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01 | 2006

02 | 2006

03 | 2006

04 | 2006

05 | 2006

06 | 2006

07 | 2006

08 | 2006

09 | 2006

10 | 2006

11 | 2006

12 | 2006

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CONTENTS

EDITORIAL	5	EURO AREA STATISTICS	SI
ECONOMIC AND MONETARY DEVELOPMENTS	9	ANNEXES	
The external environment of the euro area	9	Chronology of monetary policy measures of the Eurosystem	I
Monetary and financial developments	14	The TARGET (Trans-European Automated Real-time Gross settlement Express Transfer) system	V
Prices and costs	50	Documents published by the European Central Bank since 2005	IX
Output, demand and the labour market	59	Glossary	XVII
Fiscal developments	68		
Eurosystem staff macroeconomic projections for the euro area	74		
Exchange rate and balance of payments developments	78		
Boxes:			
1 Household investment in insurance corporations and pension funds	21		
2 Liquidity conditions and monetary policy operations from 9 August 2006 to 7 November 2006	26		
3 The recent flattening of the euro area yield curve: what role was played by risk premia?	32		
4 Recent trends in leveraged buyout transactions in the euro area	41		
5 Estimates of housing wealth for households in the euro area	47		
6 Using national accounts data to gauge price pressures in the euro area	52		
7 Recent labour force developments in the euro area	64		
8 Long-term fiscal sustainability in the euro area	72		
9 Technical assumptions	74		
10 Forecasts by other institutions	77		

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
OECD	Organisation for Economic Co-operation and Development
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 7 December 2006, the Governing Council decided to increase the minimum bid rate of the main refinancing operations of the Eurosystem by 25 basis points to 3.50%. It was also decided to increase the interest rates on the marginal lending facility and the deposit facility by 25 basis points, to 4.50% and 2.50% respectively. These decisions became effective at the start of the new reserve maintenance period on 13 December 2006.

The Governing Council's decision to raise the key ECB interest rates reflects the upside risks to price stability over the medium term that the Governing Council has identified through both its economic and monetary analyses. The decision will contribute to ensuring that medium to longer-term inflation expectations in the euro area remain solidly anchored at levels consistent with price stability. Such anchoring is a prerequisite for monetary policy to make an ongoing contribution towards supporting sustainable economic growth and job creation in the euro area. After this interest rate increase, the ECB's monetary policy continues to be accommodative, with the key ECB interest rates remaining at low levels, money and credit growth strong, and liquidity in the euro area ample by all plausible measures. Therefore, looking ahead, acting in a firm and timely manner to ensure price stability in the medium term is warranted. The Governing Council will monitor very closely all developments so that risks to price stability over the medium term do not materialise.

Turning first to the economic analysis, according to Eurostat's first estimate, the quarter-on-quarter growth rate of real GDP in the euro area for the third quarter of 2006 was 0.5%. The data thus confirm the Governing Council's assessment that economic activity continued to expand robustly, while moderating from the very strong rates seen in the first half of the year. Domestic demand remained the main driver of economic growth in the third quarter, confirming the anticipated broadening of the recovery and pointing to the increasingly self-sustaining nature of economic expansion in the

euro area. The information on economic activity from various confidence surveys and indicator-based estimates supports the assessment that robust economic growth has continued in the fourth quarter of this year.

Looking ahead, the conditions remain in place for the euro area economy to grow at solid rates around potential. While some volatility in the quarterly growth rates is likely to emerge around the turn of the year, associated with the impact of changes in indirect taxes in a large euro area country, the medium-term outlook for economic activity remains favourable. As regards the external environment, economic growth has become more balanced across regions. Helped in part by lower oil prices, global growth is robust, thereby providing support for euro area exports. Domestic demand in the euro area is expected to maintain its relatively strong momentum. Investment should remain dynamic, benefiting from an extended period of very favourable financing conditions, balance sheet restructuring, accumulated and ongoing strong earnings, and gains in business efficiency. Consumption should also strengthen further over time, in line with developments in real disposable income, as employment conditions continue to improve.

This outlook is also reflected in the new Eurosystem staff macroeconomic projections. The projections foresee average annual real GDP growth in a range between 2.5% and 2.9% in 2006, between 1.7% and 2.7% in 2007 and between 1.8% and 2.8% in 2008. Most recent forecasts by international organisations give a broadly similar picture. In comparison with the September ECB staff projections, the ranges projected for real GDP growth in 2006 and 2007 have been revised upwards, largely reflecting the assumption of lower energy prices and their impact on real disposable income.

In the Governing Council's view, the risks surrounding this broadly favourable outlook for economic growth over the projection horizon lie on the downside. The main risks relate to the possibility of a renewed increase in oil prices,

fears of a rise in protectionist pressures, especially after the suspension of the Doha round of trade talks, and concerns about possible disorderly developments owing to global imbalances.

As regards price developments, according to Eurostat's flash estimate, annual HICP inflation rose to 1.8% in November 2006, from 1.6% in October and 1.7% in September. While no detailed breakdown of the November HICP data is available as of yet, the lower annual HICP inflation rates recorded in the two previous months reflected mainly the significant declines in crude oil prices from August onwards, as well as base effects. While the outlook for energy prices remains uncertain, on the basis of the oil prices currently implied by the futures market overall inflation rates are likely to increase again in early 2007 and then hover around 2% in the course of that year, also reflecting the impact of higher indirect taxes.

The December Eurosystem staff projections see annual HICP inflation at between 2.1% and 2.3% in 2006, between 1.5% and 2.5% in 2007 and between 1.3% and 2.5% in 2008. Most recent forecasts by international organisations give a broadly similar picture. Compared with the September 2006 ECB staff projections, the ranges for 2006 and 2007 are somewhat lower, largely reflecting the assumption of lower energy prices. In this context, it is important to recall the conditional nature of these projections, which are based on a series of technical assumptions, including market expectations for short and long-term interest rates as well as for oil and non-energy commodity prices.

In the Governing Council's view, the outlook for price developments remains subject to upside risks, stemming in particular from a pass-through of previous oil price increases which is stronger than assumed in the baseline scenario, the possibility of renewed oil price increases and additional increases in administered prices and indirect taxes beyond those announced and decided thus far. More fundamentally, given the favourable momentum

of real GDP growth observed over the past few quarters and the positive signs from labour markets, wage developments could be stronger than currently expected. Therefore, it is crucial that the social partners continue to meet their responsibilities. Wage agreements should take into account productivity developments in connection with the still high level of unemployment and positions in price competitiveness. It is also important that wage settlements move away from automatic, backward-looking indexation mechanisms.

Turning to the monetary analysis, annual M3 growth was unchanged at 8.5% in October, remaining close to the highest rates observed since the introduction of the euro, which points to inflationary risks at medium to longer horizons. Increasing interest rates have exerted some influence over monetary developments in recent months, although as yet mainly by triggering shifts among the components of M3 rather than constraining the expansion of M3 itself. In particular, the annual growth rate of M1 has moderated somewhat, reflecting shifts from overnight deposits into other components of M3 which offer more market-related returns.

More generally, the rate of monetary and credit expansion remains rapid, reflecting the low level of interest rates and the strengthening of economic activity in the euro area. In particular, loans to the private sector continue to grow at double-digit rates on an annual basis, their dynamism remaining broadly based across the household and corporate sectors. In the context of rising interest rates, the growth of household borrowing has shown signs of stabilisation in recent months, albeit at very high growth rates. By contrast, the growth of borrowing by non-financial corporations continues to trend upwards and has now reached rates of over 12% on an annual basis, the highest seen since the early 1990s. Thus, when the counterparts of M3 are considered, the main driver of strong monetary growth remains the expansion of credit to the private sector.

Taking a medium to longer-term perspective, the latest developments are consistent with a continuation of the persistent upward trend in the underlying rate of monetary expansion, identified by the ECB's monetary analysis since mid-2004. Furthermore, following several years of robust monetary growth, the liquidity situation in the euro area is ample by all plausible measures. Continued strong monetary and credit growth in an environment of ample liquidity point to upside risks to price stability over the medium to longer term. Monetary developments therefore continue to require very careful monitoring, particularly against the background of improved economic conditions and continued strong property market developments in many parts of the euro area.

To sum up, annual inflation rates are projected to hover around 2% in the coming two years, with risks to this outlook remaining on the upside. In addition, given the ongoing marked dynamism of monetary and credit growth in an environment of 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 to long term. It is essential that inflation expectations remain firmly anchored at levels consistent with price stability. Indeed, acting in a firm and timely manner to ensure price stability in the medium term is warranted. The Governing Council will therefore monitor very closely all developments so that risks to price stability over the medium term do not materialise.

As regards fiscal policy, the European Commission's autumn forecasts suggest that deficits will fall below 3% of GDP in most euro area countries by 2007. This is welcome. However, the projected improvements in fiscal balances can only partly be attributed to substantial progress in structural consolidation, as higher economic growth and revenue windfalls are playing an important role. Moreover, in a number of countries with fiscal imbalances, adjustment efforts still fall short of

what is needed to meet their respective medium-term objectives in a timely manner and thus fulfil the requirements of the revised Stability and Growth Pact. This is of major concern. It is therefore crucial that forthcoming updates of the stability programmes not only envisage significant progress towards the correction of excessive deficits in a sustainable manner but also make sufficient headway towards safe budgetary positions in the countries concerned. For all countries it is paramount that procyclical policies be avoided in the current economic upswing. More progress is also needed with fiscal structural reform as part of a comprehensive medium-term strategy to improve economic incentives and the soundness of social security systems. This would be a crucial contribution of fiscal policies to economic growth and fiscal sustainability as well as to confidence in the revised Stability and Growth Pact.

As regards structural reforms, the Governing Council welcomed the 2006 progress reports submitted by EU Member States on their 2005-08 national reform programmes, in line with the renewed Lisbon Strategy. Although it is encouraging that many concrete reform steps are being taken or are planned, there is still a considerable way to go to make the euro area a more dynamic economy, which is crucial to meeting the challenges of globalisation, population ageing and rapid technological change. Reform measures should foster more integrated, flexible and competitive economies in the euro area, thus allowing more efficient adjustment processes and a stronger resilience to shocks. These are essential conditions for the substantial benefits of the single currency to be better exploited and for the economic performance to improve in both the euro area as a whole and in each member country.

ECONOMIC AND MONETARY DEVELOPMENTS

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

Recent survey evidence confirms that the global economy is continuing to expand at a robust, although moderating, pace. At the same time, consumer price inflation has declined noticeably in several countries. Risks emanating from the oil market have declined compared with a few months ago, although oil prices remain elevated amid considerable volatility. Risks related to a disorderly unwinding of global economic imbalances and to increased protectionist pressures also persist.

I.1 DEVELOPMENTS IN THE WORLD ECONOMY

The global economy is continuing to expand at a robust pace. Industrial production in the OECD countries (excluding the euro area) continued to grow at a rather robust pace in year-on-year terms in September 2006 (see Chart 1). Survey evidence suggests some improvement in global activity in the fourth quarter, reflecting a renewed strengthening in the services sector, while activity in the manufacturing sector moderated somewhat.

With regard to price developments, annual consumer price inflation has recently declined noticeably in a number of countries. Consumer prices excluding food and energy have generally continued to increase at relatively modest – and largely unchanged – rates. Survey evidence on input prices suggests that inflationary pressures may have eased recently at the global level.

UNITED STATES

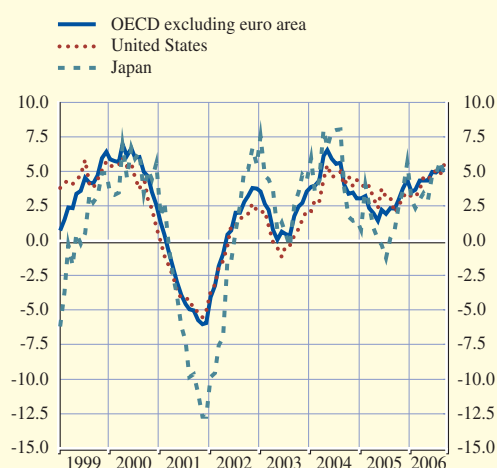
In the United States, preliminary estimates of real GDP growth in the third quarter of 2006 show that the pace of economic expansion moderated to 0.5% on a quarterly basis from 0.6% in the previous quarter. The decline in real GDP growth in the third quarter primarily reflected a fall in residential investment. Household consumption was resilient in the face of the housing market slowdown, while gross investment was essentially unchanged as robustly increasing investment in non-residential structures, equipment and software, and inventories offset the drop in residential investment.

Having steadily widened earlier in the year, the trade deficit in goods and services declined markedly in September, narrowing to USD 64.3 billion from a downwardly revised USD 69 billion in August. The smaller trade deficit was the result of both a rise in exports and a strong decline in imports. The fall in imports was mainly, but not exclusively, related to a drop in petroleum imports, reflecting lower energy prices and volumes.

After moderating considerably in September, consumer price inflation declined again in October as a result of a further decline in energy prices, combined with subdued increases in the prices of non-energy goods. On 25 October 2006 the US Federal Open Market Committee decided to keep its target for the federal funds rate unchanged at 5.25%.

Chart 1 Industrial production in OECD countries

(annual percentage changes; monthly data)



Sources: OECD and ECB calculations.
Note: Last observation refers to September 2006.

Looking ahead, the rate of expansion of the US economy is expected to remain below trend in the near future. The impact of the decline in housing market activity, coupled with a moderation in the rate of growth of house prices, is likely to weigh on consumer spending and residential investment. At the same time, continued growth in labour income, lower energy prices and gains in equity wealth may continue to support consumption. While some weakness is expected in the fourth quarter, non-residential business investment is likely to grow steadily, given sound corporate balance sheets and strong profitability.

JAPAN

In Japan, economic activity continues to recover steadily while inflation has declined somewhat. Output is being driven by strong exports and steady domestic demand, the latter being supported especially by strong business investment in recent quarters. In the third quarter of 2006, according to first preliminary data released by the Cabinet Office, real GDP rose by 0.5% on a quarterly basis, compared with 0.4% in the previous quarter. Notwithstanding the recent weakness of private consumption, real GDP growth benefited from strong contributions from private non-residential investment and net exports.

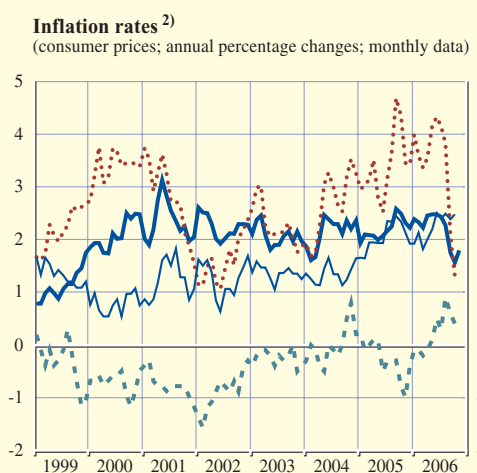
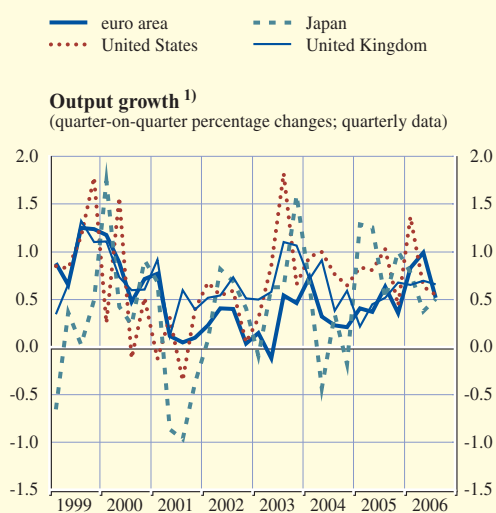
In October 2006 annual consumer price inflation fell to 0.4%, from 0.6% in September. Producer price inflation also fell, to stand at 2.8% in October from 3.5% in the previous month, reflecting in particular the recent decline in oil prices.

Looking ahead, the outlook for the Japanese economy remains favourable. Economic activity is expected to continue to expand, driven by steady domestic demand and the continuing strength of exports against a backdrop of favourable competitiveness conditions.

UNITED KINGDOM

According to the second data release, real GDP increased by 0.7% on a quarter-on-quarter basis in the third quarter of 2006, the same growth rate as in the previous three quarters. Real GDP growth in the third quarter was driven by domestic demand, with quarterly investment growth accelerating strongly, while private consumption growth slowed. Export growth fell considerably

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.

compared with the previous quarter, outpacing the decline in import growth. However, trade data should be interpreted with great caution, as these developments partly reflect reduced trade in commodities associated with VAT fraud.

Annual HICP inflation was 2.4% in October, unchanged from the previous month. Growth in average earnings remained fairly stable and contained. The housing market remained resilient, with robust housing activity and house price increases, and strong mortgage borrowing. At its meeting on 8-9 November, the Bank of England's Monetary Policy Committee decided to increase the official Bank Rate by 25 basis points, to 5.0%, and left it unchanged at the meeting on 6-7 December. Overall, growth momentum is expected to remain broadly unchanged in the coming quarters.

OTHER EUROPEAN COUNTRIES

Output growth remained strong in the second quarter of 2006 in most other EU countries outside the euro area. The third quarter data available for some countries generally point to slowing economic activity. While in most countries domestic demand was the main driver, in many of the Member States that joined the EU in 2004, economic growth has been supported by robust export performance. In most countries, annual HICP inflation decreased in October, mainly on account of a decrease in the energy component due to a base effect and favourable developments in international oil prices.

In Denmark, the quarterly rate of real GDP growth decreased to 0.6% in the third quarter of 2006, while in Sweden it declined to 1.0%. In both countries, economic activity has been sustained by rather robust domestic demand. In October annual HICP inflation eased further to 1.4% in Denmark, while it remained unchanged at 1.2% in Sweden.

In the three largest Central European economies (the Czech Republic, Hungary and Poland) quarterly output growth remained robust in the second quarter of 2006 (at 1.2%, 0.9% and 1.0% respectively), although it moderated compared with the previous quarter. Preliminary data suggest that real GDP growth declined further in the third quarter in Hungary. Output growth was driven by domestic demand in the Czech Republic and Poland, and by net exports in Hungary. Annual HICP inflation declined in October compared with the previous month in the Czech Republic and Poland – to 0.8% and 1.1% respectively – mainly reflecting a decrease in the energy component. By contrast, it picked up significantly to 6.3% in Hungary, reflecting administered price rises and indirect and direct tax increases.

Economic activity remained robust in the other non-euro area EU Member States, especially Slovakia and the Baltic States. Inflation slowed in most countries in October, mainly on account of a decrease in the energy component, but remained relatively high in the Baltic States. On 17 November Latvijas Banka decided to raise its main policy rate by 50 basis points, to 5.0%, in response to macroeconomic trends in Latvia.

Turning to European countries outside the EU, in Switzerland real GDP grew by 0.4% on a quarterly basis in the third quarter of 2006, compared with 0.7% in the previous quarter. While private investment declined slightly, household expenditure remained robust and net trade contributed positively to growth. However, recent survey data indicate some moderation in the rate of expansion at the beginning of the fourth quarter. Annual inflation amounted to 0.5% in November, rising slightly compared with the previous month.

In Russia, annual real GDP growth increased to 7.4% in the second quarter of 2006. Industrial production growth of more than 5% year on year in October and other leading indicators suggest that economic activity remained buoyant in the third quarter. Annual inflation declined to just above 9% in October, reflecting some nominal appreciation of the currency.

EMERGING ASIA

In emerging Asia, economic activity continues to expand at a steady pace, following a moderation registered in several large economies in the region in the third quarter. Both domestic activity and external trade have remained steady across the region. In particular, the external sector has generally remained an important driver of growth, despite some signs of weaker external demand affecting in particular Singapore and Taiwan. Inflation was little changed in October, compared with September.

In China, economic growth has remained robust recently, following the slowdown recorded in GDP growth in the third quarter. While fixed asset investment and industrial production data were somewhat weaker in October, retail sales growth increased further, to 14.3% year on year in October, suggesting that domestic consumption continues to expand at a steady pace. At the same time, the monthly trade surplus continued to widen, bringing the cumulative surplus in the year to October to USD 134 billion, compared with USD 80 billion for the same period a year ago. Rising trade surpluses combined with steady foreign direct investment inflows were associated with a further increase in official reserves. As bank loans and money growth also remain robust, the People's Bank of China raised the reserve requirements on deposits by 50 basis points, to 9%, in November – the third such move this year. As regards price developments, inflationary pressures have remained almost unchanged, with annual CPI inflation standing at 1.4% in October. In Korea, real GDP growth in year-on-year terms slowed slightly to 4.6% in the third quarter, from 5.3% in the previous quarter, as private consumption growth moderated.

Overall, economic prospects remain favourable for emerging Asia, underpinned by steady growth in domestic demand. Robust, albeit moderating, growth in China is likely to support exports and activity in the region. However, excess capacity in some sectors of China's economy remains a downside risk to this outlook.

LATIN AMERICA

Economic activity in most countries in Latin America remained robust in the third quarter, due to strong domestic demand and favourable commodity prices. With respect to price developments, inflation changed little in October in the large economies. In Mexico, real GDP growth declined to 4.6% year on year in the third quarter, after a strong expansion in the first half of 2006 equal to about 6%. The main driver of this deceleration was the relatively weak performance of manufacturing sectors exposed to the slowdown in external demand from the United States. In Brazil, economic activity indicators show some recovery in the third quarter, with real GDP expanding by 3.2% year on year. In Argentina, available indicators suggest an acceleration in economic activity driven by strong domestic demand and export growth in the third quarter. Annual inflation rose slightly to above 10% in October. Looking ahead, the outlook remains favourable for the region. The main downside risk continues to be a sharper than expected slowdown in external demand.

I.2 COMMODITY MARKETS

Oil prices exhibited some volatility in the course of October and November, with the price of Brent crude oil fluctuating between USD 58 and USD 62 per barrel. This volatility reflected a variety of contrasting developments. On the one hand, OPEC's announcement of a larger than expected production cut of around 1.2 million barrels per day from November, and a relatively strong decline in US product inventories, exerted upward pressure on prices. On the other hand, conflicting reports over OPEC's ability to enforce the announced production cut, together with a moderation in demand for heating oil due to relatively mild temperatures in North America and Europe, eased the pressure on oil prices. More recently, expectations of an additional OPEC output cut in December and a further decline in US petroleum inventories have kept oil prices above USD 60 per barrel. On 6 December the price of Brent crude oil stood at USD 63.7 per barrel.

Expected robust demand, amid limited spare capacity, continues to sustain oil prices at relatively high levels, while exacerbating their sensitivity to unexpected disturbances. Based on information derived from futures contracts, market participants expect oil prices to rise in the course of 2007.

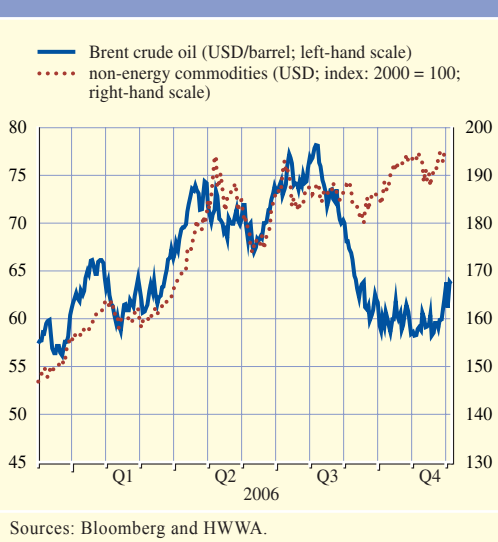
The prices of non-energy commodities rose considerably in October and early November, as strong increases in food prices (most notably for cereals) more than offset the decline in non-ferrous metal prices. The aggregate price index of non-energy commodities (denominated in US dollars) reached a new all-time high in November, at approximately 34% above the level recorded a year earlier.

I.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Overall, the outlook for the external environment, and thus for foreign demand for euro area goods and services, remains favourable. Although the overall weakening of composite leading indicators since March 2006 suggests that activity in the OECD countries as a whole may moderate in the coming months, its partial rebound in September may indicate that the extent of the moderation could be limited.

The risks to the global outlook remain tilted somewhat to the downside. Risks emanating from the oil market have declined compared with a few months ago, although prices remain elevated amid considerable volatility and futures contracts indicate market expectations of a renewed increase in oil prices. Risks related to a disorderly unwinding of global economic imbalances and to increased protectionist pressures also persist.

Chart 3 Main developments in commodity markets



2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

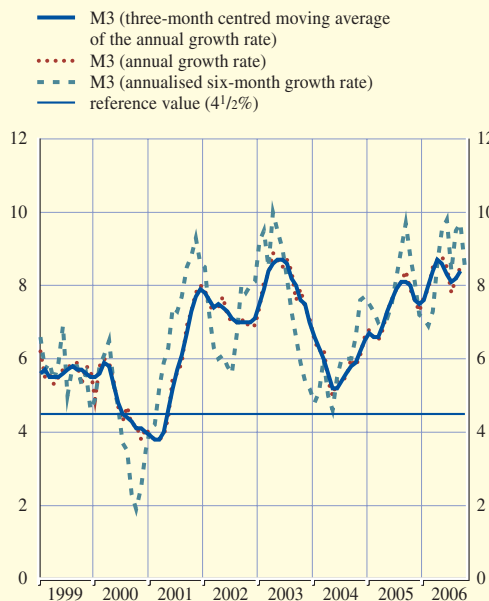
In the period from July to October 2006, money and credit growth remained strong, driven by the low level of interest rates in the euro area and the continued strength of economic activity. At the same time, the latest data underpin the view that the recent rises in key ECB interest rates are influencing monetary developments. In particular, there appear to have been further shifts from overnight deposits to less liquid but more highly remunerated components of M3 over the past few months. Overall, robust monetary and credit growth in a context of ample liquidity continues to point to upside risks to price stability at medium to longer-term horizons, particularly in an environment of improved economic conditions.

THE BROAD MONETARY AGGREGATE M3

In the third quarter of 2006, annual M3 growth was somewhat lower than in the previous quarter (8.1%, after 8.7%) but nonetheless remained vigorous (see Chart 4). The quarterly data obscure a strengthening of annual growth rates over the course of the third quarter, with annual M3 growth increasing to 8.5% in September, from 8.2% and 7.8% in August and July respectively. In October, the annual growth rate remained unchanged at 8.5%. The strength of M3 growth is also visible in its shorter-term dynamics, as measured, for example, by the six-month annualised rate of growth of M3, which has moved in a range of 8.5% to 9.7% in the months since July. Overall, the latest data point to a robust monetary expansion.

Chart 4 M3 growth and the reference value

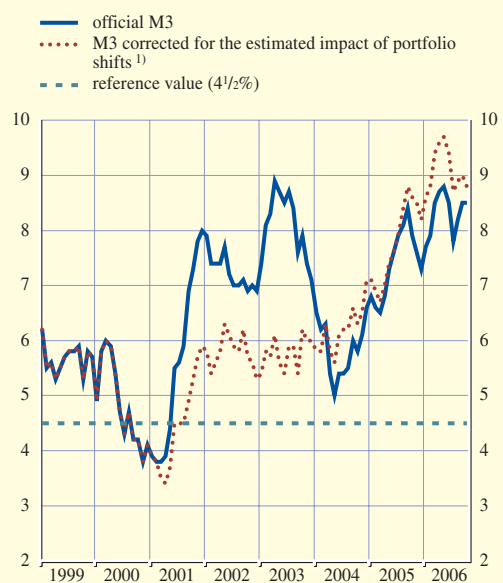
(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

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

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



Source: ECB.

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

The latest monetary data also continue to support the view that strong monetary dynamics stem from the low level of interest rates in the euro area and the ongoing robust growth of economic activity, as reflected especially in the vigorous loan growth. At the same time, recent data confirm that the rises in key ECB interest rates since December 2005 are influencing monetary developments, although, for the time being, mainly via substitution effects within M3. In particular, the October data suggest that there have been further shifts from overnight deposits to more highly remunerated instruments in 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). 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 as the latter still reflects the downward impact of the unwinding of past portfolio shifts in the fourth quarter of 2005. It should, however, be noted that, given the uncertainties inevitably surrounding the estimation of the magnitude of portfolio shifts, caution should be exercised in interpreting the corrected measure.

MAIN COMPONENTS OF M3

The annual rate of growth of M1 continued to moderate in the third quarter of 2006, although it still contributed significantly to the expansion of M3 as a whole (see Chart 6). The annual growth rate of M1 was 6.3% in October 2006, after 7.6% and 9.9% in the third and second quarters of 2006 respectively (see Table 1).

With regard to developments in the components of M1, the annual growth rate of currency in circulation stood at 11.4% in October, after 11.3% in the third quarter and 11.9% in the second quarter of 2006. Annual growth in overnight deposits decreased to 5.3% in October, from 7.0% in the third quarter and 9.5% in the second quarter.

Table 1 Summary table of monetary variables

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

	Outstanding amount as a percentage of M3 ¹⁾	Annual growth rates					
		2005 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Sep.	2006 Oct.
M1	47.3	10.9	10.3	9.9	7.6	7.2	6.3
Currency in circulation	7.5	14.8	13.4	11.9	11.3	11.0	11.4
Overnight deposits	39.8	10.2	9.8	9.5	7.0	6.5	5.3
M2 - M1 (= other short-term deposits)	38.4	5.9	6.8	8.4	9.5	9.9	10.8
Deposits with an agreed maturity of up to two years	17.7	6.5	9.7	15.2	19.8	21.5	24.1
Deposits redeemable at notice of up to three months	20.7	5.3	4.6	3.7	2.4	1.8	1.4
M2	85.7	8.5	8.6	9.2	8.4	8.4	8.2
M3 - M2 (= marketable instruments)	14.3	3.7	3.3	5.7	6.5	9.3	10.5
M3	100.0	7.8	7.8	8.7	8.1	8.5	8.5
Credit to euro area residents	7.9	8.7	9.5	9.2	9.4	9.0	9.0
Credit to general government	2.6	2.4	0.9	-0.9	-1.5	-2.4	-2.4
Loans to general government	0.0	0.8	0.3	-0.6	-0.8	-0.1	-0.1
Credit to the private sector	9.4	10.4	11.7	11.9	12.2	12.0	12.0
Loans to the private sector	9.0	10.1	11.2	11.2	11.4	11.2	11.2
Longer-term financial liabilities (excluding capital and reserves)	9.4	8.7	8.8	8.6	8.7	8.6	8.6

Source: ECB.

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

Annual growth in short-term deposits other than overnight deposits has strengthened over recent months, reaching 10.8% in October, after 9.5% in the third quarter and 8.4% in the second quarter. This development was particularly attributable to strong increases in short-term time deposits (i.e. deposits with an agreed maturity of up to two years), which grew by 24.1% in October on an annual basis, by far the highest growth rate of this component of M3 since the start of the series in 1998. By contrast, the annual growth rate of savings deposits (i.e. deposits redeemable at notice of up to three months) declined over recent months.

The divergent developments in the dynamics of the short-term deposits included in M3 can be explained, to a large extent, by the widening spread between the remuneration of time deposits (which has increased broadly in line with money market interest rates since late 2005) and that of overnight deposits (which, as usual, has reacted only slightly to the increase in market rates). The widening of this spread has prompted substitution of time deposits for overnight deposits, thereby reducing M1 growth but exerting little impact on the dynamism of M3 as a whole. The spread between the remuneration of time deposits and that of savings deposits has also increased since the fourth quarter of 2005.

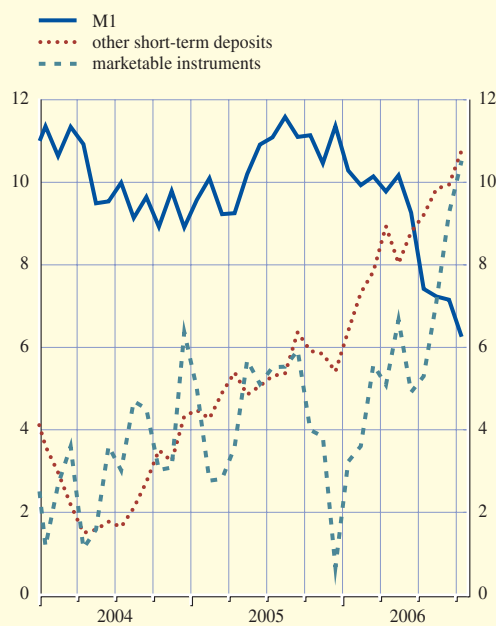
The annual rate of growth of marketable instruments edged up to 10.5% in October, after 6.5% in the third quarter and 5.7% in the second quarter of 2006. However, this concealed partly different developments in the sub-components.

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 – increased somewhat, although remaining subdued in comparison with the other components of M3. In October 2006, the annual rate of growth was 2.2%, after 0.8% and -0.5% in the third and second quarters respectively.

Conversely, the demand for debt securities with a maturity of up to two years grew at the very strong rate of 55.2% on an annual basis in October, after 36.4% and 35.9% in the third and second quarters of 2006 respectively. The elevated growth rates of this sub-component may be linked to the recent increases in short-term interest rates. Given that short-term debt securities are predominantly issued at floating rates, it is possible for investors to benefit from interest rate rises occurring before the maturity of the security. Furthermore, the annual growth rate of repurchase agreements, which often displays a particularly volatile pattern over shorter horizons, increased to 8.6% in October, after 5.8% in the third quarter and 6.7% in the second quarter of 2006.

Chart 6 Main components of M3

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



Source: ECB.

In the third quarter of 2006, the sectoral breakdown of monetary growth (which relies on data for short-term deposits and repurchase agreements, the M3 components for which sectoral information is available) was characterised by a slightly different pattern than in the second quarter. While the contribution from other financial intermediaries (OFIs) to the annual growth rate of short-term deposits and repurchase agreements declined in the third quarter, the contributions from households and non-financial corporations have, on balance, been more stable, with households remaining the main contributors to the still strong overall rate of growth. In October, a decline in the annual growth rate of short-term deposits and repurchase agreements was recorded for the OFIs (to 13.7%, from 17.3% in September) and for non-financial corporations (to 9.5%, from 10.7% in the previous month). The annual growth rate of household deposits increased slightly to 5.9% in October, from 5.8% in September.

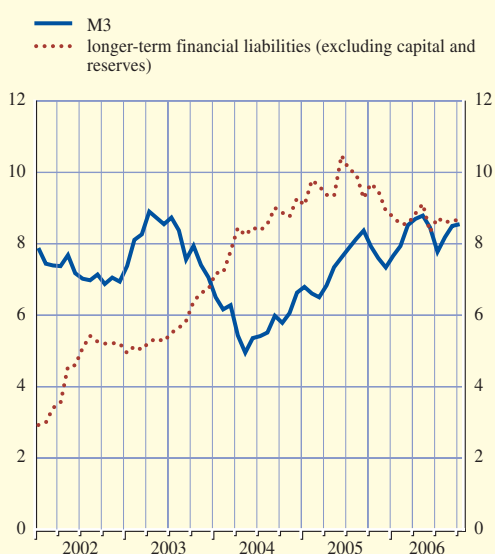
MAIN COUNTERPARTS OF M3

On the counterparts side, the annual growth rate of total MFI credit to euro area residents was 9.0% in October, after 9.2% and 9.5% in the third and second quarters of 2006 respectively. This development masked a continued decline in the annual growth rate of credit to general government, whereas growth in credit to the private sector has strengthened over recent quarters (see Table 1).

More precisely, the annual growth rate of credit to the general government sector declined to -2.4% in October, from -0.9% in the third quarter and 0.9% in the second quarter, reflecting, in particular, a continued decrease in the acquisition of government-issued securities. At the same time, the annual growth rate of credit to the private sector increased to 12.0% in October, from 11.9% and 11.7% in the third and second quarters of 2006 respectively, reflecting inter alia strong growth in the

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

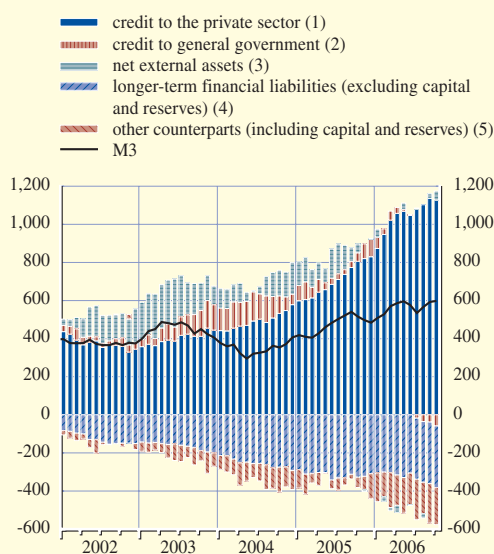
(annual percentage changes; adjusted for seasonal and calendar effects)



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.

acquisition of debt securities issued by the private sector. MFI loans remained the main contributor to the strong growth of credit to the private sector, with annual growth of 11.2% in October (the same as had been observed on average in the third and second quarters). While the growth of loans to non-financial corporations remained on an upward trend over recent months, the annual growth rate of lending to households continued to moderate, although remaining at robust rates (see Sub-sections 2.6 and 2.7 for sectoral developments in loans to the private sector).

Among the other counterparts of M3, the dynamics of MFI longer-term financial liabilities (excluding capital and reserves) held by the money-holding sector have remained robust over the past few months (see Chart 7). The annual rate of growth of these instruments stood at 8.6% in October 2006, unchanged from the third quarter and slightly lower than in the second quarter. Therefore, their dampening impact on annual M3 growth has been broadly stable over the recent past.

The annual flow in the net external asset position of MFIs was €47 billion in October, after €25 billion in September. This implies some modest upward impact on annual M3 growth, although, by and large, the position remained close to balance (see Chart 8).

In conclusion, money and credit growth has remained strong, mainly driven by the low level of interest rates in the euro area and the strengthening of economic activity. Credit continued to be the main contributor to strong M3 growth, while the robust demand for longer-term financial liabilities exerted a dampening impact. The subdued flows in the net external asset position of MFIs in recent months only implied a small external contribution to annual M3 growth.

GENERAL ASSESSMENT OF LIQUIDITY CONDITIONS IN THE EURO AREA

The most recent dynamics of M3 have led to a further expansion of liquidity in the third quarter of 2006 – as indicated by the available money gap measures, which again stand at the highest levels observed since the start of Stage Three of EMU. However, in October, 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 continued to move in parallel over the recent past. 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).

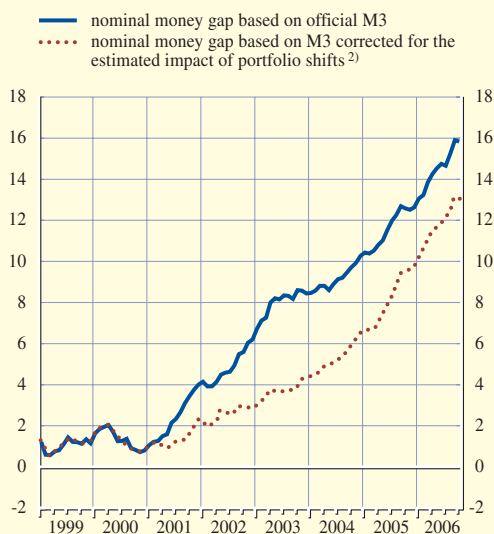
The real money gaps take into account that part of the accumulated liquidity has been absorbed by higher prices, reflecting upward deviations of inflation from the ECB's definition of price stability. Therefore, real money gaps constructed on the basis of the official M3 series and of the measure of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

However, these simple 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

Chart 9 Estimates of the nominal money gap¹⁾

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



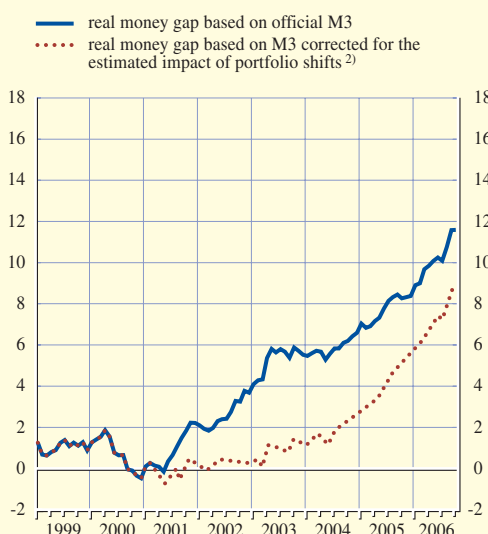
Source: ECB.

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 gap¹⁾

(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.

growth in a context of ample liquidity implies upside risks to price stability over the medium to longer term, particularly in an environment of improved economic conditions.

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

In the second quarter of 2006 the annual growth rate of financial investment by the non-financial sector declined marginally. The data on institutional investors for the first half of 2006 suggest that inflows into mutual funds largely reflect indirect investments via insurance corporations and pension funds rather than direct investment by the non-financial private sector.

NON-FINANCIAL SECTOR

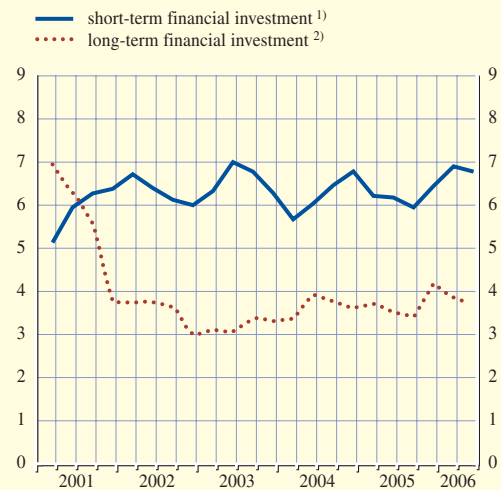
In the second quarter of 2006 (the most recent quarter for which the quarterly financial accounts data are available), the annual growth rate of total financial investment by the non-financial sector in the euro area declined marginally to 4.9%, from 5.0% in the previous quarter (see Table 2). This decline reflects a lower annual growth rate of short-term financial investment, while the annual growth rate of long-term financial investment remained unchanged. At the same time, short-term financial investment continued to grow at a much faster pace than long-term financial investment (see Chart 11).

The unchanged annual growth rate of long-term financial investment, at 3.8% in the first and second quarters of 2006, masks divergent developments across instruments. Lower growth of investments in mutual fund shares (excluding money market fund shares) and in insurance and pension products (as reflected in insurance technical reserves) was offset by stronger growth of investment in long-term debt securities and a weakening in the rate of decline in the acquisition of quoted shares. The marginal decline in the annual growth rate of short-term financial investment, to 6.8% in the second quarter of 2006 from 6.9% in the previous quarter, reflects somewhat lower growth of currency holdings.

Overall, short-term deposits and insurance and pension products, two categories that are typically on opposite sides of the investment horizon, remained the main drivers of financial investment of the non-financial sector, with a contribution of 3.9 percentage points to the annual 4.9% increase in the second quarter of 2006 (see Box 1 for a discussion of households' assets invested in insurance corporations and pension funds).

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.

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

	Outstanding amount as a percentage of financial assets ¹⁾	Annual growth rates									
		2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Q2
Financial investment	100	4.3	4.8	4.8	4.8	4.7	4.6	4.4	5.0	5.0	4.9
Currency and deposits	37	5.2	5.3	5.8	5.9	5.7	5.8	5.4	6.0	6.2	6.0
Securities other than shares	11	-2.3	1.4	2.2	4.1	3.9	3.5	2.6	2.5	5.0	5.4
<i>of which:</i> short-term	1	-1.3	24.7	29.4	35.6	15.8	8.2	5.7	-3.4	13.8	11.8
<i>of which:</i> long-term	10	-2.4	-0.6	-0.3	1.0	2.6	3.0	2.2	3.3	3.8	4.6
Mutual fund shares	12	5.2	3.3	2.3	1.7	1.8	2.4	3.6	4.1	3.1	2.0
<i>of which:</i> mutual fund shares, excluding money market fund shares/units	9	5.8	3.7	2.9	2.5	3.2	3.9	5.2	5.2	4.0	2.7
<i>of which:</i> money market fund shares/units	2	3.0	1.6	0.1	-1.6	-3.3	-3.4	-1.9	-0.1	-0.4	-0.8
Quoted shares	15	1.9	3.8	3.0	1.2	1.1	-0.9	-1.7	1.0	-1.2	-0.1
Insurance technical reserves	25	6.9	6.8	6.7	6.9	6.8	7.0	7.2	7.3	7.5	7.2
M3 ²⁾		6.3	5.4	6.0	6.6	6.5	7.6	8.4	7.3	8.5	8.5
Annual gains and losses on the securities holdings of the non-financial sector (as a percentage of GDP)		8.7	4.2	3.5	2.4	2.8	4.4	8.0	6.9	9.8	5.7

Source: ECB.

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

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

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

Box I

HOUSEHOLD INVESTMENT IN INSURANCE CORPORATIONS AND PENSION FUNDS

Households typically invest their wealth in housing and/or financial assets.¹ Depending on the structure of the pension system (i.e. the importance of public pension provision as against provision by the private sector), a considerable part of households' financial wealth may, in turn, be invested in insurance corporations and pension funds (ICPFs). Analysing this type of investment is important for both the monetary and economic analyses. For example, given that households and institutional investors differ in their money-holding behaviour, changes in households' investment in ICPFs have an impact on monetary developments.² The growth of household money holdings is generally slower and less volatile than that of institutional investors' money holdings. Moreover, variation in wealth holdings in the form of insurance and pension products rather than other household assets may imply differences in the monetary transmission mechanism. Against this background, this box examines the investment of households in ICPFs over the period from 1995 to 2005.

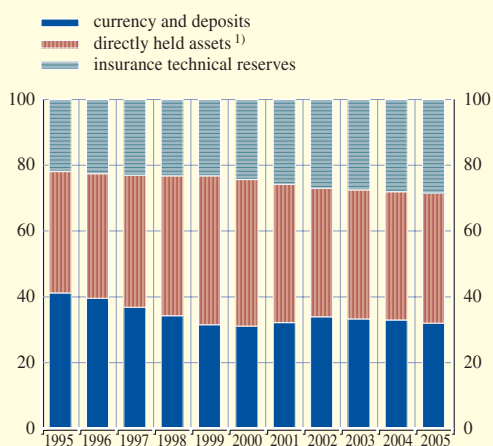
How important are insurance and pension products in households' financial portfolios?

In the Monetary Union financial accounts, the household sector's investment in insurance corporations and pension funds is recorded under so-called insurance technical reserves. These consist of households' net equity in life insurance reserves and pension fund reserves (representing the typically long-term claims from life insurance policies and pensions) as well

1 See also the box entitled "Estimates for housing wealth of households in the euro area" in this issue of the Monthly Bulletin. Throughout this box, the household sector refers to households and non-profit institutions serving households.
2 See also the box entitled "The intermediation role of insurance corporations and pension funds and its impact on monetary developments" in the June 2005 issue of the Monthly Bulletin.

Chart A Composition of household financial wealth

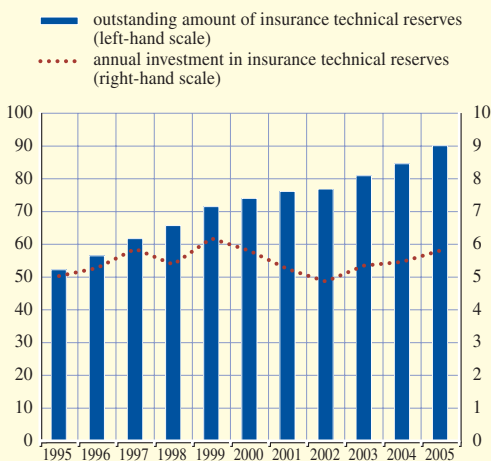
(as a percentage of total household financial wealth)



Source: ECB.
1) Directly held assets comprise the holdings of loans, securities and other accounts receivable held directly by the household sector.

Chart B Household investment in insurance corporations and pension funds

(as a percentage of disposable income)



Source: ECB.

as prepayments of insurance premiums and reserves for outstanding claims (comprising mostly short-term claims which may arise in connection with any type of insurance or pension contract). Chart A shows that on average over the period from 1995 to 2005 insurance technical reserves accounted for roughly 25% of households' financial assets. The chart also illustrates that their share in total financial wealth has steadily increased over the period under review, from 21% in 1995 to 28% in 2005.

Chart B shows that the amount of household wealth invested in insurance and pension products has increased substantially over the past ten years, to 90% of disposable income in 2005. By comparison, the wealth held in currency and deposits has remained broadly unchanged as a ratio to disposable income. However, wealth holdings reflect the cumulative impact of investment and valuation gains³, so the decision to invest in insurance and pension products is better assessed on the basis of transactions. On average over the past decade, the investment transactions in insurance technical reserves amounted to 5.5% of households' disposable income (see Chart B), accounting for somewhat more than one-third of the aggregate household saving ratio.

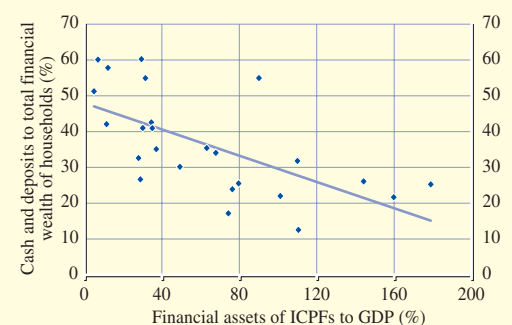
What explains the developments in insurance and pension products in past years?

Two broad sets of reasons can be put forward to explain the significant share of insurance and pension products in household financial investment. First, from a cyclical perspective, the relatively stable inflow into insurance technical reserves, particularly when compared with other forms of financial investment available to households such as equity or securities other than shares, suggests that the combination of risk and return offered by ICPF products has on balance been attractive in a period when stock markets underwent a pronounced boom/bust cycle.

Second, from a longer-term or structural perspective, the demand for ICPF investment has been supported by a growing awareness on the part of households of the challenges posed by population ageing and of the need to ensure adequate benefits in old age.⁴ This development has been corroborated by recent reforms to mandatory public pension schemes, which in general have reduced the generosity of the system and linked the benefits level to life expectancy.⁵ Partly related to this, tax incentives and the stronger emphasis on private pension plans have also supported the propensity of households to acquire ICPF products. Overall, the broad picture emerging from Chart A, i.e. a rising share of insurance

Chart C Households' holdings of cash and deposits in relation to the size of the ICPF sector

(annual averages for the period 2001-2004)



Sources: ECB, Eurostat, OECD, national central banks and national statistical institutes.

Note: The sample consists of 25 OECD countries.

³ Valuation gains on assets do not lead to higher insurance technical reserves in defined benefit schemes, while they do in defined contribution structures.

⁴ See also the article entitled "Demographic change in the euro area: projections and consequences" in the October 2006 issue of the Monthly Bulletin.

⁵ P. Whiteford and E. Whitehouse (2006), "Pension challenges and pension reforms in OECD countries", Oxford Review of Economic Policy, Vol. 22, No 1.

technical reserves in household financial wealth and a declining share of currency and deposits, is likely to persist.

Some evidence in support of this presumption is provided in Chart C, which shows, for a sample of 25 of the 30 OECD countries, that a larger ICPF sector in relation to GDP is in general related to a lower share of currency and deposits in household financial wealth, suggesting that in more developed financial systems, financial wealth is held less in the form of currency and deposits. The location of a country in this scatter plot also reflects a number of factors such as the country's demographic structure, the maturity of the pension fund sector and the fiscal position of the government.

Overall, the intermediation role of ICPFs as reflected in the developments in insurance technical reserves has increased in recent years and can be expected to gain further importance as households' awareness of the need for private pension provision rises. The understanding of these linkages and of their implications for economic and monetary analysis obviously hinges on the provision of timely and detailed data on ICPFs' transactions and balance sheets.

INSTITUTIONAL INVESTORS

The annual rate of growth in the value of the total assets of investment funds in the euro area decreased to 19.1% in the second quarter of 2006 from 28.1% in the previous quarter. These changes in the value of the stock of total assets include valuation effects and may therefore not give a full picture of the investment behaviour of institutional investors. Data provided by EFAMA¹ show that net annual sales of bond funds decreased further in the second quarter of 2006 compared with the previous quarter, while the net annual flows into equity funds remained broadly unchanged (see Chart 12). However, due to rising inflows into mixed funds, the total net annual sales of investment funds (excluding money market funds) have increased further. At the same time, net annual flows into money market funds turned slightly positive.

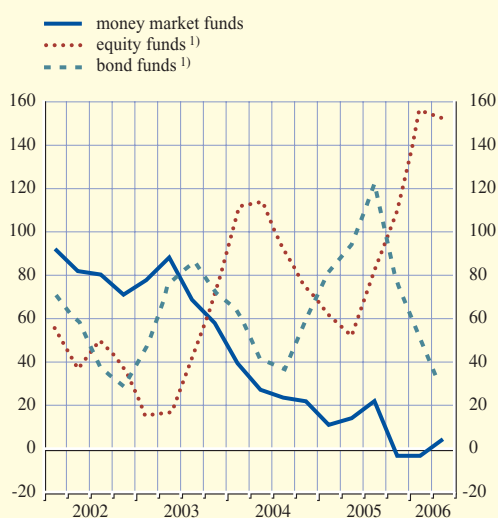
The annual growth rate of total financial investment of insurance corporations and pension funds in the euro area remained unchanged at 6.9% in the second quarter of 2006 (see Chart 13). A higher contribution from deposits and loans granted was offset by a lower contribution from investment in both debt securities and mutual fund shares. However, despite some decline, the annual growth rate of investment in mutual fund shares was still at a high level when compared with previous years. The annual growth rate of investment in quoted shares remained broadly unchanged.

Overall, the latest data confirm the pattern of financial investment which emerged in the first quarter of 2006: the non-financial sector continued to invest strongly in insurance and pension products, while insurance corporations and pension funds have, in turn, continued to invest a much larger share of these funds in mutual funds (excluding money market funds) than was the case in previous years.

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

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

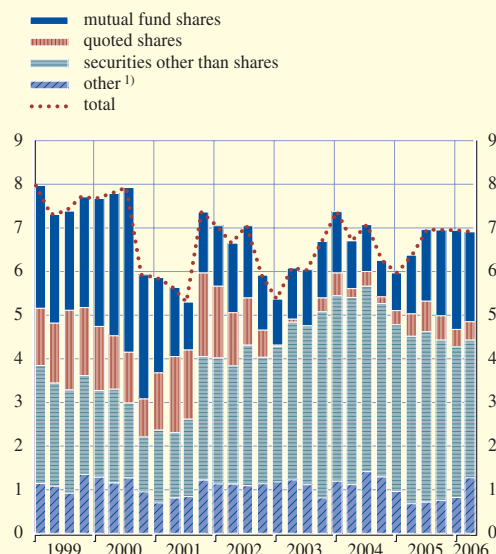
(EUR billions)



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.

2.3 MONEY MARKET INTEREST RATES

Between September and the beginning of December 2006 money market interest rates at all maturities rose in the context of strengthening market expectations of further increases in key ECB interest rates, in particular at the end of 2006. Over the same period the slope of the money market yield curve flattened, reaching its lowest level in 2006.

Money market interest rates increased substantially since the beginning of September. In November 2006 interest rates at the twelve-month maturity remained broadly stable, while rates at the one-month and three-month maturities continued to rise, reflecting market expectations of an increase in key ECB interest rates at the end of the year. On 6 December the one-month, three-month, six-month and twelve-month rates stood at 3.60%, 3.65%, 3.74% and 3.83% respectively, i.e. 50, 39, 28 and 20 basis points higher than the levels observed on 1 September 2006. The slope of the money market yield curve flattened markedly in September and, after steepening somewhat in October, flattened further in November, thereby reaching the lowest level observed in 2006 (see Chart 14).

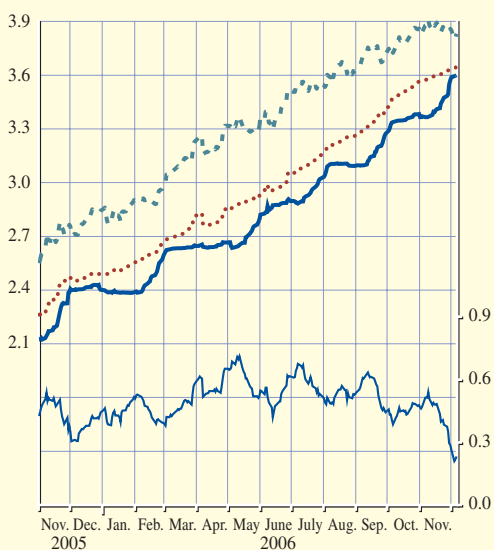
Since the beginning of September 2006, market participants have also slightly adjusted upwards their expectations of short-term interest rates in 2007. These changes in expectations are reflected in interest rates implied by the three-month EURIBOR futures contracts maturing in March 2007, June 2007 and September 2007, which stood at 3.79%, 3.82% and 3.81% respectively on 6 December 2006, i.e. 6, 10 and 11 basis points higher than the respective levels on 1 September 2006 (see Chart 15).

Over the last three months, the implied volatility derived from options on three-month EURIBOR futures has continued to decrease to reach new historical lows in November. This development

Chart 14 Money market interest rates

(percentages per annum; 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)

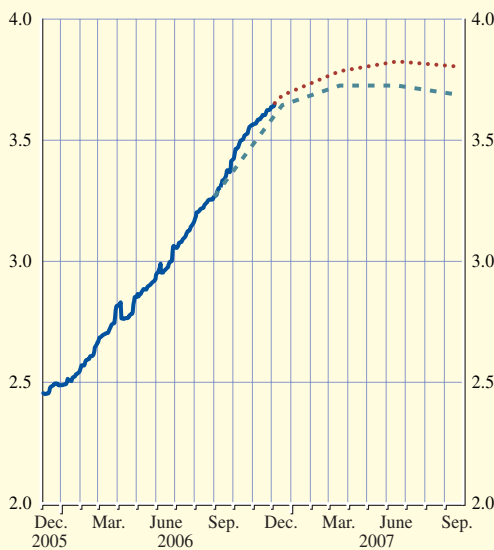


Sources: ECB and Reuters.

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

(percentages per annum; daily data)

- three-month EURIBOR
- ... futures rates on 6 December 2006
- - - futures rates on 1 September 2006



Source: Reuters.

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

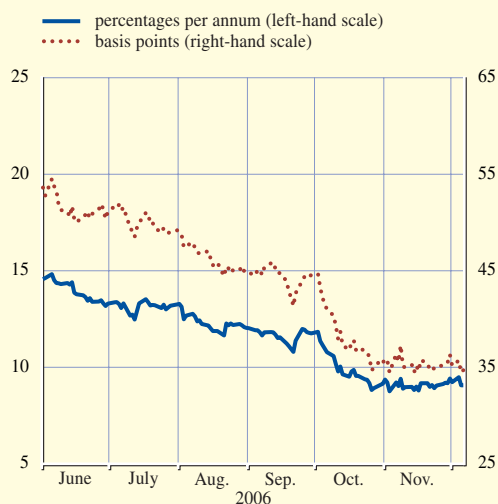
suggests that uncertainty among market participants with regard to the expected developments in short-term interest rates at the end of 2006 and in early 2007 remains very low (see Chart 16).

On 5 October the Governing Council decided to raise key ECB interest rates by 25 basis points. Interest rates at the very short end of the money market yield curve rose following this decision. In the maintenance periods ending on 5 September and 10 October, the spread between the EONIA and the minimum bid rate narrowed significantly, also reflecting liquidity allotments above the published benchmark amount in the Eurosystem's main refinancing operations. In this context, the amount of liquidity allotted above the published benchmark was reduced to zero in a series of steps. In the maintenance period ending on 7 November, the spread between the EONIA and the minimum bid rate gradually increased. To counter this development, the Eurosystem has allotted €1 billion above the published benchmark amount since the last main refinancing operation of that maintenance period. A more detailed description of the developments in the EONIA in these three maintenance periods can be found in Box 2. In the first four weeks of the maintenance period starting on 8 November, the EONIA was stable at 3.32-3.33%, i.e. 7-8 basis points above the minimum bid rate (see Chart 17).

The spread between the marginal interest rate in the weekly tenders of the Eurosystem's main refinancing operations and the minimum bid rate declined from 5 basis points to 0 basis point in both of the maintenance periods ending on 5 September and 10 October, before rising again to 6 basis points in the maintenance period ending on 7 November.

Chart 16 Implied volatility derived from options on three-month EURIBOR futures maturing in June 2007

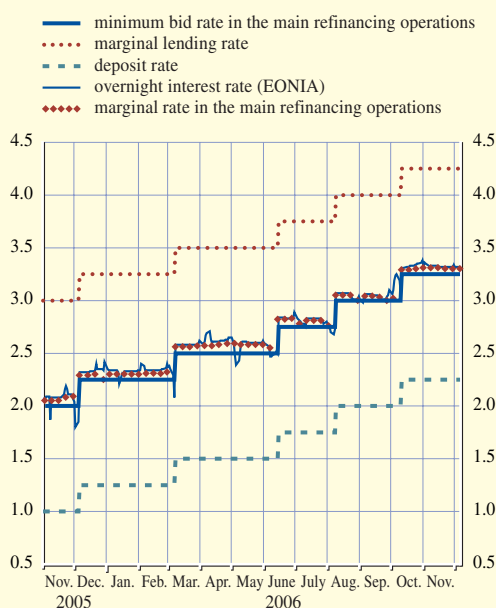
(percentages per annum; basis points; daily data)



Sources: Bloomberg, Reuters 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.

In the three longer-term refinancing operations settled on 28 September, 26 October and 30 November, the marginal rates were respectively 11, 7 and 6 basis points below the three-month EURIBOR prevailing on those dates.

Box 2

LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS FROM 9 AUGUST 2006 TO 7 NOVEMBER 2006

This box reviews the ECB's liquidity management during the three reserve maintenance periods ending on 5 September, 10 October and 7 November 2006.

Liquidity needs of the banking system

Over the period under review, banks' liquidity needs remained broadly unchanged (see Chart A), increasing by only €3 billion owing, in equal parts, to higher autonomous factors and a higher level of reserve requirements. Banknotes in circulation, which are the largest (liquidity-absorbing) autonomous factor, reached a historical high of €597 billion on 3 November.

Overall, autonomous factors contributed on average €264.5 billion to the liquidity deficit of the Eurosystem in the period under review, whereas reserve requirements – the other major source of liquidity needs – contributed on average €166.1 billion. Daily average excess reserves

(i.e. the daily average of current account holdings in excess of reserve requirements) contributed €0.68 billion on average to the liquidity deficit of the Eurosystem. Average excess reserves reached €0.60 and €0.67 billion in the reserve maintenance periods ending on 5 September and 10 October respectively and increased further to €0.79 billion in the maintenance period ending on 7 November (see Chart B).

Liquidity supply and interest rates

In parallel with the increase in the demand for liquidity, the volume of open market operations remained broadly unchanged (see Chart A). On average, the liquidity provided via main refinancing operations (MROs) amounted to €311.3 billion. The ratio between bids submitted by counterparties and satisfied bids (the bid-cover ratio) varied between 1.00 and 1.24, with an average bid-cover ratio over the period of 1.15.

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

Maintenance period ending on 5 September

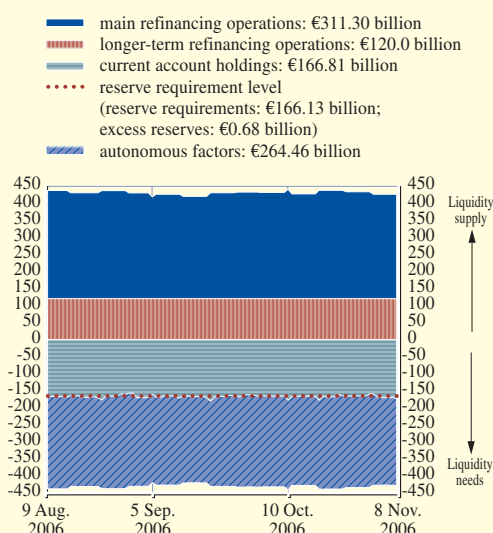
On 3 August, the Governing Council of the ECB decided to increase the minimum bid rate and the rates of the deposit and marginal lending facilities by 25 basis points to 3.00%, 2.00% and 4.00% respectively. The change became effective as of 9 August, i.e. at the start of the subsequent maintenance period.

During the whole reserve maintenance period, the ECB continued its allotment policy of the previous three maintenance periods by providing in all MROs €2 billion above the benchmark amount (i.e. the amount that balances the demand and supply of liquidity).

The first half of the period saw marginal and weighted average MRO rates at 3.05% and 3.06% respectively and the EONIA (euro overnight index average) at 3.07%, i.e. 7 basis points above the minimum bid rate. Whereas the two tender rates remained unchanged in

Chart A Liquidity needs of the banking system and liquidity supply

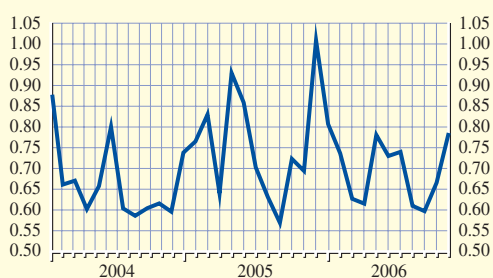
(EUR billions; daily averages for the whole period are shown next to each item)



Source: ECB.

Chart B Excess reserves¹⁾

(EUR billions, average level in each maintenance period)



Source: ECB.

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

the third week, the EONIA started to decline during this week to 3.01%. Consequently, the following tender also saw the marginal and weighted average MRO rates decline to 3.00% and 3.02% respectively. The EONIA remained close to the minimum bid rate during the final week of the reserve maintenance period. On the last day of the maintenance period, the ECB absorbed an expected liquidity surplus of €11.5 billion via a fine-tuning operation. The maintenance period ended with a net recourse to the marginal lending facility of €0.6 billion and the EONIA at 3.04%.

Maintenance period ending on 10 October

On 5 September, the ECB issued a communication that, given the continued progress in countering the elevated spread between market rates and tender rates, on the one hand, and the minimum bid rate, on the other, which had been achieved by following the practice of allotting €2 billion above benchmark in all MROs, the allotment above the benchmark amount would be reduced to €1 billion.

During the first three weeks of the maintenance period, the marginal and weighted average MRO rates declined by 1 basis point to 3.03% and 3.04% respectively. The decline in the EONIA, however, gained momentum and the EONIA fell from 3.06% at the beginning of the period to 3.01% by the end of the third week. Therefore, on 26 September the ECB issued a statement that, given the results achieved in countering the spread between market rates and tender rates, on the one hand, and the minimum bid rate, on the other, it would allot the benchmark amount. The ECB also mentioned that, when deciding about future allotments, it would continue to closely monitor the spreads.

The marginal and weighted average MRO rates fell to 3.00% and 3.03% respectively in the penultimate tender of the maintenance period, before increasing to 3.02% and 3.04% in the final MRO. The EONIA drifted upwards to 3.10% during the penultimate week and reached 3.25% during the final week of the reserve maintenance period.

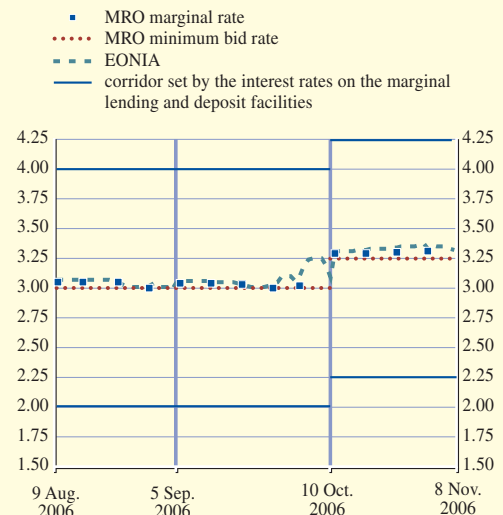
On the final day of the maintenance period, the ECB provided €9.5 billion of liquidity via a fine-tuning operation. The maintenance period ended with a net recourse to the deposit facility of €0.2 billion and the EONIA at 3.09%, i.e. 9 basis points above the minimum bid rate.

Maintenance period ending on 7 November

On 5 October, the Governing Council decided to further increase the key ECB interest rates by 25 basis points. The change became effective as of 11 October, i.e. the start of the subsequent

Chart C The EONIA and the ECB interest rates

(daily interest rates in percentages)



Source: ECB.

maintenance period. During the first three weeks of the period, the ECB allotted the benchmark amount.

During the first two weeks of the maintenance period, marginal and weighted average tender rates remained stable at 3.29% and 3.30%. The EONIA rose from 3.31% at the start of the period to 3.34% on 25 October. The tender rates increased by 1 basis point in the penultimate MRO, while the EONIA increased further to 3.38% on 31 October, i.e. 13 basis points above the minimum bid rate, although this partly reflected the usual end-of-the-month effect. Therefore, the ECB allotted €1 billion above benchmark in the final MRO of the maintenance period. The EONIA gradually declined in the course of the last week to 3.33% on 6 November, the penultimate day of the period. The maintenance period ended with a net recourse to the marginal lending facility of €2.0 billion and the EONIA at 3.32%.

Overall, the average spread between the EONIA and the ECB's minimum bid rate increased from 4 basis points in the maintenance period ending on 5 September to 8 basis points in the two following maintenance periods.

2.4 BOND MARKETS

Long-term government bond yields in both the euro area and the United States declined in the course of the past three months. Overall, the yield on long-term government bonds decreased slightly in the euro area between end-August and the beginning of December, while a more pronounced downturn to the lowest levels observed since the beginning of the year was recorded in the United States. Long-term break-even inflation rates and related risk premia remained broadly unchanged in the euro area, but declined noticeably in the United States.

Although long-term interest rates in the euro area and the United States continued to move very much in parallel in the past three months, the trans-Atlantic differential between long-term bond yields narrowed somewhat over this period (see Chart 18). Overall, euro area ten-year government bond yields fell by about 10 basis points between end-August and 6 December to stand at around 3.8% on the latter date. At the same time, ten-year government bond yields in the United States decreased by about 25 basis points and ended the period under review at about 4.5%. As a result, the differential between US and euro area ten-year government bond yields narrowed to around 75 basis points on 6 December. In Japan, ten-year government bond yields increased marginally to stand at about 1.7% on 6 December.

In the United States, long-term government bond yields declined markedly between end-August and 6 December, mainly on account of lower inflation expectations, as evidenced by developments in break-even inflation rates and recent survey data. At the same time, the yields on long-term index-linked bonds decreased by around 10 basis points. The absence of a clearly discernable trend in bond yields in September and October was partly attributable to the ambiguous nature of incoming macroeconomic data. Between early November and the beginning of December, however, new data on economic activity and price developments, on average, exerted downward pressure on bond yields. Over that period, the yields on long-term Treasuries decreased more markedly to stand at a level in early December that has not been observed since January 2006. The developments in long-term bond yields led to a further inversion of the US yield curve, with the negative spread

Chart 18 Long-term government bond yields

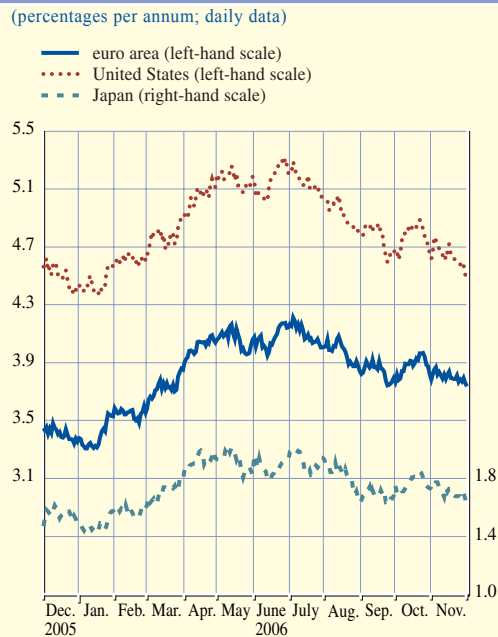
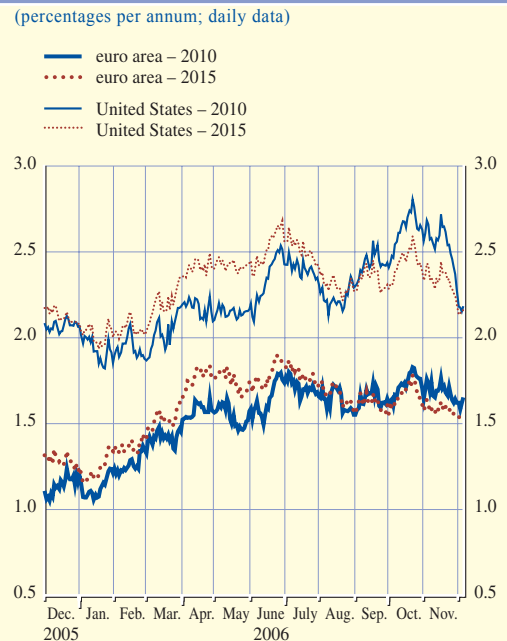


Chart 19 Real bond yields



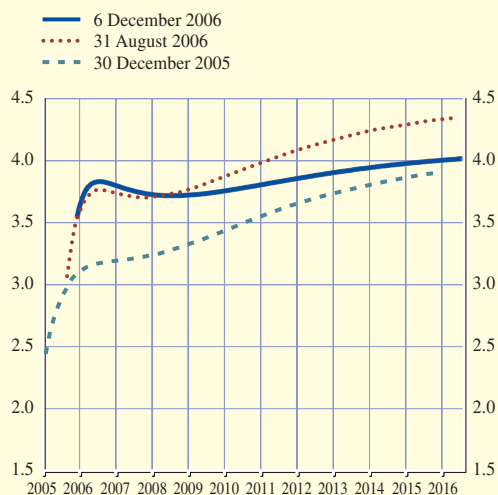
between ten-year and three-month yields widening to around -80 basis points by early December.

In the euro area, long-term government bond yields declined moderately in the course of the period under review. The comparatively low implied and realised volatility of euro area bond yields reflected that incoming data on euro area economic activity have generally continued to confirm market participants' expectations. As short and medium-term bond yields continued to increase over the past three months, the euro area yield curve flattened further. In addition to mirroring the gradual withdrawal of monetary policy accommodation since December last year, the current near-inversion of the euro area yield curve, to a significant degree, also reflects a gradual compression of risk premia – in particular, at the long end of the curve – over the last few years. See also Box 3, entitled “The recent flattening of the euro area yield curve: what role was played by risk premia?”.

A further flattening of the yield curve was also observed with respect to real interest rates in the euro area (see Chart 19), as measured by the yields on index-linked bonds. The yield on medium-term index-linked bonds (maturity 2010) increased somewhat over the past three months. As the yield on long-term index-linked bonds (maturity 2015) remained broadly unchanged in the same period, the implied forward long-term index-linked bond yields declined somewhat. Against this background, it seems likely that the recent downturn in implied forward long-term real rates was, at least in part, driven by a further decline in the related risk premia, rather than by downward revisions of market participants' long-term growth expectations for the euro area economy.

Chart 20 Implied forward euro area overnight interest rates

(percentages per annum; daily data)

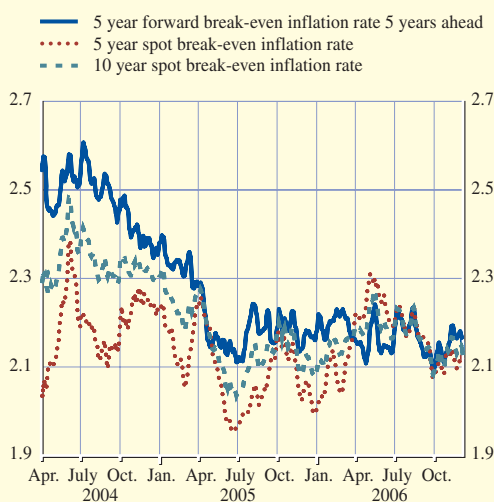


Source: ECB estimate.

Notes: The implied forward yield curve, which is derived from the term structure of interest rates observed in the market, reflects market expectations of future levels for short-term interest rates. The method used to calculate these implied forward yield curves was outlined in Box 4 of the January 1999 issue of the Monthly Bulletin. The data used in the estimate are derived from swap contracts.

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

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



Sources: Reuters and ECB calculations.

The decision of the Governing Council of the ECB to raise the key interest rates by 25 basis points at its meeting on 5 October was associated with a slight upward shift in the short-term segment of the implied forward overnight interest rate curve between the end of August and 6 December. At medium to long-term horizons, implied forward rates declined over the same period, probably again reflecting, among other things, lower risk premia (see Chart 20).

The five-year forward break-even inflation rate five years ahead decreased marginally between the end of August and 6 December and stood at 2.1% at the end of the period (see Chart 21). The concomitant marginal fall in the five-year spot break-even inflation rate is consistent with both the relatively low recent HICP inflation readings and survey evidence of lower near-term inflation expectations.

Implied bond market volatility in the euro area declined somewhat further, indicating that market participants' uncertainty regarding near-term developments in long-term bond yields remained quite moderate by historical standards.

THE RECENT FLATTENING OF THE EURO AREA YIELD CURVE: WHAT ROLE WAS PLAYED BY RISK PREMIA?

The term structure of interest rates, i.e. the “yield curve”, is an important source of information for central banks. For instance, the slope of the yield curve, as measured by the difference between a long-term and a short-term interest rate (the “term spread”), gained much popularity as a leading indicator of the business cycle, in particular in the 1980s and 1990s. The term spread tended to be a relatively good predictor of future economic activity over typical business cycle horizons, with a widening of this spread heralding an acceleration of economic growth and a narrowing indicating an imminent slowdown in economic activity.¹ In particular, a negative spread (“inverted yield curve”) has typically been interpreted as signalling a high probability of a recession.² Where does this predictive ability come from? The explanation mainly seems to rest on the fact that the yield curve embodies information about the expected path of future short-term interest rates which, in turn, is linked to market participants’ expectations about future economic activity. In this sense, a large positive term spread may indicate that the market anticipates an increase in short-term interest rates in the light of a more positive outlook for economic growth. If such expectations are not systematically wrong, the spread of the yield curve tends to predict economic activity relatively well in a statistical sense. However, apart from expected future short-term interest rates, the yield curve also includes unobservable risk or “term premia” which are likely to vary over time.

The term premium is defined as the difference between the yield on a long-term bond and the expected average value of the short-term interest rate until the maturity of the bond. In the context of this box the terms “risk premium” and “term premium” are used synonymously. Therefore, changes in these term premia might sometimes blunt the yield curve’s usefulness as a leading indicator. This box provides estimates of term premia for the euro area and describes how the recent flattening of the euro area yield curve can be related to movements in term premia.

Based on historical data, the term spread has, on average, been positive for over the last 30 years. This indicates the existence of term premia that are generally positive because, over time, expectations of increases and decreases in short-term interest rates should offset each other. This implies that the slope of the yield curve combines information about future changes in short-term rates – the “expectations component” – with information about term premia – the “risk component”. To disentangle these two components, estimates of term premia are needed. Chart A shows estimates of the euro area term structure of term premia as at January 2004 and October 2006.³ In January 2004 the term premia incorporated in long-term interest rates were

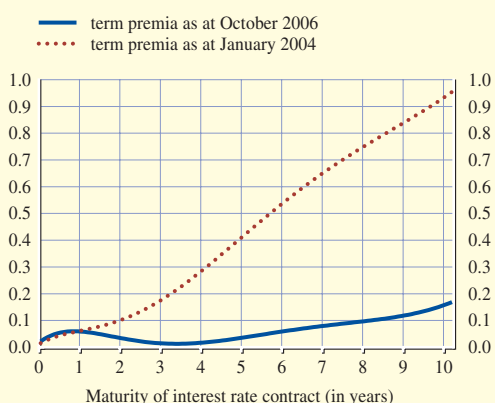
1 See, for example, A. Estrella and G. Hardouvelis, “The term structure as a predictor of real economic activity”, *Journal of Finance*, 46(2), 1991, pp. 555-576.

2 See the box entitled “Does the flattening of the yield curve signal lower growth ahead?” in the February 2006 issue of the Monthly Bulletin.

3 The term premia presented here are ECB estimates based on a two-factor affine term structure model similar to the model proposed by D. H. Kim and A. Orphanides for the United States (“Term structure estimation with survey data on interest rate forecasts,” Finance and Economics Discussion Series 2005-48, Board of Governors of the US Federal Reserve System, 2005). The model for the euro area is estimated using German swap rates from January 1995 to December 1998 and euro area swap rates from January 1999 onwards. It should be stressed, however, that term premia estimates are subject to a considerable degree of uncertainty, reflecting not only the usual uncertainty surrounding statistical estimates of model parameters, but also the existence of a variety of possible structural specifications of such term structure models.

Chart A Term premia in the euro area

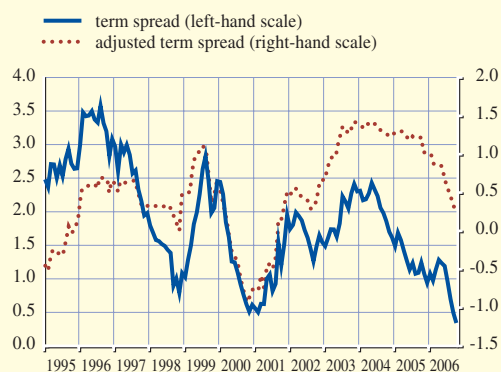
(percentage points; end-of-month data)



Sources: Bloomberg and ECB calculations.

Chart B Euro area term spread and adjusted term spread

(percentage points; monthly data)



Sources: Bloomberg and ECB calculations.

considerably higher than the risk premia included in shorter-term rates. In October 2006, by contrast, the term structure of term premia was unusually flat at levels close to zero across the entire maturity spectrum. According to these estimates, the observed flattening of the euro area yield curve during this period was therefore partly due to a significant decline in risk premia.

Chart B shows developments in the euro area term spread as measured by the difference between ten-year and three-month interest rates.⁴ The term spread is currently very low, standing at its lowest level for around ten years. According to the above-mentioned predictive properties of the term spread, this would indicate that the euro area is facing a significant risk of a slowdown in economic activity. However, such a view would neglect the recent movements in term premia as displayed in Chart A. In fact, recent research on the US yield curve has shown that developments in term premia tend to blunt the usefulness of the term spread as a leading indicator of the business cycle. To improve the information content of the yield curve, it is therefore suggested that estimated term premia be subtracted from the term spread.⁵

Accordingly, Chart B shows the term spread adjusted for the estimated ten-year term premium. The recent movements in the adjusted term spread clearly reflect the increase in ECB interest rates since December 2005. In contrast, unlike the unadjusted term spread, the adjusted spread was not unusually low recently, standing at a level close to its average since 1995. Hence, the term spread corrected for risk premia does not seem to indicate heightened risks of an economic downturn in the euro area, as could be inferred from the unusually low level of the unadjusted spread. However, one has to bear in mind that term premia can only be estimated with a considerable degree of uncertainty.

4 The term spread shown in Chart B is calculated on the basis of the swap rates used for model estimation of term premia. Due to the relatively low and constant swap spread in the euro area (at about 10-15 basis points), the term spread calculated by using the yield on ten-year bonds and the three-month Euribor shows a very similar development.

5 See A. Ang, M. Piazzesi and M. Wei, "What does the yield curve tell us about GDP growth?", *Journal of Econometrics*, 2006, pp. 359-403.

2.5 EQUITY MARKETS

Global stock prices have risen further since end-August. The recent stock price increases in the euro area and the United States took place against a background of persistently sound earnings growth, strong merger and acquisition activity and declines in energy prices and long-term interest rates. In the United States, stock prices thus remained resilient to the ongoing moderation of domestic economic activity. At the same time, global stock market uncertainty declined further to levels similar to those recorded prior to the market turmoil observed in May and June.

Overall, stock prices in the major economies rose markedly (see Chart 22) over the past three months. Stock prices in the euro area, as measured by the Dow Jones EURO STOXX index, and in the United States, as measured by Standard and Poor's 500 index, increased by 7% and 8% respectively between the end of August and 6 December. In Japan, stock prices, as measured by the Nikkei 225 index, increased marginally amidst considerable fluctuations in the course of the period.

Near-term stock market uncertainty, as measured by the implied volatility extracted from stock options, continued to decline in the major markets in the course of the last three months (see Chart 23). Along with the concomitant decline in high-yield and BBB-rated corporate bond spreads, this indicates that investors' appetite for risks has more or less fully recovered from the episode of market turbulence experienced toward the end of the second quarter. The renewed increase in risk

Chart 22 Stock price indices

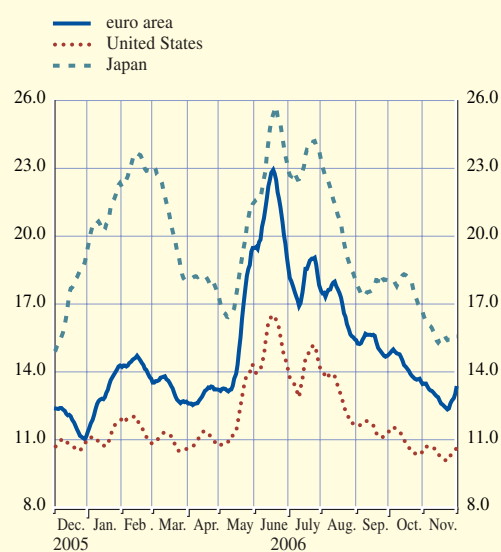
(index: 1 December 2005 = 100; daily data)



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 changes in stock prices 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.

appetite is also reflected in Merrill Lynch's Global Fund Manager Survey, where the net balance of investors reporting higher-than-normal levels of risk in their portfolios has risen by 18 percentage points from August to November. Against this background, it is likely that the equity risk premium has declined somewhat across major markets in recent months.

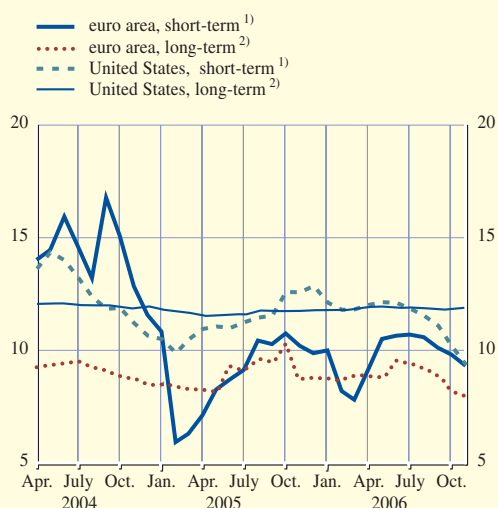
In the United States, stock prices continued to rise over the past three months, supported mainly by robust earnings growth and investors' favourable risk perceptions and attitudes. According to Thomson Financial Datastream, the earnings per share of corporations included in the Standard and Poor's 500 index grew by 14.0% in the twelve months to November. While analysts' expectations regarding the growth of earnings per share over the next 12 months declined somewhat to 9.4% in November (see Chart 24), they still indicate a robust outlook for earnings growth. With the recent increases, stock prices in the United States have thus far proved resilient to the latest macroeconomic data releases which pointed towards a further moderation in economic activity. It is likely that lower long-term real bond yields, which act as a discount factor for the valuation of stocks, supported stock prices by neutralising the negative effect of the weaker economic outlook. Moreover, the considerable decline in oil prices in the first half of the period under review is likely to have benefited stocks outside the energy sector.

In the euro area, stock prices also increased markedly over the last three months, on account of robust growth in earnings, both actual and expected, continued strong merger and acquisition activity and the aforementioned increase in global risk appetite. According to Thomson Financial Datastream, the actual earnings per share of the constituent companies of the Dow Jones EURO STOXX index continued to rise at a rather high annual rate of 20.8% in November, compared with 21.3% in August. At the same time, analysts revised their expectations for growth in earnings per share over the next 12 months slightly downwards, from 10.6% in August to 9.3% in November. This may reflect a lower perceived potential for further earnings growth in the wake of surprisingly strong actual earnings this year. Analysts' latest expectations for earnings growth over a longer-term horizon (three to five years ahead) declined somewhat from 9.2% to 7.9% per annum between August and November. Moreover, it is possible that the strong appreciation of the euro vis-à-vis the US dollar towards the end of November has lately brought downward pressure to bear on euro area stock prices.

As regards developments in sectoral stock price indices in the euro area, all economic sectors, except the health-care sector, recorded stock price increases in the period under review (see Table 3). The underperformance of the health-care sector, where earnings are usually less dependent on the state of the business cycle and are thus considered to be less risky, may partly reflect the higher relative demand for riskier investments following the increase in investors'

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
Share of sector in market capitalisation (end-of-period data)	5.9	6.4	11.0	7.0	34.7	3.1	11.1	4.9	6.5	9.4	100.0
Price changes (end-of-period data)											
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
2006 Q3	8.7	7.8	8.8	0.6	10.5	-2.2	4.4	-0.4	6.0	11.9	7.4
October	6.5	1.6	3.0	3.5	3.1	-3.5	3.0	0.1	7.9	2.6	3.1
November	-0.2	-0.4	0.7	2.4	-1.3	-0.8	2.5	0.1	-0.6	2.7	0.2
31 Aug. - 6 Dec.	11.7	6.0	5.8	5.4	5.2	-2.2	10.2	0.3	13.5	12.4	6.9

Sources: Thomson Financial Datastream and ECB calculations.

appetite for risk. Over the past three months, the cross-sectoral pattern in returns on equity has also been affected by ongoing consolidation in specific sectors, most notably in the utility sector, which has recorded particularly strong gains. Leveraged buyouts have accounted for a major part of the recent wave of merger and acquisition activity (see also Box 4, entitled “Recent trends in leveraged buyout transactions in the euro area”).

2.6 FINANCING AND FINANCIAL POSITION OF NON-FINANCIAL CORPORATIONS

All in all, the real cost of non-financial corporations’ external financing remained stable in the third quarter of 2006, at a level that continues to be 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 raising their issuance of debt securities. As a result, the sector’s debt-to-GDP ratio rose slightly in the third quarter of 2006.

FINANCING COSTS

The real cost of external financing for non-financial corporations in the euro area, as calculated by weighting the cost of different sources of financing on the basis of the respective amounts outstanding (corrected for valuation effects), generally remained stable in the third quarter of 2006, at a level that continues to be low by historical standards (Chart 25).² An increase in the real cost of bank lending was offset by a decline in both the real cost of market-based debt and the real cost of quoted equity – following the rebound in stock prices – over the same period.

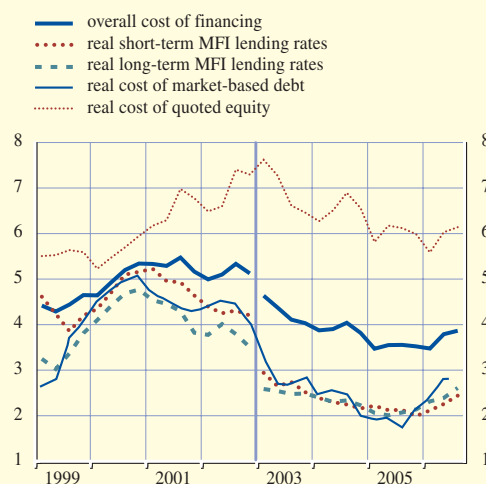
The real cost of bank lending rose further in the third quarter of 2006. Viewed in terms of the breakdown of bank lending by maturity, short-term MFI interest rates on loans (with a floating rate and an initial rate fixation of up to one year) to non-financial corporations increased by 27 to 28 basis points from June to September, somewhat less than the upturn in money market rates

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

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 85 to 100 basis points, also slightly less than the increase of 120 to 140 basis points in the corresponding market rates. MFI interest rates on loans to non-financial corporations with an initial rate fixation of over five years rose by some 60 basis points between September 2005 and September 2006, compared with an increase of 50 to 100 basis points in the corresponding market interest rates. In the third quarter of 2006, the long-term lending rates to non-financial corporations rose by around 20 basis points, while corresponding long-term market interest rates actually declined. This suggests a rather sluggish pass-through, whereby the recent increases in long-term bank lending rates reflected the lagged impact of the increases in market interest rates recorded in previous quarters. As a result, the declining trend in spreads between bank lending rates and market interest rates for comparable maturities observed since the beginning of 2003 came to a halt in the case of medium-term and long-term

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-adjusted¹⁾)

							Change in basis points up to Sep. 2006 ²⁾		
	2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 Aug.	2006 Sep.	2006 Mar.	2006 June	2006 Aug.
MFI interest rates on loans									
Bank overdrafts to non-financial corporations	5.13	5.14	5.30	5.46	5.58	5.69	39	23	11
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	3.81	3.99	4.23	4.47	4.67	4.74	51	27	7
with an initial rate fixation of over five years	4.06	4.10	4.19	4.40	4.52	4.59	40	19	7
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	2.97	3.24	3.50	3.74	3.96	4.02	52	28	6
with an initial rate fixation of over five years	3.88	3.98	4.22	4.26	4.45	4.47	25	21	2
Memo items									
Three-month money market interest rate	2.14	2.47	2.72	2.99	3.23	3.34	61	35	11
Two-year government bond yield	2.21	2.80	3.22	3.47	3.59	3.62	40	15	4
Five-year government bond yield	2.60	3.07	3.47	3.78	3.75	3.70	22	-8	-6

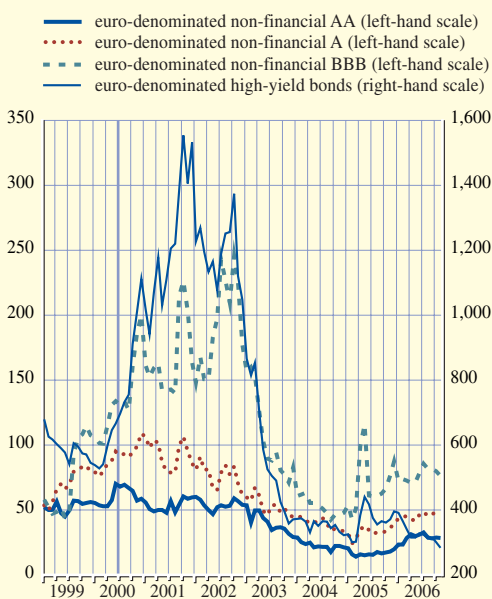
Source: ECB.

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

2) Figures may not add up due to rounding.

Chart 26 Corporate bond spreads of non-financial corporations

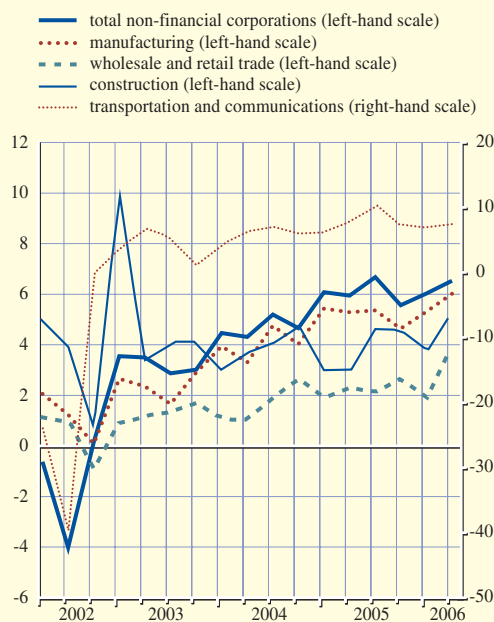
(basis points; monthly averages)



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

Chart 27 Profit ratios of listed non-financial corporations

(ratios of net income to net sales; quarterly data)



Source: Thomson's Datastream and ECB calculations.
Note: The latest data refer to the second quarter of 2006.

loans in the third quarter of 2006, while the spreads on short-term bank lending rates remained broadly stable.

The real cost of market-based debt financing for non-financial corporations declined slightly in the third quarter, as a consequence of the decline in long-term risk-free interest rates and a stabilisation of corporate bond spreads (see Chart 26). In particular, euro area BBB-rated bond spreads have tightened in recent months, after the spike observed in May and June 2006. Even though the outlook for corporate credit quality remains benign, there are some indications that, over time, some adjustment may occur as a result of increased indebtedness.³

The real cost of equity for non-financial corporations declined somewhat in the course of the third quarter of 2006, largely reflecting stock market developments, but – on average over the third quarter – remained higher than in the preceding quarter and significantly higher than the real cost of debt financing.

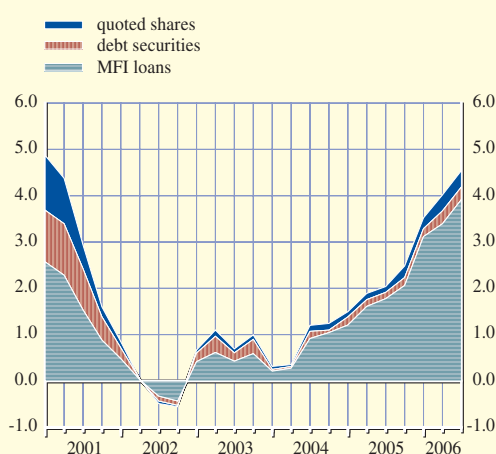
FINANCING FLOWS

Turning to internal sources of financing, the profitability of non-financial corporations in the euro area – measured in terms of their operating and net income in relation to sales – remained strong in the first half of 2006, according to the aggregated financial statement data of listed non-financial enterprises in the euro area. Profit ratios increased particularly markedly in the transportation and

³ See also Box 4, entitled “The outlook for corporate credit spreads in the euro area”, in the November 2006 issue of the Monthly Bulletin.

Chart 28 Breakdown of the real annual rate of growth of financing to non-financial corporations¹⁾

(annual percentage changes)

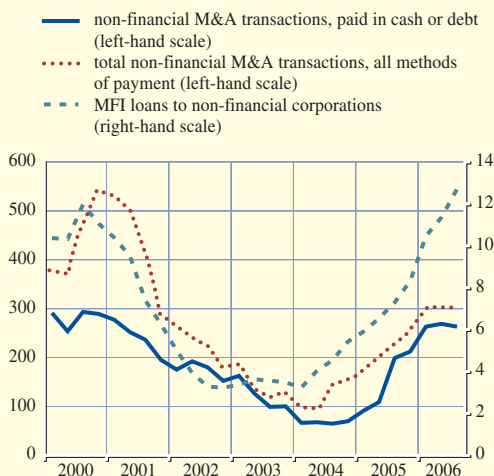


Source: ECB.

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

Chart 29 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)



Source: 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.

communications sectors, while profits in the wholesale and retail trade sectors were below average (see Chart 27).

Looking ahead, stock market-based profitability measures indicate that the profitability growth of large listed corporations is expected to decline somewhat over the next 12 months, but to remain robust (see Chart 24).⁴ This may indicate a certain degree of normalisation after the particularly high profit growth expectations recorded in previous years in connection with the recovery from the sharp drop in corporate profitability in 2002 and 2003.

In addition to drawing on abundant internal funds, non-financial corporations increased their demand for external financing further in the third quarter of 2006 (see Chart 28). The real annual growth rate of the external financing of non-financial corporations rose to 4.5% in the third quarter of 2006, from 4.0% in the second 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 12.7% at the end of the third quarter of 2006, from 11.3% in the second quarter (see Table 5), and continued to increase to 12.9% in October. Such annual rates of increase have not been seen since the introduction of the euro in 1999. As regards the breakdown by maturity, the annual growth rate of short-term loans picked up somewhat further in the third quarter to reach 10.7% in October. At the same time, the

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

Table 5 Financing of non-financial corporations

	Outstanding amount at the end of the last quarter available (EUR billions)	Annual growth rates (percentage changes; end of quarter)					
		2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 Q3	October 2006 ³⁾
MFI loans	3,730	7.3	8.3	10.5	11.3	12.7	12.9
up to one year	1,108	5.4	5.8	7.7	8.0	10.5	10.7
over one and up to five years	683	6.7	9.9	14.9	17.4	20.6	20.1
over five years	1,939	8.6	9.3	10.7	11.4	11.4	11.7
Debt securities issued	637	2.9	3.7	3.0	5.0	4.8	-
short-term	97	-1.3	-0.4	-7.0	-2.0	-0.4	-
long-term, of which: ¹⁾	540	3.7	4.4	5.1	6.4	5.7	-
fixed rate	413	0.4	0.4	0.2	1.1	1.3	-
variable rate	110	18.3	23.3	24.9	30.7	28.0	-
Quoted shares issued	4,087	0.5	1.0	0.7	1.0	1.0	-
Memo items²⁾							
Total financing	9,177	4.4	5.5	6.2	7.0	6 3/4	-
Loans to non-financial corporations	4,233	5.8	7.7	9.7	10.7	-12 1/2	-
Pension fund reserves of non-financial corporations	320	4.5	4.2	4.4	4.2	4 1/4	-

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 vis-à-vis 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) October 2006 data are available only for MFI loans.

annual growth rate of long-term MFI loans (with a maturity of over five years) remained stable at around 11½%, the level reached at the end of June, while that of loans with a maturity of between one and five years continued to rise, reaching 20.1% in October.

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 is partly related to the positive development of economic activity in the euro area in the first three quarters of this year. Non-financial corporations may have used part of the funds obtained for real investment purposes, as indicated by the robust overall growth of gross fixed capital formation over this period. In addition, mergers and acquisition (M&A) activity in the euro area may also have contributed to the rapid expansion of corporate borrowing in the third quarter of 2006, although to a lesser extent than in previous quarters (see Chart 29). In this context, the results of the October 2006 bank lending survey suggest that the financing needs related both to economic activity and to activities of a more financial nature (such as M&As and debt restructuring) have been contributing to loan demand, although the latter needs have declined somewhat recently.⁵ 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 second quarter of 2006. Part of the increase in loans may have been related to leveraged buyouts (see Box 4).

⁵ See also Box 2, entitled “The results of the October 2006 bank lending survey for the euro area”, in the November 2006 issue of the Monthly Bulletin.

Box 4

RECENT TRENDS IN LEVERAGED BUYOUT TRANSACTIONS IN THE EURO AREA

The resurgence of mergers and acquisitions observed in the past year has been fuelled in part by a surge in private equity transactions, in particular leveraged buyout (LBO) deals.¹ This box examines recent developments in LBO activity in the euro area and discusses potential monetary policy implications.

An LBO “consists in taking a firm private by purchasing its shares and allocating them to a concentrated ownership composed of management, a general partner, and other investors (the limited partners or LBO fund). Due to the dearth of equity of the owners, the new entity is highly leveraged.”² In a stylised LBO transaction a general partner, often a private equity firm, together with a number of limited partners, e.g. institutional or private investors, injects a certain amount of equity capital into an LBO fund. The LBO fund also obtains debt financing and uses the combined funds to invest in a target company. To raise the amount of debt needed to finance the takeover, the LBO fund uses the assets or future cash flows of the target firm as collateral. The return on the investment may be realised, often after a relatively short period, in various ways: an initial public offering (IPO), a trade sale (i.e. to another company), a secondary buyout by another private equity firm, or a recapitalisation (the extraction of dividends). By the time the investors realise the return, the company may be highly leveraged. Thus LBOs can affect the overall indebtedness of the non-financial corporate sector.

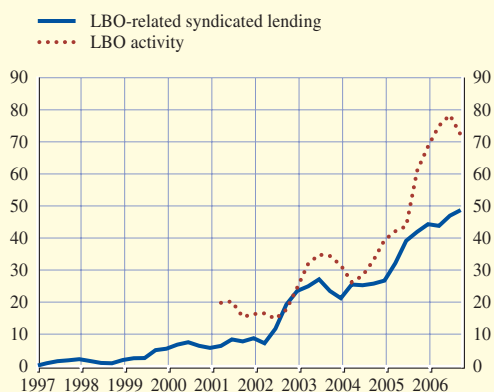
As the amount of own capital put into the investment by the general and limited partners is relatively small (compared with the amount of debt). The potential return on equity from an

1 See also the box entitled “Recent trends in merger and acquisition activity in the euro area” in the July 2006 issue of the Monthly Bulletin.

2 J. Tirole, *The Theory of Corporate Finance*, Princeton University Press, 2006.

Chart A The value of LBO transactions targeting euro area firms and LBO-related syndicated lending

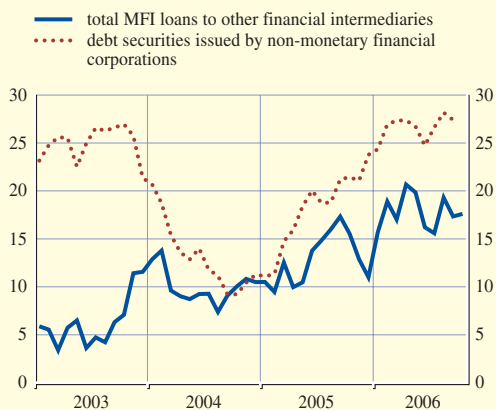
(EUR billions)



Sources: Bureau van Dijk (Zephyr) and Thomson Deals.

Chart B MFI loans to other financial intermediaries and debt securities issued by non-monetary financial corporations

(annual growth rate; percentages)



Source: ECB.

LBO investment is often substantial. Additional incentives to engage in LBO transactions are related to leverage-induced tax savings (as interest payments are often tax deductible) and the resolution of agency problems (improved managerial incentives, a more active monitoring by shareholders and the elimination of free cash flows). At the same time, LBO activity involves a risk of financial distress and eventual bankruptcy if the company's future cash flows turn out to be too low to cover the payments of the debt.³

While waves of LBO activity have frequently been observed in the United States, this type of transaction has taken off more recently in the euro area, particularly in the last two years. In the year to the third quarter of 2006, activity reached almost €80 billion (see Chart A).⁴ This development was also reflected in two-digit growth rates of MFI loans to the other financial intermediary (OFI) sector, which includes special-purpose vehicles (e.g. LBO funds) set up by private equity funds, as well as in strong issuance of debt securities by non-monetary financial corporations (see Chart B). Whereas these debt financing flows do not refer exclusively to LBO funds or private equity firms more generally, they nevertheless provide an indication of the increasing importance of LBO transactions. Furthermore, it cannot be ruled out that banks classify some LBO financing as loans to non-financial corporations, and hence LBO activity may also have contributed to the recent surge in the annual growth of loans to the non-financial corporate sector, which reached 12.9% in October 2006.

The factors underlying the recent surge in LBO activity in the euro area can be ascribed both to global trends and to euro area-specific circumstances. Among the factors of a more global nature, ample liquidity, low interest rates and default rates, and the emergence of the credit derivatives market are likely to have heightened the appetite for credit risk among non-bank financial institutions such as hedge funds and collateralised loan obligation (CLO) funds.⁵ The emergence of the credit derivatives market has also allowed banks to transfer substantial amounts of existing credit risk from their loan books, creating capacity for new lending. At the euro area level, private equity firms' incentives to undertake LBOs have been fuelled by the steady rise in corporate profitability, which has increased companies' free cash flows and therefore their attractiveness as LBO targets.⁶ In addition, the advent of the euro may have helped to create the economies of scale needed for the emergence of a high-yield bond market and other liquid, lower-quality credit instruments, such as mezzanine, second-lien and payment-in-kind (PIK) loans, which are traditionally used as subordinated debt in LBO transactions to back up senior debt in the form of bank credit facilities.⁷

From a monetary policy perspective, it is important to monitor the rise in LBO activity as it may have implications for the overall leverage and financing conditions of the euro area corporate sector, the soundness of the banking sector and liquidity creation. First of all, the low interest rate levels driving LBO transactions may have helped mask the risks inherent in the euro area leveraged credit market. Thus, despite rising debt ratios, euro area corporate bond

3 See also "Financial Stability Review", ECB, December 2006.

4 As the coverage of the data sources used in Chart A may not be exhaustive, the value of LBOs could even be somewhat higher than the figures reported.

5 A CLO is a debt security backed by a pool of commercial loans. A CLO fund is an investment fund which invests in CLO products.

6 As the excess cash flow can be used to repay the debt raised in the LBO transaction.

7 A "mezzanine loan" is a hybrid of debt and equity financing. It is basically debt capital that gives the lender the rights to convert to an equity interest in the company if the loan is not paid back in time and in full. It is generally subordinated to debt provided by senior lenders. A "payment-in-kind (PIK) loan" is an extreme type of a loan which typically does not provide any cash flows from the borrower to the lender between the drawdown date and the maturity or refinancing date. "Second-lien loans" are used in leveraged buyouts to fill small gaps between financing needs of the borrower and maximum thresholds (measured by leverage, for example) of senior loan and or PIK loan providers.

spreads remain tight by historical standards. As a result, a worsening of the corporate credit quality could lead to substantial losses on banks' credit portfolios and eventually to a more restrictive loan supply. In this regard, anecdotal evidence that leverage multiples have increased in recent LBO transactions and that loan covenants and amortisation schedules have been eased is a cause for concern. Second, while LBO transactions have often turned out to be value-enhancing (by reducing agency costs), periods of buoyant LBO activity can result in unsustainable leverage levels and too lax credit conditions. In previous episodes in the United States, this led to corporate failures and produced adverse effects on economic activity.⁸ Third, the borrowing by the acquiring entity may lead to the creation of additional liquidity to the extent that resultant payments to the existing shareholders of the target firm lead to higher money holdings.

⁸ See for example Kaplan and Stein, "The evolution of buyout and financial structure in the 1980s", *Quarterly Journal of Economics*, 108(3), 1993, pp. 313-357.

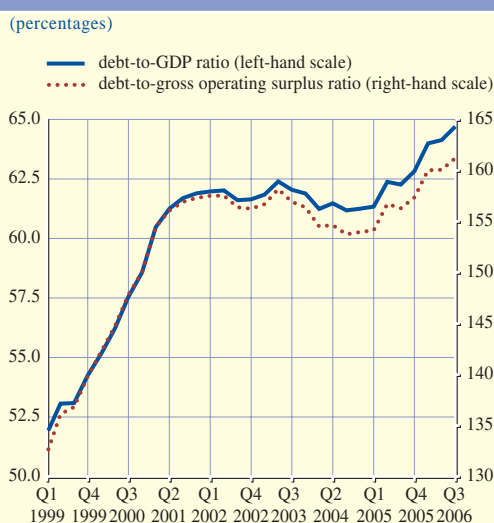
The annual growth rate of debt securities issued by non-financial corporations increased further to reach 4.8% at the end of September. Possible factors behind this still moderate growth in a period of favourable real costs of market-based debt financing include the abundant availability of internal funds, the strong growth of bank loans to non-financial corporations – indicating a possible substitution effect – and a relatively high level of debt security redemptions. The overall increase in the annual growth rate of debt securities issued by non-financial corporations reflected a picking-up of the annual growth rate of issuance of long-term securities. By contrast, the annual rate of change in the issuance of short-term debt securities by non-financial corporations remained negative in the third quarter of 2006, as was the case throughout the first half of 2006 and most of the year before. In addition, indirect financing through non-monetary financial corporations such as special-purpose vehicles remained very strong, as the annual growth rate of debt securities issuance by this sector rose to 27.4% at the end of September, from 24.7% at the end of the previous quarter. Issuance in this sector takes place on behalf of various entities, including MFIs.

The annual growth rate of quoted shares issued by non-financial corporations remained stable at 1% at the end of the third quarter of 2006. The modest overall growth in quoted shares may partly be explained by the continuing popularity of share buyback programmes. At the same time, gross issuance has been rising markedly in the recent past, supported by the development of both initial and secondary public offerings, and partly related to strong M&A activity.

FINANCIAL POSITION

In reflection of the further increase in the annual growth in the debt financing of non-financial corporations, the sector's overall debt-to-GDP ratio rose to 65% in the third quarter of 2006

Chart 30 Debt ratios of the non-financial corporate sector



Sources: ECB and Eurostat.

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

(see Chart 30). 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 ratio of debt to the gross operating surplus also increased slightly in the third quarter of 2006. Debt developments, together with interest rate developments, have resulted in a significant increase in the interest burden of non-financial corporations in the first three quarters of 2006.

Overall, the high rate of growth of financing for non-financial corporations, in particular that of MFI loans, indicates that euro area firms have ready access to finance. Despite the recent pick-up of debt ratios and net interest rate payments, the financial situation of non-financial corporations remains favourable at present, on account of the low cost of financing and strong profitability.

2.7 FINANCING AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

Household borrowing remained robust in the third quarter of 2006, underpinned by favourable financing conditions, strong housing market dynamics and improved consumer confidence. Growth of MFI loans for house purchase remained strong, although a deceleration has been observed since mid-2006. Reflecting continued vigorous borrowing growth, the household debt-to-GDP ratio increased further in the third quarter of 2006.

FINANCING CONDITIONS

MFI interest rate statistics and the October 2006 bank lending survey⁶ suggest that financing conditions for the euro area household sector remained favourable in the third quarter of 2006, although 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 third quarter of 2006 (see Chart 31). On a quarterly average basis, they were between 18 and 29 basis points higher than in the second quarter of 2006. Rates on loans with a shorter fixation rose somewhat more strongly than those on loans with a longer fixation, reducing the implied spread further. In September, the rate on loans with an initial rate fixation over ten years was only 14 basis points above that on loans with a floating rate and an initial rate fixation of up to one year. In the case of MFI lending rates for consumer credit, rates on loans with a period of rate fixation of up to one year and over five years were – on a quarterly average basis – 54 and 21 basis points higher than in the second quarter, while rates on loans with a period of rate fixation of more than one year and up to five years were only 4 basis points higher than in the previous quarter. The spreads between lending rates on loans to households and comparable market rates remained broadly unchanged between the second and third quarters of 2006.

According to the October 2006 bank lending survey, banks, on balance, reported broadly unchanged credit standards for the approval of loans to households for house purchase in the third quarter and a slight easing of standards for consumer credit. Banks reported that competition from other banks and expectations regarding general economic activity continued to support the easing of

⁶ See Box 2 entitled “The results of the October 2006 bank lending survey for the euro area” in the November 2006 issue of the Monthly Bulletin.

credit standards. However, in the case of loans for house purchase, a deterioration in housing market prospects was seen as contributing to a tightening of credit standards albeit marginally for the first time since the second quarter of 2005. In the case of loans for consumer credit, the net easing of credit standards was dampened by banks' assessment of consumer creditworthiness.

FINANCING FLOWS

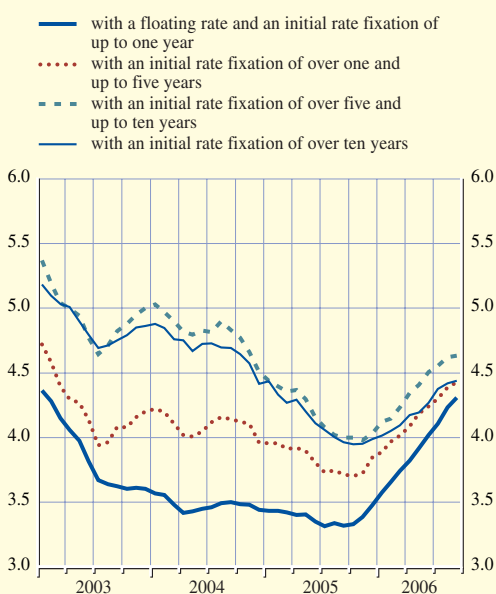
The annual growth rate of total loans granted to the euro area household sector by all financial institutions moderated somewhat in the second quarter of 2006 (the most recent period for which data are available from the euro area quarterly financial accounts), to 9.5% from 9.7% in the first quarter (see Chart 32). This slight decrease was driven by a lower contribution from loans granted by non-monetary financial institutions, comprising other financial intermediaries (OFIs) and insurance corporations and pension funds (ICPFs). The contribution from loans granted by euro area MFIs increased further. In the third quarter of 2006, the annual growth of total loans to households is estimated to have registered a further slight decline.

Looking at MFI data available up to October 2006, the annual growth of loans to households remained strong but continued the moderation observed since the spring. This moderation reflects in particular developments in the growth of loans for house purchase, which continues to explain most of the ongoing strong lending activity. In October, the annual growth rate of loans for house purchase was 10.4%, after 11.0% in the previous month and averages of 11.3% and 12.1% in the third and second quarters respectively. The results of the October 2006 bank lending survey suggest that the recent moderation in demand for MFI loans for house purchase may be related to less optimistic housing market prospects, but also to factors such as a less stimulative impact from non-housing-related consumption expenditure. Nonetheless, growth of loans for house purchase remained robust, reflecting favourable financing conditions, further improvements in consumer confidence and strong housing market dynamics in many regions of the euro area.

The annual growth rate of consumer credit declined somewhat further in October, to 7.7% from 8.3% in the previous month, following averages of 8.5% and 8.2% in the third and second quarters respectively. The annual growth rate of other lending to households was 2.5% in October, unchanged compared with the previous month and slightly higher than the averages of 2.3% and 2.1% in the third and second quarters respectively. According to the October 2006 bank lending survey, the reported positive net demand for consumer credit continues to be driven by consumer

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

(percentages per annum; excluding charges; rates on new business; weight-adjusted¹⁾)

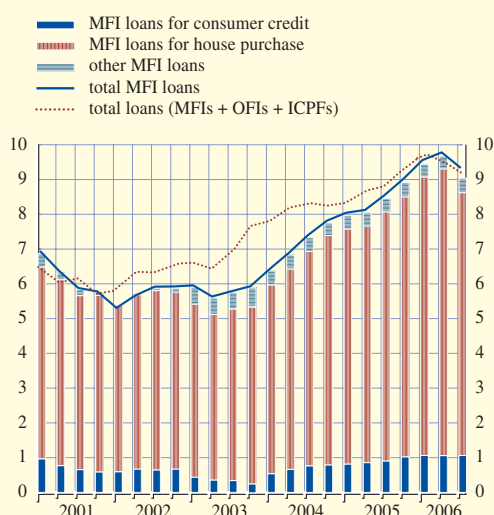


Source: ECB.

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

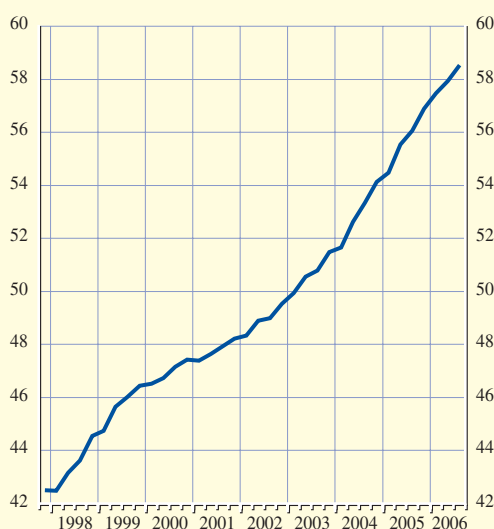
(annual growth rates in percentages; contributions in percentage points; end of quarter)



Source: ECB.
 Note: Total loans (MFIs + OFIs + ICPFs) for the third 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.

confidence and spending on durable consumer goods, although the contribution from the latter factor declined compared with the previous quarter.

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, to 58.7% in the third quarter of 2006 (see Chart 33). In an environment of strong house price increases, the protracted rise in household indebtedness in past years came together with substantial increases in households' housing wealth (see Box 5 for new ECB estimates of euro area households' housing wealth). 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 – on the basis of the still strong loan growth and the rise in bank lending rates up to October – is projected to rise modestly further in 2006.

Box 5

ESTIMATES OF HOUSING WEALTH FOR HOUSEHOLDS IN THE EURO AREA

This box presents new ECB estimates of euro area households' housing wealth. Households' housing wealth is defined as the value at current market prices of all residential dwellings, including the value of land on which the buildings are built, owned by households. Housing wealth accounts for around 60% of the total wealth of households and can have significant effects on households' consumption, investment and portfolio decisions. The box explains the new estimates for the period 1980-2005 and puts them into perspective by using selected indicators.

Estimation method

As data on households' housing wealth are currently not available for several euro area countries, an estimate of the aggregate euro area households' housing wealth cannot be derived as a straightforward summation of country data. Annual data on households' housing wealth, including both the housing capital stock and the underlying value of the land, are currently available for around 80% of the euro area in terms of GDP coverage. The part accounted for by the countries for which no such data exist has been approximated using the information of the countries for which such estimates are available.¹

The estimation procedure involves several steps. In a first step, the housing capital stock was compiled for the euro area, using available national data and estimates for the missing countries based on the assumption that their 1980 GDP-to-capital stock ratio is equal to the average ratio for the available countries. Next, the housing capital stock in a given year is taken to equal that of the previous year minus that part of the stock that has reached the end of its service life (reflected by the retirement rates) plus the gross fixed capital formation in the current year minus the consumption of fixed capital or depreciation. The retirement and depreciation rates are assumed to correspond to the average ratios observed for the available countries.² Since the resulting euro area series refers to the economy as a whole, the second step was to estimate the part of the housing capital stock held by households, assuming that the weighted average households' share in the available countries' whole economy capital stock holds for the missing countries. A third step was to estimate the value of the land underlying the houses, again applying the weighted average share of housing capital stock in the available countries' housing wealth of households for the missing countries. The final estimates also take into account the revaluation effects to reflect price changes of the capital stock of housing.

Estimates for households' housing wealth

Chart A shows that the estimates of euro area households' housing wealth (net of depreciation) imply an increase from €3.7 trillion in 1980 to €19.6 trillion in 2003.³ This represents an average annual rate of growth of 7.6% for the entire period. However, the above-mentioned

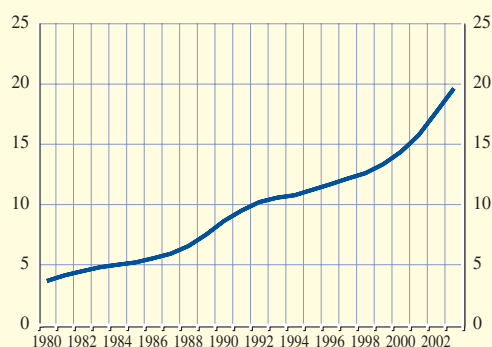
1 The revised transmission programme of Council Regulation (EC) No 2223/96 on the European system of national and regional accounts in the Community that is expected to enter into force in 2007 includes the mandatory transmission by national statistical offices of data on dwellings owned by households, but the provision of data on land will remain voluntary. When available, these new data will be used to improve the compilation of euro area housing wealth statistics.

2 This methodology was previously applied for the estimation of the euro area capital stock data at constant prices. See the box entitled "Estimates of the euro area capital stock" in the May 2006 issue of the Monthly Bulletin.

3 National data before 1999 are aggregated using the fixed conversion rates of the euro.

Chart A Euro area households' housing wealth

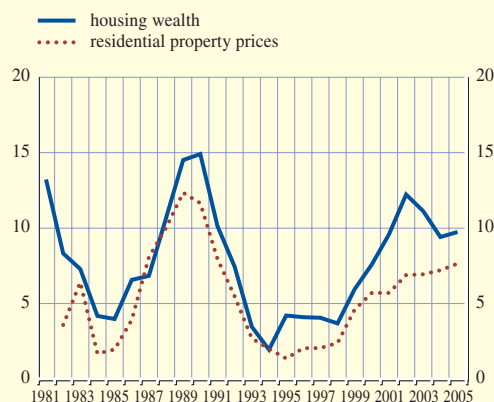
(at current market prices; EUR trillions)



Source: ECB.
Note: Estimates take into account the depreciation of households' housing capital stock.

Chart B Growth in housing wealth and residential property prices in the euro area

(annual percentage changes)



Source: ECB.

assumptions suggest that euro area households' housing wealth estimates are subject to a higher degree of uncertainty than other euro area statistics, mainly because the national data used in this estimation are themselves surrounded by greater uncertainty than other national statistics owing inter alia to a lower quality of house price statistics (house prices are in several countries a crucial determinant for the growth of housing wealth). Nevertheless, a number of sensitivity simulations conducted indicate that in particular the growth rates of the households' housing wealth estimates are sufficiently robust to changes in the underlying assumptions.

Chart B shows the annual rates of growth for households' housing wealth and residential property prices in the euro area. As the available national data on households' housing wealth are currently only available up to 2003, data for the most recent years have been estimated on the basis of a historical econometric relationship between housing wealth on the one hand and house prices and net residential investment on the other, where the latter data are available up to 2005. Therefore, households' housing wealth estimates for the period 2004-05 should be taken with caution. It appears from the chart that in the euro area there have been two broad housing wealth cycles, with peaks in the growth rates in the period 1989-90 and possibly in 2002. The chart also shows that changes in households' housing wealth have followed fairly closely the house price developments in the euro area. This is not very surprising as changes in house prices affect the value of the existing stock of housing, and residential investment and depreciation flows are rather small in relation to the total housing stock. However, a value measure for housing wealth has the advantage that it can provide information on developments in the level of housing wealth which is needed for a number of analytical purposes.

Estimates for households' net worth

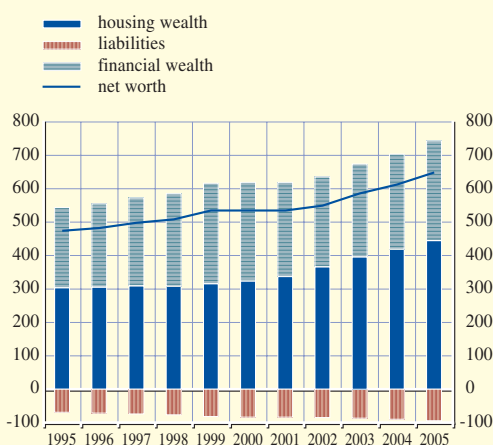
Chart C shows the developments in households' net worth (i.e. the sum of households' housing and financial wealth, net of their liabilities) as a percentage of gross disposable income in the euro area in the period between 1995 and 2005 (the period for which data on households'

financial wealth are available).⁴ It appears that households' total assets less liabilities were increasing relatively steadily as a percentage of disposable income in the euro area in the second half of the 1990s, amounting to about 535% of disposable income in 2000. The increase in households' net worth was mainly due to the favourable stock market developments and the resulting rise in households' financial wealth during this period, while households' housing wealth remained fairly stable in relation to disposable income until 1998. Thereafter, households' net worth increased strongly in the euro area, to around 650% of disposable income in 2005. This development mostly reflected the strong housing market dynamics and house price increases witnessed during the last seven years, which led to a marked rise in households' housing wealth from about 310% of disposable income in 1998 to some 445% in 2005. Household indebtedness has also increased relatively steadily in the euro area since 1995, but the increase has remained significantly below the rise in households' housing and financial wealth. It should however be noted that the assets and the liabilities are not evenly distributed across households.

To sum up, the ECB's new estimates for euro area households' housing wealth help to close a data gap with regard to economic and financial analysis and projections. The estimates point to strong increases in housing wealth since 1998, in line with the buoyant housing market dynamics observed in many regions of the euro area. When assessing the implications of these increases – for instance in terms of debt-to-wealth ratios – it should be borne in mind that the new households' housing wealth series are subject to a higher degree of uncertainty than other euro area statistics, and that the quality is expected to improve over time as more and better estimates become available at the national level.⁵

Chart C Households' net worth in the euro area

(as a percentage of gross disposable income)



Source: ECB.
Note: Data on financial wealth and liabilities for 2005 are based on estimates.

4 Purchases by households of consumer durables are not regarded as investment in national accounts and have not been included in household total wealth estimates in this context. For the data on household gross disposable income (which is the sum of net disposable income and consumption of fixed capital) and other integrated non-financial and financial accounts data for the institutional sectors in the euro area (households, non-financial corporations, financial corporations and government), see the ECB press release "First release of euro area accounts for institutional sectors (1999-2004)" on 31 May 2006.

5 The new time series on housing wealth is available on the ECB's website (from the Statistical Data Warehouse).

3 PRICES AND COSTS

Following a period of substantial declines in inflation rates driven by lower oil prices, euro area HICP inflation is estimated to have edged up again to 1.8% in November. At present, producer price data suggest that there is still some upward price pressure further down the production chain as a result of past increases in oil and other commodity prices. Meanwhile, domestic price pressures, including those stemming from the labour market, have, according to the latest indicators, remained contained. Looking ahead, as a result of increases in indirect taxes, euro area HICP inflation is likely to rise again in January 2007. According to the latest Eurosystem staff macroeconomic projections, annual HICP inflation is projected to hover around 2% in the coming years. This outlook for price developments remains subject to upside risks – in particular, the improvement of the labour market situation could lead to significantly higher than expected wage pressures.

3.1 CONSUMER PRICES

FLASH ESTIMATE FOR NOVEMBER 2006

According to Eurostat's flash estimate, overall HICP inflation increased to 1.8% in November, up from 1.6% in October (see Table 6). A detailed breakdown of the HICP components will only be released in mid-December. However, the increase in the annual inflation rate is likely to largely reflect an unfavourable base effect related to the decline in energy prices following hurricanes Katrina and Rita in 2005.

HICP INFLATION UP TO OCTOBER 2006

The increase in HICP inflation in November follows a period of substantial declines in inflation rates since July 2006 (see Chart 34). These declines have been largely the result of a drop in the price of crude oil and in the prices of energy items closely related to oil. Euro area HICP inflation fell to a trough of 1.6% in October 2006, from 2.4% in July. The reversal of previous direct upward contribution from oil prices has narrowed the gap between the annual rates of change in overall HICP and the HICP excluding unprocessed food and energy. The annual rate of change in the latter has remained broadly stable since the second quarter of 2006.

Table 6 Price developments

(annual percentage changes, unless otherwise indicated)

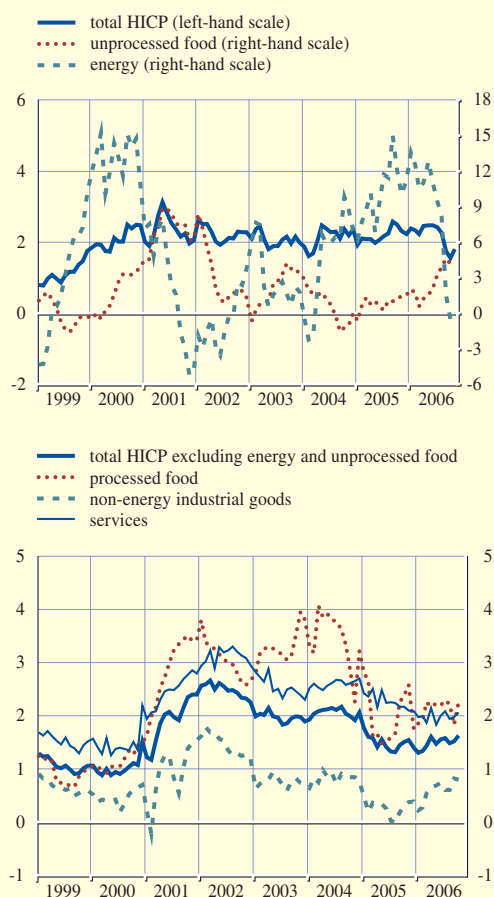
	2004	2005	2006 June	2006 July	2006 Aug.	2006 Sep.	2006 Oct.	2006 Nov.
HICP and its components								
Overall index ¹⁾	2.1	2.2	2.5	2.4	2.3	1.7	1.6	1.8
Energy	4.5	10.1	11.0	9.5	8.1	1.5	-0.5	.
Unprocessed food	0.6	0.8	2.1	3.2	3.9	4.6	4.2	.
Processed food	3.4	2.0	2.2	2.3	2.2	1.8	2.3	.
Non-energy industrial goods	0.8	0.3	0.7	0.6	0.6	0.8	0.8	.
Services	2.6	2.3	2.0	2.1	1.9	2.0	2.1	.
Other price indicators								
Industrial producer prices	2.3	4.1	5.8	6.0	5.7	4.6	4.0	.
Oil prices (EUR per barrel)	30.5	44.6	55.4	58.8	57.8	50.3	47.6	46.7
Non-energy commodity prices	10.8	9.4	22.0	26.7	26.8	26.4	28.7	22.9

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

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

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

(annual percentage changes; monthly data)



Source: Eurostat.

remained more contained (see Box 6: Using national accounts data to gauge price pressures in the euro area).

More recent HICP data suggest that the overall picture of contained domestic price pressures has not changed. In particular, the annual rate of change in the HICP excluding unprocessed food and energy has been roughly stable in the six-month period to October 2006. This reflects small fluctuations in the inflation rates for processed food and services prices, as well as a very gradual increase in the annual rate of change in non-energy industrial goods prices. The latter suggests that the pass-through of past increases in oil and non-oil commodity prices to consumer prices has so far remained modest. A small rise in the annual rate of change in the HICP excluding unprocessed food and energy in October, to 1.6%, was the result of somewhat higher processed food and services price inflation, whereas the annual rate of change in non-energy industrial goods prices was unchanged. Higher processed food price inflation in October largely reflected an increase in tobacco prices in Germany that was implemented in anticipation of the forthcoming VAT increase in January 2007. In turn, a higher annual rate of change in services prices notably reflected a smaller decrease in the price of communication equipment and services.

Recent developments underline the observation that fluctuations in energy price inflation can play an important role in determining the exact level of overall HICP inflation in the short term. Energy items with a significant oil content brought overall energy prices down further in October 2006: petrol prices decreased by 7.2% on an annual basis and liquid fuels by 5.5%. These decreases at the level of consumer prices are more pronounced than would normally be expected on the basis of crude oil price developments alone. As discussed in more detail in Box 5 of the November 2006 issue of the Monthly Bulletin, entitled “Recent developments in oil and petrol prices”, falls in the refining margin, i.e. the spread between the prices of crude oil and refined gasoline, may have contributed to this evolution.

The annual rate of change in unprocessed food prices eased slightly in October 2006 for the first time since March. This rate has been high in recent months, partly owing to weather conditions during the summer that lowered the supply of fruit and vegetables relative to demand.

Looking back over a longer period of time, national accounts data confirm that elevated HICP inflation rates from mid-2004 until the second quarter of 2006 largely reflected external cost pressures, such as the impact of higher oil prices, whereas domestic price increases

USING NATIONAL ACCOUNTS DATA TO GAUGE PRICE PRESSURES IN THE EURO AREA

The assessment of price pressures in the euro area economy is one of the key objectives of the conjunctural analysis conducted by the ECB, of which the analysis of price and cost variables represents an important part. Information from a variety of sources is usually used, such as consumer and producer price indices, labour cost data, commodity prices and surveys. National accounts data also provide valuable input into this assessment. This box gives an overview of national accounts price and cost data and assesses their signals with respect to current price pressures in the euro area.

The national accounts price and cost framework

For analytical purposes, national accounts data can be decomposed in several ways. Starting with the final demand deflator as the overall encompassing indicator, one can assess price pressures emanating externally by looking at developments in the import deflator, while price pressures stemming from domestic sources are summarised by the GDP deflator (see Chart A). The final demand deflator can also be further broken down into the components of expenditure, such as deflators for private consumption (which is similar to the HICP, but differs in some respects, for example, by including imputed expenditures for owner-occupied housing), investment and government consumption. GDP can be decomposed into the various components of income. From this, information can be obtained about developments in domestic price pressures disaggregated by compensation, gross operating surplus or profit, and taxes less subsidies on production and imports. As the GDP deflator measures the “price” of total value added per unit of output,¹ it can be decomposed into unit labour costs, gross operating surplus (or profit) per unit of output and net indirect taxes per unit of output. An alternative way of viewing profits is as a mark-up over labour costs. Finally, national accounts data also provide an insight into cost developments in the various sectors and activities of the economy.

National accounts data comprehensively cover many economic aspects in a consistent framework, and are thus used as the framework for the Eurosystem staff projections. However, the use of such data is not without drawbacks, particularly as the data are only available on a quarterly basis and with a significant delay (for example, euro area data on the income side of the national accounts for the third quarter of 2006 are not scheduled for release until mid-January 2007). Moreover, national accounts data can be subject to subsequent revisions, adding uncertainty to their real-time assessment. Furthermore, since national accounts rely, for deflation purposes, on primary statistical sources such as consumer and producer price statistics, possible shortcomings of existing price statistics are also reflected in national accounts deflators (for example, gaps in the price statistics for business services and external trade).

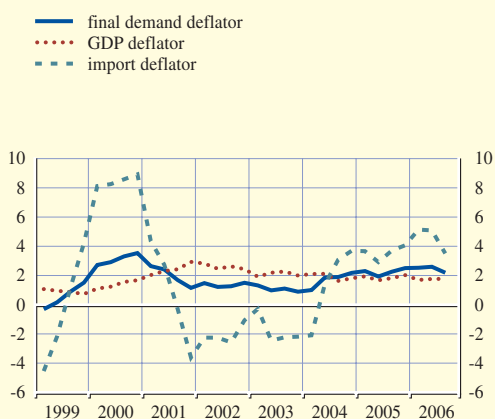
Recent developments in external and domestic price pressures

Looking at recent developments, Charts A and B give an idea of the size of the external price pressures faced by the euro area. The import deflator has increased noticeably in recent years,

¹ Value added is calculated by subtracting intermediate consumption from gross output. To calculate the “price” per unit of value added, value added data are required in nominal and volume terms. As value added in volume terms is not actually observed in reality, it is in many cases calculated using the so-called double deflation method, whereby gross value added volumes are measured by subtracting intermediate consumption at constant prices from output at constant prices.

Chart A Final demand, GDP and import deflators

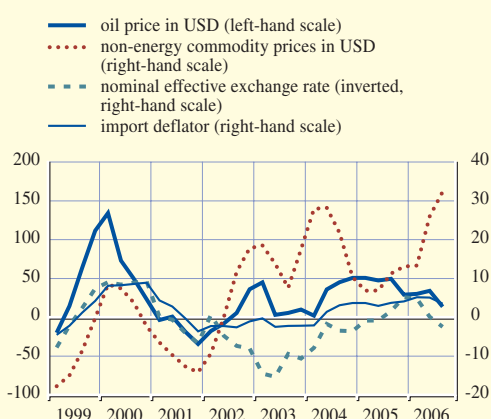
(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations

Chart B Commodity prices, exchange rate and import deflator

(annual percentage changes; quarterly data)



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

pointing to a significant build-up of external price pressures. While the import deflator covers both extra and intra-euro area trade, it is clear from Chart B that much of this increase has been driven by the rise in oil prices. The recent retreat in oil prices and the recent strengthening of the euro have helped to ease these pressures. Nevertheless, ongoing strong increases in the prices of other imported goods, such as non-oil commodities, in particular industrial raw materials, have continued to give rise to upward pressures from the external side in the second half of 2006.

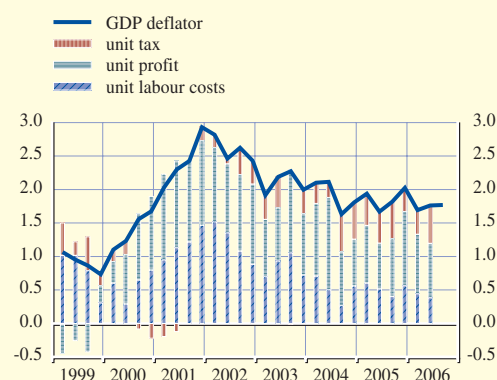
In contrast to external price pressures, domestic price pressures, as reflected in the annual rate of change in the GDP (value added) deflator, have remained more contained in recent years, running at around 2% since 2004 after having been as high as 3% in late 2001. However, as depicted in Chart C, there have been rather divergent developments in the components of the GDP deflator. In particular, the contribution of growth in unit labour costs decreased significantly from 2002 onwards to reach about ½ percentage point in the second quarter of 2006. This decline reflects overall moderate wage developments in the context of high unemployment and increased global competition. More recently, a cyclical improvement in labour productivity has also helped to curtail unit labour cost growth. By contrast, the contribution of per unit indirect taxes has increased over time, while that of per unit profits has remained broadly constant at around 0.9 percentage point. Thus, on average, producers have been able to continue to expand profits despite strong non-labour input cost pressures and heightened international competition.

Sectoral developments

The resilience of profits is particularly evident considering developments in the industrial sector (excluding construction). Chart D illustrates developments in industrial producer prices and in the industrial sector value added deflator (and its breakdown into unit labour costs and

Chart C Decomposition of the GDP deflator

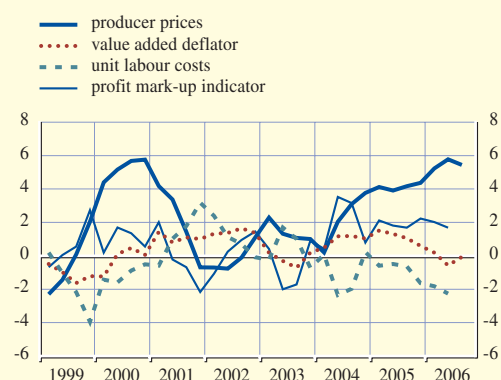
(annual percentage changes and percentage points; quarterly data)



Sources: Eurostat and ECB calculations.

Chart D Industrial producer prices and the breakdown of the industrial value added deflator

(annual percentages changes; quarterly data)



Sources: Eurostat and ECB calculations.
Note: Industry excludes construction.

the indicator of the profit mark-up on unit labour costs).² The significant difference between producer price developments and the value added deflator is due primarily to increases in intermediate input costs.³ As these increases have not been fully passed through to producer prices, profit mark-ups have been affected, albeit to differing degrees along the production chain, and the rate of growth of the value added deflator in the overall industrial sector has declined. In addition, unit labour costs have been declining, thus helping to offset the upward pressures on prices from non-labour input costs. This development has enabled firms to maintain profit mark-ups on balance. However, were unit labour costs to increase, as was the case between 2000 and 2002, this would place additional pressure on firms' input costs.

2 Owing to the lack of information at the sectoral level on taxes (less subsidies) on production not linked to products, here an indicator of the profit mark-up is used, where the mark-up is proxied by the gap between the rates of change in the gross value added deflator (at basic prices) and unit labour costs.

3 Producer prices measure gross output prices, whereas the value added deflator measures only the price of value added (i.e. the difference between gross output and intermediate inputs). Thus an increase in intermediate costs which is fully passed through gives rise to an increase in gross output prices, although not in the value added deflator.

Decomposition of the value added deflator

(annual percentage changes and percentage points; annual data)

	Whole economy			Industry			Services		
	value added deflator	unit labour costs	profit mark-up indicator	value added deflator	unit labour costs	profit mark-up indicator	value added deflator	unit labour costs	profit mark-up indicator
1999	0.7	1.8	-1.1	-1.1	-1.8	0.7	1.5	3.4	-1.9
2000	1.4	1.1	0.4	-0.2	-1.1	0.9	1.8	1.7	0.1
2001	2.6	2.3	0.3	1.1	1.3	-0.3	2.9	2.6	0.3
2002	2.6	2.4	0.2	1.4	1.0	0.4	3.0	2.8	0.1
2003	2.1	1.8	0.3	-0.2	0.4	-0.6	2.6	2.0	0.6
2004	1.7	0.9	0.8	1.0	-1.0	2.0	2.0	1.7	0.2
2005	1.6	1.0	0.6	1.1	-0.8	2.0	1.7	1.2	0.5
2006H1 ¹⁾	1.4	0.9	0.5	-0.2	-2.0	1.9	1.5	1.6	-0.1

Sources: Eurostat and ECB calculations.

Note: Industry excludes construction. Owing to the lack of information at the sectoral level on taxes (less subsidies) on production not linked to products, here an indicator of the profit mark-up is used, where the mark-up is proxied by the gap between the rates of change in the gross value added deflator (at basic prices) and unit labour costs.

1) Complete (i.e. including income side) national accounts data are currently only available for the first half of 2006.

Unit labour cost growth has also declined in the services sector since 2002, as can be seen in the table, which shows developments in the value added deflators and their decomposition in the industrial and services sectors since 1999. However, unit labour cost growth in the services sector tends to be higher on average compared with the industrial sector, mainly reflecting lower labour productivity growth in the services sector. Whereas differences in the profit mark-up indicator are not as systematic between industry and services, they have tended to be more volatile and higher on average in the industrial sector. This greater volatility reflects, among other factors, the greater cyclicality in this sector and the greater exposure to external price developments, including commodity price fluctuations.

All in all, national accounts indicators provide useful information on euro area price and cost developments, both at the level of the whole economy and at more disaggregated levels. At the current juncture, analysis of domestic cost pressures illustrates that, although unit labour cost growth is low, domestic price pressures are held up by government measures and profit developments. The analysis also highlights the sustained pick-up in external cost pressures over recent years.

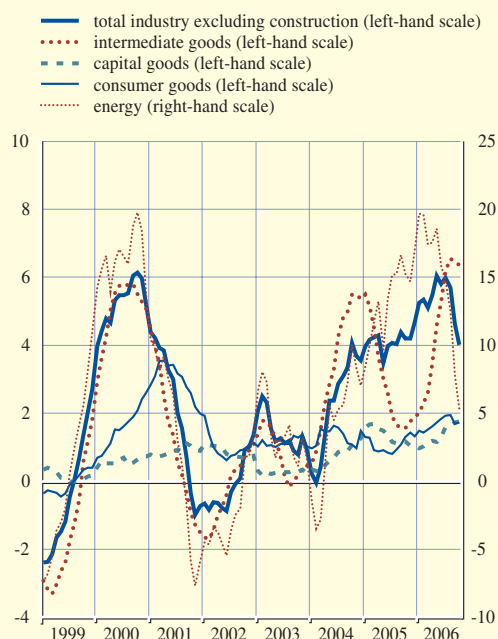
3.2 INDUSTRIAL PRODUCER PRICES

While lower energy prices have also resulted in declines in the annual rate of change in overall industrial producer prices in the last few months, high producer price inflation in the non-energy sectors continues to point to price pressures further down the production chain. The annual rate of change in industrial producer prices (excluding construction) declined further to 4.0% in October 2006 from 6.0% in July as a result of lower energy prices (see Chart 35). Over the same period, producer price inflation in the non-energy producing sectors was broadly unchanged at a high level. However, this follows substantial increases in producer price inflation in these sectors from the low levels observed at the beginning of the year. Producer price inflation in the intermediate goods sector has been particularly dynamic in the second half of 2006, owing to past increases in oil and non-oil commodity prices. In comparison, the annual rates of change in producer prices in the capital and consumer goods sectors have been more contained. However, producer price inflation in the consumer goods sector has been edging upwards since mid-2005, owing to indirect effects of past commodity price increases.

Price-related survey indicators, as reported by NTC Economics, point to some easing of input price pressures in both manufacturing and services sectors since mid-2006. However, input price indices in both sectors in November continue to signal upward pressure on prices at the firm level (see Chart 36). Moderating input price pressures are likely to be closely linked to lower energy prices, while, at the same time, rising prices of other commodities are likely to have contributed to continued upward pressure. The recent decline in the indicators of input prices has been accompanied by declines in the respective indicators of prices charged in both the manufacturing and services sectors.

Chart 35 Breakdown of industrial producer prices

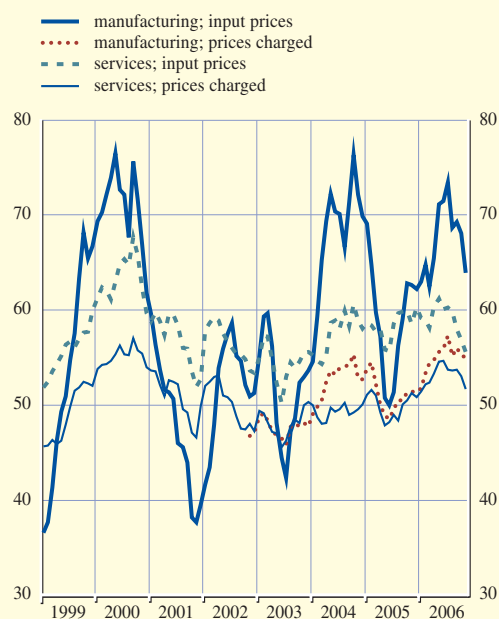
(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

Chart 36 Producer input and output price surveys

(diffusion indices; monthly data)



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

3.3 LABOUR COST INDICATORS

Following subdued growth in 2005, wage growth has picked up slightly in 2006, although it remains at a moderate level. Information on negotiated wage growth for the third quarter of 2006 confirms the previous assessment that part of the increase observed in the second quarter is likely to have been temporary. Indeed, negotiated wage growth in the euro area declined to 2.0% in the third quarter, following a temporary pick-up to 2.4% in the second quarter (see Table 7 and Chart 37). The impact of one-off payments included in wage contracts has played a major role in determining this pattern, pushing up the growth rate in the second quarter and bringing it down again in the third. Therefore, the latest data do not point to an increase in the underlying trend of wage growth in the third quarter. However, this is still to be confirmed by other labour cost indicators.

Table 7 Labour cost indicators

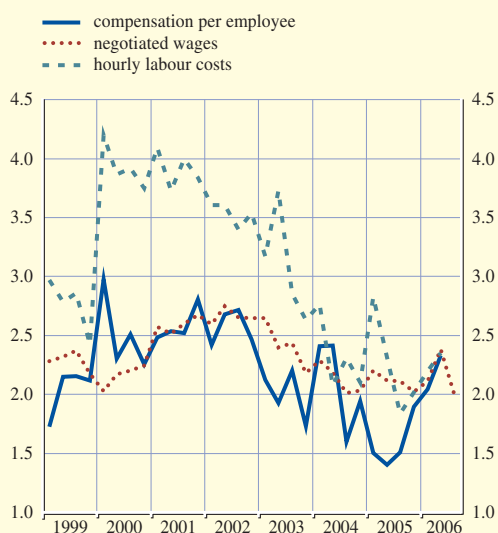
(annual percentage changes, unless otherwise indicated)

	2004	2005	2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 Q3
Negotiated wages	2.1	2.1	2.1	2.0	2.1	2.4	2.0
Total hourly labour costs	2.3	2.2	1.8	2.0	2.2	2.4	.
Compensation per employee	2.1	1.6	1.5	1.9	2.0	2.3	.
<i>Memo items:</i>							
Labour productivity	1.0	0.7	0.9	1.0	1.2	1.6	.
Unit labour costs	1.1	0.9	0.6	0.9	0.8	0.8	.

Sources: Eurostat, national data and ECB calculations.

Chart 37 Selected labour cost indicators

(annual percentage changes; quarterly data)



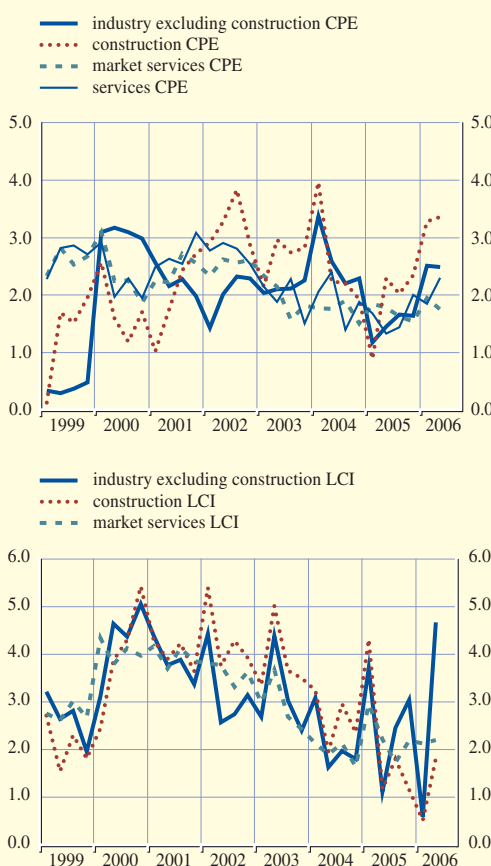
Sources: Eurostat, national data and ECB calculations.

Overall, labour costs have continued to contribute to subdued domestic inflationary pressures in the euro area. In particular, the recent improvement in labour market conditions does not appear to have resulted in significant upward pressure on wages thus far. In addition, the combination of moderate wage growth and a cyclical increase in labour productivity growth has contributed to subdued unit labour cost growth. In the second quarter of 2006, annual unit labour cost growth remained unchanged at 0.8%. As such, unit labour cost growth has so far remained well below the levels observed in the period from 2001 to 2003 (see also Box 6: Using national accounts data to gauge price pressures in the euro area). However, the improvement of the labour market situation could lead to wage pressures that are significantly higher than currently expected.

As regards labour cost developments at the sectoral level, data available for the first half of 2006 suggest that the overall picture remains one of somewhat more dynamic and volatile wage growth in the industrial sectors compared with the services sectors (see Chart 38).

Chart 38 Sectoral labour cost developments

(annual percentage changes; quarterly data)



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

3.4 EURO AREA RESIDENTIAL PROPERTY PRICES

The slight moderation of growth in residential property prices appears to have continued in the first half of 2006, even though the rate of price increases has remained high. The annual rate of change in euro area residential property prices is estimated to have declined to 6.8% in the first

half of 2006, down from 7.3% in the second half of 2005 and 7.6% in 2005 as a whole. The euro area estimate for the first half of 2006 is based on partial and provisional information for a number of euro area countries and may thus be subject to future revisions.

From a medium-term perspective, the ongoing dynamism in euro area residential property prices reflects, in particular, increases in real disposable income and robust growth in loans to households for house purchases. However, the decline in house price growth observed since the second half of 2005 could be signalling a normalisation in the face of rising mortgage borrowing costs. In addition, tentative information at the country level suggests that house price growth has eased more in countries in which it has been particularly dynamic in the past.

3.5 THE OUTLOOK FOR INFLATION

Euro area HICP inflation is expected to increase further in January 2007, owing largely to the impact of the VAT increase in Germany. Possible fluctuations in energy prices remain a key factor determining the exact level of HICP inflation in the short term. Furthermore, looking ahead into 2007, base effects from past sharp fluctuations in energy prices are likely to result in a relatively bumpy pattern of HICP inflation from one month to the next. In terms of underlying inflationary pressures, data on producer prices further down the production chain suggest that some upward pressure from past increases in commodity prices remains to be transmitted to final consumer prices. At the same time, wage pressures are expected to rise only gradually, in a context of continued strong international competition. However, the improvement of the labour market situation could lead to significantly higher than expected wage pressures. According to the latest Eurosystem staff macroeconomic projections, annual HICP inflation is projected to be between 1.5% and 2.5% in 2007 and between 1.3% and 2.5% in 2008. For further discussion on these projections, see Chapter 6 entitled “Eurosystem staff macroeconomic projections for the euro area”.

This outlook for price developments remains subject to upside risks, stemming in particular from a pass-through of previous oil price increases which is stronger than assumed in the baseline scenario, the possibility of renewed oil price increases and additional increases in administered prices and indirect taxes on top of those announced and decided thus far. More fundamentally, given the favourable momentum of real GDP growth observed over the past few quarters and the positive signs from labour markets, wage developments could be stronger than currently expected. Therefore, it is crucial that the social partners continue to meet their responsibilities. Wage agreements should take into account underlying productivity developments in connection with the still high level of unemployment and positions in price competitiveness. It is also important that wage settlements move away from automatic, backward-looking indexation mechanisms.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Eurostat's first release of euro area real GDP growth for the third quarter of 2006 confirmed that the euro area economy expanded robustly, but at a slower pace than that observed during the first half of the year. Growth in the third quarter was broadly based across sectors and driven by domestic demand. The improvement in labour market conditions also appears to have been sustained. Survey indicators point to a further expansion in the fourth quarter of the year, broadly in line with the rate of growth observed in the third quarter, supported by both external and domestic factors. Over the longer term, the conditions remain in place for the euro area to grow at solid rates around potential, as also depicted in the latest Eurosystem staff macroeconomic projections for the euro area. However, the outlook remains subject to downside risks, mostly relating to a possible rebound in oil prices, a disorderly unwinding of global imbalances and protectionist pressures.

4.1 OUTPUT AND DEMAND DEVELOPMENTS

REAL GDP AND EXPENDITURE COMPONENTS

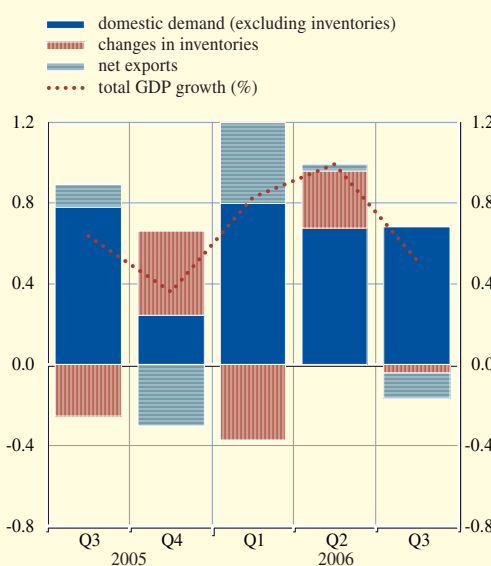
Eurostat's first release of euro area real GDP growth for the third quarter of 2006 confirmed that the euro area economy expanded robustly, but at a lower pace than that recorded in the first half of the year. According to Eurostat's first estimate of national accounts, euro area real GDP expanded by 0.5% quarter on quarter in the third quarter of 2006 (see Chart 39), moderating from a quarterly growth rate of 1.0% in the second quarter (revised up from 0.9%). On a year-on-year basis, euro area GDP expanded by 2.7% in the third quarter, slightly below the 2.8% recorded in the previous quarter. The driving force of economic activity in the third quarter was domestic demand (excluding inventories), which contributed by 0.7 percentage point to quarter-on-quarter GDP growth.

In terms of the expenditure composition of growth, the rate of growth in investment slowed down to 0.8% in the third quarter, from 2.3% in the second quarter. This slowdown should be seen as a normalisation after the very high growth rate observed in the second quarter. The underlying dynamic in investment remains robust. Private consumption growth rose strongly by 0.6% quarter on quarter in the third quarter. This was above the level observed in the second quarter (0.3%), but slightly below that observed in the first quarter (0.7%). Government consumption also registered a very strong increase of 0.8% quarter on quarter, considerably up from 0.1% in the second quarter. As a result of these changes in the composition of growth, domestic demand has become more broadly based across its main components.

The contribution of net exports to quarter-on-quarter GDP growth was slightly negative in the third quarter, after being neutral in the

Chart 39 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

second quarter. This was the outcome of a stronger expansion in imports than in exports, while both remained robust. The contribution of inventories was neutral in the third quarter, compared with a positive contribution in the second quarter.

SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

Looking at the sectoral composition of real GDP, growth in the third quarter of 2006 was broadly based. Value added in industry excluding construction expanded vigorously in the third quarter, although slowing down from the very high rates recorded in the first half of the year. Construction value added also grew robustly in the third quarter, while decelerating after the strong weather-related rebound witnessed in the second quarter. Value added growth in the services sector was more subdued, although it was supported by the strong performance observed in market services.

Industrial activity in the euro area remained robust in the third quarter, while there were some differences across its main components (see Chart 40). Industrial production (excluding construction) rose by 0.9% quarter on quarter in the third quarter after 1.2% growth in the second quarter. The expansion in the third quarter was mainly the result of robust increases in the production of intermediate and capital goods. By contrast, consumer goods production rose only marginally. This in turn reflected the combination of a very strong increase in the production of durables, with an unchanged level in the production of non-durables.

In line with favourable developments in industrial production in the third quarter as a whole, industrial new orders increased by 3.6% quarter on quarter in the third quarter, or by 1.8% excluding the volatile “other transport equipment” component. Overall, the latest data point to an ongoing expansion in industrial activity in the third quarter, although at a slower pace than that observed in the second quarter.

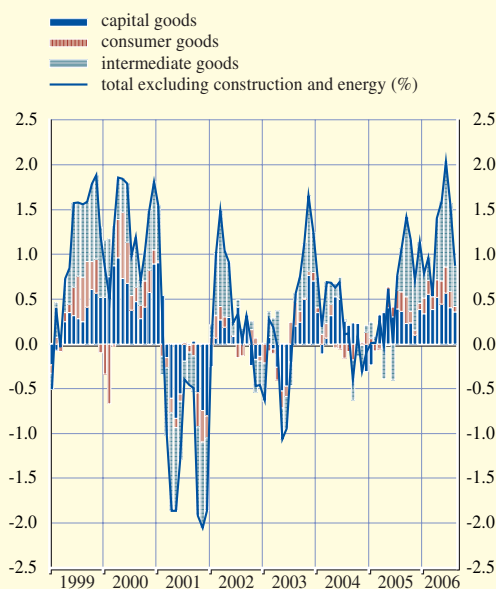
SURVEY DATA FOR THE INDUSTRIAL AND SERVICES SECTORS

Sectoral survey data available up to November remain at a very high level, signalling a continuation of broad-based robust growth in the fourth quarter of the year.

The European Commission’s industrial confidence indicator registered an increase in the period from October to November compared with the third quarter, while the Purchasing Managers’ Index (PMI) for the manufacturing sector declined marginally between those two periods (see Chart 41). The rise in the European Commission’s industrial confidence indicator in the period from October to November reflected improvements in the capital goods industries, intermediate goods production and, to a lesser extent, in the production of consumer goods. Although data from

Chart 40 Industrial production growth and contributions

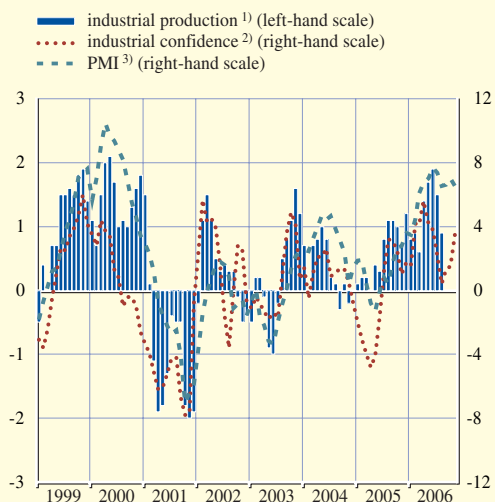
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



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

Chart 41 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)

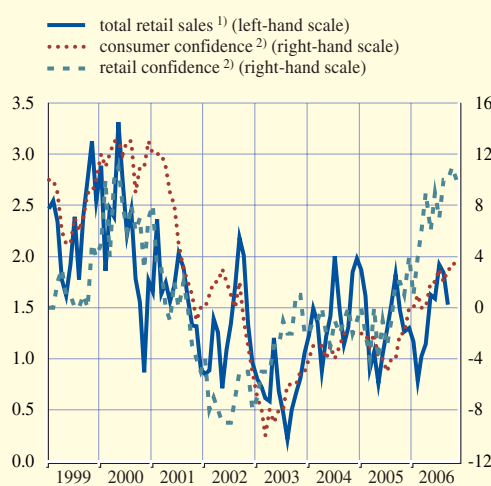


Sources: Eurostat, European Commission Business and Consumer Surveys, NTC Economics and ECB calculations.

- 1) Manufacturing; three-month-on-three-month percentage changes.
- 2) Percentage balances; changes compared with three months earlier.
- 3) Purchasing Managers' Index; deviations from an index value of 50.

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.

the European Commission's industrial confidence indicator and the PMI are giving mixed signals about the precise strength of growth momentum, both indicators have reached historically high levels, thereby suggesting continued strong growth in the industrial sector in the fourth quarter.

As regards survey information for the services sector, the European Commission's confidence indicator recorded, on average, in the period from October to November, the same very high level observed in the third quarter. This signals continued strong growth in the services sector in the fourth quarter, although probably at a slower pace than earlier this year. In contrast, the average of the activity index of the PMI for the services sector in the period from October to November was below the level reached in the third quarter, but was still considerably above 50 (which is the theoretical zero growth benchmark). Overall, recent developments in euro area services survey data point to ongoing robust growth in the sector.

INDICATORS OF HOUSEHOLD SPENDING

The latest available information indicates that consumption growth was strong in the third quarter of 2006. As noted above, over this period, private consumption rose by 0.6% quarter on quarter, mostly as a result of the contribution from non-retail sales components, after 0.3% growth in the second quarter. The volume of retail sales (accounting for around 40% of private consumption) rose by 0.6% quarter on quarter in the third quarter. By contrast, new passenger car registrations (which cover around 5% of private consumption) fell by 2.2% quarter on quarter in the same quarter. More recently, on a three-month moving average basis, retail sales expanded by 0.5% in October, whereas new car registrations declined marginally in the period from August to October.

The European Commission's consumer confidence indicator averaged a higher value in the period from October to November than the above long-term average level reached in the third quarter as a whole (see Chart 42). Looking at the indicator's four components, the latest increase reflects mainly improvements in unemployment expectations and the assessment of the general economic situation and expected financial situation, while savings expectations deteriorated marginally.

Overall, the latest data and survey indicators point to robust consumption growth in the fourth quarter of 2006.

4.2 LABOUR MARKET

Euro area labour market conditions continued to improve in the third quarter of 2006. In particular, the recent declines in the unemployment rate and the number of unemployed persons are indicative of the strengthening of the labour market situation. The latest releases of employment expectations also point to continued employment growth in the short term.

UNEMPLOYMENT

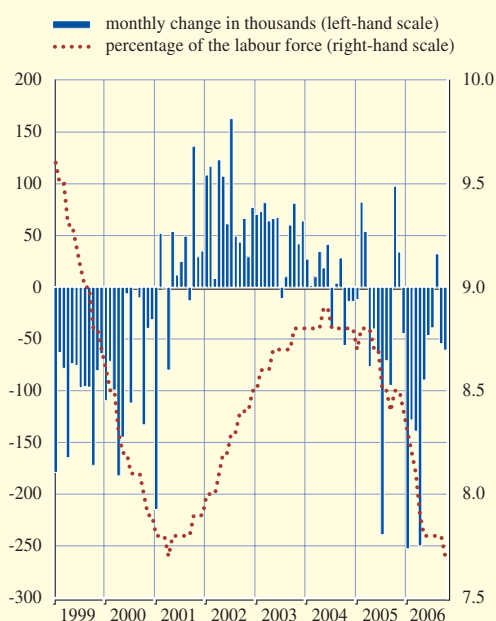
The euro area standardised unemployment rate declined slightly in October 2006 to 7.7%, compared with 7.8% in September (see Chart 43). This is the first decline since May 2006 in the unemployment rate, after more pronounced declines recorded at the beginning of the year. The decline in the unemployment rate was balanced across age groups. The number of unemployed persons in the euro area declined by about 61,000 in October, following a fall in September of about 55,000 (a downward revision of around 60,000 from the previously estimated increase of around 5,000). The number of persons unemployed appears to have recently declined at a slower pace than during the period from January to April this year. This may stem in part from a higher participation rate and thus signal improved labour market prospects. In this regard, Box 7 describes recent developments in the euro area labour force, finding in particular that market reforms have fostered participation rates, notably of female and older workers, in recent years.

EMPLOYMENT

National accounts data available up to the second quarter indicate that employment creation has been gaining momentum rather steadily since mid-2005. In the second quarter of 2006, employment increased by 0.4% quarter on quarter, following growth of 0.3% quarter on quarter in the first quarter (see Table 8). The increase in employment in the second quarter was broadly based. Employment growth in the services sector remained robust, following steady gains since mid-2005, and continued to be led by increases in the financial and business

Chart 43 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

Table 8 Employment growth

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

	Annual rates		Quarterly rates				
	2004	2005	2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Q2
Whole economy	0.7	0.8	0.1	0.2	0.3	0.3	0.4
<i>of which:</i>							
Agriculture and fishing	-1.7	-1.7	0.1	0.0	0.1	-0.6	0.9
Industry	-0.6	-0.1	-0.1	-0.1	0.2	0.0	0.2
Excluding construction	-1.4	-1.2	-0.4	-0.1	-0.2	-0.2	0.0
Construction	1.4	2.5	0.6	0.0	1.1	0.6	0.7
Services	1.4	1.2	0.2	0.3	0.4	0.5	0.5
Trade and transport	0.9	0.8	-0.1	0.0	0.4	0.3	0.4
Finance and business	1.9	2.1	0.4	0.7	1.1	0.6	1.0
Public administration	1.5	1.2	0.4	0.4	0.1	0.6	0.2

Sources: Eurostat and ECB calculations.

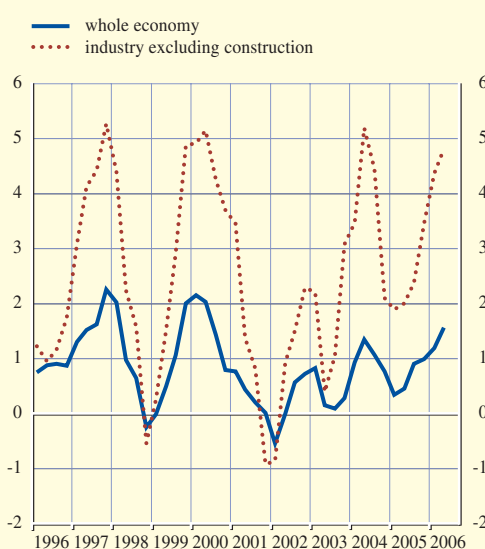
services sub-sector. Employment in industry excluding construction was unchanged in the second quarter on a quarter-on-quarter basis, in contrast with declines observed in all other quarters since the end of 2004. Employment growth in the construction sector remained strong for the third consecutive quarter.

Annual labour productivity growth increased to 1.4% in the second quarter of 2006, from 1.2% in the first quarter (see Chart 44). The rise in the second quarter was broadly based. Annual labour productivity growth in industry excluding construction reached 4.8%, while the improvement in services was more moderate. Data available for the third quarter point to continued labour productivity growth, although some moderation is expected from the growth rate recorded in the second quarter.

Survey data on employment expectations remain strong and point to a continued improvement in labour market conditions in the short run. Employment expectations from the European Commission's business surveys and the PMI employment index increased in industry during the period from October to November, compared with the levels registered in the third quarter as a whole. In the period from October to November, both the European Commission's employment expectations and the employment PMI indicator for the services sector were, on average, above the level registered in the third quarter (see Chart 45).

Chart 44 Labour productivity

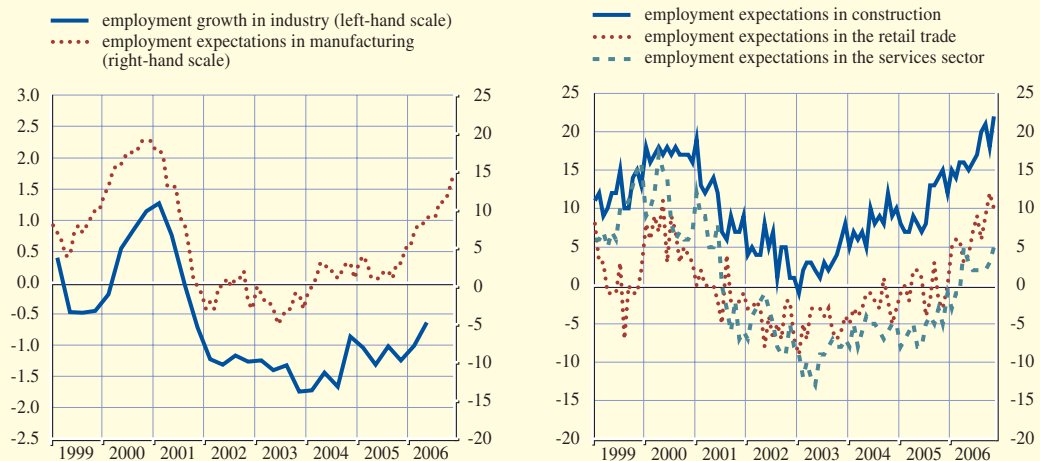
(annual percentage changes)



Sources: Eurostat and ECB calculations.

Chart 45 Employment growth and employment expectations

(annual percentage changes; percentage balances; seasonally adjusted)



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

Box 7

RECENT LABOUR FORCE DEVELOPMENTS IN THE EURO AREA

The labour force, which comprises all individuals actively participating in the labour market (i.e. both unemployed and employed persons), is an important guide to labour supply. Its development is influenced both by the demographic trends of the euro area population and by participation decisions. In the long run, labour force growth is one of the determinants of potential output. This box describes recent changes in the euro area labour force and the main factors underlying these developments.

Labour force growth remained robust in the latest economic slowdown

The table shows the development of the euro area labour force and its main driving forces, i.e. population developments and changes in the participation rate. The computations are presented in terms of five-year averages. The periods 1981-85, 1991-95 and 2001-05 are periods of low economic growth – with real GDP growing by around 1.5% on average – while the periods 1986-90 and 1996-2000, when real GDP was growing at or above 2.5%, correspond to periods of higher growth.¹

The labour force grew at an average annual rate of 1.1% between 2001 and 2005. This is the highest growth rate observed for any of the five periods considered since the early 1980s, including periods of both low and high economic growth. The distinction between population growth and participation rate effects sheds some light on the reasons behind the unusually high

¹ These periods do not correspond to the standard business cycle dating of expansions and recessions, but enable the lags with which labour market variables tend to react to the cycle to be better captured.

Working age population, labour force and participation rate in the euro area

(annual percentage changes; percentages; percentage points)

	1981-85	1986-90	1991-95	1996-2000	2001-05
GDP growth	1.5	3.4	1.3	2.7	1.3
Working age population growth	0.9	0.5	0.4	0.3	0.4
Participation rate	64.1	65.5	65.3	67.5	69.8
Change in participation rate	0.0	0.3	-0.1	0.4	0.5
Labour force growth	0.9	1.0	0.3	1.0	1.1
Population growth effect	0.9	0.6	0.2	0.3	0.4
Participation rate effect	0.0	0.3	0.1	0.7	0.7

Sources: Eurostat and ECB calculations.

Notes: The labour force participation rate is defined as the number of people in the labour force expressed as a percentage of the total working age population (i.e. those aged between 15 and 64). The population growth effect and participation rate effect are expressed as percentage point contributions to labour force growth.

recent labour force growth. First, the participation rate, which in the past has shown a pro-cyclical pattern, appears to have made a very significant positive contribution to labour force growth (0.7 percentage point) in spite of slow economic growth in the period between 2001 and 2005. Second, working age population growth, which has been characterised by a downward trend since the early 1980s, has also contributed significantly to labour force growth in the recent period. The following sheds more light on these two factors.

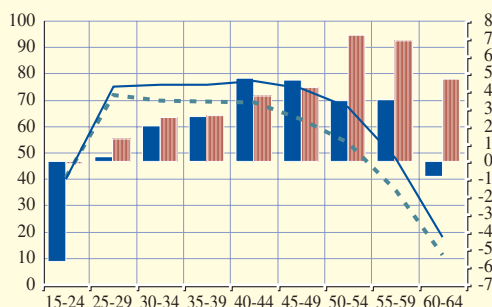
Labour market reforms have fostered participation rates

The participation rate increased by an average of 0.5 percentage point each year over the period 2001-05, in contrast with the developments observed in earlier periods of similarly weak economic growth. The main difference between the latest developments and those recorded in the early 1990s is the behaviour of the younger and older age cohorts for both genders (see Charts A and B). While the participation rate of those aged 15-24 declined markedly in 1991-95, it remained broadly unchanged in 2001-05. In addition, the participation rate of males

Chart A Labour force participation between 1991-95 and 2001-05, females

(percentages and percentage points)

- change in participation between 1995 and 1991 (right-hand scale)
- change in participation between 2005 and 2001 (right-hand scale)
- - - 1995 participation rate (left-hand scale)
- 2005 participation rate (left-hand scale)

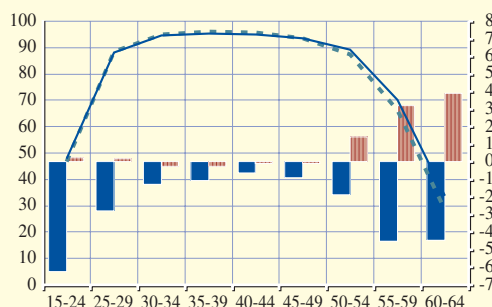


Sources: Eurostat and ECB calculations.

Chart B Labour force participation between 1991-95 and 2001-05, males

(percentages and percentage points)

- change in participation between 1995 and 1991 (right-hand scale)
- change in participation between 2005 and 2001 (right-hand scale)
- - - 1995 participation rate (left-hand scale)
- 2005 participation rate (left-hand scale)



Sources: Eurostat and ECB calculations.

above 50 years old, especially those aged 55 and above, also declined markedly in 1991-95, but increased in 2001-05. As regards the participation of females above 50 years old, a higher increase was recorded over the last five years compared with 1991-95.

The change in behaviour among younger and older workers is partly associated with changes in the institutional framework, owing to labour market reforms in some euro area countries. For instance, the increased flexibility brought about by a more extensive use of part-time contracts is likely to have had a positive impact on the participation of both males and females aged 15 to 24. As regards older workers, the decline in the use of early retirement schemes may be one of the reasons for an increase in participation, as it implies a delay in retirement. Lastly, other changes, including those to unemployment benefit systems, labour taxes and employment protection, have also favoured the participation of both younger and older workers.²

Developments in the working age population have also supported recent labour force growth

The annual growth rate of the working age population slowed from an average of 0.9% in 1981-85 to 0.3% in 1996-2000. Since then it has increased slightly to 0.4%. This latest increase seems to be explained by developments in Spain, in particular related to the regularisation of immigrant workers. Excluding Spain, the working age population growth would have been 0.2% on average in 2001-05.

In addition to these developments, the composition of the working age population has also changed somewhat since the early 1980s. In particular, the share of prime-age individuals (25-54 years old) has increased slightly. These compositional changes have had a positive effect on labour force growth by way of a higher overall participation rate. Indeed, they explain around 14% of the 4.5 percentage point increase in the participation rate between 1995 and 2005.

Overall, labour force growth appears to have been relatively strong between 2001 and 2005. This is partly due to immigration, but also reflects an underlying increase in participation, especially among the younger and older age groups, that is likely to be related to labour market reforms. The information available indicates that the labour force continued to expand at a robust pace in the first half of 2006, owing to both a trend increase in participation and strong working age population growth. Looking ahead, however, labour force growth is expected to decline owing to the projected slowdown in working age population growth. In that respect, economic policy must play an important role in supporting the developments of the labour force, for example by giving incentives to older males to delay retirement and by supporting flexible contracts that allow the youth and prime-age women to reconcile study and family life, respectively, and work.

² See "European women: why do(n't) they work?" by V. Genre, R. Gómez-Salvador and A. Lamo, ECB Working Paper No 454, March 2005.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Euro area economic growth continues to be driven by domestic demand and remains broadly based across sectors, despite having moderated somewhat from the fast pace reached earlier this year. Overall, based on the latest data and survey indicators, real output growth is expected to remain

solid, at rates around potential. While some volatility in quarterly growth rates is likely to emerge around the turn of the year, associated with the impact of changes in indirect taxes in Germany, the medium-term outlook for economic activity remains favourable. Global growth remains robust, providing ongoing support for euro area exports. Domestic demand is expected to maintain its relatively strong momentum, with investment benefiting from an extended period of very favourable financial conditions, balance sheet restructuring, accumulated and ongoing strong earnings and gains in business efficiency. Consumption growth should also strengthen further over time, in line with developments in real disposable income, supported by ongoing improvements in the labour market. Against this background, the latest Eurosystem staff macroeconomic projections for the euro area project real GDP growth in a range between 1.7% and 2.7% in 2007 and between 1.8% and 2.8% in 2008. The risks surrounding this broadly favourable outlook for economic growth over the projection horizon lie on the downside. The main risks relate to the possibility of a renewed increase in oil prices, a rise in protectionist pressures, especially after the suspension of the Doha round of trade talks, and possible disorderly developments owing to global imbalances.

5 FISCAL DEVELOPMENTS

The European Commission's autumn 2006 forecasts generally confirm the picture of improving fiscal balances in the euro area, with three of the five countries currently in excessive deficit projected to bring or keep their deficit below the 3% of GDP reference value this year. However, most of the budgetary improvement is due to higher economic growth and revenue windfalls. Forecasts for 2007 point to further budgetary improvements in the euro area, owing to ambitious consolidation programmes in a few countries. Nevertheless, shortfalls in consolidation compared with the requirements of the revised Stability and Growth Pact will still be recorded in a majority of Member States with imbalances.

Looking ahead, fiscal strategies need to guard against complacency and use the more favourable economic environment to step up fiscal consolidation and refrain from spending windfall revenues. Countries in excessive deficit in particular must take all the measures necessary to correct the situation as soon as possible, supported by a rigorous application of the excessive deficit procedure. In the present "good" times, all countries need to reach their medium-term objectives for sound budgetary positions in a timely manner. Progressing with social security reform is also important, given the need to address the fiscal costs of population ageing.

FISCAL DEVELOPMENTS IN 2006

The public finance outlook for the euro area appears to be improving gradually. According to the European Commission's autumn forecasts published in November 2006, the average general government deficit ratio is projected to be at 2.0% of GDP in 2006 (see Table 9), down from 2.4% in 2005. Among the five countries currently in excessive deficit, deficits are projected to be brought or maintained below the 3% of GDP reference value in Germany, Greece and France. Two countries, Italy and Portugal, will continue reporting deficits above 3% of GDP. Among the other euro area economies, significant imbalances are expected to remain in Luxembourg and Austria, while sound budgetary positions are expected in Belgium, Spain, Ireland, the Netherlands and Finland.

Table 9 Fiscal developments in the euro area

(as a percentage of GDP)

	2002	2003	2004	2005	2006	2007
European Commission economic forecasts, autumn 2006						
a. Total revenue	45.1	45.1	44.8	45.1	45.2	45.2
b. Total expenditure	47.7	48.2	47.6	47.6	47.2	46.7
of which:						
c. Interest expenditure	3.5	3.3	3.1	2.9	2.9	2.9
d. Primary expenditure (b - c)	44.2	44.9	44.5	44.6	44.3	43.8
Budget balance (a - b)	-2.5	-3.1	-2.8	-2.4	-2.0	-1.5
Primary budget balance (a - d)	0.9	0.2	0.3	0.5	0.9	1.4
Cyclically adjusted budget balance	-2.8	-2.7	-2.5	-1.9	-1.7	-1.2
Gross debt	68.0	69.2	69.7	70.6	69.4	68.0
Memo item: real GDP (annual percentage change)	0.9	0.8	2.0	1.4	2.6	2.1
Euro area averages based on 2005-06 updated stability programmes¹⁾						
Budget balance			-2.5	-2.5	-2.3	-1.8
Primary budget balance			.	0.6	0.7	1.2
Cyclically adjusted budget balance			-2.5	-2.1	-1.9	-1.4
Gross debt			70.1	71.0	70.8	69.6
Memo item: real GDP (annual percentage change)			.	1.4	2.1	2.0

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

Note: Figures exclude proceeds from the sale of UMTS licences and may not add up due to rounding. The latest European Commission figures include Slovenia in the euro area for all years shown. Any comparisons should therefore take this factor into account.

1) Data available as at May 2006.

A comparison of the latest Commission forecasts with budget targets set in the updated stability programmes of end-2005 and the first half of 2006 reveals a modest improvement of about 0.3 percentage point of GDP compared with initial targets. This reflects significantly better than expected outcomes for Germany (where the deficit will be brought below the reference value one year earlier than planned) and for a number of countries that are in a sound budgetary position.

Commission forecasts indicate the first decline in the public debt ratio since 2002, to slightly below 70% of GDP in 2006. This in turn reflects declines in debt ratios in the majority of countries, with the more notable exceptions of Italy – the country with the highest debt ratio – and Portugal.

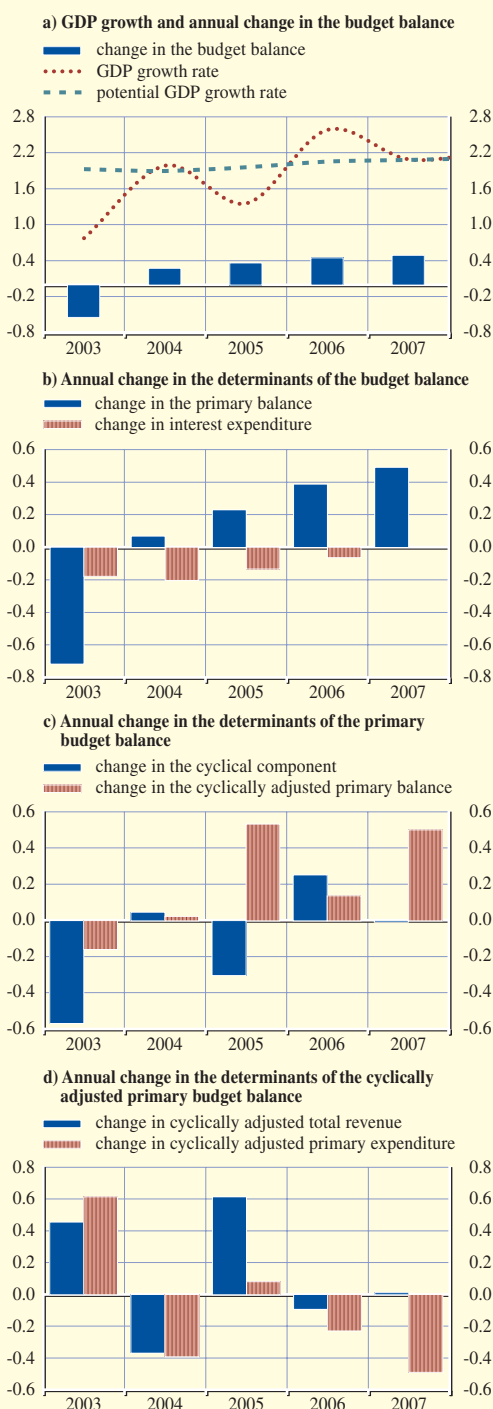
FACTORS UNDERLYING BUDGETARY DEVELOPMENTS IN 2006

The improvement in the budgetary situation stems mainly from strong growth, which has been revised upward by around 0.5 percentage point for the euro area average since last spring and, to a lesser extent, from fiscal consolidation. With estimated real economic growth above potential, the business cycle is expected to have a positive effect on budget balances while the cyclically adjusted primary balance also goes up slightly (Chart 46). This is consistent with the fact that the improving budget balance is predominantly due to higher primary surpluses, while declining interest payments play only a minor role.

The above aggregate developments reflect noticeable divergences across countries. Among the countries with significant imbalances, Greece and Portugal are expected to report sizeable improvements in cyclically adjusted balances. Moderate progress is expected for Germany and France. By contrast, Italy (also affected by the negative budgetary impact of a recent ruling by the European Court of Justice), Luxembourg and Austria are experiencing various degrees of worsening in their cyclically adjusted balances.

Chart 46 Determinants of budgetary developments in the euro area

(in percentage points of GDP; percentage changes)



Sources: European Commission (autumn 2006 economic forecasts) and ECB calculations.
Note: Slovenia has been included in the euro area in this forecast for all years shown.

The budgetary adjustment reflects some expenditure restraint. Moreover, revenue windfalls beyond what can be explained by the favourable economic environment and consolidation measures have had a positive impact. The buoyancy of tax revenues may stem from a number of factors, including higher corporate profits, a recovery of private consumption expenditure, the strong performance of equity markets and, in some countries, rising house prices. These factors are boosting taxes on income and wealth, including the volatile corporate income tax, but the exact contribution of these factors to revenue windfalls is difficult to disentangle.

PROSPECTS FOR PUBLIC FINANCES IN 2007

For 2007, the Commission's forecasts indicate a further decline in the average euro area deficit, to 1.5% of GDP. As the cycle is expected to have a broadly neutral impact on budget balances and as interest payments are projected to remain stable, the projected nominal budgetary improvement fully reflects a structural consolidation of about 0.5 percentage point for the average of the euro area. Consolidation is underpinned by planned expenditure restraint and tax increases in some countries. However, given tax cuts in other countries and shrinking revenue bases, the overall tax ratio is expected to be stable. The average debt ratio will decline to 68% of GDP, mainly driven by the increase in the primary surplus.

The aggregate budgetary consolidation in the euro area average to a large extent reflects adjustment efforts in Germany (as a result of continued expenditure restraint and indirect tax increases) and Italy (explained by the consolidation package in the 2007 draft budget as well as the fading away of temporary effects related to the above-mentioned court ruling). Among the countries in excessive deficit, only Portugal will continue to post a deficit significantly above the 3% of GDP reference value in 2007, while Italy's deficit is projected to return to just below this threshold.

ASSESSMENT OF PUBLIC FINANCE DEVELOPMENTS

It is a welcome development that headline figures for the average euro area fiscal deficit are improving and that all countries except one are forecast to bring the deficit below the 3% reference value by the end of 2007. Nevertheless, progress with structural budgetary consolidation is generally more limited and in some cases disappointing. Major adjustment programmes feature only in a few countries in 2006-07. The majority of Member States with imbalances do not appear to be taking sufficient advantage of the more favourable macroeconomic environment to make appropriate progress towards sound public finances and fully comply with their obligations under the revised Stability and Growth Pact, which involve meeting the medium-term objectives in a timely manner.

The current situation of public finances and their improvement warrant careful analysis. Not only is compliance with the required structural consolidation paths mixed, but the projections may also overstate the adjustment effort to the extent that the above developments include transitory revenue windfalls in addition to more permanent effects. It should also be noted that the measurement of consolidation efforts remains somewhat hampered by the inclusion of several temporary measures and one-off effects of uncertain magnitude.

More concretely, and with particular reference to the countries currently in excessive deficit, Germany is expected to comply with the cumulative structural adjustment of at least 1 percentage point over the years 2006-07, as recommended by the ECOFIN Council in its excessive deficit procedure. This is due to a prudent budget execution and revenue windfalls in 2006, as well as a credible adjustment package in 2007. In Greece, the deficit is expected to decline below 3% of GDP in 2006 thanks to a combination of permanent and one-off measures, but shortfalls in

structural consolidation will be recorded in 2007. Moreover, persistent discrepancies between debt and deficit developments and statistical reporting problems cast a shadow over the budgetary situation and outlook. In France, the nominal balance will hardly improve as strong revenue compensates for the fading effect of one-off measures in 2006 and structural consolidation falls short of 0.5% of GDP in 2007. As for Italy, structural consolidation in 2006-07 is estimated to be sufficient to bring the deficit below 3% of GDP in 2007 in line with the country's commitment. However, the total adjustment is projected to be slightly below the 1.6% of GDP minimum effort recommended by the Council and less than half of this adjustment will be attained in 2006. Finally, current policies will not bring down the deficit below the reference value in Portugal by 2008, which is the deadline set by the Council for the correction of its excessive deficit situation.

Among the countries with budgetary imbalances but not in excessive deficit, compliance with the 0.5% of GDP structural consolidation benchmark is very limited. Countries without fiscal imbalances are expected to maintain such positions although a slight fiscal loosening is projected in some cases.

STRATEGY FOR FISCAL POLICIES

With the fiscal outlook in most countries now improving, fiscal strategies need to guard against complacency and focus instead on strengthening consolidation efforts. The prospect of a favourable economic environment in the near future must be fully exploited to attain sound fiscal positions and a rapidly declining debt ratio as soon as possible, also in view of future demographic challenges to fiscal sustainability (see Box 8). It is important that commitments under the revised Stability and Growth Pact are fully met in all countries so that the credibility of the EU's fiscal framework is enhanced. These considerations should be included in the fiscal strategy underlying countries' upcoming updates of their stability programmes.

Past experience confirms that complacency is the main risk to fiscal policies in an upswing. As was the case in the early years of EMU, improving fiscal balances and revenue windfalls during upturns can tempt governments to introduce unfinanced tax cuts and/or relax expenditure restraint. If higher growth and revenue windfalls turned out to be transitory, this would lead to a rapid deterioration of budgetary positions. The resulting fragility of public finances could later give rise to a need to tighten fiscal policy in "bad" times, leading again to pro-cyclical effects. It can also place a strain on the implementation of the Stability and Growth Pact if the safety margins below the reference value for the excessive deficit are too small.

In order to avoid a repetition of past mistakes it is essential that all Member States refrain from engaging in pro-cyclical fiscal loosening. Member States that have already achieved sound fiscal positions should maintain these or seek to consolidate them further. In a few cases, where fiscal positions are already in surplus while economic demand is buoyant, a tighter fiscal stance could help reduce risks of overheating.

Member States with fiscal imbalances which are not in excessive deficit should step up fiscal consolidation efforts and attain their medium-term objectives sooner than planned in the previous updates of stability programmes. This calls, as a minimum, for adherence to the 0.5% adjustment benchmark of the revised Stability and Growth Pact.

Countries with deficits above the 3% of GDP reference value must take all measures necessary to correct the situation as soon as possible, supported by a rigorous implementation of the Council recommendations. The improving fiscal outlook raises the prospect of the abrogation of excessive

deficit decisions in several countries in the near future. In this regard, it is essential that excessive deficits are corrected in a sustainable manner through permanent and credible consolidation measures. Thereafter, sufficient further progress towards countries' medium-term objectives needs to be made so that room for manoeuvre is created to prevent renewed breaches of the deficit ceiling. High-quality statistical data and sound statistical reporting remain essential in order to prevent and correct budgetary imbalances. In countries where forecasts point to risks of breaches of commitments, greater efforts are needed to attain targets and to prevent further steps being taken in their excessive deficit procedures.

Box 8

LONG-TERM FISCAL SUSTAINABILITY IN THE EURO AREA

The European Commission has recently published its first sustainability report.¹ It presents an assessment of the sustainability of public finances based on the new common projections on age-related costs², the current budgetary situation and a number of additional factors which could impact on future public finances. A sustainability assessment is regularly made in the framework of the annual examination of the countries' stability and convergence programmes and, in addition, the Commission will periodically publish a comprehensive report when new ageing-related projections are available.

The Commission's assessment of sustainability is based on two main quantitative indicators ("sustainability gaps"), which take into account the current deficit and debt situation and the projected change in age-related spending from 2005 to 2050 on pensions, health care and long-term care (see table). The so-called S1 indicator shows by how much tax revenue would need to be increased or public expenditure to be cut to finance the costs of population ageing and reach a public debt ratio of 60% of GDP in 2050. The so-called S2 indicator is slightly more ambitious and represents the required tax revenue increase or expenditure cuts that would finance the costs of population ageing and be sufficient to pay back all public debt at some distant point in the future (in technical terms, the S2 indicator indicates what budgetary improvement is needed to equate the present discounted value of future primary balances to the current stock of gross debt). The report also presents a series of sensitivity tests which show that increasing life expectancy or demand for health care could further increase the sustainability gap.

On top of these quantitative indicators, the Commission takes account of a wide range of other "qualitative factors" so as to derive an overall risk classification of low, medium or high sustainability risk for all EU countries. In particular, it draws attention to the current level of debt, the effects of structural reforms, the reliability of the projections figures, the robustness of sustainability indicators to sensitivity tests and the level of the current tax burden (as high levels may limit the ability of countries to cope with additional fiscal challenges in the future). Risks surrounding the adequacy of pensions are also considered, as insufficient pension provisions may bear fiscal risks in the future. Government contingent liabilities (e.g. from government guarantees that may be called on) may in principle be accounted for but are currently not considered in the absence of sufficient data.

1 "The long-term sustainability of public finances in the European Union" report by the European Commission (2006).

2 "The impact of ageing on public expenditure" report by the EPC/Commission (2006).

The report finds that most euro area countries are subject to moderate or high sustainability risks and significant consolidation efforts will be needed to cope with high public debt and the fiscal costs of population ageing. For the euro area as a whole, the required permanent improvement in the fiscal position (either from a rise in tax or a reduction in expenditures) needed to ensure sustainability amounts to 3.5% of GDP. The attainment of deficit targets in the 2005-06 stability programmes will not be sufficient in most of euro area countries. This highlights the need for most euro area countries to pursue vigorously the three-pronged strategy of reducing debt, raising employment and productivity, and reforming pension and health care systems, as promoted by the Lisbon agenda.

Sustainability gaps

(as a percentage of GDP)

Country	Change in age-related expenditures	Sustainability gap, S1 ¹⁾	Sustainability gap, S2 ²⁾	Risk categorisation
Belgium	6.6	0.4	1.8	medium
Germany	4.0	3.5	4.4	medium
Greece ³⁾	1.4	3.2	3.0	high
Spain	8.9	0.2	3.2	medium
France	3.2	3.2	4.0	medium
Ireland	7.8	-0.8	2.9	medium
Italy	2.3	3.4	3.1	medium
Luxembourg	8.4	4.6	9.5	medium
Netherlands	5.2	-0.2	1.3	low
Austria	1.1	0.1	0.3	low
Portugal	9.7	7.9	10.5	high
Finland	5.0	-3.3	-0.9	low
Euro area	4.4	2.3	3.5	

Source: European Commission report entitled "The long-term sustainability of public finances in the European Union" (2006).

1) The sustainability gap based on the S1 indicator is the difference between the constant tax ratio as a share of GDP required to reach a debt ratio in 2050 of 60% of GDP and the current tax ratio to GDP.

2) The sustainability gap based on the S2 indicator is the difference between the constant tax ratio as a share of GDP that would equate the present discounted value of future primary balances to the current stock of gross debt, and the current tax ratio to GDP.

3) For Greece, pension projections are not available, leading to a significant underestimation of the rise in age-related expenditures there. Previous calculations showed an increase of about 10% of GDP in these expenditures.

6 EUROSISTEM STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

On the basis of the information available up to 24 November 2006, Eurosystem staff have prepared projections for macroeconomic developments in the euro area.¹ Average annual real GDP growth is estimated at between 2.5% and 2.9% in 2006. It is projected to be between 1.7% and 2.7% in 2007, and between 1.8% and 2.8% in 2008. The average rate of increase in the overall Harmonised Index of Consumer Prices (HICP) is estimated to be between 2.1% and 2.3% in 2006. It is projected to be between 1.5% and 2.5% in 2007, and between 1.3% and 2.5% in 2008.

Box 9

TECHNICAL ASSUMPTIONS

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

The technical 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 14 November 2006, reflecting a snapshot of the yield curve at that point in time. This implies an increase from an average of 3.1% in 2006 to an average of 4.0% in 2007, and a slight decline to an average of 3.8% in 2008. The market expectations for euro area ten-year nominal government bond yields as at 14 November 2006 imply a flat profile, with an average of 3.8% in 2006, 2007 and 2008. On the basis of the path implied by futures markets in the two-week period ending on 14 November 2006, annual average oil prices are assumed to be USD 65.5 per barrel in 2006, USD 64.6 per barrel in 2007 and USD 67.2 per barrel in 2008. The average annual increase in non-energy commodity prices in US dollars is assumed to be 28.8% in 2006, 15.2% in 2007 and 3.7% in 2008.

The technical assumption is made that bilateral exchange rates remain unchanged over the projection horizon at the average levels prevailing in the two-week period ending on 14 November 2006. This implies a EUR/USD exchange rate of 1.28 and an effective exchange rate of the euro that is 1.6% higher than the average for 2005.

Fiscal policy assumptions are based on national budget plans in the individual euro area countries. They include all policy measures that have already been approved by parliament or that have been specified in detail and are very likely to pass the legislative process.

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 and Japan is expected to moderate somewhat, growth in emerging Asia is expected to remain high, strongly supported by domestic demand. Growth in most other large economies is also projected to remain dynamic. In addition, the

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

countries that joined the European Union on 1 May 2004 are expected to continue to record robust growth rates.

Overall, annual growth in world real GDP outside the euro area is estimated to average about 5.3% in 2006, while it is projected to be about 4.8% in 2007 and 2008. Growth in the euro area's external export markets is estimated at 10.2% in 2006 and projected to be about 7.1% in 2007 and 6.7% in 2008.

REAL GDP GROWTH PROJECTIONS

Following real GDP growth of 1.0% quarter on quarter in the euro area in the second quarter of this year, Eurostat's first estimate for the third quarter is 0.5%. Over the projection horizon, quarterly growth in GDP is expected to remain at 0.5% or slightly above, with the exception of the first quarter of 2007, when it is expected to be dampened somewhat by significant increases in indirect taxes.

Against this background, average annual real GDP growth is estimated to be between 2.5% and 2.9% in 2006, while it is projected to be between 1.7% and 2.7% in 2007, and between 1.8% and 2.8% in 2008. Over the projection horizon, export growth is expected to continue to support economic activity on the back of the assumed continued strength in foreign demand. Notwithstanding the temporary effects from increases in indirect taxes in early 2007, growth in domestic demand should remain broadly stable at a robust level.

Among the domestic expenditure components of GDP, average annual growth in private consumption is estimated to be between 1.8% and 2.2% in 2006, while it is projected to be between 1.3% and 2.3% in 2007, and between 1.2% and 2.8% in 2008. The expected increases in indirect taxes in 2007 are projected to lead to a moderation in consumption growth in that year, while anticipation effects are expected to bring about slightly higher consumption growth before the turn of the year. Over the projection horizon, households' disposable income is projected to be supported by improvements in the labour market, and to some extent also by increases in non-labour income growth in the context of high corporate profit rates. The saving ratio is expected to remain broadly stable over the horizon.

The average annual rate of growth in total fixed investment is estimated to be between 4.4% and 5.4% in 2006, while it is projected to be between 2.5% and 5.5% in 2007, and between 1.8% and

Table 10 Macroeconomic projections for the euro area

(average annual percentage changes)^{1), 2)}

	2005	2006	2007	2008
HICP	2.2	2.1-2.3	1.5-2.5	1.3-2.5
Real GDP	1.5	2.5-2.9	1.7-2.7	1.8-2.8
Private consumption	1.4	1.8-2.2	1.3-2.3	1.2-2.8
Government consumption	1.3	1.4-2.6	0.5-1.5	0.8-1.8
Gross fixed capital formation	2.7	4.4-5.4	2.5-5.5	1.8-5.0
Exports (goods and services)	4.6	6.6-9.4	4.2-7.4	4.2-7.4
Imports (goods and services)	5.5	6.7-9.3	3.9-7.3	4.0-7.4

1) For each variable and horizon, ranges are based on the average absolute difference between the 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 projections include Slovenia as part of the euro area as of 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.

5.0% in 2008. Business investment should continue to benefit from strong external demand, favourable financing conditions and robust corporate profits. Residential private investment is projected to grow at moderate rates over the projection horizon.

The average annual rate of change in total exports, which includes intra-euro area trade, is estimated to be between 6.6% and 9.4% in 2006, and is projected to be between 4.2% and 7.4% in both 2007 and 2008. Extra-euro area export market shares are expected to decline slightly over the projection horizon, owing to increased global competition and to lagged effects from past losses in price competitiveness. The average annual rate of growth in total imports is expected to be just below that of exports. The contribution from net trade is projected to be roughly neutral over the projection period.

Following favourable developments in 2006, total employment is projected to continue to grow steadily over the projection period. At the same time, labour supply is expected to increase as a result of improved job prospects and structural labour market reforms in a number of euro area countries. The unemployment rate is projected to decline further over the projection horizon.

PRICE AND COST PROJECTIONS

The average rate of increase in the overall HICP is estimated to be between 2.1% and 2.3% in 2006, while it is projected to be between 1.5% and 2.5% in 2007, and between 1.3% and 2.5% in 2008. The large contribution from increasing energy and non-oil commodity prices to price developments in recent years is expected to diminish over the projection horizon, given the recent fall in oil prices and the only moderate increases embedded in current oil futures prices. At the same time, the projections are based on the expectation that wage growth will remain moderate and increase only marginally towards the end of the projection period. As productivity growth is projected to remain roughly stable, this implies a projection of moderately increasing unit labour cost growth over the horizon. A major factor affecting HICP inflation in 2007 will be higher indirect taxes (with an aggregate euro area contribution of 0.5 percentage point to HICP inflation). For 2008, by contrast, no effects from indirect taxes are currently embedded in the projections. Finally, the HICP projections are based on expectations of a steady growth in profit margins and no major price pressures from non-commodity imports.

COMPARISON WITH THE SEPTEMBER 2006 PROJECTIONS

Compared with the ECB staff macroeconomic projections published in the September 2006 issue of the Monthly Bulletin, the ranges projected for real GDP growth in 2006 and 2007 have been adjusted slightly upwards, reflecting recent data and the anticipated effects of lower energy prices than previously assumed. With regard to HICP inflation, the ranges projected for 2006 and 2007 have been shifted downwards, reflecting mainly the assumption of lower energy prices.

Table 11 Comparison with the September 2006 projections

(average annual percentage changes)

	2005	2006	2007
Real GDP – September 2006	1.5	2.2-2.8	1.6-2.6
Real GDP – December 2006	1.5	2.5-2.9	1.7-2.7
HICP – September 2006	2.2	2.3-2.5	1.9-2.9
HICP – December 2006	2.2	2.1-2.3	1.5-2.5

Box 10

FORECASTS BY OTHER INSTITUTIONS

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

In the forecasts currently available from other institutions, euro area annual GDP growth is seen to be between 2.4% and 2.6% in 2006, between 1.9% and 2.2% in 2007, and between 2.0% and 2.3% in 2008. The forecasts anticipate annual average HICP inflation to be between 2.2% and 2.3% in 2006, between 1.9% and 2.4% in 2007, and between 1.8% and 2.1% in 2008. While the IMF forecast for GDP growth in 2006 is slightly below the Eurosystem range, all other forecasts fall within the ranges of the Eurosystem projections.

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

(average annual percentage changes)

	Date of release	GDP growth			HICP inflation		
		2006	2007	2008	2006	2007	2008
European Commission	Nov. 2006	2.6	2.1	2.2	2.2	2.1	1.9
IMF	Sep. 2006	2.4	2.0	2.0	2.3	2.4	2.1
OECD	Nov. 2006	2.6	2.2	2.3	2.2	1.9	1.8
Consensus Economics Forecasts	Nov. 2006	2.6	1.9	n.a.	2.2	2.1	n.a.
Survey of Professional Forecasters	Nov. 2006	2.6	2.0	2.0	2.2	2.1	1.9

Sources: European Commission Economic Forecasts, Autumn 2006; IMF World Economic Outlook, September 2006; OECD Economic Outlook No 80 – Preliminary version; Consensus Economics Forecasts; and the ECB's Survey of Professional Forecasters. The Eurosystem staff macroeconomic projections and the OECD forecasts both report working-day-adjusted annual growth rates, whereas the European Commission and the IMF report annual growth rates that are not adjusted for the number of working days per annum. Other forecasts do not specify whether they report working-day-adjusted or non-working-day-adjusted data.

7 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

7.1 EXCHANGE RATES

After the period of broad stability that prevailed between June and August, the euro appreciated in nominal effective terms over the following three months. The euro strengthened against most major world currencies, but this appreciation was partly offset by its weakening against the currencies of the largest new EU Member States.

US DOLLAR/EURO

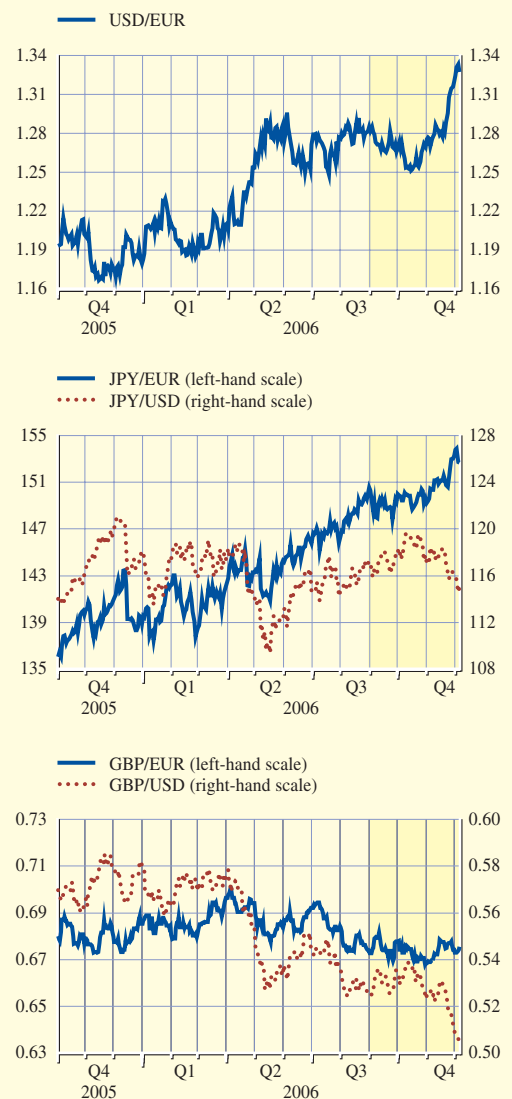
After a sharp appreciation in the first half of the year and a spell of relative stability over the summer, the euro resumed its appreciation against the US dollar in the three-month period to November 2006. During the same period, the US currency also lost ground against all other major currencies (see the shaded area in Chart 47). The euro's appreciation gathered pace in November, reaching levels last seen towards the end of March 2005. Evidence of a moderation in US economic activity, as well as news confirming robust economic growth in the euro area, appears to have influenced market expectations concerning the relative economic outlook for the two economic areas, thereby weighing on the US dollar. This change in market sentiment in favour of the euro was also reflected in the prices of currency derivatives. On 6 December, the euro stood at USD 1.33, 3.5% above its end-August level and 6.9% above its 2005 average (see Chart 47).

JAPANESE YEN/EURO

The euro appreciated almost continuously against the Japanese yen in the first eight months of 2006. Having remained broadly stable around levels slightly below the September peak during October, the euro resumed its ascent in November. Evidence of robust economic activity in Japan, as signalled by a stronger than expected GDP growth in the third quarter of 2006, does not appear to have supported the Japanese currency. Moreover, in the three-month period to November, the prices of currency options moved from signalling a possible rebound in the yen vis-à-vis the euro towards indicating broad stability in the bilateral euro/yen rate over the short term. On 6 December, the euro traded at JPY 153, 1.4% above its end-August level and 11.5% above its 2005 average (see Chart 47).

Chart 47 Patterns in exchange rates

(daily data)

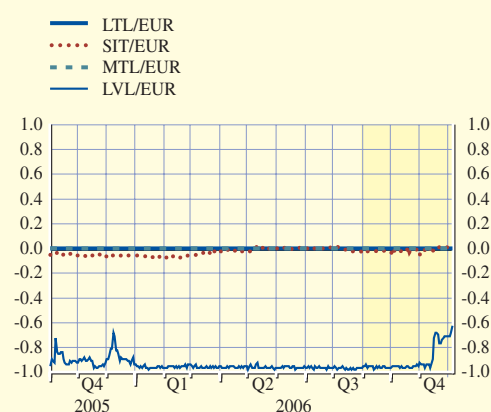
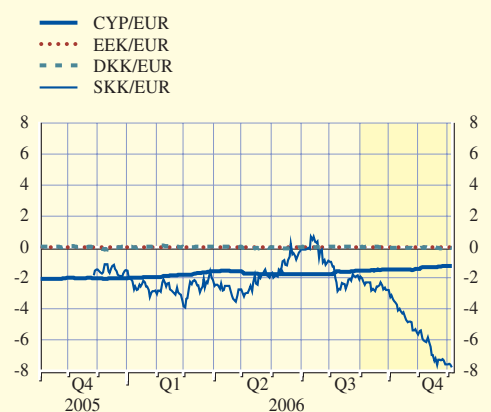


Source: ECB.

Note: The shaded area refers to the period from 31 August 2006 to 6 December 2006.

Chart 48 Patterns in exchange rates in ERM II

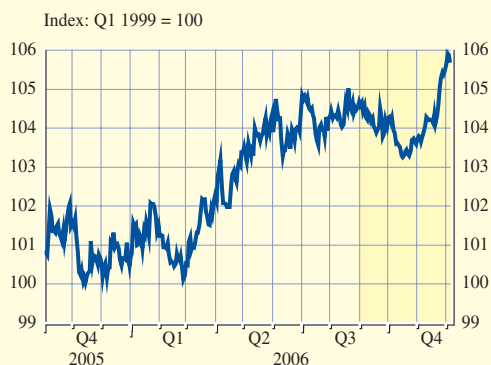
(daily data; deviation from the central parity in percentage points)



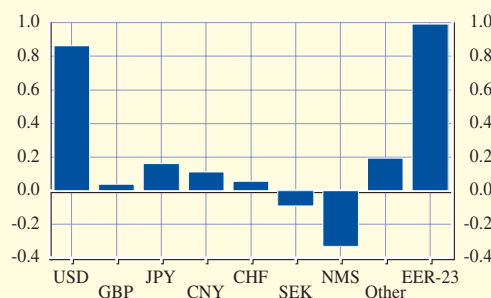
Source: ECB.
Note: A positive (negative) deviation from the central parity against the euro implies that the currency is on the weak (strong) side of the band. For the Danish krone, the fluctuation band is $\pm 2.25\%$; for all other currencies, the standard fluctuation band of $\pm 15\%$ applies. The shaded area refers to the period from 31 August 2006 to 6 December 2006.

Chart 49 Euro effective exchange rate and its decomposition ¹⁾

(daily data)



Contributions to EER changes ²⁾
From 31 August 2006 to 6 December 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. The shaded area refers to the period from 31 August 2006 to 6 December 2006.
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.

EU MEMBER STATES' CURRENCIES

Since the end of August 2006, most currencies participating in ERM II have remained stable and continued to trade at or close to their respective central rates (see shaded area in Chart 48). The Slovak koruna strengthened by almost 6% after the brief spell of weakness recorded in July, trading at 7.8% above its ERM II central parity on 6 December. With regard to the currencies of other EU Member States, the euro lost 2% against the Swedish krona and strengthened against the pound sterling, being quoted on 6 December at GBP 0.68, almost 1% above its end-August level and half a percentage point below its 2005 average. Since August, the euro has experienced some fluctuation against the pound sterling. Initially, positive economic and survey data in the United Kingdom during September and October tended to support the British currency. However, the release of lower than expected October inflation figures in November may have contributed to the subsequent rebound of the euro. On 6 December, the euro stood slightly above its end-August

level against the pound sterling. As for the currencies of the largest new EU Member States, the euro weakened against the Czech koruna (by approximately half a percentage point), the Polish zloty (by 3.2%) and the Hungarian forint (by 7%).

OTHER CURRENCIES

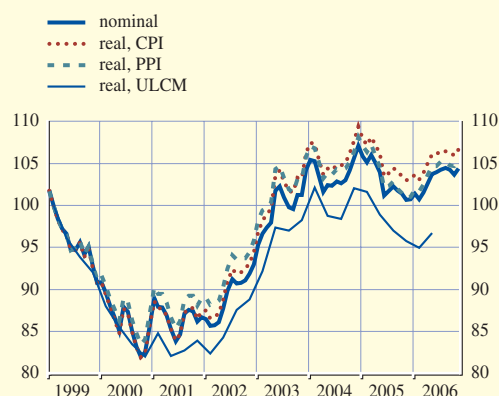
Between the end of August and 6 December, the euro recorded a relatively broad-based appreciation vis-à-vis most other major currencies. It rose by approximately 1.5% vis-à-vis the Chinese renminbi, 1% against the Swiss franc and the Norwegian krone, and 7% against the Canadian dollar.

EFFECTIVE EXCHANGE RATE OF THE EURO

In view of these developments in the bilateral exchange rates of the euro, on 6 December the nominal effective exchange rate – as measured against the currencies of 23 of the euro area’s important trading partners – was 1% above its end-August level and almost 3% higher than its 2005 average (see Chart 49). In terms of the indicators of international price and cost competitiveness of the euro area and based on developments in both consumer and producer prices, the euro real effective exchange rate index was, in November 2006, slightly above its 2005 average (see Chart 50).

Chart 50 Euro nominal and real effective exchange rates¹⁾

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



Source: ECB.

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

7.2 BALANCE OF PAYMENTS

The latest balance of payments data – up to the third quarter of 2006 – show robust growth in both exports and imports of goods. The strength of exports seems to reflect a pick-up in foreign demand, while imports were boosted by the solid growth of domestic demand and the high import content of exports. The 12-month cumulated current account of the euro area up to September 2006 registered a deficit of around 0.3% of GDP, compared with a surplus a year earlier, primarily due to the rising oil trade deficit. In the financial account for the 12-month period to September 2006, combined direct and portfolio investment recorded net outflows of €18.2 billion, compared with net inflows of €44 billion a year earlier, primarily due to a shift from net inflows to net outflows in debt securities.

TRADE AND THE CURRENT ACCOUNT

Extra-euro area trade values showed robust growth in the third quarter of 2006 after slowing in the second quarter. The value of exports of goods and services increased by 2.4% quarter on quarter in the third quarter, up from 1.9% in the second quarter. Meanwhile, imports of goods and services rose even more sharply with an increase of 3.9% in the third quarter, after growing 2.2% in the previous quarter (see Table 12 and Chart 51).

The acceleration was most evident in trade in goods. In the third quarter of 2006, export and import values of goods increased by 3.5% and 4.9% respectively, returning to the very strong

Table 12 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 Aug.	2006 Sep.	2005 Dec.	2006 Mar.	2006 June	2006 Sep.	2005 Sep.	2006 Sep.
<i>EUR billions</i>								
Current account	-3.9	-0.3	-4.7	-2.2	-0.7	-2.1	23.6	-28.8
Goods balance	-1.3	1.7	1.1	1.6	1.6	0.1	63.7	13.3
Exports	115.9	121.1	105.9	111.1	113.6	117.5	1,189.9	1,344.3
Imports	117.2	119.4	104.9	109.5	111.9	117.4	1,126.1	1,331.0
Services balance	1.6	2.2	3.7	3.2	2.9	2.5	32.0	36.9
Exports	35.2	35.2	34.9	35.2	35.5	35.2	386.7	422.3
Imports	33.6	33.0	31.1	32.0	32.6	32.7	354.7	385.4
Income balance	1.8	2.7	-3.0	-1.8	-0.3	1.8	-8.2	-10.1
Current transfers balance	-6.0	-6.8	-6.4	-5.2	-5.0	-6.4	-63.9	-68.9
Financial account¹⁾	-8.3	45.2	-14.1	21.9	17.0	16.4	74.6	123.6
Combined net direct and portfolio investment	-22.6	20.7	-28.7	-2.9	28.9	-3.4	44.0	-18.2
Net direct investment	-7.6	-19.9	-12.2	-10.5	-4.0	-12.3	-187.8	-117.1
Net portfolio investment	-15.0	40.5	-16.5	7.6	33.0	8.9	231.7	98.8
Equities	-12.2	20.4	1.5	8.1	18.2	15.9	196.6	131.0
Debt instruments	-2.8	20.1	-17.9	-0.4	14.8	-7.1	35.1	-32.1
Bonds and notes	-8.6	13.5	-10.8	-3.0	22.1	-2.9	9.9	16.0
Money market instruments	5.8	6.6	-7.1	2.6	-7.3	-4.2	25.2	-48.1
<i>Percentage changes over previous period</i>								
Goods and services								
Exports	0.4	3.4	1.7	3.9	1.9	2.4	8.2	12.1
Imports	2.6	1.0	2.3	4.0	2.2	3.9	12.5	15.9
Goods								
Exports	0.4	4.4	1.5	4.9	2.2	3.5	8.1	13.0
Imports	1.4	1.9	3.1	4.4	2.2	4.9	13.8	18.2
Services								
Exports	0.3	0.0	2.4	0.9	0.9	-1.0	8.4	9.2
Imports	6.8	-1.8	-0.3	2.7	1.9	0.3	8.5	8.7

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.

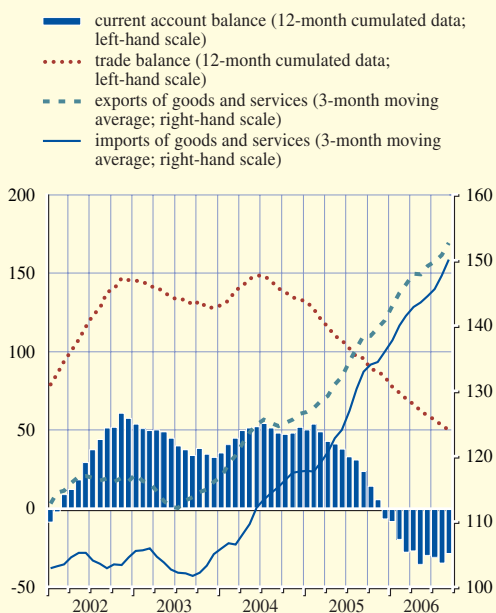
growth rates recorded at the beginning of the year (see Chart 52). Moreover, provisional information on trade prices and volumes in the third quarter indicates that the robust growth stemmed mostly from developments in the volume of trade. At the same time, trade in services continued to be weak in the third quarter with the value of exports of services declining by 1.0% and imports of services rising by 0.3%.

The strength of goods exports seems to correspond with a pick-up in foreign demand in the third quarter. In this respect, the acceleration in euro area exports in that quarter seems to be due, in particular, to a very sharp increase in September, which was largely driven by German exports. In terms of products, exports of intermediate goods showed strong growth in the third quarter, while a geographical breakdown indicates that exports to Asia (especially China), Switzerland and OPEC grew robustly. The latter may partly reflect increased demand by oil-exporting countries on account of large accumulated revenues from higher oil prices.

The sharp rise in the value of imported goods in the third quarter of 2006 seems to be partly due to the continued solid growth of domestic demand in the euro area, while the lagged effects of the euro appreciation since the beginning of 2006 may also have stimulated imports. In addition,

Chart 51 The euro area current account and trade balances

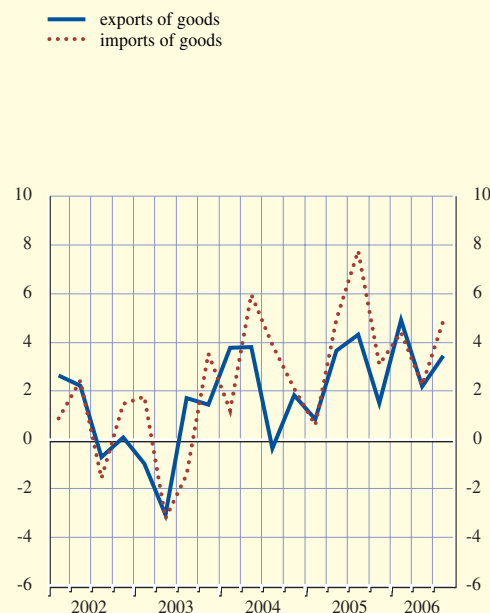
(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

Chart 52 Extra-euro area trade in goods

(quarterly percentage changes)



Sources: ECB.
Note: The latest observation refers to September 2006.

import volumes have probably been boosted by the strength of exports. Evidence suggests that euro area exports have a significant import content, as seemingly confirmed by Chart 52, which generally indicates a positive correlation between exports and imports of goods. On the prices side, upward pressure on import prices from higher oil and non-oil commodity prices in July and August may explain some of the growth in the value of imports in the third quarter. However, given the decline in oil prices in recent months, these price pressures may have diminished.

Taking a longer-term view, the 12-month cumulated current account to September 2006 registered a deficit of €28.8 billion (around 0.3% of GDP), which contrasts with a surplus of €23.6 billion one year earlier. The shift to a deficit is almost entirely due to the €50.4 billion fall in the surplus in the trade in goods resulting from the increased cost of oil and energy-related imports. The 12-month cumulated oil trade deficit increased by €46.2 billion year on year to €179.9 billion (over 2% of GDP) in August 2006.

FINANCIAL ACCOUNT

In the third quarter of 2006, euro area combined direct and portfolio investment recorded net outflows of €3.4 billion as a result of net outflows in direct investment of €12.3 billion and net inflows in portfolio investments of €8.9 billion. Within portfolio investment, high net purchases of euro area equity by non-residents led to net inflows in equity securities, which were partly offset by net outflows in debt instruments.

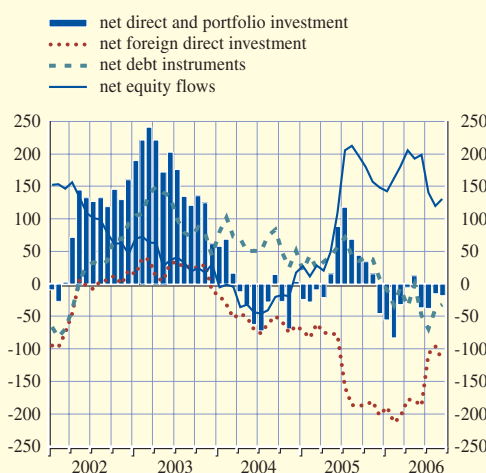
In the 12-month period to September 2006, net outflows in combined direct and portfolio investment amounted to €18.2 billion, compared with net inflows of €44 billion a year earlier. The shift from net inflows to net outflows was primarily caused by a shift in portfolio debt instruments

from net inflows of €35.1 billion a year earlier to net outflows of €32.1 billion. Meanwhile, 12-month cumulated net outflows in direct investment and net inflows in portfolio equity remained relatively stable – excluding the effects of an exceptionally large transaction in June 2005¹ – and amounted to €117.1 billion and €131.0 billion respectively.

Bonds and notes, as well as money market instruments, have contributed to the trend decline in net inflows of debt instruments from mid-2005 onwards. This decline has mainly been driven by decreasing net purchases of euro area debt by non-residents, which is consistent with the relatively low total financial returns of euro area bonds compared with US bonds during the same period. Moreover, the robust external demand for euro area equity, consistent with the improving earnings performance of euro area enterprises, may indicate that external financial investors have switched part of their euro area investments from debt instruments to equity investments.

Chart 53 Euro area combined direct and portfolio investment

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



Source: ECB.

¹ For further details of the effect of this transaction see page 47 of the October 2006 issue of the Monthly Bulletin.

EURO AREA STATISTICS



CONTENTS¹

EURO AREA OVERVIEW

Summary of economic indicators for the euro area **S5**

I MONETARY POLICY STATISTICS

1.1 Consolidated financial statement of the Eurosystem **S6**
 1.2 Key ECB interest rates **S7**
 1.3 Eurosystem monetary policy operations allotted through tenders **S8**
 1.4 Minimum reserve and liquidity statistics **S9**

2 MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs **S10**
 2.2 Consolidated balance sheet of euro area MFIs **S11**
 2.3 Monetary statistics **S12**
 2.4 MFI loans, breakdown **S14**
 2.5 Deposits held with MFIs, breakdown **S17**
 2.6 MFI holdings of securities, breakdown **S20**
 2.7 Revaluation of selected MFI balance sheet items **S21**
 2.8 Currency breakdown of selected MFI balance sheet items **S22**
 2.9 Aggregated balance sheet of euro area investment funds **S24**
 2.10 Assets of euro area investment funds broken down by investment policy and type of investor **S25**

3 FINANCIAL AND NON-FINANCIAL ACCOUNTS

3.1 Main financial assets of non-financial sectors **S26**
 3.2 Main liabilities of non-financial sectors **S27**
 3.3 Main financial assets and liabilities of insurance corporations and pension funds **S28**
 3.4 Annual saving, investment and financing **S29**

4 FINANCIAL MARKETS

4.1 Securities, other than shares, by original maturity, residency of the issuer and currency **S30**
 4.2 Securities, other than shares, issued by euro area residents, by sector of the issuer and instrument type **S31**
 4.3 Growth rates of securities, other than shares, issued by euro area residents **S33**
 4.4 Quoted shares issued by euro area residents **S35**
 4.5 MFI interest rates on euro-denominated deposits and loans by euro area residents **S37**
 4.6 Money market interest rates **S39**
 4.7 Government bond yields **S40**
 4.8 Stock market indices **S41**

5 PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5.1 HICP, other prices and costs **S42**
 5.2 Output and demand **S45**
 5.3 Labour markets **S49**

1) For further information, please contact us at: statistics@ecb.int. See the ECB Statistical Data Warehouse on the Statistics section of the ECB website (<http://sdw.ecb.int>) for longer runs and more detailed data.

6	GOVERNMENT FINANCE	
6.1	Revenue, expenditure and deficit/surplus	S50
6.2	Debt	S51
6.3	Change in debt	S52
6.4	Quarterly revenue, expenditure and deficit/surplus	S53
6.5	Quarterly debt and change in debt	S54
7	EXTERNAL TRANSACTIONS AND POSITIONS	
7.1	Balance of payments	S55
7.2	Monetary presentation of the balance of payments	S60
7.3	Geographical breakdown of the balance of payments and international investment position	S61
7.4	International investment position (including international reserves)	S63
7.5	Trade in goods	S65
8	EXCHANGE RATES	
8.1	Effective exchange rates	S67
8.2	Bilateral exchange rates	S68
9	DEVELOPMENTS OUTSIDE THE EURO AREA	
9.1	In other EU Member States	S69
9.2	In the United States and Japan	S70
	LIST OF CHARTS	S72
	TECHNICAL NOTES	S73
	GENERAL NOTES	S77

Conventions used in the tables

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



EURO AREA OVERVIEW

Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

1. Monetary developments and interest rates

	M1 ¹⁾	M2 ¹⁾	M3 ^{1),2)}	M3 ^{1),2)} 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government ¹⁾	Securities other than shares issued in euro by non- financial and non- monetary financial corporations ¹⁾	3-month interest rate (EURIBOR, % per annum, period averages)	10-year government bond yield (% per annum, period averages)
	1	2	3	4	5	6	7	8
2004	10.0	6.3	5.9	-	6.1	10.0	2.11	4.14
2005	10.4	7.9	7.4	-	8.1	12.7	2.18	3.44
2005 Q4	10.9	8.5	7.8	-	9.0	14.8	2.34	3.42
2006 Q1	10.3	8.6	7.8	-	10.1	16.3	2.61	3.56
Q2	9.9	9.2	8.7	-	11.2	16.1	2.90	4.05
Q3	7.6	8.4	8.1	-	11.2	15.8	3.22	3.97
2006 June	9.3	9.1	8.5	8.3	11.0	15.1	2.99	4.07
July	7.4	8.2	7.8	8.1	11.1	15.9	3.10	4.10
Aug.	7.2	8.4	8.2	8.2	11.3	15.9	3.23	3.97
Sep.	7.2	8.4	8.5	8.4	11.4	16.4	3.34	3.84
Oct.	6.3	8.2	8.5	.	11.2	.	3.50	3.88
Nov.	.	.	.	.	.	.	3.60	3.80

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	2.3	2.0	2.0	81.5	0.7	8.8
2005	2.2	4.1	2.2	1.4	1.2	81.2	0.8	8.6
2005 Q4	2.3	4.4	2.0	1.8	2.1	81.5	0.7	8.5
2006 Q1	2.3	5.2	2.2	2.2	3.4	82.2	1.0	8.2
Q2	2.5	5.8	2.4	2.8	4.1	83.0	1.2	7.9
Q3	2.1	5.4	.	2.7	3.9	83.8	.	7.8
2006 June	2.5	5.8	-	-	4.8	-	-	7.8
July	2.4	6.0	-	-	3.4	83.6	-	7.8
Aug.	2.3	5.7	-	-	6.0	-	-	7.8
Sep.	1.7	4.6	-	-	2.9	-	-	7.8
Oct.	1.6	4.0	-	-	.	83.9	-	7.7
Nov.	1.8	.	-	-	.	-	-	.

3. Balance of payments, reserve assets and exchange rates

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: EER-23 ³⁾ (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
2004	72.2	103.5	-64.2	68.2	281.0	103.8	105.8	1.2439
2005	3.7	48.2	-202.3	156.9	320.1	103.0	105.2	1.2441
2005 Q4	-3.6	3.9	-36.5	-49.5	320.1	100.9	103.2	1.1884
2006 Q1	-10.8	-2.8	-31.5	22.9	327.1	101.2	103.5	1.2023
Q2	-6.6	6.3	-12.1	98.9	323.8	103.5	105.7	1.2582
Q3	1.5	6.2	-36.8	26.6	325.0	104.3	106.4	1.2743
2006 June	11.4	5.2	-15.9	60.5	323.8	103.9	106.1	1.2650
July	3.2	5.6	-9.4	1.0	330.1	104.3	106.5	1.2684
Aug.	-1.0	-2.8	-7.6	-15.0	326.4	104.4	106.5	1.2811
Sep.	-0.7	3.4	-19.9	40.5	325.0	104.2	106.4	1.2727
Oct.	.	.	.	.	325.5	103.7	105.9	1.2611
Nov.	.	.	.	.	.	104.4	106.7	1.2881

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 10 November	2006 17 November	2006 24 November	2006 1 December
Gold and gold receivables	174,860	174,763	174,657	174,537
Claims on non-euro area residents in foreign currency	142,834	141,038	142,241	147,154
Claims on euro area residents in foreign currency	23,683	22,547	22,846	23,930
Claims on non-euro area residents in euro	11,218	10,913	11,462	10,814
Lending to euro area credit institutions in euro	423,008	424,001	441,532	428,175
Main refinancing operations	303,003	303,999	321,501	307,999
Longer-term refinancing operations	120,002	120,002	120,002	119,999
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	0	0	23	177
Credits related to margin calls	3	0	6	0
Other claims on euro area credit institutions in euro	9,060	10,083	9,353	9,833
Securities of euro area residents in euro	79,795	79,422	78,953	78,999
General government debt in euro	40,027	40,027	40,027	40,027
Other assets	208,347	210,442	212,243	212,675
Total assets	1,112,832	1,113,236	1,133,314	1,126,144

2. Liabilities

	2006 10 November	2006 17 November	2006 24 November	2006 1 December
Banknotes in circulation	595,647	594,418	593,657	601,760
Liabilities to euro area credit institutions in euro	172,666	175,640	170,843	184,044
Current accounts (covering the minimum reserve system)	172,644	175,611	170,831	184,009
Deposit facility	19	29	12	32
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	3	0	0	3
Other liabilities to euro area credit institutions in euro	128	128	128	128
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	54,799	55,867	78,971	44,248
Liabilities to non-euro area residents in euro	16,327	16,143	16,332	16,458
Liabilities to euro area residents in foreign currency	101	118	104	83
Liabilities to non-euro area residents in foreign currency	8,610	5,374	6,940	12,923
Counterpart of special drawing rights allocated by the IMF	5,701	5,701	5,701	5,701
Other liabilities	70,551	71,542	72,331	72,491
Revaluation accounts	123,721	123,721	123,721	123,721
Capital and reserves	64,581	64,584	64,586	64,587
Total liabilities	1,112,832	1,113,236	1,133,314	1,126,144

Source: ECB.

1.2 Key ECB interest rates

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

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

Source: ECB.

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

1.3 Eurosystem monetary policy operations allotted through tenders ^{1), 2)}

(EUR millions; interest rates in percentages per annum)

1. Main and longer-term refinancing operations ³⁾

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Variable rate tenders			Running for (...) days
				Minimum bid rate	Marginal rate ⁴⁾	Weighted average rate	
1	2	3	4	5	6	7	
Main refinancing operations							
2006 9 Aug.	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
6 Sep.	350,124	346	307,000	3.00	3.04	3.05	7
13	356,118	369	300,500	3.00	3.04	3.04	7
20	346,764	394	311,000	3.00	3.03	3.04	7
27	313,570	354	313,000	3.00	3.00	3.03	6
3 Oct.	342,164	342	312,000	3.00	3.02	3.04	8
11	367,380	378	308,000	3.25	3.29	3.30	7
18	378,950	398	318,500	3.25	3.29	3.30	7
25	378,282	387	314,000	3.25	3.30	3.31	7
1 Nov.	382,135	366	307,000	3.25	3.31	3.32	7
8	392,532	372	303,000	3.25	3.31	3.32	7
15	403,488	368	304,000	3.25	3.31	3.32	7
22	392,901	371	321,500	3.25	3.30	3.31	7
29	385,957	343	308,000	3.25	3.30	3.31	7
6 Dec.	374,364	333	329,000	3.25	3.30	3.31	7
Longer-term refinancing operations							
2005 22 Dec. ⁵⁾	89,877	165	12,500	-	2.45	2.46	98
23 ⁵⁾	45,003	127	17,500	-	2.44	2.45	97
2006 26 Jan.	69,438	168	40,000	-	2.47	2.48	91
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
28 Sep.	49,801	136	40,000	-	3.30	3.32	84
26 Oct.	62,854	159	40,000	-	3.48	3.50	98
30 Nov.	72,782	168	40,000	-	3.58	3.58	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders	Variable rate tenders			Running for (...) days
					Fixed rate	Minimum bid rate	Marginal rate ⁴⁾	Weighted average rate	
1	2	3	4	5	6	7	8	9	
2005 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
5 Sep.	Collection of fixed-term deposits	13,635	17	11,500	3.00	-	-	-	1
10 Oct.	Reverse transaction	36,120	26	9,500	-	3.00	3.05	3.06	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 ¹⁾ :	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
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 Q1	14,500.2	7,604.7	550.2	1,825.1	1,241.5	3,278.8
2006 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
July	14,797.1	7,787.3	553.4	1,891.9	1,192.2	3,372.4
Aug.	14,850.7	7,760.2	576.3	1,906.6	1,234.7	3,372.8
Sep.	15,261.0	8,064.9	584.0	1,931.6	1,269.7	3,410.8

2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions' current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2004	137.9	138.5	0.6	0.0	2.05
2005	152.0	153.0	1.0	0.0	2.07
2006 Q1	157.7	158.3	0.6	0.0	2.31
Q2	162.6	163.3	0.7	0.0	2.57
2006 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	166.4	0.6	0.0	3.04
10 Oct.	166.3	167.0	0.7	0.0	3.03
7 Nov.	166.2	167.0	0.8	0.0	3.30
12 Dec.	172.5	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors							Liquidity-absorbing factors			Credit institutions' current accounts	Base money
	Monetary policy operations of the Eurosystem							Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility	Other liquidity-absorbing operations					
1	2	3	4	5	6	7	8	9	10	11	12	
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 Q2	336.9	287.0	120.0	0.1	0.0	0.1	0.1	572.0	45.5	-37.0	163.3	735.4
2006 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
5 Sep.	327.3	314.0	120.0	0.1	0.0	0.1	0.4	588.7	61.4	-55.6	166.4	755.2
10 Oct.	326.7	308.7	120.0	0.1	0.3	0.2	0.0	588.5	59.1	-59.1	167.0	755.7
7 Nov.	327.4	311.9	120.0	0.1	0.0	0.1	0.0	592.8	60.2	-60.6	167.0	759.8

Source: ECB.

1) End of period.



MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/units ¹⁾	Holdings of shares/other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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
Q2	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
2006 July	1,554.2	741.4	20.3	0.6	720.4	197.9	173.6	2.1	22.1	-	16.4	352.6	14.8	231.2
Aug.	1,529.5	709.0	20.3	0.6	688.0	204.4	179.0	2.2	23.3	-	16.4	348.9	14.8	236.0
Sep.	1,521.6	694.2	20.3	0.6	673.2	206.5	179.9	2.2	24.4	-	16.5	348.5	14.8	241.1
Oct. ^(p)	1,532.3	699.2	20.4	0.6	678.2	210.5	182.8	2.2	25.5	-	16.8	350.3	14.9	240.7
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	23,653.0	13,684.0	826.9	8,287.4	4,569.7	3,498.6	1,429.4	551.5	1,517.7	83.1	1,007.0	3,672.0	165.7	1,542.6
2006 Q1	24,358.8	14,024.0	816.3	8,551.5	4,656.3	3,584.9	1,440.5	573.5	1,570.9	83.6	1,092.3	3,850.2	166.3	1,557.6
Q2	24,722.0	14,323.9	809.3	8,784.3	4,730.3	3,588.0	1,402.8	600.0	1,585.3	86.6	1,104.9	3,872.9	167.9	1,577.8
2006 July	24,900.1	14,439.5	806.2	8,859.0	4,774.4	3,601.0	1,385.0	612.4	1,603.5	86.2	1,107.4	3,956.7	168.2	1,541.1
Aug.	24,926.0	14,447.8	800.9	8,874.1	4,772.8	3,585.2	1,362.2	609.4	1,613.6	89.4	1,111.2	3,961.3	168.4	1,562.7
Sep.	25,370.8	14,609.4	804.2	8,980.6	4,824.5	3,601.3	1,354.4	618.3	1,628.5	88.6	1,133.5	4,104.8	168.9	1,664.4
Oct. ^(p)	25,604.1	14,688.0	806.2	9,038.4	4,843.4	3,615.7	1,340.8	633.7	1,641.2	93.8	1,151.9	4,223.3	169.6	1,661.8

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/units ²⁾	Debt securities issued ³⁾	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
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
Q2	1,532.1	598.2	487.4	69.3	21.5	396.5	-	0.1	206.2	30.6	209.5
2006 July	1,554.2	607.7	490.1	64.7	19.3	406.1	-	0.1	214.0	31.0	211.3
Aug.	1,529.5	603.9	467.6	63.7	15.0	388.9	-	0.1	211.4	31.7	214.8
Sep.	1,521.6	607.7	448.3	55.2	16.1	377.0	-	0.1	211.6	33.8	220.0
Oct. ^(p)	1,532.3	613.3	454.0	53.4	20.1	380.5	-	0.1	211.7	31.1	222.1
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	23,653.0	-	12,214.6	149.2	7,214.2	4,851.2	698.9	3,858.3	1,310.6	3,518.0	2,052.7
2006 Q1	24,358.8	-	12,419.6	148.1	7,322.0	4,949.5	686.7	3,991.5	1,368.7	3,733.7	2,158.7
Q2	24,722.0	-	12,708.7	138.1	7,512.7	5,057.9	703.1	4,060.7	1,376.2	3,701.4	2,171.9
2006 July	24,900.1	-	12,750.8	129.6	7,517.2	5,103.9	713.5	4,095.8	1,395.6	3,779.3	2,165.3
Aug.	24,926.0	-	12,723.6	121.1	7,521.6	5,080.8	721.8	4,125.9	1,400.8	3,793.8	2,160.0
Sep.	25,370.8	-	12,884.7	147.8	7,615.0	5,121.9	728.0	4,160.6	1,404.9	3,905.2	2,287.4
Oct. ^(p)	25,604.1	-	12,911.7	138.5	7,638.1	5,135.1	730.3	4,212.5	1,414.6	4,007.9	2,327.1

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	17,892.3	9,135.6	847.5	8,288.1	2,148.5	1,595.0	553.6	708.8	4,009.0	180.4	1,710.0
2006 Q1	18,475.4	9,389.1	837.0	8,552.1	2,184.2	1,608.4	575.8	780.1	4,199.2	181.0	1,741.8
Q2	18,738.2	9,614.6	829.6	8,785.0	2,175.4	1,573.1	602.3	782.3	4,216.6	182.5	1,766.8
2006 July	18,867.3	9,686.2	826.5	8,859.6	2,173.3	1,558.7	614.6	788.3	4,309.3	183.0	1,727.3
Aug.	18,882.8	9,696.0	821.2	8,874.7	2,152.7	1,541.2	611.5	786.9	4,310.1	183.2	1,753.9
Sep.	19,260.9	9,805.9	824.6	8,981.3	2,154.8	1,534.3	620.5	802.3	4,453.3	183.7	1,861.0
Oct. ^(p)	19,459.5	9,865.6	826.5	9,039.0	2,159.5	1,523.5	635.9	820.1	4,573.7	184.5	1,856.2
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	1,606.3	711.2	12.8	698.4	154.9	75.3	79.6	48.5	448.2	1.4	242.1
2006 Q1	597.9	240.5	-10.4	250.8	54.4	28.6	25.8	65.0	206.5	-0.2	31.7
Q2	367.0	235.5	-7.2	242.7	13.3	-15.6	28.9	9.6	86.1	1.5	21.0
2006 July	114.8	72.5	-3.8	76.3	-4.8	-16.6	11.7	1.7	84.2	0.3	-38.9
Aug.	20.6	12.4	-5.3	17.7	-22.4	-21.7	-0.7	-4.9	8.1	0.2	27.1
Sep.	361.1	115.4	6.1	109.3	-1.1	-9.9	8.9	18.0	123.8	0.7	104.2
Oct. ^(p)	185.3	61.5	2.7	58.8	5.4	-9.5	14.9	8.6	114.5	0.8	-5.5

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units ¹⁾	Debt securities issued ²⁾	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
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	17,892.3	532.8	173.6	7,228.8	615.8	2,322.6	1,200.6	3,545.6	2,258.9	13.7
2006 Q1	18,475.4	532.3	193.1	7,337.0	603.1	2,402.7	1,255.2	3,764.0	2,365.3	22.6
Q2	18,738.2	553.7	207.4	7,534.2	616.5	2,455.3	1,243.5	3,732.0	2,381.4	14.0
2006 July	18,867.3	562.7	194.3	7,536.5	627.3	2,470.2	1,274.0	3,810.3	2,376.6	15.3
Aug.	18,882.8	559.0	184.8	7,536.6	632.4	2,489.1	1,271.6	3,825.5	2,374.7	9.0
Sep.	19,260.9	563.2	203.0	7,631.1	639.4	2,507.8	1,268.8	3,939.0	2,507.4	1.2
Oct. ^(p)	19,459.5	567.1	191.9	7,658.1	636.4	2,545.9	1,277.7	4,039.1	2,549.2	-5.9
Transactions										
2004	1,269.9	70.5	6.1	377.4	22.3	197.2	49.6	276.9	232.1	37.8
2005	1,606.3	64.4	10.8	498.1	-3.0	213.5	88.2	448.0	337.1	-50.8
2006 Q1	597.9	-0.5	19.6	103.0	9.0	77.1	27.0	240.6	87.7	34.5
Q2	367.0	21.4	15.2	204.8	14.9	64.9	4.4	19.4	16.7	5.3
2006 July	114.8	9.0	-13.1	2.5	12.6	16.6	20.7	79.7	-14.2	1.1
Aug.	20.6	-3.7	-9.5	0.6	4.2	23.4	-5.0	20.3	-5.2	-4.7
Sep.	361.1	4.2	18.2	94.1	-3.8	15.4	1.0	108.2	134.4	-10.6
Oct. ^(p)	185.3	3.9	-11.1	27.1	0.2	37.7	-0.6	98.7	38.2	-8.8

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 aggregates¹⁾ and counterparts

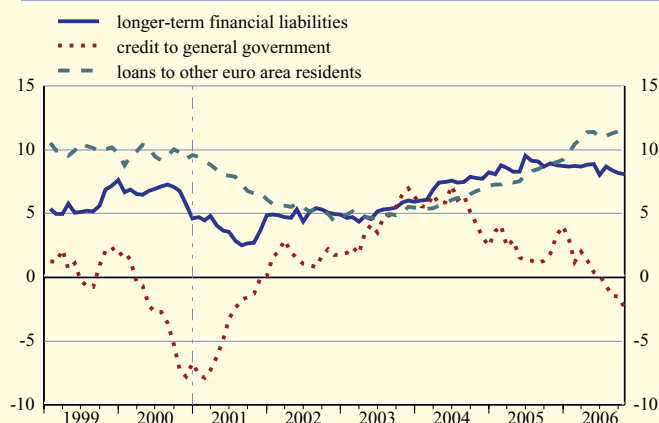
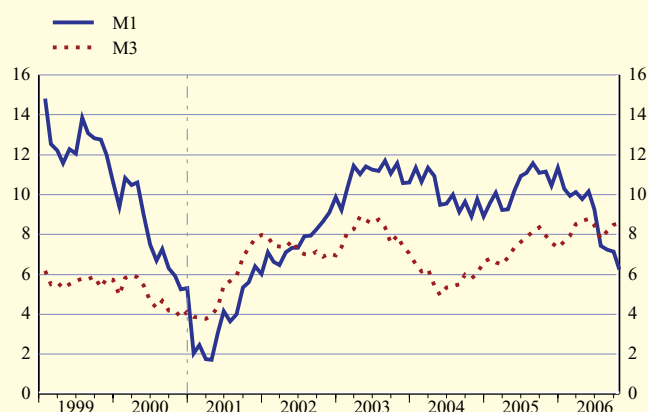
	M1		M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets ²⁾
	1	2	3	4	5	6	7	8	Loans		11
									9	10	
Outstanding amounts											
2004	2,908.7	2,660.5	5,569.2	964.6	6,533.8	-	4,465.3	2,294.6	8,694.9	7,548.8	385.9
2005	3,423.4	2,650.6	6,074.0	993.7	7,067.6	-	5,005.8	2,468.0	9,555.1	8,281.4	455.8
2006 Q1	3,496.6	2,722.5	6,219.1	1,007.5	7,226.6	-	5,142.0	2,439.1	9,905.6	8,561.6	442.0
Q2	3,564.3	2,779.0	6,343.3	1,028.0	7,371.3	-	5,223.6	2,391.4	10,136.4	8,755.5	481.1
2006 July	3,545.9	2,804.8	6,350.6	1,036.3	7,386.9	-	5,282.3	2,378.7	10,247.4	8,836.0	500.9
Aug.	3,571.0	2,836.7	6,407.7	1,057.7	7,465.4	-	5,296.4	2,369.8	10,329.0	8,908.0	479.3
Sep.	3,592.1	2,882.1	6,474.1	1,087.9	7,562.1	-	5,316.1	2,368.7	10,440.5	8,997.7	503.1
Oct. ^(p)	3,586.0	2,908.8	6,494.8	1,086.5	7,581.3	-	5,363.2	2,358.3	10,529.8	9,055.2	519.6
Transactions											
2004	238.6	110.7	349.3	57.7	407.0	-	341.7	54.5	578.1	506.1	166.0
2005	338.6	138.8	477.5	6.5	483.9	-	396.8	92.6	830.0	699.4	1.9
2006 Q1	74.9	74.6	149.5	28.8	178.3	-	102.8	-13.6	334.5	267.0	-19.6
Q2	70.3	60.0	130.2	27.6	157.8	-	106.0	-28.0	250.1	203.7	56.4
2006 July	-18.4	25.9	7.4	11.4	18.9	-	49.2	-15.5	107.8	82.1	9.8
Aug.	25.0	32.5	57.5	20.9	78.4	-	15.9	-13.1	82.9	74.6	-19.3
Sep.	20.3	44.3	64.6	21.5	86.0	-	19.5	-1.4	116.8	92.5	9.7
Oct. ^(p)	-6.1	26.9	20.8	1.5	22.3	-	37.4	-8.4	80.5	58.5	11.9
Growth rates											
2004 Dec.	8.9	4.3	6.7	6.4	6.6	6.5	8.2	2.4	7.1	7.2	166.0
2005 Dec.	11.4	5.4	8.5	0.7	7.3	7.5	8.8	4.0	9.5	9.2	1.9
2006 Mar.	10.1	7.8	9.0	5.6	8.5	8.4	8.7	2.0	11.5	10.9	-8.5
June	9.3	8.8	9.1	4.9	8.5	8.3	8.0	0.1	11.5	11.0	-1.8
2006 July	7.4	9.2	8.2	5.3	7.8	8.1	8.7	-0.7	11.8	11.1	3.0
Aug.	7.2	9.8	8.4	7.1	8.2	8.2	8.4	-1.4	11.9	11.3	-11.1
Sep.	7.2	9.9	8.4	9.3	8.5	8.4	8.2	-1.5	12.2	11.4	24.8
Oct. ^(p)	6.3	10.8	8.2	10.5	8.5	.	8.1	-2.4	12.0	11.2	46.6

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

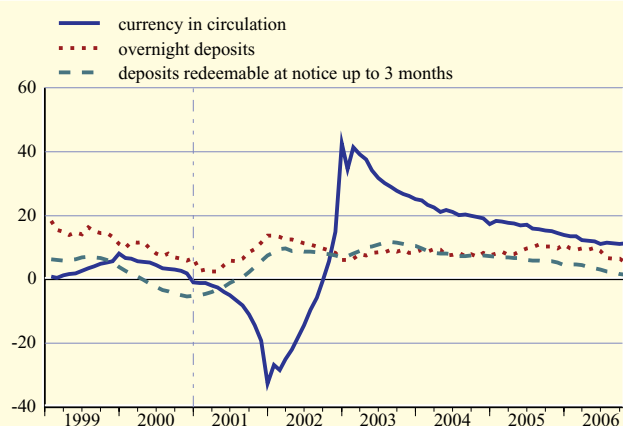
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

2. Components of monetary aggregates and longer-term financial liabilities

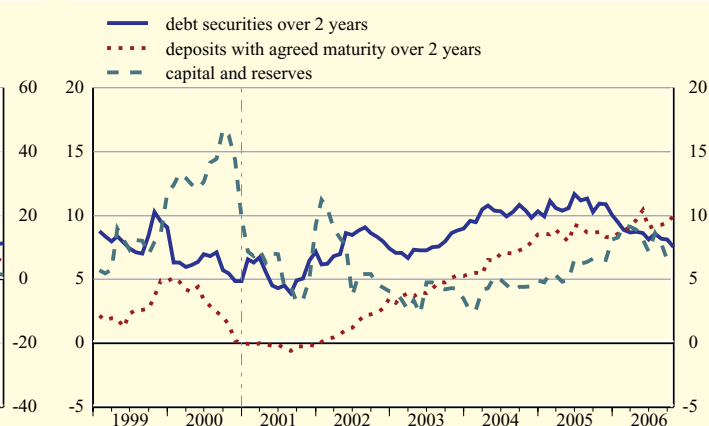
	Currency in circulation	Overnight deposits	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Repos	Money market fund shares/units	Debt securities up to 2 years	Debt securities over 2 years	Deposits redeemable at notice over 3 months	Deposits with agreed maturity 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	242.3	620.0	102.3	1,964.8	90.2	1,359.5	1,050.8
2005	520.4	2,903.0	1,107.9	1,542.7	236.6	630.8	126.2	2,203.9	87.0	1,515.3	1,199.6
2006 Q1	535.5	2,961.1	1,159.3	1,563.3	240.9	603.5	163.1	2,240.0	88.4	1,559.7	1,253.8
Q2	547.8	3,016.6	1,215.6	1,563.4	247.2	619.0	161.7	2,290.5	92.2	1,601.0	1,239.9
2006 July	552.3	2,993.6	1,242.1	1,562.7	252.5	623.3	160.5	2,304.6	93.8	1,611.5	1,272.4
Aug.	558.7	3,012.3	1,270.0	1,566.7	255.3	624.0	178.4	2,313.5	95.7	1,617.2	1,270.0
Sep.	563.4	3,028.6	1,314.4	1,567.6	269.6	641.1	177.2	2,328.4	97.7	1,626.4	1,263.6
Oct. ^(p)	572.3	3,013.7	1,342.1	1,566.7	256.3	636.6	193.5	2,339.9	99.6	1,647.7	1,276.0
Transactions											
2004	67.7	170.9	-2.2	112.9	24.5	21.9	11.3	185.9	-0.9	107.1	49.6
2005	64.0	274.7	69.3	69.5	-6.7	-3.2	16.4	199.2	-4.3	113.9	88.0
2006 Q1	15.2	59.8	53.8	20.8	4.3	-5.6	30.1	39.9	1.4	34.8	26.7
Q2	12.2	58.0	59.6	0.3	7.1	17.0	3.5	58.0	3.8	42.1	2.2
2006 July	4.5	-22.9	26.6	-0.7	5.2	6.1	0.1	14.5	1.6	10.5	22.6
Aug.	6.4	18.6	28.4	4.1	2.8	-0.2	18.3	13.1	1.9	5.8	-4.9
Sep.	4.7	15.6	43.4	0.9	14.2	6.3	1.0	9.5	2.0	10.7	-2.7
Oct. ^(p)	8.9	-14.9	27.8	-0.9	-13.3	-1.3	16.1	11.3	1.9	21.3	3.0
Growth rates											
2004 Dec.	17.4	7.5	-0.2	7.4	11.3	3.7	12.3	10.3	-1.0	8.6	4.9
2005 Dec.	14.0	10.9	6.6	4.4	-2.8	-0.5	15.7	10.0	-4.7	8.3	8.1
2006 Mar.	12.4	9.8	12.7	4.4	3.8	-0.5	43.5	8.7	-3.2	9.1	9.1
June	11.1	8.9	17.2	3.0	2.6	0.8	30.4	8.1	1.6	9.0	7.2
2006 July	11.5	6.7	18.9	2.5	4.7	0.7	29.8	8.6	4.1	9.2	8.6
Aug.	11.4	6.5	20.9	2.2	5.2	0.8	42.3	8.2	7.1	9.3	7.8
Sep.	11.0	6.5	21.5	1.8	12.3	1.2	43.6	8.1	10.7	9.4	6.5
Oct. ^(p)	11.4	5.3	24.1	1.4	8.6	2.2	55.2	7.5	13.8	10.0	6.3

C3 Components of monetary aggregates

(annual growth rates; seasonally adjusted)


C4 Components of longer-term financial liabilities

(annual growth rates; seasonally adjusted)



Source: ECB.

2.4 MFI loans, breakdown ¹⁾

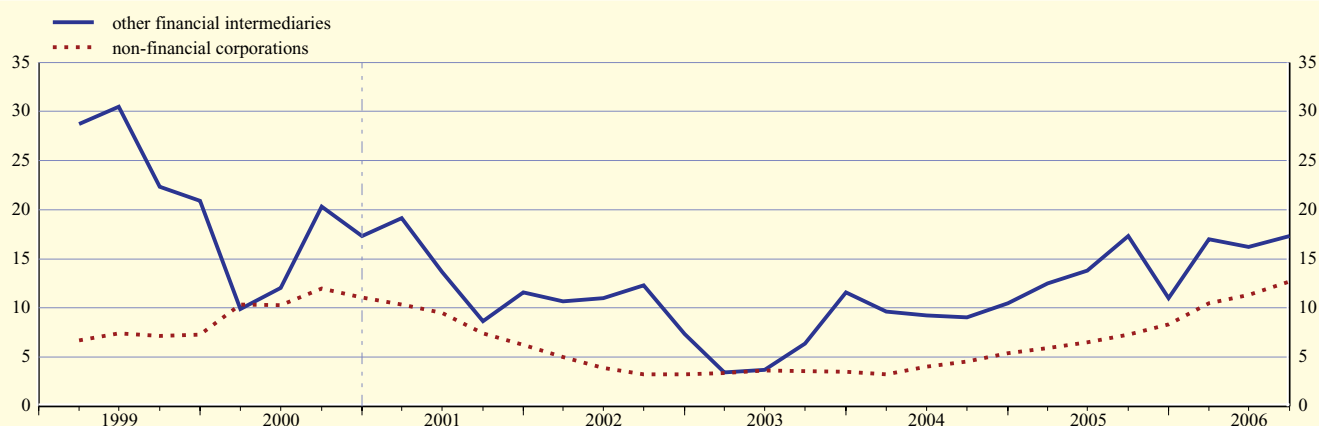
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Loans to financial intermediaries and non-financial corporations ²⁾

	Insurance corporations and pension funds		Other financial intermediaries ³⁾		Non-financial corporations			
	Total		Total		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	Up to 1 year 2	3	Up to 1 year 4	5	6	7	8
Outstanding amounts								
2004	48.6	31.4	546.3	334.4	3,152.2	973.8	547.3	1,631.2
2005	64.6	41.6	620.4	370.2	3,409.1	1,037.7	594.0	1,777.3
2006 Q1	81.9	57.1	661.9	412.0	3,525.1	1,060.8	626.7	1,837.6
2006 Q2	84.7	59.6	673.5	419.6	3,640.0	1,098.6	650.9	1,890.5
2006 July	90.1	64.4	667.0	407.8	3,685.4	1,110.9	668.0	1,906.6
2006 Aug.	86.7	61.3	678.6	415.9	3,679.0	1,086.3	670.8	1,921.8
2006 Sep.	89.5	63.4	700.5	437.7	3,730.0	1,108.2	682.6	1,939.2
2006 Oct. ^(p)	89.5	63.2	700.0	434.7	3,767.0	1,119.5	692.9	1,954.5
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	56.8	54.3	151.6
2006 Q1	17.1	15.6	46.6	45.2	108.9	27.0	35.8	46.1
2006 Q2	2.8	2.6	13.8	9.0	120.8	39.6	26.4	54.8
2006 July	5.5	4.9	-4.9	-9.6	44.0	12.5	16.2	15.3
2006 Aug.	-3.4	-3.2	11.8	8.2	-4.9	-24.3	3.7	15.7
2006 Sep.	2.8	2.1	23.3	21.6	51.1	21.8	11.8	17.5
2006 Oct. ^(p)	0.0	-0.3	-0.7	-3.1	37.6	11.3	10.5	15.8
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	44.1	17.0	16.8	10.5	7.7	14.9	10.6
2006 June	32.5	36.3	16.2	16.7	11.3	8.0	17.4	11.4
2006 July	41.2	49.4	15.6	16.5	11.8	9.2	18.4	11.1
2006 Aug.	34.3	43.9	19.3	21.9	12.0	9.2	19.5	11.2
2006 Sep.	37.1	48.6	17.3	19.4	12.7	10.5	20.6	11.4
2006 Oct. ^(p)	29.7	39.0	17.6	19.5	12.9	10.7	20.1	11.7

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 ¹⁾

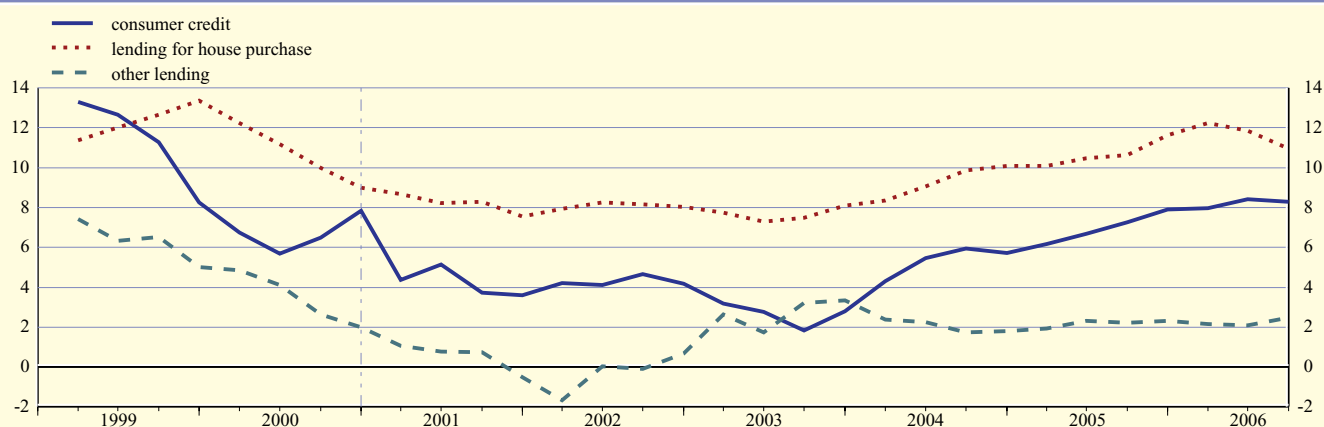
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households ^{2),3)}

	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	129.1	200.7	224.3	2,917.7	15.2	67.5	2,835.0	721.6	147.3	99.9	474.4	
2006 Q1	4,282.5	557.1	126.2	200.9	230.1	3,006.3	15.1	67.9	2,923.4	719.1	146.4	98.1	474.5	
Q2	4,386.2	576.1	130.6	205.5	240.0	3,081.7	15.8	70.0	2,995.9	728.4	150.7	98.3	479.5	
2006 July	4,416.4	579.6	131.2	206.0	242.3	3,110.4	15.8	70.4	3,024.2	726.4	146.8	98.5	481.2	
Aug.	4,429.8	580.1	130.2	205.5	244.4	3,124.7	15.8	70.5	3,038.5	725.0	145.5	98.5	481.0	
Sep.	4,460.7	582.7	131.0	206.3	245.3	3,149.2	16.5	70.9	3,061.8	728.8	146.9	99.2	482.7	
Oct. ^(p)	4,481.8	584.1	132.7	206.3	245.2	3,168.4	15.7	71.3	3,081.5	729.3	146.3	99.3	483.7	
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	9.0	11.6	20.0	302.9	0.7	4.8	297.4	16.2	3.8	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	1.0	
Q2	105.4	19.3	4.5	4.3	10.4	75.6	0.6	1.9	73.0	10.5	4.5	0.7	5.4	
2006 July	31.7	3.9	0.8	0.5	2.6	29.2	0.0	0.5	28.7	-1.4	-3.8	0.1	2.2	
Aug.	14.2	0.5	-0.8	-0.5	1.8	14.4	0.0	0.1	14.3	-0.6	-1.4	0.2	0.6	
Sep.	32.0	4.3	1.0	1.0	2.2	24.7	0.7	0.4	23.5	3.1	1.4	0.7	1.0	
Oct. ^(p)	22.0	1.7	1.8	0.1	-0.1	19.4	-0.8	0.4	19.8	0.9	-0.5	0.2	1.2	
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	7.5	6.1	9.8	11.6	5.2	7.5	11.8	2.3	2.6	1.3	2.4	
2006 Mar.	9.8	8.0	5.9	5.8	11.1	12.2	6.9	6.0	12.4	2.2	1.6	2.1	2.4	
June	9.6	8.4	6.2	4.8	13.1	11.8	7.5	8.1	12.0	2.1	0.8	2.4	2.4	
2006 July	9.5	8.7	8.5	4.0	13.1	11.4	7.3	7.9	11.6	2.3	1.3	2.4	2.6	
Aug.	9.2	8.3	6.9	4.0	13.2	11.1	9.1	7.4	11.2	2.3	1.4	2.5	2.5	
Sep.	9.1	8.3	5.7	4.2	13.5	11.0	10.0	7.4	11.1	2.5	1.4	3.3	2.6	
Oct. ^(p)	8.7	7.7	6.0	3.6	12.4	10.4	7.0	7.5	10.5	2.5	1.6	3.5	2.5	

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 ¹⁾

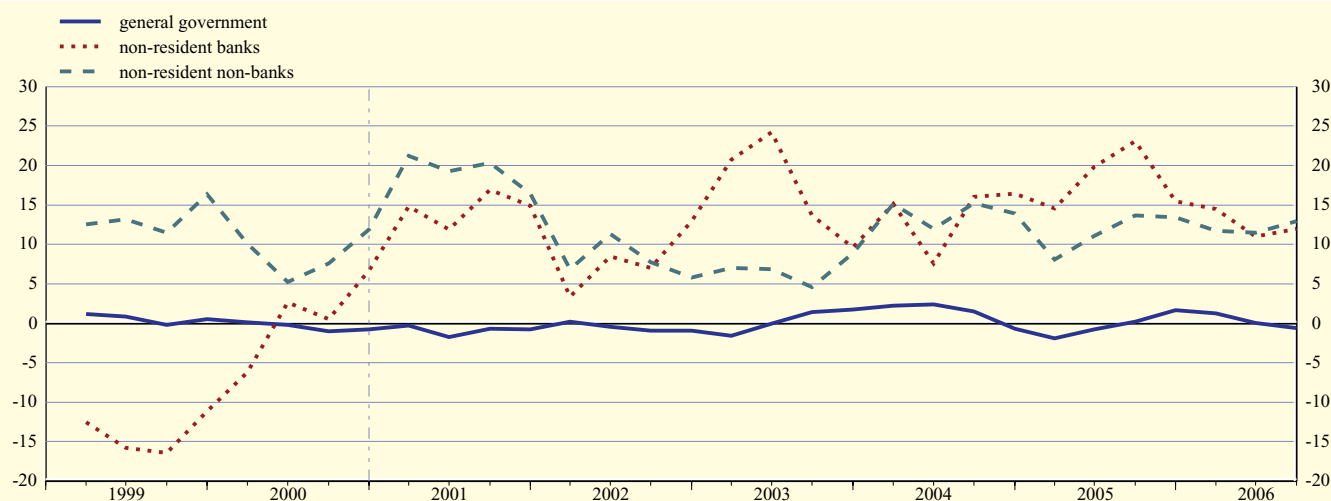
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks ²⁾	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
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	2,485.2	1,723.6	761.6	66.0	695.6
2006 Q1	816.3	118.5	240.9	427.7	29.2	2,594.7	1,823.0	771.7	62.9	708.8
Q2	809.3	106.7	234.5	436.0	32.0	2,611.3	1,841.2	770.1	66.5	703.7
Q3 ^(p)	804.2	102.1	230.1	438.9	33.1	2,740.7	1,923.4	817.3	67.4	750.0
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	296.8	209.4	87.6	4.7	82.9
2006 Q1	-10.4	-6.3	-5.9	1.9	-0.1	131.2	111.6	19.6	-3.0	22.6
Q2	-6.8	-11.6	-6.4	8.3	2.9	56.3	42.8	13.6	3.6	9.9
Q3 ^(p)	-3.0	-2.4	-4.3	2.7	1.1	124.9	78.0	46.9	0.2	46.6
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	14.8	15.4	13.4	7.7	14.0
2006 Mar.	1.2	-8.0	-3.9	5.8	29.5	13.7	14.5	11.7	1.7	12.7
June	0.1	-13.9	-6.3	7.4	12.2	11.2	11.0	11.5	7.3	11.9
Sep. ^(p)	-0.6	-12.5	-7.9	7.1	1.3	12.3	12.0	13.0	4.3	13.8

C7 Loans to government and non-euro area residents

(annual growth rates)



Source: ECB.

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

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

2.5 Deposits held with MFIs, breakdown ¹⁾

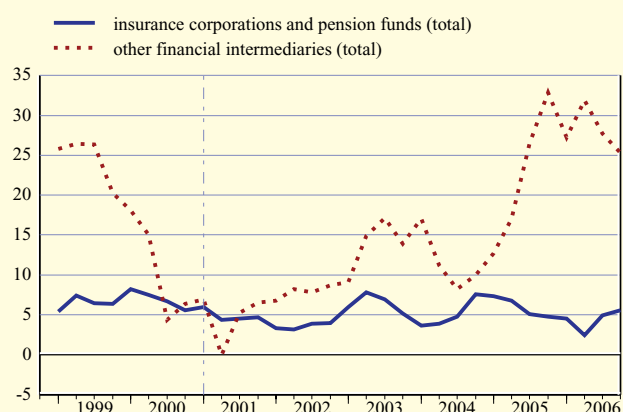
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Deposits by financial intermediaries ²⁾

	Insurance corporations and pension funds							Other financial intermediaries ³⁾						
	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
Q2	625.7	68.6	47.9	484.7	1.0	1.4	22.1	1,048.2	278.1	213.3	407.0	10.8	0.2	138.8
2006 July	633.0	65.3	51.9	488.6	1.0	1.4	24.9	1,037.5	263.6	212.4	416.0	9.9	0.2	135.4
Aug.	635.5	61.6	52.0	491.9	1.0	0.3	28.7	1,037.9	257.6	215.0	416.2	9.4	0.2	139.4
Sep.	637.3	66.7	51.1	492.7	1.0	1.4	24.4	1,084.5	272.2	236.2	420.6	10.2	0.3	145.0
Oct. ⁴⁾	638.7	66.3	48.3	493.0	1.0	1.4	28.7	1,091.8	260.4	240.5	443.8	10.2	0.2	136.6
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	178.4	40.1	37.3	99.2	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
Q2	12.9	3.0	-2.4	10.0	0.0	0.0	2.4	61.7	7.6	18.5	31.3	-0.1	0.1	4.3
2006 July	7.3	-3.3	4.0	3.9	0.0	0.0	2.8	-10.7	-14.6	-0.9	9.1	-1.0	0.0	-3.4
Aug.	2.5	-3.7	0.1	3.3	0.0	-1.1	3.8	0.1	-6.5	2.7	0.3	-0.4	0.0	4.0
Sep.	1.7	5.0	-0.9	0.8	0.0	1.1	-4.3	46.0	14.4	20.9	4.4	0.7	0.1	5.6
Oct. ⁴⁾	1.4	-0.4	-2.8	0.3	0.0	0.0	4.3	6.3	-11.9	4.4	22.1	0.1	0.0	-8.4
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	27.2	22.2	25.0	48.4	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
June	4.9	11.8	-1.7	4.6	-8.9	0.8	7.5	27.7	18.2	43.5	43.4	-1.8	-	-1.8
2006 July	4.7	1.3	-0.9	5.1	-7.1	-0.7	24.0	25.0	13.5	36.7	43.4	-14.4	-	-3.5
Aug.	5.1	3.9	1.3	5.5	-8.2	-79.2	13.2	25.2	14.0	36.7	43.3	-16.1	-	-2.5
Sep.	5.6	10.9	-0.4	5.5	-12.0	-3.8	8.6	25.3	7.9	39.5	41.0	-3.2	-	8.0
Oct. ⁴⁾	4.6	-0.8	-0.1	5.2	-13.5	-4.4	19.3	24.2	7.7	36.9	43.9	-6.0	-	-3.4

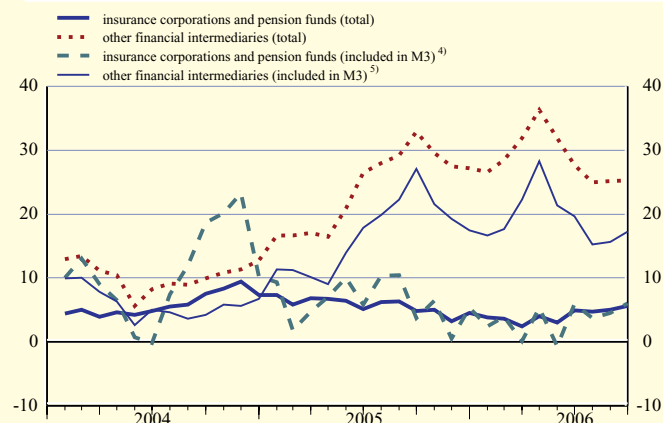
C8 Total deposits by sector

(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 ¹⁾

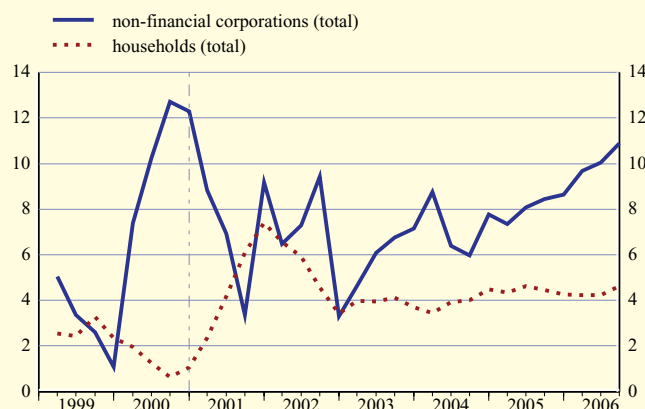
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	Non-financial corporations							Households ³⁾						
	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	1,211.9	769.2	305.1	67.2	44.5	1.2	24.6	4,343.1	1,685.9	534.0	631.7	1,354.2	84.5	52.8
2006 Q1	1,199.9	745.5	313.0	71.9	46.7	1.2	21.6	4,355.8	1,673.8	549.3	623.6	1,367.7	86.3	55.1
Q2	1,236.7	783.6	313.1	73.2	43.6	1.2	22.0	4,422.9	1,725.6	569.4	616.5	1,363.9	89.0	58.5
2006 July	1,231.1	775.3	315.8	72.4	42.8	1.3	23.5	4,434.3	1,718.3	587.3	613.7	1,361.9	90.2	63.0
Aug.	1,243.8	769.9	330.3	72.4	43.1	2.4	25.7	4,421.4	1,686.7	602.9	612.5	1,360.8	91.7	66.9
Sep.	1,268.8	790.3	334.6	73.7	43.8	1.3	25.1	4,439.1	1,703.2	613.8	608.8	1,355.5	93.0	64.8
Oct. ^(p)	1,277.3	782.3	353.9	72.8	42.5	1.3	24.4	4,442.6	1,695.6	629.9	605.0	1,350.2	95.1	66.9
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	-8.1	13.9	1.8	2.3
Q2	40.0	39.3	2.0	1.3	-3.0	0.0	0.4	68.5	52.2	21.0	-7.0	-3.7	2.7	3.4
2006 July	-5.6	-8.3	2.8	-0.8	-0.8	0.0	1.5	11.4	-7.3	18.0	-2.8	-2.0	1.1	4.5
Aug.	13.2	-5.2	14.8	0.1	0.3	1.1	2.2	-12.5	-31.5	15.8	-1.2	-1.1	1.5	3.9
Sep.	24.2	20.1	3.8	1.2	0.7	-1.1	-0.6	18.7	16.4	10.6	-2.2	-5.3	1.3	-2.1
Oct. ^(p)	9.6	-8.0	19.4	0.2	-1.3	0.0	-0.6	3.6	-7.7	16.1	-3.7	-5.4	2.1	2.1
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	3.1	-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
June	10.1	8.9	15.4	8.3	4.3	-19.5	1.1	4.2	6.0	11.5	-2.5	2.2	2.1	14.9
2006 July	9.4	8.1	14.4	8.8	1.0	-5.6	10.1	4.0	4.6	14.5	-2.8	1.8	4.4	17.5
Aug.	10.0	7.9	16.2	9.0	2.7	88.2	13.6	4.4	4.8	17.0	-3.0	1.5	7.3	22.9
Sep.	10.9	10.1	13.8	14.5	-0.5	4.2	10.6	4.6	4.8	19.2	-2.8	1.1	10.8	25.7
Oct. ^(p)	9.8	6.7	18.0	13.5	-4.8	4.6	16.4	4.7	4.1	21.8	-3.2	0.9	14.0	30.6

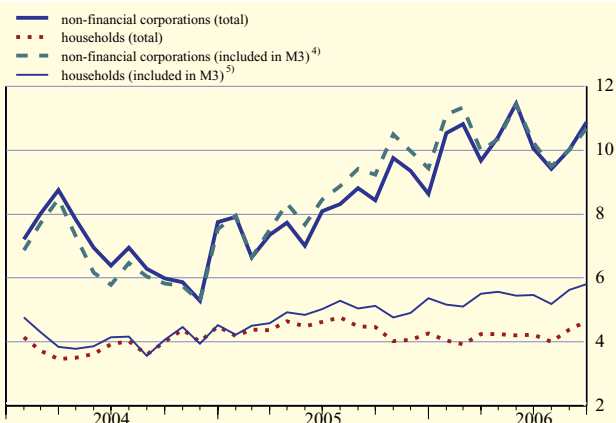
C10 Total deposits by sector

(annual growth rates)



C11 Total deposits and deposits included in M3

by sector (annual growth rates)



Source: ECB.

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

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

3) Including non-profit institutions serving households.

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

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

2.5 Deposits held with MFIs, breakdown ¹⁾

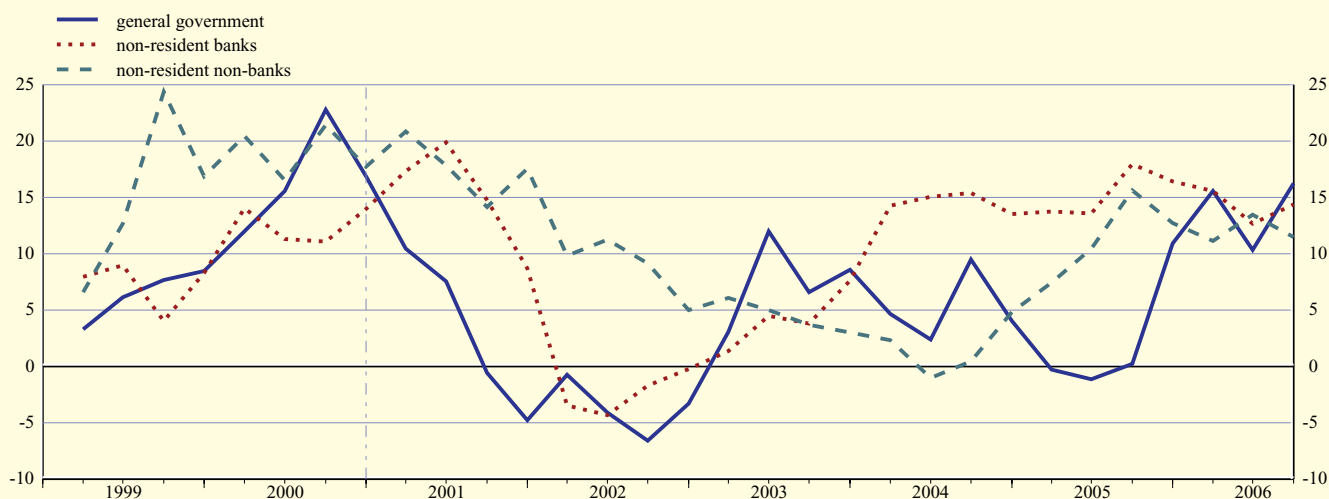
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks ²⁾	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
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	312.2	148.1	38.1	77.0	48.9	3,241.9	2,410.4	831.5	128.2	703.3
Q2	317.2	138.1	39.6	82.6	56.9	3,202.9	2,368.0	834.9	128.3	706.6
Q3 ^(p)	333.1	147.8	41.5	83.7	60.1	3,374.4	2,499.1	875.3	132.4	742.9
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	381.1	292.8	88.3	22.4	66.0
2006 Q1	-1.0	-1.1	-0.2	-3.9	4.3	210.4	170.9	39.5	2.4	37.1
Q2	6.0	-9.1	1.5	5.6	8.0	7.9	-8.3	16.2	0.1	16.2
Q3 ^(p)	15.9	9.7	1.9	1.1	3.2	162.6	124.4	38.2	4.1	34.0
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	15.4	16.4	12.7	21.6	11.2
2006 Mar.	15.6	17.0	14.1	14.3	14.6	14.3	15.5	11.1	21.6	9.3
June	10.3	2.7	13.1	18.7	17.6	12.9	12.7	13.4	8.2	14.4
Sep. ^(p)	16.2	10.1	15.5	17.5	33.0	13.6	14.4	11.4	5.7	12.5

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.

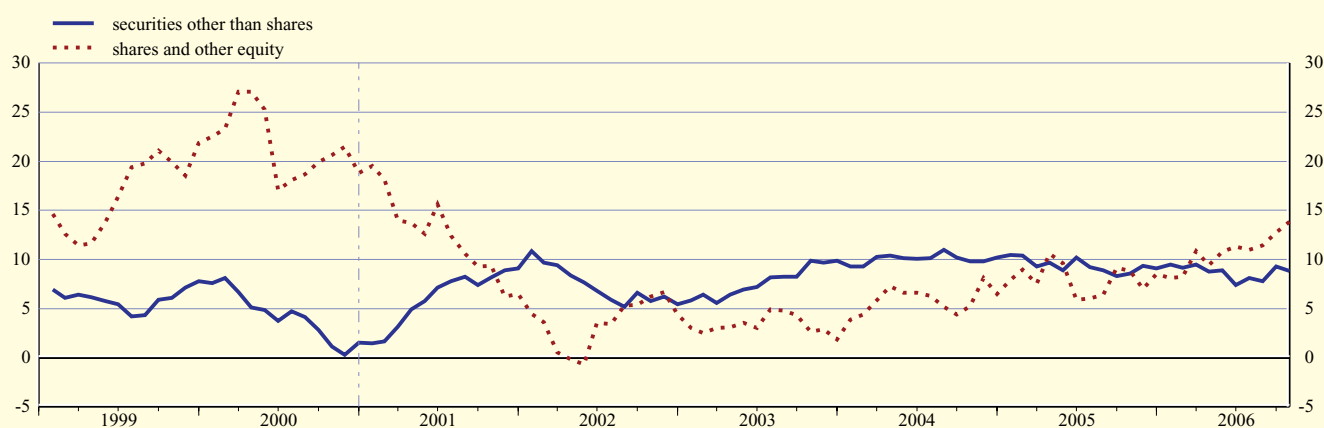
2.6 MFI holdings of securities, breakdown ¹⁾

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
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	4,434.7	1,450.4	67.3	1,412.5	17.0	525.7	25.8	936.2	1,256.4	308.5	698.4	249.4
2006 Q1	4,567.1	1,501.6	69.3	1,423.8	16.6	544.9	28.6	982.2	1,364.4	323.6	768.7	272.1
Q2	4,584.4	1,519.5	65.8	1,385.6	17.2	572.6	27.4	996.4	1,368.6	334.5	770.4	263.8
2006 July	4,629.2	1,533.9	69.6	1,367.9	17.2	584.1	28.3	1,028.2	1,372.2	331.1	776.3	264.8
Aug.	4,623.5	1,545.0	68.6	1,344.9	17.3	580.5	28.9	1,038.3	1,381.9	336.3	774.9	270.7
Sep.	4,682.6	1,559.0	69.5	1,337.7	16.7	589.4	28.9	1,081.3	1,414.9	343.3	790.2	281.5
Oct. ^(p)	4,718.5	1,570.1	71.1	1,324.2	16.6	603.3	30.3	1,102.8	1,445.1	344.2	807.7	293.2
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	360.6	85.7	2.0	51.4	-0.9	71.6	7.6	143.2	98.8	26.9	48.7	23.3
2006 Q1	171.9	59.2	3.5	23.5	0.2	22.2	3.4	59.9	91.2	10.7	64.3	16.1
Q2	53.3	15.1	-2.0	-20.6	1.0	29.1	-0.3	31.0	16.8	13.5	8.6	-5.3
2006 July	42.0	13.2	3.7	-19.2	-0.1	11.0	0.9	32.4	-3.1	-4.2	1.8	-0.7
Aug.	-7.8	10.3	-1.0	-26.5	0.2	-1.4	0.7	9.9	3.4	3.6	-4.8	4.6
Sep.	49.7	18.1	0.6	-9.5	-0.8	9.0	-0.2	32.6	29.9	2.7	18.0	9.2
Oct. ^(p)	33.5	11.1	1.4	-12.7	-0.1	13.6	1.4	18.9	16.6	-0.4	8.6	8.4
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.	9.1	6.3	3.6	4.1	-4.5	15.9	43.3	18.5	8.5	9.5	7.3	10.7
2006 Mar.	9.5	8.3	1.2	1.5	-0.4	16.4	67.6	20.9	10.8	10.0	14.2	2.6
June	7.4	5.9	1.0	-1.0	12.4	17.4	50.9	17.4	11.3	12.6	11.5	9.0
2006 July	8.1	6.2	6.6	-2.2	8.9	20.1	48.1	20.7	11.0	10.1	12.7	6.9
Aug.	7.8	7.1	4.9	-3.5	9.4	20.4	46.3	19.2	11.4	12.0	12.0	8.8
Sep.	9.3	8.6	5.7	-3.5	1.7	21.9	51.5	23.2	12.8	12.8	12.9	12.4
Oct. ^(p)	8.9	9.1	5.2	-5.4	-1.0	21.5	39.2	23.6	13.8	12.5	12.9	18.1

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 ¹⁾
(EUR billions)1. Write-offs/write-downs of loans to households ²⁾

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
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 Q2	-0.7	-0.2	-0.2	-0.3	-0.1	0.0	0.0	-0.1	-1.4	-0.1	-0.6	-0.7
2006 July	-0.3	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.4	-0.1	-0.1	-0.2
2006 Aug.	-0.2	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.2	0.0	0.0	-0.2
2006 Sep.	-0.4	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.5	-0.1	-0.1	-0.4
2006 Oct. ^(p)	-0.3	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.4	-0.1	-0.1	-0.2

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2004	-16.1	-8.8	-0.8	-6.5	-1.6	-0.5	-1.1
2005	-19.3	-7.4	-5.6	-6.2	-1.2	-0.3	-0.9
2006 Q1	-3.5	-1.2	-0.7	-1.6	-0.2	0.0	-0.2
2006 Q2	-2.6	-0.6	-1.1	-0.9	-0.1	0.0	0.0
2006 July	-0.6	-0.1	-0.2	-0.3	0.0	0.0	0.0
2006 Aug.	-1.0	0.0	-0.8	-0.2	-0.1	0.0	-0.1
2006 Sep.	-0.9	-0.3	-0.2	-0.4	-0.1	0.0	-0.1
2006 Oct. ^(p)	-0.4	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 Q2	-13.2	0.2	-0.1	-4.4	0.0	-1.2	-0.2	-7.4	-14.3	-2.3	-6.9	-5.1
2006 July	4.9	0.3	0.0	2.5	0.0	1.2	0.0	0.9	6.0	0.9	3.5	1.7
2006 Aug.	3.3	0.8	0.0	1.3	0.0	0.0	0.0	1.4	5.4	1.0	3.2	1.3
2006 Sep.	4.2	1.0	0.0	2.2	0.0	0.1	0.0	0.8	4.5	1.2	1.7	1.6
2006 Oct. ^(p)	1.0	0.4	0.0	-1.2	0.0	0.9	0.0	0.8	13.5	1.3	8.8	3.3

Source: ECB.

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

2) Including non-profit institutions serving households.

2.8 Currency breakdown of selected MFI balance sheet items ¹⁾

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

1. Deposits

	MFIs ²⁾							Non-MFIs						
	All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies					All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies				
			Total							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	7,470.1	96.6	3.4	2.0	0.3	0.1	0.6
Q2	5,057.9	90.3	9.7	5.6	0.4	1.5	1.5	7,650.8	96.6	3.4	2.0	0.3	0.1	0.6
Q3 ³⁾	5,121.9	90.4	9.6	5.8	0.5	1.3	1.2	7,762.7	96.4	3.6	2.2	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	2,410.4	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	2,368.0	47.7	52.3	34.1	2.1	2.7	10.5	834.9	52.5	47.5	31.1	1.5	2.3	9.2
Q3 ³⁾	2,499.1	47.5	52.5	34.1	2.2	2.6	10.4	875.3	51.6	48.4	31.4	1.6	2.2	10.1

2. Debt securities issued by euro area MFIs

	All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies				
			Total				
			USD	JPY	CHF	GBP	
1	2	3	4	5	6	7	
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	4,273.7	81.2	18.8	9.5	1.7	1.9	3.2
Q3 ³⁾	4,383.2	80.9	19.1	10.0	1.7	1.8	3.2

Source: ECB.

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

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

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

2.8 Currency breakdown of selected MFI balance sheet items ¹⁾

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

3. Loans

	MFIs ²⁾							Non-MFIs						
	All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies					
			Total						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	4,569.7	-	-	-	-	-	9,114.3	96.3	3.7	1.6	0.2	1.3	0.5	
2006 Q1	4,656.3	-	-	-	-	-	9,367.8	96.3	3.7	1.7	0.2	1.2	0.5	
Q2	4,730.3	-	-	-	-	-	9,593.6	96.4	3.6	1.7	0.1	1.2	0.5	
Q3 ^(p)	4,824.5	-	-	-	-	-	9,784.9	96.3	3.7	1.7	0.2	1.1	0.6	
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	30.6	4.3	2.0	10.1	761.6	38.2	61.8	43.6	1.8	4.2	8.6
2006 Q1	1,823.0	49.6	50.4	30.4	3.8	2.4	9.2	771.7	39.0	61.0	44.0	1.7	3.9	7.8
Q2	1,841.2	49.6	50.4	29.5	2.8	2.4	10.6	770.1	40.4	59.6	42.1	1.1	4.1	8.3
Q3 ^(p)	1,923.4	50.2	49.8	29.3	2.3	2.2	10.7	817.3	41.3	58.7	41.2	1.9	3.6	8.6

4. Holdings of securities other than shares

	Issued by MFIs ²⁾							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies					
			Total						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	1,517.7	95.6	4.4	2.0	0.3	0.4	1.4	1,980.9	97.8	2.2	1.1	0.3	0.1	0.5
2006 Q1	1,570.9	95.6	4.4	2.0	0.2	0.4	1.5	2,014.0	97.8	2.2	1.1	0.3	0.1	0.6
Q2	1,585.3	95.8	4.2	1.9	0.3	0.4	1.3	2,002.7	97.8	2.2	1.2	0.3	0.1	0.6
Q3 ^(p)	1,628.5	95.7	4.3	2.1	0.2	0.3	1.3	1,972.7	97.7	2.3	1.3	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	395.5	49.4	50.6	29.7	0.8	0.6	15.9	540.7	36.2	63.8	36.3	8.6	0.8	12.6
2006 Q1	422.4	51.0	49.0	28.2	0.8	0.6	16.0	559.7	37.2	62.8	35.2	6.1	0.8	15.1
Q2	438.8	52.1	47.9	28.0	1.0	0.5	15.1	557.6	38.0	62.0	34.9	6.2	0.8	14.7
Q3 ^(p)	471.1	51.2	48.8	29.4	0.7	0.7	14.7	610.2	36.2	63.8	36.8	5.4	0.7	15.7

Source: ECB.

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

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

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

2.9 Aggregated balance sheet of euro area investment funds ¹⁾

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total 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				
2005 Q1	4,058.4	288.2	1,692.1	79.3	1,612.8	1,320.2	376.0	163.1	218.7
Q2	4,313.4	296.4	1,783.0	91.5	1,691.5	1,399.9	417.5	167.6	249.0
Q3	4,631.2	303.5	1,860.6	101.2	1,759.4	1,553.4	460.0	171.6	282.1
Q4	4,789.2	291.4	1,848.1	109.6	1,738.5	1,683.1	505.2	176.1	285.4
2006 Q1	5,197.1	315.9	1,905.2	139.8	1,765.3	1,896.3	569.2	177.3	333.3
Q2 ^(p)	5,135.4	316.4	1,908.1	145.2	1,762.9	1,775.8	601.8	180.3	352.9

2. Liabilities

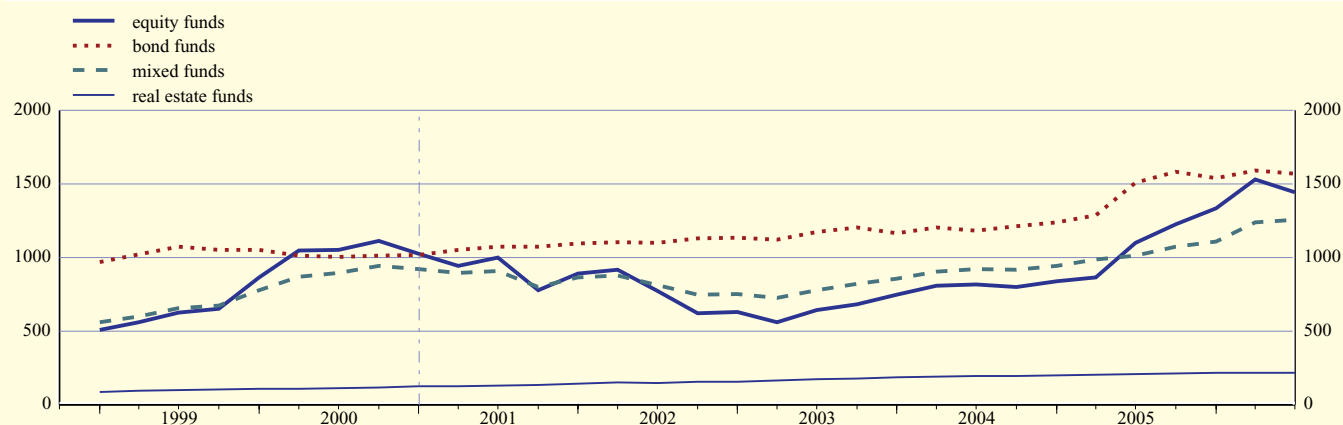
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
Q2	4,313.4	58.6	4,034.4	220.4
Q3	4,631.2	60.4	4,351.7	219.1
Q4	4,789.2	61.8	4,516.8	210.5
2006 Q1	5,197.1	73.6	4,868.9	254.6
Q2 ^(p)	5,135.4	76.4	4,787.2	271.8

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
2005 Q1	4,058.4	864.6	1,285.8	984.4	201.1	722.5	3,041.3	1,017.0
Q2	4,313.4	1,097.2	1,510.2	1,011.1	207.1	487.9	3,245.6	1,067.9
Q3	4,631.2	1,224.8	1,581.9	1,071.1	213.2	540.2	3,507.5	1,123.8
Q4	4,789.2	1,335.8	1,538.0	1,109.2	216.2	590.0	3,659.1	1,130.1
2006 Q1	5,197.1	1,530.3	1,592.6	1,238.8	214.0	621.5	3,996.6	1,200.5
Q2 ^(p)	5,135.4	1,442.1	1,569.8	1,255.8	217.4	650.2	3,911.3	1,224.1

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									
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	1,530.3	55.0	51.4	6.3	45.1	1,308.2	71.0	-	44.6
Q2 ^(p)	1,442.1	52.1	51.4	6.5	44.9	1,220.4	69.7	-	48.6
Bond funds									
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	1,592.6	108.9	1,285.4	82.6	1,202.8	41.1	49.3	-	107.9
Q2 ^(p)	1,569.8	106.5	1,264.6	87.3	1,177.3	38.5	48.2	-	112.1
Mixed funds									
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	1,238.8	67.9	465.2	38.6	426.6	349.2	238.5	0.1	117.9
Q2 ^(p)	1,255.8	71.8	483.8	40.3	443.6	318.2	253.4	0.2	128.4
Real estate funds									
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	216.2	14.5	7.8	1.5	6.3	1.4	6.9	175.1	10.4
2006 Q1	214.0	15.1	6.1	1.7	4.4	1.8	4.4	176.5	10.1
Q2 ^(p)	217.4	15.5	5.6	1.5	4.1	1.6	5.4	179.4	9.9

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
2005 Q1	3,041.3	241.7	1,134.4	1,058.3	285.7	141.1	180.1
Q2	3,245.6	247.7	1,207.1	1,125.1	313.7	144.8	207.2
Q3	3,507.5	251.6	1,261.0	1,257.9	353.3	146.5	237.3
Q4	3,659.1	242.8	1,277.5	1,371.0	381.0	150.1	236.7
2006 Q1	3,996.6	263.2	1,334.2	1,549.4	427.4	150.2	272.2
Q2 ^(p)	3,911.3	256.7	1,321.1	1,448.1	452.9	151.2	281.2
Special investors' funds							
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	1,200.5	52.7	571.0	346.9	141.7	27.1	61.1
Q2 ^(p)	1,224.1	59.7	587.0	327.7	148.9	29.1	71.7

Source: ECB.



FINANCIAL AND NON-FINANCIAL ACCOUNTS

3.1 Main financial assets of non-financial sectors

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

	Currency and deposits										Memo: deposits of non-MFIs with banks outside the euro area
	Total	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											
2005 Q1	16,977.4	6,358.0	409.6	5,432.8	2,174.3	1,560.0	1,620.0	78.5	187.4	328.2	373.5
Q2	17,426.5	6,528.6	431.8	5,549.2	2,448.4	1,552.8	1,471.1	76.8	211.5	336.1	369.7
Q3	17,775.6	6,528.9	439.9	5,565.0	2,440.3	1,571.7	1,475.5	77.6	182.4	341.5	389.2
Q4	18,218.0	6,730.1	465.5	5,732.3	2,559.1	1,604.4	1,488.5	80.3	173.6	358.8	366.8
2006 Q1	18,710.2	6,751.8	459.7	5,733.7	2,517.7	1,629.2	1,505.9	80.9	193.1	365.3	376.9
Q2	18,641.8	6,906.1	478.9	5,859.2	2,619.4	1,653.9	1,501.6	84.2	207.4	360.6	373.9
Transactions											
2005 Q1	146.3	13.3	-2.6	-4.0	7.4	-17.4	15.7	-9.7	25.0	-5.1	22.5
Q2	303.8	163.7	22.2	110.0	110.9	-10.1	10.9	-1.7	24.1	7.4	-12.5
Q3	95.0	0.5	8.1	16.7	-7.3	18.8	4.4	0.7	-29.4	5.1	11.4
Q4	297.3	204.0	25.6	170.7	119.2	34.9	14.2	2.4	-8.9	16.6	-12.3
2006 Q1	154.1	24.2	-5.8	4.2	-40.5	26.6	17.5	0.6	19.6	6.3	4.6
Q2	310.8	159.9	19.2	130.1	103.2	27.7	-4.1	3.3	15.2	-4.7	-3.4
Growth rates											
2005 Q1	4.7	5.7	16.5	5.1	7.9	1.5	5.6	-3.3	1.7	5.6	3.9
Q2	4.6	5.8	15.8	5.5	9.0	1.8	4.9	-3.2	-5.5	7.5	1.4
Q3	4.4	5.4	14.5	5.3	8.4	2.7	4.5	-6.3	-10.8	5.8	1.5
Q4	5.0	6.0	12.9	5.4	10.6	1.7	2.8	-9.3	6.7	7.1	2.7
2006 Q1	5.0	6.2	12.2	5.6	8.4	4.5	2.9	2.7	2.9	10.8	-2.4
Q2	4.9	6.0	10.9	5.8	7.1	7.0	2.2	9.2	-1.6	6.9	0.1
Securities other than shares											
			Shares ¹⁾					Insurance technical reserves			
	Total	Short-term	Long-term	Total	Quoted shares	Investment fund and money market fund shares/units	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											
2005 Q1	1,963.1	229.8	1,733.4	4,333.5	2,304.9	2,028.6	411.2	4,322.8	3,931.4	391.4	
Q2	2,010.8	238.1	1,772.6	4,456.0	2,370.9	2,085.0	408.5	4,431.2	4,036.5	394.7	
Q3	2,002.3	234.5	1,767.8	4,716.3	2,550.9	2,165.3	409.5	4,528.1	4,129.0	399.1	
Q4	1,992.3	220.1	1,772.2	4,851.2	2,677.6	2,173.6	399.6	4,644.3	4,242.5	401.8	
2006 Q1	2,060.7	254.5	1,806.2	5,159.5	2,940.1	2,219.3	381.1	4,738.3	4,330.2	408.0	
Q2	2,089.7	258.2	1,831.6	4,992.3	2,847.8	2,144.5	379.5	4,653.7	4,244.6	409.1	
Transactions											
2005 Q1	19.8	-5.7	25.5	36.8	3.0	33.8	6.4	76.4	67.5	8.9	
Q2	29.6	9.6	20.0	36.7	20.2	16.5	-1.0	73.9	70.3	3.6	
Q3	-5.2	2.5	-7.7	24.7	-7.9	32.6	2.9	75.0	70.7	4.4	
Q4	5.6	-14.5	20.1	6.1	7.3	-1.2	-8.6	81.5	78.8	2.7	
2006 Q1	68.2	34.1	34.1	-32.3	-47.3	15.0	5.1	94.0	87.1	6.9	
Q2	40.7	6.0	34.7	41.1	45.3	-4.2	-2.7	69.0	68.0	1.1	
Growth rates											
2005 Q1	3.9	15.8	2.6	1.4	1.1	1.8	-3.3	6.8	6.9	5.7	
Q2	3.5	8.2	3.0	0.7	-0.9	2.4	-3.4	7.0	7.2	5.4	
Q3	2.6	5.7	2.2	0.9	-1.7	3.6	-1.9	7.2	7.4	5.5	
Q4	2.5	-3.4	3.3	2.5	1.0	4.1	-0.1	7.3	7.5	5.1	
2006 Q1	5.0	13.8	3.8	0.8	-1.2	3.1	-0.4	7.5	7.8	4.5	
Q2	5.4	11.8	4.6	0.9	-0.1	2.0	-0.8	7.2	7.5	3.8	

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 ¹⁾			
	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													
2005 Q1	18,251.8	9,030.9	7,877.9	925.3	77.4	847.9	3,811.7	1,190.4	2,621.3	4,293.9	292.2	4,001.8	465.5
Q2	18,805.1	9,246.5	8,110.3	926.7	82.2	844.5	3,907.7	1,239.2	2,668.5	4,412.0	302.7	4,109.3	528.5
Q3	19,266.9	9,377.0	8,240.1	930.9	87.5	843.4	3,943.1	1,226.4	2,716.7	4,503.0	300.2	4,202.8	555.5
Q4	19,525.3	9,600.9	8,450.6	937.8	79.8	858.1	4,044.7	1,266.6	2,778.1	4,618.4	306.5	4,311.9	588.9
2006 Q1	20,155.4	9,824.3	8,645.3	932.7	86.7	846.0	4,181.0	1,286.4	2,894.6	4,710.6	302.6	4,408.1	648.1
Q2	20,092.7	9,913.1	8,856.4	861.6	88.7	772.9	4,233.1	1,305.8	2,927.3	4,818.4	312.1	4,506.2	694.5
Transactions													
2005 Q1	235.6	101.9	87.2	-6.2	-3.4	-2.7	43.1	5.8	37.3	64.9	0.7	64.2	15.8
Q2	342.0	199.1	187.8	0.8	4.8	-4.0	84.6	39.3	45.3	113.7	10.4	103.2	51.6
Q3	207.4	131.0	133.4	4.5	5.3	-0.9	33.4	-16.6	50.0	93.1	-2.5	95.6	28.6
Q4	281.6	268.2	227.0	14.4	-7.5	21.9	131.5	45.5	86.0	122.2	6.5	115.7	45.6
2006 Q1	302.4	204.7	176.8	-5.0	6.9	-11.9	120.8	21.7	99.1	88.8	-2.3	91.1	56.7
Q2	326.0	240.3	219.0	-7.6	2.3	-9.9	134.1	47.4	86.7	113.9	9.9	104.0	59.8
Growth rates													
2005 Q1	4.5	5.7	6.0	-1.9	-10.1	-1.0	4.8	3.1	5.6	8.3	3.9	8.7	5.6
Q2	4.8	6.2	6.6	-0.8	-10.1	0.2	5.2	4.8	5.3	8.7	4.9	9.0	18.3
Q3	5.1	6.6	7.1	0.2	-2.8	0.5	5.8	4.4	6.5	8.8	5.0	9.1	23.4
Q4	6.0	7.8	8.2	1.5	-0.9	1.7	7.7	6.2	8.4	9.3	5.2	9.6	32.0
2006 Q1	6.2	8.9	9.2	1.6	12.4	0.6	9.7	7.6	10.7	9.7	4.1	10.1	39.2
Q2	5.9	9.1	9.3	0.7	8.7	-0.1	10.7	7.9	12.1	9.5	3.8	9.9	36.1
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	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term				
	14	15	16	17	18	19	20	21	22	23			
Outstanding amounts													
2005 Q1	5,499.4	4,834.2	602.4	4,231.8	665.2	237.0	428.2	3,138.6	279.1	303.7			
Q2	5,714.5	5,032.5	625.7	4,406.8	682.0	246.0	436.0	3,243.6	293.6	307.0			
Q3	5,703.2	5,026.3	611.8	4,414.5	676.8	239.1	437.7	3,580.2	296.1	310.5			
Q4	5,623.4	4,960.3	587.6	4,372.7	663.1	233.9	429.2	3,675.5	311.7	313.8			
2006 Q1	5,611.5	4,943.6	597.1	4,346.5	668.0	245.8	422.2	4,082.8	319.6	317.1			
Q2	5,605.2	4,921.3	610.7	4,310.7	683.9	250.5	433.4	3,940.1	314.1	320.2			
Transactions													
2005 Q1	135.6	125.6	11.1	114.5	10.0	15.3	-5.4	4.7	-9.3	2.8			
Q2	123.6	112.9	24.5	88.4	10.7	9.0	1.8	1.4	14.5	3.3			
Q3	-8.8	-4.1	-13.7	9.6	-4.8	-7.0	2.3	79.3	2.6	3.4			
Q4	-24.7	-19.7	-24.4	4.7	-5.0	-5.2	0.2	20.5	14.4	3.3			
2006 Q1	89.0	79.0	9.7	69.3	10.0	12.1	-2.1	-2.5	7.9	3.3			
Q2	69.9	47.2	13.1	34.1	22.7	4.6	18.1	18.2	-5.4	3.1			
Growth rates													
2005 Q1	4.8	4.8	1.4	5.3	5.0	8.3	3.3	0.5	4.6	4.5			
Q2	4.8	5.1	1.9	5.5	3.1	5.8	1.7	0.5	7.1	4.5			
Q3	3.7	4.0	-0.4	4.7	1.1	4.3	-0.6	3.2	5.3	4.5			
Q4	4.2	4.5	-0.4	5.3	1.7	5.5	-0.3	3.6	7.7	4.2			
2006 Q1	3.3	3.5	-0.6	4.1	1.6	3.7	0.5	3.1	14.1	4.4			
Q2	2.2	2.0	-2.4	2.7	3.4	1.8	4.2	3.6	6.6	4.2			

Source: ECB.

1) Including non-profit institutions serving households.

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

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

	Main financial assets											
	Total	Deposits with euro area MFIs					Loans			Securities other than shares		
		Total	Overnight	With agreed maturity	Redeemable at notice	Repos	Total	Short-term	Long-term	Total	Short-term	Long-term
1	2	3	4	5	6	7	8	9	10	11	12	
Outstanding amounts												
2005 Q1	4,373.8	597.0	65.7	508.8	2.7	19.8	364.7	63.1	301.6	1,765.1	82.3	1,682.9
Q2	4,509.3	595.8	61.2	511.3	2.7	20.6	360.4	64.7	295.7	1,829.9	83.8	1,746.0
Q3	4,682.9	602.9	60.0	517.7	2.7	22.4	367.1	70.6	296.6	1,874.9	81.8	1,793.1
Q4	4,769.2	612.6	67.8	521.6	2.6	20.6	370.6	76.6	294.0	1,898.1	84.3	1,813.8
2006 Q1	4,917.7	613.0	65.6	525.2	2.5	19.7	383.5	81.0	302.5	1,917.4	88.1	1,829.3
Q2	4,919.0	625.7	68.6	532.6	2.4	22.1	383.6	82.0	301.6	1,930.6	88.7	1,842.0
Transactions												
2005 Q1	83.8	12.5	6.4	6.9	0.2	-1.0	-2.4	0.9	-3.3	45.0	-1.8	46.8
Q2	58.8	-2.0	-5.3	2.2	0.2	0.8	-4.6	1.6	-6.2	34.2	0.6	33.6
Q3	82.1	7.1	-1.2	6.4	0.1	1.8	2.2	1.3	0.8	35.8	-2.0	37.8
Q4	71.4	8.7	7.4	3.1	0.0	-1.9	1.3	5.6	-4.3	41.4	1.8	39.5
2006 Q1	91.5	0.6	-2.0	3.6	-0.1	-0.8	12.9	4.4	8.5	39.6	3.1	36.5
Q2	66.7	12.9	3.0	7.6	0.0	2.4	0.8	1.2	-0.4	25.4	-1.0	26.5
Growth rates												
2005 Q1	6.0	6.8	2.2	8.3	-11.6	-10.5	-1.2	1.1	-1.7	9.6	6.9	9.7
Q2	6.4	5.1	1.8	5.7	23.8	-2.8	-2.0	2.4	-2.9	9.6	6.0	9.8
Q3	7.0	4.8	-2.8	5.3	30.1	12.0	-1.2	5.0	-2.5	9.7	3.0	10.0
Q4	7.0	4.5	12.5	3.7	18.4	-0.8	-1.0	15.0	-4.3	9.1	-1.6	9.6
2006 Q1	6.9	2.4	-1.7	3.0	7.2	-0.3	3.2	20.4	-0.3	8.6	4.3	8.8
Q2	6.9	4.9	11.8	4.0	-3.1	7.5	4.8	19.2	1.6	7.8	2.3	8.0

	Main financial assets					Main liabilities									
	Shares ¹⁾				Prepayments of insurance premiums and reserves for outstanding claims	Total	Loans taken from euro area MFIs and other financial corporations		Securities other than shares	Quoted shares	Insurance technical reserves				
	Total	Quoted shares	Investment fund and money market fund shares/units	Money market fund shares/units			Total	Taken from euro area MFIs			Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims		
13	14	15	16	17	18	19	20	21	22	23	24	25			
Outstanding amounts															
2005 Q1	1,517.3	725.9	791.4	67.0	129.7	4,536.1	90.1	58.2	21.5	220.3	4,204.3	3,587.3	617.0		
Q2	1,591.4	758.1	833.3	87.0	131.9	4,654.9	92.8	63.8	21.6	223.3	4,317.2	3,702.7	614.5		
Q3	1,703.8	830.5	873.3	87.8	134.3	4,782.1	92.4	65.2	22.2	251.2	4,416.2	3,793.8	622.4		
Q4	1,751.6	853.1	898.5	80.6	136.3	4,904.0	64.9	64.6	22.2	285.9	4,530.9	3,901.8	629.0		
2006 Q1	1,864.9	911.3	953.6	79.7	138.9	5,029.0	82.4	81.9	22.1	298.7	4,625.8	3,987.1	638.7		
Q2	1,837.6	879.0	958.7	84.1	141.3	5,053.9	85.3	84.7	22.0	272.5	4,674.1	4,032.0	642.1		
Transactions															
2005 Q1	25.2	7.0	18.2	-0.3	3.4	85.6	9.7	8.6	0.6	0.0	75.3	62.7	12.7		
Q2	29.1	4.5	24.6	6.6	2.0	75.7	2.8	5.5	0.0	0.5	72.4	68.5	4.0		
Q3	34.5	16.9	17.6	0.9	2.4	78.0	-0.4	1.4	0.5	1.1	76.8	68.9	7.9		
Q4	18.6	-4.8	23.4	-8.1	1.4	85.9	-0.5	-0.6	0.1	4.0	82.3	76.7	5.6		
2006 Q1	34.6	0.8	33.7	-0.8	3.8	112.8	17.3	17.1	0.0	0.1	95.4	84.6	10.9		
Q2	24.2	6.1	18.1	3.4	3.3	76.6	3.0	2.8	0.0	0.1	73.5	70.1	3.4		
Growth rates															
2005 Q1	3.5	2.0	4.8	6.2	4.2	6.3	5.4	23.7	-6.1	1.2	6.6	6.9	4.9		
Q2	5.4	3.2	7.5	17.0	4.9	6.5	3.5	17.6	-5.4	1.4	6.9	7.3	4.6		
Q3	6.9	4.4	9.2	19.7	5.1	6.8	1.1	22.8	5.7	0.9	7.2	7.6	5.0		
Q4	7.4	3.4	11.1	-1.5	7.4	7.4	14.4	30.8	6.0	2.7	7.5	7.9	5.0		
2006 Q1	7.7	2.4	12.6	-2.2	7.5	7.8	21.2	40.4	3.1	2.6	7.8	8.3	4.6		
Q2	7.0	2.5	11.1	-5.3	8.3	7.6	20.8	32.5	2.8	2.4	7.6	8.1	4.5		

Source: ECB.

1) Excluding unquoted shares.

3.4 Annual saving, investment and financing

(EUR billions, unless otherwise indicated)

1. All sectors in the euro area

	Net acquisition of non-financial assets					Net acquisition of financial assets							
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Changes in inventories ¹⁾	Non-produced assets	Total	Monetary gold and SDRs	Currency and deposits	Securities other than shares ²⁾	Loans	Shares and other equity	Insurance technical reserves	Other investment (net) ³⁾
	1	2	3	4	5	6	7	8	9	10	11	12	13
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 ⁴⁾				Net incurrence of liabilities					
	Total	Gross saving	Consumption of fixed capital (-)	Net capital transfers receivable	Total	Currency and deposits	Securities other than shares ²⁾	Loans	Shares and other equity	Insurance technical reserves
	14	15	16	17	18	19	20	21	22	23
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 ⁴⁾		Net incurrence of liabilities			
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares ²⁾	Loans	Shares and other equity	Total	Gross saving	Total	Securities other than shares ²⁾	Loans	Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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. Households⁵⁾

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth ⁴⁾		Net incurrence of liabilities		Memo:	
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares ²⁾	Shares and other equity	Insurance technical reserves	Total	Gross saving	Total	Loans	Gross disposable income	Gross saving ratio ⁶⁾
	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.

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



FINANCIAL MARKETS

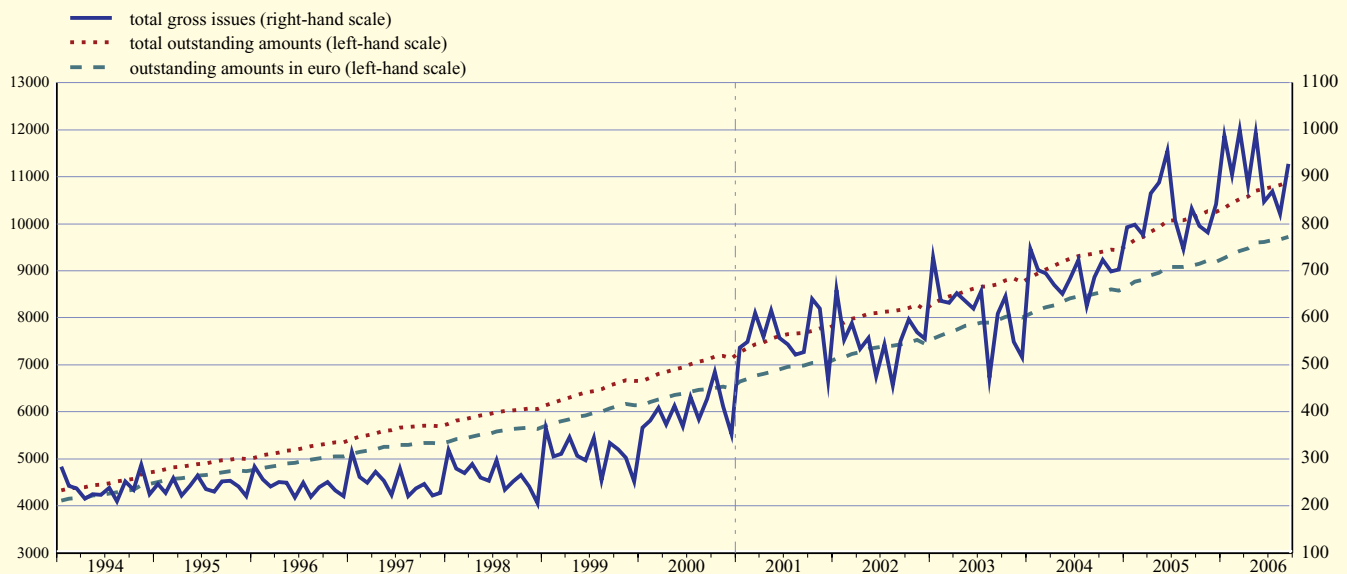
4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

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

	Total in euro ¹⁾			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 ²⁾	
1	2	3	4	5	6	7	8	9	10	Net issues 11	6-month growth rates 12	
Total												
2005 Sep.	10,727.7	894.5	100.5	9,114.5	787.6	37.5	10,126.2	832.4	48.6	7.4	48.4	7.3
Oct.	10,742.7	798.4	15.3	9,151.1	745.0	36.7	10,180.8	794.9	53.8	7.5	54.3	6.4
Nov.	10,820.1	801.7	79.1	9,211.2	734.6	61.6	10,267.9	781.5	74.2	7.6	71.1	7.3
Dec.	10,834.6	871.0	12.8	9,188.6	794.8	-24.1	10,250.6	841.6	-24.7	7.6	76.0	6.1
2006 Jan.	10,883.8	972.1	55.1	9,267.5	927.6	84.7	10,333.6	987.8	103.1	7.6	61.5	7.1
Feb.	10,992.2	918.4	105.8	9,347.0	846.7	76.9	10,441.1	903.5	89.6	7.2	61.9	7.5
Mar.	11,146.0	1,052.7	153.6	9,428.3	937.9	81.1	10,525.7	999.4	97.6	7.6	70.6	8.0
Apr.	11,169.0	874.9	19.6	9,480.2	821.8	48.8	10,583.9	883.0	68.2	7.2	56.3	8.0
May	11,297.7	1,010.9	128.8	9,594.4	940.3	114.3	10,707.0	992.5	128.1	7.8	90.9	8.3
June	11,357.5	895.6	64.3	9,614.3	794.0	24.2	10,738.3	847.0	32.9	6.7	25.3	7.2
July	11,369.9	877.7	11.8	9,649.9	821.1	34.9	10,787.6	868.7	44.7	7.1	53.7	7.0
Aug.	11,402.2	836.8	31.8	9,671.3	778.8	21.0	10,817.5	821.4	24.4	7.3	74.5	7.2
Sep.	11,529.5	1,007.0	126.7	9,724.6	881.3	52.7	10,888.4	926.6	59.1	7.4	59.3	7.0
Long-term												
2005 Sep.	9,743.4	188.6	68.6	8,266.1	143.8	43.6	9,146.7	163.3	55.0	8.0	47.6	7.5
Oct.	9,775.0	166.5	32.5	8,283.6	137.4	18.4	9,181.2	159.3	31.6	8.0	44.8	6.8
Nov.	9,857.4	168.3	83.3	8,348.6	131.9	65.8	9,270.7	152.6	80.5	8.2	76.7	7.7
Dec.	9,901.4	178.4	41.9	8,375.9	147.2	25.3	9,303.6	166.0	27.6	8.3	72.2	6.2
2006 Jan.	9,944.5	195.9	48.3	8,415.3	173.5	44.5	9,344.0	195.4	56.9	8.1	57.4	7.3
Feb.	10,034.5	215.0	88.5	8,477.0	170.7	60.1	9,429.8	196.3	72.3	7.6	50.0	7.8
Mar.	10,133.0	245.3	98.9	8,548.4	194.3	71.8	9,499.0	220.1	80.1	7.8	60.7	8.1
Apr.	10,169.2	174.7	34.7	8,577.9	141.6	28.2	9,537.1	170.6	48.1	7.5	49.5	8.1
May	10,269.7	205.7	100.8	8,663.8	167.5	86.1	9,630.4	187.0	95.7	7.7	63.7	7.8
June	10,328.8	198.4	60.3	8,728.3	167.5	65.6	9,715.1	192.4	81.7	6.8	53.7	7.3
July	10,361.5	185.4	33.0	8,753.9	158.2	25.9	9,756.0	176.8	37.0	7.2	48.9	7.1
Aug.	10,377.7	90.1	16.4	8,765.1	71.2	11.4	9,774.0	87.5	20.8	7.6	65.7	7.4
Sep.	10,478.0	221.7	100.9	8,822.5	156.3	58.2	9,845.6	174.8	65.5	7.6	56.1	7.2

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	9,429	3,713	737	591	4,138	250	8,307	5,480	223	1,028	1,493	83
2005	10,251	4,109	927	613	4,319	283	9,878	6,983	325	1,032	1,444	95
2005 Q4	10,251	4,109	927	613	4,319	283	2,418	1,747	116	250	279	26
2006 Q1	10,526	4,260	970	622	4,385	289	2,891	2,107	83	257	421	22
Q2	10,738	4,337	1,034	639	4,430	298	2,723	1,976	108	261	355	22
Q3	10,888	4,436	1,072	637	4,445	298	2,617	1,927	74	264	334	18
2006 June	10,738	4,337	1,034	639	4,430	298	847	597	46	85	110	9
July	10,788	4,370	1,050	640	4,429	299	869	613	29	86	135	6
Aug.	10,817	4,396	1,057	633	4,431	300	821	637	17	82	80	6
Sep.	10,888	4,436	1,072	637	4,445	298	927	678	27	97	119	5
	Short-term											
2004	926	447	7	90	376	5	6,368	4,574	44	931	785	33
2005	947	482	7	90	363	5	7,808	6,046	45	942	741	33
2005 Q4	947	482	7	90	363	5	1,940	1,531	10	221	170	8
2006 Q1	1,027	539	7	98	377	5	2,279	1,817	13	242	199	8
Q2	1,023	531	10	101	376	5	2,172	1,739	16	229	180	8
Q3	1,043	561	11	97	369	4	2,178	1,732	12	249	176	8
2006 June	1,023	531	10	101	376	5	655	509	5	77	61	3
July	1,032	536	10	102	378	5	692	543	5	77	63	3
Aug.	1,043	557	10	96	375	5	734	593	3	80	55	2
Sep.	1,043	561	11	97	369	4	752	596	4	91	58	3
	Long-term ¹⁾											
2004	8,503	3,266	729	501	3,762	245	1,940	905	179	97	708	49
2005	9,304	3,627	920	522	3,957	278	2,069	937	279	89	702	61
2005 Q4	9,304	3,627	920	522	3,957	278	478	216	106	29	109	18
2006 Q1	9,499	3,720	963	524	4,008	285	612	290	70	15	222	15
Q2	9,715	3,806	1,024	537	4,054	293	550	237	92	32	175	14
Q3	9,846	3,875	1,061	540	4,075	293	439	194	62	15	158	9
2006 June	9,715	3,806	1,024	537	4,054	293	192	88	41	8	49	6
July	9,756	3,834	1,040	537	4,051	294	177	69	24	8	72	3
Aug.	9,774	3,839	1,047	536	4,057	295	88	44	14	1	25	3
Sep.	9,846	3,875	1,061	540	4,075	293	175	82	23	6	62	3
	Of which long-term fixed rate											
2004	6,380	1,929	416	410	3,439	186	1,193	408	70	61	620	36
2005	6,712	2,016	458	412	3,609	217	1,227	413	91	54	620	48
2005 Q4	6,712	2,016	458	412	3,609	217	264	95	35	16	103	14
2006 Q1	6,813	2,060	475	407	3,647	225	400	155	31	8	195	12
Q2	6,908	2,079	500	413	3,684	232	331	109	42	20	150	10
Q3	6,960	2,106	508	413	3,700	233	274	93	22	11	140	8
2006 June	6,908	2,079	500	413	3,684	232	114	40	21	5	41	6
July	6,918	2,085	501	412	3,688	233	109	29	5	6	66	2
Aug.	6,925	2,087	503	411	3,690	234	55	22	7	1	21	3
Sep.	6,960	2,106	508	413	3,700	233	111	42	10	4	53	2
	Of which long-term variable rate											
2004	1,870	1,148	310	77	276	59	620	404	110	32	60	14
2005	2,258	1,343	457	94	304	60	715	429	188	28	58	12
2005 Q4	2,258	1,343	457	94	304	60	185	95	70	12	4	4
2006 Q1	2,331	1,383	484	97	307	60	172	108	39	4	18	3
Q2	2,432	1,424	520	108	319	61	177	95	50	12	15	4
Q3	2,493	1,443	548	110	331	60	133	76	39	4	13	2
2006 June	2,432	1,424	520	108	319	61	62	33	19	3	6	1
July	2,461	1,434	534	109	323	61	56	30	19	2	4	1
Aug.	2,468	1,435	539	109	324	61	25	15	7	1	2	0
Sep.	2,493	1,443	548	110	331	60	53	31	13	1	7	0

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

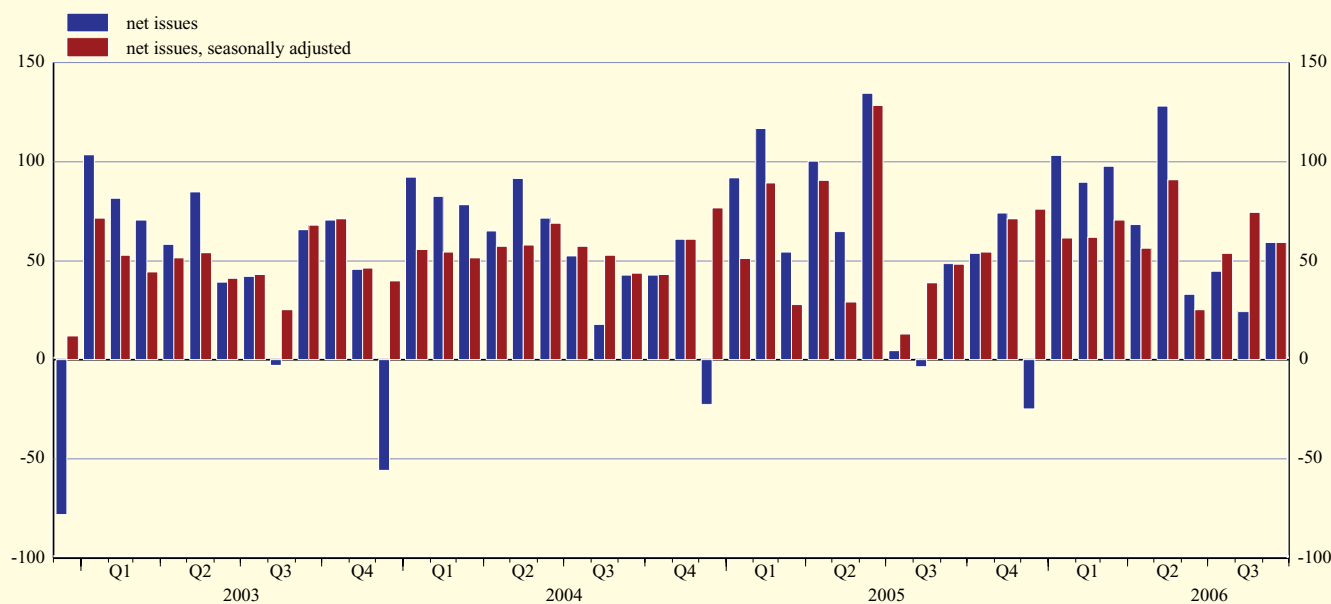
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

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	675.1	350.4	75.2	8.4	209.6	31.5	679.6	354.0	73.1	8.2	212.6	31.7
2005	716.1	315.6	177.2	21.8	169.1	32.2	717.6	319.0	173.0	22.0	171.3	32.4
2005 Q4	103.4	44.8	81.3	-0.2	-34.8	12.3	201.4	78.1	59.2	5.8	47.3	11.0
2006 Q1	290.3	158.7	45.3	10.7	68.8	6.9	194.1	107.0	65.4	7.3	8.4	6.1
Q2	229.2	84.5	66.5	20.9	48.4	8.9	172.5	88.9	53.9	14.2	7.1	8.4
Q3	128.3	78.4	37.9	-2.1	14.6	-0.5	187.5	94.8	54.5	2.0	33.8	2.3
2006 June	32.9	-14.1	30.6	-1.0	12.4	5.0	25.3	7.0	16.3	-0.1	-2.0	4.2
July	44.7	27.8	15.8	0.4	-0.6	1.3	53.7	20.1	14.1	-2.0	19.4	2.2
Aug.	24.4	19.7	7.8	-6.6	2.9	0.6	74.5	36.9	24.4	-4.5	15.0	2.7
Sep.	59.1	30.8	14.3	4.0	12.3	-2.3	59.3	37.8	16.1	8.5	-0.5	-2.6
	Long-term											
2004	615.1	297.8	73.8	12.0	201.7	29.8	617.8	299.1	71.7	12.0	205.1	30.0
2005	709.3	292.9	177.6	22.2	184.1	32.5	710.9	294.8	173.4	22.1	187.9	32.6
2005 Q4	139.6	40.6	81.5	8.6	-3.7	12.7	193.7	68.7	59.4	7.8	46.1	11.6
2006 Q1	209.3	100.8	45.3	2.8	53.4	7.0	168.0	70.3	65.4	8.1	18.4	6.0
Q2	225.6	88.2	63.5	15.5	49.4	8.9	166.9	86.0	50.9	8.9	12.7	8.5
Q3	123.3	62.4	36.9	2.6	21.4	-0.1	170.8	67.2	53.6	4.8	42.5	2.6
2006 June	81.7	30.9	29.4	1.5	14.9	5.0	53.7	38.6	14.7	-1.9	-1.8	4.1
July	37.0	23.4	15.5	-0.1	-2.7	0.9	48.9	18.3	14.1	-2.1	16.6	2.1
Aug.	20.8	6.8	7.5	-0.9	6.6	0.7	65.7	19.2	24.1	1.4	18.4	2.6
Sep.	65.5	32.2	13.9	3.5	17.5	-1.6	56.1	29.8	15.4	5.5	7.5	-2.1

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

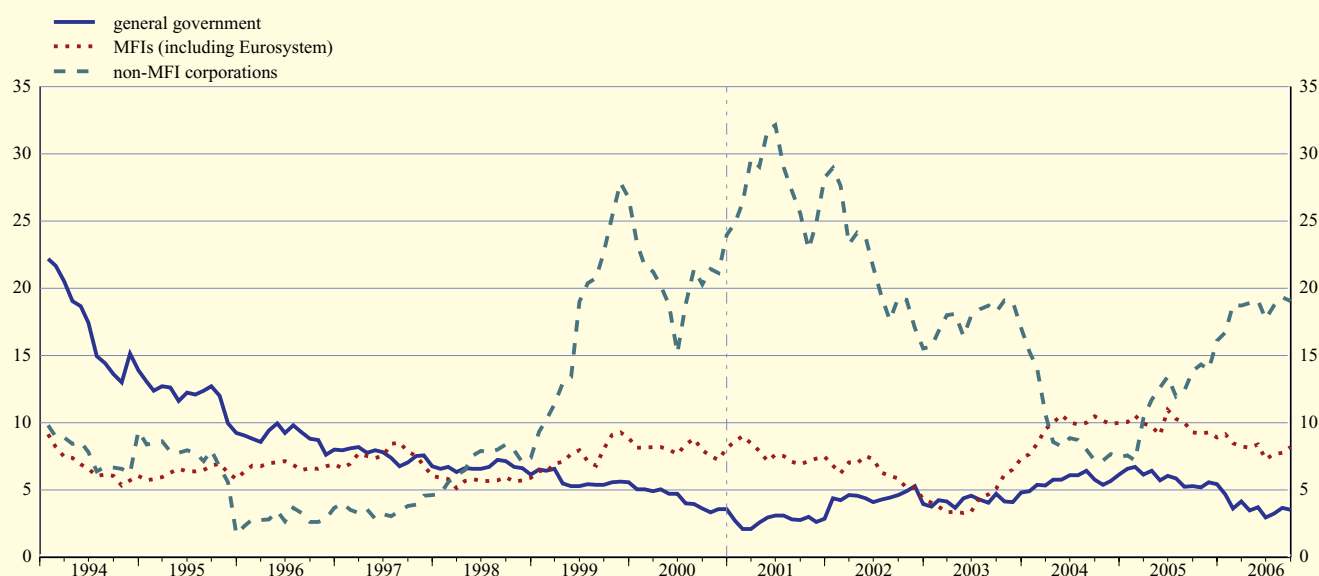
(EUR billions; transactions during the month; nominal values)



Source: ECB.

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

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2005 Sep.	7.4	9.4	21.2	2.9	3.8	11.8	7.3	9.2	23.3	1.9	3.4	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	21.1	3.1	4.0	12.3	7.3	9.2	22.3	1.5	3.3	13.8
Dec.	7.6	8.4	23.8	3.7	4.1	12.9	6.1	6.6	21.4	2.9	2.8	13.9
2006 Jan.	7.6	9.1	24.3	3.5	3.6	11.3	7.1	7.7	26.2	4.6	3.1	12.7
Feb.	7.2	8.9	26.9	3.2	2.5	11.9	7.5	8.1	31.0	4.6	2.8	14.2
Mar.	7.6	9.3	27.3	3.0	3.0	11.6	8.0	9.3	31.5	4.3	2.6	13.0
Apr.	7.2	8.9	27.3	2.8	2.5	10.2	8.0	9.3	31.3	3.8	2.7	11.4
May	7.8	10.0	26.7	4.3	2.6	12.1	8.3	10.6	31.3	7.3	1.8	10.5
June	6.7	8.1	24.7	5.0	1.8	12.3	7.2	9.7	28.0	7.1	0.7	10.5
July	7.1	8.3	26.6	5.1	2.2	11.7	7.0	8.9	27.1	5.6	1.2	10.6
Aug.	7.3	8.5	28.2	3.9	2.5	12.1	7.2	8.8	25.7	3.2	2.3	10.1
Sep.	7.4	9.0	27.4	4.8	2.2	10.2	7.0	8.8	23.6	5.3	1.9	7.5
	Long-term											
2005 Sep.	8.0	9.3	21.3	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	4.9	2.3	9.1
Nov.	8.2	9.3	21.2	3.7	5.1	13.0	7.7	9.0	22.7	5.5	3.6	14.2
Dec.	8.3	8.9	24.1	4.4	4.9	13.2	6.2	5.8	21.8	6.2	3.0	14.6
2006 Jan.	8.1	9.1	24.6	5.0	4.2	11.8	7.3	7.3	26.5	7.4	3.2	13.1
Feb.	7.6	8.5	27.3	6.0	3.0	12.6	7.8	7.6	31.1	7.6	2.9	15.0
Mar.	7.8	8.2	27.7	5.1	3.6	12.1	8.1	7.9	31.8	6.3	3.3	13.6
Apr.	7.5	8.1	27.6	5.6	3.0	10.5	8.1	7.8	31.3	6.2	3.7	12.0
May	7.7	8.4	26.9	7.0	3.1	12.5	7.8	7.7	31.2	8.5	2.6	11.0
June	6.8	7.3	24.7	6.4	2.3	12.7	7.3	8.8	27.5	6.6	1.6	10.7
July	7.2	7.7	26.5	6.0	2.6	11.9	7.1	8.0	26.6	4.7	2.1	10.6
Aug.	7.6	7.7	28.0	5.5	3.1	12.4	7.4	7.9	25.1	3.5	3.3	9.9
Sep.	7.6	8.2	27.2	5.7	3.0	10.8	7.2	8.4	22.9	5.2	2.8	8.0

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.

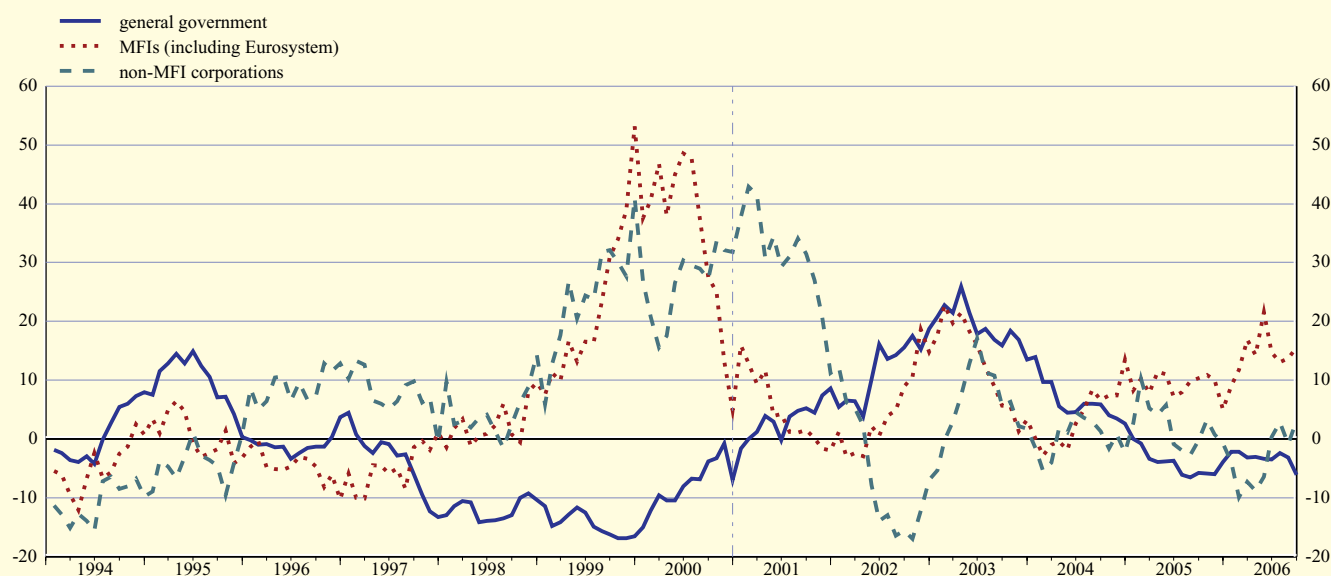
4.3 Growth rates of securities, other than shares, issued by euro area residents ¹⁾ (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
13	14	15	16	17	18	19	20	21	22	23	24	
In all currencies combined												
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	0.3	5.4	15.0	19.4	18.3	35.9	22.6	9.8	4.7
2005 Q4	4.7	3.9	6.4	0.5	4.8	15.9	19.1	15.3	43.9	19.6	11.7	1.9
2006 Q1	4.3	4.2	8.9	0.6	3.6	15.6	19.0	14.3	48.9	24.5	7.8	1.1
Q2	4.2	4.4	11.7	1.0	3.0	13.5	16.9	11.9	46.2	28.3	3.6	5.1
Q3	4.3	4.6	15.1	0.8	2.8	13.8	15.3	10.1	40.4	30.1	4.1	5.8
2006 Apr.	4.1	4.3	11.5	0.5	3.1	12.3	17.1	12.3	48.9	26.8	2.0	3.4
May	4.4	4.7	11.9	1.8	3.0	14.0	17.4	12.2	45.5	30.3	5.1	6.5
June	3.8	4.1	13.2	1.1	2.2	14.2	14.7	10.0	38.3	30.7	2.7	7.5
July	4.3	4.5	14.4	0.7	2.8	13.7	15.4	10.1	40.8	31.3	4.3	5.6
Aug.	4.5	4.7	15.7	0.4	3.0	14.0	15.6	10.1	42.2	29.7	4.2	6.4
Sep.	4.7	5.1	17.1	1.3	2.9	12.9	15.1	10.2	38.4	28.0	5.2	3.2
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	-0.2	5.3	15.3	18.8	17.2	35.2	22.6	10.2	5.3
2005 Q4	4.2	1.9	8.5	0.6	4.7	16.2	18.3	13.9	41.6	21.2	12.2	2.2
2006 Q1	3.7	2.4	9.1	0.5	3.5	16.1	18.2	12.9	46.1	26.4	8.2	0.9
Q2	3.6	2.7	10.0	0.8	3.1	13.9	15.7	10.2	42.1	31.6	3.7	4.0
Q3	3.6	3.1	11.2	-0.3	2.9	13.7	13.9	8.2	36.0	33.9	4.2	4.4
2006 Apr.	3.5	2.5	10.3	0.3	3.2	12.7	15.8	10.6	44.6	29.9	2.1	2.8
May	3.8	3.1	10.3	1.5	3.1	14.4	16.1	10.4	41.3	34.2	5.2	4.9
June	3.2	2.6	9.9	0.8	2.4	14.1	12.9	7.6	34.1	34.6	2.7	5.9
July	3.6	3.0	11.0	-0.5	2.9	13.6	13.9	8.1	35.9	35.4	4.4	4.1
Aug.	3.7	3.2	11.3	-0.9	3.1	13.9	14.2	8.3	37.4	33.5	4.2	5.1
Sep.	3.9	3.6	12.8	0.4	2.9	12.9	14.1	8.7	35.1	31.4	5.2	2.0

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

(annual percentage changes)



Source: ECB.

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

4.4 Quoted shares issued by euro area residents ¹⁾

(EUR billions, unless otherwise indicated; market values)

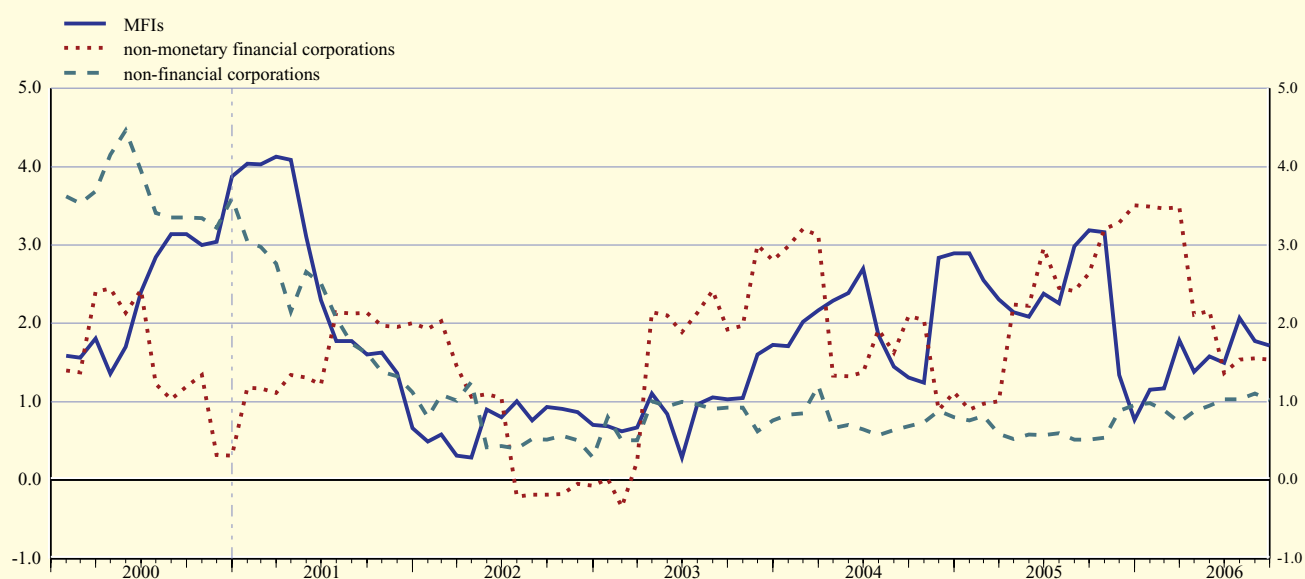
1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Non-monetary financial corporations		Non-financial corporations	
	Total	Index Dec. 01 = 100	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2004 Sep.	3,707.9	102.1	0.9	579.6	1.3	364.2	2.1	2,764.1	0.7
Oct.	3,787.6	102.2	0.9	598.0	1.2	374.6	2.0	2,815.0	0.7
Nov.	3,906.5	102.5	1.2	623.9	2.8	388.6	0.9	2,894.1	0.9
Dec.	4,033.8	102.6	1.2	643.7	2.9	407.7	1.1	2,982.4	0.8
2005 Jan.	4,138.0	102.6	1.1	662.6	2.9	414.2	0.9	3,061.3	0.8
Feb.	4,254.5	102.7	1.1	681.1	2.6	434.1	1.0	3,139.2	0.8
Mar.	4,242.4	102.7	0.9	677.7	2.3	424.0	1.0	3,140.7	0.6
Apr.	4,094.7	102.9	1.0	656.0	2.1	409.4	2.2	3,029.3	0.5
May	4,272.7	103.0	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	3.0	3,241.6	0.6
July	4,631.2	103.1	1.0	727.9	2.3	466.7	2.5	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	3.2	3,426.6	0.5
Nov.	4,882.0	103.7	1.2	809.2	1.3	513.6	3.3	3,559.2	0.9
Dec.	5,056.2	103.8	1.2	836.4	0.8	540.8	3.5	3,679.1	1.0
2006 Jan.	5,289.1	103.9	1.3	884.8	1.2	535.8	3.5	3,868.5	1.0
Feb.	5,429.2	103.9	1.2	938.8	1.2	561.8	3.5	3,928.7	0.9
Mar.	5,629.8	103.9	1.2	962.3	1.8	579.1	3.5	4,088.4	0.7
Apr.	5,653.2	104.0	1.1	948.8	1.4	572.9	2.1	4,131.5	0.9
May	5,364.6	104.2	1.2	896.7	1.6	533.5	2.2	3,934.4	1.0
June	5,376.5	104.3	1.1	905.0	1.5	529.6	1.4	3,941.9	1.0
July	5,372.7	104.4	1.3	918.4	2.1	543.3	1.5	3,910.9	1.0
Aug.	5,536.2	104.5	1.3	958.6	1.8	594.3	1.6	3,983.4	1.1
Sep.	5,679.5	104.5	1.2	986.1	1.7	606.3	1.5	4,087.1	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 ¹⁾

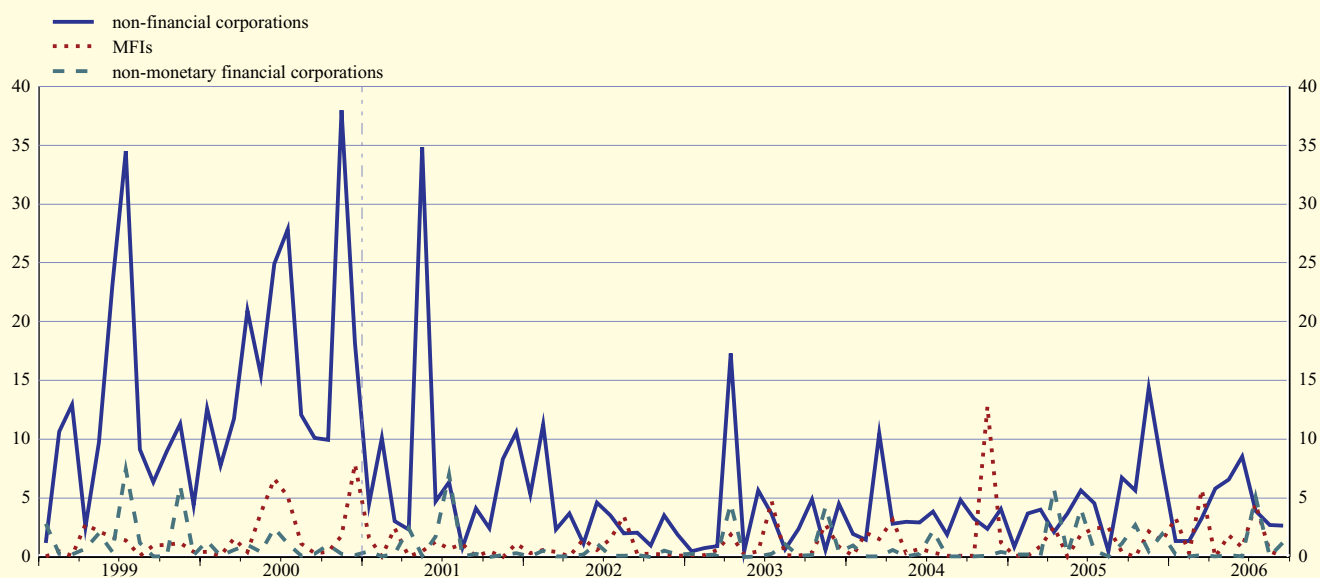
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			Non-monetary financial corporations			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2004 Sep.	4.9	2.2	2.8	0.1	0.9	-0.8	0.0	0.0	0.0	4.8	1.3	3.5
Oct.	3.3	0.7	2.6	0.1	0.0	0.1	0.0	0.0	0.0	3.2	0.7	2.5
Nov.	15.3	3.6	11.7	12.8	0.3	12.5	0.1	0.0	0.1	2.4	3.3	-0.9
Dec.	5.7	2.2	3.5	1.2	0.0	1.2	0.4	0.1	0.3	4.1	2.1	2.0
2005 Jan.	1.1	1.2	0.0	0.1	0.0	0.1	0.2	0.0	0.2	0.9	1.2	-0.3
Feb.	4.0	1.3	2.7	0.1	0.0	0.1	0.2	0.1	0.1	3.7	1.2	2.5
Mar.	5.0	1.8	3.2	0.9	0.8	0.1	0.1	0.1	0.0	4.0	0.8	3.2
Apr.	10.4	2.3	8.1	2.5	0.0	2.5	5.8	0.0	5.7	2.1	2.3	-0.2
May	3.9	3.0	0.9	0.0	0.0	0.0	0.2	0.3	-0.1	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	6.8	0.0	0.1	-0.1	2.7	0.0	2.7	5.6	1.4	4.2
Nov.	17.0	3.8	13.2	2.1	0.0	2.1	0.5	0.0	0.5	14.4	3.8	10.6
Dec.	10.9	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	8.6	2.2	6.3	1.9	0.0	1.8	0.2	0.0	0.2	6.5	2.2	4.4
June	9.4	2.6	6.7	0.8	0.3	0.5	0.0	0.0	0.0	8.5	2.4	6.2
July	13.5	6.6	6.9	4.5	0.0	4.5	5.1	3.5	1.6	3.9	3.0	0.8
Aug.	3.2	1.8	1.4	0.4	0.0	0.4	0.0	0.1	-0.1	2.7	1.6	1.0
Sep.	3.9	0.4	3.5	0.0	0.0	0.0	1.3	0.0	1.3	2.7	0.4	2.2

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 ¹⁾	With agreed maturity			Redeemable at notice ^{1),2)}		Overnight ¹⁾	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years		Over 2 years
	1	2	3	4	5	6	7	8	9	10	11
2005 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	2.93	3.71	2.49
May	0.79	2.45	2.86	2.48	2.00	2.48	1.18	2.58	3.18	3.38	2.48
June	0.81	2.57	2.88	2.57	2.04	2.53	1.22	2.70	3.22	3.27	2.65
July	0.81	2.70	3.04	2.80	2.08	2.58	1.24	2.78	3.31	3.99	2.76
Aug.	0.85	2.79	2.97	2.82	2.23	2.64	1.32	2.92	3.25	3.76	2.86
Sep.	0.86	2.87	3.15	2.66	2.26	2.68	1.36	2.98	3.45	3.83	2.96

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

	Bank overdrafts ¹⁾	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge ³⁾	By initial rate fixation				Annual percentage rate of charge ³⁾	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 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.	9.80	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	7.24	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	7.11	6.31	7.82	7.71	4.00	4.19	4.48	4.25	4.42	4.52	5.09	4.71
July	9.86	7.33	6.33	8.02	7.87	4.11	4.23	4.52	4.34	4.52	4.55	5.24	4.74
Aug.	9.95	7.84	6.39	8.15	8.11	4.21	4.33	4.60	4.37	4.59	4.64	5.26	4.84
Sep.	10.07	7.86	6.26	8.09	7.97	4.30	4.36	4.61	4.44	4.65	4.76	5.30	4.98

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

	Bank overdrafts ¹⁾	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	
		1	2	3	4	5	6	7
2005 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	3.66	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	4.23
July		5.52	4.57	4.99	4.38	3.84	4.21	4.36
Aug.		5.56	4.69	5.09	4.53	3.97	4.33	4.42
Sep.		5.69	4.75	5.02	4.54	4.02	4.41	4.47

Source: ECB.

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

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

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

4. Interest rates on deposits (outstanding amounts)

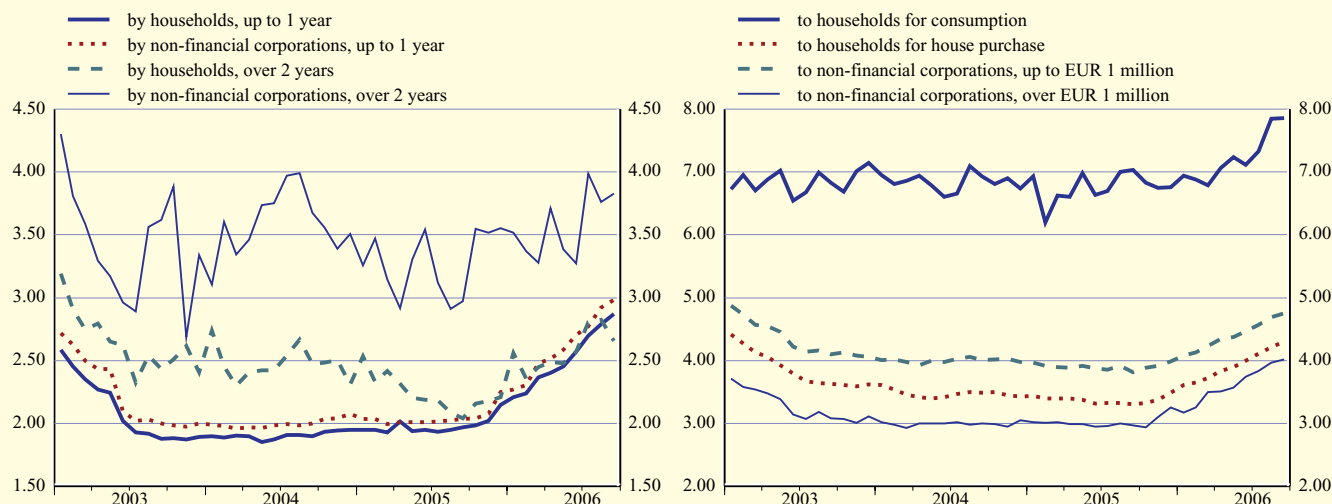
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight ¹⁾	With agreed maturity		Redeemable at notice ^{1),2)}		Overnight ¹⁾	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2005 Oct.	0.69	1.93	3.17	1.97	2.27	0.97	2.12	3.40	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	3.11	2.00	2.32	1.05	2.32	3.47	2.21
Feb.	0.74	2.09	3.13	1.97	2.34	1.08	2.38	3.47	2.27
Mar.	0.76	2.16	3.01	1.98	2.37	1.14	2.48	3.46	2.38
Apr.	0.79	2.21	3.01	2.00	2.42	1.16	2.53	3.51	2.42
May	0.79	2.27	3.05	2.00	2.48	1.18	2.59	3.52	2.49
June	0.81	2.34	3.08	2.04	2.53	1.22	2.72	3.53	2.63
July	0.81	2.43	3.03	2.08	2.58	1.24	2.80	3.57	2.71
Aug.	0.85	2.52	3.05	2.23	2.64	1.32	2.93	3.64	2.81
Sep.	0.86	2.59	3.08	2.26	2.68	1.36	3.00	3.69	2.90

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 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	4.67	4.20	4.55	8.10	6.75	5.73	4.72	4.19	4.40
July	4.68	4.21	4.57	8.15	6.71	5.82	4.81	4.27	4.45
Aug.	4.72	4.23	4.60	8.21	6.72	5.82	4.85	4.33	4.48
Sep.	4.81	4.27	4.62	8.31	6.81	5.86	4.93	4.40	4.53

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.

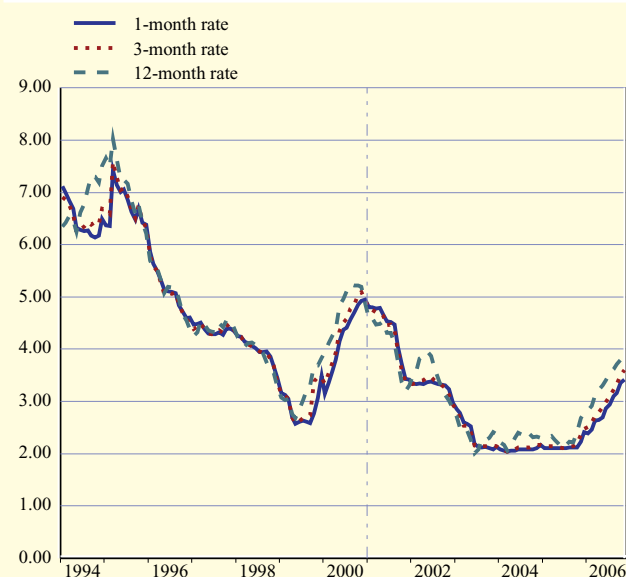
4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area ¹⁾					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2003	2.32	2.35	2.33	2.31	2.34	1.22	0.06
2004	2.05	2.08	2.11	2.15	2.27	1.62	0.05
2005	2.09	2.14	2.18	2.23	2.33	3.56	0.06
2005 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
Q3	2.94	3.06	3.22	3.41	3.62	5.43	0.41
2005 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.	2.97	3.09	3.23	3.41	3.62	5.42	0.41
Sep.	3.04	3.16	3.34	3.53	3.72	5.38	0.42
Oct.	3.28	3.35	3.50	3.64	3.80	5.37	0.44
Nov.	3.33	3.42	3.60	3.73	3.86	5.37	0.48

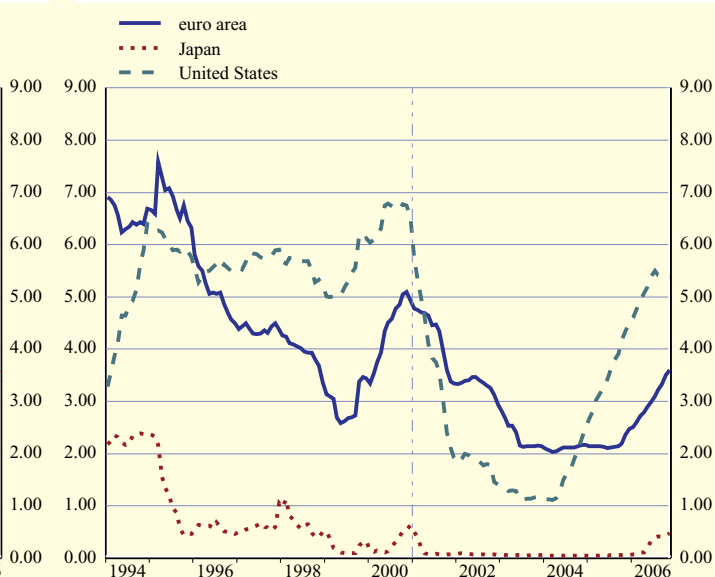
C23 Euro area money market rates

(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)

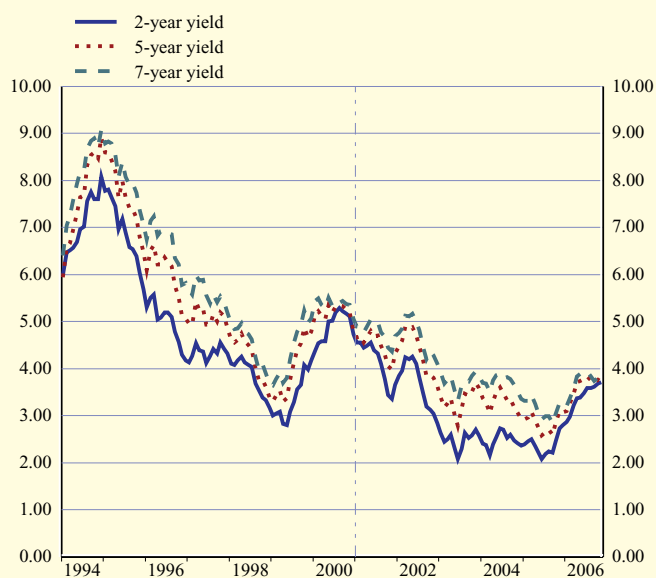
	Euro area ¹⁾					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
2003	2.49	2.74	3.32	3.74	4.16	4.00	0.99
2004	2.47	2.77	3.29	3.70	4.14	4.26	1.50
2005	2.38	2.55	2.85	3.14	3.44	4.28	1.39
2005 Q3	2.21	2.36	2.65	2.94	3.26	4.21	1.36
Q4	2.66	2.79	3.01	3.18	3.42	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
Q3	3.60	3.66	3.76	3.84	3.97	4.90	1.80
2005 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.	3.59	3.65	3.75	3.83	3.97	4.88	1.81
Sep.	3.62	3.64	3.70	3.74	3.84	4.72	1.68
Oct.	3.69	3.70	3.77	3.80	3.88	4.73	1.76
Nov.	3.71	3.70	3.73	3.74	3.80	4.60	1.70

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.

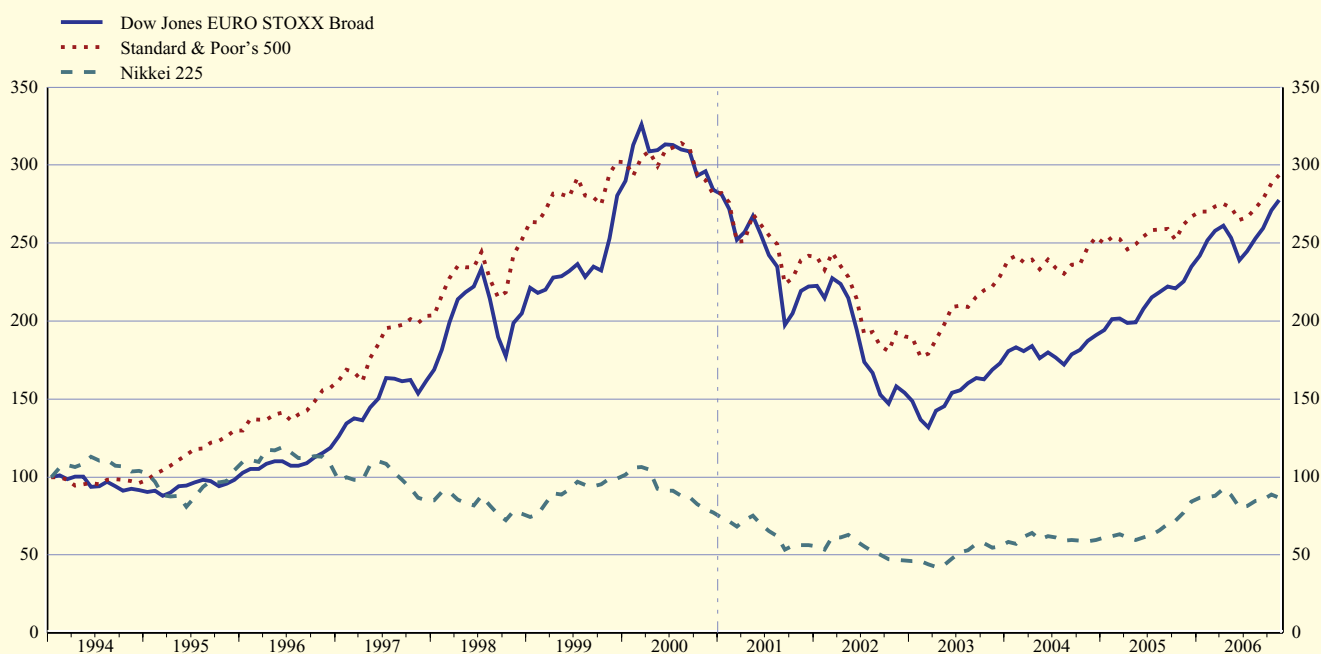
4.8 Stock market indices

(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			Standard & Poor's 500	Nikkei 225
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2003	213.3	2,422.7	212.5	144.9	193.8	259.5	199.3	213.5	275.2	210.7	337.5	304.5	964.9	9,312.9
2004	251.1	2,804.8	251.4	163.4	219.9	300.5	238.2	258.6	298.3	266.3	399.2	395.9	1,131.1	11,180.9
2005	293.8	3,208.6	307.0	181.3	245.1	378.6	287.7	307.3	297.2	334.1	433.1	457.0	1,207.4	12,421.3
2005 Q3	303.4	3,308.0	311.9	185.0	256.7	411.3	293.4	318.6	303.8	346.0	439.7	466.5	1,223.6	12,310.9
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
Q3	350.2	3,726.8	399.7	202.0	287.9	410.1	364.7	378.4	325.8	438.1	397.8	532.9	1,288.6	15,622.2
2005 Nov.	312.7	3,404.9	330.8	183.2	259.3	411.2	316.4	322.3	322.9	354.0	418.2	471.6	1,238.7	14,362.0
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.	351.1	3,743.9	399.7	200.9	289.3	418.2	366.5	375.9	324.4	442.3	394.9	525.3	1,287.2	15,786.8
Sep.	359.9	3,817.6	410.4	208.4	297.2	401.9	379.1	389.6	331.3	456.0	405.6	525.4	1,317.5	15,930.9
Oct.	375.8	3,975.8	435.6	216.9	306.8	419.4	397.5	405.6	341.1	475.6	431.1	532.2	1,363.4	16,515.7
Nov.	384.8	4,052.8	451.8	220.1	319.2	438.6	401.3	420.2	343.6	490.5	456.8	517.4	1,389.4	16,103.9

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 ¹⁾	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 Q3	100.3	2.3	1.4	2.4	2.2	0.8	0.6	-0.3	0.1	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	0.7	0.1	1.3	0.4
Q2	102.4	2.5	1.5	2.8	2.0	0.8	0.4	0.6	0.3	3.9	0.5
Q3	102.5	2.1	1.5	2.3	2.0	0.5	0.5	1.9	0.1	0.6	0.6
2006 June	102.6	2.5	1.6	2.8	2.0	0.1	0.1	0.4	0.1	-0.1	0.2
July	102.4	2.4	1.6	2.7	2.1	0.3	0.2	0.7	0.0	1.4	0.2
Aug.	102.5	2.3	1.5	2.5	1.9	0.1	0.1	0.8	0.0	0.1	0.1
Sep.	102.5	1.7	1.5	1.6	2.0	-0.1	0.2	0.6	0.1	-3.2	0.2
Oct.	102.6	1.6	1.6	1.3	2.1	0.0	0.5	-0.3	0.1	-1.8	0.3
Nov. ²⁾	.	1.8	.	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy	Rents					
% of total ¹⁾	19.3	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 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	0.7	11.6	2.5	2.1	2.8	-3.6	2.3	2.2
Q3	2.8	2.1	3.9	2.0	0.7	6.3	2.5	2.1	2.6	-3.6	2.4	2.3
2006 May	2.0	2.2	1.5	3.4	0.7	12.9	2.5	2.1	2.6	-3.5	1.9	2.2
June	2.2	2.2	2.1	3.1	0.7	11.0	2.5	2.1	2.8	-3.6	2.2	2.3
July	2.7	2.3	3.2	2.7	0.6	9.5	2.5	2.1	2.8	-3.5	2.5	2.3
Aug.	2.9	2.2	3.9	2.4	0.6	8.1	2.5	2.1	2.6	-3.9	2.3	2.3
Sep.	2.9	1.8	4.6	1.0	0.8	1.5	2.5	2.1	2.4	-3.4	2.3	2.4
Oct.	3.0	2.3	4.2	0.5	0.8	-0.5	2.5	2.2	2.3	-2.7	2.4	2.4

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 ¹⁾	Residential property prices ²⁾	World market prices of raw materials ³⁾	Oil prices ⁴⁾ (EUR per barrel)		
	Total (index 2000 = 100)	Total	Industry excluding construction and energy							Energy					Total	Total excluding energy
			Manu- facturing	Total	Interme- diate goods	Capital goods	Consumer goods									
							Total	Durable	Non-durable							
% of total ⁵⁾	100.0	100.0	89.5	82.4	31.6	21.2	29.6	4.0	25.6	17.6			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	6.9	-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	6.9	-4.0	-4.5	25.1	
2004	105.7	2.3	2.5	2.0	3.5	0.7	1.3	0.7	1.4	3.9	2.6	7.2	18.4	10.8	30.5	
2005	110.1	4.1	3.2	1.8	2.9	1.3	1.1	1.3	1.0	13.4	3.1	7.6	28.5	9.4	44.6	
2005 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 ⁶⁾	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	18.9	2.6	-	36.4	23.6	52.3	
Q2	115.7	5.8	3.9	2.7	4.4	1.2	1.7	1.6	1.7	17.3	3.5	6.8 ⁶⁾	30.0	26.2	56.2	
Q3	116.8	5.4	3.7	3.6	6.4	1.7	1.9	1.8	1.9	11.7	.	-	13.4	26.6	55.7	
2006 June	116.1	5.8	3.9	3.1	5.3	1.3	1.8	1.6	1.9	15.8	-	-	20.0	22.0	55.4	
July	116.9	6.0	4.3	3.5	6.2	1.6	1.9	1.8	2.0	14.8	-	-	21.6	26.7	58.8	
Aug.	117.1	5.7	4.0	3.7	6.5	1.6	2.0	1.8	2.0	12.5	-	-	14.8	26.8	57.8	
Sep.	116.5	4.6	2.8	3.6	6.5	1.7	1.7	1.7	1.7	7.8	-	-	4.0	26.4	50.3	
Oct.	116.5	4.0	2.5	3.6	6.4	1.8	1.7	1.7	1.7	5.3	-	-	3.9	28.7	47.6	
Nov.	.	.	.	.	.	.	.	.	.	.	-	-	4.5	22.9	46.7

3. Hourly labour costs⁷⁾

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total ⁵⁾	100.0	100.0	73.1	26.9	34.6	9.1	56.3	
	1	2	3	4	5	6	7	8
2002	107.6	3.5	3.3	4.4	3.2	4.4	3.6	2.7
2003	110.9	3.1	2.9	3.9	3.1	3.9	2.9	2.4
2004	113.4	2.3	2.1	2.6	2.7	2.9	1.9	2.1
2005	116.0	2.2	2.3	1.9	2.3	2.1	2.2	2.1
2005 Q3	116.3	1.8	2.2	0.6	2.2	1.6	1.7	2.1
Q4	117.0	2.0	2.1	1.8	2.1	1.5	2.0	2.0
2006 Q1	117.6	2.2	2.5	1.1	2.3	2.1	2.1	2.1
Q2	118.2	2.4	2.4	1.9	3.0	0.7	2.2	2.4
Q3	.	.	.	.	.	.	.	2.0

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

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

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

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

(seasonally adjusted)

	Total (index 2000 = 100)	Total	By economic activity					
			Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
Unit labour costs ¹⁾								
2002	104.7	2.4	1.1	1.0	3.0	1.8	3.1	3.4
2003	106.4	1.7	5.9	0.4	3.1	2.5	1.1	2.3
2004	107.5	1.1	-9.7	-1.1	2.9	-0.2	3.0	2.7
2005	108.5	0.9	6.3	-0.9	3.5	0.2	1.9	1.7
2005 Q2	108.4	0.9	7.8	-0.5	4.2	0.4	2.0	1.2
Q3	108.2	0.6	5.9	-0.7	2.2	-0.4	1.8	1.5
Q4	109.0	0.9	6.6	-1.8	3.0	-0.1	2.1	2.4
2006 Q1	109.2	0.8	2.7	-1.8	3.4	-0.1	2.4	2.3
Q2	109.2	0.8	0.2	-2.2	2.4	-0.2	1.7	3.1
Compensation per employee								
2002	105.2	2.6	2.2	2.0	3.2	2.4	2.6	3.1
2003	107.3	2.0	2.6	2.1	2.7	1.8	2.2	1.9
2004	109.6	2.1	2.1	2.6	2.6	1.3	2.1	2.3
2005	111.3	1.6	2.4	1.5	1.9	1.3	2.0	1.6
2005 Q2	111.0	1.4	2.5	1.5	2.3	1.2	2.4	1.0
Q3	111.3	1.5	1.8	1.7	2.0	1.3	1.9	1.4
Q4	112.2	1.9	1.7	1.6	2.3	1.2	1.7	2.7
2006 Q1	112.9	2.0	0.5	2.5	3.3	1.9	1.7	1.9
Q2	113.6	2.3	0.1	2.5	3.4	1.9	1.2	3.0
Labour productivity ²⁾								
2002	100.5	0.2	1.1	1.0	0.2	0.6	-0.4	-0.3
2003	100.9	0.3	-3.1	1.7	-0.4	-0.7	1.1	-0.4
2004	101.9	1.0	13.1	3.8	-0.3	1.5	-0.8	-0.4
2005	102.6	0.7	-3.6	2.4	-1.6	1.1	0.2	0.0
2005 Q2	102.4	0.5	-4.9	2.0	-1.9	0.8	0.4	-0.3
Q3	102.9	0.9	-3.9	2.4	-0.2	1.7	0.1	-0.2
Q4	102.9	1.0	-4.6	3.5	-0.6	1.3	-0.4	0.3
2006 Q1	103.4	1.2	-2.2	4.4	-0.1	2.0	-0.7	-0.5
Q2	104.0	1.6	-0.1	4.8	1.0	2.2	-0.5	-0.1

5. Gross domestic product deflators

	Total (s.a. index 2000 = 100)	Total	Domestic demand			Exports ³⁾	Imports ³⁾	
			Total	Private consumption	Government consumption			Gross fixed capital formation
	1	2	3	4	5	6	7	8
2002	105.1	2.6	2.0	1.9	3.1	1.4	-0.2	-2.0
2003	107.3	2.1	2.0	2.1	2.4	1.2	-1.3	-1.8
2004	109.3	1.9	2.1	2.1	2.3	2.4	1.1	1.5
2005	111.4	1.9	2.2	2.1	2.2	2.1	2.6	3.6
2005 Q3	111.6	1.8	2.3	2.1	2.2	1.8	2.4	3.7
Q4	112.3	2.0	2.4	2.2	2.7	2.1	2.9	4.1
2006 Q1	112.4	1.7	2.6	2.3	1.9	2.5	2.8	5.1
Q2	113.0	1.8	2.6	2.2	2.6	2.7	3.0	5.1
Q3	113.5	1.8	2.1	1.9	1.8	2.9	2.7	3.5

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 ¹⁾		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories ²⁾	Total	Exports ¹⁾	Imports ¹⁾
1	2	3	4	5	6	7	8	9	
	Current prices (EUR billions, seasonally adjusted)								
2002	7,251.2	7,058.8	4,141.8	1,465.1	1,465.0	-13.0	192.4	2,628.7	2,436.3
2003	7,460.8	7,304.2	4,278.5	1,526.2	1,498.5	0.9	156.6	2,624.4	2,467.8
2004	7,735.9	7,574.3	4,425.8	1,579.6	1,563.2	5.7	161.5	2,822.5	2,660.9
2005	7,994.4	7,876.2	4,578.8	1,636.2	1,639.5	21.6	118.2	3,027.6	2,909.4
2005 Q3	2,008.5	1,981.0	1,153.1	410.1	414.3	3.6	27.4	771.0	743.5
Q4	2,029.8	2,006.4	1,160.1	417.4	418.6	10.2	23.4	784.4	761.0
2006 Q1	2,048.1	2,028.2	1,174.7	419.3	427.2	7.0	19.8	817.1	797.2
Q2	2,078.3	2,057.4	1,183.9	425.3	439.6	8.6	20.9	832.0	811.1
Q3	2,099.8	2,078.5	1,195.8	426.4	446.6	9.6	21.3	851.0	829.7
	<i>percentage of GDP</i>								
2005	100.0	98.5	57.3	20.5	20.5	0.3	1.5	-	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted ³⁾)								
	<i>quarter-on-quarter percentage changes</i>								
2005 Q3	0.6	0.5	0.7	0.6	1.4	-	-	2.6	2.5
Q4	0.4	0.7	0.1	0.4	0.6	-	-	0.7	1.6
2006 Q1	0.8	0.4	0.7	0.9	1.0	-	-	3.8	2.8
Q2	1.0	1.0	0.3	0.1	2.3	-	-	1.1	1.1
Q3	0.5	0.7	0.6	0.8	0.8	-	-	1.7	2.1
	<i>annual percentage changes</i>								
2002	0.9	0.4	0.8	2.4	-1.5	-	-	1.7	0.3
2003	0.8	1.5	1.2	1.8	1.0	-	-	1.1	3.1
2004	2.0	1.8	1.5	1.2	2.3	-	-	6.8	6.7
2005	1.4	1.6	1.3	1.3	2.5	-	-	4.3	5.3
2005 Q3	1.6	1.7	1.8	1.4	3.3	-	-	5.5	5.8
Q4	1.8	2.0	1.1	1.6	3.3	-	-	4.9	5.6
2006 Q1	2.2	2.2	1.8	2.4	4.0	-	-	9.3	9.7
Q2	2.8	2.6	1.8	2.0	5.3	-	-	8.5	8.1
Q3	2.7	2.8	1.8	2.1	4.7	-	-	7.5	7.8
	<i>contributions to quarter-on-quarter percentage changes of GDP in percentage points</i>								
2005 Q3	0.6	0.5	0.4	0.1	0.3	-0.3	0.1	-	-
Q4	0.4	0.7	0.1	0.1	0.1	0.4	-0.3	-	-
2006 Q1	0.8	0.4	0.4	0.2	0.2	-0.4	0.4	-	-
Q2	1.0	1.0	0.2	0.0	0.5	0.3	0.0	-	-
Q3	0.5	0.6	0.4	0.2	0.2	0.0	-0.1	-	-
	<i>contributions to annual percentage changes of GDP in percentage points</i>								
2002	0.9	0.4	0.5	0.5	-0.3	-0.3	0.5	-	-
2003	0.8	1.4	0.7	0.4	0.2	0.2	-0.7	-	-
2004	2.0	1.8	0.9	0.2	0.5	0.2	0.2	-	-
2005	1.4	1.6	0.8	0.3	0.5	0.1	-0.2	-	-
2005 Q3	1.6	1.6	1.0	0.3	0.7	-0.4	0.0	-	-
Q4	1.8	2.0	0.6	0.3	0.7	0.3	-0.2	-	-
2006 Q1	2.2	2.2	1.1	0.5	0.8	-0.2	0.0	-	-
Q2	2.8	2.6	1.0	0.4	1.1	0.1	0.2	-	-
Q3	2.7	2.7	1.0	0.4	1.0	0.3	0.0	-	-

Sources: Eurostat and ECB calculations.

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

2) Including acquisitions less disposals of valuables.

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

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	6,516.8	153.1	1,381.1	373.8	1,388.9	1,747.9	1,472.0	734.4
2003	6,703.3	152.4	1,382.0	390.2	1,423.0	1,825.8	1,529.9	757.5
2004	6,942.3	156.6	1,427.7	413.8	1,473.4	1,894.0	1,576.9	793.5
2005	7,161.0	144.6	1,461.6	434.9	1,519.4	1,971.5	1,629.0	833.4
2005 Q3	1,798.0	36.0	366.6	109.8	382.5	495.8	407.3	210.5
Q4	1,815.0	36.5	368.6	112.5	382.9	500.4	414.1	214.7
2006 Q1	1,830.6	36.1	374.3	114.2	385.6	507.1	413.3	217.4
Q2	1,857.1	36.9	377.8	117.4	391.2	513.8	420.0	221.1
Q3	1,877.6	37.1	381.7	120.6	395.1	522.6	420.4	222.1
<i>percentage of value added</i>								
2005	100.0	2.0	20.4	6.1	21.2	27.5	22.7	-
<i>Chain-linked volumes (prices of the previous year, seasonally adjusted¹⁾)</i>								
<i>quarter-on-quarter percentage changes</i>								
2005 Q3	0.5	0.3	0.7	0.3	0.7	0.6	0.2	1.5
Q4	0.4	0.8	0.5	1.0	0.5	0.1	0.2	0.4
2006 Q1	0.8	-2.2	1.5	-0.3	0.8	1.2	0.4	0.8
Q2	1.1	1.4	1.5	2.4	1.3	1.0	0.3	0.2
Q3	0.6	0.2	0.8	0.7	0.7	0.5	0.3	0.2
<i>annual percentage changes</i>								
2002	0.9	-0.8	-0.3	0.0	1.2	1.5	1.6	0.2
2003	0.7	-5.7	0.2	0.3	0.0	1.7	1.3	1.5
2004	2.1	11.7	2.2	1.3	2.6	1.5	1.5	0.8
2005	1.4	-5.5	1.3	0.8	1.8	2.1	1.0	1.2
2005 Q3	1.6	-6.0	1.3	1.6	2.2	2.1	1.2	2.2
Q4	1.7	-5.7	2.2	1.8	2.0	2.3	1.2	2.1
2006 Q1	2.1	-2.6	3.3	2.2	2.7	2.1	0.9	2.9
Q2	2.8	0.3	4.1	3.4	3.4	3.0	1.1	2.9
Q3	2.9	0.2	4.2	3.8	3.4	2.8	1.2	1.6
<i>contributions to quarter-on-quarter percentage changes of value added in percentage points</i>								
2005 Q3	0.5	0.0	0.1	0.0	0.1	0.2	0.0	-
Q4	0.4	0.0	0.1	0.1	0.1	0.0	0.0	-
2006 Q1	0.8	0.0	0.3	0.0	0.2	0.3	0.1	-
Q2	1.1	0.0	0.3	0.1	0.3	0.3	0.1	-
Q3	0.6	0.0	0.2	0.0	0.2	0.1	0.1	-
<i>contributions to annual percentage changes of value added in percentage points</i>								
2002	0.9	0.0	-0.1	0.0	0.3	0.4	0.4	-
2003	0.7	-0.1	0.1	0.0	0.0	0.5	0.3	-
2004	2.1	0.3	0.5	0.1	0.5	0.4	0.3	-
2005	1.4	-0.1	0.3	0.0	0.4	0.6	0.2	-
2005 Q3	1.6	-0.1	0.3	0.1	0.5	0.6	0.3	-
Q4	1.7	-0.1	0.4	0.1	0.4	0.6	0.3	-
2006 Q1	2.1	-0.1	0.7	0.1	0.6	0.6	0.2	-
Q2	2.8	0.0	0.8	0.2	0.7	0.8	0.2	-
Q3	2.9	0.0	0.9	0.2	0.7	0.8	0.3	-

Sources: Eurostat and ECB calculations.

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

5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

3. Industrial production

	Total		Industry excluding construction									Construction
	Total (s.a. index 2000 = 100)	Total	Industry excluding construction and energy							Energy		
			Manu- facturing	Total	Intermediate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
% of total ¹⁾	100.0	82.9	82.9	75.0	74.0	30.0	22.4	21.5	3.6	17.9	8.9	17.1
	1	2	3	4	5	6	7	8	9	10	11	12
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	2.1	102.3	2.0	2.1	1.9	2.2	3.3	0.5	0.1	0.6	2.0	-0.1
2005	1.1	103.6	1.2	1.3	1.1	0.8	2.6	0.5	-0.9	0.8	1.3	-0.1
2005 Q4	1.9	104.9	2.1	2.3	2.3	2.4	3.0	1.2	1.9	1.1	2.0	0.8
2006 Q1	3.7	106.0	3.4	3.5	3.4	2.9	5.0	2.1	2.4	2.0	3.7	1.5
Q2	3.0	107.3	4.1	4.2	4.5	5.7	5.3	2.4	3.8	2.2	0.8	3.5
Q3	.	108.2	3.9	4.2	4.1	5.5	5.0	1.7	5.0	1.2	2.2	.
2006 Apr.	0.4	106.0	2.0	1.0	1.0	2.9	2.6	0.4	-0.6	0.5	1.4	1.7
May	4.2	107.9	5.5	6.3	6.6	6.9	8.1	4.2	8.2	3.5	-0.7	5.0
June	4.3	107.9	4.8	5.1	5.9	7.3	5.2	2.7	4.0	2.5	1.7	3.6
July	.	107.4	3.4	3.6	3.7	5.0	3.9	1.5	3.3	1.2	2.2	.
Aug.	.	109.4	6.0	6.4	6.1	8.5	7.3	2.8	10.1	1.9	3.1	.
Sep.	.	107.8	2.9	3.0	2.9	3.8	4.5	1.0	3.7	0.5	1.4	.
<i>month-on-month percentage changes (s.a.)</i>												
2006 Apr.	-1.2	-	-0.4	-0.1	-0.8	0.1	-0.7	-0.4	-0.6	-0.3	-2.4	1.5
May	2.0	-	1.7	2.1	2.4	2.2	2.8	1.7	4.3	1.3	-1.7	2.2
June	0.2	-	0.1	-0.1	0.1	0.3	-0.7	-0.5	-1.4	-0.3	3.2	-0.4
July	.	-	-0.5	-0.6	-0.9	-0.8	-0.3	-0.5	-0.5	-0.6	0.8	.
Aug.	.	-	1.9	2.3	2.2	3.2	2.1	1.5	4.9	0.9	-1.0	.
Sep.	.	-	-1.5	-1.7	-1.7	-2.9	-0.9	-1.2	-4.3	-0.7	-0.5	.

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

	Industrial new orders		Industrial turnover		Retail sales							New passenger car registrations	
	Manufacturing ²⁾ (current prices)		Manufacturing (current prices)		Current prices	Constant prices						Total (s.a., thousands) ³⁾	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			
% of total ¹⁾	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8	12	13	
	1	2	3	4	5	6	7	8	9	10	11	12	13
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	110.7	4.6	110.7	3.7	2.2	106.6	1.3	0.7	1.7	2.3	1.3	936	1.5
2005 Q4	117.3	7.4	113.2	4.2	2.3	107.2	1.3	0.6	1.8	2.8	1.7	935	-1.1
2006 Q1	117.3	11.9	115.5	9.0	2.2	107.3	0.8	0.3	1.2	1.7	2.2	946	2.0
Q2	118.5	7.9	118.2	6.4	3.0	107.9	1.6	0.7	2.4	2.7	3.4	957	2.4
Q3	122.8	10.3	119.9	6.5	3.3	108.6	1.8	1.1	2.4	3.2	4.3	936	-1.9
2006 May	120.4	14.8	120.1	13.3	3.1	107.8	1.5	-0.1	3.0	4.5	4.7	968	8.9
June	117.9	5.6	118.2	6.4	2.8	108.0	1.3	0.8	1.7	1.9	2.4	949	-2.5
July	120.3	9.8	118.8	7.2	3.6	108.5	1.9	2.1	1.8	2.0	2.7	918	-4.7
Aug.	124.8	14.5	120.9	9.2	3.9	109.2	2.5	0.6	3.9	7.4	5.8	937	-1.2
Sep.	123.3	7.6	119.9	3.7	2.3	108.2	1.1	0.5	1.7	0.6	4.7	953	0.8
Oct.	.	.	.	.	2.5	108.5	1.1	-0.8	2.2	.	.	940	-0.3
<i>month-on-month percentage changes (s.a.)</i>													
2006 May	-	2.7	-	3.1	0.4	-	0.0	-0.5	0.4	1.1	1.2	-	1.3
June	-	-2.1	-	-1.6	0.2	-	0.1	0.6	-0.3	-0.7	-0.7	-	-1.9
July	-	2.0	-	0.6	0.6	-	0.4	0.7	0.1	0.3	0.3	-	-3.3
Aug.	-	3.8	-	1.7	0.7	-	0.7	-0.7	1.7	3.6	2.7	-	2.1
Sep.	-	-1.3	-	-0.8	-0.9	-	-1.0	-0.2	-1.4	-4.3	-0.8	-	1.8
Oct.	-	.	-	.	0.4	-	0.3	0.0	0.4	.	.	-	-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,¹⁾ unless otherwise indicated; seasonally adjusted)

5. Business and Consumer Surveys

	Economic sentiment indicator ²⁾ (long-term average = 100)	Manufacturing industry					Consumer confidence indicator ³⁾				
		Industrial confidence indicator				Capacity utilisation ⁴⁾	Total ⁵⁾	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total ⁵⁾	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2002	94.9	-11	-25	11	3	81.0	-11	-1	-11	26	-4
2003	93.7	-10	-25	10	4	80.8	-18	-5	-20	37	-10
2004	99.8	-5	-16	8	10	81.5	-14	-4	-14	30	-9
2005	98.4	-7	-17	11	6	81.2	-14	-4	-15	28	-9
2005 Q3	98.0	-7	-17	11	6	80.9	-15	-4	-17	29	-9
Q4	100.6	-6	-15	10	7	81.5	-13	-4	-15	22	-9
2006 Q1	103.0	-2	-9	9	11	82.2	-11	-3	-11	20	-9
Q2	107.2	2	0	6	13	83.0	-10	-3	-10	16	-9
Q3	108.8	4	3	5	12	83.8	-8	-3	-10	12	-8
2006 June	107.8	3	2	5	13	-	-9	-4	-11	13	-10
July	108.6	4	3	5	13	83.6	-8	-4	-10	13	-7
Aug.	108.5	2	3	5	10	-	-9	-4	-10	11	-10
Sep.	109.3	4	4	4	13	-	-8	-3	-9	12	-7
Oct.	110.4	5	5	4	14	83.9	-8	-3	-8	11	-9
Nov.	110.3	6	6	4	16	-	-7	-3	-7	10	-9

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total ⁵⁾	Order books	Employment expectations	Total ⁵⁾	Present business situation	Volume of stocks	Expected business situation	Total ⁵⁾	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2002	-15	-22	-8	-14	-16	16	-9	3	-2	-4	15
2003	-16	-23	-9	-10	-12	16	-1	4	-5	3	14
2004	-12	-20	-4	-8	-12	14	1	11	7	8	18
2005	-7	-12	-2	-7	-13	13	4	11	5	10	18
2005 Q3	-7	-13	-1	-7	-12	14	4	11	5	10	17
Q4	-3	-8	2	-5	-9	15	10	14	10	13	19
2006 Q1	-2	-8	3	-3	-4	15	9	15	10	14	20
Q2	-1	-6	4	1	1	14	16	19	14	18	24
Q3	3	-2	7	2	5	13	14	20	14	19	26
2006 June	-1	-5	4	2	3	12	17	19	14	19	24
July	2	-2	5	0	2	15	12	20	16	18	26
Aug.	2	-4	8	3	6	13	15	21	14	21	28
Sep.	4	0	9	3	8	12	15	18	12	19	24
Oct.	3	-2	6	4	9	13	14	21	14	23	26
Nov.	3	-4	10	3	11	13	12	19	13	19	26

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

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

5.3 Labour markets ¹⁾

(annual percentage changes, unless otherwise indicated)

1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total ²⁾	100.0	100.0	84.6	15.4	4.3	17.7	7.5	24.9	15.0	30.4
	1	2	3	4	5	6	7	8	9	10
2002	134.862	0.7	0.8	0.3	-1.8	-1.2	-0.1	0.6	2.0	2.0
2003	135.461	0.4	0.5	0.0	-2.7	-1.4	0.8	0.7	0.7	1.7
2004	136.421	0.7	0.7	0.8	-1.7	-1.4	1.4	0.9	1.9	1.5
2005	137.471	0.8	0.9	-0.2	-1.7	-1.2	2.5	0.8	2.1	1.2
2005 Q2	137.269	0.7	0.8	0.3	-1.3	-1.6	2.7	0.8	1.8	1.3
Q3	137.543	0.7	0.9	-0.7	-2.1	-0.9	1.7	0.4	2.1	1.3
Q4	137.999	0.7	1.0	-0.8	-1.0	-1.2	2.3	0.6	2.6	0.8
2006 Q1	138.451	1.0	1.1	0.4	-0.5	-1.0	2.3	0.7	2.9	1.3
Q2	139.005	1.2	1.3	0.7	0.4	-0.6	2.4	1.1	3.4	1.1
	<i>quarter-on-quarter percentage changes (s.a.)</i>									
2005 Q2	0.195	0.1	0.2	0.0	0.1	-0.4	0.6	-0.1	0.4	0.4
Q3	0.274	0.2	0.3	-0.2	0.0	-0.1	0.0	0.0	0.7	0.4
Q4	0.456	0.3	0.4	0.1	0.1	-0.2	1.1	0.4	1.1	0.1
2006 Q1	0.452	0.3	0.3	0.7	-0.6	-0.2	0.6	0.3	0.6	0.6
Q2	0.554	0.4	0.4	0.4	0.9	0.0	0.7	0.4	1.0	0.2

2. Unemployment

(seasonally adjusted)

	Total		By age ³⁾				By gender ⁴⁾			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total ²⁾	100.0		75.6		24.4		48.5		51.5	
	1	2	3	4	5	6	7	8	9	10
2002	11.698	8.2	8.614	6.9	3.084	17.1	5.499	6.8	6.199	10.0
2003	12.482	8.7	9.289	7.4	3.193	17.9	5.958	7.4	6.524	10.4
2004	12.832	8.8	9.623	7.5	3.210	18.2	6.169	7.6	6.664	10.5
2005	12.658	8.6	9.564	7.4	3.094	17.8	6.135	7.5	6.522	10.1
2005 Q3	12.435	8.5	9.436	7.3	3.000	17.4	6.060	7.4	6.375	9.9
Q4	12.454	8.5	9.425	7.3	3.029	17.6	5.934	7.2	6.519	10.1
2006 Q1	12.050	8.2	9.082	7.0	2.969	17.2	5.779	7.0	6.271	9.7
Q2	11.589	7.9	8.774	6.7	2.816	16.4	5.607	6.8	5.982	9.2
Q3	11.492	7.8	8.648	6.6	2.844	16.6	5.477	6.6	6.016	9.2
2006 May	11.575	7.8	8.770	6.7	2.805	16.3	5.609	6.8	5.966	9.2
June	11.528	7.8	8.732	6.7	2.796	16.3	5.562	6.7	5.966	9.2
July	11.489	7.8	8.668	6.6	2.821	16.4	5.511	6.7	5.978	9.2
Aug.	11.521	7.8	8.666	6.6	2.855	16.6	5.496	6.6	6.025	9.3
Sep.	11.467	7.8	8.611	6.6	2.856	16.6	5.423	6.6	6.044	9.3
Oct.	11.406	7.7	8.565	6.6	2.841	16.6	5.361	6.5	6.045	9.3

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 ¹⁾ (as a percentage of GDP)

1. Euro area – revenue

	Total		Current revenue								Capital revenue		Memo: fiscal burden ³⁾	
	1	2	Direct taxes		Indirect taxes	Received by EU institutions		Social contributions		Sales	Capital taxes			
			Households	Corporations		Employers	Employees							
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	47.0	46.5	11.9	8.7	2.9	13.3	0.7	17.1	8.5	5.4	2.3	0.5	0.3	42.7
1998	46.5	46.3	12.2	9.1	2.8	13.9	0.6	16.1	8.3	4.9	2.3	0.3	0.3	42.5
1999	47.0	46.8	12.5	9.3	2.9	14.1	0.6	16.1	8.3	4.9	2.3	0.3	0.3	43.0
2000	46.6	46.4	12.7	9.4	3.0	13.9	0.6	15.9	8.2	4.8	2.2	0.3	0.3	42.7
2001	45.8	45.6	12.3	9.2	2.8	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	9.1	2.5	13.5	0.4	15.7	8.2	4.6	2.1	0.3	0.3	41.3
2003	45.2	44.5	11.5	8.9	2.4	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	8.6	2.5	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	8.7	2.7	13.7	0.3	15.5	8.2	4.5	2.2	0.5	0.3	41.2

2. Euro area – expenditure

	Total		Current expenditure						Capital expenditure				Memo: primary expenditure ³⁾	
	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							9
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	49.6	46.0	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	48.8	45.1	10.6	4.7	4.6	25.2	22.2	2.1	0.5	3.8	2.4	1.4	0.1	44.2
1999	48.4	44.5	10.6	4.8	4.0	25.1	22.1	2.1	0.5	3.9	2.5	1.4	0.1	44.3
2000	47.6	43.9	10.4	4.8	3.9	24.8	21.7	2.0	0.5	3.8	2.5	1.3	0.0	43.7
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	5.0	3.3	25.5	22.7	1.9	0.5	4.0	2.5	1.4	0.1	44.9
2004	47.6	43.8	10.4	5.0	3.1	25.2	22.5	1.8	0.5	3.8	2.5	1.4	0.0	44.5
2005	47.6	43.7	10.4	5.1	3.0	25.3	22.5	1.7	0.5	3.9	2.5	1.4	0.0	44.6

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

	Deficit (-)/surplus (+)					Primary deficit (-)/surplus (+)	Government consumption ⁴⁾							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
1997	-2.6	-2.4	-0.4	0.1	0.1	2.4	20.1	10.9	4.8	4.8	1.9	2.3	8.4	11.7
1998	-2.3	-2.2	-0.2	0.1	0.1	2.3	19.7	10.6	4.7	4.8	1.9	2.3	8.2	11.5
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	8.3	11.6
2000	-1.0	-1.4	-0.1	0.1	0.5	2.9	19.8	10.4	4.8	4.9	1.9	2.2	8.2	11.6
2001	-1.9	-1.7	-0.4	-0.1	0.3	1.9	19.9	10.3	4.8	5.0	1.9	2.2	8.1	11.7
2002	-2.6	-2.1	-0.5	-0.2	0.2	0.9	20.3	10.4	4.9	5.1	1.9	2.1	8.2	12.0
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.2	20.5	10.5	5.0	5.2	1.9	2.1	8.3	12.2
2004	-2.8	-2.4	-0.3	-0.2	0.1	0.3	20.4	10.4	5.0	5.2	1.9	2.1	8.3	12.2
2005	-2.5	-2.2	-0.3	-0.2	0.2	0.5	20.5	10.4	5.1	5.2	1.9	2.2	8.2	12.3

4. Euro area countries – deficit (-)/surplus (+)⁵⁾

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2002	0.0	-3.7	-5.2	-0.3	-3.2	-0.4	-2.9	2.1	-2.0	-0.5	-2.9	4.1
2003	0.0	-4.0	-6.1	0.0	-4.2	0.3	-3.5	0.3	-3.1	-1.6	-2.9	2.5
2004	0.0	-3.7	-7.8	-0.2	-3.7	1.5	-3.4	-1.1	-1.8	-1.2	-3.2	2.3
2005	-2.3	-3.2	-5.2	1.1	-2.9	1.1	-4.1	-1.0	-0.3	-1.5	-6.0	2.7

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 ¹⁾

(as a percentage of GDP)

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

	Total	Financial instruments				Holders				Other creditors ³⁾
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors ²⁾				
						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	47.3	58.3	30.3	12.1	15.9	16.8
1997	74.1	2.8	16.0	6.5	48.8	55.4	28.3	13.6	13.5	18.7
1998	72.8	2.7	15.1	5.6	49.3	52.1	26.4	14.5	11.2	20.7
1999	72.0	2.9	14.2	4.2	50.6	48.5	25.4	12.0	11.2	23.4
2000	69.4	2.7	13.1	3.6	50.0	44.1	22.0	11.0	11.0	25.3
2001	68.3	2.8	12.3	4.0	49.2	42.1	20.6	10.4	11.1	26.2
2002	68.2	2.7	11.7	4.6	49.2	40.2	19.2	9.9	11.1	28.0
2003	69.3	2.1	12.3	5.0	49.9	39.1	19.2	10.3	9.6	30.2
2004	69.8	2.2	11.9	5.1	50.7	37.3	18.2	10.0	9.1	32.6
2005	70.8	2.4	11.8	4.9	51.6	35.4	17.1	10.3	8.0	35.4

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

	Total	Issued by ⁴⁾				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies ⁵⁾	Other currencies
1996	75.1	62.9	5.9	5.7	0.5	11.6	63.5	8.6	19.1	25.7	30.2	73.1	2.0
1997	74.1	62.1	6.1	5.4	0.6	9.9	64.2	8.5	18.3	25.3	30.5	72.1	2.0
1998	72.8	61.1	6.1	5.2	0.4	8.9	63.9	7.6	15.8	26.4	30.6	70.9	1.8
1999	72.0	60.5	6.0	5.1	0.4	7.7	64.3	6.6	13.6	28.0	30.4	69.8	2.1
2000	69.4	58.2	5.9	4.9	0.4	6.8	62.6	5.9	13.4	28.0	28.0	67.5	1.9
2001	68.3	57.1	6.1	4.8	0.4	7.2	61.2	5.0	13.7	26.8	27.8	66.7	1.7
2002	68.2	56.7	6.3	4.8	0.4	8.2	60.0	5.0	15.4	25.3	27.5	66.7	1.5
2003	69.3	57.0	6.6	5.1	0.6	8.5	60.8	5.0	14.4	26.1	28.9	68.2	1.1
2004	69.8	57.5	6.7	5.2	0.4	8.5	61.4	4.7	14.3	26.6	28.9	68.8	1.1
2005	70.8	58.1	6.8	5.4	0.5	8.7	62.1	4.7	14.7	26.1	30.0	69.6	1.2

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	103.3	60.3	110.7	52.5	58.2	32.2	105.6	6.5	50.5	65.8	55.5	41.3
2003	98.6	63.9	107.8	48.7	62.4	31.1	104.3	6.3	52.0	64.6	57.0	44.3
2004	94.3	65.7	108.5	46.2	64.4	29.7	103.9	6.6	52.6	63.8	58.6	44.3
2005	93.2	67.9	107.5	43.1	66.6	27.4	106.6	6.0	52.7	63.4	64.0	41.3

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

- 1) Gross general government debt at nominal value and consolidated between sub-sectors of government. Holdings by non-resident governments are not consolidated. Data are partially estimated.
- 2) 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 ¹⁾

(as a percentage of GDP)

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

	1. Euro area – by source, financial instrument and sector of the holder												
	Total	Source of change				Financial instruments				Holders			
		Borrowing requirement ²⁾	Valuation effects ³⁾	Other changes in volume ⁴⁾	Aggregation effect ⁵⁾	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors ⁶⁾	MFIs	Other financial corporations	Other creditors ⁷⁾
1	2	3	4	5	6	7	8	9	10	11	12	13	
1997	1.9	2.5	0.0	-0.3	-0.2	0.0	-0.3	-1.1	3.3	-0.6	-0.8	1.9	2.6
1998	1.8	2.2	-0.2	0.0	-0.1	0.1	-0.3	-0.6	2.6	-0.9	-0.7	1.5	2.7
1999	2.0	1.6	0.4	0.0	-0.1	0.2	-0.2	-1.2	3.1	-1.6	0.0	-2.0	3.6
2000	1.0	1.1	0.0	0.0	-0.1	0.0	-0.5	-0.4	1.9	-2.0	-2.1	-0.3	3.0
2001	1.9	1.9	-0.1	0.1	0.0	0.2	-0.2	0.5	1.3	-0.1	-0.6	-0.1	2.0
2002	2.1	2.6	-0.5	0.0	0.0	0.0	-0.2	0.7	1.7	-0.5	-0.7	-0.2	2.6
2003	3.1	3.3	-0.2	0.0	0.0	-0.6	1.0	0.6	2.1	0.1	0.5	0.7	3.0
2004	3.1	3.2	-0.1	0.0	0.0	0.2	0.1	0.2	2.6	-0.4	-0.3	0.1	3.5
2005	3.1	3.1	0.0	0.0	0.0	0.3	0.2	0.0	2.6	-0.8	-0.5	0.6	3.9

2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) ⁸⁾	Deficit-debt adjustment ⁹⁾											
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	Other ¹⁰⁾
				Total	Currency and deposits	Loans	Securities ¹¹⁾	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	-0.4	0.1	0.0	-0.1	-0.5	-0.7	0.1	0.0	0.1	-0.3	0.1
1998	1.8	-2.3	-0.5	-0.3	0.2	0.0	0.0	-0.5	-0.7	0.2	-0.2	0.0	0.0	0.1
1999	2.0	-1.4	0.6	0.0	0.5	0.1	0.0	-0.5	-0.8	0.1	0.4	0.2	0.0	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	-0.5	-0.7	0.1	0.1	-0.1	-0.3	0.2	-0.1	0.0	0.1	0.6
2002	2.1	-2.6	-0.4	0.1	0.0	0.0	0.0	0.0	-0.3	0.2	-0.5	-0.1	0.0	-0.1
2003	3.1	-3.1	0.0	0.1	0.0	0.0	0.1	-0.2	-0.2	0.2	-0.2	-0.1	0.0	0.1
2004	3.1	-2.8	0.3	0.3	0.2	0.0	0.1	0.0	-0.4	0.2	-0.1	0.0	0.0	0.1
2005	3.1	-2.5	0.6	0.7	0.3	0.1	0.2	0.1	-0.3	0.2	0.0	0.0	0.0	-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 ¹⁾

(as a percentage of GDP)

1. Euro area – quarterly revenue

	Total		Current revenue					Capital revenue		Memo: fiscal burden ²⁾
	1	2	Direct taxes	Indirect taxes	Social contributions	Sales	Property income	8	Capital taxes	
2000 Q2	47.7	47.2	13.8	13.4	15.8	2.1	1.2	0.5	0.3	43.2
Q3	44.1	43.7	11.9	12.5	15.6	2.0	0.8	0.4	0.2	40.3
Q4	49.9	49.4	13.9	14.1	16.6	2.9	1.0	0.5	0.3	44.9
2001 Q1	42.3	41.9	10.5	12.7	15.3	1.8	0.9	0.4	0.2	38.7
Q2	46.9	46.5	13.5	13.0	15.6	2.0	1.6	0.4	0.2	42.3
Q3	43.4	43.0	11.6	12.3	15.5	1.9	0.9	0.4	0.3	39.7
Q4	49.2	48.7	13.5	14.0	16.3	2.9	1.1	0.5	0.3	44.1
2002 Q1	42.0	41.6	10.1	12.7	15.5	1.7	0.8	0.4	0.2	38.6
Q2	45.7	45.1	12.6	12.7	15.5	2.0	1.5	0.5	0.3	41.1
Q3	43.5	43.0	11.2	12.7	15.5	2.0	0.8	0.4	0.3	39.6
Q4	49.2	48.6	13.4	14.2	16.2	2.9	0.9	0.6	0.3	44.1
2003 Q1	42.0	41.5	9.8	12.8	15.6	1.7	0.7	0.5	0.2	38.5
Q2	46.0	44.5	12.1	12.7	15.8	2.0	1.3	1.5	1.2	41.7
Q3	42.9	42.4	10.8	12.7	15.5	1.9	0.7	0.5	0.2	39.2
Q4	49.3	48.3	13.1	14.3	16.2	2.9	0.8	1.0	0.3	43.9
2004 Q1	41.5	41.0	9.6	12.8	15.4	1.7	0.7	0.5	0.3	38.1
Q2	45.1	44.3	12.2	13.1	15.4	2.0	0.9	0.8	0.6	41.2
Q3	42.7	42.2	10.7	12.6	15.4	1.9	0.7	0.5	0.3	38.9
Q4	49.5	48.4	13.0	14.5	16.2	2.9	0.8	1.0	0.4	44.1
2005 Q1	42.2	41.7	10.0	13.0	15.4	1.7	0.6	0.5	0.3	38.6
Q2	45.0	44.3	12.0	13.3	15.3	2.0	0.9	0.6	0.3	40.9
Q3	43.4	42.7	11.1	12.8	15.3	1.9	0.8	0.7	0.3	39.5
Q4	49.6	48.8	13.5	14.5	16.2	2.9	0.9	0.8	0.3	44.5
2006 Q1	42.9	42.3	10.4	13.3	15.3	1.6	0.8	0.6	0.3	39.3
Q2	46.0	45.4	12.7	13.7	15.3	1.9	1.1	0.6	0.3	41.9

2. Euro area – quarterly expenditure and deficit/surplus

	Total		Current expenditure						Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
	1	2	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social benefits	Subsidies	Investment	Capital transfers			
2000 Q2	46.2	42.8	10.3	4.6	3.9	24.0	20.7	1.4	3.4	2.3	1.1	1.5	5.4
Q3	43.1	42.7	10.1	4.6	4.0	24.2	20.9	1.5	0.3	2.5	1.1	1.0	5.0
Q4	49.7	45.9	11.0	5.3	3.7	25.9	22.0	1.6	3.8	3.1	1.5	0.2	3.9
2001 Q1	45.7	42.3	10.1	4.2	4.0	24.1	20.9	1.3	3.4	1.9	1.5	-3.4	0.6
Q2	46.3	42.8	10.2	4.6	3.9	24.1	20.8	1.3	3.5	2.4	1.1	0.7	4.5
Q3	46.1	42.4	10.0	4.6	3.8	24.1	20.8	1.4	3.7	2.5	1.2	-2.7	1.1
Q4	51.1	46.2	11.0	5.7	3.6	25.9	22.1	1.7	4.9	3.2	1.7	-1.9	1.6
2002 Q1	46.3	42.9	10.3	4.3	3.7	24.6	21.2	1.4	3.5	2.0	1.5	-4.3	-0.7
Q2	46.7	43.2	10.3	4.9	3.5	24.4	21.2	1.3	3.4	2.3	1.1	-1.0	2.5
Q3	46.8	43.1	10.0	4.7	3.5	24.9	21.5	1.4	3.7	2.5	1.2	-3.3	0.2
Q4	50.8	46.4	11.0	5.7	3.3	26.4	22.7	1.6	4.4	2.8	1.6	-1.6	1.7
2003 Q1	47.0	43.5	10.4	4.5	3.5	25.1	21.6	1.3	3.5	1.9	1.6	-5.1	-1.5
Q2	47.4	43.9	10.4	4.8	3.4	25.3	21.8	1.3	3.6	2.4	1.2	-1.5	1.9
Q3	47.0	43.3	10.2	4.8	3.3	25.1	21.6	1.3	3.7	2.5	1.1	-4.1	-0.9
Q4	51.1	46.3	11.0	5.7	3.1	26.5	22.9	1.5	4.8	3.2	1.6	-1.8	1.3
2004 Q1	46.6	43.2	10.4	4.6	3.2	25.1	21.5	1.2	3.4	1.9	1.4	-5.1	-1.9
Q2	46.7	43.3	10.4	4.9	3.1	24.9	21.6	1.2	3.4	2.3	1.1	-1.6	1.5
Q3	46.2	42.8	10.0	4.6	3.2	25.0	21.6	1.3	3.4	2.4	1.0	-3.5	-0.3
Q4	50.8	45.9	11.0	5.7	3.0	26.2	22.7	1.4	4.9	3.1	1.8	-1.3	1.7
2005 Q1	46.8	43.4	10.3	4.6	3.1	25.3	21.6	1.2	3.4	1.9	1.5	-4.6	-1.4
Q2	46.4	43.0	10.3	5.0	3.1	24.7	21.5	1.1	3.4	2.3	1.0	-1.4	1.6
Q3	45.9	42.5	9.9	4.7	3.0	24.9	21.5	1.2	3.4	2.4	1.0	-2.5	0.5
Q4	50.8	46.0	11.1	5.7	2.8	26.3	22.7	1.4	4.8	3.1	1.6	-1.2	1.7
2006 Q1	46.0	42.8	10.1	4.8	3.0	24.9	21.3	1.1	3.2	1.9	1.3	-3.1	-0.1
Q2	46.2	42.8	10.3	5.1	3.0	24.4	21.4	1.1	3.4	2.4	1.1	-0.2	2.8

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 instrument¹⁾

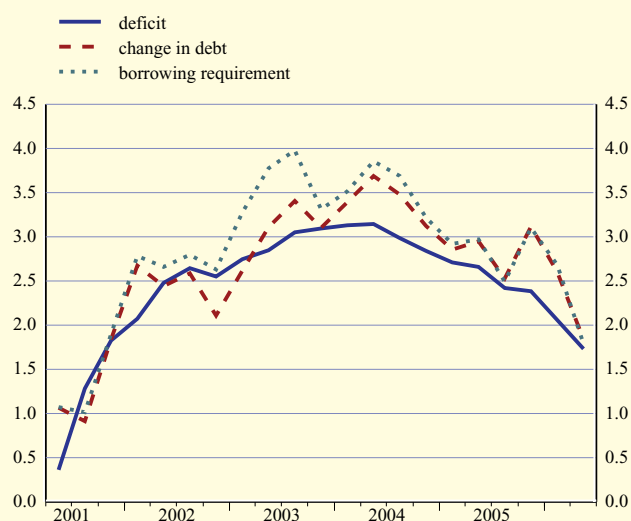
	Total 1	Financial instruments			
		Currency and deposits 2	Loans 3	Short-term securities 4	Long-term securities 5
2003 Q3	70.4	2.7	11.7	5.5	50.5
Q4	69.3	2.1	12.3	5.0	49.9
2004 Q1	70.8	2.1	12.3	5.5	50.8
Q2	71.4	2.2	12.1	5.5	51.5
Q3	71.3	2.3	12.1	5.6	51.4
Q4	69.8	2.2	11.9	5.1	50.7
2005 Q1	71.2	2.2	11.9	5.3	51.8
Q2	72.1	2.4	11.7	5.3	52.7
Q3	71.6	2.4	11.8	5.3	52.1
Q4	70.8	2.4	11.8	4.9	51.6
2006 Q1	71.2	2.5	11.8	5.1	51.8
Q2	71.2	2.5	11.6	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 Q3	2.9	-4.1	-1.3	-1.2	-1.2	0.0	-0.1	0.2	-0.1	0.0	2.9
Q4	-2.0	-1.8	-3.8	-3.9	-2.1	-0.3	-0.1	-1.3	-0.5	0.6	-1.5
2004 Q1	8.5	-5.1	3.4	2.0	1.4	-0.1	0.2	0.5	-0.1	1.5	8.6
Q2	5.6	-1.6	4.0	4.1	3.4	0.2	0.3	0.3	0.0	-0.1	5.6
Q3	2.0	-3.5	-1.4	-1.1	-1.4	0.0	0.2	0.1	-0.3	-0.1	2.3
Q4	-3.1	-1.3	-4.4	-3.4	-2.6	0.0	-0.2	-0.7	0.0	-1.0	-3.1
2005 Q1	7.3	-4.6	2.7	2.4	1.4	0.2	0.4	0.4	0.0	0.3	7.2
Q2	5.8	-1.4	4.4	3.6	2.7	0.2	0.3	0.4	0.2	0.6	5.7
Q3	0.4	-2.5	-2.1	-2.6	-2.5	-0.1	0.3	-0.3	0.0	0.5	0.4
Q4	-0.7	-1.2	-1.9	-0.6	-0.3	0.1	-0.4	0.0	-0.1	-1.2	-0.6
2006 Q1	5.0	-3.1	1.9	1.6	1.1	0.1	0.7	-0.3	-0.4	0.7	5.4
Q2	2.7	-0.2	2.5	3.1	2.4	0.1	0.3	0.2	0.7	-1.2	2.1

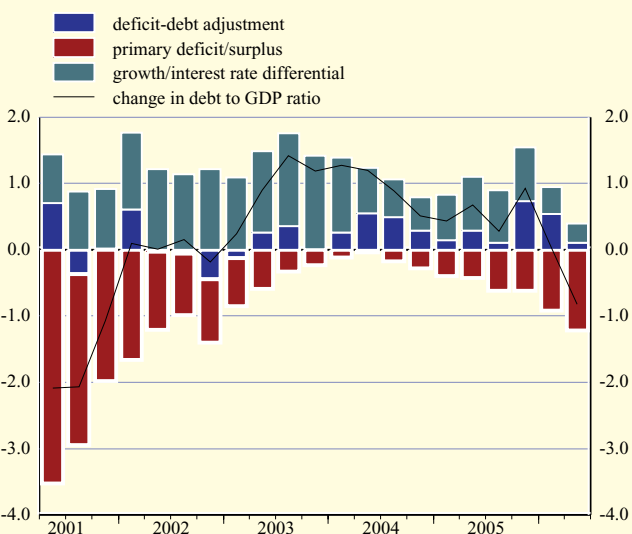
C28 Deficit, borrowing requirement and change in debt

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



C29 Maastricht debt

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



Source: ECB calculations based on Eurostat and national data.

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



EXTERNAL TRANSACTIONS AND POSITIONS

7.1 Balance of payments

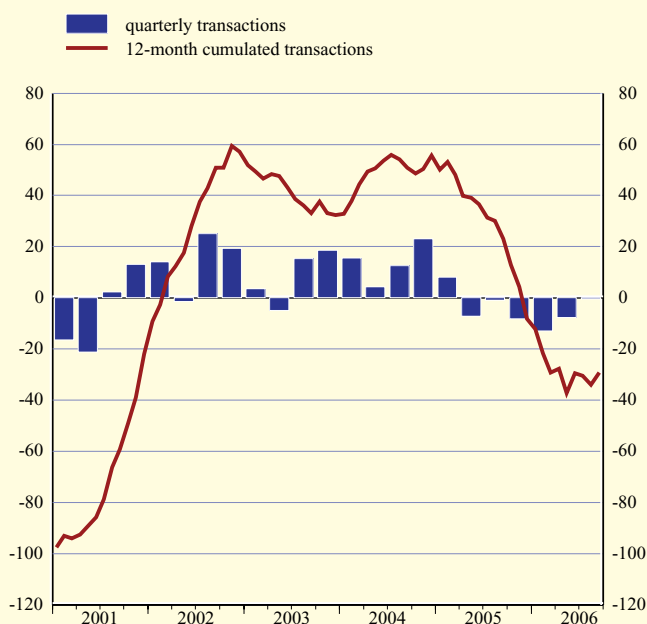
(EUR billions; net transactions)

1. Summary balance of payments

	Current account					Capital account	Net lending/borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2003	32.4	105.0	22.0	-38.1	-56.4	12.3	44.8	-0.5	-11.4	73.6	-14.4	-76.1	27.8	-44.3
2004	55.6	103.5	30.8	-19.8	-58.8	16.6	72.2	-21.1	-64.2	68.2	-6.6	-30.9	12.4	-51.1
2005	-8.2	48.2	36.0	-22.2	-70.2	11.9	3.7	37.4	-202.3	156.9	-10.7	75.5	18.0	-41.1
2005 Q3	-1.0	13.5	9.8	-4.1	-20.2	2.7	1.7	23.5	-107.3	78.1	-0.4	50.7	2.4	-25.2
Q4	-8.1	3.9	11.0	-6.4	-16.6	4.6	-3.6	-42.4	-36.5	-49.5	-6.2	41.5	8.3	46.0
2006 Q1	-12.8	-2.8	4.8	1.4	-16.2	2.0	-10.8	65.7	-31.5	22.9	-8.5	76.8	6.1	-54.9
Q2	-7.6	6.3	12.1	-10.3	-15.8	1.0	-6.6	51.1	-12.1	98.9	-1.7	-32.5	-1.4	-44.5
Q3	-0.5	6.2	8.8	6.1	-21.6	2.0	1.5	49.1	-36.8	26.6	4.7	57.3	-2.7	-50.6
2005 Sep.	-5.7	4.8	3.7	-6.0	-8.2	1.2	-4.5	33.1	1.4	22.4	-1.3	11.0	-0.3	-28.6
Oct.	-6.2	1.3	4.4	-6.2	-5.7	0.5	-5.7	-13.6	-12.9	-2.7	-4.2	6.1	0.1	19.3
Nov.	-1.1	0.8	3.2	0.2	-5.2	0.9	-0.2	2.3	-6.4	-45.8	1.9	51.6	1.0	-2.2
Dec.	-0.8	1.8	3.5	-0.4	-5.8	3.1	2.3	-31.1	-17.2	-1.0	-4.0	-16.1	7.2	28.8
2006 Jan.	-10.2	-6.3	0.9	0.0	-4.7	0.8	-9.4	-3.2	-2.7	-36.4	-2.9	41.1	-2.3	12.6
Feb.	-0.6	0.5	2.3	0.8	-4.3	1.0	0.4	19.5	-29.1	21.4	-3.3	28.6	1.9	-19.9
Mar.	-2.1	3.0	1.5	0.6	-7.2	0.2	-1.9	49.5	0.3	37.9	-2.3	7.1	6.5	-47.6
Apr.	-7.5	0.6	3.0	-5.0	-6.1	0.2	-7.3	25.1	8.3	-6.0	-5.6	29.5	-1.1	-17.8
May	-10.9	0.6	3.8	-9.9	-5.4	0.2	-10.7	31.9	-4.6	44.4	2.0	-8.2	-1.7	-21.2
June	10.8	5.2	5.3	4.5	-4.3	0.6	11.4	-5.9	-15.9	60.5	1.9	-53.8	1.4	-5.5
July	2.5	5.6	5.6	-1.8	-7.0	0.7	3.2	12.3	-9.4	1.0	1.8	19.6	-0.8	-15.4
Aug.	-2.1	-2.8	0.2	7.2	-6.7	1.1	-1.0	-8.3	-7.6	-15.0	-3.8	18.8	-0.8	9.3
Sep.	-0.8	3.4	3.0	0.6	-7.9	0.2	-0.7	45.2	-19.9	40.5	6.7	18.9	-1.0	-44.5
<i>12-month cumulated transactions</i>														
2006 Sep.	-29.1	13.6	36.7	-9.2	-70.2	9.5	-19.6	123.6	-117.1	98.8	-11.8	143.2	10.4	-104.0

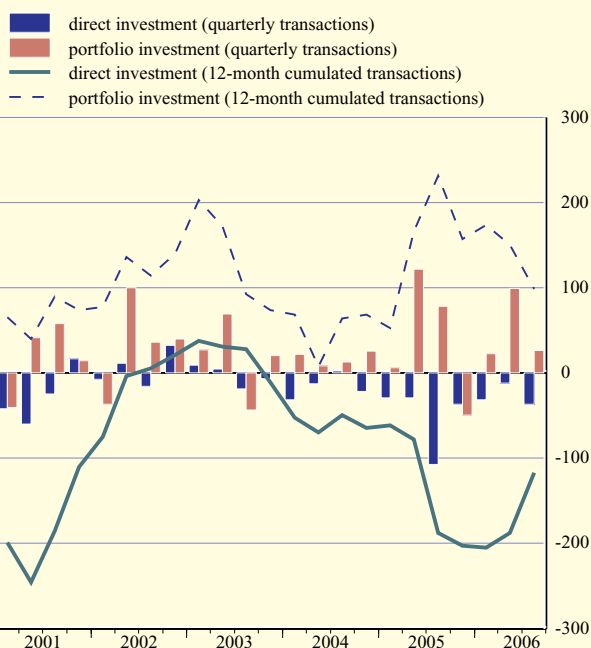
C30 B.o.p. current account balance

(EUR billions)



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

(EUR billions)



Source: ECB.

7.1 Balance of payments

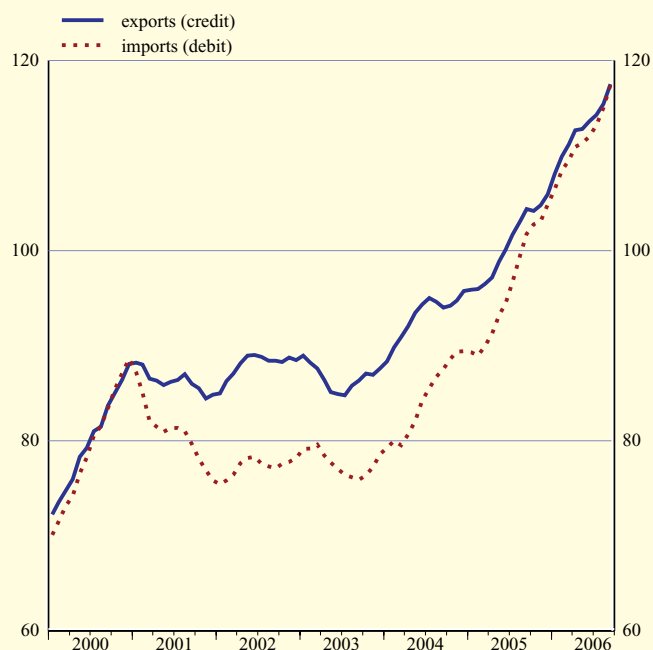
(EUR billions; transactions)

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	1,696.5	1,664.1	32.4	1,036.8	931.9	334.2	312.2	242.7	280.9	82.8	139.2	23.9	11.5
2004	1,859.5	1,803.9	55.6	1,132.4	1,028.9	364.8	334.1	280.7	300.5	81.6	140.5	24.6	8.0
2005	2,048.4	2,056.7	-8.2	1,224.3	1,176.1	400.3	364.3	338.9	361.1	85.1	155.2	23.8	11.9
2005 Q3	520.0	520.9	-1.0	309.8	296.2	110.1	100.2	84.3	88.4	15.9	36.1	4.7	2.0
Q4	555.1	563.2	-8.1	327.8	323.9	106.0	95.0	98.7	105.1	22.5	39.2	8.3	3.8
2006 Q1	542.3	555.1	-12.8	329.7	332.6	96.6	91.8	86.3	84.9	29.6	45.8	5.9	3.9
Q2	578.9	586.5	-7.6	341.8	335.4	106.6	94.5	113.2	123.5	17.3	33.1	4.6	3.6
Q3	576.7	577.2	-0.5	345.1	338.9	113.0	104.2	103.9	97.8	14.7	36.3	4.3	2.3
2006 July	190.7	188.2	2.5	116.0	110.4	39.1	33.5	31.0	32.8	4.6	11.6	1.9	1.2
Aug.	188.1	190.2	-2.1	106.8	109.6	37.3	37.1	38.1	30.8	5.9	12.7	1.6	0.5
Sep.	197.9	198.8	-0.8	122.3	118.9	36.6	33.6	34.8	34.2	4.2	12.1	0.8	0.6
	Seasonally adjusted												
2005 Q3	524.4	531.7	-7.3	313.1	305.1	102.2	93.7	88.0	94.4	21.1	38.4	.	.
Q4	535.7	549.6	-14.0	317.8	314.6	104.7	93.4	92.5	101.6	20.8	40.0	.	.
2006 Q1	559.4	565.9	-6.5	333.4	328.4	105.6	96.0	92.7	98.2	27.7	43.3	.	.
Q2	574.5	576.5	-2.0	340.7	335.8	106.6	97.8	106.0	106.8	21.3	36.1	.	.
Q3	587.1	593.3	-6.3	352.5	352.2	105.5	98.1	109.6	104.3	19.5	38.7	.	.
2006 Jan.	177.5	176.6	0.9	108.9	107.8	34.7	31.8	30.6	29.3	3.4	7.7	.	.
Feb.	195.8	197.9	-2.1	112.2	110.6	36.3	32.4	29.3	32.3	18.0	22.6	.	.
Mar.	186.1	191.4	-5.3	112.3	110.1	34.6	31.8	32.8	36.5	6.4	13.0	.	.
Apr.	185.6	185.8	-0.2	113.4	111.9	35.1	32.0	30.5	29.0	6.6	12.9	.	.
May	194.2	200.9	-6.7	112.5	111.8	35.6	33.0	38.7	43.9	7.3	12.2	.	.
June	194.7	189.8	4.9	114.8	112.1	35.9	32.8	36.8	33.9	7.3	11.0	.	.
July	190.4	192.5	-2.1	115.5	115.6	35.1	31.5	33.6	32.8	6.2	12.6	.	.
Aug.	197.1	201.0	-3.9	115.9	117.2	35.2	33.6	38.4	36.6	7.5	13.5	.	.
Sep.	199.6	199.9	-0.3	121.1	119.4	35.2	33.0	37.5	34.9	5.8	12.6	.	.

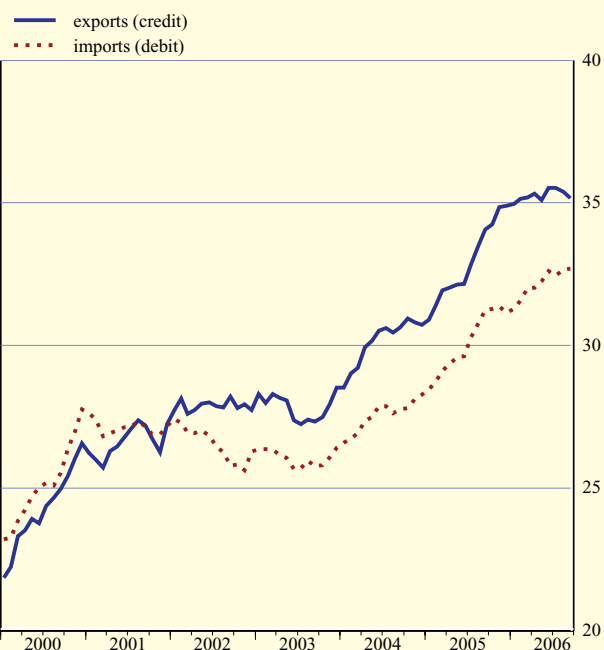
C32 B.o.p. goods

(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	15.1	7.5	227.7	273.4	64.7	57.8	10.3	10.8	18.7	52.9	65.6	79.4	68.4	72.6
2004	15.4	7.9	265.3	292.6	94.7	74.3	13.4	12.9	24.5	56.0	67.5	77.5	65.2	71.9
2005	15.7	9.4	323.2	351.6	112.7	89.4	13.8	13.8	31.2	71.4	78.9	80.0	86.6	97.1
2005 Q2	3.9	2.4	80.3	100.5	26.8	20.0	3.5	3.7	10.3	30.0	19.4	23.2	20.3	23.6
Q3	3.9	2.9	80.4	85.5	27.8	26.1	3.1	3.0	7.5	15.8	20.6	17.0	21.3	23.6
Q4	4.0	2.5	94.7	102.6	36.4	33.4	4.1	4.2	7.3	14.0	21.3	22.5	25.5	28.5
2006 Q1	4.0	2.0	82.3	82.9	19.8	12.2	4.2	3.5	8.2	16.1	23.5	21.2	26.7	29.9
Q2	4.1	2.9	109.1	120.6	36.4	19.2	4.4	4.0	13.2	40.8	24.6	21.4	30.5	35.2

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	-146.4	-130.3	-1.7	-128.6	-16.1	0.0	-16.1	135.0	125.1	3.1	122.0	10.0	0.1	9.9
2004	-154.8	-164.9	-21.4	-143.5	10.1	0.1	10.0	90.6	94.1	1.5	92.6	-3.5	0.5	-4.0
2005	-294.0	-234.5	-12.0	-222.5	-59.5	-0.2	-59.3	91.7	59.8	0.6	59.2	31.9	-0.3	32.2
2005 Q3	-133.6	-108.9	-5.3	-103.6	-24.6	0.0	-24.7	26.2	12.6	1.0	11.6	13.6	0.2	13.4
Q4	-72.7	-58.4	-0.4	-58.0	-14.4	0.1	-14.4	36.2	26.8	-1.5	28.3	9.4	-0.4	9.8
2006 Q1	-50.5	-41.7	-1.8	-39.9	-8.8	0.2	-9.1	19.0	14.7	0.7	14.0	4.3	-0.3	4.6
Q2	-111.0	-88.7	-6.2	-82.4	-22.4	-1.1	-21.3	98.9	86.6	0.5	86.1	12.3	1.0	11.3
Q3	-54.9	-51.2	-8.4	-42.9	-3.6	-0.1	-3.5	18.0	14.3	0.7	13.6	3.7	-0.4	4.1
2005 Sep.	-17.2	-6.6	-1.1	-5.5	-10.6	0.0	-10.6	18.6	3.3	0.4	2.9	15.3	0.2	15.0
Oct.	-22.4	-10.6	0.3	-10.8	-11.8	0.0	-11.7	9.4	11.5	0.3	11.3	-2.1	0.4	-2.5
Nov.	-10.4	-7.2	0.1	-7.3	-3.2	-0.3	-2.9	4.0	2.5	-1.6	4.1	1.5	0.1	1.5
Dec.	-39.9	-40.5	-0.8	-39.8	0.6	0.4	0.2	22.7	12.8	-0.2	12.9	10.0	-0.9	10.8
2006 Jan.	-6.5	4.4	-0.6	5.0	-10.9	-0.1	-10.8	3.8	6.2	0.2	6.0	-2.4	0.1	-2.5
Feb.	-39.4	-33.8	-1.6	-32.3	-5.6	0.1	-5.7	10.3	12.0	0.4	11.6	-1.7	0.1	-1.8
Mar.	-4.6	-12.2	0.4	-12.6	7.6	0.2	7.4	4.9	-3.4	0.2	-3.6	8.3	-0.5	8.9
Apr.	-84.4	-59.8	-1.9	-57.9	-24.6	-0.5	-24.1	92.7	78.2	0.0	78.1	14.6	0.2	14.4
May	-14.6	-18.5	-3.3	-15.2	3.9	-0.3	4.2	10.1	8.5	0.4	8.1	1.5	0.4	1.1
June	-12.0	-10.3	-1.0	-9.3	-1.7	-0.2	-1.4	-3.9	-0.1	0.1	-0.1	-3.8	0.4	-4.2
July	-13.1	-11.6	-1.2	-10.4	-1.4	0.0	-1.4	3.7	3.4	0.2	3.2	0.2	-0.2	0.4
Aug.	-8.2	-13.3	-3.1	-10.2	5.0	-0.1	5.1	0.6	5.0	0.3	4.7	-4.3	-0.1	-4.2
Sep.	-33.6	-26.3	-4.1	-22.3	-7.3	0.0	-7.2	13.7	5.9	0.2	5.7	7.8	-0.2	7.9

Source: ECB.

7.1 Balance of payments

(EUR billions; transactions)

5. Portfolio investment by instrument and sector of holder

	Equity				Debt instruments											
	Assets				Liabilities	Bonds and notes				Money market instruments						
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		Liabilities	Assets				Liabilities	
			General gov.	Eurosystem	MFIs excluding Eurosystem			Non-MFIs	General gov.		Eurosystem	MFIs excluding Eurosystem	Non-MFIs			
1	2	3	4			5	6			7			8	9	10	11	12	13	14	15
2003	-0.3	-13.9	-65.8	-2.6	110.4	-2.4	-45.0	-129.5	-0.2	200.0	0.2	-45.9	23.7	0.6	42.2	
2004	0.0	-22.4	-84.2	-3.7	123.9	1.2	-81.9	-96.6	-2.1	272.1	0.0	-43.2	-15.2	0.1	14.5	
2005	-0.1	-14.1	-120.4	-3.4	282.8	-0.7	-118.6	-137.9	-0.8	242.5	0.1	-14.3	0.0	0.1	37.7	
2005 Q3	-0.1	-4.9	-27.6	-0.9	148.5	-0.4	-20.0	-44.9	0.1	16.3	0.1	-6.8	7.3	0.2	10.5	
Q4	0.0	-4.8	-53.8	-0.8	63.0	0.6	-24.6	-26.9	-0.2	18.5	0.1	-4.7	5.9	5.9	-22.6	
2006 Q1	0.0	-19.1	-77.9	-0.6	121.2	-0.1	-53.7	-36.2	-0.2	80.8	0.7	2.5	-10.3	-3.8	15.0	
Q2	0.0	11.6	7.6	-2.6	35.5	1.0	-23.9	-26.2	0.1	115.4	-3.2	-7.1	-0.7	-3.2	-11.0	
Q3	0.0	-5.7	-20.1	.	73.7	-0.4	-45.4	-19.6	.	56.8	1.9	-15.7	-1.1	.	2.3	
2005 Sep.	0.0	-3.4	-3.4	-	15.8	-0.2	-11.5	-18.9	-	31.6	0.4	4.4	9.8	-	-2.4	
Oct.	0.0	4.6	-11.0	-	-3.8	0.6	-17.3	-9.6	-	19.6	0.0	6.4	3.2	-	4.7	
Nov.	0.0	-6.7	-20.7	-	11.3	0.1	-3.5	-13.7	-	2.5	0.1	-5.1	-1.7	-	-8.5	
Dec.	0.0	-2.7	-22.1	-	55.5	-0.2	-3.7	-3.7	-	-3.6	0.0	-6.0	4.3	-	-18.7	
2006 Jan.	0.0	-6.7	-37.2	-	35.5	0.2	-32.8	-2.5	-	1.0	0.4	3.0	-7.5	-	10.2	
Feb.	0.0	-3.7	-23.4	-	36.2	-0.2	-7.1	-16.9	-	25.0	0.3	1.5	-2.3	-	12.0	
Mar.	0.0	-8.7	-17.4	-	49.5	-0.1	-13.8	-16.8	-	54.9	0.0	-2.0	-0.5	-	-7.1	
Apr.	0.0	3.5	-5.8	-	-9.4	0.5	-6.1	-11.4	-	26.1	-1.1	-6.5	0.2	-	3.9	
May	0.0	3.4	12.2	-	-10.2	0.4	-11.2	-11.8	-	65.8	-1.6	-2.2	-2.0	-	1.7	
June	0.0	4.6	1.2	-	55.1	0.0	-6.6	-3.0	-	23.5	-0.5	1.6	1.1	-	-16.6	
July	0.0	2.3	-8.2	-	45.5	0.2	-10.5	-4.0	-	0.6	0.4	-18.3	-1.9	-	-5.2	
Aug.	0.0	-4.8	-5.0	-	-2.5	0.0	-8.9	-8.1	-	8.4	1.0	0.0	1.9	-	2.9	
Sep.	0.0	-3.2	-6.9	-	30.6	-0.7	-26.1	-7.5	-	47.8	0.5	2.6	-1.1	-	4.6	

6. Other investment by sector

	Total		Eurosystem		General government		MFIs (excluding Eurosystem)						Other sectors			
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Total		Long-term		Short-term		Assets	Liabilities		
							Assets	Liabilities	Assets	Liabilities	Assets	Liabilities				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2003	-252.2	176.0	-0.8	10.6	-0.2	-	-3.4	-152.6	134.8	-50.7	52.3	-101.9	82.5	-98.5	-	34.0
2004	-314.4	283.5	-0.2	7.7	-1.5	-2.0	-3.6	-261.7	244.9	4.4	-17.4	-266.2	262.3	-50.9	-10.4	34.4
2005	-569.6	645.1	-0.6	6.7	5.2	-2.4	-2.4	-397.7	479.4	-98.6	51.7	-299.1	427.7	-176.5	-6.6	161.5
2005 Q3	-106.2	156.9	0.9	5.0	7.7	4.7	1.2	-86.7	123.1	-20.9	14.7	-65.8	108.4	-28.0	-16.0	27.6
Q4	-129.0	170.5	-0.8	-0.9	-2.0	-1.1	-2.0	-88.4	120.0	-38.0	5.3	-50.4	114.8	-37.8	13.5	53.5
2006 Q1	-218.3	295.1	-3.4	6.6	7.6	3.8	-3.6	-136.4	222.2	-13.3	12.8	-123.2	209.4	-86.1	-8.4	69.8
Q2	-103.9	71.4	0.8	2.3	-11.2	-12.1	0.3	-57.6	10.1	-31.4	21.1	-26.2	-10.9	-35.9	15.5	58.6
Q3	-158.3	215.6	-1.3	3.8	12.0	8.1	6.0	-120.2	165.0	-37.3	19.1	-82.9	145.9	-48.8	-7.2	40.8
2005 Sep.	-84.1	95.1	0.1	4.0	2.1	0.8	-0.2	-69.1	76.7	-14.2	6.0	-54.9	70.7	-17.2	-6.8	14.5
Oct.	-53.1	59.2	0.1	-1.1	0.7	-0.3	1.8	-46.4	52.7	-3.8	3.3	-42.6	49.3	-7.4	3.3	5.8
Nov.	-147.4	198.9	-0.9	2.2	-1.2	1.3	0.2	-113.0	174.5	-1.0	0.4	-112.0	174.0	-32.2	-3.8	22.0
Dec.	71.4	-87.6	0.1	-2.0	-1.5	-2.1	-4.1	71.0	-107.1	-33.2	1.5	104.2	-108.6	1.8	13.9	25.6
2006 Jan.	-103.2	144.3	0.1	4.9	3.7	2.3	-2.4	-71.1	117.7	6.6	-1.0	-77.8	118.6	-35.9	-15.8	24.2
Feb.	-44.5	73.1	-4.4	0.2	1.2	1.0	-1.2	-3.9	36.3	-7.4	9.8	3.5	26.4	-37.5	-3.4	37.9
Mar.	-70.5	77.6	1.0	1.6	2.6	0.5	0.0	-61.5	68.3	-12.5	4.0	-48.9	64.3	-12.7	10.9	7.8
Apr.	-82.1	111.6	0.1	-1.3	-4.4	-4.8	4.3	-64.3	82.3	-5.5	9.8	-58.8	72.5	-13.4	6.0	26.3
May	-72.3	64.1	0.0	5.0	-4.1	-4.5	-4.8	-45.1	40.6	-8.4	2.5	-36.7	38.1	-23.1	-3.5	23.3
June	50.5	-104.3	0.6	-1.3	-2.6	-2.9	0.9	51.8	-112.8	-17.4	8.8	69.3	-121.6	0.6	13.1	9.0
July	-53.7	73.3	0.8	0.1	7.0	6.9	1.8	-42.9	64.5	-13.1	7.6	-29.8	56.9	-18.6	-2.8	7.0
Aug.	-2.3	21.2	-2.5	1.3	0.5	-0.1	-0.5	7.9	18.4	-7.7	5.8	15.7	12.6	-8.2	-5.7	1.9
Sep.	-102.3	121.1	0.5	2.5	4.5	1.4	4.7	-85.3	82.1	-16.5	5.7	-68.8	76.4	-22.0	1.3	31.8

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	10.7	0.0	-0.1	0.8	-0.2	0.9	-1.0	0.0	-3.7	0.3
2004	0.1	-0.3	7.7	0.1	0.0	-0.3	1.7	-2.0	-1.3	0.0	-3.4	-0.2
2005	-0.5	-0.1	6.7	0.0	0.0	6.4	8.9	-2.4	-1.2	0.0	-2.2	-0.3
2005 Q2	-1.2	-0.1	0.4	0.0	0.0	-7.1	1.5	-8.6	-0.5	0.0	-2.0	0.0
Q3	0.9	0.0	4.9	0.0	0.0	8.0	3.3	4.7	-0.3	0.0	1.3	-0.1
Q4	-0.8	0.0	-0.9	0.0	0.0	-2.1	-1.0	-1.1	0.1	0.0	-2.1	0.0
2006 Q1	-3.4	0.0	6.6	0.1	0.0	7.8	4.0	3.8	-0.1	0.0	-3.2	-0.4
Q2	0.8	0.0	2.4	0.0	0.0	-10.8	1.4	-12.1	-0.4	0.0	0.2	0.1

	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	-0.9	-95.3	-9.1	-86.3	-2.3	4.3	29.4	0.3
2004	-257.8	-3.9	242.0	2.9	-6.1	-40.6	-30.2	-10.4	-4.3	9.3	23.5	1.6
2005	-394.6	-3.1	477.8	1.6	-8.7	-151.4	-144.8	-6.6	-16.5	11.5	143.8	6.2
2005 Q2	-97.2	1.7	43.7	0.8	-5.9	-40.9	-62.0	21.1	-4.6	2.1	53.5	1.3
Q3	-81.5	-5.2	120.4	2.7	1.4	-22.9	-6.9	-16.0	-6.6	1.9	27.3	-1.7
Q4	-91.9	3.5	124.8	-4.8	-1.9	-36.9	-50.3	13.5	0.9	4.9	47.7	0.9
2006 Q1	-132.6	-3.9	216.3	5.9	-3.8	-74.0	-65.5	-8.4	-8.4	4.4	60.0	5.4
Q2	-58.1	0.5	15.7	-5.5	-3.6	-34.7	-50.3	15.5	2.4	4.0	59.6	-4.9

8. Reserve assets

	Total	Monetary gold	Special drawing rights	Reserve position in the IMF	Foreign exchange						Other claims	
					Total	Currency and deposits		Securities				Financial derivatives
						With monetary authorities and the BIS	With banks	Equity	Bonds and notes	Money market instruments		
1	2	3	4	5	6	7	8	9	10	11	12	
2003	27.8	1.7	0.0	-1.6	27.7	-2.5	1.9	-0.1	22.2	6.3	0.1	0.0
2004	12.4	1.2	0.5	4.0	6.7	-3.0	3.3	0.5	18.3	-12.2	-0.1	0.0
2005	18.0	3.9	-0.2	8.6	5.8	0.2	7.2	0.0	-4.9	3.3	0.0	0.0
2005 Q2	3.1	1.3	0.0	1.3	0.5	-4.1	0.6	0.0	0.9	3.0	0.0	0.0
Q3	2.4	0.5	0.0	2.6	-0.7	1.4	1.4	0.0	-4.9	1.4	-0.1	0.0
Q4	8.3	1.2	-0.1	3.0	4.2	-2.1	6.1	0.0	-1.9	2.0	0.0	0.0
2006 Q1	6.1	0.8	0.0	3.4	2.4	6.2	-4.8	0.0	-3.6	4.6	0.0	-0.5
Q2	-1.4	1.4	0.0	-0.5	-3.0	0.9	2.4	0.0	-6.8	0.5	0.0	0.7

Source: ECB.

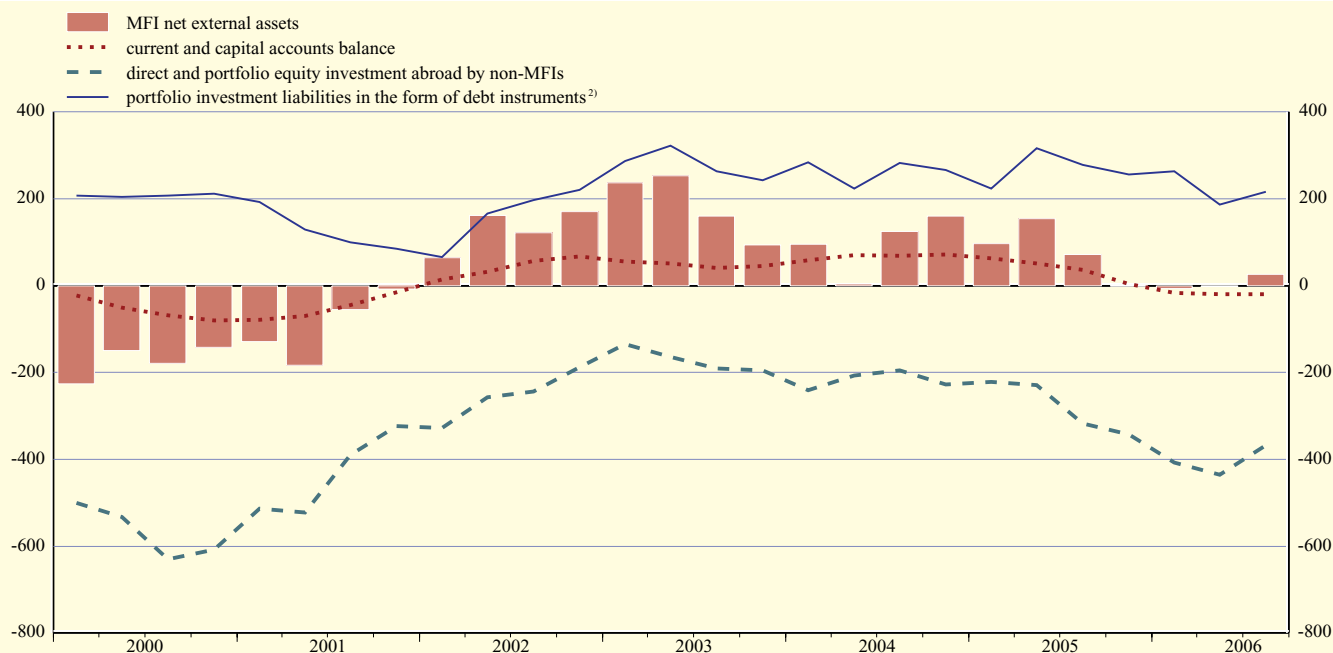
7.2 Monetary presentation of the balance of payments

(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 ¹⁾	Debt instruments ²⁾						
1	2	3	4	5	6	7	8	9	10	11	12	
2003	44.8	-144.7	135.0	-171.6	114.7	242.4	-98.8	30.6	-14.4	-44.3	93.8	93.7
2004	72.2	-133.6	90.1	-196.0	113.9	266.7	-52.5	30.8	-6.6	-51.1	134.0	160.8
2005	3.7	-281.8	92.0	-258.2	239.6	256.1	-171.3	159.1	-10.7	-41.1	-12.7	0.1
2005 Q3	1.7	-128.3	26.1	-65.1	153.0	20.1	-20.4	28.8	-0.4	-25.2	-9.7	-19.2
Q4	-3.6	-72.4	36.6	-74.9	48.2	-7.8	-39.8	51.4	-6.2	46.0	-22.5	-15.0
2006 Q1	-10.8	-49.0	19.3	-124.4	116.1	73.8	-78.5	66.2	-8.5	-54.9	-50.8	-34.1
Q2	-6.6	-103.8	97.9	-19.3	28.9	100.1	-47.1	58.9	-1.7	-44.5	63.0	66.7
Q3	1.5	-46.4	18.4	-40.8	40.3	50.0	-36.8	46.8	4.7	-50.6	-12.8	7.9
2005 Sep.	-4.5	-16.1	18.4	-12.4	11.8	25.3	-15.2	14.3	-1.3	-28.6	-8.2	-21.1
Oct.	-5.7	-22.6	9.0	-17.3	-4.6	18.4	-6.7	7.7	-4.2	19.3	-6.7	-5.2
Nov.	-0.2	-10.3	4.0	-36.1	11.3	-5.5	-33.5	22.2	1.9	-2.2	-48.2	-44.9
Dec.	2.3	-39.5	23.6	-21.5	41.6	-20.6	0.4	21.5	-4.0	28.8	32.5	35.1
2006 Jan.	-9.4	-5.8	3.8	-47.1	31.8	3.6	-32.2	21.8	-2.9	12.6	-23.9	5.7
Feb.	0.4	-37.9	10.2	-42.6	31.3	31.0	-36.3	36.7	-3.3	-19.9	-30.3	-19.2
Mar.	-1.9	-5.3	5.4	-34.7	52.9	39.2	-10.0	7.7	-2.3	-47.6	3.5	-20.6
Apr.	-7.3	-82.0	92.5	-17.0	-13.5	20.4	-17.8	30.6	-5.6	-17.8	-17.5	-7.3
May	-10.7	-11.0	9.7	-1.6	-10.6	63.3	-27.2	18.5	2.0	-21.2	11.0	11.2
June	11.4	-10.7	-4.3	-0.7	53.1	16.4	-2.0	9.8	1.9	-5.5	69.5	62.8
July	3.2	-11.8	3.8	-14.1	27.3	-1.0	-11.6	8.8	1.8	-15.4	-9.0	4.5
Aug.	-1.0	-5.1	0.7	-11.1	2.6	3.8	-7.7	1.5	-3.8	9.3	-10.6	-12.1
Sep.	-0.7	-29.5	13.9	-15.6	10.4	47.1	-17.5	36.6	6.7	-44.5	6.9	15.5
<i>12-month cumulated transactions</i>												
2006 Sep.	-19.6	-271.5	172.3	-259.4	233.6	216.2	-202.1	223.4	-11.8	-104.0	-23.1	25.6

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 Q3 to 2006 Q2	1	2	3	4	5	6	7	8	9	10	11	12
Credits												
Current account	2,196.2	797.3	44.9	70.1	421.7	201.7	58.9	29.6	54.8	144.0	376.0	794.5
Goods	1,309.1	453.8	30.6	46.5	216.2	160.4	0.1	17.1	34.0	72.6	195.3	536.3
Services	419.3	147.4	8.3	11.3	101.5	21.1	5.2	6.1	12.1	40.6	78.2	135.0
Income	382.5	135.1	5.6	11.6	94.1	18.0	5.8	5.9	8.0	24.6	95.6	113.3
of which: investment income	366.4	129.8	5.5	11.4	92.4	17.9	2.6	5.9	7.9	18.5	94.2	110.2
Current transfers	85.3	61.0	0.5	0.7	9.8	2.2	47.8	0.4	0.8	6.2	6.9	10.0
Capital account	23.5	19.9	0.0	0.1	0.8	0.3	18.7	0.0	0.0	0.4	0.5	2.6
Debits												
Current account	2,225.8	708.4	37.9	66.4	351.6	161.4	91.1	20.7	83.2	139.2	333.5	940.8
Goods	1,288.2	365.2	26.2	43.1	167.2	128.7	0.0	10.0	52.4	65.6	124.7	670.2
Services	381.6	120.3	7.0	9.2	79.4	24.6	0.2	5.5	7.6	31.0	86.2	131.0
Income	401.9	126.9	4.2	13.4	96.8	6.7	5.8	4.0	22.8	37.3	114.7	96.1
of which: investment income	391.6	121.9	4.2	13.3	95.8	2.8	5.8	3.9	22.7	36.7	113.8	92.5
Current transfers	154.1	96.0	0.5	0.8	8.2	1.4	85.1	1.2	0.3	5.3	7.8	43.5
Capital account	13.2	1.4	0.0	0.2	0.8	0.2	0.2	0.1	0.0	0.3	1.1	10.2
Net												
Current account	-29.6	88.8	7.1	3.7	70.0	40.3	-32.2	8.9	-28.4	4.8	42.5	-146.3
Goods	20.9	88.6	4.4	3.4	49.0	31.7	0.1	7.1	-18.4	7.0	70.6	-133.9
Services	37.7	27.1	1.2	2.2	22.1	-3.5	5.0	0.6	4.5	9.6	-8.0	4.0
Income	-19.4	8.2	1.4	-1.8	-2.7	11.3	0.0	1.9	-14.8	-12.7	-19.1	17.1
of which: investment income	-25.2	7.9	1.4	-1.8	-3.4	15.0	-3.2	1.9	-14.8	-18.3	-19.7	17.7
Current transfers	-68.8	-35.0	0.0	-0.1	1.6	0.8	-37.3	-0.8	0.4	0.9	-1.0	-33.4
Capital account	10.3	18.4	0.0	-0.1	0.0	0.0	18.5	-0.1	0.0	0.1	-0.6	-7.6

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 Q3 to 2006 Q2	1	2	3	4	5	6	7	8	9	10	11	12	13
Direct investment	-187.5	-128.6	2.7	13.6	-121.4	-23.5	0.0	-1.7	1.2	2.2	-20.2	9.2	-49.5
Abroad	-367.9	-243.6	1.6	3.7	-224.9	-23.9	0.0	-6.8	-2.6	-7.6	-31.3	-19.8	-56.2
Equity/reinvested earnings	-297.6	-221.3	0.3	-0.1	-199.2	-22.2	0.0	-2.3	-2.0	-7.3	-4.9	-10.4	-49.4
Other capital	-70.2	-22.3	1.3	3.7	-25.6	-1.7	0.0	-4.6	-0.6	-0.2	-26.4	-9.4	-6.8
In the euro area	180.3	115.0	1.1	10.0	103.5	0.4	0.0	5.1	3.9	9.7	11.0	29.0	6.7
Equity/reinvested earnings	140.8	89.4	0.3	9.4	78.3	1.3	0.0	4.3	3.6	9.1	-9.6	38.5	5.6
Other capital	39.5	25.6	0.8	0.5	25.2	-1.0	0.0	0.8	0.2	0.6	20.6	-9.5	1.1

Source: ECB.

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

(EUR billions)

3. Balance of payments: portfolio investment assets by instrument

(cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2005 Q3 to 2006 Q2	1	2	3	4	5	6	7	8	9	10	11	12	13
Portfolio investment assets	-440.9	-125.9	0.4	-12.3	-100.1	-11.4	-2.5	-9.6	-32.9	1.9	-99.8	-77.2	-97.3
Equity	-169.1	-14.3	0.7	-5.5	-9.1	-0.4	0.0	-4.4	-23.2	4.7	-51.3	-24.6	-55.9
Debt instruments	-271.7	-111.5	-0.4	-6.7	-90.9	-11.0	-2.5	-5.2	-9.7	-2.8	-48.5	-52.6	-41.3
Bonds and notes	-255.3	-101.1	-0.5	-3.6	-80.9	-13.1	-3.1	-4.2	-6.1	-1.2	-51.7	-49.5	-41.5
Money market instruments	-16.4	-10.4	0.1	-3.1	-10.0	2.1	0.5	-1.1	-3.6	-1.6	3.2	-3.1	0.2

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 Q3 to 2006 Q2	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Other investment	136.5	5.2	-8.8	13.5	0.8	-12.0	11.8	-2.6	35.1	-19.2	45.1	56.6	9.3	6.9
Assets	-557.4	-383.8	-25.4	4.7	-336.3	-26.5	-0.3	-3.9	18.4	-41.7	7.3	-59.3	-2.4	-91.9
General government	2.1	-5.4	1.4	-0.8	-5.5	0.2	-0.7	0.1	0.0	0.0	0.6	0.0	-1.3	8.2
MFIs	-371.7	-217.1	-26.0	5.2	-173.0	-23.5	0.3	-3.3	16.9	-36.9	-7.3	-46.1	-0.7	-77.1
Other sectors	-187.8	-161.3	-0.8	0.3	-157.8	-3.2	0.2	-0.8	1.5	-4.8	14.1	-13.2	-0.4	-23.0
Liabilities	693.9	389.0	16.6	8.8	337.1	14.5	12.1	1.3	16.7	22.4	37.8	116.0	11.7	98.8
General government	-4.1	-2.9	0.0	0.0	-2.6	0.0	-0.3	0.0	0.0	-0.3	-0.8	0.0	-0.2	0.1
MFIs	488.5	225.8	16.0	7.6	188.6	12.2	1.3	1.7	14.0	17.7	17.3	111.6	11.7	88.7
Other sectors	209.5	166.1	0.6	1.2	151.0	2.3	11.1	-0.3	2.7	5.0	21.3	4.4	0.2	10.0

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							
2005	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Direct investment	327.8	-157.7	0.8	-17.3	-292.9	151.7	-0.2	25.2	4.7	36.2	-1.5	-13.9	-0.3	435.2
Abroad	2,712.4	941.2	33.8	81.0	651.8	174.7	0.0	76.1	68.8	241.8	558.0	316.0	0.0	510.4
Equity/reinvested earnings	2,186.8	738.9	29.7	56.8	502.1	150.3	0.0	64.9	63.6	193.7	419.2	297.0	0.0	409.5
Other capital	525.6	202.3	4.1	24.2	149.6	24.5	0.0	11.2	5.2	48.1	138.9	19.0	0.0	100.9
In the euro area	2,384.6	1,099.0	32.9	98.3	944.6	23.0	0.2	50.9	64.1	205.6	559.5	329.9	0.3	75.2
Equity/reinvested earnings	1,776.3	873.3	26.8	81.9	757.0	7.5	0.1	45.9	53.5	141.2	396.0	199.7	0.0	66.8
Other capital	608.3	225.7	6.1	16.4	187.6	15.5	0.1	5.1	10.7	64.4	163.5	130.2	0.3	8.4
Portfolio investment assets	3,873.8	1,199.6	61.2	119.3	860.7	88.5	69.9	83.3	270.3	122.3	1,305.1	411.4	30.8	451.0
Equity	1,733.0	421.9	10.9	46.5	342.2	22.2	0.0	21.6	182.3	112.1	616.5	155.6	1.4	221.6
Debt instruments	2,140.8	777.8	50.3	72.8	518.6	66.3	69.9	61.7	87.9	10.2	688.6	255.7	29.4	229.4
Bonds and notes	1,826.1	649.4	45.9	61.6	407.8	64.3	69.8	60.2	62.3	7.8	589.4	228.5	28.7	199.7
Money market instruments	314.7	128.4	4.3	11.2	110.8	2.0	0.1	1.5	25.6	2.4	99.2	27.2	0.7	29.7
Other investment	-296.0	-49.5	51.8	15.4	17.8	9.1	-143.7	4.5	9.4	-81.7	-13.9	-216.5	-22.7	74.5
Assets	3,671.4	1,866.6	77.0	61.9	1,618.0	100.0	9.7	21.7	92.5	208.8	509.6	354.1	41.8	576.2
General government	101.8	17.8	0.2	0.3	8.9	1.0	7.4	0.1	0.1	0.1	3.3	1.2	35.8	43.4
MFIs	2,523.5	1,432.2	65.7	44.5	1,242.9	78.2	0.9	11.6	67.1	121.8	315.5	245.0	5.3	325.0
Other sectors	1,046.0	416.6	11.0	17.1	366.3	20.8	1.4	10.0	25.4	87.0	190.7	107.9	0.6	207.8
Liabilities	3,967.3	1,916.1	25.1	46.5	1,600.1	90.9	153.5	17.2	83.1	290.5	523.5	570.7	64.5	501.8
General government	46.2	23.5	0.0	0.3	3.3	0.0	20.0	0.0	0.8	0.1	7.4	0.2	3.2	11.1
MFIs	3,180.7	1,488.7	20.0	26.3	1,270.5	71.4	100.5	12.2	55.5	243.9	400.6	518.2	59.9	401.8
Other sectors	740.4	403.9	5.2	20.0	326.3	19.5	33.0	5.0	26.8	46.6	115.5	52.3	1.4	88.9

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							
2002	-709.9	-9.8	181.4	-943.1	-12.6	-301.7	366.1
2003	-781.2	-10.5	90.7	-919.3	-7.5	-251.8	306.7
2004	-824.8	-10.6	109.7	-1,001.2	-14.9	-199.5	281.0
2005	-811.1	-10.1	327.8	-1,148.7	-14.4	-296.0	320.1
2006 Q1	-960.3	-11.5	327.7	-1,217.9	-6.7	-390.6	327.2
Q2	-955.0	-11.4	340.7	-1,280.3	-2.0	-337.2	323.8
Outstanding assets							
2002	7,427.6	102.5	2,007.3	2,292.6	133.1	2,628.5	366.1
2003	7,970.9	106.9	2,171.1	2,659.0	160.8	2,673.4	306.7
2004	8,775.6	113.3	2,338.5	3,035.8	174.1	2,946.2	281.0
2005	10,813.8	135.2	2,712.4	3,873.8	236.1	3,671.4	320.1
2006 Q1	11,277.9	134.9	2,747.5	4,082.3	269.7	3,851.3	327.2
Q2	11,297.5	135.2	2,837.0	3,963.5	268.3	3,904.9	323.8
Outstanding liabilities							
2002	8,137.6	112.3	1,826.0	3,235.8	145.7	2,930.2	-
2003	8,752.1	117.4	2,080.3	3,578.3	168.3	2,925.2	-
2004	9,600.5	123.9	2,228.8	4,037.0	189.0	3,145.7	-
2005	11,624.9	145.3	2,384.6	5,022.5	250.5	3,967.3	-
2006 Q1	12,238.3	146.4	2,419.8	5,300.2	276.4	4,241.9	-
Q2	12,252.5	146.6	2,496.3	5,243.8	270.3	4,242.1	-

2. Direct investment

	By resident units abroad						By non-resident units in the euro area					
	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
	Total	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	
2002	1,546.4	132.7	1,413.7	460.9	1.6	459.3	1,294.8	42.1	1,252.7	531.1	2.9	528.3
2003	1,728.7	124.8	1,603.8	442.4	2.1	440.3	1,508.6	46.3	1,462.3	571.8	3.2	568.6
2004	1,899.2	145.0	1,754.2	439.3	3.1	436.2	1,659.7	44.0	1,615.8	569.1	8.2	560.9
2005	2,186.8	167.1	2,019.7	525.6	6.9	518.8	1,776.3	46.0	1,730.3	608.3	10.1	598.2
2006 Q1	2,219.1	163.4	2,055.7	528.4	6.8	521.6	1,814.7	44.3	1,770.4	605.1	10.0	595.1
Q2	2,288.0	165.6	2,122.4	549.0	7.3	541.7	1,883.6	44.4	1,839.2	612.6	10.1	602.6

3. Portfolio investment assets by instrument and sector of holder

	Equity				Debt instruments													
	Assets				Liabilities				Bonds and notes					Money market instruments				
									Assets		Liabilities			Assets		Liabilities		
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs		Eurosystem	MFIs excluding Eurosystem	Non-MFIs		Eurosystem	MFIs excluding Eurosystem	Non-MFIs		Eurosystem	MFIs excluding Eurosystem	Non-MFIs			
1	2	General gov.	Other sectors	5	6	7	General gov.	Other sectors	10	11	12	General gov.	Other sectors	13	14	15		
2002	0.7	43.6	8.3	799.2	1,364.3	6.4	402.9	8.0	784.6	1,662.1	1.2	189.4	1.2	47.1	209.3			
2003	1.7	53.6	11.5	1,026.4	1,570.7	8.3	461.1	8.0	846.7	1,759.6	1.1	191.5	0.6	48.5	248.0			
2004	2.1	74.0	16.1	1,160.6	1,756.4	6.2	541.6	9.7	938.6	2,045.4	0.9	231.5	0.4	54.2	235.2			
2005	3.0	100.6	26.6	1,602.9	2,428.5	6.6	693.6	11.5	1,114.3	2,276.2	0.8	260.6	0.4	52.9	317.7			
2006 Q1	2.9	121.5	28.7	1,722.1	2,671.4	6.7	733.4	11.0	1,145.7	2,309.8	0.2	247.7	4.1	58.4	319.0			
Q2	2.8	104.9	29.7	1,611.5	2,561.9	5.8	732.5	10.7	1,144.3	2,369.8	3.3	253.6	7.3	57.0	312.0			

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	1.4	62.9	58.2	4.7	54.5	0.1	42.3	13.8	
2003	4.4	0.6	66.0	0.2	0.2	59.4	53.6	5.8	41.6	0.0	42.0	3.8	
2004	4.5	0.1	74.4	0.2	0.2	62.7	54.5	8.3	41.7	0.0	42.1	3.4	
2005	4.8	0.2	82.2	0.2	0.1	58.0	46.2	11.8	43.7	0.0	42.6	3.6	
2006 Q1	8.2	0.2	86.5	0.3	0.1	50.2	42.1	8.1	43.3	0.0	40.8	2.7	
Q2	7.9	0.2	88.5	0.3	0.1	60.6	40.4	20.2	42.6	0.0	41.1	2.8	

	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	174.4	493.8	205.7	288.1	90.7	104.7	364.5	47.8
2003	1,739.8	38.4	2,243.1	30.9	168.9	535.9	207.0	328.9	84.2	107.0	386.4	45.7
2004	1,957.6	45.2	2,423.5	42.1	172.0	568.7	237.1	331.6	93.4	110.0	400.2	49.7
2005	2,462.3	56.2	3,046.0	52.3	184.5	729.8	374.8	355.0	131.7	124.9	546.4	69.1
2006 Q1	2,575.2	55.5	3,236.0	54.7	189.2	789.0	420.2	368.9	140.4	130.2	607.3	83.3
Q2	2,588.6	53.6	3,197.0	47.2	190.9	823.8	470.0	353.7	136.7	134.1	653.4	77.9

5. International reserves

	Reserve assets													Memo		
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency	
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities			Financial derivatives				
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes					Money market instruments
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Eurosystem																
2002	366.1	130.4	399.022	4.8	25.0	205.8	10.3	35.3	159.8	1.0	120.2	38.5	0.4	0.0	22.4	-26.3
2003	306.7	130.0	393.543	4.4	23.3	149.0	10.0	30.4	107.9	1.0	80.5	26.5	0.7	0.0	20.3	-16.3
2004	281.0	125.4	389.998	3.9	18.6	133.0	12.5	25.5	94.7	0.5	58.5	35.6	0.4	0.0	19.1	-12.8
2005	320.1	163.4	375.861	4.3	10.6	141.7	12.6	21.4	107.9	0.6	69.6	37.7	-0.2	0.0	25.6	-17.9
2006 Q1	327.2	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
Q2	323.8	178.9	370.694	4.2	7.8	133.0	5.4	22.0	105.3	0.5	74.6	30.2	0.2	0.0	26.9	-19.1
2006 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
Aug.	326.4	179.4	369.671	4.4	7.3	135.3	3.9	23.2	108.1	-	-	-	0.2	0.0	26.2	-19.7
Sep.	325.0	174.2	367.958	4.5	7.0	139.4	4.5	25.3	109.7	-	-	-	-0.1	0.0	26.8	-21.9
Oct.	325.5	174.7	367.426	4.4	5.9	140.5	4.1	22.0	114.4	-	-	-	0.0	0.0	23.6	-18.6
of which held by the European Central Bank																
2002	45.5	8.1	24.656	0.2	0.0	37.3	1.2	9.9	26.1	0.0	19.5	6.7	0.0	0.0	3.0	-5.2
2003	36.9	8.1	24.656	0.2	0.0	28.6	1.4	5.0	22.2	0.0	14.9	7.3	0.0	0.0	2.8	-1.5
2004	35.1	7.9	24.656	0.2	0.0	27.0	2.7	3.3	21.1	0.0	9.7	11.3	0.0	0.0	2.6	-1.3
2005	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	40.5	11.1	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
Q2	39.2	10.3	21.312	0.2	0.0	28.7	1.3	2.4	25.1	0.0	18.6	6.5	0.0	0.0	3.5	0.0
2006 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
Aug.	40.4	10.3	21.312	0.2	0.0	29.8	0.7	4.4	24.7	-	-	-	0.0	0.0	2.8	-0.4
Sep.	40.8	10.1	21.312	0.2	0.0	30.5	1.4	3.8	25.3	-	-	-	0.0	0.0	2.9	-0.7
Oct.	40.6	10.1	21.312	0.2	0.0	30.2	0.8	3.3	26.2	-	-	-	0.0	0.0	2.7	-0.2

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	512.8	227.7	309.5	949.2	984.6	559.5	163.5	234.2	717.7	105.2
2003	-2.3	0.5	1,060.3	501.3	222.7	300.3	924.0	991.2	553.2	164.4	241.0	716.4	109.0
2004	8.9	9.4	1,146.9	547.7	247.6	313.6	999.4	1,074.9	605.4	184.1	256.3	770.3	129.5
2005	7.7	13.1	1,241.2	589.6	267.7	332.0	1,071.5	1,221.4	700.8	203.7	274.0	845.1	185.6
2005 Q2	6.7	11.6	304.5	145.2	65.0	81.9	260.3	294.3	167.8	50.4	66.5	202.0	41.8
Q3	10.2	15.5	319.9	150.5	70.8	85.2	275.3	318.9	184.3	53.4	70.5	218.4	53.1
Q4	9.9	15.4	324.0	154.8	69.2	86.1	279.3	328.1	188.0	55.4	72.3	225.4	53.3
2006 Q1	15.9	22.5	332.7	159.3	71.1	89.1	285.2	336.5	197.0	52.4	73.8	224.5	55.8
Q2	9.2	14.3	339.3	162.0	71.6	89.6	291.2	343.6	203.8	52.0	74.2	232.4	56.1
Q3	8.0	10.6	346.5	166.4	71.8	90.9	296.2	356.2	213.7	50.5	75.2	237.5	.
2006 Apr.	5.2	9.4	112.5	53.6	23.7	29.2	96.1	114.1	66.1	17.1	24.4	77.0	17.7
May	14.1	20.0	113.1	54.1	23.9	30.2	97.3	114.9	69.0	17.5	25.1	77.3	19.7
June	8.3	13.6	113.6	54.3	24.0	30.1	97.8	114.7	68.7	17.4	24.7	78.1	18.7
July	7.1	13.5	111.7	53.9	22.7	29.3	95.4	117.3	69.6	16.5	24.7	78.5	19.4
Aug.	7.4	9.6	116.2	55.7	23.5	30.6	99.0	119.5	73.6	17.2	25.1	80.2	21.5
Sep.	9.5	8.9	118.5	56.8	25.5	30.9	101.8	119.4	70.5	16.8	25.5	78.8	.
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2002	2.9	-0.7	107.9	105.0	106.2	115.0	108.4	98.2	98.9	89.8	104.1	96.4	101.4
2003	1.0	3.7	109.1	105.9	108.0	114.9	109.3	102.0	100.4	95.4	110.5	100.1	104.9
2004	9.1	6.7	118.2	115.4	121.5	119.9	118.7	108.0	104.4	108.1	118.6	107.6	105.7
2005	4.7	4.9	124.4	119.4	129.8	124.3	124.6	113.8	107.4	120.5	123.6	115.7	110.3
2005 Q2	4.6	5.7	123.1	118.8	126.5	123.7	121.8	112.3	106.0	120.4	121.6	111.6	106.5
Q3	7.0	5.7	127.5	121.1	136.7	126.5	127.5	116.0	108.9	125.0	126.1	118.9	114.9
Q4	5.7	5.1	127.8	122.9	133.1	127.0	128.5	117.1	108.5	129.7	127.1	121.5	111.2
2006 Q1	10.7	8.4	129.4	124.7	135.4	129.8	129.9	116.7	109.6	120.6	128.3	119.1	108.4
Q2	5.0	3.4	131.9	126.9	136.8	130.0	132.8	118.6	111.4	122.3	129.8	123.5	103.9
Q3	.	.	.	.	.	.	.	.	.	.	.	.	.
2006 Apr.	1.2	-1.5	131.3	126.2	136.0	127.3	131.7	117.8	108.6	119.3	127.2	122.3	99.9
May	9.0	7.0	131.9	127.0	136.3	132.0	133.1	118.9	113.3	123.0	131.0	122.8	109.5
June	5.0	4.8	132.5	127.5	138.0	130.8	133.7	118.9	112.2	124.5	131.1	125.5	102.2
July	4.1	5.6	130.2	126.1	130.7	127.7	130.6	120.3	112.2	117.9	127.7	124.4	107.3
Aug.	4.2	2.8	134.9	129.0	134.9	133.4	134.7	122.3	118.9	122.4	129.6	126.6	119.9
Sep.	.	.	.	.	.	.	.	.	.	.	.	.	.
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	99.6	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 Q2	2.0	5.5	98.7	99.2	95.1	100.9	97.7	102.3	107.2	91.6	99.0	97.2	128.1
Q3	3.0	9.2	100.0	100.9	95.8	102.5	98.7	107.3	114.7	93.4	101.2	98.7	150.5
Q4	4.0	9.8	101.1	102.2	96.2	103.3	99.3	109.3	117.4	93.4	103.0	99.6	156.3
2006 Q1	4.7	13.0	102.5	103.7	97.1	104.5	100.3	112.6	121.7	95.0	104.1	101.3	167.8
Q2	4.0	10.5	102.6	103.7	96.9	104.9	100.2	113.1	123.9	92.9	103.6	101.1	176.0
Q3	.	.	.	.	.	.	.	.	.	.	.	.	.
2006 Apr.	4.0	11.0	102.5	103.4	96.6	104.9	100.1	113.3	123.7	93.8	104.2	101.4	173.2
May	4.7	12.1	102.6	103.8	97.4	104.7	100.2	113.1	123.7	93.2	104.2	101.5	176.1
June	3.2	8.4	102.6	103.8	96.6	105.2	100.3	112.9	124.3	91.8	102.3	100.4	178.9
July	2.9	7.5	102.6	104.0	96.5	104.9	100.2	114.2	126.0	91.5	104.9	101.6	176.5
Aug.	3.1	6.6	103.1	105.2	96.9	104.8	100.7	114.4	125.8	92.3	105.2	102.1	175.3
Sep.	.	.	.	.	.	.	.	.	.	.	.	.	.

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

7.5 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

2. Geographical breakdown

	Total	European Union (outside the euro area)				Russia	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
Exports (f.o.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	140.4	59.5	43.5	100.1
2003	1,060.3	24.9	38.7	194.8	117.6	29.3	63.4	24.9	166.3	35.2	31.2	135.5	59.5	37.7	101.2
2004	1,146.9	25.6	41.8	203.9	128.0	35.3	66.1	31.8	173.7	40.3	33.2	149.8	63.8	40.6	113.0
2005	1,241.2	28.7	45.0	204.2	143.4	43.1	70.6	34.6	185.2	43.5	34.1	166.1	73.0	46.9	122.9
2005 Q2	304.5	7.1	11.1	50.2	34.1	10.5	17.1	8.2	45.3	10.0	8.5	40.6	17.2	11.4	33.1
Q3	319.9	7.4	11.4	51.6	36.4	11.3	17.9	9.1	47.3	11.4	8.5	44.1	19.4	12.2	32.0
Q4	324.0	7.5	11.4	51.8	39.2	11.5	18.0	9.4	48.8	11.8	8.6	42.4	19.2	12.3	31.9
2006 Q1	332.7	7.5	11.6	52.7	40.7	12.1	18.0	9.7	50.3	12.5	8.8	43.9	19.0	13.3	32.5
Q2	339.3	7.8	12.2	54.1	42.9	12.9	18.3	9.8	49.3	12.8	8.3	45.1	19.2	13.2	33.6
Q3	346.5	.	.	.	.	14.1	19.2	9.5	49.1	13.4	8.5	45.8	19.0	13.4	.
2006 Apr.	112.5	2.5	3.9	17.8	14.5	4.2	6.1	3.2	16.6	4.2	2.8	15.3	6.3	4.4	10.8
May	113.1	2.6	4.1	17.9	14.1	4.3	6.1	3.3	16.5	4.2	2.8	14.6	6.3	4.4	12.0
June	113.6	2.7	4.2	18.3	14.3	4.4	6.1	3.3	16.1	4.4	2.8	15.2	6.5	4.5	10.8
July	111.7	2.6	4.3	17.7	14.5	4.5	6.4	3.0	16.0	4.3	2.8	14.8	6.2	4.2	10.4
Aug.	116.2	2.6	4.2	19.0	14.7	4.6	6.4	3.2	16.5	4.4	2.8	14.7	6.2	4.5	12.3
Sep.	118.5	.	.	.	.	5.0	6.5	3.3	16.5	4.8	2.9	16.2	6.5	4.6	.
<i>% share of total exports</i>															
2005	100.0	2.3	3.6	16.5	11.5	3.5	5.7	2.8	14.9	3.5	2.7	13.4	5.9	3.8	9.9
Imports (c.i.f.)															
2002	984.6	23.0	35.7	149.7	93.5	42.1	52.1	17.7	125.6	61.7	52.7	143.0	67.8	39.4	80.6
2003	991.2	23.7	36.9	138.9	102.1	47.4	50.6	19.3	110.3	74.5	52.2	141.8	68.9	39.8	84.7
2004	1,074.9	25.3	39.6	144.1	107.2	56.4	53.0	22.8	113.8	92.1	53.9	161.1	72.7	45.1	88.0
2005	1,221.4	25.6	42.2	152.7	117.6	75.4	58.2	24.9	120.1	117.7	53.0	189.4	95.6	53.5	95.6
2005 Q2	294.3	6.5	10.3	37.1	28.9	18.0	14.4	5.8	29.8	27.8	12.6	43.8	22.2	12.2	25.0
Q3	318.9	6.3	10.8	39.7	30.1	19.9	14.9	6.1	30.9	31.3	13.6	50.9	26.4	14.0	24.0
Q4	328.1	6.6	11.1	39.6	31.1	20.3	15.4	6.6	31.0	32.5	13.8	52.7	26.4	15.0	26.1
2006 Q1	336.5	6.7	11.3	40.7	32.2	23.7	15.1	6.7	31.7	33.4	13.9	51.2	26.9	15.7	27.3
Q2	343.6	6.7	11.5	43.3	34.2	24.8	15.4	7.5	31.6	34.5	13.8	53.2	27.0	15.8	24.4
Q3	356.2	.	.	.	.	24.1	15.9	7.2	31.8	35.5	14.0	55.6	27.5	16.4	.
2006 Apr.	114.1	2.3	3.7	14.6	11.3	7.8	5.1	2.6	10.4	11.2	4.4	17.8	8.8	5.1	8.9
May	114.9	2.3	3.9	14.6	11.4	8.5	5.1	2.5	10.5	11.4	4.5	18.0	9.2	5.3	7.9
June	114.7	2.1	3.9	14.0	11.5	8.6	5.3	2.5	10.7	11.9	4.8	17.4	9.0	5.4	7.6
July	117.3	2.5	4.0	14.0	11.8	7.7	5.3	2.3	10.7	11.7	4.6	18.4	8.9	5.5	9.7
Aug.	119.5	2.2	4.0	14.2	11.8	8.7	5.4	2.4	10.7	11.7	4.8	18.7	9.9	5.5	9.5
Sep.	119.4	.	.	.	.	7.7	5.3	2.4	10.5	12.1	4.6	18.5	8.6	5.4	.
<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	4.3	15.5	7.8	4.4	7.8
Balance															
2002	98.8	2.3	1.4	56.0	18.6	-15.0	12.0	3.7	58.4	-31.8	-19.6	-2.6	-8.3	4.1	19.6
2003	69.1	1.2	1.7	56.0	15.5	-18.1	12.7	5.5	56.0	-39.3	-20.9	-6.3	-9.4	-2.0	16.5
2004	72.0	0.3	2.2	59.9	20.9	-21.0	13.1	8.9	59.9	-51.8	-20.7	-11.3	-8.9	-4.5	24.9
2005	19.8	3.1	2.8	51.5	25.8	-32.3	12.4	9.8	65.0	-74.3	-18.9	-23.3	-22.6	-6.5	27.3
2005 Q2	10.2	0.6	0.8	13.1	5.2	-7.5	2.7	2.4	15.5	-17.7	-4.1	-3.1	-5.0	-0.9	8.1
Q3	1.0	1.1	0.6	11.9	6.3	-8.7	3.0	2.9	16.5	-19.9	-5.1	-6.8	-7.0	-1.8	8.0
Q4	-4.2	0.9	0.4	12.3	8.1	-8.9	2.6	2.8	17.8	-20.7	-5.3	-10.3	-7.2	-2.7	5.8
2006 Q1	-3.8	0.8	0.3	12.0	8.6	-11.6	2.9	3.0	18.5	-20.9	-5.1	-7.3	-7.9	-2.3	5.3
Q2	-4.3	1.1	0.7	10.8	8.7	-12.0	2.8	2.3	17.7	-21.7	-5.5	-8.1	-7.9	-2.5	9.2
Q3	-9.7	.	.	.	.	-10.0	3.3	2.3	17.3	-22.0	-5.5	-9.8	-8.5	-3.1	.
2006 Apr.	-1.6	0.2	0.2	3.1	3.2	-3.6	1.0	0.7	6.2	-7.1	-1.6	-2.5	-2.5	-0.8	1.9
May	-1.8	0.3	0.2	3.3	2.7	-4.2	1.0	0.9	6.0	-7.2	-1.7	-3.4	-2.9	-0.9	4.1
June	-1.0	0.5	0.3	4.3	2.8	-4.1	0.8	0.8	5.4	-7.5	-2.1	-2.2	-2.5	-0.9	3.3
July	-5.6	0.1	0.2	3.7	2.7	-3.3	1.1	0.7	5.4	-7.4	-1.9	-3.6	-2.7	-1.3	0.7
Aug.	-3.3	0.4	0.3	4.8	2.9	-4.1	1.1	0.8	5.8	-7.3	-2.0	-4.0	-3.7	-1.0	2.8
Sep.	-0.9	.	.	.	.	-2.6	1.2	0.9	6.1	-7.3	-1.7	-2.2	-2.1	-0.8	.

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

EXCHANGE RATES

8.1 Effective exchange rates ¹⁾

(period averages; index 1999 Q1=100)

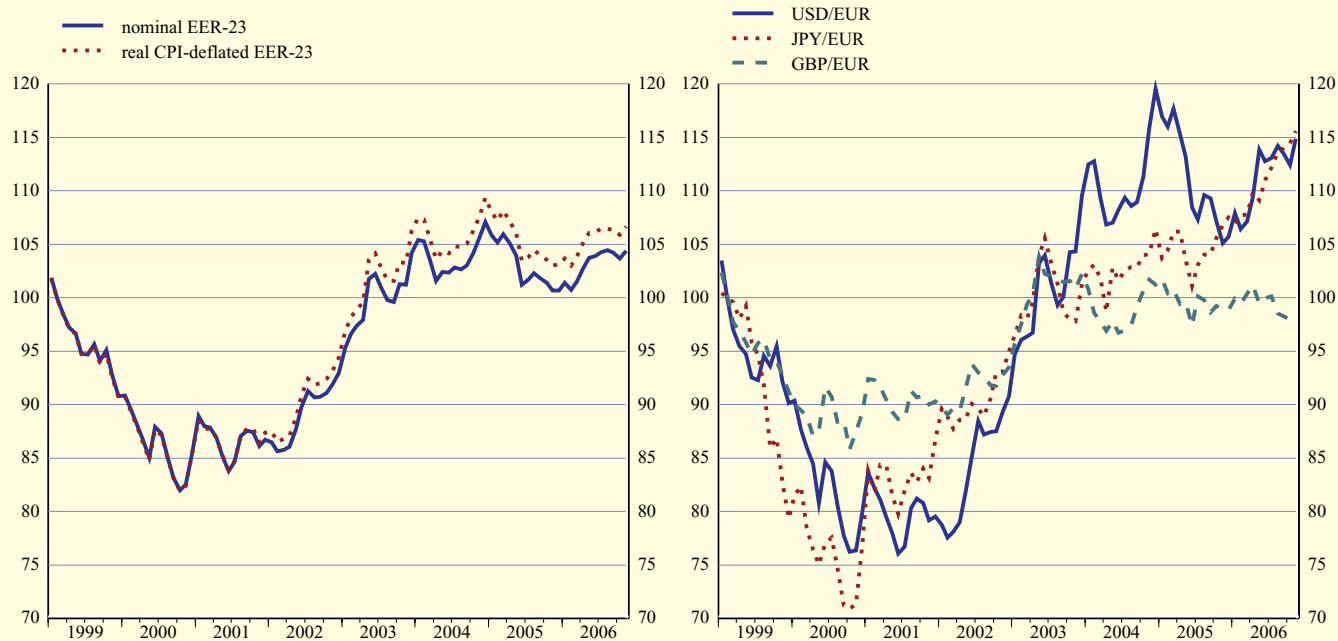
	EER-23						EER-42		
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI	
	1	2	3	4	5	6	7	8	
2003	99.9	101.7	102.1	100.8	96.2	99.2	106.6	101.6	
2004	103.8	105.8	105.2	104.4	100.3	103.6	111.0	105.4	
2005	102.9	105.1	103.6	103.2	98.3	101.5	109.5	103.5	
2005 Q3	101.9	104.1	102.4	101.3	97.0	100.2	108.3	102.3	
Q4	100.9	103.2	101.1	103.0	95.7	99.0	107.2	101.2	
2006 Q1	101.2	103.5	102.0	103.0	95.0	98.8	107.2	101.1	
Q2	103.5	105.7	104.3	105.1	96.7	100.4	109.9	103.4	
Q3	104.3	106.4	105.1	.	.	.	111.0	104.2	
2005 Nov.	100.7	103.0	100.9	-	-	-	106.9	100.9	
Dec.	100.7	103.1	101.0	-	-	-	106.9	101.0	
2006 Jan.	101.4	103.7	101.9	-	-	-	107.5	101.4	
Feb.	100.7	103.0	101.7	-	-	-	106.6	100.5	
Mar.	101.5	103.9	102.5	-	-	-	107.4	101.3	
Apr.	102.7	105.0	103.6	-	-	-	108.6	102.3	
May	103.8	106.1	104.7	-	-	-	110.3	103.8	
June	103.9	106.1	104.6	-	-	-	110.9	104.2	
July	104.3	106.5	105.2	-	-	-	111.0	104.4	
Aug.	104.4	106.5	105.3	-	-	-	111.1	104.2	
Sep.	104.2	106.4	104.8	-	-	-	110.9	104.0	
Oct.	103.7	105.9	104.7	-	-	-	110.2	103.4	
Nov.	104.4	106.7	105.5	-	-	-	110.9	104.1	
	<i>% change versus previous month</i>								
2006 Nov.	0.7	0.7	0.8	-	-	-	0.7	0.6	
	<i>% change versus previous year</i>								
2006 Nov.	3.7	3.6	4.6	-	-	-	3.8	3.2	

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
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
Q3	7.4604	9.2304	0.67977	1.2743	148.09	1.5768	1,217.10	9.9109	2.0125	1.4283	8.0604	1.6831
2006 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
Sep.	7.4601	9.2665	0.67511	1.2727	148.99	1.5841	1,212.64	9.9051	2.0101	1.4203	8.2572	1.6839
Oct.	7.4555	9.2533	0.67254	1.2611	149.65	1.5898	1,202.31	9.8189	1.9905	1.4235	8.3960	1.6733
Nov.	7.4564	9.1008	0.67397	1.2881	151.11	1.5922	1,205.01	10.0246	2.0049	1.4635	8.2446	1.6684
	% change versus previous month											
2006 Nov.	0.0	-1.6	0.2	2.1	1.0	0.2	0.2	2.1	0.7	2.8	-1.8	-0.3
	% change versus previous year											
2006 Nov.	0.0	-4.8	-0.8	9.3	8.2	3.1	-1.7	9.7	0.2	5.0	5.3	4.1
	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 ¹⁾ 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
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
Q3	28.337	15.6466	0.57579	0.6960	3.4528	275.41	0.4293	3.9537	239.62	37.842	1.9558	3,5415
2006 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
Sep.	28.383	15.6466	0.57650	0.6961	3.4528	274.42	0.4293	3.9649	239.59	37.497	1.9558	3,5274
Oct.	28.290	15.6466	0.57672	0.6961	3.4528	267.10	0.4293	3.9014	239.60	36.804	1.9558	3,5191
Nov.	28.029	15.6466	0.57770	0.6970	3.4528	258.84	0.4293	3.8248	239.64	35.884	1.9558	3,4955
	% change versus previous month											
2006 Nov.	-0.9	0.0	0.2	0.1	0.0	-3.1	0.0	-2.0	0.0	-2.5	0.0	-0.7
	% change versus previous year											
2006 Nov.	-4.2	0.0	0.7	0.1	0.0	3.1	0.0	-3.7	0.1	-7.2	0.0	-
	Chinese yuan renminbi ²⁾ 25	Croatian kuna ²⁾ 26	Icelandic krona 27	Indonesian rupiah ²⁾ 28	Malaysian ringgit ²⁾ 29	New Zealand dollar 30	Philippine peso ²⁾ 31	Russian rouble ²⁾ 32	South African rand 33	Thai baht ²⁾ 34	New Turkish lira ³⁾ 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	
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	
Q3	10.1506	7.3109	91.21	11,626.90	4.6786	2.0079	65.356	34.1602	9.1094	48.015	1,9118	
2006 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	
Sep.	10.0971	7.3945	89.31	11,646.15	4.6724	1.9453	64.029	34.0549	9.4553	47.640	1,8870	
Oct.	9.9651	7.3913	86.29	11,569.46	4.6390	1.9066	63.022	33.8849	9.6481	47.068	1,8654	
Nov.	10.1286	7.3482	89.29	11,772.03	4.6927	1.9263	64.186	34.2602	9.3616	47.049	1,8786	
	% change versus previous month											
2006 Nov.	1.6	-0.6	3.5	1.8	1.2	1.0	1.8	1.1	-3.0	0.0	0.7	
	% change versus previous year											
2006 Nov.	6.3	-0.4	22.4	-0.5	5.4	12.7	-0.1	1.0	19.3	-2.9	17.2	

Source: ECB.

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

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

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



DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Slovenia	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13
HICP													
2004	2.6	0.9	3.0	1.9	6.2	1.2	6.8	2.7	3.6	3.7	7.5	1.0	1.3
2005	1.6	1.7	4.1	2.0	6.9	2.7	3.5	2.5	2.2	2.5	2.8	0.8	2.1
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
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
Q3	2.4	1.8	4.4	2.6	6.6	4.0	4.6	3.2	1.5	2.5	4.8	1.5	2.4
2006 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
Aug.	2.6	1.9	5.0	2.7	6.8	4.3	4.7	3.0	1.7	3.1	5.0	1.6	2.5
Sep.	2.2	1.5	3.8	2.2	5.9	3.3	5.9	3.1	1.4	2.5	4.5	1.2	2.4
Oct.	0.8	1.4	3.8	1.7	5.6	3.7	6.3	1.7	1.1	1.5	3.1	1.2	2.4
General government deficit (-)/surplus (+) as a % of GDP													
2003	-6.6	1.1	2.0	-6.3	-1.2	-1.3	-7.2	-10.0	-4.7	-2.8	-3.7	0.1	-3.3
2004	-2.9	2.7	2.3	-4.1	-0.9	-1.5	-6.5	-5.0	-3.9	-2.3	-3.0	1.8	-3.2
2005	-3.6	4.9	2.3	-2.3	0.1	-0.5	-7.8	-3.2	-2.5	-1.4	-3.1	3.0	-3.3
General government gross debt as a % of GDP													
2003	30.1	44.4	5.7	69.1	14.4	21.2	58.0	70.2	43.9	28.5	42.7	51.8	38.9
2004	30.7	42.6	5.2	70.3	14.5	19.4	59.4	74.9	41.8	28.7	41.6	50.5	40.4
2005	30.4	35.9	4.5	69.2	12.1	18.7	61.7	74.2	42.0	28.0	34.5	50.4	42.4
Long-term government bond yield as a % per annum, period average													
2006 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
Aug.	3.85	3.93	-	4.28	4.36	4.28	7.49	4.34	5.62	3.92	5.13	3.84	4.49
Sep.	3.90	3.79	-	4.28	4.38	4.28	7.58	4.34	5.48	3.98	4.79	3.70	4.44
Oct.	3.89	3.88	-	4.26	4.55	4.28	7.47	4.34	5.40	4.02	4.42	3.73	4.51
3-month interest rate as a % per annum, period average													
2006 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
Aug.	2.36	3.33	3.32	3.21	5.07	3.27	7.11	3.69	4.19	3.52	4.93	2.70	4.94
Sep.	2.49	3.45	3.40	3.39	4.84	3.38	7.88	3.65	4.21	3.55	4.95	2.83	5.03
Oct.	2.65	3.61	3.57	3.62	4.97	3.53	8.20	3.62	4.21	3.55	5.02	2.96	5.13
Real GDP													
2004	4.2	1.9	8.1	4.1	8.6	7.3	5.2	0.0	5.3	4.2	5.4	4.1	3.1
2005	6.1	3.0	10.5	3.8	10.2	7.6	4.1	2.2	3.4	3.9	6.0	2.9	1.8
2006 Q1	7.1	3.5	11.6	3.6	13.1	8.1	4.3	-1.8	4.7	4.8	6.7	4.4	2.3
Q2	6.2	3.9	11.8	4.1	11.1	8.5	4.0	5.5	5.2	5.6	6.7	5.0	2.6
Q3	.	3.8	.	3.6	.	7.1	.	.	.	.	9.8	4.7	2.7
Current and capital accounts balance as a % of GDP													
2004	-6.5	2.4	-11.7	-4.1	-11.9	-6.4	-8.1	-6.6	-3.8	-3.1	-3.3	6.9	-1.5
2005	-1.9	3.7	-9.5	-5.1	-11.4	-5.9	-5.9	-7.1	-1.4	-2.4	-8.6	6.3	-2.1
2005 Q4	-2.4	2.9	-7.9	-23.7	-14.3	-6.0	-4.7	-15.9	-1.7	-6.5	-14.9	5.7	-2.1
2006 Q1	0.7	-0.5	-11.3	-12.1	-13.0	-9.6	-7.4	-12.4	-1.6	-2.0	-6.4	5.7	-2.8
Q2	-6.3	3.0	-9.7	-4.0	-16.5	-9.0	-6.4	-7.9	-1.5	0.7	-9.5	5.7	-3.0
Unit labour costs													
2004	1.8	1.0	4.4	0.6	6.6	3.0	5.6	1.1	-1.5	3.6	3.2	-1.0	2.0
2005	-0.6	1.2	2.7	1.3	5.8	3.7	.	-0.1	0.4	1.6	1.2	0.6	.
2006 Q1	-0.2	1.4	3.7	-	-	3.6	-	.	-	-	3.3	-2.3	.
Q2	.	1.2	5.1	-	-	3.5	-	.	-	-	1.8	-0.2	.
Q3	.	1.3	.	-	-	.	-	.	-	-	.	0.2	.
Standardised unemployment rate as a % of labour force (s.a.)													
2004	8.3	5.5	9.7	4.6	10.4	11.4	6.1	7.4	19.0	6.3	18.2	7.7	4.7
2005	7.9	4.8	7.9	5.3	8.8	8.2	7.2	7.3	17.7	6.5	16.3	7.8	4.8
2006 Q1	7.7	4.2	5.9	5.3	7.6	6.0	7.4	7.6	15.2	6.4	14.2	7.8	5.2
Q2	7.3	4.1	6.3	5.2	7.3	5.8	7.3	7.6	14.4	6.3	13.6	.	5.5
Q3	7.1	3.6	4.4	5.2	7.2	5.8	7.6	7.5	14.2	5.9	13.0	.	.
2006 June	7.1	4.0	6.0	5.3	7.2	5.6	7.3	7.6	14.2	6.2	13.5	.	5.5
July	7.2	3.7	4.6	5.2	7.4	5.6	7.5	7.5	14.4	6.1	13.2	.	5.6
Aug.	7.1	3.7	4.4	5.2	7.2	5.8	7.6	7.5	14.2	6.0	13.1	.	5.6
Sep.	7.0	3.5	4.2	5.1	7.0	6.1	7.6	7.4	14.1	5.8	12.9	.	.
Oct.	6.9	.	4.2	5.1	6.8	5.7	7.9	7.3	14.0	5.4	12.7	.	.

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

9.2 In the United States and Japan

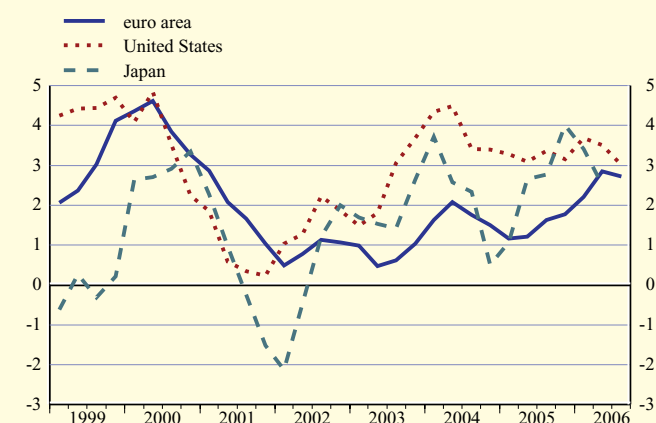
(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Consumer price index	Unit labour costs ¹⁾ (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money ²⁾	3-month interbank deposit rate ³⁾ as a % per annum	10-year government bond yield ³⁾ as a % per annum	Exchange rate ⁴⁾ as national currency per euro	Fiscal deficit (-)/surplus (+) as a % of GDP	Gross public debt ⁵⁾ as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
2002	1.6	0.3	1.6	0.3	5.8	8.0	1.80	4.60	0.9456	-3.8	45.4
2003	2.3	0.8	2.5	0.7	6.0	6.4	1.22	4.00	1.1312	-4.8	48.0
2004	2.7	0.1	3.9	5.0	5.5	5.0	1.62	4.26	1.2439	-4.6	48.8
2005	3.4	0.5	3.2	3.9	5.1	6.0	3.56	4.28	1.2441	-3.7	49.2
2005 Q3	3.8	0.3	3.4	3.1	5.0	5.9	3.77	4.21	1.2199	-4.3	48.7
Q4	3.7	-0.9	3.1	4.3	4.9	7.4	4.34	4.48	1.1884	-3.4	49.2
2006 Q1	3.6	2.1	3.7	4.8	4.7	8.2	4.76	4.57	1.2023	-2.3	49.8
Q2	4.0	-0.2	3.5	5.7	4.6	9.0	5.21	5.07	1.2582	-2.0	48.6
Q3	3.3	-2.0	3.0	6.3	4.7	9.0	5.43	4.90	1.2743	.	.
2006 July	4.1	-	-	6.2	4.8	9.3	5.50	5.10	1.2684	-	-
Aug.	3.8	-	-	6.3	4.7	9.0	5.42	4.88	1.2811	-	-
Sep.	2.1	-	-	6.6	4.6	8.8	5.38	4.72	1.2727	-	-
Oct.	1.3	-	-	4.4	4.4	9.0	5.37	4.73	1.2611	-	-
Nov.	.	-	-	.	.	.	5.37	4.60	1.2881	-	-
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	-0.2	-3.8	2.0	3.2	5.2	1.7	0.06	0.99	130.97	-7.8	151.3
2004	0.0	-5.2	2.1	5.5	4.7	1.9	0.05	1.50	134.44	-5.6	157.9
2005	-0.3	-0.5	2.7	1.1	4.4	1.8	0.06	1.39	136.85	.	.
2005 Q3	-0.3	0.3	2.9	-0.2	4.3	1.7	0.06	1.36	135.62	.	.
Q4	-0.7	-2.1	4.1	3.0	4.5	1.9	0.06	1.53	139.41	.	.
2006 Q1	-0.1	-1.6	3.6	3.2	4.2	1.7	0.08	1.58	140.51	.	.
Q2	0.2	-2.4	2.7	4.2	4.1	1.4	0.21	1.90	143.81	.	.
Q3	0.6	.	2.7	5.4	4.1	0.5	0.41	1.80	148.09	.	.
2006 July	0.3	-2.5	-	5.1	4.1	0.6	0.40	1.91	146.70	-	-
Aug.	0.9	-3.6	-	5.9	4.2	0.5	0.41	1.81	148.53	-	-
Sep.	0.6	.	-	5.2	4.2	0.6	0.42	1.68	148.99	-	-
Oct.	0.4	.	-	7.4	4.1	0.7	0.44	1.76	149.65	-	-
Nov.	.	.	-	.	.	.	0.48	1.70	151.11	-	-

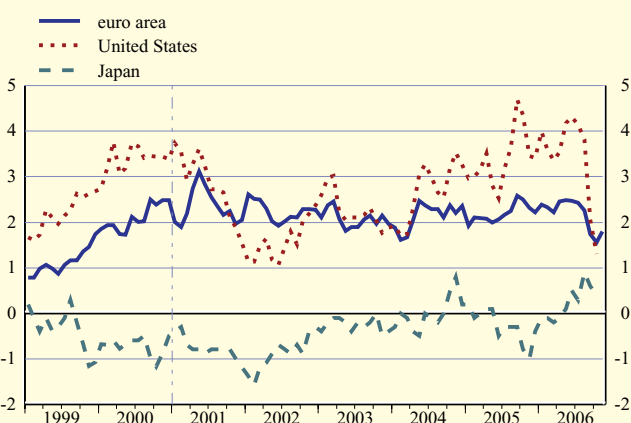
C37 Real gross domestic product

(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

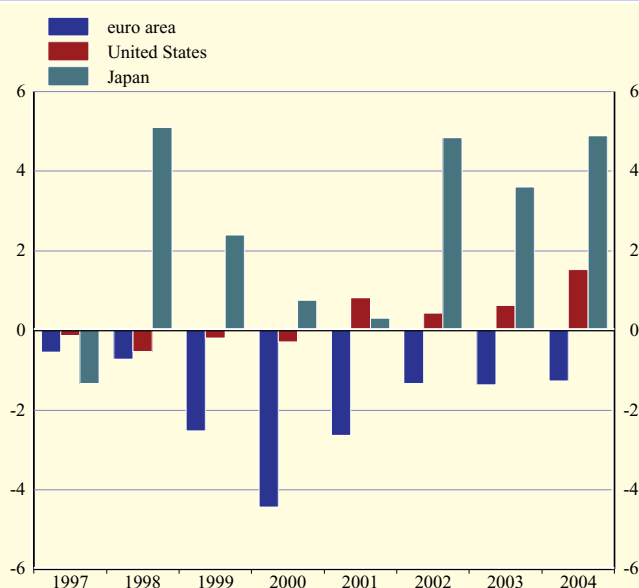
(as a percentage of GDP)

2. Saving, investment and financing

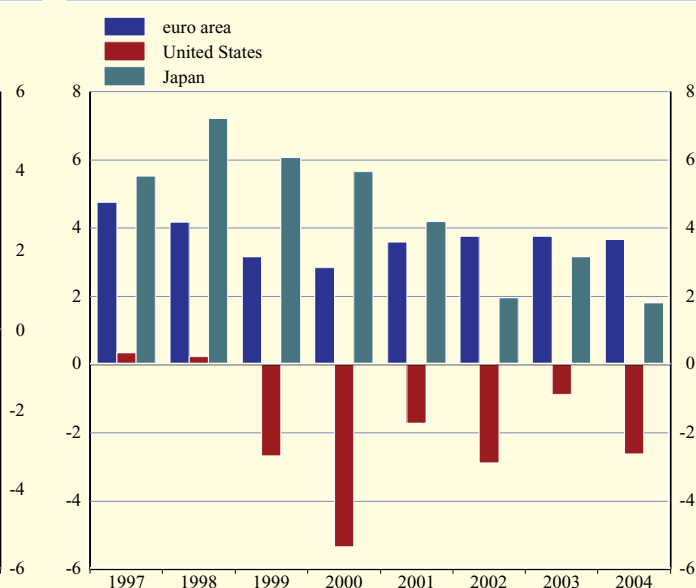
	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households ¹⁾			
	Gross saving	Gross capital formation	Net lending to the rest of the world	Gross capital formation	Gross fixed capital formation	Net acquisition of financial assets	Gross saving	Net incurrence of liabilities	Securities and shares	Capital expenditures ²⁾	Net acquisition of financial assets	Gross saving ³⁾	Net incurrence of liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13
United States													
2002	14.2	18.4	-4.4	7.0	7.0	1.2	7.7	0.8	-0.2	13.0	4.4	11.4	7.3
2003	13.3	18.5	-4.7	6.8	6.8	0.8	7.6	0.1	0.4	13.3	8.5	11.3	9.3
2004	13.2	19.3	-5.6	7.0	6.7	6.7	7.6	5.2	0.4	13.5	7.4	11.2	10.1
2005	12.9	19.7	-6.2	7.1	7.0	3.2	7.9	2.6	-0.7	13.8	4.7	9.6	9.7
2004 Q3	13.4	19.5	-5.6	7.0	6.7	6.0	8.1	4.3	0.2	13.6	6.8	11.1	8.7
2004 Q4	12.9	19.6	-6.1	7.2	6.8	7.5	6.7	6.4	0.7	13.6	7.4	11.3	11.8
2005 Q1	13.2	19.8	-6.3	7.3	6.9	3.4	7.4	3.6	0.2	13.6	5.5	10.0	8.5
2005 Q2	12.7	19.5	-6.1	6.9	7.0	3.4	7.9	3.1	-0.4	14.0	4.7	9.4	10.4
2005 Q3	13.2	19.5	-5.7	6.8	7.0	3.3	8.5	1.8	-1.3	13.9	5.2	10.0	10.4
2005 Q4	12.7	20.2	-6.8	7.3	7.1	2.7	7.9	2.0	-1.3	13.6	3.6	9.1	9.7
2006 Q1	14.5	20.3	-6.3	7.5	7.2	3.1	8.4	1.9	-0.7	13.6	5.0	9.1	9.3
2006 Q2	14.5	20.3	-6.4	7.6	7.3	3.2	8.2	2.4	-1.4	13.3	2.4	8.8	8.1
Japan													
2002	25.3	23.3	2.8	12.8	13.2	-1.7	16.0	-7.5	-0.9	4.9	-0.3	7.7	-2.2
2003	25.6	22.9	3.1	13.3	13.4	2.4	17.0	-5.4	0.2	4.7	0.3	7.1	-0.7
2004	25.5	22.9	3.7	13.3	13.6	4.2	17.7	-0.5	1.0	4.7	3.1	6.6	-1.0
2005	.	23.2	.	.	.	4.4	.	-7.4	-4.9	.	2.9	.	0.8
2004 Q3	23.9	23.0	3.9	.	.	10.2	.	0.0	0.1	.	-1.3	.	1.9
2004 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
2005 Q2	.	23.7	.	.	.	-15.4	.	-13.8	2.2	.	8.9	.	-6.3
2005 Q3	.	23.5	.	.	.	6.3	.	6.2	0.8	.	-2.4	.	2.8
2005 Q4	.	23.9	.	.	.	16.0	.	-17.2	-19.9	.	15.7	.	3.6
2006 Q1	.	23.7	.	.	.	12.1	.	-2.6	-2.4	.	-5.6	.	5.6
2006 Q2	.	23.4	.	.	.	-19.5	.	-16.2	1.3	.	9.5	.	-9.3

C39 Net lending of non-financial corporations

(as a percentage of GDP)


 C40 Net lending of households¹⁾

(as a percentage of GDP)



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

1) Including non-profit institutions serving households.

2) Gross capital formation in Japan. Capital expenditures in the United States include purchases of consumer durable goods.

3) Gross saving in the United States is increased by expenditures on consumer durable goods.



LIST OF CHARTS

C1	Monetary aggregates	S12
C2	Counterparts	S12
C3	Components of monetary aggregates	S13
C4	Components of longer-term financial liabilities	S13
C5	Loans to financial intermediaries and non-financial corporations	S14
C6	Loans to households	S15
C7	Loans to government and non-euro area residents	S16
C8	Total deposits by sector (financial intermediaries)	S17
C9	Total deposits and deposits included in M3 by sector (financial intermediaries)	S17
C10	Total deposits by sector (non-financial corporations and households)	S18
C11	Total deposits and deposits included in M3 by sector (non-financial corporations and households)	S18
C12	Deposits by government and non-euro area residents	S19
C13	MFI holdings of securities	S20
C14	Total assets of investment funds	S24
C15	Total outstanding amounts and gross issues of securities, other than shares, issued by euro area residents	S30
C16	Net issues of securities, other than shares, seasonally adjusted and non-seasonally adjusted	S32
C17	Annual growth rates of long-term debt securities, by sector of the issuer, in all currencies combined	S33
C18	Annual growth rates of short-term debt securities, by sector of the issuer, in all currencies combined	S34
C19	Annual growth rates for quoted shares issued by euro area residents	S35
C20	Gross issues of quoted shares by sector of the issuer	S36
C21	New deposits with agreed maturity	S38
C22	New loans at floating rate and up to 1 year initial rate fixation	S38
C23	Euro area money market rates	S39
C24	3-month money market rates	S39
C25	Euro area government bond yields	S40
C26	10-year government bond yields	S40
C27	Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225	S41
C28	Deficit, borrowing requirement and change in debt	S54
C29	Maastricht debt	S54
C30	B.o.p. current account balance	S55
C31	B.o.p. net direct and portfolio investment	S55
C32	B.o.p. goods	S56
C33	B.o.p. services	S56
C34	Main b.o.p. transactions underlying the developments in MFI net external assets	S60
C35	Effective exchange rates	S67
C36	Bilateral exchange rates	S67
C37	Real gross domestic product	S70
C38	Consumer price indices	S70
C39	Net lending of non-financial corporations	S71
C40	Net lending of households	S71



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) under the "Money, banking and financial markets" sub-section of the "Statistics" section.

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS¹

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

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

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

RELATING TO SECTIONS 3.1 TO 3.3

CALCULATION OF GROWTH RATES

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

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

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

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

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

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

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

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

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

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

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

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

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

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:

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

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

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

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

SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS⁴

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

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

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

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

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

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), under the “Money, banking and financial markets” sub-section.

RELATING TO TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP⁴

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

RELATING TO TABLE 2 IN SECTION 7.1

SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

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



GENERAL NOTES

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

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the Governing Council. For this issue, the cut-off date was 6 December 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 sector¹, as last amended by Regulation ECB/2003/10².

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

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

FINANCIAL AND NON-FINANCIAL ACCOUNTS

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

1 OJ L 356, 30.12.1998, p. 7.

2 OJ L 250, 2.10.2003, p. 19.

corporations (S.11 in the ESA 95), and households (S.14 in the ESA 95) including non-profit institutions serving households (S.15 in the ESA 95). The data cover non-seasonally adjusted amounts outstanding and financial transactions classified according to the ESA 95 and show the main financial investment and financing activities of the non-financial sectors. On the financing side (liabilities), the data are presented by ESA 95 sector and original maturity (“short-term” refers to an original maturity of up to one year; “long-term” refers to an original maturity of over one year). Whenever possible, the financing taken from MFIs is presented separately. The information on financial investment (assets) is currently less detailed than that on financing, especially since a breakdown by sector is not possible.

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

The quarterly data in these three sections are based on quarterly national financial accounts data and MFI balance sheet and securities issues statistics. Sections 3.1 and 3.2 also refer to data taken from the BIS international banking statistics.

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

FINANCIAL MARKETS

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

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

Statistics on securities issues cover securities other than shares (debt securities), which are presented in Sections 4.1, 4.2 and 4.3, and quoted shares, which are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. “Short-term” means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as “long-term”. Long-term debt securities issued by euro area residents are further broken down into fixed and variable rate issues. Fixed rate issues consist of issues where the coupon rate does not change during the life of the issues. Variable rate issues include all issues where the coupon is periodically refixed by reference to an independent interest rate or index. The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. Euro-denominated securities indicated in Sections 4.1, 4.2 and 4.3 also include items expressed in national denominations of the euro.

Section 4.1 shows securities other than shares, by original maturity, residency of the issuer and currency. The section presents outstanding amounts, gross issues and net issues of

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

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

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

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

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

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

Section 4.4, columns 3, 5, 7 and 9, show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial transactions that occur when an issuer sells or redeems shares for cash excluding investments in the issuers' own shares. Transactions include the quotation of an issuer on a stock exchange for the first time and the creation or deletion of new instruments. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes which do not arise from transactions.

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

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

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999 column 1 of Section 4.6 shows the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999 interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

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

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

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities.

Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on hourly labour costs, GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger car registrations are adjusted for the variations in the number of working days.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown by goods and services components is derived from the Classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure on final consumption by households on the economic territory of the euro area. The table includes seasonally adjusted HICP data which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics³. 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 2001⁴. 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 index⁵ and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003⁶. 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 2000⁷ amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. The deficits/surpluses presented for the individual euro area countries correspond to EDP B.9 as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002

5 OJ L 69, 13.3.2003, p. 1.

6 OJ L 169, 8.7.2003, p. 37.

7 OJ L 172, 12.7.2000, p. 3.

amending Council Regulation (EC) No 3605/93 as regards references to the ESA 95. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in the Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002⁸ on quarterly non-financial accounts for general government. Section 6.5 presents quarterly figures on gross consolidated government debt, the deficit-debt adjustment and the government borrowing requirement. These figures are compiled using data provided by the Member States under Regulations (EC) No 501/2004 and 1222/2004 and data provided by the National Central Banks.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)⁹, and Eurostat documents. Additional references about the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled “European Union balance of payments/international investment position statistical methods” (November 2005), and in the following task force reports: “Portfolio investment collection systems” (June 2002), “Portfolio investment income” (August 2003) and “Foreign direct investment” (March 2004), which can be downloaded from the ECB’s website. In addition, the report of the ECB/Commission (Eurostat) Task Force on Quality of balance of payments and international

investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics (www.cmfb.org). The 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.

⁸ OJ L 179, 9.7.2002, p. 1.

⁹ OJ L 354, 30.11.2004, p. 34.

Section 7.2 contains a monetary presentation of the b.o.p.: the b.o.p. transactions mirroring the transactions in the external counterpart of M3. The data follow the sign conventions of the b.o.p., except for the transactions in the external counterpart of M3 taken from money and banking statistics (column 12), where a positive sign denotes an increase of assets or a decrease of liabilities. In portfolio investment liabilities (columns 5 and 6), the b.o.p. transactions include sales and purchases of equity and debt securities issued by MFIs in the euro area, apart from shares of money market funds and debt securities with a maturity of up to two years. A methodological note on the monetary presentation of the euro area b.o.p. is available in the “Statistics” section of the ECB’s website. See also Box 1 in the June 2003 issue of the Monthly Bulletin.

Section 7.3 presents a geographical breakdown of the euro area b.o.p. (Tables 1 to 4) and i.i.p. (Table 5) vis-à-vis main partner countries individually or as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which, apart from the ECB, are treated statistically as outside the euro area, regardless of their physical location) and for some purposes also offshore centres and international organisations. Tables 1 to 4 show cumulative b.o.p. transactions in the latest four quarters; Table 5 shows a geographical breakdown of the i.i.p. for the latest end-year. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives and international reserves. The geographical breakdown is described in the article entitled “Euro area balance of payments and international investment position vis-à-vis main counterparts” in the February 2005 issue of the Monthly Bulletin.

The data on the euro area i.i.p. in Section 7.4 are based on positions vis-à-vis non-residents of the euro area, considering the euro area as a single economic entity (see also Box 9 in the

December 2002 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used to a large extent. The quarterly i.i.p. is compiled on the basis of the same methodological framework as the annual i.i.p. As some data sources are not available on a quarterly basis (or are available with a delay), the quarterly i.i.p. is partly estimated on the basis of financial transactions and asset prices and foreign exchange developments.

The outstanding amounts of the Eurosystem’s international reserves and related assets and liabilities are shown in Section 7.4, Table 5, together with the part held by the ECB. These figures are not fully comparable with those of the Eurosystem’s weekly financial statement owing to differences in coverage and valuation. The data in Table 5 are in line with the recommendations for the IMF/BIS template on international reserves and foreign currency liquidity. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, updated on 8 March 2004. More information on the statistical treatment of the Eurosystem’s international reserves can be found in a publication entitled “Statistical treatment of the Eurosystem’s international reserves” (October 2000), which can be downloaded from the ECB’s website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

Section 7.5 shows data on euro area external trade in goods. The main source is Eurostat. The ECB derives volume indices from Eurostat value and unit value indices, and performs seasonal adjustment of unit value indices, while value data are seasonally and working-day adjusted by Eurostat.

The breakdown by product group in columns 4 to 6 and 9 to 11 of Table 1 in Section 7.5 is in line with the classification by Broad Economic Categories. Manufactured goods (columns 7

and 12) and oil (column 13) are in line with the SITC Rev. 3 definition. The geographical breakdown (Table 2 in Section 7.5) shows main trading partners individually or in regional groups. Mainland China excludes Hong Kong.

Owing to differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the balance of payments statistics (Sections 7.1 to 7.3). The difference for imports has been around 5% in recent years (ECB estimate), a significant part of which relates to the inclusion of insurance and freight services in the external trade data (c.i.f. basis).

EXCHANGE RATES

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

For more detailed information on the calculation of the EERs, see Box 10 entitled "Update of the overall trade weights for the effective exchange rates of the euro and computation of a new set of euro indicators" in the September 2004 issue of the Monthly Bulletin and the ECB's Occasional Paper No 2 ("The effective exchange rates of the euro" by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies.

DEVELOPMENTS OUTSIDE THE EURO AREA

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

ANNEXES

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM¹



8 JANUARY 2004

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

12 JANUARY 2004

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2004 from €15 billion to €25 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated for the year 2004. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2005.

5 FEBRUARY, 4 MARCH 2004

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

10 MARCH 2004

In accordance with the Governing Council's decision of 23 January 2003, the maturity of the Eurosystem's main refinancing operations is reduced from two weeks to one week and the maintenance period for the Eurosystem's required reserve system is redefined to start on the settlement day of the main refinancing operation following the Governing Council meeting at which the monthly assessment of the monetary policy

stance is pre-scheduled, rather than on the 24th day of the month.

1 APRIL, 6 MAY, 3 JUNE, 1 JULY, 5 AUGUST, 2 SEPTEMBER, 7 OCTOBER, 4 NOVEMBER, 2 DECEMBER 2004 AND 13 JANUARY 2005

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

14 JANUARY 2005

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2005 from €25 billion to €30 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated in 2005. The Eurosystem will however continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2006.

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

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will

¹ The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2003 can be found on pages 176 to 180 of the ECB's Annual report 1999, on pages 205 to 208 of the ECB's Annual report 2000, on pages 219 to 220 of the ECB's Annual Report 2001, on pages 234 to 235 of the ECB's Annual Report 2002 and on pages 217 to 218 of the ECB's Annual Report 2003 respectively.

remain unchanged at 2.0%, 3.0% and 1.0% respectively.

1 DECEMBER 2005

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

16 DECEMBER 2005

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2006 from €30 billion to €40 billion. This increased amount takes two aspects into consideration. First, the liquidity needs of the euro area banking system are expected to increase further in the year 2006. Second, the Eurosystem has decided to increase slightly the share of the liquidity needs satisfied by the longer-term refinancing operations. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2007.

12 JANUARY AND 2 FEBRUARY 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.25%, 3.25% and 1.25% respectively.

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.

5 OCTOBER 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.25%, starting from the operation to be settled on 11 October 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 4.25% and 2.25%, both with effect from 11 October 2006.

2 NOVEMBER 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 3.25%, 4.25% and 2.25% respectively.

7 DECEMBER 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.50%, starting from the operation to be settled on 13 December 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 4.50% and 2.50%, both with effect from 13 December 2006.

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



PAYMENT FLOWS IN TARGET

In the third quarter of 2006 TARGET processed a daily average of 313,247 payments with a total daily average value of €2,031 billion. Compared with the previous quarter, this represented a decrease of 7% in terms of volume and 6% in terms of value. When compared with the same period last year, an increase of 6% in terms of volume and 11% in value is observed. At 89%, TARGET's overall market share in terms of value remained at a high level. The market share in terms of volume reached 60%, the same level as in the previous quarter. The highest TARGET traffic during this quarter was recorded on 29 September, the last business day of the quarter, when a total of 445,698 payments were processed.

INTRA-MEMBER STATE PAYMENTS

TARGET processed a daily average of 241,873 intra-Member State payments with a total daily average value of €1,322 billion per business day in the third quarter of 2006. This represented a decrease of 6% in both volume and value compared with the previous quarter. In comparison with the corresponding period in 2005, the volume increased by 6% and the value by 9%. Intra-Member State traffic accounted for 77.2% of the total volume and 65.1% of the total value of TARGET payments. The average value of an intra-Member State payment increased by €0.1 million to €5.5 million. 63% of such payments were below €50,000, while 10% were above €1 million. On average, there were 158 intra-Member State payments with a value above €1 billion per day. The highest intra-Member State traffic during this quarter was recorded on 29 September, when a total of 339,628 payments were processed.

INTER-MEMBER STATE PAYMENTS

At the inter-Member State level, TARGET processed a daily average of 71,374 payments with a total daily average value of €709 billion in the third quarter of 2006. Compared with the previous quarter, this represented a decrease of 8% in terms of volume and 5% in value. The number of interbank payments processed decreased by 8%, and their value decreased by 5%, compared with the previous quarter. For customer payments, a decrease of 9% was observed in terms of volume and a decrease of 5% was recorded in value compared with the previous quarter. The proportion of interbank payments in average daily inter-Member State traffic was 48% in terms of volume and 95% in terms of value. The average value of interbank payments increased from €19.0 million to €19.9 million and that of customer payments decreased from €51,550 to €85,365 compared with the previous quarter. 65% of inter-Member State payments had a value below €50,000, while 14% had a value above €1 million. On average, there were 57 inter-Member State payments with a value above €1 billion per day. The highest inter-Member State traffic during this quarter was recorded on 29 September, when a total of 106,070 payments were processed.

TARGET AVAILABILITY AND BUSINESS PERFORMANCE

In the third quarter of 2006 TARGET achieved an overall availability of 99.88%, compared with 99.92% in the previous quarter. The number of incidents with an effect on TARGET's availability was 15, which is three more than in the previous quarter. Incidents considered for the calculation of TARGET's availability are those that prevent the processing of payments for ten minutes or more. During the third quarter of 2006 there were three incidents that lasted more than two hours. Table 3 shows the availability figures for each national TARGET component and the ECB payment mechanism (EPM). In the quarter under review 97.78% of

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

(number of payments)

	2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 Q3
TARGET					
All TARGET payments					
Total volume	19,441,665	19,774,574	19,949,738	20,854,425	20,313,134
Daily average	295,161	320,888	306,721	336,362	313,247
Intra-Member State TARGET payments					
Total volume	15,052,276	15,944,755	15,303,728	16,019,310	15,686,100
Daily average	228,511	249,136	235,303	258,376	241,873
Inter-Member State TARGET payments					
Total volume	4,389,389	4,592,102	4,646,007	4,835,115	4,627,034
Daily average	66,650	71,752	71,418	77,986	71,374
Other systems					
EURO 1 (EBA)					
Total volume	11,590,400	12,132,235	11,600,246	12,024,168	11,712,173
Daily average	175,942	189,665	178,399	194,328	180,593
Paris Net Settlement (PNS)					
Total volume	1,677,545	1,716,063	1,672,785	1,664,581	1,587,129
Daily average	25,481	26,847	25,738	24,880	24,512
Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)					
Total volume	148,838	135,414	133,846	172,023	144,456
Daily average	2,258	2,117	2,058	2,579	2,224

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

(EUR billions)

	2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 Q3
TARGET					
All TARGET payments					
Total value	121,300	126,557	130,350	133,405	131,843
Daily average	1,841	1,977	2,005	2,152	2,031
Intra-Member State TARGET payments					
Total value	80,160	83,883	85,621	86,989	85,847
Daily average	1,217	1,311	1,317	1,403	1,322
Inter-Member State TARGET payments					
Total value	41,140	42,675	44,730	46,416	45,995
Daily average	624	668	688	749	709
Other systems					
EURO 1 (EBA)					
Total value	10,787	10,820	11,142	11,936	12,399
Daily average	164	169	171	193	191
Paris Net Settlement (PNS)					
Total value	3,864	3,760	3,629	3,891	3,572
Daily average	59	59	56	62	55
Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)					
Total value	106	109	122	112	111
Daily average	2	2	2	2	2

Table 3 TARGET availability for each national component and the ECB payment mechanism

National TARGET component	Availability Q3 2006
Belgium	100.00%
Denmark	99.86%
Germany	99.95%
Greece	100.00%
Spain	99.83%
France	99.67%
Ireland	100.00%
Italy	100.00%
Luxembourg	99.90%
The Netherlands	100.00%
Austria	100.00%
Poland	100.00%
Portugal	99.79%
Finland	99.10%
Sweden	100.00%
United Kingdom	100.00%
ECB payment mechanism	99.78%
Overall TARGET availability	99.88%

inter-Member State payments were processed in less than five minutes, 1.94% needed between five minutes and 15 minutes, and 0.21% required between 15 minutes and 30 minutes. On average the processing time exceeded 30 minutes for only 47 payments per day, which should be seen in the context of the 71,374 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).

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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