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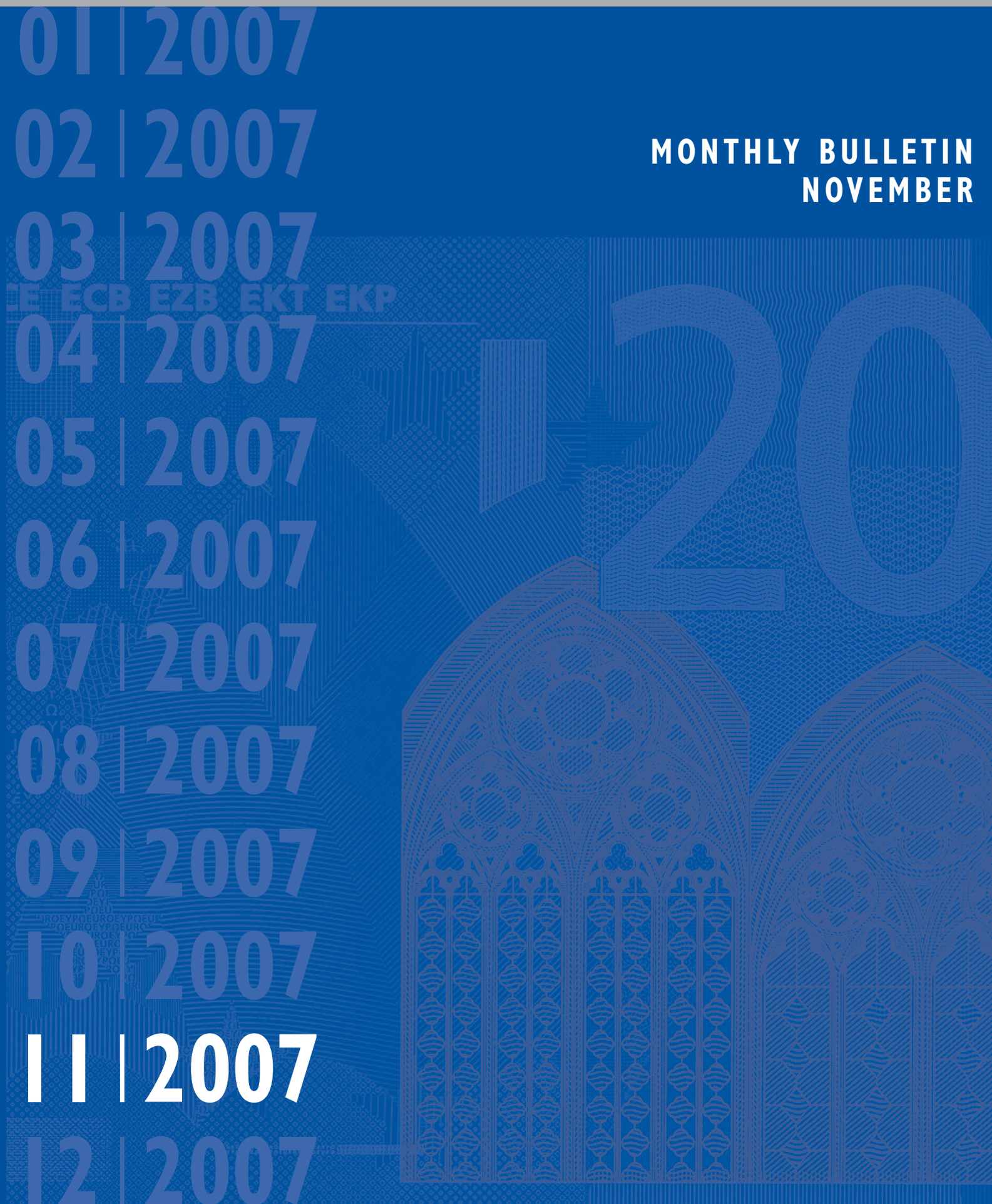
EUROPEAN CENTRAL BANK

EUROSYSTEM

MONTHLY BULLETIN
NOVEMBER



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Address
Kaiserstrasse 29
60311 Frankfurt am Main
Germany

Postal address
Postfach 16 03 19
60066 Frankfurt am Main
Germany

Telephone
+49 69 1344 0

Website
http://www.ecb.europa.eu

Fax
+49 69 1344 6000

Telex
411 144 ecb d

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ABBREVIATIONS

COUNTRIES

BE	Belgium	LU	Luxembourg
BG	Bulgaria	HU	Hungary
CZ	Czech Republic	MT	Malta
DK	Denmark	NL	Netherlands
DE	Germany	AT	Austria
EE	Estonia	PL	Poland
IE	Ireland	PT	Portugal
GR	Greece	RO	Romania
ES	Spain	SI	Slovenia
FR	France	SK	Slovakia
IT	Italy	FI	Finland
CY	Cyprus	SE	Sweden
LV	Latvia	UK	United Kingdom
LT	Lithuania	JP	Japan
		US	United States

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
HWWI	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 8 November 2007, the Governing Council of the ECB decided, on the basis of its regular economic and monetary analyses, to leave the key ECB interest rates unchanged. The information that has become available since the previous meeting of the Governing Council, on 4 October, has fully confirmed that the outlook for price stability over the medium term is subject to upside risks. Against this background, and with money and credit growth vigorous in the euro area, the ECB's monetary policy stands ready to counter upside risks to price stability, as required by its mandate. The economic fundamentals of the euro area remain sound and support a favourable medium-term outlook for economic activity. However, the ongoing reappraisal of risk in financial markets has led to continued uncertainty. This warrants a thorough examination of additional information before drawing further conclusions for monetary policy in the context of the ECB's medium term-oriented monetary policy strategy focused on maintaining price stability. Accordingly, the Governing Council will monitor very closely all developments. By acting in a firm and timely manner on the basis of its assessment, the Governing Council will ensure that risks to price stability over the medium term do not materialise and that medium and long-term inflation expectations remain firmly anchored in line with price stability, which is all the more important at times of financial market volatility and continued heightened uncertainty. This will favour an environment conducive to sustained economic growth, well-functioning markets and continued job creation. As regards the financial markets, the Governing Council will continue to pay great attention to developments over the period to come.

On the basis of the available data, it appears that the sustained economic growth experienced in the euro area in the first half of 2007 has continued through the third quarter, as reflected in the data for industrial production and retail sales that have been released since the meeting of the Governing Council in early October. While financial market volatility seems to have contributed to a decline in euro area consumer and business confidence indicators in the past few months, these indicators generally remain above their historical averages and continue to point to ongoing sustained growth. Overall, the fundamentals of the euro area remain sound, including in particular sustained corporate earnings and profitability, robust employment growth and falling unemployment to levels not seen for 25 years.

Available forecasts for 2008 continue to confirm the Governing Council's main scenario of real GDP growing at around trend potential. This scenario is based on the expectation that the global economy will remain resilient, with the slowdown of economic growth in the United States partly offset by the sustained strength of emerging market economies. Continued strong external demand should provide ongoing support to euro area exports and investment. Consumption growth in the euro area should also contribute to economic growth, in line with developments in real disposable income, as continued employment growth provides supportive conditions. However, in view of the potential impact of prolonged financial market volatility and the re-pricing of risk on the real economy, the level of uncertainty surrounding this broadly favourable outlook for economic activity remains high.

On balance, risks to the outlook for growth are judged to lie on the downside. These downside risks relate mainly to the potential for a broader impact from the ongoing reappraisal of risk in financial markets on confidence and financing conditions, further oil and commodity price rises, as well as concerns about protectionist pressures and possible disorderly developments owing to global imbalances.

As regards price developments, according to Eurostat's flash estimate, the annual HICP inflation rate increased very strongly to 2.6% in October 2007, from 2.1% in September. This sharp increase is a matter of particular concern and it is essential that it does not affect medium to longer-term inflation expectations. To that

effect, as already indicated by the Governing Council on previous occasions, unfavourable effects from energy prices are having a strong upward impact on annual HICP inflation rates in the current period, owing mainly to the marked decline in energy prices a year ago. In addition, these effects have been strengthened by recent substantial further increases in oil, non-oil commodity and, in particular, food prices. Overall, the Governing Council expects the HICP inflation rate to remain significantly above 2% in the coming months before moderating again in the course of 2008.

Risks to the medium-term outlook for price developments are fully confirmed to lie on the upside. These risks include the possibility of persistently high oil and agricultural prices, continuing the strong momentum observed in recent months, as well as unanticipated increases in administered prices and indirect taxes. Moreover, taking into account the existence of capacity constraints, the favourable momentum of real GDP growth observed over the past few quarters, and the positive signs from labour markets, stronger than currently expected wage developments may occur. Furthermore, an increase in pricing power in market segments with low competition could materialise. Such developments would pose upward risks to price stability. It is therefore crucial that all parties concerned meet their responsibilities and that second-round effects be avoided. In addition, the explicit or de facto indexation of nominal wages to prices should be reduced and ultimately eliminated.

The monetary analysis confirms the prevailing upside risks to price stability at medium to longer-term horizons. The strength of both money and credit growth in recent months – with the annual growth rates of M3 and MFI loans to the private sector both at more than 11% in September – may have been influenced by a number of temporary or special factors, such as the flattening of the yield curve and the recent financial market volatility. However, even taking into account these special factors, the underlying rate of money and credit expansion remains strong. Monetary developments therefore continue to require very careful monitoring so as to detect underlying trends on the one hand and to better understand shorter-term dynamics on the other. This monitoring will provide a more complete picture of the response of the private sector to the increased volatility in financial markets.

A broad assessment of underlying trends in money and credit growth is particularly important, given recent financial market developments, since financial volatility may influence the short-term behaviour of money-holders and thereby affect monetary developments. Monetary and credit data can therefore offer an important insight into how financial institutions, households and firms have responded to the financial market volatility and heightened uncertainty. Indeed, previous episodes of heightened financial market uncertainty have been associated with large portfolio shifts into safe and liquid monetary assets. For the time being, however, there is little evidence that such shifts have influenced the dynamics of broad money and credit aggregates since the onset of financial market volatility in early August, although specific balance sheet items, such as holdings of money market fund shares/units, may have been strongly affected.

The rate of growth of bank loans to households and non-financial corporations has remained robust in recent months, tentatively suggesting that there is no impairment in credit supply. However, it cannot be excluded that the strong loan flows partly reflect the re-intermediation of some financing onto bank balance sheets given illiquidity in some segments of the asset-backed securities markets. Further data and analysis will be required to develop a more complete view of the impact of the financial market volatility on bank balance sheets, financing conditions and money and credit growth.

To sum up, a cross-check of the information identified under the economic analysis with the

outcome of the monetary analysis has fully confirmed the existence of upside risks to price stability over the medium term, with money and credit growth vigorous in the euro area, and against the background of sound economic fundamentals in the euro area. At the same time, given the continued uncertainty, additional information is needed before further conclusions for monetary policy can be drawn. Consequently, the Governing Council will monitor very closely all developments. The ECB's monetary policy stands ready to counter upside risks to price stability, as required by its mandate. By acting in a firm and timely manner on the basis of its assessment, the Governing Council will ensure that risks to price stability over the medium term do not materialise and that medium and long-term inflation expectations remain firmly anchored in line with price stability, which is all the more important in the current context. As regards the financial markets, the Governing Council will continue to pay great attention to developments over the period to come.

Turning to fiscal policy, the Governing Council welcomes the ECOFIN Council's agreement to strengthen the preventive arm of the Stability and Growth Pact. The Governing Council also welcomes the recent confirmation by the ECOFIN Council of a reinforcement of its commitment to the full implementation of the Pact. In particular, the provisions of the preventive arm, including the call for a structural adjustment of at least 0.5% of GDP per annum, need to be adhered to by all countries with fiscal imbalances. In this regard, 2008 budget plans in a number of countries point to a pro-cyclical fiscal stance and an unwarranted relaxation of consolidation efforts. This gives rise to concern as consolidation shortfalls undermine in particular the Eurogroup agreement to achieve sound budgetary positions by 2010 at the latest.

With regard to structural reforms, the Governing Council stresses that a key effect of well-designed structural reforms is a sustainable improvement in the employment and income situation of workers and households. Reforms which increase the incentives for firms and individuals to invest in human capital tend to enhance overall labour demand and productivity. Reducing non-wage labour costs would also enhance employment and the net income levels of workers. Moreover, labour market regulations should not discourage firms from offering jobs, or workers from accepting them. It is encouraging to see that past labour market reforms have contributed to job creation and reduced unemployment. It is important that governments continue in this direction and do not reverse past reforms just at the point when they are starting to bear fruit. Moreover, the Governing Council reiterates its full support for all efforts which foster market flexibility and enhance competition. This also applies to the agricultural markets. Against the background of a marked increase in international food commodity prices, further liberalisation and reforms in EU agricultural markets would help to enhance their efficiency and benefit European consumers through lower prices.

This issue of the Monthly Bulletin contains two articles. The first article analyses the ongoing consolidation among European stock exchanges and its possible implications for monetary policy. The second article presents the main features and concepts of integrated quarterly euro area accounts statistics, with a particular focus on their potential use by the ECB.

ECONOMIC AND MONETARY DEVELOPMENTS

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

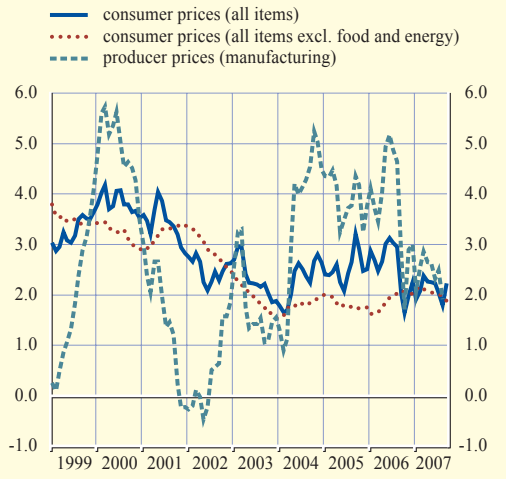
Global economic activity remains resilient, albeit moderating from very buoyant conditions. While recent survey evidence indicates that the financial market turmoil may have some adverse impact on the US economy, robust economic conditions in emerging economies continue to support global economic growth. In September, consumer price inflation rebounded in industrialised countries and cost-push pressures remained at an elevated level. The renewed increase in oil and other commodity prices is likely to lead to upward pressures on global inflation. On balance, risks to the outlook for growth are judged to lie on the downside. They relate mainly to the potential for a broader impact of the ongoing reappraisal of risk in financial markets on confidence and financing conditions, further oil and commodity price rises, as well as concerns about protectionist pressures and possible disorderly developments owing to global imbalances.

1.1 DEVELOPMENTS IN THE WORLD ECONOMY

Global economic activity remains resilient, albeit moderating from very buoyant conditions. While recent survey evidence indicates that the financial market turmoil may have some adverse impact on the US economy, robust economic conditions in emerging economies continue to support global economic growth. Up to July, industrial production in the OECD countries (excluding the euro area) remained relatively resilient. More recent survey indicators suggest continued, yet slightly moderating, world economic growth (see Box 1).

Chart 1 Price developments in OECD countries

(annual percentage changes; monthly data)



Source: OECD.

Consumer price inflation rebounded in September. For the OECD countries, annual CPI inflation was 2.2% in September (up from 1.8% in August), while CPI inflation excluding food and energy remained broadly unchanged at an annual rate of 1.9% (see Chart 1). Survey evidence on input prices suggests that price pressures remained at an elevated level. Moreover, the renewed increase in oil and other commodity prices is likely to lead to upward pressures on global inflation.

UNITED STATES

In the United States, economic activity has remained robust despite the ongoing housing market correction and financial market turmoil. At the same time, core consumer inflation measures (i.e. excluding energy and food) have remained relatively subdued. According to the advance release, real GDP grew at a quarterly annualised rate of 3.9% in the third quarter, after a 3.8% rise in the second quarter. Growth was supported by surprisingly brisk private consumption and net exports, which offset the dampening effect of residential construction.

US labour market conditions remained relatively benign, thereby supporting private consumption. However, recently the trend growth in employment has declined and the unemployment rate has slightly increased. In addition, the latest information suggests that the correction in the housing market might take longer than previously anticipated, as for example building permits, housing

starts and sales of existing homes dropped further in September. All in all, therefore, the evidence from recent indicators points to a slowing growth momentum.

Annual CPI inflation increased to 2.8% in September, from 2.0% in the previous month, in particular owing to a strong base effect from energy prices. Annual consumer price inflation excluding food and energy remained at 2.1% in September (see Chart 2).

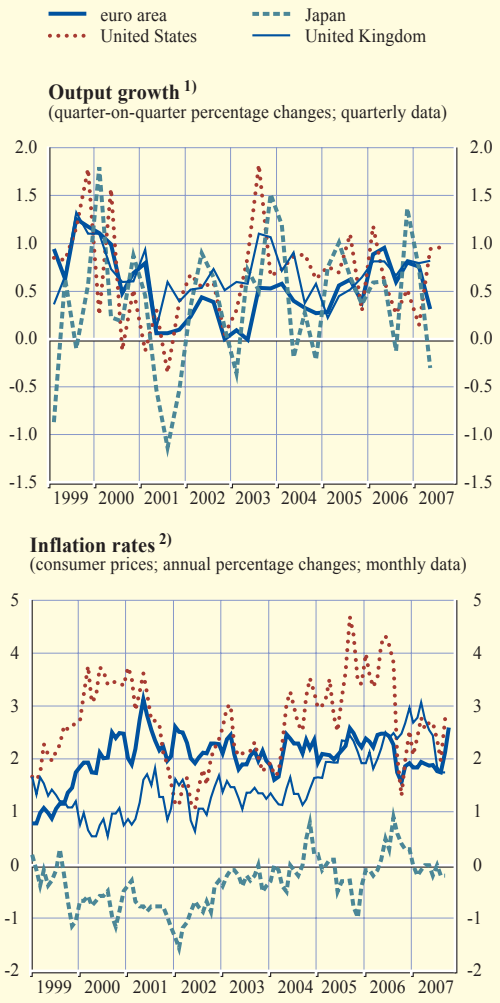
On 31 October the US Federal Open Market Committee decided to cut its target for the federal funds rate by 25 basis points to 4.50%. The changes also included a 25 basis point reduction in the primary credit rate to 5.00%.

JAPAN

In Japan, economic activity has continued to recover, while inflation has remained close to zero. Output has been supported by domestic demand and strong exports. The results of the Bank of Japan's September 2007 Tankan Survey showed that business conditions have remained firm in Japan, despite some further deterioration of sentiment among small and medium-sized enterprises in the third quarter of 2007.

With regard to price developments, inflation has remained subdued owing to persistent downward pressures, especially on wages (see Chart 2). In September 2007 consumer price inflation was -0.2% on an annual basis, the same as in August; the annual change in the CPI excluding fresh food was -0.1%, unchanged for the sixth consecutive month.

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.

At its meeting on 11 October 2007 the Bank of Japan decided to leave its target for the uncollateralised overnight call rate unchanged at 0.50%.

UNITED KINGDOM

In the United Kingdom, according to the preliminary estimate, in the third quarter of 2007 real GDP growth remained robust at a quarterly rate of 0.8% (see Chart 2). No components of GDP are available yet, but monthly indicators point to firm household consumption growth and a significant acceleration in imports and exports. So far, available evidence does not suggest that activity has been influenced by the recent financial turbulence. However, market expectations for consumer spending and investment in 2008 have declined somewhat in the last few months in line

with tightening credit conditions. In September HICP inflation was unchanged from August, at 1.8%.

On 8 November 2007 the Bank of England's Monetary Policy Committee decided to leave its main policy rate unchanged at 5.75%.

OTHER EUROPEAN COUNTRIES

In the other EU countries outside the euro area, output growth has mostly remained robust in recent quarters, reflecting sustained growth in domestic demand. Inflation developments have been mixed, with food prices having a marked upward effect on inflation in many countries.

In Sweden and Denmark, real economic developments diverged in the second quarter of 2007. While quarterly real GDP growth decreased to -0.4% in Denmark, output growth rose to 0.9% in Sweden. This development in Denmark was mainly attributable to a broad-based weakening of domestic demand, while both private and public consumption accelerated in Sweden. HICP inflation has been subdued in the two countries in recent months. In September annual HICP inflation in Denmark rose to 1.2%, whereas in Sweden it rose to 1.6%, reflecting rising energy prices. On 29 October Sveriges Riksbank raised its main interest rate by 25 basis points to 4%, in line with its forecast for inflation and output growth.

In the four largest central and eastern European economies, output growth remained robust in the second quarter of 2007 in the Czech Republic and Poland, while it decelerated in Hungary and Romania. Real GDP growth was mainly driven by domestic demand, except in Hungary, where it was driven mostly by net exports. As regards price developments, the level of inflation continues to differ significantly across the four countries. In the Czech Republic and Poland, HICP inflation rose to 2.8% and 2.7% respectively in September, while in Romania it increased to 6.1%, mainly on account of rising food prices. In Hungary HICP inflation decreased to 6.4% but remained the highest among the four countries, reflecting the large increase in indirect taxes and administered prices linked to the country's fiscal consolidation package. On 31 October Banca Națională a României increased its main policy rate by 50 basis points to 7.5% in response to the recent deterioration in the inflation outlook.

EMERGING ASIA

In emerging Asia, economic activity continued to be resilient, notably in the largest economies of the region. In China, in particular, the economy continued to expand at a strong pace, with real GDP growing at an annual rate of 11.5% in the third quarter of 2007. The trade surplus continued to widen, bringing the cumulated surplus from January to September 2007 to USD 186 billion, up by 69% compared with the same period in 2006. In September annual consumer price inflation edged down to 6.2%, from 6.5% in August. On 15 October the People's Bank of China raised the reserve requirement ratio of banks by another 50 basis points, to 13%. Inflationary pressures continued to moderate in other large economies in the region, most notably India, where wholesale price inflation – the Reserve Bank of India's preferred measure of inflation – declined to 3.3% on an annual basis in September.

LATIN AMERICA

In Latin America, economic activity remained sustained, albeit with some heterogeneous performance in growth and inflation in the main economies. In Brazil, there were indications that growth has kept the robust momentum observed in recent months, with industrial production growing at an annual rate of 5.6% in September, after 6.6% in August. Annual CPI inflation stood

at 4.1% in October, down from 4.2% in the previous month. In Argentina, economic activity also remained solid, with industrial production expanding by 9.0% on an annual basis in September. CPI inflation remained at elevated levels, albeit declining slightly to 8.4% in October. Economic activity in Mexico improved somewhat in August, with industrial production expanding by 2.6% on an annual basis, up from 2.2% in July, although it remained at low levels, reflecting a less favourable external environment. Annual inflation declined to 3.8% in September, down from 4.0% in August.

Box 1

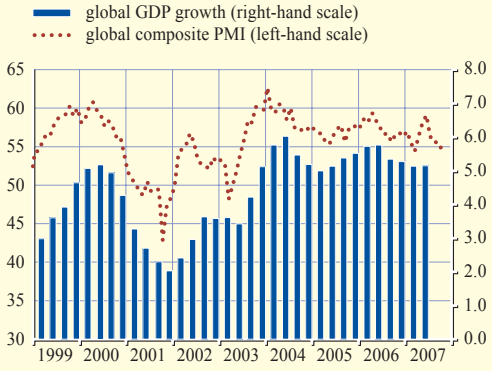
THE SHORT-TERM OUTLOOK FOR GLOBAL GROWTH: A PMI-BASED ASSESSMENT

As national accounts data are released with a substantial lag, it is crucial to look at survey evidence to obtain more timely guidance about the global economy. In the present situation, which is characterised by continued economic uncertainty, such data can provide particularly valuable insights. When taking a forward-looking perspective, reference is commonly made to the OECD composite leading indicator (CLI), but even the present economic situation is difficult to assess on the basis of available national accounts statistics. For most industrialised countries, for instance, only preliminary data or estimates for GDP growth have been released for the third quarter and no national accounts data will be available before January 2008 that will allow developments in economic activity in the fourth quarter to be gauged.

The Global Purchasing Managers' Index (PMI) enables a more timely assessment of global growth conditions to be made. It is a composite indicator of global business conditions consisting of indices for the global manufacturing and services sectors. It is based on surveys of some 10,000 purchasing executives around the world. The survey respondents are asked about the evolution of output in their organisations over the previous month. The net balance of survey responses is converted into a – seasonally adjusted – diffusion index with a level of 50 being the threshold value between economic contraction and expansion. In terms of country coverage, the PMI includes most OECD countries as well as a number of large non-OECD countries (most notably China and Russia).

Global composite PMI and output growth

(PMI: diffusion index, seasonally adjusted; GDP: annual rates of growth, in percentages)



Sources: ECB and NTC Economics.
Note: Last observation refers to October 2007 for the PMI and Q2 2007 for GDP.

Overall, there is close co-movement between the PMI and global economic growth (see the chart). The PMI mirrored the global economic boom recorded in 1999-2000, and then the slowdown in global growth associated with the bursting of the new technology bubble. It also reflected the subsequent recovery in global economic activity. In fact, since 2004 global economic conditions have been rather buoyant by historical standards, as the global economy

has expanded at a significantly faster pace than the average rate seen in the previous twenty years. After having declined between June and September 2007, the PMI levelled off in October close to the levels recorded six months earlier. It has remained well above the threshold value of 50, indicating continued solid global expansion.

A more systematic analysis of the indicator properties of the PMI with respect to global GDP growth confirms that it provides a reliable and timely guide to global economic conditions.[1] At the current juncture, the PMI-based model does not provide evidence of any sharp deterioration in real economic activity in the second half of 2007.

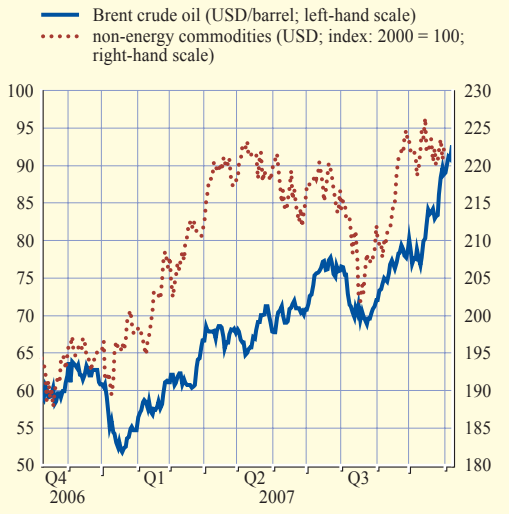
1 Testing the direction of causality shows that developments in the PMI lead changes in global growth, rather than the reverse, and this is a precondition for the PMI to be a useful indicator. Furthermore, a dynamic specification of the PMI-based model provides an accurate guide to global economic conditions.

1.2 COMMODITY MARKETS

Amid some volatility, crude oil prices continued their steep upward trend and reached new historical peaks in the course of October and early November. On 7 November Brent crude oil prices stood at USD 92.7 per barrel, around 15 dollars above the peak reached in August last year. In euro terms, prices are only around €2 above last year's peak.

Against the background of seasonally low inventories and some supply disruptions in the Gulf of Mexico because of the hurricane season, the main source of tightness in the short term stems from the supply side. Decreasing inventories and continuing geopolitical tensions fuelled concerns over potential supply shortages ahead of the northern hemisphere heating season. There are signs that OPEC increased the volume of crude oil supplied to the market ahead of the announced November 1 date, in an attempt to avoid capacity constraints in the transition to the new output goals owing to scheduled oil field maintenance in some member countries in November. However, market participants do not regard the planned production increase as sufficient to ease tight supply conditions. The International Energy Agency's October assessment still points to a tight supply-demand balance towards the end of the year, as slight downward revisions for OECD demand are offset by resilient non-OECD demand.

Chart 3 Main developments in commodity markets



Sources: Bloomberg and HWWI.

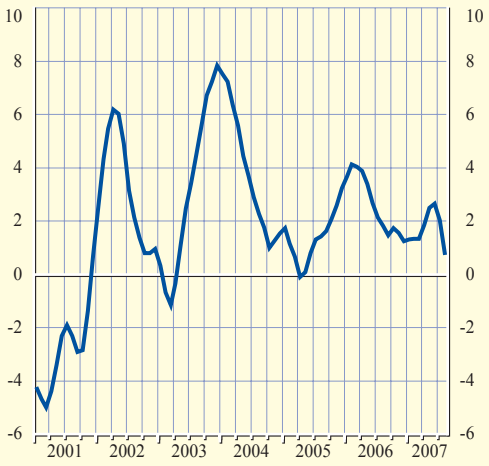
Oil prices are likely to remain high in the near term and very sensitive to small changes in the supply-demand balance and the geopolitical environment. Market participants expect oil prices to remain high also in the medium term, with December 2009 futures currently trading at USD 83.

After some decline in August, the prices of non-energy commodities rebounded in September and have since remained fairly volatile at

historically high levels. Buoyed by an environment of positive demand, supply shortfalls attributable to bad harvests, low inventories and the increased demand for arable land in biofuel production, the prices of agricultural raw materials have continued to grow at very high annual rates. Shifting crop forecasts and Russian export restrictions introduced volatility in the wheat market. In aggregate terms, the price index for non-energy commodities (in US dollar terms) was approximately 17% higher towards the end of October than a year earlier.

Chart 4 OECD composite leading indicator

(six-month rate of change)



Source: OECD.
Note: The latest observation refers to August 2007.

1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Notwithstanding the financial turmoil, the outlook for the external environment and for euro area foreign demand remains resilient albeit moderating from very buoyant conditions. In August, the six-month rate of change of the composite leading indicator for the OECD decreased further, suggesting that some moderation in economic expansion lies ahead (see Chart 4). This is also in line with the evidence stemming from the latest reading of the Global PMI.

On balance, risks to the outlook for growth are judged to lie on the downside. They relate mainly to the potential for a broader impact of the ongoing reappraisal of risk in financial markets on confidence and financing conditions, further oil and commodity price rises, as well as concerns about protectionist pressures and possible disorderly developments owing to global imbalances.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

The data for September confirm the underlying strength of monetary and credit expansion. M3 grew at a rate of 11.3% in annual terms, while MFI loans to the private sector expanded by 11.0%. Thus far, aggregate monetary dynamics have been largely unperturbed by the recent financial turmoil. Nonetheless, there is evidence that the turmoil has influenced specific components and counterparts, notably money market fund shares/units. In the months before the onset of the financial turmoil, the withdrawal of monetary policy accommodation since December 2005 clearly influenced money and credit developments, moderating M1 and household borrowing growth. While this influence remained visible at the end of the third quarter of 2007, the underlying rate of monetary expansion remains strong, pointing to upside risks to price stability over the medium to longer term.

THE BROAD MONETARY AGGREGATE M3

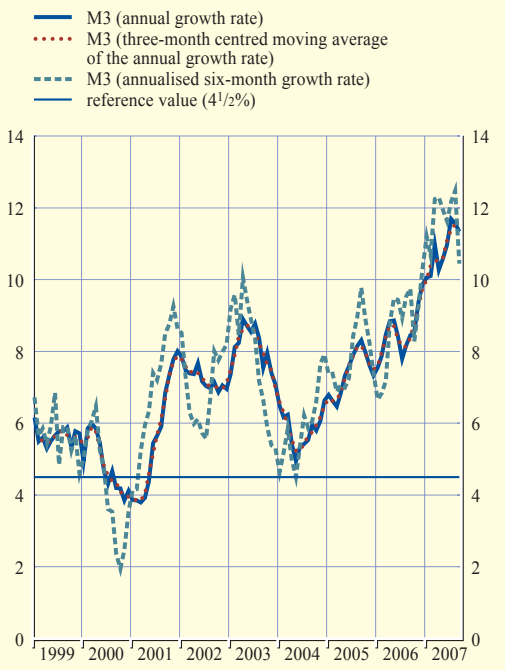
Thus far, aggregate monetary dynamics appear to have remained largely unperturbed by the recent financial market turmoil. In the context of a relatively flat yield curve, the annual growth rate of the broad monetary aggregate M3 remained strong at 11.3% in September, after 11.6% in the previous month (see Chart 5). This continued high annual growth rate reflected a further significant month-on-month increase (0.8%, after 0.9% and 1.1% in the two previous months).

At the same time, the turmoil has impacted specific components of, and counterparts to, M3, in particular those closely related to the tensions that have emerged in the financial markets (see Box 2, entitled "The impact of the financial market turmoil on money and credit developments"). However, a more general shift into monetary assets, possibly triggered by a more widespread increase in risk aversion in the non-financial private sector in the context of the financial market turmoil, has not occurred, at least not as yet. This assessment is based on a detailed analysis of MFI data that include the end-quarter bank balance sheet reports, as well as data on two full months marked by the turmoil.

In the months before the onset of the financial turmoil in early August, the withdrawal of monetary policy accommodation since December 2005 clearly influenced money and credit developments. The impact of the increase in short-term interest rates on monetary dynamics remained visible at the end of the third quarter of 2007, in particular in the moderation of the annual growth rate of M1 and loans to the household sector, as well as in the strong growth rate of short-term time deposits

Chart 5 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

and marketable instruments (which have become more attractive relative to longer-maturity and riskier instruments in an environment characterised by a flat yield curve). However, the financial market turmoil may have further strengthened the expansion of time deposits and short-maturity MFI debt securities, as these safe and liquid assets are particularly attractive in an environment of heightened financial volatility.

MAIN COMPONENTS OF M3

The annual growth rate of M1 declined to 6.1% in September, from 6.7% in August. This development reflects a moderation in the annual growth rate of both components of M1, overnight deposits and currency in circulation (see Table 1). The annual growth rate of M1 is currently influenced by two countervailing forces, namely a dampening effect that stems from the rising opportunity cost of holding M1, on the one hand, and – given the continued strength of economic activity through mid-2007 – a stimulating effect coming from higher transactions-related demand for M1, on the other.

The annual growth rate of short-term deposits other than overnight deposits rose further to 15.5% in September, from 15.3% in August. Within this aggregate, the growth rate of deposits with an agreed maturity of up to two years (short-term time deposits) decreased on an annual basis, but nevertheless remained high. Indeed, developments in the annual growth of this instrument mask the fact that the inflows observed in August and September were substantial.

The current attractiveness of time deposits reflects several factors. First, their remuneration has risen broadly in line with the increase in short-term money market interest rates. The spread between the remuneration of time deposits, on the one hand, and that of overnight deposits and short-term savings deposits, on the other, has widened continuously, prompting a substitution of the latter with the former. Second, given the relatively flat yield curve in the euro area, time deposits also remain attractive in comparison with riskier longer-maturity assets outside M3, since

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					
		2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Aug.	2007 Sep.
M1	**45.5**	**6.8**	**7.0**	**6.2**	**6.5**	**6.7**	**6.1**
Currency in circulation	7.3	11.1	10.5	10.0	8.8	8.7	8.2
Overnight deposits	38.2	6.0	6.3	5.5	6.1	6.3	5.7
M2 - M1 (= other short-term deposits)	39.5	11.1	11.9	13.1	15.0	15.3	15.5
Deposits with an agreed maturity of up to two years	21.5	25.2	29.5	33.2	37.6	38.6	38.3
Deposits redeemable at notice of up to three months	18.0	1.1	-0.8	-2.1	-3.2	-3.5	-3.6
M2	**85.0**	**8.7**	**9.1**	**9.2**	**10.3**	**10.5**	**10.2**
M3 - M2 (= marketable instruments)	15.0	11.3	16.9	19.3	18.8	17.9	18.0
M3	**100.0**	**9.0**	**10.2**	**10.6**	**11.5**	**11.6**	**11.3**
Credit to euro area residents		**8.8**	**8.0**	**8.1**	**8.7**	**8.8**	**8.7**
Credit to general government		-3.1	-4.5	-4.4	-4.0	-4.2	-4.3
Loans to general government		-0.4	-1.3	-1.2	-0.9	-0.7	-1.5
Credit to the private sector		11.9	11.1	11.0	11.7	11.8	11.6
Loans to the private sector		11.2	10.6	10.5	11.0	11.2	11.0
Longer-term financial liabilities (excluding capital and reserves)		**9.0**	**10.0**	**10.3**	**10.3**	**10.4**	**9.6**

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

they offer greater liquidity and lower risk at little cost in terms of return. Third, increases in time deposits may reflect flows triggered by the recent increase in financial market volatility as investors seek safe and liquid saving instruments.

The annual growth rate of marketable instruments was broadly unchanged in September, concealing divergent developments in the individual instruments. The annual growth rate of money market fund shares/units, which is the largest component among marketable instruments within M3, declined further. Looking more specifically at developments during the two months of turmoil indicates that money market funds shares/units were subject to particularly large net outflows that totalled €25 billion. At the same time, sizeable inflows of €11 billion and €47 billion were recorded in repurchase agreements and short-term MFI debt securities respectively over the past two months, which strengthened the annual growth rate of these instruments.

The annual growth rate of short-term deposits and repurchase agreements with MFIs (M3 deposits, which represent the broadest aggregation of M3 components for which information is available by holding sector) remained broadly unchanged in September. However, developments across money-holding sectors differed. In particular, the moderation in the annual growth rate of holdings of M3 deposits by financial and non-financial corporations was offset by the strengthening in the annual growth rate of holdings of M3 deposits by households, the largest money-holding sector. The latter development may possibly reflect a shift in households' investment preferences towards safe and liquid monetary assets, as risk aversion might have increased in the context of recent financial market developments.

Box 2

THE IMPACT OF THE FINANCIAL MARKET TURMOIL ON MONEY AND CREDIT DEVELOPMENTS

Since mid-July 2007, financial markets have experienced an episode of turmoil that is associated with a reappreciation of the price of credit risk and reflected, more generally, in a lack of confidence on the part of investors. Different market segments have been affected to varying degrees. Credit institutions and, more broadly, financial intermediaries have been at the epicentre of the turmoil, given continued uncertainty regarding the nature and extent of the institutions' exposure to credit risk.

Developments in broad monetary and credit aggregates throughout September 2007 – which includes the important end-quarter milestone – do not, at least not as yet, point to any significant effect of the continued uncertainty on the overall pace of monetary dynamics. Nonetheless, some impact of the turmoil may be visible in specific positions on the MFI consolidated balance sheet, which are closely related to the tensions in the money markets that are central to the turmoil. In particular, an impact can be identified in the development of loans and deposits of other non-monetary financial intermediaries (OFIs), in the holdings of money market funds shares/units and in the evolution of MFIs' short-term debt securities. This box analyses the components and counterparts of M3 that have been influenced by the turmoil. It does not discuss balance sheet items with an evolution in August and September that was broadly in line with recent patterns, such as loans to the private sector, although the continued strength of their dynamics may be open to a number of interpretations.

Developments in other financial intermediaries' borrowing and holdings of money

September 2007 saw the highest monthly net demand for MFI loans by OFIs observed since the start of Stage Three of EMU, resulting in a very high annual growth rate of loans to (and short-term deposits of) these intermediaries (see Chart A). Although this was partly linked to seasonal effects, the high demand for credit seems to stem mainly from investment funds. This is corroborated by looking at the maturity breakdown of OFI loans, which indicates that the strengthening of the annual growth rate in September was mainly driven by loans with a maturity of more than one and up to five years. This maturity bracket exceeds the typical duration of repurchase agreement operations and loans granted in the context of stand-by facilities. Nevertheless, there is evidence that some of the loans to OFIs can be attributed to the turmoil.

First, a proportion of these loans to OFIs was directed towards conduits. These conduits are entities usually set up by credit institutions for issuing highly rated short-term notes in order to secure a funding advantage for the sponsoring banks, to help manage the respective bank's balance sheet so as to allow it to gain regulatory capital relief and to arbitrage the return between long-term securities and short-term paper. In order to obtain a high rating on the commercial paper issued by these conduits, the vast majority of such entities have committed credit lines with credit institutions for 100% of the issued amount. As a result of the reappreciation of the risks embedded in the underlying assets held by these conduits, investors became reluctant to continue to fund these conduits, thereby inducing them to resort to the stand-by credit facility for funding. These loans are thus linked to a re-intermediation of loans onto MFI balance sheets as markets for various asset-backed securities became illiquid.

In addition, part of the demand for loans by OFIs in September can be attributed to a relatively strong demand for secured interbank lending, instead of for unsecured lending, given the turmoil in the money market. In principle, interbank activities are netted out when deriving monetary and credit aggregates. However, any secured interbank lending that is settled via electronic trading platforms that are classified as non-monetary financial intermediaries will be visible in the loans to OFIs and be reflected, on the liability side of the MFI balance sheet, in an increase in the holdings of deposits, including repurchase agreements.

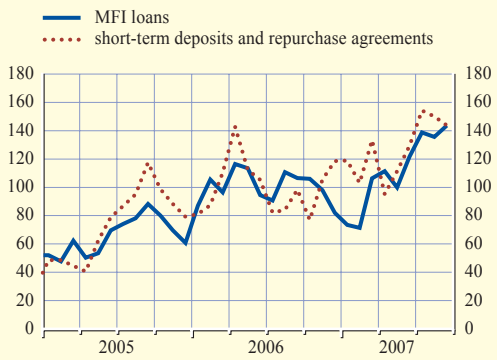
Furthermore, it cannot be excluded that the turmoil triggered substitution between OFI-subcategories within short-term lending to OFIs, as some financial operations that would previously have been undertaken were put on hold, while the transactions described above came to the fore.

Developments in money market fund shares/units

The impact of the turmoil on monetary and credit aggregates was visible in the significant reduction of around €25 billion in the holdings of money market fund shares/units by the money-holding sector in August and September. This reduction may reflect the increased apprehension of investors with respect to these instruments, as their perception of the risk profile of money market funds evolved. In recent quarters, some money market funds took on risk exposure through holdings of asset-backed securities, largely to boost returns so as to outperform their benchmark money market rate. The well-publicised concerns about the quality of the assets of a small number of funds resulted in widespread sales of money market fund shares/units as investors appeared not to discriminate between the asset holdings of individual funds.

Chart A Annual flow of MFI loans to, and short-term deposits and repurchase agreements of, other financial intermediaries

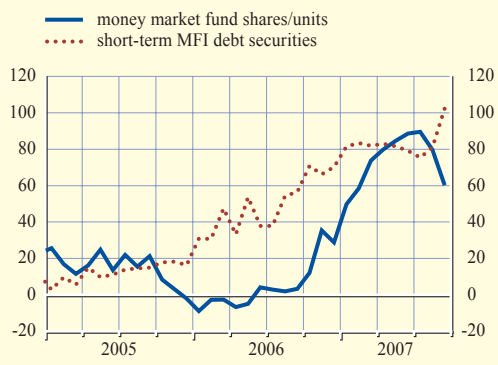
(EUR billions; not adjusted for seasonal and calendar effects)



Source: ECB.

Chart B Annual flow into money market fund shares/units and short-term MFI debt securities

(EUR billions; adjusted for seasonal and calendar effects)



Source: ECB.

At the same time, overall developments in monetary aggregates suggest that the reduction in the holdings of money market shares/units was mirrored by a corresponding increase in short-term time deposits of retail investors. Institutional investors seem, in part, to have replaced money market fund shares/units with short-term MFI debt securities, which supported issuance by MFIs. Overall, these developments can be seen to signal a continued willingness on the part of the money-holding sector to invest in MFI securities throughout the period of turmoil. There is thus no evidence that this source of funding for MFIs has dried up.

The relationship between the ECB's additional open-market operations and money and credit aggregates

In order to alleviate tensions in the money market in August and September, the ECB conducted a number of additional open-market operations with varying maturities of up to three months.[1] The additional operations changed the timing of liquidity provision within the maintenance period, as well as lengthening the maturity of the Eurosystem's outstanding operations. It is important to note that these operations did not change the total amount of liquidity provided in the respective reserve maintenance periods.

Like all ECB market operations, the additional money market operations conducted by the ECB since the start of August were transactions between the Eurosystem and MFIs, creating deposits with the Eurosystem. In the context of the consolidated MFI balance sheet, which is the basis for the compilation of monetary aggregates, all inter-MFI positions as well as positions between MFIs and the central bank are netted-out. Therefore, operations conducted by the ECB cannot, strictly speaking, have any direct impact on M3, irrespective of the volume involved.

Nonetheless, the change in the timing and maturity composition of the operations appears to have facilitated the orderly conduct of banking business during the financial turmoil, which would otherwise have been impaired by the dislocation in the interbank market. In particular,

1 See the box entitled "The ECB's additional open market operations in the period from 8 August to 5 September 2007" in the September 2007 issue of the Monthly Bulletin.

the stabilisation of the overnight interest rate at levels close to the minimum bid rate in the Eurosystem's regular refinancing operations has contributed to ensuring that the Governing Council's monetary policy decisions are transmitted to the money and credit creation process in a manner closer to normal circumstances than would otherwise be the case.

Conclusions

The monetary and credit data available up to September 2007 show that the financial market turmoil has had an impact on some items of the MFI consolidated balance sheet that are closely related to the nature of the turmoil. In particular, the development of loans to, and deposits of, other non-monetary financial intermediaries, the holdings of money market funds shares/units and MFI debt securities were affected.

At the same time, based on a broad set of detailed information, there has not been any visible effect on broad monetary and credit aggregates. Looking forward, the turmoil might have a more profound influence also on overall M3 developments, if it were to trigger a more widespread rise in risk aversion.

MAIN COUNTERPARTS OF M3

On the counterparts side, the annual growth rate of total credit to euro area residents, while remaining vigorous, edged downwards. This overall development reflects an increased annual rate of decline in credit to the general government, but also a somewhat lower rate of credit expansion to the private sector. In September, MFIs continued to shed general government securities from their portfolios, in line with the overall pattern observed since March 2006. MFIs may have sold government securities to generate liquidity and to cover funding needs in an environment of financial turmoil.

Loans to the private sector continued to expand strongly, growing at 11.0% on an annual basis in September, after 11.2% in August. The small moderation observed in September reflects developments in lending to the non-financial sectors and to insurance corporations and pension funds.

The annual growth rate of loans to households declined to 6.7% in September, from 7.0% in the previous month. This decline is not significantly sharper than the moderation of loan growth recorded since spring 2006. There is thus no evidence, at least not as yet, of a retrenchment in the supply of bank loans to households in the MFI balance sheet data. Indeed, in August and September, MFIs granted €36 billion, net, in loans to households. These developments largely reflect the dynamics of loans for house purchase, which grew by 7.8% on an annual basis in September, slightly less that the 8.1% observed in August (see Table 2). The moderation in the annual growth of loans for house purchase was in line with the slowdown in house price growth and housing market activity in a number of euro area economies and the gradual upward trend in mortgage rates throughout the euro area over the past few quarters. The annual growth rate of consumer credit declined to 5.0% in September, from 5.8% in August.

The annual growth rate of MFI loans to non-financial corporations remained broadly unchanged at 14.1% in September. The annual growth of borrowing by non-financial corporations thus

Table 2 MFI loans to the private sector

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

	Outstanding amount as a percentage of the total [1]	Annual growth rates					
		2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Aug.	2007 Sep.
Non-financial corporations	**42.6**	**13.0**	**13.0**	**12.7**	**13.8**	**14.2**	**14.1**
Up to one year	29.7	10.5	9.9	10.1	12.2	12.9	13.4
Over one and up to five years	19.2	20.5	19.9	19.2	19.9	20.4	19.9
Over five years	51.2	12.0	12.4	12.0	12.6	12.8	12.4
Households [2]	**47.7**	**8.6**	**8.1**	**7.5**	**7.0**	**7.0**	**6.7**
Consumer credit [3]	12.8	8.0	7.1	6.5	5.7	5.8	5.0
Lending for house purchase [3]	71.4	10.2	9.4	8.6	8.1	8.1	7.8
Other lending	15.8	2.7	3.2	3.7	3.3	3.3	3.4
Insurance corporations and pension funds	**1.1**	**29.1**	**27.6**	**23.8**	**26.6**	**27.9**	**25.5**
Other non-monetary financial intermediaries	**8.6**	**16.4**	**12.3**	**15.9**	**19.8**	**19.7**	**20.1**

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

remained close to the highest levels observed since 1980.[1] In August and September taken together, MFIs granted €71 billion, net, in loans to non-financial corporations. Interpreting the implications of strong borrowing by non-financial corporations against the background of the financial turmoil remains difficult. For the time being, the apparent ability of banks to lend speaks against severe problems in the supply of bank credit. At the same time, in view of overall sufficient capital buffers and the strong fundamentals of non-financial corporations, lending activity remains attractive, albeit at a potentially higher price for credit risk in the case of some borrowers. Potentially, large net monthly flows in lending to non-financial corporations may also result from a difficulty for banks to securitise loans, given the recent tensions in the markets for asset-backed securities. Furthermore, some such lending may reflect the inability of banks to offload bridge loans associated with leveraged-buyout (LBO) or merger-and-acquisition (M&A) activity from their balance sheets at present. Higher borrowing by non-financial corporations may result from some possible frontloading in anticipation of a deterioration of financing conditions, but this would have been expected to be visible also in increased deposit holdings of non-financial corporations, which has not been the case. At the same time, borrowing dynamics in August and September could equally reflect current financing needs for capital expenditure in the context of robust economic activity. At the current juncture, there is no evidence of severe supply constraints in lending to non-financial corporations. Nonetheless, reflecting the withdrawal of monetary policy accommodation since December 2005, financing conditions have tightened, which implies a dampening effect on the borrowing dynamics of non-financial corporations.

The annual growth rate of loans to other financial intermediaries (OFIs) increased to 20.1% in September, from 19.7% in the previous month. In August and September 2007, the monthly flow of loans to OFIs totalled €43 billion on a net basis.

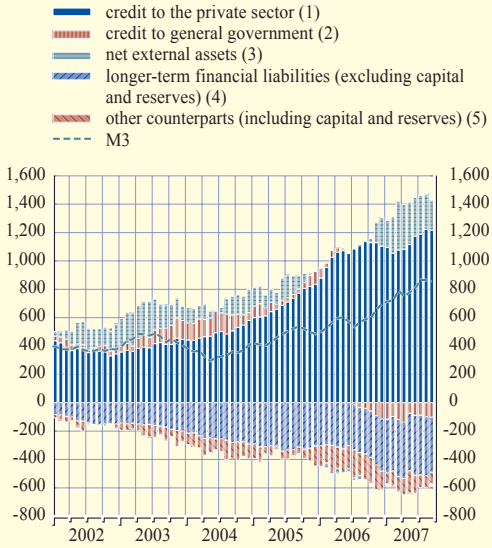
1 See Box 1, entitled "New euro area historical series on MFI loans to households and non-financial corporations", in the October 2007 issue of the Monthly Bulletin.

Among the other counterparts of M3, the annual growth rate of MFIs' longer-term financial liabilities (excluding capital and reserves) declined to 9.6% in September, from 10.4% in the previous month. This decrease was broad-based across the individual components.

A further significant outflow of €29 billion was observed in MFIs' net external asset position in September, following the outflow of €34 billion in August. As a result, the annual flow in net external assets decreased to €207 billion in September, from €244 billion in the previous month (see Chart 6). Around the turn of the year, financial market participants saw favourable investment opportunities in the euro area, in the context of low volatility and ample financial market liquidity. These conditions triggered sizeable capital inflows. In the context of the recent turmoil and higher financial market volatility, these open investment positions ceased to be profitable, as risk has been re-priced, and were therefore unwound. The resulting capital outflows observed in the past two months are associated with a decline in MFI's net external assets.

Chart 6 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.

Overall, the latest data (based on figures to the end of September 2007) show continued robust money and credit growth, with few signs of the financial market turmoil having had a specific impact on the expansion of broad money and credit aggregates. Underlying monetary dynamics remain strong, pointing to upside risks to price stability in the medium to longer term.

2.2 SECURITIES ISSUANCE

In August 2007 debt securities issued by euro area residents continued to grow at a robust rate, broadly unchanged from the previous month. This reflected a slight increase in the annual growth rate of debt securities issued by the MFI sector, which compensated for the moderate deceleration observed for non-financial corporations and general government. The growth rate of debt securities issued by non-monetary financial institutions remained broadly unchanged at a high level. Issuance of quoted shares was largely unchanged, remaining relatively subdued compared with debt issuance.

DEBT SECURITIES

The annual growth rate of debt securities issued by euro area residents was 9.1% in August 2007, 0.1 percentage point lower than in July (see Table 3). As regards the maturity structure of debt securities issuance, the annual growth rate of short-term securities issuance increased to 15.2% in August, up from 12.6% in the previous month, while that of long-term securities issuance

Table 3 Securities issued by euro area residents

Issuing sector	Amount outstanding (EUR billions) 2007 Aug.	Annual growth rates [1] 2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 July	2007 Aug.
Debt securities:	**11,834**	**7.0**	**7.9**	**8.0**	**8.7**	**9.0**	**9.1**
MFIs	4,931	8.4	9.8	10.5	10.5	10.8	11.1
Non-monetary financial corporations	1,342	25.9	28.3	26.9	27.5	27.3	27.4
Non-financial corporations	682	3.9	4.3	4.9	6.3	10.0	9.6
General government	4,879	2.8	2.8	2.4	3.2	3.3	3.1
of which:							
Central government	4,571	2.3	2.4	2.1	3.1	3.3	3.1
Other general government	308	11.8	9.1	6.8	5.8	2.6	2.6
Quoted shares:	**6,522**	**1.2**	**1.1**	**1.1**	**1.2**	**1.5**	**1.4**
MFIs	1,042	1.8	2.0	2.3	1.8	1.4	1.3
Non-monetary financial corporations	583	1.5	1.1	1.0	1.5	1.5	1.4
Non-financial corporations	4,897	1.1	0.8	0.8	1.0	1.5	1.4

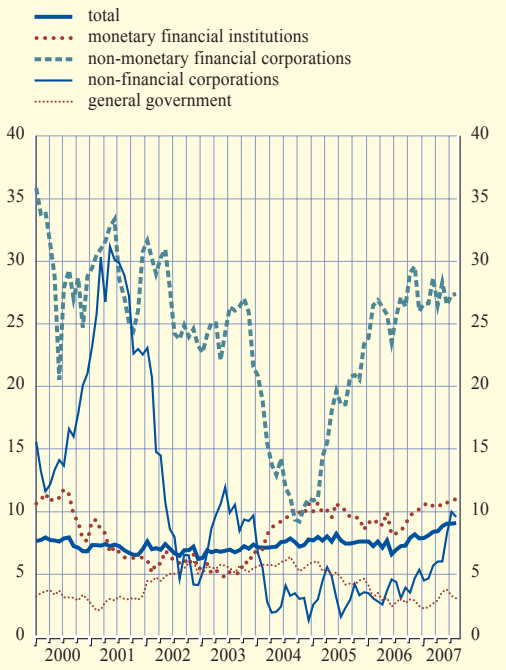
Source: ECB.
1) For details, see the technical notes for Sections 4.3 and 4.4 of the "Euro area statistics" section.

moderated slightly, falling from 8.7% to 8.4%. As regards long-term securities, the annual rate of growth of floating rate securities was again significantly higher, at 15.4%, than the rate of growth of fixed rate securities, which stood at 5.3% in August. This might reflect continued relatively strong demand for floating rate securities in an environment characterised by a relatively flat yield curve.

The annual growth rate of debt securities issued by non-financial corporations decreased to 9.6% in August, down from 10% in the previous month (see Chart 7), partly reflecting the net amortisation of debt securities observed in August. In periods of market turbulence such as that observed recently, it can also be useful to look at short-term developments using seasonally adjusted data for the most recent period. Although caution is warranted when interpreting these data, they can help to identify turning points in the series. Three-month annualised growth rates constructed on the basis of seasonally adjusted data show a larger decline for July and therefore point to a sharper deceleration. In terms of the maturity structure, the annual growth rate of long-term debt securities issued by non-financial corporations remained broadly unchanged at around 7% in August, while the annual growth rate of short-term securities issuance by such corporations,

Chart 7 Sectoral breakdown of debt securities issued by euro area residents

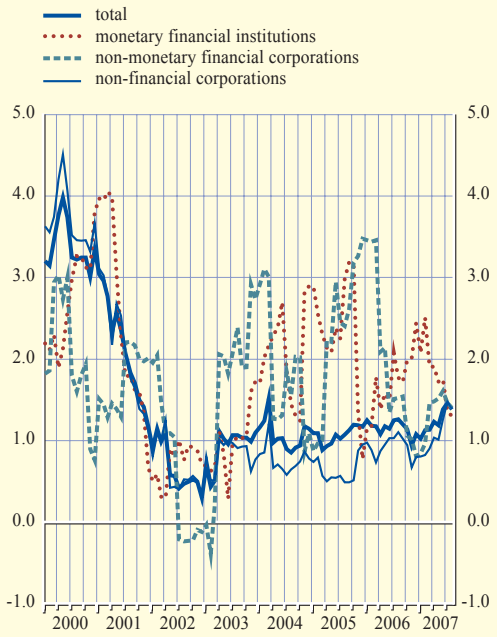
(annual growth rates)



Source: ECB.
Note: Growth rates are calculated on the basis of financial transactions.

Chart 8 Sectoral breakdown of quoted shares issued by euro area residents

(annual growth rates)



Source: ECB.
Note: Growth rates are calculated on the basis of financial transactions.

having increased since February, fell by 0.7 percentage point to stand at 24.5%.

In August 2007 the annual growth rate of debt securities issued by MFIs increased slightly to stand at 11.1%, signalling that banks are continuing to raise funds to meet the considerable demand arising from the strong growth of loans to non-financial corporations. This increase can be attributed mainly to the considerable dynamism observed in the issuance of short-term securities, the annual growth rate of which increased to stand at 16.9% in August, 2.9 percentage points above the figure recorded for July. The growth rate of MFIs' issuance of long-term securities remained broadly unchanged in August at around 10%. However, seasonally adjusted data for long-term securities point to a slight reduction in this growth rate. By contrast, the three-month annualised growth rate of short-term securities issued by MFIs increased markedly.

The annual growth rate of debt securities issued by non-monetary financial corporations remained broadly unchanged at 27.4% in August, significantly higher than that of debt securities issued by the MFI sector. However, short-term developments point, to some extent, to a deceleration in the non-monetary financial corporation sector. Most of the issuance activity in this sector was probably related to banks' securitisation activities and could be adversely affected by the recent financial market volatility, although no major impact can yet be seen from the data for August. In addition, a deceleration in banks' securitisation activities could also be reflected in a slowdown in LBO activity (see Box 3).

The annual growth rate of debt securities issued by the general government sector moderated slightly, falling to 3.1% in August, down from 3.3% in July. This reduction reflected a moderate slowdown in the growth rate of debt securities issued by the central government sector, which declined from 3.3% in July to 3.1% in August, while the annual growth rate of issuance by the other general government sector remained unchanged at 2.6%.

QUOTED SHARES

The annual growth rate of quoted shares issued by euro area residents remained broadly unchanged at 1.4% in August (see Table 3). This reflects the fact that there was little change in the growth rates of issuance of quoted shares by MFIs, non-monetary financial institutions and non-financial corporations, which stood at 1.3%, 1.4% and 1.4% respectively (see Chart 8).

Box 3

IMPACT OF THE CREDIT MARKET TENSIONS ON LBO ACTIVITY

In 2005 and 2006 private equity-based leveraged buyout (LBO) takeovers of euro area companies surged to unprecedented highs. This development helped fuel the boom observed in recent years in M&A activity more generally, which contributed to the strong acceleration of non-financial corporate loan growth in the euro area. In recent months, however, LBO activity has slowed considerably in the context of an ongoing reappraisal of risks and as a result of tensions in global credit markets. Those tensions have, inter alia, affected markets for securitisation and structured finance (such as collateralised loan obligations), which have in recent years contributed to the provision of cheap funding for LBO transactions, with banks able to easily offload even highly leveraged loans. This box examines the impact of the credit market turbulence on LBO activity and the potential effects on the growth of MFI loans to enterprises.

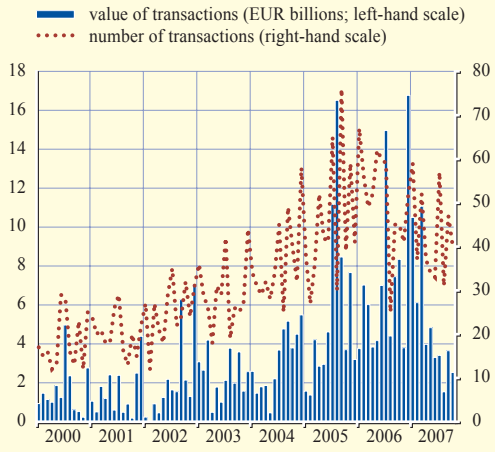
Developments in LBO activity

The latest figures for euro area-based LBO transactions indicate a marked decline in both the value and number of transactions over the past three months. Thus, the average monthly value of LBO transactions has, since end-June 2007, been only €2.9 billion, compared with an average monthly value of €6.6 billion over the preceding two and a half years (see Chart A). LBO activity has also decreased in recent months in terms of the number of transactions, reaching a level close to that prevailing in 2003 following a busy period of deal-making over the past two and a half years.

The decline in LBO activity is probably related to both supply and demand factors. On the demand side, the increase in credit spreads observed since June 2007 may have contained the demand for loans for LBO transactions. Since June 2007 credit spreads have increased across all rating classes, but spreads for less creditworthy borrowers (such as highly leveraged bought

Chart A LBO transactions in the euro area

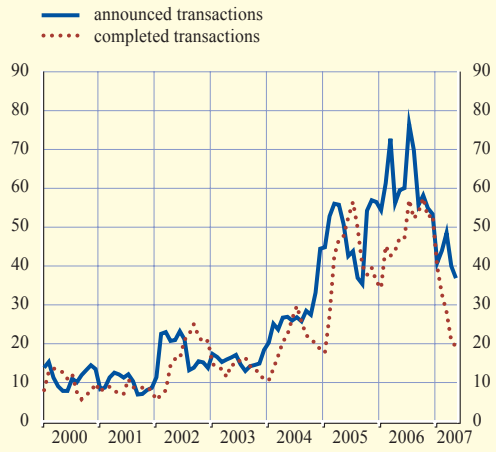
(monthly data)



Source: Bureau van Dijk (Zephyr).

Chart B Announced and completed LBO transactions in the euro area

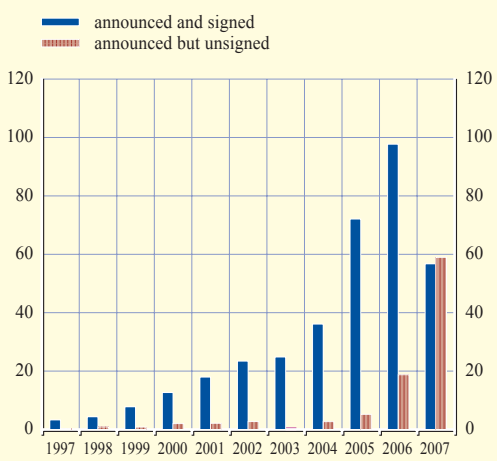
(monthly data; EUR billions; six-month moving totals)



Source: Bureau van Dijk (Zephyr).

Chart C Leveraged loan agreements in the euro area

(monthly data; EUR billions)



Source: Dealogic Loanware.

out corporations) have, in particular, risen significantly from the historically low levels observed over the past two years. Thus, between end-June and 7 November 2007 euro area high yield bond spreads increased by around 160 basis points (compared with an increase of only 40 basis points for BBB-rated non-financial corporate bond spreads over the same period).

The decline in LBO activity is likely to be closely linked also to the fact that, following the recent credit market tensions, banks are facing increasing difficulties in secondary loan markets when trying to offload loans related to LBO transactions for which they have, in the preceding months, already promised to provide finance.

By way of illustration, Chart B indicates that, on the basis of past experience, "completed deals" can be expected to peak around three to four months after "announced deals". However, in recent months the value of completed deals has declined markedly, despite the substantial value of the deals announced earlier in 2007. Thus, the total value of completed deals for the six months to October 2007 was a mere €19 billion, compared with a six-monthly average of €40 billion for the period since the beginning of 2005. At the same time, the total value of announced deals for the six months to October 2007 was only €37 billion, compared with a six-monthly average of €50 billion for the period since January 2005.

The impact on the banking sector

The significant decline in the value of completed LBO deals in recent months may, in part, be due to growing difficulties in raising financing, as reflected in the increasing number of announced but unsigned leveraged loan transactions observed in the course of 2007 (see Chart C). Thus, announced but unsigned deals as a percentage of total announced deals (i.e. signed and unsigned announced deals) has reached almost 60% in 2007, compared with an average share of 15% in the ten preceding years. This could, among other things, reflect the fact that initiators may in some cases have withdrawn from previously announced transactions in the light of the increased financial market uncertainty and the ongoing reappraisal of risk observed over the past few months. In addition, it might also reflect the fact that euro area banks have in recent months faced increasing difficulties in offloading a substantial part of these leveraged loans from their balance sheets and may, therefore, have become less willing to sign new loan agreements as issuance in leveraged loan markets has stalled and compounded pre-existing concerns about the ability of the markets to absorb a large pipeline of LBO-related debt.

A recent survey on banks' LBO business conducted by the Banking Supervision Committee showed that banks regarded the warehousing (or underwriting) risk as the most important source of risk in this business segment. Among other things, the survey indicated that it can, in general, take up to four months following the finalisation of a loan agreement before banks

have fully distributed their leveraged loan exposures.[1] Against this background, it may be noted that, according to deal-by-deal data from Dealogic Loanware, in the period from January to September 2007 euro area banks agreed to provide financing for LBO transactions with a value of around €84 billion. In the light of the recent credit market developments, euro area banks may have had to hold onto these loans for longer than expected.

A considerable amount of leveraged loans that cannot be offloaded or that have to be sold at a discounted rate, combined with a rise in the default risk of highly leveraged firms, could put downward pressure on the earnings and capital ratios of banks which are active in LBO financing and thus exposed to the leveraged loan market. In fact, in an interim period, where banks have to hold onto those loans, they may face capital constraints, given the size of their exposures, and may, therefore, have to reduce lending. The October 2007 Eurosystem bank lending survey indicated that loans for large M&A transactions are more likely to be affected by tighter credit standards in the fourth quarter of 2007.[2]

It is highly likely that the surge observed in LBOs and other M&A-related transactions over the past three years has contributed to the strong growth witnessed in lending to non-financial corporations in the euro area. Thus, a slowdown in LBO activity and other M&A-related transactions may be expected to contribute to more moderate growth in non-financial corporate lending by euro area MFIs over the coming months, together with the impact of generally tighter financing conditions. However, the fact that many euro area banks may be having to hold onto already agreed leveraged loans for a longer than expected period of time, being unable to "re-intermediate" those loans at present, could have placed some upward pressure on MFI loan volumes in recent months, in addition to the effects of corporate loan demand (see also Section 2.1).

1 See also the article entitled "Leveraged buyouts and financial stability" in the August 2007 issue of the Monthly Bulletin.
2 See the box entitled "The results of the October 2007 bank lending survey for the euro area" in the October 2007 issue of the Monthly Bulletin.

2.3 MONEY MARKET INTEREST RATES

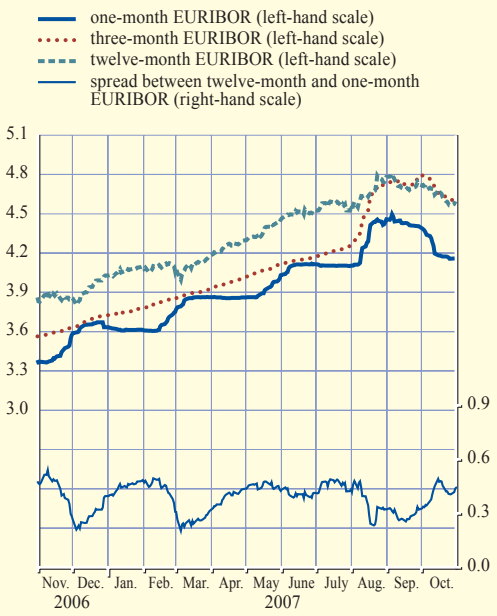
The unusually marked spread between secured and unsecured money market interest rates at maturities beyond the very short term persisted in October and early November, although declining gradually in the course of the month. At the same time, the slope of the money market yield curve steepened somewhat, with the spread between unsecured twelve-month and one-month money market interest rates rising to slightly above 40 basis points.

In October and early November, the spread between secured and unsecured interbank interest rates at maturities beyond the very short term remained high, reflecting continued tensions in the term money market. The spread between the unsecured EURIBOR and secured rates (e.g. those derived from the EONIA Swap Index or the EUREPO, an index for private sector repurchase agreements), which had risen significantly against the background of the market turbulence, remained at elevated levels throughout October. After standing at 74 basis points on 2 October, the spread between the three-month EURIBOR and the three-month EUREPO declined, particularly in the first half of the month, to reach 53 basis points on 8 November.

The three-month EURIBOR decreased by 21 basis points from 4.80% on 2 October to 4.59% on 7 November. The EURIBOR at one, six and twelve-month maturities developed along similar lines, standing at 4.14%, 4.60% and 4.60% respectively on 8 November. The slope of the EURIBOR

Chart 9 Money market interest rates

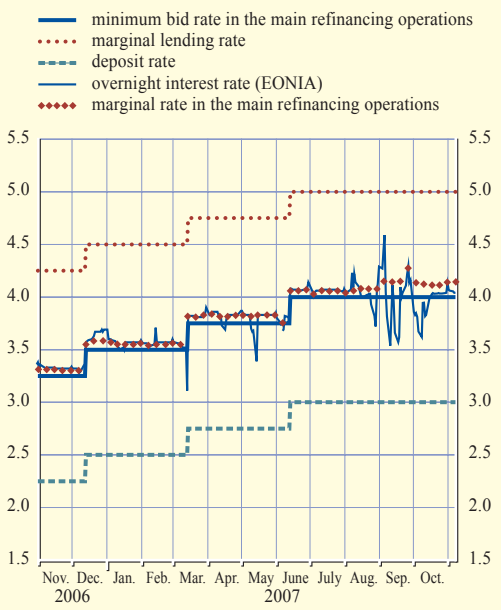
(percentages per annum; daily data)



Sources: ECB and Reuters.

Chart 10 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

yield curve steepened somewhat in the period under review, with the spread between the twelve-month and the one-month EURIBOR increasing from only 33 basis points at the beginning of October to 45 basis points on 8 November (see Chart 9).

The interest rates implied by the prices of three-month EURIBOR futures maturing in December 2007, March 2008 and June 2008 stood at 4.56%, 4.39% and 4.31% respectively on 7 November. Compared with the levels observed at the beginning of October, the interest rate implied by the December 2007 contract decreased by 4 basis points, while the rates implied by the March 2008 and June 2008 contracts rose by 4 and 5 basis points respectively.

On 4 October, the Governing Council decided to keep the key ECB interest rates unchanged, with the minimum bid rate in the Eurosystem's main refinancing operations remaining at 4.00%. Given the liquidity situation anticipated by the ECB for the end of the maintenance period, a liquidity-absorbing fine-tuning operation was launched on 9 October, the last day of the maintenance period, through which the ECB absorbed €24.5 billion. The EONIA was set at 3.945% (see Chart 10). In the first days of the new maintenance period that ended on 13 November, the EONIA fell, reaching 3.818% on 11 October. On 12 October, the ECB launched another liquidity-absorbing fine-tuning operation with a maturity of five days, which absorbed €30 billion. As from 15 October, the EONIA returned to more normal levels of close to 4%.

In order to accommodate the demand of counterparties to fulfil reserve requirements early within the maintenance period, the ECB reinforced its policy of allocating more liquidity than the benchmark amount in its main refinancing operations, still aiming for balanced liquidity conditions at the end of the maintenance period. Therefore, in the Eurosystem's regular weekly main

refinancing operations on 9, 16, 23 and 30 October, the ECB allotted €40 billion, €18 billion, €14.5 billion and €9.5 billion respectively more than the respective benchmark amounts. The resulting marginal rates were set at 4.12%, 4.11%, 4.11% and 4.14% respectively. In the last operation on 6 November, the ECB allotted €3.5 billion in excess of the benchmark amount, resulting in a marginal rate of 4.14%. After the first week of the current maintenance period, the EONIA had largely stabilised, with the exception of that on 31 October when, owing to the end-of-month effect, it rose to 4.131%.

In the Eurosystem's regular longer-term refinancing operation (conducted according to the usual LTRO procedure, with a fixed allotment amount of €50 billion) on 31 October 2007, the marginal and weighted average rates were set at 4.45% and 4.53% respectively. The marginal rate in this operation was 15 basis points lower than the three-month EURIBOR prevailing on that date.

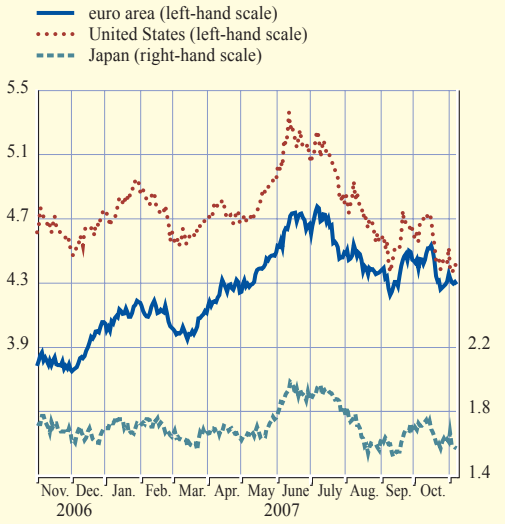
2.4 BOND MARKETS

Long-term bond yields declined in October and early November in the euro area and the United States. Recent developments in government bond yields seem to have been driven mainly by market participants' less optimistic views regarding future economic activity. Inflation expectations and related risk premia, as measured by long-term break-even inflation rates, increased somewhat in the euro area and therefore remained at relatively high levels.

Long-term government bond yields declined on both sides of the Atlantic in October and early November. These declines can, to a large extent, be explained by lower real bond yields, reflecting market participants' downward revision of expected future economic activity. Overall, ten-year government bond yields in the euro area decreased by 15 basis points between end-September and 7 November 2007 to stand at 4.3% (see Chart 11). Long-term bond yields in the United States decreased by 25 basis points over the same period, standing at 4.4% on 7 November. As a result, the differential between US long-term bond yields and comparable euro area yields decreased by around 10 basis points over the review period. In Japan, the ten-year bond yield decreased by 10 basis points by comparison with end-September, standing at 1.6% on 7 November. Market participants' uncertainty regarding short-term bond market developments, as measured by implied volatility extracted from options, receded until mid-October on both sides of the Atlantic, before rebounding to levels close to those observed at the end of September.

Chart 11 Long-term government bond yields

(percentages per annum; daily data)



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

In the United States, the decline observed in long-term bond yields was attributable to lower real yields, which decreased even more than nominal yields. A considerable part of this decrease reflects a weaker growth outlook for the United States as perceived by market

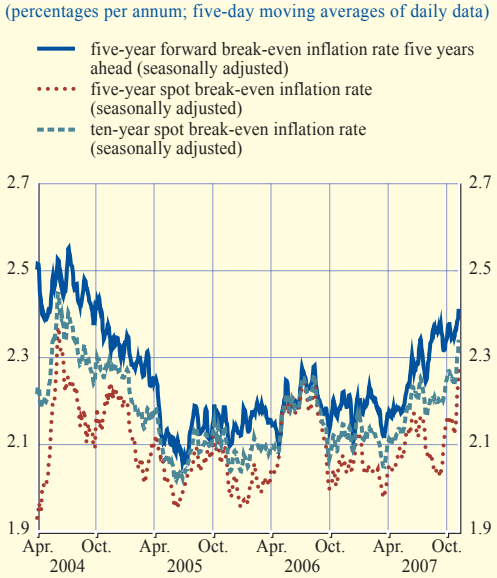
participants, related to the adverse economic effects of higher oil prices, deteriorating conditions in the housing sector and uncertainty about the knock-on effects of the financial market turmoil provoked by the US sub-prime crisis. Downward revisions of interest rate expectations at medium to long-term horizons also contributed to the decline in bond yields over the review period. In line with market expectations, the FOMC decided on 31 October to lower the target for the federal funds rate by 25 basis points. At the same time, it cannot be ruled out that investors' demand for high-quality government bonds increased over the review period, pushing risk premia embedded in long-term bond yields down. Market participants' inflation expectations and related risk premia, as measured by break-even inflation rates, increased in the United States, especially at shorter horizons. This may be related to the new highs seen in oil prices and the further depreciation of the US dollar, which are typically associated with higher short-term inflationary pressures.

In the euro area, long-term nominal government bond yields generally followed developments in the global market, and in the United States in particular, decreasing in October and early November. The decreases observed in euro area long-term nominal interest rates were also accompanied by lower long-term index-linked bond yields. This supports the view that market participants have also revised downwards somewhat their expectations for economic activity in the euro area, although to a lesser extent than for the United States.

Long-term break-even inflation rates increased somewhat further across all horizons in the period under review from the already relatively elevated levels of the previous few months. Against the background of the recent rise in euro area HICP inflation and new oil price highs, the five-year forward break-even inflation rate five years ahead, a measure of long-term inflation expectations and related risk premia, increased from 2.3% at the end of September to 2.4% on 7 November (see

Chart 12 Zero-coupon spot and forward break-even inflation rates

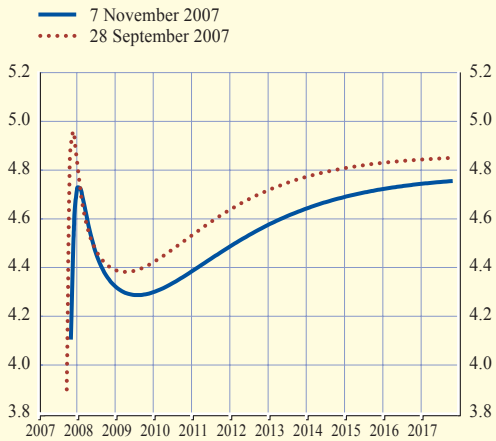
(percentages per annum; five-day moving averages of daily data)



Sources: Reuters and ECB calculations.

Chart 13 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



Sources: ECB estimates and Reuters.
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 zero coupon swap rates.

Chart 12). The increase in the five-year spot break-even inflation rate was somewhat stronger over the review period.

The implied forward overnight interest rate curve for the euro area experienced a downward shift at medium and long-term horizons between end-September and early November 2007 (see Chart 13). The downward shift in implied forward rates at longer maturities probably reflects, to a large extent, a decline in risk premia associated with flight-to-safety flows into government bonds.

2.5 INTEREST RATES ON LOANS AND DEPOSITS

In August 2007 most MFI interest rates continued their upward trend. Interest rates on loans increased more strongly than those on deposits and, overall, the pass-through from market interest rates remains in line with historical experience.

Table 4 MFI interest rates on new business

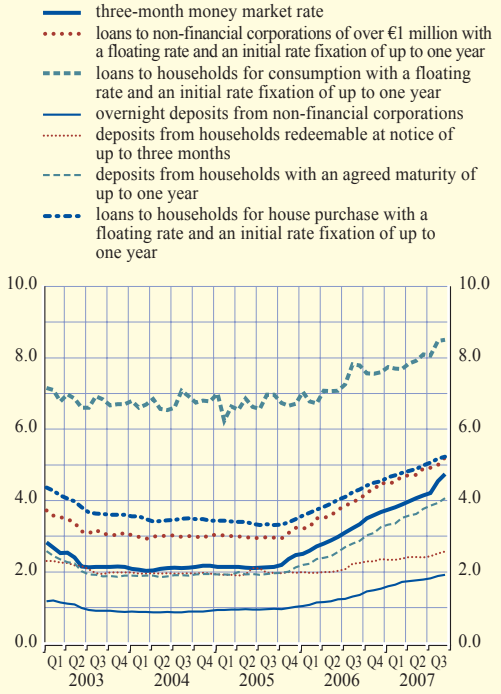
(percentages per annum; basis points; weight-adjusted[1])

							Change in basis points up to Aug. 2007[2]		
	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 July	2007 Aug.	2007 Jan.	2007 Apr.	2007 July
MFI interest rates on deposits									
Deposits from households									
with an agreed maturity of up to one year	2.87	3.27	3.51	3.77	3.85	3.93	60	34	8
with an agreed maturity of over two years	2.68	2.84	2.71	2.73	3.02	3.03	12	19	1
redeemable at notice of up to three months	2.26	2.37	2.38	2.41	2.44	2.52	17	10	8
redeemable at notice of over three months	2.68	2.86	3.14	3.31	3.39	3.45	48	25	6
Overnight deposits from non-financial corporations	1.36	1.53	1.72	1.79	1.82	1.87	27	12	5
Deposits from non-financial corporations									
with an agreed maturity of up to one year	2.98	3.47	3.67	3.93	4.01	4.08	59	34	7
with an agreed maturity of over two years	3.70	4.03	3.61	4.09	4.38	4.18	10	30	-20
MFI interest rates on loans									
Loans to households for consumption									
with a floating rate and an initial rate fixation of up to one year	7.79	7.60	7.69	8.09	8.07	8.47	73	63	40
Loans to households for house purchase									
with a floating rate and an initial rate fixation of up to one year	4.31	4.55	4.78	4.99	5.06	5.16	51	33	10
with an initial rate fixation of over five and up to ten years	4.63	4.55	4.69	4.89	5.02	5.08	50	36	6
Bank overdrafts to non-financial corporations	5.69	5.80	6.06	6.18	6.31	6.43	53	31	12
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	4.74	5.08	5.29	5.53	5.59	5.74	58	37	15
with an initial rate fixation of over five years	4.59	4.67	4.83	5.00	5.09	5.15	50	29	6
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	4.03	4.50	4.67	4.90	4.92	5.00	54	30	8
with an initial rate fixation of over five years	4.48	4.63	4.86	5.17	5.18	5.30	59	42	12
Memo items									
Three-month money market interest rate	3.34	3.68	3.89	4.15	4.22	4.54	79	56	32
Two-year government bond yield	3.62	3.79	3.94	4.45	4.48	4.19	25	8	-29
Five-year government bond yield	3.70	3.83	3.95	4.57	4.55	4.27	25	12	-28

Source: ECB.
1) The weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. For further information, see the box entitled "Analysing MFI interest rates at the euro area level" in the August 2004 issue of the Monthly Bulletin. Quarterly data refer to the end of the quarter.
2) Figures may not add up due to rounding.

Chart 14 Short-term MFI interest rates and a short-term market rate

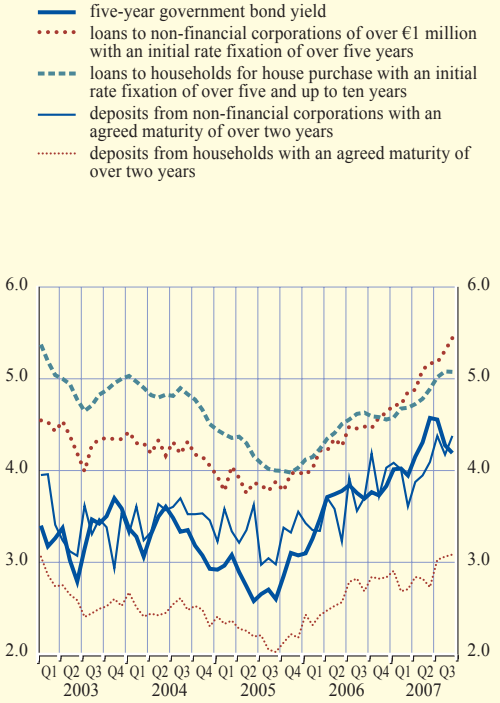
(percentages per annum; rates on new business; weight-adjusted [1])



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 15 Long-term MFI interest rates and a long-term market rate

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



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.

In August 2007 short-term MFI interest rates on deposits and loans increased (see Table 4 and Chart 14). The most significant increase was observed in interest rates on loans to households for consumption, which increased by 40 basis points between July and August 2007, reversing a decline in the previous month. Interest rates on loans to households for house purchase increased by 10 basis points for loans with a floating rate and an initial rate fixation period of up to one year and 6 basis points for loans with an initial rate fixation period of over five and up to ten years. At the same time, MFI interest rates on loans to non-financial corporations with floating rates and an initial rate fixation period of up to one year increased by 15 basis points for loans of up to €1 million and 8 basis points for loans of over €1 million. In addition, bank rates on deposits by households and non-financial corporations with an agreed maturity of up to one year increased by around 8 basis points. More recent data shows that the upward trend observed lately in short-term interest rates continued in September, the largest increases being registered for rates on loans for non-financial corporations, which followed, albeit only partially, the increase in money market rates.

Looking back over a longer period, the pass-through from market interest rates to bank rates has accelerated over the past few months, following a period in which developments in bank rates lagged behind those in market rates. Between September 2005 and August 2007 the three-month money market rate rose by 240 basis points. At the same time, MFI short-term interest rates on deposits by households rose by 197 basis points. In parallel, short-term loan rates increased by 193 basis points for loans to non-financial corporations of up to €1 million, by 185 basis points for loans for house purchase, and by only 150 basis points for loans for consumption.

In August 2007 long-term MFI interest rates on deposits with a maturity of over two years remained broadly unchanged for deposits by households and decreased by 20 basis points for deposits by non-financial corporations (see Table 4 and Chart 15), while the yield on two-year government bonds decreased by 29 basis points. At the same time, long-term MFI rates on loans to households for house purchase and on loans to non-financial corporations of up to €1 million increased by 6 basis points, while rates on long-term loans to non-financial corporations of over €1 million increased by 12 basis points (see Chart 15). By comparison, a comparable government bond yield declined by 28 basis points. In September rates on long-term loans to non-financial corporations increased further, while those on loans to households for house purchase remained stable.

Overall, the pass-through observed from market rates to bank lending rates continues to be broadly in line with historical patterns. The increase observed in August in rates on loans to non-financial corporations is also consistent with an increase in credit risk as perceived by market participants, as reflected in a widening in spreads for credit default swaps and corporate bonds, as well as swap rates, in the wake of the recent credit market turbulence. At the same time, banks do not, looking at the period up until August, appear to have passed on a significant percentage of the increased funding costs resulting from the difficulties in short-term money markets and other financial market segments.

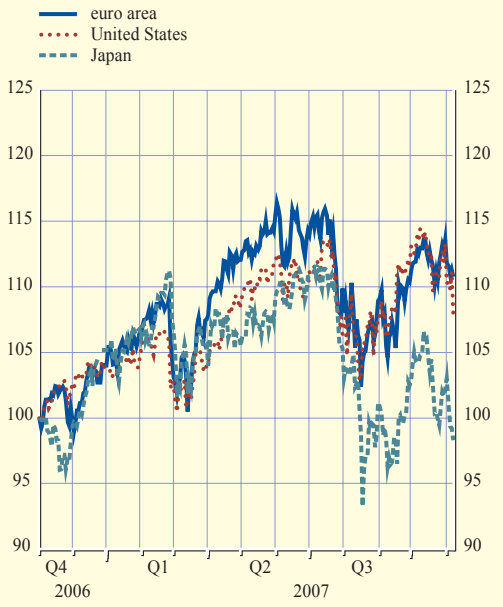
From a longer-term perspective, in the case of long-term MFI rates, lags remain, in line with historical patterns, in the pass-through of market interest rate increases since September 2005. The yields on two and five-year euro area government bonds rose by 200 and 167 basis points respectively between September 2005 and July 2007. Over the same period, long-term deposit rates for households increased by only 100 basis points. As for lending rates, MFI interest rates on loans to households for house purchase with an initial rate fixation period of over five and up to ten years rose by only 108 basis points. In the case of loans to non-financial corporations with an initial rate fixation period of over five years, MFI interest rates increased by between 109 and 142 basis points, depending on the size of the loan. Factors behind the continued low bank spreads are likely to include increasing competition among banks, as well as non-banks, and the fact that credit standards were eased up until the second quarter of 2007.

2.6 EQUITY MARKETS

By 7 November stock prices in the major markets stood, despite significant volatility, at levels similar to those seen at end-September. The potential adverse effects – both direct and indirect – of the summer's financial market turmoil on corporate earnings placed downward pressure on global stock prices, while the decline in long-term interest rates supported stock prices. Implied stock market volatility stood in early November at levels similar to those seen at end-September and thus remained elevated.

Chart 16 Stock price indices

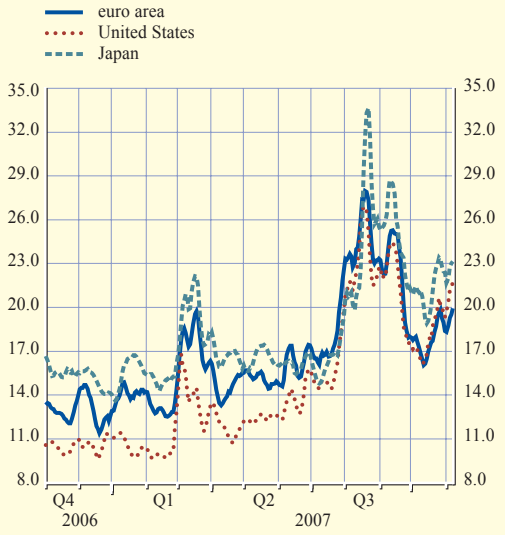
(index: 1 November 2006 = 100; daily data)



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 17 Implied stock market volatility

(percentages per annum; five-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.

In October broad-based stock price indices further stabilised in the euro area and the United States after the sharp sell-offs of the summer months (see Chart 16). Concerns remained regarding the direct and indirect adverse effects on corporate earnings of the financial market turmoil and the underlying tensions in the US sub-prime mortgage market. Declining long-term bond yields, which act as a discount factor for future corporate earnings, supported stock prices. Overall, stock prices in the euro area, as measured by the Dow Jones EURO STOXX index, changed little between the end of September and 7 November. Stock prices in the United States, as measured by the Standard & Poor's 500 index, declined by 3%, while stock prices in Japan, as measured by the Nikkei 225 index, declined by 4% over the same period. Implied stock market volatility, a gauge of market participants' perceptions of stock market uncertainty, declined in early October in the major markets, but rebounded thereafter to end the review period at levels close to those of end-September (see Chart 17).

Stock prices in the United States stabilised further in October. Although expected growth rates for the annual earnings of corporations included in the Standard & Poor's 500 index increased slightly in October by comparison with September, thereby remaining at robust levels from a historical perspective, the annual growth rate of actual earnings per share fell to a single-digit rate for the first time since the summer of 2003. In addition, more companies and professional stock market analysts revised their earnings estimates downwards in October, both for the next 12 months and for the next three to five years. Working in the opposite direction, lower long-term interest rates in the United States and changing expectations regarding the future path of official interest rates supported stock prices.

Euro area stock prices remained broadly unchanged over the review period. Although the actual and expected earnings growth of euro area companies remained robust in October, sentiment regarding corporate earnings appears to have deteriorated somewhat in October. Actual year-on-year growth in earnings per share for firms in the Dow Jones EURO STOXX index stood at 17% in October, up slightly from the previous month, with stock market analysts expecting earnings per share for companies in that index to grow at a rate of 9% over the next 12 months and 8% over the next three to five years, broadly unchanged from September. At the same time, the earnings estimates of firms in the Dow Jones EURO STOXX index and stock market analysts for the coming 12 months were, on balance, revised significantly downwards in October. Such a movement was last observed in early 2005. One factor that supported euro area stock prices was the lower risk-free rate component of the discount factor on future corporate earnings, given the decline in long-term government bond yields.

3 PRICES AND COSTS

In October 2007 overall euro area annual HICP inflation is estimated to have recorded a very strong increase to 2.6%, from 2.1% in September and 1.7% in August. The short-term dynamics of HICP inflation continue to be shaped mainly by the recent sustained developments in processed food and energy prices, reinforcing the upward effects on the annual rate of inflation from the marked decline in oil prices a year ago. By contrast, the other HICP components show more moderate developments, despite a high level of capacity utilisation and still elevated price pressures along the production chain. Increases in oil prices, as well as the ongoing global acceleration of food prices, are likely to push headline inflation further up in the coming months. Annual HICP inflation is expected to remain elevated in early 2008, before moderating again. Risks to the inflation outlook are fully confirmed to lie on the upside. These risks include the possibility of persistently high prices in oil and agricultural commodities, as well as unanticipated increases in administered prices and indirect taxes. Moreover, taking into account the existence of capacity constraints, the favourable momentum of GDP growth observed over the past few quarters, and the positive signs from labour markets, stronger than currently expected wage developments may occur. Furthermore, an increase in pricing power in market segments with low competition could materialise.

3.1 CONSUMER PRICES

FLASH ESTIMATE FOR OCTOBER 2007

According to Eurostat's flash estimate, annual HICP inflation reached 2.6% in October 2007 (see Table 5), its highest rate in two years. A detailed breakdown of the HICP components will be available in mid-November. However, available information suggests that the main components behind the increase in overall inflation may have been energy and processed food. The further strong contribution from the energy component was mainly due to the impact on the annual rate of inflation of falling energy prices in the same month of last year (i.e. a base effect), while the recent increases in oil prices appear to have been offset somewhat by developments in the exchange rate.

Table 5 Price developments

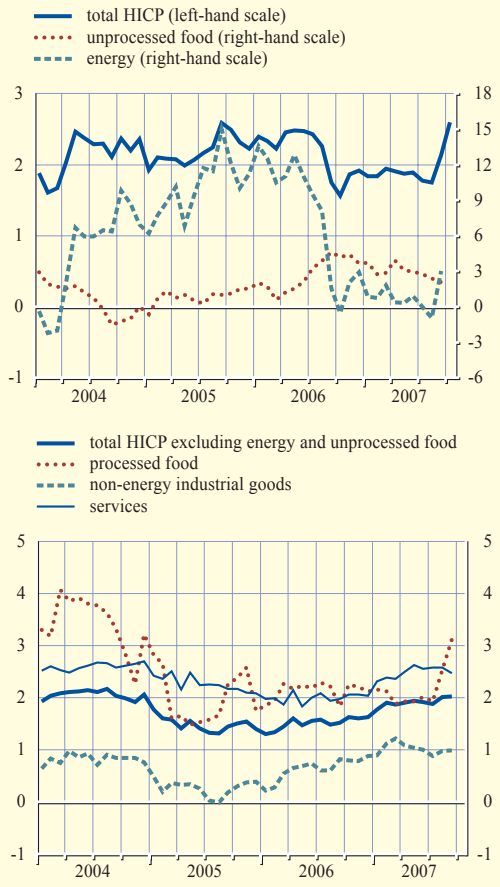
(annual percentage changes, unless otherwise indicated)

	2005	2006	2007 May	2007 June	2007 July	2007 Aug.	2007 Sep.	2007 Oct.
HICP and its components								
Overall index [1]	2.2	2.2	1.9	1.9	1.8	1.7	2.1	*2.6*
Energy	10.1	7.7	0.3	0.9	0.0	-0.9	3.0	.
Unprocessed food	0.8	2.8	3.1	3.0	2.8	2.4	2.1	.
Processed food	2.0	2.1	1.9	2.0	1.9	2.5	3.1	.
Non-energy industrial goods	0.3	0.6	1.0	1.0	0.9	1.0	1.0	.
Services	2.3	2.0	2.6	2.6	2.6	2.6	2.5	.
Other price indicators								
Industrial producer prices	4.1	5.1	2.4	2.3	1.8	1.8	2.7	.
Oil prices (EUR per barrel)	44.6	52.9	50.3	52.6	55.2	52.4	55.2	57.7
Non-energy commodity prices	9.4	24.8	11.9	14.2	7.8	5.4	6.9	3.5

Sources: Eurostat, HWWI and ECB calculations based on Thomson Financial Datastream.
1) HICP inflation in October 2007 refers to Eurostat's flash estimate.

Chart 18 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

HICP INFLATION UP TO SEPTEMBER 2007

Prior to October, euro area annual HICP inflation had already increased strongly, to 2.1% in September, from 1.7% in August (see Chart 18). This increase, bringing the headline HICP inflation rate above 2% for the first time since August 2006, was largely anticipated.

In September the short-term dynamics of HICP inflation were dominated by developments in the energy component. A sizeable base effect from energy prices, combined with the impact of the recent increase in the price of oil, resulted in a substantial increase in the annual rate of change in energy prices (to 3.0%). By contrast, the annual rate of change in unprocessed food prices declined to 2.1% in September from 2.4% in August, mainly on account of vegetable price developments.

The annual growth rate of the HICP excluding unprocessed food and energy remained unchanged at 2.0% in September. Among its components, the annual rate of change in processed food prices rose sharply for the second month in a row, to 3.1%, in September, against the background of reported strong increases in the prices of dairy products and cereals in many countries, linked to the current global pressure on agricultural commodity prices. By contrast, developments in the other two components of the HICP excluding unprocessed food and energy were more contained in September. The annual rate of change in non-energy industrial goods prices was unchanged at 1.0%. Despite the existence of inflationary pressures along the production chain, as signalled by the latest developments in industrial producer prices, and capacity utilisation in the manufacturing sector currently standing at a historically high level, the annual growth rate of the non-energy industrial goods component of the HICP has been moderate over the last few months. This could be related to the decline in import price inflation for consumer goods, which is most likely the result of exchange rate developments. Services price inflation eased somewhat to 2.5% in September, from 2.6% in the previous four months, reflecting lower contributions from accommodation and telecommunications services. However, services price inflation remains relatively high, possibly owing to a greater ability on the part of services firms to pass through cost increases to customers.

Food price developments appear to have contributed significantly to the recent surge in consumers' inflation perceptions and expectations, as measured by the qualitative indicators from the European Commission's Consumer Survey (see Box 4).

Box 4

RECENT DEVELOPMENTS IN CONSUMERS' INFLATION PERCEPTIONS AND EXPECTATIONS IN THE EURO AREA

Survey-based measures of consumers' inflation perceptions and expectations have risen sharply in the euro area in recent months. This box assesses these developments, considers the driving factors behind the increases and outlines the possible implications.

The European Commission's Consumer Survey

Consumers' opinions on inflation developments in the euro area are collected on a monthly basis by the European Commission as part of its Consumer Survey. Responses to the survey are of a qualitative nature, and an aggregate measure of consumers' opinions is summarised as a "balance statistic", which weights together the frequency of responses in different categories.[1] According to these measures, consumers' qualitative perceptions of inflation over the previous 12 months have increased significantly in recent months, reaching levels last seen in January 2004 (see Chart A). Consumers' qualitative expectations of inflation developments in the next 12 months also increased sharply in August and September. In October, they were below the September value, but remained at the high levels recorded at the end of 2006. It is notable that sharp, simultaneous increases in both perceptions and expectations had not been observed since the euro cash changeover in January 2002. Indeed, the two series had been negatively correlated over the period since the cash changeover.

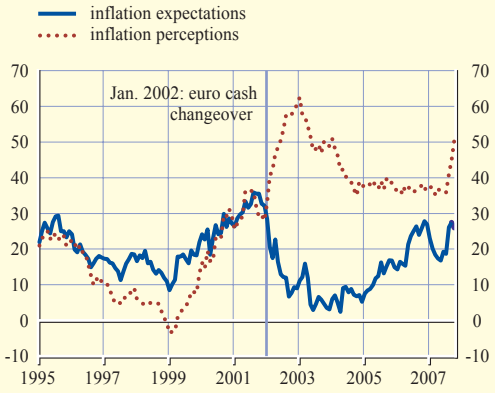
By definition, balance statistics only provide qualitative information on the directional change of consumers' inflation perceptions and expectations; they give no indication of the magnitude of the perceived and expected rates of inflation. As they are fundamentally different in nature from HICP inflation, a direct comparison among these indicators cannot be made. However, the qualitative responses of the Consumer Survey can be mapped into quantitative estimates of the perceived and expected inflation rates, which can be directly compared with the HICP. Various approaches have been proposed to perform the mapping.[2] As an illustration, this box uses a methodology based on the probability approach.[3] The methodology is subject to a number of caveats. In particular, the quantified indicators may be sensitive to the technical assumptions underlying the mapping. Moreover, it is inconceivable that the average survey respondent gathers and processes the same quantity of information as is incorporated in the HICP. Furthermore, while survey respondents are specifically asked to assess developments in "consumer prices", no explicit reference is made to any particular price index.

Historically, there has been a close and relatively straightforward relationship between the evolution of quantified inflation perceptions and expectations from the Consumer Survey and developments in the actual HICP in the euro area (see Chart B). An exception, however, was the period of the cash changeover, when consumers' inflation perceptions and expectations

1 For a discussion of euro area consumer price-related survey data, see the box entitled "Consumers' inflation perceptions: still at odds with official statistics?" in the April 2005 issue of the Monthly Bulletin. See also the article entitled "Measured inflation and inflation perceptions in the euro area" in the May 2007 issue of the Monthly Bulletin.
2 A review of the main techniques can be found in E. D'Elia, "Using the results of qualitative surveys in quantitative analysis", Istituto di Studi e Analisi Economica (ISAE), Working Paper No 56, September 2005.
3 The methodological details of the technique can be found in M. Forsells and G. Kenny, "The rationality of consumers' inflation expectations: survey-based evidence for the euro area", ECB Working Paper No 163, 2002.

Chart A Euro area consumers' qualitative inflation perceptions and expectations

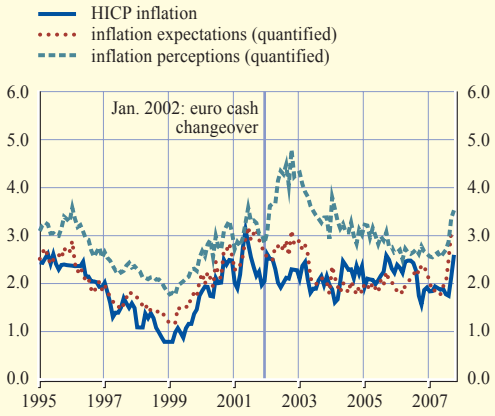
(percentage balance; seasonally adjusted)



Source: European Commission Business and Consumer Surveys.

Chart B HICP inflation and consumers' quantified inflation perceptions and expectations

(annual percentage changes)



Sources: European Commission Business and Consumer Surveys, Eurostat and ECB staff calculations.
Note: HICP inflation in October 2007 refers to Eurostat's flash estimate.

diverged from the HICP. Focusing on recent developments, while HICP inflation recorded a sharp increase only in September, the measures of perceived and expected inflation have risen sharply since August. According to the quantitative measures, in October 2007 both perceived and expected inflation stood at levels which were above the actual rate of HICP inflation. However, such comparisons should be made with great caution, given their sensitivity to the assumptions made in quantifying the qualitative data.

Possible factors behind the rise in consumers' inflation perceptions and expectations

It has been argued that consumers may attach higher importance to the price developments of goods and services that they buy more frequently. According to this view, these items have a stronger impact on consumers' inflation sentiment than would be warranted by the amount of money actually spent on them. One measure of such expenditures is an "out-of-pocket" index, which, at current weights, represents around 40% of the overall euro area HICP.[4] However, "out-of-pocket" expenditures have correlated with inflation perceptions and expectations in a broadly similar way to the overall HICP recently, suggesting that they have little more power than the overall HICP to explain consumer perceptions (see Chart C). A similar conclusion holds for energy prices.

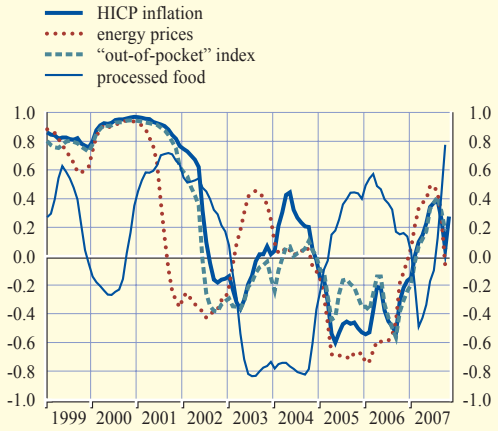
Developments in food prices – and within this, in processed food prices – appear to have had a more direct bearing on consumers' inflation perceptions and expectations recently. Processed food prices have risen sharply in recent months, and these increases have been very closely followed by rises in consumers' inflation sentiment (see Chart D).[5] Historically, food prices

4 Although no data are available on the frequency of purchase or means of payment for the HICP basket, an approximation of price changes of frequently purchased goods and services in the HICP has been compiled by ECB staff based on a judgemental approach and includes non-durable goods and daily consumer services, such as food, beverages, tobacco, non-durable household goods, transport services, oil, postal services, hotels, restaurants, cafés and hairdressing. See also the box entitled "Recent developments in euro area inflation perceptions" in the October 2003 issue of the Monthly Bulletin.

5 See the box entitled "Recent food price developments in world markets and the euro area" in the September 2007 issue of the Monthly Bulletin.

Chart C Correlation between quantified inflation perceptions and measures of actual inflation

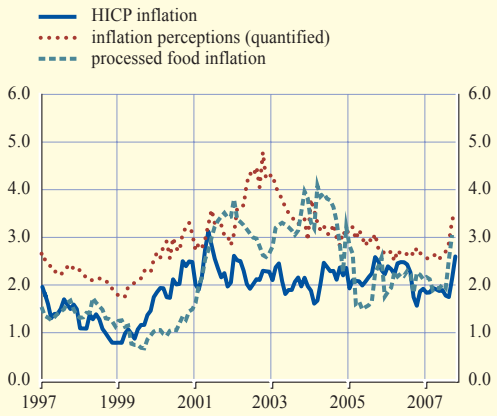
(correlation coefficient over a rolling sample of 24 months)



Sources: European Commission Business and Consumer Surveys, Eurostat and ECB staff calculations.
Note: HICP inflation in October 2007 refers to Eurostat's flash estimate.

Chart D Comparison of inflation perceptions, HICP and processed food inflation

(annual percentage changes)



Sources: European Commission Business and Consumer Surveys, Eurostat and ECB staff calculations.
Note: HICP inflation in October 2007 refers to Eurostat's flash estimate.

have also correlated with inflation perceptions much more strongly than the "out-of-pocket" index and the HICP. The processed food component represents only around 12% of the HICP basket, and increases in this component have not necessarily led to similar increases in inflation perceptions in the past. However, the impact on perceptions might have been magnified at the current juncture by the extensive media coverage of these price increases in some countries.

Implications

The increase in inflation perceptions and expectations related to food prices can affect the euro area economy through different channels. The increase in food price inflation has been cited as a reason for the fall in consumer confidence in recent months. Indeed, although incoming data on employment have continued to be favourable, consumers' sentiment about their personal financial and economic situation has deteriorated somewhat over recent months, which is reported to be associated with recent and expected food price increases.

From a central bank point of view, it is important to monitor whether the increase in inflation perceptions has the potential to have longer-lasting effects on inflation expectations. Private households' inflation expectations from the Consumer Survey can be cross-checked with other information derived from professional forecasters. On balance, survey-based longer-term inflation expectations remained stable at 2.0% according to the October Euro Zone Barometer and at 1.9% according to the October Consensus Economics. In the latest ECB Survey of Professional Forecasters (SPF), they fell back to 1.9% (see Box 5). These expected rates are broadly consistent with the ECB's definition of price stability. However, break-even inflation rates from inflation-linked bonds and swaps in the euro area have increased since early September, suggesting that inflation expectations or inflation risk premia have risen in financial

markets. Moreover, the probability reported by SPF respondents of inflation five years ahead being above 2% also rose somewhat in the latest SPF.

Looking ahead, food prices – which have been an important driver of consumers' inflation sentiment recently – are likely to continue to rise in the coming months, as suggested for example by the upsurge in price intentions in the manufacturing of food, beverages and tobacco in the latest European Commission Business Survey. At present, however, prices from available futures markets suggest some easing of the upward pressure on global food prices in the course of 2008. This notwithstanding, the currently strongly rising food prices may lead to a further worsening of consumers' inflation sentiment in the coming months, and may pose an upside risk to inflation. Hence, monetary policy-makers need to monitor carefully all the available measures of the public's inflation expectations. It is essential that any spillover of the current rise in inflation rates to inflation expectations be avoided in the longer run.

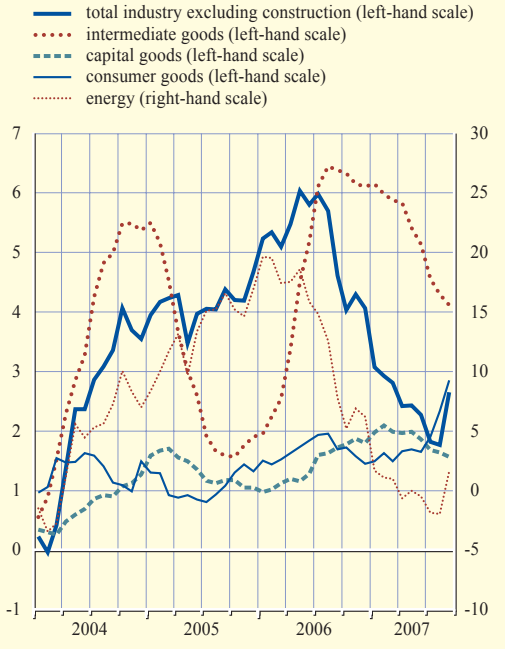
The rise in food prices relates in part to strong increases in the demand for agricultural products at the global level. The Governing Council of the ECB is of the opinion that, against the background of a marked increase in international food commodity prices, further liberalisation and reforms in the EU agricultural markets would help to enhance their efficiency and benefit European consumers through lower prices. The successful conclusion of the Doha round of world trade negotiations should also help to improve the functioning of global trade in general and of agricultural markets in Europe and worldwide.

3.2 INDUSTRIAL PRODUCER PRICES

The annual rate of change in overall industrial producer prices (excluding construction) rose significantly in September to 2.7%, up from 1.8% in August, following an extended period of gradual decline (see Chart 19). This rise was largely due to a strong increase in energy producer prices, reflecting not only a base effect, but also a substantial increase on a month-on-month basis, following the rise in oil prices since late August. Excluding energy (and construction), annual producer price inflation edged up somewhat in September, to the elevated level of 3.1%. This was the result of counteracting developments among its components. Short-term dynamics in the producer prices of both intermediate and capital goods remained moderate, while the annual rate of change in the producer prices of overall consumer goods increased further, to 2.9% in September. This reflected a further strong increase in the producer prices of food consumer goods. However, excluding tobacco and food prices, the annual rate of change in consumer

Chart 19 Breakdown of industrial producer prices

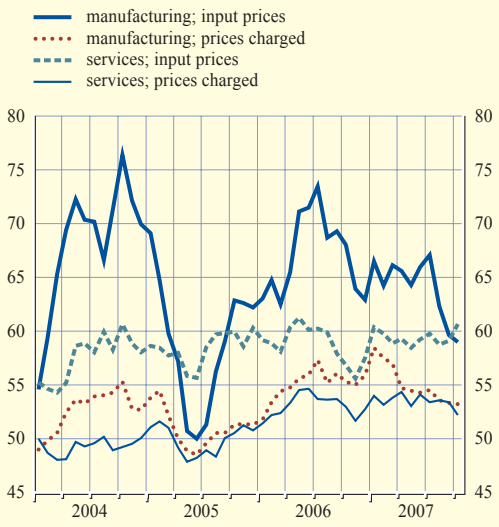
(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

Chart 20 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.

good prices has remained broadly stable throughout the year, at around 1.3%, suggesting a levelling-off of pipeline pressures on HICP non-energy industrial goods prices.

Overall, price pressures remain elevated along the production chain. They appear to have strengthened in particular for food producer items, which can be expected to have an impact at the retail level. Moreover, the recent increases in oil prices are likely to put upward pressure on energy producer prices.

At the same time, the most recent information on price-setting from the NTC Economics Purchasing Managers' Survey (see Chart 20) points to a further easing of input price pressures in the manufacturing sector and to a rebound in services input prices. In October 2007 the indicator of (non-wage) input costs in the manufacturing sector decreased further, as higher prices for oil and petrochemicals were reported to be offset by some easing in the prices of non-energy commodities, in particular metals. According to survey respondents, the strong euro exchange rate helped to offset the effect of rising costs of dollar-denominated inputs. The index of prices charged declined somewhat in October, possibly indicating some constraint on the pricing power of manufacturers as compared with the previous month. In the services sector, by contrast, the input price index increased markedly. High oil prices – reflected in higher transport costs and energy bills – rising wage pressures and increased borrowing costs were reported as the main sources of cost pressure by survey respondents. The indicator of prices charged in services decreased further, possibly as a result of stronger competition. All price-related survey indicators, however, remain at somewhat elevated levels by historical standards.

Table 6 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

	2005	2006	2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Q2
Negotiated wages	2.1	2.3	2.4	2.1	2.5	2.0	2.3
Total hourly labour costs	2.7	2.6	2.8	2.6	2.4	2.3	2.5
Compensation per employee	1.8	2.2	2.4	2.4	1.8	2.1	1.8
Memo items:							
Labour productivity	0.7	1.4	1.2	1.3	1.7	1.4	0.8
Unit labour costs	1.0	0.8	1.2	1.1	0.1	0.8	1.1

Sources: Eurostat, national data and ECB calculations.

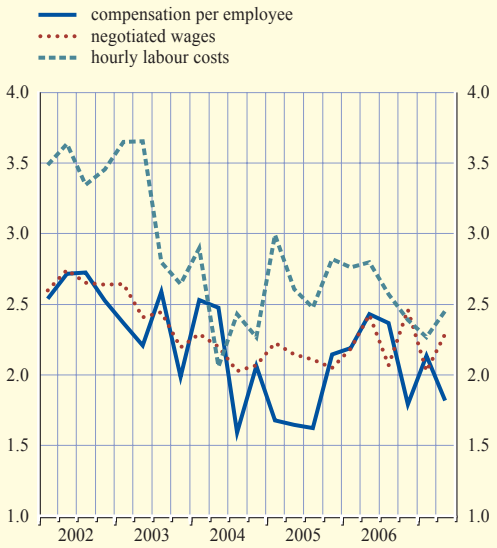
3.3 LABOUR COST INDICATORS

Following the release of data on compensation per employee for the second quarter of 2007, the complete picture from the main indicators of euro area labour costs points to still contained developments in the first half of 2007 in the euro area as a whole (see Table 6).

In the second quarter of 2007, the annual rate of change in euro area compensation per employee slowed to 1.8%, from a downward-revised 2.1% in the first quarter of the year (see Chart 21). The decline between the first and second quarters of 2007 was largely driven by a country-specific development (namely, a base effect from last year's pattern of wage adjustment in the Italian public sector). This contrasts somewhat with the signals provided by other labour cost indicators, as the annual rates of growth in both negotiated wages and hourly labour costs in the euro area increased in the second quarter of 2007. However, they were both strongly influenced by specific developments in Germany and remain close to the averages observed in 2006. These developments, together with some preliminary information on negotiated wages for the third quarter, continue to suggest an overall still moderate pattern in labour cost developments over recent months.

Chart 21 Selected labour cost indicators

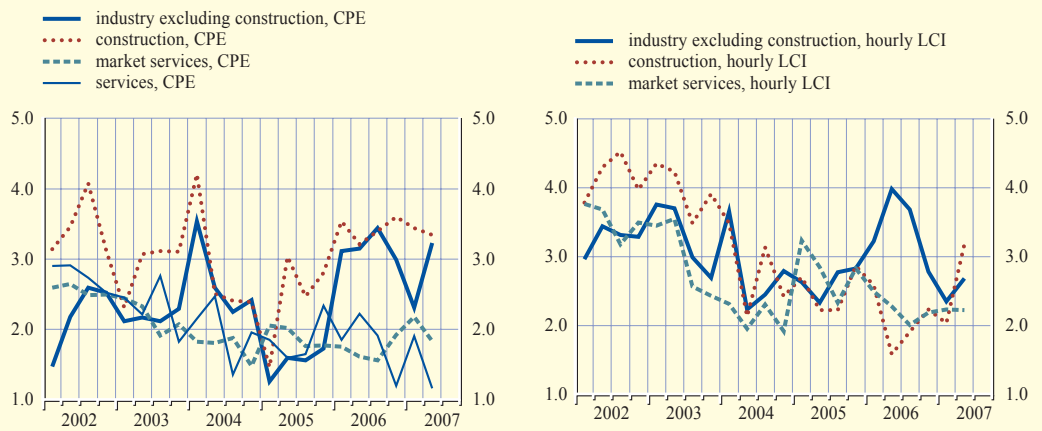
(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.

Chart 22 Sectoral labour cost developments

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.
Note: CPE stands for "compensation per employee" and LCI stands for "labour cost index".

However, despite the decline in the growth rate of compensation per employee in the second quarter of 2007, the simultaneous downturn in labour productivity growth implied an increase in the annual growth rate of unit labour costs to 1.1%.

Sectoral developments show a significant fall in the annual growth rate of compensation per employee in services from the first to the second quarter of 2007 (see Chart 22). Although this was largely due to the effect of the above-mentioned developments in the Italian public sector, the annual growth rate of compensation per employee in the market-related services sector also registered some decline. By contrast, the latest developments in compensation per employee in the industrial sector signal an increase between the first and the second quarter, although the average growth rate for the first half of 2007 remains broadly in line with the developments observed over the last few years.

3.4 THE OUTLOOK FOR INFLATION

The short-run profile of HICP inflation is expected to continue to be driven mainly by its most volatile components. Rising food prices, combined with sustained energy price developments, are likely to keep headline inflation high in the coming months. Annual HICP inflation is expected to remain elevated in early 2008, before moderating again in the course of the year. The results of the ECB Survey of Professional Forecasters for the fourth quarter of 2007 point to unchanged inflation forecasts for the years 2007-09 and to relatively well-anchored longer-term inflation expectations (see Box 5). However, as outlined in Section 2.4, other indicators derived from financial market instruments point to a slight upward trend in longer-term inflation expectations.

Looking ahead, the most recent data fully confirm that the balance of risks to the inflation outlook remains on the upside. Risks include further increases in the price of oil, as well as of agricultural commodities, depending in particular on the degree of persistence of the agricultural price shock in world markets. There is also a risk of unanticipated increases in administered prices and indirect taxes. Furthermore, taking into account the existence of capacity constraints, the favourable momentum of GDP growth observed over the past few quarters, and the positive signs from labour markets, stronger than currently expected wage developments could pose an additional risk to inflation, especially in combination with an increase in pricing power in market segments with low competition.

Box 5

RESULTS OF THE ECB SURVEY OF PROFESSIONAL FORECASTERS FOR THE FOURTH QUARTER OF 2007

This box reports the results of the ECB Survey of Professional Forecasters (SPF) for the fourth quarter of 2007. The survey was conducted between 16 and 18 October 2007. The SPF gathers information on expectations for euro area inflation, GDP growth and unemployment from experts affiliated to financial or non-financial institutions based in the EU. Given the diversity of the panel of participants, aggregate SPF results can reflect a relatively heterogeneous set of subjective views and assumptions.

Inflation expectations for 2007, 2008 and 2009

SPF participants have not revised their inflation expectations, which remain at 2% for the average rate of inflation in 2007, 2008 and 2009 (see table)[1]. The inflation forecasts reflect the expectation that unfavourable energy-related base effects will keep inflation high over the fourth quarter of 2007 and early 2008. By contrast with the previous round of the survey, participants expect stronger price pressures coming from high oil, food and commodity prices to be counterbalanced by weaker economic activity. SPF inflation expectations are within the ranges reported in the September 2007 ECB staff macroeconomic projections and in line with the forecasts published in the October 2007 issues of Consensus Economics and the Euro Zone Barometer.

The risks surrounding these inflation expectations are assessed by the participants to be mainly on the upside, related in particular to unexpected future hikes in oil prices, food price increases, rising non-energy commodity prices, capacity constraints and wage pressures stemming from tight labour market conditions. At the same time, several respondents mention that a further appreciation of the euro and lower than expected world GDP growth pose downside risks to the inflation expectations.

SPF participants were also asked to assign a probability distribution to their forecasts. This distribution provides information on the probability of the future outcome being within a specific interval. The probability distribution resulting from the aggregation of responses also makes it easier to assess how, on average, survey participants gauge the risk of the actual outcome being above or below the most likely range. The probability distributions for expected

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

Results from the SPF, ECB staff macroeconomic projections, Consensus Economics and Euro Zone Barometer

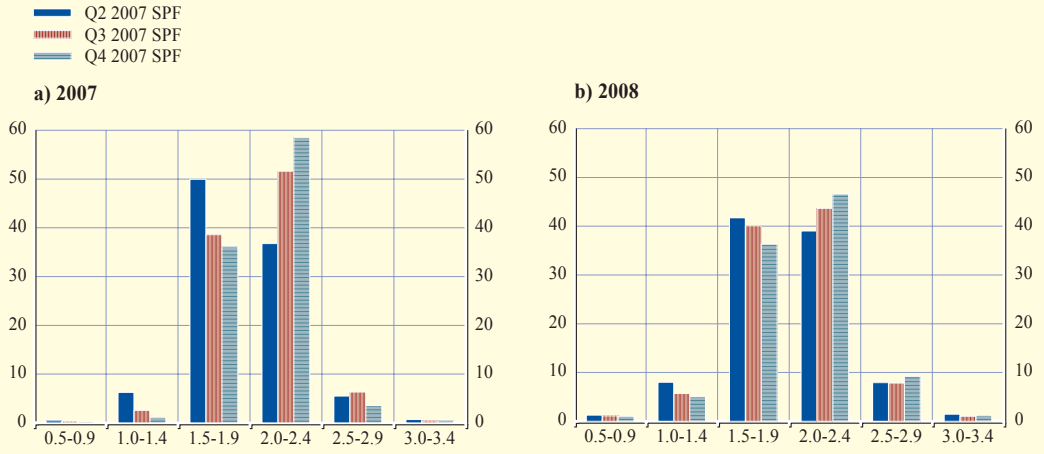
(annual percentage changes, unless otherwise indicated)

	Survey horizon					
HICP inflation	**2007**	**Sep. 2008**	**2008**	**Sep. 2009**	**2009**	**Longer term [2]**
SPF Q4 2007	2.0	2.0	2.0	1.9	2.0	1.9
Previous SPF (Q3 2007)	*2.0*	-	*2.0*	-	*2.0*	*2.0*
ECB staff macroeconomic projections	1.9-2.1	-	1.5-2.5	-	-	-
Consensus Economics (October 2007)	2.0	-	2.0	-	2.0	1.9
Euro Zone Barometer (October 2007)	2.0	-	2.0	-	2.0	2.0
Real GDP growth	**2007**	**Q2 2008**	**2008**	**Q2 2009**	**2009**	**Longer term [2]**
SPF Q4 2007	2.6	2.1	2.1	2.2	2.2	2.2
Previous SPF (Q3 2007)	*2.7*	-	*2.3*	-	*2.2*	*2.2*
ECB staff macroeconomic projections	2.2-2.8	-	1.8-2.8	-	-	-
Consensus Economics (October 2007)	2.6	-	2.0	-	2.1	2.0
Euro Zone Barometer (October 2007)	2.6	-	2.1	-	2.1	2.0
Unemployment rate [1]	**2007**	**Aug. 2008**	**2008**	**Aug. 2009**	**2009**	**Longer term [2]**
SPF Q4 2007	7.0	6.7	6.7	6.6	6.6	6.4
Previous SPF (Q3 2007)	*7.0*	-	*6.7*	-	*6.6*	*6.4*
Consensus Economics (October 2007)	7.0	-	6.7	-	-	-
Euro Zone Barometer (October 2007)	6.8	-	6.7	-	6.6	6.3

1) As a percentage of the labour force.
2) Longer-term inflation expectations refer to 2012 in the SPF, 2011 in the Euro Zone Barometer and to the period 2013-17 in Consensus Economics. The Consensus Economics forecasts for the period 2013-17 and the year 2009 were published in the October 2007 issue of Consensus Economics.

Chart A Probability distribution for average annual inflation in 2007 and 2008 in the last three rounds of the SPF [1)]

(probability in percentages)



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

inflation in 2007 and 2008 have shifted towards higher outcomes than in the SPF round for the third quarter of 2007 (see Chart A). The bulk of responses is now concentrated in the interval 2.0%-2.4% for both years.

Indicators of longer-term inflation expectations

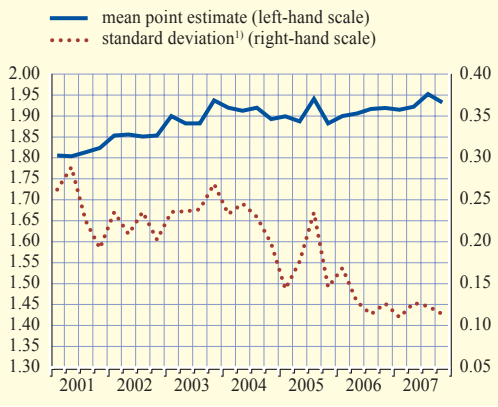
According to the latest SPF results, longer-term inflation expectations (five years ahead) have been revised down from 1.95% to 1.93%. Using one decimal place, this revision leads to a change from 2.0% to 1.9% owing to rounding. These point expectations are slightly below the expectations from the Euro Zone Barometer for 2011 but in line with those from Consensus Economics for inflation six to ten years ahead, both released in October 2007. The standard deviation of longer-term inflation expectations in the SPF has fallen over time. This indicates a broader consensus among respondents regarding the forecast for the longer-term inflation rate (see Chart B).

The probability attached by survey respondents to long-run inflation standing at 2% or above increased to 48%, compared with 47% in the previous round (see Chart C). These survey results can be compared with the break-even inflation rate, an indicator of longer-term inflation expectations among market participants calculated as the yield spread between nominal and inflation-linked bonds[2]. The rise in the probability that inflation five years ahead will stand at 2% or above is in line with developments in the implied five-year forward five-year break-even inflation rate (see Chart C). It should be recalled that break-even inflation rates should not be interpreted as direct measures of inflation expectations, since they may also incorporate various risk premia (such as inflation uncertainty and liquidity premia).

2 See also the article entitled "Measures of inflation expectations in the euro area" in the July 2006 issue of the Monthly Bulletin.

Chart B Longer-term inflation expectations (point estimate – five years ahead)

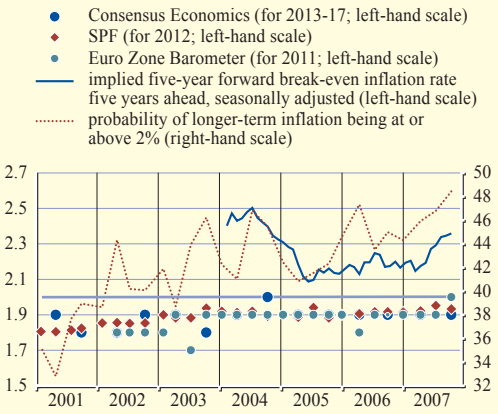
(average annual percentage changes; percentage points)



Source: ECB.
1) The standard deviation of point estimates reported by each of the panel members responding to the survey.

Chart C Longer-term inflation expectations from surveys and break-even inflation rates

(average annual percentage changes; percentage probability)



Sources: Consensus Economics, Euro Zone Barometer, ECB, Reuters and ECB calculations.

Real GDP growth expectations

Expectations for real GDP growth have been revised downwards by 0.1 percentage point for 2007 and by 0.2 percentage point for 2008 in comparison with the previous SPF round. The estimates now point to real GDP growth of 2.6% in 2007 and 2.1% in 2008. These downward revisions mainly reflect two factors. First, investment growth is expected to be lower than previously anticipated owing to tighter credit standards and higher capital costs in the wake of recent credit market developments. Second, euro area exports are expected to be negatively affected by the appreciation of the euro and somewhat moderating world growth on account of a weaker than previously expected expansion of the US economy. At the same time, several forecasters highlight the continuous improvement in the euro area labour markets as an indicator of the resilience of the euro area economy to the financial turbulence. Expected GDP growth for 2009 has remained unchanged at 2.2%.

In all years, the risks surrounding these expectations are assessed by the respondents to be on the downside, mainly related to the rise in oil prices and the euro exchange rate, the uncertainty surrounding the developments in the financial markets and the possibility of a stronger than expected slowdown in the US economy.

SPF growth expectations for 2007 and 2008 are within the ranges of the September 2007 ECB staff macroeconomic projections and broadly in line with the results published in the latest issues of the Euro Zone Barometer and Consensus Economics. For 2009, the point estimate of the real GDP growth rate is slightly above the results of the October 2007 issues of the Euro Zone Barometer and Consensus Economics.

Longer-term growth expectations (i.e. for 2012) have not been revised and remain at 2.2%. According to SPF participants, longer-term growth prospects depend principally on further

structural reforms in the labour market and social security systems, as well as on migration flows.

Expectations for the euro area unemployment rate

Unemployment rate expectations for 2007, 2008 and 2009 have not been revised and stand at 7.0%, 6.7% and 6.6% respectively. Forecasters expect favourable labour market trends to continue, while further reductions in the unemployment rate are seen as being subject to the success of labour market reforms. SPF unemployment rate expectations for 2007 and 2008 are in line with those of the latest issue of Consensus Economics. The SPF forecasts for the unemployment rate are slightly above the expectations in the October 2007 issue of the Euro Zone Barometer for 2007, but in line with those for 2008 and 2009.

Longer-term unemployment rate expectations have not been revised and stand at 6.4% for 2012. The balance of risks to these forecasts is assessed to be on the upside over all horizons. Respondents continue to indicate that the decline in the unemployment rate over the longer-term horizon is mainly dependent on further, and deeper, labour market reforms.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

The data for the first half of 2007 confirm that the pace of euro area activity normalised, as expected, with quarterly real GDP growth rates declining to 0.5% on average, from 0.7% in the second half of 2006. Recent data on the euro area economy point to continued robust growth, albeit moderating somewhat. While industrial production data for July and August were on the upside, available information at the beginning of the fourth quarter suggested that the slowdown in industry and construction was continuing. At the same time, however, the rate of expansion of services was unabated. Looking ahead, the main scenario remains for output to grow in line with potential growth. But risks to this scenario are on the downside. These risks relate mainly to the potential for a broader impact from the ongoing reappraisal of risk in financial markets on confidence and financing conditions, further oil and commodity price rises, as well as concerns about protectionist pressures and possible disorderly developments owing to global imbalances.

4.1 OUTPUT AND DEMAND DEVELOPMENTS

REAL GDP AND EXPENDITURE COMPONENTS

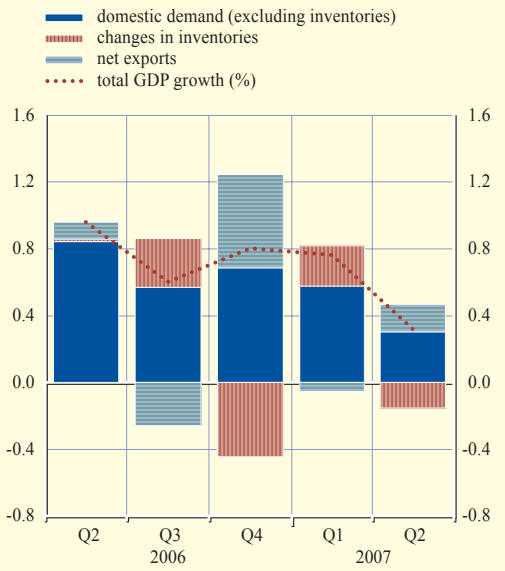
Eurostat's second estimate of national accounts confirmed that euro area real GDP grew by 0.3% in the second quarter of 2007, while growth in the first quarter was revised upwards to 0.8% (see Chart 23). The second quarter breakdown of GDP growth into its domestic demand components (excluding inventories) was unchanged. Both exports and imports were revised slightly downwards, however, the positive net trade contribution was unaffected. The contribution of inventories was also revised slightly downwards.

The second estimate of euro area national accounts provided information on the breakdown of gross fixed capital formation for the second quarter of 2007. It confirmed that the decline in total investment seen in the spring mostly reflected developments in the construction sector, which was positively affected by the unusually benign weather prevailing in the early months of 2007 that enabled work to be completed ahead of schedule. Non-construction investment, which accounts for about half of total investment, grew by 1.4% in the second quarter, following an increase of 1.0% in the first quarter.

Taking quarter-on-quarter volatility into account, the latest available information on national accounts confirms that euro area real GDP growth was in line with potential output in the first half of 2007. Investment growth remained strong, although it decelerated, while private consumption expanded moderately.

Chart 23 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

Changes in the sectoral composition of value added growth in the first half of 2007 mirrored adjustments in the demand composition of GDP growth. Over the period, value added growth in the industrial sector was buoyant, albeit slowing, while value added growth in the services sector remained robust.

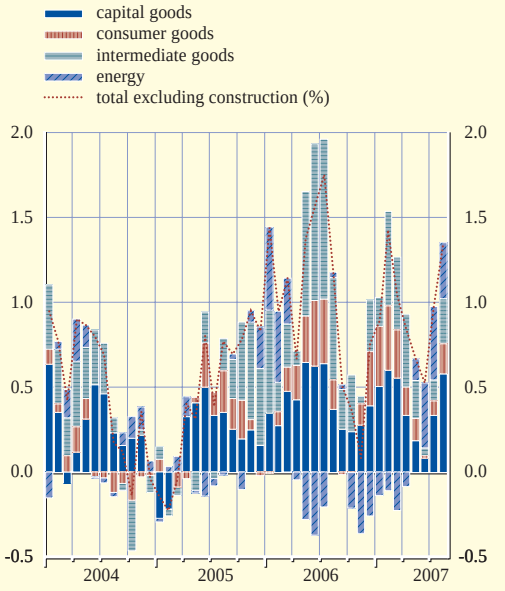
In August 2007 industrial production (excluding construction) increased by 1.3% on a three-month moving average basis. This increase was the result of strong expansion in all the main industrial groupings (see Chart 24). The average level of industrial production (excluding construction) in the first two months of the third quarter exceeded the level seen in the second quarter as a whole by 1.7%, which compares with quarterly growth of 0.5% in the second quarter. In three-month-on-three-month terms, industrial new orders (excluding heavy transport equipment) rose by 2.1% in August, compared with 2.3% in the previous month. In the construction sector, which accounts for about 20% of value added in industry, production increased by 0.2% in August on a three-month moving average basis, recovering somewhat from the decline of 0.3% seen in the second quarter. Overall, the latest available information suggests that growth in the industrial sector is likely to have remained robust in the third quarter, thereby contributing strongly to GDP growth.

SURVEY DATA FOR THE INDUSTRIAL AND SERVICES SECTORS

Survey data available up to October suggest that at the beginning of the fourth quarter of 2007 growth in industry continued to moderate while the expansion in services persisted (see Chart 25).

Chart 24 Industrial production growth and contributions

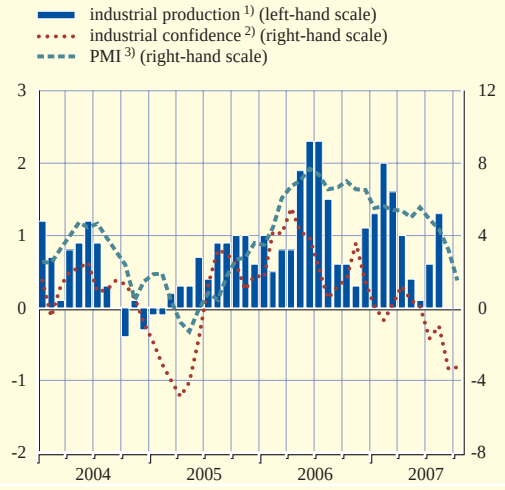
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



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

Chart 25 Industrial production, industrial confidence and the PMI

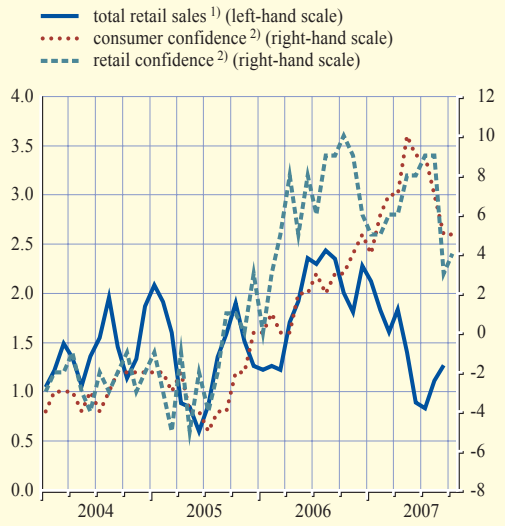
(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, NTC Economics and ECB calculations.
Note: All series refer to manufacturing.
1) 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 26 Retail sales and confidence in the retail trade and household sectors

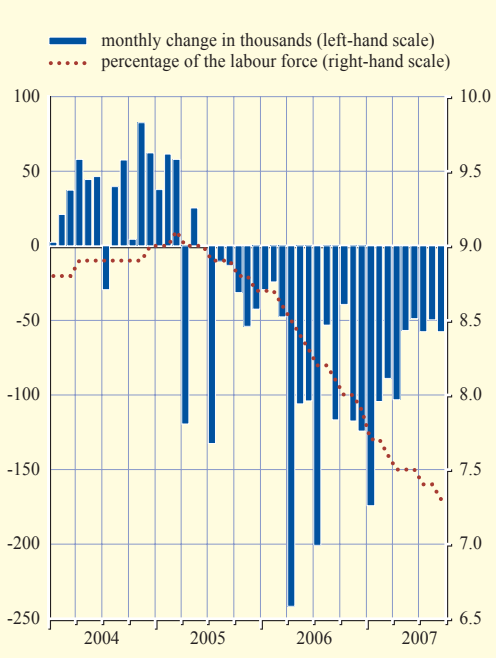
(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.
1) Annual percentage changes; three-month moving averages; working day-adjusted.
2) Percentage balances; seasonally and mean-adjusted. For consumer confidence, euro area results from January 2004 onwards are not fully comparable with previous figures due to changes in the questionnaire used for the French survey.

Chart 27 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

Both the Purchasing Managers' Index (PMI) for the manufacturing sector and the European Commission's industrial confidence indicator decreased in October. Survey data for the services sector were more favourable in October, with the PMI for services rebounding somewhat and the Commission's services confidence indicator remaining stable.

INDICATORS OF HOUSEHOLD SPENDING

The latest indicators of household spending suggest that private consumption growth contributed positively to euro area real GDP growth in the third quarter of 2007.

According to Eurostat's latest release, euro area retail sales increased by 0.3% month on month in September (see Chart 26). Over the third quarter as a whole, retail sales increased by 0.7%, compared with 0.2% in the second quarter. Furthermore, euro area new passenger car registrations increased by 1.0% in the third quarter. Overall, retail sales and new passenger car registrations are expected to have provided a positive and above historical average contribution to private consumption growth in the third quarter. Moreover, retail confidence increased slightly in October, while consumer confidence was unchanged, at a level above its historical average. With favourable developments continuing in the labour market, conditions remain supportive for private consumption growth looking ahead.

4.2 LABOUR MARKET

The latest available data confirm the favourable trends seen in the euro area labour market in recent years.

UNEMPLOYMENT

The euro area standardised unemployment rate declined to 7.3% in September, from a revised rate of 7.4% in August (see Chart 27). As a result of a change in the source of German unemployment statistics, the euro area unemployment rate has been revised upwards by 0.5 percentage point (see Box 6 entitled "Recent revisions to euro area unemployment statistics"). However, this has not led to any significant change in the downward trend of the unemployment rate seen previously. Indeed, the figure for September remains the lowest rate seen since the early 1980s. The unemployment rate has declined by a significant 0.7 percentage point in the last 12 months, although the pace of the decline has slowed gradually since the beginning of 2007. In the third quarter, the number of unemployed persons in the euro area fell by about 55,000 per month on average, compared with around 125,000 in the first quarter.

Box 6

RECENT REVISIONS TO EURO AREA UNEMPLOYMENT STATISTICS

Unemployment is one of the most important and timely indicators of labour market developments. To provide a comparable measure of unemployment across countries, Eurostat has developed harmonised monthly unemployment data for all EU countries, as well as for the euro area and the EU as a whole, with the series starting in the early 1990s. This box provides a brief description of the harmonised unemployment series and information on a revision of these statistics for the euro area, which is due to changing over to the Labour Force Survey (LFS) for the calculation of unemployment figures in Germany. This change, which is the result of efforts made at the EU level to produce harmonised statistics, has led to a significant upward revision of the number of unemployed persons in Germany. It reflects, however, a purely statistical effect and does not significantly alter the positive underlying economic developments in the euro area labour market seen in recent years.

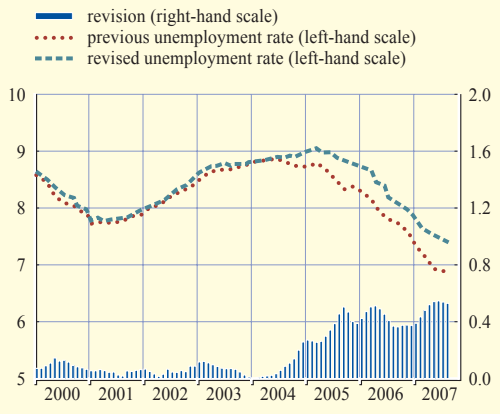
The measurement of unemployment

The most widely available national unemployment data are the registered unemployment figures provided by administrative sources, which are usually produced on a monthly basis. These data typically record all job seekers eligible for unemployment benefits according to national legislation. However, the eligibility criteria for registration and access to unemployment benefits may vary across countries, making it difficult to use these data in international comparisons and for the compilation of euro area aggregates. Furthermore, any changes to these criteria would affect the analysis of the underlying economic developments in the labour market.

Internationally comparable labour market statistics are compiled by means of the EU Labour Force Survey – through a large household survey conducted in all EU Member States – using harmonised definitions of the labour status of the respondents. There can be significant differences between the harmonised data and the registered unemployment figures, in terms of both unemployment levels and rates, and such differences can vary across countries. The unemployment status of LFS respondents is determined according to the EU definition of unemployment based on the International Labour Organisation (ILO) guidelines, i.e. unemployed persons are all persons aged from 15 to 74 who were not employed during the reference week, had actively sought work during the previous four weeks and were ready to

Euro area unemployment rate developments before and after the revision

(percentage of labour force; percentage points; monthly data, seasonally adjusted)



Source: Eurostat.

begin working either immediately or within two weeks. Currently, all EU Member States provide LFS results at a quarterly frequency and they are derived from continuous surveys. To obtain monthly unemployment results, Eurostat interpolates and extrapolates the quarterly LFS data using national survey data and national monthly series on registered unemployment.[1]

New source of harmonised unemployment statistics in Germany

Germany introduced the continuous LFS in 2005. However, further methodological work was needed to enable reliable monthly unemployment figures to be produced on the basis of the LFS. While this work was in progress, a telephone survey was set up to provide unemployment data compliant with the ILO guidelines. The results of the telephone survey were used for the monthly harmonised unemployment data for Germany until April 2007 (at which point it was discontinued).

The data source was changed to the continuous LFS with the recent release of the German unemployment rate for September. The monthly data are now consistent with the level of unemployment recorded in the LFS, while the seasonally adjusted monthly changes are derived from registered unemployment data until time series of sufficient length can be provided by the LFS. This caused a significant upward revision to the figures compared with the data from the telephone survey, bringing the figures more in line with those for registered unemployment. Indeed, the new series records about 800,000 more unemployed persons from 2005, and the unemployment rate in Germany has been revised upwards by between 1 and 2 percentage points. It was 8.3% in August 2007 and 8.1% in September. In comparison, the registered unemployment rate in Germany was 8.8% at the end of September.

The precise reasons for the differences between the unemployment results obtained from the continuous LFS and the telephone survey in Germany are difficult to pinpoint. Both surveys use identical definitions, however, there are some fundamental differences in sample design and survey techniques. The German statistical office is currently researching the causes of these differences.[2]

Impact on euro area harmonised unemployment

As a result of the revision to the German figures, the picture for the euro area has also changed (see the chart). According to the revised series, the impact on the unemployment rate of the

1 Monthly unemployment series are calculated for four categories of persons in each Member State (men and women aged 15-24, and men and women aged 25-74). These series are then seasonally adjusted and all the national and European aggregates are calculated.

2 The statistical institute of France is also currently evaluating the quality and accuracy of the LFS data, especially in the light of diverging developments in registered unemployment and unemployment measured in the LFS. As a result, the LFS data for France, including unemployment figures, are expected to be revised at the end of November 2007.

slowdown in economic activity that took place around 2001-2003 was more prolonged than initially thought. Indeed, the upward trend in the unemployment rate continued until early 2005, reaching a peak in March, around a year later than previously estimated. As a result, the unemployment rate increased slightly overall in 2005 compared with 2004, instead of declining. In late 2005 it was around 0.4 percentage point higher than the previously recorded figure, standing at 8.7% in December. Finally, a slightly more modest decline during the current economic expansion has led to an upward revision of the unemployment rate in August of 0.5 percentage point, to 7.4%, while the figure for September is 7.3%.

Overall, the picture remains one of continued improvement of the euro area labour market in the current phase of expansion. In particular, the revised unemployment rate is still estimated to be at its lowest level since the early 1980s. This positive assessment is also supported by the employment and participation rates, which have risen substantially in the last decade, to stand at levels of around 65% and 70% of the working age population respectively in 2006. Overall, the upward revision of the unemployment rate gives a more consistent picture of the euro area labour market in the last few years. Economic growth and job creation, supported by moderate wage developments, had a positive effect on the unemployment rate; however, the increase in participation, which was partly related to labour market reforms, delayed and reduced this effect.

EMPLOYMENT

According to the latest Eurostat release, euro area employment grew strongly in the second quarter of 2007, to stand at a quarterly rate of 0.5% (see Table 7). Furthermore, the information that has become available since the previous release reveals that the labour market was even more dynamic in the first quarter than initially estimated, with employment growth being revised upwards by 0.2 percentage point, to 0.6%. According to the available sectoral breakdown, this upward revision is mainly the result of upward revisions in the industrial sector, in particular in construction.

The favourable developments prevailing in the euro area labour market in recent years appear to have continued at the beginning of the fourth quarter of 2007, based on survey data available up

Table 7 Employment growth

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

	Annual rates		Quarterly rates				
	2005	2006	2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Q2
Whole economy	0.9	1.5	0.6	0.3	0.4	0.6	0.5
of which:							
Agriculture and fishing	-1.1	-1.2	0.6	-1.4	-0.6	0.4	-0.6
Industry	-0.2	0.6	0.4	0.3	0.5	0.7	0.6
Excluding construction	-1.3	-0.2	0.1	0.0	0.0	0.2	0.1
Construction	2.5	2.6	1.3	0.8	1.6	1.9	1.6
Services	1.4	2.0	0.6	0.3	0.4	0.5	0.6
Trade and transport	0.7	1.5	0.7	0.2	0.0	0.5	0.6
Finance and business	2.4	3.6	0.9	1.0	1.0	0.9	1.0
Public administration [1]	1.4	1.6	0.5	0.1	0.4	0.4	0.4

Sources: Eurostat and ECB calculations.
1) Also includes education, health and other services.

to October. According to the NTC Economics PMI survey, employment growth in October remained positive in both the industrial and services sectors. The employment expectations reported by the European Commission's survey convey a similar picture.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

The sustained real economic growth experienced in the euro area in the first half of 2007 has continued through the third quarter. While financial market volatility seems to have contributed to a decline in euro area consumer and business confidence indicators in the past few months, these indicators generally remain above their historical averages and continue to point to ongoing sustained growth. Overall, the fundamentals of the euro area remain sound, including, in particular, sustained corporate earnings and profitability, robust employment growth and a decline in unemployment to levels not seen for 25 years.

Available forecasts for 2008 continue to confirm the main scenario of real GDP growing at around trend potential. This scenario is based on the expectation that the global economy will remain resilient, with the slowdown in economic growth in the United States being partly offset by the sustained strength of emerging market economies. Continued strong external demand should provide ongoing support to euro area exports and investment. Consumption growth in the euro area should also contribute to economic growth, in line with developments in real disposable income, as continued employment growth provides supportive conditions. However, in view of the potential impact of prolonged financial market volatility and the re-pricing of risk on the real economy, the level of uncertainty surrounding this broadly favourable outlook for economic activity remains high.

On balance, risks to the outlook for growth are judged to lie on the downside. These downside risks relate mainly to the potential for a broader impact from the ongoing reappraisal of risk in financial markets on confidence and financing conditions, further oil and commodity price rises, as well as concerns about protectionist pressures and possible disorderly developments owing to global imbalances.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

The euro appreciated in nominal effective terms in the three-month period to October 2007, reflecting a strengthening against most of the currencies of the euro area's main trading partners. While it was broadly stable in August, it appreciated more noticeably in September; it then moderated somewhat in October before strengthening again at the beginning of November.

EFFECTIVE EXCHANGE RATE OF THE EURO

On 7 November 2007 the nominal effective exchange rate of the euro – as measured against the currencies of 24 of the euro area's important trading partners – was 3.2% above the level at the end of July and about 7% stronger than its 2006 average (see Chart 28). The strengthening of the euro over this period was rather broad based and was only partly mitigated by the single currency's depreciation against the currencies of some EU Member States. After remaining generally stable in August, the euro rose sharply in September. The pace of the appreciation moderated in October before accelerating again in early November.

From a longer-term perspective, in October 2007 the CPI-deflated real effective exchange rate of the euro – calculated vis-à-vis the same group of trading partners – traded almost 9% above its long-term average (calculated since January 1993).

US DOLLAR/EURO

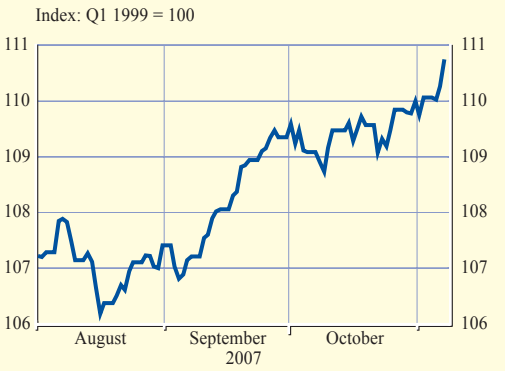
After weakening against the dollar between July and mid-August, the euro witnessed a rather sharp appreciation thereafter. The initial weakening seems to have been related to the rise in global risk aversion on account of the turbulence in credit markets in August and the uncertainty surrounding the degree of exposure of the various economic regions to the US sub-prime mortgage market. Subsequently, however, a reassessment by market participants of the economic outlook for the United States, together with a stream of weaker than expected data releases – particularly on the US housing and labour markets – lent support to the euro. On 7 November 2007 the euro traded at USD 1.47, 7.4% above its level at the end of July and over 17% stronger than its 2006 average (see Chart 29).

JAPANESE YEN/EURO

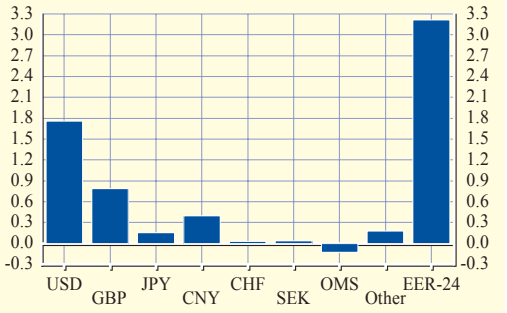
After a period of stability in July, the euro depreciated sharply vis-à-vis the Japanese yen in

Chart 28 Euro effective exchange rate and its decomposition [1)]

(daily data)



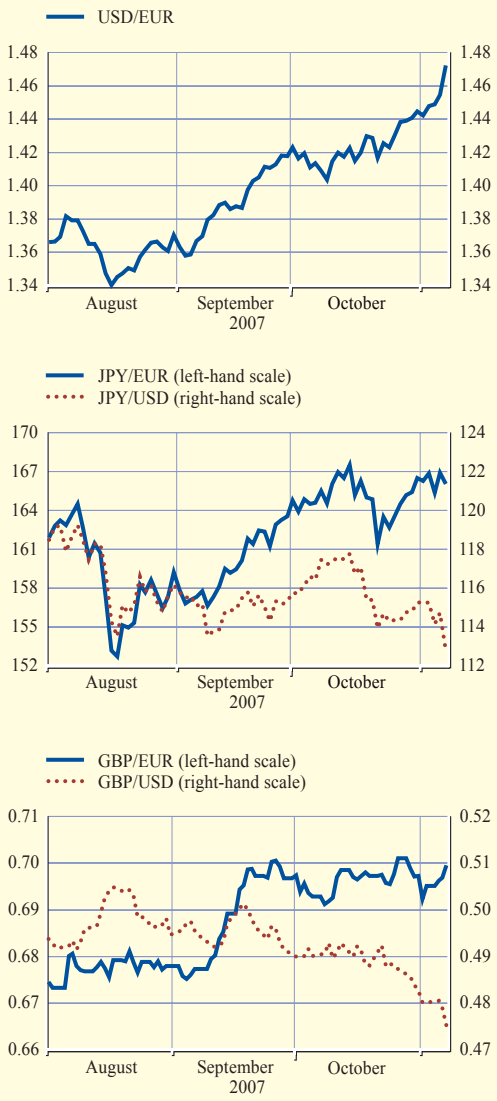
Contributions to EER changes [2)]
From 31 July to 7 November 2007
(in percentage points)



Source: ECB.
1) An upward movement of the index represents an appreciation of the euro against the currencies of the most important trading partners of the euro area and all non-euro area EU Member States.
2) Contributions to EER-24 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category "Other Member States (OMS)" refers to the aggregate contribution of the currencies of the non-euro area Member States (except the GBP and SEK). The category "Other" refers to the aggregate contribution of the remaining six trading partners of the euro area in the EER-24 index. Changes are calculated using the corresponding overall trade weights in the EER-24 index.

Chart 29 Patterns in exchange rates

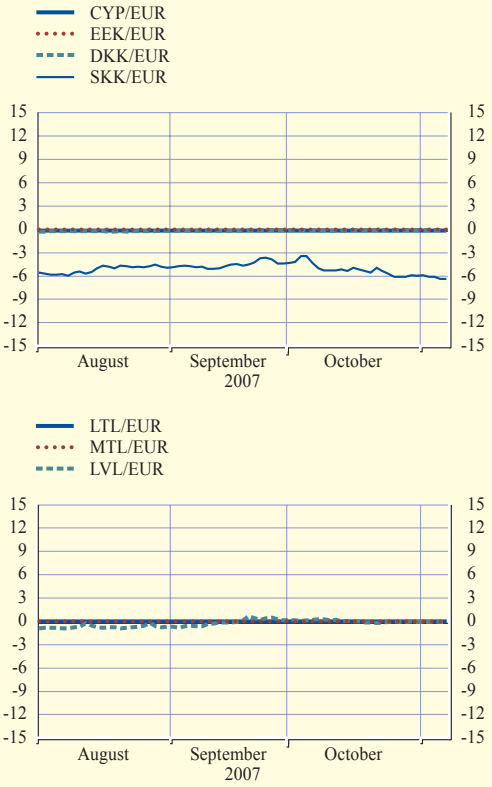
(daily data)



Source: ECB.

Chart 30 Patterns in exchange rates in ERM II

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



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

the first half of August. The yen was strengthening across the board at the time, mostly because of the turbulence in global financial markets, which reportedly led to a reduction of outstanding carry trade positions involving the Japanese currency amid increased risk aversion and repricing of risk by global investors. As tensions in financial markets subsequently tended to recede, the euro rebounded against the Japanese currency. Notwithstanding some temporary strengthening of the yen in the first half of October, the euro traded on 7 November 2007 at JPY 166.07, 1.5% higher than its end-July level and 13.7% stronger than its 2006 average (see Chart 29).

EU MEMBER STATES' CURRENCIES

Since the end of July 2007, most currencies participating in ERM II have remained stable and have continued to trade at, or close to, their respective central rates (see Chart 30). The Slovak koruna, which has been trading on the strong side of its new central rate since its March 2007

revaluation, has witnessed some renewed strengthening – particularly in October. On 7 November 2007, the deviation from its ERM II central rate reached almost 6.5%. The Latvian lats has depreciated by about 1% vis-à-vis the euro since end-July and on 7 November was broadly trading at its ERM II central rate.

With regard to the currencies of other EU Member States not participating in ERM II, the euro appreciated by 3.8% vis-à-vis the pound sterling between the end of July and 7 November 2007. Over the same period, the euro appreciated by 7.6% vis-à-vis the Romanian leu, while it depreciated by about 4% against both the Czech koruna and the Polish zloty.

OTHER CURRENCIES

Over the last three months the euro has remained broadly stable, although with some volatility, vis-à-vis the Swiss franc, while it has depreciated by 8.2% against the Canadian dollar, by about 2.5% vis-à-vis the Norwegian krone and by 1.6% vis-à-vis the Australian dollar. The euro has also strengthened significantly vis-à-vis some of the currencies of the euro area's main Asian trading partners.

5.2 BALANCE OF PAYMENTS

The 12-month cumulated current account of the euro area showed a surplus of around 0.3% of GDP in August 2007 compared with a deficit of 0.5% a year earlier, largely reflecting the continued increase in the goods surplus since July 2006. In the financial account, combined direct and portfolio investment continued to record large net inflows in the 12-month period up to August 2007 as opposed to net outflows a year earlier.

TRADE AND THE CURRENT ACCOUNT

In August 2007, exports and imports of goods and services grew by 2.9% and 2.7% respectively (in terms of seasonally adjusted three-month moving average figures). This compares with corresponding growth rates of 1.3% and -0.4% in the three-month period to May. Growth in both exports and imports largely reflects developments in goods, which have been partly offset by a subdued performance in services (see Table 8).

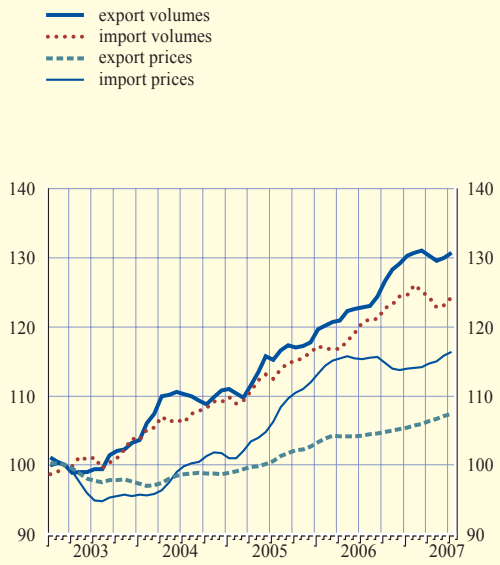
The breakdown of trade in goods into volumes and prices, available up to July 2007, indicates that the acceleration in the growth rate of exports mainly originates from higher export prices, also reflecting the fact that higher prices for imported inputs are passed on in part to euro area export prices. Export volumes have remained broadly stable in the three-month period up to July 2007 (see Chart 31).

On the imports side, the volume-price breakdown of extra-euro area goods trade suggests that import prices continued to increase in the three-month period up to July, reflecting not only the large increases in world commodity and oil prices but also developments in manufacturing import prices. Meanwhile, import volumes are showing some signs of a rebound, which seems to be mostly associated with the pick-up in euro area industrial production observed in July.

Taking a longer-term perspective, the 12-month cumulated current account to August recorded a surplus of €23.4 billion (around 0.3% of euro area GDP), compared with a deficit of €18.6 billion a year earlier (see Chart 32). This shift largely resulted from developments in the goods surplus which – in 12-month cumulated terms – rose by €55.3 billion compared with the previous year. By contrast, the balance for services increased more moderately, while the income balance

Chart 31 Breakdown of trade in goods into volumes and prices

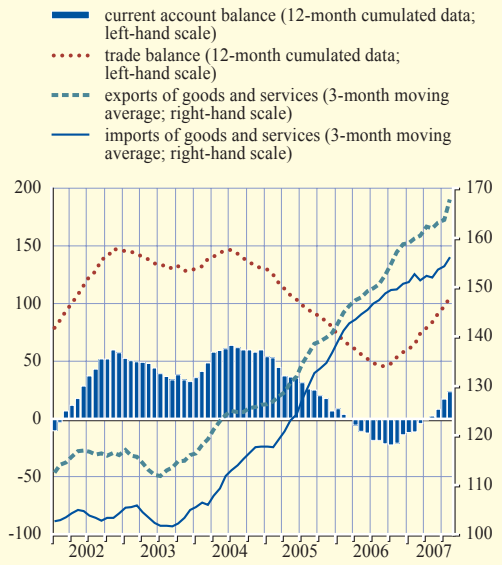
(index: 2003 Q1 = 100; seasonally adjusted; three-month moving average)



Sources: Eurostat and ECB calculations.
Note: Latest extra-euro area observations are for July 2007.

Chart 32 The euro area current account and trade balances

(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

registered a small deficit (€5.7 billion) compared with a surplus (€12.2 billion) one year earlier. The balance of current transfers remained broadly unchanged, showing a deficit of €76.5.

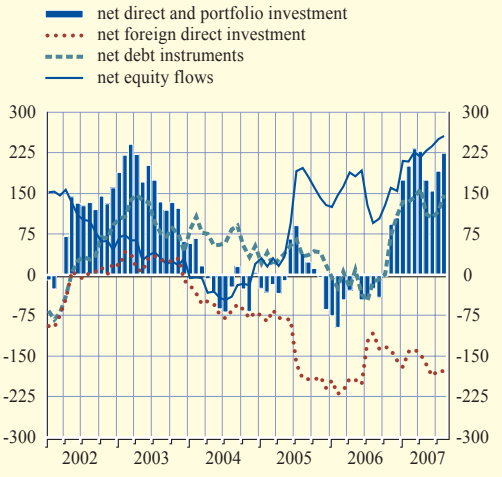
FINANCIAL ACCOUNT

In the three-month period to August 2007, the combined direct and portfolio investment of the euro area recorded monthly average net inflows of €22.7 billion, as opposed to average net inflows of €11.3 billion in the period to May (Table 8). The increase in the combined figure is mostly attributable to larger net inflows in portfolio equity investment.

The August 2007 data on the financial account of the euro area have been influenced by the credit market turbulence and the subsequent repricing of risk by global investors. Specifically, in the month of August alone, euro area MFIs reduced investment abroad in money instruments, short-term loans and deposits, while foreign investment in these instruments in the euro area increased (see Table 8). The equity market was characterised by disinvestments by both euro area investors

Chart 33 Euro area combined direct and portfolio investment

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



Source: ECB.

Table 8 Main items of the euro area balance of payments

(seasonally adjusted, unless otherwise indicated)

	2007 July	2007 Aug.	Three-month moving average figures ending 2006 Nov.	2007 Feb.	2007 May	2007 Aug.	12-month cumulated figures ending 2006 Aug.	2007 Aug.
	EUR billions							
Current account	3.8	3.8	-0.5	1.8	1.7	4.8	-18.6	23.4
Goods balance	5.7	7.0	5.2	3.6	6.0	6.7	9.3	64.6
Exports	126.5	129.6	121.2	122.3	123.0	127.6	1,328.2	1,482.5
Imports	120.7	122.5	116.0	118.8	117.0	120.9	1,318.8	1,417.9
Services balance	3.3	3.8	2.3	3.6	4.0	3.8	36.5	41.1
Exports	38.0	39.5	35.9	37.4	38.9	39.0	420.9	453.6
Imports	34.7	35.7	33.6	33.8	34.9	35.2	384.4	412.5
Income balance	0.7	-0.3	-0.4	0.0	-1.7	0.1	12.2	-5.7
Current transfers balance	-5.9	-6.7	-7.7	-5.5	-6.6	-5.8	-76.6	-76.5
Financial account [1]	47.1	52.8	11.1	1.6	0.9	26.8	124.3	121.1
Combined net direct and portfolio investment	30.3	4.8	26.4	14.3	11.3	22.7	-25.0	224.2
Net direct investment	0.1	-8.5	-16.9	-17.9	-9.7	-15.3	-108.0	-179.3
Net portfolio investment	30.2	13.3	43.3	32.1	21.0	38.0	82.9	403.4
Equities	47.7	-20.3	15.5	26.4	9.2	34.1	95.5	255.7
Debt instruments	-17.5	33.6	27.8	5.7	11.8	3.9	-12.6	147.7
Bonds and notes	-20.7	11.0	24.4	18.3	9.4	-0.8	19.6	154.0
Money market instruments	3.2	22.7	3.3	-12.6	2.4	4.8	-32.2	-6.3
	Percentage changes over previous period							
Goods and services								
Exports	-1.0	2.8	4.4	1.7	1.3	2.9	12.1	10.7
Imports	0.6	1.8	1.5	2.0	-0.4	2.7	16.2	7.5
Goods								
Exports	-0.2	2.5	5.3	0.9	0.5	3.7	12.9	11.6
Imports	1.2	1.5	1.1	2.4	-1.5	3.3	18.7	7.5
Services								
Exports	-3.7	3.9	1.3	4.3	3.9	0.2	9.9	7.7
Imports	-1.7	3.0	2.9	0.7	3.4	0.8	8.6	7.3

Source: ECB.
Note: Figures may not add up due to rounding.
1) Figures refer to balances (net flows). A positive (negative) sign indicates a net inflow (outflow). Not seasonally adjusted.

abroad and foreign investors into the euro area, possibly reflecting higher risk aversion following the financial turmoil.

From a longer-term perspective, cumulated net inflows in combined direct and portfolio investment amounted to €224.2 billion in the 12-month period to August 2007, compared with net outflows of €25.0 billion a year earlier. Higher net inflows in portfolio investment (€403.4 billion) compared with a year earlier were only partly offset by increased net outflows in direct investment (see Chart 33).

The developments in cumulated portfolio investment flows over the past 12 months have continued to be driven primarily by increasing net inflows in debt instruments and equity securities. The net inflows in debt instruments were almost entirely accounted for by higher net purchases of euro area bonds and notes by non-residents. By contrast, the higher cumulated net inflows in equity securities were mainly attributable to lower net purchases of foreign equity by euro area residents.

ARTICLES

THE STOCK MARKET'S CHANGING STRUCTURE AND ITS CONSOLIDATION: IMPLICATIONS FOR THE EFFICIENCY OF THE FINANCIAL SYSTEM AND MONETARY POLICY

This article analyses the trend towards consolidation among stock exchanges and its implications for monetary policy, as well as for the efficiency of the financial system. During the past year, there has been a wave of consolidation of trading activities, with several mergers taking place among stock exchanges. While several factors are driving this trend, barriers to further consolidation still exist. Ongoing consolidation among stock exchanges, inspired by both market and policy-makers, has been motivated mainly by the idea of gains in efficiency and productivity. In the euro area, consolidation of stock exchanges can improve the efficiency of the financial system, increasing the liquidity for investors and the possibility of financing for euro area firms. At the same time, it will be crucial to find the right balance between consolidation and competition. Structural developments in the stock market are of great interest to a central bank, since an integrated and developed capital market spurs economic growth and creates a favourable setting for monetary policy. In particular, it is important that all investors and savers have equal access to an efficient financial system within a given currency area. Improved efficiency will enhance the effective transmission of monetary policy as well as risk sharing for investors and issuers, both within and outside the euro area, as it will be easier to diversify across regions, sectors and currencies.

1 INTRODUCTION

Stock markets are a vital part of the financial system, as they improve risk sharing among economic agents and therefore spur economic growth. They perform the function of channelling resources from savers to the corporate sector. The more active the trading on stock markets, the easier it is for listed businesses to find the capital they need for development. In turn, liquidity on stock markets increases as the transaction chain for securities trading becomes more efficient. Overall, for stock markets, greater scale and volume combined with efficiency are important ingredients for creating greater opportunities.

In the early days, most stock exchanges offered trades on a limited number of domestic financial assets. Over time, structural changes, such as more sophisticated technology and changes in ownership, have induced competition between stock exchanges, allowing room for exploiting economies of scale and increasing the number of financial products offered, spurring on consolidation. In the euro area, following the start of the Monetary Union, these developments were part of a general process of financial integration across countries that aimed at improving the efficiency of the financial system, increasing market liquidity for investors and the possibility of financing for firms.

From a policy point of view, it is important to highlight that stock markets and monetary policy are interrelated in various ways. An efficient stock market promotes risk sharing for investors and issuing firms in that it increases the possibilities for economic agents to allocate capital across space, time and risk. At the same time, a developed and efficient stock market generally creates a favourable setting for monetary policy, because monetary policy impulses are transmitted in a smoother way.

In this context, the purpose of this article is to analyse the ongoing trend towards consolidation of stock exchanges in the light of its possible implications for monetary policy. The current wave of consolidation of trading activities was already forecast by several observers shortly after the introduction of the single currency and following the progress in the integration of EU financial markets. Initially, it took place at the national level, with the consolidation of national trading structures, and at a regional level, primarily with the creation of Euronext and, to some degree, through the enlargement of the OMX (the Nordic/Baltic marketplace). In the past year, there has been a second wave of consolidation involving entities located outside the euro area: two large consolidations, which have already been finalised (NYSE Euronext and the London Stock Exchange (LSE) with Borsa Italiana), and the planned merger

between NASDAQ and the OMX Group. Although the latter has only a marginal impact on the euro area, it is an interesting example of consolidation across different regions. This article highlights the driving factors behind this observed trend and describes some of the barriers to further consolidation.

The article is structured as follows. Section 2 elaborates on the evolution and structure of stock exchanges, including the trend towards the consolidation of stock markets. Section 3 discusses the conceptual background to the current trend towards consolidation and the factors favouring and hampering it. Section 4 describes links between equity markets and monetary policy, as well as how changes in the structure of these markets may affect the conduct of monetary policy, and Section 5 concludes.

2 THE EQUITY MARKET IN THE EURO AREA: EVOLUTION AND STRUCTURE

The history of equity markets can be traced back to 12th century France, when the first brokers are believed to have developed trading in debt and government securities. Unofficial equity markets existed across Europe throughout the 1600s, whereby brokers would meet outside or in coffee houses to make trades. The Amsterdam Stock Exchange, created in 1602 to trade shares in the Dutch East India Company, became the first official stock exchange. By the early 1700s there were operational stock exchanges in France and England, with the United States following in the later part of the century. Almost all developed countries have or have had at some point a domestic market place for raising companies' capital. In many countries, regional exchanges also existed, until they became consolidated with others.

Consolidation in the euro area has mostly occurred within countries. At the national level, many of the consolidation deals have been mergers among regional exchanges and between the cash and derivatives markets. The Deutsche Börse was formed in 1992 by the merger of eight regional stock exchanges in Germany. In 1999, Germany still had eight regional stock exchanges, but following mergers, there were only five remaining regional stock exchanges in 2005.[1] Consolidation in Italy took place in 1995 when, with the advent of electronic trading, it was decided to close all regional stock exchanges, which were owned by the government, and concentrate all the activities in Milan. In 1997, the decision was taken to privatise the stock exchange and found a listed company, Borsa Italiana. In Spain, the four regional stock exchanges (Barcelona, Bilbao, Madrid and Valencia) have been cooperating since 1999 under Bolsas y Mercados Españoles (BME).[2] In 2002, the Athens Stock Exchange and the Athens Derivatives Exchange merged to form the Athens Exchange, which is run by Hellenic Exchange Holdings.[3] In 2005, there were 22 securities exchanges (stocks and derivatives) in the 12 euro area countries compared with 30 in 1999.[4]

Lately, consolidation has also taken place across regional borders. The evolution of Euronext (see Box 1), the Nordic-Baltic mergers (see Box 2), and the merger between the London Stock Exchange and Borsa Italiana are noteworthy examples.

1 Apart from the Frankfurt Stock Exchange, also Berliner Börse (including Bremen), Börse Düsseldorf, Börsen Hamburg-Hannover (BÖAG), Bayerische Börse and Börse Stuttgart.

2 BME is a company that integrates securities markets and financial systems in Spain. The parent group comprises four stock exchanges, MF Mercados Financieros, Iberclear and BME Consulting.

3 In April 2007, the Bulgarian government announced plans to sell a 44% stake in the Bulgarian Stock Exchange. Several exchanges in the EU have shown interest in buying a stake.

4 See H. Schmiedel and A. Schönenberger, 2005, "Integration of securities market infrastructures in the euro area", ECB Occasional paper No. 33, and "Integration, regulation, and policy of securities market infrastructures in the euro area", 2006, in *Journal of Financial Regulation and Compliance*, Vol. 14, No. 4.

Box 1

THE CASE OF NYSE EURONEXT

In 1999, concurrently with the start of Stage Three of EMU, eight European stock exchanges started discussing the possibility of a more integrated European equity market, which would offer a single interface to their customers, giving access to the various national exchanges. These discussions broke down. Instead, three members – the Amsterdam, Brussels and Paris exchanges – decided to pursue a separate integration initiative and, in September 2000, a new company, Euronext, was created from the merger of these exchanges.

The creation of Euronext was followed by the acquisition of LIFFE (London International Financial Futures and Options Exchange) – the London-based derivatives market – and the merger with the Portuguese exchange, BVLP (Bolsa de Valores de Lisboa e Porto) in 2002.

Euronext is a cross-border exchange. Since November 2003, the users of the Paris, Brussels, Amsterdam and Lisbon exchanges have been operating on a single trading platform. It was decided to use the Paris market's NSC system as the platform for all three cash markets (NSC is an electronic trading system that provides an electronic, transparent order system in which orders trade on a price/time priority). Cash trading fees were subsequently harmonised across the different markets. In early 2005, Euronext began to overhaul its listing arrangements with input from finance industry professionals, aiming, in particular, to enhance the liquidity and visibility of small and mid-sized firms on its markets. These reforms culminated in the creation of a single list, Eurolist, encompassing all regulated markets. Companies can gain access to Eurolist from any of the four market places depending on the domestic market and legal framework of their choosing. The four exchanges comprising Euronext are all served by the same central counterparty clearing house (LCH. Clearnet SA), while the settlement of transactions is handled by the Euroclear Group.[1]

The merger has enabled the exchanges to combine their efforts and utilise the same platforms, substantially reducing technology costs. The efficiency gains arising from the integration of exchanges forming Euronext have been estimated to be positive.[2] For example, traded volumes have increased and bid-ask spreads have been reduced. The volatility of large-cap securities has also decreased. However, these positive effects seem to be concentrated mainly among larger firms involved in cross-border activities.[3] IT and staff costs also decreased between 2001 and 2004.

As the latest step in the evolution of Euronext, following several competitive offers, the shareholders of Euronext recently decided to accept the offer of NYSE and created NYSE Euronext, the holding company that combines NYSE Group, Inc. and Euronext N.V., which was officially launched on 4 April 2007. Through this merger, NYSE Euronext has brought together six cash equities exchanges in five countries and six derivatives exchanges. NYSE Group, Inc., a wholly owned subsidiary of NYSE Euronext, operates two securities exchanges: the New York Stock Exchange LLC (the "NYSE") and NYSE Arca, Inc. (formerly known as the Pacific Exchange). At the same time, Euronext N.V. is a subsidiary of NYSE Euronext.

1 See "Payment and securities settlement systems in the European Union", Blue Book, fourth edition, ECB, 2007.
2 See M. Pagano and J. Padilla, 2005, "Efficiency gains from the integration of exchanges: lessons from the Euronext natural experiment", a paper prepared for Euronext.
3 See U. Nielsson, 2007, "Stock exchange merger and liquidity", Reykjavik University, winner of the 2007 Josseph de la Vega prize.

The stock exchanges on the two continents are currently working as two separate entities. There is no common trading platform or interconnection between Euronext and NYSE. Companies cannot be listed automatically on a common list, since the merger has taken place across regions with different legal and regulatory requirements. Thus, if companies choose to be listed in both markets, they still have to undergo separate listing processes. A company applying to be publicly listed must first be approved for admission by the relevant national regulatory authority. For example, a French company going public and cross-listing at both Euronext Paris and NYSE must first be approved by the AMF (Autorité des Marchés Financiers) in France and the SEC (Securities and Exchange Commission) in the United States.

However, according to NYSE Euronext, cross-border products and services, international listings in multiple currencies and time zones are foreseen.[4] A common trading platform is planned for implementation by the end of 2008, which would allow floor participants to trade the entire NYSE Euronext portfolio, thus exploiting substantial merger-related technology synergies. There also seems to be scope for leveraging the currently limited overlap of common members and customers in the derivatives exchanges. This could be done by introducing a global trading infrastructure and implementing a simple cross-access approach. However, the impact of such changes to the current regulatory framework, and in particular, possible "regulatory spillover", has to be carefully considered.

4 In this context it is worth mentioning the recent proposal by the SEC (US Securities and Exchanges Commission) to start accepting from foreign private issuers financial statements prepared in accordance with International Financial Reporting Standards without reconciliation to US GAAP, as currently required.

This is part of a wider process which also involves stock exchanges outside the EU, the latest finalised example being NYSE Euronext, reflecting the increasing globalisation in capital markets.

Consolidation can take place horizontally, with mergers between securities exchanges providing similar services. This normally implies moving from a system with different trading platforms to one consolidated platform (as in the case of Euronext or the Nordic list at OMX) or to an interconnected platform. In other cases, consolidation may simply lead to the combination in one holding group of trading platforms which remain, at least initially, separate (as is currently the case with NYSE Euronext).

Box 2

THE EVOLUTION OF THE NORDIC BALTIC STOCK EXCHANGE – OMX

Equities trading in the Nordic and Baltic countries has become increasingly integrated in recent years. This followed the overall financial integration in the area, but was also spurred on by several mergers of exchanges. The mergers with the OMX Group as the leading actor are one of the most noteworthy merger activities in the European Union (EU), since it currently includes seven countries, several currencies and central securities depositories (CSDs).

In 2003, the OMX Group (the owner of the Stockholm Stock Exchange) bought HEX Plc., which owned the stock exchange and CSD in Finland, which, in turn, included the exchanges in Tallinn

and Riga. The following year, the OMX bought a major share in the Vilnius Stock Exchange. In 2005, the Copenhagen Stock Exchange was merged with the OMX by acquisition and, one year later, the OMX acquired the Icelandic EV, the owner of the Iceland Stock Exchange and Icelandic Securities Depositories. The OMX is therefore now the full or major owner of stock exchanges in seven countries. It is a publicly traded company and is listed on four stock exchanges in the Nordic region.

The concentration of the property in the OMX group was followed by the stipulation of the NOREX Alliance, which is a strategic alliance between the stock exchanges operating in the OMX Group and Oslo Stock Exchange. This alliance has led to a far-reaching harmonisation of equities trading in all eight Nordic and Baltic countries and has resulted in uniform rules for membership of the different stock exchanges.[1] This means that trading rules and membership requirements, as well as training and authorisation of brokers have been harmonised. Trading in the stock exchanges that participate in the Alliance takes place in a common trading system, SAXESS. As a result of the NOREX Alliance, a member of one of the stock exchanges can become a member of the other stock exchanges without having to undergo a formal and time-consuming admission procedure.

Moreover, in October 2006, the OMX introduced a common Nordic list with local shares from Stockholm, Helsinki and Copenhagen. Icelandic shares were introduced during spring 2007. Members of the cash market, for example, banks and securities firms, can trade equities, equity rights, convertible loans, subscription options, premium bonds, retail bonds, ETFs and warrants. The products can vary according to the local market, but only a single membership is required to participate in the market. The shares traded on the Nordic market are traded in the local currency of the exchange where the company is listed. The majority of securities companies also have a currency exchange service in place for trading in foreign currency.

The Baltic market, including exchanges in Tallinn, Riga and Vilnius also has one common securities list, a common trading system and harmonised market rules. In legal terms, the companies are still listed on their home market and supervised by the local financial supervisory authority. The Tallinn, Riga and Vilnius exchanges have identical trading day length and structure. In Tallinn, the euro is used as the trading currency, whereas local currencies have remained the trading currencies in Riga and Vilnius.

In general, the aim of creating an integrated stock market is to simplify trading for the stock exchange members, improve liquidity and facilitate trade in Nordic and Baltic shares. This integration means that stock exchange members and investors have access to Nordic and Baltic shares in a uniform way. It favours trade since it facilitates cross-border transactions and international marketing of the Nordic and Baltic stock markets.

For an issuer, the vast majority of the listing requirements are harmonised between the stock exchanges in Helsinki, Stockholm, Copenhagen and Iceland. However, because of special requirements regarding national legislation or other differences in the regulatory framework in a special jurisdiction, some discrepancies may still exist in the listing requirements between the four stock exchanges. They are separate legal entities in different jurisdictions, and each exchange therefore has its own regulation.

1 This is not without exception. For example, at present, the NOREX Member Rules are adopted by the Nordic Exchanges. Stock exchanges in Riga, Tallinn and Vilnius have adopted separate sets of rules, with very similar contents to the NOREX Member Rules.

Today, Euronext is by far the largest stock exchange in the euro area, as measured by market capitalisation.[5] It is followed by the LSE, Deutsche Börse, BME Spanish Exchanges, OMX and Borsa Italiana (see Table 1). Euronext is comparable in size to NASDAQ, while it is significantly outperformed by the market capitalisation of NYSE. In terms of ratio, which is measured as market capitalisation of domestic shares over GDP, the picture changes slightly. It turns out that, among euro area exchanges, the Luxembourg Stock Exchange has the highest market capitalisation over GDP, followed by the Spanish Exchanges and Euronext (see Chart 1). The EU-based exchanges, namely the LSE and OMX, are also important in terms of market capitalisation over GDP. Deutsche Börse and Borsa Italiana have relatively low ratios among the largest exchanges in the euro area. The cluster and hierarchy of exchanges are also present in terms of equity turnover. As such, Euronext and Deutsche Börse are the main markets, followed by BME, Borsa Italiana and OMX (Table 1). Overall, these measures point to a rather concentrated market. As of June 2007, the four largest exchanges in EU represented 83% of the total value of share trading. This figure increases to 91% if the five largest players are considered.[6]

The number of listed companies across euro area main stock exchanges has developed differently across time and domestic markets (see Chart 2). In total, the number of listed companies increased from 3,900 at the end of 1998 to 4,900 at the end of 2000, corresponding to an average annual growth of 12.3%.[7] Also, despite a decreasing number of listed companies at Deutsche Börse and Euronext in recent years, the long-term trend seems to be towards an increase, albeit at a slower rate. In 2002, approximately 6,300 companies were listed in euro area stock exchanges, with this figure reaching around 6,500 in 2007, corresponding to an average annual growth of 1%.

In addition to the main stock exchanges, some market places also have specific alternative lists for smaller and growing companies. In the euro area, these lists are connected to the Borsa Italiana

5 This section deals with the LSE and Borsa Italiana as separate units.
6 According to the Federation of European Securities Exchanges (FESE). Eighteen stock exchanges are included in the total.
7 See "The euro equity markets", ECB, August 2001.

Table 1 Market capitalisation and equity turnover

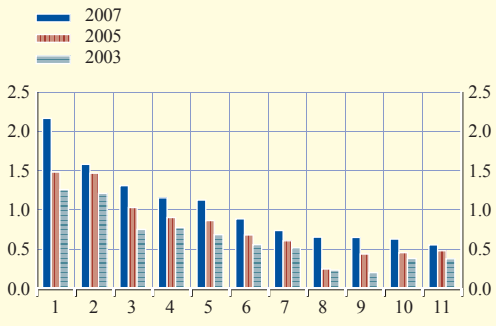
(EUR millions)

Exchange	Market capitalisation	Equity turnover
Euronext	3,139,342	2,020,444
LSE	2,988,761	4,163,429
Deutsche Börse	1,448,281	1,592,055
BME	1,125,103	1,115,484
OMX	954,922	683,190
Borsa Italiana	814,235	896,774
Athens Exchange	172,266	55,954
Wiener Börse	165,875	47,949
Irish SE	129,094	50,840
Luxembourg SE	71,718	94
Ljubljana SE	17,622	1,380

Source: FESE.
Note: Data for stock market capitalisation refer to June 2007. Equity turnover is the value of equity trading in the first half of 2007.

Chart 1 Stock market capitalisation

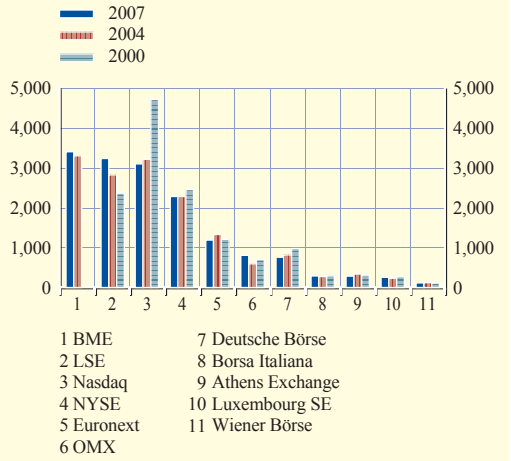
(as a percentage of GDP)



1 Luxembourg SE
2 LSE
3 OMX
4 BME
5 Euronext
6 Athens Exchange
7 Irish SE
8 Ljubljana SE
9 Wiener Börse
10 Deutsche Börse
11 Borsa Italiana

Sources: FESE, Eurostat, SedlaBanki, Statistics Iceland.
Note: GDP 2006 has been used for the calculation of the ratio for 2007. Data for stock market capitalisation refer to June 2007.

Chart 2 Number of listed companies in selected exchanges



Sources: World Federation of Exchanges, FESE and BME

Table 2 Underwriting fees and trading costs

Exchange	IPO underwriting fees (%)	Admission fees (% of value)	Total trading costs (bp)
LSE (main market)	3.3	0.02	25.2
AIM (UK)	3.5	0.00	n.a.
NYSE	6.5	0.02	23.5
NASDAQ	7.0	0.02	30.8
Euronext	1.8	0.04	27.0
Deutsche Börse	3.0	0.00	27.1

Source: Oxera (2006)
Note: The underwriting fees are a percentage of the total amount issued. Admission fees relate to a market capitalisation of £500m.

(Mercato Expandi), Deutsche Börse (Entry Standard), Euronext (Alternext) and in liaison with the Irish SE, Athens Exchange and Wiener Börse, respectively. In the EU, the LSE has the largest alternative list for smaller and growing companies, known as AIM. A common characteristic of these lists is that smaller companies are able to raise capital with less of a regulatory burden compared with the traditional stock exchanges. Thus, the structure of the stock exchange has an important influence on the costs incurred by companies.

The remaining part of this section deals with an estimate of the different cost components that are related to trading. These cost components concern the distribution costs (for example, through an IPO) and the liquidity costs (trading). These costs are important since they drive a wedge between the net return required by investors and the cost of equity capital faced by issuers. The distribution costs consist of direct costs, such as underwriting, professional and initial listing fees and of the discount on share prices in the Initial Public Offering (IPO). The liquidity or trading costs relate to the direct trading costs, which include brokerage commissions and fees, annual listing fees and corporate governance costs. They also include indirect liquidity costs, captured by bid-ask spreads and trading volumes. International studies have shown that the cost of listing and raising equity, as well as trading costs, differ to some degree across regions.[8] Indeed, in a comparison between the largest exchanges in Europe and in the United States, underwriting costs are estimated to be highest in the United States, followed by exchanges based in the United Kingdom and by Deutsche Börse. By comparison, underwriting costs at Euronext are low. As for trading costs in a secondary market, total costs of trading appear to be lowest on the NYSE and LSE, followed by Euronext and Deutsche Börse (see Table 2).

3 WHY CONSOLIDATION?

Consolidation among stock exchanges is aimed at taking advantage of the significant economies of scale and scope present in securities trading. Technological progress is a main driver of this process. On the one hand, it allows for the expansion of the pool of investors and firms trading in a market, thus increasing volume and liquidity and lowering trading costs. On the other, demand by investors for greater speed and capacity in transaction execution fosters competition among exchanges, which are

8 See "The Cost of Capital: An International Comparison", by Oxera Consulting Ltd, June 2006

required to make large investments in technology. Mergers in the exchange industry can thus help to slim headcounts, achieve substantial cost savings and consolidate the balance sheets.

However, too extreme consolidation may lead to disadvantages, since competition between stock exchanges may be challenged. Indeed, extreme cases of consolidation may encourage a tendency towards monopoly. While in the short term it may increase the profits made by exchanges, less competition may lead to higher listing fees and trading costs, and be harmful to both issuers and investors.[9]

As outlined in Section 2, to start with, stock exchanges arose locally as the natural way to minimise the cost of information. The primitive state of telecommunications technology at the beginning of the last century meant that securities exchanges could work only via face-to-face bargaining and proximity to the companies listed on the exchanges. The subsequent reduction in communication costs and changes in regulations – that harmonised the requirements across exchanges at least in the same country – led to increased competition between stock exchanges as firms tended to choose the most efficient exchange on which to list their shares.

IMPACT OF CONSOLIDATION

In the 1960s, several researchers had already pointed out that both the average operating costs of stock exchanges and bid-ask spreads tended to decline with an increase in trading volume, suggesting the presence of economies of scale both for exchange operations and market making. Moreover, it was highlighted that trading volume tends to cluster where execution costs are the lowest, in turn, reinforcing the process.[10] In the United States the consolidation process started after the 1940s. The technological and regulatory changes taking place around that time enabled the over-the-counter market to compete in the business that had previously been the domain of regional exchanges. These exchanges, in turn, started to compete to gain order flow on NYSE-listed firms. This competition led to a series of mergers between regional exchanges. Empirical studies on the consolidation of regional stock exchanges in the United States suggest that the volume of trading and their market share increased at the expense of other regional exchanges that were not involved in the mergers. The bid-ask spreads recorded on the merging exchanges tended to narrow, which is consistent with the view that consolidation increases competition among financial centres to the benefit of securities investors. Thus, the new merged exchanges were able to exploit economies of scale and compete more effectively with the NYSE.[11]

More recent analysis undertaken ahead of the introduction of the euro again pointed out the existence of substantial economies of scale among stock exchanges. However, these gains seemed to be more significant for exchanges that were located in regions with a more harmonised regulatory structure.[12] Consistently, as outlined above, in the euro area consolidation first took place at country level. Subsequently, the advent of the single currency and the disappearance of foreign exchange risk coupled with further technological progress – the rise of electronic trading – gave impulse to different levels of consolidation (mergers and network agreements) involving exchanges located in different countries. This strategy was largely beneficial in improving the performance of exchanges, as it was significantly associated with an increase in market capitalisation, growth and lower transaction costs.[13] Indeed, for

9 See T. H. McInish and R. A. Wood, 1996, "Competition, fragmentation and market quality", in *The Industrial Organization and Regulation of the Security Industry*, eds. A. Lo, National Bureau of Economic Research. Analysing the quality of markets for NYSE-listed companies, they conclude that competition between market centres is beneficial for market participants.

10 See H. Demsetz, 1968, "The cost of transacting", in *Quarterly Journal of Economics* 82, and B. Chowdry and V. Nauda, 1991, "Multimarket trading and market liquidity", in *Review of Financial Securities 4*.

11 See T. Arnold, P. Hersch, J. H. Mulherin and J. Netter, 2001, "Merging markets", *in Journal of Finance 54*.

12 See I. Hasan and M. Malkamäki, 2001, "Are expansions cost effective for stock exchanges? A global perspective", in *Journal of Banking & Finance* 25.

13 See I. Hasan and H. Schmiedel, 2006, "Networks and stock market integration: empirical evidence", in "Transparency, Governance and Markets" by M. Bagella, L. Becchetti and I. Hasan (eds.), Elsevier.

Euronext, traded volumes have increased and bid-ask spreads have been reduced, while the volatility of large-cap securities has decreased (see also Box 1). In addition, technological progress has facilitated the creation of economies of scope and scale. European exchanges, for example, have been quicker, compared with those in North America, to adopt electronic trading and create cooperative market linkages between stock and derivatives exchanges.

FACTORS FACILITATING CONSOLIDATION

The transition from being member-owned stock exchange organisations to becoming profit generating and listed companies has been a driving force behind the exploitation of economies of scale in the exchange industry. The changing trend in ownership and corporate governance should not be underestimated. This resulted partly from global competition and economies of scale. At the same time, this development facilitated consolidation. The demutualisation of stock exchanges has been extensive during the past ten years. According to the World Federation of Exchanges, 73% of its members were for-profit organisations in 2005, compared with 63% in 2000 and 38% in 1998.[14] This transition in governance allows exchanges to modernise their technology, avoid concentration of ownership power, gain easier ongoing access to capital, obtain a management structure that is more flexible in responding to changing industry and market conditions, engage in M&A deals and creates a catalyst for pursuing new business strategies.[15] This might, in particular, be the case for stock exchanges changing their governance from being government-owned to publicly traded companies. Privately-run companies might be better equipped to meet new market challenges and, in addition, publicly traded companies might be more M&A friendly. Finally, publicly traded companies, like several stock exchanges, are in general more transparent, with higher availability of company information. Thus, the transition in corporate governance makes it easier to acquire and merge with other stock exchanges. It also implies that exchanges now have customers rather than members, that are subject to competition of listing and trading membership from other stock exchanges and other initiatives.

Apart from the competitive pressure arising from technological progress, more recently, two additional themes have emerged that provide strong incentives for consolidation even across regions: the need for diversification of revenues and the new competitive environment stemming from globalisation. Industrial-based consolidation among different types of exchange has been the response of these institutions to a rising need for diversification of revenues. Growth in the cash equity market in the past few years has been slower when compared, for example, with the derivatives market, which provides a strong incentive for exchanges to reduce risk linked to their revenue streams. Exchange groups in the EU have very different revenue structures between cash and derivatives trading. For example, at both Euronext and Deutsche Börse, revenues from derivatives trading are larger compared with cash trading, while the opposite holds true for the LSE, BME and OMX.

Finally, the globalisation of markets has given a strong impetus to consolidation. Increasingly, investors are looking to diversify their portfolios more at a global level, taking advantage of non-domestic market growth. Exchanges are thus competing in giving investors more opportunities to trade across asset classes and time zones. Also, competition from alternative trading venues, such as the Alternative Trading System (ATS), Multilateral Trading System (MTF) and systematic internalisers has increased.[16] The more recent cases of consolidation across regions (OMX, NYSE Euronext and LSE-Borsa Italiana) should be seen in this context.

14 World Federation of Exchanges, 2006, "Cost and Revenue Survey 2005".

15 See R. Lee, 2002, "The Future of Securities Exchanges", Wharton Financial Institutions Center, 02-14.

16 ATS and MTF are systems operated by an investment firm or a market operator, that bring together multiple parties interested in buying and selling financial instruments, such as shares, bonds and derivatives. A systematic internaliser is an investment firm creating markets outside a regulated market or an MTF.

FACTORS HAMPERING CONSOLIDATION

Despite the factors governing the abovementioned consolidation, the euro area stock markets still have potential for further integration. Particularly in an international context, and taking into account the home-market bias, information costs and regulatory barriers de facto prevent stock exchanges from competing simply on the basis of lower execution costs.[17] In theory, technology advances and the trend towards more uniform regulations could lead to the emergence of a single global centre in Europe. However, there are still some significant barriers. For example, it has been argued that while information can generally be transferred easily via electronic networks, "complex local information" needs face-to-face communication and thus telecommunication will not eliminate the importance of location as long as small market frictions (access cost and heterogeneous information) exist.[18] In addition, volume of trading across exchanges in different nations is affected by different legal frameworks, language barriers and cultural differences between countries and complex cross-border activities.[19] Investors are more likely to hold, buy and sell stocks of firms that are located close to them and prefer companies that disseminate information in their native language.

In the past, national regulation and legislation constituted barriers to cross-border consolidation. However, many initiatives are currently under way to try to overcome these barriers. Indeed, a number of legal and regulatory initiatives and measures have been adopted with the aim of achieving an integrated European financial services market. One major initiative is the implementation of the measures included in the Financial Services Action Plan (FSAP) launched in 1999. The measures most relevant for stock markets and their consolidation are the Directive on Markets in Financial Instruments (MiFID, which replaces the Investment Services Directive) and the Prospectus Directives (see Box 3). It is possible that the MiFID will have a profound impact on the organisation and business strategies of investment firms, exchanges, asset managers and other types of financial market intermediaries. It should lead to more integrated European capital markets, but will also have a significant impact on market structure and development, such as greater competition.[20] The implementation of the MiFID has already led to changes in market structure. For example, in November 2006, seven large investment banks – which together generate half of the volume of the trading on the LSE – announced that they had set up their own trading platform.[21]

In addition, the Code of Conduct for Clearing and Settlement which was signed on 7 November 2006 by the European market infrastructure associations, including the Federation of European Securities Exchanges, will have a fundamental impact on the European stock exchanges. The Code of Conduct aims at offering market participants the freedom to choose their preferred service provider by establishing price transparency, free access and interoperability, and service unbundling. As such, the Code of Conduct will help to increase competition between stock exchanges.

17 See, for example, J.-K. Kang and R. M. Stulz, 1997, "Why is there a home bias?: An analysis of foreign portfolio equity ownership in Japan", *Journal of Financial Economics*, 46, 3-28, and the extensive literature on home bias. For the European case, see, for example, J. McAndrews, and C. Stefanadis, 2002, "The consolidation of European stock exchanges", in *Current Issues in Economics and Finance*, Federal Reserve Bank of New York, Volume 8, Number 6.

18 See J. Gaspar and E. Glaeser, 1996, "Information Technology and the Future of Cities", NBER Working paper No. W5562.

19 See Brennan, M. and H. H. Cao, 1997, "International portfolio investment flows", *Journal of Finance*, 52 (5), 1851-1880

20 See J.-P. Casey and K. Lannoo, 2006, "The MiFID Revolution", ECMI Policy Brief, No. 3, and C. Skinner, 2007, "The Future of Investing in Europe's Markets after MiFID", Wiley Finance.

21 Known as "Project Turquoise" and the seven banks involved are Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, Merrill Lynch, Morgan Stanley and UBS.

Box 3

THE FINANCIAL SERVICES ACTION PLAN AND STOCK EXCHANGES

The EU regulatory framework of relevance for stock exchanges and investment services in general has been subject to a complete overhaul with the completion of the Financial Services Action Plan (FSAP). The MiFID, the Prospectus and the Transparency Directive contain some innovative rules that are intended to increase competition among stock exchanges, and between the latter and new trading venues.

More specifically, the MiFID abolished some existing obstacles to competition between trading venues, in particular, by ruling out the concentration rule, i.e. a provision mandating execution of share trades on the national stock exchange as a requirement for the 'best execution' of transactions by investment intermediaries.[1] The MiFID requires Member States to allow internalisation of orders and, therefore, to eliminate concentration provisions. This is done to promote competition between trading venues and to offer investors a choice between different trading functionalities, such as regulated markets, Multilateral Trading Facilities (MTFs)[2] and internalising intermediaries. At the same time, the Directive regulates internalisation, with provisions aimed at creating a level playing field between the three types of trading functionalities mentioned above and at assuring the same level of investor protection with respect to all trading venues.[3] Moreover, with the implementation of the MiFID, a new EU harmonised framework is in place as regards authorisation of regulated markets and transparency requirements.

Finally, according to the MiFID, a transferable security that has been listed on a regulated market can subsequently be admitted to trading on other regulated markets, even without the consent of the issuer.[4] This provision, accompanied by the exemption from the obligation to publish a prospectus in line with the conditions specified by the Prospectus Directive, has two important consequences: first, it allows for more competition by regulated markets – at national and cross-border level – as regards trading securities listed by other stock exchanges; second, in case of alliance between two exchanges, it enables them to trade the same security in all regulated markets without necessarily merging them.

The existence of harmonised rules at EU level as regards the regulated markets and investment firms, together with an improved regulatory framework for cooperation among supervisory authorities, has certainly been instrumental in facilitating consolidation among European stock exchanges. Additional complexities have been encountered in forging alliances with non-European stock exchanges owing to doubts related to the possible extraterritorial reach of different legal and regulatory requirements. These were addressed with solutions agreed by the supervisory authorities involved. Further convergence at global level and reciprocal mutual recognition of rules concerning investment services and issuers may address possible legal obstacles to international consolidation of stock exchanges.

1 The 'concentration rules' were introduced in some Member States, such as France, Italy and Spain. Other Member States, including the United Kingdom, left intermediaries free to execute these transactions off-exchange and also to 'internalise' them in compliance with general best execution requirements. For a description of the national systems, see R. Davies, A. Dufour and B. Scott-Quinn "The MiFID: Competition in a New European Equity Market Regulatory Structure" in "Investor protection in Europe: Corporate law making, the MiFID and Beyond", by G. Ferrarini, E. Wymeersch, (eds.), Oxford University Press, 2006, 163-197.

2 An MTF is a multilateral trading system, operated by an investment firm or a market operator.

3 As stated in the 5th recital of the MiFID's Preamble: "It is necessary to establish a comprehensive regulatory regime governing the execution of transactions in financial instruments irrespective of the trading methods used to conclude those transactions so as to ensure a high quality of execution of investor transactions and to uphold the integrity and overall efficiency of the financial system."

4 See Article 40 (5) of the MiFID and Article 4 of the Prospectus Directive.

4 THE EQUITY MARKET AND MONETARY POLICY

Stock markets are an integral part of the financial system and perform the task of channelling savings (primarily from households) to the corporate sector, as well as providing means for investors to exchange flows. The prices observed in stock markets are of particular importance from a monetary policy point of view, since they reflect market participants' expectations of future economic growth (passive role) and they also influence real economic developments (active role).

In their passive role, stock prices contain valuable information and, as such, are one of the many economic and financial variables monitored by central banks. Stock prices can provide useful information about economic developments: they can have leading indicator properties and help to assess market participants' expectations for economic activity – but also help in identifying special factors distorting the informational content of important monitored variables like monetary aggregates.

Monetary policy influences stock prices in several ways. For example, changes in policy rates have a short-term impact on the discount rate, via changes in short-term market interest rates. In addition, monetary policy may also influence corporate earnings and dividends through its impact on investors' expectations of short-term economic growth. Stock market investors anticipate monetary policy decisions and thus the reaction of stock prices after the announcement of policy changes is usually not significant. However, unexpected changes in policy rates could affect the perceived riskiness of equity and prompt investors to reassess their investment decisions.[22] Finally, in the long term, in maintaining price stability and firmly anchoring inflation expectations, monetary policy reduces inflation uncertainty and thus also uncertainty about future stock prices.

Changes in stock prices therefore play an important role in the transmission of monetary policy. In their active role, stock markets influence economic developments mainly through three channels, namely the cost of capital, the wealth and the balance sheet channels. First, stock prices have a direct impact on firms' cost of capital and thus on their investment spending. When stock prices are high, implying that cost of capital is low, funding investment via the issuance of share is relatively cheap. The second channel operates through the impact of wealth on consumption. For example, higher stock prices increase households' financial wealth, which in turn, could lead to higher current and future consumption. This channel is believed to have been of lower importance in the euro area as compared, for example, with the United States, given the lower stock market participation of euro area households. However, equity market participation in the euro area has increased over recent decades, especially through funds invested via financial intermediaries. Investment through pension funds, in particular, is set to increase significantly in the medium term in some euro area countries, as households are saving more money to finance their retirement years in the context of population ageing and ongoing pension reforms.[23] Third, changes in stock prices can also affect more broadly the ability of firms and households to borrow through a balance sheet effect. As the value of the collateral increases, the ability to borrow and invest increases – a process known as the financial accelerator.[24]

Having so far explored the link between equity prices and monetary policy, how does this relate to the structure of financial markets? In general, more efficient financial markets facilitate the conduct and the implementation of monetary policy. Since stock markets are an integral part of the financial system, as long as consolidation among stock

22 See B. Bernanke, "Monetary policy and stock market: some empirical results", remarks at the Fall 2003 Banking and Finance Lecture, Widener University, Chester, Pennsylvania.

23 See the article "Demographic change in the euro area: projections and consequences", in the October 2006 issue of the ECB Monthly Bulletin.

24 See N. Kiyotaki and J. Moore, 1997, "Credit Cycles", *Journal of Political Economy*, Vol. 105 (April), pp. 211-48.

exchanges leads to improved efficiency, this will enhance the effective transmission of monetary policy. In addition, it will also improve the information content derived from developments in stock prices, in particular, if stock markets play a more prominent role in the financing of the corporate sector.

An efficient financial system, amplified by an efficient stock market, can contribute to a smoother transmission mechanism and ultimately to higher potential economic growth. This implies that a harmonised development of the financial system in the euro area is of primary interest to policy-makers. Therefore, consolidation of stock exchanges would be welcome if it led to an improvement in the functioning of the financial markets in all regions of the euro area.

Increased efficiency in the stock market will also enhance risk sharing for investors and issuers, both within and outside the euro area, as it will be easier to diversify across regions, sectors and currencies. This is of particular importance for a monetary union, since the financial system as a whole and thus also the stock market plays a key role in helping to absorb asymmetric shocks which may hit the economy.

In the euro area there is still further potential for consolidation, possibly resulting in a more efficient stock market. A very efficient stock market with low execution fees and transaction costs would increase its attractiveness as a financing channel for firms and as an investment vehicle for equity investors. Therefore, a more efficient stock market may result in an increased use of listed equities as a financing tool for firms.

Raising funds through the stock market is relatively less developed in the euro area compared with other regions in the world, and as such, there might be scope for further exploiting this means of financing.[25] In the euro area, equity liabilities in corporate balance sheets are mainly owned by private shareholders.[26] Further financing through equity markets may prompt a shift in the relative importance of the monetary policy transmission channels. In particular, it may lessen the importance of the bank lending channel while contributing to homogenising the transmission through the wealth effect.[27]

5 CONCLUDING REMARKS

Ongoing consolidation among European exchanges, inspired by both market and policy-makers, has been mainly motivated by the idea of becoming more efficient and productive. From this perspective, trading does not need to take place in one or a few physical places, if there is a technological agreement such that economies of scale can be maximised. The final outcome of this consolidation process is unclear, but different forms of consolidation cluster are likely to emerge in the meantime.

The process of consolidation between stock exchanges can take different forms. Consolidation may just imply that two or several companies are merged, typically in a bid to benefit from economies of scale in terms of technological platforms, a common trading system, cost cutting and lower headcounts. Consolidation may also imply that issuers are meeting a larger pool of investors by being on one single exchange list, which is the case for securities listed on Euronext and the Nordic list.

In the euro area, the de-mutualisation of exchanges and the introduction of the euro have spurred competition, as well as cooperation between trading places. This has contributed to greater efficiency and lower trading costs for involved parties. At the same time, policy-makers have contributed to the efficiency gain by implementing harmonised rules and regulations, foremost through the FSAP.

25 See the article on "Assessing the performance of financial systems", in the October 2005 issue of the ECB Monthly Bulletin.
26 See Box 1 in "Corporate finance in the euro area", ECB, May 2007.
27 See the special issue on "Monetary policy and financial integration" in "Financial integration in Europe", ECB, March 2007.

A further consolidation of stock exchanges in the euro area can contribute to increasing financial integration and improving the efficiency of the financial system. This, in turn, increases the liquidity for investors and the possibility of financing for euro area firms, as long as the trend towards consolidation maintains a degree of competition among financial centres. Indeed, it will be crucial to find the right balance between consolidation (exploiting economies of scale) and competition in a sector that is already concentrated. However, competitive pressure is also building up externally. In this respect, it is worth mentioning that, while at the beginning of the new millennium geographical proximity prevailed in determining partnership and cooperation among exchanges, more recently, mergers and alliances have no longer been limited to regional integration, but increasingly have taken place on a cross-regional scale.

The structural developments in the stock market are of great interest to a central bank since an integrated and developed capital market spurs economic growth and creates a favourable setting for monetary policy. In particular, for a central bank, it is important that all investors and savers have equal access to an efficient financial system within a given currency area. As long as stock markets are efficient enough to transmit impulses from a central bank to the real economy in a common manner, the actual number of stock exchanges does not seem to matter or, at least, is less important. The relevant factor is that market places are able to offer fast and secure trading at attractive prices, robust governance and rules, and an efficient supervision of stock markets and stock exchanges.

THE INTRODUCTION OF QUARTERLY SECTORAL ACCOUNTS STATISTICS FOR THE EURO AREA

The new quarterly euro area accounts (EAA) by institutional sector shed greater light on economic, financial and monetary developments, which have only partially been revealed by statistics in the past. In particular, the accounts provide both additional information for the analysis of macroeconomic developments by institutional sector and a comprehensive framework to complement and combine data provided by other, timelier statistics. This article recalls the main features and concepts of the EAA and provides examples of their potential use by the ECB. The first example shows how economic analysis and, in particular, the analysis of household saving and consumption will now benefit from regular comprehensive information on (valuation) changes in households' financial wealth. The analysis of the financing and financial investment of non-financial corporations benefits from the new details on non-financial transactions, as well as from the now complete coverage of the financial accounts, demonstrating the usefulness of integrated financial and non-financial accounts by institutional sector. Finally, the analysis of portfolio shifts between monetary assets and other financial instruments can now be based on a complete coverage of financial investments by institutional sectors.

1 INTRODUCTION

Macroeconomic developments, such as economic growth and inflation, are the outcome of the actions of individual economic agents in an economy. The grouping of agents with a similar economic behaviour into institutional sectors (households, non-financial corporations, financial corporations and government) can help our understanding of the functioning of the economy. Over the past five years, the ECB, Eurostat and the national central banks and national statistical institutes in the European Union have collaborated to develop a regular quarterly compilation of euro area accounts that provide detailed and consistent statistics on economic and financial developments in the euro area, both for the economy as a whole and for each of its institutional sectors. These integrated quarterly euro area accounts (EAA) draw on available euro area statistics and data collected at the national level, combining newly available quarterly information on the non-financial activities of institutional sectors with enhanced data on financing and financial investment previously released by the ECB in the Monetary Union Financial Accounts. The quarterly EAA were published for the first time in June 2007 and were preceded by the publication of integrated annual financial and non-financial accounts in May 2006.

This article recalls the main features and concepts of the EAA and provides some illustrations of how the new data can enhance economic, financial and monetary analysis.[1] This is done by re-examining three issues in economic, financial and monetary analysis that have confronted policy-makers in the past and by showing how the new data can shed some light on these issues.

2 MAIN FEATURES AND CONCEPTS OF EURO AREA ACCOUNTS

The EAA present a comprehensive overview of the economic and financial developments of the euro area, including a consistent breakdown by institutional sector. They show all economic and financial transactions and (changes in) balance sheet positions of households, non-financial corporations, financial corporations and the government, as well as the interaction between these sectors, and permit an integrated analysis of non-financial economic activities (such as gross fixed capital formation) and financial transactions (such as the issuance of debt). In addition, relations between the euro area and the rest of the world are shown for the same types of transactions and balance sheet positions. The EAA are expressed in current prices

1 For a more detailed presentation, see the article entitled "Integrated financial and non-financial accounts for the institutional sectors in the euro area" in the October 2006 issue of the Monthly Bulletin and the joint ECB and Eurostat background note entitled "Quarterly euro area and European Union accounts for the institutional sector" available at http://www.ecb.eu/stats/acc/html/index.en.html.

(i.e. only nominal as opposed to real values are calculated). As data are not yet seasonally adjusted, developments are analysed on the basis of four-quarter moving sums and growth rates are presented as year-on-year changes. The sources and methods used for the compilation of the EAA are outlined in the following box.

Box

FROM NATIONAL ACCOUNTS TO EURO AREA ACCOUNTS

The starting-point for the EAA are, on the one hand, national financial and non-financial accounts provided by euro area member countries and, on the other, the euro area balance of payments, its international investment position and monetary statistics. Several steps are needed to convert national datasets into euro area accounts.

First, given that the accounts provide time series for the current composition of the euro area, with no statistical breaks due to enlargement, the Greek data for 1999-2000 and the Slovenian data for 1999-2006 have been converted into euro using the variable exchange rate of the respective currencies. Second, since the ECB is not considered to be part of the domestic economy in the national accounts of any member country, its accounts have to be included in the euro area financial corporations sector. All other European institutions are treated as non-residents of the euro area, as their administrative competence goes beyond the euro area.

Third, in order to compile appropriate euro area rest-of-the-world accounts, cross-border transactions and positions between euro area member countries have to be converted into domestic ones. This leads to a much lower level of imports and exports than would result from a simple aggregation of the national data. Moreover, in the national accounts of the euro area countries, the bilateral transactions do not mirror each other. At present, on the basis of national data, for example, total intra-euro area exports exceed total intra-euro area imports. These so-called "asymmetries" have been eliminated in order to obtain a consistent set of euro area accounts, involving a small upward adjustment of household consumption and of private capital formation and a slight downward adjustment of nominal GDP. Currently, the overall adjustment amounts to less than 1% of euro area GDP. The adjustment is quite stable over time, with the result that it has no significant effect on the growth rate of the macroeconomic aggregates.

The next step is a parallel compilation of non-financial and financial accounts, including financial balance sheets. These accounts are integrated in three dimensions. First, for each transaction category (financial and non-financial) and each financial balance sheet category, total uses must equal total resources and total (changes in) financial assets must equal total (changes in) liabilities, when summed over all institutional sectors and the rest of the world (horizontal consistency). For instance, for the non-financial transaction category "compensation of employees", the sum of the amounts payable (uses) by all sectors and the rest of the world must be equal to the sum of the amounts receivable (resources) by all sectors and the rest of the world (see Table 1). Second, for each sector and the rest of the world, the sum of all resources and changes in liabilities should be equal to the sum of all uses and changes in assets (vertical consistency). In the current EAA, this has been achieved by eliminating asymmetries and using other accounting restrictions for the government and financial corporations sectors and for the rest of the world. This implies that the latter account contains no "errors and omissions" category. There are still statistical discrepancies,

equal in amount but opposite in sign, for the households and non-financial corporations sectors, but these are relatively small compared with a simple aggregation of the non-integrated national financial and non-financial accounts data. Third, the change in financial balance sheets (i.e. in stocks) for each financial asset category is equal to the changes arising from financial transactions and from other changes (stock-flow consistency).

As a consequence of the various compilation steps described above, the EAA are not the simple sum of the national accounts of the euro area member countries.

For the euro area as a whole, as well as for the individual institutional sectors, macroeconomic aggregates are derived from a sequence of accounts. Each of these accounts covers a specific economic process, ranging from production, income generation and income (re)distribution, through the use of income for consumption and investment, to financial transactions such as borrowing and lending. Table 1 shows some of the main economic and financial aggregates that describe the institutional sectors of the euro area and their interaction with the rest of the world. "Gross value added" is mostly generated by non-financial corporations (57% in the four quarters covered in the table), but households (25%), financial corporations (5%) and the government (14%) also contribute to this broad measure of economic activity. The value added by households originates from household enterprises, non-profit institutions serving households (NPISHs) and an income imputed to homeowners who occupy their own dwelling.[2] By far the largest share of gross domestic product (which comprises all domestic value added and product taxes) is allocated to households; this is accounted for by the compensation of employees (wages and salaries plus employers' social contributions) and the value added that households generate themselves. The disposable income of households is determined by the compensation of employees, mixed income (accruing to self-employed households) and gross operating surplus (from household enterprises and from owner-occupied dwellings), property income (mainly interest and dividends receivable minus interest payable) and transfers to and from the government sector (social security benefits minus social security contributions and taxes payable). The accounts also show that households consumed about 86% of their gross disposable income and saved 14% in the four quarters ending with the first quarter of 2007.[3]

The integration of the non-financial accounts with the financial accounts allows a comprehensive analysis of the relationships between financial and non-financial ("real") transactions and positions. Euro area households' savings plus net capital transfers received largely exceed their non-financial investment (which is mainly in dwellings). This means that the household sector has a surplus of funds and is thus a net lender to other sectors. Consequently, the financial transactions account reflects that households' net acquisition of financial assets largely exceeds their net incurrence of liabilities. The opposite is true for non-financial corporations and general government, which are net borrowers, while financial corporations also have a surplus of funds. On balance, in the last four quarters covered the euro area had a small surplus on the current (and capital) account of the balance of payments, and therefore also on the non-financial transactions account of the rest of the world.[4] In other words, the euro area was a modest net lender of funds, which is reflected in the financial transaction account of the rest of the

2 The household sector includes sole proprietorships and partnerships that do not have an independent legal status. This is in line with worldwide national accounting standards. In addition, NPISHs (charitable organisations, trade unions, etc.) are grouped together with households in the euro area accounts.

3 Disposable income is augmented by the adjustment for the net equity of households in pension fund reserves; this relatively small component is not available for consumption but, by definition, is a part of household saving.

4 Since the rest-of-the-world account is drawn up from the perspective of the rest of the world, a euro area surplus on the current (and capital) account of the balance of payments is reflected as net borrowing (-) for this sector in the EAA, as shown in Table 1.

world as an excess of the incurrence of liabilities over the net acquisition of financial assets.

With the EAA, it is now also possible to derive quarterly measures of profits and internal financing for both financial corporations and non-financial corporations. Entrepreneurial income is a core indicator for corporations and can be measured in net or gross terms.[5] Gross entrepreneurial income is a concept that is comparable to current profits plus depreciation allowances in business accounting (after the deduction of net interest payable and including the profits of foreign subsidiaries, but before the payment of dividends and income taxes). Entrepreneurial income less income taxes payable – after the distribution of income to owners (including all dividends and the retained earnings that accrue to foreign direct investors) –

5 Gross entrepreneurial income, gross saving, etc., include the consumption of fixed capital ("depreciation").

Table 1 Euro area accounts: main items

(EUR billions; four-quarter cumulated flows: 2006 Q3-2007 Q2, and closing financial balance sheet: 2007 Q2)

Non-financial transactions	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
Exports of goods and services					1,900
Imports of goods and services					1,819
Gross value added	1,907	4,396	368	1,052	
- Compensation of employees (payable)	427	2,598	209	875	16
- Taxes on production and imports less subsidies	28	74	15	15	
Gross operating surplus (and mixed income for households)	1,452	1,723	145	162	
+ Property income (receivable) less interest and rent (payable)	839	156	329	-172	158
(For corporations: Gross entrepreneurial income)		*1,902*	*482*		
- Distributed income of corporations		898	264		
+ Compensation of employees (receivable)	4,115				10
+ Net social benefits and contributions (receivable-payable)	-4	12	48	-64	9
+ Other current transfers (receivable-payable)	66	-48	-5	-100	87
- Taxes on income and wealth (payable)	810	198	51		9
+ Taxes receivable (minus subsidies payable)				2,143	-5
Gross disposable income	5,658	748	202	1,967	
+ Adjustment for change in net worth in pension funds [1]	62	-15	-47	0	0
- Consumption expenditure	4,912			1,753	
Gross saving	809	734	155	215	
- Gross fixed capital formation	632	996	43	218	
+ Net capital transfers (receivable-payable)	26	85	-8	-88	-15
- Net acquisition of other non-financial assets [2]	5	22	1	-1	-1
Net lending (+) / net borrowing (-)	198	-199	102	-90	-11
Financial transactions					
Net lending / net borrowing from financial accounts	257	-258	102	-90	-11
Net acquisition of financial assets	647	774	4,036	107	1,958
Monetary gold and special drawing rights			-2		2
Currency and deposits	289	185	959	77	718
Debt securities	57	0	733	30	576
Loans	-2	189	1,301	-11	149
Shares and other equity	14	217	621	-4	457
Life insurance and pension fund reserves	253				8
Other financial assets [3]	35	182	425	15	48
Net incurrence of liabilities	389	1,031	3,934	197	1,970
Currency and deposits			1,604	-11	634
Debt securities		59	675	164	499
Loans	366	614	225	9	412
Shares and other equity		228	708	0	369
Insurance technical reserves	0	11	299	0	0
Other liabilities [4]	23	120	471	35	56
Changes in financial wealth not due to transactions	327	-538	-78	149	142

Table 1 Euro area accounts: main items (continued)

Financial balance sheet					
Financial assets	17,405	14,266	37,784	2,907	14,546
Monetary gold and special drawing rights			178		
Currency and deposits	5,463	1,666	4,690	621	3,949
Debt securities	1,407	301	8,035	240	3,028
Loans	22	1,798	13,392	357	1,464
Shares and other equity	5,182	7,815	9,102	1,141	5,363
Life insurance and pension fund reserves	4,723				83
Other financial assets [3]	609	2,686	2,388	549	659
Liabilities	5,631	22,977	38,253	6,751	13,119
Currency and deposits			13,569	325	2,471
Debt securities		743	4,552	4,962	2,754
Loans	5,200	6,594	1,528	1,071	2,639
Shares and other equity		12,925	10,827	6	4,845
Insurance technical reserves	33	332	5,168	1	0
Other liabilities [4]	398	2,360	2,609	387	409
Net financial wealth	11,774	-8,712	-469	-3,843	1,427

Sources: ECB and Eurostat (EAA).
1) Net adjustment for the change in net equity of households in pension fund reserves (receivable-payable).
2) Changes in inventories, acquisitions less disposals of valuables and of non-produced non-financial assets (e.g. land).
3) Other accounts receivable, and prepayments of insurance premiums and reserves for outstanding claims.
4) Other accounts payable and financial derivatives.

yields (national) corporate saving. This is a measure for internal financing. Net saving is comparable to retained earnings in business accounting.

The financial balance sheets show the financial position of the sectors, broken down into the same categories of financial assets and liabilities (such as deposits, loans and shares) as distinguished in the financial transactions accounts. The financial assets and liabilities are valued at market prices. The financial balance sheets change as a result not only of financial transactions but also of other changes in assets. These mainly reflect revaluations due to changes in the market prices of financial instruments, although debt cancellations, for instance, are also covered.

One major achievement of the quarterly EAA is that the complete financial accounts, which include financial transactions, holding gains/losses and other changes, as well as the balance sheets, are now available with a complete instrument breakdown also for the household sector (see Table 2). The net acquisition of financial assets of households mainly relates to currency and deposits (45% in the four quarters covered in Table 1), debt securities (9%), life insurances and pension funds reserves (39%), quoted shares (0%), unquoted shares and other equity (5%) and mutual fund shares (-3%). The incurrence of liabilities predominantly consists of loans (e.g. for housing), which are mostly granted by MFIs.

3 EURO AREA ACCOUNTS AS A FRAMEWORK TO COMPLEMENT ECONOMIC, FINANCIAL AND MONETARY ANALYSIS

The provision of integrated quarterly accounts for the euro area as a whole is a significant achievement and a great help to economists and policy-makers, who need to make a comprehensive assessment of economic and monetary developments. A key feature of the EAA is that they encompass virtually all financial and non-financial flows and integrate that information within a single accounting framework. Although the EAA are made available somewhat later than the primary statistics on which they are based, the consistent accounting framework provides a useful basis for cross-checking the primary statistics and understanding developments in the economy as a whole. For example, for households, the accounts enhance the analysis of important elements of demand, such as consumption and residential investment, by allowing a comparison with the various sources

of income (both labour and non-labour-related, including dividends and interest receivable) and with the associated changes in net financial wealth (both financial transactions and holding gains/losses on households' assets). All these factors may have an impact on household consumption, saving and investment decisions. Similarly for non-financial corporations, the accounts provide

Table 2 EAA main items for households

(EUR billions)

Non-financial transactions	1999	2000	2001	2002	2003	2004	2005	2006	2007 Q2
	Four-quarter-cumulated sums								
Gross disposable income (HGDI)	4,260	4,461	4,694	4,852	4,997	5,183	5,349	5,547	5,658
+ Adj. for change in net worth in pension funds [1]	46	48	49	51	54	57	59	62	62
Gross disposable income (HGDI) plus adjustment [3]	4,306	4,509	4,743	4,903	5,051	5,240	5,408	5,608	5,720
- Consumption expenditure	3,693	3,901	4,068	4,177	4,316	4,482	4,649	4,837	4,912
Gross saving	613	607	675	727	735	758	759	772	809
+ Net capital transfers (receivables-payables)	31	29	21	8	13	19	24	30	26
- Gross fixed capital formation	445	465	468	476	496	523	558	606	632
- Net acquisition of other non-financial assets [2]	5	2	-1	0	2	4	1	4	5
Net lending (+) / net borrowing (-)	194	170	229	260	250	249	224	192	198
Financial transactions	Four-quarter-cumulated sums								
Net acquisition of financial assets	539	466	502	519	557	590	631	620	647
Currency and deposits	132	51	169	229	222	248	240	279	289
Debt securities	-36	26	89	78	-16	75	3	77	57
Loans	-6	2	0	-2	4	-1	-2	-3	-2
Shares and other equity	189	114	32	-40	86	-14	116	-34	14
Quoted shares	10	-5	-72	-17	27	-48	3	-13	-1
Unquoted shares and other equity	22	30	21	-67	-19	37	57	8	32
Mutual fund shares	157	88	82	44	78	-3	56	-29	-18
Life insurance and pension fund reserves	227	244	216	203	231	251	300	276	253
Other financial assets [3]	33	30	-3	53	30	30	-27	24	35
Net incurrence of liabilities	339	261	246	205	286	329	372	387	389
Loans	294	228	177	223	264	314	392	392	366
Short-term	24	16	0	15	-1	11	16	14	11
Long-term	270	212	178	208	265	303	375	379	355
Pension fund reserves	1	2	2	2	2	2	2	0	0
Other liabilities [4]	43	32	67	-20	20	12	-22	-6	23
Changes in financial wealth not due to transactions	Four-quarter-cumulated sums								
Net financial wealth	768	-78	-482	-618	247	285	600	457	477
Shares and other equity	695	-133	-443	-496	265	235	522	431	498
Life insurance and pension fund reserves	65	-6	-50	-70	29	57	129	49	44
Financial balance sheet	End-of-period stocks								
Financial assets	12,639	13,012	13,013	12,950	13,744	14,632	15,867	16,940	17,405
Currency and deposits	3,914	3,970	4,152	4,380	4,579	4,827	5,078	5,343	5,463
Debt securities	1,198	1,255	1,296	1,359	1,329	1,389	1,354	1,422	1,407
Loans	25	26	26	24	29	28	26	23	22
Shares and other equity	4,315	4,296	3,885	3,349	3,700	3,921	4,559	4,956	5,182
Quoted shares	1,256	1,221	926	630	774	832	1,001	1,192	1,296
Unquoted shares and other equity	1,522	1,523	1,470	1,351	1,437	1,592	1,918	2,119	2,195
Mutual fund shares	1,537	1,553	1,489	1,368	1,488	1,497	1,640	1,645	1,692
Life insurance and pension fund reserves	2,744	2,982	3,148	3,281	3,541	3,849	4,279	4,604	4,723
Other financial assets [3]	246	280	290	329	330	343	274	285	295
Liabilities	3,346	3,593	3,819	4,060	4,336	4,678	5,055	5,437	5,631
Loans	3,016	3,236	3,420	3,667	3,929	4,257	4,633	5,017	5,200
Pension fund reserves	21	22	24	26	28	30	32	33	33
Other liabilities [4]	309	334	375	368	379	391	389	387	398
Net financial wealth	9,293	9,420	9,194	8,890	9,408	9,954	10,812	11,503	11,774

Sources: ECB and Eurostat (EAA).
1) Net adjustment for the change in net equity of households in pension fund reserves (receivable-payable).
2) Changes in inventories, acquisitions less disposals of valuables and of non-produced non-financial assets (e.g. land).
3) Other accounts receivable, and prepayments of insurance premiums and reserves for outstanding claims.
4) Other accounts payable and financial derivatives.

a framework for describing and understanding the links between developments in profitability, dividend payments and financial and non-financial investment, both within the euro area and abroad. Moreover, the accounts provide an overview of developments across sectors, enabling a greater understanding of the links between them – for example, concerning flows of dividend income between firms and households, and payments and receipts of taxes, social contributions and benefits between the government and other sectors. This comprehensiveness permits a better understanding of developments in the economy as a whole.

The following sections illustrate the usefulness of the EAA by re-examining some of the issues in euro area economic and monetary analysis with which policy-makers were recently confronted and by showing how the new data can shed further light on such issues. The first case study looks at the rapid increase in household saving at the beginning of the current decade and examines how the new data on income flows and wealth developments enhance the understanding of this phenomenon. The second item clarifies the sources of funds that were available to the non-financial corporations sector to finance investment in financial assets in recent years. The third case study uses the EAA to look again at the sharp increase in M3 growth between 2001 and 2003. In view of the still relatively short time series available, the discussions below inevitably rely heavily on a descriptive assessment. As the dataset expands over time, its value for econometric research and analysis will also increase. Nevertheless, the case studies already illustrate how the new data enhance the understanding of economic and monetary developments.

(I) DEVELOPMENTS IN HOUSEHOLD SAVING

Between the second quarter of 2000 and the second quarter of 2002, the household saving ratio in the euro area rose sharply from 13.5% to 14.8%, while year-on-year growth in nominal consumption declined from 6.3% to 2.3% (see Chart 1).[6] The following paragraphs consider the possible reasons for the increase in the saving ratio in the euro area over that period.

Economic theory provides a number of motivations for household consumption and saving decisions. A key principle is that households base their consumption on the income they expect to receive over their entire lifetime (i.e. permanent income), taking into account not only their current, but also their expected income. In this respect, household saving is a means of smoothing consumption in the face of variations in income both over long horizons (for example, by saving for retirement) and over shorter periods (in case of temporary or unexpected income fluctuations). However, income growth fluctuations may not be the only determinant of a change in saving ratios. For some households, saving levels are affected by developments in their financial and non-financial wealth, as changes in the prices of their net assets may represent an important additional source of current and future purchasing power. Furthermore, the degree of uncertainty surrounding future income – for example, in relation to employment prospects or pensions – may lead households to hold a higher or lower buffer stock against (unexpected) future income reductions (precautionary saving). Finally, changes in government finances may also be important in explaining saving behaviour. Changes to the tax regime, for example, may affect consumers' views of their permanent income. Alternatively, consumers may react to changes in government deficits by adjusting their savings to compensate for changes in tax rates they expect to be faced with in the future, when the government has to pay back its debts (so-called Ricardian equivalence).

Until the introduction of the EAA, the analysis of euro area household saving rested on the aggregation of individual country data, which were not fully harmonised. Another new

6 For a longer view of the household saving ratio in the euro area see the joint ECB and OECD report entitled "Comparison of household saving ratios" (http://www.ecb.eu/pub/pdf/other/comparisonhouseholdsavingseuusjpnen.pdf).

feature is that the EAA permit a simultaneous analysis of both financial (e.g. wealth) and non-financial (e.g. income) factors that influence saving within a comprehensive and integrated framework.

Turning to developments during the period under review, the EAA show that the increase in the household gross saving ratio at the beginning of the decade was, at least initially, related to a fall in consumption growth, which both preceded and surpassed the fall in disposable income growth (see Chart 1). When faced with temporary income fluctuations, one might have expected saving to have fallen during the economic downturn, as households would then have smoothed their consumption. It is possible, therefore, that the change in saving indicated a more fundamental reassessment of households' expectations about future income growth. Economic growth slowed sharply between 2000 and 2002: annual growth in real GDP fell from 4.0% in 2000 to 0.9% in 2002, employment growth stagnated and the unemployment rate climbed steadily from a low of 7.8% in January 2001 to 8.5% by December 2002. All this happened in an environment of heightened geopolitical uncertainty. In this context, households may have reassessed expected income flows and increased their saving as a result.

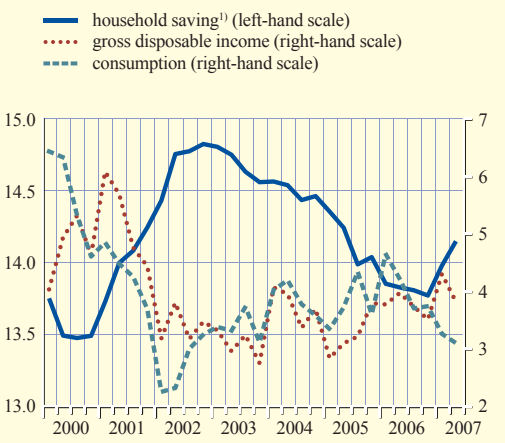
Another factor that may have encouraged households to increase gross savings concerns their substantial losses in financial wealth.[7] The EAA now provide consistent information on valuation changes in households' financial asset and liability positions. Chart 2 shows that households' net financial worth fell sharply towards the end of 2000. In 2001 and 2002, the ratio of households' net financial worth (measured in relation to their disposable income) declined by 4.8% and 6.3% respectively. The bulk of this loss was due to falling equity prices. Estimates of the marginal propensity to consume out of total financial and non-financial wealth in the euro area have suggested that a permanent fall in wealth of €1 leads to a reduction in consumption of between 3 and 10 cent.[8] Of course, the actual impact on consumption depends on whether households view these changes in wealth as being

7 The current euro area accounts only provide information on financial wealth. Another key component of household wealth is housing stock, whose price change may also have influenced household behaviour.

8 Altissimo et al, "Wealth and asset price effects on economic activity", ECB Occasional Paper No 29, June 2005.

Chart 1 Household income, consumption and gross saving

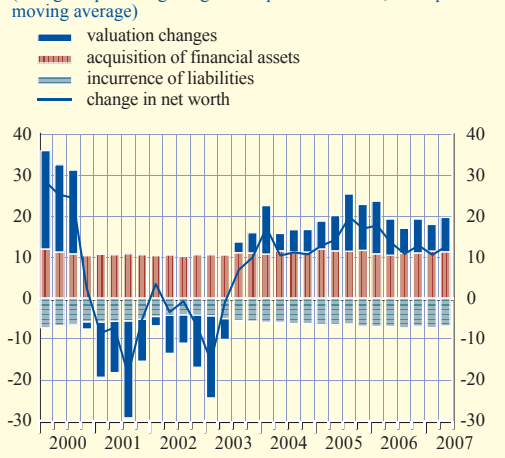
(annual percentage changes)



Sources: ECB and Eurostat (EAA).
1) Household gross saving as a percentage of gross disposable income; four-quarter moving average.

Chart 2 Changes in households' net financial worth

(change in percentage of gross disposable income; four-quarter moving average)



Sources: ECB and Eurostat (EAA).

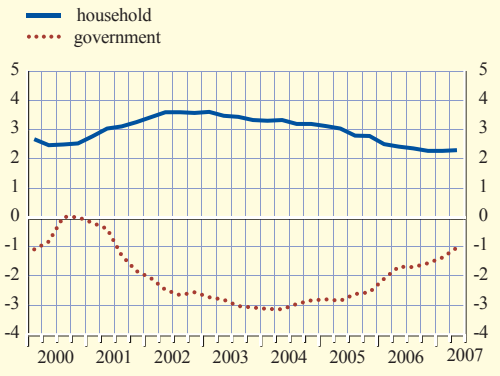
permanent. However, the scale of the losses during this period may have led to a reassessment of households' expectations about their permanent income: in turn, this may have forced a reduction in consumption growth to a more sustainable level. Moreover, the fall in equity prices possibly increased households' perception of risk. That uncertainty could have been heightened by the geopolitical tensions after September 2001, which then led to an increase in precautionary saving. Indeed, the EAA show that during 2001 households shifted their financial investment to less risky assets, such as currency, deposits and money market funds, away from shares and other equity.

Another possibility is that households were reacting partly to changes in government deficits. From a fairly balanced net lending/net borrowing position in 2000, average euro area government net borrowing increased to 2.6% of GDP in 2002. By providing a consistent and integrated accounting framework, the EAA are a useful basis for understanding the economic links between the household and government sectors. Over the small sample available, the integrated accounts show that there is a negative correlation between movements in government and household surpluses and deficits (see Chart 3). Although the growth rate of income taxes paid by households fell (the share of disposable income spent on tax payments fell from 15.1% in 2000 to 14.4% in 2002), it is possible that consumers adapted their saving behaviour, recognising that the rising government deficits could force them to pay higher taxes in the future. That may have been particularly the case during this period, given the widespread concerns about the future of social security systems in many countries.

Overall, there was a range of factors that influenced household saving at the beginning of the decade, including households' reaction to the slowdown in growth across the economy, heightened geopolitical uncertainty, declines in wealth, and heightened concerns about rising government deficits associated with debates about the sustainability of pension provisions.

Chart 3 Household and government net lending (+)/net borrowing (-)

(percentage of GDP; four-quarter moving average)



Sources: ECB and Eurostat (EAA).

The new EAA help to illustrate some of these issues affecting households at the time. In particular, they provide data of an improved quality and permit the analysis of both financial and non-financial influences within a comprehensive and integrated framework.

(II) DEVELOPMENTS IN FINANCIAL INVESTMENT AND THE FINANCING OF NON-FINANCIAL CORPORATIONS

The non-financial corporations sector has raised sizeable amounts of external financing over recent years, despite generating ample internal funds. Moreover, the growth in external fund-raising is stronger than can be explained by the sector's financing needs stemming from fixed capital investment. This additional financing is likely to have been raised to finance direct investment abroad and other financial investment. Indeed, while not providing a complete picture, previously available data sources suggested that additional external financing was used for financial investment, especially in shares. Data on mergers and acquisitions indicated a considerable need for external financing, in particular in 2000 and 2001.

The new EAA statistics provide a more complete coverage of the financial, as well as non-financial, behaviour of the non-financial corporations sector. In particular, financial

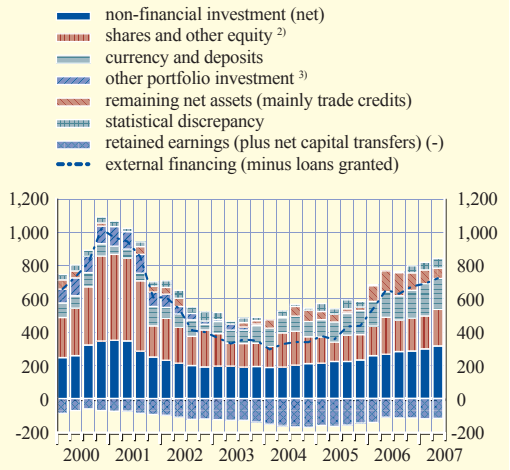
investment was previously only available for the non-financial private sector as a whole, whereas now a sector breakdown for financial investment is possible and additional instruments, such as unquoted shares, have been included. The financial investment and financing data are illustrated in Chart 4, whereby external financing plus internal financing, i.e. retained earnings plus net capital transfers receivable, equals the sum of financial and non-financial investment.[9] The EAA show that, since the end of 1999, the financial investment of non-financial corporations has consistently exceeded their non-financial investment. Over this period, financial investment, and in particular the acquisition of shares and other equity, seems to have driven the demand for external financing of this sector, while non-financial investment has been relatively stable.

Financial investment reached a peak in 2000. In the period 2000-2001, it mainly consisted of the acquisition of shares and other equity – mostly in the context of domestic and foreign mergers and acquisitions – and to a lesser extent of investments in other financial assets – such as deposits, debt securities and mutual fund shares. With the bursting of the "new economy" bubble, investment in shares and other equity, as well as other portfolio investment, declined markedly and remained relatively stable until recently. Since mid-2005, against the background of an improving economic climate, financial investment has been gradually rising again, partly driven by investment in shares and other equity. Chart 5 shows that, since the end of 1999, investment in shares and other equity (excluding mutual fund shares) has followed a

9 The following identity is presented in Chart 4: external financing = non-financial investment + financial investment – (retained earnings plus net capital transfers), where financial investment = shares and other equity + currency and deposits + other portfolio investment + remaining net assets (mainly trade credits).

Chart 4 Adjusted financial investment and financing of non-financial corporations [1)]

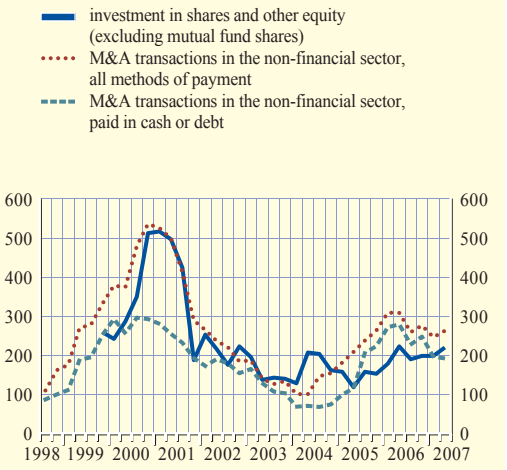
(EUR billions; four-quarter cumulated transactions)



Sources: ECB and Eurostat (EAA).
1) Loans on the financial investment side (which consist mainly of inter-company loans) are excluded from both financial investment and financing.
2) "Shares and other equity" excludes mutual fund shares.
3) "Other portfolio investments" comprise debt securities and mutual fund shares.

Chart 5 M&A and financial investment in shares and other equity by non-financial corporations

(EUR billions; four-quarter cumulated transactions)



Sources: Zephyr by Bureau van Dijk (since 2000), Thomson Financial Datastream (prior to 2000), and ECB and Eurostat (EAA).
Note: Shares and other equity exclude mutual fund shares (which have no correspondence with M&A activity). M&A data include outright mergers (which involve exchanges of shares and could be neutral for financing flows, and whose amount was sizeable in 1999-2000), as these could not be distinguished from other transactions.

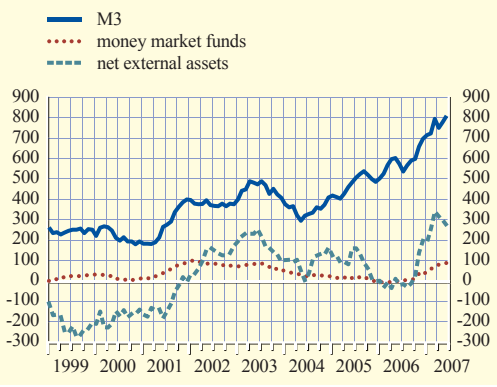
pattern similar to that in mergers and acquisitions. [10]

Interestingly, the increase in financial investment since mid-2005 is the result not only of a pick-up in investment in shares and other equity, but also of an increase in cash accumulation (currency and deposits) by the non-financial corporations sector. While initially this may have been driven by the low opportunity cost of holding money in the euro area, the recent sizeable flows in currency and deposits may also signal plans for further investment, either non-financial investment in euro area production capacity or financial investment in the form of heightened takeover activity. This is consistent with recent evidence from balance sheet data on listed non-financial corporations in the euro area. [11]

The EAA confirm that non-financial corporations have raised funds mainly from external sources to finance financial investment. They also show that, despite growing profits, the retained earnings of the non-financial corporations sector have not increased concomitantly, as corporations have chosen to distribute a larger share of profits to their owners. The increase in profits has therefore not translated into equivalent growth in available funds for internal financing, but has been associated with a continued recourse to external funding in order to finance not only non-financial investment but increasingly financial investment.

Chart 6 M3, money market fund shares and MFIs' net external asset position

(EUR billions; 12-month cumulated transactions)



Source: ECB.

(III) PORTFOLIO SHIFTS INTO MONETARY ASSETS

In 2001 the ECB's monetary analysis was faced with the challenge of explaining the sharp increase in M3 growth in an environment that initially deteriorated as a result of the unwinding of the boom in the "new economy" and, until mid-2003, was characterised by heightened economic, financial and geopolitical uncertainty. The information from the statistics available at the time – mainly MFI balance sheets, security issuance and balance of payments statistics – showed that the overall increase in M3 growth during this period reflected portfolio shifts by the money-holding sector from non-monetary securities into safe and liquid monetary assets. In the MFI balance sheet statistics, these shifts coincided, inter alia, with a considerable increase in MFIs' net external asset positions, which reflected the sales of foreign assets by the euro area money-holding sector channelled via MFIs (see Chart 6). [12] A large part of the portfolio shifts went into money market fund shares/units, which investors typically use to park funds in periods of high uncertainty. [13]

In retrospect, the EAA that have now become available could have provided relevant additional information on the non-monetary securities holdings of the non-financial sectors and, even more importantly, on the sectoral

10 Differences between the two datasets are due to a) the partial (although good) coverage of the Zephyr database, b) the inclusion of transactions in the form of outright mergers in that database, which may not lead to the acquisition of shares for the sector as a whole, as shown in the EAA, and c) the inclusion of forms of portfolio investment in the EAA statistics, which do not correspond to merger and acquisition transactions.

11 See the box entitled "Why have listed non-financial corporations in the euro area increased their cash holdings over the last three years?" in the September 2006 issue of the Monthly Bulletin.

12 See, for instance, the box entitled "What were the counterparts to the extraordinary portfolio shifts into monetary assets between 2001 and 2003?" in the article "Monetary analysis in real time" in the October 2004 issue of the Monthly Bulletin.

13 For a discussion of this issue, see the article entitled "Money demand and uncertainty" in the October 2005 issue of the Monthly Bulletin.

dimension of the portfolio shifts. Owing to data limitations, these shifts were analysed at the time for the money-holding sector as a whole, although they were always perceived to be driven mainly by changing financial investments of the household sector.[14] A sectoral perspective can clarify the signal of risks to price stability that is extracted from monetary developments. For instance, developments in households' money holdings may have a closer relationship with consumer price inflation than the holdings of non-monetary financial intermediaries like investment funds and special purpose entities, or insurance corporations and pension funds.

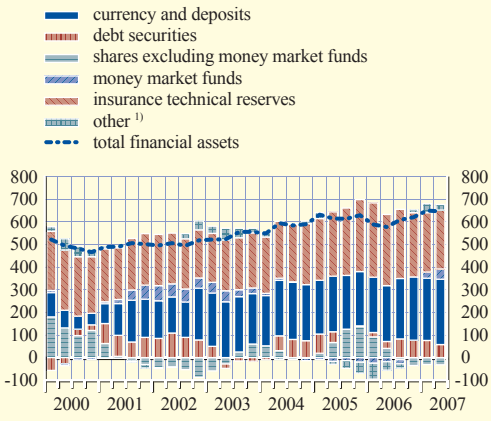
The EAA show that, prior to the period of portfolio shifts, households accounted for almost half of the money-holding sector's holdings of money market fund shares/units and that, with the onset of the portfolio shifts, they also increased their holdings of these instruments more quickly than the other money-holding sectors. Households thus accounted for most of the sharp rise in the growth of money market fund shares/units in 2001, contributing substantially to the overall strengthening of monetary dynamics.

The EAA bring together the different investments of the household sector in a consistent framework, and thus allow a direct analysis of the parts of the sector's portfolio that may have been shifted into other types of instrument. For instance, the data show that the sector's overall financial investment remained broadly stable during the period 2001-2003, but they also show that this conceals a clear reduction of investment in shares and other equity and, to a lesser extent, in insurance and pension products. This reduction was counterbalanced by a substantial increase in the sector's acquisition of currency, deposits and money market funds – the latter have been excluded from shares and other equity to capture better the dynamics of monetary assets (see Chart 7).

Against this background, the EAA data show the dominant role of households in the portfolio shifts that occurred between 2001 and 2003. This information may therefore have facilitated communication on investor behaviour and portfolio shifts, compared with the explanations for the money-holding sector as a whole, that were provided at the time. However, when considering this enhanced role of the quarterly EAA in monetary analysis, it is also important to note that the first assessment of monetary developments based on monthly MFI balance sheet statistics is currently conducted about three months before the EAA statistics become available. Moreover, since the EAA are revised as new information becomes available, the additional sectoral elements of the portfolio analysis drawing on EAA data may be subject to larger revisions than the elements drawing on MFI balance sheet data.

Chart 7 Financial investment of the euro area household sector

(EUR billions; four-quarter cumulated transactions)



Sources: ECB and Eurostat (EAA).
1) Includes loans, other accounts receivable and financial derivatives.

4 CONCLUSION

The EAA provide both additional details for the analysis of macroeconomic developments by institutional sector and a comprehensive

14 Sectoral breakdowns of short-term deposits and repurchase agreements, now regularly published as part of the MFI balance sheet statistics, became available in 2004.

framework to complement and combine information provided by other, timelier statistics. This article has provided some examples of the potential use of the integrated quarterly EAA at the ECB. These examples have shown how the accounts shed greater light on a number of economic, financial and monetary developments that statistics in the past have only partially revealed. In particular, the detailed income data for households, as well as the complete coverage of the financial investments and financing of both households and non-financial corporations have already enhanced analysis at the ECB. The analysis of portfolio shifts between monetary assets and other financial instruments can now be based on a complete coverage of financial investments by institutional sector. The analysis of household saving and the financing of non-financial corporations also draws on new details of non-financial transactions, as well as on the now complete coverage of the financial accounts, clearly demonstrating the usefulness of integrated financial and non-financial accounts by institutional sector.

EURO AREA STATISTICS

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

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ENLARGEMENT OF THE EURO AREA ON 1 JANUARY 2007 TO INCLUDE SLOVENIA

Unless otherwise indicated, all data series covering observations for 2007 relate to the Euro 13 (the euro area including Slovenia) for the whole time series. For interest rates, monetary statistics and the HICP (and, for consistency reasons, the components and counterparts of M3 and the components of the HICP), 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 indicated in the tables by means of a footnote. In such cases, where underlying data are available, absolute and percentage changes for 2001 and 2007, calculated from a base in 2000 and in 2006, use a series which takes into account the impact of the entry of Greece and Slovenia, respectively, into the euro area. Historical data referring to the euro area before the entry of Slovenia are available on the ECB web site at http://www.ecb.europa.eu/stats/services/downloads/html/index.en.html

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-MFI 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
2005	10.4	7.9	7.4	-	8.1	12.5	2.18	3.44
2006	8.6	8.7	8.4	-	10.9	15.7	3.08	3.86
2006 Q4	6.8	8.7	9.0	-	11.2	16.5	3.59	3.86
2007 Q1	7.0	9.1	10.2	-	10.6	16.0	3.82	4.08
Q2	6.2	9.2	10.6	-	10.5	17.5	4.07	4.42
Q3	6.5	10.3	11.5	-	11.0	.	4.49	4.48
2007 May	5.9	9.3	10.6	10.6	10.4	17.9	4.07	4.37
June	6.1	9.5	11.0	11.1	10.8	18.1	4.15	4.66
July	6.8	10.4	11.7	11.4	11.0	19.6	4.22	4.63
Aug.	6.7	10.5	11.6	11.5	11.2	19.4	4.54	4.43
Sep.	6.1	10.2	11.3	.	11.0	.	4.74	4.37
Oct.	.	.	.	.	.	.	4.69	4.40

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
2005	2.2	4.1	2.7	1.5	1.3	81.2	0.9	8.9
2006	2.2	5.1	2.6	2.8	4.0	83.3	1.5	8.3
2007 Q1	1.9	2.9	2.3	3.2	3.9	84.6	1.8	7.7
Q2	1.9	2.4	2.5	2.5	2.6	84.6	1.7	7.5
Q3	1.9	2.1	.	.	.	84.3	.	7.4
2007 May	1.9	2.4	-	-	2.7	-	-	7.5
June	1.9	2.3	-	-	2.3	-	-	7.5
July	1.8	1.8	-	-	3.9	84.3	-	7.4
Aug.	1.7	1.8	-	-	4.4	-	-	7.4
Sep.	2.1	2.7	-	-	.	-	-	7.3
Oct.	2.6	.	-	-	.	84.2	-	.

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-24 [3)] (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
	1	2	3	4	5	6	7	8
2005	10.3	45.4	-210.0	146.1	320.1	103.3	104.2	1.2441
2006	0.4	28.6	-158.8	263.5	325.8	103.6	104.5	1.2556
2006 Q4	22.5	17.8	-59.4	120.4	325.8	104.6	105.4	1.2887
2007 Q1	4.8	8.6	-14.6	129.8	331.5	105.5	106.1	1.3106
Q2	1.2	20.3	-69.1	69.5	325.3	107.1	107.7	1.3481
Q3	.	.	.	.	340.5	107.6	108.2	1.3738
2007 May	-9.7	4.4	-24.2	2.5	327.4	107.3	107.9	1.3511
June	13.9	11.3	-37.4	70.6	325.3	106.9	107.4	1.3419
July	5.7	9.4	0.1	30.2	328.8	107.6	108.2	1.3716
Aug.	0.9	3.9	-8.5	13.3	330.4	107.1	107.7	1.3622
Sep.	.	.	.	.	340.5	108.2	108.8	1.3896
Oct.	.	.	.	.	.	109.4	110.0	1.4227

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

Note: For more information on the data, see the relevant tables later in this section.

1) Annual percentage changes of monthly data refer to the end of the month, whereas those of quarterly and yearly data refer to the annual change in the period average of the series. See the Technical notes for details.

2) M3 and its components exclude holdings by non-euro area residents of money market fund shares/units and debt securities with a maturity of up to two years.

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

MONETARY POLICY STATISTICS

1.1 Consolidated financial statement of the Eurosystem

(EUR millions)

1. Assets

	2007 12 October	2007 19 October	2007 26 October	2007 2 November
Gold and gold receivables	185,975	185,849	185,723	185,539
Claims on non-euro area residents in foreign currency	143,403	146,648	142,191	144,413
Claims on euro area residents in foreign currency	23,352	20,538	23,817	22,835
Claims on non-euro area residents in euro	16,191	17,020	18,128	18,010
Lending to euro area credit institutions in euro	483,006	436,005	447,025	435,011
Main refinancing operations	218,001	171,000	182,000	170,000
Longer-term refinancing operations	265,004	265,004	265,004	265,005
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	0	0	2	5
Credits related to margin calls	1	1	19	1
Other claims on euro area credit institutions in euro	15,093	15,155	15,409	17,494
Securities of euro area residents in euro	96,640	95,791	95,836	95,696
General government debt in euro	37,122	37,122	37,122	37,110
Other assets	288,336	295,199	298,253	300,153
Total assets	1,289,118	1,249,327	1,263,504	1,256,261

2. Liabilities

	2007 12 October	2007 19 October	2007 26 October	2007 2 November
Banknotes in circulation	640,610	638,698	637,770	643,503
Liabilities to euro area credit institutions in euro	231,957	193,512	191,911	192,208
Current accounts (covering the minimum reserve system)	201,626	192,790	191,746	191,974
Deposit facility	316	708	155	219
Fixed-term deposits	30,001	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	14	14	10	15
Other liabilities to euro area credit institutions in euro	139	141	150	185
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	64,515	61,634	76,606	58,289
Liabilities to non-euro area residents in euro	25,028	25,153	25,394	27,342
Liabilities to euro area residents in foreign currency	293	336	215	326
Liabilities to non-euro area residents in foreign currency	19,098	19,667	18,611	19,709
Counterpart of special drawing rights allocated by the IMF	5,398	5,398	5,398	5,398
Other liabilities	102,126	104,833	107,491	109,342
Revaluation accounts	131,060	131,060	131,060	131,060
Capital and reserves	68,894	68,895	68,898	68,899
Total liabilities	1,289,118	1,249,327	1,263,504	1,256,261

Source: ECB.

1.2 Key ECB interest rates

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

With effect from [1]	Deposit facility		Main refinancing operations			Marginal lending facility	
			Fixed rate tenders	Variable rate tenders			
			Fixed rate	Minimum bid rate			
	Level	Change	Level	Level	Change	Level	Change
	1	2	3	4	5	6	7
1999 1 Jan.	2.00	-	3.00	-	-	4.50	-
4 [2]	2.75	0.75	3.00	-	...	3.25	-1.25
22	2.00	-0.75	3.00	-	...	4.50	1.25
9 Apr.	1.50	-0.50	2.50	-	-0.50	3.50	-1.00
5 Nov.	2.00	0.50	3.00	-	0.50	4.00	0.50
2000 4 Feb.	2.25	0.25	3.25	-	0.25	4.25	0.25
17 Mar.	2.50	0.25	3.50	-	0.25	4.50	0.25
28 Apr.	2.75	0.25	3.75	-	0.25	4.75	0.25
9 June	3.25	0.50	4.25	-	0.50	5.25	0.50
28 [3]	3.25	...	-	4.25	...	5.25	...
1 Sep.	3.50	0.25	-	4.50	0.25	5.50	0.25
6 Oct.	3.75	0.25	-	4.75	0.25	5.75	0.25
2001 11 May	3.50	-0.25	-	4.50	-0.25	5.50	-0.25
31 Aug.	3.25	-0.25	-	4.25	-0.25	5.25	-0.25
18 Sep.	2.75	-0.50	-	3.75	-0.50	4.75	-0.50
9 Nov.	2.25	-0.50	-	3.25	-0.50	4.25	-0.50
2002 6 Dec.	1.75	-0.50	-	2.75	-0.50	3.75	-0.50
2003 7 Mar.	1.50	-0.25	-	2.50	-0.25	3.50	-0.25
6 June	1.00	-0.50	-	2.00	-0.50	3.00	-0.50
2005 6 Dec.	1.25	0.25	-	2.25	0.25	3.25	0.25
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
2007 14 Mar.	2.75	0.25	-	3.75	0.25	4.75	0.25
13 June	3.00	0.25	-	4.00	0.25	5.00	0.25

Source: ECB.

1) From 1 January 1999 to 9 March 2004, the date refers to the deposit and marginal lending facilities. For main refinancing operations, changes in the rate are effective from the first operation following the date indicated. The change on 18 September 2001 was effective on that same day. From 10 March 2004 onwards, the date refers to the deposit and marginal lending facilities and to the main refinancing operations (changes effective from the first main refinancing operation following the Governing Council discussion), unless otherwise indicated.

2) On 22 December 1998 the ECB announced that, as an exceptional measure between 4 and 21 January 1999, a narrow corridor of 50 basis points would be applied between the interest rates for the marginal lending facility and the deposit facility, aimed at facilitating the transition to the new monetary regime by market participants.

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

1.3 Eurosystem monetary policy operations allotted through tenders [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						
2007 11 July	382,686	352	292,000	4.00	4.06	4.06	7
18	375,272	376	301,500	4.00	4.06	4.06	7
25	370,371	358	315,500	4.00	4.06	4.07	7
1 Aug.	373,286	329	298,000	4.00	4.04	4.06	7
8	391,978	319	292,500	4.00	4.06	4.07	7
15	426,994	344	310,000	4.00	4.08	4.10	7
22	439,747	355	275,000	4.00	4.08	4.09	7
29	352,724	320	210,000	4.00	4.08	4.09	7
5 Sep.	426,352	356	256,000	4.00	4.15	4.19	7
12	406,119	381	269,000	4.00	4.14	4.17	7
19	356,281	371	155,000	4.00	4.15	4.16	7
26	368,995	378	190,000	4.00	4.27	4.29	7
3 Oct.	298,721	316	163,000	4.00	4.14	4.16	7
10	322,684	342	218,000	4.00	4.12	4.16	7
17	283,439	349	171,000	4.00	4.11	4.14	7
24	304,089	348	182,000	4.00	4.11	4.14	7
31	287,241	308	170,000	4.00	4.14	4.16	7
7 Nov.	275,580	300	160,000	4.00	4.14	4.15	7
	Longer-term refinancing operations						
2006 21 Dec.	74,150	161	40,000	-	3.66	3.67	98
2007 1 Feb.	79,099	164	50,000	-	3.72	3.74	85
1 Mar.	80,110	143	50,000	-	3.80	3.81	91
29	76,498	148	50,000	-	3.87	3.87	91
27 Apr.	71,294	148	50,000	-	3.96	3.97	90
31 May	72,697	147	50,000	-	4.06	4.07	91
28 June	66,319	139	50,000	-	4.11	4.12	91
26 July	78,703	144	50,000	-	4.20	4.20	98
24 Aug.	125,787	146	40,000	-	4.49	4.61	91
30	119,755	168	50,000	-	4.56	4.62	91
13 Sep.	139,021	140	75,000	-	4.35	4.52	90
27	85,353	159	50,000	-	4.50	4.63	84
1 Nov.	87,587	157	50,000	-	4.45	4.53	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
2006 10 Oct.	Reverse transaction	36,120	26	9,500	-	3.00	3.05	3.06	1
12 Dec.	Reverse transaction	21,565	25	2,500	-	3.25	3.32	3.33	1
2007 13 Mar.	Collection of fixed-term deposits	2,300	2	2,300	3.50	-	-	-	1
17 Apr.	Collection of fixed-term deposits	42,245	35	22,500	3.75	-	-	-	1
14 May	Collection of fixed-term deposits	2,460	7	2,460	3.75	-	-	-	1
12 June	Collection of fixed-term deposits	12,960	11	6,000	3.75	-	-	-	1
10 July	Reverse transaction	17,385	18	2,500	-	4.00	4.06	4.07	1
9 Aug.	Reverse transaction	94,841	49	94,841	4.00	-	-	-	1
10	Reverse transaction	110,035	62	61,050	-	4.00	4.05	4.08	3
13	Reverse transaction	84,452	59	47,665	-	4.00	4.06	4.07	1
14	Reverse transaction	45,967	41	7,700	-	4.00	4.07	4.07	1
6 Sep.	Reverse transaction	90,895	46	42,245	-	4.00	4.06	4.13	1
11	Collection of fixed-term deposits	66,388	37	60,000	4.00	-	-	-	1
9 Oct.	Collection of fixed-term deposits	40,235	18	24,500	4.00	-	-	-	1
12	Collection of fixed-term deposits	40,080	22	30,000	4.00	-	-	-	5

Source: ECB.

1) The amounts shown may differ slightly from those in Section 1.1 due to operations allotted but not settled.
2) With effect from April 2002, split tender operations, i.e. operations with one-week maturity conducted as standard tenders in parallel with a main refinancing operation, are classified as main refinancing operations. For split tender operations conducted before this month, see Table 2 in Section 1.3.
3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.
4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.

1.4 Minimum reserve and liquidity statistics

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

1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at [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
2005	14,040.7	7,409.5	499.2	1,753.5	1,174.9	3,203.6
2006	15,648.3	8,411.7	601.9	1,968.4	1,180.3	3,486.1
2007 Q1	16,253.0	8,634.2	657.4	2,009.8	1,358.8	3,592.8
2007 Apr.	16,456.1	8,764.2	677.6	2,021.0	1,387.2	3,606.1
May	16,718.7	8,886.3	701.9	2,044.3	1,439.8	3,646.4
June	16,753.3	8,940.5	677.6	2,066.6	1,383.5	3,685.1
July	16,822.3	8,955.9	694.0	2,089.3	1,392.1	3,690.9
Aug.	16,890.0	8,994.1	713.9	2,086.8	1,407.8	3,687.5

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
2005	152.0	153.0	1.0	0.0	2.07
2006	172.5	173.2	0.7	0.0	3.30
2007 Q1	179.8	180.6	0.8	0.0	3.55
Q2	185.3	186.2	0.9	0.0	3.80
2007 10 July	188.3	189.6	1.2	0.0	4.06
7 Aug.	191.3	192.0	0.7	0.0	4.06
11 Sep.	191.9	192.7	0.9	0.0	4.09
9 Oct.	192.5	193.4	0.9	0.0	4.18
13 Nov.	193.7	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money
		Monetary policy operations of the Eurosystem										
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility	Other liquidity-absorbing operations [2]	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	1	2	3	4	5	6	7	8	9	10	11	12
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	327.0	313.1	120.0	0.1	0.1	0.1	0.0	598.6	54.9	-66.4	173.2	771.8
2007 Q2	326.4	284.9	150.0	0.3	0.0	0.2	0.2	625.2	49.1	-99.4	186.2	811.7
2007 10 July	323.0	295.4	150.0	0.2	0.1	0.3	0.0	631.3	53.9	-106.4	189.6	821.2
7 Aug.	316.7	301.7	150.0	0.1	0.0	0.4	0.0	639.7	52.3	-115.8	192.0	832.1
11 Sep.	317.3	268.7	171.7	0.2	10.7	0.4	1.7	639.2	52.3	-117.8	192.7	832.4
9 Oct.	321.9	194.3	262.3	0.3	0.0	1.6	0.9	637.3	63.7	-118.0	193.4	832.3

Source: ECB.

1) End of period.

2) Starting from 1 January 2007, includes monetary policy operations in the form of collection of fixed-term deposits which were conducted by Banka Slovenije before 1 January 2007 and were still outstanding after this date.

MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs [1]

(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 [2]	Holdings of shares/ other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Eurosystem													
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	1,558.2	695.7	19.7	0.6	675.3	217.0	187.5	2.5	27.0	-	17.2	351.4	14.7	262.4
2007 Q1	1,576.7	693.3	19.7	0.6	673.0	238.0	205.5	2.1	30.4	-	17.4	359.6	14.8	253.6
2007 Apr.	1,588.8	700.1	19.1	0.6	680.4	243.5	210.2	2.2	31.1	-	17.7	355.8	15.3	256.4
May	1,629.8	724.7	18.1	0.6	705.9	248.1	213.5	2.1	32.5	-	17.8	354.0	15.3	269.8
June	1,651.5	751.5	17.7	0.6	733.1	249.8	213.2	2.2	34.3	-	17.8	354.1	15.4	263.0
July	1,669.9	762.7	17.7	0.6	744.3	254.5	216.8	2.2	35.5	-	17.5	357.5	15.7	262.0
Aug.	1,649.6	730.5	17.7	0.6	712.1	256.1	217.4	2.2	36.6	-	17.6	360.6	15.6	269.2
Sep. (p)	1,707.3	753.5	17.8	0.6	735.1	259.5	219.3	2.2	38.0	-	17.7	368.8	15.6	292.3
	MFIs excluding the Eurosystem													
2005	23,631.5	13,681.7	826.9	8,285.1	4,569.7	3,498.6	1,429.4	551.5	1,517.7	83.1	1,008.7	3,652.8	165.7	1,540.9
2006	25,973.9	14,904.2	810.5	9,160.3	4,933.4	3,555.2	1,276.5	645.8	1,632.8	83.5	1,194.5	4,330.1	172.6	1,733.9
2007 Q1	27,107.8	15,340.0	801.4	9,441.0	5,097.6	3,661.0	1,282.2	685.8	1,693.0	92.4	1,244.5	4,684.7	195.1	1,890.1
2007 Apr.	27,479.0	15,500.4	802.3	9,526.0	5,172.2	3,671.1	1,258.8	706.3	1,706.0	96.9	1,314.3	4,802.2	199.6	1,894.5
May	27,847.8	15,613.6	798.1	9,599.9	5,215.7	3,744.8	1,291.6	733.9	1,719.3	95.0	1,352.8	4,902.8	200.6	1,938.1
June	28,066.3	15,775.4	798.2	9,712.6	5,264.6	3,759.0	1,281.7	761.2	1,716.1	96.6	1,273.9	4,888.9	201.7	2,070.9
July	28,140.3	15,881.4	799.7	9,809.8	5,271.9	3,774.4	1,257.7	777.0	1,739.7	97.1	1,260.1	4,928.0	198.2	2,001.2
Aug.	28,161.4	15,964.3	793.1	9,848.9	5,322.3	3,741.9	1,228.5	780.4	1,733.0	95.5	1,248.4	4,917.6	198.4	1,995.4
Sep. (p)	28,481.4	16,162.6	793.1	9,947.1	5,422.4	3,748.1	1,214.3	802.3	1,731.5	95.6	1,255.5	4,880.4	199.7	2,139.4

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/ units [3]	Debt securities issued [4]	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/ other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
	Eurosystem										
2005	1,404.9	582.7	385.4	24.4	14.5	346.5	-	0.1	202.9	27.6	206.2
2006	1,558.2	647.0	431.6	33.7	15.9	382.0	-	0.1	208.6	35.3	235.6
2007 Q1	1,576.7	632.7	455.6	44.8	17.5	393.3	-	0.3	216.3	39.5	232.4
2007 Apr.	1,588.8	641.6	455.5	42.0	19.8	393.7	-	0.1	213.6	43.1	234.9
May	1,629.8	644.9	482.3	47.2	21.3	413.8	-	0.1	211.4	42.5	248.6
June	1,651.5	652.6	495.2	51.2	23.3	420.7	-	0.1	207.0	51.0	245.6
July	1,669.9	660.0	511.4	53.3	21.8	436.4	-	0.1	209.5	43.9	244.8
Aug.	1,649.6	657.0	482.8	52.9	17.5	412.5	-	0.1	212.3	46.9	250.5
Sep. (p)	1,707.3	657.2	510.7	51.7	19.1	439.9	-	0.1	222.6	48.3	268.4
	MFIs excluding the Eurosystem										
2005	23,631.5	-	12,212.2	149.2	7,211.9	4,851.2	698.9	3,858.3	1,310.6	3,518.0	2,033.5
2006	25,973.9	-	13,257.2	124.2	7,890.6	5,242.4	697.7	4,247.6	1,449.7	3,991.1	2,330.5
2007 Q1	27,107.8	-	13,595.8	139.0	8,060.9	5,395.9	758.7	4,424.8	1,529.7	4,255.7	2,543.1
2007 Apr.	27,479.0	-	13,693.8	131.9	8,111.2	5,450.8	778.8	4,447.9	1,546.8	4,408.1	2,603.6
May	27,847.8	-	13,850.8	152.6	8,177.2	5,521.0	797.5	4,502.3	1,547.6	4,519.8	2,629.7
June	28,066.3	-	14,021.0	169.8	8,278.3	5,572.9	795.6	4,523.3	1,551.2	4,451.9	2,723.2
July	28,140.3	-	14,038.9	126.8	8,324.5	5,587.7	809.7	4,549.1	1,568.3	4,498.3	2,675.9
Aug.	28,161.4	-	14,042.7	120.6	8,319.4	5,602.6	801.7	4,576.4	1,567.7	4,539.2	2,633.8
Sep. (p)	28,481.4	-	14,244.3	144.0	8,407.3	5,692.9	777.5	4,574.2	1,580.2	4,525.9	2,779.2

Source: ECB.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.
2) Amounts issued by euro area residents. Amounts issued by non-euro area residents are included in external assets.
3) Amounts held by euro area residents.
4) 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 [1]

(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										
2005	17,870.7	9,133.3	847.5	8,285.7	2,148.5	1,595.0	553.6	710.5	3,989.7	180.4	1,708.2
2006	19,743.5	9,991.1	830.2	9,161.0	2,112.3	1,464.0	648.3	829.9	4,681.5	187.3	1,941.4
2007 Q1	20,649.7	10,262.7	821.1	9,441.6	2,175.6	1,487.7	687.9	857.6	5,044.2	209.9	2,099.5
2007 Apr.	20,919.1	10,348.0	821.4	9,526.6	2,177.5	1,469.0	708.5	916.8	5,157.9	214.9	2,104.0
May	21,219.3	10,416.7	816.2	9,600.5	2,241.2	1,505.1	736.0	928.0	5,256.8	215.9	2,160.7
June	21,414.0	10,529.2	816.0	9,713.2	2,258.3	1,494.9	763.4	880.3	5,243.0	217.1	2,286.1
July	21,462.9	10,627.9	817.4	9,810.4	2,253.7	1,474.6	779.2	865.9	5,285.5	213.8	2,216.1
Aug.	21,453.4	10,660.4	810.9	9,849.5	2,228.5	1,446.0	782.5	854.2	5,278.2	214.0	2,218.2
Sep. [p]	21,702.5	10,758.7	810.9	9,947.7	2,238.1	1,433.6	804.5	856.4	5,249.2	215.3	2,384.9
	Transactions										
2005	1,608.6	708.9	12.8	696.0	156.2	76.2	80.0	53.2	448.5	1.4	240.4
2006	1,998.2	877.3	-14.4	891.6	10.6	-96.8	107.4	98.5	802.0	6.4	203.5
2007 Q1	884.7	254.0	-8.2	262.2	63.2	19.0	44.2	20.8	394.4	0.5	151.8
2007 Apr.	307.1	92.5	0.4	92.1	3.7	-17.0	20.7	57.0	151.4	1.0	1.6
May	271.4	69.4	-5.2	74.6	60.5	36.4	24.1	6.3	78.9	1.0	55.3
June	211.3	120.1	-0.6	120.7	19.9	-8.7	28.6	-47.0	-5.4	1.2	122.5
July	77.2	101.5	1.4	100.1	-4.2	-20.8	16.5	-10.7	64.1	-3.3	-70.2
Aug.	-12.7	32.8	-6.6	39.4	-26.1	-29.9	3.8	-10.2	-11.2	0.1	1.9
Sep. [p]	324.8	110.4	0.2	110.2	12.6	-10.8	23.4	1.6	32.9	1.4	165.9

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units [2]	Debt securities issued [3]	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2005	17,870.7	532.8	173.6	7,226.4	615.8	2,322.6	1,200.6	3,545.6	2,239.7	13.7
2006	19,743.5	592.2	157.9	7,906.5	614.1	2,587.9	1,276.5	4,026.5	2,566.1	15.7
2007 Q1	20,649.7	588.4	183.8	8,078.4	666.3	2,701.6	1,341.8	4,295.3	2,775.4	18.7
2007 Apr.	20,919.1	594.7	173.9	8,131.0	681.9	2,710.9	1,345.1	4,451.2	2,838.5	-8.0
May	21,219.3	597.6	199.8	8,198.6	702.5	2,750.7	1,316.4	4,562.2	2,878.4	13.2
June	21,414.0	604.9	221.0	8,301.6	699.1	2,772.9	1,346.8	4,502.9	2,968.8	-4.1
July	21,462.9	612.9	180.1	8,346.2	712.6	2,774.1	1,366.2	4,542.2	2,920.8	7.8
Aug.	21,453.4	610.5	173.6	8,336.9	706.1	2,807.0	1,368.3	4,586.1	2,884.2	-19.3
Sep. [p]	21,702.5	610.4	195.7	8,426.5	681.9	2,804.8	1,386.1	4,574.2	3,047.5	-24.7
	Transactions									
2005	1,608.6	64.4	10.9	495.7	-3.0	213.5	96.2	448.0	333.8	-50.8
2006	1,998.2	59.4	-15.2	683.7	27.0	285.6	57.3	601.6	253.4	45.4
2007 Q1	884.7	-4.2	24.8	157.1	54.5	117.5	39.0	292.5	196.8	6.9
2007 Apr.	307.1	6.3	-9.9	57.3	17.6	19.0	-4.0	191.6	46.6	-17.4
May	271.4	2.8	25.9	65.4	16.0	34.0	-28.3	91.2	45.4	19.0
June	211.3	7.3	21.2	102.4	-3.1	19.4	35.2	-52.2	91.0	-10.0
July	77.2	8.0	-41.5	47.1	14.4	5.0	19.2	58.1	-48.8	15.8
Aug.	-12.7	-2.3	-6.5	-10.3	-6.9	31.9	3.8	40.5	-35.0	-27.8
Sep. [p]	324.8	-0.1	22.1	102.1	-25.1	16.1	13.4	53.8	137.8	4.7

Source: ECB.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.
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.

2.3 Monetary statistics [1]

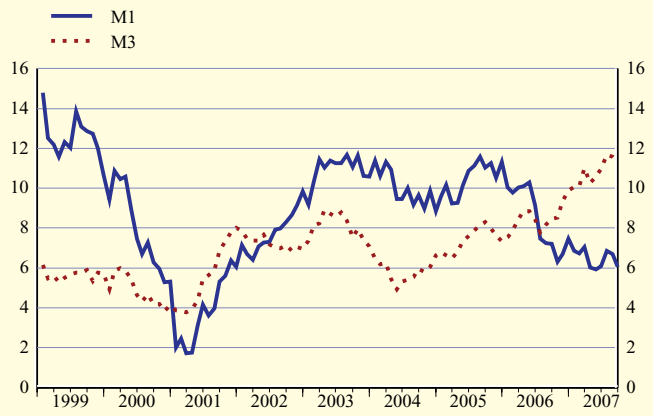
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

1. Monetary aggregates [2] and counterparts

	M1	M2-M1	M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents	Loans	Net external assets [3]
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2005	3,419.4	2,653.2	6,072.6	999.4	7,072.0	-	5,000.2	2,472.5	9,561.0	8,287.3	425.8
2006	3,676.6	2,953.1	6,629.7	1,102.1	7,731.8	-	5,428.7	2,321.2	10,658.5	9,167.4	636.8
2007 Q1	3,746.8	3,064.9	6,811.8	1,190.3	8,002.0	-	5,604.1	2,301.4	10,978.1	9,444.7	755.9
2007 Apr.	3,740.1	3,106.4	6,846.5	1,189.7	8,036.2	-	5,634.7	2,277.1	11,095.8	9,516.8	729.7
May	3,768.7	3,127.9	6,896.6	1,217.3	8,113.9	-	5,654.9	2,314.2	11,212.1	9,592.5	726.8
June	3,785.1	3,170.7	6,955.8	1,228.6	8,184.4	-	5,727.7	2,297.9	11,324.9	9,684.5	728.2
July	3,805.4	3,228.3	7,033.8	1,235.6	8,269.3	-	5,765.6	2,286.4	11,436.7	9,782.9	728.6
Aug.	3,825.2	3,273.8	7,099.0	1,243.1	8,342.1	-	5,795.3	2,265.6	11,553.0	9,888.8	696.1
Sep. (p)	3,819.7	3,317.4	7,137.0	1,261.6	8,398.6	-	5,783.9	2,253.1	11,642.3	9,956.6	670.0
	Transactions										
2005	337.0	138.9	475.9	8.5	484.4	-	401.5	94.5	835.5	700.4	0.7
2006	255.5	309.9	565.4	130.2	695.6	-	427.0	-114.1	1,105.0	896.5	200.5
2007 Q1	63.6	105.4	169.0	91.1	260.1	-	150.0	-23.7	298.7	258.8	127.1
2007 Apr.	-5.5	43.9	38.4	0.5	38.9	-	35.0	-22.5	122.9	79.2	-24.2
May	27.9	20.6	48.4	22.1	70.5	-	15.4	37.3	109.1	76.5	-3.0
June	15.3	43.6	58.8	9.8	68.6	-	75.3	-15.2	122.6	99.9	2.6
July	21.0	58.8	79.8	7.7	87.4	-	42.3	-11.9	119.3	101.3	3.3
Aug.	19.4	45.2	64.6	10.4	75.0	-	26.8	-22.1	118.5	106.3	-33.0
Sep. (p)	-2.6	47.9	45.3	21.7	66.9	-	3.7	-10.8	102.2	79.8	-30.0
	Growth rates										
2005 Dec.	11.3	5.4	8.5	0.9	7.3	7.5	8.9	4.1	9.6	9.2	0.7
2006 Dec.	7.5	11.7	9.3	13.2	9.9	9.8	8.5	-4.7	11.6	10.8	200.5
2007 Mar.	7.0	12.7	9.5	20.1	11.0	10.5	9.2	-4.9	10.9	10.6	339.7
2007 Apr.	6.0	12.4	8.8	19.4	10.3	10.6	9.1	-5.6	10.8	10.4	317.0
May	5.9	13.6	9.3	18.6	10.6	10.6	8.8	-3.1	11.1	10.4	298.4
June	6.1	13.9	9.5	19.9	11.0	11.1	9.4	-3.8	11.6	10.8	272.5
July	6.8	15.0	10.4	19.4	11.7	11.4	9.2	-3.7	11.6	11.0	273.5
Aug.	6.7	15.3	10.5	17.9	11.6	11.5	9.3	-4.2	11.8	11.2	245.0
Sep. (p)	6.1	15.5	10.2	18.0	11.3	.	8.8	-4.3	11.6	11.0	207.3

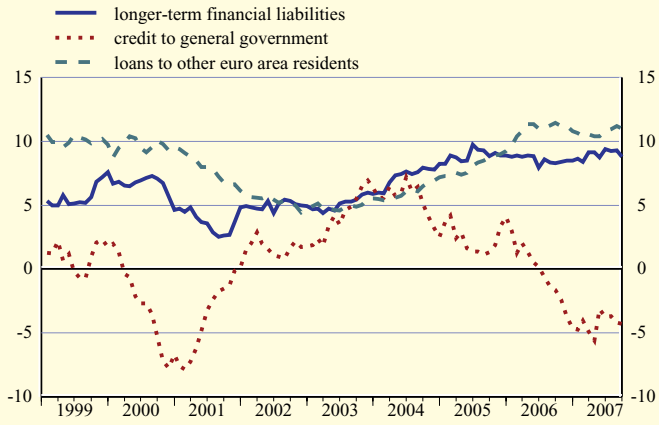
C1 Monetary aggregates [1]

(annual growth rates; seasonally adjusted)



C2 Counterparts [1]

(annual growth rates; seasonally adjusted)



Source: ECB.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.
2) 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).
3) Values in the section "growth rates" are sums of the transactions during the 12 months ending in the period indicated.

2.3 Monetary statistics [1)]

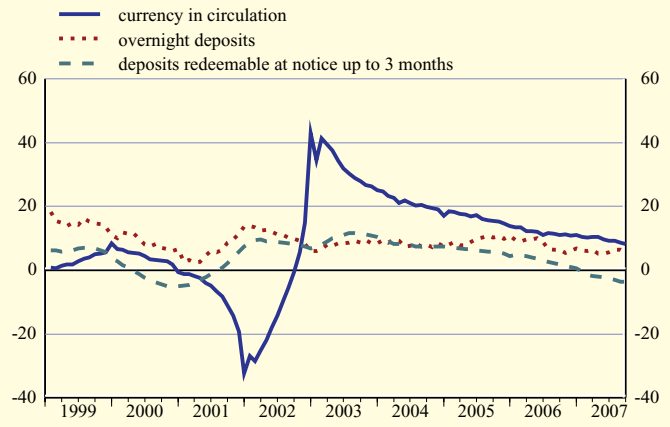
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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										
2005	521.5	2,897.9	1,109.9	1,543.2	241.6	631.6	126.2	2,202.6	86.9	1,511.2	1,199.6
2006	579.0	3,097.6	1,401.7	1,551.4	272.0	631.4	198.7	2,396.2	102.4	1,654.6	1,275.6
2007 Q1	592.1	3,154.7	1,528.2	1,536.8	280.3	670.0	239.9	2,461.4	107.8	1,696.4	1,338.5
2007 Apr.	597.4	3,142.7	1,573.3	1,533.0	271.3	676.0	242.4	2,467.7	108.7	1,707.3	1,351.0
May	597.8	3,170.9	1,595.6	1,532.3	270.5	691.8	255.0	2,490.5	108.6	1,729.1	1,326.7
June	599.2	3,186.0	1,645.2	1,525.5	285.1	700.5	243.1	2,521.9	109.4	1,748.7	1,347.7
July	604.7	3,200.8	1,709.4	1,518.9	290.6	704.8	240.2	2,527.8	110.7	1,764.6	1,362.4
Aug.	608.2	3,217.0	1,763.0	1,510.8	287.2	695.4	260.5	2,549.7	111.1	1,767.7	1,366.8
Sep. [p]	610.6	3,209.1	1,808.9	1,508.5	297.8	680.7	283.0	2,521.9	113.0	1,770.2	1,378.9
	Transactions										
2005	63.2	273.8	69.1	69.8	-5.9	-2.0	16.4	198.4	-4.3	111.2	96.1
2006	57.5	198.0	300.8	9.2	31.2	28.8	70.2	216.3	15.5	137.8	57.5
2007 Q1	12.6	51.0	120.9	-15.4	8.4	40.9	41.8	68.3	4.6	40.4	36.7
2007 Apr.	5.3	-10.8	47.6	-3.6	-8.9	8.0	1.4	17.1	1.0	11.8	5.1
May	0.4	27.5	21.3	-0.8	-0.8	11.3	11.6	18.0	-0.1	21.3	-23.9
June	1.3	14.0	49.6	-6.1	13.1	9.0	-12.3	29.0	0.9	19.8	25.8
July	5.5	15.5	65.4	-6.6	5.6	5.2	-3.1	9.9	1.2	16.5	14.6
Aug.	3.6	15.8	53.3	-8.2	-3.5	-9.8	23.7	17.5	0.5	2.8	6.1
Sep. [p]	2.4	-5.0	50.0	-2.1	14.0	-15.5	23.1	-10.2	1.9	4.5	7.6
	Growth rates										
2005 Dec.	13.8	10.9	6.5	4.4	-2.4	-0.3	15.7	10.0	-4.7	8.1	8.9
2006 Dec.	11.0	6.8	27.2	0.6	13.0	4.7	54.5	9.9	17.8	9.1	4.7
2007 Mar.	10.5	6.4	32.3	-1.7	19.3	12.2	51.9	11.0	20.6	9.0	5.3
2007 Apr.	10.5	5.2	31.2	-2.0	13.4	13.1	52.4	10.8	20.4	8.8	5.7
May	9.6	5.3	34.7	-2.3	10.3	13.8	48.0	10.8	18.4	9.1	3.9
June	9.2	5.5	35.1	-2.5	14.6	14.4	49.4	11.1	17.6	9.6	5.4
July	9.2	6.4	37.5	-2.9	14.3	14.4	46.9	10.7	17.0	9.9	5.2
Aug.	8.7	6.3	38.6	-3.5	11.2	12.8	44.9	10.8	15.4	9.5	5.9
Sep. [p]	8.2	5.7	38.3	-3.6	11.6	9.6	56.2	9.8	15.1	9.0	6.2

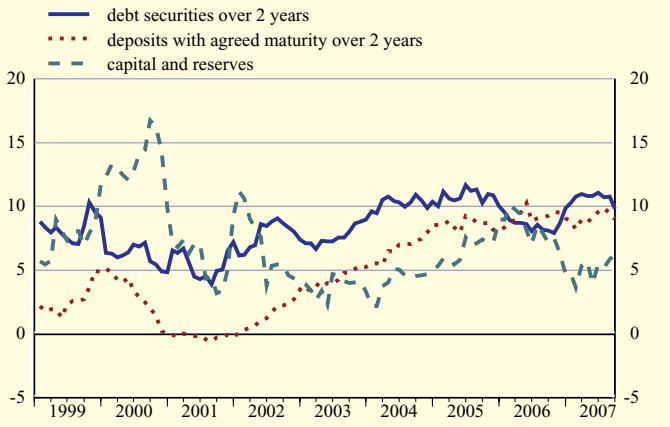
C3 Components of monetary aggregates [1)]

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities [1)]

(annual growth rates; seasonally adjusted)



Source: ECB.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.

2.4 MFI loans, breakdown [1), 2)]

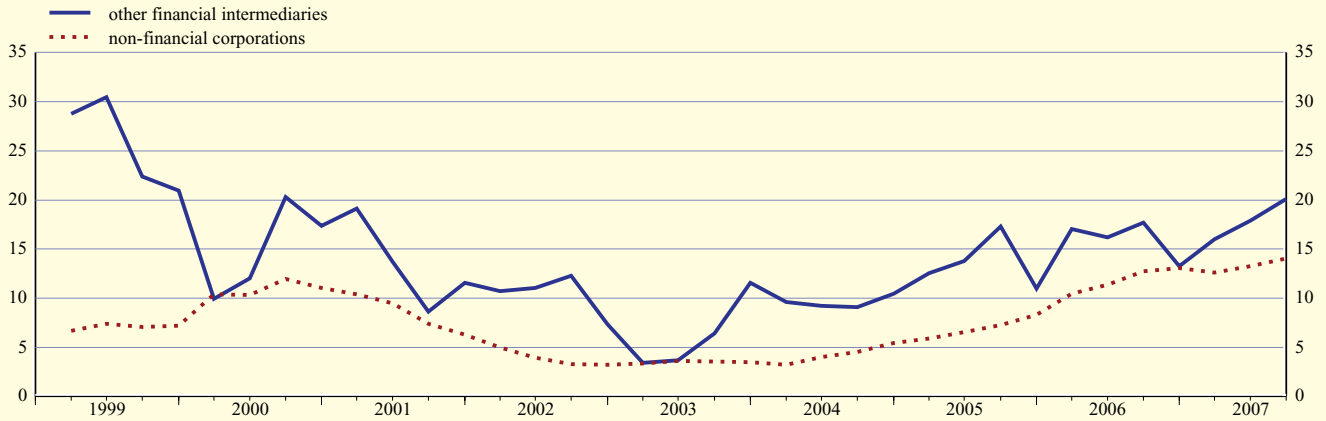
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Loans to financial intermediaries and non-financial corporations [3)]

	Insurance corporations and pension funds		Other financial intermediaries [4)]		Non-financial corporations			
	Total		Total		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
		Up to 1 year		Up to 1 year				
	1	2	3	4	5	6	7	8
	Outstanding amounts							
2005	64.6	41.6	620.4	370.2	3,409.1	1,037.7	594.0	1,777.3
2006	82.8	55.2	696.0	420.6	3,844.5	1,137.9	707.1	1,999.5
2007 Q1	98.5	71.7	774.5	488.6	3,957.4	1,172.1	738.8	2,046.5
2007 Apr.	105.6	79.4	794.5	502.5	3,998.4	1,188.7	749.4	2,060.3
May	109.0	82.4	789.0	492.3	4,046.6	1,196.7	765.1	2,084.8
June	110.5	83.5	802.2	502.3	4,107.9	1,223.3	777.1	2,107.5
July	111.5	84.7	813.2	506.0	4,169.0	1,241.1	791.7	2,136.2
Aug.	110.6	85.4	820.9	506.8	4,186.9	1,230.5	803.0	2,153.3
Sep. (p)	111.9	87.9	850.8	532.3	4,235.0	1,256.9	811.1	2,167.0
	Transactions							
2005	15.0	9.8	60.8	29.2	262.7	56.8	54.3	151.6
2006	18.1	13.9	81.9	57.7	446.2	100.5	123.1	222.6
2007 Q1	15.8	16.6	71.1	67.9	105.6	31.2	29.5	44.9
2007 Apr.	7.2	7.8	22.0	15.1	44.1	17.7	11.2	15.1
May	3.3	2.9	-5.8	-10.8	48.6	7.8	16.3	24.5
June	1.5	1.2	12.9	9.5	68.3	32.3	12.4	23.6
July	1.1	1.2	12.2	5.0	61.8	17.7	14.7	29.4
Aug.	-0.9	0.8	8.6	1.4	17.3	-11.3	11.4	17.2
Sep. (p)	1.4	2.5	33.6	28.0	53.5	28.1	9.5	15.9
	Growth rates							
2005 Dec.	30.6	31.2	11.0	8.7	8.3	5.8	9.9	9.3
2006 Dec.	28.0	33.3	13.3	15.6	13.1	9.7	20.8	12.4
2007 Mar.	20.4	26.1	16.0	19.6	12.6	9.9	18.7	12.1
2007 Apr.	20.2	26.7	16.3	18.2	12.4	9.4	18.9	11.9
May	25.5	33.9	14.5	14.2	12.8	10.3	19.4	12.0
June	30.7	40.6	17.9	20.4	13.3	11.1	20.1	12.2
July	24.0	31.9	20.6	24.4	13.6	11.5	19.4	12.8
Aug.	27.9	39.9	19.7	22.3	14.2	12.9	20.4	12.8
Sep. (p)	25.5	40.2	20.1	22.6	14.1	13.4	19.9	12.4

C5 Loans to financial intermediaries and non-financial corporations [2)]

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) 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.
4) This category includes investment funds.

2.4 MFI loans, breakdown [1), 2)]

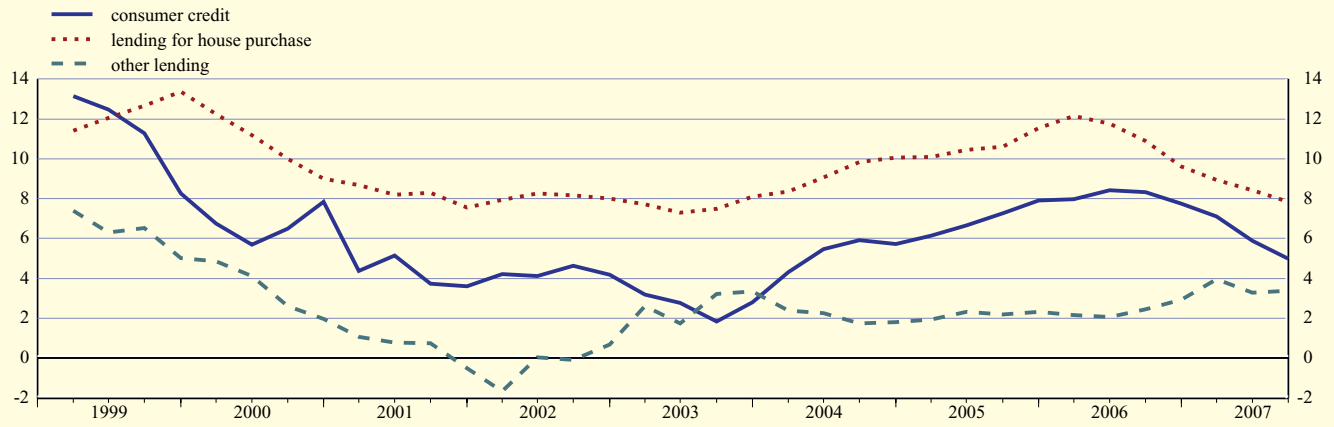
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households [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												
2005	4,191.0	554.1	129.1	200.7	224.3	2,915.3	15.2	67.5	2,832.6	721.6	147.3	99.9	474.4
2006	4,537.0	586.6	135.3	202.7	248.5	3,212.0	15.6	72.1	3,124.4	738.4	146.2	101.5	490.7
2007 Q1	4,610.6	590.2	132.0	202.4	255.8	3,272.0	16.1	71.9	3,184.0	748.4	147.5	102.4	498.4
2007 Apr.	4,627.6	593.7	133.3	202.2	258.2	3,286.3	15.7	71.9	3,198.6	747.6	146.4	102.7	498.4
May	4,655.3	595.7	133.0	203.5	259.2	3,311.7	15.9	72.2	3,223.6	747.9	145.3	102.7	500.0
June	4,692.0	602.3	134.9	204.6	262.8	3,336.7	16.4	72.6	3,247.7	753.0	150.3	103.8	498.9
July	4,716.2	606.4	136.0	205.0	265.5	3,358.7	15.8	73.1	3,269.9	751.0	146.5	104.3	500.2
Aug.	4,730.4	606.0	134.9	204.4	266.7	3,374.0	15.8	73.1	3,285.1	750.4	144.2	104.4	501.8
Sep. [p]	4,749.4	606.4	134.4	204.1	267.9	3,390.7	16.3	73.5	3,301.0	752.2	146.7	104.3	501.2
	Transactions												
2005	357.5	40.7	9.0	11.6	20.0	300.6	0.7	4.8	295.0	16.2	3.8	1.3	11.1
2006	345.4	42.7	8.2	4.8	29.6	281.8	1.5	4.6	275.7	20.9	1.4	3.8	15.7
2007 Q1	69.8	2.1	-3.2	-0.6	5.9	58.9	0.6	0.2	58.1	8.8	0.7	0.7	7.4
2007 Apr.	18.8	4.1	1.4	-0.1	2.8	15.1	-0.4	0.0	15.5	-0.4	-1.0	0.4	0.2
May	28.5	2.3	-0.2	1.3	1.2	25.4	0.1	0.3	25.0	0.8	-1.1	0.3	1.7
June	38.0	7.0	1.9	1.3	3.8	25.5	0.5	0.5	24.4	5.4	5.1	1.2	-0.8
July	25.1	4.2	1.2	0.4	2.6	22.5	-0.2	0.4	22.3	-1.5	-3.8	0.6	1.7
Aug.	14.4	-0.4	-1.0	-0.6	1.2	15.2	0.1	0.1	15.1	-0.5	-2.3	0.2	1.7
Sep. [p]	21.7	0.2	-0.4	-0.2	0.7	18.0	0.5	0.4	17.1	3.6	2.8	0.3	0.4
	Growth rates												
2005 Dec.	9.4	7.9	7.5	6.1	9.8	11.5	5.1	7.5	11.7	2.3	2.6	1.3	2.4
2006 Dec.	8.2	7.7	6.5	2.4	13.3	9.6	9.7	6.8	9.7	2.9	1.0	3.9	3.3
2007 Mar.	7.9	7.1	5.8	1.5	12.8	9.0	13.6	6.4	9.0	4.0	1.7	4.1	4.6
2007 Apr.	7.6	7.0	6.1	0.8	12.9	8.6	12.2	6.5	8.6	3.8	1.1	5.1	4.3
May	7.4	6.0	4.2	0.3	11.9	8.6	12.9	6.2	8.6	3.7	1.3	5.0	4.1
June	7.2	5.9	4.4	0.6	11.2	8.4	11.0	4.6	8.5	3.3	0.6	5.3	3.7
July	7.0	5.9	4.8	0.5	11.1	8.1	9.6	4.6	8.2	3.3	0.6	5.7	3.6
Aug.	7.0	5.8	4.7	0.5	10.8	8.1	9.9	4.6	8.2	3.3	-0.1	5.7	3.8
Sep. [p]	6.7	5.0	4.2	0.0	9.6	7.8	8.7	4.5	7.9	3.4	1.1	5.4	3.6

C6 Loans to households [2)]

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) Including non-profit institutions serving households. 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.

2.4 MFI loans, breakdown [1), 2)]

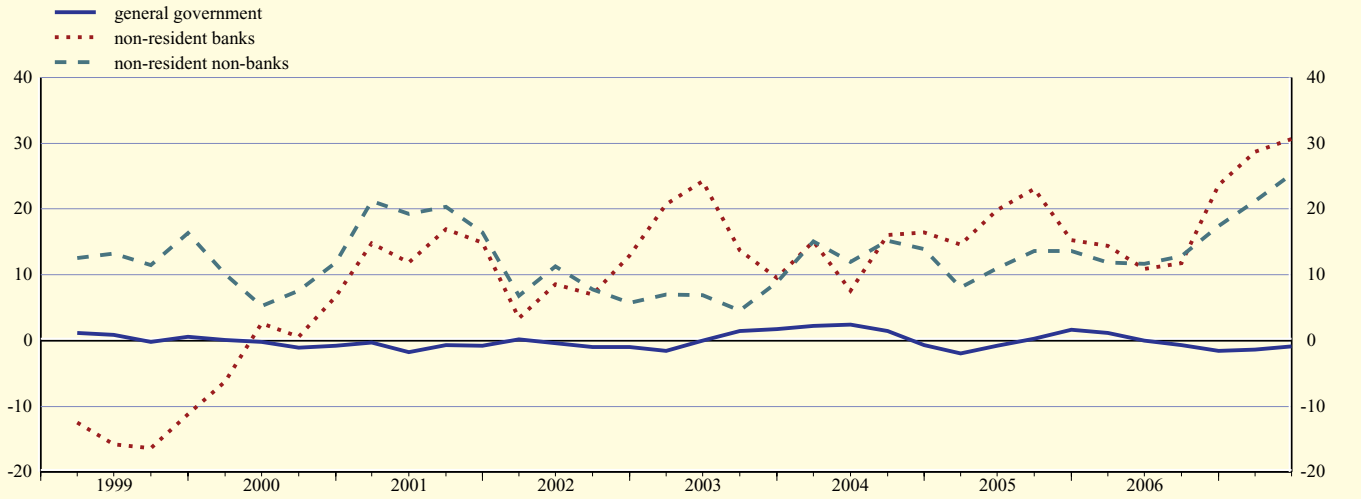
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [3)]	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	1,722.1	763.1	66.0	697.1
2007 Q1	801.4	97.2	225.2	447.8	31.2	3,169.7	2,265.1	904.6	60.0	844.6
Q2 [p]	798.2	96.6	218.8	449.9	32.8	3,286.4	2,343.0	943.3	60.6	882.7
	Transactions									
2004	-5.6	2.2	-13.9	17.3	-11.2	275.6	194.9	80.4	1.8	78.6
2005	13.7	-5.6	-8.1	21.9	5.5	296.8	207.9	89.0	4.7	84.3
2007 Q1	-8.2	-6.9	-6.3	-0.3	5.3	272.7	222.0	50.8	-3.1	53.8
Q2 [p]	-3.4	-0.9	-5.5	1.2	1.7	135.4	88.4	47.0	0.6	46.3
	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	15.3	13.6	7.7	14.2
2007 Mar.	-1.3	-15.2	-6.1	4.6	6.8	26.4	28.7	21.2	-4.4	23.5
June [p]	-0.9	-6.9	-5.9	2.9	2.5	29.0	30.6	25.3	-8.7	28.5

C7 Loans to government and non-euro area residents [2)]

(annual growth rates)



Source: ECB.

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

2) Data refer to the changing composition of the euro area. For further information, see the General notes.

3) 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), 2)]

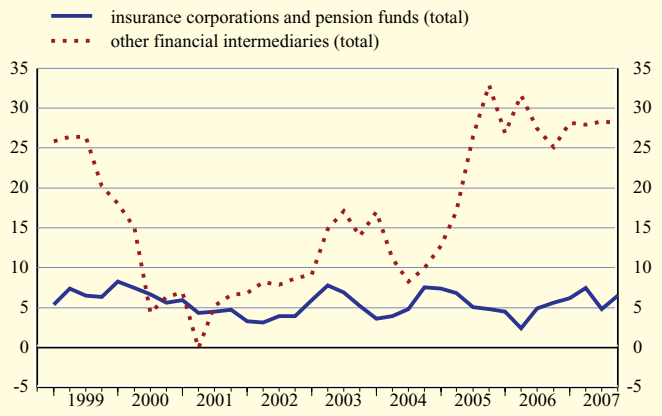
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries [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													
2005	612.6	67.8	51.9	469.7	1.2	1.4	20.6	880.4	233.9	185.0	329.8	10.5	0.1	121.1
2006	650.0	70.2	57.1	495.4	1.0	1.4	24.9	1,140.3	283.1	251.8	469.4	10.6	0.2	125.1
2007 Q1	658.8	72.3	58.4	503.0	1.1	1.2	22.9	1,264.7	318.6	267.7	515.7	11.4	0.3	151.0
2007 Apr.	666.2	70.2	63.2	506.3	1.0	1.2	24.4	1,277.9	307.2	276.8	530.5	11.3	0.3	151.8
May	659.4	65.5	60.1	508.7	0.9	1.2	23.0	1,304.4	315.6	274.3	551.1	11.4	0.3	151.7
June	656.4	65.0	58.0	512.2	0.8	1.2	19.2	1,347.3	321.0	288.2	571.8	11.5	0.2	154.6
July	670.8	72.7	61.2	514.0	0.9	1.2	20.8	1,369.0	321.9	290.7	589.2	13.4	0.3	153.6
Aug.	665.7	61.4	68.0	513.6	0.8	1.1	20.8	1,364.2	302.0	303.0	588.6	11.8	0.2	158.6
Sep. [p]	676.5	67.7	62.9	522.9	0.8	1.1	21.0	1,387.0	326.4	305.8	581.4	13.0	0.8	159.5
	Transactions													
2005	26.3	7.4	-0.6	19.2	0.4	0.0	-0.2	176.1	40.1	37.3	96.8	1.5	0.0	0.4
2006	37.9	2.7	5.5	25.6	-0.2	0.0	4.4	249.2	45.5	67.8	130.5	0.3	0.1	4.9
2007 Q1	8.6	2.1	1.0	7.6	0.1	-0.2	-2.0	124.8	35.8	16.2	46.2	0.7	0.0	26.0
2007 Apr.	7.0	-2.6	4.9	3.3	-0.1	0.0	1.5	15.8	-10.7	10.0	15.6	0.0	0.0	0.8
May	-6.8	-4.7	-3.1	2.5	-0.1	0.0	-1.4	25.3	8.1	-3.0	20.2	0.1	0.0	0.0
June	-3.0	-0.5	-2.1	3.4	0.0	0.0	-3.8	41.8	5.6	14.0	20.7	0.0	0.0	1.4
July	14.5	7.7	3.3	1.8	0.1	0.0	1.6	23.0	1.1	2.9	18.0	1.9	0.0	-1.0
Aug.	-5.2	-11.3	6.8	-0.4	-0.1	-0.1	0.0	-5.1	-20.0	12.3	-0.7	-1.6	-0.1	4.9
Sep. [p]	13.5	6.5	-4.9	11.7	0.0	0.0	0.3	27.2	25.6	4.4	-9.0	1.2	0.6	4.3
	Growth rates													
2005 Dec.	4.5	12.4	-1.2	4.3	36.0	2.9	-0.8	26.9	22.2	25.0	47.3	14.3	-	0.4
2006 Dec.	6.2	4.0	10.7	5.4	-16.3	-3.4	21.2	28.2	19.5	36.8	38.9	2.9	-	4.0
2007 Mar.	7.5	10.4	15.9	5.9	-2.9	-14.3	16.0	27.9	15.6	37.6	38.1	4.1	-	12.4
2007 Apr.	6.0	2.9	25.5	5.6	-11.0	-13.9	-13.0	23.3	9.9	25.5	38.0	8.5	-	7.2
May	6.1	-1.6	31.0	5.7	-19.9	-14.6	-10.2	25.8	13.3	33.1	39.5	-2.1	-	4.3
June	4.8	-5.6	21.1	5.7	-20.8	-13.6	-13.3	28.3	13.5	35.6	41.4	5.9	-	10.5
July	5.9	10.8	18.0	5.2	-11.7	-10.1	-16.6	31.8	20.2	37.6	42.6	36.0	-	12.5
Aug.	4.7	-0.8	30.8	4.4	-21.3	270.4	-27.7	31.3	15.6	41.6	42.4	25.3	-	12.8
Sep. [p]	6.5	1.3	23.4	6.6	-18.2	-19.7	-13.7	28.2	18.7	31.1	38.6	28.9	-	11.0

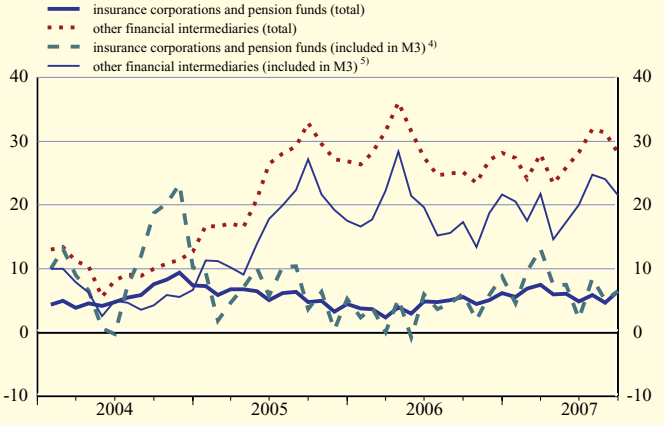
C8 Total deposits by sector [2)]

(annual growth rates)



C9 Total deposits and deposits included in M3 by sector [2)]

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
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), 2)]

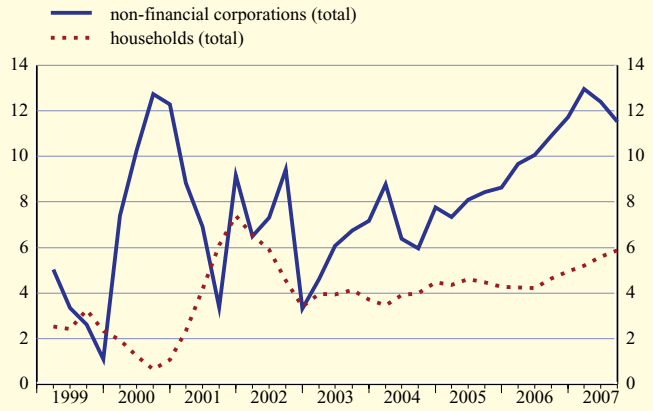
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations							Households [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													
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	1,343.1	851.8	355.3	69.4	40.5	1.3	24.8	4,552.6	1,751.2	669.0	606.8	1,355.7	99.8	70.0
2007 Q1	1,349.0	833.0	379.3	68.9	39.4	1.3	27.0	4,589.5	1,727.5	745.0	593.1	1,342.2	105.4	76.4
2007 Apr.	1,348.8	833.3	382.8	68.9	37.9	1.3	24.5	4,616.5	1,746.3	765.1	587.0	1,336.5	105.7	76.0
May	1,370.9	844.4	392.0	68.6	37.7	1.3	26.9	4,631.6	1,749.5	783.2	581.2	1,333.4	105.5	78.8
June	1,386.0	861.6	392.5	68.2	36.1	1.3	26.4	4,678.1	1,785.8	802.3	577.1	1,329.0	106.2	77.7
July	1,385.6	840.5	415.5	67.8	34.7	1.5	25.6	4,679.9	1,766.6	832.9	572.2	1,318.8	106.8	82.6
Aug.	1,388.7	825.8	435.1	68.0	31.9	1.5	26.6	4,678.2	1,739.4	860.5	568.9	1,315.2	107.2	87.0
Sep. [p]	1,406.3	845.2	439.8	64.2	31.6	1.4	24.1	4,708.3	1,756.6	886.2	565.7	1,307.9	107.9	84.0
	Transactions													
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	141.2	85.7	55.7	3.9	-4.2	0.1	0.2	215.2	65.7	137.5	-23.1	2.5	15.4	17.2
2007 Q1	3.3	-19.8	23.5	-0.6	-1.4	-0.7	2.2	25.1	-29.1	70.9	-14.8	-13.9	5.5	6.4
2007 Apr.	1.3	1.0	4.2	0.2	-1.5	0.0	-2.6	27.9	19.0	20.8	-6.1	-5.6	0.3	-0.4
May	21.6	10.8	8.9	-0.4	-0.2	0.0	2.4	14.8	3.1	17.9	-5.9	-3.0	-0.2	2.8
June	15.3	17.4	0.5	-0.4	-1.7	0.0	-0.5	46.9	36.3	19.3	-4.0	-4.4	0.7	-1.0
July	0.2	-20.8	23.4	-0.3	-1.3	0.1	-0.8	2.2	-19.1	30.9	-4.8	-10.2	0.7	4.8
Aug.	3.0	-14.8	19.5	0.2	-2.9	0.0	1.0	-2.2	-27.3	27.5	-3.6	-3.6	0.4	4.4
Sep. [p]	21.5	20.6	6.1	-2.5	-0.2	0.0	-2.5	31.6	17.6	26.6	-3.1	-7.2	0.7	-3.0
	Growth rates													
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 Dec.	11.7	11.2	18.4	5.7	-9.4	5.9	0.6	5.0	3.9	25.8	-3.7	0.2	18.2	32.6
2007 Mar.	13.0	12.0	22.6	-2.2	-16.1	-29.8	25.4	5.2	2.9	35.0	-4.8	-1.9	22.1	38.7
2007 Apr.	11.7	11.1	21.0	-3.1	-17.9	-36.0	14.3	5.1	2.2	37.8	-5.4	-2.2	22.1	40.4
May	11.7	9.4	25.5	-4.0	-17.8	-36.2	10.7	5.3	2.5	39.0	-6.0	-2.2	20.2	39.1
June	12.4	10.1	26.2	-4.8	-18.0	-29.5	20.0	5.6	3.2	40.2	-6.3	-2.5	19.2	32.9
July	12.9	8.6	32.5	-4.2	-19.6	-26.2	9.0	5.4	2.5	41.1	-6.6	-3.2	18.4	31.1
Aug.	12.0	7.4	32.6	-4.1	-26.7	-59.9	3.6	5.6	2.8	41.9	-7.0	-3.3	16.9	30.1
Sep. [p]	11.5	7.2	32.8	-8.7	-28.4	-27.0	-3.8	5.9	2.8	43.8	-7.2	-3.5	16.0	29.6

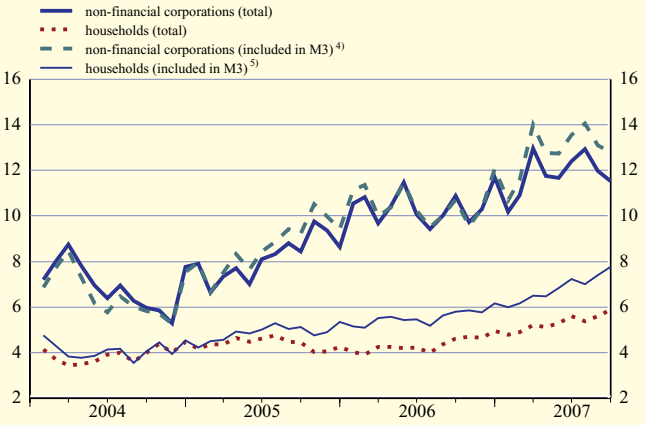
C10 Total deposits by sector [2)]

(annual growth rates)



C11 Total deposits and deposits included in M3 by sector [2)]

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
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), 2)]

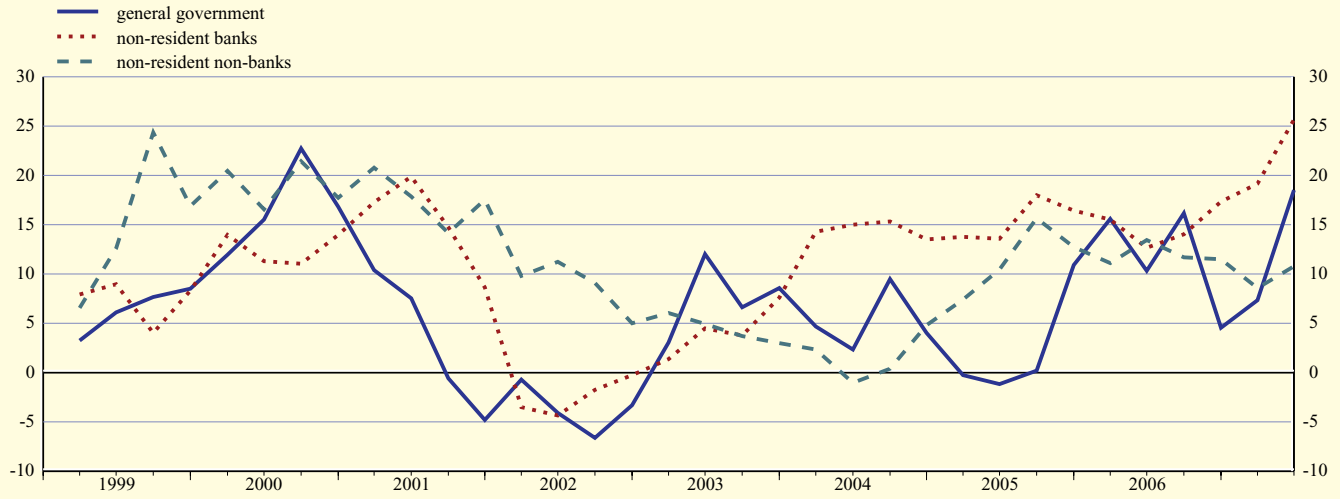
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [3)]	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									
2005	313.1	149.2	38.3	80.9	44.7	3,050.5	2,250.5	800.0	125.8	674.2
2006	329.0	124.2	45.4	91.8	67.6	3,429.0	2,557.1	871.9	128.6	743.3
2007 Q1	337.8	139.0	42.1	88.8	67.9	3,663.9	2,778.3	885.6	132.4	753.2
Q2 (p)	380.2	169.8	43.8	95.2	71.5	3,821.5	2,903.9	916.6	136.7	780.0
	Transactions									
2005	30.8	11.2	7.8	11.5	0.3	381.1	292.8	88.3	22.4	66.0
2006	14.2	-24.5	7.0	8.7	22.9	476.6	385.8	90.8	2.8	88.0
2007 Q1	7.8	14.1	-3.3	-3.3	0.2	256.6	237.2	19.4	3.6	15.8
Q2 (p)	42.4	30.8	1.8	6.3	3.6	177.7	141.3	35.5	4.3	31.2
	Growth rates									
2005 Dec.	10.9	8.1	25.4	16.6	0.6	15.4	16.4	12.7	21.6	11.2
2006 Dec.	4.5	-16.5	18.4	10.8	51.3	15.8	17.3	11.5	2.2	13.2
2007 Mar.	7.3	-6.3	10.4	12.3	38.6	16.4	19.2	8.6	3.1	9.6
June (p)	18.5	21.9	10.6	12.1	25.5	21.8	25.6	10.8	6.4	11.6

C12 Deposits by government and non-euro area residents [2)]

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) The term "banks" is used in this table to indicate institutions of a similar type to MFIs resident outside the euro area.

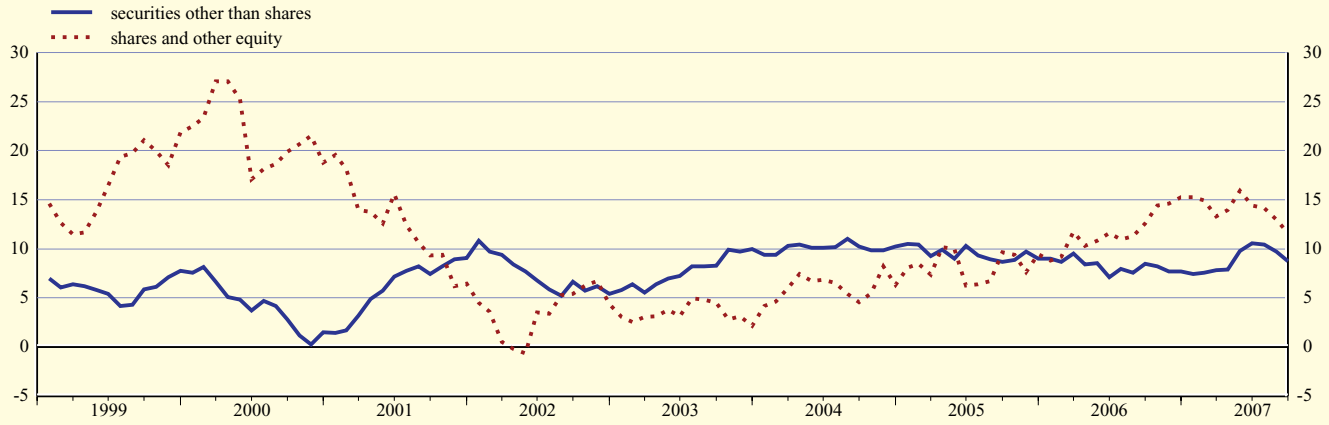
2.6 MFI holdings of securities, breakdown [1), 2)]

(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											
2005	4,418.9	1,450.4	67.3	1,412.5	17.0	525.7	25.8	920.3	1,254.7	308.5	700.1	246.1
2006	4,663.8	1,560.5	72.3	1,260.4	16.2	615.7	30.1	1,108.6	1,490.3	377.3	817.2	295.8
2007 Q1	4,842.7	1,616.6	76.5	1,266.6	15.6	651.7	34.1	1,181.7	1,576.5	399.7	844.8	332.0
2007 Apr.	4,863.3	1,629.4	76.6	1,243.4	15.4	672.0	34.4	1,192.1	1,654.0	410.8	903.6	339.7
May	4,984.4	1,640.8	78.4	1,275.8	15.8	699.1	34.8	1,239.6	1,703.4	438.2	914.6	350.6
June	5,010.6	1,637.2	78.9	1,266.1	15.6	727.1	34.1	1,251.6	1,623.3	406.8	867.1	349.4
July	5,045.7	1,651.0	88.7	1,242.4	15.4	741.2	35.8	1,271.3	1,607.4	407.2	852.9	347.4
Aug.	5,001.9	1,649.3	83.7	1,213.4	15.2	746.5	33.9	1,260.0	1,587.6	407.2	841.1	339.2
Sep. (p)	4,975.1	1,649.1	82.4	1,199.6	14.7	766.4	35.9	1,227.0	1,606.3	412.3	843.2	350.9
	Transactions											
2005	356.3	85.7	2.0	52.3	-0.9	71.9	7.7	137.6	109.1	26.5	53.4	29.2
2006	336.8	122.7	10.6	-122.7	0.5	100.4	6.5	218.7	194.4	58.8	97.0	38.6
2007 Q1	190.1	55.6	5.2	2.7	-0.8	37.0	7.6	82.9	78.5	20.6	20.7	37.2
2007 Apr.	33.0	13.4	1.4	-22.7	0.2	19.8	0.9	20.2	72.6	9.2	57.0	6.4
May	110.1	14.7	-0.2	31.5	0.3	24.2	0.0	39.7	42.3	27.3	6.4	8.7
June	29.2	-2.9	0.5	-9.2	-0.1	29.1	-0.6	12.3	-79.5	-31.0	-47.1	-1.4
July	42.6	12.8	10.1	-23.5	-0.2	14.5	2.0	26.8	-11.0	1.1	-10.7	-1.3
Aug.	-44.4	-2.2	-5.2	-29.6	-0.3	5.8	-1.9	-11.0	-17.1	-0.1	-10.2	-6.8
Sep. (p)	-2.1	-1.2	1.1	-12.9	0.0	20.3	3.1	-12.6	17.7	5.4	1.7	10.7
	Growth rates											
2005 Dec.	9.0	6.3	3.6	4.2	-4.5	16.0	43.8	18.2	9.4	9.4	8.0	13.6
2006 Dec.	7.7	8.5	16.5	-8.9	3.0	19.3	25.7	24.2	15.2	18.7	13.7	15.2
2007 Mar.	7.8	7.9	18.4	-10.2	-3.3	21.3	40.6	25.2	13.3	21.0	6.4	24.1
2007 Apr.	7.9	8.4	15.8	-11.7	-4.1	22.6	36.6	25.9	13.9	20.7	6.6	28.6
May	9.8	7.6	18.8	-8.1	-2.6	24.9	39.0	29.0	15.9	22.6	8.0	32.0
June	10.6	8.5	24.8	-8.9	-7.1	28.0	43.5	29.7	14.4	17.8	7.4	31.2
July	10.4	8.4	33.2	-9.3	-7.8	28.1	47.1	27.9	14.2	19.6	5.9	32.6
Aug.	9.7	7.7	26.1	-9.7	-10.5	29.4	35.8	25.9	13.0	18.4	5.2	29.6
Sep. (p)	8.8	6.4	26.5	-9.8	-5.8	30.9	50.0	21.5	11.6	18.9	3.7	25.8

C13 MFI holdings of securities [2)]

(annual growth rates)



Source: ECB.

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

2) Data refer to the changing composition of the euro area. For further information, see the General notes.

2.7 Revaluation of selected MFI balance sheet items [1), 2)]

(EUR billions)

1. Write-offs/write-downs of loans to households [3)]

	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
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	-3.9	-1.5	-0.9	-1.6	-2.7	-0.1	-0.1	-2.4	-6.7	-1.1	-2.0	-3.6
2007 Q1	-1.0	-0.3	-0.3	-0.5	-0.7	-0.1	0.0	-0.6	-1.9	-0.4	-0.3	-1.2
2007 Apr.	-0.3	0.0	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.3	0.0	-0.1	-0.2
May	-0.2	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.6	0.0	-0.3	-0.2
June	-0.3	-0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.5	0.0	-0.1	-0.4
July	-0.2	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.3	-0.1	-0.1	-0.2
Aug.	-0.2	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.3	0.0	-0.1	-0.2
Sep. [p]	-0.4	-0.1	-0.1	-0.1	-0.3	0.0	0.0	-0.2	-0.7	-0.1	-0.3	-0.3

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
2005	-19.3	-7.4	-5.6	-6.2	-1.2	-0.3	-0.9
2006	-13.2	-3.5	-4.6	-5.1	-0.8	-0.1	-0.7
2007 Q1	-2.8	-0.5	-0.7	-1.7	-0.1	0.0	-0.1
2007 Apr.	-0.5	-0.1	-0.2	-0.2	0.0	0.0	0.0
May	-1.4	-0.2	-0.8	-0.4	-0.7	0.0	-0.7
June	-1.1	-0.1	-0.4	-0.6	-0.4	0.0	-0.4
July	-0.5	-0.1	-0.1	-0.3	0.0	0.0	0.0
Aug.	-0.5	-0.1	-0.2	-0.2	0.0	0.0	0.0
Sep. [p]	-0.8	-0.1	-0.5	-0.3	-0.1	0.0	-0.1

3. Revaluation of securities held by MFIs

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2005	21.5	3.4	0.5	6.7	0.7	1.3	0.2	8.6	25.7	5.0	14.4	6.3
2006	-8.6	1.2	-0.4	-7.9	-0.2	-0.4	-0.3	-0.7	31.5	7.1	16.3	8.0
2007 Q1	-4.2	-1.5	-0.2	0.2	0.0	-0.5	-0.1	-2.1	7.4	0.7	6.7	0.0
2007 Apr.	0.6	0.3	-0.1	-0.6	-0.1	0.5	0.0	0.5	6.0	1.9	2.9	1.2
May	-1.3	-0.5	0.1	-1.4	0.0	-0.2	0.0	0.6	7.2	0.2	4.8	2.3
June	-3.3	-0.4	0.0	-1.5	0.0	-0.3	0.0	-0.9	-0.6	-0.3	-0.5	0.2
July	-0.7	0.5	0.1	0.6	0.0	-0.3	-0.1	-1.6	-3.1	-0.4	-2.0	-0.7
Aug.	0.1	0.1	0.1	0.5	0.0	-0.3	0.0	-0.3	-3.1	0.1	-1.9	-1.4
Sep. [p]	-2.0	0.3	-0.1	-0.9	-0.1	-0.5	0.0	-0.7	1.1	-0.3	0.4	1.0

Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) Including non-profit institutions serving households.

2.8 Currency breakdown of selected MFI balance sheet items [1),2)]

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

1. Deposits

	MFIs [3)]							Non-MFIs						
	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies					All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	By euro area residents													
2005	4,851.2	90.9	9.1	5.6	0.4	1.5	1.0	7,361.0	96.8	3.2	1.9	0.3	0.1	0.5
2006	5,242.4	90.7	9.3	5.6	0.4	1.5	1.2	8,014.8	96.4	3.6	2.2	0.3	0.1	0.6
2007 Q1	5,395.9	90.5	9.5	5.6	0.5	1.4	1.2	8,199.9	96.3	3.7	2.3	0.3	0.1	0.6
Q2 [p)]	5,572.9	90.5	9.5	5.7	0.4	1.3	1.2	8,448.1	96.3	3.7	2.3	0.3	0.1	0.6
	By non-euro area residents													
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	2,557.1	45.3	54.7	35.1	2.3	2.7	11.5	871.9	50.7	49.3	32.0	1.3	2.0	10.4
2007 Q1	2,778.3	46.4	53.6	34.3	2.5	2.5	11.2	885.6	51.1	48.9	31.8	1.6	2.2	9.4
Q2 [p)]	2,903.9	45.1	54.9	34.5	2.6	2.5	11.9	916.6	51.0	49.0	32.6	1.3	1.9	9.2

2. Debt securities issued by euro area MFIs

	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7
2005	4,051.7	81.2	18.8	9.6	1.8	1.9	3.2
2006	4,485.5	80.5	19.5	10.0	1.6	1.9	3.5
2007 Q1	4,673.7	80.7	19.3	9.8	1.7	1.9	3.5
Q2 [p)]	4,797.0	80.2	19.8	10.0	1.6	1.9	3.7

Source: ECB.

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

2.8 Currency breakdown of selected MFI balance sheet items [1),2)]

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

3. Loans

	MFIs [3)]							Non-MFIs						
	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies					All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	To euro area residents													
2005	4,569.7	-	-	-	-	-	-	9,112.0	96.3	3.7	1.6	0.2	1.3	0.5
2006	4,933.4	-	-	-	-	-	-	9,970.8	96.4	3.6	1.6	0.2	1.1	0.5
2007 Q1	5,097.6	-	-	-	-	-	-	10,242.4	96.4	3.6	1.7	0.2	1.1	0.5
Q2 [p)]	5,264.6	-	-	-	-	-	-	10,510.8	96.2	3.8	1.8	0.2	1.1	0.6
	To non-euro area residents													
2005	1,722.1	48.5	51.5	30.5	4.3	2.0	10.1	763.1	38.2	61.8	43.7	1.8	4.1	8.6
2006	2,061.0	50.7	49.3	28.9	2.0	2.3	11.0	863.4	39.3	60.7	43.2	1.1	4.0	8.6
2007 Q1	2,265.1	51.7	48.3	27.7	2.2	2.5	10.8	904.6	41.3	58.7	41.8	1.0	4.1	8.1
Q2 [p)]	2,343.0	50.0	50.0	28.6	2.1	2.4	11.8	943.3	39.7	60.3	43.1	1.1	3.8	8.0

4. Holdings of securities other than shares

	Issued by MFIs [3)]							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies					All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Issued by euro area residents													
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	1,632.8	95.6	4.4	2.3	0.2	0.3	1.3	1,922.3	97.6	2.4	1.3	0.3	0.1	0.7
2007 Q1	1,693.0	95.5	4.5	2.3	0.3	0.3	1.4	1,968.0	97.5	2.5	1.3	0.3	0.1	0.8
Q2 [p)]	1,716.1	95.4	4.6	2.2	0.3	0.3	1.5	2,042.9	97.6	2.4	1.3	0.3	0.1	0.7
	Issued by non-euro area residents													
2005	397.5	51.0	49.0	28.5	0.8	0.5	15.7	522.8	38.3	61.7	35.0	7.8	0.8	12.6
2006	514.4	52.2	47.8	28.8	0.7	0.4	14.5	594.2	38.9	61.1	36.5	4.9	0.8	14.2
2007 Q1	545.3	52.7	47.3	28.5	0.6	0.5	14.4	636.3	38.2	61.8	36.9	4.4	0.6	14.8
Q2 [p)]	581.9	52.0	48.0	28.4	0.7	0.5	14.6	660.3	37.8	62.2	37.2	4.2	0.7	15.0

Source: ECB.

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

2.9 Aggregated balance sheet of euro area investment funds [1)]

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Deposits	Holdings of securities other than shares			Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
			Total	Up to 1 year	Over 1 year				
	1	2	3	4	5	6	7	8	9
2006 Q1	5,199.6	316.0	1,905.5	139.9	1,765.6	1,898.2	569.3	177.3	333.3
Q2	5,137.9	316.9	1,908.6	145.2	1,763.3	1,777.9	601.0	180.3	353.2
Q3	5,359.0	317.5	1,985.0	178.4	1,806.6	1,874.4	631.3	181.5	369.2
Q4	5,551.3	320.6	2,005.8	170.6	1,835.2	2,022.0	670.6	187.9	344.3
2007 Q1	5,712.9	332.4	2,031.5	181.0	1,850.6	2,068.7	718.7	188.9	372.7
Q2 [p]	6,002.9	349.7	2,042.3	192.8	1,849.4	2,216.4	784.5	194.7	415.3

2. Liabilities

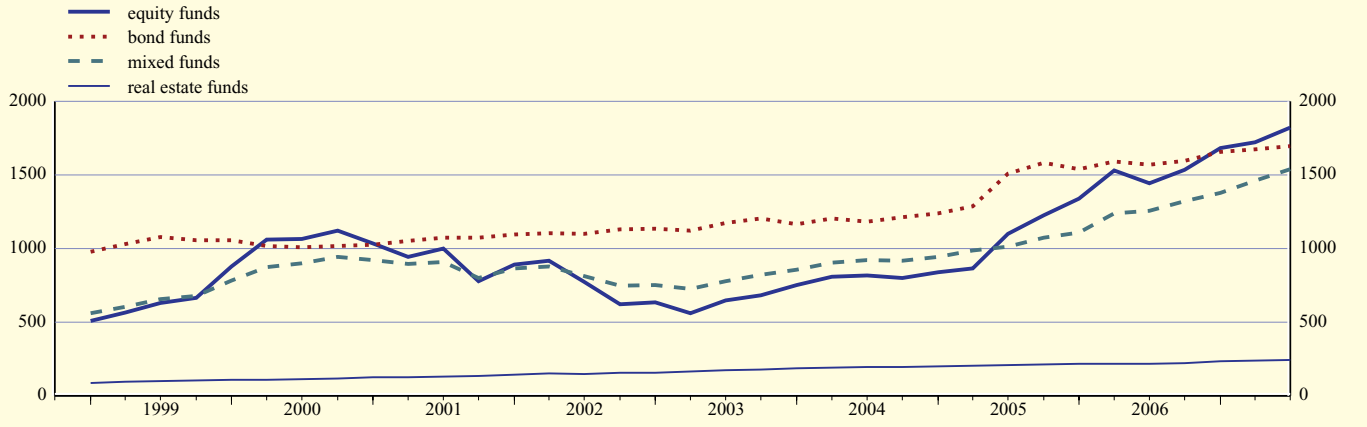
	Total	Deposits and loans taken	Investment fund shares	Other liabilities
	1	2	3	4
2006 Q1	5,199.6	73.6	4,871.3	254.7
Q2	5,137.9	76.4	4,789.5	272.0
Q3	5,359.0	75.9	4,999.5	283.7
Q4	5,551.3	77.8	5,217.0	256.4
2007 Q1	5,712.9	82.2	5,349.4	281.7
Q2 [p]	6,002.9	90.8	5,596.6	315.5

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

	Total	Funds by investment policy					Funds by type of investor	
		Equity funds	Bond funds	Mixed funds	Real estate funds	Other funds	General public funds	Special investors' funds
	1	2	3	4	5	6	7	8
2006 Q1	5,199.6	1,531.9	1,592.6	1,239.4	214.0	621.5	3,999.0	1,200.5
Q2	5,137.9	1,443.3	1,569.3	1,257.0	217.4	650.9	3,913.2	1,224.7
Q3	5,359.0	1,533.3	1,594.2	1,321.5	221.2	688.9	4,085.5	1,273.5
Q4	5,551.3	1,680.5	1,657.0	1,376.0	231.8	606.0	4,252.1	1,299.2
2007 Q1	5,712.9	1,723.2	1,674.9	1,459.3	238.4	617.1	4,372.4	1,340.6
Q2 [p]	6,002.9	1,822.9	1,693.8	1,539.4	244.1	702.9	4,591.3	1,411.6

C14 Total assets of investment funds

(EUR billions)



Source: ECB.

1) Other than money market funds. For further details, see the General notes.

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

(EUR billions; outstanding amounts at end of period)

1. Funds by investment policy

	Total	Deposits	Holdings of securities other than shares			Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
			Total	Up to 1 year	Over 1 year				
	1	2	3	4	5	6	7	8	9
	Equity funds								
2006 Q1	1,531.9	55.1	51.5	6.3	45.2	1,309.6	71.1	-	44.6
Q2	1,443.3	52.3	51.4	6.5	44.9	1,221.7	69.3	-	48.6
Q3	1,533.3	53.8	76.1	33.2	42.9	1,284.3	66.8	-	52.3
Q4	1,680.5	56.1	66.0	22.7	43.3	1,429.3	74.3	-	54.8
2007 Q1	1,723.2	59.3	65.7	25.7	40.0	1,461.2	78.4	-	58.6
Q2 (p)	1,822.9	60.9	67.9	27.4	40.5	1,545.4	83.9	-	64.9
	Bond funds								
2006 Q1	1,592.6	108.9	1,285.4	82.6	1,202.8	41.1	49.3	-	107.9
Q2	1,569.3	106.5	1,264.7	87.3	1,177.4	38.5	47.5	-	112.1
Q3	1,594.2	105.5	1,288.5	86.8	1,201.8	41.6	48.2	-	110.3
Q4	1,657.0	108.3	1,343.6	91.1	1,252.5	45.4	49.8	-	110.0
2007 Q1	1,674.9	112.3	1,356.5	95.1	1,261.4	44.5	52.5	-	109.0
Q2 (p)	1,693.8	115.1	1,346.9	99.6	1,247.3	62.9	55.7	-	113.2
	Mixed funds								
2006 Q1	1,239.4	67.9	465.4	38.6	426.7	349.6	238.5	0.1	117.9
Q2	1,257.0	72.0	484.1	40.3	443.8	318.7	253.6	0.2	128.5
Q3	1,321.5	68.5	510.6	45.2	465.4	332.3	272.3	0.3	137.4
Q4	1,376.0	71.0	519.4	43.4	476.0	364.2	292.8	0.4	128.2
2007 Q1	1,459.3	73.8	530.5	45.5	485.0	380.8	322.3	0.3	151.5
Q2 (p)	1,539.4	83.6	528.9	50.2	478.8	400.2	346.1	0.9	179.6
	Real estate funds								
2006 Q1	214.0	15.1	6.1	1.7	4.4	1.8	4.4	176.5	10.1
Q2	217.4	15.5	5.6	1.5	4.1	1.6	5.4	179.4	9.9
Q3	221.2	16.4	6.0	1.6	4.4	1.9	6.2	180.3	10.4
Q4	231.8	17.6	6.1	1.7	4.4	2.2	7.0	187.0	11.9
2007 Q1	238.4	18.9	6.7	1.9	4.8	2.3	9.6	188.4	12.6
Q2 (p)	244.1	18.9	6.6	1.9	4.7	2.1	10.1	193.1	13.2

2. Funds by type of investor

	Total	Deposits	Holdings of securities other than shares	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
	1	2	3	4	5	6	7
	General public funds						
2006 Q1	3,999.0	263.4	1,334.4	1,551.3	427.5	150.2	272.2
Q2	3,913.2	257.1	1,321.4	1,449.8	452.2	151.2	281.5
Q3	4,085.5	260.6	1,374.1	1,531.3	470.9	151.2	297.3
Q4	4,252.1	265.4	1,402.4	1,650.2	498.2	155.2	280.6
2007 Q1	4,372.4	274.3	1,420.7	1,693.3	529.0	155.6	299.5
Q2 (p)	4,591.3	284.5	1,430.0	1,817.2	576.9	160.1	322.7
	Special investors' funds						
2006 Q1	1,200.5	52.7	571.0	346.9	141.7	27.1	61.1
Q2	1,224.7	59.9	587.2	328.1	148.8	29.1	71.7
Q3	1,273.5	56.9	610.9	343.1	160.5	30.2	71.9
Q4	1,299.2	55.2	603.4	371.8	172.4	32.7	63.7
2007 Q1	1,340.6	58.0	610.8	375.4	189.7	33.3	73.2
Q2 (p)	1,411.6	65.3	612.3	399.2	207.6	34.7	92.6

Source: ECB.

EURO AREA ACCOUNTS

3.1 Integrated economic and financial accounts by institutional sector

(EUR billions)

Uses 2007 Q2	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Exports of goods and services						487.7
Trade balance [1]						-31.9
Generation of income account						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,052.2	107.5	671.9	52.7	220.1	
Other taxes less subsidies on production	39.6	6.1	26.4	3.8	3.3	
Consumption of fixed capital	316.7	86.3	178.2	11.1	41.1	
Net operating surplus and mixed income [1]	561.4	285.8	249.5	26.2	0.0	
Allocation of primary income account						
Net operating surplus and mixed income						
Compensation of employees						4.1
Taxes less subsidies on production						
Property income	903.2	46.4	364.2	423.2	69.3	133.2
Interest	456.0	44.3	76.0	266.5	69.3	79.6
Other property income	447.2	2.2	288.2	156.8	0.0	53.7
Net national income [1]	1,883.6	1,580.8	29.8	38.1	234.8	
Secondary distribution of income account						
Net national income						
Current taxes on income, wealth, etc.	285.7	210.4	57.9	17.0	0.4	4.8
Social contributions	393.8	393.8				0.8
Social benefits other than social transfers in kind	393.0	1.4	17.4	25.7	348.4	0.6
Other current transfers	176.9	69.6	23.4	46.9	37.0	7.2
Net non-life insurance premiums	44.7	32.9	10.3	0.9	0.7	1.1
Non-life insurance claims	44.6			44.6		0.7
Other	87.6	36.8	13.1	1.4	36.3	5.4
Net disposable income [1]	1,867.0	1,382.3	-39.4	34.8	489.2	
Use of income account						
Net disposable income						
Final consumption expenditure	1,680.1	1,238.5			441.6	
Individual consumption expenditure	1,507.9	1,238.5			269.4	
Collective consumption expenditure	172.1				172.1	
Adjustment for the change in net equity of households in pension fund reserves	17.9	0.1	3.6	14.2	0.0	0.1
Net saving/current external account [1]	187.0	161.7	-43.0	20.7	47.7	-8.0
Capital account						
Net saving / current external account						
Gross capital formation	495.7	165.1	268.2	10.3	52.1	
Gross fixed capital formation	496.5	165.3	269.1	10.1	52.0	
Changes in inventories and acquisitions less disposals of valuables	-0.8	-0.2	-0.9	0.2	0.1	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	0.5	-0.1	0.7	0.2	-0.3	-0.5
Capital transfers	35.0	8.9	2.1	1.9	22.1	4.4
Capital taxes	5.9	5.7	0.2	0.0		0.0
Other capital transfers	29.1	3.2	1.8	1.9	22.1	4.4
Net lending (+)/net borrowing (-) (from capital account) [1]	9.6	83.0	-120.2	20.1	26.7	-9.6
Statistical discrepancy	0.0	-5.0	5.0	0.0	0.0	0.0

Sources: ECB and Eurostat.
1) For the calculation of the balancing items, see the Technical notes.

3.1 Integrated economic and financial accounts by institutional sector (cont'd)

(EUR billions)

Resources 2007 Q2	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Imports of goods and services						455.8
Trade balance						
Generation of income account						
Gross value added (basic prices)	1,969.9	485.6	1,126.0	93.8	264.5	
Taxes less subsidies on products	237.7					
Gross domestic product (market prices)[2]	2,207.6					
Compensation of employees						
Other taxes less subsidies on production						
Consumption of fixed capital						
Net operating surplus and mixed income						
Allocation of primary income account						
Net operating surplus and mixed income	561.4	285.8	249.5	26.2	0.0	
Compensation of employees	1,053.7	1,053.7				2.6
Taxes less subsidies on production	278.5				278.5	-1.2
Property income	893.2	287.8	144.6	435.1	25.7	143.2
Interest	450.6	69.0	41.2	332.6	7.7	85.0
Other property income	442.7	218.8	103.4	102.5	18.0	58.2
Net national income						
Secondary distribution of income account						
Net national income	1,883.6	1,580.8	29.8	38.1	234.8	
Current taxes on income, wealth, etc.	289.8				289.8	0.6
Social contributions	393.6	1.1	17.9	40.6	334.0	1.0
Social benefits other than social transfers in kind	391.0	391.0				2.5
Other current transfers	158.3	84.6	11.7	45.8	16.3	25.9
Net non-life insurance premiums	44.6			44.6		1.2
Non-life insurance claims	44.2	34.3	8.8	0.9	0.3	1.1
Other	69.5	50.3	2.9	0.3	16.0	23.6
Net disposable income						
Use of income account						
Net disposable income	1,867.0	1,382.3	-39.4	34.8	489.2	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in net equity of households in pension fund reserves	18.0	18.0				0.0
Net saving/current external account						
Capital account						
Net saving / current external account	187.0	161.7	-43.0	20.7	47.7	-8.0
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	316.7	86.3	178.2	11.1	41.1	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	37.1	9.0	15.5	0.8	11.9	2.3
Capital taxes	5.9				5.9	0.0
Other capital transfers	31.2	9.0	15.5	0.8	6.0	2.3
Net lending (+)/net borrowing (-) (from capital account)						
Statistical discrepancy						

Sources: ECB and Eurostat.

2) Gross domestic product is equal to gross value added of all domestic sectors plus net taxes (taxes less subsidies) on products.

3.1 Integrated economic and financial accounts by institutional sector (cont'd)

(EUR billions)

Assets 2007 Q2	Euro area	Households	Non-financial corporations	MFIs	Other financial inter-mediaries	Insurance corporations and pension funds	General govern-ment	Rest of the world
Opening balance sheet, financial assets								
Total financial assets		17,278.4	13,870.3	20,882.9	9,703.0	6,071.4	2,742.5	13,961.2
Monetary gold and special drawing rights (SDRs)				185.0				
Currency and deposits		5,364.8	1,630.7	2,404.3	1,367.9	751.6	529.4	3,785.2
Short-term debt securities		45.6	123.4	102.3	257.2	227.6	25.4	774.2
Long-term debt securities		1,419.4	158.2	3,449.2	1,882.7	1,927.2	206.3	2,153.2
Loans		21.4	1,744.7	11,370.6	1,326.2	350.5	355.3	1,427.4
of which long-term		18.0	964.9	8,567.3	999.5	296.8	316.2	.
Shares and other equity		5,129.4	7,552.3	1,795.8	4,585.9	2,376.5	1,083.9	5,100.7
Quoted shares		1,252.5	1,915.3	688.6	2,394.8	852.9	393.3	.
Unquoted shares and other equity		2,213.0	5,218.4	831.4	1,524.9	460.8	549.6	.
Mutual fund shares		1,663.9	418.5	275.8	666.3	1,062.8	141.0	.
Insurance technical reserves		5,003.1	133.2	1.9	0.0	145.9	3.1	192.1
Other accounts receivable and financial derivatives		294.8	2,527.8	1,573.8	283.1	292.1	539.1	528.4
Net financial worth								
Financial account, transactions in financial assets								
Total transactions in financial assets		156.8	196.2	722.7	294.1	74.4	115.5	477.5
Monetary gold and special drawing rights (SDRs)				-0.6				0.6
Currency and deposits		103.6	38.3	90.1	81.6	5.5	91.1	188.3
Short-term debt securities		-1.5	5.0	10.0	31.8	10.3	7.1	36.5
Long-term debt securities		-0.9	14.8	144.9	33.0	44.7	4.5	109.2
Loans		0.5	46.6	338.0	35.4	4.0	3.1	24.1
of which long-term		0.5	11.3	213.0	34.3	-1.1	0.0	.
Shares and other equity		17.0	84.7	33.0	119.3	8.2	3.2	108.8
Quoted shares		2.4	38.2	0.0	50.0	-0.7	0.1	.
Unquoted shares and other equity		9.7	57.2	27.1	23.6	6.5	-0.5	.
Mutual fund shares		4.9	-10.7	5.9	45.7	2.4	3.5	.
Insurance technical reserves		58.0	0.9	0.0	0.0	3.6	0.0	3.3
Other accounts receivable and financial derivatives		-19.9	5.8	107.2	-6.9	-1.9	6.5	6.9
Changes in net financial worth due to transactions								
Other changes account, financial assets								
Total other changes in financial assets		-29.8	199.1	22.8	-0.8	13.4	49.5	107.9
Monetary gold and special drawing rights (SDRs)				-7.0				
Currency and deposits		-5.3	-3.2	-11.9	-2.1	2.9	0.2	-24.1
Short-term debt securities		-0.6	4.5	1.9	1.7	0.7	0.1	-2.5
Long-term debt securities		-55.2	-5.2	-8.8	-54.4	-26.7	-3.2	-42.7
Loans		0.0	6.7	-23.5	-9.7	0.3	-1.3	12.6
of which long-term		0.0	7.8	-10.4	-10.0	0.2	-1.3	.
Shares and other equity		35.6	178.3	55.6	85.5	41.9	53.6	153.1
Quoted shares		40.8	36.4	50.6	77.7	5.6	46.6	.
Unquoted shares and other equity		-28.0	139.2	2.6	3.8	10.4	3.8	.
Mutual fund shares		22.8	2.7	2.4	4.0	25.9	3.2	.
Insurance technical reserves		-2.3	0.0	0.0	0.0	-5.0	0.0	-4.7
Other accounts receivable and financial derivatives		-2.0	18.1	16.5	-21.8	-0.7	0.0	16.2
Other changes in net financial worth								
Closing balance sheet, financial assets								
Total financial assets		17,405.4	14,265.6	21,628.4	9,996.3	6,159.3	2,907.5	14,546.0
Monetary gold and special drawing rights (SDRs)				177.5				
Currency and deposits		5,463.1	1,665.8	2,482.5	1,447.4	760.0	620.6	3,949.4
Short-term debt securities		43.5	133.0	114.2	290.7	238.7	32.6	808.1
Long-term debt securities		1,363.2	167.8	3,585.3	1,861.3	1,945.2	207.7	2,219.7
Loans		21.8	1,798.0	11,685.1	1,351.9	354.9	357.2	1,464.1
of which long-term		18.5	984.0	8,770.0	1,023.8	295.8	314.9	.
Shares and other equity		5,182.1	7,815.3	1,884.3	4,790.7	2,426.5	1,140.7	5,362.6
Quoted shares		1,295.7	1,989.9	739.2	2,522.5	857.9	440.0	.
Unquoted shares and other equity		2,194.7	5,414.9	861.1	1,552.2	477.6	552.9	.
Mutual fund shares		1,691.7	410.5	284.1	716.0	1,091.1	147.8	.
Insurance technical reserves		5,058.7	134.0	1.9	0.0	144.5	3.1	190.6
Other accounts receivable and financial derivatives		273.0	2,551.7	1,697.4	254.3	289.5	545.7	551.6
Net financial worth								

Source: ECB.

3.1 Integrated economic and financial accounts by institutional sector (cont'd)

(EUR billions)

Liabilities 2007 Q2	Euro area	Households	Non-financial corporations	MFIs	Other financial inter-mediaries	Insurance corporations and pension funds	General govern-ment	Rest of the world
Opening balance sheet, liabilities								
Total liabilities		5,544.0	22,276.5	21,296.4	9,641.0	6,192.2	6,760.0	12,614.6
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			23.5	12,883.2	214.0	3.9	337.5	2,371.6
Short-term debt securities			281.0	357.4	69.1	0.1	612.5	235.6
Long-term debt securities			429.5	2,594.0	1,375.9	26.1	4,358.6	2,412.1
Loans		5,096.7	6,380.1		1,294.5	183.7	1,080.2	2,560.8
of which long-term		4,771.7	4,300.3		601.6	78.7	922.4	.
Shares and other equity			12,497.1	3,360.5	6,470.4	662.4	4.9	4,629.2
Quoted shares			4,664.1	1,100.2	342.0	328.4	0.0	.
Unquoted shares and other equity			7,833.0	1,244.5	858.8	334.0	4.9	.
Mutual fund shares				1,015.9	5,269.6			.
Insurance technical reserves		32.6	329.8	53.2	0.6	5,062.6	0.5	
Other accounts payable and financial derivatives		414.7	2,335.4	2,048.1	216.4	253.5	365.8	405.3
Net financial worth [1]	-1,161.6	11,734.5	-8,406.2	-413.6	62.0	-120.8	-4,017.5	
Financial account, transactions in liabilities								
Total transactions in liabilities		78.7	311.5	705.7	281.6	83.8	88.8	487.1
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.0	484.1	4.9	0.0	-12.7	122.3
Short-term debt securities			22.8	12.8	-3.1	0.1	43.4	23.3
Long-term debt securities			15.9	83.0	65.9	-0.3	63.5	122.3
Loans		97.5	202.9		52.5	16.0	-8.8	91.6
of which long-term		90.7	104.8		20.6	-0.3	-11.1	.
Shares and other equity			58.1	46.1	165.9	2.7	0.0	101.3
Quoted shares			34.9	0.5	2.6	0.3	0.0	.
Unquoted shares and other equity			23.2	2.8	20.5	2.4	0.0	.
Mutual fund shares				42.8	142.8			.
Insurance technical reserves		-0.1	2.0	0.4	0.0	63.3	0.0	
Other accounts payable and financial derivatives		-18.7	9.7	79.3	-4.5	2.0	3.5	26.3
Changes in net financial worth due to transactions [1]	9.6	78.0	-115.3	17.0	12.5	-9.4	26.7	-9.6
Other changes account, liabilities								
Total other changes in liabilities		8.7	389.2	-30.3	70.3	12.3	-98.1	17.0
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.0	-22.7	1.9	0.0	0.0	-22.7
Short-term debt securities			0.6	0.9	-0.1	0.0	-0.1	4.3
Long-term debt securities			-6.8	-7.6	-21.6	-0.5	-116.1	-43.7
Loans		6.3	11.0		-12.1	-6.7	-0.1	-13.2
of which long-term		7.8	21.6		-9.0	-4.9	-0.1	.
Shares and other equity			369.7	3.9	89.1	25.9	0.7	114.4
Quoted shares			361.9	20.4	18.1	9.4	0.0	.
Unquoted shares and other equity			7.8	-21.6	18.1	16.4	0.7	.
Mutual fund shares				5.2	52.9			.
Insurance technical reserves		0.0	0.0	0.0	0.0	-12.0	0.0	
Other accounts payable and financial derivatives		2.4	14.7	-4.8	13.1	5.6	17.5	-22.2
Other changes in net financial worth [1]	-97.9	-38.6	-190.1	53.1	-71.1	1.1	147.6	91.0
Closing balance sheet, liabilities								
Total liabilities		5,631.4	22,977.1	21,971.9	9,992.9	6,288.3	6,750.6	13,118.6
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			23.5	13,344.6	220.8	3.8	324.8	2,471.2
Short-term debt securities			304.4	371.1	66.0	0.2	655.8	263.3
Long-term debt securities			438.6	2,669.4	1,420.2	25.3	4,306.0	2,490.8
Loans		5,200.4	6,594.1		1,334.9	193.1	1,071.3	2,639.2
of which long-term		4,870.2	4,426.7		613.2	73.5	911.3	.
Shares and other equity			12,925.0	3,410.6	6,725.4	690.9	5.6	4,844.9
Quoted shares			5,060.9	1,121.1	362.7	338.1	0.0	.
Unquoted shares and other equity			7,864.0	1,225.7	897.4	352.8	5.6	.
Mutual fund shares				1,063.8	5,465.3			.
Insurance technical reserves		32.5	331.8	53.6	0.6	5,113.9	0.5	
Other accounts payable and financial derivatives		398.4	2,359.8	2,122.6	225.0	261.1	386.7	409.4
Net financial worth [1]	-1,249.9	11,773.9	-8,711.6	-343.5	3.4	-129.0	-3,843.2	

Source: ECB.

3.2 Euro area non-financial accounts

(EUR billions; four-quarter cumulated flows)

Uses	2003	2004	2005	2005 Q3-2006 Q2	2005 Q4-2006 Q3	2006 Q1-2006 Q4	2006 Q2-2007 Q1	2006 Q3-2007 Q2
Generation of income account								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	3,664.0	3,770.3	3,876.2	3,952.4	3,991.6	4,027.3	4,069.2	4,109.1
Other taxes less subsidies on production	110.7	123.0	130.8	132.9	133.5	131.1	131.4	132.2
Consumption of fixed capital	1,074.6	1,122.3	1,174.8	1,200.5	1,213.2	1,225.2	1,235.9	1,246.3
Net operating surplus and mixed income [1]	1,890.8	1,989.2	2,049.6	2,093.0	2,122.8	2,162.6	2,199.2	2,235.8
Allocation of primary income account								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	2,281.3	2,332.6	2,543.9	2,711.1	2,801.3	2,914.8	3,003.7	3,100.6
Interest	1,267.0	1,241.2	1,325.0	1,438.6	1,515.7	1,591.6	1,659.0	1,721.1
Other property income	1,014.3	1,091.4	1,219.0	1,272.6	1,285.7	1,323.2	1,344.7	1,379.5
Net national income [1]	6,407.5	6,689.6	6,909.3	7,069.6	7,150.7	7,232.9	7,328.8	7,417.7
Secondary distribution of income account								
Net national income								
Current taxes on income, wealth, etc.	856.8	882.3	932.0	972.0	990.6	1,023.4	1,037.1	1,059.9
Social contributions	1,388.3	1,427.2	1,468.6	1,499.4	1,516.1	1,530.1	1,541.3	1,554.2
Social benefits other than social transfers in kind	1,408.0	1,452.8	1,496.8	1,520.2	1,531.2	1,541.8	1,548.9	1,558.9
Other current transfers	658.3	683.2	702.5	700.4	702.9	704.7	708.8	717.5
Net non-life insurance premiums	174.0	175.8	175.8	175.4	175.5	174.8	175.5	176.7
Non-life insurance claims	174.6	176.3	176.7	175.9	175.7	174.8	175.8	176.9
Other	309.8	331.1	350.1	349.1	351.8	355.2	357.6	363.9
Net disposable income [1]	6,337.6	6,612.0	6,823.3	6,984.9	7,064.2	7,143.8	7,239.8	7,329.3
Use of income account								
Net disposable income								
Final consumption expenditure	5,854.3	6,075.9	6,307.3	6,442.1	6,501.2	6,562.3	6,615.9	6,664.1
Individual consumption expenditure	5,232.7	5,430.7	5,645.2	5,770.6	5,825.9	5,880.9	5,929.0	5,974.2
Collective consumption expenditure	621.5	645.1	662.1	671.4	675.3	681.4	686.9	690.0
Adjustment for the change in net equity of households in pension funds reserves	54.5	57.5	59.1	60.7	61.3	61.7	61.9	62.4
Net saving [1]	483.5	536.4	516.4	543.2	563.3	581.9	624.3	665.4
Capital account								
Net saving								
Gross capital formation	1,526.8	1,606.5	1,693.9	1,769.5	1,810.4	1,838.3	1,878.9	1,914.3
Gross fixed capital formation	1,525.8	1,597.4	1,682.3	1,745.4	1,773.6	1,809.3	1,854.8	1,889.0
Changes in inventories and acquisitions less disposals of valuables	1.1	9.1	11.6	24.1	36.8	29.1	24.0	25.3
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	0.6	-1.1	-0.1	1.1	1.3	1.3	1.1	1.1
Capital transfers	182.6	166.9	179.3	162.2	174.8	190.5	191.1	191.7
Capital taxes	35.9	29.8	24.2	23.8	22.5	22.3	22.9	23.4
Other capital transfers	146.8	137.1	155.1	138.4	152.4	168.2	168.2	168.3
Net lending (+)/net borrowing (-) (from capital account) [1]	42.9	69.9	11.0	-14.4	-22.5	-18.9	-4.4	11.2

Sources: ECB and Eurostat.

1) For the calculation of the balancing items, see the Technical notes.

3.2 Euro area non-financial accounts (cont'd)

(EUR billions; four-quarter cumulated flows)

Resources	2003	2004	2005	2005 Q3-2006 Q2	2005 Q4-2006 Q3	2006 Q1-2006 Q4	2006 Q2-2007 Q1	2006 Q3-2007 Q2
Generation of income account								
Gross value added (basic prices)	6,740.1	7,004.9	7,231.5	7,378.8	7,461.0	7,546.2	7,635.7	7,723.4
Taxes less subsidies on products	760.8	796.4	838.8	874.5	885.1	903.3	922.4	936.2
Gross domestic product (market prices)[2]	7,500.9	7,801.3	8,070.2	8,253.3	8,346.1	8,449.5	8,558.1	8,659.6
Compensation of employees								
Other taxes less subsidies on production								
Consumption of fixed capital								
Net operating surplus and mixed income								
Allocation of primary income account								
Net operating surplus and mixed income	1,890.8	1,989.2	2,049.6	2,093.0	2,122.8	2,162.6	2,199.2	2,235.8
Compensation of employees	3,671.2	3,777.4	3,881.8	3,958.1	3,997.4	4,033.1	4,075.2	4,115.1
Taxes less subsidies on production	880.7	933.1	981.1	1,017.7	1,028.7	1,044.4	1,061.8	1,076.0
Property income	2,246.2	2,322.5	2,540.8	2,711.9	2,803.1	2,907.6	2,996.3	3,091.4
Interest	1,236.2	1,210.5	1,298.9	1,414.3	1,493.5	1,568.2	1,633.9	1,698.8
Other property income	1,010.0	1,112.0	1,241.9	1,297.6	1,309.6	1,339.3	1,362.4	1,392.6
Net national income								
Secondary distribution of income account								
Net national income	6,407.5	6,689.6	6,909.3	7,069.6	7,150.7	7,232.9	7,328.8	7,417.7
Current taxes on income, wealth, etc.	858.7	885.4	935.7	976.6	995.2	1,028.2	1,042.3	1,066.8
Social contributions	1,387.3	1,426.2	1,468.1	1,498.9	1,515.5	1,529.6	1,540.8	1,553.6
Social benefits other than social transfers in kind	1,401.5	1,445.3	1,489.2	1,512.7	1,523.7	1,534.4	1,541.1	1,550.9
Other current transfers	593.9	610.9	620.9	619.1	619.8	618.7	622.9	630.7
Net non-life insurance premiums	174.6	176.3	176.7	175.9	175.7	174.8	175.8	176.9
Non-life insurance claims	171.3	173.5	174.3	173.2	172.9	172.3	173.1	174.4
Other	248.0	261.2	269.9	270.0	271.2	271.6	274.0	279.4
Net disposable income								
Use of income account								
Net disposable income	6,337.6	6,612.0	6,823.3	6,984.9	7,064.2	7,143.8	7,239.8	7,329.3
Final consumption expenditure								
Individual consumption expenditure								
Collective consumption expenditure								
Adjustment for the change in net equity of households in pension funds reserves	54.7	57.6	59.4	61.0	61.6	62.0	62.2	62.7
Net saving								
Capital account								
Net saving	483.5	536.4	516.4	543.2	563.3	581.9	624.3	665.4
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,074.6	1,122.3	1,174.8	1,200.5	1,213.2	1,225.2	1,235.9	1,246.3
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	194.8	183.5	192.9	174.8	187.6	204.1	206.4	206.5
Capital taxes	35.9	29.8	24.2	23.8	22.5	22.3	22.9	23.4
Other capital transfers	158.9	153.8	168.7	151.0	165.1	181.8	183.5	183.2
Net lending (+)/net borrowing (-) (from capital account)								

Sources: ECB and Eurostat.
2) Gross domestic product is equal to gross value added of all domestic sectors plus net taxes (taxes less subsidies) on products.

3.3 Households

(EUR billions; four-quarter cumulated flows; outstanding amounts at end-of-period)

	2003	2004	2005	2005 Q3-2006 Q2	2005 Q4-2006 Q3	2006 Q1-2006 Q4	2006 Q2-2007 Q1	2006 Q3-2007 Q2
Income, saving and changes in net worth								
Compensation of employees (+)	3,671.2	3,777.4	3,881.8	3,958.1	3,997.4	4,033.1	4,075.2	4,115.1
Gross operating surplus and mixed income (+)	1,230.9	1,285.0	1,334.8	1,368.6	1,389.3	1,410.2	1,431.2	1,452.2
Interest receivable (+)	237.5	230.4	226.9	237.7	246.3	255.9	262.3	268.8
Interest payable (-)	124.1	124.1	127.6	137.1	146.6	154.5	161.8	169.1
Other property income receivable (+)	615.3	648.0	694.0	718.2	722.0	733.0	739.6	749.2
Other property income payable (-)	8.7	9.2	9.4	9.4	9.5	9.4	9.5	9.5
Current taxes on income and wealth (-)	702.5	706.5	739.4	763.6	770.8	788.6	796.9	810.0
Net social contributions (-)	1,384.5	1,423.4	1,464.5	1,495.1	1,511.7	1,525.8	1,536.9	1,549.8
Net social benefits (+)	1,396.7	1,440.3	1,483.9	1,507.2	1,518.2	1,528.9	1,535.5	1,545.4
Net current transfers receivable (+)	65.1	64.7	68.2	65.5	63.9	63.9	65.7	65.8
= Gross disposable income	4,997.0	5,182.7	5,348.7	5,450.2	5,498.6	5,546.7	5,604.5	5,658.2
Final consumption expenditure (-)	4,316.1	4,482.4	4,649.1	4,749.6	4,792.8	4,836.7	4,874.8	4,911.6
Changes in net worth in pension funds (+)	54.4	57.3	58.9	60.6	61.1	61.5	61.7	62.2
= Gross saving	735.2	757.5	758.5	761.2	766.9	771.5	791.4	808.8
Consumption of fixed capital (-)	288.0	303.3	318.7	326.5	330.5	334.5	337.6	340.6
Net capital transfers receivable (+)	12.6	18.9	24.4	22.2	27.2	30.2	28.6	25.9
Other changes in net worth [1] (+)	247.1	285.3	600.1	481.4	333.3	456.9	366.8	476.5
= Changes in net worth [1]	706.9	758.4	1,064.4	938.3	796.9	924.1	849.2	970.6
Investment, financing and changes in net worth								
Net acquisition of non-financial assets (+)	497.9	527.3	558.9	583.6	597.7	609.6	625.2	636.2
Consumption of fixed capital (-)	288.0	303.3	318.7	326.5	330.5	334.5	337.6	340.6
Financial investment (+)								
Currency and deposits	222.3	248.5	240.1	247.4	267.3	279.0	276.0	289.0
of which M3 deposits [2]	166.1	168.5	207.7	215.7	226.1	242.1	251.6	279.1
Short-term debt securities	-34.4	7.0	-18.7	2.9	12.8	16.0	23.0	13.0
Long-term debt securities	18.4	67.8	22.2	28.2	70.0	61.3	52.6	44.2
Shares and other equity	85.5	-13.5	116.0	22.1	-26.9	-33.7	-3.6	14.1
Quoted shares	27.1	-47.7	3.5	-27.0	-31.4	-13.2	2.0	-0.8
Unquoted shares and other equity	-19.2	36.7	56.8	26.7	20.5	8.2	24.3	32.4
Mutual fund shares	77.6	-2.5	55.7	22.4	-16.0	-28.7	-29.9	-17.5
of which money market fund shares	14.4	-19.4	-10.1	-8.9	-9.8	-4.8	2.2	9.6
Life insurance and pension fund reserves	231.0	251.2	300.3	300.8	297.9	276.5	255.3	252.6
Financing (-)								
Loans	264.2	314.2	391.7	415.7	413.0	392.4	384.3	365.9
of which from euro area MFIs	219.9	288.9	371.7	397.9	386.5	360.4	352.8	334.0
Other changes in financial assets (+)								
Shares and other equity	265.5	235.1	522.3	433.0	331.2	430.7	337.7	498.2
Life insurance and pension fund reserves	29.0	56.9	129.4	68.9	55.2	48.8	33.5	44.0
Remaining net flows (+)	-56.0	-4.2	-95.7	-6.3	-64.7	-37.2	-28.5	-114.2
= Changes in net worth [1]	706.9	758.4	1,064.4	938.3	796.9	924.1	849.2	970.6
Financial balance sheet								
Financial assets (+)								
Currency and deposits	4,579.1	4,827.3	5,078.3	5,181.8	5,204.8	5,343.0	5,364.8	5,463.1
of which M3 deposits [2]	3,405.1	3,576.6	3,787.0	3,887.9	3,911.3	4,025.1	4,073.0	4,175.5
Short-term debt securities	24.7	32.7	15.6	33.6	37.0	30.2	45.6	43.5
Long-term debt securities	1,304.1	1,356.4	1,338.8	1,373.1	1,383.2	1,391.5	1,419.4	1,363.2
Shares and other equity	3,699.5	3,921.1	4,559.3	4,669.8	4,798.4	4,956.3	5,129.4	5,182.1
Quoted shares	774.1	832.0	1,000.7	1,041.7	1,128.4	1,192.1	1,252.5	1,295.7
Unquoted shares and other equity	1,437.1	1,592.2	1,918.2	1,998.9	2,042.1	2,119.0	2,213.0	2,194.7
Mutual fund shares	1,488.3	1,496.9	1,640.5	1,629.2	1,627.9	1,645.2	1,663.9	1,691.7
of which money market fund shares	263.8	249.0	235.3	215.9	211.1	186.3	195.1	208.5
Life insurance and pension fund reserves	3,541.0	3,849.1	4,278.8	4,426.1	4,517.4	4,604.0	4,668.9	4,722.8
Remaining net assets	188.7	224.3	174.4	193.3	189.0	195.1	203.1	199.7
Liabilities (-)								
Loans	3,929.4	4,256.5	4,632.8	4,837.4	4,919.5	5,017.1	5,096.7	5,200.4
of which from euro area MFIs	3,561.4	3,860.7	4,257.3	4,456.6	4,534.8	4,617.9	4,696.2	4,781.3
= Net financial wealth	9,407.7	9,954.3	10,812.4	11,040.2	11,210.2	11,503.0	11,734.5	11,773.9

Sources: ECB and Eurostat.

1) Excluding changes in net worth due to other changes in non-financial assets such as revaluations of residential property.

2) Deposit liabilities of MFIs and central government (e.g. post offices or treasuries) vis-à-vis households which are part of M3 (see glossary).

3.4 Non-financial corporations

(EUR billions; four-quarter cumulated flows; outstanding amounts at end-of-period)

	2003	2004	2005	2005 Q3-2006 Q2	2005 Q4-2006 Q3	2006 Q1-2006 Q4	2006 Q2-2007 Q1	2006 Q3-2007 Q2
Income and saving								
Gross value added (basic prices) (+)	3,831.0	3,983.2	4,102.4	4,180.8	4,226.0	4,282.6	4,338.4	4,396.2
Compensation of employees (-)	2,309.7	2,379.8	2,442.3	2,490.3	2,515.2	2,540.1	2,568.0	2,598.4
Other taxes less subsidies on production (-)	59.1	66.2	72.1	73.2	73.4	73.6	73.8	74.4
= Gross operating surplus (+)	1,462.2	1,537.2	1,587.9	1,617.4	1,637.4	1,668.9	1,696.7	1,723.4
Consumption of fixed capital (-)	608.8	633.5	663.2	676.3	682.9	689.4	695.1	700.6
= Net operating surplus (+)	853.4	903.7	924.8	941.0	954.5	979.6	1,001.6	1,022.7
Property income receivable (+)	320.1	372.6	426.4	442.7	450.1	461.2	465.5	478.8
Interest receivable	126.6	121.7	131.1	140.9	147.2	152.5	156.7	161.1
Other property income receivable	193.5	251.0	295.3	301.8	302.9	308.7	308.8	317.7
Interest and rents payable (-)	228.2	226.3	234.7	252.5	264.2	277.3	289.5	300.6
= Net entrepreneurial income (+)	945.3	1,050.0	1,116.5	1,131.2	1,140.4	1,163.5	1,177.6	1,200.9
Distributed income (-)	692.3	751.0	834.2	865.0	873.6	897.1	904.7	919.5
Taxes on income and wealth payable (-)	116.6	134.6	147.4	159.6	170.0	184.8	189.6	198.2
Social contributions receivable (+)	73.4	73.6	74.2	75.5	76.3	76.7	77.3	75.7
Social benefits payable (-)	59.8	60.4	62.2	62.2	62.4	61.9	62.0	63.6
Net other current transfers payable (-)	42.7	49.6	48.8	46.7	46.4	45.6	46.7	47.6
Changes in net worth of households in pension funds (-)	13.0	12.8	11.8	13.3	14.0	14.7	14.7	14.6
= Net saving	94.3	115.1	86.3	59.9	50.3	36.1	37.2	33.1
Investment, financing and saving								
Net acquisition of non-financial assets (+)	192.3	210.7	232.4	266.1	282.8	285.7	299.1	316.9
Gross fixed capital formation (+)	801.5	839.7	884.4	918.8	932.4	948.1	973.1	995.8
Consumption of fixed capital (-)	608.8	633.5	663.2	676.3	682.9	689.4	695.1	700.6
Net acquisition of other non-financial assets (+)	-0.4	4.5	11.1	23.6	33.3	27.0	21.1	21.7
Financial investment (+)								
Currency and deposits	106.6	91.0	144.9	154.5	145.7	167.4	194.1	185.2
of which M3 deposits [1]	63.0	73.8	99.3	108.9	116.8	138.5	157.7	158.1
Debt securities	-27.2	-55.1	-21.9	-0.5	-13.6	3.7	-9.0	0.2
Loans	139.1	66.4	132.5	130.6	136.9	161.1	175.9	189.0
Shares and other equity	175.4	183.0	173.4	221.6	183.3	186.4	198.6	217.2
Remaining net assets (+)	41.7	80.3	54.2	122.5	147.1	147.3	128.3	120.9
Financing (-)								
Debt	297.0	216.4	397.2	556.2	602.4	633.7	650.2	683.9
Loans	219.1	195.6	382.4	530.2	560.4	578.2	593.9	613.9
of which from euro area MFIs	110.3	169.1	269.2	380.2	431.3	452.5	449.8	492.0
Debt securities	62.9	7.3	2.2	12.6	28.2	41.1	43.8	58.9
Pension fund reserves	15.1	13.5	12.6	13.4	13.8	14.5	12.5	11.2
Shares and other equity	190.2	188.5	172.0	227.5	164.4	202.0	215.9	227.7
Quoted shares	19.2	11.9	100.5	114.2	37.3	33.4	43.2	60.2
Unquoted shares and other equity	171.0	176.6	71.4	113.3	127.1	168.6	172.7	167.6
Net capital transfers receivable (-)	46.4	56.3	60.0	51.3	65.0	79.8	83.6	84.8
= Net saving	94.3	115.1	86.3	59.9	50.3	36.1	37.2	33.1
Financial balance sheet								
Financial assets								
Currency and deposits	1,164.3	1,237.8	1,393.2	1,452.1	1,491.3	1,563.9	1,630.7	1,665.8
of which M3 deposits [1]	984.2	1,042.9	1,147.3	1,167.0	1,199.4	1,277.4	1,284.5	1,322.7
Debt securities	406.9	322.8	290.3	306.6	292.7	287.3	281.6	300.8
Loans	1,341.7	1,394.9	1,521.5	1,596.3	1,627.1	1,694.8	1,744.7	1,798.0
Shares and other equity	4,823.8	5,319.7	6,273.3	6,643.7	6,946.8	7,302.5	7,552.3	7,815.3
Remaining net assets (+)	233.4	279.5	261.1	323.2	304.4	299.0	349.0	349.4
Liabilities								
Debt	6,029.2	6,211.5	6,606.7	6,977.2	7,088.2	7,226.8	7,420.4	7,668.8
Loans	5,112.5	5,242.5	5,622.6	5,965.0	6,069.7	6,200.9	6,380.1	6,594.1
of which from euro area MFIs	3,092.6	3,215.1	3,478.1	3,714.3	3,806.7	3,918.3	4,034.0	4,189.8
Debt securities	628.2	667.8	670.2	691.5	694.0	697.7	710.4	742.9
Pension fund reserves	288.5	301.2	313.8	320.7	324.4	328.3	329.8	331.8
Shares and other equity	8,069.9	8,979.1	10,458.1	11,016.1	11,375.5	12,087.8	12,497.1	12,925.0
Quoted shares	2,732.0	2,987.1	3,681.0	3,945.4	4,082.5	4,457.1	4,664.1	5,060.9
Unquoted shares and other equity	5,337.9	5,992.0	6,777.1	7,070.8	7,293.0	7,630.7	7,833.0	7,864.0

Sources: ECB and Eurostat.

1) Deposit liabilities of MFIs and central government (e.g. post offices or treasuries) vis-à-vis non-financial corporations which are part of M3 (see glossary).

3.5 Insurance corporations and pension funds

(EUR billions; four-quarter cumulated flows; outstanding amounts at end-of-period)

	2003	2004	2005	2005 Q3-2006 Q2	2005 Q4-2006 Q3	2006 Q1-2006 Q4	2006 Q2-2007 Q1	2006 Q3-2007 Q2
Financial account, financial transactions								
Financial investment (+)								
Currency and deposits	29.7	50.0	25.6	36.6	48.9	64.8	81.7	72.6
of which M3 deposits [1]	7.0	12.4	7.0	7.8	8.2	12.4	17.9	2.3
Short-term debt securities	10.8	22.4	20.5	-0.4	-8.8	0.2	12.6	26.5
Long-term debt securities	140.8	132.8	129.2	133.6	145.0	143.9	148.7	161.9
Loans	11.6	6.6	-2.6	10.2	10.7	4.5	-9.2	-6.9
Shares and other equity	58.9	45.2	137.1	144.9	141.4	124.8	89.3	69.0
Quoted shares	9.5	13.0	31.6	24.1	14.7	16.9	12.4	5.3
Unquoted shares and other equity	5.1	-1.1	18.2	21.5	25.5	20.3	13.0	15.3
Mutual fund shares	44.3	33.3	87.3	99.2	101.1	87.5	63.8	48.4
of which money market fund shares	6.8	3.3	-0.9	-4.3	-5.6	2.3	3.3	-0.5
Remaining net assets (+)	-3.6	9.9	9.1	8.2	15.0	13.0	26.5	24.6
Financing (-)								
Debt securities	5.0	-1.8	0.1	-0.4	-0.4	4.0	4.0	3.6
Loans	12.4	4.4	12.5	27.6	37.1	32.6	33.9	43.5
Shares and other equity	11.4	12.9	8.5	6.8	10.8	7.1	9.4	11.1
Insurance technical reserves	237.0	261.2	335.3	335.0	334.1	314.0	299.5	297.0
Net equity of households in life insurance and pension fund reserves	210.3	229.5	291.8	296.0	291.4	267.0	249.0	247.6
Prepayments of insurance premiums and reserves for outstanding claims	26.8	31.6	43.5	39.0	42.7	47.0	50.5	49.4
= Changes in net financial worth due to transactions	-17.7	-9.8	-37.5	-35.9	-29.3	-6.5	2.8	-7.4
Other changes account								
Other changes in financial assets (+)								
Shares and other equity	107.3	110.3	190.4	127.3	125.2	192.1	153.6	245.7
Other net assets	-10.1	159.2	43.5	-14.9	0.7	-51.5	-67.6	-82.9
Other changes in liabilities (-)								
Shares and other equity	98.3	20.7	117.4	83.9	86.2	49.9	36.4	101.2
Insurance technical reserves	33.7	84.3	139.4	72.4	61.3	58.0	44.5	39.1
Net equity of households in life insurance and pension fund reserves	34.2	64.6	145.6	75.1	63.9	62.0	47.0	46.6
Prepayments of insurance premiums and reserves for outstanding claims	-0.5	19.8	-6.2	-2.7	-2.6	-4.0	-2.5	-7.5
= Other changes in net financial worth	-34.8	164.3	-22.9	-43.9	-21.6	32.6	5.1	22.5
Financial balance sheet								
Financial assets (+)								
Currency and deposits	579.0	630.8	659.3	684.3	704.3	724.3	751.6	760.0
of which M3 deposits [1]	121.1	132.6	141.6	139.7	143.3	153.4	154.7	143.2
Short-term debt securities	69.5	205.9	212.1	213.4	213.4	212.7	227.6	238.7
Long-term debt securities	1,489.0	1,659.4	1,808.8	1,843.4	1,910.8	1,902.5	1,927.2	1,945.2
Loans	363.5	358.9	362.5	372.2	371.8	361.7	350.5	354.9
Shares and other equity	1,528.9	1,684.3	2,011.8	2,111.9	2,213.0	2,328.7	2,376.5	2,426.5
Quoted shares	526.1	574.9	701.5	717.2	761.2	832.1	852.9	857.9
Unquoted shares and other equity	306.4	336.6	397.1	422.0	435.3	457.5	460.8	477.6
Mutual fund shares	696.4	772.9	913.2	972.7	1,016.5	1,039.1	1,062.8	1,091.1
of which money market fund shares	65.8	69.0	83.3	87.0	87.2	87.3	89.5	90.0
Remaining net assets (+)	106.7	122.5	159.6	167.4	176.4	176.5	180.7	169.1
Liabilities (-)								
Debt securities	23.4	21.9	22.0	22.3	23.0	26.2	26.1	25.5
Loans	126.8	120.0	132.0	158.1	169.0	164.9	183.7	193.1
Shares and other equity	429.7	463.3	589.3	578.6	628.5	646.3	662.4	690.9
Insurance technical reserves	3,789.4	4,134.9	4,609.6	4,777.8	4,882.9	4,981.5	5,062.6	5,113.9
Net equity of households in life insurance and pension fund reserves	3,208.5	3,502.6	3,940.0	4,092.8	4,183.6	4,268.9	4,335.9	4,387.1
Prepayments of insurance premiums and reserves for outstanding claims	580.9	632.3	669.6	685.0	699.3	712.6	726.7	726.8
= Net financial wealth	-232.8	-78.2	-138.7	-144.2	-113.7	-112.5	-120.8	-129.0

Source: ECB.

1) Deposit liabilities of MFIs and central government (e.g. post offices or treasuries) vis-à-vis insurance corporations and pension funds which are part of M3 (see glossary).

FINANCIAL MARKETS

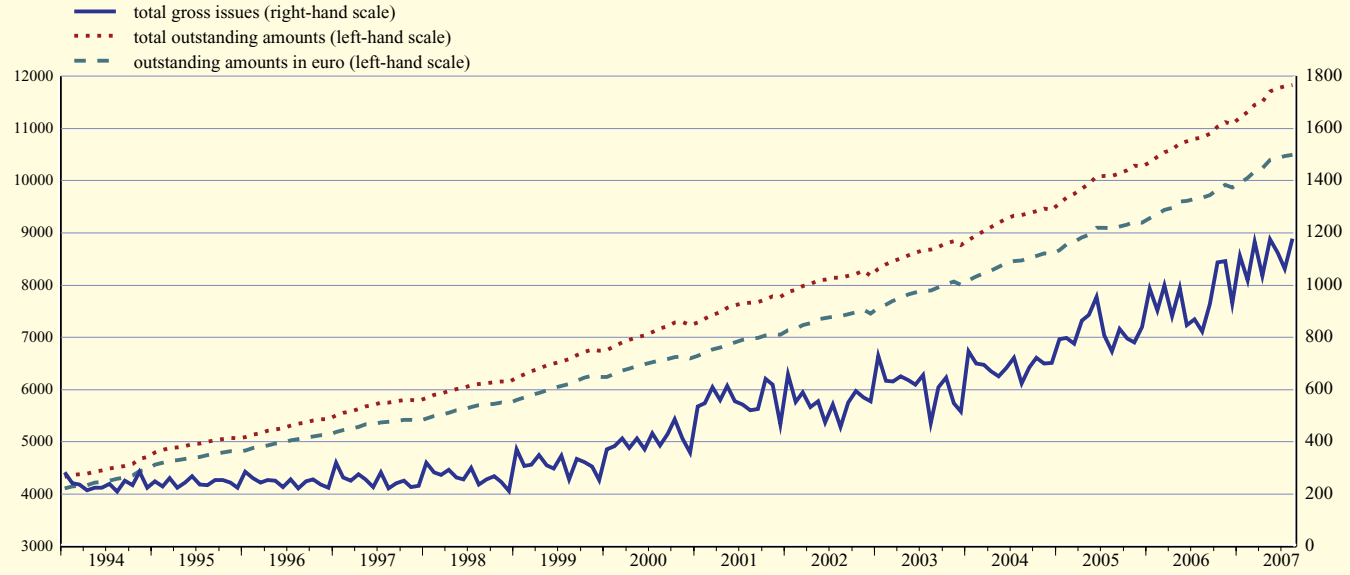
4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

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

	Total in euro [1]			By euro area residents								
				In euro			In all currencies					
	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted [2]	
											Net issues	6-month growth rates
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2006 Aug.	11,402.1	837.9	31.9	9,673.0	780.0	21.1	10,828.0	822.8	24.6	7.2	74.3	7.0
Sep.	11,522.7	1,004.1	120.2	9,723.5	882.1	50.1	10,896.7	928.0	56.9	7.3	63.0	6.9
Oct.	11,618.1	1,106.3	93.3	9,826.9	1,023.0	101.6	11,032.0	1,086.0	122.2	7.9	112.7	8.0
Nov.	11,756.6	1,134.6	137.7	9,918.3	1,036.6	90.8	11,123.3	1,092.7	107.4	8.2	94.7	8.2
Dec.	11,732.7	977.2	-24.8	9,863.7	885.3	-55.9	11,078.7	930.0	-59.9	7.9	51.5	8.6
2007 Jan.	11,831.9	1,145.7	99.2	9,961.1	1,052.1	97.5	11,206.0	1,111.8	116.0	7.9	74.8	8.9
Feb.	11,935.3	1,038.2	103.5	10,051.1	951.8	90.2	11,315.6	1,017.9	117.0	8.1	88.3	9.1
Mar.	12,160.7	1,251.8	224.2	10,181.8	1,112.8	129.3	11,451.9	1,165.4	135.5	8.4	101.2	9.8
Apr.	12,182.7	1,039.1	21.7	10,236.2	980.7	54.2	11,517.0	1,035.7	71.3	8.4	62.4	8.8
May	12,395.6	1,215.9	213.8	10,396.9	1,113.5	161.5	11,705.2	1,174.9	183.4	8.8	137.6	9.5
June	12,524.1	1,219.0	128.4	10,438.2	1,066.6	41.3	11,763.2	1,122.8	55.3	9.0	49.3	9.4
July	.	.	.	10,470.7	1,002.1	31.5	11,809.7	1,063.7	48.7	9.0	64.3	9.1
Aug.	.	.	.	10,497.8	1,130.7	28.0	11,833.7	1,179.1	29.8	9.1	86.6	9.0
	Long-term											
2006 Aug.	10,379.8	90.5	16.6	8,768.9	71.6	11.5	9,788.5	89.2	22.0	7.5	67.3	7.3
Sep.	10,473.5	218.5	94.0	8,823.7	156.8	55.2	9,858.3	176.2	63.2	7.5	58.1	7.3
Oct.	10,574.6	224.8	98.8	8,894.2	173.9	68.4	9,951.4	207.0	86.7	8.1	95.1	8.2
Nov.	10,709.7	226.0	134.2	8,988.7	167.2	93.9	10,044.9	193.4	108.6	8.3	93.7	9.0
Dec.	10,731.1	171.5	18.7	9,007.8	133.0	16.0	10,071.4	153.1	13.0	8.2	59.2	9.0
2007 Jan.	10,807.8	231.3	76.5	9,058.3	176.6	50.5	10,140.6	200.4	61.5	8.1	67.7	9.3
Feb.	10,900.5	230.9	92.9	9,134.8	183.1	76.6	10,230.8	216.7	98.1	8.4	75.9	9.4
Mar.	11,031.6	271.4	131.0	9,224.6	206.4	89.7	10,323.6	227.2	94.8	8.5	71.7	9.6
Apr.	11,072.3	181.0	40.4	9,255.2	154.5	30.3	10,360.1	176.2	44.0	8.4	52.1	8.6
May	11,258.4	266.0	187.7	9,389.9	198.3	136.3	10,515.6	224.6	151.5	8.9	107.9	8.8
June	11,356.7	257.9	96.9	9,451.9	189.3	60.6	10,593.4	215.7	74.1	8.8	44.0	8.5
July	.	.	.	9,466.8	161.0	14.7	10,619.7	186.3	28.1	8.7	49.2	8.0
Aug.	.	.	.	9,460.2	86.9	-7.1	10,619.1	104.1	-1.1	8.4	51.7	7.5

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	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2005	10,269	4,119	933	607	4,327	283	9,874	6,988	325	1,031	1,435	95
2006	11,079	4,563	1,167	636	4,408	305	11,334	8,377	420	1,113	1,339	85
2006 Q3	10,897	4,446	1,071	629	4,452	298	2,619	1,928	81	262	329	18
Q4	11,079	4,563	1,167	636	4,408	305	3,109	2,364	147	334	241	23
2007 Q1	11,452	4,758	1,248	648	4,489	309	3,295	2,446	127	285	415	23
Q2	11,763	4,868	1,302	684	4,601	308	3,333	2,361	113	453	389	18
2007 May	11,705	4,870	1,284	669	4,574	308	1,175	826	50	157	138	5
June	11,763	4,868	1,302	684	4,601	308	1,123	787	34	164	132	6
July	11,810	4,902	1,331	693	4,577	307	1,064	746	46	151	115	6
Aug.	11,834	4,931	1,342	682	4,571	308	1,179	920	22	135	97	5
	Short-term											
2005	945	482	7	90	361	5	7,797	6,046	45	943	729	33
2006	1,007	568	12	94	329	4	9,172	7,372	60	1,023	686	31
2006 Q3	1,038	559	12	96	367	4	2,175	1,731	16	249	171	8
Q4	1,007	568	12	94	329	4	2,555	2,085	14	305	144	7
2007 Q1	1,128	621	12	106	385	4	2,651	2,132	16	271	222	8
Q2	1,170	627	11	120	407	5	2,717	2,072	12	413	210	9
2007 May	1,190	652	12	120	401	5	950	727	3	144	73	3
June	1,170	627	11	120	407	5	907	686	5	145	69	3
July	1,190	642	10	128	406	5	877	669	3	142	60	3
Aug.	1,215	666	11	119	413	5	1,075	862	3	134	72	3
	Long-term [1]											
2005	9,323	3,637	926	516	3,966	278	2,077	942	280	88	706	61
2006	10,071	3,995	1,155	542	4,079	301	2,162	1,005	360	90	653	54
2006 Q3	9,858	3,887	1,060	533	4,085	294	444	198	65	13	158	9
Q4	10,071	3,995	1,155	542	4,079	301	554	279	133	29	97	16
2007 Q1	10,324	4,137	1,236	542	4,105	304	644	313	111	13	192	14
Q2	10,593	4,242	1,291	563	4,194	304	617	289	101	40	179	8
2007 May	10,516	4,217	1,272	550	4,173	303	225	98	47	13	65	2
June	10,593	4,242	1,291	563	4,194	304	216	101	29	19	64	3
July	10,620	4,261	1,321	565	4,171	302	186	76	43	9	55	3
Aug.	10,619	4,265	1,331	563	4,158	303	104	58	18	1	25	2
	Of which long-term fixed rate											
2005	6,724	2,020	462	408	3,616	217	1,229	414	92	53	622	48
2006	7,050	2,138	543	413	3,719	237	1,292	478	142	56	576	39
2006 Q3	6,976	2,113	513	409	3,708	233	277	96	25	9	140	8
Q4	7,050	2,138	543	413	3,719	237	281	117	46	18	90	10
2007 Q1	7,163	2,211	568	413	3,728	243	402	172	40	9	169	13
Q2	7,306	2,256	583	426	3,798	244	341	134	28	24	147	7
2007 May	7,266	2,232	583	416	3,791	244	117	38	11	8	57	2
June	7,306	2,256	583	426	3,798	244	122	53	5	11	50	2
July	7,296	2,267	588	425	3,771	245	108	41	10	5	50	3
Aug.	7,298	2,270	595	424	3,764	245	66	32	12	0	21	2
	Of which long-term variable rate											
2005	2,266	1,350	458	92	306	60	718	432	188	27	58	12
2006	2,603	1,507	604	115	314	64	716	405	215	31	51	15
2006 Q3	2,490	1,450	539	108	333	60	134	77	40	4	13	2
Q4	2,603	1,507	604	115	314	64	232	124	86	11	5	6
2007 Q1	2,712	1,560	657	115	320	61	201	114	69	4	13	1
Q2	2,829	1,603	698	126	343	59	223	111	72	16	23	1
2007 May	2,783	1,591	679	120	334	59	83	37	35	5	5	0
June	2,829	1,603	698	126	343	59	79	38	25	7	9	1
July	2,855	1,602	722	128	345	57	63	24	32	5	3	0
Aug.	2,851	1,607	724	127	336	57	27	19	5	1	2	1

Source: ECB.

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

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

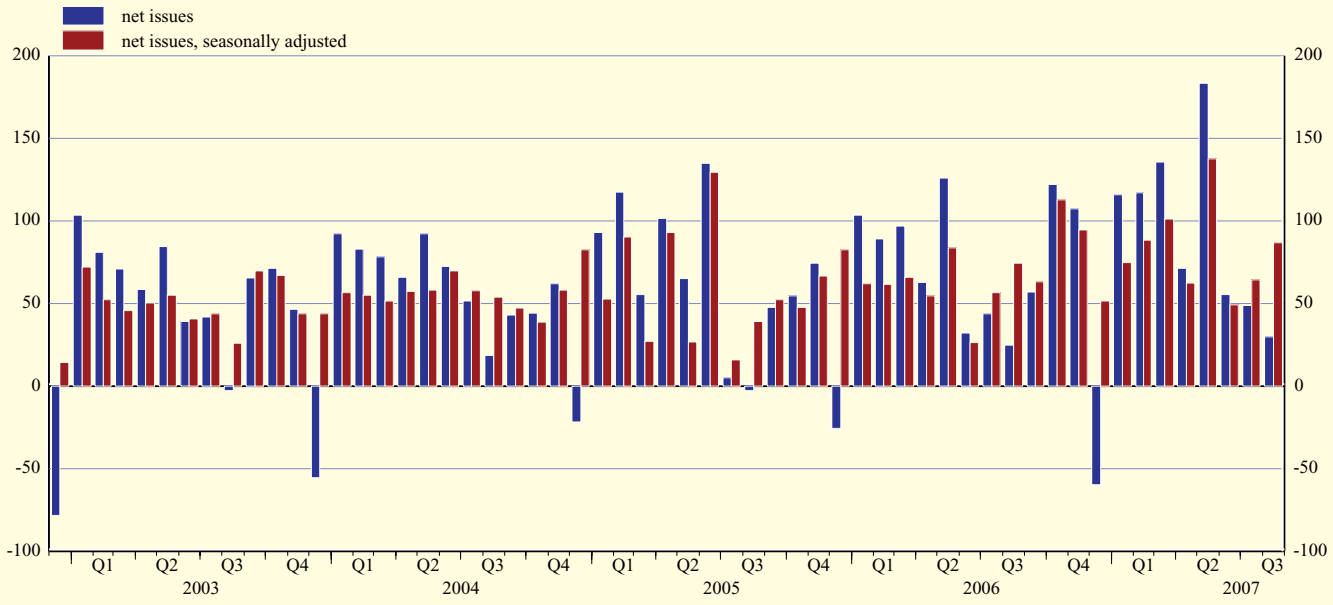
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted						Seasonally adjusted					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2005	720.6	319.8	175.9	20.9	171.5	32.4	723.4	323.7	172.6	20.8	173.8	32.6
2006	805.5	418.6	241.6	32.5	90.5	22.4	807.1	423.9	238.0	32.7	90.1	22.4
2006 Q3	125.2	78.5	37.4	-4.8	14.5	-0.4	193.8	99.0	58.1	0.8	32.7	3.2
Q4	169.7	97.8	98.9	7.6	-41.2	6.7	258.8	133.1	70.7	11.9	38.2	5.0
2007 Q1	368.5	187.1	81.9	13.0	82.7	3.9	264.2	122.5	99.3	10.6	29.3	2.6
Q2	310.0	105.9	55.4	36.3	112.4	-0.1	249.4	114.2	42.2	28.2	65.7	-0.9
2007 May	183.4	60.1	39.6	12.8	72.6	-1.7	137.6	56.3	36.0	6.6	39.9	-1.1
June	55.3	-4.3	18.4	14.3	26.5	0.3	49.3	18.7	2.0	16.2	13.9	-1.4
July	48.7	33.7	29.6	9.3	-23.0	-1.1	64.3	29.6	32.8	7.7	-5.8	0.0
Aug.	29.8	34.9	10.9	-10.3	-6.3	0.6	86.6	54.4	30.5	-6.5	5.9	2.4
	Long-term											
2005	712.9	296.4	176.3	21.3	186.3	32.7	714.0	298.0	173.1	21.0	189.1	32.8
2006	758.7	348.5	236.2	29.1	121.5	23.3	758.7	350.4	232.7	28.9	123.3	23.3
2006 Q3	122.1	64.4	36.0	0.2	21.5	0.0	180.2	76.1	57.1	2.5	41.1	3.5
Q4	208.3	96.3	98.2	9.8	-3.2	7.2	248.1	121.2	70.1	7.3	44.0	5.5
2007 Q1	254.4	141.2	82.2	1.0	26.7	3.3	215.2	107.3	99.3	7.4	-0.9	2.1
Q2	269.7	101.3	56.5	22.3	90.2	-0.6	204.0	97.1	43.2	15.8	49.2	-1.3
2007 May	151.5	46.4	39.6	6.3	61.0	-1.8	107.9	37.0	35.7	2.9	33.4	-1.1
June	74.1	20.4	19.1	13.8	20.5	0.4	44.0	25.5	2.5	10.7	6.7	-1.5
July	28.1	18.8	30.6	1.7	-21.8	-1.2	49.2	17.2	34.1	0.4	-2.6	0.2
Aug.	-1.1	4.1	9.8	-1.7	-13.8	0.6	51.7	21.8	29.5	0.8	-2.6	2.3

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

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



Source: ECB.

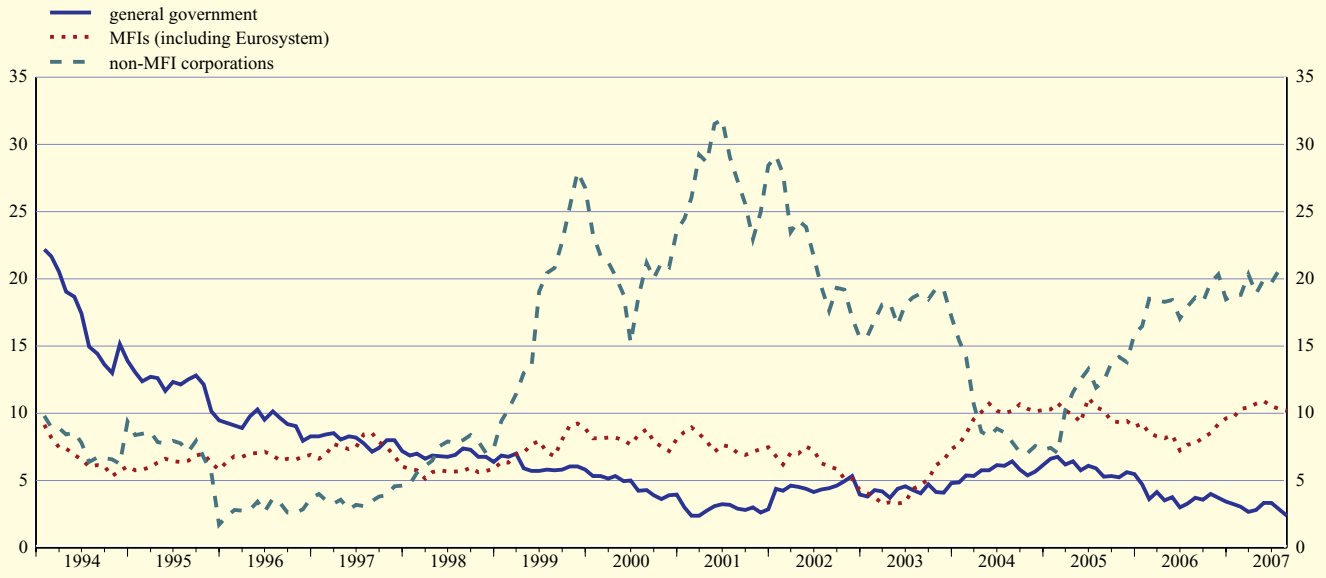
4.3 Growth rates of securities, other than shares, issued by euro area residents [1)]

(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	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2006 Aug.	7.2	8.4	27.1	3.1	2.5	12.2	7.0	9.2	24.2	2.0	2.0	9.4
Sep.	7.3	9.0	26.4	3.9	2.2	10.4	6.9	9.1	23.4	4.2	1.7	8.1
Oct.	7.9	9.6	29.1	3.5	2.6	9.5	8.0	10.2	27.8	4.1	2.3	8.5
Nov.	8.2	10.0	29.6	4.7	2.5	8.8	8.2	9.4	29.1	3.6	3.2	7.0
Dec.	7.9	10.2	26.0	5.4	2.1	7.9	8.6	10.9	26.8	4.1	3.2	5.6
2007 Jan.	7.9	10.5	26.6	4.5	1.9	7.4	8.9	11.9	27.8	4.8	2.7	4.4
Feb.	8.1	10.7	26.6	4.6	2.1	5.8	9.1	12.2	29.2	7.5	2.3	2.1
Mar.	8.4	10.4	28.7	5.7	2.4	6.7	9.8	11.8	33.9	7.2	3.1	5.1
Apr.	8.4	10.6	26.5	6.0	2.6	7.3	8.8	10.9	25.4	7.7	2.9	6.1
May	8.8	10.4	28.3	6.0	3.5	5.1	9.5	11.5	27.3	8.1	3.8	3.3
June	9.0	10.7	26.5	8.2	3.8	3.4	9.4	10.5	26.1	12.4	4.3	1.1
July	9.0	10.8	27.3	10.0	3.3	2.6	9.1	9.7	27.0	15.2	3.9	0.8
Aug.	9.1	11.1	27.4	9.6	3.1	2.6	9.0	9.9	25.8	11.7	3.9	3.0
	Long-term											
2006 Aug.	7.5	7.8	26.8	5.2	3.1	12.5	7.3	8.3	23.5	3.4	3.2	9.3
Sep.	7.5	8.2	26.1	5.3	3.1	10.9	7.3	8.7	22.6	4.9	2.6	8.5
Oct.	8.1	8.5	28.8	4.7	3.6	10.0	8.2	9.5	27.3	3.7	3.2	9.0
Nov.	8.3	9.2	29.3	5.1	3.3	9.4	9.0	10.6	28.8	2.5	3.9	7.6
Dec.	8.2	9.6	25.6	5.7	3.1	8.4	9.0	10.6	26.7	3.8	4.3	6.2
2007 Jan.	8.1	9.7	26.3	5.3	2.9	7.6	9.3	11.4	27.8	6.0	3.6	4.8
Feb.	8.4	10.3	26.4	4.8	2.9	6.0	9.4	12.4	29.4	6.1	2.6	2.6
Mar.	8.5	10.4	28.4	5.3	2.4	6.9	9.6	12.1	34.2	5.6	2.1	5.2
Apr.	8.4	10.7	26.5	4.8	2.5	7.4	8.6	11.9	25.7	5.8	1.7	5.8
May	8.9	10.9	28.3	4.2	3.2	5.1	8.8	11.2	27.6	6.0	2.5	2.8
June	8.8	10.5	26.7	6.3	3.3	3.4	8.5	10.4	26.6	8.8	2.4	0.6
July	8.7	10.3	27.7	7.0	2.9	2.7	8.0	9.3	27.7	8.0	2.1	0.6
Aug.	8.4	10.2	27.7	6.9	2.4	2.6	7.5	8.0	26.2	7.6	2.1	2.7

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.

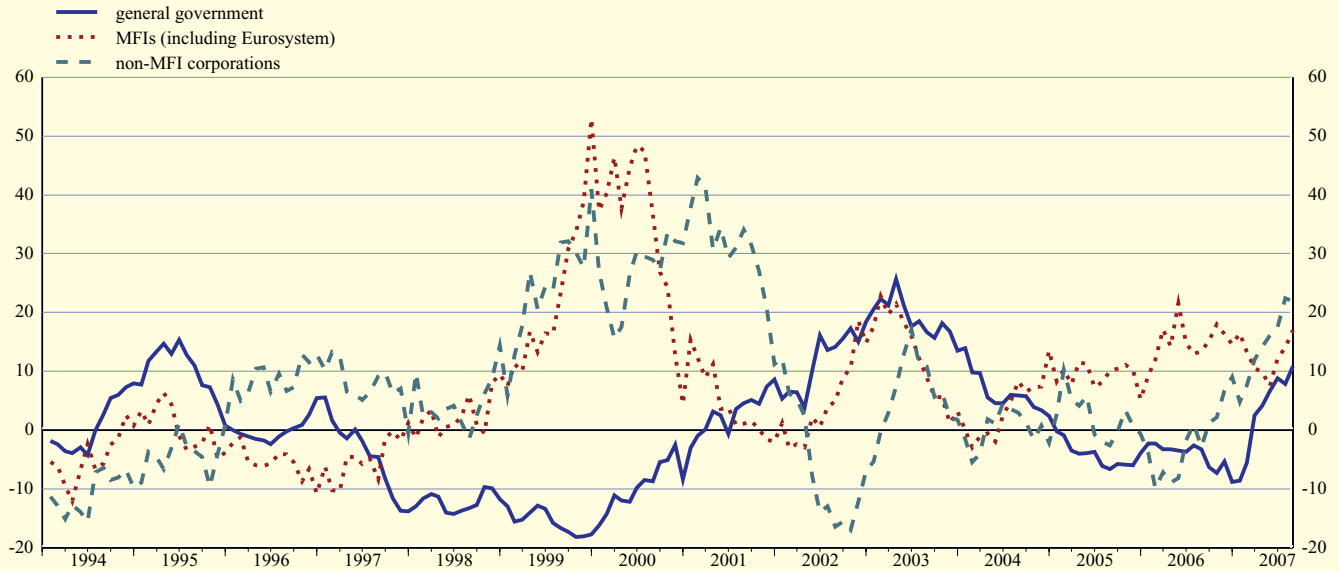
4.3 Growth rates of securities, other than shares, issued by euro area residents [1] (cont'd)

(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	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	13	14	15	16	17	18	19	20	21	22	23	24
	In all currencies combined											
2005	4.7	3.1	5.5	0.4	5.5	15.0	19.5	18.6	35.7	22.3	9.9	4.8
2006	4.5	4.7	13.8	0.9	3.1	13.4	16.4	11.8	41.1	28.0	5.2	4.5
2006 Q3	4.4	4.7	15.0	0.6	2.8	13.7	14.9	10.0	37.9	30.9	4.1	6.5
Q4	5.1	5.5	19.9	1.1	3.1	11.1	15.5	11.0	36.2	27.3	5.5	4.8
2007 Q1	5.3	6.4	20.5	2.7	2.9	7.9	15.0	12.1	32.2	21.8	1.5	4.1
Q2	5.5	7.6	19.8	2.7	2.6	7.7	15.9	12.1	34.6	18.8	5.7	-0.7
2007 Mar.	5.2	7.1	20.3	3.1	2.2	8.2	16.0	12.1	36.0	20.5	3.7	2.3
Apr.	5.4	7.7	19.8	2.5	2.2	9.0	15.7	12.3	32.7	19.7	5.7	1.8
May	5.7	7.4	20.9	2.1	3.0	7.4	15.9	12.1	35.2	16.8	6.0	-3.3
June	5.7	8.2	17.0	3.9	3.0	5.3	16.2	11.8	35.9	19.6	7.0	-3.6
July	5.4	8.4	17.5	4.7	2.2	5.0	15.9	11.0	37.0	20.1	6.5	-6.1
Aug.	5.3	8.2	18.2	4.9	1.9	4.9	15.4	11.2	36.2	19.0	3.3	-5.7
	In euro											
2005	4.3	0.9	8.9	-0.1	5.4	15.3	18.9	17.3	35.1	22.1	10.3	5.4
2006	3.8	3.1	11.2	0.1	3.2	13.6	15.2	10.1	37.6	30.9	5.4	3.6
2006 Q3	3.6	3.1	11.1	-0.4	2.9	13.7	13.3	8.1	33.4	34.6	4.1	5.1
Q4	4.3	4.1	15.0	-0.3	3.3	11.1	14.5	9.5	33.4	30.2	5.6	3.8
2007 Q1	4.7	5.4	16.0	1.1	3.2	7.9	13.7	10.9	28.8	23.1	1.5	3.6
Q2	4.8	6.8	16.2	0.8	2.9	7.6	15.1	11.2	32.0	19.6	5.8	-1.3
2007 Mar.	4.5	6.2	16.3	1.0	2.5	8.1	15.0	11.3	32.1	21.6	3.8	1.9
Apr.	4.7	7.0	16.3	0.6	2.5	8.9	14.9	11.4	30.0	20.9	5.8	1.4
May	5.1	6.6	17.2	0.2	3.3	7.2	15.1	11.1	32.8	17.5	6.1	-3.9
June	5.0	7.2	14.0	2.3	3.2	5.3	15.6	10.9	34.1	19.4	7.1	-4.3
July	4.7	7.5	14.7	3.7	2.4	5.1	15.2	9.9	35.1	19.3	6.6	-7.0
Aug.	4.6	7.5	15.1	3.8	2.1	5.1	14.8	10.5	34.2	18.0	3.4	-6.7

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)

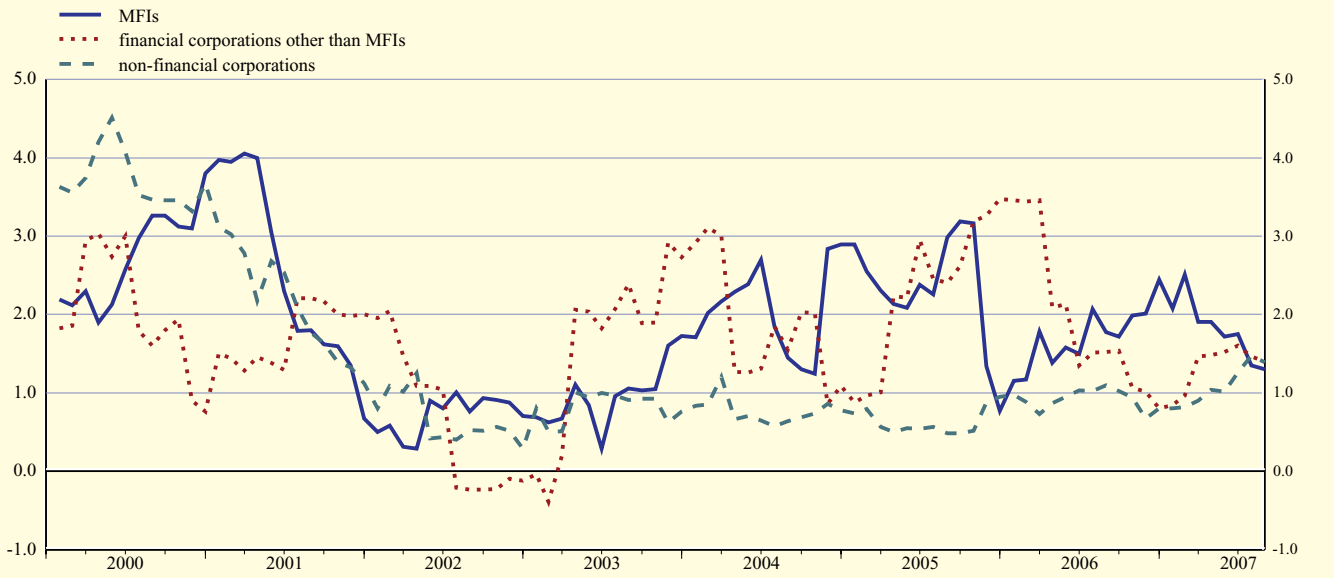
1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Financial corporations other than MFIs		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
2005 Aug.	4,613.0	103.1	1.1	723.5	3.0	458.2	2.4	3,431.4	0.5
Sep.	4,834.1	103.2	1.1	764.1	3.2	484.8	2.6	3,585.2	0.5
Oct.	4,666.6	103.4	1.2	752.4	3.2	481.5	3.2	3,432.7	0.5
Nov.	4,889.2	103.7	1.2	809.2	1.3	514.6	3.3	3,565.4	0.9
Dec.	5,063.5	103.8	1.2	836.4	0.8	541.8	3.5	3,685.3	0.9
2006 Jan.	5,296.6	103.8	1.2	884.8	1.2	536.8	3.5	3,875.0	1.0
Feb.	5,436.6	103.8	1.2	938.8	1.2	562.7	3.4	3,935.1	0.9
Mar.	5,637.3	103.9	1.2	962.3	1.8	580.0	3.5	4,094.9	0.7
Apr.	5,662.8	104.0	1.1	948.8	1.4	573.9	2.1	4,140.1	0.9
May	5,373.0	104.1	1.2	896.7	1.6	534.5	2.1	3,941.8	0.9
June	5,384.8	104.3	1.1	905.0	1.5	530.6	1.3	3,949.1	1.0
July	5,381.0	104.4	1.3	918.4	2.1	544.4	1.5	3,918.2	1.0
Aug.	5,545.2	104.4	1.3	958.6	1.8	595.7	1.5	3,990.8	1.1
Sep.	5,684.5	104.5	1.2	986.1	1.7	607.7	1.5	4,090.7	1.0
Oct.	5,869.1	104.6	1.1	1,015.6	2.0	614.5	1.1	4,239.0	0.9
Nov.	5,922.6	104.7	0.9	1,024.3	2.0	603.8	1.0	4,294.5	0.7
Dec.	6,139.4	104.9	1.1	1,056.3	2.4	623.2	0.8	4,459.9	0.8
2007 Jan.	6,310.4	104.9	1.0	1,111.3	2.1	641.7	0.8	4,557.4	0.8
Feb.	6,223.4	105.0	1.1	1,081.2	2.5	633.4	1.0	4,508.8	0.8
Mar.	6,423.5	105.1	1.1	1,099.9	1.9	644.6	1.5	4,678.9	0.9
Apr.	6,671.7	105.3	1.2	1,156.5	1.9	670.5	1.5	4,844.7	1.0
May	6,944.3	105.4	1.2	1,161.3	1.7	684.0	1.5	5,099.0	1.0
June	6,862.1	105.7	1.4	1,115.5	1.8	671.8	1.6	5,074.8	1.3
July	6,639.8	105.9	1.5	1,081.1	1.4	607.5	1.5	4,951.1	1.5
Aug.	6,521.7	105.9	1.4	1,041.8	1.3	582.6	1.4	4,897.3	1.4

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)]

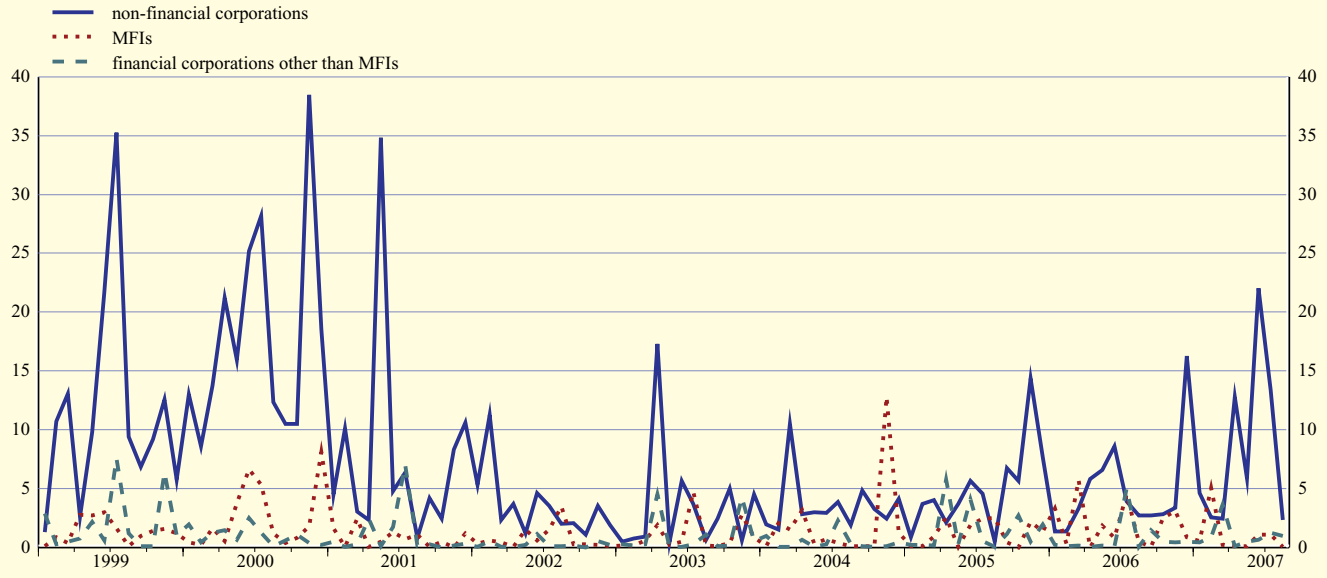
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			Financial corporations other than MFIs			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
2005 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	3.9	13.0	2.1	0.0	2.1	0.5	0.1	0.4	14.4	3.9	10.5
Dec.	10.9	7.4	3.5	1.3	4.3	-3.0	1.9	0.4	1.5	7.7	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	0.1	0.0	0.1	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	0.5	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	6.4	1.9	0.0	1.8	0.2	0.0	0.2	6.5	2.2	4.4
June	9.4	2.7	6.8	0.8	0.3	0.5	0.1	0.1	0.0	8.6	2.4	6.2
July	13.4	6.6	6.8	4.5	0.0	4.5	5.0	3.5	1.5	3.9	3.1	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	1.1
Sep.	4.2	0.5	3.7	0.0	0.0	0.0	1.5	0.0	1.4	2.7	0.5	2.2
Oct.	5.8	1.2	4.6	2.5	0.0	2.5	0.5	0.0	0.5	2.8	1.2	1.6
Nov.	6.9	2.1	4.8	3.1	0.0	3.1	0.4	0.2	0.3	3.3	1.9	1.5
Dec.	17.6	5.1	12.5	0.9	0.3	0.5	0.5	0.0	0.5	16.3	4.7	11.5
2007 Jan.	5.5	3.9	1.6	0.5	0.1	0.4	0.4	0.0	0.4	4.6	3.8	0.8
Feb.	8.4	2.0	6.4	5.0	0.0	5.0	0.9	0.0	0.9	2.5	2.0	0.5
Mar.	6.3	1.7	4.6	0.2	0.0	0.2	3.6	0.4	3.3	2.4	1.4	1.1
Apr.	13.0	0.4	12.6	0.1	0.3	-0.2	0.1	0.0	0.1	12.8	0.2	12.6
May	6.4	1.8	4.5	0.1	0.0	0.1	0.5	0.0	0.5	5.8	1.8	4.0
June	23.7	1.6	22.1	1.0	0.0	1.0	0.6	0.0	0.6	22.0	1.6	20.4
July	15.7	1.8	13.8	1.1	0.0	1.1	1.2	0.3	0.9	13.4	1.5	11.8
Aug.	3.3	6.5	-3.2	0.0	0.0	0.0	1.0	1.4	-0.5	2.3	5.1	-2.7

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 [1]

(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 [2]	With agreed maturity			Redeemable at notice [2, 3]		Overnight [2]	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
2006 Oct.	0.90	3.04	3.30	2.87	2.30	2.75	1.45	3.19	3.58	4.24	3.14
Nov.	0.91	3.10	3.34	2.80	2.30	2.81	1.49	3.26	3.46	3.66	3.23
Dec.	0.92	3.27	3.31	2.79	2.38	2.87	1.51	3.47	4.95	3.87	3.41
2007 Jan.	0.98	3.33	3.48	2.92	2.35	2.98	1.61	3.49	3.91	4.07	3.46
Feb.	1.00	3.37	3.64	2.72	2.35	3.07	1.64	3.48	3.80	4.15	3.47
Mar.	1.02	3.51	3.65	2.68	2.39	3.14	1.71	3.67	3.83	3.72	3.64
Apr.	1.04	3.59	3.68	2.78	2.42	3.20	1.75	3.74	4.01	3.87	3.70
May	1.06	3.62	3.51	2.72	2.43	3.25	1.78	3.74	3.80	3.72	3.73
June	1.08	3.78	3.79	2.64	2.42	3.32	1.77	3.94	4.09	4.16	3.90
July	1.10	3.86	3.90	2.97	2.45	3.40	1.81	4.01	4.16	4.51	3.95
Aug.	1.14	3.93	3.93	3.01	2.53	3.46	1.89	4.08	4.33	4.20	3.93
Sep.	1.15	4.06	3.98	2.93	2.58	3.50	1.91	4.14	4.35	4.42	3.97

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

	Bank overdrafts [2]	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge [4]	By initial rate fixation				Annual percentage rate of charge [4]			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
2006 Oct.	10.03	7.50	5.99	8.17	7.76	4.42	4.45	4.58	4.47	4.73	4.93	5.18	4.80
Nov.	10.07	7.66	6.12	8.15	7.81	4.49	4.50	4.58	4.47	4.76	4.97	5.26	4.91
Dec.	10.03	7.56	6.05	7.97	7.71	4.56	4.58	4.56	4.49	4.80	4.93	5.24	4.82
2007 Jan.	10.14	7.63	6.68	8.39	8.25	4.68	4.60	4.60	4.50	4.83	5.13	5.43	4.92
Feb.	10.31	7.69	6.83	8.27	8.28	4.71	4.71	4.70	4.61	4.90	5.27	5.38	5.14
Mar.	10.22	7.51	6.68	8.34	8.14	4.79	4.76	4.71	4.62	4.94	5.26	5.60	5.20
Apr.	10.29	7.77	6.69	8.24	8.15	4.85	4.73	4.75	4.67	5.00	5.29	5.57	5.21
May	10.32	8.10	6.73	8.30	8.27	4.88	4.80	4.81	4.74	5.02	5.38	5.65	5.32
June	10.38	8.07	6.66	8.25	8.25	5.00	4.93	4.90	4.82	5.15	5.49	5.77	5.37
July	10.49	8.06	6.76	8.30	8.35	5.06	4.93	5.02	4.91	5.26	5.54	5.80	5.41
Aug.	10.55	8.43	6.85	8.31	8.48	5.15	4.98	5.08	4.90	5.24	5.36	5.93	5.47
Sep.	10.56	8.47	6.82	8.37	8.53	5.22	4.99	5.08	4.98	5.36	5.46	5.87	5.44

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

	Bank overdrafts [2]	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
2006 Oct.	5.76	4.91	5.17	4.57	4.24	4.38	4.45
Nov.	5.82	5.00	5.25	4.68	4.31	4.62	4.58
Dec.	5.80	5.08	5.24	4.71	4.50	4.77	4.63
2007 Jan.	5.94	5.16	5.31	4.69	4.44	4.67	4.70
Feb.	6.03	5.21	5.44	4.86	4.51	4.69	4.71
Mar.	6.04	5.30	5.45	4.88	4.66	4.81	4.87
Apr.	6.12	5.37	5.47	4.88	4.70	4.99	4.90
May	6.12	5.43	5.57	4.95	4.72	5.10	5.12
June	6.17	5.53	5.70	5.03	4.89	5.28	5.17
July	6.30	5.58	5.77	5.09	4.90	4.95	5.17
Aug.	6.35	5.77	5.86	5.17	5.01	5.46	5.29
Sep.	6.49	5.93	5.88	5.17	5.20	5.58	5.40

Source: ECB.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.

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

3) 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.

4) 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)

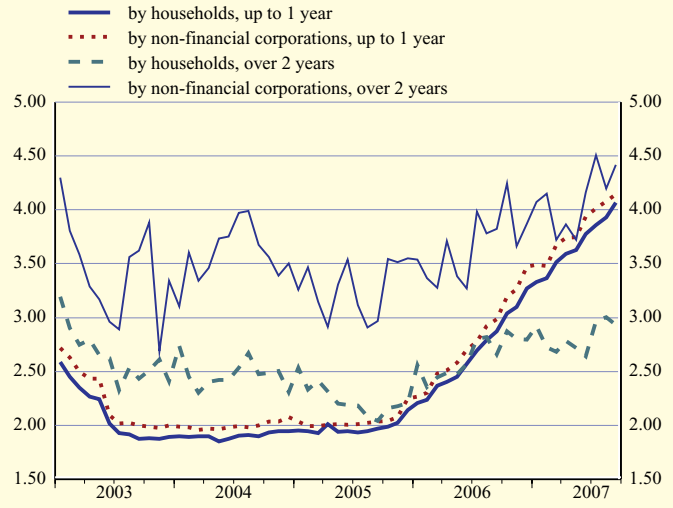
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight [1]	With agreed maturity		Redeemable at notice [1),2)]		Overnight [1]	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2006 Oct.	0.90	2.69	3.10	2.30	2.75	1.45	3.15	3.80	3.05
Nov.	0.91	2.78	3.05	2.30	2.81	1.49	3.24	3.80	3.14
Dec.	0.92	2.89	3.05	2.38	2.87	1.51	3.42	3.88	3.29
2007 Jan.	0.98	2.99	3.06	2.35	2.98	1.61	3.45	3.91	3.36
Feb.	1.00	3.07	3.12	2.35	3.07	1.64	3.49	3.92	3.41
Mar.	1.02	3.16	3.05	2.39	3.14	1.71	3.61	3.93	3.54
Apr.	1.04	3.23	3.06	2.42	3.20	1.75	3.67	3.93	3.59
May	1.06	3.30	3.03	2.43	3.25	1.78	3.72	3.96	3.66
June	1.08	3.39	3.04	2.42	3.32	1.77	3.87	3.99	3.79
July	1.10	3.49	3.02	2.45	3.40	1.81	3.92	4.00	3.85
Aug.	1.14	3.58	3.03	2.53	3.46	1.89	4.03	4.07	3.89
Sep.	1.15	3.68	3.05	2.58	3.50	1.91	4.13	4.09	3.93

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
2006 Oct.	4.90	4.29	4.65	8.35	6.81	5.88	5.07	4.51	4.57
Nov.	4.98	4.33	4.68	8.33	6.81	5.91	5.14	4.59	4.63
Dec.	5.01	4.34	4.70	8.41	6.81	5.93	5.23	4.66	4.68
2007 Jan.	5.05	4.38	4.72	8.53	6.83	5.95	5.30	4.76	4.77
Feb.	5.11	4.46	4.79	8.66	6.95	5.96	5.37	4.83	4.83
Mar.	5.14	4.45	4.79	8.62	6.88	5.95	5.44	4.90	4.84
Apr.	5.14	4.48	4.80	8.67	6.96	5.97	5.50	4.94	4.87
May	5.16	4.48	4.82	8.71	6.95	5.97	5.50	4.98	4.90
June	5.20	4.53	4.86	8.68	6.94	6.01	5.62	5.09	4.96
July	5.28	4.57	4.89	8.80	6.95	6.06	5.70	5.15	5.00
Aug.	5.35	4.58	4.90	8.85	6.97	6.08	5.76	5.24	5.05
Sep.	5.36	4.64	4.94	9.02	7.00	6.13	5.91	5.33	5.13

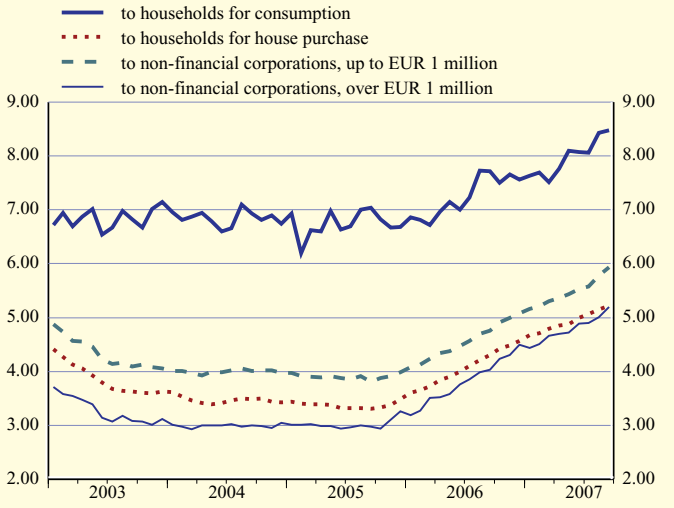
C21 New deposits with agreed maturity

(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)

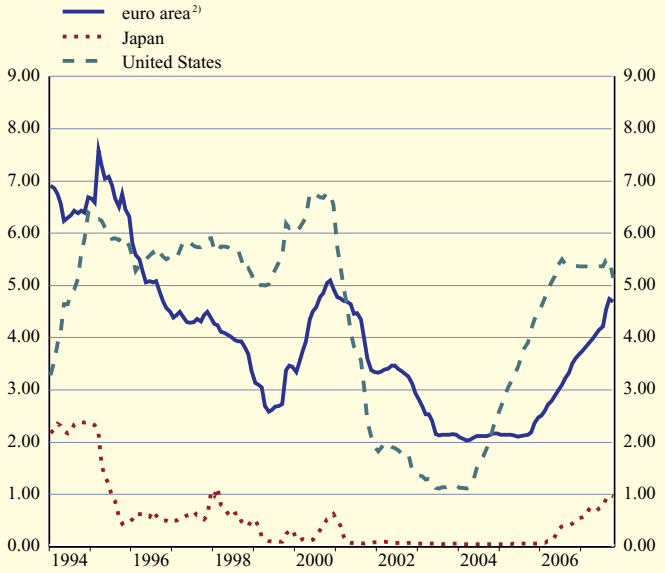
	Euro area [1),2)]					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2004	2.05	2.08	2.11	2.15	2.27	1.62	0.05
2005	2.09	2.14	2.18	2.23	2.33	3.56	0.06
2006	2.83	2.94	3.08	3.23	3.44	5.19	0.30
2006 Q3	2.94	3.06	3.22	3.41	3.62	5.43	0.41
Q4	3.36	3.46	3.59	3.72	3.86	5.37	0.49
2007 Q1	3.61	3.71	3.82	3.94	4.09	5.36	0.62
Q2	3.86	3.96	4.07	4.20	4.38	5.36	0.69
Q3	4.05	4.28	4.49	4.56	4.65	5.45	0.89
2006 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
Dec.	3.50	3.64	3.68	3.79	3.92	5.36	0.56
2007 Jan.	3.56	3.62	3.75	3.89	4.06	5.36	0.56
Feb.	3.57	3.65	3.82	3.94	4.09	5.36	0.59
Mar.	3.69	3.84	3.89	4.00	4.11	5.35	0.71
Apr.	3.82	3.86	3.98	4.10	4.25	5.35	0.66
May	3.79	3.92	4.07	4.20	4.37	5.36	0.67
June	3.96	4.10	4.15	4.28	4.51	5.36	0.73
July	4.06	4.11	4.22	4.36	4.56	5.36	0.77
Aug.	4.05	4.31	4.54	4.59	4.67	5.48	0.92
Sep.	4.03	4.43	4.74	4.75	4.72	5.49	0.99
Oct.	3.94	4.24	4.69	4.66	4.65	5.15	0.97

C23 Euro area money market rates [2)]

(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.

2) Data refer to the changing composition of the euro area. For further information, see the General notes.

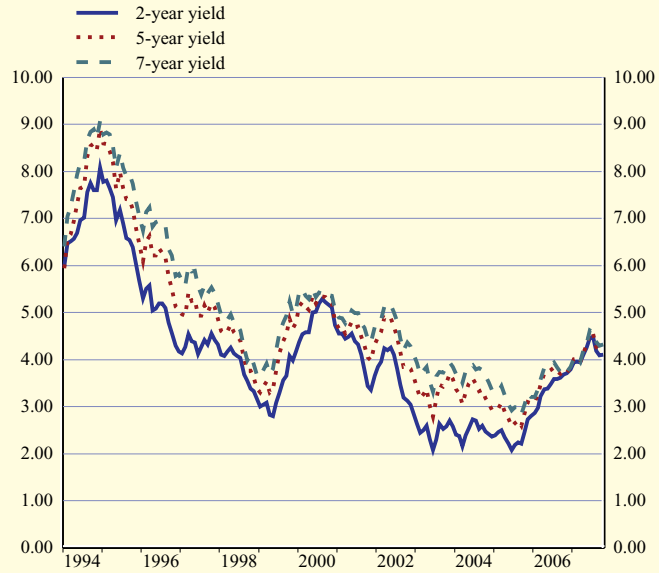
4.7 Government bond yields

(percentages per annum; period averages)

	Euro area [1),2)]					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
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
2006	3.44	3.51	3.64	3.72	3.86	4.79	1.74
2006 Q3	3.60	3.66	3.76	3.84	3.97	4.90	1.80
Q4	3.73	3.73	3.77	3.79	3.86	4.63	1.70
2007 Q1	3.95	3.96	3.99	4.02	4.08	4.68	1.68
Q2	4.27	4.30	4.34	4.38	4.42	4.84	1.74
Q3	4.26	4.30	4.34	4.42	4.48	4.74	1.72
2006 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
Dec.	3.79	3.79	3.83	3.84	3.90	4.57	1.64
2007 Jan.	3.94	3.96	4.02	4.02	4.10	4.76	1.71
Feb.	3.96	3.98	4.02	4.07	4.12	4.73	1.71
Mar.	3.94	3.94	3.95	3.96	4.02	4.56	1.62
Apr.	4.11	4.12	4.15	4.20	4.25	4.69	1.67
May	4.26	4.28	4.31	4.34	4.37	4.75	1.67
June	4.45	4.51	4.57	4.62	4.66	5.11	1.89
July	4.48	4.52	4.55	4.59	4.63	5.01	1.89
Aug.	4.19	4.23	4.27	4.38	4.43	4.68	1.65
Sep.	4.10	4.14	4.19	4.30	4.37	4.51	1.61
Oct.	4.11	4.16	4.21	4.32	4.40	4.52	1.66

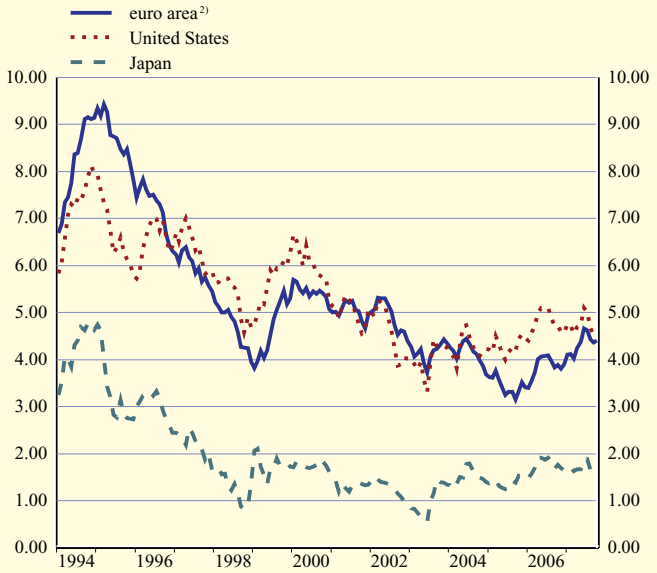
C25 Euro area government bond yields [2)]

(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.

2) Data refer to the changing composition of the euro area. For further information, see the General notes.

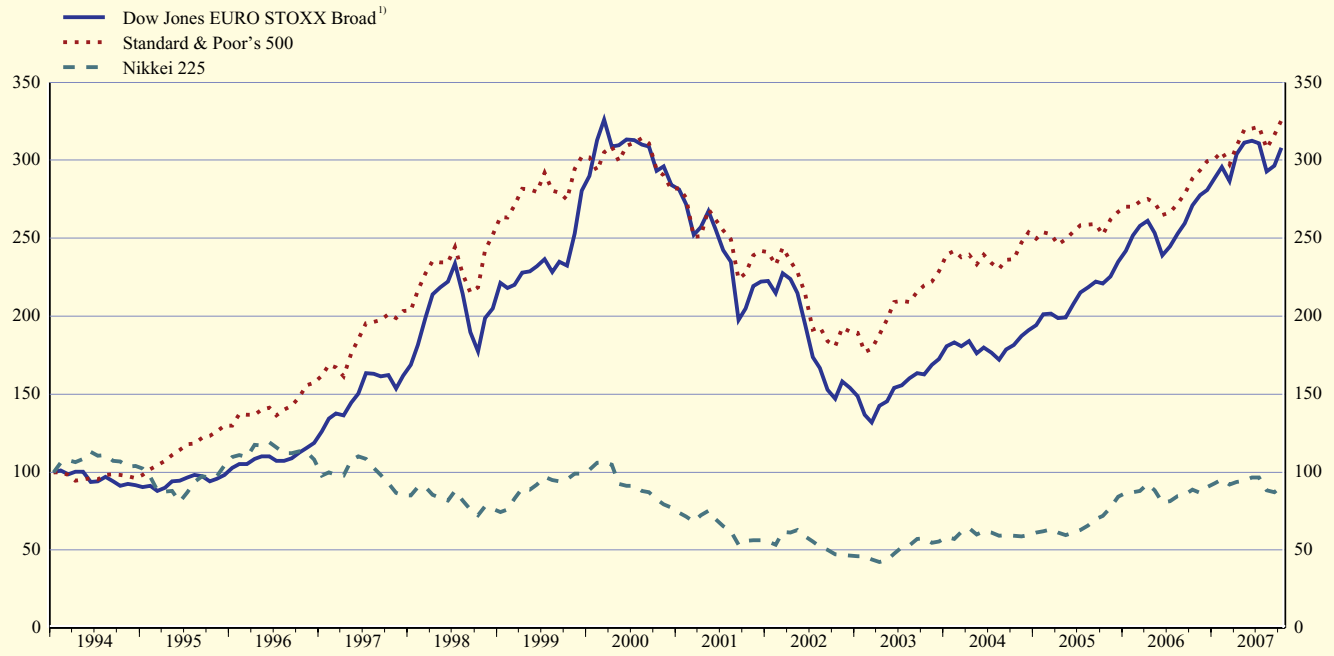
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices [1]												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
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
2006	357.3	3,795.4	402.3	205.0	293.7	419.8	370.3	391.3	345.3	440.0	416.8	530.2	1,310.5	16,124.0
2006 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
Q4	383.3	4,032.4	450.4	219.3	315.1	432.7	400.7	419.5	343.1	490.8	450.1	526.3	1,389.2	16,465.0
2007 Q1	402.5	4,150.5	489.9	233.3	335.7	422.8	418.6	462.7	349.4	512.3	472.8	527.2	1,424.8	17,363.9
Q2	429.0	4,416.2	549.6	246.8	373.0	454.1	434.2	512.5	376.6	556.0	475.8	536.7	1,496.6	17,678.7
Q3	416.4	4,317.6	568.3	233.5	373.3	465.6	399.8	494.4	400.9	556.3	476.7	503.8	1,489.8	16,907.5
2006 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
Dec.	389.5	4,070.4	464.4	221.0	319.3	440.4	403.4	433.3	344.6	507.0	463.1	529.4	1,416.2	16,790.2
2007 Jan.	400.4	4,157.8	476.4	229.1	328.2	426.5	419.8	452.2	350.4	505.0	485.0	538.1	1,423.9	17,270.0
Feb.	410.3	4,230.2	496.6	235.9	339.4	428.2	428.3	476.2	355.3	524.7	481.0	530.4	1,445.3	17,729.4
Mar.	397.5	4,070.5	497.9	235.1	340.2	413.9	408.6	461.2	343.0	508.5	452.6	512.9	1,407.0	17,130.0
Apr.	421.7	4,330.7	531.7	247.6	363.9	437.2	432.7	493.8	362.4	540.4	477.4	531.5	1,462.7	17,466.5
May	431.7	4,444.8	545.5	248.5	374.4	454.1	439.8	514.4	374.5	559.2	476.2	547.7	1,511.3	17,577.7
June	433.4	4,470.2	571.9	244.2	380.4	471.1	429.4	529.0	393.1	568.2	473.8	529.9	1,514.5	18,001.4
July	431.3	4,449.0	585.9	242.6	384.7	491.4	418.7	529.3	399.8	563.1	467.1	513.1	1,520.9	17,986.8
Aug.	406.4	4,220.6	550.8	227.8	362.5	444.5	393.5	479.0	390.0	544.4	469.2	495.4	1,454.6	16,461.0
Sep.	411.3	4,284.4	569.1	230.1	373.2	461.5	386.3	473.8	414.7	562.7	495.9	503.2	1,496.0	16,233.9
Oct.	427.1	4,430.8	587.6	234.9	394.6	463.8	399.4	492.9	419.5	602.4	527.9	507.6	1,539.7	16,910.4

C27 Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225

(January 1994 = 100; monthly averages)



Source: ECB.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.

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 [1]

	Total					Total (s.a., percentage change on previous period)						Memo item: Administered prices [2]	
	Index 2005 = 100	Total		Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services	Total HICP excluding administered prices	Administered prices
			Total excl. unprocessed food and energy										
% of total [3]	100.0	100.0	82.8	59.2	40.8	100.0	11.9	7.6	30.0	9.6	40.8	86.2	13.8
	1	2	3	4	5	6	7	8	9	10	11	12	13
2003	95.8	2.1	2.0	1.8	2.5	-	-	-	-	-	-	2.0	2.2
2004	97.9	2.1	2.1	1.8	2.6	-	-	-	-	-	-	2.0	3.2
2005	100.0	2.2	1.5	2.1	2.3	-	-	-	-	-	-	2.1	2.8
2006	102.2	2.2	1.5	2.3	2.0	-	-	-	-	-	-	2.1	3.0
2006 Q3	102.5	2.1	1.5	2.3	2.0	0.5	0.4	1.8	0.2	0.6	0.6	2.0	3.1
Q4	102.8	1.8	1.6	1.6	2.1	0.1	0.8	0.7	0.3	-4.2	0.6	1.6	2.9
2007 Q1	102.9	1.9	1.9	1.6	2.4	0.5	0.4	0.0	0.3	1.0	0.7	1.7	2.8
Q2	104.4	1.9	1.9	1.5	2.6	0.8	0.4	0.8	0.2	3.3	0.7	1.8	2.4
Q3	104.4	1.9	2.0	1.5	2.5	0.5	1.0	0.9	0.2	0.7	0.6	1.8	2.1
2007 May	104.4	1.9	1.9	1.4	2.6	0.2	0.1	-0.3	0.1	0.9	0.3	1.8	2.4
June	104.5	1.9	1.9	1.5	2.6	0.2	0.2	0.3	0.1	0.5	0.2	1.8	2.3
July	104.3	1.8	1.9	1.2	2.6	0.2	0.1	0.4	0.0	0.5	0.2	1.7	2.1
Aug.	104.3	1.7	2.0	1.2	2.6	0.1	0.7	0.4	0.1	-0.9	0.1	1.7	2.1
Sep.	104.7	2.1	2.0	1.9	2.5	0.2	0.7	0.2	0.1	0.6	0.1	2.1	2.1
Oct. [4]	.	2.6	.	.	.	.	.	.	.	.	.	.	.

	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 [3]	19.6	11.9	7.6	39.6	30.0	9.6	10.2	6.2	6.4	3.1	14.4	6.7
	14	15	16	17	18	19	20	21	22	23	24	25
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
2006	2.4	2.1	2.8	2.3	0.6	7.7	2.5	2.1	2.5	-3.3	2.3	2.3
2006 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
Q4	2.9	2.2	4.1	1.0	0.8	1.5	2.5	2.1	2.3	-2.5	2.4	2.4
2007 Q1	2.5	2.1	3.1	1.1	1.1	1.1	2.6	2.0	2.9	-2.1	2.8	2.5
Q2	2.5	2.0	3.3	1.0	1.0	0.5	2.7	2.0	2.6	-1.9	2.9	3.6
Q3	2.5	2.5	2.4	0.9	1.0	0.7	2.7	2.0	2.4	-1.5	3.0	3.4
2007 Apr.	2.7	1.9	3.9	1.0	1.1	0.4	2.7	2.1	2.6	-2.2	2.7	3.7
May	2.4	1.9	3.1	0.9	1.0	0.3	2.8	2.0	2.8	-1.8	2.9	3.6
June	2.4	2.0	3.0	1.0	1.0	0.9	2.8	2.0	2.4	-1.8	3.0	3.5
July	2.3	1.9	2.8	0.7	0.9	0.0	2.7	1.9	2.5	-1.7	3.0	3.5
Aug.	2.5	2.5	2.4	0.6	1.0	-0.9	2.7	2.0	2.4	-1.1	3.0	3.4
Sep.	2.7	3.1	2.1	1.5	1.0	3.0	2.7	2.0	2.4	-1.6	2.9	3.2

Sources: Eurostat and ECB calculations.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.
2) ECB estimates based on Eurostat data; these experimental statistics can only provide an approximate measure of price administration since changes in administered prices cannot be fully isolated from other influences. Please refer to http://www.ecb.europa.eu/stats/prices/hicp/html/index.en.html for a note explaining the methodology used in the compilation of this indicator.
3) Referring to the index period 2007.
4) Estimate based on provisional national releases usually 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		
			Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods							Total excluding energy	
							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
2003	103.4	1.4	0.9	0.8	0.8	0.3	1.1	0.6	1.2	3.7	2.4	7.0	-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	4.1	7.4	18.4	10.8	30.5
2005	110.1	4.1	3.2	1.8	2.9	1.3	1.1	1.3	1.1	13.4	3.1	7.9	28.5	9.4	44.6
2006	115.8	5.1	3.4	2.8	4.8	1.4	1.7	1.6	1.7	13.2	4.1	6.5	19.7	24.8	52.9
2006 Q3	116.9	5.4	3.7	3.6	6.3	1.7	1.9	1.8	1.9	11.7	4.6	-	13.4	26.6	55.7
Q4	116.6	4.1	2.8	3.5	6.2	1.8	1.6	1.7	1.6	6.1	4.6	6.0 [6]	3.9	23.0	47.3
2007 Q1	117.3	2.9	2.5	3.4	6.0	2.0	1.5	1.9	1.5	1.3	4.4	-	-5.5	15.7	44.8
Q2	118.5	2.4	2.6	3.2	5.5	1.9	1.7	1.8	1.6	-0.4	4.5	.	-3.1	13.8	51.0
Q3	119.3	2.1	2.6	3.0	4.3	1.6	2.4	1.8	2.5	-0.8	.	-	2.0	6.7	54.2
2007 May	118.6	2.4	2.6	3.2	5.4	2.0	1.7	1.7	1.7	0.0	-	-	-3.9	11.9	50.3
June	118.8	2.3	2.6	3.1	5.1	1.9	1.7	1.8	1.6	-0.5	-	-	0.3	14.2	52.6
July	119.1	1.8	2.3	2.9	4.6	1.7	1.9	1.7	1.9	-1.9	-	-	-1.7	7.8	55.2
Aug.	119.2	1.8	2.3	3.0	4.3	1.6	2.3	1.8	2.4	-2.0	-	-	-3.4	5.4	52.4
Sep.	119.6	2.7	3.4	3.1	4.1	1.6	2.9	1.9	3.0	1.6	-	-	12.1	6.9	55.2
Oct.	.	.	.	.	.	.	.	.	.	.	-	-	19.5	3.5	57.7

3. Hourly labour costs [7]

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo: indicator of negotiated wages [8]
			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
2003	110.8	3.2	2.9	4.0	3.3	4.0	3.0	2.4
2004	113.5	2.4	2.3	2.7	2.8	2.8	2.1	2.1
2005	116.5	2.7	2.7	2.7	2.6	2.5	2.8	2.1
2006	119.6	2.6	2.7	2.3	3.4	2.1	2.2	2.3
2006 Q2	119.2	2.8	2.9	2.4	4.0	1.6	2.3	2.4
Q3	119.9	2.6	2.7	2.4	3.7	1.9	2.0	2.1
Q4	120.6	2.4	2.4	2.1	2.8	2.2	2.2	2.5
2007 Q1	121.3	2.3	2.3	1.9	2.3	2.0	2.2	2.0
Q2	122.1	2.5	2.5	1.8	2.7	3.2	2.2	2.3

Sources: Eurostat, HWWI (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) Input prices for residential buildings.
2) Experimental data based on non-harmonised national sources (see the ECB website for further details).
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.
8) Experimental data (see the ECB website for further details).

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]							
2003	106.7	1.9	6.2	0.4	3.4	2.1	1.8	3.1
2004	108.0	1.3	-7.9	-0.2	3.6	0.6	2.7	2.3
2005	109.2	1.0	6.5	-0.6	3.6	0.6	1.7	1.9
2006	110.1	0.8	1.6	-1.0	1.5	0.1	2.0	2.4
2006 Q2	110.3	1.2	1.4	-0.8	0.5	0.7	1.5	3.6
Q3	110.0	1.1	3.2	-0.8	1.6	-0.1	2.4	2.8
Q4	110.0	0.1	-0.3	-1.5	2.4	-0.4	2.1	0.9
2007 Q1	110.8	0.8	-0.3	-1.3	1.8	-0.4	3.2	1.9
Q2	111.4	1.1	-0.1	-0.1	6.5	0.1	2.9	0.6
	Compensation per employee							
2003	107.7	2.3	2.5	2.2	2.9	2.0	2.5	2.5
2004	110.1	2.2	2.5	2.7	2.9	1.5	2.0	2.3
2005	112.0	1.8	1.7	1.5	2.4	1.7	2.0	1.9
2006	114.5	2.2	1.3	3.2	3.4	1.6	1.5	2.1
2006 Q2	114.5	2.4	0.2	3.1	3.2	1.8	1.2	3.0
Q3	114.6	2.4	2.5	3.4	3.4	1.2	1.6	2.5
Q4	115.1	1.8	2.4	3.0	3.6	1.8	1.7	0.6
2007 Q1	116.1	2.1	2.9	2.3	3.4	1.4	2.8	1.9
Q2	116.5	1.8	3.4	3.2	3.3	1.4	2.0	0.6
	Labour productivity [2]							
2003	101.0	0.4	-3.4	1.8	-0.4	-0.1	0.7	-0.6
2004	101.9	0.9	11.3	2.9	-0.7	0.9	-0.7	0.1
2005	102.6	0.7	-4.6	2.2	-1.1	1.0	0.3	0.0
2006	104.0	1.4	-0.3	4.2	1.9	1.5	-0.5	-0.4
2006 Q2	103.8	1.2	-1.2	4.0	2.7	1.0	-0.3	-0.5
Q3	104.2	1.3	-0.7	4.2	1.8	1.3	-0.7	-0.2
Q4	104.6	1.7	2.7	4.6	1.1	2.2	-0.4	-0.4
2007 Q1	104.8	1.4	3.2	3.7	1.6	1.8	-0.4	0.0
Q2	104.6	0.8	3.5	3.3	-3.0	1.3	-0.9	0.0

5. Gross domestic product deflators

	Total (s.a. index 2000 = 100)	Total	Domestic demand				Exports [3]	Imports [3]
			Total	Private consumption	Government consumption	Gross fixed capital formation		
	1	2	3	4	5	6	7	8
2003	107.4	2.2	2.0	2.1	2.4	1.2	-1.2	-1.7
2004	109.5	2.0	2.2	2.1	2.3	2.5	1.2	1.6
2005	111.6	1.9	2.3	2.1	2.6	2.4	2.6	3.8
2006	113.7	1.9	2.4	2.2	2.1	2.6	2.7	4.0
2006 Q2	113.4	1.9	2.6	2.4	3.1	2.6	3.0	5.0
Q3	114.0	2.0	2.3	2.1	2.2	2.7	2.7	3.5
Q4	114.5	1.7	1.7	1.8	0.5	2.7	2.0	2.0
2007 Q1	115.3	2.2	1.8	1.7	1.4	3.1	1.6	0.7
Q2	115.9	2.2	1.9	1.8	0.6	3.0	1.6	1.0

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)								
2003	7,489.9	7,333.2	4,295.6	1,531.3	1,505.6	0.6	156.7	2,640.4	2,483.6
2004	7,774.4	7,614.9	4,449.9	1,587.0	1,572.2	5.8	159.6	2,843.3	2,683.7
2005	8,049.1	7,931.9	4,612.8	1,651.0	1,654.5	13.6	117.2	3,054.0	2,936.8
2006	8,437.7	8,337.5	4,801.1	1,719.3	1,788.8	28.2	100.2	3,388.5	3,288.3
2006 Q2	2,098.8	2,075.6	1,195.4	430.0	444.7	5.4	23.2	837.5	814.3
Q3	2,122.6	2,103.3	1,207.0	431.5	451.8	13.0	19.3	851.4	832.1
Q4	2,148.6	2,110.4	1,215.2	432.9	462.5	-0.2	38.2	879.6	841.4
2007 Q1	2,179.5	2,144.8	1,220.6	439.1	475.5	9.7	34.6	888.9	854.3
Q2	2,198.8	2,161.0	1,235.0	441.1	477.7	7.2	37.8	901.6	863.8
	percentage of GDP								
2006	100.0	98.8	56.9	20.4	21.2	0.3	1.2	-	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [3])								
	quarter-on-quarter percentage changes								
2006 Q2	1.0	0.9	0.4	0.2	2.7	-	-	1.6	1.3
Q3	0.6	0.9	0.5	0.6	0.8	-	-	1.1	1.9
Q4	0.8	0.2	0.4	0.4	1.7	-	-	3.1	1.7
2007 Q1	0.8	0.8	0.0	0.8	1.9	-	-	0.8	1.0
Q2	0.3	0.2	0.5	0.1	-0.2	-	-	0.8	0.5
	annual percentage changes								
2003	0.8	1.5	1.2	1.8	1.2	-	-	1.1	3.1
2004	2.0	1.8	1.6	1.3	2.3	-	-	6.9	6.7
2005	1.5	1.7	1.5	1.4	2.6	-	-	4.4	5.2
2006	2.8	2.6	1.8	2.0	5.1	-	-	7.9	7.7
2006 Q2	2.9	2.6	1.8	1.7	5.7	-	-	7.9	7.4
Q3	2.9	3.0	1.8	1.9	5.1	-	-	6.8	7.4
Q4	3.3	2.6	2.1	2.2	6.0	-	-	9.0	7.2
2007 Q1	3.2	2.9	1.4	1.9	7.3	-	-	6.7	6.0
Q2	2.5	2.1	1.5	1.9	4.3	-	-	5.9	5.1
	contributions to quarter-on-quarter percentage changes of GDP in percentage points								
2006 Q2	1.0	0.9	0.2	0.0	0.6	0.0	0.1	-	-
Q3	0.6	0.9	0.3	0.1	0.2	0.3	-0.3	-	-
Q4	0.8	0.2	0.3	0.1	0.4	-0.4	0.6	-	-
2007 Q1	0.8	0.8	0.0	0.2	0.4	0.2	-0.1	-	-
Q2	0.3	0.2	0.3	0.0	0.0	-0.2	0.2	-	-
	contributions to annual percentage changes of GDP in percentage points								
2003	0.8	1.4	0.7	0.4	0.3	0.1	-0.6	-	-
2004	2.0	1.8	0.9	0.3	0.5	0.2	0.2	-	-
2005	1.5	1.6	0.8	0.3	0.5	0.0	-0.2	-	-
2006	2.8	2.6	1.0	0.4	1.0	0.1	0.2	-	-
2006 Q2	2.9	2.6	1.1	0.3	1.2	0.0	0.3	-	-
Q3	2.9	3.0	1.0	0.4	1.1	0.5	-0.1	-	-
Q4	3.3	2.5	1.2	0.4	1.3	-0.4	0.8	-	-
2007 Q1	3.2	2.8	0.8	0.4	1.5	0.1	0.3	-	-
Q2	2.5	2.1	0.9	0.4	0.9	-0.1	0.4	-	-

Sources: Eurostat and ECB calculations.
1) Exports and imports cover goods and services and include cross-border intra-euro area trade. They are not fully consistent with Tables 7.1.2 and 7.3.1.
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
	Current prices (EUR billions, seasonally adjusted)							
2003	6,728.9	150.9	1,394.7	390.8	1,427.5	1,831.6	1,533.4	761.0
2004	6,978.5	153.8	1,430.2	412.6	1,478.9	1,908.8	1,594.2	795.9
2005	7,210.4	142.6	1,457.4	438.7	1,517.4	1,998.2	1,656.1	838.7
2006	7,534.4	138.3	1,521.4	481.4	1,569.4	2,105.6	1,718.3	903.3
2006 Q2	1,874.1	34.0	377.2	119.2	389.7	523.9	430.0	224.7
Q3	1,898.1	34.9	383.4	122.2	395.5	530.2	431.8	224.5
Q4	1,915.7	35.1	387.4	124.8	399.3	535.7	433.3	232.9
2007 Q1	1,941.0	35.3	395.0	128.8	402.0	542.1	437.8	238.5
Q2	1,959.6	35.7	400.1	128.7	405.5	548.5	441.2	239.2
	percentage of value added							
2006	100.0	1.8	20.2	6.4	20.8	27.9	22.8	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [1])							
	quarter-on-quarter percentage changes							
2006 Q2	1.0	0.2	0.9	3.0	1.2	1.2	0.3	0.5
Q3	0.6	-0.3	0.9	0.9	0.7	0.6	0.2	0.5
Q4	0.7	0.6	0.9	1.2	0.7	0.7	0.3	2.0
2007 Q1	0.9	1.7	1.2	2.1	0.6	0.9	0.5	-0.3
Q2	0.4	-0.8	0.6	-1.5	0.6	0.8	0.3	-0.6
	annual percentage changes							
2003	0.7	-6.0	0.3	0.1	0.6	1.5	0.9	1.6
2004	2.1	10.5	2.4	0.9	2.5	1.6	1.4	1.6
2005	1.5	-5.7	0.6	1.3	1.6	2.7	1.4	1.6
2006	2.7	-1.6	3.7	4.4	2.8	3.0	1.2	3.4
2006 Q2	2.8	-1.5	3.7	4.6	2.9	3.3	1.3	3.5
Q3	2.9	-2.4	4.2	4.7	3.1	3.2	1.3	2.6
Q4	3.2	0.3	4.5	5.2	3.7	3.4	1.2	3.8
2007 Q1	3.2	2.2	3.9	7.4	3.2	3.4	1.3	2.7
Q2	2.6	1.1	3.6	2.7	2.7	3.0	1.3	1.6
	contributions to quarter-on-quarter percentage changes of value added in percentage points							
2006 Q2	1.0	0.0	0.2	0.2	0.2	0.3	0.1	-
Q3	0.6	0.0	0.2	0.1	0.2	0.2	0.1	-
Q4	0.7	0.0	0.2	0.1	0.2	0.2	0.1	-
2007 Q1	0.9	0.0	0.2	0.1	0.1	0.3	0.1	-
Q2	0.4	0.0	0.1	-0.1	0.1	0.2	0.1	-
	contributions to annual percentage changes of value added in percentage points							
2003	0.7	-0.1	0.1	0.0	0.1	0.4	0.2	-
2004	2.1	0.2	0.5	0.1	0.5	0.4	0.3	-
2005	1.5	-0.1	0.1	0.1	0.3	0.7	0.3	-
2006	2.7	0.0	0.8	0.3	0.6	0.8	0.3	-
2006 Q2	2.8	0.0	0.8	0.3	0.6	0.9	0.3	-
Q3	2.9	0.0	0.8	0.3	0.6	0.9	0.3	-
Q4	3.2	0.0	0.9	0.3	0.8	0.9	0.3	-
2007 Q1	3.2	0.0	0.8	0.5	0.7	1.0	0.3	-
Q2	2.6	0.0	0.7	0.2	0.6	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
2004	2.1	102.5	2.2	2.2	2.1	2.4	3.4	0.6	0.1	0.6	2.2	-0.5
2005	1.2	103.9	1.3	1.3	1.1	0.9	2.8	0.4	-1.0	0.7	1.3	-0.2
2006	3.8	108.0	4.0	4.3	4.4	4.9	5.8	2.5	4.1	2.2	0.9	4.1
2006 Q3	4.1	108.5	4.1	4.5	4.3	5.7	5.7	1.7	5.0	1.2	1.5	4.0
Q4	4.2	109.3	4.0	4.9	4.9	5.4	6.6	3.2	5.5	2.9	-3.2	6.9
2007 Q1	4.7	110.5	3.9	5.9	6.0	6.6	7.1	4.0	4.3	3.9	-7.6	10.9
Q2	3.0	111.0	2.6	3.2	3.2	3.0	4.6	2.1	1.3	2.2	-0.8	3.0
2007 Mar.	5.2	111.1	4.2	5.8	6.0	6.7	6.7	4.5	4.5	4.4	-7.2	11.0
Apr.	3.1	110.3	2.9	4.0	4.1	3.9	5.2	2.8	1.5	3.0	-3.2	3.7
May	2.5	111.4	2.7	2.9	2.9	2.6	4.0	2.0	0.5	2.3	1.9	2.8
June	3.4	111.4	2.3	2.7	2.6	2.6	4.5	1.4	1.9	1.3	-1.0	2.6
July	3.8	112.2	3.9	4.6	4.7	4.0	7.1	2.8	1.7	3.0	-1.0	1.4
Aug.	4.3	113.6	4.4	4.7	4.7	3.3	6.9	5.0	4.6	5.1	1.7	2.7
	month-on-month percentage changes (s.a.)											
2007 Mar.	0.9	-	0.6	0.4	0.8	0.5	0.2	0.9	0.4	1.0	0.8	0.5
Apr.	-1.8	-	-0.8	-1.0	-1.5	-1.5	-1.0	-1.0	-1.9	-0.8	0.7	-1.1
May	1.0	-	1.1	0.9	1.0	0.9	1.2	0.8	1.9	0.6	2.8	0.2
June	0.7	-	0.0	-0.1	0.0	0.2	0.2	-0.3	0.0	-0.4	0.6	0.3
July	0.3	-	0.7	0.9	0.8	0.6	1.5	0.4	0.0	0.5	0.2	-0.1
Aug.	1.2	-	1.2	1.3	1.3	1.3	1.2	1.9	4.1	1.5	0.8	0.4

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

	Industrial new orders		Industrial turnover		Retail sales						New passenger car registrations	
	Manufacturing [2] (current prices)		Manufacturing (current prices)		Current prices	Constant prices						
	Total (s.a. index 2000 = 100)	Total	Total (s.a. index 2000 = 100)	Total	Total	Total (s.a. index 2000 = 100)	Total	Food, beverages, tobacco	Non-food		Total (s.a., thousands) [3]	Total
									Textiles, clothing, footwear	Household equipment		
% of total [1]	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8	
	1	2	3	4	5	6	7	8	9	10	11	12	13
2004	104.0	7.3	106.3	5.1	2.3	105.3	1.6	1.2	1.7	1.9	3.3	926	1.0
2005	109.2	3.9	110.8	3.6	2.2	106.7	1.3	0.6	1.7	2.3	1.2	941	1.6
2006	119.2	9.2	118.9	7.3	3.4	108.9	2.1	0.7	2.7	2.9	4.9	969	3.0
2006 Q4	122.9	7.3	121.9	7.6	3.4	109.7	2.3	-0.2	3.5	3.1	7.0	985	5.1
2007 Q1	125.1	8.0	124.5	7.6	2.6	109.6	1.6	0.3	2.4	4.2	4.2	950	-1.8
Q2	129.4	10.6	126.0	6.4	2.1	109.9	0.9	-0.2	1.8	3.0	2.4	951	-1.9
Q3	.	.	.	.	2.5	110.7	1.3	-0.6	2.4	.	.	960	0.7
2007 Apr.	126.3	10.3	124.0	9.4	2.9	110.2	1.6	0.4	2.5	6.8	2.9	916	-5.7
May	128.1	7.5	126.4	5.0	1.0	109.3	0.0	-0.5	0.0	-1.9	0.9	966	-0.8
June	133.7	13.8	127.8	5.2	2.4	110.1	1.2	-0.7	2.8	4.1	3.5	970	0.7
July	129.3	12.0	127.5	10.2	2.4	110.5	1.4	-1.8	3.5	5.5	4.1	950	0.9
Aug.	130.0	5.2	128.2	6.2	1.9	110.5	0.8	0.2	1.2	0.8	1.8	959	0.7
Sep.	.	.	.	.	3.1	110.9	1.6	-0.1	2.5	.	.	971	0.4
	month-on-month percentage changes (s.a.)												
2007 Apr.	-	-0.6	-	-1.6	0.0	-	-0.1	-0.1	0.1	1.4	-0.9	-	-5.6
May	-	1.4	-	2.0	-0.6	-	-0.7	-0.8	-0.7	-3.4	-0.4	-	5.4
June	-	4.4	-	1.1	0.8	-	0.7	0.0	1.2	2.9	1.4	-	0.5
July	-	-3.3	-	-0.2	0.5	-	0.4	0.2	0.5	0.9	0.5	-	-2.1
Aug.	-	0.5	-	0.6	0.1	-	0.0	0.2	-0.1	-0.4	0.5	-	1.0
Sep.	-	.	-	.	0.7	-	0.3	0.4	0.3	.	.	-	1.3

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 [3] (percentages)	Total [5]	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total [5]	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2003	93.1	-10	-25	10	4	80.8	-18	-5	-20	37	-10
2004	99.2	-5	-15	8	10	81.5	-14	-4	-14	30	-9
2005	97.9	-7	-17	11	6	81.2	-14	-4	-15	28	-9
2006	106.9	2	0	6	13	83.3	-9	-3	-9	15	-9
2006 Q3	108.2	4	3	5	12	83.8	-8	-3	-10	12	-8
Q4	109.9	6	6	4	15	84.2	-7	-3	-7	10	-9
2007 Q1	110.0	6	7	4	14	84.6	-5	-2	-5	6	-8
Q2	111.6	6	8	4	15	84.6	-2	-1	0	2	-7
Q3	109.3	4	5	5	13	84.3	-4	-2	-3	3	-7
2007 May	112.1	6	8	5	14	-	-1	-1	2	1	-6
June	111.7	6	7	4	15	-	-2	-1	2	2	-7
July	111.0	5	6	5	14	84.3	-2	-1	1	0	-7
Aug.	110.0	5	7	5	13	-	-4	-2	-2	3	-7
Sep.	106.9	3	3	7	11	-	-6	-3	-7	6	-7
Oct.	105.9	2	1	8	11	84.2	-6	-3	-6	5	-10

	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
2003	-16	-23	-9	-10	-12	16	0	4	-4	3	14
2004	-12	-20	-4	-8	-12	14	1	11	6	8	18
2005	-7	-12	-2	-7	-12	13	4	11	5	10	18
2006	0	-5	5	0	3	14	13	18	13	18	23
2006 Q3	3	-2	7	2	5	13	14	19	14	19	25
Q4	3	-3	8	2	8	13	11	20	13	21	26
2007 Q1	0	-8	9	-1	1	16	12	21	16	21	25
Q2	0	-6	6	1	4	13	14	22	19	22	25
Q3	-1	-8	7	1	7	14	10	20	16	20	24
2007 May	0	-7	7	2	5	11	13	23	20	23	25
June	1	-5	6	2	4	12	13	21	18	20	25
July	0	-6	6	3	9	14	13	21	17	21	26
Aug.	-1	-9	6	3	10	14	13	21	17	21	24
Sep.	0	-8	8	-3	2	15	4	18	13	18	22
Oct.	-2	-9	6	-2	3	16	8	18	14	17	22

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 1990 to 2006.
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	4.2	17.6	7.6	25.1	15.5	30.1
	1	2	3	4	5	6	7	8	9	10
2003	136.153	0.4	0.4	0.8	-2.6	-1.4	0.5	0.8	0.9	1.6
2004	137.368	0.9	0.7	1.8	-0.8	-1.1	1.5	1.3	2.2	1.3
2005	138.546	0.9	1.0	0.0	-1.1	-1.3	2.5	0.7	2.4	1.4
2006	140.639	1.5	1.7	0.7	-1.2	-0.2	2.6	1.5	3.6	1.6
2006 Q2	140.542	1.7	1.8	1.0	-0.1	-0.1	1.9	1.9	3.6	1.8
Q3	140.893	1.6	1.7	0.6	-1.6	0.0	2.8	1.6	3.9	1.4
Q4	141.399	1.5	1.7	0.7	-2.5	-0.2	4.0	1.3	3.8	1.6
2007 Q1	142.210	1.8	2.1	-0.1	-1.0	0.3	5.8	1.3	3.8	1.4
Q2	142.983	1.7	2.1	-0.2	-2.2	0.4	5.8	1.1	4.0	1.3
	quarter-on-quarter percentage changes (s.a.)									
2006 Q2	0.822	0.6	0.6	0.5	0.6	0.1	1.3	0.7	0.9	0.5
Q3	0.351	0.3	0.4	-0.6	-1.4	0.0	0.8	0.2	1.0	0.1
Q4	0.506	0.4	0.4	0.0	-0.6	0.0	1.6	0.0	1.0	0.4
2007 Q1	0.811	0.6	0.6	0.4	0.4	0.2	1.9	0.5	0.9	0.4
Q2	0.773	0.5	0.5	0.5	-0.6	0.1	1.6	0.6	1.0	0.4

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		78.1		21.9		49.7		50.3	
	1	2	3	4	5	6	7	8	9	10
2003	12.762	8.7	9.935	7.7	2.826	16.5	6.366	7.8	6.396	9.9
2004	13.112	8.9	10.154	7.8	2.958	17.3	6.571	8.0	6.540	10.0
2005	13.368	8.9	10.384	7.8	2.984	17.5	6.744	8.1	6.624	10.0
2006	12.543	8.3	9.798	7.3	2.744	16.3	6.232	7.4	6.311	9.4
2006 Q3	12.308	8.1	9.631	7.2	2.677	16.0	6.109	7.3	6.199	9.2
Q4	12.054	8.0	9.385	7.0	2.669	15.9	5.942	7.1	6.112	9.1
2007 Q1	11.658	7.7	9.105	6.7	2.554	15.4	5.706	6.8	5.952	8.8
Q2	11.407	7.5	8.909	6.6	2.498	15.1	5.606	6.7	5.801	8.6
Q3	11.246	7.4	8.772	6.5	2.474	14.9	5.553	6.6	5.692	8.4
2007 Apr.	11.461	7.5	8.960	6.6	2.501	15.1	5.623	6.7	5.838	8.6
May	11.404	7.5	8.908	6.6	2.497	15.0	5.604	6.7	5.800	8.5
June	11.355	7.5	8.860	6.5	2.495	15.0	5.590	6.6	5.765	8.5
July	11.298	7.4	8.814	6.5	2.484	15.0	5.572	6.6	5.726	8.4
Aug.	11.248	7.4	8.775	6.5	2.473	14.9	5.555	6.6	5.693	8.4
Sep.	11.191	7.3	8.727	6.4	2.464	14.9	5.532	6.6	5.659	8.3

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 2006.
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 [2]
			Direct taxes			Indirect taxes		Social contributions			Sales		Capital taxes	
				Households	Corporations		Received by EU institutions		Employers	Employees				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	46.6	46.3	12.2	9.2	2.7	13.9	0.6	16.1	8.3	4.9	2.3	0.3	0.3	42.5
1999	47.0	46.7	12.5	9.3	2.9	14.2	0.6	16.1	8.3	4.9	2.3	0.3	0.3	43.0
2000	46.6	46.4	12.7	9.5	2.9	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	9.3	2.7	13.6	0.6	15.7	8.2	4.7	2.2	0.2	0.3	41.8
2002	45.3	45.0	11.8	9.1	2.5	13.5	0.4	15.7	8.2	4.6	2.1	0.3	0.3	41.3
2003	45.0	44.4	11.4	8.9	2.3	13.5	0.4	15.8	8.2	4.7	2.1	0.6	0.5	41.2
2004	44.6	44.1	11.3	8.6	2.5	13.5	0.3	15.6	8.1	4.5	2.1	0.5	0.4	40.8
2005	45.0	44.5	11.6	8.6	2.6	13.7	0.3	15.5	8.1	4.5	2.2	0.5	0.3	41.1
2006	45.6	45.3	12.2	8.8	3.0	13.9	0.3	15.5	8.1	4.5	2.1	0.3	0.3	41.8

2. Euro area – expenditure

	Total	Current expenditure								Capital expenditure				Memo: primary expenditure [3]
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments	Subsidies	Paid by EU institutions		Investment	Capital transfers	Paid by EU institutions	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	48.9	45.1	10.6	4.7	4.6	25.2	22.2	2.1	0.5	3.8	2.4	1.4	0.1	44.3
1999	48.4	44.5	10.6	4.8	4.1	25.1	22.1	2.1	0.5	3.9	2.5	1.4	0.1	44.4
2000	47.7	43.9	10.4	4.8	3.9	24.8	21.7	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	24.8	21.8	1.9	0.5	3.9	2.5	1.4	0.0	43.9
2002	47.9	44.0	10.4	4.9	3.5	25.2	22.3	1.9	0.5	3.8	2.4	1.4	0.0	44.4
2003	48.1	44.2	10.5	4.9	3.3	25.4	22.6	1.9	0.5	4.0	2.5	1.4	0.1	44.8
2004	47.4	43.6	10.4	5.0	3.1	25.1	22.4	1.7	0.5	3.8	2.4	1.4	0.0	44.3
2005	47.5	43.6	10.4	5.1	3.0	25.2	22.4	1.7	0.5	3.9	2.5	1.4	0.0	44.5
2006	47.2	43.1	10.2	5.0	2.9	25.0	22.2	1.7	0.5	4.1	2.5	1.6	0.0	44.3

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

	Deficit (-)/surplus (+)					Primary deficit (-)/ surplus (+)	Government consumption [4]							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	-2.3	-2.3	-0.2	0.1	0.1	2.3	19.8	10.6	4.7	4.8	1.8	2.3	8.2	11.6
1999	-1.4	-1.7	-0.1	0.1	0.4	2.7	19.9	10.6	4.8	4.8	1.8	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	1.8	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	1.8	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	1.8	2.1	8.2	12.0
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.2	20.5	10.5	4.9	5.2	1.9	2.1	8.3	12.2
2004	-2.8	-2.4	-0.4	-0.3	0.1	0.3	20.4	10.4	5.0	5.1	1.9	2.1	8.3	12.1
2005	-2.6	-2.2	-0.3	-0.2	0.2	0.4	20.5	10.4	5.1	5.2	1.9	2.2	8.2	12.3
2006	-1.6	-1.6	-0.1	-0.2	0.3	1.3	20.4	10.2	5.0	5.2	1.9	2.1	8.0	12.3

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

	BE	DE	IE	GR	ES	FR	IT	LU	NL	AT	PT	SI	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13
2003	0.0	-4.0	0.4	-5.6	-0.2	-4.1	-3.5	0.5	-3.1	-1.6	-2.9	-2.7	2.5
2004	0.0	-3.8	1.3	-7.3	-0.3	-3.6	-3.5	-1.2	-1.7	-1.2	-3.4	-2.3	2.3
2005	-2.3	-3.4	1.2	-5.1	1.0	-2.9	-4.2	-0.1	-0.3	-1.6	-6.1	-1.5	2.7
2006	0.4	-1.6	2.9	-2.5	1.8	-2.5	-4.4	0.7	0.6	-1.4	-3.9	-1.2	3.8

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

1) The data refer to the Euro 13. Revenue, expenditure and deficit/surplus are based on the ESA 95, but the figures exclude proceeds from the sale of UMTS licences in 2000 (the euro area deficit/surplus including those proceeds is equal to 0.0% of GDP). Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.
2) The fiscal burden comprises taxes and social contributions.
3) Comprises total expenditure minus interest expenditure.
4) Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
5) 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				
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [2]				Other creditors [3]
						Total	MFIs	Other financial corporations	Other sectors	
	1	2	3	4	5	6	7	8	9	10
1997	74.1	2.8	16.2	6.4	48.8	55.6	28.4	13.6	13.7	18.4
1998	72.8	2.7	15.2	5.3	49.6	52.4	26.5	14.5	11.4	20.4
1999	72.0	2.9	14.4	4.2	50.5	48.8	25.3	13.8	9.6	23.2
2000	69.4	2.7	13.2	3.7	49.8	44.3	22.0	12.5	9.8	25.1
2001	68.3	2.8	12.4	4.0	49.2	42.1	20.6	11.2	10.3	26.3
2002	68.1	2.7	11.8	4.5	49.1	40.2	19.3	10.7	10.1	28.0
2003	69.1	2.0	12.3	5.0	49.7	39.4	19.4	11.2	8.8	29.8
2004	69.5	2.2	11.9	5.0	50.5	37.5	18.4	10.8	8.4	32.0
2005	70.3	2.4	11.8	4.7	51.4	35.5	17.3	10.9	7.2	34.8
2006	68.6	2.5	11.4	4.1	50.7	32.9	17.6	8.4	6.9	35.7

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

	Total	Issued by [4]				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies [5]	Other currencies
	1	2	3	4	5	6	7	8	9	10	11	12	13
1997	74.1	62.1	6.0	5.4	0.6	9.4	64.7	8.4	18.1	25.3	30.7	72.1	2.0
1998	72.8	61.1	6.1	5.3	0.4	8.1	64.6	7.5	15.4	26.4	30.9	70.9	1.8
1999	72.0	60.4	6.0	5.1	0.4	7.3	64.7	6.6	13.6	27.9	30.5	69.8	2.1
2000	69.4	58.2	5.9	4.9	0.4	6.5	62.9	5.8	13.4	27.9	28.1	67.5	1.9
2001	68.3	57.1	6.1	4.8	0.4	7.0	61.4	4.9	13.7	26.6	28.0	66.7	1.7
2002	68.1	56.7	6.3	4.8	0.4	7.6	60.5	4.9	15.3	25.0	27.8	66.7	1.5
2003	69.1	56.9	6.5	5.1	0.6	7.8	61.4	4.8	14.7	25.8	28.6	68.0	1.1
2004	69.5	57.3	6.6	5.1	0.4	7.8	61.7	4.6	14.7	26.2	28.7	68.5	1.1
2005	70.3	57.8	6.7	5.3	0.5	7.9	62.4	4.6	14.9	25.7	29.7	69.1	1.2
2006	68.6	56.1	6.6	5.4	0.6	7.5	61.2	4.5	14.4	24.8	29.5	67.7	0.9

3. Euro area countries

	BE	DE	IE	GR	ES	FR	IT	LU	NL	AT	PT	SI	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13
2003	98.6	63.8	31.1	97.9	48.7	62.9	104.3	6.3	52.0	64.6	56.9	27.9	44.3
2004	94.2	65.6	29.5	98.6	46.2	64.9	103.8	6.4	52.4	63.8	58.3	27.6	44.1
2005	92.2	67.8	27.4	98.0	43.0	66.7	106.2	6.2	52.3	63.4	63.7	27.4	41.4
2006	88.2	67.5	25.1	95.3	39.7	64.2	106.8	6.6	47.9	61.7	64.8	27.1	39.2

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

1) The data refer to the Euro 13. 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

	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
1998	1.8	2.2	-0.3	0.0	-0.1	0.1	-0.3	-0.8	2.8	-0.9	-0.7	1.5	2.7
1999	2.0	1.6	0.4	0.0	0.0	0.2	-0.2	-0.9	2.8	-1.6	-0.2	-0.2	3.6
2000	1.0	1.1	0.0	0.0	-0.1	0.0	-0.5	-0.3	1.9	-2.1	-2.0	-0.6	3.1
2001	1.9	1.9	-0.1	0.1	0.0	0.2	-0.2	0.4	1.4	-0.3	-0.5	-0.8	2.2
2002	2.1	2.7	-0.5	0.0	0.0	0.0	-0.2	0.7	1.6	-0.5	-0.5	-0.1	2.6
2003	3.1	3.3	-0.2	0.0	0.0	-0.6	0.9	0.6	2.1	0.4	0.6	0.8	2.7
2004	3.1	3.2	-0.1	0.0	0.0	0.2	0.1	0.1	2.7	-0.3	-0.3	0.1	3.4
2005	3.1	3.1	0.1	-0.1	0.0	0.3	0.2	-0.1	2.6	-0.7	-0.4	0.5	3.8
2006	1.5	1.4	0.1	0.0	0.0	0.2	0.1	-0.4	1.6	-1.0	1.0	-2.1	2.5

2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) [8]	Deficit-debt adjustment [9]											
			Total	Transactions in main financial assets held by general government							Valuation effects		Other changes in volume	Other [10]
				Total	Currency and deposits	Loans	Securities [11]	Shares and other equity	Privatisations	Equity injections		Exchange rate effects		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	1.8	-2.3	-0.5	-0.2	0.2	0.0	0.1	-0.4	-0.7	0.2	-0.3	0.0	0.0	0.0
1999	2.0	-1.4	0.6	0.0	0.5	0.1	0.0	-0.5	-0.7	0.1	0.4	0.2	0.0	0.2
2000	1.0	0.0	1.0	1.0	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	-0.6	0.1	0.1	-0.1	-0.3	0.1	-0.1	0.0	0.1	0.6
2002	2.1	-2.6	-0.5	0.1	0.1	0.0	0.0	0.0	-0.3	0.1	-0.5	-0.1	0.0	0.0
2003	3.1	-3.1	0.0	0.1	0.0	0.0	0.0	0.1	-0.2	0.1	-0.2	-0.1	0.0	0.1
2004	3.1	-2.8	0.2	0.3	0.2	0.0	0.1	0.0	-0.5	0.2	-0.1	-0.1	0.0	0.1
2005	3.1	-2.6	0.5	0.7	0.4	0.1	0.2	0.1	-0.3	0.2	0.1	0.1	-0.1	-0.2
2006	1.5	-1.6	-0.1	0.3	0.4	-0.1	0.2	-0.1	-0.4	0.1	0.1	0.0	0.0	-0.5

Source: ECB.

1) The data refer to the Euro 13 and are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e. [debt(t) - debt(t-1)] ÷ GDP(t).
2) The borrowing requirement is by definition equal to transactions in debt.
3) Includes, in addition to the impact of foreign exchange movements, effects arising from measurement at nominal value (e.g. premia or discounts on securities issued).
4) Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.
5) The difference between the changes in the aggregated debt, resulting from the aggregation of countries' debt, and the aggregation of countries' change in debt is due to variations in the exchange rates used for aggregation before 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]
			Direct taxes	Indirect taxes	Social contributions	Sales	Property income		Capital taxes	
	1	2	3	4	5	6	7	8	9	10
2001 Q2	46.9	46.5	13.4	13.0	15.6	2.0	1.6	0.4	0.2	42.3
Q3	43.5	43.1	11.6	12.4	15.5	1.9	0.9	0.4	0.3	39.7
Q4	49.1	48.7	13.5	13.9	16.3	2.9	1.1	0.5	0.3	44.0
2002 Q1	41.9	41.5	10.1	12.7	15.4	1.7	0.8	0.4	0.2	38.5
Q2	45.6	45.2	12.6	12.7	15.5	2.0	1.6	0.5	0.3	41.1
Q3	43.5	43.1	11.2	12.8	15.5	1.9	0.8	0.4	0.3	39.6
Q4	49.2	48.6	13.4	14.1	16.3	3.0	0.9	0.6	0.3	44.1
2003 Q1	41.9	41.4	9.7	12.8	15.5	1.7	0.7	0.5	0.2	38.3
Q2	45.9	44.4	12.0	12.7	15.7	2.0	1.3	1.5	1.2	41.6
Q3	42.8	42.3	10.8	12.7	15.5	1.9	0.7	0.5	0.2	39.2
Q4	49.2	48.2	13.1	14.2	16.2	2.9	0.8	1.0	0.3	43.8
2004 Q1	41.3	40.9	9.5	12.8	15.3	1.7	0.7	0.4	0.3	37.9
Q2	45.0	44.2	12.1	13.0	15.3	2.0	0.9	0.8	0.6	41.1
Q3	42.6	42.1	10.6	12.7	15.4	1.9	0.7	0.5	0.3	38.9
Q4	49.3	48.3	13.0	14.4	16.2	2.9	0.8	1.0	0.4	44.0
2005 Q1	42.0	41.5	9.9	12.9	15.3	1.7	0.6	0.5	0.3	38.4
Q2	44.8	44.1	11.9	13.3	15.2	2.0	1.0	0.6	0.3	40.7
Q3	43.3	42.6	11.0	12.9	15.2	1.9	0.8	0.7	0.3	39.5
Q4	49.4	48.7	13.4	14.3	16.2	3.0	0.9	0.8	0.3	44.2
2006 Q1	42.5	42.1	10.2	13.3	15.2	1.7	0.8	0.5	0.3	39.0
Q2	45.9	45.4	12.6	13.6	15.3	2.0	1.2	0.5	0.3	41.8
Q3	43.6	43.1	11.4	12.9	15.3	1.9	0.8	0.5	0.3	39.9
Q4	49.9	49.3	14.2	14.4	16.0	2.9	0.9	0.7	0.3	44.9
2007 Q1	42.4	41.9	10.4	13.4	14.9	1.7	0.9	0.5	0.3	38.9
Q2	46.4	45.8	13.1	13.7	15.1	1.9	1.2	0.5	0.3	42.2

2. Euro area – quarterly expenditure and deficit/surplus

	Total	Current expenditure							Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social benefits	Subsidies		Investment	Capital transfers		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2001 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	1.2
Q4	51.2	46.3	11.0	5.7	3.6	25.9	22.1	1.7	4.9	3.2	1.8	-2.1	1.5
2002 Q1	46.2	42.8	10.3	4.3	3.7	24.5	21.2	1.3	3.5	2.0	1.5	-4.3	-0.7
Q2	46.7	43.2	10.3	4.9	3.6	24.4	21.2	1.3	3.4	2.3	1.1	-1.0	2.5
Q3	46.9	43.2	10.0	4.7	3.5	24.9	21.5	1.4	3.7	2.5	1.2	-3.3	0.2
Q4	50.9	46.5	11.1	5.7	3.3	26.4	22.7	1.6	4.4	2.8	1.6	-1.7	1.6
2003 Q1	46.8	43.3	10.3	4.5	3.5	25.0	21.5	1.3	3.5	1.9	1.6	-5.0	-1.5
Q2	47.3	43.7	10.4	4.8	3.4	25.2	21.7	1.3	3.6	2.3	1.2	-1.4	2.0
Q3	47.0	43.3	10.2	4.8	3.3	25.0	21.6	1.3	3.7	2.5	1.2	-4.2	-0.9
Q4	51.2	46.3	11.0	5.7	3.1	26.5	22.9	1.5	4.8	3.3	1.6	-1.9	1.2
2004 Q1	46.4	43.0	10.3	4.6	3.2	24.9	21.4	1.2	3.4	1.9	1.5	-5.1	-1.9
Q2	46.5	43.2	10.4	4.9	3.1	24.8	21.5	1.2	3.3	2.3	1.0	-1.5	1.6
Q3	46.1	42.7	9.9	4.7	3.2	24.9	21.5	1.3	3.4	2.5	1.0	-3.4	-0.3
Q4	50.7	45.8	11.0	5.7	3.0	26.2	22.7	1.4	4.9	3.1	1.8	-1.5	1.5
2005 Q1	46.9	43.2	10.2	4.7	3.1	25.2	21.4	1.2	3.7	1.9	1.9	-4.9	-1.8
Q2	46.4	43.0	10.2	5.0	3.2	24.6	21.4	1.1	3.4	2.4	1.1	-1.7	1.5
Q3	45.8	42.4	9.9	4.8	2.9	24.7	21.4	1.2	3.5	2.5	1.0	-2.5	0.4
Q4	50.7	45.9	11.1	5.8	2.8	26.2	22.7	1.4	4.8	3.1	1.7	-1.3	1.5
2006 Q1	45.5	42.4	10.1	4.5	2.9	24.9	21.3	1.2	3.1	1.9	1.2	-3.0	0.0
Q2	46.0	42.6	10.3	4.9	3.1	24.3	21.3	1.1	3.3	2.4	1.0	-0.1	3.0
Q3	46.2	42.0	9.8	4.7	2.9	24.6	21.2	1.2	4.2	2.5	1.8	-2.6	0.3
Q4	50.7	45.3	10.7	5.9	2.7	26.0	22.4	1.4	5.4	3.2	2.2	-0.8	1.9
2007 Q1	44.6	41.3	9.9	4.5	2.9	24.0	20.6	1.1	3.3	2.0	1.3	-2.2	0.7
Q2	45.2	41.8	10.0	4.9	3.1	23.8	20.8	1.1	3.4	2.4	1.0	1.2	4.4

Source: ECB calculations based on Eurostat and national data.

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

2) The fiscal burden comprises taxes and social contributions.

6.5 Quarterly debt and change in debt
(as a percentage of GDP)

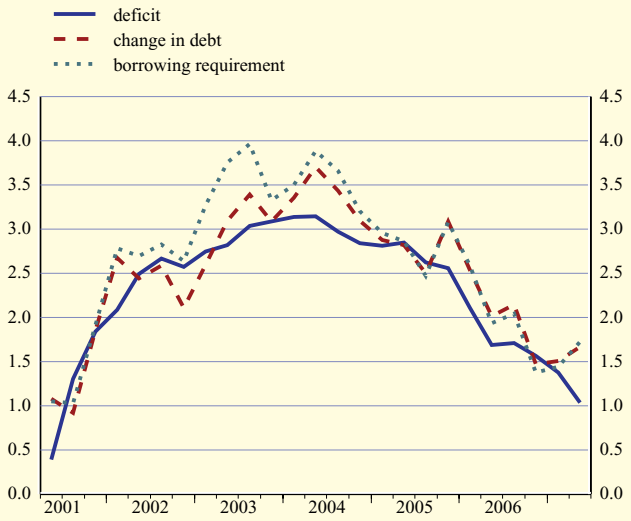
1. Euro area – Maastricht debt by financial instrument [1)]

	Total	Financial instruments			
		Currency and deposits	Loans	Short-term securities	Long-term securities
	1	2	3	4	5
2004 Q3	71.0	2.3	12.1	5.5	51.2
Q4	69.5	2.2	11.9	5.0	50.5
2005 Q1	70.9	2.2	11.9	5.2	51.5
Q2	71.6	2.3	11.7	5.2	52.4
Q3	71.1	2.4	11.8	5.2	51.8
Q4	70.3	2.4	11.8	4.7	51.4
2006 Q1	70.7	2.5	11.7	4.9	51.5
Q2	70.8	2.5	11.6	4.9	51.8
Q3	70.3	2.5	11.6	4.7	51.4
Q4	68.6	2.5	11.4	4.1	50.7
2007 Q1	68.9	2.4	11.4	4.8	50.3
Q2	69.1	2.2	11.1	5.1	50.7

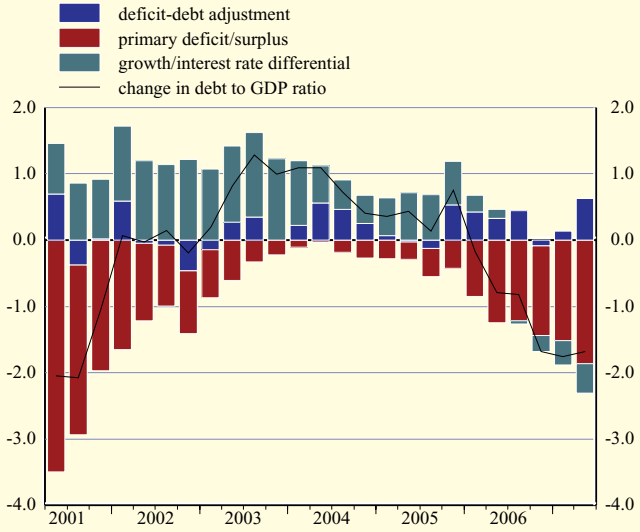
2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment								Memo: Borrowing requirement
			Total	Transactions in main financial assets held by general government					Valuation effects and other changes in volume	Other	
				Total	Currency and deposits	Loans	Securities	Shares and other equity			
	1	2	3	4	5	6	7	8	9	10	11
2004 Q3	1.8	-3.4	-1.6	-1.1	-1.4	0.0	0.2	0.1	-0.3	-0.2	2.1
Q4	-3.0	-1.5	-4.5	-3.3	-2.6	0.1	-0.2	-0.6	0.0	-1.2	-3.0
2005 Q1	7.2	-4.9	2.4	2.4	1.3	0.3	0.3	0.5	0.0	0.0	7.3
Q2	5.4	-1.7	3.7	3.3	2.5	0.0	0.3	0.5	0.1	0.3	5.3
Q3	0.6	-2.5	-2.0	-2.4	-2.3	0.0	0.3	-0.4	0.0	0.4	0.5
Q4	-0.6	-1.3	-1.9	-0.4	0.0	0.0	-0.3	-0.1	-0.1	-1.4	-0.5
2006 Q1	4.8	-3.0	1.9	1.3	1.0	0.1	0.6	-0.5	-0.3	0.9	5.1
Q2	3.3	-0.1	3.2	3.2	2.5	0.1	0.4	0.2	0.7	-0.6	2.6
Q3	1.2	-2.6	-1.4	-0.9	-0.7	-0.1	0.0	-0.1	0.1	-0.7	1.0
Q4	-3.0	-0.8	-3.8	-2.1	-1.2	-0.6	-0.1	-0.2	-0.1	-1.6	-2.9
2007 Q1	4.8	-2.2	2.6	1.8	1.0	0.2	0.6	0.0	-0.4	1.2	5.2
Q2	3.8	1.2	5.0	4.8	4.1	0.0	0.5	0.1	0.1	0.1	3.7

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.

7 EXTERNAL TRANSACTIONS AND POSITIONS

7.1 Balance of payments

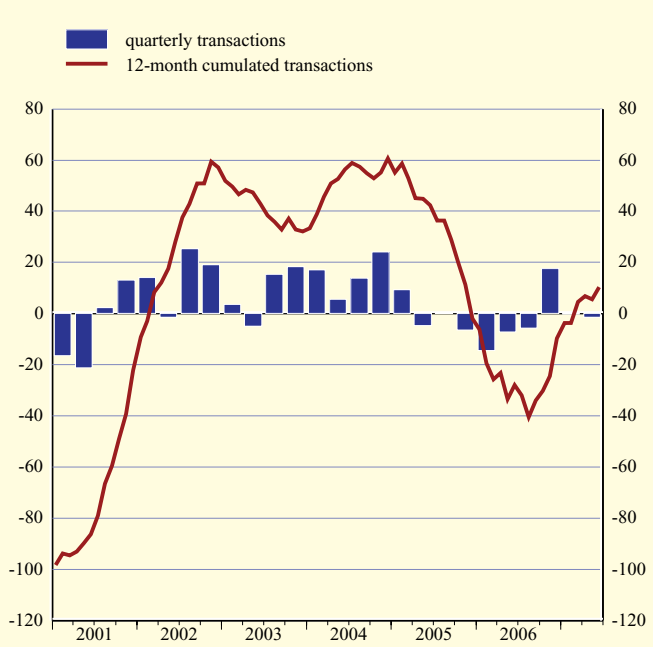
(EUR billions; net transactions)

1. Summary balance of payments

	Current account					Capital account	Net lending/ borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2004	60.7	100.5	32.6	-13.7	-58.6	16.6	77.3	-18.7	-68.6	72.9	-8.3	-27.1	12.5	-58.6
2005	-1.9	45.4	34.8	-11.6	-70.5	12.1	10.3	25.5	-210.0	146.1	-13.9	85.3	18.0	-35.8
2006	-9.7	28.6	35.8	1.4	-75.5	10.1	0.4	117.1	-158.8	263.5	-1.9	15.5	-1.3	-117.5
2006 Q2	-7.2	6.8	12.5	-10.6	-15.8	1.3	-5.8	39.1	-20.0	97.6	-2.1	-34.9	-1.5	-33.3
Q3	-5.7	7.5	9.8	0.9	-23.9	2.1	-3.6	51.0	-43.9	22.3	7.9	67.8	-3.2	-47.4
Q4	17.7	17.8	8.5	6.7	-15.4	4.8	22.5	-45.8	-59.4	120.4	-0.1	-104.2	-2.4	23.3
2007 Q1	-0.2	8.6	7.8	4.7	-21.2	5.0	4.8	4.7	-14.6	129.8	-16.4	-92.5	-1.6	-9.5
Q2	-1.4	20.3	14.4	-19.5	-16.6	2.6	1.2	23.2	-69.1	69.5	-14.1	41.0	-4.2	-24.4
2006 Aug.	-5.9	-2.2	1.8	1.5	-7.0	1.0	-4.8	3.7	-5.5	-22.5	-2.5	35.0	-0.8	1.2
Sep.	1.4	5.6	3.8	0.5	-8.5	0.2	1.7	39.1	-27.7	40.2	7.1	20.5	-1.1	-40.7
Oct.	-0.8	5.6	2.6	-0.9	-8.1	0.5	-0.3	5.1	-10.0	30.8	6.3	-22.1	0.1	-4.8
Nov.	4.8	7.2	2.1	2.7	-7.3	0.9	5.7	-11.0	-12.9	58.9	-2.0	-54.4	-0.6	5.3
Dec.	13.7	5.0	3.8	4.9	0.0	3.4	17.1	-39.9	-36.5	30.7	-4.4	-27.7	-1.9	22.8
2007 Jan.	-3.7	-4.2	1.1	1.1	-1.7	2.2	-1.4	42.7	-13.8	42.7	-4.2	20.9	-3.0	-41.2
Feb.	-3.6	2.6	2.9	3.0	-12.1	1.1	-2.4	2.0	-3.2	22.9	-7.9	-9.3	-0.5	0.5
Mar.	7.1	10.1	3.8	0.6	-7.4	1.6	8.7	-39.9	2.4	64.2	-4.3	-104.1	1.9	31.2
Apr.	-3.6	4.5	3.5	-4.0	-7.6	0.6	-3.0	40.8	-7.4	-3.6	-3.6	56.9	-1.5	-37.8
May	-11.6	4.4	4.0	-14.9	-5.1	1.9	-9.7	2.0	-24.2	2.5	-0.8	25.2	-0.7	7.8
June	13.8	11.3	6.9	-0.6	-3.8	0.1	13.9	-19.5	-37.4	70.6	-9.7	-41.1	-1.9	5.6
July	4.8	9.4	4.6	-1.8	-7.4	0.9	5.7	47.1	0.1	30.2	-10.8	30.8	-3.2	-52.8
Aug.	0.7	3.9	3.1	1.4	-7.6	0.2	0.9	52.8	-8.5	13.3	-12.5	59.2	1.3	-53.7
	12-month cumulated transactions													
2007 Aug.	23.1	65.5	42.2	-7.9	-76.7	13.7	36.7	121.1	-179.3	403.4	-46.8	-45.1	-11.1	-157.9

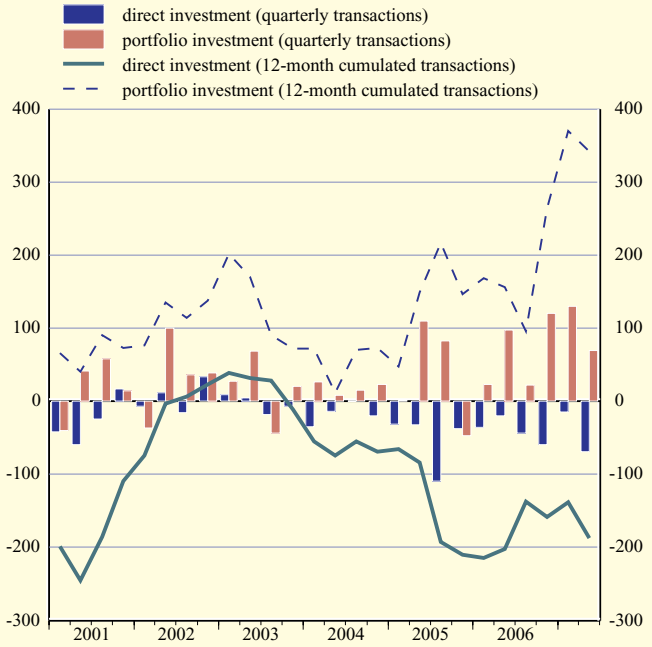
C30 B.o.p. current account balance

(EUR billions)



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

(EUR billions)



Source: ECB.

7.1 Balance of payments

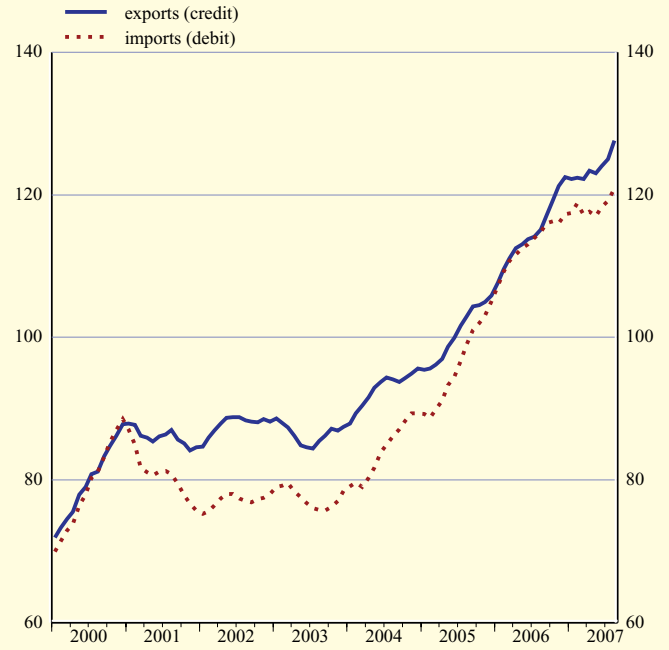
(EUR billions; transactions)

2. Current and capital accounts

	Current account											Capital account	
	Total			Goods		Services		Income		Current transfers			
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11	12	13
2004	1,866.8	1,806.0	60.7	1,129.3	1,028.9	366.4	333.8	288.9	302.7	82.1	140.7	24.6	8.1
2005	2,066.1	2,067.9	-1.9	1,224.2	1,178.9	401.8	367.0	354.7	366.2	85.4	155.9	24.1	12.0
2006	2,343.0	2,352.8	-9.7	1,389.0	1,360.4	429.3	393.6	438.1	436.7	86.6	162.1	23.7	13.6
2006 Q2	584.9	592.1	-7.2	343.5	336.6	107.5	95.1	116.4	127.0	17.5	33.4	4.5	3.2
Q3	575.8	581.4	-5.7	342.1	334.6	114.1	104.3	104.0	103.1	15.5	39.4	4.4	2.4
Q4	637.2	619.5	17.7	373.2	355.4	110.2	101.7	126.1	119.3	27.7	43.1	8.8	4.0
2007 Q1	615.8	616.0	-0.2	361.3	352.8	105.3	97.5	122.4	117.7	26.7	48.0	7.8	2.8
Q2	647.0	648.4	-1.4	373.2	353.0	116.7	102.3	138.6	158.1	18.5	35.0	4.9	2.4
2007 June	228.6	214.7	13.8	130.4	119.1	41.6	34.6	50.0	50.7	6.5	10.3	1.0	0.9
July	220.3	215.4	4.8	129.7	120.3	42.8	38.1	42.4	44.2	5.4	12.8	1.8	0.9
Aug.	211.1	210.3	0.7	120.2	116.3	42.2	39.2	42.1	40.7	6.5	14.1	1.1	0.9
	Seasonally adjusted												
2006 Q2	580.8	585.6	-4.8	341.3	339.1	106.2	97.2	112.1	110.9	21.3	38.4	.	.
Q3	598.1	607.4	-9.3	351.3	347.9	106.4	98.1	119.4	119.7	21.0	41.7	.	.
Q4	621.9	619.6	2.3	367.3	351.8	108.8	100.1	123.5	123.9	22.2	43.8	.	.
2007 Q1	630.4	622.5	7.9	366.7	351.6	114.5	102.7	126.6	128.1	22.6	40.1	.	.
Q2	642.8	635.4	7.5	371.9	354.7	117.1	105.8	131.7	134.9	22.2	40.0	.	.
2006 Dec.	212.0	210.1	1.9	124.1	120.3	36.9	33.0	42.4	42.6	8.6	14.1	.	.
2007 Jan.	204.3	202.4	1.9	120.2	116.5	37.1	34.1	41.3	41.2	5.7	10.6	.	.
Feb.	214.3	212.8	1.5	122.7	119.5	38.3	34.2	42.5	42.3	10.7	16.8	.	.
Mar.	211.8	207.2	4.5	123.8	115.6	39.1	34.3	42.8	44.7	6.1	12.7	.	.
Apr.	210.4	210.7	-0.3	123.5	117.9	39.1	35.2	41.1	43.0	6.7	14.6	.	.
May	212.9	212.0	0.9	121.7	117.4	38.5	35.4	44.7	45.9	8.0	13.2	.	.
June	219.5	212.7	6.9	126.7	119.3	39.5	35.3	45.9	45.9	7.5	12.2	.	.
July	217.6	213.8	3.8	126.5	120.7	38.0	34.7	45.3	44.6	7.8	13.7	.	.
Aug.	221.8	218.0	3.8	129.6	122.5	39.5	35.7	45.0	45.3	7.8	14.5	.	.

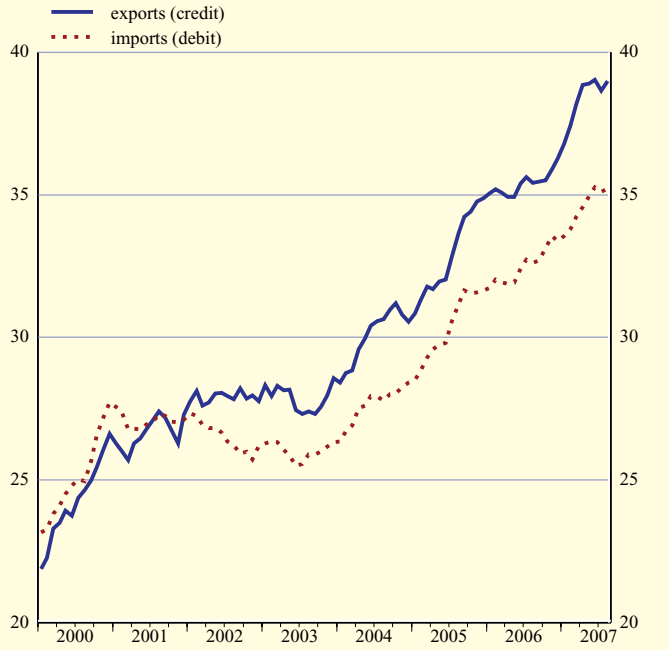
C32 B.o.p. goods

(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											
			Total		Direct investment				Portfolio investment				Other investment	
					Equity		Debt		Equity		Debt			
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2004	15.5	7.9	273.4	294.7	100.6	76.2	13.4	12.8	24.5	56.2	67.7	77.0	67.2	72.4
2005	15.7	9.3	339.0	357.0	121.5	89.1	14.0	13.5	31.3	71.2	78.1	82.4	94.1	100.7
2006	16.1	10.0	421.9	426.7	129.2	72.4	18.4	16.3	38.1	99.5	100.4	89.4	135.8	149.0
2006 Q2	4.0	2.4	112.4	124.6	38.1	18.6	4.5	4.0	13.2	43.0	24.0	23.1	32.5	36.0
Q3	4.0	2.9	100.0	100.1	26.8	15.4	4.5	4.1	8.5	21.4	25.8	21.2	34.4	38.1
Q4	4.2	2.5	121.9	116.8	41.3	25.6	5.2	4.9	8.1	19.1	27.9	23.4	39.4	43.9
2007 Q1	4.0	1.9	118.5	115.8	34.4	22.5	5.1	4.9	9.6	18.2	27.8	25.4	41.6	44.8
Q2	4.0	2.5	134.6	155.6	38.8	22.8	5.7	4.9	16.0	52.8	28.6	28.1	45.4	47.1

4. Direct investment

(net transactions)

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2004	-161.0	-171.1	-21.4	-149.8	10.1	0.1	10.0	92.4	95.7	0.7	95.0	-3.3	0.5	-3.8
2005	-301.6	-242.0	-11.0	-230.9	-59.7	-0.2	-59.5	91.6	64.0	0.7	63.2	27.7	-0.3	28.0
2006	-322.6	-265.8	-34.7	-231.1	-56.8	-1.0	-55.8	163.8	136.7	4.2	132.5	27.0	0.3	26.7
2006 Q2	-112.5	-92.0	-6.5	-85.5	-20.5	-0.6	-19.9	92.5	79.6	0.5	79.1	12.8	1.0	11.9
Q3	-73.5	-65.1	-10.4	-54.6	-8.4	0.2	-8.6	29.6	25.6	1.2	24.4	4.0	-0.3	4.3
Q4	-80.2	-59.1	-16.1	-43.0	-21.1	-0.7	-20.3	20.8	13.7	0.9	12.8	7.1	0.0	7.1
2007 Q1	-92.0	-59.6	-4.7	-54.9	-32.4	2.1	-34.5	77.4	48.3	0.9	47.4	29.1	-0.8	29.9
Q2	-109.4	-83.5	-6.1	-77.4	-25.9	-1.5	-24.5	40.3	42.4	-1.0	43.5	-2.1	0.7	-2.9
2006 Aug.	-4.3	-7.4	-3.6	-3.8	3.1	0.0	3.1	-1.2	4.6	0.4	4.1	-5.7	-0.1	-5.6
Sep.	-48.0	-39.6	-5.3	-34.3	-8.5	0.1	-8.5	20.4	14.0	0.4	13.6	6.4	-0.1	6.5
Oct.	-20.4	-11.8	-5.8	-6.0	-8.6	0.1	-8.7	10.4	5.1	1.1	4.0	5.3	1.5	3.8
Nov.	-12.8	-17.0	-1.9	-15.1	4.1	-0.2	4.3	-0.1	0.1	-0.2	0.3	-0.2	-1.7	1.5
Dec.	-47.0	-30.3	-8.5	-21.9	-16.6	-0.7	-15.9	10.4	8.5	0.0	8.5	2.0	0.1	1.9
2007 Jan.	-25.7	-24.1	-2.3	-21.8	-1.6	2.3	-3.9	11.9	5.8	0.3	5.6	6.0	-1.0	7.0
Feb.	-36.7	-15.4	5.6	-21.0	-21.3	-0.3	-21.0	33.5	25.7	4.2	21.5	7.8	0.2	7.5
Mar.	-29.6	-20.1	-8.0	-12.1	-9.5	0.1	-9.6	32.0	16.7	-3.6	20.4	15.3	-0.1	15.4
Apr.	-25.3	-16.9	-1.6	-15.4	-8.4	-0.4	-7.9	17.9	13.5	-0.6	14.2	4.4	0.4	4.0
May	-41.3	-37.1	-3.4	-33.7	-4.2	0.1	-4.3	17.1	23.4	0.1	23.3	-6.3	0.4	-6.7
June	-42.8	-29.4	-1.1	-28.3	-13.4	-1.2	-12.2	5.3	5.5	-0.5	5.9	-0.2	0.0	-0.1
July	-12.9	-8.6	-0.7	-7.9	-4.3	0.0	-4.3	13.0	4.3	0.0	4.3	8.7	-0.2	8.9
Aug.	-25.7	-18.1	-2.9	-15.2	-7.6	0.7	-8.3	17.1	6.7	-0.1	6.8	10.4	-0.2	10.6

Source: ECB.

7.1 Balance of payments

(EUR billions; transactions)

5. Portfolio investment by instrument and sector of holder

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Assets				Liabilities	Assets				Liabilities	Assets				Liabilities
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		
				General gov.					General gov.					General gov.	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2004	0.0	-22.4	-84.1	-3.7	126.8	0.6	-81.9	-98.1	-2.1	273.5	0.0	-43.1	-14.9	0.1	16.5
2005	-0.1	-14.4	-119.8	-3.5	263.2	-0.7	-119.6	-142.2	-0.8	248.6	0.1	-14.5	-0.1	0.1	45.6
2006	0.0	-25.2	-110.1	-6.1	289.7	-2.4	-168.7	-123.1	-1.1	464.4	-2.0	-48.6	-14.4	0.1	4.1
2006 Q2	0.0	11.1	7.2	-2.6	32.8	1.0	-23.4	-25.6	0.1	116.5	-3.2	-7.6	-0.7	-3.2	-10.4
Q3	0.0	-4.7	-23.7	-0.9	53.5	-0.4	-51.9	-15.7	-0.2	80.9	1.9	-25.0	0.7	3.1	6.8
Q4	0.0	-12.0	-16.0	-1.8	83.0	-2.9	-39.6	-45.7	-0.8	185.2	-1.4	-18.5	-4.3	4.0	-7.4
2007 Q1	0.0	-19.0	1.4	-0.8	113.5	-0.7	-50.4	-42.6	-1.2	141.8	0.7	-23.3	-13.4	-5.5	21.9
Q2	0.0	-4.9	-5.3	-1.5	71.5	-0.3	-65.7	-50.9	-0.5	110.9	-0.1	-13.4	-9.2	-4.5	36.9
2006 Aug.	0.0	-4.7	-7.2	-	-13.6	0.0	-8.9	-9.1	-	15.1	1.0	0.2	1.2	-	3.3
Sep.	0.0	-3.2	-4.8	-	24.2	-0.6	-29.8	-4.6	-	59.6	0.5	-7.1	0.5	-	5.5
Oct.	0.0	-4.9	-5.3	-	23.7	-1.8	-15.4	-21.2	-	53.5	-0.3	-5.8	-6.2	-	14.4
Nov.	0.0	0.1	-10.2	-	26.9	-0.5	-25.5	-11.5	-	71.1	-0.4	-9.6	4.2	-	14.2
Dec.	0.0	-7.3	-0.5	-	32.4	-0.6	1.3	-13.0	-	60.6	-0.8	-3.1	-2.4	-	-36.1
2007 Jan.	0.0	-3.8	1.4	-	49.9	-0.1	-31.9	-9.9	-	34.4	0.5	-7.8	-7.9	-	17.8
Feb.	0.0	-19.0	-10.6	-	36.5	-0.1	-16.2	-9.2	-	39.8	0.1	-5.2	-2.2	-	9.0
Mar.	0.0	3.8	10.5	-	27.1	-0.6	-2.2	-23.5	-	67.6	0.2	-10.4	-3.3	-	-5.0
Apr.	0.0	1.5	-13.5	-	-11.7	0.0	-24.2	-9.1	-	35.1	0.0	-2.6	1.4	-	19.5
May	0.0	-9.0	6.8	-	12.2	-0.1	-28.0	-23.3	-	36.4	0.0	-6.5	-3.7	-	17.7
June	0.0	2.6	1.3	-	71.0	-0.2	-13.4	-18.5	-	39.4	-0.1	-4.3	-6.9	-	-0.3
July	0.0	-1.7	-0.5	-	49.8	-0.5	-23.3	-11.5	-	14.6	0.0	-1.9	4.2	-	0.9
Aug.	0.0	9.5	-2.3	-	-27.4	0.0	-0.6	-10.4	-	21.9	0.1	10.2	10.3	-	2.1

6. Other investment by sector

	Total		Eurosystem		General government			MFIs (excluding Eurosystem)						Other sectors		
								Total		Long-term		Short-term				
	Assets	Liabilities	Assets	Liabilities	Assets		Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets		Liabilities
						Currency and deposits									Currency and deposits	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2004	-310.7	283.6	0.4	7.8	-1.6	-2.0	-3.8	-260.1	245.7	6.2	-17.0	-266.3	262.7	-49.3	-9.1	33.8
2005	-569.1	654.3	-0.9	6.7	5.1	-2.4	-2.2	-395.5	483.5	-96.9	55.3	-298.6	428.2	-177.7	-6.0	166.4
2006	-758.3	773.9	-2.9	18.6	3.3	-3.0	1.2	-523.6	492.2	-134.2	84.1	-389.5	408.1	-235.1	25.0	261.8
2006 Q2	-113.7	78.8	0.9	2.1	-11.0	-12.1	0.3	-57.5	9.0	-15.1	21.6	-42.4	-12.5	-46.0	6.7	67.4
Q3	-144.5	212.3	0.5	4.9	12.3	8.5	6.3	-119.9	161.7	-32.6	21.3	-87.3	140.5	-37.4	10.7	39.4
Q4	-281.0	176.8	-1.1	4.7	-5.5	-3.2	-3.2	-210.6	98.6	-73.6	28.2	-136.9	70.3	-63.8	18.1	76.8
2007 Q1	-373.0	280.5	-5.3	5.4	7.2	5.2	1.6	-290.4	266.7	-76.5	29.7	-213.9	237.0	-84.6	-39.2	6.9
Q2	-191.1	232.1	-3.5	10.9	-17.5	-17.4	-0.2	-131.7	178.7	-39.3	46.1	-92.4	132.7	-38.4	3.9	42.7
2006 Aug.	11.1	23.9	-1.5	1.3	0.6	0.0	-0.6	7.3	18.7	-7.1	6.7	14.4	12.0	4.8	0.2	4.5
Sep.	-96.8	117.3	0.5	2.5	4.6	1.5	4.8	-78.6	78.1	-15.1	6.0	-63.5	72.1	-23.2	2.5	31.8
Oct.	-106.9	84.8	-0.5	-1.1	-2.4	-4.1	-2.1	-78.5	64.3	-42.1	5.5	-36.5	58.8	-25.4	3.2	23.7
Nov.	-151.4	97.0	0.5	3.2	-3.8	-4.3	1.6	-106.4	71.3	-10.8	27.9	-95.6	43.4	-41.7	-8.5	21.0
Dec.	-22.7	-5.0	-1.1	2.5	0.7	5.2	-2.7	-25.6	-37.0	-20.8	-5.1	-4.8	-31.9	3.3	23.4	32.1
2007 Jan.	-140.9	161.9	-1.4	3.8	4.5	1.3	-5.0	-100.6	154.6	-31.9	10.3	-68.7	144.2	-43.4	-33.4	8.4
Feb.	-117.9	108.6	-3.6	-0.4	0.1	1.5	4.8	-90.0	81.5	-7.9	8.6	-82.1	72.9	-24.5	-7.6	22.8
Mar.	-114.2	10.0	-0.3	2.0	2.6	2.4	1.7	-99.8	30.6	-36.7	10.8	-63.1	19.8	-16.8	1.8	-24.4
Apr.	-136.5	193.4	0.6	2.9	0.5	-2.9	0.5	-127.0	165.9	-9.9	12.3	-117.1	153.7	-10.6	-3.9	24.0
May	-51.9	77.2	-2.5	-0.8	-5.8	-6.1	-0.3	-27.1	76.2	-6.0	24.8	-21.1	51.4	-16.5	2.2	2.1
June	-2.6	-38.4	-1.5	8.8	-12.1	-8.4	-0.4	22.3	-63.3	-23.4	9.0	45.7	-72.4	-11.3	5.6	16.6
July	-6.2	37.1	0.5	-6.7	18.0	14.1	-1.9	-38.0	48.4	-13.7	12.1	-24.3	36.3	13.3	5.5	-2.7
Aug.	-26.9	86.1	-2.6	4.3	0.6	0.9	4.0	-10.0	56.9	-23.2	0.5	13.2	56.3	-14.9	-5.2	20.9

Source: ECB.

7.1 Balance of payments

(EUR billions; transactions)

7. Other investment by sector and instrument

	Eurosystem				General government							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	1	2	3	4	5	6	7	8	9	10	11	12
2004	0.6	-0.3	7.8	0.0	0.0	-0.4	1.7	-2.0	-1.3	0.0	-3.7	-0.2
2005	-0.9	0.0	6.6	0.0	0.0	6.3	8.8	-2.4	-1.1	0.0	-1.9	-0.3
2006	-2.9	0.0	18.6	0.0	0.0	4.2	7.2	-3.0	-0.8	0.0	1.3	-0.1
2006 Q2	0.9	0.0	2.1	0.0	0.0	-10.8	1.4	-12.1	-0.3	0.0	0.2	0.1
Q3	0.5	0.0	4.8	0.0	0.0	12.3	3.7	8.5	0.1	0.0	6.2	0.1
Q4	-1.1	0.0	4.7	0.0	0.0	-5.0	-1.9	-3.2	-0.5	0.0	-3.3	0.0
2007 Q1	-5.3	0.0	5.3	0.1	0.0	7.4	2.2	5.2	-0.2	0.0	1.7	-0.1
Q2	-3.5	0.0	10.9	-0.1	0.0	-17.1	0.3	-17.4	-0.3	0.0	-0.3	0.1

	MFIs (excluding Eurosystem)				Other sectors							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	13	14	15	16	17	18	19	20	21	22	23	24
2004	-256.2	-4.0	242.8	2.9	-6.2	-39.0	-30.0	-9.1	-4.1	9.5	22.8	1.6
2005	-392.3	-3.2	481.9	1.6	-8.9	-152.2	-146.2	-6.0	-16.7	11.8	148.8	5.8
2006	-519.6	-4.1	489.2	3.0	-6.9	-217.7	-242.7	25.0	-10.6	15.1	239.9	6.8
2006 Q2	-58.0	0.5	14.6	-5.6	-3.7	-44.2	-50.9	6.7	1.9	4.1	67.9	-4.7
Q3	-118.8	-1.0	159.5	2.3	2.4	-36.0	-46.8	10.7	-3.8	3.2	33.2	3.0
Q4	-210.9	0.4	98.2	0.4	-1.7	-61.8	-79.8	18.1	-0.3	3.4	70.5	2.9
2007 Q1	-282.1	-8.3	264.7	1.9	-2.2	-74.3	-35.0	-39.2	-8.1	-2.1	3.6	5.4
Q2	-127.1	-4.6	177.7	1.1	-2.7	-29.6	-33.5	3.9	-6.1	5.0	37.1	0.5

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
2004	12.5	1.2	0.5	4.0	6.8	-2.9	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
2006	-1.3	4.2	-0.5	5.2	-10.4	6.1	-2.8	0.0	-19.4	5.7	0.0	0.2
2006 Q2	-1.5	1.4	0.0	-0.5	-3.1	0.9	2.4	0.0	-7.2	0.7	0.0	0.7
Q3	-3.2	0.9	-0.3	0.8	-4.6	1.0	-2.9	0.0	-4.1	1.4	0.0	0.0
Q4	-2.4	1.1	-0.2	1.6	-4.9	-2.0	2.5	0.0	-4.0	-1.3	0.0	0.0
2007 Q1	-1.6	0.4	0.0	0.8	-2.9	1.4	-5.0	0.4	-5.8	6.1	0.0	0.0
Q2	-4.2	0.7	-0.1	-0.5	-4.2	-0.8	-0.3	-0.1	-2.3	-0.7	0.0	0.0

Source: ECB.

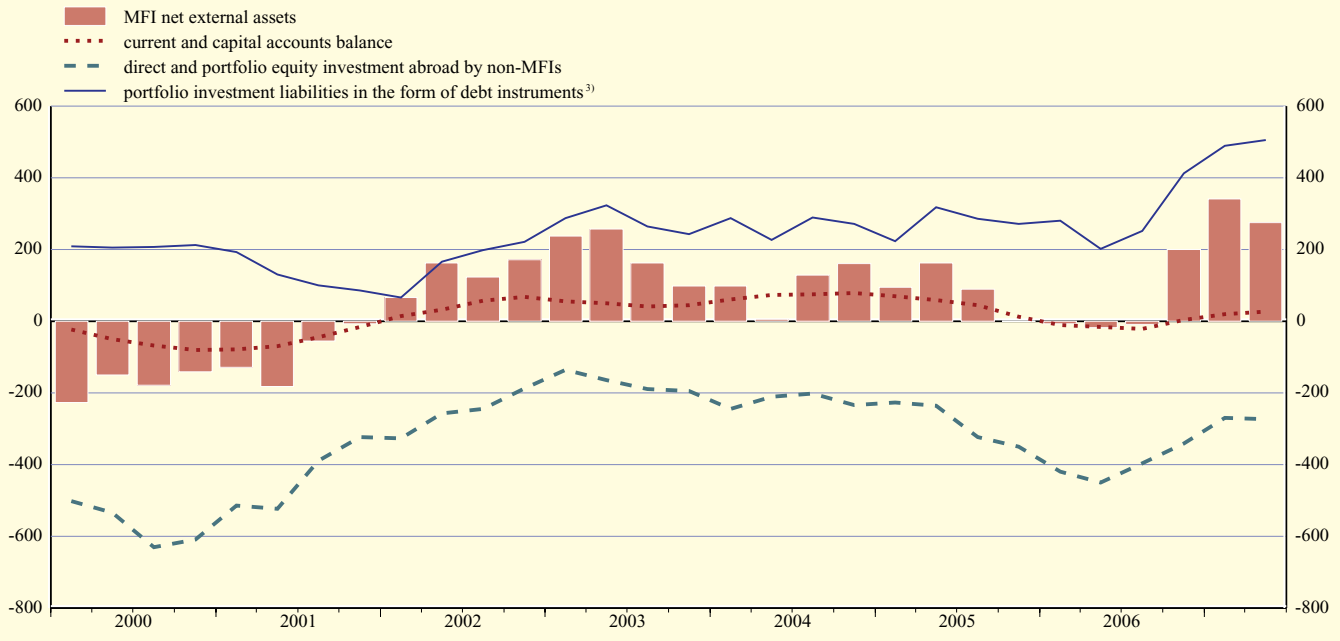
7.2 Monetary presentation of the balance of payments [1]

(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non-resident units in the euro area	Assets	Liabilities		Assets	Liabilities				
				Non-MFIs	Equity [2]	Debt instruments [3]	Non-MFIs	Non-MFIs				
	1	2	3	4	5	6	7	8	9	10	11	12
2004	79.1	-139.7	91.7	-196.8	116.9	270.5	-51.0	29.7	-8.3	-58.0	134.0	161.2
2005	12.0	-290.5	92.0	-261.6	220.2	270.4	-172.6	164.2	-13.9	-35.8	-15.5	0.5
2006	2.8	-286.9	163.4	-247.1	228.8	413.0	-231.5	262.8	-1.9	-118.6	184.8	200.4
2006 Q2	-5.5	-105.4	91.5	-19.0	26.3	101.5	-56.9	67.7	-2.1	-34.2	63.8	60.2
Q3	-2.9	-63.3	29.8	-38.7	20.2	78.1	-25.1	45.6	7.9	-47.4	4.3	2.1
Q4	23.1	-63.3	20.9	-65.7	66.9	158.7	-69.4	73.4	-0.1	23.0	167.4	176.1
2007 Q1	4.8	-74.1	53.6	-50.5	94.8	150.8	-118.5	49.9	-16.4	-9.5	89.7	102.0
Q2	1.2	-107.0	29.5	-59.6	60.7	117.3	-98.0	27.7	-14.1	-24.4	-0.3	-5.8
2006 Aug.	-4.6	-0.7	-1.1	-15.1	-8.4	11.1	5.4	3.8	-2.5	1.2	-11.0	-19.0
Sep.	2.0	-42.9	20.4	-8.9	4.0	59.4	-18.5	36.6	7.1	-40.6	18.6	17.2
Oct.	-0.2	-14.7	8.9	-32.6	13.2	51.6	-27.8	21.5	6.4	-5.5	20.9	25.8
Nov.	5.8	-10.7	1.6	-17.4	31.4	80.3	-45.5	22.5	-2.0	5.1	71.3	69.2
Dec.	17.4	-37.9	10.3	-15.7	22.3	26.8	3.9	29.4	-4.4	23.3	75.3	81.1
2007 Jan.	-1.4	-25.7	12.9	-16.3	39.9	45.7	-38.9	3.5	-4.2	-41.2	-25.8	-22.9
Feb.	-2.4	-42.0	33.3	-22.0	41.1	44.3	-24.3	27.6	-7.9	0.5	48.0	40.6
Mar.	8.7	-21.7	32.1	-16.3	13.7	60.7	-14.1	-22.6	-4.3	31.2	67.5	84.3
Apr.	-3.0	-23.3	17.5	-21.1	-14.3	33.5	-10.1	24.5	-3.6	-37.8	-37.7	-40.2
May	-9.7	-38.0	16.7	-20.2	10.9	40.3	-22.4	1.8	-0.8	7.8	-13.5	-12.3
June	13.9	-40.5	5.4	-24.1	64.1	43.5	-23.4	16.1	-9.7	5.6	51.0	46.8
July	5.7	-12.2	13.2	-7.7	35.2	11.6	31.3	-4.6	-10.8	-52.8	8.8	6.0
Aug.	0.9	-23.5	17.4	-2.4	-17.5	27.0	-14.4	24.9	-12.5	-53.7	-53.8	-51.7
	12-month cumulated transactions											
2007 Aug.	37.6	-333.2	189.7	-204.8	244.1	524.8	-204.1	181.2	-46.8	-158.1	230.4	243.7

C34 Main b.o.p. transactions underlying the developments in MFI net external assets [1]

(EUR billions; 12-month cumulated transactions)



Source: ECB.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.
2) Excluding money market fund shares/units.
3) 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)

2006 Q3 to 2007 Q2	Total	European Union 27 (outside the euro area)						Canada	Japan	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions					
	1	2	3	4	5	6	7	8	9	10	11	12
	Credits											
Current account	2,475.7	941.8	51.3	79.0	485.3	266.2	60.1	32.6	56.0	158.8	397.1	889.4
Goods	1,449.9	528.1	33.1	53.3	229.8	211.9	0.0	17.9	34.7	82.4	198.1	588.6
Services	446.3	159.7	9.1	12.0	106.2	26.9	5.5	6.4	10.7	42.7	80.0	146.7
Income	491.1	189.4	8.6	13.1	136.5	24.9	6.4	7.7	10.3	27.8	111.4	144.6
of which: investment income	475.0	184.0	8.5	12.9	134.8	24.7	3.1	7.6	10.2	21.3	109.9	141.9
Current transfers	88.5	64.6	0.5	0.7	12.7	2.6	48.1	0.6	0.3	5.8	7.7	9.5
Capital account	26.0	20.5	0.0	0.0	0.9	0.1	19.5	0.0	0.4	0.4	0.9	3.7
	Debits											
Current account	2,465.3	812.4	41.1	76.3	390.0	207.7	97.3	26.1	90.2	152.5	355.2	1,029.0
Goods	1,395.8	412.4	27.9	49.0	170.4	165.1	0.0	12.1	54.2	71.1	134.1	711.8
Services	405.8	131.5	7.6	9.7	84.9	29.1	0.1	5.9	7.4	31.7	87.1	142.2
Income	498.2	164.6	5.2	16.8	124.8	9.8	8.0	6.3	28.1	44.3	127.2	127.8
of which: investment income	488.4	158.9	5.2	16.7	123.6	5.5	7.9	6.2	28.0	43.8	126.3	125.3
Current transfers	165.5	103.9	0.4	0.9	9.7	3.6	89.2	1.8	0.4	5.4	6.8	47.2
Capital account	11.6	1.8	0.0	0.1	1.2	0.3	0.2	0.1	0.1	0.5	1.6	7.4
	Net											
Current account	10.4	129.5	10.2	2.7	95.3	58.6	-37.2	6.6	-34.2	6.3	42.0	-139.7
Goods	54.1	115.7	5.2	4.3	59.4	46.8	0.0	5.9	-19.5	11.3	64.0	-123.3
Services	40.5	28.2	1.6	2.2	21.3	-2.3	5.4	0.5	3.3	11.1	-7.1	4.5
Income	-7.1	24.8	3.3	-3.7	11.7	15.0	-1.6	1.4	-17.8	-16.5	-15.8	16.8
of which: investment income	-13.5	25.1	3.3	-3.8	11.2	19.2	-4.8	1.4	-17.8	-22.5	-16.3	16.6
Current transfers	-77.0	-39.2	0.1	-0.2	3.0	-1.0	-41.1	-1.2	-0.2	0.4	0.9	-37.7
Capital account	14.4	18.7	0.0	0.0	-0.3	-0.2	19.2	-0.1	0.4	-0.1	-0.7	-3.7

2. Balance of payments: direct investment

(cumulated transactions)

2006 Q3 to 2007 Q2	Total	European Union 27 (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
	1	2	3	4	5	6	7	8	9	10	11	12	13
Direct investment	-187.1	-49.4	5.2	2.6	-29.0	-28.3	0.1	-18.1	2.6	-24.6	-9.8	-7.5	-80.3
Abroad	-355.2	-108.3	-0.1	-4.6	-73.0	-30.6	0.0	-25.0	-4.4	-27.3	-80.2	-35.6	-74.4
Equity/reinvested earnings	-267.3	-83.5	-0.7	-1.7	-50.3	-30.8	0.0	-17.4	-3.1	-14.2	-66.0	-26.8	-56.4
Other capital	-87.9	-24.8	0.5	-2.9	-22.7	0.2	0.0	-7.6	-1.3	-13.2	-14.2	-8.8	-18.0
In the euro area	168.1	58.9	5.3	7.1	44.1	2.3	0.1	6.8	7.0	2.7	70.4	28.0	-5.9
Equity/reinvested earnings	130.0	43.1	6.9	4.9	31.7	-0.6	0.1	-0.1	2.8	1.4	57.4	20.5	5.0
Other capital	38.0	15.8	-1.6	2.3	12.3	2.9	0.0	6.9	4.2	1.3	13.0	7.6	-10.8

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 27 (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2006 Q3 to 2007 Q2	1	2	3	4	5	6	7	8	9	10	11	12	13
Portfolio investment assets	-556.4	-163.0	-15.0	-17.2	-117.3	-8.8	-4.6	-5.4	7.8	-10.0	-222.8	-97.1	-65.8
Equity	-84.3	-7.7	-3.1	-2.3	-0.9	-1.2	-0.2	2.5	-2.3	-7.1	-36.8	-35.9	2.9
Debt instruments	-472.0	-155.3	-11.9	-14.9	-116.5	-7.6	-4.5	-8.0	10.1	-2.8	-186.0	-61.2	-68.8
Bonds and notes	-366.7	-120.2	-11.7	-15.4	-84.6	-4.6	-3.9	-6.9	-5.5	-1.6	-142.8	-33.3	-56.5
Money market instruments	-105.3	-35.1	-0.2	0.5	-31.9	-3.0	-0.6	-1.1	15.6	-1.2	-43.3	-27.9	-12.3

4. Balance of payments: other investment by sector

(cumulated transactions)

	Total	European Union 27 (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							
2006 Q3 to 2007 Q2	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Other investment	-87.8	-188.5	-17.2	4.1	-174.7	-14.7	14.0	0.1	46.6	17.4	60.1	0.9	7.9	-32.3
Assets	-989.6	-687.3	-18.0	-3.8	-621.7	-41.0	-2.8	-0.6	17.4	-52.1	-127.8	-48.1	-8.4	-82.7
General government	-3.4	-9.9	-1.5	0.8	-9.1	0.1	-0.2	-0.1	-0.4	0.0	0.1	0.1	-1.0	7.8
MFIs	-761.9	-506.6	-15.1	-5.5	-446.1	-39.6	-0.2	2.7	9.9	-50.7	-104.7	-36.9	-7.5	-68.2
Other sectors	-224.2	-170.8	-1.4	0.9	-166.5	-1.4	-2.4	-3.3	8.0	-1.4	-23.2	-11.3	0.1	-22.3
Liabilities	901.8	498.8	0.9	7.9	447.1	26.3	16.8	0.6	29.2	69.5	187.9	48.9	16.3	50.4
General government	4.4	4.5	-0.1	0.0	-1.2	0.0	5.7	0.0	-0.3	-0.3	0.0	0.1	2.7	-2.2
MFIs	731.6	383.3	0.6	5.2	349.3	23.3	4.8	-1.6	27.5	53.6	133.8	45.2	13.5	76.2
Other sectors	165.7	111.1	0.4	2.6	98.9	2.9	6.2	2.3	2.0	16.2	54.0	3.6	0.1	-23.6

5. International investment position

(end-of-period outstanding amounts)

	Total	European Union 27 (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	324.1	-142.8	0.8	-17.3	-292.9	166.8	-0.2	25.2	4.7	35.3	-1.6	-13.9	-0.3	417.5
Abroad	2,710.3	957.2	33.8	81.0	651.8	190.6	0.0	76.1	68.8	241.8	558.1	316.1	0.0	492.2
Equity/reinvested earnings	2,184.8	753.5	29.7	56.8	502.1	164.9	0.0	64.9	63.6	193.8	419.2	297.1	0.0	392.8
Other capital	525.4	203.7	4.1	24.2	149.6	25.7	0.0	11.2	5.2	48.1	138.9	19.0	0.0	99.4
In the euro area	2,386.2	1,100.0	33.0	98.3	944.7	23.8	0.2	50.9	64.1	206.6	559.6	330.0	0.3	74.6
Equity/reinvested earnings	1,777.9	874.0	26.9	81.9	757.1	8.0	0.1	45.9	53.5	142.2	396.0	199.7	0.0	66.7
Other capital	608.2	226.0	6.1	16.4	187.6	15.8	0.1	5.1	10.7	64.4	163.6	130.2	0.3	8.0
Portfolio investment assets	3,874.9	1,202.7	61.2	119.3	861.3	90.8	70.0	83.4	270.4	122.3	1,308.8	411.5	30.8	445.0
Equity	1,733.6	422.4	10.9	46.5	342.4	22.6	0.0	21.7	182.4	112.1	617.1	155.6	1.4	220.9
Debt instruments	2,141.3	780.3	50.3	72.8	519.0	68.2	70.0	61.7	88.0	10.2	691.7	255.9	29.4	224.1
Bonds and notes	1,826.7	652.8	45.9	61.6	408.2	67.2	69.9	60.2	62.4	7.8	592.5	228.7	28.7	193.7
Money market instruments	314.6	127.5	4.3	11.2	110.8	1.0	0.1	1.5	25.6	2.4	99.2	27.2	0.7	30.5
Other investment	-304.2	-50.7	51.8	15.4	17.8	9.3	-145.0	4.5	9.4	-81.5	-13.0	-216.6	-22.8	66.4
Assets	3,664.7	1,872.1	77.0	62.0	1,618.3	105.1	9.8	21.7	92.6	209.2	510.6	354.2	41.8	562.6
General government	102.2	17.4	0.2	0.3	8.9	0.5	7.5	0.1	0.1	0.1	3.3	1.2	35.8	44.2
MFIs	2,515.2	1,432.7	65.7	44.5	1,243.0	78.5	0.9	11.6	67.1	122.0	316.3	245.0	5.4	315.2
Other sectors	1,047.4	422.0	11.0	17.2	366.4	26.0	1.4	10.0	25.4	87.2	191.0	107.9	0.6	203.2
Liabilities	3,969.0	1,922.8	25.2	46.6	1,600.5	95.8	154.8	17.2	83.1	290.7	523.6	570.7	64.6	496.2
General government	46.5	23.7	0.0	0.3	3.3	0.0	20.1	0.0	0.8	0.1	7.4	0.2	3.3	11.1
MFIs	3,180.6	1,491.7	20.0	26.3	1,270.8	74.0	100.6	12.2	55.5	243.9	400.6	518.2	60.0	398.5
Other sectors	741.9	407.4	5.2	20.0	326.4	21.8	34.0	5.0	26.8	46.7	115.6	52.3	1.4	86.6

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						
2003	-784.9	-10.5	87.4	-916.1	-7.5	-255.4	306.7
2004	-829.9	-10.7	106.7	-996.6	-14.9	-206.2	281.0
2005	-817.1	-10.1	324.1	-1,142.6	-14.4	-304.2	320.1
2006 Q4	-1,059.4	-12.6	385.9	-1,510.3	-14.9	-245.9	325.8
2007 Q1	-1,033.5	-12.1	407.6	-1,566.2	-23.9	-182.6	331.5
Q2	-1,173.7	-13.6	494.9	-1,701.8	-19.9	-272.2	325.3
	Outstanding assets						
2003	7,964.9	106.4	2,169.3	2,658.1	160.8	2,670.0	306.7
2004	8,768.7	112.6	2,337.1	3,035.8	174.1	2,940.8	281.0
2005	10,806.1	134.2	2,710.3	3,874.9	236.1	3,664.7	320.1
2006 Q4	12,288.2	145.7	2,959.6	4,376.2	288.6	4,337.8	325.8
2007 Q1	13,115.6	153.5	3,142.4	4,597.6	328.2	4,715.8	331.5
Q2	13,654.9	158.0	3,254.7	4,817.5	384.3	4,873.1	325.3
	Outstanding liabilities						
2003	8,749.8	116.9	2,081.9	3,574.2	168.3	2,925.4	-
2004	9,598.6	123.3	2,230.4	4,032.3	189.0	3,147.0	-
2005	11,623.2	144.3	2,386.2	5,017.6	250.5	3,969.0	-
2006 Q4	13,347.5	158.3	2,573.8	5,886.5	303.5	4,583.7	-
2007 Q1	14,149.0	165.6	2,734.8	6,163.7	352.1	4,898.4	-
Q2	14,828.6	171.6	2,759.9	6,519.3	404.2	5,145.3	-

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
2003	1,726.8	124.4	1,602.4	442.5	2.1	440.4	1,510.1	46.2	1,464.0	571.8	3.2	568.6
2004	1,897.4	144.6	1,752.8	439.7	3.1	436.5	1,661.2	43.9	1,617.4	569.1	8.2	560.9
2005	2,184.8	166.5	2,018.3	525.4	6.6	518.8	1,777.9	45.9	1,732.1	608.2	10.1	598.1
2006 Q4	2,385.7	192.6	2,193.1	574.0	2.8	571.1	1,937.8	47.7	1,890.2	635.9	10.1	625.8
2007 Q1	2,548.5	219.7	2,328.8	593.9	4.3	589.7	2,063.0	55.8	2,007.2	671.8	10.1	661.6
Q2	2,632.1	228.5	2,403.7	622.6	5.8	616.8	2,101.0	57.3	2,043.7	658.9	10.5	648.4

3. Portfolio investment assets by instrument and sector of holder

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Assets				Liabilities	Assets				Liabilities	Assets				Liabilities
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		
			General gov.	Other sectors				General gov.	Other sectors				General gov.	Other sectors	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2003	1.7	53.5	11.5	1,026.2	1,570.4	9.3	460.2	8.0	846.0	1,755.7	1.1	191.5	0.6	48.5	248.0
2004	2.1	73.9	16.1	1,160.6	1,755.9	7.9	540.7	9.7	938.0	2,041.3	0.9	231.4	0.4	54.2	235.1
2005	3.0	100.8	26.6	1,603.3	2,428.0	8.3	693.0	11.6	1,113.9	2,271.9	0.8	260.5	0.4	52.9	317.6
2006 Q4	2.8	131.4	34.7	1,816.0	2,980.6	10.4	809.1	11.4	1,197.1	2,603.1	0.9	300.8	0.2	61.3	302.7
2007 Q1	2.8	138.4	37.9	1,881.9	3,063.8	10.9	859.2	14.6	1,240.9	2,790.4	8.0	325.5	5.8	71.6	309.5
Q2	3.0	148.6	41.3	1,985.5	3,318.6	11.2	912.3	14.8	1,262.9	2,857.5	8.1	341.8	10.4	77.5	343.1

Source: ECB.

7.4 International investment position (including international reserves)

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

4. Other investment by instrument

	Eurosystem				General government							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	1	2	3	4	5	6	7	8	9	10	11	12
2003	5.2	0.7	66.0	0.2	0.2	59.0	53.2	5.8	42.4	0.0	42.3	3.8
2004	4.7	0.3	74.5	0.2	0.2	62.3	54.1	8.3	42.6	0.0	42.4	3.4
2005	5.4	0.4	82.2	0.2	0.1	57.5	45.7	11.8	44.6	0.0	42.8	3.6
2006 Q4	8.4	0.4	100.0	0.2	0.0	56.0	40.7	15.3	45.1	0.0	44.0	3.7
2007 Q1	13.6	0.3	105.1	0.3	14.0	50.2	39.9	10.2	44.8	0.0	46.6	3.7
Q2	17.5	0.3	115.8	0.3	13.7	67.1	39.6	27.5	45.0	0.0	46.2	4.3

	MFIs (excluding Eurosystem)				Other sectors							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	13	14	15	16	17	18	19	20	21	22	23	24
2003	1,734.6	38.5	2,241.9	31.0	169.2	535.9	206.7	329.2	84.3	107.2	387.3	45.7
2004	1,950.5	45.4	2,423.0	42.2	172.4	568.8	236.8	332.0	93.5	110.2	401.4	49.7
2005	2,453.1	56.3	3,045.8	52.4	185.1	730.4	374.9	355.5	131.9	125.3	547.5	69.1
2006 Q4	2,879.0	58.7	3,413.8	55.8	173.9	977.8	598.1	379.7	138.5	124.9	749.3	92.1
2007 Q1	3,141.4	70.1	3,657.9	57.3	196.6	1,031.5	588.3	443.2	153.3	141.0	786.0	100.3
Q2	3,256.4	71.6	3,815.4	62.7	198.7	1,043.1	621.8	421.4	159.6	147.1	843.6	109.8

5. International reserves

	Reserve assets														Memo	
															Assets	Liabilities
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange								Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities				Financial derivatives			
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes	Money market instruments				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Eurosystem															
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 Q4	325.8	176.3	365.213	4.6	5.2	139.7	6.3	22.5	110.7	0.5	79.4	30.8	0.3	0.0	24.6	-21.5
2007 Q1	331.5	180.4	363.109	4.6	4.3	142.2	4.9	27.6	109.4	0.1	84.6	24.7	0.3	0.0	25.1	-22.6
Q2	325.3	172.8	358.768	4.7	4.3	143.5	5.7	27.7	110.1	0.2	84.5	25.5	0.0	0.0	26.6	-24.6
2007 July	328.8	173.6	357.492	4.7	4.1	146.4	5.1	30.8	110.3	-	-	-	0.2	0.0	25.1	-26.9
Aug.	330.4	175.2	357.219	4.8	4.0	146.5	6.2	28.5	111.5	-	-	-	0.2	0.0	28.5	-27.6
Sep.	340.5	187.0	356.925	4.7	3.8	144.9	7.5	27.5	109.6	-	-	-	0.4	0.0	26.2	-26.8
	of which held by the European Central Bank															
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 Q4	39.9	9.9	20.572	0.4	0.0	29.6	1.6	1.5	26.5	0.0	19.1	7.4	0.0	0.0	2.8	-0.3
2007 Q1	40.5	10.3	20.632	0.4	0.0	29.9	1.4	3.3	25.2	0.0	19.5	5.8	0.0	0.0	3.0	-0.6
Q2	40.5	9.4	19.442	0.4	0.0	30.7	1.2	3.0	26.5	0.0	20.7	5.8	0.0	0.0	3.2	-1.6
2007 July	41.4	9.4	19.442	0.4	0.0	31.6	0.7	4.3	26.5	-	-	-	0.0	0.0	3.0	-2.2
Aug.	40.4	9.5	19.442	0.5	0.0	30.4	1.2	2.4	26.8	-	-	-	0.0	0.0	3.4	-1.0
Sep.	40.1	10.2	19.442	0.5	0.0	29.4	1.3	2.2	26.0	-	-	-	0.0	0.0	3.1	-0.7

Source: ECB.

7.5 Trade in goods

(seasonally adjusted, unless otherwise indicated)

1. Values, volumes and unit values by product group

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
			Total				Memo:	Total				Memo:	
	Exports	Imports		Intermediate	Capital	Consumption	Manufactures		Intermediate	Capital	Consumption	Manufactures	Oil
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Values (EUR billions; annual percentage changes for columns 1 and 2)												
2003	-2.3	0.5	1,057.0	500.9	221.8	299.8	917.0	986.9	553.0	165.0	240.5	708.4	109.0
2004	8.9	9.4	1,146.2	544.8	247.3	314.8	995.9	1,073.4	603.6	184.3	256.3	767.9	128.9
2005	7.8	13.5	1,239.1	590.7	270.2	334.9	1,069.9	1,225.5	704.5	208.1	276.6	842.9	186.2
2006	11.5	13.7	1,383.6	667.0	291.0	370.2	1,186.6	1,395.5	829.8	211.3	305.1	941.4	225.9
2006 Q1	16.3	22.9	335.1	159.4	72.0	90.7	285.1	339.2	200.2	53.9	74.4	225.7	55.7
Q2	9.5	14.9	340.2	163.4	71.8	91.1	290.8	346.5	205.9	53.0	75.7	232.3	57.7
Q3	8.3	10.6	346.4	168.7	71.6	92.1	298.3	353.1	212.2	52.0	76.4	238.0	60.1
Q4	12.1	7.9	361.9	175.5	75.7	96.3	312.4	356.7	211.5	52.4	78.6	245.5	52.5
2007 Q1	9.6	5.2	369.6	177.7	78.2	97.6	317.9	360.0	213.6	53.5	79.6	253.9	47.3
Q2	9.2	3.9	370.7	177.8	78.4	98.6	316.4	359.6	217.4	50.9	79.0	248.2	52.6
2007 Mar.	7.1	0.6	123.3	59.4	26.1	32.5	105.9	117.7	69.7	16.7	26.5	83.3	15.3
Apr.	11.3	6.1	121.8	58.6	26.2	32.3	104.4	119.2	71.9	16.7	26.3	81.6	17.2
May	6.8	1.6	122.9	58.7	26.0	32.7	104.2	119.1	72.4	16.9	26.0	82.0	17.6
June	9.6	4.2	126.0	60.5	26.2	33.5	107.8	121.2	73.1	17.3	26.7	84.6	17.9
July	13.8	9.8	124.9	60.3	25.6	33.3	107.4	124.1	74.5	17.6	27.0	86.0	19.1
Aug.	13.1	6.7	131.0	.	.	.	.	126.6	.	.	.	.	.
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2003	1.0	3.6	108.5	106.2	106.9	113.1	108.4	102.0	100.3	97.3	109.8	100.2	103.1
2004	9.0	6.5	117.8	115.3	120.0	118.5	118.1	108.1	104.1	109.4	117.7	108.3	105.0
2005	4.9	5.1	123.8	120.2	129.6	123.6	124.3	114.3	107.5	124.2	123.7	116.4	109.7
2006	7.7	6.1	133.6	130.2	137.0	132.5	134.2	121.3	114.5	126.0	131.9	125.7	110.2
2006 Q1	10.9	9.0	129.9	125.4	135.0	130.2	129.3	117.7	110.9	125.8	127.9	120.8	106.2
Q2	5.3	4.3	131.9	128.6	135.5	130.0	132.3	120.1	112.8	126.3	131.8	124.9	107.7
Q3	5.3	4.8	133.7	131.3	135.7	132.0	135.1	122.1	116.1	125.1	131.8	126.6	117.2
Q4	9.5	6.3	138.9	135.6	141.7	137.7	140.2	125.4	118.2	126.8	135.9	130.5	109.9
2007 Q1	7.8	6.2	140.9	135.5	146.0	138.4	141.6	126.1	118.4	130.2	137.2	134.1	101.5
Q2	6.2	3.5	139.8	134.2	145.3	138.9	139.8	124.1	118.0	125.4	135.3	131.0	105.4
2007 Mar.	5.3	1.6	140.7	135.8	144.9	138.3	141.1	123.4	115.7	122.6	136.9	132.4	97.0
Apr.	8.5	6.4	138.3	133.3	145.9	137.2	138.7	124.0	118.1	123.4	134.2	129.1	105.0
May	3.7	2.4	139.0	133.0	144.6	137.9	138.1	124.0	118.6	125.5	134.2	130.1	106.3
June	6.4	1.9	142.1	136.4	145.5	141.5	142.5	124.3	117.4	127.4	137.5	133.8	104.7
July	10.5	8.3	140.8	136.2	141.7	140.2	142.0	127.3	119.2	131.1	137.9	135.9	111.0
Aug.	.	.	.	.	.	.	.	.	.	.	.	.	.
	Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2003	-3.2	-3.0	97.6	96.2	96.3	101.1	97.4	94.8	93.6	92.3	99.5	96.0	86.4
2004	-0.1	2.6	97.5	96.4	95.7	101.3	97.1	97.3	98.4	91.8	98.9	96.3	99.6
2005	2.8	7.9	100.2	100.2	96.8	103.4	99.1	105.0	111.2	91.2	101.5	98.3	137.6
2006	3.5	7.3	103.7	104.5	98.6	106.6	101.8	112.7	123.1	91.3	105.1	101.7	166.7
2006 Q1	4.9	12.8	103.4	103.7	99.0	106.3	101.6	112.9	122.6	93.3	105.6	101.5	170.5
Q2	4.0	10.1	103.4	103.7	98.4	107.0	101.3	113.1	124.0	91.4	104.3	101.0	174.3
Q3	2.8	5.6	103.8	104.8	98.0	106.5	101.7	113.4	124.1	90.6	105.3	102.2	166.5
Q4	2.5	1.5	104.4	105.7	99.2	106.7	102.7	111.5	121.6	90.1	105.0	102.2	155.5
2007 Q1	1.6	-1.0	105.1	107.0	99.5	107.6	103.4	111.9	122.5	89.5	105.4	102.8	151.6
Q2	2.8	0.4	106.3	108.1	100.2	108.3	104.3	113.6	125.1	88.4	106.1	102.9	162.4
2007 Mar.	1.7	-1.0	105.4	107.1	100.4	107.5	103.7	112.2	122.7	88.9	105.4	102.6	153.4
Apr.	2.5	-0.3	105.9	107.7	100.2	107.9	104.0	113.1	124.1	88.5	106.6	103.0	159.6
May	3.0	-0.8	106.3	108.1	100.2	108.7	104.3	112.9	124.3	88.0	105.7	102.7	161.1
June	3.0	2.2	106.6	108.6	100.3	108.3	104.5	114.7	126.8	88.6	105.9	103.1	166.5
July	3.0	1.4	106.6	108.5	100.8	108.8	104.6	114.6	127.3	87.9	106.6	103.1	168.2
Aug.	.	.	.	.	.	.	.	.	.	.	.	.	.

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 27 (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.)														
2003	1,057.0	24.8	38.6	194.6	125.2	29.2	62.9	24.8	167.0	35.1	31.2	134.7	59.4	37.8	91.6
2004	1,146.2	25.8	42.2	204.4	138.7	35.9	66.6	31.9	172.6	40.4	33.2	151.7	64.5	40.6	97.6
2005	1,239.1	29.0	45.2	203.0	158.4	43.7	70.8	34.7	185.1	43.3	34.1	166.3	73.3	46.9	105.4
2006	1,383.6	31.1	49.7	216.1	194.3	55.1	77.2	38.8	199.7	53.6	34.4	183.0	77.6	54.4	118.5
2006 Q1	335.1	7.6	11.7	53.2	44.9	12.5	18.3	9.6	50.0	12.8	8.8	44.4	19.3	13.2	28.9
Q2	340.2	7.8	12.2	53.6	47.6	12.9	18.5	9.9	49.4	12.7	8.4	44.7	19.1	13.4	29.9
Q3	346.4	7.8	12.7	54.8	49.6	14.2	19.5	9.7	49.6	13.6	8.6	45.5	19.2	13.5	28.1
Q4	361.9	8.0	13.1	54.5	52.2	15.6	20.9	9.6	50.8	14.6	8.6	48.4	20.0	14.2	31.5
2007 Q1	369.6	8.3	13.5	56.6	54.2	15.8	20.5	10.3	49.9	14.4	8.7	49.1	21.3	14.8	32.2
Q2	370.7	8.4	13.9	56.0	55.3	16.7	20.0	9.9	48.5	14.9	8.8	49.1	21.4	15.4	32.6
2007 Mar.	123.3	2.7	4.5	18.7	18.2	5.4	6.7	3.5	16.3	4.8	2.9	16.3	7.2	4.9	11.2
Apr.	121.8	2.8	4.4	18.5	18.1	5.4	6.6	3.3	16.5	4.8	2.9	16.2	7.1	5.3	9.9
May	122.9	2.8	4.7	18.3	18.4	5.6	6.7	3.3	15.4	5.1	2.9	16.2	7.1	5.0	11.3
June	126.0	2.7	4.8	19.2	18.7	5.7	6.7	3.3	16.5	5.0	3.0	16.7	7.2	5.1	11.3
July	124.9	3.0	4.8	19.2	18.9	5.8	6.7	3.3	16.3	5.0	2.9	17.0	7.4	5.2	9.4
Aug.	131.0	.	.	.	.	5.8	6.8	3.5	16.5	5.1	2.9	17.3	7.5	5.4	.
	% share of total exports														
2006	100.0	2.3	3.6	15.6	14.0	4.0	5.6	2.8	14.4	3.9	2.5	13.2	5.6	3.9	8.6
	Imports (c.i.f.)														
2003	986.9	23.7	36.9	138.6	109.0	47.4	50.5	19.4	110.5	74.4	52.1	142.8	68.8	39.9	72.9
2004	1,073.4	25.4	39.8	144.4	116.8	56.6	53.3	23.2	113.3	92.3	54.0	162.4	72.8	45.1	74.0
2005	1,225.5	26.3	42.2	152.4	129.3	76.2	58.0	25.5	120.0	117.9	53.0	191.4	95.9	53.7	83.6
2006	1,395.5	27.9	47.5	167.0	154.0	95.6	62.2	29.4	128.5	143.6	56.7	214.8	110.2	66.1	91.9
2006 Q1	339.2	6.9	11.4	41.6	35.4	24.0	14.9	6.9	31.9	33.4	14.0	53.5	27.3	15.6	22.3
Q2	346.5	6.8	11.4	43.0	37.3	25.5	15.4	7.4	31.6	35.2	14.1	54.1	27.2	16.3	21.1
Q3	353.1	7.1	12.1	41.5	39.5	24.1	16.0	7.5	32.2	35.8	14.3	54.3	27.9	16.8	24.0
Q4	356.7	7.0	12.6	41.0	41.8	22.0	15.9	7.6	32.8	39.3	14.2	52.9	27.8	17.4	24.4
2007 Q1	360.0	7.0	12.9	40.7	42.4	22.6	16.9	7.9	33.5	42.1	14.8	53.6	26.4	17.8	21.3
Q2	359.6	7.1	12.8	41.4	43.3	23.7	16.5	7.9	32.0	39.9	14.0	53.2	26.9	18.1	22.8
2007 Mar.	117.7	2.3	4.2	13.4	14.1	7.6	5.6	2.6	10.8	14.1	4.8	17.4	8.4	5.9	6.6
Apr.	119.2	2.4	4.3	13.8	14.1	8.0	5.7	2.6	10.6	13.0	4.5	17.4	8.4	6.0	8.5
May	119.1	2.2	4.3	13.5	14.3	7.8	5.1	2.6	10.8	13.1	4.8	17.7	8.9	6.0	7.8
June	121.2	2.4	4.2	14.1	14.9	7.9	5.6	2.7	10.6	13.8	4.8	18.1	9.6	6.1	6.4
July	124.1	2.5	4.1	14.3	14.6	8.1	5.7	2.7	10.9	14.9	4.7	18.6	9.4	6.1	7.6
Aug.	126.6	.	.	.	.	7.7	5.8	2.7	10.7	14.9	5.0	18.4	9.1	6.1	.
	% share of total imports														
2006	100.0	2.0	3.4	12.0	11.0	6.9	4.5	2.1	9.2	10.3	4.1	15.4	7.9	4.7	6.6
	Balance														
2003	70.1	1.1	1.8	56.0	16.2	-18.2	12.4	5.4	56.6	-39.3	-20.8	-8.1	-9.4	-2.1	18.7
2004	72.8	0.4	2.4	59.9	21.9	-20.7	13.3	8.6	59.3	-51.9	-20.8	-10.7	-8.3	-4.5	23.6
2005	13.5	2.7	3.0	50.5	29.1	-32.5	12.7	9.2	65.1	-74.6	-19.0	-25.0	-22.7	-6.8	21.9
2006	-11.9	3.3	2.2	49.1	40.3	-40.5	15.0	9.4	71.2	-90.0	-22.3	-31.9	-32.6	-11.7	26.6
2006 Q1	-4.1	0.7	0.3	11.6	9.5	-11.6	3.4	2.7	18.1	-20.6	-5.2	-9.1	-8.0	-2.4	6.6
Q2	-6.3	0.9	0.8	10.6	10.3	-12.6	3.1	2.5	17.7	-22.5	-5.7	-9.4	-8.0	-2.9	8.8
Q3	-6.7	0.6	0.6	13.2	10.1	-9.9	3.5	2.2	17.3	-22.1	-5.7	-8.8	-8.7	-3.2	4.2
Q4	5.2	1.0	0.5	13.6	10.5	-6.4	4.9	2.0	18.0	-24.7	-5.6	-4.5	-7.8	-3.3	7.1
2007 Q1	9.6	1.3	0.6	15.9	11.8	-6.9	3.6	2.4	16.4	-27.7	-6.1	-4.5	-5.1	-3.0	10.9
Q2	11.1	1.3	1.1	14.5	12.0	-7.0	3.5	2.0	16.5	-25.0	-5.2	-4.1	-5.5	-2.8	9.8
2007 Mar.	5.6	0.4	0.3	5.3	4.1	-2.2	1.2	0.9	5.5	-9.3	-1.9	-1.0	-1.2	-1.0	4.6
Apr.	2.6	0.4	0.2	4.6	4.1	-2.5	0.9	0.7	5.9	-8.2	-1.6	-1.2	-1.4	-0.7	1.4
May	3.8	0.6	0.4	4.8	4.1	-2.2	1.5	0.7	4.6	-8.0	-1.8	-1.5	-1.8	-1.0	3.5
June	4.7	0.3	0.6	5.1	3.8	-2.3	1.0	0.6	5.9	-8.8	-1.8	-1.4	-2.4	-1.0	4.9
July	0.8	0.5	0.6	5.0	4.4	-2.4	1.1	0.6	5.4	-9.9	-1.8	-1.6	-2.0	-0.9	1.8
Aug.	4.3	.	.	.	.	-1.9	1.0	0.8	5.7	-9.8	-2.0	-1.1	-1.6	-0.8	.

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

8 EXCHANGE RATES

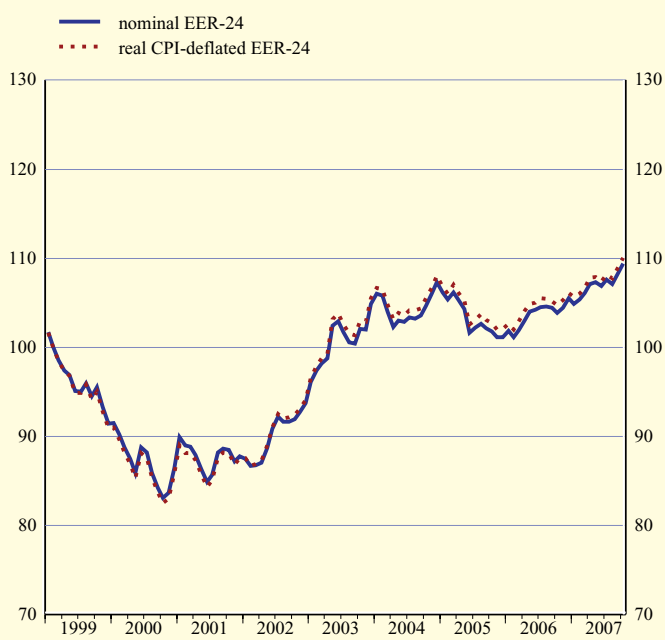
8.1 Effective exchange rates [1]

(period averages; index 1999 Q1=100)

	EER-24						EER-44	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2004	104.3	105.1	104.2	103.5	101.0	103.7	111.2	105.6
2005	103.3	104.2	102.5	102.3	99.4	102.1	109.7	103.7
2006	103.6	104.5	102.9	102.3	99.8	101.7	110.0	103.4
2006 Q3	104.5	105.4	103.7	103.0	101.2	102.7	111.2	104.5
Q4	104.6	105.4	104.1	103.2	99.7	101.0	111.3	104.3
2007 Q1	105.5	106.1	104.5	104.0	99.8	102.2	112.0	104.8
Q2	107.1	107.7	104.6	105.4	101.1	103.2	113.5	106.0
Q3	107.6	108.2	104.8	.	.	.	114.1	106.4
2006 Oct.	103.9	104.7	103.4	-	-	-	110.4	103.6
Nov.	104.5	105.3	103.9	-	-	-	111.1	104.2
Dec.	105.5	106.1	104.9	-	-	-	112.3	105.0
2007 Jan.	104.9	105.6	104.4	-	-	-	111.5	104.3
Feb.	105.4	106.1	104.5	-	-	-	111.9	104.6
Mar.	106.1	106.7	104.6	-	-	-	112.7	105.4
Apr.	107.1	107.8	105.0	-	-	-	113.7	106.3
May	107.3	107.9	104.5	-	-	-	113.6	106.1
June	106.9	107.4	104.2	-	-	-	113.1	105.6
July	107.6	108.2	104.6	-	-	-	113.9	106.3
Aug.	107.1	107.7	104.5	-	-	-	113.7	106.1
Sep.	108.2	108.8	105.4	-	-	-	114.7	107.0
Oct.	109.4	110.0	106.6	-	-	-	115.7	107.8
	% change versus previous month							
2007 Oct.	1.1	1.1	1.1	-	-	-	0.9	0.8
	% change versus previous year							
2007 Oct.	5.3	5.0	3.0	-	-	-	4.8	4.1

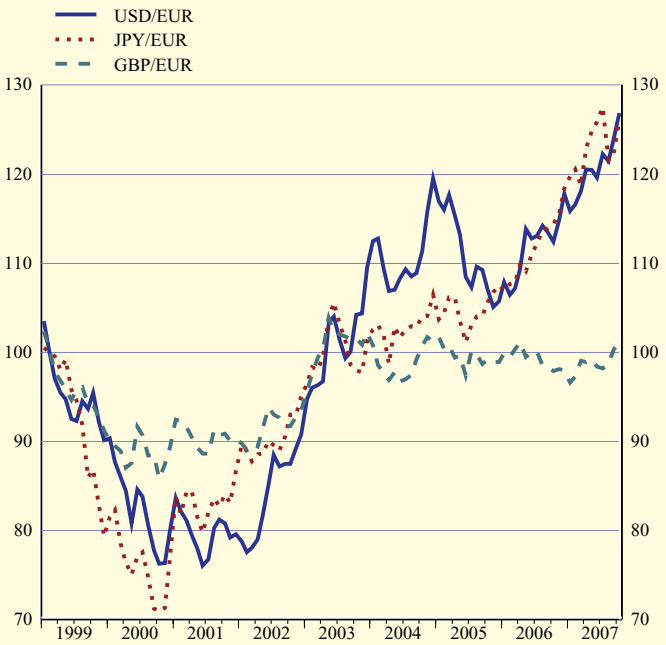
C35 Effective exchange rates

(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 krone	Swedish krona	Pound sterling	US dollar	Japanese yen	Swiss franc	South Korean won	Hong Kong dollar	Singapore dollar	Canadian dollar	Norwegian krone	Australian dollar
	1	2	3	4	5	6	7	8	9	10	11	12
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	7.4591	9.2544	0.68173	1.2556	146.02	1.5729	1,198.58	9.7545	1.9941	1.4237	8.0472	1.6668
2007 Q1	7.4524	9.1894	0.67062	1.3106	156.43	1.6162	1,230.80	10.2334	2.0073	1.5357	8.1690	1.6670
Q2	7.4500	9.2573	0.67880	1.3481	162.89	1.6478	1,252.05	10.5372	2.0562	1.4791	8.1060	1.6214
Q3	7.4446	9.2639	0.68001	1.3738	161.90	1.6473	1,274.31	10.7250	2.0841	1.4374	7.9175	1.6229
2007 Apr.	7.4530	9.2372	0.67934	1.3516	160.68	1.6375	1,257.99	10.5634	2.0476	1.5334	8.1194	1.6336
May	7.4519	9.2061	0.68136	1.3511	163.22	1.6506	1,253.27	10.5642	2.0581	1.4796	8.1394	1.6378
June	7.4452	9.3290	0.67562	1.3419	164.55	1.6543	1,245.39	10.4854	2.0619	1.4293	8.0590	1.5930
July	7.4410	9.1842	0.67440	1.3716	166.76	1.6567	1,259.70	10.7247	2.0789	1.4417	7.9380	1.5809
Aug.	7.4429	9.3231	0.67766	1.3622	159.05	1.6383	1,273.37	10.6469	2.0744	1.4420	7.9735	1.6442
Sep.	7.4506	9.2835	0.68887	1.3896	159.82	1.6475	1,291.46	10.8151	2.1009	1.4273	7.8306	1.6445
Oct.	7.4534	9.1735	0.69614	1.4227	164.95	1.6706	1,301.67	11.0327	2.0849	1.3891	7.6963	1.5837
	% change versus previous month											
2007 Oct.	0.0	-1.2	1.1	2.4	3.2	1.4	0.8	2.0	-0.8	-2.7	-1.7	-3.7
	% change versus previous year											
2007 Oct.	0.0	-0.9	3.5	12.8	10.2	5.1	8.3	12.4	4.7	-2.4	-8.3	-5.4

	Czech koruna	Estonian kroon	Cyprus pound	Latvian lats	Lithuanian litas	Hungarian forint	Maltese lira	Polish zloty	Slovak koruna	Bulgarian lev	New Romanian leu [1]
	13	14	15	16	17	18	19	20	21	22	23
2004	31.891	15.6466	0.58185	0.6652	3.4529	251.66	0.4280	4.5268	40.022	1.9533	40,510
2005	29.782	15.6466	0.57683	0.6962	3.4528	248.05	0.4299	4.0230	38.599	1.9558	3.6209
2006	28.342	15.6466	0.57578	0.6962	3.4528	264.26	0.4293	3.8959	37.234	1.9558	3.5258
2007 Q1	28.037	15.6466	0.57915	0.7023	3.4528	252.32	0.4293	3.8863	34.347	1.9558	3.3812
Q2	28.272	15.6466	0.58272	0.6986	3.4528	248.31	0.4293	3.8005	33.751	1.9558	3.2789
Q3	27.941	15.6466	0.58417	0.6988	3.4528	251.82	0.4293	3.7900	33.579	1.9558	3.2321
2007 Apr.	28.015	15.6466	0.58148	0.7036	3.4528	246.00	0.4293	3.8144	33.491	1.9558	3.3338
May	28.231	15.6466	0.58303	0.6965	3.4528	248.42	0.4293	3.7819	33.736	1.9558	3.2836
June	28.546	15.6466	0.58352	0.6963	3.4528	250.29	0.4293	3.8074	34.002	1.9558	3.2243
July	28.359	15.6466	0.58412	0.6969	3.4528	246.90	0.4293	3.7682	33.326	1.9558	3.1345
Aug.	27.860	15.6466	0.58420	0.6978	3.4528	255.20	0.4293	3.8116	33.603	1.9558	3.2246
Sep.	27.573	15.6466	0.58420	0.7021	3.4528	253.33	0.4293	3.7891	33.829	1.9558	3.3481
Oct.	27.335	15.6466	0.58420	0.7030	3.4528	251.02	0.4293	3.7062	33.624	1.9558	3.3537
	% change versus previous month										
2007 Oct.	-0.9	0.0	0.0	0.1	0.0	-0.9	0.0	-2.2	-0.6	0.0	0.2
	% change versus previous year										
2007 Oct.	-3.4	0.0	1.3	1.0	0.0	-6.0	0.0	-5.0	-8.6	0.0	-4.7

	Chinese yuan renminbi [2]	Croatian kuna [2]	Icelandic krona	Indonesian rupiah [2]	Malaysian ringgit [2]	New Zealand dollar	Philippine peso [2]	Russian rouble [2]	South African rand	Thai baht [2]	New Turkish lira [3]
	24	25	26	27	28	29	30	31	32	33	34
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	10.0096	7.3247	87.76	11,512.37	4.6044	1.9373	64.379	34.1117	8.5312	47.594	1.8090
2007 Q1	10.1688	7.3656	89.28	11,934.33	4.5842	1.8836	63.609	34.4795	9.4919	44.538	1.8492
Q2	10.3476	7.3494	85.82	12,082.62	4.6204	1.8188	63.134	34.8589	9.5688	44.011	1.8029
Q3	10.3834	7.3080	86.71	12,705.62	4.7608	1.8508	63.035	35.0350	9.7645	43.220	1.7685
2007 Apr.	10.4400	7.3967	88.36	12,290.98	4.6449	1.8394	64.421	34.9054	9.6089	44.010	1.8362
May	10.3689	7.3258	85.12	11,927.80	4.5962	1.8441	63.136	34.8999	9.4855	44.507	1.8029
June	10.2415	7.3313	84.26	12,056.30	4.6237	1.7738	61.968	34.7739	9.6198	43.492	1.7728
July	10.3899	7.2947	83.16	12,441.28	4.7184	1.7446	62.418	35.0292	9.5712	41.870	1.7574
Aug.	10.3162	7.3161	88.46	12,765.65	4.7457	1.8786	62.862	34.9211	9.8391	43.337	1.7921
Sep.	10.4533	7.3134	88.59	12,927.37	4.8249	1.9358	63.911	35.1723	9.8912	44.570	1.7536
Oct.	10.6741	7.3284	86.30	12,945.80	4.8005	1.8739	62.894	35.4008	9.6371	44.898	1.7089
	% change versus previous month										
2007 Oct.	2.1	0.2	-2.6	0.1	-0.5	-3.2	-1.6	0.6	-2.6	0.7	-2.6
	% change versus previous year										
2007 Oct.	7.1	-0.9	0.0	11.9	3.5	-1.7	-0.2	4.5	-0.1	-4.6	-8.4

Source: ECB.

1) Data prior to July 2005 refer to the Romanian leu; 1 new Romanian leu is equivalent to 10,000 old Romanian lei.
2) For these currencies the ECB computes and publishes euro reference exchange rates as from 1 April 2005. Previous data are indicative.
3) Data prior to January 2005 refer to the Turkish lira; 1 new Turkish lira is equivalent to 1,000,000 old Turkish liras.

9 DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Bulgaria	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Romania	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	HICP													
2005	6.0	1.6	1.7	4.1	2.0	6.9	2.7	3.5	2.5	2.2	9.1	2.8	0.8	2.1
2006	7.4	2.1	1.9	4.4	2.2	6.6	3.8	4.0	2.6	1.3	6.6	4.3	1.5	2.3
2007 Q1	5.3	1.7	1.9	5.1	1.4	7.6	4.4	8.8	0.8	2.0	3.9	2.1	1.7	2.8
Q2	4.7	2.6	1.5	5.8	1.8	8.5	5.0	8.5	-0.9	2.3	3.9	1.7	1.4	2.6
Q3	9.0	2.7	1.0	6.7	2.3	10.4	5.9	7.3	0.4	2.4	5.1	1.4	1.4	1.8
2007 June	5.3	2.6	1.3	6.0	1.7	8.9	5.0	8.5	-0.6	2.6	3.9	1.5	1.3	2.4
July	6.8	2.5	1.1	6.5	2.3	9.5	5.1	8.3	-0.2	2.5	4.1	1.2	1.4	1.9
Aug.	9.3	2.6	0.9	6.1	2.2	10.2	5.6	7.1	0.6	2.1	5.0	1.2	1.2	1.8
Sep.	11.0	2.8	1.2	7.5	2.3	11.5	7.1	6.4	0.9	2.7	6.1	1.7	1.6	1.8
Oct.	.	.	.	8.7	2.7	.	.	.	.	.	.	.	.	.
	General government deficit (-)/surplus (+) as a % of GDP													
2004	2.3	-3.0	1.9	1.8	-4.1	-1.0	-1.5	-6.5	-4.9	-5.7	-1.5	-2.4	0.8	-3.4
2005	2.0	-3.5	4.6	1.9	-2.4	-0.4	-0.5	-7.8	-3.1	-4.3	-1.4	-2.8	2.4	-3.3
2006	3.2	-2.9	4.6	3.6	-1.2	-0.3	-0.6	-9.2	-2.5	-3.8	-1.9	-3.7	2.5	-2.7
	General government gross debt as a % of GDP													
2004	37.9	30.4	44.0	5.1	70.2	14.5	19.4	59.4	72.7	45.7	18.8	41.4	52.4	40.4
2005	29.2	30.2	36.3	4.4	69.1	12.5	18.6	61.6	70.8	47.1	15.8	34.2	52.2	42.1
2006	22.8	30.1	30.3	4.0	65.2	10.6	18.2	65.6	64.7	47.6	12.4	30.4	47.0	43.2
	Long-term government bond yield as a % per annum, period average													
2007 Apr.	4.28	3.92	4.18	-	4.44	5.52	4.18	6.65	4.44	5.28	7.39	4.26	4.04	5.10
May	4.26	4.23	4.34	-	4.44	6.03	4.36	6.53	4.61	5.29	7.39	4.40	4.15	5.20
June	4.57	4.53	4.65	-	4.44	5.62	4.57	6.71	5.12	5.52	7.05	4.66	4.44	5.49
July	4.79	4.59	4.58	-	4.44	5.28	4.89	6.58	5.18	5.60	6.86	4.70	4.45	5.46
Aug.	4.79	4.48	4.39	-	4.44	5.32	4.80	6.80	4.94	5.68	6.93	4.65	4.25	5.19
Sep.	4.44	4.54	4.36	-	4.45	5.21	4.72	6.67	4.85	5.69	6.93	4.64	4.22	5.05
	3-month interest rate as a % per annum, period average													
2007 Apr.	4.30	2.60	4.16	4.42	3.99	9.32	4.41	8.20	4.19	4.31	7.33	4.05	3.51	5.65
May	4.40	2.77	4.28	4.69	3.99	9.99	4.89	-	4.23	4.44	7.62	4.16	3.57	5.77
June	4.53	2.93	4.37	4.74	3.99	8.09	4.91	8.02	4.36	4.52	7.26	4.27	3.67	5.88
July	4.69	3.07	4.42	4.73	4.05	6.66	4.97	7.87	4.48	4.78	6.92	4.34	3.78	6.02
Aug.	4.80	3.28	4.66	4.94	4.43	7.99	5.25	7.83	4.36	4.91	6.69	4.33	3.96	6.42
Sep.	5.25	3.46	4.85	5.21	4.31	11.06	5.59	7.72	4.37	5.09	6.82	4.32	4.22	6.65
	Real GDP													
2005	6.2	6.5	3.1	10.2	3.9	10.6	7.9	4.1	3.1	3.6	4.2	6.0	2.9	1.8
2006	6.1	6.4	3.5	11.2	3.8	11.9	7.7	3.9	3.2	6.2	7.7	8.3	4.2	2.8
2007 Q1	6.2	6.2	2.7	10.1	4.0	11.2	7.7	2.6	3.5	6.8	6.0	9.0	3.4	3.1
Q2	6.6	6.0	0.6	7.6	3.8	11.0	7.6	1.6	3.7	6.7	5.6	9.4	3.2	3.1
Q3	.	.	.	.	.	.	11.6	.	.	.	.	.	.	.
	Current and capital accounts balance as a % of GDP													
2005	-11.0	-1.5	4.5	-9.3	-5.4	-11.2	-5.9	-6.0	-5.5	-1.3	-7.9	-8.6	7.0	-2.3
2006	-15.1	-2.8	2.6	-13.2	-5.8	-21.1	-9.6	-5.9	-3.7	-2.6	-10.4	-8.4	6.5	-3.2
2006 Q4	-24.5	-4.8	1.2	-14.1	-25.4	-26.0	-10.5	-4.1	-4.0	-3.3	-10.7	-7.3	7.3	-3.8
2007 Q1	-27.2	2.1	-2.1	-21.1	-13.2	-24.4	-12.2	-5.0	-10.1	-2.4	-16.8	0.1	9.6	-3.6
Q2	-18.2	-4.8	2.8	-12.9	-6.2	-22.7	-14.6	-6.6	-4.7	-4.2	-16.3	-7.9	5.0	-2.4
	Unit labour costs													
2005	2.4	-0.7	1.0	2.6	1.3	15.2	5.9	3.1	0.3	0.3	.	0.5	0.6	3.9
2006	4.5	1.0	2.1	8.0	0.1	14.0	8.5	.	0.5	.	.	1.2	-0.4	2.5
2006 Q4	7.1	1.8	3.4	11.2	-	-	10.8	-	0.5	-	-	0.6	0.1	1.8
2007 Q1	14.6	3.1	4.5	16.0	-	-	4.6	-	-0.3	-	-	0.3	4.5	0.5
Q2	13.2	2.6	5.5	20.1	-	-	7.7	-	-0.2	-	-	-0.6	3.9	2.5
	Standardised unemployment rate as a % of labour force (s.a.)													
2005	10.1	7.9	4.8	7.9	5.2	8.9	8.2	7.2	7.3	17.7	7.1	16.3	7.4	4.8
2006	8.9	7.1	3.9	5.9	4.6	6.9	5.6	7.4	7.3	13.8	7.3	13.3	7.1	5.3
2007 Q1	7.7	5.8	3.9	4.9	4.0	6.3	4.7	7.3	6.6	10.9	6.4	11.3	6.5	5.4
Q2	7.0	5.6	3.7	5.2	3.9	5.8	4.3	7.2	6.4	9.9	6.7	11.3	6.1	5.3
Q3	6.5	5.3	3.3	5.6	3.8	5.4	4.2	7.3	6.3	9.1	7.2	11.1	5.7	.
2007 June	6.8	5.5	3.7	5.2	3.8	5.7	4.2	7.2	6.4	9.6	6.7	11.3	5.8	5.3
July	6.7	5.4	3.3	5.4	3.9	5.5	4.3	7.3	6.3	9.4	7.2	11.2	5.6	5.3
Aug.	6.5	5.3	3.3	5.5	3.8	5.4	4.1	7.3	6.3	9.1	7.2	11.1	5.7	.
Sep.	6.3	5.2	3.2	5.7	3.7	5.2	4.1	7.3	6.3	8.8	7.2	11.1	5.8	.
Oct.	.	.	.	.	3.8	.	.	.	.	.	.	.	.	.

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

9.2 In the United States and Japan

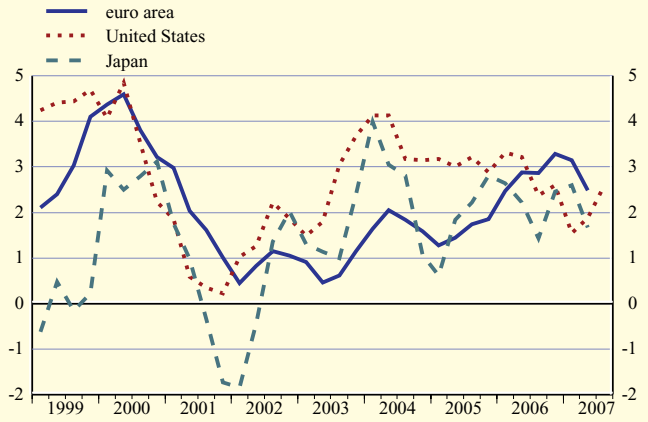
(annual percentage changes, unless otherwise indicated)

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										
2003	2.3	0.8	2.5	1.3	6.0	7.0	1.22	4.00	1.1312	-4.8	48.0
2004	2.7	-0.1	3.6	3.0	5.5	4.7	1.62	4.26	1.2439	-4.4	48.9
2005	3.4	-0.5	3.1	4.0	5.1	4.4	3.56	4.28	1.2441	-3.6	49.2
2006	3.2	-1.5	2.9	5.0	4.6	4.8	5.19	4.79	1.2556	-2.6	48.7
2006 Q3	3.3	-3.9	2.4	6.1	4.7	4.6	5.43	4.90	1.2743	-2.9	48.6
Q4	1.9	0.4	2.6	3.6	4.5	4.9	5.37	4.63	1.2887	-2.1	48.7
2007 Q1	2.4	0.9	1.5	2.3	4.5	5.4	5.36	4.68	1.3106	-3.0	49.7
Q2	2.7	3.7	1.9	2.0	4.5	6.2	5.36	4.84	1.3481	-2.6	48.7
Q3	2.4	.	2.6	1.9	4.6	6.4	5.45	4.74	1.3738	.	.
2007 June	2.7	-	-	1.9	4.5	6.0	5.36	5.11	1.3419	-	-
July	2.4	-	-	2.3	4.6	6.0	5.36	5.01	1.3716	-	-
Aug.	2.0	-	-	1.6	4.6	6.6	5.48	4.68	1.3622	-	-
Sep.	2.8	-	-	1.6	4.7	6.7	5.49	4.51	1.3896	-	-
Oct.	.	-	-	.	4.7	.	5.15	4.52	1.4227	-	-
	Japan										
2003	-0.2	-3.9	1.5	3.2	5.2	1.7	0.06	0.99	130.97	-7.9	151.4
2004	0.0	-4.9	2.7	5.5	4.7	1.9	0.05	1.50	134.44	-6.2	157.6
2005	-0.3	-0.6	1.9	1.1	4.4	1.8	0.06	1.39	136.85	-6.4	164.2
2006	0.2	-2.6	2.2	4.8	4.1	1.1	0.30	1.74	146.02	.	.
2006 Q3	0.6	-2.8	1.4	5.6	4.1	0.6	0.41	1.80	148.09	.	.
Q4	0.3	-3.6	2.5	5.9	4.1	0.6	0.49	1.70	151.72	.	.
2007 Q1	-0.1	-2.2	2.6	3.0	4.0	1.0	0.62	1.68	156.43	.	.
Q2	-0.1	.	1.7	2.4	3.8	1.5	0.69	1.74	162.89	.	.
Q3	-0.1	.	.	2.7	3.8	1.9	0.89	1.72	161.90	.	.
2007 June	-0.2	.	-	1.1	3.7	1.9	0.73	1.89	164.55	-	-
July	0.0	.	-	3.2	3.6	2.1	0.77	1.89	166.76	-	-
Aug.	-0.2	.	-	4.4	3.8	1.8	0.92	1.65	159.05	-	-
Sep.	-0.2	.	-	0.8	4.0	1.7	0.99	1.61	159.82	-	-
Oct.	.	.	-	.	.	.	0.97	1.66	164.95	-	-

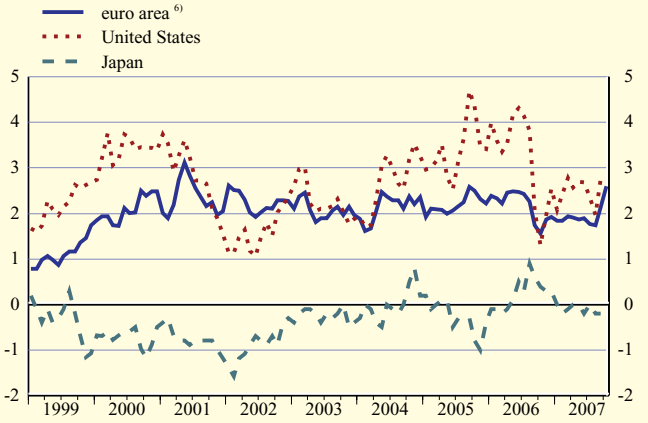
C37 Real gross domestic product

(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; M2 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).
6) Data refer to the changing composition of the euro area. For further information, see the General notes.

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TECHNICAL NOTES

RELATING TO THE EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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:

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

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:

$$\text{c)} \quad F_t^M = (L_t - L_{t-1}) - C_t^M - E_t^M - V_t^M$$

Similarly, the quarterly transactions F_t^Q for the quarter ending in month t are defined as:

$$\text{d)} \quad F_t^Q = (L_t - L_{t-3}) - C_t^Q - E_t^Q - V_t^Q$$

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:

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

The base of the index (of the non-seasonally adjusted series) is currently set as December 2006 = 100. Time series of the index of adjusted outstanding amounts are available on the ECB's website (www.ecb.europa.eu) 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:

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS[1]

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

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

RELATING TO SECTIONS 3.1 TO 3.5

EQUALITY OF USES AND RESOURCES

In Table 3.1 the data conform to a basic accounting identity. As regards non-financial transactions, total uses equal total resources for each transaction category. Likewise in the financial account, this accounting identity is also reflected, i.e. for each financial instrument category, total transactions in financial assets equal total transactions in liabilities. In the other changes in assets account and the financial balance sheets, total financial assets equal total liabilities for each financial instrument category, with the exception of monetary gold and special drawing rights, which are by definition not a liability of any sector.

CALCULATION OF BALANCING ITEMS

The balancing items at the end of each account in Tables 3.1 and 3.2 are computed as follows:

The trade balance equals imports minus exports of goods and services vis-à-vis the euro area rest of the world.

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.europa.eu), 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.

Net operating surplus and mixed income is defined for resident sectors only and is calculated as gross value added (gross domestic product at market prices for the euro area) minus compensation of employees (uses) minus other taxes less subsidies on production (uses) minus consumption of fixed capital (uses).

Net national income is defined for resident sectors only and is computed as net operating surplus and mixed income plus compensation of employees (resources) plus taxes less subsidies on production (resources) plus net property income (resources minus uses).

Net disposable income is also only defined for resident sectors and equals net national income plus net current taxes on income and wealth (resources minus uses) plus net social contributions (resources minus uses) plus net social benefits other than social transfers in kind (resources minus uses) plus net other current transfers (resources minus uses).

Net saving is defined for resident sectors and is calculated as net disposable income plus the net adjustment for the change in net equity of households in pension funds reserves (resources minus uses) minus final consumption expenditure (uses). For the rest of the world, current external account is compiled as the trade balance plus all net income (resources minus uses).

Net lending/net borrowing is computed from the capital account as net saving plus net capital transfers (resources minus uses) minus gross capital formation (uses) minus acquisitions less disposals of non-produced non-financial assets (uses) plus consumption of fixed capital (resources). It can also be calculated in the financial account as total transactions in financial assets minus total transactions in liabilities (also known as changes in net financial worth (wealth) due to transactions). For the household and non-financial corporation sectors, there is a statistical discrepancy between these balancing items computed from the capital account and the financial account, respectively.

Changes in net worth (wealth) are calculated as changes in net worth (wealth) due to savings and capital transfers plus other changes in net financial worth (wealth). It currently excludes other changes in non-financial assets due to unavailability of data.

Net financial worth (wealth) is calculated as total financial assets minus total liabilities, whereas changes in net financial worth (wealth) are equal to the sum of changes in net financial worth (wealth) due to transactions (lending/ net borrowing from the financial account) and other changes in net financial worth (wealth).

Finally, changes in net financial worth (wealth) due to transactions are computed as total transactions in financial assets minus total transactions in liabilities and other changes in net financial worth (wealth) are calculated as total other changes in financial assets minus total other changes in liabilities.

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 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:

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

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

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

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

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

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

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

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:

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

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

SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS[4]

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

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

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

o) $$a_t = \left[\prod_{i=0}^{5}\left(1+{N^M_{t-i}}/{L_{t-1-i}}\right)-1\right]\times 100$$

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

RELATING TO TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP[4]

The approach used relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S78). 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

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.europa.eu), under the "Money, banking and financial markets" sub-section.

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 S78). The raw data for goods, services and income are pre-adjusted to take a working-day effect into account. The working-day adjustment in goods and services 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.europa.eu). This allows user-friendly access to data via the ECB Statistical Data Warehouse (http://sdw.ecb.europa.eu/), which includes search and download facilities. Further services available under the "Data services" sub-section include the subscription to different datasets and a repository of compressed Comma Separated Value (CSV) files. For further information, please contact us at: statistics@ecb.europa.eu.

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 ECB's Governing Council. For this issue, the cut-off date was 7 November 2007.

Unless otherwise indicated, all data series covering observations for 2007 relate to the Euro 13 (i.e. the euro area including Slovenia) for the whole time series. For interest rates, monetary statistics and the HICP (and, for consistency reasons, the components and counterparts of M3 and the components of the HICP), the statistical series refer to the changing composition of the euro area. Where applicable, this is indicated in the tables by means of a footnote. In such cases, where underlying data are available, absolute and percentage changes for 2001 and 2007, calculated from bases in 2000 and 2006, use a series which takes into account the impact of the entry of Greece and Slovenia, respectively, into the euro area. Historical data referring to the euro area before the entry of Slovenia are available on the ECB's website at http://www.ecb.europa.eu/stats/services/downloads/html/index.en.html.

The statistical series referring to the changing composition of the euro area are based on the euro area composition at the time to which the statistics relate. Thus, data prior to 2001 refer to the Euro 11, i.e. the following 11 EU Member States: Belgium, Germany, Ireland, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. Data from 2001 to 2006 refer to the Euro 12, i.e. the Euro 11 plus Greece. Data after 2007 refer to the Euro 13, i.e. the Euro 12 plus Slovenia.

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 Bulgaria, the Czech Republic, Denmark, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Romania, Slovakia, Sweden and the 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 "Monetary Financial Institutions and Markets Statistics Sector Manual – Guidance for the statistical classification of customers. Third Edition" (ECB, March 2007). The "Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics" (ECB, November 2002) explains practices recommended to be followed by the NCBs. Since 1 January 1999 the statistical information has been collected and compiled on the basis of Regulation ECB/1998/16 of 1 December 1998 concerning the consolidated balance sheet of the Monetary Financial Institutions sector[1], as last amended by Regulation ECB/2003/10[2].

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

Section 2.9 shows end-of-quarter outstanding amounts for the balance sheet of the euro area investment funds (other than money market funds). The balance sheet is aggregated and therefore includes, among the liabilities, holdings by investment funds of shares/units issued by other investment funds. Total assets/liabilities are also broken down by investment policy (equity funds, bond funds, mixed funds,

1 OJ L 356, 30.12.1998, p. 7.
2 OJ L 250, 2.10.2003, p. 19.

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.

EURO AREA ACCOUNTS

Section 3.1 shows quarterly integrated euro area accounts data, which provide comprehensive information on the economic activities of households (including non-profit institutions serving households), non-financial corporations, financial corporations and general government, as well as on the interactions between these sectors and the euro area rest of the world. The non-seasonally adjusted current prices data are displayed for the last available quarter following a simplified sequence of accounts in accordance with the methodological framework of the European System of Accounts 1995 (ESA 95).

In short, the sequence of accounts (transactions) comprises: 1) the generation of income account, which shows how the production activity translates into various categories of income; 2) the allocation of primary income account, which records receipts and expenses relating to various forms of property income (for the economy as a whole, the balancing item of the primary income account is national income); 3) the secondary distribution of income account, which shows how the national income of an institutional sector changes because of current transfers; 4) the use of income account, which shows how disposable income is spent on consumption or saved; 5) the capital account, which shows how savings and net capital transfers are spent in the acquisition of non-financial assets (the balancing item of the capital account is net lending/net borrowing); and 6) the financial account, which records the net acquisitions of financial assets and the net incurrence of liabilities. As each non-financial transaction is mirrored by a financial transaction, the balancing item of the financial account conceptually also equals net lending/net borrowing as calculated from the capital account.

In addition, opening and closing financial balance sheets are presented which give a picture of the financial wealth of each individual sector at a given point in time. Finally, other changes in financial assets and liabilities (e.g. resulting from the impact of asset price changes) are also shown.

The sector coverage of the financial account and of the financial balance sheets is more detailed for the financial corporations sector, showing a breakdown into MFIs, other financial intermediaries (including financial auxiliaries), and insurance corporations and pension funds.

Section 3.2 shows four-quarter cumulated flows (transactions) for the so-called non-financial accounts of the euro area (i.e. accounts 1 to 5 presented above) also following the simplified sequence of accounts.

Section 3.3 shows four-quarter cumulated flows (transactions and other changes) for households' income, expenditure and accumulation accounts, and outstanding amounts for the financial balance sheet accounts, following a more analytical presentation. Sector-specific transactions and balancing items are arranged in such a way as to more easily depict financing and investment decisions of households, whilst respecting the account identities as presented in Sections 3.1 and 3.2.

Section 3.4 displays four-quarter cumulated flows (transactions) for non-financial corporations' income and accumulation accounts, and outstanding amounts for the financial balance sheet accounts, following a more analytical presentation.

Section 3.5 shows four-quarter cumulated financial flows (transactions and other changes) and outstanding amounts for the financial balance sheets of insurance corporations and pension funds.

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 (changing composition), with the exception of statistics on securities issues (Tables 4.1 to 4.4), which relate to the Euro 13 (i.e. the Euro 12 plus Slovenia) for the whole time series (fixed composition).

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 in 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 in 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 in 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 (Table 1 in 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 and experimental HICP-based estimates of administered prices which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics[3]. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001[4]. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

World market prices of raw materials (Table 2 in Section 5.1) measures price changes of euro-denominated euro area imports compared with the base period.

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

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

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

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes with the exception of VAT, invoiced during the

3 OJ L 162, 5.6.1998, p. 1.
4 OJ L 86, 27.3.2001, p. 11.
5 OJ L 69, 13.3.2003, p. 1.
6 OJ L 169, 8.7.2003, p. 37.

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 Organization (ILO) guidelines. They refer to persons actively seeking work as a share of the labour force, using harmonised criteria and definitions. The labour force estimates underlying the unemployment rate are different from the sum of the employment and unemployment levels published in Section 5.3.

GOVERNMENT FINANCE

Sections 6.1 to 6.5 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The annual euro area aggregates in Sections 6.1 to 6.3 are compiled by the ECB from harmonised data provided by the NCBs, which are regularly updated. The deficit and debt data for the euro area countries may therefore differ from those used by the European Commission within the excessive deficit procedure. The quarterly euro area aggregates in Sections 6.4 and 6.5 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000[7] amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. The deficits/surpluses presented for the individual euro area countries correspond to excessive deficit procedure B.9, as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002 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 Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002[8] on quarterly non-financial accounts for general government. Section 6.5 presents quarterly figures on gross consolidated government debt, the deficit-debt adjustment and the government borrowing requirement. These figures are compiled using data provided by the Member States under Regulations (EC) No 501/2004 and 1222/2004 and data provided by the National Central Banks.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)9 and the amending ECB Guideline of 31 May 2007 (ECB/2007/3)[10]. 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/

7 OJ L 172, 12.7.2000, p. 3.
8 OJ L 179, 9.7.2002, p. 1.
9 OJ L 354, 30.11.2004, p. 34.
10 OJ L 159, 20.6.2007, p. 48.

international investment position statistical methods" (May 2007), 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 by the ECB/European 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.

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 available four quarters; Table 5 shows a geographical breakdown of the i.i.p. for the latest available 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, which was 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-24 group of trading partners is composed of the 14 non-euro area EU Member States, Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-44 group includes, in addition to the EER-24, the following countries: Algeria, Argentina, Brazil, Chile, Croatia, Iceland, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Russia, South Africa, Taiwan, Thailand, Turkey

and Venezuela. 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 8 entitled "The effective exchange rates of the euro following the recent euro area and EU enlargements" in the March 2007 issue of the Monthly Bulletin and the ECB's Occasional Paper No 2 ("The effective exchange rates of the euro" by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

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

DEVELOPMENTS OUTSIDE THE EURO AREA

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

ANNEXES

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM[1]

13 JANUARY 2005

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

14 JANUARY 2005

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

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

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

1 DECEMBER 2005

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

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

1 The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2004 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, on pages 217 to 218 of the ECB's Annual Report 2003 and on page 217 of the ECB's Annual Report 2004 respectively.

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.

21 DECEMBER 2006

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 2007 from €40 billion to €50 billion. This increased amount takes the following aspects into consideration: the liquidity needs of the euro area banking system have grown strongly in recent years and are expected to increase further in the year 2007. Therefore 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 2008.

11 JANUARY AND 8 FEBRUARY 2007

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 3.50%, 4.50% and 2.50% respectively.

8 MARCH 2007

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.75%, starting from the operation to be settled on 14 March 2007. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.75% and 2.75%, both with effect from 14 March 2007.

12 APRIL AND 10 MAY 2007

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 3.75%, 4.75% and 2.75% respectively.

6 JUNE 2007

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 4%, starting from the operation to be settled on 13 June 2007. In addition, it decides to increase by 25 basis points the interest rates on both the marginal lending facility and the deposit facility, to 5% and 3% respectively, with effect from 13 June 2007.

5 JULY, 2 AUGUST, 6 SEPTEMBER, 4 OCTOBER AND 8 NOVEMBER 2007

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 4.00%, 5.00% and 3.00% respectively.

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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.europa.eu/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.

Balance of payments (b.o.p.): a statistical statement that summarises, for a specific period of time, the economic transactions of an economy with the rest of the world.

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.

Capital account: a b.o.p. account that covers all capital transfers and acquisitions/disposals of non-produced, non-financial assets between residents and non-residents.

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.

Current account: a b.o.p. account that covers all transactions in goods and services, income and current transfers between residents and non-residents.

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) on 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 an NCB.

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-24 (comprising the 14 non-euro area EU Member States and the 10 main trading partners outside the EU) and the EER-44 (composed of the EER-24 and 20 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 establishing the European Community.

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 ECB and the NCBs 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 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.

Financial account: a b.o.p. account that covers all transactions in direct investment, portfolio investment, other investment, financial derivatives and reserve assets, between residents and non-residents.

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 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.

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.

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 an NCB 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.

Minimum bid rate: the lower limit to the interest rates at which counterparties may submit bids in the variable tenders.

Other investment: an item in the b.o.p. and the i.i.p. that covers the financial transactions/positions with non-residents in trade credits, deposits and loans, and other accounts receivable and payable.

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 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.

Purchasing power parity (PPP): the rate at which one currency is converted into another so as to equalise the purchasing power of the two currencies by eliminating the differences in the price levels prevailing in the countries concerned. In their simplest form, PPPs show the ratio of the prices in national currency of the same good or service in different countries.

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.

Write-down: a downward adjustment to the value of loans recorded in the balance sheets of MFIs when it is recognised that the loans have become partly unrecoverable.

Write-off: the removal of the value of loans from the balance sheets of MFIs when the loans are considered to be totally unrecoverable.

Yield curve: a graphical representation of the relationship between the interest rate or yield and the residual 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 or yield at two selected maturities.

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