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EUROPEAN CENTRAL BANK

EUROSYSTEM

MONTHLY BULLETIN
NOVEMBER

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ABBREVIATIONS

COUNTRIES

BE	Belgium
BG	Bulgaria
CZ	Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
IE	Ireland
GR	Greece
ES	Spain
FR	France
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	Netherlands
AT	Austria
PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom
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	statistical classification of economic activities in the European Union
NCB	national central bank
OECD	Organisation for Economic Co-operation and Development
PPI	Producer Price Index
SITC Rev. 4	Standard International Trade Classification (revision 4)
ULCM	unit labour costs in manufacturing
ULCT	unit labour costs in the total economy

In accordance with EU practice, the EU countries are listed in this Bulletin using the alphabetical order of the country names in the national languages.

EDITORIAL

Based on its regular economic and monetary analyses, the Governing Council continues to view the current key ECB interest rates as appropriate. It therefore decided to leave them unchanged. Taking into account all the new information and analyses which have become available since its meeting on 7 October 2010, the Governing Council continues to expect price developments to remain moderate over the policy-relevant medium-term horizon. Recent economic data are consistent with the Governing Council's assessment that the underlying momentum of the recovery remains positive. At the same time, uncertainty is prevailing. The monetary analysis confirms that inflationary pressures over the medium term remain contained. The Governing Council expects price stability to be maintained over the medium term, thereby supporting the purchasing power of euro area households. Inflation expectations remain firmly anchored in line with the aim of keeping inflation rates below, but close to, 2% over the medium term. The firm anchoring of inflation expectations remains of the essence.

Overall, the current monetary policy stance remains accommodative. The stance, the provision of liquidity and the allotment modes will be adjusted as appropriate, taking into account the fact that all the non-standard measures taken during the period of acute financial market tensions are fully consistent with the ECB's mandate and, by construction, temporary in nature. Accordingly, the Governing Council will continue to monitor all developments over the period ahead very closely.

Turning to the economic analysis, recent data releases and survey evidence generally confirm that the positive underlying momentum of the economic recovery in the euro area remains in place. In line with previous expectations, this implies ongoing real GDP growth in the second half of this year. The global recovery is expected to proceed, and this should imply a continued positive impact on the demand for euro area exports. At the same time, private sector domestic demand should contribute to growth, supported by the accommodative monetary policy stance and the measures adopted to restore the functioning of the financial system. However, the recovery in activity is expected to be dampened by the process of balance sheet adjustment in various sectors.

In the Governing Council's assessment, the risks to this economic outlook are still slightly tilted to the downside, with uncertainty prevailing. On the one hand, global trade may continue to grow more rapidly than expected, thereby supporting euro area exports. On the other hand, some concerns remain relating to the re-emergence of tensions in financial markets. In addition, downside risks relate to renewed increases in oil and other commodity prices, protectionist pressures, and the possibility of a disorderly correction of global imbalances.

With regard to price developments, as anticipated, euro area annual HICP inflation rose to 1.9% in October, according to Eurostat's flash estimate, compared with 1.8% in September. In the next few months HICP inflation rates will hover around current levels before moderating again in the course of next year. Overall, in 2011 inflation rates should remain moderate. Inflation expectations over the medium to longer term continue to be firmly anchored in line with the Governing Council's aim of keeping inflation rates below, but close to, 2% over the medium term.

Risks to the outlook for price developments are slightly tilted to the upside. They relate, in particular, to the evolution of energy and non-oil commodity prices. Furthermore, increases in indirect taxation and administered prices may be greater than currently expected, owing to the need for fiscal consolidation in the coming years. At the same time, risks to domestic price and cost developments are still expected to be contained.

Turning to the monetary analysis, the annual growth rate of M3 was broadly unchanged, at 1.0% in September 2010, after 1.1% in August. The annual growth rate of loans to the private sector, at 1.2%, remained unchanged from August. Looking beyond developments in individual months, broad money and loan growth remains low and continues to support the assessment that the underlying pace of monetary expansion is moderate and that inflationary pressures over the medium term are contained.

The annual growth rate of M1 has continued to moderate, standing at 5.9% in September 2010, while the annual growth rate of other short-term deposits has become less negative. This reflects the widening spread between interest rates paid on short-term time deposits and those paid on overnight deposits.

The annual growth rate of bank loans to the private sector is increasingly supported by the flow of loans to non-financial corporations. The annual growth rate of these loans is still slightly negative, but developments in recent months suggest that a turning point was reached earlier in 2010. This would be consistent with the lagged response of loan developments to economic activity over the business cycle that was also observed in past cycles. The annual growth rate of loans to households stood at 2.8% in September and thereby remained at levels seen in previous months.

Banks have continued to gradually increase the weight of credit to the private sector in the overall size of their balance sheets, but the challenge remains to expand the availability of such credit when demand picks up further. Where necessary, to address this challenge, banks should retain earnings, turn to the market to strengthen further their capital bases or take full advantage of government support measures for recapitalisation.

To sum up, the current key ECB interest rates remain appropriate. The Governing Council therefore decided to leave them unchanged. Taking into account all the new information and analyses which have become available since its meeting on 7 October 2010, the Governing Council continues to expect price developments to remain moderate over the policy-relevant medium-term horizon. Recent economic data are consistent with the Governing Council's assessment that the underlying momentum of the recovery remains positive. At the same time, uncertainty is prevailing. A cross-check of the outcome of the economic analysis with that of the monetary analysis confirms that inflationary pressures over the medium term remain contained. The Governing Council expects price stability to be maintained over the medium term, thereby supporting the purchasing power of euro area households. Inflation expectations remain firmly anchored in line with the aim of keeping inflation rates below, but close to, 2% over the medium term. The firm anchoring of inflation expectations remains of the essence.

Turning to fiscal policies, there is a clear need to strengthen public confidence in the capacity of governments to return to sustainable public finances, reduce risk premia in interest rates and thus support sustainable growth over the medium term. To this end, it is essential that countries pursue credible multi-year consolidation plans and fully implement the planned consolidation measures. In their 2011 budgets, they need to specify credible fiscal adjustment measures, focusing on the expenditure side. Any positive fiscal developments that may emerge, reflecting factors such as a more favourable than expected environment, should be exploited to make faster progress with fiscal consolidation.

The urgent implementation of far-reaching structural reforms is essential to enhance the prospects for higher sustainable growth. Major reforms are particularly necessary in those countries that have experienced a loss of competitiveness in the past or that are suffering from high fiscal and external deficits. The removal of labour market rigidities and the strengthening of productivity growth would further support the adjustment process of these economies. Increasing product market competition, particularly in the services sectors, would also facilitate the restructuring of the economy and encourage innovation and the adoption of new technologies.

At their meeting on 28-29 October 2010 the Heads of State and Government of the European Union agreed on the reform of the EU's economic governance. The proposals put forward by President Van Rompuy represent a strengthening of the existing framework for fiscal and macroeconomic surveillance in the EU. However, the Governing Council considers that they do not go as far as the quantum leap in the economic governance of Monetary Union that it has been calling for.

In particular, the Governing Council is concerned that there would be insufficient automaticity in the implementation of fiscal surveillance, that there is no specification of the rule to reduce the government debt ratio, and that financial sanctions have not been explicitly retained under the macroeconomic surveillance procedure.

With regard to the macroeconomic surveillance procedure in particular, the new system of mutual surveillance would need to concentrate firmly on euro area countries experiencing sustained losses of competitiveness and large current account deficits. It should be determined by transparent and effective trigger mechanisms. It would be essential that the assessments of macroeconomic imbalances and recommendations for corrective action be given broad publicity at all stages of the surveillance process.

The public and the markets can be confident that the Governing Council remains firmly committed to delivering on its mandate of maintaining price stability over the medium term.

This issue of the Monthly Bulletin contains two articles. The first article reconsiders the role of asset prices in the conduct of monetary policy. The second article presents recent enhancements to the ECB's monetary analysis.

ECONOMIC AND MONETARY DEVELOPMENTS

1 THE EXTERNAL ENVIRONMENT OF THE EURO AREA

The recovery of the global economy continues, but its momentum has been easing somewhat as the impact from the inventory cycle and fiscal stimuli fades. This assessment is supported by the latest survey-based evidence. Overall, inflationary pressures have remained rather subdued, particularly in advanced economies, while they have been somewhat more prevalent in dynamic emerging markets.

1.1 DEVELOPMENTS IN THE WORLD ECONOMY

Although the global economic recovery is proceeding, its pace has moderated somewhat as the impact from the inventory cycle and fiscal stimuli has continued to fade. In advanced economies, the combination of weak labour market prospects, ongoing deleveraging and subdued consumer confidence has also contributed to the slowdown in activity. Growth in emerging economies has remained robust, although it has moderated recently.

In October the global Purchasing Managers' Index (PMI) for the manufacturing sector stood at 55.7, up from 53.8 in September, signalling that activity expanded at a faster pace for the first time in six months. Nevertheless, the moderation in the pace of the recovery has continued into the second half of the year. (see Chart 1).

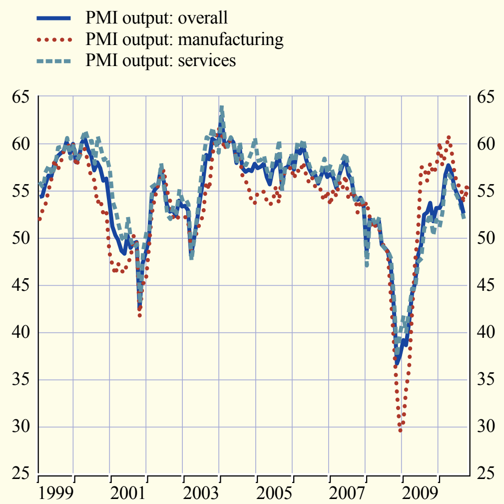
Inflationary pressures have remained relatively subdued in advanced economies, while they have been somewhat more elevated in dynamic emerging markets. According to the latest available data, in the OECD countries annual consumer price inflation was 1.7% in September 2010, compared with 1.6% in August (see Chart 2). Excluding food and energy, annual consumer price inflation was 1.2% in September, unchanged from August. As indicated by the global PMI input price indices, purchase prices rose in the manufacturing sector in October, but remained below pre-crisis levels.

UNITED STATES

In the United States, the recovery in economic activity stabilised in the third quarter of 2010, after slowing down in the second quarter. According to the advance estimate by the Bureau of Economic Analysis, annualised quarter-on-quarter real GDP growth stood at 2.0% in the third quarter.

Chart 1 Global PMI output

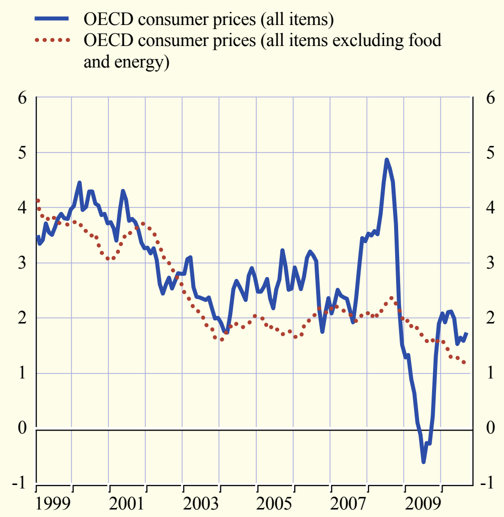
(diffusion index; seasonally adjusted; monthly data)



Source: Markit.

Chart 2 International price developments

(monthly data; annual percentage changes)



Source: OECD.

GDP growth was driven primarily by robust consumer spending and inventory accumulation. Business investment growth also remained solid, which more than offset the weakness in residential investment. Meanwhile, growth was dampened by a large negative contribution from net exports, which was nevertheless smaller than in the second quarter. Survey-based indicators suggest that activity in the manufacturing sector is stabilising. Looking ahead, the recovery is expected to proceed at a less robust pace compared with other post-recession episodes. A renewed deterioration in housing activity and weak labour market conditions may constrain the pace of the recovery.

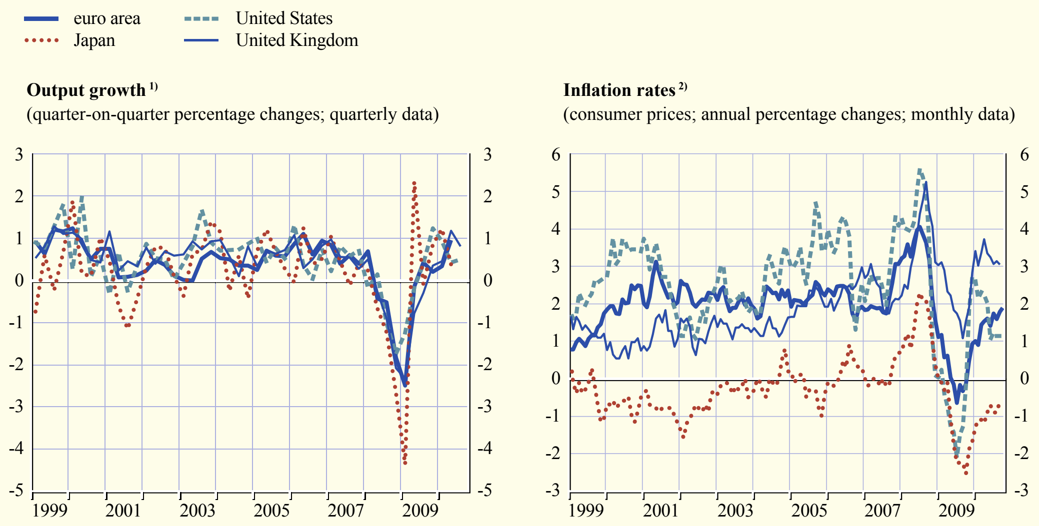
As regards price developments, annual CPI inflation was 1.1% in September 2010, unchanged from August. Headline inflation was boosted by an increase in the energy index, as well as a rise in food prices. Excluding food and energy, the annual rate of inflation decreased to 0.8% in September, the lowest rate since 1961, reflecting the substantial slack in US product and labour markets.

On 3 November the US Federal Open Market Committee (FOMC) decided to keep the target for the policy rate unchanged within a range of 0% to 0.25% and continued to anticipate that economic conditions were likely to warrant exceptionally low levels for the federal funds rate for an extended period. The Committee also announced that it intends to purchase a further USD 600 billion of longer-term Treasury securities by the end of the second quarter of 2011, a pace of about USD 75 billion per month, and that it will adjust the programme as needed to best foster maximum employment and price stability.

JAPAN

In Japan, economic activity has been losing momentum recently, with quarter-on-quarter real GDP growth slowing down from 1.2% in the first quarter of 2010 to 0.4% in the second quarter (see Chart 3). The latest data point to a further weakening in activity. In particular, the annual nominal export growth

Chart 3 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.

rate slowed in September for the seventh consecutive month, weighing down the fragile economic recovery. Industrial output fell by 1.9% on a month-on-month basis in September, following a revised decrease of 0.5% in August. These developments mainly reflect the moderation in foreign demand and the expiry of government incentives for automobile purchases.

As regards price developments, CPI inflation stood at -0.6% (year on year) in September, compared with -0.9% in August. Annual CPI excluding fresh food declined by 1.1%, whereas excluding fresh food and energy, it decreased by 1.5%.

At its meeting on 28 October 2010 the Bank of Japan decided to leave its target for the uncollateralised overnight rate unchanged at between 0.0% and 0.1%. The Bank of Japan also decided the principal terms and conditions for the operational details of the asset purchase programme – announced on 5 October – with the aim of further enhancing monetary easing.

UNITED KINGDOM

In the United Kingdom, the economic recovery has continued. Real GDP growth was 0.8% quarter on quarter in the third quarter of 2010, after 1.2% in the second quarter (see Chart 3). The recovery has been broad-based across the main economic sectors, with construction, business services and finance being the largest contributors to growth. House prices declined in the second and third quarters (quarter on quarter). Looking ahead, inventory adjustments, monetary stimulus, external demand and the past depreciation of the pound sterling should support economic activity. However, growth in domestic demand is expected to remain restrained by tight credit conditions, household balance sheet adjustment and substantial fiscal tightening.

Annual CPI inflation increased markedly at the beginning of 2010, peaking at 3.7% in April, but has moderated somewhat in recent months, standing at 3.1% in September. Looking ahead, the lagged effects of the depreciation of the pound sterling and the impact of the increase in the rate of VAT in January 2011 are expected to exert upward pressure on consumer prices. In recent quarters the Bank of England's Monetary Policy Committee has maintained the official Bank Rate paid on commercial bank reserves at 0.5%.

OTHER EUROPEAN COUNTRIES

On balance, the economic situation continued to improve in the second quarter of 2010 in other non-euro area EU countries, while inflation developments showed a diverse picture. Real GDP increased (quarter on quarter) by 1.9% in Sweden and by 1.7% in Denmark, suggesting that the recovery has gained pace in both countries. In September annual HICP inflation stood at 2.5% in Denmark and 1.5% in Sweden.

Overall, the largest central and eastern European EU countries continue to recover, although economic growth has been volatile in recent quarters. The recovery continues to be supported by external demand and inventory accumulation. Domestic demand has remained relatively subdued, owing to fiscal restraint in some countries, as well as weak labour and credit market conditions. On balance, short-term indicators point to the continuation of an external demand-driven recovery in all countries, with the exception of Romania. In September 2010 inflation stood at 1.8% in the Czech Republic, 2.5% in Poland and 3.7% in Hungary. In Romania, it was at a markedly higher level of 7.7% in September, partly reflecting the effect of the recent VAT hike.

EMERGING ASIA

According to the latest evidence available, economic growth in emerging Asia remained buoyant in the third quarter of 2010. Nevertheless, the pace of expansion had slowed somewhat compared with the second quarter, as suggested by indicators on industrial production and exports, as well as some early GDP estimates for the third quarter. In a number of countries, domestic private demand has now clearly become the most important driver of economic growth. Average inflation in the region increased somewhat in September compared with August. Upward pressures on inflation rates resulted mainly from rising food prices and are projected to be temporary in nature.

In China, annual real GDP growth decelerated further to 9.6% in the third quarter of 2010, from 10.3% and 11.9% in the second and first quarters respectively. Growth is increasingly supported by private investment and net exports, amid the gradual withdrawal of policy stimuli. However, owing to the slowdown in foreign demand, export growth also declined, albeit remaining at an elevated level. The trade surplus, while decelerating in September, was USD 65.6 billion in the third quarter of this year, the largest quarterly surplus since the beginning of 2008. Inflationary pressures have increased, but are expected to remain contained by persistent excess capacities in the economy. In September annual consumer and producer price inflation stood at 3.6% and 4.3% respectively. Asset prices increased again in October, fuelled partly by negative real deposit rates. The increasing confidence in the real economy, coupled with heightened asset price pressures, led the People's Bank of China to increase, on 19 October, the reference lending and deposit rates by 25 basis points to 2.5% and 5.56% respectively. The reserve requirements for the largest commercial banks increased by a further 50 basis points to 17.5%.

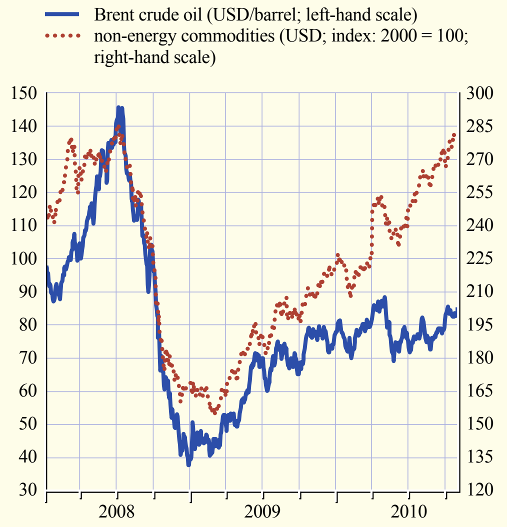
LATIN AMERICA

In Latin America, economic activity has remained buoyant and inflation rates have remained broadly unchanged. In Brazil, industrial production grew at an annual rate of 8.9% in August 2010, after 8.8% in July. Annual CPI inflation was 4.6% in September, up from 4.4% in the previous month. In Argentina, economic activity continued to grow rapidly, with industrial production expanding by 10.1% on an annual basis in September, the same rate as in August. CPI inflation stood at 11.1% in September. Finally, economic activity in Mexico was robust, with industrial production increasing by 7.9% (year on year) in August, after 6.0% in July. Annual inflation was unchanged in September compared with August at 3.7%.

1.2 COMMODITY MARKETS

Oil prices increased during October. Brent crude oil stood at USD 85.3 per barrel on 3 November 2010, which is 9% higher than at the beginning of the year (see Chart 4). Looking ahead, market participants expect higher oil prices in the medium term, with futures contracts for December 2012 trading at USD 90.5 per barrel.

Chart 4 Main developments in commodity prices



Sources: Bloomberg and HWWI.

Looking at fundamentals, oil demand is still growing robustly in non-OECD countries and recovering steadily in OECD countries. In its October report, the International Energy Agency revised upwards its demand projections for both 2010 and 2011. On the supply side, OPEC decided at its latest meeting not to increase production quotas. However, oil production capacity remains ample, partly as a result of higher than expected output in the United States and Russia.

The prices of non-energy commodities also increased in October. Food prices continued to rise strongly, driven in particular by maize, soybeans and cocoa. However, wheat prices declined somewhat, having increased substantially over the past few months. Metal prices increased, especially those for tin, lead and zinc. Cotton prices also continued to rise. In aggregate terms, the price index for non-energy commodities (denominated in US dollars) was 25% higher at the end of October than at the beginning of the year.

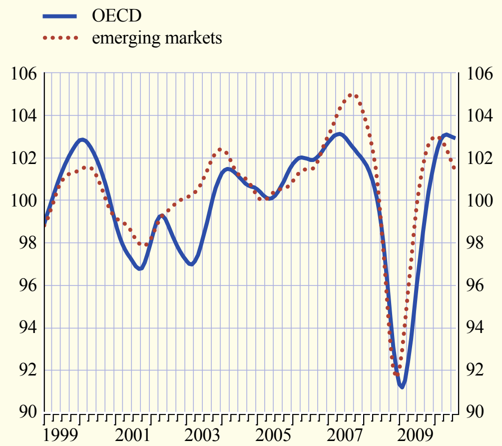
1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Looking ahead, the leading indicators suggest a continued moderation in the growth momentum of the world economy. In August the OECD composite leading indicators decreased, with a more pronounced decline in emerging markets (see Chart 5). Furthermore, survey data suggest that growth in global trade is likely to continue losing momentum in the coming months.

In an environment of uncertainty, the risks to global activity are slightly tilted to the downside, with uncertainty prevailing. On the upside, trade may continue to grow faster than expected. On the downside, concerns remain relating to the emergence of renewed tensions in financial markets, renewed increases in oil and other commodity prices, protectionist pressures and the possibility of a disorderly correction of global imbalances.

Chart 5 OECD composite leading indicators

(monthly data; amplitude-adjusted)



Source: OECD.
Note: The emerging market indicator is a weighted average of the composite leading indicators for Brazil, Russia and China.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

The annual growth rates of M3 and MFI loans to the private sector were broadly unchanged in September. The muted monthly flows observed in September may reflect some rebalancing following the relatively strong flows seen in August, but raise some uncertainty regarding the strength of the recovery in monetary dynamics. While the growth rates of M3 and loans have gradually picked up over the past few months, they remain at relatively subdued levels. Overall, the assessment of moderate underlying monetary expansion and contained inflationary pressures over the medium term remains. Sectoral developments in loans to the private sector provide further evidence that a turning point was reached in the annual growth rate of loans to non-financial corporations. The annual growth rate of MFI lending to households, which reached a turning point in 2009, has now levelled off. Finally, MFIs' main assets contracted in September, partly reversing the strong expansion seen in previous months.

THE BROAD MONETARY AGGREGATE M3

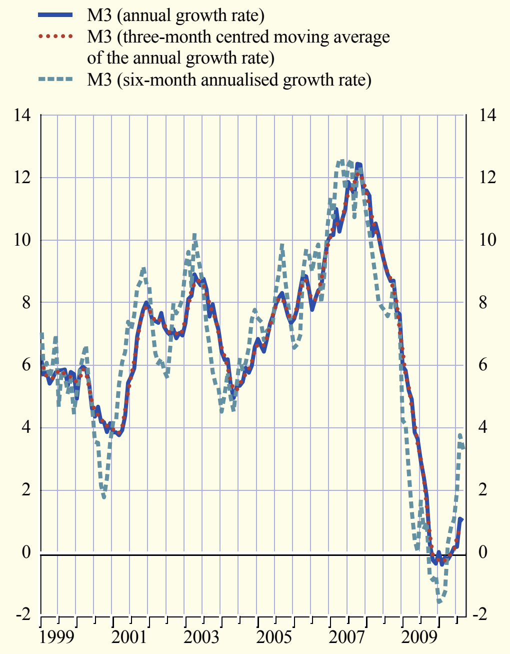
The annual growth rate of M3 was broadly unchanged in September, standing at 1.0%, after 1.1% in August (see Chart 6). Although the month-on-month growth rate was slightly negative at -0.1%, this followed particularly strong growth of 0.9% in August. The short-term dynamics of M3 – as measured by three and six-month annualised growth rates – remained stronger than in the first half of the year. This provides tentative evidence of a recovery in euro area monetary growth, but the volatility of the last few months also implies uncertainty regarding the strength of this recovery.

Overall developments in M3 continue to reflect the steepness of the yield curve. However, the large-scale reallocation of funds from instruments within M3 to financial assets outside M3 appears to have waned in recent months, as the yield curve has flattened slightly since the beginning of the year. On the component side, the marginal decline observed in annual M3 growth in September conceals a marked deceleration in M1 growth, which was largely offset by developments in other components, particularly short-term deposits other than overnight deposits (i.e. M2 – M1). This is likely to reflect increasing remuneration differentials for these categories of deposit.

On the counterpart side, the subdued annual growth rate of M3 was mirrored by a similarly low annual growth rate of loans to the private sector. At the sectoral level, annual growth in lending to non-financial corporations became less negative again, providing further evidence of a tentative recovery, while the annual growth rate of loans to households declined slightly but remained positive.

Chart 6 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

The main assets held by euro area MFIs contracted strongly in September, partly reversing the substantial expansion observed in the previous month. Over the three months to September the MFI balance sheet continued to expand, driven mainly by credit to the private sector.

MAIN COMPONENTS OF M3

The annual growth rate of M3 continues to conceal differences in the growth rates of the various components. However, these differentials have narrowed considerably in recent months. The annual growth of M1 has decelerated significantly, while the annual growth rates of both short-term deposits other than overnight deposits and, to a lesser extent, marketable instruments (i.e. M3-M2) have become considerably less negative.

The annual growth rate of M1 declined sharply to stand at 5.9% in September, down from 7.7% in August. This reflected a particularly large monthly outflow of overnight deposits. Since its peak in August 2009 the annual growth rate of M1 has declined by 7.5 percentage points. It is likely that recent developments in M1 were driven by portfolio considerations. The sharp increase observed in the steepness of the yield curve in late 2008 gave rise to large flows into M1 from other instruments within M3 which were not sustained in the absence of further steepening. In addition, recent increases in the remuneration – relative to overnight deposits – of short-term deposits other than overnight deposits have supported rebalancing within M3 and resulted in stronger growth for this category of deposit.

The annual growth rate of short-term deposits other than overnight deposits increased to -2.7% in September, up from -4.6% in August. This was driven by a considerably less negative annual growth rate for short-term time deposits (i.e. deposits with an agreed maturity of up to two years), while the annual growth rate of short-term savings deposits (i.e. deposits redeemable at notice of up to three months) declined slightly but remained strongly positive. Monthly flows were positive for both short-term time deposits and short-term savings deposits.

The annual growth rate of marketable instruments increased marginally to stand at -5.0% in September, up from -5.1% in August. Within marketable instruments, the annual growth rate of repurchase agreements declined for the first time since January 2010. However, this has to be set against a background of strong growth in previous months and a positive monthly flow. The annual growth rate of money market fund shares/units declined again, as the positive flow observed in August was not repeated.

The annual growth rate of M3 deposits – which comprise short-term deposits and repurchase agreements and represent the broadest monetary aggregate for which a timely sectoral breakdown is available – increased marginally in September, following significant increases in the previous two months. As regards sectoral developments, the contribution made by non-monetary financial intermediaries other than pension funds and insurance corporations (OFIs) decreased slightly, although this sector continued to make the largest contribution to growth. Since early 2009 the contribution of OFIs to the annual growth rate of M3 deposits has been driven largely by repurchase agreements. The contribution of the non-financial private sector remained unchanged in September, as a slight increase in the contribution of households was offset by a marginal decline in that of non-financial corporations. Both sectors contributed strongly to the rebalancing seen within M3 in September. However, while households appear to have moved funds from overnight deposits to short-term savings deposits, non-financial corporations shifted funds from overnight deposits to short-term time deposits.

MAIN COUNTERPARTS OF M3

As regards the counterparts of M3, the annual growth rate of total MFI credit to euro area residents declined marginally to stand at 2.0% in September, down from 2.2% in August. This reflects slight declines in the annual growth rates of both credit to the private sector and credit to general government (see Table 1). The latter was driven by a further moderation in the pace of government debt security purchases by the MFI sector, partly reflecting the recent flattening of the yield curve.

The annual growth rate of credit to the private sector edged downwards to stand at 0.9%. This was driven mainly by a stronger contraction in holdings of private sector debt securities. At the same time, the annual growth rate of loans to the private sector remained unchanged at 1.2%. As in previous months, securitisation activity was subdued in September and its impact on private sector loan growth was negligible.

The unchanged annual growth rate of loans to the private sector masked an increase in the annual growth rate of loans to non-financial corporations, although the latter remained negative in September, standing at -0.6%, up from -1.1% in August (see Table 2). This improvement reflected a second consecutive positive monthly flow, which was driven mainly by loans with maturities of up to one year. The annual growth rate of loans to households declined slightly to stand at 2.8%, down from 2.9% in August. This predominantly reflected the general decline, observed since the spring, in monthly flows of loans for house purchase. The annual growth rate of consumer credit became more negative in September, while that of other lending increased marginally.

Recent data provide further evidence that a turning point has been reached in the annual growth rate of lending to non-financial corporations. At the same time, the recovery in MFI loans to non-financial corporations is likely to be modest, given the current uneven recovery across

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					
		2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Aug.	2010 Sep.
M1	**49.2**	**12.3**	**11.3**	**10.3**	**7.8**	**7.7**	**5.9**
Currency in circulation	8.3	7.5	6.2	6.4	6.6	6.7	6.0
Overnight deposits	40.8	13.3	12.4	11.1	8.0	8.0	5.9
M2 - M1 (= other short-term deposits)	39.0	-7.6	-8.2	-8.0	-5.1	-4.6	-2.7
Deposits with an agreed maturity of up to two years	19.1	-22.0	-22.7	-21.5	-16.1	-15.1	-11.8
Deposits redeemable at notice of up to three months	19.9	15.8	13.3	10.3	8.3	8.1	7.9
M2	**88.2**	**2.2**	**1.7**	**1.4**	**1.7**	**2.0**	**1.9**
M3 - M2 (= marketable instruments)	11.8	-11.4	-11.7	-9.8	-6.6	-5.1	-5.0
M3	**100.0**	**0.3**	**-0.2**	**-0.1**	**0.6**	**1.1**	**1.0**
Credit to euro area residents		**3.0**	**1.9**	**1.7**	**1.9**	**2.2**	**2.0**
Credit to general government		14.2	9.9	9.0	7.6	7.4	7.1
Loans to general government		3.1	3.7	6.7	6.5	6.2	7.7
Credit to the private sector		0.9	0.3	0.2	0.7	1.0	0.9
Loans to the private sector		-0.6	-0.4	0.2	0.9	1.2	1.2
Loans to the private sector adjusted for sales and securitisation		0.3	-0.2	0.2	1.0	1.2	1.3
Longer-term financial liabilities (excluding capital and reserves)		**6.7**	**5.5**	**4.4**	**2.2**	**1.9**	**2.1**

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

Table 2 MFI loans to the private sector

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

	Outstanding amount as a percentage of the total [1]	Annual growth rates					
		2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Aug.	2010 Sep.
Non-financial corporations	**42.8**	**-1.4**	**-2.5**	**-2.2**	**-1.2**	**-1.1**	**-0.6**
Up to one year	24.2	-11.9	-12.3	-10.8	-8.1	-7.9	-6.1
Over one and up to five years	19.7	-0.2	-3.3	-4.5	-3.4	-3.2	-2.3
Over five years	56.2	3.9	3.2	3.1	2.9	2.9	2.7
Households [2]	**46.6**	**0.3**	**1.7**	**2.5**	**2.8**	**2.9**	**2.8**
Consumer credit [3]	12.5	-1.0	-0.6	-0.4	-0.5	-0.4	-0.9
Lending for house purchase [3]	71.5	0.2	2.0	3.0	3.4	3.4	3.4
Other lending	16.0	1.9	2.4	2.9	2.8	2.9	3.0
Insurance corporations and pension funds	**0.8**	**-12.4**	**-9.3**	**-9.2**	**-1.1**	**5.8**	**-1.2**
Other non-monetary financial intermediaries	**9.8**	**0.2**	**0.2**	**0.8**	**1.7**	**3.2**	**1.6**

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.

countries and economic sectors (for details on corporate borrowing broken down by industry, see the box entitled "The roles of various industries in recent developments in MFI loans to non-financial corporations"). The possibility of some firms drawing on internally generated funds and/or market-based funding may also imply a lower level of recourse to MFI loans. The fact that the growth of loans to households has recently levelled off at positive but modest rates emphasises the fragile nature of the recovery in credit dynamics given the current environment. For details of developments in the demand for loans from euro area firms and households and in the credit standards of banks, see the box entitled "The results of the October 2010 bank lending survey for the euro area". A broader analysis of savings, investment and financing by institutional sector is presented in the box entitled "Integrated euro area accounts for the second quarter of 2010" in Section 2.6.

Box 1

THE ROLES OF VARIOUS INDUSTRIES IN RECENT DEVELOPMENTS IN MFI LOANS TO NON-FINANCIAL CORPORATIONS

A stylised fact relating to the credit cycle is that turning points in the annual growth of MFI loans to non-financial corporations lag those in GDP growth by around three to four quarters.[1] The increases observed in recent months in the annual growth rate of loans to non-financial corporations suggest that this growth rate bottomed out in the first quarter of 2010, which would be in line with historical regularities. However, such historical regularities represent an average outcome across a number of different business and credit cycles. Consequently, they cannot be expected to hold completely in each individual cycle. For instance, deviations may occur if the various industries in the non-financial corporation sector differ in terms of their propensity to obtain financing through bank loans, or if their conjunctural developments

1 See the box entitled "Loans to the non-financial private sector over the business cycle in the euro area", *Monthly Bulletin*, ECB, October 2009.

are highly unbalanced or shift in strength. Against this background, this box discusses recent developments in MFI loans to non-financial corporations by industry, using a dataset for the euro area that will, from now on, be disseminated regularly by the ECB.[2]

The shares of the various industries in total loans to non-financial corporations

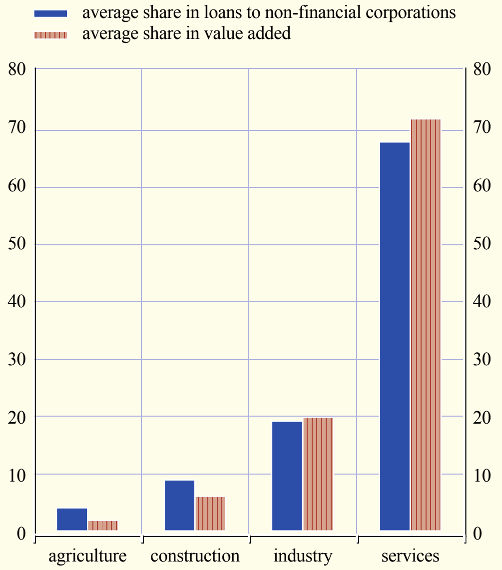
Data on euro area loans are available for ten selected industries. However, for the purposes of this box and to allow a comparison with economic activity, these industries are clustered together in four relatively broad groups.[3] Of these, services were the recipient of the largest share of total loans to non-financial corporations between the first quarter of 2003 and the second quarter of 2010 (accounting, on average, for around 68% of loans), followed by industry (which accounted for around 19%), construction (9%) and agriculture (4%) (see Chart A).

All of these shares broadly correspond to the industries' respective shares in total value added. However, some differences can be highlighted, even taking into account the fact that the breakdowns available are not fully comparable (as the industry definitions for the two sets of data are not identical). In particular, the construction and agricultural industries' shares in value added are – at 6% and 2% respectively – significantly lower than their shares in loans, while the opposite is true for services. Within services, the share of real estate and business administration activities in the total volume of loans is, in particular, larger than these sectors' share in total value added.

Such differences reflect the various financing and liquidity modalities of individual industries, such as access to market financing or the possibility of drawing on internal funds. However, they also reflect the nature of the production process where, for instance, high levels of fixed costs are incurred in the early stages of the production process and cash flow is available only late in the process. Industries that for one or more of these reasons have a high degree of "loan intensity" (i.e. a high ratio of bank loans to value added) are, for instance, construction, real estate and agriculture.

Chart A Shares in outstanding amounts of loans to non-financial corporations and value added by industry

(percentages)



Source: ECB.
Notes: Averages over the period from the first quarter of 2003 to the second quarter of 2010. See footnote 3 for a precise definition of the broad industry groupings shown in the chart.

2 For more information on the degree of harmonisation, coverage and timeliness of these data, see the explanatory note of November 2010 entitled "Loans from euro area monetary financial institutions to non-financial corporations by branch of activity" available on the ECB's website. See also the discussion in the box entitled "Developments in MFI loans to non-financial corporations by industry", *Monthly Bulletin*, ECB, December 2009.

3 The groups are as follows: "agriculture" comprises agriculture, forestry and fishing; "construction" comprises construction; "industry" comprises manufacturing, mining, and the supply of electricity, gas and water; and "services" comprise real estate and administrative activities, wholesale and retail trade, transportation and communication, as well as "other" services. The breakdown of loans to non-financial corporations used in this box does not include Section K (financial and insurance activities) or Section O (public administration and defence; and compulsory social security) of the NACE Rev.2 classification. For both of these sections, it is assumed that the corresponding institutional sectors are predominantly part of the financial corporation sector and the general government sector, rather than the non-financial corporation sector.

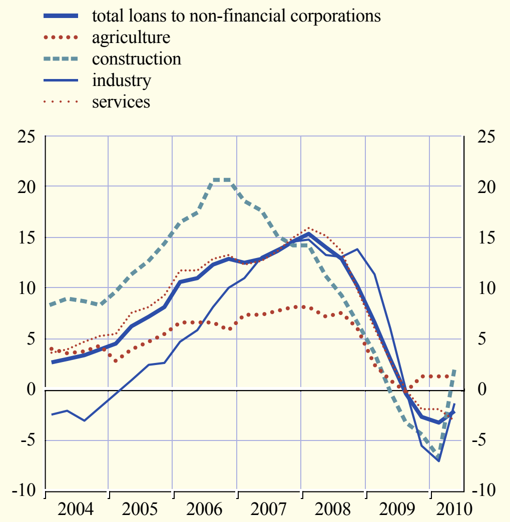
The contributions made by the various industries to recent developments in total loans to non-financial corporations

The latest available data suggest that the annual growth rates of loans to firms in construction and industry may have bottomed out in the first quarter of 2010, before increasing in the second quarter (albeit remaining in negative territory in the case of industry; see Chart B). By contrast, the annual growth rate of loans to services not only remained negative in the second quarter of 2010, but decreased slightly further. On balance, the less negative contributions by construction and industry more than offset the more negative contribution by services. Thus, the annual growth rate of total loans to non-financial corporations increased in the second quarter of 2010 and gave rise to expectations that a turning point had been reached in the loan growth cycle (see Chart C).

Looking at the economic cycle (measured by the annual growth rate of real GDP), the recovery that began in the first half of 2009 was driven largely by a strengthening in the growth of industrial output. By contrast, growth in construction output has been lagging behind, with annual growth remaining clearly in negative territory in the second quarter of 2010. This uneven recovery stands out by comparison with previous recoveries – such as those of the early 1990s and early 2000s, where the recoveries seen in the output growth of industry and construction were more in line with each other – and could have implied a delay in the recovery of growth in total loans to non-financial corporations. In particular, the fact that the construction sector has been lagging behind implies that this sector has made a negligible contribution to the growth of total loans to non-financial corporations, rather than the significant contribution that could probably have been expected given the typically high loan intensity of this sector.

Chart B Annual growth rates of loans to non-financial corporations by industry

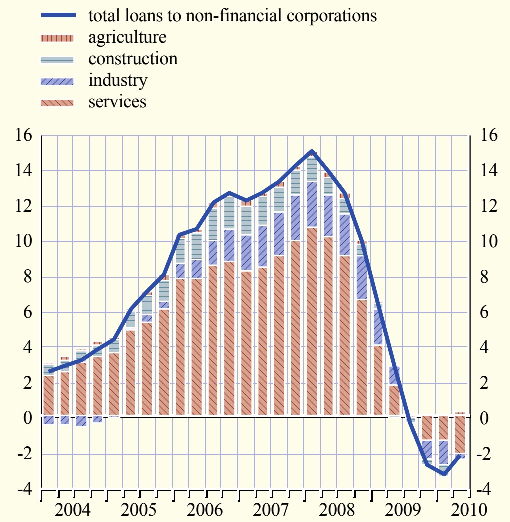
(annual percentage changes)



Source: ECB.
Note: See footnote 3 for a precise definition of the broad industry groupings shown in the chart.

Chart C Contributions to the annual growth rate of loans to non-financial corporations by industry

(annual percentage changes; percentage points)



Source: ECB.
Note: See footnote 3 for a precise definition of the broad industry groupings shown in the chart.

However, the fact that the recovery observed in manufacturing output has been stronger than usual has meant that, despite the lower loan intensity of this industry, the recovery in the growth of total loans to non-financial corporations has not been delayed by comparison with previous recoveries. The pattern of output growth for services has been broadly in line with that of growth in total value added, although the depth of the downturn and the strength of the recovery have both been more muted than in the case of industry. As the time series for loans by industry is relatively short, it is not possible to assess whether the current lag in the growth of loans to the service industry relative to growth in value added in this industry is a normal feature of the business cycle. However, some of this lag might be due to the recent recession having a particularly strong impact on certain sectors within services, such as real estate, where loan intensity is high.

Conclusion

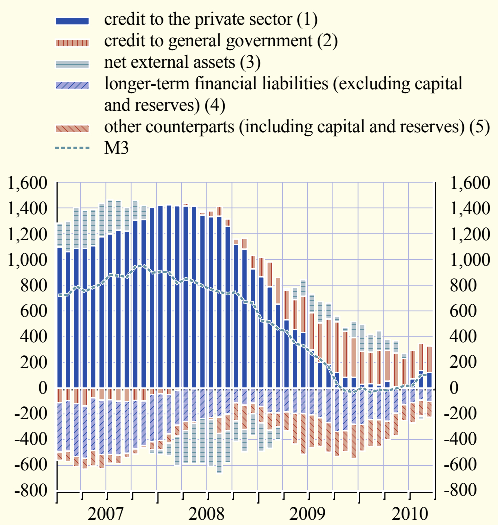
Overall, the recent upturn in the annual growth rate of MFI loans to non-financial corporations has been driven mainly by recoveries in loans to firms in construction and industry. By contrast, growth in loans to the service industry is still lagging behind. However, the strong output growth observed recently for services may soon encourage firms in these sectors to increase their recourse to loans, with the recovery in total loan growth becoming more broadly based and evidence of a turning point in the loan cycle strengthening further.

Of the other counterparts of M3, the annual growth rate of MFIs' longer-term financial liabilities (excluding capital and reserves) increased slightly in September, interrupting the general decline observed since October 2009. This increase is related to a pick-up in the annual growth rate of long-term MFI debt securities held by the money-holding sector. At the same time, the annual growth rate of longer-term deposits declined, further supporting the view that previous shifts from M3 deposits to longer-term deposits, fostered by the steep yield curve, have subsided in recent months. The annual growth rate of capital and reserves declined further to stand at 5.9% in September, down from 7.5% in August.

Finally, the annual outflow from MFIs' net external asset position was €2 billion in September, compared with an outflow of €25 billion in August (see Chart 7). This small net outflow reflects persistent annual outflows for both external assets and external liabilities.

Chart 7 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.

However, since late 2009 the contraction in euro area MFIs' external assets and liabilities has been abating, pointing tentatively to the gradual normalisation of developments in external assets and liabilities.

To sum up, the annual growth rates of M3 and loans to the private sector were broadly unchanged in September. Both growth rates have gradually picked up over the past few months, but remain at relatively subdued levels from a historical perspective. The dampening impact that the continued steep yield curve is having on M3 growth is gradually receding, although its influence continues to imply that underlying monetary growth is likely to be stronger than actual M3 growth. Overall, the assessment that the pace of underlying monetary expansion is moderate and medium-term inflationary pressures stemming from monetary developments remain contained continues to hold.

Box 2

THE RESULTS OF THE OCTOBER 2010 BANK LENDING SURVEY FOR THE EURO AREA

This box describes the main results of the October 2010 bank lending survey (BLS) for the euro area, which was conducted by the Eurosystem between 13 September and 1 October 2010.[1] Overall, for loans both to enterprises and to households, the net tightening of credit standards reported in the second quarter of 2010 declined in the third quarter. At the same time, net demand for loans displayed mixed signals across borrower type.

Loans and credit lines to enterprises

Credit standards: In the third quarter of 2010, the net percentage[2] of banks reporting a tightening of credit standards on loans and credit lines to enterprises declined to 4%, from 11% in the previous quarter (see Chart A). This development was in line with survey participants' expectations three months before. Moreover, the overall results for enterprises were consistent across firm size. The net percentage of tightening credit standards declined to 7% for loans to small and medium-sized enterprises (SMEs) and to 5% for loans to large firms (compared with 14% and 12%, respectively, in the previous quarter).

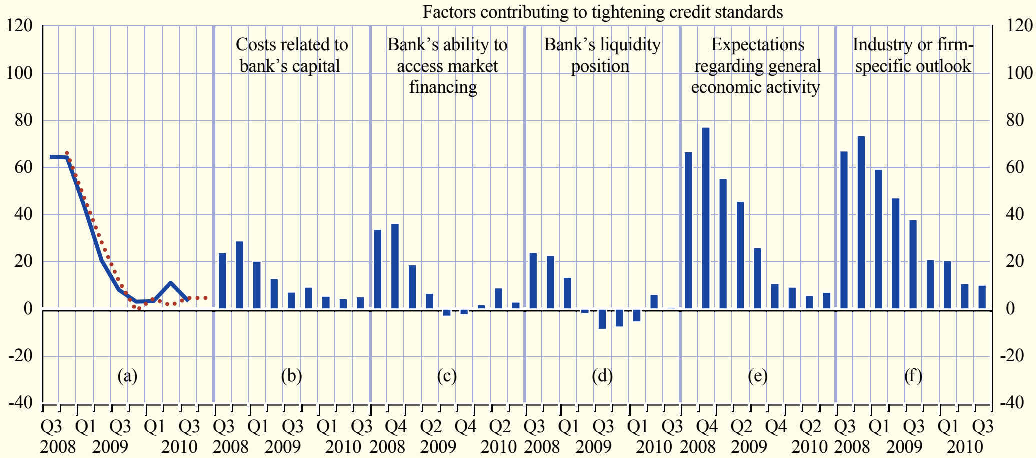
Looking at the factors underlying the overall developments in credit standards, banks reported their ability to access market financing (3%, after 9% in the second quarter of 2010) and their liquidity position (1%, after 6% three months before) as contributing somewhat less to the net tightening of credit standards compared with the previous survey round. By contrast, the contribution to the net tightening of credit standards of factors related to the business cycle (for instance, expectations regarding general economic activity and firm-specific or industry outlook) remained broadly unchanged in the third quarter of 2010.

1 The cut-off date of the survey was 1 October 2010. A comprehensive assessment of the results of the October 2010 bank lending survey for the euro area was published on 28 October 2010 on the ECB's website.

2 The reported net percentage refers to the difference between the proportion of banks reporting that credit standards have been tightened and the proportion of banks reporting that they have been eased. A positive net percentage indicates that banks have tended to tighten credit standards ("net tightening"), whereas a negative net percentage indicates that banks have tended to ease credit standards ("net easing").

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

(net percentages)

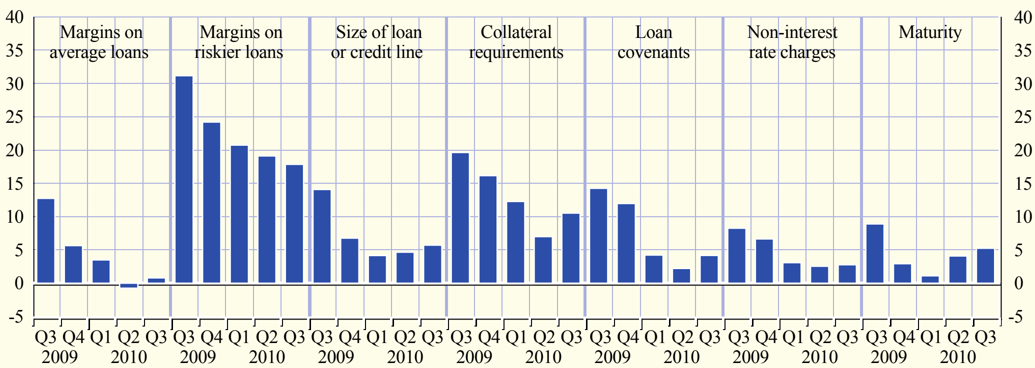


Notes: In panel (a), the net percentages refer to the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably". The net percentages for the questions related to the factors are the difference between the percentage of banks reporting that the given factor contributed to tightening and the percentage reporting that it contributed to easing. "Realised" values refer to the period in which the survey was conducted. "Expected" values refer to the expected changes over the next three months.

In most cases, the decline observed in the net tightening of price and non-price terms and conditions since the second half of 2008 came to a halt in the third quarter of 2010 (see Chart B). In particular, margins on average loans, collateral requirements and loan covenant terms and conditions tightened in the third quarter. Across firm size, as in the previous quarter, margins on average loans to large firms eased (-2%, unchanged from the second quarter of 2010), whereas the net tightening of margins for loans to SMEs declined to 3% (from 8% in the previous survey round).

Chart B Changes in terms and conditions for approving loans or credit lines to enterprises

(net percentages of banks reporting tightening terms and conditions)



Note: The net percentages refer to the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably".

Looking forward, on balance, euro area banks expect the net tightening of credit standards on loans to enterprises to remain broadly stable in the fourth quarter of 2010 (at 5%; see Chart A).

Loan demand: In the third quarter of 2010, net demand for corporate loans[3] turned positive (7%, compared with -2% in the second quarter of 2010 and -13% in the first quarter), after more than two years in negative territory (see Chart C). Similar developments were reported across firm size. For loans both to SMEs and to large enterprises, euro area banks reported a positive net demand of 10% and 3% respectively (compared with -3% and -10% in the previous round).

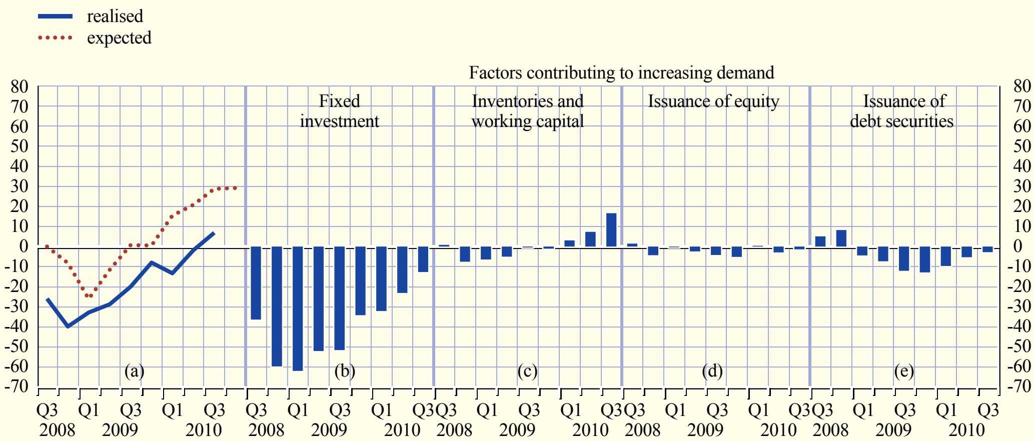
The most important reason for the improvement in net demand for loans by enterprises was increased financing needs for inventories and working capital (17%, after 7% in the second quarter of 2010). At the same time, the negative contribution from fixed investment became somewhat less pronounced. Similarly, the negative contribution of issuance of debt securities and equity also dampened slightly, reflecting the fact that firms sought less external financing from financial markets.

Looking ahead, on balance, euro area banks expect net loan demand from enterprises to remain positive and to increase significantly in the fourth quarter of 2010 (to 29%), particularly among SMEs (32%) and to a lesser extent among large firms (21%). Similarly, survey participants expect an increase in demand for both short and long-term loans (30% and 21% respectively) in the last quarter of 2010.

3 The net demand for loans is calculated as the percentage difference between those banks reporting that demand for loans has increased and those reporting that demand for loans has decreased.

Chart C Changes in demand for loans or credit lines to enterprises

(net percentages)



Notes: In panel (a), the net percentages refer to the difference between the sum of the percentages for "increased considerably" and "increased somewhat" and the sum of the percentages for "decreased somewhat" and "decreased considerably". The net percentages for the questions related to the factors are the difference between the percentage of banks reporting that the given factor contributed to an increase in demand and the percentage reporting that it contributed to a decline. "Realised" values refer to the period in which the survey was conducted. "Expected" values refer to the expected changes over the next three months.

Loans to households for house purchase

Credit standards: In the third quarter of 2010, the net percentage of banks reporting a tightening of credit standards for loans to households for house purchase fell to 0%, down from 10% in the previous two quarters (see Chart D). Behind this development, banks indicated a somewhat less pronounced contribution from risk-related factors, such as the general economic outlook (2% in the third quarter of 2010, falling from 10% in the second quarter) and housing market prospects (0% in the third quarter, after 4% in the previous quarter), as well as less stringent costs of funding and balance sheet constraints (2%, compared with 6% in the previous survey round). Finally, as in previous survey rounds, competition between banks continued to contribute to an easing of credit standards on housing loans.

In general, terms and conditions on loans for house purchase either continued to be tightened by banks but at a slower pace (especially with regard to loan-to-value ratio and collateral requirements), or were kept unchanged (as in the case of margins on riskier loans). At the same time, on balance, survey participants reported an easing of margins on average loans (-1%, compared with a net tightening of 3% in the second quarter of 2010).

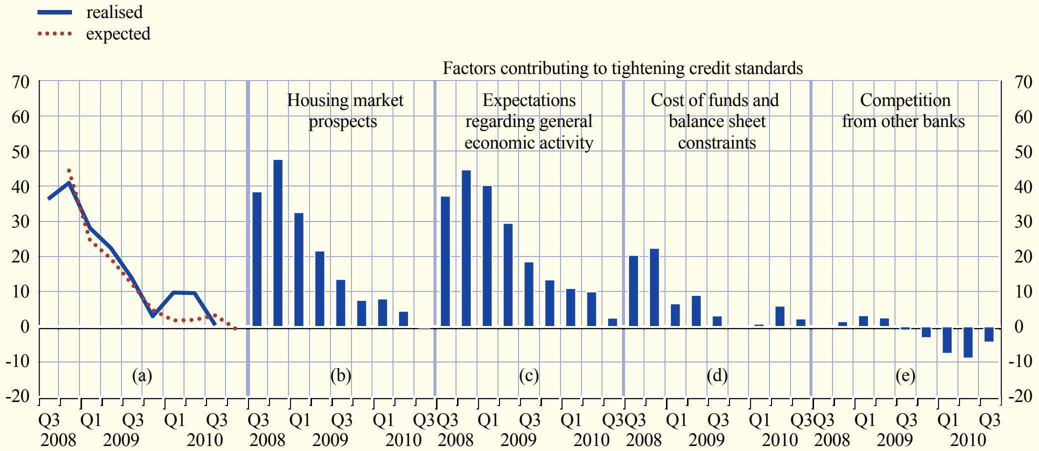
Looking ahead, banks expect a slight easing of overall credit standards on housing loans in the last quarter of 2010 (-1%).

Loan demand: Broadly in line with expectations, net demand for housing loans was positive in the third quarter of 2010, albeit at a lower level than in the previous survey round (8%, compared with 24%; see Chart E). Banks surveyed indicated a less positive contribution of housing market prospects and increased competition from other banks as the main factors underlying this development.

Looking ahead, banks expect a strong rebound in net demand for housing loans in the last quarter of the year (27%).

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

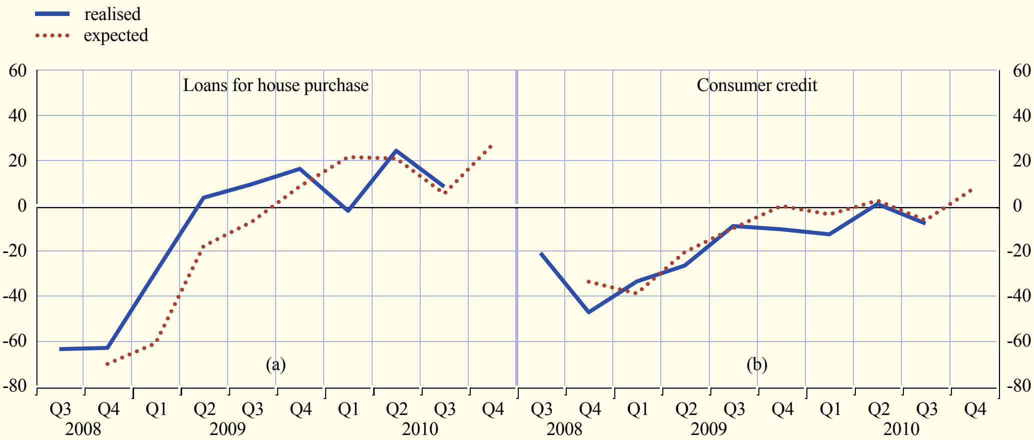
(net percentages)



Note: See notes to Chart A.

Chart E Changes in demand for loans to households for house purchase and consumer credit

(net percentages)



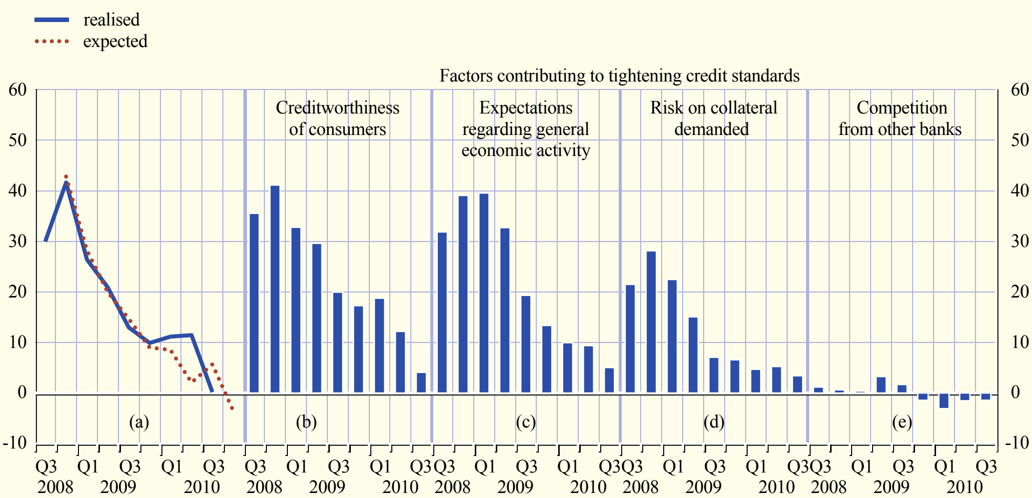
Notes: The net percentages refer to the difference between the sum of the percentages for "increased considerably" and "increased somewhat" and the sum of the percentages for "decreased somewhat" and "decreased considerably". "Realised" values refer to the period in which the survey was conducted. "Expected" values refer to the expected changes over the next three months.

Consumer credit and other lending to households

Credit standards: The net percentage of banks reporting a tightening of credit standards on loans to households for consumer credit and on other lending fell to 0%, after more than two years of continued tightening (see Chart F). This was actually slightly better than expected, as banks were still foreseeing a tightening of credit standards at the time of the previous survey. As in the case of housing loans, factors relating to the perception of risk seemed to have played

Chart F Changes in credit standards applied to the approval of consumer credit and other lending to households

(net percentages)



Note: See notes to Chart A.

an important role in explaining the further decline in the net tightening of credit standards. More specifically, banks reported a lower contribution from both the creditworthiness of consumers (4%, from 12% in the second quarter of 2010) and expectations regarding economic activity (5%, after 9% in the previous survey round).

Looking ahead, banks expect a net easing of credit standards on consumer credit and other lending to households (-4%) in the fourth quarter of 2010.

Loan demand: In line with expectations, net demand for consumer loans decreased in the third quarter of 2010, to -8%, from 1% in the previous survey round (see Chart E). The main factors behind the decline were related to spending on consumer durables and increased competition from other banks.

Looking ahead, banks expect a positive net demand for consumer credit and other lending to households in the fourth quarter of 2010 (8%).

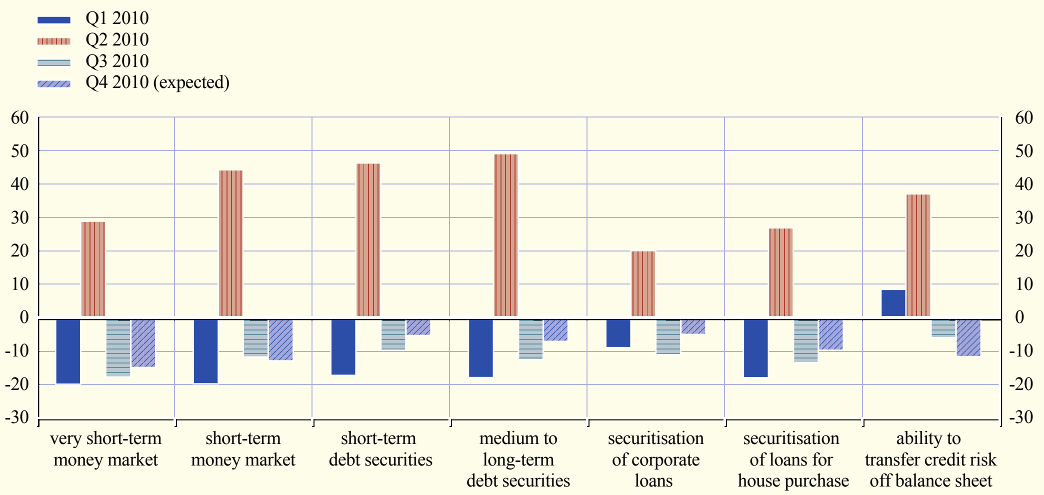
Ad hoc questions on the impact of the financial turmoil

As in previous survey rounds, the October 2010 survey also contained a set of ad hoc questions aimed at assessing the extent to which the financial market tensions have affected banks' credit standards on loans to enterprises and households in the euro area in the third quarter of 2010, and the extent to which they might still have an effect in the last quarter of the year.

For the third quarter of 2010, banks generally reported an improvement in their access to wholesale funding across all segments (see Chart G). After the deterioration during the second quarter of the year, amid renewed concerns about sovereign debt risk, the recovery in the third quarter was much faster than expected in the previous survey round. On balance, in the third

Chart G Change in the access to wholesale funding over the past three months

(net percentages of banks reporting deteriorated market access)



Note: The net percentages are defined as the difference between the sum of the percentages for "deteriorated considerably" and "deteriorated somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably".

quarter of 2010 around 10-20% of the banks surveyed (excluding the banks that replied "not applicable") reported improved access to money markets (compared with 30-40% of banks that in the previous survey round had indicated deteriorated market access) and around 10% of the banks reported easier access to the debt securities market (against 40-50% reporting deteriorated market conditions in the second quarter of 2010). In addition, true-sale securitisation of corporate loans and loans to households for house purchase eased in the third quarter of 2010. In net terms, approximately 10% of the banks for which this business is relevant (around 60% of the sample group) reported improved access to securitisation of corporate loans and mortgage loans (compared with 20-30% of banks indicating deteriorated market access in the previous survey round). Moreover, on balance, 6% of the banks for which this business is relevant (which is the case for 40% of the sample group) reported improvements in synthetic securitisation, i.e. the ability to transfer credit risk off balance sheet (against 37% indicating a deterioration in the second quarter of 2010).

Over the next three months, on a net basis around 10% of the banks continue to expect an improvement across all wholesale funding markets.

Regarding the impact of the financial turmoil on banks' costs related to their capital positions and on their lending policy, the most remarkable change between the second and the third quarters of 2010 is the increase in the number of banks reporting that the financial crisis has had basically no impact on capital (37%, up from 34%). Moreover, the percentage of banks indicating "some" or "considerable" impact on both capital and lending declined in the third quarter, falling to 36% from around 40% in the previous quarter.

2.2 SECURITIES ISSUANCE

After a prolonged period of moderation, the annual growth rate of debt securities issued by euro area residents rebounded slightly in August 2010, driven by issuance in the financial sector. The annual growth rate of quoted shares issued remained broadly unchanged at a subdued level.

DEBT SECURITIES

In August 2010 the annual growth rate of debt securities issued by euro area residents rose to 3.7%, from 3.3% in the previous month (see Table 3). This increase came after a prolonged period of moderation of debt securities issuance that lasted for almost a year. The main factor behind the reversal was the considerably slower pace of contraction in short-term debt securities issuance, which stood at -4.6% – almost half of its previous negative growth rate recorded in July. The annual growth rate of long-term debt issuance remained broadly stable at 4.8% in August. The annualised and seasonally adjusted six-month growth rate of debt securities issued, which better captures short-term trends, rebounded in August, primarily on account of positive net issuance by MFIs (see Chart 8). Using the same measure, issuance by general government remained broadly unchanged, while growth of issuance by non-financial corporations declined.

Over recent months refinancing activity at fixed rates has slowed, although it still remains buoyant in the long-term segment, while short-term debt securities issuance has continued to contract. Meanwhile, the annual growth rate of fixed rate long-term debt securities issuance has dropped below 8%. At the same time, the annual growth rate of floating rate long-term debt securities issuance continued to contract slightly to around -1%.

Table 3 Securities issued by euro area residents

Issuing sector	Amount outstanding (EUR billions) 2010 August	Annual growth rates [1] 2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 July	2010 August
Debt securities	**15,803**	**11.2**	**9.9**	**6.5**	**4.7**	**3.3**	**3.7**
MFIs	5,464	4.0	2.9	1.6	0.5	-0.9	-0.3
Non-monetary financial corporations	3,255	25.7	19.6	7.7	3.0	0.3	1.5
Non-financial corporations	848	13.8	16.5	14.8	15.1	10.2	10.3
General government	6,235	13.5	12.7	9.9	8.3	7.9	7.7
of which:							
Central government	5,806	13.7	12.9	9.9	8.1	7.4	7.2
Other general government	428	9.6	10.5	10.5	11.4	15.2	15.5
Quoted shares	**4,119**	**2.7**	**2.8**	**2.9**	**2.5**	**1.7**	**1.7**
MFIs	483	9.3	8.8	8.2	6.6	5.1	5.1
Non-monetary financial corporations	308	3.9	2.7	5.4	5.2	4.5	4.1
Non-financial corporations	3,328	1.6	1.9	1.9	1.5	0.9	1.0

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

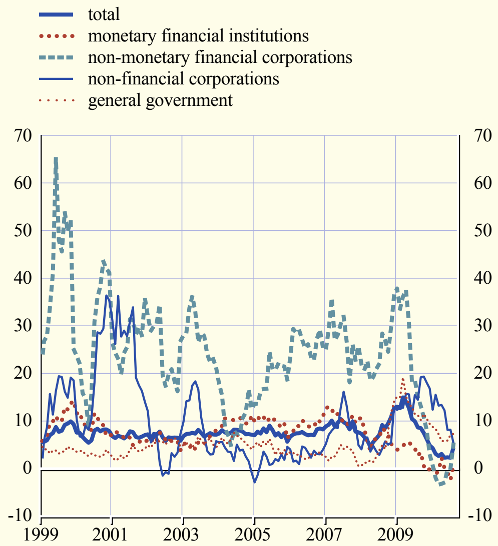
The halt in the downward trend of debt securities issuance recorded in recent months appears to stem simultaneously from several sectors. The annual growth rate of debt securities issued by non-financial corporations and by general government in the euro area broadly stabilised in August. The annual growth rate of debt securities issuance by non-financial corporations remained at the historically high level of 10.3%.

Notwithstanding the tensions concerning sovereign risk, public borrowing has expanded considerably in some countries. As a result, the annual growth rate of debt securities issued by the general government sector remained robust at 7.7% in August. The high growth rates of debt issuance reflect the persistently large funding needs of the euro area public sectors.

As regards the financial sector, the annual growth rate of debt securities issued by MFIs remained negative, standing at -0.3% in August, up from -0.8% in the previous month. Although the annual growth rate has been negative since May, issuance of short-term debt securities by the MFI sector returned to positive territory in August, reflecting some improvement in euro area banks' access to funding. The annual growth rate of debt securities issued by non-monetary financial corporations also increased, to 1.5%, in August, up from 0.3% in the previous month.

Chart 8 Sectoral breakdown of debt securities issued by euro area residents

(six-month annualised growth rates; seasonally adjusted)



Source: ECB.

QUOTED SHARES

The annual growth rate of all quoted shares issued by euro area residents remained broadly stable at 1.7% in August 2010 (see Chart 9). The annual growth rate of equity issuance by MFIs still remained well above its historical average at 5.1% in August, although it continued to moderate from the peak reached in 2009. This reflects the efforts made by banks to raise capital in order to strengthen their balance sheets. At the same time, the annual growth rate of quoted shares issued by non-financial corporations remained broadly unchanged at 1.0%. Low equity issuance rates should be seen against the background of the high cost of equity financing, which after the surge in May has remained close to historically high levels.

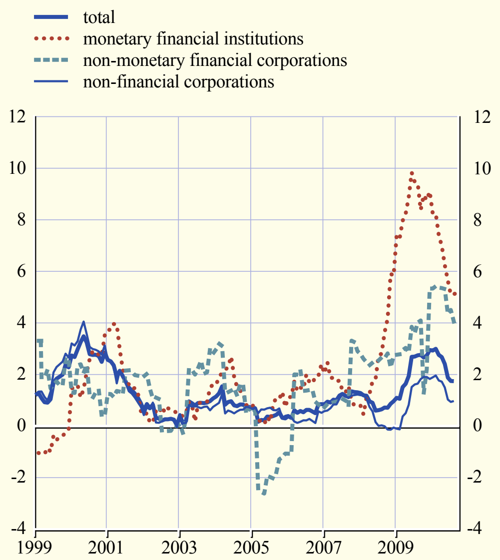
2.3 MONEY MARKET INTEREST RATES

Money market interest rates increased in October 2010 and remained at relatively high levels in early November. During the maintenance period starting on 12 October 2010, the EONIA rate in particular continued the upward trend observed since the first one-year longer-term refinancing operation (LTRO) matured on 1 July 2010. In line with the gradual reduction of excess liquidity in the euro area, average daily recourse to the deposit facility declined during the tenth maintenance period of 2010.

Unsecured money market interest rates increased in October and early November 2010. On 3 November the one-month, three-month, six-month and twelve-month EURIBOR stood at 0.85%, 1.05%, 1.27% and 1.54% respectively – i.e. around 11, 9, 8 and 8 basis points higher respectively than the levels observed on 6 October. As a result, the spread between the twelve-month and one-month EURIBOR – an indicator of the slope of the money market yield curve – declined by around 3 basis points over that period, standing at around 70 basis points on 3 November (see Chart 10).

Chart 9 Sectoral breakdown of quoted shares issued by euro area residents

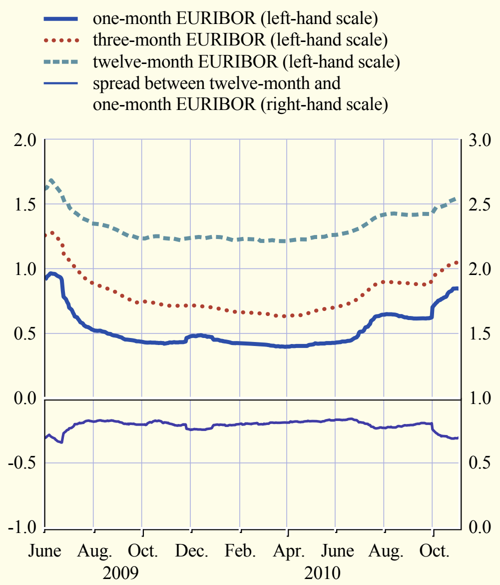
(annual growth rates)



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

Chart 10 Money market interest rates

(percentages per annum; spread in percentage points; daily data)



Sources: ECB and Reuters.

Between 6 October and 3 November the money market rates derived from the three-month EONIA swap index increased by more than the corresponding unsecured rate. The three-month EONIA swap rate stood at 0.814% on 3 November, around 11 basis points higher than on 6 October. As a result, the spread between this money market rate and the corresponding unsecured EURIBOR declined to around 24 basis points on 3 November, around 2 basis points lower than on 6 October. Nevertheless this spread remained relatively wide by comparison with the levels prevailing prior to the onset of the financial market turmoil in August 2007.

The interest rates implied by the prices of three-month EURIBOR futures maturing in December 2010 and in March, June and September 2011 stood at 1.12%, 1.24%, 1.32% and 1.41% respectively on 3 November, representing increases of around 8, 12, 14 and 19 basis points respectively by comparison with the rates recorded on 6 October.

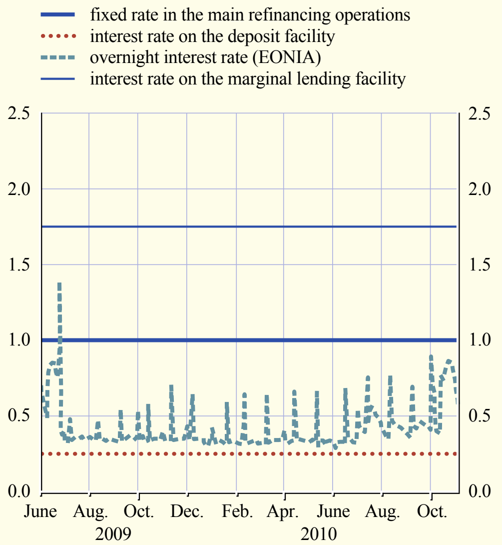
The EONIA has become more volatile since the first one-year longer-term refinancing operation matured on 1 July 2010. The EONIA increased substantially during the maintenance period beginning on 12 October. It reached 0.862% on 21 October, before stabilising at levels of around 0.60% in early November (see Chart 11). This increase was mainly a consequence of an unexpected decline in excess liquidity following the maturing on 30 September of three LTROs (a three-month operation, a six-month operation and a twelve-month operation) with a combined volume of €225 billion. On that date the expected average value for the EONIA for the maintenance period beginning on 12 October increased by 12 basis points, with expected average rates for subsequent maintenance periods increasing by comparable amounts.

In the main refinancing operations conducted on 12, 19 and 26 October and 2 November, the ECB allotted €183.4 billion, €184.0 billion, €186.0 billion and €178.4 billion respectively. The ECB also conducted two LTROs in October, both as fixed rate tender procedures with full allotment: a one-month operation on 12 October (in which €52.2 billion was allotted) and a three-month operation on 27 October (in which €42.5 billion was allotted). In addition, the ECB conducted four one-week liquidity-absorbing operations on 12, 19 and 26 October and 2 November as variable rate tender procedures with a maximum bid rate of 1.00%. In the last of these operations, the ECB absorbed €63.5 billion, which corresponds to the value of purchases under the Securities Markets Programme, taking into account transactions up to and including 29 October.

In line with the gradual reduction of excess liquidity in the euro area, average daily recourse to the deposit facility declined to €32.8 billion in the period from 12 October to 3 November, down from the €69.5 billion observed in the previous maintenance period (which ended on 11 October).

Chart 11 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

2.4 BOND MARKETS

AAA-rated long-term euro area government bond yields increased slightly in October and early November 2010 against a background of broadly positive economic news. Long-term US government bond yields recorded an increase of a similar magnitude. Intra-euro area sovereign bond yield spreads displayed marked intra-period swings in some countries. Long-term real yields in the euro area increased only slightly and are still at very low levels by historical standards. Long-term break-even inflation rates increased moderately from their low end-September levels. Implied bond market volatility increased somewhat on both sides of the Atlantic.

Compared with levels at the end of September, AAA-rated ten-year euro area government bond yields increased by 10 basis points to stand at around 2.7% on 3 November. Long-term US government bond yields showed a similar increase and ended the review period at around 2.6% (see Chart 12). Accordingly, the ten-year nominal interest rate differential between US and euro area government bonds remained broadly unchanged at -10 basis points between the end of September and 3 November. Yields on ten-year Japanese government bonds ended the review period at 0.9%, close to their end-September level, after reaching a seven-year low in mid-October. Implied bond market volatility increased somewhat in both the euro area and the United States.

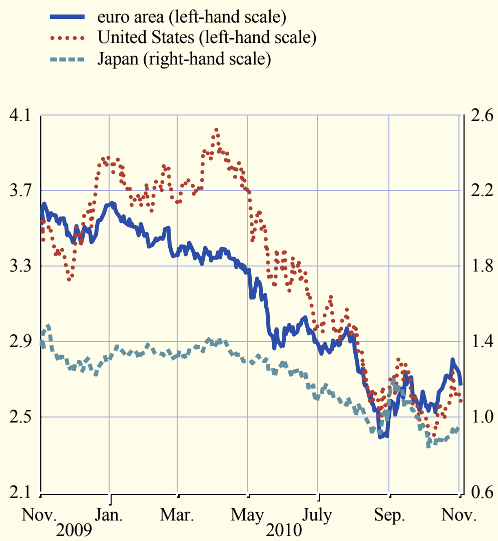
In the United States, ten-year government bond yields edged lower at the beginning of October, before rebounding strongly against a backdrop of positive economic news. In late October and early November, US long-term government bond yields declined again. During the review period, investors and market commentators repeatedly changed their perceptions regarding the extent and timing of further measures of quantitative easing by the Federal Reserve. These changes in expectations contributed to increasing the volatility of US long-term government bond yields during October.

In the euro area, yields on AAA-rated long-term government bonds increased between the end of September and early November, supported by broadly positive economic news, such as a stronger than expected increase in the European Commission's Economic Sentiment Indicator. While AAA-rated long-term euro-area and US government bond yields showed a broadly similar evolution over the review period, movements in euro area government bond yields were somewhat less volatile than those in their US counterparts.

For most euro area countries, ten-year government bond yield spreads vis-à-vis German bonds recorded a decline compared with end-September levels. At the same time, Greek, Irish and Portugese sovereign bond spreads displayed considerable intra-period volatility, decreasing by around 170, 75 and 85 basis points, respectively, until mid-October on the basis of improved market sentiment. However, this was followed by another surge amid re-emerging concerns regarding the implementation and success of budgetary measures for reaching fiscal deficit targets. Between mid-October and 3 November, long-term sovereign bond spreads in Greece, Ireland and Portugal increased by around 195, 135 and 70 basis points respectively. As a result, Portuguese spreads recorded an overall decline of around 15 basis points, while Greek and Irish spreads increased by around 20 and 55 basis points, respectively, compared with their levels at the end of September.

Chart 12 Long-term government bond yields

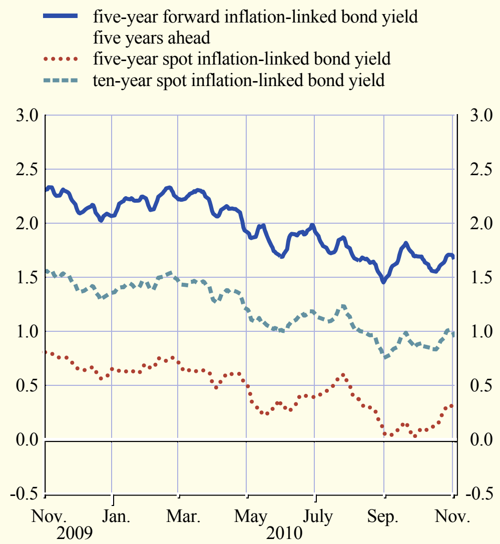
(percentages per annum; daily data)



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

Chart 13 Euro area zero coupon inflation-linked bond yields

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



Sources: Reuters and ECB calculations.

Yields on ten-year inflation-linked euro area government bonds remained broadly unchanged overall, while five-year real yields showed an increase of 10 basis points (see Chart 13). On 3 November, five and ten-year spot real yields stood at 0.2% and 0.9% respectively. This places them slightly above their historical lows.

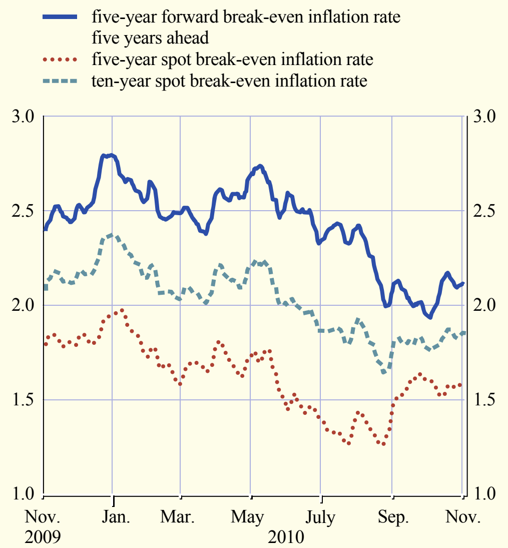
Compared with their end-September levels, the spot break-even inflation rate for the five-year horizon remained broadly unchanged, whereas the ten-year rate increased by around 5 basis points (see Chart 14). On 3 November the five and ten-year rates stood at 1.6% and 1.8% respectively. This moderate steepening of the spot BEIR curve implied an increase of 15 basis points for the five-year forward rate five years ahead, taking it from the low level at the end of September to 2.1% at the beginning of November. The corresponding measure derived from swaps implies a similar level of inflation expectations and associated risk premia.

The euro area term structure of short-term forward rates shows how the changes in AAA-rated euro area long-term government bond yields can be decomposed into changes in interest rate expectations (and related risk premia) at different horizons (see Chart 15). It turns out that the moderate increase in long-term government bond yields was reflected in a slight upward shift of the forward curve, which was relatively more pronounced at shorter horizons.

Bond spreads of higher-rated investment-grade corporate debt remained broadly unchanged compared with their levels at the end of September. At the same time, corporate bond spreads for lower-rated issuers in both the non-financial and the financial sectors decreased to some extent. Overall, current spread levels across sectors and rating classes are still ranging somewhat above pre-crisis values.

Chart 14 Euro area zero coupon break-even inflation rates

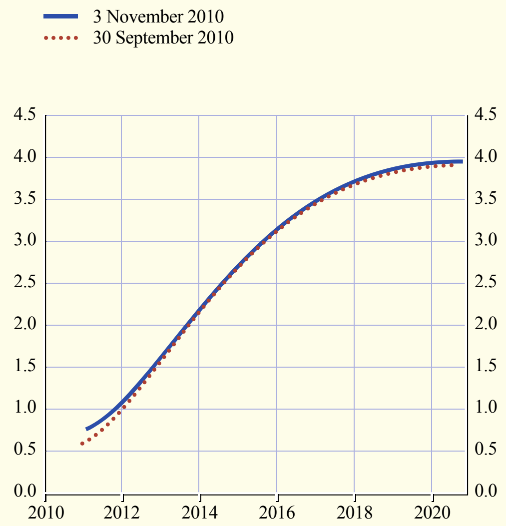
(percentages per annum; five-day moving averages of daily data; seasonally adjusted)



Sources: Reuters and ECB calculations.

Chart 15 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



Sources: ECB, EuroMTS (underlying data) and Fitch Ratings (ratings).
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 is outlined in the "Euro area yield curve" section of the ECB's website. The data used in the estimate are euro area AAA-rated government bond yields.

2.5 INTEREST RATES ON LOANS AND DEPOSITS

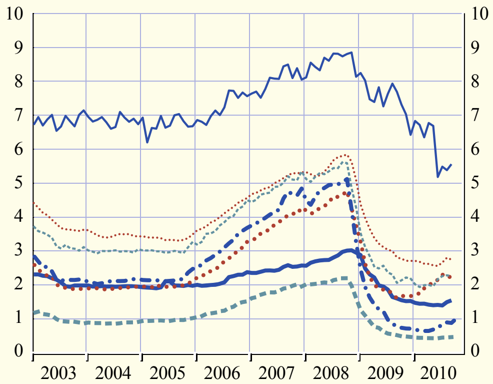
In September 2010 most MFI lending rates for both households and non-financial corporations, and across most maturities, declined. This halted the increase observed over the past few months.

In September 2010 the short-term MFI interest rates on deposits increased for both households and non-financial corporations. Most short-term rates on loans to households and non-financial corporations declined slightly, halting the increase of the past two months (see Chart 16). More precisely, short-term interest rates on loans to households for house purchase decreased slightly to 2.8%. The average rates on overdrafts extended to households remained broadly stable at 8.7%, while the more volatile rates on consumer credit increased by 18 basis points to 5.6%, reversing the previous month's decline. In the case of non-financial corporations, banks' short-term rates on both small loans (i.e. those of less than €1 million) and large loans (i.e. those of more than €1 million) declined marginally and stood at 3.3% and 2.3% respectively. The interest rates on overdrafts stayed at 3.8%. Since the EURIBOR declined by 2 basis points in September 2010, the spread between short-term MFI lending rates to households for house purchase and the three-month money market rate has narrowed slightly, while the spread vis-à-vis interest rates on loans to non-financial corporations has remained unchanged (see Chart 17).

Chart 16 Short-term MFI interest rates and a short-term market rate

(percentages per annum; rates on new business)

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

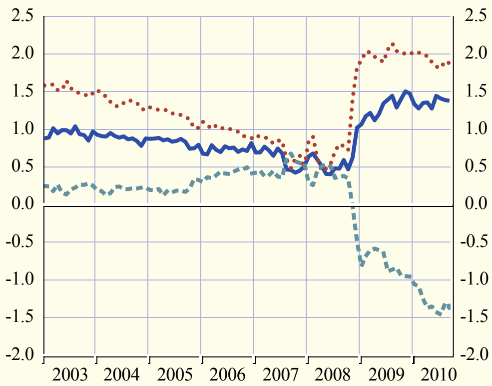


Source: ECB.
Note: Data as of June 2010 may not be fully comparable with those prior to that date owing to methodological changes arising from the implementation of Regulations ECB/2008/32 and ECB/2009/7 (amending Regulation ECB/2001/18).

Chart 17 Spreads of short-term MFI interest rates vis-à-vis the three-month money market rate

(percentage points; rates on new business)

- loans to non-financial corporations of over €1 million with a floating rate and an initial rate fixation of up to one year
- loans to households for house purchase with a floating rate and an initial rate fixation of up to one year
- deposits from households with an agreed maturity of up to one year



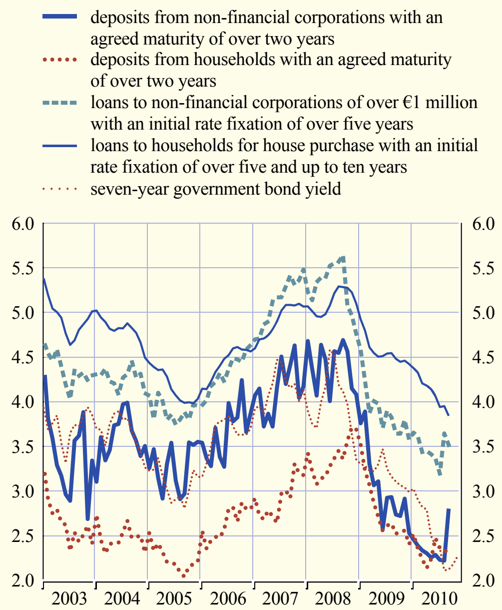
Source: ECB.
Notes: For the loans, the spreads are calculated as the lending rate minus the three-month money market rate. For the deposits, the spread is calculated as the three-month money market rate minus the deposit rate. Data as of June 2010 may not be fully comparable with those prior to that date owing to methodological changes arising from the implementation of Regulations ECB/2008/32 and ECB/2009/7 (amending Regulation ECB/2001/18).

From a longer-term perspective, between the end of September 2008 (i.e. immediately prior to the beginning of the cycle of monetary policy easing) and the end of September 2010 short-term rates on both loans to households for house purchase and loans to non-financial corporations decreased by 306 and 326 basis points respectively. This compares with a decline of 415 basis points in the three-month EURIBOR and indicates a considerable pass-through of market rate changes to bank lending rates. Although the short-term lending rates on loans to households and non-financial corporations declined slightly in September, overall they have exhibited an upward tendency over the last few months, thereby providing an indication of the potential completion of the pass-through of past reductions in key ECB interest rates.

As regards longer maturities, MFI interest rates on long-term deposits decreased in September 2010. Similarly, interest rates on longer-term loans to non-financial corporations and on loans to households for house purchase declined (see Chart 18). More precisely, the interest rates on loans to households for house purchase with an initial rate fixation period of over five and up to ten years and those with an initial rate fixation period of over ten years declined somewhat and stood at 3.8% and 3.7% respectively. Average rates on small loans to non-financial corporations with an initial rate fixation period of over one and up to five years and those with an initial rate fixation period of over five years declined marginally to stand at 4.1% and 3.8% respectively. The average rates on

Chart 18 Long-term MFI interest rates and a long-term market rate

(percentages per annum; rates on new business)



Source: ECB.
Note: Data as of June 2010 may not be fully comparable with those prior to that date owing to methodological changes arising from the implementation of Regulations ECB/2008/32 and ECB/2009/7 (amending Regulation ECB/2001/18).

large loans decreased by 20 basis points to 2.7% in the case of loans with an initial rate fixation period of over one and up to five years, and by 13 basis points to 3.5% for loans with an initial rate fixation period of over five years.

Viewed from a longer-term perspective, since September 2008 euro area banks have adjusted their rates on long-term loans to non-financial corporations more or less in line with the decline in AAA-rated long-term government bond yields. By contrast, long-term rates on loans to households have not fallen by as much over the same period, reflecting a more incomplete and sluggish pass-through for households and possibly increased credit risk concerns in some parts of the euro area. Since the second quarter of 2010 longer-term interest rates have continued to decline for loans to households, albeit to a much lesser extent than the decline in AAA-rated long-term government bond yields, which was driven notably by flight-to-safety flows. For non-financial corporations, notwithstanding the decline in September, long-term lending interest rates have been rising over recent months.

The fall in bank lending rates in September interrupted the widening in loan-deposit margins on new loans established in recent months. Average loan-deposit margins on outstanding amounts have gradually declined from the beginning of 2010, although they remained broadly similar to those recorded in the corresponding period of 2009. Relatively stable margins will contribute positively to the net interest income and the profitability of euro area banks.

2.6 EQUITY MARKETS

Stock prices in the euro area and the United States continued to increase during October and early November. Overall, between the end of September and 3 November they rose by around 3% and 5% respectively. This development was supported by broadly positive economic news, particularly regarding the third-quarter earnings results of US-listed companies. At the same time, tensions in some euro area sovereign debt markets and investors' uncertainty about the timing and extent of further quantitative easing measures by the Federal Reserve may have continued to weigh negatively on equity valuations. Stock market uncertainty, as measured by implied volatility, decreased slightly overall on a global basis.

During October and early November, stock prices in the euro area and the United States continued rising, albeit at a somewhat slower pace than during September. On 3 November the broad-based Dow Jones EURO STOXX index was up by 3% from its end-September level, while the Standard and Poor's 500 index recorded a 5% increase over the same period (see Chart 19). By contrast, stock prices in Japan, as measured by the Nikkei 225 index, declined slightly. Option-implied volatility, a measure of near-term stock market uncertainty, decreased slightly overall on a global basis (see Chart 20).

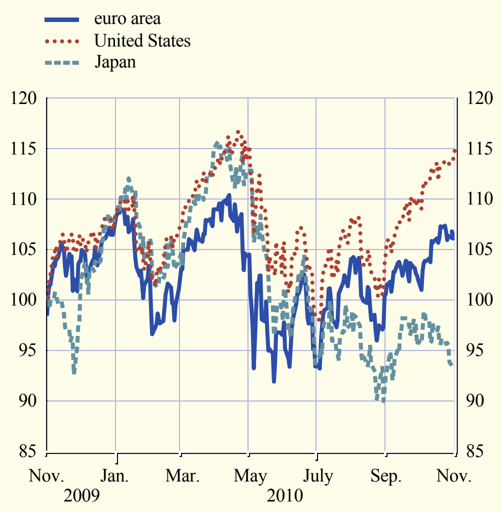
Stock prices on both sides of the Atlantic during October and early November were supported by broadly positive macroeconomic news and overall positively surprising results from the third-quarter earnings reporting season in the United States. However, after the second half of October, the intensification of tensions in some euro area sovereign debt markets weighed negatively on investors' sentiment and thereby on equity valuations, especially in the euro area. Another possibly dampening factor was the still ongoing uncertainty regarding the timing and extent of additional quantitative easing measures by the Federal Reserve.

Compared with the overall indices, financial sector stocks have showed a more subdued trend on both sides of the Atlantic. Bank stock prices in the euro area declined slightly, while in the United States they remained broadly unchanged. The stock prices of US banks came under pressure in mid-October, when the corresponding index fell by more than 6% over two days. Investors were concerned that certain banks might have to bear large-scale litigation costs related to their foreclosure practices on bad mortgage loans.

In the euro area, stock price increases were supported by solid actual and expected earnings growth of listed companies. Actual annual earnings-per-share growth for the firms constituting the Dow Jones EURO STOXX index amounted to 24% in October, after 21% in September.

Chart 19 Stock price indices

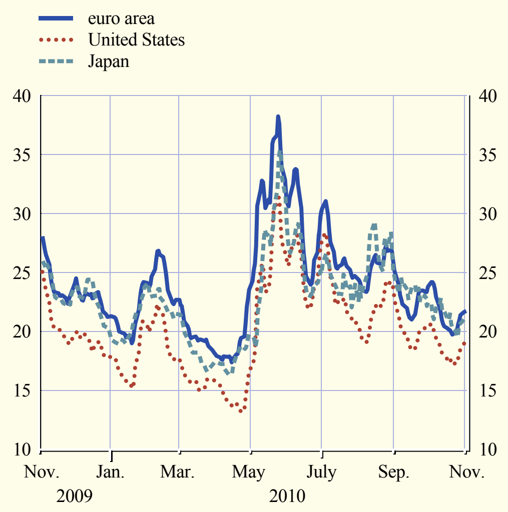
(index: 1 November 2009 = 100; daily data)



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 20 Implied stock market volatility

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



Source: Bloomberg.
Notes: 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.

This development was broad-based, as earnings-per-share growth was positive for almost all sectors. Earnings-per-share growth 12 months ahead is projected by survey participants to be around 18%. Box 3 provides information on the financial situation and financial needs of small and medium-sized enterprises in the euro area in the period from March to September 2010.

Box 3

THE RESULTS OF THE "SURVEY ON THE ACCESS TO FINANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE EURO AREA"

This box presents the results of the third round of the "Survey on the access to finance of small and medium-sized enterprises in the euro area".[1] The survey was conducted between 27 August and 22 September 2010 and covered 5,312 firms in the euro area.[2] The box summarises the survey results and provides information on financing needs, the financial situation and the access to financing of SMEs in the euro area, compared with large firms, in the six preceding months (i.e. roughly March to September 2010).

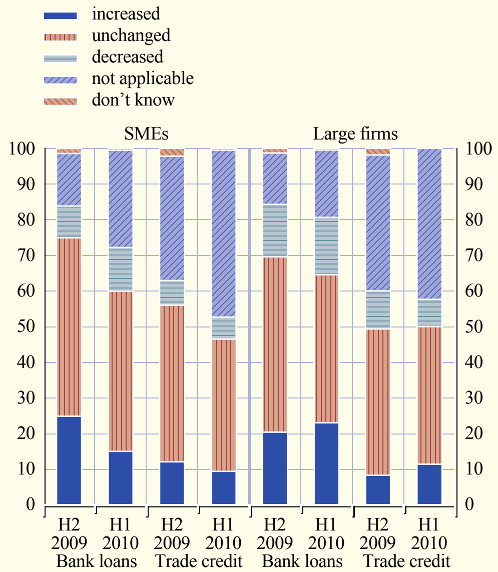
External financing needs of euro area SMEs increased moderately

Needs for external financing of euro area firms were generally reported to have increased, albeit moderately so. On balance, the need for bank loans in the period from March to September 2010 grew at a slower pace than that recorded in previous surveys: a net proportion of 3% of SMEs saw their needs for bank loans rise (compared with 16% in the second half of 2009). Meanwhile, the need for inter-company financing slightly increased (see Chart A). Fixed investment, inventory and working capital as well as the availability of internal funds all contributed to the slight increase in financing needs.

In contrast to SMEs, large firms reported a noticeable increase in financing needs, in particular for inventory and working capital (in line with a revival of activity) and for mergers and acquisitions.

Chart A External financing needs of euro area firms

(change over the preceding six months; percentage of respondents)



Source: ECB and European Commission survey on the access to finance of SMEs.
Note: H1 2010 corresponds to the period from March to September 2010.

1 For further details, see the ECB's "Survey on the access to finance of SMEs in the euro area", 22 October 2010, which is available on the ECB's website at http://www.ecb.europa.eu/stats/money/surveys/sme/html/index.en.html. This survey was developed in collaboration with the European Commission. A joint ECB/European Commission round is conducted every two years. Every six months, the survey is organised exclusively by the ECB and repeats a part of the overall questionnaire in order to assess the latest developments in the financing conditions for firms in the euro area. This was the case for the most recent survey round.

2 SMEs include micro firms (1-9 employees), small firms (10-49 employees) and medium-sized firms (50-249 employees). Large firms, also included in the sample, are defined as firms with 250 employees or more.

The financial situation of SMEs remained more difficult than that of large firms

Overall, compared with previous survey rounds, the overall financial situation of euro area SMEs generally improved in the period from March to September 2010, although not as much as that of large firms. A significantly lower proportion of euro area SMEs reported decreases in turnover and a higher proportion reported increases in the six months preceding the survey compared with previous survey rounds (see Chart B). This represents a noticeable improvement on the outcome in the previous round of the survey (for H2 2009). It also bodes well for the revival of economic activity which has been observed, and which has been illustrated by data for industrial production and real GDP growth since the beginning of the year. However, the profit situation of SMEs deteriorated further over the review period, albeit at a slower pace than in the two preceding survey rounds, with a net 21% of euro area SMEs reporting a reduction in profits. This could be linked to a noticeable increase in production costs (both labour and other costs) perceived by survey respondents between March and September 2010.

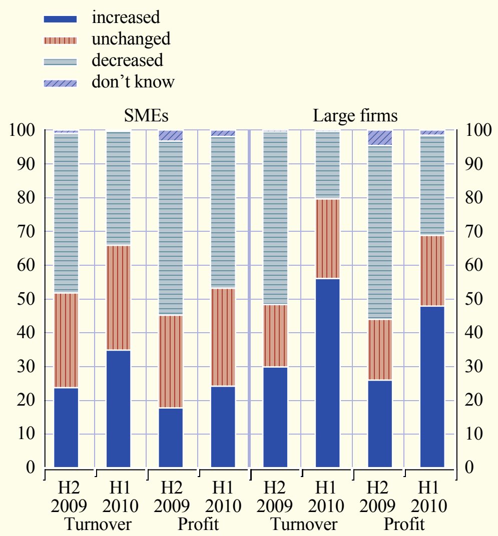
Large firms appear to be significantly better off in various respects than SMEs. The net percentage of large firms reporting an increase in turnover was 36% (compared with only 1% for SMEs) and net increases in profits appear to have resumed between March and September 2010. For large firms, the recovery appears to have been broadly based across sectors of the economy. For SMEs, however, only those with more cyclical, industrial activities reported a clear positive improvement, while services and construction companies were still lagging behind between March and September 2010.

Bank loan applications were slightly more successful

Fewer SMEs applied for a bank loan in the six months prior to the latest survey than in the

Chart B Indicators of the financial situation of euro area firms

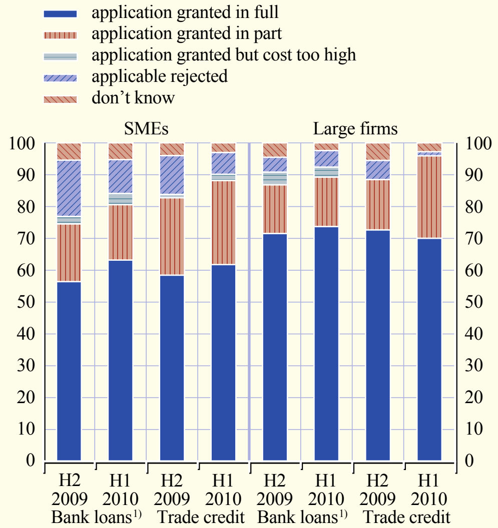
(change over the preceding six months; percentage of respondents)



Source: ECB and European Commission survey on the access to finance of SMEs.
Note: H1 2010 corresponds to the period from March to September 2010.

Chart C Outcome of applications for external financing by euro area firms

(over the preceding six months; percentage of firms that applied for bank loans or trade credit)



Source: ECB and European Commission survey on the access to finance of SMEs.
Note: H1 2010 corresponds to the period from March to September 2010.
1) New or renewal.

previous survey rounds, mainly because nearly half the euro area SMEs considered that they had sufficient internal funds. In fact, euro area SMEs may have continued to deleverage in recent quarters, since their debt-to-asset ratio decreased further according to the survey results. 11% of respondents reported that they had had no debt in the previous six months (nearly twice as many as in the previous survey). The percentage of firms which had not applied for a loan for fear of rejection remained broadly stable at 6%.

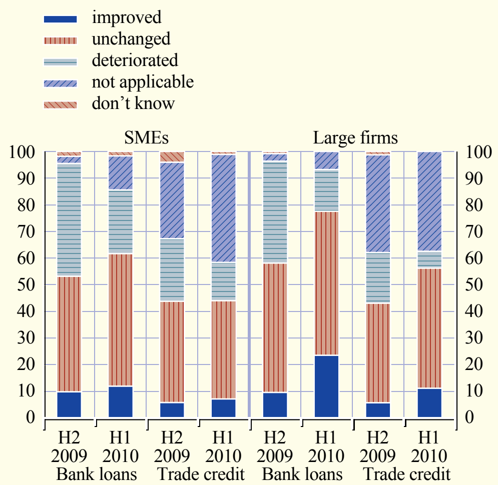
As regards the outcome of bank loan applications, the rejection rate dropped significantly compared with the previous survey round (from 18% in the second half of 2009 to 11% between March and September 2010). In addition, the number of euro area SMEs receiving the full amount they applied for increased noticeably (to 63% in the latest survey round from 56% in the second half of 2009). The situation of large firms also broadly improved in this regard, but much less markedly than in 2009. In particular, the bank loan rejection rate for large firms, at 5%, was significantly lower than for SMEs. Alternative sources of financing, and especially trade credit, developed along similar lines between March and September 2010. As a result, issues related to "access to finance" dropped from second to third place in a ranking of SMEs' most severe problems.

Availability of external financing deteriorated, but significantly less so than in 2009

The deterioration in the availability of bank loans (new loans or renewals of existing loans) for SMEs continued between March and September 2010. 24% of SMEs reported a worsening in the availability of external financing, while only 12% reported an improvement (see Chart D). However, this deterioration was significantly less severe than that reported throughout 2009 and even less acute in those sectors where economic activity is picking up more strongly, notably in industry. A similar picture emerges for trade credit availability, where the perceived deterioration was largely dampened over the review period. By contrast, large euro area firms' assessments were clearly positive and showed an improvement in the availability of external sources of finance.

Chart D Availability of external financing for euro area firms

(change over the preceding six months; percentage of firms that applied for external financing)



Source: ECB and European Commission survey on the access to finance of SMEs.
Note: H1 2010 corresponds to the period from March to September 2010.

Box 4

INTEGRATED EURO AREA ACCOUNTS FOR THE SECOND QUARTER OF 2010[1]

The integrated euro area accounts offer comprehensive and consistent information on the income, spending, financing and portfolio decisions of the institutional sectors of the euro area. The data release of 28 October 2010, covering data up to the second quarter of 2010, includes for the first time the non-financial assets of the private sector. These data show further signs of normalisation in the euro area. Households further reduced their savings ratio (partly reversing the sharp increase observed since the start of the financial crisis) while income growth was again driven by labour and capital income (rather than by government redistribution). Non-financial corporations (NFCs) returned to a net borrowing position on a quarterly basis owing to increasing capital formation. By contrast, nominal flows remained broadly subdued (households' income decreased in real terms) and corporations continued to build up capital buffers via increased retained earnings. Patterns of disintermediation in favour of direct financing through market instruments continued across sectors, albeit somewhat moderated as risk appetite was dampened in the context of the sovereign debt tensions.

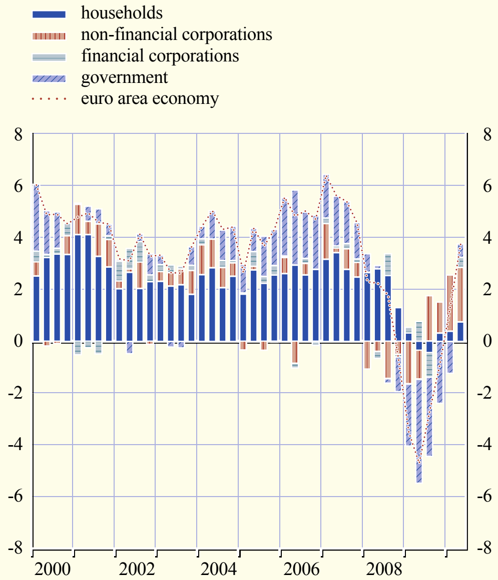
Euro area income and net lending/net borrowing

The annual growth rate of euro area nominal disposable income rose further in the second quarter of 2010 to 3.7%, after 1.3% in the previous quarter (Chart A), as value added increased robustly. This increase was broadly based across sectors. Retained earnings of NFCs continued to grow in a context of a build-up of capital and liquidity buffers. The annual change in government income turned positive after seven successive quarters of reductions. Household income growth accelerated via an increase in compensation of employees. However, it still remained subdued and continued to contract in real terms owing to more dynamic consumer prices.

For the first time since 2007, the expansion in income translated into an increase in euro area gross saving. This was reflected in the continued high retained earnings of corporations as well as in a deceleration of the decline in government savings. By contrast, and in spite of the increase in household income, household savings fell again as consumption continued to grow also in real terms, albeit at a slower pace than in the previous quarter. The household savings ratio (seasonally adjusted) fell for the fifth consecutive quarter to 14.3%.

Chart A Euro area gross disposable income and sectoral contributions

(annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB.

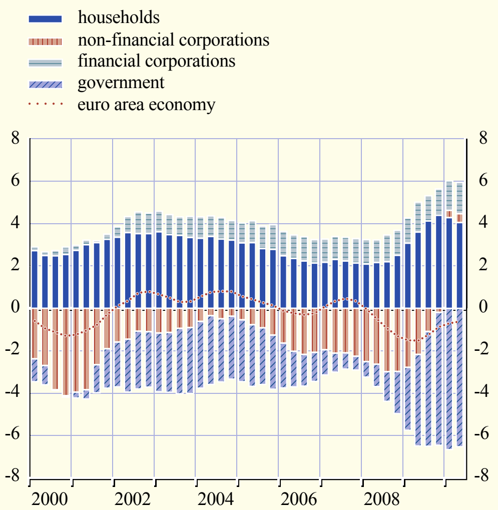
1 Detailed data can be found on the ECB's website at http://sdw.ecb.europa.eu/browse.do?node=2019181.

Gross fixed capital formation, in particular of corporate capital, recovered to reach positive annual growth after six quarters of continuous negative readings. At the same time, the pace of reduction in inventories continued to decline, leading to a positive and robust increase in total capital formation (of 7.5% after five quarters of negative growth).

As in the previous quarter, the dynamics of savings were stronger than those of capital formation. This contributed to a further reduction of the euro area current account deficit (to 0.6% of GDP, on a four-quarter sum basis, see Chart B). Looking at institutional sectors, this reflects a reduction in the government deficit and an increase in the excess of corporate retained earnings over capital formation by corporations (in four-quarter sum terms), albeit much more moderate than in the previous quarter. The lending position of households declined, however, as a consequence of reduced savings and an increase in residential investment. As in previous quarters, and reflecting the weight of the government deficit, the funding of the current account deficit continued to be dominated by net inflows in debt securities.

Chart B Euro area net lending/net borrowing

(percentages of GDP; four-quarter moving sum)



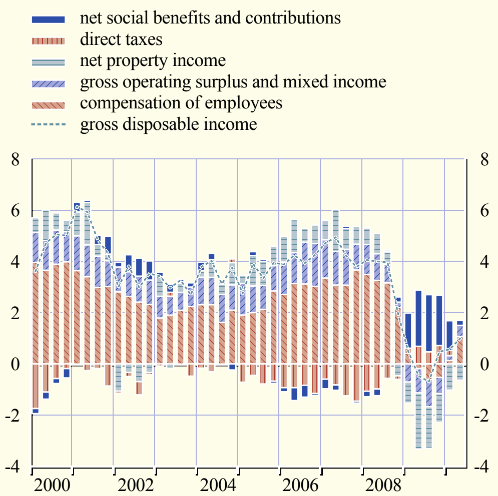
Sources: Eurostat and ECB.

Behaviour of institutional sectors

Year-on-year growth of nominal gross disposable income of households increased to 1% (after 0.6% in the previous quarter, see Chart C) owing to an improvement in compensation of employees, dividends and net interest earned. By contrast, the contribution of net social benefits to the growth of income was lower than in the previous quarter, while tax reductions moderated further. This reflected the phasing out of the effects of the automatic fiscal stabilisers. The combination of these opposing dynamics resulted in a higher contribution to income growth from income originating directly from entrepreneurial activities (mainly compensation of employees and dividend payments) which exceeded the contribution from government distribution for the first time since the end of 2008.

Chart C Households' nominal gross disposable income

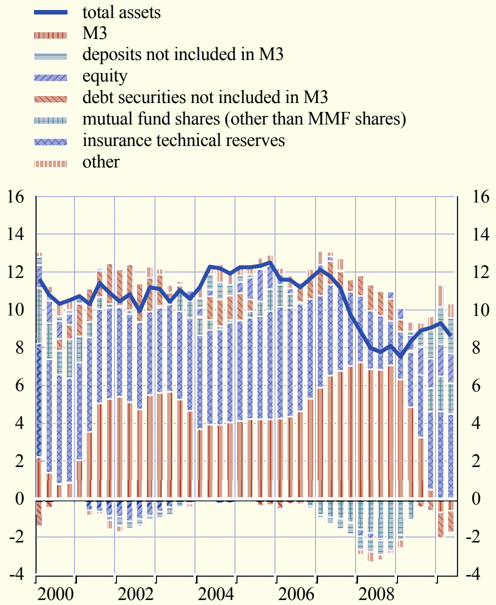
(annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB.

Chart D Households' financial investment

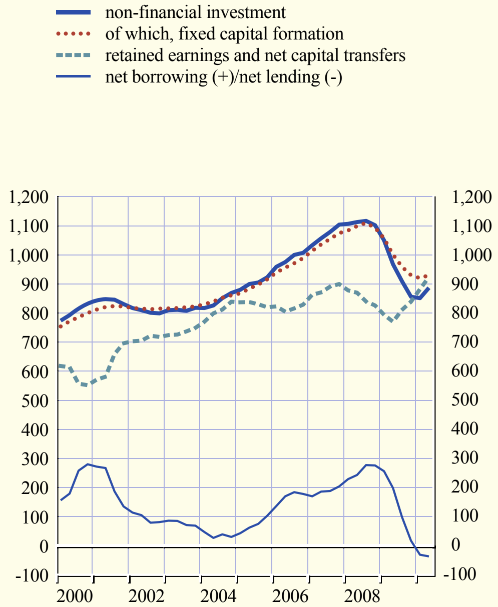
(four-quarter moving sums; percentages of gross disposable income)



Sources: Eurostat and ECB.

Chart E NFCs' saving, capital investment, and net borrowing

(four-quarter moving sums; EUR billions)



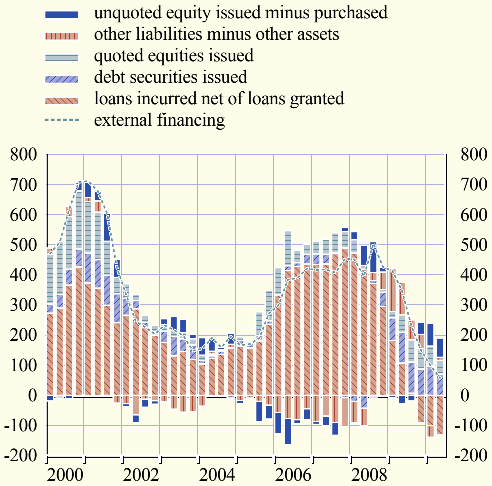
Source: Eurostat and ECB.

As in the previous quarter, the subdued increase in household nominal income was still lower than the increase in consumer prices, leading to a further reduction in real income. Moreover, more robust growth in consumption (2.4%) and the recovery in non-financial investment (which returned to positive annual growth after two years of declines) led to a further drop in the net lending position of households. This was reflected in a moderate increase in loan financing and a decline in financial investment (by 0.2 percentage points, see Chart D), all in all reflecting some portfolio shift towards housing equity. The sizeable portfolio shifts towards non-monetary assets seen since the end of 2008 continued (albeit abating slightly owing to lower investment in mutual fund shares), with deposits contributing negatively to financial investment and institutional investor liabilities contributing positively.

The year-on-year growth in the operating surplus of NFCs achieved a new record in the second quarter of 2010 (9.5%), mirroring the robust dynamics of value added. In spite of this, NFCs returned to showing net borrowing needs (excess of capital formation over retained earnings) in that quarter. This reflects an increase in non-interest property income paid (mainly distributed dividends) and in non-financial investment (fuelled by fixed capital formation, which grew at 4.2% year-on-year). External financing (total financial liabilities) increased by 1.6% year-on-year in the second quarter of 2010, having rebounded in the previous quarter after two years of continuous declines. Pronounced substitution effects can still be observed, as market financing (debt securities and quoted shares) more than offset net redemptions of MFI loans.

Chart F NFCs' external financing by source of funds

(four-quarter moving sums; EUR billions)



Source: Eurostat and ECB.
Note: For presentational purposes, some transactions in assets are netted here from financing, as they are predominantly internal to the sector (loans granted by NFCs, unquoted shares, other accounts receivable/payable).

NFCs leverage ratios, still historically high, have continued to decline, albeit less steeply. The debt-to-assets ratio – which can now be calculated from the new data available on non-financial assets – stabilised at 26.6% after a continuous decline since the end of 2008 (when it peaked at 28.6%), while the debt-to-gross value added ratio declined for the first time in the second quarter of 2010 owing to robust growth in value added. The ratio of net interest payments to gross value added further declined to 2.4%, also owing to the decline in the real cost of finance.

General government net borrowing was 6.5% of GDP (four-quarter moving sum), down from 6.7% in the previous quarter. This slight improvement halted the negative trend that began in 2008. It reflects slightly lower gross government investment (at 2.7% of GDP) and stable gross savings (at -3.9% of GDP). All revenue components (except direct taxes from financial corporations) recorded a growth rate higher than in the previous quarter. These developments were mainly the consequence of the operation of automatic stabilisers in a recovering economy. At the same time, positive revenue developments were underpinned by tax increases in the context of consolidation packages introduced in many countries. The annual growth rate of financing declined moderately to 7.0% from 7.5% in the previous quarter.

Gross entrepreneurial income of financial institutions continued to grow at a high rate by historical standards, as the institutions continued to benefit from the steep yield curve. The annual growth rate of financial investment declined by 0.3 percentage points to 2.4% owing to decreasing acquisitions by investment funds in the context of the sovereign debt tensions. Debt securities, both from OFI and MFIs, were the main contributors to this development (contribution down by 0.9 percentage point) as MFIs continued to return to a more traditional bank balance-sheet composition (recording a negative annual growth rate for investment bonds for the first time). Loans granted remained subdued, with loans to households showing positive, albeit modest, growth rates and loans to NFCs showing negative rates. The ratio of equity to financial assets of MFIs declined by 0.7 percentage point to 8.1% in the context of continued disinvestment by the private sector in money market mutual fund shares.

Financial markets

Transactions in debt securities, which had been robust in previous quarters, moderated in the context of the sovereign debt tensions. NFCs reduced their issuance, reflecting a temporary shut-down of the market. Similarly, issuance by MFIs contracted so abruptly that they became buyers in net terms (acquisitions of assets minus issuances of liabilities) in spite of their continued disposals of debt securities assets. OFIs became net sellers, reflecting disinvestment by investment funds as the decline in household savings showed itself mainly in net disposals of mutual fund shares, reflecting a risk-averse reaction to the sovereign debt tensions. By contrast, both insurers and the rest of the world remained net buyers.

At the same time, issues of quoted shares by corporations receded somewhat, while OFI acquisitions declined markedly on the back of disinvestment by investment funds.

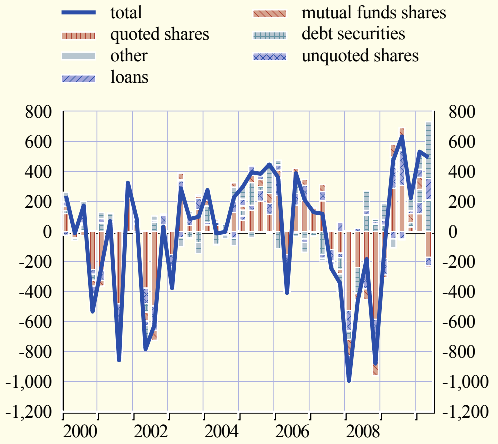
Balance sheet dynamics

The unfolding of the sovereign debt tensions had mixed effects on the balance sheets of financial institutions. The portfolio of debt securities increased in value owing to the high weight of safe-haven securities that benefited from flight-to-quality behaviour (Chart G). However, equity suffered from the overall increase in uncertainty that led to net holding losses (although accumulated annual flows remain at all-time records).

At the same time, the annual change in household net worth remained strongly positive (23.3% of annual income). This is mainly the consequence of holding gains on equity due to the strong overall year-on-year market rally to mid-2010 and some stabilisation in most real estate markets (Chart H).

Chart G Holding gains and losses on financial corporations' assets

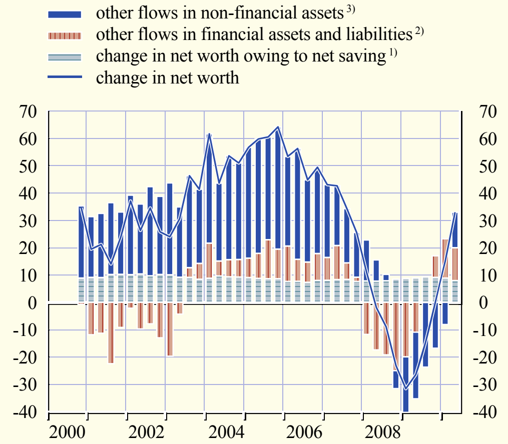
(quarterly flows; EUR billions)



Sources: Eurostat and ECB.
Note: This chart shows other economic flows, which mainly refer to holding gains and losses (realised or unrealised) on assets that are valued at market value in the integrated euro area accounts (quoted, unquoted and mutual fund shares and debt securities). For the rest of the asset classes (notably loans), which are valued at nominal value, it shows the changes in balance sheets owing to exchange rate variations and the writing-off of bad assets from the balance sheets of the creditor and the debtor upon recognition by the former that the cash flows associated with the asset can no longer be collected.

Chart H Change in net worth of households

(four-quarter moving sums; percentages of gross disposable income)



Sources: Eurostat and ECB.
Notes: Data on non-financial assets are ECB estimates.
1) This item comprises net saving, net capital transfers received, and the discrepancy between the non-financial and the financial accounts.
2) Mainly holding gains and losses on shares and other equity.
3) Mainly holding gains and losses on real estate and land.

3 PRICES AND COSTS

According to Eurostat's flash estimate, euro area annual HICP inflation rose, as anticipated, to 1.9% in October 2010, compared with 1.8% in September. In the next few months HICP inflation rates are expected to hover around current levels, before moderating again in the course of next year. Overall, in 2011 inflation rates should remain moderate. Inflation expectations over the medium to longer term continue to be firmly anchored in line with the Governing Council's aim of keeping inflation rates below, but close to, 2% over the medium term. Risks to the outlook for price developments are slightly tilted to the upside.

3.1 CONSUMER PRICES

According to Eurostat's flash estimate, the euro area annual HICP inflation rate stood at 1.9% in October 2010, up from 1.8% in September (see Table 4). Official estimates of the breakdown of HICP inflation in October are not yet available, but it would appear that the increase was related mostly to upward base effects.

In September, the last month for which an official breakdown is available, the annual growth rate of overall HICP inflation rose by 0.2 percentage point compared with August (see Chart 21). This increase was attributable mainly to the fact that the annual rate of change in the energy component increased strongly to 7.7% in September, from 6.1% in the previous month. The increase in energy prices was oil-related and was, to a large extent, explained by a base effect, as the monthly increase in energy prices was only modest.

The annual growth rate of total food prices (including alcohol and tobacco) continued to climb upwards, to stand at 1.6% in September – marginally higher than in August – following an acceleration that had begun in October 2009. As for the sub-components, the rate of growth in unprocessed food prices further increased slightly in September to 2.5%, on account of both an upward base effect and a renewed acceleration in the prices of vegetables. The year-on-year change in the prices of processed food prices remained stable at 1.0%. So far, there are few signs that the recent increases in certain food commodity prices are having an impact on euro area consumer prices. For example, the prices of bread and cereals continued to record a small negative annual growth rate in September.

Table 4 Price developments

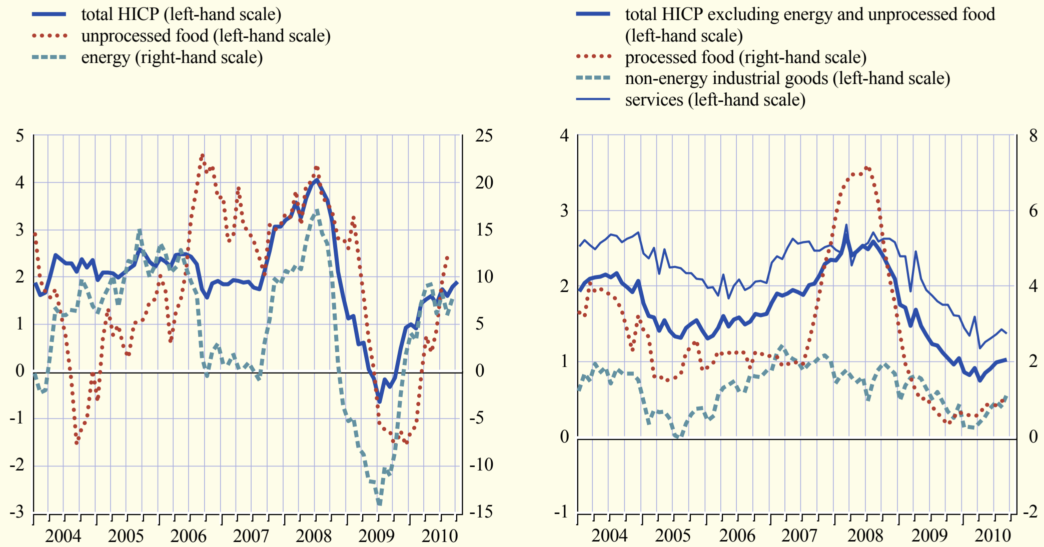
(annual percentage changes, unless otherwise indicated)

	2008	2009	2010 May	2010 June	2010 July	2010 Aug.	2010 Sep.	2010 Oct.
HICP and its components								
Overall index [1)]	3.3	0.3	1.6	1.4	1.7	1.6	1.8	*1.9*
Energy	10.3	-8.1	9.2	6.2	8.1	6.1	7.7	.
Unprocessed food	3.5	0.2	0.4	0.9	1.9	2.4	2.5	.
Processed food	6.1	1.1	0.9	0.9	0.9	1.0	1.0	.
Non-energy industrial goods	0.8	0.6	0.3	0.4	0.5	0.4	0.6	.
Services	2.6	2.0	1.3	1.3	1.4	1.4	1.4	.
Other price indicators								
Industrial producer prices	6.1	-5.1	3.1	3.1	4.0	3.6	.	.
Oil prices (EUR per barrel)	65.9	44.6	61.6	62.2	58.9	59.9	59.8	60.2
Non-energy commodity prices	2.0	-18.5	52.1	51.1	56.8	51.6	58.8	50.4

Sources: Eurostat, ECB and ECB calculations based on Thomson Financial Datastream data.
Note: The non-energy commodity price index is weighted according to the structure of euro area imports in the period 2004-06.
1) HICP inflation in October 2010 refers to Eurostat's flash estimate.

Chart 21 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

Excluding all food and energy items, which represent around 30% of the HICP basket, annual HICP inflation stood at 1.0% in September, unchanged from the previous two months. As a consequence, the gap between overall HICP inflation and HICP inflation excluding food and energy widened further. Box 5 describes in further detail the factors behind the increase in overall HICP inflation of 1.0 percentage point since December 2009.

Of the two components of HICP inflation excluding food and energy, non-energy industrial goods price inflation increased to 0.6% in September, the highest annual growth rate seen for this component for a whole year. This rise was largely driven by a car price inflation of 0.9% in September, up from 0.1% in August. This was the highest rate seen since December 2007, following many consecutive months of falling car prices from mid-2009 to mid-2010. Services price inflation remained unchanged at 1.4% in September, which, however, is somewhat higher than in the spring of this year.

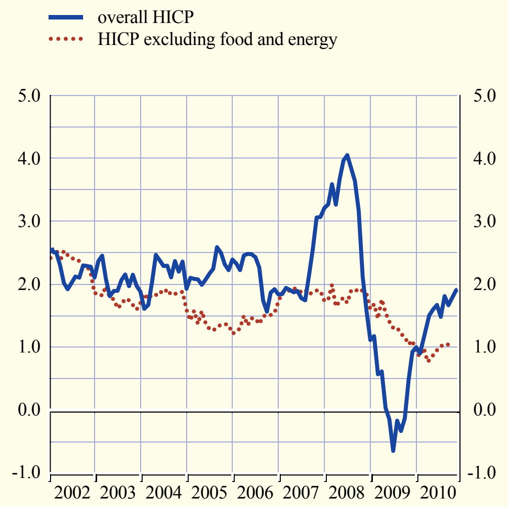
Box 5

DRIVERS OF RECENT INFLATION DEVELOPMENTS

Over the course of this year, the annual rate of change in the overall HICP has increased notably, from 0.9% in December 2009 to 1.9% in October 2010, according to Eurostat's flash estimate. At the same time, HICP inflation excluding food and energy has remained at a rather moderate level, increasing only a little so far (see Chart A). This box describes the factors behind these developments.

Chart A Overall HICP and HICP excluding food and energy

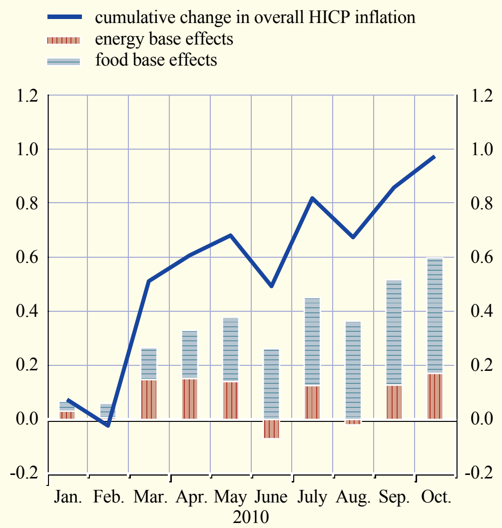
(annual percentage changes)



Source: Eurostat.

Chart B Cumulative impact of base effects on the change in annual overall HICP inflation between December 2009 and October 2010

(percentage points)



Sources: Eurostat and ECB calculations.

Food and energy prices

The rise in the annual overall HICP inflation rate up to October 2010 was partly driven by base effects stemming from the energy and food components, i.e. the impact on developments in the annual rate of change arising from movements in the index taking place 12 months earlier.[1] As depicted in Chart B, in cumulated terms, such base effects contributed by 0.6 percentage point to the 1.0 percentage point increase in overall HICP inflation between December 2009 and October 2010. The energy base effects are related to the volatile profile of energy prices in 2009, which, overall, also grew less last year than on average in previous years. The significant upward base effects from food prices can be largely explained by the muted dynamics in processed food prices and in meat prices in the course of last year, as a result of the fading-out of the shock to food commodity prices in international markets. These base effects were the main factor behind the rise in food price inflation, from -0.2% in December 2009 to 1.6% in September 2010.

By contrast, food price dynamics in the current year up to September only slightly contributed to the rise in food price inflation. This, in turn, signals that the renewed sharp increase in certain global food commodity prices seen over the summer has not yet affected consumer food prices in the euro area to any significant extent. Nevertheless, there is initial evidence of some impact on producer prices for items which are more exposed to certain international agricultural prices (such as grain mill and animal feed products). Significant increases in energy prices in the first four months of this year, triggered by a notable rise in oil prices over that period, contributed to higher overall annual HICP inflation compared with December 2009.

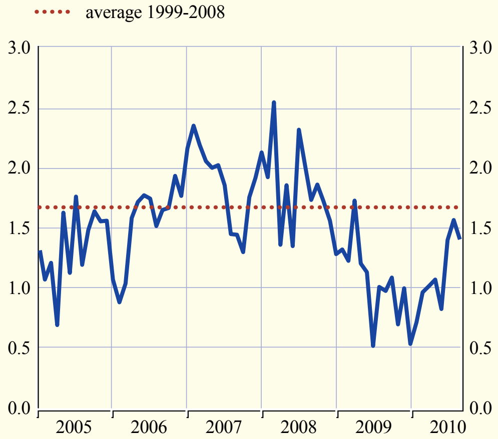
1 For an illustration of the base effects, see Box 3 entitled "Base effects and their impact on HICP inflation in 2010" in the January 2010 issue of the Monthly Bulletin.

Price developments excluding food and energy

Excluding food and energy, which leaves 70% of the HICP basket, the annual rate of change in the HICP edged up only slightly recently. It stood at 1.0% in July, August und September 2010,[2] after falling gradually from late 2008 to early 2010, reaching a trough of 0.8% in April 2010. This rise reflects the fact that short-term dynamics in the HICP excluding food and energy (as measured by the three-month annualised percentage changes based on seasonally adjusted data) have gathered momentum more recently, rebounding almost to the average growth rate seen between 1999 and 2008 (see Chart C).

Chart C Short-term dynamics in HICP excluding food and energy

(three-month annualised percentage changes, seasonally adjusted)



Source: ECB.

Several factors can explain the stronger short-term dynamics of non-energy industrial goods and services prices, which constitute the HICP excluding food and energy. First, fiscal measures, such as hikes in the VAT rate and in other indirect taxes as well as increases in administered prices in a number of euro area countries, have triggered price increases. According to the latest information based on the experimental HICP indices at constant tax rates and for administered prices available up to August 2010, fiscal measures are estimated to have added 0.5 percentage point to overall HICP inflation in the euro area since December 2009. This is in line with the average contribution over the period from 2004 to 2009, but notably above the contribution of 0.2 percentage point last year. Yet, this estimate likely overstates the realised impact of the increases in indirect taxes and administered prices. This is because the estimate assumes a full and immediate pass-through of indirect tax changes to consumer prices; may include some double-counting; and does not isolate the impact of government decisions from other influences on price-setting in the case of administered prices.[3] Second, the overall depreciation of the nominal effective exchange rate of the euro since 2009, notwithstanding the increase seen since July 2010, has likely put upward pressure on consumer prices in the euro area. The emergence of external price pressures is evidenced by the significant swing in the annual rate of change in extra-euro area import prices for consumer goods excluding food and energy, from a low of about -3% in November 2009 to rates of between 3.5% and 4% in June to August 2010. However, the extent of the pass-through of these increases to euro area consumer prices remains uncertain. Third, rises in global prices for both oil and non-oil commodities may have indirectly affected the prices of several items of the HICP excluding food and energy. Fourth, the fact that companies have been able to pass through, at least to some extent, higher indirect taxes as well as higher import and input costs could be interpreted as a sign that consumer demand has become less constrained, allowing companies to recoup some of the previously observed losses in their mark-ups.

2 Information on the annual rate of change in the HICP excluding food and energy in October 2010 will become available on 16 November 2010.

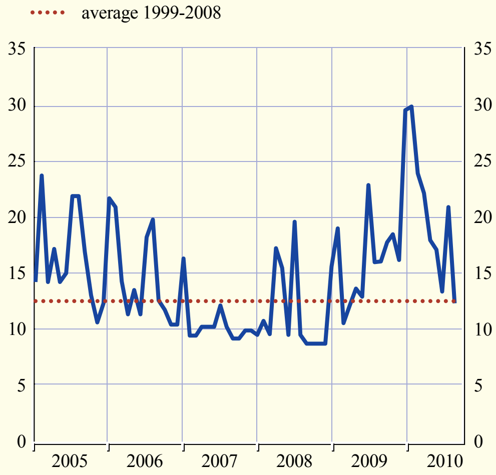
3 For further details, see Box 5 entitled "New statistical series measuring the impact of indirect taxes on HICP inflation" in the November 2009 issue of the Monthly Bulletin and Box 4 entitled "Measuring and assessing the impact of administered prices on HICP inflation" in the May 2007 issue of the Monthly Bulletin.

Overall, there are indications of a normalisation in developments of the HICP excluding food and energy following the subdued price increases, particularly from mid-2009 up to June 2010, which were of a cyclical nature owing to weak consumer demand and a significant slack in the euro area economy.

The reversal of the weakness seen lately in the HICP inflation rate excluding food and energy is also reflected in a shift in the distribution of the annual rates of change of its items. In particular, as can be seen in Chart D, the share of items with a negative annual rate of change returned, in September 2010, to its average level registered in the period from 1999 to 2008, after having strongly increased over the course of 2009 and early 2010. One noteworthy item to have displayed a reversal of the negative tendency in its annual rate of change was motor cars, as the policy of strong discounting in the wake of the financial crisis had largely come to an end. Furthermore, garment prices did not register any noticeable negative annual rate of change during the summer 2010 sales round, in contrast to the pattern seen in the summer and winter of 2009 and in the winter of 2010. This would also suggest that demand has overall improved and that deflationary pressures are virtually absent in the euro area. Nevertheless, in September 2010 there was still an unusually large share of items of the HICP excluding food and energy running at subdued annual rates of change of below 1%, signalling ongoing moderate price developments, still affected by low domestic price pressures.

Chart D Share of HICP excluding food and energy items with negative annual rates of change

(percentages)



Source: Eurostat.
Note: The share is calculated using the expenditure weights of the items included in the HICP excluding food and energy.

Conclusions

To summarise, the rise in overall HICP inflation since December 2009 can be partly attributed to base effects related to its volatile components, food and energy. In addition, notable increases in energy prices earlier this year added to the rise in overall inflation, while monthly developments in energy prices have been modest over more recent months. Food prices have also increased somewhat over the course of this year, but with still little evidence of any material impact from the recent increases in certain food commodity prices. In addition, overall HICP inflation has been upwardly affected in recent months by stronger dynamics in the HICP excluding food and energy, reflecting a certain normalisation following subdued price increases up to mid-2010, some pass-through effects from the overall depreciation of the euro, commodity price increases and above all fiscal policy measures. Looking ahead, some further, albeit small, upward base effects in the coming months are expected to shape the profile of overall HICP inflation. With some further improvement in domestic demand conditions, which may allow for an additional pass-through of tax increases and higher non-wage input costs, HICP inflation excluding food and energy can be expected to continue to edge up slightly over the coming months. Nevertheless, this rise should remain contained given moderate wage developments and the continued slack in the euro area economy.

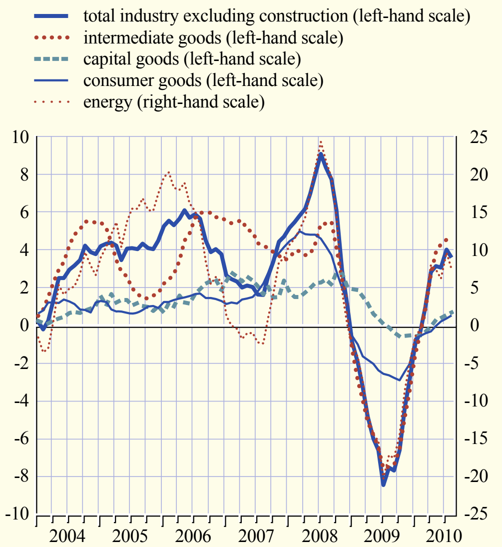
3.2 INDUSTRIAL PRODUCER PRICES

There are no new data on industrial producer prices at the euro area level since the previous issue of the Monthly Bulletin. Available country data show a broad-based increase in the annual rate of change in euro area industrial producer prices (excluding construction) in September, following a modest decline in August. In that month, energy and intermediate goods prices recorded the highest annual rate of change among the main industrial groupings (see Chart 22). By contrast, the annual rates of change in capital and consumer goods prices, which are at the later stages of the production chain, were only slightly positive in August. Notwithstanding these modest consumer goods price increases, the producer prices of certain consumer goods items, such as jewellery, related items, vegetable and animal oils and fats, and dairy products, have risen particularly sharply.

Survey indicators for October 2010 revealed, similar to September, upward price pressures to a somewhat larger extent in the manufacturing sector than in the services sector (see Chart 23). Purchasing Managers' Index data for October also hinted at ongoing significant input price increases, further modest increases in manufacturing prices charged, and a rise in services prices charged. The latter continued their upward trend, as seen since March 2009, and reached, in October 2010, a level close to their historical average of 50. More generally, in October, the composite input as well as selling price indices stood, for the third month in a row, at levels above their historical averages. Moreover, survey indicators continued to suggest that the strong input price increases faced by euro area firms can only be passed on to selling prices to a limited extent.

Chart 22 Breakdown of industrial producer prices

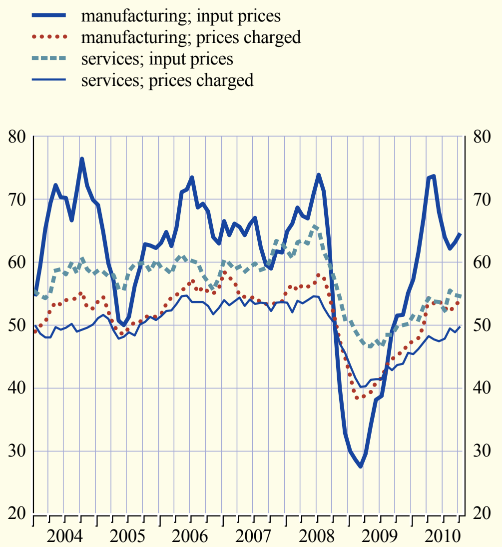
(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

Chart 23 Producer input and output price surveys

(diffusion indices; monthly data)



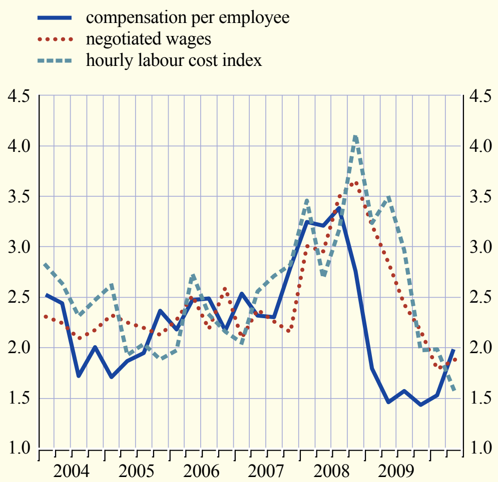
Source: Markit.
Note: An index value above 50 indicates an increase in prices, whereas a value below 50 indicates a decrease.

3.3 LABOUR COST INDICATORS

There are few new data on labour cost indicators since the previous issue of the Monthly Bulletin. The annual growth rates in labour cost indicators remained subdued in the second quarter of 2010. However, these indicators suggest that labour costs most likely bottomed out in the first half of 2010.

Chart 24 Selected labour cost indicators

(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.

The annual rate of growth in euro area negotiated wages stood at 1.9% in the second quarter of 2010, marginally higher than the historically low growth rate recorded in the first quarter (see Table 5 and Chart 24). This increase was broad-based across the four largest euro area countries, with the exception of Spain, where the annual growth rate in wages resulting from collective agreements declined slightly in the second quarter of 2010 compared with the first quarter. These developments, together with some preliminary information on negotiated wages for the third quarter, continue to suggest, overall, a continued subdued pattern in wage growth developments over recent months.

Annual hourly labour cost growth in the euro area stood at 1.6% in the second quarter of 2010, the lowest growth rate observed since the start of this series in 2001, reflecting subdued labour costs against a background of weak labour market conditions. Within overall euro area hourly labour costs, non-wage costs continued to grow faster than the wages and salaries component in the second quarter. The observed decline in the second quarter of 2010 compared with the first was, to some extent, driven by an end to, or a reduced recourse to, short-time working schemes that had been implemented earlier on in a number of euro area countries. By contrast, the annual growth rate of compensation per employee rose in the second quarter of 2010 to 2.0%, from 1.5% in the first quarter. This increase reflects not only an increase in the annual growth rate in compensation per hour, but also a similar increase in the annual growth rate in hours worked per employee. The annual growth rate of labour productivity, measured per person employed, improved further in the second quarter of 2010 and exceeded that of compensation per employee, resulting in a negative annual growth rate in unit labour costs.

Table 5 Labour cost indicators

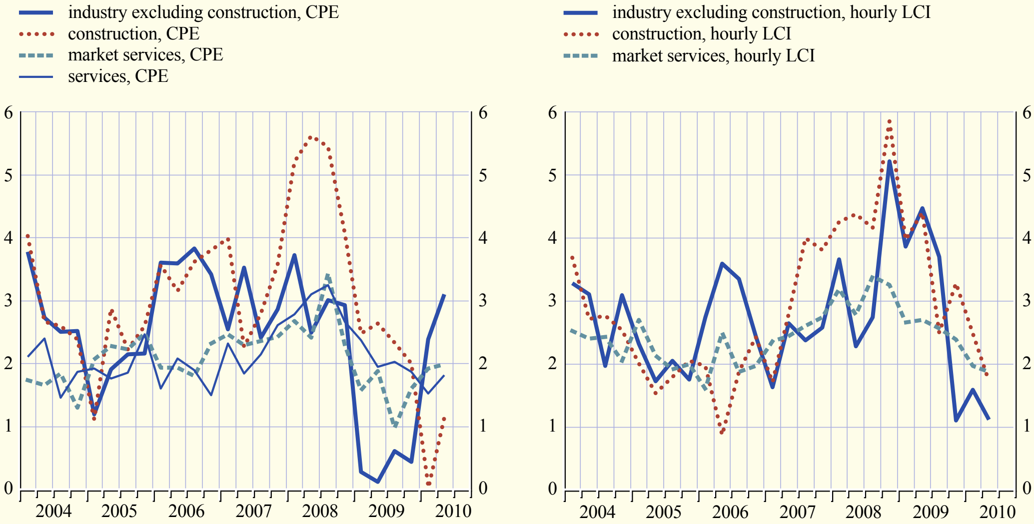
(annual percentage changes, unless otherwise indicated)

	2008	2009	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2
Negotiated wages	3.3	2.7	2.8	2.4	2.2	1.8	1.9
Hourly labour cost index	3.4	2.9	3.5	2.9	2.0	1.9	1.6
Compensation per employee	3.1	1.6	1.5	1.6	1.4	1.5	2.0
Memo items:							
Labour productivity	-0.3	-2.3	-3.1	-1.8	0.1	2.1	2.6
Unit labour costs	3.5	3.9	4.7	3.5	1.4	-0.5	-0.6

Sources: Eurostat, national data and ECB calculations.

Chart 25 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".

Sectoral developments show that the increase in the annual rate of change in compensation per employee in the second quarter of 2010 was broad-based across sectors (see Chart 25). This rise was most pronounced in the industrial sector and can be largely explained by developments in hours worked in this sector.

3.4 THE OUTLOOK FOR INFLATION

Over the next few months, the annual HICP inflation rate will hover around current levels, before moderating again in the course of next year. Overall, in 2011 inflation rates should remain moderate. Inflation expectations over the medium to longer term continue to be firmly anchored in line with the Governing Council's aim of keeping inflation rates below, but close to, 2% over the medium term.

The latest ECB Survey of Professional Forecasters shows that forecasters have changed their outlook for inflation in the period 2010-12 very little, with revisions of, at most, 0.1 percentage point (see Box 6). The long-term inflation expectations for 2015 have been revised downwards by 0.1 percentage point and now stand at 1.9%.

Risks to the outlook for price developments are slightly tilted to the upside. They relate, in particular, to the evolution of energy and non-oil commodity prices. Furthermore, increases in indirect taxation and administered prices may be greater than currently expected, owing to the need for fiscal consolidation in the coming years. At the same time, risks to domestic price and cost developments are still expected to be contained.

Box 6

RESULTS OF THE ECB SURVEY OF PROFESSIONAL FORECASTERS FOR THE FOURTH QUARTER OF 2010

This box reports the results of the ECB Survey of Professional Forecasters (SPF) for the fourth quarter of 2010. The survey was conducted between 15 and 20 October 2010. There were 61 responses from forecasters. The SPF collects information on expectations for euro area inflation, real GDP growth and unemployment from experts affiliated with financial or non-financial institutions that are based in the EU.[1]

Inflation expectations for 2010, 2011 and 2012

Inflation is expected to be at 1.5% in 2010 and 2011, and 1.6% in 2012. The outlook for inflation in the short to medium term is broadly unchanged from the last SPF round, up by 0.1 percentage point for 2010, unchanged for 2011 and down by 0.1 percentage point for 2012 (see the table below).[2]

The SPF inflation expectations for 2010 and 2011 are within the ranges reported in the September 2010 ECB staff macroeconomic projections. Compared with the forecasts of the October 2010 issues of Consensus Economics and the Euro Zone Barometer, the SPF inflation expectations are broadly similar for all horizons.

The SPF participants were also asked to assess the probability of inflation falling within specific intervals. Compared with the previous SPF round, the aggregate probability distribution for 2010

1 Given the diversity of the panel of participants, aggregate SPF results can reflect a relatively heterogeneous set of subjective views and assumptions.
2 Additional data are available on the ECB's website at www.ecb.europa.eu/stats/prices/indic/forecast/html/index.en.html.

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

(annual percentage changes, unless otherwise indicated)

	Survey horizon					
HICP inflation	**2010**	**September 2011**	**2011**	**September 2012**	**2012**	**Longer-term 2)**
SPF Q4 2010	1.5	1.5	1.5	1.7	1.6	1.9
Previous SPF (Q3 2010)	*1.4*	-	*1.5*	-	*1.7*	*2.0*
ECB staff macroeconomic projections	1.5-1.7		1.2-2.2	-	-	-
Consensus Economics (October 2010)	1.5	-	1.6	-	1.5	2.0
Euro Zone Barometer (October 2010)	1.5	-	1.4	-	1.7	1.9
Real GDP growth	**2010**	**Q2 2011**	**2011**	**Q2 2012**	**2012**	**Longer-term 2)**
SPF Q4 2010	1.6	1.3	1.5	1.6	1.7	1.8
Previous SPF (Q3 2010)	*1.1*	-	*1.4*	-	*1.6*	*1.8*
ECB staff macroeconomic projections	1.4-1.8	-	0.5-2.3	-	-	-
Consensus Economics (October 2010)	1.6	1.3	1.4	1.4	1.6	1.7
Euro Zone Barometer (October 2010)	1.6	1.2	1.4	-	1.6	1.8
Unemployment rate 1)	**2010**	**August 2011**	**2011**	**August 2012**	**2012**	**Longer-term 2)**
SPF Q4 2010	10.1	10.0	10.0	9.6	9.6	8.3
Previous SPF (Q3 2010)	*10.1*	-	*10.2*	-	*9.8*	*8.4*
Consensus Economics (October 2010)	10.0	-	9.9	-	-	-
Euro Zone Barometer (October 2010)	10.0	-	10.0	-	9.4	8.5

1) As a percentage of the labour force.
2) Longer-term inflation expectations refer to 2014 in the Euro Zone Barometer and to 2015 in the SPF for the fourth quarter of 2010 and Consensus Economics.

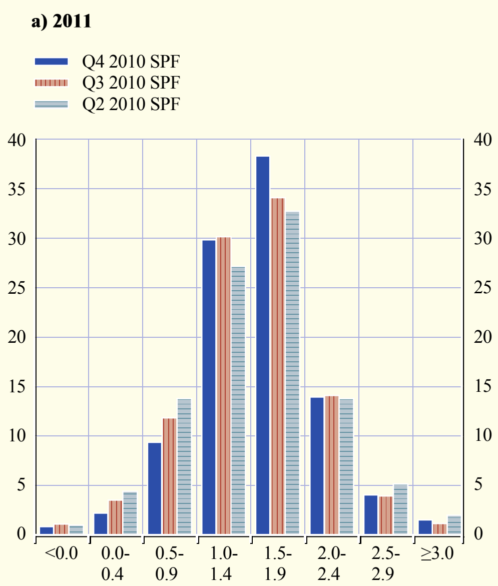
is now more concentrated in the range between 1.5% and 1.9%, as respondents assign a 57% probability to this interval. The probability distributions for 2011 and 2012 have remained broadly stable compared with the previous SPF round, with a slight increase in the probability of inflation outcomes being in the range from 1.5% to 1.9% for 2011 (see Chart A). Based on the individual probability distributions, the balance of risks to these forecasts is assessed by respondents as being broadly balanced for 2010 and 2012, and on the downside for 2011. According to respondents' comments, upside risks to the baseline scenario are: i) increasing oil, commodity and food prices; and ii) increases in indirect taxation and administered prices as a result of fiscal consolidation plans. The main downside risks to the inflation outlook in the short to medium term are perceived to be: i) low wage pressure due to the high unemployment rate; and ii) relatively sluggish growth, resulting in protracted economic slack. Possible changes in the USD/EUR exchange rate are mentioned as both upside and downside risks because of their impact on import prices.

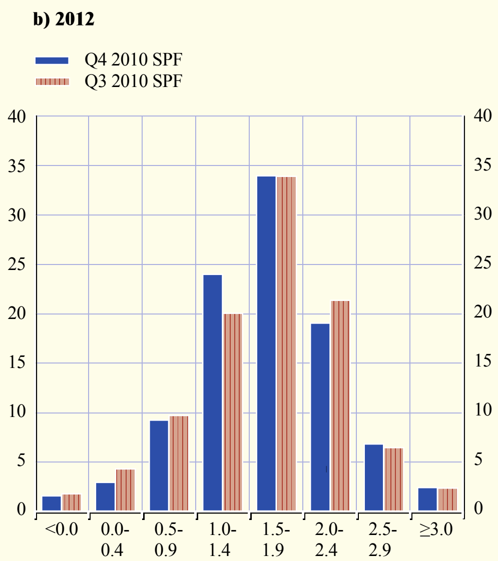
Indicators of longer-term inflation expectations

Longer-term inflation expectations (for 2015) have been revised downwards slightly, on average, to 1.90% from 1.95% in the previous SPF round. The median of the point forecasts, which is less affected by extreme values than the average point forecast, remained at 1.9%. The average point forecast is slightly below the long-term inflation forecast provided by Consensus Economics for 2015 (at 2.0%) and in line with that of the Euro Zone Barometer for 2014 (at 1.9%).

Chart A Probability distribution for average annual inflation in 2011 and 2012 in the latest SPF rounds [1)]

(probability in percentages)



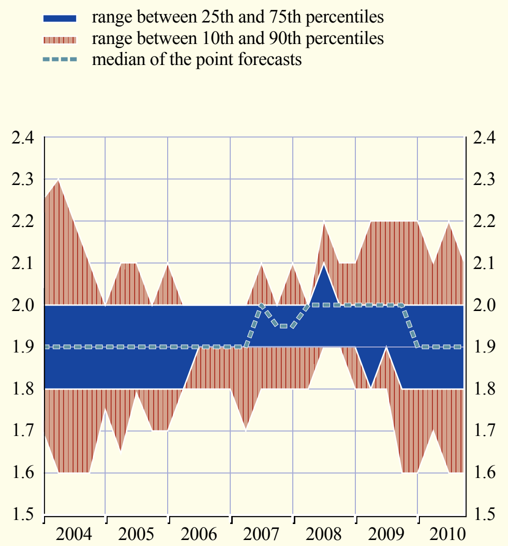


Source: ECB.
1) Corresponds to the average of individual probability distributions provided by SPF forecasters.

The disagreement among forecasters in their longer-term inflation expectations, as measured by the standard deviation of their point forecasts, has remained at a slightly higher level since 2009, reflecting some outliers. However, the 25th and 75th percentiles have remained broadly stable over the last few years, at 2.0% and 1.8% respectively (see Chart B).

Chart B Longer-term (2015) inflation point forecasts of the SPF respondents

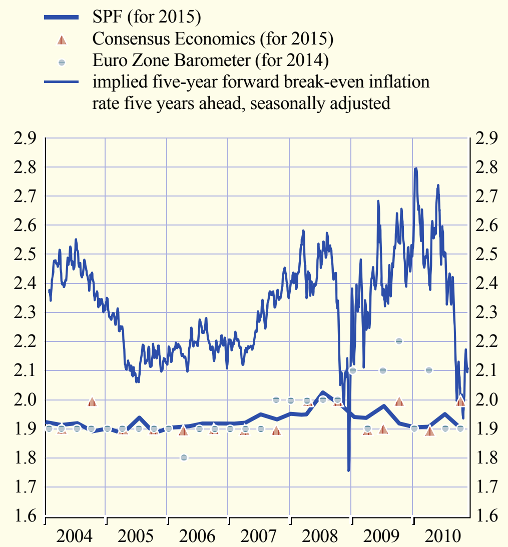
(annual percentage changes)



Source: ECB.

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

(average annual percentage changes; five-day moving averages of daily data)



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

Aggregate uncertainty surrounding longer-term inflation expectations, as measured by the standard deviation of the aggregate probability distribution, has picked up slightly compared with the previous SPF round.[3] Finally, the probability of longer-term inflation standing at 2% or above remained broadly stable, at 45%.

Measures of inflation expectations derived from financial markets declined over August and September, but picked up during October. It is important to note that these measures incorporate not just the level of expected inflation, but also an additional premium to compensate bond investors for inflation risks. In general, they are also more volatile than survey-based measures, not only owing to the volatility of the inflation risk premium, but also to fluctuations in bond market liquidity conditions, particularly since the middle of 2008 (see Chart C).[4] For these reasons, the volatility observed in these measures should not be mechanically interpreted as reflecting revisions in market participants' long-term inflation expectations.[5]

Real GDP growth expectations

GDP growth expectations for the short to medium term have been revised upwards for all horizons and now stand at 1.6% (up by 0.5 percentage point) for 2010, 1.5% (up by 0.1 percentage point) for 2011 and 1.7% (up by 0.1 percentage point) for 2012 (see table).

3 For a discussion regarding uncertainty measures, see the box entitled "Measuring perceptions of macroeconomic uncertainty", *Monthly Bulletin*, ECB, January 2010.

4 See also the article entitled "Measures of inflation expectations in the euro area", *Monthly Bulletin,* ECB, July 2006.

5 For further discussion on the impact of the financial market crisis on market-based measures of inflation expectations, see the box entitled "Recent increases in real yields and their implications for the analysis of inflation expectations", *Monthly Bulletin*, ECB, November 2008. Recent developments in financial market indicators of inflation expectations are discussed in Section 2.4 of the Monthly Bulletin.

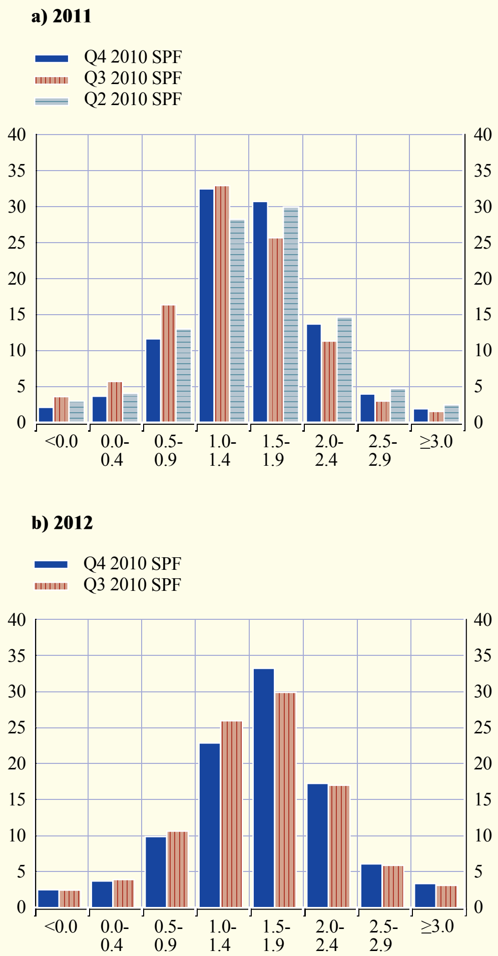
The SPF growth expectations for 2010 and 2011 are in the middle of the ranges reported in the September 2010 ECB staff macroeconomic projections for the euro area and broadly in line with the latest Consensus Economics and Euro Zone Barometer forecasts for 2010 and 2011.

The aggregate probability distribution for 2010 has shifted considerably towards higher outcomes, as respondents now assign a 58% probability to outcomes between 1.5% and 1.9%. With respect to 2011 and 2012, the aggregate probability distributions have shifted slightly towards higher outcomes compared with the last SPF round. For both horizons, the respondents assign a close to 60% probability to GDP growth being in the interval between 1.0% and 1.9% (see Chart D).

The level of uncertainty surrounding one-year-ahead and two-year-ahead real GDP forecasts has not changed from the previous SPF round. The balance of risks to the average point forecast of real GDP growth is assessed to be on the downside across all forecast horizons, and for 2010 in particular. According to forecasters' comments, the main downside risks relate to weaker growth in the United States and a slowdown in emerging economies. Upside risks to growth mentioned include: i) improved confidence, leading to a strengthening of domestic demand; ii) a recovery in the labour market; and iii) success of the planned fiscal consolidation measures.

Chart D Probability distribution for average annual real GDP growth in 2011 and 2012 in the latest SPF rounds [1)]

(probability in percentages)



Source: ECB.
1) Corresponds to the average of individual probability distributions provided by SPF forecasters.

Longer-term growth expectations (for 2015) stand at 1.8%, unchanged from the previous SPF round. The SPF assessment is in line with that of the Euro Zone Barometer (for 2014) and 0.1 percentage point higher than that of Consensus Economics (for 2015). Looking at the individual probability distributions, the respondents assess the balance of risks for longer-term growth to be on the downside.

Expectations for the euro area unemployment rate

Unemployment rate expectations remain unchanged at 10.1% for 2010 and have been revised downwards by 0.2 percentage point for 2011 and 2012, to 10.0% and 9.6% respectively.

The balance of risks to short and medium-term expectations is assessed to be on the upside. Longer-term unemployment rate expectations (for 2015) have been revised downwards slightly, by 0.1 percentage point, to 8.3%, and the balance of risks to the longer-term outlook is again assessed to be on the upside.

Other variables and conditioning assumptions

According to other information provided by the respondents, they generally expect i) oil prices to increase from USD 80 in the fourth quarter of 2010 to around USD 88 in 2012; ii) average annual wage growth to be at 1.5% in 2010, rising to 1.6% in 2011, 1.8% in 2012 and 2.4% in 2015; iii) the euro to weaken against the US dollar, to stand on average at USD 1.34 in 2011 and USD 1.32 in 2012; iv) the ECB policy rate to remain stable at around 1.0% until the second quarter of 2011 and then increase to around 1.8%, on average, in 2012.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Economic activity in the euro area has been expanding since the middle of 2009, with strong growth in the second quarter of 2010, of 1.0% quarter on quarter. Recent economic data and information from business surveys generally confirm the view that the underlying positive momentum of the recovery remains in place.

Euro area real GDP is expected to continue growing in the second half of the year. The global recovery is expected to proceed, and this should imply a continued positive impact on the demand for euro area exports. At the same time, private sector domestic demand should contribute to growth, supported by the accommodative monetary policy stance and the measures adopted to restore the functioning of the financial system. However, the process of balance sheet adjustment in various sectors is expected to dampen the pace of the recovery. The risks to the economic outlook remain slightly tilted to the downside, with uncertainty prevailing.

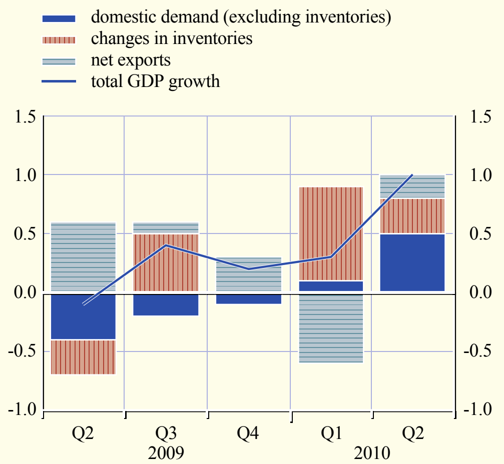
4.1 REAL GDP AND DEMAND COMPONENTS

No new data on GDP growth have become available since the previous edition of the Monthly Bulletin. Euro area real GDP rose by 1.0% in the second quarter of 2010, according to Eurostat's second estimate, compared with an increase of 0.3% in the previous quarter (see Chart 26). Available indicators point to an ongoing recovery in the third quarter of 2010, albeit with more moderate growth than in the second quarter.

In the second quarter of 2010 domestic demand contributed strongly to real GDP growth, with positive growth rates in public and private consumption, as well as in investment. Changes in inventories and net trade also contributed positively, with both imports and exports increasing strongly.

Chart 26 Real GDP growth contributions

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

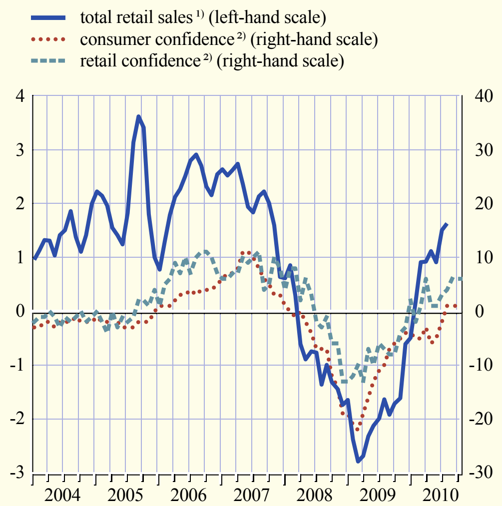


Sources: Eurostat and ECB calculations.

Regarding the components of domestic demand, private consumption increased by 0.2% in the second quarter of 2010, the same rate as in the preceding two quarters. While advance purchases ahead of a VAT rise in one Member State at the beginning of the third quarter had a positive effect on the outcome of the second quarter, they should subsequently have an adverse effect on consumption growth. Available indicators support the view that consumer spending remained subdued in the third quarter of 2010. Data for retail sales in July and August, as well as survey data, suggest that the quarterly growth rate of retail sales in the third quarter will most likely be higher than the rate of 0.1% observed in the second quarter (see Chart 27). If new passenger car registrations are included, the growth rate is expected to be lower, as new passenger car registrations decreased somewhat in the third quarter. All in all, the latest consumption indicators point towards continued low growth in private consumption in the third quarter of 2010. As regards the fourth quarter of the year, only very limited information is available. Surveys with a bearing on consumption provide mixed signals. The European Commission's indicator of consumer confidence remained unchanged in October, still slightly above its long-term average. However, the indicator for major purchases from the same survey, which also remained unchanged in October, is still at record low levels. Survey indicators for retail sales in October also provide contrasting signals. The Purchasing Managers' Index (PMI) declined further, remaining below 50, while the European Commission's indicator for retail sales was unchanged.

Chart 27 Retail sales and confidence in the retail trade and household sectors

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.
Notes: From May 2010 onwards, EC business survey data refer to the NACE Rev. 2 classification.
1) Annual percentage changes; three-month moving averages; working day-adjusted. Excludes fuel.
2) Percentage balances; seasonally and mean-adjusted.

Gross fixed capital formation increased strongly in the second quarter of 2010, by 1.5% quarter on quarter, after a decline of 0.3% in the previous quarter. Both construction and non-construction investment increased notably, with the growth in non-construction investment somewhat more pronounced.

Owing to one-off factors, investment is expected to be less buoyant in the third quarter than in the second. Firstly, the adverse weather-related effects on construction investment of the first quarter were largely offset in the second quarter. Secondly, the fact that some government investment incentives were discontinued in the third quarter most likely had an adverse impact on non-construction investment in the quarter. As regards available indicators of investment in the euro area for the third quarter of 2010, construction production declined in July and August. In August it stood more than 2% below its level of the second quarter of 2010, when it increased by about 2% quarter on quarter. Industrial production of capital goods, an indicator of future non-construction investment, rose further in July and August. Assuming zero growth in September, the quarter-on-quarter rate in the third quarter would be 3%. Manufacturing confidence continued to provide positive signals in October. In addition, according to the European Commission surveys, capacity utilisation increased further in October, compared with July. The number of respondents reporting insufficient demand as a factor limiting production continued to decline noticeably, while supply-side constraints resulting from a lack of equipment or space and a shortage of labour had more of an influence. Overall, investment is expected to continue on its recovery path, although probably at a slower pace than in the second quarter.

As regards trade developments, both imports and exports remained strong in the second quarter of 2010, with a somewhat sharper increase in exports leading to a positive net trade contribution to GDP growth. Recent data and surveys indicate that euro area trade has continued to grow briskly beyond the second quarter of 2010, albeit at a somewhat slower rate, in line with less buoyant global demand.

Inventories made a positive contribution to GDP growth in the second quarter of 2010. Looking ahead, surveys and anecdotal evidence suggest that the restocking could slow. However, the contribution of inventories to GDP growth in the third quarter remains highly uncertain, as it depends on how quickly demand has picked up and the extent to which firms have revised their expectations regarding economic activity. In addition, there is some statistical uncertainty linked to the way inventories are estimated.

4.2 OUTPUT, SUPPLY AND LABOUR MARKET DEVELOPMENTS

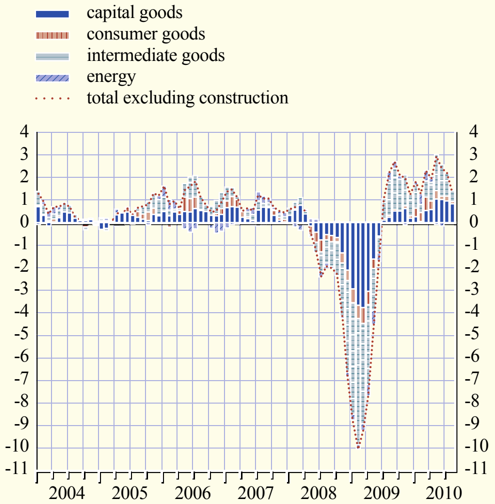
As reported in the previous edition of the Monthly Bulletin, real value added increased by 0.8% quarter on quarter in the second quarter of 2010, following an increase of 0.6% in the previous quarter. Activity in the industrial and services sectors contributed equally to the quarterly rate of change in value added.

With regard to developments in the third quarter of 2010, industrial production (excluding construction) increased in July and August, but at lower rates than in the second quarter (see Chart 28). Its current level suggests that the quarterly rate of change in the third quarter was positive, but below the high figure of 2.6% observed in the second quarter of 2010. Industrial new orders (excluding heavy transport equipment) declined in July, but increased in August. Assuming zero growth for September, the growth rate would be around 5% in the third quarter, still very high, although somewhat lower than the extraordinary rate observed in the second quarter.

Information from surveys points towards a continuation of expanding economic activity in the third quarter of 2010 and in October, with somewhat lower growth rates than in the second quarter. The PMI for the manufacturing sector decreased in the third quarter, compared with the second, but

Chart 28 Industrial production growth and contributions

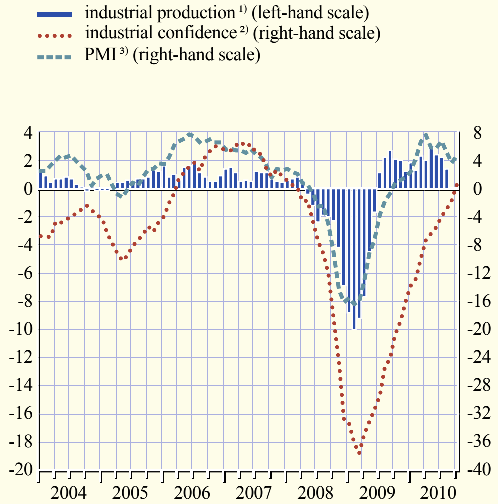
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



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

Chart 29 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, Markit and ECB calculations.
Notes: Survey data refer to manufacturing. From May 2010 onwards, European Commission business survey data refer to the NACE Rev. 2 classification.
1) Three-month-on-three-month percentage changes.
2) Percentage balances.
3) Purchasing Managers' Index; deviations from an index value of 50.

increased again in October. It stood at a level of 54.6 in October, pointing to growth in activity in the sector slowing, but remaining positive (see Chart 29). As regards the services sector, the PMI for business activity decreased in the third quarter and declined further in October, remaining at a level of 53.2, confirming that activity has continued to expand in that sector, although at a more moderate pace than in the second quarter of 2010. Other business surveys, such as those of the European Commission, also suggest that the economy is growing, albeit at a slower rate than in the second quarter of the year.

LABOUR MARKET

Conditions in the euro area labour markets have continued to stabilise over recent months. No new data on employment have become available since the previous edition of the Monthly Bulletin. In the second quarter of 2010 euro area employment remained unchanged on a quarterly basis, a noticeable improvement on the sharp declines in employment observed previously. Hours worked, which declined even more sharply than the employment figure during the downturn, were again on the rise in the second quarter of 2010.

At the sectoral level, employment in two services sub-sectors increased in the second quarter, namely finance and business, and public administration, while it declined in all other sectors (see Table 6 and Chart 30). However, hours worked recovered in all sectors except agriculture and fishing. Given that a large part of the decline in total hours worked in 2009 took place via reductions in individual work time accounts rather than via headcount employment, the recovery has hitherto had a more positive effect in terms of hours worked.

Together with the recovery in euro area output growth, the job losses seen in recent quarters have contributed to a surge in productivity. In year-on-year terms, aggregate euro area productivity (measured as output per employee) increased further in the second quarter of 2010, to 2.6%, year on year, from 2.1% in the previous quarter (see Chart 31). Productivity per hour worked also grew further in the second quarter, to 1.8%. To a large extent, this increase stems from industry (excluding construction), combined with a less negative change in productivity in the construction sector. Productivity rose more gradually in the services sector.

Table 6 Employment growth

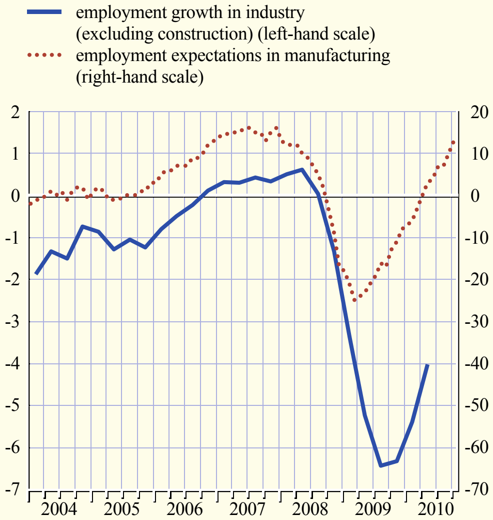
(percentage changes compared with the previous period; seasonally adjusted)

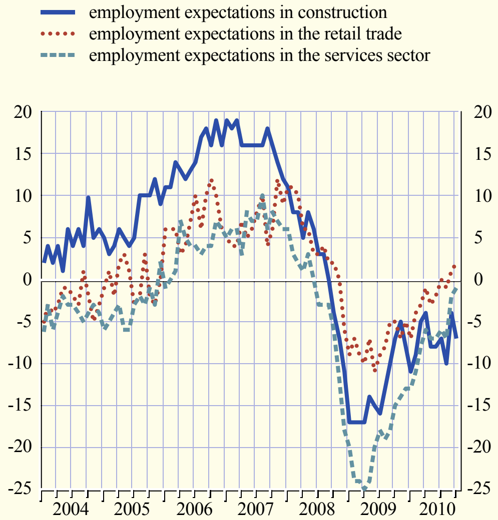
	Annual rates		Quarterly rates				
	2008	2009	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2
Whole economy	0.8	-1.9	-0.6	-0.5	-0.2	0.0	0.0
of which:							
Agriculture and fishing	-1.8	-2.5	-1.1	-1.0	0.5	0.2	-0.9
Industry	-0.7	-5.7	-1.8	-1.6	-1.0	-0.9	-0.4
Excluding construction	0.0	-5.3	-1.9	-1.7	-1.1	-0.8	-0.5
Construction	-2.1	-6.5	-1.6	-1.4	-0.5	-1.2	-0.4
Services	1.4	-0.5	-0.1	-0.1	0.0	0.3	0.2
Trade and transport	1.2	-1.7	-0.5	-0.4	-0.4	0.0	-0.2
Finance and business	2.1	-2.1	-0.6	-0.4	0.2	0.5	0.7
Public administration [1]	1.2	1.4	0.4	0.2	0.3	0.5	0.2

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

Chart 30 Employment growth and employment expectations

(annual percentage changes; percentage balances; seasonally adjusted)



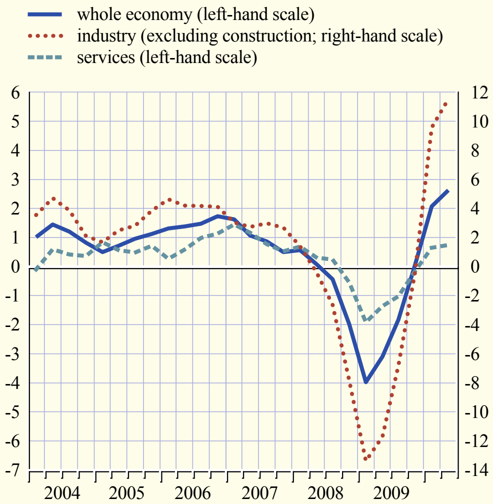


Sources: Eurostat and European Commission Business and Consumer Surveys.
Notes: Percentage balances are mean-adjusted. From May 2010 onwards, European Commission business survey data refer to the NACE Rev. 2 classification.

The euro area unemployment rate stood at 10.1% in September, a slight increase from the previous month, as data for August have been revised downwards slightly. The unemployment rate stood at 10.0% in the third quarter of 2010 as a whole, unchanged from the second quarter (see Chart 32). Looking ahead, survey indicators improved in the third quarter of 2010 and rose further in October,

Chart 31 Labour productivity

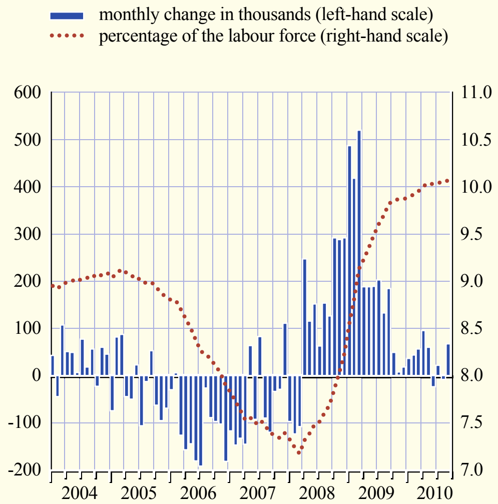
(annual percentage changes)



Sources: Eurostat and ECB calculations.

Chart 32 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

which suggests a further stabilisation in euro area unemployment in the months ahead. This is also in line with a downward revision to the unemployment rate expected for 2011 in the Survey of Professional Forecasters (see Box 6 in Section 3).

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Looking ahead, recent statistical releases and surveys generally confirm the assessment that the positive underlying momentum of the recovery in the euro area remains in place. The global recovery is expected to proceed, and this should imply a continued positive impact on the demand for euro area exports. At the same time, private sector domestic demand should contribute to growth, supported by the accommodative monetary policy stance and the measures adopted to restore the functioning of the financial system. However, the process of balance sheet adjustment in various sectors is expected to have a dampening effect on economic growth.

The risks to the economic outlook continue to be viewed as slightly tilted to the downside, with uncertainty prevailing. On the upside, global trade may recover more strongly than projected, thereby supporting euro area exports. On the downside, concerns remain with respect to renewed tensions in financial markets. In addition, renewed increases in oil and other commodity prices, and the intensification of protectionist pressures, as well as the possibility of a disorderly correction of global imbalances, may weigh on the downside.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

In the three-month period to 3 November 2010 the euro appreciated by 3.2% in nominal effective terms. The appreciation of the euro was broad based across all major currencies.

EFFECTIVE EXCHANGE RATE OF THE EURO

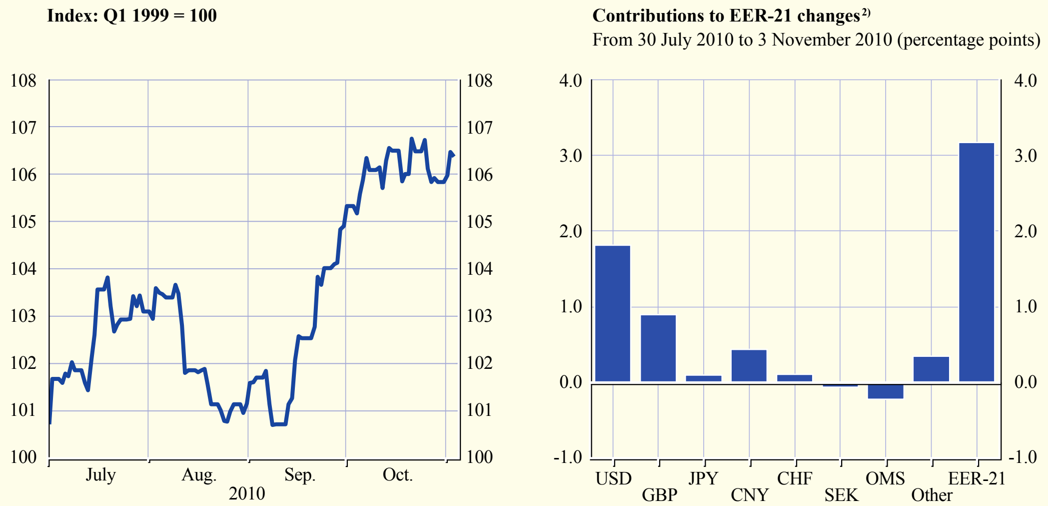
On 3 November 2010 the nominal effective exchange rate of the euro – as measured against the currencies of 21 of the euro area's most important trading partners – was 3.2% higher than at the end of July 2010, but 4.8% below its average level in 2009 (see Chart 33). The appreciation of the euro was broad based across all major currencies and accompanied by an increase in the implied volatility of the bilateral exchange rates of the euro vis-à-vis other major currencies, with the exception of the Japanese yen.

US DOLLAR/EURO

In the three-month period to 3 November 2010 the euro strengthened against the US dollar. On 3 November the euro traded at USD 1.40, 7.6% higher than at the end of July and 0.5% above its 2009 average. This appreciation was mainly driven by evolving market expectations regarding the future course of US monetary and fiscal policies, as well as by short-term economic developments in the euro area relative to those in the United States.

Chart 33 Euro effective exchange rate (EER-21) and its decomposition [1)]

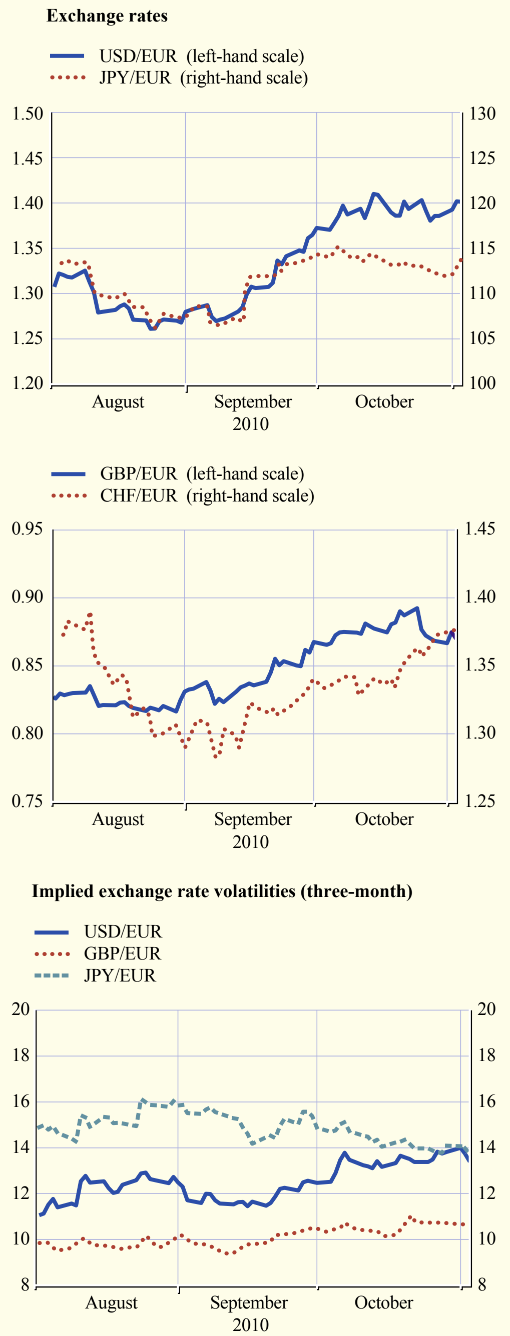
(daily data)



Source: ECB.
1) An upward movement of the index represents an appreciation of the euro against the currencies of 21 of the most important trading partners of the euro area (including all non-euro area EU Member States).
2) Contributions to EER-21 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 pound sterling and the Swedish krona). The category "Other" refers to the aggregate contribution of the remaining six trading partners of the euro area in the EER-21 index. Changes are calculated using the corresponding overall trade weights in the EER-21 index.

Chart 34 Patterns in exchange rates and implied volatilities

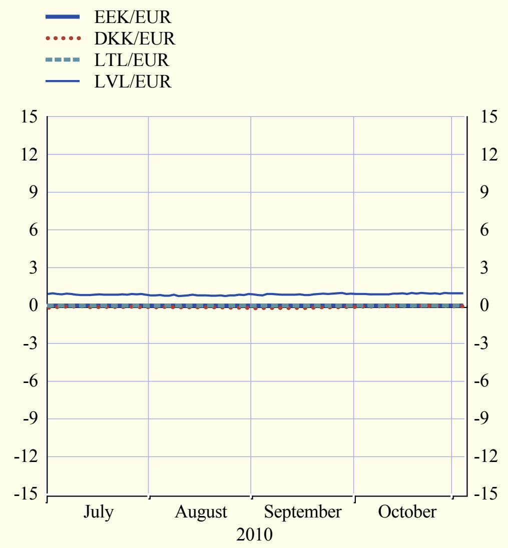
(daily data)



Sources: Bloomberg and ECB.

Chart 35 Patterns in exchange rates in ERM II

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



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

YEN/EURO

At the beginning of November the euro appreciated slightly vis-à-vis the Japanese yen from the level prevailing three months earlier. On 3 November 2010 it stood at JPY 113.7, 0.9% stronger than at the end of July, but still 12.8% below its 2009 average. Over the same three-month period the implied volatility of the JPY/EUR exchange rate decreased at both the short-term and long-term horizons (see Chart 34).

EU MEMBER STATES' CURRENCIES

Over the three-month period to 3 November 2010 the currencies participating in ERM II remained broadly stable against the euro, trading at, or close to, their respective central rates (see Chart 35). At the same time, the Latvian lats remained on the weak side of the unilaterally set fluctuation band of ±1%.

With regard to the currencies of the EU Member States not participating in ERM II, the euro appreciated by 4.2% vis-à-vis the pound sterling over the three-month period to 3 November 2010, trading at GBP 0.87. Over the same period the euro weakened against the currencies of all three central European countries: by 1.1% against the Czech koruna, 4.8% against the Hungarian forint and 1.9% against the Polish zloty.

OTHER CURRENCIES

The euro appreciated slightly vis-à-vis the Swiss franc over the three months to the beginning of November. On 3 November 2010 the euro stood at CHF 1.38, which was 1.6% higher than at the end of July. Over the same period the euro appreciated vis-à-vis the Chinese renminbi and the Hong Kong dollar, broadly in line with USD/EUR developments.

5.2 BALANCE OF PAYMENTS

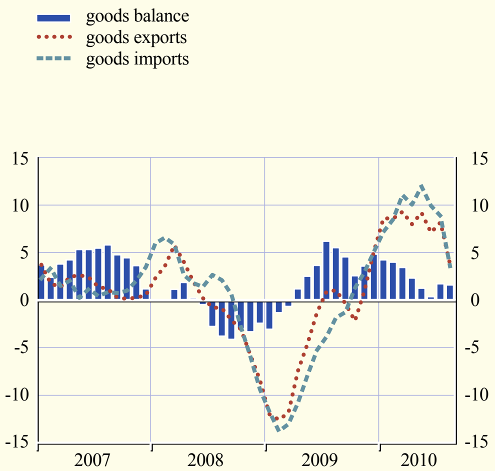
Extra-euro area trade in goods continued to expand, albeit at a slower pace, in the three-month period to August 2010. In August, the 12-month cumulated current account deficit of the euro area decreased substantially to €41.2 billion (around 0.5% of euro area GDP) compared with a year earlier. In the financial account, net inflows in combined direct and portfolio investment decreased further to a cumulative €84.1 billion in the year to August.

TRADE AND THE CURRENT ACCOUNT

Extra-euro area trade in goods increased further in August 2010, although the rate of growth was lower compared with that in the first half of the year. According to balance of payments data, extra-euro area export values of goods expanded by 3.8% in the three-month period to August 2010, compared with 9.2% in the previous three-month period to May 2010 (see Chart 36 and Table 7).

Chart 36 Extra-euro area trade in goods

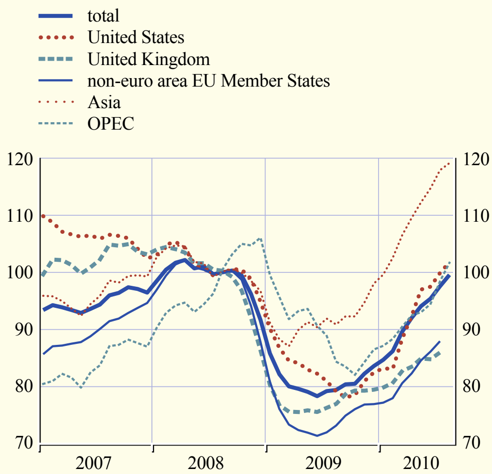
(three-month on three-month percentage changes; for the goods balance, EUR billions and three-month moving averages; monthly data; working day and seasonally adjusted)



Source: ECB.

Chart 37 Extra-euro area export values for selected trading partners

(indices: third quarter of 2008=100; seasonally adjusted; three-month moving averages)



Sources: Eurostat and ECB calculations.
Notes: The latest observations refer to August 2010, except for the non-euro area EU Member States and the United Kingdom (July 2010). The non-euro area EU Member States aggregate does not include Denmark, Sweden or the United Kingdom.

The moderation in extra-euro area export growth can be explained by the ongoing slowdown in world economic activity and the gradual fading out of temporary factors, such as fiscal policy stimuli and the inventory cycle. Meanwhile euro area exports benefited from some gains in price competitiveness owing to the depreciation of the euro until the end of August 2010. According to the breakdown into main trading partners of euro area exports, the recent increase was mainly attributed to Asia, OPEC and the United States (see Chart 37), while the contribution of the United Kingdom and other non-euro area EU Member States to extra-euro area exports was more subdued.

With regards to extra-euro area import values of goods, the growth rate declined to 3.6% in the three-month period to August 2010, compared with 11.9% in the previous three-month period to May. Overall, the recent growth in extra-euro area import values can be attributed mainly to rising import prices, owing to increasing commodity prices and the exchange rate depreciation.

Growth in extra-euro area trade in services moderated in the three-month period to August 2010. Export values of services grew at a rate of 0.3%, 4.5 percentage points below the rate in the previous three-month period. Import values of services expanded at a rate of 3.4% on a three-month on three-month basis, compared with 5.1% in the previous three-month period (see Table 7).

Table 7 Main items of the euro area balance of payments

(seasonally adjusted data, unless otherwise indicated)

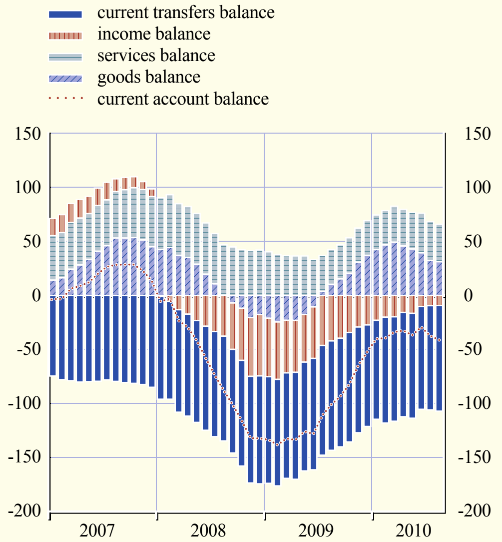
			Three-month moving average figures ending				12-month cumulated figures ending	
	2010 July	2010 Aug.	2009 Nov.	2010 Feb.	2010 May	2010 Aug.	2009 Aug.	2010 Aug.
EUR billions								
Current account	**-4.1**	**-7.5**	**-3.0**	**-1.0**	**-4.0**	**-5.8**	**-100.8**	**-41.2**
Goods balance	2.9	0.9	3.6	4.0	1.2	1.6	10.3	31.2
Exports	133.3	130.1	107.6	116.8	127.5	132.4	1,346.7	1,452.8
Imports	130.4	129.2	104.0	112.8	126.3	130.8	1,336.4	1,421.6
Services balance	2.4	1.5	2.0	3.5	3.6	2.4	32.2	34.6
Exports	41.6	40.9	38.6	40.1	42.0	42.1	483.5	488.5
Imports	39.2	39.4	36.6	36.6	38.4	39.7	451.3	453.9
Income balance	-1.4	-1.3	-1.6	0.2	-1.0	-0.8	-42.1	-9.3
Current transfers balance	-8.1	-8.5	-7.1	-8.7	-7.9	-8.9	-101.1	-97.8
Financial account [1]	**4.8**	**10.3**	**4.7**	**-0.2**	**13.9**	**6.7**	**84.6**	**75.4**
Combined net direct and portfolio investment	-17.5	-0.8	9.3	15.3	15.5	-12.1	249.0	84.1
Net direct investment	-0.6	-11.0	-10.5	0.3	-19.5	-7.5	-154.3	-111.9
Net portfolio investment	-17.0	10.2	19.8	15.0	35.0	-4.6	403.3	196.0
Equities	6.7	21.7	-16.4	8.9	-9.4	15.9	-0.1	-3.0
Debt instruments	-23.6	-11.4	36.2	6.2	44.4	-20.5	403.4	199.0
Bonds and notes	-34.5	-22.5	11.8	3.0	30.3	-19.3	137.4	77.5
Money market instruments	10.9	11.1	24.4	3.2	14.1	-1.2	266.0	121.5
Net other investment	24.5	8.7	-7.9	-18.0	-0.5	-7.9	-179.3	-30.8
Percentage changes from previous period								
Goods and services								
Exports	-1.5	-2.2	1.0	7.3	8.1	2.9	-13.0	6.1
Imports	-2.1	-0.5	2.6	6.2	10.3	3.5	-13.0	4.9
Goods								
Exports	-0.3	-2.4	1.0	8.6	9.2	3.8	-15.4	7.9
Imports	-1.8	-0.9	2.9	8.5	11.9	3.6	-16.0	6.4
Services								
Exports	-5.2	-1.6	1.1	3.8	4.8	0.3	-5.4	1.0
Imports	-3.3	0.6	1.6	-0.2	5.1	3.4	-2.9	0.6

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.

In the year to August the 12-month cumulated current account deficit narrowed significantly (see Chart 38 and Table 7) to €41.2 billion (around 0.5% of GDP), compared with €100.8 billion over the same period a year earlier. Given the fact that imports grew at a slightly slower pace than exports in the three-month period to August, the trade surplus in goods and services improved further compared with a year earlier (see Table 7). This improvement in the trade surplus, combined with lower deficits in the income and current transfers balances, contributed to the narrowing of the current account deficit.

Chart 38 Main items of the current account

(EUR billions; 12-month cumulated flows; monthly data; working day and seasonally adjusted)



Source: ECB.

Looking ahead, extra-euro area exports of goods are expected to continue growing in the near term, as suggested by available surveys and short-term indicators. However, as the global economy has been experiencing a slowdown, the trade recovery may become more modest. Even so, the Purchasing Managers Index of new export orders in the euro area manufacturing sector, available until October 2010, remains well above the expansion/contraction threshold of 50. While the index increased in October, the slowdown in the momentum of the trade recovery has continued into the second half of the year.

FINANCIAL ACCOUNT

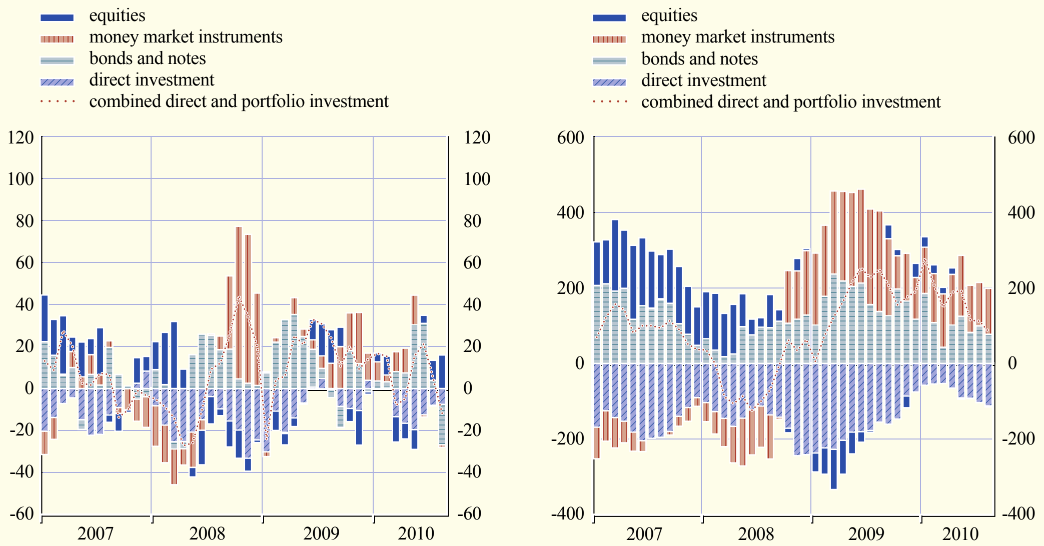
In the three-month period to August 2010 combined direct and portfolio investment recorded average monthly net outflows of €12.1 billion, compared with net inflows of €15.5 billion over the previous three-month period (see Chart 39 and Table 7). This development was driven by a shift in net portfolio investment from net inflows to net outflows. As regards direct investment, net outflows were lower in the three-month period to August compared with the previous three-month period.

In the three-month period to August the decrease in net outflows in direct investment reflects a moderation in outward investment through inter-company loans on the part of euro area residents to their foreign affiliates. The shift from net inflows to net outflows in portfolio investment masks two counteracting effects in the equities and debt market. The developments in the debt market show that investment in euro area bonds and notes and money market instruments shifted from net inflows to net outflows in the three-month period to August. However, the developments in bonds and notes may indicate a normalisation in investment in euro area bonds and notes by non-residents, following the strong increases in response to financial market tensions recorded in previous months. Regarding investment in money market instruments, there was a shift to net outflows, reflecting increased investment abroad by euro area residents. In contrast, there was a shift to net inflows of equity investment, owing to an increase in investment by non-euro area residents. This development may reflect more favourable earnings expectations for euro area firms.

Chart 39 Main items of the financial account

(EUR billions; net flows; three-month moving averages; monthly data)

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



Source: ECB.

Turning to longer-term developments, net inflows in combined direct and portfolio investment decreased to €84.1 billion in the 12-month period to August 2010, compared with €249.0 billion in the same period a year earlier, mainly driven by reduced net inflows in portfolio investment (see Table 7). The breakdown of portfolio instruments indicates that this reduction in net inflows was primarily due to further reductions in net debt inflows and, in particular, decreased investment in euro area money market instruments by non-residents.

ARTICLES

ASSET PRICE BUBBLES AND MONETARY POLICY REVISITED

In the light of the recent financial crisis, this article reconsiders the role of asset prices in the conduct of monetary policy, with a focus on the desirability and feasibility of conducting monetary policy in a manner that "leans against the wind" of asset price bubbles.

Boom/bust cycles in asset prices are potentially very costly in terms of output and price stability. Central banks have an interest in reducing the risks to price stability that arise from such developments. Against this background, this article argues that both the experience of the recent financial crisis and the results of economic research have strengthened the case for central banks "leaning against the wind" of asset price bubbles. While the identification of such bubbles is not an easy task, recent research suggests that money and credit indicators can help to predict boom/bust cycles in asset prices. This makes it all the more important that central banks monitor such variables closely on a regular basis.

The ECB's stability-oriented monetary policy strategy contains elements of a "leaning against the wind" approach. In particular, the prominent role assigned to monetary analysis within the strategy ensures that money, credit and liquidity conditions, which are empirically associated with the evolution of asset prices, are duly factored into the conduct of monetary policy. Monetary analysis provides a valuable framework within which to analyse longer-term risks to price stability, such as those derived from boom/bust cycles in asset prices.

1 INTRODUCTION

The recent financial crisis has again demonstrated that boom/bust cycles in asset prices can have dramatic effects on macroeconomic stability. In pursuing their mandate to maintain price stability, central banks need to consider whether, and how, to incorporate an analysis of such asset price developments in their monetary policy decisions. Against this background, this article revisits the relationship between asset price bubbles and monetary policy, drawing lessons both from recent experience and from advances in economic literature.

In the past the ECB has argued that consideration should be given to "leaning against the wind" of asset price bubbles when taking interest rate decisions.[1] Such an approach does not entail the targeting of any particular asset price or index. Rather, it aims to ensure that the overall assessment supporting monetary policy decisions incorporates an analysis of the medium to long-term risks to price stability that stem from asset price developments.

Indeed, there are a variety of mechanisms through which asset prices can affect consumer prices. For example, asset prices can affect consumer prices through a wealth effect on the side of consumers and a "Q effect" on the side of firms.[2] If Q – i.e. the ratio of the stock market value of a firm to the replacement cost of its capital – rises as a result of an increase in equity prices, the firm can raise more capital through the equity it issues. This makes it more attractive for firms to raise new capital, thus increasing investment demand, which may in turn lead to higher prices for goods and services. Additional effects can stem from residential property prices, which, via higher wages demanded by workers, may lead to increases in both the prices of goods and services and, therefore, consumer prices. Finally, a further potential channel may be the impact of asset prices on investor and consumer confidence.

1 "Asset price bubbles and monetary policy", *Monthly Bulletin*, ECB, Frankfurt am Main, April 2005.

2 See Tobin, J., "A general equilibrium approach to monetary theory", *Journal of Money, Credit and Banking*, 1, 1969, pp. 15-29. Tobin's Q is defined as the market value of capital relative to the replacement cost of capital.

Research conducted over the past decade also offers evidence of a link between money and credit developments on the one hand and asset prices on the other.[3] As a result, the ECB's two-pillar monetary policy strategy – with a prominent role played by monetary analysis – has been seen as a framework supporting the analysis of the relationships between money, credit and asset prices with a view to assessing risks to price stability.

This article shows that both recent economic developments and the results of economic research have strengthened the case for central banks "leaning against the wind" of incipient asset price imbalances. By looking at asset price dynamics through the lens of monetary developments, the ECB's monetary policy strategy integrates them into the general analytical framework designed to maintain price stability in the euro area.

The structure of the article is as follows. Section 2 presents the "leaning against the wind" approach to the conduct of monetary policy and outlines the main traditional arguments against it, as well as discussing recent developments relevant to its possible implementation. Section 3 illustrates the results of recent research regarding methods for identifying boom/bust cycles in asset prices, while Section 4 discusses the role of money and credit as early warning indicators signalling boom/bust cycles in asset prices. In this respect, this article moves away from the discussion of the traditional leading indicator properties of money/credit for consumer prices, which are instead tackled in the companion article in this issue of the Monthly Bulletin.[4] Section 5 presents some conclusions.

2 THE CASE FOR "LEANING AGAINST THE WIND"

Before the emergence of the financial crisis in August 2007, an influential view emphasised that central banks should not "lean against" asset price surges in their conduct of monetary policy. While containing short to medium-term inflationary pressures stemming from positive wealth effects on spending decisions was considered justified during the boom phase, it was widely believed that central banks should let asset price bubbles burst naturally, rather than acting to contain them. The appropriate approach was to support the economy with accommodative monetary policy during the bust, but not to attempt to dampen the initial boom.

Recent events have challenged this view. It is now apparent that in the years prior to the onset of the financial crisis, subdued inflationary pressures coexisted with rampant asset price growth and the slow accumulation of financial imbalances. In this context, inflation forecasts, with their focus on shorter-run horizons, may not be an accurate indicator of imbalances building up in the economy that pose risks to price stability over the longer term. In such times, leaning against the wind of asset price misalignments may be a more desirable policy option.[5]

Leaning against the wind does not imply asset price targeting. It can instead be defined as a strategy whereby the central bank adopts a somewhat tighter policy stance in the face of an inflating asset price bubble than it would have done if confronted with a similar macroeconomic outlook under more normal asset market conditions. In this way, the central bank – at an early stage in the market dynamics – errs on the side of caution by trying to avoid feeding the bubble with an overly accommodative policy.

3 Borio, C. and Lowe, P., "Securing sustainable price stability: should credit come back from the wilderness?", *BIS Working Papers*, No 157, BIS, Basel, 2004. See also the references quoted in Box 3 of the article cited in footnote 1.

4 See the article entitled "Enhancing monetary analysis" in this issue of the Monthly Bulletin.

5 A closely related concept in the literature is "leaning against financial fragility". This concept was put forward in Diamond, D.W. and Rajan, R.G., "Illiquidity and interest rate policy", *NBER Working Papers*, No 15197, Cambridge, Massachusetts, 2009, and Giavazzi, F. and Giovannini, A., "Central banks and the financial system", *CEPR Discussion Papers*, No DP7944, London, 2010. The authors advocate that central banks deal with the inherent fragility of the financial system – which stems from banks' liquidity transformation (i.e. the tendency to borrow too much at too short a maturity and then invest in excessively illiquid assets) – by "putting a premium" on policy rates, thus having rates higher than the "natural" rate during normal times.

Consistent with a mandate to maintain price stability on a lasting basis, the central bank may thus potentially tolerate some greater short-term volatility in price developments in exchange for better prospects for preserving price stability over the longer term.

Traditional scepticism about leaning against the wind has rested on three legitimate concerns.[6] First, in times of market euphoria, the effectiveness of monetary policy in containing asset price surges may be open to doubt. Policy rates might have to be raised significantly in order to have a measurable effect on booming asset prices. Second, monetary policy has been seen as a very blunt tool for containing asset price bubbles. Raising policy interest rates will, under normal circumstances, depress the prices of many assets (including those which are not booming), as well as dampening the real economy and consumer prices. Consequently, the collateral damage created by a monetary policy that leans against asset price bubbles could be considerable. Third, some concerns surround central banks' ability to identify asset price bubbles in real time. In particular, if asset price surges were driven and justified by changes in economic fundamentals (rather than constituting a bubble), a policy response to such a surge could destabilise the economy unnecessarily.

However, experience acquired during the financial crisis and the findings of recent empirical and theoretical research have shed more light on the issue. Overall, they temper the concerns expressed above and thus lend support to leaning against asset price bubbles as a sound approach to monetary policy-making.[7]

First, in respect of the scepticism regarding the effectiveness and efficiency of monetary policy in containing asset price bubbles, recent research has pointed to additional monetary policy transmission channels, each of which can reasonably be expected to increase the impact of monetary policy during financial boom periods. For example, the "risk-taking" channel suggests that banks' attitude towards risk is strongly correlated with the monetary policy stance. In the presence of very considerable intra-financial sector leverage, even relatively modest increases in policy rates can lead to significant changes in credit conditions and market dynamics, to the extent that they alter financial institutions' risk tolerance.

Similarly, mechanisms that operate through the signalling effects of monetary policy or the role potentially played by central banks in discouraging herding behaviour by investors can result in policy rate changes exerting more pronounced effects on asset prices than was typically thought to be the case in the past.[8] To illustrate such a signalling transmission channel, it has been argued that monetary policy actions convey the central bank's assessment of the state of the economy in a more credible way than any speech or statement. This, in turn, enables more efficient investment and enhanced decision-making by investors. As regards the issue

6 See, for instance, Kohn, D., "Monetary policy and asset prices", speech given at the colloquium (entitled "Monetary policy: a journey from theory to practice") held in honour of Otmar Issing, Frankfurt am Main, 16 March 2006, and Assenmacher-Wesche, K. and Gerlach, S., "Monetary policy and financial imbalances: facts and fiction", *Economic Policy*, Vol. 25, No 63, 2010, pp. 437-482.

7 It should be noted that the ECB was discussing this issue at a relatively early stage and has shown some sympathy and openness with regard to the principle of leaning against the wind, while stressing the implicit link with the monetary analysis element of the ECB's monetary policy strategy. See, for instance: Issing, O., "Monetary and financial stability: is there a trade-off?", speech at BIS conference on "Monetary stability, financial stability and the business cycle", Basel, 28-29 March 2003; Trichet, J.-C., "Asset price bubbles and monetary policy", MAS lecture, Singapore, 8 June 2005; and, more recently, Papademos, L., "Financial market excesses and corrections: a central banker's perspective", speech at the International Research Forum on Monetary Policy, Frankfurt am Main, 26 June 2008; González-Páramo, J.M., "Financial market failures and public policies: a central banker's perspective on the global financial crisis", closing remarks at XVI Meeting of Public Economics, Granada, 6 February 2009; Stark, J., "Monetary policy before, during and after the financial crisis", speech delivered at the University of Tübingen, Tübingen, 9 November 2009; and Trichet, J.-C., "Credible alertness revisited", intervention at the Federal Reserve symposium on "Financial Stability and Macroeconomic Policy", Jackson Hole, 22 August 2009.

8 See Hoerova, M., Monet, C. and Temzelides, T., "Money talks", *Working Paper Series*, No 1091, ECB, Frankfurt am Main, 2009.

of herding behaviour, whereby investors pay attention to the decisions of other market participants, the more strongly markets follow a given trend, the more likely investors are to fuel a bubble. It is found that raising policy rates may be effective in stopping herding behaviour and instead persuading investors to base decisions on their own information set as regards the expected profitability of investment projects.[9]

Second, with regard to the welfare implications of leaning against the wind, analysis of the costs of boom/bust cycles in asset prices in developed economies has been deepened and refined.[10] Theory-based approaches to the calculation of the costs of bubbles give ambiguous results[11] or even justify bubbles as being consistent with individual optimising behaviour in general equilibrium.[12] But existing theoretical models use fairly specific assumptions to allow for bubbles in general equilibrium[13] and, with regard to welfare analysis, tend to neglect important aspects which make bubbles costly in the real world. For example, the fiscal burden for future generations, the loss of trust in the market economy, and the incentives provided for future risk-taking owing to various types of public intervention and rescue packages – i.e. the "moral hazard" problem – are not usually included in calculations of the welfare cost of bursting asset price bubbles. Admittedly, not all boom/bust cycles are detrimental and have significant real effects. This is also one of the reasons why mechanical asset price targeting is not a sensible option for monetary policy. However, the experience of the recent financial crisis, which has been accompanied by sharp declines in global economic activity, increasing unemployment and significant financial instability in a number of countries and markets, is a reminder that there are boom/bust cycles which have the potential to trigger systemic crises and thus constitute a serious threat to world economic growth.

Third, with regard to the ability to identify bubbles in real time, recent research has emphasised that uncertainties surrounding the assessment of whether an asset price boom is indeed a bubble or merely a reflection of economic fundamentals are not necessarily greater than those surrounding other economic concepts commonly used as indicators by central banks, such as the calculation of the degree of slack in the economy (i.e. the "output gap"). Indeed, recent studies by BIS and ECB staff have shown that simple statistical methods that analyse swift and persistent asset price movements can identify potentially dangerous periods of financial market exuberance. To some extent, these periods of market exuberance can be predicted by means of the careful analysis of money and credit developments. Most importantly, the leading relationship between private credit and asset price booms, which was shown for euro area share prices in 2005,[14] has in the meantime been confirmed by empirical studies covering several OECD countries with regard to both housing and equity prices.[15] The next sections describe these results and the methods used to obtain them in greater detail.

3 DETECTING ASSET PRICE BOOMS/BUSTS ON THE BASIS OF VARIOUS METHODS

The challenge of how to identify and quantify asset price bubbles and misalignments and/or financial imbalances has always been, and remains, an extremely difficult one. This challenge is compounded by the need, for operational monetary policy purposes, to recognise the additional complications of

9 See Loisel, O., Pommeret, A. and Portier, F., "Monetary policy and herd behavior in new-tech investment", mimeo, 2009.
10 There is only scant evidence of beneficial effects arising from asset price bubbles, and this is mainly limited to developing countries.
11 See, for example, Fahri, E. and Tirole, J., "Collective moral hazard, maturity mismatch and systemic bailouts", *NBER Working Papers*, No 15138, Cambridge, Massachusetts, 2009.
12 See, for example, Tirole, J., "Asset bubbles and overlapping generations", *Econometrica*, Vol. 53, No 6, 1985, pp. 1499-1528.
13 See Santos, M.S. and Woodford, M., "Rational asset pricing bubbles", *Econometrica*, Vol. 65, No 1, 1997, pp. 19-58.
14 See, for example, Chart 1 in the article cited in footnote 1.
15 See Alessi, L. and Detken, C., "'Real time' early warning indicators for costly asset price boom/bust cycles: a role for global liquidity", *Working Paper Series*, No 1039, ECB, Frankfurt am Main, 2009, and Agnello, L. and Schuknecht, L., "Booms and busts in housing markets: determinants and implications", *Working Paper Series*, No 1071, ECB, Frankfurt am Main, 2009.

a real-time assessment, such as lags in the publication of key time series and subsequent revisions to the data.

As a starting point, it is important to have a clear notion of what is meant by an asset price misalignment. From a policy perspective, it is of particular interest to identify those periods which can be labelled harmful booms/busts – i.e. those which have severe real economic effects. These periods often include currency and banking crises, which are usually preceded by a boom/bust cycle in asset prices that distorts the allocation of resources in the economy and harms macroeconomic stability for a prolonged period of time. When an asset price bubble bursts, a period of severe economic contraction may follow, characterised by the disorderly readjustment of markets, output losses, declines in property prices and heightened uncertainty.[16]

Recent economic literature has defined asset price misalignments and financial imbalances in various ways. The methods span a spectrum ranging from, on the one hand, purely statistical methodologies which identify particularly strong or weak asset price developments to, on the other hand, model-based analysis of fundamental explanations of developments in asset price indices. In either case, significant deviations from a given norm (defined by historical experience and the underlying model respectively) are considered booms or busts.

To illustrate the statistical methodologies, a variety of tools have been used to define asset price misalignments on the basis of simple univariate time series methods. For example, Bordo and Jeanne define a bust as a period in which the three-year moving average of the growth rate of the asset price index considered is lower than a given threshold (which, in their case, is represented by the average growth rate less a certain multiple of the standard deviation of the individual growth rates).[17] Since then the literature has expanded and this criterion has been extended by calculating the threshold level in different ways. These consist of either choosing a different multiple of the standard deviation[18] or fixing the threshold at a constant value.[19] The latest studies also vary considerably with regard to the asset price index to be evaluated, which can be either separate stock and house price indices or composite indicators which take into account developments in both markets.[20] It goes without saying that all of these criteria can, conversely, also be applied to booms by considering the periods when the index exceeds corresponding thresholds.

Recently, progress has also been made on more fundamental methods for detecting asset price misalignments, such as the "quantile methodology", which relies on non-parametric quantile regressions.[21] This methodology is based on the estimation of the probability

16 See the article cited in footnote 1.
17 See Bordo, M.D. and Jeanne, O., "Monetary policy and asset prices: does 'benign neglect' make sense?", *International Finance*, Vol. 5, No 2, 2002, pp. 139-164.
18 One of the most recent examples of studies applying a different time-varying threshold is the paper by Alessi, L. and Detken, C. cited in footnote 15, in which the criterion used for booms is a period of at least three consecutive quarters in which the asset price index is above its recursive trend plus 1.75 times the standard deviation. See also Gerdesmeier, D., Reimers, H.-E. and Roffia, B., "Asset price misalignments and the role of money and credit", *Working Paper Series*, No 1068, ECB, Frankfurt am Main, 2009, in which the authors define a bust as the composite asset price index falling below a threshold level (calculated as the mean minus 1.5 times its standard deviation) within a three-year period.
19 A fixed value for the threshold is considered in "Lessons for monetary policy from asset price fluctuations", Chapter 3, *World Economic Outlook*, IMF, Washington DC, October 2009. In this study, busts are defined as periods in which, in real terms, the four-quarter trailing moving average of the annual growth rate of asset prices falls below a fixed threshold, which is set at -5% for house prices and -20% for stock prices. Other recent papers which apply a fixed value threshold are: Detken, C. and Smets, F., "Asset price booms and monetary policy", in Siebert, H. (ed.), *Macroeconomic Policies in the World Economy*, Springer, Berlin, 2004; and Adalid, R. and Detken, C., "Liquidity shocks and asset price boom/bust cycles", *Working Paper Series*, No 732, ECB, Frankfurt am Main, 2007, in which the threshold for the aggregate real asset price index is 10% above its trend level.
20 For some examples, see: the paper by Alessi, L. and Detken, C. cited in footnote 15 and the paper by Gerdesmeier, D., Reimers, H.-E. and Roffia, B. cited in footnote 18 as regards asset prices; and Berg, A. and Pattillo, C., "Predicting currency crises: the indicators approach and an alternative", *Journal of International Money and Finance*, Vol. 18, No 4, 1999, pp. 561-586, as regards currency crises.
21 On the issue of identifying asset price bubbles in both stock and housing markets (including identification based on fundamental approaches), see Boxes 1 and 2 in the article cited in footnote 1.

distribution of asset prices conditional on their macroeconomic fundamentals. The basic hypothesis is that the probability distribution of the asset price index is not constant over time, instead changing as a function of the macroeconomic environment. Thus, a given asset price may be considered to be too high, normal or too low depending on the prevailing macroeconomic conditions. While the quantile method allows an analysis of the evolution of the dispersion and asymmetry of the distribution of asset prices over time, it also takes into account the dynamics of the macroeconomic fundamentals.[22]

Overall, the considerations above support the idea that the range of methods currently available for detecting periods of excessive asset price developments has widened. At the same time, on a general basis, it seems fair to argue that many crises (e.g. the Scandinavian crisis in the early 1990s and the East Asian crisis, as well as the most recent crisis) seem, to a large extent, to be picked up by most of these methods. This notwithstanding, uncertainties regarding the correct identification of those episodes in real time certainly still persist, thus warranting a cross-check of the results stemming from those different methods.

4 THE ROLE OF MONEY AND CREDIT AS EARLY WARNING INDICATORS

Having defined asset price bubbles or misalignments, an important issue from the policy-making perspective – of particular relevance if a leaning against the wind approach is being considered – is whether such misalignments and their resolution can be predicted reasonably far ahead. Economists use, inter alia, "early warning indicator" models, which aim to spot irregular patterns in other variables which tend to exhibit unusual behaviour prior to booms and busts.

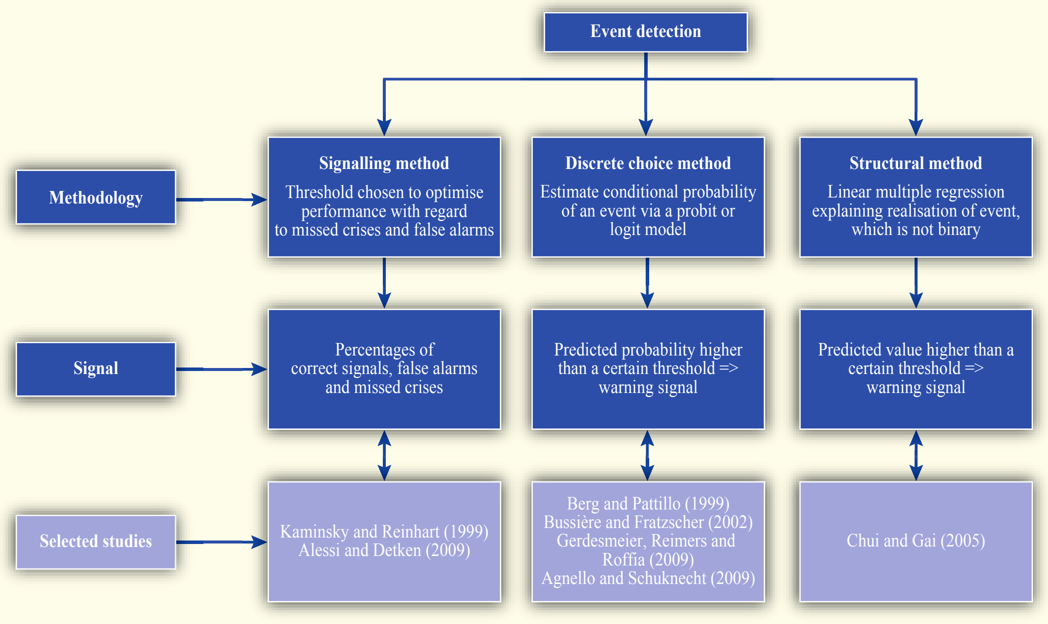
A number of methods used to implement such an early warning approach are presented in the chart, with particular prominence given to those applied in recent studies by ECB staff.[23] This section briefly describes these methods, while the box (entitled "Early warning indicators for asset price imbalances: recent empirical evidence based on ECB studies") provides specific examples of their application.

The first method is the "signalling" method. This methodology defines specific thresholds for each indicator variable. A warning signal for the occurrence of a boom or bust within a given period is issued whenever the indicator breaches that threshold, which could be set, for example, at a certain percentile of its own distribution. The choice of value for the threshold is important, as it affects the number of signals issued. For instance, if it is set too high, there will be too few signals and, therefore, the possibility of missing some busts. Conversely, if the threshold is too low, fluctuations in the variables will trigger more frequent alarms, a number of which will, however, be false alarms. In order to determine the optimal threshold, consideration should be given to the policy-maker's relative aversion to missed crises and false alarms.

The second method is the "discrete choice" methodology, which makes use of regression techniques to evaluate an indicator's ability to predict either a boom or a bust. More specifically, this methodology consists of running bivariate and/or multivariate probit/logit regressions and estimating the probability of a boom/bust within a given time frame. A warning signal is issued when this probability exceeds a certain threshold. While the discrete choice method has several advantages (inter alia, the possibility of testing the statistical significance of individual variables and deriving the probability of an event),[24] there

22 A recent example of this approach can be found in Machado, J.A.F. and Sousa, J., "Identifying asset price booms and busts with quantile regressions", *Working Papers*, No 8/2006, Banco de Portugal, Lisbon, 2006. See also the article cited in footnote 1.
23 For other early warning indicator methods, see Chapter 6 of Papademos, L. and Stark, J. (eds.), *Enhancing monetary analysis*, ECB, Frankfurt am Main, 2010.
24 See, for example, the paper by Berg, A. and Pattillo, C. cited in footnote 20.

Detecting asset price misalignments based on early warning indicator models



Source: Based on Chapter 6 of Papademos, L. and Stark, J. (eds.), *Enhancing monetary analysis*, ECB, Frankfurt am Main, 2010.

is no clear evidence suggesting that it is superior to the signalling method, as was shown in the context of the recent crisis. For this reason, these methodologies can be seen as complementary and are often applied in parallel.

Some other methods for identifying booms and busts have been less common in the literature, but are now gradually gaining in importance. One example is the "structural" method, which consists of constructing an early warning model in a linear framework based on macroeconomic variables on both sides of the relationship and the definition of some thresholds triggering a signal.[25]

Although the use of these early warning indicators has been increasing in recent years (and with promising results in relation to the latest crises), it is fair to say that economic literature still remains divided with regard to confidence in these types of model being able to predict the next financial crisis (i.e. to successfully forecast out of sample). This notwithstanding, recent BIS and ECB studies (discussed later on) seem to support a more optimistic outlook as regards this issue.[26]

While early warning models can provide a tool to derive signals (or the likelihood) of an upcoming boom/bust cycle in asset prices, a crucial aspect in the working of such models is the selection of the indicator variables which, according to historical regularities, exhibit unusual behaviour prior to such episodes.

Among these indicators, money and credit developments stand out for several reasons. In theoretical literature, a number

25 Chui, M. and Gai, P., *Private sector involvement and international financial crises – an analytical perspective*, Oxford University Press, Oxford, 2005.

26 For an argument in favour of the feasibility of establishing "… an effective and credible early warning system ... capable of producing relatively reliable signals of distress from the various indicators in a timely manner …", see Reinhart, C.M. and Rogoff, K.S., *This time is different*, Princeton University Press, Princeton, 2009, p. 281.

of relationships between money, credit and asset prices have been explored, such as the impact of liquidity and credit conditions on risk-taking and thus positions in asset markets. Moreover, looking at past empirical regularities, boom and bust cycles in asset markets seem, historically, to have been closely associated with large movements in money and credit aggregates, particularly in periods of either (i) asset price busts or (ii) booms that end in financial distress.[27]

The experience of recent years and several studies, including studies carried out at the BIS, the ECB and the IMF, have further corroborated these results. In particular, one robust finding across all of these studies is that various measures of excessive credit creation[28] (such as the deviation of the global credit-to-GDP ratio from its trend level and global credit growth) turn out to be good leading indicators of the build-up of financial imbalances in the economy.[29] This result is strengthened when the credit gap is combined with indicators of asset prices' deviation from trend levels (i.e. "gaps"). The interplay of credit and asset price gap indicators is mostly intended to capture the coexistence of asset price misalignments with the system's limited capacity to withstand the asset price reversal, whereby credit gaps provide a measure of leverage for the economy as a whole, thus proxying the shock absorption capacity of the system. One interesting feature of these results is that measures that capture the cumulative impact of excess credit creation appear to offer better signals than growth rate measures, which – by their very nature – capture only shorter-term dynamics. This result is consistent with the view that asset price bubbles are typically associated with the slow accumulation of financial imbalances over a relatively long period, a phenomenon that may be missed by traditional approaches to macroeconomic forecasting, which typically have a horizon of two to three years in mind.

There is some evidence that money, too, possesses good indicator properties for asset price booms and busts, as it represents a summary indicator of bank balance sheets. Among the recent studies which single out excessive money creation are works by Detken and Smets[30] and Adalid and Detken,[31] which find that strong real money growth appears to be a useful early indicator of the build-up of asset price misalignments that may lead to financial distress and costly adjustments in the economy. In general, however, the evidence is more robust for credit than for money, possibly because substitution effects between money and asset prices can sometimes be substantial, particularly in times of considerable financial turbulence and uncertainty. The box presents some of these findings and also provides an example of the application of the methodologies discussed in the previous section.

While these results have focused on the importance of domestic economic conditions for such cycles, recent empirical analysis has also indicated that the global liquidity situation may have an effect on the outlook for asset prices

27 See Fisher, I., *Booms and depressions*, Adelphi, New York, 1932, and Kindleberger, C., *Manias, panics and crashes: a history of financial crises*, John Wiley, New York, 1978. Additional support as regards the consequences that excessive credit growth may have on the creation of bubbles can be found in the early work of the Austrian School. See, for instance, von Mises, L., *The Theory of Money and Credit*, Yale University Press, New Haven, 1953, and Hayek, F.A., *Monetary theory and the trade cycle*, Jonathan Cape, London, 1933.

28 In this context, it should be mentioned, however, that the concept of credit needs to be clarified. For instance, in the case of true-sale securitisation, financial market developments allowed credit to be taken off the balance sheet and thus disappear from official statistics based on bank balance sheets. This implies that data comprehensively measuring true leverage in the economy would provide better warning signals.

29 In addition to the ECB studies mentioned in footnote 18, see, for instance: Borio, C. and Lowe, P., "Asset prices, financial and monetary stability: exploring the nexus", *BIS Working Papers*, No 114, BIS, Basel, July 2002; the paper by Borio, C. and Lowe, P. cited in footnote 1; Borio, C. and Drehmann, M., "Assessing the risk of banking crises – revisited", *BIS Quarterly Review*, BIS, Basel, March 2009; and Helbling, T. and Terrones, M., "When bubbles burst", Chapter 2, *World Economic Outlook*, IMF, Washington DC, April 2003.

30 See the paper cited in footnote 19.

31 See the paper cited in footnote 19.

and domestic inflation.[32] In fact, some studies find global liquidity measures to be among the best early warning indicators for domestic asset price booms and busts.[33] Should these results be corroborated by further analysis, excess global liquidity could act as an additional signal for inflationary developments and financial imbalances.[34] While these results might, at first glance, seem to imply a less important role for national policies, such interpretations would clearly be premature for several reasons. First, global measures represent, by definition, the sum of national measures and thus, in a sense, the sum of national policies. Second, the results might reflect the fact that some markets tend to be driven by global events or are subject to strong international spillover effects, while other markets are driven by more local/domestic factors. In this respect, the results should be interpreted in the sense that global measures convey additional information supplementing national developments. At the same time, international developments might restrict the ability of national policies to counter such imbalances effectively and emphasise the need for the consistent application of stability-oriented policies across all jurisdictions.

32 See: Ciccarelli, M. and Mojon, B., "Global inflation", *Review of Economics and Statistics*, Vol. 92, No 3, 2010, pp. 524-535; Browne, F. and Cronin, D., "Commodity prices, money and inflation", *Working Paper Series*, No 738, ECB, Frankfurt am Main, 2007; and Belke, A., Orth, W. and Setzer, R., "Liquidity and the dynamic pattern of asset price adjustment: a global view", *Journal of Banking and Finance*, Vol. 34, No 8, 2010, pp. 1933-1945. Other studies have investigated the issue of the effects of global liquidity on global/domestic inflation and output, including: Sousa, J. and Zaghini, A., "Monetary policy shocks in the euro area and global liquidity spillovers", *Working Paper Series*, No 309, ECB, Frankfurt am Main, 2004; Rüffer, R. and Stracca, L., "What is global excess liquidity, and does it matter?", *Working Paper Series*, No 696, ECB, Frankfurt am Main, 2007; and Borio, C. and Filardo, A., "Globalisation and inflation: New cross-country evidence on the global determinants of domestic inflation", *BIS Working Papers*, No 227, BIS, Basel, 2007.

33 See, for instance, the paper by Alessi and Detken cited in footnote 15.

34 For further discussion on the issue of global liquidity and its impact on domestic price stability, see "The external dimension of monetary analysis", *Monthly Bulletin*, ECB, Frankfurt am Main, August 2008.

Box

EARLY WARNING INDICATORS FOR ASSET PRICE IMBALANCES: RECENT EMPIRICAL EVIDENCE BASED ON ECB STUDIES

Designing an early warning system for asset price imbalances can be divided into three steps. The first step is to define asset price imbalances/misalignments (e.g. in terms of deviations from historical trends or in terms of their economic consequences). The second step involves selecting appropriate indicators and designing models to link the indicators to the misalignment. When the dependent (misalignment) variable is binary, signalling and discrete choice (probit/logit) methods are available to define an early warning indicator. The third and final step is the assessment of the predictive performance of the early warning indicator over a sample period and/or across a panel of countries. This third step is often carried out on the basis of the matrix below.

	Crisis	No crisis
Signal	A	B
No signal	C	D

A is the number of periods for which an indicator provides a correct warning signal – i.e. a crisis actually follows the signal within a pre-specified prediction horizon. B is the number of periods for which a false alarm is issued, while, conversely, C represents the number of periods for which the indicator fails to signal an approaching crisis. Finally, D is the number of periods for which the indicator correctly provides no warning signal. Typically, the usefulness of an indicator is assessed by computing the noise-to-signal ratio – i.e. the number of false alarms divided by the number of correct signals.

This box looks in more detail at the application of some early warning indicator systems developed at the ECB which single out money and credit developments as crucial indicators for predicting asset price booms and busts.

A signalling method for predicting boom/bust cycles in asset prices

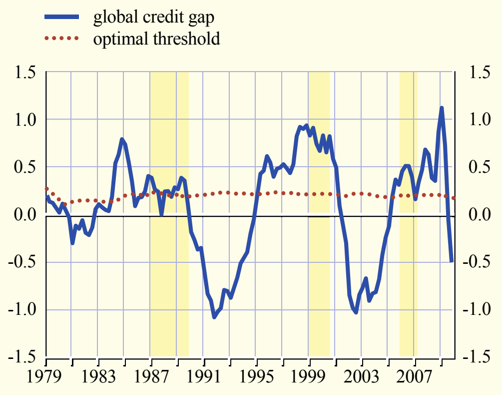
The work carried out by Alessi and Detken[1] is based on the use of the signalling methodology to detect (high-cost) asset price booms. The procedure followed for the analysis is as follows. First, asset price booms are identified across 18 OECD countries using a quarterly aggregate price index consisting of BIS data on weighted real private property, commercial property and equity prices. The booms are identified as deviations from a country-specific recursive Hodrick-Prescott trend and then divided into low-cost booms and high-cost booms, the latter being defined as booms which are followed by a three-year period in which real GDP growth is lower than potential growth by at least three percentage points. Second, a set of economic and financial variables with different transformations are tested to ascertain their suitability as early warning indicators for high-cost boom/bust cycles in asset prices within a six-quarter forecasting horizon.

The analysis is done in such a way that only the information which would have been available at each point in time is considered (thereby taking publication lags in the time series into account). The threshold is obtained by minimising the loss function of the policy-maker, taking into account the policy-maker's relative aversion to events occurring without a signal being issued (missed crises) and signals being issued without an event occurring (false alarms).

The results reveal that, on average across countries, in the presence of balanced preferences, the global private credit gap and the global M1 gap are the best early warning indicators and reduce the policy-maker's loss in terms of preference-weighted errors by up to 25% relative to a situation in which the indicator is disregarded (see Chart A). The authors also test the model in relation to the latest financial crisis and investigate whether the asset price boom which began in the mid-2000s is predicted to be high-cost by their best indicators. The authors find that with regard to the latest "boom wave" around 2005-07, the picture is mixed, as the global private credit gap was

Chart A Developments in the global credit indicator and the optimal threshold for detecting asset price bubbles

(deviation of the global private credit-to-GDP ratio from its trend level)



Source: Update of the indicator presented by Alessi and Detken.
Notes: Series updated using annual GDP-PPP weights (taken from the IMF's World Economic Outlook) for the following countries: Australia, Belgium, Finland, France, Germany, Ireland, Italy, the Netherlands, New Zealand, Spain, Switzerland, the United Kingdom and the United States. The shaded areas denote aggregate waves of asset price booms. The latest observation refers to the fourth quarter of 2009.

1 See the paper cited in footnote 15 of the main text.

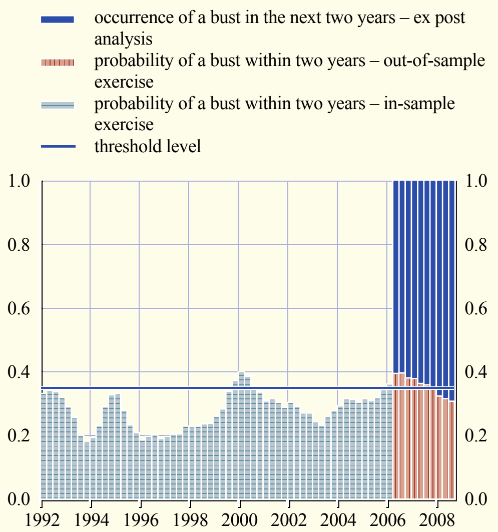
sending persistent warning signals, while the global money (M1) gap was not. This result stresses the need to use a suite of models and indicators.

Panel probit models for predicting boom/bust cycles in asset prices

An example of a probit model used to detect asset price busts is provided by the work of Gerdesmeier, Reimers and Roffia,[2] which estimates the probability of an asset price bust within the following two years. In this paper, a bust is defined as a period – within a rolling three-year sample – in which a composite asset price indicator (constructed as a weighted average of stock price and house price indices) declines below a level calculated as its mean minus 1.5 times its standard deviation with regard to its maximum in that period. The binary bust variable is then given a value of one if a bust occurs within the next eight quarters.

Chart B Probability of an asset price bust in the next two years in the euro area, based on a probit model

(probability; quarterly data)



Source: Based on the paper by Gerdesmeier, Reimers and Roffia.
Notes: The brown area represents the fitted probability (derived from a probit model as in specification B in the paper) of a bust occurring in the next eight quarters, while the dark blue area represents the detection of a bust. The threshold level is set at 0.35 (i.e. 35%).

By testing probit equations for a panel of 17 OECD countries using the general-to-specific methodology, a parsimonious specification is selected which contains the credit growth gap, changes in nominal long-term interest rates, the investment-to-GDP ratio and the lagged house price growth gap.[3] The model is then used to assess the situation for the euro area in the recent financial crisis, using the latest available dataset for the explanatory variables and the coefficients of the probit model estimated using the panel dataset for the period up to the first quarter of 2006, and running an out-of-sample exercise for the subsequent period. A fitted probability is then derived for the period up to 2009 and it is found that at the end of 2006 the fitted probability exceeded the threshold, so the model would have predicted the occurrence of a bust in the euro area within the following two years (see Chart B).

Finally, another ECB study by Agnello and Schuknecht, based on a similar method, finds additional evidence supporting the use of money and credit to predict real estate price booms/busts.[4] Looking at 18 industrialised OECD countries, the study identifies major and persistent deviations in house prices vis-à-vis country-specific long-term trends and estimates the probability of booms and busts occuring using a random effect panel probit model. The main findings are in line with those of the other two methods. Specifically, it turns out that the economic costs (in terms of GDP losses during the post-boom phase) depend significantly on the magnitude and the duration of the boom and on money and credit developments during that period. The set

2 See the paper cited in footnote 18 of the main text.
3 The estimation is based on a panel dataset including the following countries: Australia, Canada, Denmark, France, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States.
4 See the paper cited in footnote 15 of the main text.

of variables which significantly affect the probability of experiencing booms and busts include short-term interest rates, domestic and global money and credit developments, and indicators of mortgage market deregulation. The associated probit model proves to be fairly successful in identifying booms and busts at an early stage.

Overall assessment

Overall, these recent ECB studies show that it is possible to identify early warning indicators for individual countries and groups of countries which perform reasonably well. They also implicitly confirm that leverage is one of the key indicators for predicting high-cost boom/bust cycles in asset prices. Nevertheless, indicators that have historically performed equally well can sometimes give different messages. The signals obtained should, therefore, be interpreted carefully and should be regarded as just one element in the information set used by decision-makers.

5 CONCLUSION

Both the experience acquired during the financial crisis and the findings of recent economic research have tended to shift the balance of the argument in the direction of being less sceptical about leaning against the wind. At the same time, it is recognised that the new evidence is not conclusive and a variety of practical issues need to be confronted if such an approach is to become operational.

In order to address these practical challenges, there is a need to develop signals warning of impending asset price bubbles, booms or busts. Recent research has sought indicators that provide sufficiently early warnings of asset price misalignments in real time in order to allow any corrective measures to be implemented in a timely way and thereby potentially be effective in containing the emerging financial imbalances and associated risks to macroeconomic and price stability. This work has produced encouraging results. In particular, various money and credit indicators appear to contain leading information on asset price dynamics.

Conducting a thorough monetary analysis as part of the process giving rise to monetary policy decisions can help to assess the extent to which assets with high price levels can be traced to – and at the same time become a source of – excess liquidity creation and an easing of credit supply. Detecting and understanding this link helps to form an opinion on whether developments observed in asset prices might already reflect the growth of an unsustainable bubble.

Monetary policy should not target asset prices or indices. Yet a monetary policy strategy that contains some elements of the leaning against the wind approach supports the maintenance of price stability by containing risks to price stability that may emerge in the longer term, beyond the horizons associated with traditional inflation forecasts. Indeed, the ECB's two-pillar monetary policy strategy implicitly incorporates an element of leaning against the wind, thanks to the prominent role played by its monetary analysis within a broader stability-oriented framework for monetary policy-making.

The medium-term orientation of the ECB's monetary policy strategy thus ensures that the implications of any financial imbalances and asset price misalignments and their unwinding are given due consideration in the formulation of monetary policy decisions, since such phenomena will have implications for the outlook for price developments at longer horizons. Given that the ECB's mandate requires the maintenance of price stability in the medium term, rather than at any specific arbitrary horizon, it is important that the ECB monitor the slow accumulation of unsustainable financial imbalances which pose a threat to macroeconomic and price stability over the longer term. Maintaining a medium-term orientation, keeping a close eye on monetary and credit dynamics, and adopting a broader, stability-oriented view of policy-making – all key elements of the ECB's monetary policy strategy – supports this approach.

ENHANCING MONETARY ANALYSIS

Monetary analysis has a prominent role in the ECB's monetary policy strategy. On the basis of the robust long-run relationship between monetary growth and inflation, it focuses on the assessment of medium to long-term trends in price developments. Over time, the tools used by ECB staff to conduct the monetary analysis have necessarily evolved. In a continuous process of refinement, they have been both updated – as new data become available and methodological advances are made – and extended to address the new challenges to the analysis thrown up by shocks to and structural changes in the financial sector and the whole economy.

In mid-2007 – before the onset of the financial crisis had revived general interest in money, credit and financial developments – the Governing Council decided to give additional impetus to this ongoing evolutionary process of tool refinement by endorsing a research programme to enhance the ECB's monetary analysis. This article describes the results of this agenda and discusses how they have helped improve and deepen the contribution of monetary analysis to monetary policy decisions in the pursuit of the ECB's primary objective of maintaining price stability in the euro area over the medium term.

1 INTRODUCTION

Monetary analysis has a prominent role in the ECB's monetary policy strategy, as one element of the two-pillar framework for the assessment of risks to price stability in the euro area.

The two pillars – the economic analysis and the monetary analysis – constitute distinct, but complementary, perspectives on the inflation process, which are used to organise and assess incoming data, structure deliberations and, ultimately, guide monetary policy decisions aimed at maintaining price stability. By including monetary analysis, the ECB's strategy ensures that important information stemming from money and credit, typically neglected in conventional cyclical forecasting models of the economy, is considered in the formulation of monetary policy decisions, thus ensuring a "full-information approach".

A monetary policy strategy that pays due attention to the implications of monetary developments for inflation trends helps maintain the appropriate medium-term orientation of monetary policy. Conducting a monetary analysis ensures policy discussions give due consideration to underlying nominal developments, thus providing a nominal anchor for the overall framework and thereby helping to maintain the focus on the mandate of price stability. The ECB's strategy assigns monetary analysis the role of facilitating a cross-check, from the medium to long-run perspective, of the assessment of risks to price stability.

The central tenets of the ECB's monetary analysis (recalled in Section 2) have remained unchanged since the introduction of the single monetary policy in 1999: the goals and overall approach exhibit a high degree of continuity. By contrast, the tools used by the ECB to conduct its monetary analysis have continually evolved. In part, this evolution reflects improvements in the availability of data, methodological advances and their implementation, and the benefits of "learning-by-doing" over the first decade of the ECB's existence. At the same time, tools have been introduced to address the new challenges to the analysis of monetary developments that were not foreseen at the outset, such as the exceptional portfolio shifts into monetary assets observed in 2001-03.

In mid-2007 the Governing Council decided to give additional impetus to this evolutionary refinement of the analytical tools by endorsing a research programme to enhance the ECB's monetary analysis. Further momentum for this agenda was provided by the onset of the global financial crisis in the second half of 2007, which reinvigorated central banks' interest in money, credit and, more generally, financial developments. This article describes the results of the research agenda and the consequent improvements in the ECB's monetary analysis and its support of monetary policy decisions.[1]

2 THE SCOPE AND NATURE OF THE ECB'S MONETARY ANALYSIS

The role of monetary analysis in the ECB's monetary policy strategy is founded on the well-documented link between trends in monetary growth and inflation. There is compelling empirical evidence showing that, at lower frequencies, i.e. over medium to longer-term horizons, inflation shows a robust positive association with monetary growth. This positive association has been established both across countries and across monetary regimes.[2] Importantly, monetary growth is found to lead inflation at low frequencies, although the closeness of this link may differ in intensity over time and according to circumstances. In particular, the low frequency link between monetary growth and inflation becomes most clearly visible in an environment of material low frequency movements in money and prices and is, conversely, less visible in the absence of such movements. These observations have two important implications for central banks. First, the low frequency component of monetary growth is instrumental in identifying longer-term inflation trends. Second, identifying the low frequency signal in monetary developments, which is relevant for longer-term risks to price stability, is more challenging than merely observing the trend of the growth rate of a specific monetary aggregate.[3]

At the same time, analysing higher frequency monetary developments in the context of a broad-based and comprehensive framework for monetary analysis helps policy-makers to assess and understand shorter-term macroeconomic and financial phenomena, which may give rise to risks to price stability over the longer-run if ignored. The detailed analysis of monetary dynamics provides useful information about financing conditions and the financial structure, as well as the condition and behaviour of banks, which can be critical for understanding the transmission mechanism and, more broadly, the state of the business cycle. The insights gained from this dimension of monetary analysis have proved to be particularly valuable in tailoring the ECB's monetary policy response to the most recent financial crisis. Furthermore, the analysis of monetary dynamics helps policy-makers to put asset price developments into perspective and to form a view regarding the possible build-up of financial imbalances. In this respect, the ECB's monetary pillar can be seen as an appropriate approach to the challenges faced by all central banks in looking beyond standard forecasting horizons, notably when confronted by inflated asset prices and evolving financial imbalances. The empirical link between monetary developments and evolving imbalances in asset and credit markets implies that the two-pillar strategy, with the important role assigned to monetary analysis, may enable these imbalances to be detected at an early stage and ensure a timely, forward-looking response to the implied risks to financial, economic and price stability.

The ECB's monetary analysis combines a suite of econometric tools for model-based assessment and detailed institutional analysis. The former includes empirical money and credit demand models, statistical filters, and forecasting, as well as medium-scale structural models. The institutional analysis entails, inter alia, a comprehensive examination of bank balance sheet data, including the components and counterparts of and sectoral contributions to monetary aggregates.

1 A comprehensive presentation of the research conducted is provided in Papademos, L. and Stark, J. (eds.), *Enhancing monetary analysis*, ECB, Frankfurt am Main, 2010.
2 See, for instance, Benati, L., "Long-run evidence on money growth and inflation", *Working Paper Series*, No 1027, ECB, Frankfurt am Main, March 2009.
3 For a more detailed discussion and references to the academic literature, see Chapter 1 in Papademos, L. and Stark, J. (eds.), op. cit.

The multifaceted nature of monetary analysis means that its implications cannot be easily subsumed into a single indicator or model that simultaneously simplifies the presentation of the analysis and retains the necessary comprehensive assessment of monetary developments. This has certainly been the ECB's experience in the practical conduct of monetary analysis in the dozen years since the start of the single monetary policy. Accordingly, and in line with the experience of other forms of macroeconomic analysis – not least the ECB's economic analysis – and comparable forecasting exercises at other central banks, the ECB's monetary analysis will continue to rely on a suite of tools and models.

At the same time, the development and maintenance of tools that support any analysis oriented towards deriving policy-relevant assessments is necessarily a continuous process. The past decade – a period characterised by continuous financial innovation and structural changes in the financial system – gradually revealed shortcomings in the analytical toolbox of the ECB's monetary analysis. Given the importance of monetary analysis, including for the understanding of macroeconomic dynamics and the monetary policy transmission mechanism, it was deemed necessary to address these shortcomings.

3 THE AVENUES OF THE "ENHANCING THE MONETARY ANALYSIS" RESEARCH AGENDA

The recognition of the existence of areas in the ECB's monetary analysis toolbox where further systematic research efforts were warranted led the Governing Council to endorse in July 2007 a research agenda to enhance its monetary analysis.[4] This decision predated the emergence of tensions in global financial markets and was aimed at enriching the tools available within the existing framework and monetary policy strategy.

Four main avenues of research were identified:

1. improving models of euro area money demand;

2. developing money-based indicators of risks to price stability;

3. incorporating money and credit in structural empirical general equilibrium models;

4. exploring the role of money and credit in asset prices and extending the framework for cross-checking and risk analysis.

The following sub-sections set out the rationale for each of the specific avenues of research and outline the main results of the analytical work undertaken.

3.1 IMPROVING MODELS OF EURO AREA MONEY DEMAND

The episode of exceptional portfolio shifts into euro area M3 on account of the heightened economic and financial uncertainty during the period 2001-03 stretched the workhorse money demand specifications available at the time. Eventually, standard statistical tests indicated that these money demand models had become unstable (see Chart 1).

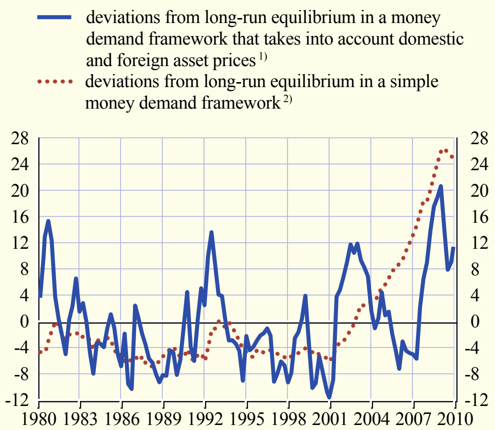
For the purposes of real-time policy preparation, ECB staff froze the parameters of the existing models and introduced judgemental adjustments to the M3 series to account for the portfolio shifts that the conventional models failed to capture.[5] Such an approach helped to structure the real-time assessment of monetary developments during this challenging period. Yet the ad hoc nature of the judgemental adjustments was clearly inadequate as a long-term solution.

4 See Stark, J., "Enhancing the monetary analysis", speech at the conference "The ECB and its Watchers IX", Frankfurt am Main, September 2007 (available at: http://www.ecb.europa.eu/press/key/date/2007/html/sp070907_1.en.html).

5 See the article entitled "Monetary analysis in real time", *Monthly Bulletin*, ECB, October 2004.

Chart 1 Long-run money demand relationships from money demand models

(percentages of the stock of M3)



Source: ECB calculations.
1) Based on the model presented in De Santis, R.A., Favero, C.A. and Roffia, B., "Euro area money demand and international portfolio allocation: a contribution to assessing risks to price stability", *Working Paper Series*, No 926, ECB, Frankfurt am Main, August 2008.
2) Based on the model presented in Calza, A., Gerdesmeier, D. and Levy, J., "Euro area money demand: Measuring the opportunity costs appropriately", *IMF Working Paper Series*, No 179/01, IMF, Washington D.C., 2001.

While narrowly defined money demand stability is not a precondition for the meaningful conduct of monetary analysis, instabilities in the money demand models used at that time clearly indicated that the models needed to be refined in order to codify and systematise the judgemental adjustments.[6] The natural starting point for enhancing euro area money demand models was therefore clear. Model extensions that allow for portfolio shifts into and out of monetary assets were required. With regard to modelling this behaviour, additional arguments had to be incorporated into the conventional money demand specification by placing money demand within a broader context of portfolio choice and accounting for the impact of uncertainty.

More specifically, this has entailed investigation of a richer set of explanatory variables, notably wealth, and a broader set of opportunity costs, including yields on foreign assets (see Box 1 entitled "Money demand and housing wealth"). It has also involved the modelling of money demand in frameworks that feature multiple long-run relationships, rather than modelling money demand in isolation from other portfolio allocation decisions. A parallel stream of work has sought to analyse money-holding behaviour at the sectoral level. This analysis has established that sectoral money holdings differ in their interaction with their macroeconomic determinants, but stable relationships with these economic variables can be found. Finally, another strand of analytical work related to money demand focused on applying the Divisia approach for the compilation of euro area monetary aggregates.[7] This approach weighs the components included in the aggregate according to the estimated monetary services they offer and thereby obtains a measure of money that in principle is not affected by portfolio considerations.

Improvements made in the area of money demand models have restored the ability to explain euro area monetary developments in a formal, statistically stable money demand framework and have therefore led to a deeper understanding of the causes of monetary growth. The improvements demonstrate that the real-time assessment of monetary developments by ECB staff over the past challenging decade can be embodied in money demand models in a manner that meets the standards imposed by a battery of econometric tests. Moreover, these results represent an important – but, perforce, ex post – validation of assessments made by monetary analysis since the introduction of the euro.

At the same time, the new vintage of money demand models has not made the interpretation of traditional monetary policy indicators – such as "money gaps" or "monetary overhangs" – simple. In the enhanced models, the interpretation

6 For instance, the quantitative estimates of the impact of the exceptional portfolio shifts in 2001-03. For more details, see the box entitled "Approaches to identifying and estimating portfolio shifts into and out of M3", *Monthly Bulletin*, ECB, January 2005.
7 For a methodological exposition of the Divisia approach in a monetary union setting, see Barnett, W.A., "Multilateral aggregation-theoretic monetary aggregation over heterogeneous countries", *Journal of Econometrics*, Vol. 136(2), pp. 457-482, 2007.

of monetary developments is dependent on an assessment regarding the sustainability of wealth and asset price developments. Inclusion of additional arguments in money demand specifications has therefore complicated the assessment and presentation of the implications of monetary developments for risks to price stability.

Moreover, through the enhancement of the money demand models, it has become apparent that no single model can be expected to provide a fully satisfactory explanation of monetary developments at all times. In this respect, a robust and comprehensive monetary analysis needs to consider different models, the prominence of which may vary depending on the dominant forces driving monetary developments.

Identifying stable specifications of euro area money demand is a significant achievement. However, as experience over the past decade has amply demonstrated, it would be unrealistic to view the new vintage of money demand models as invulnerable to the impact of new financial innovations and other structural changes. Hence, there is a need for a continuing effort to explain and interpret monetary developments: the results of the agenda to enhance monetary analysis do not mark the end of this effort. Yet the likelihood of a re-emergence of instabilities in the future should not be viewed negatively. On the contrary, the statistical breakdown of money demand models can support policy analysis. If, in particular, this breakdown is due to changes in money supply behaviour, it would most likely be linked to risks to price stability. In this sense, indications of instability of money demand models trigger increased efforts to understand the fundamental forces responsible for this instability and to focus on the behaviour of the "money-creating" sector.

Box 1

MONEY DEMAND AND HOUSING WEALTH

Building on the real-time assessment of portfolio shifts into monetary assets,[1] the agenda to enhance monetary analysis has developed a new generation of money demand models that extend conventional specifications to include asset prices and wealth, thus placing money demand in a broader context of portfolio choice. The inclusion of such arguments in the determination of money holdings has a long tradition in monetary theory.[2]

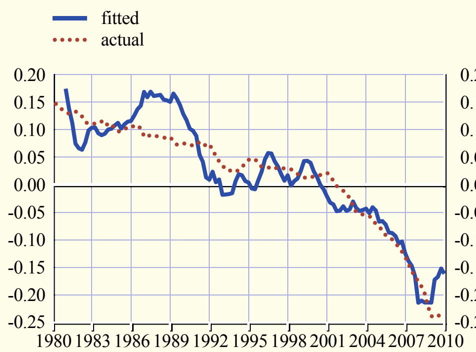
De Santis et al. (2009)[3] analyse the effects of international portfolio allocation on euro area money demand. Beyer (2009)[4] focuses on the role played by the evolution of housing wealth in explaining the demand for euro area M3 over the past decade. In the money demand equation of the model, real balances adjust to excess long-run money demand and are positively related to excess real wealth growth. The latter shows the relevance of wealth effects in money demand. This wealth effect is complemented by a substitution effect. The substitution channel of wealth is embedded in the long-run real money equilibrium relationship itself. There, real wealth is negatively related to the level of real money balances.

1 See the article entitled "Monetary analysis in real time", *Monthly Bulletin*, ECB, October 2004.
2 See, for example, Friedman, "The quantity theory of money: A restatement", in Friedman, M. (ed.), *Studies in the Quantity Theory of Money*, University of Chicago Press, Chicago, 1956; and Brainard, W. and Tobin, J., "Pitfalls in financial model building", *American Economic Review,* Vol. 58(2), May 1968, pp. 99-122.
3 See De Santis, R.A., Favero, C.A. and Roffia, B., "Euro area money demand and international portfolio allocation: a contribution to assessing risks to price stability", *Working Paper Series,* No 926, ECB, Frankfurt am Main, August 2008.
4 See Beyer, A., "A stable model for euro area money demand: revisiting the role of wealth", *Working Paper Series,* No 1111, ECB, Frankfurt am Main, November 2009.

Looking at the data, those wealth effects are crucial for explaining money demand. On the one hand, the strength of M3 growth that was observed in the first half of the previous decade and that has led to a break in trend velocity is associated with a rise in housing wealth. Yet on the other hand, during the financial crisis housing wealth and the growth of M3 declined sharply.

More specifically, using vector error correction model (VECM) techniques that are standard in the literature and using data for the period 1980-2007, Beyer establishes empirically stable long-run relationships among money, prices, income, housing wealth and interest rates in the euro area. These estimated relationships have remained stable (on the basis of the standard statistical tests) out of sample, even in the face of the financial crisis that emerged in mid-2007. As can be seen from the chart, this model can broadly explain the evolution of the M3 income velocity observed in the euro area over the past decade.

Actual M3 income velocity and a fitted measure based on Beyer (2009)



Sources: ECB and Beyer (2009) updated.

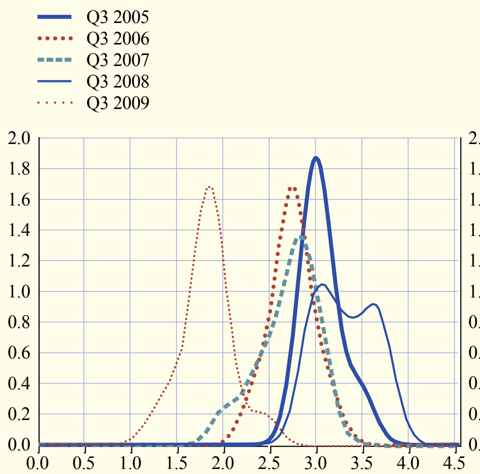
Moreover, the model can be used to produce conditional projections of inflation and money growth, which form a benchmark against which to compare observed monetary developments in real time.

3.2 DEVELOPING MONEY-BASED INDICATORS OF RISKS TO PRICE STABILITY

Money-based inflation risk indicators are a convenient way to summarise and synthesise the information of the detailed monetary analysis, for both internal and external communication, by mapping it onto an outlook for risks to price stability. The information stemming from money of relevance to the assessment of risks to price stability is embedded in the persistent or lower-frequency component of those developments. These risk indicators are geared towards providing an outlook for average inflation over a medium-term horizon, acknowledging that monetary developments cannot be expected to provide indications for inflation rates at a particular point in time in the future (as provided by the economic analysis). This is done by exploiting the leading indicator properties of money for inflation that are revealed at low frequencies.

Chart 2 Risk dispersion of money-based inflation indicators on average for the period six quarters ahead

(x-axis: annualised percentage changes of the HICP; y-axis: probability densities)



Source: ECB estimates.
Notes: A normal kernel estimator is used in the construction of the risk dispersion measure. The quarter denotes the end of the sample used to derive the indicators.

From the outset, a variety of money-based inflation risk indicators have been employed in the analysis, each using a different measure of money or credit growth or underlying monetary expansion.[8] Chart 2 provides a summary of the readings from the set of indicators used, illustrating the dispersion of the signals from the individual indicators. Until the onset of the financial turmoil, these indicators, collectively, had performed reasonably well and had been fairly unbiased estimators of inflation when considering, for instance, the larger and downward errors made by commercial forecast providers. This notwithstanding, following the start of Stage Three of EMU they tended, at times, to exhibit excess volatility, which made their indications difficult to interpret and communicate.[9]

Against this background, it was recognised that these indicators could be enhanced to better reflect the notion of persistence that is embodied in the robust longer-term relationship between money growth and inflation. The identification of the need for such improvements gave rise to a second avenue in the research agenda to enhance monetary analysis.

In order to address the shortcoming that the inflation risk indicators at times exhibited excess volatility, the research conducted was oriented towards rendering the indicator models more robust. Experience suggests that it is often the simpler tools that provide this robustness. It was also recognised that it is unlikely that a single indicator will outperform all others at all times. In this respect, robustness can be viewed as deriving from the ability to cut across a set of different tools and indicators when gauging inflationary risks.

The analytical efforts made with regard to this avenue have improved the tools available for constructing such money-based risk indicators. More specifically, the enhancement has given rise to extensions of the bivariate setting that move in three main directions: i) from bivariate to multivariate models, exploiting large data sets such as factor models; ii) from models where the information stemming from money is extracted from its growth rate to models where it is (also) extracted from its level relative to its economic determinants; and iii) from linear to non-linear models, for instance by introducing the notion of regime switching (see Box 2, "Monetary developments as indicators of inflation"). Overall, the work undertaken has adapted techniques successfully employed for assessing real economic developments to the requirements of monetary analysis. The increased sophistication in the tools implies that monetary analysis is better placed to exploit all the relevant information in order to derive the persistent and common part of money and inflation.

8 For more details, see the box entitled "Inflation forecasts derived from monetary indicators", *Monthly Bulletin*, ECB, March 2005.

9 See Fischer, B., Lenza, M., Pill, H. and Reichlin, L., "Money and monetary policy: the ECB experience 1999-2006", in Beyer, A. and Reichlin, L. (eds.), *The role of money: money and monetary policy in the 21st century*, ECB, Frankfurt am Main, 2008, pp. 102-175.

Box 2

MONETARY DEVELOPMENTS AS INDICATORS OF INFLATION

In recent years inflation in the euro area (and elsewhere) has become more difficult to forecast. By implication, the predictive power of money (and other economic variables) with regard to future inflation has declined. In large part, this reflects the success of monetary policy in stabilising inflation rates at levels consistent with price stability. Through maintaining low and stable inflation rates by exploiting the information in indicator variables, the reduced-form indicator properties of these variables for inflation have diminished and/or become blurred.

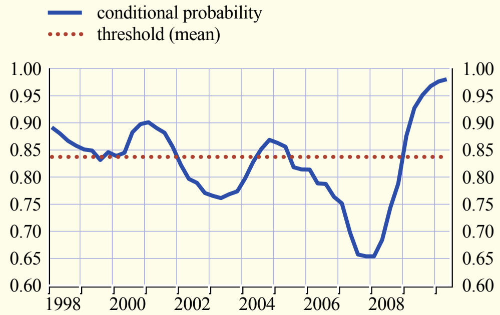
However, this does not imply that monetary developments can now be safely ignored when it comes to formulating monetary policy decisions. On the contrary, it is precisely because previous monetary policy decisions have appropriately embodied the information stemming from money that the reduced-form information content of money has diminished.

As a result, the danger exists that if monetary dynamics were to go off track, inflation could shift from the current benign regime of price stability to a new and persistently high (or low) inflation regime.

In a recent paper, Amisano and Fagan (2010)[1] explore such considerations using a non-linear model that allows for distinct regimes and thereby permits persistent shifts in inflation trends to be captured better than in conventional linear models. They propose a model in which the inflation process is characterised by two states: a high and a low inflation regime. The probability of shifting from one regime to another is endogenous within the model and derives from a smoothed measure of money growth. Using Bayesian techniques, the model is applied to the euro area, Germany, the United Kingdom, Canada and the United States using data from the 1950s to the present.

Conditional probability of the euro area staying in a low inflation regime

(probability densities)



Sources: Amisano and Fagan (2010) updated.
Notes: The horizontal axis refers to the latest observation available at the time the risk assessment is conducted. The low inflation regime features average inflation of 1.6%.

This approach therefore embodies two key elements. First, the estimation sample includes periods of greater inflation volatility (and, by implication, less successful monetary policy-making) than in recent years. Since both inflation and monetary growth are more variable over this sample than seen during Stage Three of EMU, these data reveal more about the underlying relationship between money growth and inflation. Second, the technique employed focuses on more persistent changes in inflation developments (essentially shifts in the average rate of inflation), thereby concentrating on the low frequency relationship between money and inflation. This is more robust than the relationship at higher frequencies, where many other factors also influence price developments.

Model estimates suggest that a smoothed measure of broad money growth (corrected for real-time estimates of trend velocity and potential output growth) has valuable leading indicator properties for switches between inflation regimes. In this framework, money growth therefore provides an important early warning of risks to price stability.

As an illustration, the chart shows the model's estimates – derived from the evolution of monetary growth – of the probability of the euro area remaining in a low inflation regime. To offer a reference for comparison, the horizontal line shows this probability computed at "neutral" monetary conditions (i.e. with monetary growth at its sample mean). On the basis of the money growth indicator, the chart shows that risks to price stability over the medium term increased steadily between early 2005 and end-2007, but have decreased subsequently given the deceleration in monetary dynamics seen over the past three years.

1 See Amisano, G. and Fagan G., "Money growth and inflation: a regime-switching approach", *Working Paper Series,* No 1207, ECB, Frankfurt am Main, June 2010.

3.3 INCORPORATING MONEY AND CREDIT IN STRUCTURAL GENERAL EQUILIBRIUM MODELS

Extracting the implications of monetary developments for future inflation, as discussed in Section 3.2, can benefit from a better understanding of the process by which inflation is determined. In general, this understanding relies on developing a structural view of the economic behaviour determining the interaction between price-setting, spending and monetary and financial decisions. Over the past two decades, significant progress has been made in formulating dynamic general equilibrium models of monetary policy and price developments that embody a rigorous characterisation of agents' decisions, including the constraints they face and the information set they use. In order to allow monetary developments to play a meaningful role in inflation determination, these models have been recently extended to embody financial frictions and a banking sector. The resulting models allow for a more structural interpretation of money and credit developments, which fosters a theoretically consistent and empirically coherent understanding of the role of money in the economy (see Box 3 entitled "Monetary developments and macroeconomic dynamics: a structural interpretation").

Of course, the significant benefits implied by such an approach do not come without cost. Notably, conclusions and insights derived from dynamic general equilibrium models are "model-specific". In other words, the analysis relies on the validity of the underlying theoretical assumptions describing the behaviour of firms, households, financial intermediaries and policy-makers. That said, the empirical performance of the latest vintage of models in explaining macroeconomic time series has been good and often comparable with that of purely statistical models. This lends support to the view that the underlying model structure does capture important features of economic behaviour.

Analysis using dynamic general equilibrium models complements the interpretation of monetary developments on the basis of money demand models in three ways. First, it provides another perspective on the forces driving the monetary data. One of the challenges faced by monetary analysis is to disentangle transient movements in monetary data that do not pose risks to price stability (e.g. pure portfolio shifts) from less benign monetary phenomena that should not be left unchecked by the central bank. A structural model is a natural candidate to perform such a filtering exercise. The structure of the model provides the necessary restrictions to identify the structural shocks driving macroeconomic, monetary and financial variables. Having obtained an estimate of the structural shocks, it is possible, for instance, to compute a measure of "underlying" money that excludes the identified portfolio shifts.

Second, analysis based on general equilibrium models provides insights into the transmission of monetary and financial shocks to price formation and, more broadly, macroeconomic developments. This is useful for establishing regularities that can be exploited in the real-time analysis to assess the extent and timing of the risks to price stability stemming from the monetary sphere. Structural general equilibrium models that incorporate an active role for money and credit offer a formal and disciplined approach to explaining the money-holding decisions of households and firms. For example, these models provide insights into the interactions between monetary aggregates and other variables through households' portfolio choices and banks' decisions about the provision of credit and means of payment. Thus, such models ultimately entail the investigation of the transmission mechanism through which the evolution of money and credit can influence price developments. Analysis based on general equilibrium models has regularly been used to corroborate the interpretations derived from other more partial equilibrium (money and loan demand) and institutional analyses.

Third, these models – unlike their reduced-form counterparts – can be used to simulate the impact of alternative scenarios and projected trajectories for monetary and financial variables on inflation and the macroeconomy. The structural nature of the models lends itself to counterfactual experiments. In this sense, the models provide a technical input into the Governing Council's cross-checking, which is the aim of the fourth avenue discussed below.

Box 3

MONETARY DEVELOPMENTS AND MACROECONOMIC DYNAMICS: A STRUCTURAL INTERPRETATION

Most new generation structural general equilibrium models treat monetary and financial factors as a "veil". Consequently, monetary and financial factors do not represent an independent source of shocks affecting real economic activity and inflation, and do not alter the transmission of shocks originating outside the monetary/financial sector. In contrast to many other models of this type, Christiano, Motto and Rostagno (2007 and 2010)[1] develop a dynamic general equilibrium model of the euro area that includes an explicit analysis of money-holding decisions and a liquidity-creating banking sector. This allows for the definition of a broad array of monetary and credit aggregates and can thus address issues of relevance to the ECB's monetary analysis.

The first key finding of their empirical analysis is that the size and composition of banks' balance sheets – which in the model are themselves the result of business decisions by banks interacting with households' and firms' demand for bank assets and liabilities – can amplify or dampen macroeconomic fluctuations depending on the nature of the shocks buffeting the economy. The second key finding is that shocks originating in the money creation activity of banks can become an independent source of macroeconomic fluctuations.

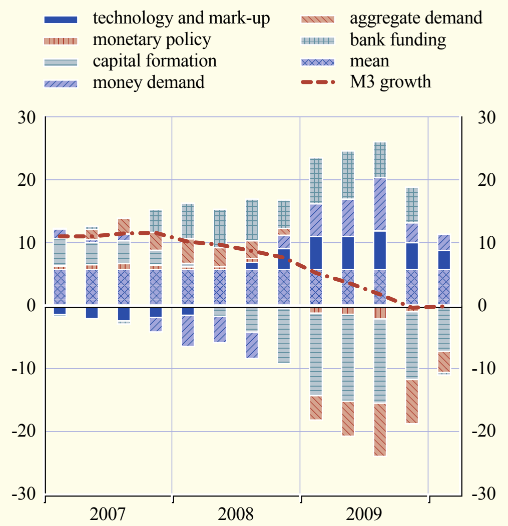
To illustrate some of the uses of the model – particularly how the model can provide a coherent picture of the shocks affecting macroeconomic, monetary and financial variables and of the transmission mechanism of such shocks – Charts A to C display M3 growth, GDP growth and inflation. The focus is on the period covering the financial crisis. In the charts, the data point for each quarter is decomposed into the contributions stemming from the structural shocks identified by the model. To ease exposition, shocks are grouped according to the economic dimension and/or policy function that they have an impact on: consumption, capital formation, technology and mark-up, bank funding, pure money demand and monetary policy. Each category is represented by a bar of a different colour. In each quarter the sum of the bars gives the actual data point (dashed-dotted line).

Starting with real-side shocks, the charts distinguish between aggregate demand shocks (see the bars labelled "aggregate demand") and supply-side shocks (see the bars labelled "technology and mark-up"). Aggregate demand shocks have been closely associated with the deceleration and subsequent fall in GDP growth, inflation and M3 growth. Collectively, these shocks capture retrenchment in total consumption and the negative

1 See Christiano, L.J., Motto, R. and Rostagno, M., "Shocks, Structures or Policies? The Euro Area and the US After 2001", *Journal of Economic Dynamics and Control*, Vol. 32(8), pp. 2476-2506, 2007; and Christiano, L.J., Motto, R. and Rostagno, M., "Financial factors in economic fluctuations", *Working Paper Series*, No 1192, ECB, Frankfurt am Main, May 2010.

Chart A Decomposition of M3 growth

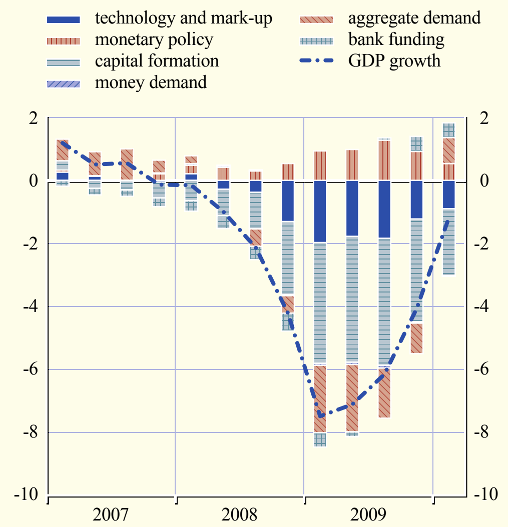
(annual percentage changes; percentage points)



Sources: ECB and ECB calculations.
Notes: The dashed-dotted line indicates M3 growth. Each data point is broken down into the contribution from the shocks identified by the model.

Chart B Decomposition of GDP growth

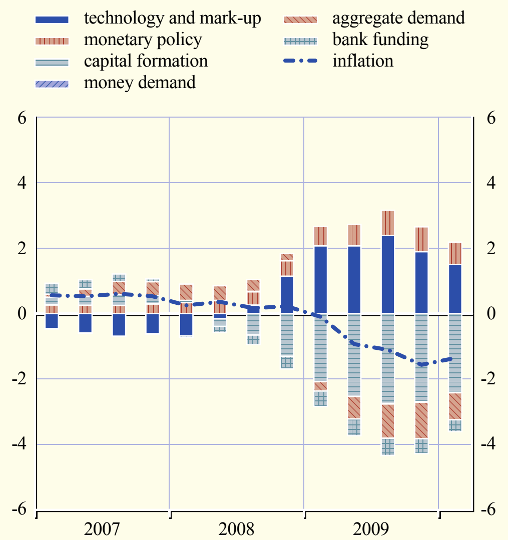
(annual percentage changes; percentage points)



Sources: ECB and ECB calculations.
Notes: The dashed-dotted line indicates the deviation of real GDP growth in per capita terms from its long-run growth path (1.5%). Each data point is broken down into the contribution from the shocks identified by the model.

Chart C Decomposition of GDP deflator inflation

(annual percentage changes; percentage points)



Sources: ECB and ECB calculations.
Notes: The dashed-dotted line indicates the deviation of inflation rates from the model's mean. Each data point is broken down into the contribution from the shocks identified by the model. As the results are derived from a closed-economy model, the chart displays GDP deflator inflation.

contribution from net foreign demand, which is accounted for in the model as an exogenous component of aggregate demand. Supply-side shocks have contributed pro-cyclically to the deceleration and subsequent fall in GDP growth, with an opposite effect on inflation and M3 growth.

Moving to shocks that originate in the monetary and financial sphere, the charts display the contribution of three different categories of shocks. First, shocks perturbing "capital formation" have exerted the most significant downward impact on GDP growth, inflation and M3 growth. These shocks modify realised and anticipated excess returns on capital investment and thereby induce changes in a range of asset prices, in the demand for credit and in banks' lending attitudes through collateral and risk assessment effects. A dominant component in the "capital formation" category is a shock influencing the assessment of lending and borrowing risk – also likely to capture confidence effects.

Second, “bank funding” shocks include factors that in the model directly influence banks’ ability to access funds and their liquidity transformation activity. According to the model, banks – faced with the drying-up of unstable sources of funding – have responded in two ways: they have made considerable efforts to increase their deposit base and they have increased their precautionary holdings, partly by shedding assets and deleveraging, to withstand possible further deterioration of wholesale markets. This is manifested in the charts by the positive contribution of this category of shocks to M3 growth and a negative contribution to GDP growth and inflation. It is worth noting that, since the end of 2009, this category of shocks has changed sign, becoming of late a source of GDP growth. Third, pure “money demand” shocks correspond to portfolio shifts that are approximately neutral vis-à-vis the macroeconomy but exert a considerable impact on M3 developments.

Finally, “monetary policy” has been the only force providing support to GDP growth over the period. This has also helped to counteract downside risks to price stability. The negative contribution of monetary policy to M3 growth over the last few quarters is explained by the initial boosting effect on M3 growth associated with the policy rate cuts initiated in the last quarter of 2008. This pattern of response to policy accommodation is consistent with empirical evidence uncovered in vector autoregression analyses, which have shown that policy accommodation exerts an immediate boosting effect on M1 and an initial contractionary effect on M3 growth.

3.4 EXPLORING THE ROLE OF MONEY AND CREDIT IN ASSET PRICES AND EXTENDING THE FRAMEWORK FOR CROSS–CHECKING AND RISK ANALYSIS

MONEY, CREDIT AND ASSET PRICES

The ECB’s monetary analysis framework allows for the fact that monetary imbalances may not, in the first instance, manifest themselves directly in consumer price dynamics but may instead be associated with developments in asset markets. The link between monetary and credit developments and asset prices has a long tradition in economic theory and is well documented in the empirical literature. Therefore, when forming a view on the underlying rate of monetary expansion, the possible implications of monetary developments for asset price dynamics need to be considered carefully. Research conducted in the context of the agenda to enhance the ECB’s monetary analysis has shown that the relationship between money, credit and asset prices is of an episodic nature, in the sense that excessive developments in money and credit are associated with asset price boom/bust cycles. This work stream has resulted in the development of early warning systems for asset price booms/busts based on the information embedded in money and credit (see the article entitled “Asset price bubbles and monetary policy: revisited” in this issue of the Monthly Bulletin). The integration of these systems into the monetary analysis toolbox allows the formalisation of the assessment of the implications of monetary developments for asset prices and the recognition of the existence of transmission mechanisms through asset price developments to consumer price inflation.

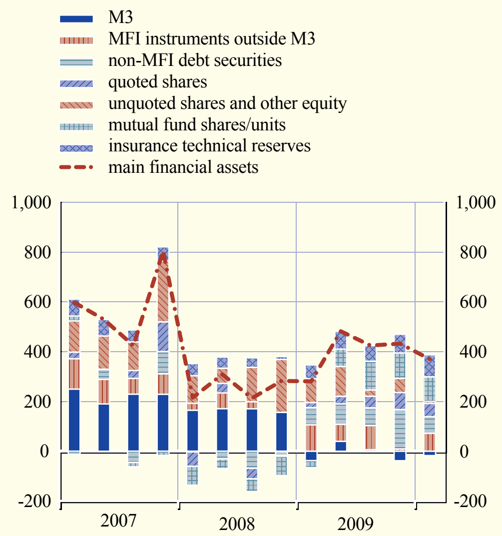
CROSS-CHECKING

“Cross-checking” the macroeconomic indications provided by economic analysis and monetary analysis lies at the heart of the ECB’s monetary policy strategy. It is eminently a policy-maker’s activity, but technical work can assist the exercise. In the context of the agenda to enhance the monetary analysis, one approach to technical cross-checking was to deepen the sector-based analysis of financial flows to reconcile financial information with the baseline aggregate scenario implicit in real sector projections.

Analysis based on the financial accounts can, on the one hand, complement and enrich monetary analysis based on MFI balance

Chart 3 Financial investment of the money-holding sector

(quarterly flows in EUR billons; adjusted for seasonal effects)



Sources: ECB and ECB estimates.

sheets in the context of considering portfolio behaviour and financing decisions across a broader set of financial instruments and across a wider spectrum of financial intermediation channels (see Chart 3). On the other hand, the analysis of financial transactions and balance sheets, in conjunction with real variables and asset prices, in the context of the consistent sectoral framework of the integrated Euro Area Accounts (EAA) can provide empirical evidence to underpin the study of the monetary transmission mechanism. The financial crisis has also underlined the need to monitor balance sheet indicators and the interlinkages between economic sectors, such as households, MFIs and general government.

4 IMPLICATIONS FOR THE CONDUCT OF MONETARY ANALYSIS IN THE POLICY PROCESS

The extensive work carried out in the context of these four avenues of research has improved and enriched the analytical tools and techniques available for assessing monetary developments. Following the enhancement, there are now several stable models available, for instance, to investigate money demand. This plurality offers different, complementary views on the determinants of money growth and reflects the view that in a complex and changing environment, a single model cannot provide the most relevant analysis at all times.

The combined effect of these enhancements is that the analysis of monetary data is now based on a more comprehensive toolkit. The use of a larger number of models and tools raises the question of how to synthesise and communicate key messages. At the same time, the multitude of available approaches ensures that the idiosyncrasies of the interpretations made on the basis of individual tools and techniques are filtered out in the analytical process. The upshot is that the common, and thus core, messages from the analysis are brought more clearly to the fore. The robustness that this imparts to the conclusions and the greater technical sophistication of the analysis inspire more confidence in the assessment of monetary developments with regard to the risks to price stability.

The essential contribution of the monetary analysis to this assessment lies in the identification of the inflation trend and in the provision of early indications regarding changes in this trend, rather than the calculation of point forecasts of inflation at a given horizon. This assessment is normally adjusted in a slow and gradual manner. However, should a drift in the trend of inflation materialise without being perceived by policy-makers, then the correction of this drift could impose large adjustment costs on the economy. The ECB's monetary analysis is now in a better position to provide early indications of an unanchoring of the inflation regime. For instance, the message from the simple bivariate leading indicator models is now complemented by and compared with the indications provided by a non-linear regime-switching model for inflation. A further example of the improvement in gauging the nominal trends in the economy is provided by the modelling of money demand across sectors. This has fostered the understanding of the different speed of portfolio adjustment of firms and households, as well as the different relative importance of money-holding motives for these sectors. This analysis has thus strengthened the ability to detect underlying trends in aggregate money measures.

Simultaneously, the enhancement of monetary analysis has also improved the understanding of the functioning of the transmission mechanism. This advance has proved valuable during the financial turmoil, as banks' balance sheets have been an important channel of propagation of shocks. Indeed, the detailed analysis of monetary dynamics can provide insights with regard to the cyclical developments of financing conditions, the credit channels of monetary policy transmission and the situation of banks. The disentangling of the different driving forces that have an impact on loan developments has facilitated the identification and calibration of the necessary monetary policy measures. This is because the appropriate policy response to a lower demand for loans, for instance, reflecting a deterioration in borrowers' balance sheets differs from a response to a lower supply of loans resulting from strains on banks' balance sheets and market dislocations affecting the cost of funds. In particular, changes to official interest rates should be appropriate to implement monetary policy in cases in which demand is the main factor driving loan developments. By contrast, the provision of a sufficient amount of liquidity, potentially complemented by further government measures, such as the provision of guarantees on bank debt and capital injections, would be warranted in the face of constraints on the capacity of banks to provide loans.

The improved analysis of monetary dynamics has also helped policy-makers to put asset price developments into perspective and to form a view regarding the possible build-up of financial imbalances. In particular, money and credit aggregates are strongly influenced by and have an impact on the dynamics of asset markets. The development of a better understanding of this link inevitably leads to a more elaborate assessment of whether asset price movements are sustainable and how they propagate through the economy, providing additional insights to monetary policy-makers.

The wealth of information generated by the monetary analysis is also used to identify the key uncertainties in the trajectories of monetary and financial variables. These are then used to calibrate monetary and financial scenarios that identify risks to the baseline short to medium-term outlook stemming from the economic analysis. This risk assessment can then also feed back into the assessment of the underlying trend of monetary expansion and its impact on inflation trends.

5 CONCLUSION

Taking an overview of the work conducted over the past three years, a number of themes emerge that illustrate how the ECB's monetary analysis has been improved. First, the enhancements made have allowed the codification of institutional knowledge in economic models, as illustrated by the improvement in money demand equations for euro area M3. Second, the technical refinement of the tools used has allowed the exploitation of state-of-the-art techniques, as demonstrated for instance by the use of regime-switching models for the construction of money-based inflation risk indicators. Third, the models improved and developed in the context of this agenda have allowed a more structural interpretation of monetary developments and of the transmission of innovations in money growth to price dynamics. Fourth, consideration of the interaction between money, credit and asset prices and, ultimately, the relationship with consumer prices has become a more prominent element of the monetary analysis and has been formalised. Fifth, a systematic scenario analysis has been introduced that allows the consideration of risks around the baseline projections on the basis of different assumptions for monetary and financial variables.

The enhancements made have been incorporated into the regular monetary analysis and have proven valuable for monetary policy. In this respect, the timing of the enhancements has been particularly opportune given the challenging environment created by the turmoil in financial markets.

Overall, the enhancements mark significant progress for the conduct of monetary analysis and its ability to serve as an input into policy decisions. This progress built on the tools previously available, thus emphasising continuity in the main aspects of the analytical framework. The primary role of monetary analysis remains firmly centred on assessing risks to price stability. Looking ahead, the enhancements also provide a sound basis for further enrichment. In this respect, it should be recognised that efforts to improve an analytical toolkit should never be considered concluded. Indeed, the tools that are used by monetary analysis and the data set considered is likely to require refinement over time. These needs will have to be addressed in order to maintain the relevance of the policy assessment based on monetary information.

EURO AREA STATISTICS

CONTENTS [1]

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

Conventions used in the tables

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

EURO AREA OVERVIEW

Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

1. Monetary developments and interest rates [1]

	M1 [2]	M2 [2]	M3 [2], [3]	M3 [2], [3] 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government [2]	Securities other than shares issued in euro by non-MFI corporations [2]	3-month interest rate (EURIBOR; % per annum; period averages)	10-year spot rate (% per annum; end of period) [4]
	1	2	3	4	5	6	7	8
2008	2.4	9.6	9.7	-	9.5	19.5	4.64	3.69
2009	9.5	4.8	3.3	-	1.6	23.5	1.22	3.76
2009 Q4	12.3	2.2	0.3	-	-0.6	18.6	0.72	3.76
2010 Q1	11.3	1.7	-0.2	-	-0.4	8.5	0.66	3.46
Q2	10.3	1.4	-0.1	-	0.2	4.4	0.69	3.03
Q3	7.8	1.7	0.6	-	0.9	.	0.87	2.67
2010 May	10.3	1.5	-0.1	0.0	0.2	3.8	0.69	3.00
June	9.1	1.4	0.2	0.1	0.3	2.4	0.73	3.03
July	8.2	1.5	0.2	0.5	0.7	2.0	0.85	3.01
Aug.	7.7	2.0	1.1	0.8	1.2	2.8	0.90	2.48
Sep.	5.9	1.9	1.0	.	1.2	.	0.88	2.67
Oct.	.	.	.	.	.	.	1.00	2.86

2. Prices, output, demand and labour markets

	HICP [1]	Industrial producer prices	Hourly labour costs	Real GDP (s.a.)	Industrial production excluding construction	Capacity utilisation in manufacturing (%)	Employment (s.a.)	Unemployment (% of labour force; s.a.)
	1	2	3	4	5	6	7	8
2008	3.3	6.1	3.4	0.5	-1.8	81.8	0.8	7.5
2009	0.3	-5.1	2.9	-4.1	-14.8	71.1	-1.9	9.4
2010 Q1	1.1	-0.1	1.9	0.8	4.6	73.9	-1.2	9.9
Q2	1.5	3.0	1.6	1.9	9.0	76.3	-0.7	10.0
Q3	1.7	.	.	.	.	77.4	.	10.0
2010 May	1.6	3.1	-	-	9.7	-	-	10.0
June	1.4	3.1	-	-	8.2	-	-	10.0
July	1.7	4.0	-	-	7.1	77.2	-	10.0
Aug.	1.6	3.6	-	-	8.2	-	-	10.0
Sep.	1.8	.	-	-	.	-	-	10.1
Oct.	1.9	.	-	-	.	77.6	-	.

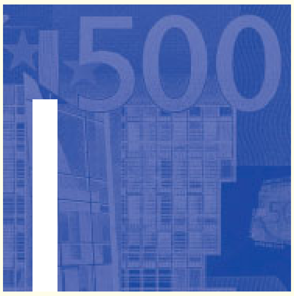
3. External statistics

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)			Reserve assets (end-of-period positions)	Net international investment position (as a % of GDP)	Gross external debt (as a % of GDP)	Effective exchange rate of the euro: EER-21 [5] (index: 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Combined direct and portfolio investment				Nominal	Real (CPI)	
	1	2	3	4	5	6	7	8	9
2008	-124.2	-18.3	63.5	374.2	-17.7	118.2	110.5	110.1	1.4708
2009	-43.7	39.4	190.3	462.4	-16.2	116.4	111.7	110.6	1.3948
2009 Q4	12.7	19.9	42.3	462.4	-16.2	116.4	113.8	112.2	1.4779
2010 Q1	-19.3	2.7	-23.7	498.7	-14.7	120.4	108.7	106.9	1.3829
Q2	-21.3	3.9	64.1	583.3	-12.4	123.7	103.1	101.8	1.2708
Q3	.	.	.	552.2	.	.	102.3	100.9	1.2910
2010 May	-15.5	-1.2	50.9	569.7	.	.	102.8	101.4	1.2565
June	1.1	3.9	-18.0	583.3	.	.	100.7	99.4	1.2209
July	4.9	7.6	-17.5	535.6	.	.	102.5	101.1	1.2770
Aug.	-10.2	-3.8	-0.8	573.2	.	.	102.1	100.6	1.2894
Sep.	.	.	.	552.2	.	.	102.5	100.9	1.3067
Oct.	.	.	.	.	.	.	106.1	104.3	1.3898

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) Data refer to the changing composition of the euro area. For further information, see the General Notes.
2) Annual percentage changes for monthly data refer to the end of the month, whereas those for quarterly and yearly data refer to the annual change in the period average. See the Technical Notes for details.
3) 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.
4) Based on AAA-rated euro area central government bond yield curves. For further information, see Section 4.7.
5) For a 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

	8 October 2010	15 October 2010	22 October 2010	29 October 2010
Gold and gold receivables	334,411	334,411	334,412	334,412
Claims on non-euro area residents in foreign currency	219,888	219,894	219,807	220,845
Claims on euro area residents in foreign currency	24,348	24,202	23,801	23,739
Claims on non-euro area residents in euro	18,342	17,164	17,916	17,806
Lending to euro area credit institutions in euro	514,201	518,524	516,058	534,093
Main refinancing operations	197,049	185,984	184,029	183,438
Longer-term refinancing operations	316,744	331,077	331,077	350,386
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	391	1,442	937	264
Credits related to margin calls	17	22	16	6
Other claims on euro area credit institutions in euro	29,081	29,876	30,683	30,210
Securities of euro area residents in euro	433,329	434,855	435,573	437,319
Securities held for monetary policy purposes	124,317	124,317	124,317	124,317
Other securities	309,013	310,539	311,257	313,002
General government debt in euro	34,975	34,975	34,975	34,977
Other assets	259,378	263,043	264,737	262,278
Total assets	1,867,952	1,876,946	1,877,963	1,895,679

2. Liabilities

	8 October 2010	15 October 2010	22 October 2010	29 October 2010
Banknotes in circulation	815,857	813,990	811,188	815,022
Liabilities to euro area credit institutions in euro	309,685	328,024	319,709	319,056
Current accounts (covering the minimum reserve system)	151,717	228,684	230,495	205,229
Deposit facility	94,413	35,782	25,657	50,308
Fixed-term deposits	63,500	63,500	63,500	63,500
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	54	59	56	19
Other liabilities to euro area credit institutions in euro	1,195	721	577	1,386
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	99,154	92,171	101,509	116,203
Liabilities to non-euro area residents in euro	42,565	42,406	41,521	41,959
Liabilities to euro area residents in foreign currency	1,627	878	2,124	935
Liabilities to non-euro area residents in foreign currency	12,396	12,820	10,942	12,934
Counterpart of special drawing rights allocated by the IMF	53,665	53,665	53,665	53,665
Other liabilities	156,877	157,340	161,797	159,588
Revaluation accounts	296,740	296,740	296,740	296,740
Capital and reserves	78,191	78,191	78,191	78,191
Total liabilities	1,867,952	1,876,946	1,877,963	1,895,679

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
2008 9 July	3.25	0.25	-	4.25	0.25	5.25	0.25
8 Oct.	2.75	-0.50	-	-	-	4.75	-0.50
9 [4]	3.25	0.50	-	-	-	4.25	-0.50
15 [5]	3.25	...	3.75	-	-0.50	4.25	...
12 Nov.	2.75	-0.50	3.25	-	-0.50	3.75	-0.50
10 Dec.	2.00	-0.75	2.50	-	-0.75	3.00	-0.75
2009 21 Jan.	1.00	-1.00	2.00	-	-0.50	3.00	...
11 Mar.	0.50	-0.50	1.50	-	-0.50	2.50	-0.50
8 Apr.	0.25	-0.25	1.25	-	-0.25	2.25	-0.25
13 May	0.25	...	1.00	-	-0.25	1.75	-0.50

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 both to the deposit and marginal lending facilities and to the main refinancing operations (with changes effective from the first main refinancing operation following the Governing Council decision), 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.
4) As of 9 October 2008 the ECB reduced the standing facilities corridor from 200 basis points to 100 basis points around the interest rate on the main refinancing operations. The standing facilities corridor was restored to 200 basis points as of 21 January 2009.
5) On 8 October 2008 the ECB announced that, starting from the operation to be settled on 15 October, the weekly main refinancing operations would be carried out through a fixed rate tender procedure with full allotment at the interest rate on the main refinancing operations. This change overrode the previous decision (made on the same day) to cut by 50 basis points the minimum bid rate on the main refinancing operations conducted as variable rate tenders.

1.3 Eurosystem monetary policy operations allotted through tender procedures [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)	Fixed rate tender procedures	Variable rate tender procedures			Running for (...) days
				Fixed rate	Minimum bid rate	Marginal rate [4)]	Weighted average rate	
	1	2	3	4	5	6	7	8
				Main refinancing operations				
2010 21 July	201,286	163	201,286	1.00	-	-	-	7
28	189,986	151	189,986	1.00	-	-	-	7
4 Aug.	154,844	125	154,844	1.00	-	-	-	7
11	153,747	111	153,747	1.00	-	-	-	7
18	155,227	109	155,227	1.00	-	-	-	7
25	150,315	112	150,315	1.00	-	-	-	7
1 Sep.	153,060	111	153,060	1.00	-	-	-	7
8	153,655	111	153,655	1.00	-	-	-	7
15	151,574	105	151,574	1.00	-	-	-	7
22	153,771	109	153,771	1.00	-	-	-	7
29	166,361	129	166,361	1.00	-	-	-	7
6 Oct.	197,049	148	197,049	1.00	-	-	-	7
13	185,984	145	185,984	1.00	-	-	-	7
20	184,030	151	184,030	1.00	-	-	-	7
27	183,439	190	183,439	1.00	-	-	-	7
3 Nov.	178,350	144	178,350	1.00	-	-	-	7
				Longer-term refinancing operations				
2010 13 May [5)]	35,668	56	35,668	.	-	-	-	182
27	12,163	35	12,163	1.00	-	-	-	91
16 June	31,603	23	31,603	1.00	-	-	-	28
1 July	131,933	171	131,933	1.00	-	-	-	91
14	49,399	34	49,399	1.00	-	-	-	28
29	23,166	70	23,166	1.00	-	-	-	91
11 Aug.	39,148	36	39,148	1.00	-	-	-	28
26	19,083	49	19,083	1.00	-	-	-	91
8 Sep.	37,903	27	37,903	1.00	-	-	-	35
30	104,009	182	104,009	1.00	-	-	-	84
13 Oct.	52,236	34	52,236	1.00	-	-	-	28
28 [5)]	42,475	132	42,475	.	-	-	-	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tender procedures	Variable rate tender procedures				Running for (...) days
					Fixed rate	Minimum bid rate	Maximum bid rate	Marginal rate [4)]	Weighted average rate	
	1	2	3	4	5	6	7	8	9	10
2010 18 Aug.	Collection of fixed-term deposits	128,995	89	60,500	-	-	1.00	0.40	0.39	7
25	Collection of fixed-term deposits	108,403	82	60,500	-	-	1.00	0.37	0.35	7
1 Sep.	Collection of fixed-term deposits	117,388	71	61,000	-	-	1.00	0.35	0.33	7
7	Collection of fixed-term deposits	175,426	168	175,426	-	-	1.00	0.80	0.77	1
8	Collection of fixed-term deposits	104,495	64	61,000	-	-	1.00	0.39	0.33	7
15	Collection of fixed-term deposits	98,647	60	61,000	-	-	1.00	0.37	0.34	7
22	Collection of fixed-term deposits	90,407	59	61,500	-	-	1.00	0.36	0.34	7
29	Collection of fixed-term deposits	71,213	44	61,500	-	-	1.00	0.75	0.38	7
30	Reverse transaction	29,443	50	29,443	1.00	-	-	-	-	6
6 Oct.	Collection of fixed-term deposits	114,184	77	63,500	-	-	1.00	0.50	0.42	7
12	Collection of fixed-term deposits	110,844	143	108,993	-	-	1.00	0.80	0.76	1
13	Collection of fixed-term deposits	103,101	59	63,500	-	-	1.00	0.75	0.60	7
20	Collection of fixed-term deposits	103,927	67	63,500	-	-	1.00	0.75	0.66	7
27	Collection of fixed-term deposits	90,999	53	63,500	-	-	1.00	0.74	0.67	7
3 Nov.	Collection of fixed-term deposits	90,877	61	63,500	-	-	1.00	0.62	0.57	7

Source: ECB.

1) The amounts shown may differ slightly from those in Section 1.1 owing to operations that have been allotted but not settled.
2) With effect from April 2002, split tender operations (i.e. operations with a one-week maturity conducted as standard tender procedures 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 tender procedures. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids. On 8 October 2008 the ECB announced that, starting from the operation to be settled on 15 October 2008, the weekly main refinancing operations would be carried out through a fixed rate tender procedure with full allotment at the interest rate on the main refinancing operations. On 4 March 2010 the ECB decided to return to variable rate tender procedures in the regular three-month longer-term refinancing operations, starting with the operation to be allotted on 28 April 2010 and settled on 29 April 2010.
4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
5) In the final one-year longer-term refinancing operation, which was settled on 17 December 2009, in the six-month longer-term refinancing operations settled on 1 April and 13 May 2010, and in the three-month longer-term refinancing operation settled on 28 October 2010, the rate at which all bids were satisfied was indexed to the average minimum bid rate in the main refinancing operations over the life of the operation.

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		
		Overnight deposits and deposits with an agreed maturity or notice period of up to 2 years	Debt securities issued with a maturity of up to 2 years	Deposits with an agreed maturity or notice period of over 2 years	Repos	Debt securities issued with a maturity of over 2 years
	1	2	3	4	5	6
2008	18,169.6	10,056.8	848.7	2,376.9	1,243.5	3,643.7
2009	18,318.2	9,808.5	760.4	2,475.7	1,170.1	4,103.5
2010 Apr.	18,861.5	9,912.0	764.4	2,584.6	1,345.7	4,254.8
May	19,045.5	9,996.2	746.7	2,600.7	1,411.7	4,290.0
June	19,018.2	9,998.7	721.2	2,586.9	1,314.3	4,397.2
July	18,966.5	9,918.6	703.0	2,594.9	1,344.0	4,405.9
Aug.	19,137.6	10,018.7	707.4	2,618.7	1,366.2	4,426.5

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
2008	217.2	218.7	1.5	0.0	3.25
2009	210.2	211.4	1.2	0.0	1.00
2010 15 June	211.3	212.5	1.3	0.0	1.00
13 July	213.0	214.4	1.4	0.0	1.00
10 Aug.	214.3	215.7	1.4	0.0	1.00
7 Sep.	213.9	215.3	1.4	0.0	1.00
12 Oct.	211.9	213.1	1.2	0.0	1.00
9 Nov.	214.0	.	.	.	.

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 [2]	Deposit facility	Other liquidity-absorbing operations [3]	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	1	2	3	4	5	6	7	8	9	10	11	12
2008	580.5	337.3	457.2	2.7	0.0	200.9	4.9	731.1	107.8	114.3	218.7	1,150.7
2009	407.6	55.8	593.4	0.7	24.6	65.7	9.9	775.2	150.1	-130.2	211.4	1,052.3
2010 11 May	457.0	76.7	666.4	0.9	49.4	218.2	11.4	796.6	112.1	-100.3	212.4	1,227.2
15 June	462.4	110.0	706.7	0.3	86.9	288.8	34.1	806.2	123.1	-98.4	212.5	1,307.5
13 July	500.9	167.5	573.2	0.3	140.2	230.4	54.4	813.0	126.5	-56.5	214.4	1,257.8
10 Aug.	543.4	185.4	432.2	0.1	121.4	96.7	67.5	819.3	95.2	-11.8	215.7	1,131.7
7 Sep.	543.2	153.1	435.0	0.6	121.8	83.7	66.9	816.0	86.8	-15.0	215.3	1,115.0
12 Oct.	531.3	164.5	392.6	0.7	128.3	68.8	64.8	814.1	96.4	-39.8	213.1	1,096.1

Source: ECB.
1) End of period.
2) Includes liquidity provided under the Eurosystem's covered bond purchase programme and the Eurosystem's securities markets programme.
3) Includes liquidity absorbed as a result of the Eurosystem's foreign exchange swap operations.
For more information, please see: http://www.ecb.europa.eu/mopo/liq/html/index.en.html

2 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													
2008	2,982.9	1,803.0	20.6	0.6	1,781.8	362.3	319.5	3.3	39.4	-	14.4	484.7	8.6	309.9
2009	2,829.9	1,475.6	19.5	0.7	1,455.4	451.7	368.3	7.5	75.9	-	16.5	556.7	8.5	321.0
2010 Q2	3,390.3	1,822.1	18.8	0.9	1,802.4	526.7	416.5	9.7	100.5	-	15.8	670.4	8.6	346.7
Q3 (p)	3,024.2	1,459.0	18.5	0.9	1,439.6	550.3	439.4	9.6	101.2	-	16.7	645.7	8.7	343.8
2010 Apr.	2,946.5	1,511.9	19.0	0.7	1,492.3	478.9	377.6	8.8	92.5	-	16.4	610.1	8.4	320.8
May	3,259.3	1,732.5	19.0	0.7	1,712.9	516.5	408.6	9.2	98.7	-	15.9	665.6	8.5	320.3
June	3,390.3	1,822.1	18.8	0.9	1,802.4	526.7	416.5	9.7	100.5	-	15.8	670.4	8.6	346.7
July	3,104.2	1,569.6	18.7	0.9	1,550.0	537.9	428.6	9.6	99.7	-	16.1	620.4	8.6	351.6
Aug.	3,101.4	1,529.1	18.7	0.9	1,509.5	544.8	434.1	9.7	101.0	-	16.6	664.0	8.7	338.2
Sep. (p)	3,024.2	1,459.0	18.5	0.9	1,439.6	550.3	439.4	9.6	101.2	-	16.7	645.7	8.7	343.8
	MFIs excluding the Eurosystem													
2008	31,830.5	18,050.8	968.3	10,774.8	6,307.7	4,628.1	1,245.4	1,406.4	1,976.3	98.7	1,196.7	4,746.6	211.7	2,897.9
2009	31,144.9	17,702.3	1,001.5	10,783.3	5,917.5	5,060.7	1,483.2	1,497.2	2,080.3	85.1	1,235.1	4,251.7	220.7	2,589.2
2010 Q2	32,574.7	18,263.3	1,068.1	10,984.0	6,211.3	5,105.0	1,568.9	1,504.5	2,031.7	67.3	1,227.8	4,573.5	221.4	3,116.4
Q3 (p)	32,075.7	17,887.5	1,069.0	10,981.2	5,837.2	5,066.0	1,564.7	1,526.7	1,974.6	62.6	1,244.3	4,387.9	220.0	3,207.7
2010 Apr.	31,982.9	17,904.9	1,036.3	10,821.8	6,046.7	5,130.3	1,560.9	1,490.5	2,078.9	76.7	1,271.2	4,511.3	218.1	2,870.3
May	32,705.9	18,182.0	1,051.2	10,864.0	6,266.7	5,078.9	1,551.6	1,469.5	2,057.9	74.6	1,255.3	4,681.9	218.8	3,214.4
June	32,574.7	18,263.3	1,068.1	10,984.0	6,211.3	5,105.0	1,568.9	1,504.5	2,031.7	67.3	1,227.8	4,573.5	221.4	3,116.4
July	32,076.7	18,047.8	1,056.8	10,969.7	6,021.3	5,094.1	1,566.2	1,530.2	1,997.7	64.7	1,229.2	4,429.5	219.6	2,991.8
Aug.	32,663.7	18,008.8	1,064.3	10,967.7	5,976.7	5,108.7	1,561.0	1,534.8	2,013.0	64.7	1,241.3	4,574.2	219.4	3,446.6
Sep. (p)	32,075.7	17,887.5	1,069.0	10,981.2	5,837.2	5,066.0	1,564.7	1,526.7	1,974.6	62.6	1,244.3	4,387.9	220.0	3,207.7

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										
2008	2,982.9	784.7	1,240.7	68.8	16.6	1,155.2	-	0.1	273.8	378.3	305.4
2009	2,829.9	829.3	1,185.1	102.6	22.1	1,060.5	-	0.1	320.9	140.0	354.5
2010 Q2	3,390.3	835.4	1,623.2	137.2	21.4	1,464.6	-	0.1	413.5	142.5	375.7
Q3 (p)	3,024.2	837.0	1,284.9	89.2	10.6	1,185.0	-	0.0	403.6	131.3	367.5
2010 Apr.	2,946.5	821.1	1,263.6	87.8	21.4	1,154.4	-	0.1	369.2	140.7	351.9
May	3,259.3	828.4	1,510.9	128.8	22.7	1,359.5	-	0.1	407.0	155.3	357.6
June	3,390.3	835.4	1,623.2	137.2	21.4	1,464.6	-	0.1	413.5	142.5	375.7
July	3,104.2	844.1	1,361.9	102.8	11.9	1,247.2	-	0.1	396.5	137.2	364.3
Aug.	3,101.4	837.5	1,335.3	97.0	8.6	1,229.8	-	0.1	424.6	135.9	368.0
Sep. (p)	3,024.2	837.0	1,284.9	89.2	10.6	1,185.0	-	0.0	403.6	131.3	367.5
	MFIs excluding the Eurosystem										
2008	31,830.5	-	16,742.2	190.8	9,699.5	6,852.0	825.0	4,838.9	1,767.6	4,401.5	3,255.4
2009	31,144.9	-	16,469.9	144.1	10,044.0	6,281.8	732.6	4,909.6	1,921.2	4,097.3	3,014.3
2010 Q2	32,574.7	-	17,009.6	167.6	10,297.5	6,544.5	670.9	4,980.4	2,004.2	4,460.8	3,448.9
Q3 (p)	32,075.7	-	16,599.1	176.2	10,321.3	6,101.5	652.2	4,900.5	2,015.3	4,303.3	3,605.3
2010 Apr.	31,982.9	-	16,598.3	159.6	10,123.3	6,315.4	710.9	5,015.6	1,934.0	4,407.9	3,316.3
May	32,705.9	-	16,872.0	155.5	10,147.6	6,569.0	704.9	5,025.8	1,941.2	4,547.5	3,614.5
June	32,574.7	-	17,009.6	167.6	10,297.5	6,544.5	670.9	4,980.4	2,004.2	4,460.8	3,448.9
July	32,076.7	-	16,757.3	179.5	10,275.5	6,302.4	659.5	4,928.6	2,007.8	4,349.5	3,373.9
Aug.	32,663.7	-	16,725.1	165.2	10,302.0	6,257.9	674.9	4,957.0	2,017.7	4,495.1	3,794.0
Sep. (p)	32,075.7	-	16,599.1	176.2	10,321.3	6,101.5	652.2	4,900.5	2,015.3	4,303.3	3,605.3

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 a maturity of up to two years and 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										
2008	24,121.4	11,764.3	988.9	10,775.5	2,974.7	1,564.9	1,409.8	784.8	5,231.4	220.3	3,146.0
2009	23,861.4	11,804.9	1,020.9	10,784.0	3,356.2	1,851.5	1,504.6	811.9	4,808.4	229.2	2,850.8
2010 Q2	25,240.8	12,071.7	1,086.8	10,984.9	3,499.6	1,985.4	1,514.2	782.5	5,243.9	230.0	3,413.1
Q3 (p)	25,171.3	12,069.6	1,087.5	10,982.1	3,540.4	2,004.1	1,536.4	797.8	5,033.6	228.6	3,501.2
2010 Apr.	24,631.5	11,877.8	1,055.3	10,822.5	3,437.8	1,938.5	1,499.3	825.3	5,121.4	226.5	3,142.6
May	25,234.4	11,934.9	1,070.2	10,864.7	3,438.8	1,960.2	1,478.6	800.7	5,347.5	227.3	3,485.2
June	25,240.8	12,071.7	1,086.8	10,984.9	3,499.6	1,985.4	1,514.2	782.5	5,243.9	230.0	3,413.1
July	24,936.6	12,046.1	1,075.5	10,970.6	3,534.5	1,994.8	1,539.8	784.6	5,049.9	228.2	3,293.1
Aug.	25,588.5	12,051.6	1,083.0	10,968.6	3,539.6	1,995.1	1,544.4	795.8	5,238.2	228.1	3,735.3
Sep. (p)	25,171.3	12,069.6	1,087.5	10,982.1	3,540.4	2,004.1	1,536.4	797.8	5,033.6	228.6	3,501.2
	Transactions										
2008	1,693.9	598.0	12.8	585.2	499.5	90.0	409.5	-56.4	-73.8	-3.0	730.8
2009	-645.4	20.1	34.2	-14.1	365.1	269.8	95.3	12.3	-465.4	7.8	-586.0
2010 Q2	515.6	133.6	36.1	97.5	41.5	55.8	-14.4	-2.0	-55.0	2.7	394.7
Q3 (p)	168.8	42.9	1.3	41.6	29.3	9.0	20.3	10.1	3.6	-1.5	84.4
2010 Apr.	283.2	33.5	3.1	30.4	18.7	11.5	7.2	35.4	71.5	0.1	124.0
May	391.9	37.1	14.4	22.7	-1.0	20.2	-21.2	-20.6	30.7	0.7	344.8
June	-159.5	63.0	18.5	44.4	23.8	24.2	-0.4	-16.8	-157.3	2.0	-74.1
July	-142.8	-1.6	-11.0	9.4	27.8	5.1	22.6	-2.9	-42.8	-1.8	-121.5
Aug.	538.0	-6.1	7.2	-13.2	-2.6	-7.3	4.7	12.4	94.8	-0.3	439.8
Sep. (p)	-226.4	50.5	5.1	45.4	4.2	11.2	-7.0	0.6	-48.4	0.6	-233.8

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units [2]	Debt securities issued [3]	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities over inter-MFI assets
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2008	24,121.4	722.7	259.6	9,716.1	726.3	2,823.3	1,615.1	4,779.8	3,560.8	-82.3
2009	23,861.4	769.9	246.7	10,066.1	647.5	2,753.5	1,802.3	4,237.3	3,368.8	-30.7
2010 Q2	25,240.8	785.4	304.8	10,318.9	603.6	2,848.3	1,956.5	4,603.3	3,824.6	-4.6
Q3 (p)	25,171.3	786.7	265.5	10,331.9	589.7	2,824.7	1,955.7	4,434.6	3,972.7	9.7
2010 Apr.	24,631.5	772.6	247.5	10,144.7	634.2	2,844.2	1,840.8	4,548.5	3,668.1	-69.2
May	25,234.4	779.0	284.2	10,170.2	630.3	2,869.3	1,877.6	4,702.8	3,972.1	-51.1
June	25,240.8	785.4	304.8	10,318.9	603.6	2,848.3	1,956.5	4,603.3	3,824.6	-4.6
July	24,936.6	793.9	282.2	10,287.4	594.8	2,831.3	1,943.7	4,486.7	3,738.3	-21.8
Aug.	25,588.5	787.9	262.1	10,310.6	610.1	2,843.1	1,980.3	4,631.0	4,162.0	1.5
Sep. (p)	25,171.3	786.7	265.5	10,331.9	589.7	2,824.7	1,955.7	4,434.6	3,972.7	9.7
	Transactions									
2008	1,693.9	83.3	106.0	700.8	29.8	-32.8	138.5	91.6	601.8	-25.1
2009	-645.4	45.8	-4.4	288.6	-12.3	-55.4	142.7	-591.3	-502.4	43.3
2010 Q2	515.6	16.9	37.3	137.6	-28.8	-34.8	45.6	-45.0	354.8	31.8
Q3 (p)	168.8	1.3	-39.5	39.0	-14.2	23.6	6.8	21.6	124.1	6.2
2010 Apr.	283.2	4.0	-20.0	85.2	1.8	7.9	0.3	96.3	119.8	-12.2
May	391.9	6.4	36.8	5.7	-4.0	-15.4	14.2	4.0	322.3	21.9
June	-159.5	6.5	20.5	46.7	-26.6	-27.3	31.1	-145.3	-87.3	22.1
July	-142.8	8.4	-22.6	-18.0	-8.9	10.4	13.4	-10.6	-92.8	-22.0
Aug.	538.0	-6.0	-20.2	15.9	15.3	-3.5	7.4	88.3	414.6	26.3
Sep. (p)	-226.4	-1.2	3.4	41.2	-20.5	16.7	-14.0	-56.1	-197.7	2.0

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 a maturity of up to two years and held by non-euro area residents are included in external liabilities.

2.3 Monetary statistics [1]

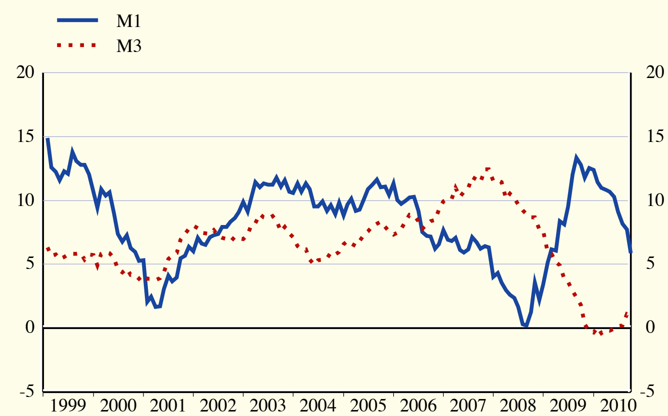
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

1. Monetary aggregates [2] and counterparts

	M3					M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents			Net external assets [3]
	M2			M3-M2						Loans	Memo item: Loans adjusted for sales and securitisation [4]	
	M1	M2-M1										
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2008	3,980.6	4,040.7	8,021.4	1,371.5	9,392.9	-	6,281.8	2,575.5	12,969.6	10,779.9	-	431.9
2009	4,492.3	3,696.0	8,188.3	1,145.9	9,334.2	-	6,757.2	2,898.4	13,090.8	10,782.2	-	551.0
2010 Q2	4,657.6	3,642.1	8,299.8	1,128.3	9,428.1	-	7,136.0	3,048.6	13,243.4	10,957.5	-	646.5
Q3 (p)	4,672.3	3,706.1	8,378.5	1,122.6	9,501.1	-	7,144.9	3,099.1	13,325.7	10,970.4	-	604.1
2010 May	4,646.3	3,637.5	8,283.8	1,103.4	9,387.2	-	7,013.3	3,023.4	13,105.6	10,862.0	-	686.5
June	4,657.6	3,642.1	8,299.8	1,128.3	9,428.1	-	7,136.0	3,048.6	13,243.4	10,957.5	-	646.5
July	4,687.6	3,642.6	8,330.2	1,102.6	9,432.8	-	7,103.9	3,062.0	13,280.3	10,947.8	-	566.4
Aug.	4,735.1	3,671.8	8,407.0	1,114.5	9,521.5	-	7,178.1	3,089.5	13,366.7	11,003.5	-	611.2
Sep. (p)	4,672.3	3,706.1	8,378.5	1,122.6	9,501.1	-	7,144.9	3,099.1	13,325.7	10,970.4	-	604.1
Transactions												
2008	130.6	484.8	615.3	47.8	663.1	-	252.3	103.0	926.7	580.9	736.7	-166.3
2009	495.6	-368.3	127.3	-157.6	-30.3	-	421.2	308.1	84.1	-20.4	19.9	125.6
2010 Q2	73.9	-25.9	48.0	21.3	69.3	-	2.1	69.2	28.5	65.1	72.7	-15.8
Q3 (p)	24.1	72.9	96.9	-10.2	86.7	-	75.6	41.4	119.5	57.2	79.9	-18.7
2010 May	-9.6	5.7	-3.9	-17.0	-20.9	-	-3.7	39.5	-16.9	18.1	18.7	41.3
June	3.2	6.6	9.9	24.2	34.0	-	-25.7	26.1	28.0	19.9	25.4	-48.0
July	35.3	4.9	40.2	-28.0	12.2	-	27.3	9.5	52.5	14.1	28.8	-34.8
Aug.	44.7	26.7	71.3	11.7	83.1	-	28.1	19.5	76.5	44.4	47.6	7.2
Sep. (p)	-55.9	41.3	-14.6	6.1	-8.5	-	20.3	12.5	-9.5	-1.2	3.4	8.9
Growth rates												
2008	3.4	13.7	8.3	3.6	7.6	7.1	4.2	4.2	7.7	5.7	7.1	-166.3
2009	12.4	-9.1	1.6	-11.6	-0.3	-0.2	6.7	11.9	0.6	-0.2	0.2	125.6
2010 Q2	9.1	-7.0	1.4	-7.7	0.2	0.1	3.9	8.1	0.0	0.3	0.3	39.4
Q3 (p)	5.9	-2.7	1.9	-5.0	1.0	0.8	3.1	7.1	0.9	1.2	1.3	-2.2
2010 May	10.3	-7.9	1.5	-9.8	-0.1	0.0	5.1	9.5	0.1	0.2	0.2	94.7
June	9.1	-7.0	1.4	-7.7	0.2	0.1	3.9	8.1	0.0	0.3	0.3	39.4
July	8.2	-5.9	1.5	-8.5	0.2	0.5	3.8	7.7	0.6	0.7	0.8	-1.6
Aug.	7.7	-4.6	2.0	-5.1	1.1	0.8	3.4	7.4	1.0	1.2	1.2	-24.6
Sep. (p)	5.9	-2.7	1.9	-5.0	1.0	.	3.1	7.1	0.9	1.2	1.3	-2.2

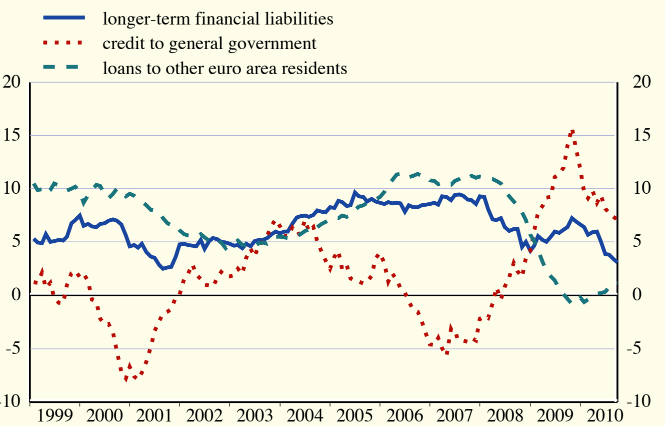
C1 Monetary aggregates [1]

(annual growth rates; seasonally adjusted)



C2 Counterparts [1]

(annual growth rates; seasonally adjusted)



Source: ECB.

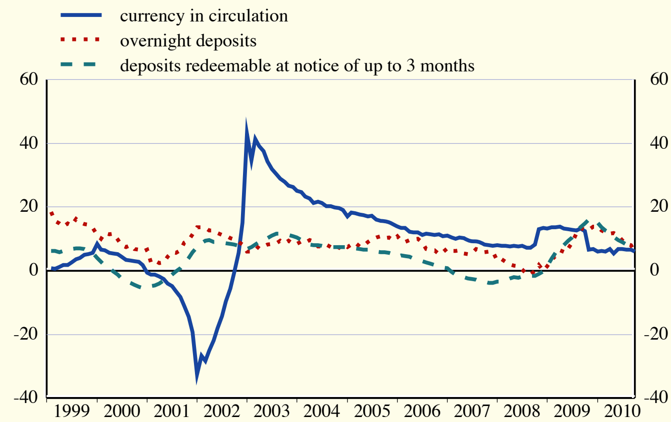
1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
Monthly and other shorter-term growth rates for selected items are available at: http://www.ecb.europa.eu/stats/money/aggregates/aggr/html/index.en.html
2) Monetary liabilities of MFIs and central government (post office, treasury, etc.) vis-à-vis non-MFI euro area residents excluding central government.
For definitions of M1, M2 and M3, see glossary.
3) Values in the section "growth rates" are sums of the transactions during the 12 months ending in the period indicated.
4) Adjustment for the derecognition of loans on the MFI balance sheet on account of their sale or securitisation.

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)

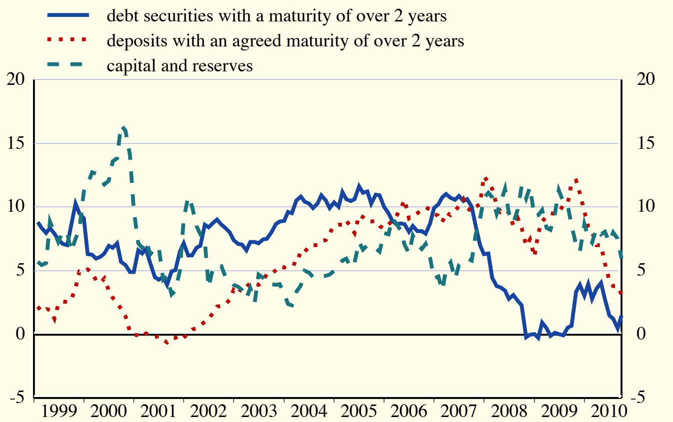
2. Components of monetary aggregates and longer-term financial liabilities

	Currency in circulation	Overnight deposits	Deposits with an agreed maturity of up to 2 years	Deposits redeemable at notice of up to 3 months	Repos	Money market fund shares/units	Debt securities with a maturity of up to 2 years	Debt securities with a maturity of over 2 years	Deposits redeemable at notice of over 3 months	Deposits with an agreed maturity of over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
						Outstanding amounts					
2008	710.4	3,270.2	2,472.2	1,568.6	350.2	755.2	266.1	2,569.3	121.6	1,987.1	1,603.8
2009	755.1	3,737.2	1,890.6	1,805.4	340.2	673.8	131.9	2,634.0	131.9	2,202.2	1,789.2
2010 Q2	784.9	3,872.7	1,798.7	1,843.4	401.8	604.1	122.4	2,711.6	128.1	2,339.0	1,957.3
Q3 (p)	791.2	3,881.1	1,816.0	1,890.2	400.5	594.8	127.3	2,696.2	122.5	2,375.6	1,950.6
2010 May	780.2	3,866.1	1,791.7	1,845.8	358.2	616.2	129.0	2,734.6	129.0	2,254.1	1,895.6
June	784.9	3,872.7	1,798.7	1,843.4	401.8	604.1	122.4	2,711.6	128.1	2,339.0	1,957.3
July	782.2	3,905.4	1,787.7	1,854.9	390.2	585.9	126.5	2,689.4	126.0	2,344.4	1,944.1
Aug.	791.7	3,943.5	1,797.7	1,874.1	387.7	600.5	126.3	2,706.5	125.1	2,363.2	1,983.3
Sep. (p)	791.2	3,881.1	1,816.0	1,890.2	400.5	594.8	127.3	2,696.2	122.5	2,375.6	1,950.6
						Transactions					
2008	83.6	46.9	464.2	20.5	47.0	32.9	-32.1	0.6	0.7	114.7	136.2
2009	43.4	452.2	-605.7	237.4	-10.1	-13.2	-134.3	78.8	8.9	192.6	140.9
2010 Q2	9.6	64.2	-42.6	16.6	60.0	-25.4	-13.2	-37.5	-1.9	-6.4	47.9
Q3 (p)	6.3	17.8	25.9	46.9	-1.0	-9.5	0.3	36.2	-2.2	40.8	0.8
2010 May	11.1	-20.7	4.4	1.3	-1.2	-8.3	-7.5	-17.9	0.0	-9.5	23.7
June	4.8	-1.5	-1.4	8.1	43.6	-12.1	-7.4	-28.5	-1.0	-10.1	13.9
July	-2.7	38.0	-6.7	11.6	-11.5	-18.2	1.7	7.4	-1.0	7.8	13.0
Aug.	9.5	35.2	7.5	19.2	-2.6	14.5	-0.3	2.0	0.2	15.8	10.0
Sep. (p)	-0.5	-55.4	25.1	16.2	13.1	-5.8	-1.2	26.8	-1.4	17.1	-22.2
						Growth rates					
2008	13.3	1.5	23.3	1.3	15.3	4.7	-10.7	0.0	0.5	6.1	9.3
2009	6.1	13.8	-24.3	15.1	-2.8	-1.8	-50.2	3.1	7.2	9.7	8.6
2010 Q2	6.9	9.6	-19.4	9.1	16.7	-13.5	-32.1	1.5	0.6	4.2	7.3
Q3 (p)	6.0	5.9	-11.8	7.9	22.2	-15.3	-16.2	1.5	-3.8	3.1	5.9
2010 May	6.8	11.0	-21.1	9.7	9.8	-12.4	-33.6	2.8	2.3	5.6	8.1
June	6.9	9.6	-19.4	9.1	16.7	-13.5	-32.1	1.5	0.6	4.2	7.3
July	6.6	8.5	-17.4	8.2	17.9	-16.6	-26.5	1.3	-1.3	3.8	8.0
Aug.	6.7	8.0	-15.1	8.1	24.0	-14.6	-19.8	0.5	-1.9	3.8	7.5
Sep. (p)	6.0	5.9	-11.8	7.9	22.2	-15.3	-16.2	1.5	-3.8	3.1	5.9

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)]

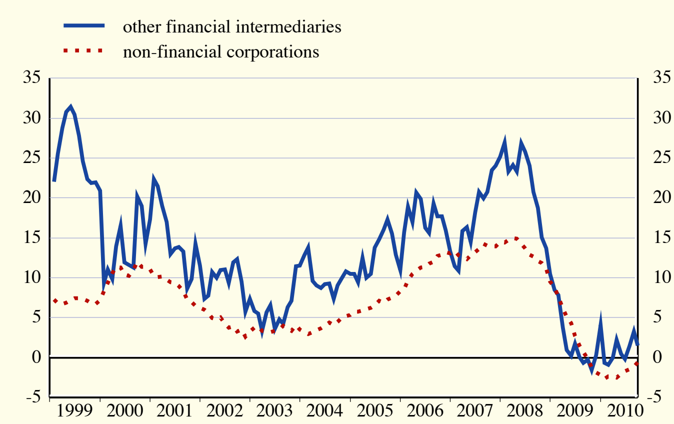
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

1. Loans to financial intermediaries, non-financial corporations and households

	Insurance corporations and pension funds	Other financial intermediaries [3)]	Non-financial corporations				Households [4)]			
	Total	Total	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Consumer credit	Loans for house purchase	Other loans
	1	2	3	4	5	6	7	8	9	10
				Outstanding amounts						
2008	104.9	971.7	4,821.3	1,381.1	960.9	2,479.3	4,882.0	632.4	3,483.0	766.6
2009	90.0	1,058.6	4,684.9	1,185.4	936.8	2,562.7	4,948.7	631.7	3,543.3	773.8
2010 Q2	85.4	1,092.8	4,691.2	1,134.9	925.0	2,631.3	5,088.1	644.2	3,631.5	812.3
Q3 (p)	91.4	1,070.1	4,699.2	1,135.6	924.4	2,639.3	5,109.8	639.1	3,651.9	818.8
2010 May	90.2	1,069.6	4,688.3	1,163.9	920.7	2,603.7	5,014.0	624.5	3,605.5	784.0
June	85.4	1,092.8	4,691.2	1,134.9	925.0	2,631.3	5,088.1	644.2	3,631.5	812.3
July	91.9	1,104.1	4,664.7	1,121.1	917.1	2,626.5	5,087.1	641.0	3,636.1	810.0
Aug.	95.4	1,115.0	4,686.1	1,128.2	919.1	2,638.8	5,107.0	642.8	3,649.6	814.7
Sep. (p)	91.4	1,070.1	4,699.2	1,135.6	924.4	2,639.3	5,109.8	639.1	3,651.9	818.8
				Transactions						
2008	-3.7	86.9	418.2	86.8	119.6	211.8	79.5	10.4	52.1	16.9
2009	-13.5	35.9	-105.5	-180.9	-18.1	93.5	62.7	-0.9	51.3	12.4
2010 Q2	-1.2	32.9	-3.2	-28.7	2.1	23.4	36.6	0.4	31.9	4.2
Q3 (p)	6.2	7.1	19.6	9.3	-0.7	11.0	24.3	-2.7	19.9	7.1
2010 May	-0.5	-8.5	17.8	9.7	-1.7	9.8	9.3	-1.3	9.0	1.5
June	-3.8	22.1	-9.7	-22.2	5.1	7.3	11.3	1.7	10.2	-0.6
July	6.6	16.8	-13.0	-8.8	-5.1	0.9	3.6	-2.2	6.6	-0.8
Aug.	3.4	9.7	17.3	5.7	1.7	9.8	14.0	1.6	8.3	4.1
Sep. (p)	-3.9	-19.4	15.3	12.3	2.7	0.2	6.8	-2.2	5.1	3.9
				Growth rates						
2008	-3.5	10.0	9.5	6.7	13.9	9.4	1.7	1.7	1.5	2.2
2009	-13.0	3.6	-2.2	-13.1	-1.9	3.8	1.3	-0.1	1.5	1.6
2010 Q2	-13.5	-0.4	-1.7	-9.9	-3.9	3.3	2.7	-0.3	3.3	2.6
Q3 (p)	-1.2	1.6	-0.6	-6.1	-2.3	2.7	2.8	-0.9	3.4	3.0
2010 May	-7.8	0.4	-2.1	-10.3	-4.7	3.2	2.6	-0.4	3.1	2.9
June	-13.5	-0.4	-1.7	-9.9	-3.9	3.3	2.7	-0.3	3.3	2.6
July	-1.0	1.2	-1.4	-8.3	-3.9	2.8	2.7	-0.6	3.4	2.6
Aug.	5.8	3.2	-1.1	-7.9	-3.2	2.9	2.9	-0.4	3.4	2.9
Sep. (p)	-1.2	1.6	-0.6	-6.1	-2.3	2.7	2.8	-0.9	3.4	3.0

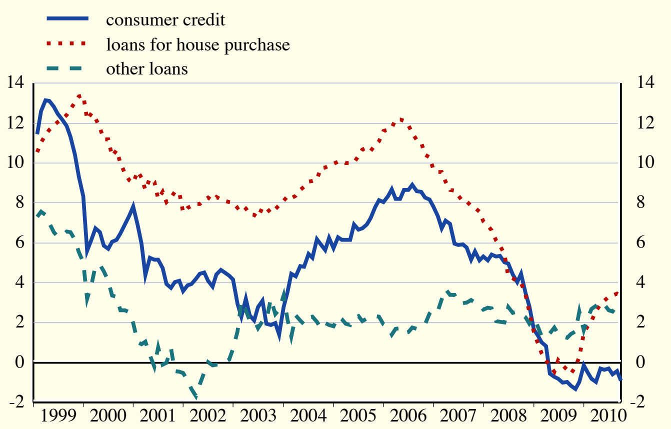
C5 Loans to other financial intermediaries and non-financial corporations [2)]

(annual growth rates; not seasonally adjusted)



C6 Loans to households [2)]

(annual growth rates; not seasonally adjusted)



Source: ECB.

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

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

(EUR billions and annual growth rates; not seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

2. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds				Other financial intermediaries [3)]				Non-financial corporations			
	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	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
	Outstanding amounts											
2009	80.3	57.4	7.0	15.9	1,051.6	592.9	185.8	272.9	4,691.3	1,181.3	937.2	2,572.8
2010 Q2	89.6	68.1	5.7	15.8	1,103.4	587.7	216.1	299.6	4,699.5	1,147.0	924.9	2,627.5
Q3 (p)	92.5	72.2	5.8	14.5	1,083.2	583.8	203.0	296.5	4,689.0	1,132.9	922.1	2,634.0
2010 July	95.2	74.1	5.4	15.7	1,097.8	581.0	214.6	302.1	4,682.8	1,134.1	919.5	2,629.2
Aug.	95.7	74.6	5.0	16.0	1,092.6	580.1	212.3	300.3	4,673.6	1,119.9	917.5	2,636.3
Sep. (p)	92.5	72.2	5.8	14.5	1,083.2	583.8	203.0	296.5	4,689.0	1,132.9	922.1	2,634.0
	Transactions											
2009	-11.9	-11.8	0.9	-0.9	39.4	24.5	7.5	7.4	-104.8	-180.7	-17.9	93.8
2010 Q2	3.4	3.8	-0.2	-0.1	35.8	25.5	6.9	3.4	8.6	-13.3	0.8	21.1
Q3 (p)	3.1	4.3	0.2	-1.4	9.7	5.6	1.8	2.2	1.2	-5.4	-2.8	9.5
2010 July	5.7	6.1	-0.3	-0.1	-0.1	-3.4	-0.6	3.9	-3.1	-7.8	-2.6	7.4
Aug.	0.4	0.5	-0.4	0.3	-6.2	-3.8	-2.7	0.3	-13.3	-15.6	-2.3	4.6
Sep. (p)	-3.0	-2.3	0.9	-1.6	16.0	12.8	5.1	-1.9	17.6	18.0	2.1	-2.5
	Growth rates											
2009	-13.0	-17.1	14.2	-4.7	4.1	4.3	4.4	3.1	-2.2	-13.1	-1.9	3.8
2010 Q2	-13.2	-14.9	-28.4	3.9	-0.2	-1.6	-3.0	5.2	-1.7	-9.9	-3.9	3.3
Q3 (p)	-1.0	2.2	-24.9	-3.5	1.5	1.6	-1.6	3.5	-0.6	-6.0	-2.3	2.7
2010 July	-1.0	0.8	-30.1	4.8	1.4	1.7	-4.4	4.7	-1.5	-8.3	-3.9	2.8
Aug.	5.8	10.4	-35.4	6.4	3.3	5.1	-3.9	4.1	-1.1	-7.9	-3.2	2.9
Sep. (p)	-1.0	2.2	-24.9	-3.5	1.5	1.6	-1.6	3.5	-0.6	-6.0	-2.3	2.7

3. Loans to households [4)]

	Total	Consumer credit				Loans for house purchase				Other loans			
		Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	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
	Outstanding amounts												
2009	4,960.1	633.7	136.0	195.1	302.6	3,551.7	15.0	60.8	3,475.9	774.7	146.7	87.7	540.4
2010 Q2	5,091.5	647.6	146.9	192.1	308.6	3,626.5	14.1	56.4	3,556.0	817.4	151.7	86.7	579.0
Q3 (p)	5,116.5	641.0	142.5	188.5	310.0	3,656.1	14.7	58.8	3,582.7	819.4	147.3	87.0	585.1
2010 July	5,094.0	644.7	144.1	192.6	307.9	3,638.9	14.1	57.1	3,567.7	810.4	145.4	86.8	578.2
Aug.	5,105.8	643.3	144.6	191.1	307.7	3,649.5	14.7	57.3	3,577.4	813.0	145.0	86.5	581.5
Sep. (p)	5,116.5	641.0	142.5	188.5	310.0	3,656.1	14.7	58.8	3,582.7	819.4	147.3	87.0	585.1
	Transactions												
2009	63.2	-0.9	-1.3	-4.3	4.7	51.6	-2.6	-8.2	62.4	12.4	-7.8	-1.7	22.0
2010 Q2	49.4	5.9	1.7	-0.6	4.8	32.6	-0.7	-2.4	35.7	10.8	-4.1	-2.0	17.0
Q3 (p)	27.6	-4.2	-3.7	-3.2	2.7	29.2	0.3	2.4	26.6	2.6	-4.8	0.2	7.1
2010 July	6.9	-1.9	-2.3	0.7	-0.2	14.4	0.1	0.7	13.6	-5.6	-5.9	0.2	0.1
Aug.	5.9	-1.5	0.5	-1.6	-0.3	5.3	0.2	0.2	5.0	2.1	-0.6	-0.3	3.0
Sep. (p)	14.8	-0.8	-1.9	-2.2	3.3	9.5	0.0	1.5	8.0	6.1	1.8	0.4	4.0
	Growth rates												
2009	1.3	-0.1	-0.9	-2.2	1.6	1.5	-14.9	-12.0	1.8	1.6	-5.0	-1.9	4.2
2010 Q2	2.7	-0.3	-2.2	-2.1	1.7	3.3	-11.2	-11.6	3.7	2.6	-7.6	-3.6	6.6
Q3 (p)	2.8	-0.9	-3.0	-3.6	1.8	3.4	-7.0	-5.2	3.6	3.0	-7.4	-3.2	7.0
2010 July	2.7	-0.6	-2.5	-2.1	1.3	3.4	-10.7	-10.6	3.7	2.6	-6.9	-3.8	6.3
Aug.	2.8	-0.4	-1.6	-2.2	1.2	3.4	-9.1	-10.3	3.8	2.9	-6.4	-3.6	6.5
Sep. (p)	2.8	-0.9	-3.0	-3.6	1.8	3.4	-7.0	-5.2	3.6	3.0	-7.4	-3.2	7.0

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

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

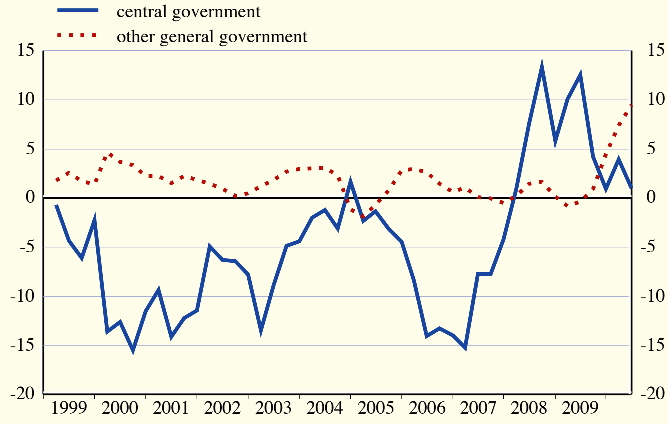
(EUR billions and annual growth rates; not seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

4. 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									
2007	954.4	213.2	217.3	494.5	29.4	3,295.5	2,341.6	953.8	59.6	894.2
2008	968.3	227.0	209.8	509.3	22.2	3,242.4	2,278.8	963.6	57.5	906.1
2009 Q3	993.8	235.1	209.4	518.6	30.7	2,803.2	1,891.3	911.9	47.5	864.3
Q4	1,001.5	229.1	209.8	528.8	33.8	2,821.7	1,914.9	906.8	46.1	860.6
2010 Q1	1,032.4	242.1	209.0	539.0	42.2	2,949.9	1,985.2	964.7	46.8	918.0
Q2 (p)	1,068.1	250.2	225.0	547.9	44.8	3,075.3	2,074.8	1,000.5	50.8	949.8
	Transactions									
2007	-7.9	-4.4	-13.0	5.9	3.6	540.1	381.3	158.9	0.3	158.7
2008	13.7	12.5	-8.1	16.5	-7.2	-59.8	-86.0	26.1	0.3	25.8
2009 Q3	-4.2	-13.3	3.2	3.9	2.1	-75.0	-69.9	-5.1	0.8	-5.8
Q4	10.2	-6.2	0.4	12.8	3.1	-3.8	11.4	-15.2	-1.4	-13.8
2010 Q1	30.4	12.6	-0.8	10.1	8.5	53.9	24.1	29.6	-0.6	30.2
Q2 (p)	36.9	9.4	15.9	9.0	2.6	-20.9	1.3	-22.2	-0.8	-21.4
	Growth rates									
2007	-1.0	-4.2	-5.6	1.3	13.8	18.6	18.5	18.8	0.5	20.2
2008	1.4	5.8	-3.7	3.3	-24.4	-1.8	-3.6	2.8	0.5	3.0
2009 Q3	1.7	4.2	-0.2	4.4	-32.3	-18.2	-21.9	-9.4	-1.3	-9.9
Q4	3.6	0.9	0.1	4.2	51.9	-11.8	-15.1	-4.1	-3.0	-4.2
2010 Q1	6.6	4.0	1.8	5.8	101.2	-3.2	-5.4	1.7	-4.7	2.1
Q2 (p)	7.4	1.0	9.1	7.0	56.8	-1.5	-1.6	-1.3	-4.5	-1.2

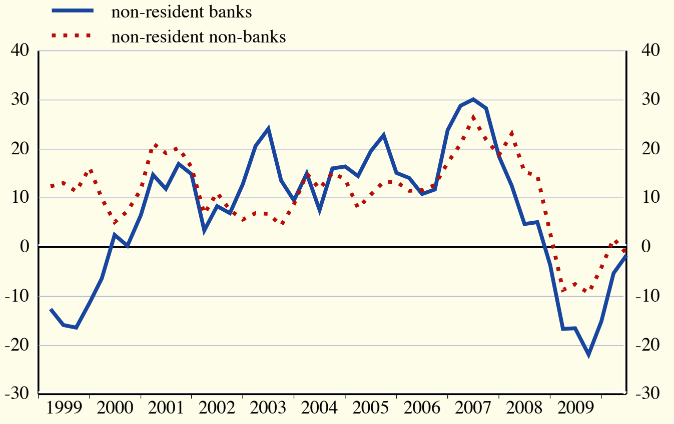
C7 Loans to government [2]

(annual growth rates; not seasonally adjusted)



C8 Loans to non-euro area residents [2]

(annual growth rates; not seasonally adjusted)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on the 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 similar to MFIs which are resident outside the euro area.

2.5 Deposits held with MFIs: breakdown [1), 2)]

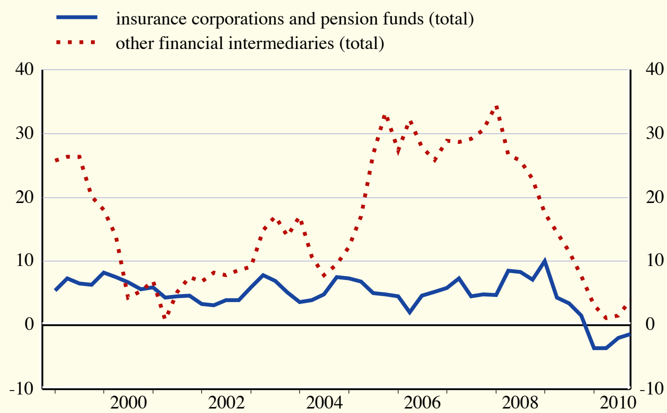
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries [3)]						
	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		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													
2008	761.4	84.3	114.2	537.2	1.1	1.5	23.1	1,802.4	319.9	420.4	852.9	12.3	0.1	197.0
2009	737.8	84.1	86.9	543.0	2.2	1.4	20.2	1,872.5	313.1	335.1	957.5	15.9	0.0	250.9
2010 Q2	739.0	94.6	84.6	535.4	2.3	0.3	21.8	2,069.1	367.4	293.8	1,058.9	9.1	0.2	339.6
Q3 (p)	735.9	88.4	89.3	532.7	2.6	0.3	22.7	2,079.3	361.5	311.2	1,057.2	8.6	0.7	340.0
2010 May	732.2	91.2	87.3	536.0	2.4	0.3	15.0	1,953.5	369.1	299.7	967.3	12.4	0.2	304.8
June	739.0	94.6	84.6	535.4	2.3	0.3	21.8	2,069.1	367.4	293.8	1,058.9	9.1	0.2	339.6
July	737.0	93.7	87.5	534.6	2.4	0.3	18.5	2,045.3	360.0	300.1	1,055.4	9.0	0.3	320.5
Aug.	736.4	89.8	92.2	532.8	2.4	0.3	19.0	2,060.5	364.1	300.6	1,064.1	8.6	0.8	322.3
Sep. (p)	735.9	88.4	89.3	532.7	2.6	0.3	22.7	2,079.3	361.5	311.2	1,057.2	8.6	0.7	340.0
	Transactions													
2008	69.2	12.4	42.7	12.2	-0.3	0.1	2.2	268.8	4.4	71.8	142.3	-0.3	-0.3	51.0
2009	-27.7	-1.0	-30.4	5.5	1.1	-0.1	-2.8	56.7	6.8	-93.6	85.8	3.7	0.0	54.0
2010 Q2	0.0	3.8	-0.2	-7.2	-0.2	2.2	1.5	71.5	33.8	-21.6	-1.4	-8.0	0.1	68.6
Q3 (p)	-1.9	-5.5	5.1	-6.0	0.3	3.3	0.9	24.1	-2.9	21.0	5.3	-0.5	0.5	0.7
2010 May	-4.1	2.6	2.2	-6.6	-0.1	1.1	-3.3	-4.9	-0.6	-3.8	-3.8	-6.0	0.1	9.2
June	5.2	-0.1	-2.2	-0.3	-0.1	1.1	6.8	16.4	-2.9	-6.2	-6.0	-3.3	0.0	34.7
July	-0.9	-0.3	3.2	-1.8	0.1	1.1	-3.2	-17.2	-5.8	7.9	-0.1	-0.1	0.0	-19.0
Aug.	-1.2	-4.2	4.4	-3.0	0.0	1.1	0.4	11.4	3.0	-0.4	7.0	-0.4	0.5	1.7
Sep. (p)	0.3	-1.0	-2.5	-1.2	0.2	1.1	3.7	29.9	-0.1	13.5	-1.5	0.1	0.0	17.9
	Growth rates													
2008	10.0	17.3	59.9	2.3	-23.4	-	10.5	17.6	1.4	21.0	20.0	-2.5	-	34.6
2009	-3.6	-1.1	-26.4	1.0	96.8	-	-12.3	3.1	2.0	-22.0	10.0	30.0	-	27.4
2010 Q2	-2.0	6.0	-7.8	-3.3	33.3	-	14.3	1.5	6.8	-16.6	-1.5	-36.5	-	33.0
Q3 (p)	-1.4	2.2	3.0	-4.4	36.2	-	18.2	3.9	13.5	-10.3	-1.4	-41.2	-	34.2
2010 May	-3.4	8.4	-12.6	-3.2	28.7	-	-23.8	2.6	16.8	-20.0	0.9	-17.1	-	27.3
June	-2.0	6.0	-7.8	-3.3	33.3	-	14.3	1.5	6.8	-16.6	-1.5	-36.5	-	33.0
July	-1.9	4.9	-4.2	-3.7	30.1	-	9.6	3.2	14.5	-15.1	-1.6	-39.4	-	37.6
Aug.	-2.1	-1.0	4.5	-4.3	30.5	-	1.3	4.7	19.7	-16.3	-0.6	-41.9	-	42.8
Sep. (p)	-1.4	2.2	3.0	-4.4	36.2	-	18.2	3.9	13.5	-10.3	-1.4	-41.2	-	34.2

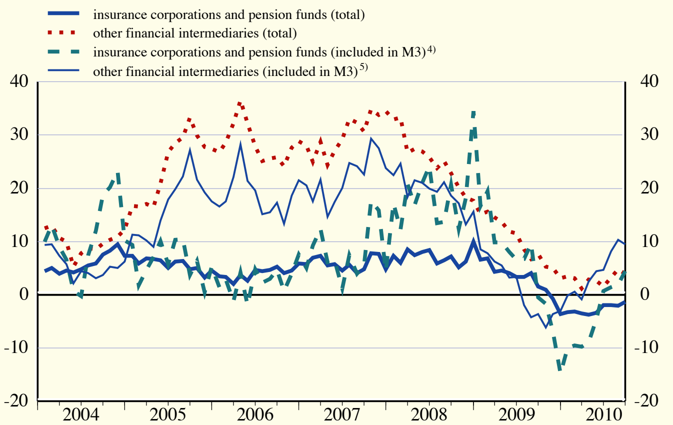
C9 Total deposits by sector [2)]

(annual growth rates)



C10 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 the ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General Notes.
3) 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]

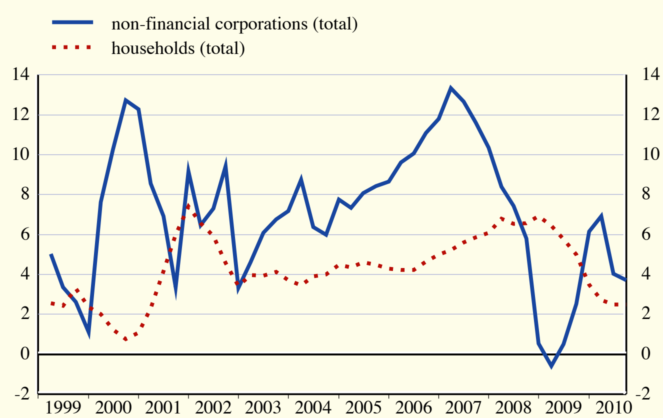
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations							Households [3]						
	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		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													
2008	1,502.6	883.3	502.0	64.4	27.9	1.3	23.7	5,379.2	1,814.5	1,358.2	519.0	1,490.2	113.6	83.7
2009	1,603.1	1,001.1	434.5	80.7	68.7	1.7	16.3	5,601.8	2,157.0	996.5	607.1	1,680.2	123.7	37.3
2010 Q2	1,583.9	1,000.7	415.1	82.3	71.2	2.1	12.5	5,660.4	2,229.7	907.4	643.8	1,732.3	116.8	30.5
Q3 (p)	1,607.8	997.9	435.0	86.9	74.2	2.1	11.8	5,653.1	2,203.9	898.4	652.5	1,756.0	110.8	31.6
2010 May	1,595.9	1,003.9	415.3	88.1	74.1	1.8	12.7	5,629.5	2,192.4	910.0	642.6	1,734.2	118.1	32.3
June	1,583.9	1,000.7	415.1	82.3	71.2	2.1	12.5	5,660.4	2,229.7	907.4	643.8	1,732.3	116.8	30.5
July	1,583.2	987.2	426.0	84.0	72.2	2.1	11.7	5,675.2	2,241.4	901.0	646.7	1,740.1	114.6	31.5
Aug.	1,603.3	993.4	437.0	84.5	74.4	2.1	11.9	5,660.1	2,211.9	902.1	650.2	1,751.2	112.8	31.8
Sep. (p)	1,607.8	997.9	435.0	86.9	74.2	2.1	11.8	5,653.1	2,203.9	898.4	652.5	1,756.0	110.8	31.6
	Transactions													
2008	8.0	-5.1	13.5	3.2	-3.4	-0.3	0.0	347.5	28.7	336.2	-43.8	28.1	1.7	-3.4
2009	93.0	114.3	-70.1	15.1	40.8	0.4	-7.4	187.8	320.6	-371.5	85.9	190.5	8.6	-46.3
2010 Q2	3.3	18.7	-17.2	-0.5	2.0	0.3	-0.1	49.1	62.9	-30.3	11.9	16.3	-6.0	-5.6
Q3 (p)	31.3	1.4	22.8	4.9	2.9	0.0	-0.7	-4.0	-24.4	-7.3	8.8	23.9	-6.0	1.1
2010 May	0.9	5.7	-5.2	1.4	-0.9	0.0	-0.1	6.5	7.2	-7.5	4.9	5.3	-1.7	-1.6
June	-10.0	-0.2	-5.3	-5.6	1.0	0.3	-0.2	27.8	30.8	-6.2	2.7	4.8	-2.5	-1.8
July	3.0	-11.4	12.4	1.8	1.0	0.0	-0.8	16.8	12.5	-5.4	3.0	7.9	-2.2	1.0
Aug.	18.4	5.3	10.3	0.5	2.2	0.0	0.2	-16.3	-29.9	0.5	3.5	11.1	-1.7	0.3
Sep. (p)	9.9	7.6	0.1	2.6	-0.3	0.0	-0.1	-4.4	-7.0	-2.4	2.4	4.9	-2.0	-0.2
	Growth rates													
2008	0.5	-0.6	2.9	5.4	-11.0	-16.2	0.0	6.9	1.6	33.0	-7.8	1.9	1.5	-3.9
2009	6.2	12.9	-13.9	23.1	146.6	28.3	-31.2	3.5	17.5	-27.1	16.5	12.8	7.5	-55.4
2010 Q2	4.0	9.1	-11.2	14.5	50.5	42.9	-36.2	2.5	10.4	-24.5	20.1	8.3	-2.2	-40.1
Q3 (p)	3.7	5.2	-3.5	11.8	33.7	40.1	-32.1	2.5	7.0	-18.2	16.4	7.6	-9.6	-26.8
2010 May	5.8	12.2	-12.2	21.7	56.8	30.4	-37.8	2.1	10.3	-25.7	20.6	8.7	0.7	-40.4
June	4.0	9.1	-11.2	14.5	50.5	42.9	-36.2	2.5	10.4	-24.5	20.1	8.3	-2.2	-40.1
July	4.2	8.3	-8.5	13.7	41.4	42.5	-36.5	2.6	10.1	-22.9	18.8	7.9	-5.0	-38.1
Aug.	4.6	7.0	-4.9	11.2	39.7	44.1	-27.9	2.5	8.4	-20.7	17.7	7.6	-7.0	-33.9
Sep. (p)	3.7	5.2	-3.5	11.8	33.7	40.1	-32.1	2.5	7.0	-18.2	16.4	7.6	-9.6	-26.8

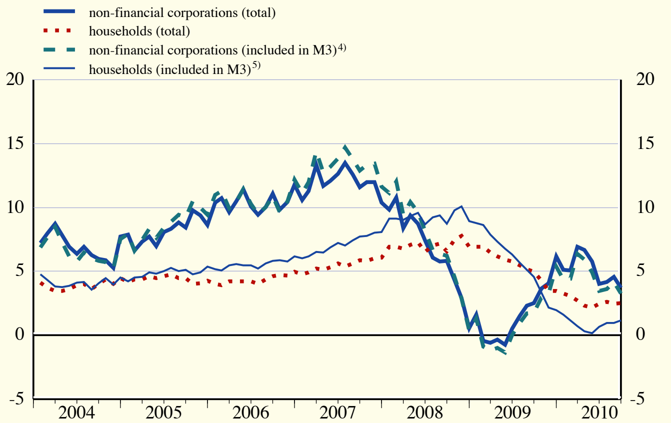
C11 Total deposits by sector [2]

(annual growth rates)



C12 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 the 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]

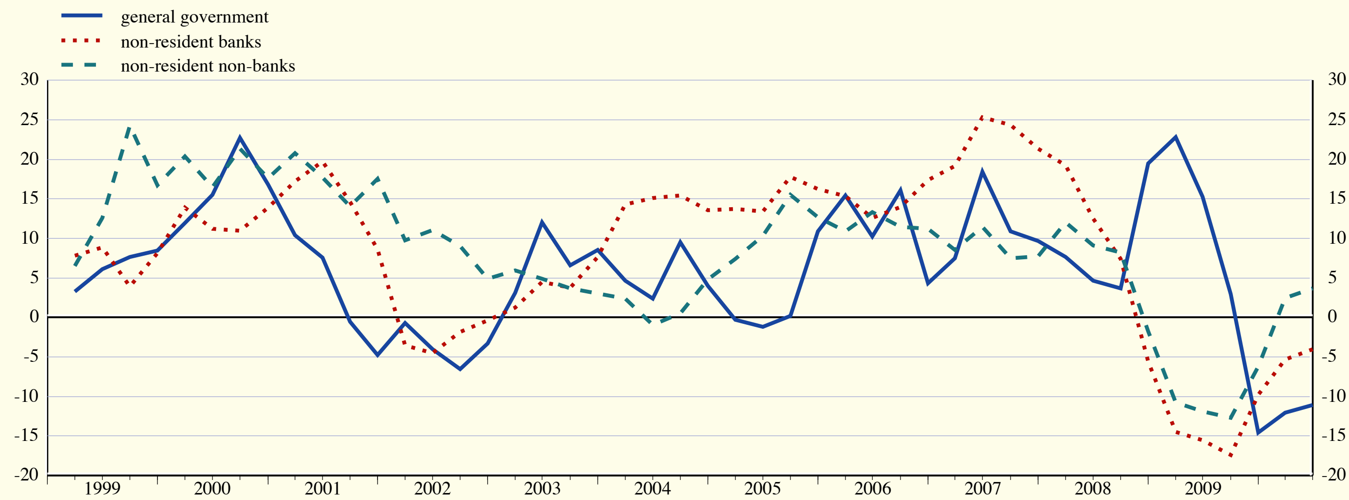
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

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									
2007	373.5	126.8	58.8	107.7	80.2	3,859.6	2,951.8	907.7	143.1	764.6
2008	444.7	190.8	52.1	116.1	85.8	3,713.2	2,816.1	897.1	65.6	831.5
2009 Q3	402.8	156.8	51.0	123.2	71.7	3,419.9	2,561.8	858.1	63.3	794.8
Q4	372.9	144.1	43.4	114.3	71.1	3,368.2	2,532.3	835.9	56.7	779.2
2010 Q1	397.6	166.2	50.4	108.4	72.6	3,543.2	2,638.6	904.6	66.8	837.9
Q2 (p)	412.7	167.6	54.5	113.8	76.8	3,699.6	2,695.8	1,003.8	46.9	956.9
	Transactions									
2008	72.7	63.4	-6.5	8.7	7.1	-183.3	-165.8	-17.5	-36.8	19.3
2009	-64.8	-38.1	-8.7	-2.5	-15.5	-331.5	-275.6	-55.9	-4.5	-51.3
2009 Q3	-62.1	-58.8	2.3	4.1	-9.6	-80.2	-73.2	-7.0	-0.2	-6.8
Q4	-30.1	-12.8	-7.7	-8.8	-0.9	-80.1	-55.9	-24.2	-2.7	-21.5
2010 Q1	24.6	22.1	7.0	-5.9	1.4	95.3	49.6	45.7	9.1	36.6
Q2 (p)	14.6	1.3	4.0	5.1	4.2	-9.5	-27.6	18.0	-21.8	39.8
	Growth rates									
2007	9.6	-2.4	29.9	10.6	16.9	17.9	21.3	7.7	15.8	6.3
2008	19.4	50.0	-11.0	8.1	8.8	-4.6	-5.6	-1.7	-25.6	2.7
2009 Q3	3.0	18.7	-16.6	8.2	-15.4	-16.3	-17.4	-12.7	-27.1	-10.3
Q4	-14.6	-20.0	-16.7	-2.1	-18.0	-8.9	-9.8	-6.3	-7.0	-6.2
2010 Q1	-12.0	-17.4	-0.1	-5.4	-13.3	-3.5	-5.3	2.4	12.0	1.7
Q2 (p)	-11.1	-20.8	11.5	-4.7	-6.0	-2.1	-4.0	3.7	-25.4	5.8

C13 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 the 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 similar to MFIs which are resident outside the euro area.

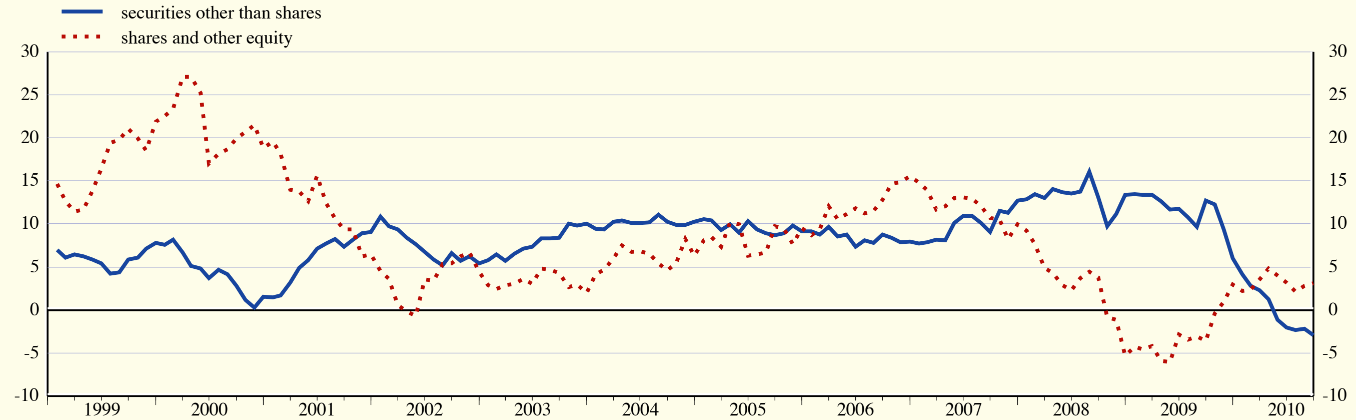
2.6 MFI holdings of securities: breakdown [1), 2)]

(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											
2008	5,854.5	1,884.0	92.3	1,226.1	19.3	1,355.3	51.2	1,226.5	1,472.8	421.8	775.0	276.1
2009	6,207.8	1,971.3	109.1	1,467.2	16.0	1,457.8	39.4	1,147.1	1,515.3	434.8	800.3	280.2
2010 Q2	6,304.7	1,914.5	117.2	1,550.4	18.5	1,476.0	28.5	1,199.7	1,523.0	456.3	771.6	295.2
Q3 (p)	6,207.4	1,868.4	106.2	1,547.0	17.7	1,496.4	30.4	1,141.5	1,534.7	458.3	785.9	290.4
2010 May	6,270.0	1,942.3	115.6	1,533.8	17.8	1,441.1	28.4	1,191.0	1,543.6	465.6	789.7	288.3
June	6,304.7	1,914.5	117.2	1,550.4	18.5	1,476.0	28.5	1,199.7	1,523.0	456.3	771.6	295.2
July	6,259.4	1,893.0	104.7	1,549.3	16.9	1,502.4	27.7	1,165.3	1,517.5	455.7	773.4	288.3
Aug.	6,307.1	1,896.0	117.0	1,543.5	17.5	1,508.0	26.7	1,198.4	1,529.0	457.2	784.1	287.7
Sep. (p)	6,207.4	1,868.4	106.2	1,547.0	17.7	1,496.4	30.4	1,141.5	1,534.7	458.3	785.9	290.4
	Transactions											
2008	695.6	213.8	5.8	38.3	1.9	389.8	19.0	26.9	-85.2	22.4	-56.9	-50.8
2009	354.5	83.6	16.6	230.6	-3.2	103.3	-12.0	-64.4	43.2	29.4	11.6	2.3
2010 Q2	-96.6	-53.6	-6.9	13.7	-0.4	-0.9	-14.8	-33.7	15.9	10.7	-2.0	7.2
Q3 (p)	-39.9	-49.9	0.2	-13.0	-0.2	12.5	7.8	2.6	5.6	2.1	9.7	-6.2
2010 May	-81.6	-20.7	-5.1	-10.5	-0.6	-7.1	-14.3	-23.2	-10.8	9.4	-20.6	0.3
June	-12.3	-20.6	-0.4	13.4	0.3	-0.7	-0.2	-4.0	-22.5	-11.3	-16.8	5.6
July	-7.8	-23.6	-6.4	-4.9	-0.9	22.4	0.3	5.2	-11.6	-2.0	-2.9	-6.7
Aug.	18.8	0.7	10.1	-11.6	-0.3	4.6	0.0	15.3	14.3	3.7	11.9	-1.3
Sep. (p)	-50.9	-27.0	-3.4	3.5	1.0	-14.5	7.5	-17.8	2.9	0.5	0.7	1.7
	Growth rates											
2008	13.4	12.8	8.0	3.2	9.9	39.9	57.3	2.2	-5.3	5.3	-6.8	-15.4
2009	6.0	4.4	17.5	18.7	-16.0	7.6	-23.2	-5.3	2.9	7.0	1.5	0.8
2010 Q2	-2.0	-4.8	-2.6	6.5	-23.0	-0.8	-49.7	-6.8	3.2	8.1	-0.8	7.2
Q3 (p)	-2.9	-7.0	-1.8	3.2	-16.6	0.5	-34.3	-6.6	3.1	6.4	0.4	5.5
2010 May	-1.2	-4.8	-1.9	8.8	-19.8	0.4	-49.0	-6.2	4.0	9.9	0.1	5.9
June	-2.0	-4.8	-2.6	6.5	-23.0	-0.8	-49.7	-6.8	3.2	8.1	-0.8	7.2
July	-2.3	-6.8	-8.8	5.6	-22.0	1.0	-49.6	-5.7	2.1	6.0	-0.3	2.8
Aug.	-2.2	-6.5	1.1	4.8	-18.6	1.4	-48.9	-5.7	2.8	6.3	1.2	2.2
Sep. (p)	-2.9	-7.0	-1.8	3.2	-16.6	0.5	-34.3	-6.6	3.1	6.4	0.4	5.5

C14 MFI holdings of securities [2)]

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on the 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 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	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
2007	-4.2	-1.2	-1.4	-1.6	-2.7	-0.2	-0.2	-2.3	-6.9	-0.8	-2.3	-3.7
2008	-4.6	-1.1	-1.5	-1.9	-2.7	0.0	-0.2	-2.5	-6.7	-1.2	-2.3	-3.2
2009	-7.5	-1.8	-2.3	-3.4	-4.0	-0.1	-0.2	-3.7	-7.4	-1.6	-1.3	-4.5
2010 Q1	-1.9	-1.1	-0.6	-0.2	-1.1	0.0	0.0	-1.1	-2.3	-0.5	-0.3	-1.4
Q2	-1.6	-0.4	-0.4	-0.8	-1.1	0.0	0.0	-1.0	-1.9	-0.3	-0.4	-1.3
Q3 (p)	-1.9	-0.5	-0.5	-0.9	-0.7	0.0	0.0	-0.7	-1.2	-0.1	-0.2	-0.8
2010 July	-0.4	-0.1	-0.1	-0.2	-0.2	0.0	0.0	-0.2	-0.5	-0.1	-0.2	-0.3
Aug.	-0.3	-0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.4	0.0	0.0	-0.3
Sep. (p)	-1.2	-0.3	-0.3	-0.6	-0.3	0.0	0.0	-0.3	-0.3	0.0	-0.1	-0.2

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2007	-12.5	-2.1	-5.4	-4.9	-5.1	-3.4	-1.7
2008	-17.8	-4.1	-9.1	-4.6	-6.6	-3.4	-3.2
2009	-35.4	-12.7	-12.5	-10.2	-6.9	-2.6	-4.2
2010 Q1	-11.4	-7.1	-4.0	-0.3	-1.0	-0.4	-0.6
Q2	-17.8	-5.5	-6.4	-6.0	-0.9	-0.4	-0.5
Q3 (p)	-10.2	-4.0	-2.7	-3.5	-0.4	-0.2	-0.2
2010 July	-3.5	-2.1	-0.4	-1.0	-0.2	-0.3	0.1
Aug.	-2.7	-0.9	-0.9	-1.0	0.0	0.0	0.0
Sep. (p)	-4.0	-1.1	-1.4	-1.5	-0.2	0.1	-0.3

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
2007	-14.2	-3.3	0.1	-0.3	-0.2	-3.2	-0.6	-6.7	27.6	3.8	11.7	12.1
2008	-60.4	-12.0	0.0	4.5	0.0	-19.0	-2.2	-31.7	-63.6	-9.2	-46.2	-8.2
2009	4.4	8.2	0.2	-0.8	-0.1	-0.8	0.8	-3.0	1.0	-5.9	3.4	3.5
2010 Q1	14.3	3.2	0.3	4.5	0.1	2.4	0.1	3.7	0.5	-1.0	-0.2	1.7
Q2	-12.5	-2.5	0.4	-8.9	0.5	-4.3	0.0	2.3	-14.6	-3.3	-7.3	-4.0
Q3 (p)	23.4	5.1	-0.2	9.6	0.7	7.1	-3.8	4.9	6.1	0.0	4.6	1.4
2010 July	12.3	2.1	0.2	3.8	0.0	4.1	0.1	2.1	6.1	1.6	4.7	-0.2
Aug.	9.8	2.2	-0.3	5.8	0.5	1.2	-1.7	2.1	-2.7	-2.2	-1.2	0.7
Sep. (p)	1.3	0.7	-0.1	0.1	0.2	1.8	-2.2	0.8	2.7	0.7	1.1	0.9

Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on the 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													
2007	6,083.9	92.0	8.0	4.8	0.4	1.2	1.0	9,063.4	95.8	4.2	2.2	0.4	0.1	0.5
2008	6,852.0	89.7	10.3	7.3	0.4	1.3	0.8	9,890.2	96.9	3.1	1.9	0.5	0.1	0.4
2009 Q3	6,281.9	92.4	7.6	4.8	0.4	1.1	0.8	10,070.3	97.0	3.0	1.9	0.3	0.1	0.4
Q4	6,281.8	92.9	7.1	4.4	0.3	1.2	0.7	10,188.1	97.0	3.0	1.9	0.2	0.1	0.4
2010 Q1	6,221.8	93.0	7.0	4.1	0.3	1.2	0.8	10,200.7	97.0	3.0	2.0	0.2	0.1	0.4
Q2 (p)	6,544.5	92.4	7.6	4.5	0.3	1.2	0.9	10,465.1	96.9	3.1	2.0	0.2	0.1	0.4
	By non-euro area residents													
2007	2,951.8	47.0	53.0	33.5	2.9	2.4	11.0	907.7	50.1	49.9	32.9	1.6	1.8	9.9
2008	2,816.1	48.3	51.7	33.4	2.8	2.6	10.2	897.1	54.9	45.1	28.7	1.4	1.9	9.4
2009 Q3	2,561.8	49.1	50.9	34.3	1.5	2.5	9.5	858.1	54.1	45.9	30.6	1.5	1.6	7.7
Q4	2,532.3	49.2	50.8	34.2	1.8	2.2	9.6	835.9	53.5	46.5	31.4	1.1	1.7	7.5
2010 Q1	2,638.6	50.1	49.9	32.9	2.2	2.2	9.4	904.6	54.9	45.1	31.9	1.1	1.3	6.1
Q2 (p)	2,695.8	53.1	46.9	30.8	2.1	1.6	9.4	1,003.8	55.3	44.7	31.6	1.1	1.4	6.4

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
2007	4,925.0	81.5	18.5	9.2	1.7	1.8	3.4
2008	5,101.8	83.3	16.7	8.4	2.0	1.9	2.5
2009 Q3	5,192.9	84.0	16.0	8.2	1.8	1.9	2.3
Q4	5,169.4	83.3	16.7	8.8	1.6	1.9	2.5
2010 Q1	5,285.2	82.5	17.5	9.5	1.6	1.8	2.5
Q2 (p)	5,245.4	81.6	18.4	10.0	1.8	2.0	2.5

Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on the 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 similar 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							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	To euro area residents													
2007	5,792.5	-	-	-	-	-	-	11,102.4	96.2	3.8	1.8	0.2	1.0	0.6
2008	6,307.7	-	-	-	-	-	-	11,743.1	95.9	4.1	2.1	0.3	1.1	0.4
2009 Q3	5,907.4	-	-	-	-	-	-	11,765.1	96.2	3.8	1.9	0.2	1.0	0.4
Q4	5,917.5	-	-	-	-	-	-	11,784.8	96.2	3.8	1.9	0.2	1.0	0.4
2010 Q1	5,916.7	-	-	-	-	-	-	11,832.4	96.1	3.9	2.0	0.2	1.0	0.4
Q2 (p)	6,211.3	-	-	-	-	-	-	12,052.0	95.8	4.2	2.2	0.3	1.0	0.4
	To non-euro area residents													
2007	2,341.6	48.2	51.8	28.8	2.3	2.4	12.7	953.8	40.8	59.2	41.3	1.2	3.7	8.3
2008	2,278.8	45.8	54.2	31.8	3.0	2.6	11.3	963.6	40.4	59.6	42.0	1.4	4.3	7.5
2009 Q3	1,891.3	45.5	54.5	29.9	2.7	3.1	12.6	911.9	40.3	59.7	41.9	1.5	3.8	7.6
Q4	1,914.9	45.8	54.2	29.4	2.7	2.9	12.6	906.8	40.0	60.0	42.1	1.2	3.7	8.0
2010 Q1	1,985.2	46.6	53.4	29.8	2.6	3.0	11.2	964.7	40.2	59.8	42.5	1.3	3.4	7.5
Q2 (p)	2,074.8	46.5	53.5	29.8	2.8	3.1	12.0	1,000.5	39.2	60.8	43.3	1.4	3.4	7.7

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							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Issued by euro area residents													
2007	1,739.8	95.2	4.8	2.4	0.3	0.3	1.5	2,209.3	97.7	2.3	1.4	0.2	0.1	0.5
2008	1,976.3	95.3	4.7	2.6	0.4	0.2	1.2	2,651.8	97.3	2.7	1.7	0.3	0.1	0.4
2009 Q3	2,117.3	95.1	4.9	2.9	0.2	0.3	1.3	2,997.8	97.9	2.1	1.4	0.2	0.1	0.4
Q4	2,080.3	94.8	5.2	3.1	0.2	0.3	1.4	2,980.4	98.1	1.9	1.2	0.2	0.1	0.3
2010 Q1	2,092.8	94.6	5.4	3.2	0.2	0.3	1.4	3,033.9	98.1	1.9	1.2	0.2	0.1	0.3
Q2 (p)	2,031.7	94.2	5.8	3.5	0.2	0.3	1.5	3,073.3	98.5	1.5	0.8	0.2	0.1	0.4
	Issued by non-euro area residents													
2007	582.0	53.9	46.1	27.3	0.7	0.4	14.4	651.6	35.8	64.2	39.3	4.5	0.8	12.6
2008	580.3	54.1	45.9	28.6	0.9	0.5	13.3	646.2	39.0	61.0	37.1	6.4	0.8	11.1
2009 Q3	562.3	56.3	43.7	25.3	0.6	0.5	14.7	617.9	34.8	65.2	39.3	4.2	0.9	15.2
Q4	546.6	55.8	44.2	26.3	0.4	0.5	14.8	600.5	34.9	65.1	38.5	4.2	0.9	15.2
2010 Q1	561.8	55.3	44.7	28.0	0.4	0.5	14.8	611.4	32.9	67.1	39.9	4.2	0.9	14.9
Q2 (p)	558.9	53.4	46.6	27.4	0.5	0.9	15.2	640.7	28.8	71.2	43.7	4.6	0.6	15.1

Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on the 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 similar 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; transactions during period)

1. Assets

	Total	Deposits and loan claims	Securities other than shares	Shares and other equity (excl. investment fund/ money market fund shares)	Investment fund/ money market fund shares	Non-financial assets	Other assets (incl. financial derivatives)
	1	2	3	4	5	6	7
	Outstanding amounts						
2010 Feb.	5,577.5	358.1	2,154.0	1,683.2	743.8	220.2	418.2
Mar.	5,833.7	350.5	2,215.7	1,818.5	779.2	237.0	432.9
Apr.	5,900.0	366.8	2,235.0	1,822.3	793.8	238.6	443.5
May	5,861.6	378.1	2,265.4	1,748.9	785.6	239.7	443.8
June	5,840.1	384.1	2,268.4	1,717.0	791.7	242.1	436.7
July	5,899.2	374.4	2,286.8	1,752.3	794.0	243.1	448.6
Aug. (p)	5,960.7	371.0	2,355.4	1,735.2	796.4	244.7	458.1
	Transactions						
2009 Q4	112.4	-11.9	66.5	38.4	13.9	6.8	-1.4
2010 Q1	190.6	-3.7	69.2	34.9	31.1	21.1	38.1
Q2	3.2	25.9	4.0	-32.1	9.4	0.6	-4.5

2. Liabilities

	Total	Loans and deposits received	Investment fund shares issued				Other liabilities (incl. financial derivatives)
			Total	Held by euro area residents		Held by non-euro area residents	
					Investment funds		
	1	2	3	4	5	6	7
	Outstanding amounts						
2010 Feb.	5,577.5	111.7	5,099.8	4,089.2	553.1	1,010.6	366.1
Mar.	5,833.7	114.3	5,331.7	4,242.8	590.1	1,088.8	387.8
Apr.	5,900.0	123.9	5,387.9	4,268.2	597.4	1,119.6	388.2
May	5,861.6	125.4	5,329.1	4,207.9	583.7	1,121.2	407.0
June	5,840.1	125.9	5,314.6	4,168.4	584.7	1,146.2	399.7
July	5,899.2	129.0	5,374.5	4,223.7	593.0	1,150.8	395.6
Aug. (p)	5,960.7	127.7	5,428.0	4,254.4	595.9	1,173.6	405.1
	Transactions						
2009 Q4	112.4	0.2	108.0	79.8	16.9	28.2	4.2
2010 Q1	190.6	5.2	141.6	92.8	26.0	48.9	43.9
Q2	3.2	10.2	22.6	-10.1	0.7	32.8	-29.6

3. Investment fund shares issued broken down by investment policy and type of fund

	Total	Funds by investment policy						Funds by type		Memo item: Money market funds
		Bond funds	Equity funds	Mixed funds	Real estate funds	Hedge funds	Other funds	Open-end funds	Closed-end funds	
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2010 Jan.	5,028.0	1,613.9	1,425.6	1,240.6	246.0	94.2	407.8	4,955.7	72.3	1,215.8
Feb.	5,099.8	1,639.1	1,451.6	1,252.2	249.7	96.2	410.9	5,025.4	74.4	1,202.3
Mar.	5,331.7	1,700.2	1,565.8	1,281.2	257.6	100.4	426.5	5,251.9	79.8	1,175.1
Apr.	5,387.9	1,724.9	1,579.1	1,294.1	257.3	102.3	430.0	5,308.4	79.4	1,182.8
May	5,329.1	1,741.0	1,509.4	1,289.5	255.9	107.2	426.1	5,247.7	81.5	1,190.4
June	5,314.6	1,749.7	1,485.8	1,291.9	252.3	107.1	427.8	5,232.3	82.3	1,167.1
July	5,374.5	1,763.1	1,517.5	1,303.6	254.0	103.4	432.9	5,292.5	82.1	1,142.8
Aug. (p)	5,428.0	1,817.4	1,502.5	1,325.0	253.6	101.3	428.2	5,346.1	81.8	1,179.6
	Transactions									
2010 Feb.	22.9	11.1	3.9	3.7	2.4	0.3	1.5	21.4	1.6	-16.7
Mar.	55.0	40.8	3.8	-4.8	2.7	3.7	8.8	52.0	3.0	-30.1
Apr.	31.1	14.2	1.5	12.4	1.4	-0.2	1.7	31.4	-0.3	-2.3
May	-12.6	-1.2	-16.4	2.5	-1.7	1.6	2.6	-14.3	1.7	-16.5
June	4.2	1.3	-4.7	4.4	1.0	0.3	1.7	3.6	0.6	-29.6
July	19.5	9.3	3.6	6.5	1.1	-1.0	0.0	19.3	0.2	-5.6
Aug. (p)	27.5	16.9	2.6	9.7	-0.2	-1.6	0.0	28.0	-0.4	27.5

Source: ECB.

1) Other than money market funds (which are shown as a memo item in column 10 in Table 3 of this section). For further details, see the General Notes.

2.10 Securities held by investment funds [1] broken down by issuer of securities
(EUR billions; outstanding amounts at end of period; transactions during period)

1. Securities other than shares

	Total	Euro area						Rest of the world			
		Total	MFIs	General government	Other financial intermediaries	Insurance corporations and pension funds	Non-financial corporations		EU Member States outside the euro area	United States	Japan
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2009 Q3	1,997.5	1,376.5	381.9	665.9	186.5	5.0	137.3	621.0	179.2	239.0	22.4
Q4	2,084.4	1,410.0	385.7	684.4	187.7	5.6	146.6	674.4	199.6	259.4	16.2
2010 Q1	2,215.7	1,461.0	392.9	706.2	199.5	5.9	156.4	754.7	217.8	292.1	15.6
Q2 (p)	2,268.4	1,446.7	382.6	713.7	192.9	6.0	151.6	821.7	228.8	325.3	16.6
	Transactions										
2009 Q4	66.5	28.7	1.3	20.7	-0.1	0.4	6.4	37.8	16.6	14.2	-6.2
2010 Q1	69.2	25.5	0.6	9.5	8.9	-0.1	6.5	43.7	11.0	17.6	-1.5
Q2 (p)	4.0	-25.5	-12.0	-5.2	-4.0	0.6	-4.9	29.5	5.3	13.2	-1.4

2. Shares and other equity (other than investment fund and money market fund shares)

	Total	Euro area						Rest of the world			
		Total	MFIs	General government	Other financial intermediaries	Insurance corporations and pension funds	Non-financial corporations		EU Member States outside the euro area	United States	Japan
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2009 Q3	1,555.4	704.3	99.0	-	35.7	24.7	544.8	851.0	126.2	263.7	62.9
Q4	1,681.3	728.1	97.8	-	35.6	23.7	571.0	953.1	138.1	291.4	65.6
2010 Q1	1,818.5	750.8	95.1	-	36.3	28.3	590.9	1,067.7	148.5	329.9	75.8
Q2 (p)	1,717.0	671.4	74.3	-	34.2	24.0	538.6	1,045.6	141.5	315.1	79.1
	Transactions										
2009 Q4	38.4	1.9	2.7	-	0.4	-0.7	-0.6	36.5	3.7	8.9	2.7
2010 Q1	34.9	11.1	0.1	-	0.0	1.8	9.2	23.8	0.5	4.9	0.9
Q2 (p)	-32.1	-25.1	-7.9	-	-0.6	-1.2	-15.4	-7.0	-1.8	-5.2	3.9

3. Investment fund/money market fund shares

	Total	Euro area						Rest of the world			
		Total	MFIs [2]	General government	Other financial intermediaries [2]	Insurance corporations and pension funds	Non-financial corporations		EU Member States outside the euro area	United States	Japan
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2009 Q3	683.9	586.6	78.0	-	508.7	-	-	97.2	14.5	22.1	0.3
Q4	715.4	612.8	74.4	-	538.4	-	-	102.6	15.9	23.3	0.3
2010 Q1	779.2	660.9	70.8	-	590.1	-	-	118.3	18.4	34.8	0.6
Q2 (p)	791.7	662.0	77.3	-	584.7	-	-	129.7	19.0	36.8	0.5
	Transactions										
2009 Q4	13.9	11.9	-5.0	-	16.9	-	-	2.0	0.8	-0.5	0.0
2010 Q1	31.1	21.3	-4.7	-	26.0	-	-	9.8	1.3	9.9	0.2
Q2 (p)	9.4	6.0	5.3	-	0.7	-	-	3.4	0.9	-0.4	-0.1

Source: ECB.
1) Other than money market funds. For further details, see the General Notes.
2) Investment fund shares (other than money market fund shares) are issued by other financial intermediaries. Money market fund shares are issued by MFIs.

3 EURO AREA ACCOUNTS

3.1 Integrated economic and financial accounts by institutional sector
(EUR billions)

Uses 2010 Q2	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Exports of goods and services						512
Trade balance [1]						-13
Generation of income account						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,131	114	715	55	247	
Other taxes less subsidies on production	25	5	14	3	4	
Consumption of fixed capital	352	96	197	12	47	
Net operating surplus and mixed income [1]	560	285	239	36	0	
Allocation of primary income account						
Net operating surplus and mixed income						
Compensation of employees						5
Taxes less subsidies on production						
Property income	904	34	462	339	69	107
Interest	358	31	58	200	69	49
Other property income	545	2	404	139	0	58
Net national income [1]	1,929	1,674	-5	44	215	
Secondary distribution of income account						
Net national income						
Current taxes on income, wealth, etc.	261	214	38	9	0	4
Social contributions	421	421				1
Social benefits other than social transfers in kind	452	2	17	33	401	1
Other current transfers	192	73	26	48	45	7
Net non-life insurance premiums	46	33	11	1	1	1
Non-life insurance claims	46			46		1
Other	100	40	16	1	44	5
Net disposable income [1]	1,906	1,508	-57	50	406	
Use of income account						
Net disposable income						
Final consumption expenditure	1,832	1,327			505	
Individual consumption expenditure	1,636	1,327			309	
Collective consumption expenditure	196				196	
Adjustment for the change in the net equity of households in pension fund reserves	16	0	1	15	0	0
Net saving/current external account [1]	74	196	-58	35	-99	25
Capital account						
Net saving/current external account						
Gross capital formation	451	144	239	11	57	
Gross fixed capital formation	459	142	249	11	57	
Changes in inventories and acquisitions less disposals of valuables	-8	2	-10	0	0	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	0	-2	6	0	-4	0
Capital transfers	40	9	2	4	26	5
Capital taxes	7	5	0	1		0
Other capital transfers	33	4	1	2	26	5
Net lending (+)/net borrowing (-) (from capital account) [1]	-23	151	-89	36	-120	23
Statistical discrepancy	0	-44	44	0	0	0

Sources: ECB and Eurostat.
1) For details of 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 2010 Q2	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Imports of goods and services						499
Trade balance						
Generation of income account						
Gross value added (basic prices)	2,068	500	1,165	106	298	
Taxes less subsidies on products	228					
Gross domestic product (market prices)[2]	2,296					
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	560	285	239	36	0	
Compensation of employees	1,133	1,133				3
Taxes less subsidies on production	254				254	-1
Property income	886	290	218	347	30	125
Interest	343	53	33	249	8	64
Other property income	543	237	185	98	22	60
Net national income						
Secondary distribution of income account						
Net national income	1,929	1,674	-5	44	215	
Current taxes on income, wealth, etc.	264				264	1
Social contributions	421	1	18	49	353	1
Social benefits other than social transfers in kind	450	450				3
Other current transfers	168	92	11	47	19	30
Net non-life insurance premiums	46			46		1
Non-life insurance claims	45	36	8	1	0	1
Other	78	56	3	0	18	28
Net disposable income						
Use of income account						
Net disposable income	1,906	1,508	-57	50	406	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in the net equity of households in pension fund reserves	16	16				0
Net saving/current external account						
Capital account						
Net saving/current external account	74	196	-58	35	-99	25
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	352	96	197	12	47	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	42	10	18	4	11	3
Capital taxes	7				7	0
Other capital transfers	36	10	18	4	4	3
Net lending (+)/net borrowing (-) (from capital account)						
Statistical discrepancy						

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

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

(EUR billions)

Assets 2010 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		18,400	16,871	32,611	13,683	6,703	3,410	15,939
Monetary gold and special drawing rights (SDRs)				340				
Currency and deposits		6,436	1,812	9,493	1,943	854	661	3,806
Short-term debt securities		44	167	631	293	391	27	835
Long-term debt securities		1,366	211	6,376	2,267	2,138	351	3,367
Loans		72	3,177	12,759	3,542	455	452	1,808
of which: Long-term		55	1,767	9,863	2,605	328	364	.
Shares and other equity		4,351	7,568	2,067	5,409	2,399	1,303	5,488
Quoted shares		777	1,373	497	1,884	435	286	.
Unquoted shares and other equity		2,129	5,810	1,243	2,759	475	862	.
Mutual fund shares		1,445	385	327	766	1,489	154	.
Insurance technical reserves		5,639	146	2	0	211	3	184
Other accounts receivable and financial derivatives		491	3,791	943	229	254	615	451
Net financial worth								
Financial account, transactions in financial assets								
Total transactions in financial assets		151	90	736	121	49	119	105
Monetary gold and SDRs				0				0
Currency and deposits		69	14	615	73	4	60	-10
Short-term debt securities		-3	-10	-9	2	4	-1	-15
Long-term debt securities		3	6	-40	-45	33	9	83
Loans		-1	50	107	70	3	44	23
of which: Long-term		-1	6	98	2	1	30	.
Shares and other equity		8	20	-24	15	6	10	18
Quoted shares		3	1	-7	-3	-1	1	.
Unquoted shares and other equity		20	36	-3	7	0	3	.
Mutual fund shares		-15	-17	-13	11	7	5	.
Insurance technical reserves		59	-1	0	0	1	0	-1
Other accounts receivable and financial derivatives		16	11	87	6	-1	-3	6
Changes in net financial worth due to transactions								
Other changes account, financial assets								
Total other changes in financial assets		-223	-103	401	124	-32	-24	218
Monetary gold and SDRs				68				
Currency and deposits		8	4	122	185	3	0	175
Short-term debt securities		2	15	8	20	3	0	-6
Long-term debt securities		-31	13	102	61	16	-5	87
Loans		0	14	200	-59	0	0	-4
of which: Long-term		0	3	137	-55	1	0	.
Shares and other equity		-184	-235	-86	-92	-59	-25	-46
Quoted shares		-70	-69	-50	-98	-25	-30	.
Unquoted shares and other equity		-85	-169	-47	2	-9	9	.
Mutual fund shares		-28	3	10	4	-25	-4	.
Insurance technical reserves		-19	0	0	0	4	0	4
Other accounts receivable and financial derivatives		1	86	-14	9	2	5	8
Other changes in net financial worth								
Closing balance sheet, financial assets								
Total financial assets		18,327	16,858	33,747	13,928	6,720	3,505	16,263
Monetary gold and SDRs				408				
Currency and deposits		6,512	1,830	10,230	2,201	861	721	3,971
Short-term debt securities		43	171	630	315	398	26	814
Long-term debt securities		1,339	230	6,438	2,282	2,187	354	3,537
Loans		71	3,240	13,066	3,553	459	496	1,828
of which: Long-term		55	1,776	10,098	2,552	329	394	.
Shares and other equity		4,175	7,353	1,956	5,332	2,345	1,288	5,460
Quoted shares		709	1,306	440	1,784	409	257	.
Unquoted shares and other equity		2,064	5,677	1,193	2,768	466	875	.
Mutual fund shares		1,402	370	323	781	1,470	156	.
Insurance technical reserves		5,678	146	2	0	216	3	188
Other accounts receivable and financial derivatives		509	3,888	1,016	244	255	617	465
Net financial worth								

Source: ECB.

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

Liabilities 2010 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		6,636	25,689	31,750	13,598	6,764	8,440	14,400
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			29	22,169	23	0	225	2,559
Short-term debt securities			317	724	70	11	993	273
Long-term debt securities			548	4,631	2,590	45	5,388	2,873
Loans		5,912	8,435		3,116	244	1,399	3,157
of which: Long-term		5,558	5,891		1,709	83	1,198	.
Shares and other equity			12,498	2,887	7,582	515	6	5,091
Quoted shares			3,590	544	202	179	0	.
Unquoted shares and other equity		7	8,907	1,168	2,253	335	6	.
Mutual fund shares				1,175	5,127			.
Insurance technical reserves		34	336	64	1	5,750	1	
Other accounts payable and financial derivatives		683	3,526	1,274	215	199	428	448
Net financial worth [1]	-1,199	11,764	-8,818	861	85	-61	-5,030	
Financial account, transactions in liabilities								
Total transactions in liabilities		44	135	681	128	61	240	82
Monetary gold and SDRs								
Currency and deposits			0	790	3	0	8	24
Short-term debt securities			1	-26	-1	1	0	-7
Long-term debt securities			6	-81	-24	1	131	14
Loans		47	36		106	4	73	31
of which: Long-term		48	32		22	1	47	.
Shares and other equity			39	-45	43	1	0	14
Quoted shares			11	0	0	0	0	.
Unquoted shares and other equity		0	28	4	10	1	0	.
Mutual fund shares				-48	33			.
Insurance technical reserves		0	1	0	0	58	0	
Other accounts payable and financial derivatives		-3	51	44	1	-4	28	6
Changes in net financial worth due to transactions [1]	-23	107	-45	54	-6	-13	-120	23
Other changes account, liabilities								
Total other changes in liabilities		15	-583	376	111	-44	-19	437
Monetary gold and SDRs								
Currency and deposits			0	382	0	0	0	114
Short-term debt securities			6	17	5	0	0	13
Long-term debt securities			-6	35	133	-1	-42	123
Loans		12	-7		70	-1	3	75
of which: Long-term		1	1		48	0	3	.
Shares and other equity			-598	-92	-97	-36	0	95
Quoted shares			-285	-98	-23	-28	0	.
Unquoted shares and other equity		0	-313	-34	-14	-7	0	.
Mutual fund shares				40	-60			.
Insurance technical reserves		0	0	0	0	-11	0	
Other accounts payable and financial derivatives		3	22	34	-1	4	20	17
Other changes in net financial worth [1]	287	-238	480	24	14	12	-5	-219
Closing balance sheet, liabilities								
Total liabilities		6,694	25,241	32,807	13,836	6,782	8,661	14,920
Monetary gold and SDRs								
Currency and deposits			30	23,341	26	0	232	2,697
Short-term debt securities			324	715	74	12	994	279
Long-term debt securities			548	4,585	2,700	45	5,477	3,010
Loans		5,971	8,464		3,292	248	1,476	3,264
of which: Long-term		5,607	5,924		1,779	84	1,248	.
Shares and other equity			11,939	2,750	7,528	480	6	5,200
Quoted shares			3,316	446	179	150	0	.
Unquoted shares and other equity		7	8,623	1,137	2,249	329	6	.
Mutual fund shares				1,167	5,100			.
Insurance technical reserves		34	337	64	1	5,797	1	
Other accounts payable and financial derivatives		683	3,599	1,352	215	200	475	471
Net financial worth [1]	-934	11,633	-8,382	940	92	-62	-5,155	

Source: ECB.

3.2 Euro area non-financial accounts
(EUR billions; four-quarter cumulated flows)

Uses	2006	2007	2008	2008 Q3-2009 Q2	2008 Q4-2009 Q3	2009 Q1-2009 Q4	2009 Q2-2010 Q1	2009 Q3-2010 Q2
Generation of income account								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	4,074	4,259	4,436	4,440	4,431	4,424	4,426	4,442
Other taxes less subsidies on production	128	136	133	124	118	113	108	101
Consumption of fixed capital	1,253	1,319	1,383	1,396	1,397	1,398	1,396	1,398
Net operating surplus and mixed income [1]	2,192	2,345	2,331	2,186	2,144	2,130	2,156	2,200
Allocation of primary income account								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	3,031	3,627	3,887	3,488	3,210	2,966	2,835	2,758
Interest	1,653	2,079	2,320	2,043	1,821	1,622	1,509	1,446
Other property income	1,378	1,548	1,567	1,444	1,389	1,343	1,326	1,312
Net national income [1]	7,328	7,727	7,797	7,600	7,540	7,518	7,552	7,633
Secondary distribution of income account								
Net national income								
Current taxes on income, wealth, etc.	1,029	1,113	1,123	1,068	1,038	1,013	1,012	1,019
Social contributions	1,541	1,598	1,667	1,673	1,675	1,676	1,681	1,688
Social benefits other than social transfers in kind	1,555	1,602	1,670	1,726	1,757	1,786	1,806	1,816
Other current transfers	723	753	787	785	782	783	789	792
Net non-life insurance premiums	180	184	188	186	184	182	182	182
Non-life insurance claims	180	184	189	187	184	182	182	182
Other	363	385	409	412	414	419	424	428
Net disposable income [1]	7,236	7,634	7,692	7,494	7,431	7,409	7,439	7,519
Use of income account								
Net disposable income								
Final consumption expenditure	6,645	6,911	7,168	7,169	7,163	7,179	7,209	7,252
Individual consumption expenditure	5,957	6,198	6,420	6,399	6,385	6,394	6,426	6,467
Collective consumption expenditure	688	712	748	769	778	784	784	785
Adjustment for the change in the net equity of households in pension fund reserves	64	65	71	68	67	66	65	64
Net saving [1]	592	723	524	325	268	231	229	267
Capital account								
Net saving								
Gross capital formation	1,880	2,027	2,038	1,867	1,786	1,714	1,696	1,728
Gross fixed capital formation	1,858	1,992	2,019	1,892	1,829	1,782	1,758	1,761
Changes in inventories and acquisitions less disposals of valuables	22	36	19	-25	-42	-68	-62	-34
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	0	-1	0	-1	-1	1	2	1
Capital transfers	170	151	150	167	175	184	191	184
Capital taxes	23	24	24	29	29	34	34	30
Other capital transfers	148	126	126	139	145	150	157	154
Net lending (+)/net borrowing (-) (from capital account) [1]	-20	31	-121	-137	-111	-78	-63	-55

Sources: ECB and Eurostat.
1) For details of 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	2006	2007	2008	2008 Q3-2009 Q2	2008 Q4-2009 Q3	2009 Q1-2009 Q4	2009 Q2-2010 Q1	2009 Q3-2010 Q2
Generation of income account								
Gross value added (basic prices)	7,647	8,060	8,283	8,145	8,091	8,065	8,087	8,141
Taxes less subsidies on products	915	960	946	911	900	893	893	905
Gross domestic product (market prices)[2]	8,562	9,020	9,228	9,056	8,991	8,958	8,980	9,046
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	2,192	2,345	2,331	2,186	2,144	2,130	2,156	2,200
Compensation of employees	4,082	4,267	4,443	4,446	4,438	4,430	4,432	4,449
Taxes less subsidies on production	1,055	1,104	1,085	1,042	1,028	1,023	1,019	1,022
Property income	3,031	3,638	3,825	3,414	3,140	2,901	2,781	2,721
Interest	1,624	2,040	2,263	1,978	1,754	1,553	1,443	1,391
Other property income	1,407	1,598	1,562	1,436	1,386	1,348	1,338	1,329
Net national income								
Secondary distribution of income account								
Net national income	7,328	7,727	7,797	7,600	7,540	7,518	7,552	7,633
Current taxes on income, wealth, etc.	1,033	1,120	1,130	1,074	1,043	1,019	1,017	1,024
Social contributions	1,540	1,598	1,667	1,672	1,674	1,675	1,680	1,688
Social benefits other than social transfers in kind	1,547	1,593	1,662	1,718	1,750	1,778	1,799	1,808
Other current transfers	635	662	682	680	677	676	678	681
Net non-life insurance premiums	180	184	189	187	184	182	182	182
Non-life insurance claims	177	182	185	183	181	179	179	179
Other	278	296	308	311	312	316	316	320
Net disposable income								
Use of income account								
Net disposable income	7,236	7,634	7,692	7,494	7,431	7,409	7,439	7,519
Final consumption expenditure								
Individual consumption expenditure								
Collective consumption expenditure								
Adjustment for the change in the net equity of households in pension fund reserves	64	65	71	68	67	66	65	64
Net saving								
Capital account								
Net saving	592	723	524	325	268	231	229	267
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,253	1,319	1,383	1,396	1,397	1,398	1,396	1,398
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	185	166	160	176	183	192	200	193
Capital taxes	23	24	24	29	29	34	34	30
Other capital transfers	162	141	136	147	154	158	166	163
Net lending (+)/net borrowing (-) (from capital account)								

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

3.3 Households

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

	2006	2007	2008	2008 Q3-2009 Q2	2008 Q4-2009 Q3	2009 Q1-2009 Q4	2009 Q2-2010 Q1	2009 Q3-2010 Q2
Income, saving and changes in net worth								
Compensation of employees (+)	4,082	4,267	4,443	4,446	4,438	4,430	4,432	4,449
Gross operating surplus and mixed income (+)	1,420	1,493	1,539	1,514	1,498	1,489	1,491	1,498
Interest receivable (+)	264	310	347	305	273	245	228	219
Interest payable (-)	166	216	243	204	174	148	138	131
Other property income receivable (+)	749	808	820	776	754	740	731	723
Other property income payable (-)	10	10	10	10	10	10	10	10
Current taxes on income and wealth (-)	794	852	891	877	871	860	857	857
Net social contributions (-)	1,537	1,594	1,663	1,668	1,670	1,671	1,676	1,683
Net social benefits (+)	1,541	1,587	1,656	1,712	1,743	1,772	1,792	1,802
Net current transfers receivable (+)	67	71	71	74	77	80	81	82
= Gross disposable income	5,617	5,865	6,069	6,069	6,059	6,066	6,075	6,090
Final consumption expenditure (-)	4,910	5,105	5,272	5,225	5,196	5,195	5,220	5,251
Changes in net worth in pension funds (+)	64	64	71	68	66	65	65	63
= Gross saving	771	825	869	912	929	937	920	903
Consumption of fixed capital (-)	346	368	385	388	388	388	386	386
Net capital transfers receivable (+)	19	12	1	9	14	12	10	9
Other changes in net worth (+)	2,615	1,490	-2,110	-2,173	-1,634	-253	909	970
= Changes in net worth	3,059	1,959	-1,625	-1,640	-1,080	308	1,453	1,496
Investment, financing and changes in net worth								
Net acquisition of non-financial assets (+)	609	645	639	596	573	556	546	546
Consumption of fixed capital (-)	346	368	385	388	388	388	386	386
Main items of financial investment (+)								
Short-term assets	321	428	453	261	145	-36	-103	-89
Currency and deposits	285	350	439	323	245	106	64	63
Money market fund shares	1	39	-10	-19	-22	-50	-86	-86
Debt securities [1]	35	38	24	-43	-78	-92	-81	-67
Long-term assets	298	133	42	208	362	531	585	555
Deposits	2	-35	-34	26	66	106	120	115
Debt securities	33	24	47	26	22	14	-23	-18
Shares and other equity	-27	-75	-108	-16	81	170	217	195
Quoted and unquoted shares and other equity	-5	-3	24	49	89	95	103	96
Mutual fund shares	-22	-72	-132	-65	-8	75	114	99
Life insurance and pension fund reserves	290	219	138	171	192	241	270	263
Main items of financing (-)								
Loans	412	372	215	130	103	111	131	136
of which: From euro area MFIs	350	283	82	10	-16	63	74	102
Other changes in assets (+)								
Non-financial assets	2,061	1,424	-626	-1,518	-1,638	-725	40	624
Financial assets	558	82	-1,505	-658	2	473	868	370
Shares and other equity	467	82	-1,275	-570	-129	251	504	126
Life insurance and pension fund reserves	60	9	-261	-114	53	180	271	177
Remaining net flows (+)	-30	-12	-29	-11	-32	8	33	12
= Changes in net worth	3,059	1,959	-1,625	-1,640	-1,080	308	1,453	1,496
Balance sheet								
Non-financial assets (+)	25,641	27,342	26,970	26,034	26,411	26,413	26,995	26,817
Financial assets (+)								
Short-term assets	4,814	5,269	5,806	5,863	5,799	5,762	5,717	5,760
Currency and deposits	4,463	4,852	5,323	5,426	5,394	5,462	5,434	5,498
Money market fund shares	255	293	324	315	313	244	233	214
Debt securities [1]	96	125	158	121	92	56	50	49
Long-term assets	11,871	12,058	10,500	10,689	11,241	11,510	11,768	11,634
Deposits	1,020	952	888	896	928	973	1,002	1,015
Debt securities	1,226	1,245	1,300	1,283	1,341	1,352	1,360	1,333
Shares and other equity	4,998	5,006	3,581	3,624	3,923	4,033	4,119	3,961
Quoted and unquoted shares and other equity	3,565	3,627	2,596	2,593	2,830	2,861	2,906	2,773
Mutual fund shares	1,433	1,379	986	1,031	1,093	1,172	1,212	1,188
Life insurance and pension fund reserves	4,627	4,855	4,732	4,885	5,050	5,152	5,287	5,325
Remaining net assets (+)	246	226	204	211	194	205	191	210
Liabilities (-)								
Loans	5,231	5,595	5,806	5,841	5,862	5,906	5,912	5,971
of which: From euro area MFIs	4,560	4,831	4,906	4,904	4,921	4,961	4,947	5,105
= Net worth	37,341	39,300	37,675	36,954	37,784	37,983	38,759	38,450

Sources: ECB and Eurostat.

1) Securities issued by MFIs with a maturity of less than two years and securities issued by other sectors with a maturity of less than one year.

3.4 Non-financial corporations

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

	2006	2007	2008	2008 Q3-2009 Q2	2008 Q4-2009 Q3	2009 Q1-2009 Q4	2009 Q2-2010 Q1	2009 Q3-2010 Q2
Income and saving								
Gross value added (basic prices) (+)	4,376	4,645	4,760	4,613	4,555	4,524	4,535	4,574
Compensation of employees (-)	2,588	2,716	2,836	2,820	2,803	2,788	2,785	2,794
Other taxes less subsidies on production (-)	74	80	77	70	65	62	57	50
= Gross operating surplus (+)	1,714	1,849	1,847	1,723	1,687	1,674	1,693	1,730
Consumption of fixed capital (-)	703	738	774	781	781	782	781	781
= Net operating surplus (+)	1,012	1,111	1,074	942	906	892	912	950
Property income receivable (+)	504	597	595	526	503	476	470	468
Interest receivable	172	204	216	186	166	150	139	134
Other property income receivable	332	393	378	341	337	326	331	334
Interest and rents payable (-)	287	354	404	359	323	291	269	257
= Net entrepreneurial income (+)	1,229	1,354	1,264	1,110	1,086	1,078	1,113	1,160
Distributed income (-)	927	988	1,024	975	934	912	898	892
Taxes on income and wealth payable (-)	190	212	197	161	139	125	125	132
Social contributions receivable (+)	75	64	66	68	68	69	70	70
Social benefits payable (-)	61	62	65	66	66	67	67	67
Other net transfers (-)	65	56	59	59	61	62	62	63
= Net saving	60	100	-14	-84	-45	-18	29	75
Investment, financing and saving								
Net acquisition of non-financial assets (+)	311	373	336	191	131	79	76	117
Gross fixed capital formation (+)	989	1,075	1,092	1,001	959	931	920	930
Consumption of fixed capital (-)	703	738	774	781	781	782	781	781
Net acquisition of other non-financial assets (+)	24	36	17	-29	-46	-70	-63	-33
Main items of financial investment (+)								
Short-term assets	157	168	65	34	81	108	106	44
Currency and deposits	146	154	15	8	36	87	98	58
Money market fund shares	2	-19	30	35	41	40	5	-21
Debt securities [1]	10	33	21	-10	4	-19	3	6
Long-term assets	504	782	731	605	438	236	233	330
Deposits	33	-4	35	62	39	23	5	14
Debt securities	-8	-27	-60	-2	-30	-16	-17	29
Shares and other equity	283	439	361	328	266	98	75	73
Other (mainly intercompany loans)	197	374	396	218	163	132	170	213
Remaining net assets (+)	76	126	-15	-117	-59	-45	49	-3
Main items of financing (-)								
Debt	685	900	748	405	263	127	173	164
of which: Loans from euro area MFIs	444	539	396	133	0	-111	-100	-86
of which: Debt securities	38	38	56	78	90	82	101	78
Shares and other equity	231	382	306	310	291	189	183	168
Quoted shares	32	54	8	58	73	67	66	46
Unquoted shares and other equity	198	328	299	252	217	122	118	122
Net capital transfers receivable (-)	72	68	74	77	78	79	77	78
= Net saving	60	100	-14	-84	-45	-18	29	75
Financial balance sheet								
Financial assets								
Short-term assets	1,674	1,826	1,905	1,921	1,970	2,010	1,988	1,982
Currency and deposits	1,367	1,507	1,537	1,549	1,577	1,631	1,601	1,611
Money market fund shares	183	159	185	215	222	206	198	181
Debt securities [1]	124	161	183	158	171	172	189	191
Long-term assets	10,119	11,117	9,522	9,670	10,343	10,583	10,945	10,842
Deposits	143	171	203	214	215	210	210	219
Debt securities	281	252	198	160	148	179	188	210
Shares and other equity	7,498	8,141	6,170	6,295	6,946	7,123	7,370	7,173
Other (mainly intercompany loans)	2,198	2,553	2,951	3,001	3,033	3,072	3,177	3,240
Remaining net assets	314	358	422	440	418	422	440	465
Liabilities								
Debt	7,895	8,692	9,457	9,523	9,521	9,532	9,636	9,673
of which: Loans from euro area MFIs	3,957	4,478	4,870	4,831	4,766	4,710	4,712	4,728
of which: Debt securities	675	680	738	772	816	816	865	872
Shares and other equity	13,173	14,367	10,775	10,853	11,926	12,253	12,498	11,939
Quoted shares	4,541	5,038	2,920	2,917	3,362	3,508	3,590	3,316
Unquoted shares and other equity	8,632	9,330	7,855	7,936	8,564	8,745	8,907	8,623

Sources: ECB and Eurostat.

1) Securities issued by MFIs with a maturity of less than two years and securities issued by other sectors with a maturity of less than one year.

3.5 Insurance corporations and pension funds

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

	2006	2007	2008	2008 Q3-2009 Q2	2008 Q4-2009 Q3	2009 Q1-2009 Q4	2009 Q2-2010 Q1	2009 Q3-2010 Q2
Financial account, financial transactions								
Main items of financial investment (+)								
Short-term assets	63	66	113	54	47	31	17	29
Currency and deposits	11	6	57	12	-1	-33	-21	1
Money market fund shares	3	2	20	10	6	10	1	12
Debt securities [1]	49	57	36	31	42	55	37	16
Long-term assets	308	165	73	103	137	206	272	273
Deposits	62	47	-3	15	29	18	1	-5
Debt securities	116	48	6	-8	-9	51	85	157
Loans	1	-15	39	30	27	15	13	13
Quoted shares	2	-1	2	-28	-99	-88	-83	-84
Unquoted shares and other equity	32	21	28	15	5	-5	1	5
Mutual fund shares	95	65	1	79	185	215	255	186
Remaining net assets (+)	15	-3	27	13	9	5	26	12
Main items of financing (-)								
Debt securities	6	3	12	10	10	1	0	5
Loans	47	-5	29	20	12	-25	-17	-12
Shares and other equity	11	2	9	6	5	3	3	4
Insurance technical reserves	318	243	139	168	201	272	318	299
Net equity of households in life insurance and pension fund reserves	301	227	117	160	194	259	304	290
Prepayments of insurance premiums and reserves for outstanding claims	17	15	22	7	6	13	14	9
= Changes in net financial worth due to transactions	5	-14	24	-35	-35	-8	11	18
Other changes account								
Other changes in financial assets (+)								
Shares and other equity	171	-2	-600	-274	-30	232	368	187
Other net assets	-50	-27	46	40	77	52	100	122
Other changes in liabilities (-)								
Shares and other equity	41	-32	-195	-123	-48	20	96	34
Insurance technical reserves	54	12	-260	-103	55	174	259	176
Net equity of households in life insurance and pension fund reserves	53	13	-257	-100	60	176	263	174
Prepayments of insurance premiums and reserves for outstanding claims	1	-1	-3	-3	-5	-2	-4	2
= Other changes in net financial worth	25	-9	-99	-8	41	90	114	100
Financial balance sheet								
Financial assets (+)								
Short-term assets	501	564	680	701	693	720	727	743
Currency and deposits	157	163	224	196	190	195	196	205
Money market fund shares	80	80	98	102	102	99	103	108
Debt securities [1]	264	320	358	403	401	426	428	430
Long-term assets	5,171	5,311	4,797	4,945	5,167	5,297	5,511	5,507
Deposits	598	646	641	661	663	659	658	656
Debt securities	1,863	1,886	1,904	1,902	1,976	2,008	2,102	2,154
Loans	410	394	434	445	446	448	455	459
Quoted shares	742	718	417	436	412	420	435	409
Unquoted shares and other equity	475	513	435	428	459	466	475	466
Mutual fund shares	1,083	1,154	968	1,073	1,210	1,295	1,386	1,362
Remaining net assets (+)	204	189	252	245	251	244	266	271
Liabilities (-)								
Debt securities	36	29	47	45	49	53	56	58
Loans	237	229	260	261	251	233	244	248
Shares and other equity	688	658	471	443	497	495	515	480
Insurance technical reserves	5,016	5,270	5,150	5,321	5,492	5,595	5,750	5,797
Net equity of households in life insurance and pension fund reserves	4,310	4,550	4,411	4,571	4,741	4,845	4,992	5,035
Prepayments of insurance premiums and reserves for outstanding claims	706	720	739	751	751	750	758	762
= Net financial wealth	-101	-123	-198	-179	-179	-116	-61	-62

Source: ECB.
1) Securities issued by MFIs with a maturity of less than two years and securities issued by other sectors with a maturity of less than one year.

FINANCIAL MARKETS

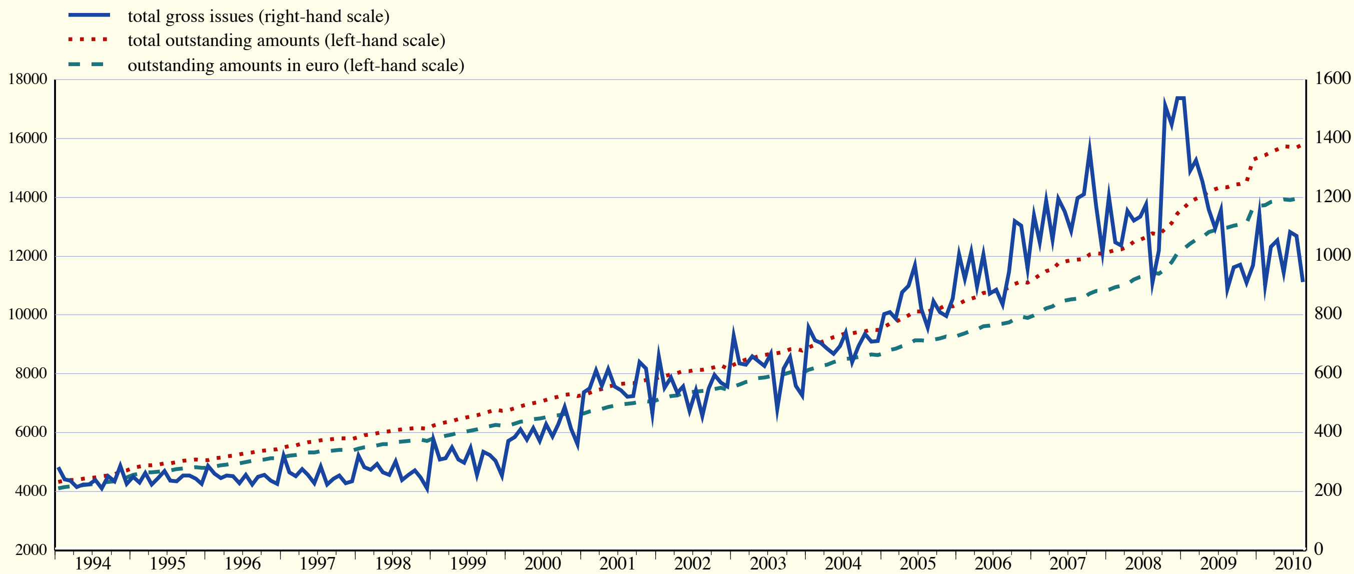
4.1 Securities other than shares by original maturity, residency of the issuer and currency

(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					
											Seasonally adjusted [2]	
	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Net issues	6-month growth rates
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2009 Aug.	15,228.3	880.6	46.4	12,969.5	824.8	27.6	14,354.2	887.7	19.9	10.6	71.3	8.7
Sep.	15,333.0	961.6	105.6	13,047.4	878.4	78.6	14,422.6	961.7	83.9	11.7	120.3	8.5
Oct.	15,333.0	949.4	0.1	13,076.1	899.8	28.8	14,455.8	969.9	36.1	10.7	14.0	7.5
Nov.	15,383.4	886.3	49.7	13,128.7	844.0	51.9	14,514.3	909.1	63.6	9.4	39.2	6.2
Dec.	15,908.7	938.3	-62.4	13,655.8	884.8	-60.6	15,285.6	969.4	-60.9	7.8	14.1	4.9
2010 Jan.	15,952.0	1,090.9	42.8	13,701.7	1,028.2	45.2	15,377.6	1,140.5	66.5	7.2	61.9	4.3
Feb.	15,989.7	860.0	37.8	13,741.0	811.1	39.5	15,425.7	900.5	33.7	5.9	-13.1	3.1
Mar.	16,134.0	1,027.7	143.5	13,843.5	923.5	101.5	15,539.7	1,031.1	108.2	5.5	93.3	2.6
Apr.	16,178.2	1,003.8	46.5	13,895.7	947.8	54.2	15,623.4	1,054.3	76.1	5.2	49.1	3.1
May	16,182.7	867.5	6.1	13,929.6	839.5	35.5	15,728.6	944.0	46.5	4.2	-18.2	2.3
June	16,173.5	1,050.1	13.9	13,910.2	983.9	3.8	15,712.2	1,081.3	-11.4	3.6	8.8	2.4
July	.	.	.	13,956.9	967.2	47.6	15,690.2	1,068.5	22.9	3.3	55.5	2.3
Aug.	.	.	.	14,024.7	803.9	68.3	15,802.6	911.0	84.8	3.7	146.4	4.4
	Long-term											
2009 Aug.	13,630.1	132.2	58.5	11,488.5	109.6	43.5	12,703.6	122.5	47.3	10.3	100.9	10.2
Sep.	13,702.8	224.4	72.3	11,563.5	197.9	74.6	12,766.4	223.4	75.8	11.2	100.6	9.6
Oct.	13,767.9	245.2	63.1	11,624.6	216.7	59.0	12,827.7	236.1	64.8	11.5	63.6	9.6
Nov.	13,851.6	200.8	81.7	11,704.1	180.1	77.5	12,904.6	195.3	81.9	10.7	53.8	8.4
Dec.	14,361.2	169.6	-34.6	12,223.5	154.0	-24.7	13,647.7	166.1	-33.4	8.9	-14.4	6.0
2010 Jan.	14,402.5	309.5	42.2	12,258.5	278.0	35.7	13,724.7	315.8	54.9	8.6	106.3	6.3
Feb.	14,458.8	212.1	56.8	12,321.4	193.6	63.4	13,798.3	211.8	59.9	7.5	11.2	4.8
Mar.	14,592.0	310.3	132.4	12,429.6	250.1	107.4	13,915.2	281.4	112.7	7.2	107.7	4.8
Apr.	14,638.9	246.7	48.0	12,477.2	223.3	48.2	13,991.8	255.2	68.0	7.1	54.1	4.6
May	14,647.4	154.4	9.0	12,507.7	148.4	30.8	14,096.3	181.6	48.8	5.9	-15.6	3.5
June	14,657.3	273.5	34.5	12,517.4	245.4	34.5	14,114.6	265.3	26.5	5.0	8.5	4.0
July	.	.	.	12,552.2	240.9	36.0	14,092.0	268.2	18.4	4.8	61.3	3.3
Aug.	.	.	.	12,592.1	127.1	40.2	14,166.5	152.3	48.3	4.7	109.5	4.8

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 details of the calculation of the growth rates, see the Technical Notes. The six-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[1]					
	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						
2008	13,450	5,270	2,200	701	4,939	340	1,191	816	83	106	163	24
2009	15,286	5,377	3,221	805	5,508	374	1,126	734	62	86	221	22
2009 Q3	14,423	5,431	2,392	789	5,453	358	1,001	645	47	86	212	12
Q4	15,286	5,377	3,221	805	5,508	374	949	620	54	73	182	20
2010 Q1	15,540	5,469	3,183	843	5,654	389	1,024	642	61	74	227	20
Q2	15,712	5,457	3,219	848	5,770	418	1,027	661	61	80	198	26
2010 May	15,729	5,479	3,228	872	5,746	404	944	600	59	75	191	18
June	15,712	5,457	3,219	848	5,770	418	1,081	718	62	79	185	37
July	15,690	5,428	3,217	847	5,773	426	1,068	655	98	69	217	29
Aug.	15,803	5,464	3,255	848	5,806	428	911	610	65	61	153	21
						Short-term						
2008	1,627	822	92	122	567	25	975	722	35	97	102	19
2009	1,638	733	88	72	724	21	876	635	19	69	137	15
2009 Q3	1,656	751	51	83	752	19	795	562	15	72	139	8
Q4	1,638	733	88	72	724	21	750	542	19	60	116	13
2010 Q1	1,624	747	78	76	706	17	754	536	27	61	120	10
Q2	1,598	734	89	73	681	21	793	570	31	67	110	16
2010 May	1,632	752	89	83	688	21	762	540	34	67	106	17
June	1,598	734	89	73	681	21	816	608	27	64	102	14
July	1,598	731	86	78	674	30	800	566	30	63	119	23
Aug.	1,636	757	93	75	681	31	759	548	32	57	107	16
						Long-term[2]						
2008	11,822	4,449	2,108	579	4,371	315	216	94	48	8	61	4
2009	13,648	4,644	3,133	733	4,784	353	251	99	44	17	84	7
2009 Q3	12,766	4,680	2,341	706	4,701	340	206	83	33	14	72	4
Q4	13,648	4,644	3,133	733	4,784	353	199	79	35	13	66	7
2010 Q1	13,915	4,723	3,105	767	4,948	372	270	106	33	13	107	10
Q2	14,115	4,723	3,130	775	5,089	398	234	91	30	13	89	10
2010 May	14,096	4,727	3,139	790	5,058	383	182	61	25	9	85	2
June	14,115	4,723	3,130	775	5,089	398	265	111	34	15	83	22
July	14,092	4,697	3,132	769	5,098	396	268	89	68	6	98	6
Aug.	14,167	4,707	3,163	773	5,126	398	152	63	34	4	47	5
						of which: Long-term fixed rate						
2008	7,711	2,306	760	440	3,955	250	120	48	9	7	53	3
2009	8,832	2,588	1,034	600	4,338	271	173	60	18	16	74	4
2009 Q3	8,482	2,507	893	570	4,251	260	140	49	14	14	61	3
Q4	8,832	2,588	1,034	600	4,338	271	132	46	10	12	59	5
2010 Q1	9,094	2,659	1,048	627	4,482	278	186	61	10	12	95	7
Q2	9,310	2,664	1,080	655	4,625	286	156	47	12	11	81	5
2010 May	9,264	2,671	1,075	647	4,589	282	115	22	6	6	80	1
June	9,310	2,664	1,080	655	4,625	286	172	58	16	13	76	9
July	9,274	2,641	1,074	652	4,624	283	153	45	14	6	85	3
Aug.	9,326	2,652	1,088	657	4,645	285	92	36	9	4	40	3
						of which: Long-term variable rate						
2008	3,599	1,743	1,300	128	363	64	81	36	38	1	5	1
2009	4,378	1,769	2,032	123	374	81	62	28	25	1	6	2
2009 Q3	3,727	1,745	1,406	125	372	79	48	21	18	1	7	1
Q4	4,378	1,769	2,032	123	374	81	58	26	24	1	5	2
2010 Q1	4,366	1,775	1,987	130	382	93	70	38	20	1	7	3
Q2	4,348	1,770	1,975	110	383	110	65	37	16	1	5	6
2010 May	4,373	1,763	1,990	129	391	99	53	33	15	1	3	1
June	4,348	1,770	1,975	110	383	110	81	46	17	1	4	13
July	4,370	1,772	1,988	108	391	111	104	37	54	0	10	3
Aug.	4,392	1,774	2,005	108	394	111	48	20	23	0	3	2

Source: ECB.

1) Monthly data on gross issues refer to transactions during the month. For the purposes of comparison, quarterly and annual data refer to the respective monthly averages.

2) 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

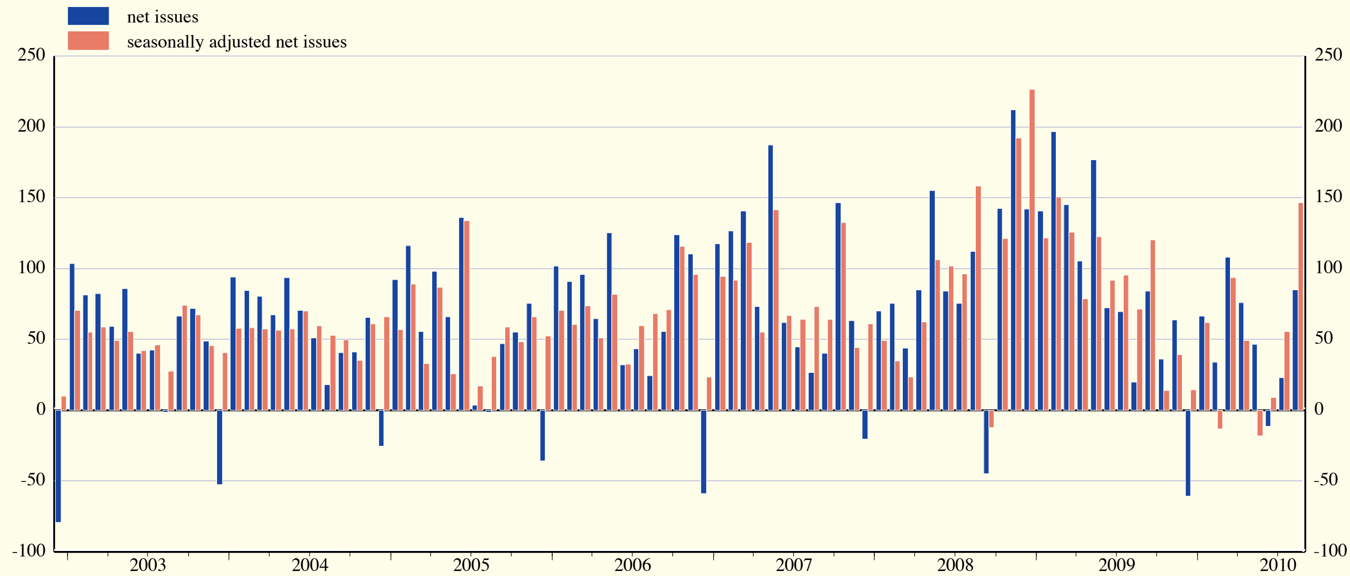
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted [1]						Seasonally adjusted [1]					
	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											
2008	96.0	22.9	36.0	4.4	31.7	1.1	96.5	23.1	35.5	4.5	32.5	0.9
2009	87.4	10.3	19.5	8.6	46.2	2.8	87.1	10.2	19.0	8.3	46.7	2.9
2009 Q3	57.7	0.8	8.2	11.1	35.3	2.3	95.6	9.7	25.8	13.4	43.3	3.4
Q4	12.9	-21.6	13.4	4.1	11.9	5.2	22.4	-10.5	-13.5	6.9	36.8	2.7
2010 Q1	69.5	25.6	-16.9	11.2	46.4	3.1	47.4	7.4	0.9	10.1	24.6	4.5
Q2	37.1	-12.1	3.7	5.0	34.9	5.6	13.2	-14.6	-1.6	0.8	23.0	5.7
2010 May	46.5	-26.4	15.3	7.4	52.9	-2.7	-18.2	-49.3	2.5	1.3	29.0	-1.8
June	-11.4	-30.9	-11.4	-5.8	23.0	13.8	8.8	-3.0	-13.9	-8.0	20.0	13.7
July	22.9	-7.3	9.9	3.5	8.6	8.2	55.5	-14.4	24.5	2.9	33.4	9.1
Aug.	84.8	23.8	30.2	-1.8	30.4	2.2	146.4	33.3	58.0	4.7	46.5	3.9
	Long-term											
2008	65.5	15.9	32.9	2.7	13.4	0.5	65.0	16.1	32.3	2.8	13.3	0.5
2009	88.0	15.1	22.6	12.7	34.5	3.2	87.9	15.2	22.2	12.8	34.6	3.1
2009 Q3	56.1	12.7	12.3	12.3	17.4	1.4	94.2	20.0	29.1	14.0	28.5	2.6
Q4	37.8	-13.9	12.1	7.8	27.3	4.4	34.3	-1.9	-14.4	9.0	38.1	3.5
2010 Q1	75.8	22.3	-13.3	9.8	52.8	4.3	75.1	12.5	4.9	10.5	43.0	4.2
Q2	47.8	-7.1	0.3	6.1	43.9	4.6	15.7	-17.0	-4.6	2.1	30.8	4.4
2010 May	48.8	-23.8	9.0	3.7	64.3	-4.4	-15.6	-43.4	-2.4	-1.4	35.3	-3.7
June	26.5	-10.1	-11.5	3.6	30.0	14.5	8.5	-11.1	-14.9	-1.1	21.6	14.1
July	18.4	-6.4	13.0	-1.0	14.1	-1.3	61.3	-11.0	26.9	-0.3	45.9	-0.2
Aug.	48.3	-1.3	23.3	0.4	24.5	1.5	109.5	7.4	51.1	6.0	42.7	2.2

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

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



Source: ECB.

1) Monthly data on net issues refer to transactions during the month. For the purposes of comparison, quarterly and annual data refer to the respective monthly averages.

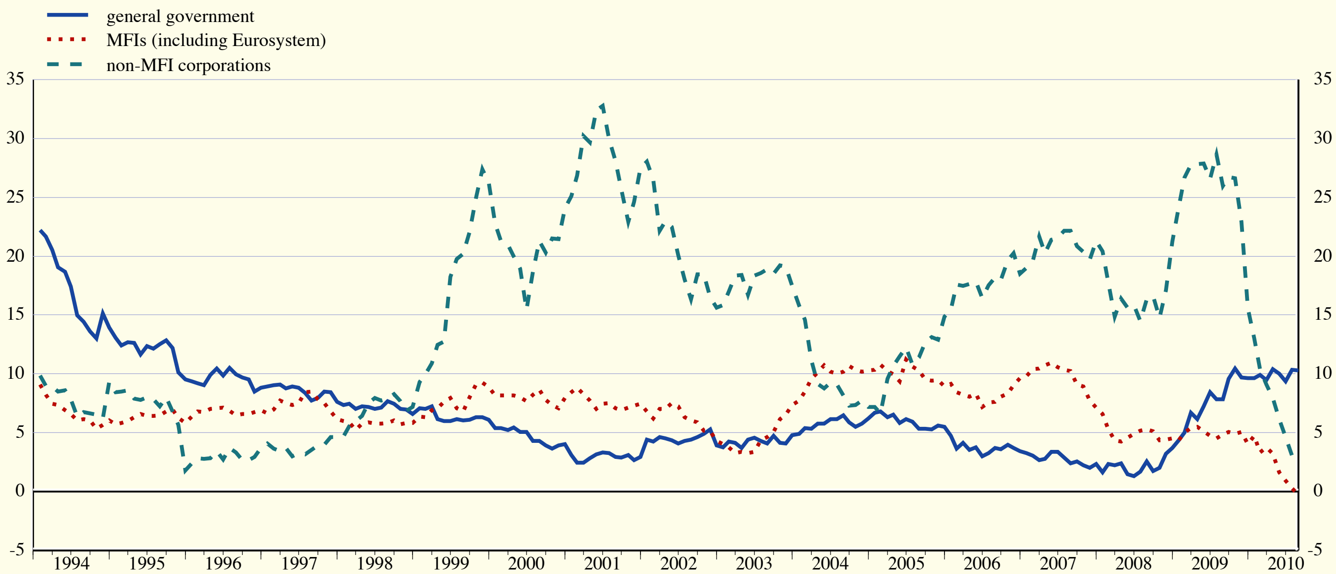
4.3 Growth rates of securities other than shares issued by euro area residents [1]

(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						
2009 Aug.	10.6	3.5	23.9	13.4	13.4	9.1	8.7	2.8	15.0	14.4	11.2	10.7
Sep.	11.7	4.1	24.1	16.1	14.9	10.7	8.5	3.4	13.2	19.2	10.2	11.2
Oct.	10.7	3.0	23.4	17.4	13.5	10.5	7.5	0.6	10.8	19.3	11.6	9.4
Nov.	9.4	2.5	18.7	16.8	12.1	10.8	6.2	-0.5	8.0	18.0	10.6	9.5
Dec.	7.8	2.3	10.4	14.7	11.2	10.0	4.9	-0.1	2.9	16.8	9.3	10.9
2010 Jan.	7.2	2.4	9.4	14.0	10.1	9.4	4.3	0.6	0.7	12.4	8.8	8.6
Feb.	5.9	0.7	6.2	15.0	9.7	11.0	3.1	-1.3	-1.9	15.5	8.1	11.5
Mar.	5.5	1.5	4.6	16.2	8.5	11.8	2.6	-0.3	-3.3	13.2	6.9	12.3
Apr.	5.2	1.3	3.6	16.2	8.4	11.2	3.1	2.2	-3.2	13.4	5.3	12.9
May	4.2	-0.2	2.5	14.9	8.0	10.4	2.3	0.0	-2.9	12.2	5.4	11.3
June	3.6	-0.4	1.4	12.4	7.2	13.7	2.4	-0.8	-0.1	8.1	5.2	16.7
July	3.3	-0.9	0.3	10.2	7.4	15.2	2.3	-2.4	0.1	8.2	6.0	22.4
Aug.	3.7	-0.3	1.5	10.3	7.2	15.5	4.4	0.7	5.1	5.4	6.4	19.9
						Long-term						
2009 Aug.	10.3	4.8	27.5	22.4	7.8	8.1	10.2	6.4	16.7	25.7	8.8	13.2
Sep.	11.2	5.1	27.7	24.8	9.6	9.4	9.6	6.3	14.9	28.5	7.8	11.8
Oct.	11.5	4.9	26.7	27.5	10.4	10.6	9.6	4.8	11.9	27.5	11.1	9.3
Nov.	10.7	5.0	21.5	28.4	9.6	11.0	8.4	4.0	8.8	25.2	10.3	7.9
Dec.	8.9	4.0	12.6	26.3	9.5	12.0	6.0	2.4	3.5	21.9	8.9	11.2
2010 Jan.	8.6	4.8	10.2	23.3	9.5	11.6	6.3	3.6	1.0	16.9	10.4	11.1
Feb.	7.5	3.3	7.2	22.6	9.7	12.4	4.8	0.3	-1.5	19.6	10.7	11.8
Mar.	7.2	3.8	5.6	22.8	9.2	12.8	4.8	1.4	-3.0	17.3	10.6	13.8
Apr.	7.1	3.2	4.4	21.7	10.4	11.0	4.6	1.7	-2.6	16.1	9.7	12.7
May	5.9	1.6	3.0	18.7	10.1	8.9	3.5	-0.8	-2.7	12.5	9.9	9.9
June	5.0	0.9	1.7	16.1	9.1	12.9	4.0	-0.6	0.1	10.6	9.4	14.7
July	4.8	0.2	0.6	12.9	10.2	12.1	3.3	-3.0	0.3	9.1	10.1	13.1
Aug.	4.7	-0.3	1.4	13.1	10.2	11.8	4.8	-0.9	4.4	7.0	9.7	11.8

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 details of the calculation of the growth rates, see the Technical Notes. The six-month growth rates have been annualised.

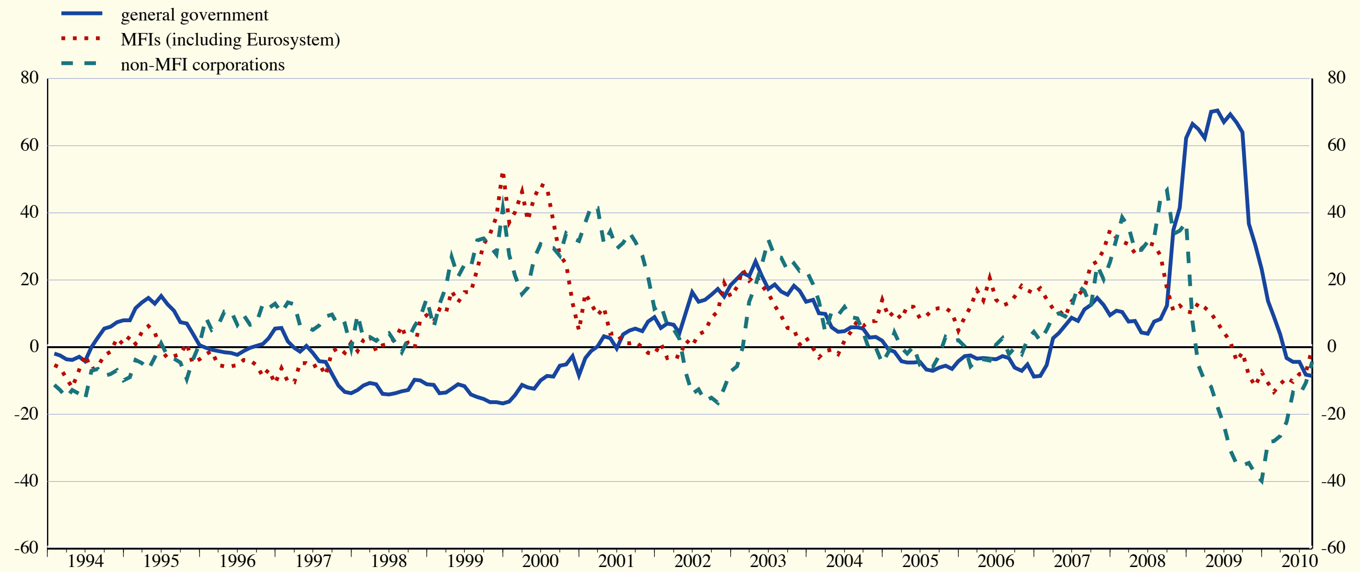
4.3 Growth rates of securities other than shares issued by euro area residents [1] (cont'd)

(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											
2008	3.1	4.9	6.1	4.8	1.5	1.4	12.7	5.4	33.3	7.0	7.6	3.2
2009	9.5	7.1	18.1	25.1	8.1	4.3	12.0	1.8	35.8	-2.0	0.1	20.7
2009 Q3	10.5	7.3	20.9	29.4	9.0	4.0	11.3	0.9	35.3	-3.3	-1.6	25.2
Q4	12.2	9.1	20.8	35.4	10.3	6.8	7.4	-1.7	23.9	-4.0	2.0	26.4
2010 Q1	11.2	9.8	13.6	29.1	9.6	8.3	1.2	-3.8	5.9	-2.2	4.6	26.9
Q2	9.7	7.3	7.4	23.4	10.2	7.5	-1.0	-4.2	0.4	-0.5	5.5	23.4
2010 Mar.	10.5	9.3	9.9	27.2	9.4	9.7	-0.2	-3.8	2.3	0.0	3.5	24.6
Apr.	10.7	8.9	8.2	25.8	10.7	8.0	-0.7	-4.4	1.0	-0.4	7.6	22.2
May	9.3	6.1	6.7	21.4	10.5	5.9	-1.3	-4.4	-0.3	-0.3	6.1	20.2
June	8.0	4.3	4.8	19.2	9.5	7.6	-1.5	-3.6	-1.0	-1.3	2.0	30.9
July	7.7	3.1	3.2	16.1	10.5	6.7	-1.3	-3.5	-1.6	-2.0	5.4	30.0
Aug.	7.5	2.6	3.6	16.5	10.3	7.1	-0.9	-3.8	-0.5	-2.1	6.6	27.0
	In euro											
2008	3.0	4.8	6.7	3.1	1.7	1.3	14.3	6.5	35.0	7.2	8.0	2.0
2009	10.1	9.0	21.5	23.3	8.2	3.7	14.4	3.9	38.4	-2.5	-0.4	21.8
2009 Q3	11.2	9.4	24.3	28.0	9.2	3.4	13.6	2.8	37.9	-3.9	-2.4	27.5
Q4	12.8	11.4	23.1	34.6	10.4	6.3	9.0	-0.2	25.5	-4.8	0.7	27.0
2010 Q1	11.4	10.8	15.0	29.6	9.7	8.0	1.7	-3.4	6.5	-2.4	3.2	26.9
Q2	9.9	7.4	8.3	23.8	10.2	7.2	-1.0	-3.9	0.0	-0.6	4.1	23.4
2010 Mar.	10.7	9.9	11.3	27.8	9.4	9.6	0.1	-3.4	2.7	0.2	2.1	24.7
Apr.	10.9	9.1	8.8	26.6	10.7	7.8	-0.5	-3.9	0.8	-0.3	6.2	22.1
May	9.5	6.0	7.6	21.7	10.5	5.4	-1.7	-4.5	-1.2	-0.3	4.7	20.0
June	8.3	4.5	5.9	19.2	9.6	7.3	-1.7	-3.0	-2.2	-2.6	0.7	31.2
July	8.1	2.7	4.1	16.6	10.7	6.8	-1.0	-2.8	-1.7	-2.6	4.4	30.3
Aug.	7.9	2.1	4.7	16.8	10.5	7.3	-0.6	-2.9	-0.8	-2.8	6.2	27.1

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

(annual percentage changes)



Source: ECB.

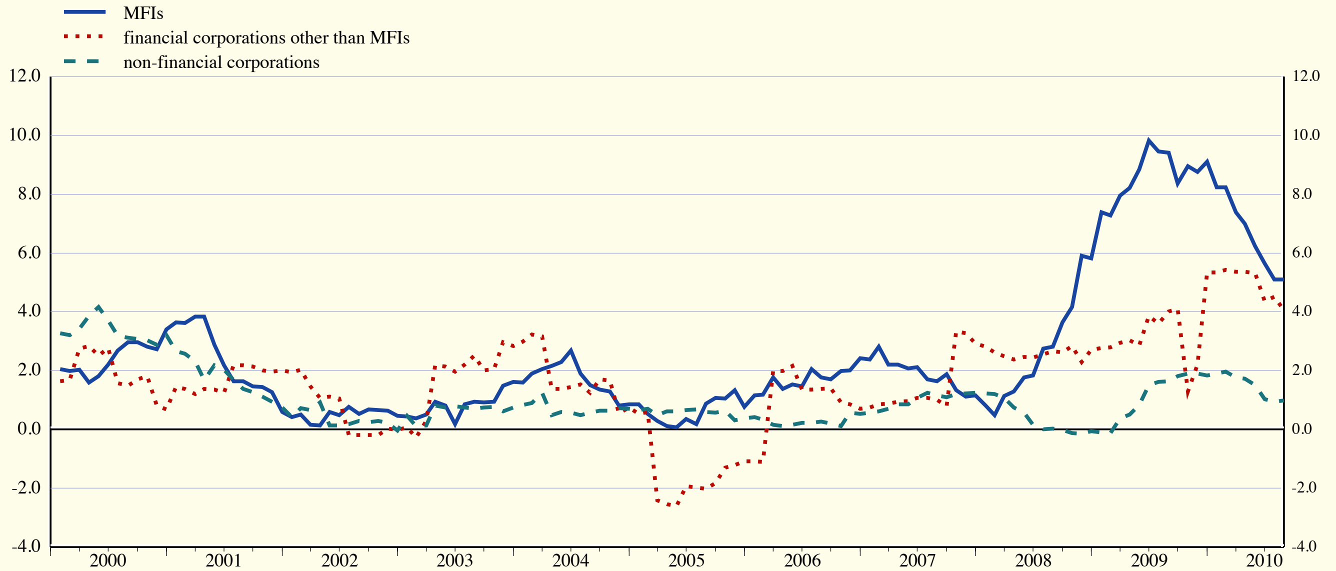
1) Annual percentage changes for monthly data refer to the end of the month, whereas those for quarterly and yearly data refer to the annual change in the period average. See the Technical Notes for details.

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 at end of period)

	Total			MFIs		Financial corporations other than MFIs		Non-financial corporations	
	Total	Index: Dec. 2001 = 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
2008 Aug.	5,017.9	104.6	0.7	666.7	2.8	438.4	2.7	3,912.7	0.0
Sep.	4,448.1	104.7	0.7	613.3	3.6	382.3	2.6	3,452.5	0.0
Oct.	3,760.0	105.0	0.7	452.9	4.2	280.5	2.8	3,026.6	-0.1
Nov.	3,504.9	105.2	0.9	395.6	5.9	265.4	2.3	2,843.9	-0.1
Dec.	3,512.7	105.4	1.0	378.1	5.8	282.5	2.7	2,852.1	-0.1
2009 Jan.	3,315.7	105.6	1.1	343.7	7.4	259.0	2.8	2,712.9	-0.1
Feb.	2,943.5	105.6	1.1	275.9	7.3	206.3	2.8	2,461.3	-0.1
Mar.	3,027.4	106.1	1.5	315.5	7.9	223.9	2.9	2,488.0	0.4
Apr.	3,461.0	106.2	1.6	413.7	8.2	274.6	3.0	2,772.7	0.5
May	3,609.3	106.5	1.9	454.1	8.9	283.3	2.9	2,871.9	0.8
June	3,560.2	107.3	2.7	449.5	9.8	279.4	3.9	2,831.4	1.5
July	3,846.1	107.5	2.7	510.4	9.5	301.1	3.6	3,034.6	1.6
Aug.	4,044.3	107.5	2.7	573.3	9.4	321.7	4.0	3,149.3	1.6
Sep.	4,213.9	107.6	2.8	594.0	8.4	352.2	4.1	3,267.7	1.8
Oct.	4,068.7	107.8	2.7	569.0	8.9	326.7	1.3	3,173.0	1.9
Nov.	4,082.3	108.1	2.7	568.5	8.8	318.4	2.2	3,195.3	1.9
Dec.	4,414.2	108.5	3.0	570.9	9.1	349.4	5.3	3,493.9	1.8
2010 Jan.	4,246.4	108.7	2.9	521.3	8.2	339.2	5.3	3,385.9	1.9
Feb.	4,164.6	108.7	3.0	503.5	8.2	337.8	5.4	3,323.3	2.0
Mar.	4,477.9	109.0	2.8	548.1	7.4	363.8	5.4	3,566.0	1.8
Apr.	4,412.2	109.0	2.7	512.5	7.0	344.2	5.4	3,555.5	1.7
May	4,096.1	109.1	2.4	449.4	6.2	321.3	5.3	3,325.3	1.5
June	4,058.0	109.3	1.9	449.8	5.6	314.3	4.4	3,294.0	1.0
July	4,255.1	109.4	1.7	523.9	5.1	332.2	4.5	3,399.0	0.9
Aug.	4,119.4	109.4	1.7	483.2	5.1	308.3	4.1	3,327.9	1.0

C19 Annual growth rates for quoted shares issued by euro area residents
(annual percentage changes)



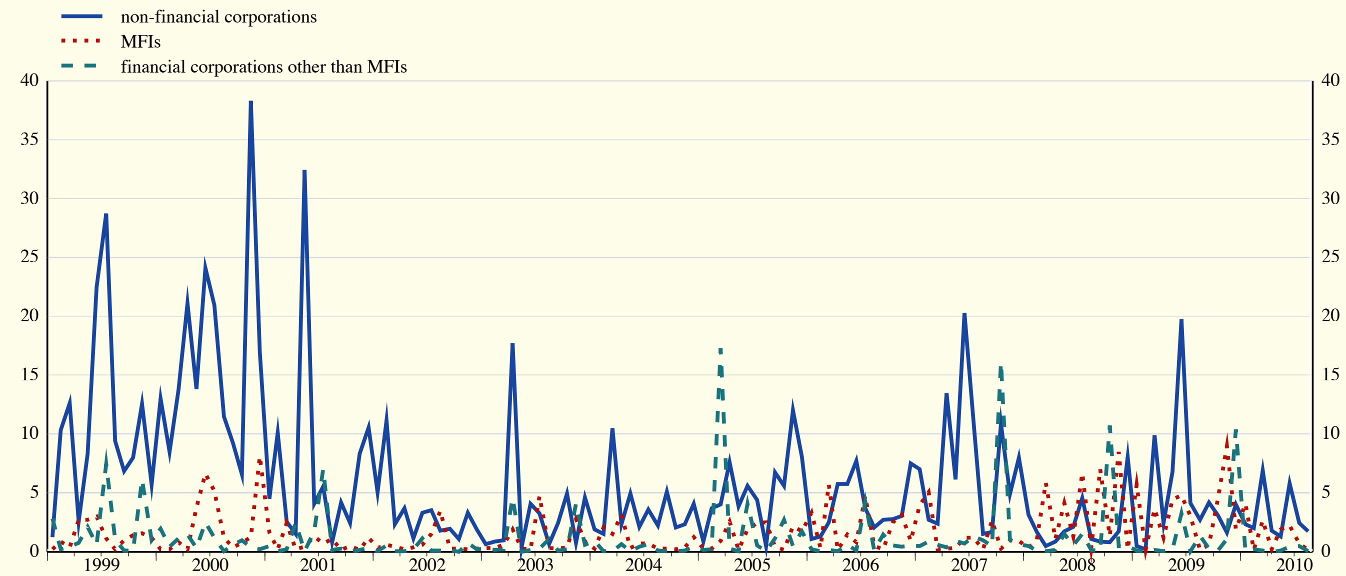
Source: ECB.
1) For details of the calculation of the index and the growth rates, see the Technical Notes.

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
2008 Aug.	1.6	3.0	-1.4	0.3	0.0	0.3	0.1	0.0	0.1	1.1	3.0	-1.9
Sep.	7.8	2.9	5.0	7.0	0.0	7.0	0.0	0.1	-0.1	0.8	2.8	-2.0
Oct.	12.9	0.6	12.2	1.4	0.0	1.4	10.7	0.0	10.7	0.8	0.6	0.1
Nov.	10.6	2.9	7.7	8.4	0.5	8.0	0.5	2.1	-1.6	1.7	0.3	1.4
Dec.	8.5	2.6	6.0	0.0	0.0	0.0	0.5	0.0	0.4	8.0	2.5	5.5
2009 Jan.	6.3	0.5	5.8	5.7	0.0	5.7	0.1	0.0	0.0	0.5	0.4	0.1
Feb.	0.2	0.9	-0.7	0.0	0.0	0.0	0.0	0.1	-0.1	0.2	0.8	-0.6
Mar.	13.7	0.2	13.4	3.6	0.0	3.6	0.2	0.0	0.1	9.9	0.2	9.7
Apr.	3.7	0.3	3.4	1.2	0.0	1.2	0.1	0.0	0.0	2.4	0.3	2.1
May	11.4	0.3	11.1	4.4	0.0	4.4	0.2	0.0	0.1	6.8	0.3	6.5
June	27.8	2.0	25.8	4.8	0.0	4.8	3.3	0.3	3.0	19.7	1.8	18.0
July	7.2	0.2	7.0	3.0	0.0	3.0	0.0	0.0	0.0	4.1	0.2	4.0
Aug.	4.0	3.3	0.7	0.0	0.0	0.0	1.3	0.0	1.3	2.7	3.3	-0.6
Sep.	5.0	0.3	4.7	0.6	0.0	0.6	0.2	0.0	0.2	4.2	0.2	3.9
Oct.	7.7	0.3	7.4	4.5	0.0	4.5	0.1	0.0	0.1	3.1	0.2	2.8
Nov.	11.6	0.2	11.4	9.0	0.0	9.0	1.0	0.0	1.0	1.6	0.2	1.4
Dec.	16.2	0.2	16.1	1.9	0.0	1.9	10.4	0.1	10.3	4.0	0.1	3.9
2010 Jan.	6.4	0.0	6.4	4.1	0.0	4.1	0.1	0.0	0.1	2.3	0.0	2.3
Feb.	2.2	0.3	1.9	0.0	0.0	0.0	0.2	0.0	0.2	2.0	0.3	1.7
Mar.	9.6	0.2	9.4	2.6	0.0	2.6	0.1	0.0	0.1	6.9	0.2	6.7
Apr.	1.8	0.4	1.5	0.1	0.0	0.0	0.0	0.0	0.0	1.8	0.3	1.5
May	3.2	0.8	2.4	1.9	0.0	1.9	0.1	0.0	0.1	1.3	0.8	0.4
June	8.4	0.4	8.0	2.2	0.0	2.2	0.4	0.0	0.4	5.8	0.4	5.4
July	3.6	0.8	2.7	0.7	0.0	0.7	0.5	0.0	0.4	2.4	0.8	1.6
Aug.	1.7	1.2	0.6	0.0	0.0	0.0	0.0	0.0	0.0	1.7	1.2	0.6

C20 Gross issues of quoted shares by sector of the issuer
(EUR billions; transactions during the month; market values)



Source: ECB.
1) For details of the calculation of the index and the growth rates, see the Technical Notes.

4.5 MFI interest rates on euro-denominated deposits from and loans to euro area residents [1)]

(percentages per annum; outstanding amounts as at 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 an agreed maturity of:			Redeemable at notice of: [2), 3)]		Overnight [2)]	With an agreed maturity of:			
		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
2009 Oct.	0.46	1.68	2.11	2.55	1.55	2.97	0.49	0.66	1.99	2.72	0.56
Nov.	0.46	1.67	2.23	2.56	1.52	2.76	0.48	0.70	2.11	2.92	0.58
Dec.	0.45	1.67	2.31	2.40	1.53	2.45	0.47	0.77	2.00	2.53	0.64
2010 Jan.	0.43	1.74	2.33	2.52	1.47	2.23	0.45	0.72	1.95	2.46	0.53
Feb.	0.42	1.75	2.24	2.36	1.45	2.11	0.44	0.73	2.11	2.39	0.53
Mar.	0.42	1.90	2.38	2.24	1.45	2.05	0.44	0.79	2.73	2.34	0.50
Apr.	0.41	2.02	2.64	2.14	1.42	2.01	0.43	0.78	2.78	2.30	0.58
May	0.40	2.04	2.73	2.24	1.40	1.98	0.43	0.77	2.78	2.26	0.52
June	0.43	2.16	2.25	2.47	1.41	1.96	0.43	0.89	1.85	2.29	0.66
July	0.43	2.31	2.59	2.36	1.39	1.93	0.45	1.05	2.11	2.23	0.74
Aug.	0.43	2.21	2.54	2.35	1.50	1.91	0.45	1.00	2.01	2.22	0.70
Sep.	0.43	2.25	2.76	2.28	1.55	1.85	0.46	1.11	2.15	2.80	0.71

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

	Revolving loans and overdrafts, convenience and extended credit card debt [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
2009 Oct.	9.16	7.32	6.38	7.94	7.87	2.77	4.02	4.45	4.40	3.85	3.21	4.73	4.72
Nov.	9.07	7.03	6.29	7.87	7.76	2.71	3.97	4.46	4.32	3.78	3.16	4.57	4.66
Dec.	8.99	6.42	6.26	7.56	7.43	2.71	3.96	4.42	4.26	3.81	3.08	4.40	4.35
2010 Jan.	8.94	6.83	6.42	8.04	7.86	2.71	3.94	4.38	4.26	3.79	3.12	4.45	4.46
Feb.	9.01	6.72	6.25	7.98	7.78	2.68	3.83	4.32	4.18	3.74	3.16	4.48	4.74
Mar.	8.82	6.35	6.21	7.94	7.59	2.63	3.72	4.21	4.15	3.66	3.05	4.61	4.55
Apr.	8.77	6.77	6.12	7.92	7.66	2.62	3.71	4.18	4.12	3.68	3.06	4.32	4.53
May	8.77	6.69	6.14	7.84	7.62	2.58	3.64	4.14	4.01	3.58	3.09	4.45	4.50
June	8.83	5.18	6.13	7.73	7.11	2.56	3.59	4.06	3.90	3.54	3.00	4.22	4.27
July	8.79	5.49	6.22	7.77	7.32	2.66	3.60	3.94	3.84	3.64	3.15	4.27	4.27
Aug.	8.72	5.38	6.25	7.85	7.35	2.80	3.63	3.95	3.80	3.74	3.34	4.52	4.14
Sep.	8.75	5.56	6.16	7.85	7.25	2.75	3.57	3.84	3.74	3.62	3.31	4.53	4.38

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

	Revolving loans and overdrafts, convenience and extended credit card debt [2)]	Other loans of up to EUR 1 million by initial rate fixation			Other loans of 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
2009 Oct.	4.18	3.33	4.49	4.18	2.14	2.73	3.64
Nov.	4.11	3.34	4.49	4.10	2.22	2.74	3.80
Dec.	4.06	3.28	4.22	3.96	2.19	3.15	3.58
2010 Jan.	4.05	3.25	4.20	3.99	2.02	2.88	3.65
Feb.	4.03	3.25	4.22	4.05	1.94	2.90	3.61
Mar.	3.98	3.24	4.21	4.00	1.99	2.54	3.44
Apr.	3.98	3.19	4.17	3.90	2.00	2.72	3.45
May	3.97	3.25	4.12	3.86	1.96	2.83	3.41
June	3.77	3.25	4.11	3.80	2.17	2.87	3.37
July	3.72	3.30	4.27	3.95	2.26	2.86	3.19
Aug.	3.76	3.38	4.19	3.84	2.28	2.92	3.65
Sep.	3.81	3.35	4.13	3.77	2.26	2.72	3.52

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. Data as of June 2010 may not be fully comparable with those prior to that date owing to methodological changes arising from the implementation of Regulations ECB/2008/32 and ECB/2009/7 (amending Regulation ECB/2001/18).
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 when all participating Member States are combined.
4) The annual percentage rate of charge covers the total cost of a loan. The total cost comprises both an interest rate component and a component incorporating other (related) charges, such as the cost of inquiries, administration, preparation of documents and guarantees.

4.5 MFI interest rates on euro-denominated deposits from and loans to euro area residents [1)], *

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

4. Interest rates on deposits (outstanding amounts)

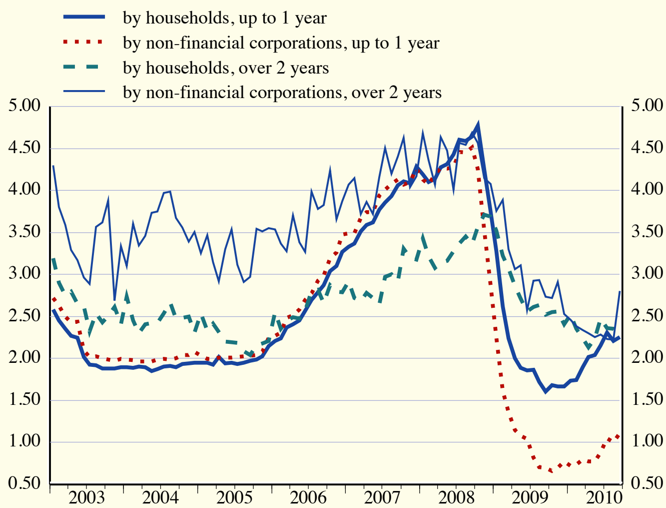
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight [2)]	With an agreed maturity of:		Redeemable at notice of: [2),3)]		Overnight [2)]	With an agreed maturity of:		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2009 Oct.	0.46	2.63	2.96	1.55	2.97	0.49	1.70	3.34	1.35
Nov.	0.46	2.50	2.95	1.52	2.76	0.48	1.62	3.37	1.28
Dec.	0.45	2.36	2.91	1.53	2.45	0.47	1.56	3.30	1.21
2010 Jan.	0.43	2.19	2.80	1.47	2.23	0.45	1.45	3.23	1.20
Feb.	0.42	2.14	2.84	1.45	2.11	0.44	1.42	3.31	1.20
Mar.	0.42	2.12	2.74	1.45	2.05	0.44	1.38	3.26	1.16
Apr.	0.41	2.12	2.74	1.42	2.01	0.43	1.37	3.24	1.16
May	0.40	2.12	2.71	1.40	1.98	0.43	1.42	3.22	1.14
June	0.43	2.13	2.72	1.41	1.96	0.43	1.46	3.12	1.24
July	0.43	2.15	2.72	1.39	1.93	0.45	1.54	3.16	1.23
Aug.	0.43	2.17	2.72	1.50	1.91	0.45	1.56	3.12	1.25
Sep.	0.43	2.20	2.74	1.55	1.85	0.46	1.61	3.07	1.26

5. Interest rates on loans (outstanding amounts)

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase with a maturity of:			Consumer credit and other loans with a maturity of:			With a maturity of:		
	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
2009 Oct.	4.05	4.19	4.18	7.69	6.66	5.53	3.56	3.37	3.60
Nov.	4.01	4.15	4.12	7.56	6.65	5.51	3.53	3.35	3.57
Dec.	4.07	4.11	4.07	7.55	6.57	5.42	3.46	3.35	3.50
2010 Jan.	3.99	4.05	3.99	7.51	6.52	5.37	3.47	3.31	3.45
Feb.	4.03	4.11	4.03	7.49	6.61	5.43	3.45	3.33	3.43
Mar.	3.98	4.04	3.98	7.43	6.51	5.35	3.43	3.26	3.37
Apr.	3.89	4.01	3.92	7.38	6.50	5.29	3.42	3.21	3.33
May	3.87	3.97	3.89	7.40	6.45	5.29	3.40	3.20	3.31
June	3.79	3.96	3.84	7.62	6.48	5.20	3.28	3.21	3.30
July	3.74	3.93	3.82	7.69	6.50	5.19	3.34	3.25	3.33
Aug.	3.80	3.89	3.81	7.74	6.46	5.19	3.38	3.28	3.34
Sep.	3.83	3.88	3.83	7.81	6.45	5.22	3.38	3.28	3.36

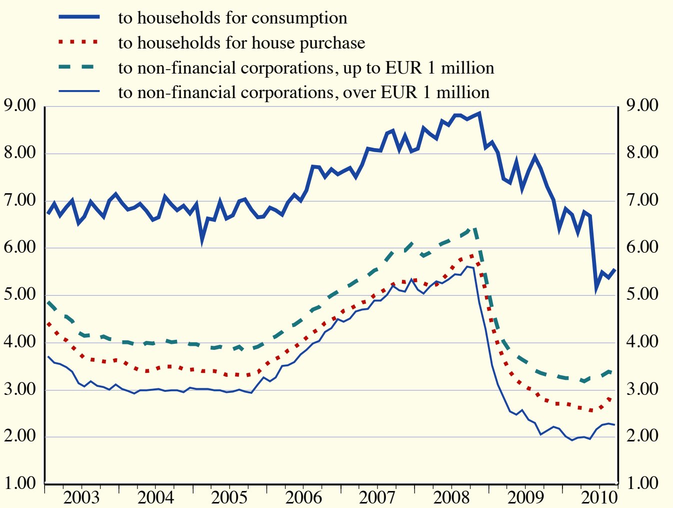
C21 New deposits with an agreed maturity

(percentages per annum excluding charges; period averages)



C22 New loans with a floating rate and up to 1 year's initial rate fixation

(percentages per annum excluding charges; period averages)



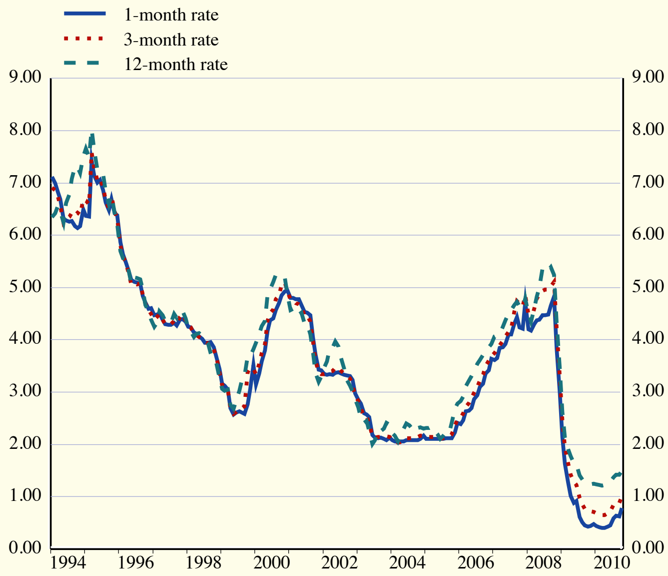
Source: ECB.

* For the source of the data in the table and the related footnotes, please see page S42.

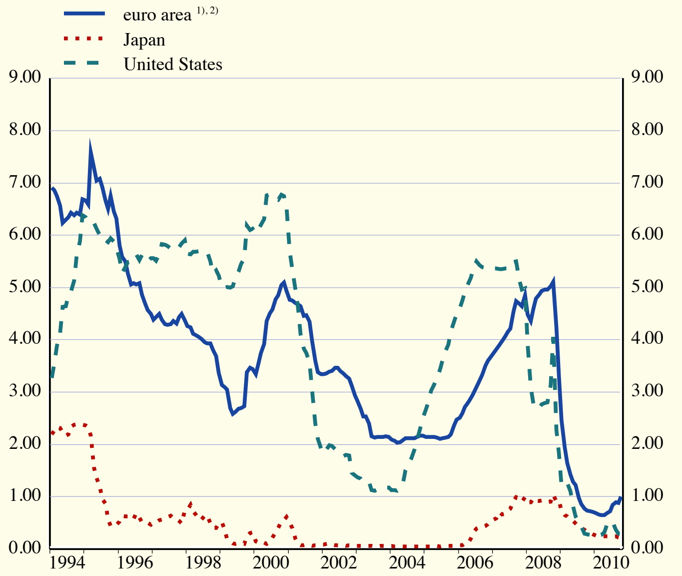
4.6 Money market interest rates
(percentages per annum; period averages)

	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
2007	3.87	4.08	4.28	4.35	4.45	5.30	0.79
2008	3.87	4.28	4.64	4.73	4.83	2.93	0.93
2009	0.71	0.89	1.22	1.43	1.61	0.69	0.47
2009 Q3	0.36	0.53	0.87	1.13	1.34	0.41	0.40
Q4	0.36	0.45	0.72	1.00	1.24	0.27	0.31
2010 Q1	0.34	0.42	0.66	0.96	1.22	0.26	0.25
Q2	0.35	0.43	0.69	0.98	1.25	0.44	0.24
Q3	0.45	0.61	0.87	1.13	1.40	0.39	0.24
2009 Oct.	0.36	0.43	0.74	1.02	1.24	0.28	0.33
Nov.	0.36	0.44	0.72	0.99	1.23	0.27	0.31
Dec.	0.35	0.48	0.71	1.00	1.24	0.25	0.28
2010 Jan.	0.34	0.44	0.68	0.98	1.23	0.25	0.26
Feb.	0.34	0.42	0.66	0.96	1.23	0.25	0.25
Mar.	0.35	0.41	0.64	0.95	1.22	0.27	0.25
Apr.	0.35	0.40	0.64	0.96	1.23	0.31	0.24
May	0.34	0.42	0.69	0.98	1.25	0.46	0.24
June	0.35	0.45	0.73	1.01	1.28	0.54	0.24
July	0.48	0.58	0.85	1.10	1.37	0.51	0.24
Aug.	0.43	0.64	0.90	1.15	1.42	0.36	0.24
Sep.	0.45	0.62	0.88	1.14	1.42	0.29	0.22
Oct.	0.70	0.78	1.00	1.22	1.50	0.29	0.20

C23 Euro area money market rates [1), 2)]
(monthly averages; percentages per annum)



C24 3-month money market rates
(monthly averages; 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.

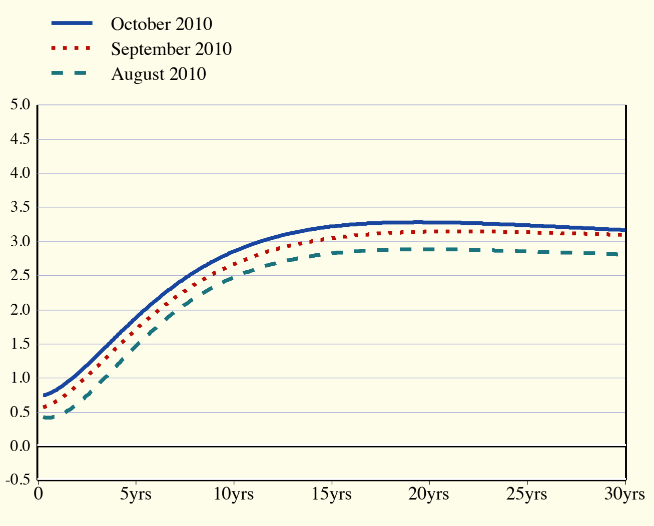
4.7 Euro area yield curves [1]

(AAA-rated euro area central government bonds; end of period; rates in percentages per annum; spreads in percentage points)

	Spot rates								Instantaneous forward rates			
	3 months	1 year	2 years	5 years	7 years	10 years	10 years - 3 months (spread)	10 years - 2 years (spread)	1 year	2 years	5 years	10 years
	1	2	3	4	5	6	7	8	9	10	11	12
2007	3.85	4.00	4.01	4.11	4.23	4.38	0.52	0.36	4.06	4.02	4.40	4.78
2008	1.75	1.85	2.14	2.95	3.32	3.69	1.94	1.55	2.09	2.76	4.04	4.60
2009	0.38	0.81	1.38	2.64	3.20	3.76	3.38	2.38	1.41	2.44	4.27	5.20
2009 Q4	0.38	0.81	1.38	2.64	3.20	3.76	3.38	2.38	1.41	2.44	4.27	5.20
2010 Q1	0.33	0.60	1.05	2.28	2.86	3.46	3.13	2.41	1.02	1.98	3.96	5.02
Q2	0.34	0.42	0.69	1.79	2.41	3.03	2.68	2.33	0.62	1.35	3.54	4.52
Q3	0.57	0.68	0.90	1.71	2.18	2.67	2.10	1.77	0.86	1.41	3.01	3.91
Q4	0.74	0.83	1.04	1.81	2.27	2.75	2.01	1.71	1.00	1.51	3.07	3.95
2009 Oct.	0.50	0.81	1.43	2.61	3.13	3.68	3.18	2.25	1.49	2.50	4.12	5.11
Nov.	0.44	0.80	1.34	2.49	3.01	3.57	3.13	2.23	1.38	2.32	4.00	5.04
Dec.	0.38	0.81	1.38	2.64	3.20	3.76	3.38	2.38	1.41	2.44	4.27	5.20
2010 Jan.	0.28	0.71	1.25	2.48	3.06	3.66	3.38	2.42	1.28	2.25	4.15	5.23
Feb.	0.30	0.54	1.02	2.29	2.88	3.49	3.19	2.46	0.98	2.01	3.99	5.08
Mar.	0.33	0.60	1.05	2.28	2.86	3.46	3.13	2.41	1.02	1.98	3.96	5.02
Apr.	0.32	0.60	1.01	2.18	2.78	3.40	3.07	2.39	1.00	1.85	3.89	4.94
May	0.21	0.28	0.57	1.75	2.39	3.00	2.78	2.43	0.47	1.28	3.58	4.46
June	0.34	0.42	0.69	1.79	2.41	3.03	2.68	2.33	0.62	1.35	3.54	4.52
July	0.45	0.59	0.87	1.88	2.44	3.01	2.56	2.14	0.82	1.51	3.45	4.43
Aug.	0.43	0.45	0.62	1.47	1.97	2.48	2.05	1.85	0.55	1.09	2.87	3.70
Sep.	0.57	0.68	0.90	1.71	2.18	2.67	2.10	1.77	0.86	1.41	3.01	3.91
Oct.	0.75	0.84	1.06	1.89	2.36	2.86	2.11	1.80	1.02	1.57	3.21	4.09

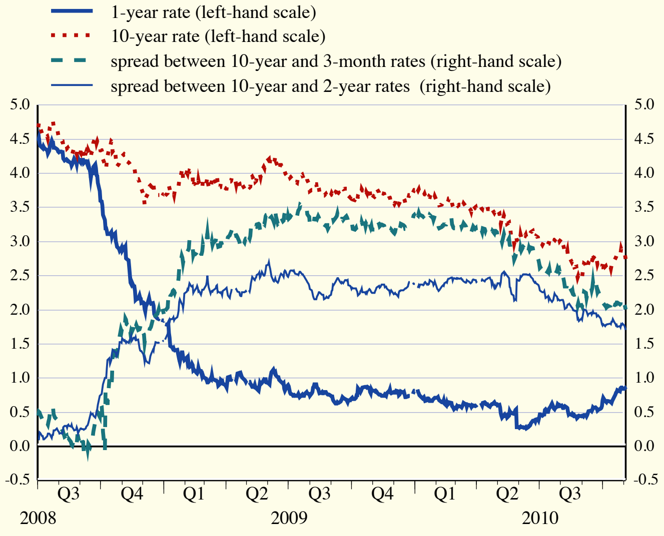
C25 Euro area spot yield curves

(percentages per annum; end of period)



C26 Euro area spot rates and spreads

(daily data; rates in percentages per annum; spreads in percentage points)



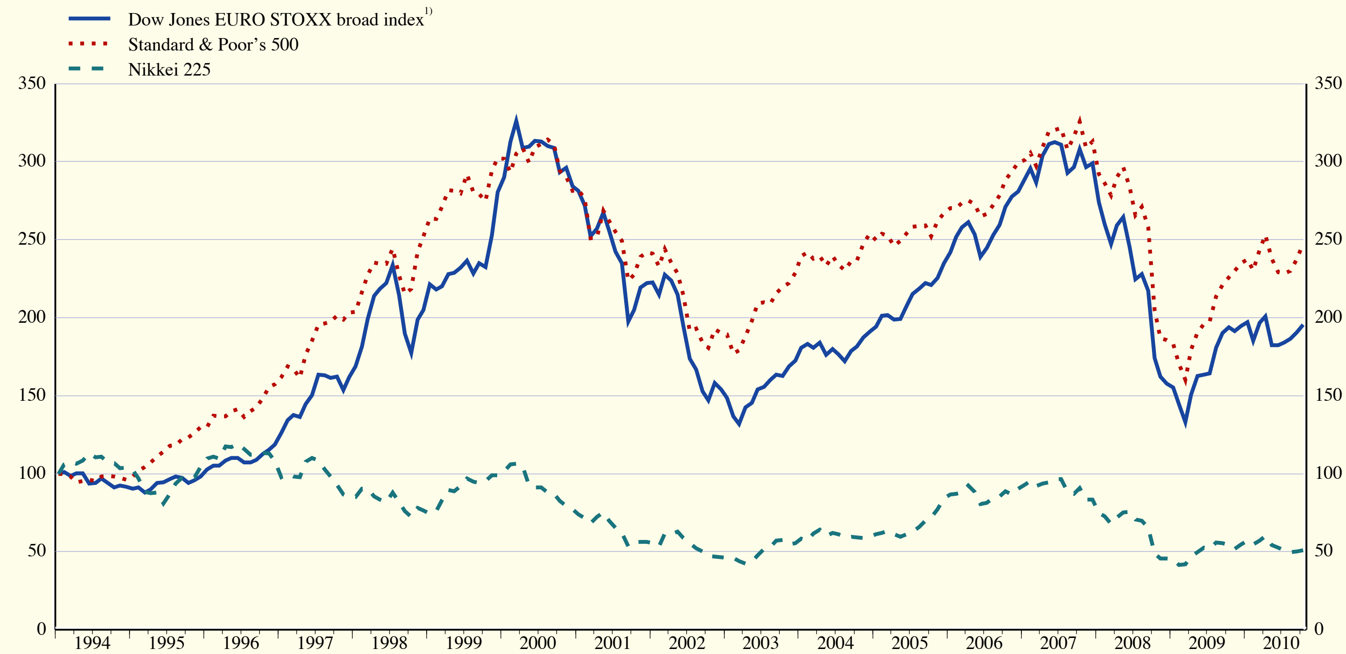
Sources: ECB calculations based on underlying data provided by EuroMTS and ratings provided by Fitch Ratings.

1) 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 index	50	Basic materials	Consumer services	Consumer goods	Oil and gas	Financials	Industrials	Technology	Utilities	Telecoms	Health care	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2007	416.4	4,315.8	543.8	235.4	366.5	449.6	408.3	488.4	383.4	561.4	492.7	519.2	1,476.5	16,984.4
2008	313.7	3,319.5	480.4	169.3	290.7	380.9	265.0	350.9	282.5	502.0	431.5	411.5	1,220.7	12,151.6
2009	234.2	2,521.0	353.2	140.5	244.5	293.5	172.1	269.7	200.7	353.7	380.4	363.5	946.2	9,321.6
2009 Q3	247.2	2,660.6	369.0	142.0	257.1	296.8	192.7	286.0	211.3	361.1	386.0	365.1	994.2	10,117.3
Q4	268.1	2,872.7	422.1	151.5	282.8	316.9	209.7	317.7	214.1	375.3	416.5	399.3	1,088.7	9,969.2
2010 Q1	268.0	2,849.0	445.0	159.3	294.9	320.0	195.5	326.7	229.9	372.4	398.8	426.3	1,123.6	10,511.2
Q2	261.1	2,735.7	446.3	163.7	312.9	305.0	178.8	334.3	229.1	349.6	372.2	412.0	1,134.6	10,345.9
Q3	259.5	2,715.9	445.8	165.2	323.0	294.5	181.6	327.0	210.7	325.9	387.6	391.4	1,096.2	9,356.0
2009 Oct.	268.7	2,865.5	403.7	150.1	277.5	314.2	216.0	318.4	221.3	375.4	415.0	393.6	1,067.7	10,066.2
Nov.	265.4	2,843.8	415.4	149.5	280.0	315.3	208.7	313.6	209.9	369.8	414.5	391.5	1,088.1	9,641.0
Dec.	270.1	2,907.6	447.0	155.0	290.9	321.1	204.3	321.0	211.0	380.5	419.8	412.4	1,110.4	10,169.0
2010 Jan.	273.5	2,922.7	449.4	158.9	295.7	329.8	204.6	331.6	223.1	384.1	407.4	425.5	1,123.6	10,661.6
Feb.	257.0	2,727.5	427.9	154.3	285.3	309.8	183.9	312.3	222.7	360.9	386.8	415.0	1,089.2	10,175.1
Mar.	272.6	2,890.5	456.0	164.0	302.4	320.3	197.7	335.0	242.2	372.2	401.9	436.8	1,152.0	10,671.5
Apr.	278.6	2,937.3	470.9	171.7	313.8	328.6	199.7	349.0	248.8	378.9	396.7	430.0	1,197.3	11,139.8
May	252.7	2,642.1	431.4	159.6	305.2	295.4	170.8	324.8	221.9	341.7	360.0	401.0	1,125.1	10,104.0
June	253.2	2,641.7	438.1	160.4	319.5	292.7	167.5	330.0	218.3	330.5	361.6	406.1	1,083.4	9,786.1
July	255.1	2,669.5	435.0	160.8	320.8	289.3	178.0	324.2	212.3	320.3	369.7	389.2	1,079.8	9,456.8
Aug.	258.9	2,712.2	441.5	163.2	315.6	296.0	183.7	324.9	206.8	328.5	392.2	383.1	1,087.3	9,268.2
Sep.	264.6	2,766.1	460.9	171.6	332.4	298.4	183.0	331.9	212.9	329.0	400.9	401.8	1,122.1	9,346.7
Oct.	271.3	2,817.7	489.1	175.1	346.1	304.9	183.2	346.0	223.7	331.4	410.5	405.4	1,171.6	9,455.1

C27 Dow Jones EURO STOXX broad index, 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 vis-à-vis previous period)						Memo item: Administered prices [2)]	
	Index: 2005 = 100	Total	Total excl. unprocessed food and energy	Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services	Total HICP excluding administered prices	Administered prices
% of total [3)]	100.0	100.0	83.1	58.0	42.0	100.0	11.9	7.3	29.3	9.6	42.0	89.0	11.0
	1	2	3	4	5	6	7	8	9	10	11	12	13
2006	102.2	2.2	1.5	2.3	2.0	-	-	-	-	-	-	2.1	2.5
2007	104.4	2.1	2.0	1.9	2.5	-	-	-	-	-	-	2.1	2.3
2008	107.8	3.3	2.4	3.8	2.6	-	-	-	-	-	-	3.4	2.7
2009	108.1	0.3	1.3	-0.9	2.0	-	-	-	-	-	-	0.1	1.7
2009 Q3	108.0	-0.4	1.2	-1.9	1.8	0.2	0.3	-0.9	0.0	0.8	0.4	-0.6	1.2
Q4	108.6	0.4	1.0	-0.4	1.7	0.2	0.1	0.1	0.0	0.3	0.4	0.4	0.8
2010 Q1	108.6	1.1	0.9	0.9	1.5	0.5	0.0	0.8	0.0	3.0	0.3	1.2	0.4
Q2	110.0	1.5	0.8	1.7	1.2	0.6	0.3	0.7	0.2	3.9	0.3	1.5	1.4
Q3	109.9	1.7	1.0	1.9	1.4	0.4	0.5	0.7	0.2	0.0	0.5	1.7	2.1
2010 May	110.0	1.6	0.9	1.9	1.3	0.1	0.2	-0.6	0.1	0.6	0.1	1.6	1.4
June	110.0	1.4	0.9	1.5	1.3	0.1	0.2	0.2	0.1	-0.4	0.1	1.4	1.4
July	109.7	1.7	1.0	2.0	1.4	0.2	0.1	0.5	0.1	0.0	0.2	1.7	2.0
Aug.	109.9	1.6	1.0	1.7	1.4	0.1	0.2	0.3	0.0	-0.1	0.2	1.5	2.1
Sep.	110.1	1.8	1.0	2.1	1.4	0.1	0.0	0.2	0.1	0.3	0.1	1.7	2.1
Oct. [4)]	.	1.9	.	.	.	.	.	.	.	.	.	.	.

	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)]	19.2	11.9	7.3	38.9	29.3	9.6	10.2	6.0	6.6	3.3	14.9	7.1
	14	15	16	17	18	19	20	21	22	23	24	25
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
2007	2.8	2.8	3.0	1.4	1.0	2.6	2.7	2.0	2.6	-1.9	2.9	3.2
2008	5.1	6.1	3.5	3.1	0.8	10.3	2.3	1.9	3.9	-2.2	3.2	2.5
2009	0.7	1.1	0.2	-1.7	0.6	-8.1	2.0	1.8	2.9	-1.0	2.1	2.1
2009 Q3	-0.1	0.6	-1.2	-2.8	0.5	-11.9	2.0	1.8	2.5	-0.6	1.8	2.1
Q4	-0.2	0.5	-1.5	-0.5	0.3	-3.2	1.9	1.7	2.5	-0.6	1.4	2.2
2010 Q1	0.0	0.6	-0.8	1.3	0.1	4.8	1.9	1.6	2.5	-0.5	1.1	1.6
Q2	0.7	0.8	0.7	2.2	0.3	8.1	1.8	1.5	2.3	-0.9	0.8	1.5
Q3	1.5	0.9	2.3	2.2	0.5	7.3	1.7	1.3	2.5	-0.8	1.1	1.5
2010 Apr.	0.7	0.6	0.7	2.3	0.2	9.1	1.9	1.5	2.4	-0.6	0.4	1.4
May	0.7	0.9	0.4	2.5	0.3	9.2	1.8	1.5	2.2	-1.1	0.9	1.5
June	0.9	0.9	0.9	1.8	0.4	6.2	1.8	1.5	2.3	-1.1	1.0	1.5
July	1.3	0.9	1.9	2.4	0.5	8.1	1.7	1.3	2.7	-0.9	1.0	1.5
Aug.	1.5	1.0	2.4	1.8	0.4	6.1	1.7	1.3	2.5	-0.5	1.1	1.6
Sep.	1.6	1.0	2.5	2.3	0.6	7.7	1.7	1.3	2.4	-0.9	1.1	1.5

Sources: Eurostat and ECB calculations.
1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
2) 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 Eurostat's website (http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/introduction) for a note explaining the methodology used in the compilation of this indicator.
3) Weighting used in 2010.
4) Estimate based on provisional national releases, which usually cover 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 and residential property prices

	Industrial producer prices excluding construction										Construct-ion 1)	Residential property prices 2)
	Total (index: 2005 = 100)	Total		Industry excluding construction and energy						Energy		
			Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
% of total 3)	100.0	100.0	82.8	75.6	30.0	22.0	23.7	2.7	21.0	24.4		
	1	2	3	4	5	6	7	8	9	10	11	12
2006	105.1	5.1	3.5	2.7	4.6	1.6	1.4	1.4	1.4	13.5	4.7	6.6
2007	107.9	2.7	3.0	3.2	4.6	2.2	2.2	2.4	2.1	1.2	4.2	4.5
2008	114.4	6.1	4.8	3.4	3.9	2.1	3.9	2.8	4.1	14.2	3.9	1.5
2009	108.6	-5.1	-5.4	-2.9	-5.3	0.4	-2.1	1.2	-2.5	-11.8	0.1	-3.1
2009 Q2	108.2	-5.8	-6.8	-3.0	-5.8	0.7	-2.1	1.5	-2.6	-13.8	-0.2	-3.1 4)
Q3	108.0	-7.9	-7.4	-4.2	-7.5	-0.1	-2.7	1.0	-3.2	-18.3	-1.7	-
Q4	108.4	-4.7	-3.0	-3.1	-5.0	-0.6	-2.5	0.4	-2.8	-9.5	-0.3	-3.0 4)
2010 Q1	109.6	-0.1	1.7	-0.5	-0.4	-0.5	-0.5	0.3	-0.7	0.3	0.2	-
Q2	111.5	3.0	3.8	1.6	3.6	0.2	0.0	0.6	-0.1	7.2	2.4	.
2010 Mar.	110.0	0.9	2.7	0.1	0.8	-0.3	-0.4	0.3	-0.5	3.1	-	-
Apr.	111.1	2.8	3.7	1.0	2.7	0.0	-0.3	0.4	-0.4	7.9	-	-
May	111.4	3.1	4.1	1.7	3.9	0.3	0.0	0.7	-0.2	7.4	-	-
June	111.8	3.1	3.6	1.9	4.3	0.4	0.2	0.8	0.1	6.2	-	-
July	112.0	4.0	3.7	2.1	4.5	0.6	0.4	1.0	0.3	9.6	-	-
Aug.	112.2	3.6	3.3	2.3	4.7	0.7	0.5	1.1	0.4	7.4	-	-

3. Commodity prices and gross domestic product deflators 1)

	Oil prices 5) (EUR per barrel)	Non-energy commodity prices						GDP deflators							
		Import-weighted 6)			Use-weighted 7)			Total (s.a.; index: 2000 = 100)	Total	Domestic demand				Exports 8)	Imports 8)
		Total	Food	Non-food	Total	Food	Non-food			Total	Private consump-tion	Government consump-tion	Gross fixed capital formation		
% of total		100.0	35.0	65.0	100.0	45.0	55.0								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2006	52.9	27.7	5.8	37.9	24.5	6.0	38.3	113.7	1.9	2.4	2.2	2.0	2.9	2.6	3.8
2007	52.8	7.8	14.3	5.5	5.3	9.3	2.9	116.4	2.4	2.3	2.3	1.7	2.7	1.6	1.3
2008	65.9	2.0	18.4	-4.4	-1.7	9.7	-8.6	118.8	2.0	2.6	2.7	2.5	2.3	2.5	3.8
2009	44.6	-18.5	-8.9	-23.1	-18.0	-11.4	-22.8	119.9	0.9	0.0	-0.2	2.1	-0.7	-3.2	-5.8
2009 Q2	43.8	-24.5	-11.1	-30.9	-22.5	-10.0	-31.4	119.8	1.0	-0.2	-0.4	1.7	-0.8	-3.9	-7.1
Q3	48.1	-18.5	-12.5	-21.4	-18.7	-15.1	-21.3	120.0	0.8	-0.7	-0.8	2.6	-1.6	-4.3	-8.1
Q4	51.2	3.1	5.7	1.8	2.4	-1.0	5.0	120.1	0.3	0.0	0.2	1.5	-0.8	-2.3	-3.4
2010 Q1	56.0	29.0	7.4	42.6	27.4	7.5	46.5	120.3	0.4	0.1	1.3	1.4	0.1	2.6	1.7
Q2	62.6	51.7	12.5	76.0	43.9	14.0	71.6	120.7	0.8	0.9	2.0	1.6	1.4	5.0	5.6
2010 May	61.6	52.1	11.5	77.8	43.6	12.0	73.8	-	-	-	-	-	-	-	-
June	62.2	51.1	17.7	71.6	44.2	21.0	65.0	-	-	-	-	-	-	-	-
July	58.9	56.8	26.0	74.2	50.1	32.0	65.1	-	-	-	-	-	-	-	-
Aug.	59.9	51.6	26.8	64.5	48.7	39.5	55.5	-	-	-	-	-	-	-	-
Sep.	59.8	58.8	37.2	69.6	57.6	52.6	61.1	-	-	-	-	-	-	-	-
Oct.	60.2	50.4	33.9	58.7	52.5	52.4	52.5	-	-	-	-	-	-	-	-

Sources: Eurostat, ECB calculations based on Eurostat data (column 7 in Table 2 in Section 5.1 and columns 8-15 in Table 3 in Section 5.1), ECB calculations based on Thomson Financial Datastream data (column 1 in Table 3 in Section 5.1) and ECB calculations (column 12 in Table 2 in Section 5.1 and columns 2-7 in Table 3 in Section 5.1).

1) Input prices for residential buildings.
2) Experimental data based on non-harmonised national sources (see http://www.ecb.europa.eu/stats/intro/html/experiment.en.html for further details).
3) In 2005.
4) The quarterly data for the second and fourth quarters refer to biannual averages for the first and second halves of the year respectively. Since some national data are only available annually, the biannual estimate is partially derived from annual results; consequently, the accuracy of biannual data is lower than the accuracy of annual data.
5) Brent Blend (for one-month forward delivery).
6) Refers to prices expressed in euro. Weighted according to the structure of euro area imports in the period 2004-06.
7) Refers to prices expressed in euro. Weighted according to euro area domestic demand (domestic production plus imports minus exports) in the period 2004-06. Experimental data (see http://www.ecb.europa.eu/stats/intro/html/experiment.en.html for details).
8) Deflators for exports and imports refer to goods and services and include cross-border trade within the euro area.

5.1 HICP, other prices and costs
(annual percentage changes, unless otherwise indicated)

4. Unit labour costs, compensation per labour input 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)							
2008	115.5	3.5	1.0	5.3	4.3	2.5	3.2	2.6
2009	120.1	3.9	-1.8	9.4	1.6	5.3	0.9	2.8
2009 Q3	120.0	3.5	-2.6	7.9	1.0	4.1	0.3	3.6
Q4	119.9	1.4	-1.8	0.8	2.2	2.7	0.7	2.0
2010 Q1	119.8	-0.5	-1.2	-6.5	2.1	-0.2	1.1	1.2
Q2	119.6	-0.6	-0.5	-7.5	2.2	-0.4	1.6	1.7
	Compensation per employee							
2008	121.5	3.2	3.6	3.0	5.1	2.6	2.7	3.3
2009	123.4	1.6	3.0	0.4	2.3	1.7	1.5	2.5
2009 Q3	123.8	1.6	2.7	0.6	2.3	0.7	1.5	3.2
Q4	124.2	1.4	2.8	0.4	2.0	1.5	1.8	2.1
2010 Q1	124.6	1.5	1.7	2.4	0.2	1.6	2.2	1.1
Q2	125.5	2.0	2.2	3.1	1.1	1.8	1.9	1.7
	Labour productivity per person employed 2)							
2008	105.2	-0.3	2.5	-2.1	0.8	0.1	-0.4	0.7
2009	102.8	-2.3	4.8	-8.3	0.7	-3.4	0.6	-0.3
2009 Q3	103.2	-1.8	5.5	-6.8	1.4	-3.3	1.2	-0.5
Q4	103.6	0.1	4.6	-0.4	-0.2	-1.2	1.1	0.1
2010 Q1	103.9	2.1	2.9	9.6	-1.9	1.8	1.1	-0.1
Q2	104.9	2.6	2.7	11.5	-1.1	2.2	0.3	0.0
	Compensation per hour worked							
2008	123.8	3.1	2.4	3.6	4.5	2.7	2.4	3.0
2009	127.8	3.2	3.8	4.6	4.4	2.7	2.7	3.0
2009 Q3	128.1	3.3	3.6	4.8	4.3	1.9	2.8	3.5
Q4	128.3	2.3	3.4	1.7	4.3	2.0	2.6	2.4
2010 Q1	128.3	0.9	2.0	0.1	0.3	0.9	1.8	0.7
Q2	129.1	1.1	3.3	-0.7	0.9	1.2	1.6	1.5
	Hourly labour productivity 2)							
2008	108.0	-0.2	2.7	-1.6	0.4	0.4	-0.8	0.4
2009	107.1	-0.8	5.0	-4.7	2.4	-2.5	1.9	0.0
2009 Q3	107.4	-0.4	5.7	-3.2	2.8	-2.4	2.7	-0.3
Q4	107.6	0.7	5.0	0.7	1.2	-0.9	2.0	0.2
2010 Q1	107.7	1.4	4.7	7.1	-2.6	0.9	0.7	-0.7
Q2	108.6	1.8	4.1	7.6	-2.0	1.3	0.2	-0.2

5. Labour cost indices 3)

	Total (s.a.; index: 2008 = 100)	Total	By component		For selected economic activities			Memo item: Indicator of negotiated wages 4)
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total 5)	100.0	100.0	75.2	24.8	32.4	9.0	58.6	
	1	2	3	4	5	6	7	8
2008	100.0	3.4	3.6	2.8	3.5	4.7	3.1	3.3
2009	102.9	2.9	2.7	3.4	3.3	3.5	2.6	2.7
2009 Q3	103.2	2.9	2.8	3.0	3.7	2.4	2.5	2.4
Q4	103.5	2.0	1.8	2.6	1.1	3.3	2.4	2.2
2010 Q1	104.0	1.9	1.8	2.2	1.6	2.5	2.0	1.8
Q2	104.4	1.6	1.5	2.0	1.1	1.7	1.9	1.9

Sources: Eurostat, ECB calculations based on Eurostat data (Table 4 in Section 5.1) and ECB calculations (column 8 in Table 5 in Section 5.1).
1) Compensation (at current prices) per employee divided by value added (volumes) per person employed.
2) Value added (volumes) per labour input (persons employed and hours worked).
3) Hourly labour cost indices for the whole economy, excluding agriculture, public administration, education, health and services not classified elsewhere. Owing to differences in coverage, the estimates for the components may not be consistent with the total.
4) Experimental data (see http://www.ecb.europa.eu/stats/intro/html/experiment.en.html for further details).
5) In 2008.

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)								
2006	8,564.8	8,467.3	4,876.0	1,733.4	1,832.8	25.1	97.5	3,454.3	3,356.8
2007	9,021.8	8,887.7	5,074.9	1,803.2	1,969.5	40.1	134.0	3,734.2	3,600.2
2008	9,239.2	9,145.7	5,234.4	1,892.9	1,994.8	23.5	93.5	3,860.1	3,766.6
2009	8,952.3	8,836.3	5,168.8	1,979.0	1,758.1	-69.5	116.0	3,249.3	3,133.3
2009 Q2	2,229.2	2,200.6	1,289.3	493.2	440.3	-22.2	28.7	790.0	761.4
Q3	2,242.0	2,207.8	1,290.8	499.1	434.8	-17.0	34.2	814.0	779.7
Q4	2,247.8	2,206.7	1,299.6	497.2	430.5	-20.6	41.1	837.6	796.5
2010 Q1	2,259.9	2,233.3	1,309.3	502.4	430.6	-9.0	26.6	874.8	848.2
Q2	2,289.6	2,264.8	1,322.2	506.8	441.2	-5.4	24.9	926.0	901.2
	percentage of GDP								
2009	100.0	98.7	57.7	22.1	19.6	-0.8	1.3	-	-
	Chain-linked volumes (prices for the previous year; seasonally adjusted [3])								
	quarter-on-quarter percentage changes								
2009 Q2	-0.1	-0.7	0.0	0.6	-2.3	-	-	-1.3	-2.8
Q3	0.4	0.3	-0.1	0.5	-1.1	-	-	2.4	2.2
Q4	0.2	-0.1	0.2	-0.1	-1.2	-	-	2.0	1.2
2010 Q1	0.3	0.9	0.2	0.2	-0.3	-	-	2.5	4.2
Q2	1.0	0.8	0.2	0.5	1.5	-	-	4.3	4.0
	annual percentage changes								
2006	3.0	2.9	2.1	2.1	5.4	-	-	8.6	8.5
2007	2.8	2.6	1.7	2.3	4.7	-	-	6.3	5.8
2008	0.5	0.4	0.4	2.3	-0.8	-	-	1.0	0.8
2009	-4.1	-3.4	-1.1	2.3	-11.3	-	-	-13.2	-11.9
2009 Q2	-4.9	-3.8	-1.1	2.5	-12.2	-	-	-16.6	-14.4
Q3	-4.0	-3.3	-1.2	2.5	-11.9	-	-	-13.7	-12.3
Q4	-2.0	-2.8	-0.4	1.7	-9.6	-	-	-5.2	-7.0
2010 Q1	0.8	0.5	0.3	1.2	-4.9	-	-	5.6	4.8
Q2	1.9	2.0	0.5	1.1	-1.2	-	-	11.6	12.1
	contributions to quarter-on-quarter percentage changes in GDP; percentage points								
2009 Q2	-0.1	-0.7	0.0	0.1	-0.5	-0.3	0.6	-	-
Q3	0.4	0.3	0.0	0.1	-0.2	0.5	0.1	-	-
Q4	0.2	-0.1	0.1	0.0	-0.2	0.0	0.3	-	-
2010 Q1	0.3	0.9	0.1	0.0	-0.1	0.8	-0.6	-	-
Q2	1.0	0.8	0.1	0.1	0.3	0.3	0.2	-	-
	contributions to annual percentage changes in GDP; percentage points								
2006	3.0	2.9	1.2	0.4	1.1	0.2	0.2	-	-
2007	2.8	2.6	1.0	0.5	1.0	0.2	0.3	-	-
2008	0.5	0.4	0.3	0.5	-0.2	-0.2	0.1	-	-
2009	-4.1	-3.4	-0.6	0.5	-2.4	-0.8	-0.7	-	-
2009 Q2	-4.9	-3.8	-0.6	0.5	-2.6	-1.0	-1.2	-	-
Q3	-4.0	-3.3	-0.7	0.5	-2.6	-0.6	-0.7	-	-
Q4	-2.0	-2.8	-0.2	0.4	-2.0	-0.8	0.7	-	-
2010 Q1	0.8	0.5	0.2	0.3	-1.0	1.0	0.3	-	-
Q2	1.9	1.9	0.3	0.2	-0.2	1.6	0.0	-	-

Sources: Eurostat and ECB calculations.

1) Exports and imports cover goods and services and include cross-border intra-euro area trade. They are not fully consistent with: Section 3.1; Table 1 of Section 7.1; Table 3 of Section 7.2; or Tables 1 or 3 of Section 7.5.
2) Including acquisitions less disposals of valuables.
3) Annual data are not working day-adjusted.

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)							
2006	7,650.4	140.2	1,562.0	479.2	1,599.6	2,138.7	1,730.8	914.4
2007	8,063.0	151.9	1,651.3	511.4	1,674.2	2,273.0	1,801.1	958.8
2008	8,294.2	146.4	1,649.9	527.5	1,731.6	2,355.9	1,882.8	945.0
2009	8,060.1	131.2	1,436.2	507.1	1,666.0	2,363.1	1,956.6	892.2
2009 Q2	2,008.8	32.8	353.6	127.5	416.3	590.0	488.5	220.5
Q3	2,019.5	32.0	362.1	125.9	416.7	591.7	491.1	222.5
Q4	2,022.4	32.2	363.8	124.1	416.6	593.4	492.2	225.4
2010 Q1	2,036.4	33.4	369.4	121.9	419.8	595.3	496.7	223.5
Q2	2,058.0	33.2	378.5	123.5	423.3	598.5	501.1	231.6
	percentage of value added							
2009	100.0	1.6	17.8	6.3	20.7	29.3	24.3	-
	Chain-linked volumes (prices for the previous year; seasonally adjusted [1])							
	quarter-on-quarter percentage changes							
2009 Q2	-0.2	-0.3	-1.0	-1.8	-0.2	0.2	0.5	0.2
Q3	0.4	0.2	2.2	-1.8	0.2	0.1	0.2	0.6
Q4	0.1	-0.1	0.6	-1.7	0.1	0.1	0.3	1.0
2010 Q1	0.6	1.7	2.0	-1.4	0.3	0.5	0.4	-1.9
Q2	0.8	-0.3	2.2	0.4	0.6	0.6	0.4	2.4
	annual percentage changes							
2006	3.0	-0.2	3.6	2.9	2.9	4.1	1.5	3.2
2007	3.1	1.2	3.2	2.4	3.6	4.0	1.7	0.8
2008	0.7	0.7	-2.1	-1.3	1.3	1.7	1.9	-1.3
2009	-4.2	2.2	-13.2	-5.8	-5.1	-1.6	1.1	-2.9
2009 Q2	-5.0	1.9	-16.3	-5.5	-5.7	-1.8	1.2	-3.7
Q3	-4.1	2.5	-12.8	-6.0	-5.1	-1.5	1.0	-2.7
Q4	-2.2	2.3	-6.7	-5.8	-3.3	-0.8	1.1	-0.1
2010 Q1	0.9	1.5	3.7	-6.5	0.4	0.8	1.3	-0.1
Q2	1.9	1.5	7.0	-4.4	1.2	1.3	1.3	2.1
	contributions to quarter-on-quarter percentage changes in value added; percentage points							
2009 Q2	-0.2	0.0	-0.2	-0.1	0.0	0.0	0.1	-
Q3	0.4	0.0	0.4	-0.1	0.0	0.0	0.0	-
Q4	0.1	0.0	0.1	-0.1	0.0	0.0	0.1	-
2010 Q1	0.6	0.0	0.4	-0.1	0.1	0.1	0.1	-
Q2	0.8	0.0	0.4	0.0	0.1	0.2	0.1	-
	contributions to annual percentage changes in value added; percentage points							
2006	3.0	0.0	0.7	0.2	0.6	1.1	0.3	-
2007	3.1	0.0	0.7	0.2	0.8	1.1	0.4	-
2008	0.7	0.0	-0.4	-0.1	0.3	0.5	0.4	-
2009	-4.2	0.0	-2.6	-0.4	-1.1	-0.4	0.2	-
2009 Q2	-5.0	0.0	-3.3	-0.4	-1.2	-0.5	0.3	-
Q3	-4.1	0.0	-2.5	-0.4	-1.1	-0.4	0.2	-
Q4	-2.2	0.0	-1.3	-0.4	-0.7	-0.2	0.3	-
2010 Q1	0.9	0.0	0.7	-0.4	0.1	0.2	0.3	-
Q2	1.9	0.0	1.2	-0.3	0.2	0.4	0.3	-

Sources: Eurostat and ECB calculations.

1) Annual data are not working day-adjusted.

5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

3. Industrial production

	Total	Industry excluding construction										Construction
		Total (s.a.; index: 2005 = 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	77.8	77.8	69.2	68.7	28.1	22.3	18.3	2.6	15.7	9.1	22.2
	1	2	3	4	5	6	7	8	9	10	11	12
2007	3.2	108.2	3.7	4.2	4.3	3.8	6.6	2.4	1.3	2.6	-0.9	1.4
2008	-2.5	106.3	-1.8	-1.9	-2.0	-3.5	-0.2	-2.1	-5.7	-1.5	0.3	-5.3
2009	-13.7	90.5	-14.8	-15.9	-16.0	-19.2	-20.7	-5.0	-17.4	-3.0	-5.3	-8.2
2009 Q3	-13.7	91.1	-14.4	-15.2	-15.4	-18.3	-20.7	-4.3	-18.2	-2.2	-5.5	-9.1
Q4	-7.3	92.2	-7.4	-7.9	-8.0	-6.7	-13.7	-2.6	-10.1	-1.5	-3.6	-6.0
2010 Q1	1.8	94.3	4.6	4.8	4.8	8.0	2.4	3.1	-0.1	3.6	3.1	-9.8
Q2	6.2	96.6	9.0	9.2	9.3	13.9	8.8	3.7	4.9	3.5	5.4	-3.4
2010 Mar.	5.0	95.2	7.7	7.9	7.7	11.9	4.7	5.8	2.0	6.4	5.8	-5.3
Apr.	5.6	95.9	9.1	9.3	9.6	15.6	8.6	2.6	0.4	2.9	5.2	-6.4
May	6.1	97.0	9.7	9.6	9.8	14.5	9.0	4.3	6.6	3.9	7.5	-6.5
June	7.0	96.9	8.2	8.8	8.7	11.8	8.7	4.2	7.6	3.8	3.3	2.5
July	4.2	97.0	7.1	7.5	7.7	9.5	9.0	3.9	5.1	3.7	2.2	-6.8
Aug.	5.0	98.1	8.2	9.1	9.2	11.1	11.7	4.3	7.3	4.0	1.5	-7.7
	month-on-month percentage changes (s.a.)											
2010 Mar.	2.5	-	1.8	1.8	1.8	2.4	2.0	1.8	0.9	1.8	-1.9	6.5
Apr.	0.1	-	0.7	0.4	0.9	2.0	1.5	-1.3	-0.3	-1.2	-1.0	0.1
May	0.8	-	1.2	0.7	0.4	0.7	1.6	1.0	3.0	0.7	2.3	-0.8
June	0.9	-	-0.1	-0.2	0.0	-0.4	0.4	0.1	-0.6	0.2	-1.7	1.9
July	-1.3	-	0.1	-0.3	0.1	-0.1	0.1	0.1	-0.4	0.2	0.2	-3.1
Aug.	0.8	-	1.1	1.1	1.0	1.6	3.1	0.0	1.8	-0.2	0.1	-0.2

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

	Industrial new orders		Industrial turnover		Retail sales (excluding automotive fuel)							New passenger car registrations	
	Manufacturing [2] (current prices)		Manufacturing (current prices)		Current prices	Constant prices							
	Total (s.a.; index: 2005 = 100)	Total	Total (s.a.; index: 2005 = 100)	Total	Total	Total (s.a.; index: 2005 = 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	43.0	57.0	10.1	14.3		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2007	119.8	8.6	114.9	6.5	2.6	104.3	1.8	0.0	3.1	4.1	3.1	968	-0.6
2008	113.1	-5.3	116.8	1.9	1.7	103.4	-0.8	-1.9	-0.1	-1.8	-1.9	896	-7.0
2009	87.6	-22.7	95.5	-18.4	-2.7	101.6	-1.8	-1.6	-1.9	-1.2	-3.8	926	3.2
2009 Q4	92.1	-2.8	97.5	-9.2	-1.5	101.8	-0.6	-0.5	-0.7	0.5	-1.0	967	20.7
2010 Q1	95.0	13.7	101.1	6.3	0.8	102.3	0.9	1.5	0.8	3.4	0.6	892	7.5
Q2	102.6	22.5	104.5	12.3	1.2	102.4	0.9	0.3	1.5	-0.4	2.8	821	-10.6
Q3	.	.	.	.	.	.	.	.	.	.	.	819	-16.6
2010 Apr.	98.9	21.9	101.3	9.8	0.1	101.9	-0.2	-0.9	0.4	-0.3	0.9	837	-10.0
May	103.1	23.1	106.0	13.1	1.4	102.6	1.2	0.8	1.6	-1.3	3.9	783	-13.1
June	105.6	22.5	106.2	13.9	2.0	102.8	1.7	0.8	2.4	0.6	3.4	843	-8.8
July	103.7	11.7	105.1	7.5	2.1	102.9	1.6	2.1	1.5	4.5	0.8	780	-24.3
Aug.	109.2	24.5	107.8	15.0	1.9	103.0	1.6	-0.9	3.8	7.5	2.9	825	-10.5
Sep.	.	.	.	.	.	.	.	.	.	.	.	851	-12.0
	month-on-month percentage changes (s.a.)												
2010 May	-	4.2	-	4.7	0.7	-	0.7	0.7	0.6	-0.5	1.3	-	-6.4
June	-	2.4	-	0.2	0.2	-	0.2	-0.3	0.6	1.2	0.1	-	7.7
July	-	-1.8	-	-1.0	0.1	-	0.1	0.5	-0.2	2.2	-1.0	-	-7.6
Aug.	-	5.4	-	2.5	0.1	-	0.1	-0.8	0.8	0.5	1.1	-	5.9
Sep.	-	.	-	.	.	-	.	.	.	.	.	-	3.1

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

1) In 2005.
2) Includes manufacturing industries working mainly on the basis of orders, which represented 61.2% of total manufacturing in 2005.
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 [2] and Consumer Surveys

	Economic sentiment indicator [3] (long-term average = 100)	Manufacturing industry					Consumer confidence indicator				
		Industrial confidence indicator				Capacity utilisation [4] (%)	Total [5]	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total [5]	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2006	107.3	2	0	6	13	83.2	-9	-3	-9	15	-9
2007	109.2	5	5	5	13	84.2	-5	-2	-4	5	-8
2008	93.5	-9	-15	11	-2	81.8	-18	-10	-25	24	-14
2009	80.8	-28	-56	14	-15	71.1	-25	-7	-26	56	-10
2009 Q3	84.1	-26	-58	12	-9	70.3	-21	-5	-20	51	-9
Q4	91.9	-19	-50	7	1	71.7	-17	-3	-11	48	-7
2010 Q1	96.6	-12	-41	2	7	73.9	-17	-4	-11	46	-7
Q2	99.3	-6	-28	0	9	76.3	-17	-6	-18	34	-9
Q3	102.2	-3	-19	0	10	77.4	-12	-6	-11	23	-8
2010 May	98.4	-6	-28	1	10	-	-18	-7	-21	34	-10
June	98.9	-6	-26	1	9	-	-17	-7	-20	32	-9
July	101.1	-4	-21	0	9	77.2	-14	-7	-14	27	-9
Aug.	102.3	-3	-18	0	10	-	-11	-5	-9	23	-8
Sep.	103.2	-2	-16	0	12	-	-11	-5	-11	20	-8
Oct.	104.1	0	-12	1	14	77.6	-11	-6	-10	22	-6

	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
2006	1	-4	6	1	3	14	13	18	13	18	24
2007	0	-7	7	1	5	15	13	20	16	19	24
2008	-13	-20	-6	-7	-6	17	2	2	-5	4	7
2009	-31	-40	-22	-15	-21	11	-15	-16	-22	-16	-9
2009 Q3	-31	-41	-22	-14	-19	10	-13	-12	-18	-13	-5
Q4	-28	-40	-16	-12	-19	10	-7	-4	-8	-8	3
2010 Q1	-27	-37	-17	-7	-9	8	-2	0	-4	-2	7
Q2	-28	-40	-16	-4	-5	8	0	4	1	4	8
Q3	-28	-40	-16	-3	-4	7	3	7	5	8	8
2010 May	-28	-40	-17	-6	-7	10	-1	4	-1	4	8
June	-30	-43	-17	-6	-7	7	-3	4	2	4	5
July	-29	-42	-16	-4	-6	7	1	7	5	9	6
Aug.	-29	-38	-19	-3	-5	7	1	7	6	8	8
Sep.	-26	-39	-13	-1	-3	6	6	8	5	8	10
Oct.	-25	-35	-16	-1	0	10	7	8	7	7	11

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

1) Difference between the percentages of respondents giving positive and negative replies.
2) From May 2010 onwards, data refer to the new version of the classification of economic activitites in the European Union ("NACE Revision 2").
3) 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 for the economic sentiment indicator of above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period 1990 to 2008.
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; seasonally adjusted)

1. Employment in terms of persons employed

	Whole economy	By employment status			By economic activity					
	Total (millions)	Total	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	85.4	14.6	3.8	17.1	7.5	25.5	16.1	30.0
	1	2	3	4	5	6	7	8	9	10
2007	146.831	1.8	2.0	0.6	-1.7	0.3	3.6	1.9	4.3	1.3
2008	147.963	0.8	1.0	-0.4	-1.8	0.0	-2.1	1.2	2.1	1.2
2009	145.209	-1.9	-1.8	-2.2	-2.5	-5.3	-6.5	-1.7	-2.1	1.4
2009 Q3	144.713	-2.2	-2.2	-2.4	-2.9	-6.4	-7.2	-1.9	-2.7	1.4
Q4	144.437	-2.1	-2.1	-2.0	-2.2	-6.3	-5.6	-2.1	-1.9	1.1
2010 Q1	144.464	-1.2	-1.3	-0.5	-1.4	-5.4	-4.6	-1.3	-0.2	1.5
Q2	144.454	-0.7	-0.7	-0.8	-1.1	-4.0	-3.4	-1.0	1.0	1.2
	quarter-on-quarter percentage changes									
2009 Q3	-0.723	-0.5	-0.5	-0.5	-1.0	-1.7	-1.4	-0.4	-0.4	0.2
Q4	-0.277	-0.2	-0.2	0.0	0.5	-1.1	-0.5	-0.4	0.2	0.3
2010 Q1	0.027	0.0	-0.1	0.5	0.2	-0.8	-1.2	0.0	0.5	0.5
Q2	-0.010	0.0	0.1	-0.8	-0.9	-0.5	-0.4	-0.2	0.7	0.2

2. Employment in terms of hours worked

	Whole economy	By employment status			By economic activity					
	Total (millions)	Total	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	80.5	19.5	5.0	17.1	8.5	26.9	15.7	26.9
	1	2	3	4	5	6	7	8	9	10
2007	237,119.5	1.7	2.0	0.6	-2.5	0.6	3.6	1.9	4.4	1.0
2008	238,675.1	0.7	1.0	-0.7	-1.9	-0.5	-1.8	0.9	2.5	1.4
2009	230,808.0	-3.3	-3.4	-2.9	-2.6	-8.9	-8.0	-2.7	-3.4	1.1
2009 Q3	57,542.1	-3.6	-3.8	-2.9	-3.1	-9.9	-8.6	-2.7	-4.1	1.2
Q4	57,555.3	-2.7	-2.9	-2.0	-2.6	-7.3	-6.9	-2.4	-2.7	0.9
2010 Q1	57,685.1	-0.6	-0.7	0.0	-3.1	-3.2	-3.9	-0.5	0.1	2.0
Q2	57,794.6	0.2	0.2	-0.1	-2.5	-0.5	-2.5	-0.1	1.1	1.5
	quarter-on-quarter percentage changes									
2009 Q3	-161.4	-0.3	-0.2	-0.6	-1.2	-0.6	-1.3	-0.4	-0.2	0.4
Q4	13.2	0.0	0.0	0.2	-0.1	-0.4	-0.8	0.0	0.5	0.3
2010 Q1	129.9	0.2	0.2	0.4	-1.1	0.0	-0.6	0.1	0.5	0.8
Q2	109.5	0.2	0.3	-0.1	-0.1	0.5	0.1	0.1	0.4	0.1

3. Hours worked per person employed

	Whole economy	By employment status			By economic activity					
	Total (thousands)	Total	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
	1	2	3	4	5	6	7	8	9	10
2007	1.615	-0.1	0.0	0.0	-0.8	0.3	0.0	0.0	0.1	-0.2
2008	1.613	-0.1	0.0	-0.3	-0.2	-0.5	0.4	-0.3	0.3	0.2
2009	1.589	-1.5	-1.6	-0.7	-0.2	-3.8	-1.6	-1.0	-1.3	-0.3
2009 Q3	0.398	-1.4	-1.6	-0.5	-0.2	-3.7	-1.4	-0.9	-1.4	-0.2
Q4	0.398	-0.6	-0.8	0.1	-0.3	-1.1	-1.4	-0.2	-0.8	-0.1
2010 Q1	0.399	0.7	0.7	0.5	-1.7	2.3	0.7	0.8	0.3	0.5
Q2	0.400	0.8	0.9	0.7	-1.4	3.6	1.0	0.9	0.1	0.3

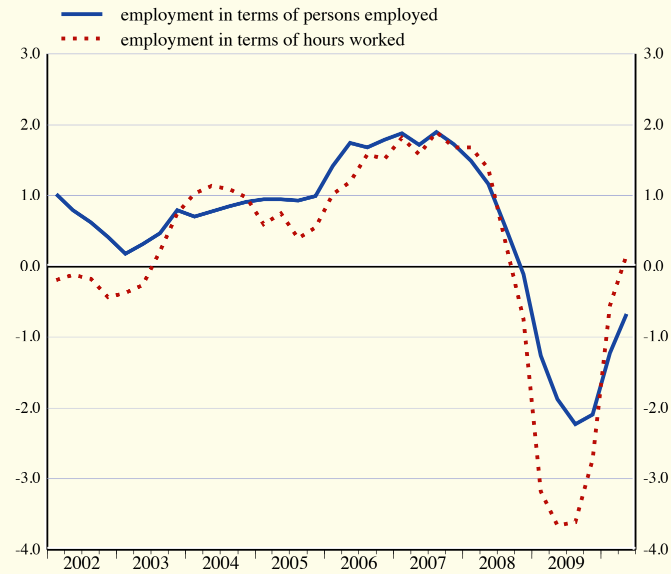
Source: ECB calculations based on Eurostat data.
1) Data for employment are based on the ESA 95.
2) In 2009.

5.3 Labour markets
(seasonally adjusted, unless otherwise indicated)

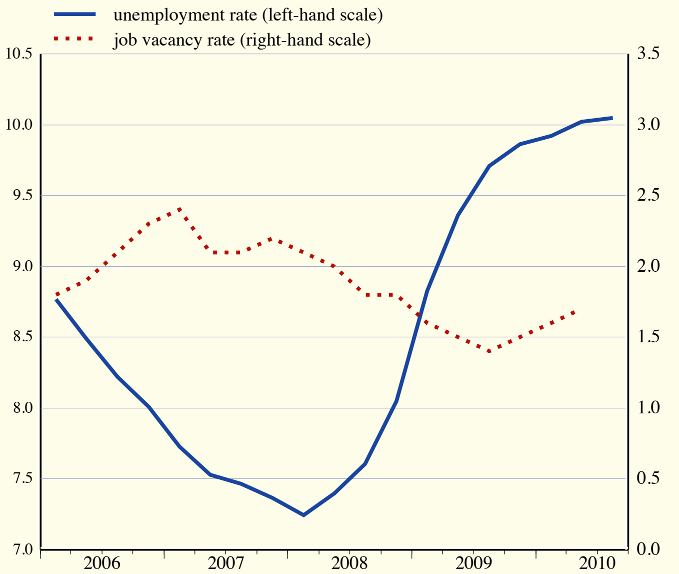
4. Unemployment and job vacancies [1)]

	Unemployment										Job vacancy rate [2)]
	Total		By age [3)]				By gender [4)]				
			Adult		Youth		Male		Female		
	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	% of total posts
% of total [5)]	100.0		78.3		21.7		53.8		46.2		
	1	2	3	4	5	6	7	8	9	10	11
2006	12.904	8.4	10.072	7.4	2.831	16.5	6.400	7.5	6.504	9.5	2.0
2007	11.706	7.5	9.142	6.6	2.564	15.1	5.750	6.7	5.956	8.6	2.2
2008	11.915	7.6	9.278	6.6	2.637	15.5	6.010	6.9	5.905	8.4	1.9
2009	14.895	9.4	11.661	8.3	3.234	19.5	8.017	9.3	6.878	9.6	1.5
2009 Q3	15.325	9.7	12.013	8.5	3.312	20.1	8.289	9.6	7.036	9.8	1.4
Q4	15.551	9.9	12.269	8.7	3.282	20.1	8.451	9.8	7.101	9.9	1.5
2010 Q1	15.650	9.9	12.388	8.7	3.262	20.2	8.483	9.8	7.168	10.0	1.6
Q2	15.831	10.0	12.578	8.9	3.253	20.3	8.530	9.9	7.302	10.2	1.7
Q3	15.875	10.0	12.724	8.9	3.151	20.0	8.491	9.9	7.385	10.3	.
2010 Apr.	15.799	10.0	12.515	8.8	3.284	20.4	8.538	9.9	7.261	10.1	-
May	15.859	10.0	12.589	8.9	3.270	20.4	8.532	9.9	7.327	10.2	-
June	15.836	10.0	12.631	8.9	3.205	20.2	8.519	9.9	7.317	10.2	-
July	15.858	10.0	12.695	8.9	3.163	20.0	8.478	9.8	7.381	10.3	-
Aug.	15.850	10.0	12.718	8.9	3.132	19.9	8.504	9.9	7.346	10.2	-
Sep.	15.917	10.1	12.759	9.0	3.159	20.0	8.490	9.9	7.428	10.3	-

C28 Employment - persons employed and hours worked
(annual percentage changes)



C29 Unemployment and job vacancy [2)] rates



Source: Eurostat.
1) Data for unemployment refer to persons and follow ILO recommendations.
2) Industry, construction and services (excluding households as employers and extra-territorial organisations and bodies); non-seasonally adjusted.
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.
5) In 2009.

6 GOVERNMENT FINANCE

6.1 Revenue, expenditure and deficit/surplus [1)]
(as a percentage of GDP)

1. Euro area – revenue

	Total	Current revenue									Capital revenue		Memo item: Fiscal burden [2)]
			Direct taxes	Households	Corporations	Indirect taxes	Received by EU institutions	Social contributions	Employers	Employees	Sales		Capital taxes	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	45.7	45.4	12.2	9.4	2.8	13.5	0.5	15.6	8.1	4.7	2.1	0.2	0.3	41.6
2002	45.1	44.8	11.8	9.2	2.5	13.5	0.4	15.6	8.1	4.6	2.1	0.3	0.3	41.1
2003	45.0	44.3	11.4	9.0	2.3	13.5	0.4	15.7	8.2	4.6	2.1	0.6	0.5	41.1
2004	44.5	44.0	11.3	8.7	2.5	13.5	0.3	15.5	8.1	4.5	2.1	0.5	0.4	40.7
2005	44.8	44.3	11.5	8.8	2.7	13.7	0.3	15.4	8.1	4.5	2.2	0.5	0.3	40.9
2006	45.3	45.0	12.1	8.9	3.0	13.8	0.3	15.3	8.0	4.5	2.1	0.3	0.3	41.5
2007	45.4	45.1	12.4	9.1	3.2	13.8	0.3	15.1	8.0	4.4	2.1	0.3	0.3	41.5
2008	45.0	44.8	12.2	9.3	2.8	13.3	0.3	15.3	8.0	4.5	2.1	0.2	0.3	41.1
2009	44.6	44.2	11.4	9.3	1.9	13.1	0.3	15.7	8.2	4.5	2.2	0.3	0.4	40.5

2. Euro area – expenditure

	Total	Current expenditure								Capital expenditure				Memo item: 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
2001	47.5	43.6	10.3	4.8	3.8	24.7	21.7	1.9	0.5	3.9	2.5	1.4	0.0	43.7
2002	47.7	43.9	10.4	4.9	3.5	25.1	22.2	1.9	0.5	3.8	2.4	1.4	0.1	44.2
2003	48.1	44.1	10.5	5.0	3.3	25.4	22.5	1.9	0.5	3.9	2.5	1.4	0.1	44.8
2004	47.5	43.5	10.4	5.0	3.1	25.1	22.3	1.7	0.5	3.9	2.5	1.5	0.1	44.4
2005	47.3	43.4	10.4	5.1	3.0	25.0	22.3	1.7	0.5	3.9	2.5	1.4	0.0	44.3
2006	46.7	42.9	10.2	5.0	2.9	24.8	22.0	1.7	0.5	3.8	2.5	1.4	0.0	43.8
2007	46.0	42.2	10.0	5.0	3.0	24.3	21.6	1.6	0.4	3.8	2.6	1.2	0.0	43.1
2008	47.0	43.2	10.1	5.1	3.0	24.9	22.0	1.6	0.4	3.8	2.6	1.3	0.0	44.0
2009	50.9	46.6	10.8	5.6	2.8	27.4	24.3	1.8	0.5	4.2	2.8	1.4	0.0	48.0

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
2001	-1.9	-1.7	-0.4	-0.1	0.3	1.9	19.8	10.3	4.8	4.9	1.8	2.1	8.2	11.7
2002	-2.6	-2.1	-0.5	-0.2	0.2	0.9	20.2	10.4	4.9	5.1	1.8	2.1	8.3	12.0
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.2	20.5	10.5	5.0	5.2	1.9	2.1	8.3	12.2
2004	-3.0	-2.5	-0.4	-0.3	0.1	0.1	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	20.4	10.4	5.1	5.1	1.9	2.2	8.2	12.3
2006	-1.4	-1.5	-0.1	-0.2	0.4	1.5	20.3	10.2	5.0	5.2	1.9	2.1	8.0	12.2
2007	-0.7	-1.2	0.0	-0.1	0.5	2.3	20.0	10.0	5.0	5.2	1.9	2.1	7.9	12.1
2008	-2.0	-2.1	-0.2	-0.2	0.4	1.0	20.5	10.1	5.1	5.3	1.9	2.1	8.1	12.4
2009	-6.3	-5.1	-0.5	-0.3	-0.4	-3.4	22.1	10.8	5.6	5.8	2.0	2.2	8.7	13.4

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

	BE	DE	IE	GR [6)]	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2006	0.2	-1.6	2.9	.	2.0	-2.3	-3.4	-1.2	1.4	-2.7	0.5	-1.5	-4.1	-1.3	-3.2	4.0
2007	-0.3	0.3	0.0	.	1.9	-2.7	-1.5	3.4	3.7	-2.3	0.2	-0.4	-2.8	0.0	-1.8	5.2
2008	-1.3	0.1	-7.3	.	-4.2	-3.3	-2.7	0.9	3.0	-4.8	0.6	-0.5	-2.9	-1.8	-2.1	4.2
2009	-6.0	-3.0	-14.4	.	-11.1	-7.5	-5.3	-6.0	-0.7	-3.8	-5.4	-3.5	-9.3	-5.8	-7.9	-2.5

Sources: ECB for euro area aggregated data; European Commission for data relating to countries' deficit/surplus.
1) Data refer to the Euro 16. The concepts "revenue", "expenditure" and "deficit/surplus" are based on the ESA 95. 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) The European Commission (Eurostat) did not publish Greek fiscal data in its latest News Release 157/2010 of 22 October 2010. The Greek data will be published by the European Commission (Eurostat) by mid November 2010.

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
2000	69.2	2.7	13.2	3.7	49.6	43.9	22.1	12.3	9.5	25.3
2001	68.2	2.8	12.4	4.0	48.9	42.1	20.7	11.0	10.4	26.1
2002	67.9	2.7	11.8	4.6	48.9	40.6	19.5	10.5	10.6	27.3
2003	69.1	2.1	12.4	5.0	49.6	39.8	19.7	11.0	9.1	29.2
2004	69.5	2.2	12.0	5.0	50.3	38.4	18.6	10.7	9.0	31.1
2005	70.3	2.4	12.1	4.7	51.1	36.5	17.4	11.1	8.0	33.8
2006	68.4	2.4	11.7	4.1	50.2	34.6	17.5	9.3	7.8	33.8
2007	66.1	2.2	11.1	4.2	48.7	32.7	16.9	8.6	7.3	33.4
2008	69.8	2.3	11.3	6.7	49.5	32.7	17.4	7.8	7.5	37.1
2009	79.2	2.4	12.3	8.6	55.9	36.8	20.2	8.9	7.7	42.4

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

	Total	Issued by: 4)				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Euro or participating currencies	Other currencies
	1	2	3	4	5	6	7	8	9	10	11	12	13
2000	69.2	58.1	5.8	4.8	0.4	6.5	62.7	6.2	13.4	27.8	28.0	67.4	1.8
2001	68.2	57.0	6.0	4.7	0.4	7.0	61.1	5.3	13.7	26.6	27.9	66.6	1.5
2002	67.9	56.6	6.2	4.7	0.4	7.6	60.3	5.2	15.5	25.3	27.2	66.7	1.3
2003	69.1	56.9	6.5	5.1	0.6	7.8	61.3	5.0	14.9	26.0	28.2	68.1	0.9
2004	69.5	57.3	6.6	5.1	0.4	7.8	61.6	4.6	14.8	26.2	28.5	68.6	0.9
2005	70.3	57.8	6.7	5.2	0.5	7.9	62.4	4.6	14.9	25.6	29.8	69.3	1.0
2006	68.4	56.1	6.5	5.3	0.5	7.4	61.0	4.4	14.4	24.1	29.9	67.9	0.6
2007	66.1	54.1	6.2	5.2	0.5	7.4	58.7	4.4	14.6	23.5	28.0	65.6	0.5
2008	69.8	57.5	6.6	5.2	0.4	10.2	59.6	4.5	17.8	23.3	28.6	68.9	0.9
2009	79.2	65.3	7.6	5.7	0.6	12.2	66.9	4.6	19.6	27.1	32.4	78.0	1.2

3. Euro area countries

	BE	DE	IE	GR 5)	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2006	88.1	67.6	24.8	.	39.6	63.7	106.6	64.6	6.7	63.4	47.4	62.1	63.9	26.7	30.5	39.7
2007	84.2	64.9	25.0	.	36.1	63.8	103.6	58.3	6.7	61.7	45.3	59.3	62.7	23.4	29.6	35.2
2008	89.6	66.3	44.3	.	39.8	67.5	106.3	48.3	13.6	63.1	58.2	62.5	65.3	22.5	27.8	34.1
2009	96.2	73.4	65.5	.	53.2	78.1	116.0	58.0	14.5	68.6	60.8	67.5	76.1	35.4	35.4	43.8

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

1) Data refer to the Euro 16. 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) The European Commission (Eurostat) did not publish Greek fiscal data in its latest News Release 157/2010 of 22 October 2010. The Greek data will be published by the European Commission (Eurostat) by mid November 2010.

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]	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [5]	MFIs	Other financial corporations	Other creditors [6]
	1	2	3	4	5	6	7	8	9	10	11	12
2001	1.9	1.9	-0.1	0.1	0.2	-0.2	0.5	1.5	0.0	-0.5	-0.8	1.9
2002	2.1	2.7	-0.5	-0.1	0.0	-0.2	0.7	1.6	0.0	-0.5	-0.1	2.1
2003	3.1	3.3	-0.2	0.0	-0.6	0.9	0.6	2.1	0.4	0.8	0.8	2.7
2004	3.1	3.2	-0.1	0.0	0.2	0.1	0.1	2.7	0.1	-0.3	0.1	3.0
2005	3.3	3.0	0.2	0.0	0.3	0.5	-0.1	2.6	-0.5	-0.6	0.8	3.8
2006	1.5	1.4	0.1	0.0	0.2	0.2	-0.4	1.5	-0.1	1.0	-1.2	1.7
2007	1.1	1.1	0.0	0.0	-0.1	0.0	0.3	1.0	-0.2	0.2	-0.3	1.3
2008	5.2	5.1	0.1	0.0	0.1	0.4	2.6	2.0	0.7	0.9	-0.5	4.5
2009	7.1	7.3	-0.2	0.0	0.1	0.6	1.6	4.8	3.0	2.2	0.8	4.1

2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) [7]	Deficit-debt adjustment [8]											
			Total	Transactions in main financial assets held by general government							Valuation effects		Other changes in volume	Other [9]
				Total	Currency and deposits	Loans	Securities [10]	Shares and other equity	Privatisations	Equity injections		Exchange rate effects		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	1.9	-1.9	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	-0.1	-0.4	0.1	-0.5	-0.1	-0.1	0.0
2003	3.1	-3.1	0.0	0.1	0.1	0.0	0.0	0.1	-0.2	0.1	-0.2	-0.1	0.0	0.1
2004	3.1	-3.0	0.2	0.2	0.2	0.0	0.1	0.0	-0.5	0.2	-0.1	0.0	0.0	0.1
2005	3.3	-2.6	0.7	0.6	0.3	0.1	0.1	0.1	-0.3	0.2	0.2	0.0	0.0	-0.1
2006	1.5	-1.4	0.2	0.3	0.3	-0.1	0.3	-0.2	-0.4	0.1	0.1	0.0	0.0	-0.2
2007	1.1	-0.7	0.5	0.6	0.2	0.0	0.3	0.1	-0.2	0.2	0.0	0.0	0.0	-0.2
2008	5.2	-2.0	3.2	3.0	0.8	0.7	0.7	0.8	-0.1	0.5	0.1	0.0	0.0	0.1
2009	7.1	-6.3	0.9	1.0	0.4	0.0	0.3	0.4	-0.3	0.5	-0.2	0.0	0.0	0.0

Source: ECB.
1) Data refer to the Euro 16 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) Holders resident in the country whose government has issued the debt.
6) Includes residents of euro area countries other than the country whose government has issued the debt.
7) Including proceeds from sales of UMTS licences.
8) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
9) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
10) 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 item: Fiscal burden [2]
			Direct taxes	Indirect taxes	Social contributions	Sales	Property income		Capital taxes	
	1	2	3	4	5	6	7	8	9	10
2004 Q2	44.7	43.9	11.9	12.9	15.3	2.0	1.1	0.8	0.6	40.7
Q3	42.8	42.3	10.7	12.8	15.3	1.9	0.7	0.5	0.3	39.1
Q4	48.9	48.0	12.9	14.2	16.1	2.9	0.7	1.0	0.4	43.7
2005 Q1	42.0	41.5	10.0	13.0	15.2	1.7	0.6	0.5	0.3	38.5
Q2	44.3	43.7	11.5	13.2	15.1	2.0	1.1	0.6	0.3	40.1
Q3	43.5	42.8	11.1	13.0	15.2	1.9	0.7	0.7	0.3	39.6
Q4	49.0	48.2	13.3	14.2	16.1	3.0	0.8	0.7	0.3	43.9
2006 Q1	42.4	42.0	10.3	13.4	15.1	1.7	0.8	0.4	0.3	38.9
Q2	45.3	44.9	12.2	13.5	15.1	1.9	1.3	0.5	0.3	41.0
Q3	43.8	43.3	11.6	13.0	15.1	2.0	0.8	0.5	0.3	40.0
Q4	49.3	48.7	14.0	14.2	15.8	2.9	0.9	0.6	0.3	44.3
2007 Q1	42.1	41.8	10.2	13.5	14.7	1.7	0.9	0.4	0.3	38.7
Q2	45.5	45.1	12.7	13.5	15.0	1.8	1.4	0.4	0.3	41.4
Q3	43.6	43.2	12.2	12.8	14.8	1.9	0.8	0.5	0.3	40.0
Q4	49.6	49.1	14.4	14.1	15.7	3.0	0.9	0.6	0.3	44.5
2008 Q1	42.3	42.0	10.7	12.9	14.8	1.7	1.1	0.3	0.2	38.6
Q2	44.9	44.6	12.6	12.8	15.0	1.9	1.5	0.4	0.3	40.7
Q3	43.3	42.9	11.9	12.5	15.0	1.9	0.8	0.3	0.3	39.7
Q4	49.0	48.5	13.6	13.6	16.3	3.0	1.1	0.5	0.3	43.8
2009 Q1	42.0	41.9	10.2	12.5	15.4	1.8	1.1	0.2	0.2	38.4
Q2	44.4	43.8	11.5	12.6	15.5	2.0	1.4	0.6	0.5	40.1
Q3	42.7	42.3	11.0	12.3	15.5	2.0	0.7	0.3	0.3	39.1
Q4	48.7	47.9	12.7	13.7	16.4	3.2	0.9	0.7	0.5	43.3
2010 Q1	41.6	41.4	10.0	12.3	15.4	1.8	0.9	0.2	0.2	38.0
Q2	43.8	43.3	11.5	12.4	15.4	1.9	1.3	0.5	0.3	39.5

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				Investment	Capital transfers		
							Social benefits	Subsidies					
	1	2	3	4	5	6	7	8	9	10	11	12	13
2004 Q2	46.6	43.2	10.3	4.8	3.3	24.7	21.4	1.3	3.4	2.3	1.1	-1.9	1.4
Q3	46.0	42.6	9.9	4.7	3.1	24.8	21.4	1.3	3.4	2.4	1.0	-3.2	-0.1
Q4	50.8	45.6	10.9	5.7	2.9	26.1	22.6	1.4	5.2	3.1	2.1	-1.9	1.0
2005 Q1	46.8	43.0	10.2	4.6	3.1	25.1	21.4	1.2	3.7	1.9	1.8	-4.8	-1.7
Q2	46.1	42.8	10.2	4.9	3.2	24.5	21.3	1.1	3.4	2.3	1.1	-1.9	1.3
Q3	45.7	42.3	9.9	4.8	3.0	24.6	21.3	1.2	3.4	2.5	1.0	-2.2	0.8
Q4	50.5	45.7	11.1	5.8	2.7	26.0	22.5	1.3	4.8	3.1	1.7	-1.5	1.2
2006 Q1	45.3	42.1	10.0	4.5	3.0	24.6	21.1	1.2	3.1	1.9	1.2	-2.9	0.1
Q2	45.5	42.2	10.2	4.9	3.1	24.0	21.0	1.1	3.2	2.3	1.0	-0.1	3.0
Q3	45.3	41.9	9.8	4.7	2.9	24.5	21.1	1.2	3.4	2.4	1.0	-1.5	1.4
Q4	50.3	45.0	10.7	5.8	2.7	25.8	22.2	1.4	5.3	3.2	2.2	-1.0	1.6
2007 Q1	44.2	41.1	9.8	4.5	2.9	23.9	20.4	1.2	3.2	2.0	1.2	-2.1	0.8
Q2	44.6	41.4	9.9	4.8	3.2	23.5	20.5	1.1	3.2	2.3	0.8	0.9	4.1
Q3	44.5	41.1	9.5	4.7	3.0	23.9	20.6	1.2	3.4	2.5	0.9	-0.9	2.1
Q4	50.3	45.2	10.6	5.8	2.8	26.0	22.2	1.5	5.1	3.4	1.7	-0.7	2.1
2008 Q1	44.6	41.5	9.7	4.6	3.0	24.1	20.5	1.2	3.2	2.0	1.2	-2.4	0.6
Q2	45.3	42.0	10.1	4.9	3.2	23.7	20.6	1.1	3.3	2.3	1.0	-0.4	2.8
Q3	45.6	42.0	9.7	4.8	3.1	24.4	21.2	1.2	3.5	2.5	1.0	-2.3	0.8
Q4	52.0	46.9	11.0	6.1	2.8	27.1	23.1	1.4	5.1	3.4	1.6	-3.0	-0.3
2009 Q1	48.5	45.0	10.6	5.3	2.9	26.3	22.4	1.3	3.4	2.2	1.2	-6.4	-3.5
Q2	50.1	46.1	10.9	5.5	3.2	26.6	23.1	1.3	4.0	2.7	1.2	-5.8	-2.6
Q3	49.4	45.5	10.4	5.3	2.8	27.1	23.4	1.4	3.9	2.7	1.1	-6.7	-3.9
Q4	54.9	49.6	11.5	6.3	2.5	29.2	24.9	1.5	5.4	3.5	1.9	-6.3	-3.7
2010 Q1	49.6	46.0	10.5	5.1	2.8	27.5	23.2	1.4	3.6	2.1	1.5	-8.0	-5.2
Q2	49.0	45.5	10.7	5.4	3.0	26.4	22.9	1.3	3.5	2.5	1.2	-5.2	-2.2

Sources: ECB calculations based on Eurostat and national data.

1) The concepts "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, 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)

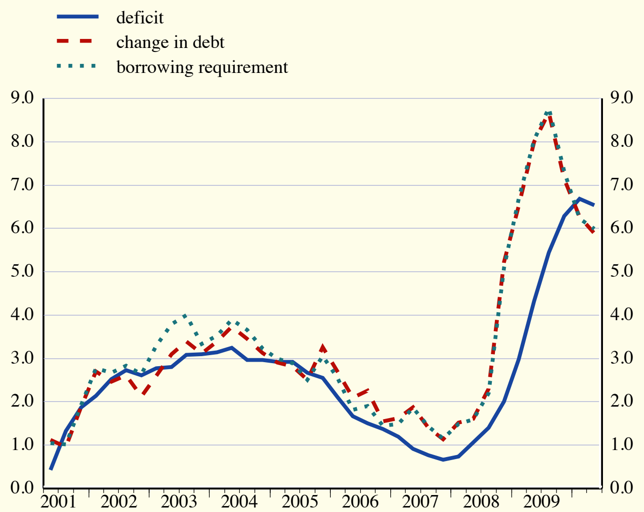
1. Euro area – Maastricht debt by financial instrument [1)]

	Total	Financial instruments			
		Currency and deposits	Loans	Short-term securities	Long-term securities
	1	2	3	4	5
2007 Q3	67.8	2.1	11.3	5.1	49.3
Q4	66.1	2.2	11.1	4.2	48.7
2008 Q1	67.1	2.1	11.4	5.0	48.6
Q2	67.5	2.1	11.5	4.9	49.0
Q3	67.7	2.1	11.4	5.5	48.7
Q4	69.8	2.3	11.3	6.7	49.5
2009 Q1	73.2	2.3	11.6	7.9	51.5
Q2	76.5	2.4	11.9	8.4	53.8
Q3	78.3	2.3	12.1	9.2	54.7
Q4	79.2	2.4	12.3	8.6	55.9
2010 Q1	81.0	2.4	12.5	8.4	57.6
Q2	82.4	2.4	13.2	8.0	58.8

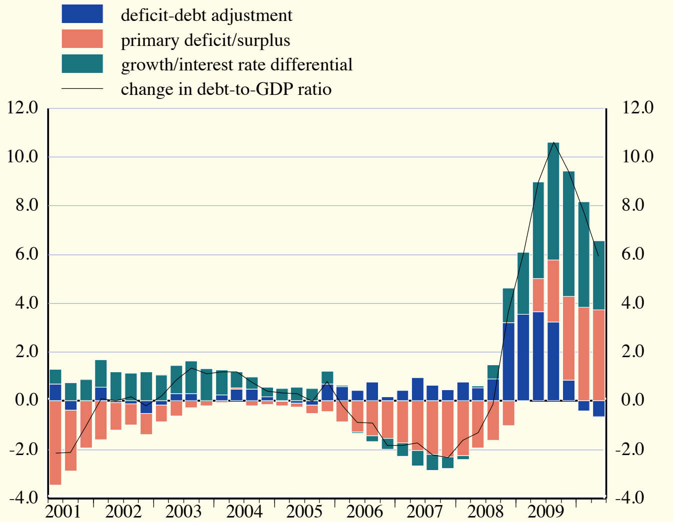
2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment								Memo item: 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
2007 Q3	-0.6	-0.9	-1.5	-1.3	-2.0	0.1	0.4	0.2	0.1	-0.2	-0.6
Q4	-3.3	-0.7	-4.0	-2.8	-2.1	0.0	-0.6	-0.2	0.0	-1.1	-3.3
2008 Q1	6.4	-2.4	4.0	3.1	1.9	-0.1	0.9	0.3	0.0	0.9	6.4
Q2	4.0	-0.4	3.6	3.9	1.9	0.3	1.3	0.5	0.1	-0.3	3.9
Q3	2.3	-2.3	0.0	-0.8	-1.6	0.0	0.3	0.5	0.4	0.4	1.8
Q4	8.2	-3.0	5.2	5.8	0.8	2.5	0.5	1.9	0.0	-0.7	8.1
2009 Q1	11.9	-6.4	5.4	6.7	5.2	-0.1	0.9	0.7	-1.3	0.0	13.1
Q2	9.9	-5.8	4.1	3.1	2.3	-0.6	0.2	1.2	0.6	0.5	9.3
Q3	4.8	-6.7	-1.9	-2.9	-3.2	0.7	0.0	-0.4	0.2	0.8	4.6
Q4	2.3	-6.3	-4.0	-2.5	-2.7	-0.1	0.1	0.2	-0.3	-1.2	2.5
2010 Q1	8.3	-8.0	0.2	0.8	0.8	-0.1	-0.3	0.3	-0.3	-0.3	8.6
Q2	8.3	-5.2	3.1	4.4	2.3	1.9	-0.2	0.4	0.0	-1.3	8.3

C30 Deficit, borrowing requirement and change in debt
(four-quarter moving sum as a percentage of GDP)



C31 Maastricht debt
(annual change in the debt-to-GDP ratio and underlying factors)



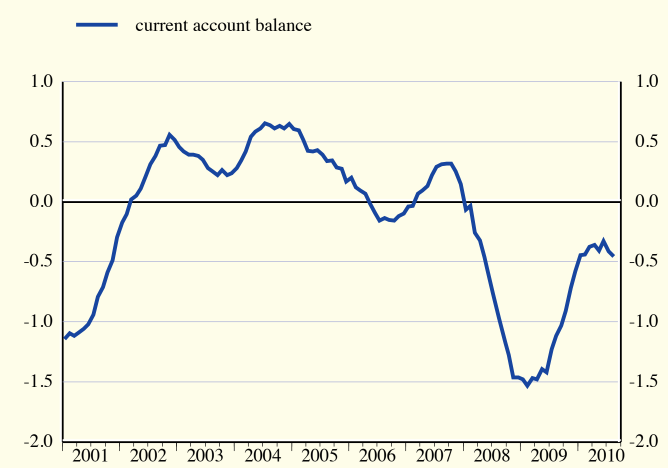
Sources: ECB calculations based on Eurostat and national data.
1) The stock data in quarter t are expressed as a percentage of the sum of GDP in t and the previous three quarters.

EXTERNAL TRANSACTIONS AND POSITIONS

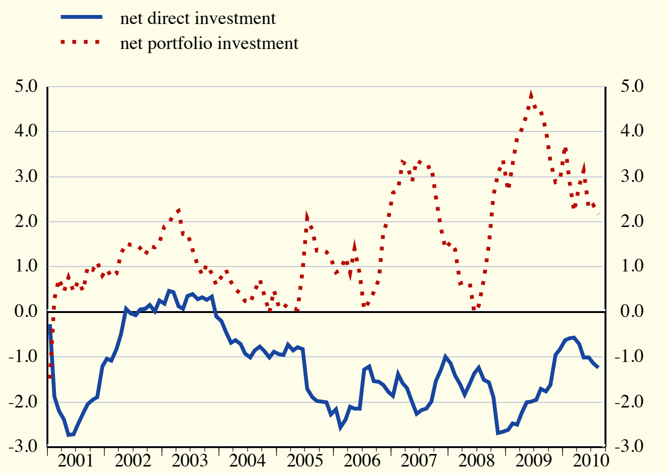
7.1 Summary balance of payments [1)]
(EUR billions; net transactions)

	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
2007	10.7	45.6	46.9	6.3	-88.2	4.6	15.3	-2.6	-90.1	127.1	-66.9	32.3	-5.1	-12.6
2008	-133.9	-18.3	42.1	-58.3	-99.4	9.8	-124.2	116.8	-240.3	303.8	-75.0	131.7	-3.4	7.3
2009	-49.8	39.4	32.2	-28.7	-92.6	6.1	-43.7	31.0	-74.5	264.8	51.5	-215.4	4.6	12.6
2009 Q2	-29.4	13.4	8.5	-28.9	-22.4	1.8	-27.6	24.5	2.2	96.6	27.3	-100.1	-1.4	3.0
Q3	-0.4	13.9	11.9	-3.4	-22.7	1.2	0.8	-22.2	-25.7	57.3	2.0	-56.1	0.3	21.4
Q4	11.7	19.9	9.1	2.3	-19.6	1.0	12.7	-12.0	11.6	30.7	8.6	-62.9	0.0	-0.7
2010 Q1	-21.8	2.7	3.7	7.1	-35.3	2.5	-19.3	22.1	-40.3	16.6	3.9	46.5	-4.6	-2.8
Q2	-23.1	3.9	11.9	-18.1	-20.8	1.9	-21.3	46.5	-37.6	101.7	6.5	-25.1	1.0	-25.2
2009 Aug.	-5.7	-1.9	4.0	0.4	-8.3	0.5	-5.3	-8.0	-1.9	28.9	-8.3	-27.3	0.8	13.2
Sep.	-4.1	1.7	3.7	-2.0	-7.5	-0.1	-4.2	3.7	-34.0	53.6	3.2	-22.4	3.3	0.5
Oct.	0.5	8.4	3.1	2.1	-13.1	-0.3	0.3	4.4	7.3	6.7	1.7	-10.7	-0.7	-4.6
Nov.	-0.6	5.3	1.1	-0.9	-6.1	0.9	0.3	6.0	-4.8	-0.9	0.8	9.3	1.5	-6.3
Dec.	11.8	6.2	5.0	1.2	-0.5	0.4	12.2	-22.3	9.1	24.9	6.1	-61.6	-0.8	10.2
2010 Jan.	-13.6	-7.6	0.7	2.0	-8.6	1.5	-12.1	22.2	-5.0	26.9	3.9	-5.2	1.5	-10.1
Feb.	-7.2	4.3	1.2	3.6	-16.3	0.8	-6.4	-0.5	-3.3	-6.6	0.3	12.8	-3.6	6.9
Mar.	-1.0	6.0	1.8	1.5	-10.4	0.2	-0.8	0.4	-32.0	-3.6	-0.3	38.9	-2.5	0.4
Apr.	-6.4	1.1	2.9	-2.3	-8.2	-0.4	-6.8	16.5	-14.5	45.7	0.3	-15.0	-0.1	-9.7
May	-17.3	-1.2	3.9	-13.9	-6.1	1.8	-15.5	24.9	-12.1	63.0	-0.4	-25.5	-0.1	-9.3
June	0.6	3.9	5.0	-1.9	-6.5	0.4	1.1	5.1	-11.0	-7.0	6.5	15.4	1.1	-6.2
July	3.4	7.6	4.0	-0.7	-7.5	1.6	4.9	4.8	-0.6	-17.0	1.0	24.5	-3.1	-9.8
Aug.	-10.5	-3.8	2.5	0.2	-9.4	0.3	-10.2	10.3	-11.0	10.2	3.9	8.7	-1.6	0.0
	12-month cumulated transactions													
2010 Aug.	-44.4	31.9	34.9	-11.0	-100.1	7.1	-37.3	75.4	-111.9	196.0	27.1	-30.8	-5.0	-38.1
	12-month cumulated transactions as a percentage of GDP													
2010 Aug.	-0.5	0.4	0.4	-0.1	-1.1	0.1	-0.4	0.8	-1.2	2.2	0.3	-0.3	-0.1	-0.4

C32 Euro area b.o.p.: current account
(seasonally adjusted; 12-month cumulated transactions as a percentage of GDP)



C33 Euro area b.o.p.: direct and portfolio investment
(12-month cumulated transactions as a percentage of GDP)



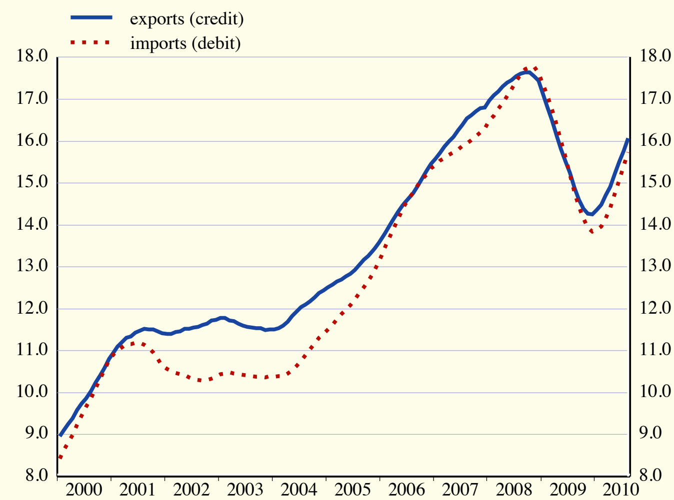
Source: ECB.
1) The sign convention is explained in the General Notes.

7.2 Current and capital accounts
(EUR billions; transactions)

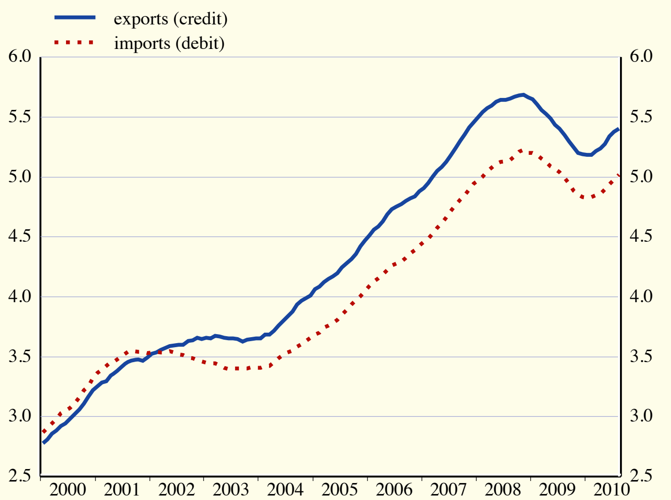
1. Summary current and capital accounts

	Current account													Capital account	
	Total			Goods		Services		Income		Current transfers					
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit		Debit		Credit	Debit
											Workers' remittances		Workers' remittances		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2007	2,707.8	2,697.2	10.7	1,518.8	1,473.2	494.2	447.2	604.0	597.7	90.9	6.4	179.0	20.7	25.6	21.0
2008	2,728.6	2,862.5	-133.9	1,580.9	1,599.2	513.0	470.9	546.0	604.3	88.6	6.8	188.1	21.6	24.4	14.7
2009	2,259.1	2,308.9	-49.8	1,291.3	1,251.9	469.0	436.8	405.8	434.6	93.0	6.0	185.6	22.4	19.6	13.5
2009 Q2	555.5	584.8	-29.4	312.3	298.9	115.3	106.8	107.4	136.3	20.5	1.5	42.9	5.7	4.9	3.1
Q3	555.2	555.6	-0.4	322.6	308.8	124.3	112.4	93.3	96.7	15.0	1.6	37.7	5.7	3.8	2.7
Q4	599.2	587.5	11.7	348.6	328.7	120.8	111.7	97.8	95.5	32.0	1.5	51.6	5.8	6.0	5.0
2010 Q1	580.0	601.8	-21.8	348.6	345.9	111.0	107.3	99.2	92.0	21.3	1.4	56.6	5.2	5.3	2.8
Q2	637.8	660.9	-23.1	386.4	382.5	127.2	115.3	106.8	124.8	17.4	1.6	38.3	5.3	5.1	3.2
2010 June	229.2	228.6	0.6	140.0	136.0	46.3	41.2	37.6	39.5	5.4	.	11.9	.	1.7	1.3
July	223.2	219.8	3.4	140.0	132.4	45.7	41.7	32.7	33.4	4.8	.	12.3	.	2.4	0.9
Aug.	201.2	211.7	-10.5	122.3	126.1	43.7	41.3	30.5	30.3	4.7	.	14.1	.	1.1	0.9
	Seasonally adjusted														
2009 Q4	570.3	572.4	-2.1	332.6	318.1	117.5	108.7	93.5	97.8	26.8	.	47.9	.	.	.
2010 Q1	607.6	613.0	-5.4	363.5	353.2	121.6	112.0	102.6	100.6	20.0	.	47.2	.	.	.
Q2	640.7	657.8	-17.1	389.3	388.2	128.3	118.0	104.1	106.1	19.1	.	45.6	.	.	.
2010 June	218.2	223.8	-5.7	133.7	132.7	43.8	40.5	35.5	35.2	5.1	.	15.4	.	.	.
July	216.3	220.5	-4.1	133.3	130.4	41.6	39.2	34.6	36.0	6.8	.	14.9	.	.	.
Aug.	210.5	218.0	-7.5	130.1	129.2	40.9	39.4	32.4	33.8	7.0	.	15.5	.	.	.
	12-month cumulated transactions														
2010 Aug.	2,428.1	2,469.3	-41.2	1,452.8	1,421.6	488.5	453.9	399.2	408.5	87.5	.	185.3	.	.	.
	12-month cumulated transactions as a percentage of GDP														
2010 Aug.	26.9	27.3	-0.5	16.1	15.7	5.4	5.0	4.4	4.5	1.0	.	2.1	.	.	.

C34 Euro area b.o.p.: goods
(seasonally adjusted; 12-month cumulated transactions as a percentage of GDP)



C35 Euro area b.o.p.: services
(seasonally adjusted; 12-month cumulated transactions as a percentage of GDP)



Source: ECB.

7.2 Current and capital accounts
(EUR billions)

2. Income account
(transactions)

	Compensation of employees		Investment income													
	Credit	Debit	Total		Direct investment						Portfolio investment				Other investment	
			Credit	Debit	Equity				Debt		Equity		Debt		Credit	Debit
					Credit		Debit		Credit	Debit	Credit	Debit	Credit	Debit		
						Reinv. earnings		Reinv. earnings								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2007	18.8	11.2	585.2	586.4	212.4	71.3	137.2	42.8	28.6	26.8	45.3	113.8	118.7	110.6	180.3	197.9
2008	19.1	11.8	526.9	592.5	155.5	12.6	127.1	27.0	30.7	25.9	43.2	120.5	125.0	123.7	172.5	195.2
2009	19.2	12.9	386.7	421.7	133.9	8.5	100.5	17.4	20.3	22.3	27.3	76.7	102.3	129.0	102.9	93.2
2009 Q2	4.7	2.9	102.7	133.4	36.1	-2.3	29.7	0.8	5.5	7.4	8.5	37.1	25.2	33.1	27.5	26.1
Q3	4.7	3.8	88.6	92.9	30.1	6.2	24.2	5.7	4.4	4.6	6.4	13.3	25.7	32.1	21.9	18.7
Q4	5.1	3.9	92.8	91.7	35.4	0.0	24.5	0.6	5.3	5.1	6.0	13.9	24.5	30.0	21.6	18.2
2010 Q1	4.9	2.2	94.3	89.8	39.0	-1.4	25.0	3.4	4.5	4.3	6.0	12.0	25.0	32.3	19.8	16.2
Q2	4.8	2.7	102.0	122.1	41.6	-5.7	28.6	-3.3	4.7	5.0	9.8	38.5	26.1	33.3	19.7	16.6

3. Geographical breakdown
(cumulated transactions)

2009 Q3 to 2010 Q2	Total	EU Member States outside the euro area						Brazil	Canada	China	India	Japan	Russia	Switzer-land	United States	Other
		Total	Den-mark	Sweden	United Kingdom	Other EU countries	EU insti-tutions									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Credits															
Current account	2,372.2	814.3	45.8	72.0	393.2	245.2	58.2	41.4	31.1	101.1	33.1	49.0	76.3	176.2	317.6	732.1
Goods	1,406.2	458.6	28.2	46.1	193.6	190.5	0.2	23.2	16.7	82.9	24.6	31.4	54.9	88.9	164.2	460.7
Services	483.3	160.5	10.8	12.9	104.1	26.9	5.7	7.3	7.0	13.2	6.7	10.8	14.2	51.1	72.1	140.5
Income	397.1	133.7	6.1	11.8	83.9	24.4	7.6	10.4	6.6	4.8	1.7	6.5	6.8	28.8	76.4	121.3
Investment income	377.6	127.0	6.0	11.6	82.2	23.7	3.4	10.4	6.6	4.7	1.7	6.4	6.7	21.2	74.5	118.3
Current transfers	85.6	61.5	0.6	1.2	11.6	3.3	44.8	0.4	0.9	0.3	0.1	0.3	0.4	7.3	4.9	9.6
Capital account	20.3	17.0	0.0	0.0	0.9	0.3	15.7	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.4	2.3
	Debits															
Current account	2,405.8	762.3	40.3	67.3	334.2	222.8	97.7	-	25.6	-	-	85.8	-	160.3	314.6	-
Goods	1,365.9	389.3	26.3	40.4	147.0	175.6	0.0	22.1	10.8	170.0	20.1	44.9	94.4	75.9	119.4	418.9
Services	446.8	133.2	7.3	10.2	83.0	32.4	0.2	5.5	5.8	10.8	4.7	8.1	8.4	42.6	93.3	134.4
Income	409.0	128.5	6.0	15.6	91.2	10.5	5.3	-	7.2	-	-	32.4	-	35.2	95.6	-
Investment income	396.5	120.7	5.9	15.5	89.3	4.7	5.3	-	7.1	-	-	32.3	-	34.6	94.5	-
Current transfers	184.2	111.3	0.7	1.1	13.0	4.3	92.1	1.5	1.8	2.8	0.7	0.4	0.6	6.6	6.3	52.2
Capital account	13.7	2.4	0.1	0.1	0.9	0.2	1.0	0.2	0.1	0.1	0.1	0.1	0.1	0.5	1.2	9.0
	Net															
Current account	-33.6	52.1	5.5	4.7	59.0	22.4	-39.4	-	5.5	-	-	-36.8	-	15.9	2.9	-
Goods	40.3	69.3	1.9	5.7	46.6	15.0	0.2	1.1	5.8	-87.2	4.5	-13.5	-39.4	13.0	44.8	41.8
Services	36.5	27.2	3.5	2.7	21.1	-5.5	5.5	1.8	1.2	2.3	2.1	2.7	5.8	8.5	-21.2	6.1
Income	-12.0	5.2	0.2	-3.8	-7.3	14.0	2.2	-	-0.6	-	-	-25.9	-	-6.4	-19.2	-
Investment income	-18.8	6.3	0.2	-3.9	-7.1	18.9	-1.9	-	-0.5	-	-	-25.8	-	-13.3	-20.0	-
Current transfers	-98.5	-49.7	-0.1	0.1	-1.4	-1.0	-47.3	-1.1	-0.9	-2.6	-0.7	-0.1	-0.2	0.7	-1.5	-42.6
Capital account	6.6	14.6	-0.1	-0.1	0.0	0.1	14.7	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	-0.1	-0.8	-6.7

Source: ECB.

7.3 Financial account

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

1. Summary financial account

	Total [1)]			Total as a % of GDP			Direct investment		Portfolio investment		Net financial derivatives	Other investment		Reserve assets
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts (international investment position)													
2006	12,384.3	13,399.8	-1,015.5	144.7	156.5	-11.9	3,153.4	2,729.4	4,372.1	5,950.0	-20.8	4,553.8	4,720.4	325.8
2007	13,994.5	15,268.8	-1,274.3	155.2	169.3	-14.1	3,725.2	3,215.5	4,630.1	6,541.2	-28.9	5,321.0	5,512.2	347.2
2008	13,344.9	14,985.6	-1,640.7	144.3	162.1	-17.7	3,888.0	3,313.4	3,727.4	5,941.5	-29.8	5,385.1	5,730.6	374.2
2009	13,760.1	15,208.0	-1,447.8	153.6	169.8	-16.2	4,261.0	3,472.5	4,225.8	6,741.2	-45.4	4,856.4	4,994.2	462.4
2010 Q1	14,413.1	15,737.6	-1,324.6	160.4	175.2	-14.7	4,375.9	3,486.5	4,493.4	7,048.2	-39.0	5,084.1	5,202.9	498.7
Q2	14,932.8	16,055.1	-1,122.3	164.9	177.3	-12.4	4,525.2	3,520.8	4,614.0	7,138.5	-49.8	5,260.1	5,395.8	583.3
	Changes to outstanding amounts													
2006	1,545.8	1,845.7	-299.9	18.1	21.6	-3.5	362.6	285.1	484.6	892.2	0.6	692.3	668.4	5.7
2007	1,610.2	1,869.0	-258.8	17.9	20.7	-2.9	571.8	486.1	258.0	591.2	-8.2	767.2	791.8	21.4
2008	-649.6	-283.2	-366.4	-7.0	-3.1	-4.0	162.9	98.0	-902.7	-599.6	-0.9	64.1	218.5	27.0
2009	415.2	222.3	192.9	4.6	2.5	2.2	372.9	159.1	498.4	799.6	-15.6	-528.7	-736.4	88.2
2010 Q1	653.0	529.7	123.3	29.5	23.9	5.6	114.9	14.0	267.6	307.0	6.4	227.8	208.7	36.3
Q2	519.7	317.5	202.2	22.6	13.8	8.8	149.4	34.3	120.6	90.3	-10.8	176.0	192.9	84.7
	Transactions													
2006	1,728.6	1,719.1	9.4	20.2	20.1	0.1	417.6	257.4	519.8	708.5	0.6	789.3	753.2	1.3
2007	1,942.6	1,940.0	2.6	21.5	21.5	0.0	511.5	421.4	438.9	566.1	66.9	920.2	952.6	5.1
2008	407.8	524.7	-116.8	4.4	5.7	-1.3	333.7	93.4	-15.0	288.9	75.0	10.8	142.4	3.4
2009	-213.4	-182.3	-31.0	-2.4	-2.0	-0.3	288.3	213.8	78.6	343.4	-51.5	-524.2	-739.6	-4.6
2009 Q4	40.7	28.7	12.0	1.8	1.2	0.5	48.2	59.8	32.9	63.6	-8.6	-31.8	-94.7	0.0
2010 Q1	182.8	204.9	-22.1	8.3	9.3	-1.0	38.8	-1.5	61.0	77.6	-3.9	82.3	128.8	4.6
Q2	67.3	113.8	-46.5	2.9	4.9	-2.0	60.2	22.7	-16.3	85.4	-6.5	30.9	5.8	-1.0
2010 Apr.	116.1	132.6	-16.5	.	.	.	18.4	3.9	8.9	54.6	-0.3	89.1	74.1	0.1
May	106.1	131.0	-24.9	.	.	.	27.4	15.3	-19.2	43.8	0.4	97.5	71.9	0.1
June	-154.9	-149.8	-5.1	.	.	.	14.5	3.5	-5.9	-13.0	-6.5	-155.8	-140.3	-1.1
July	-13.5	-8.6	-4.8	.	.	.	8.4	7.9	21.3	4.4	-1.0	-45.3	-20.9	3.1
Aug.	113.0	123.2	-10.3	.	.	.	16.0	5.0	21.8	32.0	-3.9	77.6	86.2	1.6
	Other changes													
2006	-182.7	126.6	-309.3	-2.1	1.5	-3.6	-55.0	27.7	-35.2	183.7	0.0	-97.0	-84.8	4.4
2007	-332.4	-71.0	-261.4	-3.7	-0.8	-2.9	60.3	64.7	-180.9	25.1	-75.1	-153.0	-160.8	16.3
2008	-1,057.4	-807.8	-249.6	-11.4	-8.7	-2.7	-170.8	4.6	-887.8	-888.5	-75.8	53.3	76.0	23.7
2009	628.6	404.7	223.9	7.0	4.5	2.5	84.7	-54.7	419.8	456.2	35.9	-4.5	3.2	92.7
	Other changes due to exchange rate changes													
2006	-343.3	-228.5	-114.8	-4.0	-2.7	-1.3	-72.1	-4.2	-151.6	-101.1	.	-105.7	-123.2	-13.9
2007	-521.9	-339.5	-182.4	-5.8	-3.8	-2.0	-104.1	-17.1	-217.4	-146.9	.	-186.7	-175.5	-13.7
2008	-39.4	55.1	-94.5	-0.4	0.6	-1.0	-20.1	-9.6	6.8	47.4	.	-35.4	17.3	9.2
2009	-45.8	-49.7	3.9	-0.5	-0.6	0.0	-4.8	1.7	-28.4	-27.5	.	-10.1	-23.9	-2.5
	Other changes due to price changes													
2006	288.6	298.4	-9.8	3.4	3.5	-0.1	45.4	33.5	226.0	264.9	0.0	.	.	17.1
2007	78.7	113.4	-34.7	0.9	1.3	-0.4	45.2	5.8	77.3	107.6	-75.1	.	.	31.3
2008	-1,021.5	-1,018.4	-3.1	-11.0	-11.0	0.0	-154.5	-94.8	-812.8	-923.6	-75.8	.	.	21.5
2009	622.1	494.0	128.1	6.9	5.5	1.4	137.9	44.5	402.2	449.5	35.9	.	.	46.1
	Other changes due to other adjustments													
2006	-128.1	56.7	-184.7	-1.5	0.7	-2.2	-28.3	-1.6	-109.6	19.8	.	8.7	38.4	1.2
2007	110.8	155.1	-44.3	1.2	1.7	-0.5	119.2	76.0	-40.8	64.4	.	33.7	14.7	-1.3
2008	3.5	155.5	-152.0	0.0	1.7	-1.6	3.8	109.0	-81.8	-12.3	.	88.7	58.8	-7.1
2009	52.3	-39.6	91.9	0.6	-0.4	1.0	-48.5	-100.9	46.0	34.3	.	5.6	27.0	49.2
	Growth rates of outstanding amounts													
2005	15.2	13.4	-	.	.	.	15.2	6.8	13.1	12.1	.	18.5	19.5	-5.9
2006	16.1	14.8	-	.	.	.	15.0	10.5	13.6	13.7	.	20.5	18.7	0.3
2007	15.6	14.3	-	.	.	.	15.8	15.1	10.0	9.4	.	20.3	20.2	1.6
2008	2.9	3.4	-	.	.	.	9.1	2.9	-0.6	4.6	.	0.2	2.7	1.0
2009 Q4	-1.6	-1.2	-	.	.	.	7.4	6.6	2.0	5.8	.	-9.7	-12.8	-1.2
2010 Q1	1.1	1.1	-	.	.	.	5.7	5.5	4.6	6.2	.	-4.2	-7.0	1.3
Q2	2.2	2.2	-	.	.	.	5.2	3.6	3.4	5.3	.	-0.5	-2.3	0.7

Source: ECB.

1) Net financial derivatives are included in assets.

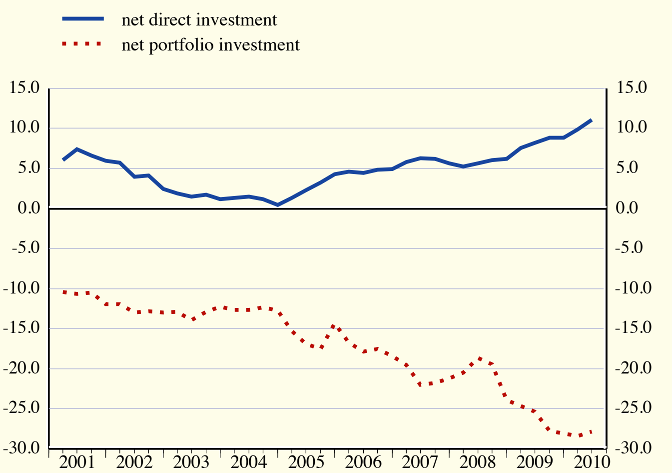
7.3 Financial account
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Direct investment

	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	Non-MFIs	Total	MFIs	Non-MFIs		Total	Into MFIs	Into non-MFIs	Total	To MFIs	To non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Oustanding amounts (international investment position)													
2008	3,888.0	3,015.7	213.1	2,802.6	872.3	13.0	859.4	3,313.4	2,354.7	64.5	2,290.1	958.8	18.3	940.4
2009	4,261.0	3,290.8	227.5	3,063.3	970.2	14.4	955.8	3,472.5	2,526.0	76.3	2,449.7	946.6	17.8	928.8
2010 Q1	4,375.9	3,380.3	243.3	3,137.0	995.6	15.1	980.5	3,486.5	2,611.7	80.4	2,531.2	874.8	17.8	857.1
Q2	4,525.2	3,477.8	255.2	3,222.6	1,047.5	16.5	1,031.0	3,520.8	2,629.5	80.3	2,549.2	891.3	16.1	875.2
	Transactions													
2007	511.5	388.8	18.9	369.8	122.8	-0.1	122.9	421.4	314.6	5.3	309.3	106.8	1.4	105.4
2008	333.7	214.3	20.4	193.9	119.4	-0.3	119.7	93.4	70.0	-1.2	71.2	23.4	1.6	21.8
2009	288.3	215.7	15.4	200.3	72.6	3.4	69.2	213.8	214.9	7.4	207.5	-1.1	-0.6	-0.5
2009 Q4	48.2	55.2	-0.1	55.3	-7.0	1.6	-8.7	59.8	69.8	2.9	66.9	-10.1	-0.1	-10.0
2010 Q1	38.8	8.8	6.1	2.7	30.0	0.2	29.7	-1.5	60.7	1.5	59.2	-62.2	-0.2	-62.0
Q2	60.2	17.4	-0.7	18.0	42.9	0.5	42.4	22.7	11.7	2.2	9.5	11.0	-2.4	13.4
2010 Apr.	18.4	7.4	0.8	6.6	10.9	0.3	10.6	3.9	5.9	0.5	5.4	-2.0	1.5	-3.5
May	27.4	11.8	-1.5	13.4	15.5	0.2	15.3	15.3	3.4	0.8	2.6	11.9	-1.6	13.5
June	14.5	-1.9	0.1	-2.0	16.4	0.0	16.5	3.5	2.4	0.9	1.5	1.1	-2.2	3.3
July	8.4	7.8	0.3	7.5	0.6	0.2	0.4	7.9	6.8	1.0	5.7	1.1	-0.8	1.9
Aug.	16.0	20.7	0.5	20.2	-4.7	-0.1	-4.6	5.0	4.6	0.1	4.5	0.3	0.8	-0.5
	Growth rates													
2007	15.8	14.8	8.2	15.5	19.9	-58.9	20.1	15.1	15.1	8.6	15.3	15.4	6.4	15.5
2008	9.1	7.3	9.1	7.2	15.9	-1.0	16.2	2.9	2.9	-1.7	3.1	2.9	9.2	2.8
2009 Q4	7.4	7.1	7.3	7.1	8.3	26.3	8.1	6.6	9.3	11.3	9.2	-0.1	-3.2	-0.1
2010 Q1	5.7	5.9	5.3	6.0	5.1	20.1	4.8	5.5	10.3	11.7	10.3	-6.7	-4.9	-6.8
Q2	5.2	3.9	1.9	4.1	9.3	19.0	9.1	3.6	7.3	12.6	7.2	-5.9	-19.3	-5.6

C36 Euro area international investment position
(outstanding amounts at end of period; as a percentage of GDP)

C37 Euro area direct and portfolio investment position
(outstanding amounts at end of period; as a percentage of GDP)



Source: ECB.

7.3 Financial account

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

3. Portfolio investment assets

	Total	Equity					Debt instruments									
							Bonds and notes					Money market instruments				
		Total	MFIs		Non-MFIs		Total	MFIs		Non-MFIs		Total	MFIs		Non-MFIs	
				Eurosystem		General government			Eurosystem		General government			Eurosystem		General government
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Outstanding amounts (international investment position)															
2008	3,727.4	1,128.6	68.4	3.0	1,060.1	27.1	2,164.2	965.0	20.0	1,199.2	18.4	434.6	358.0	61.6	76.6	1.3
2009	4,225.8	1,488.5	76.2	3.4	1,412.3	34.4	2,339.3	917.5	17.0	1,421.8	36.4	398.0	327.2	44.9	70.8	2.0
2010 Q1	4,493.4	1,641.9	90.7	3.6	1,551.2	39.1	2,439.3	934.8	17.3	1,504.5	36.4	412.3	342.0	41.0	70.3	0.6
Q2	4,614.0	1,648.2	80.4	3.5	1,567.8	43.6	2,538.5	931.2	16.9	1,607.3	45.9	427.3	336.4	43.6	90.9	0.3
	Transactions															
2007	438.9	62.5	26.7	0.0	35.7	8.2	293.2	148.0	4.9	145.2	3.3	83.3	63.4	26.3	19.8	0.8
2008	-15.0	-106.5	-36.0	0.6	-70.5	-0.2	81.2	40.9	3.2	40.3	2.6	10.3	35.1	15.1	-24.8	0.4
2009	78.6	45.5	-3.6	-0.2	49.1	1.5	24.7	-99.9	-3.4	124.7	17.6	8.4	11.7	-12.7	-3.3	1.0
2009 Q4	32.9	34.8	-0.1	-0.2	34.9	0.4	18.7	-18.2	-0.5	36.9	-1.1	-20.6	-19.3	1.3	-1.3	0.8
2010 Q1	61.0	36.4	9.5	0.0	26.8	1.0	46.5	3.2	0.2	43.3	-1.6	-21.9	-19.1	-6.1	-2.8	-1.5
Q2	-16.3	-7.9	-5.9	-0.2	-2.0	2.7	-2.5	-36.4	-0.7	33.8	0.6	-5.9	-17.1	-2.6	11.2	-0.3
2010 Apr.	8.9	2.2	-1.3	-0.2	3.5	.	4.4	-3.7	0.8	8.1	.	2.3	-4.1	0.7	6.4	.
May	-19.2	-13.1	-2.0	0.0	-11.1	.	-6.9	-23.3	1.2	16.4	.	0.8	-5.2	2.8	6.0	.
June	-5.9	3.0	-2.6	0.0	5.6	.	0.0	-9.4	-2.7	9.4	.	-9.0	-7.8	-6.1	-1.2	.
July	21.3	-1.7	-4.0	0.0	2.3	.	-2.7	-14.1	-0.4	11.4	.	25.8	13.8	-3.6	12.0	.
Aug.	21.8	-0.1	-2.2	0.0	2.1	.	14.2	-1.5	0.8	15.7	.	7.6	24.3	5.0	-16.7	.
	Growth rates															
2007	10.0	3.2	22.2	-0.5	1.9	21.3	14.1	16.7	38.9	12.2	23.2	24.4	24.0	104.0	29.4	277.4
2008	-0.6	-6.4	-27.8	24.6	-4.8	-0.4	3.6	4.2	20.3	3.1	15.7	2.8	12.0	41.9	-27.7	71.1
2009 Q4	2.0	3.3	-5.6	-7.2	3.8	5.4	1.0	-10.2	-17.1	10.2	95.3	1.4	2.6	-22.0	-4.5	73.1
2010 Q1	4.6	9.2	19.1	-7.0	8.7	7.0	4.4	-5.5	-5.1	12.0	-10.5	-9.3	-9.1	-32.1	-10.5	-67.0
Q2	3.4	8.3	11.3	-10.9	8.1	12.3	4.3	-6.1	-10.0	11.5	-8.6	-14.8	-17.5	-34.3	-2.2	-81.5

4. Portfolio investment liabilities

	Total	Equity			Debt instruments							
					Bonds and notes				Money market instruments			
		Total	MFIs	Non-MFIs	Total	MFIs	Non-MFIs		Total	MFIs	Non-MFIs	
								General government				General government
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts (international investment position)											
2008	5,941.5	2,186.0	616.9	1,569.1	3,373.3	1,198.2	2,175.1	1,428.2	382.3	62.0	320.3	271.7
2009	6,741.2	2,752.2	686.6	2,065.6	3,461.6	1,132.1	2,329.5	1,478.0	527.3	67.8	459.5	425.0
2010 Q1	7,048.2	2,829.3	665.4	2,163.9	3,683.2	1,160.2	2,522.9	1,617.8	535.8	99.0	436.8	395.8
Q2	7,138.5	2,781.1	682.3	2,098.8	3,857.3	1,176.8	2,680.6	1,748.3	500.1	79.7	420.4	380.8
	Transactions											
2007	566.1	164.4	34.0	130.4	341.1	154.4	186.7	126.5	60.5	52.1	8.4	20.8
2008	288.9	-101.1	84.4	-185.6	209.2	7.3	202.0	185.6	180.7	-33.4	214.1	191.4
2009	343.4	82.7	3.6	79.0	141.8	6.0	135.8	98.0	119.0	-14.9	133.8	157.5
2009 Q4	63.6	31.5	-7.3	38.8	13.9	3.0	10.9	7.7	18.2	16.2	2.1	3.3
2010 Q1	77.6	0.3	-16.7	17.0	70.4	14.7	55.7	82.0	6.9	37.0	-30.1	-21.3
Q2	85.4	3.8	2.0	1.7	90.4	-7.0	97.4	103.6	-8.8	-9.4	0.6	-6.8
2010 Apr.	54.6	-7.9	-2.3	-5.6	51.0	13.3	37.7	.	11.6	4.8	6.8	.
May	43.8	-10.8	-9.6	-1.2	40.2	-8.7	48.9	.	14.3	0.7	13.7	.
June	-13.0	22.5	13.9	8.5	-0.7	-11.6	10.8	.	-34.7	-14.8	-19.9	.
July	4.4	4.9	5.3	-0.3	-37.2	-7.8	-29.5	.	36.7	13.9	22.8	.
Aug.	32.0	21.6	16.9	4.7	-8.3	13.0	-21.3	.	18.8	-4.4	23.1	.
	Growth rates											
2007	9.4	5.4	5.8	5.1	12.6	15.7	10.8	12.7	29.2	49.6	12.4	33.9
2008	4.6	-4.2	14.9	-8.6	7.0	0.7	11.0	16.8	75.6	-24.9	207.5	255.5
2009 Q4	5.8	3.6	0.6	4.7	4.2	0.5	6.2	6.9	31.2	-32.0	41.6	58.2
2010 Q1	6.2	6.1	-2.3	9.4	4.2	2.9	4.8	9.9	25.5	75.5	15.2	23.3
Q2	5.3	4.5	-2.1	7.0	5.1	1.9	6.5	12.4	13.5	73.0	4.6	9.1

Source: ECB.

7.3 Financial account

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

5. Other investment assets

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
		Total	Loans/ currency and deposits	Other assets	Total	Loans/ currency and deposits	Other assets		Trade credits	Loans/currency and deposits			Trade credits	Loans/currency and deposits	
											Currency and deposits				Currency and deposits
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Outstanding amounts (international investment position)														
2008	5,385.1	28.8	27.7	1.0	3,273.5	3,214.3	59.2	90.7	12.3	42.6	8.8	1,992.1	188.5	1,610.1	432.1
2009	4,856.4	29.7	29.4	0.3	2,837.3	2,806.8	30.5	109.0	8.4	63.6	11.3	1,880.4	192.0	1,504.1	398.5
2010 Q1	5,084.1	24.1	23.8	0.3	2,971.9	2,938.2	33.7	106.6	8.4	59.6	7.8	1,981.4	196.5	1,576.6	413.2
Q2	5,260.1	24.3	24.0	0.3	3,079.5	3,045.1	34.3	114.4	8.6	65.7	13.0	2,041.9	209.3	1,622.9	439.8
	Transactions														
2007	920.2	22.0	22.0	0.0	538.1	530.9	7.2	-7.8	-1.4	-7.4	-5.5	367.9	14.0	340.8	64.7
2008	10.8	-9.3	-9.3	0.0	-42.1	-58.7	16.6	-5.7	-1.1	-6.0	-4.8	67.9	0.2	62.1	-61.7
2009	-524.2	-0.3	-0.3	0.0	-421.6	-401.2	-20.5	10.9	-0.4	9.5	1.3	-113.2	-1.4	-115.6	-55.7
2009 Q4	-31.8	5.5	5.5	0.0	-9.2	-7.1	-2.2	6.7	0.0	6.4	1.1	-34.8	0.4	-36.9	-30.1
2010 Q1	82.3	-7.0	-7.0	0.0	55.7	52.6	3.2	-6.9	-0.1	-7.7	-3.7	40.5	1.7	26.5	1.3
Q2	30.9	-3.4	-3.4	0.0	2.4	-5.0	7.4	5.7	0.0	5.5	5.2	26.1	9.4	18.8	6.6
2010 Apr.	89.1	1.1	.	.	70.0	.	.	5.1	.	.	5.0	12.9	.	.	13.6
May	97.5	-3.9	.	.	72.7	.	.	0.2	.	.	0.0	28.5	.	.	6.5
June	-155.8	-0.6	.	.	-140.3	.	.	0.4	.	.	0.2	-15.3	.	.	-13.5
July	-45.3	2.0	.	.	-51.0	.	.	6.3	.	.	-1.5	-2.7	.	.	-0.4
Aug.	77.6	-0.9	.	.	71.6	.	.	0.6	.	.	1.0	6.4	.	.	14.1
	Growth rates														
2007	20.3	157.3	173.7	-1.7	18.3	18.4	11.3	-6.6	-9.7	-12.6	-28.6	25.1	7.5	29.7	16.2
2008	0.2	-26.0	-26.7	5.0	-1.3	-1.8	23.5	-6.1	-8.9	-12.3	-35.2	3.7	0.1	4.2	-14.0
2009 Q4	-9.7	-1.8	-2.7	0.2	-12.8	-12.4	-36.9	11.4	-3.4	19.5	12.9	-5.7	-0.8	-7.3	-13.3
2010 Q1	-4.2	-2.5	-2.5	1.6	-4.0	-3.6	-27.8	-2.6	-3.8	-7.8	-62.2	-4.6	1.9	-6.9	-14.7
Q2	-0.5	-36.7	-37.0	-2.5	-1.0	-1.2	17.7	6.5	-3.9	10.4	-13.6	0.5	5.5	-0.6	-8.2

6. Other investment liabilities

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
		Total	Loans/ currency and deposits	Other liabilities	Total	Loans/ currency and deposits	Other liabilities	Total	Trade credits	Loans	Other liabilities	Total	Trade credits	Loans	Other liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Outstanding amounts (international investment position)														
2008	5,730.6	497.5	497.2	0.3	3,756.8	3,702.9	53.9	62.0	0.0	58.0	4.0	1,414.3	177.8	1,058.0	178.5
2009	4,994.2	267.2	266.8	0.3	3,392.6	3,354.1	38.5	71.1	0.0	67.1	4.0	1,263.3	175.0	909.9	178.5
2010 Q1	5,202.9	267.1	266.4	0.8	3,578.2	3,534.8	43.4	77.5	0.0	72.9	4.6	1,280.1	177.4	911.3	191.4
Q2	5,395.8	275.6	274.9	0.7	3,718.2	3,669.2	49.0	86.3	0.0	81.1	5.1	1,315.7	186.8	946.9	182.0
	Transactions														
2007	952.6	90.4	90.4	0.0	621.3	616.6	4.6	-0.9	0.0	-2.0	1.1	241.8	10.0	232.9	-1.0
2008	142.4	282.3	282.2	0.1	-174.9	-186.1	11.2	9.4	0.0	10.8	-1.4	25.6	9.5	16.1	-0.1
2009	-739.6	-232.5	-232.6	0.2	-353.5	-342.1	-11.3	11.4	0.0	11.6	-0.1	-165.1	-2.3	-147.9	-14.9
2009 Q4	-94.7	-13.1	-12.9	-0.2	-83.6	-84.3	0.7	-4.7	0.0	-5.4	0.7	6.7	1.0	8.8	-3.1
2010 Q1	128.8	-5.3	-5.7	0.4	104.1	99.2	4.9	4.5	0.0	4.9	-0.4	25.5	-0.4	17.0	8.9
Q2	5.8	-0.3	-0.3	0.0	-12.8	-14.1	1.3	8.8	0.0	7.8	1.0	10.0	8.0	2.9	-0.9
2010 Apr.	74.1	2.1	.	.	87.8	.	.	1.7	.	.	.	-17.6	.	.	.
May	71.9	9.7	.	.	40.1	.	.	6.9	.	.	.	15.3	.	.	.
June	-140.3	-12.1	.	.	-140.8	.	.	0.2	.	.	.	12.3	.	.	.
July	-20.9	-1.1	.	.	-32.7	.	.	1.0	.	.	.	11.9	.	.	.
Aug.	86.2	-2.3	.	.	72.9	.	.	0.7	.	.	.	14.9	.	.	.
	Growth rates														
2007	20.2	71.0	71.1	-6.9	17.9	18.0	9.2	-1.7	27.4	-4.1	22.3	22.1	6.8	28.0	2.7
2008	2.7	132.9	133.0	20.8	-4.4	-4.7	17.9	18.1	-17.8	23.0	-24.7	1.9	5.6	1.6	-0.7
2009 Q4	-12.8	-46.5	-46.6	42.3	-9.4	-9.2	-20.3	18.3	-148.2	19.7	-3.9	-11.5	-1.3	-13.8	-7.9
2010 Q1	-7.0	-37.0	-37.1	81.0	-3.7	-3.6	-8.2	-3.7	-141.7	-4.4	11.8	-7.1	0.1	-9.2	-2.0
Q2	-2.3	-19.5	-19.6	106.2	-1.9	-2.1	20.1	11.8	-143.4	11.5	13.6	0.1	4.1	-0.1	-2.8

Source: ECB.

7.3 Financial account

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

7. Reserve assets

	Reserve assets														Memo items		
	Total	Monetary gold		SDR holdings	Reserve position in the IMF	Foreign exchange								Other claims	Other foreign currency assets	Pre-determined short-term net drains on foreign currency	SDR allo-cations
		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	17
	Outstanding amounts (international investment position)																
2007	347.2	201.0	353.688	4.6	3.6	138.0	7.2	22.0	108.5	0.4	87.8	20.3	0.3	0.0	44.3	-38.5	5.3
2008	374.2	217.0	349.207	4.7	7.3	145.1	7.6	8.1	129.5	0.6	111.3	17.6	0.0	0.0	262.8	-245.7	5.5
2009	462.4	266.1	347.180	50.8	10.5	134.9	11.7	8.1	115.2	0.5	92.0	22.7	-0.1	0.0	32.1	-24.2	51.2
2010 Q1	498.7	287.3	347.176	52.7	12.4	146.3	9.9	10.6	126.1	0.6	99.6	26.0	-0.3	0.0	28.8	-23.0	53.0
Q2	583.3	351.9	347.156	56.3	16.3	158.8	9.2	13.0	136.8	0.6	110.8	25.5	-0.2	0.0	32.7	-24.2	56.7
2010 Aug.	573.2	341.0	347.017	55.6	15.8	160.9	6.2	19.0	135.9	-	-	-	-0.2	0.0	28.7	-26.1	56.0
Sep.	552.2	332.3	346.994	53.3	15.3	151.3	7.9	15.7	127.2	-	-	-	0.4	0.0	26.2	-22.5	53.7
	Transactions																
2007	5.1	-3.2	-	0.3	-0.9	8.8	1.0	1.6	6.2	0.0	14.5	-8.3	0.0	0.0	-	-	-
2008	3.4	-2.7	-	-0.1	3.8	2.4	5.0	-15.7	11.8	0.1	15.8	-4.1	1.3	0.0	-	-	-
2009	-4.6	-2.0	-	0.5	3.4	-6.4	3.1	-1.2	-9.5	0.0	-14.1	4.6	1.2	0.0	-	-	-
2009 Q4	0.0	0.0	-	0.7	-1.3	0.6	-1.0	0.5	1.1	0.0	1.5	-0.4	0.1	0.0	-	-	-
2010 Q1	4.6	0.0	-	-0.2	1.8	3.1	-2.5	2.0	3.6	0.0	1.9	1.7	-0.1	0.0	-	-	-
Q2	-1.0	0.0	-	0.1	3.0	-4.0	-2.0	1.3	-3.2	0.0	0.0	-3.1	-0.1	0.0	-	-	-
	Growth rates																
2006	0.3	-2.4	-	11.6	-49.0	7.7	-48.4	12.7	13.4	0.0	29.2	-15.3	-	-	-	-	-
2007	1.6	-1.7	-	7.3	-18.3	6.3	14.9	6.4	5.7	1.1	18.6	-27.6	-	-	-	-	-
2008	1.0	-1.3	-	-2.5	105.4	1.7	67.7	-68.9	10.8	28.0	17.9	-20.6	-	-	-	-	-
2009 Q4	-1.2	-0.9	-	-2.6	45.4	-4.4	41.1	-21.4	-7.3	1.0	-12.8	25.5	-	-	-	-	-
2010 Q1	1.3	-0.5	-	-3.8	51.8	1.8	-14.0	148.1	-1.6	1.0	-5.3	15.7	-	-	-	-	-
Q2	0.7	-0.1	-	8.1	34.9	-0.7	-28.0	56.1	-1.7	-6.1	-3.6	8.2	-	-	-	-	-

8. Gross external debt

	Total	By instrument						By sector (excluding direct investment)			
		Loans, currency and deposits	Money market instruments	Bonds and notes	Trade credits	Other debt liabilities	Direct investment: inter-company lending	General government	Eurosystem	MFIs (excluding Eurosystem)	Other sectors
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts (international investment position)										
2006	8,683.9	4,425.5	217.5	2,697.9	144.1	150.8	1,048.0	1,115.2	116.3	4,586.8	1,817.5
2007	9,997.1	5,150.5	242.0	2,997.1	172.3	189.4	1,245.8	1,238.2	215.4	5,222.1	2,075.7
2008	10,924.1	5,316.1	382.3	3,373.3	177.8	236.7	1,437.9	1,762.0	497.5	5,017.0	2,209.7
2009 Q4	10,422.5	4,597.9	527.3	3,461.6	175.0	221.3	1,439.3	1,974.1	267.2	4,592.6	2,149.3
2010 Q1	10,808.7	4,785.3	535.8	3,683.2	177.4	240.2	1,386.9	2,091.1	267.1	4,837.4	2,226.2
Q2	11,181.2	4,972.1	500.1	3,857.3	186.8	236.9	1,427.9	2,215.3	275.6	4,974.7	2,287.7
	Outstanding amounts as a percentage of GDP										
2006	101.4	51.7	2.5	31.5	1.7	1.8	12.2	13.0	1.4	53.6	21.2
2007	110.8	57.1	2.7	33.2	1.9	2.1	13.8	13.7	2.4	57.9	23.0
2008	118.2	57.5	4.1	36.5	1.9	2.6	15.6	19.1	5.4	54.3	23.9
2009 Q4	116.4	51.4	5.9	38.7	2.0	2.5	16.1	22.1	3.0	51.3	24.0
2010 Q1	120.4	53.3	6.0	41.0	2.0	2.7	15.4	23.3	3.0	53.9	24.8
Q2	123.7	55.0	5.5	42.7	2.1	2.6	15.8	24.5	3.0	55.0	25.3

Source: ECB.

7.3 Financial account
(EUR billions; outstanding amounts at end of period; transactions during period)

9. Geographical breakdown

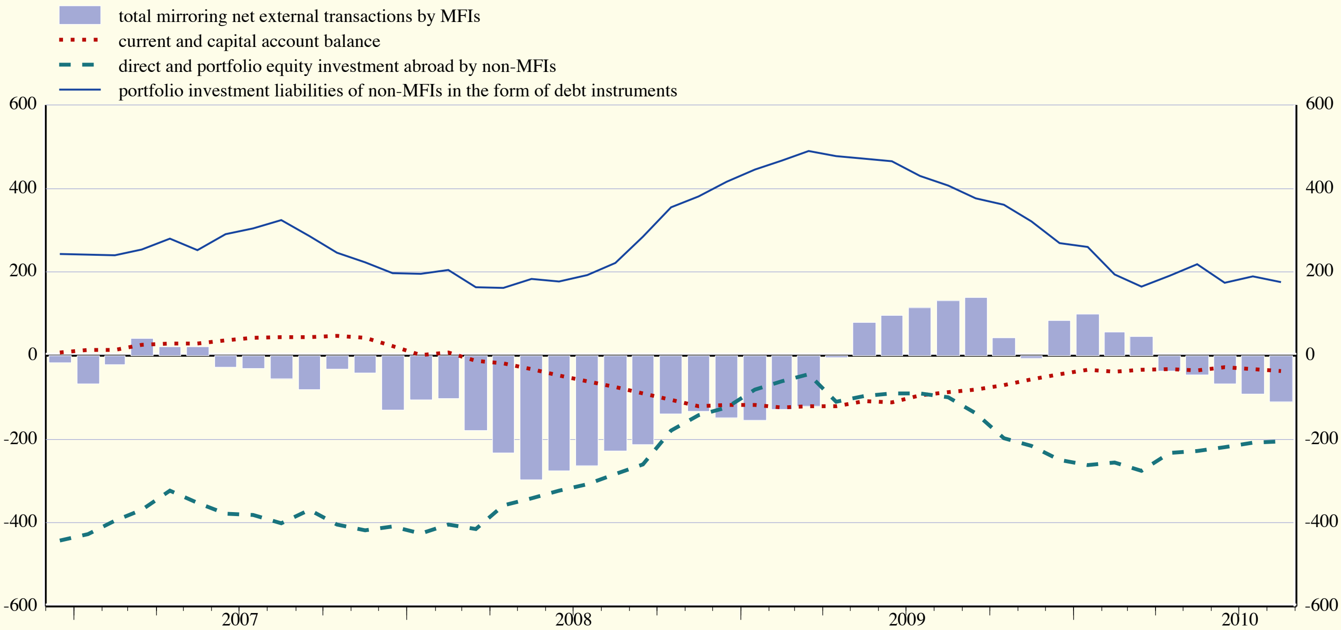
	Total	EU Member States outside the euro area						Canada	China	Japan	Switzer-land	United States	Offshore financial centres	Interna-tional organisa-tions	Other countries
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2009	Outstanding amounts (international investment position)														
Direct investment	788.4	120.6	2.5	-13.0	-125.4	256.8	-0.3	45.7	44.2	-28.9	129.8	-42.0	77.7	-0.3	441.6
Abroad	4,261.0	1,427.8	34.5	123.7	988.9	280.7	0.0	119.6	48.3	77.7	423.5	784.3	540.9	0.0	838.9
Equity/reinvested earnings	3,290.8	1,073.9	29.1	79.8	735.3	229.7	0.0	95.2	39.1	58.9	349.5	559.7	484.7	0.0	629.9
Other capital	970.2	353.9	5.3	43.9	253.6	51.0	0.0	24.4	9.1	18.8	74.1	224.6	56.2	0.0	209.1
In the euro area	3,472.5	1,307.2	32.0	136.7	1,114.3	23.9	0.3	73.9	4.1	106.6	293.7	826.3	463.2	0.4	397.3
Equity/reinvested earnings	2,526.0	1,073.2	22.6	120.9	922.4	7.1	0.3	60.9	1.1	85.5	200.9	613.2	245.2	0.2	245.8
Other capital	946.6	234.0	9.4	15.8	191.9	16.8	0.1	13.0	3.0	21.1	92.8	213.1	218.0	0.2	151.4
Portfolio investment assets	4,225.8	1,424.6	79.0	156.4	1,000.8	89.3	99.2	95.4	47.5	181.9	107.0	1,349.1	434.1	29.3	556.8
Equity	1,488.5	296.9	8.8	28.8	245.2	13.4	0.6	28.6	45.3	85.7	92.4	468.9	193.3	1.5	275.8
Debt instruments	2,737.3	1,127.7	70.2	127.6	755.5	75.9	98.5	66.8	2.2	96.2	14.6	880.1	240.8	27.8	281.1
Bonds and notes	2,339.3	979.0	62.9	108.0	635.5	74.2	98.4	63.3	1.5	38.1	10.6	739.5	225.5	27.2	254.7
Money market instruments	398.0	148.7	7.3	19.6	120.0	1.7	0.1	3.5	0.7	58.1	4.0	140.7	15.4	0.6	26.3
Other investment	-137.9	-104.4	50.0	11.4	-96.8	89.8	-159.0	0.2	-8.7	17.0	-118.6	-106.5	-3.8	14.1	172.8
Assets	4,856.4	2,247.1	108.6	84.7	1,847.0	190.5	16.3	26.8	31.5	95.0	238.7	687.1	599.3	61.3	869.6
General government	109.0	23.1	0.1	5.4	6.8	0.2	10.4	0.0	3.1	0.2	0.2	3.5	1.9	27.3	49.7
MFIs	2,867.0	1,540.4	90.9	50.5	1,240.1	156.3	2.6	15.2	9.3	64.4	125.5	352.9	329.8	20.4	409.3
Other sectors	1,880.4	683.6	17.5	28.8	600.1	34.0	3.3	11.5	19.1	30.4	113.1	330.8	267.6	13.6	410.6
Liabilities	4,994.2	2,351.5	58.6	73.3	1,943.8	100.7	175.2	26.5	40.3	78.0	357.2	793.6	603.1	47.1	696.8
General government	71.1	28.8	0.1	0.4	4.4	0.1	23.9	0.1	0.1	0.5	0.2	22.1	0.3	16.9	2.2
MFIs	3,659.8	1,746.1	47.2	39.7	1,486.2	76.5	96.6	19.4	19.1	45.6	270.3	500.1	498.5	27.6	533.1
Other sectors	1,263.3	576.5	11.2	33.2	453.2	24.1	54.8	7.1	21.2	32.0	86.7	271.3	104.3	2.6	161.6
2009 Q3 to 2010 Q2	Cumulated transactions														
Direct investment	92.0	3.0	0.4	-2.0	-9.5	14.1	0.0	3.3	4.6	-0.1	15.8	44.5	7.7	-0.2	13.4
Abroad	213.0	48.6	2.5	5.2	25.6	15.3	0.0	9.3	4.0	-1.4	29.9	54.5	14.3	0.0	53.9
Equity/reinvested earnings	125.4	28.1	1.5	3.7	10.0	12.9	0.0	9.4	0.4	-1.4	8.6	44.8	2.5	0.0	32.9
Other capital	87.6	20.4	1.0	1.5	15.5	2.4	0.0	-0.1	3.5	-0.1	21.2	9.7	11.8	0.0	21.0
In the euro area	121.1	45.5	2.1	7.2	35.1	1.2	0.0	6.1	-0.6	-1.3	14.1	10.0	6.6	0.2	40.5
Equity/reinvested earnings	176.8	34.7	1.4	11.9	25.2	-3.7	0.0	5.9	0.2	2.6	13.3	42.7	54.8	0.2	22.4
Other capital	-55.7	10.8	0.7	-4.7	10.0	4.9	0.0	0.1	-0.8	-3.9	0.7	-32.6	-48.2	0.0	18.1
Portfolio investment assets	135.4	49.0	8.7	15.5	-4.4	13.5	15.7	-4.3	6.4	-20.2	5.0	5.6	-7.2	-3.5	104.6
Equity	105.2	20.9	1.6	3.2	15.0	0.8	0.2	1.6	6.3	7.1	5.3	21.9	6.6	0.1	35.5
Debt instruments	30.2	28.1	7.2	12.3	-19.4	12.6	15.5	-5.9	0.0	-27.3	-0.3	-16.3	-13.8	-3.6	69.1
Bonds and notes	95.8	60.4	5.6	15.6	11.8	11.8	15.6	-2.9	-0.1	-11.7	0.8	-5.8	-4.3	-3.1	62.5
Money market instruments	-65.6	-32.3	1.5	-3.3	-31.2	0.8	-0.1	-2.9	0.2	-15.6	-1.1	-10.5	-9.5	-0.5	6.6
Other investment	97.6	-46.9	-11.3	-9.2	-4.4	-17.4	-4.5	3.4	14.7	-11.5	44.0	90.9	55.6	-11.3	-41.3
Assets	-23.2	-7.5	-5.2	2.3	0.9	-7.0	1.6	-1.5	6.0	-8.9	-30.6	-12.8	36.6	-3.2	-1.3
General government	6.8	5.6	-0.2	5.3	0.5	0.0	0.0	0.0	-0.1	0.0	-0.1	-0.1	0.0	0.7	0.8
MFIs	-41.5	2.6	-7.2	-6.0	20.8	-5.8	0.7	-0.5	3.1	-10.8	-7.3	-14.7	2.8	-3.9	-12.7
Other sectors	11.5	-15.7	2.2	3.0	-20.5	-1.3	0.8	-1.0	3.0	2.0	-23.3	2.1	33.8	0.0	10.6
Liabilities	-120.8	39.4	6.1	11.4	5.3	10.4	6.1	-4.9	-8.7	2.7	-74.7	-103.6	-19.0	8.1	40.0
General government	9.1	5.8	0.1	0.0	3.9	0.0	1.9	0.1	0.0	-0.1	0.1	-2.2	0.0	5.4	-0.1
MFIs	-131.0	51.4	6.5	8.9	29.6	7.8	-1.4	-0.9	-10.2	1.7	-79.1	-108.4	-21.8	2.5	33.9
Other sectors	1.1	-17.9	-0.5	2.6	-28.2	2.6	5.7	-4.1	1.6	1.1	4.3	7.0	2.9	0.1	6.1

Source: ECB.

7.4 Monetary presentation of the balance of payments [1]
(EUR billions; transactions)

	B.o.p. items mirroring net transactions by MFIs											
	Total	Current and capital account balance	Transactions by non-MFIs								Financial derivatives	Errors and omissions
			Direct investment		Portfolio investment				Other investment			
			By resident units abroad	By non-resident units in euro area	Assets		Liabilities		Assets	Liabilities		
					Equity	Debt instruments	Equity	Debt instruments				
	1	2	3	4	5	6	7	8	9	10	11	12
2007	-130.1	22.3	-494.4	413.7	-36.6	-165.1	131.1	197.5	-360.3	240.8	-67.2	-11.9
2008	-148.2	-117.1	-314.1	92.7	70.4	-15.0	-185.8	416.7	-62.9	35.5	-74.9	6.3
2009	84.8	-43.7	-269.5	207.0	-49.1	-121.4	79.0	269.6	102.3	-153.6	51.5	12.6
2009 Q2	78.7	-27.6	-70.1	78.1	-4.3	-37.1	32.8	88.8	81.2	-93.6	27.3	3.0
Q3	6.8	0.8	-66.7	39.0	-38.0	-30.5	62.2	38.4	19.1	-40.7	2.0	21.4
Q4	42.1	12.7	-46.7	56.9	-34.9	-35.6	38.8	13.0	28.1	2.0	8.6	-0.7
2010 Q1	-81.8	-19.3	-32.5	-2.8	-26.8	-40.5	17.0	25.6	-33.6	30.0	3.9	-2.8
Q2	-33.8	-21.3	-60.4	22.9	2.0	-45.0	1.7	98.0	-31.8	18.9	6.5	-25.2
2009 Aug.	15.0	-5.3	-15.4	14.8	-13.4	-12.2	28.0	15.9	11.7	-14.1	-8.3	13.2
Sep.	-6.1	-4.2	-40.7	1.9	-6.3	1.9	14.2	44.0	0.0	-20.5	3.2	0.5
Oct.	13.7	0.3	-15.3	23.5	-13.3	-6.8	-22.3	44.3	-26.6	32.9	1.7	-4.6
Nov.	-10.6	0.3	-14.9	12.3	-7.6	-15.0	0.9	10.0	4.5	4.3	0.8	-6.3
Dec.	39.0	12.2	-16.4	21.1	-14.1	-13.8	60.2	-41.3	50.1	-35.2	6.1	10.2
2010 Jan.	-28.3	-12.1	-6.4	3.4	-11.5	-11.1	-3.0	29.7	-9.1	-2.0	3.9	-10.1
Feb.	-11.9	-6.4	3.7	-7.3	-1.3	-5.2	17.9	-11.1	-13.9	4.5	0.3	6.9
Mar.	-41.6	-0.8	-29.8	1.2	-14.0	-24.2	2.2	6.9	-10.7	27.5	-0.3	0.4
Apr.	-44.4	-6.8	-17.3	1.9	-3.5	-14.4	-5.6	44.5	-18.0	-15.8	0.3	-9.7
May	5.7	-15.5	-28.7	16.1	11.1	-22.4	-1.2	62.6	-28.7	22.1	-0.4	-9.3
June	5.0	1.1	-14.4	4.9	-5.6	-8.2	8.5	-9.1	14.9	12.5	6.5	-6.2
July	-27.4	4.9	-7.9	7.6	-2.3	-23.3	-0.3	-6.7	-3.6	13.0	1.0	-9.8
Aug.	-3.9	-10.2	-15.6	4.1	-2.1	1.0	4.7	1.8	-7.0	15.6	3.9	0.0
	12-month cumulated transactions											
2010 Aug.	-110.9	-37.3	-203.6	90.5	-70.5	-141.6	76.1	175.6	-47.9	58.9	27.1	-38.1

C38 Main b.o.p. items mirroring developments in MFI net external transactions [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.

7.5 Trade in goods

1. Values and volumes by product group [1]

(seasonally adjusted, unless otherwise indicated)

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
	Exports	Imports	Total	Intermediate	Capital	Consumption	Memo item: Manufacturing	Total	Intermediate	Capital	Consumption	Memo items: Manufacturing	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)												
2008	3.9	8.2	1,561.6	771.0	337.9	414.0	1,303.9	1,610.3	1,019.1	232.8	333.9	1,021.3	293.6
2009	-18.2	-22.0	1,275.4	626.2	261.7	353.2	1,060.7	1,259.7	725.9	192.1	314.6	839.0	174.5
2009 Q3	-19.5	-25.7	318.0	156.8	64.3	88.5	265.4	312.9	179.3	47.2	79.1	206.6	47.5
Q4	-8.4	-14.4	330.8	163.8	67.2	92.7	275.7	321.0	189.5	47.3	78.4	211.7	49.3
2010 Q1	12.8	9.6	354.6	176.0	68.8	98.8	292.6	350.4	209.4	52.0	81.8	232.2	53.1
Q2	22.8	27.2	377.4	188.4	75.6	103.6	315.5	381.8	232.1	56.9	84.8	252.6	59.3
2010 Mar.	22.9	20.8	125.8	61.6	25.7	35.0	105.7	125.4	74.2	19.0	28.6	82.7	19.6
Apr.	17.6	20.2	122.2	61.4	23.6	33.6	100.9	121.9	74.0	17.9	27.3	80.7	19.2
May	23.4	29.6	124.2	61.5	25.1	34.2	103.8	127.2	77.1	18.5	28.5	83.6	20.3
June	27.1	31.6	131.0	65.5	26.9	35.9	110.8	132.7	81.0	20.5	29.0	88.3	19.7
July	17.8	25.3	130.8	64.9	26.1	35.5	108.9	131.0	79.8	20.1	28.7	87.3	20.3
Aug.	31.3	31.9	132.1	.	.	.	108.9	133.4	.	.	.	87.7	.
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2008	1.4	0.1	143.4	136.7	154.2	147.0	142.3	126.9	119.3	140.4	144.5	133.3	108.1
2009	-16.7	-14.4	119.2	114.9	118.0	126.9	115.6	109.0	99.8	114.2	135.6	110.6	97.2
2009 Q3	-17.4	-15.8	118.9	115.2	115.8	126.6	115.8	107.1	96.4	113.9	136.2	109.7	95.3
Q4	-5.8	-7.7	124.0	120.3	121.9	133.8	121.0	111.0	102.2	115.3	138.6	114.4	95.5
2010 Q1	11.5	4.1	130.2	126.2	124.1	138.8	126.3	115.7	106.6	122.6	140.6	121.7	94.8
Q2	17.0	14.2	135.2	131.3	134.5	141.4	133.6	119.4	110.3	129.7	140.6	127.4	94.7
2010 Feb.	9.2	1.6	127.9	124.6	122.3	135.5	122.3	112.9	104.5	116.6	136.8	118.1	87.7
Mar.	20.5	13.6	137.8	131.9	138.5	146.7	136.6	122.6	111.0	132.6	147.3	129.2	101.8
Apr.	12.7	8.1	132.4	129.5	127.0	139.6	129.4	115.8	107.3	123.7	136.9	123.1	92.5
May	17.9	16.2	133.9	128.9	133.6	140.0	132.1	120.0	109.9	127.6	143.8	127.8	96.8
June	20.2	18.2	139.2	135.3	143.1	144.7	139.2	122.5	113.6	137.7	141.0	131.2	94.8
July	11.5	10.6	138.5	133.8	139.6	141.3	136.1	119.6	110.9	132.6	137.8	128.3	97.0

2. Prices [2]

(annual percentage changes, unless otherwise indicated)

	Industrial producer export prices (f.o.b.) [3]							Industrial import prices (c.i.f.)						
	Total (index: 2005 = 100)	Total	Intermediate goods	Capital goods	Consumer goods	Energy	Memo item: Manufacturing	Total (index: 2005 = 100)	Total	Intermediate goods	Capital goods	Consumer goods	Energy	Memo item: Manufacturing
% of total	100.0	100.0	33.1	44.5	17.9	4.5	99.2	100.0	100.0	28.4	27.9	22.1	21.6	81.1
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2008	104.1	1.9	1.5	-0.4	2.4	23.6	1.7	110.8	5.5	-0.4	-4.6	2.3	28.6	-0.2
2009	101.4	-2.5	-4.1	0.6	0.6	-24.3	-2.5	99.2	-10.4	-5.7	-1.3	0.3	-28.3	-4.0
2010 Q1	103.2	1.6	-0.3	-0.2	0.7	38.2	1.7	104.2	5.3	2.1	-2.5	-0.8	27.2	0.4
Q2	105.8	4.3	5.1	0.8	2.5	31.3	4.3	109.7	11.1	10.8	0.0	2.7	33.2	5.6
Q3	.	.	.	.	.	.	.	.	.	.	1.6	.	.	6.6
2010 Apr.	105.1	3.8	3.6	0.2	1.6	45.1	3.9	108.7	10.7	8.2	-1.7	0.7	41.7	3.9
May	105.9	4.4	5.4	0.8	2.7	30.8	4.4	109.6	11.6	11.3	0.2	3.0	33.3	6.0
June	106.4	4.5	6.4	1.4	3.2	20.4	4.5	110.7	11.2	12.8	1.5	4.4	25.5	7.0
July	106.0	4.6	6.5	1.3	3.0	23.5	4.5	110.2	11.8	12.4	2.1	4.0	29.2	6.8
Aug.	106.1	4.2	6.2	1.5	2.7	14.1	4.1	110.3	10.1	11.7	1.8	4.6	21.5	6.3
Sep.	.	.	.	.	.	.	.	.	.	.	0.9	.	.	6.6

Source: Eurostat.

1) Product groups as classified in the Broad Economic Categories. Unlike the product groups shown in Table 2, intermediate and consumption product groups include agricultural and energy products.

2) Product groups as classified in the Main Industrial Groupings. Unlike the product groups shown in Table 1, intermediate and consumer goods do not include energy products, and agricultural goods are not covered. Manufacturing has a different composition compared with the data shown in columns 7 and 12 of Table 1. Data shown are price indices which follow the pure price change for a basket of products and are not simple ratios of the value and volume data shown in Table 1, which are affected by changes in the composition and quality of traded goods. These indices differ from the GDP deflators for imports and exports (shown in Table 3 in Section 5.1), mainly because those deflators include all goods and services and cover cross-border trade within the euro area.

3) Industrial producer export prices refer to direct transactions between domestic producers and non-domestic customers. Contrary to the data shown for values and volumes in Table 1, exports from wholesalers and re-exports are not covered.

7.5 Trade in goods
(EUR billions, unless otherwise indicated; seasonally adjusted)

3. Geographical breakdown

	Total	EU Member States outside the euro area				Russia	Switzer-land	Turkey	United States	Asia			Africa	Latin America	Other countries
		Denmark	Sweden	United Kingdom	Other EU countries						China	Japan			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Exports (f.o.b.)														
2008	1,561.6	35.1	53.9	220.4	233.6	78.5	86.7	42.7	186.6	309.5	65.7	33.7	100.2	68.2	146.2
2009	1,275.4	27.5	41.1	174.3	177.7	49.3	78.4	34.3	152.1	282.1	68.0	28.7	91.4	53.9	113.2
2009 Q1	316.6	7.3	10.0	42.6	44.0	12.7	20.2	7.7	39.3	66.8	15.2	7.2	23.3	13.1	29.8
Q2	309.9	6.6	9.8	42.6	42.8	12.2	19.0	8.3	38.2	69.3	16.7	7.0	22.6	12.3	26.1
Q3	318.0	6.8	10.5	44.3	44.9	11.9	19.2	9.0	36.3	70.8	17.4	7.1	22.4	14.1	27.8
Q4	330.8	6.7	10.8	44.8	46.1	12.5	20.0	9.3	38.3	75.2	18.7	7.4	23.1	14.4	29.5
2010 Q1	354.6	7.0	11.7	46.6	48.3	13.5	21.4	10.7	41.1	81.7	22.2	8.1	24.9	16.8	30.9
Q2	377.4	7.4	12.9	47.8	51.6	15.7	22.9	11.4	45.3	88.0	23.4	8.7	25.6	18.6	30.3
2010 Mar.	125.8	2.4	4.1	16.4	16.9	5.1	7.5	3.8	15.3	29.1	7.9	2.8	8.6	6.2	10.2
Apr.	122.2	2.4	4.1	15.7	16.6	5.1	7.4	3.8	14.7	28.1	7.5	2.8	8.6	5.7	9.8
May	124.2	2.5	4.2	15.7	17.2	5.2	7.5	3.5	15.0	28.9	7.8	2.9	8.4	6.3	9.9
June	131.0	2.5	4.6	16.4	17.8	5.4	7.9	4.1	15.6	31.0	8.1	3.0	8.6	6.6	10.6
July	130.8	2.5	4.4	16.4	17.7	5.6	7.9	4.0	15.9	30.5	7.9	2.9	8.7	6.2	10.9
Aug.	132.1	.	.	.	.	5.9	7.9	3.8	15.9	29.8	7.7	3.0	9.0	6.3	.
	Percentage share of total exports														
2009	100.0	2.2	3.2	13.7	13.9	3.9	6.2	2.7	11.9	22.1	5.3	2.3	7.2	4.2	8.9
	Imports (c.i.f.)														
2008	1,610.3	30.7	52.1	164.8	184.9	122.0	70.2	32.4	136.0	479.9	184.7	57.4	141.2	81.7	114.5
2009	1,259.7	26.5	37.7	127.0	162.6	81.3	65.1	26.2	115.9	376.3	158.6	42.9	93.6	59.2	88.3
2009 Q1	321.1	6.9	9.6	31.8	39.2	17.7	16.8	6.6	32.0	97.3	41.4	11.5	23.8	14.7	24.8
Q2	304.7	6.4	8.9	30.9	39.2	18.1	16.1	6.3	30.2	92.4	38.5	10.2	22.9	14.2	19.1
Q3	312.9	6.8	9.7	31.8	41.1	21.8	16.1	6.6	25.6	92.7	39.1	10.7	22.7	14.8	23.0
Q4	321.0	6.4	9.6	32.4	43.0	23.7	16.1	6.8	28.1	93.8	39.7	10.5	24.3	15.4	21.3
2010 Q1	350.4	6.5	10.3	35.0	45.2	24.5	17.1	7.4	29.3	109.6	45.9	11.6	26.7	16.5	22.4
Q2	381.8	6.8	11.7	36.4	48.8	27.2	19.5	7.5	32.5	124.0	51.9	12.8	29.5	18.1	19.8
2010 Mar.	125.4	2.3	3.8	12.1	15.6	9.0	5.8	2.6	10.0	41.0	18.0	4.3	9.7	5.9	7.7
Apr.	121.9	2.1	3.6	11.7	15.4	8.7	5.9	2.5	10.1	39.4	16.0	4.1	10.0	5.8	6.6
May	127.2	2.3	3.8	12.2	16.6	9.7	6.9	2.5	10.0	40.8	17.0	4.2	9.6	6.0	6.7
June	132.7	2.3	4.2	12.5	16.8	8.8	6.7	2.6	12.4	43.8	18.9	4.5	9.8	6.3	6.5
July	131.0	2.2	4.1	12.5	16.4	9.1	6.6	2.4	10.2	42.8	18.6	4.4	9.6	6.4	8.8
Aug.	133.4	.	.	.	.	8.9	6.4	2.5	10.2	43.3	19.3	4.2	10.1	6.5	.
	Percentage share of total imports														
2009	100.0	2.1	3.0	10.1	12.9	6.4	5.2	2.1	9.2	29.9	12.6	3.4	7.4	4.7	7.0
	Balance														
2008	-48.7	4.4	1.8	55.7	48.8	-43.6	16.6	10.4	50.6	-170.4	-119.1	-23.7	-41.0	-13.6	31.7
2009	15.7	0.9	3.3	47.3	15.2	-32.0	13.3	8.0	36.2	-94.2	-90.6	-14.2	-2.2	-5.3	25.0
2009 Q1	-4.4	0.4	0.4	10.8	4.8	-5.0	3.5	1.1	7.3	-30.6	-26.2	-4.3	-0.4	-1.7	5.0
Q2	5.2	0.2	0.9	11.7	3.5	-5.9	2.9	2.0	8.0	-23.0	-21.7	-3.2	-0.3	-1.9	7.0
Q3	5.1	0.0	0.8	12.5	3.8	-9.9	3.1	2.4	10.7	-21.9	-21.7	-3.6	-0.3	-0.7	4.7
Q4	9.8	0.3	1.2	12.3	3.1	-11.3	3.9	2.5	10.2	-18.6	-21.1	-3.1	-1.2	-1.0	8.2
2010 Q1	4.1	0.4	1.3	11.6	3.1	-11.0	4.3	3.4	11.8	-27.9	-23.7	-3.6	-1.8	0.3	8.5
Q2	-4.3	0.6	1.2	11.4	2.8	-11.5	3.4	3.9	12.8	-36.0	-28.6	-4.1	-3.9	0.5	10.4
2010 Mar.	0.4	0.1	0.3	4.4	1.3	-3.8	1.6	1.2	5.3	-11.9	-10.1	-1.5	-1.1	0.3	2.5
Apr.	0.3	0.3	0.5	4.0	1.2	-3.6	1.6	1.3	4.6	-11.3	-8.6	-1.3	-1.4	-0.1	3.1
May	-2.9	0.2	0.4	3.5	0.6	-4.5	0.6	1.1	5.0	-11.9	-9.2	-1.3	-1.2	0.3	3.2
June	-1.7	0.2	0.4	3.9	1.0	-3.4	1.2	1.5	3.1	-12.8	-10.8	-1.5	-1.3	0.3	4.1
July	-0.2	0.3	0.3	3.9	1.4	-3.5	1.4	1.5	5.7	-12.3	-10.7	-1.4	-0.8	-0.2	2.1
Aug.	-1.4	.	.	.	.	-3.0	1.5	1.3	5.7	-13.5	-11.5	-1.2	-1.2	-0.2	.

Source: Eurostat.

EXCHANGE RATES

8.1 Effective exchange rates [1]

(period averages; index: 1999 Q1=100)

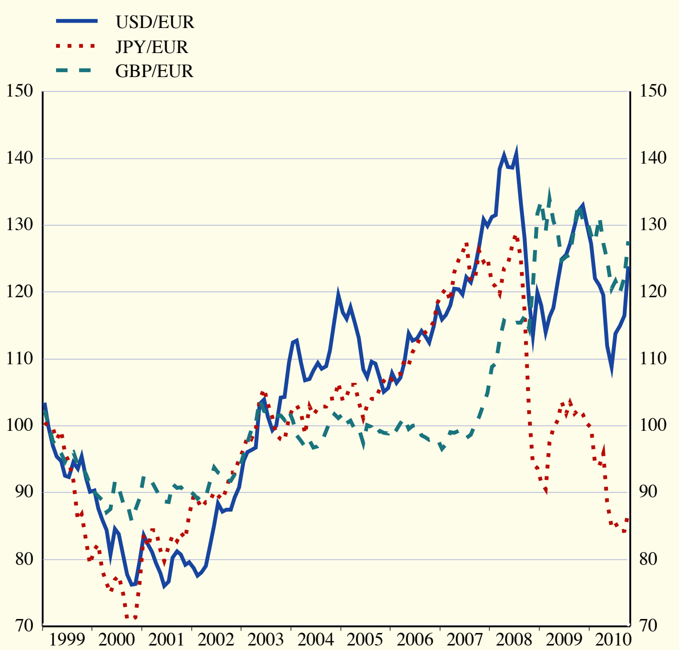
	EER-21						EER-41	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2007	106.3	106.8	103.8	102.9	105.8	100.6	113.0	104.3
2008	110.5	110.1	105.8	105.5	112.5	104.3	118.0	107.2
2009	111.7	110.6	104.2	106.4	118.2	106.4	120.6	108.0
2009 Q3	112.1	110.9	104.4	106.7	118.4	106.3	121.0	108.2
Q4	113.8	112.2	105.6	108.0	119.3	109.0	122.5	109.0
2010 Q1	108.7	106.9	100.7	102.8	113.8	103.5	116.9	103.4
Q2	103.1	101.8	95.8	97.7	108.2	97.9	110.4	97.8
Q3	102.3	100.9	95.1	.	.	.	109.8	97.2
2009 Oct.	114.3	112.8	106.5	-	-	-	123.0	109.6
Nov.	114.0	112.5	105.8	-	-	-	122.9	109.3
Dec.	113.0	111.2	104.5	-	-	-	121.7	108.0
2010 Jan.	110.8	108.9	102.4	-	-	-	119.1	105.5
Feb.	108.0	106.1	100.0	-	-	-	116.2	102.7
Mar.	107.4	105.7	99.5	-	-	-	115.2	102.0
Apr.	106.1	104.5	98.5	-	-	-	113.5	100.5
May	102.8	101.4	95.5	-	-	-	109.9	97.4
June	100.7	99.4	93.6	-	-	-	107.7	95.5
July	102.5	101.1	95.1	-	-	-	109.9	97.5
Aug.	102.1	100.6	94.8	-	-	-	109.5	97.0
Sep.	102.5	100.9	95.4	-	-	-	110.0	97.2
Oct.	106.1	104.3	98.7	-	-	-	113.8	100.4
	Percentage change versus previous month							
2010 Oct.	3.5	3.4	3.5	-	-	-	3.5	3.3
	Percentage change versus previous year							
2010 Oct.	-7.2	-7.5	-7.3	-	-	-	-7.5	-8.4

C39 Effective exchange rates

(monthly averages; index: 1999 Q1=100)

C40 Bilateral exchange rates

(monthly averages; index: 1999 Q1=100)



Source: ECB.
1) For a 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
2007	7.4506	9.2501	0.68434	1.3705	161.25	1.6427	1,272.99	10.6912	2.0636	1.4678	8.0165	1.6348
2008	7.4560	9.6152	0.79628	1.4708	152.45	1.5874	1,606.09	11.4541	2.0762	1.5594	8.2237	1.7416
2009	7.4462	10.6191	0.89094	1.3948	130.34	1.5100	1,772.90	10.8114	2.0241	1.5850	8.7278	1.7727
2010 Q1	7.4426	9.9464	0.88760	1.3829	125.48	1.4632	1,581.41	10.7364	1.9395	1.4383	8.1020	1.5293
Q2	7.4416	9.6313	0.85239	1.2708	117.15	1.4086	1,481.01	9.8857	1.7674	1.3054	7.9093	1.4403
Q3	7.4498	9.3804	0.83305	1.2910	110.68	1.3321	1,526.12	10.0324	1.7503	1.3416	7.9561	1.4289
2010 Apr.	7.4428	9.6617	0.87456	1.3406	125.33	1.4337	1,494.53	10.4065	1.8505	1.3467	7.9323	1.4463
May	7.4413	9.6641	0.85714	1.2565	115.83	1.4181	1,465.81	9.7843	1.7503	1.3060	7.8907	1.4436
June	7.4409	9.5723	0.82771	1.2209	110.99	1.3767	1,483.22	9.5091	1.7081	1.2674	7.9062	1.4315
July	7.4522	9.4954	0.83566	1.2770	111.73	1.3460	1,538.85	9.9308	1.7588	1.3322	8.0201	1.4586
Aug.	7.4495	9.4216	0.82363	1.2894	110.04	1.3413	1,522.39	10.0193	1.7482	1.3411	7.9325	1.4337
Sep.	7.4476	9.2241	0.83987	1.3067	110.26	1.3089	1,517.10	10.1470	1.7439	1.3515	7.9156	1.3943
Oct.	7.4567	9.2794	0.87638	1.3898	113.67	1.3452	1,560.30	10.7835	1.8116	1.4152	8.1110	1.4164
	Percentage change versus previous month											
2010 Oct.	0.1	0.6	4.3	6.4	3.1	2.8	2.8	6.3	3.9	4.7	2.5	1.6
	Percentage change versus previous year											
2010 Oct.	0.2	-10.0	-4.3	-6.2	-15.1	-11.1	-10.3	-6.1	-12.5	-9.4	-3.0	-13.3

	Czech koruna	Estonian kroon	Latvian lats	Lithuanian litas	Hungarian forint	Polish zloty	Bulgarian lev	New Romanian leu	Croatian kuna	New Turkish lira
	13	14	15	16	17	18	19	20	21	22
2007	27.766	15.6466	0.7001	3.4528	251.35	3.7837	1.9558	3.3353	7.3376	1.7865
2008	24.946	15.6466	0.7027	3.4528	251.51	3.5121	1.9558	3.6826	7.2239	1.9064
2009	26.435	15.6466	0.7057	3.4528	280.33	4.3276	1.9558	4.2399	7.3400	2.1631
2010 Q1	25.868	15.6466	0.7087	3.4528	268.52	3.9869	1.9558	4.1135	7.2849	2.0866
Q2	25.591	15.6466	0.7078	3.4528	274.85	4.0171	1.9558	4.1854	7.2477	1.9560
Q3	24.928	15.6466	0.7089	3.4528	282.44	4.0087	1.9558	4.2553	7.2532	1.9560
2010 Apr.	25.308	15.6466	0.7076	3.4528	265.53	3.8782	1.9558	4.1306	7.2594	1.9983
May	25.663	15.6466	0.7075	3.4528	276.78	4.0567	1.9558	4.1767	7.2630	1.9459
June	25.780	15.6466	0.7082	3.4528	281.49	4.1055	1.9558	4.2434	7.2225	1.9274
July	25.328	15.6466	0.7090	3.4528	283.75	4.0814	1.9558	4.2608	7.2198	1.9669
Aug.	24.806	15.6466	0.7085	3.4528	281.45	3.9899	1.9558	4.2396	7.2525	1.9484
Sep.	24.651	15.6466	0.7091	3.4528	282.10	3.9548	1.9558	4.2655	7.2874	1.9528
Oct.	24.531	15.6466	0.7094	3.4528	274.01	3.9496	1.9558	4.2787	7.3277	1.9800
	Percentage change versus previous month									
2010 Oct.	-0.5	0.0	0.0	0.0	-2.9	-0.1	0.0	0.3	0.6	1.4
	Percentage change versus previous year									
2010 Oct.	-5.1	0.0	0.1	0.0	2.1	-6.3	0.0	-0.2	1.2	-9.3

	Brazilian real [1]	Chinese yuan renminbi	Icelandic krona [2]	Indian rupee [3]	Indonesian rupiah	Malaysian ringgit	Mexican peso [1]	New Zealand dollar	Philippine peso	Russian rouble	South African rand	Thai baht
	23	24	25	26	27	28	29	30	31	32	33	34
2007	2.6633	10.4178	87.63	56.4186	12,528.33	4.7076	14.9743	1.8627	63.026	35.0183	9.6596	44.214
2008	2.6737	10.2236	143.83	63.6143	14,165.16	4.8893	16.2911	2.0770	65.172	36.4207	12.0590	48.475
2009	2.7674	9.5277	-	67.3611	14,443.74	4.9079	18.7989	2.2121	66.338	44.1376	11.6737	47.804
2010 Q1	2.4917	9.4417	-	63.4796	12,809.32	4.6590	17.6555	1.9510	63.593	41.2697	10.3852	45.472
Q2	2.2762	8.6717	-	57.9879	11,581.24	4.1172	15.9583	1.8145	57.848	38.5027	9.5974	41.152
Q3	2.2589	8.7388	-	59.9818	11,612.07	4.0716	16.5210	1.7979	58.363	39.5260	9.4593	40.825
2010 Apr.	2.3550	9.1505	-	59.6203	12,101.70	4.2935	16.3957	1.8814	59.788	39.1335	9.8658	43.279
May	2.2750	8.5794	-	57.6166	11,517.01	4.0874	15.9856	1.8010	57.315	38.2707	9.6117	40.714
June	2.2057	8.3245	-	56.8582	11,169.39	3.9853	15.5346	1.7667	56.594	38.1507	9.3398	39.635
July	2.2600	8.6538	-	59.8100	11,546.78	4.0924	16.3699	1.7925	59.072	39.1317	9.6351	41.273
Aug.	2.2691	8.7520	-	60.0584	11,573.26	4.0654	16.4571	1.8059	58.245	39.1898	9.4192	40.937
Sep.	2.2476	8.8104	-	60.0771	11,716.16	4.0570	16.7361	1.7955	57.772	40.2564	9.3236	40.264
Oct.	2.3378	9.2665	-	61.7399	12,407.16	4.3092	17.2845	1.8498	60.285	42.1471	9.6165	41.636
	Percentage change versus previous month											
2010 Oct.	4.0	5.2	-	2.8	5.9	6.2	3.3	3.0	4.4	4.7	3.1	3.4
	Percentage change versus previous year											
2010 Oct.	-9.3	-8.4	-	-10.8	-11.7	-14.5	-11.7	-7.8	-13.2	-3.4	-13.3	-15.9

Source: ECB.

1) For these currencies the ECB computes and publishes euro reference exchange rates as from 1 January 2008. Previous data are indicative.
2) The most recent rate for the Icelandic krona refers to 3 December 2008.
3) For this currency the ECB computes and publishes euro reference exchange rates as from 1 January 2009. Previous data are indicative.

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	Latvia	Lithuania	Hungary	Poland	Romania	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11
	HICP										
2008	12.0	6.3	3.6	10.6	15.3	11.1	6.0	4.2	7.9	3.3	3.6
2009	2.5	0.6	1.1	0.2	3.3	4.2	4.0	4.0	5.6	1.9	2.2
2010 Q2	2.9	0.9	2.0	2.9	-2.3	0.5	5.2	2.5	4.3	1.8	3.4
Q3	3.3	1.6	2.3	3.1	-0.3	1.8	3.6	2.1	7.5	1.3	3.1
2010 July	3.2	1.6	2.1	2.8	-0.7	1.7	3.6	1.9	7.1	1.4	3.1
Aug.	3.2	1.5	2.3	2.8	-0.4	1.8	3.6	1.9	7.6	1.1	3.1
Sep.	3.6	1.8	2.5	3.8	0.3	1.8	3.7	2.5	7.7	1.5	3.0
	General government deficit (-)/surplus (+) as a percentage of GDP										
2007	1.1	-0.7	4.8	2.5	-0.3	-1.0	-5.0	-1.9	-2.6	3.6	-2.7
2008	1.7	-2.7	3.4	-2.8	-4.2	-3.3	-3.7	-3.7	-5.7	2.2	-5.0
2009	-4.7	-5.8	-2.7	-1.7	-10.2	-9.2	-4.4	-7.2	-8.6	-0.9	-11.4
	General government gross debt as a percentage of GDP										
2007	17.2	29.0	27.4	3.7	9.0	16.9	66.1	45.0	12.6	40.0	44.5
2008	13.7	30.0	34.2	4.6	19.7	15.6	72.3	47.1	13.4	38.2	52.1
2009	14.7	35.3	41.4	7.2	36.7	29.5	78.4	50.9	23.9	41.9	68.2
	Long-term government bond yield as a percentage per annum; period average										
2010 Apr.	5.94	3.84	3.34	-	10.13	5.15	6.57	5.57	6.97	3.14	3.96
May	6.13	4.10	2.93	-	10.13	5.15	7.07	5.72	7.27	2.73	3.60
June	6.21	4.26	2.70	-	10.12	5.15	7.60	5.87	7.10	2.61	3.14
July	6.05	3.97	2.72	-	10.00	5.15	7.39	5.84	7.18	2.70	2.97
Aug.	5.99	3.56	2.45	-	10.00	5.15	7.07	5.62	7.15	2.45	2.68
Sep.	5.90	3.34	2.40	-	9.97	5.15	7.04	5.49	7.14	2.53	2.84
	3-month interest rate as a percentage per annum; period average										
2010 Apr.	4.21	1.42	1.28	1.79	2.14	1.57	6.14	3.69	4.99	0.52	0.66
May	4.19	1.27	1.25	1.67	2.26	1.47	6.23	3.85	6.38	0.60	0.70
June	4.18	1.24	1.15	1.47	2.09	1.64	5.43	3.86	6.60	0.70	0.73
July	4.09	1.23	1.13	1.40	1.74	1.70	6.17	3.84	6.92	0.87	0.74
Aug.	4.04	1.24	1.14	1.29	1.28	1.70	5.82	3.82	6.46	0.99	0.73
Sep.	3.94	1.22	1.15	1.16	1.19	1.65	6.41	3.82	6.48	1.16	0.73
	Real GDP										
2008	6.2	2.5	-0.9	-5.1	-4.2	2.9	0.6	5.1	7.3	-0.4	-0.1
2009	-4.9	-4.1	-4.7	-13.9	-18.0	-14.7	-6.3	1.7	-7.1	-5.1	-5.0
2009 Q4	-5.8	-3.2	-2.9	-8.8	-16.8	-14.0	-4.7	2.8	-6.5	-1.5	-3.0
2010 Q1	-4.0	1.0	-0.4	-2.6	-5.1	-0.6	-1.2	3.0	-2.6	2.8	-0.3
Q2	0.5	2.4	3.8	3.1	-2.9	-0.3	0.1	3.5	-0.5	4.5	1.7
	Current and capital account balance as a percentage of GDP										
2008	-22.3	0.2	2.7	-8.7	-11.6	-11.3	-6.1	-3.7	-11.1	8.6	-1.3
2009	-8.6	0.1	3.5	7.3	11.0	7.6	0.7	-0.5	-3.7	7.4	-0.9
2009 Q4	-8.9	0.9	4.1	9.8	13.0	15.2	-1.5	-1.4	-3.8	5.4	0.6
2010 Q1	-6.7	2.4	2.8	5.6	12.0	3.9	5.0	0.2	-6.7	7.8	-2.9
Q2	-4.2	-2.1	5.1	4.5	7.3	7.8	3.9	-0.5	-7.8	6.0	-3.4
	Gross external debt as a percentage of GDP										
2007	94.3	44.5	170.6	109.6	127.6	71.9	120.2	48.4	50.9	176.2	398.5
2008	104.7	50.0	178.1	118.2	129.2	71.3	157.9	57.0	56.0	203.8	441.4
2009 Q4	107.9	50.8	189.1	125.5	156.3	87.2	170.9	59.6	69.1	203.8	415.1
2010 Q1	106.2	49.0	200.5	123.6	162.4	91.1	176.0	57.8	71.7	205.3	429.2
Q2	106.5	52.4	200.9	123.9	164.9	89.7	189.8	60.6	77.0	208.2	.
	Unit labour costs										
2008	16.2	5.1	6.5	16.3	22.0	10.4	4.5	7.5	22.9	2.6	2.3
2009	10.4	3.6	4.5	1.1	-7.0	-2.8	0.9	4.3	7.2	4.7	5.7
2009 Q4	3.4	2.2	-1.7	-9.0	-20.4	-12.4	-4.3	-0.6	-	-0.1	4.7
2010 Q1	7.0	-2.5	0.1	-10.3	-18.8	-10.8	1.1	4.9	-	-0.9	4.1
Q2	.	-0.8	-3.9	-9.3	-15.2	-10.0	-0.7	3.2	-	.	0.4
	Standardised unemployment rate as a percentage of labour force (s.a.)										
2008	5.6	4.4	3.3	5.6	7.5	5.9	7.8	7.2	5.8	6.2	5.7
2009	6.9	6.7	6.0	13.8	17.1	13.7	10.0	8.2	6.9	8.3	7.6
2010 Q2	10.0	7.3	7.3	18.6	19.4	18.2	11.3	9.6	7.1	8.6	7.8
Q3	10.1	6.9	6.9	.	.	.	10.9	9.5	.	8.3	.
2010 July	10.1	7.0	7.0	-	.	.	11.1	9.5	.	8.5	7.7
Aug.	10.0	6.9	6.8	-	.	.	10.9	9.5	.	8.2	.
Sep.	10.1	6.9	7.0	-	.	.	10.8	9.6	.	8.2	.

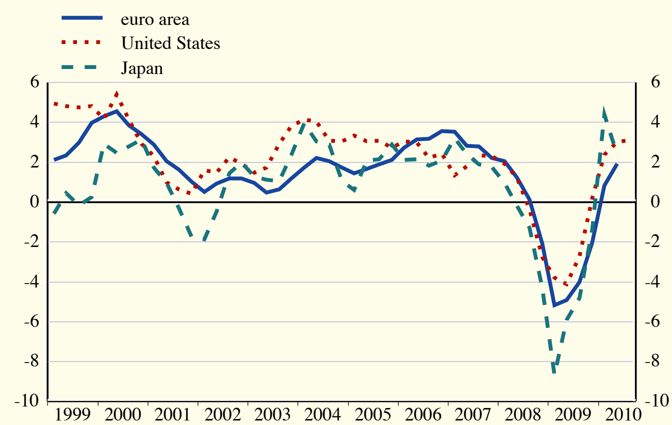
Sources: European Commission (Economic and Financial Affairs DG and Eurostat), national data, Reuters and ECB calculations.

9.2 In the United States and Japan
(annual percentage changes, unless otherwise indicated)

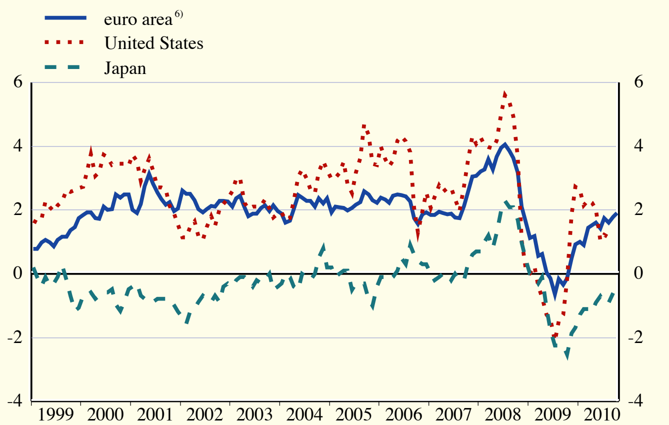
1. Economic and financial developments

	Consumer price index	Unit labour costs [1]	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money [2]	3-month interbank deposit rate [3]	10-year zero coupon government bond yield; [3] end of period	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						
2006	3.2	2.9	2.7	2.7	4.6	5.3	5.20	5.26	1.2556	-2.2	47.8
2007	2.9	2.4	1.9	3.2	4.6	6.3	5.30	4.81	1.3705	-2.9	48.4
2008	3.8	2.2	0.0	-4.4	5.8	7.1	2.93	2.70	1.4708	-6.3	56.7
2009	-0.4	-1.6	-2.6	-10.9	9.3	7.9	0.69	4.17	1.3948	-11.3	68.6
2009 Q3	-1.6	-2.1	-2.7	-10.0	9.6	7.8	0.41	3.61	1.4303	-11.6	66.6
Q4	1.4	-3.4	0.2	-3.7	10.0	5.1	0.27	4.17	1.4779	-11.1	68.6
2010 Q1	2.4	-2.9	2.4	3.9	9.7	1.9	0.26	4.01	1.3829	-10.7	71.7
Q2	1.8	-2.8	3.0	8.7	9.7	1.6	0.44	3.13	1.2708	-11.2	73.3
Q3	1.2	.	3.1	6.9	9.6	2.5	0.39	2.69	1.2910	.	.
2010 June	1.1	-	-	9.3	9.5	1.8	0.54	3.13	1.2209	-	-
July	1.2	-	-	8.2	9.5	1.9	0.51	3.03	1.2770	-	-
Aug.	1.1	-	-	6.8	9.6	2.7	0.36	2.58	1.2894	-	-
Sep.	1.1	-	-	5.9	9.6	3.0	0.29	2.69	1.3067	-	-
Oct.	.	-	-	.	.	.	0.29	2.82	1.3898	-	-
					Japan						
2006	0.2	-0.5	2.0	4.5	4.1	1.0	0.30	1.85	146.02	-1.6	159.9
2007	0.1	-2.3	2.3	2.8	3.8	1.6	0.79	1.70	161.25	-2.4	156.3
2008	1.4	1.7	-1.2	-3.4	4.0	2.1	0.93	1.21	152.45	-2.1	162.2
2009	-1.4	0.4	-5.2	-21.9	5.1	2.7	0.47	1.42	130.34	.	.
2009 Q3	-2.2	0.8	-4.8	-19.4	5.4	2.8	0.40	1.45	133.82	.	.
Q4	-2.0	-3.6	-1.4	-4.2	5.2	3.3	0.31	1.42	132.69	.	.
2010 Q1	-1.2	-3.7	4.4	27.6	4.9	2.8	0.25	1.48	125.48	.	.
Q2	-0.9	-1.2	2.4	21.0	5.2	3.0	0.24	1.18	117.15	.	.
Q3	-0.8	.	.	13.4	5.1	2.8	0.24	1.03	110.68	.	.
2010 June	-0.7	-	-	17.3	5.3	2.9	0.24	1.18	110.99	-	-
July	-0.9	-	-	14.3	5.2	2.7	0.24	1.13	111.73	-	-
Aug.	-0.9	-	-	15.1	5.1	2.8	0.24	1.06	110.04	-	-
Sep.	-0.6	-	-	11.1	5.0	2.8	0.22	1.03	110.26	-	-
Oct.	.	-	-	.	.	.	0.20	1.01	113.67	-	-

C41 Real gross domestic product
(annual percentage changes; quarterly data)



C42 Consumer price indices
(annual percentage changes; monthly data)



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) Seasonally adjusted. The data for the United States refer to the private non-agricultural business sector.
2) Period averages; M2 for the United States, M2+CDs for Japan.
3) Percentages per annum. For further information on the three-month interbank deposit rate, see Section 4.6.
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.

LIST OF CHARTS

TECHNICAL NOTES

EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

where I_t is the index of adjusted outstanding amounts as at month t (see also below). Likewise, for the year ending in month t, the average growth rate is calculated as:

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

SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

Monthly transactions are calculated from monthly differences in outstanding amounts adjusted for reclassifications, other revaluations, exchange rate variations and any other changes which do not arise from transactions.

If L_t represents the outstanding amount at the end of month t, C_t^M the reclassification adjustment in month t, E_t^M the exchange rate adjustment and V_t^M the other revaluation adjustments, the transactions F_t^M in month t are defined as:

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

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

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

where L_{t-3} is the amount outstanding at the end of month t-3 (the end of the previous quarter) and, for example, C_t^Q is the reclassification adjustment in the quarter ending in month t.

For those quarterly series for which monthly observations are now available (see below), the quarterly transactions can be derived as the sum of the three monthly transactions in the quarter.

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

Growth rates can be calculated from transactions or from the index of adjusted outstanding amounts. If F_t^M and L_t are defined as above, the index I_t of adjusted outstanding amounts in month t is defined as:

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

The base of the index (for the non-seasonally adjusted series) is currently set as December 2006 = 100. Time series for the index of adjusted outstanding amounts are available on the ECB's website (www.ecb.europa.eu) in the "Monetary and financial statistics" 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 – can be calculated using either of the following two formulae:

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

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

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 for December 2002 by the index for December 2001.

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

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

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

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS [1]

The approach used is based on multiplicative decomposition using X-12-ARIMA.[2] The seasonal adjustment may include a day-of-the-week adjustment, and for some series it is carried out indirectly by means of a linear combination of components. This is the case for M3, which is 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 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.

SECTIONS 3.1 TO 3.5

EQUALITY OF USES AND RESOURCES

In Section 3.1 the data conform to a basic accounting identity. For non-financial transactions, total uses equal total resources for each transaction category. This accounting identity is also reflected in the financial account – 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 Sections 3.1, 3.2 and 3.3 are computed as follows.

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

1 For details, see "Seasonal adjustment of monetary aggregates and HICP for the euro area", ECB (August 2000) and the "Monetary and financial statistics" sub-section of the "Statistics" section of the ECB's website (www.ecb.europa.eu).

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 of 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 defined only 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 the net equity of households in pension fund reserves (resources minus uses) minus final consumption expenditure (uses). For the rest of the world, the 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 the balancing items computed from the capital account and the financial account.

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

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).

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) and other changes in non-financial assets.

The net worth (wealth) of households is calculated as the sum of the non-financial assets and net financial worth (wealth) of households.

SECTIONS 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 can 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 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 in December 2001. The growth rate a_t for month t, corresponding to the change in the 12 months ending in month t, can be calculated using either of the following two formulae:

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

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

The method used to calculate the growth rates for securities other than shares is the same as that used for the monetary aggregates, the only difference being that an "N" is used instead of an "F". This is to show that the method used to obtain "net issues" for securities issues statistics differs from that used to calculate equivalent "transactions" for the monetary aggregates.

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

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

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:

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

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 calculations are based on financial transactions, which exclude reclassifications, revaluations and 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 is based on multiplicative decomposition using X-12-ARIMA. The seasonal adjustment of total securities issues 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 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.

As in formulae k) and l), the growth rate a_t for month t, corresponding to the change in the six months ending in month t, can be calculated using either of the following two formulae:

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

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

TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP [4]

The approach used is based on multiplicative decomposition using 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

4 For details, see "Seasonal adjustment of monetary aggregates and HICP for the euro area", ECB (August 2000) and the "Monetary and financial statistics" sub-section of the "Statistics" section of the ECB's website (www.ecb.europa.eu).

goods excluding energy, and services. Energy is added without adjustment, since there is no statistical evidence of seasonality. Seasonal factors are revised at annual intervals or as required.

TABLE 2 IN SECTION 7.1

SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

The approach used is based on multiplicative decomposition using X-12-ARIMA (see footnote 2 on page S78). The raw data for goods, services and income are preadjusted to take a working day effect into account. The working day adjustment in goods and services is corrected for national public holidays. The seasonal adjustment of these items is carried out using these preadjusted 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 biannual intervals or as required.

SECTION 7.3

CALCULATION OF GROWTH RATES FOR THE QUARTERLY AND ANNUAL SERIES

The annual growth rate for quarter t is calculated on the basis of quarterly transactions (F_t) and positions (L_t) as follows:

$$a_t = \left(\prod_{i=t-3}^{t} \left(1 + \frac{F_i}{L_{i-1}} \right) - 1 \right) \times 100$$

The growth rate for the annual series is equal to the growth rate in the last quarter of the year.

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's Statistical Data Warehouse (http://sdw.ecb.europa.eu), which includes search and download facilities. Further services available in the "Data services" sub-section include subscriptions 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 Governing Council of the ECB's first meeting of the month. For this issue, the cut-off date was 3 November 2010.

Unless otherwise indicated, all data series including observations for 2009 and beyond relate to the Euro 16 (the euro area including Slovakia) 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), statistical series refer to the changing composition of the euro area (see below for details). 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 the respective year of entry into the euro area of Greece (2001), Slovenia (2007), Cyprus (2008), Malta (2008) and Slovakia (2009), calculated from bases covering the year prior to the year of entry, use a series in which the impact of these countries' joining the euro area is taken into account.

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 for 2007 refer to the Euro 13, i.e. the Euro 12 plus Slovenia. Data for 2008 refer to the Euro 15, i.e. the Euro 13 plus Cyprus and Malta, and data as of 2009 refer to the Euro 16, i.e. the Euro 15 plus Slovakia.

Given that the composition of the European currency unit (ECU) does not coincide with the former currencies of the countries that have adopted the single currency, pre-1999 amounts originally expressed in the participating currencies and converted into ECU at current ECU exchange rates are affected by movements in the currencies of EU Member States that have not adopted the euro. To avoid this effect on the monetary statistics, pre-1999 data[1] 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, Latvia, Lithuania, Hungary, Poland, Romania, 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

1 Data on monetary statistics in Sections 2.1 to 2.8 are available for periods prior to January 1999 on the ECB's website (http://www.ecb.europa.eu/stats/services/downloads/html/index.en.html) and in the SDW (http://sdw.ecb.europa.eu/browse.do?node=2018811).

of Accounts 1995 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 wording "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. Maintenance periods for minimum reserve requirements start every month on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting for which the monthly assessment of the monetary policy stance is scheduled. They end on the day preceding the corresponding settlement day in the following month. Annual/quarterly observations refer to averages for the last reserve maintenance period of the year/quarter.

Table 1 in Section 1.4 shows the components of the reserve base of credit institutions subject to reserve requirements. 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 which are held by the institutions mentioned above, it may deduct a certain percentage of these liabilities from its reserve base. The percentage used to calculate the reserve base was 10% until November 1999 and has been 30% since that date.

Table 2 in Section 1.4 contains average data for completed maintenance periods. First, the reserve requirement of each individual credit institution is calculated by applying the reserve ratios for the corresponding categories of liability 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). Current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve to fulfil reserve requirements. Excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. 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 requirements. 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 MROs (see Section 1.3).

Table 3 in Section 1.4 shows the banking system's liquidity position, which is defined as euro area credit institutions' current account holdings with the Eurosystem in euro. All amounts are derived from the consolidated financial statement of the Eurosystem. Other liquidity-absorbing operations (column 7) exclude the issuance of debt certificates initiated by NCBs in Stage Two of EMU. Net other factors (column 10) represent the netted remaining items in the consolidated financial statement of the Eurosystem. 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). Base money (column 12) is calculated as the sum of the deposit facility (column 6), banknotes in circulation (column 8) and 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 sector, i.e. the sum of the harmonised balance sheets of all MFIs resident in the euro area. MFIs comprise 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 credit 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 of MFIs in the euro area. Owing to a small amount of 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 in 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 analysis, broken down by sector, type and original maturity, of loans granted by MFIs other than the Eurosystem (i.e. the banking system) resident in the euro area. Section 2.5 provides analysis, broken down by sector and instrument, of deposits held with the euro area banking system. Section 2.6 shows the securities held by the euro area banking system, broken down by type of issuer.

Sections 2.2 to 2.6 include data on transactions, which are derived as differences in outstanding amounts adjusted for reclassifications, revaluations, exchange rate variations and any other changes that do not arise from transactions. Section 2.7 shows selected revaluations that are used in the derivation of transactions. Sections 2.2 to 2.6 also provide growth rates based on those transactions in the form of annual percentage changes. Section 2.8 shows a quarterly currency breakdown of selected MFI balance sheet items.

Details of sector definitions are set out in the third edition of the "Monetary financial institutions and markets statistics sector manual – Guidance for the statistical classification of customers" (ECB, March 2007). The publication "Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics" (ECB, November 2002) explains practices that NCBs are recommended to follow. Since 1 January 1999 statistical information has been collected and compiled on the basis of various ECB regulations concerning the balance sheet of the monetary financial institution sector. Since July 2010 this has been carried out on the basis of Regulation ECB/2008/32[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 sides of the MFI balance sheet.

Section 2.9 shows outstanding amounts and transactions on the balance sheet of euro area investment funds (other than money market funds, which are included in the MFI balance sheet statistics). An investment fund is a collective investment undertaking that invests capital raised from the public in financial and/or non-financial assets. A complete list of euro area investment funds is published on the ECB's

2 OJ L 15, 20.01.2009, p.14.

website. The balance sheet is aggregated, so investment funds' assets include their holdings of shares/units issued by other investment funds. Shares/units issued by investment funds are also broken down by investment policy (i.e. into bond funds, equity funds, mixed funds, real estate funds, hedge funds and other funds) and by type (i.e. into open-end funds and closed-end funds). Section 2.10 provides further details on the main types of asset held by euro area investment funds. This Section contains a geographical breakdown of the issuers of securities held by investment funds, as well as breaking issuers down by economic sector where they are resident in the euro area.

Further information on these investment fund statistics can be found in the "Manual on investment fund statistics". Since December 2008 harmonised statistical information has been collected and compiled on the basis of Regulation ECB/2007/8 concerning statistics on the assets and liabilities of investment funds.

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 interaction between these sectors and both the euro area and the rest of the world. Non-seasonally adjusted data at current prices 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.

In short, the sequence of accounts (transactions) comprises: (1) the generation of income account, which shows how 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 provide 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. those resulting from the impact of changes in asset prices) are also shown.

The sectoral coverage of the financial account and the financial balance sheets is more detailed for the financial corporation sector, which is broken down 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 "non-financial accounts" of the euro area (i.e. accounts (1) to (5) 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, as well as outstanding amounts in the financial and non-financial balance sheet accounts, presenting data in a more analytical manner. Sector-specific transactions and balancing items are arranged in a way that more clearly depicts the financing and investment decisions of households, while respecting the accounting identities 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, as well as outstanding amounts for the financial balance sheet accounts, presenting data in a more analytical manner.

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 those EU Member States that had adopted the euro at the time to which the statistics relate (i.e. a changing composition), with the exception of statistics on securities issues (Sections 4.1 to 4.4), which relate to the Euro 16 for the whole time series (i.e. a fixed composition).

Statistics on securities other than shares and statistics on 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 from and loans to 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: (i) securities other than shares, excluding financial derivatives; and (ii) quoted shares. The former are presented in Sections 4.1, 4.2 and 4.3, while the latter 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 (i) a longer maturity, (ii) optional maturity dates, the latest of which is more than one year away, or (iii) indefinite maturity dates are classified as "long-term". Long-term debt securities issued by euro area residents are broken down further into fixed and variable rate issues. Fixed rate issues consist of issues where the coupon rate does not change during the life of the issue. Variable rate issues comprise all issues where the coupon is periodically refixed with reference to an independent interest rate or index. The 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, broken down by original maturity, residency of the issuer and currency. It presents outstanding amounts, gross issues and net issues of securities other than shares, broken down into: (i) issues denominated in euro and issues in all currencies; (ii) issues by euro area residents and total issues; and (iii) total and long-term maturities. 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 six-month annualised seasonally adjusted growth rates for total and long-term debt securities. Seasonally adjusted data are derived from the 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 correspond 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 the data on debt securities issued 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 of Section 4.2 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows seasonally adjusted and non-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 that do not arise from transactions. The seasonally adjusted growth rates have been annualised for presentational purposes. See the Technical Notes for details.

Columns 1, 4, 6 and 8 in Table 1 of Section 4.4 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 3.4 (financial balance sheet; quoted shares).

Columns 3, 5, 7 and 9 in Table 1 of Section 4.4 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 issues or redeems shares for cash, excluding investments in the issuer's own shares. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes that 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. These MFI interest rate statistics replaced the ten transitional statistical series on euro area retail interest rates that had been published in the Monthly Bulletin as of 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, ranging 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 prior to January 1999, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by end-of-period interbank deposit bid rates up to and including December 1998 and period averages for the euro overnight index average (EONIA) thereafter. As of January 1999, euro area interest rates on one, three, six and twelve-month deposits are euro interbank offered rates (EURIBOR); prior to that date, they are 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 shows end-of-period rates estimated from nominal spot yield curves based on AAA-rated euro-denominated bonds issued by euro area central governments. The yield curves are estimated using the Svensson model[3].

3 Svensson, L. E., "Estimating and Interpreting Forward Interest Rates: Sweden 1992-1994", Centre for Economic Policy Research, Discussion Paper No 1051, 1994.

Spreads between the ten-year rates and the three-month and two-year rates are also released. Additional yield curves (daily releases, including charts and tables) and the corresponding methodological information are available at: http://www.ecb.europa.eu/stats/money/yc/html/index.en.html. Daily data can also be downloaded.

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 labour costs indices, GDP and expenditure components, value added by economic activity, industrial production, retail sales passenger car registrations and employment in terms of hours worked are working day-adjusted.

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 into goods and services components is derived from the classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure by households on final consumption in 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[4]. Since January 2009 the revised classification of economic activities (NACE Revision 2), as covered by Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90, as well as certain EC Regulations on specific statistical domains,[5] has been applied in the production of short-term statistics. The breakdown by end-use of product for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE Revision 2, sections B to E) into Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 656/2007 of 14 June 2007[6]. 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.

The two non-energy commodity price indices shown in Table 3 in Section 5.1 are compiled with the same commodity coverage, but using two different weighting schemes: one based on the respective commodity imports of the euro area (columns 2-4), and the other (columns 5-7) based on estimated euro area domestic demand, or "use", taking into account information on imports, exports and the domestic production of each commodity (ignoring, for the sake of simplicity, inventories, which are assumed to be relatively stable over the observed period). The import-weighted commodity price index is appropriate for analysing external developments, while the use-weighted index is suitable for the specific purpose of analysing international commodity price pressures on euro area inflation. The use-weighted commodity price indices are experimental data. For more details as regards the compilation of the ECB commodity price indices, see Box 1 in the December 2008 issue of the Monthly Bulletin.

4 OJ L 162, 5.6.1998, p. 1.
5 OJ L 393, 30.12.2006, p. 1.
6 OJ L 155, 15.6.2007, p. 3.

The labour cost indices (Table 5 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[7] and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003[8]. A breakdown of the labour cost indices 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 3 in Section 5.1) and employment statistics (Tables 1, 2 and 3 in Section 5.3) are derived from 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 the textile, pulp and paper, chemical, metal, capital goods and durable consumer goods industries. The data are calculated on the basis of current prices.

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes (with the exception of VAT), invoiced during the reference period. Retail trade turnover covers all retail trade (excluding sales of motor vehicles and motorcycles), except automotive fuel. New passenger car registrations cover 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 4 in Section 5.3) conform to International Labour Organization 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 on the basis of 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[9] 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 within 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 Council Regulation (EC) No 479/2009 as regards references to the ESA 95. Section 6.3 presents changes in general

7 OJ L 69, 13.3.2003, p. 1.
8 OJ L 169, 8.7.2003, p. 37.
9 OJ L 172, 12.7.2000, p. 3.

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 on quarterly non-financial accounts for general government[10]. 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 Regulation (EC) No 501/2004 and Regulation (EC) No 222/2004 and data provided by the NCBs.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments 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)[11] and the amending ECB Guideline of 31 May 2007 (ECB/2007/3)[12]. Additional information regarding the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled "European Union balance of payments/international investment position statistical methods" (May 2007) and in the reports of the Task Force on Portfolio Investment Collection Systems (June 2002), the Task Force on Portfolio Investment Income (August 2003) and the Task Force on Foreign Direct Investment (March 2004), all of which can be downloaded from the ECB's website. In addition, a report by the ECB/European Commission (Eurostat) Task Force on Quality looking at 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 and follows the basic principles of the ECB Statistics Quality Framework published in April 2008, is available on the ECB's website.

The tables in Sections 7.1 and 7.4 follow the sign convention in the IMF Balance of Payments Manual – i.e. surpluses in the current account and the capital account have a plus sign, while in the financial account a plus sign denotes an increase in liabilities or a decrease in assets. In the tables in Section 7.2, both credit and debit transactions are presented with a plus sign. Furthermore, as of the February 2008 issue of the Monthly Bulletin, the tables in Section 7.3 have been restructured in order to allow the data on the balance of payments, the international investment position and related growth rates to be presented together; in the new tables, transactions in assets and liabilities that correspond to increases in positions are shown with a plus sign.

The euro area b.o.p. is compiled by the ECB. 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.

Table 1 in Section 7.2 also contains seasonally adjusted data for the current account. Where appropriate, the adjustment also covers working day, leap year and/or Easter-related effects. Table 3 in Section 7.2 and Table 9 in Section 7.3 present a breakdown of the euro area b.o.p. and i.i.p. vis-à-vis major partner countries, both individually and 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,

10 OJ L 179, 9.7.2002, p. 1.
11 OJ L 354, 30.11.2004, p. 34.
12 OJ L 159, 20.6.2007, p. 48.

with the exception of the ECB, are considered to be outside the euro area for statistical purposes, regardless of their physical location) and, for some purposes, offshore centres and international organisations. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives or international reserves. In addition, separate data are not provided for investment income payable to Brazil, mainland China, India or Russia. 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 b.o.p. financial account and i.i.p. in Section 7.3 are based on transactions and positions vis-à-vis non-residents of the euro area, regarding the euro area as a single economic entity (see also Box 9 in the December 2002 issue of the Monthly Bulletin, Box 5 in the January 2007 issue of the Monthly Bulletin and Box 6 in the January 2008 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 for unquoted shares, and other investments (e.g. loans and deposits). 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, asset prices and foreign exchange developments.

Table 1 in Section 7.3 summarises the i.i.p. and financial transactions in the euro area b.o.p. The breakdown of the change in the annual i.i.p. is obtained by applying a statistical model to i.i.p. changes other than transactions, using information from the geographical breakdown and currency composition of assets and liabilities, as well as price indices for different financial assets. In this table, columns 5 and 6 refer to direct investment by resident units abroad and direct investment by non-resident units in the euro area.

In Table 5 in Section 7.3, the breakdown into "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.

The outstanding amounts for the Eurosystem's international reserves and related assets and liabilities are shown in Table 7 of Section 7.3. These figures are not fully comparable with those in the Eurosystem's weekly financial statement owing to differences in coverage and valuation. The data in Table 7 are in line with the recommendations for the 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 27 September 2009. 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.

The euro area's gross external debt statistics in Table 8 of Section 7.3 represent outstanding actual (rather than contingent) liabilities vis-à-vis non-euro area residents that require the payment of principal and/or interest by the debtor at one or more points in the future. Table 8 shows a breakdown of gross external debt by instrument and institutional sector.

Section 7.4 contains a monetary presentation of the euro area balance of payments, showing the transactions by non-MFIs that mirror the net external transactions by MFIs. Included in the transactions by non-MFIs are b.o.p. transactions for which a sectoral breakdown is not available. These concern the current and capital accounts (column 2) and financial derivatives (column 11). An up-to-date methodological note on the monetary presentation of the euro area balance of payments 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 7.5 shows data on euro area external trade in goods. The source is Eurostat. Value data and volume indices are seasonally and working day-adjusted. 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 contained in the Broad Economic Categories and corresponds to the basic classes of goods in the System of National Accounts. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 4 definition. The geographical breakdown (Table 3 in Section 7.5) shows major trading partners both individually and in regional groups. China excludes Hong Kong. On account of 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 b.o.p. statistics (Sections 7.1 and 7.2). Part of the difference arises from the inclusion of insurance and freight services in the recording of imported goods in external trade data.

Industrial import prices and industrial producer export prices (or industrial output prices for the non-domestic market) shown in Table 2 in Section 7.5 were introduced by Regulation (EC) No 1158/2005 of the European Parliament and of the Council of 6 July 2005 amending Council Regulation (EC) No 1165/98, which is the principal legal basis for short-term statistics. The industrial import price index covers industrial products imported from outside the euro area under sections B to E of the Statistical Classification of Products by Activity in the European Economic Community (CPA) and all institutional import sectors except households, governments and non-profit institutions. It reflects the cost, insurance and freight price excluding import duties and taxes, and refers to actual transactions in euro recorded at the point when ownership of the goods is transferred. The industrial producer export prices cover all industrial products exported directly by euro area producers to the extra-euro area market under sections B to E of NACE Revision 2. Exports from wholesalers and re-exports are not covered. The indices reflect the free on board price expressed in euro and calculated at the euro area frontier, including any indirect taxes except VAT and other deductible taxes. Industrial import prices and industrial producer export prices are available by Main Industrial Grouping as defined by Commission Regulation (EC) No 656/2007 of 14 June 2007. For more details, see Box 11 in the December 2008 issue of the Monthly Bulletin.

EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate indices for the euro, which are calculated by the ECB on the basis of weighted averages of the euro's bilateral exchange rates against the currencies of the selected trading partners of the euro area. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with those trading partners in the periods 1995-1997, 1998-2000, 2001-2003 and 2004-2006, and are calculated to account for third-market effects. The EER indices are obtained by chain-linking the indicators based on each of these four sets of trade weights at the end of each three-year period. The base period of the resulting EER index is the first quarter of 1999. The EER-21 group of trading partners is composed of the 11 non-euro area EU Member States plus Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-41 group comprises the EER-21 plus 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 and unit labour costs, both for the manufacturing sector and for the total economy.

For more detailed information on the calculation of the EERs, see Box 5, entitled "International trade developments and revision of the effective exchange rates of the euro", in the January 2010 issue of the Monthly Bulletin, the relevant methodological note and ECB 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 data relating to the euro area. As a result, data on current and capital accounts and gross external debt include special-purpose vehicles. The 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]

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, 8 NOVEMBER AND 6 DECEMBER 2007, AND 10 JANUARY, 7 FEBRUARY, 6 MARCH, 10 APRIL, 8 MAY AND 5 JUNE 2008

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.

3 JULY 2008

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 4.25%, starting from the operation to be settled on 9 July 2008. In addition, it decides to increase by 25 basis points the interest rates on both the marginal lending facility and the deposit facility, to 5.25% and 3.25% respectively, with effect from 9 July 2008.

7 AUGUST, 4 SEPTEMBER AND 2 OCTOBER 2008

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 4.25%, 5.25% and 3.25% respectively.

8 OCTOBER 2008

The Governing Council of the ECB decides to decrease the minimum bid rate on the main refinancing operations by 50 basis points to 3.75%, starting from the operations to be settled on 15 October 2008. In addition, it decides to decrease by 50 basis points the interest rates on

1 The chronology of monetary policy measures taken by the Eurosystem between 1999 and 2006 can be found in the ECB's Annual Report for the respective years.

both the marginal lending facility and the deposit facility, to 4.75% and 2.75% respectively, with immediate effect. Moreover, the Governing Council decides that, as from the operation settled on 15 October, the weekly main refinancing operations will be carried out through a fixed-rate tender procedure with full allotment at the interest rate on the main refinancing operation. Furthermore, as of 9 October, the ECB will reduce the corridor of standing facilities from 200 basis points to 100 basis points around the interest rate on the main refinancing operation. The two measures will remain in place for as long as needed, and at least until the end of the first maintenance period of 2009, on 20 January.

15 OCTOBER 2008

The Governing Council of the ECB decides to further expand the collateral framework and enhance the provision of liquidity. To do so, the Governing Council decides: (i) to expand the list of assets eligible as collateral in Eurosystem credit operations, with this expansion remaining in force until the end of 2009, (ii) to enhance the provision of longer-term refinancing, with effect from 30 October 2008 and until the end of the first quarter of 2009, and (iii) to provide US dollar liquidity through foreign exchange swaps.

6 NOVEMBER 2008

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 50 basis points to 3.25%, starting from the operations to be settled on 12 November 2008. In addition, it decides to decrease by 50 basis points the interest rates on both the marginal lending facility and the deposit facility, to 3.75% and 2.75% respectively, with effect from 12 November 2008.

4 DECEMBER 2008

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations of the Eurosystem by 75 basis points to 2.50%, starting from the operations to be settled on 10 December 2008. In addition, it decides to decrease by 75 basis points the interest rates on both the marginal lending and the deposit facility to 3.00% and 2.00% respectively, with effect from 10 December 2008.

18 DECEMBER 2008

The Governing Council of the ECB decides that the main refinancing operations will continue to be carried out through a fixed rate tender procedure with full allotment beyond the maintenance period ending on 20 January 2009. This measure will be in place for as long as needed, and at least until the last allotment of the third maintenance period in 2009 on 31 March. Moreover, as of 21 January 2009, the corridor of standing facility rates, which on 9 October 2008 was reduced to 100 basis points around the prevailing interest rate of the main refinancing operation, will be re-widened symmetrically to 200 basis points.

15 JANUARY 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 50 basis points to 2.00%, starting from the operations to be settled on 21 January 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 3.00% and 1.00% respectively, with effect from 21 January 2009, in line with the decision of 18 December 2008.

5 FEBRUARY 2009

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.00%, 3.00% and 1.00% respectively.

5 MARCH 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 50 basis points to 1.50%, starting from the operations to be settled on 11 March 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 2.50% and 0.50% respectively, with effect from 11 March 2009.

Moreover, the Governing Council decides to continue the fixed rate tender procedure with full allotment for all main refinancing operations, special-term refinancing operations and supplementary and regular longer-term refinancing operations for as long as needed, and in any case beyond the end of 2009. In addition, the Governing Council decides to continue with the current frequency and maturity profile of supplementary longer-term refinancing operations and special-term refinancing operations for as long as needed, and in any case beyond the end of 2009.

2 APRIL 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 1.25%, starting from the operations to be settled on 8 April 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 2.25% and 0.25% respectively, with effect from 8 April 2009.

7 MAY 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 1.00%, starting from the operation to be settled on 13 May 2009. In addition, it decides to decrease the interest rate on the marginal lending facility by 50 basis points to 1.75% with effect from 13 May 2009, and to leave the interest rate on the deposit facility unchanged at 0.25%. In addition, the Governing Council of the ECB decides to proceed with its enhanced credit support approach. In particular, it decides that the Eurosystem will conduct liquidity-providing longer-term refinancing operations with a maturity of one year as fixed rate tender procedure with full allotment. In addition, it decides in principle that the Eurosystem will purchase euro-denominated covered bonds issued in the euro area.

4 JUNE 2009

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. In addition, the Governing Council of the ECB decides upon the technical modalities related to the purchase of euro-denominated covered bonds issued in the euro area decided on 7 May 2009.

2 JULY, 6 AUGUST, 3 SEPTEMBER, 8 OCTOBER AND 5 NOVEMBER 2009

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

3 DECEMBER 2009

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 13 April 2010.

14 JANUARY AND 4 FEBRUARY 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

4 MARCH 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 12 October 2010, including a return to variable rate tender procedures in the regular three-month longer-term refinancing operations, starting with the operation to be allotted on 28 April 2010.

8 APRIL AND 6 MAY 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

10 MAY 2010

The Governing Council of the ECB decides on several measures to address severe tensions in financial markets. In particular, it decides to conduct interventions in the euro area public and private debt securities markets (Securities Markets Programme) and to adopt a fixed rate tender procedure with full allotment in the regular three-month longer-term refinancing operations in May and June 2010.

10 JUNE 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. In addition, it decides to adopt a fixed rate tender procedure with full allotment in the regular three-month longer-term refinancing operations to be allotted during the third quarter of 2010.

8 JULY AND 5 AUGUST 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

2 SEPTEMBER 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 11 January 2011, notably the adoption of a fixed rate tender procedure with full allotment in the three-month longer-term refinancing operations.

7 OCTOBER AND 4 NOVEMBER 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% 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 the general government.

Break-even inflation rate: the spread between the yield on a nominal bond and that on an inflation-linked bond of the same (or as similar as possible) maturity.

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.

Capital accounts: part of the system of national (or euro area) accounts consisting of the change in net worth that is due to net saving, net capital transfers and net acquisitions of non-financial assets.

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 or per hour worked: 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 or by the total number of employees' hours worked.

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. the 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 taken out by households, as well as the loans, debt securities and pension fund reserves (resulting from employers' direct pension commitments on behalf of their employees) of non-financial corporations, valued at market prices at the end of the period.

Debt (general government): the gross debt (currency and deposits, loans and debt securities) 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 126(2) of the Treaty on the Functioning of the European Union 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 126(2) of the Treaty on the Functioning of the European Union 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 generalised, persistent and self-reinforcing decline in a broad set of prices that results from a drop in aggregate demand and becomes entrenched in expectations.

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.

Disinflation: a process of decelerating inflation that may lead to negative inflation rates of a temporary nature.

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 EER indices of the euro are calculated against two groups of trading partners: the EER-21 (comprising the 11 non-euro area EU Member States and 10 trading partners outside the EU) and the EER-41 (composed of the EER-21 and 20 additional countries). The weights used reflect the share of each partner country in the euro area's trade in manufactured goods 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.

Enhanced credit support: the non-standard measures taken by the ECB/Eurosystem during the financial crisis with a view to supporting financing conditions and credit flows above and beyond what could be achieved through reductions in key ECB interest rates alone.

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 on the Functioning of the European Union.

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 transactions between residents and non-residents in direct investment, portfolio investment, other investment, financial derivatives and reserve assets.

Financial accounts: part of the system of national (or euro area) accounts showing the financial positions (stocks or balance sheets), financial transactions and other changes of the different institutional sectors of an economy by type of financial asset.

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.

Fixed rate full-allotment tender procedure: a tender procedure in which the interest rate is specified by the central bank and in which counterparties bid the amount of money they want to transact at that rate, knowing in advance that all their bids will be satisfied.

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 the development 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 and the reserve positions in the IMF which are held by the Eurosystem.

Investment funds (except money market funds): financial institutions that pool capital raised from the public and invest it in financial and non-financial assets. See also MFIs.

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 recently taken 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 rates at the main refinancing operations, on the marginal lending facility and 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 (volume) divided by either total employment or total hours worked.

Longer-term refinancing operations: credit operations with a maturity of more than one week that are executed by the Eurosystem in the form of reverse transactions. The regular monthly operations are conducted with a maturity of three months. During the financial market turmoil that started in August 2007, supplementary operations with maturities ranging from one maintenance period to one year were conducted, the frequency of which varied.

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, i.e. funds that invest in short-term and low-risk instruments usually with a maturity of one year or less.

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 over a predefined maintenance period. Compliance with the requirement is determined on the basis of the average of the daily balances in the reserve accounts over the maintenance period.

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 (volume) 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.

Volatility: the degree of fluctuation in a given variable.

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 sufficiently homogenous debt securities with 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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