	1.0
Income	-43.7	7.3	2.4	-2.1	-1.8	8.6	0.2	0.7	-15.1	-11.4	-36.4	11.3
of which: investment income	-49.9	7.1	2.4	-2.1	-2.4	12.2	-3.0	0.7	-15.1	-16.9	-37.0	11.2
Current transfers	-67.1	-36.4	0.0	-0.2	1.2	0.7	-38.1	-1.0	0.5	1.0	-1.8	-29.4
<b>Capital account</b>	13.8	19.5	0.0	0.0	0.1	-0.1	19.5	-0.1	0.0	0.0	-0.7	-5.0

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 Q2 to 2006 Q1	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>Direct investment</b>	-147.2	-99.0	-2.4	8.7	-93.8	-11.6	0.1	1.3	2.1	4.5	4.3	-18.0	-42.4
Abroad	-233.5	-152.2	-2.3	-0.3	-124.6	-24.9	0.0	-4.6	-0.7	-0.8	-13.0	-16.3	-46.0
Equity/reinvested earnings	-183.2	-140.0	-4.6	-6.6	-104.1	-24.8	0.0	-3.9	-0.6	-4.6	10.0	-6.8	-37.4
Other capital	-50.3	-12.2	2.3	6.3	-20.6	-0.1	0.0	-0.7	0.0	3.8	-23.1	-9.5	-8.6
In the euro area	86.4	53.1	-0.1	9.1	30.8	13.2	0.1	5.9	2.7	5.3	17.4	-1.7	3.6
Equity/reinvested earnings	51.0	39.2	-0.5	7.8	29.9	1.9	0.0	4.8	2.3	-0.4	-3.7	5.2	3.7
Other capital	35.4	14.0	0.4	1.2	0.9	11.3	0.1	1.1	0.4	5.8	21.0	-6.9	0.0

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 Q2 to 2006 Q1	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>Portfolio investment assets</b>	-509.5	-182.2	-7.8	-12.0	-136.3	-16.4	-9.7	-9.7	-28.8	-0.3	-98.6	-73.1	-116.9
Equity	-189.7	-35.3	0.3	-5.2	-29.8	-0.6	0.0	-4.3	-26.1	0.8	-43.7	-18.0	-63.2
Debt instruments	-319.8	-146.9	-8.1	-6.8	-106.6	-15.7	-9.7	-5.3	-2.7	-1.1	-54.9	-55.1	-53.7
Bonds and notes	-297.2	-112.2	-6.5	-6.4	-69.9	-18.8	-10.5	-5.4	-13.0	-0.8	-65.4	-49.0	-51.4
Money market instruments	-22.6	-34.7	-1.6	-0.4	-36.7	3.1	0.8	0.1	10.3	-0.3	10.5	-6.2	-2.3

### 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 Q2 to 2006 Q1	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Other investment</b>	108.3	3.9	-5.2	14.6	-11.2	-12.3	18.0	-6.8	24.7	-21.7	37.8	29.0	12.2	29.2
Assets	-608.7	-393.7	-11.2	7.5	-360.7	-27.7	-1.7	-8.2	3.3	-34.1	-24.5	-68.2	-2.3	-81.1
General government	5.3	-0.5	0.6	-0.2	-1.8	1.3	-0.4	0.0	0.0	-0.1	0.6	0.3	-1.4	6.3
MFIs	-399.8	-221.8	-9.5	6.4	-191.0	-26.3	-1.4	-6.7	4.2	-27.4	-32.9	-51.1	-0.5	-63.5
Other sectors	-214.2	-171.4	-2.3	1.3	-167.9	-2.6	0.1	-1.4	-0.8	-6.7	7.8	-17.3	-0.4	-23.9
Liabilities	717.0	397.6	6.0	7.0	349.5	15.4	19.7	1.4	21.4	12.4	62.3	97.2	14.5	110.3
General government	-6.4	-2.3	0.0	0.0	-2.6	0.0	0.4	0.0	-0.1	-3.0	-0.2	-0.1	-0.3	-0.4
MFIs	514.1	220.7	5.4	6.0	188.4	13.4	7.6	1.9	20.7	7.4	38.0	95.2	14.8	115.4
Other sectors	209.3	179.2	0.7	1.1	163.7	2.0	11.8	-0.5	0.8	8.0	24.5	2.0	0.0	-4.7

### 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 Q4	-1,061.1	-13.3	259.1	-1,306.9	-16.8	-316.6	320.1
2006 Q1	-1,215.1	-14.6	282.4	-1,425.4	-3.9	-395.3	327.1
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	106.5	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 Q4	10,511.3	131.4	2,564.9	3,758.2	232.0	3,636.1	320.1
2006 Q1	11,044.9	133.1	2,608.6	3,978.7	280.4	3,850.1	327.1
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 Q4	11,572.4	144.7	2,305.8	5,065.1	248.8	3,952.7	-
2006 Q1	12,260.0	147.7	2,326.2	5,404.0	284.3	4,245.4	-

**2. Direct investment**

	By resident units abroad						By non-resident units in the euro area					
	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
	Total	MFIs excluding Eurosystem	Non- MFIs	Total	MFIs excluding Eurosystem	Non- MFIs	Total	MFIs excluding Eurosystem	Non- MFIs	Total	MFIs excluding Eurosystem	Non- MFIs
1	2	3	4	5	6	7	8	9	10	11	12	
2001	1,557.6	124.1	1,433.5	528.4	2.1	526.3	1,165.5	43.9	1,121.6	497.6	2.8	494.8
2002	1,547.4	133.3	1,414.1	461.4	1.6	459.7	1,293.1	42.1	1,251.0	531.2	2.9	528.3
2003	1,702.8	125.9	1,577.0	449.2	1.4	447.8	1,526.9	46.6	1,480.3	582.0	2.9	579.1
2004	1,825.7	139.9	1,685.9	439.3	1.2	438.1	1,642.1	46.1	1,596.0	589.9	3.4	586.5
2005 Q4	2,038.6	156.7	1,881.9	526.2	4.8	521.4	1,683.4	49.9	1,633.5	622.4	4.7	617.7
2006 Q1	2,085.0	155.8	1,929.2	523.6	4.7	518.9	1,718.2	48.2	1,670.1	608.0	4.3	603.7

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

	Equity					Debt instruments									
	Assets				Liabilities	Bonds and notes				Money market instruments					
	Eurosystem		MFIs excluding Eurosystem			Non-MFIs		Assets		Liabilities		Assets			Liabilities
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		Eurosystem	MFIs excluding Eurosystem	Non-MFIs			
General gov.			Other sectors	General gov.	Other sectors			General gov.	Other sectors						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2001	0.6	38.5	6.7	1,068.8	1,643.9	2.0	424.8	8.2	783.5	1,517.4	2.8	135.1	0.2	41.8	186.5
2002	0.7	43.6	8.3	799.2	1,364.3	6.4	402.9	8.0	784.6	1,654.4	1.2	189.4	1.3	47.1	211.5
2003	1.7	53.6	11.5	1,008.2	1,555.0	8.3	459.2	8.0	842.5	1,744.1	1.1	191.5	0.6	48.4	249.5
2004	2.1	74.1	15.8	1,146.7	1,782.6	6.2	538.4	9.7	904.3	2,011.2	1.0	231.6	0.5	53.7	239.6
2005 Q4	2.9	105.4	23.3	1,521.3	2,438.0	6.7	698.4	9.9	1,076.8	2,319.2	0.8	251.7	0.3	60.7	307.9
2006 Q1	2.9	125.0	24.3	1,645.2	2,684.3	6.7	736.9	9.8	1,110.2	2,378.6	0.2	246.3	4.1	67.0	341.1

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 Q4	5.4	0.2	80.1	0.2	1.3	56.1	46.0	10.0	41.8	0.0	41.1	3.6	
2006 Q1	8.2	0.2	89.5	0.3	1.3	48.2	41.9	6.3	41.7	0.0	39.6	3.3	

	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 Q4	2,447.4	56.2	3,039.5	54.0	176.9	723.1	363.9	359.2	127.8	124.6	544.9	64.7	
2006 Q1	2,574.9	55.5	3,234.7	54.6	183.0	803.0	431.5	371.5	134.1	130.5	614.6	78.4	

### 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 Q4	320.1	163.4	375.861	4.3	10.6	141.7	12.7	21.4	107.9	0.6	69.6	37.7	-0.2	0.0	25.6	-17.9
2006 Q1	327.1	179.7	373.695	4.3	6.9	136.3	6.5	26.0	103.7	0.5	71.2	31.9	0.1	0.0	27.7	-19.4
2006 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
May	333.2	188.3	370.982	4.2	6.2	134.5	4.9	25.0	104.0	-	-	-	0.6	0.0	25.9	-20.4
June	323.8	178.9	370.694	4.2	7.8	133.0	5.4	22.0	105.3	-	-	-	0.2	0.0	26.9	-19.0
July	330.1	183.3	369.890	4.2	7.6	135.0	4.4	25.6	104.9	-	-	-	0.1	0.0	26.3	-19.7
<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 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 Q1	40.6	11.2	23.145	0.2	0.0	29.3	2.6	3.6	23.1	0.0	15.3	7.8	0.0	0.0	3.9	-0.5
2006 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
May	41.2	10.8	21.312	0.2	0.0	30.2	1.2	6.2	22.8	-	-	-	0.0	0.0	2.7	-1.0
June	39.2	10.3	21.312	0.2	0.0	28.7	1.3	2.4	25.1	-	-	-	0.0	0.0	3.5	0.0
July	41.0	10.6	21.312	0.2	0.0	30.3	1.1	4.5	24.7	-	-	-	0.0	0.0	2.6	-0.7

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	512.5	227.8	309.5	949.1	984.4	559.5	163.1	234.5	717.3	105.2
2003	-2.3	0.5	1,060.1	501.2	222.8	300.5	925.0	990.6	554.2	164.0	240.9	716.3	109.0
2004	8.9	9.4	1,147.4	547.7	247.0	313.4	997.4	1,075.3	604.7	183.5	256.1	769.9	129.5
2005	7.4	12.7	1,237.5	588.2	266.8	331.0	1,068.9	1,217.0	697.7	202.6	273.4	842.5	184.4
2005 Q1	3.3	8.9	291.6	138.5	62.9	78.4	255.6	278.8	158.8	44.7	64.5	198.3	37.1
Q2	6.2	11.2	302.8	144.5	64.2	81.2	258.9	292.9	167.3	49.9	66.3	201.6	41.6
Q3	10.0	15.1	319.0	150.5	70.3	85.1	274.8	318.5	184.4	53.1	70.2	217.6	52.7
Q4	9.8	15.1	324.1	154.7	69.4	86.3	279.6	326.7	187.3	54.9	72.4	225.0	53.0
2006 Q1	16.3	22.9	332.5	158.7	70.8	89.1	285.3	336.4	196.7	51.6	73.6	224.3	55.8
Q2	9.2	14.0	337.4	159.4	71.2	88.7	291.0	340.8	200.1	51.1	73.7	231.6	37.0
2006 Jan.	14.8	23.5	110.3	52.4	23.9	29.5	95.1	111.1	64.5	17.3	24.7	74.6	18.2
Feb.	15.3	23.0	110.1	52.7	23.5	29.7	95.1	112.9	65.6	17.3	24.4	75.4	17.7
Mar.	18.5	22.4	112.1	53.7	23.3	29.9	95.1	112.3	66.5	17.0	24.6	74.3	19.9
Apr.	5.3	8.9	111.9	52.9	23.4	29.0	96.5	113.0	65.1	17.0	24.2	76.5	17.6
May	14.2	19.8	112.5	53.3	23.7	29.9	96.8	113.7	67.8	17.1	24.7	77.1	19.4
June	8.2	13.5	112.9	53.3	24.0	29.9	97.8	114.0	67.3	17.1	24.9	78.0	.
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	89.6	104.1	96.3	101.4
2003	1.0	3.8	109.0	105.9	108.0	114.8	109.2	101.9	100.6	95.2	110.3	100.0	104.9
2004	9.1	6.7	118.3	115.4	121.2	119.8	118.3	108.0	104.3	107.8	118.5	107.5	105.7
2005	4.4	4.5	124.0	119.2	129.3	123.8	124.2	113.4	106.8	119.8	123.3	115.2	109.6
2005 Q1	1.0	2.5	118.7	114.4	123.2	119.2	120.1	109.5	105.1	107.3	119.1	110.1	108.2
Q2	4.2	5.3	122.3	118.3	124.8	122.4	121.0	111.8	105.8	119.3	121.4	111.4	105.9
Q3	6.7	5.4	127.0	121.1	135.9	126.4	127.1	115.6	108.4	124.3	125.4	118.2	113.3
Q4	5.6	4.8	128.0	122.9	133.4	127.1	128.5	116.7	108.1	128.6	127.2	121.1	110.8
2006 Q1	11.1	8.7	129.3	124.4	134.5	129.8	129.8	116.6	109.6	118.0	128.2	118.6	109.2
Q2	3.0	2.4	130.8	124.8	134.5	128.1	132.0	117.1	109.1	118.4	128.4	122.0	103.7
2006 Jan.	9.3	7.7	128.8	123.2	136.2	129.0	129.9	115.9	108.6	118.1	128.6	118.3	109.7
Feb.	10.4	8.3	128.7	123.9	134.0	129.9	130.0	117.0	109.3	119.1	127.0	119.7	101.6
Mar.	13.4	10.0	130.5	126.1	133.1	130.4	129.5	117.0	110.9	116.8	128.9	117.8	116.4
Apr.	1.2	-2.2	130.6	124.7	134.1	126.1	132.0	116.6	106.9	117.3	126.8	121.3	99.7
May	9.0	7.1	131.0	125.0	134.9	130.2	131.9	117.7	111.3	119.4	130.0	122.7	107.7
June	.	.	.	.	.	.	.	.	.	.	.	.	.
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	95.7	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	110.4	92.4	100.3	98.1	136.8
2005 Q1	2.3	6.2	97.9	98.4	94.4	100.1	97.1	99.4	102.3	91.1	98.0	96.7	111.6
Q2	2.0	5.5	98.7	99.2	95.1	101.0	97.7	102.3	107.1	91.6	98.9	97.1	128.2
Q3	3.0	9.2	100.1	100.9	95.7	102.4	98.7	107.5	115.2	93.4	101.4	98.8	151.5
Q4	4.0	9.8	100.9	102.2	96.2	103.3	99.3	109.3	117.2	93.4	103.0	99.7	155.9
2006 Q1	4.7	13.2	102.5	103.6	97.3	104.4	100.3	112.6	121.5	95.6	104.0	101.5	166.7
Q2	4.1	10.9	102.6	103.6	97.3	104.8	100.3	113.3	123.6	94.2	103.3	101.4	174.4
2006 Jan.	5.0	14.7	102.4	103.5	97.5	104.3	100.3	112.3	120.6	96.0	104.1	101.6	162.6
Feb.	4.5	13.6	102.4	103.5	97.2	104.3	100.2	113.0	122.0	95.3	104.1	101.5	170.8
Mar.	4.5	11.3	102.7	103.8	97.3	104.7	100.5	112.4	121.9	95.6	103.7	101.5	166.8
Apr.	4.1	11.3	102.5	103.3	97.0	104.9	100.1	113.5	123.6	94.8	103.7	101.6	172.6
May	4.8	11.8	102.7	103.9	97.6	104.7	100.4	113.1	123.7	93.7	103.0	101.2	176.2
June	.	.	.	.	.	.	.	.	.	.	.	.	.

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	101.0
2004	1,147.4	25.7	41.8	203.9	128.0	35.6	66.1	31.8	173.7	40.3	33.1	149.9	63.8	40.3	113.4
2005	1,237.5	28.6	44.9	202.9	142.3	43.1	70.2	34.6	184.8	43.6	34.0	165.9	72.9	46.8	123.0
2005 Q1	291.6	6.7	11.0	49.9	33.3	9.8	17.4	8.0	43.3	10.2	8.5	38.9	17.1	11.0	26.5
Q2	302.8	7.0	11.1	49.8	33.8	10.7	16.9	8.2	45.5	10.1	8.4	40.6	17.2	11.2	32.2
Q3	319.0	7.3	11.4	51.5	36.2	11.3	17.9	9.0	47.2	11.4	8.5	43.9	19.3	12.3	31.8
Q4	324.1	7.6	11.4	51.8	39.0	11.2	18.0	9.4	48.8	11.8	8.6	42.4	19.2	12.3	32.5
2006 Q1	332.5	7.5	11.6	52.8	40.9	12.1	17.9	9.8	50.4	12.5	8.8	43.9	19.0	13.3	32.0
Q2	337.4	5.1	8.0	35.7	28.5	12.6	18.2	9.8	48.9	12.7	8.3	44.7	19.0	13.4	15.1
2006 Jan.	110.3	2.5	3.9	17.7	13.5	4.0	6.1	3.2	16.8	4.0	3.0	14.5	6.3	4.6	10.3
Feb.	110.1	2.5	3.8	17.4	13.8	4.0	5.9	3.3	16.6	4.2	3.0	14.8	6.5	4.4	9.8
Mar.	112.1	2.5	3.9	17.7	13.7	4.1	5.9	3.3	16.9	4.2	2.8	14.5	6.2	4.3	12.0
Apr.	111.9	2.4	3.9	17.8	14.5	4.0	6.0	3.2	16.4	4.2	2.7	15.2	6.3	4.4	10.7
May	112.5	2.6	4.0	17.9	14.0	4.3	6.1	3.3	16.4	4.2	2.8	14.4	6.3	4.2	11.9
June	112.9	.	.	.	.	4.3	6.1	3.3	16.1	4.3	2.8	15.1	6.4	4.8	-7.6
<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	52.1	17.7	125.6	61.7	52.7	142.8	67.8	39.4	80.8
2003	990.6	23.7	36.9	138.9	102.0	47.4	50.4	19.3	110.3	74.5	52.2	141.2	68.9	39.8	85.1
2004	1,075.3	25.3	39.6	144.0	107.1	56.4	53.4	22.8	113.8	92.1	53.9	163.2	72.8	45.1	85.7
2005	1,217.0	25.3	41.9	151.2	116.7	75.3	58.1	24.8	120.4	117.6	52.9	188.4	95.2	53.1	95.8
2005 Q1	278.8	6.1	10.0	36.2	27.2	17.1	13.5	6.3	28.7	26.2	12.9	41.0	20.3	12.1	21.1
Q2	292.9	6.4	10.3	36.7	28.7	18.2	14.4	5.8	30.1	27.9	12.6	46.5	21.9	12.2	21.3
Q3	318.5	6.3	10.6	39.0	29.9	19.8	15.0	6.1	30.7	31.1	13.6	49.9	26.8	13.9	25.7
Q4	326.7	6.5	11.0	39.3	31.0	20.2	15.1	6.6	30.9	32.4	13.8	51.0	26.2	14.9	27.7
2006 Q1	336.4	6.7	11.4	41.0	32.4	23.7	15.1	6.8	31.8	33.5	13.8	52.6	26.7	15.6	25.3
Q2	340.8	4.4	7.6	29.3	22.6	24.6	15.3	7.4	31.7	34.4	13.5	51.6	26.7	15.7	5.4
2006 Jan.	111.1	2.2	3.8	13.3	10.6	7.7	5.1	2.2	10.7	11.2	4.6	17.7	8.6	5.2	8.2
Feb.	112.9	2.1	3.8	13.7	11.0	7.7	5.0	2.3	10.7	11.1	4.7	17.6	9.2	5.2	8.7
Mar.	112.3	2.3	3.8	14.0	10.7	8.2	5.0	2.3	10.5	11.2	4.4	17.3	9.0	5.2	8.4
Apr.	113.0	2.2	3.8	14.7	11.3	7.8	5.0	2.6	10.4	11.1	4.3	16.3	8.6	5.1	9.7
May	113.7	2.2	3.8	14.6	11.3	8.5	5.1	2.5	10.5	11.4	4.5	18.6	9.1	5.2	6.3
June	114.0	.	.	.	.	8.3	5.2	2.4	10.7	11.8	4.7	16.7	9.0	5.4	-10.7
<i>% share of total imports</i>															
2005	100.0	2.1	3.5	12.5	9.6	6.2	4.8	2.0	9.9	9.6	4.4	15.5	7.8	4.4	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	-19.6	-2.3	-8.3	4.0	19.5
2003	69.5	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	15.9
2004	72.1	0.5	2.2	59.9	20.9	-20.8	12.6	8.9	60.0	-51.8	-20.8	-13.3	-9.0	-4.8	27.6
2005	20.5	3.2	2.9	51.7	25.6	-32.3	12.1	9.8	64.4	-74.0	-18.9	-22.5	-22.4	-6.4	27.2
2005 Q1	12.8	0.6	1.0	13.7	6.1	-7.3	3.9	1.7	14.6	-16.0	-4.5	-2.0	-3.1	-1.2	5.4
Q2	9.9	0.6	0.9	13.1	5.1	-7.5	2.4	2.4	15.4	-17.8	-4.2	-5.9	-4.7	-1.0	10.9
Q3	0.5	1.0	0.7	12.5	6.2	-8.5	2.9	2.9	16.5	-19.7	-5.1	-6.0	-7.5	-1.6	6.1
Q4	-2.6	1.0	0.4	12.4	8.1	-9.0	2.9	2.8	17.9	-20.5	-5.2	-8.6	-7.0	-2.6	4.8
2006 Q1	-3.9	0.8	0.2	11.8	8.6	-11.6	2.8	3.0	18.5	-21.0	-5.0	-8.8	-7.7	-2.3	6.7
Q2	-3.4	0.6	0.4	6.4	5.9	-12.0	2.8	2.4	17.3	-21.7	-5.2	-7.0	-7.7	-2.3	9.7
2006 Jan.	-0.8	0.3	0.0	4.4	2.9	-3.8	1.0	1.0	6.2	-7.1	-1.7	-3.2	-2.3	-0.5	2.0
Feb.	-2.7	0.4	0.1	3.7	2.8	-3.7	0.9	1.0	5.9	-6.9	-1.7	-2.7	-2.7	-0.9	1.1
Mar.	-0.3	0.2	0.1	3.7	3.0	-4.1	0.9	0.9	6.4	-7.0	-1.6	-2.8	-2.7	-0.9	3.6
Apr.	-1.1	0.2	0.2	3.1	3.2	-3.8	1.0	0.7	6.0	-7.0	-1.6	-1.2	-2.3	-0.7	1.0
May	-1.2	0.4	0.2	3.3	2.6	-4.2	1.0	0.9	5.9	-7.2	-1.7	-4.2	-2.8	-1.0	5.6
June	-1.1	.	.	.	.	-4.0	0.9	0.9	5.4	-7.5	-1.9	-1.6	-2.6	-0.6	3.1

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

## EXCHANGE RATES

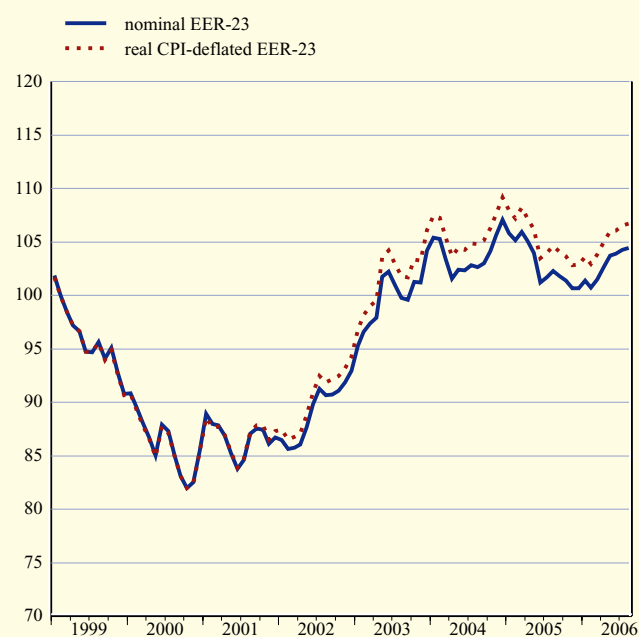
### 8.1 Effective exchange rates <sup>1)</sup>

(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	101.2	96.0	99.3	106.6	101.6	
2004	103.8	105.9	105.2	104.9	100.6	103.4	111.0	105.4	
2005	102.9	105.2	103.6	104.2	98.5	101.4	109.5	103.5	
2005 Q2	103.4	105.6	104.2	104.6	99.0	102.1	110.1	104.1	
Q3	101.9	104.2	102.4	103.0	97.2	100.1	108.3	102.5	
Q4	100.9	103.1	101.1	102.4	96.2	99.3	107.2	101.1	
2006 Q1	101.2	103.5	102.1	102.5	96.5	99.5	107.2	101.0	
Q2	103.5	105.7	104.4	.	.	.	109.9	103.4	
2005 Aug.	102.3	104.6	102.9	-	-	-	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	101.7	-	-	-	106.6	100.4	
Mar.	101.5	103.8	102.5	-	-	-	107.4	101.2	
Apr.	102.7	105.0	103.7	-	-	-	108.6	102.3	
May	103.8	106.0	104.7	-	-	-	110.3	103.7	
June	103.9	106.1	104.7	-	-	-	110.9	104.2	
July	104.3	106.5	104.9	-	-	-	111.0	104.4	
Aug.	104.4	106.7	104.9	-	-	-	111.1	104.4	
	<i>% change versus previous month</i>								
2006 Aug.	0.2	0.2	0.1	-	-	-	0.0	0.0	
	<i>% change versus previous year</i>								
2006 Aug.	2.1	2.0	2.0	-	-	-	2.2	1.6	

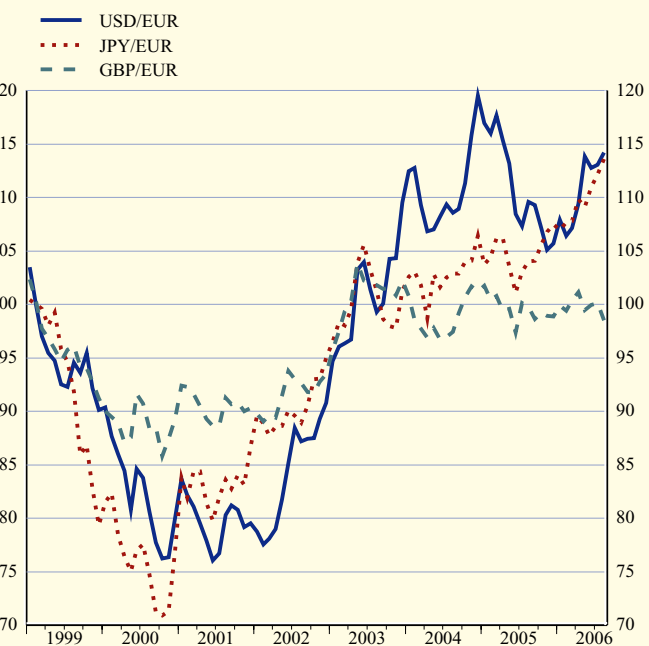
### C35 Effective exchange rates

(monthly averages; index 1999 Q1=100)



### C36 Bilateral exchange rates

(monthly averages; index 1999 Q1=100)



Source: ECB.

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

## 8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	Danish kroner 1	Swedish krona 2	Pound sterling 3	US dollar 4	Japanese yen 5	Swiss franc 6	South Korean won 7	Hong Kong dollar 8	Singapore dollar 9	Canadian dollar 10	Norwegian kroner 11	Australian dollar 12
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 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
Q2	7.4581	9.2979	0.68778	1.2582	143.81	1.5631	1,194.34	9.7618	1.9989	1.4108	7.8314	1.6838
2006 Feb.	7.4641	9.3414	0.68297	1.1938	140.77	1.5580	1,157.96	9.2640	1.9448	1.3723	8.0593	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
June	7.4566	9.2349	0.68666	1.2650	145.11	1.5601	1,207.64	9.8210	2.0129	1.4089	7.8559	1.7104
July	7.4602	9.2170	0.68782	1.2684	146.70	1.5687	1,205.89	9.8600	2.0083	1.4303	7.9386	1.6869
Aug.	7.4609	9.2098	0.67669	1.2811	148.53	1.5775	1,231.42	9.9627	2.0185	1.4338	7.9920	1.6788
% change versus previous month												
2006 Aug.	0.0	-0.1	-1.6	1.0	1.3	0.6	2.1	1.0	0.5	0.2	0.7	-0.5
% change versus previous year												
2006 Aug.	0.0	-1.4	-1.3	4.2	9.2	1.6	-1.9	4.3	-1.2	-3.2	1.0	4.0
	Czech koruna 13	Estonian kroon 14	Cyprus pound 15	Latvian lats 16	Lithuanian litas 17	Hungarian forint 18	Maltese lira 19	Polish zloty 20	Slovenian tolar 21	Slovak koruna 22	Bulgarian lev 23	New 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 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
Q2	28.378	15.6466	0.57538	0.6960	3.4528	266.83	0.4293	3.9482	239.63	37.690	1.9558	3,5172
2006 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
June	28.386	15.6466	0.57504	0.6960	3.4528	272.39	0.4293	4.0261	239.65	38.062	1.9558	3,5501
July	28.448	15.6466	0.57500	0.6960	3.4528	277.49	0.4293	3.9962	239.65	38.377	1.9558	3,5715
Aug.	28.194	15.6466	0.57585	0.6960	3.4528	274.41	0.4293	3.9046	239.62	37.669	1.9558	3,5271
% change versus previous month												
2006 Aug.	-0.9	0.0	0.1	0.0	0.0	-1.1	0.0	-2.3	0.0	-1.8	0.0	-1.2
% change versus previous year												
2006 Aug.	-4.7	0.0	0.5	0.0	0.0	12.2	0.0	-3.4	0.0	-2.6	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 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	
Q2	10.0815	7.2786	92.72	11,479.67	4.5853	2.0172	65.819	34.1890	8.1745	47.981	1,8473	
2006 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	
June	10.1285	7.2575	94.38	11,850.97	4.6364	2.0462	67.259	34.1587	8.8431	48.541	2,0258	
July	10.1347	7.2509	94.33	11,582.39	4.6527	2.0551	66.291	34.1393	8.9892	48.197	1,9712	
Aug.	10.2141	7.2893	90.08	11,649.96	4.7078	2.0220	65.712	34.2755	8.9034	48.192	1,8802	
% change versus previous month												
2006 Aug.	0.8	0.5	-4.5	0.6	1.2	-1.6	-0.9	0.4	-1.0	0.0	-4.6	
% change versus previous year												
2006 Aug.	2.6	-1.1	14.9	-5.2	1.9	14.4	-4.4	-2.1	12.0	-4.8	13.7	

Source: ECB.

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

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

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



## DEVELOPMENTS OUTSIDE THE EURO AREA

### 9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

#### 1. Economic and financial developments

	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Slovenia	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13
<b>HICP</b>													
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 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
2006 Q2	2.5	2.0	4.5	2.6	6.5	3.6	2.7	3.4	1.4	3.1	4.6	1.9	2.2
2006 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
May	2.8	2.1	4.6	2.5	7.1	3.6	2.9	3.5	1.5	3.4	4.8	1.9	2.2
June	2.3	2.1	4.4	2.6	6.3	3.7	2.9	3.3	1.5	3.0	4.5	1.9	2.5
July	2.4	2.0	4.5	2.8	6.9	4.4	3.2	3.6	1.4	1.9	5.0	1.8	2.4
<b>General government deficit (-)/surplus (+) as a % of GDP<sup>1)</sup></b>													
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	-3.5
<b>General government gross debt as a % of GDP<sup>1)</sup></b>													
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
<b>Long-term government bond yield as a % per annum, period average</b>													
2006 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
May	3.93	4.02	-	4.07	3.60	4.13	6.85	4.24	5.27	3.73	4.50	3.89	4.49
June	4.05	4.03	-	4.03	4.14	4.34	7.26	4.27	5.55	3.87	4.66	3.93	4.50
July	4.04	4.06	-	4.21	4.32	4.28	7.55	4.31	5.56	3.86	5.42	3.96	4.49
<b>3-month interest rate as a % per annum, period average</b>													
2006 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
May	2.12	2.98	2.92	3.22	4.48	2.90	-	3.24	4.15	3.50	3.96	2.31	4.70
June	2.16	3.08	3.06	3.19	4.16	3.00	-	3.45	4.17	3.38	4.20	2.47	4.73
July	2.29	3.20	3.18	3.20	4.43	3.13	6.90	3.63	4.19	3.34	4.92	2.56	4.73
<b>Real GDP</b>													
2004	4.2	1.9	7.8	3.9	8.6	7.0	5.2	-0.5	5.3	4.2	5.4	3.7	3.1
2005	6.1	3.2	9.8	3.8	10.2	7.5	4.1	2.4	3.3	3.9	6.1	2.7	1.8
2005 Q4	6.9	3.3	11.5	3.6	10.6	8.2	4.2	2.0	4.7	5.0	7.4	3.3	1.8
2006 Q1	7.4	2.6	11.1	3.1	13.1	8.2	4.3	-1.3	4.6	4.7	6.3	4.4	2.3
2006 Q2	.	.	.	.	.	8.6	4.0	.	5.6	.	6.6	5.0	2.6
<b>Current and capital accounts balance as a % of GDP</b>													
2004	-6.5	2.4	-12.2	-4.9	-11.9	-6.4	-8.3	-6.0	-3.9	-2.5	-3.3	6.9	-1.5
2005	-1.9	2.7	-9.9	-5.3	-11.2	-5.6	-6.6	-7.8	-1.1	-1.5	-8.6	6.2	-2.0
2005 Q3	-4.1	4.2	-8.9	4.9	-11.1	-6.4	-7.7	6.6	-1.3	0.6	-4.7	6.8	-3.4
Q4	-2.4	1.6	-8.5	-19.7	-13.8	-5.2	-5.4	-20.8	-1.2	-4.9	-14.9	5.5	-1.9
2006 Q1	0.4	-0.6	-13.4	-13.0	-12.8	-9.3	-6.1	-12.6	-1.6	-2.2	-7.6	8.2	-2.6
<b>Unit labour costs</b>													
2004	1.8	0.3	2.9	0.8	6.6	0.7	5.2	1.7	-1.5	3.8	3.2	-0.6	2.1
2005	-0.6	1.1	3.8	1.5	5.8	3.8	.	0.0	0.4	.	1.1	1.4	.
2005 Q3	0.6	-0.7	4.1	-	-	2.9	-	-1.4	-	-	1.1	0.6	.
Q4	-1.3	1.4	5.6	-	-	6.7	-	-1.1	-	-	1.2	2.6	.
2006 Q1	-0.6	2.2	5.1	-	-	6.9	-	.	-	-	3.7	-1.3	.
<b>Standardised unemployment rate as a % of labour force (s.a.)</b>													
2004	8.3	5.5	9.7	4.6	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 Q4	7.8	4.1	7.1	5.3	7.9	6.9	7.5	7.5	17.2	6.8	15.7	7.7	5.0
2006 Q1	7.7	4.2	5.8	5.4	7.8	6.0	7.4	8.1	15.4	6.4	14.3	7.8	5.1
2006 Q2	7.4	3.9	5.2	5.5	7.4	5.5	7.4	8.4	15.5	6.5	14.4	.	.
2006 Mar.	7.7	4.2	5.6	5.4	7.6	5.9	7.3	8.3	15.3	6.4	14.3	7.8	5.2
Apr.	7.5	4.0	5.3	5.4	7.5	5.8	7.4	8.4	15.7	6.5	14.4	.	5.3
May	7.4	3.9	5.1	5.6	7.4	5.4	7.3	8.3	15.6	6.5	14.4	.	5.4
June	7.3	3.9	5.0	5.6	7.3	5.3	7.3	8.5	15.3	6.5	14.3	.	.
July	7.2	.	4.2	5.6	7.5	5.5	7.6	.	15.0	.	14.0	.	.

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

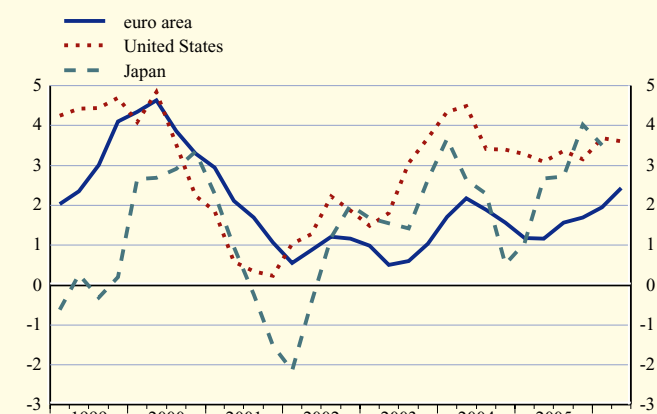
(annual percentage changes, unless otherwise indicated)

### 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	0.3	1.6	0.3	5.8	8.0	1.80	4.60	0.9456	-3.8	45.2
2003	2.3	0.8	2.5	0.7	6.0	6.4	1.22	4.00	1.1312	-5.0	47.9
2004	2.7	0.1	3.9	5.0	5.5	5.0	1.62	4.26	1.2439	-4.7	48.6
2005	3.4	0.5	3.2	3.9	5.1	6.1	3.56	4.28	1.2441	-3.8	49.0
2005 Q2	2.9	1.1	3.1	3.4	5.1	5.0	3.28	4.16	1.2594	-3.5	48.6
Q3	3.8	0.3	3.4	3.1	5.0	5.9	3.77	4.21	1.2199	-4.4	48.6
Q4	3.7	-0.9	3.1	4.3	4.9	7.4	4.34	4.48	1.1884	-3.7	49.0
2006 Q1	3.6	0.2	3.7	4.8	4.7	8.2	4.76	4.57	1.2023	-2.9	49.6
Q2	4.0	-0.2	3.6	5.7	4.6	9.1	5.21	5.07	1.2582	.	.
2006 Apr.	3.5	-	-	6.0	4.7	8.6	5.07	4.99	1.2271	-	-
May	4.2	-	-	5.4	4.6	9.2	5.18	5.10	1.2770	-	-
June	4.3	-	-	5.9	4.6	9.4	5.38	5.10	1.2650	-	-
July	4.1	-	-	5.8	4.8	9.5	5.50	5.10	1.2684	-	-
Aug. <sup>(p)</sup>	.	-	-	.	.	.	5.42	4.89	1.2810	-	-
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	1.8	0.06	1.39	136.85	.	.
2005 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	1.7	0.06	1.36	135.62	.	.
Q4	-0.7	-2.1	4.0	3.0	4.5	1.9	0.06	1.53	139.41	.	.
2006 Q1	-0.1	-1.6	3.4	3.2	4.2	1.7	0.08	1.58	140.51	.	.
Q2	0.2	.	2.2	4.2	4.1	1.4	0.21	1.90	143.81	.	.
2006 Apr.	-0.1	-1.4	-	3.6	4.1	1.7	0.11	1.91	143.59	-	-
May	0.1	-3.3	-	4.0	4.0	1.3	0.19	1.91	142.70	-	-
June	0.5	.	-	5.0	4.2	1.2	0.32	1.87	145.11	-	-
July	0.3	.	-	.	.	0.6	0.40	1.91	146.70	-	-
Aug. <sup>(p)</sup>	.	.	-	.	.	.	0.41	1.82	148.44	-	-

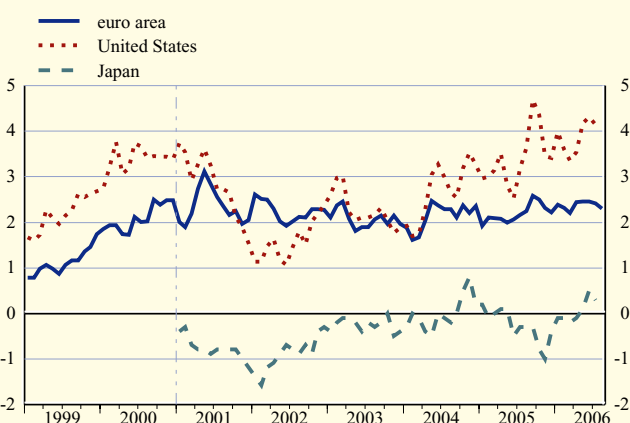
### C37 Real gross domestic product

(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.

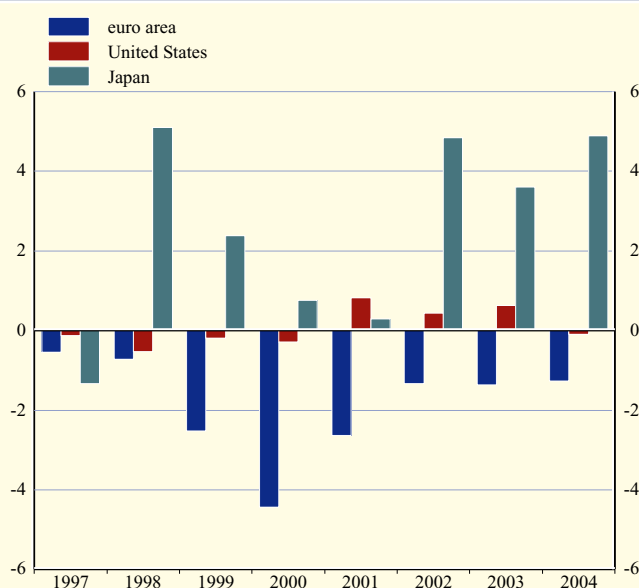
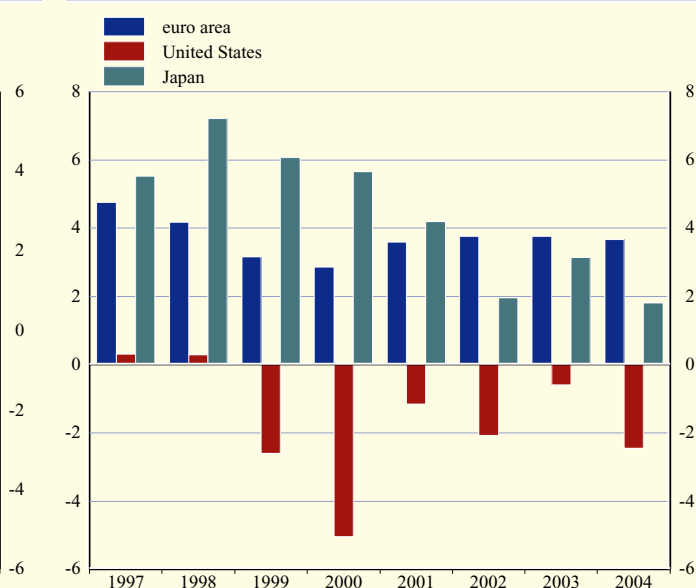
4) For more information, see Section 8.2.

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	-0.1	13.0	4.5	11.4	6.6
2003	13.4	18.5	-4.6	6.8	6.8	0.8	8.0	0.1	0.3	13.3	8.4	11.3	9.0
2004	13.4	19.6	-5.6	7.3	7.0	4.2	8.0	4.2	0.3	13.5	7.1	11.0	9.6
2005	13.4	20.1	-6.3	7.4	7.3	2.3	8.2	2.2	-0.6	13.7	4.6	9.5	9.5
2004 Q2	13.3	19.8	-5.6	7.4	7.0	3.0	8.1	2.7	-0.5	13.6	6.5	10.7	9.2
Q3	13.5	19.8	-5.5	7.3	7.1	4.1	8.4	4.0	-0.1	13.6	6.8	10.9	8.9
Q4	13.5	19.9	-6.2	7.5	7.2	4.1	7.3	5.1	0.8	13.6	8.2	11.4	10.7
2005 Q1	13.4	20.2	-6.4	7.6	7.2	2.5	7.7	3.1	0.3	13.7	4.8	10.0	8.4
Q2	13.2	19.8	-6.0	7.2	7.3	2.3	8.1	2.1	-0.1	13.9	4.6	9.4	10.1
Q3	13.6	19.9	-5.9	7.2	7.4	2.4	8.6	1.7	-1.7	13.8	5.1	9.9	10.4
Q4	13.2	20.5	-6.9	7.7	7.4	2.1	8.3	2.0	-1.0	13.5	4.0	8.8	9.0
2006 Q1	13.8	20.7	-6.7	7.8	7.5	2.1	8.5	2.1	-0.6	13.7	6.6	8.4	10.8
Japan													
2002	25.3	23.3	2.8	12.8	13.2	-1.7	16.0	-7.5	-0.9	4.9	-0.2	7.7	-2.1
2003	25.6	22.9	3.1	13.3	13.4	2.3	17.0	-5.4	0.2	4.7	0.3	7.1	-0.7
2004	25.5	22.9	3.6	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	.	1.5	1.2	.	2.9	.	0.7
2004 Q2	21.4	20.2	3.6	.	.	-13.7	.	-11.2	0.6	.	7.9	.	-6.2
Q3	23.9	22.9	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	.	.	.	-15.3	.	-13.8	2.2	.	8.9	.	-6.3
Q3	.	23.5	.	.	.	6.3	.	6.2	0.8	.	-2.4	.	2.8
Q4	.	23.9	.	.	.	15.9	.	16.2	3.1	.	15.8	.	3.5
2006 Q1	.	23.7	.	.	.	9.2	.	-2.4	-2.2	.	-7.2	.	5.5

 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:

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

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

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

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

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

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

#### CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

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

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

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

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

#### RELATING TO SECTIONS 3.1 TO 3.3

#### CALCULATION OF GROWTH RATES

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

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

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

#### RELATING TO SECTION 4.3 AND 4.4

#### CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

Growth rates are calculated on the basis of financial transactions and therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. They may be calculated from transactions or from the index of notional stocks. If  $N_t^M$  represents the transactions (net

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The calculation formula used for Section 4.3 is also used for Section 4.4 and is likewise based on that used for the monetary aggregates. Section 4.4 is based on market values and the basis for the calculation are financial transactions, which exclude reclassifications, revaluations or any other changes that do not arise from transactions. Exchange rate variations are not included as all quoted shares covered are denominated in euro.

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

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

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

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

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

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

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

## **RELATING TO TABLE 1 IN SECTION 5.1**

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

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

## **RELATING TO TABLE 2 IN SECTION 7.1**

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

The approach relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The raw data for goods, services, income and current transfers are pre-adjusted to take a working-day effect into account. For goods, services and income, the working-day adjustment is corrected for national public holidays. Data on goods credits are also pre-adjusted for Easter. The seasonal adjustment for these items is carried out using these pre-adjusted series. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal (and trading day) factors are revised at semi-annual intervals or as required.





## GENERAL NOTES

The “Euro area statistics” section of the Monthly Bulletin focuses on statistics for the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available in the “Statistics” section of the ECB’s website ([www.ecb.int](http://www.ecb.int)). Services available under the “Data services” sub-section include a browser interface with search facilities, subscription to different datasets and a facility for downloading data directly as compressed Comma Separated Value (CSV) files. For further information, please contact us at: [statistics@ecb.int](mailto:statistics@ecb.int).

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the Governing Council. For this issue, the cut-off date was 30 August 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

1 OJL 356, 30.12.1998, p. 7.

2 OJL 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.

#### **6 JULY 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 2.75%, 3.75% and 1.75% respectively.

### **3 AUGUST 2006**

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.0%, starting from the operation to be settled on 9 August 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 4.0% and 2.0%, both with effect from 9 August 2006.

### **31 AUGUST 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 3.0%, 4.0% and 2.0% respectively.





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



## PAYMENT FLOWS IN TARGET

In the second quarter of 2006 TARGET processed a daily average of 336,362 payments with a total daily average value of €2,152 billion, the highest figures since the launch of TARGET. Compared with the previous quarter, this represented an increase of 10% in terms of volume and 7% in terms of value. When compared with the same period last year, an increase of 15% in terms of volume and 12% in value is observed. At 89%, TARGET's overall market share in terms of value remained at a high level, and its market share in terms of volume increased by 1 percentage point to 60%. The highest level of TARGET traffic was recorded on 18 April, the day after the Easter holidays, when a total of 467,389 payments were processed.

## INTRA-MEMBER STATE PAYMENTS

TARGET processed a daily average of 258,376 intra-Member State payments with a total average value of €1,403 billion per business day in the second quarter of 2006. This represented an increase of 10% in volume and 7% in value as compared with the previous quarter. In comparison with the corresponding period in 2005, the volume increased by 10% and the value by 16%. Intra-Member State traffic accounted for 76.8% of the total volume and 65.2% of the total value of TARGET payments. The average value of an intra-Member State payment stayed at €5.4 million. At the intra-Member State level, 63% of payments were below €50,000, while 10% were above €1 million. On average, there were 152 intra-Member State payments with a value above €1 billion per day. The highest level of intra-Member State traffic was recorded on 18 April, the day after the Easter Holidays, when a total of 352,387 payments were processed.

## INTER-MEMBER STATE PAYMENTS

At the inter-Member State level, TARGET processed a daily average of 77,986 payments with a total daily average value of €749 billion in the second quarter of 2006. Compared with the previous quarter, this represented an increase of 9% in terms of both volume and value. Interbank payments increased by 8% in terms of volume and 9% in value as compared with the previous quarter. For customer payments, an increase of 23% was observed in terms of volume and an increase of 9% was recorded in value as 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 terms of value. The average value of interbank payments decreased from €19.2 million to €19.0 million and that of customer payments increased from €858,700 to €951,550 as compared with the previous quarter. 64% of the inter-Member State payments had a value below €50,000, while 10% had a value above €1 million. On average, there were 55 inter-Member State payments with a value above €1 billion per day. The highest level of inter-Member State traffic was recorded on 18 April, the day after the Easter Holidays, when a total of 115,002 payments were processed.

## TARGET AVAILABILITY AND BUSINESS PERFORMANCE

In the second quarter of 2006 TARGET achieved an overall availability of 99.92%, compared with 99.88% in the previous quarter. The number of incidents with an effect on TARGET's availability was 12, which is 2 less than in the previous quarter. Incidents considered for the calculation of TARGET's availability are those that prevent the processing of payments for 10 minutes or more. During the second quarter of 2006 there were 2 incidents that lasted more than 2 hours. Table 3 shows the availability figures for each national TARGET component and the ECB payment mechanism (EPM). In the quarter

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

(number of payments)					
	2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Q2
<b>TARGET</b>					
All TARGET payments					
Total volume	18,952,096	19,441,665	19,774,574	19,949,738	20,854,425
Daily average	291,541	295,161	320,888	306,721	336,362
Inter-Member State TARGET payments					
Total volume	4,518,137	4,389,389	4,592,102	4,646,007	4,835,115
Daily average	69,515	66,650	71,752	71,418	77,986
Intra-Member State TARGET payments					
Total volume	14,433,959	15,052,276	15,944,755	15,303,728	16,019,310
Daily average	222,025	228,511	249,136	235,303	258,376
<b>Other systems</b>					
EURO1 (EBA)					
Total volume	11,856,745	11,590,400	12,132,235	11,600,246	12,024,168
Daily average	182,452	175,942	189,665	178,399	194,328
Paris Net Settlement (PNS)					
Total volume	1,760,484	1,677,545	1,716,063	1,672,785	1,664,581
Daily average	27,098	25,481	26,847	25,738	24,880
Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)					
Total volume	183,226	148,838	135,414	133,846	172,023
Daily average	2,811	2,258	2,117	2,058	2,579

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

(EUR billions)					
	2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Q2
<b>TARGET</b>					
All TARGET payments					
Total value	124,726	121,300	126,557	130,350	133,405
Daily average	1,919	1,841	1,977	2,005	2,152
Inter-Member State TARGET payments					
Total value	41,846	41,140	42,675	44,730	46,416
Daily average	644	624	668	688	749
Intra-Member State TARGET payments					
Total value	82,881	80,160	83,883	85,621	86,989
Daily average	1,275	1,217	1,311	1,317	1,403
<b>Other systems</b>					
EURO1 (EBA)					
Total value	10,850	10,787	10,820	11,142	11,936
Daily average	167	164	169	171	193
Paris Net Settlement (PNS)					
Total value	4,102	3,864	3,760	3,629	3,891
Daily average	63	59	59	56	62
Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)					
Total value	117	106	109	122	112
Daily average	2	2	2	2	2

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

National TARGET component	Availability Q2 2006
Belgium	100.00%
Denmark	100.00%
Germany	99.70%
Greece	99.93%
Spain	99.93%
France	99.83%
Ireland	100.00%
Italy	100.00%
Luxembourg	100.00%
Netherlands	100.00%
Austria	99.28%
Poland	100.00%
Portugal	100.00%
Finland	100.00%
Sweden	100.00%
United Kingdom	100.00%
ECB payment mechanism (EPM)	99.90%
Overall TARGET availability	99.92%

under review 97.05% of inter-Member State payments were processed in less than 5 minutes, 2.42% needed between 5 minutes and 15 minutes, and 0.32% required between 15 minutes and 30 minutes. On average the processing time exceeded 30 minutes for only 155 payments per day, which should be seen in the context of the 77,986 inter-Member State payments processed on average every day.







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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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