



EUROPEAN CENTRAL BANK

EUROSYSTEM

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SI

## ABBREVIATIONS

### COUNTRIES

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

### OTHERS

BIS	Bank for International Settlements
b.o.p.	balance of payments
BPM5	IMF Balance of Payments Manual (5th edition)
CD	certificate of deposit
c.i.f.	cost, insurance and freight at the importer's border
CPI	Consumer Price Index
ECB	European Central Bank
EER	effective exchange rate
EMI	European Monetary Institute
EMU	Economic and Monetary Union
ESA 95	European System of Accounts 1995
ESCB	European System of Central Banks
EU	European Union
EUR	euro
f.o.b.	free on board at the exporter's border
GDP	gross domestic product
HICP	Harmonised Index of Consumer Prices
HWWI	Hamburg Institute of International Economics
ILO	International Labour Organization
IMF	International Monetary Fund
MFI	monetary financial institution
NACE	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 confirmed at its meeting on 3 February 2011 that the current key ECB interest rates still remain 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 13 January 2011, the Governing Council continues to see evidence of short-term upward pressure on overall inflation, mainly owing to energy and commodity prices. This has not so far affected the Governing Council's assessment that price developments will remain in line with price stability over the policy-relevant horizon. At the same time, very close monitoring is warranted. Recent economic data confirm the positive underlying momentum of economic activity in the euro area, while uncertainty remains elevated. The monetary analysis indicates that inflationary pressures over the medium to long term should remain contained. Inflation expectations remain firmly anchored in line with the aim of keeping inflation rates below, but close to, 2% over the medium term. The continued firm anchoring of inflation expectations is of the essence.

Overall, the Governing Council expects price stability to be maintained over the medium term, and 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, by construction, temporary in nature. Accordingly, the Governing Council will continue to monitor all developments over the period ahead very closely.

With regard to the economic analysis, following the 0.3% quarter-on-quarter increase in euro area real GDP in the third quarter of 2010, recent statistical releases and survey-based evidence for the fourth quarter and the beginning of the year continue to confirm the positive underlying momentum of economic activity in the euro area. Looking ahead, euro area exports should benefit from the ongoing recovery in the world

economy. At the same time, taking into account the relatively high level of business confidence in the euro area, private sector domestic demand should increasingly contribute to growth, supported by the accommodative monetary policy stance and the measures adopted to improve 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, while uncertainty remains elevated. On the one hand, global trade may continue to grow more rapidly than expected, thereby supporting euro area exports. Moreover, strong business confidence could provide more support to domestic economic activity in the euro area than is currently expected. On the other hand, downside risks relate to the tensions in some segments of the financial markets and their potential spillover to the euro area real economy. Further 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, euro area annual HICP inflation was 2.4% in January 2011, according to Eurostat's flash estimate, after 2.2% in December. This further increase was broadly anticipated and largely reflects higher energy prices. Looking ahead to the next few months, inflation rates could temporarily increase further and are likely to stay slightly above 2% for most of 2011, before moderating again around the turn of the year. Overall, the Governing Council continues to see evidence of short-term upward pressure on overall inflation, mainly owing to energy and commodity prices. Such pressure is also discernible in the earlier stages of the production process. These developments have not so far affected the Governing Council's assessment that price developments will remain in line with price stability over the policy-relevant horizon. At the same time, very close monitoring is warranted. 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 medium-term outlook for price developments are still broadly balanced but, as already indicated in January, could move to the upside. Currently, upside risks relate, in particular, to developments in energy and non-energy commodity prices. Furthermore, increases in indirect taxes and administered prices may be greater than currently expected, owing to the need for fiscal consolidation in the coming years, and price pressures in the production chain could rise further. On the downside, risks relate mainly to the impact on inflation of potentially lower growth, given the prevailing uncertainties.

Turning to the monetary analysis, the annual growth rate of M3 declined to 1.7% in December 2010, from 2.1% in November. The annual growth rate of loans to the private sector also declined, albeit marginally, to 1.9% in December, after 2.0% in November. These declines partly reflect the reversal of special factors that operated in November and do not indicate a general weakening of monetary dynamics. Overall, however, broad money and loan growth is still low, confirming the assessment that the underlying pace of monetary expansion is moderate and that inflationary pressures over the medium to long term should remain contained.

Looking at M3 components, annual M1 growth moderated further to stand at 4.4% in December 2010, reflecting the prevailing low remuneration of overnight deposits. At the same time, the yield curve has steepened somewhat further, implying that the attractiveness of short-term instruments included in M3 continues to decline compared with more highly remunerated longer-term instruments outside M3.

On the counterpart side, the annual growth rate of bank loans to the private sector continued to conceal differences in the magnitude of

growth across sectors. The growth of loans to non-financial corporations stood at -0.2% in December 2010, after -0.1% in the previous month, while the growth of loans to households strengthened to 3.0% in December, after 2.8% in November. Taking into account the effect of derecognition of loans from bank balance sheets and looking through short-term volatility, the latest data confirm a continued gradual strengthening in the annual growth of lending to the non-financial private sector.

At the same time, the latest data point to the overall size of bank balance sheets having contracted again after expanding for most of 2010, mainly on account of a reduction in lending between banks. It is important that banks continue to expand the provision of credit to the private sector, in an environment of increasing demand. To address this challenge, where necessary, it is essential for banks to retain earnings, to turn to the market to strengthen further their capital bases or to take full advantage of government support measures for recapitalisation.

To sum up, the current key ECB interest rates still 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 13 January 2011, the Governing Council continues to see evidence of short-term upward pressure on overall inflation, mainly owing to energy and commodity prices. This has not so far affected the Governing Council's assessment that price developments will remain in line with price stability over the policy-relevant horizon. At the same time, very close monitoring is warranted. Recent economic data confirm the positive underlying momentum of economic activity in the euro area, while uncertainty remains elevated. A cross-check of the outcome of the economic analysis with that of the monetary analysis indicates that inflationary pressures over the medium to long term should remain contained. Inflation expectations remain firmly anchored in line with the aim of keeping inflation rates below, but close to, 2% over the

medium term. The continued firm anchoring of inflation expectations is of the essence.

Turning to fiscal policies, it is now essential that all governments fully implement their fiscal consolidation plans in 2011. Where necessary, additional corrective measures must be implemented swiftly to ensure progress in achieving fiscal sustainability. Beyond 2011, countries need to specify concrete policy measures in their multi-year adjustment programmes so as to underpin the credibility of their fiscal consolidation targets. Experience shows that expenditure restraint is an important step towards achieving and maintaining fiscal soundness, notably when enshrined in binding domestic policy rules. Such a commitment helps to strengthen confidence in the sustainability of public finances, reduces interest rate risk premia and improves the conditions for sound and sustainable growth. The implementation of credible policies is crucial in view of ongoing financial market pressures.

Substantial and far-reaching structural reforms, complementing fiscal adjustment, should be urgently implemented to improve the prospects for higher sustainable growth and employment. 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. Increased product market competition and labour market flexibility would further support the necessary adjustment processes in the economy. All these structural reforms should be supported by the necessary improvements in the structure of the banking sector. Sound balance sheets, effective risk management and transparent, robust business models remain key to strengthening banks' resilience to shocks and to ensuring adequate access to finance, thereby laying the foundations for sustainable growth and financial stability.

This issue of the Monthly Bulletin contains two articles. The first article reviews recent developments in inflation expectations in the

euro area. The second article discusses the information content of option prices during the financial crisis.





# ECONOMIC AND MONETARY DEVELOPMENTS

## I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

The recovery in the global economy is continuing and becoming increasingly self-sustained. The latest indicators are signalling that the firming of momentum in global growth, which occurred over the course of the final quarter of 2010, has continued in early 2011. In advanced economies, inflationary pressures remain contained, although input prices have been increasing as a result of higher food and commodity prices. In fast-growing emerging economies, inflation rates have continued to increase on account of these input price increases combined with strong economic activity.

### I.1 DEVELOPMENTS IN THE WORLD ECONOMY

The recovery in the global economy is continuing and becoming increasingly self-sustained. The GDP data releases for the third and fourth quarters have confirmed that the recovery in the global economy continued in the second half of 2010, albeit at a more moderate pace than in the first half of the year. At the same time, the strength of the recovery differs across regions. The latest indicators are signalling that the firming of momentum in global growth, which occurred over the course of the final quarter of 2010, has continued in early 2011. In January the Purchasing Managers' Index (PMI) for global manufacturing output increased to 58.65 (see Chart 1). This pick-up in activity has also been accompanied by a rise in the PMI component for new orders, which increased to its highest level for one year.

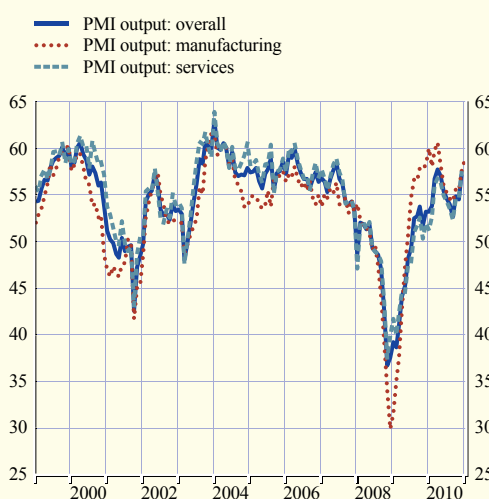
In advanced economies, inflationary pressures remain contained, although input prices have been increasing as a result of higher food and commodity prices. In fast-growing emerging economies, inflation rates have continued to increase on account of these input price increases combined with strong economic activity. Annual headline inflation in the OECD countries increased to 2.1% in December, compared with 1.8% in November (see Chart 2). Excluding food and energy, annual inflation was 1.2% in December, unchanged from November.

#### UNITED STATES

In the United States, the economy continued to recover in the final quarter of 2010. According to the advance estimate by the Bureau of Economic Analysis, quarter-on-quarter real GDP

Chart 1 Global PMI output

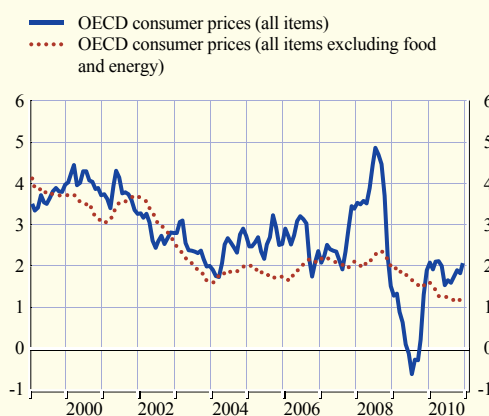
(diffusion index; seasonally adjusted; monthly data)



Source: Markit.

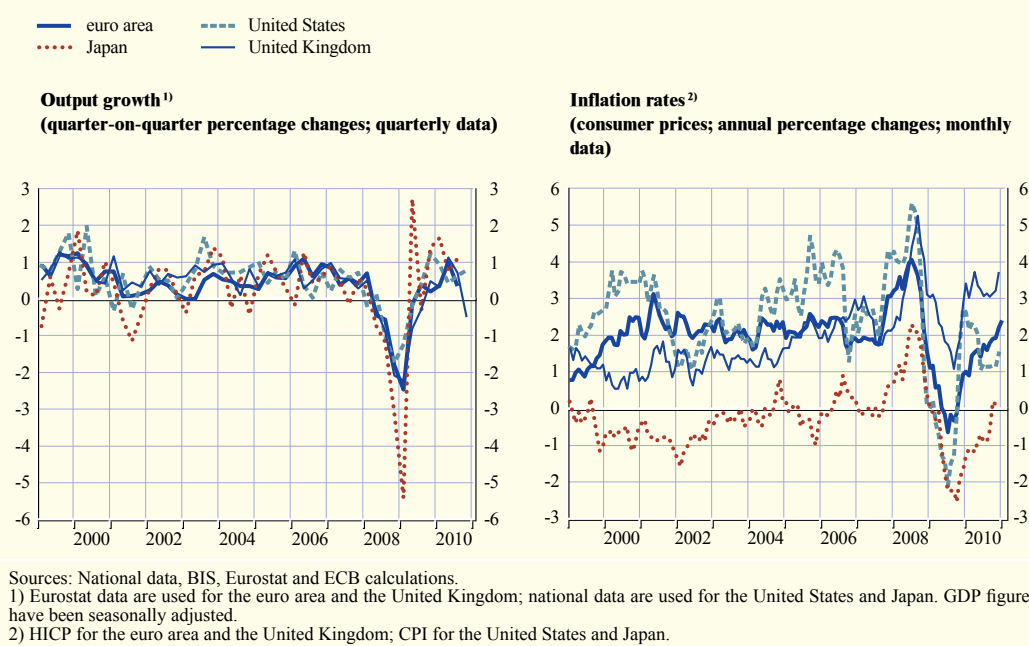
Chart 2 International price developments

(monthly data; annual percentage changes)



Source: OECD.

Chart 3 Main developments in major industrialised economies



growth stood at 0.8% (3.2% in annualised terms), up from 0.6% in the third quarter (see Chart 3). The acceleration reflected stronger momentum in consumer spending growth and a positive contribution from trade, as exports continued to grow and imports declined. Investment in equipment and software also rose, but at a slower pace compared with previous quarters. By contrast, growth was held down by a significant negative contribution from inventory accumulation. In terms of volume, the level of GDP in the fourth quarter exceeded, for the first time, the pre-recession peak reached in the fourth quarter of 2007. Looking ahead, the recovery is expected to remain moderate in the medium term.

Price pressures in the United States remain contained in the context of substantial economic slack. Annual CPI inflation picked up to 1.5% in December, exceeding, for the first time, the tight range of 1.1% to 1.2% registered since June 2010. The increase in consumer prices primarily reflected the impact of higher energy costs. Excluding food and energy, annual inflation remained unchanged in December, standing at 0.8% and averaging 1% in 2010, down from 1.7% in 2009. On 26 December the US Federal Open Market Committee decided to maintain its target range for the federal funds rate at 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.

### JAPAN

In Japan, available data point to a deceleration in economic activity in the fourth quarter of 2010, mainly on the back of weak household spending, which declined for a third consecutive month in December, by 3.3% in year-on-year terms. Even so, survey data provided positive signals. The Economy Watchers Survey rose for a second consecutive month in December, with economic sentiment picking up across a wide range of sectors. The January PMI for manufacturing stood at 51.4, above the expansion/contraction threshold of 50, indicating an acceleration in manufacturing activity. There are signs emerging of renewed growth in export-oriented sectors

as exports improved in November and December, and industrial production increased for the first time in six months in November. Looking ahead, economic activity is likely to accelerate moderately in the first quarter of 2011, supported mainly by continued strong growth in the emerging Asian economies. However, private consumption is expected to remain subdued in the absence of further fiscal stimulus plans.

Annual CPI inflation stood at 0% in December, after having risen for two consecutive months in November and October. Annual CPI inflation excluding fresh food stood at -0.4%, whereas excluding fresh food and energy, it stood at -0.7%. On 25 January 2011 the Bank of Japan decided to leave its target for the uncollateralised overnight rate unchanged at between 0.0% and 0.1%.

#### UNITED KINGDOM

In the United Kingdom, the economic recovery has faltered in recent months. According to preliminary estimates, real GDP decreased by 0.5% quarter on quarter in the fourth quarter of 2010 after expanding by 0.7% in the third quarter (see Chart 3). Attributed in part to bad weather in December, the decline in output over the quarter was driven by the services and construction sectors. House prices have continued their trend of decline in recent months against the background of subdued housing market activity. Looking ahead, inventory adjustments, the 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 constrained by tight credit conditions, household balance sheet adjustment and substantial fiscal tightening.

Annual CPI inflation has remained elevated, increasing to 3.7% in December 2010, up from 3.3% in November. Looking ahead, the lagged effects of the depreciation of the pound sterling, higher commodity prices and the increase in the rate of VAT in January 2011 are expected to exert further 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%.

#### CHINA

In China, real GDP increased by 9.8% year on year in the fourth quarter of 2010, up from 9.6% in the third quarter, which points to the economy's resilience to the withdrawal of stimulus measures in the course of 2010. Investment remained the main source of GDP growth in the fourth quarter of 2010, while the contribution of consumption to GDP growth declined and is now below the long-term historical average. The contribution of net exports to growth remained positive in the last quarter of 2010 owing to strong external demand.

In December, annual CPI inflation eased to 4.6%, down from 5.1% in November, owing to base effects and a deceleration in food price inflation in response to the administrative measures introduced in November. However, high commodity prices and abundant domestic liquidity are expected to keep inflationary pressures high in the first half of 2011. Property prices also continued to increase in December, for the fourth consecutive month. Bank lending remained strong in December and the total amount of new loans created in 2010 reached RMB 7.9 trillion, which is above the official target of RMB 7.5 trillion. Amid ample domestic liquidity and sustained inflationary pressures, the People's Bank of China continued to tighten its monetary policy stance. The monetary authorities increased the reserve requirement ratio by 50 basis points on 20 January, which now stands at 19% for large banks and 17% for small and medium-sized banks.



## 1.2 COMMODITY MARKETS

Oil prices continued to increase in January. Brent crude oil prices stood at USD 101.1 per barrel on 2 February, which is 29.2% higher than at the beginning of 2010 and 8.5% higher than at the beginning of January (see Chart 4). Looking ahead, market participants expect stable oil prices in the medium term, with futures contracts for December 2012 trading at USD 103.3 per barrel.

Looking at fundamentals, the recovery in oil demand is consolidating in both emerging and developed economies, and high prices do not seem to have dampened demand pressures so far. On the supply side, despite OPEC's recent decision not to modify production quotas, some signs of overproduction by key OPEC members have started to appear, which may be interpreted as a deliberate move to dampen price pressures. Indeed, the pace of inventory drawdown has also shown some signs of deceleration.

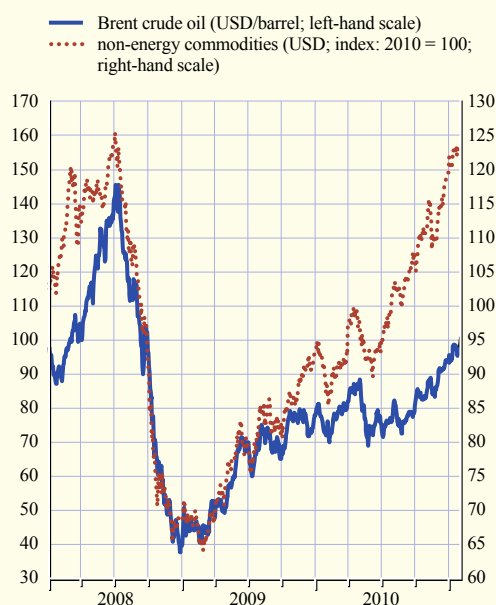
The prices of non-energy commodities also increased in January. Food prices continued to increase significantly, driven in particular by wheat, maize and cocoa. These food price increases were sustained by a combination of robust demand and supply shortages related to adverse weather conditions. By contrast, metal prices remained broadly stable, with gains in nickel and tin counterbalanced by declines in the prices of lead and zinc. In aggregate terms, the price index for non-energy commodities (denominated in US dollars) was 34% higher at the end of January 2011 than at the beginning of 2010, and 2% higher than at the beginning of January.

## 1.3 EXCHANGE RATES

After having depreciated from November 2010 to the first week of January 2011, the euro appreciated again later in January in nominal effective terms, as measured against the currencies of 20 of the euro area's most important trading partners. From a peak on 4 November to a trough on 10 January, the effective rate of the euro depreciated by around 6%, before picking up again by 4% by 2 February. As a result, on 2 February 2011 the nominal effective exchange rate of the euro was 1.7% lower than at the end of October and 0.7% below its average level for 2010 (see Chart 5).

In bilateral terms, during the last two months of 2010 and January 2011, the euro depreciated against most major currencies. Between 29 October 2010 and 2 February 2011 it weakened against the Swiss franc by 5.7%, the Swedish krona by 5.3%, the Chinese renminbi by 1.7% and the US dollar by 0.4%. The depreciation against the US dollar, combined with the corresponding depreciation against currencies tied to the US currency, accounted for less than a fourth of the overall depreciation in effective terms (see Chart 5). The single currency

Chart 4 Main developments in commodity prices



Sources: Bloomberg and HWWI.

Chart 5 Euro effective exchange rate (EER-20) and its decomposition<sup>1)</sup>

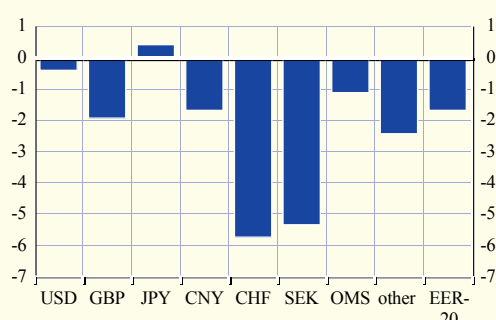
(daily data)

Index: Q1 1999 = 100



Contributions to EER-20 changes<sup>2)</sup>

From 29 October 2010 to 2 February 2011 (percentage points)



Source: ECB.

1) An upward movement of the index represents an appreciation of the euro against the currencies of 20 of the most important trading partners of the euro area (including all non-euro area EU Member States).

2) Contributions to EER-20 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 currencies of the remaining six trading partners of the euro area in the EER-20 index. Changes are calculated using the corresponding overall trade weights in the EER-20 index.

also depreciated significantly vis-à-vis the so-called commodity currencies (Australian dollar, Canadian dollar and Norwegian krone) and to a lesser extent against the pound sterling, while it appreciated slightly against the Japanese yen (by 0.4%; see Table 1).

Between 29 October 2010 and 2 February 2011, the currencies participating in ERM II remained broadly stable against the euro, trading at, or close to, their respective central rates. The Latvian lats, after having remained for many months on the weak side of the unilaterally set fluctuation band of +/-1%, also moved closer to the central rate in January.

Table 1 Euro exchange rate developments<sup>1)</sup>

(daily data; units of national currency per euro; percentage changes)

	Weight in EER-20	Level on 2 February 2011	Appreciation (+)/depreciation(-) of the euro as at 2 February 2011		
			since:		compared with:
			29 October 2010	1 January 2010	average for 2010
US dollar	19.4	1.38	-0.4	-4.1	4.1
Pound sterling	17.8	0.852	-1.9	-4.4	-0.7
Chinese renminbi	13.6	9.09	-1.7	-7.5	1.3
Japanese yen	8.3	112.4	0.4	-15.9	-3.3
Swiss franc	6.4	1.29	-5.7	-13.1	-6.4
Polish zloty	4.9	3.91	-1.7	-4.6	-2.0
Swedish krona	4.9	8.86	-5.3	-13.1	-7.1
Czech koruna	4.1	24.12	-1.9	-8.2	-4.6
Korean won	3.9	1,521.85	-2.3	-8.5	-0.7
Hungarian forint	3.1	269.59	-0.8	-0.1	-2.1
NEER <sup>2)</sup>		104.0	-1.7	-7.1	-0.7

Source: ECB.

1) Bilateral exchange rates in descending order based on the corresponding currencies' trade weights in the EER-20 index.

2) Euro nominal effective exchange rate against the currencies of 20 of the most important trading partners of the euro area (EER-20).



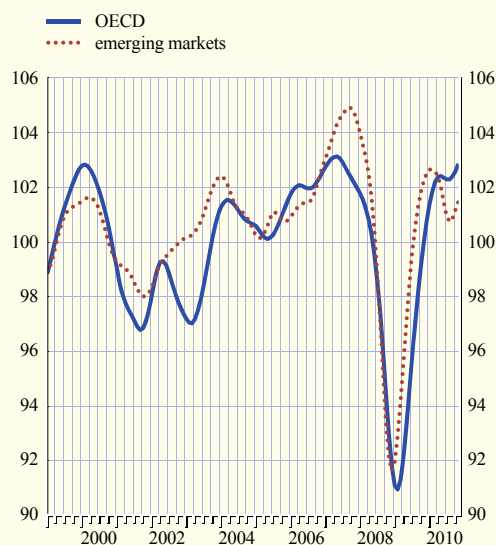
#### I.4 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

The latest indicators are signalling that the firming of momentum in global growth has continued in early 2011. Looking ahead, the global economy is expected to strengthen gradually as financing conditions further normalise within an environment of accommodative monetary conditions. This is in line with the latest OECD composite indicators for November which point towards continued momentum in growth in OECD countries (see Chart 6).

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

Chart 6 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 decreased in December. To some extent, these declines reflect the partial unwinding of a special factor observed in November relating to interbank transactions conducted via electronic trading platforms. Looking beyond this effect, the latest data point to a continued, but modest, recovery in money and loan growth. They confirm the assessment that underlying monetary expansion is moderate and inflationary pressures over the medium to longer term should remain contained. When adjusted for the derecognition of loans from MFI balance sheets, the latest data confirm that growth in loans to the private sector is being supported by continuing recoveries in both loans to households and loans to non-financial corporations. Finally, MFIs' main assets contracted in December, reflecting a reduction in interbank credit, while the expansion of loans to the private sector continued.

#### THE BROAD MONETARY AGGREGATE M3

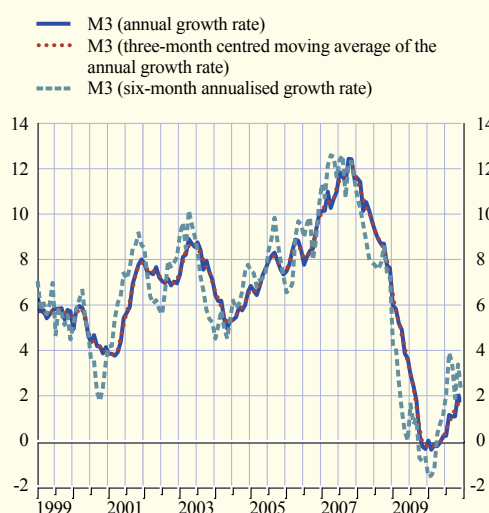
The annual growth rate of M3 decreased to 1.7% in December, down from 2.1% in November (see Chart 7), but remained clearly higher than in previous months. To some extent, this decline reflects the partial unwinding of a special factor (namely strong inflows for repurchase agreements, reflecting interbank trading conducted via central counterparties) that strengthened M3 growth in the previous month. Month-on-month growth remained volatile, turning negative again in December (at -0.1%), having been positive in November (at 0.5%) and negative in October. The latest data are in line with the assessment of a gradual recovery in euro area monetary dynamics, but imply some uncertainty regarding its current strength.

The yield curve has steepened slightly in recent months (after flattening during most of 2010), thereby reducing the attractiveness of holding monetary assets included in M3 relative to more highly remunerated longer-term assets outside M3. This may have been a factor in the outflows observed for M3 in December. Outflows were particularly strong for certain instruments outside M1, but were partially offset by inflows for overnight deposits. These divergent developments within M3 may reflect the fact that the spreads between the interest rates paid on the various short-term deposits have not widened further, and so the opportunity cost of holding overnight deposits has not increased.

On the counterpart side, the decline in the annual growth rate of M3 in December was mirrored by a slight decrease in the annual growth rate of loans to the private sector. That decrease reflected a marked reduction in the annual growth rate of loans to non-monetary financial intermediaries other than insurance corporations and pension funds (OFIs) and a marginal decline in the annual growth rate of loans to non-financial corporations.

Chart 7 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

The main assets held by euro area MFIs declined in December, mainly reflecting contractions in both interbank loan volumes and holdings of debt securities issued by MFIs. Data for the last few months point to the size of the aggregate MFI balance sheet having contracted again, after expanding for most of 2010. However, this has not been accompanied by a reduction in loans to the euro area private sector, which have continued to expand at a modest pace.

Monetary statistics for Estonia will be included for the first time in the euro area aggregates for January 2011 (see below).

#### Box 1

### THE ESTONIAN MFI SECTOR AND ITS IMPACT ON MONETARY STATISTICS FOR THE EURO AREA

On 1 January 2011 Estonia adopted the euro, thereby increasing the number of euro area countries from 16 to 17. Monetary statistics for Estonia will be included for the first time in the euro area aggregates for January 2011, which will be published on 25 February 2011 and reported in the March 2011 issue of the *Monthly Bulletin*.<sup>1</sup> This box highlights a few features of the balance sheets of MFIs resident in Estonia,<sup>2</sup> which form the basis for the Estonian contribution to euro area monetary statistics.

#### Key features of the MFI sector in Estonia

At the end of December 2010 a total of 37 MFIs were resident in Estonia, while the euro area (i.e. excluding Estonia) had a total of 7,828 MFIs.<sup>3</sup> The aggregated balance sheet of Estonian MFIs totalled €22 billion at the end of December 2010, which amounts to around 0.1% of the aggregated MFI balance sheet of the enlarged euro area. This contribution is smaller than those of other countries that have joined the euro area in recent years. The aggregated balance sheets of MFIs in Malta, Slovakia and Slovenia each accounted for around 0.2% of the aggregated MFI balance sheet of the euro area, and that of MFIs in Cyprus accounted for around 0.4%.

#### Impact of Estonian data on euro area M3

According to ECB calculations, Estonia's contribution to euro area M3 would have totalled €9 billion in December 2010. Deposits accounted for 96% of that contribution. Overnight deposits and deposits with an agreed maturity of up to two years (i.e. short-term time deposits) made up the two largest shares, accounting for 48% and 42% of Estonian M3 respectively (see Chart A), while deposits redeemable at notice of up to three months accounted for 6%. By comparison, total deposits excluding repurchase agreements accounted for 81% of euro area M3 (i.e. excluding Estonia) in that month, with smaller contributions by both overnight deposits and deposits with an agreed maturity of up to two years (see Chart B). Holdings of MFI

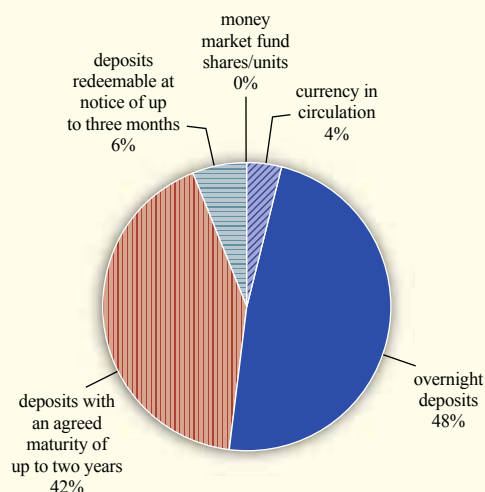
1 For monetary statistics, the euro area series covers all of the EU Member States that had adopted the euro at the time to which the statistics relate. This approach, which is also applied for MFI interest rate statistics and the HICP, differs from that applied for all other datasets, such as GDP, where data relate to the current composition of the euro area for the entire time series.

2 For details of the statistical methodology adopted for MFI balance sheet statistics as regards the enlargement of the euro area, see the box entitled "Implications of the entry of Slovenia into the euro area for monetary statistics", *Monthly Bulletin*, ECB, February 2007. See also the "General Notes" at the back of the *Monthly Bulletin*.

3 For an overview of developments in the EU MFI sector, see, for example, <http://www.ecb.europa.eu/stats/money/mfi/general/html/index.en.html>

Chart A Composition of M3 in Estonia

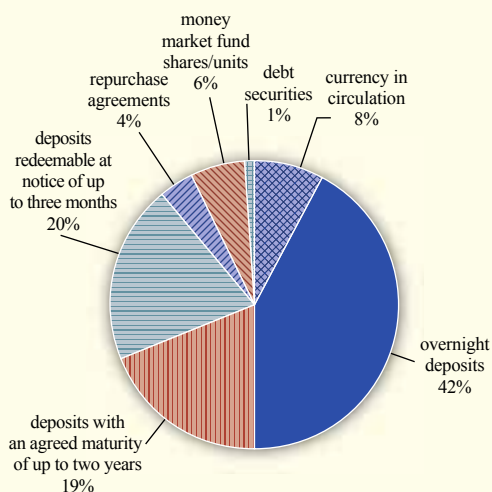
(December 2010)



Source: ECB.

Chart B Composition of euro area M3

(December 2010)



Source: ECB.

short-term debt securities and repurchase agreements, which in the euro area accounted for 1% and 4% of M3 holdings respectively, were negligible in Estonia. There were no money market funds resident in Estonia, while shares/units issued by money market funds resident in the euro area accounted for 6% of euro area M3.

Turning to the counterparts of M3, the longer-term liabilities of Estonian MFIs totalled around €2.5 billion in December 2010, while, on the asset side of the balance sheet, MFI loans to the private sector totalled around €14 billion. From a sectoral point of view, €6 billion of those outstanding loans were granted to non-financial corporations, €7 billion were granted to households, and less than €0.5 billion were granted to non-monetary financial intermediaries other than insurance corporations and pension funds.

Euro area MFI balance sheet statistics comprise data for those EU Member States that were part of the euro area in the reference month. Thus, from January 2011 onwards both outstanding amounts and growth rates will cover all 17 countries currently in the euro area.<sup>4</sup> Estonia's contribution to the outstanding amount of euro area M3 in December 2010 would have been around 0.1%. Overall, given the size of that contribution, the integration of Estonia in January 2011 will not affect the dynamics of euro area M3 statistics.

4 In order to avoid breaks in statistics, the inclusion of new countries is treated as a reclassification – i.e. it is corrected for in data on transactions, and thus also in growth rates.

## MAIN COMPONENTS OF M3

Developments in M3 in December were characterised by a decrease in the annual growth rate of marketable instruments, together with a further decline in the annual growth rate of M1. The annual growth rate of short-term deposits other than overnight deposits remained unchanged at negative levels. Thus, the narrowing observed in recent months in the gap between the annual growth rates of M1 and other components of M3 did not continue in December.

The annual growth rate of M1 declined slightly to stand at 4.4% in December, down from 4.6% in November, owing to a reduction in the annual growth rate of currency in circulation (see Table 2). The annual growth rate of overnight deposits was stable at 4.4%, but this concealed a strongly positive monthly flow. This inflow may reflect the broadly unchanged constellation for interest rates on short-term deposits, which implies that the opportunity cost of holding overnight deposits relative to other short-term deposits did not increase further in December.

The annual growth rate of short-term deposits other than overnight deposits remained unchanged at -0.5% in December. This development concealed a visible decline in the annual growth rate of deposits redeemable at notice of up to three months, which nevertheless remained robustly positive. In contrast, the annual growth rate of deposits with an agreed maturity of up to two years increased, while remaining strongly negative. Both types of deposit experienced outflows in December, probably reflecting the recent steepening of the yield curve and thus greater incentives to shift funds into longer-term assets outside M3.

The annual growth rate of marketable instruments decreased to -1.8% in December, down from 0.5% in November. This decline was related to a further outflow for money market fund shares/units, in line with those observed in previous months, in an environment of low returns.<sup>1</sup> It also reflected muted activity for repurchase agreements owing to the partial unwinding of the strong inflow observed in November, which was related to interbank trading conducted via central counterparties. At the same time, the money-holding sector resumed purchases of short-term MFI debt securities after several months of shedding such instruments.

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 – declined slightly to stand at 3.2% in December, down from 3.5% in November. This essentially reflects a strong decline in the contribution of OFIs. In contrast, the non-financial private sectors further increased their holdings of M3 deposits in December, with the contributions made by households and non-financial corporations to the annual growth rate of M3 deposits increasing by similar amounts. The contribution made by the household sector to the overall euro area growth rate has gradually increased since mid-2010, although it remains at a relatively low level. Overall, the OFI sector remained the largest contributor to the annual growth rate of M3 deposits in December.

### MAIN COUNTERPARTS OF M3

As regards the counterparts of M3, the annual growth rate of total MFI credit to euro area residents decreased to 3.5% in December, down from 4.0% in November (see Table 2). This reflects weaker growth in both credit to general government and credit to the private sector. The decline observed in the annual growth rate of credit to general government was largely a result of the gradual unwinding of a transaction that occurred in the context of financing arrangements for a “bad bank” in October.<sup>2</sup>

The annual growth rate of credit to the euro area private sector declined to 1.6% in December, down from 1.9% in the previous month, with reductions in the contributions of both loans and MFIs’ purchases of securities. The annual growth rate of loans to the private sector decreased slightly to stand at 1.9%, reflecting contractions in the volume of loans extended to OFIs (mainly related to the unwinding of interbank trading activity conducted via electronic platforms) and non-financial

<sup>1</sup> For further details, see the box entitled “Recent developments in euro area money market funds”, *Monthly Bulletin*, ECB, October 2010.

<sup>2</sup> For further details, see the box entitled “Revisiting the impact of asset transfers to ‘bad banks’ on MFI credit to the euro area private sector”, *Monthly Bulletin*, ECB, January 2011.

**Table 2 Summary table of monetary variables**

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

	Outstanding amount as a percentage of M3 <sup>1)</sup>	Annual growth rates					
		2010 Q1	2010 Q2	2010 Q3	2010 Q4	2010 Nov.	2010 Dec.
<b>M1</b>	<b>49.4</b>	<b>11.3</b>	<b>10.3</b>	<b>7.9</b>	<b>4.9</b>	<b>4.6</b>	<b>4.4</b>
Currency in circulation	8.3	6.2	6.4	6.6	5.6	5.6	4.6
Overnight deposits	41.1	12.4	11.1	8.1	4.8	4.4	4.4
<b>M2 - M1 (= other short-term deposits)</b>	<b>38.7</b>	<b>-8.2</b>	<b>-8.0</b>	<b>-5.1</b>	<b>-1.1</b>	<b>-0.5</b>	<b>-0.5</b>
Deposits with an agreed maturity of up to two years	18.6	-22.7	-21.5	-16.1	-8.7	-7.6	-6.9
Deposits redeemable at notice of up to three months	20.0	13.3	10.3	8.3	7.2	7.3	6.2
<b>M2</b>	<b>88.0</b>	<b>1.7</b>	<b>1.4</b>	<b>1.8</b>	<b>2.2</b>	<b>2.3</b>	<b>2.2</b>
<b>M3 - M2 (= marketable instruments)</b>	<b>12.0</b>	<b>-11.7</b>	<b>-9.7</b>	<b>-6.6</b>	<b>-3.0</b>	<b>0.5</b>	<b>-1.8</b>
<b>M3</b>	<b>100.0</b>	<b>-0.2</b>	<b>-0.1</b>	<b>0.7</b>	<b>1.5</b>	<b>2.1</b>	<b>1.7</b>
<b>Credit to euro area residents</b>		<b>1.9</b>	<b>1.8</b>	<b>2.1</b>	<b>3.4</b>	<b>4.0</b>	<b>3.5</b>
Credit to general government		9.8	9.2	8.0	11.9	13.3	12.0
Loans to general government		3.5	6.8	6.9	15.5	19.2	20.2
Credit to the private sector		0.3	0.2	0.8	1.5	1.9	1.6
Loans to the private sector		-0.4	0.2	1.0	1.7	2.0	1.9
Loans to the private sector adjusted for sales and securitisation		-0.2	0.2	1.0	1.9	2.3	2.3
<b>Longer-term financial liabilities (excluding capital and reserves)</b>		<b>5.5</b>	<b>4.4</b>	<b>2.6</b>	<b>2.7</b>	<b>2.8</b>	<b>3.0</b>

Source: ECB.

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

corporations. When adjusted for the derecognition of loans from MFI balance sheets, the annual growth rate of loans to the private sector was unchanged at 2.3% in December.

The annual growth rate of loans to non-financial corporations was broadly unchanged at -0.2% in December (see Table 3), with negative monthly flows for all maturities. The pace of the recovery in MFI lending to non-financial corporations has remained modest thus far, possibly reflecting the

**Table 3 MFI loans to the private sector**

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

	Outstanding amount as a percentage of the total <sup>1)</sup>	Annual growth rates					
		2010 Q1	2010 Q2	2010 Q3	2010 Q4	2010 Nov.	2010 Dec.
<b>Non-financial corporations</b>	<b>42.3</b>	<b>-2.5</b>	<b>-2.2</b>	<b>-1.3</b>	<b>-0.4</b>	<b>-0.1</b>	<b>-0.2</b>
Up to one year	24.2	-12.3	-10.8	-8.3	-5.0	-4.3	-3.6
Over one and up to five years	19.3	-3.4	-4.6	-3.4	-2.1	-1.9	-2.3
Over five years	56.5	3.2	3.1	2.9	2.4	2.4	2.2
<b>Households<sup>2)</sup></b>	<b>46.8</b>	<b>1.7</b>	<b>2.6</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>3.0</b>
Consumer credit <sup>3)</sup>	12.4	-0.7	-0.5	-0.5	-0.7	-0.3	-0.9
Lending for house purchase <sup>3)</sup>	71.7	2.0	3.0	3.4	3.5	3.4	3.7
Other lending	15.9	2.7	3.2	2.9	2.6	2.3	2.7
<b>Insurance corporations and pension funds</b>	<b>0.9</b>	<b>-9.3</b>	<b>-9.1</b>	<b>-0.8</b>	<b>7.7</b>	<b>14.2</b>	<b>8.1</b>
<b>Other non-monetary financial intermediaries</b>	<b>10.1</b>	<b>0.2</b>	<b>0.9</b>	<b>2.7</b>	<b>4.8</b>	<b>7.0</b>	<b>5.2</b>

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.



uneven economic recovery across countries and sectors, as well as differences in the extent to which individual sectors need and have recourse to bank loans, rather than financing themselves by means of internally generated funds and/or market-based funding. For details of developments in the loan demand of euro area non-financial corporations and households, as well as the credit standards of banks, see Box 2, entitled “The results of the January 2011 bank lending survey for the euro area”. A broader analysis of savings, investment and financing broken down by institutional sector is presented in Box 4, entitled “Integrated euro area accounts for the third quarter of 2010”.

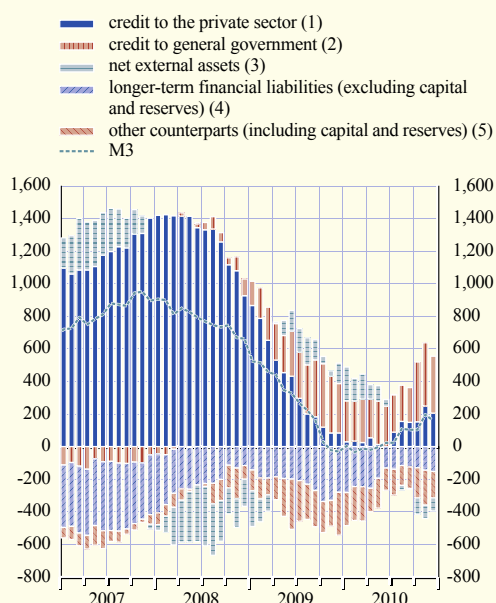
A relatively strong monthly inflow was recorded for MFI loans to households in December, which resulted in the annual growth rate increasing to 3.0% – up from 2.8% in the previous month – but remaining at levels observed since mid-2010. This increase was due largely to stronger lending for house purchase, in line with evidence from euro area housing markets that the declines observed in house price growth have largely bottomed out, with growth rates turning positive in some countries. At the same time, a further reduction was observed in consumer credit, with the annual growth rate remaining in negative territory. The annual growth rate of other lending increased to 2.7% in December.

Among the other counterparts of M3, the annual growth rate of MFIs’ longer-term financial liabilities (excluding capital and reserves) increased slightly further in December, reflecting stronger growth in the money-holding sector’s holdings of longer-term MFI debt securities. Longer-term deposits continued to record outflows, in line with interest rate movements that, on the one hand, resulted in a slight narrowing of the spread vis-à-vis the interest rates paid on short-term time and savings deposits and, on the other hand, led to a widening of the spread vis-à-vis longer-term market interest rates.

An annual outflow of €79 billion was recorded in December for MFIs’ net external asset position, more or less unchanged from that observed in November (see Chart 8). The annual outflow for net external assets reflected persistent negative flows for external assets (specifically securities other than shares), which exceeded the negative annual flow for external liabilities. The contraction observed in external liabilities was due largely to the redemption of short-term MFI debt securities. However, the annual flows observed recently for MFIs’ gross external asset and liability positions have been small compared with those observed in previous years. Over the past few years euro area MFIs have generally been net creditors vis-à-vis the rest of the world (i.e. positive flows have been recorded for net external assets), while the euro area as a whole has been a net debtor (see Box 3, entitled “Developments in the international investment position of the euro area in 2008 and 2009”).

Chart 8 Counterparts of M3

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



Source: ECB.  
Notes: M3 is shown for reference only ( $M3 = 1+2+3-4+5$ ). Longer-term financial liabilities (excluding capital and reserves) are shown with an inverted sign, since they are liabilities of the MFI sector.

Overall, looking beyond the short-term volatility, the latest monetary data continue to point to a modest recovery in euro area money and loan growth. They confirm the assessment that underlying monetary expansion is moderate and inflationary pressures over the medium to longer term should remain contained.

**Box 2****THE RESULTS OF THE JANUARY 2011 BANK LENDING SURVEY FOR THE EURO AREA**

This box describes the main results of the January 2011 bank lending survey for the euro area, which was conducted by the Eurosystem between 6 December 2010 and 10 January 2011.<sup>1</sup> Overall, credit standards on loans to non-financial corporations and to households for consumption purposes were broadly unchanged in the last quarter of 2010, while those on loans to households for house purchase tightened somewhat further. At the same time, euro area banks reported that net demand for corporate and for household mortgage loans continued to increase, while net demand for consumer credit contracted by a significantly smaller amount than in the previous three months.

**Loans and credit lines to enterprises**

**Credit standards:** In the fourth quarter of 2010 the net percentage<sup>2</sup> of banks reporting a tightening of credit standards on loans and credit lines to enterprises declined to 0%, from 4% in the previous quarter (see Chart A). This is a slight positive surprise compared with the expectations formulated by survey participants three months previously (5%). It reflects a further slight net tightening of 2% for loans to small and medium-sized enterprises (SMEs) (compared with 7% in the third quarter of 2010) as well as unchanged credit standards for loans to large firms (0%, compared with 5% in the previous quarter).

Looking at the factors underlying the overall developments in credit standards, banks' risk perceptions, and notably their industry or firm-specific outlooks (5%, after 10% in the third quarter of 2010), contributed less to a net tightening of credit standards than in the previous quarter. Competitive pressures in loan markets had an ongoing easing impact. By contrast, banks' balance sheet constraints, namely their cost of capital, their ability to access market financing and their liquidity position, continued to contribute to a net tightening of credit standards at broadly unchanged levels.

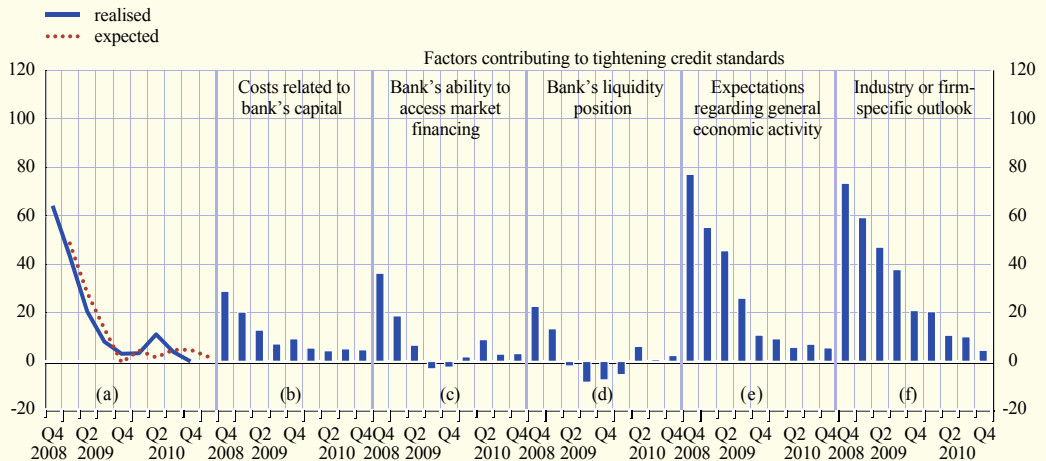
As regards price and non-price terms and conditions, an overall slight decline in the net tightening was observed in the last quarter of 2010 (Chart B), although there were slight further increases in the already significant widening of margins on riskier loans as well as in the net tightening of conditions on loan covenants. Comparing across firm size, margins on average loans to large

1 The cut-off date of the survey was 10 January 2011. A comprehensive assessment of its results was published on 27 January 2011 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)



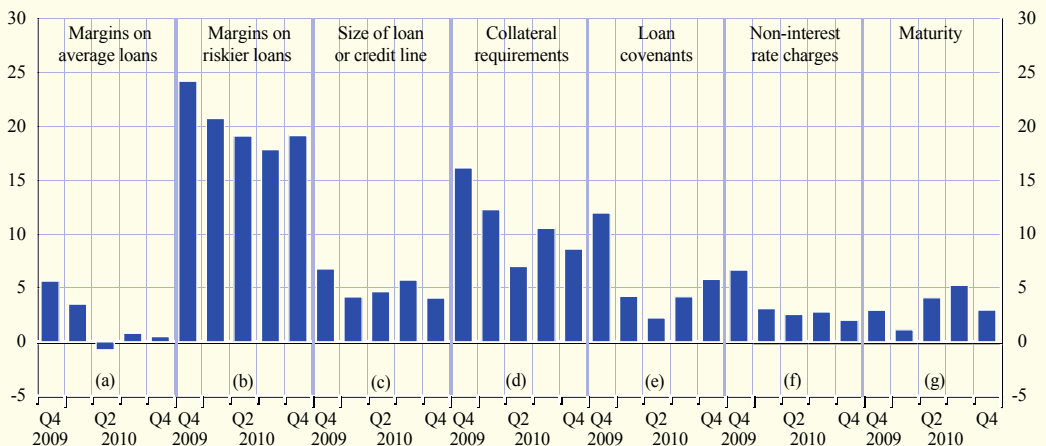
Notes: In panel (a), the net percentages refer to the difference between the sum of the percentages for “tightened considerably” and “tightened somewhat” and the sum of the percentages for “eased somewhat” and “eased considerably”. The net percentages for the questions related to the factors are the 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.

firms were broadly unchanged, whereas there was a further slight widening of margins for loans to SMEs. For riskier loans, the reported substantial widening of margins was broadly evenly spread across firm size categories.

Looking ahead, euro area banks expect a slight net tightening of credit standards on loans to enterprises in the first quarter of 2011 (2%; see Chart A), which would be concentrated on large

**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”.

firms. This tightening is expected to primarily affect longer-term loans, while for short-term loans virtually no changes are envisaged.

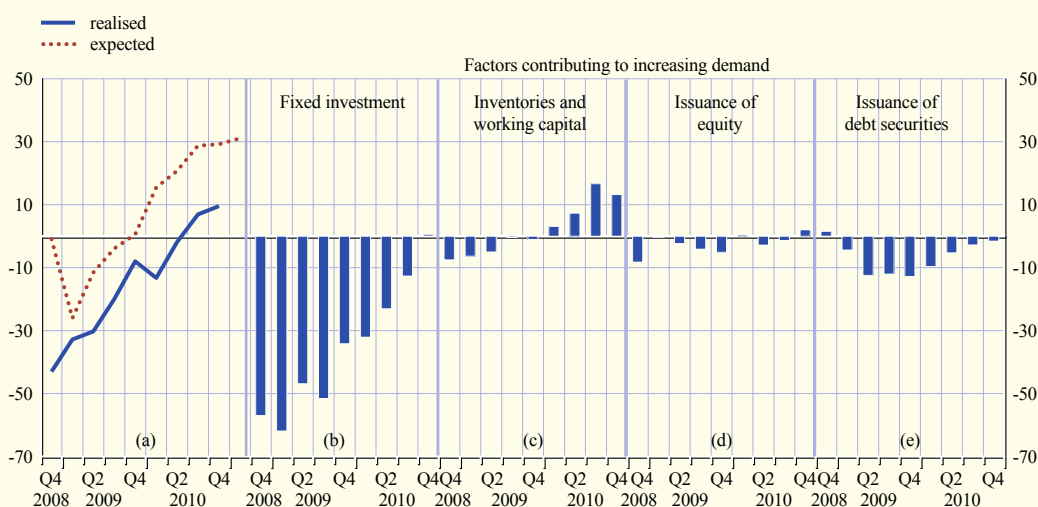
**Loan demand:** In the fourth quarter of 2010, net demand for loans<sup>3</sup> from enterprises increased further (to 10%, from 7% in the third quarter of 2010 and -2% in the second quarter), thereby confirming the turnaround recorded in the previous quarter (see Chart C). Similar developments were reported across firm size. Banks reported increasing positive net demand of 19% for loans to SMEs (up from 10% in the previous round) and of 11% for loans to large enterprises (up from 3% three months previously). As regards maturities, net demand was particularly dynamic for long-term loans (21%, compared with 6% in the third quarter of 2010) but also increased further for short-term loans (to 15% from 12%).

The improvement in overall net demand was mainly driven by a halt in the decrease in financing needs for fixed investment (0% after -13% in the third quarter of 2010). In addition, a pick-up in the financing of mergers and acquisitions (8% after -3%) impacted positively, while the contribution of financing needs for inventories and working capital declined (13% after 17%). As regards alternative funding, internal funds further dampened firms' financing needs (-6% after -3% in the third quarter of 2010). At the same time, the limited availability of loans from other banks and non-banks contributed again to the improvement in net demand. The issuance of equity became less of an alternative for banks' customers, while the slightly dampening impact of debt issuance declined only marginally.

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

Looking ahead, euro area banks expect net loan demand from enterprises to increase further in the first quarter of 2011 (to 31%). This rise is expected to apply to a larger extent to SMEs (33%) than to large firms (22%). Furthermore, banks expect an ongoing alignment in dynamics across maturities, with expected net demand for short and long-term loans converging further (28% and 24% respectively).

### Loans to households for house purchase

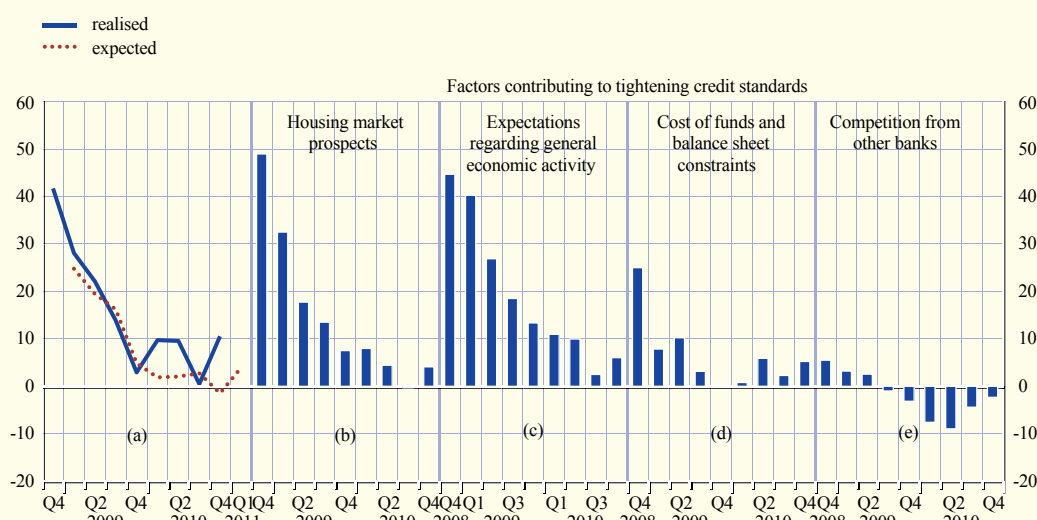
**Credit standards:** In the fourth quarter of 2010, the net percentage of banks reporting a tightening of credit standards for loans to households for house purchase bounced back to 11%, from 0% in the previous quarter (see Chart D). The increase in the net tightening of credit standards on housing loans appears to be explained mainly by an increase in banks' perception of risks linked to the housing market (4%, from 0% in the third quarter of 2010) and to developments in general economic activity (6%, from 2% in the previous quarter), as well as by slightly higher costs of funding and more stringent balance sheet constraints (5%, compared with 2% in the previous survey round). Finally, competition between banks contributed slightly less to an easing of credit standards on housing loans than in the previous survey round.

In general, terms and conditions on loans for house purchase were broadly unchanged, although margins on riskier loans continued to widen (10%, unchanged from the previous round). At the same time, survey participants reported a decline in the net tightening of conditions as regards loan-to-value ratios (1%, compared with a net tightening of 4% in the third quarter of 2010).

Looking ahead, banks expect this rebound in the net tightening of credit standards to be softened somewhat, with 4% in net terms expecting a further tightening in the first quarter of 2011.

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

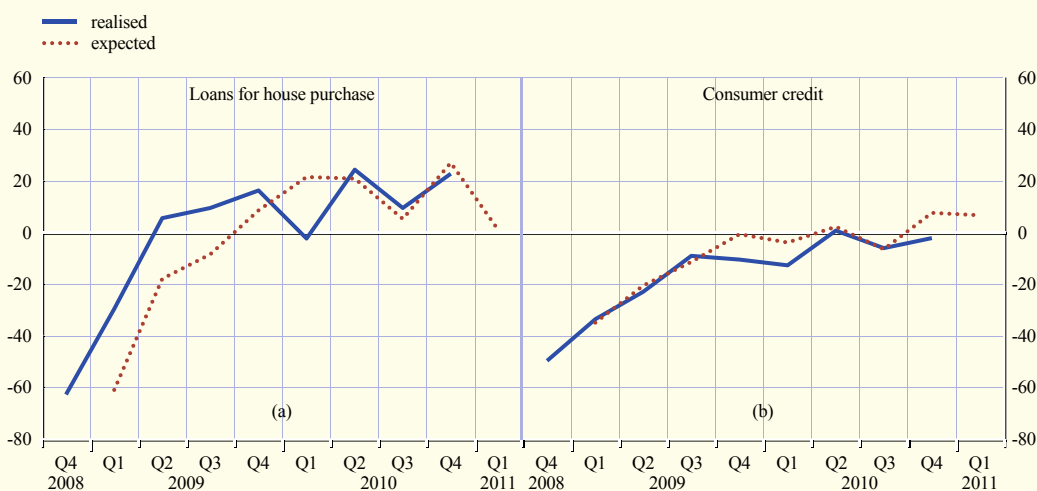
(net percentages)



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.

**Loan demand:** Broadly in line with expectations, net demand for housing loans increased in the fourth quarter of 2010, as the net percentage of banks reporting an increase in demand for housing loans rose to 23% (from 10% in the previous quarter; see Chart E). The positive net demand for housing loans was supported by improved housing market prospects as perceived by households and a significantly less negative contribution from consumer confidence.

Looking ahead, euro area banks expected demand for loans to be broadly unchanged in the first quarter of 2011.

### 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 consumption purposes and on other lending increased slightly to 2% in the fourth quarter of 2010 (from 0% in the previous quarter; see Chart F). The tightening observed in the last quarter of the year was stronger than anticipated by banks in the previous quarter, and factors related to the perception of risk seem to have played a role in the increase. More precisely, banks indicated a marginally higher contribution from both the creditworthiness of consumers (5%, compared with 4% in the previous survey round) and risks on collateral demanded (5%, compared with 3% in the previous survey round), while the contribution of expectations regarding the general economic outlook decreased further (2%, compared with 5% in the previous survey round).

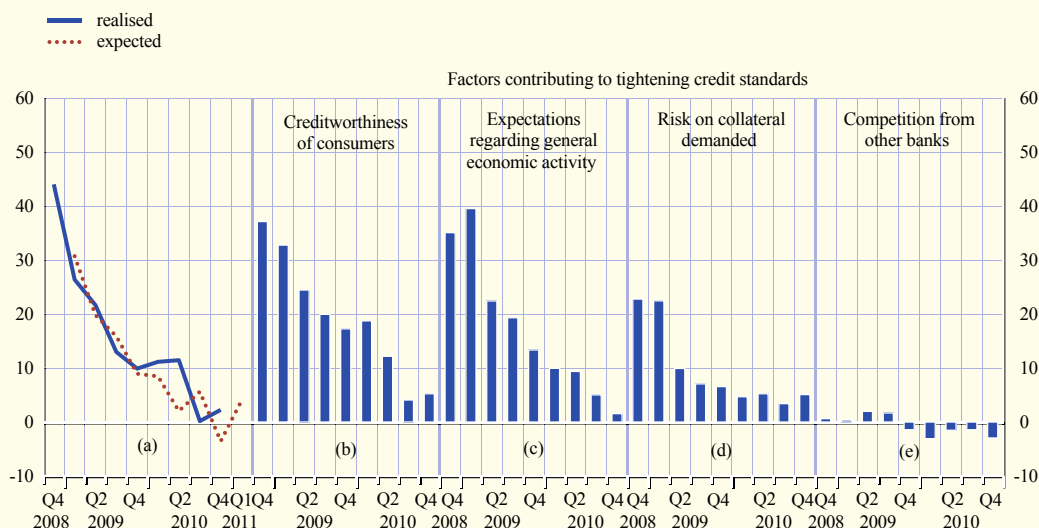
Looking ahead, banks expect a further net tightening of credit standards on consumer credit and other lending to households (4%) in the first quarter of 2011.

**Loan demand:** Contrary to what was expected, net demand for consumer credit and other lending to households did not turn positive in the fourth quarter of 2010, but it did draw closer



**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.

to positive values (at -2%, compared with -6% in the previous quarter; see Chart E). Net demand was dampened by developments in consumer confidence and household savings.

Looking ahead, banks expect positive net demand for consumer credit and other lending to households in the first quarter of 2011 (7%).

**Ad hoc questions on the impact of the financial turmoil**

As in previous survey rounds, the January 2011 survey also contained a set of ad hoc questions aimed at assessing the extent to which the financial market tensions affected banks' credit standards on loans to enterprises and households in the euro area in the last quarter of 2010, and the extent to which they might still have an effect in the first quarter of 2011.

For the fourth quarter of 2010, possibly reflecting the renewed financial market tensions stemming from concerns about sovereign risk, banks generally reported a deterioration in their access to short-term money markets and the markets for debt securities issuance (Chart G), while they noted broadly unchanged conditions for their access to true-sale securitisation of corporate and housing loans as well as to synthetic securitisation, i.e. their ability to transfer credit risk off the balance sheet. On balance, 24% of banks surveyed (excluding banks replying "not applicable") reported deteriorated access, in the fourth quarter of 2010, to short-term money markets with maturities exceeding one week (contrasting with 12% reporting improved access in the previous survey round), whereas access to very short-term money markets worsened for only 3% (compared with 18% indicating an improvement in the previous round). For debt securities markets, between around 25% and 30% of banks, in net terms, reported deteriorated access (against around 10% reporting better access in the third quarter). By contrast, for true-sale securitisation of corporate loans and loans to households for house purchase, as well as for synthetic securitisation, access

Chart G Change in the access to wholesale funding

(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”.

was, in net terms, broadly unchanged (compared with improvements reported by between 6% and 14% of banks in the previous round).

Over the next three months, banks expect similar, albeit mitigated, patterns of difficulties in accessing wholesale funding. On a net basis, around 10% of banks expect a further deterioration as regards their access to short-term money markets (except for the very short-term segment) and debt securities markets, while also around 10% expect an improvement in access to securitisation.

Regarding the impact of the financial turmoil on costs related to capital positions and on lending policy, banks reported hardly any changes in the fourth quarter of 2010 against the third quarter. About 37% of banks indicated “some” or a “considerable” impact on both capital and lending (as in the previous quarter). At the same time, 32% (against 37% in the third quarter) reported that there was basically no impact on their capital resulting from the financial turmoil.

### Box 3

#### DEVELOPMENTS IN THE INTERNATIONAL INVESTMENT POSITION OF THE EURO AREA IN 2008 AND 2009

The international investment position (i.i.p.) shows the stock of total holdings of foreign assets by domestic residents (assets) and of total holdings of domestic assets by foreign residents (liabilities). The net position (assets minus liabilities) measures the net creditor or debtor position of a country, or group of countries, vis-à-vis the rest of the world. This box reviews developments

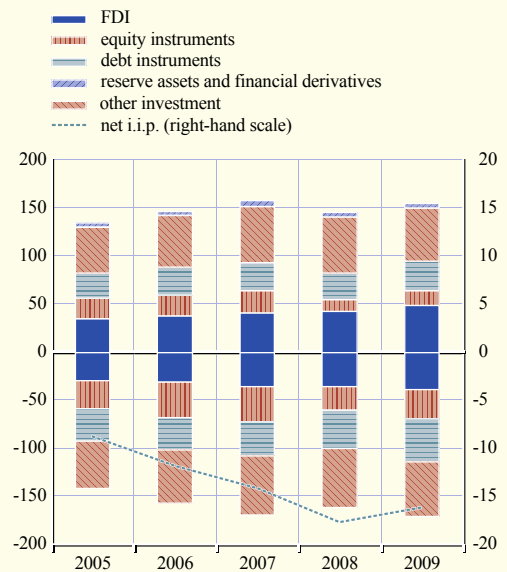
in the euro area i.i.p. in 2008 and 2009 (as at year-end), with a particular emphasis on the effects of the recent financial crisis, which are mostly evident in portfolio investment. A geographical breakdown of the portfolio investment position of the euro area shows some shifts in the relative importance of country groups as investors in the euro area during 2008 and 2009.

In recent years both the asset side (i.e. investment abroad by euro area residents) and the liability side (investment in the euro area by foreign residents) of the euro area i.i.p. followed an increasing trend, before contracting with the intensification of the financial crisis in 2008. However, in 2009 both the asset and the liability positions rebounded, standing at year-end at 154% and 170% of euro area GDP respectively (see Chart A). The net liability position of the euro area also followed an increasing trend, peaking in 2008 at 17.7% of GDP, before declining to 16.2% in 2009. The main contribution to the increasing net liability position stemmed from portfolio investment (equity and debt instruments). In fact, the net liabilities of euro area portfolio investment reached 28% of GDP in 2009. The negative contribution of portfolio investment to the euro area net investment position was partly counterbalanced by developments in the net asset position of foreign direct investment (FDI), which reached 9% in 2009. By contrast, the contribution of “other investment” to the euro area i.i.p. was relatively stable, with net liabilities of 2% of GDP recorded in 2009.<sup>1</sup>

Changes in the net i.i.p. can be explained by three factors: (i) net financial flows (transaction effect), (ii) revaluations due to changes in exchange rates and asset prices and (iii) “other adjustments”<sup>2</sup>. Traditionally, “other adjustments” and “valuation adjustments related to exchange rate changes” have been the main factors influencing changes in the net i.i.p. of the euro area. During the recent financial crisis, however, “financial transactions” and “valuation adjustments related to price changes” played an important role (see Chart B). In particular, in 2008 the total disinvestment in foreign assets by euro area residents exceeded the disinvestment in euro area assets by non-residents (a transaction effect), thus contributing negatively to the change in the net i.i.p. In 2009, revaluations due to price changes contributed positively to the change in the net i.i.p., as increases in a number of major non-euro area stock market indices were greater than those of the euro area.

**Chart A Euro area international investment position and its breakdown by instrument**

(as a percentage of euro area GDP)



Source: ECB.

Notes: Negative figures reflect euro area liabilities while positive figures reflect assets. Data refer to outstanding amounts at the end of the year.

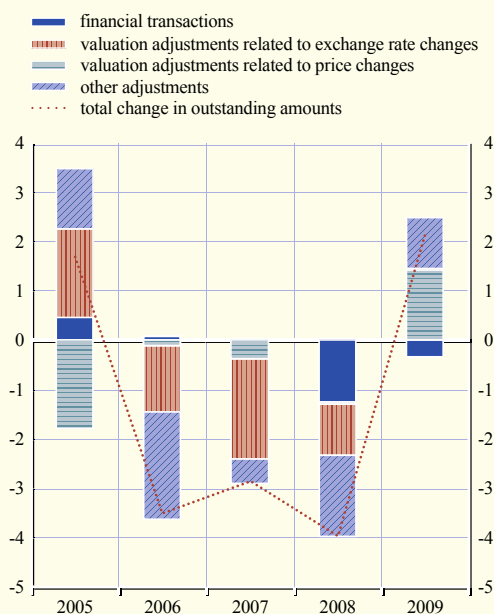
1 In order to obtain the final net i.i.p., reserve assets and financial derivatives need to be taken into account. This block only amounts to about 4% of euro area GDP on average over the period 2005-09 and has no “liability side”, thus contributing positively to the net i.i.p. Note that as the components of the i.i.p. are expressed as a percentage of GDP, a “growth effect” is present. However, as changes in GDP are common to all components and do not affect the analysis, they are not discussed.

2 “Other adjustments” include, for example, reclassifications, company write-downs, changes in survey coverage and changes in the residency of companies.

The recent financial crisis led initially to a significant reduction in the i.i.p. position of the euro area, with total assets and liabilities declining in 2008 by 11 and 7 percentage points of GDP respectively. In 2009, positions were built up again, with investment abroad by euro area residents (asset side) partly recovering, by 10 percentage points of GDP, while investment by foreign residents in the euro area (liability side) recovered fully. The significant effects of the crisis were most evident in the developments in the portfolio investment instruments of equity and debt (see Chart C). In 2008 the elevated level of volatility in financial markets, the exceptionally high level of global economic uncertainty and the gloomy global economic outlook increased the home bias and triggered significant reductions in asset prices and sales of equity instruments by both residents and non-residents of the euro area. However, later on, as the global economic outlook started to improve and asset prices increased, equity instrument holdings by both

Chart B Breakdown of changes in the euro area net i.i.p.

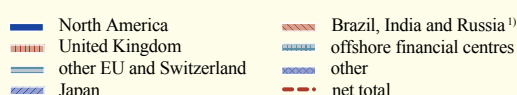
(as a percentage of euro area GDP)



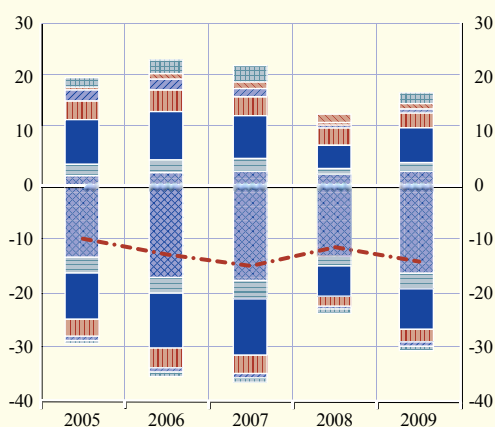
Source: ECB.

Chart C Country breakdown of euro area equity and debt instrument positions

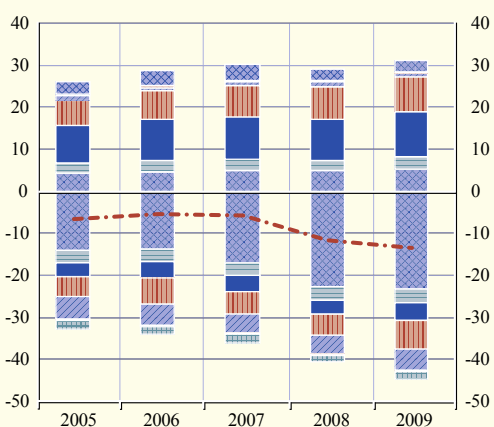
(as a percentage of euro area GDP)



Equity instruments



Debt instruments



Sources: ECB and IMF CPIS.

Notes: Negative figures reflect euro area liabilities, while positive figures reflect assets. Data refer to outstanding amounts at the end of the year.

1) As China is not covered by the IMF survey it is included in the group "other", which is calculated as a residual.

euro area residents and non-residents rose again in 2009. Specifically, as a result of both reduced investment and a reduction in prices, holdings of foreign equity instruments by euro area residents (assets) were reduced from 22% of euro area GDP in 2007 to 12% in 2008, before increasing again to 17% in 2009. Similarly, euro area equity instrument holdings by non-residents (liabilities) were significantly reduced from 37% of GDP in 2007 to 24% in 2008, before increasing again to 31% in 2009.<sup>3</sup> In addition, the financial crisis led to a shift from investment in equity instruments towards investment in debt instruments. Accordingly, the large drop in euro area equity instrument investment by non-residents was mitigated to some extent by a marked increase in investment in euro area debt instruments in 2008 and 2009. Investment in euro area debt instruments by non-residents rose by almost 9 percentage points of GDP over the course of these two years.<sup>4</sup>

A geographical breakdown of the assets and liabilities of equity instrument investment shows that the reduction in foreign assets held by euro area residents in 2008 was broadly based, while the reduction in liabilities was mainly driven by North America (i.e. the United States and Canada) and “other countries”.<sup>5</sup> The subsequent increase in equity assets and liabilities in 2009 shows a similar geographical pattern. As regards debt instruments, the assets of euro area residents were mostly invested in North America (predominantly the United States) and the United Kingdom, and show very small changes in 2008 and 2009. By contrast, the liability side of euro area debt instrument investment (investment in euro area debt instruments by non-residents) was dominated by “other countries”, with North America and the United Kingdom playing a more limited role. Even so, while the increase in euro area debt liabilities in 2008 was mainly driven by “other countries”, the 2009 increase was driven mainly by the United Kingdom. On balance, the importance of “other countries” as investors in the euro area increased markedly during the period 2008-09, with this group accounting for more than half of the total portfolio investment in the euro area at the end of 2009. This may indicate that, while the financial crisis was a global phenomenon, it affected countries to varying degrees. By contrast, the geographical breakdown of portfolio investment by euro area residents does not show such shifts in relative importance between country groups.

Preliminary data on the euro area i.i.p. position, for the third quarter of 2010, show that total assets and total liabilities have both recovered fully and are above pre-crisis levels. While investment in equity instruments by both residents and non-residents remains somewhat muted, investment in debt instruments – in particular investment in the euro area by non-residents – increased further.<sup>6</sup>

3 The reduction in the market value of equity instrument investment in 2008 was approximately €800 billion for the asset side and €1.1 trillion for the liability side.

4 Euro area debt securities held by euro area residents increased by roughly 6 percentage points of euro area GDP during the same period.

5 The country-specific data on assets and liabilities of equity and debt investment are from the IMF Coordinated Portfolio Investment Survey (CPIS), while data on the total extra-euro area assets and liabilities are from the ECB. The countries/country groups that are included in the calculations are: the euro area (excluding Estonia), offshore financial centres, Denmark, Sweden, the United Kingdom, countries that joined the EU in 2004 and 2007 (EU8), Switzerland, Canada, the United States, Japan, Brazil, India and Russia. The country group “other” includes, apart from China, all the main oil-exporting countries – except for Russia – and is calculated as a residual from the total extra-euro area data. Interestingly, offshore financial centres seem to play a fairly limited role in the liabilities of euro area portfolio investment. Finally, a country breakdown of FDI and other investment positions does not show any marked changes during the period under review.

6 Preliminary quarterly data do not include a geographical breakdown, nor do they include a breakdown of changes between exchange rate valuation, price valuation and other adjustments.

## 2.2 SECURITIES ISSUANCE

The annual growth rate of debt securities issued by euro area residents rose substantially in November 2010, owing to increasing debt issuance on the part of both the government sector and financial corporations other than MFIs. By contrast, the year-on-year increase in debt securities issued by non-financial corporations continued along the downward trend recorded over the past year, while remaining at a robust level. The moderation in debt issuance by the non-financial corporate sector may partly reflect the ongoing normalisation of demand for bank loans observed over recent months. The annual growth rate of issuance of quoted shares declined slightly, thus remaining at a subdued level.

### DEBT SECURITIES

At 4.3% in November 2010, the annual growth rate of debt securities issued by euro area residents increased by around 1 percentage point in comparison with the previous month (see Table 4). The main factor behind this increase was the markedly slower pace of contraction in short-term debt securities issuance, which reached -0.1% in November, around 4 percentage points higher than in October. The annual growth rate of long-term debt issuance rose from 4.1% in October to 4.8% in November. At the same time, the annualised and seasonally adjusted six-month growth rate of debt securities issued, which captures short-term trends better, increased to 6.3% in November, from 3.4% in October. This rise was broadly based across sectors (see Chart 9), although it was particularly pronounced for the general government. Specifically, public borrowing rose to 11.0% in November, up by more than 3 percentage points from the previous month. Using the same measure, issuance by non-financial corporations increased only marginally to 4.6%.

Over recent months, despite some signs of recovery in short-term debt securities issuance, refinancing activity remained concentrated on issuance in the long-term segment, and notably at fixed rates. The annual rate of increase in issuance of fixed rate long-term debt securities rose to 7.1% in November, from 6.9% in October. At the same time, floating rate long-term debt securities issuance rose to around 1% in November, thus returning to positive territory for the first time since March.

Table 4 Securities issued by euro area residents

Issuing sector	Amount outstanding (EUR billions) 2010 November	Annual growth rates <sup>1)</sup>					
		2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 October	2010 November
<b>Debt securities</b>	<b>16,063</b>	<b>9.9</b>	<b>6.5</b>	<b>4.7</b>	<b>3.4</b>	<b>3.2</b>	<b>4.3</b>
MFIs	5,299	2.9	1.6	0.5	-0.5	0.1	0.1
Non-monetary financial corporations	3,315	19.5	7.6	2.9	0.8	0.4	2.5
Non-financial corporations	863	16.5	14.8	15.1	10.3	8.5	8.3
General government	6,586	12.7	9.9	8.3	7.6	6.8	8.4
of which:							
Central government	6,139	12.9	9.9	8.1	7.1	6.2	7.9
Other general government	447	10.5	10.5	11.4	15.3	16.0	16.4
<b>Quoted shares</b>	<b>4,408</b>	<b>2.8</b>	<b>2.9</b>	<b>2.5</b>	<b>1.8</b>	<b>1.8</b>	<b>1.7</b>
MFIs	438	8.9	8.3	6.6	5.2	7.3	6.8
Non-monetary financial corporations	311	2.7	5.4	5.2	4.2	4.0	3.8
Non-financial corporations	3,659	1.9	1.9	1.5	1.0	0.8	0.8

Source: ECB.

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

From a sectoral perspective, debt issuance by the general government and by financial corporations other than MFIs increased substantially. Issuance activity by non-financial corporations, by contrast, declined further, continuing the downward trend recorded over the past year. In November the annual increase in debt securities issued by non-financial corporations in the euro area declined marginally to 8.3%, from 8.5% in the previous month; a slower pace of contraction in short-term debt securities issuance was partially offset by a decline in long-term issuance. The ongoing moderation in debt securities issuance by non-financial corporations may partly reflect the normalisation of demand for bank loans observed in recent months.

Public borrowing expanded considerably in November. The annual growth of debt securities issued by the general government sector increased to 8.4%, from 6.8% in the previous month, after having been on a broadly declining trend since September 2009. The robust debt issuance activity on the part of the general government sector reflected the still high public sector funding needs in the euro area.

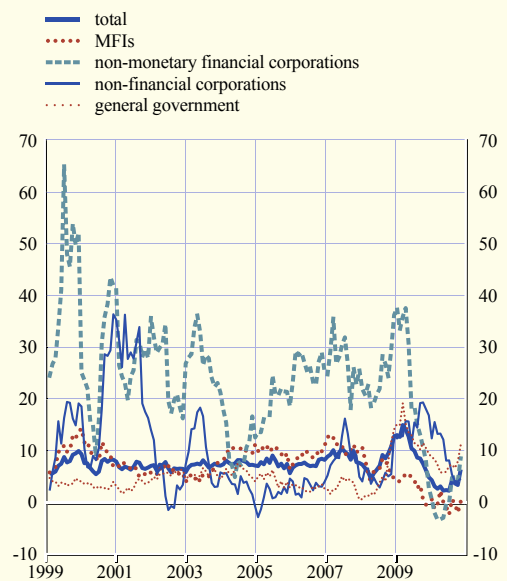
Turning to the financial sector, the annual growth rate of debt securities issued by MFIs remained broadly unchanged at just above zero in November, following the contraction recorded from May until September. However, net issuance of short-term debt securities returned to positive territory after having been negative over the last two months, potentially reflecting a more favourable access to funding for euro area banks. Finally, the annual growth rate of debt securities issued by non-monetary financial corporations rose sharply from 0.4% in October to 2.5% in November.

### QUOTED SHARES

The annual growth rate of all quoted shares issued by euro area residents declined to around 1.7% in November, from 1.8% in the previous month, primarily on account of a moderation in equity issuance by MFIs (see Chart 10). Indeed, the annual rate of increase in equity issuance

**Chart 9 Sectoral breakdown of debt securities issued by euro area residents**

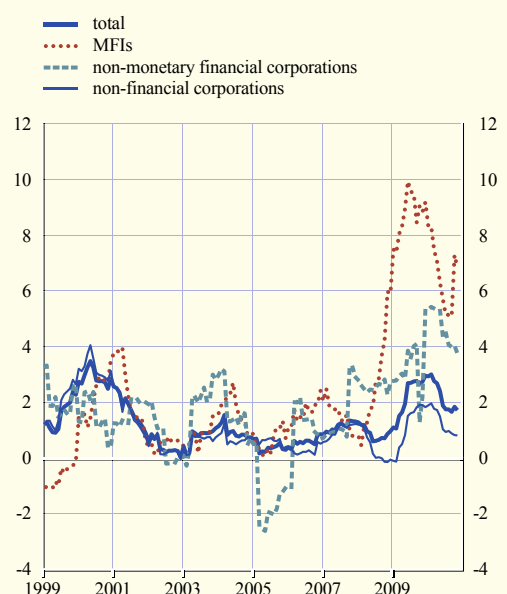
(six-month annualised growth rates; seasonally adjusted)



Source: ECB.

**Chart 10 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.



by MFIs fell to 6.8% in November, from 7.3% in October. Equity issuance activity by MFIs still remained robust, given the ongoing efforts of many euro area banks to strengthen their balance sheets by replenishing their capital bases. At the same time, the annual growth of quoted shares issued by non-financial corporations remained broadly unchanged at 0.8%, while the annual growth of quoted shares issued by non-monetary financial corporations declined marginally to 3.8% in November.

### 2.3 MONEY MARKET INTEREST RATES

*Money market rates increased between mid-January and early February 2011, reaching levels last observed in June 2009. During the first maintenance period of 2011, which began on 19 January, the EONIA rose beyond the fixed rate in the main refinancing operations for the first time since June 2009.*

Unsecured money market interest rates increased between mid-January and early February 2011, thereby reversing the gradual decline observed as of November 2010. On 2 February the one-month, three-month, six-month and twelve-month EURIBOR stood at 0.91%, 1.08%, 1.33% and 1.67% respectively – i.e. around 16, 9, 11 and 16 basis points higher than the levels observed on 12 January. The spread between the twelve-month and one-month EURIBOR – an indicator of the slope of the money market yield curve – remained broadly unchanged, standing at 76 basis points on 2 February (see Chart 11).

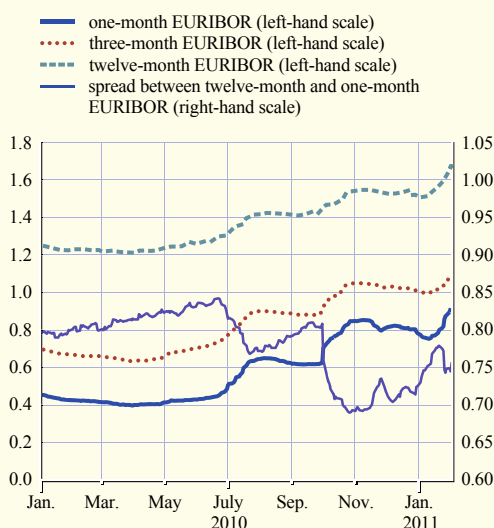
Between 12 January and 2 February the money market rate derived from the three-month EONIA swap index increased by more than the corresponding unsecured rate. The three-month EONIA swap rate stood at 0.83% on 2 February, around 18 basis points higher than on 12 January. As a result, the spread between the unsecured EURIBOR and the secured EONIA swap rate decreased to 26 basis points on 2 February, 9 basis points lower than on 12 January.

The interest rates implied by the prices of three-month EURIBOR futures maturing in March, June, September and December 2011 stood at 1.19%, 1.48%, 1.72% and 1.95% respectively on 2 February, representing increases of around 11, 27, 36 and 44 basis points by comparison with the levels observed on 12 January. The stronger increases at the longer end of the forward curve imply a steepening of the curve.

The EONIA was volatile between 12 January and 2 February and began to increase at the beginning of the first maintenance period of the year. On 25 January the EONIA exceeded the rate in the main refinancing operations (MROs) for the first time since June 2009. The EONIA peaked at 1.32% on 1 February, before falling

Chart 11 Money market interest rates

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



Sources: ECB and Reuters.

back to 0.79% on 2 February (see Chart 12). Thus, the behaviour of the EONIA during that maintenance period was different from that observed in the previous three maintenance periods. The upward trend in the EONIA during the first two weeks of the maintenance period seems to reflect a combination of two factors: a gradual decline in demand for refinancing operations, coupled with continued substantial recourse to the deposit facility. This combination resulted in tighter liquidity conditions and thus explains the fact that the EONIA rose beyond the MRO rate. However, the subsequent increase in liquidity demand – evident from the increased allotment in the main refinancing operation on 1 February – reversed this upward trend and led to the EONIA falling back below the MRO rate.

The Eurosystem conducted a number of refinancing operations between 12 January and 2 February. On 17 January, at the end of the twelfth maintenance period of 2010, the Eurosystem conducted a fine-tuning operation in which €135 billion was absorbed in order to counter the positive liquidity imbalance at the end of the maintenance period. Then, in the main refinancing operations of the first maintenance period of 2011, conducted on 18 and 25 January and 1 February, the Eurosystem allotted €176.9 billion, €165.6 billion and €213.7 billion respectively. The Eurosystem also conducted two longer-term refinancing operations in January, both as fixed rate tender procedures with full allotment: a special-term operation on 18 January with a maturity of one maintenance period (in which €70.4 billion was allotted); and a three-month longer-term refinancing operation on 26 January (in which €71.1 billion was allotted). Furthermore, the Eurosystem conducted three one-week liquidity-absorbing operations on 18 and 25 January and 1 February as variable rate tender procedures with a maximum bid rate of 1.00%. In the last of these operations, the Eurosystem absorbed €68.2 billion.

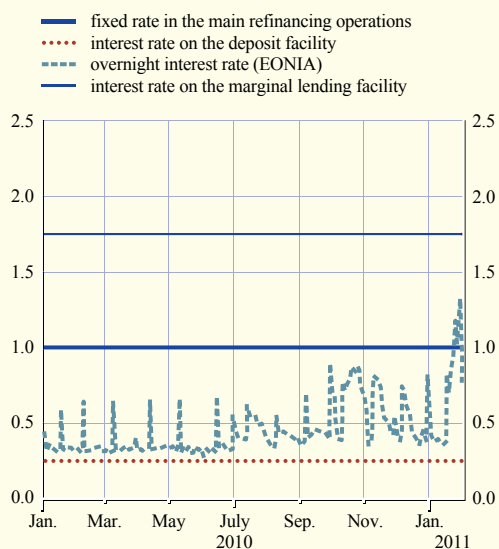
In line with the relatively low levels of excess liquidity during the maintenance period beginning on 19 January, average daily recourse to the deposit facility fell to €25.7 billion in the period from 19 January to 2 February, down from the €66.5 billion observed in the previous maintenance period, which began on 8 December 2010 and ended on 18 January 2011.

## 2.4 BOND MARKETS

*In the course of January and early February, the yields on AAA-rated long-term euro area government bonds increased slightly as a result of both positive economic news and some easing of tensions in most euro area sovereign debt markets. In the United States, long-term government yields also increased slightly over the same period. Implied bond market volatility stood at somewhat elevated levels on both sides of the Atlantic in January. Intra-euro area sovereign bond yield spreads narrowed slightly across all euro area countries except Ireland. Data on long-term break-even inflation rates in early February continue to suggest that inflation expectations remain firmly anchored.*

**Chart 12 ECB interest rates and the overnight interest rate**

(percentages per annum; daily data)



Sources: ECB and Reuters.

Between end-December and 2 February, AAA-rated long-term euro area government bond yields increased by 20 basis points, standing at 3.4% on the latter date. In the United States, long-term bond yields also increased by 20 basis points to stand at 3.5% on the same date (see Chart 13). Consequently, the nominal interest rate differential between ten-year government bond yields in the United States and those in the euro area remained unchanged over the review period. Implied volatility in both markets, however, remained at high levels. In contrast to implied volatility in equity markets, where conditions have improved, implied bond market volatility in both the euro area and the United States has remained broadly unchanged since mid-2010. In Japan, ten-year government bond yields remained broadly unchanged in the period under review, standing at 1.2% on 2 February.

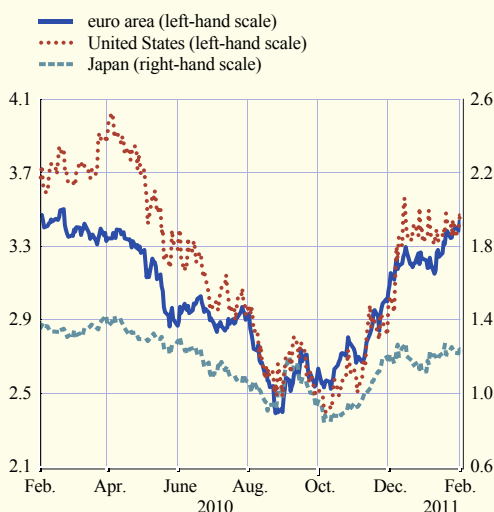
The increase in AAA-rated long-term euro area government bond yields reflects generally improving economic conditions and some easing of tensions in most euro area sovereign debt markets, supporting a rebound in appetite for risk and putting some downward pressure on AAA-rated long-term bond prices in the euro area. Implied volatility in euro area bond markets remains elevated, however, underpinning that conditions are still far from fully normal.

Conditions in sovereign debt markets in the periphery of the euro area improved in the second half of January. The main reasons underlying this development were the overall positive economic momentum observed at the euro area level and market participants' expectations on a possible extension of the scope and size of the European Financial Stability Facility. Moreover, debt auctions in Portugal and Spain, which were met with higher than expected demand, also had a positive impact on market sentiment. Over the period under review, euro area countries' ten-year government bond yield spreads vis-à-vis their German counterpart narrowed further. Information from the markets for credit default swaps (CDSs) confirms the slight improvement of conditions in sovereign debt markets, where the spreads of CDSs for Greece, Ireland and Portugal narrowed by 230, 70 and 110 basis points respectively in the period under review.

Yields on ten-year inflation-linked euro area government bonds remained broadly unchanged over the review period, while real yields on corresponding five-year bonds increased by 20 basis points (see Chart 14). On 2 February, five and ten-year real spot yields were 0.6% and 1.4% respectively. Over the period under review, implied forward break-even inflation rates (five-year forward five years ahead) in the euro area increased by around 10 basis points to stand at 2.3% on 2 February (see Chart 15). This and the five-year forward five years ahead inflation swap rate, which also increased by 10 basis points to stand at around 2.3%, suggest that market participants' inflation expectations remain firmly anchored. This is also confirmed by survey measures of inflation expectations in the euro area.

Chart 13 Long-term government bond yields

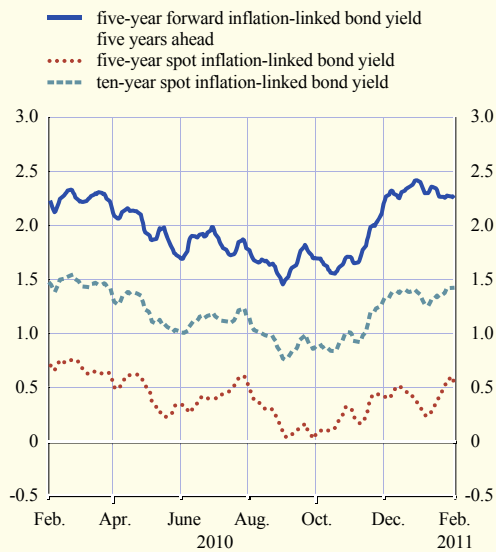
(percentages per annum; daily data)



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

**Chart 14 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.

**Chart 15 Euro area zero coupon break-even inflation rates**

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



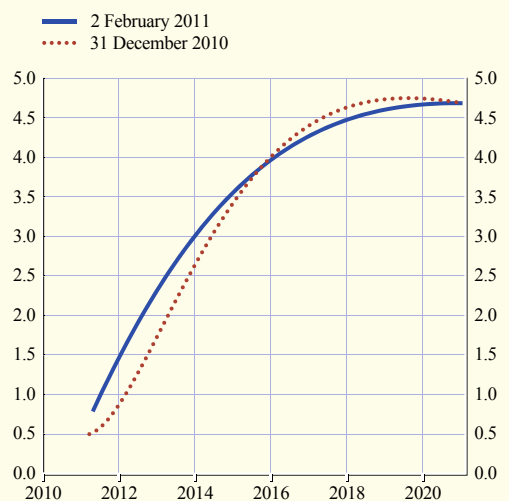
Sources: Reuters and ECB calculations.

The development of the term structure of short-term forward rates in the euro area shows how the general pattern of long-term euro area bond yields can be decomposed into changes in interest rate expectations (and related risk premia) at different horizons (see Chart 16). Improving economic conditions and revisions to short-term interest rate expectations have shifted the term structure of short-term forward rates for horizons between two and five years' maturity slightly upwards in comparison with that of late December 2010.

Investment-grade corporate bond spreads declined across all rating classes of debt issued by both financial and non-financial corporations in January 2011. The decline was highest for BBB-rated debt securities issued by financial corporations, although the spread remains well above the pre-crisis levels. Other investment-grade bond spreads, with the exception of that of BBB-rated debt securities issued by financial corporations, appear to have stabilised since the summer of 2010, at levels slightly above those observed prior to the financial crisis. Issuance

**Chart 16 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 AAA-rated euro area government bond yields.

activity remained dynamic in January, in particular in the euro area covered bond market where large volumes were issued. The decline in corporate bond spreads was also broad-based across euro area countries.

## 2.5 INTEREST RATES ON LOANS AND DEPOSITS

*In December 2010 most MFI lending rates for non-financial corporations edged up in the case of short maturities and declined or remained broadly unchanged in that of long maturities. Similarly, the vast majority of MFI rates on loans to households decreased somewhat or were basically unchanged. By historical standards, MFI lending rates for both households and non-financial corporations remain very low across all maturities.*

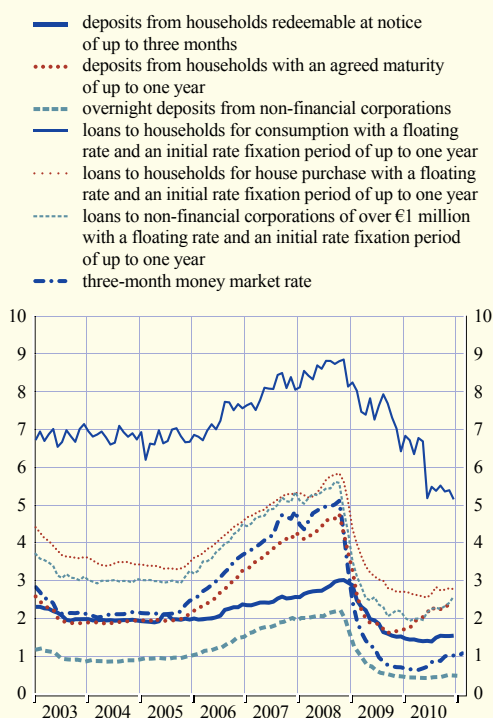
In December 2010 the vast majority of short-term MFI interest rates on deposits decreased marginally for households but remained broadly unchanged for non-financial corporations. Most short-term rates on loans to households declined somewhat, while those on loans to non-financial corporations edged up slightly (see Chart 17). More precisely, short-term interest

rates on loans to households for house purchase declined marginally to just below 2.8%, while the more volatile rates on consumer credit fell to 5.1% in December, from 5.4% in November. Average rates on overdrafts remained broadly unchanged at 8.6%. As regards non-financial corporations, banks' short-term rates on small loans (i.e. loans of up to €1 million) declined marginally to 3.5%, while short-term rates on large loans (i.e. loans of more than €1 million) increased by 17 basis points to stand at 2.6%. Interest rates on overdrafts remained broadly unchanged at 3.9%. With the EURIBOR declining marginally by 2 basis points in December 2010, the spread between short-term MFI lending rates and the three-month money market rate remained unchanged for loans to households for house purchase, while it rose by around 20 basis points for loans to non-financial corporations (see Chart 18).

Viewed from a longer-term perspective, between end-September 2008 (i.e. immediately prior to the beginning of the monetary policy easing cycle) and end-December 2010, short-term rates on both loans to households for house purchase and loans to non-financial corporations decreased by around 300 basis points. This compares with a decline of 400 basis points in the three-month EURIBOR and indicates a significant pass-through of

**Chart 17 Short-term MFI interest rates and a short-term market rate**

(percentages per annum; rates on new business)

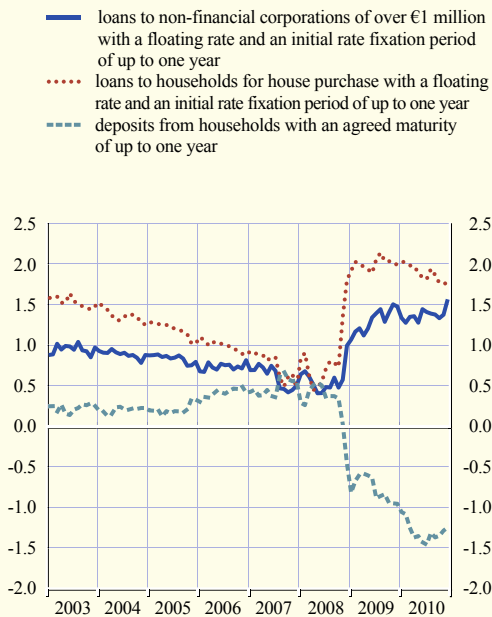


Source: ECB.

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).

**Chart 18 Spreads of short-term MFI interest rates vis-à-vis the three-month money market rate**

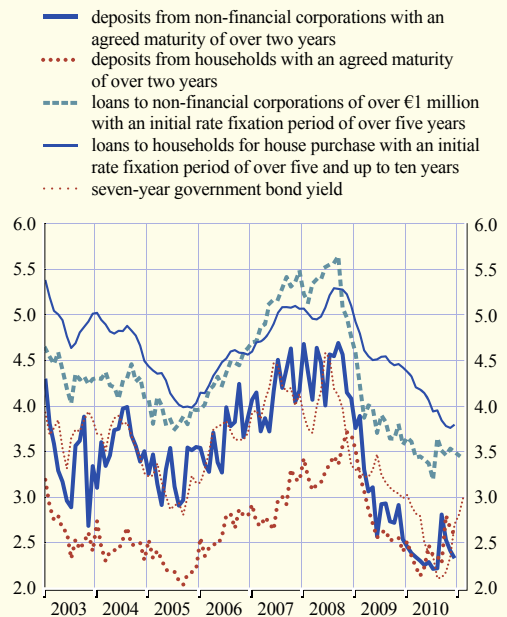
(percentage points; rates on new business)



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).

**Chart 19 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).

changes in market rates to bank lending rates. The overall stabilisation of short-term rates on loans to households and non-financial corporations, as exhibited over the last few months, appears to indicate that the gradual pass-through of past reductions in key ECB interest rates has come to an end.

Turning to longer maturities, MFI interest rates on long-term deposits declined for both households and non-financial corporations in December 2010. Most interest rates on longer-term loans to non-financial corporations remained broadly unchanged or decreased somewhat, thereby partly reversing the increase recorded in the previous month. By contrast, longer-term rates on loans to households for house purchase edged up slightly (see Chart 19). Specifically, the rates on loans to households for house purchase with an initial rate fixation period of over five and up to ten years increased by a few basis points to reach 3.8%, remaining near all-time lows. As regards non-financial corporations, the average rates on small-sized loans with an initial rate fixation period of over one and up to five years declined by around 10 basis points to 4.2%, while those on loans with an initial rate fixation period of over five years increased slightly to 3.9%. The average rates on large loans with both medium and long-term rate fixation periods declined by around 20 and 5 basis points respectively to stand at 2.8% and 3.5%.

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. Rates on long-term loans to households did not fall as much over this period, reflecting a more incomplete and sluggish pass-through for households. Nevertheless, in recent months, interest rates on longer-term loans to households have continued to decline while market interest rates have been rising. As a result, the spread of long-term rates on loans to households vis-à-vis AAA-rated long-term government bond yields has narrowed since August to stand at around 100 basis points in December. For non-financial corporations, the halt of the upward trend in long-term lending rates recorded since September has resulted in a narrowing of their spread vis-à-vis long-term government bond yields.

Weighted by new business volumes, average bank lending rate declined in December, while average rates on deposits remained broadly unchanged. As a result, loan-deposit margins on new loans fell by about 10 basis points to just above historically low levels. By contrast, average loan-deposit margins on outstanding amounts continued to remain broadly unchanged in December, as was the case in recent months. Relatively stable margins contribute positively to the net interest income and profitability of euro area banks.

## 2.6 EQUITY MARKETS

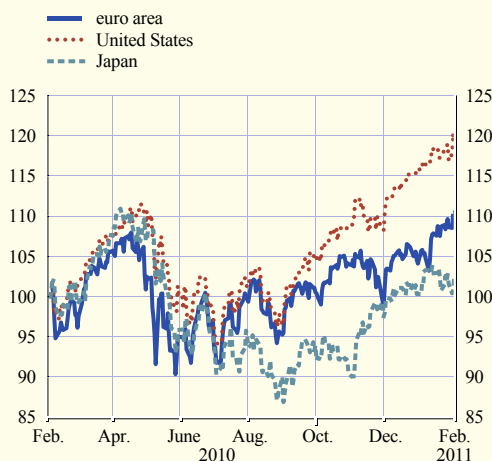
*Between 31 December 2010 and 2 February 2011, stock prices in the euro area and the United States rose by 6.1% and 3.7% respectively. These increases were supported by generally positive economic news on both sides of the Atlantic. In the euro area, some easing of tensions in most sovereign debt markets provided further support to equity markets in conjunction with a slight rebound in risk appetite. At the same time, stock market uncertainty, as measured by implied volatility, remained broadly unchanged at levels below the historical average. On average, listed euro area companies recorded better than expected earnings growth.*

Euro area and US stock prices increased between end-December 2010 and early February 2011. Overall, euro area stock prices, as measured by the broad-based Dow Jones EURO STOXX index, rose by 6.1%, while the Standard and Poor's 500 index in the United States was up 3.7% between 31 December and 2 February (see Chart 20). Over the same period, stock prices in Japan, as measured by the Nikkei 225 index, rose by 2.2%.

Developments in euro area equity markets over the review period were driven, on the one hand, by generally positive economic data. The momentum of the industrial sector was underlined by economic data releases which were better than expected. Data releases for the services sector were likewise surprisingly positive. Survey indicators on future economic activity remained very favourable in January. Further support to equity markets also came from

Chart 20 Stock price indices

(index: 1 February 2010 = 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.



better than expected earnings announcements and the improvement of conditions in most euro area sovereign debt markets, in conjunction with a slight rebound in risk appetite. Economic data releases over the review period were generally positive for the United States. Consumer confidence and new home sales data proved to be surprisingly good, but this did not fully dissipate concerns about conditions in the labour markets. Data on reported earnings also had a generally positive impact on developments in US equity markets over the period under review.

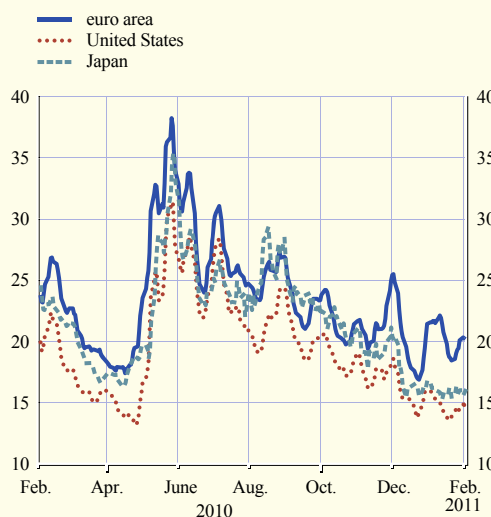
In both the euro area and the United States, the level of stock market uncertainty, as measured by implied volatility, remained broadly unchanged over the review period (see Chart 21). Intra-month movements in volatility were associated with market expectations on possible changes to the size and scope of the European Financial Stability Facility.

Stock price indices in the euro area increased across all sectors in January. Euro area financial stock prices rose strongly by 13.1%, primarily as a result of some easing of tensions in most euro area sovereign debt markets in the wake of successful sovereign debt auctions and a slightly more positive attitude towards risk. Euro area non-financial stock prices increased by 3.0% in the same period, and thus continued the upward trend that had started in mid-2010. Developments in stock market prices were positive across all euro area countries in January, and especially so in countries where sovereign debt tensions had recently been high. Developments in US stock prices were also positive across all sectors. In contrast to developments in the euro area, US financial sector stock prices performed less well over this period.

Developments in both actual and expected earnings provided a generally favourable picture of the profitability of listed companies in the euro area. Furthermore, earnings announcements were mainly better than expected. The growth of actual annual earnings per share of the companies listed on the Dow Jones EURO STOXX index amounted to 38% in January 2011, after 37% in December 2010. Earnings-per-share growth 12 months ahead is likewise forecast to be relatively strong at 15%. At the sectoral level, the year-on-year growth of earnings per share in the financial sector was 33% in January, compared with 31% in December, while that in the industrial sector was 32% in January, after 29% in December.

Chart 21 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.

Box 4

**INTEGRATED EURO AREA ACCOUNTS FOR THE THIRD QUARTER OF 2010<sup>1</sup>**

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 released on 28 January 2011, covering data up to the third quarter of 2010, show further signs of normalisation in the euro area as the recovery proceeds. The growth of households' disposable income was driven mainly by the primary distribution of value added, while the contribution of government redistribution via net transfers and direct taxes was negative. The savings ratio of households decreased further, while their net worth continued to grow in annual terms (on the back of increasing prices of both financial and non-financial assets). Non-financial corporations (NFCs) continued to move further towards a net borrowing position, after a period marked by an unusual net lending position. Real flows remained broadly subdued (households' income decreased in real terms), while agents continued to adjust their balance sheets, in particular in the NFC sector. Patterns of disintermediation in favour of market instruments were still evident across sectors, while risk appetite rebounded as the sovereign debt tensions eased somewhat.

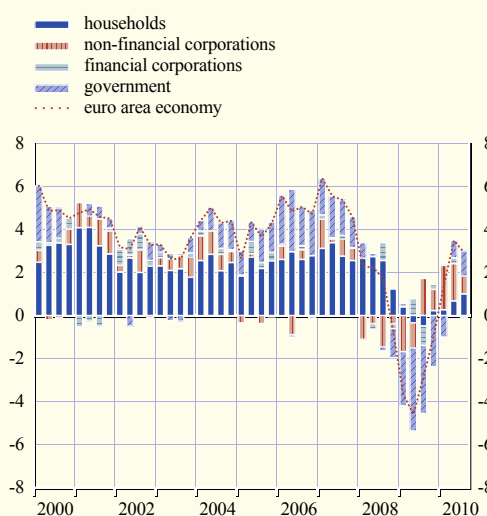
**Euro area income and net lending/net borrowing**

The annual growth rate of nominal disposable income in the euro area slowed down slightly in the third quarter of 2010, to 2.9% (after 3.5% in the previous quarter – see Chart A). This growth benefited all sectors in the economy except for financial institutions whose income decreased. NFCs' income growth was again robust at 6.9%, albeit less than in the second quarter of 2010, as the growth of value added slowed down, tax expenses increased and the distribution of profits accelerated. Government income growth picked up once more, as taxes on production and imports rose markedly. Households' income growth accelerated as well, via an increase in both dividend income and, to a lesser extent, compensation of employees, while direct taxes put a damper on income growth for the first time in two years. Households' real income remained subdued and continued to contract as consumer price inflation picked up.

For the second consecutive quarter, the expansion in income translated into an increase in gross saving in the euro area, reflecting – in particular – less negative government savings and a continuing growth in NFCs' retained earnings in the context of a persistent building

**Chart A Euro area gross disposable income and sectoral contributions**

(annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB.

<sup>1</sup> Detailed data can be found on the ECB's website at <http://sdw.ecb.europa.eu>.

up of liquidity buffers. In spite of the increase in households' income, their savings again fell as consumption continued to grow in real terms, thereby outgrowing income. The household savings ratio decreased to 13.8%, seasonally adjusted, approaching pre-crisis levels.

Gross fixed capital formation picked up further to a year-on-year growth rate of 1.7%, as growth for both households and financial institutions turned positive for the first time in several quarters. At the same time, given that the pace of NFCs' cutting back of inventories decreased, total capital formation increased by 7.2% in comparison with the same quarter of last year.

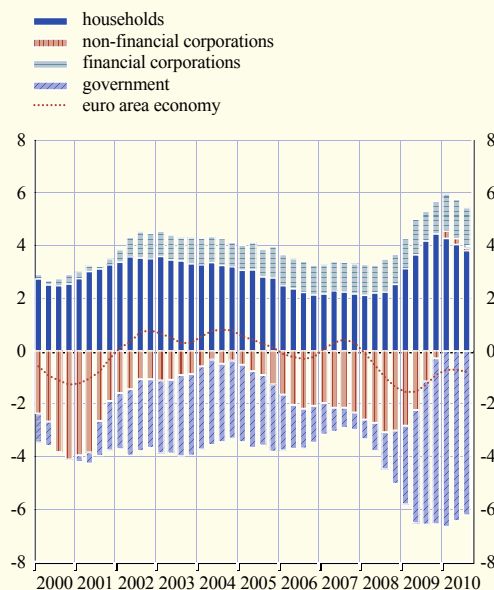
The euro area's current account deficit increased for the first time in a year and a half (to 0.8% of GDP, calculated as four-quarter moving sums – see Chart B), since capital formation outgrew savings. The increase in the deficit was driven mainly by the continuing decline in the household savings rate, while it was mitigated by the improving government accounts. NFCs maintained their unusual net lending position (albeit at a lower level than in previous quarters), i.e. they continued, on balance, to provide financing to other sectors. As in previous quarters, the funding of the current account deficit continued to be dominated by net inflows in debt securities (on a four quarter sum basis), although non-residents' purchases of euro area debt securities came to an abrupt stop in the third quarter.

### Behaviour of institutional sectors

The year-on-year growth of households' nominal gross disposable income increased to 1.5% (after 0.9% in the previous quarter) on account of higher net property income, in particular rising dividend payments (see Chart C). While compensation of employees remained the largest contributor to year-on-year income growth, it contributed only marginally to the additional growth. The effects of the automatic fiscal stabilisers

**Chart B Euro area net lending/net borrowing**

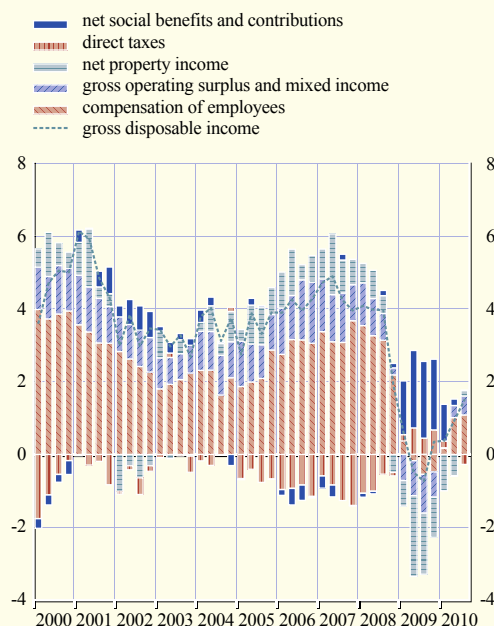
(percentages of GDP; four-quarter moving sum)



Sources: Eurostat and ECB.

**Chart C Households' nominal gross disposable income**

(annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB.

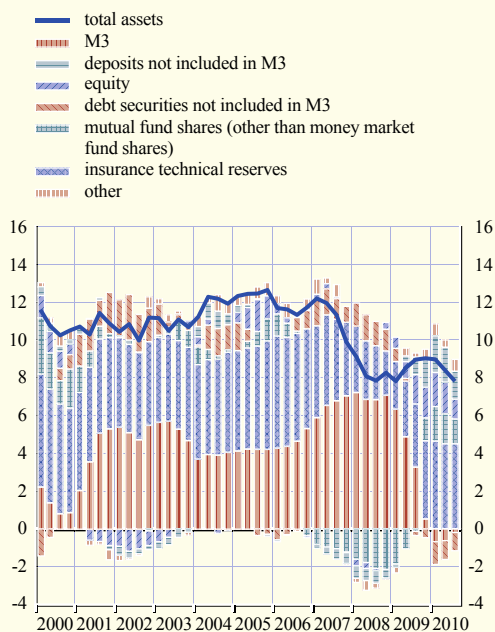
reversed, as direct taxes made a negative contribution for the first time since 2008 and the growth of income from government transfers came to a halt. Thus, income growth originated directly from entrepreneurial activities (mainly dividend payments).

As in the previous quarter, the still subdued increase in households' nominal income was smaller than the increase in consumer prices, leading to a further contraction of real income. Similarly, a more robust growth of consumption (2.8%) and the recovery in non-financial investment (with the second successive quarter of positive annual growth after two years of decline) led to a further drop in their net lending position, which is now approaching pre-crisis levels. This was reflected in a continued expansion of loan financing and a decline in financial investment measured as a percentage of gross disposable income (by 0.6 percentage points – see Chart D), pointing to some portfolio shift back towards housing equity. Overall, the sizeable portfolio reallocations towards non-monetary assets, which have been recorded since the end of 2008, continued – albeit at a slower pace – with insurance technical reserves accounting for more than half the financial investment.

The year-on-year growth in the operating surplus of NFCs moderated to 4.7% in the third quarter of 2010 down from 8.3% in the second quarter, owing mainly to increased tax payments. At the same time, non-interest property income paid (mainly dividend payments) increased for the first time since 2008. The still strong increase in non-financial investment (fuelled by fixed capital formation, which grew for the second quarter in a row to stand at 2.9%, after having declined continuously in previous quarters), resulted in an ongoing trend towards a return to a net borrowing position, although four-quarter moving sums still show a net lending position (see Chart E). In this context, external financing

Chart D Households' financial investment

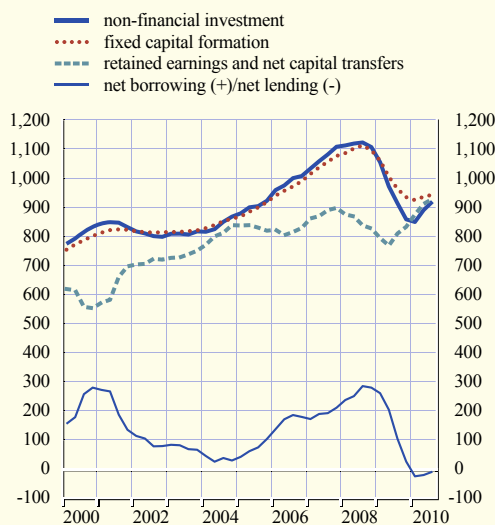
(four-quarter moving sums; percentages of gross disposable income)



Sources: Eurostat and ECB.

Chart E NFCs' saving, non-financial investment (including fixed capital formation) and net borrowing

(four-quarter moving sums; EUR billions)



Sources: Eurostat and ECB.

(total financial liabilities) continued to pick up, growing at 2.1%, year on year, in the third quarter of 2010, after having rebounded from two years of continued decline at the beginning of the year. Substitution effects were still being observed, as market financing (debt securities and quoted shares) balanced net redemptions of MFI loans (see chart F).

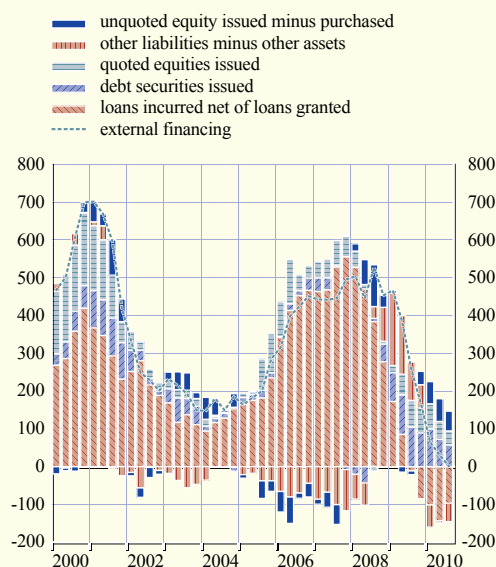
The leverage ratios, although still at historically high levels, continued along the path of decline from the peaks reached at the beginning of 2009: the debt-to-assets ratio of NFCs dropped to 26.1% in the third quarter of 2010. With respect to the associated cash-flow vulnerability, the ratio of net interest payments to gross value-added declined further to 2.4%. This downwards dynamic was extended to the debt-to-gross value-added ratio, which declined for the second successive quarter.

The general government sectors' net borrowing decreased to 6.2% of GDP (four-quarter moving sum), down from 6.5% of GDP in the previous quarter. Developments in the second and third quarters of 2010 indicate a reversal of the negative trend that began in the first quarter of 2008, when net borrowing by the general government had only amounted to 0.7% of GDP. This improvement reflects slightly lower gross government investment (2.6% of GDP, down from 2.7% of GDP in the previous quarter) and lower gross dissavings, which fell from 3.8% of GDP in the second quarter to 3.6% of GDP in the third. Euro area general government gross disposable income rose by 6.5% on an annual basis, up from 4.0% in the previous quarter. Taxes on production and imports were the main contributors to this increase. These developments reflected mainly the operation of automatic stabilisers in a modestly recovering economy. The annual growth rate of financial investment increased moderately to 0.7% (four-quarter moving sum), following the contraction recorded in the first and second quarters (by 1.5% and 0.5% respectively). That points to a certain degree of normalisation after financial investment reached a historical high in the context of support measures for the financial sector in the first quarter of 2009.

The gross entrepreneurial income of financial institutions grew robustly in the third quarter (3.3%, year on year) as the institutions continued to benefit from the still steep yield curve. The annual growth rate of financial investment (transactions over stocks) increased by 0.4 percentage points to 2.9%, mainly on account of a recovery in MFI loans granted (in particular to non-financial corporations, although the annual growth rates were still negative), reflecting a progressive return towards a more traditional bank business model. Similarly, the increase in liabilities (2.6%) was mainly due to increasing financing through deposits. Moreover, financing through liabilities of institutional investors (insurance technical reserves of insurance corporations and

Chart F NFCs' external financing by source of funds

(four-quarter moving sums; EUR billions)



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

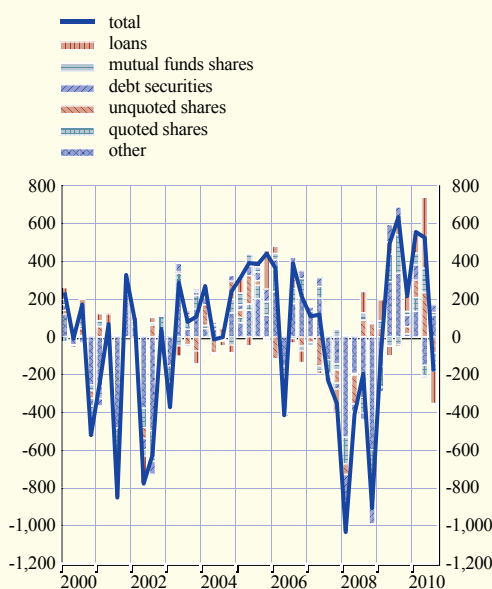
pension funds (ICPFs) and mutual fund shares issued by other financial intermediaries (OFIs)) continued to be the main contributor to total financing, although its share decreased slightly. All in all, the disintermediation trend that favours financing outside the bank channel continues to be apparent.

### Financial markets

Net issuance of government debt securities, which dominates the bond market, was less dynamic in the third quarter. NFCs moderated their issuance as well (while continuing to sell some of their debt securities held). The rest of the world turned into a net seller of debt securities as non-residents discontinued their formerly large purchases. Households began to sell such securities again. Insurers stepped up their purchases and MFIs remained net buyers as well, although this was due primarily to their continued redemptions of liabilities. OFIs returned to being net buyers, a position reflecting a balance between purchases by mutual funds and operations such as issuance through special-purpose vehicles (for instance, in the context of ad hoc securitisation).

Chart G Holding gains and losses on financial corporations' assets

(quarterly flow; EUR billions)

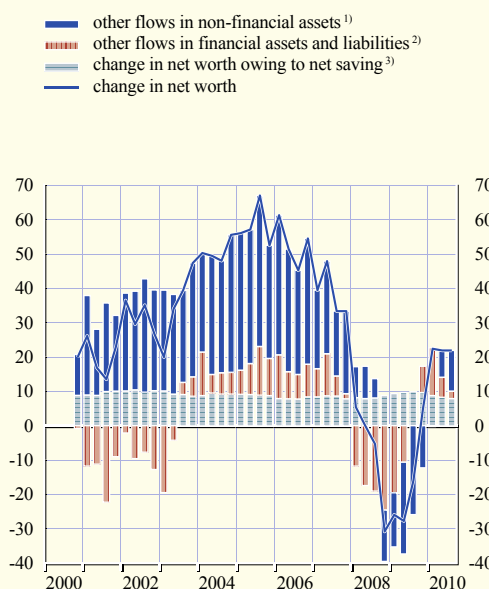


Sources: Eurostat and ECB.

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 that are due 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.

1) Mainly holding gains and losses on real estate and land.  
2) Mainly holding gains and losses on shares and other equity.  
3) This item comprises net saving, net capital transfers received and the discrepancy between the non-financial and the financial accounts.

### Balance sheet dynamics

The portfolios of debt securities held by financial institutions had increased sharply in value in the second quarter of 2010, on account of the high weight of safe-haven securities that benefited from flight-to-quality flows in the context of the sovereign debt crisis. This was partially reversed in the third quarter, as tensions eased (Chart G). Equity increased in value on the back of the stock market rally in that quarter.

In the third quarter of 2010, the annual change in households' net worth was broadly unchanged at 21.9% of their annual income. Aside from the positive influence of net saving (7.9% of income), households benefited from holding gains (14.1% of their income) on equity values, due to the aforementioned strong market rally and a rebound in housing wealth. (Chart H).



### 3 PRICES AND COSTS

According to Eurostat's flash estimate, euro area annual HICP inflation was 2.4% in January 2011, after 2.2% in December 2010. This further increase was broadly anticipated and largely reflects higher energy prices. Looking ahead to the next few months, inflation rates could temporarily increase further and are likely to stay slightly above 2% for most of 2011, before moderating again around the turn of the year. Overall, there is continued evidence of short-term upward pressure on overall inflation, mainly owing to energy and commodity prices. Such pressure is also discernible in the earlier stages of the production process. These developments have not so far affected the assessment that price developments will remain in line with price stability over the policy-relevant horizon. At the same time, very close monitoring is warranted. 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 medium-term outlook for price developments are still broadly balanced but, as already indicated in January, could move to the upside.

#### 3.1 CONSUMER PRICES

According to Eurostat's flash estimate, euro area annual HICP inflation increased to 2.4% in January 2011, from 2.2% in December 2010 (see Table 5). This increase in HICP inflation was broadly anticipated and occurred despite a downward base effect of slightly more than 0.1 percentage point stemming from the energy and food components. In 2011 base effects are expected to influence the profile of headline HICP inflation, as illustrated in Box 5. Official estimates of the breakdown of HICP inflation in January are not yet available, but it would appear that the main driving factor behind the increase in euro area annual HICP inflation was the energy component. According to latest information from the European Commission's weekly Oil Bulletin, liquid fuel prices increased further in January 2011, albeit to a somewhat lesser extent than in December 2010.

**Table 5 Price developments**

(annual percentage changes, unless otherwise indicated)

	2009	2010	2010 Aug.	2010 Sep.	2010 Oct.	2010 Nov.	2010 Dec.	2011 Jan.
<b>HICP and its components</b>								
Overall index <sup>1)</sup>	0.3	1.6	1.6	1.8	1.9	1.9	2.2	2.4
Energy	-8.1	7.4	6.1	7.7	8.5	7.9	11.0	.
Unprocessed food	0.2	1.2	2.4	2.5	2.4	2.7	3.2	.
Processed food	1.1	0.9	1.0	1.0	1.2	1.3	1.5	.
Non-energy industrial goods	0.6	0.4	0.4	0.6	0.7	0.8	0.7	.
Services	2.0	1.4	1.4	1.4	1.4	1.3	1.3	.
<b>Other price indicators</b>								
Industrial producer prices	-5.1	2.9	3.6	4.3	4.4	4.5	5.3	.
Oil prices (EUR per barrel)	44.6	60.7	59.9	59.8	60.2	63.1	69.6	72.6
Non-energy commodity prices	-18.5	44.7	47.6	54.7	47.5	48.6	49.6	45.7

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

Note: Data on industrial producer prices refer to the Euro 17.

1) HICP inflation in January 2011 refers to Eurostat's flash estimate.

## RECENT AND PROSPECTIVE MOVEMENTS IN HICP INFLATION: THE ROLE OF BASE EFFECTS

In the course of 2010 there were strong upward movements in energy and food prices, which had a significant impact on the profile of HICP inflation. This box illustrates the extent to which these developments, owing to so-called base effects, will affect the path of the annual inflation rate during 2011.

### Definition

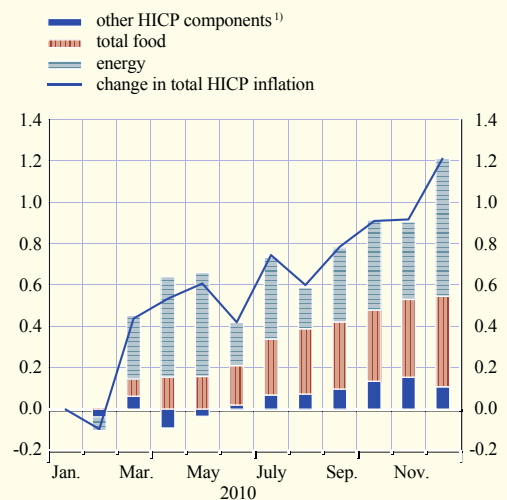
When assessing changes in annual inflation rates, it is important to understand the extent to which they reflect current price developments (i.e. actual “news” from one month to the next), as well as the extent to which they reflect index movements that took place 12 months earlier through so-called base effects. Base effects occur when variations in the annual growth rate of the HICP are attributable to an atypical movement in the index in the base period.<sup>1</sup> They tend to be particularly influential during periods when inflation volatility 12 months earlier was high, for instance as a result of sharp movements in commodity prices.

Although the concept is intuitive, identifying and estimating base effects is not straightforward in practice. Defining a base effect as stemming from atypical influences affecting the price index 12 months earlier involves calculating the deviation of the month-on-month rate of change in the base period from its usual pattern. However, there is normally no commonly agreed way of identifying such atypical influences on inflation. For the purposes of this box, the usual pattern of month-on-month changes in the HICP is computed for each month by adding an estimated seasonal effect to the average month-on-month change observed since January 1995.

Looking at the recent past, annual HICP inflation in the euro area increased steadily in the course of 2010, from 1.0% in January to 2.2% in December. This increase of 1.2 percentage points was due almost entirely to developments in the food and energy components of the HICP, with the contribution from the other components being relatively muted (see Chart A). In turn, the increase in the inflation rate of the energy and food components was due, at least in part, to upward base effects stemming from the past volatility

Chart A Contributions to the change in annual HICP inflation since January 2010

(percentage points)



Sources: Eurostat and ECB calculations.

1) Includes services and non-energy industrial goods.

<sup>1</sup> Technically, a base effect can be defined as the contribution to the change in the year-on-year inflation rate in a particular month that stems from a deviation of the month-on-month rate of change in the base month (i.e. the same month one year earlier) from its usual pattern, taking into account seasonal fluctuations. For further details, see the box entitled “Accounting for recent and prospective movements in HICP inflation: the role of base effects”, *Monthly Bulletin*, ECB, December 2008.

in commodity prices.<sup>2</sup> However, the rise in HICP inflation also reflected actual developments in 2010, in particular the pass-through of the increases in crude oil prices recorded in international markets in the course of the year, the depreciation of the euro in the first half of the year and the impact of the more recent increases in non-oil commodity prices in global markets. Furthermore, with regard to food prices, the sharp increases towards the end of 2010 also reflected higher prices for unprocessed food items, such as meat and vegetables, which were related to weather effects. Hikes in indirect taxes also pushed up inflation temporarily in some countries.

### Impact of base effects on the profile of HICP inflation in 2011

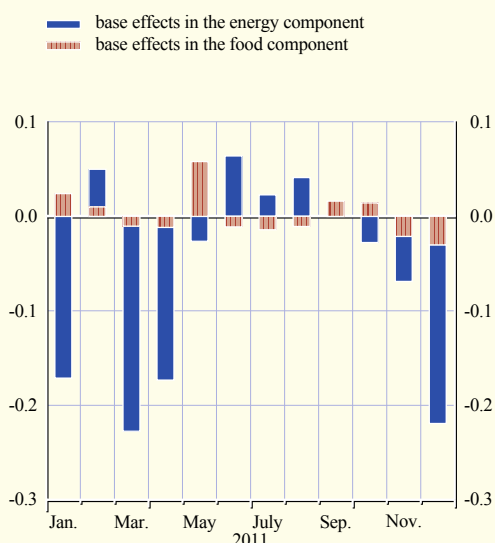
In 2011 base effects are expected to have a strong influence on the profile of headline inflation. Chart B shows the expected contributions of base effects in the energy and food components to the monthly changes in the annual inflation rate in the 12 months to December 2011. Notably, it shows that the contributions of base effects stemming from developments in energy prices are estimated to be mostly negative and to become particularly large in the spring and in December, as the sharp monthly increases in energy prices recorded a year earlier drop out of the annual comparison. At the same time, the contributions of base effects stemming from developments in food prices are estimated to be more volatile throughout 2011, but to remain generally small and never to exceed 0.1 percentage point.

Chart C cumulates the contribution of base effects to annual changes in the HICP over the next 12 months, starting from December 2010. It shows that the base effects in the energy and food components are projected to have a cumulated downward impact on annual HICP inflation of

2 For more details, see the box entitled “Base effects and their impact on HICP inflation in 2010”, *Monthly Bulletin*, ECB, January 2010.

**Chart B Contribution of base effects in the energy and food components to the monthly change in annual HICP inflation in 2011**

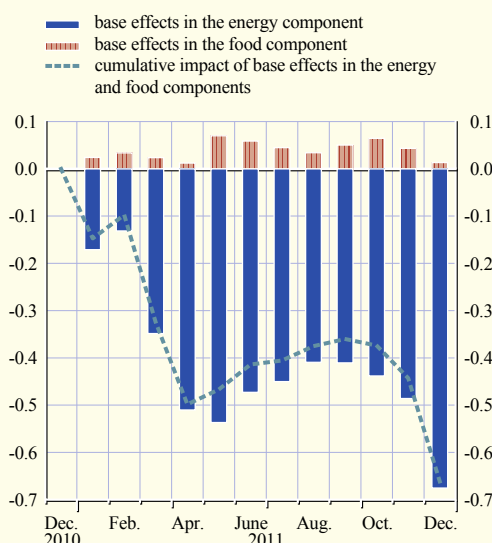
(percentage points)



Sources: Eurostat and ECB calculations.

**Chart C Cumulative impact of base effects in the energy and food components in 2011**

(percentage points)



Sources: Eurostat and ECB calculations.

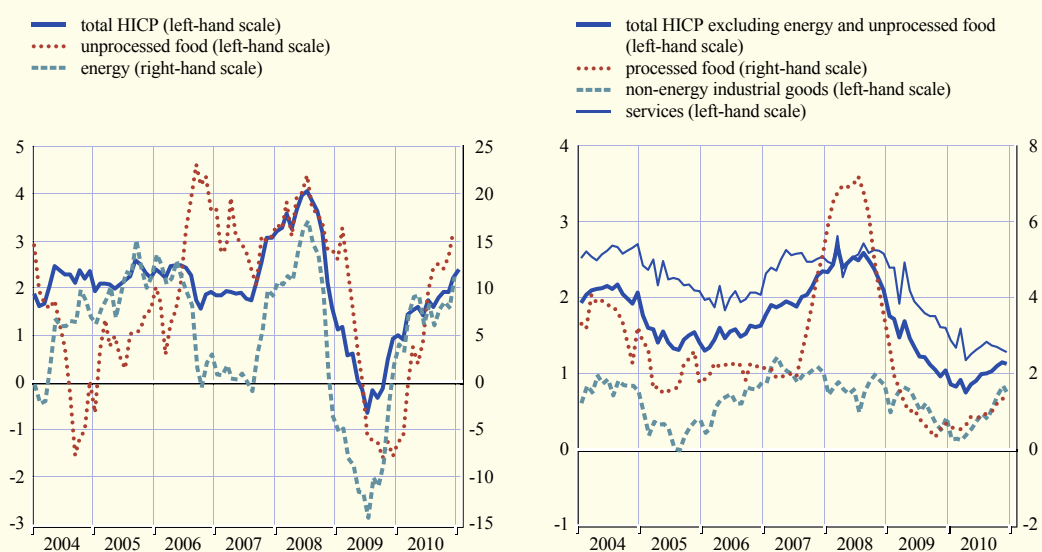
around 0.7 percentage point from January to December 2011. This impact is expected to stem mainly from base effects in the energy component, with the relevance of the base effects in the food component remaining generally modest over the year.

Overall, downward base effects stemming from changes in energy prices are likely to contribute to shaping the outlook for developments in annual HICP inflation over the coming months. However, future inflation developments are uncertain and cannot be assessed mechanically on the basis of base effects alone. The profile of the annual growth rate of the HICP will depend on the impact of changes in economic fundamentals, such as the strength of consumer demand and labour cost growth, developments in indirect taxes and administered prices, as well as future developments in commodity prices and how these are passed on to euro area consumers. Should the pace of the euro area recovery become faster than currently envisaged and should commodity prices continue to rise in the course of 2011, inflationary pressures may become stronger. However, the emergence of stronger inflationary pressures in the course of 2011 may be masked, at least initially, by the downward impact of the projected base effects on annual inflation rates.

In December 2010, the last month for which an official breakdown is available, the annual growth rate of overall HICP inflation stood at 2.2%, up from 1.9% in November (see Chart 22). This increase reflected higher annual rates of change in the energy and food components and a slightly lower inflation rate in the non-energy industrial goods component, while services price inflation remained unchanged. On a month-on-month seasonally adjusted basis, headline HICP inflation increased at a rate of 0.3% in December, which was slightly higher than in the previous month.

**Chart 22 Breakdown of HICP inflation: main components**

(annual percentage changes; monthly data)



Source: Eurostat.  
Note: Data refer to the Euro 17.

The annual rate of change in energy prices surged to 11.0% in December 2010 – its highest level since October 2008 – on account of higher prices in annual terms for nearly all items, in particular liquid fuels, and fuels and lubricants for transportation. The rise in energy price inflation was attributable to both an upward base effect and a month-on-month increase in energy prices, which was brought about by the recent hike in oil prices in euro on the back of higher oil prices in US dollars, as well as the weakening of the euro against the US dollar.

With regard to unprocessed food prices, the annual rate of change climbed further to 3.2%, mainly on account of higher prices for vegetables. The year-on-year change in the prices of processed food also rose further, to 1.5%, largely owing to higher prices for bread and cereals, as well as milk, cheese and eggs. However, despite this rise, it appears that the pass-through of the higher food commodity prices to the consumer level has so far been limited. Tobacco prices went up both on a month-on-month basis and in annual terms.

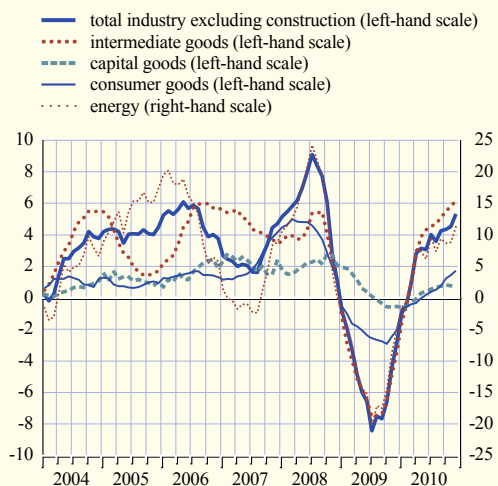
Excluding all food and energy items, which represent around 30% of the HICP basket, annual HICP inflation stood at 1.1% in December 2010, unchanged from the previous two months. Of the two components of HICP inflation excluding food and energy, non-energy industrial goods price inflation recorded a small decrease to 0.7%, owing, inter alia, to lower annual rates of change in the prices of garments and footwear as a result of seasonal discounts. Services price inflation was unchanged at 1.3% and thus remained in the range of 1.3% to 1.4% observed for most of 2010.

### 3.2 INDUSTRIAL PRODUCER PRICES

Industrial producer price inflation (excluding construction) rose from 4.5% in November to 5.3% in December 2010, marginally exceeding market expectations. This increase was due largely to the energy component, despite a downward base effect. Excluding energy, producer price inflation increased by 0.3 percentage point, to 3.3%, as a result of upward movements in the intermediate and consumer goods components stemming from higher commodity prices. In particular, the rate of change in producer prices for consumer goods rose to 1.7% – the highest rate since November 2008 – on account of non-durables. The increase in non-durables inflation was driven by producer prices for food items. The annual rate of change in this component increased further to 4.9% in December 2010, from 4.2% in November, owing to a surge in food commodity prices. However, despite the recent strong rises in producer prices for food items, these developments have been moderate compared with those recorded in 2007 and still suggest a limited pass-through of higher food commodity prices to producer prices for food items. The annual rate of change in producer prices for consumer goods, excluding food and tobacco, remained unchanged at 0.0% for the third month

Chart 23 Breakdown of industrial producer prices

(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.  
Note: Data refer to the Euro 17.

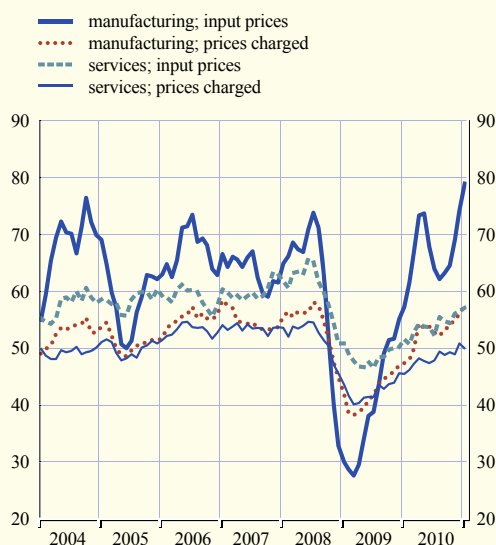
in a row, signalling low pipeline pressures for underlying consumer price inflation.

Survey indicators up to January continue to signal increasing price pressures in the product chain (see Chart 24). The Purchasing Managers' Index for January 2011 indicates rising prices both in the manufacturing and the services sectors, with the exception of selling prices in the services sector, which fell below their historical average of 50. In the same month, the input price index for the manufacturing sector reached a new historical peak of 79.2, while that for the services sector stood at 57.2, up from 56.6 in the previous month. These increases reflect the recent sharp rises in commodity prices. The selling price index rose further in the manufacturing sector, but dropped to 49.9 in the services sector (after increasing to 50.8 in December 2010). This decrease to below the theoretical no-change mark of 50 indicates that the majority of services companies are still reporting falling prices and are therefore unable to pass on increases in input

costs to customers. Nevertheless, at the start of 2011 both the composite input and output indices stood either at or above their historical average for the sixth month in a row.

**Chart 24 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

Developments in labour cost indicators for the third quarter of 2010 remained contained. Preliminary information on negotiated wages for the first two months of the fourth quarter suggests that the pattern of moderate wage growth continued in that quarter, in line with the persistently weak labour market conditions.

The annual rate of growth in euro area negotiated wages slowed to 1.4% in the third quarter of 2010, its lowest level since the start of the series in 1991 (see Table 6 and Chart 26).

**Table 6 Labour cost indicators**

(annual percentage changes, unless otherwise indicated)

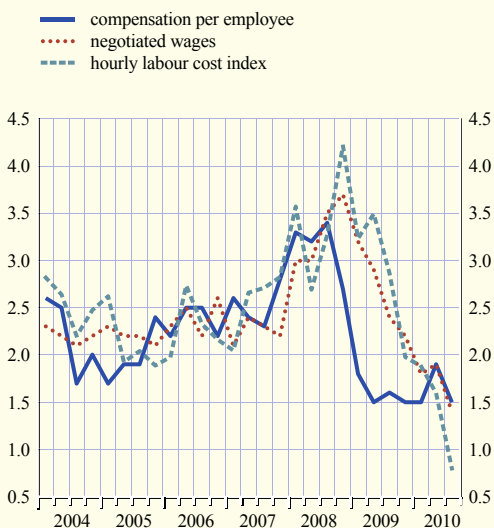
	2008	2009	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3
Negotiated wages	3.3	2.7	2.4	2.2	1.8	1.9	1.4
Hourly labour cost index	3.4	2.9	2.9	2.0	1.9	1.6	0.8
Compensation per employee	3.2	1.6	1.6	1.5	1.5	1.9	1.5
<i>Memo items:</i>							
Labour productivity	-0.3	-2.3	-1.8	0.1	2.1	2.6	2.1
Unit labour costs	3.5	3.9	3.5	1.4	-0.5	-0.6	-0.5

Sources: Eurostat, national data and ECB calculations.

Note: Data refer to the Euro 17.

Chart 25 Selected labour cost indicators

(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.  
Note: Data refer to the Euro 17.

Annual hourly labour cost growth in the euro area dropped from 1.6% in the second quarter to 0.8% in the third quarter of 2010. This is also the lowest level observed since the start of the series in 2001.

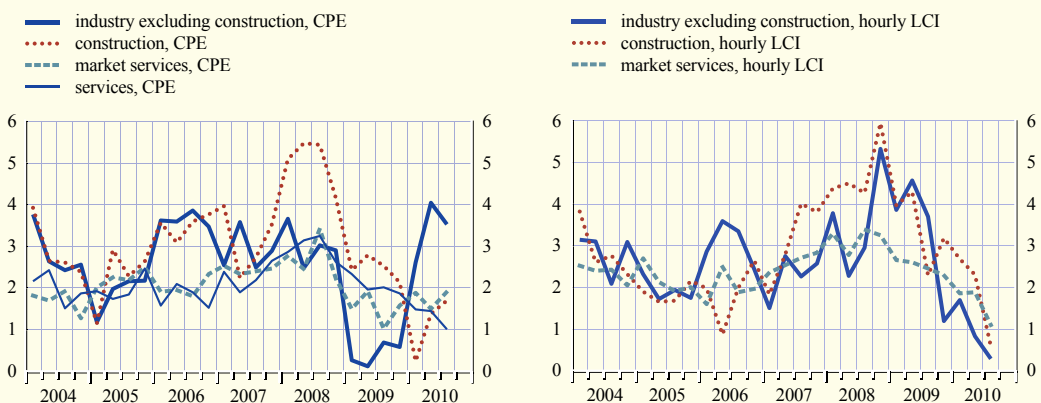
With regard to sectoral developments, the deceleration in hourly labour cost growth was broadly based across sectors, the strongest decline being observed in the construction sector. In the industrial and market services sectors, hourly labour cost growth also grew at a somewhat slower pace than in the previous quarter. Overall, it would appear that non-wage costs continued to grow at a faster pace than the wages and salaries component of compensation per employee.

The annual growth rate of compensation per employee fell to 1.5% in the third quarter of 2010, from 1.9% in the second quarter. This decrease was due to a decline in growth in compensation per hour, as well as in growth

in hours worked per employee. These developments were observed in most euro area countries. At the same time, labour productivity per person employed, which had picked up again in the first quarter of 2010, continued to display robust growth in the third quarter of 2010. The annual growth rate of 2.1% exceeded that of compensation per employee, resulting in a year-on-year decrease in unit labour cost growth (-0.5%) for the third consecutive quarter.

Chart 26 Sectoral labour cost developments

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.  
Note: Data refer to the Euro 17. CPE stands for “compensation per employee” and LCI stands for “labour cost index”.



### 3.4 THE OUTLOOK FOR INFLATION

Looking ahead to the next few months, inflation rates could temporarily increase further and are likely to stay slightly above 2% for most of 2011, before moderating again around the turn of the year. Overall, there is continued evidence of short-term upward pressure on overall inflation, mainly owing to energy and commodity prices. Such pressure is also discernible in the earlier stages of the production process. These developments have not so far affected the assessment that price developments will remain in line with price stability over the policy-relevant horizon. At the same time, very close monitoring is warranted. 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 (see Box 6) shows that, compared with the previous round, forecasters have revised upwards their outlook for inflation in 2011 and 2012, with inflation expectations being within the ranges reported in the December 2010 Eurosystem staff macroeconomic projections for the euro area. Longer-term inflation expectations (for 2015) have been revised marginally upwards to 2.0%.

Risks to the medium-term outlook for price developments are still broadly balanced but, as already indicated in January, could move to the upside. Currently, upside risks relate, in particular, to developments in energy and non-energy commodity prices. Furthermore, increases in indirect taxes and administered prices may be greater than currently expected, owing to the need for fiscal consolidation in the coming years, and price pressures in the production chain could rise further. On the downside, risks relate mainly to the impact on inflation of potentially lower growth, given the prevailing uncertainties.

#### Box 6

#### RESULTS OF THE ECB SURVEY OF PROFESSIONAL FORECASTERS FOR THE FIRST QUARTER OF 2011

This box reports the results of the ECB Survey of Professional Forecasters (SPF) for the first quarter of 2011. The survey was conducted between 14 and 18 January 2011. There were 56 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.<sup>1</sup>

#### Inflation expectations for 2011 and 2012

Inflation is expected to be at 1.9% in 2011 and 1.8% in 2012. Compared with the previous SPF round, forecasters have revised upwards their inflation expectations by 0.4 percentage point for 2011 and by 0.2 percentage point for 2012 (see the table).<sup>2</sup> According to respondents' comments, the upward revisions compared with the previous SPF round are due almost entirely to higher oil and other commodity prices, which, however, are expected to have only a temporary impact on inflation,

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](http://www.ecb.europa.eu/stats/prices/indic/forecast/html/index.en.html)

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

(annual percentage changes, unless otherwise indicated)

HICP inflation	Survey horizon				
	2011	December 2011	2012	December 2012	Longer-term <sup>2)</sup>
SPF Q1 2011	1.9	1.8	1.8	1.8	2.0
<i>Previous SPF (Q4 2010)</i>	1.5	-	1.6	-	1.9
Eurosystem staff macroeconomic projections	1.3-2.3		0.7-2.3	-	-
Consensus Economics (January 2011)	1.8	-	1.7	-	2.0
Euro Zone Barometer (January 2011)	1.7	-	1.7	-	2.0
Real GDP growth	2011	Q3 2011	2012	Q3 2012	Longer-term <sup>2)</sup>
SPF Q1 2011	1.6	1.4	1.7	1.8	1.9
<i>Previous SPF (Q4 2010)</i>	1.5	-	1.7	-	1.8
Eurosystem staff macroeconomic projections	0.7-2.1	-	0.6-2.8	-	-
Consensus Economics (January 2011)	1.5	1.3	1.6	-	1.7
Euro Zone Barometer (January 2011)	1.5	1.3	1.6	1.7	1.9
Unemployment rate <sup>1)</sup>	2011	November 2011	2012	November 2012	Longer-term <sup>2)</sup>
SPF Q1 2011	9.9	9.9	9.6	9.5	8.3
<i>Previous SPF (Q4 2010)</i>	10.0	-	9.6	-	8.3
Consensus Economics (January 2011)	9.9	-	9.6	-	-
Euro Zone Barometer (January 2011)	9.9	-	9.6	-	8.6

1) As a percentage of the labour force.

2) Longer-term expectations refer to 2015 in the Survey of Professional Forecasters, Consensus Economics and the Euro Zone Barometer.

as commodity prices are expected to stabilise in the course of 2011. Moreover, the temporarily higher input prices are expected to be passed on only partly to households, owing to the ongoing weakness in consumer demand.

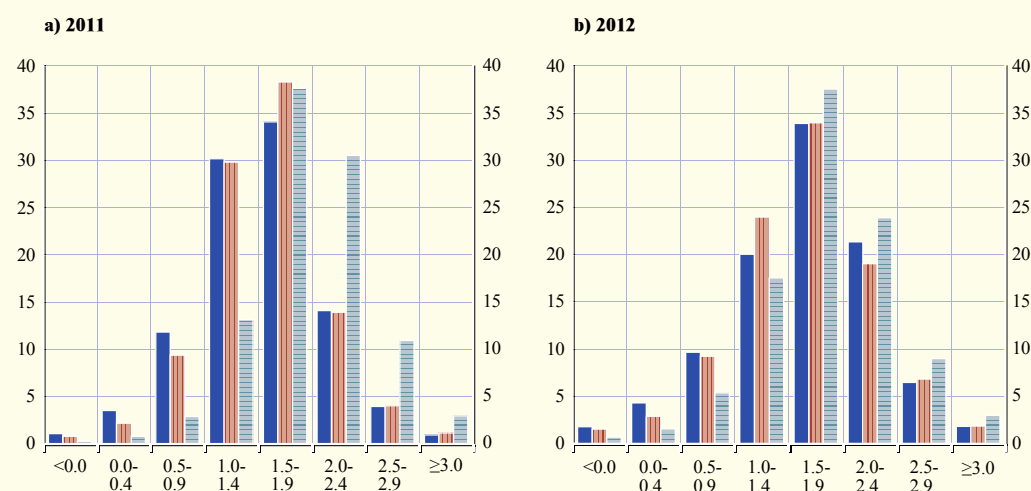
These expectations are within the ranges reported in the December 2010 Eurosystem staff macroeconomic projections for the euro area. Compared with the forecasts published in the January 2011 issues of Consensus Economics and the Euro Zone Barometer, the SPF inflation expectations are slightly higher for both years.

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 2011 shifted towards higher outcomes. The respondents still assigned the highest probability (38%) to the range between 1.5% and 1.9%, and a 31% probability to the range between 2.0% to 2.4%. The probability distribution for 2012 also shifted to higher outcomes compared with the previous SPF round (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 both 2011 and 2012. According to the participants, the key upside risks to the inflation outlook are mainly: i) instability in commodity markets, which could possibly trigger higher commodity prices and subsequently a price-wage spiral; ii) increases in levies, taxes and administered prices resulting from fiscal consolidation plans; and iii) excess liquidity in international financial markets. The main downside risks to the inflation outlook are perceived to be: i) low wage pressures owing to persistently high unemployment rates; ii) relatively modest activity and ample spare capacity; and iii) a stronger euro, which would lead to lower import prices.

**Chart A Probability distribution for average annual inflation in 2011 and 2012 in the latest SPF rounds<sup>1)</sup>**

(probability in percentages)

■ Q3 2010 SPF  
■ Q4 2010 SPF  
■ Q1 2011 SPF



Source: ECB.

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

### Indicators of longer-term inflation expectations

Longer-term inflation expectations (for 2015) have been revised slightly upwards, on average to 2.0% (1.95% to two decimal places) from 1.9% (1.90% to two decimal places) in the previous SPF round. The median of the point forecasts, which is less affected by extreme values than the average point forecast, also increased from 1.9% to 2.0%. The distribution of point estimates is concentrated in the range between 1.8% and 2.0%, with a point forecast of 2.0% being reported most frequently. The average point forecast is in line with the longer-term inflation expectations provided in the October 2010 issue of Consensus Economics and with those published in the January 2011 issue of the Euro Zone Barometer (both for 2015). Finally, the probability assigned to longer-term inflation standing at 2% or above increased to 48%, after 45% in the previous SPF round.

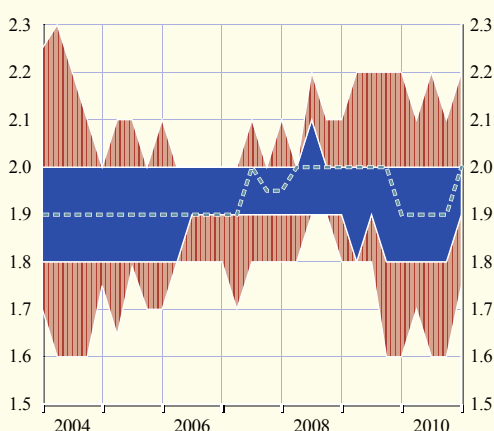
The disagreement among forecasters in their longer-term inflation expectations, as measured by the standard deviation of their point forecasts, has fallen slightly, but remains at a relatively high level. The spread between the 25th percentile (1.9%) and the 75th percentile (2.0%) has narrowed for the first time since the third quarter of 2009, while the spread between the 10th and the 90th percentiles remains wider than the relatively narrow spread observed between 2005 and 2008 (see Chart B). Aggregate uncertainty surrounding longer-term inflation expectations, as measured by the standard deviation of the aggregate probability distribution, has declined from the record high observed in the previous SPF round.<sup>3</sup>

<sup>3</sup> For a discussion regarding uncertainty measures, see the box entitled “Measuring perceptions of macroeconomic uncertainty”, *Monthly Bulletin*, ECB, January 2010.

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

(annual percentage changes)

- range between 25th and 75th percentiles
- range between 10th and 90th percentiles
- median of the point forecasts



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)

- SPF (for 2015)
- ▲ Consensus Economics (for 2015)
- Euro Zone Barometer (for 2015)
- implied five-year forward break-even inflation rate five years ahead, seasonally adjusted



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

The expectations of professional forecasters compiled in this survey can be compared with measures of inflation expectations derived from financial markets. The latter fell significantly in the course of 2010, but have rebounded again since December, albeit remaining at levels consistent with price stability. In fact, 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, owing not only 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).<sup>4</sup> For these reasons, the volatility observed in these measures should not be interpreted mechanically as reflecting revisions in market participants' long-term inflation expectations.<sup>5</sup>

### Real GDP growth expectations

The SPF respondents now expect euro area real GDP to grow by 1.6% in 2011. This represents an upward revision (of 0.1 percentage point) to their growth assessment for 2011 in the previous SPF round. Growth expectations for 2012 remain unchanged at 1.7% (see the table).

The SPF growth expectations for 2011 and 2012 are within the ranges reported in the December 2010 Eurosystem staff macroeconomic projections for the euro area and slightly above the latest Consensus Economics and Euro Zone Barometer forecasts for 2011 and 2012.

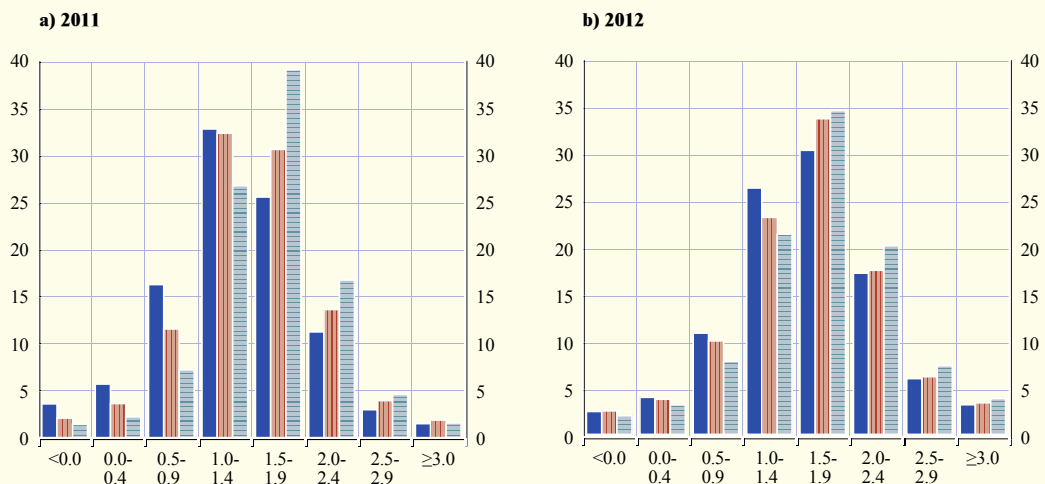
<sup>4</sup> See also the article entitled "Measures of inflation expectations in the euro area", *Monthly Bulletin*, ECB, July 2006 and the article entitled "Inflation expectations in the euro area: a review of recent developments" in this issue of the *Monthly Bulletin*.

<sup>5</sup> 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*.

**Chart D Probability distribution for average annual real GDP growth in 2011 and 2012 in the latest SPF rounds<sup>1)</sup>**

(probability in percentages)

■ Q3 2010 SPF  
■ Q4 2010 SPF  
■ Q1 2011 SPF



Source: ECB.

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

The aggregate probability distribution for 2011 has shifted considerably towards higher outcomes, as respondents now assign a 39% probability to outcomes between 1.5% and 1.9%, and a lower probability (27%) to the range between 1.0% and 1.4%. With regard to 2012, the aggregate probability distribution has also shifted upwards compared with the previous SPF round, albeit to a smaller extent, and is also concentrated in the range between 1.5% 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 downside for both 2011 and 2012. According to respondents' comments, the main downside risks to the growth outlook are: i) stronger adverse effects stemming from ongoing fiscal consolidation and possible additional measures; and ii) the continued deleveraging and consolidation of the financial sector. In terms of upside risks, several respondents mention a further strengthening of domestic demand, both business investment and private consumption, particularly in Germany. Finally, respondents have different views on the risks to growth in the world economy.

SPF longer-term growth expectations (for 2015) have been revised slightly upwards to 1.9%. The SPF assessment is in line with that of the Euro Zone Barometer (January 2011 issue) and 0.2 percentage point higher than that of Consensus Economics (October 2010 issue). 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 for 2011 have been revised slightly downwards by 0.1 percentage point, to 9.9%. Expectations for 2012 are unchanged at 9.6%. The balance of risks to expectations for both 2011 and 2012 is assessed to be on the upside. Longer-term unemployment rate expectations (for 2015) are unchanged at 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 around USD 91 per barrel in the first quarter of 2011 to around USD 93 per barrel in the fourth quarter; ii) average annual wage growth to be at 1.7% in 2011, rising gradually to 2.3% in 2015; iii) the euro to stand on average at USD 1.32 from the first to the third quarter of 2011 and to appreciate slightly to USD 1.33 in the fourth quarter; iv) the ECB's policy rate to remain stable at around 1.0% until the second quarter of 2011 and then to increase to 1.7% 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. Following the 0.3% quarter-on-quarter increase in euro area real GDP in the third quarter of 2010, recent economic data and information from business surveys for the fourth quarter of 2010 and the beginning of 2011 confirm the underlying positive momentum of economic activity in the euro area.

Looking ahead, euro area real GDP is expected to be supported by the continued recovery at the global level. Taking into account the relatively high level of business confidence, private sector domestic demand should increasingly contribute to growth, supported by the accommodative monetary policy stance and the measures adopted to improve the functioning of the financial system. At the same time, 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 remaining elevated.

### 4.1 REAL GDP AND DEMAND COMPONENTS

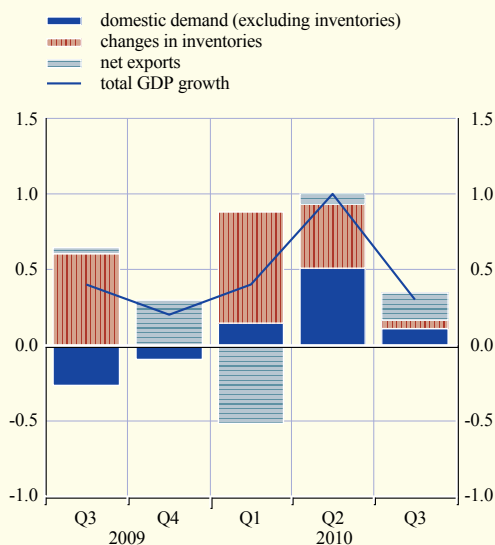
No new data on GDP growth have become available since the previous edition of the Monthly Bulletin. Euro area real GDP rose by 0.3% in the third quarter of 2010, according to Eurostat's second estimate, compared with an increase of 1.0% in the previous quarter (see Chart 27). Available indicators point to ongoing growth in the fourth quarter of 2010 and at the beginning of 2011.

Among available indicators beyond the third quarter, retail sales declined month on month in November, after zero growth in October. Taken together with retail sector survey data for December, the quarterly growth rate of retail sales in the fourth quarter could be weak (see Chart 28). According to the European Commission's consumer survey, consumer confidence increased in the fourth quarter of 2010, compared with the previous quarter, standing at a level above its long-term average. However, expected major purchases remained unchanged at a relatively low level in the fourth quarter. Consumption growth has been somewhat more subdued in the current recovery phase than in previous recoveries (see Box 7).

As regards the first quarter of 2011, only very limited information on private consumption is available. The European Commission's indicator of consumer confidence remained unchanged in January, slightly above its long-term average. The indicator for major purchases from the same survey increased in January, but remained at relatively low levels. Survey indicators for retail sales in January provide contrasting signals, with the Purchasing Managers' Index (PMI) increasing to a level of 55.8, consistent with positive growth in retail sales, while the European Commission's indicator for retail sales declined.

Chart 27 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.  
Note: Data refer to the Euro 17.



Box 7

**THE CURRENT EURO AREA RECOVERY ACROSS EXPENDITURE COMPONENTS FROM A HISTORICAL PERSPECTIVE**

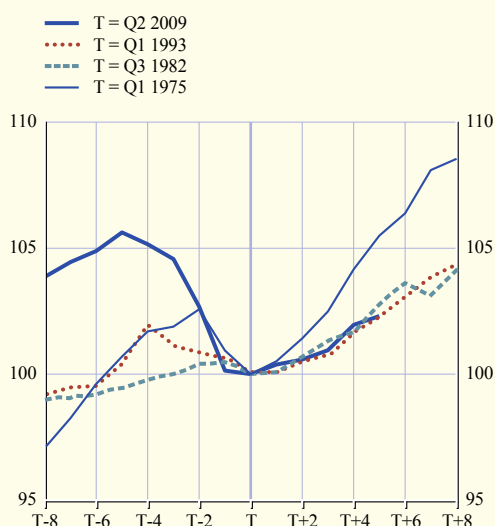
Euro area economic activity has been on a moderate recovery path since the trough reached in the second quarter of 2009, making up less than half of the output loss incurred during the preceding downturn. This box takes a closer look at developments in expenditure components during the current recovery and draws comparisons with previous euro area recoveries.

The recent downturn was sharper and deeper than its antecedents. Chart A presents a comparison of developments in GDP around the trough of the second quarter of 2009 with those during three previous euro area recessions since 1970, with T denoting the respective troughs. It shows that, while the size of the fall in GDP during the recent recession was twice that of the second steepest recession since 1970 (i.e. that of 1975, which followed the first oil price shock), the pick-up in GDP five quarters after the trough was among the weakest of the four recoveries. However, the relatively weak growth to date is consistent with the experiences of other economies following severe financial crises. In the aftermath of a financial crisis, demand tends to recover only slowly, owing to the need for extensive balance sheet repairs and deleveraging, while severe disruption within the banking sector also entails more prolonged credit constraints, which then hamper investment recovery.<sup>1</sup>

A snapshot of the cumulative GDP growth breakdown by expenditure component five quarters after the respective troughs for the four recoveries (see Chart B, right-hand bars) highlights the fact that there is little similarity between the current and previous recoveries in terms of the breakdown of GDP growth. In particular, the largest contribution to cumulative growth at the current juncture is being made by movements in inventories.<sup>2</sup> While a positive contribution from inventories during a recovery is not uncommon from a historical perspective, the magnitude and, especially, the timing of the contribution from inventories to the current upturn are. In terms of timing, in the current recovery, positive contributions stemming from inventories occurred immediately after the trough and were of considerable magnitude; whereas, in previous recoveries, positive contributions did not start to be observed until more than one year after the trough. This very

Chart A Euro area GDP across recoveries

(index: T = 100; T represents the trough in GDP)



Sources: Eurostat, AWM database and ECB staff calculations.

1 See the article entitled “The latest euro area recession in a historical context”, *Monthly Bulletin*, ECB, November 2009, and “What’s the Damage? Medium-Term Output Dynamics after Financial Crises”, Chapter 4, *World Economic Outlook*, IMF, October 2009.

2 It should be noted that caution is generally needed when interpreting changes in inventories, given that they are the least reliable expenditure component.

early positive contribution, due to the pace of destocking slowing,<sup>3</sup> suggests that the pace of destocking reached its maximum level at the trough. This level was presumably judged to be excessive by firms and therefore subsequently reduced. The high rate of destocking during the recession was, to a large extent, determined by the severe tightening of financing conditions, which forced corporations to destock further in order to maintain cash flow, as well as by the dampening effect of the apparent fall in demand. Indeed, the level of destocking at the recent trough was significantly higher than previously observed. Recent information suggests a degree of restocking since the beginning of 2010.

Another distinctive feature of the current recovery compared with the previous recoveries is the relatively small contribution to growth made by private consumption. Despite a much deeper contraction in the most recent downturn than in previous downturns (see Chart B, left-hand bars), private

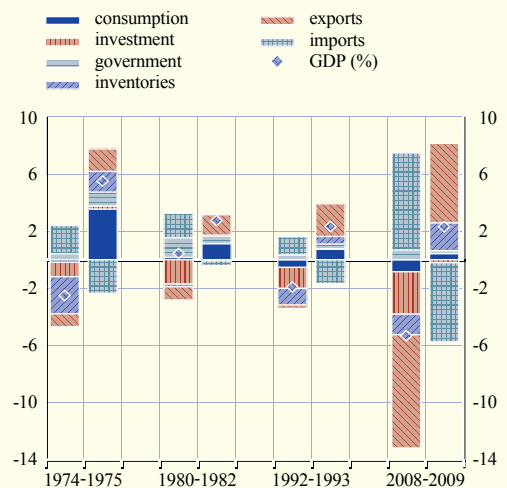
consumption has risen only modestly since the trough of the second quarter of 2009, making the smallest contribution to cumulative growth of all the four recoveries. Therefore, although it is the second largest factor influencing cumulative growth after the change in inventories, private consumption can be identified as a key factor determining the rather modest current pick-up in GDP relative to those previously recorded. This can, to a large extent, be explained by the broadly flat developments in aggregate real income, which are linked to the severity of the overall recession. In addition, consumption spending was also dampened by an increase in precautionary savings as a result of uncertainty about future income prospects. By contrast, the savings ratio actually fell during previous recessions and recoveries, part of a long-term decline which saw the household savings ratio fall by around 15 percentage points from the mid-1970s to the early 2000s. Nonetheless, current developments in both aggregate real income and the savings ratio suggest that further growth in private consumption is to be expected over the short term.

The third contributor to growth at the current juncture is public consumption, which in the past has also generally contributed positively to growth during recoveries, albeit playing less of a supportive role during the current recovery than in previous recoveries.

One characteristic shared by all recoveries is the generally very limited role played by total investment. Following recessions, firms typically have a degree of spare capacity, which they are likely to use up before undertaking any significant new investment. Indeed, the recent recession also saw a large drop in capacity utilisation. In addition, high uncertainty, low confidence and restricted financing conditions have dampened investment even further. The persistent tight credit

**Chart B Snapshot of cumulative GDP growth and its breakdown from peak to trough (left-hand bars) and five quarters after the trough (right-hand bars)**

(cumulative contributions in percentage points; unless otherwise stated)



Sources: Eurostat, AWM database and ECB staff calculations. Notes: The dates of the respective cyclical peaks in GDP are Q3 1974, Q1 1980, Q1 1992 and Q1 2008. The dates of the respective cyclical troughs in GDP are Q1 1975, Q3 1982, Q1 1993 and Q2 2009.

<sup>3</sup> It has to be borne in mind that it is not the quarterly change in inventories itself that has an impact on the quarterly growth of GDP, but their rate of change. Thus, a positive contribution from inventories to GDP growth might come from either a slower destocking movement or from an intensification of the accumulation of stocks.

conditions and generally dampened demand have also made for a fairly weak contribution from investment during the recovery phase. Moreover, persistent declines in construction investment, observed mainly in those countries which previously enjoyed a housing boom, have also dampened investment growth in this cycle. Looking ahead, recent survey data and data on capacity utilisation rates suggest a continued revival in total investment in the euro area.<sup>4</sup>

By comparison with previous cycles, trade variables have shown far more marked developments in this cycle, both in their downward adjustment during the recession and their pick-up during the recovery. A sharp contraction in foreign demand following the intensification of the global financial crisis was the main factor influencing the collapse in global and euro area trade. However, both imports and exports bounced back sharply, mainly on the back of a vigorous rebound in the manufacturing sector and the various government support programmes that were introduced in many economies, such as car scrappage schemes. However, overall, the net contribution of trade to GDP growth has been broadly zero in this recovery, which is largely in line with previous experiences, when net trade generally made a positive, yet rather modest, contribution.

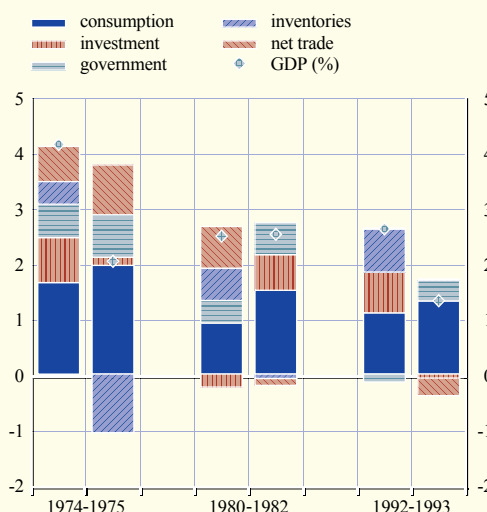
To summarise, by comparison with past recoveries, the current upturn in activity since the trough in 2009 has been relatively modest. This is consistent with previous findings, which have suggested that economies tend to recover only gradually following severe disruption in the financial system, such as that experienced over the past three years, mainly owing to weak private consumption and investment in the context of restricted credit flows. However, a comparison of the composition of growth also suggests that this recovery is different from previous recoveries in a number of respects. To date, this recovery has been much more reliant on inventories dynamics than previous recoveries. Growth in domestic demand has been muted, with consumption growth relatively modest, compared with previous euro area recessions.

Looking ahead, euro area activity is expected to maintain its gradual recovery. Experience suggests that, as recoveries strengthen and gain traction, there tends to be greater reliance on domestic drivers of growth (see Chart C, which shows developments two and three years after the respective troughs). In this respect, expected developments are likely to bring the euro area recovery path more into line with past experience. Thus, while the recovery of the world economy is expected to support demand for euro area exports, private sector domestic demand is also expected to gather pace and should increasingly contribute to the growth momentum of the euro area.

<sup>4</sup> See Box 8 entitled “Investment outlook in the euro area: an assessment based on survey and capacity utilisation data” in this issue of the Monthly Bulletin.

**Chart C Expenditure breakdown of annual GDP growth in the second year (left-hand bars) and the third year (right-hand bars) after the trough**

(annual contributions in percentage points; unless otherwise stated)



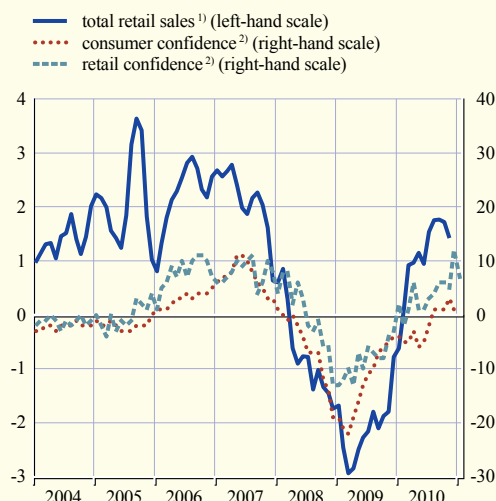
Sources: Eurostat, AWM database and ECB staff calculations.  
Note: The dates of the respective cyclical troughs in GDP are Q1 1975, Q3 1982 and Q1 1993.

Gross fixed capital formation decreased by 0.3% quarter on quarter in the third quarter of 2010, after a strong increase of 1.0% in the previous quarter, which was partly due to temporary factors. Regarding the breakdown of investment, construction investment declined, while non-construction investment increased.

Available indicators suggest that investment in the euro area remained subdued in the fourth quarter of 2010. Construction production declined in November. On average, in October and November, it was about 1% below its level of the third quarter of 2010, when it declined by 3.3% quarter on quarter. Industrial production of capital goods, an indicator of future non-construction investment, rose further in November. On average, in October and November, it stood about 3% above its level in the third quarter. Manufacturing confidence increased in the fourth quarter from the third, and continued to provide positive signals in January, with the PMI output index and industrial confidence of the European Commission surveys increasing further. In addition, capacity utilisation increased further in January, compared with October, according to European Commission surveys, rising to a level only slightly below its long-term average (see Box 8). The number of respondents reporting insufficient demand as a factor limiting production has continued to decline noticeably over this period, while supply-side constraints resulting from a lack of equipment or space have had more of an influence. In addition, respondents to the bank lending survey reported a further slowdown in credit tightening to enterprises in the fourth quarter of 2010, compared with the third (see Box 3 in Section 2.1). Overall, investment is expected to continue on its recovery path, which is in line with the results of the autumn 2010 European Commission investment survey.

**Chart 28 Retail sales and confidence in the retail trade and household sectors**

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.

Notes: Data refer to the Euro 17. From May 2010 onwards, European Commission 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.

**Box 8**

**INVESTMENT OUTLOOK IN THE EURO AREA: AN ASSESSMENT BASED ON SURVEY AND CAPACITY UTILISATION DATA**

After declining for eight consecutive quarters from the second quarter of 2008, falling by a total of 11.3% in 2009, gross fixed capital formation in the euro area fell less sharply in 2010. Despite the general improvement in economic activity in the euro area, low levels of overall capacity utilisation, which were still below their long-term average up to the first quarter of 2011, contributed to a slowing of the recovery in investment by reducing firms' incentives to renew

their fixed capital. However, with capacity utilisation rates progressively growing and picking up quickly in certain countries, industrial groupings, companies and factories, such obstacles could now be disappearing.<sup>1</sup>

In addition to its regular monthly and quarterly business surveys, the European Commission conducts, in the spring and autumn of each year, a detailed investment survey among companies in the manufacturing industry. This box presents an assessment of the investment outlook for 2011 based on the latest survey and capacity utilisation results.<sup>2</sup>

In the past, the results of investment surveys have consistently and correctly indicated the direction of change of gross fixed capital formation – particularly signalling the strong downturns in non-construction investment in 1993, 2002 and 2009 – even if they did not always give accurate point forecasts on total investments for the following year, as recorded in the national accounts data. However, when also considering the balance of expectations on the main factors influencing investment (especially demand) and the whole picture provided by the structure of investment (especially the share of extension investment), companies' forecasts manage to track developments in investment at the euro area level quite well.

According to the companies surveyed, investment plans for 2011 show a year-on-year growth in volume in the euro area of 2.4%. This reflects both continued improvements in countries which were already recording relatively good results in 2010 and robust rebounds in most of the other countries. Overall, only companies in a few countries foresee average negative investment plans growth for 2011. This can be attributed, in particular, to uncertainty regarding financing conditions and, in some cases, to the unwinding of temporary factors which had supported gross fixed capital formation in 2010. Reflecting these developments, cross-country heterogeneity in investment expectations, measured by variance in plans, has remained at the relatively high levels seen in the autumn 2009 survey.

Data at the sectoral level are available in values: the projected total outcome for the euro area in 2011 of 3.9% was driven by the positive expectations of producers of investment goods (+4.5%), while producers of consumption goods foresee a 1.9% increase, and capital formation is expected to remain broadly stable for producers of intermediate goods (+0.2%). The positive result in the consumption sector masks a weakening in investment plans by producers of durable consumption goods (-7.4%), which is more than offset by a robust rise in the non-durables sector (+4.7%). Overall, such forecasts broadly mirror the latest data on capacity utilisation, available at the sectoral level only up to the first half of last year (see Chart A).<sup>3</sup> In the second quarter of 2010 the capacity utilisation rate was still notably below its long-term average both in the investment and intermediate goods sectors. However, both sectors (and particularly the investment goods sector) recorded the fastest recovery rates. An assumption that such dynamics continued in the second half of 2010 helps to reconcile the data presented in Chart A.

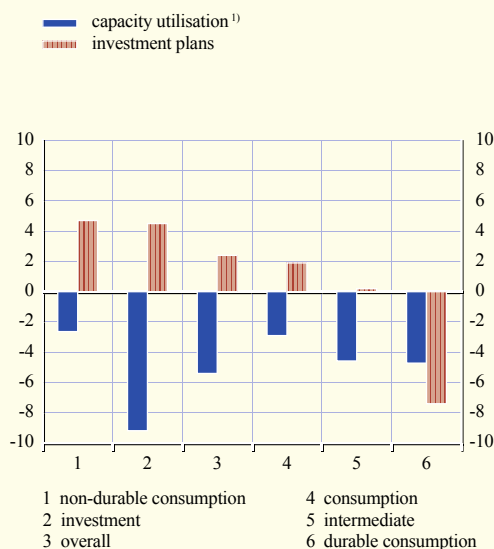
1 See the box entitled "The recovery of production capacity utilisation in the euro area", *Monthly Bulletin*, ECB, October 2010.

2 The European Commission investment survey is described in Box 5 of the March 2007 issue and in Box 8 of the March 2008 issue of the *Monthly Bulletin*. The latest euro area results were published on 29 November 2010. This survey was the first to implement the new classification of economic activities NACE Rev. 2 (previous data refer to the former NACE Rev. 1.1 classification). This change in classification might have introduced a structural break in the survey data. However, it should be noted that, as the differences between the former and the new classification are relatively small at the aggregate level, the potential size of the break is contained.

3 According to the European Commission, the migration to NACE Rev. 2 is still ongoing. Provisional sectoral data are expected to become available at the end of February 2011, while fully validated series will become available in autumn 2011.

**Chart A Capacity utilisation and growth in investment plans for 2011 by main industrial grouping**

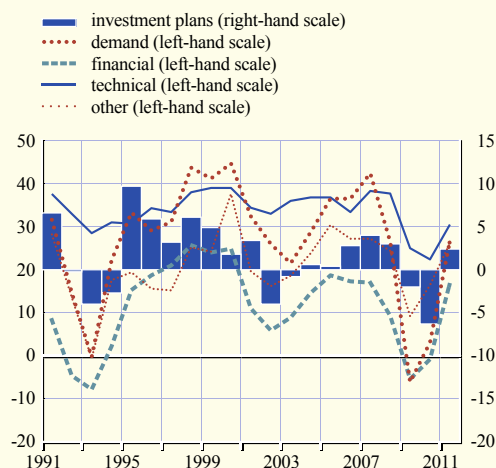
(percentages; annual percentage changes)



Sources: European Commission investment survey and business survey in manufacturing.  
Notes: Sector capacity utilisation data up to the second quarter of 2010. Sectors ordered by expected growth of investment in value.  
1) Difference from the long-run average.

**Chart B Factors influencing investment**

(percentages; annual percentage changes)



Source: European Commission investment survey.  
Note: The survey questions on factors are of qualitative nature, data are expressed as percentage balances; investment plans in volume.

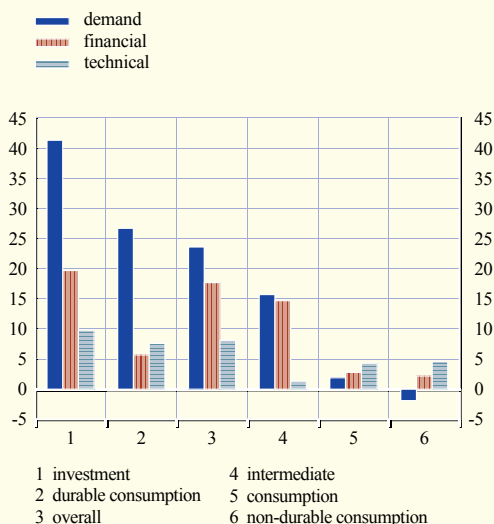
Among the factors influencing investment decisions, the largest positive balance (31%) is recorded by technical factors, which, in the past, have also been considered a main driver for investment (see Chart B). However, demand factors show the strongest upswing, with the balance rising from 3% in the judgements on 2010 formulated in the autumn 2009 survey to 27% in the judgements on 2011 surveyed in autumn 2010. The availability of financial resources also registers a strong improvement, rising to 17% from a negative balance the year before. The increase in expected demand as a reason for new investment is particularly strong among producers of investment goods, with an upswing of 41 percentage points, more than double the increase recorded by producers of intermediate goods (16 percentage points), while the expectations of producers of consumer goods show minor overall improvements, despite the strong increase in the durables sector. The financial conditions and expected profits are seen to be recovering especially robustly by producers of investment and intermediate goods (see Chart C).

Regarding the structure of planned investments for 2011, in terms of shares adding up to 100%, the largest component is expected to be devoted to replacement (30%, a share inferior to that reported in the autumn 2009 survey), 28% of the new fixed capital is to be associated with the extension of production capacity, sharply up from the previous year, 24% is for the rationalisation of production, with the remaining 18% of planned investments set to be motivated by other reasons (see Chart D).



Chart C Change in the judgements on factors affecting investment plans

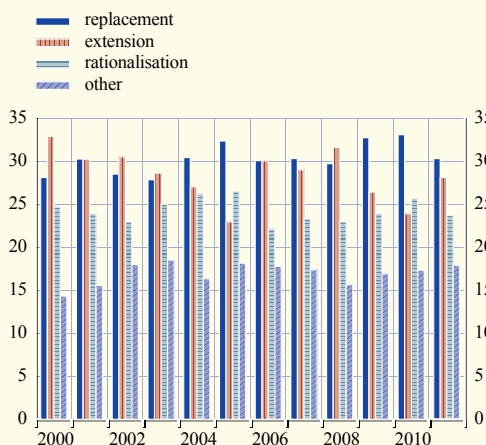
(percentages; 2011 compared with 2010)



Source: European Commission investment survey.  
Note: Sectors ordered by change in demand.

Chart D Investment structure

(percentages)



Sources: European Commission investment survey and ECB calculations.  
Note: Sum of shares is made equal to 100.

Overall, the sizeable positive growth of investment plans, the robust upswing in demand as a factor for capital accumulation, the growth in the share of extension investment with respect to the previous survey and the continued recovery in capacity utilisation suggest a continued revival of total investment in the euro area in 2011. This would be in line with the December 2010 Eurosystem staff macroeconomic projections for the euro area, which indicate a range of growth for gross fixed capital formation between -0.5% and 3.1% in 2011, and with the European Commission autumn forecast, which foresees a 2.2% rise.<sup>4</sup>

<sup>4</sup> For details about the Eurosystem staff macroeconomic projections, see the December 2010 issue of the Monthly Bulletin.

Turning to trade developments, both extra-euro area import and export volumes continued to expand in October 2010, albeit at a slower pace. However, recent data from Eurostat, available up to November, suggest that the values of total euro area trade continued to expand in the fourth quarter of 2010 at a slightly faster rate, on average, than in the third quarter. As global activity continues to recover and since euro area foreign demand is expected to pick up, euro area exports are likely to follow similar trends. The PMI for new export orders in the euro area manufacturing sector has been picking up in recent months, standing at 57.5 in January 2011 and pointing towards further expansion for extra-euro area exports in the near term.

Inventories made a small positive contribution to GDP growth in the third quarter of 2010, after making stronger contributions in the first and second quarters. The current level of inventories suggests that a small amount of restocking has occurred since the beginning of 2010, following the large-scale destocking during the recession. Looking ahead, surveys and anecdotal evidence



suggest that the contribution of inventories to GDP growth could be slightly negative in the fourth quarter. However, there is some statistical uncertainty linked to the way inventories are estimated.

## 4.2 OUTPUT, SUPPLY AND LABOUR MARKET DEVELOPMENTS

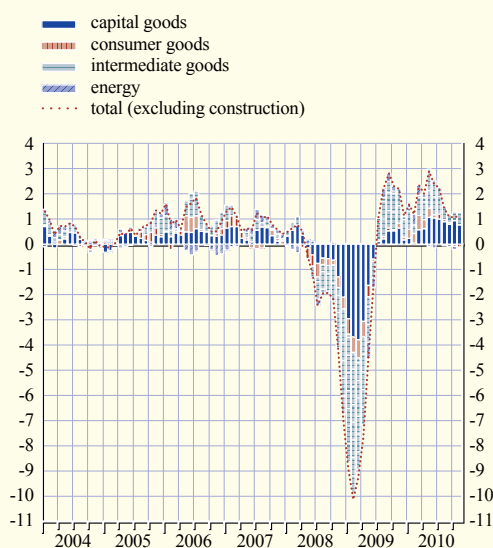
As reported in the previous edition of the Monthly Bulletin, real value added increased by 0.3% quarter on quarter in the third quarter of 2010, following an increase of 0.8% in the previous quarter. While industrial activity (excluding construction) and services grew by 0.4%, construction value added declined.

With regard to developments beyond the third quarter of 2010, industrial production (excluding construction) increased on average in October and November (see Chart 29) to about 1.5% above the level observed in the third quarter. Industrial new orders (excluding heavy transport equipment) also increased in October and November on average to just over 1% above the level observed in the third quarter.

Information from surveys points towards the expansion in economic activity continuing beyond the third quarter of 2010. The PMI output index for the manufacturing sector increased in the fourth quarter, compared with the third, and increased further in January. It stood at a level of 59.4, pointing to growth in activity in the sector remaining robust (see Chart 30). As regards the services sector,

**Chart 29 Industrial production growth and contributions**

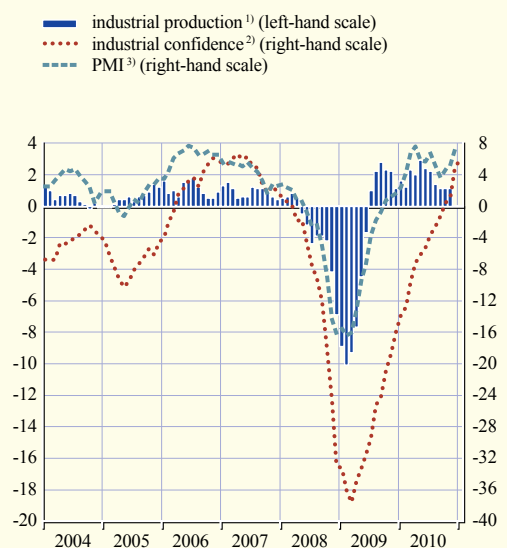
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



Sources: Eurostat and ECB calculations.  
Notes: Data refer to the Euro 17. Data shown are calculated as three-month moving averages against the corresponding average three months earlier.

**Chart 30 Industrial production, industrial confidence and the PMI**

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, Markit and ECB calculations.  
Notes: Data refer to the Euro 17. 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.

the PMI for business activity decreased in the fourth quarter, but increased in January 2011. The PMI flash estimate stood at a level of 55.2 in January, confirming that activity has continued to expand in that sector. Other business surveys, such as those of the European Commission, confirm the PMI position, suggesting that the economy continued to grow in the fourth quarter of 2010.

## 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. The number of people in employment in the euro area was roughly stable, on a quarterly basis, in each of the first three quarters of 2010. This is an improvement on the sharp quarter-on-quarter declines in employment observed in 2009. Hours worked, which declined even more sharply than the employment figure during the downturn, rose modestly in all three quarters.

At the sectoral level, headcount employment in services increased, but declined in industry and agriculture (see Table 7 and Chart 31). However, hours worked recovered also in industry (excluding construction). 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. As a result, the recovery has had a more positive effect in terms of hours worked up until now.

Together with the recovery in euro area output growth, the job losses seen in recent quarters have contributed to positive growth in productivity. In year-on-year terms, aggregate euro area productivity grew by 2.1% in the third quarter of 2010, down from 2.6% in the previous quarter (see Chart 32). Productivity per hour worked grew by 1.3% in the third quarter, compared with 1.8% in the previous quarter. Regarding sectoral developments, productivity increased strongly in industry (excluding construction), while rising more gradually in the services sector.

The euro area unemployment rate stood at 10.0% in December, unchanged from the previous month after a slight downward revision. The unemployment rate stood at 10.0% in the fourth quarter of

**Table 7 Employment growth**

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

	Persons					Hours				
	Annual rates		Quarterly rates			Annual rates		Quarterly rates		
	2008	2009	2010 Q1	2010 Q2	2010 Q3	2008	2009	2010 Q1	2010 Q2	2010 Q3
Whole economy	0.8	-1.9	0.0	0.1	0.0	0.6	-3.4	0.1	0.3	0.1
<i>of which:</i>										
Agriculture and fishing	-1.8	-2.2	0.0	-1.1	-0.2	-2.0	-2.6	-1.2	-0.2	-0.7
Industry	-0.7	-5.8	-0.9	-0.3	-0.6	-1.0	-8.7	-0.4	0.4	-0.1
Excluding construction	0.0	-5.4	-0.8	-0.3	-0.4	-0.5	-9.0	-0.1	0.6	0.5
Construction	-2.1	-6.7	-1.0	-0.3	-1.1	-1.8	-8.2	-1.0	0.0	-1.2
Services	1.4	-0.5	0.3	0.3	0.2	1.4	-1.4	0.4	0.3	0.3
Trade and transport	1.2	-1.8	-0.1	-0.1	0.0	0.9	-2.7	0.0	0.0	0.1
Finance and business	2.1	-2.1	0.5	1.0	0.3	2.5	-3.4	0.2	0.9	0.5
Public administration <sup>1)</sup>	1.2	1.4	0.5	0.2	0.2	1.4	1.0	0.8	0.2	0.3

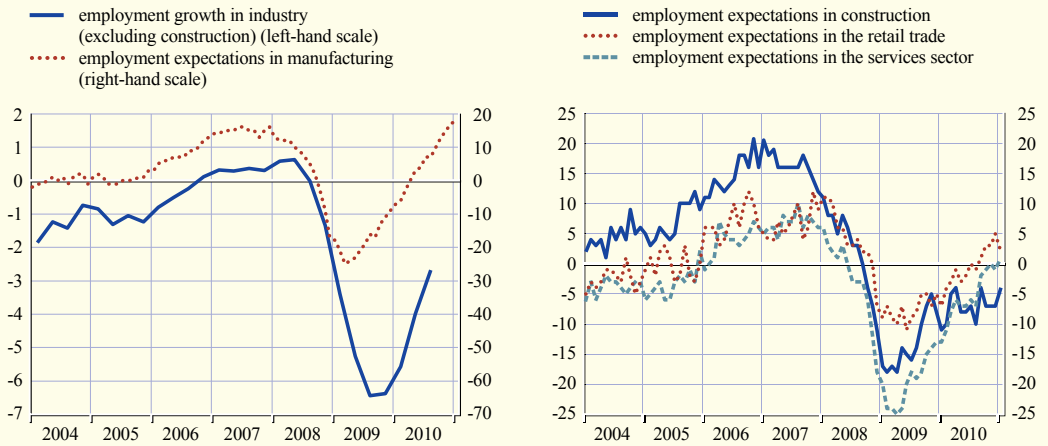
Sources: Eurostat and ECB calculations.

Note: Data refer to the Euro 17.

1) Also includes education, health and other services.

**Chart 31 Employment growth and employment expectations**

(annual percentage changes; percentage balances; seasonally adjusted)

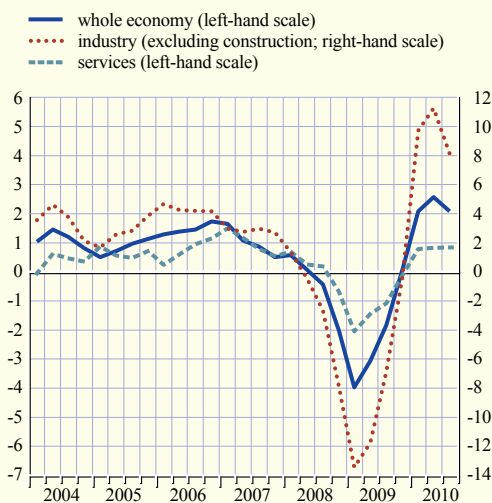


Sources: Eurostat and European Commission Business and Consumer Surveys.  
Notes: Data refer to the Euro 17. Percentage balances are mean-adjusted. From May 2010 onwards, European Commission business survey data refer to the NACE Rev. 2 classification.

2010 as a whole, unchanged from the third quarter (see Chart 33). Looking ahead, survey indicators improved in the fourth quarter of 2010, rising further in January for most indicators, 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 figures expected for 2011 in the Survey of Professional Forecasters (see Box 6 in Section 3).

**Chart 32 Labour productivity**

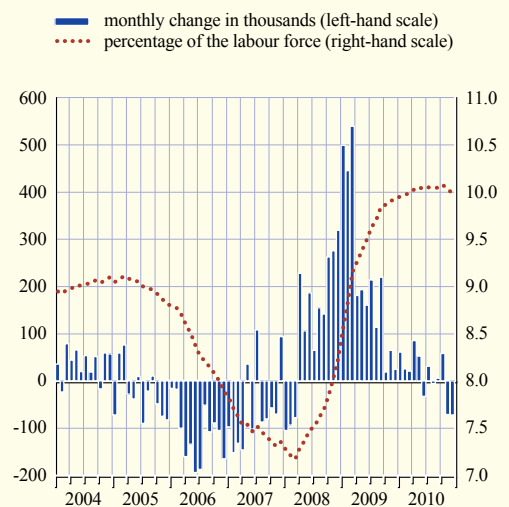
(annual percentage changes)



Sources: Eurostat and ECB calculations.  
Note: Data refer to the Euro 17.

**Chart 33 Unemployment**

(monthly data; seasonally adjusted)



Source: Eurostat.  
Note: Data refer to the Euro 17.

### 4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Looking ahead, recent statistical releases and surveys generally confirm the positive underlying momentum of the euro area economy. The ongoing recovery at the global level and its impact on the demand for euro area exports are supporting activity. Private sector domestic demand should increasingly contribute to growth, in particular given the relatively high level of business confidence, supported by the accommodative monetary policy stance and the measures adopted to improve the functioning of the financial system. At the same time, 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 remaining elevated. On the upside, global trade may recover more strongly than projected, thereby supporting euro area exports. In addition, strong business confidence could provide more support to domestic economic activity in the euro area than currently expected. On the downside, concerns remain with respect to renewed tensions in some segments of the financial markets and their potential spillover to the euro area real economy. In addition, renewed increases in oil and other commodity prices, as well as protectionist pressures and the possibility of a disorderly correction of global imbalances, may weigh on the downside.



## ARTICLES

# INFLATION EXPECTATIONS IN THE EURO AREA: A REVIEW OF RECENT DEVELOPMENTS



*Inflation expectations are used by the ECB to gain an insight into the private sector's assessment of the outlook for future inflation and to evaluate perceptions about the credibility of monetary policy, as part of a set of indicators. They are important for indicating the confidence of the public in the ability of the central bank to deliver on its price stability mandate. Inflation expectations cannot be observed directly, but approximate measures can be derived indirectly from financial markets and by surveying professional forecasters. An analysis of the main factors influencing the various available measures in the euro area shows that temporary shocks to volatile components of inflation, such as those related to commodity prices, tend to affect short-term expectations, while longer-term measures of inflation expectations have been broadly insensitive to the propagation of temporary shocks. The fact that longer-term expectations have remained well-anchored at levels consistent with the ECB's definition of price stability demonstrates the credibility earned by the ECB as a central bank with price stability as a clear objective. The stability of inflation expectations has been particularly remarkable during the past three years, which have been challenging for monetary policy given the major shocks that have hit the euro area and the global economy. Well-anchored expectations have contributed to enhancing the effectiveness of monetary policy and will assist the ongoing economic recovery.*

### I INTRODUCTION

Expectations are at the core of contemporary macroeconomic theory and play a key role in modern central banking practice.<sup>1</sup> Monetary policy involves anticipating future developments, monitoring and shaping private sector inflation expectations over the cycle, and providing a long-term nominal anchor for the economy. To this end, central banks must constantly form a view of the economic outlook in the medium term, taking into account the significant, long-lasting impact of their decisions on expectations. The maintenance of price stability in many countries in the last two decades is partly due to the full recognition of the pivotal role of expectations in macroeconomic behaviour and monetary policy conduct.

While price stability is the best contribution that monetary policy can make to sustainable economic growth, job creation and welfare,<sup>2</sup> the credibility of the monetary authority to consistently deliver stable prices is built and preserved over time. Such credibility is key to the process by which agents form expectations of future price developments and thus to the price formation mechanism itself. Central banks must constantly monitor the general public's

perceptions about their commitment to maintaining price stability as a proxy for the likelihood that they will indeed accomplish their objective. In this respect, the anchoring of longer-term inflation expectations is a crucial indicator of a central bank's credibility. It is also a precondition for effective monetary policy conduct and, ultimately, for central banks' success in maintaining price stability.

In particular, when inflation is boosted by temporary shocks, monitoring expectations is key to assessing the risk that such temporary shocks may lead to longer-lasting effects on inflation via their impact on domestic price and wage setting. Ensuring that inflation expectations remain well-anchored, particularly in the medium to long run, is of key interest

1 A broad-based analysis can be found in the article entitled "Expectations and the conduct of monetary policy" in the May 2009 issue of the Monthly Bulletin.

2 For instance, when inflation increases, it becomes more difficult for private agents to disentangle changes in relative prices (knowledge of which is needed to allocate resources efficiently and enhance overall productivity in the economy) from changes in the general level of prices. High and unexpected inflation also inevitably leads to arbitrary redistribution of wealth and income. Moreover, it exerts a negative impact on capital accumulation and thus on long-run productivity, owing to the non-indexation of the tax system and higher interest rates. See the article entitled "Price stability and growth" in the May 2008 issue of the Monthly Bulletin for further discussion.

to policy-makers. For these reasons, inflation expectations are of great importance for the conduct of monetary policy and are closely monitored by the ECB.

In the last 10-15 years, it has become standard among central banks to communicate a quantified objective for price stability as part of their monetary policy strategy. Available studies clearly indicate that the announcement of an explicit price stability objective contributes to anchoring inflation expectations. In 1998 the Governing Council of the ECB defined price stability for the euro area as a year-on-year HICP inflation rate of below 2%. Following a thorough evaluation of the strategy in 2003, the Governing Council further clarified that it aimed to maintain euro area inflation rates “below, but close to, 2%” over the medium term. This definition has provided a very precise guide for markets and has clearly acted as a focal point for inflation expectations in the euro area.

Beyond the quantitative definition of price stability, the successful anchoring of

longer-term inflation expectations also depends on the commitment of the monetary authority to fulfilling its mandate. The credibility of the ECB’s commitment to fulfilling its mandate is deeply rooted in the institutional framework of EMU. The Treaty clearly establishes that monetary policy in the euro area is conducted by an independent central bank, which has been assigned the primary objective of maintaining price stability.

The credible commitment of the Governing Council to delivering price stability by implementing consistent and systematic policy action has helped to keep medium and longer-term inflation expectations firmly anchored, even in the wake of large, adverse shocks during the financial crisis.

Against this background, this article discusses recent developments in inflation expectations in the euro area (the table below provides an overview of the main available measures). It compares market and survey-based indicators, both at the short and medium to longer-term horizons, and explores how these

Summary of the main available measures of euro area inflation expectations

	Agents	Frequency	Start	Horizons
<b>Survey-based measures</b>				
European Commission consumer survey	Consumers	Monthly	1985	12 months ahead (asks for direction of change)
ECB Survey of Professional Forecasters (SPF)	Financial and non-financial institutions	Quarterly	1999	Point forecasts and probability distributions: - Current, next, calendar year after next (rolling one and two years ahead) - Five years ahead
Consensus Economics	Financial and non-financial institutions	Monthly (short term) and biannual (medium to longer term)	1990	Point forecasts - Current and next calendar years - Three, four, five and six to ten years ahead
Euro Zone Barometer (MJEconomics)	Financial and non-financial institutions	Monthly (short term) and quarterly (medium to longer term)	2002	Point forecasts - Current and next calendar years - Two, three and four years ahead
World Economic Survey (IFO)	International and national institutions	Quarterly	1991	- Six months ahead (asks for direction of change) - Current calendar year
<b>Financial market indicators</b>				
Break-even inflation rates	Financial market participants	Intra-day	2004	At present, three to about 30 years ahead
Inflation-linked swap rates	Financial market participants	Intra-day	2003	One to 30 years ahead

Note: Break-even inflation rates are estimated from February 2004.



are formed, focusing in particular on how measures at different horizons respond to different information. The article also reflects on the behaviour of the various available measures during the past three years, which have been challenging for monetary policy, as inflation initially rose on the back of the strong commodity price increases recorded in international markets, before falling sharply in the wake of the global economic and financial crisis which intensified with the default of Lehman Brothers in the autumn of 2008.

The article is organised as follows. Survey-based indicators of inflation expectations are discussed in Section 2, while Section 3 presents the indicators extracted from financial markets and looks into their influences. Section 4 analyses the behaviour of these indicators in recent years, and Section 5 offers some conclusions.

## 2 SURVEY INDICATORS OF INFLATION EXPECTATIONS

Various survey-based measures of inflation expectations are available, but those followed most closely by the ECB stretch beyond 12 months, such as the ECB Survey of Professional Forecasters (SPF), as well as those of Consensus Economics and the Euro Zone Barometer.<sup>3</sup>

Each of these surveys provides point forecasts of inflation expectations at various horizons, covering both the short and medium to longer term. In the SPF, however, respondents are also requested to provide a quantitative assessment of uncertainty surrounding the reported point forecasts. This assessment of uncertainty is reflected in the reported probability distributions of future inflation outcomes falling within given ranges. Furthermore, SPF respondents are invited to comment on the factors underlying their forecasts and the reasons behind the revisions, with respect to the previous SPF round.<sup>4</sup>

The information available from the SPF allows the computation of various measures

of uncertainty surrounding the outlook. For example, the probability distribution provides information on the level of uncertainty surrounding the point forecast. It can be used to evaluate the probability of an inflation outcome above or below a certain threshold. Furthermore, the probability distribution may be used to assess the balance of risks associated with the point forecast. In addition, the standard deviation of the point forecasts of all respondents, commonly referred to as “disagreement”, reflects the extent to which forecasters disagree with one another.

Generally speaking, medium-term expectations are most relevant for monetary policy, since they help in assessing the reaction of agents to different shocks in prices, as well as indicating the transient or more persistent nature of the shocks, as perceived by the private sector. The longer the horizon of expectations, the more they reflect the level of credibility accorded to monetary policy by economic agents as regards a central bank’s commitment to achieving price stability. Other surveys of inflation expectations, such as the European Commission’s consumer survey<sup>5</sup> and the IFO World Economic Survey, only ask about expectations for very short

3 A new survey of inflation expectations was launched by J.P. Morgan Securities Ltd in July 2009. The survey is conducted three times a year and asks for expectations of developments in near-term core inflation, as well as views on medium-term inflation (defined as average headline inflation between two and five years ahead) relative to the respective central bank’s objective. The respondents are financial market participants, and the survey covers expectations for the euro area, the United States, the United Kingdom, Japan and Australia.

4 See the box entitled “Results of the ECB Survey of Professional Forecasters for the first quarter of 2011” in this issue of the Monthly Bulletin for more technical details on the ECB SPF and for information on the latest release. See also the box entitled “The forecasting performance of expert surveys” in the January 2011 issue of the Monthly Bulletin for an assessment of the forecast accuracy of expert surveys.

5 The European Commission’s consumer survey is conducted at the national level, and the results for the euro area are compiled by aggregating country data. It is qualitative in nature, in that consumers are asked to indicate whether they expect inflation to rise, fall or remain unchanged. The results are summarised using the so-called “balance statistic”, which shows the difference between the percentage of consumers thinking that consumer prices will increase and the percentage of consumers stating that prices will decrease or remain unchanged.

periods ahead and are therefore more likely to be affected by temporary shocks. They are therefore a less relevant measure for the purpose of monetary policy. Indeed, a cross-correlation analysis between the European Commission survey and actual inflation reveals that the highest correlation occurs at the same time or for lags of up to seven months, depending on the horizon considered, suggesting that this particular indicator of expectations contains information about horizons that are much shorter than the 12-month horizon to which the survey question refers.<sup>6</sup>

#### FREQUENCY OF UPDATES AND FORECASTING TECHNIQUES

Understanding the way in which survey indicators of inflation expectations are formed is not easy, as they are based on heterogeneous panels of forecasters who typically employ complex and varied forecasting tools based on different information sets. However, some indications of the factors likely to be influencing such measures of expectations can be drawn from the ad-hoc questionnaire that was conducted by the ECB in the autumn of 2008 in order to learn more about how SPF respondents make their forecasts.<sup>7</sup>

The ad-hoc questionnaire asked SPF respondents to clarify the role of expert judgement and the use of formal econometric models in the forecasts. The answers revealed that models are used extensively to produce the forecasts, but that expert judgement is added by the majority of respondents on top of the model-based forecasts. Furthermore, most respondents replied that their probability distribution is reported on the basis of judgement, with only one-fifth of the respondents generating the probability distribution from a model.

The ad-hoc questionnaire also revealed that the respondents use a wide variety of models

to produce their forecasts. Time series models are used most when producing inflation forecasts. Traditional macro models based on supply and demand are also commonly used, particularly for medium and longer-term horizons. The majority of respondents reported that forecasts are updated according to a regular calendar: half of the respondents update their forecasts quarterly and around one-third monthly. Many also update their forecasts following data releases or in the wake of significant shocks.

According to the comments that respondents provide in the regular SPF with their inflation forecasts, the main factors influencing short and medium-term inflation views include: developments in commodity and oil prices, the euro exchange rate (mostly against the dollar), measures of economic slack (such as the output gap, capacity utilisation and the unemployment rate) and wage growth. In addition, changes in indirect taxes and administered prices have been increasingly quoted as factors influencing the inflation outlook in recent rounds. Although these factors directly refer to the SPF, they are likely to broadly apply to other surveys of forecasters, given the large size of the SPF panel and its mix of financial and non-financial institutions.<sup>8</sup>

6 See also the article entitled “Measures of inflation expectations in the euro area” in the July 2006 issue of the Monthly Bulletin.

7 See the document: “A summary of the results from the special questionnaire for participants of the ECB Survey of Professional Forecasters (SPF)”, available on the ECB website at: <http://www.ecb.europa.eu/stats/prices/indic/forecast/html/index.en.html>.

8 The current SPF panel consists of almost 80 respondents from various European Union countries and, despite notable changes in the composition of the panel over time, 30 of them have been members from the very beginning. The respondents are professional forecasters from the financial (55%) and non-financial (45%) sectors.

### 3 FINANCIAL MARKET INDICATORS OF INFLATION EXPECTATIONS

For a long time, surveys were the main source of information on private sector inflation expectations for central banks, whereas the use of financial instruments required strong assumptions to extract inflation expectations, which made them less suitable for regular monitoring purposes. Over recent years, however, the strong development of markets for inflation-linked instruments, notably inflation-linked bonds, but also derivatives, such as inflation-linked swaps, as well as inflation caps and floors, to name but a few,<sup>9</sup> has significantly facilitated the calculation of inflation expectations embodied in financial asset prices. This section provides some examples of the information provided by inflation-linked financial instruments.

#### MONITORING SHORT-TERM INFLATION EXPECTATIONS USING INFLATION-LINKED SWAPS

Inflation-linked swaps are an outstanding source of information about private sector inflation expectations, particularly for short-term horizons. An inflation-linked swap is a contract, which involves an exchange of a fixed payment (the so-called “fixed leg” of the swap) for realised inflation over a predetermined horizon. Thus, through the construction of the contract, the fixed swap rate provides a direct reading of the market’s expected inflation rate. They are available daily over a wide range of horizons.

An alternative financial market indicator is the break-even inflation rate, which is calculated as the yield spread between nominal and inflation-linked bonds. In contrast, inflation-linked swaps: (i) do not require the estimation of nominal and real term structures, thereby avoiding problems related to the limited number of bonds at short maturities; (ii) are less prone to liquidity distortions resulting from turbulence in financial markets than break-even inflation rates; (iii) are less affected by HICP seasonality than

break-even inflation rates, and are therefore more suitable for monitoring inflation expectations at short horizons.<sup>10</sup>

Inflation-linked swaps, as with all market-based indicators of inflation expectations, may include an inflation risk premium component to compensate investors for the risks surrounding inflation expectations over the forecast horizon. Available euro area evidence suggests that such a premium increases with maturity, but remains very limited in size and variability at the horizons considered.<sup>11</sup>

In the specific case of the euro area, the inflation-linked swap market has grown rapidly since 2003, reflecting the increasing demand for inflation-linked instruments and the relatively limited supply of index-linked bonds in the euro area.<sup>12</sup> Indeed, the euro area is currently likely to be the most developed market for inflation-linked swaps in the world, which makes its information particularly suitable for monitoring developments in inflation expectations, most notably for short and medium-term horizons.

Given the fact that they have only recently been developed, there is little empirical evidence on the factors influencing inflation-linked swaps. To determine whether, when and by how much inflation-linked swaps are linked to monetary, real economy, price and financial factors, or a combination of any of them, a large set of

9 For an overview, see the article “Extracting information from financial asset prices” in the November 2004 issue of the Monthly Bulletin.

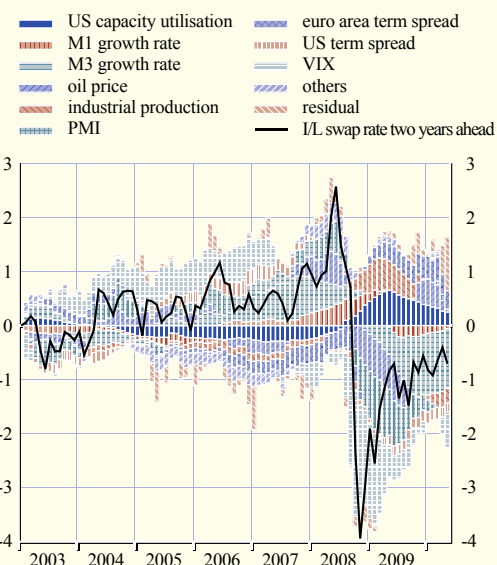
10 Break-even inflation rates can be adjusted for seasonal effects, but these are generally more difficult to remove at short horizons. See Ejsing, J., Garcia, J. A. and Werner, T. (2007), “The term structure of euro area break-even inflation rates: the impact of seasonality”, *Working Paper Series*, No 830, ECB.

11 See Garcia, J. A. and Werner, T. (2010): “Inflation risks and inflation risk premia”, *Working Paper Series*, No 1162, ECB.

12 For an overview and some international comparison, see Garcia, J. A. and Van Rixtel, A. (2007), “Inflation-linked bonds from a central bank perspective”, *Occasional Paper Series*, No 62, ECB, and references therein.

**Chart 1 Determinants of inflation-linked swaps**

(annual percentage changes; percentage points; monthly data)



Source: ECB calculations based on the methodology introduced in Ciccarelli and Garcia (2009).

Note: This chart shows the decomposition of inflation expectations as the sum of the contributions of the explanatory factors and the residual term. All variables are standardised. Historical values of the endogenous variable are interpreted as a departure from a baseline or reference path. The bars in the chart therefore reflect the departure of inflation expectations from their sample mean explained by the departure of each explanatory variable from its respective reference path (i.e. the sample mean). Contributions are based on the posterior means.

potential explanatory factors is evaluated using Bayesian model selection techniques.<sup>13</sup> Specifically, 28 directly observable economic and financial variables usually used to analyse developments in financial indicators of inflation expectations are considered. To provide an intuitive description of the main factors influencing the developments in inflation-linked swaps, Chart 1 shows the contribution of the factors most important to the dynamics of the inflation-linked swap rate at the two-year horizon, based on a linear regression model. The choice of such a horizon is motivated by data availability, but qualitatively similar results hold for other maturities.<sup>14</sup>

Two insights are particularly noteworthy. First, inflation-linked swaps suggest that there was a significant rise in inflation expectations at

short-to-medium horizons over the first half of 2008, an increase that was sharply reversed following the intensification of the financial crisis in the autumn of 2008.

Second, the sharp downward revision to inflation expectations was largely motivated not only by the decline in oil prices, but also the sharp deterioration in confidence indicators, as well as by financial factors (such as the rise in stock market volatility as captured by the VIX index). Moreover, these factors, together with moderate growth in monetary aggregates, are also the main explanation for inflation expectations remaining subdued since early 2009.

#### MONITORING LONG-TERM INFLATION EXPECTATIONS

Beyond helping to monitor developments in short-term inflation expectations, inflation-linked instruments provide crucial information on longer-term inflation expectations. The remarkable development of the inflation-linked bond market in the euro area since 2004 has contributed to improving the reliability of the estimated break-even inflation rates based

13 To investigate the link between inflation expectations and their potential determinants, we assume:  $ILS_t = aLLS_{t-1} + bX_t + e_t$ , where  $ILS_t$  denotes the inflation expectation measure (swap) and  $X_t$  represents the set of factors listed below. The potential explanatory factors considered are: (i) *monetary factors* (M1 and M3 growth); (ii) *commodity prices and exchange rates* (raw materials excluding energy, oil prices in USD, effective euro exchange rate, NEER); (iii) *price and cost indicators* (level and volatility of headline HICP and HICPex, as well as that of PPI, and wage growth); (iv) *economic activity indicators* (industrial production, unemployment rate); (v) *confidence indicators* (European Commission industrial and consumer confidence, PMI); (vi) *financial variables* (US and euro area term spread, US-euro area ten-year bond differential, bond market volatility, 12-month return in the S&P500 and the Euro 50 indices, stock volatility, VIX and VStoxx ); (vii) *external environment* (CPI, industrial production, non-farm payroll data and capacity utilisation in the United States). For details on data transformation, see Ciccarelli, M. and Garcia, J.A. (2009), "What drives euro area break-even inflation rates?", *Working Paper Series*, No 996, ECB. To estimate the model coefficients and select the factors, the "stochastic search variable selection approach" is used (see George, E. and McCulloch, R. (1993), "Variable selection via Gibbs sampling", *Journal of the American Statistical Association*, Vol. 88, No 423, pp. 881- 889).

14 Note that, owing to the heterogeneity of the measurement units of the factors, all variables shown in the chart are standardised.

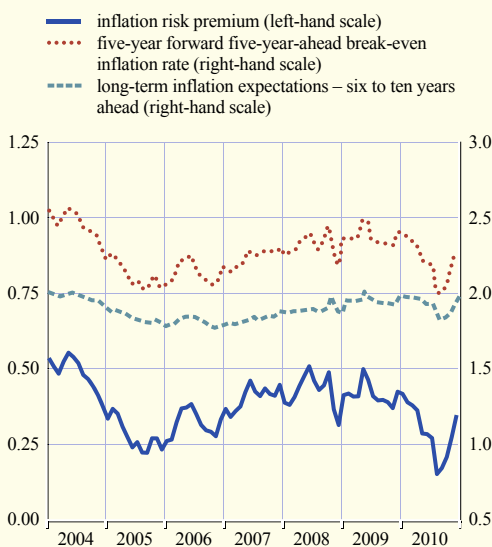
on the yield spread between nominal and inflation-linked bonds.<sup>15</sup> Indeed, using bond market data allows all the information on nominal and real term structures to be exploited.

The extraction of long-term inflation expectations from financial instruments is, however, further complicated by the presence of the inflation risk premia requested by investors as compensation for the risks surrounding baseline inflation expectations. Moreover, during the recent financial crisis, the presence of strong and time-varying liquidity distortions in the bond market has added difficulties to the interpretation of developments in long-term (forward) break-even inflation rates.

Monitoring long-term break-even inflation rates therefore requires a rich specification of the term structure. Euro area break-even inflation rates and inflation risk premia can be estimated using term structure models. In order to better identify the inflation risk premia, in line with recent term structure literature, inflation-linked bond yields are employed to pin down real yields, and survey inflation expectations from the ECB's SPF also help to identify expected inflation.<sup>16</sup> Based on that modelling approach, Chart 2 shows the decomposition of long-term forward break-even inflation rates by means of a no-arbitrage term structure model incorporating inflation-linked bond yields and long-term survey inflation expectations.<sup>17</sup> The chart illustrates some of the key features of long-term inflation expectations (and related premia) in the euro area. First, investors' long-term inflation expectations are firmly anchored at levels consistent with price stability. Importantly, they have remained so since the intensification of the financial turbulence.<sup>18</sup> Second, the inflation risk premium is, in contrast, far more volatile, accounting for a significant proportion of the volatility in long-term break-even inflation rates. On average, the long-term inflation risk premium has been around 40 basis points, but it declined significantly over the summer of 2010, possibly reflecting lower perceived inflation risks among investors amid increasing concerns of a slowdown in the global economy in the second

**Chart 2 Decomposition of long-term forward break-even inflation rates, based on a term structure model**

(annual percentage changes; percentage points)



Sources: Reuters and ECB calculations.

Note: Long-term forward break-even inflation rates and components are for the five-year forward five-year-ahead horizon. For term structure model details, see Garcia and Werner (2010).

half of the year. Again, it is important to note that the level of long-term inflation expectations was, in contrast, broadly unchanged during that period. In any case, although significant care is taken in the specification of the term structure model used here, modelling bond markets during the financial crisis period poses significant challenges, which should be taken into account.

15 See Garcia, J. A. and van Rixtel, A. (2007), "Inflation-linked bonds from a central bank perspective", *Occasional Paper Series*, No 62, ECB, and references therein for an overview and international comparison.

16 For model details, see Garcia, J. A. and Werner, T. (2010), "Inflation risks and inflation risk premia", *Working Paper Series*, No 1162, ECB.

17 In line with recent literature, the model includes measurement errors for all the variables, thereby allowing for a correction for liquidity and other potential distortions in bond markets during the financial crisis, which is crucial in order to provide a thorough assessment of developments in break-even inflation rates, inflation expectations and the inflation risk premia.

18 See Box 4 entitled "An assessment of recent developments in long-term forward break-even inflation rates", in the December 2009 issue of the Monthly Bulletin.



#### 4 DEVELOPMENTS IN EXPECTATIONS IN RECENT YEARS

Measures of inflation expectations are used by the ECB to gain an insight into the expectations of the private sector, to cross-check its own assessment of the outlook for future inflation and as part of a set of indicators used to evaluate the perceived credibility of its monetary policy. Clearly, all the existing measures have shortcomings and are imperfect gauges of the “true”, unobserved inflation expectations of the private sector. For example, measures derived from financial instruments, which are based on market trades and are available in real time for a wide range of maturities, may be affected by unobservable, time-varying risk premia. By contrast, survey-based measures, although not distorted by unobservable risk premia, are not necessarily linked to actual economic behaviour and may be more backward-looking. This is because individual forecasts may only be updated at fixed intervals and the collection and compilation of such forecasts inevitably takes some time. A comprehensive assessment of these limitations and the comparative strengths and weaknesses of both types of measure supports a combined analysis, whereby all available measures are used jointly and the conclusions from all types of indicator are reciprocally cross-checked.

In this regard, it is important to look at how the various measures of inflation expectations have behaved in recent years, taking into account the unusual volatility in actual inflation rates caused by a combination of commodity price shocks and the impact of the financial crisis. In particular, it is instructive to focus on summer 2008, when inflation temporarily rose on account of strong increases in commodity prices in global markets and their pass-through to consumer prices, as well as on autumn 2008, when the financial crisis intensified in the months immediately after the demise of Lehman Brothers in the United States.

#### THE COMMODITY PRICE SHOCK OF 2007-2008

In the wake of the strong commodity price shocks recorded in the course of 2007 and 2008, which culminated in actual HICP inflation rising to 4% on an annual basis in the summer of 2008, inflation expectations provided a key tool for assessing the risks of second-round effects on inflation.

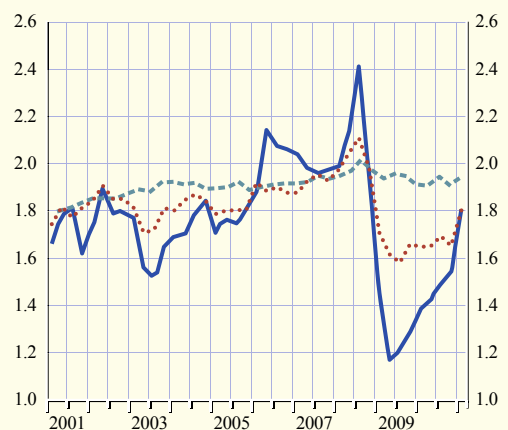
As actual inflation started to rise in the final months of 2007, short-term inflation expectations were progressively revised upwards. For example, the SPF respondents mostly expressed their concern about higher inflation in expectations at the one and, to a lesser extent, two-year horizons (see Chart 3).<sup>19</sup> Similarly, short-term expectations derived from inflation-linked swaps increased in the second quarter of 2008 (see Chart 4). Longer-term expectations initially remained muted, possibly reflecting the

<sup>19</sup> Other survey-based measures of expectations, such as those of Consensus Economics and Euro Zone Barometer, showed similar patterns.

Chart 3 Inflation expectations from the SPF

(annual percentage changes)

— one-year-ahead HICP  
- - - two-year-ahead HICP  
- - - five-year-ahead HICP



Source: ECB.

**Chart 4 Forward inflation-linked swap rates in the euro area**

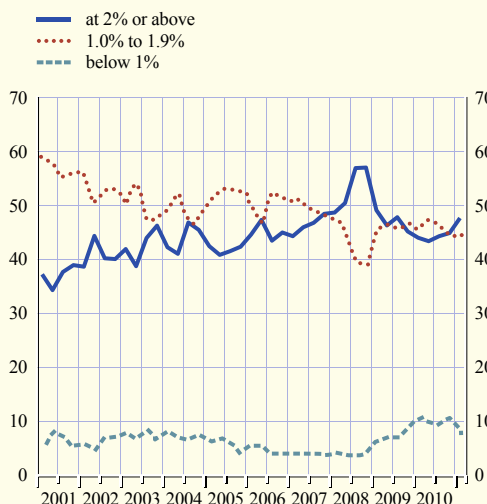
(annual percentage changes)



Sources: ICAP and Reuters.

**Chart 5 Probability of longer-term inflation outcome within given intervals**

(as a percentage)



Source: ECB.

Note: Information from the aggregate probability distribution.

perceived transitory nature of the commodity price shock, as well as the fact that the ECB was expected to react to the higher inflation, but started to rise in the summer of 2008 (see Charts 3 and 4).

Market concerns about inflation were also reflected in the aggregate probability distribution available from the SPF. In the two SPF rounds conducted in July and October 2008, when the latest available data for the euro area annual inflation rate showed 4.0% for June and 3.6% for September, the forecasters assigned significantly higher probability to a longer-term inflation outcome of at or above 2% (see Chart 5). The rising level of long-term inflation expectations in the SPF, and the higher probability assigned by respondents to outcomes above the ECB's definition of price stability, were two further elements supporting the overall assessment that led to the monetary policy decision to increase interest rates in July 2008.<sup>20</sup> Thereafter, following the ECB's interest rate increase and the intensification of the financial crisis, the concerns about higher longer-term

inflation subsided quickly. Short-term inflation expectations, particularly those derived from financial instruments, fell quickly (see Chart 4).

#### INFLATION EXPECTATIONS DURING THE CRISIS

The period immediately after the demise of Lehman Brothers in the United States in September 2008 provides another case study for the usefulness of indicators of inflation expectations. As the international economy experienced one of the worst recessions in generations, market concerns about both inflation and deflation emerged. On the one hand, as demand and output fell sharply, and unemployment went up, spare capacity rose and downward pressures on inflation emerged. This, in turn, triggered fears of a sustained

<sup>20</sup> According to the editorial of the July 2008 Monthly Bulletin: "The Governing Council's decision [to increase interest rates] was taken to prevent broadly based second-round effects and to counteract the increasing upside risks to price stability over the medium term". "The Governing Council emphasises that [...] it is its strong determination to keep medium and long-term inflation expectations firmly anchored in line with price stability."



period of deflation ahead.<sup>21</sup> On the other hand, strong recessionary forces elicited an unprecedented response in both monetary and fiscal policies, which led some observers to argue that inflation was the main threat. According to this view, abundant liquidity, combined with high fiscal deficits, would trigger inflation once a recovery was under way if policy-makers were unable or unwilling to reverse the policy stimulus in time. Inflation expectations provide an important tool for assessing the balance of risks, particularly in an environment subject to upward and downward pressures on price stability.

Despite the fact that annual inflation slowed to 0.3% in 2009, the risk of outright deflation in the euro area was always forecast to remain low by the markets. For example, measures of longer-term inflation expectations remained firmly anchored at levels consistent with the ECB's definition of price stability throughout 2009. Furthermore, in the middle of 2009, SPF respondents assigned a very small probability (of less than 4%) to inflation being negative in two years' time. At the same time,

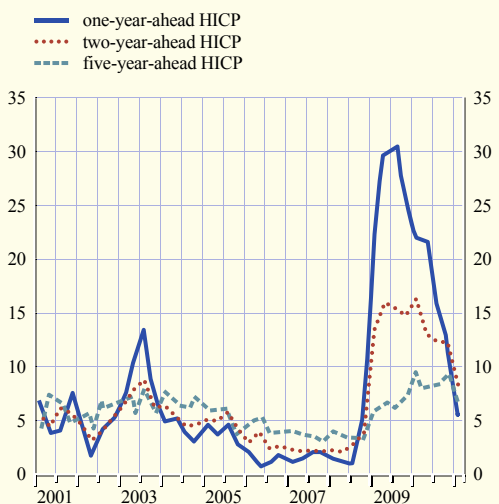
a positive but low inflation outcome was perceived as more likely, as the probability of inflation being between 0% and 1% in one year's time was assessed to be around 30% in the second quarter of 2009, declining significantly thereafter (see Chart 6).

The rapidly changing economic environment in autumn 2008 led forecasters to revise their short and medium-term inflation expectations downwards. The overall uncertainty about current and future economic developments increased substantially, which was clearly reflected in the forecasters' probability distributions provided in the SPF. Aggregate uncertainty – the measure that captures both diverging views among forecasters and the uncertainty that each forecaster assigns to their own forecast – remained high and even continued to increase slightly for all forecast horizons (see Chart 7), following increases

21 See, for example, Chapter 1 of the IMF World Economic Outlook, April 2009, and Decressin, J. and Laxton, D. (2009), "Gauging Risks for Deflation", IMF Staff Position Note No 09/01.

**Chart 6 Probability of inflation at or above 0% and below 1%**

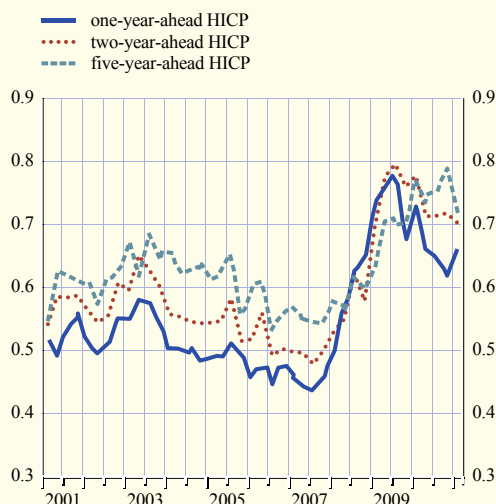
(as a percentage)



Source: ECB.

**Chart 7 Aggregate uncertainty**

(percentage points)

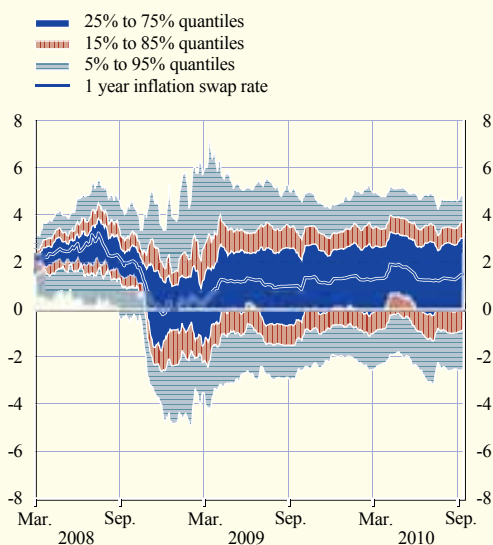


Source: ECB.

Note: Aggregate uncertainty is measured as the standard deviation of the aggregate probability distribution in the SPF.

**Chart 8 Probability bands of various inflation outcomes in one year derived from euro area inflation options**

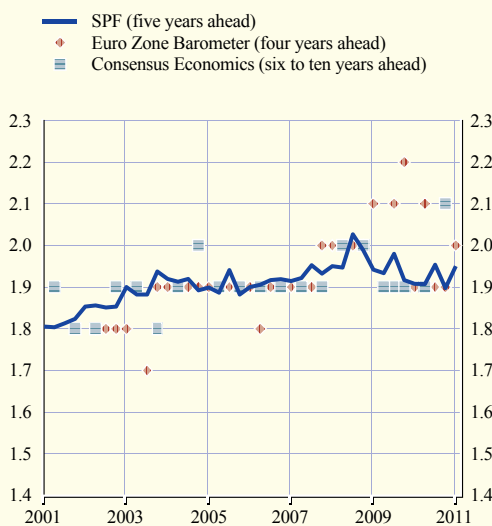
(annual percentage changes)



Sources: Bloomberg and ECB calculations.

**Chart 9 Longer-term inflation expectations from various sources**

(annual percentage changes)



Sources: Consensus Economics, ECB and Euro Zone Barometer.

during 2008 which were associated with the oil and food prices shocks.<sup>22</sup> However, this feature was not specific to inflation or, indeed, the SPF: similar increases in uncertainty were also observed within the SPF for real GDP growth and unemployment, as well as in other private sector surveys.<sup>23</sup> Although there are some signs of a decline in uncertainty since the beginning of 2010, it still remains higher than before the crisis.

Turning to financial indicators, expectations extracted from financial instruments suggested greater risks of deflation over the short term during the financial crisis than survey-based indicators. Beyond the baseline scenario portrayed by the inflation-linked swap rates discussed in the previous section, additional information can be obtained by looking at probability distributions for inflation outcomes calculated from traded inflation options (caps and floors) over the one-year horizon.<sup>24</sup> Chart 8 shows bands with the probability of various inflation outcomes at a one-year horizon. Inflation options also suggest a very strong shift in inflation expectations in late 2008.

The upward trend in actual and expected inflation in the first half of 2008 was also accompanied by a rise in uncertainty and upside risks. The intensification of the crisis in the autumn of 2008 triggered a further increase in inflation uncertainty, as well as a substantial increase in the probability of deflation. Since 2009 these deflation risks have diminished, while inflation uncertainty has remained considerably higher than before the crisis, as

22 For example, the standard deviation of euro area inflation forecasts for the year 2009 within the Consensus Economics panel – another measure of uncertainty among forecasters – increased substantially in autumn 2008 to peak in December at unprecedented levels, twice as high as the five-year average of the standard deviation at this forecasting horizon. For a detailed discussion of measures of uncertainty that can be derived from the SPF, see the box entitled “Measuring perceptions of macroeconomic uncertainty” in the January 2010 issue of the Monthly Bulletin.

23 For a discussion of developments regarding uncertainty, including information from the Consensus Economics forecasts, see the box entitled “Uncertainty and the economic prospects for the euro area” in the August 2009 issue of the Monthly Bulletin.

24 The derivation of the implied inflation densities is based on a spline interpolation of the implied volatilities extracted from the inflation caps and floors, based on the Black-Scholes approach. For an application of this methodology, see Kruse, S. (2010), “On the Pricing of Inflation-Indexed Options”, *European Actuarial Journal*, forthcoming.

indicated by the fact that the confidence interval surrounding the median inflation expectations in Chart 8 is still wide.

During these turbulent times, longer-term inflation expectations have remained well anchored (see Chart 9): the mean and median of the point forecasts of the SPF have fluctuated between 1.9% and 2.0% in the last two years. Longer-term forecasts from Consensus Economics and the Euro Zone Barometer have been slightly more volatile. However, owing to the smaller number of respondents for these two surveys than for the

SPF, their average results are more sensitive to outliers. Market-based measures declined by less than 1 percentage point at the end of 2008. As pointed out in Section 3, this decline was mostly due to declining risk premia, while market participants' longer-term inflation expectations remained broadly stable throughout the financial crisis. The broad stability of longer-term inflation expectations suggests that monetary policy credibility was not seriously affected during the crisis. The box below looks at developments in inflation expectations for other selected economies outside the euro area.

## Box

### RECENT INTERNATIONAL DEVELOPMENTS IN INFLATION EXPECTATIONS

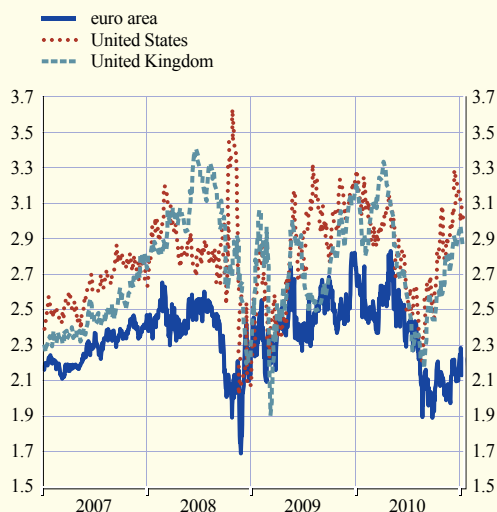
This box reviews developments in financial and survey-based indicators of inflation expectations, similar to those presented in the main text, for other advanced economies outside the euro area, in particular the United States and the United Kingdom. Overall, the comparison points to similar developments in inflation expectations among advanced economies, with long-term expectations remaining well anchored overall, although country-specific temporary shocks have tended to result in some degree of divergence in the dynamics of short to medium-term inflation expectations.

#### Inflation expectations during the crisis

With the intensification of the international financial and economic crisis in 2008, the sharp drop in output at the global level resulted in downward pressures on global inflation. In this context, medium to longer-term break-even inflation rates and inflation swap rates are useful indicators for interpreting the significant decline in inflation expectations in comparison to the euro area (see Charts A and B). Indeed, the decline in US and UK break-even inflation rates was more pronounced than that observed in the euro area. However, market-based inflation expectations have also become much more volatile and have been influenced by liquidity premia, as well as technical factors. While short-term survey-based indicators also showed similar patterns, the declines were more short-lived. In contrast, survey-based

Chart A Five-year forward five-year-ahead break-even inflation rates

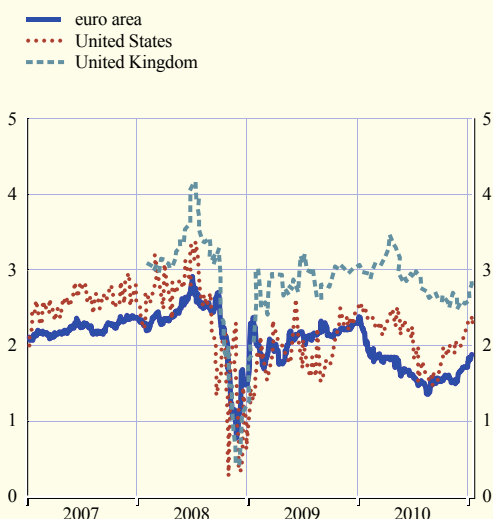
(annual percentage changes)



Sources: Reuters, ECB, Federal Reserve Board staff calculations and Bank of England.

**Chart B One-year two-year-ahead forward inflation-linked swap rates**

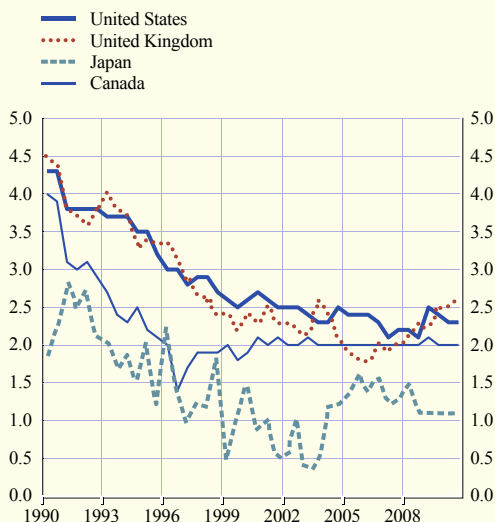
(annual percentage changes)



Sources: ICAP and Reuters.

**Chart C Longer-term inflation expectations six to ten years ahead**

(annual percentage changes)



Source: Consensus Economics.

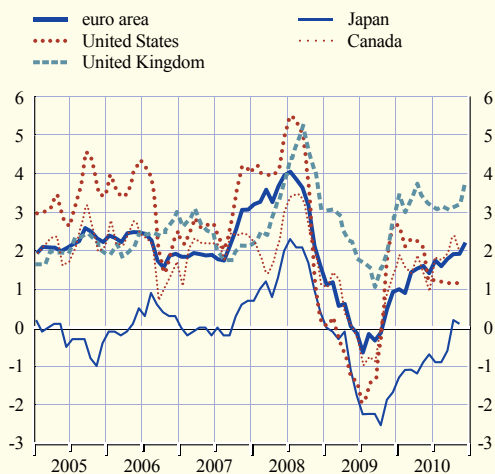
longer-term inflation expectations, such as those provided by Consensus Economics, remained fairly stable (see Chart C). This suggests that, despite significant movements in headline inflation, longer-term inflation expectations remained well anchored throughout the crisis period. Meanwhile, it is not surprising that survey-based long-term inflation expectations have remained relatively low in Japan, given its prolonged experience of very low inflation. In Canada, long-term inflation expectations essentially remained at the level targeted by the monetary authorities throughout the crisis.

### Inflation expectations in 2010

After a rebound in economic growth in early 2010, some loss of momentum in the recovery over the summer triggered renewed deflation concerns in the United States. Market-based inflation expectations slowed in the United States and the United Kingdom, as in the euro area, before picking up towards the end of the year. Meanwhile, a rise in actual inflation in the United Kingdom from early 2010 onwards (see Chart D), mainly driven by the increase in VAT and the impact of the depreciation of the pound sterling, was, to a certain extent, reflected in higher market-based short-term inflation expectations. While these patterns for the United States and

**Chart D Inflation rates**

(annual percentage changes)



Sources: Eurostat, BEA and BIS.  
Note: HICP for the euro area and the United Kingdom; CPI for the United States, Japan and Canada.

the United Kingdom were also partly evident in survey-based indicators, such as the Consensus Economics forecast (see Chart C), long-term inflation expectations remained within their historical range, suggesting that inflation expectations remained well anchored. Other survey-based indicators support this view.<sup>1</sup>

Overall, analysing developments in indicators of inflation expectations during the crisis and the summer of 2010 illustrates the advantages of combining information from both surveys and financial markets, where available, to assess those developments, not only in the euro area, but also in other advanced economies. To sum up, trends in inflation expectations among advanced economies have been broadly similar to those observed in the euro area in recent years, with long-term expectations remaining well anchored. However, country-specific temporary shocks lead to diverging dynamics of short to medium-term inflation expectations.

<sup>1</sup> For the United States, for example, the University of Michigan measure of consumers' long-term inflation expectations (five to 10 years ahead) fell to 2.7% in September 2010, but rebounded to 2.8% in December. Ten-year-ahead inflation expectations in the SPF and expected average inflation for the next 10 years in the Livingston survey stood at 2.2% and 2.5% in November and December, respectively. All three indicators were close to their historical averages.

## 5 CONCLUSIONS

Inflation expectations are used by the ECB to gain an insight into the private sector's assessment of the outlook for future inflation and as part of a set of indicators used to evaluate the credibility of monetary policy. They are important for indicating the confidence of the public in the ability of the ECB to deliver on its price stability mandate. Several measures are available in the euro area, some derived from surveys and others extracted from financial markets, covering both the short and medium to longer-term horizons. An analysis of the main factors influencing the various available measures of expectations in the euro area shows that measures at different horizons tend to respond to different information: temporary shocks to volatile components tend to be more prominent in the short term, while longer-term expectations are broadly insensitive to economic news. The fact that longer-term expectations have remained well anchored at levels close to 2% during the past three years, which have been relatively challenging for monetary policy given the massive shocks that have hit the euro area and the global economy, has offered comfort for the conduct of monetary policy and demonstrates the credibility earned by the ECB as a price stability-oriented central bank.

However, there is no room for complacency, as measures of uncertainty and disagreement derived from survey-based expectations, for example, have increased in the immediate aftermath of the financial crisis and have not yet returned to their previous levels; furthermore, inflation risk premia embedded in asset prices have remained non-negligible.

Looking ahead, it is paramount that monetary policy continues to deliver price stability and remains credible in ensuring price stability over time. If investors and economic agents are reassured that inflation will remain stable in the future as a result of credible monetary policy, inflation expectations will remain well anchored and investors will demand lower inflation risk premia, which, in turn, will foster stronger growth in the euro area. This is the best contribution that monetary policy can offer to promoting balanced growth and higher standards of living in the euro area.

# THE INFORMATION CONTENT OF OPTION PRICES DURING THE FINANCIAL CRISIS

## ARTICLES

The information content of option prices during the financial crisis

*Financial asset prices have experienced significant volatility in reaction to the financial and economic crisis. In the context of such market volatility, investors' expectations and the level of market uncertainty as regards the future course of financial asset prices provide valuable information for analytical purposes. This article presents a technique recently adopted by ECB staff for the purposes of quantifying market participants' expectations regarding future asset prices in the form of probability distributions drawing on option prices. It shows how these techniques can be applied to money and stock markets, and the information content of measures of market expectations is discussed, with a particular focus on the behaviour of such measures during the financial crisis. These measures of market expectations allow the central bank to better understand market sentiment and behaviour. They also extend the central bank's information set and have shown themselves to be particularly relevant during periods of financial market tension.*

## I INTRODUCTION

Episodes of intense financial market volatility have been common since August 2007. Indeed, since the financial market turbulence and the financial and economic crisis began, most financial asset prices have experienced significant changes, and market uncertainty about future asset prices has also increased substantially. As a reflection of investors' reactions to the unfolding news and events of the time, fluctuations in financial asset prices and in perceived risks provide an additional source of information with relevance for economic and financial analysis.

This article discusses the estimation of the probabilities attached by market participants to possible future outcomes for a specific asset price. The set of likely future outcomes and the attached probabilities define a density function, such as those shown in Chart 1. More specifically, this article shows how such density extractions from option prices can be applied to short-term interest rates and stock prices and discusses the relevance of their information content for analytical purposes at the ECB. In brief, this relevance stems from several factors. First, as the ECB aims to steer short-term money market interest rates, it has a key interest in monitoring the evolution of short-term interest rates and associated expectations.<sup>1</sup> Second, stock prices reflect expected corporate earnings and can thereby provide useful information for assessing investors' expectations for economic activity. Finally, stock prices may – among

other things – influence consumer spending via financial wealth and confidence effects. Ultimately, expectations as regards future stock market developments provide useful information about the risks and level of confidence in the market, as well as information about the outlook for both the economy and the financial market.<sup>2</sup>

Overall, this article makes clear that the regular monitoring of developments in expectations may provide useful information for economic and financial analysis. The structure of the article is as follows: Section 2 briefly explains the methodology behind the extraction of information from option prices; and Sections 3 and 4 present the application of these methods to both money and stock markets, with a focus on their information content.

## 2 EXTRACTING INFORMATION FROM OPTIONS

This section explains the extraction of information from options and the interpretation of the resulting probability density function. The box briefly describes the financial and statistical methodology behind the extraction.

- 1 For a related exposition on extracting information from interest rates, see the article entitled "The information content of interest rates and their derivatives for monetary policy", *Monthly Bulletin*, ECB, May 2000.
- 2 For a more detailed exposition, see the article entitled "Extracting information from financial asset prices", *Monthly Bulletin*, ECB, November 2004.



## AN OVERVIEW OF FINANCIAL AND STATISTICAL TERMINOLOGY

### Futures and options on futures

Derivative instruments – and in particular the options on futures selected for this article – are appropriate financial market instruments from which to extract measures of uncertainty and their distribution around central market expectations. This box briefly describes the main features of both futures contracts and options on futures contracts. In addition, this box defines the statistical indicators that are used in the article to extract measures of uncertainty.

A futures contract is a standardised contract between two parties who agree, respectively, to buy and sell a fixed quantity of a specified asset of standardised quality on a predetermined date and at a pre-agreed price (known as the “futures price”). Such contracts are traded on futures exchanges. In the case of the three-month EURIBOR and the Dow Jones EURO STOXX 50, these contracts are traded on Euronext and Eurex respectively.<sup>1</sup> The pre-agreed delivery price is set in such a way that the initial value of the futures contract is zero and the corresponding delivery price is the futures price.

An option on a futures contract is an instrument that entitles – but does not oblige – its owner to buy or sell a particular futures contract at a specific price on or before a certain expiry date. There are two types of option on futures contracts: a “call option” gives the holder the right to acquire a given futures contract, whereas a “put option” grants the holder the right to sell it. The seller of the option therefore agrees to either sell a certain futures contract (in the case of a call option) or buy it (in the case of a put option), at a specific price, should the owner of the option decide to exercise it.

### Estimating implied densities

This paragraph briefly explains how implied densities can be estimated using observable market prices for options and futures contracts. While a number of different techniques exist for estimating implied densities, here we concentrate on the method used to obtain the implied densities presented in this article. Black and Scholes defined the price of a European call option at time  $t$  as:

$$C(F_t, K, \tau) = e^{-r\tau} \int_k^{\infty} f(F_T) (F_T - K) dF_T$$

where  $C$  is the call function,  $K$  is the option’s strike price,  $r$  is the risk-free rate,  $F_t$  is the value of the underlying future at time  $t$  and  $f(F_T)$  is the implied density which describes the possible outcomes for the underlying future at time  $T$ . The option’s time to maturity  $\tau$  is equal to  $T - t$ . In practice, the task of estimating an implied density amounts to the estimation of a twice-differentiable call price function, as explained by Breeden and Litzenberger (1978)<sup>2</sup>. However, this cannot be applied directly, because we only observe option prices for a discrete set of strike prices,

1 Euronext NV is a pan-European stock exchange with headquarters in Amsterdam and subsidiaries in Belgium, France, the Netherlands, Portugal and the United Kingdom. Eurex is a derivatives exchange and is jointly operated by Deutsche Börse AG and SIX Swiss Exchange. It is based in Frankfurt am Main and has representative offices around the world.

2 Breeden, D. and Litzenberger, R., “Prices of state-contingent claims implicit in option prices”, *Journal of Business*, Vol. 51, No 4, 1978, pp. 621-651.



rather than a twice-differentiable continuum. In fact, taking the second derivative of a call price function estimated directly, interpolating through the discrete set of data on option premia and strike prices can sometimes lead to unstable or inaccurate implied densities. Instead, Bliss and Panigirtzoglou<sup>3</sup> have suggested that smoother results might be obtained if the data on option premia and strike prices are transformed into implied volatility delta values prior to interpolation. The implied volatility is calculated by reversing the Black-Scholes formula in the sense that, given an observed option price, a value for volatility can be found that produces an option price which corresponds to the market price. The delta of an option measures the rate of change in the option price relative to changes in the underlying asset price. For example, with call options, a delta of 0.4 means that for every increase of one unit in the underlying asset, the call option will increase by 0.4 unit. For call options, the delta is always defined in the [0, 1] interval, whereas for put options, it is defined in the [-1, 0] interval.

### Statistical moments and percentiles

The mean and variance of the implied density are known as the first two statistical moments. They provide information on both the central tendency and the width of a probability density function. The square root of the variance is the standard deviation. Skewness and kurtosis are the third and fourth moments and also provide information on the shape of the density.

Skewness is a measure of the asymmetry in the shape of a given probability density function. Skewness can be positive or negative. A negative skew occurs when the tail to the left of the implied density is longer than that to the right, reflecting the fact that more market participants expect interest rate values to be above the mean than below it. A positive skew, with a longer tail to the right of the probability density function, means the opposite. A zero value indicates that the values are evenly distributed on both sides of the mean, typically (although not necessarily) implying a symmetrical density.

Kurtosis is a measure of the “peakedness” of a probability density function. Higher kurtosis means that much of the variance is the result of infrequent but extreme changes, as opposed to frequent but modest changes. Economically speaking, kurtosis quantifies the likelihood that market participants attach to more extreme outcomes, compared with outcomes at the centre of the density.

A percentile is the value of a variable below which a certain percentage of the observations fall. So, the tenth percentile is the value below which 10% of the observations may be found. The fiftieth percentile divides the probability density function into two halves of equal mass and is equivalent to the median of the distribution.

The option’s implied density function offers greater insight into the changes expected by market participants in the value of an underlying asset than commonly used measures (such as futures) that capture only the market consensus as regards expectations. For example, the width of an implied density function around its central value designates the range of expected prices to which some non-zero probability has been attached, thereby providing an indication as to the level of uncertainty surrounding the expected central value at a given point in time.

<sup>3</sup> Bliss, R. and Panigirtzoglou, N., “Testing the stability of implied probability density functions”, *Journal of Banking and Finance*, Vol. 26, 2002, pp. 381-422.

In statistical terms, this uncertainty is captured by the standard deviation of the implied density. In addition, it is often the case that a probability density function is asymmetric; that is to say, different probability masses are assigned to outcomes above and below the central expectation. In statistical terms, this asymmetry is captured by the skewness of the density. A positive skew points to a perception that outcomes are more likely to be below the central expectation than above it. A negative skew, on the other hand, indicates the opposite. Furthermore, in periods of financial stress, market participants may consider more extreme outcomes to be more likely than outcomes in the centre of the density. The kurtosis of the density quantifies this tendency.

The techniques presented in the next few sections concern measures of uncertainty used for assessing market expectations as regards future developments in a short-term interest rate (the three-month EURIBOR) and a euro area stock price index (the EURO STOXX 50 index). These indicators have been selected because the higher levels of liquidity in these markets allow the extraction of signals from a large number of individual trades on a daily basis.

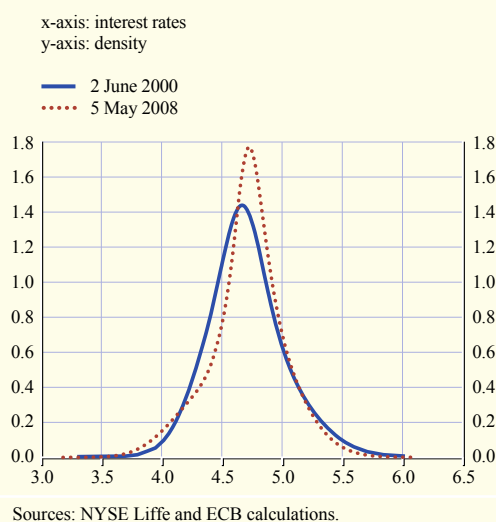
The forward-looking nature of option prices makes them suitable for the extraction of expectations and the quantification of uncertainty. Using all the available data relating to the prices of all appropriate options (see below), such as interest rate futures, from a given day, it is possible to summarise this wealth of information within a probability distribution representing the full range of expectations for an interest rate for a given period in the future.

Chart 1 illustrates two stylised examples of such implied densities, using expectations for the three-month EURIBOR three months ahead calculated on two different dates. Although these two implied densities have the same mean and the same standard deviation three months ahead, the uncertainty around the mean differs starkly. The implied density function mapped in blue is positively skewed, meaning that more market participants expect interest rate outcomes to be below the mean than above it. By contrast, the red implied density function is negatively skewed, meaning that the mass of the density is more concentrated around the higher interest rates, thus reflecting the fact that more market

participants expect interest rate outcomes to be above the mean than below it. This difference in shape is explained by the variation in market expectations and levels of uncertainty on the two given dates.

As this implied density function presents the risk-neutral probability (i.e. the probability independent of whether investors are risk-averse or risk-seeking) that the market ascribes to all possible outcomes, it provides a quantitative measure of the market's assessment of the risks surrounding the futures rate, in terms of both magnitude and directional bias. The implied density is, however, only an approximation of real expectations, because risk aversion is not observed and hence not taken into account.

**Chart 1 Implied density functions for two selected dates**



This implied density function can be derived by using a variety of different methods. Empirical evidence has shown that although these methods might differ as regards the tails of the densities, there is generally no major difference when comparing the central sections of the estimated implied probability density functions. Owing to its robustness and stability, the technique that was selected from all of those available in order to derive the implied densities for this article was a non-parametric technique.<sup>3</sup>

#### HOW TO MAKE MEASURES OF UNCERTAINTY COMPARABLE OVER TIME

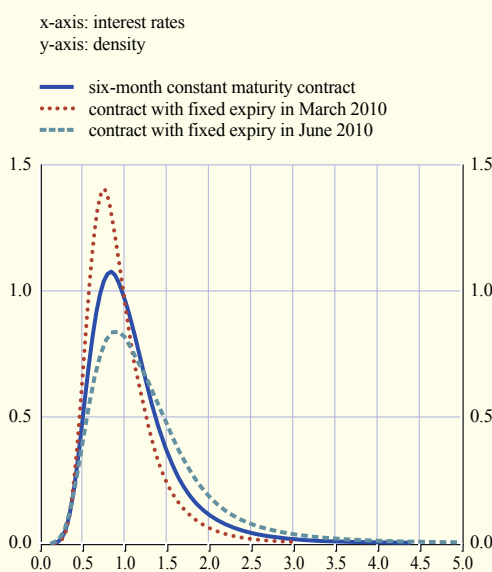
Various types of options on futures contracts with a fixed expiry date are traded on a daily basis for the three-month EURIBOR and the Dow Jones EURO STOXX 50. In 2009 around 100,000 options on futures were traded on Euronext, producing an average daily trading volume of around 500 contracts. Each of these contracts expires on the same day as the underlying futures contract. In general, the closer the expiry date of the option contract – i.e. the closer the “future” is to the present – the lower the degree of uncertainty about the possible outcome of the underlying future. Thus, the level of uncertainty embodied in the implied probability density also tends to decline as the expiry date approaches. Consequently, very little trading, if any, takes place on the days immediately prior to the expiry date. More importantly, the resulting time pattern of a decreasing density width makes it misleading to compare implied densities relating to the same fixed expiry contract over time. A solution generally applied to allow the comparison of implied densities over time is to estimate “constant maturity implied probability density functions”. By means of interpolation, one constructs an artificial measure that provides a signal on a daily basis for a period in the future, which is typically fixed at a horizon of three, six or nine months, one year, or one and a half years. These interpolations allow the analysis of a meaningful economic signal by correcting the

general pattern that uncertainty typically declines the closer the expiry date gets to the present. This interpolation is performed across the implied volatilities of contracts with the same delta (i.e. the same rate of change in the option price relative to changes in the underlying asset price) but different maturities (see the box). The final schematic principle of this interpolation is shown in Chart 2, which shows an interpolation of a six-month constant maturity implied density on 27 October 2009. The discussion in the remainder of this article is based on interpolated constant maturity densities.

By plotting together all the daily three-month constant maturity implied density functions from the initial trading day on 13 January 1999 to the present day in a three-dimensional space

3 For a detailed description of the underlying methodology used to construct the implied probability density functions, see de Vincent, R. and Puigvert Gutiérrez, J.M., “A quantitative mirror on the EURIBOR market using implied probability density functions”, *Working Paper Series*, No 1281, ECB, 2010.

Chart 2 Interpolation to obtain a six-month constant maturity probability density function on 27 October 2009



Sources: NYSE Liffe and ECB calculations.

(see the first part of Chart 3), it is possible to demonstrate the evolution of the three-month constant maturity implied density function over time, showing interest rate expectations on one dimension, density on another and time on the third. Not only do the densities vary in terms of their central expectations, but their width and skewness also change significantly over time, indicating periods of varying uncertainty and asymmetry in expectations. In particular, the way these densities changed during the financial crisis can be observed in the second part of Chart 3.

### WHICH OPTIONS SHOULD BE USED FOR THE DERIVATION OF IMPLIED DENSITIES?

The trading of options most commonly involves call and put options with a strike price higher and lower respectively than the current underlying futures price; these are known as “out-of-the-money” calls and puts. These options tend to be more liquid than puts and calls respectively with the same strike price (i.e. “in-the-money” puts and calls) and are therefore more representative. Hence, the implied densities are best constructed by using only those option prices which are either “out of the money” or “at the money” (the latter being options for which the current forward price of the underlying asset is equal to the strike price of the option).

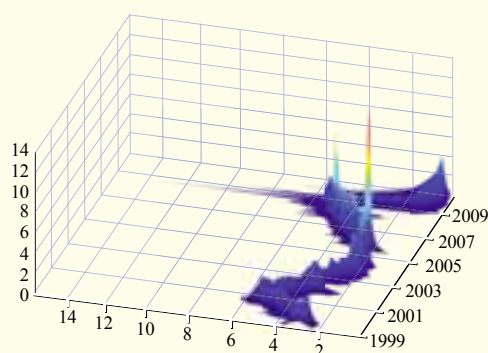
In addition, three other types of data quality check are performed on the price data. First, as a basic plausibility check, any option prices that are either equal to zero or negative in value are excluded. Second, according to option pricing theory, a call price function should be both monotonic and convex in order to yield non-negative probability estimates. Thus, any option prices that do not allow these requirements to be met are also excluded. Third, if after the application of the preceding two filters, there are fewer than three “out-of-the-money” option prices for a particular expiry date (that is to say, too few observations are available), no implied probability density function will be estimated for that expiry date. Although it very much depends on the fixed expiry contract and the trading day, around 40% of the options initially chosen are ultimately excluded.

Finally, a considerable caveat needs to be added for the interpretation of signals extracted from contracts dependent on interest rate forecasts or expected economic developments. Indeed, asset prices and the relevant option contracts might temporarily be influenced by non-fundamental factors, which include technical features of the specific markets or temporary imbalances between different types of agent. Crucially,

**Chart 3 Three-month constant maturity implied densities**

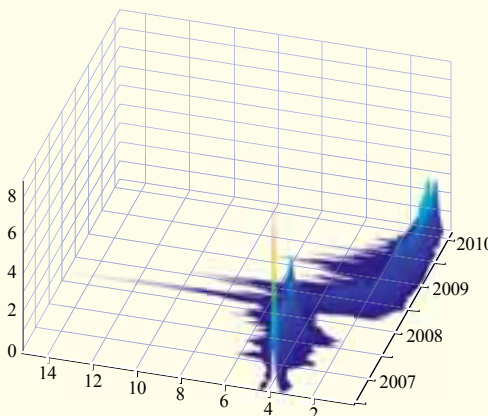
(daily readings; 1999-2010)

x-axis: interest rates  
y-axis: density  
z-axis: business days



(daily readings; 2007-2010)

x-axis: interest rates  
y-axis: density  
z-axis: business days



Sources: NYSE Liffe and ECB calculations.

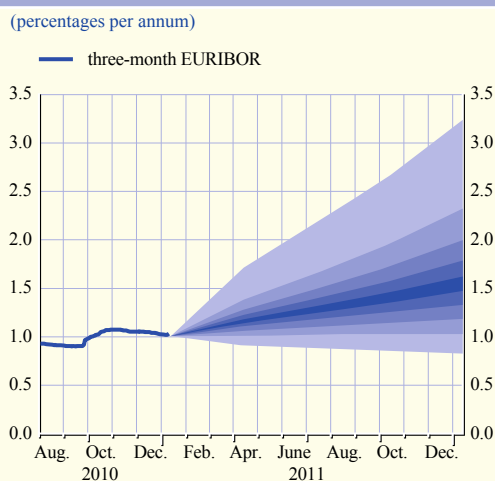
such “distortions” need to be taken into account for the purposes of the economic interpretation of the signal. (See Section 3 for some examples taken from the financial crisis.)

### 3 MONEY MARKET EXPECTATIONS AND UNCERTAINTY DURING THE FINANCIAL CRISIS

This section applies the density estimator to the three-month EURIBOR – i.e. an interest rate on unsecured funds. It discusses developments in market expectations during the crisis as regards the future path of this interest rate and highlights their information content. This short-term interest rate serves as an example, while a more comprehensive picture is obtained when interest rate expectations are monitored for a number of instruments and maturities.

Implied densities calculated for several horizons in the future provide a quick overview of market expectations at a certain point in time and may provide additional information for the central bank. Chart 4 depicts the probability of various outcomes for the three-month EURIBOR over the coming year. The solid line shows the actual path of the three-month EURIBOR in recent months. The fan chart shows expectations as regards the future outcome, as derived from the implied densities for the coming year. Each band of the fan chart represents 10% of the expectations. The central band predicts a gradual increase in the three-month EURIBOR over time. The width of a band increases with the expectation horizon owing to the greater degree of uncertainty surrounding outcomes at more distant points in time. The bands above and below the central band may also differ in terms of their width. Indeed, in Chart 4, bands are clearly wider above the central expectation, indicating that the risk of greater changes in the interest rate is currently considered to be tilted more to the upside than the downside. This is directly related to the skewness of the underlying implied densities, as can be seen from the implied density in Chart 5 which reflects the expectation three months ahead recorded on 14 January 2011 (see the dashed green line in the second part of the chart).

Chart 4 Three-month EURIBOR and expectations thereof over the coming year



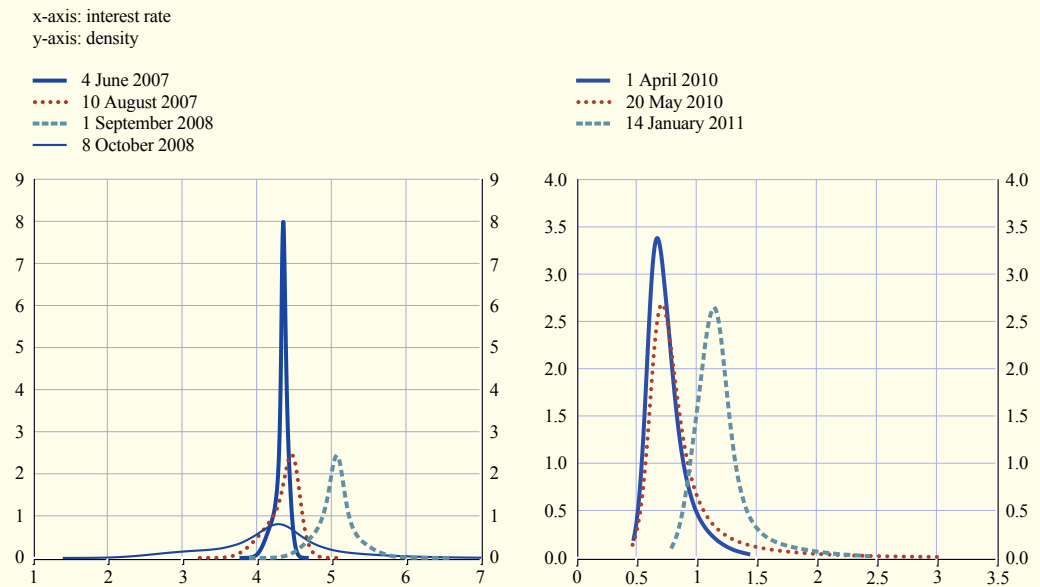
Sources: NYSE Liffe and ECB calculations.

Notes: The solid line shows the three-month EURIBOR up until 14 January 2011. The fan chart represents expectations and uncertainty as regards the evolution of the three-month EURIBOR in the coming year, based on option prices observed on 14 January 2011.

In normal times, this type of measure provides information on the range of expectations formulated by market participants with regard to future policy rate decisions. However, the financial crisis has biased the information that can be extracted from EURIBOR rates for two reasons. First, there were times during the crisis when interest rates on unsecured funding carried a considerable risk premium (i.e. the minimum compensation market participants require to take on the risk of providing such funding), thereby affecting the level of the EURIBOR. Second, uncertainty surrounding future developments in this risk premium led to heightened concerns about future EURIBOR levels. Overall, although the implied densities are derived using a risk-neutral approach, they capture risk by reflecting the presence of heightened risk aversion and the risk premium contained in the EURIBOR. This implies, therefore, that such implied densities contain valuable information about money market tensions.

Chart 5 presents implied densities for the three-month EURIBOR three months ahead on different days during the financial crisis.

Chart 5 Implied densities for the three-month EURIBOR three months ahead



Sources: NYSE Liffe and ECB calculations.

The densities show considerable differences over time, driven by changing expectations about both future policy rate decisions and the risk premium contained in the EURIBOR. The density in June 2007 (see the thick blue line) shows that, before the crisis, expectations were more highly concentrated around a small set of likely outcomes. At the start of the crisis in August 2007 (dotted red line), uncertainty, as observed from the width of the density, increased substantially. The mean and width increased owing to the heightened risk premia and related uncertainty respectively. Later, the mean increased further with the policy rate increase of July 2008. At the time of the first policy rate cut in October 2008 (thin blue line), following on from Lehman Brothers' collapse, uncertainty about future EURIBOR rates reached a very high level. The market consensus view, as measured by the mean, had already decreased by that point compared with one month earlier (dashed green line), thereby reflecting expectations of policy rate cuts. Market conditions gradually improved from then on as a reaction to the non-standard measures implemented by the Eurosystem in

response to the elevated pressures in funding markets and sequential policy rate cuts. This tendency continued up until the sovereign debt crisis of spring 2010. In April 2010 (thick blue line) the density was asymmetric with a long tail to the right, implying that market participants considered substantial increases in the three-month EURIBOR to be likely over the coming months, and more so than decreases of an equal size. In the context of the crisis, this increasing likelihood attached by market participants to higher EURIBOR rates was most likely driven by an expectation that an increase in the risk premium was more likely. This asymmetry became significant at the height of the sovereign debt crisis (dotted red line), with more participants expecting strong upward movements in the rate – in other words, adverse money market outcomes and high risk premia. By comparison, the density in January 2011 (dashed green line) showed less asymmetry, reflecting a decrease in the uncertainty surrounding the risk premium, and had shifted towards somewhat higher interest rates, following developments in money market rates, but uncertainty remained elevated overall.

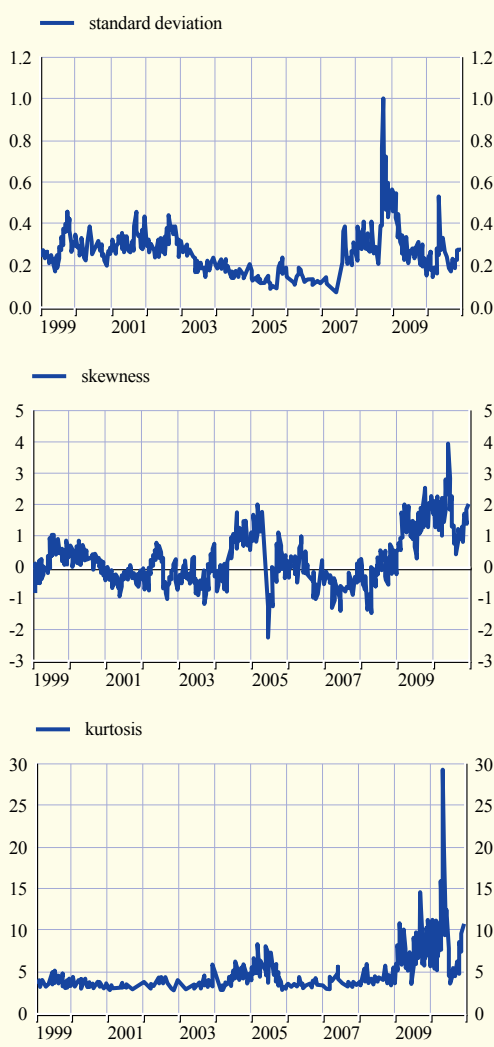


As explained in Section 2, the degrees of uncertainty and asymmetry are captured respectively by the standard deviation and the skewness of a density function. A third indicator, kurtosis, reflects the likelihood attached by market participants to extreme outcomes. Chart 6 presents the entire history of these descriptive statistics, which quantify developments in individual implied densities (such as those in Chart 5) and facilitate their comparison over time. If we focus once again on the period of the financial crisis, developments in the implied densities at this time clearly stand out.

The statistics provide valuable information about the money market situation and the impact of policy measures. Standard deviation, as a measure of uncertainty, captures well the critical moments of the crisis. Standard deviation increased with the onset of market tensions in the summer of 2007, after reaching a historically low level in early 2007. At the time of Lehman Brothers' collapse, it jumped to an extremely high level. Following a series of policy rate cuts and non-standard measures implemented by the Eurosystem, and also following similar actions at the global level, standard deviation gradually began to normalise.<sup>4</sup> This shows how these indicators could also be used to assess the impact of non-standard measures and related announcements. At the time of the sovereign debt crisis in May 2010, standard deviation showed another sharp rise.

Skewness also increased during the financial crisis, becoming particularly pronounced after 2009, and reached extreme levels during the sovereign debt crisis. This implies that market participants considered strong upward movements in the three-month EURIBOR to be both more likely than downward movements of an equal size and more likely than before, reflecting adverse expectations as regards future money market developments. The related higher probability attached to extreme outcomes also drove the high kurtosis observed. Furthermore, these statistics show that as policy rates

Chart 6 Standard deviation, skewness and kurtosis of the implied densities for the three-month EURIBOR three months ahead



Sources: NYSE Liffe and ECB calculations.

approached their trough, skewness (and kurtosis) mirrored market tensions more closely than did standard deviation. The events of early May 2010 also triggered swift policy responses by euro area fiscal and monetary

4 During the period from 8 October 2008 to 7 May 2009 ECB policy rates were cut by 2.25 percentage points. A series of non-standard measures were introduced, which included a move to a fixed rate tender procedure with full allotment in weekly refinancing operations, measures to improve liquidity in certain short-term foreign exchange markets, the expansion of the collateral framework, the enhancement of the provision of longer-term refinancing and a purchase programme for covered bonds.



policy authorities, leading to the normalisation of both skewness and kurtosis.<sup>5</sup>

Classifying densities, and thus the expectations they represent, as either exceptional or revealing requires a benchmark that can be considered neutral. The normal density is a natural candidate for a neutral benchmark with which to compare implied densities. Statistically, with the normal density, expectations are symmetrical around the mean, reflecting the fact that there is no information available to participants that would lead them to believe that a change in one direction was any more likely than a change in the other, or that larger changes had become particularly likely (i.e. the skew is zero and the kurtosis equals three). Yet the empirical financial literature has shown that financial prices are often not distributed in line with the normal density. Chart 7 illustrates the history of six density percentiles as horizontal lines, along with

the values expected for them according to the normal density. The percentiles, selected from the centre of the density, are expected to be close to the normal density values. Any substantial or persistent deviations would be an indicator of exceptional developments in expectations. For example, the persistent deviation by several of the percentiles away from their expected value – a phenomenon which was observed from mid-2009 and continued into 2010 – confirms the exceptional nature of the developments in expectations, as discussed above.

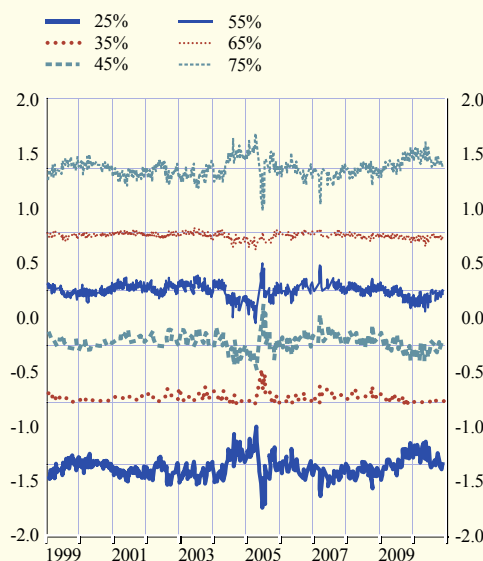
#### 4 STOCK MARKET EXPECTATIONS AND RISKS DURING THE FINANCIAL CRISIS

Measures of the level of risk in the stock market, as perceived by investors, help with the assessment of stock market developments. By extracting implied densities from stock market index options, one can gauge market participants' perceptions of both stock market uncertainty and the balance of risks with regard to future stock market performance. In the context of the financial crisis, such measures were crucial, providing indications of the perceived fragility of overall stock market conditions and signalling potential risks to financial stability.

As an overview, Chart 8 shows the evolution of the euro area stock market index and the risks associated with it at the three-month horizon since the beginning of 2008, with the percentiles of the implied density reflected in different colour bands. As is evident from the chart, uncertainty remained high throughout

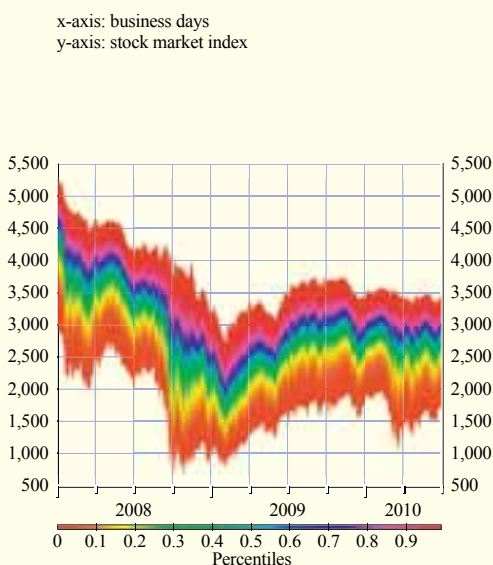
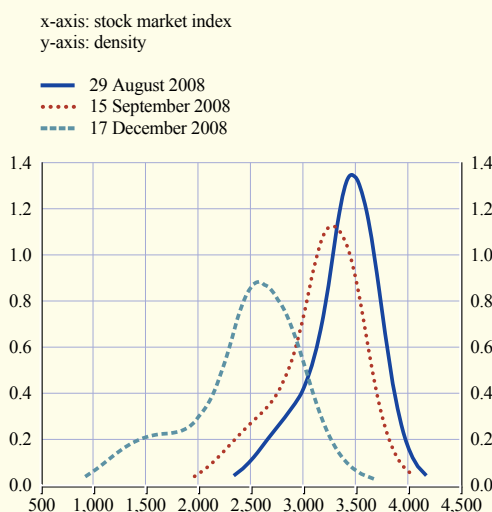
**Chart 7 Selected percentiles of implied densities (centred and normalised)**

(six percentiles of implied densities for the three-month EURIBOR three months ahead)



Sources: NYSE Liffe and ECB calculations.  
Notes: Each daily observation equals the observed percentile subtracted from the mean of the six percentiles for that day and divided by the standard deviation of the six percentiles for that day. The horizontal lines represent their expected values, based on the standard normal distribution.

<sup>5</sup> On 10 May 2010 the ECB – with a view to restoring the conditions necessary for the effective conduct of a monetary policy oriented towards price stability in the medium term and, in particular, with a view to supporting the transmission mechanism for monetary policy – announced the introduction of several measures, among them interventions in the euro area public and private debt securities markets (under the Securities Markets Programme), the reactivation of swap lines with the Federal Reserve and the introduction of additional liquidity-providing operations. For a more detailed exposition of the ECB's measures at the various stages of the crisis, see the article entitled "The ECB's response to the financial crisis", *Monthly Bulletin*, ECB, October 2010.

**Chart 8 Evolution of expectations for the EURO STOXX 50 index three months ahead since the beginning of 2008****Chart 9 Estimated probability density functions for the EURO STOXX 50 index in late 2008 (selected dates)**

the crisis and downside risks to the future stock market index were present for most of the period. To illustrate this in greater detail, the remainder of this section discusses the evolution of perceived risks during two specific episodes of financial distress: the intensification of the financial crisis in the autumn of 2008 and the euro area sovereign debt crisis in May 2010.

#### THE INTENSIFICATION OF THE FINANCIAL CRISIS IN AUTUMN 2008

During the summer of 2008 concerns mounted among investors regarding the health of the international financial system, and in particular that of major US financial institutions, culminating in the events of September of that year. Amid strong risk aversion, global financial markets experienced unprecedented volatility, with exceptionally large daily stock price movements becoming fairly frequent.<sup>6</sup>

To gauge the evolution of market sentiment, Chart 9 depicts implied densities for the EURO STOXX 50 index at three points in time: at the end of August 2008 (blue line);

on 15 September 2008 (dotted red line), when the collapse of Lehman Brothers was first announced; and on 17 December 2008 (dashed green line), after the last step in the Federal Reserve's most recent easing cycle. Three main features can be inferred from Chart 9. As regards the central tendency, the expected value of the index, as projected three months ahead, fell by around 1,000 points between the first and last of the three dates in line with the process of stock market correction then under way.

Importantly, however, the estimation of implied densities also allows an assessment of the evolution of the perceived risks underpinning expectations revised in line with the market correction. For example, in addition to gradually moving to the left, the densities also became "wider" as the range of possible outcomes gradually expanded. This suggests that the downward correction in the actual and expected index level was also accompanied by

<sup>6</sup> See the box entitled "Abnormal volatility in stock markets", *Monthly Bulletin*, ECB, November 2008.

an increase in uncertainty. More technically, the standard deviation of the density increased significantly as the financial and economic crisis intensified.

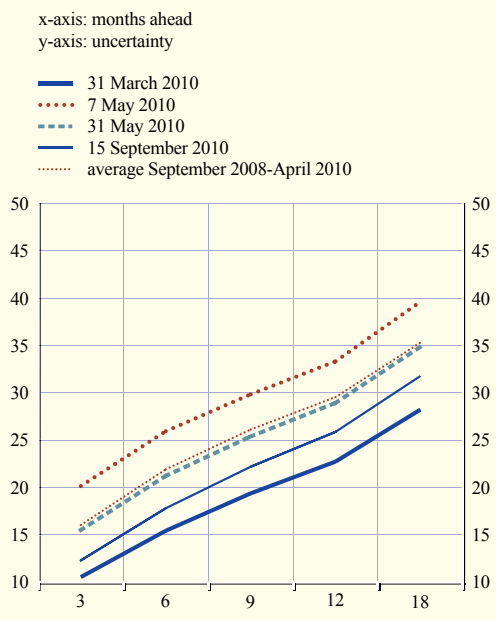
Furthermore, the densities in Chart 9 also show that in addition to the expected index level and the uncertainty surrounding it being revised as the crisis progressed, the asymmetry of the densities also increased. Specifically, it can be seen that the probability assigned to values lower than the central tendency clearly rose gradually over time relative to that assigned to values higher than the central tendency. In other words, downside risks tended to dominate these densities. More technically, the densities became more negatively skewed, which suggests that, in addition to the downward revision of the expected value of the EURO STOXX 50 index, investors considered it likely that the actual corrections would be stronger than the central expectation.

#### THE SOVEREIGN DEBT CRISIS IN THE EURO AREA IN THE SPRING OF 2010

Advances in major stock markets during March and most of April 2010, when stock price indices stood at record highs for the year, were reversed in late April and May 2010 as a result of the intensification of the euro area sovereign debt crisis (caused by the Greek crisis, the downgrading of the credit ratings of Portuguese and Spanish debt by some agencies, etc.).<sup>7</sup> Although euro area financial stock prices were the first to be affected, reflecting concerns about possible write-downs on banks' portfolio holdings of euro area government debt securities, the decline in stock prices spread to euro area non-financial stock prices as tensions intensified. It also spread beyond the euro area, particularly to the United States.

Although the market tensions that characterised the sovereign debt crisis had different origins to those observed in the autumn of 2008, the change in market sentiment and the surge in risk aversion among investors were once again fairly strong.

**Chart 10 Term structure of uncertainty surrounding the EURO STOXX 50 index**



Sources: Bloomberg and ECB calculations.  
Note: Uncertainty in the y-axis is measured as percentage changes (annualised) in the EURO STOXX 50 index.

Chart 10 illustrates the changes in investors' uncertainty since late March 2010. First, an improvement in the outlook for global economic activity from the beginning of the year led to advances in major stock price indices, and so, in line with improved market sentiment, by late March 2010 (see thick blue line) stock market uncertainty at all horizons was significantly lower than the average level for the period from September 2008, when the crisis intensified, to April 2010 (see thin dotted red line). However, increasing concerns about the sustainability of public finances in some euro area countries changed that scenario. Stock market uncertainty rose gradually over the course of April and early May 2010, amid acute disruptions in some financial market segments, and surged well above average levels. The swift policy reactions of European institutions, as well as the additional

<sup>7</sup> For additional details, see the box entitled "Developments in financial markets in early May", *Monthly Bulletin*, ECB, June 2010.

steps towards further fiscal consolidation taken by the countries most seriously affected, contributed to an easing of market tensions, and stock market uncertainty started to decline from its 7 May peak. This decline was, however, very gradual, with uncertainty only returning to average crisis levels by the end of May (see dashed green line) and remaining elevated, following the sovereign debt crisis, for most of the summer of 2010 (see thin blue line).

## 5 CONCLUSION

This article has shown that market participants' expectations and market uncertainty regarding the future course of financial asset prices represent a valuable source of information for economic and financial analysis. Moreover, their information content is of particular relevance in times of financial market tensions. The implied densities extracted from option prices help to reflect the uncertainty surrounding the market consensus view in a numerical manner, thereby allowing a more complete assessment of investors' expectations. While, for illustrative purposes, this article applies the extraction of implied densities to a short-term interest rate on unsecured funds (the EURIBOR) and to a stock market index (the EURO STOXX 50), this could obviously be extended to many other financial instruments.



# EURO AREA STATISTICS







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<sup>1</sup> For further information, please contact us at: [statistics@ecb.europa.eu](mailto: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.

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#### ENLARGEMENT OF THE EURO AREA ON 1 JANUARY 2011 TO INCLUDE ESTONIA

In January 2011 Estonia joined the euro area, bringing the number of euro area countries to 17.

Unless otherwise indicated, all data series including observations for 2011 relate to the “Euro 17” (i.e. the euro area including Estonia) for the whole time series. For interest rates, monetary statistics, the HICP and reserve assets (and, for consistency reasons, the components and counterparts of M3 and the components of the HICP), euro area statistical series take into account the changing composition of the euro area.

Detailed information on the current and past compositions of the euro area can be found in the General Notes.

#### Conventions used in the tables

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



# EURO AREA OVERVIEW

## Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

### 1. Monetary developments and interest rates <sup>1)</sup>

	M1 <sup>2)</sup>	M2 <sup>2)</sup>	M3 <sup>2),3)</sup>	M3 <sup>2),3)</sup> 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government <sup>2)</sup>	Securities other than shares issued in euro by non-MFI corporations <sup>2)</sup>	3-month interest rate (EURIBOR; % per annum; period averages)	10-year spot rate (% per annum; end of period) <sup>4)</sup>
	1	2	3	4	5	6	7	8
2009	9.5	4.8	3.3	-	1.6	23.4	1.22	3.76
2010	8.5	1.8	0.5	-	0.6	.	0.81	3.36
2010 Q1	11.3	1.7	-0.2	-	-0.4	8.4	0.66	3.46
Q2	10.3	1.4	-0.1	-	0.2	4.3	0.69	3.03
Q3	7.9	1.8	0.7	-	1.0	2.2	0.87	2.67
Q4	4.9	2.2	1.5	-	1.7	.	1.02	3.36
2010 Aug.	7.8	2.1	1.2	0.8	1.3	2.6	0.90	2.48
Sep.	6.2	2.0	1.1	1.1	1.3	2.2	0.88	2.67
Oct.	4.9	2.1	1.1	1.4	1.5	2.0	1.00	2.86
Nov.	4.6	2.3	2.1	1.6	2.0	3.2	1.04	3.11
Dec.	4.4	2.2	1.7	.	1.9	.	1.02	3.36
2011 Jan.	.	.	.	.	.	.	1.02	3.49

### 2. Prices, output, demand and labour markets <sup>5)</sup>

	HICP <sup>1)</sup>	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
2009	0.3	-5.1	2.9	-4.1	-14.9	71.1	-1.9	9.5
2010	1.6	2.9	.	.	.	76.8	.	10.0
2010 Q2	1.5	3.0	1.6	2.0	9.0	76.5	-0.6	10.0
Q3	1.7	4.0	0.8	1.9	7.0	77.8	-0.2	10.0
Q4	2.0	4.7	.	.	.	79.0	.	10.0
2010 Aug.	1.6	3.6	-	-	8.5	-	-	10.1
Sep.	1.8	4.3	-	-	5.5	-	-	10.0
Oct.	1.9	4.4	-	-	7.2	78.1	-	10.1
Nov.	1.9	4.5	-	-	7.7	-	-	10.0
Dec.	2.2	5.3	-	-	.	-	-	10.0
2011 Jan.	2.4	.	-	-	.	80.0	-	.

### 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-20 <sup>6)</sup> (index: 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Combined direct and portfolio investment				Nominal	Real (CPI)	
2009	-43.7	39.4	15.9	462.4	-16.2	116.4	111.7	110.6	1.3948
2010	.	.	.	591.1	.	.	104.6	102.9	1.3257
2010 Q1	-19.3	2.7	-7.9	498.7	-14.7	120.4	108.7	106.9	1.3829
Q2	-18.8	3.4	24.1	583.3	-11.5	123.4	103.1	101.7	1.2708
Q3	-6.8	8.3	-17.1	552.2	-13.0	120.5	102.3	100.8	1.2910
Q4	.	.	.	591.1	.	.	104.4	102.4	1.3583
2010 Aug.	-7.1	-3.8	-21.7	573.2	.	.	102.1	100.6	1.2894
Sep.	-5.8	4.9	1.9	552.2	.	.	102.5	100.8	1.3067
Oct.	-2.1	6.2	8.6	555.6	.	.	106.0	104.1	1.3898
Nov.	-5.2	1.0	38.1	597.5	.	.	104.7	102.7	1.3661
Dec.	.	.	.	591.1	.	.	102.6	100.6	1.3220
2011 Jan.	.	.	.	.	.	.	102.4	100.4	1.3360

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) Data refer to the Euro 17, unless otherwise indicated.

6) For a definition of the trading partner groups and other information, please refer to the General Notes.



# MONETARY POLICY STATISTICS

## I.1 Consolidated financial statement of the Eurosystem (EUR millions)

### 1. Assets

	7 January 2011	14 January 2011	21 January 2011	28 January 2011
<b>Gold and gold receivables</b>	367,432	367,431	367,432	367,431
<b>Claims on non-euro area residents in foreign currency</b>	225,011	226,578	228,275	228,283
Claims on euro area residents in foreign currency	26,770	25,987	25,515	26,116
Claims on non-euro area residents in euro	19,343	20,672	19,129	19,177
<b>Lending to euro area credit institutions in euro</b>	493,963	478,354	477,514	494,825
Main refinancing operations	195,691	180,081	176,904	165,603
Longer-term refinancing operations	298,217	298,217	300,502	329,170
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	45	32	91	0
Credits related to margin calls	9	24	18	52
<b>Other claims on euro area credit institutions in euro</b>	46,845	45,042	49,303	46,851
<b>Securities of euro area residents in euro</b>	458,435	461,477	462,980	465,126
Securities held for monetary policy purposes	134,927	137,165	137,223	137,197
Other securities	323,508	324,312	325,757	327,928
<b>General government debt in euro</b>	34,954	34,954	34,954	34,954
<b>Other assets</b>	293,142	296,652	296,019	282,804
<b>Total assets</b>	1,965,895	1,957,146	1,961,122	1,965,568

### 2. Liabilities

	7 January 2011	14 January 2011	21 January 2011	28 January 2011
<b>Banknotes in circulation</b>	834,831	827,774	823,133	821,424
<b>Liabilities to euro area credit institutions in euro</b>	332,504	327,530	313,272	312,921
Current accounts (covering the minimum reserve system)	176,862	145,872	209,122	211,873
Deposit facility	80,965	107,200	27,477	24,416
Fixed-term deposits	73,500	74,000	76,500	76,500
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	1,176	458	172	132
<b>Other liabilities to euro area credit institutions in euro</b>	2,295	2,864	3,007	4,268
<b>Debt certificates issued</b>	0	0	0	0
<b>Liabilities to other euro area residents in euro</b>	89,316	88,211	112,127	119,994
<b>Liabilities to non-euro area residents in euro</b>	43,589	46,704	46,141	44,556
<b>Liabilities to euro area residents in foreign currency</b>	2,152	2,446	3,104	2,861
<b>Liabilities to non-euro area residents in foreign currency</b>	14,740	14,725	13,773	14,691
<b>Counterpart of special drawing rights allocated by the IMF</b>	54,552	54,552	54,552	54,552
<b>Other liabilities</b>	181,898	182,323	181,737	180,026
<b>Revaluation accounts</b>	331,545	331,545	331,545	331,545
<b>Capital and reserves</b>	78,473	78,472	78,733	78,731
<b>Total liabilities</b>	1,965,895	1,957,146	1,961,122	1,965,568

Source: ECB.

**1.2 Key ECB interest rates**

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

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

- 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.
- 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.
- 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.
- 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.
- 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 <sup>1), 2)</sup>

(EUR millions; interest rates in percentages per annum)

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

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tender procedures	Variable rate tender procedures			Running for (... days)
				Fixed rate	Minimum bid rate	Marginal rate <sup>4)</sup>	Weighted average rate	
1	2	3	4	5	6	7	8	
<b>Main refinancing operations</b>								
2010 20 Oct.	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
10	175,035	146	175,035	1.00	-	-	-	7
17	186,033	177	186,033	1.00	-	-	-	7
24	177,103	165	177,103	1.00	-	-	-	7
1 Dec.	179,694	163	179,694	1.00	-	-	-	7
8	197,283	155	197,283	1.00	-	-	-	7
15	187,814	159	187,814	1.00	-	-	-	7
22	193,470	160	193,470	1.00	-	-	-	7
29	227,865	233	227,865	1.00	-	-	-	7
2011 5 Jan.	195,691	179	195,691	1.00	-	-	-	7
12	180,081	169	180,081	1.00	-	-	-	7
19	176,904	171	176,904	1.00	-	-	-	7
26	165,603	209	165,603	1.00	-	-	-	7
2 Feb.	213,725	371	213,725	1.00	-	-	-	7
<b>Longer-term refinancing operations</b>								
2010 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 <sup>5)</sup>	42,475	132	42,475	1.00	-	-	-	91
10 Nov.	63,618	44	63,618	1.00	-	-	-	28
25 <sup>5)</sup>	38,211	189	38,211	.	-	-	-	91
8 Dec.	68,066	56	68,066	1.00	-	-	-	42
23 <sup>5)</sup>	149,466	270	149,466	.	-	-	-	98
2011 19 Jan.	70,351	45	70,351	1.00	-	-	-	21
27 <sup>5)</sup>	71,143	165	71,143	.	-	-	-	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 <sup>4)</sup>		Weighted average rate
1	2	3	4	5	6	7	8	9	10	
2010 17 Nov.	Collection of fixed-term deposits	80,760	61	65,000	-	-	1.00	0.73	0.63	7
24	Collection of fixed-term deposits	91,432	60	66,000	-	-	1.00	0.51	0.45	7
1 Dec.	Collection of fixed-term deposits	77,700	52	67,000	-	-	1.00	0.48	0.41	7
7	Collection of fixed-term deposits	147,047	139	147,047	-	-	1.00	0.80	0.79	1
8	Collection of fixed-term deposits	98,343	56	69,000	-	-	1.00	0.72	0.65	7
15	Collection of fixed-term deposits	96,587	57	72,000	-	-	1.00	0.55	0.49	7
22	Collection of fixed-term deposits	81,024	44	72,500	-	-	1.00	0.60	0.42	7
23	Reverse transaction	20,623	32	20,623	1.00	-	-	-	-	13
29	Collection of fixed-term deposits	60,784	41	60,784	-	-	1.00	1.00	0.66	7
2011 5 Jan.	Collection of fixed-term deposits	92,078	68	73,500	-	-	1.00	0.45	0.38	7
12	Collection of fixed-term deposits	99,490	65	74,000	-	-	1.00	0.45	0.41	7
18	Collection of fixed-term deposits	135,048	142	135,046	-	-	1.00	0.80	0.79	1
19	Collection of fixed-term deposits	103,687	62	76,500	-	-	1.00	0.80	0.69	7
26	Collection of fixed-term deposits	88,824	58	76,500	-	-	1.00	0.99	0.89	7
2 Feb.	Collection of fixed-term deposits	68,220	53	68,220	-	-	1.00	1.00	0.85	7

Source: ECB.

- The amounts shown may differ slightly from those in Section 1.1 owing to operations that have been allotted but not settled.
- 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.
- 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.
- In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
- 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 operations settled on 28 October, 25 November and 23 December 2010 and 27 January 2011, 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: <sup>1)</sup>	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 July	18,966.5	9,918.6	703.0	2,594.9	1,344.0	4,405.9
Aug.	19,138.1	10,019.3	707.4	2,618.7	1,366.2	4,426.5
Sep.	18,836.5	9,944.2	670.0	2,566.5	1,307.2	4,348.6
Oct. <sup>2)</sup>	18,986.4	9,901.3	658.2	2,632.7	1,399.4	4,394.9
Nov. <sup>2)</sup>	19,190.9	9,970.1	669.9	2,715.6	1,465.9	4,369.5

### 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
2009	210.2	211.4	1.2	0.0	1.00
2010	211.8	212.5	0.7	-0.5	1.00
2010 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	215.2	1.2	0.0	1.00
7 Dec.	211.8	212.5	0.7	-0.5	1.00
2011 18 Jan. <sup>3)</sup>	210.5	212.4	1.9	0.0	1.00
8 Feb.	212.3				

### 3. Liquidity

Maintenance period ending on:	Liquidity-providing factors						Liquidity-absorbing factors				Credit institutions' current accounts	Base money
	Monetary policy operations of the Eurosystem						Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)			
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations <sup>4)</sup>	Deposit facility				Other liquidity-absorbing operations <sup>5)</sup>		
1	2	3	4	5	6	7	8	9	10	11	12	
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	511.1	179.5	336.3	1.9	130.4	44.7	70.8	815.9	94.4	-79.1	212.5	1,073.1
2010 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
9 Nov.	511.3	183.0	340.0	0.8	124.5	41.9	68.8	813.5	92.1	-72.0	215.2	1,070.7
7 Dec.	511.1	179.5	336.3	1.9	130.4	44.7	70.8	815.9	94.4	-79.1	212.5	1,073.1
2011 18 Jan.	527.5	197.0	316.6	0.5	140.9	66.5	73.5	833.8	81.3	-84.9	212.4	1,112.7

Source: ECB.

- End of period.
  - Includes the reserve bases of credit institutions in Estonia. On a transitional basis, credit institutions located in the euro area may have decided to deduct from their own reserve bases any liabilities owed to credit institutions located in Estonia. Starting from the reserve base as at end-January 2011, the standard treatment applies (see Decision of the ECB of 26 October 2010 on transitional provisions for the application of minimum reserves by the ECB following the introduction of the euro in Estonia (ECB/2010/18)).
  - Owing to the adoption of the euro by Estonia on 1 January 2011, the reserve requirement is an average - weighted by the number of calendar days - of the reserve requirements for the then 16 countries of the euro area for the period 8-31 December 2010 and the reserve requirements for the 17 countries now in the euro area for the period 1-18 January 2011.
  - Includes liquidity provided under the Eurosystem's covered bond purchase programme and the Eurosystem's securities markets programme.
  - 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>





# MONEY, BANKING AND INVESTMENT FUNDS

## 2.1 Aggregated balance sheet of euro area MFIs <sup>1)</sup>

(EUR billions; outstanding amounts at end of period)

### 1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents				Money market fund shares/units <sup>2)</sup>	Holdings of shares/other equity issued by euro area residents	External assets	Fixed assets	Remaining assets <sup>3)</sup>	
		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
<b>Eurosystem</b>														
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 <sup>(p)</sup>	3,212.6	1,537.2	18.6	0.9	1,517.6	570.7	460.0	9.6	101.1	-	18.1	683.1	8.7	394.9
2010 Q3	3,024.2	1,459.0	18.5	0.9	1,439.6	554.1	443.3	9.6	101.2	-	16.7	645.9	8.7	339.8
Q4 <sup>(p)</sup>	3,212.6	1,537.2	18.6	0.9	1,517.6	570.7	460.0	9.6	101.1	-	18.1	683.1	8.7	394.9
2010 July	3,104.2	1,569.6	18.7	0.9	1,550.0	537.9	428.7	9.6	99.6	-	16.1	620.2	8.6	351.8
Aug.	3,101.4	1,529.1	18.7	0.9	1,509.5	544.8	434.2	9.7	100.9	-	16.6	664.0	8.7	338.2
Sep.	3,024.2	1,459.0	18.5	0.9	1,439.6	554.1	443.3	9.6	101.2	-	16.7	645.9	8.7	339.8
Oct.	3,028.1	1,449.8	18.5	0.9	1,430.4	559.3	448.8	9.7	100.8	-	17.0	643.6	8.7	349.7
Nov.	3,117.8	1,467.0	18.5	0.9	1,447.5	561.8	451.0	9.7	101.2	-	16.6	689.3	8.7	374.3
Dec. <sup>(p)</sup>	3,212.6	1,537.2	18.6	0.9	1,517.6	570.7	460.0	9.6	101.1	-	18.1	683.1	8.7	394.9
<b>MFIs excluding the Eurosystem</b>														
2009	31,144.9	17,702.4	1,001.7	10,783.3	5,917.5	5,060.6	1,483.2	1,497.2	2,080.2	85.1	1,235.1	4,251.7	220.7	2,589.2
2010 <sup>(p)</sup>	32,210.9	17,769.8	1,217.2	11,033.8	5,518.8	4,945.4	1,520.2	1,538.8	1,886.5	59.9	1,231.0	4,320.4	223.5	3,660.8
2010 Q3	32,088.7	17,900.1	1,073.9	10,985.0	5,841.2	5,082.4	1,566.2	1,547.1	1,969.2	62.6	1,244.0	4,387.7	220.0	3,191.9
Q4 <sup>(p)</sup>	32,210.9	17,769.8	1,217.2	11,033.8	5,518.8	4,945.4	1,520.2	1,538.8	1,886.5	59.9	1,231.0	4,320.4	223.5	3,660.8
2010 July	32,094.3	18,063.7	1,061.8	10,981.2	6,020.8	5,106.6	1,572.3	1,542.1	1,992.2	64.8	1,229.4	4,429.4	219.6	2,980.8
Aug.	32,670.0	18,022.8	1,069.4	10,978.9	5,974.5	5,119.0	1,566.8	1,544.4	2,007.8	64.8	1,241.5	4,571.3	219.4	3,431.2
Sep.	32,088.7	17,900.1	1,073.9	10,985.0	5,841.2	5,082.4	1,566.2	1,547.1	1,969.2	62.6	1,244.0	4,387.7	220.0	3,191.9
Oct.	31,863.4	17,819.8	1,153.5	10,960.0	5,706.3	5,109.4	1,665.6	1,520.9	1,922.9	61.4	1,251.6	4,331.4	220.6	3,068.9
Nov.	31,968.7	17,847.1	1,209.0	11,067.7	5,570.4	5,102.1	1,610.4	1,555.1	1,936.6	61.5	1,251.0	4,457.5	222.4	3,027.1
Dec. <sup>(p)</sup>	32,210.9	17,769.8	1,217.2	11,033.8	5,518.8	4,945.4	1,520.2	1,538.8	1,886.5	59.9	1,231.0	4,320.4	223.5	3,660.8

### 2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents			Money market fund shares/units <sup>4)</sup>	Debt securities issued <sup>5)</sup>	Capital and reserves	External liabilities	Remaining liabilities <sup>3)</sup>	
			Total	Central government	Other general government/other euro area residents						MFIs
	1	2	3	4	5	6	7	8	9	10	11
<b>Eurosystem</b>											
2009	2,829.9	829.3	1,192.3	102.6	22.1	1,067.6	-	0.1	320.9	140.0	347.4
2010 <sup>(p)</sup>	3,212.6	863.7	1,394.6	68.0	8.7	1,318.0	-	0.0	430.9	153.5	369.8
2010 Q3	3,024.2	837.0	1,293.8	89.2	10.6	1,194.0	-	0.0	403.6	131.3	358.5
Q4 <sup>(p)</sup>	3,212.6	863.7	1,394.6	68.0	8.7	1,318.0	-	0.0	430.9	153.5	369.8
2010 July	3,104.2	844.1	1,370.3	102.8	11.9	1,255.5	-	0.1	396.5	137.2	356.0
Aug.	3,101.4	837.5	1,344.7	97.0	8.6	1,239.1	-	0.1	424.6	135.9	358.7
Sep.	3,024.2	837.0	1,293.8	89.2	10.6	1,194.0	-	0.0	403.6	131.3	358.5
Oct.	3,028.1	838.7	1,294.5	100.6	12.6	1,181.3	-	0.0	406.2	130.7	357.9
Nov.	3,117.8	840.5	1,331.1	98.5	16.5	1,216.2	-	0.0	436.2	139.6	370.4
Dec. <sup>(p)</sup>	3,212.6	863.7	1,394.6	68.0	8.7	1,318.0	-	0.0	430.9	153.5	369.8
<b>MFIs excluding the Eurosystem</b>											
2009	31,144.9	-	16,470.9	144.1	10,044.8	6,282.0	732.6	4,908.5	1,921.2	4,097.7	3,013.9
2010 <sup>(p)</sup>	32,210.9	-	16,507.5	196.0	10,533.1	5,778.3	614.1	4,843.2	2,042.5	4,217.5	3,986.2
2010 Q3	32,088.7	-	16,620.8	176.2	10,339.4	6,105.1	652.1	4,900.6	2,018.3	4,305.4	3,591.6
Q4 <sup>(p)</sup>	32,210.9	-	16,507.5	196.0	10,533.1	5,778.3	614.1	4,843.2	2,042.5	4,217.5	3,986.2
2010 July	32,094.3	-	16,786.0	179.5	10,303.3	6,303.3	661.5	4,927.8	2,009.9	4,349.6	3,359.5
Aug.	32,670.0	-	16,751.4	165.2	10,328.4	6,257.8	673.0	4,955.8	2,019.7	4,498.7	3,771.4
Sep.	32,088.7	-	16,620.8	176.2	10,339.4	6,105.1	652.1	4,900.6	2,018.3	4,305.4	3,591.6
Oct.	31,863.4	-	16,570.8	243.1	10,343.5	5,984.2	635.7	4,853.8	2,027.1	4,324.8	3,451.1
Nov.	31,968.7	-	16,543.2	262.2	10,453.9	5,827.1	648.1	4,903.0	2,018.4	4,443.8	3,412.2
Dec. <sup>(p)</sup>	32,210.9	-	16,507.5	196.0	10,533.1	5,778.3	614.1	4,843.2	2,042.5	4,217.5	3,986.2

Source: ECB.

- 1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
- 2) Amounts issued by euro area residents. Amounts issued by non-euro area residents are included in external assets.
- 3) In December 2010 a change was made to the recording practice for derivatives in one Member State, leading to an increase in this position.
- 4) Amounts held by euro area residents.
- 5) 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 <sup>1)</sup>**

(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 <sup>2)</sup>
		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
<b>Outstanding amounts</b>											
2009	23,861.8	11,805.0	1,021.1	10,783.9	3,356.2	1,851.5	1,504.6	812.1	4,808.4	229.2	2,850.8
2010 <sup>(p)</sup>	25,833.6	12,270.5	1,235.8	11,034.7	3,528.6	1,980.2	1,548.4	798.2	5,003.5	232.2	4,000.5
2010 Q3	25,186.1	12,078.3	1,092.4	10,985.9	3,566.1	2,009.4	1,556.7	797.8	5,033.6	228.7	3,481.5
Q4 <sup>(p)</sup>	25,833.6	12,270.5	1,235.8	11,034.7	3,528.6	1,980.2	1,548.4	798.2	5,003.5	232.2	4,000.5
2010 July	24,960.5	12,062.5	1,080.5	10,982.1	3,552.7	2,001.0	1,551.7	785.1	5,049.6	228.2	3,282.5
Aug.	25,602.3	12,067.9	1,088.1	10,979.8	3,555.1	2,001.0	1,554.1	796.1	5,235.3	228.1	3,719.9
Sep.	25,186.1	12,078.3	1,092.4	10,985.9	3,566.1	2,009.4	1,556.7	797.8	5,033.6	228.7	3,481.5
Oct.	25,155.9	12,132.9	1,172.0	10,961.0	3,645.0	2,114.4	1,530.6	804.7	4,975.0	229.4	3,368.9
Nov.	25,467.6	12,296.2	1,227.5	11,068.6	3,626.1	2,061.3	1,564.7	816.3	5,146.8	231.2	3,351.1
Dec. <sup>(p)</sup>	25,833.6	12,270.5	1,235.8	11,034.7	3,528.6	1,980.2	1,548.4	798.2	5,003.5	232.2	4,000.5
<b>Transactions</b>											
2009	-644.9	15.2	29.4	-14.2	365.1	269.8	95.3	12.6	-465.4	7.8	-581.0
2010 <sup>(p)</sup>	657.2	413.3	205.7	207.6	138.2	142.1	-3.9	6.8	-109.2	2.4	205.6
2010 Q3	202.6	47.4	-3.8	51.1	41.5	4.2	37.3	10.3	6.2	-1.3	98.5
Q4 <sup>(p)</sup>	-324.6	193.9	138.0	55.9	-10.4	-5.7	-4.8	11.6	-111.4	3.6	-411.9
2010 July	-119.4	4.8	-11.0	15.8	30.9	-2.1	33.0	-2.9	-40.7	-1.8	-109.7
Aug.	532.7	-1.5	7.3	-8.7	-5.0	-7.3	2.3	12.7	91.3	-0.1	435.4
Sep.	-210.7	44.0	-0.1	44.1	15.6	13.7	1.9	0.5	-44.3	0.7	-227.1
Oct.	-4.1	60.9	79.4	-18.5	82.5	107.6	-25.1	5.5	-38.4	0.7	-115.3
Nov.	151.4	144.6	54.7	89.9	-1.1	-37.7	36.6	17.1	16.8	1.8	-27.9
Dec. <sup>(p)</sup>	-472.0	-11.7	3.9	-15.6	-91.9	-75.6	-16.2	-11.0	-89.9	1.1	-268.7

**2. Liabilities**

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units <sup>3)</sup>	Debt securities issued <sup>4)</sup>	Capital and reserves	External liabilities	Remaining liabilities <sup>2)</sup>	Excess of inter-MFI liabilities over inter-MFI assets
<b>Outstanding amounts</b>										
2009	23,861.8	769.9	246.7	10,066.9	647.5	2,752.5	1,802.6	4,237.7	3,361.3	-23.3
2010 <sup>(p)</sup>	25,833.6	808.6	264.0	10,541.8	554.2	2,855.6	2,022.5	4,371.0	4,356.1	59.8
2010 Q3	25,186.1	786.8	265.5	10,350.0	589.5	2,830.3	1,959.0	4,436.7	3,950.1	18.3
Q4 <sup>(p)</sup>	25,833.6	808.6	264.0	10,541.8	554.2	2,855.6	2,022.5	4,371.0	4,356.1	59.8
2010 July	24,960.5	793.9	282.2	10,315.2	596.7	2,836.1	1,946.0	4,486.8	3,715.5	-12.0
Aug.	25,602.3	788.0	262.1	10,337.0	608.2	2,847.1	1,982.3	4,634.6	4,130.1	12.9
Sep.	25,186.1	786.8	265.5	10,350.0	589.5	2,830.3	1,959.0	4,436.7	3,950.1	18.3
Oct.	25,155.9	789.0	343.7	10,356.1	574.3	2,830.1	1,969.4	4,455.5	3,809.0	28.7
Nov.	25,467.6	790.2	360.6	10,470.4	586.5	2,865.2	2,003.3	4,583.4	3,782.6	25.3
Dec. <sup>(p)</sup>	25,833.6	808.6	264.0	10,541.8	554.2	2,855.6	2,022.5	4,371.0	4,356.1	59.8
<b>Transactions</b>										
2009	-644.9	45.8	-4.4	289.4	-12.5	-56.4	143.2	-591.1	-505.6	46.6
2010 <sup>(p)</sup>	657.2	38.6	16.5	327.7	-95.2	38.5	112.0	-30.2	190.9	58.3
2010 Q3	202.6	1.2	-39.5	63.2	-15.7	19.8	22.5	27.3	113.5	10.3
Q4 <sup>(p)</sup>	-324.6	21.7	-2.1	157.4	-33.0	2.0	42.3	-87.2	-467.6	41.9
2010 July	-119.4	8.4	-22.6	6.8	-8.5	9.2	18.6	-8.8	-104.5	-18.0
Aug.	532.7	-6.0	-20.2	19.9	11.7	-4.3	5.9	91.6	409.2	24.9
Sep.	-210.7	-1.2	3.4	36.6	-18.8	14.8	-1.9	-55.6	-191.1	3.4
Oct.	-4.1	2.2	78.1	4.8	-14.9	6.8	5.0	47.1	-141.9	8.9
Nov.	151.4	1.2	16.9	74.5	12.9	-2.0	21.6	6.3	23.4	-3.4
Dec. <sup>(p)</sup>	-472.0	18.4	-97.0	78.0	-31.0	-2.8	15.7	-140.7	-349.2	36.5

Source: ECB.

- 1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
- 2) In December 2010 a change was made to the recording practice for derivatives in one Member State, leading to an increase in this position.
- 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.

## 2.3 Monetary statistics <sup>1)</sup>

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

### 1. Monetary aggregates <sup>2)</sup> and counterparts

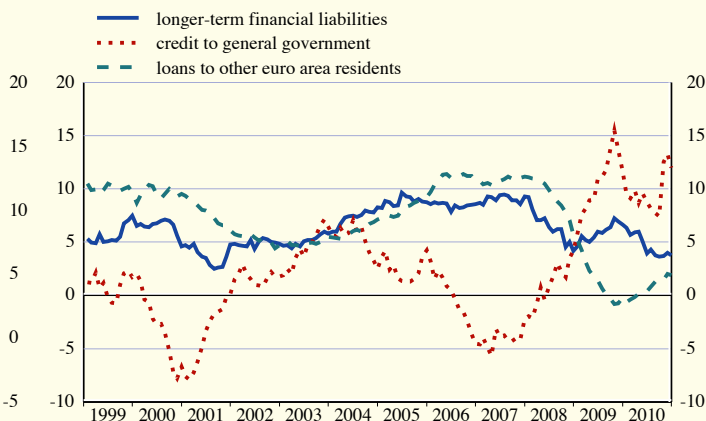
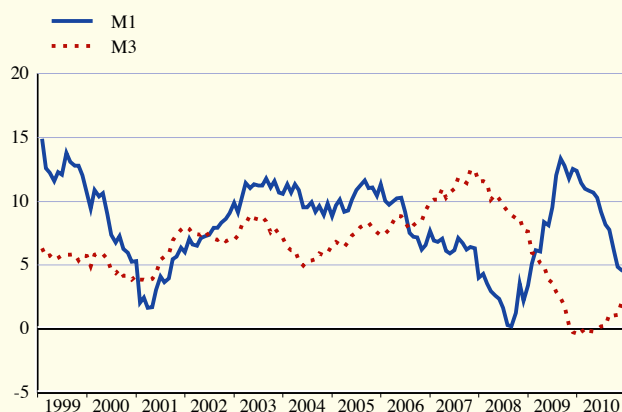
	M3				M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents			Net external assets <sup>3)</sup>	
	M2		M3-M2	Loans				Memo item: Loans adjusted for sales and securitisation <sup>4)</sup>				
	M1	M2-M1										
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Outstanding amounts</b>												
2009	4,492.3	3,696.0	8,188.3	1,145.9	9,334.2	-	6,757.3	2,898.5	13,091.0	10,782.1	-	550.6
2010 <sup>(p)</sup>	4,701.7	3,684.2	8,385.9	1,139.2	9,525.1	-	7,311.1	3,242.6	13,367.3	11,029.9	-	612.2
2010 Q3	4,684.7	3,695.8	8,380.5	1,120.3	9,500.8	-	7,172.0	3,109.4	13,350.0	10,974.2	-	602.1
Q4 <sup>(p)</sup>	4,701.7	3,684.2	8,385.9	1,139.2	9,525.1	-	7,311.1	3,242.6	13,367.3	11,029.9	-	612.2
2010 Aug.	4,737.2	3,671.9	8,409.1	1,112.7	9,521.8	-	7,208.6	3,100.4	13,388.0	11,014.7	-	604.6
Sep.	4,684.7	3,695.8	8,380.5	1,120.3	9,500.8	-	7,172.0	3,109.4	13,350.0	10,974.2	-	602.1
Oct.	4,686.8	3,715.0	8,401.8	1,084.3	9,486.1	-	7,179.1	3,285.3	13,314.7	10,968.7	-	502.8
Nov.	4,683.8	3,718.3	8,402.1	1,143.5	9,545.6	-	7,313.7	3,289.4	13,437.7	11,061.8	-	539.0
Dec. <sup>(p)</sup>	4,701.7	3,684.2	8,385.9	1,139.2	9,525.1	-	7,311.1	3,242.6	13,367.3	11,029.9	-	612.2
<b>Transactions</b>												
2009	495.6	-368.3	127.3	-157.8	-30.5	-	421.5	303.3	84.3	-20.4	19.7	125.3
2010 <sup>(p)</sup>	198.5	-18.6	179.9	-19.8	160.1	-	262.1	348.6	206.3	204.7	249.2	-79.2
2010 Q3	35.3	66.7	102.0	-15.2	86.8	-	110.3	31.8	146.3	66.8	91.4	-21.8
Q4 <sup>(p)</sup>	16.6	-14.1	2.5	16.8	19.2	-	67.1	151.6	39.1	62.8	87.3	-49.6
2010 Aug.	45.8	31.2	77.0	7.9	84.9	-	24.5	19.6	79.0	49.0	53.9	0.4
Sep.	-45.8	31.0	-14.8	5.0	-9.8	-	28.9	9.8	-2.0	-2.6	2.2	12.4
Oct.	3.8	20.0	23.8	-39.7	-15.9	-	8.7	178.5	-29.3	1.0	8.8	-107.3
Nov.	-8.3	-2.5	-10.8	59.4	48.7	-	56.5	18.6	113.3	75.3	88.4	2.9
Dec. <sup>(p)</sup>	21.1	-31.6	-10.5	-3.0	-13.5	-	1.9	-45.5	-44.9	-13.5	-9.9	54.9
<b>Growth rates</b>												
2009	12.4	-9.1	1.6	-11.6	-0.3	-0.2	6.7	11.7	0.6	-0.2	0.2	125.3
2010 <sup>(p)</sup>	4.4	-0.5	2.2	-1.8	1.7	1.6	3.8	12.0	1.6	1.9	2.3	-79.2
2010 Q3	6.2	-2.8	2.0	-5.2	1.1	1.1	3.6	7.4	1.1	1.3	1.4	-2.9
Q4 <sup>(p)</sup>	4.4	-0.5	2.2	-1.8	1.7	1.6	3.8	12.0	1.6	1.9	2.3	-79.2
2010 Aug.	7.8	-4.4	2.1	-5.2	1.2	0.8	3.8	7.8	1.2	1.3	1.4	-28.9
Sep.	6.2	-2.8	2.0	-5.2	1.1	1.1	3.6	7.4	1.1	1.3	1.4	-2.9
Oct.	4.9	-1.2	2.1	-5.9	1.1	1.4	3.7	12.6	1.2	1.5	1.7	-98.6
Nov.	4.6	-0.5	2.3	0.5	2.1	1.6	4.0	13.3	1.9	2.0	2.3	-82.0
Dec. <sup>(p)</sup>	4.4	-0.5	2.2	-1.8	1.7	.	3.8	12.0	1.6	1.9	2.3	-79.2

### C1 Monetary aggregates <sup>1)</sup>

(annual growth rates; seasonally adjusted)

### C2 Counterparts <sup>1)</sup>

(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 <sup>1)</sup>

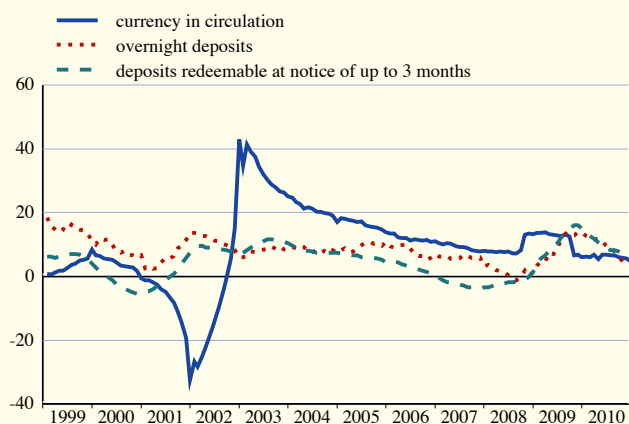
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

### 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											
2009	755.1	3,737.2	1,890.6	1,805.4	340.2	673.8	131.9	2,633.0	131.9	2,203.0	1,789.4
2010 <sup>(p)</sup>	790.0	3,911.7	1,775.1	1,909.1	442.0	576.7	120.5	2,749.4	117.9	2,436.8	2,007.1
2010 Q3	791.2	3,893.5	1,804.5	1,891.3	397.6	594.6	128.1	2,700.9	122.5	2,394.7	1,953.9
2010 Q4 <sup>(p)</sup>	790.0	3,911.7	1,775.1	1,909.1	442.0	576.7	120.5	2,749.4	117.9	2,436.8	2,007.1
2010 Aug.	791.7	3,945.5	1,794.9	1,876.9	387.8	598.6	126.3	2,710.6	125.2	2,387.3	1,985.4
Sep.	791.2	3,893.5	1,804.5	1,891.3	397.6	594.6	128.1	2,700.9	122.5	2,394.7	1,953.9
Oct.	790.4	3,896.4	1,811.3	1,903.7	382.9	579.5	121.9	2,705.4	119.8	2,387.3	1,966.7
Nov.	796.0	3,887.8	1,803.4	1,914.8	432.9	591.1	119.4	2,751.8	118.6	2,441.9	2,001.3
Dec. <sup>(p)</sup>	790.0	3,911.7	1,775.1	1,909.1	442.0	576.7	120.5	2,749.4	117.9	2,436.8	2,007.1
Transactions											
2009	43.4	452.2	-605.7	237.4	-10.1	-13.3	-134.3	77.9	8.9	193.4	141.3
2010 <sup>(p)</sup>	34.8	163.7	-130.1	111.5	97.5	-99.1	-18.1	57.5	-7.4	102.5	109.5
2010 Q3	6.2	29.1	20.1	46.7	-3.9	-11.0	-0.3	33.0	-2.3	63.0	16.5
2010 Q4 <sup>(p)</sup>	-1.3	17.9	-32.2	18.0	40.1	-15.5	-7.9	25.2	-3.6	13.4	32.0
2010 Aug.	9.5	36.3	12.1	19.1	-2.6	11.0	-0.5	1.5	0.3	14.2	8.5
Sep.	-0.5	-45.3	16.4	14.6	10.1	-4.1	-1.0	24.7	-1.6	15.9	-10.1
Oct.	-0.9	4.6	7.6	12.4	-18.9	-14.8	-6.0	11.2	-1.6	-8.3	7.4
Nov.	5.6	-13.9	-13.5	11.0	49.8	12.3	-2.7	9.4	-1.2	26.0	22.3
Dec. <sup>(p)</sup>	-6.0	27.1	-26.3	-5.4	9.2	-13.0	0.8	4.7	-0.8	-4.3	2.3
Growth rates											
2009	6.1	13.8	-24.3	15.1	-2.8	-1.9	-50.2	3.0	7.2	9.7	8.7
2010 <sup>(p)</sup>	4.6	4.4	-6.9	6.2	28.4	-14.7	-13.4	2.2	-5.8	4.5	5.9
2010 Q3	6.0	6.2	-12.1	7.9	21.3	-15.1	-16.2	1.4	-3.8	4.2	6.9
2010 Q4 <sup>(p)</sup>	4.6	4.4	-6.9	6.2	28.4	-14.7	-13.4	2.2	-5.8	4.5	5.9
2010 Aug.	6.7	8.0	-15.0	8.2	24.0	-14.8	-19.9	0.4	-1.8	4.9	7.8
Sep.	6.0	6.2	-12.1	7.9	21.3	-14.8	-16.2	1.4	-3.8	4.2	6.9
Oct.	5.8	4.7	-8.8	7.3	22.9	-16.8	-14.5	1.9	-5.9	3.8	7.0
Nov.	5.6	4.4	-7.6	7.3	36.7	-13.1	-14.1	1.8	-6.2	4.6	7.3
Dec. <sup>(p)</sup>	4.6	4.4	-6.9	6.2	28.4	-14.7	-13.4	2.2	-5.8	4.5	5.9

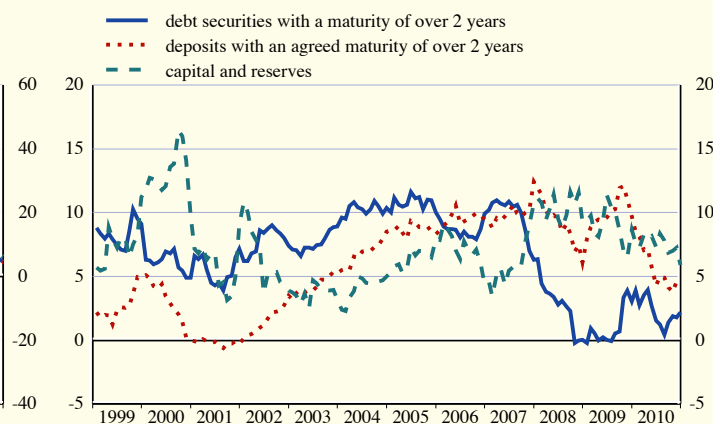
### C3 Components of monetary aggregates <sup>1)</sup>

(annual growth rates; seasonally adjusted)



### C4 Components of longer-term financial liabilities <sup>1)</sup>

(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 <sup>1), 2)</sup>

(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

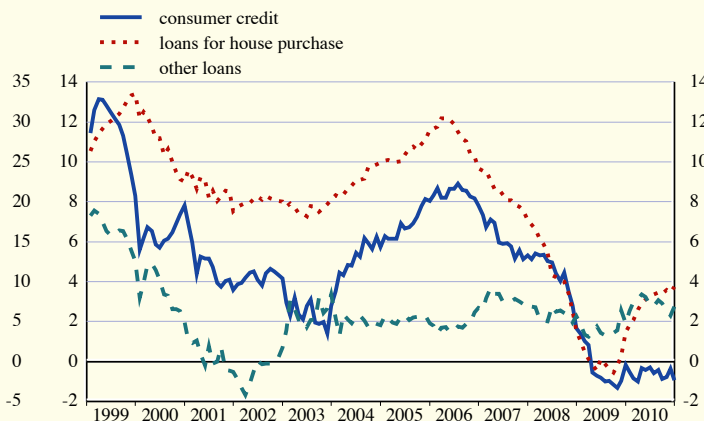
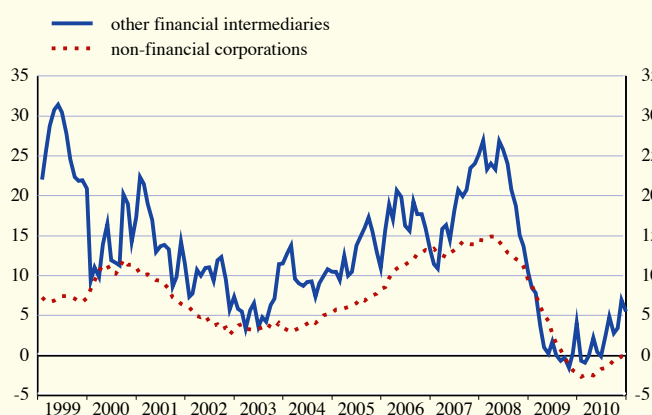
	Insurance corporations and pension funds	Other financial intermediaries <sup>3)</sup>	Non-financial corporations			Households <sup>4)</sup>				
	Total	Total	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Consumer credit	Loans for house purchase	Other loans
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2009	90.0	1,058.5	4,684.9	1,185.4	936.8	2,562.7	4,948.7	631.4	3,543.3	774.1
2010 <sup>(p)</sup>	96.1	1,110.7	4,665.2	1,126.9	901.5	2,636.8	5,157.9	640.6	3,698.1	819.3
2010 Q3	92.5	1,073.9	4,699.6	1,135.5	924.5	2,639.5	5,108.2	640.5	3,652.9	814.8
2010 Q4 <sup>(p)</sup>	96.1	1,110.7	4,665.2	1,126.9	901.5	2,636.8	5,157.9	640.6	3,698.1	819.3
2010 Aug.	96.0	1,129.4	4,682.9	1,128.6	915.9	2,638.4	5,106.5	643.9	3,649.7	813.0
2010 Sep.	92.5	1,073.9	4,699.6	1,135.5	924.5	2,639.5	5,108.2	640.5	3,652.9	814.8
2010 Oct.	93.1	1,067.5	4,685.1	1,130.7	916.8	2,637.6	5,123.1	639.1	3,670.9	813.1
2010 Nov.	97.7	1,124.7	4,698.3	1,136.2	910.4	2,651.6	5,141.0	642.9	3,678.7	819.4
2010 Dec. <sup>(p)</sup>	96.1	1,110.7	4,665.2	1,126.9	901.5	2,636.8	5,157.9	640.6	3,698.1	819.3
Transactions										
2009	-13.6	35.9	-107.5	-181.2	-19.0	92.8	64.7	-1.2	51.3	14.6
2010 <sup>(p)</sup>	7.2	56.7	-7.5	-42.0	-21.5	56.1	148.3	-6.0	132.9	21.4
2010 Q3	6.5	19.4	18.1	5.0	2.4	10.6	22.8	-2.5	20.8	4.5
2010 Q4 <sup>(p)</sup>	3.8	35.4	-25.6	-8.0	-18.0	0.4	49.2	-0.2	43.7	5.7
2010 Aug.	4.6	15.0	16.4	5.4	1.7	9.2	13.0	1.4	7.8	3.8
2010 Sep.	-3.3	-22.5	17.5	11.0	5.9	0.6	5.7	-1.8	6.0	1.5
2010 Oct.	0.6	-3.2	-8.8	-3.0	-6.1	0.4	12.4	-0.9	14.6	-1.3
2010 Nov.	4.5	50.8	7.6	4.0	-4.6	8.3	12.3	3.2	3.0	6.1
2010 Dec. <sup>(p)</sup>	-1.3	-12.2	-24.5	-8.9	-7.3	-8.3	24.5	-2.6	26.2	0.9
Growth rates										
2009	-13.0	3.6	-2.2	-13.1	-2.0	3.7	1.3	-0.2	1.5	1.9
2010 <sup>(p)</sup>	8.1	5.2	-0.2	-3.6	-2.3	2.2	3.0	-0.9	3.7	2.7
2010 Q3	0.0	2.8	-0.6	-6.5	-2.0	2.7	2.8	-0.9	3.4	2.9
2010 Q4 <sup>(p)</sup>	8.1	5.2	-0.2	-3.6	-2.3	2.2	3.0	-0.9	3.7	2.7
2010 Aug.	6.4	4.8	-1.2	-8.2	-3.3	2.9	2.9	-0.4	3.4	3.1
2010 Sep.	0.0	2.8	-0.6	-6.5	-2.0	2.7	2.8	-0.9	3.4	2.9
2010 Oct.	5.2	3.5	-0.5	-5.5	-2.1	2.4	2.9	-0.8	3.6	2.6
2010 Nov.	14.2	7.0	-0.1	-4.3	-1.9	2.4	2.8	-0.3	3.4	2.3
2010 Dec. <sup>(p)</sup>	8.1	5.2	-0.2	-3.6	-2.3	2.2	3.0	-0.9	3.7	2.7

### C5 Loans to other financial intermediaries and non-financial corporations <sup>2)</sup>

(annual growth rates; not seasonally adjusted)

### C6 Loans to households <sup>2)</sup>

(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 <sup>1), 2)</sup>**

(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 <sup>3)</sup>				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												
2010 <sup>(p)</sup>	85.8	66.3	5.1	14.3	1,106.1	587.5	207.0	311.6	4,672.0	1,122.8	902.0	2,647.1
2010 Q3	93.6	73.4	5.8	14.5	1,087.0	585.8	201.1	300.1	4,689.4	1,132.9	922.3	2,634.2
2010 Q4 <sup>(p)</sup>	85.8	66.3	5.1	14.3	1,106.1	587.5	207.0	311.6	4,672.0	1,122.8	902.0	2,647.1
2010 Oct.	94.3	73.5	5.8	15.0	1,062.1	559.6	199.7	302.9	4,675.2	1,125.2	916.0	2,634.0
2010 Nov.	96.8	76.4	5.9	14.5	1,125.3	616.0	202.1	307.2	4,697.1	1,137.4	909.2	2,650.5
2010 Dec. <sup>(p)</sup>	85.8	66.3	5.1	14.3	1,106.1	587.5	207.0	311.6	4,672.0	1,122.8	902.0	2,647.1
Transactions												
2010 <sup>(p)</sup>	6.5	9.8	-1.8	-1.5	59.0	18.3	10.2	30.6	-7.0	-42.0	-21.4	56.4
2010 Q3	3.4	4.6	0.2	-1.4	21.9	5.6	2.4	14.0	-0.3	-9.7	0.3	9.1
2010 Q4 <sup>(p)</sup>	-7.7	-7.1	-0.6	0.0	17.7	1.9	6.2	9.7	-8.7	-9.4	-15.3	16.1
2010 Oct.	0.7	0.1	0.0	0.6	-21.6	-23.8	-0.6	2.7	-8.5	-5.9	-4.7	2.0
2010 Nov.	2.4	2.8	0.1	-0.5	56.7	52.6	1.6	2.5	16.3	10.7	-5.1	10.7
2010 Dec. <sup>(p)</sup>	-10.8	-10.1	-0.6	0.0	-17.4	-26.9	5.1	4.4	-16.5	-14.3	-5.6	3.3
Growth rates												
2010 <sup>(p)</sup>	8.1	17.0	-25.4	-9.4	5.5	3.0	5.0	10.8	-0.1	-3.6	-2.3	2.2
2010 Q3	0.3	3.9	-25.2	-3.5	2.7	1.6	-1.1	7.6	-0.6	-6.4	-2.0	2.7
2010 Q4 <sup>(p)</sup>	8.1	17.0	-25.4	-9.4	5.5	3.0	5.0	10.8	-0.1	-3.6	-2.3	2.2
2010 Oct.	5.3	11.4	-27.7	-3.6	3.4	2.0	-0.6	8.2	-0.5	-5.5	-2.1	2.5
2010 Nov.	13.6	22.7	-24.5	-4.5	6.9	7.5	1.9	9.0	-0.1	-4.3	-1.9	2.5
2010 Dec. <sup>(p)</sup>	8.1	17.0	-25.4	-9.4	5.5	3.0	5.0	10.8	-0.1	-3.6	-2.3	2.2

**3. Loans to households <sup>4)</sup>**

	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													
2010 <sup>(p)</sup>	5,170.0	642.6	147.2	186.8	308.7	3,707.0	14.7	54.9	3,637.4	820.3	146.9	85.8	587.6
2010 Q3	5,115.0	642.5	144.3	188.3	309.9	3,657.0	14.7	58.8	3,583.6	815.5	145.0	87.0	583.5
2010 Q4 <sup>(p)</sup>	5,170.0	642.6	147.2	186.8	308.7	3,707.0	14.7	54.9	3,637.4	820.3	146.9	85.8	587.6
2010 Oct.	5,128.4	641.6	144.0	188.0	309.6	3,674.7	14.6	59.0	3,601.1	812.1	142.1	86.2	583.9
2010 Nov.	5,148.5	643.0	145.0	187.9	310.1	3,682.9	14.7	57.6	3,610.5	822.5	149.9	85.8	586.9
2010 Dec. <sup>(p)</sup>	5,170.0	642.6	147.2	186.8	308.7	3,707.0	14.7	54.9	3,637.4	820.3	146.9	85.8	587.6
Transactions													
2010 <sup>(p)</sup>	148.7	-6.1	-3.3	-8.6	5.8	133.5	-0.6	-3.7	137.8	21.3	-8.1	-4.3	33.8
2010 Q3	26.1	-4.0	-3.3	-3.4	2.8	30.0	0.2	2.4	27.4	0.1	-5.0	-0.4	5.5
2010 Q4 <sup>(p)</sup>	54.5	-0.1	3.2	-2.3	-1.0	48.6	0.1	-2.1	50.6	6.0	1.6	-1.0	5.3
2010 Oct.	11.0	-0.3	0.0	-0.4	0.1	14.3	-0.1	0.3	14.1	-3.0	-2.7	-0.7	0.4
2010 Nov.	14.4	0.9	1.1	-0.5	0.3	3.3	0.1	0.3	2.9	10.2	7.4	0.0	2.8
2010 Dec. <sup>(p)</sup>	29.1	-0.6	2.2	-1.5	-1.3	31.0	0.1	-2.6	33.5	-1.2	-3.1	-0.2	2.1
Growth rates													
2010 <sup>(p)</sup>	3.0	-0.9	-2.4	-4.4	1.9	3.7	-4.1	-6.2	3.9	2.7	-5.4	-5.0	6.2
2010 Q3	2.8	-0.9	-2.4	-3.8	1.7	3.4	-7.1	-5.1	3.6	2.9	-7.7	-2.9	6.8
2010 Q4 <sup>(p)</sup>	3.0	-0.9	-2.4	-4.4	1.9	3.7	-4.1	-6.2	3.9	2.7	-5.4	-5.0	6.2
2010 Oct.	2.9	-0.8	-1.6	-3.8	1.6	3.6	-7.1	-4.2	3.8	2.6	-7.8	-3.6	6.4
2010 Nov.	2.8	-0.4	-0.8	-3.9	2.2	3.4	-6.1	-4.0	3.6	2.3	-6.2	-3.6	5.6
2010 Dec. <sup>(p)</sup>	3.0	-0.9	-2.4	-4.4	1.9	3.7	-4.1	-6.2	3.9	2.7	-5.4	-5.0	6.2

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 <sup>1), 2)</sup>

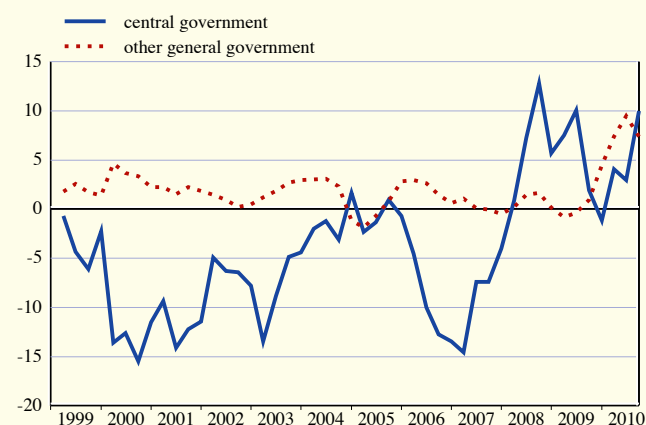
(EUR billions and annual growth rates; not seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

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

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>3)</sup>	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2007	959.4	218.2	217.3	494.5	29.4	3,295.5	2,341.6	953.8	59.6	894.2
2008	973.3	232.0	209.8	509.3	22.2	3,242.4	2,278.8	963.6	57.5	906.1
2009 Q4	1,001.7	229.3	209.8	528.8	33.8	2,821.7	1,914.9	906.8	46.1	860.7
2010 Q1	1,032.5	242.3	209.0	538.9	42.2	2,949.9	1,985.1	964.8	46.8	918.0
Q2	1,073.0	255.2	225.0	547.9	44.8	3,076.0	2,074.4	1,001.6	50.9	950.7
Q3 <sup>(p)</sup>	1,073.9	262.1	223.2	544.1	44.5	2,951.7	1,995.7	956.0	51.8	904.2
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 Q4	10.4	-6.0	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	41.7	14.2	15.9	9.0	2.6	-20.5	1.3	-22.7	-0.7	-22.0
Q3 <sup>(p)</sup>	-3.5	2.7	-1.9	-3.8	-0.3	-11.0	-13.1	2.1	3.8	-1.7
Growth rates										
2007	-1.2	-4.0	-5.6	1.3	13.8	18.6	18.5	18.8	0.5	20.2
2008	1.4	5.7	-3.7	3.3	-24.4	-1.5	-3.6	2.8	0.5	3.0
2009 Q4	3.1	-1.2	0.1	4.2	51.9	-11.7	-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	7.9	3.0	9.1	7.0	56.8	-1.3	-1.6	-1.4	-4.3	-1.2
Q3 <sup>(p)</sup>	8.0	10.0	6.5	5.4	45.1	0.9	1.3	-0.6	1.5	-0.8

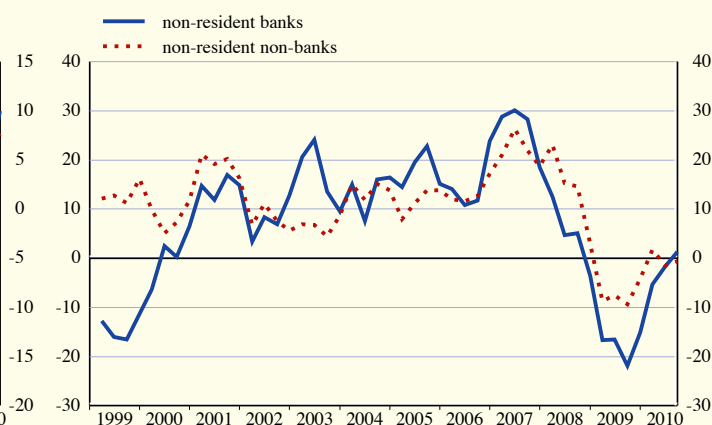
### C7 Loans to government <sup>2)</sup>

(annual growth rates; not seasonally adjusted)



### C8 Loans to non-euro area residents <sup>2)</sup>

(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 <sup>1), 2)</sup>

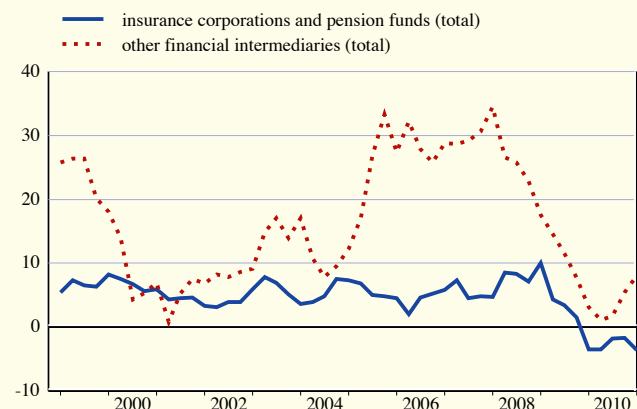
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

### 1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries <sup>3)</sup>						
	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	
Outstanding amounts														
2009	738.5	84.1	86.9	543.7	2.2	1.4	20.2	1,872.5	313.1	335.1	957.5	15.9	0.0	250.9
2010 <sup>(p)</sup>	716.5	84.8	79.0	528.3	2.4	0.3	21.7	2,170.2	361.1	303.7	1,136.8	8.7	0.5	359.3
2010 Q3	734.4	89.5	89.3	532.7	2.6	0.3	20.1	2,106.5	379.6	300.7	1,076.5	9.0	0.7	339.9
2010 Q4 <sup>(p)</sup>	716.5	84.8	79.0	528.3	2.4	0.3	21.7	2,170.2	361.1	303.7	1,136.8	8.7	0.5	359.3
2010 Aug.	737.8	90.6	92.0	533.6	2.4	0.3	19.0	2,096.2	372.3	304.6	1,087.3	9.0	0.8	322.3
2010 Sep.	734.4	89.5	89.3	532.7	2.6	0.3	20.1	2,106.5	379.6	300.7	1,076.5	9.0	0.7	339.9
2010 Oct.	728.9	89.4	85.6	529.7	2.5	0.3	21.4	2,088.4	372.7	317.8	1,070.3	9.2	0.6	317.8
2010 Nov.	719.3	89.5	79.6	527.6	2.5	0.3	19.9	2,207.3	385.2	316.3	1,129.2	8.7	0.5	367.4
2010 Dec. <sup>(p)</sup>	716.5	84.8	79.0	528.3	2.4	0.3	21.7	2,170.2	361.1	303.7	1,136.8	8.7	0.5	359.3
Transactions														
2009	-26.9	-1.0	-30.4	6.3	1.1	-0.1	-2.8	56.8	6.8	-93.6	85.8	3.7	0.0	54.0
2010 <sup>(p)</sup>	-26.8	-3.3	-8.6	-23.2	0.2	6.6	1.5	154.9	44.5	-39.2	52.9	-7.8	0.4	104.1
2010 Q3	-5.6	-5.8	5.0	-6.7	0.3	3.3	-1.7	52.3	12.7	10.5	28.5	-0.5	0.5	0.6
2010 Q4 <sup>(p)</sup>	-18.3	-4.8	-10.3	-5.7	-0.2	1.1	1.7	30.3	-18.5	2.0	32.2	-0.3	-0.3	15.2
2010 Aug.	-1.8	-4.5	4.1	-2.9	0.0	1.1	0.4	18.8	8.5	3.3	5.3	-0.4	0.5	1.6
2010 Sep.	-2.7	-0.8	-2.3	-2.0	0.2	1.1	1.1	25.3	9.8	-0.9	-1.5	0.1	0.0	17.9
2010 Oct.	-5.5	0.0	-3.5	-4.3	-0.1	1.1	1.3	-20.2	-5.9	17.5	-5.7	0.2	-0.1	-26.2
2010 Nov.	-10.3	-0.2	-6.3	-2.2	0.0	0.0	-1.5	85.2	10.2	-3.2	29.6	-0.6	-0.1	49.3
2010 Dec. <sup>(p)</sup>	-2.5	-4.6	-0.5	0.8	-0.1	0.0	1.9	-34.7	-22.7	-12.3	8.3	0.1	-0.1	-7.9
Growth rates														
2009	-3.5	-1.1	-26.4	1.2	96.8	-	-12.3	3.1	2.0	-22.0	10.0	30.0	-	27.4
2010 <sup>(p)</sup>	-3.6	-3.4	-9.9	-4.2	10.1	-	7.3	8.0	14.2	-11.6	4.9	-48.2	-	41.2
2010 Q3	-1.7	2.8	2.9	-4.4	36.0	-	4.6	5.5	19.3	-13.3	0.8	-41.0	-	34.1
2010 Q4 <sup>(p)</sup>	-3.6	-3.4	-9.9	-4.2	10.1	-	7.3	8.0	14.2	-11.6	4.9	-48.2	-	41.2
2010 Aug.	-2.0	-0.6	4.2	-4.1	30.4	-	1.3	6.6	22.5	-15.3	1.7	-41.8	-	42.8
2010 Sep.	-1.7	2.8	2.9	-4.4	36.0	-	4.6	5.5	19.3	-13.3	0.8	-41.0	-	34.1
2010 Oct.	-2.7	-3.9	-1.2	-4.7	26.3	-	16.7	5.7	15.8	-8.9	1.3	-45.1	-	34.0
2010 Nov.	-3.0	0.6	-2.9	-4.7	23.7	-	-7.9	9.6	16.3	-8.6	4.1	-49.6	-	52.2
2010 Dec. <sup>(p)</sup>	-3.6	-3.4	-9.9	-4.2	10.1	-	7.3	8.0	14.2	-11.6	4.9	-48.2	-	41.2

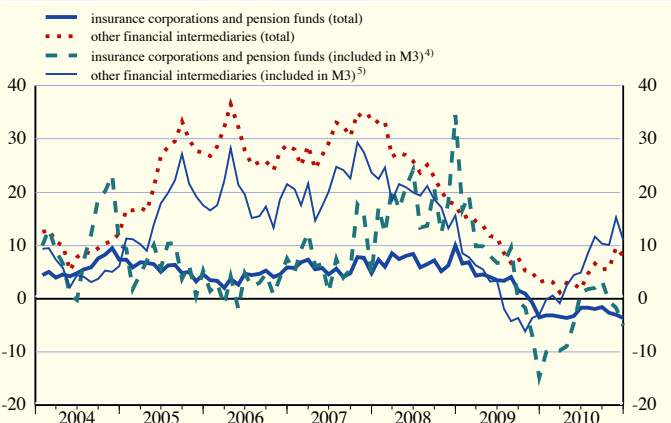
### C9 Total deposits by sector <sup>2)</sup>

(annual growth rates)



### C10 Total deposits and deposits included in M3 by sector <sup>2)</sup>

(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 <sup>1), 2)</sup>

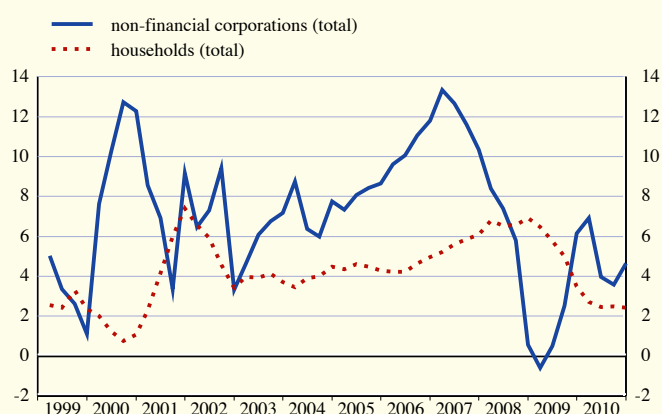
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

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

	Non-financial corporations							Households <sup>3)</sup>									
	Total		Overnight		With an agreed maturity of:		Redeemable at notice of:	Repos	Total		Overnight		With an agreed maturity of:		Redeemable at notice of:	Repos	
	1	2	Up to 2 years		Over 2 years		Up to 3 months	Over 3 months	6	8	9	Up to 2 years		Over 2 years		Up to 3 months	Over 3 months
<b>Outstanding amounts</b>																	
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 <sup>(p)</sup>	1,672.5	1,036.7	458.9	88.0	73.3	1.5	14.0	5,742.6	2,245.2	903.7	666.8	1,786.7	110.3	29.9			
2010 Q3	1,602.6	992.5	434.8	86.9	74.6	2.1	11.8	5,650.7	2,202.3	897.7	652.2	1,756.3	110.8	31.4			
Q4 <sup>(p)</sup>	1,672.5	1,036.7	458.9	88.0	73.3	1.5	14.0	5,742.6	2,245.2	903.7	666.8	1,786.7	110.3	29.9			
2010 Aug.	1,593.9	989.5	431.3	84.4	74.9	2.1	11.9	5,658.7	2,208.8	901.3	650.5	1,753.2	113.0	31.9			
Sep.	1,602.6	992.5	434.8	86.9	74.6	2.1	11.8	5,650.7	2,202.3	897.7	652.2	1,756.3	110.8	31.4			
Oct.	1,614.6	990.4	449.9	86.9	74.1	2.0	11.3	5,672.6	2,218.0	898.5	655.2	1,760.4	109.5	30.9			
Nov.	1,627.2	998.5	449.3	86.9	76.6	2.0	14.0	5,659.3	2,201.8	898.5	656.1	1,762.8	110.1	30.0			
Dec. <sup>(p)</sup>	1,672.5	1,036.7	458.9	88.0	73.3	1.5	14.0	5,742.6	2,245.2	903.7	666.8	1,786.7	110.3	29.9			
<b>Transactions</b>																	
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 <sup>(p)</sup>	74.1	37.4	22.3	8.9	7.9	-0.2	-2.3	136.3	83.0	-96.8	60.5	111.7	-14.6	-7.4			
2010 Q3	29.9	-4.5	27.2	5.0	2.9	0.0	-0.7	-3.4	-23.2	-6.9	8.3	23.6	-6.0	0.9			
Q4 <sup>(p)</sup>	70.3	44.5	23.0	2.3	-1.2	-0.6	2.3	91.0	42.7	5.4	14.3	30.6	-0.5	-1.5			
2010 Aug.	14.1	0.0	11.3	0.4	2.2	0.0	0.3	-14.8	-28.7	0.7	3.4	11.1	-1.7	0.4			
Sep.	14.0	5.9	5.7	2.7	-0.3	0.0	-0.1	-5.6	-5.5	-2.3	1.7	3.2	-2.2	-0.5			
Oct.	12.6	-1.5	15.1	0.0	-0.5	0.0	-0.5	22.2	15.9	1.0	3.1	4.2	-1.3	-0.5			
Nov.	9.1	6.4	-3.2	0.8	2.5	-0.1	2.7	-15.3	-17.0	-1.0	0.9	2.2	0.6	-0.9			
Dec. <sup>(p)</sup>	48.6	39.7	11.1	1.5	-3.2	-0.5	0.1	84.0	43.8	5.5	10.4	24.2	0.2	-0.1			
<b>Growth rates</b>																	
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 <sup>(p)</sup>	4.6	3.7	5.1	11.1	11.5	-10.6	-13.8	2.4	3.8	-9.7	10.0	6.7	-11.7	-19.9			
2010 Q3	3.6	4.5	-2.4	11.9	33.7	38.8	-32.3	2.5	7.0	-18.2	16.3	7.6	-9.6	-27.2			
Q4 <sup>(p)</sup>	4.6	3.7	5.1	11.1	11.5	-10.6	-13.8	2.4	3.8	-9.7	10.0	6.7	-11.7	-19.9			
2010 Aug.	4.2	6.4	-5.1	11.2	39.7	43.1	-28.0	2.5	8.3	-20.6	17.7	7.7	-6.9	-33.7			
Sep.	3.6	4.5	-2.4	11.9	33.7	38.8	-32.3	2.5	7.0	-18.2	16.3	7.6	-9.6	-27.2			
Oct.	3.7	3.0	1.4	11.1	28.9	35.1	-25.3	2.7	6.1	-14.6	14.2	7.1	-12.5	-22.5			
Nov.	4.0	2.7	2.2	10.6	30.9	27.4	-5.9	2.4	4.5	-12.2	12.2	7.1	-12.6	-22.0			
Dec. <sup>(p)</sup>	4.6	3.7	5.1	11.1	11.5	-10.6	-13.8	2.4	3.8	-9.7	10.0	6.7	-11.7	-19.9			

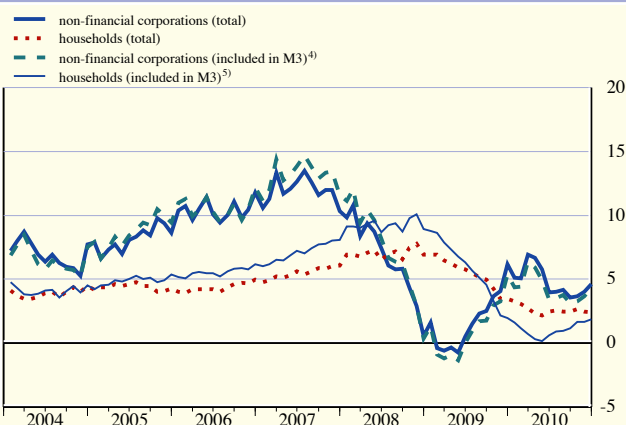
### C11 Total deposits by sector <sup>2)</sup>

(annual growth rates)



### C12 Total deposits and deposits included in M3 by sector <sup>2)</sup>

(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 <sup>1), 2)</sup>

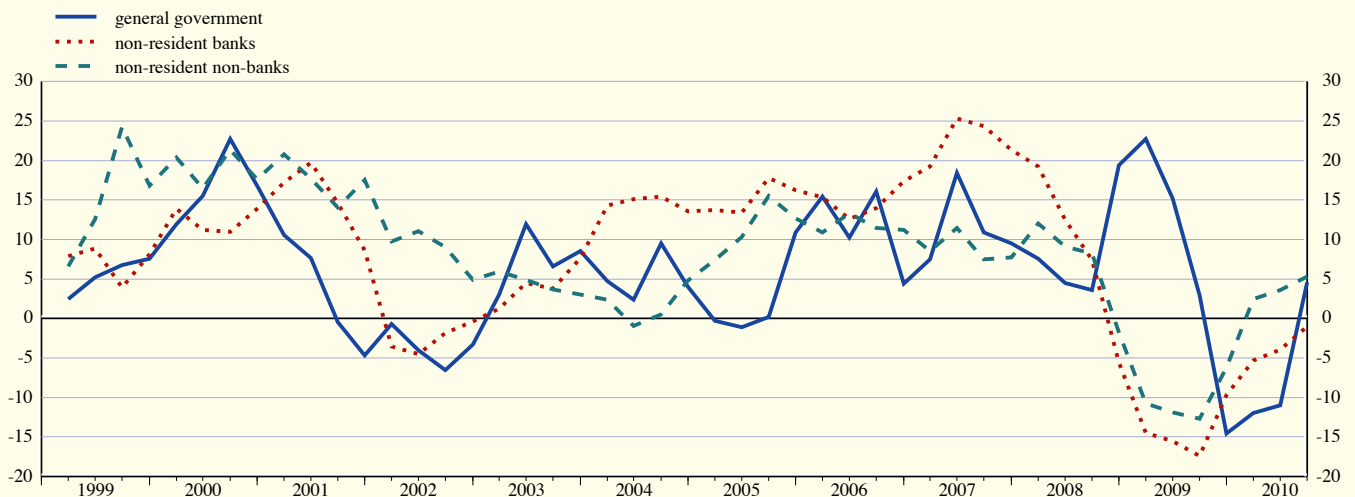
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

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

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>3)</sup>	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2007	373.5	126.8	58.8	107.7	80.2	3,859.7	2,952.0	907.7	143.1	764.6
2008	444.7	190.8	52.1	116.1	85.8	3,713.3	2,816.2	897.1	65.6	831.5
2009 Q4	373.0	144.1	43.4	114.3	71.2	3,368.7	2,532.7	836.0	56.7	779.3
2010 Q1	397.6	166.2	50.4	108.4	72.6	3,543.7	2,639.0	904.7	66.8	837.9
Q2	412.6	167.6	54.5	113.7	76.8	3,700.4	2,693.4	1,007.0	46.7	960.4
Q3 <sup>(p)</sup>	421.4	176.2	58.7	111.9	74.5	3,577.2	2,597.1	980.1	47.7	932.4
Transactions										
2008	72.7	63.4	-6.5	8.7	7.1	-183.3	-165.8	-17.5	-36.8	19.3
2009	-64.7	-38.1	-8.7	-2.5	-15.5	-331.2	-275.4	-55.8	-4.5	-51.3
2009 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	14.6	1.3	4.0	5.1	4.2	-9.5	-26.3	16.8	-2.3	19.1
Q3 <sup>(p)</sup>	9.3	8.5	4.3	-1.7	-1.8	14.1	5.5	8.3	3.0	5.3
Growth rates										
2007	9.5	-2.4	29.9	10.6	16.9	17.9	21.3	7.7	15.8	6.3
2008	19.4	49.9	-11.0	8.1	8.8	-4.4	-5.6	-1.7	-25.6	2.7
2009 Q4	-14.6	-19.9	-16.7	-2.1	-17.9	-8.8	-9.8	-6.2	-7.0	-6.2
2010 Q1	-12.0	-17.2	-0.1	-5.4	-13.3	-3.5	-5.3	2.4	12.0	1.7
Q2	-11.0	-20.6	11.5	-4.7	-6.0	-2.0	-4.0	3.6	6.9	3.3
Q3 <sup>(p)</sup>	4.6	12.3	14.9	-9.3	4.1	0.7	-1.1	5.3	14.2	4.8

### C13 Deposits by government and non-euro area residents <sup>2)</sup>

(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.

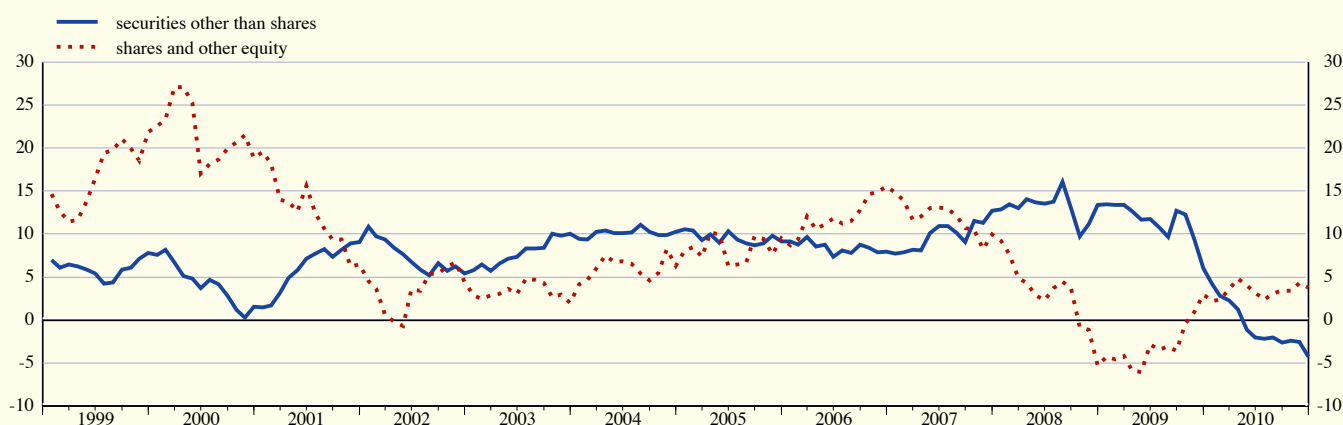
## 2.6 MFI holdings of securities: breakdown <sup>1), 2)</sup>

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

	Securities other than shares							Shares and other equity				
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Outstanding amounts</b>												
2009	6,207.7	1,971.1	109.1	1,467.2	16.0	1,457.8	39.4	1,147.1	1,515.3	434.6	800.5	280.2
2010 <sup>(p)</sup>	5,997.8	1,779.3	107.2	1,503.7	16.5	1,511.0	27.8	1,052.3	1,534.2	444.8	786.2	303.2
2010 Q3	6,224.2	1,863.6	105.5	1,548.5	17.7	1,516.8	30.2	1,141.8	1,534.9	458.0	786.0	290.9
Q4 <sup>(p)</sup>	5,997.8	1,779.3	107.2	1,503.7	16.5	1,511.0	27.8	1,052.3	1,534.2	444.8	786.2	303.2
2010 Aug.	6,315.5	1,890.7	117.1	1,549.3	17.5	1,517.7	26.7	1,196.6	1,529.9	457.1	784.5	288.3
Sep.	6,224.2	1,863.6	105.5	1,548.5	17.7	1,516.8	30.2	1,141.8	1,534.9	458.0	786.0	290.9
Oct.	6,201.1	1,814.6	108.2	1,650.9	14.7	1,493.8	27.1	1,091.7	1,547.6	459.1	792.6	295.9
Nov.	6,191.3	1,821.0	115.7	1,593.2	17.1	1,527.6	27.5	1,089.3	1,554.4	446.4	804.6	303.4
Dec. <sup>(p)</sup>	5,997.8	1,779.3	107.2	1,503.7	16.5	1,511.0	27.8	1,052.3	1,534.2	444.8	786.2	303.2
<b>Transactions</b>												
2009	354.4	83.5	16.6	230.6	-3.2	103.3	-12.0	-64.5	43.2	29.1	11.8	2.3
2010 <sup>(p)</sup>	-268.4	-164.5	-7.5	42.6	-2.0	8.4	-14.6	-130.8	57.0	29.6	6.3	21.1
2010 Q3	-18.4	-46.3	-0.5	-12.8	0.1	32.1	5.2	3.8	10.0	2.1	9.9	-2.0
Q4 <sup>(p)</sup>	-200.7	-70.5	0.2	-28.1	-1.4	-1.9	-2.9	-96.1	21.2	3.8	11.5	5.9
2010 Aug.	16.8	1.2	10.1	-11.6	-0.3	2.6	-0.3	15.2	14.6	3.7	12.1	-1.2
Sep.	-39.1	-24.7	-4.3	1.9	1.2	-3.3	5.2	-15.2	3.5	0.2	0.6	2.8
Oct.	-10.5	-48.8	3.9	104.3	-2.8	-22.4	-2.8	-41.9	7.1	1.1	5.5	0.5
Nov.	-20.3	18.4	2.4	-47.4	1.7	37.5	-1.0	-32.0	27.8	4.2	17.0	6.6
Dec. <sup>(p)</sup>	-169.9	-40.1	-6.1	-85.0	-0.3	-17.0	0.9	-22.3	-13.7	-1.5	-11.0	-1.2
<b>Growth rates</b>												
2009	6.0	4.4	17.6	18.7	-16.0	7.6	-23.2	-5.3	2.9	7.0	1.5	0.8
2010 <sup>(p)</sup>	-4.3	-8.4	-6.0	2.9	-11.1	0.5	-35.0	-11.1	3.8	6.8	0.8	7.6
2010 Q3	-2.6	-6.9	-2.4	3.5	-15.4	1.6	-39.4	-6.5	3.4	6.3	0.5	7.1
Q4 <sup>(p)</sup>	-4.3	-8.4	-6.0	2.9	-11.1	0.5	-35.0	-11.1	3.8	6.8	0.8	7.6
2010 Aug.	-2.0	-6.5	1.2	5.2	-18.4	1.7	-49.5	-5.8	3.1	6.3	1.2	3.3
Sep.	-2.6	-6.9	-2.4	3.5	-15.4	1.6	-39.4	-6.5	3.4	6.3	0.5	7.1
Oct.	-2.4	-8.3	1.1	9.5	-25.9	0.2	-40.5	-9.1	3.4	6.1	0.8	6.7
Nov.	-2.6	-7.3	2.0	6.2	-9.3	2.6	-42.4	-10.9	4.3	6.5	1.4	9.4
Dec. <sup>(p)</sup>	-4.3	-8.4	-6.0	2.9	-11.1	0.5	-35.0	-11.1	3.8	6.8	0.8	7.6

## CI4 MFI holdings of securities <sup>2)</sup>

(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 <sup>1), 2)</sup>**  
(EUR billions)

**1. Write-offs/write-downs of loans to households <sup>3)</sup>**

	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
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 <sup>(p)</sup>	-7.4	-2.7	-1.9	-2.7	-4.8	-0.2	-0.2	-4.5	-8.5	-1.0	-1.6	-5.9
2010 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	-1.9	-0.5	-0.5	-0.9	-0.7	0.0	0.0	-0.7	-1.2	-0.1	-0.2	-0.8
Q4 <sup>(p)</sup>	-1.9	-0.7	-0.4	-0.8	-2.0	-0.1	-0.1	-1.7	-3.1	-0.1	-0.6	-2.3
2010 Oct.	-0.4	-0.2	-0.1	-0.1	-0.7	0.0	0.0	-0.7	-0.7	-0.1	-0.1	-0.5
Nov.	-0.3	-0.1	0.0	-0.1	-0.4	0.0	0.0	-0.3	-0.7	0.1	-0.2	-0.6
Dec. <sup>(p)</sup>	-1.2	-0.5	-0.3	-0.5	-0.9	-0.1	-0.1	-0.7	-1.6	-0.1	-0.3	-1.2

**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
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 <sup>(p)</sup>	-60.3	-24.5	-20.3	-15.5	-3.6	-1.0	-2.6
2010 Q2	-17.8	-5.5	-6.4	-6.0	-1.0	-0.5	-0.5
Q3	-10.3	-4.0	-2.8	-3.6	-0.4	-0.3	-0.2
Q4 <sup>(p)</sup>	-20.7	-7.9	-7.2	-5.6	-1.2	0.1	-1.3
2010 Oct.	-1.8	-0.4	-0.8	-0.6	-0.2	0.0	-0.2
Nov.	-6.3	-2.0	-2.6	-1.7	-0.6	0.1	-0.7
Dec. <sup>(p)</sup>	-12.6	-5.5	-3.8	-3.3	-0.4	0.0	-0.4

**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
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 <sup>(p)</sup>	-8.7	-1.1	0.2	-13.7	0.8	-0.9	-1.2	7.2	-21.0	-7.1	-10.5	-3.3
2010 Q2	-12.7	-2.6	0.4	-8.7	0.5	-4.4	0.0	2.1	-14.6	-3.3	-7.3	-4.0
Q3	17.9	3.7	-0.2	6.0	0.3	5.5	-1.4	3.9	1.7	0.1	4.1	-2.5
Q4 <sup>(p)</sup>	-28.2	-5.4	-0.4	-15.5	-0.1	-4.4	0.0	-2.4	-8.6	-3.0	-7.1	1.5
2010 Oct.	-2.1	-0.1	0.1	-1.8	0.0	-0.6	0.0	0.3	1.1	-0.5	1.9	-0.3
Nov.	-20.0	-3.9	-0.5	-10.2	-0.1	-3.9	0.0	-1.4	-6.6	-2.5	-5.0	0.9
Dec. <sup>(p)</sup>	-6.1	-1.3	0.0	-3.5	-0.1	0.1	-0.1	-1.3	-3.1	0.0	-4.0	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 <sup>1), 2)</sup>

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

### 1. Deposits

	MFIs <sup>3)</sup>							Non-MFIs						
	All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies				All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	By euro area residents													
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 Q4	6,282.0	92.9	7.1	4.4	0.3	1.2	0.7	10,188.9	97.0	3.0	1.9	0.2	0.1	0.4
2010 Q1	6,222.1	93.0	7.0	4.1	0.3	1.2	0.8	10,201.5	97.0	3.0	2.0	0.2	0.1	0.4
Q2	6,544.4	92.4	7.6	4.5	0.3	1.3	0.9	10,468.0	97.0	3.0	2.0	0.2	0.1	0.4
Q3 <sup>4)</sup>	6,105.1	92.5	7.5	4.5	0.3	1.2	0.8	10,515.7	97.1	2.9	1.9	0.2	0.1	0.4
	By non-euro area residents													
2007	2,952.0	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	2,816.2	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 Q4	2,532.7	49.2	50.8	34.2	1.8	2.2	9.6	836.0	53.5	46.5	31.4	1.1	1.7	7.5
2010 Q1	2,639.0	50.1	49.9	32.9	2.2	2.2	9.4	904.7	54.9	45.1	31.9	1.1	1.3	6.1
Q2	2,693.4	52.9	47.1	30.8	2.1	1.6	9.5	1,007.0	55.1	44.9	31.8	1.1	1.4	6.5
Q3 <sup>4)</sup>	2,597.1	51.4	48.6	32.4	2.2	1.6	9.2	980.1	56.9	43.1	30.6	1.2	1.3	5.8

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

	All currencies (outstanding amount)	Euro <sup>4)</sup>	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 Q4	5,168.3	83.3	16.7	8.8	1.6	1.9	2.5
2010 Q1	5,284.2	82.5	17.5	9.5	1.6	1.8	2.5
Q2	5,244.3	81.6	18.4	10.0	1.8	2.0	2.5
Q3 <sup>4)</sup>	5,143.1	82.3	17.7	9.4	1.7	2.0	2.4

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 <sup>1), 2)</sup>

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

### 3. Loans

	MFIs <sup>3)</sup>							Non-MFIs						
	All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies				All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
To euro area residents														
2007	5,792.5	-	-	-	-	-	11,107.4	96.2	3.8	1.8	0.2	1.0	0.6	
2008	6,307.7	-	-	-	-	-	11,748.1	95.9	4.1	2.1	0.3	1.1	0.4	
2009 Q4	5,917.5	-	-	-	-	-	11,784.9	96.2	3.8	1.9	0.2	1.0	0.4	
2010 Q1	5,916.7	-	-	-	-	-	11,832.5	96.1	3.9	2.0	0.2	1.0	0.4	
Q2	6,208.2	-	-	-	-	-	12,061.9	95.8	4.2	2.2	0.3	1.1	0.4	
Q3 <sup>(p)</sup>	5,841.2	-	-	-	-	-	12,058.9	96.0	4.0	2.0	0.2	1.1	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 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	1,985.1	46.6	53.4	29.8	2.6	3.0	11.2	964.8	40.2	59.8	42.5	1.3	3.4	7.5
Q2	2,074.4	46.5	53.5	29.9	2.7	3.0	11.9	1,001.6	39.2	60.8	43.4	1.4	3.5	7.7
Q3 <sup>(p)</sup>	1,995.7	45.9	54.1	29.6	3.3	3.0	12.0	956.0	40.6	59.4	41.7	1.4	3.6	7.3

### 4. Holdings of securities other than shares

	Issued by MFIs <sup>3)</sup>							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies				All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Issued by euro area residents														
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 Q4	2,080.2	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	2,092.7	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	2,025.5	94.2	5.8	3.5	0.2	0.3	1.5	3,079.8	98.5	1.5	0.8	0.2	0.1	0.4
Q3 <sup>(p)</sup>	1,969.2	94.6	5.4	3.0	0.2	0.3	1.6	3,113.2	98.5	1.5	0.9	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 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	559.0	53.4	46.6	27.4	0.4	0.9	15.2	640.8	28.8	71.2	43.8	4.5	0.6	15.1
Q3 <sup>(p)</sup>	535.8	52.2	47.8	27.7	0.4	0.9	16.1	606.0	29.8	70.2	42.5	4.6	0.6	15.0

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) 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 <sup>1)</sup>

(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 May	5,864.4	378.6	2,265.0	1,751.4	785.9	240.9	442.6
June	5,845.6	384.7	2,271.0	1,718.7	791.7	243.4	435.9
July	5,933.4	382.0	2,288.0	1,753.5	797.7	247.7	464.5
Aug.	6,029.9	379.5	2,359.3	1,741.6	806.8	249.8	493.0
Sep.	6,078.7	376.0	2,336.0	1,793.0	823.0	245.7	505.0
Oct.	6,152.5	367.7	2,341.9	1,836.7	835.3	246.1	524.7
Nov. <sup>(p)</sup>	6,191.9	365.8	2,346.2	1,875.1	841.3	247.3	516.2
Transactions							
2010 Q1	190.6	-3.7	69.2	34.9	31.1	21.1	38.1
Q2	6.3	26.4	6.4	-30.7	8.8	1.1	-5.8
Q3	131.3	-13.3	60.5	12.7	16.8	-1.0	55.6

### 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 May	5,864.4	125.5	5,332.0	4,210.5	584.4	1,121.5	406.9
June	5,845.6	125.9	5,320.2	4,182.1	585.3	1,138.0	399.5
July	5,933.4	124.6	5,394.8	4,250.4	595.6	1,144.4	414.0
Aug.	6,029.9	125.4	5,463.4	4,290.5	602.4	1,172.9	441.2
Sep.	6,078.7	126.4	5,504.1	4,326.9	624.8	1,177.2	448.1
Oct.	6,152.5	129.6	5,568.9	4,369.5	638.6	1,199.5	454.0
Nov. <sup>(p)</sup>	6,191.9	135.7	5,596.3	4,358.3	638.0	1,238.0	459.9
Transactions							
2010 Q1	190.6	5.2	141.6	92.7	26.0	48.9	43.9
Q2	6.3	10.2	26.0	3.1	1.0	22.9	-29.9
Q3	131.3	-5.1	72.8	33.3	21.4	39.5	63.7

### 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 Apr.	5,390.3	1,725.4	1,579.9	1,293.8	258.2	102.5	430.4	5,309.3	81.0	1,182.8
May	5,332.0	1,741.3	1,510.3	1,289.3	256.8	107.5	426.7	5,248.9	83.1	1,190.4
June	5,320.2	1,750.3	1,486.8	1,291.4	253.3	107.4	431.0	5,236.3	83.9	1,167.0
July	5,394.8	1,766.8	1,521.3	1,307.9	258.6	104.4	435.8	5,310.9	83.9	1,143.6
Aug.	5,463.4	1,821.6	1,510.4	1,332.1	258.8	104.8	435.6	5,379.4	83.9	1,180.6
Sep.	5,504.1	1,809.3	1,552.7	1,343.0	259.6	101.2	438.4	5,419.8	84.3	1,137.7
Oct.	5,568.9	1,813.8	1,597.1	1,358.6	260.0	100.2	439.2	5,484.9	84.0	1,125.6
Nov. <sup>(p)</sup>	5,596.3	1,808.6	1,634.5	1,356.7	258.5	103.7	434.4	5,512.0	84.4	1,152.5
Transactions										
2010 May	-12.2	-1.1	-16.3	2.6	-1.7	1.6	2.8	-13.9	1.7	-16.5
June	4.5	1.5	-4.4	4.4	1.0	0.3	1.8	3.9	0.6	-29.5
July	25.4	15.2	4.5	5.5	0.6	-0.5	0.0	25.1	0.3	-4.2
Aug.	30.1	17.8	2.8	10.2	0.0	-1.3	0.7	30.4	-0.3	28.1
Sep.	17.2	11.6	0.2	7.3	0.2	-1.2	-1.0	17.0	0.3	-17.8
Oct.	29.6	9.0	15.3	6.9	0.1	-1.1	-0.6	30.3	-0.6	-6.5
Nov. <sup>(p)</sup>	5.5	-0.8	7.6	2.3	-0.3	-1.0	-2.3	5.7	-0.2	6.1

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 <sup>1)</sup> 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
<b>Outstanding amounts</b>											
2009 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	2,271.0	1,446.8	382.9	713.6	193.0	6.0	151.3	824.2	230.2	325.2	16.6
Q3 <sup>(p)</sup>	2,336.0	1,476.4	384.7	727.2	194.4	6.4	163.7	859.6	241.4	333.3	16.7
<b>Transactions</b>											
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	6.4	-25.1	-11.7	-5.1	-3.8	0.6	-5.1	31.5	6.6	13.0	-1.4
Q3 <sup>(p)</sup>	60.5	16.2	3.2	4.0	1.8	0.0	7.2	44.3	8.2	19.9	0.3

**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
<b>Outstanding amounts</b>											
2009 Q4	1,681.3	728.1	97.8	-	35.6	23.7	570.9	953.2	138.2	291.4	65.6
2010 Q1	1,818.5	750.8	95.1	-	36.4	28.3	590.9	1,067.7	148.6	329.9	75.8
Q2	1,718.7	672.2	74.3	-	34.0	24.0	539.8	1,046.5	141.6	315.1	79.0
Q3 <sup>(p)</sup>	1,793.0	713.2	79.7	-	38.1	24.3	570.9	1,079.8	154.1	314.5	67.3
<b>Transactions</b>											
2010 Q1	34.9	11.1	0.1	-	0.0	1.8	9.2	23.8	0.5	4.9	0.9
Q2	-30.7	-23.9	-7.9	-	-1.0	-1.2	-13.8	-6.8	-1.8	-5.4	3.9
Q3 <sup>(p)</sup>	12.7	8.0	-0.9	-	1.7	0.3	7.0	4.6	1.9	-0.4	-8.8

**3. Investment fund/money market fund shares**

	Total	Euro area						Rest of the world			
		Total	MFIs <sup>2)</sup>	General government	Other financial intermediaries <sup>2)</sup>	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
<b>Outstanding amounts</b>											
2009 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	791.7	662.7	77.4	-	585.3	-	-	129.0	19.0	36.4	0.4
Q3 <sup>(p)</sup>	823.0	701.1	76.3	-	624.8	-	-	121.9	20.7	33.9	0.4
<b>Transactions</b>											
2010 Q1	31.1	21.3	-4.7	-	26.0	-	-	9.8	1.3	9.9	0.2
Q2	8.8	6.5	5.5	-	1.0	-	-	2.3	0.9	-0.9	-0.2
Q3 <sup>(p)</sup>	16.8	21.4	0.1	-	21.4	-	-	-4.6	0.9	-0.8	0.0

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.



## EURO AREA ACCOUNTS

### 3.1 Integrated economic and financial accounts by institutional sector

(EUR billions)

Uses	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
<b>2010 Q3</b>						
<b>External account</b>						
Exports of goods and services						533
<i>Trade balance</i> <sup>1)</sup>						-14
<b>Generation of income account</b>						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,083	112	686	54	231	
Other taxes less subsidies on production	30	6	16	4	4	
Consumption of fixed capital	355	96	199	12	47	
<i>Net operating surplus and mixed income</i> <sup>1)</sup>	586	287	264	36	-1	
<b>Allocation of primary income account</b>						
Net operating surplus and mixed income						5
Compensation of employees						
Taxes less subsidies on production						
Property income	614	36	223	291	65	93
Interest	360	33	59	203	65	49
Other property income	254	3	163	88	0	44
<i>Net national income</i> <sup>1)</sup>	1,928	1,547	125	38	217	
<b>Secondary distribution of income account</b>						
Net national income						
Current taxes on income, wealth, etc.	248	208	34	6	0	1
Social contributions	415	415				1
Social benefits other than social transfers in kind	454	2	17	33	403	1
Other current transfers	191	72	25	46	48	9
Net non-life insurance premiums	44	33	10	1	1	1
Non-life insurance claims	44			44		1
Other	102	39	16	1	47	7
<i>Net disposable income</i> <sup>1)</sup>	1,899	1,395	77	47	380	
<b>Use of income account</b>						
Net disposable income						
Final consumption expenditure	1,819	1,339			480	
Individual consumption expenditure	1,632	1,340			293	
Collective consumption expenditure	187				187	
Adjustment for the change in the net equity of households in pension fund reserves	15	0	1	14	0	0
<i>Net saving/current external account</i> <sup>1)</sup>	80	70	76	33	-100	21
<b>Capital account</b>						
Net saving/current external account						
Gross capital formation	456	142	244	11	58	
Gross fixed capital formation	445	138	238	11	58	
Changes in inventories and acquisitions less disposals of valuables	11	4	7	0	0	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	0	-2	1	0	1	0
Capital transfers	44	9	1	3	32	4
Capital taxes	6	5	0	1		0
Other capital transfers	38	3	1	2	32	4
<i>Net lending (+)/net borrowing (-) (from capital account)</i> <sup>1)</sup>	-19	29	47	40	-136	19
Statistical discrepancy	0	2	-2	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	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
<b>2010 Q3</b>						
<b>External account</b>						
Imports of goods and services						519
<i>Trade balance</i>						
<b>Generation of income account</b>						
Gross value added (basic prices)	2,053	502	1,166	105	280	
Taxes less subsidies on products	236					
Gross domestic product (market prices) <sup>2)</sup>	2,288					
Compensation of employees						
Other taxes less subsidies on production						
Consumption of fixed capital						
<i>Net operating surplus and mixed income</i>						
<b>Allocation of primary income account</b>						
Net operating surplus and mixed income	586	287	264	36	-1	
Compensation of employees	1,084	1,084				4
Taxes less subsidies on production	264				264	1
Property income	608	212	84	293	18	99
Interest	346	54	32	252	8	63
Other property income	262	158	53	41	10	36
<i>Net national income</i>						
<b>Secondary distribution of income account</b>						
Net national income	1,928	1,547	125	38	217	
Current taxes on income, wealth, etc.	248				248	1
Social contributions	415	1	17	48	348	1
Social benefits other than social transfers in kind	451	451				3
Other current transfers	164	91	10	45	17	36
Net non-life insurance premiums	44			44		1
Non-life insurance claims	43	35	7	1	0	1
Other	76	56	3	0	17	33
<i>Net disposable income</i>						
<b>Use of income account</b>						
Net disposable income	1,899	1,395	77	47	380	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in the net equity of households in pension fund reserves	15	15				0
<i>Net saving/current external account</i>						
<b>Capital account</b>						
Net saving/current external account	80	70	76	33	-100	21
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	355	96	199	12	47	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	45	10	18	9	8	3
Capital taxes	6				6	0
Other capital transfers	39	10	18	9	2	3
<i>Net lending (+)/net borrowing (-) (from capital account)</i>						
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	Euro area	Households	Non-financial corporations	MFIs	Other financial inter- mediaries	Insurance corporations and pension funds	General govern- ment	Rest of the world
2010 Q3								
<b>Opening balance sheet, financial assets</b>								
Total financial assets		18,332	16,725	33,811	14,164	6,725	3,515	16,251
Monetary gold and special drawing rights (SDRs)				408				
Currency and deposits		6,510	1,830	10,246	2,168	862	722	3,971
Short-term debt securities		40	173	628	321	400	26	809
Long-term debt securities		1,357	220	6,461	2,299	2,181	353	3,557
Loans		69	3,104	13,070	3,795	480	496	1,816
<i>of which: Long-term</i>		53	1,634	10,099	2,769	350	393	.
Shares and other equity		4,192	7,367	1,967	5,341	2,343	1,289	5,447
Quoted shares		687	1,321	443	1,828	411	250	.
Unquoted shares and other equity		2,077	5,677	1,196	2,740	466	884	.
Mutual fund shares		1,428	368	327	773	1,466	154	.
Insurance technical reserves		5,676	146	2	0	216	3	189
Other accounts receivable and financial derivatives		487	3,886	1,029	240	243	626	462
<i>Net financial worth</i>								
<b>Financial account, transactions in financial assets</b>								
Total transactions in financial assets		57	197	-641	186	68	-32	94
Monetary gold and SDRs				0				0
Currency and deposits		3	23	-695	54	0	-28	12
Short-term debt securities		9	6	-1	-22	15	5	-6
Long-term debt securities		-23	-17	13	87	38	1	2
Loans		1	71	57	12	5	-10	2
<i>of which: Long-term</i>		1	35	68	-39	4	3	.
Shares and other equity		-4	64	10	53	7	2	69
Quoted shares		1	8	2	17	1	0	.
Unquoted shares and other equity		4	54	5	9	2	-2	.
Mutual fund shares		-9	1	3	27	4	3	.
Insurance technical reserves		58	0	0	0	1	0	1
Other accounts receivable and financial derivatives		13	50	-24	3	1	-2	13
<i>Changes in net financial worth due to transactions</i>								
<b>Other changes account, financial assets</b>								
Total other changes in financial assets		173	167	-259	-7	82	29	-125
Monetary gold and SDRs				-23				
Currency and deposits		-3	-8	-113	-22	0	3	-146
Short-term debt securities		0	-8	-9	-8	2	0	-6
Long-term debt securities		14	-2	-75	-25	30	4	15
Loans		0	-17	-85	-11	-1	1	-23
<i>of which: Long-term</i>		0	-10	-39	-8	0	1	.
Shares and other equity		114	262	50	66	54	14	43
Quoted shares		43	63	28	65	23	11	.
Unquoted shares and other equity		44	198	19	-11	5	-2	.
Mutual fund shares		26	1	3	11	26	6	.
Insurance technical reserves		50	0	0	0	-2	0	1
Other accounts receivable and financial derivatives		-2	-59	-5	-8	-1	7	-9
<i>Other changes in net financial worth</i>								
<b>Closing balance sheet, financial assets</b>								
Total financial assets		18,562	17,089	32,912	14,343	6,875	3,511	16,221
Monetary gold and SDRs				386				
Currency and deposits		6,510	1,845	9,439	2,201	863	697	3,836
Short-term debt securities		49	171	618	291	417	31	797
Long-term debt securities		1,348	201	6,398	2,360	2,250	358	3,575
Loans		70	3,158	13,042	3,797	483	487	1,795
<i>of which: Long-term</i>		54	1,659	10,128	2,721	353	397	.
Shares and other equity		4,302	7,693	2,027	5,460	2,404	1,305	5,560
Quoted shares		731	1,392	473	1,910	435	261	.
Unquoted shares and other equity		2,125	5,930	1,220	2,739	473	880	.
Mutual fund shares		1,445	371	333	811	1,497	163	.
Insurance technical reserves		5,784	145	2	0	215	3	192
Other accounts receivable and financial derivatives		498	3,877	1,000	235	243	630	466
<i>Net financial worth</i>								

Source: ECB.

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

(EUR billions)

Liabilities	Euro area	Households	Non-financial corporations	MFI	Other financial intermediaries	Insurance corporations and pension funds	General government	Rest of the world
<b>2010 Q3</b>								
<b>Opening balance sheet, liabilities</b>								
Total liabilities		6,662	25,228	32,893	13,976	6,795	8,659	14,900
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			30	23,359	26	0	232	2,663
Short-term debt securities			324	715	73	12	994	280
Long-term debt securities			561	4,646	2,698	47	5,476	3,000
Loans		5,980	8,464		3,386	271	1,476	3,254
<i>of which: Long-term</i>		5,616	5,883		1,819	106	1,248	.
Shares and other equity		7	11,904	2,746	7,569	479	6	5,234
Quoted shares			3,316	445	178	150	0	.
Unquoted shares and other equity		7	8,588	1,134	2,266	328	6	.
Mutual fund shares				1,167	5,125			.
Insurance technical reserves		34	336	65	1	5,795	1	
Other accounts payable and financial derivatives		641	3,610	1,363	224	191	474	468
<i>Net financial worth <sup>1)</sup></i>	-943	11,670	-8,503	917	188	-71	-5,144	
<b>Financial account, transactions in liabilities</b>								
Total transactions in liabilities		27	151	-655	155	73	103	75
Monetary gold and SDRs								
Currency and deposits			0	-649	-2	0	28	-7
Short-term debt securities			4	-7	6	0	-7	10
Long-term debt securities			8	-30	26	-1	74	23
Loans		29	62		18	13	3	14
<i>of which: Long-term</i>		37	24		-15	2	20	.
Shares and other equity		0	70	10	82	0	0	38
Quoted shares			4	1	0	0	0	.
Unquoted shares and other equity		0	66	3	1	0	0	.
Mutual fund shares				6	81			.
Insurance technical reserves		0	1	0	0	59	0	
Other accounts payable and financial derivatives		-3	6	20	25	2	6	-3
<i>Changes in net financial worth due to transactions <sup>1)</sup></i>	-19	31	45	14	31	-5	-136	19
<b>Other changes account, liabilities</b>								
Total other changes in liabilities		2	549	-230	-77	35	43	-240
Monetary gold and SDRs								
Currency and deposits			0	-216	0	0	0	-73
Short-term debt securities			-5	-12	1	1	0	-12
Long-term debt securities			3	-5	-30	0	70	-77
Loans		-3	-36		-41	1	-1	-56
<i>of which: Long-term</i>		-3	-19		-31	1	-1	.
Shares and other equity		0	583	-4	29	6	0	-12
Quoted shares			222	41	3	2	0	.
Unquoted shares and other equity		0	361	-9	-57	4	0	.
Mutual fund shares				-35	83			.
Insurance technical reserves		0	0	0	0	49	0	
Other accounts payable and financial derivatives		5	4	8	-36	-21	-26	-10
<i>Other changes in net financial worth <sup>1)</sup></i>	-137	170	-382	-29	70	47	-14	115
<b>Closing balance sheet, liabilities</b>								
Total liabilities		6,691	25,929	32,009	14,054	6,904	8,805	14,735
Monetary gold and SDRs								
Currency and deposits			29	22,494	25	0	260	2,583
Short-term debt securities			322	695	79	13	986	278
Long-term debt securities			572	4,610	2,694	46	5,620	2,947
Loans		6,006	8,490		3,363	284	1,478	3,212
<i>of which: Long-term</i>		5,650	5,888		1,772	109	1,268	.
Shares and other equity		7	12,558	2,752	7,680	486	6	5,260
Quoted shares			3,542	487	181	153	0	.
Unquoted shares and other equity		7	9,015	1,128	2,210	332	6	.
Mutual fund shares				1,138	5,289			.
Insurance technical reserves		34	337	65	1	5,903	1	
Other accounts payable and financial derivatives		644	3,621	1,391	213	172	453	455
<i>Net financial worth <sup>1)</sup></i>	-1,100	11,871	-8,840	903	289	-29	-5,294	

Source: ECB.

## 3.2 Euro area non-financial accounts

(EUR billions; four-quarter cumulated flows)

Uses	2006	2007	2008	2008 Q4- 2009 Q3	2009 Q1- 2009 Q4	2009 Q2- 2010 Q1	2009 Q3- 2010 Q2	2009 Q4- 2010 Q3
<b>Generation of income account</b>								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	4,075	4,261	4,439	4,434	4,427	4,430	4,445	4,461
Other taxes less subsidies on production	127	136	132	118	113	109	108	113
Consumption of fixed capital	1,253	1,319	1,382	1,396	1,398	1,397	1,399	1,405
<i>Net operating surplus and mixed income</i> <sup>1)</sup>	2,191	2,343	2,327	2,139	2,123	2,146	2,182	2,205
<b>Allocation of primary income account</b>								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	3,034	3,635	3,889	3,208	2,964	2,834	2,764	2,763
Interest	1,657	2,086	2,322	1,821	1,621	1,507	1,447	1,430
Other property income	1,377	1,549	1,566	1,388	1,343	1,327	1,317	1,333
<i>Net national income</i> <sup>1)</sup>	7,329	7,727	7,795	7,536	7,512	7,547	7,621	7,684
<b>Secondary distribution of income account</b>								
Net national income								
Current taxes on income, wealth, etc.	1,028	1,113	1,122	1,038	1,013	1,012	1,020	1,025
Social contributions	1,542	1,599	1,668	1,676	1,677	1,682	1,688	1,695
Social benefits other than social transfers in kind	1,555	1,602	1,671	1,758	1,786	1,805	1,815	1,823
Other current transfers	723	754	788	784	784	792	794	799
Net non-life insurance premiums	180	184	188	184	183	183	182	183
Non-life insurance claims	180	184	189	185	183	183	183	183
Other	363	385	410	415	419	426	429	432
<i>Net disposable income</i> <sup>1)</sup>	7,237	7,633	7,690	7,427	7,403	7,433	7,507	7,566
<b>Use of income account</b>								
Net disposable income								
Final consumption expenditure	6,646	6,911	7,171	7,162	7,181	7,216	7,256	7,298
Individual consumption expenditure	5,957	6,198	6,421	6,386	6,397	6,430	6,469	6,511
Collective consumption expenditure	689	713	749	775	784	786	787	788
Adjustment for the change in the net equity of households in pension fund reserves	64	65	71	67	66	65	63	63
<i>Net saving</i> <sup>1)</sup>	591	722	520	265	223	217	251	267
<b>Capital account</b>								
Net saving								
Gross capital formation	1,879	2,030	2,039	1,787	1,710	1,688	1,724	1,754
Gross fixed capital formation	1,857	1,991	2,017	1,828	1,781	1,757	1,762	1,770
Changes in inventories and acquisitions less disposals of valuables	22	39	22	-41	-71	-70	-38	-15
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	0	-1	0	-1	1	2	1	1
Capital transfers	170	151	150	174	183	193	187	192
Capital taxes	23	24	24	29	34	34	30	29
Other capital transfers	148	126	126	145	149	158	157	163
<i>Net lending (+)/net borrowing (-) (from capital account)</i> <sup>1)</sup>	-19	28	-127	-115	-81	-64	-64	-73

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 Q4- 2009 Q3	2009 Q1- 2009 Q4	2009 Q2- 2010 Q1	2009 Q3- 2010 Q2	2009 Q4- 2010 Q3
<b>Generation of income account</b>								
Gross value added (basic prices)	7,647	8,060	8,280	8,087	8,060	8,082	8,135	8,184
Taxes less subsidies on products	915	960	946	900	892	894	907	924
Gross domestic product (market prices) <sup>2)</sup>	8,562	9,020	9,227	8,986	8,952	8,975	9,042	9,109
Compensation of employees								
Other taxes less subsidies on production								
Consumption of fixed capital								
<i>Net operating surplus and mixed income</i>								
<b>Allocation of primary income account</b>								
Net operating surplus and mixed income	2,191	2,343	2,327	2,139	2,123	2,146	2,182	2,205
Compensation of employees	4,083	4,269	4,446	4,441	4,433	4,436	4,452	4,468
Taxes less subsidies on production	1,055	1,104	1,085	1,027	1,022	1,021	1,031	1,052
Property income	3,035	3,645	3,825	3,137	2,898	2,779	2,720	2,721
Interest	1,628	2,048	2,265	1,754	1,552	1,441	1,388	1,371
Other property income	1,407	1,597	1,560	1,383	1,345	1,337	1,331	1,350
<i>Net national income</i>								
<b>Secondary distribution of income account</b>								
Net national income	7,329	7,727	7,795	7,536	7,512	7,547	7,621	7,684
Current taxes on income, wealth, etc.	1,033	1,120	1,130	1,043	1,019	1,017	1,024	1,030
Social contributions	1,541	1,599	1,668	1,675	1,676	1,681	1,687	1,694
Social benefits other than social transfers in kind	1,547	1,593	1,663	1,750	1,779	1,797	1,807	1,815
Other current transfers	635	663	684	678	678	680	683	684
Net non-life insurance premiums	180	184	189	185	183	183	183	183
Non-life insurance claims	177	182	186	181	179	180	179	180
Other	278	296	309	312	316	318	321	322
<i>Net disposable income</i>								
<b>Use of income account</b>								
Net disposable income	7,237	7,633	7,690	7,427	7,403	7,433	7,507	7,566
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	67	66	65	63	63
<i>Net saving</i>								
<b>Capital account</b>								
Net saving	591	722	520	265	223	217	251	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	1,382	1,396	1,398	1,397	1,399	1,405
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	185	166	160	183	193	203	197	202
Capital taxes	23	24	24	29	34	34	30	29
Other capital transfers	162	141	136	154	159	169	167	173
<i>Net lending (+)/net borrowing (-) (from capital account)</i>								

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 Q4- 2009 Q3	2009 Q1- 2009 Q4	2009 Q2- 2010 Q1	2009 Q3- 2010 Q2	2009 Q4- 2010 Q3
<b>Income, saving and changes in net worth</b>								
Compensation of employees (+)	4,083	4,269	4,446	4,441	4,433	4,436	4,452	4,468
Gross operating surplus and mixed income (+)	1,420	1,491	1,537	1,495	1,485	1,485	1,490	1,498
Interest receivable (+)	264	313	347	274	245	227	219	215
Interest payable (-)	167	217	243	174	148	137	132	131
Other property income receivable (+)	749	807	819	753	739	731	725	730
Other property income payable (-)	10	10	10	10	10	10	10	11
Current taxes on income and wealth (-)	794	852	891	870	860	857	857	861
Net social contributions (-)	1,538	1,595	1,664	1,671	1,672	1,677	1,683	1,690
Net social benefits (+)	1,542	1,587	1,656	1,744	1,772	1,791	1,801	1,809
Net current transfers receivable (+)	67	72	72	79	81	82	81	80
<b>= Gross disposable income</b>	<b>5,616</b>	<b>5,866</b>	<b>6,069</b>	<b>6,059</b>	<b>6,065</b>	<b>6,070</b>	<b>6,085</b>	<b>6,107</b>
Final consumption expenditure (-)	4,902	5,099	5,268	5,193	5,194	5,221	5,252	5,288
Changes in net worth in pension funds (+)	64	64	71	67	65	65	63	62
<b>= Gross saving</b>	<b>770</b>	<b>825</b>	<b>867</b>	<b>928</b>	<b>934</b>	<b>912</b>	<b>895</b>	<b>879</b>
Consumption of fixed capital (-)	342	365	381	383	383	382	382	383
Net capital transfers receivable (+)	19	12	2	15	13	11	10	9
Other changes in net worth (+)	2,614	1,485	-2,356	-1,530	-258	819	811	831
<b>= Changes in net worth</b>	<b>3,061</b>	<b>1,958</b>	<b>-1,868</b>	<b>-970</b>	<b>306</b>	<b>1,360</b>	<b>1,333</b>	<b>1,337</b>
<b>Investment, financing and changes in net worth</b>								
Net acquisition of non-financial assets (+)	608	644	635	569	550	539	540	542
Consumption of fixed capital (-)	342	365	381	383	383	382	382	383
Main items of financial investment (+)								
Short-term assets	321	427	452	159	-19	-100	-91	-37
Currency and deposits	285	350	438	256	120	64	63	89
Money market fund shares	1	39	-10	-20	-48	-84	-85	-96
Debt securities <sup>1)</sup>	35	38	24	-77	-92	-80	-69	-31
Long-term assets	297	145	46	362	526	594	566	464
Deposits	2	-33	-28	56	90	117	112	89
Debt securities	31	34	45	26	22	-14	-7	-33
Shares and other equity	-25	-73	-109	87	172	220	198	144
Quoted and unquoted shares and other equity	-5	-2	21	95	99	110	102	64
Mutual fund shares	-20	-72	-130	-7	73	110	96	80
Life insurance and pension fund reserves	290	217	137	193	242	271	263	265
Main items of financing (-)								
Loans	406	373	213	102	111	130	135	136
<i>of which: From euro area MFIs</i>	350	283	82	-16	65	76	104	105
Other changes in assets (+)								
Non-financial assets	2,057	1,413	-913	-1,572	-745	-19	477	726
Financial assets	547	80	-1,481	9	459	846	370	144
Shares and other equity	458	81	-1,259	-132	236	493	140	23
Life insurance and pension fund reserves	60	9	-261	54	178	269	175	114
Remaining net flows (+)	-20	-12	-13	-12	29	12	-11	18
<b>= Changes in net worth</b>	<b>3,061</b>	<b>1,958</b>	<b>-1,868</b>	<b>-970</b>	<b>306</b>	<b>1,360</b>	<b>1,333</b>	<b>1,337</b>
<b>Balance sheet</b>								
Non-financial assets (+)	25,650	27,341	26,682	25,980	26,104	26,153	26,576	26,864
Financial assets (+)								
Short-term assets	4,813	5,269	5,804	5,811	5,773	5,729	5,768	5,756
Currency and deposits	4,462	4,852	5,322	5,407	5,475	5,447	5,507	5,499
Money market fund shares	255	293	324	313	244	233	215	201
Debt securities <sup>1)</sup>	96	124	158	92	55	50	46	55
Long-term assets	11,855	12,055	10,526	11,253	11,520	11,767	11,655	11,883
Deposits	1,018	953	894	919	963	990	1,003	1,011
Debt securities	1,226	1,257	1,319	1,366	1,383	1,379	1,352	1,342
Shares and other equity	4,983	4,992	3,583	3,918	4,024	4,113	3,977	4,101
Quoted and unquoted shares and other equity	3,529	3,592	2,578	2,804	2,833	2,881	2,764	2,857
Mutual fund shares	1,453	1,400	1,005	1,114	1,192	1,232	1,213	1,245
Life insurance and pension fund reserves	4,627	4,854	4,730	5,050	5,150	5,285	5,323	5,429
Remaining net assets (+)	247	222	216	221	235	211	227	238
Liabilities (-)								
Loans	5,236	5,600	5,810	5,867	5,908	5,919	5,980	6,006
<i>of which: From euro area MFIs</i>	4,560	4,831	4,906	4,921	4,961	4,947	5,101	5,122
<b>= Net worth</b>	<b>37,329</b>	<b>39,287</b>	<b>37,419</b>	<b>37,398</b>	<b>37,725</b>	<b>37,942</b>	<b>38,245</b>	<b>38,735</b>

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 Q4- 2009 Q3	2009 Q1- 2009 Q4	2009 Q2- 2010 Q1	2009 Q3- 2010 Q2	2009 Q4- 2010 Q3
<b>Income and saving</b>								
Gross value added (basic prices) (+)	4,374	4,646	4,763	4,557	4,522	4,536	4,578	4,615
Compensation of employees (-)	2,588	2,718	2,838	2,804	2,787	2,784	2,794	2,807
Other taxes less subsidies on production (-)	74	80	76	65	62	58	56	61
<b>= Gross operating surplus (+)</b>	<b>1,712</b>	<b>1,849</b>	<b>1,849</b>	<b>1,689</b>	<b>1,673</b>	<b>1,694</b>	<b>1,727</b>	<b>1,748</b>
Consumption of fixed capital (-)	707	741	777	786	787	786	786	789
<b>= Net operating surplus (+)</b>	<b>1,007</b>	<b>1,108</b>	<b>1,068</b>	<b>898</b>	<b>883</b>	<b>903</b>	<b>936</b>	<b>955</b>
Property income receivable (+)	505	597	595	501	474	468	467	470
Interest receivable	172	204	217	165	148	137	131	127
Other property income receivable	332	393	378	336	326	331	337	343
Interest and rents payable (-)	288	354	404	322	289	269	257	253
<b>= Net entrepreneurial income (+)</b>	<b>1,223</b>	<b>1,351</b>	<b>1,259</b>	<b>1,077</b>	<b>1,067</b>	<b>1,102</b>	<b>1,146</b>	<b>1,172</b>
Distributed income (-)	926	988	1,019	930	911	900	897	907
Taxes on income and wealth payable (-)	190	212	197	139	125	126	133	134
Social contributions receivable (+)	75	64	66	68	69	70	70	70
Social benefits payable (-)	61	62	65	66	67	67	67	67
Other net transfers (-)	65	57	60	61	62	64	65	65
<b>= Net saving</b>	<b>55</b>	<b>95</b>	<b>-15</b>	<b>-50</b>	<b>-29</b>	<b>16</b>	<b>54</b>	<b>69</b>
<b>Investment, financing and saving</b>								
Net acquisition of non-financial assets (+)	306	374	337	131	75	69	114	140
Gross fixed capital formation (+)	987	1,075	1,095	963	935	925	937	944
Consumption of fixed capital (-)	707	741	777	786	787	786	786	789
Net acquisition of other non-financial assets (+)	24	38	19	-45	-72	-69	-36	-14
Main items of financial investment (+)								
Short-term assets	158	168	65	82	109	104	46	29
Currency and deposits	146	154	15	38	90	98	58	49
Money market fund shares	2	-19	30	40	38	4	-20	-27
Debt securities <sup>1)</sup>	10	33	21	4	-19	1	9	7
Long-term assets	477	742	701	404	193	169	289	347
Deposits	33	6	39	40	19	-11	-5	-9
Debt securities	-1	-9	-60	-45	-29	-30	16	18
Shares and other equity	285	448	348	258	94	76	56	80
Other (mainly intercompany loans)	161	297	373	152	109	134	221	258
Remaining net assets (+)	97	148	-27	-63	-35	63	4	44
Main items of financing (-)								
Debt	679	890	708	234	112	139	162	234
of which: Loans from euro area MFIs	443	539	396	-19	-113	-102	-87	-27
of which: Debt securities	38	38	55	91	84	103	81	69
Shares and other equity	231	379	308	288	178	169	154	177
Quoted shares	33	55	7	71	66	66	47	37
Unquoted shares and other equity	199	324	301	217	112	103	107	139
Net capital transfers receivable (-)	72	68	72	78	79	78	81	81
<b>= Net saving</b>	<b>55</b>	<b>95</b>	<b>-15</b>	<b>-50</b>	<b>-29</b>	<b>16</b>	<b>54</b>	<b>69</b>
<b>Financial balance sheet</b>								
Financial assets								
Short-term assets	1,674	1,826	1,904	1,972	2,011	1,989	1,984	1,997
Currency and deposits	1,367	1,507	1,537	1,580	1,634	1,604	1,610	1,626
Money market fund shares	183	159	185	222	206	198	181	181
Debt securities <sup>1)</sup>	124	161	182	170	171	187	193	191
Long-term assets	10,072	11,041	9,429	10,261	10,488	10,793	10,709	11,069
Deposits	143	181	215	228	220	217	220	219
Debt securities	280	268	215	150	186	194	200	181
Shares and other equity	7,505	8,153	6,179	6,982	7,161	7,384	7,186	7,511
Other (mainly intercompany loans)	2,144	2,439	2,819	2,901	2,921	2,998	3,104	3,158
Remaining net assets	333	385	413	396	395	432	451	431
Liabilities								
Debt	7,880	8,696	9,427	9,518	9,519	9,610	9,684	9,721
of which: Loans from euro area MFIs	3,957	4,482	4,875	4,771	4,715	4,717	4,737	4,718
of which: Debt securities	680	683	740	819	820	874	884	894
Shares and other equity	13,172	14,368	10,773	11,957	12,265	12,485	11,904	12,558
Quoted shares	4,543	5,041	2,920	3,373	3,508	3,590	3,316	3,542
Unquoted shares and other equity	8,629	9,328	7,853	8,584	8,757	8,895	8,588	9,015

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 Q4- 2009 Q3	2009 Q1- 2009 Q4	2009 Q2- 2010 Q1	2009 Q3- 2010 Q2	2009 Q4- 2010 Q3
<b>Financial account, financial transactions</b>								
<b>Main items of financial investment (+)</b>								
Short-term assets	63	66	113	47	31	17	33	56
Currency and deposits	11	6	57	-1	-33	-21	2	6
Money market fund shares	3	2	20	6	9	1	12	11
Debt securities <sup>1)</sup>	49	57	36	42	55	37	19	39
Long-term assets	309	165	72	140	208	274	268	265
Deposits	62	47	-3	29	19	2	-5	-4
Debt securities	117	48	6	-8	50	83	152	158
Loans	1	-15	38	28	15	13	13	18
Quoted shares	2	-1	2	-100	-88	-83	-82	-1
Unquoted shares and other equity	32	22	29	6	-3	2	5	6
Mutual fund shares	95	65	1	185	215	256	185	89
Remaining net assets (+)	14	-3	27	7	5	25	18	17
<b>Main items of financing (-)</b>								
Debt securities	6	3	12	10	1	0	6	4
Loans	50	-2	27	12	-25	-16	-11	12
Shares and other equity	11	3	9	5	3	3	3	5
Insurance technical reserves	318	241	139	199	272	319	300	294
Net equity of households in life insurance and pension fund reserves	301	226	117	193	257	304	291	286
Prepayments of insurance premiums and reserves for outstanding claims	17	15	22	7	14	15	10	8
<b>= Changes in net financial worth due to transactions</b>	1	-17	26	-33	-7	10	21	24
<b>Other changes account</b>								
<b>Other changes in financial assets (+)</b>								
Shares and other equity	171	-2	-600	-30	232	368	183	116
Other net assets	-54	-28	46	85	59	100	126	128
<b>Other changes in liabilities (-)</b>								
Shares and other equity	41	-32	-195	-48	20	96	33	-16
Insurance technical reserves	54	13	-260	56	175	258	175	120
Net equity of households in life insurance and pension fund reserves	53	14	-257	61	177	262	174	118
Prepayments of insurance premiums and reserves for outstanding claims	1	-1	-3	-5	-2	-4	2	1
<b>= Other changes in net financial worth</b>	22	-10	-99	47	96	113	101	140
<b>Financial balance sheet</b>								
<b>Financial assets (+)</b>								
Short-term assets	501	564	680	693	720	727	747	763
Currency and deposits	157	163	224	190	195	196	206	203
Money market fund shares	80	80	98	102	99	103	108	107
Debt securities <sup>1)</sup>	264	320	358	400	426	428	433	453
Long-term assets	5,191	5,333	4,817	5,186	5,320	5,532	5,519	5,654
Deposits	598	646	641	664	661	660	656	660
Debt securities	1,863	1,886	1,904	1,977	2,007	2,101	2,149	2,214
Loans	429	415	452	464	468	475	480	483
Quoted shares	742	718	416	411	420	435	411	435
Unquoted shares and other equity	475	514	436	461	469	476	466	473
Mutual fund shares	1,083	1,154	967	1,210	1,295	1,386	1,358	1,389
Remaining net assets (+)	185	167	233	236	228	252	267	285
<b>Liabilities (-)</b>								
Debt securities	36	29	47	49	53	56	59	58
Loans	256	252	281	272	254	266	271	284
Shares and other equity	688	658	471	497	495	515	479	486
Insurance technical reserves	5,015	5,269	5,147	5,490	5,594	5,748	5,795	5,903
Net equity of households in life insurance and pension fund reserves	4,309	4,548	4,409	4,738	4,843	4,990	5,033	5,142
Prepayments of insurance premiums and reserves for outstanding claims	706	720	739	752	751	759	762	761
<b>= Net financial wealth</b>	-117	-144	-217	-194	-128	-75	-71	-29

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

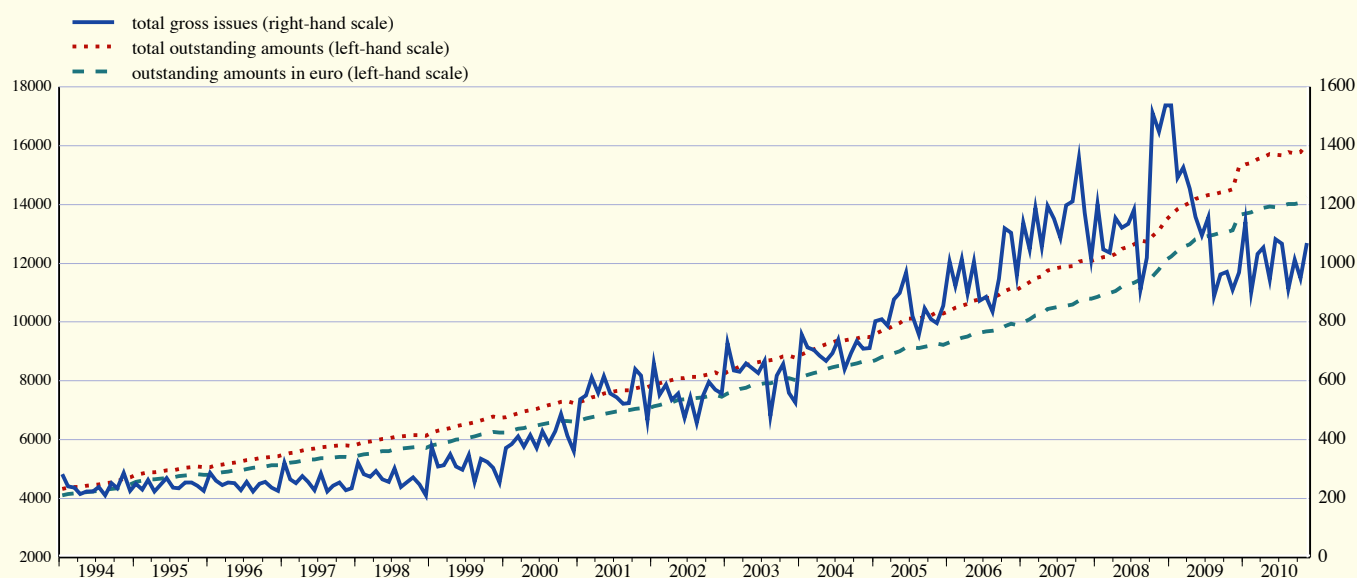
### 4.1 Securities other than shares by original maturity, residency of the issuer and currency

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

	Total in euro <sup>1)</sup>			By euro area residents								
	Outstanding amounts	Gross issues	Net issues	In euro			In all currencies					
				Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted <sup>2)</sup>	
1	2	3	4	5	6	7	8	9	10	Net issues 11	6-month growth rates 12	
<b>Total</b>												
2009 Nov.	15,373.6	886.3	49.7	13,120.5	844.0	51.9	14,507.1	909.1	63.7	9.4	39.3	6.2
Dec.	15,898.1	938.3	-63.2	13,646.8	884.8	-61.4	15,277.6	969.4	-61.7	7.8	13.4	4.9
2010 Jan.	15,941.1	1,090.9	42.5	13,692.6	1,028.3	45.2	15,369.6	1,140.5	66.5	7.1	61.8	4.3
Feb.	15,978.8	860.0	37.9	13,732.0	811.1	39.6	15,417.6	900.3	33.6	5.9	-13.3	3.1
Mar.	16,123.6	1,027.8	143.8	13,834.8	923.5	101.9	15,532.0	1,031.2	108.6	5.5	93.7	2.6
Apr.	16,167.1	1,003.4	45.9	13,886.6	947.4	53.8	15,614.9	1,053.8	75.2	5.2	48.2	3.1
May	16,171.2	867.5	5.7	13,920.2	839.5	35.1	15,719.8	944.0	46.2	4.2	-18.5	2.3
June	16,160.7	1,049.4	12.5	13,900.3	983.9	3.3	15,703.1	1,081.3	-11.8	3.6	8.4	2.4
July	16,180.9	1,005.0	21.1	13,946.5	966.3	47.2	15,679.5	1,067.6	21.3	3.2	53.9	2.2
Aug.	16,247.6	845.1	67.0	14,010.5	804.8	64.3	15,787.8	912.0	80.8	3.6	142.2	4.3
Sep.	16,264.4	983.4	17.5	14,027.6	908.4	17.9	15,740.8	1,013.0	4.9	3.1	48.0	3.7
Oct.	.	.	.	14,068.3	842.3	42.3	15,784.4	948.6	56.4	3.2	28.4	3.4
Nov.	.	.	.	14,265.1	956.7	198.8	16,063.0	1,068.2	235.2	4.3	207.9	6.3
<b>Long-term</b>												
2009 Nov.	13,841.8	200.8	81.7	11,695.9	180.1	77.6	12,897.4	195.3	82.0	10.7	53.8	8.3
Dec.	14,350.6	169.6	-35.4	12,214.6	154.0	-25.5	13,639.8	166.1	-34.2	8.9	-15.1	6.0
2010 Jan.	14,391.6	309.5	42.0	12,249.4	278.0	35.6	13,716.8	315.9	54.9	8.6	106.2	6.3
Feb.	14,448.0	212.1	56.8	12,312.4	193.6	63.4	13,790.2	211.6	59.7	7.5	10.9	4.8
Mar.	14,581.5	310.3	132.7	12,421.0	250.1	107.8	13,907.5	281.5	113.1	7.2	108.1	4.8
Apr.	14,628.2	246.7	47.8	12,468.5	223.3	48.2	13,983.7	255.2	67.6	7.1	53.7	4.6
May	14,636.4	154.4	8.6	12,498.7	148.4	30.5	14,087.9	181.6	48.5	5.9	-15.9	3.5
June	14,644.9	272.6	33.1	12,507.8	245.4	33.9	14,105.6	265.3	25.9	5.0	8.0	4.0
July	14,677.5	259.4	33.8	12,542.3	240.0	35.6	14,081.6	267.4	16.9	4.8	59.8	3.3
Aug.	14,711.0	140.6	34.3	12,575.7	127.2	34.2	14,149.5	152.6	42.4	4.7	103.4	4.6
Sep.	14,713.1	266.7	2.9	12,589.2	228.0	14.2	14,105.9	258.4	4.9	4.1	37.6	3.6
Oct.	.	.	.	12,640.7	195.1	50.8	14,164.0	232.2	66.6	4.1	59.6	3.6
Nov.	.	.	.	12,797.7	318.6	158.9	14,393.2	357.0	189.8	4.8	158.4	6.2

### C15 Total outstanding amounts and gross issues of securities other than shares issued by euro area residents

(EUR billions)



Sources: ECB and BIS (for issues by non-euro area residents).

- 1) Total euro-denominated securities other than shares issued by euro area residents and non-euro area residents.
- 2) For 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 <sup>1)</sup>					
	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	13,444	5,269	2,195	701	4,939	340	1,192	817	83	106	163	24
2009	15,278	5,375	3,215	805	5,508	374	1,126	734	62	86	221	22
2009 Q4	15,278	5,375	3,215	805	5,508	374	949	620	54	73	182	20
2010 Q1	15,532	5,468	3,177	844	5,654	389	1,024	642	61	74	227	20
Q2	15,703	5,455	3,211	848	5,770	418	1,026	661	61	80	198	26
Q3	15,741	5,427	3,209	847	5,821	437	998	632	75	67	197	27
2010 Aug.	15,788	5,461	3,244	848	5,807	428	912	611	66	61	154	21
Sep.	15,741	5,427	3,209	847	5,821	437	1,013	629	61	71	222	30
Oct.	15,784	5,267	3,229	853	5,995	441	949	559	76	69	217	29
Nov.	16,063	5,299	3,315	863	6,139	447	1,068	548	150	66	279	26
	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 Q4	1,638	733	88	72	724	21	750	542	19	60	116	13
2010 Q1	1,625	747	78	76	706	17	754	536	27	61	120	10
Q2	1,597	734	88	73	681	21	792	570	31	67	110	16
Q3	1,635	743	92	71	692	37	771	547	28	58	118	20
2010 Aug.	1,638	757	94	75	681	31	759	548	32	57	107	16
Sep.	1,635	743	92	71	692	37	755	526	24	54	128	22
Oct.	1,620	592	101	72	817	38	716	473	36	53	132	22
Nov.	1,670	611	104	73	842	40	711	472	32	53	138	16
	Long-term <sup>2)</sup>											
2008	11,816	4,447	2,103	579	4,371	315	217	95	48	8	61	4
2009	13,640	4,643	3,126	733	4,784	353	251	99	44	17	84	7
2009 Q4	13,640	4,643	3,126	733	4,784	353	199	79	35	13	66	7
2010 Q1	13,907	4,721	3,099	767	4,948	372	270	106	33	13	107	10
Q2	14,106	4,721	3,123	775	5,089	398	234	91	30	13	89	10
Q3	14,106	4,684	3,117	775	5,130	400	226	85	46	9	79	6
2010 Aug.	14,150	4,703	3,150	773	5,126	398	153	63	34	4	47	5
Sep.	14,106	4,684	3,117	775	5,130	400	258	103	37	17	94	8
Oct.	14,164	4,675	3,127	781	5,178	403	232	86	40	15	84	7
Nov.	14,393	4,688	3,211	791	5,297	406	357	76	118	12	141	9
	<i>of which: Long-term fixed rate</i>											
2008	7,710	2,305	760	440	3,955	250	120	49	9	7	53	3
2009	8,830	2,587	1,034	600	4,338	271	173	60	18	16	74	4
2009 Q4	8,830	2,587	1,034	600	4,338	271	132	46	10	12	59	5
2010 Q1	9,093	2,658	1,048	627	4,482	278	186	61	10	12	95	7
Q2	9,308	2,663	1,080	655	4,625	286	156	47	12	11	81	5
Q3	9,330	2,650	1,067	658	4,670	286	141	48	12	8	70	4
2010 Aug.	9,324	2,650	1,088	656	4,645	285	92	36	9	4	40	3
Sep.	9,330	2,650	1,067	658	4,670	286	179	63	13	13	84	5
Oct.	9,381	2,658	1,072	663	4,699	289	149	48	17	15	64	5
Nov.	9,522	2,679	1,106	673	4,773	290	182	48	20	11	96	6
	<i>of which: Long-term variable rate</i>											
2008	3,594	1,743	1,295	129	363	64	81	36	38	1	5	1
2009	4,372	1,769	2,025	123	374	81	62	28	25	1	6	2
2009 Q4	4,372	1,769	2,025	123	374	81	58	26	24	1	5	2
2010 Q1	4,360	1,774	1,981	130	382	93	70	38	20	1	7	3
Q2	4,341	1,770	1,968	110	383	110	65	37	16	1	5	6
Q3	4,343	1,755	1,981	109	386	112	73	29	33	1	6	3
2010 Aug.	4,377	1,771	1,993	108	394	111	48	20	23	0	3	2
Sep.	4,343	1,755	1,981	109	386	112	66	31	23	3	6	3
Oct.	4,350	1,740	1,985	109	402	113	74	33	21	0	17	2
Nov.	4,421	1,731	2,022	109	445	115	159	21	92	1	43	3

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

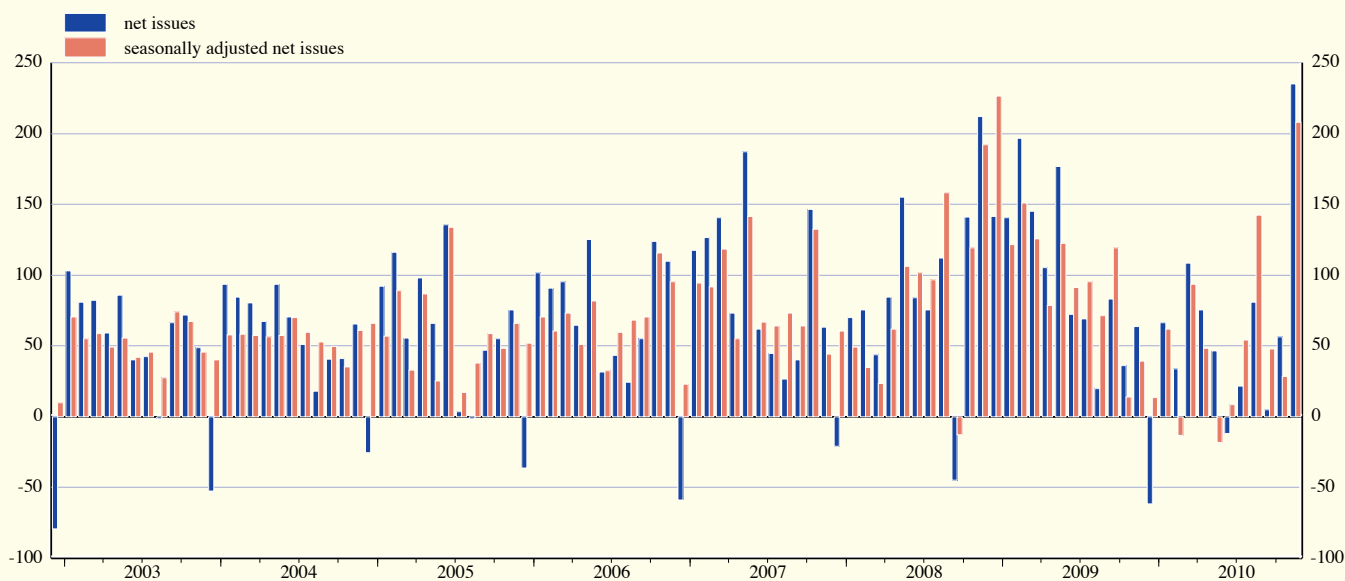
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

### 2. Net issues

	Non-seasonally adjusted <sup>1)</sup>						Seasonally adjusted <sup>1)</sup>					
	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	95.8	22.9	35.8	4.4	31.7	1.1	96.3	23.1	35.3	4.5	32.5	0.9
2009	87.2	10.3	19.3	8.6	46.2	2.8	86.9	10.2	18.9	8.3	46.7	2.9
2009 Q4	12.7	-21.6	13.1	4.1	11.9	5.2	22.2	-10.5	-13.7	6.9	36.8	2.7
2010 Q1	69.6	25.6	-16.8	11.3	46.4	3.1	47.4	7.4	0.9	10.1	24.6	4.5
Q2	36.5	-12.2	3.3	4.9	34.9	5.6	12.7	-14.6	-2.0	0.7	23.0	5.7
Q3	35.6	2.3	3.8	2.7	20.5	6.4	81.4	11.7	27.4	5.1	29.5	7.7
2010 Aug.	80.8	21.9	27.8	-1.7	30.6	2.1	142.2	31.3	55.6	4.8	46.7	3.8
Sep.	4.9	-7.8	-24.7	6.2	22.3	8.8	48.0	18.0	4.0	7.5	8.3	10.2
Oct.	56.4	-26.7	21.6	8.1	48.7	4.6	28.4	-37.6	-5.7	8.1	61.7	1.9
Nov.	235.2	10.6	78.0	4.0	137.8	4.9	207.9	9.0	71.0	3.8	121.1	3.0
	Long-term											
2008	65.3	15.9	32.7	2.8	13.4	0.5	64.8	16.1	32.1	2.8	13.3	0.5
2009	87.9	15.1	22.4	12.7	34.5	3.2	87.8	15.2	22.1	12.8	34.6	3.1
2009 Q4	37.5	-14.0	11.9	7.8	27.3	4.4	34.1	-1.9	-14.6	9.0	38.1	3.5
2010 Q1	75.9	22.3	-13.3	9.8	52.8	4.3	75.1	12.5	4.8	10.5	43.0	4.2
Q2	47.4	-7.1	0.0	6.0	43.9	4.6	15.3	-17.0	-4.9	2.0	30.8	4.4
Q3	21.4	-1.8	2.6	3.3	16.3	0.9	66.9	5.9	24.8	5.2	28.6	2.3
2010 Aug.	42.4	-3.4	19.2	0.5	24.5	1.5	103.4	-5.4	46.9	6.1	42.7	2.2
Sep.	4.9	4.4	-22.8	10.4	10.5	2.4	37.6	23.4	2.2	9.7	-2.7	5.0
Oct.	66.6	-5.0	12.2	6.8	49.0	3.6	59.6	-3.8	-10.6	8.2	64.3	1.6
Nov.	189.8	-6.4	75.7	3.8	113.9	2.8	158.4	-5.6	67.2	3.3	92.2	1.2

### CI6 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.



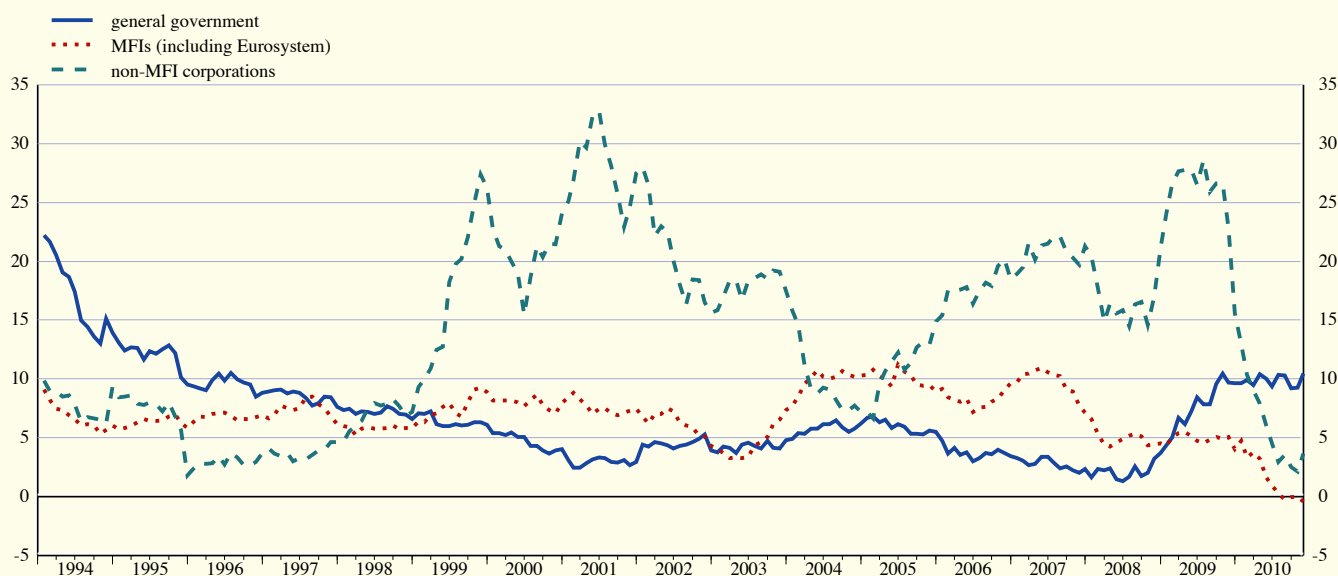
### 4.3 Growth rates of securities other than shares issued by euro area residents <sup>1)</sup>

(percentage changes)

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			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 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	2.8	16.8	9.3	10.9
2010 Jan.	7.1	2.4	9.3	14.0	10.1	9.4	4.3	0.6	0.6	12.4	8.8	8.6
Feb.	5.9	0.7	6.2	15.0	9.7	11.0	3.1	-1.3	-2.1	15.5	8.1	11.5
Mar.	5.5	1.5	4.5	16.2	8.5	11.8	2.6	-0.4	-3.4	13.2	6.9	12.3
Apr.	5.2	1.3	3.5	16.2	8.4	11.2	3.1	2.2	-3.3	13.3	5.3	12.9
May	4.2	-0.2	2.4	14.9	8.0	10.4	2.3	0.0	-3.0	12.1	5.4	11.3
June	3.6	-0.4	1.3	12.4	7.2	13.7	2.4	-0.8	-0.2	8.1	5.2	16.7
July	3.2	-0.9	0.2	10.2	7.4	15.2	2.2	-2.4	-0.1	8.1	6.0	22.4
Aug.	3.6	-0.3	1.3	10.3	7.2	15.4	4.3	0.6	4.8	5.4	6.4	19.9
Sep.	3.1	-0.3	0.6	8.7	6.2	16.6	3.7	-0.3	4.8	4.1	5.6	21.1
Oct.	3.2	0.1	0.4	8.5	6.2	16.0	3.4	-2.0	4.1	4.0	7.1	19.0
Nov.	4.3	0.1	2.5	8.3	7.9	16.4	6.3	0.1	8.5	4.6	10.3	21.7
	Long-term											
2009 Nov.	10.7	5.0	21.5	28.4	9.6	11.0	8.3	4.0	8.8	25.1	10.3	7.9
Dec.	8.9	4.0	12.6	26.3	9.5	12.0	6.0	2.4	3.4	21.8	8.9	11.2
2010 Jan.	8.6	4.8	10.2	23.3	9.5	11.6	6.3	3.6	0.9	16.9	10.4	11.1
Feb.	7.5	3.3	7.1	22.6	9.7	12.4	4.8	0.3	-1.7	19.6	10.7	11.8
Mar.	7.2	3.8	5.5	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	-2.7	16.0	9.7	12.7
May	5.9	1.6	2.9	18.6	10.1	8.9	3.5	-0.8	-2.8	12.4	9.9	9.9
June	5.0	0.9	1.6	16.0	9.1	12.9	4.0	-0.6	0.0	10.5	9.4	14.7
July	4.8	0.2	0.4	12.9	10.2	12.1	3.3	-3.0	0.1	9.0	10.1	13.1
Aug.	4.7	-0.3	1.1	13.1	10.2	11.8	4.6	-1.0	4.0	6.9	9.7	11.8
Sep.	4.1	0.0	0.4	11.4	8.9	12.3	3.6	-1.4	3.9	5.8	7.3	10.8
Oct.	4.1	0.0	0.1	10.7	9.1	11.4	3.6	-1.7	3.0	5.7	8.5	10.0
Nov.	4.8	-0.5	2.2	9.6	10.4	11.3	6.2	-0.1	7.6	6.9	10.8	12.9

### C17 Annual growth rates of long-term debt securities, by sector of the issuer, in all currencies combined

(annual percentage changes)



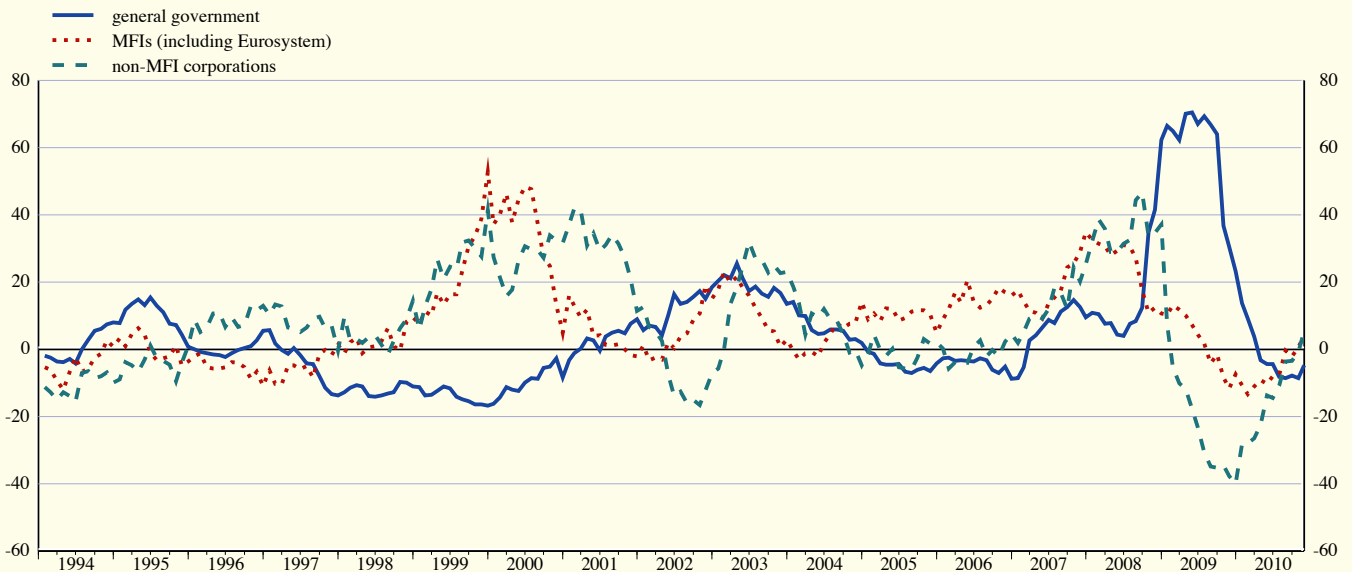
Source: ECB.

1) For 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 <sup>1)</sup> (cont'd)**  
(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			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	33.2	7.1	7.6	3.2
2009	9.5	7.1	18.1	25.1	8.1	4.3	12.0	1.8	35.7	-1.9	0.1	20.7
2009 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	5.8	-2.1	4.6	26.9
Q2	9.7	7.3	7.3	23.3	10.2	7.5	-1.0	-4.2	0.3	-0.4	5.5	23.4
Q3	7.6	3.1	3.4	16.4	10.1	7.2	-1.3	-3.6	-1.2	-1.8	4.8	28.5
2010 June	8.0	4.3	4.7	19.2	9.5	7.6	-1.5	-3.6	-1.2	-1.3	2.0	30.9
July	7.7	3.1	3.2	16.0	10.5	6.7	-1.4	-3.5	-1.8	-2.0	5.4	30.0
Aug.	7.5	2.6	3.6	16.5	10.3	7.1	-1.1	-3.9	-0.9	-2.1	6.6	27.0
Sep.	7.0	2.8	2.2	14.0	9.7	7.8	-1.0	-3.1	-0.8	-1.2	3.3	26.3
Oct.	6.9	2.9	3.1	13.0	9.4	7.0	-0.5	-3.1	-0.9	-1.1	8.7	25.4
Nov.	7.1	2.5	3.7	11.8	10.0	6.8	1.0	-3.8	0.9	-0.5	18.6	25.3
In euro												
2008	3.0	4.8	6.7	3.2	1.7	1.3	14.3	6.6	34.9	7.2	8.0	2.0
2009	10.1	9.0	21.5	23.3	8.2	3.7	14.3	3.9	38.2	-2.4	-0.4	21.8
2009 Q4	12.8	11.4	23.1	34.6	10.4	6.3	9.0	-0.2	25.4	-4.7	0.7	27.0
2010 Q1	11.4	10.8	15.0	29.6	9.7	8.0	1.6	-3.4	6.3	-2.4	3.2	26.9
Q2	9.9	7.4	8.3	23.8	10.2	7.2	-1.1	-3.9	-0.2	-0.6	4.1	23.4
Q3	7.9	2.7	4.5	16.8	10.3	7.2	-1.0	-2.9	-1.5	-2.5	4.1	28.6
2010 June	8.3	4.5	5.9	19.2	9.6	7.3	-1.8	-3.0	-2.4	-2.6	0.7	31.2
July	8.1	2.7	4.1	16.6	10.7	6.8	-1.1	-2.8	-1.9	-2.6	4.4	30.3
Aug.	7.9	2.1	4.7	16.8	10.5	7.3	-0.8	-3.1	-1.2	-2.7	6.2	27.1
Sep.	7.4	2.0	3.5	14.7	9.9	7.9	-0.6	-2.4	-0.7	-1.7	2.9	26.1
Oct.	7.1	1.9	4.3	13.5	9.5	7.2	-0.2	-2.5	-1.0	-1.6	8.6	26.2
Nov.	7.2	1.2	4.6	12.2	10.1	6.9	1.3	-2.8	0.2	-1.0	18.8	26.4

**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 <sup>1)</sup>

(EUR billions, unless otherwise indicated; market values)

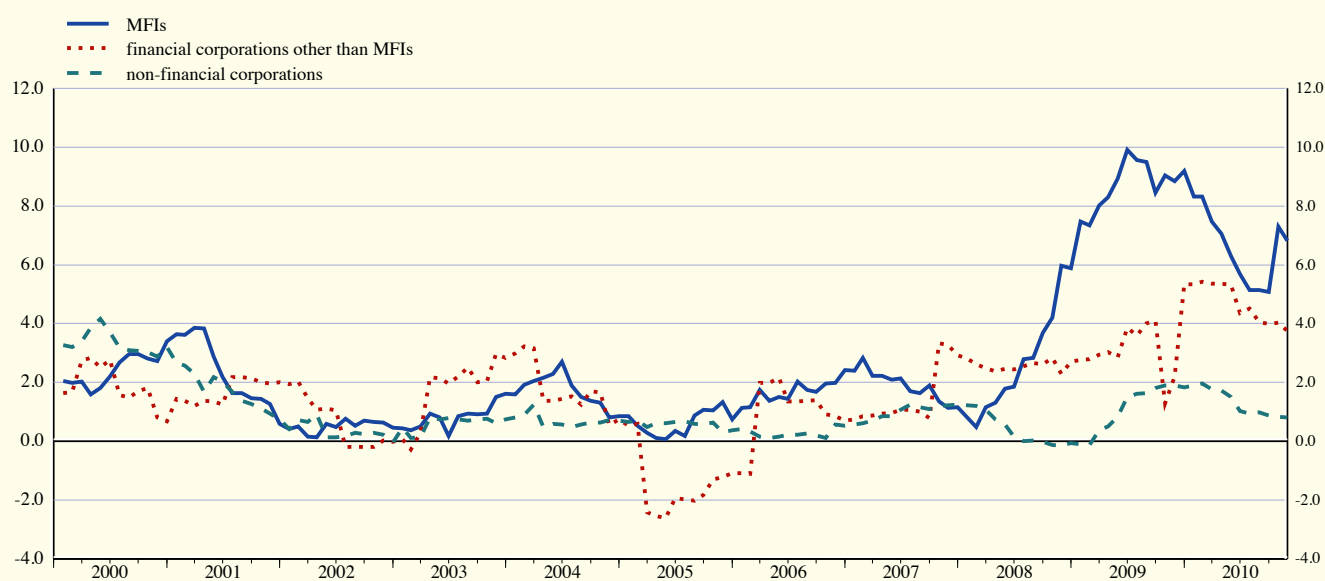
##### 1. Outstanding amounts and annual growth rates

(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 Nov.	3,501.5	105.2	0.9	392.1	6.0	265.4	2.3	2,843.9	-0.1
Dec.	3,509.5	105.4	1.0	375.0	5.9	282.5	2.7	2,852.1	-0.1
2009 Jan.	3,312.9	105.6	1.1	340.9	7.5	259.0	2.8	2,712.9	-0.1
Feb.	2,941.5	105.6	1.1	273.8	7.4	206.3	2.8	2,461.3	-0.1
Mar.	3,024.7	106.1	1.5	312.8	8.0	223.9	2.9	2,488.0	0.4
Apr.	3,457.7	106.2	1.6	410.4	8.3	274.6	3.0	2,772.7	0.5
May	3,604.0	106.5	1.9	448.8	8.9	283.3	2.9	2,871.9	0.8
June	3,556.1	107.3	2.7	445.3	9.9	279.4	3.9	2,831.4	1.5
July	3,841.4	107.5	2.7	505.7	9.6	301.1	3.6	3,034.6	1.6
Aug.	4,039.5	107.5	2.7	568.4	9.5	321.7	4.0	3,149.3	1.6
Sep.	4,208.3	107.6	2.8	588.4	8.5	352.2	4.1	3,267.7	1.8
Oct.	4,063.0	107.8	2.7	563.3	9.0	326.7	1.3	3,173.0	1.9
Nov.	4,077.6	108.1	2.7	563.8	8.8	318.4	2.2	3,195.3	1.9
Dec.	4,409.3	108.5	3.0	566.0	9.2	349.4	5.3	3,493.9	1.8
2010 Jan.	4,241.8	108.7	2.9	516.7	8.3	339.2	5.3	3,385.9	1.9
Feb.	4,160.3	108.7	3.0	499.3	8.3	337.8	5.4	3,323.3	2.0
Mar.	4,473.4	109.0	2.8	543.6	7.5	363.8	5.4	3,566.0	1.8
Apr.	4,408.1	109.0	2.7	508.4	7.1	344.2	5.4	3,555.5	1.7
May	4,092.5	109.1	2.4	445.9	6.3	321.3	5.3	3,325.3	1.5
June	4,054.9	109.3	1.9	446.6	5.7	314.3	4.4	3,294.0	1.0
July	4,255.7	109.4	1.7	519.9	5.1	336.8	4.5	3,399.0	0.9
Aug.	4,120.4	109.4	1.7	479.3	5.1	313.1	4.1	3,327.9	1.0
Sep.	4,344.4	109.4	1.7	487.0	5.1	325.4	4.0	3,531.9	0.9
Oct.	4,529.9	109.8	1.8	514.4	7.3	332.4	4.0	3,683.1	0.8
Nov.	4,408.3	110.0	1.7	437.8	6.8	311.3	3.8	3,659.2	0.8

#### 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

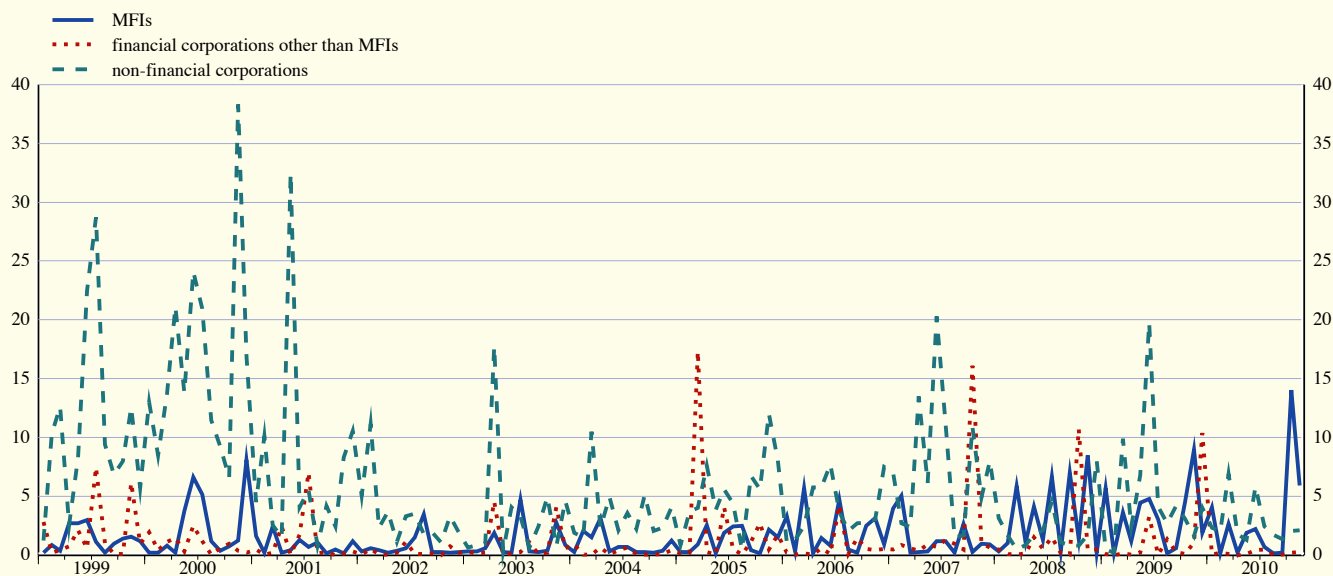
(EUR billions; market values)

##### 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 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
Sep.	1.6	0.2	1.4	0.2	0.0	0.2	0.0	0.0	0.0	1.4	0.2	1.2
Oct.	16.3	1.1	15.2	14.0	0.0	14.0	0.2	0.0	0.2	2.0	1.1	1.0
Nov.	8.2	1.0	7.3	5.9	0.0	5.9	0.2	0.1	0.2	2.1	0.9	1.2

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

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



Source: ECB.

## 4.5 MFI interest rates on euro-denominated deposits from and loans to euro area residents <sup>1)</sup>

(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 <sup>2)</sup>	With an agreed maturity of:			Redeemable at notice of: <sup>2),3)</sup>		Overnight <sup>2)</sup>	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
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	2.35	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	2.26	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	1.40	1.93	0.45	1.06	2.11	2.22	0.74
Aug.	0.43	2.21	2.54	2.35	1.50	1.91	0.45	1.01	2.01	2.22	0.70
Sep.	0.43	2.25	2.76	2.28	1.55	1.85	0.46	1.11	2.18	2.81	0.71
Oct.	0.44	2.35	2.75	2.80	1.54	1.82	0.50	1.18	2.36	2.53	0.94
Nov.	0.44	2.33	2.65	2.66	1.54	1.83	0.50	1.16	2.45	2.41	0.90
Dec.	0.44	2.27	2.77	2.59	1.55	1.84	0.49	1.19	2.55	2.33	1.07

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

	Revolving loans and overdrafts, convenience and extended credit card debt <sup>2)</sup>	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge <sup>4)</sup>	By initial rate fixation				Annual percentage rate of charge <sup>4)</sup>	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years				
	1	2	3	4	5	6	7	8	9	10	11	12	13
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	6.78	6.12	7.92	7.67	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	8.80	5.18	6.13	7.74	7.11	2.56	3.59	4.06	3.90	3.54	3.01	4.22	4.27
July	8.74	5.48	6.22	7.77	7.32	2.66	3.60	3.94	3.84	3.64	3.15	4.29	4.27
Aug.	8.72	5.38	6.26	7.87	7.35	2.83	3.63	3.95	3.80	3.76	3.35	4.52	4.14
Sep.	8.74	5.52	6.18	7.87	7.31	2.75	3.57	3.84	3.74	3.62	3.33	4.35	4.07
Oct.	8.66	5.36	6.03	7.71	7.15	2.76	3.57	3.78	3.69	3.61	3.37	4.43	4.21
Nov.	8.61	5.39	6.08	7.64	7.14	2.80	3.55	3.76	3.70	3.66	3.55	4.37	4.17
Dec.	8.59	5.15	5.94	7.22	6.85	2.78	3.54	3.80	3.70	3.68	3.39	4.31	4.14

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

	Revolving loans and overdrafts, convenience and extended credit card debt <sup>2)</sup>	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
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	2.84	3.41
June		3.70	3.25	4.11	3.80	2.17	2.86	3.37
July		3.70	3.27	4.27	3.95	2.26	2.85	3.19
Aug.		3.75	3.38	4.19	3.84	2.28	2.92	3.65
Sep.		3.80	3.34	4.13	3.78	2.26	2.72	3.51
Oct.		3.83	3.42	4.19	3.82	2.33	2.94	3.46
Nov.		3.85	3.55	4.30	3.82	2.42	3.05	3.53
Dec.		3.87	3.50	4.19	3.85	2.59	2.84	3.49

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 <sup>1)</sup>, \***  
(percentages per annum; outstanding amounts as at end of period, new business as period average, unless otherwise indicated)

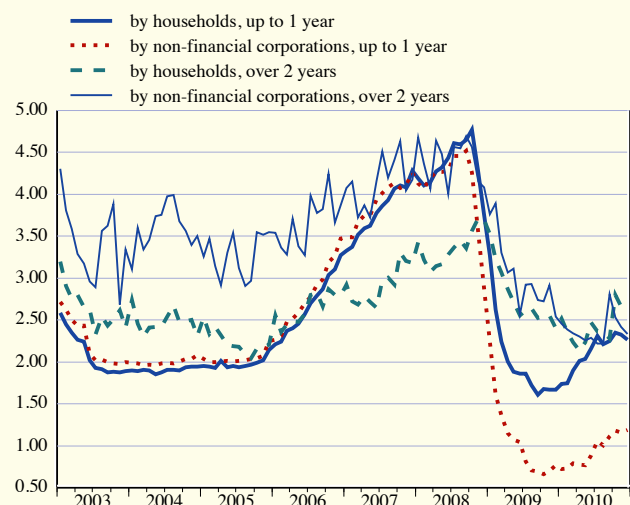
**4. Interest rates on deposits (outstanding amounts)**

	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight <sup>2)</sup>	With an agreed maturity of:		Redeemable at notice of: <sup>2),3)</sup>		Overnight <sup>2)</sup>	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
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	3.11	1.24
July	0.43	2.15	2.73	1.40	1.93	0.45	1.54	3.14	1.24
Aug.	0.43	2.17	2.72	1.50	1.91	0.45	1.57	3.11	1.25
Sep.	0.43	2.20	2.74	1.55	1.85	0.46	1.62	3.07	1.26
Oct.	0.44	2.22	2.70	1.54	1.82	0.50	1.68	3.07	1.29
Nov.	0.44	2.25	2.72	1.54	1.83	0.50	1.70	3.11	1.33
Dec.	0.44	2.28	2.70	1.55	1.84	0.49	1.75	3.08	1.49

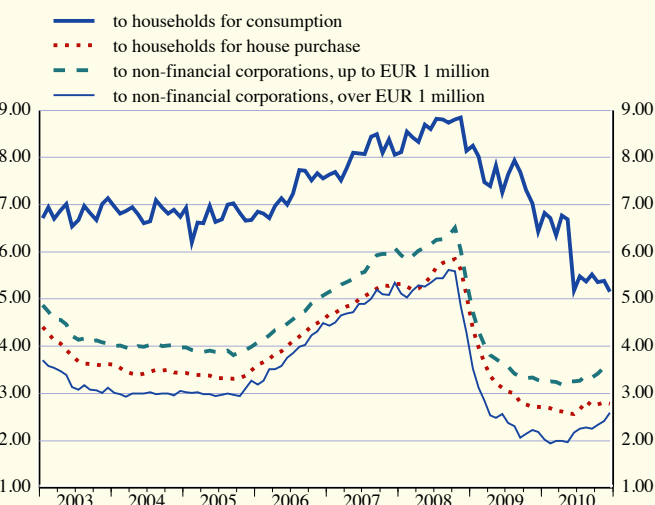
**5. Interest rates on loans (outstanding amounts)**

	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
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	7.61	6.48	5.21	3.29	3.22	3.30
July	3.73	3.93	3.82	7.70	6.50	5.19	3.34	3.25	3.33
Aug.	3.79	3.89	3.81	7.74	6.46	5.20	3.37	3.28	3.34
Sep.	3.83	3.88	3.83	7.83	6.46	5.21	3.42	3.29	3.38
Oct.	3.80	3.86	3.83	7.79	6.45	5.20	3.48	3.34	3.38
Nov.	3.77	3.86	3.85	7.66	6.47	5.22	3.50	3.39	3.42
Dec.	3.73	3.83	3.82	7.65	6.43	5.19	3.51	3.41	3.42

**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)

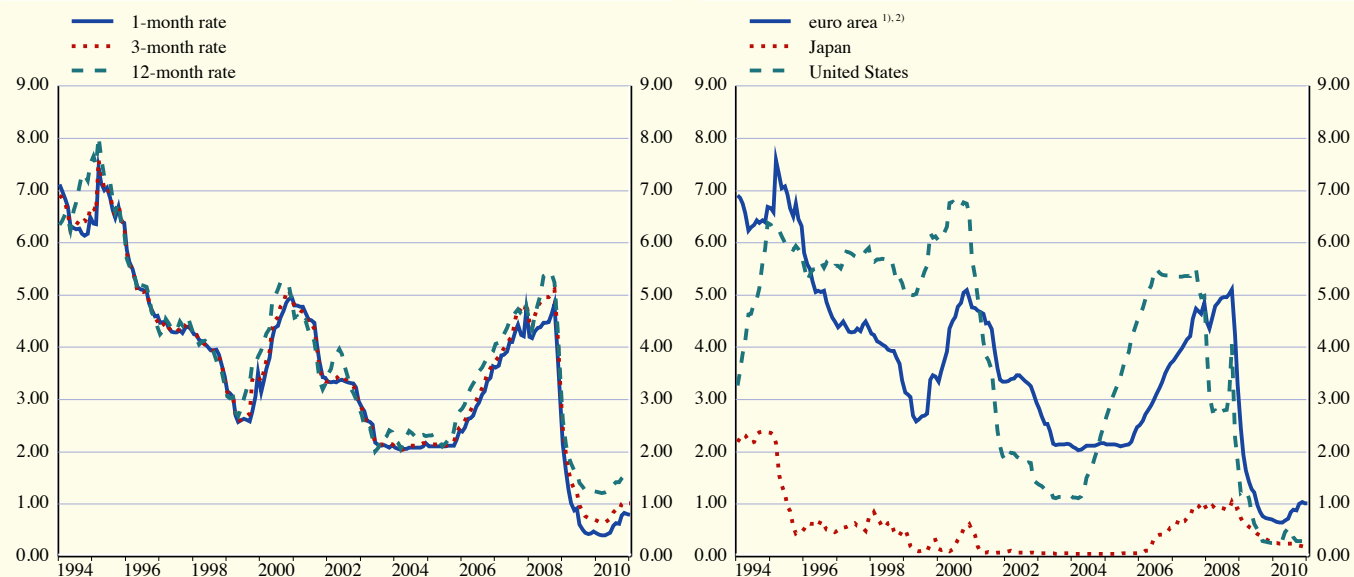
	Euro area <sup>1),2)</sup>					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2008	3.87	4.28	4.64	4.73	4.83	2.93	0.93
2009	0.71	0.89	1.22	1.43	1.61	0.69	0.47
2010	0.44	0.57	0.81	1.08	1.35	0.34	0.23
2009 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
Q4	0.59	0.81	1.02	1.25	1.52	0.29	0.19
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
Nov.	0.59	0.83	1.04	1.27	1.54	0.29	0.19
Dec.	0.50	0.81	1.02	1.25	1.53	0.30	0.18
2011 Jan.	0.66	0.79	1.02	1.25	1.55	0.30	0.19

### C23 Euro area money market rates <sup>1), 2)</sup>

(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.

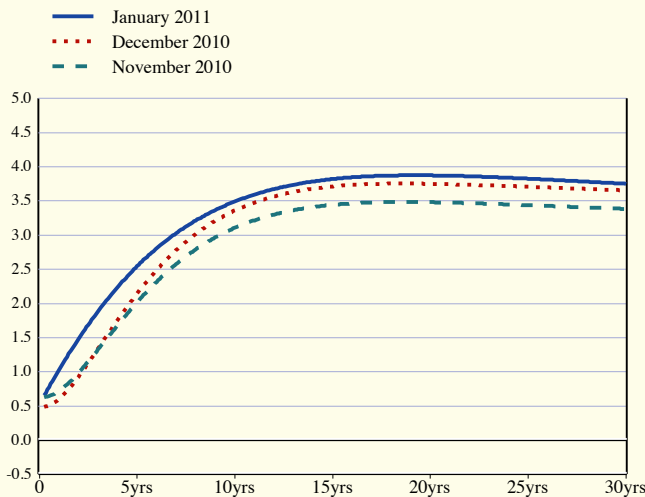
4.7 Euro area yield curves <sup>1)</sup>

(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
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
2010	0.49	0.60	0.93	2.15	2.78	3.36	2.87	2.43	0.85	1.70	3.99	4.69
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	0.49	0.60	0.93	2.15	2.78	3.36	2.87	2.43	0.85	1.70	3.99	4.69
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
Nov.	0.63	0.72	0.99	2.02	2.58	3.11	2.48	2.12	0.92	1.62	3.62	4.35
Dec.	0.49	0.60	0.93	2.15	2.78	3.36	2.87	2.43	0.85	1.70	3.99	4.69
2011 Jan.	0.65	1.03	1.48	2.55	3.03	3.49	2.84	2.01	1.51	2.34	3.96	4.62

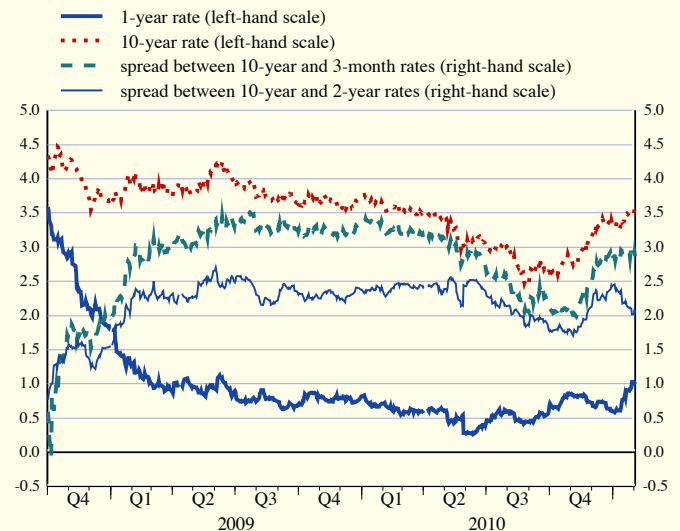
C25 Euro area spot yield curves <sup>2)</sup>

(percentages per annum; end of period)



C26 Euro area spot rates and spreads <sup>2)</sup>

(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.
- 2) Data cover AAA-rated euro area central government bonds.



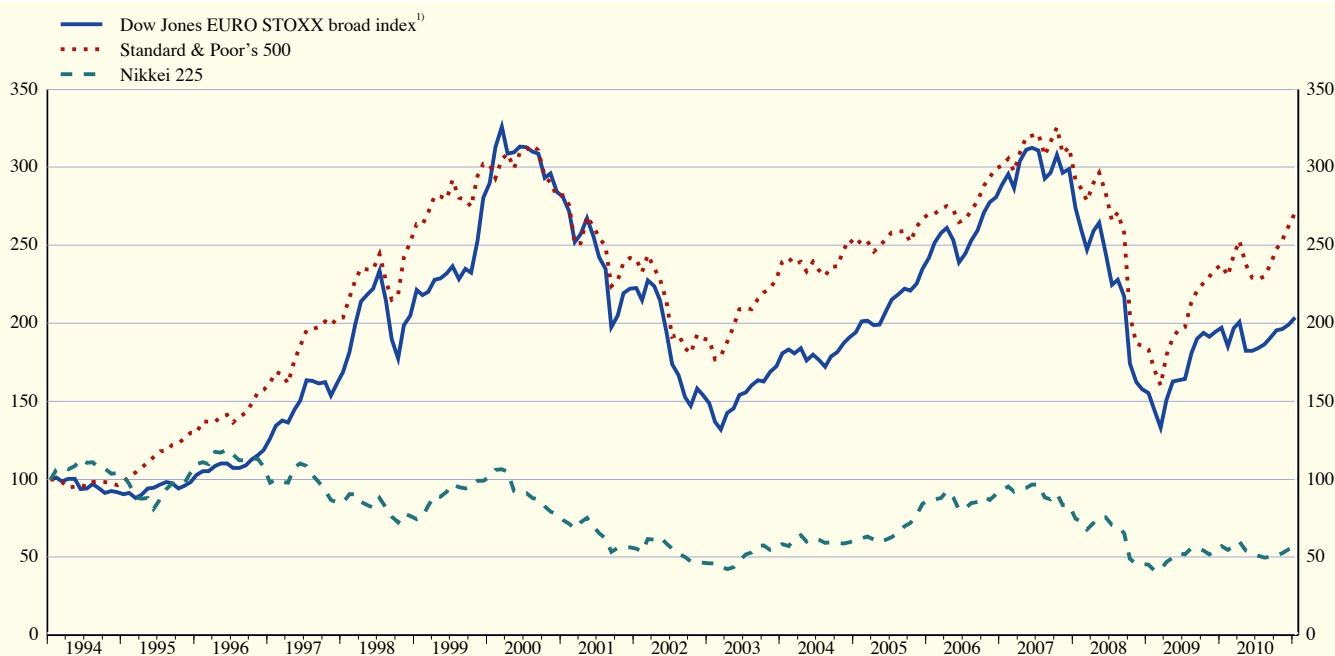
## 4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices <sup>1)</sup>												United States	Japan
	Benchmark		Main industry indices										Standard & Poor's 500	Nikkei 225
	Broad index	50	Basic materials	Consumer services	Consumer goods	Oil and gas	Financials	Industrials	Technology	Utilities	Telecoms	Health care		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
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
2010	265.5	2,779.3	463.1	166.2	323.4	307.2	182.8	337.6	224.1	344.9	389.6	408.4	1,140.0	10,006.5
2009 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
Q4	273.4	2,817.8	513.8	176.1	361.3	309.9	175.7	361.9	227.0	333.0	399.2	405.0	1,204.6	9,842.4
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
Nov.	272.2	2,809.6	509.9	176.3	359.9	307.4	174.4	358.5	222.9	335.0	403.0	405.0	1,198.9	9,797.2
Dec.	276.5	2,825.6	540.1	176.8	376.5	316.7	170.0	379.7	234.1	332.6	385.3	404.6	1,241.5	10,254.5
2011 Jan.	282.8	2,900.7	531.1	178.1	375.3	335.1	178.0	385.8	246.1	346.2	390.7	411.8	1,282.6	10,449.5

## 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 <sup>1)</sup>

	Total					Total (s.a.; percentage change vis-à-vis previous period)						Memo item: Administered prices <sup>2)</sup>	
	Index: 2005 = 100	Total		Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services	Total HICP excluding administered prices	Administered prices
		Total excl. unprocessed food and energy											
% of total <sup>3)</sup>	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
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
2010	109.8	1.6	1.0	1.8	1.4	-	-	-	-	-	-	1.6	1.6
2009 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	0.7	0.1	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
Q4	110.8	2.0	1.1	2.5	1.3	0.5	0.6	0.6	0.2	2.0	0.3	2.0	2.4
2010 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	0.1	0.2	0.1	0.3	0.1	1.7	2.1
Oct.	110.5	1.9	1.1	2.3	1.4	0.2	0.2	0.0	0.1	0.6	0.1	1.9	2.4
Nov.	110.6	1.9	1.1	2.3	1.3	0.2	0.2	0.4	0.1	0.8	0.0	1.8	2.4
Dec.	111.3	2.2	1.1	2.9	1.3	0.3	0.3	0.4	0.0	2.3	0.1	2.2	2.4
2011 Jan. <sup>4)</sup>		2.4											

	Goods						Services							
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing	Transport	Communication	Recreation and personal	Miscellaneous			
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy						Rents		
% of total <sup>3)</sup>	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		
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		
2010	1.0	0.9	1.2	2.1	0.4	7.4	1.8	1.4	2.3	-0.8	1.0	1.5		
2009 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		
Q4	1.9	1.3	2.8	2.8	0.8	9.1	1.7	1.3	1.9	-0.8	1.2	1.5		
2010 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		
Oct.	1.7	1.2	2.4	2.6	0.7	8.5	1.6	1.3	1.9	-1.0	1.3	1.5		
Nov.	1.8	1.3	2.7	2.6	0.8	7.9	1.7	1.3	2.0	-0.8	1.2	1.5		
Dec.	2.1	1.5	3.2	3.3	0.7	11.0	1.7	1.3	1.7	-0.7	1.2	1.4		

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<sup>1)</sup>

	Industrial producer prices excluding construction										Construction <sup>2)</sup>	Residential property prices <sup>3)</sup>
	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 <sup>4)</sup>	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
2007	107.9	2.7	3.0	3.2	4.6	2.2	2.2	2.4	2.2	1.2	4.2	4.6
2008	114.4	6.1	4.8	3.4	3.9	2.1	3.9	2.8	4.1	14.2	3.9	1.3
2009	108.6	-5.1	-5.4	-2.9	-5.3	0.4	-2.1	1.2	-2.5	-11.8	0.1	-2.9
2010	111.7	2.9	3.4	1.6	3.4	0.3	0.4	0.9	0.3	6.4	.	.
2009 Q4	108.4	-4.6	-3.0	-3.1	-5.0	-0.6	-2.5	0.4	-2.8	-9.5	-0.3	-1.5
2010 Q1	109.6	-0.1	1.7	-0.5	-0.4	-0.5	-0.6	0.3	-0.7	0.3	0.2	0.3
Q2	111.5	3.0	3.8	1.6	3.6	0.2	-0.1	0.6	-0.2	7.2	2.4	1.8
Q3	112.3	4.0	3.7	2.3	4.8	0.7	0.6	1.1	0.5	8.8	2.5	2.4
Q4	113.5	4.7	4.5	3.1	5.8	0.8	1.5	1.4	1.5	9.6	.	.
2010 July	112.1	4.0	3.8	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	-	-
Sep.	112.5	4.3	4.0	2.6	5.1	0.7	0.8	1.2	0.7	9.4	-	-
Oct.	112.9	4.4	4.1	2.9	5.5	0.8	1.2	1.3	1.2	8.7	-	-
Nov.	113.3	4.5	4.3	3.0	5.8	0.8	1.5	1.4	1.4	8.8	-	-
Dec.	114.3	5.3	5.2	3.3	6.2	0.8	1.7	1.4	1.8	11.3	-	-

### 3. Commodity prices and gross domestic product deflators

	Oil prices <sup>5)</sup> (EUR per barrel)	Non-energy commodity prices						Total (s.a.; index: 2000 = 100)	GDP deflators <sup>1)</sup>					Exports <sup>8)</sup>	Imports <sup>8)</sup>	
		Import-weighted <sup>6)</sup>			Use-weighted <sup>7)</sup>				Total	Domestic demand						
		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
2007	52.8	7.8	14.3	5.5	5.3	9.3	2.9	116.5	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	118.9	2.0	2.6	2.7	2.6	2.3	2.6	3.9	
2009	44.6	-18.5	-8.9	-23.0	-18.0	-11.4	-22.8	120.0	0.9	0.0	-0.2	2.1	-0.8	-3.2	-5.7	
2010	60.7	44.7	21.4	57.9	42.1	27.1	54.5	.	.	.	.	.	.	.	.	
2009 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	-0.9	-2.3	-3.3	
2010 Q1	56.0	29.0	7.4	42.6	27.4	7.5	46.5	120.5	0.5	0.1	1.2	1.6	0.2	2.6	1.6	
Q2	62.6	48.2	12.5	70.2	41.7	14.0	67.3	120.9	0.9	1.0	2.0	1.9	1.5	5.0	5.5	
Q3	59.6	51.5	29.7	63.1	49.4	41.0	55.8	121.4	1.1	1.4	2.3	1.3	2.0	5.1	5.9	
Q4	64.4	48.6	36.6	54.7	48.7	48.4	48.9	.	.	.	.	.	.	.	.	
2010 Aug.	59.9	47.6	26.7	58.5	46.1	39.5	51.0	-	-	-	-	-	-	-	-	
Sep.	59.8	54.7	36.8	63.7	54.8	52.2	56.6	-	-	-	-	-	-	-	-	
Oct.	60.2	47.5	34.8	53.9	50.3	52.4	48.9	-	-	-	-	-	-	-	-	
Nov.	63.1	48.6	35.3	55.5	47.3	44.4	49.5	-	-	-	-	-	-	-	-	
Dec.	69.6	49.6	39.5	54.9	48.5	48.9	48.2	-	-	-	-	-	-	-	-	
2011 Jan.	72.6	45.7	42.5	47.3	43.7	46.3	41.8	-	-	-	-	-	-	-	-	

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) Data refer to the Euro 17.

2) Input prices for residential buildings.

3) Experimental data based on non-harmonised national sources (see <http://www.ecb.europa.eu/stats/intro/html/experiment.en.html> for further details).

4) In 2005.

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<sup>1)</sup>**

(seasonally adjusted)

	Total (index: 2000 = 100)	Total	By economic activity					Memo item: Indicator of negotiated wages <sup>5)</sup>
			Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	
	1	2	3	4	5	6	7	8
Unit labour costs <sup>2)</sup>								
2008	115.6	3.5	1.0	5.3	4.1	2.6	3.2	2.7
2009	120.1	3.9	-1.9	9.6	1.6	5.2	0.9	2.8
2009 Q4	120.0	1.4	-0.8	1.0	2.1	2.7	0.6	2.0
2010 Q1	119.9	-0.5	0.0	-6.5	2.1	-0.2	1.0	1.2
Q2	119.6	-0.6	0.7	-6.5	2.3	-1.0	1.2	1.7
Q3	119.5	-0.5	2.2	-4.2	1.9	-0.5	1.8	0.2
Compensation per employee								
2008	121.6	3.2	3.8	3.0	5.1	2.6	2.7	3.4
2009	123.5	1.6	2.5	0.4	2.4	1.7	1.4	2.5
2009 Q4	124.3	1.5	2.3	0.6	2.1	1.5	1.8	2.1
2010 Q1	124.6	1.5	1.3	2.6	0.2	1.6	2.0	1.1
Q2	125.5	1.9	2.0	4.0	1.4	1.4	1.3	1.5
Q3	125.9	1.5	1.8	3.5	1.7	1.8	1.6	0.2
Labour productivity per person employed <sup>3)</sup>								
2008	105.2	-0.3	2.8	-2.1	0.9	0.0	-0.5	0.7
2009	102.8	-2.3	4.5	-8.4	0.8	-3.4	0.5	-0.2
2009 Q4	103.6	0.1	3.1	-0.4	0.0	-1.2	1.1	0.2
2010 Q1	104.0	2.1	1.3	9.7	-1.8	1.8	1.0	-0.1
Q2	105.0	2.6	1.3	11.2	-0.9	2.4	0.1	-0.1
Q3	105.4	2.1	-0.4	8.1	-0.2	2.3	-0.2	0.0
Compensation per hour worked								
2008	123.9	3.1	2.7	3.5	4.4	2.7	2.4	3.1
2009	128.0	3.3	3.9	4.7	4.6	2.8	2.6	2.9
2009 Q4	128.4	2.3	3.8	1.7	4.3	2.1	2.5	2.3
2010 Q1	128.6	0.9	4.1	0.3	0.3	1.0	1.7	0.7
Q2	129.2	1.1	3.0	0.1	1.7	1.1	0.9	1.2
Q3	129.3	0.8	1.4	0.2	2.6	1.4	1.1	-0.2
Hourly labour productivity <sup>3)</sup>								
2008	108.0	-0.2	3.0	-1.6	0.6	0.4	-0.8	0.5
2009	107.1	-0.8	4.9	-4.7	2.5	-2.4	1.9	0.1
2009 Q4	107.7	0.7	4.0	0.5	1.3	-0.8	1.9	0.3
2010 Q1	107.9	1.5	3.5	7.2	-2.3	1.0	0.8	-0.7
Q2	108.7	1.8	2.9	7.3	-1.2	1.9	-0.2	-0.5
Q3	108.9	1.3	1.3	4.5	-0.2	1.6	-0.5	-0.4

**5. Labour cost indices<sup>1),4)</sup>**

	Total (s.a.; index: 2008 = 100)	Total	By component		For selected economic activities			Memo item: Indicator of negotiated wages <sup>5)</sup>
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total <sup>6)</sup>	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	3.7	2.8	3.6	4.8	3.2	3.3
2009	102.8	2.9	2.7	3.4	3.3	3.4	2.5	2.7
2009 Q4	103.5	2.0	1.8	2.6	1.2	3.2	2.3	2.2
2010 Q1	103.9	1.9	1.8	2.1	1.7	2.7	1.9	1.8
Q2	104.2	1.6	1.5	1.9	0.8	2.3	1.9	1.9
Q3	104.1	0.8	0.7	1.2	0.3	0.6	1.1	1.4

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) Data refer to the Euro 17.

2) Compensation (at current prices) per employee divided by labour productivity per person employed.

3) Total GDP and value added by economic activity (volumes) per labour input (persons employed and hours worked).

4) 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.

 5) Experimental data (see <http://www.ecb.europa.eu/stats/intro/html/experiment.en.html> for further details).

6) In 2008.

## 5.2 Output and demand

### 1. GDP and expenditure components <sup>1)</sup>

	GDP								
	Total	Domestic demand					External balance <sup>2)</sup>		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories <sup>3)</sup>	Total	Exports <sup>2)</sup>	Imports <sup>2)</sup>
1	2	3	4	5	6	7	8	9	
<i>Current prices (EUR billions; seasonally adjusted)</i>									
2006	8,578.2	8,481.5	4,883.5	1,735.6	1,837.6	24.8	96.7	3,464.7	3,368.0
2007	9,037.5	8,904.4	5,083.6	1,805.9	1,975.0	39.9	133.1	3,745.8	3,612.6
2008	9,255.7	9,160.4	5,243.3	1,896.1	1,999.3	21.8	95.3	3,874.2	3,778.8
2009	8,966.1	8,849.1	5,175.9	1,982.2	1,759.6	-68.6	117.0	3,257.9	3,140.9
2009 Q3	2,244.7	2,209.1	1,291.7	499.9	434.8	-17.3	35.6	816.6	781.0
Q4	2,250.4	2,208.9	1,301.3	498.0	430.6	-21.0	41.5	840.2	798.7
2010 Q1	2,265.6	2,238.1	1,312.5	503.4	431.4	-9.2	27.5	876.4	848.9
Q2	2,296.6	2,273.6	1,326.0	506.2	443.7	-2.4	23.0	929.2	906.1
Q3	2,314.2	2,282.4	1,333.9	508.5	444.3	-4.2	31.8	955.8	924.0
<i>percentage of GDP</i>									
2009	100.0	98.7	57.7	22.1	19.6	-0.8	1.3	-	-
<i>Chain-linked volumes (prices for the previous year; seasonally adjusted <sup>4)</sup>)</i>									
<i>quarter-on-quarter percentage changes</i>									
2009 Q3	0.4	0.3	-0.2	0.5	-1.2	-	-	2.2	2.1
Q4	0.2	-0.1	0.3	-0.1	-1.2	-	-	2.0	1.2
2010 Q1	0.4	0.9	0.3	0.1	-0.3	-	-	2.6	4.2
Q2	1.0	0.9	0.2	0.1	2.0	-	-	4.4	4.3
Q3	0.3	0.2	0.1	0.4	-0.3	-	-	1.9	1.5
<i>annual percentage changes</i>									
2006	3.0	2.9	2.1	2.1	5.4	-	-	8.6	8.5
2007	2.9	2.6	1.7	2.3	4.7	-	-	6.3	5.8
2008	0.4	0.4	0.4	2.4	-0.8	-	-	1.0	0.8
2009	-4.1	-3.5	-1.1	2.4	-11.4	-	-	-13.2	-12.0
2009 Q3	-4.0	-3.3	-1.2	2.6	-12.0	-	-	-13.8	-12.4
Q4	-2.1	-2.8	-0.5	1.7	-9.7	-	-	-5.3	-7.2
2010 Q1	0.8	0.5	0.4	1.1	-5.0	-	-	5.6	4.9
Q2	2.0	2.1	0.6	0.6	-0.8	-	-	11.7	12.4
Q3	1.9	1.9	1.0	0.4	0.2	-	-	11.4	11.7
<i>contributions to quarter-on-quarter percentage changes in GDP; percentage points</i>									
2009 Q3	0.4	0.3	-0.1	0.1	-0.2	0.6	0.0	-	-
Q4	0.2	-0.1	0.2	0.0	-0.2	0.0	0.3	-	-
2010 Q1	0.4	0.9	0.2	0.0	-0.1	0.7	-0.5	-	-
Q2	1.0	0.9	0.1	0.0	0.4	0.4	0.1	-	-
Q3	0.3	0.2	0.1	0.1	-0.1	0.1	0.2	-	-
<i>contributions to annual percentage changes in GDP; percentage points</i>									
2006	3.0	2.9	1.2	0.4	1.1	0.2	0.1	-	-
2007	2.8	2.6	1.0	0.5	1.0	0.2	0.3	-	-
2008	0.4	0.4	0.2	0.5	-0.2	-0.2	0.1	-	-
2009	-4.1	-3.4	-0.6	0.5	-2.5	-0.8	-0.7	-	-
2009 Q3	-4.0	-3.3	-0.7	0.5	-2.6	-0.5	-0.7	-	-
Q4	-2.0	-2.8	-0.3	0.4	-2.0	-0.8	0.7	-	-
2010 Q1	0.8	0.5	0.2	0.2	-1.0	1.0	0.3	-	-
Q2	2.0	2.1	0.3	0.1	-0.2	1.7	-0.1	-	-
Q3	1.9	1.9	0.5	0.1	0.0	1.2	0.0	-	-

Sources: Eurostat and ECB calculations.

- 1) Data refer to the Euro 17.
- 2) 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.
- 3) Including acquisitions less disposals of valuables.
- 4) Annual data are not working day-adjusted.

5.2 Output and demand

2. Value added by economic activity<sup>1)</sup>

	Gross value added (basic prices)							Taxes less subsidies on products
	Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities	Public administration, education, health and other services	
	1	2	3	4	5	6	7	8
<i>Current prices (EUR billions; seasonally adjusted)</i>								
2006	7,662.2	140.6	1,564.3	480.2	1,602.8	2,141.6	1,732.7	916.0
2007	8,076.7	152.7	1,653.7	512.9	1,677.5	2,276.6	1,803.4	960.8
2008	8,309.0	147.5	1,652.0	529.7	1,734.5	2,359.3	1,885.9	946.8
2009	8,072.0	132.4	1,438.4	508.2	1,669.0	2,364.7	1,959.3	894.1
2009 Q3	2,021.8	32.3	361.9	126.0	417.7	592.0	491.9	222.9
Q4	2,024.5	32.8	363.7	124.3	417.3	593.8	492.7	225.8
2010 Q1	2,039.6	34.5	370.1	122.3	420.0	595.0	497.8	226.0
Q2	2,062.1	35.1	378.3	124.2	425.1	598.3	501.1	234.6
Q3	2,072.3	35.8	379.5	124.1	428.4	603.5	501.1	241.9
<i>percentage of value added</i>								
2009	100.0	1.6	17.8	6.3	20.7	29.3	24.3	-
<i>Chain-linked volumes (prices for the previous year; seasonally adjusted<sup>2)</sup>)</i>								
<i>quarter-on-quarter percentage changes</i>								
2009 Q3	0.4	0.3	2.0	-1.8	0.0	0.2	0.2	0.6
Q4	0.1	-0.7	0.6	-1.7	0.0	0.1	0.3	1.0
2010 Q1	0.6	1.5	2.0	-1.6	0.5	0.4	0.3	-1.7
Q2	0.8	-0.7	2.0	0.8	0.8	0.7	0.2	2.5
Q3	0.3	-1.1	0.4	-0.7	0.2	0.5	0.3	0.6
<i>annual percentage changes</i>								
2006	3.0	-0.2	3.7	2.9	3.0	4.1	1.5	3.2
2007	3.1	1.4	3.2	2.4	3.6	4.0	1.7	0.8
2008	0.7	0.9	-2.2	-1.2	1.3	1.7	1.9	-1.4
2009	-4.2	2.1	-13.3	-5.9	-5.1	-1.6	1.1	-2.9
2009 Q3	-4.2	2.4	-12.9	-6.0	-5.1	-1.5	1.0	-2.8
Q4	-2.3	1.6	-6.8	-5.8	-3.3	-0.8	1.2	-0.1
2010 Q1	0.9	0.6	3.6	-6.6	0.4	0.9	1.3	0.1
Q2	1.9	0.5	6.8	-4.2	1.4	1.4	1.1	2.4
Q3	1.9	-1.0	5.2	-3.1	1.6	1.8	1.2	2.4
<i>contributions to quarter-on-quarter percentage changes in value added; percentage points</i>								
2009 Q3	0.4	0.0	0.4	-0.1	0.0	0.0	0.1	-
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	0.2	0.2	0.1	-
Q3	0.3	0.0	0.1	0.0	0.1	0.2	0.1	-
<i>contributions to annual percentage changes in value added; percentage points</i>								
2006	3.0	0.0	0.8	0.2	0.6	1.1	0.4	-
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	0.3	-
2009 Q3	-4.2	0.0	-2.6	-0.4	-1.1	-0.4	0.2	-
Q4	-2.3	0.0	-1.3	-0.4	-0.7	-0.2	0.3	-
2010 Q1	0.9	0.0	0.6	-0.4	0.1	0.2	0.3	-
Q2	1.9	0.0	1.2	-0.3	0.3	0.4	0.3	-
Q3	1.9	0.0	0.9	-0.2	0.3	0.5	0.3	-

Sources: Eurostat and ECB calculations.

1) Data refer to the Euro 17.

2) Annual data are not working day-adjusted.

## 5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

### 3. Industrial production <sup>1)</sup>

	Total		Industry excluding construction								Construction	
	% of total <sup>2)</sup>	Total (s.a.; index: 2005 = 100)	Total	Industry excluding construction and energy							Energy	
				Manu- facturing	Total	Interme- diate goods	Capital goods	Consumer goods				
								Total	Durable	Non-durable		
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	2.5	-0.9	1.4
2008	-2.6	106.3	-1.8	-1.9	-2.0	-3.5	-0.2	-2.1	-5.7	-1.5	0.3	-5.5
2009	-13.8	90.5	-14.9	-15.9	-16.0	-19.2	-20.8	-5.0	-17.4	-3.0	-5.3	-8.3
2009 Q4	-7.4	92.1	-7.4	-8.0	-8.1	-6.8	-13.8	-2.7	-10.1	-1.5	-3.6	-6.2
2010 Q1	1.8	94.3	4.7	4.9	4.9	8.0	2.5	3.1	0.0	3.5	3.2	-10.0
Q2	6.1	96.6	9.0	9.3	9.3	13.9	9.0	3.7	4.9	3.5	5.5	-3.9
Q3	3.8	97.6	7.0	7.6	7.7	9.4	9.8	3.3	3.8	3.2	1.6	-8.1
2010 June	6.9	96.9	8.3	8.8	8.8	11.8	8.9	4.3	7.8	3.8	3.4	1.9
July	4.0	97.1	7.4	7.8	8.0	9.7	9.6	3.9	5.0	3.7	2.3	-7.8
Aug.	4.9	98.2	8.5	9.5	9.6	11.5	12.5	4.4	6.7	4.2	1.2	-8.7
Sep.	2.7	97.5	5.5	6.0	6.1	7.5	8.2	1.6	1.1	1.7	1.2	-7.8
Oct.	4.4	98.3	7.2	7.7	8.0	7.8	12.3	3.3	2.0	3.4	1.2	-5.9
Nov.	4.8	99.6	7.7	8.1	8.0	8.5	12.2	2.6	0.8	2.8	4.8	-6.4
<i>month-on-month percentage changes (s.a.)</i>												
2010 June	1.0	-	-0.1	-0.1	0.0	-0.4	0.4	0.1	-0.7	0.2	-1.7	2.0
July	-1.3	-	0.2	-0.1	0.2	0.1	0.4	0.1	-0.6	0.2	0.2	-3.6
Aug.	0.8	-	1.2	1.2	1.1	1.6	3.1	0.0	1.5	-0.2	-0.2	-0.2
Sep.	-0.6	-	-0.7	-1.0	-0.6	-0.9	-1.0	-0.8	-2.2	-0.5	-1.1	-1.6
Oct.	0.7	-	0.8	1.0	1.1	0.4	1.8	0.4	0.0	0.4	1.1	0.4
Nov.	0.9	-	1.3	1.2	0.3	1.9	1.4	0.1	0.6	0.1	1.4	-0.8

### 4. Industrial new orders and turnover, retail sales and new passenger car registrations <sup>1)</sup>

	Industrial new orders		Industrial turnover		Retail sales (excluding automotive fuel)							New passenger car registrations	
	Manufacturing <sup>3)</sup> (current prices)		Manufacturing (current prices)		Current prices	Constant prices						Total (s.a.; thousands) <sup>4)</sup>	Total
	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				
									Textiles, clothing, footwear	Household equipment			
1	2	3	4	5	6	7	8	9	10	11	12	13	
% of total <sup>2)</sup>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.0	57.0	10.1	14.3		
2008	113.0	-5.4	116.7	1.8	1.7	103.4	-0.8	-1.9	-0.2	-1.8	-1.9	898	-7.9
2009	87.5	-22.8	95.4	-18.5	-2.9	101.4	-2.0	-1.7	-2.2	-1.8	-4.2	926	3.3
2010	.	.	.	.	.	.	.	.	.	.	.	851	-8.6
2010 Q1	95.0	13.8	100.9	6.3	0.8	102.4	0.9	1.4	0.8	3.6	0.7	893	7.4
Q2	102.5	22.6	104.3	12.2	1.2	102.3	1.0	0.3	1.6	-0.2	2.8	823	-12.7
Q3	105.9	16.1	105.9	10.1	2.2	102.6	1.8	0.4	2.9	5.5	1.5	824	-17.0
Q4	.	.	.	.	.	.	.	.	.	.	.	864	-11.3
2010 July	103.8	12.3	104.9	7.5	2.2	102.6	1.6	2.2	1.5	4.9	0.8	783	-18.3
Aug.	109.3	24.8	107.5	14.9	2.2	102.8	1.9	-1.1	4.5	7.9	2.9	831	-20.5
Sep.	104.7	13.5	105.3	9.1	2.1	102.5	1.7	0.1	2.9	4.2	0.9	858	-12.8
Oct.	106.2	14.9	107.6	8.5	2.0	102.6	1.6	0.6	2.3	2.3	0.7	798	-14.9
Nov.	108.4	20.0	108.3	13.7	1.5	101.8	0.6	0.3	0.9	2.2	-2.2	873	-10.4
Dec.	.	.	.	.	.	.	.	.	.	.	.	921	-7.7
<i>month-on-month percentage changes (s.a.)</i>													
2010 Aug.	-	5.2	-	2.5	0.1	-	0.2	-0.9	1.0	0.4	1.0	-	6.1
Sep.	-	-4.2	-	-2.1	-0.2	-	-0.3	0.0	-0.6	-1.2	-0.9	-	3.3
Oct.	-	1.4	-	2.2	0.2	-	0.2	0.3	0.0	0.2	0.0	-	-7.0
Nov.	-	2.1	-	0.6	-0.7	-	-0.8	-0.5	-1.0	-0.9	-1.5	-	9.4
Dec.	-	.	-	.	.	-	.	.	.	.	.	-	5.5

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) Data refer to the Euro 17.

2) In 2005.

3) Includes manufacturing industries working mainly on the basis of orders, which represented 61.2% of total manufacturing in 2005.

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

**5.2 Output and demand**

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

**5. Business<sup>2)</sup> and Consumer Surveys**

	Economic sentiment indicator <sup>3)</sup> (long-term average = 100)	Manufacturing industry					Consumer confidence indicator				
		Industrial confidence indicator				Capacity utilisation <sup>4)</sup> (%)	Total <sup>5)</sup>	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total <sup>5)</sup>	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2007	109.4	4.5	5.1	4.9	13.4	84.2	-4.9	-2.3	-4.3	5.0	-8.0
2008	93.4	-9.3	-14.9	11.2	-1.7	81.8	-18.1	-9.9	-25.3	23.5	-13.6
2009	80.2	-28.4	-56.2	14.1	-15.0	71.1	-24.8	-7.0	-26.3	55.5	-10.3
2010	100.7	-4.7	-24.4	0.5	10.9	76.8	-14.0	-5.2	-12.2	31.0	-7.6
2009 Q4	91.5	-18.6	-50.1	6.7	1.2	71.8	-17.0	-2.9	-10.6	47.9	-6.8
2010 Q1	96.3	-12.1	-41.2	2.4	7.2	74.0	-16.8	-3.7	-10.9	45.9	-6.8
Q2	99.1	-6.2	-28.1	0.2	9.6	76.5	-16.7	-6.2	-17.8	33.8	-8.9
Q3	102.1	-2.5	-18.1	0.1	10.7	77.8	-12.1	-5.5	-11.3	23.4	-8.2
Q4	105.3	2.2	-10.1	-0.7	16.0	79.0	-10.4	-5.4	-8.7	20.9	-6.6
2010 Aug.	102.2	-2.6	-17.7	0.3	10.3	-	-11.4	-5.3	-9.4	23.1	-7.7
Sep.	103.2	-1.3	-15.6	0.2	12.0	-	-11.0	-4.8	-10.7	20.2	-8.3
Oct.	103.9	0.4	-12.7	0.3	14.2	78.1	-10.9	-5.5	-10.3	21.6	-6.1
Nov.	105.3	1.2	-11.6	-0.5	14.7	-	-9.4	-5.0	-6.7	19.8	-6.1
Dec.	106.6	4.9	-6.1	-1.9	19.0	-	-11.0	-5.8	-9.2	21.3	-7.7
2011 Jan.	106.5	6.0	-2.9	-1.8	19.0	80.0	-11.2	-6.6	-10.1	19.9	-8.2

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total <sup>5)</sup>	Order books	Employment expectations	Total <sup>5)</sup>	Present business situation	Volume of stocks	Expected business situation	Total <sup>5)</sup>	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2007	0.0	-7.3	7.3	0.9	4.8	14.9	12.8	19.5	15.7	19.3	23.5
2008	-13.3	-20.2	-6.4	-6.9	-5.8	16.5	1.5	2.0	-4.9	3.9	7.0
2009	-31.1	-40.1	-22.2	-15.5	-20.6	11.1	-14.9	-15.6	-22.0	-16.1	-8.7
2010	-27.3	-38.4	-16.3	-3.3	-4.3	7.8	2.3	5.3	2.7	4.9	8.3
2009 Q4	-28.0	-40.1	-15.8	-12.2	-19.5	9.6	-7.3	-4.3	-7.8	-7.9	3.0
2010 Q1	-27.5	-37.5	-17.6	-6.6	-9.1	8.5	-2.3	0.4	-3.7	-1.9	6.9
Q2	-27.8	-39.9	-15.7	-4.3	-4.9	8.3	0.3	4.3	0.6	4.3	8.1
Q3	-27.9	-39.9	-16.0	-2.8	-4.5	6.6	2.6	7.1	5.4	8.0	8.0
Q4	-26.1	-36.2	-16.0	0.6	1.1	7.9	8.7	9.3	8.5	9.1	10.4
2010 Aug.	-28.7	-38.4	-19.0	-3.3	-4.6	6.8	1.3	7.1	5.7	7.7	7.9
Sep.	-26.4	-39.5	-13.3	-0.9	-2.7	6.0	6.0	7.8	5.4	7.8	10.2
Oct.	-25.5	-35.4	-15.6	-1.1	-0.3	9.7	6.7	8.1	6.9	6.6	10.9
Nov.	-26.3	-36.6	-16.1	-1.5	-4.5	7.7	7.7	10.3	9.4	11.1	10.4
Dec.	-26.5	-36.6	-16.3	4.5	8.0	6.2	11.8	9.6	9.3	9.6	9.9
2011 Jan.	-26.0	-39.0	-13.0	0.1	1.0	4.8	4.1	9.2	7.6	8.3	11.8

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 activities 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 <sup>1)</sup>

(annual percentage changes, unless otherwise indicated; seasonally adjusted)

### 1. Employment in terms of persons employed <sup>2)</sup>

	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 <sup>3)</sup>	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	147.472	1.8	2.0	0.7	-1.7	0.3	3.7	1.9	4.3	1.3
2008	148.606	0.8	1.0	-0.4	-1.8	0.0	-2.1	1.2	2.1	1.2
2009	145.805	-1.9	-1.8	-2.2	-2.2	-5.4	-6.7	-1.8	-2.1	1.4
2009 Q4	145.016	-2.1	-2.1	-1.9	-1.5	-6.4	-5.9	-2.2	-1.9	1.1
2010 Q1	145.039	-1.3	-1.4	-0.6	-0.7	-5.6	-4.9	-1.4	-0.2	1.5
Q2	145.144	-0.6	-0.5	-0.9	-0.8	-4.0	-3.4	-1.0	1.3	1.3
Q3	145.092	-0.2	0.0	-1.0	-0.6	-2.7	-2.9	-0.7	2.0	1.2
	<i>quarter-on-quarter percentage changes</i>									
2009 Q4	-0.295	-0.2	-0.2	-0.1	0.7	-1.2	-0.6	-0.5	0.2	0.3
2010 Q1	0.023	0.0	0.0	0.3	0.0	-0.8	-1.0	-0.1	0.5	0.5
Q2	0.105	0.1	0.2	-0.7	-1.1	-0.3	-0.3	-0.1	1.0	0.2
Q3	-0.052	0.0	0.0	-0.4	-0.2	-0.4	-1.1	0.0	0.3	0.2

### 2. Employment in terms of hours worked <sup>2)</sup>

	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 <sup>3)</sup>	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	238,401.2	1.7	2.0	0.7	-2.5	0.6	3.7	1.9	4.4	1.0
2008	239,937.5	0.6	1.0	-0.8	-2.0	-0.5	-1.8	0.9	2.5	1.4
2009	231,896.0	-3.4	-3.5	-2.9	-2.6	-9.0	-8.2	-2.7	-3.4	1.0
2009 Q4	57,834.5	-2.7	-2.9	-2.0	-2.3	-7.3	-7.0	-2.5	-2.6	0.9
2010 Q1	57,897.8	-0.7	-0.8	-0.2	-2.8	-3.3	-4.5	-0.6	0.1	2.0
Q2	58,073.9	0.2	0.3	-0.3	-2.3	-0.4	-3.0	-0.4	1.6	1.6
Q3	58,151.4	0.6	0.8	0.0	-2.3	0.7	-2.9	0.1	2.3	1.6
	<i>quarter-on-quarter percentage changes</i>									
2009 Q4	35.5	0.1	0.1	0.1	-0.1	-0.3	-0.8	0.0	0.7	0.3
2010 Q1	63.3	0.1	0.1	0.2	-1.2	-0.1	-1.0	0.0	0.2	0.8
Q2	176.1	0.3	0.4	-0.2	-0.2	0.6	0.0	0.0	0.9	0.2
Q3	77.4	0.1	0.2	-0.2	-0.7	0.5	-1.2	0.1	0.5	0.3

### 3. Hours worked per person employed <sup>2)</sup>

	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	1.617	-0.1	0.0	0.0	-0.8	0.3	0.0	0.0	0.1	-0.2
2008	1.615	-0.1	0.0	-0.4	-0.2	-0.5	0.3	-0.4	0.3	0.2
2009	1.590	-1.5	-1.7	-0.7	-0.4	-3.8	-1.6	-1.0	-1.3	-0.3
2009 Q4	0.399	-0.6	-0.8	0.0	-0.9	-0.9	-1.2	-0.3	-0.7	-0.1
2010 Q1	0.399	0.6	0.6	0.3	-2.1	2.4	0.5	0.8	0.2	0.5
Q2	0.400	0.8	0.8	0.6	-1.5	3.7	0.4	0.6	0.2	0.4
Q3	0.401	0.8	0.8	0.9	-1.7	3.5	0.0	0.7	0.4	0.4

Source: ECB calculations based on Eurostat data.

1) Data for employment are based on the ESA 95.

2) Data refer to the Euro 17.

3) In 2009.

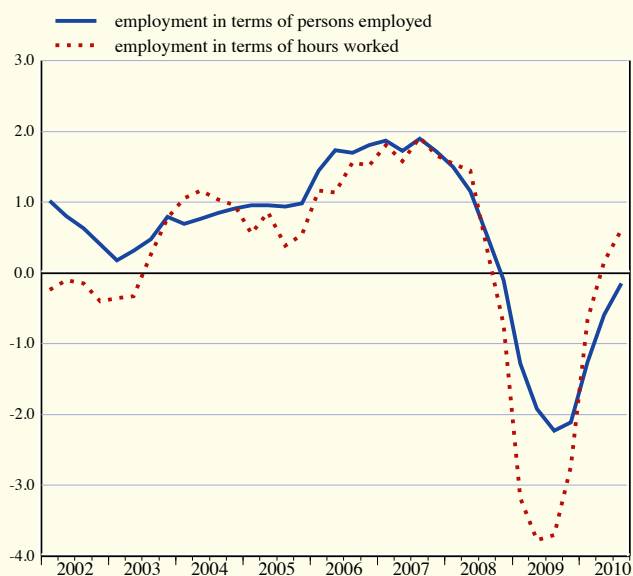
### 5.3 Labour markets <sup>1)</sup>

(seasonally adjusted, unless otherwise indicated)

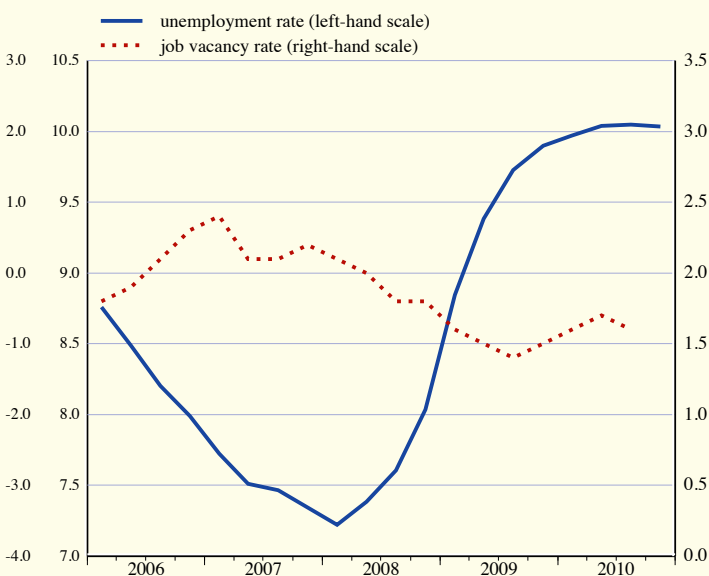
#### 4. Unemployment and job vacancies <sup>2)</sup>

	Unemployment										Job vacancy rate <sup>3)</sup>
	Total		By age <sup>4)</sup>				By gender <sup>5)</sup>				
	Millions	% of labour force	Adult		Youth		Male		Female		
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	
% of total <sup>6)</sup>										% of total posts	
	1	2	3	4	5	6	7	8	9	10	11
2007	11.738	7.5	9.168	6.6	2.569	15.0	5.771	6.7	5.967	8.5	2.2
2008	11.948	7.6	9.295	6.6	2.654	15.6	6.027	6.9	5.922	8.3	1.9
2009	14.996	9.5	11.746	8.3	3.250	19.5	8.083	9.3	6.913	9.6	1.5
2010	15.906	10.0	12.637	8.9	3.269	20.3	8.578	9.9	7.328	10.2	.
2009 Q4	15.673	9.9	12.369	8.7	3.303	20.2	8.533	9.9	7.140	10.0	1.5
2010 Q1	15.796	10.0	12.501	8.8	3.296	20.3	8.573	9.9	7.223	10.0	1.6
Q2	15.929	10.0	12.650	8.9	3.279	20.3	8.603	9.9	7.326	10.2	1.7
Q3	15.955	10.0	12.738	8.9	3.217	20.1	8.568	9.9	7.387	10.2	1.6
Q4	15.944	10.0	12.660	8.9	3.283	20.4	8.569	9.9	7.375	10.2	.
2010 July	15.956	10.1	12.738	8.9	3.218	20.1	8.563	9.9	7.393	10.2	-
Aug.	15.951	10.1	12.747	8.9	3.204	20.1	8.588	9.9	7.363	10.2	-
Sep.	15.957	10.0	12.728	8.9	3.229	20.2	8.552	9.9	7.405	10.2	-
Oct.	16.015	10.1	12.741	8.9	3.273	20.3	8.606	9.9	7.408	10.2	-
Nov.	15.944	10.0	12.647	8.9	3.296	20.5	8.556	9.9	7.388	10.2	-
Dec.	15.872	10.0	12.593	8.8	3.279	20.4	8.544	9.9	7.329	10.1	-

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



#### C29 Unemployment and job vacancy <sup>3)</sup> rates



Source: Eurostat.

1) Data refer to the Euro 17.

2) Data for unemployment refer to persons and follow ILO recommendations.

3) Industry, construction and services (excluding households as employers and extra-territorial organisations and bodies); non-seasonally adjusted.

4) 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.

5) Rates are expressed as a percentage of the labour force for the relevant gender.

6) In 2009.



# GOVERNMENT FINANCE

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

### 1. Euro area – revenue

	Current revenue											Capital revenue		Memo item: Fiscal burden <sup>2)</sup>
	Total	Direct taxes				Indirect taxes	Received by EU institutions	Social contributions			Sales	Capital taxes		
		Households	Corporations	Employers	Employees									
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
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	8.7	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	41.4
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	2.3	0.3	0.4	40.5

### 2. Euro area – expenditure

	Current expenditure									Capital expenditure			Memo item: Primary expenditure <sup>3)</sup>	
	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments		Subsidies	Paid by EU institutions	Investment	Capital transfers	Paid by EU institutions		
						7	8							
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
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	50.8	46.6	10.8	5.6	2.8	27.3	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 <sup>4)</sup>							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
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	8.1	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	22.2	10.8	5.6	5.8	2.0	2.3	8.8	13.4

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

	BE	DE	EE	IE	GR	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	17
2006	0.2	-1.6	2.4	2.9	-5.7	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	2.5	0.0	-6.4	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	-2.8	-7.3	-9.4	-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	-1.7	-14.4	-15.4	-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.

6.2 Debt <sup>1)</sup>

(as a percentage of GDP)

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

	Total	Financial instruments				Holders				
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>2)</sup>				Other creditors <sup>3)</sup>
						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: <sup>4)</sup>				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Euro or participating currencies	Other currencies
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	EE	IE	GR	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	17
2006	88.1	67.6	4.4	24.8	106.1	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	3.7	25.0	105.0	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	4.6	44.3	110.3	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	7.2	65.5	126.8	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.

### 6.3 Change in debt <sup>1)</sup> (as a percentage of GDP)

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

	Total	Source of change			Financial instruments				Holders			Other creditors <sup>6)</sup>
		Borrowing requirement <sup>2)</sup>	Valuation effects <sup>3)</sup>	Other changes in volume <sup>4)</sup>	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>5)</sup>	MFI	Other financial corporations	
	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	1.6	1.5	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 (+) <sup>7)</sup>	Deficit-debt adjustment <sup>8)</sup>											Other <sup>9)</sup>
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	
				Total	Currency and deposits	Loans	Securities <sup>10)</sup>	Shares and other equity	Privatisations	Equity injections				
	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	1.6	-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	0.3	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.  $[\text{debt}(t) - \text{debt}(t-1)] \div \text{GDP}(t)$ .
- 2) The borrowing requirement is by definition equal to transactions in debt.
- 3) Includes, in addition to the impact of foreign exchange movements, effects arising from measurement at nominal value (e.g. premia or discounts on securities issued).
- 4) Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.
- 5) 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 <sup>1)</sup>**  
(as a percentage of GDP)

**1. Euro area – quarterly revenue**

	Total		Current revenue					Capital revenue		Memo item: Fiscal burden <sup>2)</sup>
	1	2	Direct taxes	Indirect taxes	Social contributions	Sales	Property income	8	Capital taxes	
2004 Q3	42.7	42.3	10.7	12.8	15.3	1.9	0.7	0.5	0.3	39.1
2004 Q4	48.9	48.0	12.9	14.2	16.2	2.9	0.7	1.0	0.4	43.7
2005 Q1	42.0	41.5	10.0	13.0	15.3	1.7	0.6	0.5	0.3	38.5
2005 Q2	44.3	43.7	11.5	13.2	15.1	2.0	1.1	0.6	0.3	40.1
2005 Q3	43.4	42.7	11.1	13.0	15.1	1.9	0.7	0.7	0.3	39.6
2005 Q4	49.0	48.3	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	39.0
2006 Q2	45.3	44.9	12.2	13.5	15.1	1.9	1.3	0.5	0.3	41.0
2006 Q3	43.7	43.2	11.6	12.9	15.1	2.0	0.8	0.5	0.3	39.9
2006 Q4	49.3	48.7	14.0	14.3	15.8	2.9	0.9	0.6	0.3	44.4
2007 Q1	42.2	41.8	10.2	13.5	14.8	1.7	0.9	0.4	0.3	38.7
2007 Q2	45.5	45.1	12.7	13.5	15.0	1.8	1.4	0.4	0.3	41.4
2007 Q3	43.5	43.1	12.1	12.8	14.8	1.9	0.8	0.5	0.3	40.0
2007 Q4	49.7	49.1	14.4	14.1	15.7	3.0	0.9	0.6	0.3	44.6
2008 Q1	42.3	42.0	10.7	12.9	14.8	1.7	1.1	0.3	0.2	38.7
2008 Q2	44.9	44.6	12.6	12.8	15.0	1.9	1.5	0.4	0.3	40.7
2008 Q3	43.2	42.8	11.9	12.4	15.0	1.9	0.8	0.3	0.3	39.6
2008 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	0.1	0.2	38.4
2009 Q2	44.4	43.8	11.5	12.6	15.5	2.0	1.4	0.6	0.5	40.2
2009 Q3	42.5	42.1	10.9	12.3	15.4	2.0	0.7	0.3	0.3	38.9
2009 Q4	48.8	48.1	12.7	13.7	16.4	3.2	1.0	0.7	0.5	43.4
2010 Q1	41.8	41.6	10.1	12.4	15.4	1.8	0.9	0.2	0.2	38.2
2010 Q2	44.2	43.8	11.5	12.7	15.3	2.0	1.3	0.5	0.3	39.8
2010 Q3	42.8	42.5	10.8	12.8	15.2	2.0	0.8	0.3	0.3	39.1

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

	Total		Current expenditure						Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
	1	2	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social		Investment	Capital transfers		
								benefits	Subsidies				
	1	2	3	4	5	6	7	8	9	10	11	12	13
2004 Q3	45.9	42.6	9.9	4.7	3.1	24.8	21.4	1.3	3.4	2.4	1.0	-3.2	-0.1
2004 Q4	50.9	45.6	11.0	5.7	2.9	26.1	22.6	1.4	5.2	3.1	2.1	-1.9	1.0
2005 Q1	46.8	43.1	10.2	4.7	3.1	25.1	21.4	1.2	3.7	1.9	1.8	-4.8	-1.7
2005 Q2	46.2	42.8	10.2	4.9	3.2	24.5	21.3	1.1	3.4	2.3	1.1	-1.8	1.3
2005 Q3	45.7	42.2	9.9	4.8	3.0	24.6	21.3	1.2	3.4	2.5	1.0	-2.2	0.8
2005 Q4	50.5	45.7	11.1	5.8	2.7	26.1	22.5	1.3	4.8	3.1	1.7	-1.5	1.2
2006 Q1	45.3	42.2	10.0	4.6	3.0	24.6	21.1	1.2	3.1	1.9	1.2	-2.9	0.0
2006 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	2.9
2006 Q3	45.2	41.8	9.8	4.7	2.9	24.4	21.0	1.2	3.4	2.4	1.0	-1.5	1.4
2006 Q4	50.4	45.0	10.7	5.8	2.7	25.9	22.2	1.4	5.3	3.2	2.2	-1.1	1.6
2007 Q1	44.3	41.1	9.8	4.5	2.9	23.9	20.5	1.2	3.2	2.0	1.2	-2.1	0.8
2007 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
2007 Q3	44.4	41.0	9.5	4.7	2.9	23.8	20.6	1.2	3.4	2.5	0.9	-0.9	2.1
2007 Q4	50.3	45.2	10.7	5.8	2.8	26.0	22.2	1.5	5.1	3.4	1.7	-0.7	2.1
2008 Q1	44.7	41.5	9.8	4.6	3.0	24.2	20.5	1.2	3.2	2.0	1.2	-2.4	0.6
2008 Q2	45.3	42.0	10.1	5.0	3.2	23.7	20.7	1.1	3.3	2.3	1.0	-0.4	2.8
2008 Q3	45.5	41.9	9.6	4.8	3.1	24.4	21.2	1.2	3.5	2.5	1.0	-2.3	0.8
2008 Q4	52.0	47.0	11.0	6.1	2.8	27.1	23.1	1.4	5.1	3.4	1.6	-3.0	-0.3
2009 Q1	48.4	45.0	10.5	5.2	2.9	26.4	22.5	1.3	3.4	2.2	1.1	-6.4	-3.6
2009 Q2	50.0	46.0	10.9	5.5	3.0	26.6	23.1	1.3	4.0	2.7	1.2	-5.6	-2.6
2009 Q3	49.3	45.4	10.3	5.2	2.9	26.9	23.3	1.4	3.9	2.6	1.2	-6.8	-3.9
2009 Q4	55.2	49.8	11.5	6.5	2.6	29.2	24.9	1.5	5.4	3.4	1.9	-6.3	-3.7
2010 Q1	49.7	46.1	10.6	5.1	2.8	27.6	23.3	1.4	3.7	2.1	1.6	-8.0	-5.2
2010 Q2	49.0	45.5	10.7	5.4	3.0	26.4	22.9	1.3	3.5	2.5	1.2	-4.8	-1.8
2010 Q3	48.7	44.7	10.0	5.2	2.8	26.7	23.1	1.3	4.0	2.5	1.4	-5.9	-3.1

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 <sup>1)</sup>

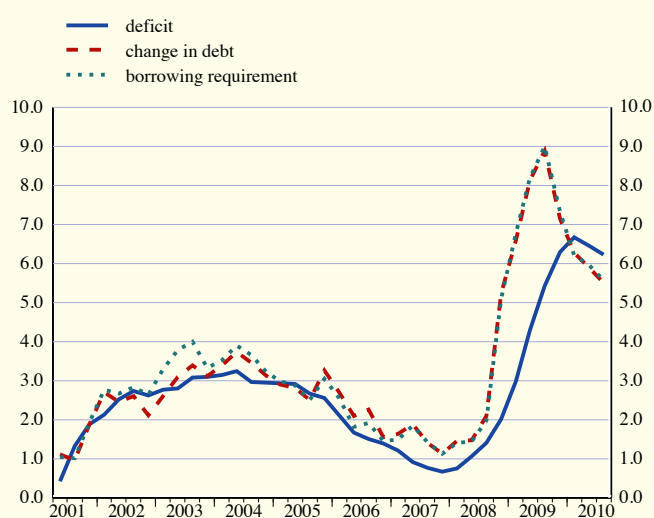
	Total 1	Financial instruments			
		Currency and deposits 2	Loans 3	Short-term securities 4	Long-term securities 5
2007 Q4	66.1	2.2	11.1	4.2	48.7
2008 Q1	67.1	2.1	11.3	5.0	48.6
Q2	67.4	2.1	11.3	4.9	49.0
Q3	67.5	2.1	11.2	5.5	48.7
Q4	69.8	2.3	11.3	6.7	49.5
2009 Q1	73.2	2.3	11.6	7.9	51.4
Q2	76.5	2.4	11.9	8.5	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	57.7
Q2	82.5	2.4	13.2	8.1	58.8
Q3	82.7	2.3	13.2	8.2	58.9

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

	Change in debt 1	Deficit (-)/ surplus (+) 2	Deficit-debt adjustment								Memo item: Borrowing requirement 11
			Total 3	Transactions in main financial assets held by general government				Valuation effects and other changes in volume 9	Other 10		
				Total 4	Currency and deposits 5	Loans 6	Securities 7			Shares and other equity 8	
2007 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	6.1	-2.4	3.7	3.1	1.9	-0.1	0.9	0.3	0.0	0.6	6.1
Q2	3.7	-0.4	3.3	3.9	1.9	0.3	1.3	0.5	0.1	-0.6	3.7
Q3	2.0	-2.3	-0.3	-0.8	-1.6	0.0	0.3	0.5	0.4	0.2	1.6
Q4	9.0	-3.0	5.9	5.8	0.8	2.5	0.5	1.9	0.0	0.1	9.0
2009 Q1	11.9	-6.4	5.4	6.7	5.2	-0.1	0.9	0.7	-1.3	0.0	13.2
Q2	9.9	-5.6	4.3	3.1	2.3	-0.6	0.2	1.2	0.5	0.6	9.3
Q3	4.8	-6.8	-2.0	-2.9	-3.2	0.7	0.0	-0.4	0.2	0.7	4.6
Q4	2.3	-6.3	-4.0	-2.5	-2.7	-0.1	0.1	0.2	-0.2	-1.3	2.5
2010 Q1	8.3	-8.0	0.3	0.8	0.8	-0.1	-0.3	0.3	-0.3	-0.2	8.6
Q2	8.3	-4.8	3.5	4.4	2.3	1.9	-0.2	0.5	0.0	-1.0	8.3
Q3	3.3	-5.9	-2.6	-2.5	-2.3	-0.3	0.0	0.1	0.2	-0.3	3.1

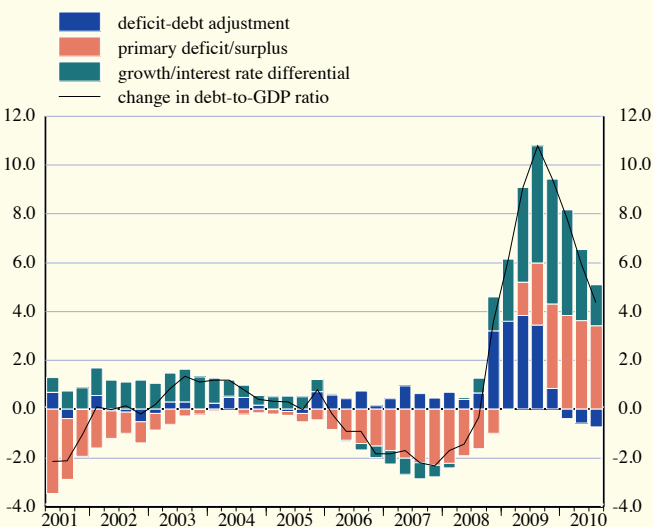
### C30 Deficit, borrowing requirement and change in debt

(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

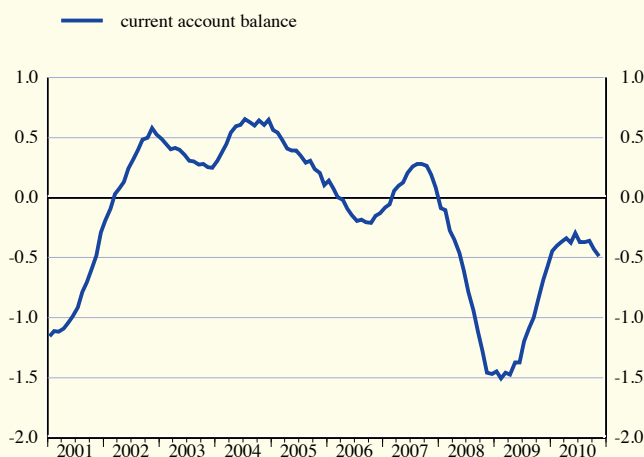
### 7.1 Summary balance of payments <sup>1)</sup>

(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 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	-20.4	3.4	11.8	-16.5	-19.0	1.6	-18.8	27.4	-38.4	110.7	1.9	-47.8	1.0	-8.6
Q3	-8.3	8.3	13.9	0.6	-31.1	1.5	-6.8	-7.9	-37.4	-13.9	0.3	48.2	-4.9	14.7
2009 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.	-4.6	1.4	3.1	-1.7	-7.5	-0.6	-5.2	6.5	-17.7	53.1	-4.4	-24.3	-0.1	-1.3
May	-17.1	-1.5	3.5	-13.5	-5.6	1.8	-15.3	20.6	-6.6	63.4	0.0	-36.1	-0.1	-5.3
June	1.3	3.4	5.2	-1.3	-6.0	0.5	1.7	0.3	-14.1	-5.8	6.4	12.7	1.1	-2.0
July	4.5	7.2	5.2	1.8	-9.7	1.6	6.1	-4.2	-3.2	-28.4	-1.5	30.0	-1.2	-1.8
Aug.	-7.5	-3.8	3.9	2.3	-10.0	0.4	-7.1	-8.9	-28.4	6.7	2.5	12.6	-2.4	16.1
Sep.	-5.2	4.9	4.7	-3.5	-11.4	-0.5	-5.8	5.3	-5.8	7.7	-0.8	5.5	-1.4	0.5
Oct.	-2.1	6.2	1.7	1.1	-11.1	0.0	-2.1	5.6	-12.0	20.6	-7.3	4.6	-0.2	-3.5
Nov.	-6.0	1.0	2.0	-2.0	-6.9	0.9	-5.2	14.9	25.0	13.1	1.0	-24.3	0.0	-9.7
<i>12-month cumulated transactions</i>														
2010 Nov.	-46.8	27.7	38.0	-8.6	-104.0	6.8	-40.0	39.7	-94.0	172.0	5.8	-34.4	-9.6	0.3
<i>12-month cumulated transactions as a percentage of GDP</i>														
2010 Nov.	-0.5	0.3	0.4	-0.1	-1.1	0.1	-0.4	0.4	-1.0	1.9	0.1	-0.4	-0.1	0.0

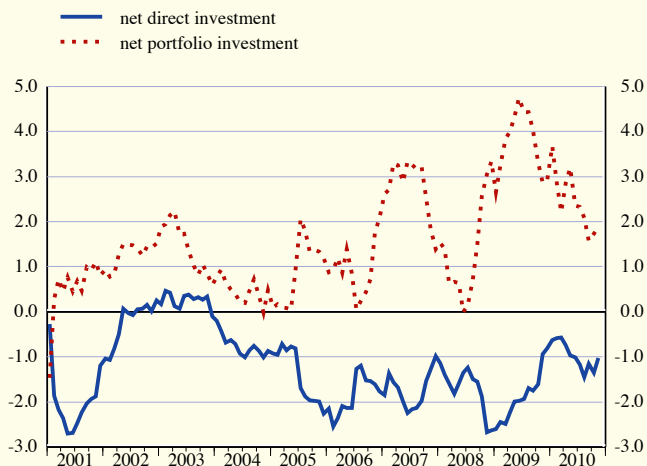
### C32 Euro area b.o.p.: current account

(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

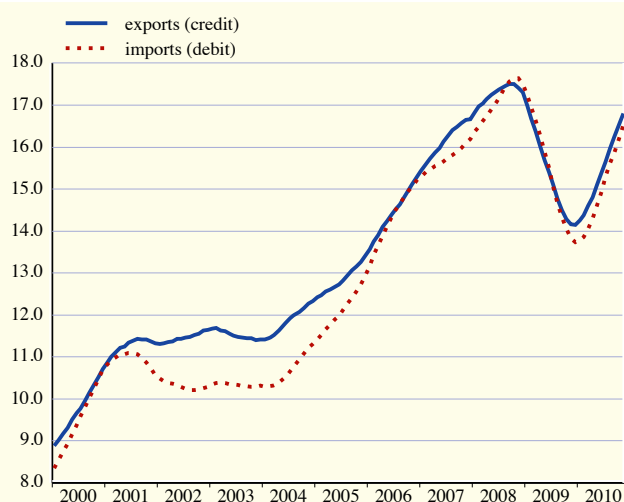
(EUR billions; transactions)

### 1. Summary current and capital accounts

	Current account											Capital account			
	Total			Goods		Services		Income		Current transfers			Credit	Debit	
	Credit	Debit	Net	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 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	642.5	662.9	-20.4	387.3	383.9	128.3	116.6	108.5	125.1	18.3	1.6	37.3	5.2	4.7	3.1
Q3	659.0	667.3	-8.3	402.8	394.5	138.5	124.6	102.6	102.0	15.2	1.6	46.2	5.6	4.8	3.3
2010 Sep.	224.3	229.6	-5.2	139.8	134.9	45.7	41.0	33.9	37.4	4.9	.	16.3	.	1.0	1.5
Oct.	220.9	223.0	-2.1	142.4	136.2	42.2	40.6	31.6	30.5	4.7	.	15.8	.	1.1	1.1
Nov.	224.0	230.0	-6.0	143.1	142.1	42.2	40.2	31.9	33.9	6.8	.	13.7	.	1.7	0.8
	<i>Seasonally adjusted</i>														
2010 Q1	608.1	610.1	-1.9	365.0	349.7	121.9	113.4	102.5	100.2	18.7	.	46.8	.	.	.
Q2	641.7	648.4	-6.7	388.4	382.3	128.6	118.7	103.7	103.3	21.0	.	44.2	.	.	.
Q3	652.6	667.0	-14.4	393.7	388.2	128.7	119.1	107.2	108.7	23.1	.	50.9	.	.	.
2010 Sep.	214.8	221.2	-6.5	130.5	127.2	43.0	39.7	34.0	38.2	7.2	.	16.2	.	.	.
Oct.	216.0	225.6	-9.6	133.5	135.8	41.5	39.8	33.1	35.1	7.9	.	14.8	.	.	.
Nov.	220.8	232.0	-11.2	136.4	140.4	44.2	40.6	32.9	37.2	7.3	.	13.8	.	.	.
	<i>12-month cumulated transactions</i>														
2010 Nov.	2,535.2	2,579.6	-44.4	1,531.8	1,506.4	505.0	467.4	412.1	420.2	86.4	.	185.6	.	.	.
	<i>12-month cumulated transactions as a percentage of GDP</i>														
2010 Nov.	27.8	28.3	-0.5	16.8	16.5	5.5	5.1	4.5	4.6	0.9	.	2.0	.	.	.

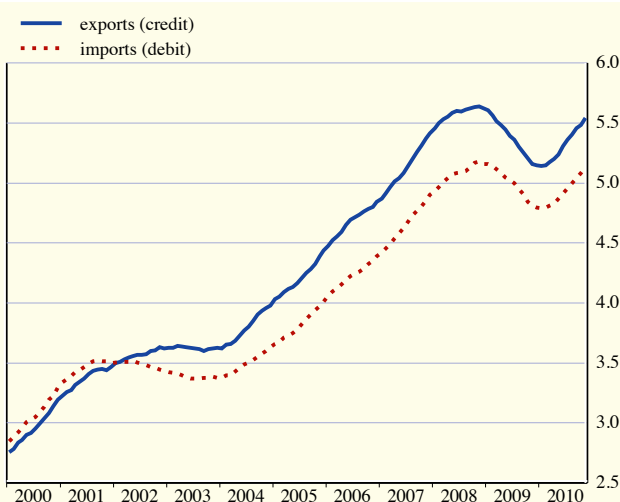
### C34 Euro area b.o.p.: goods

(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			Reinv. earnings	Reinv. earnings	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
			1	2											3	4
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 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	5.4	3.1	103.2	122.0	42.4	-9.8	28.9	-3.0	5.1	5.2	9.8	38.4	26.1	32.9	19.8	16.5
Q3	5.4	3.9	97.1	98.1	39.5	8.4	28.6	7.8	4.6	4.8	7.6	16.4	26.5	32.6	19.0	15.7

### 3. Geographical breakdown

(cumulated transactions)

	Total	EU Member States outside the euro area						Brazil	Canada	China	India	Japan	Russia	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions									
2009 Q4 to 2010 Q3	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Credits																
<b>Current account</b>	2,480.7	833.7	46.3	74.8	398.3	256.3	58.0	44.6	32.3	108.7	35.2	51.8	84.0	186.5	333.4	770.5
Goods	1,487.3	478.1	29.0	48.5	200.0	200.4	0.2	25.5	17.5	89.2	26.0	33.2	61.5	94.2	176.3	485.8
Services	498.7	161.1	10.6	13.3	103.3	27.9	5.9	7.9	7.3	13.9	7.2	11.5	15.0	53.5	74.0	147.3
Income	408.1	134.0	6.0	11.7	84.3	24.6	7.5	10.8	6.6	5.2	1.8	6.6	7.1	31.1	77.7	127.1
Investment income	387.4	127.5	5.9	11.5	82.7	23.9	3.5	10.8	6.5	5.2	1.8	6.5	7.0	22.3	75.9	123.8
Current transfers	86.7	60.4	0.7	1.3	10.8	3.4	44.3	0.4	0.9	0.3	0.2	0.6	0.4	7.8	5.3	10.3
<b>Capital account</b>	20.8	17.7	0.0	0.0	1.0	0.4	16.1	0.1	0.0	0.0	0.0	0.1	0.4	0.4	2.1	
Debits																
<b>Current account</b>	2,519.5	788.7	40.7	70.0	341.5	233.2	103.5	-	27.6	-	-	89.7	-	167.8	324.2	-
Goods	1,453.0	407.8	26.6	42.6	153.6	184.9	0.0	24.0	11.8	187.9	21.7	47.7	99.4	79.9	125.5	447.4
Services	460.2	134.5	7.4	10.4	83.3	33.2	0.2	5.6	6.2	11.8	4.8	8.9	9.4	44.2	95.4	139.4
Income	414.5	129.6	6.0	15.7	91.8	10.7	5.3	-	7.5	-	-	32.7	-	36.4	96.4	-
Investment income	401.4	122.1	5.9	15.6	90.3	5.0	5.3	-	7.4	-	-	32.6	-	35.9	95.4	-
Current transfers	191.8	116.8	0.7	1.2	12.6	4.4	98.0	1.4	2.0	2.8	0.7	0.4	0.6	7.2	6.8	52.8
<b>Capital account</b>	14.2	2.3	0.1	0.1	0.9	0.2	0.9	0.2	0.1	0.1	0.2	0.1	0.1	0.5	1.2	9.5
Net																
<b>Current account</b>	-38.8	45.0	5.6	4.9	56.9	23.1	-45.5	-	4.7	-	-	-37.8	-	18.7	9.2	-
Goods	34.3	70.4	2.4	5.9	46.3	15.5	0.2	1.5	5.6	-98.7	4.3	-14.5	-37.8	14.3	50.8	38.4
Services	38.5	26.5	3.2	2.9	20.0	-5.3	5.7	2.4	1.1	2.1	2.3	2.6	5.6	9.2	-21.4	7.9
Income	-6.4	4.5	0.0	-4.1	-7.5	13.9	2.2	-	-0.9	-	-	-26.1	-	-5.4	-18.7	-
Investment income	-14.1	5.4	-0.1	-4.1	-7.6	19.0	-1.8	-	-0.8	-	-	-26.0	-	-13.6	-19.6	-
Current transfers	-105.1	-56.4	0.0	0.1	-1.9	-1.0	-53.6	-1.0	-1.1	-2.5	-0.5	0.2	-0.2	0.5	-1.5	-42.6
<b>Capital account</b>	6.6	15.4	0.0	0.0	0.1	0.2	15.2	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	-0.1	-0.8	-7.4

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 <sup>1)</sup>			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
<b>Outstanding amounts (international investment position)</b>														
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 Q2	14,965.4	16,002.8	-1,037.4	165.3	176.8	-11.5	4,540.4	3,541.2	4,621.6	7,083.1	-45.0	5,265.2	5,378.4	583.3
Q3	14,777.0	15,961.1	-1,184.1	162.0	175.0	-13.0	4,506.6	3,509.1	4,628.6	7,207.4	-52.6	5,142.2	5,244.6	552.2
<b>Changes to outstanding amounts</b>														
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 Q2	552.3	265.1	287.2	24.0	11.5	12.5	164.5	54.7	128.2	34.8	-6.0	181.1	175.5	84.6
Q3	-188.4	-41.7	-146.8	-8.2	-1.8	-6.4	-33.8	-32.1	7.0	124.3	-7.6	-123.0	-133.9	-31.0
<b>Transactions</b>														
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
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	87.2	114.6	-27.4	3.8	5.0	-1.2	63.6	25.2	-18.3	92.4	-1.9	44.8	-3.0	-1.0
Q3	78.5	70.6	7.9	3.4	3.1	0.3	22.8	-14.6	51.4	37.4	-0.3	-0.4	47.8	4.9
2010 July	-9.9	-14.1	4.2	.	.	.	11.1	7.9	17.1	-11.2	1.5	-40.8	-10.7	1.2
Aug.	96.3	87.3	8.9	.	.	.	5.8	-22.6	19.3	26.1	-2.5	71.2	83.8	2.4
Sep.	-7.9	-2.6	-5.3	.	.	.	5.8	0.1	14.9	22.5	0.8	-30.8	-25.2	1.4
Oct.	67.5	73.0	-5.6	.	.	.	-17.3	-29.3	45.6	66.2	7.3	31.6	36.2	0.2
Nov.	42.6	57.5	-14.9	.	.	.	-3.5	21.5	2.6	15.7	-1.0	44.6	20.3	0.0
<b>Other changes</b>														
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
<b>Other changes due to exchange rate changes</b>														
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
<b>Other changes due to price changes</b>														
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
<b>Other changes due to other adjustments</b>														
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
<b>Growth rates of outstanding amounts</b>														
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	-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	2.4	2.2	-	.	.	.	5.2	3.7	3.4	5.4	.	-0.2	-2.4	0.7
Q3	2.8	2.7	-	.	.	.	4.1	2.0	3.0	4.0	.	1.9	1.5	1.7

Source: ECB.

1) Net financial derivatives are included in assets.

**7.3 Financial account**

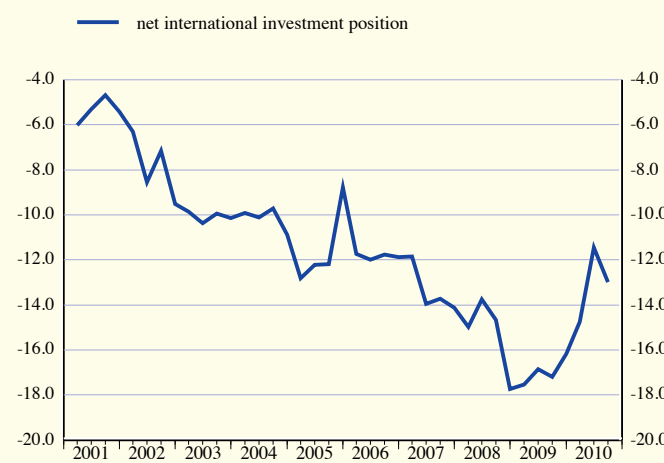
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

**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	
<b>Outstanding amounts (international investment position)</b>														
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 Q2	4,540.4	3,494.5	255.1	3,239.4	1,045.9	16.5	1,029.4	3,541.2	2,629.8	80.3	2,549.4	911.5	16.1	895.4
Q3	4,506.6	3,473.4	246.7	3,226.8	1,033.1	15.8	1,017.3	3,509.1	2,641.0	80.5	2,560.5	868.1	15.8	852.3
<b>Transactions</b>														
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
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	63.6	16.1	-0.5	16.6	47.5	0.5	47.0	25.2	13.8	2.0	11.8	-11.4	-2.4	13.8
Q3	22.8	25.3	1.2	24.0	-2.5	0.3	-2.7	-14.6	21.5	2.2	19.3	-36.2	0.1	-36.3
2010 July	11.1	8.9	0.5	8.4	2.2	0.2	2.0	7.9	13.8	1.0	12.8	-6.0	-0.5	-5.5
Aug.	5.8	16.1	0.4	15.7	-10.3	-0.1	-10.2	-22.6	15.8	0.2	15.6	-38.3	0.6	-39.0
Sep.	5.8	0.3	0.3	-0.1	5.6	0.1	5.5	0.1	-8.1	1.0	-9.1	8.1	-0.1	8.2
Oct.	-17.3	-35.6	-1.6	-34.0	18.3	0.1	18.2	-29.3	-35.9	0.2	-36.2	6.6	0.3	6.3
Nov.	-3.5	-9.2	2.9	-12.1	5.7	0.1	5.6	21.5	1.0	0.9	0.1	20.5	0.1	20.4
<b>Growth rates</b>														
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	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	9.7	19.0	9.6	3.7	7.4	12.3	7.3	-5.8	-19.3	-5.5
Q3	4.1	3.2	2.9	3.2	7.0	18.9	6.8	2.0	6.8	11.7	6.6	-10.1	-14.0	-10.0

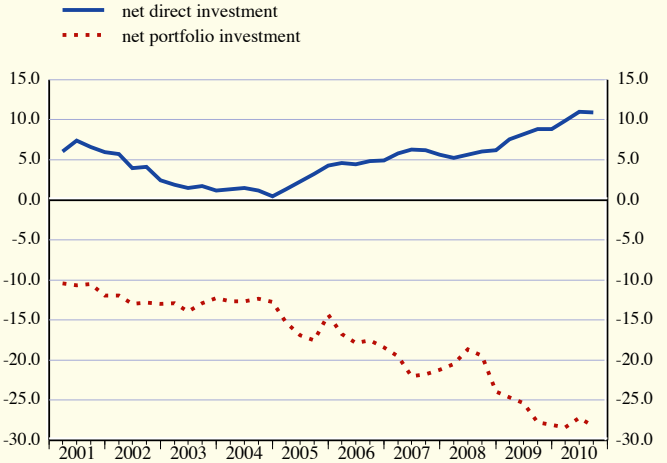
**C36 Euro area international investment position**

(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									
	1	2	3	4	5	6	Bonds and notes			Money market instruments						
							7	8	9	10	11	12	13	14	15	16
			Euro-system	General government		Euro-system	General government		Euro-system	General government						
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 Q2	4,621.6	1,654.1	82.8	3.5	1,571.3	43.6	2,541.4	931.3	16.9	1,610.1	43.2	426.0	336.2	43.6	89.9	0.3
Q3	4,628.6	1,695.2	89.1	3.4	1,606.2	42.0	2,542.8	892.4	17.0	1,650.4	40.5	390.5	316.6	49.0	73.9	0.6
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
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	-18.3	-8.0	-5.9	-0.2	-2.1	2.7	-4.4	-36.0	-0.7	31.6	0.0	-5.9	-17.1	-2.6	11.2	-0.3
Q3	51.4	7.7	2.0	0.0	5.7	-1.3	60.7	6.2	0.0	54.5	-1.9	-17.0	-7.6	7.3	-9.4	0.3
2010 July	17.1	-7.0	-3.1	0.0	-3.9	.	36.1	19.3	-0.1	16.7	.	-11.9	-24.0	-3.6	12.1	.
Aug.	19.3	0.5	-1.3	0.0	1.9	.	23.0	3.7	0.1	19.2	.	-4.1	15.5	5.8	-19.6	.
Sep.	14.9	14.2	6.5	0.0	7.7	.	1.7	-16.9	0.0	18.6	.	-1.0	0.9	5.1	-1.9	.
Oct.	45.6	13.4	0.8	0.0	12.6	.	24.4	-46.2	-0.5	70.5	.	7.9	1.6	-3.0	6.3	.
Nov.	2.6	14.3	3.4	0.0	10.8	.	-9.0	-23.7	1.2	14.7	.	-2.7	-7.2	0.1	4.6	.
Growth rates																
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	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	8.2	11.3	-11.0	8.1	12.3	4.2	-6.0	-10.0	11.4	-10.1	-14.8	-17.5	-34.3	-2.2	-81.4
Q3	3.0	5.0	7.6	-12.0	4.9	8.3	5.1	-4.8	-6.2	11.8	-11.7	-14.9	-17.4	-2.7	-2.0	-58.6

### 4. Portfolio investment liabilities

	Total		Equity				Debt instruments								
	1	2	3	4	5	6	Bonds and notes			Money market instruments					
							7	8	9	10	11	12			
													Total	MFIs	Non-MFIs
							General government					General government			
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 Q2	7,083.1	2,753.0	675.6	2,077.4	3,832.4	1,180.2	2,652.3	1,737.0	497.6	80.8	416.9	377.3			
Q3	7,207.4	2,857.7	666.3	2,191.4	3,824.0	1,171.1	2,652.8	1,743.5	525.7	98.8	426.9	383.7			
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			
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	92.4	11.0	2.1	8.9	89.2	-6.0	95.2	101.5	-7.8	-9.1	1.3	-6.0			
Q3	37.4	47.7	15.1	32.6	-39.2	8.2	-47.4	-26.7	28.9	20.9	8.0	10.6			
2010 July	-11.2	3.3	4.9	-1.5	-34.0	-2.7	-31.3	.	19.5	8.4	11.1	.			
Aug.	26.1	41.3	16.8	24.5	-20.6	5.4	-26.0	.	5.4	-0.4	5.8	.			
Sep.	22.5	3.1	-6.5	9.7	15.4	5.6	9.8	.	4.0	12.9	-8.9	.			
Oct.	66.2	50.3	6.9	43.4	12.3	4.3	8.0	.	3.5	0.1	3.4	.			
Nov.	15.7	1.2	3.4	-2.3	10.8	-6.5	17.3	.	3.7	3.8	-0.1	.			
Growth rates															
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	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	5.4	4.7	-2.1	7.3	5.0	2.0	6.4	12.3	13.7	73.6	4.8	9.3			
Q3	4.0	3.4	-1.0	4.9	3.9	1.7	4.8	11.0	9.6	148.4	-4.0	-3.1			

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	Eurosysteem			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	Currency and deposits	Trade credits	Loans/currency and deposits	Currency and deposits		
														1	2
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 Q2	5,265.2	24.3	24.0	0.3	3,082.0	3,047.7	34.3	114.5	8.6	65.7	13.0	2,044.3	213.4	1,626.9	436.2
Q3	5,142.2	24.5	24.3	0.2	2,964.8	2,932.3	32.5	116.1	8.3	69.5	11.1	2,036.8	216.8	1,625.3	434.3
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
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	44.8	-3.4	-3.4	0.0	2.3	-5.1	7.4	6.4	0.0	6.1	5.8	39.4	9.6	33.0	13.1
Q3	-0.4	1.5	1.5	-0.1	-17.5	-16.3	-1.2	4.8	-0.1	4.7	-2.3	11.0	4.0	10.9	3.3
2010 July	-40.8	1.9	.	.	-52.5	.	.	6.2	.	.	-1.6	3.7	.	.	-0.9
Aug.	71.2	-0.8	.	.	73.8	.	.	0.5	.	.	0.9	-2.3	.	.	7.4
Sep.	-30.8	0.4	.	.	-38.8	.	.	-1.9	.	.	-1.6	9.6	.	.	-3.2
Oct.	31.6	-2.1	.	.	14.5	.	.	25.9	.	.	-0.6	-6.6	.	.	16.0
Nov.	44.6	-0.6	.	.	46.3	.	.	5.1	.	.	3.7	-6.2	.	.	-10.9
Growth rates															
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	-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	-0.2	-36.7	-37.0	-2.5	-1.0	-1.2	17.7	7.2	-3.9	11.4	-9.5	1.2	5.6	0.3	-6.8
Q3	1.9	-13.6	-13.6	-19.6	1.1	0.9	21.4	10.1	-3.1	15.5	6.8	2.8	7.9	2.0	-3.6

#### 6. Other investment liabilities

	Total	Eurosysteem			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
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 Q2	5,378.4	260.0	259.3	0.7	3,727.3	3,677.3	50.0	88.2	0.0	82.5	5.6	1,303.0	183.8	944.3	174.9
Q3	5,244.6	249.1	247.4	1.7	3,598.9	3,554.1	44.8	91.3	0.0	86.0	5.3	1,305.3	186.1	942.1	177.1
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
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	-3.0	-0.6	-0.6	0.0	-12.9	-15.1	2.3	8.3	0.0	7.4	0.9	2.2	5.3	-2.5	-0.7
Q3	47.8	-2.6	-3.6	1.0	1.8	6.1	-4.3	4.8	0.0	5.2	-0.4	43.9	0.9	32.2	10.8
2010 July	-10.7	-1.6	.	.	-37.7	.	.	0.2	.	.	.	28.3	.	.	.
Aug.	83.8	-2.1	.	.	77.1	.	.	0.2	.	.	.	8.5	.	.	.
Sep.	-25.2	1.0	.	.	-37.6	.	.	4.3	.	.	.	7.0	.	.	.
Oct.	36.2	0.5	.	.	38.7	.	.	7.0	.	.	.	-10.0	.	.	.
Nov.	20.3	4.0	.	.	26.6	.	.	15.8	.	.	.	-26.0	.	.	.
Growth rates															
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	-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	-2.4	-19.6	-19.7	106.2	-1.9	-2.2	22.7	11.1	-140.6	11.0	11.2	-0.5	2.6	-0.7	-2.7
Q3	1.5	-7.7	-8.1	189.0	0.3	0.1	10.4	16.4	-113.6	16.5	18.6	6.2	3.9	6.1	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)

### 7. Reserve assets <sup>1)</sup>

	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 allocations	
		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 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	-0.3	0.0	32.7	-24.2	56.7
Q3	552.2	332.3	346.994	53.3	15.3	151.3	7.9	15.7	127.2	0.5	106.9	19.8	0.4	0.0	26.2	-22.6	53.7
2010 Nov.	597.5	369.3	346.991	54.8	15.2	158.1	6.0	20.2	132.2	-	-	-	-0.3	0.0	25.9	-24.0	55.2
Dec.	591.1	366.2	346.962	54.2	15.7	155.1	7.8	16.0	131.3	-	-	-	0.0	0.0	26.3	-24.4	54.5
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	-	-	-
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	-	-	-
Q3	4.9	0.0	-	0.0	-0.1	5.1	-0.5	3.9	1.6	0.0	5.6	-4.0	0.1	0.0	-	-	-
Growth rates																	
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	-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	-	-	-	-	-
Q3	1.7	0.0	-	1.0	27.8	3.1	-45.3	93.8	2.7	-6.1	9.0	-21.4	-	-	-	-	-

### 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	MFI (excluding Eurosystem)	Other sectors
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts (international investment position)											
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	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	11,155.8	4,963.4	497.6	3,832.4	183.8	231.3	1,447.3	2,202.4	260.0	4,988.2	2,257.9
Q3	10,981.5	4,829.5	525.7	3,824.0	186.1	229.0	1,387.3	2,218.6	249.1	4,868.8	2,257.8
Outstanding amounts as a percentage of GDP											
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	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	123.4	54.9	5.5	42.4	2.0	2.6	16.0	24.4	2.9	55.2	25.0
Q3	120.5	53.0	5.8	42.0	2.0	2.5	15.2	24.3	2.7	53.4	24.8

Source: ECB.

1) Data refer to the changing composition of the euro area, in line with the approach adopted for the reserve assets of the Eurosystem. For further information, see the General Notes.

### 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
	1	Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions	8	9	10	11	12	13	14	15
<b>2009</b>	Outstanding amounts (international investment position)														
<b>Direct investment</b>	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
<b>Portfolio investment assets</b>	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
<b>Other investment</b>	-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
<b>2009 Q4 to 2010 Q3</b>	Cumulated transactions														
<b>Direct investment</b>	104.5	25.0	-0.6	5.3	4.5	15.9	0.0	4.9	3.3	-2.0	7.1	34.6	11.4	-0.2	20.3
Abroad	173.4	62.6	2.3	5.9	37.3	17.0	0.0	12.3	2.6	-0.5	23.0	27.4	-4.0	0.0	50.1
Equity/reinvested earnings	105.4	36.9	1.8	3.1	18.2	13.8	0.0	10.5	0.6	0.1	4.8	38.4	-20.6	0.0	34.7
Other capital	68.0	25.7	0.5	2.8	19.2	3.3	0.0	1.8	2.0	-0.6	18.2	-11.0	16.5	0.0	15.3
In the euro area	68.8	37.5	3.0	0.6	32.9	1.1	0.0	7.4	-0.8	1.5	15.9	-7.2	-15.5	0.2	29.8
Equity/reinvested earnings	165.9	30.8	1.5	4.1	28.7	-3.6	0.0	7.4	0.3	2.2	14.5	29.8	65.2	0.2	15.5
Other capital	-97.0	6.7	1.5	-3.5	4.1	4.7	0.0	-0.1	-1.1	-0.7	1.4	-37.0	-80.7	0.0	14.3
<b>Portfolio investment assets</b>	127.0	13.8	-0.2	10.1	-21.1	13.7	11.4	-3.2	6.7	-3.1	3.9	3.1	-13.8	-0.7	120.4
Equity	70.9	18.4	1.5	4.9	10.6	1.4	0.2	1.2	6.7	-0.6	2.6	11.2	4.6	0.1	26.5
Debt instruments	56.1	-4.6	-1.6	5.2	-31.7	12.3	11.2	-4.5	-0.1	-2.6	1.3	-8.2	-18.5	-0.8	93.9
Bonds and notes	121.5	53.7	-1.8	8.1	24.7	11.2	11.6	-2.6	-0.2	-3.7	0.6	-0.5	-6.3	-0.7	81.2
Money market instruments	-65.4	-58.3	0.2	-2.9	-56.4	1.2	-0.4	-1.9	0.1	1.1	0.8	-7.7	-12.1	-0.1	12.7
<b>Other investment</b>	16.0	-42.0	-9.3	-12.4	1.4	-7.9	-13.8	-0.1	14.9	-7.0	42.9	-23.9	83.8	-7.2	-45.4
Assets	94.9	57.1	-4.7	-1.6	61.8	-1.1	2.8	-2.2	12.2	6.2	-24.1	-20.8	66.6	-4.5	4.3
General government	11.0	3.7	0.1	0.0	3.1	0.3	0.2	0.2	0.0	0.0	0.0	3.6	0.5	0.9	2.1
MFIs	27.8	35.6	-5.4	-5.3	44.7	-0.4	2.1	-1.5	9.9	6.2	-2.8	-30.6	25.9	-5.4	-9.5
Other sectors	56.1	17.9	0.6	3.7	14.0	-0.9	0.5	-0.8	2.3	0.0	-21.3	6.1	40.2	0.0	11.6
Liabilities	78.9	99.1	4.6	10.8	60.4	6.8	16.6	-2.1	-2.7	13.2	-67.0	3.1	-17.2	2.7	49.7
General government	12.9	8.4	0.0	0.0	3.1	0.0	5.4	0.1	0.0	-0.1	0.3	-3.0	0.0	7.3	-0.2
MFIs	-12.2	83.5	5.3	7.0	61.2	4.1	5.9	-1.6	-5.2	11.9	-68.8	-23.8	-21.7	-4.6	18.1
Other sectors	78.2	7.2	-0.7	3.8	-3.9	2.7	5.3	-0.6	2.4	1.4	1.5	29.9	4.6	0.1	31.8

Source: ECB.



## 7.4 Monetary presentation of the balance of payments <sup>1)</sup>

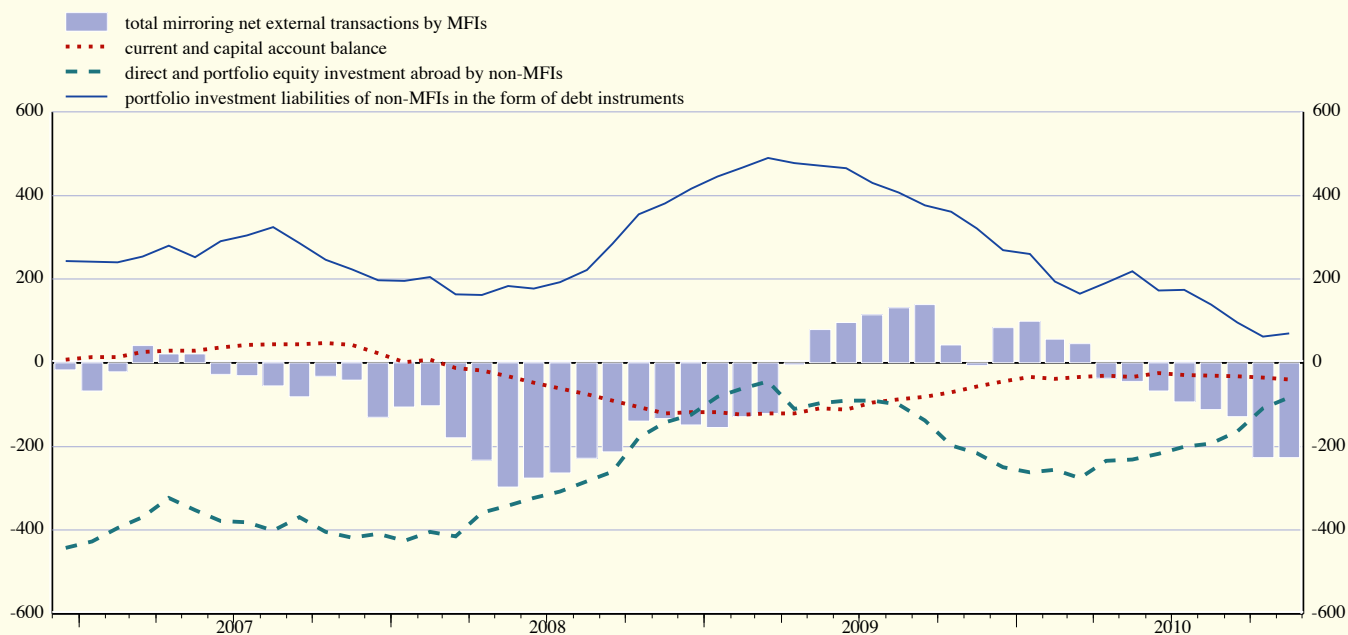
(EUR billions; transactions)

### 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		
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 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	-34.1	-18.8	-63.6	25.6	2.1	-42.9	8.9	96.5	-45.8	10.5	1.9	-8.6
Q3	-54.8	-6.8	-21.3	-16.9	-5.7	-45.1	32.6	-39.4	-15.7	48.6	0.3	14.7
2009 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.	-43.8	-5.2	-19.7	1.2	-3.4	-14.0	0.5	45.6	-24.4	-18.6	-4.4	-1.3
May	6.3	-15.3	-27.5	20.5	11.1	-21.8	0.0	61.6	-36.2	19.1	0.0	-5.3
June	3.3	1.7	-16.5	3.9	-5.6	-7.0	8.4	-10.8	14.7	10.0	6.4	-2.0
July	-28.4	6.1	-10.4	7.3	3.9	-28.8	-1.5	-20.2	-9.9	28.5	-1.5	-1.8
Aug.	-4.0	-7.1	-5.5	-23.4	-1.9	0.4	24.5	-20.2	1.8	8.8	2.5	16.1
Sep.	-22.4	-5.8	-5.4	-0.8	-7.7	-16.7	9.7	1.0	-7.7	11.3	-0.8	0.5
Oct.	-83.8	-2.1	15.8	-29.8	-12.6	-76.8	43.4	11.5	-19.3	-3.0	-7.3	-3.5
Nov.	-11.1	-5.2	6.5	20.5	-10.8	-19.2	-2.3	17.2	1.1	-10.3	1.0	-9.7
<i>12-month cumulated transactions</i>												
2010 Nov.	-226.5	-40.0	-111.5	17.7	-67.9	-238.3	160.0	70.0	-63.2	40.6	5.8	0.3

### C38 Main b.o.p. items mirroring developments in MFI net external transactions <sup>1)</sup>

(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 <sup>1)</sup>

(seasonally adjusted, unless otherwise indicated)

	Total (n.s.a.)		Exports (f.o.b.)				Imports (c.i.f.)						
	Exports	Imports	Total			Memo item: Manufacturing	Total			Memo items:			
			Intermediate	Capital	Consumption		Intermediate	Capital	Consumption	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	1561.6	771.1	338.0	413.9	1,303.7	1,610.2	1,019.1	232.8	333.9	1,021.8	293.6
2009	-18.1	-22.0	1,276.6	627.1	264.2	354.8	1,062.4	1,259.4	727.5	193.6	315.4	838.5	175.1
2009 Q4	-9.4	-14.4	328.3	163.7	66.8	91.9	273.5	321.2	189.4	48.1	78.5	212.2	49.3
2010 Q1	12.9	9.6	354.8	176.2	68.9	98.8	292.7	350.8	209.5	52.1	82.0	232.5	53.1
Q2	22.3	27.4	377.6	188.1	75.8	103.7	315.7	382.2	232.6	56.8	85.1	252.4	59.8
Q3	22.7	26.5	394.5	196.7	80.0	107.6	329.2	395.7	240.7	59.3	88.1	262.4	59.4
2010 June	26.7	32.3	131.2	65.4	27.0	35.9	110.8	133.0	81.3	20.6	29.1	88.6	20.0
July	17.4	25.8	130.9	64.9	26.2	35.7	109.1	131.3	79.7	20.2	29.0	87.1	20.3
Aug.	29.9	33.0	131.5	65.8	26.6	35.6	109.5	133.7	81.6	20.1	29.7	88.5	20.6
Sep.	22.4	21.6	132.1	66.0	27.1	36.3	110.6	130.7	79.3	19.1	29.4	86.8	18.5
Oct.	21.0	22.0	133.2	66.3	28.0	35.8	111.3	129.7	79.9	19.0	29.2	87.0	19.6
Nov.	24.4	28.2	133.5	.	.	.	111.0	135.4	.	.	.	88.2	.
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2008	1.4	0.1	143.4	136.8	154.2	147.0	142.3	126.9	119.3	140.4	144.5	133.3	108.1
2009	-16.6	-14.5	119.4	115.0	119.2	127.5	115.8	108.9	99.8	114.9	136.0	110.5	97.8
2009 Q4	-6.7	-7.7	123.1	120.3	121.2	132.6	120.1	111.0	102.1	116.8	138.8	114.5	95.7
2010 Q1	11.5	4.7	130.2	126.3	124.0	138.8	126.3	116.1	107.2	122.5	140.8	121.6	94.9
Q2	16.2	14.2	134.9	130.9	134.7	141.4	133.3	119.4	110.7	129.2	140.8	126.8	95.5
Q3	15.7	12.5	139.0	134.7	141.9	144.1	136.9	120.6	111.9	131.3	141.4	128.5	95.4
2010 May	16.9	16.0	133.3	128.3	134.1	140.0	131.9	119.6	110.3	126.6	143.7	126.6	97.6
June	19.2	18.1	138.8	134.8	143.0	144.3	138.6	122.4	114.1	137.5	141.2	130.8	95.9
July	10.5	10.6	137.9	133.5	139.6	141.5	135.5	119.7	110.9	133.3	139.0	127.4	97.5
Aug.	22.8	19.5	139.5	135.0	141.4	145.3	137.2	122.2	113.4	134.8	143.1	130.8	99.4
Sep.	15.3	8.5	139.6	135.7	144.5	145.5	138.0	120.0	111.3	125.9	142.1	127.4	89.4
Oct.	13.4	7.5	141.2	136.2	150.6	144.0	139.5	119.4	112.0	127.7	141.9	128.9	94.6

### 2. Prices <sup>2)</sup>

(annual percentage changes, unless otherwise indicated)

	Industrial producer export prices (f.o.b.) <sup>3)</sup>							Industrial import prices (c.i.f.)						
	Total (index: 2005 = 100)	Total				Memo item: Manufacturing	Total (index: 2005 = 100)	Total				Memo item: Manufacturing		
		Intermediate goods	Capital goods	Consumer goods	Energy			Intermediate goods	Capital goods	Consumer goods	Energy			
% of total	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	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
2009	101.5	-2.6	-3.8	0.6	0.5	-23.7	-2.5	99.2	-10.4	-5.7	-1.3	0.3	-28.3	-4.0
2010	105.4	3.9	4.5	1.1	2.2	26.2	3.8	.	.	0.0	.	.	4.9	
2010 Q2	105.9	4.3	5.2	0.9	2.4	30.9	4.3	109.7	11.2	10.8	0.0	2.7	33.1	5.6
Q3	106.1	4.6	6.4	1.6	2.9	19.6	4.5	110.2	11.1	12.2	1.9	4.8	25.9	6.7
Q4	106.3	4.9	6.7	2.0	2.9	20.9	4.8	.	.	0.6	.	.	6.9	
2010 July	106.1	4.6	6.4	1.4	2.9	23.2	4.5	110.1	11.8	12.4	2.0	4.2	29.3	6.7
Aug.	106.1	4.2	6.2	1.6	2.7	14.4	4.1	110.3	10.1	11.7	1.8	4.8	21.5	6.3
Sep.	106.2	4.9	6.6	1.9	3.0	21.7	4.8	110.2	11.4	12.6	1.9	5.4	27.1	7.1
Oct.	105.8	4.7	6.6	1.7	2.8	18.9	4.6	109.5	10.1	11.8	0.9	5.4	21.5	6.3
Nov.	106.2	4.7	6.7	2.0	2.8	18.2	4.7	110.6	10.6	12.8	0.5	6.4	23.0	6.9
Dec.	106.8	5.4	6.9	2.3	3.1	25.5	5.2	.	.	0.3	.	.	7.6	

Source: Eurostat.

- 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.
- 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.
- 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
<b>Exports (f.o.b.)</b>															
2008	1,561.6	35.1	53.9	220.4	233.7	78.5	86.7	42.7	186.5	309.5	65.7	33.7	100.1	68.2	146.1
2009	1,276.6	27.1	40.8	175.2	176.2	49.4	78.8	34.7	152.7	283.6	68.8	28.8	91.8	54.2	112.2
2009 Q2	311.1	6.6	9.8	42.9	42.4	12.2	19.1	8.4	38.5	70.2	17.0	7.1	22.8	12.5	25.7
Q3	320.5	6.7	10.4	44.3	44.5	12.0	19.6	9.3	36.8	71.8	17.8	7.2	22.7	14.4	27.9
Q4	328.3	6.6	10.7	44.9	45.8	12.5	19.7	9.2	38.0	74.6	18.8	7.3	23.0	14.3	29.0
2010 Q1	354.8	7.0	11.7	46.7	48.3	13.5	21.4	10.7	41.1	81.6	22.3	8.1	24.9	16.8	31.1
Q2	377.6	7.4	12.9	47.9	51.7	15.6	22.9	11.4	45.3	87.9	23.4	8.7	25.6	18.6	30.4
Q3	394.5	7.6	13.1	50.1	54.5	17.2	23.8	12.0	47.9	91.4	23.7	8.9	26.6	18.9	31.4
2010 June	131.2	2.5	4.6	16.4	18.0	5.4	7.9	4.1	15.5	30.9	8.1	3.0	8.6	6.6	10.6
July	130.9	2.5	4.4	16.4	17.7	5.6	7.9	4.1	15.9	30.6	7.9	3.0	8.7	6.2	10.7
Aug.	131.5	2.5	4.3	16.8	18.4	5.9	7.9	3.8	16.0	29.9	7.8	3.0	8.9	6.3	10.7
Sep.	132.1	2.5	4.4	16.9	18.4	5.7	7.9	4.2	16.0	30.9	8.0	3.0	8.9	6.3	9.9
Oct.	133.2	2.5	4.5	16.8	18.5	5.8	8.2	4.3	15.5	31.0	8.3	3.0	9.0	6.2	10.9
Nov.	133.5	.	.	.	.	5.8	8.1	4.5	15.5	31.5	8.6	3.0	9.1	6.6	.
<i>Percentage share of total exports</i>															
2009	100.0	2.1	3.2	13.7	13.8	3.9	6.2	2.7	12.0	22.2	5.4	2.3	7.2	4.2	8.8
<b>Imports (c.i.f.)</b>															
2008	1,610.2	30.7	52.1	164.8	184.9	122.0	70.2	32.4	136.1	479.8	184.7	57.4	141.1	81.7	114.4
2009	1,259.4	26.9	37.5	126.9	161.8	81.6	65.2	26.2	115.4	376.7	157.9	43.8	94.0	59.4	87.7
2009 Q2	304.3	6.5	8.9	30.9	39.0	18.1	16.2	6.3	30.0	92.3	38.5	10.5	22.8	14.3	19.0
Q3	312.7	6.8	9.6	31.7	41.2	21.9	16.1	6.6	25.9	92.4	38.7	10.9	22.7	14.8	23.0
Q4	321.2	6.7	9.6	32.5	42.7	23.7	16.1	6.7	27.8	94.3	39.4	10.8	24.4	15.5	21.1
2010 Q1	350.8	6.6	10.3	35.1	45.2	24.5	17.1	7.4	29.3	109.7	45.9	11.7	26.9	16.5	22.2
Q2	382.2	6.8	11.7	36.4	48.9	27.3	19.5	7.5	32.8	124.1	52.3	12.9	29.3	18.2	19.7
Q3	395.7	7.0	12.2	37.6	50.6	26.6	19.1	7.5	31.9	128.0	56.6	13.1	29.1	19.7	26.4
2010 June	133.0	2.4	4.2	12.5	16.8	8.8	6.7	2.6	12.4	43.8	19.0	4.5	9.8	6.3	6.6
July	131.3	2.3	4.1	12.6	16.5	9.1	6.6	2.5	10.5	42.6	18.6	4.4	9.5	6.5	8.7
Aug.	133.7	2.3	4.1	12.9	17.0	8.9	6.4	2.5	10.6	43.3	19.2	4.3	10.0	6.6	9.0
Sep.	130.7	2.4	3.9	12.1	17.1	8.6	6.2	2.5	10.8	42.1	18.8	4.4	9.5	6.6	8.8
Oct.	129.7	2.4	4.1	12.7	17.4	9.1	6.1	2.7	11.0	41.3	17.7	4.3	9.0	6.8	7.2
Nov.	135.4	.	.	.	.	9.4	6.1	2.6	11.2	41.9	17.7	4.4	11.2	7.0	.
<i>Percentage share of total imports</i>															
2009	100.0	2.1	3.0	10.1	12.9	6.5	5.2	2.1	9.2	29.9	12.5	3.5	7.5	4.7	7.0
<b>Balance</b>															
2008	-48.6	4.4	1.8	55.7	48.9	-43.6	16.5	10.4	50.5	-170.3	-119.0	-23.7	-41.0	-13.6	31.7
2009	17.1	0.2	3.3	48.2	14.3	-32.2	13.5	8.4	37.3	-93.1	-89.1	-15.0	-2.2	-5.2	24.5
2009 Q2	6.8	0.1	0.9	12.0	3.3	-5.9	3.0	2.1	8.5	-22.1	-21.5	-3.5	0.0	-1.8	6.7
Q3	7.8	-0.1	0.8	12.6	3.3	-9.9	3.5	2.7	11.0	-20.6	-20.9	-3.7	0.0	-0.4	4.9
Q4	7.1	-0.1	1.1	12.4	3.1	-11.3	3.6	2.5	10.2	-19.7	-20.7	-3.4	-1.4	-1.2	7.8
2010 Q1	4.0	0.4	1.3	11.5	3.1	-11.0	4.3	3.4	11.7	-28.0	-23.6	-3.6	-2.0	0.3	8.9
Q2	-4.6	0.6	1.2	11.5	2.9	-11.7	3.3	3.9	12.5	-36.2	-28.9	-4.2	-3.7	0.4	10.6
Q3	-1.2	0.6	0.9	12.5	3.9	-9.4	4.7	4.5	15.9	-36.6	-32.9	-4.2	-2.5	-0.8	4.9
2010 June	-1.8	0.1	0.4	4.0	1.2	-3.5	1.2	1.5	3.1	-12.9	-10.9	-1.5	-1.2	0.3	4.0
July	-0.4	0.3	0.3	3.8	1.3	-3.5	1.4	1.6	5.4	-12.0	-10.7	-1.4	-0.8	-0.2	2.0
Aug.	-2.3	0.2	0.2	3.9	1.3	-3.1	1.6	1.3	5.4	-13.4	-11.4	-1.3	-1.1	-0.2	1.7
Sep.	1.5	0.1	0.5	4.8	1.3	-2.8	1.7	1.6	5.1	-11.2	-10.8	-1.4	-0.6	-0.3	1.1
Oct.	3.5	0.1	0.3	4.1	1.1	-3.3	2.1	1.7	4.6	-10.2	-9.3	-1.3	0.0	-0.6	3.7
Nov.	-1.9	.	.	.	.	-3.6	2.0	1.8	4.3	-10.5	-9.1	-1.3	-2.1	-0.4	.

Source: Eurostat.



## EXCHANGE RATES

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

(period averages; index: 1999 Q1=100)

	EER-20						EER-40	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2008	110.4	109.9	107.6	105.1	114.7	104.1	117.9	107.1
2009	111.7	110.6	104.9	106.2	120.5	106.1	120.6	108.0
2010	104.6	102.9	98.8	.	.	.	112.3	99.3
2009 Q4	113.7	112.1	106.5	107.6	121.3	108.2	122.6	109.0
2010 Q1	108.7	106.9	102.2	102.5	114.2	102.6	116.9	103.5
Q2	103.1	101.7	97.4	97.4	108.6	97.4	110.4	97.8
Q3	102.3	100.8	96.9	96.6	106.8	96.0	109.8	97.2
Q4	104.4	102.4	98.6	.	.	.	112.1	98.7
2010 Jan.	110.8	108.9	104.0	-	-	-	119.2	105.6
Feb.	108.0	106.0	101.6	-	-	-	116.3	102.8
Mar.	107.4	105.7	101.0	-	-	-	115.2	102.1
Apr.	106.1	104.5	100.0	-	-	-	113.5	100.6
May	102.8	101.4	97.0	-	-	-	109.9	97.4
June	100.6	99.3	95.2	-	-	-	107.7	95.6
July	102.5	101.1	97.0	-	-	-	109.9	97.5
Aug.	102.1	100.6	96.7	-	-	-	109.5	97.0
Sep.	102.5	100.8	97.1	-	-	-	110.0	97.2
Oct.	106.0	104.1	100.4	-	-	-	113.8	100.3
Nov.	104.7	102.7	98.9	-	-	-	112.5	99.0
Dec.	102.6	100.6	96.4	-	-	-	110.1	96.8
2011 Jan.	102.4	100.4	96.0	-	-	-	110.1	96.8
	<i>Percentage change versus previous month</i>							
2011 Jan.	-0.2	-0.2	-0.4	-	-	-	0.0	-0.1
	<i>Percentage change versus previous year</i>							
2011 Jan.	-7.6	-7.8	-7.7	-	-	-	-7.6	-8.3

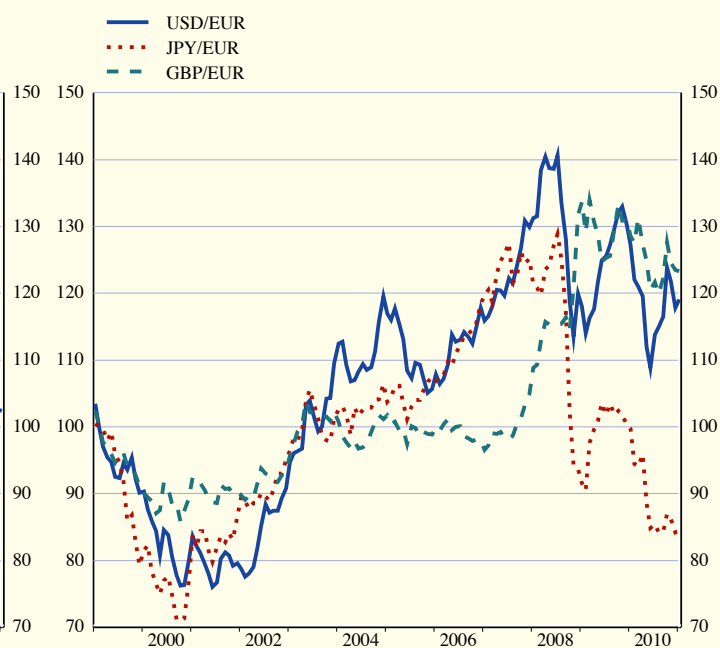
### C39 Effective exchange rates

(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
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	7.4473	9.5373	0.85784	1.3257	116.24	1.3803	1,531.82	10.2994	1.8055	1.3651	8.0043	1.4423
2010 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
Q4	7.4547	9.2139	0.85944	1.3583	112.10	1.3225	1,538.70	10.5441	1.7693	1.3757	8.0499	1.3747
2010 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
Nov.	7.4547	9.3166	0.85510	1.3661	112.69	1.3442	1,544.16	10.5941	1.7739	1.3831	8.1463	1.3813
Dec.	7.4528	9.0559	0.84813	1.3220	110.11	1.2811	1,513.74	10.2776	1.7262	1.3327	7.9020	1.3304
2011 Jan.	7.4518	8.9122	0.84712	1.3360	110.38	1.2779	1,495.50	10.3945	1.7193	1.3277	7.8199	1.3417
	<i>Percentage change versus previous month</i>											
2011 Jan.	0.0	-1.6	-0.1	1.1	0.2	-0.2	-1.2	1.1	-0.4	-0.4	-1.0	0.9
	<i>Percentage change versus previous year</i>											
2011 Jan.	0.1	-12.6	-4.1	-6.4	-15.3	-13.4	-8.0	-6.2	-13.7	-10.8	-4.4	-14.1
	Czech koruna	Latvian lats	Lithuanian litas	Hungarian forint	Polish zloty	Bulgarian lev	New Roman- ian leu	Croatian kuna	New Turkish lira			
	13	14	15	16	17	18	19	20	21			
2008	24.946	0.7027	3.4528	251.51	3.5121	1.9558	3.6826	7.2239	1.9064			
2009	26.435	0.7057	3.4528	280.33	4.3276	1.9558	4.2399	7.3400	2.1631			
2010	25.284	0.7087	3.4528	275.48	3.9947	1.9558	4.2122	7.2891	1.9965			
2010 Q2	25.591	0.7078	3.4528	274.85	4.0171	1.9558	4.1854	7.2477	1.9560			
Q3	24.928	0.7089	3.4528	282.44	4.0087	1.9558	4.2553	7.2532	1.9560			
Q4	24.789	0.7095	3.4528	275.77	3.9666	1.9558	4.2888	7.3683	1.9897			
2010 July	25.328	0.7090	3.4528	283.75	4.0814	1.9558	4.2608	7.2198	1.9669			
Aug.	24.806	0.7085	3.4528	281.45	3.9899	1.9558	4.2396	7.2525	1.9484			
Sep.	24.651	0.7091	3.4528	282.10	3.9548	1.9558	4.2655	7.2874	1.9528			
Oct.	24.531	0.7094	3.4528	274.01	3.9496	1.9558	4.2787	7.3277	1.9800			
Nov.	24.633	0.7094	3.4528	275.51	3.9520	1.9558	4.2940	7.3830	1.9717			
Dec.	25.174	0.7096	3.4528	277.62	3.9962	1.9558	4.2929	7.3913	2.0159			
2011 Jan.	24.449	0.7034	3.4528	275.33	3.8896	1.9558	4.2624	7.4008	2.0919			
	<i>Percentage change versus previous month</i>											
2011 Jan.	-2.9	-0.9	0.0	-0.8	-2.7	0.0	-0.7	0.1	3.8			
	<i>Percentage change versus previous year</i>											
2011 Jan.	-6.4	-0.8	0.0	2.2	-4.4	0.0	3.0	1.5	-0.5			
	Brazilian real <sup>1)</sup>	Chinese yuan renminbi	Icelandic krona <sup>2)</sup>	Indian rupee <sup>3)</sup>	Indonesian rupiah	Malaysian ringgit	Mexican peso <sup>1)</sup>	New Zealand dollar	Philippine peso	Russian rouble	South African rand	Thai baht
	22	23	24	25	26	27	28	29	30	31	32	33
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	2.3314	8.9712	-	60.5878	12,041.70	4.2668	16.7373	1.8377	59.739	40.2629	9.6984	42.014
2010 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
Q4	2.3037	9.0405	-	60.9153	12,178.16	4.2304	16.8206	1.7915	59.240	41.7192	9.3785	40.728
2010 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
Nov.	2.3391	9.0895	-	61.4539	12,224.00	4.2588	16.8386	1.7703	59.485	42.3360	9.5320	40.826
Dec.	2.2387	8.7873	-	59.6472	11,925.21	4.1313	16.3797	1.7587	58.050	40.7385	9.0143	39.805
2011 Jan.	2.2371	8.8154	-	60.7161	12,077.47	4.0895	16.1926	1.7435	59.089	40.2557	9.2652	40.827
	<i>Percentage change versus previous month</i>											
2011 Jan.	-0.1	0.3	-	1.8	1.3	-1.0	-1.1	-0.9	1.8	-1.2	2.8	2.6
	<i>Percentage change versus previous year</i>											
2011 Jan.	-11.9	-9.5	-	-7.4	-8.9	-15.1	-11.4	-11.3	-10.1	-5.4	-13.0	-13.4

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 Economic and financial developments in other EU Member States

(annual percentage changes, unless otherwise indicated)

	Bulgaria	Czech Republic	Denmark	Latvia	Lithuania	Hungary	Poland	Romania	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10
HICP										
2009	2.5	0.6	1.1	3.3	4.2	4.0	4.0	5.6	1.9	2.2
2010	3.0	1.2	2.2	-1.2	1.2	4.7	2.7	6.1	1.9	3.3
2010 Q3	3.3	1.6	2.3	-0.3	1.8	3.6	2.1	7.5	1.3	3.1
2010 Q4	4.0	2.0	2.5	1.7	2.9	4.3	2.7	7.8	1.8	3.4
2010 Oct.	3.6	1.8	2.4	0.9	2.6	4.3	2.6	7.9	1.6	3.2
2010 Nov.	4.0	1.9	2.5	1.7	2.5	4.0	2.6	7.7	1.7	3.3
2010 Dec.	4.4	2.3	2.8	2.4	3.6	4.6	2.9	7.9	2.1	3.7
General government deficit (-)/surplus (+) as a percentage of GDP										
2007	1.1	-0.7	4.8	-0.3	-1.0	-5.0	-1.9	-2.6	3.6	-2.7
2008	1.7	-2.7	3.4	-4.2	-3.3	-3.7	-3.7	-5.7	2.2	-5.0
2009	-4.7	-5.8	-2.7	-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	9.0	16.9	66.1	45.0	12.6	40.0	44.5
2008	13.7	30.0	34.2	19.7	15.6	72.3	47.1	13.4	38.2	52.1
2009	14.7	35.3	41.4	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 July	6.05	3.97	2.72	10.00	5.15	7.39	5.84	7.18	2.70	2.97
2010 Aug.	5.99	3.56	2.45	10.00	5.15	7.07	5.62	7.15	2.45	2.68
2010 Sep.	5.90	3.34	2.40	9.97	5.15	7.04	5.49	7.14	2.53	2.84
2010 Oct.	5.82	3.43	2.46	9.24	5.15	6.87	5.53	7.02	2.64	2.80
2010 Nov.	5.74	3.59	2.65	8.99	5.15	7.38	5.82	7.04	2.86	3.03
2010 Dec.	5.76	3.89	3.01	7.55	5.15	7.92	5.98	7.09	3.21	3.34
3-month interest rate as a percentage per annum; period average										
2010 July	4.09	1.23	1.13	1.74	1.70	6.17	3.84	6.92	0.87	0.74
2010 Aug.	4.04	1.24	1.14	1.28	1.70	5.82	3.82	6.46	0.99	0.73
2010 Sep.	3.94	1.22	1.15	1.19	1.65	6.41	3.82	6.48	1.16	0.73
2010 Oct.	3.99	1.20	1.19	1.22	1.61	5.90	3.83	6.44	1.37	0.74
2010 Nov.	3.99	1.22	1.24	0.95	1.59	5.87	3.86	6.35	1.59	0.74
2010 Dec.	3.93	1.22	1.21	0.83	1.56	6.17	3.92	6.00	1.86	0.75
Real GDP										
2008	6.2	2.5	-1.1	-4.2	2.9	0.8	5.1	7.3	-0.6	-0.1
2009	-4.9	-4.1	-5.2	-18.0	-14.7	-6.7	1.7	-7.1	-5.3	-4.9
2010 Q2	-0.3	2.3	2.8	-2.6	-0.3	0.6	3.8	-0.5	4.5	1.6
2010 Q3	0.5	2.8	3.4	2.5	0.8	2.2	4.7	-2.5	6.8	2.7
2010 Q4	.	.	.	.	.	.	.	.	.	1.7
Current and capital account balance as a percentage of GDP										
2008	-22.3	0.2	2.7	-11.6	-11.3	-6.3	-3.7	-11.1	8.6	-1.3
2009	-8.6	0.1	3.5	11.0	7.6	0.8	-0.5	-3.6	7.4	-1.5
2010 Q1	-6.7	2.4	2.9	12.0	3.9	4.5	0.2	-6.7	7.8	-2.8
2010 Q2	-4.3	-2.4	5.1	7.3	7.8	4.0	-0.9	-7.8	6.5	-1.1
2010 Q3	14.6	-6.8	7.0	3.2	0.6	3.7	-2.7	-1.4	6.2	-2.7
Gross external debt as a percentage of GDP										
2008	104.7	50.0	177.8	129.2	71.3	122.3	57.0	56.0	204.4	441.4
2009	107.9	50.8	189.8	156.3	87.2	141.2	59.6	69.9	205.0	416.6
2010 Q1	106.2	49.0	201.5	162.4	91.1	143.9	57.8	72.5	206.2	436.7
2010 Q2	107.3	52.7	202.1	164.9	89.7	153.8	63.2	77.8	216.6	428.2
2010 Q3	103.5	52.4	.	162.6	88.8	142.8	65.9	76.2	202.2	429.3
Unit labour costs										
2008	12.5	5.1	6.7	22.0	10.4	4.8	7.5	22.9	3.1	2.3
2009	12.8	3.5	4.7	-7.0	-2.8	1.9	1.6	7.2	4.8	5.8
2010 Q1	7.7	-2.1	0.3	-19.0	-12.4	1.5	7.4	-	-0.6	4.1
2010 Q2	0.4	-0.4	-2.4	-14.5	-8.1	-2.3	5.9	-	-1.8	1.2
2010 Q3	-1.2	1.3	-2.4	-7.3	-7.1	-0.7	4.8	-	-2.8	0.9
Standardised unemployment rate as a percentage of labour force (s.a.)										
2009	6.9	6.7	6.0	17.1	13.7	10.0	8.2	6.9	8.3	7.6
2010	9.9	7.4	7.5	.	.	11.2	9.7	.	8.4	.
2010 Q3	10.0	7.1	7.4	18.3	18.3	11.1	9.6	7.3	8.3	7.7
2010 Q4	10.1	7.4	8.0	.	.	11.4	9.9	.	7.9	.
2010 Oct.	10.0	7.2	7.9	.	.	11.2	9.8	.	8.1	7.8
2010 Nov.	10.1	7.4	8.0	.	.	11.4	9.9	.	7.8	.
2010 Dec.	10.1	7.7	8.2	.	.	11.7	10.0	.	7.8	.

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

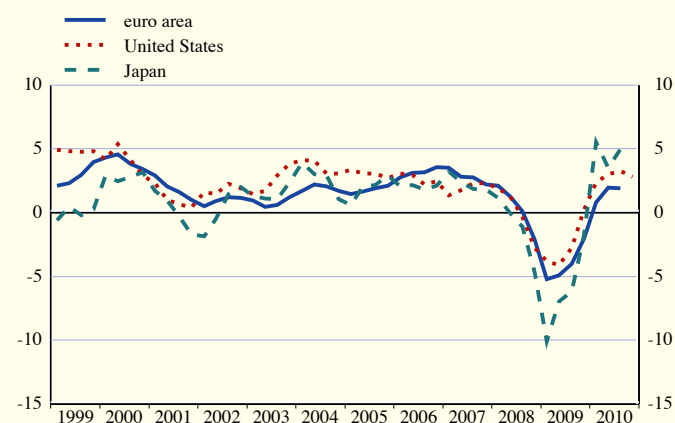
## 9.2 Economic and financial developments in the United States and Japan

(annual percentage changes, unless otherwise indicated)

	Consumer price index	Unit labour costs <sup>1)</sup>	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money <sup>2)</sup>	3-month interbank deposit rate <sup>3)</sup>	10-year zero coupon government bond yield; <sup>3)</sup> end of period	Exchange rate <sup>4)</sup> as national currency per euro	Fiscal deficit (-)/ surplus (+) as a % of GDP	Gross public debt <sup>5)</sup> as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
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
2010	1.6	.	2.9	6.6	9.6	2.3	0.34	3.57	1.3257	.	.
2009 Q4	1.4	-3.4	0.2	-3.7	10.0	5.0	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	-1.9	3.0	8.8	9.6	1.7	0.44	3.13	1.2708	-11.1	73.3
Q3	1.2	-1.1	3.2	7.3	9.6	2.6	0.39	2.69	1.2910	-10.4	75.3
Q4	1.3	.	2.8	6.4	9.6	3.2	0.29	3.57	1.3583	.	.
2010 Sep.	1.1	-	-	6.5	9.6	3.0	0.29	2.69	1.3067	-	-
Oct.	1.2	-	-	6.8	9.7	3.1	0.29	2.82	1.3898	-	-
Nov.	1.1	-	-	6.1	9.8	3.2	0.29	3.12	1.3661	-	-
Dec.	1.5	-	-	6.4	9.4	3.4	0.30	3.57	1.3220	-	-
2011 Jan.	.	-	-	.	.	.	0.30	3.68	1.3360	-	-
Japan											
2007	0.1	-2.3	2.3	2.8	3.8	1.6	0.79	1.70	161.25	-2.4	156.2
2008	1.4	1.7	-1.2	-3.4	4.0	2.1	0.93	1.21	152.45	-2.2	162.0
2009	-1.4	0.4	-6.3	-21.9	5.1	2.7	0.47	1.42	130.34	-8.7	180.4
2010	-0.7	.	.	16.0	5.1	2.8	0.23	1.18	116.24	.	.
2009 Q4	-2.0	-3.6	-1.8	-4.2	5.2	3.3	0.31	1.42	132.69	.	.
2010 Q1	-1.2	-3.7	5.5	27.6	4.9	2.8	0.25	1.48	125.48	.	.
Q2	-0.9	-1.2	3.5	21.0	5.2	3.0	0.24	1.18	117.15	.	.
Q3	-0.8	.	5.0	13.6	5.1	2.8	0.24	1.03	110.68	.	.
Q4	0.1	.	.	4.9	5.0	2.6	0.19	1.18	112.10	.	.
2010 Sep.	-0.6	-	-	11.6	5.0	2.8	0.22	1.03	110.26	-	-
Oct.	0.2	-	-	4.3	5.1	2.8	0.20	1.01	113.67	-	-
Nov.	0.1	-	-	5.8	5.1	2.6	0.19	1.27	112.69	-	-
Dec.	0.0	-	-	4.6	4.9	2.4	0.18	1.18	110.11	-	-
2011 Jan.	.	-	-	.	.	.	0.19	1.29	110.38	-	-

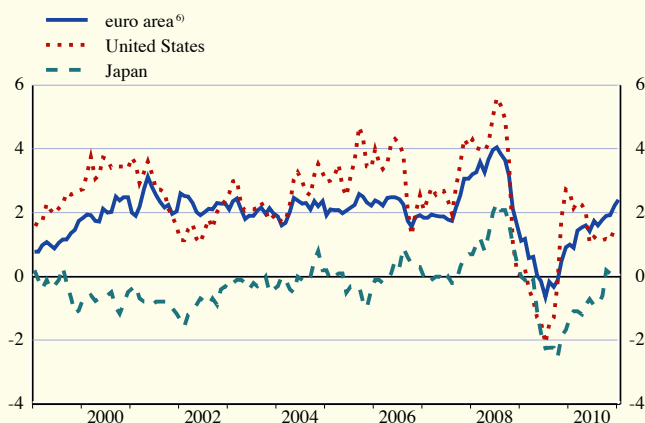
### C41 Real gross domestic product

(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.



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## 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](http://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:

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

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

Unless otherwise indicated, the annual growth rates refer to the end of the indicated period. For example, the annual percentage change for the year 2002 is calculated in g) by dividing the index 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<sup>1</sup>

The approach used is based on multiplicative decomposition using X-12-ARIMA.<sup>2</sup> 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.<sup>3</sup> 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](http://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:

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

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:

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

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

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:

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

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

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

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<sup>4</sup>

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:

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

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

### TABLE I IN SECTION 5.1

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

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

<sup>4</sup> 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](http://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 or TRAMO-SEATS depending on the item. The raw data for goods, services, income and current transfers are pre-adjusted in order to take into account significant working day effects. The working day adjustment for goods and services takes account of national public holidays. The seasonal adjustment of these items is carried out using these pre-adjusted series. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal (and trading day) factors are revised at 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](http://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](mailto: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 2 February 2011.

Unless otherwise indicated, all data series including observations for 2011 relate to the “Euro 17” (i.e. the euro area including Estonia) for the whole time series. For interest rates, monetary statistics, the HICP and reserve assets (and, for consistency reasons, the components and counterparts of M3 and the components of the HICP), euro area statistical series take into account the changing composition of the euro area.

The composition of the euro area has changed a number of times over the years. When the euro was introduced in 1999, the euro area comprised the following 11 countries (the Euro 11): Belgium, Germany, Ireland, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. Greece then joined in 2001, forming the Euro 12. Slovenia joined in 2007, forming the Euro 13; Cyprus and Malta joined in 2008, forming the Euro 15; and Slovakia joined in 2009, forming the Euro 16. Finally, Estonia joined in 2011, bringing the number of euro area countries to 17.

### EURO AREA SERIES WITH A FIXED COMPOSITION

Aggregated statistical series for fixed compositions of the euro area relate to a given fixed composition for the whole time series, regardless of the composition at the time to which the statistics relate. For example, aggregated series are calculated for the Euro 17 (i.e. aggregating the data of all 17 countries currently in the euro area) for all years, despite the fact that the euro area has only had this composition since 1 January 2011. Unless otherwise indicated, the ECB’s Monthly Bulletin provides statistical series for the current composition.

### EURO AREA SERIES WITH A CHANGING COMPOSITION

Aggregated statistical series with a changing composition take into account the composition of the euro area at the time to which the statistics relate. For example, euro area statistical series with a changing composition aggregate the data of the Euro 11 for the period up to the end of 2000, the Euro 12 for the period from 2001 to the end of 2006, and so on. With this approach, each individual statistical series covers all of the various compositions of the euro area.

For the HICP, as well as monetary aggregates and their counterparts, annual rates of change are compiled from chain-linked indices, with joining countries’ series linked to the euro area series in the December index. Thus, if a country joins the euro area in January of a given year, annual rates of change relate to the previous composition of the euro area up to and including December of the previous year, and the enlarged composition of the euro area thereafter. Percentage changes are calculated on the basis of a chain-linked index, taking account of the changing composition of the euro area. Absolute changes for monetary aggregates and their counterparts (transactions) refer to



the composition of the euro area at the time to which the statistics relate.

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<sup>1</sup> 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, 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 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

<sup>1</sup> 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>).

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<sup>2</sup>.

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

<sup>2</sup> OJ L 15, 20.01.2009, p.14.

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<sup>3</sup>. 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.

<sup>3</sup> Svensson, L. E., "Estimating and Interpreting Forward Interest Rates: Sweden 1992-1994", Centre for Economic Policy Research, Discussion Paper No 1051, 1994.



Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics<sup>4</sup>. 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,<sup>5</sup> 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<sup>6</sup>. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

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.

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<sup>7</sup> and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003<sup>8</sup>. 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

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.

7 OJ L 69, 13.3.2003, p. 1.

8 OJ L 169, 8.7.2003, p. 37.

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<sup>9</sup> amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance 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 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<sup>10</sup>. 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)<sup>11</sup> and the amending ECB Guideline of 31 May 2007 (ECB/2007/3)<sup>12</sup>. 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),

<sup>9</sup> OJ L 172, 12.7.2000, p. 3.

<sup>10</sup> OJ L 179, 9.7.2002, p. 1.

<sup>11</sup> OJ L 354, 30.11.2004, p. 34.

<sup>12</sup> OJ L 159, 20.6.2007, p. 48.



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](http://www.cmfb.org)). The annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force's recommendations 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, 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. By definition, the assets included in the Eurosystem’s international reserves take account of the changing composition of the euro area. Before countries join the euro area, the assets of their national central banks are included in portfolio investment (in the case of securities) or other investment (in the case of other assets). 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-20 group of trading partners is composed of the 10 non-euro area EU Member States plus Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-40 group comprises the EER-20 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 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<sup>1</sup>



### 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.

<sup>1</sup> The chronology of monetary policy measures taken by the Eurosystem between 1999 and 2008 can be found in the ECB's Annual Report for the respective years.

**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.

#### **2 DECEMBER 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 April 2011, notably to continue its fixed rate tender procedures with full allotment.

#### **13 JANUARY AND 3 FEBRUARY 2011**

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.





## PUBLICATIONS PRODUCED BY THE EUROPEAN CENTRAL BANK

The ECB produces a number of publications which provide information about its core activities: monetary policy, statistics, payment and securities settlement systems, financial stability and supervision, international and European cooperation, and legal matters. These include the following:

### STATUTORY PUBLICATIONS

- Annual Report
- Convergence Report
- Monthly Bulletin

### RESEARCH PAPERS

- Legal Working Paper Series
- Occasional Paper Series
- Research Bulletin
- Working Paper Series

### OTHER/TASK-RELATED PUBLICATIONS

- Enhancing monetary analysis
- Financial integration in Europe
- Financial Stability Review
- Statistics Pocket Book
- The European Central Bank: history, role and functions
- The international role of the euro
- The implementation of monetary policy in the euro area (“General Documentation”)
- The monetary policy of the ECB
- The payment system

The ECB also publishes brochures and information materials on a variety of topics, such as the euro banknotes and coins, as well as seminar and conference proceedings.

For a complete list of documents (in PDF format) published by the ECB and the European Monetary Institute, the ECB’s forerunner from 1994 to 1998, please visit the ECB’s website at <http://www.ecb.europa.eu/pub/>. Language codes indicate the languages in which each publication is available.

Unless otherwise indicated, hard copies can be obtained or subscribed to free of charge, stock permitting, by contacting [info@ecb.europa.eu](mailto:info@ecb.europa.eu)







## 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](http://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.

**Collateral:** assets pledged or transferred in some form as a guarantee for the repayment of loans, as well as assets sold under repurchase agreements. Collateral used in Eurosystem reverse transactions must fulfil certain eligibility criteria.

**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 enabling eligible counterparties to make, on their own initiative, overnight deposits with the NCB in their respective jurisdiction. Deposits are remunerated at a pre-specified rate that normally provides a floor for overnight market interest rates.

**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 different groups of trading partners: the EER-20 comprises the 10 non-euro area EU Member States and 10 trading partners outside the EU, and the EER-40 encompasses the EER-20 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, e.g. 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 what is known as a prime bank is willing to lend funds (denominated in euro) to another prime bank. The EURIBOR is computed daily, based on the rates of a sample of selected banks, for 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 whose currency is 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.

**Financial vehicle corporation (FVC):** an entity whose principal activity is to carry out securitisation transactions. An FVC typically issues marketable securities that are offered for sale to the general public, or sold in the form of private placements. In some cases, an FVC simply holds the securitised assets and issues the securities through another entity, often an FVC itself.

**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 pre-specified by the central bank (fixed rate) 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 (full allotment).

**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).

**Gross external debt:** the outstanding amount of an economy's actual (i.e. non-contingent) current liabilities that require payment of principal and/or interest to non-residents at some point in the future.

**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.

**Insurance corporations and pension funds:** a sector defined in the ESA 95 as comprising all financial corporations and quasi-corporations that are engaged primarily in financial intermediation as the consequence of the pooling of risks.

**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 payment 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.

**Liquidity-absorbing operation:** an operation through which the Eurosystem absorbs liquidity in order to reduce excess liquidity, or to create a shortage of liquidity. Such operations can be conducted by issuing debt certificates or fixed-term deposits.

**Longer-term refinancing operation (LTRO):** an open market operation with a maturity of more than one week that is executed by the Eurosystem in the form of a reverse transaction. The regular monthly operations have 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 (MRO):** 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 enabling eligible counterparties, on their own initiative, to receive overnight credit from the NCB in their jurisdiction at a pre-specified rate in the form of a reverse transaction. The rate on loans extended within the scope of the marginal lending facility normally provides an upper bound for overnight market interest rates.

**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.

**Open market operation:** a financial market operation executed on the initiative of the central bank. These operations include reverse transactions, outright transactions as well as the issuance of fixed-term deposits or debt certificates or foreign exchange swaps. The open market operations can be liquidity providing or liquidity absorbing.

**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:** as defined by the Governing Council, 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 that is deemed to be compatible with price stability over the medium term.

**Reserve requirement:** the requirement for institutions to hold minimum reserves with the central bank over a 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.



**Reverse transaction:** an operation whereby the NCB buys or sells assets under a repurchase agreement or conducts credit operations against collateral.

**Securitisation:** a transaction or scheme whereby an asset or a pool of cash flow-producing assets, often consisting of loans (mortgages, consumer loans, etc.), is transferred from an originator (usually a credit institution) to a financial vehicle corporation (FVC). The FVC effectively converts these assets into marketable securities by issuing debt instruments with principal and interest serviced through the cash flows produced by the asset pool.

**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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